GSA Public Buildings Service

state of the portfolio fy2007

contents

Federal Office Building and U.S. Courthouse Annex Wheeling, WV

portfolio
fy2007

commissioner's message

david winstead

As Commissioner of the Public Buildings Service (PBS), I have recognized the substantial accomplishments of our talented portfolio managers over recent years. The portfolio restructuring and real estate asset analysis that has occurred has resulted in properties that are both performing and providing quality workplaces for over 1 million federal employees. This document presents the facts behind this effort which has been a priority for FY2007 and continues into FY2008. Our mission is to deliver quality facilities and services to our customer agencies at prices they can afford and at the best value to the taxpayer. Our asset management efforts will be combined with five other priorities in the year ahead which will strive to:

- Enhance Quality and Value in Real Property Capital Project Delivery
- Continue Improvements in the Real Estate Leasing Program
- Strengthen and Expand Workspace/Workplace Delivery
- Explore Ways to Leverage Funding of Real Property Capital Projects
- Implement the goals of the President's Management Agenda (PMA)

I am proud to report that beyond being the first agency to achieve "Green" on the PMA scorecard for real property asset management, GSA has maintained this respected status. In large part, as you will see in the pages that follow, this is due to the hard work and dedication of PBS employees in our regional and field offices.

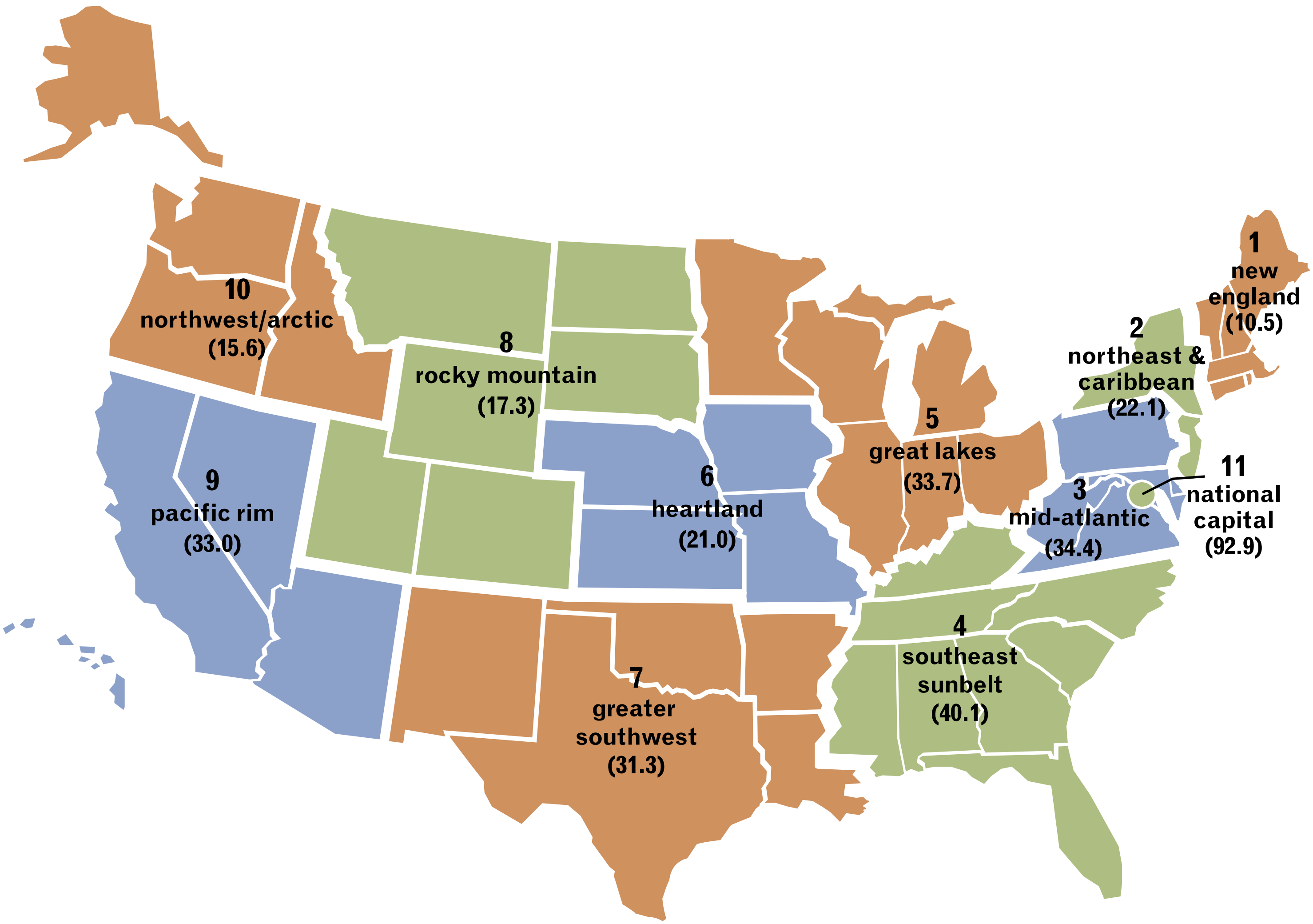
While acknowledging and celebrating recent achievements, I am optimistic that opportunities and accomplishments in FY2008 will be even greater. We must execute industry-leading management strategies, identifying and analyzing our core assets, continuously re-evaluating the state of our leased portfolio, and providing the value our customers expect. As we move forward we will face challenges, but with perseverance, enthusiasm and teamwork, we will achieve great success.


Wayne L. Morse U.S. Courthouse Eugene, OR

state of the portfolio overview

rentable square footage by region

in millions (see table 1, page a.1)



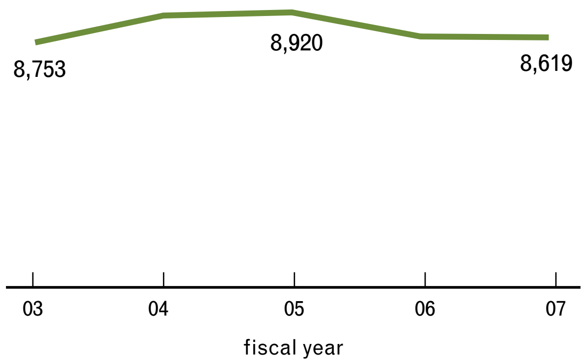
nationwide
(351.9)

The PBS mission is to provide superior workplaces for Federal customer agencies at good economies to the American taxpayers. To achieve this mission, PBS employs a portfolio strategy that is based on practices developed over six decades of owning, managing, leasing and developing real property. The size and diversity of our portfolio allows us to accommodate the changing space needs of our customers by soliciting local market expertise.

This year, GSA's number of assignable assets decreased due to PBS' continued efforts to right-size its portfolio. However, with the addition of 9 assets averaging over 390,000 square feet each and a few significant leases coming on line in FY2007, the space occupied in our portfolio continued to grow. The ability to leverage the size of our portfolio provides PBS a competitive advantage which allows us to pass on savings to our customers.

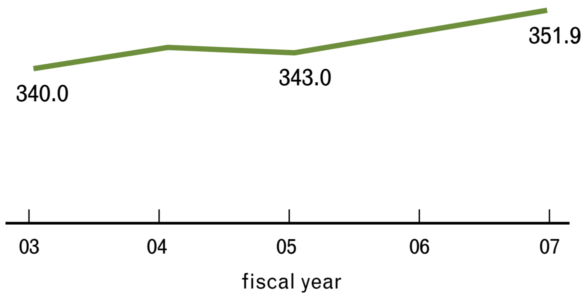
Since providing superior workplaces to our customers is the center of our business, we must focus on understanding customer agency space needs in order to provide the most effective real estate solutions. We have 21,260 space assignments, or Client Billing Records (CBRs), in our buildings. Each CBR represents a block of space occupied by a customer agency for which PBS charges a commercially-equivalent rental rate. By collecting rent, PBS is able to maintain a consistent source of funding to operate and maintain our assets, repair and refurbish our Federal facilities, and construct new buildings in support of customer agency missions. Our top 10 customers have remained relatively

number of assignable assets*



rentable square footage*

in millions

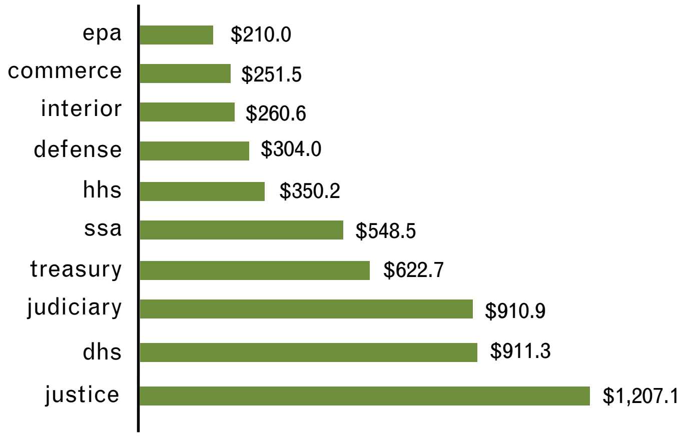


** Source: September R240 report (2003-2007)* constant and represent approximately 74 percent of the rent billed and 68 percent of rentable square feet. The chart to the right lists our largest customer agencies by annual rent. Generating over $1 billion of total annual rent, the Justice Department is our largest revenue producing tenant agency. In FY2007, the Department of Homeland Security (DHS) continued to increase its space holdings and surpass the Judiciary as the second largest revenue producing customer agency.

The PBS inventory is composed of federally-owned properties and properties leased from the private sector. Government-owned space has remained relatively stable over the last 40 years. In contrast, leased space has more than tripled during the same period, increasing from 46 million rsf in FY1967 to 175.5 million rsf in FY2007. Nationwide trends reveal that special use facilities, such as courthouses and land ports of entry, tend to remain in the government-owned inventory, while traditional office space is shifting toward leased space. If PBS continues to occupy space from the private sector as a result of budget constraints and lack of resources for modernization and new construction projects, the increasing trend toward leasing will continue. This year the amount of leased space almost surpassed our owned. There is less than a one million rsf difference between owned and leased space.

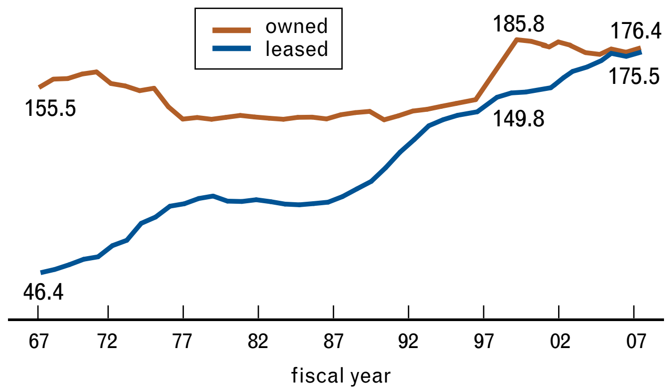
core customers – total annual rent

$ in millions (see table 7, page a.8)



square footage trends*

in millions



**Source: September R240 report. GSA changed space measurement from occupiable to rentable square feet in 1997, which explains the large increase in owned space.*

overview
fy07 results

Food and Drug Administration Headquarters White Oak, MD

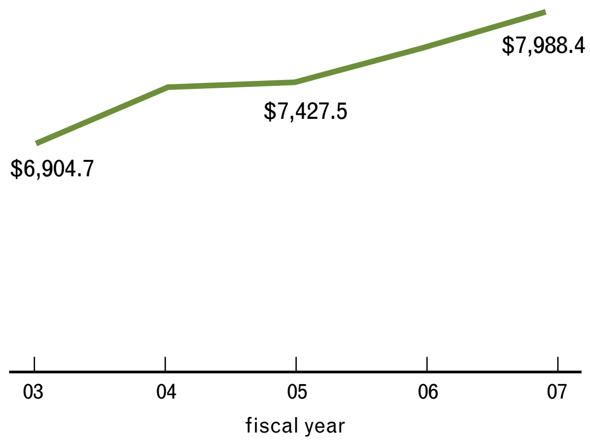
financial results

Similar to private sector real estate organizations, PBS tracks a number of financial indicators. Measuring and analyzing: revenue, operating expenses, overhead, Return On Equity (ROE), Net Operating Income (NOI) and Funds From Operations (FFO) help to ensure that we operate efficiently and effectively. We compare these metrics to government and industry benchmarks and prior performance. Our primary indicator of financial performance is FFO. FFO is derived by calculating the amount of revenue remaining after deducting all direct and indirect expenses associated with operating owned and leased buildings.

In FY2007, direct revenue continued to increase driven by the growth of the leased inventory. However, due to delays in the delivery of major capital projects, PBS did not meet its revenue target for the year. As projected in FY2006, our expenses continued to outpace revenue. From FY2006-07, total funded expenses grew by 5.5 percent where as direct revenue only increased by 3.5 percent. This year's largest increases in costs were seen in our rental of space and operations and maintenance accounts. The increase in expenses coupled with not meeting our revenue target, led to a decrease in FFO. PBS will continue to focus its efforts on improving energy efficiency and creating measures to track revenue delivery and ensure operating costs are aligned with industry.

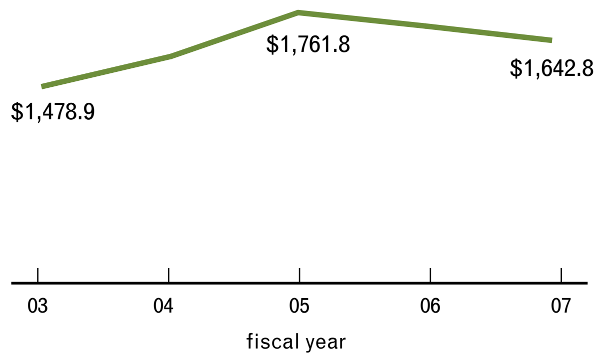
direct revenue

$ in millions (see table 8, page a.9)



funds from operations (ffo)

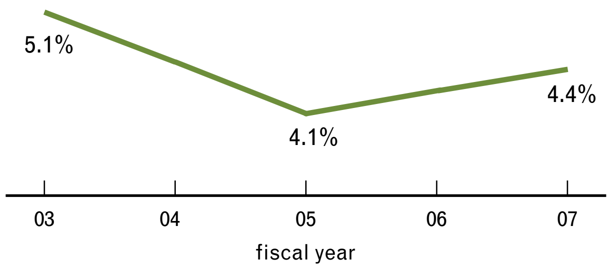
$ in millions (see table 8, page a.9)



PBS tracks the amount of vacant space in its owned and leased inventory on a monthly basis. By emphasizing the importance of this measure internally and initiating our right-sizing program, PBS has created a strong incentive for all associates to focus on reducing vacant space. In FY2007, our overall vacancy rate increased to 4.4 percent, which still compares favorably to the private sector nationwide average of 12.5 percent. This increase is slight and is attributable primarily to project delays and delivery of major capital projects and the unexpected release of space by customer agencies.

vacancy rates*

% of rsf



**Source: 9/03-9/07 Vacant Space Report*

rent bill management

fy07 implementation

On June 18, 2007, PBS began a nationally standardized process for rent billing. Rent bills have been high on the list of customer concerns as budget pressures increase and customer resources are scarce. While significant progress had been made toward billing accuracy, PBS was not meeting customer expectations and had inconsistent practices across the regions. The national Rent Bill Management (RBM) program was developed by the agreement of every Assistant Regional Administrator (ARA) and Assistant Commissioner (AC) to address customer concerns about rent billing. It represents the largest shift in PBS' billing process since the implementation of Pricing Policy.

RBM has three goals to ensure:

1. Bills are accurate and supported by source documentation
2. Customers are notified prior to their bills changing
3. Changes to the bill are within one billing cycle

While no one action can meet all three goals, a major part of the RBM program is the use of one contractor as a central control point for all billing input. The nationally standardized RBM process and centralized contractor were established to:

Apply PBS policies consistently

Ensure billing inputs are based upon source documentation

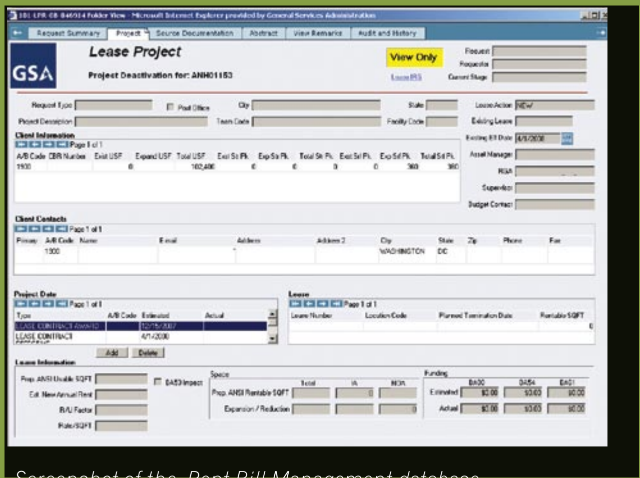
Implement stringent checks before billing input

Implement quality control at every level

The RBM process requires the cooperation and active involvement of employees in a wide range of business areas. No one person can complete all the actions necessary to generate a bill.

Rent Bill Management is completing Phase I of the implementation process, which included selecting the contractor, establishing the national Input Requirements Guide (IRG), implementing the RBM Communication Tool, and directing billing entries to the national contractor. Phase II will begin active development in the 2nd quarter of FY2008 and continue until the 4th quarter. Regional involvement in change review teams will begin, and detailed analysis will occur to identify needed corrections and lessons learned. Phase III will then begin to implement improvements to the process and to streamline billing actions.

PBS' previous practices and approaches did not meet the requirements of the nationally standardized process, and every area involved in rent billing experienced some level of business process change. However, this change allows PBS to position itself to implement one national process and better meet our customer expectations.



Screenshot of the Rent Bill Management database

Richard Bolling Federal Building Kansas City, MO

state of the **owned** portfolio

owned

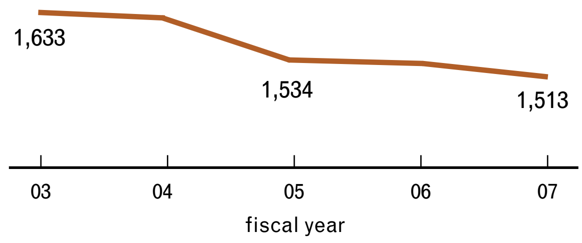
each fiscal year PBS receives budget authority to operate, maintain, and repair its federally-owned buildings. Our goal is to maintain a portfolio of high quality assets that provides maximum utility to our customers in a cost-effective manner. To achieve this goal, PBS employs a portfolio strategy based on customer needs, market dynamics, and the financial performance and condition of our assets.

The PBS owned inventory is made up of 1,513 buildings totaling 176.4 million rentable square feet of space. The slight decrease from FY2006 in the number of owned assets is a result of the continuous effort to right-size PBS' portfolio in order to meet our owner's objectives as established in GSA's Real Property Asset Management Plan. These objectives state that:

- Assets must support a current federal mission need
- Assets must be economically sustainable
- Assets must meet serviceability standards and customer needs
- Physical condition will be maintained to reflect market standards
- Target reinvestment to performing assets
- Asset level business plans and strategies must be updated annually

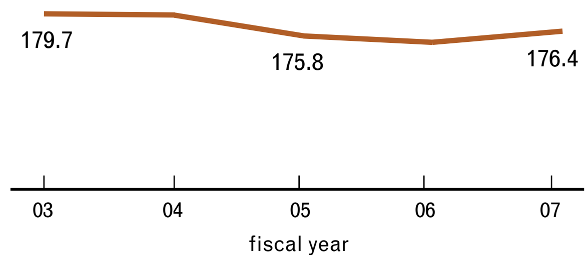
New construction accounted for nine assets. These included such additions as courthouses in Orlando, FL, Eugene, OR, Little Rock, AR; a new federal building in San Francisco, CA; and the Census Headquarters in Suitland, MD. Although the number of assets declined, these new assets in FY2007 led to an increase in the total amount of square footage contained within the PBS portfolio of owned properties.

number of assignable assets*



rentable square footage*

in millions



**Source: September R240 report (2003-2007)*

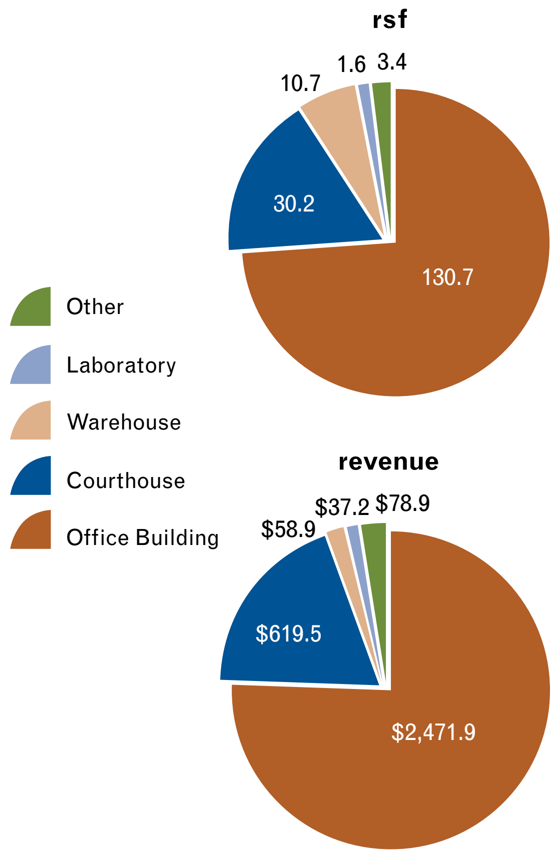
property type segmentation

Office buildings and courthouses comprise over 90 percent of owned space and generate 95 percent of annual revenue. In FY2007, PBS continued to divest of obsolete warehouses thereby eliminating over 1 million rsf. The courthouse segment remained stable in square footage but experienced a decrease in revenue due to one-time billing adjustments and more stringent appraisal practices. The office building segment continued to increase in rsf and was the main driver in the increase of total direct revenue.

rsf and revenue by property type

in millions (see table 11, page a.11)

(see table 11, page a.11)



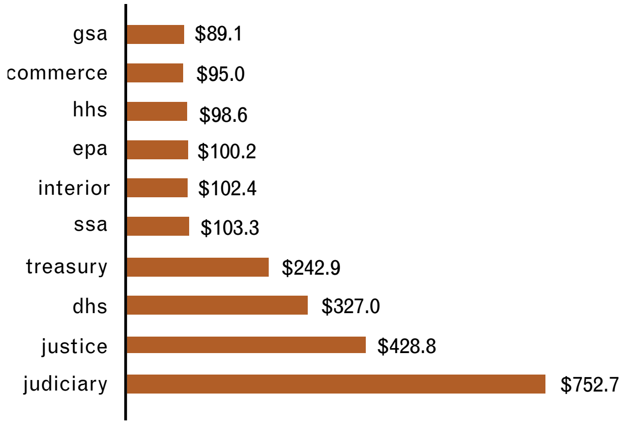
customer segmentation

Customer segmentation reveals that the Judiciary branch continues to occupy the largest amount of federally-owned space which led them to generate the largest amount of revenue in federally-owned space in FY2007. Judiciary along with the Justice Department, DHS and Treasury Department occupy 45 percent of owned space and account for 57 percent of owned annual rent revenue.

In FY2007, the construction of the Census Headquarters in Suitland, MD, allowed Commerce to increase their square footage holdings in the owned portfolio and make it one of the top ten customers for owned annual rent. On the other hand, most of the changes in the PBS portfolio of owned properties strongly reflect the budgetary constraints of our customer agencies. While some agencies have undergone major consolidations, others have experienced changing missions and needs, all of which can impact the size and composition of our portfolio. From FY2006-07, several of our top ten customers have slightly decreased their holdings in GSA government-owned space due to downsizing, opting to exercise their own real estate authority, or choosing to occupy leased space.

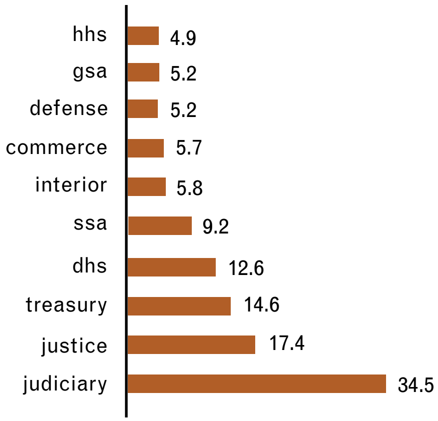
core customers – owned annual rent

$ in millions (see table 14, page a.14)



core customers – owned rsf

in millions (see table 14, page a.14)



by construction era*

William Augustus Bootle Federal Building and U.S. Courthouse
Macon, GA

PMD Center Warehouse
Oklahoma City, OK

Harold Washington Social Security Center
Chicago, IL

Ronald V. Dellums Federal Building
Oakland, CA

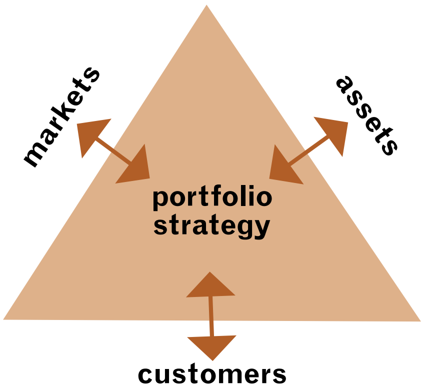
John Joseph Moakley U.S. Courthouse
Boston, MA

rsf *in millions*	46.5	6.5	81.1	11.8	29.0
% of total rsf	26.3%	3.6%	45.9%	6.7%	16.4%
assets	374	80	540	179	285
fy07 ffo *in millions*	$342.9	$15.3	$724.6	$151.2	$394.4
ffo/rsf	$7.40	$2.40	$8.90	$12.80	$13.60
vacancy rate	12.1%	18.8%	9.9%	4.9%	2.4%

**Source: # of assets and RSF from STAR 9/30/07, FFO from InfoWizard FBF07, Vacancy Rate from 9/07 Vacant Space Report*

portfolio strategy

PBS employs a decision-making strategy for the owned inventory that includes an analysis of: customer need; market dynamics; and the financial performance and condition of our assets. The goal of this strategy is to maintain a robust portfolio of assets by investing in strong, income-producing properties that satisfy long-term customer needs, disposing of excess properties that no longer serve a predominantly Federal use, and maintaining a modest capital investment program. To achieve this goal, we partner with our customers to understand their mission, housing profile, security needs, and space trends to provide smarter solutions. We gather market data from research firms to ensure that our space is priced at or below market prices and to assist with own/lease decisions. Finally, we track financial performance measures, cumulative reinvestment needs, fair market value, and functional replacement value for each asset to develop strategies for every asset in the portfolio.



customer needs and market dynamics

PBS examines customer need and the ever-changing dynamics of the real estate market to develop and implement a portfolio strategy that meets both short and long term planning initiatives. PBS develops customer portfolio strategies to gain an in-depth knowledge of each customers' mission, organization, and real estate needs. When developing these portfolio strategies, several components are considered including: agency budgetary constraints, move costs, space trends, security requirements, and changes in customer mission and demographics. We use these strategies interactively with our customers to provide workplace solutions that meet housing requirements and are cost effective for PBS and our customers.

PBS conducts market analyses to compare the overall cost of owning space with leasing comparable space in the market. We survey the real estate market to determine the type and cost of available space and whether the space meets customer requirements. We assess the value of our owned assets by appraising the fair market value and setting rental rates to market rates on a 5-year cycle. PBS' goal is to generate a sufficient return of 6 percent for any given investment. PBS also compares operating costs and physical condition to market benchmarks to ensure we are aligned with the private sector.

financial performance and condition of our assets

To evaluate the financial performance and condition of each asset, PBS ranks its owned assets in a structured way much the same as the commercial real estate industry. This ranking (tiering) helps focus reinvestment funds on performing assets and identify non- or under-performing assets for work-out or disposal.

In simplest terms: Tier 1 assets are strong financial performers with low reinvestment needs; Tier 2a assets are strong financial performers with significant reinvestment needs; Tier 2b assets are under-performing financially and fail to return 6 percent on equity; Tier 3 assets are non-performing assets that fail to break even, which requires recovery of operating costs and basic reinvestment needs.

There are three test criteria and four tiers. The first test is a break-even analysis that compares an asset's revenue to its basic operating costs and a 2 percent requirement for reinvestment. If the revenue fails to cover these costs, the asset receives the lowest tier rating of 3. If an asset passes the first test, we determine whether it achieves a Return on Equity of 6 percent, GSA's hurdle rate. If it fails to return 6 percent on equity, it is a Tier 2b asset. Finally, the remaining assets are subjected to a third test based on accumulated reinvestment needs. If the cumulative reinvestment needs exceed 30 percent of the asset's value, it is a Tier 2a asset; if not, the asset receives the highest rating, Tier 1.

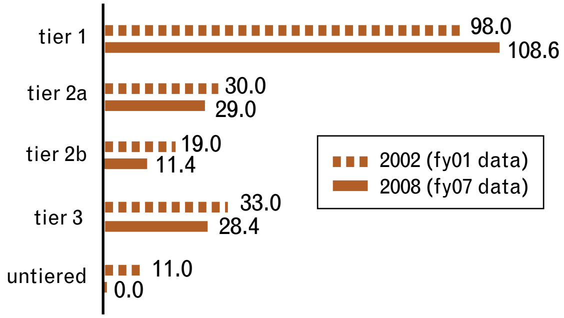
tiering categories*

	tier	conditions
performing	tier 1	Solid financial performance: satisfies long-term customer needs. FCI<0.3; ROE>6%; (NOI-2%FRV)>0
	tier 2a	Good financial performance: large capital reinvestment required. FCI>0.3; ROE>6%; (NOI-2%FRV)>0
under performing	tier 2b	Poor financial performance: ROE<6%; (NOI-2%FRV)>0
non performing	tier 3	Poor financial performance: assets w/negative cash flow. (NOI-2%FRV)<0
untiered		Not categorized into a tier.

**Source: Asset Management Division, Office of Real Property Asset Management.*

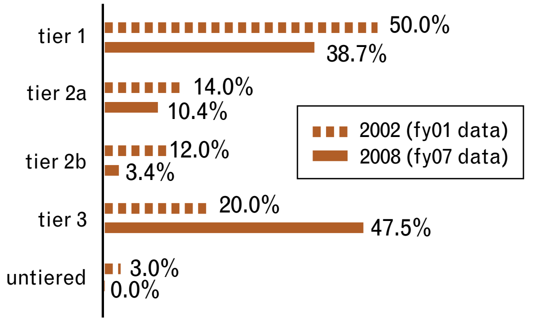
rsf by tier*

in millions



capital reinvestment by tier (BA54/55)*

% of assets



**Source: Asset Management Division, Office of Real Property Asset Management*

Since PBS began tiering its owned inventory in FY2002, we have added over 10 million rsf to our Tier 1 inventory while reducing Tier 2b and Tier 3 space by 12 million rsf. While several large assets dropped to Tier 2a, resulting in a decrease in the amount of Tier 1 square footage in FY2007, the total number of Tier 1 assets has increased 11 percent over the last 6 years. PBS has successfully used tiering results to target reinvestment funds to its core assets. By FY2007, Tier 1 accounted for 75 percent of total FFO and 39 percent of our reinvestment dollars were spent on Tier 1 assets.

With significant calls on capital for the construction national priorities such as new land ports of entry, courthouses, FBI field offices and the DHS Headquarters consolidation, PBS will be challenged in the coming years to also fund reinvestment projects in the Tier 2a assets. Many of these assets are fully occupied, financially strong performers, with a long term Federal need. Where the scope and cost of needed reinvestment cannot be justified by the market rent a building can produce, it may be better to move customers to leased space than to continue to wait for reinvestment that may not be economic.

restructuring the portfolio

an overview: fy2002–fy2007*

In FY2002, PBS began a five-year restructuring initiative to create a self-supporting portfolio that generates enough revenue to recover operating costs and fund reinvestment requirements. To achieve this goal, PBS reported an excess of 271 assets that were no longer viable. Reducing excess properties and poorly performing assets improves our ability to fund the reinvestment requirements of the remaining assets that are the core of the PBS portfolio. By achieving a cost avoidance of more than $611.9 million, PBS was able to focus available resources to complete major renovations in 90 assets and construct 34 new buildings. In FY2005, PBS secured the long sought authority to retain proceeds from excess assets that are sold. Over the last three fiscal years, PBS has retained over $139 million in proceeds from sales.

The restructuring effort was finalized at the end of FY2007. Going forward, PBS will continue to right-size its portfolio by maintaining its strong asset management practices. The following charts map the yearly results since the inception of restructuring initiative.

U.S. Courthouse Annex
Little Rock, AR

U.S. Census Headquarters
Suitland, MD

Federal Building
Coeur D'Alene, ID

Federal Building and Post Office
Greenwood, *MS*

Federal Building and Post Office
Fargo, ND

IRS Building
Washington, DC

new construction

	fy02	fy03	fy04	fy05	fy06	fy07	total
# of bldgs.	7	2	8	3	5	9	**34**
rsf *in millions*	1.8	0.4	1.3	0.6	1.2	5.9	**11.3**
cost *in millions*	$483.6	$163.9	$496.9	$110.9	$860.9	$1,983.6	**$4,099.7**

reported excess

	fy02	fy03	fy04	fy05	fy06	fy07	total
# of bldgs.	94	48	35	26	55	13	**271**
rsf *in millions*	5.8	1.4	2.0	2.4	2.2	0.3	**14.1**
liability avoided *in millions*	$171.4	$75.9	$8.8	$184.3	$147.5	$24.0	**$611.9**
$ proceeds *in millions*	n/a	n/a	n/a	$5.3	$51.9	$82.2	**$139.4**

major r&a

	fy02	fy03	fy04	fy05	fy06	fy07	total
# of projects	12	6	15	26	11	20	**90**
rsf *in millions*	3.8	2.7	2.4	7.1	2.1	6.8	**24.8**
cost *in millions*	$343.1	$198.0	$197.3	$375.3	$422.8	$534.4	**$2,070.8**

**Source: Asset Management Division, Office of Real Property Management*

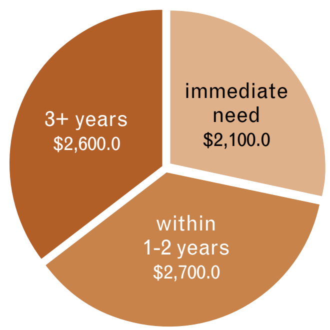
core assets

Even with the success of the restructuring initiative, the reinvestment needs of the owned inventory continue to outpace the available reinvestment funding. Every two years, PBS assesses reinvestment needs by performing Physical Condition Surveys (PCS). These surveys are performed by a team of GSA associates, including both the asset and property manager, who physically inspect the building to assess current conditions and repair needs of major building components and systems. The surveys consist of a series of questions to better assess the reinvestment liability of our portfolio. The data in the PCS represents the value of repair or replacement of shell/infrastructure needs of the asset. The survey results provide an aggregate dollar value of deficiencies for each building that are prioritized and segmented into categories including: immediate need, within 1-2 years, 3-5 years, 6-10 years. In FY2007, the total reinvestment need as assessed in the surveys is $7.4 billion. Of the $7.4 billion, approximately $4.8 billion is needed to meet the Federal Real Property Council (FRPC) standards for facility condition index (FCI). However, our available funding for these investments is less than $1 billion per year.

In response to the shortage of reinvestment capital, PBS began the core asset initiative in FY2005. Core assets are assets that will remain in our inventory for at least 15 years, have a solid customer base and sustainable reinvestment needs in a stable real estate market. The core asset initiative was designed to forecast the composition of the PBS portfolio in 5 to 15 years by identifying the holding period for each asset. FY2007 marks the second year that PBS surveyed regional portfolio managers to determine long-term asset strategies and our core assets. There are two classes of core assets, performing and non-performing. An asset with consis-

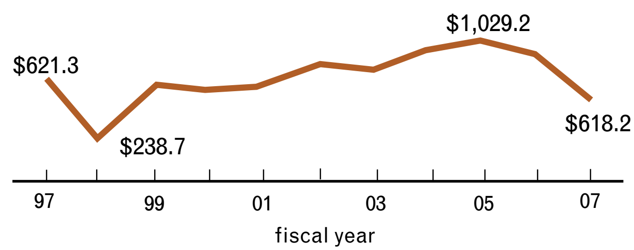
reinvestment needs*

$ in millions



available reinvestment funding (BA54/BA55)**

$ in millions

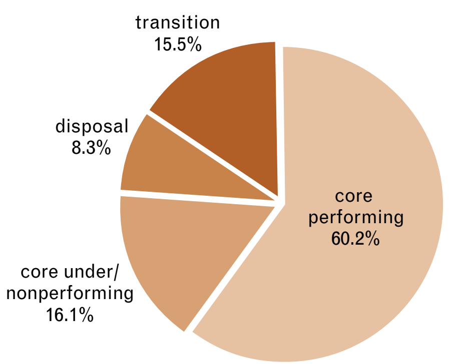


* *Source: Physical Condition Survey (PCS)*
** *Source: Office of PBS Chief Financial Officer (PF)*

tently positive financial performance is classified as performing. These assets will receive priority for reinvestment before non-performing assets. Assets with a holding period less than 15 years fall into two categories, transition or disposal. Transition assets typically have 5-15 year holding periods, because the market rental rates, and/or customer need is driving relocation to a new Federal building or a leased space. PBS will fund projects in transition assets that meet basic needs, but will avoid any major reinvestment. Assets fall into the disposal category if PBS plans to dispose of them within 5 years. These assets typically receive no reinvestment other than what is necessary to maintain day-to-day operations. The nationwide results of this initial analysis are following.

fy07 owned core assets*

% of assets



**Source: Asset Business Plan (ABP)*

looking ahead

In FY2008, regional leadership will be asked to develop and present regional asset strategies for acquisition, reinvestment and disposal setting holding periods for every asset in the portfolio. These strategies developed through the core asset right-sizing initiative will then be the foundation for:

- A 5-year portfolio wide capital investment plan
- A list of locations where reinvestment might come through different real property authorities
- A disposal projection for FY2009 and beyond

(Future) U.S. Courthouse , Austin, TX

land ports of entry

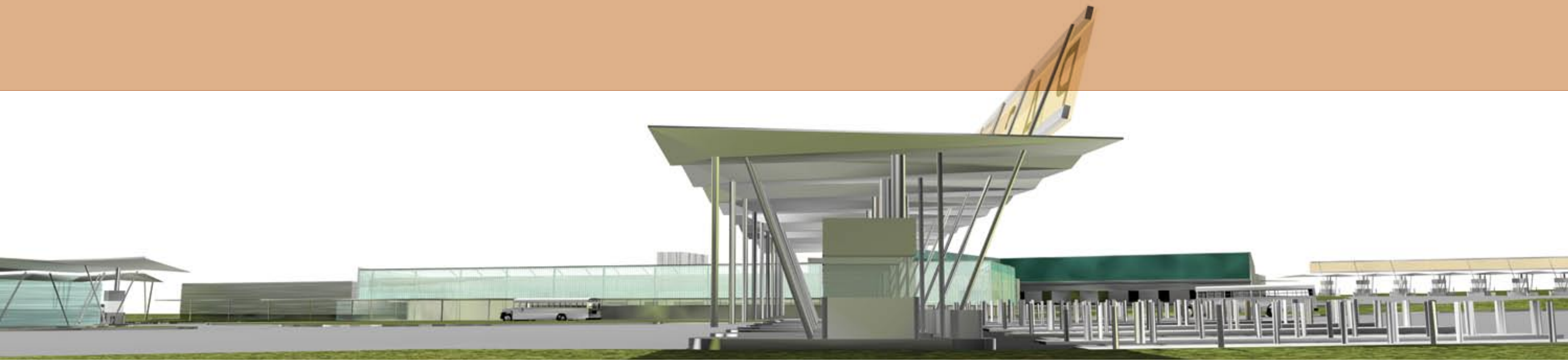
The U.S. Customs and Border Protection (CBP) is responsible for processing millions of travelers and inspecting billions of dollars in commercial goods into the United States every year through 163 land port of entry inspection facilities that span 6,900 miles of border with Canada and Mexico. From 1995 to 2007, annual pedestrian crossings at U.S. borders grew 76 percent while annual vehicular crossings increased 30 percent. These increases in volume, under much stricter security provisions since September 11, 2001, are being pushed through land port of entry facilities—many built decades ago—that were not designed to meet the increased populations and trade that crosses U.S. borders today.

The success of CBP's mission depends heavily on the strength and effectiveness of its physical infrastructure—the inspection facilities—that supports its operations.

GSA, as the government's real estate expert, constructs and operates most land port of entry facilities on behalf of CBP. GSA is responsible for almost 10 million square feet of CBP space and receives over $300 million in revenue each year for this work.

To respond to the growing demands placed upon all land ports of entry, GSA and CBP are launching a capital improvement program in excess of $4.9 billion that will provide facility upgrades, expansions, and new facilities where needed. This significant construction program will bring CBP's facilities in line with the future demands that face all land ports of entry.

Top: Land Port of Entry, Calais, ME
Bottom: Land Port of Entry, Point Roberts, WA

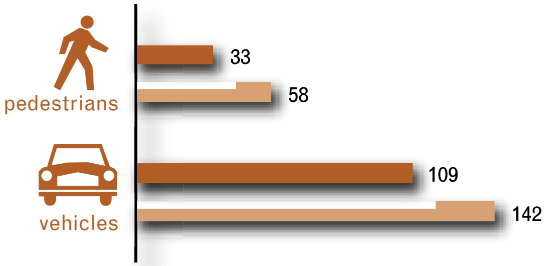


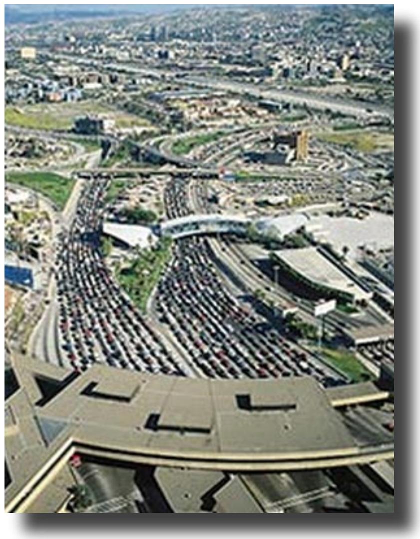
Land Port of Entry, Champlain, NY

The environment in which CBP operates is in constant change. As immigration patterns shift, security and technology requirements increase, traffic volume swells, and as legislative requirements are enacted, there is need for space that can adapt to and accommodate these changes. GSA is prepared to ensure CBP's mission is enabled by the facilities in which they operate.

growth in border crossing volumes: 1995-2007

in millions





Aerial view of San Ysidro Border Crossing, San Ysidro, CA

owned
fy07 results

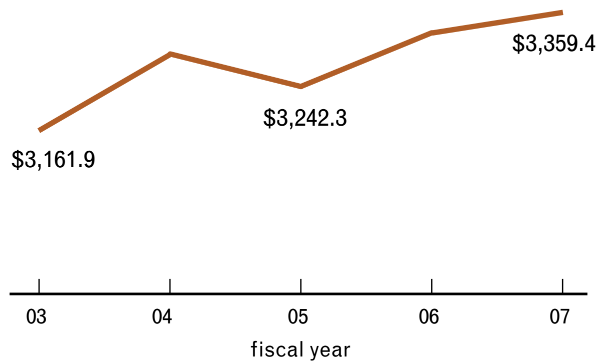
Prince Jonah Kuhio Kalanianaole Federal Building and U.S. Courthouse Honolulu, HI

financial results

Direct revenue increased in FY2007 by $24 million. On the other hand, Funds From Operations (FFO) remained steady, experiencing only a one million dollar decrease for a FY2007 total of $1,644. This decrease in FFO is attributable to the late delivery of a few major capital projects, increases in operating expenses, an increase in the vacancy rate in FY2007 to 7.7% of the owned portfolio and one-time rent credits processed in FY2007.

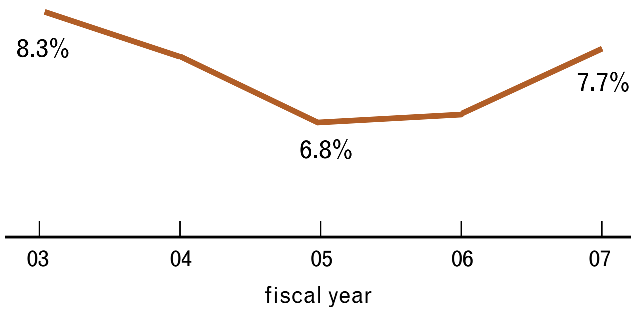
direct revenue

$ in millions (see table 15, page a.15)



vacancy rates*

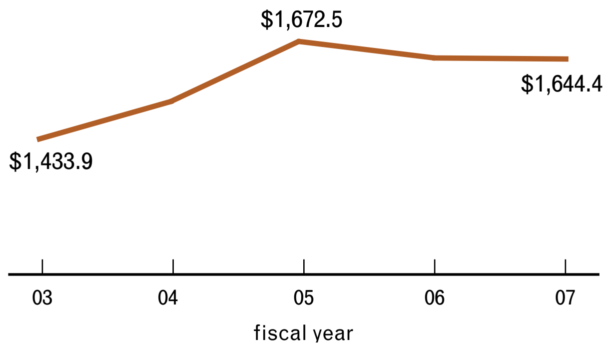
% of rsf



**Source: 9/03-9/07 Vacant Space Report*

funds from operations (ffo)

$ in millions (see table 15, page a.15)

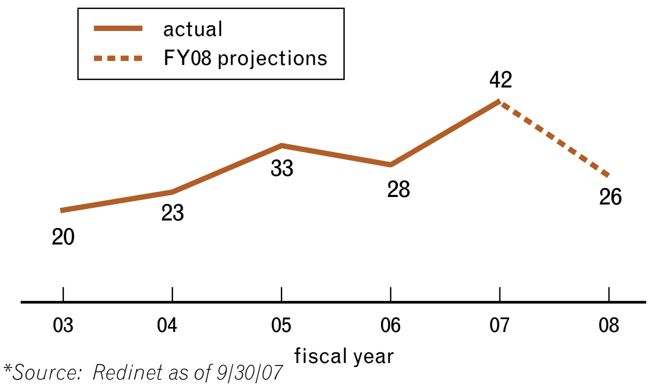


disposal results

As part of PBS' commitment to provide comfortable and productive workplaces for our customers, we invested significant resources in FY2007 to maintain the quality of our Federal buildings. However, there are instances when certain properties in our inventory are no longer a compelling strategic fit for PBS or our customers. In FY2007, 13 assets were reported excess, bringing the total since the inception of portfolio restructuring in FY2002 to 271 assets.

In FY2005, PBS was granted the authority to retain the sales proceeds from property disposals. Since this time, over $139 million has been returned to the Federal Buildings Fund (FBF) from the sale of PBS properties. In FY2007 alone, PBS disposed of 42 assets returning $82.2 million to the FBF. Not only does PBS realize the financial benefit of disposing these properties that no longer serve the strategic needs of the Federal Government, but the future reinvestment liability of each of these properties is also avoided.

disposals*



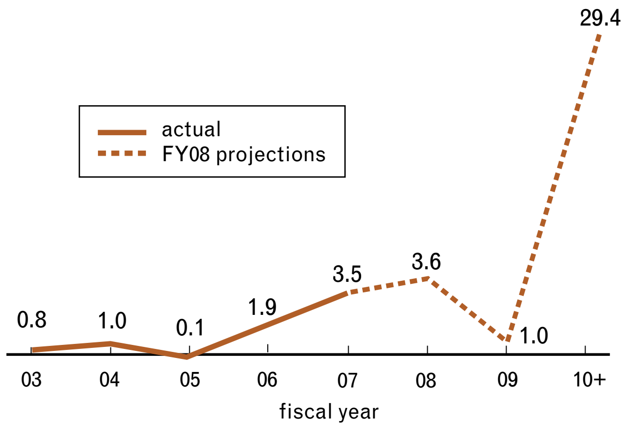
*Source: Redinet as of 9/30/07

new inventory results

PBS has continued the tradition of bringing state-of-the-art facilities incorporating energy efficiency and sustainable design into the inventory. In FY2007, PBS completed two new courthouses, a courthouse annex, a land port of entry, ATF and Census Headquarters buildings, a new Federal Building, one laboratory, and one shared use facility totaling 3.5 million gross square feet (gsf). In addition, we expect to complete 6 projects totaling 3.6 million gsf in FY2008 and 30.4 million gsf in FY2009 and beyond. Since FY2002, PBS has constructed 34 assets, totaling 11.3 million rsf.

owned new inventory*

gsf in millions



new construction fy07*

region	building	city, state	gross square footage (gsf)*
4	Federal Building and U.S. Courthouse	Orlando, FL	474,551
5	U.S. Customs Cargo Inspection Facility	Detroit, MI	27,276
7	U.S. Post Office and Courthouse Annex	Little Rock, AR	254,912
9	San Francisco Federal Building	San Francisco, CA	652,433
10	Wayne L. Morse U.S. Courthouse	Eugene, OR	308,914
11	FDA / Central Shared Use 1	White Oak, MD	115,570
11	FDA / CDRH Lab	White Oak, MD	134,036
11	U.S. Census Bureau Headquarters	Suitland, MD	1,205,685
11	ATF Headquarters Building	Washington, DC	361,656

**Source: Office of the Chief Architect/PIP*

U.S. Courthouse Alpine, TX

state of the **leased** portfolio

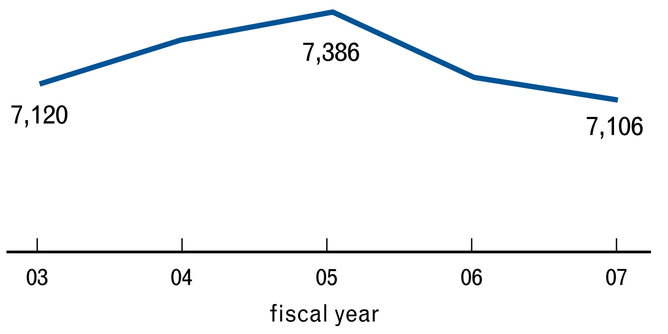
leased

The leasing program is an alternative when no federally-owned space is available and construction is not a viable option. Leasing from the private sector offers PBS the flexibility to meet our customers' space requirements in situations where space needs are urgent and unexpected. The goal of the leasing program is to meet the needs of our customers at or below market prices while maintaining low vacancy rates. As our lease portfolio grows, PBS continues to take proactive approaches to manage our leased portfolio.

PBS' space acquisitions are driven by customer agency requirements. When a requirement is received, PBS determines the most favorable acquisition method by determining the amount of space needed, how quickly and for how long the space is needed, and the complexity of the necessary build-out. PBS first looks to use existing federally-owned space and then to vacant leased space already under contract from the private sector. If there are no suitable locations and if Federal construction is not feasible, PBS can lease new space from the private sector. Leases are an attractive option for many agencies because they can provide flexibility in space acquisition and can accommodate short-term requirements.

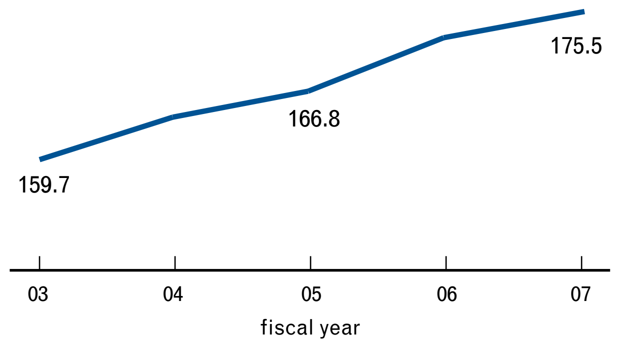
While the number of leased assets declined slightly in FY2007, the rentable square footage continued increasing to 175.5 million. This increase was driven by large leases by our customer agencies such as the Department of Transportation Headquarters lease in Washington, DC, which added 1.35 million rentable square feet. However, despite the addition of a few large leases in FY2007, leases under 20,000 rsf represent 79 percent of the leased inventory, creating a significant workload for realty specialists. With budget constraints projected to continue we can expect to see continued growth in the leased portfolio.

number of assignable assets*



rentable square footage*

in millions



**Source: September R240 report (2003-2007)*

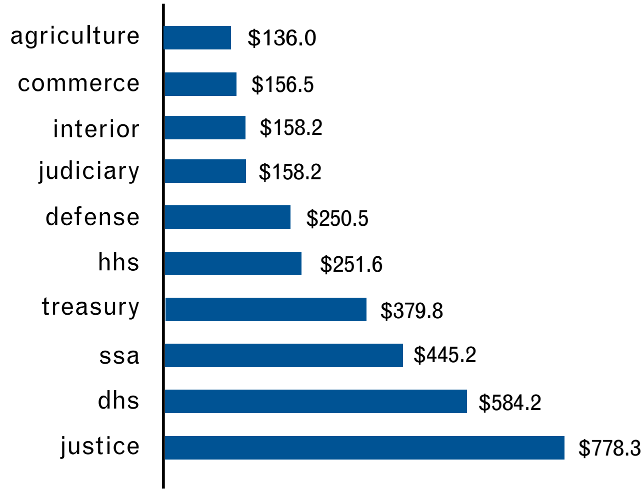
customer segmentation

As a fiduciary agent, it is incumbent on PBS to work with customer agencies to develop strategies and approaches that leverage limited Federal resources yet develop and deliver quality workplace solutions. The Justice Department, Department of Homeland Security, Social Security Administration, and the Treasury Department continue to be our largest tenants in leased space. These top four agencies occupy over 81 million rsf or 47 percent of leased space, and generate 49 percent of leased rent revenue. The top ten core customers listed in the graph to the right occupy over 127 million square feet representing 73 percent of the leased rsf and generating 74 percent of leased rent revenue.

In recent years, the Federal Bureau of Investigation (FBI) has expanded its mission to include intelligence gathering. GSA is delivering specialized field office facilities across the country to consolidate FBI elements, help FBI carry out necessary functions, and provide space for additional personnel. In times when funding for Federal construction is not available, these facilities are delivered through the lease construction program. This change in the FBI's need for leased space has led to the increase in Justice's leased rsf and annual rent.

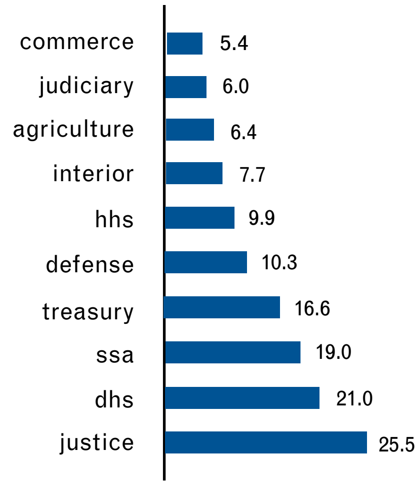
core customers – leased annual rent

$ in millions (see table 21, page a.21)



core customers – leased rsf

in millions (see table 21, page a.21)



portfolio strategy

PBS manages the leased portfolio by focusing on four primary areas: reducing vacancy; managing lease administration; managing customer requirements; and analyzing market trends. Reducing vacancy ensures that taxpayer money is spent effectively. For the first time in four years, the vacancy rate dropped to 1.1 percent. Exercising termination rights, backfilling vacant space and buying out lease contracts ensure efficient utilization of leased space.

Lease administration focuses on how well PBS administers and monitors contract costs and obligations. This includes accurate billing and processing of taxes, stepped rents, and operating cost escalations. On a quarterly basis, PBS generates a lease report which identifies leased locations where the direct expenses and field office overhead exceed the income generated by the asset.

Managing customer requirements is essential in our commitment to helping agencies formulate more accurate space plans and reduce costs. Before a lease expires, PBS contacts our customer agencies to discuss their future space requirements. In situations where our customers are uncertain about their future space needs, many agencies request lease extensions. However, lease extensions limit PBS' ability to respond appropriately to market conditions by negotiating a new contract. Lease extensions from previous years push lease expiration dates into the next fiscal year, generating a heavy workload for realty specialists and making it difficult to prioritize the expiring lease workload.

In FY2007, PBS began an expanded analysis of lease extensions and, as of FY2008, will capture the driving forces behind each lease extension using reasons cited most commonly by the regions. This information will be used to develop best practices and/or strategies to share with the regions and provide guidance to realty specialists and customers on the initiatives and changes necessary to reduce lease extensions.

lease extensions

(see table 25, page a.25)

fy04	fy05	fy06	fy07*
68.0%	63.0%	65.0%	75.2%

***NOTE:** *In FY07, leases whose expiration had been extended but not classified in STAR as such were still considered extended for this analysis*

analyzing market trends

lease market analysis

In performing lease market analyses, PBS has developed an analytical "lease tiering" tool that aids in developing strategies for GSA's leased portfolio. The tool incorporates a comprehensive analysis of current market data and a forecast of future growth in rental rates in major metropolitan areas. It provides market intelligence that can be used when negotiating lease contracts.

value and market risk

PBS provides value to the customer by negotiating rates competitive with market benchmarks. The information contained in the lease allows PBS to take into consideration all components of the rent rate, including base rent, operating expenses and custom and general tenant improvements.

In the lease tiering analysis, risk is a product of the growth rates in rent for a particular market. In order to assess risk, the projected rental growth rates for markets nationwide, are segmented into four categories related to varying degrees of market risk: excessive, high, moderate and flat. If the data suggests significant price increases or decreases when current leases are set to expire, PBS can evaluate the risk and react appropriately.

strategy

In 2007, PBS expanded lease tiering to include urgency levels based on the Occupancy Agreement (OA) expiration date. OA's expiring within 12 months are identified as 'Immediate'; within 13-24 months, 'Short Term'; within 25-36 months, 'Lead-time'; and more than 36 months, 'Planning'.

By cross-referencing the levels of urgency with forecasted rent growth rates, PBS can prioritize workload according to lease expiration and market risk. This strategy allows PBS to provide portfolio guidance to customer agencies based on achieving savings over the real estate cycles of all its markets.

fy07 lease tiering results*

	urgency	immediate		short-term		lead-time		planning	
		OAs	rsf *in millions*	OAs	rsf *in millions*	OAs	rsf *in millions*	OAs	rsf *in millions*
5-year growth	excessive	96	1.5	29	0.4	42	0.6	221	4.6
	high	276	3.4	148	2.6	131	1.7	865	12.3
	moderate	261	4.0	133	2.9	138	3.9	650	18.8
	flat	302	7.6	141	4.4	96	4.0	542	24.1
	no market data	1,252	7.7	947	5.3	554	4.0	3,269	36.2
	total	**2,187**	**24.3**	**1,398**	**15.6**	**961**	**14.1**	**5,547**	**95.9**

**Source: STAR and OA Tool as of 9/30/07 and Torto Wheaton Research Office Submarket Forecasts Fall 2007.*

leased
fy07 results

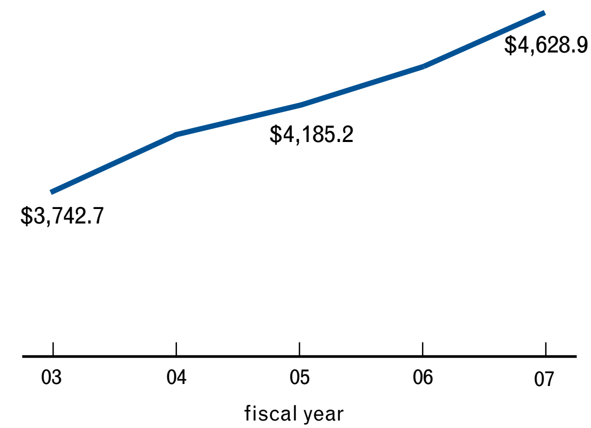
EPA Regional Headquarters Building Denver, CO

financial results

The leased portfolio is designed to operate as a pass through in terms of financial impact. Our goal with the leased inventory is to generate FFO between zero and two percent of leased revenue to ensure full cost recovery of contract risk, brokerage services, and property management. Due to delays in occupancy of the DOT Headquarters lease in Washington DC, causing a $42 million loss in FFO, FFO for the leased inventory was in the red for the first time in several years. The inability to pass our full costs on to our customers resulted in leased FFO decreasing to negative $1.6 million. However, even if we remove the DOT Headquarters from our analysis, our growth in expenses still outpaced our growth in direct revenue. On a positive note, at the end of the fiscal year, the leased vacancy rate was the lowest it's been in the past several years. With the growing size and cost of the leased inventory, PBS must ensure it is accurately assigning and billing space to achieve full cost recovery of the leased inventory.

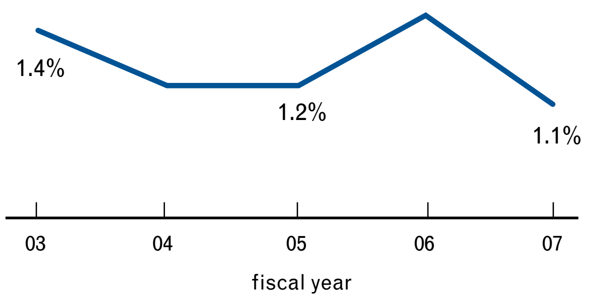
direct revenue

$ in millions (see table 22, page a.22)



vacancy rates*

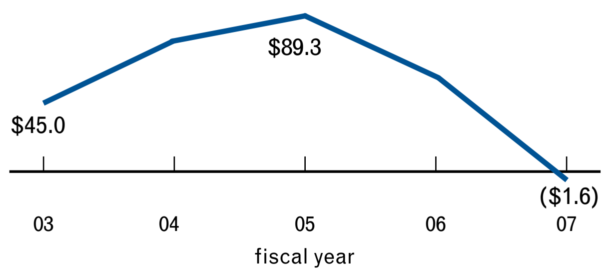
% of rsf



**Source: 9/03-9/07 Vacant Space Report*

funds from operations (ffo)

$ in millions (see table 22, page a.22)



negative NOI

As documented in the quarterly lease analysis, leased locations with a negative net operation income (NOI) continue to be problematic. In FY2007, approximately 1,126 leased locations generated negative NOI, totaling a loss of $120 million. A multi-year analysis was done to determine if leases that lost NOI in FY2005 were able to recover these losses in the following fiscal years. By FY2007, 27 percent of the 1,110 negative NOI lease locations, had still not recovered the loss incurred in FY2005. In fact, 246 leased locations lost an additional $78 million in FY2007. The yearly performance of these locations are shown in the chart below.

leased NOI performance*

in millions

NOI categories	NOI FY05	count FY06	NOI FY06	count FY07	NOI FY07
closed		158		240	
covering past year		331	$30.9	565	$37.7
not covering past year		392	($51.2)	246	($77.9)
(+) not covering past year		229	$5.0	59	$2.6
total	($88.0)	1,110	($15.3)	1,110	($37.7)

*Source: Infowizard FBF07

looking ahead

It is PBS' goal in the coming year to use the lease tiering model to implement customer portfolio strategies at the national and regional levels in order to take advantage of market dynamics and create savings for our customers. The FY2006 baseline indicates that PBS is currently competitive with private sector rates, however rental rates in any given market area are constantly changing. As leases expire, we look for opportunities where PBS can negotiate more favorable deals where rents have fallen below our contract rate, or maintain favorable positions so we can pass savings on to our customers.

Over the past few years, PBS has been working to restructure its workforce and introduce new efficiencies to its leasing program that allow us to apply a consistent look and feel to PBS customer relationship management and transactions across the regions. PBS' main initiatives to improve the real estate leasing program include*:

- Implementation of better tools and processes (i.e. National Broker Contract Administration Guide, Leased Delegation Oversight plan, etc.)
- Development of consistent enterprise-wide operations delivery strategies
- Strengthened expertise and breadth of disciplines
- Incorporation of private industry practice and feedback

As a result of our improved efficiencies in the leasing program, PBS has been able to provide additional cost savings to our customers by passing on a reduced rent fee of 7% starting in FY2008.

For more information on the lease program initiatives, please refer to Commissioner David Winstead's FY2007|2008 Strategic Business Plan.

U.S. Courthouse Annex Orlando, FL

state of the portfolio appendices

table 1: snapshot of the portfolio

region	funds from operations (ffo)		rsf *in millions*	# of buildings
	$ in millions	% of total		
1 new england	$59.1	3.6%	10.5	402
2 northeast & caribbean	120.0	7.3	22.1	503
3 mid-atlantic	162.5	9.9	34.4	759
4 southeast sunbelt	130.1	7.9	40.1	1,446
5 great lakes	162.1	9.9	33.7	979
6 heartland	49.4	3.0	21.0	390
7 greater southwest	106.4	6.5	31.3	1,176
8 rocky mountain	66.8	4.1	17.3	622
9 pacific rim	279.8	17.0	33.0	1,045
10 northwest/arctic	92.0	5.6	15.6	607
11 national capital	428.3	26.1	92.9	690
central office	(14.0)	(0.9)	0.0	0
total	**$1,642.8**	**100.0%**	**351.9**	**8,619**

Source: FFO from InfoWizard FBF07 model; RSF and # of buildings from 9/07 R240 Report of active buildings with assignable space

table 2. total portfolio composition and performance

region	# of bldgs.	rsf *in millions*	% of rsf	% occupied	direct revenue *$ in millions*	% of direct revenue
1 new england	402	10.5	3.0%	90.2%	$239.4	3.0%
2 northeast & caribbean	503	22.1	6.3	93.7	732.1	9.2
3 mid-atlantic	759	34.4	9.8	96.2	615.6	7.7
4 southeast sunbelt	1,446	40.1	11.4	97.0	746.8	9.3
5 great lakes	979	33.7	9.6	94.4	682.7	8.5
6 heartland	390	21.0	6.0	91.0	293.2	3.7
7 greater southwest	1,176	31.3	8.9	96.0	544.5	6.8
8 rocky mountain	622	17.3	4.9	96.1	305.7	3.8
9 pacific rim	1,045	33.0	9.4	96.4	917.8	11.5
10 northwest/arctic	607	15.6	4.4	94.6	320.2	4.0
11 national capital	690	92.9	26.4	97.0	2,597.3	32.5
central office	0	0.0	0.0	0.0	(6.8)	(0.1)
total	**8,619**	**351.9**	**100.0%**	**95.6%**	**$7,988.4**	**100.0%**

Source: # of buildings and RSF from 9/07 R240 Report of active buildings with assignable space; % Occupied from 9/07 Vacant Space Report; Direct Revenue from infowizard FBF07 model

table 3. owned vs. leased comparison

	owned				leased			
	fy04	fy05	fy06	fy07	fy04	fy05	fy06	fy07
direct revenue *$ in millions*	$3,362.0	3,242.0	3,335.4	$3,359.4	$4,030.2	4,185.0	4,385.1	$4,628.9
noi *$ in millions*	$2,052.2	2,194.0	2,194.3	$2121.4	$219.7	238.0	219.5	$194.4
operating margin	61.0%	67.6	65.8	63.1%	5.5%	5.8	5.0	4.2%
ffo *$ in millions*	$1,533.0	1,672.5	1,645.2	$1,644.4	$77.4	89.3	60.3	$(1.6)
ffo/rsf	$8.52	9.51	9.43	$9.32	$0.47	0.54	0.35	$(0.01)
net income *$ in millions*	$569.4	846.9	810.3	$564.5	$31.7	63.1	33.6	$(25.5)
ni/rsf	$3.18	4.82	4.65	$3.20	$0.19	0.38	0.20	$(0.15)

Source: Direct Revenue, FFO, and Net Income from InfoWizard FBF07 model; NOI from Infowizard FBFn07 model

table 4. key markets ranked by direct revenue – total portfolio

metropolitan statistical area (msa)	# of bldgs.	% of total	rsf *in millions*	% of total	ffo *$ in millions*	% of total	direct revenue *$ in millions*	% of total
dc-arlington-alexandria, va-md-wv	1,020	11.8%	86.4	24.5%	$458.9	27.2%	$2,365.3	29.6%
new york-wayne-white plains, ny-nj	161	1.9	12.8	3.6	68.1	4.0	464.9	5.8
chicago-naperville-joliet, il	140	1.6	8.7	2.5	73.0	4.3	234.4	2.9
bethesda-frederick-gaithersburg, md	166	1.9	9.1	2.6	31.1	1.8	219.5	2.7
atlanta-sandy springs-marietta, ga	111	1.3	8.9	2.5	42.9	2.5	173.6	2.2
los angeles-long beach-glendale, ca	144	1.7	6.5	1.8	57.9	3.4	163.4	2.0
denver aurora, co	148	1.7	8.5	2.4	37.7	2.2	155.6	1.9
baltimore-towson, md	103	1.2	9.5	2.7	44.6	2.6	149.4	1.9
san fran-san mateo-redwood city, ca	75	0.9	4.9	1.4	49.0	2.9	141.6	1.8
kansas city, mo-ks	80	0.9	10.1	2.9	4.1	0.2	138.5	1.7
philadelphia, pa	77	0.9	7.0	2.0	31.4	1.9	126.3	1.6
seattle-bellevue-everett, wa	96	1.1	6.2	1.8	38.7	2.3	117.4	1.5
boston-quincy, ma	41	0.5	3.7	1.0	45.5	2.7	103.6	1.3
dallas-plano-irving, tx	74	0.9	4.4	1.2	16.2	1.0	84.9	1.1
st. louis, mo-il	95	1.1	7.2	2.0	35.1	2.1	84.4	1.1
san diego-carlsbad-san marcos, ca	91	1.1	3.0	0.8	19.6	1.2	83.7	1.0
detroit-livonia-dearborn, mi	53	0.6	3.3	0.9	13.1	0.8	75.7	0.9
newark-union, nj-pa	40	0.5	2.3	0.6	11.3	0.7	72.3	0.9
cleveland-elyria-mentor, oh	58	0.7	2.8	0.8	28.2	1.7	65.7	0.8
portland-vancouver-beaverton, or-wa	66	0.8	3.0	0.9	23.4	1.4	64.0	0.8
top 20 totals	**2,839**	**32.9%**	**208.0**	**59.1%**	**$1,129.7**	**67.0%**	**$5,084.0**	**63.6%**

Note: The DOT Headquarters was removed from this analysis because of its large negative FFO dollars

Source: MSAs from Office of Management and Budget; # of buildings and RSF from STAR as of 9/30/07; FFO and Direct Revenue from InfoWizard FBF07 model

table 5. client billing records (CBRs) – total portfolio

square footage category	# of CBRs	% of total	rsf *in millions*	% of total	annualized rent *$ in millions*	% of total	annualized rent/rsf *billed ($)*
0	1,738	8.2%	0.0	0.0%	$70.4	0.8%	$0.00
1-2,500	6,928	32.6	7.4	2.3	161.7	1.9	21.92
2,501-5,000	3,208	15.1	11.8	3.6	273.9	3.3	23.15
5,001-7,500	2,139	10.1	13.2	4.0	311.6	3.7	23.57
7,501-10,000	1,410	6.6	12.3	3.8	284.9	3.4	23.15
10,001-20,000	2,631	12.4	36.8	11.2	918.6	10.9	24.99
20,001-40,000	1,612	7.6	44.7	13.7	1,133.5	13.5	25.35
40,001-60,000	564	2.7	27.4	8.4	755.4	9.0	27.58
60,001-100,000	483	2.3	37.2	11.3	1,037.5	12.3	27.92
100,001+	547	2.6	136.8	41.8	3,470.2	41.2	25.36
total	21,260	100.0%	327.6	100.0%	$8,417.6	100.0%	$25.70

0 sf represents parking, land, and other assets with no square footage

Source: # of CBRs and RSF represent September 2007 billing; annualized rent represents September 2007 rent bill annualized; from BIS 9/30/07.

table 6. CBR expirations by region

fy of expiration	fy08	fy09	fy10	fy11	fy12	fy13+	total
region 1–new england							
# of CBRs	280	135	150	116	111	131	923
rsf *in millions*	3.5	0.9	0.9	1.1	1.2	1.8	9.5
annualized rent *$ in millions*	$95.9	20.5	27.9	27.3	36.1	47.9	$255.8
average CBR term *in years*	9.4	7.9	12.6	8.2	10.0	12.0	10.0
region 2–northeast and caribbean							
# of CBRs	300	299	173	146	88	459	1,465
rsf *in millions*	4.3	3.3	2.5	2.1	1.3	7.2	20.7
annualized rent *$ in millions*	$111.0	129.4	66.9	94.2	53.6	339.0	$794.1
average CBR term *in years*	8.6	8.4	11.0	9.8	9.6	13.2	10.5
region 3–mid-atlantic							
# of CBRs	258	137	132	108	269	869	1,773
rsf *in millions*	4.1	1.5	2.9	4.6	3.8	15.6	32.6
annualized rent *$ in millions*	$65.5	24.7	47.8	62.4	58.3	302.7	$561.4
average CBR term *in years*	8.4	8.4	8.9	9.6	10.2	12.1	10.6
region 4–southeast sunbelt							
# of CBRs	617	577	447	406	462	992	3,501
rsf *in millions*	5.3	6.0	3.2	4.0	5.0	13.9	37.5
annualized rent *$ in millions*	$98.5	101.2	65.0	63.6	100.5	312.7	$741.5
average CBR term *in years*	6.5	6.3	6.4	6.9	7.8	11.1	8.0
region 5–great lakes							
# of CBRs	461	516	327	294	261	696	2,555
rsf *in millions*	4.4	5.6	2.7	3.7	2.9	12.0	31.3
annualized rent *$ in millions*	$78.8	103.9	55.5	62.0	66.2	345.1	$711.6
average CBR term *in years*	5.3	5.3	6.3	6.1	8.7	13.1	8.0
region 6–heartland							
# of CBRs	240	123	185	118	150	337	1,153
rsf *in millions*	3.2	1.8	2.9	1.0	2.5	7.2	18.6
annualized rent *$ in millions*	$31.1	25.1	42.5	14.1	29.8	141.2	$283.8
average CBR term *in years*	8.3	10.2	9.7	9.9	10.9	13.5	10.8

table 6. CBR expirations by region (continued)

fy of expiration	fy08	fy09	fy10	fy11	fy12	fy13+	total
region 7–greater southwest							
# of CBRs	811	313	166	127	166	1270	2,853
rsf *in millions*	8.3	2.3	1.2	1.1	2.3	14.6	29.9
annualized rent *$ in millions*	$145.2	41.5	20.3	22.4	41.4	284.2	$554.9
average CBR term *in years*	8.9	7.9	8.7	10.4	10.9	13.8	11.1
region 8–rocky mountain							
# of CBRs	358	243	225	166	173	418	1,583
rsf *in millions*	4.0	2.0	1.2	1.5	2.3	5.5	16.5
annualized rent *$ in millions*	$63.4	41.2	18.2	23.8	49.4	135.1	$331.0
average CBR term *in years*	5.9	6.9	6.7	6.8	6.9	13.8	8.5
region 9–pacific rim							
# of CBRs	518	346	287	211	274	690	2,326
rsf *in millions*	6.8	3.6	2.6	2.4	4.6	11.5	31.5
annualized rent *$ in millions*	$192.2	84.7	72.0	67.0	134.7	363.7	$914.4
average CBR term *in years*	8.5	9.4	12.3	9.9	12.0	12.5	10.8
region 10–northwest/arctic							
# of CBRs	407	270	211	298	131	487	1,804
rsf *in millions*	3.3	1.9	2.4	0.9	1.5	3.8	13.6
annualized rent *$ in millions*	$66.9	37.5	48.9	20.8	38.2	107.0	$319.4
average CBR term *in years*	6.9	9.2	7.9	8.3	8.3	12.5	9.2
region 11–national capital							
# of CBRs	392	184	196	176	112	264	1,324
rsf *in millions*	18.2	13.4	11.6	11.8	6.6	24.5	86.0
annualized rent *$ in millions*	$644.6	361.0	359.5	297.1	225.5	1,062.2	$2,949.9
average CBR term *in years*	7.3	7.9	6.8	8.4	10.6	12.2	8.7
nationwide							
# of CBRs	4,642	3,143	2,499	2,166	2,197	6,613	21,260
rsf *in millions*	65.5	42.3	34.1	34.3	33.7	117.7	327.6
annualized rent *$ in millions*	$1,593.1	970.8	824.6	754.8	833.6	3,440.8	$8,417.6
average CBR term *in years*	7.6	7.5	8.5	8.2	9.5	12.7	9.5

Source: *Annualized rent represents September 2007 rent bill annualized from BIS 9/30/07; # of CBRs, RSF, and CBR term represent September 2007 billing from BIS 9/30/07.*

table 7. core customers ranked by rent – total inventory

agency	rent *$ in millions*	% of total	# of CBRs	% of total	rsf *in millions*	% of total
justice	$1,207.1	16.1%	3,040	14.3%	42.9	13.1%
dhs	911.3	12.1	3,096	14.6	33.6	10.3
judiciary	910.9	12.1	2,862	13.5	40.5	12.4
treasury	622.7	8.3	1,019	4.8	31.3	9.5
ssa	548.5	7.3	1,907	9.0	28.2	8.6
hhs	350.2	4.7	740	3.5	14.8	4.5
defense	304.0	4.0	616	2.9	15.5	4.7
interior	260.6	3.5	1,089	5.1	13.5	4.1
commerce	251.5	3.3	332	1.6	11.1	3.4
epa	210.0	2.8	175	0.8	6.9	2.1
all others	1,936.8	25.8	6,384	30.0	89.3	27.3
total	**$7,513.6**	**100.0%**	**21,260**	**100.0%**	**327.6**	**100.0%**

Source: Rent represents total amount billed in FY07; # of CBRs and RSF represent September 2007 billing; from BIS 9/30/07

table 8. income statement – total inventory

$ in millions	fy03	fy04	fy05	fy06	fy07
direct revenue (+)	$6,904.7	$7,392.6	$7,427.5	$7,720.5	$7,988.4
operations and maintenance	740.6	785.2	808.7	865.9	912.7
protection	429.0	442.9	14.6	27.2	45.5
rental of space	3,376.4	3,634.8	3,862.9	4,080.3	4,340.7
real estate	13.9	17.9	14.6	9.4	8.3
repairs and alterations	31.7	36.4	57.0	88.9	96.6
other	29.5	56.9	77.3	70.5	90.7
total G&A expenses	649.7	656.8	686.4	731.7	708.6
purchase contracts	155.2	151.1	144.2	141.2	142.6
total funded expenses (–)	5,425.8	5,782.0	5,665.6	6,015.0	6,345.6
funds from operations (=)	1,478.9	1,610.6	1,761.8	1,705.5	1,642.8
depreciation (–)	1,028.4	1,009.5	851.9	861.6	1,103.7
nonFBF outlease exp (–)	0.0	–	–	–	–
nonFBF outlease rev (–)	0.6	–	–	–	–
net income	**$451.1**	**$601.1**	**$910.0**	**$843.9**	**$539.0**

Source: InfoWizard FBF07, FBF05, FBF02 models

table 9. owned portfolio composition and performance by region

region	# of buildings	owned rsf *in millions*	% of owned rsf	direct revenue *$ in millions*	ffo *$ in millions*
1 new england	95	6.2	3.5%	$127.9	$59.2
2 northeast & caribbean	54	12.4	7.0	348.2	119.7
3 mid-atlantic	99	16.2	9.2	288.7	159.8
4 southeast sunbelt	138	17.1	9.7	251.3	113.9
5 great lakes	127	19.9	11.3	327.8	171.9
6 heartland	61	12.2	6.9	133.5	48.1
7 greater southwest	318	15.7	8.9	228.9	109.4
8 rocky mountain	160	9.8	5.6	146.7	64.9
9 pacific rim	159	17.6	10.0	447.8	271.3
10 northwest/arctic	111	9.4	5.3	161.1	94.0
11 national capital	191	40.0	22.7	904.3	446.1
central office	0	0.0	0.0	(6.8)	(14.0)
total	**1,513**	**176.4**	**100.0%**	**$3,359.4**	**$1,644.4**

Source: # of buildings and RSF from 9/07 R240 Report of active buildings with assignable space; Direct Revenue and FFO from InfoWizard FBF07 model

table 10. owned distribution by square footage

square footage category	# of bldgs.	% of total	rsf *in millions*	% of total	direct revenue *$ in millions*	% of total	$/rsf
0	98	6.5%	0.0	0.0%	$16.6	0.5%	$0.00
1-2,500	223	14.8	0.3	0.1	5.2	0.2	20.49
2,501-5,000	153	10.1	0.6	0.3	12.7	0.4	22.46
5,001-7,500	86	5.7	0.5	0.3	9.7	0.3	18.33
7,501-10,000	64	4.2	0.6	0.3	11.3	0.3	20.20
10,001-20,000	137	9.1	1.9	1.1	30.8	0.9	15.92
20,001-40,000	125	8.3	3.7	2.1	59.1	1.8	16.00
40,001-60,000	92	6.1	4.5	2.6	67.9	2.1	14.91
60,001-100,000	108	7.2	8.5	4.8	127.3	3.9	14.98
100,001+	424	28.1	156.1	88.3	2,925.9	89.6	18.75
total	**1,510**	**100.0%**	**176.6**	**100.0%**	**$3,266.4**	**100.0%**	**$18.49**

0 sf represents parking, land, and other assets with no square footage

Source: # of buildings and RSF from STAR as of 9/30/07; Direct Revenue from Infowizard FBF07

table 11. asset performance by property type

property type	rsf *in millions*	direct revenue *$ in millions*	direct revenue *$/rsf*	ffo *$ in millions*	ffo *$/rsf*	vacancy rate *(%)*
office building	130.7	$2,471.9	$18.91	$1,262.0	$9.65	6.2%
courthouse	30.2	619.5	20.48	311.3	10.29	1.2
warehouse	10.7	58.9	5.52	21.5	2.02	0.3
laboratory	1.6	37.2	22.67	25.6	15.63	0.0
other	3.4	78.9	23.38	13.0	3.85	0.1
total	**176.6**	**$3,266.4**	**$18.49**	**$1,633.4**	**$9.25**	**7.7%**

Source: RSF from STAR as of 9/30/07; Direct Revenue and FFO from Infowizard FBF07 model; Vacancy Rate from 9/07 Vacant Space Report

table 12. key markets ranked by direct revenue – owned inventory

metropolitan statistical area (msa)	# of bldgs.	% of total	rsf *in millions*	% of total	ffo *$ in millions*	% of total	direct revenue *$ in millions*	% of total
dc-arlington-alexandria, va-md-wv	233	15.4%	40.7	23.1%	$438.5	26.7%	$858.8	25.6%
new york-wayne-white plains, ny-nj	15	1.0	8.2	4.6	72.8	4.4	245.4	7.3
chicago-naperville-joliet, il	19	1.3	5.6	3.2	75.4	4.6	126.3	3.8
boston-quincy, ma	14	0.9	3.9	2.2	57.9	3.5	89.9	2.7
los angeles-long beach-glendale, ca	65	4.3	5.5	3.1	37.2	2.3	87.3	2.6
san fran-san mateo-redwood city, ca	25	1.7	3.5	2.0	47.6	2.9	86.6	2.6
denver aurora, co	21	1.4	5.9	3.3	44.3	2.7	80.0	2.4
baltimore-towson, md	5	0.3	2.9	1.7	45.8	2.8	75.6	2.3
seattle-bellevue-everett, wa	26	1.7	4.4	2.5	40.1	2.4	63.9	1.9
st. louis, mo-il	39	2.6	6.0	3.4	33.9	2.1	62.5	1.9
philadelphia, pa	10	0.7	3.3	1.9	31.6	1.9	57.8	1.7
atlanta-sandy springs-marietta, ga	8	0.5	3.3	1.8	29.8	1.8	57.2	1.7
kansas city, mo-ks	4	0.3	2.0	1.1	28.6	1.7	44.8	1.3
cleveland-elyria-mentor, oh	19	1.3	4.6	2.6	3.6	0.2	42.5	1.3
santa ana-anaheim-irvine, ca	32	2.1	2.0	1.1	26.7	1.6	40.9	1.2
portland-vancouver-beaverton, or-wa	9	0.6	1.7	1.0	24.0	1.5	37.1	1.1
sacramento-arden-arcade-roseville, ca	10	0.7	1.9	1.1	23.6	1.4	34.6	1.0
san diego-carlsbad-san marcos, ca	7	0.5	1.4	0.8	23.5	1.4	33.9	1.0
suffolk county-nassau county, ny	10	0.7	1.5	0.9	12.2	0.7	31.5	0.9
oakland-fremont-hayward, ca	22	1.5	1.3	0.7	18.3	1.1	31.1	0.9
top 20 totals	**593**	**39.2%**	**109.6**	**62.1%**	**$1,115.3**	**67.8%**	**$2,187.5**	**65.1%**

Source: MSAs from Office of Management and Budget; # of Buildings and RSF from STAR as of 9/30/07; FFO and Direct Revenue from InfoWizard FBF07 model

table 13. key markets – market vacancy rates vs. GSA vacancy rate

metropolitan statistical area (msa)	class a market vacancy %	class b market vacancy %	class c market vacancy %	owned GSA vacancy %
dc-arlington-alexandria, va-md-wv	10.6%	9.7%	10.3%	4.9%
new york-wayne-white plains, ny-nj	5.3	5.4	4.9	12.2
chicago-naperville-joliet, il	14.5	14.5	8.7	9.9
boston-quincy, ma	11.6	12.2	7.2	21.3
los angeles-long beach-glendale, ca	9.7	7.2	3.5	6.2
san fran-san mateo-redwood city, ca	10.9	10.7	4.9	4.6
denver aurora, co	10.9	14.6	9.1	5.1
baltimore-towson, md	14.5	12.2	8.5	10.7
seattle-bellevue-everett, wa	7.9	10.5	5.1	9.9
st. louis, mo-il	10.2	12.8	8.2	13.1
philadelphia, pa	12.4	13.7	10.9	1.1
atlanta-sandy springs-marietta, ga	14.8	13.7	11.9	4.6
kansas city, mo-ks	13.8	12.2	12.3	15.6
cleveland-elyria-mentor, oh	12.9	14.7	10.9	5.9
santa ana-anaheim-irvine, ca	12.0	9.4	4.2	15.5
portland-vancouver-beaverton, or-wa	7.7	12.1	9.1	8.2
sacramento-arden-arcade-roseville, ca	11.6	16.3	11.3	8.1
san diego-carlsbad-san marcos, ca	15.8	10.7	5.2	0.6
suffolk county-nassau county, ny	10.7	11.2	6.4	6.9
oakland-fremont-hayward, ca	n/a	n/a	n/a	7.4%

Source: MSAs from Office of Management and Budget; Class A, B, & C Vacancy Rates from CoSTAR; Owned Vacancy Rate from 9/07 Vacant Space Report

table 14. core customers ranked by rent – owned inventory

agency	rent *$ in millions*	% of total	# of CBRs	% of total	rsf *in millions*	% of total
judiciary	$752.7	24.3%	2,129	21.7%	34.5	22.1%
justice	428.8	13.9	1,427	14.6	17.4	11.2
dhs	327.0	10.6	1,324	13.5	12.6	8.1
treasury	242.9	7.8	334	3.4	14.6	9.4
ssa	103.3	3.3	327	3.3	9.2	5.9
interior	102.4	3.3	316	3.2	5.8	3.7
epa	100.2	3.2	54	0.6	2.9	1.9
hhs	98.6	3.2	253	2.6	4.9	3.1
commerce	95.0	3.1	136	1.4	5.7	3.6
gsa	89.1	2.9	1,083	11.1	5.2	3.3
all others	755.1	24.4	2,406	24.6	43.4	27.8
total	**$3,095.0**	**100.0%**	**9,789**	**100.0%**	**156.2**	**100.0%**

Source: Rent represents total amount billed in FY07; # of CBRs and RSF represent September 2007 billing; from BIS 9/30/07

table 15. income statement – owned inventory

$ in millions	fy03	fy04	fy05	fy06	fy07
direct revenue (+)	$3,161.9	$3,362.4	$3,242.3	$3,335.4	$3,359.4
operations and maintenance	693.0	739.7	758.5	811.2	860.0
protection	327.6	342.9	14.0	25.6	41.5
rental of space	3.8	0.0	0.4	1.0	3.1
real estate	2.6	6.1	4.4	2.7	3.3
repairs and alterations	29.5	34.6	52.6	85.5	92.5
other	26.0	53.0	72.0	64.9	77.6
total G&A expenses	494.2	505.5	525.6	561.4	498.0
purchase contracts	151.5	147.4	140.6	137.8	139.2
total funded expenses (–)	1,728.2	1,829.2	1,568.2	1,690.1	1,715.0
funds from operations (=)	1,433.9	1,533.1	1,672.5	1,645.2	1,644.4
depreciation (–)	980.2	963.7	823.7	834.9	1,079.9
nonFBF outlease exp (–)	0.0	–	–	–	–
nonFBF outlease rev (–)	0.6	–	–	–	–
net income	**$454.2**	**$569.4**	**$846.9**	**$810.3**	**$564.5**

Source: InfoWizard FBF07, FBF05, and FBF02 models

table 16. leased portfolio composition and performance

region	# of bldgs.	leased rsf *in millions*	% of leased rsf	direct revenue *$ in millions*	ffo *$ in millions*
1 new england	307	4.4	2.5%	$111.5	$(0.1)
2 northeast & caribbean	449	9.7	5.5	383.9	0.3
3 mid-atlantic	660	18.2	10.4	326.9	2.7
4 southeast sunbelt	1,308	23.0	13.1	495.5	16.3
5 great lakes	852	13.8	7.9	354.9	(9.8)
6 heartland	329	8.8	5.0	159.6	1.4
7 greater southwest	858	15.7	8.9	315.6	(3.0)
8 rocky mountain	462	7.4	4.2	159.0	2.0
9 pacific rim	886	15.3	8.7	470.0	8.5
10 northwest/arctic	496	6.2	3.6	159.0	(2.1)
11 national capital	499	52.9	30.1	1,693.0	(17.8)
total	**7,106**	**175.5**	**100.0%**	**$4,628.9**	**$(1.6)**

Source: # of buildings and RSF from 9/07 R240 Report of active buildings with assignable space; Direct Revenue and FFO from InfoWizard FBF07 model

table 17. leased distribution by square footage

square footage category	# of leases	% of total	rsf *in millions*	% of total	current annual rent* (car) *$ in millions*	% of total	car/rsf *($)*
0	181	2.1%	0.0	0.0%	$21.5	0.5%	$0.00
1-2,500	1,820	21.2	2.3	1.3	48.8	1.2	21.29
2,501-5,000	1,432	16.7	5.4	3.1	122.1	2.9	22.59
5,001-7,500	1,135	13.2	7.0	4.0	149.9	3.6	21.38
7,501-10,000	768	9.0	6.7	3.8	151.8	3.6	22.68
10,001-20,000	1,415	16.5	19.7	11.2	466.3	11.1	23.61
20,001-40,000	887	10.3	24.7	14.1	599.5	14.2	24.23
40,001-60,000	330	3.8	16.3	9.3	433.3	10.3	26.54
60,001-100,000	297	3.5	22.9	13.0	569.8	13.5	24.90
100,001 +	310	3.6	70.6	40.2	1,656.2	39.3	23.45
total	**8,575**	**100.0%**	**175.7**	**100.0%**	**$4,219.1**	**100.0%**	**$24.01**

**Current Annual Rent represents payments to lessors*

Source: # of Leases, RSF, and Current Annual Rent from STAR as of 9/30/07 and represent all leases that are active or active pending change

table 18. lease performance by property type

property type	rsf *in millions*	direct revenue *$ in millions*	ffo *$ in millions*	vacancy rate *(%)*	current annual rent *$ in millions*
office	155.1	$4,304.5	$9.9	1.0%	$3,943.8
courthouse	1.3	31.1	(5.0)	0.0	30.2
warehouse	15.4	156.8	(4.9)	0.1	141.2
laboratory	0.9	28.1	(0.9)	0.0	26.2
other	3.1	84.5	8.4	0.0	77.8
total	**175.7**	**$4,604.9**	**$7.4**	**1.1%**	**$4,219.1**

Source: RSF and Current Annual Rent from STAR as of 9/30/07 ; Direct Revenue and FFO from InfoWizard FBF07 model; Vacancy Rate from 9/07 Vacant Space Report

table 19. key markets ranked by direct revenue – leased inventory

metropolitan statistical area (msa)	# of bldgs.	% of total	rsf *in millions*	% of total	ffo *$ in millions*	% of total	direct revenue *$ in millions*	% of total
dc-arlington-alexandria, va-md-wv	564	7.9%	45.0	25.8%	$21.5	53.1%	$1,506.4	32.5%
new york-wayne-white plains, ny-nj	146	2.1	4.6	2.6	(4.7)	(11.6)	219.5	4.7
bethesda-frederick-gaithersburg, md	104	1.5	7.1	4.1	4.4	10.9	178.6	3.9
atlanta-sandy springs-marietta, ga	101	1.4	5.6	3.2	11.3	27.9	115.9	2.5
chicago-naperville-joliet, il	121	1.7	3.2	1.8	(2.5)	(6.1)	108.2	2.3
kansas city, mo-ks	61	0.9	5.5	3.1	0.5	1.3	96.0	2.1
los angeles-long beach-glendale, ca	130	1.8	2.5	1.5	0.0	0.1	73.4	1.6
baltimore-towson, md	80	1.1	3.7	2.1	0.6	1.5	69.3	1.5
philadelphia, pa	68	1.0	3.7	2.1	1.7	4.1	69.0	1.5
denver aurora, co	83	1.2	3.0	1.7	0.5	1.3	68.3	1.5
dallas-plano-irving, tx	68	1.0	2.5	1.4	0.8	2.0	55.3	1.2
san fran-san mateo-redwood city, ca	50	0.7	1.4	0.8	1.4	3.3	55.1	1.2
seattle-bellevue-everett, wa	70	1.0	1.8	1.0	(1.5)	(3.6)	53.5	1.2
san diego-carlsbad-san marcos, ca	67	0.9	1.6	0.9	1.2	2.9	52.6	1.1
newark-union, nj-pa	36	0.5	1.4	0.8	1.3	3.2	49.6	1.1
detroit-livonia-dearborn, mi	44	0.6	1.6	0.9	(1.7)	(4.1)	46.8	1.0
fresno, ca	35	0.5	1.5	0.8	0.9	2.1	34.0	0.7
phoenix-mesa-scottsdale, az	58	0.8	1.3	0.8	1.2	3.1	33.9	0.7
ponce, pr	57	0.8	0.9	0.5	0.9	2.3	33.0	0.7
va beach-norfolk-newport news, va-nc	50	0.7	1.7	1.0	1.2	2.9	31.1	0.7
top 20 totals	**1,993**	**28.1%**	**99.4**	**57.0%**	**$39.1**	**96.6%**	**$2,949.5**	**63.7%**

Note: The DOT Headquarters was removed from this analysis because of its large negative FFO dollars

Source: MSAs from Office of Management and Budget; # of Buildings and RSF from STAR as of 9/30/07; FFO and Direct Revenue from InfoWizard FBF07 model

table 20. key markets – market vacancy rates vs. GSA vacancy rate

metropolitan statistical area (msa)	class a market vacancy %	class b market vacancy %	class c market vacancy %	owned GSA vacancy %
dc-arlington-alexandria, va-md-wv	10.6%	9.7%	10.3%	1.4%
new york-wayne-white plains, ny-nj	5.3	5.4	4.9	2.5
bethesda-frederick-gaithersburg, md	n/a	n/a	n/a	0.7
atlanta-sandy springs-marietta, ga	14.8	13.7	11.9	1.1
chicago-naperville-joliet, il	14.5	14.5	8.7	1.5
kansas city, mo-ks	13.8	12.2	12.3	1.1
los angeles-long beach-glendale, ca	9.7	7.2	3.5	1.7
baltimore-towson, md	14.5	12.2	8.5	0.9
philadelphia, pa	12.4	13.7	10.9	0.2
denver aurora, co	10.9	14.6	9.1	0.6
dallas-plano-irving, tx	15.2	20.3	11.2	0.1
san fran-san mateo-redwood city, ca	10.9	10.7	4.9	0.7
seattle-bellevue-everett, wa	7.9	10.5	5.1	2.0
san diego-carlsbad-san marcos, ca	15.8	10.7	5.2	3.3
newark-union, nj-pa	15.9	10.7	7.2	0.9
detroit-livonia-dearborn, mi	16.0	19.2	12.3	0.1
fresno, ca	n/a	n/a	n/a	0.2
phoenix-mesa-scottsdale, az	13.8	14.7	6.9	0.4
ponce, pr	n/a	n/a	n/a	0.2
va beach-norfolk-newport news, va-nc	6.9%	8.5%	6.4%	0.6%

Source: MSAs from Office of Management and Budget; Class A, B, & C Vacancy Rates from CoSTAR; Leased Vacancy Rate from 9/07 Vacant Space Report

table 21. core customers ranked by rent – leased inventory

agency	rent *$ in millions*	% of total	# of CBRs	% of total	rsf *in millions*	% of total
justice	$778.3	17.6%	1,613	14.1%	25.5	14.8%
dhs	584.2	13.2	1,772	15.4	21.0	12.3
ssa	445.2	10.1	1,580	13.8	19.0	11.1
treasury	379.8	8.6	685	6.0	16.6	9.7
hhs	251.6	5.7	487	4.2	9.9	5.8
defense	250.5	5.7	430	3.7	10.3	6.0
judiciary	158.2	3.6	733	6.4	6.0	3.5
interior	158.2	3.6	773	6.7	7.7	4.5
commerce	156.5	3.5	196	1.7	5.4	3.1
agriculture	136.0	3.1	695	6.1	6.4	3.7
all others	1,119.9	25.3	2,507	21.9	43.5	25.4
total	**$4,418.6**	**100.0%**	**11,471**	**100.0%**	**171.4**	**100.0%**

Source: Rent represents total amount billed in FY07; # of CBRs and RSF represent September 2007 billing, from BIS 9/30/07

table 22. income statement – leased inventory

$ in millions	fy03	fy04	fy05	fy06	fy07
direct revenue (+)	$3,742.7	$4,030.2	$4,185.2	$4,385.1	$4,628.9
operations and maintenance	47.6	45.5	50.3	54.7	52.6
protection	101.4	100.0	0.6	1.6	4.0
rental of space	3,372.6	3,634.7	3,862.4	4,079.2	4,337.6
real estate	11.3	11.9	10.2	6.7	5.1
repairs and alterations	2.2	1.8	4.4	3.3	4.1
other	3.5	3.9	5.2	5.6	13.2
total G&A expenses	155.5	151.3	160.8	170.3	210.6
purchase contracts	3.7	3.6	3.5	3.4	3.4
total funded expenses (–)	3,697.7	3,952.7	4,097.4	4,324.9	4,630.6
funds from operations (=)	45.0	77.4	89.3	60.3	(1.6)
depreciation (–)	48.2	45.8	28.2	26.6	23.9
nonFBF outlease revenue (+)	0.0	0.0	–	–	–
net income	**$(3.1)**	**$31.7**	**$63.1**	**$33.6**	**$(25.5)**

Source: InfoWizard FBF07, FBF05, and FBF02 models table 23. profitability of leased locations (ffo)

	# of leased locations			ffo		
	unprofitable	break even	profitable	unprofitable *$ in millions*	break even	profitable *$ in millions*
fy03	2,032	31	5,561	$(194.6)	—	$239.6
fy04	1,538	15	6,111	(153.6)	—	231.1
fy05	1,664	11	6,077	(143.7)	—	236.8
fy06	1,322	6	5,808	(135.3)	—	221.6
fy07	2,090	29	5,248	$(195.5)	—	$201.4

Source: InfoWizard FBF07, FBF05, and FBF02 models and represents all leased buildings with revenue and/or expenses in a given FY

table 24. negative NOI leases

region	# of leased locations	rsf *in millions*	ffo *$ in millions*
1 new england	73	0.5	$(2.1)
2 northeast & caribbean	64	1.0	(10.2)
3 mid-atlantic	61	2.2	(6.1)
4 southeast sunbelt	229	3.4	(16.4)
5 great lakes	138	1.0	(6.0)
6 heartland	44	0.6	(3.0)
7 greater southwest	192	2.7	(10.9)
8 rocky mountain	61	0.7	(2.6)
9 pacific rim	77	1.8	(11.2)
10 northwest/arctic	39	0.3	(2.1)
11 national capital	148	10.5	(97.7)
total	**1,126**	**24.7**	**$(168.5)**

Source: InfoWizard FBF07 model

table 25. lease extensions

region	expired (fy07)	extended less than 1 year		extended 1-3 years		extended 3+ years		total extended		
		leases	rsf *in millions*	leases	rsf *in millions*	leases	rsf *in millions*	leases	rsf *in millions*	% ext'd.
1 new england	14	35	0.3	40	0.2	2	0.0	77	0.4	84.6%
2 northeast & caribbean	23	27	0.4	67	0.8	12	0.1	106	1.3	82.2
3 mid-atlantic	43	26	0.5	58	0.6	25	0.5	109	1.6	71.7
4 southeast sunbelt	100	77	0.8	132	1.4	13	0.3	222	2.5	68.9
5 great lakes	70	56	0.4	116	0.8	14	0.1	186	1.3	72.7
6 heartland	25	21	0.4	8	0.1	11	0.1	40	0.6	61.5
7 greater southwest	47	106	1.0	94	1.0	16	0.2	216	2.1	82.1
8 rocky mountain	37	17	0.1	49	0.4	5	0.1	71	0.6	65.7
9 pacific rim	71	95	1.1	123	1.2	16	0.1	234	2.4	76.7
10 northwest/arctic	46	40	0.3	29	0.1	13	0.2	82	0.6	64.1
11 national capital	17	78	2.6	41	2.3	32	0.9	151	5.8	89.9
nationwide	**493**	**578**	**7.7**	**757**	**8.9**	**159**	**2.6**	**1,494**	**19.2**	**75.2%**

Source: STAR as of 9/30/07

table 26. lease expirations by region

fy of expiration	fy08	fy09	fy10	fy11	fy12	fy13+	total
region 1–new england							
# of leases	82	56	34	25	21	100	**318**
current annual rent *$ in millions*	$22.4	9.6	16.9	4.1	5.8	42.5	**$101.2**
rsf (lease) *in millions*	0.9	0.5	0.6	0.2	0.2	1.8	**4.2**
average lease term *in years*	9.2	11.9	9.8	9.1	8.8	11.8	**10.1**
region 2–northeast and caribbean							
# of leases	146	71	36	67	58	166	**544**
current annual rent *$ in millions*	$46.2	26.4	11.4	44.2	49.8	155.1	**$333.2**
rsf (lease) *in millions*	1.8	1.1	0.3	1.1	1.3	4.0	**9.6**
average lease term *in years*	10.1	8.4	9.1	9.0	9.3	11.1	**9.5**
region 3–mid-atlantic							
# of leases	171	85	65	65	85	301	**772**
current annual rent *$ in millions*	$43.8	16.0	16.2	30.4	21.8	165.1	**$293.3**
rsf (lease) *in millions*	3.0	1.0	1.2	2.6	1.4	8.7	**17.9**
average lease term *in years*	10.1	10.1	9.9	11.5	10.9	11.3	**10.6**
region 4–southeast sunbelt							
# of leases	289	175	137	123	143	581	**1,448**
current annual rent *$ in millions*	$49.0	43.9	31.4	24.6	43.4	258.0	**$450.3**
rsf (lease) *in millions*	2.7	2.4	1.7	1.3	2.1	12.2	**22.5**
average lease term *in years*	8.6	8.9	8.6	9.1	9.3	11.3	**9.3**
region 5–great lakes							
# of leases	222	140	88	69	70	403	**992**
current annual rent *$ in millions*	$42.4	25.4	22.4	17.7	22.2	182.1	**$312.2**
rsf (lease) *in millions*	2.1	1.9	0.9	0.7	0.8	7.2	**13.7**
average lease term *in years*	10.3	9.6	9.5	8.5	11.6	13.2	**10.5**
region 6–heartland							
# of leases	49	42	62	29	18	153	**353**
current annual rent *$ in millions*	$10.2	8.0	18.9	4.1	9.5	91.4	**$142.0**
rsf (lease) *in millions*	0.8	0.5	1.1	0.2	1.0	5.1	**8.7**
average lease term *in years*	9.5	12.3	9.5	9.4	12.6	12.3	**10.9**

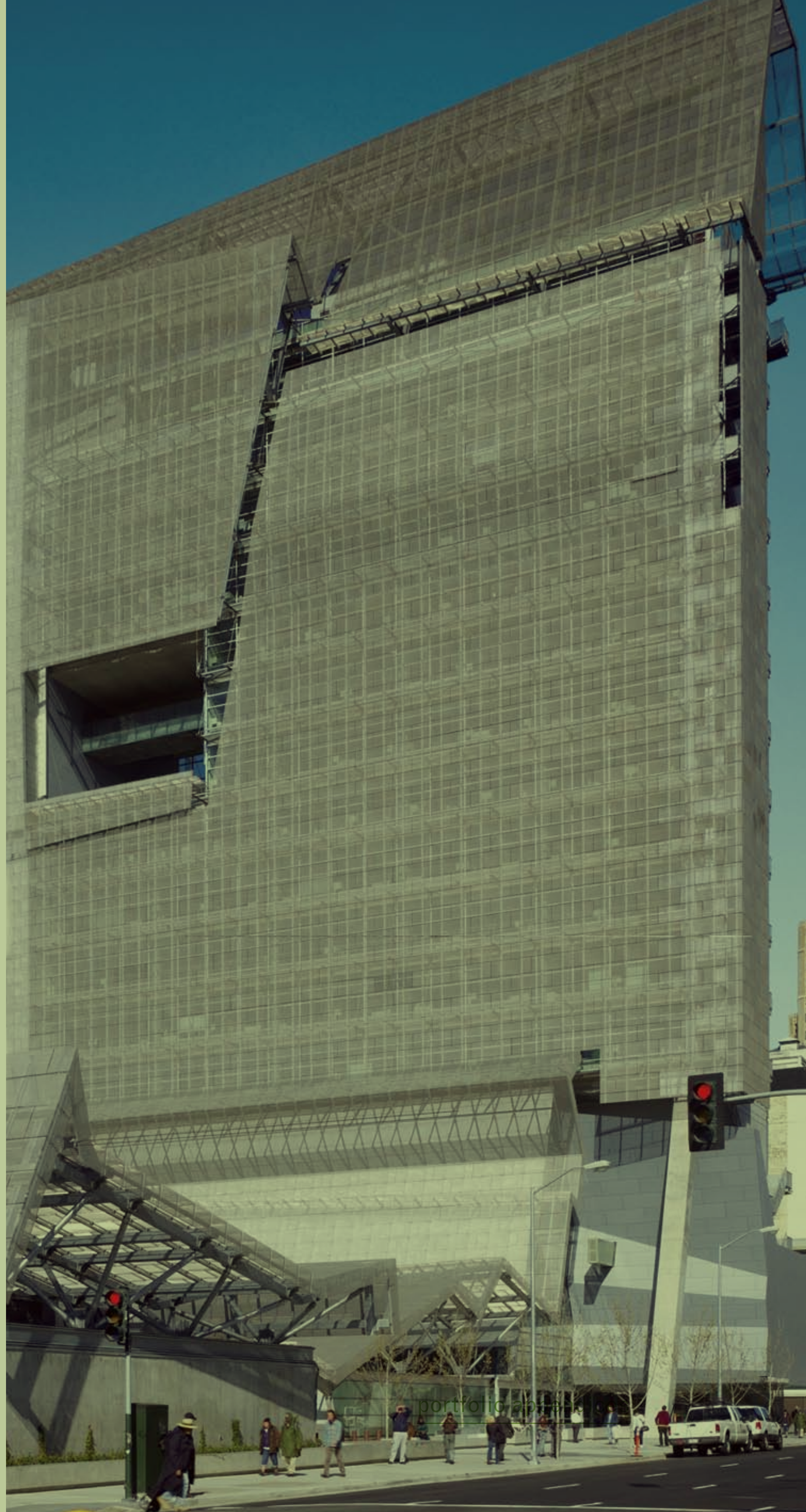
table 26. lease expirations by region

fy of expiration	fy08	fy09	fy10	fy11	fy12	fy13+	total
region 7–greater southwest							
# of leases	200	113	85	67	94	354	**913**
current annual rent *$ in millions*	$36.0	18.5	12.3	14.0	28.7	159.6	**$269.1**
rsf (lease) *in millions*	2.1	1.2	0.6	0.8	1.7	7.9	**14.5**
average lease term *in years*	9.2	8.5	9.3	11.0	10.0	13.1	**10.2**
region 8–rocky mountain							
# of leases	104	66	58	33	41	198	**500**
current annual rent *$ in millions*	$16.6	14.6	5.2	7.4	14.3	87.6	**$145.6**
rsf (lease) *in millions*	1.0	0.8	0.4	0.3	0.7	4.1	**7.4**
average lease term *in years*	8.2	9.4	9.1	10.1	9.5	12.9	**9.9**
region 9–pacific rim							
# of leases	243	122	86	75	87	356	**969**
current annual rent *$ in millions*	$59.5	45.4	25.5	30.7	42.8	216.9	**$420.8**
rsf (lease) *in millions*	2.3	1.7	0.9	1.1	1.7	7.2	**14.9**
average lease term *in years*	8.5	9.2	8.5	8.7	9.9	11.9	**9.5**
region 10-northwest/arctic							
# of leases	127	118	80	54	51	107	**537**
current annual rent *$ in millions*	$15.4	20.5	27.2	14.1	11.5	51.2	**$140.0**
rsf (lease) *in millions*	0.8	1.0	1.1	0.6	0.5	2.0	**6.0**
average lease term *in years*	6.1	7.6	8.0	7.2	8.4	11.6	**8.2**
region 11–national capital							
# of leases	171	123	99	112	68	179	**752**
current annual rent *$ in millions*	$260.2	153.9	150.4	135.8	145.9	639.6	**$1,485.8**
rsf (lease) *in millions*	9.0	5.5	6.0	5.2	4.9	20.7	**51.2**
average lease term *in years*	7.5	8.0	7.7	8.2	9.9	11.5	**8.8**
nationwide							
# of leases	1,804	1,111	830	719	736	2,898	**8,098**
current annual rent *$ in millions*	$601.7	382.3	337.9	327.1	395.7	2,049.0	**$4,093.7**
rsf (lease) *in millions*	26.5	17.6	15.0	14.2	16.2	80.9	**170.4**
average lease term *in years*	8.9	9.1	8.9	9.2	9.9	12.1	**9.7**

Source: STAR as of 9/30/07

portfolio
fy07 regional fact sheets

Federal Building San Francisco, CA



Sources for all the regional fact sheets (pages a.31 a.41):

# of buildings from 9/07 R240 Report of active buildings with assignable space

# of CBRs from STAR as of 9/30/07

RSF from 9/07 R240 Report of active buildings with assignable space

vacancy rates from 9/07 Vacant Space Report

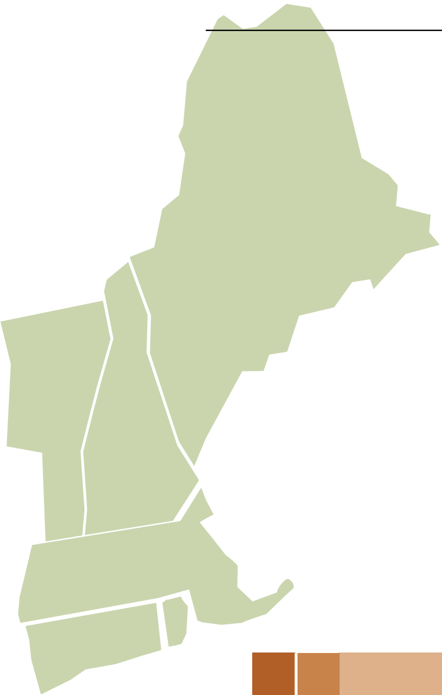
direct revenue and ffo from InfoWizard FBF07 model

core assets and tiering results from Asset Management Division, Office of Real Property Asset Management

# of leases (total, expiring, extended) from STAR as of 9/30/07 and represent all leases that are active or active pending change

negative NOI and excess revenue from InfoWizard FBF07 model

region 1. new england



total regional inventory		owned	leased	total
portfolio	# of bldgs.	95	307	402
	# of CBRs	449	422	871
	rsf *in millions*	6.2	4.4	10.5
	% of rsf total	3.5%	2.5%	3.0%
	vacancy rate	16.7%	0.6%	10.0%
financials	ffo *$ in millions*	$ 59.2	$(0.1)	$59.1
	direct revenue *$ in millions*	$127.9	$111.5	$239.4
	% of revenue total	3.8%	2.4%	3.0%

owned		# of bldgs.	rsf *in millions*
tiering	**tier 1**	52	3.8
	tier 2a	13	0.6
	tier 2b	5	0.1
	tier 3	23	1.7
core assets		% of bldgs.	
	core performing	64.2%	
	core under/non-performing	10.5%	
	transition	8.4%	
	disposal	13.7%	

leased	# of leases
regional total	332
expired in fy07	91
extended	77
	# of locations
negative NOI	73
% of regional total	22.0%
excess revenue	51
% of regional total	15.4%

region 2. northeast and caribbean

			owned	leased	total
total regional inventory	portfolio	# of bldgs.	54	449	503
		# of CBRs	724	736	1,460
		rsf *in millions*	12.4	9.7	22.1
		% of rsf total	7.0%	5.5%	6.3%
		vacancy rate	10.7%	1.7%	6.8%
	financials	ffo *$ in millions*	$119.7	$ 0.3	$120.0
		direct revenue *$ in millions*	$348.2	$383.9	$732.1
		% of revenue total	10.4%	8.3%	9.2%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	24	6.3
		tier 2a	7	4.2
		tier 2b	5	0.5
		tier 3	19	1.5
	core assets		% of bldgs.	
		core performing	79.6%	
		core under/non-performing	3.7%	
		transition	13.0%	
		disposal	13.0%	

leased		# of leases
	regional total	476
	expired in fy07	129
	extended	106
		# of locations
	negative NOI	64
	% of regional total	13.5%
	excess revenue	73
	% of regional total	15.3%

region 3. mid-atlantic

total regional inventory			owned	leased	total
	portfolio	# of bldgs.	99	660	759
	portfolio	# of CBRs	763	966	1,729
	portfolio	rsf *in millions*	16.2	18.2	34.4
	portfolio	% of rsf total	9.2%	10.4%	9.8%
	portfolio	vacancy rate	7.8%	1.5%	4.5%
	financials	ffo *$ in millions*	$159.8	$2.7	$162.5
	financials	direct revenue *$ in millions*	$288.7	$326.9	$615.6
	financials	% of revenue total	8.6%	7.1%	7.7%

owned		# of bldgs.	rsf *in millions*
tiering	tier 1	69	11.8
tiering	tier 2a	7	2.3
tiering	tier 2b	3	0.6
tiering	tier 3	28	2.0
core assets		% of bldgs.	
core assets	core performing	58.6%	
core assets	core under/non-performing	9.1%	
core assets	transition	18.2%	
core assets	disposal	36.4%	

leased	
	# of leases
regional total	708
expired in fy07	152
extended	109
	# of locations
negative NOI	61
% of regional total	8.6%
excess revenue	138
% of regional total	19.5%

region 4. southeast sunbelt

total regional inventory			owned	leased	total
portfolio		# of bldgs.	138	1,308	1,446
		# of CBRs	1,482	1,930	3,412
		rsf *in millions*	17.1	23.0	40.1
		% of rsf total	9.7%	13.1%	11.4%
		vacancy rate	7.2%	1.8%	4.1%
financials		ffo *$ in millions*	$113.9	$16.3	$130.1
		direct revenue *$ in millions*	$251.3	$ 495.5	$ 746.8
		% of revenue total	7.5%	10.7%	9.3%

owned		# of bldgs.	rsf *in millions*
tiering	tier 1	48	8.7
	tier 2a	30	3.8
	tier 2b	10	1.5
	tier 3	50	2.8
core assets			% of bldgs.
	core performing		56.5%
	core under/non-performing		21.0%
	transition		17.4%
	disposal		6.5%

leased	
	# of leases
regional total	1,434
expired in fy07	322
extended	222
	# of locations
negative NOI	229
% of regional total	16.0%
excess revenue	198
% of regional total	13.8%

region 5. great lakes

			owned	leased	total
total regional inventory	portfolio	# of bldgs.	127	852	979
		# of CBRs	1,298	1,240	2,538
		rsf *in millions*	19.9	13.8	33.7
		% of rsf total	11.3%	7.9%	9.6%
		vacancy rate	9.3%	1.0%	5.9%
	financials	ffo *$ in millions*	$ 171.9	$(9.8)	$162.1
		direct revenue *$ in millions*	$327.8	$354.9	$682.7
		% of revenue total	9.8%	7.7%	8.5%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	97	14.8
		tier 2a	6	1.1
		tier 2b	4	0.1
		tier 3	28	3.7
	core assets			% of bldgs.
		core performing		63.8%
		core under/non-performing		32.3%
		transition		14.2%
		disposal		3.1%

leased		
		# of leases
	regional total	969
	expired in fy07	256
	extended	186
		# of locations
	negative NOI	138
	% of regional total	14.2%
	excess revenue	90
	% of regional total	9.3%

region 6. heartland

total regional inventory			owned	leased	total
	portfolio	# of bldgs.	61	329	390
		# of CBRs	636	546	1,182
		rsf *in millions*	12.2	8.8	21.0
		% of rsf total	6.9%	5.0%	6.0%
		vacancy rate	14.6%	1.3%	9.0%
	financials	ffo *$ in millions*	$48.1	$ 1.4	$49.4
		direct revenue *$ in millions*	$133.5	$159.6	$293.2
		% of revenue total	4.0%	3.4%	3.7%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	19	6.7
		tier 2a	0	0.0
		tier 2b	0	0.0
		tier 3	47	5.4
	core assets			% of bldgs.
		core performing		31.1%
		core under/non-performing		29.5%
		transition		47.5%
		disposal		11.5%

leased		# of leases
	regional total	369
	expired in fy07	65
	extended	40
		# of locations
	negative NOI	44
	% of regional total	11.9%
	excess revenue	45
	% of regional total	12.2%

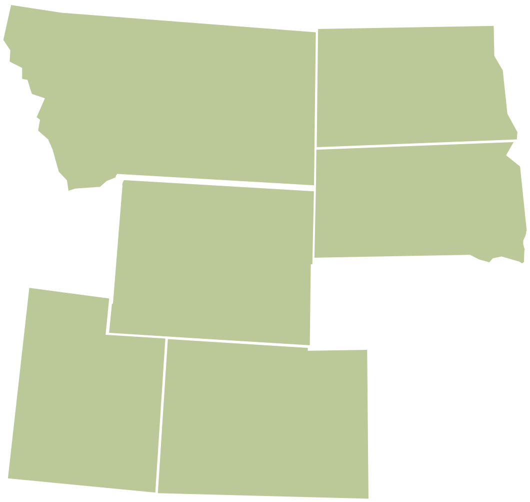
region 7. greater southwest

total regional inventory			owned	leased	total
	portfolio	# of bldgs.	318	858	1,176
		# of CBRs	1,508	1,230	2,738
		rsf *in millions*	15.7	15.7	31.3
		% of rsf total	8.9%	8.9%	8.9%
		vacancy rate	7.4%	1.2%	4.3%
	financials	ffo *$ in millions*	$109.4	$(3.0)	$106.4
		direct revenue *$ in millions*	$228.9	$315.6	$544.5
		% of revenue total	6.8%	6.8%	6.8%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	280	12.2
		tier 2a	23	0.1
		tier 2b	18	1.2
		tier 3	32	2.3
	core assets		% of bldgs.	
		core performing	89.9%	
		core under/non-performing	11.9%	
		transition	9.4%	
		disposal	5.0%	

leased		# of leases
	regional total	939
	expired in fy07	263
	extended	216
		# of locations
	negative NOI	192
	% of regional total	20.5%
	excess revenue	91
	% of regional total	9.7%

region 8. rocky mountain



			owned	leased	total
total regional inventory	portfolio	# of bldgs.	160	462	622
		# of CBRs	833	741	1,574
		rsf *in millions*	9.8	7.4	17.3
		% of rsf total	5.6%	4.2%	4.9%
		vacancy rate	6.3%	0.9%	3.9%
	financials	ffo *$ in millions*	$64.9	$2.0	$66.8
		direct revenue *$ in millions*	$146.7	$159.0	$305.7
		% of revenue total	4.4%	3.4%	3.8%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	127	6.8
		tier 2a	16	2.2
		tier 2b	9	0.1
		tier 3	16	0.9
	core assets			% of bldgs.
		core performing		64.4%
		core under/non-performing		11.9%
		transition		18.1%
		disposal		11.3%

leased		
		# of leases
	regional total	520
	expired in fy07	108
	extended	71
		# of locations
	negative NOI	61
	% of regional total	11.7%
	excess revenue	67
	% of regional total	12.9%

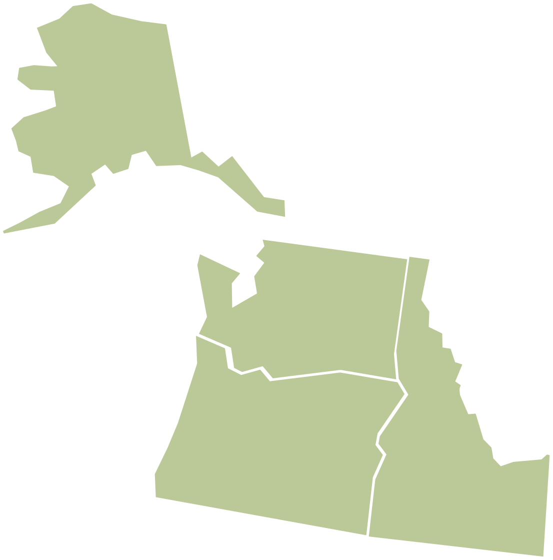
region 9. pacific rim

total regional inventory			owned	leased	total
	portfolio	# of bldgs.	159	886	1,045
		# of CBRs	993	1,236	2,229
		rsf *in millions*	17.6	15.3	33.0
		% of rsf total	10.0%	8.7%	9.4%
		vacancy rate	5.9%	1.1%	3.7%
	financials	ffo *$ in millions*	$271.3	$8.5	$279.8
		direct revenue *$ in millions*	$447.8	$470.0	$917.8
		% of revenue total	13.3%	10.2%	11.5%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	133	15.1
		tier 2a	3	0.8
		tier 2b	10	0.7
		tier 3	7	1.2
	core assets			% of bldgs.
		core performing		91.2%
		core under/non-performing		4.4%
		transition		2.5%
		disposal		5.0%

leased		
		# of leases
	regional total	949
	expired in fy07	305
	extended	234
		# of locations
	negative NOI	77
	% of regional total	8.1%
	excess revenue	140
	% of regional total	14.8%

region 10. northwest arctic

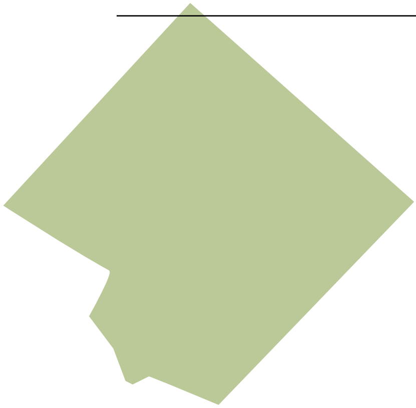


			owned	leased	total
total regional inventory	portfolio	# of bldgs.	111	496	607
		# of CBRs	849	1,053	1,902
		rsf *in millions*	9.4	6.2	15.6
		% of rsf total	5.3%	3.6%	4.4%
		vacancy rate	10.2%	1.6%	6.7%
	financials	ffo *$ in millions*	$94.0	$(2.1)	$92.0
		direct revenue *$ in millions*	$161.1	$159.0	$320.2
		% of revenue total	4.8%	3.4%	4.0%

owned			# of bldgs.	rsf *in millions*
	tiering	tier 1	64	7.8
		tier 2a	18	0.8
		tier 2b	6	0.1
		tier 3	20	0.7
	core assets		% of bldgs.	
		core performing	52.3%	
		core under/non-performing	9.0%	
		transition	34.2%	
		disposal	6.3%	

leased		# of leases
	regional total	525
	expired in fy07	128
	extended	82
		# of locations
	negative NOI	39
	% of regional total	7.4%
	excess revenue	70
	% of regional total	13.3%

region 11. national capital



			owned	leased	total
total regional inventory	portfolio	# of bldgs.	191	499	690
		# of CBRs	289	873	1,162
		rsf *in millions*	40.0	52.9	92.9
		% of rsf total	22.7%	30.1%	26.4%
		vacancy rate	8.4%	1.6%	4.5%
	financials	ffo *$ in millions*	$446.1	$(17.8)	$428.3
		direct revenue *$ in millions*	$904.3	$1,693.0	$2,597.3
		% of revenue total	26.9%	36.6%	32.5%

			# of bldgs.	rsf *in millions*
owned	tiering	tier 1	98	14.5
		tier 2a	33	13.3
		tier 2b	15	6.5
		tier 3	44	6.3
	core assets		% of bldgs.	
		core performing	49.7%	
		core under/non-performing	47.6%	
		transition	30.9%	
		disposal	8.9%	

leased		# of leases
	regional total	556
	expired in fy07	168
	extended	151
		# of locations
	negative NOI	148
	% of regional total	26.6%
	excess revenue	126
	% of regional total	22.7%

agencies and departments

Agriculture	Department of Agriculture
Commerce	Department of Commerce
CBP	Customs and Border Protection
Defense	Department of Defense
DHS	Department of Homeland Security
DOT	Department of Transportation
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
GSA	General Services Administration
HHS	Health and Human Services
Interior	Department of the Interior
Judiciary	Federal Judiciary
Justice	Department of Justice
PBS	Public Buildings Service
SSA	Social Security Administration
Treasury	Department of the Treasury

terms

CAR	Current Annual Rent
CBR	Client Billing Record
FBF	Federal Buildings Fund
FCI	Facility Condition Index
FFO	Funds From Operations
FRPC	Federal Real Property Council
FRV	Functional Replacement Value
FY	Fiscal Year
G&A	General and Administrative
GSF	Gross Square Footage
IRIS	Inventory Reporting Information System
MSA	Metropolitan Statistical Area
NOI	Net Operating Income
OA	Occupancy Agreement
PCS	Physical Condition Survey
PMA	President's Management Agenda
R&A	Repair and Alterations
RBM	Rent Bill Management
ROE	Return on Equity
RSF	Rentable Square Feet
STAR	System for Tracking and Administering Real Property

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