

Government Properties Income Trust



*Stevens Center, Richland, WA
Two Buildings, Square Feet: 140,152
Agency Occupant: U.S. Department of Energy
Energy Star Certified*

Second Quarter 2017

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", "WILL", "MAY" AND NEGATIVES OR DERIVATIVES OF THESE 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 LIKELIHOOD THAT OUR TENANTS WILL PAY RENT OR BE NEGATIVELY AFFECTED BY CYCLICAL ECONOMIC CONDITIONS OR GOVERNMENT BUDGET CONSTRAINTS,
- THE LIKELIHOOD THAT OUR TENANTS WILL RENEW OR EXTEND THEIR LEASES AND NOT EXERCISE EARLY TERMINATION OPTIONS PURSUANT TO THEIR LEASES OR THAT WE WILL OBTAIN REPLACEMENT TENANTS,
- OUR ABILITY TO PAY DISTRIBUTIONS TO OUR SHAREHOLDERS AND THE AMOUNT OF SUCH DISTRIBUTIONS,
- OUR EXPECTATION THAT WE BENEFIT FINANCIALLY FROM OUR OWNERSHIP INTEREST IN SELECT INCOME REIT, OR SIR,
- OUR POLICIES AND PLANS REGARDING INVESTMENTS, FINANCINGS AND DISPOSITIONS,
- 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 IN THE METROPOLITAN WASHINGTON, D.C. MARKET AREA OR ELSEWHERE THAT ARE MAJORITY LEASED TO GOVERNMENT TENANTS OR GOVERNMENT CONTRACTOR 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 ABILITY TO APPROPRIATELY BALANCE OUR USE OF DEBT AND EQUITY CAPITAL,
- OUR CREDIT RATINGS,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP OF THE RMR GROUP INC., OR RMR INC.,
- OUR EXPECTATION THAT WE BENEFIT FROM OUR OWNERSHIP OF AFFILIATES INSURANCE COMPANY, OR AIC, AND FROM OUR PARTICIPATION IN INSURANCE PROGRAMS ARRANGED BY AIC,
- THE CREDIT QUALITIES OF OUR TENANTS,
- OUR QUALIFICATION FOR TAXATION 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, OR FFO, NORMALIZED FUNDS FROM OPERATIONS, OR NORMALIZED FFO, NET OPERATING INCOME, OR NOI, CASH BASIS NOI, 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 GOVERNMENT TENANCIES,
- 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 RELATED PARTIES, INCLUDING OUR MANAGING TRUSTEES, THE RMR GROUP LLC, OR RMR LLC, RMR INC., SIR, AIC AND OTHERS AFFILIATED WITH THEM,
- LIMITATIONS IMPOSED ON OUR BUSINESS AND OUR ABILITY TO SATISFY COMPLEX RULES IN ORDER FOR US TO QUALIFY FOR TAXATION 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:

- OUR ABILITY TO MAKE FUTURE DISTRIBUTIONS TO OUR SHAREHOLDERS AND TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON OUR INDEBTEDNESS DEPENDS UPON A NUMBER OF FACTORS, INCLUDING OUR FUTURE EARNINGS, THE CAPITAL COSTS WE INCUR TO LEASE OUR PROPERTIES, OUR WORKING CAPITAL REQUIREMENTS AND OUR RECEIPT OF DISTRIBUTIONS FROM SIR. WE MAY BE UNABLE TO PAY OUR DEBT OBLIGATIONS OR TO MAINTAIN OUR CURRENT RATE OF DISTRIBUTIONS ON OUR COMMON SHARES AND FUTURE DISTRIBUTIONS MAY BE REDUCED OR ELIMINATED,



- OUR ABILITY TO GROW OUR BUSINESS AND INCREASE DISTRIBUTIONS TO OUR SHAREHOLDERS DEPENDS IN LARGE PART UPON OUR ABILITY TO BUY PROPERTIES AND LEASE THEM FOR RENTS, LESS OUR 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 OBTAIN NEW TENANTS TO MAINTAIN OR INCREASE THE HISTORICAL OCCUPANCY RATES OF, OR RENTS FROM, OUR PROPERTIES,
- SOME GOVERNMENT TENANTS MAY EXERCISE THEIR RIGHTS TO VACATE THEIR SPACE BEFORE THE STATED EXPIRATION OF THEIR LEASES, AND WE MAY BE UNABLE TO OBTAIN 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,
- 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,
- CONTINUED AVAILABILITY OF BORROWINGS UNDER OUR REVOLVING CREDIT FACILITY IS SUBJECT TO OUR SATISFYING CERTAIN FINANCIAL COVENANTS AND OTHER CREDIT FACILITY CONDITIONS THAT WE MAY BE UNABLE TO SATISFY,
- ACTUAL COSTS UNDER OUR REVOLVING CREDIT FACILITY OR OTHER FLOATING RATE CREDIT FACILITIES WILL BE HIGHER THAN LIBOR PLUS A PREMIUM BECAUSE OF FEES AND EXPENSES ASSOCIATED WITH SUCH FACILITIES,
- THE INTEREST RATES PAYABLE UNDER OUR FLOATING RATE DEBT OBLIGATIONS DEPEND UPON OUR CREDIT RATINGS. BOTH MOODY'S INVESTORS SERVICE, OR MOODY'S, AND STANDARD & POOR'S RATINGS SERVICES, OR S&P, HAVE RECENTLY UPDATED OUR RATING OUTLOOK TO NEGATIVE, WHICH MAY IMPLY THAT OUR CREDIT RATINGS MAY BE DOWNGRADED. IF OUR CREDIT RATINGS ARE DOWNGRADED, OUR BORROWING COSTS WILL INCREASE,
- OUR ABILITY TO ACCESS DEBT CAPITAL AND THE COST OF OUR DEBT CAPITAL WILL DEPEND IN PART ON OUR CREDIT RATINGS. BOTH MOODY'S AND S&P HAVE RECENTLY UPDATED OUR RATING OUTLOOK TO NEGATIVE, WHICH MAY IMPLY THAT OUR CREDIT RATINGS MAY BE DOWNGRADED. IF OUR CREDIT RATINGS ARE DOWNGRADED, WE MAY NOT BE ABLE TO ACCESS DEBT CAPITAL OR THE DEBT CAPITAL WE CAN ACCESS MAY BE EXPENSIVE,
- WE MAY BE UNABLE TO REPAY OUR DEBT OBLIGATIONS WHEN THEY BECOME DUE,
- THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOANS MAY BE INCREASED TO UP TO \$2.5 BILLION ON A COMBINED BASIS IN CERTAIN CIRCUMSTANCES; HOWEVER, INCREASING THE MAXIMUM BORROWING AVAILABILITY UNDER OUR REVOLVING CREDIT FACILITY AND TERM LOANS IS SUBJECT TO OUR OBTAINING ADDITIONAL COMMITMENTS FROM LENDERS, WHICH MAY NOT OCCUR,
- WE HAVE THE OPTION TO EXTEND THE MATURITY DATE OF OUR REVOLVING CREDIT FACILITY UPON PAYMENT OF A FEE AND MEETING OTHER CONDITIONS; HOWEVER, THE APPLICABLE CONDITIONS MAY NOT BE MET,
- THE BUSINESS AND PROPERTY MANAGEMENT AGREEMENTS BETWEEN US AND RMR LLC HAVE CONTINUING 20 YEAR TERMS. HOWEVER, THOSE AGREEMENTS PERMIT EARLY TERMINATION IN CERTAIN CIRCUMSTANCES. ACCORDINGLY, WE CANNOT BE SURE THAT THESE AGREEMENTS WILL REMAIN IN EFFECT FOR CONTINUING 20 YEAR TERMS,
- WE BELIEVE THAT OUR RELATIONSHIPS WITH OUR RELATED PARTIES, INCLUDING RMR LLC, RMR INC., SIR, AIC AND OTHERS AFFILIATED WITH THEM MAY BENEFIT US AND PROVIDE US WITH COMPETITIVE ADVANTAGES IN OPERATING AND GROWING OUR BUSINESS. HOWEVER, THE ADVANTAGES WE BELIEVE WE MAY REALIZE FROM THESE RELATIONSHIPS MAY NOT MATERIALIZE,
- SIR MAY REDUCE THE AMOUNT OF ITS DISTRIBUTIONS TO ITS SHAREHOLDERS, INCLUDING US,
- RMR INC. MAY REDUCE THE AMOUNT OF ITS DISTRIBUTION TO ITS SHAREHOLDERS, INCLUDING US,
- WE MAY BE UNABLE TO SELL OUR SIR COMMON SHARES FOR AN AMOUNT EQUAL TO OUR CARRYING VALUE OF THOSE SHARES AND ANY SUCH SALE MAY BE AT A DISCOUNT TO MARKET PRICE BECAUSE OF THE LARGE SIZE OF OUR SIR HOLDINGS OR OTHERWISE; WE MAY REALIZE A LOSS ON OUR INVESTMENT IN OUR SIR SHARES,
- WE CURRENTLY EXPECT TO SPEND, AS OF JUNE 30, 2017, AN ADDITIONAL \$5.5 MILLION TO COMPLETE THE REDEVELOPMENT AND EXPANSION OF A PROPERTY WE OWN PRIOR TO THE COMMENCEMENT OF THE LEASE FOR THAT PROPERTY. IN ADDITION, AS OF JUNE 30, 2017, WE HAVE ESTIMATED UNSPENT LEASING RELATED OBLIGATIONS OF \$24.9 MILLION, EXCLUDING THE ESTIMATED DEVELOPMENT COSTS NOTED IN THE PRECEDING SENTENCE. IT IS DIFFICULT TO ACCURATELY ESTIMATE DEVELOPMENT AND TENANT SPACE PREPARATION COSTS. THIS DEVELOPMENT PROJECT AND OUR UNSPENT LEASING RELATED OBLIGATIONS MAY COST MORE OR LESS AND MAY TAKE LONGER TO COMPLETE THAN WE CURRENTLY EXPECT, AND WE MAY INCUR INCREASING AMOUNTS FOR THESE AND SIMILAR PURPOSES IN THE FUTURE,
- WE HAVE AGREED TO ACQUIRE FPO AND EXPECT THE FPO TRANSACTION TO BE CONSUMMATED PRIOR TO DECEMBER 31, 2017. THE CONSUMMATION OF THE FPO TRANSACTION IS SUBJECT TO CUSTOMARY CONDITIONS, INCLUDING APPROVAL BY THE HOLDERS OF AT LEAST A MAJORITY OF FPO'S OUTSTANDING COMMON SHARES. WE CANNOT BE SURE THAT SUCH CONDITIONS WILL BE SATISFIED. ACCORDINGLY, THE FPO TRANSACTION MAY NOT CLOSE PRIOR TO DECEMBER 31, 2017 OR AT ALL, OR THE TERMS OF THE FPO TRANSACTION MAY CHANGE,
- THE APPROVAL OF THE FPO TRANSACTION BY THE HOLDERS OF AT LEAST A MAJORITY OF FPO'S OUTSTANDING COMMON SHARES MAY BE SOLICITED BY A PROXY STATEMENT WHICH MUST BE FILED WITH THE SEC. THE PROCESS OF PREPARING THE PROXY STATEMENT IS TIME CONSUMING. ACCORDINGLY, WE CANNOT BE SURE THAT THE FPO TRANSACTION WILL BE CONSUMMATED WITHIN A SPECIFIED TIME PERIOD OR AT ALL, AND
- WE CURRENTLY EXPECT THE PROCEEDS FROM OUR RECENT COMMON SHARE AND SENIOR NOTES OFFERINGS TO BE USED (DIRECTLY OR INDIRECTLY BY REPAYMENTS AND DRAWINGS UNDER OUR REVOLVING CREDIT FACILITY) TO PARTIALLY FINANCE THE FPO TRANSACTION. IN THE EVENT THE FPO TRANSACTION IS NOT CONSUMMATED, WE EXPECT TO USE THE NET PROCEEDS FROM THE COMMON SHARE OFFERING FOR GENERAL BUSINESS PURPOSES. IF THE FPO TRANSACTION IS NOT CONSUMMATED ON OR PRIOR TO DECEMBER 31, 2017, OR THE MERGER AGREEMENT IS TERMINATED ON OR AT ANY TIME PRIOR TO THAT DATE, WE WILL BE REQUIRED TO REDEEM THE NOTES ISSUED PURSUANT TO OUR RECENT NOTES OFFERING AT 101% OF THE PRINCIPAL AMOUNT OUTSTANDING PLUS ACCRUED AND UNPAID INTEREST.

CURRENTLY UNEXPECTED 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, ACTS OF TERRORISM, 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.

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.



*Liberty Center, Chantilly, VA
Three Buildings, Square Feet: 409,478
Tenants: Government Contractors*



CORPORATE INFORMATION

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. As of June 30, 2017, we also own 24.9 million common shares, or approximately 27.9% of the then outstanding common shares, of Select Income REIT (Nasdaq: SIR), or SIR, a REIT which owns properties that are primarily leased to single tenants. We have been investment grade rated since 2010, and we are included in the S&P Small Cap 600 Index, the Russell 2000® index and the MSCI US REIT index.

Management:

GOV is managed by The RMR Group LLC, the operating subsidiary of The RMR Group Inc. (Nasdaq: RMR). RMR is an alternative asset management company that was founded in 1986 to manage real estate companies and related businesses. RMR primarily provides management services to four publicly owned REITs and three real estate related operating businesses. In addition to managing GOV, RMR manages Hospitality Properties Trust, a REIT that owns hotels and travel centers, Senior Housing Properties Trust, a REIT that primarily owns healthcare, senior living and medical office buildings, and SIR, a REIT which owns properties that are primarily leased to single tenants. RMR also provides management services to TravelCenters of America LLC, a publicly traded operator of travel centers along the U.S. Interstate Highway System, convenience stores and restaurants, Five Star Senior Living Inc., a publicly traded operator of senior living communities, and Sonesta International Hotels Corporation, a privately owned franchisor and operator of hotels and cruise ships. RMR also manages publicly traded securities of real estate companies and private commercial real estate debt funds through wholly owned SEC registered investment advisory subsidiaries. As of June 30, 2017, RMR had \$27.9 billion of real estate assets under management and the combined RMR managed companies had approximately \$11 billion of annual revenues, over 1,400 properties and approximately 53,000 employees. 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:

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Stock Exchange Listing:

Nasdaq

Trading Symbols:

Common Shares: GOV
Senior Unsecured Notes due 2046: GOVNI

Issuer Ratings:

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

Key data (as of 6/30/2017)⁽¹⁾:

(dollars and sq. ft. in 000s)

Total Properties	74 (96 buildings)
Total sq. ft.	11,516
Percent Leased	95.0%
Q2 2017 Total Rental Income	\$69,887
Q2 2017 Net Income	\$11,677
Q2 2017 Normalized FFO ⁽²⁾	\$42,412

(1) Excludes one property (one building) classified as discontinued operations as of June 30, 2017.

(2) See page 22 for the calculation of Normalized FFO and a reconciliation of net income determined in accordance with U.S. generally accepted accounting principles, or GAAP, to this amount.



INVESTOR INFORMATION

Board of Trustees

Barbara D. Gilmore
Independent Trustee

John L. Harrington
Independent Trustee

Elena Poptodorova
Independent Trustee

Adam D. Portnoy
Managing Trustee

Barry M. Portnoy
Managing Trustee

Jeffrey P. Somers
Independent Trustee

Senior Management

David M. Blackman
President and Chief Operating Officer

Mark L. Kleifges
Chief Financial Officer and Treasurer

Contact Information

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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.

FINANCIALS



5353 Yellowstone Road, Cheyenne, WY

Square Feet: 122,647

Agency Occupant: U.S. Bureau of Land Management

Energy Star Certified

KEY FINANCIAL DATA

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



	As of and for the Three Months Ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Selected Balance Sheet Data:					
Total gross assets ⁽¹⁾	\$ 2,685,114	\$ 2,685,291	\$ 2,681,870	\$ 2,551,044	\$ 2,526,611
Total assets	\$ 2,365,109	\$ 2,377,050	\$ 2,385,066	\$ 2,265,070	\$ 2,251,210
Total liabilities	\$ 1,456,430	\$ 1,448,480	\$ 1,450,062	\$ 1,314,330	\$ 1,293,998
Total shareholders' equity	\$ 908,679	\$ 928,570	\$ 935,004	\$ 950,740	\$ 957,212
Selected Income Statement Data:					
Rental income	\$ 69,887	\$ 69,296	\$ 66,030	\$ 64,478	\$ 64,061
Net income	\$ 11,677	\$ 7,415	\$ 12,065	\$ 11,578	\$ 16,813
NOI ⁽²⁾	\$ 42,587	\$ 42,521	\$ 39,939	\$ 37,550	\$ 39,556
Adjusted EBITDA ⁽³⁾	\$ 52,160	\$ 51,893	\$ 49,424	\$ 47,122	\$ 48,949
FFO ⁽⁴⁾	\$ 41,282	\$ 37,713	\$ 40,637	\$ 38,512	\$ 43,302
Normalized FFO ⁽⁴⁾	\$ 42,412	\$ 39,899	\$ 41,533	\$ 38,590	\$ 43,350
Per Share Data (basic and diluted):					
Net income	\$ 0.16	\$ 0.10	\$ 0.17	\$ 0.16	\$ 0.24
FFO ⁽⁴⁾	\$ 0.58	\$ 0.53	\$ 0.57	\$ 0.54	\$ 0.61
Normalized FFO ⁽⁴⁾	\$ 0.60	\$ 0.56	\$ 0.58	\$ 0.54	\$ 0.61
Dividends:					
Annualized distributions paid per share during period	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Annualized distribution yield (at end of period) ⁽⁵⁾	9.4%	8.2%	9.0%	7.6%	7.5%
Normalized FFO payout ratio ^{(4) (5)}	71.7%	76.8%	74.1%	79.6%	70.5%

⁽¹⁾ Total gross assets is total assets plus accumulated depreciation.

⁽²⁾ See page 19 for the calculation of NOI and a reconciliation of net income determined in accordance with GAAP to that amount.

⁽³⁾ See page 21 for the calculation of Adjusted EBITDA and a reconciliation of net income determined in accordance with GAAP to that amount.

⁽⁴⁾ See page 22 for the calculation of FFO and Normalized FFO and a reconciliation of net income determined in accordance with GAAP to those amounts.

⁽⁵⁾ Annualized distribution yield is the annualized distribution paid during the period divided by the closing price of our common shares at the end of the period.

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)



	June 30, 2017	December 31, 2016
ASSETS		
Real estate properties:		
Land	\$ 269,410	\$ 267,855
Buildings and improvements	1,652,535	1,620,905
Total real estate properties, gross	1,921,945	1,888,760
Accumulated depreciation	(320,005)	(296,804)
Total real estate properties, net	1,601,940	1,591,956
Equity investment in Select Income REIT	477,233	487,708
Assets of discontinued operations	12,534	12,541
Acquired real estate leases, net	108,927	124,848
Cash and cash equivalents	12,907	29,941
Restricted cash	344	530
Rents receivable, net	47,717	48,458
Deferred leasing costs, net	21,251	21,079
Other assets, net	82,256	68,005
Total assets	<u>\$ 2,365,109</u>	<u>\$ 2,385,066</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	\$ 155,000	\$ 160,000
Unsecured term loans, net	547,511	547,171
Senior unsecured notes, net	647,584	646,844
Mortgage notes payable, net	26,991	27,837
Liabilities of discontinued operations	81	45
Accounts payable and other liabilities	64,479	54,019
Due to related persons	5,361	3,520
Assumed real estate lease obligations, net	9,423	10,626
Total liabilities	<u>1,456,430</u>	<u>1,450,062</u>
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, \$.01 par value: 150,000,000 and 100,000,000 shares authorized, respectively, 71,195,178 and 71,177,906 shares issued and outstanding, respectively	712	712
Additional paid in capital	1,473,936	1,473,533
Cumulative net income	115,420	96,329
Cumulative other comprehensive income	42,350	26,957
Cumulative common distributions	(723,739)	(662,527)
Total shareholders' equity	<u>908,679</u>	<u>935,004</u>
Total liabilities and shareholders' equity	<u>\$ 2,365,109</u>	<u>\$ 2,385,066</u>

CONDENSED CONSOLIDATED STATEMENTS OF INCOME



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Rental income	\$ 69,887	\$ 64,061	\$ 139,183	\$ 127,672
Expenses:				
Real estate taxes	7,941	7,566	16,118	15,219
Utility expenses	4,172	3,673	8,778	7,847
Other operating expenses	15,187	13,266	29,179	26,177
Depreciation and amortization	20,663	17,985	41,168	36,309
Acquisition related costs	—	64	—	216
General and administrative ⁽¹⁾	5,086	4,008	9,048	7,534
Total expenses	53,049	46,562	104,291	93,302
Operating income	16,838	17,499	34,892	34,370
Dividend income	303	363	607	363
Interest income	67	10	128	16
Interest expense (including net amortization of debt premiums and discounts and debt issuance costs of \$808, \$747, \$1,615 and \$1,219, respectively)	(13,963)	(10,314)	(27,544)	(19,678)
Gain on early extinguishment of debt	—	—	—	104
Gain on issuance of shares by Select Income REIT	21	16	21	16
Income from continuing operations before income taxes and equity in earnings of investees	3,266	7,574	8,104	15,191
Income tax expense	(25)	(35)	(43)	(50)
Equity in earnings of investees	8,581	9,400	11,320	19,334
Income from continuing operations	11,822	16,939	19,381	34,475
Loss from discontinued operations	(145)	(126)	(289)	(275)
Net income	\$ 11,677	\$ 16,813	\$ 19,092	\$ 34,200
Weighted average common shares outstanding (basic)	71,088	71,038	71,083	71,034
Weighted average common shares outstanding (diluted)	71,119	71,061	71,109	71,046
Per common share amounts (basic and diluted):				
Income from continuing operations	\$ 0.17	\$ 0.24	\$ 0.27	\$ 0.49
Loss from discontinued operations	\$ —	\$ —	\$ —	\$ —
Net income	\$ 0.16	\$ 0.24	\$ 0.27	\$ 0.48
Additional Data:				
General and administrative expenses / rental income	7.28%	6.26%	6.50%	5.90%
General and administrative expenses / total assets (at end of period)	0.22%	0.18%	0.38%	0.33%
Non-cash straight line rent adjustments ⁽²⁾	\$ 1,104	\$ 435	\$ 2,404	\$ 584
Lease value amortization included in rental income ⁽²⁾	\$ (617)	\$ (425)	\$ (1,244)	\$ (732)
Non-cash amortization included in other operating expenses ⁽³⁾	\$ 121	\$ 121	\$ 242	\$ 242
Non-cash amortization included in general and administrative expenses ⁽³⁾	\$ 151	\$ 151	\$ 302	\$ 302

(1) General and administrative expenses include estimated business management incentive fee expense of \$893 for both the three and six months ended June 30, 2017.

(2) 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.

(3) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our investment in RMR common stock in June 2015. This liability is being amortized on a straight line basis through December 31, 2035 as an allocated reduction to business management fees and property management fees, which are included in general and administrative and other operating expenses, respectively.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS



(dollar amounts in thousands)

	For the Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,092	\$ 34,200
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	23,398	20,781
Net amortization of debt premiums and discounts and debt issuance costs	1,615	1,219
Gain on early extinguishment of debt	—	(104)
Straight line rental income	(2,404)	(584)
Amortization of acquired real estate leases	17,209	14,842
Amortization of deferred leasing costs	1,797	1,475
Other non-cash expenses (income), net	193	302
Equity in earnings of investees	(11,320)	(19,334)
Gain on issuance of shares by Select Income REIT	(21)	(16)
Distributions of earnings from Select Income REIT	9,345	17,760
Change in assets and liabilities:		
Restricted cash	186	678
Deferred leasing costs	(2,087)	(3,409)
Rents receivable	2,872	1,428
Other assets	(3,071)	1,120
Accounts payable and accrued expenses	9,871	971
Due to related persons	1,841	692
Net cash provided by operating activities	<u>68,516</u>	<u>72,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate acquisitions and deposits	(12,648)	(79,285)
Real estate improvements	(21,996)	(14,149)
Distributions in excess of earnings from Select Income REIT	16,072	7,158
Net cash used in investing activities	<u>(18,572)</u>	<u>(86,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage notes payable	(761)	(107,202)
Proceeds from issuance of senior notes	—	310,000
Borrowings on unsecured revolving credit facility	45,000	229,000
Repayments on unsecured revolving credit facility	(50,000)	(346,000)
Payment of debt issuance costs	—	(10,138)
Repurchase of common shares	(5)	—
Distributions to common shareholders	(61,212)	(61,169)
Net cash (used in) provided by financing activities	<u>(66,978)</u>	<u>14,491</u>
Increase (decrease) in cash and cash equivalents	(17,034)	236
Cash and cash equivalents at beginning of period	29,941	8,785
Cash and cash equivalents at end of period	<u>\$ 12,907</u>	<u>\$ 9,021</u>
Supplemental cash flow information:		
Interest paid	\$ 25,747	\$ 17,343
Income taxes paid	\$ 82	\$ 76

DEBT SUMMARY

As of June 30, 2017
(dollars in thousands)



	Coupon Rate	Interest Rate	Principal Balance ⁽¹⁾	Maturity Date	Due at Maturity	Years to Maturity
Unsecured Floating Rate Debt:						
\$750,000 unsecured revolving credit facility ^{(2) (5)}	2.436%	2.436%	\$ 155,000	1/31/2019	\$ 155,000	1.6
\$300,000 unsecured term loan ^{(3) (5)}	2.626%	2.626%	300,000	3/31/2020	300,000	2.8
\$250,000 unsecured term loan ^{(4) (5)}	3.026%	3.026%	250,000	3/31/2022	250,000	4.8
Total / weighted average	2.726%	2.726%	705,000		705,000	3.2
Unsecured Fixed Rate Debt: ⁽⁶⁾						
Senior unsecured notes due 2019	3.750%	3.930%	350,000	8/15/2019	350,000	2.1
Senior unsecured notes due 2046	5.875%	5.875%	310,000	5/1/2046	310,000	28.9
Total / weighted average	4.748%	4.844%	660,000		660,000	14.7
Secured Fixed Rate Debt:						
Mortgage debt - One building in Fairfax, VA	5.877%	5.877%	13,815	8/11/2021	12,702	4.1
Mortgage debt - One building in Tampa, FL	7.000%	5.150%	8,354	3/1/2019	7,890	1.7
Mortgage debt - One building in Lakewood, CO	8.150%	6.150%	4,578	3/1/2021	—	3.7
Total / weighted average	6.617%	5.697%	26,747		20,592	3.3
Total / weighted average	3.760%	3.787%	\$ 1,391,747		\$ 1,385,592	8.7

- (1) Principal balances exclude unamortized premiums, discounts and issuance costs related to these debts. Total debt outstanding as of June 30, 2017, net of unamortized premiums and discounts and certain issuance costs totaling \$14,661, was \$1,377,086.
- (2) We are required to pay interest on borrowings under our \$750,000 revolving credit facility at an annual rate of LIBOR plus a premium of 125 basis points. We also pay a facility fee of 25 basis points per annum on the total amount of lending commitments. 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 June 30, 2017. Subject to meeting certain conditions and payment of a fee, we may extend the maturity date to January 31, 2020.
- (3) We are required to pay interest on the amounts outstanding under our \$300,000 unsecured term loan at an annual rate of LIBOR plus a premium of 140 basis points, subject to adjustment based on changes to our credit ratings. The coupon rate and interest rate listed above are as of June 30, 2017. Our \$300,000 unsecured term loan is prepayable without penalty at any time.
- (4) We are required to pay interest on the amounts outstanding under our \$250,000 unsecured term loan at an annual rate of LIBOR plus a premium of 180 basis points, subject to adjustment based on changes to our credit ratings. The coupon rate and interest rate listed above are as of June 30, 2017. Our \$250,000 unsecured term loan is prepayable without penalty at any time.
- (5) The maximum aggregate borrowing availability under the credit agreement governing our revolving credit facility and term loans may be increased to up to \$2,500,000 on a combined basis in certain circumstances.
- (6) In July 2017, we sold \$300,000 in aggregate principal amount of 4.00% senior unsecured notes due 2022. These notes are not included in the above table.

DEBT MATURITY SCHEDULE

As of June 30, 2017
(dollars in thousands)



Year	Unsecured Floating Rate Debt ⁽¹⁾	Unsecured Fixed Rate Debt ^{(1) (2)}	Secured Fixed Rate Debt ⁽¹⁾	Total ⁽³⁾
2017	\$ —	\$ —	\$ 788	\$ 788
2018	—	—	1,671	1,671
2019	155,000 ⁽⁴⁾	350,000	9,439	514,439
2020	300,000 ⁽⁵⁾	—	1,619	301,619
2021	—	—	13,230	13,230
2022	250,000 ⁽⁶⁾	—	—	250,000
2046	—	310,000	—	310,000
Total	<u>\$ 705,000</u>	<u>\$ 660,000</u>	<u>\$ 26,747</u>	<u>\$ 1,391,747</u>
Percent of total debt	<u>50.7%</u>	<u>47.4%</u>	<u>1.9%</u>	<u>100.0%</u>

- (1) Principal balances are the amounts actually payable pursuant to the applicable agreements. Our carrying values may differ from these amounts because of the effect of unamortized premiums and discounts and certain issuance costs related to these debts.
- (2) In July 2017, we sold \$300,000 in aggregate principal amount of 4.00% senior unsecured notes due 2022. These notes are not included in the above table.
- (3) Our total debt as of June 30, 2017, net of unamortized premiums and discounts and certain issuance costs totaling \$14,661, was \$1,377,086.
- (4) Represents amounts outstanding under our \$750,000 revolving credit facility at June 30, 2017. Subject to meeting certain conditions and payment of a fee, we may extend the maturity date of our revolving credit facility by one year to January 31, 2020.
- (5) Represents the outstanding balance of our \$300,000 unsecured term loan at June 30, 2017. We may prepay this term loan without penalty at any time.
- (6) Represents the outstanding balance of our \$250,000 unsecured term loan at June 30, 2017. We may prepay this term loan without penalty at any time.

LEVERAGE RATIOS, COVERAGE RATIOS AND PUBLIC DEBT COVENANTS



	As of and for the Three Months Ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Leverage Ratios:					
Total debt (book value) ⁽¹⁾ / total gross assets ⁽²⁾	51.3%	51.5%	51.5%	48.9%	48.4%
Total debt (book value) ⁽¹⁾ / gross book value of real estate assets ⁽³⁾ and market value of SIR common shares ⁽⁴⁾	49.6%	49.2%	49.9%	46.4%	46.1%
Total debt (book value) ⁽¹⁾ / total market capitalization ⁽⁵⁾	51.4%	48.1%	50.4%	43.6%	42.7%
Secured debt (book value) ⁽¹⁾ / total assets	1.1%	1.2%	1.2%	1.2%	1.3%
Variable rate debt (book value) ⁽¹⁾ / total debt (book value) ⁽¹⁾	51.0%	51.2%	51.2%	45.9%	44.8%
Coverage Ratios:					
Adjusted EBITDA ⁽⁶⁾ / interest expense	3.7x	3.8x	3.9x	3.7x	4.7x
Total debt (book value) ⁽¹⁾ / Annualized Adjusted EBITDA ⁽⁶⁾	6.6x	6.7x	7.0x	6.6x	6.2x
Public Debt Covenants:					
Total debt / adjusted total assets ⁽⁷⁾ - allowable maximum 60.0%	47.9%	47.6%	48.2%	45.1%	45.1%
Secured debt / adjusted total assets ⁽⁷⁾ - allowable maximum 40.0%	0.9%	0.9%	1.0%	1.0%	1.0%
Consolidated income available for debt service ⁽⁸⁾ / debt service - required minimum 1.50x	4.0x	4.1x	4.2x	3.9x	3.9x
Total unencumbered assets ⁽⁷⁾ to unsecured debt - required minimum 150.0%	208.2%	209.4%	207.2%	221.7%	221.9%

(1) Debt amounts are net of unamortized premiums, discounts and certain issuance costs.

(2) Total gross assets is total assets plus accumulated depreciation.

(3) Gross book value of real estate assets is real estate properties, at cost, before purchase price allocations, less impairment writedowns, if any, and excludes properties classified as held for sale or discontinued operations.

(4) As of June 30, 2017, we owned 24,918,421 common shares of SIR. The closing price of SIR's common shares on The Nasdaq Stock Market LLC on June 30, 2017 was \$24.03 per share.

(5) Total market capitalization is total debt plus the market value of our common shares at the end of each period.

(6) See page 21 for the calculation of EBITDA and Adjusted EBITDA and a reconciliation of net income determined in accordance with GAAP to those amounts.

(7) Adjusted total assets and total unencumbered assets include original cost of real estate assets calculated in accordance with GAAP before impairment writedowns, if any, the lower of cost or market value of our investment in SIR and exclude depreciation and amortization, accounts receivable and intangible assets.

(8) Consolidated income available for debt service is earnings from operations excluding interest expense, depreciation and amortization, loss on asset impairment, unrealized appreciation on assets held for sale, gains and losses on early extinguishment of debt, gains and losses on sales of property, gains or losses on equity issuance by SIR and equity earnings in SIR and including distributions received from SIR.

SUMMARY OF CAPITAL EXPENDITURES ⁽¹⁾

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



	For the Three Months Ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Tenant improvements ⁽²⁾	\$ 1,076	\$ 2,403	\$ 3,550	\$ 5,636	\$ 4,681
Leasing costs ⁽³⁾	971	1,087	1,947	655	3,035
Building improvements ⁽⁴⁾	4,465	1,778	2,570	3,009	2,649
Recurring capital expenditures	6,512	5,268	8,067	9,300	10,365
Development, redevelopment and other activities ⁽⁵⁾	6,949	6,281	3,597	1,292	2,161
Total capital expenditures	<u>\$ 13,461</u>	<u>\$ 11,549</u>	<u>\$ 11,664</u>	<u>\$ 10,592</u>	<u>\$ 12,526</u>
Average sq. ft. during period ⁽⁶⁾	11,514	11,477	11,196	10,968	10,986
Building improvements per average sq. ft. during period	\$ 0.39	\$ 0.15	\$ 0.23	\$ 0.27	\$ 0.24

(1) Amounts exclude one property (one building) classified as discontinued operations.

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

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

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

(5) Development, redevelopment and other activities generally include (i) 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) capital expenditure projects that reposition a property or result in new sources of revenue.

(6) Rentable square footage is subject to changes when space is re-measured or re-configured for tenants.



PROPERTY ACQUISITION AND DISPOSITION INFORMATION SINCE JANUARY 1, 2017

(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 ⁽¹⁾	Purchase Price ⁽¹⁾ / Sq. Ft.	Cap Rate ⁽²⁾	Weighted Average Remaining Lease Term ⁽³⁾	Percent Leased ⁽⁴⁾	Major Tenant
1/3/2017	Manassas, VA	1	1	69	\$ 12,620	\$ 183	8.6%	9.1	100.0%	Prince William County

- (1) Represents the 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.
- (2) 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, including the principal amount of assumed debt, if any, and excluding acquisition related costs.
- (3) Average remaining lease term in years weighted based on rental income as of the date of acquisition.
- (4) Percent leased as of the date of acquisition.

Dispositions:

There were no property dispositions since January 1, 2017.



CALCULATION OF PROPERTY NET OPERATING INCOME (NOI) AND CASH BASIS NOI ⁽¹⁾

(dollars in thousands)

	For the Three Months Ended					For the Six Months Ended	
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	6/30/2017	6/30/2016
Calculation of NOI and Cash Basis NOI ^{(2):}							
Rental income ⁽³⁾	\$ 69,887	\$ 69,296	\$ 66,030	\$ 64,478	\$ 64,061	\$ 139,183	\$ 127,672
Property operating expenses	(27,300)	(26,775)	(26,091)	(26,928)	(24,505)	(54,075)	(49,243)
Property net operating income (NOI)	42,587	42,521	39,939	37,550	39,556	85,108	78,429
Non-cash straight line rent adjustments included in rental income ⁽³⁾	(1,104)	(1,300)	(902)	(1,205)	(435)	(2,404)	(584)
Lease value amortization included in rental income ⁽³⁾	617	627	355	370	425	1,244	732
Non-cash amortization included in property operating expenses ⁽⁴⁾	(121)	(121)	(121)	(121)	(121)	(242)	(242)
Cash Basis NOI	\$ 41,979	\$ 41,727	\$ 39,271	\$ 36,594	\$ 39,425	\$ 83,706	\$ 78,335
Reconciliation of Net Income to NOI and Cash Basis NOI:							
Net income	\$ 11,677	\$ 7,415	\$ 12,065	\$ 11,578	\$ 16,813	\$ 19,092	\$ 34,200
Gain on sale of property	—	—	—	(79)	—	—	—
Income before gain on sale of property	11,677	7,415	12,065	11,499	16,813	19,092	34,200
Loss from discontinued operations	145	144	160	154	126	289	275
Income from continuing operations	11,822	7,559	12,225	11,653	16,939	19,381	34,475
Equity in earnings of investees	(8,581)	(2,739)	(7,516)	(8,668)	(9,400)	(11,320)	(19,334)
Income tax expense	25	18	38	13	35	43	50
Net (gain) loss on issuance of shares by RIR	(21)	—	2	(72)	(16)	(21)	(16)
Gain on early extinguishment of debt	—	—	—	—	—	—	(104)
Interest expense	13,963	13,581	12,774	12,608	10,314	27,544	19,678
Interest income	(67)	(61)	(95)	(47)	(10)	(128)	(16)
Dividend income	(303)	(304)	(304)	(304)	(363)	(607)	(363)
Operating income	16,838	18,054	17,124	15,183	17,499	34,892	34,370
General and administrative	5,086	3,962	3,547	3,816	4,008	9,048	7,534
Acquisition related costs	—	—	828	147	64	—	216
Depreciation and amortization	20,663	20,505	18,440	18,404	17,985	41,168	36,309
NOI	42,587	42,521	39,939	37,550	39,556	85,108	78,429
Non-cash amortization included in property operating expenses ⁽⁴⁾	(121)	(121)	(121)	(121)	(121)	(242)	(242)
Lease value amortization included in rental income ⁽³⁾	617	627	355	370	425	1,244	732
Non-cash straight line rent adjustments included in rental income ⁽³⁾	(1,104)	(1,300)	(902)	(1,205)	(435)	(2,404)	(584)
Cash Basis NOI	\$ 41,979	\$ 41,727	\$ 39,271	\$ 36,594	\$ 39,425	\$ 83,706	\$ 78,335

- (1) See Definitions of Certain Non-GAAP Financial Measures on page 23 for the definitions of NOI and Cash Basis NOI, a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.
- (2) Excludes one property (one building) classified as discontinued operations.
- (3) 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.
- (4) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our investment in RMR common stock in June 2015. A portion of this liability is being amortized on a straight line basis through December 31, 2035 as a reduction to property management fees, which are included in property operating expenses.

CALCULATION OF SAME PROPERTY NOI AND CASH BASIS NOI ⁽¹⁾

(dollars in thousands)



	For the Three Months Ended ⁽²⁾		For the Six Months Ended ⁽³⁾	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Reconciliation of Property NOI to Same Property NOI: ⁽⁴⁾				
Rental income	\$ 69,887	\$ 64,061	\$ 139,183	\$ 127,672
Property operating expenses	(27,300)	(24,505)	(54,075)	(49,243)
Property NOI	42,587	39,556	85,108	78,429
Add (less): NOI of properties not included in same property results	(2,635)	54	(8,693)	(2,182)
Same property NOI	<u>\$ 39,952</u>	<u>\$ 39,610</u>	<u>\$ 76,415</u>	<u>\$ 76,247</u>
Calculation of Same Property Cash Basis NOI:				
Same property NOI	\$ 39,952	\$ 39,610	\$ 76,415	\$ 76,247
Add: Lease value amortization included in rental income ⁽⁵⁾	391	426	849	732
Less: Non-cash straight line rent adjustments included in rental income ⁽⁵⁾	(933)	(436)	(1,844)	(469)
Non-cash amortization included in property operating expenses ⁽⁶⁾	(121)	(121)	(242)	(242)
Same property Cash Basis NOI	<u>\$ 39,289</u>	<u>\$ 39,479</u>	<u>\$ 75,178</u>	<u>\$ 76,268</u>

- (1) See Definitions of Certain Non-GAAP Financial Measures on page 23 for the definitions of NOI and Cash Basis NOI, a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.
- (2) Based on properties we owned as of June 30, 2017 and which we owned continuously since April 1, 2016, excluding one property (one building) classified as discontinued operations.
- (3) Based on properties we owned as of June 30, 2017 and which we owned continuously since January 1, 2016, excluding one property (one building) classified as discontinued operations.
- (4) Excludes one property (one building) classified as discontinued operations.
- (5) 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.
- (6) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our investment in RMR common stock in June 2015. A portion of this liability is being amortized on a straight line basis through December 31, 2035 as a reduction to property management fees, which are included in property operating expenses.

CALCULATION OF EBITDA AND ADJUSTED EBITDA ⁽¹⁾

(dollars in thousands)



	For the Three Months Ended					For the Six Months Ended	
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	6/30/2017	6/30/2016
Net income	\$ 11,677	\$ 7,415	\$ 12,065	\$ 11,578	\$ 16,813	\$ 19,092	\$ 34,200
Add: Interest expense	13,963	13,581	12,774	12,608	10,314	27,544	19,678
Income tax expense	25	18	38	13	35	43	50
Depreciation and amortization	20,663	20,505	18,440	18,404	17,985	41,168	36,309
EBITDA	46,328	41,519	43,317	42,603	45,147	87,847	90,237
Add: Acquisition related costs	—	—	828	147	64	—	216
General and administrative expense paid in common shares ⁽²⁾	459	277	55	470	678	736	845
Estimated business management incentive fees ⁽³⁾	893	—	—	—	—	893	—
Loss on issuance of shares by SIR	—	—	2	—	—	—	—
Distributions received from SIR	12,708	12,708	12,708	12,708	12,459	25,416	24,918
Less: Gain on early extinguishment of debt	—	—	—	—	—	—	(104)
Equity in earnings of SIR	(8,207)	(2,611)	(7,486)	(8,655)	(9,383)	(10,818)	(19,240)
Gain on issuance of shares by SIR	(21)	—	—	(72)	(16)	(21)	(16)
Gain on sale of property	—	—	—	(79)	—	—	—
Adjusted EBITDA	<u>\$ 52,160</u>	<u>\$ 51,893</u>	<u>\$ 49,424</u>	<u>\$ 47,122</u>	<u>\$ 48,949</u>	<u>\$ 104,053</u>	<u>\$ 96,856</u>

- (1) See Definitions of Certain Non-GAAP Financial Measures on page 23 for the definitions of EBITDA and Adjusted EBITDA and a description of why we believe they are appropriate supplemental measures.
- (2) Amounts represent equity compensation awarded to our trustees, officers and certain other employees of RMR's operating subsidiary, The RMR Group LLC.
- (3) Amount represents estimated incentive fees under our business management agreement calculated based on common share total return, as defined. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first, second and third quarters for purposes of calculating net income, we do not include such expense in the calculation of Adjusted EBITDA until the fourth quarter, when the amount of the business management incentive fee expense for the calendar year, if any, is determined. Incentive fees for 2017, if any, will be payable in cash in January 2018.

CALCULATION OF FUNDS FROM OPERATIONS (FFO) AND NORMALIZED FFO ⁽¹⁾

(amounts in thousands, except per share data)



	For the Three Months Ended					For the Six Months Ended	
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	6/30/2017	6/30/2016
Net income	\$ 11,677	\$ 7,415	\$ 12,065	\$ 11,578	\$ 16,813	\$ 19,092	\$ 34,200
Add: Depreciation and amortization	20,663	20,505	18,440	18,404	17,985	41,168	36,309
FFO attributable to SIR investment	17,149	12,404	17,618	17,264	17,887	29,553	36,345
Less: Equity in earnings of SIR	(8,207)	(2,611)	(7,486)	(8,655)	(9,383)	(10,818)	(19,240)
Gain on sale of property	—	—	—	(79)	—	—	—
FFO	41,282	37,713	40,637	38,512	43,302	78,995	87,614
Add: Acquisition related costs	—	—	828	147	64	—	216
Estimated business management incentive fees ⁽²⁾	893	—	—	—	—	893	—
Loss on issuance of shares by SIR	—	—	2	—	—	—	—
Normalized FFO attributable to SIR investment	17,407	14,590	17,684	17,267	17,887	31,997	36,362
Less: FFO attributable to SIR investment	(17,149)	(12,404)	(17,618)	(17,264)	(17,887)	(29,553)	(36,345)
Gain on early extinguishment of debt	—	—	—	—	—	—	(104)
Gain on issuance of shares by SIR	(21)	—	—	(72)	(16)	(21)	(16)
Normalized FFO	<u>\$ 42,412</u>	<u>\$ 39,899</u>	<u>\$ 41,533</u>	<u>\$ 38,590</u>	<u>\$ 43,350</u>	<u>\$ 82,311</u>	<u>\$ 87,727</u>
Weighted average common shares outstanding (basic)	<u>71,088</u>	<u>71,079</u>	<u>71,079</u>	<u>71,054</u>	<u>71,038</u>	<u>71,083</u>	<u>71,034</u>
Weighted average common shares outstanding (diluted)	<u>71,119</u>	<u>71,094</u>	<u>71,079</u>	<u>71,084</u>	<u>71,061</u>	<u>71,109</u>	<u>71,046</u>
Per common share amounts:							
Net income (basic and diluted)	<u>\$ 0.16</u>	<u>\$ 0.10</u>	<u>\$ 0.17</u>	<u>\$ 0.16</u>	<u>\$ 0.24</u>	<u>\$ 0.27</u>	<u>\$ 0.48</u>
FFO (basic and diluted)	<u>\$ 0.58</u>	<u>\$ 0.53</u>	<u>\$ 0.57</u>	<u>\$ 0.54</u>	<u>\$ 0.61</u>	<u>\$ 1.11</u>	<u>\$ 1.23</u>
Normalized FFO (basic)	<u>\$ 0.60</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.54</u>	<u>\$ 0.61</u>	<u>\$ 1.16</u>	<u>\$ 1.24</u>
Normalized FFO (diluted)	<u>\$ 0.60</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.54</u>	<u>\$ 0.61</u>	<u>\$ 1.16</u>	<u>\$ 1.23</u>

- (1) See Definitions of Certain Non-GAAP Financial Measures on page 23 for the definitions of FFO and Normalized FFO, a description of why we believe they are appropriate supplemental measures and a description of how we use these measures.
- (2) Incentive fees under our business management agreement are payable after the end of each calendar year, are calculated based on common share total return, as defined, and are included in general and administrative expense in our condensed consolidated statements of income. In calculating net income in accordance with GAAP, we recognize estimated business management incentive fee expense, if any, in the first, second and third quarters. Although we recognize this expense, if any, in the first, second and third quarters for purposes of calculating net income, we do not include such expense in the calculation of Normalized FFO until the fourth quarter, when the amount of the business management incentive fee expense for the calendar year, if any, is determined. Normalized FFO excludes estimated business management incentive fee expense of \$893 for the three and six months ended June 30, 2017.

DEFINITIONS OF CERTAIN NON-GAAP FINANCIAL MEASURES



Definition of NOI and Cash Basis NOI

We calculate NOI and Cash Basis NOI as shown on page 19. 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 property level results of operations. We define NOI as income from our rental of real estate less property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions because we record those amounts as depreciation and amortization. We define Cash Basis NOI as NOI excluding non-cash straight line rent adjustments, lease value amortization and non-cash amortization included in other operating expenses. 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 generated and incurred at the property level and may facilitate comparisons of our operating performance between periods and with other REITs. NOI and Cash Basis NOI do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income or operating income as an indicator of our operating performance or as a measure of our liquidity. These measures should be considered in conjunction with net income and operating income as presented in our Condensed Consolidated Statements of Income. Other REITs and real estate companies may calculate NOI and Cash Basis NOI differently than we do.

Definition of EBITDA and Adjusted EBITDA

We calculate EBITDA and Adjusted EBITDA as shown on page 21. We consider EBITDA and Adjusted EBITDA to be appropriate supplemental measures of our operating performance, along with net income and operating income. 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, 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 alternatives to net income or operating income as an indicator of operating performance or as a measure of GOV's liquidity. These measures should be considered in conjunction with net income and operating income as presented in our Condensed Consolidated Statements of Income. Other REITs and real estate companies may calculate EBITDA and Adjusted EBITDA differently than we do.

Definition of FFO and Normalized FFO

We calculate FFO and Normalized FFO as shown on page 22. 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 and the difference between FFO attributable to an equity investment and equity in earnings of an equity investee but excluding impairment charges on real estate assets, 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 include the difference between FFO and Normalized FFO attributable to our equity investment in SIR, we include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year and we exclude acquisition related costs expensed under GAAP, gains and losses on issuance of shares by SIR and gains on early extinguishment of debt. We consider FFO and Normalized FFO to be appropriate supplemental measures of operating performance for a REIT, along with net income and operating income. 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 qualification for taxation as a REIT, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our expectation of our future capital requirements and operating performance, our receipt of distributions from SIR 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 or operating income as an indicator of our operating performance or as a measure of our liquidity. These measures should be considered in conjunction with net income and operating income as presented in our Condensed Consolidated Statements of Income. Other REITs and real estate companies may calculate FFO and Normalized FFO differently than we do.

PORTFOLIO INFORMATION

75 Pleasant Street, Malden, MA

Square Feet: 125,521

*Tenant: Commonwealth of Massachusetts –
Department of Education*



PORTFOLIO SUMMARY (1)

As of June 30, 2017



	Number of Properties	Number of Buildings	Sq. Ft. ⁽²⁾	% Sq. Ft.	% Leased ⁽³⁾	% of Total Sq. Ft. Leased	% Rental Income Three Months Ended 6/30/2017	% NOI Three Months Ended 6/30/2017 ⁽⁴⁾	% Cash Basis NOI Three Months Ended 6/30/2017 ⁽⁴⁾
Properties majority leased to the U.S. Government	46	60	7,212,677	62.6%	96.6%	63.7%	60.5%	62.9%	64.7%
Properties majority leased to state governments	20	26	3,018,415	26.2%	94.7%	26.1%	27.1%	25.3%	24.0%
Properties majority leased to other government tenants	3	3	446,478	3.9%	97.1%	4.0%	6.3%	6.3%	5.4%
Properties majority leased to government contractor tenants	1	3	409,478	3.6%	98.5%	3.7%	4.3%	4.7%	5.1%
Properties majority leased to other tenants	2	2	319,344	2.8%	86.7%	2.5%	1.8%	1.3%	1.5%
Other properties (currently vacant)	2	2	109,595	0.9%	—%	—%	—%	(0.5%)	(0.7%)
Total / Average	74	96	11,515,987	100.0%	95.0%	100.0%	100.0%	100.0%	100.0%

(1) Excludes one property (one building) classified as discontinued operations.

(2) Rentable square footage is subject to changes when space is re-measured or re-configured for tenants.

(3) 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.

(4) See page 19 for the calculation of NOI and Cash Basis NOI and a reconciliation of net income determined in accordance with GAAP to those amounts.

SUMMARY CONSOLIDATED AND SAME PROPERTY RESULTS – SECOND QUARTER



(dollars and sq. ft. in thousands)

	Summary Consolidated Results ⁽¹⁾		Summary Same Property Results ⁽²⁾	
	For the Three Months Ended		For the Three Months Ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Properties (end of period)	74	72	71	71
Total sq. ft. ⁽³⁾	11,516	10,985	10,954	10,950
Percent leased ⁽⁴⁾	95.0%	94.2%	94.8%	94.5%
Rental income ⁽⁵⁾	\$ 69,887	\$ 64,061	\$ 65,942	\$ 64,061
NOI ⁽⁶⁾	\$ 42,587	\$ 39,556	\$ 39,952	\$ 39,610
Cash Basis NOI ⁽⁶⁾	\$ 41,979	\$ 39,425	\$ 39,289	\$ 39,479
NOI % margin ⁽⁷⁾	60.9%	61.7%	60.6%	61.8%
Cash Basis NOI % margin ⁽⁷⁾	60.5%	61.6%	60.1%	61.6%
NOI % change	7.7%	—	0.9%	—
Cash Basis NOI % change	6.5%	—	(0.5%)	—

- (1) Based on properties we owned as of June 30, 2017 and June 30, 2016, respectively, excluding one property (one building) classified as discontinued operations.
- (2) Based on properties we owned as of June 30, 2017 and which we owned continuously since April 1, 2016, excluding one property (one building) classified as discontinued operations.
- (3) Subject to changes when space is re-measured or re-configured for tenants.
- (4) 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.
- (5) 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.
- (6) See page 19 for the calculation of NOI and Cash Basis NOI and a reconciliation of net income determined in accordance with GAAP to those amounts and see page 20 for a calculation and reconciliation of same property NOI and same property Cash Basis NOI.
- (7) NOI margin is defined as NOI as a percentage of rental income. Cash Basis NOI margin is defined as Cash Basis NOI as a percentage of cash basis rental income. Cash basis rental income excludes non-cash straight line rent adjustments, non-cash amortization included in property operating expenses and the net effect of non-cash amortization of intangible lease assets and liabilities.

SUMMARY CONSOLIDATED AND SAME PROPERTY RESULTS – SIX MONTHS



(dollars and sq. ft. in thousands)

	Summary Consolidated Results ⁽¹⁾		Summary Same Property Results ⁽²⁾	
	For the Six Months Ended		For the Six Months Ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Properties (end of period)	74	72	70	70
Total sq. ft. ⁽³⁾	11,516	10,985	10,616	10,612
Percent leased ⁽⁴⁾	95.0%	94.2%	94.9%	94.7%
Rental income ⁽⁵⁾	\$ 139,183	\$ 127,672	\$ 126,119	\$ 124,000
NOI ⁽⁶⁾	\$ 85,108	\$ 78,429	\$ 76,415	\$ 76,247
Cash Basis NOI ⁽⁶⁾	\$ 83,706	\$ 78,335	\$ 75,178	\$ 76,268
NOI % margin ⁽⁷⁾	61.1%	61.4%	60.6%	61.5%
Cash Basis NOI % margin ⁽⁷⁾	60.6%	61.3%	60.1%	61.4%
NOI % change	8.5%	—	0.2%	—
Cash Basis NOI % change	6.9%	—	(1.4%)	—

- (1) Based on properties we owned as of June 30, 2017 and June 30, 2016, respectively, excluding one property (one building) classified as discontinued operations.
- (2) Based on properties we owned as of June 30, 2017 and which we owned continuously since January 1, 2016, excluding one property (one building) classified as discontinued operations.
- (3) Subject to changes when space is re-measured or re-configured for tenants.
- (4) 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.
- (5) 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.
- (6) See page 19 for the calculation of NOI and Cash Basis NOI and a reconciliation of net income determined in accordance with GAAP to those amounts and see page 20 for a calculation and reconciliation of same property NOI and same property Cash Basis NOI.
- (7) NOI margin is defined as NOI as a percentage of rental income. Cash Basis NOI margin is defined as Cash Basis NOI as a percentage of cash basis rental income. Cash basis rental income excludes non-cash straight line rent adjustments, non-cash amortization included in property operating expenses and the net effect of non-cash amortization of intangible lease assets and liabilities.

OCCUPANCY AND LEASING SUMMARY ⁽¹⁾

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

	As of and for the Three Months Ended				
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Properties (end of period)	74	74	73	71	72
Total sq. ft. ⁽²⁾	11,516	11,512	11,443	10,950	10,985
Percentage leased	95.0%	95.1%	95.1%	95.0%	94.2%
Leasing Activity (sq. ft.) ⁽³⁾:					
Government tenants	236	324	344	62	515
Non-government tenants	52	36	43	74	52
Total	288	360	387	136	567
% Change in GAAP Rent ⁽⁴⁾:					
Government tenants	15.0%	4.5%	5.7%	10.5%	4.7%
Non-government tenants	6.6%	7.1%	(19.1%)	(3.8%)	1.2%
Total	13.5%	5.2%	4.3%	2.0%	4.4%
Leasing Cost and Concession Commitments ⁽⁵⁾⁽⁶⁾:					
Government tenants	\$ 1,611	\$ 879	\$ 2,107	\$ 1,087	\$ 10,593
Non-government tenants	854	1,362	1,348	2,341	543
Total	\$ 2,465	\$ 2,241	\$ 3,455	\$ 3,428	\$ 11,136
Leasing Cost and Concession Commitments per Sq. Ft. ⁽⁵⁾⁽⁶⁾:					
Government tenants	\$ 6.82	\$ 2.71	\$ 6.13	\$ 17.38	\$ 20.57
Non-government tenants	\$ 16.33	\$ 37.87	\$ 31.05	\$ 31.67	\$ 10.50
Total	\$ 8.55	\$ 6.22	\$ 8.93	\$ 25.12	\$ 19.65
Weighted Average Lease Term by Sq. Ft. (years):					
Government tenants	8.1	10.9	3.1	6.9	10.7
Non-government tenants	3.2	7.1	5.2	6.6	3.7
Total	7.2	10.6	3.3	6.8	10.1
Leasing Cost and Concession Commitments per Sq. Ft. per Year ⁽³⁾⁽⁵⁾⁽⁶⁾:					
Government tenants	\$ 0.85	\$ 0.25	\$ 2.00	\$ 2.50	\$ 1.92
Non-government tenants	\$ 5.09	\$ 5.36	\$ 6.02	\$ 4.77	\$ 2.85
Total	\$ 1.19	\$ 0.59	\$ 2.70	\$ 3.71	\$ 1.96

(1) Excludes one property (one building) classified as discontinued operations.

(2) Rentable square footage is subject to changes when space is re-measured or re-configured for tenants.

(3) Rentable square footage includes a 25,579 square foot expansion being constructed prior to the commencement of the lease.

(4) 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, exclude lease value amortization and are net of lease concessions.

(5) Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent.

(6) Excludes the estimated aggregate cost of \$19.8 million to redevelop and expand an existing property prior to the commencement of the lease.

The above leasing summary is based on leases entered into during the periods indicated.





LEASING ANALYSIS BY TENANT TYPE ⁽¹⁾

Tenant Type	Sq. Ft. Leased	% of Sq. Ft.	Sq. Ft. During the Three Months Ended 6/30/2017				Sq. Ft. Leased	% of Sq. Ft.
	As of	Leased as of	Leases	Lease	New	Net	As of	Leased as of
	3/31/2017 ⁽²⁾⁽³⁾	3/31/2017 ⁽²⁾⁽³⁾	Expired	Renewals	Leases	Acquisitions/	6/30/2017 ⁽²⁾⁽³⁾	6/30/2017 ⁽²⁾⁽³⁾
				Executed	Executed	Dispositions		
U.S. Government	6,703,781	61.2%	(173,806)	111,380	12,216	—	6,653,571	60.8%
State Government	2,503,022	22.9%	(110,500)	110,500	2,063	—	2,505,085	22.9%
Other Government	371,202	3.4%	—	—	—	—	371,202	3.4%
Government Contractor	416,369	3.8%	—	—	—	—	416,369	3.8%
Other Tenants	956,245	8.7%	(17,695)	16,797	35,472	—	990,819	9.1%
	10,950,619	100.0%	(302,001)	238,677	49,751	—	10,937,046	100.0%

(1) Excludes one property (one building) classified as discontinued operations.

(2) Rentable 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, as of the measurement date. Sq. ft. measurements are subject to changes when space is re-measured or re-configured for new tenants.

(3) Rentable square footage excludes a 25,579 square foot expansion being constructed prior to the commencement of the lease.



TENANT LIST (1)

As of June 30, 2017

Tenant / Agency	Rentable Sq. Ft. (2)	% of Total Rentable Sq. Ft. (2)	% of Annualized Rental Income (3)	Tenant	Rentable Sq. Ft. (2)	% of Total Rentable Sq. Ft. (2)	% of Annualized Rental Income (3)
U.S. Government:				State Governments:			
1 Citizenship and Immigration Services	448,607	3.9%	8.0%	1 State of California - nine agency occupants	755,086	6.6%	7.7%
2 Internal Revenue Service	1,041,806	9.0%	7.8%	2 Commonwealth of Massachusetts - three agency occupants	307,119	2.7%	3.5%
3 U.S. Government (4)	406,388	3.5%	4.5%	3 State of Georgia - Department of Transportation	298,223	2.6%	2.4%
4 Federal Bureau of Investigation	304,425	2.6%	3.3%	4 Commonwealth of Virginia - seven agency occupants	255,241	2.2%	2.1%
5 Department of Justice	239,417	2.1%	2.9%	5 State of New Jersey - Department of Treasury	173,189	1.5%	1.7%
6 Centers for Disease Control (5)	352,876	3.1%	2.8%	6 State of Oregon - four agency occupants	199,018	1.7%	1.7%
7 Customs and Border Protection	243,162	2.1%	2.4%	7 State of Washington - Social and Health Services	111,908	1.0%	1.0%
8 Department of Veterans Affairs	280,699	2.4%	2.3%	8 State of Arizona - Northern Arizona University	66,743	0.6%	0.5%
9 Bureau of Land Management	304,831	2.6%	2.3%	9 State of South Carolina - four agency occupants	124,238	1.1%	0.5%
10 Defense Intelligence Agency	266,000	2.3%	1.9%	10 State of Maryland - two agency occupants	84,674	0.7%	0.5%
11 Social Security Administration	189,645	1.6%	1.7%	11 State of Minnesota - Minnesota State Lottery	61,426	0.5%	0.4%
12 Bureau of Reclamation	212,996	1.8%	1.7%	12 State of New York - Department of Agriculture	64,000	0.6%	0.4%
13 National Park Service	166,745	1.4%	1.6%	13 State of Kansas - Kansas University	4,220	0.0%	0.0%
14 U.S. Courts	115,366	1.0%	1.6%	Subtotal State Governments	2,505,085	21.8%	22.4%
15 Immigration and Customs Enforcement	90,688	0.8%	1.4%	4 Other Government Tenants	371,202	3.2%	5.6%
16 Drug Enforcement Agency	93,177	0.8%	1.2%	4 Government Contractor Tenants	416,369	3.6%	5.1%
17 National Archives and Record Administration	352,064	3.1%	1.1%	143 Other Tenants	990,819	8.6%	7.3%
18 Department of Health and Human Services	108,849	0.9%	1.1%	Subtotal Leased Rentable Square Feet	10,937,046	95.0%	100.0%
19 Department of Energy	140,152	1.2%	1.0%	Available for Lease	578,941	5.0%	—%
20 Defense Nuclear Facilities Board	60,133	0.5%	1.0%	Total Rentable Square Feet	11,515,987	100.0%	100.0%
21 Department of State	89,058	0.8%	0.9%				
22 U.S. Postal Service	321,800	2.8%	0.9%				
23 Occupational Health and Safety Administration	57,770	0.5%	0.8%				
24 Bureau of the Fiscal Service	98,073	0.9%	0.7%				
25 Centers for Medicare and Medicaid Services	78,361	0.7%	0.7%				
26 Military Entrance Processing Station	56,931	0.5%	0.6%				
27 Environmental Protection Agency	43,232	0.4%	0.6%				
28 Department of the Army	228,108	2.0%	0.6%				
29 Department of Housing and Urban Development	82,497	0.7%	0.6%				
30 General Services Administration	20,535	0.2%	0.4%				
31 Bureau of Prisons	51,138	0.4%	0.4%				
32 Food and Drug Administration	33,398	0.3%	0.3%				
33 Department of Defense	31,030	0.3%	0.3%				
34 Equal Employment Opportunity Commission	24,516	0.2%	0.2%				
35 Small Business Administration	8,575	0.1%	0.1%				
36 Department of Labor	6,459	0.1%	0.0%				
37 U.S. Coast Guard	4,064	0.0%	0.0%				
Subtotal U.S. Government	6,653,571	57.8%	59.6%				

- (1) Amounts exclude one property (one building) classified as discontinued operations.
- (2) Rentable sq. ft. is pursuant to leases existing as of June 30, 2017, 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. Rentable sq. ft. measurements are subject to changes when space is re-measured or re-configured for new tenants.
- (3) Percentage of annualized rental income is calculated using annualized contractual base rents from our tenants pursuant to our lease agreements as of June 30, 2017, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization.
- (4) Agency occupant cannot be disclosed.
- (5) Rentable sq. ft. excludes a 25,579 square foot expansion to be constructed prior to the commencement of the lease.



LEASE EXPIRATION SCHEDULE ⁽¹⁾

As of June 30, 2017
(dollars in thousands)

Year ⁽²⁾	Number of Tenants Expiring	Expiration of leased square feet ⁽³⁾	% of Total	Cumulative % of Total	Annualized Rental Income Expiring ⁽⁴⁾	% of Annualized Total	Cumulative % of Total
2017	27	652,188	6.0%	6.0%	\$ 14,350	5.2%	5.2%
2018	38	821,007	7.5%	13.5%	32,278	11.8%	17.0%
2019	44	1,940,016	17.7%	31.2%	58,639	21.4%	38.4%
2020	37	1,332,524	12.2%	43.4%	31,608	11.5%	49.9%
2021	36	1,064,122	9.7%	53.1%	20,746	7.6%	57.5%
2022	26	922,235	8.4%	61.5%	22,060	8.0%	65.5%
2023	17	601,489	5.5%	67.0%	13,815	5.0%	70.5%
2024	16	993,635	9.1%	76.1%	22,678	8.3%	78.8%
2025	15	801,648	7.3%	83.4%	16,444	6.0%	84.8%
2026 and thereafter	27	1,808,182 ⁽⁵⁾	16.6%	100.0%	42,028	15.2%	100.0%
Total	<u>283</u>	<u>10,937,046</u>	<u>100.0%</u>		<u>\$ 274,646</u>	<u>100.0%</u>	
Weighted average remaining lease term (in years)		<u>5.0</u>			<u>4.7</u>		

- (1) Excludes one property (one building) classified as discontinued operations.
- (2) The year of lease expiration is pursuant to current contract terms. Some of our government tenants have the right to vacate their space before the stated expirations of their leases. In addition, certain of our government tenants have the right to terminate their leases if their respective legislature or other funding authority does not appropriate rent in their respective annual budgets.
- (3) Leased square footage is pursuant to leases existing as of June 30, 2017, and includes (i) space being fitted out for tenant 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. Sq. ft. measurements are subject to changes when space is re-measured or re-configured for new tenants.
- (4) Annualized rental income is calculated using the annualized contractual base rents from our tenants pursuant to our lease agreements as of June 30, 2017, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excludes lease value amortization.
- (5) Leased square footage excludes a 25,579 square foot expansion being constructed at an existing property we own prior to the commencement of the lease.

EXHIBIT



131 Clayton Street, Montgomery, AL
Square Feet: 57,815
Agency Occupant: U.S. Department of Justice

PROPERTY DETAIL ⁽¹⁾

(sorted by location)

EXHIBIT A



As of June 30, 2017
(dollars in thousands)

										Weighted Average Year Built or Substantially Renovated ⁽⁴⁾	
Property Location		No. of Buildings	Primary Tenant Type	Rentable Sq. Ft.	% Leased	Annualized Rental Income ⁽²⁾	Undepreciated Carrying Value	Depreciated Carrying Value	Date Acquired ⁽³⁾		
1	131 Clayton Street	Montgomery, AL	1	Federal	57,815	100.0%	\$ 1,439	\$ 10,033	\$ 8,668	6/22/2011	2007
2	4344 Carmichael Road	Montgomery, AL	1	Federal	49,370	100.0%	1,522	13,032	12,012	12/17/2013	2009
3	15451 North 28th Avenue	Phoenix, AZ	1	State	66,743	100.0%	1,438	9,690	9,161	9/10/2014	2013
4	711 14th Avenue	Safford, AZ	1	Federal	36,139	94.4%	910	12,433	10,356	6/16/2010	1992
5	5045 East Butler Street	Fresno, CA	1	Federal	531,976	100.0%	8,384	68,452	45,719	8/29/2002	1971
6	10949 N. Mather Boulevard	Rancho Cordova, CA	1	State	93,807	100.0%	2,609	17,586	16,031	10/30/2013	2012
7	11020 Sun Center Drive	Rancho Cordova, CA	1	State	82,896	100.0%	1,980	10,420	10,304	12/20/2016	2016
8	801 K Street	Sacramento, CA	1	State	337,811	91.2%	9,794	70,849	68,412	1/29/2016	2002
9	9800 Goethe Road	Sacramento, CA	1	State	110,500	100.0%	2,595	15,333	12,316	12/23/2009	1993
10	9815 Goethe Road	Sacramento, CA	1	State	87,863	100.0%	1,953	12,438	10,850	9/14/2011	1992
11	Capitol Place	Sacramento, CA	1	State	163,840	88.1%	4,454	44,611	37,168	12/17/2009	1988
12	4181 Ruffin Road	San Diego, CA	1	Federal	145,734	97.9%	3,465	19,825	16,806	7/16/2010	1981
13	4560 Viewridge Road	San Diego, CA	1	Federal	93,177	100.0%	3,284	26,568	17,045	3/31/1997	1996
14	9174 Sky Park Centre	San Diego, CA	1	Federal	43,918	96.8%	1,170	8,243	5,817	6/24/2002	1986
15	603 San Juan Avenue	Stockton, CA	1	Federal	22,012	100.0%	971	6,033	5,360	7/20/2012	2012
16	16194 West 45th Street	Golden, CO	1	Federal	43,232	100.0%	1,584	7,109	3,891	3/31/1997	1997
17	12795 West Alameda Parkway	Lakewood, CO	1	Federal	166,745	100.0%	4,477	27,482	22,866	1/15/2010	1988
18	Corporate Center	Lakewood, CO	3	Federal	212,996	100.0%	4,545	34,322	23,199	10/11/2002	1996
19	20 Massachusetts Avenue	Washington, DC	1	Federal	340,119	100.0%	18,426	84,546	52,245	3/31/1997	1996
20	625 Indiana Avenue	Washington, DC	1	Federal	160,897	94.3%	7,770	58,277	52,481	8/17/2010	1989
21	7850 Southwest 6th Court	Plantation, FL	1	Federal	135,819	100.0%	4,878	35,775	30,953	5/12/2011	1999
22	8900 Grand Oak Circle	Tampa, FL	1	Federal	67,916	100.0%	1,983	13,042	11,024	10/15/2010	2008
23	181 Spring Street NW	Atlanta, GA	1	Federal	90,688	100.0%	3,717	25,871	23,407	7/25/2012	2007
24	Corporate Square	Atlanta, GA	5	Federal	352,876 ⁽⁵⁾	100.0%	7,810	53,786	42,810	7/16/2004	1967
25	Executive Park	Atlanta, GA	1	Non-Government	125,788	100.0%	1,622	17,216	12,414	7/16/2004	1972
26	One Georgia Center	Atlanta, GA	1	State	375,952	91.0%	7,341	40,193	36,045	9/30/2011	2008
27	4712 Southpark Boulevard	Ellenwood, GA	1	Federal	352,064	100.0%	3,131	21,076	18,662	7/25/2012	2005
28	1185, 1249 & 1387 S. Vinnell Way	Boise, ID	3	Federal	180,952	100.0%	4,669	33,218	29,563	9/11/2012	1997
29	2020 S. Arlington Heights	Arlington Heights, IL	1	Federal	57,770	100.0%	2,123	15,536	12,739	12/29/2009	1988
30	Intech Park	Indianapolis, IN	3	Federal	433,924	92.1%	9,639	76,136	65,502	10/14/2011	2003
31	400 State Street	Kansas City, KS	1	Federal	170,817	93.7%	2,966	14,225	11,961	6/16/2010	1971
32	7125 Industrial Road	Florence, KY	1	Federal	167,939	100.0%	2,537	13,475	12,154	12/31/2012	2002
33	251 Causeway Street	Boston, MA	1	State	132,876	100.0%	4,071	24,048	20,934	8/17/2010	1988
34	75 Pleasant Street	Malden, MA	1	State	125,521	100.0%	4,964	32,278	26,709	5/24/2010	2008
35	25 Newport Avenue	Quincy, MA	1	State	92,549	96.3%	2,022	12,963	11,440	2/16/2011	2009
36	One Montvale Avenue	Stoneham, MA	1	Federal	97,777	94.1%	2,489	14,533	12,411	6/16/2010	1987
37	4201 Patterson Avenue	Baltimore, MD	1	State	84,674	100.0%	1,270	12,878	8,568	10/15/1998	1989
38	20400 Century Boulevard	Germantown, MD	1	Vacant	80,550	0.0%	—	13,443	8,290	3/31/1997	1995
39	3300 75th Avenue	Landover, MD	1	Federal	266,000	100.0%	5,276	41,250	34,460	2/26/2010	2004
40	1401 Rockville Pike	Rockville, MD	1	Other Government	190,044	93.3%	4,615	48,662	32,461	2/2/1998	1986

See notes on page 34.

PROPERTY DETAIL ⁽¹⁾ (sorted by location)

EXHIBIT A



As of June 30, 2017
(dollars in thousands)

Property Location		No. of Buildings	Primary Tenant Type	Rentable Sq. Ft.	% Leased	Annualized Rental Income ⁽²⁾	Undepreciated Carrying Value	Depreciated Carrying Value	Date Acquired ⁽³⁾	Weighted Average Year Built or Substantially Renovated ⁽⁴⁾
41	2115 East Jefferson Street	1	Federal	128,645	84.6%	\$ 3,023	\$ 14,817	\$ 13,733	8/27/2013	2003
42	Rutherford Business Park	1	Federal	80,398	100.0%	1,915	11,818	10,647	11/16/2012	2011
43	Meadows Business Park	2	Federal	182,561	83.8%	3,260	26,719	23,158	2/15/2011	1996
44	11411 E. Jefferson Avenue	1	Federal	55,966	100.0%	2,731	18,990	15,764	4/23/2010	2009
45	330 South Second Avenue	1	Non-Government	193,556	78.0%	2,940	31,915	26,885	7/16/2010	2013
46	Rosedale Corporate Plaza	1	State	61,426	100.0%	1,126	8,222	5,169	12/1/1999	1987
47	1300 Summit Street	1	Federal	86,739	100.0%	2,235	15,105	13,647	9/27/2012	1998
48	4241-4300 NE 34th Street	1	Federal	98,073	100.0%	1,906	11,092	7,326	3/31/1997	1995
49	1220 Echelon Parkway	1	Federal	109,819	100.0%	3,974	25,946	22,806	7/25/2012	2009
50	10-12 Celina Avenue	1	Federal	321,800	100.0%	2,433	17,438	14,664	8/31/2009	1997
51	50 West State Street	1	State	266,995	84.6%	6,161	45,518	39,087	12/30/2010	1989
52	435 Montano Boulevard	1	Vacant	29,045	0.0%	—	2,418	2,126	7/16/2010	1986
53	138 Delaware Avenue	1	Federal	121,711	63.6%	1,592	28,310	17,624	3/31/1997	2013
54	Airline Corporate Center	1	State	64,000	100.0%	1,071	7,222	6,422	6/22/2012	2004
55	5000 Corporate Court	1	Federal	264,482	85.7%	5,950	26,618	23,737	8/31/2011	2000
56	305 East 46th Street	1	Other Government	187,060	100.0%	11,119	107,562	97,250	5/27/2011	2008
57	4600 25th Avenue	1	State	233,358	97.8%	5,113	28,712	25,045	12/20/2011	2007
58	Synergy Business Park	3	State	180,703	93.3%	2,192	17,398	13,954	5/10/2006; 9/17/2010	1984
59	One Memphis Place	1	Federal	204,694	76.3%	3,065	9,693	8,406	9/17/2010	1985
60	701 Clay Road	1	Federal	137,782	100.0%	2,228	13,521	8,685	12/23/1997	1997
61	14660, 14672 & 14668 Lee Road	3	Government Contractor	409,478	98.5%	13,592	81,180	80,253	12/22/2016	2002
62	Interchange at Meadowville	1	Federal	228,108	100.0%	1,524	11,343	10,406	8/28/2013	2011
63	3920 Pender Drive	1	Federal	83,130	100.0%	2,440	15,815	14,771	3/21/2014	2011
64	Pender Business Park	4	State	171,061	96.2%	4,011	24,109	22,082	11/4/2013	2000
65	7987 Ashton Avenue	1	Other Government	69,374	100.0%	1,654	9,824	9,721	1/3/2017	1989
66	1759 & 1760 Business Center Drive	2	Federal	406,388	100.0%	12,304	89,630	83,469	5/28/2014	1996
67	9960 Mayland Drive	1	State	173,932	94.4%	3,338	20,122	18,816	5/20/2014	1994
68	Aquia Commerce Center	2	Federal	64,656	100.0%	1,826	10,285	9,097	6/22/2011	1998
69	65 Bowdoin Street	1	Federal	26,609	100.0%	1,114	9,236	7,688	4/9/2010	2009
70	840 North Broadway	2	State	111,908	100.0%	2,721	20,259	18,043	6/28/2012	1988
71	Stevens Center	2	Federal	140,152	100.0%	2,823	22,913	14,024	3/31/1997	1995
72	11050 West Liberty Drive	1	Federal	29,297	100.0%	795	5,587	4,883	6/9/2011	2006
73	2029 Stonewall Jackson Drive	1	Federal	40,348	100.0%	786	5,062	3,005	3/31/1997	1993
74	5353 Yellowstone Road	1	Federal	122,647	100.0%	1,791	10,661	6,390	3/31/1997	1995
		<u>96</u>		<u>11,515,987</u>	<u>95.0%</u>	<u>\$ 274,646</u>	<u>\$ 1,921,945</u>	<u>\$ 1,601,940</u>		

(1) Excludes one property (one building) 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 June 30, 2017, 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 we acquired the property or the date our former parent entity acquired the property for those properties that our former parent entity contributed to us in June 2009 in connection with our initial public offering.

(4) Weighted based on rentable square feet.

(5) Rentable square footage excludes a 25,579 square foot expansion being constructed prior to the commencement of the lease.