GSA

GSA Public Buildings Service

state of the portfolio fy2006

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William B. Bryant Annex Washington, DC

state of the portfolio fy2006

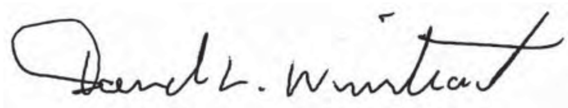
commissioner's message

david l. winstead

As Commissioner, one of my top priorities for the Public Buildings Service (PBS) in FY2006 was advancing the President's Management Agenda (PMA) Real Property Asset Management Initiative. I am pleased to report that in addition to becoming the first agency to achieve a "Green" status on the PMA Scorecard for real property asset management, the General Services Administration (GSA) maintained its green status throughout the fiscal year. This was due in large part to the efforts of our regional and field offices highlighted by the following accomplishments during FY2006:

- Reported 55 underutilized properties as excess resulting in a cost avoidance of $147.5 million in capital reinvestment.
- Sold 13 PBS properties and retained proceeds of $52 million for reinvestment in the portfolio.
- Disposed of 15 additional properties through Federal transfers and Public Benefit Conveyances.
- Operated buildings 4.2 percent below private sector benchmarks for cleaning, maintenance, and utilities.
- Maintained vacant space at 4.3 percent, well below the industry average of 11.6 percent.
- Achieved approximately 74 percent of assets returning at least a 6 percent return on equity and 81 percent of assets realizing positive funds from operations.

While these accomplishments are significant, PBS is committed to rightsizing our owned real property portfolio and identifying opportunities in our leased portfolio to achieve cost savings for our customers. I look forward to the remainder of FY2007 and the exciting opportunities that lie ahead.




NOAA

NOAA Satellite Operations Facility Suitland, MD

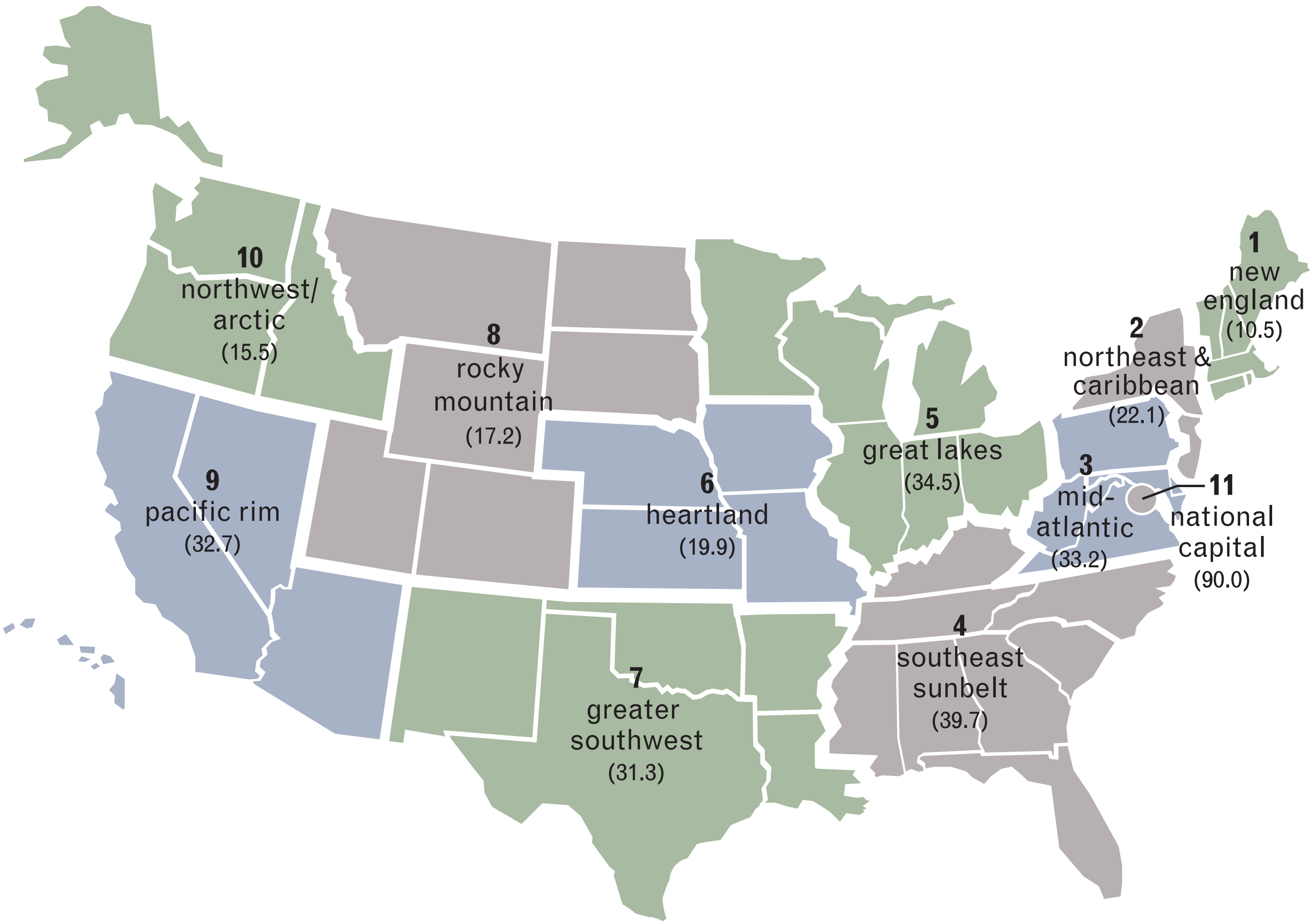
state of the portfolio overview

overview

The Public Buildings Service (PBS) is one of the largest and most diversified public real estate organizations in the world. We serve approximately one million Federal employees at 54 different agencies. Our inventory consists of 8,666 assets with 347 million square feet of rentable space across all 50 states, 6 U.S. territories, and the District of Columbia. The majority of our space is concentrated in large commercial markets such as Washington, DC, New York, Chicago, Atlanta and Los Angeles. Our portfolio composition is primarily office buildings, courthouses, Land Ports of Entry (border stations), and warehouses. The inventory is managed by 11 regional offices located throughout the country and the Central Office located in Washington, DC. The following map shows our regions and their associated rentable square footage (rsf).

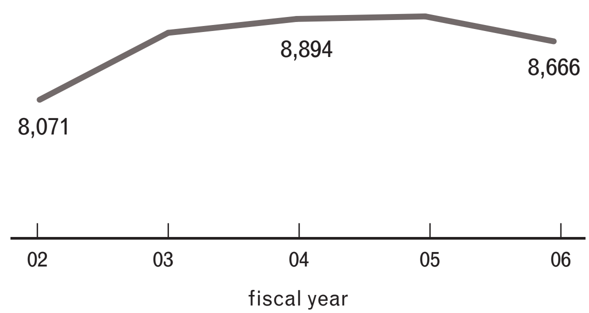
rentable square footage by region

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

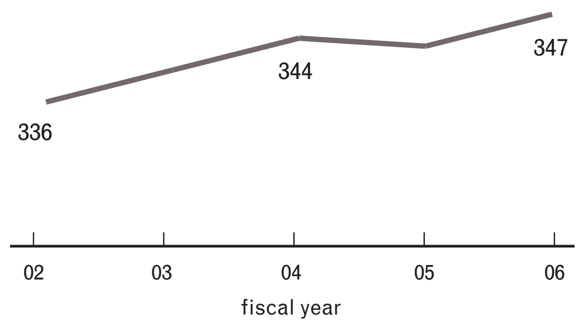


The PBS mission is to provide superior workplaces for Federal customer agencies at good economies to the American taxpayer. To achieve this mission, PBS employs a portfolio strategy that is based on more than five decades of experience owning, managing, leasing, and developing real property. The size and diversity of our portfolio allows us to accommodate the changing space needs of our customers by drawing on local and national market expertise. PBS manages more than three times the square footage of the largest Real Estate Investment Trust (REIT) in the United States. The ability to leverage the size of our portfolio provides PBS a competitive advantage which allows us to pass on savings to our customers and ultimately American taxpayers.

number of assignable assets*



rentable square footage*
in millions



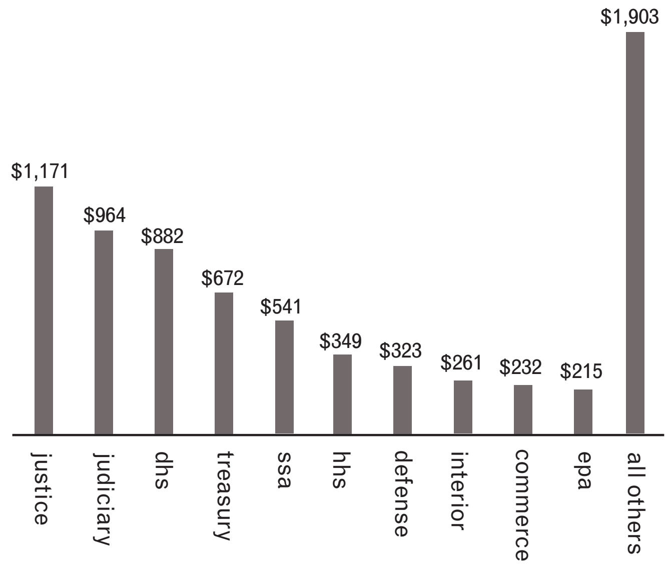
* *Source: September R240 report (2002-2006)*

Our customers remain at the center of our business and continue to guide our decision-making. We have 20,670 space assignments, or Client Billing Records (CBRs), in our buildings. Each CBR represents 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 modernize our Federal facilities, and construct new buildings in support of customer agency missions. Our top 10 customers represent over 74 percent of the rent billed and occupy 74 percent of the rentable square feet. The following chart shows our largest customer agencies by annual rent. The Justice Department is our largest tenant agency with 43 million rentable square feet of space.

The PBS inventory is composed of federally owned properties and properties leased from the private sector. Federally owned space has remained relatively stable over the last 40 years. In contrast, leased space has almost quadrupled during the same period, increasing from 45 million rsf in FY1966 to 172 million rsf in FY2006. Nationwide trends reveal that new requirements for special use facilities, such as courthouses and Land Ports of Entry, continue to be met through new construction. The majority of new requirements for traditional office space are met through leasing.

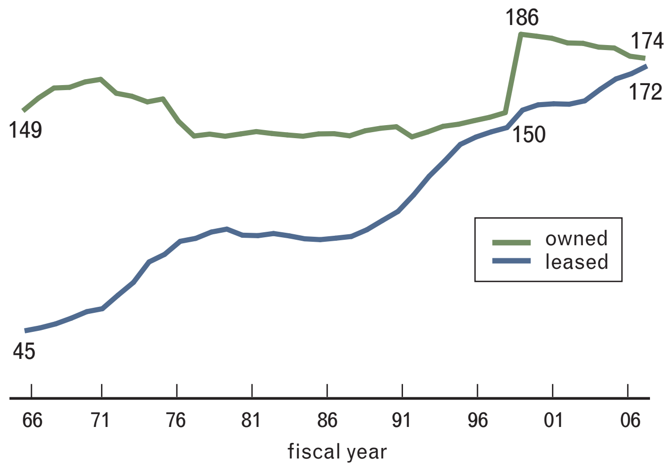
core customers – total annual rent

$ 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
fy06 results

U.S. General Post Office and Courthouse Brooklyn, NY

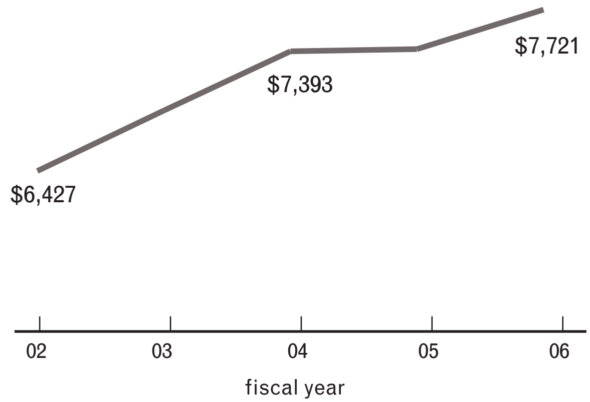
To ensure we are operating efficiently and effectively, PBS tracks a number of financial indicators: revenue, operating expenses, indirect expenses, return on equity (ROE), net operating income (NOI), and funds from operations (FFO). We compare these metrics to industry benchmarks and prior performance. FFO, our primary indicator of financial performance, is the amount of revenue remaining after deducting all day-to-day expenses associated with operating owned and leased buildings.

In FY2006, direct revenue increased by $293 million. The majority of the increase, $200 million, was attributable to the growth of the leased inventory. For the first time in several years, expenses grew more than revenue, decreasing FFO by $56 million. The increase in operating costs and indirect expenses lowered our operating margins. Our current projections for FY2007 and FY2008 show revenue flattening, which translates to tighter budgets and increased focus on reducing costs.

To this end, PBS has several initiatives underway to improve efficiency and reduce costs such as standardizing contract specifications for building operations and maintenance, implementing a National Call Center to track service calls and maintenance performed, and implementing the Rent Bill Management Program. We are also targeting our reinvestment dollars toward energy projects to help reduce energy consumption and minimize the impact of increasing utility costs.

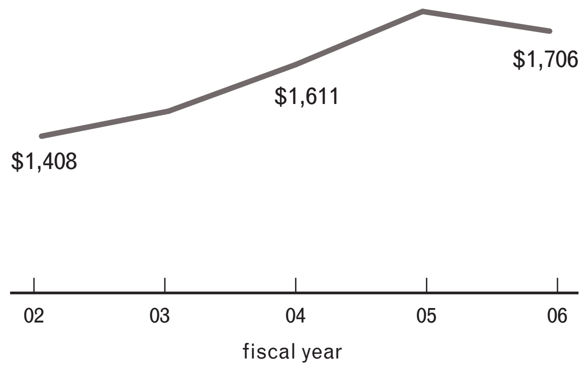
direct revenue

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



funds from operations (ffo)

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

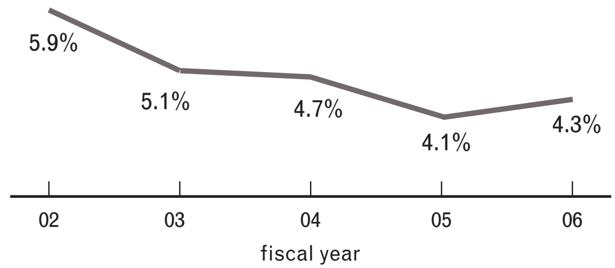


PBS has remained focused on improving asset utilization within the inventory. Our major indicator of utilization is the vacancy rate which is measured and tracked on a monthly basis. While some vacant space is necessary to accommodate agency churn within buildings, PBS balances this need with the cost of maintaining the space and the opportunity cost of forgone revenue. By emphasizing the importance of this measure internally and including it in external performance benchmarks, PBS has created a strong incentive to focus on reducing vacant space.

In FY2006, the overall vacancy rate increased to 4.3 percent, which compares favorably to the private sector nationwide average of 11.6 percent. While this increase is slight, it is attributable to the late delivery of a few prospectus-level repair and alteration (R&A) projects. In addition, several assets slated for disposal did not officially enter the disposal process before the close of the year. Although both the owned and leased vacancy rates increased over the past year, PBS remains below its long-term goals and annual performance targets for vacant space.

vacancy rates*

% of rsf



**Source: 9/02-9/06 Vacant Space Report*

hurricane katrina

fy06 impact

Dan M. Russell, Jr. Federal Bldg. and Courthouse, Gulfport, MS
Inset: view from the roof of the Russell Courthouse

On August 29, 2005, Hurricane Katrina, the sixth strongest Atlantic hurricane ever recorded and the third strongest to make landfall in the U.S., triggered a methodical, multi-front response by the GSA. Despite the devastation spurred by Hurricane Katrina, PBS moved quickly to deliver critical information, provide temporary workspace, and return the Federal workforce to full operational status.

Ravaging much of the north-central Gulf Coast, Hurricane Katrina dealt the harshest blow to an area of the U.S. that saw five consecutive hurricanes make landfall in the same hurricane season: Dennis (July 10), Katrina (August 29), Rita (September 23), Ophelia (October 7), and Wilma (October 23). This category 3 storm caused severe damage along the coastlines of Alabama, Mississippi and Louisiana, and its effects were felt as far west as Texas.

Over 200 PBS owned and leased buildings were impacted by Hurricane Katrina. Significant infrastructure damage to 83 buildings necessitated the relocation of 2,600 Federal employees from 28 Federal agencies.

Many PBS employees volunteered their time to hurricane relief efforts and the organization as a whole worked tirelessly to quickly recover from this emergency. GSA experts including contract specialists, realty specialists, and deputy regional emergency coordinators were dispatched to assist in the Gulf Coast recovery effort.

As a result of their efforts, within two weeks following Katrina's landfall all but six severely damaged locations were either restored or the tenants had been placed in alternative space. Within forty days, the Federal workforce affected by the hurricane was returned to full operational status.

Dan M. Russell, Jr. Federal Bldg. and Courthouse Annex, Gulfport, MS

U.S. Post Office Loop Station Chicago, IL

state of the **owned** portfolio

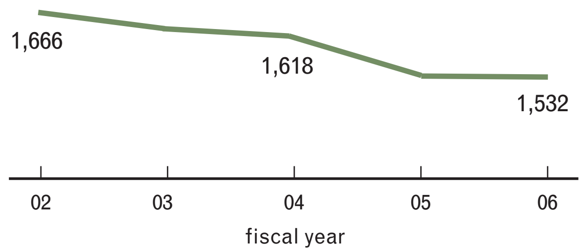
owned

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 1,532 buildings totaling over 174 million square feet of space. The decreases in owned assets and square footage from previous years are a result of the PBS restructuring initiative that began in FY2002. Under this initiative, PBS divests underutilized buildings that no longer satisfy current customer needs and do not generate sufficient revenue to cover their necessary repair and operating costs.

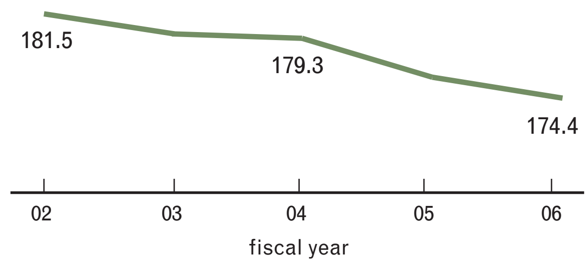
While the number of assets continues to decline, the decrease in square footage has been proportionately less due in large part to the disposal of many small assets and warehouses being offset by the construction of large, modern facilities such as courthouses. Since FY2002, PBS has reported 258 assets excess, with an average size of 57,000 rentable square feet. In contrast, 25 new buildings were constructed with an average size of 215,000 rsf.

number of assignable assets*



rentable square footage*

in millions



Source: September R240 report (2002-2006)

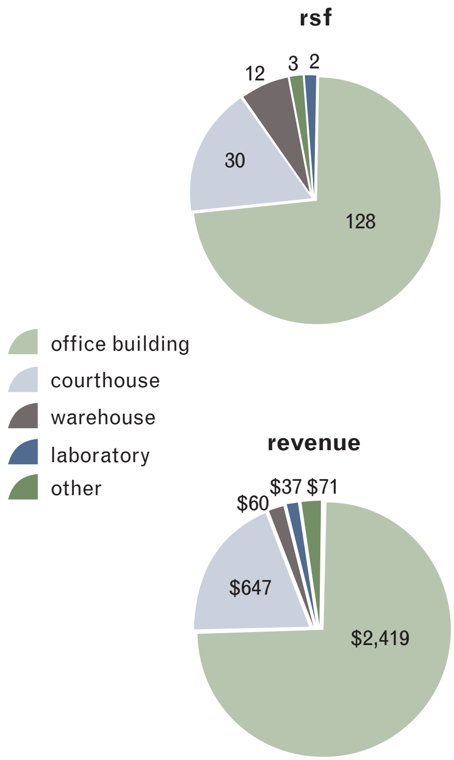
property type segmentation

PBS maintains an inventory database, the System for Tracking and Administering Real Property (STAR), that tracks all space and customer occupancies in our owned and leased buildings. In FY2006, PBS worked with the Federal Real Property Council (FRPC) to ensure the data fields and naming conventions in STAR were aligned with the common government-wide terminology for inventory reporting while still continuing to meet PBS business needs. Consequently, PBS reclassified its property types into fewer categories that directly correspond to the FRPC reporting standards. The result was the classification of properties based on their current use. For example, buildings that were once classified as border stations because they were part of a border station facility are now classified based on their specific use: office, warehouse, utility system, etc.

Office buildings and courthouses comprise over 90 percent of owned space and generate 95 percent of revenue. In contrast, warehouses comprise 7 percent of owned space while generating only 2 percent of revenue. Since FY2002, PBS has focused on reducing obsolete warehouse space as part of the restructuring initiative. As a result, 64 percent of all square footage that has left the inventory has been warehouse space. Poor financial performance and high reinvestment needs explain why PBS continues to dispose of obsolete warehouse assets.

rsf and revenue by property type

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



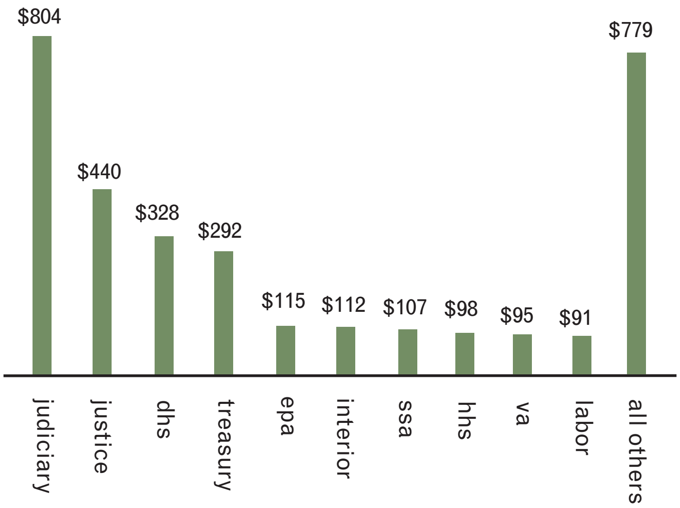
customer segmentation

Tighter budgets and increased fiscal pressures have influenced how our customer agencies conduct business. While some agencies have undergone major consolidations, others have experienced changing missions and needs—all of which affect the size and composition of our portfolio. The majority of agencies have decreased their holdings in GSA-owned space through downsizing or electing to exercise their own real estate authority. The Federal Judiciary, however, has increased its square footage every year since FY1999 and the Department of Homeland Security (DHS) has consistently increased its owned space holdings since its creation in FY2003.

Customer segmentation reveals the Judiciary generated the largest amount of revenue for the Federal Buildings Fund in federally owned space in FY2006, followed by the Justice Department, DHS and the Treasury Department. These four agencies occupy 52 percent of owned space and account for 57 percent of our revenue.

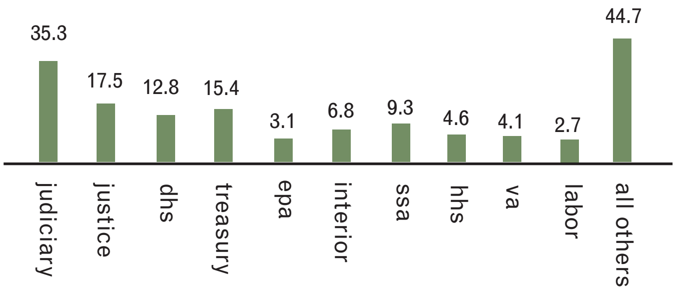
core customers – owned annual rent

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



core customers – owned rsf

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



owned inventory by construction era

The diversity of the PBS portfolio in terms of age, type, and location presents a major challenge in the way we conduct business. Our owned inventory consists of Federal buildings that date back to the early nineteenth century. Since the average age of our owned inventory is 45 years, weighted by square footage, it is imperative that we continue to reinvest in the portfolio to maintain the quality and integrity of our Federal buildings.

Dwight D. Eisenhower Executive Office Bldg.
Washington, DC

Troutdale West Federal Warehouse
Troutdale, OR

Phoenix Federal Bldg. and Courthouse
Phoenix, AZ

Glenn M. Anderson Federal Bldg.
Long Beach, CA

U.S. Post Office and Courthouse
Laredo, TX

	historic 1800-1941	**world war II** 1942-1945	**great society** 1946-1979	**contemporary** 1980-1993	**design excellence** 1994-present
rsf	40.9 million	13.6 million	81.4 million	11.7 million	26.5 million
% of rsf	23.4%	7.8%	46.7%	6.7%	15.2%
assets	343	147	536	180	281
fy06 ffo	$292.6 million	$91.3 million	$779.7 million	$152.3 million	$354.7 million
ffo/rsf	$7.16	$6.73	$9.58	$12.99	$13.36
vacancy rate	9.8%	12.1%	7.0%	3.8%	1.6%

portfolio strategy

PBS employs a portfolio strategy for the owned inventory that involves making asset management decisions based on our customers' needs, market dynamics, and the financial performance and condition of our assets. The goal of this strategy is to maintain a healthy 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 new construction program. To achieve this goal, we analyze our customers' missions, housing profile, security needs, and space trends to provide smarter solutions. We analyze both the real estate and capital markets to assist with own or lease decisions. Finally, we track financial performance measures, cumulative reinvestment needs, fair market value, and functional replacement value for each asset to ensure we maintain a healthy portfolio of assets.

customer needs and market dynamics

Many of the initiatives PBS has in place are geared toward long-range planning rather than meeting particular transaction needs. PBS develops customer portfolio strategies to gain an in-depth knowledge of our customers' missions, organization, and real estate needs. These strategies incorporate agency budget constraints, move costs, space trends, security requirements, and changes in customer mission and demographics. The basis for each strategy is the customer business plan which integrates agency requirements, market conditions, and asset business plan information. These strategies are then used in both short- and long-term planning to provide workplace solutions that are cost-effective for PBS and our customers.

PBS conducts market analyses to compare the overall cost of owning space to 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. We use the fair market value in conjunction with market rates to ensure we are receiving a sufficient return of 6 percent for a 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 tiers its owned assets on an annual basis. This ranking helps focus reinvestment funds on performing assets and identify nonperforming or underperforming assets for improvement or disposal.

In simple 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 underperforming financially and fail to return 6 percent on equity; Tier 3 assets are non-performing assets that fail to recover operating costs and basic reinvestment needs.

Three tests are used to categorize each asset into one of the 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 reinvestment requirement. 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 at least 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

tiering categories

	tier	conditions
performing	tier 1	Solid financial performance: satisfies long-term customer needs. FCI<0.3; ROE>6%; (NOI-2%FRV)>0
performing	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. Excludes border stations, miscellaneous assets.

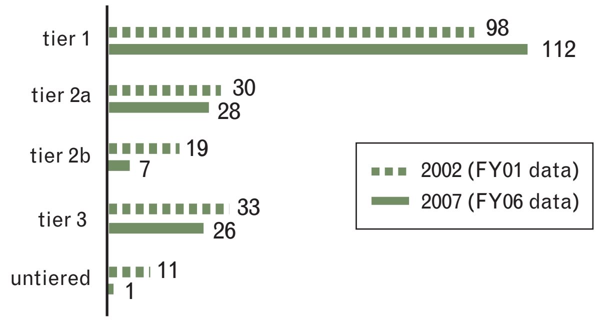
2a asset; if not, the asset receives the highest rating, Tier 1.

Since PBS began tiering its owned inventory in FY2002, we have added over 14 million rsf to our Tier 1 inventory while reducing Tier 2b and Tier 3 space by almost 19 million rsf. Although Tier 1 rsf decreased in FY2006 due to increasing reinvestment liabilities, the total number of Tier 1 assets has increased 19 percent over the last five years. PBS has successfully used tiering results to target reinvestment funds to its core assets. In FY2006, Tier 1 accounted for 73 percent of total FFO and close to half our reinvestment (BA54/55) dollars were spent on Tier 1 assets. Although a similar amount was spent on Tier 3 assets, 76 percent of those reinvestment dollars was for 5 currently vacant buildings: 4 undergoing a major modernization and 1 related to Hurricane Katrina repair. These buildings are long-term hold assets and are expected to return to Tier 1 status upon completion of their R&A projects.

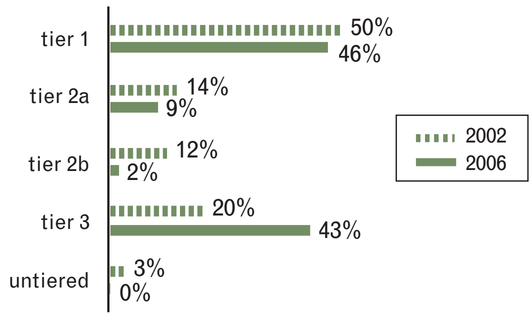
The tiering analysis has been a crucial part of the restructuring initiative and will remain an asset management practice and a major component guiding our portfolio strategy.

rsf by tier*

in millions



capital reinvestment by tier (BA54/55)*



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

restructuring the portfolio

an overview: FY2002–FY2007

In FY2002, PBS began a focused, five-year effort to reposition the owned portfolio. This restructuring initiative was intended to create a self-supporting portfolio that generates enough revenue to recover operating costs and fund reinvestment requirements across the inventory. To achieve this goal, PBS reported excess 258 assets that were no longer viable. Reducing 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 $588 million, PBS was able to complete 70 major renovations in 35 core assets and construct 25 new buildings.

The restructuring effort will be completed by the end of FY2007, at which time PBS will have reduced the number of underperforming and nonperforming assets. The following table shows not only our progress since the inception of the restructuring initiative, but also a projection of where we expect to be by the end of FY2007.

U.S. Courthouse
Seattle, WA

U.S. Courthouse
Brooklyn, NY

Thaddeus J. Dulski Federal Bldg.
Buffalo, NY

Charles R. Jonas Federal Bldg.
Charlotte, NC

Howard M. Metzenbaum Courthouse
Cleveland, OH

Federal Bldg. and Courthouse
Muskogee, OK

new construction

	fy02	fy03	fy04	fy05	fy06	projected fy07	total
# of bldgs.	7	2	8	3	5	11	36
rsf *in millions*	1.8	0.4	1.3	0.6	1.2	4.7*	10.0
cost *in millions*	$483.6	$163.9	$496.9	$110.9	$860.9	$1,029.7	$3,145.8

reported excess

	fy02	fy03	fy04	fy05	fy06	projected fy07	total
# of bldgs.	94	48	35	26	55	21	279
rsf *in millions*	5.8	1.4	2.0	2.4	2.2	0.7	14.5
$ proceeds *in millions*	n/a	n/a	n/a	$5.3	$51.9	$63.9	$121.1
liability avoided *in millions*	$171.4	$75.9	$8.8	$184.3	$147.5**	$19.4	$607.3

major r&a

	fy02	fy03	fy04	fy05	fy06	projected fy07	total
# of projects	12	6	15	26	11	22	92
rsf *in millions*	3.8	2.7	2.4	7.1	2.1	6.1*	24.1
cost *in millions*	$343.1	$198.0	$197.3	$375.3	$422.8	$832.5	$2,368.9

* *gross square feet (gsf)*
** *50 percent of FRV*

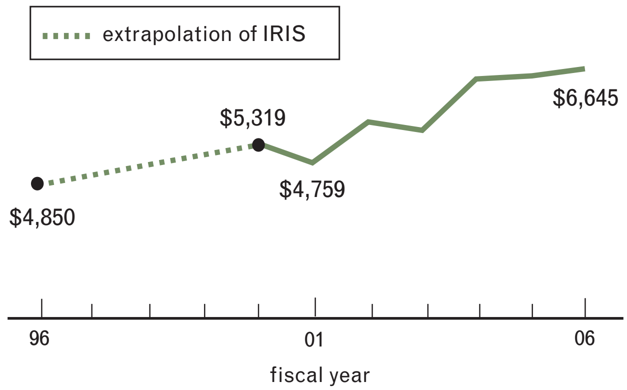
core assets

Prior to FY2002, the reinvestment needs of the owned portfolio were growing by 4 percent every year. The restructuring initiative has stabilized the growth rate of our reinvestment liability to less than 1 percent per year since FY2003. This translates to a $200 million decrease in growth of reinvestment needs each year and in this respect, restructuring has been a success. However, the cumulative work item costs of our current inventory continue to outpace available funding. The Inventory Reporting Information System (IRIS) database, which tracks the reinvestment requirements for each government-owned building, shows that our owned assets require over $6.6 billion in accumulated repair and alterations over the course of the next five years. However, for the sixth consecutive year our available funding is approximately $1 billion dollars. Therefore, while restructuring has slowed the rate of growth in reinvestment needs, it has not completely solved the problem of our aging inventory and limited BA54/55 funding.

To go beyond restructuring, PBS began the core asset initiative in FY2005. The core asset initiative was designed to forecast the makeup of the PBS portfolio in 5 to 15 years by identifying the holding period for each asset. FY2006 marks the second year that PBS surveyed regional portfolio managers and customer agencies to determine long-term asset strategies and identify our core assets.

reinvestment needs*

$ in millions



available reinvestment funding (BA54/BA55)**

$ in millions

** Source: 1992-97 RACAT; 1997-2006 IRIS*

*** Source: Office of PBS Chief Financial Officer (PF)*

The core asset initiative segments the owned portfolio into 4 categories: core performing, core underperforming or nonperforming, transition, and disposal. Core assets are assets that will remain in our inventory for at least 15 years, have a solid customer base and sustainable reinvestment needs, and are in a stable real estate market.

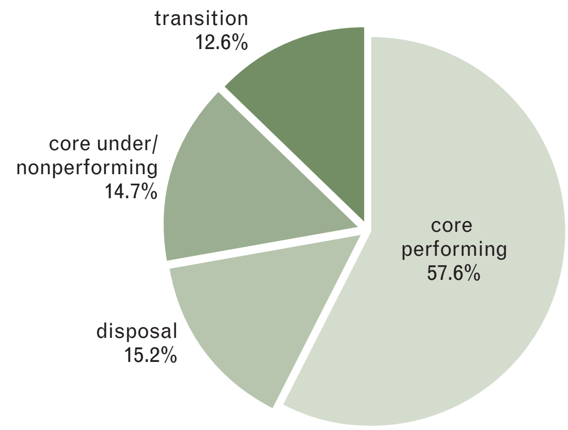
An asset with consistently positive financial performance is classified as performing; these assets will receive priority for reinvestment before financially nonperforming assets.

Transition assets typically have 5-15 year holding periods due to customer uncertainty, low market rates, or high reinvestment needs. 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 the FY2006 analysis are shown in the following chart.

fy06 owned core assets*

% of assets



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

owned
fY06 results

Federal Building and Courthouse Fresno, CA

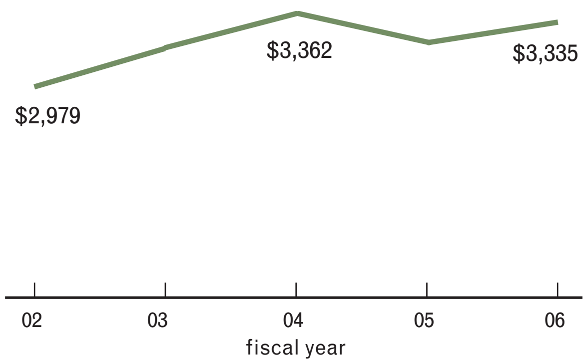
financial results

While direct revenue increased by $93 million in FY2006, it was not enough to offset the $122 million increase in expenses. Delays in new construction and prospectus-level R&A projects had a significant impact on owned revenue. Higher utility costs and rising material and labor costs led to a $53 million increase in operation and maintenance expenses, the highest increase since FY2003. As a result, for the first time in several years, owned FFO decreased by over $27 million.

The owned vacancy rate remained relatively stable, increasing from 6.8 percent in FY2005 to 7.0 percent in FY2006.

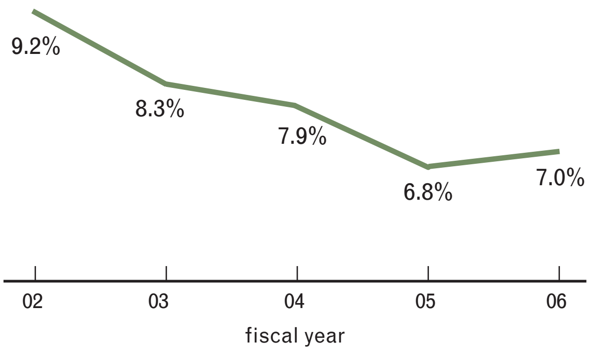
direct revenue

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



vacancy rates*

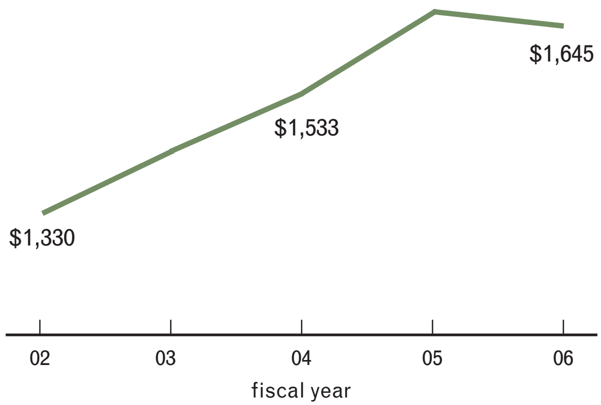
% of rsf



**Source: 9/01-9/06 Vacant Space Report*

funds from operations (ffo)

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



disposal results

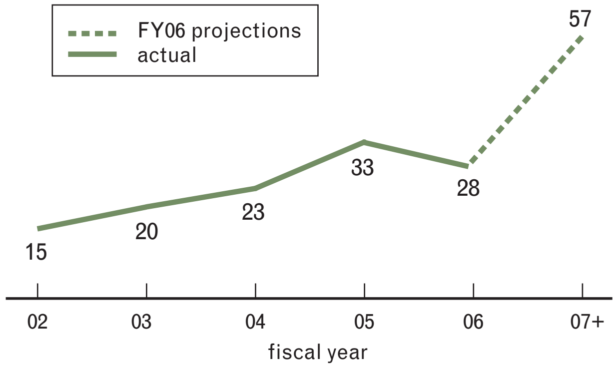
As part of our commitment to providing comfortable and productive workplaces for our customers, we invest significant resources to maintain the quality of our Federal buildings. However, there are times when certain properties in our inventory are no longer a compelling strategic fit. In FY2006, 55 assets were reported excess, bringing the total since the inception of portfolio restructuring in FY2002 to 258 assets. In addition, 52 assets totaling 1.3 million rsf were demolished within that time period.

Since FY2002, 119 of the 258 assets reported excess have left the inventory through exchange, transfer, or sale. In FY2006, PBS' Office of Real Property Disposal transferred or sold 28 former PBS assets with estimated repair and alteration needs of $195 million.

Until recently, PBS was unable to retain the proceeds from the disposal of its real property. However, in FY2005 PBS received the general authority to retain the proceeds from sale. This is one of the most powerful incentives for vigorous asset management. PBS has been able to retain $57.2 million in sales proceeds from FY2005 and FY2006, which will be reinvested into its current portfolio of assets.

As the restructuring initiative draws to a close, we expect to dispose of an additional 21 assets in FY2007, totaling 0.7 million square feet, and an additional 36 assets after FY2007.

disposals*



*Source: NetReal as of 9/30/06

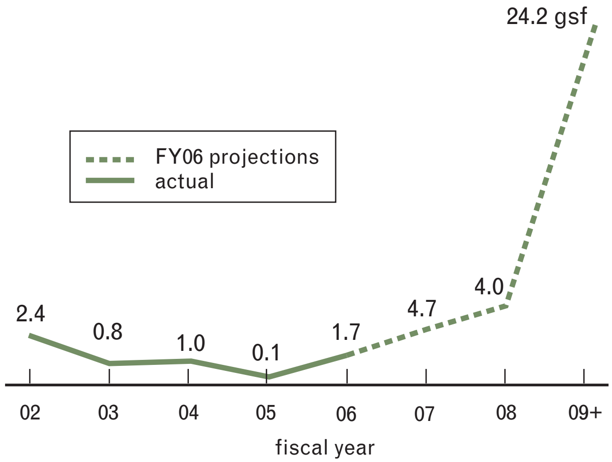
new inventory results

While PBS continues to redeploy unneeded assets, we also continue to bring award winning, state-of-the-art facilities into the inventory. Two new courthouses, a courthouse annex, a Land Port of Entry, and a NOAA satellite facility were completed in FY2006, totaling over 1.7 million gross square feet (gsf). We expect to complete four courthouses, two laboratories, a Land Port of Entry annex, a courthouse annex, and three Federal buildings totaling nearly 4.7 million gsf in FY2007. In addition, we expect to complete six projects totaling 4 million gsf in FY2008 and 24.2 million gsf in FY2009 and beyond.

PBS is recognized government-wide as an expert in construction and project management. Since FY2002, we have constructed 14 assets, totaling 1.7 million gsf, for other customer agencies of which we did not retain ownership: 9 Land Ports of Entry, 3 laboratories, a training facility, and an office building. PBS expects to complete an additional Land Port of Entry and courthouse in FY2007, neither of which will remain in our inventory.

owned new inventory*

gsf in millions



fy06 new construction*

region	building	city, state	gsf
2	Emanuel Celler Courthouse	Brooklyn, NY	629,251
8	Land Port of Entry	Sault Ste. Marie, MI	63,874
9	Federal Bldg and Courthouse	Fresno, CA	495,913
11	William B. Bryant Annex	Washington, DC	316,038
11	NOAA Satellite Operations Facility	Suitland, MD	208,271

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

John F. Kennedy Federal Building Boston, MA

state of the **leased** portfolio

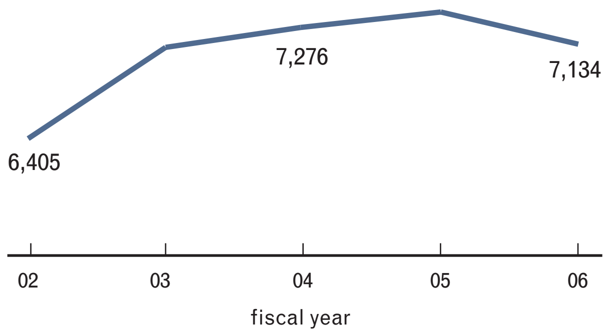
leased

When federally owned space is not available and construction is not a viable option, PBS leases space from the private sector to meet agency needs. Leasing allows PBS to fulfill short-term requirements and react quickly to unanticipated demand. The goal of our leasing program is to meet our customers' needs at or below market prices while maintaining low vacancy rates. As growth in leased space outpaces Federal space, and payments to lessors increase to over $4 billion, PBS has taken a proactive approach to managing the lease portfolio.

PBS' space acquisitions are driven by customer requirements: the amount of space needed; how quickly the space is needed; the duration of the requirement; and the complexity of the build-out. Once the requirements are established, PBS looks to use existing federally owned space or vacant leased space. If there are no viable solutions, PBS considers fulfilling the requirement through new construction or leased space. This decision is based on the cost, time frame, and available funding. Leases are an attractive option for many agencies because they can provide flexibility in space acquisition and can accommodate short-term requirements.

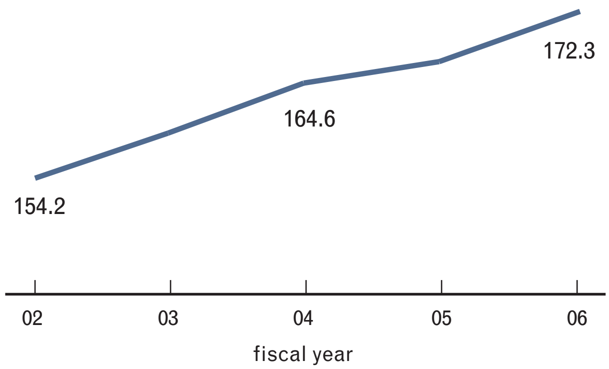
PBS manages more than 8,500 private sector leases in approximately 7,100 locations nationwide. At 172 million rsf, leased space comprises half of our total square footage. The majority of our leases are "pass-through" leases, in which the rent billed to the tenant agency is a pass-through of the contract rent, operating expenses outside the lease, security costs not paid to DHS, and an 8 percent service fee. The 8 percent fee reimburses PBS for brokerage services, property management, and the vacancy risk should an agency decide to return space to PBS.

number of assignable assets*



rentable square footage*

in millions



**Source: September R240 report (2002-2006)*

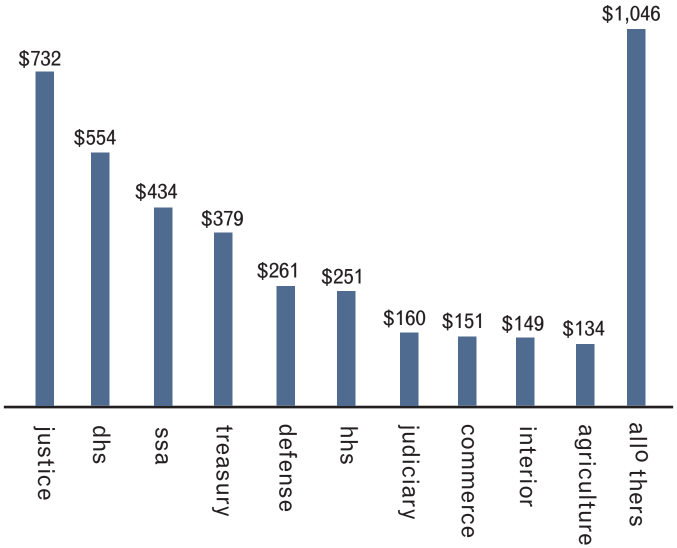
customer segmentation

As fiduciary agents, PBS assists customer agencies in developing strategies that leverage limited Federal resources and deliver quality workplace solutions. Our largest tenants in leased space are the Justice Department, Department of Homeland Security, Social Security Administration, and the Treasury Department. These agencies occupy almost 80 million rsf, or 47 percent of leased space, and generate almost $2.1 billion, or 49 percent of leased revenue.

PBS uses commercially available market information, private sector best practices, and performance measures to support leasing decisions and improve program efficiency. Analyzing market trends allows PBS to identify market gaps and potentially lock in lower rental rates. As an example, PBS recently presented the Internal Revenue Service (IRS) with a plan to renegotiate its leases expiring within the next 5 years. PBS was able to successfully renegotiate 7 leases totaling almost 200,000 square feet with an annual savings of $715,000. PBS is currently renegotiating 9 additional leases for IRS where potential cost-saving opportunities have been identified.

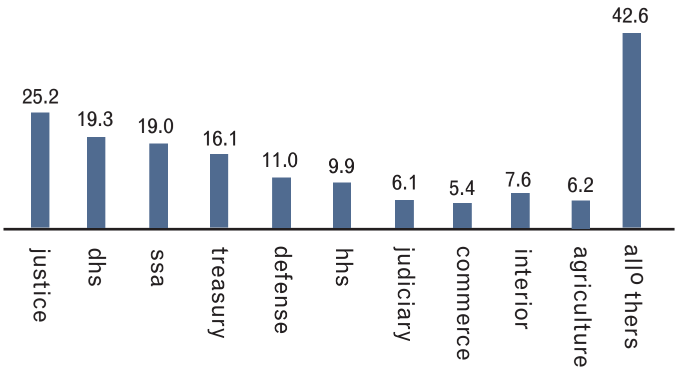
core customers – leased annual rent

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



core customers – leased rsf

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



portfolio strategy

PBS has focused on four areas for managing the leased portfolio: reducing vacancy; managing lease administration; managing customer requirements; and analyzing market trends.

Reducing vacancy rates ensures that agencies receive the maximum benefit for their resources and taxpayer money is spent effectively. Traditionally, PBS reduces the vacant space by backfilling and, when appropriate, exercising termination rights and negotiating lease buyouts. Leased vacant space has been at or below 1.5 percent for the last 4 years.

Lease administration focuses on addressing customer issues and concerns and ensuring that customer needs are met. This involves enforcing lease terms and conditions and procuring services outside of the lease to support the agency's mission. It also addresses how well PBS administers contract costs and obligations to ensure the accurate billing of taxes, step rents, and operating cost escalations.

Managing customer requirements refers to our commitment to help agencies formulate accurate space plans so they can focus their budgetary resources on achieving their missions. PBS has a number of initiatives underway to assist agencies in determining how to meet future space needs at lower costs. The WorkPlace Program is intended to improve the accuracy at the pre-design stage allowing the final workplace designer to make more cost-effective and appropriate decisions.

To determine future requirements, PBS typically contacts customers 12-18 months before a lease expires to discuss their needs. However, some agencies are unable to predict their space beyond the next fiscal year and therefore request an extension. Lease extensions pose a major challenge to PBS by limiting opportunities to offer cost-effective lease terms by limiting competition.

PBS began tracking extensions in FY2003 and found that on average 65 percent of expiring leases are extended each year. PBS is committed to reducing lease extensions and will continue to explore solutions throughout FY2007.

lease extensions

(see table 25, page a.25)

fy04	fy05	fy06
68%	63%	65%

Analyzing market trend data allows PBS to balance agencies' future space needs with future market prices and calculate cost-effective lease terms. PBS uses market trend data from private sector companies in conjunction with our customers' long-term needs to provide agencies with cost-effective options. In order to maintain costs at or below market, PBS compares lease offers to leverage negotiations and assesses the effectiveness of the rates achieved through national broker contracts.

lease tiering

In FY2006, PBS expanded the portfolio strategy to include the leased inventory by developing a structured, financial framework that can be applied to leases. The lease tiering analysis places PBS leases into tiers based on the value and risk of the leased properties. It considers the financial performance and impact of market rates on current and future leasing actions and provides realty specialists with market intelligence for negotiating competitive rates. While the tiering analysis is only applicable to those areas where market rate information is available (currently 54 major U.S. real estate markets), it encompasses over 60 percent of PBS' total leased square footage.

value

To assess the relative value of a lease, PBS compares the rent it pays to market rental rates for comparable leases. If the rent charged to PBS is less than or equal to the market rate, the contract is considered "High Value" to the Government. Conversely, if the rent charged to PBS is greater than the market rate, the contract is considered "Low Value" to the Government.

risk

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 rate of a market over the next five years (provided by Torto Wheaton Research) is compared to the projected rental growth rate of PBS' entire portfolio over the same period. If market rental rates are growing rapidly, future rents will be higher as leases expire and new leases are signed at the current rate. Therefore, if the market suggests significant price increases in the long term, the lease presents a risk to our customers and is considered "High Risk." Conversely, markets with growth rates below the portfolio average are considered "Low Risk."

results

Lease tiering analysis was conducted for the first time in FY2006. The results show 43 million rsf, or 39 percent of tiered space, in "High Value" leases where PBS is paying less than market rates. In this case, PBS will look to preserve the value of these contracts through exercising lease options or extending at the current rate. With 27 percent of leased space being "Low Value" in "High Risk" markets, there is an opportunity to improve by considering early lease actions.

fy06 lease tiering*

by square footage

	value	risk
high	39%	46%
low	61%	54%

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

leased
fy06 results

U.S. Post Office and Courthouse Pittsburgh, PA

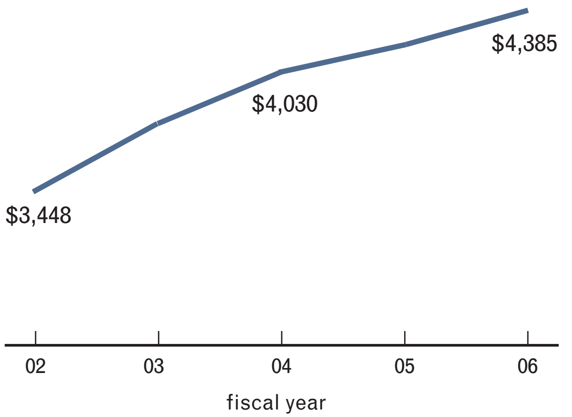
financial results

In FY2006, direct revenue increased by $200 million but it was not enough to offset the $221 million increase in direct expenses. A portion of the increase in expenses is due to Hurricane Katrina relief efforts and the emergency leases that were put in place. As a result, leased FFO decreased by almost $30 million, to $60 million in FY2006.

The vacancy rate in leased space increased slightly, accounting for $13 million of the decrease in FFO, while a rise in indirect costs contributed to $1.2 million of the decrease. Payments to lessors grew by more than leased revenue, indicating that PBS' failure to recapture direct leasing costs caused the remaining decrease in FFO. To identify those leased locations where PBS is failing to accurately pass-through our direct costs, PBS has developed a Negative Net Operating Income (NOI) report. On a monthly basis, PBS tracks those locations where the direct expenses and field office overhead exceed the income generated by the asset. In FY2006, approximately 1,200 leased locations generated negative NOI, totaling a loss of $109 million.

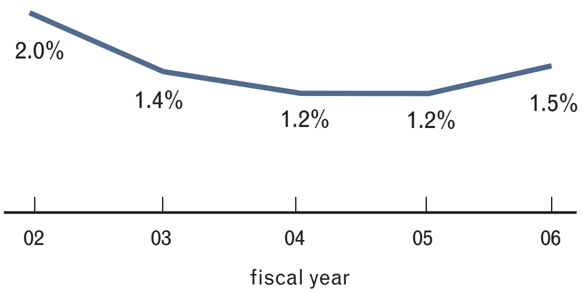
direct revenue

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



vacancy rates*

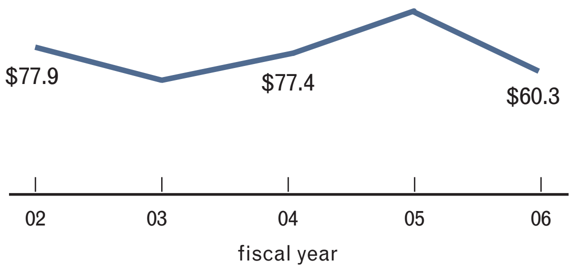
% of rsf



Source: 9/02-9/06 Vacant Space Report

funds from operations (ffo)

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



looking ahead

Over 60 percent of our expiring leases in a given fiscal year are extended an additional year. This generates a heavy workload for realty specialists, making it difficult to determine which expiring leases need the most attention. In FY2006, PBS conducted further analysis of this issue and provided new guidance to realty specialists and customers on the initiatives and changes necessary to overcome the extensions problem. However, this change will take time and PBS is continuing to identify ways to resolve this issue.

Starting in FY2008, PBS will lower its leasing fees from 8 percent to 7 percent for the majority of leased space in which agencies are housed. Over the past few years, PBS has been working to restructure its workforce and introduce new efficiencies to its leasing program. PBS is now able to pass these savings on to Federal customer agencies by lowering the fees to acquire and administer leased space.

In FY2007, PBS will implement the lease tiering model at the regional level and begin to improve our FY2006 lease tiering baseline. The FY2006 baseline indicates that PBS is currently competitive with private sector rates, but opportunities exist to improve and pass savings on to our customers. Although PBS is contractually bound by our existing leases, we will begin to exercise termination rights and negotiate extensions or early renewals for our customers based upon our long-term forecasts.

U.S. Post Office and Courthouse New Bern, NC

Frank M. Johnson, Jr. Federal Building and Annex Montgomery, AL

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	92.8	5.4	10.5	403
2 northeast & caribbean	118.6	7.0	22.1	507
3 mid-atlantic	136.2	8.0	33.2	756
4 southeast sunbelt	106.9	6.3	39.7	1,454
5 great lakes	152.1	8.9	34.5	1,000
6 heartland	58.8	3.4	19.9	401
7 greater southwest	101.4	5.9	31.3	1,175
8 rocky mountain	61.4	3.6	17.2	620
9 pacific rim	272.8	16.0	32.7	1,051
10 northwest/arctic	87.9	5.2	15.5	612
11 national capital	502.2	29.4	90.0	687
central office	14.5	0.9	0.0	0
total	$1,705.5	100%	346.5	8,666

Note: Financial results for Regions 4 and 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

Source: FFO from InfoWizard FBF06 model; RSF from STAR as of 9/30/06; # of buildings from 9/06 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	403	10.5	3.0	90.7	268.2	3.5
2 northeast & caribbean	507	22.1	6.4	95.6	713.8	9.2
3 mid-atlantic	756	33.2	9.6	95.9	558.7	7.2
4 southeast sunbelt	1,454	39.7	11.5	97.1	721.7	9.3
5 great lakes	1,000	34.5	9.9	93.6	660.9	8.6
6 heartland	401	19.9	5.7	94.0	270.9	3.5
7 greater southwest	1,175	31.3	9.0	96.5	529.4	6.9
8 rocky mountain	620	17.2	5.0	96.6	298.1	3.9
9 pacific rim	1,051	32.7	9.4	96.5	876.6	11.4
10 northwest/arctic	612	15.5	4.5	95.3	312.1	4.0
11 national capital	687	90.0	26.0	96.1	2,505.4	32.5
central office	0	0.0	0.0	0.0	4.6	0.1
total	8,666	346.5	100%	95.7%	$7,720.5	100%

Note: Financial results for Regions 4 and 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

Source: # of buildings from 9/06 R240 Report of active buildings with assignable space; RSF from STAR as of 9/30/06; % Occupied from 9/06 Vacant Space Report; Direct Revenue from FBF06 model

table 3. owned vs. leased comparison

	owned				leased			
	fy03	fy04	fy05	fy06	fy03	fy04	fy05	fy06
direct revenue *$ in millions*	$3,162	$3,362	$3,242	$3,335	$3,743	$4,030	$4,185	$4,385
noi *$ in millions*	$1,940	$2,052	$2,194	$2,194	$191	$220	$238	$219
operating margin	61.4%	61.0%	67.6%	65.8%	5.1%	5.5%	5.7%	5.0%
ffo *$ in millions*	$1,433.9	$1,533.1	$1,672.5	$1,645.2	$45.0	$77.4	$89.3	$60.3
ffo/rsf	$8.0	$8.5	$9.5	$9.4	$0.3	$0.5	$0.5	$0.4
net income *$ in millions*	$454.2	$569.4	$846.9	$810.3	($3.1)	$31.7	$63.1	$33.6
ni/rsf	$2.5	$3.2	$4.8	$4.6	($0.0)	$0.2	$0.4	$0.2

Note: Financial statements for FY06 adjusted for an incorrectly coded property write-off

Source: Direct Revenue, FFO, and Net Income from InfoWizard FBF06 model; NOI from Infowizard FBFn06 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	610	7.0	82.1	23.7	449.6	25.7	2,242.8	29.6
new york-wayne-white plains, ny-nj	153	1.8	12.5	3.6	78.1	4.5	449.8	5.9
chicago-naperville-joliet, il	123	1.4	8.4	2.4	64.3	3.7	216.7	2.9
bethesda-frederick-gaithersburg, md	100	1.2	8.2	2.4	26.5	1.5	196.5	2.6
atlanta-sandy springs-marietta, ga	109	1.3	8.9	2.6	46.2	2.6	171.8	2.3
los angeles-long beach-glendale, ca	143	1.6	6.5	1.9	58.0	3.3	158.6	2.1
denver aurora, co	134	1.5	8.4	2.4	38.5	2.2	152.0	2.0
san fran-san mateo-redwood city, ca	74	0.9	4.7	1.4	59.1	3.4	145.5	1.9
baltimore-towson, md	100	1.2	9.1	2.6	46.2	2.6	144.1	1.9
boston-quincy, ma	34	0.4	3.7	1.1	70.2	4.0	128.8	1.7
philadelphia, pa	76	0.9	7.1	2.0	33.1	1.9	127.4	1.7
seattle-bellevue-everett, wa	93	1.1	6.2	1.8	40.7	2.3	117.0	1.5
kansas city, mo-ks	74	0.9	8.9	2.6	18.7	1.1	113.9	1.5
dallas-plano-irving, tx	69	0.8	4.4	1.3	16.5	0.9	83.2	1.1
st. louis, mo-il	83	1.0	6.5	1.9	32.1	1.8	82.1	1.1
san diego-carlsbad-san marcos, ca	89	1.0	2.9	0.8	19.5	1.1	80.9	1.1
detroit-livonia-dearborn, mi	45	0.5	3.3	0.9	11.9	0.7	73.0	1.0
newark-union, nj-pa	38	0.4	2.2	0.6	10.5	0.6	69.2	0.9
cleveland-elyria-mentor, oh	52	0.6	2.8	0.8	26.5	1.5	63.9	0.8
portland-vancouver-beaverton, or-wa	66	0.8	3.1	0.9	23.6	1.3	62.7	0.8
top 20 totals	2,265	26.1%	200.0	57.7%	$1,169.9	66.8%	$4,879.7	64.4%

Source: MSAs from Office of Management and Budget; # of buildings and RSF from STAR as of 9/30/06; FFO and Direct Revenue from InfoWizard FBF06

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	$/rsf
0	1,508	7.3	0.0	0.0	47.4	0.6	0.0
1-2,500	6,650	32.2	7.3	2.2	149.1	2.0	20.5
2,501-5,000	3,157	15.3	11.7	3.6	254.8	3.4	21.9
5,001-7,500	2,123	10.3	13.1	4.0	287.2	3.8	21.9
7,501-10,000	1,369	6.6	11.9	3.7	264.6	3.5	22.2
10,001-20,000	2,588	12.5	36.1	11.1	825.5	10.9	22.9
20,001-40,000	1,611	7.8	45.0	13.9	1,065.1	14.0	23.7
40,001-60,000	549	2.7	26.6	8.2	654.9	8.6	24.6
60,001-100,000	473	2.3	36.4	11.2	894.2	11.8	24.6
100,001+	547	2.6	136.5	42.1	3,145.1	41.4	23.0
billing adjmt.	95	0.5	0.1	0.0	0.0	0.0	0.0
total	20,670	100%	324.6	100%	$7,587.9	100%	$23.4

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

Source: # of CBRs and RSF represent September 2006 billing; annualized rent represents September 2006 rent bill annualized; from InfoWizard PBS06 model

table 6. CBR expirations by region

fy of expiration	billing adjmt.	fy07	fy08	fy09	fy10	fy11	fy12+	total
region 1–new england								
# of CBRs	1	242	160	126	124	76	144	873
rsf *in millions*	n/a	1.9	2.9	0.8	1.1	0.5	2.0	9.2
annualized rent *in millions*	n/a	$59.0	$83.2	$19.9	$27.6	$13.3	$53.2	$256.2
average CBR term	n/a	8.7	10.0	7.9	13.2	8.3	12.0	10.0
region 2–northeast and caribbean								
# of CBRs	9	296	181	237	155	123	430	1,431
rsf *in millions*	n/a	3.1	2.5	3.7	2.3	1.7	7.3	20.5
annualized rent *in millions*	n/a	$94.8	$64.3	$129.0	$74.1	$71.7	$288.9	$722.7
average CBR term	n/a	7.4	8.8	9.4	11.1	10.3	12.0	9.9
region 3–mid-atlantic								
# of CBRs	3	253	162	120	129	101	951	1,719
rsf *in millions*	n/a	3.4	2.5	1.4	3.2	4.6	16.8	31.9
annualized rent *in millions*	n/a	$47.9	$46.3	$23.7	$55.9	$68.6	$340.8	$583.3
average CBR term	n/a	8.1	8.7	8.6	9.1	10.1	11.7	10.4
region 4–southeast sunbelt								
# of CBRs	15	655	345	511	432	363	1,099	3,420
rsf *in millions*	n/a	6.2	3.1	5.6	3.5	4.0	15.5	37.9
annualized rent *in millions*	n/a	$113.5	$59.4	$91.2	$63.0	$63.0	$327.2	$717.2
average CBR term	n/a	5.6	7.0	6.3	6.4	7.2	10.9	7.8
region 5–great lakes								
# of CBRs	28	427	351	460	304	205	756	2,531
rsf *in millions*	n/a	3.3	5.0	5.8	2.6	2.2	13.4	32.3
annualized rent *in millions*	n/a	$66.5	$71.1	$85.7	$53.1	$51.6	$343.7	$671.7
average CBR term	n/a	5.4	6.2	5.6	6.4	6.8	13.0	8.1
region 6–heartland								
# of CBRs	5	264	224	120	153	98	305	1,169
rsf *in millions*	n/a	3.0	4.4	1.7	1.8	0.9	6.3	18.1
annualized rent *in millions*	n/a	$40.7	$48.1	$24.7	$32.9	$13.1	$105.4	$265.1
average CBR term	n/a	7.7	8.7	10.8	10.1	10.0	13.4	10.2

table 6. CBR expirations by region (continued)

fy of expiration	billing adjmt.	fy07	fy08	fy09	fy10	fy11	fy12+	total
region 7–greater southwest								
# of CBRs	4	659	428	277	135	113	1,115	2,731
rsf *in millions*	n/a	6.2	4.8	2.1	1.1	1.0	14.3	29.6
annualized rent *in millions*	n/a	$99.8	$75.2	$35.3	$18.0	$18.5	$273.7	$520.4
average CBR term	n/a	7.9	8.8	7.8	8.4	10.3	13.3	10.3
region 8–rocky mountain								
# of CBRs	5	329	246	213	210	126	422	1,551
rsf *in millions*	n/a	3.2	2.9	1.8	1.1	1.2	5.9	16.2
annualized rent *in millions*	n/a	$50.5	$42.5	$32.4	$16.6	$18.4	$132.2	$292.6
average CBR term	n/a	6.5	6.0	6.6	6.7	7.5	13.6	8.5
region 9–pacific rim								
# of CBRs	14	600	330	281	259	183	645	2,312
rsf *in millions*	n/a	5.5	5.1	2.6	2.2	2.0	13.5	31.0
annualized rent *in millions*	n/a	$145.7	$148.2	$67.8	$61.2	$52.9	$385.7	$861.5
average CBR term	n/a	8.3	8.3	9.4	12.6	10.3	12.5	10.2
region 10–northwest/arctic								
# of CBRs	2	391	271	237	194	241	316	1,652
rsf *in millions*	n/a	2.4	2.3	1.8	2.2	0.8	4.1	13.6
annualized rent *in millions*	n/a	$48.6	$43.0	$36.1	$44.7	$18.1	$115.2	$305.7
average CBR term	n/a	6.4	7.2	9.6	7.9	8.7	12.2	8.6
region 11–national capital								
# of CBRs	9	380	167	171	178	121	255	1,281
rsf *in millions*	n/a	21.7	9.9	13.1	9.9	7.1	22.6	84.3
annualized rent *in millions*	n/a	$543.4	$277.1	$347.2	$295.6	$176.6	$751.6	$2,391.6
average CBR term	n/a	7.5	7.3	7.8	6.6	8.7	11.8	8.3
nationwide								
# of CBRs	95	4,496	2,865	2,753	2,273	1,750	6,438	20,670
rsf *in millions*	n/a	59.9	45.5	40.4	30.8	26.1	121.8	324.6
annualized rent *in millions*	n/a	$1,310.4	$958.5	$893.0	$742.7	$565.7	$3,117.7	$7,587.9
average CBR term	n/a	7.1	7.8	7.7	8.5	8.6	12.3	9.2

Source: Annualized rent represents September 2006 rent bill annualized; # of CBRs, rsf, annualized rent and CBR term from PBS06 model

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	1,171.1	15.6	3,071	14.9	42.7	13.2
judiciary	964.0	12.8	2,844	13.8	41.4	12.8
dhs	881.8	11.7	3,118	15.1	32.1	9.9
treasury	671.5	8.9	1,072	5.2	31.4	9.7
ssa	541.2	7.2	1,938	9.4	28.3	8.7
hhs	349.0	4.6	715	3.5	14.5	4.5
defense	322.5	4.3	643	3.1	17.1	5.3
interior	261.4	3.5	1,096	5.3	14.5	4.5
commerce	232.3	3.1	332	1.6	10.5	3.2
epa	214.5	2.9	190	0.9	7.1	2.2
all others	1,902.7	25.3	5,651	27.3	85.0	26.2
total	$7,511.9	100%	20,670	100%	324.6	100%

Source: Rent represents total amount billed in FY06, from Infowizard PBS06 model; # of CBRs and RSF represent September 2006 billing, InfoWizard PBS06 model

table 8. income statement – total inventory

$ in millions	fy02	fy03	fy04	fy05	fy06
direct revenue (+)	$6,427.2	$6,904.7	$7,392.6	$7,427.5	$7,720.5
operations and maintenance	683.3	740.6	785.2	808.7	865.9
protection	296.0	429.0	442.9	14.6	27.2
rental of space	3,090.2	3,376.4	3,634.8	3,862.9	4,080.3
real estate	20.9	13.9	17.9	14.6	9.4
repairs and alterations	31.8	31.7	36.4	57.0	88.9
other	86.9	29.5	56.9	77.3	70.5
total G&A expenses	647.6	649.7	656.8	686.4	731.7
purchase contracts	162.3	155.2	151.1	144.2	141.2
total funded expenses (–)	$5,019.0	$5,425.8	$5,782.0	$5,665.6	$6,015.0
funds from operations (=)	$1,408.2	$1,478.9	$1,610.6	$1,761.8	$1,705.5
depreciation (–)	877.1	1,028.4	1,009.5	851.9	861.6
nonFBF outlease exp (–)	0.1	0.0	—	—	—
nonFBF outlease rev (–)	1.1	0.6	—	—	—
net income	$532.0	$451.1	$601.1	$910.0	$843.9

Note: Financial statements for FY06 adjusted for an incorrectly coded property write-off

Source: InfoWizard FBF06, 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	92	6.2	3.5	153.6	89.1
2 northeast & caribbean	61	12.4	7.1	340.7	116.1
3 mid-atlantic	101	16.2	9.3	246.7	126.9
4 southeast sunbelt	140	16.8	9.7	241.9	91.2
5 great lakes	139	20.5	11.7	324.3	150.3
6 heartland	62	12.2	7.0	146.0	56.4
7 greater southwest	322	15.6	8.9	225.2	103.1
8 rocky mountain	162	9.9	5.7	147.4	58.6
9 pacific rim	156	17.3	9.9	426.9	263.0
10 northwest/arctic	110	9.1	5.2	154.1	86.5
11 national capital	187	38.2	21.9	923.9	489.6
central office	0	0.0	0.0	4.6	14.5
total	1,532	174.4	100%	$3,335.4	$1,645.2

Note: Financial results for Regions 4 and 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

Source: # of buildings from 9/06 R240 Report of active buildings with assignable space; RSF from STAR as of 9/30/06; Direct Revenue and FFO from InfoWizard FBF06 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	99	6.5	0.0	0.0	10.5	0.3	0.0
1-2,500	230	15.0	0.3	0.1	4.5	0.1	17.7
2,501-5,000	158	10.3	0.6	0.3	12.9	0.4	22.2
5,001-7,500	90	5.9	0.5	0.3	10.7	0.3	19.4
7,501-10,000	66	4.3	0.6	0.4	11.1	0.3	19.5
10,001-20,000	143	9.3	2.0	1.2	32.7	1.0	16.2
20,001-40,000	125	8.2	3.7	2.1	60.8	1.9	16.4
40,001-60,000	93	6.1	4.6	2.6	65.4	2.0	14.2
60,001-100,000	109	7.1	8.6	5.0	130.8	4.0	15.2
100,001+	418	27.3	153.5	88.0	2,893.1	89.4	18.8
total	1,531	100%	174.4	100%	$3,232.5	100%	18.5

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

Source: # of buildings and RSF from STAR as of 9/30/06; Direct Revenue from Infowizard FBF06

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	127.5	2,418.9	19.0	1,291.8	10.1	7.8
courthouse	30.3	646.5	21.4	320.5	10.6	5.1
warehouse	11.7	59.7	5.1	20.9	1.8	4.8
laboratory	1.5	36.9	24.7	28.4	19.0	1.0
other	3.4	70.5	20.5	4.3	1.2	4.0
total	174.4	$3,232.5	$18.5	$1,666.0	$9.6	7.0%

Source: RSF from STAR as of 9/30/06; Direct Revenue and FFO from Infowizard FBF06 model; Vacancy Rate from 9/06 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	164	10.7	37.1	21.2	436.2	26.7	837.8	25.9
new york-wayne-white plains, ny-nj	15	1.0	8.0	4.6	75.6	4.6	239.0	7.4
chicago-naperville-joliet, il	13	0.8	5.4	3.1	63.5	3.9	122.5	3.8
boston-quincy, ma	5	0.3	2.9	1.7	68.8	4.2	97.4	3.0
los angeles-long beach-glendale, ca	14	0.9	3.9	2.3	58.1	3.6	89.2	2.8
san fran-san mateo-redwood city, ca	23	1.5	3.1	1.8	58.0	3.6	88.2	2.7
denver aurora, co	58	3.8	5.5	3.1	36.8	2.3	87.4	2.7
baltimore-towson, md	24	1.6	5.9	3.4	44.0	2.7	76.8	2.4
seattle-bellevue-everett, wa	25	1.6	4.4	2.5	40.9	2.5	64.0	2.0
st. louis, mo-il	31	2.0	5.7	3.3	31.5	1.9	63.7	2.0
philadelphia, pa	7	0.5	3.3	1.9	30.4	1.9	57.1	1.8
atlanta-sandy springs-marietta, ga	12	0.8	3.3	1.9	32.5	2.0	55.0	1.7
kansas city, mo-ks	16	1.0	4.2	2.4	16.8	1.0	46.3	1.4
cleveland-elyria-mentor, oh	4	0.3	2.0	1.1	26.3	1.6	43.2	1.3
santa ana-anaheim-irvine, ca	4	0.3	1.7	1.0	24.8	1.5	37.3	1.2
portland-vancouver-beaverton, or-wa	10	0.7	1.9	1.1	22.7	1.4	34.3	1.1
sacramento-arden-arcade-roseville, ca	7	0.5	1.4	0.8	22.7	1.4	32.9	1.0
san diego-carlsbad-san marcos, ca	21	1.4	1.3	0.7	18.8	1.2	31.2	1.0
suffolk county-nassau county, ny	2	0.1	1.2	0.7	19.8	1.2	31.0	1.0
oakland-fremont-hayward, ca	10	0.7	1.5	0.9	10.7	0.7	30.9	1.0
top 20 totals	465	30.4%	103.6	59.4%	$1,138.7	69.8%	$2,165.3	67.0%

Source: MSAs from Office of Management and Budget; # of Buildings and RSF from STAR as of 9/30/06; FFO and Direct Revenue from InfoWizard FBF06 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	10.3	13.1	6.2	5.7
new york-wayne-white plains, ny-nj	6.9	6.3	4.9	7.4
chicago-naperville-joliet, il	15.9	15.0	8.6	8.6
boston-quincy, ma	12.1	12.3	7.9	19.9
los angeles-long beach-glendale, ca	10.1	7.4	2.9	5.5
san fran-san mateo-redwood city, ca	13.9	11.3	6.6	5.9
denver aurora, co	13.0	14.5	9.3	5.5
baltimore-towson, md	12.8	12.0	7.0	10.2
seattle-bellevue-everett, wa	9.6	10.6	5.7	9.3
st. louis, mo-il	10.8	12.4	7.0	13.4
philadelphia, pa	13.5	14.5	11.1	1.9
atlanta-sandy springs-marietta, ga	16.3	13.1	9.9	3.7
kansas city, mo-ks	13.9	14.5	14.0	4.1
cleveland-elyria-mentor, oh	15.1	15.2	11.7	7.9
santa ana-anaheim-irvine, ca	n/a	n/a	n/a	15.7
portland-vancouver-beaverton, or-wa	8.5	13.8	11.9	7.8
sacramento-arden-arcade-roseville, ca	16.8	14.7	12.0	9.8
san diego-carlsbad-san marcos, ca	14.5	9.6	6.1	0.3
suffolk county-nassau county, ny	11.0	10.4	5.0	5.4
oakland-fremont-hayward, ca	n/a	n/a	n/a	6.1

Source: MSAs from Office of Management and Budget; Class A, B, & C Vacancy Rates from CoSTAR; Owned Vacancy Rate from 9/06 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	804.0	24.7	2,102	23.0	35.3	22.6
justice	439.5	13.5	1,438	15.7	17.5	11.2
dhs	328.1	10.1	1,358	14.9	12.8	8.2
treasury	292.1	9.0	357	3.9	15.4	9.8
epa	115.3	3.5	61	0.7	3.1	2.0
interior	112.4	3.4	320	3.5	6.8	4.4
ssa	107.0	3.3	342	3.7	9.3	5.9
hhs	97.9	3.0	238	2.6	4.6	3.0
va	95.3	2.9	97	1.1	4.1	2.6
labor	91.0	2.8	351	3.8	2.7	1.7
all others	778.9	23.9	2,477	27.1	44.7	28.6
total	$3,261.6	100%	9,141	100%	156.3	100%

Source: Rent represents total amount billed in FY06 from Infowizard PBS06 model; # of CBRs and RSF represent September 2006 billing, InfoWizard PBS06 model

table 15. income statement – owned inventory

$ in millions	fy02	fy03	fy04	fy05	fy06
direct revenue (+)	$2,979.2	$3,162.0	$3,362.4	$3,242.3	$3,335.4
operations and maintenance	640.3	693.0	739.7	758.5	811.2
protection	226.8	327.6	342.9	14.0	25.6
rental of space	14.0	3.8	0.0	0.4	1.0
real estate	14.5	2.6	6.1	4.4	2.7
repairs and alterations	30.8	29.5	34.6	52.6	85.5
other	70.6	26.0	53.0	72.0	64.9
total G&A expenses	492.9	494.2	505.5	525.6	561.4
purchase contracts	159.1	151.5	147.4	140.6	137.8
total funded expenses (–)	$1,648.9	$1,728.2	$1,829.2	$1,568.2	$1,690.1
funds from operations (=)	$1,330.3	$1,433.9	$1,533.1	$1,672.5	$1,645.2
depreciation (–)	841.2	980.2	963.7	823.7	834.9
nonFBF outlease exp (–)	0.1	0.0	—	—	—
nonFBF outlease rev (–)	1.0	0.6	—	—	—
net income	$490.0	$454.2	$569.4	$846.9	$810.3

Note: Financial statements for FY06 adjusted for an incorrectly coded property write-off

Source: InfoWizard FBF06, 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	311	4.4	2.5	114.6	3.8
2 northeast & caribbean	446	9.6	5.6	373.1	2.5
3 mid-atlantic	655	17.0	9.9	312.0	9.3
4 southeast sunbelt	1,314	22.9	13.3	479.8	15.7
5 great lakes	861	14.0	8.1	336.6	1.8
6 heartland	339	7.7	4.5	124.9	2.4
7 greater southwest	853	15.7	9.1	304.2	(1.7)
8 rocky mountain	458	7.3	4.2	150.7	2.7
9 pacific rim	895	15.4	9.0	449.7	9.8
10 northwest/arctic	502	6.3	3.7	158.0	1.3
11 national capital	500	51.7	30.1	1,581.5	12.6
total	7,134	172.1	100%	$4,385.1	$60.3

Note: Financial results for Regions 4 and 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

Source: # of buildings from 9/06 R240 Report of active buildings with assignable space; RSF from STAR as of 9/30/06; Direct Revenue and FFO from InfoWizard FBF06 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	176	2.1	0.0	0.0	19.8	0.5	0.0
1-2,500	1,859	21.7	1.8	1.4	48.3	1.2	20.8
2,501-5,000	1,451	16.9	4.2	3.2	119.2	2.9	21.8
5,001-7,500	1,138	13.3	5.7	4.1	149.2	3.7	21.2
7,501-10,000	767	8.9	5.7	3.9	147.2	3.6	22.0
10,001-20,000	1,388	16.2	16.4	11.3	444.1	10.9	22.9
20,001-40,000	884	10.3	21.0	14.3	584.3	14.4	23.7
40,001-60,000	325	3.8	13.8	9.3	412.7	10.1	25.7
60,001-100,000	282	3.3	21.2	12.6	522.6	12.8	24.1
100,001 +	311	3.6	82.4	40.0	1,624.0	39.9	23.6
total	8,581	100%	172.1	100%	$4,071.4	100%	$23.6

**Current Annual Rent represents payments to lessors*

Source: # of Leases, RSF, and Current Annual Rent from STAR as of 9/30/06 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	152.5	4,061.4	74.6	1.6	3,812.1
courthouse	1.1	35.1	(1.7)	3.2	26.9
warehouse	14.6	147.1	(1.5)	1.1	135.4
laboratory	0.8	27.5	1.9	1.0	23.3
other	3.1	78.3	12.9	1.1	73.7
total	172.1	$4,349.6	$86.2	1.5%	$4,071.4

Source: RSF from STAR as of 9/30/06 ; Direct Revenue and FFO from InfoWizard FBF06 model; Vacancy Rate from 9/06 Vacant Space Report

Land Port of Entry Sault Ste. Marie, MI

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	446	6.3	45.1	26.2	13.4	15.6	1,404.9	32.3
new york-wayne-white plains, ny-nj	138	1.9	4.5	2.6	2.4	2.8	210.8	4.8
bethesda-frederick-gaithersburg, md	77	1.1	7.1	4.1	5.5	6.4	173.9	4.0
atlanta-sandy springs-marietta, ga	97	1.4	5.6	3.3	13.6	15.8	116.8	2.7
chicago-naperville-joliet, il	110	1.5	3.1	1.8	0.8	1.0	94.2	2.2
philadelphia, pa	69	1.0	3.8	2.2	2.8	3.2	70.3	1.6
los angeles-long beach-glendale, ca	129	1.8	2.5	1.5	(0.0)	(0.0)	69.4	1.6
kansas city, mo-ks	58	0.8	4.7	2.7	2.0	2.3	67.6	1.6
baltimore-towson, md	76	1.1	3.2	1.9	2.3	2.6	67.2	1.5
denver aurora, co	76	1.1	3.0	1.7	1.6	1.9	64.6	1.5
san fran-san mateo-redwood city, ca	51	0.7	1.6	0.9	1.1	1.3	57.2	1.3
dallas-plano-irving, tx	63	0.9	2.4	1.4	2.4	2.7	55.5	1.3
seattle-bellevue-everett, wa	68	1.0	1.8	1.0	(0.2)	(0.2)	52.9	1.2
san diego-carlsbad-san marcos, ca	68	1.0	1.6	0.9	0.7	0.8	49.6	1.1
miami-miami beach-kendall, fl	66	0.9	1.9	1.1	3.0	3.5	48.7	1.1
newark-union, nj-pa	34	0.5	1.4	0.8	0.7	0.9	47.7	1.1
detroit-livonia-dearborn, mi	38	0.5	1.6	0.9	(0.4)	(0.5)	45.8	1.1
fresno, ca	36	0.5	1.5	0.8	2.4	2.7	34.9	0.8
phoenix-mesa-scottsdale, az	59	0.8	1.4	0.8	0.9	1.1	33.7	0.8
ponce, pr	53	0.7	0.9	0.5	1.4	1.6	31.7	0.7
top 20 totals	1,812	25.4%	98.6	57.3%	$56.4	65.5%	$2,797.8	64.3%

Source: MSAs from Office of Management and Budget; # of Buildings and RSF from STAR as of 9/30/06; FFO and Direct Revenue from InfoWizard FBF06 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	10.3	13.1	6.2	2.3
new york-wayne-white plains, ny-nj	6.9	6.3	4.9	2.6
bethesda-frederick-gaithersburg, md	n/a	n/a	n/a	3.3
atlanta-sandy springs-marietta, ga	16.3	13.1	9.9	1.1
chicago-naperville-joliet, il	15.9	15.0	8.6	1.1
philadelphia, pa	13.5	14.5	11.1	1.1
los angeles-long beach-glendale, ca	10.1	7.4	2.9	0.9
kansas city, mo-ks	13.9	14.5	14.0	0.4
baltimore-towson, md	12.8	12.0	7.0	1.0
denver aurora, co	13.0	14.5	9.3	0.7
san fran-san mateo-redwood city, ca	13.9	11.3	6.6	1.4
dallas-plano-irving, tx	15.1	20.5	13.7	0.2
seattle-bellevue-everett, wa	9.6	10.6	5.7	2.0
san diego-carlsbad-san marcos, ca	14.5	9.6	6.1	2.7
miami-miami beach-kendall, fl	7.0	8.0	3.3	0.7
newark-union, nj-pa	n/a	n/a	n/a	0.9
detroit-livonia-dearborn, mi	16.2	18.2	13.5	0.1
fresno, ca	n/a	n/a	n/a	0.2
phoenix-mesa-scottsdale, az	9.9	14.0	6.7	0.4
ponce, pr	n/a	n/a	n/a	0.1

Source: MSAs from Office of Management and Budget; Class A, B, & C Vacancy Rates from CoSTAR; Leased Vacancy Rate from 9/06 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	731.6	17.2	1,633	14.2	25.2	15.0
dhs	553.7	13.0	1,760	15.3	19.3	11.5
ssa	434.2	10.2	1,596	13.8	19.0	11.3
treasury	379.4	8.9	715	6.2	16.1	9.6
defense	260.6	6.1	451	3.9	11.0	6.5
hhs	251.1	5.9	477	4.1	9.9	5.9
judiciary	159.9	3.8	742	6.4	6.1	3.6
commerce	151.4	3.6	197	1.7	5.4	3.2
interior	149.0	3.5	776	6.7	7.6	4.5
agriculture	133.8	3.1	706	6.1	6.2	3.7
all others	1,045.7	24.6	2,476	21.5	42.6	25.3
total	$4,250.4	100%	11,529	100%	168.3	100%

Source: Rent represents total amount billed in FY06; # of CBRs and RSF represent September 2006 billing, InfoWizard PBS06 model

table 22. income statement – leased inventory

$ in millions	fy02	fy03	fy04	fy05	fy06
direct revenue (+)	$3,448.1	$3,742.7	$4,030.2	$4,185.2	$4,385.1
operations and maintenance	43.1	47.6	45.5	50.3	54.7
protection	69.3	101.4	100.0	0.6	1.6
rental of space	3,076.3	3,372.6	3,634.7	3,862.4	4,079.2
real estate	6.4	11.3	11.9	10.2	6.7
repairs and alterations	1.0	2.2	1.8	4.4	3.3
other	16.3	3.5	3.9	5.2	5.6
total G&A expenses	154.7	155.5	151.3	160.8	170.3
purchase contracts	3.2	3.7	3.6	3.5	3.4
total funded expenses (–)	$3,370.1	$3,697.7	$3,952.7	$4,097.4	$4,324.9
funds from operations (=)	$77.9	$45.0	$77.4	$89.3	$60.3
depreciation (–)	35.9	48.2	45.8	28.2	26.6
nonFBF outlease revenue (+)	0.1	0.0	0.0	—	—
net income	$42.1	$(3.1)	$31.7	$63.1	$33.6

Note: Financial statements for FY06 adjusted for an incorrectly coded property write-off
Source: InfoWizard FBF06, FBF05, and FBF02 models

table 23. profitability of leased locations (ffo)

	locations			ffo		
	unprofitable	break even	profitable	unprofitable *$ in millions*	break even	profitable *$ in millions*
fy02	1,844	13	5,090	(144.8)	—	223.2
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

Source: InfoWizard FBF06, 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	62	0.4	(2.1)
2 northeast & caribbean	53	0.8	(7.9)
3 mid-atlantic	67	1.9	(4.1)
4 southeast sunbelt	220	3.3	(18.1)
5 great lakes	118	1.6	(6.8)
6 heartland	44	0.5	(1.8)
7 greater southwest	214	2.5	(19.3)
8 rocky mountain	51	0.6	(2.7)
9 pacific rim	120	1.8	(9.8)
10 northwest/arctic	66	0.5	(2.4)
11 national capital	189	10.0	(57.3)
total	1,204	24.0	$(132.2)

Note: Financial results for Regions 4 and 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

Source: InfoWizard FBF06 model

table 25. lease extensions

region	expired *(fy06)*	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	81	32	0.2	24	0.2	3	0.2	59	0.6	73
2 northeast & caribbean	125	20	0.0	65	0.0	3	0.0	88	0.0	70
3 mid-atlantic	130	30	0.7	63	0.4	1	0.0	94	1.1	72
4 southeast sunbelt	292	78	1.0	119	1.1	0	0.0	197	2.1	67
5 great lakes	240	59	0.4	119	1.1	2	0.0	180	1.6	75
6 heartland	77	21	0.2	24	0.2	11	0.2	56	0.5	73
7 greater southwest	188	42	0.3	73	0.6	6	0.1	121	0.9	64
8 rocky mountain	101	31	0.4	39	0.2	3	0.0	73	0.6	72
9 pacific rim	240	55	0.7	103	0.8	4	0.1	162	1.6	68
10 northwest/arctic	105	27	0.1	32	0.3	2	0.0	61	0.4	58
11 national capital	148	20	1.1	6	0.5	2	0.1	28	1.7	19
nationwide	1,727	415	5.4	667	5.9	37	0.8	1,119	12.1	65%

Source: STAR as of 9/30/06

table 26. lease expirations by region

fy of expiration	fy07	fy08	fy09	fy10	fy11	fy12+	
# of leases	68	52	50	34	25	104	333
current annual rent *in millions*	$7.2	$19.4	$10.1	$14.7	$4.1	$44.9	$100.4
rsf (lease) *in millions*	0.4	0.8	0.4	0.6	0.2	1.8	4.3
average lease term	9.0	8.5	12.4	9.6	9.1	11.7	10.3
# of leases	118	93	51	33	65	197	557
current annual rent *in millions*	$38.8	$25.1	$18.5	$11.1	$43.4	$192.1	$329.0
rsf (lease) *in millions*	1.4	1.0	0.8	0.3	1.1	5.0	9.6
average lease term	9.9	9.1	7.4	9.1	9.1	10.9	9.7
# of leases	133	130	74	61	62	322	782
current annual rent *in millions*	$26.4	$34.6	$14.4	$15.1	$29.9	$163.9	$284.4
rsf (lease) *in millions*	1.8	2.1	0.9	1.2	2.6	8.2	16.8
average lease term	9.8	9.4	10.1	10.0	11.9	11.2	10.5
# of leases	287	205	135	126	118	604	1,475
current annual rent *in millions*	$53.9	$33.0	$34.6	$26.0	$24.3	$266.3	$438.1
rsf (lease) *in millions*	3.1	1.9	2.0	1.5	1.3	12.9	22.6
average lease term	8.3	8.0	8.2	8.5	9.4	11.3	9.6
# of leases	230	152	94	78	64	401	1019
current annual rent *in millions*	$35.2	$31.7	$18.1	$20.9	$17.3	$188.6	$311.7
rsf (lease) *in millions*	1.7	1.6	1.6	0.9	0.7	7.4	13.9
average lease term	10.0	9.6	8.4	9.0	8.6	13.7	11.1
# of leases	49	48	41	51	26	142	357
current annual rent *in millions*	$8.5	$7.8	$8.6	$16.4	$3.8	$63.9	$108.9
rsf (lease) *in millions*	0.5	0.5	0.5	1.0	0.2	4.8	7.5
average lease term	9.9	10.2	13.3	9.7	10.1	12.6	11.4

table 26. lease expirations by region

fy of expiration	fy07	fy08	fy09	fy10	fy11	fy12+	total
region 7–greater southwest							
# of leases	225	120	94	76	63	400	978
current annual rent *in millions*	$42.9	$20.6	$15.9	$11.2	$12.7	$175.8	$279.1
rsf (lease) *in millions*	2.6	1.2	1.1	0.6	0.7	9.2	15.5
average lease term	9.1	8.6	8.9	8.7	10.3	12.7	10.5
region 8–rocky mountain							
# of leases	96	76	48	55	32	196	503
current annual rent *in millions*	$15.3	$12.7	$11.6	$4.3	$7.1	$86.3	$137.3
rsf (lease) *in millions*	0.8	0.8	0.7	0.3	0.3	4.4	7.2
average lease term	8.5	7.6	8.9	8.9	10.2	12.8	10.2
region 9–pacific rim							
# of leases	260	152	82	76	66	347	983
current annual rent *in millions*	$77.3	$39.1	$33.2	$22.7	$28.3	$208.5	$409.0
rsf (lease) *in millions*	2.9	1.5	1.3	0.8	1.0	7.4	14.9
average lease term	9.0	8.2	8.7	8.8	9.3	11.9	9.9
region 10-northwest/arctic							
# of leases	112	112	103	75	46	128	576
current annual rent *in millions*	$17.4	$13.9	$19.3	$23.4	$13.6	$57.5	$145.2
rsf (lease) *in millions*	0.7	0.7	0.9	1.0	0.7	2.3	6.3
average lease term	6.6	6.9	8.1	8.3	7.6	11.5	8.3
region 11–national capital							
# of leases	148	113	116	95	87	201	760
current annual rent *in millions*	$182.7	$193.3	$138.1	$141.1	$113.0	$676.1	$1,444.3
rsf (lease) *in millions*	6.5	6.8	5.1	5.8	4.4	22.0	50.5
average lease term	7.0	7.8	8.1	7.8	8.8	11.5	8.8
nationwide							
# of leases	1,726	1,253	888	760	654	3,042	8,323
current annual rent *in millions*	$505.5	$431.3	$322.3	$306.9	$297.4	$2,124.1	$3,987.4
rsf (lease) *in millions*	22.4	19.0	15.3	14.0	13.2	85.2	169.1
average lease term	8.8	8.5	8.9	8.8	9.5	12.0	10.0

Source: STAR as of 9/30/06

acronyms

agencies and departments

Agriculture	Department of Agriculture
Commerce	Department of Commerce
Defense	Department of Defense
DHS	Department of Homeland Security
EPA	Environmental Protection Agency
GSA	General Services Administration
HHS	Health and Human Services
Interior	Department of the Interior
IRS	Internal Revenue Service
Judiciary	Federal Judiciary
Justice	Justice Department
Labor	Department of Labor
NOAA	National Oceanic & Atmospheric Administration
PBS	Public Buildings Service
SSA	Social Security Administration
Treasury	Department of the Treasury
VA	Veterans Administration

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
IRIS	Inventory Reporting Information System
MSA	Metropolitan Statistical Area
NOI	Net Operating Income
PMA	President's Management Agenda
R&A	Repair and Alterations
ROE	Return on Equity
RSF	Rentable Square Feet
STAR	System for Tracking and Administering Real Property

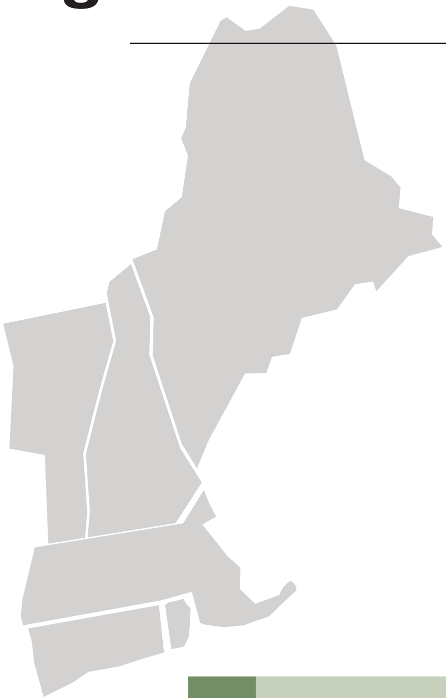
portfolio
fy06 regional factsheets

Federal Building Des Moines, IA

Sources for all the regional factsheets:

- *# of buildings from 9/06 R240 Report of active buildings with assignable space*
- *# of CBRs represent September 2006 billing from InfoWizard PBS06 model*
- *rsf from STAR as of 9/30/06*
- *vacancy rates from 9/06 Vacant Space Report*
- *direct revenue and ffo from InfoWizard FBF06 model*
- *core assets and tiering results from Asset Business Strategies Division, Office of Real Property Asset Management*
- *# of leases (total, expiring, extended) from STAR as of 9/30/06 and represent all leases that are active or active pending change*
- *negative NOI and excess revenue from InfoWizard FBFn06 model*

region 1. new england



		owned	leased	total
portfolio	# of bldgs.	92	311	403
	# of CBRs	409	464	873
	rsf *in millions*	6.2	4.4	10.5
	% of total	3.5%	2.5%	3.0%
	vacancy rate	15.7%	0.3%	9.3%
financials	direct revenue *in millions*	$153.6	$114.6	$268.2
	ffo *in millions*	$89.1	$3.8	$92.8
	% of nationwide total	5.4%	6.3%	5.4%

core assets		% of bldgs.
	core performing	67.7
	core under/non-performing	6.5
	disposal	18.3
	transition	7.5

tiering	# of bldgs.	rsf
tier 1	21	4,140,172
tier 2a	2	523,695
tier 2b	1	86,075
tier 3	20	1,270,774

leased		
		# of leases
	regional total	356
	expired in fy06	81
	extended	59
		# of locations
	negative NOI	62
	% of regional total	18.9%
	excess revenue	57
	% of regional total	17.4%

region 2. northeast and caribbean

		owned	leased	total
portfolio	# of bldgs.	61	446	507
	# of CBRs	691	740	1,431
	rsf *in millions*	12.4	9.6	22.1
	% of total	7.1%	5.6%	6.4%
	vacancy rate	6.7%	1.5%	4.4%
financials	direct revenue *in millions*	$340.7	$373.1	$713.8
	ffo *in millions*	$116.1	$2.5	$118.6
	% of nationwide total	7.1%	4.1%	7.0%

core assets		% of bldgs.
	core performing	53.6
	core under/non-performing	1.2
	disposal	35.7
	transition	9.5

tiering		# of bldgs.	rsf
	tier 1	18	5,510,080
	tier 2a	8	4,579,004
	tier 2b	3	972,418
	tier 3	5	409,204

leased		# of leases
	regional total	568
	expired in fy06	125
	extended	88
		# of locations
	negative NOI	53
	% of regional total	10.9%
	excess revenue	100
	% of regional total	20.6%

region 3. mid-atlantic

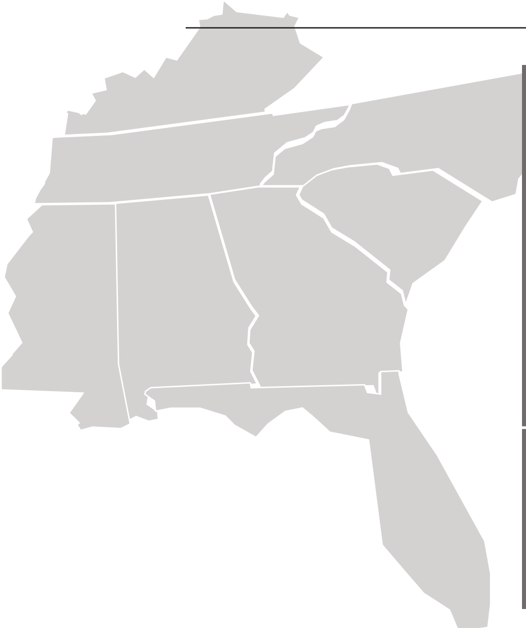
		owned	leased	total
portfolio	# of bldgs.	101	655	756
	# of CBRs	685	1,034	1,719
	rsf *in millions*	16.2	17.0	33.2
	% of total	9.3%	9.9%	9.6%
	vacancy rate	7.6%	0.7%	4.1%
financials	direct revenue *in millions*	$246.7	$312.0	$558.7
	ffo *in millions*	$126.9	$9.3	$136.2
	% of nationwide total	7.7%	15.4%	8.0%

		% of bldgs.
core assets	core performing	50.4
	core under/non-performing	5.0
	disposal	39.7
	transition	5.0

		# of bldgs.	rsf
tiering	tier 1	71	14,212,149
	tier 2a	1	50,856
	tier 2b	2	28,686
	tier 3	56	2,834,102

		# of leases
leased	regional total	800
	expired in fy06	130
	extended	94
		# of locations
	negative NOI	67
	% of regional total	9.5%
	excess revenue	84
	% of regional total	11.9%

region 4. southeast sunbelt



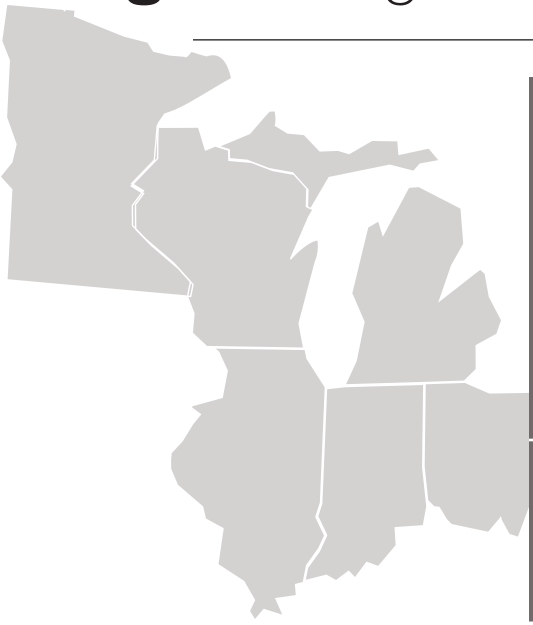
		owned	leased	total
portfolio	# of bldgs.	140	1,314	1,454
	# of CBRs	1,422	1,998	3,420
	rsf *in millions*	16.8	22.9	39.7
	% of total	9.7%	13.3%	11.5%
	vacancy rate	4.9%	1.3%	2.9%
financials	direct revenue *in millions*	$241.9	$479.8	$721.7
	ffo *in millions*	$91.2	$15.7	$106.9
	% of nationwide total	5.5%	26.1%	6.3%

		% of bldgs.	
core assets	core performing	55.5	
	core under/non-performing	13.7	
	disposal	13.0	
	transition	17.8	
tiering		# of bldgs.	rsf
	tier 1	82	12,452,792
	tier 2a	9	2,191,135
	tier 2b	1	49,259
	tier 3	47	2,188,529

		# of leases
leased	regional total	1,509
	expired in fy06	292
	extended	197
		# of locations
	negative NOI	220
	% of regional total	15.3%
	excess revenue	225
	% of regional total	15.7%

Note: Financial results for Region 4 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

region 5. great lakes



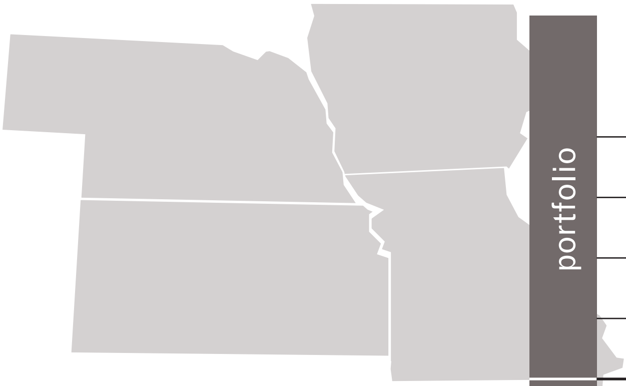
		owned	leased	total
portfolio	# of bldgs.	139	861	1,000
	# of CBRs	1,226	1,305	2,531
	rsf *in millions*	20.5	14.0	34.5
	% of total	11.7%	8.1%	9.9%
	vacancy rate	9.3%	2.1%	6.4%
financials	direct revenue *in millions*	$324.3	$336.6	$660.9
	ffo *in millions*	$150.3	$1.8	$152.1
	% of nationwide total	9.1%	3.0%	8.9%

core assets		% of bldgs.
	core performing	43.5
	core under/non-performing	26.5
	disposal	22.9
	transition	7.1

tiering		# of bldgs.	rsf
	tier 1	71	12,668,106
	tier 2a	4	1,867,670
	tier 2b	2	581,257
	tier 3	49	4,468,473

leased		# of leases
	regional total	1,045
	expired in fy06	240
	extended	180
		# of locations
	negative NOI	118
	% of regional total	12.7%
	excess revenue	110
	% of regional total	11.8%

region 6. heartland



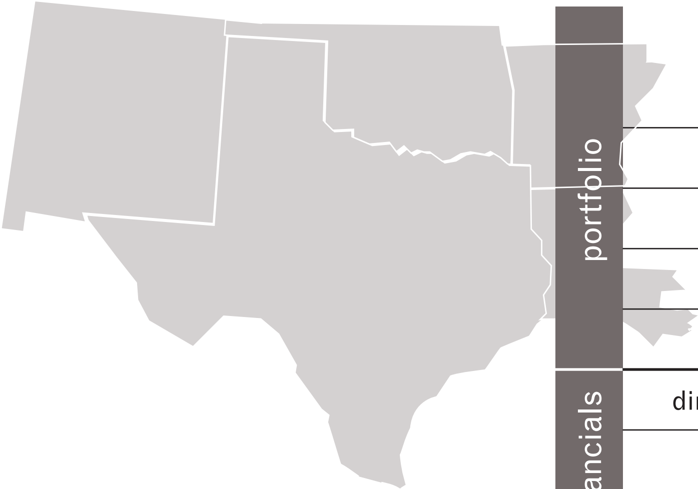
		owned	leased	total
portfolio	# of bldgs.	62	339	401
	# of CBRs	587	582	1,169
	rsf *in millions*	12.2	7.7	19.9
	% of total	7.0%	4.5%	5.7%
	vacancy rate	9.5%	0.4%	6.0%
financials	direct revenue *in millions*	$146.0	$124.9	$270.9
	ffo *in millions*	$56.4	$2.4	$58.8
	% of nationwide total	3.4%	4.0%	3.4%

		% of bldgs.
core assets	core performing	24.1
	core under/non-performing	20.7
	disposal	23.0
	transition	32.2

		# of bldgs.	rsf
tiering	tier 1	23	7,228,060
	tier 2a	0	0
	tier 2b	1	74,521
	tier 3	44	4,810,040

		# of leases
leased	regional total	373
	expired in fy06	77
	extended	56
		# of locations
	negative NOI	44
	% of regional total	11.8%
	excess revenue	36
	% of regional total	9.7%

region 7. greater southwest



		owned	leased	total
portfolio	# of bldgs.	322	853	1,175
	# of CBRs	1,393	1,338	2,731
	rsf *in millions*	15.6	15.7	31.3
	% of total	8.9%	9.1%	9.0%
	vacancy rate	5.8%	1.2%	3.5%
financials	direct revenue *in millions*	$225.2	$304.2	$529.4
	ffo *in millions*	$103.1	($1.71)	101.4
	% of nationwide total	6.3%	(2.8%)	5.9%

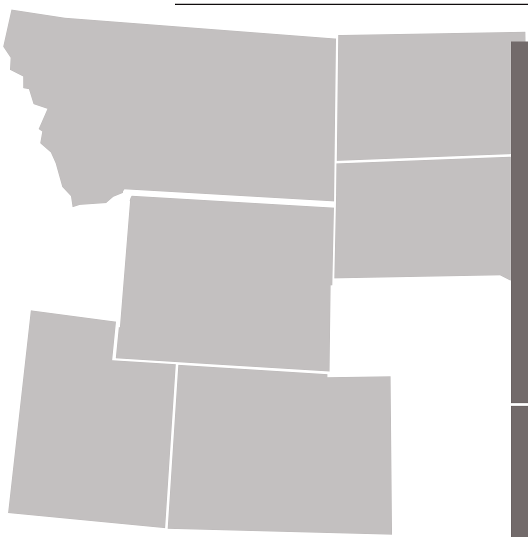
core assets	% of bldgs.
core performing	76.7
core under/non-performing	10.1
disposal	6.6
transition	6.6

tiering	# of bldgs.	rsf
tier 1	95	10,905,736
tier 2a	8	1,254,801
tier 2b	7	228,075
tier 3	25	1,716,929

leased	# of leases
regional total	1,015
expired in fy06	188
extended	121
	# of locations
negative NOI	214
% of regional total	22.3%
excess revenue	101
% of regional total	10.5%

Note: Financial results for Region 7 include the losses incurred due to Hurricanes Katrina, Rita, and Wilma

region 8. rocky mountain



		owned	leased	total
portfolio	# of bldgs.	162	458	620
	# of CBRs	768	783	1,551
	rsf *in millions*	9.9	7.3	17.2
	% of total	5.7%	4.2%	5.0%
	vacancy rate	5.5%	0.6%	3.4%
financials	direct revenue *in millions*	$147.4	$150.7	$298.1
	ffo *in millions*	$58.6	$2.7	$61.4
	% of nationwide total	3.6%	4.5%	3.6%

core assets		% of bldgs.
	core performing	65.9
	core under/non-performing	8.8
	disposal	11.8
	transition	13.5

tiering		# of bldgs.	rsf
	tier 1	59	5,685,127
	tier 2a	8	1,676,688
	tier 2b	9	1,244,370
	tier 3	21	983,340

leased		# of leases
	regional total	515
	expired in fy06	101
	extended	73
		# of locations
	negative NOI	51
	% of regional total	10.3%
	excess revenue	67
	% of regional total	13.5%

region 9. pacific rim

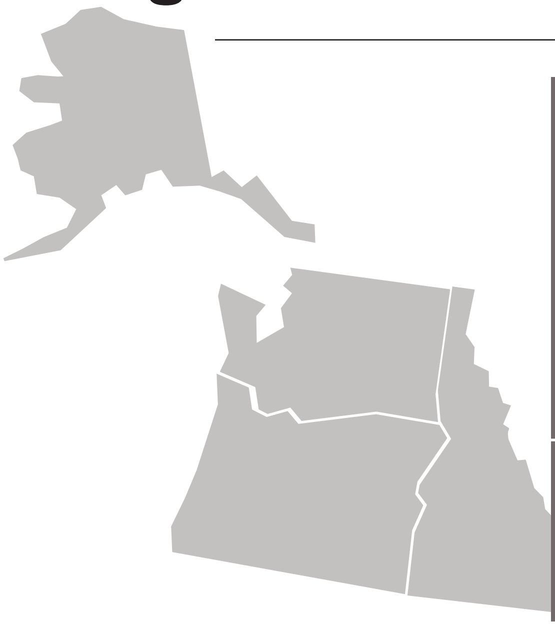
portfolio		owned	leased	total
	# of bldgs.	156	895	1,051
	# of CBRs	958	1,354	2,312
	rsf *in millions*	17.3	15.4	32.7
	% of total	9.9%	9.0%	9.4%
	vacancy rate	5.9%	0.9%	3.5%
financials	direct revenue *in millions*	$426.9	$449.7	$876.6
	ffo *in millions*	$263.0	$9.8	$272.8
	% of nationwide total	16.0%	16.3%	16.0%

core assets		% of bldgs.
	core performing	70.5
	core under/non-performing	7.4
	disposal	16.8
	transition	5.3

tiering		# of bldgs.	rsf
	tier 1	67	14,128,906
	tier 2a	3	760,867
	tier 2b	1	10,815
	tier 3	7	1,204,374

leased		# of leases
	regional total	1,028
	expired in fy06	240
	extended	162
		# of locations
	negative NOI	120
	% of regional total	12.6%
	excess revenue	127
	% of regional total	13.3%

region 10. northwest arctic



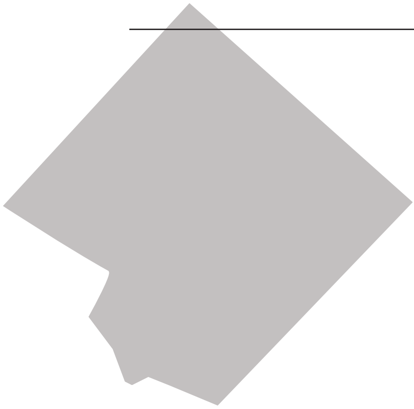
		owned	leased	total
portfolio	# of bldgs.	110	502	612
	# of CBRs	663	989	1,652
	rsf *in millions*	9.1	6.3	15.5
	% of total	5.2%	3.7%	4.5%
	vacancy rate	7.0%	1.4%	4.7%
financials	direct revenue *in millions*	$154.1	$158.0	$312.1
	ffo *in millions*	$86.5	$1.3	$87.9
	% of nationwide total	5.3%	2.2%	5.2%

core assets		% of bldgs.
	core performing	62.9
	core under/non-performing	11.2
	disposal	3.4
	transition	22.4

tiering		# of bldgs.	rsf
	tier 1	38	5,489,223
	tier 2a	6	1,146,626
	tier 2b	15	1,629,973
	tier 3	8	534,659

leased		# of leases
	regional total	592
	expired in fy06	105
	extended	61
		# of locations
	negative NOI	66
	% of regional total	12.2%
	excess revenue	47
	% of regional total	8.7%

region 11. national capital



		owned	leased	total
portfolio	# of bldgs.	187	500	687
	# of CBRs	339	942	1,281
	rsf *in millions*	38.2	51.7	90.0
	% of total	21.9%	30.1%	26.0%
	vacancy rate	5.9%	2.4%	3.9%
financials	direct revenue *in millions*	$923.9	$1,581.5	$2,505.4
	ffo *in millions*	$489.6	$12.6	$502.2
	% of nationwide total	29.8%	20.9%	29.4%

core assets		% of bldgs.
	core performing	35.3
	core under/non-performing	35.7
	disposal	6.2
	transition	22.9

tiering		# of bldgs.	rsf
	tier 1	116	19,485,155
	tier 2a	15	14,205,575
	tier 2b	6	1,716,068
	tier 3	41	5,630,669

leased		# of leases
	regional total	780
	expired in fy06	148
	extended	28
		# of locations
	negative NOI	189
	% of regional total	31.9%
	excess revenue	126
	% of regional total	21.2%

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