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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported):  
August 7, 2018

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**Easterly Government Properties, Inc.**  
(Exact name of Registrant as Specified in Its Charter)

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**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**001-36834**  
(Commission  
File Number)

**47-2047728**  
(IRS Employer  
Identification No.)

**2101 L Street NW, Suite 650, Washington, D.C.**  
(Address of Principal Executive Offices)

**20037**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: (202) 595-9500**

**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On August 7, 2018, we issued a press release announcing our results of operations for the second quarter ended June 30, 2018. A copy of this press release as well as a copy of our supplemental information package are available on our website and are attached hereto as Exhibits 99.1 and 99.2 and incorporated herein by reference. The information in this Item 2.02 as well as the attached Exhibits 99.1 and 99.2 are being furnished and shall not be deemed “filed” for any purpose, including for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing.

We will host a webcast and conference call at 10:00 a.m. Eastern Time on August 7, 2018, to review our second quarter ended 2018 performance, discuss recent events and conduct a question-and-answer session. The number to call is 1-877-705-6003 (domestic) and 1-201-493-6725 (international). A live webcast will be available in the Investor Relations section of our website. A replay of the conference call will be available through August 21, 2018, by dialing 1-844-512-2921 (domestic) and 1-412-317-6671 (international) and entering the passcode 13680471. Please note that the full text of the press release and supplemental information package are available through our website at [ir.easterlyreit.com](http://ir.easterlyreit.com). The information contained on our website is not incorporated by reference herein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

Exhibit Number Description

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99.1 [Press release dated August 7, 2018.](#)

99.2 [Easterly Government Properties, Inc. Supplemental Information Package for the quarter ended June 30, 2018.](#)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**EASTERLY GOVERNMENT  
PROPERTIES, INC.**

By: /s/ William C. Trimble, III  
Name: William C. Trimble, III  
Title: Chief Executive Officer and President

Date: August 7, 2018



## EASTERLY GOVERNMENT PROPERTIES REPORTS SECOND QUARTER 2018 RESULTS

WASHINGTON, D.C. – August 7, 2018 – Easterly Government Properties, Inc. (NYSE: DEA) (the “Company” or “Easterly”), a fully integrated real estate investment trust (“REIT”) focused primarily on the acquisition, development and management of Class A commercial properties leased to the U.S. Government, today announced its results of operations for the quarter ended June 30, 2018.

### Highlights for the Quarter Ended June 30, 2018:

- Net income of \$1.7 million, or \$0.03 per share on a fully diluted basis
- FFO of \$16.3 million, or \$0.29 per share on a fully diluted basis
- FFO, as Adjusted of \$14.3 million, or \$0.25 per share on a fully diluted basis
- CAD of \$10.9 million
- Announced the agreement to purchase a 14-property portfolio, totaling 1,479,762 square feet, on a rolling basis between August and December of 2018 (“Portfolio Acquisition”) for a total purchase price of \$430.0 million
- Completed an underwritten public offering of an aggregate of 20,700,000 million shares of the Company’s common stock, including 7,000,000 shares offered on a forward basis in connection with forward sales agreements entered into with certain financial institutions, acting as forward purchasers. Upon settlement of the forward sales agreement, the offering is expected to result in approximately \$382.2 million of net proceeds to the Company, assuming the forward sales agreements are physically settled in full
- Announced an expanded and amended senior unsecured credit facility, consisting of a \$450.0 million revolving senior unsecured credit facility and a \$150.0 million delayed-draw senior unsecured term loan facility for a total credit facility size of \$600.0 million
- Announced the purchase of a Department of Veterans Affairs (VA) Facility in Golden, Colorado (“VA - Golden”)
- Issued 1,010,371 shares of common stock for approximately \$20.2 million of net proceeds through the Company’s At-the-Market (ATM) Program
- Portfolio occupancy at 100%

“This quarter we were pleased to announce the purchase of our first portfolio of scale since the Company’s IPO,” said William C. Trimble III, Easterly’s Chief Executive Officer. “We received strong support for this strategic transaction from new and existing shareholders in the equity markets. We appreciate their partnership and look forward to continued growth.”

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## Financial Results for the Six Months Ended June 30, 2018

Net income of \$3.5 million, or \$0.06 per share on a fully diluted basis

FFO of \$32.8 million, or \$0.59 per share on a fully diluted basis

FFO, as Adjusted of \$28.1 million, or \$0.51 per share on a fully diluted basis

CAD of \$22.8 million

## Portfolio Operations

As of June 30, 2018, the Company wholly owned 47 operating properties in the United States, encompassing approximately 3.7 million square feet in the aggregate, including 45 operating properties that were leased primarily to U.S. Government tenant agencies and two operating properties that were entirely leased to private tenants. As of June 30, 2018, the portfolio had an average age of 12.7 years, was 100% occupied, and had a weighted average remaining lease term of 7.7 years. With approximately 9.3% of leases based on square footage, or 9.4% based on total annualized lease income scheduled to expire before 2020, Easterly expects to continue to provide a highly visible and stable cash-flow stream.

## Completed Acquisitions

On May 24, 2018, the Company acquired a 56,753-square foot Department of Veterans Affairs facility located in Golden, Colorado. This facility was originally constructed in 1996 and then fully renovated for the VA's use in 2011 in order to meet the specific design needs of the tenant. The facility is leased to the VA for a 15-year lease, which expires in September 2026. VA - Golden houses holistic supply chain management for the VA National Hearing Aid and Telehealth Programs and supports the VA and U.S. Government agencies with professional acquisition and logistical services. VA - Golden manages the distribution of critical commodities such as hearing aids, hearing aid accessories, cochlear implants, assistive devices, batteries, prosthetic socks, orthotic soft goods, aids for the visually impaired, and telehealth messaging hubs and peripherals. VA - Golden also houses the VA's only hearing aid repair program, which provides eligibility verification, problem diagnosis, hearing aid programming retrieval, cleaning, repairs, vendor management, and quality control.

## Announced Acquisitions

On June 18, 2018, the Company announced that it has agreed to acquire a 14-property portfolio, totaling 1,479,762 square feet, on a rolling basis between August and December 2018. The Portfolio Acquisition is comprised of the following 14 properties, arranged from largest to smallest by square feet:

### *Various GSA - Buffalo, NY*

Various GSA - Buffalo, a multi-tenanted Class A office building completed in 2004, is primarily occupied by two federal agencies: the VA and the Internal Revenue Service (IRS). It also houses one of the National Labor Relations Board's 26 regional offices. The weighted average lease expiration year for the 267,766-square foot building is 2021. The U.S. Government leases 94% of the 100% leased building.

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#### *Various GSA - Chicago, IL*

Various GSA - Chicago, a multi-tenanted office building fully renovated in 1999, is strategically located next to Chicago O'Hare International Airport and serves as the Federal Aviation Administration's (FAA) Great Lakes Regional Office, which oversees operations in eight states. The U.S. Department of Agriculture (USDA) also maintains a presence within the facility. The weighted average lease expiration year for the 239,331-square foot building is 2020 and is 96% leased.

#### *Various GSA - Portland, OR*

Various GSA - Portland, a Class A trophy multi-tenanted asset, was built in 2002 and is strategically located within Portland's Central City Plan District along the MAX light rail system. The facility is occupied by tenants such as the USDA, U.S. Army Corp of Engineers (ACOE), Federal Bureau of Investigation (FBI) and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). The 225,057-square foot facility is 100% leased with a weighted average lease expiration year of 2022.

#### *TREAS - Parkersburg, WV*

TREAS - Parkersburg, a 182,500-square foot build-to-suit property, was built in multiple phases in 2004 and 2006 and is 100% leased to the General Services Administration (GSA) for the beneficial use of the Bureau of Fiscal Service (BFS) through 2021. This mission critical agency within the U.S. Department of Treasury has been located in Parkersburg since 1957 and currently occupies three buildings in the vicinity.

#### *SSA - Charleston, WV*

SSA - Charleston, a 110,000-square foot single tenant facility fully renovated in 2000, is occupied by the Office of Hearings Operations (OHO), a part of the Social Security Administration (SSA). The Charleston hearing office services three SSA field offices in Ohio and nine SSA field offices in West Virginia. The space includes courtrooms, administrative offices and public service areas. The facility is 100% leased through 2019.

#### *FBI - Pittsburgh, PA*

FBI - Pittsburgh serves as one of 56 FBI field offices located throughout the country. The 100,054-square foot facility was built-to-suit for the FBI in 2001 and is 100% leased until 2027. This facility oversees operations for nine surrounding resident agencies located throughout Pennsylvania and the entirety of West Virginia.

#### *FDA - College Park, MD*

FDA - College Park houses a laboratory for the Food and Drug Administration's (FDA) Center for Food Safety and Applied Nutrition (CFSAN), one of the FDA's seven product-oriented centers. The 80,677-square foot office and laboratory was built-to-suit in 2004 and is 100% leased to the GSA for the beneficial use of the FDA until 2029. The facility is part of the University of Maryland's Research Park and is located two blocks from CFSAN headquarters in the Harvey W. Wiley Building, forming a campus which links university researchers, students and staff with federal laboratories and private sector companies.

#### *GSA - Clarksburg, WV*

GSA - Clarksburg serves as a multi-tenanted federal center for various federal tenants within the market area, including the FBI, DEA, SSA, Offices of the U.S. Attorneys, and the Small Business Association (SBA). This 100% leased 63,760-square foot build-to-suit facility was constructed in 1999 and serves the five tenant agencies through a single GSA lease, which expires in 2019.

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#### *Courthouse - Charleston, SC*

Courthouse - Charleston, an historic townhouse with a modern annex that, together with two adjacent federally-owned buildings, constitutes the federal judicial complex in Charleston. The original building dates to 1795 and was fully renovated in 1999 when the annex was constructed. The building, known as the Josiah House, contains three district judge courtrooms and four judges' chambers. It is physically connected on the second floor to the J. Waties Waring Judicial Center. This 60,500-square foot federal courthouse is 100% leased through 2019.

#### *DEA - Sterling, VA*

DEA - Sterling serves as a special testing and research laboratory to assist the DEA in performing mission critical forensic analyses. The 49,692-square foot facility was built-to-suit in 2001 and includes evidence rooms, computer labs, cryptography and various other specialized laboratories. The facility is 100% leased through 2020.

#### *ICE - Pittsburgh, PA*

ICE - Pittsburgh, a state-of-the-art, build-to-suit facility constructed in 2004, is occupied by the U.S. Immigration and Customs Enforcement (ICE), which works to promote homeland security and public safety with respect to border control, customs, trade and immigration for the surrounding Pittsburgh region. The Class A facility houses the Homeland Security Investigations (HSI) division, dedicated to combating criminal organizations illegally exploiting America's travel, trade, financial and immigration systems. This 33,425-square foot facility is located adjacent to the FBI - Pittsburgh field office, is 76% leased and has a weighted average lease expiration year of 2019.

#### *VA - Baton Rouge, LA*

VA - Baton Rouge, constructed in 2004, serves as a VA outpatient facility for Baton Rouge and the surrounding veteran population. This facility is one of two VA medical treatment facilities in Baton Rouge. Situated close to the largest private medical center in Louisiana, VA - Baton Rouge is 30,000-square feet in size and currently 100% leased to the VA through 2019.

#### *SSA - Dallas, TX*

SSA - Dallas is a 27,200-square foot build-to-suit facility 100% leased to the GSA for the beneficial use of the SSA through 2020. Built in 2005, this facility integrates state-of-the-art systems to serve as a local field office with superb access from one of Dallas's busiest thoroughfares.

#### *DEA - Bakersfield, CA*

DEA - Bakersfield is a build-to-suit facility that houses the Bakersfield Resident Office for the DEA's San Francisco Division. This 9,800-square foot facility houses two holding cells, provides for secure and enclosed first floor parking and offers second story office space with secured rooms for weapons and drug storage. The facility was constructed in 2000 and is 100% leased through 2021.

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## **Balance Sheet and Capital Markets Activity**

As of June 30, 2018, the Company had total indebtedness of \$487.8 million comprised of \$100.0 million outstanding on its 2016 senior unsecured term loan facility, \$175.0 million of senior unsecured notes, and \$212.8 million of mortgage debt (excluding unamortized premiums and discounts and deferred financing fees). At June 30, 2018, Easterly's outstanding debt had a weighted average maturity of 8.8 years and a weighted average interest rate of 3.8%. As of June 30, 2018, Easterly's net debt to total enterprise value was 19.9% and its net debt to annualized quarterly EBITDA ratio was 3.9x.

On June 21, 2018, the Company completed an underwritten public offering of an aggregate of 20,700,000 shares of the Company's common stock, including 2,700,000 shares sold pursuant to the underwriters' exercise in full of their option to purchase additional shares. 7,000,000 shares were offered on a forward basis in connection with forward sales agreements entered into with certain financial institutions, acting as forward purchasers. The Company expects to physically settle the forward sales agreements and receive proceeds, subject to certain adjustments, upon one or more such physical settlements within approximately six months from the date of the closing of the offering. The Company did not initially receive any proceeds from the sale of shares by the forward purchasers. Upon settlement of the forward sales agreements, the offering is expected to result in approximately \$382.2 million of net proceeds to the Company, assuming the forward sales agreements are physically settled in full.

The Company intends to use a portion of the net proceeds to fund, in part, the pending acquisition of the Portfolio Acquisition, announced June 18, 2018. The balance of the net proceeds may be used to repay borrowings under the Company's revolving credit facility, to fund other potential acquisition opportunities, for general corporate purposes, or a combination of the foregoing.

During the quarter ended June 30, 2018 the Company issued 1,010,371 shares of the Company's common stock at a weighted average gross price of \$20.20 per share through the Company's ATM program, raising net proceeds of \$20.2 million to maintain balance sheet strength.

## **Dividend**

On August 1, 2018 the Board of Directors of Easterly approved a cash dividend for the second quarter of 2018 in the amount of \$0.26 per common share. The dividend will be payable September 27, 2018 to shareholders of record on September 13, 2018.

## **Subsequent Events**

On July 11, 2018 the Company acquired a 90,085-square foot Department of Veterans Affairs Community-Based Outpatient Clinic in San Jose, CA ("VA - San Jose"). VA - San Jose, part of the VA Palo Alto Health Care System, is an outpatient clinic that was completed in the first quarter of 2018. The state-of-the-art facility is leased to the VA for an initial, non-cancelable lease term of 20 years through February 2038. The brand new advanced facility consists of medical clinic and administrative space distributed over three floors. Services performed at VA - San Jose include primary care, mental health care, women's health, audiology and speech pathology, podiatry, optometry and dermatology. The VA also promotes the use of group classes and instruction by incorporating state-of-the-art training and patient education spaces throughout the facility.

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## Outlook for 2018

The Company is modifying its financial guidance for the 12 months ending December 31, 2018 as follows:

### Outlook for the 12 Months Ending December 31, 2018

	<u>Low</u>	<u>High</u>
Net income (loss) per share – fully diluted basis	\$ 0.33	0.38
Plus: real estate depreciation and amortization	\$ 0.84	0.84
FFO per share – fully diluted basis	\$ 1.17	1.22

This guidance assumes \$515 million of acquisitions and \$50 - \$75 million of development-related investment during 2018. This guidance is forward-looking and reflects management's view of current and future market conditions. The Company's actual results may differ materially from this guidance.

### Non-GAAP Supplemental Financial Measures

*This section contains definitions of certain non-GAAP financial measures and other terms that the Company uses in this press release and, where applicable, the reasons why management believes these non-GAAP financial measures provide useful information to investors about the Company's financial condition and results of operations and the other purposes for which management uses the measures. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. Additional detail can be found in the Company's most recent annual report on Form 10-K and quarterly report on Form 10-Q, as well as other documents filed with or furnished to the SEC from time to time.*

**Cash Available for Distribution (CAD)** is a non-GAAP financial measure that is not intended to represent cash flow for the period and is not indicative of cash flow provided by operating activities as determined under GAAP. CAD is calculated in accordance with the current NAREIT definition as FFO minus normalized recurring real estate-related expenditures and other non-cash items and nonrecurring expenditures. CAD is presented solely as a supplemental disclosure because the Company believes it provides useful information regarding the Company's ability to fund its dividends. Because all companies do not calculate CAD the same way, the presentation of CAD may not be comparable to similarly titled measures of other companies.

**EBITDA** is calculated as the sum of net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is not intended to represent cash flow for the period, is not presented as an alternative to operating income as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not indicative of operating income or cash provided by operating activities as determined under GAAP. EBITDA is presented solely as a supplemental disclosure with respect to liquidity because the Company believes it provides useful information regarding the Company's ability to service or incur debt. Because all companies do not calculate EBITDA the same way, the presentation of EBITDA may not be comparable to similarly titled measures of other companies.

**Funds From Operations (FFO)** is defined by NAREIT as net income (loss), calculated in accordance with GAAP, excluding gains or losses from sales of property and impairment losses on depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a widely recognized measure of REIT performance. Although FFO is a non-GAAP financial measure, the Company believes that information regarding FFO is helpful to shareholders and potential investors.



**Funds From Operations, as Adjusted (FFO, as Adjusted)** adjusts FFO to present an alternative measure of our operating performance, which, when applicable, excludes the impact of acquisition costs, straight-line rent, above-/below-market leases, non-cash interest expense, non-cash compensation and other non-cash items including amortization of lease inducements. By excluding these income and expense items from FFO, as Adjusted, the Company believes it provides useful information as these items have no cash impact. In addition, by excluding acquisition related costs the Company believes FFO, as Adjusted provides useful information that is comparable across periods and more accurately reflects the operating performance of the Company's properties.

#### **Other Definitions**

**Fully diluted basis** assumes the exchange of all outstanding common units representing limited partnership interests in the Company's operating partnership, or common units, the full vesting of all shares of restricted stock units, and the exchange of all earned and vested LTIP units in the Company's operating partnership for shares of common stock on a one-for-one basis, which is not the same as the meaning of "fully diluted" under GAAP.

#### **Conference Call Information**

The Company will host a webcast and conference call at 10:00 a.m. Eastern Daylight time on August 7, 2018 to review the second quarter 2018 performance, discuss recent events and conduct a question-and-answer session. The number to call is 1-877-705-6003 (domestic) and 1-201-493-6725 (international). A live webcast will be available in the Investor Relations section of the Company's website. A replay of the conference call will be available through August 21, 2018 by dialing 844-512-2921 (domestic) and 1-412-317-6671 (international) and entering the passcode 13680471. Please note that the full text of the press release and supplemental information package are available through the Company's website at [ir.easterlyreit.com](http://ir.easterlyreit.com).

#### **About Easterly Government Properties, Inc.**

Easterly Government Properties, Inc. (NYSE:DEA) is based in Washington, D.C., and focuses primarily on the acquisition, development and management of Class A commercial properties that are leased to the U.S. Government. Easterly's experienced management team brings specialized insight into the strategy and needs of mission-critical U.S. Government agencies for properties leased to such agencies either directly or through the U.S. General Services Administration (GSA). For further information on the company and its properties, please visit [www.easterlyreit.com](http://www.easterlyreit.com).

#### **Contact:**

Easterly Government Properties, Inc.  
Lindsay S. Winterhalter  
Vice President, Investor Relations & Operations  
202-596-3947  
[ir@easterlyreit.com](mailto:ir@easterlyreit.com)

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## Forward Looking Statements

We make statements in this press release that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are usually identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "should," "will," and variations of such words or similar expressions and include our guidance with respect to Net income (loss) and FFO per share on a fully diluted basis. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement in this press release for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation: risks associated with our dependence on the U.S. Government and its agencies for substantially all of our revenues; risks associated with ownership and development of real estate; the risk of decreased rental rates or increased vacancy rates; loss of key personnel; general volatility of the capital and credit markets and the market price of our common stock; the risk we may lose one or more major tenants; difficulties in completing and successfully integrating acquisitions; failure of acquisitions or development projects to occur at anticipated levels or to yield anticipated results; risks associated with actual or threatened terrorist attacks; intense competition in the real estate market that may limit our ability to attract or retain tenants or re-lease space; insufficient amounts of insurance or exposure to events that are either uninsured or underinsured; uncertainties and risks related to adverse weather conditions, natural disasters and climate change; exposure to liability relating to environmental and health and safety matters; limited ability to dispose of assets because of the relative illiquidity of real estate investments and the nature of our assets; exposure to litigation or other claims; risks associated with breaches of our data security; risks associated with our indebtedness; and other risks and uncertainties detailed in the "Risk Factors" section of our Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on March 1, 2018. In addition, our anticipated qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, or the Code, and depends on our ability to meet the various requirements imposed by the Code through actual operating results, distribution levels and diversity of stock ownership. We assume no obligation to update publicly any forward looking statements, whether as a result of new information, future events or otherwise.

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## Balance Sheet

(Unaudited, in thousands, except share amounts)

	June 30, 2018	December 31, 2017
<b>Assets</b>		
Real estate properties, net	\$ 1,254,368	\$ 1,230,162
Cash and cash equivalents	147,505	12,682
Restricted cash	6,330	3,519
Deposits on acquisitions	15,750	750
Rents receivable	14,074	12,751
Accounts receivable	8,198	9,347
Deferred financing, net	3,753	945
Intangible assets, net	132,477	143,063
Interest rate swaps	6,552	4,031
Prepaid expenses and other assets	10,405	8,088
<b>Total assets</b>	<b>\$ 1,599,412</b>	<b>\$ 1,425,338</b>
<b>Liabilities</b>		
Revolving credit facility	-	99,750
Term loan facilities, net	99,271	99,202
Notes payable, net	173,727	173,692
Mortgage notes payable, net	211,164	203,250
Intangible liabilities, net	33,937	38,569
Accounts payable and accrued liabilities	25,285	19,786
<b>Total liabilities</b>	<b>543,384</b>	<b>634,249</b>
<b>Equity</b>		
Common stock, par value \$0.01, 200,000,000 shares authorized, 60,376,466 and 44,787,040 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively.	604	448
Additional paid-in capital	1,008,615	740,546
Retained earnings	10,086	7,127
Cumulative dividends	(107,573)	(83,718)
Accumulated other comprehensive income	5,692	3,403
Total stockholders' equity	<b>917,424</b>	<b>667,806</b>
Non-controlling interest in Operating Partnership	138,604	123,283
<b>Total equity</b>	<b>1,056,028</b>	<b>791,089</b>
<b>Total liabilities and equity</b>	<b>\$ 1,599,412</b>	<b>\$ 1,425,338</b>

## Income Statement

(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017 <sup>(1)</sup>	June 30, 2018	June 30, 2017 <sup>(1)</sup>
<b>Revenues</b>				
Rental income	\$ 32,459	\$ 27,501	\$ 64,748	\$ 53,521
Tenant reimbursements	4,089	2,974	7,572	6,601
Other income	424	128	626	311
<b>Total revenues</b>	<u>36,972</u>	<u>30,603</u>	<u>72,946</u>	<u>60,433</u>
<b>Operating expenses</b>				
Property operating	7,223	5,837	13,783	12,181
Real estate taxes	3,845	2,979	7,545	5,711
Depreciation and amortization	14,588	13,272	29,222	26,141
Acquisition costs	499	456	723	981
Corporate general and administrative	3,623	3,142	7,082	6,581
<b>Total expenses</b>	<u>29,778</u>	<u>25,686</u>	<u>58,355</u>	<u>51,601</u>
<b>Operating income</b>	<u>7,194</u>	<u>4,917</u>	<u>14,591</u>	<u>8,832</u>
<b>Other expenses</b>				
Interest expense, net	(5,475)	(3,714)	(11,057)	(6,111)
<b>Net income</b>	<u>1,719</u>	<u>1,203</u>	<u>3,534</u>	<u>2,721</u>
Non-controlling interest in Operating Partnership	(279)	(221)	(575)	(511)
<b>Net income available to Easterly Government Properties, Inc.</b>	<u>\$ 1,440</u>	<u>\$ 982</u>	<u>\$ 2,959</u>	<u>\$ 2,210</u>
<b>Net income available to Easterly Government Properties, Inc. per share:</b>				
Basic	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>
<b>Weighted-average common shares outstanding:</b>				
Basic	47,531,128	37,408,603	46,276,125	37,151,521
Diluted	49,124,886	39,845,314	47,845,560	39,534,991
Net income, per share - fully diluted basis	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding - fully diluted basis	56,782,105	45,959,288	55,305,734	45,953,521

In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.

## EBITDA, FFO and CAD

(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017 <sup>(1)</sup>	June 30, 2018	June 30, 2017
<b>Net income</b>	\$ 1,719	\$ 1,203	\$ 3,534	\$
Depreciation and amortization	14,588	13,272	29,222	
Interest expense	5,475	3,714	11,057	
<b>EBITDA</b>	<u>\$ 21,782</u>	<u>\$ 18,189</u>	<u>\$ 43,813</u>	<u>\$</u>
<b>Net income</b>	\$ 1,719	\$ 1,203	\$ 3,534	\$
Depreciation and amortization	14,588	13,272	29,222	
<b>Funds From Operations (FFO)</b>	<u>\$ 16,307</u>	<u>\$ 14,475</u>	<u>\$ 32,756</u>	<u>\$</u>
<b>Adjustments to FFO:</b>				
Acquisition costs	499	456	723	
Straight-line rent and amortization of lease inducements	(1,253)	(350)	(3,047)	
Above-/below-market leases	(2,239)	(2,106)	(4,518)	
Non-cash interest expense	299	244	563	
Non-cash compensation	712	740	1,576	
<b>Funds From Operations, as Adjusted</b>	<u>\$ 14,325</u>	<u>\$ 13,459</u>	<u>\$ 28,053</u>	<u>\$</u>
FFO, per share - fully diluted basis	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>\$ 0.59</u>	<u>\$</u>
FFO, as Adjusted, per share - fully diluted basis	<u>\$ 0.25</u>	<u>\$ 0.29</u>	<u>\$ 0.51</u>	<u>\$</u>
<b>Funds From Operations, as Adjusted</b>	\$ 14,325	\$ 13,459	\$ 28,053	\$
Acquisition costs	(499)	(456)	(723)	
Principal amortization	(797)	(741)	(1,560)	
Maintenance capital expenditures	(1,009)	(766)	(1,475)	
Contractual tenant improvements	(456)	(139)	(551)	
Leasing related expenditures	(632)	(40)	(915)	
<b>Cash Available for Distribution (CAD)</b>	<u>\$ 10,932</u>	<u>\$ 11,317</u>	<u>\$ 22,829</u>	<u>\$</u>
Weighted average common shares outstanding - fully diluted basis	56,782,105	45,959,288	55,305,734	45,

In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.



# Supplemental Information Package

Second Quarter 2018

### **Forward-looking Statement**

We make statements in this Supplemental Information Package that are considered “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are usually identified by the use of words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “seeks,” “should,” “will,” and variations of such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement in this Supplemental Information Package for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation: risks associated with our dependence on the U.S. Government and its agencies for substantially all of our revenues; risks associated with ownership and development of real estate; the risk of decreased rental rates or increased vacancy rates; loss of key personnel; general volatility of the capital and credit markets and the market price of our common stock; the risk we may lose one or more major tenants; difficulties in completing and successfully integrating acquisitions; failure of acquisitions or development projects to occur at anticipated levels or to yield anticipated results; risks associated with actual or threatened terrorist attacks; intense competition in the real estate market that may limit our ability to attract or retain tenants or re-lease space; insufficient amounts of insurance or exposure to events that are either uninsured or underinsured; uncertainties and risks related to adverse weather conditions, natural disasters and climate change; exposure to liability relating to environmental and health and safety matters; limited ability to dispose of assets because of the relative illiquidity of real estate investments and the nature of our assets; exposure to litigation or other claims; risks associated with breaches of our data security; risks associated with our indebtedness; and other risks and uncertainties detailed in the “Risk Factors” section of our Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on March 1, 2018 and the factors included under the heading “Risk Factors” in our other public filings. In addition, our qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, or the Code, and depends on our ability to meet the various requirements imposed by the Code through actual operating results, distribution levels and diversity of stock ownership. We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Ratings**

Ratings are not recommendations to buy, sell or hold the Company’s securities.

The following discussion related to the consolidated financial statements of the Company should be read in conjunction with the financial statements for the quarter ended June 30, 2018 that will be released on Form 10-Q to be filed on or about August 7, 2018.



*This section contains definitions of certain non-GAAP financial measures and other terms that the Company uses in this Supplemental Information Package and, where applicable, the reasons why management believes these non-GAAP financial measures provide useful information to investors about the Company's financial condition and results of operations and the other purposes for which management uses the measures. These measures should not be considered in isolation or as a substitute for measures of performance in accordance with GAAP. Additional detail can be found in the Company's most recent quarterly report on Form 10-Q and the Company's most recent annual report on Form 10-K, as well as other documents filed with or furnished to the SEC from time to time.*

**Annualized lease income** is defined as the annualized contractual base rent for the last month in a specified period, plus the annualized straight-line rent adjustments for the last month in such period and the annualized expense reimbursements earned by us for the last month in such period.

**Cash Available for Distribution (CAD)** is a non-GAAP financial measure that is not intended to represent cash flow for the period and is not indicative of cash flow provided by operating activities as determined under GAAP. CAD is calculated in accordance with the current NAREIT definition as FFO minus normalized recurring real estate-related expenditures and other non-cash items and nonrecurring expenditures. CAD is presented solely as a supplemental disclosure because the Company believes it provides useful information regarding the Company's ability to fund its dividends. Because all companies do not calculate CAD the same way, the presentation of CAD may not be comparable to similarly titled measures of other companies.

**Cash fixed charge coverage ratio** is calculated as EBITDA divided by the sum of principal amortization and interest expense, excluding amortization of premiums / discounts and deferred financing fees, for the most recent quarter.

**Cash interest coverage ratio** is calculated as EBITDA divided by interest expense, excluding amortization of premiums / discounts and deferred financing fees, for the most recent quarter.

**EBITDA** is calculated as the sum of net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA is not intended to represent cash flow for the period, is not presented as an alternative to operating income as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not indicative of operating income or cash provided by operating activities as determined under GAAP. EBITDA is presented solely as a supplemental disclosure with respect to liquidity because the Company believes it provides useful information regarding the Company's ability to service or incur debt. Because all companies do not calculate EBITDA the same way, the presentation of EBITDA may not be comparable to similarly titled measures of other companies.

**Fully diluted basis** assumes the exchange of all outstanding common units representing limited partnership interests in the Company's operating partnership, or common units, the full vesting of all shares of restricted stock, and the exchange of all earned and vested LTIP units in the Company's operating partnership for shares of common stock on a one-for-one basis, which is not the same as the meaning of "fully diluted" under GAAP.

**Funds From Operations (FFO)** is defined by NAREIT as net income (loss), calculated in accordance with GAAP, excluding gains or losses from sales of property and impairment losses on depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a widely recognized measure of REIT performance. Although FFO is a non-GAAP financial measure, the Company believes that information regarding FFO is helpful to shareholders and potential investors.

**Funds From Operations, as Adjusted (FFO, as Adjusted)** adjusts FFO to present an alternative measure of our operating performance, which, when applicable, excludes the impact of acquisition costs, straight-line rent, above-/below-market leases, non-cash interest expense, non-cash compensation and other non-cash items including amortization of lease inducements. By excluding these income and expense items from FFO, as Adjusted, the Company believes it provides useful information as these items have no cash impact. In addition, by excluding acquisition related costs the Company believes FFO, as Adjusted provides useful information that is comparable across periods and more accurately reflects the operating performance of the Company's properties.

**Net Operating Income (NOI)** is calculated as net income plus depreciation and amortization, acquisition costs, corporate general and administrative costs, interest expense and the amortization of lease inducements. Cash NOI excludes from NOI straight-line rent and amortization of above-/below market leases. NOI and Cash NOI presented by the Company may not be comparable to NOI and Cash NOI reported by other REITs that define NOI and Cash NOI differently. The Company believes that NOI and Cash NOI provide investors with useful measures of the operating performance of our properties. NOI and Cash NOI should not be considered an alternative to net income as an indication of our performance or to cash flows as a measure of the Company's liquidity or its ability to make distributions.

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## Corporate Information

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### Corporate Headquarters

2101 L Street NW  
Suite 650  
Washington, DC 20037  
202-595-9500

### Stock Exchange Listing

New York Stock Exchange

### Ticker

DEA

### Information Requests

Please contact [ir@easterlyreit.com](mailto:ir@easterlyreit.com)  
or 202-596-3947 to request an  
Investor Relations package

### Investor Relations

Lindsay Winterhalter,  
VP, Investor Relations  
& Operations

### Executive Team

William Trimble III, CEO

Michael Ibe, Vice-Chairman and EVP  
Alison Bernard, CAO

Darrell Crate, Chairman  
Meghan Baivier, CFO & COO  
Ronald Kendall, EVP

### Board of Directors

William Binnie, Lead Independent  
Director  
Darrell Crate  
Cynthia Fisher  
Emil Henry Jr.

Michael Ibe  
James Mead  
William Trimble III

## Equity Research Coverage

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### Citigroup

Michael Bilerman / Emmanuel Korchman  
212-816-1383 / 212-816-1382

### Raymond James & Associates

Bill Crow / Paul Puryear  
727-567-2594 / 727-567-2253

### RBC Capital Markets

Michael Carroll  
440-715-2649

### Jefferies

Jonathan Petersen  
212-284-1705

### SunTrust Robinson Humphrey

Michael R. Lewis  
212-319-5659

*Any opinions, estimates, forecasts or predictions regarding Easterly Government Properties, Inc.'s performance made by these analysts are theirs alone and do not represent opinions, estimates, forecasts or predictions of Easterly Government Properties, Inc. or its management. Easterly Government Properties, Inc. does not by its reference above or distribution imply its endorsement of or concurrence with such opinions, estimates, forecasts or predictions.*

# Executive Summary

(In thousands, except share amounts)



<b>Price of Common Shares</b>	<b>Three months ended June 30, 2018</b>	<b>Earnings</b>	<b>Three months ended June 30, 2018</b>	<b>Three months ended June 30, 2017<sup>(3)</sup></b>
High closing price during period	\$ 21.40	Net income available to Easterly Government Properties, Inc.	\$ 1,440	\$ 982
Low closing price during period	\$ 19.36	Net income available to Easterly Government Properties, Inc.		
End of period closing price	\$ 19.76	per share:		
		Basic	\$ 0.02	\$ 0.03
		Diluted	\$ 0.02	\$ 0.02
<b>Outstanding Classes of Stock and Partnership Units - Fully Diluted Basis</b>	<b>At June 30, 2018</b>			
Common shares	60,352,446	Net income	\$ 1,719	\$ 1,203
Unvested restricted shares	24,020	Net income, per share - fully diluted basis	\$ 0.03	\$ 0.03
Common partnership and vested LTIP units	9,121,669			
<b>Total - fully diluted basis</b>	<b>69,498,135</b>	Funds From Operations ("FFO")	\$ 16,307	\$ 14,475
		FFO, per share - fully diluted basis	\$ 0.29	\$ 0.31
		Funds From Operations, as Adjusted	\$ 14,325	\$ 13,459
<b>Market Capitalization</b>	<b>At June 30, 2018</b>	FFO, as Adjusted, per share - fully diluted basis	\$ 0.25	\$ 0.29
<b>Total equity market capitalization - fully diluted basis</b>	<b>\$ 1,373,283</b>			
Consolidated debt <sup>(1)</sup>	487,775	Cash Available for Distribution	\$ 10,932	\$ 11,317
Cash and cash equivalents	(147,505)			
<b>Total enterprise value</b>	<b>\$ 1,713,553</b>			
<b>Ratios</b>	<b>At June 30, 2018</b>	<b>Liquidity</b>		<b>At June 30, 2018</b>
Net debt to total enterprise value <sup>(2)</sup>	19.9%	Cash and cash equivalents	\$	147,505
Net debt to annualized quarterly EBITDA <sup>(2)</sup>	3.9x	Available under \$450 million unsecured revolving credit facility <sup>(4)</sup>	\$	450,000
Cash interest coverage ratio	4.2x	Available under \$150 million 2018 unsecured term loan facility	\$	150,000
Cash fixed charge coverage ratio	3.6x			

(1)Excludes unamortized premiums / discounts and deferred financing fees.

(2)Net debt is equal to consolidated debt less cash and cash equivalents.

(3)In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.

(4)Revolving credit facility has an accordion feature that provides additional capacity, subject to the satisfaction of customary terms and conditions, of up to \$250 million, for a total revolving credit facility size of not more than \$700 million.

# Balance Sheets

(Unaudited, in thousands, except share amounts)



	<u>June 30, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Real estate properties, net	\$ 1,254,368	\$ 1,230,162
Cash and cash equivalents	147,505	12,682
Restricted cash	6,330	3,519
Deposits on acquisitions	15,750	750
Rents receivable	14,074	12,751
Accounts receivable	8,198	9,347
Deferred financing, net	3,753	945
Intangible assets, net	132,477	143,063
Interest rate swaps	6,552	4,031
Prepaid expenses and other assets	10,405	8,088
<b>Total assets</b>	<u>\$ 1,599,412</u>	<u>\$ 1,425,338</u>
<b>Liabilities</b>		
Revolving credit facility	-	99,750
Term loan facilities, net	99,271	99,202
Notes payable, net	173,727	173,692
Mortgage notes payable, net	211,164	203,250
Intangible liabilities, net	33,937	38,569
Accounts payable and accrued liabilities	25,285	19,786
<b>Total liabilities</b>	<u>543,384</u>	<u>634,249</u>
<b>Equity</b>		
Common stock, par value \$0.01, 200,000,000 shares authorized, 60,376,466 and 44,787,040 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively.	604	448
Additional paid-in capital	1,008,615	740,546
Retained earnings	10,086	7,127
Cumulative dividends	(107,573)	(83,718)
Accumulated other comprehensive income	5,692	3,403
Total stockholders' equity	<u>917,424</u>	<u>667,806</u>
Non-controlling interest in Operating Partnership	138,604	123,283
<b>Total equity</b>	<u>1,056,028</u>	<u>791,089</u>
<b>Total liabilities and equity</b>	<u>\$ 1,599,412</u>	<u>\$ 1,425,338</u>

# Income Statements

(Unaudited, in thousands)



	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017 <sup>(1)</sup>	June 30, 2018	June 30, 2017 <sup>(1)</sup>
<b>Revenues</b>				
Rental income	\$ 32,459	\$ 27,501	\$ 64,748	\$ 53,521
Tenant reimbursements	4,089	2,974	7,572	6,602
Other income	424	128	626	367
<b>Total revenues</b>	<u>36,972</u>	<u>30,603</u>	<u>72,946</u>	<u>60,490</u>
<b>Operating expenses</b>				
Property operating	7,223	5,837	13,783	12,186
Real estate taxes	3,845	2,979	7,545	5,714
Depreciation and amortization	14,588	13,272	29,222	26,141
Acquisition costs	499	456	723	988
Corporate general and administrative	3,623	3,142	7,082	6,586
<b>Total expenses</b>	<u>29,778</u>	<u>25,686</u>	<u>58,355</u>	<u>51,615</u>
<b>Operating income</b>	<u>7,194</u>	<u>4,917</u>	<u>14,591</u>	<u>8,875</u>
<b>Other expenses</b>				
Interest expense, net	(5,475)	(3,714)	(11,057)	(6,131)
<b>Net income</b>	<u>1,719</u>	<u>1,203</u>	<u>3,534</u>	<u>2,744</u>
Non-controlling interest in Operating Partnership	(279)	(221)	(575)	(525)
<b>Net income available to Easterly Government Properties, Inc.</b>	<u>\$ 1,440</u>	<u>\$ 982</u>	<u>\$ 2,959</u>	<u>\$ 2,219</u>
<b>Net income available to Easterly Government Properties, Inc. per share:</b>				
Basic	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>
<b>Weighted-average common shares outstanding:</b>				
Basic	47,531,128	37,408,603	46,276,125	37,151,527
Diluted	49,124,886	39,845,314	47,845,560	39,534,993
Net income, per share - fully diluted basis	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding - fully diluted basis	56,782,105	45,959,288	55,305,734	45,953,530

<sup>(1)</sup>In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.

# Net Operating Income

(Unaudited, in thousands)



	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017 <sup>(1)</sup>	June 30, 2018	June 30, 2017 <sup>(1)</sup>
<b>Net income</b>	\$ 1,719	\$ 1,203	\$ 3,534	\$ 2,744
Depreciation and amortization	14,588	13,272	29,222	26,141
Acquisition costs	499	456	723	988
Corporate general and administrative	3,623	3,142	7,082	6,586
Interest expense	5,475	3,714	11,057	6,131
Amortization of lease inducements	12	-	25	-
<b>Net Operating Income</b>	<u>25,916</u>	<u>21,787</u>	<u>51,643</u>	<u>42,590</u>
<b>Adjustments to Net Operating Income:</b>				
Straight-line rent	(1,259)	(355)	(3,064)	(495)
Above-/below-market leases	(2,239)	(2,106)	(4,518)	(4,218)
<b>Cash Net Operating Income</b>	<u>\$ 22,418</u>	<u>\$ 19,326</u>	<u>\$ 44,061</u>	<u>\$ 37,877</u>

<sup>(1)</sup>In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.



# EBITDA, FFO and CAD

(Unaudited, in thousands, except share and per share amounts)



	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017 <sup>(1)</sup>	June 30, 2018	June 30, 2017 <sup>(1)</sup>
<b>Net income</b>	\$ 1,719	\$ 1,203	\$ 3,534	\$ 2,744
Depreciation and amortization	14,588	13,272	29,222	26,141
Interest expense	5,475	3,714	11,057	6,131
<b>EBITDA</b>	<u>\$ 21,782</u>	<u>\$ 18,189</u>	<u>\$ 43,813</u>	<u>\$ 35,016</u>
<b>Net income</b>	\$ 1,719	\$ 1,203	\$ 3,534	\$ 2,744
Depreciation and amortization	14,588	13,272	29,222	26,141
<b>Funds From Operations (FFO)</b>	<u>\$ 16,307</u>	<u>\$ 14,475</u>	<u>\$ 32,756</u>	<u>\$ 28,885</u>
<b>Adjustments to FFO:</b>				
Acquisition costs	499	456	723	988
Straight-line rent and amortization of lease inducements	(1,253)	(350)	(3,047)	(493)
Above-/below-market leases	(2,239)	(2,106)	(4,518)	(4,218)
Non-cash interest expense	299	244	563	474
Non-cash compensation	712	740	1,576	1,467
<b>Funds From Operations, as Adjusted</b>	<u>\$ 14,325</u>	<u>\$ 13,459</u>	<u>\$ 28,053</u>	<u>\$ 27,103</u>
FFO, per share - fully diluted basis	<u>\$ 0.29</u>	<u>\$ 0.31</u>	<u>\$ 0.59</u>	<u>\$ 0.63</u>
FFO, as Adjusted, per share - fully diluted basis	<u>\$ 0.25</u>	<u>\$ 0.29</u>	<u>\$ 0.51</u>	<u>\$ 0.59</u>
<b>Funds From Operations, as Adjusted</b>	\$ 14,325	\$ 13,459	\$ 28,053	\$ 27,103
Acquisition costs	(499)	(456)	(723)	(988)
Principal amortization	(797)	(741)	(1,560)	(1,473)
Maintenance capital expenditures	(1,009)	(766)	(1,475)	(951)
Contractual tenant improvements	(456)	(139)	(551)	(152)
Leasing related expenditures	(632)	(40)	(915)	(241)
<b>Cash Available for Distribution (CAD)</b>	<u>\$ 10,932</u>	<u>\$ 11,317</u>	<u>\$ 22,829</u>	<u>\$ 23,298</u>
Weighted average common shares outstanding - fully diluted basis	56,782,105	45,959,288	55,305,734	45,953,530

<sup>(1)</sup>In the fourth quarter of 2017, the Company revised the prior period depreciation and amortization expense amount. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of the revision.

<b>Debt Instrument</b>	<b>Maturity Date</b>	<b>Stated Rate<sup>(1)</sup></b>	<b>June 30, 2018 Balance<sup>(2)</sup></b>	<b>June 30, 2018 Percent of Total Indebtedness</b>
<b>Unsecured debt</b>				
Unsecured revolving credit facility <sup>(3)</sup>	18-Jun-22 <sup>(4)</sup>	LIBOR + 130bps	\$ -	0.0%
2018 Unsecured term loan facility <sup>(5)</sup>	19-Jun-23	LIBOR + 125bps	-	0.0%
2016 Unsecured term loan facility	29-Sep-23	3.17% <sup>(6)</sup>	100,000	20.6%
Notes payable - series A	25-May-27	4.05%	95,000	19.5%
Notes payable - series B	25-May-29	4.15%	50,000	10.3%
Notes payable - series C	25-May-32	4.30%	30,000	6.2%
<b>Total unsecured debt</b>	<b>8.5 years (wtd-avg maturity)</b>	<b>3.78% (wtd-avg rate)</b>	<b>\$ 275,000</b>	<b>56.6%</b>
<b>Secured mortgage debt</b>				
VA - Loma Linda	6-Jul-27	3.59%	\$ 127,500	26.1%
ICE - Charleston	15-Jan-27	4.21%	19,227	3.9%
USFS II - Albuquerque	14-Jul-26	4.46%	16,739	3.4%
DEA - Pleasanton	18-Oct-23	LIBOR + 150bps	15,700	3.2%
CBP - Savannah	10-Jul-33	3.40%	13,856	2.8%
MEPCOM - Jacksonville	14-Oct-25	4.41%	10,349	2.1%
VA - Golden	1-Apr-24	5.00%	9,404	1.9%
<b>Total secured mortgage debt</b>	<b>8.8 years (wtd-avg maturity)</b>	<b>3.80% (wtd-avg rate)</b>	<b>\$ 212,775</b>	<b>43.4%</b>
<b>Debt Statistics</b>				
			<b>June 30, 2018</b>	
Variable rate debt - unhedged	\$		15,700	
Fixed rate debt			472,075	
<b>Total debt<sup>(2)</sup></b>	<b>\$</b>		<b>487,775</b>	
% Variable rate debt - unhedged			3.2%	
% Fixed rate debt			96.8%	
Weighted average maturity			8.8 years	
Weighted average interest rate			3.8%	

(1) Average stated rates represent the weighted average interest rate at June 30, 2018.

(2) Excludes unamortized premiums / discounts and deferred financing fees.

(3) Revolving credit facility has available capacity of \$450.0 million as of June 30, 2018.

(4) Revolving credit facility has two six-month as-of-right extension options, subject to certain conditions and the payment of an extension fee.

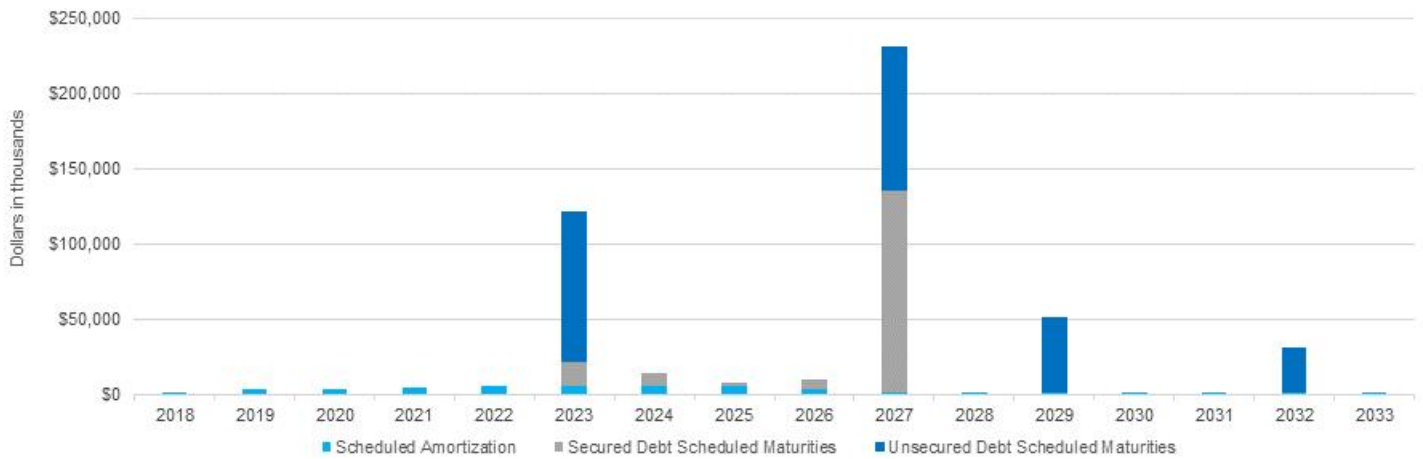
(5) 2018 term loan facility features a 364-day delayed draw period and has total available capacity of \$150.0 million as of June 30, 2018.

(6) The stated rate is calculated based on two interest rate swaps with an aggregate notional value of \$100.0 million, which effectively fix the interest rate at 3.17% annually based on the Company's current leverage ratio.

# Debt Maturities

(Unaudited, in thousands)

Year	Secured Debt		Unsecured Debt		Total	Percentage of Debt Maturing	Weighted Average Interest Rate of Scheduled Maturities
	Scheduled Amortization	Scheduled Maturities	Scheduled Maturities	Scheduled Maturities			
2018	\$ 1,629	\$ -	\$ -	\$ -	1,629	0.3%	-
2019	3,391	-	-	-	3,391	0.7%	-
2020	3,564	-	-	-	3,564	0.7%	-
2021	4,233	-	-	-	4,233	0.9%	-
2022	5,297	-	-	-	5,297	1.1%	-
2023	5,585	15,700	100,000	-	121,285	24.9%	3.21%
2024	5,730	8,395	-	-	14,125	2.9%	5.00%
2025	5,633	1,917	-	-	7,550	1.5%	4.41%
2026	3,686	6,368	-	-	10,054	2.1%	4.46%
2027	1,093	134,640	95,000	-	230,733	47.3%	3.82%
2028	983	-	-	-	983	0.2%	-
2029	1,016	-	50,000	-	51,016	10.5%	4.15%
2030	1,049	-	-	-	1,049	0.2%	-
2031	1,082	-	-	-	1,082	0.2%	-
2032	1,116	-	30,000	-	31,116	6.4%	4.30%
2033	668	-	-	-	668	0.1%	-
<b>Total</b>	<b>\$ 45,755</b>	<b>\$ 167,020</b>	<b>\$ 275,000</b>	<b>\$ -</b>	<b>487,775</b>	<b>100.0%</b>	



# Operating Property Overview

(As of June 30, 2018, unaudited)



Property Name	Location	Property Type	Tenant Lease Expiration Year	Year Built / Renovated	Rentable Square Feet	Annualized Lease Income	Percentage of Total Annualized Lease Income	Annualized Lease Income per Leased Square Foot
<b>U.S. Government Leased Properties</b>								
VA - Loma Linda	Loma Linda, CA	Outpatient Clinic	2036	2016	327,614	\$ 16,029,163	12.1%	\$ 48.93
IRS - Fresno	Fresno, CA	Office	2033	2003	180,481	7,548,561	5.7%	41.82
FBI - Salt Lake	Salt Lake City, UT	Office	2032	2012	169,542	6,746,595	5.1%	39.79
PTO - Arlington	Arlington, VA	Office	2019 / 2020	2009	189,871	6,598,312	5.0%	34.75
FBI - San Antonio	San Antonio, TX	Office	2021	2007	148,584	5,132,896	3.9%	34.55
FBI - Omaha	Omaha, NE	Office	2024	2009	112,196	4,432,976	3.3%	39.51
EPA - Kansas City	Kansas City, KS	Laboratory	2023	2003	71,979	4,183,838	3.2%	58.13
VA - South Bend	Mishakawa, IN	Outpatient Clinic	2032	2017	86,363	3,985,309	3.0%	46.15
ICE - Charleston	North Charleston, SC	Office	2021 / 2027	1994 / 2012	86,733	3,780,688	2.8%	43.59
DOT - Lakewood	Lakewood, CO	Office	2024	2004	122,225	3,382,692	2.5%	27.68
USCIS - Lincoln	Lincoln, NE	Office	2020	2005	137,671	3,314,921	2.5%	24.08
FBI - Birmingham	Birmingham, AL	Office	2020	2005	96,278	3,220,700	2.4%	33.45
AOC - El Centro	El Centro, CA	Courthouse/Office	2019	2004	46,813	3,095,133	2.3%	66.12
OSHA - Sandy	Sandy, UT	Laboratory	2024	2003	75,000	2,979,790	2.2%	39.73
USFS II - Albuquerque	Albuquerque, NM	Office	2026	2011	98,720	2,870,004	2.2%	29.07
ICE - Albuquerque	Albuquerque, NM	Office	2027	2011	71,100	2,804,426	2.1%	39.44
DEA - Vista	Vista, CA	Laboratory	2020	2002	54,119	2,777,302	2.1%	51.32
DEA - Pleasanton	Pleasanton, CA	Laboratory	2035	2015	42,480	2,775,692	2.1%	65.34
USFS I - Albuquerque	Albuquerque, NM	Office	2021	2006	92,455	2,749,070	2.1%	29.73
FBI - Richmond	Richmond, VA	Office	2021	2001	96,607	2,749,032	2.1%	28.46
AOC - Del Rio	Del Rio, TX	Courthouse/Office	2024	1992 / 2004	89,880	2,685,251	2.0%	29.88
DEA - Dallas Lab	Dallas, TX	Laboratory	2021	2001	49,723	2,414,114	1.8%	48.55
FBI - Little Rock	Little Rock, AR	Office	2021	2001	101,977	2,206,381	1.7%	21.64
MEPCOM - Jacksonville	Jacksonville, FL	Office	2025	2010	30,000	2,183,945	1.6%	72.80
CBP - Savannah	Savannah, GA	Laboratory	2033	2013	35,000	2,118,784	1.6%	60.54
FBI - Albany	Albany, NY	Office	2018	1998	98,184	2,098,811	1.6%	21.38
DEA - Santa Ana	Santa Ana, CA	Office	2024	2004	39,905	2,077,244	1.6%	52.05
DOE - Lakewood	Lakewood, CO	Office	2029	1999	115,650	2,068,524	1.6%	17.89
CBP - Chula Vista	Chula Vista, CA	Office	2028	1998	59,322	1,804,171	1.4%	30.41
DEA - Dallas	Dallas, TX	Office	2021	2001	71,827	1,785,029	1.3%	24.85

# Operating Property Overview (Cont.)

(As of June 30, 2018, unaudited)



Property Name	Location	Property Type	Tenant Lease Expiration Year	Year Built / Renovated	Rentable Square Feet	Annualized Lease Income	Percentage of Total Annualized Lease Income	Annualized Lease Income per Leased Square Foot
<b>U.S. Government Leased Properties (Cont.)</b>								
NPS - Omaha	Omaha, NE	Office	2024	2004	62,772	1,751,754	1.3%	27.91
ICE - Otay	San Diego, CA	Office	2022 / 2026	2001	52,881	1,742,757	1.3%	35.24
VA - Golden	Golden, CO	Office/Warehouse	2026	1996 / 2011	56,753	1,686,982	1.3%	29.72
CBP - Sunburst	Sunburst, MT	Office	2028	2008	33,000	1,597,758	1.2%	48.42
USCG - Martinsburg	Martinsburg, WV	Office	2027	2007	59,547	1,582,249	1.2%	26.57
DEA - Birmingham	Birmingham, AL	Office	2020	2005	35,616	1,533,079	1.2%	43.04
DEA - Otay	San Diego, CA	Office	2018	1997	32,560	1,490,135	1.1%	45.77
AOC - Aberdeen	Aberdeen, MS	Courthouse/Office	2025	2005	46,979	1,465,665	1.1%	31.20
DEA - North Highlands	Sacramento, CA	Office	2033	2002	37,975	1,435,217	1.1%	37.79
DEA - Albany	Albany, NY	Office	2025	2004	31,976	1,348,050	1.0%	42.16
DEA - Riverside	Riverside, CA	Office	2032	1997	34,354	1,232,259	0.9%	35.87
AOC - South Bend	South Bend, IN	Courthouse/Office	2027	1996 / 2011	30,119	820,347	0.6%	27.24
DEA - San Diego	San Diego, CA	Warehouse	2032	1999	16,100	531,914	0.4%	33.04
SSA - Mission Viejo	Mission Viejo, CA	Office	2020	2005	11,590	467,297	0.4%	40.32
SSA - San Diego	San Diego, CA	Office	2032	2003	10,856	327,423	0.2%	32.55
<b>Subtotal</b>					<b>3,551,377</b>	<b>\$ 131,612,240</b>	<b>99.2%</b>	<b>\$ 37.10</b>
<b>Privately Leased Properties</b>								
5998 Osceola Court - United Technologies	Midland, GA	Warehouse/Manufacturing	2023	2014	105,641	544,405	0.4%	5.15
501 East Hunter Street - Lummus Corporation	Lubbock, TX	Warehouse/Distribution	2028	2013	70,078	520,918	0.4%	7.43
<b>Subtotal</b>					<b>175,719</b>	<b>\$ 1,065,323</b>	<b>0.8%</b>	<b>\$ 6.06</b>
<b>Total / Weighted Average</b>					<b>3,727,096</b>	<b>\$ 132,677,563</b>	<b>100.0%</b>	<b>\$ 35.64</b>

# Tenants

(As of June 30, 2018, unaudited)

Tenant	Number of Properties	Number of Leases	Weighted Average Remaining Lease Term <sup>(1)</sup>	Leased Square Feet	Percentage of Leased Square Feet	Annualized Lease Income	Percentage of Total Annualized Lease Income
<b>U.S. Government</b>							
Federal Bureau of Investigation ("FBI")	7	7	5.3	823,368	22.1%	\$ 26,587,391	20.0%
Department of Veteran Affairs ("VA")	3	3	16.1	470,730	12.7%	21,701,454	16.4%
Drug Enforcement Administration ("DEA")	11	11	7.0	441,340	12.0%	19,172,100	14.5%
Administrative Office of the U.S. Courts ("AOC")	4	4	5.4	213,791	5.8%	8,066,396	6.1%
Internal Revenue Service ("IRS")	1	1	15.4	180,481	4.8%	7,548,561	5.7%
Immigration and Customs Enforcement ("ICE")	3	3	7.3	172,270	4.6%	7,224,495	5.4%
Patent and Trademark Office ("PTO")	1	2	0.8	189,871	5.1%	6,598,312	5.0%
U.S. Forest Service ("USFS")	2	2	5.5	191,175	5.1%	5,619,074	4.2%
Customs and Border Protection ("CBP")	3	3	11.4	127,322	3.4%	5,520,713	4.2%
Environmental Protection Agency ("EPA")	1	1	4.8	71,979	1.9%	4,183,838	3.2%
Department of Transportation ("DOT")	1	2	5.8	129,659	3.5%	3,628,580	2.7%
U.S. Citizenship and Immigration Services ("USCIS")	1	1	2.2	137,671	3.7%	3,314,921	2.5%
Occupational Safety and Health Administration ("OSHA")	1	1	5.6	75,000	2.0%	2,979,790	2.2%
Military Entrance Processing Command ("MEPCOM")	1	1	7.3	30,000	0.8%	2,183,945	1.6%
Department of Energy ("DOE")	1	1	11.4	115,650	3.1%	2,068,524	1.6%
National Park Service ("NPS")	1	1	6.0	62,772	1.7%	1,751,754	1.3%
U.S. Coast Guard ("USCG")	1	1	9.5	59,547	1.6%	1,582,249	1.2%
Social Security Administration ("SSA")	2	2	8.0	21,649	0.6%	794,720	0.6%
Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF") <sup>(2)</sup>	0	0	2.5	8,680	0.2%	373,628	0.3%
U.S. Department of Agriculture ("USDA")	0	1	7.5	1,538	0.0%	54,999	0.0%
U.S. Marshals Service ("USMS") <sup>(3)</sup>	0	0	8.6	1,054	0.0%	47,180	0.0%
<b>Subtotal</b>	<b>45</b>	<b>48</b>	<b>7.8</b>	<b>3,525,547</b>	<b>94.7%</b>	<b>\$ 131,002,624</b>	<b>98.7%</b>
<b>Private Tenants</b>							
We Are Sharing Hope SC	0	1	3.3	21,609	0.6%	\$ 609,616	0.5%
United Technologies (Pratt & Whitney)	1	1	5.5	105,641	2.8%	544,405	0.4%
Lummus Corporation	1	1	10.1	70,078	1.9%	520,918	0.4%
<b>Subtotal</b>	<b>2</b>	<b>3</b>	<b>6.9</b>	<b>197,328</b>	<b>5.3%</b>	<b>\$ 1,674,939</b>	<b>1.3%</b>
<b>Total / Weighted Average</b>	<b>47</b>	<b>51</b>	<b>7.7</b>	<b>3,722,875</b>	<b>100.0%</b>	<b>\$ 132,677,563</b>	<b>100.0%</b>

(1)Weighted based on leased square feet.

(2)ATF occupies the first floor of the DEA - Birmingham building in a joint lease with the DEA.

(3)USMS occupies a portion of the ICE - Charleston building in a joint lease with ICE and the DEA.

# Lease Expirations

(As of June 30, 2018, unaudited)

Year of Lease Expiration	Number of Leases Expiring	Square Footage Expiring	Percentage of Total Square Footage Expiring	Annualized Lease Income Expiring	Percentage of Total Annualized Lease Income Expiring	Annualized Lease Income per Leased Square Foot Expiring
2018	3	130,744	3.5%	\$ 3,588,946	2.7%	\$ 27.45
2019	2	215,281	5.8%	8,919,751	6.7%	41.43
2020	7	356,677	9.6%	12,086,993	9.1%	33.89
2021	7	582,782	15.7%	17,646,138	13.3%	30.28
2022	2	47,919	1.3%	1,687,758	1.3%	35.22
2023	2	177,620	4.8%	4,728,243	3.6%	26.62
2024	6	501,978	13.5%	17,309,707	13.0%	34.48
2025	3	108,955	2.9%	4,997,660	3.8%	45.87
2026	3	157,011	4.2%	4,611,985	3.5%	29.37
2027	6	225,890	6.1%	8,378,094	6.3%	37.09
Thereafter	10	1,218,018	32.6%	48,722,288	36.7%	40.00
<b>Total / Weighted Average</b>	<b>51</b>	<b>3,722,875</b>	<b>100.0%</b>	<b>\$ 132,677,563</b>	<b>100.0%</b>	<b>\$ 35.64</b>

# Summary of Re/Development Projects

(As of June 30, 2018, unaudited, costs in thousands)



## Projects Under Construction<sup>(1)</sup>

Property Name	Location	Property Type	Total Rentable Square Feet	Percentage Leased	Lease Term	Anticipated Total Cost	Cost to Date	Anticipated Completion Date	Anticipated Lease Commencement
FDA - Alameda	Alameda, CA	Laboratory	69,624	100%	20-Year	\$ 77,995	\$ 24,910	4Q 2019	4Q 2019
FEMA - Tracy	Tracy, CA	Warehouse/Office	210,373	100%	20-Year	42,882	32,739	3Q 2018	3Q 2018
<b>Total</b>			<b>279,997</b>			<b>\$ 120,877</b>	<b>\$ 57,649</b>		

## Projects in Design<sup>(2)</sup>

Property Name	Location	Property Type	Total Estimated Rentable Square Feet	Percentage Leased	Lease Term	Anticipated Completion Date	Anticipated Lease Commencement
FDA - Lenexa	Lenexa, KS	Laboratory	59,690	100%	20-Year	2Q 2020	2Q 2020
<b>Total</b>			<b>59,690</b>				

(1)Includes properties under construction for which design is complete.

(2)Includes properties in the design phase for which project scope is not fully determined.