

Easterly Government Properties (Q1 2026)
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Corporate Speakers:

- Cole Bardawill; Easterly Government Properties; Director of Investor Relations
- Darrell Crate; Easterly Government Properties; President and Chief Executive Officer
- Allison Marino; Easterly Government Properties; Executive Vice President, Chief Financial Officer

Participants:

- Seth Bergey; Citi; Analyst
- John Kim; BMO Capital Markets; Analyst
- Merrill Ross; Compass Point Research & Trading; Analyst
- Michael Carroll; RBC Capital Markets; Analyst
- Joseph Dickstein; Jefferies; Analyst
- Michael Lewis; Truist Securities; Analyst

PRESENTATION

Operator^ Greetings. Welcome to the Easterly Government Properties First Quarter 2026 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Cole Bardawill, Director of Investor Relations. Please go ahead.

Cole Bardawill^ Good morning. Before the call begins, please note that certain statements made during this conference call may include statements that are not historical facts and are considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Although the company believes that its expectations as reflected in any forward-looking statements are reasonable, it can give no assurance that these expectations will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond the company's control, including without limitation those contained in the company's most recent Form 10-K filed with the SEC and in its other SEC filings. The company assumes no obligation to update publicly any forward-looking statements.

Additionally, on this conference call the company may refer to certain non-GAAP financial measures such as funds from operations, core funds from operations and cash available for distribution. You can find a tabular reconciliation of these non-GAAP financial measures to the most comparable current GAAP numbers in the company's

earnings release and separate supplemental information package on the Investor Relations page of the company's website at ir.easterlyreit.com.

I would now like to turn the conference call over to Darrell Crate, President and CEO of Easterly Government Properties.

Darrell Crate^ Thank you, Cole. Good morning, everyone. We continue to operate in a market defined by volatility, whether it's interest rates, geopolitical uncertainty or broader capital market disruption. In these environments, investors tend to focus on businesses with durable cash flows, strong tenant credit and disciplined capital allocation. We believe Easterly continues to stand out in each of these areas.

Our portfolio supports essential government functions that continue regardless of economic cycles or external events. These are facilities tied to critical federal missions, high credit state municipal agencies and select defense-related tenants. The durability of those missions and the strength of those credit relationships continues to provide a stable foundation for our business.

Importantly, we believe our portfolio is often misclassified alongside traditional office real estate. That comparison misses the specialized nature of what we own. From our FBI offices in places like El Paso, New Orleans and Pittsburgh, these facilities include secure classified environments, SCIFs and other controlled bases where sensitive law enforcement and intelligence work is conducted. These are highly tailored facilities that support agency-specific operations and are difficult to replicate. They serve essential functions, benefit from long-duration leases, and are backed by some of the strongest credit tenants in the world. Against that backdrop, we remain focused on a straightforward strategy, growing earnings steadily, allocating capital thoughtfully, and continuing to improve overall portfolio quality over time.

Over the past several years, we've taken deliberate steps to strengthen the company including leadership transitions, resetting the dividend and maintaining additional capital internally. These decisions are not always easy, but they position us to enter 2026 from a position of strength, supporting a robust and sustainable dividend while continuing to deliver consistent earnings growth that outperforms our peers.

Turning to the quarter. Our portfolio continued to perform at a high level, occupancy continues to outpace our REIT peers at 97%, and weighted average lease terms stood at approximately 9.4 years. These metrics reflect both the quality of our assets and the mission-critical nature of the work taking place inside our buildings. During the quarter, we also completed our first mezzanine investment tied to the development of a new VA outpatient clinic. This transaction reflects how we are thinking about capital allocation in today's environment. While traditional acquisitions remain central to our long-term growth strategy, we are also identifying adjacent opportunities that can generate attractive current returns while preserving future optionality. This investment is expected to deliver a 12% yield is backed by a committed federal tenant, and allows us to remain connected to an asset that may ultimately fit in our long-term ownership strategy.

VA facilities represent one of our largest portfolio exposures, and that's by design. These assets are highly specialized, tend to be very sticky and are backed by the credit quality of the federal government. We were recently at our VA Jacksonville facility, and it was filled with veterans receiving the care and services they need, an important reminder that these aren't traditional office buildings, but essential infrastructure supporting critical mission.

We also believe that the administration's increased focus on defense spending represents an additional tailwind for the company particularly as it relates to external growth opportunities. As we look to the year ahead, we are encouraged by the strength of our first quarter performance and our ability to raise the low end of guidance. While broader market volatility remains, our priorities remain unchanged: disciplined capital allocation, operational execution and consistent earnings growth. We believe our portfolio offers investors a compelling combination of income stability, long-term growth and exceptional tenant credit quality. With a lease portfolio that generates a AA+ revenue stream, we look forward to working with the credit agencies on achieving an investment-grade rating in 2027.

To wrap up, we're pleased with how the year started. We're growing earnings, maintaining strong occupancy, allocating capital thoughtfully and continuing to improve portfolio quality. We believe that disciplined execution will continue creating long-term value for shareholders. I want to thank our team for their continued focus and execution as well as our tenants and shareholders for their ongoing trust and partnership.

With that, I'll turn the call over to Allison.

Allison Marino^ Thanks, Darrell and good morning, everyone. I'm pleased to report the financial results for the first quarter of 2026 on this sunny Monday morning. The underlying growth in the business is clear. Total revenue increased to \$91.5 million, up from \$78.7 million in the first quarter of 2025, a 16% year-over-year increase. This is driven primarily by acquisitions completed over the last 12 months contractual rent growth and continued lease stability across the portfolio.

EBITDA also grew meaningfully, increasing from \$57.3 million from \$51 million last year, representing approximately 12% growth, reflecting the expanding earnings power of the platform. Most importantly, that growth continued to translate into higher earnings for shareholders on a per share basis even as we raised capital to support portfolio expansion.

On a fully diluted basis, net income per share was \$0.03. FFO per share increased to \$0.76, up from \$0.71, representing approximately 7% growth, while core FFO per share increased to \$0.77 from \$0.73 or roughly 5.5% growth year-over-year. Our cash available for distribution was approximately \$32.2 million.

In terms of our active development projects, we are on track to meet previously communicated timelines. Our Fort Myers, Florida lab project is expected to complete and commence its lease in the fourth quarter of 2026. That will be followed by the Flagstaff Courthouse in Arizona which is scheduled to deliver in the first quarter of 2027. Finally, the Medford Courthouse in Oregon is anticipated to complete during the second half of 2027. The delivery of these development projects are natural delevering points towards our medium-term cash leverage goals as the NOI comes online and any agreed-upon lump sums are received.

Turning to leverage. Our adjusted net debt to annualized quarterly pro forma EBITDA was 7.3x, edging higher during the quarter due primarily to the timing of equity issuance relating to our Commonwealth of Virginia acquisition. Given the share price volatility, the broader markets experienced in the first quarter we elected to defer issuing the majority of that equity, and we expect to complete the issuance by the end of the year.

As Darrell mentioned, during the quarter, we completed our first mezzanine loan investment, providing \$7 million of financing for the development of a new 120,000 square-foot VA outpatient clinic in Kennewick, Washington. The loan carries an anticipated -- a 12% yield and supports a 20-year firm term lease commitment from the Department of Veterans Affairs with an expected project completion date of October 2028.

The transaction is backed by an experienced VA and GSA developer as sponsor who our team has known for decades and Easterly has transacted with multiple times. This allows us the opportunity to acquire the property upon completion as well and the investment enables us to generate attractive current returns while remaining closely aligned with assets that fit our long-term portfolio strategy.

With the successful closing of the mezzanine loan during the quarter, we are raising the low end of our full year guidance by \$0.01 from \$3.05 to \$3.06, resulting in a revised full year range of \$3.06 to \$3.12. While performance year-to-date is trending modestly ahead of our initial expectations, we continue to take a disciplined and cautious approach as we evaluate the remainder of the year, particularly given the ongoing volatility in the interest rate and broader equity market environment.

At the midpoint, our guidance assumes that we will have \$50 million to \$100 million of gross development-related investment during the year and \$50 million in wholly owned acquisitions. We continue to maintain a \$1.5 billion acquisition and development pipeline, and we are beginning to make meaningful progress on potential transactions that meet our investment criteria and can be executed at a spread to our cost of capital, either independently or through a partnership.

We're staying disciplined on capital allocation, focused on retaining our tenants and executing across our development pipeline, all in line with the strategic objectives we have communicated. These are the fundamentals behind Easterly's stable and growing cash flows, and we believe this will drive shareholder value.

Thank you for your time this morning. We appreciate your partnership and look forward to updating you on our progress.

With that, I will now turn the call back to Shannon.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question is from Seth Bergey of Citi.

Seth Bergey^ I guess just starting off with the mezzanine lending piece, is the \$7 million kind of a one-off transaction? Or is there something you would look to kind of do more of? And how should we think about the sizing of that, if that's something that you would kind of think about doing more of in the future?

Darrell Crate^ Yes. I mean, look, it's a terrific way for us to get involved early in a project. I think we could see ourselves allocating about \$30 million to this pipeline. The VA pipeline over the next 4, 5, 6 years is quite significant. There's a set of terrific well-respected developers who really have a knack for building these well. And as you can see, at \$7 million, roughly \$30 million allocated to this effort would get us involved in three, four projects and which, again as those buildings are ready to go online in 1 to 2 years, I think we're very well positioned for them to become part of the broader portfolio.

Seth Bergey^ Then it sounds like the size of the pipeline is kind of unchanged at the \$1.5 billion. With the Virginia campus closing, you've kind of hit the acquisition or most of the acquisition guidance for the year. Just how active is that? What kind of catalyst do you think could unlock that acquisition activity? And just trying to think about how conservative that number is?

Darrell Crate^ Yes. I mean look, I think we're very active in working the pipeline. We're also just super judicious about making sure it's accretive, and so as we look at our earnings that we're delivering for shareholders this year, the midpoint of the range is 3% growth, again, which I think is very favorable relative to the REIT sector, especially given our sort of AA+ revenue stream. And I think things will pop out of that \$1.5 billion. We are maintaining a very wide funnel on opportunity that are all high quality, and the intent for that wide funnel is for it to then narrow down to some opportunities that given a little bit of our cost of capital challenge with regard to stock price, but as we improve on cost of capital and debt, and we continue to find opportunities, we can do things that are really attractive, accretive, not only to core FFO per share, but also accretive to the portfolio in general.

So there's a couple of very large development opportunities outside of the VAs that I'm discussing that are in that pipeline which would be very attractive. We're -- we have made some relationships with folks that are actually 5, 6, 7 years old. And ultimately, I think we can -- we'll be able to work some things out with each of them. So, we want to make sure the promises that we make on this call we can keep. I think that we're delivering

strong growth, but we're very optimistic about what this pipeline can produce over the next 1, 2, 3 years. And that is why we're confident in saying that our long-term growth rate for the company is 2% to 3%. If we're -- as we work with the rating agencies and can achieve an investment-grade rating, that can also lead to our growth targets growing as we basically get debt refinanced over the next 3, 4, 5 years.

Operator^ Our next question is from John Kim of BMO Capital Markets.

John Kim^ It sounds like you are moving forward with some investments in your acquisition pipeline of \$1.5 billion. So I'm just wondering why not update guidance in terms of investment activity. And can you just update us on what kind of spread you're looking for in terms of investment versus cost capital?

Allison Marino^ John, yes. So we are -- we've thought a lot about whether or not to update guidance, particularly with respect to the acquisition pipeline this quarter. And as Darrell mentioned, we are being conservative as we continue to evaluate near-term opportunities within that pipeline and would love to update guidance as we are closer to those deals being cooked. That doesn't, I think, reflect at all about what we think we can do. It's just about being super transparent about how near-term opportunities are.

Then the second part, I think we target 100 basis point spread to our cost of capital. Obviously this mezzanine financing transaction creates like a 600-basis point spread for a fairly nominal investment. So definitely balancing all of the opportunities. Mezz is an example of one of the actionable opportunities in our pipeline today. One that, as Darrell mentioned, we'll continue to evaluate as we go forward. I would say just to reiterate that, targets \$50 million to \$100 million is our defined range.

John Kim^ And on the mezz book getting to \$30 million potentially, is that something that could happen this calendar year? Or if you could just talk about how fast you want to get to that \$30 million?

Darrell Crate^ I'd say over the next -- yes, over the next 18 months, John, is when we can get that deployed. I mean we're really -- I think we've delivered some real terrific growth for this year, and I think we're really setting ourselves up for a nice 2027. I'd love to be giving guidance for 2027, but Allison and Cole won't let me. So we're excited, again, to continue to grow in a way that we think will be pleasing to shareholders.

John Kim^ And are these on projects that you feel comfortable owning? Or do you plan to own some of these assets?

Darrell Crate^ They're great assets. They're great assets. They're -- how we're legging our way into them, I think is very attractive for shareholders. These are assets that are seven cap kind assets that that I think given how we're entering in our -- and how we're in the capital structure we can buy attractively.

Allison Marino^ And this is an area where we really do have a deep underwriting expertise, not just on the financing product itself, but the underlying collateral and the VA CBOC program is one that continues to expand. There are 20-plus projects that are coming through various stages of procurement. So we do expect additional opportunities in that space, particularly. So there are other GSA projects coming on as well.

Darrell Crate^ And not to sound too exuberant about it all, but we absolutely understand these assets. It's worth saying that we're working with folks we've known a long time. We're also very good at developing projects, mission-critical projects and working with the government. I mean we're seeing at our Fort Myers project, that's being run by a terrific group at called [Seagate] but just our understanding and perspective on how to move things along with the government, I think it's certainly neutral to accretive with regard to the project.

We're getting to see how these buildings are built as they will because we do work in collaborative partnership with folks that were mezz-lending to. We're not just like a lender in the cap structure. We can also make suggestions along the way that can either save costs, we're positioned the building for more attractive operating costs for the next 20 years. So we're a terrific mezz partner given where the company is today and cost of capital, it's an excellent way for us to get involved in these assets, and we're really excited for the growth that, that means for shareholders over the next handful of years.

Operator^ Our next question is from Merrill Ross of Compass Point Research & Trading.

Merrill Ross^ I'm sorry. Was that me? Okay. That sounds dropped out. Okay. So -- and will any of those VA projects be acquired by the JV? Or is that an entity filled? So are these going to be wholly owned?

Darrell Crate^ Great question. The answer is it could be either. We -- as we talked about, while we do have this very strong pipeline, we also are being more active today with potential JV partners, and we think we have -- we obviously have some excellent long-term relationships there. I think these are fantastic assets. The degree to which we can afford them and deliver growth to our shareholders. They can be wholly owned. But that said, if there's an opportunity for us to lend our ability to manage these kinds of facilities in the efficient way that we do that would allow us to buy them through joint venture.

We certainly want to capture those economics, but the North Star of all of this is delivering accretion and taking on projects that have that 100 basis point premium to our cost of capital. And again, when we think about cost of capital, we really do think about it on an accounting basis, looking at sort of stock price and FFO as a cost of equity because that's really what drives FFO accretion. But when you think about the IRRs of our projects, with a dividend of 8% and growth of 2% to 3%, we can also start vectoring into different kinds of cost of equity, but we give very little credit for our future growth in our cost of equity as we allocate it and think about what the spread needs to be to deliver

accretion to shareholders. And focusing on that FFO per share growth is the number one metric for this management team.

Merrill Ross^ Great. And as you look at your pipeline (inaudible) further distance, is it primarily federal government? Because you said it was outside the VA, there was activity, but is there also activity at the state level because the Florida acquisition or our development is pretty lucrative. So it would be interesting to know the mix.

Darrell Crate^ Yes. We love Florida, we love Florida. Everybody is moving to Florida. Lots of great people are moving to Florida, but there is some -- there are a few criminals in that mix. So they will be building law enforcement facilities in Florida. They're pretty good at law enforcement. The one that we're working on right now that will be actually delivered early crazy as it sounds and on budget, they have three or four more of those on the dashboard that they need to get built over the next 3 to 5 years. So I think that we're very well positioned to be a good partner in doing that and can probably do it in a way that's very attractive for the taxpayers of Florida, although they pay very little tax and an opportunity for us to do something that's very accretive for shareholders.

Allison Marino^ Then the broader pipeline, you can think about it in roughly a third. So I would say we see about a third of that \$1.5 billion being federal third being state and local and a third being government adjacent. Then if you think between the split of regular way wholly owned joint venture development, mezz financing, it's sort of a mix of all of that with primarily regular way acquisitions as well as development filling that pipeline up.

Darrell Crate^ The team has done just a terrific job of building a toolbox of ways to generate accretion for shareholders. And Allison and her team are really just doing a terrific job on the balance sheet. I think we'll have some nice things to talk about over the next six to nine months.

Merrill Ross^ I do appreciate the thought of diversity inside the pipeline.

Operator^ Our next question is from Michael Carroll of RBC Capital Markets.

Michael Carroll^ I wanted to circle back on the mezz investment. I know you said in a couple of times that you have the ability to potentially acquire these assets at some day in the future. Is there a purchase option related to that, that DEA can exercise to acquire those properties? Or is it just the relationship you get that would allow you to be able to negotiate a price as that gets completed?

Darrell Crate^ No. We have a series of different ways where we have an advantage in the purchase, Allison do you want to...

Allison Marino^ Yes. We have both a ROFR and a ROFO on that particular deal. Those are mechanisms we look to build into financing arrangements like this as a first look.

Michael Carroll^ Okay. Then when you talk about deferring funding some of these deals, does that mean that you have to be more thoughtful about deploying capital here in the near term until you fund the deals that you announced year-to-date?

Darrell Crate^ What does that mean exactly?

Michael Carroll^ I guess in the call you said that you deferred raising equity to fund the 1Q '26 acquisitions. And correct me if I'm wrong on that. So like if you're waiting to fund those deals, do you have to like does it make it more difficult to execute on the pipeline because you haven't funded the 1Q deals yet?

Darrell Crate^ Yes. I mean look, I think it's a really -- it's actually a pretty marginal comment, and it's more toward -- geared toward our debt providers. The idea being that we are going to continue to bring our leverage down over the medium term. We're going to get something that has a six handle on it. And even though our leverage modestly ticked up a little bit this quarter, it's not a reflection of a change in our strategy to continue to properly equitize these opportunities.

And as we look at some of the tools with regard to mezz and some of these development transactions, I think we're going to find ourselves where we can deliver the growth that we're promising. We can get our leverage in the right place. We're absolutely directionally showing us getting into the right place. I've said is obtaining an investment-grade rating can lead to 100 to 150 basis points of additional FFO per share growth over the next five years.

Michael Carroll^ Okay. Great. Then just last one for me. On the available space that you have in your portfolio, like the 3% vacancy, what's the prospects of being a to lease that up? Is some of the space potentially leasable within your portfolio that's currently free?

Darrell Crate^ Yes, crazy enough, yes. I mean this is on the list of all the initiatives and where I'm super proud of the expanded leadership team they are working tirelessly. I mean this FDA lab in Atlanta that we just opened have tens of thousands of square feet that are not leased. The building is fantastic. And all the vacant space that we have now is a space that we underwrote to be vacant when we purchase these buildings or like we're forecasting, obviously NOI.

So a lot of it's a little extra, and we are pursuing that more aggressively than we ever have. That would also be incremental earnings growth on top of what we've set in our guidance. These leases do take pursuing them takes a while with the government. These can be six to nine months kind of things. But as we look to 2027, I see that mezz debt and the opportunity to get some of this vacant space leased and some things shaking out of our pipeline that are unique for us being how we're positioned to the asset and the needs of the seller can probably come together in a pretty nifty way.

So we're excited for the opportunity. We don't know exactly where that's going to all come from. But when you look at the pipeline of opportunities, the tools that we have and

the management team's enthusiasm, effort and skill. I think we're really excited for 2027. But we are excited for 2027, not I think we are.

Operator^ Our next question comes from Joe Dickstein of Jefferies.

Joseph Dickstein^ Darrell you noted in the opening remarks the intention to achieve an investment-grade credit rating in 2027. Can you just speak to the deleveraging strategy and other metrics you're focusing on to achieve this?

Darrell Crate^ Yes. There's a couple. One, if you just squinted at all, you can see that there are other firms that are quite similar to us, that have a BBB+ rating or BBB, just flat BBB, solid investment grade. Their revenue streams start from a place of being single A- to BBB if you look at the revenue stream that pours into the top of our business, it's basically AA+. So the idea that the revenue comes in is AA+ and then all the things that happen before it gets to a bondholder, is eight notches lower. That's what it would take for us to receive a noninvestment-grade rating.

I think as we look at the scale of the business, we're in a place that's attractive, probably a little bit on the lower end, and that's a place where that's probably why we have not perceived an investment-grade rating as aggressively as we could have in the past.

If you look at leverage, again we're in the ZIP code for obtaining an investment-grade rating today especially when we talk about that differential of us being five notches among REITs of sort of similar credit quality. And -- but if we get into the 6s, then as you look at scatter gram of real estate REITs. Again we're very much in a place. So leverage is probably the only metric that we look at and maybe a little bit on scale, where we wouldn't be BBB. But that said, we're working at all of those things, and we're very committed to behaving like an investment-grade company.

We understand what that takes. We think with [WALT] that's almost a decade plus all that AA+ money coming in that we're in a nice spot to be able to harvest that opportunity. But it could take a little time but we think 2027 is hopefully our year.

Joseph Dickstein^ Makes sense. Then just on investments, acquisition target is still at \$50 million. I do understand cost of capital is a constraint, but maybe just to ask more of a direct question. At what share price would you be able to become more active and aggressive on this...

Darrell Crate^ Every little bit of share price will obviously make it easier. And from where we are, we don't want to have a robust call and try and get expectations ahead of where we are. We're really happy with the growth that we're delivering right now. We're going to be very deliberate about making sure 2027 is right on track. So to set ourselves up to disappoint anybody is not what we want to be doing.

So with that said, to just answer your question directly, I mean '24, '25, '26, '27, as those become very -- the flywheel really gets going for what we do. If we don't get the support

from the capital markets and continue to have this 8% dividend, we can still meet these growth targets. I mean we've built enough tools. We have strong JV partners. So we're going to be able to deliver that value. But of course with a lower cost of capital, you can - - we're excited. The team is excited and our disposition is to really accelerate the growth of the company, and the team is very aligned in achieving those objectives consistently for a bunch of years.

Operator^ Our next question is from Michael Lewis of Truist Securities.

Michael Lewis^ Regarding the mezzanine loan investments, is this now like the preferred way to do developments rather than the large cash outlays and the reimbursement later, does it make sense to do more with developers and then you become the takeout on the back end? Should we expect you to do more of that less of the other?

Darrell Crate^ It's a good question. I mean I think it really depends. It depends on the project in that you look at these FDA labs, there's seven more to be built, and we've built three of them, and each one has been a better value for the government because they've been terrific collaborators with the same team on each of those three buildings, and we're able to get really into stride of how to save money. I mean there's 35,000 miles of pipe and wire and all sorts of things that go into it.

So we kind of figured it out. That said, I think that we can build the lowest cost FDA labs and highest quality for the U.S. government. So we should be doing exactly that. I think if you look at some of these VAs while we can build them well. There are one, two, three, four, five developers that have done a terrific job in this space. And for us, the idea of competing with five quality developers spending the search costs to do it, we might as well let one of those high-quality folks win, stand really close to them while they're building the project, and end up -- I think that creates more value for our shareholders.

So when you look at Medford, Oregon or you look at Flagstaff, we're very good at building courthouses. These are courthouses that are in areas where there was -- this was not a major metropolitan courthouse, where we may have found ourselves with a high-cost competition with 11 other developers. The folks who are running the procurement understood Easterly, understood the value that we deliver. They're in markets where the competition was less familiar with these types of assets, and in those cases, us doing development from start to finish was the way to go.

So sorry for all the explanation, but it's really the answer to your question. And it's just about trying to use our expertise to deliver the most value for the shareholders with each of these very high-quality projects. They're terrific because you end up with a 20-year lease and find yourselves in a place where you really have significant government cash flows for years to come.

Michael Lewis^ No. That's great. Then just lastly for me. You kind of alluded to, I think a little bit of conservatism maybe in the acquisition guidance and the FFO guidance. If we annualize the first quarter results, it gets you to \$3.10 for the year, the midpoint of the

range is \$3.09. I guess the question is just is that it? Is it just a little bit of conservatism? Or are there any drags through the rest of the year, why you wouldn't have any sequential growth?

Darrell Crate^ Allison?

Allison Marino^ Yes. So a few things. One, as you can imagine, you've been seen in the markets recently, interest rates are like really wacky right now. I think there's increased short-term volatility that we are seeing with respect to both SOFR and all of the versions of treasury, we like to play in. So a little bit of our conservatism is really driven by the fact that we need to see if some of that volatility calms down which would allow us to improve our cost of capital as the year goes on and strategically look to the debt markets to term out the revolver.

So that's a big piece of uncertainty. I don't think we sat here two months ago and necessarily felt that way. But I don't think we are in poor company today with that concern either. So that's a big piece of the puzzle as we move throughout the remainder of the year. Obviously as developments come online, timing is a very large piece of what underpins our guidance range.

So if earlier in Q4 or the closer to the beginning of Q4, we are able to deliver the FDL lab in Florida, the more improvement in our guidance range you might see. But we're still -- these are the critical six months here of being close enough to see it on the horizon and be excited about an opening party but still far enough where there's development risk left. So we will continue to -- as we march closer to that, evaluate this final projection of delivery as well.

Michael Lewis^ Okay. And actually, maybe I'll throw in one more since I asked kind of a guidance question about '26, I know you're not going to give guidance for '27. You said you're excited about it. The consensus number for FFO is the same as it is for '26. Is there anything you could say that about the -- what excites you about '27 and the growth potential there?

Darrell Crate^ I mean I think if you look at all the tools that we've created and you look at the opportunity set that we're harvesting, the idea of us being flat next year would make no sense. So that's my point. We have an FAA lab that finally these guys are going to leave. I mean it's been eight years that they're there. That's a little bit of a drag. But everything else that we're doing from re-leasing the vacant space to mezz debt to harvesting a pipeline. And Allison's got it just right.

Look, it's first quarter of 2026. So not fair to look at, but we have more stable cash flows than every other REIT out there. So as we're looking forward, we are feeling a level of optimism. And as things unfold here over the next six months, I think that we're going to be able to be very specific about where we're going for the year. But with all these tools and the team really reoriented towards growth, everyone understands what they need to do, and God knows we've said it enough that we're going to grow 2% to 3% a year.

We've done it for 2 years now. If we hit the middle of our guidance this year, we're going to be there as well. We believe that that's our plan for the next handful of years to grow at that pace.

Michael Lewis^ Okay. I understand, Allison, not wanting to give guidance, a much bigger refi year next year than this year. So if rates and they're more uncertain for next year.

Darrell Crate^ Yes. So that's why we can't give guidance, but I certainly would love to, but Allison won't let.

Operator^ Thank you. I would now like to turn the conference back to Darrell Crate, President and CEO of Easterly Government Properties for closing remarks.

Darrell Crate^ Great. Really appreciate you joining for this for the conference call as we share our first quarter earnings. We're very excited about, obviously what we're doing. We're very excited about our growth. We are -- we really look forward to you paying attention to the company spending some time with us. We appreciate the partnership. And we look forward to getting together at this time in about three months.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.