BRANDYWINE REALTY TRUST
Form 10-K
February 28, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the transition period from ____________________ to ____________________

Commission file number 001-9106 (Brandywine Realty Trust)
000-24407 (Brandywine Operating Partnership, L.P.)

Brandywine Realty Trust
Brandywine Operating Partnership, L.P.
(Exact name of registrant as specified in its charter)

MARYLAND (Brandywine Realty Trust) **DELAWARE** (Brandywine Operating Partnership L.P.)	**23-2413352** **23-2862640**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
555 East Lancaster Avenue **Radnor, Pennsylvania**	**19087**
(Address of principal executive offices)	(Zip Code)
Registrant s telephone number, including area code	**(610) 325-5600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Shares of Beneficial Interest, par value $0.01 per share (Brandywine Realty Trust)	New York Stock Exchange
7.50% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest par value $0.01 per share	New York Stock Exchange

(Brandywine Realty Trust)

7.375% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest par value $0.01 per share (Brandywine Realty Trust)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Units of General Partnership Interest (Brandywine Operating Partnership, L.P.)

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Brandywine Realty Trust	Yes þ	No o
Brandywine Operating Partnership, L.P.	Yes þ	No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Brandywine Realty Trust	Yes o	No þ
Brandywine Operating Partnership, L.P.	Yes o	No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Brandywine Realty Trust	Yes þ	No o
Brandywine Operating Partnership, L.P.	Yes þ	No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Brandywine Realty Trust:

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Brandywine Operating Partnership, L.P.:

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Brandywine Realty Trust	Yes o	No þ
Brandywine Operating Partnership, L.P.	Yes o	No þ

The aggregate market value of the Common Shares of Beneficial Interest held by non-affiliates of Brandywine Realty Trust as of the last day of the registrant s most recently completed second fiscal quarter was $2.5 billion. The aggregate market value has been computed by reference to the closing price of the Common Shares of Beneficial Interest on the New York Stock Exchange on such date. An aggregate of 87,054,956 Common Shares of Beneficial Interest were outstanding as of February 22, 2008.

As of June 30, 2007, the aggregate market value of the 2,143,021 common units of limited partnership (Units) held by non-affiliates of Brandywine Operating Partnership, L.P. was $61,247,543 million based upon the last reported sale price of $28.58 per share on the New York Stock Exchange on June 29, 2007 of the Common Shares of Beneficial Interest of Brandywine Realty Trust, the sole general partner of Brandywine Operating Partnership, L.P. (For this computation, the Registrant has excluded the market value of all Units beneficially owned by Brandywine Realty Trust.)

Documents Incorporated By Reference

Portions of the proxy statement for the 2008 Annual Meeting of Shareholders of Brandywine Realty Trust are incorporated by reference into Part III of this Form 10-K.

The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

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FORM 10-K

<u>Certifications of the Chief Financial Officer under Rule 13a-14(b)</u>

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Filing Format

This combined Form 10-K is being filed separately by Brandywine Realty Trust and Brandywine Operating Partnership, L.P.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This Annual Report on Form 10-K and other materials filed by us with the SEC (as well as information included in oral or other written statements made by us) contain statements that are forward-looking, including statements relating to business and real estate development activities, acquisitions, dispositions, future capital expenditures, financing sources, governmental regulation (including environmental regulation) and competition. We intend such forward-looking statements to be covered by the safe-harbor provisions of the 1995 Act. The words anticipate, believe, estimate, expect, intend, will, should and similar expressions, as they relate to us, are intended to ide forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. As forward-looking statements, these statements involve important risks, uncertainties and other factors that could cause actual results to differ materially from the expected results and, accordingly, such results may differ from those expressed in any forward-looking statements made by us or on our behalf. Factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- changes in general economic conditions;
- changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);
- changes in the economic conditions affecting industries in which our principal tenants compete;
- our failure to lease unoccupied space in accordance with our projections;
- our failure to re-lease occupied space upon expiration of leases;
- the bankruptcy of major tenants;
- changes in prevailing interest rates;
- the unavailability of equity and debt financing;
- failure of acquisitions to perform as expected;
- unanticipated costs associated with, and integration of, our acquisitions;
- unanticipated costs to complete and lease-up pending developments;
- impairment charges;
- increased costs for, or lack of availability of, adequate insurance, including for terrorist acts;
- demand for tenant services beyond those traditionally provided by landlords;
- potential liability under environmental or other laws;
- earthquakes and other natural disasters;

complex regulations relating to our status as a REIT and to our acquisition, disposition and development activities;

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- inability to complete acquisitions that may be necessary to complete 1031 transactions or provide required tax protection under existing agreements;

- the adverse consequences of our failure to qualify as a REIT; and

- the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results.

Given these uncertainties, and the other risks identified in the Risk Factors section and elsewhere in this Annual Report on Form 10-K, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

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PART I

Item 1. Business

Introduction

The terms we, us, our or the Company refer to Brandywine Realty Trust, a Maryland real estate investment trust, individually or together with its consolidated subsidiaries, including Brandywine Operating Partnership, L.P. (the Operating Partnership), a Delaware limited partnership.

We are a self-administered and self-managed real estate investment trust, or REIT, active in acquiring, developing, redeveloping, leasing and managing office and industrial properties. As of December 31, 2007, we owned 216 office properties, 23 industrial facilities and one mixed-use property (which we refer to collectively as the Properties) containing an aggregate of approximately 24.9 million net rentable square feet. We also have seven properties under development and seven properties under redevelopment containing an aggregate of 3.7 million net rentable square feet. As of December 31, 2007, we consolidated three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, as of December 31, 2007 we own and consolidated 257 properties with an aggregate of 29.0 million net rentable square feet. As of December 31, 2007, we owned economic interests in 14 unconsolidated real estate ventures that contain approximately 4.4 million net rentable square feet (collectively, the Real Estate Ventures). In addition, as of December 31, 2007, we owned approximately 417 acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in or nearby Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Austin, TX and Oakland and San Diego, CA. In addition to managing properties that we own and consolidated, as of December 31, 2007, we were managing approximately 14.5 million square feet of office and industrial properties for third parties and Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

Organization

Brandywine Realty Trust was organized and commenced its operations in 1986 as a Maryland REIT. Brandywine Realty Trust owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. Brandywine Realty Trust controls the Operating Partnership as its sole general partner and as of December 31, 2007 owned a 95.8% interest in the Operating Partnership. The holders of the remaining interests in the Operating Partnership, consisting of Class A units of limited partnership interest, have the right to require redemption of their units at any time. At our option, we may satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share. Our structure as an UPREIT is designed, in part, to permit persons contributing properties to us to defer some or all of the tax liability they might otherwise incur in a sale of properties.

Our executive offices are located at 555 East Lancaster Avenue, Radnor, Pennsylvania 19087 and our telephone number is (610) 325-5600. We have regional offices in Mount Laurel, New Jersey; Philadelphia, Pennsylvania; Richmond, Virginia; Falls Church, Virginia; Austin, Texas; Dallas, Texas; Oakland, California; and Carlsbad, California. We have an internet website at www.brandywinerealty.com. We are not incorporating by reference into this Annual Report on Form 10-K any material from our website. The reference to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

2007 Transactions

Real Estate Acquisitions/Dispositions

In 2007, we acquired seven office properties containing 1.6 million net rentable square feet and a 4.9 acre parcel of land and a 90 year ground lease interest in a 2.54 acre parcel of land. We also acquired the 49% minority interest in one of our previously consolidated real estate ventures that owned 10 office properties containing an aggregate of 1.1 million net rentable square feet. We sold 49 properties containing an aggregate of 5.2 million net rentable square feet and eight land parcels containing an aggregate 56.2 acres, as indicated below:

On December 19, 2007, the Company formed G&I Interchange Office LLC, a new joint venture (the Venture) with G&I VI Investment Interchange Office LLC (G&I VI), an investment vehicle advised by DRA Advisors LLC. The Venture included interests in 29 office properties which were located in various counties in Pennsylvania, containing an aggregate of 1,616,227 net rentable square feet. The Company transferred or contributed 100% interests in 26 properties and transferred to the Venture an 89% interest in three of the properties with the remaining 11% interest in the three properties subject to a put/call at fixed prices after three years. In connection with the formation, the Company effectively transferred an 80% interest in the venture to G&I IV for cash and the venture borrowed approximately $184.0 million in third party financing the aggregate proceeds of which were distributed to the Company. The Company used the net proceeds of approximately $230.9 million that it received in this transaction to reduce outstanding indebtedness under our unsecured revolving credit facility. The Company was hired by the Venture to perform property management and leasing services.

On November 30, 2007, we sold 111/113 Pencader Drive, an office property located in Newark, Delaware containing 52,665 net rentable square feet, for a sales price of $5.1 million.

On November 15, 2007, we sold 2490 Boulevard of the Generals, an office property located in West Norriton, Pennsylvania containing 20,600 net rentable square feet, for a sales price of $1.5 million.

On September 7, 2007, we sold seven land parcels located in the Iron Run Business Park in Lehigh County, Pennsylvania containing an aggregate 51.5 acres of land, for an aggregate sales price of $6.6 million.

On July 19, 2007, we acquired the United States Post Office building, an office property located in Philadelphia, Pennsylvania containing 862,692 net rentable square feet, for an aggregate purchase price of $28.0 million. We intend to redevelop the building into office space for lease to the Internal Revenue Service (IRS). As part of the acquisition, we also acquired a 90 year ground lease interest in an adjacent parcel of ground of approximately 2.54 acres, commonly referred to as the postal annex . We are currently demolishing the existing structure located on the postal annex and intend to rebuild a parking facility containing approximately 733,000 square feet that will be used primarily by the IRS employees upon their move into the planned space at the Post Office building. The remaining postal annex ground leased parcels can accommodate additional office, retail, hotel and residential development and we are currently in the planning stage with respect to these parcels.

On July 19, 2007, we acquired five office properties containing 508,607 net rentable square feet and a 4.9 acre land parcel in the Boulders office park in Richmond, Virginia for an aggregate purchase price of $96.3 million. We funded a portion of the purchase price using the remaining proceeds from the sale of the 10 office properties located in Reading and Harrisburg, Pennsylvania in March 2007.

On May 10, 2007, we acquired Lake Merritt Tower, an office property located in Oakland, California containing 204,278 net rentable square feet for an aggregate contracted purchase price of $72.0 million. A portion of the proceeds from the sale of 10 office properties located in Reading and Harrisburg, Pennsylvania in March 2007 was used to fully fund this purchase.

On April 30, 2007, we sold Cityplace Center, an office property located in Dallas, Texas containing 1,295,832 net rentable square feet, for a sales price of $115.0 million.

On March 30, 2007, we sold 10 office properties located in Reading and Harrisburg, Pennsylvania containing 940,486 net rentable square feet, for an aggregate sales price of $112.0 million. We structured this transaction to qualify as a like-kind exchange under Section 1031 of the Internal Revenue Code and the cash from the sale was held by a qualified intermediary for purposes of accomplishing the like-kind exchange as noted in the above transactions.

On March 30, 2007, we sold 1007 Laurel Oak, an office property located in Voorhees, New Jersey containing 78,205 net rentable square feet, for a sales price of $7.0 million.

On March 1, 2007, we acquired the 49% minority interest in one of our previously consolidated real estate ventures that owned 10 office properties containing an aggregate of 1.1 million net rentable square feet for a purchase price of $63.7 million.

On January 31, 2007, we sold George Kachel Farmhouse, an office property located in Reading, Pennsylvania containing 1,664 net rentable square feet, for a sales price of $0.2 million.

On January 19, 2007, we sold four office properties located in Dallas, Texas containing 1,091,186 net rentable square feet and a 4.7 acre land parcel, for an aggregate sales price of $107.1 million.

On January 18, 2007, we sold Norriton Office Center, an office property located in East Norriton, Pennsylvania containing 73,394 net rentable square feet, for a sales price of $7.8 million.

Developments

In 2007 we placed in service six office properties that we developed or redeveloped and that contain an aggregate of 1,048,409 net rentable square feet. We place a property in service at the earlier of (i) the date at which we estimate the property to be 95% occupied and (ii) one year from the project completion date. At December 31, 2007, we had 14 properties under development or redevelopment that contain an aggregate of 3.7 million net rentable square feet at an estimated total development cost of $718.3 million. We expect to place these projects in service at dates between the third quarter of 2008 and the third quarter of 2010.

Unsecured Debt Financings

On October 15, 2007, we entered into a term loan agreement that provides for an unsecured term loan in the amount of $150.0 million. We used the proceeds of this loan to pay down a portion of the outstanding amount on our revolving credit facility. The term loan matures on October 18, 2010 and may be extended at our option for two one-year periods but not beyond the maturity date of our revolving credit facility.

On June 29, 2007, we amended our $600.0 million unsecured revolving credit facility (the Credit Facility). The amendment extended the maturity date of the Credit Facility from December 22, 2009 to June 29, 2011 (subject to an extension of one year, at our option, upon our payment of an extension fee equal to 15 basis points of the committed amount under the Credit Facility). The amendment also reduced the per annum variable interest rate on outstanding balances from Eurodollar plus 0.80% to Eurodollar plus 0.725% per annum. In addition, the amendment reduced the quarterly facility fee from 20 basis points to 17.5 basis points per annum. The interest rate and facility fee are subject to adjustment upon a change in our unsecured debt ratings. The amendment also lowered to 7.50% from 8.50% the capitalization rate used in the calculation of several of the financial covenants; increased our swing loan availability from $50.0 million to $60.0 million; and increased the number of competitive bid loan requests available to us from two to four in any 30 day period. Borrowings are always available to the extent of borrowing capacity at the stated rates, however, the competitive bid feature allows banks that are part of the lender consortium under the Credit Facility to bid to make loans to us at a reduced Eurodollar rate. We have the option to increase the Credit Facility to $800.0 million subject to the absence of any defaults and our ability to acquire additional commitments from our existing lenders or new lenders.

On April 30, 2007, we consummated the public offering of $300 million aggregate principal amount of unsecured 5.70% Guaranteed Notes due 2017 and used the net proceeds from this offering to reduce borrowings under the Credit Facility.

In April 2007, we entered into a $20.0 million Sweep Agreement to be used for cash management purposes. Borrowings under the Sweep Agreement bear interest at one-month LIBOR plus 0.75%.

On November 29, 2006, we called for redemption of our $300 million Floating Rate Guaranteed Notes due 2009 and repaid these notes on January 2, 2007 in accordance with the November call using proceeds from our Credit Facility. As a result of the early repayment of these notes, we incurred accelerated amortization of $1.4 million in associated deferred financing costs in the fourth quarter 2006.

On October 4, 2006, we sold $300 million aggregate principal amount of unsecured 3.875% Exchangeable Guaranteed Notes due 2026 in reliance upon an exemption from registration rights under Rule 144A under the

Securities Act of 1933 and sold an additional $45 million of 3.875% Exchangeable Guaranteed Notes due 2026 on October 16, 2006 to cover over-allotments. We have registered the resale of the exchangeable notes. At certain times and upon certain events, the notes are exchangeable for cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or our common shares. The initial exchange rate is 25.4065 shares per $1,000 principal amount of notes (which is equivalent to an initial exchange price of $39.36 per share). We may not redeem the notes prior to October 20, 2011 (except to preserve our status as a REIT for U.S. federal income tax purposes), but we may redeem the notes at any time thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes to be redeemed plus accrued and unpaid interest. In addition, on October 20, 2011, October 15, 2016 and October 15, 2021 as well as upon the occurrence of certain change in control transactions prior to October 20, 2011, holders of notes may require us to repurchase all or a portion of the notes at a purchase price equal to the principal amount of the notes to be purchased plus accrued and unpaid interest. We used net proceeds from the notes to repurchase approximately $60.0 million of common shares at a price of $32.80 per share and for general corporate purposes, including the repayment of outstanding borrowings under the Credit Facility.

On March 28, 2006, we consummated the public offering of $850 million of unsecured notes, consisting of (1) $300 million aggregate principal amount of Floating Rate Guaranteed Notes due 2009, (2) $300 million aggregate principal amount of 5.75% Guaranteed Notes due 2012 and (3) $250 million aggregate principal amount of 6.00% Guaranteed Notes due 2016. We used the net proceeds from this offering to repay a $750 million unsecured term loan and to reduce borrowings under the Credit Facility.

The Operating Partnership is the issuer of our unsecured notes, and Brandywine Realty Trust has fully and unconditionally guaranteed the payment of principal and interest on the notes.

Business Objective and Strategies for Growth

Our business objective is to deploy capital effectively to maximize our return on investment and thereby maximize our total return to shareholders. To accomplish this objective we seek to:

- maximize cash flow through leasing strategies designed to capture rental growth as rental rates increase and as below-market leases are renewed;
- attain a high tenant retention rate by providing a full array of property management and maintenance services and tenant service programs responsive to the varying needs of our diverse tenant base;
- increase the economic diversification of our tenant base while maximizing economies of scale;
- as warranted by market conditions, deploy our land inventory and seek new land parcels on which to develop high-quality office and industrial properties to service our tenant base;
- capitalize on our redevelopment expertise to selectively acquire, redevelop and reposition properties in desirable locations;
- acquire high-quality office and industrial properties and portfolios of such properties at attractive yields in markets that we expect will experience economic growth;
- form joint venture opportunities with high-quality partners having attractive real estate holdings or significant financial resources; and
- utilize our reputation as a full-service real estate development and management organization to identify opportunities that will expand our business and create long-term value.

We expect to concentrate our real estate activities in markets where we believe that:

- current and projected market rents and absorption statistics justify construction activity;
- we can maximize market penetration by accumulating a critical mass of properties and thereby enhance operating efficiencies;

barriers to entry (such as zoning restrictions, utility availability, infrastructure limitations, development moratoriums and limited developable land) will create supply constraints on office and industrial space; and there is potential for economic growth, particularly job growth and industry diversification.

Operating Strategy

We believe that we are well positioned in our current markets and have the expertise to take advantage of both development and acquisition opportunities in new markets that have healthy long-term fundamentals and strong growth projections. This capability, combined with what we believe is a conservative financial structure, allows us to concentrate our growth efforts towards selective development alternatives and acquisition opportunities. These abilities are integral to our strategy of having a geographically and physically diverse portfolio of assets, which will meet the needs of our tenants. We have also expanded our overall development pipeline and are pursuing acquisitions of sites on which we can capitalize on our own development and market expertise.

We expect that selective development of new office properties will continue to be important to the growth of our portfolio over the next several years. We use experienced on site construction superintendents, operating under the supervision of project managers and senior management, to control the construction process and mitigate the various risks associated with real estate development. We believe we understand and effectively manage the risks associated with development and construction, and these risks are justified by higher potential yields.

We expect to continue to operate in markets where we have a concentration advantage due to economies of scale. We believe that where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing several properties in the same market. However, we intend to selectively dispose of properties and redeploy capital if we determine a property cannot meet long term earnings growth expectations. We believe that recycling capital is an important aspect of maintaining the overall quality of our portfolio.

Policies With Respect To Certain Activities

The following is a discussion of our investment, financing and other policies. These policies have been determined by our Board of Trustees and our Board may revise these policies without a vote of shareholders.

Investments in Real Estate or Interests in Real Estate

We may develop, purchase or lease income-producing properties for long-term investment, expand and improve the properties presently owned or other properties purchased, or sell such properties, in whole or in part, as circumstances warrant. Although there is no limitation on the types of development activities that we may undertake, we expect that our development activities will meet current market demand and will generally be on a build-to-suit basis for particular tenants, where a significant portion of the building is pre-leased before construction begins, or where we believe that market demand is strong enough to commence speculative developments. We continue to participate with other entities in property ownership through joint ventures or other types of co-ownership. Our equity investments may be subject to existing or future mortgage financing and other indebtedness that will have priority over our equity investments.

Securities of or Interests in Entities Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers. We may enter into joint ventures or partnerships for the purpose of obtaining an equity interest in a particular property. We do not currently intend to invest in the securities of other issuers except in connection with joint ventures or acquisitions of indirect interests in properties.

Investments in Real Estate Mortgages

While our current portfolio consists of, and our business objectives emphasize, equity investments in commercial real estate, we may, at the discretion of management or our Board of Trustees, invest in other types of equity real estate investments, mortgages and other real estate interests. We do not presently intend to invest to a significant extent in mortgages or deeds of trust, but may invest in participating mortgages if we conclude that we may benefit from the cash flow or any appreciation in the value of the property securing a mortgage.

Dispositions

Our disposition of properties is based upon management s periodic review of our portfolio and the determination by management or our Board of Trustees that a disposition would be in our best interests.

Financing Policies

A primary objective of our financing policy has been to manage our financial position to allow us to raise capital from a variety of sources at competitive rates. Our mortgages, credit facilities and unsecured debt securities contain customary restrictions and limitations on our ability to incur indebtedness. Our charter documents do not limit the indebtedness that we may incur. Our financing strategy is to maintain a strong and flexible financial position by limiting our debt to a prudent level and minimizing our variable interest rate exposure. We intend to finance future growth with the most advantageous source of capital available to us at the time of an acquisition. These sources may include selling common stock, preferred stock, debt securities, depository shares or warrants through public offerings or private placements, utilizing availability under our unsecured revolving credit facilities or incurring additional indebtedness through secured or unsecured borrowings either or through mortgages with recourse limited to specific properties. To qualify as a REIT, we must distribute to our shareholders each year at least ninety percent of our net taxable income, excluding any net capital gain. This distribution requirement makes it unlikely that we will be able to fund future capital needs, including for acquisitions and developments, substantially from income from operations. Therefore, we expect to continue to rely on third party sources of capital to fund future capital needs.

Working Capital Reserves

We maintain working capital reserves and access to borrowings in amounts that our management determines to be adequate to meet our normal contingencies.

Policies with Respect to Other Activities

We expect to issue additional common and preferred shares of beneficial interest in the future and may authorize our Operating Partnership to issue additional common and preferred units of limited partnership interest, including to persons who contribute their interests in properties to us in exchange for such units. We have not engaged in trading, underwriting or agency distribution or sale of securities of unaffiliated issuers and we do not intend to do so. At all times, we intend to make investments consistent with our qualification as a REIT, unless because of circumstances or changes in the Internal Revenue Code of 1986, as amended (or the Treasury Regulations), our Board of Trustees determines that it is no longer in our best interests to qualify as a REIT. We may make loans to third parties, including to joint ventures in which we participate. We intend to make investments in such a way that we will not be treated as an investment company under the Investment Company Act of 1940.

Management Activities

We provide third-party real estate management services primarily through five subsidiaries (collectively, the Management Companies): Brandywine Realty Services Corporation (BRSCO), BTRS, Inc. (BTRS), Brandywine Properties I Limited, Inc. (BPI), BDN Brokerage LLC (BBL) and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS and BPI are taxable REIT subsidiaries. The Operating Partnership currently owns, directly and indirectly, 100% of each of BRSCO, BTRS, BPI, BBL and BPM.

As of December 31, 2007, the Management Companies were managing properties containing an aggregate of approximately 43.0 million net rentable square feet, of which approximately 28.5 million net rentable square feet related to Properties owned by us and approximately 14.5 million net rentable square feet of properties owned by third parties and unconsolidated Real Estate Ventures.

Geographic Segments

As of December 31, 2007 we were managing our portfolio within seven segments: (1) Pennsylvania, (2) New Jersey/Delaware, (3) Richmond, Virginia, (4) California North, (5) California South, (6) Metropolitan Washington D.C and (7) Southwest. The Pennsylvania segment includes properties in Chester, Delaware, Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery counties in the Philadelphia suburbs and the City of Philadelphia in Pennsylvania. The New Jersey/Delaware segment includes properties in counties in the southern and central part of New Jersey including Burlington, Camden and Mercer counties and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The California North segment includes properties in the City of Oakland and Concord. The California South segment includes properties in the City of Carlsbad and Rancho Bernardo . The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and suburban Maryland. The Southwest segment includes properties in Travis county of Texas. Our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period and general support functions.

Competition

The real estate business is highly competitive. Our properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses), services provided, and the design and condition of the improvements. We also face competition when attempting to acquire or develop real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension funds, partnerships and individual investors. Additionally, our ability to compete depends upon trends in the economies of our markets, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, land availability, our ability to obtain necessary construction approvals, taxes, governmental regulations, legislation and population trends.

Insurance

We maintain commercial general liability and all-risk property insurance on our properties. We intend to obtain similar coverage for properties we acquire in the future. There are certain types of losses, generally of a catastrophic nature, such as losses from war, terrorism, environmental issues, floods, hurricanes and earthquakes that may be subject to limitations in certain areas or which may be uninsurable risks. We exercise our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impractical to use insurance proceeds to fully replace or restore a property after it has been damaged or destroyed.

Employees

As of December 31, 2007, we had 562 full-time employees, including 43 union employees.

Government Regulations Relating to the Environment

Many laws and governmental regulations relating to the environment apply to us and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently and may adversely affect us.

Existing conditions at some of our Properties. Independent environmental consultants have conducted Phase I or similar environmental site assessments on our properties. We generally obtain these assessments prior to the acquisition of a property and may later update them as required for subsequent financing of the property or as requested by a tenant. Site assessments are generally performed to ASTM standards then existing for Phase I site assessments, and typically include a historical review, a public records review, a visual inspection of the surveyed site, and the issuance of a written report. These assessments do not generally include any soil samplings or subsurface investigations. Depending on the age of the property, the Phase I may have included an assessment of asbestos-containing materials. For properties where asbestos-containing materials were identified or suspected, an operations and maintenance plan was generally prepared and implemented. See Note 2 to our consolidated financial statements for our evaluation in accordance with FIN 47, *Accounting for Conditional Asset Retirement Obligations*. Historical operations at or near some of our properties, including the operation of underground storage tanks, may have caused soil or groundwater contamination. We are not aware of any such condition, liability or concern by any other means that would give rise to material, uninsured environmental liability. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns; there may be material environmental conditions, liabilities or compliance concerns that a review failed to detect or which arose at a property after the review was completed; future laws, ordinances or regulations may impose material additional environmental liability; and current environmental conditions at our Properties may be affected in the future by tenants, third parties or the condition of land or operations near our Properties, such as the presence of underground storage tanks. We cannot be certain that costs of future environmental compliance will not affect our ability to make distributions to our shareholders.

Use of hazardous materials by some of our tenants. Some of our tenants handle hazardous substances and wastes on our properties as part of their routine operations. Environmental laws and regulations may subject these tenants, and potentially us, to liability resulting from such activities. We generally require our tenants, in their leases, to comply with these environmental laws and regulations and to indemnify us for any related liabilities. These tenants are primarily involved in the life sciences and the light industrial and warehouse business. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of our Properties, and we do not believe that on-going activities by our tenants will have a material adverse effect on our operations.

Costs related to government regulation and private litigation over environmental matters. Under environmental laws and regulations, we may be liable for the costs of removal, remediation or disposal of hazardous or toxic substances present or released on our Properties. These laws could impose liability without regard to whether we are responsible for, or knew of, the presence or release of the hazardous materials. Government investigations and remediation actions may entail substantial costs and the presence or release of hazardous substances on a property could result in governmental cleanup actions or personal injury or similar claims by private plaintiffs.

Potential environmental liabilities may exceed our environmental insurance coverage limits. We carry what we believe to be sufficient environmental insurance to cover potential liability for soil and groundwater contamination, mold impact, and the presence of asbestos-containing materials at the affected sites identified in our environmental site assessments. Our insurance policies are subject to conditions, qualifications and limitations. Therefore, we cannot provide any assurance that our insurance coverage will be sufficient to cover all liabilities for losses.

Other

We do not have any foreign operations and our business is not seasonal. Our operations are not dependent on a single tenant or a few tenants and no single tenant accounted for more than 10% of our total 2007 revenue.

Code of Conduct

We maintain a Code of Business Conduct and Ethics applicable to our Board and all of our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website, www.brandywinerealty.com. In addition to being accessible through our website, copies of our Code of Business Conduct and Ethics can be obtained, free of charge, upon written request to Investor Relations, 555 East Lancaster Avenue, Suite 100, Radnor, PA 19087. Any amendments to or waivers of our Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions and that relate to any matter enumerated in Item 406(b) of Regulation S-K promulgated by the SEC will be disclosed on our website.

Corporate Governance Principles and Board Committee Charters

Our Corporate Governance Principles and the charters of the Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Trustees of Brandywine Realty Trust and additional information regarding our corporate governance are available on our website, www.brandywinerealty.com. In addition to being

accessible through our website, copies of our Corporate Governance Principles and charters of our Board Committees can be obtained, free of charge, upon written request to Investor Relations, 555 Lancaster Avenue, Radnor, PA 19087.

Availability of SEC Reports

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information with the SEC. Members of the public may read and copy materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Members of the public may also obtain information on the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address of that site is http://www.sec.gov. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information filed by us with the SEC are available, without charge, on our Internet web site, http://www.brandywinerealty.com, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, without charge, from Secretary, Brandywine Realty Trust, 555 East Lancaster Avenue, Suite 100, Radnor, PA 19087.

Item 1A. Risk Factors

Our performance is subject to risks associated with our properties and with the real estate industry.

Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. Events or conditions beyond our control that may adversely affect our operations or the value of our properties include:

- downturns in the national, regional and local economic climate including increases in the unemployment rate and inflation;

- competition from other office, industrial and commercial buildings;

- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;

- changes in interest rates and availability of financing;

- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

- increased operating costs, including insurance expense, utilities, real estate taxes, janitorial costs, state and local taxes, labor shortages and heightened security costs;

- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property; and

- declines in the financial condition of our tenants and our ability to collect rents from our tenants.

We may experience increased operating costs, which might reduce our profitability.

Our properties are subject to increases in operating expenses such as for cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping and repairs and maintenance of our properties. In general, under our leases with tenants, we pass through all or a portion of these costs to them. We cannot assure you, however, that tenants will actually bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective tenants, to seek office space elsewhere. If operating expenses increase, the availability of other comparable office space in our core geographic markets might

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limit our ability to increase rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to shareholders.

Our investment in property development or redevelopment may be more costly or difficult to complete than we anticipate.

We intend to continue to develop properties where market conditions warrant such investment. Once made, these investments may not produce results in accordance with our expectations. Risks associated with our development and construction activities include:

- the unavailability of favorable financing alternatives in the private and public debt markets;
- having debt capacity sufficient to pay development costs;
- unprecedented market volatility in the share price of REITs;
- dependence on the financial services sector as part of our tenant base;
- construction costs exceeding original estimates due to rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;
- construction and lease-up delays resulting in increased debt service, fixed expenses and construction or renovation costs;
- expenditure of funds and devotion of management s time to projects that we do not complete;
- the unavailability or scarcity of utilities;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits; and
- increased use restrictions by local zoning or planning authorities limiting our ability to develop and impacting the size of developments.

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The disruption in the debt capital markets could adversely affect us.

Since mid-2007, there has been a marked deterioration in the credit markets affecting the availability of credit, the terms on which it can be sourced and the overall cost of debt capital. This could negatively affect us by:

- Reducing the availability of potential bidders to bid attractively for our for-sale properties or to close on sales at all;
- Increasing the cost of debt we use to finance our ongoing operations and fund our development and redevelopment activities, thereby increasing their costs and reducing the associated returns; and
- Preventing us from accessing necessary debt capital on a timely basis leading us to consider potentially more dilutive capital transactions such as undesirable sales of properties or securities.

We face risks associated with property acquisitions.

We have in the past acquired, and intend in the future to acquire, properties and portfolios of properties, including large portfolios that would increase our size and potentially alter our capital structure. Although we believe that the acquisitions that we have completed in the past and that we expect to undertake in the future have, and will, enhance our future financial performance, the success of such transactions is subject to a number of factors, including the risk that:

- we may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and manage new properties in a way that allows us to realize cost savings and synergies.

We acquired in the past and in the future may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership. This acquisition structure has the effect, among other factors, of reducing the amount of tax depreciation we can deduct over the tax life of the acquired properties, and typically requires that we agree to protect the contributors ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions on dispositions could limit our ability to sell an asset during a specified time, or on terms, that would be favorable absent such restrictions.

Acquired properties may subject us to known and unknown liabilities.

Properties that we acquire may be subject to known and unknown liabilities for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to acquired properties could include:

- liabilities for clean-up of pre-existing disclosed or undisclosed environmental contamination;
- claims by tenants, vendors or other persons arising on account of actions or omissions of the former owners of the properties; and
- liabilities incurred in the ordinary course of business.

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We agreed not to sell certain of our properties and to maintain indebtedness subject to guarantees.

We agreed not to sell some of our properties for varying periods of time, in transactions that would trigger taxable income to the former owners, and we may enter into similar arrangements as a part of future property acquisitions. One of these tax protection agreements is with one of our current trustees. These agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. Such transactions can be difficult to complete and can result in the property acquired in exchange for the disposed of property inheriting the tax attributes (including tax protection covenants) of the disposed of property. Violation of these tax protection agreements would impose significant costs on us. As a result, we are restricted with respect to decisions related to financing, encumbering, expanding or selling of these properties.

We have also entered into agreements that provide prior owners of properties with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness that they guarantee is repaid or reduced, we would be required to provide substitute indebtedness for them to guarantee. These agreements may hinder actions that we may otherwise desire to take to repay or refinance guaranteed indebtedness because we would be required to make payments to the beneficiaries of such agreements if we violate these agreements.

We may be unable to renew leases or re-lease space as leases expire; certain leases may expire early.

If tenants do not renew their leases upon expiration, we may be unable to re-lease the space. Even if the tenants do renew their leases or if we can re-lease the space, the terms of renewal or re-leasing (including the cost of required renovations) may be less favorable than current lease terms. Certain leases grant the tenants an early termination right upon payment of a termination penalty or if certain lease terms are not complied with.

We face significant competition from other real estate developers.

We compete with real estate developers, operators and institutions for tenants and acquisition and development opportunities. Some of these competitors have significantly greater financial resources than we have. Such competition may reduce the number of suitable investment opportunities available to us, may interfere with our ability to attract and retain tenants and may increase vacancies, which could result in increased supply and lower market rental rates, reducing our bargaining leverage and adversely affect our ability to improve our operating leverage. In addition, some of our competitors may be willing (e.g., because their properties may have vacancy rates higher than those for our properties) to make space available at lower rental rates or with higher tenant concession percentages than available space in our properties. We cannot assure you that this competition will not adversely affect our cash flow and our ability to make distributions to shareholders.

Changes in market conditions including capitalization rates applied in real estate acquisitions could impact our ability to grow through acquisitions.

We selectively pursue acquisitions in our core markets when long-term yields make acquisitions attractive. We compete with numerous property owners for the acquisition of real estate properties. Some of these competitors may be willing to accept lower yields on their investments impacting our ability to acquire real estate assets and thus limit our external growth. We cannot assure you that this competition will not adversely affect our cash flow and our ability to make distributions to shareholders.

Property ownership through joint ventures may limit our ability to act exclusively in our interest.

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. As of December 31, 2007, we had investments in 14 unconsolidated real estate ventures and three additional real estate ventures that are consolidated in our financial statements. Our investments in the 14 unconsolidated real estate ventures aggregated approximately $71.6 million (net of returns of investment amounts) as of December 31, 2007. We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners or the lenders to our joint ventures are inconsistent with our own objectives, we may not be able to act exclusively in our interests.

Because real estate is illiquid, we may not be able to sell properties when appropriate.
Real estate investments generally, and in particular large office and industrial/flex properties like those that we own, often cannot be sold quickly. Consequently, we may not be able to alter our portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code limits our ability to sell properties that we have held for fewer than four years without resulting in adverse consequences to our shareholders. Furthermore, properties that we have developed and have owned for a significant period of time or that we acquired in exchange for partnership interests in our operating partnership often have a low tax basis. If we were to dispose of any of these properties in a taxable transaction, we may be required under provisions of the Internal Revenue Code applicable to REITs to distribute a significant amount of the taxable gain to our shareholders and this could, in turn, impact our cash flow. In some cases, tax protection agreements with third parties will prevent us from selling certain properties in a taxable transaction without incurring substantial costs. In addition, purchase options and rights of first refusal held by tenants or partners in joint ventures may also limit our ability to sell certain properties. All of these factors reduce our ability to respond to changes in the performance of our investments and could adversely affect our cash flow and ability to make distributions to shareholders as well as the ability of someone to purchase us, even if a purchase were in our shareholders best interests.

We may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of our tenants.
If one or more of our tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn in their business, there could be an adverse effect on our financial performance and distributions to shareholders. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. If, however, a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any such unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of the remaining rent during the term.

Some potential losses are not covered by insurance.
We currently carry comprehensive all-risk property, rental loss insurance and commercial general liability coverage on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, types of losses, such as lease and other contract claims, biological, radiological and nuclear hazards and acts of war that generally are not insured. We cannot assure you that we will be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to earthquake, terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to shareholders.

Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.
Terrorist attacks against our properties, or against the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could result in increased operating costs; for example, it might cost more in the future for building security, property and casualty insurance, and property

maintenance. As a result of terrorist activities and other market conditions, the cost of insurance coverage for our properties could also increase. We might not be able to pass through the increased costs associated with such increased security measures and insurance to our tenants, which could reduce our profitability and cash flow.

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Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy. Such adverse economic conditions could affect the ability of our tenants to pay rent and our costs of capitals, which could have a negative impact on our results.

Our ability to make distributions is subject to various risks.

Historically, we have paid quarterly distributions to our shareholders. Our ability to make distributions in the future will depend upon:

- the operational and financial performance of our properties;
- capital expenditures with respect to existing, developed and newly acquired properties;
- general and administrative costs associated with our operation as a publicly-held REIT;
- the amount of, and the interest rates on, our debt; and
- the absence of significant expenditures relating to environmental and other regulatory matters.

Certain of these matters are beyond our control and any significant difference between our expectations and actual results could have a material adverse effect on our cash flow and our ability to make distributions to shareholders.

Changes in the law may adversely affect our cash flow.

Because increases in income and service taxes are generally not passed through to tenants under leases, such increases may adversely affect our cash flow and ability to make expected distributions to shareholders. Our properties are also subject to various regulatory requirements, such as those relating to the environment, fire and safety. Our failure to comply with these requirements could result in the imposition of fines and damage awards and could result in a default under some of our tenant leases. Moreover, the costs to comply with any new or different regulations could adversely affect our cash flow and our ability to make distributions. Although we believe that our properties are in material compliance with all such requirements, we cannot assure you that these requirements will not change or that newly imposed requirements will not require significant expenditures in order to be compliant.

The terms and covenants relating to our indebtedness could adversely impact our economic performance.

Like other real estate companies which incur debt, we are subject to risks associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness. If our debt cannot be paid, refinanced or extended at maturity, we may not be able to make distributions to shareholders at expected levels or at all. Furthermore, an increase in our interest expense could adversely affect our cash flow and ability to make distributions to shareholders. If we do not meet our debt service obligations, any properties securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of properties foreclosed on, could threaten our continued viability.

Our credit facilities and the indenture governing our unsecured public debt securities contain (and any new or amended facility will contain) customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which we must maintain. Our ability to borrow under our credit facilities and our term loan is (and any new or amended facility will be) subject to compliance with such financial and other covenants. In the event that we fail to satisfy these covenants, we would be in default under the credit facilities and indenture and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

Increases in interest rates on variable rate indebtedness will increase our interest expense, which could adversely affect our cash flow and ability to make distributions to shareholders. Rising interest rates could also restrict our ability to refinance existing debt when it matures. In addition, an increase in interest rates could decrease the amounts that third parties are willing to pay for our assets, thereby limiting our ability to alter our portfolio promptly in relation to economic or other conditions. We entered into and may, from time to time, enter into agreements such

as interest rate hedges, swaps, floors, caps and other interest rate hedging contracts with respect to a portion of our variable rate debt. Although these agreements may lessen the impact of rising interest rates on us, they also expose us to the risk that other parties to the agreements will not perform or that we cannot enforce the agreements.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our equity shares or debt securities.

Our degree of leverage could affect our ability to obtain additional financing for working capital expenditures, development, acquisitions or other general corporate purposes. Our senior unsecured debt is currently rated investment grade by the three major rating agencies. We cannot, however, assure you that we will be able to maintain this rating. In the event that our unsecured debt is downgraded from the current rating, we would likely incur higher borrowing costs and the market prices of our common shares and debt securities might decline. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally.

Potential liability for environmental contamination could result in substantial costs.

Under various federal, state and local laws, ordinances and regulations, we may be liable for the costs to investigate and remove or remediate hazardous or toxic substances on or in our properties, often regardless of whether we know of or are responsible for the presence of these substances. These costs may be substantial. While we do maintain environmental insurance, we can not be assured that our insurance coverage will be sufficient to protect us from all of the aforesaid remediation costs. Also, if hazardous or toxic substances are present on a property, or if we fail to properly remediate such substances, our ability to sell or rent the property or to borrow using that property as collateral may be adversely affected.

Additionally, we develop, manage, lease and/or operate various properties for third parties. Consequently, we may be considered to have been or to be an operator of these properties and, therefore, potentially liable for removal or remediation costs or other potential costs that could relate to hazardous or toxic substances.

An earthquake or other natural disasters could adversely affect our business.

Some of our properties are located in California which is a high risk geographical area for earthquakes or other natural disasters. Depending upon its magnitude, an earthquake could severely damage our properties which would adversely affect our business. We maintain earthquake insurance for our California properties and the resulting business interruption. We cannot assure you that our insurance will be sufficient if there is a major earthquake.

Americans with Disabilities Act compliance could be costly.

The Americans with Disabilities Act of 1990, as amended (ADA) requires that all public accommodations and commercial facilities, including office buildings, meet certain federal requirements related to access and use by disabled persons. Compliance with ADA requirements could involve the removal of structural barriers from certain disabled persons entrances which could adversely affect our financial condition and results of operations. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are in material compliance with present requirements, noncompliance with the ADA or similar or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. In addition, changes to existing requirements or enactments of new requirements could require significant expenditures. Such costs may adversely affect our cash flow and ability to make distributions to shareholders.

Our status as a REIT (or any of our REIT subsidiaries) is dependent on compliance with federal income tax requirements.

If we (or any of our REIT subsidiaries) fail to qualify as a REIT, we or the affected REIT subsidiaries would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us or our affected REIT subsidiaries, as the case may be, relief under certain statutory provisions, we or it would remain disqualified as a REIT for four years following the year it first failed to qualify. If we or any of our REIT subsidiaries fails to qualify as a REIT, we or they would be required to pay significant income taxes and would, therefore, have less money available for investments or for distributions to shareholders. This would likely have a material adverse effect on the value of the combined company s securities. In addition, we or our affected REIT subsidiaries would no longer be required to make any distributions to shareholders.

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Failure of the Operating Partnership (or a subsidiary partnership) to be treated as a partnership would have serious adverse consequences to our shareholders. If the IRS were to successfully challenge the tax status of the Operating Partnership or any of its subsidiary partnerships for federal income tax purposes, the Operating Partnership or the affected subsidiary partnership would be taxable as a corporation. In such event we would cease to qualify as a REIT and the imposition of a corporate tax on the Operating Partnership or a subsidiary partnership would reduce the amount of cash available for distribution from the Operating Partnership to us and ultimately to our shareholders.
Even if we qualify as a REIT, we will be required to pay certain federal, state and local taxes on our income and properties. In addition, our taxable REIT subsidiaries will be subject to federal, state and local income tax at regular corporate rates on their net taxable income derived from management, leasing and related service business. If we have net income from a prohibited transaction, such income will be subject to a 100% tax.

We face possible state and local tax audits.

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. In the normal course of business, certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

Competition for skilled personnel could increase labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

We are dependent upon our key personnel.

We are dependent upon our key personnel whose continued service is not guaranteed. We are dependent on our executive officers for strategic business direction and real estate experience. Although we believe that we could find replacements for these key personnel, loss of their services could adversely affect our operations.

Although we have an employment agreement with Gerard H. Sweeney, our President and Chief Executive Officer, for a term extending to February 9, 2010, this agreement does not restrict his ability to become employed by a competitor following the termination of his employment. We do not have key man life insurance coverage on our executive officers.

Certain limitations will exist with respect to a third party s ability to acquire us or effectuate a change in control.

Limitations imposed to protect our REIT status. In order to protect us against the loss of our REIT status, our Declaration of Trust limits any shareholder from owning more than 9.8% in value of our outstanding shares, subject to certain exceptions. The ownership limit may have the effect of precluding acquisition of control of us. If anyone acquires shares in excess of the ownership limit, we may:

- consider the transfer to be null and void;
- not reflect the transaction on our books;
- institute legal action to stop the transaction;
- not pay dividends or other distributions with respect to those shares;

not recognize any voting rights for those shares; and

consider the shares held in trust for the benefit of a person to whom such shares may be transferred.

Limitation due to our ability to issue preferred shares. Our Declaration of Trust authorizes our Board of Trustees to cause us to issue preferred shares, without limitation as to amount and without shareholder consent. Our Board of Trustees is able to establish the preferences and rights of any preferred shares issued and these shares could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders best interests.

Limitation imposed by the Maryland Business Combination Law. The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against business combinations between a Maryland REIT and interested shareholders or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of, ten percent or more of the voting power of our then-outstanding voting shares. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder unless the board of trustees had approved the transaction before the party became an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the board of trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for our shares or unless the board of trustees approved the transaction before the party in question became an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if the acquisition would be in our shareholders best interests.

Maryland Control Share Acquisition Act. Maryland law provides that control shares of a REIT acquired in a control share acquisition shall have no voting rights except to the extent approved by a vote of two-thirds of the vote eligible to be cast on the matter under the Maryland Control Share Acquisition Act. Control Shares means shares that, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at a shareholder s meeting, then subject to certain conditions and limitations the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholder s meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition which are not exempt under our Bylaws are subject to the Maryland Control Share Acquisition Act. Our Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

*Advance Notice Provisions for Shareholder Nominations and Proposals***.** Our bylaws require advance notice for shareholders to nominate persons for election as trustees at, or to bring other business before, any meeting of our shareholders. This bylaw provision limits the ability of shareholders to make nominations of persons for election as trustees or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Many factors can have an adverse effect on the market value of our securities.

A number of factors might adversely affect the price of our securities, many of which are beyond our control. These factors include:

increases in market interest rates, relative to the dividend yield on our shares. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to go down;

anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with tax treatment of dividends and distributions);

perception by market professionals of REITs generally and REITs comparable to us in particular;

level of institutional investor interest in our securities;

relatively low trading volumes in securities of REITs;

our results of operations and financial condition; and

investor confidence in the stock market generally.

The market value of our common shares is based primarily upon the market s perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our common shares may trade at prices that are higher or lower than our net asset value per common share. If our future earnings or cash distributions are less than expected, it is likely that the market price of our common shares will diminish.

Additional issuances of equity securities may be dilutive to shareholders.

The interests of our shareholders could be diluted if we issue additional equity securities to finance future developments or acquisitions or to repay indebtedness. Our Board of Trustees may authorize the issuance of additional equity securities without shareholder approval. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including the issuance of common and preferred equity.

The issuance of preferred securities may adversely affect the rights of holders of our common shares.

Because our Board of Trustees has the power to establish the preferences and rights of each class or series of preferred shares, we may afford the holders in any series or class of preferred shares preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common shares. Our Board of Trustees also has the power to establish the preferences and rights of each class or series of units in Brandywine Operating Partnership, and may afford the holders in any series or class of preferred units preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common units.

The acquisition of new properties or the development of new properties which lack operating history with us may give rise to difficulties in predicting revenue potential.

We will continue to acquire additional properties and seek to develop our existing land holdings strategically. These acquisitions and developments could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, operating costs or costs of improvements to bring an acquired property or a development property up to the standards established for our intended market position, the performance of the property may be below expectations. Acquired properties may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure you that the performance of properties acquired or developed by us will increase or be maintained under our management.

Our performance is dependent upon the economic conditions of the markets in which our properties are located.

Our properties are located in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Texas, and California. Like other real estate markets, these commercial real estate markets have experienced economic downturns in the past, and future declines in 2008 in any of these economies or real estate markets could adversely affect cash available for distribution. Our financial performance and ability to make distributions to our shareholders will be particularly sensitive to the economic conditions in these markets. The local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors, and local real estate conditions, such as oversupply of or reduced demand for office, industrial

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and other competing commercial properties, may affect revenues and the value of properties, including properties to be acquired or developed. We cannot assure you that these local economies will grow in the future.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Property Acquisitions

We acquired the following properties during the year ended December 31, 2007:

Month of Acquisition	Property/Portfolio Name	Location	# of Buildings	Rentable Square Feet/ Acres	Purchase Price (in 000 s)
Office:					
Mar-07	Brandywine Office Investors, L.P.	Various	10	1,098,340	$ 63,731
May-07	155 Grand Avenue	Oakland, CA	1	204,278	72,000
Jul-07	The Boulders	Richmond, VA	5	508,607	95,000
Jul-07	Post Office/IRS	Philadelphia, PA	1	862,692	28,000
Jul-07	Cira South Garage	Philadelphia, PA		733,000	(a)
	Total Office Properties Acquired		17	3,406,917	$ 258,731
Land Parcels:					
Jul-07	Boulders land	Richmond, VA		4.9	1,250
	Total Land Acquired			4.9	$ 1,250

(a) Property to be constructed by us on land subject to a ground lease

The purchase prices above do not include transaction costs.

Development Properties Placed in Service

We placed in service the following properties during the year ended December 31, 2007:

Month Placed in Service	Property/Portfolio Name	Location	# of Buildings	Rentable Square Feet
Office:				
Jun-07	555 Lancaster Avenue	Radnor, PA	1	242,099

Sep-07	150 Radnor Chester Road	Radnor, PA	1	339,198
Sep-07	170 Radnor Chester Road	Radnor, PA	1	69,787
Sep-07	Three Paragon Place	Richmond, VA	1	74,604
Dec-07	130 Radnor Chester Road	Radnor, PA	1	71,349
Dec-06	201 King of Prussia Road	Radnor, PA	1	251,372
	Total Properties Placed in Service		6	1,048,409

We place a property under development in service on the earlier of (i) once a property reaches 95% occupancy and (ii) one year after the completion of shell construction.

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Property Sales

We sold the following properties during the year ended December 31, 2007:

Month of Sale	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square Feet/ Acres	Sales Price (in 000 s)
Office:					
Jan-07	Norriton Office Center	East Norriton, PA	1	73,394	$ 7,785
Jan-07	Park West	Dallas, TX	4	1,091,186	105,000
Jan-07	George Kachel Farmhouse	Reading, PA	1	1,664	245
Mar-07	Reading/Harrisburg	Reading and Harrisburg, PA	10	940,486	112,000
Mar-07	1007 Laurel Oak	Voorhees, NJ	1	78,205	7,000
Apr-07	Cityplace	Dallas, TX	1	1,295,832	115,000
Nov-07	2490 Boulevard of the Generals	West Norriton, PA	1	20,600	1,458
Nov-07	111/113 Pencader Drive	Newark, DE	1	52,665	5,135
Dec-07	G&I VI Interchange Office, LLC	Various	29	1,616,227	242,150
	Total Office Properties Sold		49	5,170,259	$ 595,773
Land Parcels:					
Jan-07	Park West Land	Dallas, TX		4.7	$ 2,100
Sep-07	Iron Run Land Parcels	Lehigh County, PA		51.5	6,600
	Total Land Sold			56.2	$ 8,700

Properties

As of December 31, 2007, we owned 216 office properties, 23 industrial facilities and one mixed-use property that contain an aggregate of approximately 24.9 million net rentable square feet. We also have seven properties under development and seven properties under redevelopment containing an aggregate 3.7 million net rentable square feet. The properties are located in and surrounding Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Austin, TX, and Oakland and Rancho Bernardo, CA. As of December 31, 2007, the Properties were approximately 93.9% occupied by 1,650 tenants and had an average age of approximately 17.8 years. The office properties are primarily suburban office buildings containing an average of approximately 109,857 net rentable square feet. The industrial properties accommodate a variety of tenant uses, including light manufacturing, assembly, distribution and warehousing. We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the Properties, with policy specifications and insured limits which we believe are adequate.

We had the following projects in development or redevelopment as of December 31, 2007:

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Project Name	Location	Rentable Square Feet	% Leased as of 12/31/07	Projected In-Service Date (a)
Under Development:				
South Lake at Dulles Corner	Herndon, VA	267,350	0.0%	Q4 09
Park on Barton Creek	Austin, TX	213,255	30.7%	Q2 09
Metroplex I	Plymouth Meeting, PA	120,877	9.3%	Q1 09
1200 Lenox Drive	Lawrenceville, NJ	71,250	0.0%	Q1 09
2100 Franklin	Oakland, CA	213,905	0.0%	Q1 09
Post Office/IRS	Philadelphia, PA	862,692	100.0%	Q3 10
Cira South Garage	Philadelphia, PA	733,000	66.7%	Q3 10
		2,482,329		
Under Redevelopment:				
100 Lenox Drive	Lawrenceville, NJ	92,980	0.0%	Q2 09
Atrium I	Mount Laurel, NJ	97,158	50.9%	Q4 08
One Rockledge Associates	Bethesda, MD	160,173	57.0%	Q1 09
Delaware Corporate Center II	Wilmington, DE	95,514	67.4%	Q3 08
Radnor Corporate Center I	Radnor, PA	190,219	65.9%	Q1 09
1333 Broadway	Oakland, CA	239,830	72.5%	Q1 09
300 Delaware Avenue	Wilmington, DE	298,071	78.0%	Q2 09
		1,173,945		
		3,656,274		

(a) Projected in-service date represents the earlier of (i) the date at which the property is estimated to be 95% occupied or (ii) one year

from the project
completion date.

As of December 31, 2007, the above 14 projects accounted for $249.8 million of the $402.3 million of construction in process on our consolidated balance sheet.

As of December 31, 2007, we expect our total development cost for these 14 projects, including an estimate of the tenant improvement costs, to be approximately $718.3 million.

The following table sets forth information with respect to our operating properties at December 31, 2007:

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Property Name	Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2007 (a)	Total Base Rent for the Twelve Months Ended December 31, 2007 (b) (000 s)	Average Annualized Rental Rate as of December 31, 2007 (c)
CALIFORNIA NORTH SEGMENT							
1 Kaiser Plaza	Oakland	CA	1970	530,850	94.0%	$ 16,232	$ 35.04
2101 Webster Street	Oakland	CA	1985	464,424	93.7%	12,210	30.86
1901 Harrison Street	Oakland	CA	1985	272,100	98.8%	7,622	33.12
155 Grand Avenue	Oakland	CA	1990	204,278	98.0%	4,088	35.90
1220 Concord Avenue	Concord	CA	1984	175,153	100.0%	2,944	22.38
1200 Concord Avenue	Concord	CA	1984	175,103	100.0%	4,155	24.99
CALIFORNIA SOUTH SEGMENT							
5780 & 5790 Feet Street	Carlsbad	CA	1999	121,381	94.2%	3,284	31.94
5900 & 5950 La Place Court	Carlsbad	CA	1988	80,506	96.4%	1,881	24.26
16870 West Bernardo Drive	San Diego	CA	2002	68,708	82.4%	2,032	33.63
5963 La Place Court	Carlsbad	CA	1987	61,587	65.5%	1,191	25.96
2035 Corte Del Nogal	Carlsbad	CA	1991	53,982	100.0%	1,158	23.26
5973 Avendia Encinas	Carlsbad	CA	1986	51,695	100.0%	1,373	27.25
METROPOLITAN WASHINGTON D.C. REGION SEGMENT							
7101 Wisconsin Avenue	Bethesda	MD	1975	223,054	95.4%	5,073	26.54
2273 Research Boulevard	Rockville	MD	1999	147,689	98.4%	3,967	26.28
2275 Research Boulevard	Rockville	MD	1990	147,650	88.6%	3,545	13.10
2277 Research Boulevard	Rockville	MD	1986	137,045	100.0%	3,099	
11720 Beltsville Drive	Beltsville	MD	1987	128,903	78.6%	2,013	19.70
7735 Old Georgetown Road	Bethesda	MD	1964/1997	122,543	95.0%	3,168	31.07
11700 Beltsville Drive	Beltsville	MD	1981	96,843	68.6%	1,431	21.59
11710 Beltsville Drive	Beltsville	MD	1987	81,281	67.6%	860	23.52
11740 Beltsville Drive	Beltsville	MD	1987	6,783	100.0%	153	22.76
1676 International Drive	McLean	VA	1999	299,388	100.0%	9,283	33.01
2340 Dulles Corner Boulevard	Herndon	VA	1987	264,405	100.0%	7,954	28.01
2291 Wood Oak Drive	Herndon	VA	1999	227,574	100.0%	5,326	28.89

1900 Gallows Road	Vienna	VA	1989	202,684	100.0%	4,244	23.99
3130 Fairview Park Drive	Falls Church	VA	1999	180,645	73.7%	4,335	35.27
3141 Fairview Park Drive	Falls Church	VA	1988	180,611	96.9%	4,458	25.65
2355 Dulles Corner Boulevard	Herndon	VA	1988	179,334	99.4%	4,432	24.43
2411 Dulles Corner Park	Herndon	VA	1990	176,618	100.0%	5,342	27.86
1880 Campus Commons Drive	Reston	VA	1985	172,448	100.0%	3,112	20.57
2121 Cooperative Way	Herndon	VA	2000	161,274	91.4%	4,329	28.45
8260 Greensboro Drive	McLean	VA	1980	159,498	100.0%	3,722	24.64
2251 Corporate Park Drive	Herndon	VA	2000	158,016	100.0%	5,425	35.44
12015 Lee Jackson Memorial Highway	Fairfax	VA	1985	153,255	97.1%	3,478	24.50
13880 Dulles Corner Lane	Herndon	VA	1997	151,747	100.0%	4,686	32.55
8521 Leesburg Pike	Vienna	VA	1984	149,743	97.9%	3,236	25.88
2201 Cooperative Way	Herndon	VA	1990	138,806	100.0%	3,829	29.84
11781 Lee Jackson Memorial Highway	Fairfax	VA	1982	130,935	96.1%	3,021	23.54
13825 Sunrise Valley Drive	Herndon	VA	1989	104,150	100.0%	2,484	25.99
198 Van Buren Street	Herndon	VA	1996	98,934	100.0%	2,677	28.63
196 Van Buren Street	Herndon	VA	1991	97,781	66.6%	1,885	29.68
4401 Fair Lakes Court	Fairfax	VA	1988	55,972	89.1%	1,314	25.15

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Property Name		Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2007 (a)	Total Base Rent for the Twelve Months Ended December 31, 2007 (b) (000 s)	Average Annualized Rental Rate as of December 31, 2007 (c)
PENNSYLVANIA SEGMENT								
2929 Arch Street	(d)	Philadelphia	PA	2006	729,897	99.3%	24,029	32.98
100 North 18th Street	(e)	Philadelphia	PA	1988	702,286	98.7%	20,596	30.37
130 North 18th Street		Philadelphia	PA	1998	594,361	98.5%	12,706	27.23
150 Radnor Chester Road		Radnor	PA	1983	339,198	100.0%	7,999	18.94
201 King of Prussia Road		Radnor	PA	2001	251,372	84.1%	5,066	23.83
555 Lancaster Avenue		Radnor	PA	1973	242,099	99.5%	6,067	27.99
401 Plymouth Road		Plymouth Meeting	PA	2001	201,883	96.9%	6,123	31.50
Philadelphia Marine Center	(d)	Philadelphia	PA	Various	181,900	91.2%	1,479	4.56
101 West Elm Street		W. Conshohocken	PA	1999	175,009	95.8%	3,805	23.74
Four Radnor Corporate Center		Radnor	PA	1995	165,138	93.3%	2,944	21.74
Five Radnor Corporate Center		Radnor	PA	1998	164,577	83.1%	4,417	30.85
751-761 Fifth Avenue		King Of Prussia	PA	1967	158,000	100.0%	543	3.64
630 Allendale Road		King of Prussia	PA	2000	150,000	100.0%	3,722	26.04
640 Freedom Business Center	(d)	King Of Prussia	PA	1991	132,000	65.3%	1,757	23.37
52 Swedesford Square		East Whiteland Twp.	PA	1988	131,017	100.0%	2,806	23.10
400 Berwyn Park		Berwyn	PA	1999	124,182	100.0%	3,267	27.45
Three Radnor Corporate Center		Radnor	PA	1998	119,194	77.6%	2,857	32.96
101 Lindenwood Drive		Malvern	PA	1988	118,121	85.5%	2,337	21.02
7130 Ambassador Drive	(f)	Allentown	PA	1991	114,049	100.0%	430	5.27
300 Berwyn Park		Berwyn	PA	1989	108,619	100.0%	2,242	23.56
442 Creamery Way	(f)	Exton	PA	1991	104,500	100.0%	598	6.71
		Radnor	PA	1998	100,973	91.4%	2,498	30.99

Two Radnor Corporate Center 301 Lindenwood Drive		Malvern	PA	1984	97,813	97.3%	1,907	20.64
1 West Elm Street		W. Conshohocken	PA	1999	97,737	79.7%	2,744	26.91
555 Croton Road		King of Prussia	PA	1999	96,909	79.4%	2,226	31.51
500 North Gulph Road		King Of Prussia	PA	1979	93,082	76.5%	838	18.26
620 West Germantown Pike		Plymouth Meeting	PA	1990	90,183	87.1%	1,795	27.68
610 West Germantown Pike		Plymouth Meeting	PA	1987	90,152	91.1%	1,610	28.41
630 West Germantown Pike		Plymouth Meeting	PA	1988	89,925	56.5%	1,428	28.04
600 West Germantown Pike		Plymouth Meeting	PA	1986	89,681	83.3%	1,795	26.02
630 Freedom Business Center	(d)	King Of Prussia	PA	1989	86,683	100.0%	1,966	25.48
620 Freedom Business Center	(d)	King Of Prussia	PA	1986	86,570	100.0%	1,760	22.50
1200 Swedsford Road		Berwyn	PA	1994	86,000	100.0%	1,785	24.75
595 East Swedesford Road		Wayne	PA	1998	81,890	100.0%	1,750	21.84
1050 Westlakes Drive		Berwyn	PA	1984	80,000	100.0%	1,818	
One Progress Drive		Horsham	PA	1986	79,204	100.0%	841	13.45
1060 First Avenue		King Of Prussia	PA	1987	77,718	73.2%	1,383	18.48
741 First Avenue		King Of Prussia	PA	1966	77,184	100.0%	580	8.89
1040 First Avenue		King Of Prussia	PA	1985	75,488	78.7%	1,416	21.99
200 Berwyn Park		Berwyn	PA	1987	75,025	100.0%	1,585	24.10
1020 First Avenue		King Of Prussia	PA	1984	74,556	100.0%	1,608	19.25
1000 First Avenue		King Of Prussia	PA	1980	74,139	87.7%	1,057	20.17
436 Creamery Way		Exton	PA	1991	72,300	96.2%	679	14.30
130 Radnor Chester Road		Radnor	PA	1983	71,349	100.0%	583	
170 Radnor Chester Road		Radnor	PA	1983	69,787	92.6%	1,560	17.98
14 Campus Boulevard		Newtown Square	PA	1998	69,542	100.0%	832	
500 Enterprise Road		Horsham	PA	1990	66,751	0.0%	495	
575 East Swedesford Road		Wayne	PA	1985	66,265	89.8%	1,168	22.79
429 Creamery Way		Exton	PA	1996	63,420	100.0%	790	16.49

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Property Name		Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2007 (a)	Total Base Rent for the Twelve Months Ended December 31, 2007 (b) (000 s)	Average Annualized Rental Rate as of December 31, 2007 (c)
610 Freedom Business Center	(d)	King Of Prussia	PA	1985	62,991	54.9%	1,386	22.23
925 Harvest Drive		Blue Bell	PA	1990	62,957	96.1%	1,207	21.30
980 Harvest Drive		Blue Bell	PA	1988	62,379	100.0%	1,383	23.19
426 Lancaster Avenue		Devon	PA	1990	61,102	100.0%	1,213	18.48
1180 Swedesford Road		Berwyn	PA	1987	60,371	100.0%	1,847	32.41
1160 Swedesford Road		Berwyn	PA	1986	60,099	100.0%	1,451	25.04
100 Berwyn Park		Berwyn	PA	1986	57,731	100.0%	1,103	22.95
440 Creamery Way		Exton	PA	1991	57,218	100.0%	648	14.10
640 Allendale Road	(f)	King of Prussia	PA	2000	56,034	100.0%	350	8.01
565 East Swedesford Road		Wayne	PA	1984	55,979	98.6%	985	20.44
650 Park Avenue		King Of Prussia	PA	1968	54,338	97.1%	796	16.08
855 Springdale Drive		Exton	PA	1986	53,500	73.5%	324	16.71
910 Harvest Drive		Blue Bell	PA	1990	52,611	100.0%	1,040	19.11
680 Allendale Road		King Of Prussia	PA	1962	52,528	100.0%	544	13.34
2240/50 Butler Pike		Plymouth Meeting	PA	1984	52,229	100.0%	1,119	21.48
920 Harvest Drive		Blue Bell	PA	1990	51,875	100.0%	971	19.99
486 Thomas Jones Way		Exton	PA	1990	51,372	92.0%	716	18.77
660 Allendale Road	(f)	King of Prussia	PA	1962	50,635	100.0%	365	9.45
875 First Avenue		King Of Prussia	PA	1966	50,000	100.0%	1,038	21.41
630 Clark Avenue		King Of Prussia	PA	1960	50,000	100.0%	301	8.19
620 Allendale Road		King Of Prussia	PA	1961	50,000	100.0%	988	22.59
15 Campus Boulevard		Newtown Square	PA	2002	49,621	100.0%	1,018	21.77
479 Thomas Jones Way		Exton	PA	1988	49,264	100.0%	795	16.90

17 Campus Boulevard	Newtown Square	PA	2001	48,565	100.0%	1,224	28.48
11 Campus Boulevard	Newtown Square	PA	1998	47,699	100.0%	1,009	23.62
456 Creamery Way	Exton	PA	1987	47,604	100.0%	363	8.16
585 East Swedesford Road	Wayne	PA	1998	43,683	100.0%	1,001	25.40
1100 Cassett Road	Berwyn	PA	1997	43,480	100.0%	1,106	29.74
467 Creamery Way	Exton	PA	1988	42,000	77.3%	422	16.70
1336 Enterprise Drive	West Goshen	PA	1989	39,330	100.0%	796	23.04
600 Park Avenue	King Of Prussia	PA	1964	39,000	100.0%	545	15.15
412 Creamery Way	Exton	PA	1999	38,098	100.0%	769	22.06
18 Campus Boulevard	Newtown Square	PA	1990	37,374	100.0%	601	22.67
457 Creamery Way	Exton	PA	1990	36,019	100.0%	386	15.85
100 Arrandale Boulevard	Exton	PA	1997	34,931	100.0%	456	15.71
300 Lindenwood Drive	Malvern	PA	1991	33,000	100.0%	216	21.90
2260 Butler Pike	Plymouth Meeting	PA	1984	31,892	100.0%	663	21.16
120 West Germantown Pike	Plymouth Meeting	PA	1984	30,574	100.0%	459	21.38
468 Thomas Jones Way	Exton	PA	1990	28,934	100.0%	550	18.50
1700 Paoli Pike	Malvern	PA	2000	28,000	100.0%	505	22.22
140 West Germantown Pike	Plymouth Meeting	PA	1984	25,357	89.6%	513	24.22
481 John Young Way	Exton	PA	1997	19,275	100.0%	405	22.88
100 Lindenwood Drive	Malvern	PA	1985	18,400	100.0%	319	20.38
748 Springdale Drive	Exton	PA	1986	13,950	77.7%	197	19.52
200 Lindenwood Drive	Malvern	PA	1984	12,600	65.3%	123	19.17
111 Arrandale Road	Exton	PA	1996	10,479	100.0%	198	18.72

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Property Name	Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2007 (a)	Total Base Rent for the Twelve Months Ended December 31, 2007 (b) (000 s)	Average Annualized Rental Rate as of December 31, 2007 (c)
NEW JERSEY/DELAWARE SEGMENT							
50 East State Street	Trenton	NJ	1989	305,884	91.3%	5,240	30.51
10000 Midlantic Drive	Mt. Laurel	NJ	1990	182,931	96.4%	2,519	24.41
1009 Lenox Drive	Lawrenceville	NJ	1989	180,460	92.2%	4,248	29.66
33 West State Street	Trenton	NJ	1988	167,774	99.6%	2,976	32.00
525 Lincoln Drive West	Marlton	NJ	1986	165,956	95.1%	3,250	24.03
Main Street Plaza 1000	Voorhees	NJ	1988	162,364	93.9%	3,274	24.87
457 Haddonfield Road	Cherry Hill	NJ	1990	121,737	100.0%	2,751	24.89
2000 Midlantic Drive	Mt. Laurel	NJ	1989	121,658	100.0%	1,913	24.77
700 East Gate Drive	Mt. Laurel	NJ	1984	119,272	93.5%	2,135	25.14
2000 Lenox Drive	Lawrenceville	NJ	2000	119,114	100.0%	3,209	31.75
989 Lenox Drive	Lawrenceville	NJ	1984	112,055	100.0%	2,626	29.50
993 Lenox Drive	Lawrenceville	NJ	1985	111,124	100.0%	2,882	29.84
1000 Howard Boulevard	Mt. Laurel	NJ	1988	105,312	100.0%		23.17
100 Brandywine Boulevard	Newtown	PA	2002	102,000	100.0%	2,681	26.36
997 Lenox Drive	Lawrenceville	NJ	1987	97,277	100.0%	2,390	27.98
1120 Executive Boulevard	Mt. Laurel	NJ	1987	95,278	97.4%	1,485	22.28
15000 Midlantic Drive	Mt. Laurel	NJ	1991	84,056	100.0%	1,215	20.69
220 Lake Drive East	Cherry Hill	NJ	1988	78,509	87.3%	1,272	23.69
10 Lake Center Drive	Marlton	NJ	1989	76,359	94.1%	1,339	21.41
200 Lake Drive East	Cherry Hill	NJ	1989	76,352	88.1%	1,462	25.26
1400 Howard Boulevard	Mt. Laurel	NJ	1995/2005	75,590	100.0%	1,431	23.60
Three Greentree Centre	Marlton	NJ	1984	69,300	98.6%	1,360	24.07
9000 Midlantic Drive	Mt. Laurel	NJ	1989	67,299	100.0%	836	25.27

6 East Clementon Road	Gibbsboro	NJ	1980	66,236	87.1%	862	19.22
701 East Gate Drive	Mt. Laurel	NJ	1986	61,794	93.5%	1,093	19.99
210 Lake Drive East	Cherry Hill	NJ	1986	60,604	97.3%	1,218	23.38
308 Harper Drive	Moorestown	NJ	1976	59,500	79.5%	935	23.47
305 Fellowship Drive	Mt. Laurel	NJ	1980	56,824	100.0%	1,122	23.06
Two Greentree Centre	Marlton	NJ	1983	56,075	64.6%	710	22.94
309 Fellowship Drive	Mt. Laurel	NJ	1982	55,911	96.9%	1,194	26.82
One Greentree Centre	Marlton	NJ	1982	55,838	95.4%	1,046	21.63
8000 Lincoln Drive	Marlton	NJ	1997	54,923	100.0%	1,003	19.30
307 Fellowship Drive	Mt. Laurel	NJ	1981	54,485	92.1%	1,020	25.28
303 Fellowship Drive	Mt. Laurel	NJ	1979	53,768	90.6%	1,003	23.40
1000 Bishops Gate	Mt. Laurel	NJ	2005	53,281	100.0%	1,208	23.51
1000 Lenox Drive	Lawrenceville	NJ	1982	52,264	100.0%	1,329	29.60
2 Foster Avenue	(f) Gibbsboro	NJ	1974	50,761	100.0%	167	5.39
4000 Midlantic Drive	Mt. Laurel	NJ	1998	46,945	100.0%	657	23.22
Five Eves Drive	Marlton	NJ	1986	45,564	100.0%	828	20.64
161 Gaither Drive	Mount Laurel	NJ	1987	44,739			