

# Government Properties Income Trust



7850 Southwest 6th Court, Plantation, FL.  
Square Feet: 135,819.  
Tenant: Internal Revenue Service.



## First Quarter 2014 Supplemental Operating and Financial Data

*All amounts in this report are unaudited.*



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## WARNING CONCERNING FORWARD LOOKING STATEMENTS



THIS PRESENTATION OF SUPPLEMENTAL OPERATING AND FINANCIAL DATA CONTAINS STATEMENTS THAT CONSTITUTE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER SECURITIES LAWS. ALSO, WHENEVER WE USE WORDS SUCH AS "BELIEVE", "EXPECT", "ANTICIPATE", "INTEND", "PLAN", "ESTIMATE" OR SIMILAR EXPRESSIONS, WE ARE MAKING FORWARD LOOKING STATEMENTS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON OUR PRESENT INTENT, BELIEFS OR EXPECTATIONS, BUT FORWARD LOOKING STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. FORWARD LOOKING STATEMENTS IN THIS REPORT RELATE TO VARIOUS ASPECTS OF OUR BUSINESS, INCLUDING:

- OUR ACQUISITIONS AND SALES OF PROPERTIES,
- OUR ABILITY TO COMPETE FOR ACQUISITIONS AND TENANCIES EFFECTIVELY,
- THE CREDIT QUALITIES OF OUR TENANTS,
- THE LIKELIHOOD THAT OUR TENANTS WILL PAY RENT, RENEW LEASES, ENTER INTO NEW LEASES, NOT EXERCISE EARLY TERMINATION OPTIONS PURSUANT TO THEIR LEASES OR BE AFFECTED BY CYCLICAL ECONOMIC CONDITIONS,
- OUR ABILITY TO PAY DISTRIBUTIONS TO OUR SHAREHOLDERS AND THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS AND FINANCINGS,
- THE FUTURE AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY,
- OUR EXPECTATION THAT THERE WILL BE OPPORTUNITIES FOR US TO ACQUIRE, AND THAT WE WILL ACQUIRE, ADDITIONAL PROPERTIES THAT ARE MAJORITY LEASED TO GOVERNMENT TENANTS,
- OUR EXPECTATIONS REGARDING DEMAND FOR LEASED SPACE BY THE U.S. GOVERNMENT AND STATE AND LOCAL GOVERNMENTS,
- OUR ABILITY TO RAISE EQUITY OR DEBT CAPITAL,
- OUR ABILITY TO PAY INTEREST ON AND PRINCIPAL OF OUR DEBT,
- OUR TAX STATUS AS A REAL ESTATE INVESTMENT TRUST, OR REIT, AND
- OTHER MATTERS.

OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN OR IMPLIED BY OUR FORWARD LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR FORWARD LOOKING STATEMENTS AND UPON OUR BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION, FUNDS FROM OPERATIONS, NORMALIZED FUNDS FROM OPERATIONS, NET OPERATING INCOME, EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION, OR EBITDA, EBITDA AS ADJUSTED, OR ADJUSTED EBITDA, CASH FLOWS, LIQUIDITY AND PROSPECTS INCLUDE, BUT ARE NOT LIMITED TO:

- THE IMPACT OF CHANGES IN THE ECONOMY AND THE CAPITAL MARKETS ON US AND OUR TENANTS,
- COMPETITION WITHIN THE REAL ESTATE INDUSTRY, PARTICULARLY WITH RESPECT TO THOSE MARKETS IN WHICH OUR PROPERTIES ARE LOCATED AND WITH RESPECT TO THE ACQUISITION OF GOVERNMENT LEASED PROPERTIES,
- THE IMPACT OF CHANGES IN THE REAL ESTATE NEEDS AND FINANCIAL CONDITIONS OF THE U.S. GOVERNMENT AND STATE AND LOCAL GOVERNMENTS,
- COMPLIANCE WITH, AND CHANGES TO, FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS, ACCOUNTING RULES, TAX LAWS AND SIMILAR MATTERS,
- ACTUAL AND POTENTIAL CONFLICTS OF INTEREST WITH OUR MANAGING TRUSTEES, REIT MANAGEMENT & RESEARCH LLC, OR RMR, AND THEIR RELATED PERSONS AND ENTITIES,





- LIMITATIONS IMPOSED ON OUR BUSINESS AND OUR ABILITY TO SATISFY COMPLEX RULES IN ORDER FOR US TO QUALIFY AS A REIT FOR U.S. FEDERAL INCOME TAX PURPOSES, AND

- ACTS OF TERRORISM, OUTBREAKS OF SO CALLED PANDEMICS OR OTHER MANMADE OR NATURAL DISASTERS BEYOND OUR CONTROL.

FOR EXAMPLE:

- CONTINGENCIES IN OUR ACQUISITION AND SALE AGREEMENTS MAY NOT BE SATISFIED AND OUR PENDING ACQUISITIONS AND SALES MAY NOT OCCUR, MAY BE DELAYED OR THE TERMS OF SUCH TRANSACTIONS MAY CHANGE,
- OUR ABILITY TO MAKE FUTURE DISTRIBUTIONS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS AND THE CAPITAL COSTS WE INCUR TO LEASE OUR PROPERTIES. WE MAY BE UNABLE TO MAINTAIN OUR CURRENT RATE OF DISTRIBUTIONS AND FUTURE DISTRIBUTIONS MAY BE SUSPENDED,
- OUR ABILITY TO GROW OUR BUSINESS AND INCREASE OUR DISTRIBUTIONS DEPENDS IN LARGE PART UPON OUR ABILITY TO BUY PROPERTIES AND LEASE THEM FOR RENTS, LESS PROPERTY OPERATING EXPENSES, THAT EXCEED OUR CAPITAL COSTS. WE MAY BE UNABLE TO IDENTIFY PROPERTIES THAT WE WANT TO ACQUIRE OR TO NEGOTIATE ACCEPTABLE PURCHASE PRICES, ACQUISITION FINANCING OR LEASE TERMS FOR NEW PROPERTIES,
- SOME OF OUR TENANTS MAY NOT RENEW EXPIRING LEASES, AND WE MAY BE UNABLE TO LOCATE NEW TENANTS TO MAINTAIN OR INCREASE THE HISTORICAL OCCUPANCY RATES OF, OR RENTS FROM, OUR PROPERTIES,
- SOME GOVERNMENT TENANTS MAY EXERCISE THEIR RIGHT TO VACATE THEIR SPACE BEFORE THE STATED EXPIRATION OF THEIR LEASES, AND WE MAY BE UNABLE TO LOCATE NEW TENANTS TO MAINTAIN THE HISTORICAL OCCUPANCY RATES OF, OR RENTS FROM, OUR PROPERTIES,
- RENTS THAT WE CAN CHARGE AT OUR PROPERTIES MAY DECLINE BECAUSE OF CHANGING MARKET CONDITIONS OR OTHERWISE,
- CONTINUED AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND MEETING OTHER CUSTOMARY CREDIT FACILITY CONDITIONS,
- ACTUAL COSTS UNDER OUR REVOLVING CREDIT FACILITY WILL BE HIGHER THAN LIBOR PLUS A PREMIUM BECAUSE OF OTHER FEES AND EXPENSES ASSOCIATED WITH OUR REVOLVING CREDIT FACILITY,
- INCREASING THE MAXIMUM BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY AND OUR TERM LOAN IS SUBJECT TO OUR OBTAINING ADDITIONAL COMMITMENTS FROM LENDERS, WHICH MAY NOT OCCUR,
- WE MAY EXTEND THE MATURITY DATE OF OUR REVOLVING CREDIT FACILITY SUBJECT TO MEETING CERTAIN CONDITIONS AND PAYMENT OF A FEE. WE CAN PROVIDE NO ASSURANCE THAT THE APPLICABLE CONDITIONS WILL BE MET,
- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE, AND
- WE BELIEVE THAT OUR CONTINUING RELATIONSHIPS WITH RMR, AFFILIATES INSURANCE COMPANY AND THEIR AFFILIATED AND RELATED PERSONS AND ENTITIES MAY BENEFIT US AND PROVIDE US WITH COMPETITIVE ADVANTAGES IN OPERATING AND GROWING OUR BUSINESS. IN FACT, THE ADVANTAGES WE BELIEVE WE MAY REALIZE FROM THESE RELATIONSHIPS MAY NOT MATERIALIZE.

THESE RESULTS COULD OCCUR DUE TO MANY DIFFERENT CIRCUMSTANCES, SOME OF WHICH ARE BEYOND OUR CONTROL, SUCH AS CHANGES IN GOVERNMENT TENANTS' NEEDS FOR LEASED SPACE, NATURAL DISASTERS OR CHANGES IN CAPITAL MARKETS OR THE ECONOMY GENERALLY.

THE INFORMATION CONTAINED IN OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, OR SEC, INCLUDING UNDER THE CAPTION "RISK FACTORS" IN OUR PERIODIC REPORTS, OR INCORPORATED THEREIN, IDENTIFIES OTHER IMPORTANT FACTORS THAT COULD CAUSE DIFFERENCES FROM OUR FORWARD LOOKING STATEMENTS. OUR FILINGS WITH THE SEC ARE AVAILABLE ON THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV).

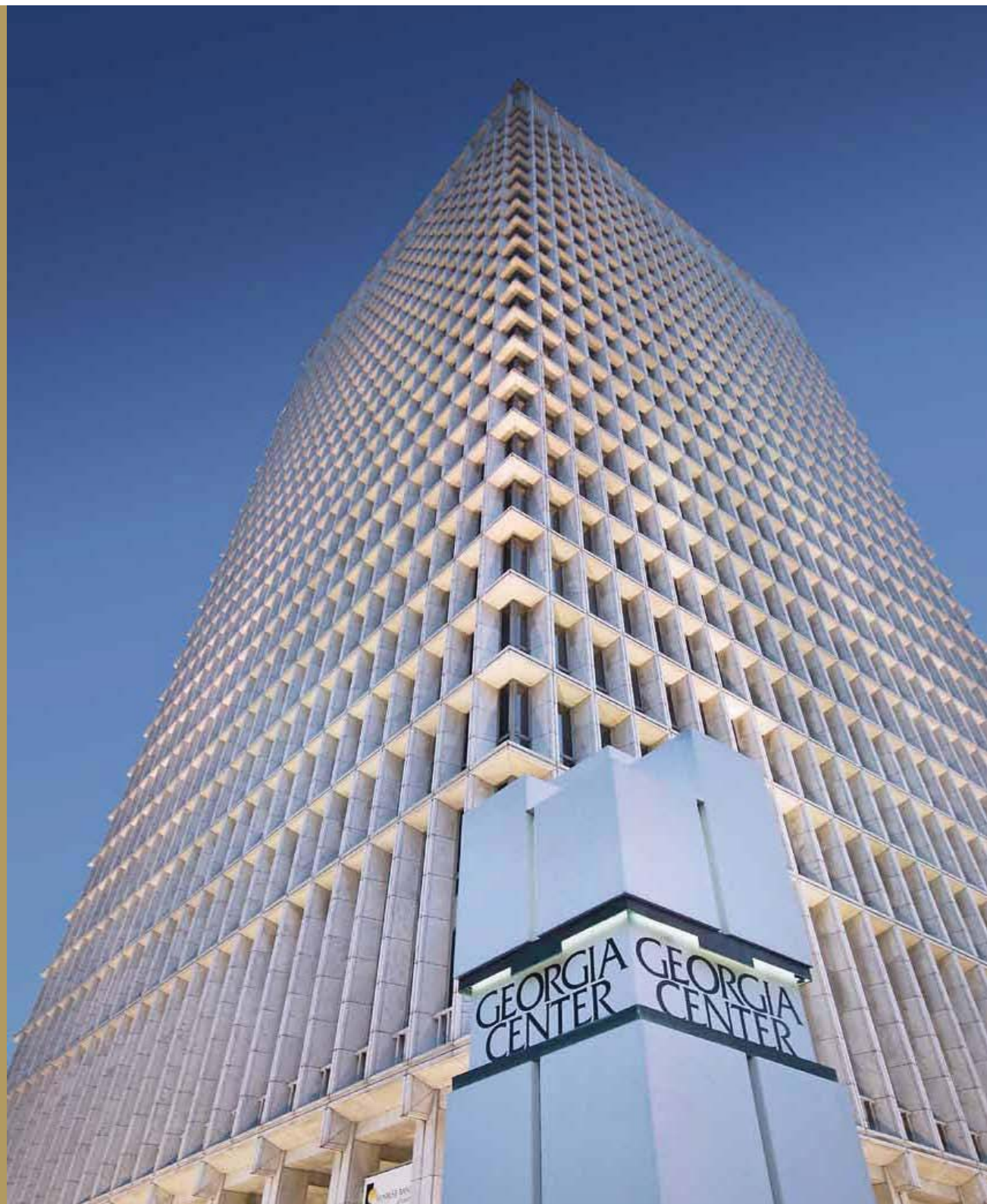
YOU SHOULD NOT PLACE UNDUE RELIANCE UPON OUR FORWARD LOOKING STATEMENTS.

EXCEPT AS REQUIRED BY LAW, WE DO NOT INTEND TO UPDATE OR CHANGE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

# CORPORATE INFORMATION



*One Georgia Center, Atlanta, GA.  
Square Feet: 375,952.  
Tenant: State of GA: Department of Transportation.*



## COMPANY PROFILE



### **The Company:**

Government Properties Income Trust, or GOV, we or us, is a real estate investment trust, or REIT, which primarily owns properties located throughout the United States that are majority leased to government tenants. The majority of our properties are office buildings. We have been investment grade rated since 2010, and we are included in the S&P Small Cap 600 Index, the Russell 2000® stock index and the MSCI US REIT index.

### **Management:**

GOV is managed by Reit Management & Research LLC, or RMR. RMR was founded in 1986 to manage public investments in real estate. As of March 31, 2014, RMR managed a large portfolio of publicly owned real estate, including approximately 1,200 properties, located in 47 states, Washington, D.C., Puerto Rico, Canada and Australia. RMR has approximately 850 employees in its headquarters and regional offices located throughout the U.S. and one affiliated office in Australia. In addition to managing GOV, RMR manages CommonWealth REIT, or CWH, a publicly traded REIT that primarily owns office properties, Hospitality Properties Trust, or HPT, a publicly traded REIT that owns hotels and travel centers, Senior Housing Properties Trust, or SNH, a publicly traded REIT that primarily owns healthcare, senior living and medical office buildings, and Select Income REIT, or SIR, a publicly traded REIT that primarily owns and invests in net leased, single tenant properties throughout the U.S. and leased lands in Hawaii. RMR also provides management services to Five Star Quality Care, Inc., a senior living and healthcare services company that is a tenant of SNH and that manages certain of SNH's senior living communities, and to TravelCenters of America LLC, an operator of travel centers, which is a tenant of HPT. An affiliate of RMR, Sonesta International Hotels Corporation, is also one of HPT's hotel managers. Another affiliate of RMR, RMR Advisors, Inc., is the investment manager of a publicly owned mutual fund, which principally invests in securities of unaffiliated real estate companies. The public companies managed by RMR and its affiliates had combined total gross assets of approximately \$23 billion as of March 31, 2014. We believe that being managed by RMR is a competitive advantage for GOV because of RMR's depth of management and experience in the real estate industry. We also believe RMR provides management services to us at costs that are lower than we would have to pay for similar quality services.

### **Corporate Headquarters:**

Two Newton Place  
255 Washington Street, Suite 300  
Newton, MA 02458-1634  
(t) (617) 219-1440  
(f) (617) 219-1441

### **Stock Exchange Listing:**

New York Stock Exchange

### **Trading Symbol:**

Common Shares – GOV

### **Issuer Ratings:**

Moody's – Baa3  
Standard & Poor's – BBB-

### **Portfolio Data (as of 3/31/2014)<sup>(1)</sup>:**

Total properties	69 (88 buildings)
Total sq. ft. (000s)	10,400
Percent leased	95.1%

<sup>(1)</sup> Excludes two properties (two buildings) included in discontinued operations and classified as held for sale as of March 31, 2014.





## INVESTOR INFORMATION

### Board of Trustees

Barbara D. Gilmore  
*Independent Trustee*

John L. Harrington  
*Independent Trustee*

Jeffrey P. Somers  
*Independent Trustee*

Adam D. Portnoy  
*Managing Trustee*

Barry M. Portnoy  
*Managing Trustee*

### Senior Management

David M. Blackman  
*President and Chief Operating Officer*

Mark L. Kleifges  
*Treasurer and Chief Financial Officer*

### Contact Information

#### Investor Relations

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#### Inquiries

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Investor and media inquiries should be directed to Timothy A. Bonang, Vice President, Investor Relations, at (617) 219-1440 or [tbonang@govreit.com](mailto:tbonang@govreit.com), or Jason Fredette, Director, Investor Relations, at (617) 219-1440 or [jfredette@govreit.com](mailto:jfredette@govreit.com).



## RESEARCH COVERAGE

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*GOV is followed by the analysts and its credit is rated by the rating agencies listed above. Please note that any opinions, estimates or forecasts regarding GOV's performance made by these analysts or agencies do not represent opinions, forecasts or predictions of GOV or its management. GOV does not by its reference above imply its endorsement of or concurrence with any information, conclusions or recommendations provided by any of these analysts or agencies.*



# FINANCIAL INFORMATION



*11411 East Jefferson, Detroit, MI.  
Square Feet: 55,966.  
Tenant: U.S. Customs and Immigration Services.*

## KEY FINANCIAL DATA

(dollar and share amounts in thousands, except per share data)



	As of and for the Three Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b><u>Shares Outstanding:</u></b>					
Common shares outstanding (at end of period)	54,728	54,722	54,722	54,674	54,664
Weighted average common shares outstanding	54,725	54,722	54,684	54,669	54,645
<b><u>Common Share Data:</u></b>					
Price at end of period	\$ 25.20	\$ 24.85	\$ 23.93	\$ 25.22	\$ 25.73
High during period	\$ 25.41	\$ 25.41	\$ 27.03	\$ 26.93	\$ 27.34
Low during period	\$ 24.02	\$ 23.33	\$ 23.00	\$ 23.13	\$ 24.21
Annualized dividends paid per share during period	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Annualized dividend yield (at end of period)	6.8%	6.9%	7.2%	6.8%	6.7%
Annualized Normalized FFO <sup>(1)</sup> multiple (at end of period)	12.0x	12.1x	11.7x	11.8x	11.6x
Annualized property net operating income (NOI) <sup>(2)</sup> / total market capitalization	7.3%	7.3%	7.6%	7.9%	8.0%
<b><u>Market Capitalization:</u></b>					
Total debt (book value)	\$ 605,115	\$ 597,727	\$ 510,343	\$ 466,939	\$ 470,026
Plus: market value of common shares (at end of period)	1,379,146	1,359,842	1,309,497	1,378,878	1,406,505
Total market capitalization	\$ 1,984,261	\$ 1,957,569	\$ 1,819,840	\$ 1,845,817	\$ 1,876,531
Total debt / total market capitalization	30.5%	30.5%	28.0%	25.3%	25.0%
<b><u>Book Capitalization:</u></b>					
Total debt	\$ 605,115	\$ 597,727	\$ 510,343	\$ 466,939	\$ 470,026
Plus: total shareholders' equity	981,532	989,675	1,000,462	1,021,119	1,029,187
Total book capitalization	\$ 1,586,647	\$ 1,587,402	\$ 1,510,805	\$ 1,488,058	\$ 1,499,213
Total debt / total book capitalization	38.1%	37.7%	33.8%	31.4%	31.4%

<sup>(1)</sup> See Exhibit C for the calculation of funds from operations, or FFO, and Normalized FFO, and a reconciliation of net income determined in accordance with United States generally accepted accounting principles, or GAAP, to those amounts. Adjustments were made to prior period amounts to conform to the current period Normalized FFO calculation.

<sup>(2)</sup> See Exhibit A for the calculation of net operating income, or NOI, and Cash Basis NOI and a reconciliation of those amounts to net income determined in accordance with GAAP.



## KEY FINANCIAL DATA

(dollar amounts in thousands, except per share data)

	As of and for the Three Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b><u>Selected Balance Sheet Data:</u></b>					
Total assets	\$ 1,629,480	\$ 1,632,452	\$ 1,553,079	\$ 1,527,204	\$ 1,539,970
Total liabilities	\$ 647,948	\$ 642,777	\$ 552,617	\$ 506,085	\$ 510,783
Gross book value of real estate assets <sup>(1)</sup>	\$ 1,789,849	\$ 1,766,077	\$ 1,689,578	\$ 1,647,632	\$ 1,645,567
Total debt / gross book value of real estate assets <sup>(1)</sup>	33.8%	33.8%	30.2%	28.3%	28.6%
<b><u>Selected Income Statement Data:</u></b>					
Rental income	\$ 59,820	\$ 58,271	\$ 56,401	\$ 55,934	\$ 56,304
Adjusted EBITDA <sup>(2)</sup>	\$ 33,685	\$ 33,057	\$ 31,976	\$ 33,936	\$ 35,021
NOI <sup>(3)</sup>	\$ 36,271	\$ 35,724	\$ 34,622	\$ 35,792	\$ 36,813
NOI margin <sup>(4)</sup>	60.6%	61.3%	61.4%	64.0%	65.4%
Net income <sup>(5) (6) (7)</sup>	\$ 15,190	\$ 12,724	\$ 1,966	\$ 15,204	\$ 24,726
Normalized FFO <sup>(8)</sup>	\$ 28,782	\$ 28,201	\$ 27,542	\$ 29,533	\$ 30,512
Common distributions paid	\$ 23,530	\$ 23,530	\$ 23,510	\$ 23,505	\$ 23,497
Normalized FFO <sup>(8)</sup> payout ratio	81.8%	83.4%	85.4%	79.6%	77.0%
<b><u>Per Share Data:</u></b>					
Net income <sup>(5) (6) (7)</sup>	\$ 0.28	\$ 0.23	\$ 0.04	\$ 0.28	\$ 0.45
Normalized FFO <sup>(8)</sup>	\$ 0.53	\$ 0.52	\$ 0.51	\$ 0.54	\$ 0.56
<b><u>Coverage Ratios:</u></b>					
Adjusted EBITDA <sup>(2)</sup> / interest expense	7.4x	7.4x	7.7x	8.3x	8.4x
Total debt / Annualized Adjusted EBITDA <sup>(2)</sup>	4.5x	4.5x	4.0x	3.4x	3.4x

<sup>(1)</sup> Gross book value of real estate assets is real estate properties at cost, plus certain acquisition costs, before purchase price allocations and less impairment writedowns, if any, and excludes properties classified as discontinued operations.

<sup>(2)</sup> See Exhibit B for the calculation of earnings before interest, taxes, depreciation and amortization, or EBITDA, and Adjusted EBITDA, and a reconciliation of net income determined in accordance with GAAP to those amounts. Adjustments were made to prior period amounts to conform to the current period Adjusted EBITDA calculation.

<sup>(3)</sup> See Exhibit A for the calculation of NOI and a reconciliation of those amounts to net income determined in accordance with GAAP.

<sup>(4)</sup> NOI margin is defined as NOI as a percentage of rental income. See Exhibit A for the calculation of NOI and a reconciliation of net income determined in accordance with GAAP to those amounts.

<sup>(5)</sup> Net income for the three months ended March 31, 2013 includes a net gain on sale of properties from discontinued operations of \$8.2 million, or \$0.15 per share.

<sup>(6)</sup> Net income for the three months ended September 30, 2013 includes a loss on impairment of properties from discontinued operations of \$10.1 million, or \$0.19 per share.

<sup>(7)</sup> Net income for three months ended March 31, 2014 includes an increase to the carrying value of an asset held for sale of \$2.3 million, or \$0.04 per share.

<sup>(8)</sup> See Exhibit C for the calculation of FFO and Normalized FFO, and a reconciliation of net income determined in accordance with GAAP to those amounts.

Adjustments were made to prior period amounts to conform to the current period Normalized FFO calculation.



## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands, except per share data)



	As of 3/31/2014	As of 12/31/2013
<b>ASSETS</b>		
Real estate properties:		
Land	\$ 246,649	\$ 243,686
Buildings and improvements	1,341,443	1,324,876
	1,588,092	1,568,562
Accumulated depreciation	(196,360)	(187,635)
	1,391,732	1,380,927
Assets of discontinued operations	23,570	25,997
Acquired real estate leases, net	139,330	142,266
Cash and cash equivalents	2,979	7,663
Restricted cash	2,344	1,689
Rents receivable, net	31,519	33,350
Deferred leasing costs, net	11,432	11,618
Deferred financing costs, net	3,556	3,911
Other assets, net	23,018	25,031
Total assets	<u>\$ 1,629,480</u>	<u>\$ 1,632,452</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Unsecured revolving credit facility	\$ 150,500	\$ 157,000
Unsecured term loan	350,000	350,000
Mortgage notes payable	104,615	90,727
Liabilities of discontinued operations	276	276
Accounts payable and accrued expenses	21,940	23,216
Due to related persons	2,420	2,474
Assumed real estate lease obligations, net	18,197	19,084
Total liabilities	<u>647,948</u>	<u>642,777</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 70,000,000 shares authorized, 54,728,393 and 54,722,018 shares issued and outstanding, respectively	547	547
Additional paid in capital	1,105,857	1,105,679
Cumulative net income	207,103	191,913
Cumulative other comprehensive income	68	49
Cumulative common distributions	(332,043)	(308,513)
Total shareholders' equity	<u>981,532</u>	<u>989,675</u>
Total liabilities and shareholders' equity	<u>\$ 1,629,480</u>	<u>\$ 1,632,452</u>

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars and share amounts in thousands, except per share data)

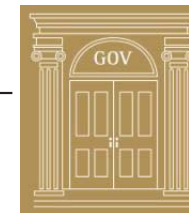


	For the Three Months Ended	
	3/31/2014	3/31/2013
Rental income <sup>(1)</sup>	\$ 59,820	\$ 56,304
Expenses:		
Real estate taxes	6,812	6,321
Utility expenses	5,696	3,849
Other operating expenses	11,041	9,321
Depreciation and amortization	15,427	13,326
Acquisition related costs	509	34
General and administrative	3,097	3,179
Total expenses	42,582	36,030
Operating income	17,238	20,274
Interest and other income	50	6
Interest expense (including net amortization of debt premiums and deferred financing fees of \$330 and \$331, respectively)	(4,527)	(4,147)
Income from continuing operations before income tax expense and equity in earnings (losses) of an investee	12,761	16,133
Income tax expense	(22)	(43)
Equity in earnings (losses) of an investee	(97)	76
Income from continuing operations	12,642	16,166
Income from discontinued operations	2,548	8,560
Net income	\$ 15,190	\$ 24,726
Weighted average common shares outstanding	54,725	54,645
Income from continuing operations per common share	\$ 0.23	\$ 0.30
Income from discontinued operations per common share	\$ 0.05	\$ 0.16
Net income per common share	\$ 0.28	\$ 0.45
Additional Data:		
General and administrative expenses / rental income	5.18%	5.65%
General and administrative expenses / total assets (at end of period)	0.19%	0.21%
Non-cash straight line rent adjustments <sup>(1)</sup>	\$ 1,142	\$ 738
Lease value amortization included in rental income <sup>(1)</sup>	\$ (190)	\$ (241)
Capitalized interest expense	\$ -	\$ -

<sup>(1)</sup> We report rental income on a straight line basis over the terms of the respective leases; accordingly, rental income includes non-cash straight line rent adjustments. Rental income also includes expense reimbursements, tax escalations, parking revenues, service income and other fixed and variable charges paid to us by our tenants, as well as the net effect of non-cash amortization of intangible lease assets and liabilities.

# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar amounts in thousands)



	For the Three Months Ended	
	3/31/2014	3/31/2013
Cash flows from operating activities:		
Net income	\$ 15,190	\$ 24,726
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	9,156	8,595
Net amortization of debt premium and deferred financing fees	330	331
Straight line rental income	(1,139)	(909)
Amortization of acquired real estate leases	6,020	5,199
Amortization of deferred leasing costs	456	196
Other non-cash expenses	354	499
Increase in carrying value of asset held for sale	(2,344)	-
Net gain on sale of properties	-	(8,168)
Equity in (earnings) losses of an investee	97	(76)
Change in assets and liabilities:		
Restricted cash	(655)	(611)
Deferred leasing costs	(1,179)	(893)
Rents receivable	3,084	(1,003)
Due from related persons	-	(286)
Other assets	2,041	1,124
Accounts payable and accrued expenses	(210)	1,566
Due to related persons	(136)	(644)
Cash provided by operating activities	31,065	29,646
Cash flows from investing activities:		
Real estate acquisitions and deposits	(5,118)	-
Real estate improvements	(4,634)	(3,707)
Proceeds from sale of properties, net	4,644	18,374
Cash (used in) provided by investing activities	(5,108)	14,667
Cash flows from financing activities:		
Repayment of mortgage notes payable	(520)	(485)
Borrowings on unsecured revolving credit facility	23,500	23,500
Repayments on unsecured revolving credit facility	(30,000)	(45,500)
Financing fees	(91)	-
Distributions to common shareholders	(23,530)	(23,497)
Cash used in financing activities	(30,641)	(45,982)
Decrease in cash and cash equivalents	(4,684)	(1,669)
Cash and cash equivalents at beginning of period	7,663	5,255
Cash and cash equivalents at end of period	\$ 2,979	\$ 3,586
Supplemental cash flow information:		
Interest paid	\$ 4,131	\$ 3,773
Income taxes paid	43	84
Non-cash investing activities:		
Real estate acquisition funded by the assumption of mortgage debt	\$ (14,524)	\$ -
Non-cash financing activities:		
Assumption of mortgage debt	\$ 14,524	\$ -



## DEBT SUMMARY

As of March 31, 2014  
(dollars in thousands)



	Coupon Rate	Interest Rate <sup>(1)</sup>	Principal Balance <sup>(1)</sup>	Maturity Date	Due at Maturity	Years to Maturity
<b><u>Unsecured Floating Rate Debt:</u></b>						
\$550,000 unsecured revolving credit facility <sup>(2)</sup>	1.65%	1.65%	\$ 150,500	10/19/2015	\$ 150,500	1.6
\$350,000 unsecured term loan <sup>(3)</sup>	1.90%	1.90%	350,000	1/11/2017	350,000	2.8
Total / weighted average	1.83%	1.83%	<u>\$ 500,500</u>		<u>\$ 500,500</u>	2.4
<b><u>Secured Fixed Rate Debt:</u></b>						
Secured debt - Two buildings in Indianapolis, IN	5.73%	5.24%	\$ 48,136	10/11/2015	\$ 46,700	1.5
Secured debt - One building in Landover, MD	6.21%	6.21%	24,065	8/1/2016	23,296	2.3
Secured debt - One building in Fairfax, VA	5.88%	5.88%	14,524	8/11/2021	12,702	7.4
Secured debt - One building in Tampa, FL	7.00%	5.15%	9,835	3/1/2019	7,890	4.9
Secured debt - One building in Lakewood, CO	8.15%	6.15%	8,055	3/1/2021	-	6.9
Total / weighted average	6.17%	5.61%	<u>\$ 104,615</u>		<u>\$ 77,886</u>	3.3
<b><u>Debt Summary:</u></b>						
Total / weighted average floating rate debt	1.83%	1.83%	\$ 500,500		\$ 500,500	2.4
Total / weighted average secured fixed rate debt	6.17%	5.61%	104,615		77,886	3.3
Total / weighted average	2.58%	2.48%	<u>\$ 605,115</u>		<u>\$ 578,386</u>	2.6

<sup>(1)</sup> Includes the effect of unamortized fair value premium related to mortgage debt assumed.

<sup>(2)</sup> Borrowings under our unsecured revolving credit facility bear interest at LIBOR plus a premium of 150 basis points. We also pay a facility fee of 35 basis points per annum on the total amount of lending commitments under our revolving credit facility. Both the interest rate premium and facility fee are subject to adjustment based upon changes to our credit ratings. The coupon rate and interest rate listed above are as of 3/31/2014. Subject to meeting certain conditions and payment of a fee, we may extend the current maturity date by one year to 10/19/2016.

<sup>(3)</sup> The amount outstanding under our term loan bears interest at LIBOR plus a premium of 175 basis points, subject to adjustment based on changes to our credit ratings. The coupon rate and interest rate listed above are as of 3/31/2014. Our term loan is prepayable without penalty at any time.

## DEBT MATURITY SCHEDULE

As of March 31, 2014  
(dollars in thousands)



Year	Unsecured Floating Rate Debt	Secured Fixed Rate Debt <sup>(3)</sup>	Total <sup>(4)</sup>
2014	\$ -	\$ 1,703	\$ 1,703
2015	150,500 <sup>(1)</sup>	48,905	199,405
2016	-	24,933	24,933
2017	350,000 <sup>(2)</sup>	1,548	351,548
2018	-	1,671	1,671
2019	-	9,440	9,440
2020	-	1,619	1,619
2021	-	13,229	13,229
Total	<u>\$ 500,500</u>	<u>\$ 103,048</u>	<u>\$ 603,548</u>
Percent of total debt	<u>82.9%</u>	<u>17.1%</u>	<u>100.0%</u>

<sup>(1)</sup> Represents amounts outstanding under our unsecured revolving credit facility at 3/31/2014. Subject to meeting certain conditions and payment of a fee, we may extend the current maturity date of our unsecured revolving credit facility by one year to 10/19/2016.

<sup>(2)</sup> Represents the outstanding balance of our unsecured term loan at 3/31/2014. Our term loan is prepayable without penalty at any time.

<sup>(3)</sup> Principal balances are the amounts actually payable pursuant to the applicable contracts. In accordance with GAAP, our carrying values may differ from these amounts because of market conditions at the time we assumed these debts.

<sup>(4)</sup> Our total debt as of 3/31/2014, including unamortized mortgage premiums, was \$605,115.



## LEVERAGE RATIOS AND COVERAGE RATIOS

	As of and for the Three Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
<b><u>Leverage Ratios:</u></b>					
Total debt / total market capitalization <sup>(1)</sup>	30.5%	30.5%	28.0%	25.3%	25.0%
Total debt / total book capitalization <sup>(1)</sup>	38.1%	37.7%	33.8%	31.4%	31.4%
Total debt / total assets <sup>(1)</sup>	37.1%	36.6%	32.9%	30.6%	30.6%
Total debt / gross book value of real estate assets <sup>(1)(2)</sup>	33.8%	33.8%	30.2%	28.3%	28.6%
Secured debt <sup>(1)</sup> / total assets	6.4%	5.6%	5.9%	6.0%	6.0%
<b><u>Coverage Ratios:</u></b>					
Adjusted EBITDA <sup>(3)</sup> / interest expense	7.4x	7.4x	7.7x	8.3x	8.4x
Total debt <sup>(1)</sup> / Annualized Adjusted EBITDA <sup>(3)</sup>	4.5x	4.5x	4.0x	3.4x	3.4x

<sup>(1)</sup> Debt includes the effect of unamortized mortgage premiums, if any, related to mortgage debts assumed at the time of real estate acquisitions.

<sup>(2)</sup> Gross book value of real estate assets is real estate properties at cost, plus certain acquisition costs, before purchase price allocations and less impairment writedowns, if any, and excludes properties included in discontinued operations.

<sup>(3)</sup> See Exhibit B for the calculation of EBITDA and Adjusted EBITDA, and a reconciliation of net income determined in accordance with GAAP to those amounts. Adjustments were made to prior period amounts to conform to the current period Adjusted EBITDA calculation.



SUMMARY OF CAPITAL EXPENDITURES<sup>(1)</sup>

(dollars and sq. ft. in thousands, except per sq. ft. data)



	For the Three Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
Tenant improvements <sup>(2)</sup>	\$ 1,953	\$ 2,477	\$ 3,783	\$ 606	\$ 1,793
Leasing costs <sup>(3)</sup>	269	2,558	891	1,290	835
Building improvements <sup>(4)</sup>	2,104	3,272	1,812	1,701	230
Recurring capital expenditures	4,326	8,307	6,486	3,597	2,858
Development, redevelopment and other activities <sup>(5)</sup>	99	2,105	4,503	712	414
Total capital expenditures	<u>\$ 4,425</u>	<u>\$ 10,412</u>	<u>\$ 10,989</u>	<u>\$ 4,309</u>	<u>\$ 3,272</u>
Average sq. ft. during period	10,359	10,159	9,823	9,644	9,644
Building improvements per average sq. ft. during period	\$ 0.20	\$ 0.32	\$ 0.18	\$ 0.18	\$ 0.02

<sup>(1)</sup> Amounts exclude properties classified as discontinued operations.

<sup>(2)</sup> Tenant improvements include capital expenditures used to improve tenants' space or amounts paid directly to tenants to improve their space.

<sup>(3)</sup> Leasing costs include leasing related costs, such as brokerage commissions and tenant inducements.

<sup>(4)</sup> Building improvements generally include expenditures to replace obsolete building components and expenditures that extend the useful life of existing assets.

<sup>(5)</sup> Development, redevelopment and other activities generally include (i) major capital expenditures that are identified at the time of a property acquisition and incurred within a short time period after acquiring the property, and (ii) major capital expenditure projects that reposition a property or result in new sources of revenue.

## ACQUISITION AND DISPOSITION INFORMATION SINCE 1/1/2014

(dollars and sq. ft. in thousands, except per sq. ft. data)



## Acquisitions:

Date Acquired	City and State	Number of Properties	Number of Buildings	Sq. Ft.	Purchase Price <sup>(1)</sup>	Purchase Price <sup>(1)</sup> / Sq. Ft.	Cap Rate <sup>(2)</sup>	Weighted Average Remaining Lease Term <sup>(3)</sup>	Percent Leased <sup>(4)</sup>	Major Tenant
Mar-14	Fairfax, VA	1	1	83	\$ 19,775	\$ 238	8.6%	4.0	100.0%	U.S. Government
Total / Weighted Average		1	1	83	\$ 19,775	\$ 238	8.6%	4.0	100.0%	

<sup>(1)</sup> Represents the gross contract purchase price, including assumed debt, if any, and excludes acquisition costs, amounts necessary to adjust assumed liabilities to their fair values and purchase price allocations to intangibles.

<sup>(2)</sup> Represents the ratio of (x) annual straight line rental income, excluding the impact of above and below market lease amortization, based on existing leases at the acquisition date, less estimated annual property operating expenses as of the date of acquisition, excluding depreciation and amortization expense, to (y) the acquisition purchase price, excluding acquisition costs.

<sup>(3)</sup> Average remaining lease term weighted based on rental income as of the date of acquisition.

<sup>(4)</sup> Percent leased as of the date of acquisition.

## Dispositions:

Date Sold	Location	Number of Properties	Number of Buildings	Sq. Ft.	Sale Price <sup>(5)</sup>
Feb-14	Phoenix, AZ	1	1	97	\$ 5,000
		1	1	97	\$ 5,000

<sup>(5)</sup> Represents the gross contract sale price and excludes closing costs.

# PORTFOLIO INFORMATION

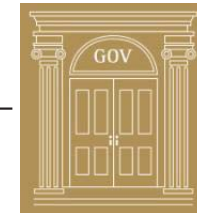


*75 Pleasant Street, Malden, MA.  
Square Feet: 125,521.  
Tenant: Massachusetts Dept. of Education.*



PORTFOLIO SUMMARY<sup>(1)</sup>

As of March 31, 2014



	Number of Properties	Number of Buildings	Sq. Ft. <sup>(2)</sup>	% Sq. Ft.	% Rental Income Three Months Ended 3/31/2014	% NOI Three Months Ended 3/31/2014 <sup>(3)</sup>	% Cash Basis NOI Three Months Ended 3/31/2014 <sup>(3)</sup>
Properties majority leased to the U.S. Government	50	63	7,686,068	73.9%	71.7%	72.8%	73.4%
Properties majority leased to state governments	16	22	2,356,912	22.7%	23.5%	21.8%	21.8%
Property majority leased to the United Nations	1	1	187,060	1.8%	4.1%	4.9%	5.2%
Property majority leased to non-government tenants	1	1	125,788	1.2%	0.7%	0.6%	(0.3%)
Other property (currently vacant)	1	1	43,918	0.4%	0.0%	(0.1%)	(0.1%)
Total	69	88	10,399,746	100.0%	100.0%	100.0%	100.0%

<sup>(1)</sup> Excludes properties classified as discontinued operations.

<sup>(2)</sup> Sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for tenants.

<sup>(3)</sup> See Exhibit A for the calculation of NOI and Cash Basis NOI, and a reconciliation of those amounts to net income determined in accordance with GAAP.





## SUMMARY CONSOLIDATED AND SAME PROPERTY RESULTS

(dollars and sq. ft. in thousands, except per sq. ft. data)

	Summary Consolidated Results <sup>(1)</sup>		Summary Same Property Results <sup>(2)</sup>	
	For the Three Months Ended		For the Three Months Ended	
	3/31/2014	3/31/2013	3/31/2014	3/31/2013
Properties (end of period)	69	63	63	63
Total sq. ft. <sup>(3)</sup>	10,400	9,646	9,646	9,646
Percent leased <sup>(4)</sup>	95.1%	93.6%	94.7%	93.6%
Rental income <sup>(5)</sup>	\$ 59,820	\$ 56,304	\$ 56,380	\$ 56,304
NOI <sup>(6)</sup>	\$ 36,271	\$ 36,813	\$ 34,015	\$ 36,813
Cash Basis NOI <sup>(6)</sup>	\$ 35,319	\$ 36,316	\$ 33,269	\$ 36,316
NOI % margin	60.6%	65.4%	60.3%	65.4%
Cash Basis NOI % margin	60.0%	65.1%	59.8%	65.1%
NOI % change	(1.5%)	-	(7.6%)	-
Cash Basis NOI % change	(2.7%)	-	(8.4%)	-

<sup>(1)</sup> Based on properties we owned as of 3/31/2014, excluding properties classified as discontinued operations.

<sup>(2)</sup> Based on properties we owned as of 3/31/2014 and which we owned continuously since 1/1/2013, excluding properties included in discontinued operations.

<sup>(3)</sup> Sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for tenants.

<sup>(4)</sup> Percent leased includes (i) space being fitted out for occupancy pursuant to our lease agreements, if any, and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants, if any, as of the measurement date.

<sup>(5)</sup> We report rental income on a straight line basis over the terms of the respective leases; accordingly, rental income includes non-cash straight line rent adjustments.

Rental income also includes expense reimbursements, tax escalations, parking revenues, service income and other fixed and variable charges paid to us by our tenants, as well as the net effect of non-cash amortization of intangible lease assets and liabilities.

<sup>(6)</sup> See Exhibit A for the calculation of NOI and Cash Basis NOI, and a reconciliation of those amounts to net income determined in accordance with GAAP.

OCCUPANCY AND LEASING SUMMARY<sup>(1)</sup>

(dollars and sq. ft. in thousands, except per sq. ft. data)

	As of and for the Three Months Ended				
	3/31/2014	12/31/2013	9/30/2013	6/30/2013	3/31/2013
Properties	69	68	65	63	63
Total sq. ft. <sup>(2)</sup>	10,400	10,317	10,001	9,646	9,646
Percentage leased	95.1%	94.8%	94.6%	94.1%	93.6%
<b><u>Leasing Activity (sq. ft.):</u></b>					
Government tenants	17	126	220	281	187
Non-government tenants	45	133	25	34	12
Total	62	259	245	315	199
<b><u>% Change in GAAP Rent <sup>(3)</sup>:</u></b>					
Government tenants	35.9%	2.5%	12.5%	(1.1%)	15.6%
Non-government tenants	(12.4%)	(23.3%)	(7.2%)	(3.9%)	(10.0%)
Total	(2.3%)	(8.0%)	10.6%	(1.4%)	14.8%
<b><u>Leasing Cost and Concession Commitments <sup>(4)</sup>:</u></b>					
Government tenants	\$ -	\$ 594	\$ 5,457	\$ 4,614	\$ 4,476
Non-government tenants	1,658	8,775	867	577	135
Total	\$ 1,658	\$ 9,369	\$ 6,324	\$ 5,191	\$ 4,611
<b><u>Leasing Cost and Concession Commitments per Sq. Ft. <sup>(4)</sup>:</u></b>					
Government tenants	\$ -	\$ 4.71	\$ 24.85	\$ 16.42	\$ 23.95
Non-government tenants	\$ 36.92	\$ 65.91	\$ 33.54	\$ 17.18	\$ 11.63
Total	\$ 26.55	\$ 36.14	\$ 25.77	\$ 16.50	\$ 23.23
<b><u>Weighted Average Lease Term by Sq. Ft. (years):</u></b>					
Government tenants	6.8	3.4	8.1	14.4	3.9
Non-government tenants	5.3	11.1	5.6	5.1	3.5
Total	5.7	7.4	7.8	13.4	3.8
<b><u>Leasing Cost and Concession Commitments per Sq. Ft. per Year:</u></b>					
Government tenants	\$ -	\$ 1.37	\$ 3.06	\$ 1.14	\$ 6.19
Non-government tenants	\$ 6.95	\$ 5.91	\$ 6.01	\$ 3.37	\$ 3.34
Total	\$ 4.62	\$ 4.89	\$ 3.28	\$ 1.23	\$ 6.04

<sup>(1)</sup> Excludes properties classified as discontinued operations.<sup>(2)</sup> Sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for tenants.<sup>(3)</sup> Percent difference in prior rents charged for same space or, in the case of space acquired vacant, market rental rates for similar space in the building at the date of acquisition. Rents include estimated recurring expense reimbursements paid to us and exclude lease value amortization.<sup>(4)</sup> Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent.*The above leasing summary is based on leases entered into during the periods indicated.*

# LEASING ANALYSIS BY TENANT TYPE<sup>(1)</sup>



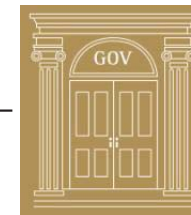
Tenant Type	Sq. Ft. Leased as of 12/31/2013 <sup>(2)</sup>	Sq. Ft. During the Three Months Ended 3/31/2014					Sq. Ft. Leased as of 3/31/2014 <sup>(2)</sup>	% of Sq. Ft. Leased as of 3/31/2014 <sup>(2)</sup>
		% of Sq. Ft. Leased as of 12/31/2013 <sup>(2)</sup>	Expired Leases	Lease Renewals Executed	New Leases Executed	Properties Acquired		
U.S. Government	6,834,029	69.9%	(17,549)	17,549	-	83,130	6,917,159	69.9%
State Government	1,932,124	19.8%	-	-	-	-	1,932,124	19.5%
United Nations	187,060	1.9%	-	-	-	-	187,060	1.9%
Non-government	826,158	8.4%	(15,097)	14,235	30,686	-	855,982	8.7%
	<u>9,779,371</u>	<u>100%</u>	<u>(32,646)</u>	<u>31,784</u>	<u>30,686</u>	<u>83,130</u>	<u>9,892,325</u>	<u>100%</u>

<sup>(1)</sup> Excludes properties classified as discontinued operations.

<sup>(2)</sup> Sq. ft. leased is pursuant to leases existing as of the measurement date, and includes (i) space being fitted out for occupancy, if any, and (ii) space which is leased, but is not occupied or is being offered for sublease, if any. Sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for new tenants.

TENANT LIST<sup>(1)</sup>

As of March 31, 2014



Tenant		Sq. Ft. <sup>(2)</sup>	% of Total Sq. Ft. <sup>(2)</sup>	% of Annualized Rental Income <sup>(3)</sup>	Tenant		Sq. Ft. <sup>(2)</sup>	% of Total Sq. Ft. <sup>(2)</sup>	% of Annualized Rental Income <sup>(3)</sup>
U.S. Government:					State Government:				
1	U.S. Customs & Immigration Service	740,433	7.1%	12.1%	1	State of California - five agency occupants	415,260	4.0%	4.3%
2	Internal Revenue Service	1,041,806	10.0%	9.0%	2	State of Massachusetts - three agency occupants	307,119	3.0%	4.1%
3	Department of Agriculture	337,500	3.2%	3.9%	3	State of Georgia - Department of Transportation	293,035	2.8%	2.4%
4	Federal Bureau of Investigation	339,485	3.3%	3.9%	4	State of Oregon - two agency occupants	199,018	1.9%	1.9%
5	Department of Justice	224,637	2.2%	3.5%	5	State of New Jersey - two agency occupants	176,855	1.7%	1.9%
6	Department of Veterans Affairs	297,190	2.9%	2.9%	6	State of Washington - Social and Health Services	111,908	1.1%	1.1%
7	Centers for Disease Control	287,890	2.8%	2.6%	7	State of Virginia - Community College System	86,873	0.8%	0.9%
8	Social Security Administration	220,587	2.1%	2.2%	8	State of South Carolina - four agency occupants	121,561	1.2%	0.6%
9	Defense Intelligence Agency	266,000	2.6%	2.2%	9	State of Minnesota - two agency occupants	71,821	1.2%	0.6%
10	Department of Homeland Security	127,508	1.2%	2.0%	10	State of Maryland - Health and Human Services	84,674	0.7%	0.5%
11	National Business Center	212,996	2.0%	1.9%	11	State of New York - Department of Agriculture	64,000	0.6%	0.5%
12	Department of Energy	220,702	2.1%	1.9%		Subtotal State Government	1,932,124	18.6%	18.8%
13	National Park Service	166,745	1.6%	1.9%		The United Nations	187,060	1.8%	4.4%
14	Food and Drug Administration	133,920	1.3%	1.8%		154 Non-Government Tenants	855,982	8.2%	7.4%
15	U.S. Courts	115,366	1.1%	1.8%		Subtotal Leased Square Feet	9,892,325	95.1%	100.0%
16	Natural Resource Center	150,551	1.4%	1.4%		Available for Lease	507,421	4.9%	--
17	Drug Enforcement Agency	147,955	1.4%	1.4%		Total Square Feet	10,399,746	100.0%	100.0%
18	Department of Health and Human Services	128,645	1.2%	1.3%					
19	National Archives and Record Administration	352,064	3.4%	1.3%					
20	Bureau of Land Management	183,325	1.8%	1.2%					
21	Department of State	89,058	0.9%	1.1%					
22	Defense Nuclear Facilities Board	58,931	0.6%	1.0%					
23	U.S. Postal Service	321,800	3.1%	1.0%					
24	Occupational Health and Safety Administration	57,770	0.6%	0.9%					
25	Military Entrance Processing Station	56,931	0.5%	0.9%					
26	Centers for Medicare and Medicaid Services	78,361	0.8%	0.8%					
27	Financial Management Service	98,073	0.9%	0.8%					
28	Department of Housing and Urban Development	88,559	0.9%	0.7%					
29	Environmental Protection Agency	43,232	0.4%	0.7%					
30	Department of the Army	228,108	2.2%	0.6%					
31	Bureau of Prisons	51,138	0.5%	0.4%					
32	Equal Employment Opportunity Commission	19,409	0.2%	0.2%					
33	National Labor Relations Board	10,615	0.1%	0.1%					
34	Small Business Administration	7,910	0.1%	0.1%					
35	Executive Office for Immigration Review	5,500	0.1%	0.0%					
36	Department of Labor	6,459	0.1%	0.0%					
	Subtotal U. S. Government	6,917,159	66.5%	69.4%					

<sup>(1)</sup> Amounts exclude properties classified as discontinued operations.

<sup>(2)</sup> Sq. ft. is pursuant to leases existing as of 3/31/2014, and includes (i) space being fitted out for occupancy, if any, and (ii) space which is leased but is not occupied or is being offered for sublease, if any, and sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for new tenants.

<sup>(3)</sup> Percentage of annualized rental income is calculated using annualized contractual base rents from our tenants pursuant to our lease agreements as of 3/31/2014, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization.



LEASE EXPIRATION SCHEDULE<sup>(1)</sup>

As of March 31, 2014  
(dollars and sq. ft. in thousands)



	Number of Tenants Expiring <sup>(2)</sup>	Sq. Ft. Expiring <sup>(3)</sup>	% of Sq. Ft. Expiring	Cumulative % of Sq. Ft. Expiring	Annualized Rental Income Expiring <sup>(4)</sup>	% of Annualized Rental Income Expiring	Cumulative % of Annualized Rental Income Expiring
2014	39	338	3.4%	3.4%	\$ 7,659	3.3%	3.3%
2015	40	1,292	13.1%	16.5%	29,884	12.7%	16.0%
2016	41	974	9.8%	26.3%	32,880	14.0%	30.0%
2017	34	643	6.5%	32.8%	13,246	5.6%	35.6%
2018	36	1,166	11.8%	44.6%	31,159	13.3%	48.9%
2019	26	1,421	14.4%	59.0%	33,128	14.1%	63.0%
2020	17	1,027	10.4%	69.4%	24,127	10.3%	73.3%
2021	11	855	8.6%	78.0%	16,476	7.0%	80.3%
2022	9	653	6.6%	84.6%	13,970	5.9%	86.2%
2023 and thereafter	20	1,523	15.4%	100.0%	32,543	13.8%	100.0%
Total	<u>273</u>	<u>9,892</u>	<u>100.0%</u>		<u>\$ 235,072</u>	<u>100.0%</u>	

Weighted average remaining  
lease term (in years)

5.4

5.1

<sup>(1)</sup> Excludes properties classified as discontinued operations.

<sup>(2)</sup> Certain of our government tenants have the right to terminate their leases before the lease term expires.

<sup>(3)</sup> Sq. ft. is pursuant to leases existing as of 3/31/2014, and includes (i) space being fitted out for occupancy, if any, and (ii) space which is leased, but is not occupied or is being offered for sublease, if any, and sq. ft. measurements are subject to modest changes when space is re-measured or re-configured for new tenants.

<sup>(4)</sup> Annualized rental income is defined as the annualized contractual base rents from our tenants pursuant to our lease agreements with them as of 3/31/2014, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excludes lease value amortization.



# EXHIBITS



4712 Southpark Blvd., Ellenwood, GA.  
Square Feet: 352,064.

*Tenant: National Archives and Records Administration.*



# CALCULATION OF PROPERTY NET OPERATING INCOME (NOI) AND CASH BASIS NOI

EXHIBIT A



(dollars in thousands)

	For the Three Months Ended	
	3/31/2014	3/31/2013
<b>Calculation of NOI and Cash Basis NOI <sup>(1)</sup>:</b>		
Rental income <sup>(2)</sup>	\$ 59,820	\$ 56,304
Operating expenses	(23,549)	(19,491)
Property net operating income (NOI)	36,271	36,813
Non-cash straight line rent adjustments included in rental income <sup>(2)</sup>	(1,142)	(738)
Lease value amortization included in rental income <sup>(2)</sup>	190	241
Cash Basis NOI	<u>\$ 35,319</u>	<u>\$ 36,316</u>
<b>Reconciliation of NOI and Cash Basis NOI to Net Income:</b>		
Cash Basis NOI	\$ 35,319	\$ 36,316
Non-cash straight line rent adjustments included in rental income	1,142	738
Lease value amortization included in rental income	(190)	(241)
NOI	36,271	36,813
Depreciation and amortization	(15,427)	(13,326)
Acquisition related costs	(509)	(34)
General and administrative	(3,097)	(3,179)
Operating income	17,238	20,274
Interest and other income	50	6
Interest expense	(4,527)	(4,147)
Income tax expense	(22)	(43)
Equity in earnings (losses) of an investee	(97)	76
Income from continuing operations	12,642	16,166
Income from discontinued operations	2,548	8,560
Net income	<u>\$ 15,190</u>	<u>\$ 24,726</u>

<sup>(1)</sup> Excludes properties classified as discontinued operations.

<sup>(2)</sup> We report rental income on a straight line basis over the terms of the respective leases; as a result, rental income includes non-cash straight line rent adjustments. Rental income also includes the net effect of non-cash amortization of intangible lease assets and liabilities and expense reimbursements, tax escalations, parking revenues, service income and other fixed and variable charges paid to us by our tenants.

We calculate NOI on a GAAP and cash basis as shown above. We define NOI as income from our real estate less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions. We define Cash Basis NOI as NOI less non-cash straight line rent adjustments and lease value amortization. We consider NOI and Cash Basis NOI to be appropriate supplemental measures to net income because they may help both investors and management to understand the operations of our properties. We use NOI and Cash Basis NOI to evaluate individual and company wide property level performance, and we believe that NOI and Cash Basis NOI provide useful information to investors regarding our results of operations because they reflect only those income and expense items that are incurred at the property level and may facilitate comparisons of our operating performance between periods and with other REITs. The calculations of NOI and Cash Basis NOI exclude certain components of net income in order to provide results that are more closely related to our properties' results of operations. NOI and Cash Basis NOI do not represent cash generated by operating activities in accordance with GAAP and should not be considered as an alternative to net income, operating income or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income, operating income and cash flow from operating activities as presented in our Condensed Consolidated Statements of Income and Comprehensive Income and Condensed Consolidated Statements of Cash Flows. Other REITs and real estate companies may calculate NOI and Cash Basis NOI differently than we do.

## CALCULATION OF EBITDA AND ADJUSTED EBITDA

EXHIBIT B



(dollars in thousands)

	For the Three Months Ended	
	3/31/2014	3/31/2013
Net income	\$ 15,190	\$ 24,726
Add: interest expense	4,527	4,147
income tax expense	22	43
depreciation and amortization from continuing operations	15,427	13,326
depreciation and amortization from discontinued operations	-	414
EBITDA	35,166	42,656
Add: acquisition related costs	509	34
general and administrative expense paid in common shares <sup>(1)</sup>	354	499
Less: increase in carrying value of asset held for sale	(2,344)	-
net gain on sale of properties from discontinued operations	-	(8,168)
Adjusted EBITDA	<u>\$ 33,685</u>	<u>\$ 35,021</u>

<sup>(1)</sup> Amounts represent the portion of business management that are payable in our common shares as well as equity based compensation for our trustees, officers and certain employees of RMR. Adjustments were made to prior period amounts to conform to the current period Adjusted EBITDA calculation.

We calculate EBITDA and Adjusted EBITDA as shown above. We consider EBITDA and Adjusted EBITDA to be appropriate measures of our operating performance, along with net income, operating income and cash flow from operating activities. We believe that EBITDA and adjusted EBITDA provide useful information to investors because by excluding the effects of certain historical amounts, such as interest, depreciation and amortization expense, carrying value adjustments of real estate assets held for sale and any gain or loss on sale of properties, EBITDA and Adjusted EBITDA may facilitate a comparison of current operating performance with our past operating performance. EBITDA and Adjusted EBITDA do not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, operating income or cash flow from operating activities, determined in accordance with GAAP, or as an indicator of financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income, operating income and cash flow from operating activities as presented in our Condensed Consolidated Statements of Income and Comprehensive Income and Condensed Consolidated Statements of Cash Flows. Other REITs and real estate companies may calculate EBITDA and Adjusted EBITDA differently than we do.



## CALCULATION OF FUNDS FROM OPERATIONS (FFO) AND NORMALIZED FFO

EXHIBIT C



(amounts in thousands, except per share data)

	For the Three Months Ended	
	3/31/2014	3/31/2013
Net income	\$ 15,190	\$ 24,726
Add: depreciation and amortization from continuing operations	15,427	13,326
depreciation and amortization from discontinued operations	-	414
Less: increase in carrying value of asset held for sale	(2,344)	-
net gain on sale of properties from discontinued operations	-	(8,168)
FFO	28,273	30,298
Add: acquisition related costs	509	34
estimated business management incentive fees <sup>(1)</sup>	-	180
Normalized FFO	\$ 28,782	\$ 30,512
Weighted average common shares outstanding	54,725	54,645
Net income per common share	\$ 0.28	\$ 0.45
FFO per common share	\$ 0.52	\$ 0.55
Normalized FFO per common share	\$ 0.53	\$ 0.56

<sup>(1)</sup>Amounts represent estimated incentive fees under our business management agreement payable in common shares after the end of each calendar year calculated: (i) prior to 2014 based upon increases in annual normalized funds from operations, and (ii) beginning in 2014 based on common share total return. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, each quarter. Although we recognize this expense each quarter for purposes of calculating net income, we do not include these amounts in the calculation of Normalized FFO until the fourth quarter, which is when the actual expense amount for the year is determined. Adjustments were made to prior period amounts to conform to the current period Normalized FFO Calculation.

We calculate FFO and Normalized FFO as shown above. FFO is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or NAREIT, which is net income, calculated in accordance with GAAP, plus real estate depreciation and amortization, excluding carrying value adjustments of real estate assets held for sale and any gain or loss on sale of properties, as well as certain other adjustments currently not applicable to us. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we exclude acquisition related costs and estimated business management incentive fees. We consider FFO and Normalized FFO to be appropriate measures of operating performance for a REIT, along with net income, operating income and cash flow from operating activities. We believe that FFO and Normalized FFO provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO and Normalized FFO may facilitate a comparison of our operating performance between periods and with other REITs. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our status as a REIT, limitations in our revolving credit facility and term loan agreements, the availability of debt and equity capital, our expectation of our future capital requirements and operating performance, and our expected needs and availability of cash to pay our obligations. FFO and Normalized FFO do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income, operating income or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income, operating income and cash flow from operating activities as presented in our Condensed Consolidated Statements of Income and Comprehensive Income and Condensed Consolidated Statements of Cash Flows. Other REITs and real estate companies may calculate FFO and Normalized FFO differently than we do.

PROPERTY DETAIL<sup>(1)</sup>

(sorted by location)

## EXHIBIT D



As of March 31, 2014

(dollars in thousands)

Property	Location	No. of Buildings	Primary Tenant Type	Sq. Ft.	% Leased	Annualized Rental Income <sup>(2)</sup>	Undepreciated Carrying Value	Depreciated Carrying Value	Date Acquired <sup>(3)</sup>	Weighted Average Year Built or Substantially Renovated <sup>(4)</sup>
1	131 Clayton Street	1	Federal	57,815	100.0%	\$ 1,425	\$ 10,020	\$ 9,395	6/22/2011	2007
2	4344 Carmichael Road	1	Federal	49,370	100.0%	1,494	13,032	12,959	12/17/2013	2009
3	711 14th Avenue	1	Federal	36,139	100.0%	981	12,226	11,126	6/16/2010	1992
4	5045 East Butler Street	1	Federal	531,976	100.0%	8,383	68,402	50,638	8/29/2012	1971
5	10949 N. Mather Boulevard	1	State	93,807	100.0%	2,611	17,485	17,308	10/30/2013	2012
6	9800 Goethe Road	1	State	110,500	100.0%	2,091	15,090	13,650	12/23/2009	1993
7	9815 Goethe Road	1	State	87,863	100.0%	1,953	12,438	11,784	9/14/2011	1992
8	Capital Place	1	State	163,840	97.5%	4,607	41,611	37,536	12/17/2009	1988
9	4181 Ruffin Road	1	Federal	141,634	80.9%	2,845	19,415	18,198	7/16/2010	1981
10	4560 Viewridge Road	1	Federal	147,955	100.0%	3,205	23,454	15,209	3/31/1997	1996
11	Sky Park Centre	1	Vacant	43,918	0.0%	-	6,215	4,585	6/24/2002	1986
12	Turning Basin Business Park	1	Federal	22,012	100.0%	971	6,033	5,805	7/20/2012	2012
13	16194 West 45th Street	1	Federal	43,232	100.0%	1,551	7,102	4,516	3/31/1997	1997
14	12795 West Alameda Parkway	1	Federal	166,745	100.0%	4,524	27,462	24,886	1/15/2010	1988
15	Corporate Center	3	Federal	212,996	100.0%	4,557	34,035	25,876	10/11/2002	1996
16	20 Massachusetts Avenue	1	Federal	340,119	100.0%	17,179	84,306	58,006	3/31/1997	1996
17	625 Indiana Avenue	1	Federal	159,695	95.1%	7,157	54,762	52,178	8/17/2010	1989
18	7850 Southwest 6th Court	1	Federal	135,819	100.0%	4,807	35,642	33,405	5/12/2011	1999
19	8900 Grand Oak Circle	1	Federal	67,916	100.0%	1,972	12,982	11,947	10/15/2010	2008
20	181 Spring Street NW	1	Federal	90,688	100.0%	3,639	24,064	23,230	7/25/2012	2007
21	Corporate Square	5	Federal	352,876	81.6%	6,192	35,145	27,510	7/16/2004	1967
22	Executive Park	1	Non-Govt	125,788	100.0%	1,798	15,139	12,258	7/16/2004	1972
23	One Georgia Center	1	State	375,952	94.1%	6,754	38,264	36,503	9/30/2011	2008
24	4712 Southpark Boulevard	1	Federal	352,064	100.0%	3,041	21,025	20,207	7/25/2012	2005
25	220 E. Bryan Street	1	Federal	35,228	100.0%	670	3,403	3,179	7/16/2010	1990
26	South Vinnell Way	3	Federal	180,952	100.0%	4,224	32,432	31,283	9/11/2012	1997
27	2020 S. Arlington Heights	1	Federal	57,770	100.0%	2,035	15,456	13,991	12/29/2009	1988
28	Intech Park	3	Federal	433,924	89.9%	9,872	74,587	70,200	10/14/2011	2003
29	400 State Street	1	Federal	170,817	90.8%	2,639	11,682	10,635	6/16/2010	1971
30	7125 Industrial Road	1	Federal	167,939	100.0%	2,447	13,431	13,064	12/31/2012	2002
31	251 Causeway Street	1	State	132,876	100.0%	3,766	23,060	21,489	8/17/2010	1988
32	75 Pleasant Street	1	State	125,521	100.0%	4,964	32,136	29,163	5/24/2010	2008
33	25 Newport Avenue	1	State	92,549	100.0%	2,318	12,245	11,510	2/16/2011	2009
34	One Montvale Avenue	1	Federal	97,777	94.1%	2,343	13,195	12,141	6/16/2010	1987
35	4201 Patterson Avenue	1	State	84,674	100.0%	1,270	10,343	7,101	10/15/1998	1989
36	2115 East Jefferson Street	1	Federal	128,645	100.0%	3,072	14,501	14,338	8/27/2013	2003
37	20400 Century Boulevard	1	Federal	80,550	100.0%	1,744	12,935	8,439	3/31/1997	1995
38	3300 75th Avenue	1	Federal	266,000	100.0%	5,134	40,881	37,160	2/26/2010	2004
39	4700 River Road	1	Federal	337,500	100.0%	9,184	36,954	32,618	9/17/2010	1994
40	1401 Rockville Pike	1	Federal	188,444	81.1%	4,886	37,354	24,795	2/2/1998	1986

See notes on page 32.

# PROPERTY DETAIL<sup>(1)</sup> (continued)

(sorted by location)

EXHIBIT D



As of March 31, 2014  
(dollars in thousands)

Property	Location	No. of Buildings	Primary Tenant Type	Sq. Ft.	% Leased	Annualized Rental Income <sup>(2)</sup>	Undepreciated Carrying Value	Depreciated Carrying Value	Date Acquired <sup>(3)</sup>	Weighted Average Year Built or Substantially Renovated <sup>(4)</sup>
41	Rutherford Business Park	1	Federal	80,398	100.0%	1,854	11,825	11,484	11/16/2012	2011
42	Meadows Business Park	2	Federal	182,561	100.0%	3,898	25,401	23,692	2/15/2011	1996
43	11411 E. Jefferson Avenue	1	Federal	55,966	100.0%	2,706	18,632	16,869	4/23/2010	2009
44	330 South Second Avenue	1	Federal	200,686	59.3%	2,512	28,120	26,267	7/16/2010	2013
45	Rosedale Corporate Plaza	1	State	61,426	100.0%	1,126	7,691	5,404	12/1/1999	1987
46	1300 Summit Street	1	Federal	86,739	100.0%	2,060	15,043	14,590	9/27/2012	1998
47	4241-4300 NE 34th Street	1	Federal	98,073	100.0%	1,806	11,402	7,382	3/31/1997	1995
48	1220 Echelon Parkway	1	Federal	109,819	100.0%	3,758	25,948	24,887	7/25/2012	2009
49	10-12 Celina Avenue	1	Federal	321,800	100.0%	2,244	17,206	15,582	8/31/2009	1997
50	50 West State Street	1	State	266,995	98.3%	6,673	44,424	41,291	12/30/2010	1989
51	435 Montano Boulevard	1	Federal	29,045	100.0%	430	2,508	2,306	7/16/2010	1986
52	138 Delaware Avenue	1	Federal	124,647	100.0%	3,273	27,419	19,083	3/31/1997	2013
53	Airline Corporate Center	1	State	64,000	100.0%	1,091	7,190	6,910	6/22/2012	2004
54	5000 Corporate Court	1	Federal	264,482	81.6%	5,734	25,295	24,104	8/31/2011	2000
55	305 East 46th Street	1	United Nations	187,060	100.0%	10,354	103,947	99,223	5/27/2011	2008
56	4600 25th Avenue	1	State	233,358	97.8%	5,056	28,245	27,163	12/20/2011	2007
57	Synergy Business Park	3	State	180,703	75.5%	1,557	14,730	13,005	5/10/2006; 9/17/2010	1984
58	One Memphis Place	1	Federal	204,694	75.0%	3,065	8,063	7,480	9/17/2010	1985
59	701 Clay Road	1	Federal	137,782	100.0%	2,164	12,830	8,964	12/23/1997	1997
60	Enterchange at Meadowville	1	Federal	228,108	100.0%	1,478	11,072	10,932	8/28/2013	2011
61	3920 Pender Drive	1	Federal	83,130	100.0%	2,393	15,804	15,804	3/21/2014	2011
62	Pender Business Park	4	State	170,940	99.5%	4,236	23,915	23,692	11/4/2013	2000
63	Aquia Commerce Center	2	Federal	64,488	100.0%	1,648	9,717	9,199	6/22/2011	1998
64	65 Bowdoin Street	1	Federal	26,609	100.0%	1,099	9,236	8,392	4/9/2010	2009
65	840 North Broadway	2	State	111,908	100.0%	2,656	18,836	18,162	6/28/2012	1988
66	Stevens Center	2	Federal	140,152	100.0%	2,802	21,745	14,349	3/31/1997	1995
67	11050 West Liberty Drive	1	Federal	29,297	100.0%	1,044	5,594	5,262	6/9/2011	2006
68	2029 Stonewall Jackson Drive	1	Federal	40,348	100.0%	577	4,995	3,276	3/31/1997	1993
69	5353 Yellowstone Road	1	Federal	122,647	100.0%	1,473	11,315	7,157	3/31/1997	1995
		88		10,399,746	95.1%	\$ 235,072	\$ 1,588,092	\$ 1,391,732		

(1) Excludes properties classified as discontinued operations.

(2) Annualized rental income is calculated using annualized contractual base rents from our tenants pursuant to our lease agreements as of 3/31/2014, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization.

(3) Date acquired is the date GOV acquired the property or the date CWH acquired the property for those properties that CWH contributed to GOV in June 2009.

(4) Weighted based on square feet.