**Easterly Government Properties, Inc. (Q3 2025 Earnings)**
**October 27, 2025**

**Corporate Speakers:**

- Allison Marino; Easterly Government Properties, Inc.; Vice President and Chief Financial Officer
- Darrell Crate; Easterly Government Properties, Inc.; President and Chief Executive Officer

**Participants:**

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

## PRESENTATION

Operator^ Greetings. Welcome to Easterly Government Properties third quarter 2025 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 Allison Marino, Executive Vice President and Chief Financial Officer. Please go ahead.

Allison Marino^ 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^  Thanks, Allison. And good morning, everyone. As we report our third quarter results, it comes at a time when the federal government remains partially closed. For most companies, that kind of disruption would be concerning. For Easterly history offers important perspective. What is important to understand is that a shutdown is part of the Kabuki theater related to budget negotiations. Our investors should be comfortable that the government will not default on our leases because that would be tantamount to defaulting on the U.S. treasury obligation. We are highly confident they will find a way to avoid that as they did with each of the previous 21 shutdowns.

As we enter the final stretch of 2025, I'm pleased to share that Easterly continues to execute against the growth strategy our leadership team embarked upon last year, a disciplined plan centered on three long-term priorities. One is growing core FFO by 2% to 3% annually. The second is increasing same-store performance through thoughtful diversification into state and local, and high credit government adjacent tenancy. Third, continued execution on value-creating development opportunities where we can create portfolio-enhancing improvements to weighted average lease terms and building age. This strategy is designed to balance growth and durability, and to build a portfolio that performs consistently regardless of the economic or policy backdrop. The third quarter is another example of that approach in action.

At the core of our business is a portfolio of essential facilities where government work truly happens. Immigration facilities, courthouses, public health laboratories, law enforcement offices and secure administrative buildings. These are not speculative assets. They are long leased, purpose-built and vital to the functioning of our nation. Our tenants' missions endure across administrations and cycles. That endurance is the foundation of Easterly's ability to deliver consistent compounding growth over time. As demand for secure modernized government facilities continues to expand with population growth at federal, state and municipal levels, we remain uniquely positioned to serve that need.

Now turning to the specifics of the quarter. We delivered strong operating performance, maintained high portfolio occupancy, strengthened relationships across agencies, and refined our balance sheet with a prudent and disciplined approach to capital deployment. We are pleased to deliver 3% core FFO growth from 2024 to the midpoint of our guidance range for '25. That was driven by growth from acquisitions, strong renewal execution and prudent portfolio management.

Our portfolio occupancy remains near historical highs at 97%, and a weighted average lease term of approximately 10 years, underscoring the durability of our tenancy and the strength of our mission-critical focus. Our most recent acquisition of the York Space Systems headquarters in Colorado positions us nicely towards our stated goal, of 15% government adjacent exposure, and reflects the demand for specialized facilities supporting the U.S. Defense and Space partners. Our development pipeline remains very active with major projects progressing nicely.

We continue to identify accretive opportunities that meet our standards for credit quality, mission alignment and durable returns. The acquisition team has built one of the most robust pipelines in our company's history, allowing us to be highly selective with an eye to deploying capital in excess of 100 basis points to our weighted average cost. The team's leadership in sourcing, underwriting and executing accretive opportunities has been exceptional. The work they're doing today will support growth well into the next decade. We are intently focused on improving our cost of capital. While we believe we will unlock further opportunities in our acquisition and development pipeline, one of the ways we seek to improve our cost of capital, both debt and equity, is leverage optimization.

While Easterly's portfolio of long-term high credit leases is capable of sustaining higher leverage levels than other REIT peers, we recognize that comparability with that broader REIT universe matters. To that effect, we are targeting a medium-term cash leverage goal of 6x. This is a decline to our historical cash leverage results, which have been seven to 8x. This shifts to a more conventional leverage target enhances investor comparability, and together with improved funding access, sets Easterly on a clear path towards structurally lower capital costs. We believe we can deliver this expectation while also meeting our attractive growth objectives.

As Allison will detail, we have already made progress on this front this quarter. As we close the third quarter, I want to recognize the collective effort of everyone at Easterly. We're thankful for the trust and partnership of our tenants, our employees and our shareholders. We're confident in our strategy, encouraged by the progress we've made and energized by the opportunities ahead.

As we enter the final quarter of 2025, our priorities remain very clear. Continue executing on our development and acquisition pipeline, advance our cost of capital and leverage initiatives, and deepen our relationships across the federal, state and local agencies we serve. Easterly's mission remains simple. To deliver essential real estate that keeps government moving and our nation secure.

With that, I'll turn our call over to Allison Marino, our Chief Financial Officer.

Allison Marino^  Thanks, Darrell and good morning, again everyone. I am pleased to report the financial results for the third quarter. Both on a fully diluted basis, net income per share was $0.03, and core FFO per share grew to $0.76, slightly above expectations. Our cash available for distribution was $29.3 million, reflecting steady operational performance. During the quarter, we successfully extended the lease at USCIS Lincoln and executed a long-term renewal at VA Golden.

We continue to make progress on the remainder of our 2025 and 2026 renewals, and more broadly, we continue to find the government to be in an especially constructive partner, and the concerns relating to DOGE and our mission-critical portfolio overblown. Our development pipeline is making exciting progress. In August, we broke ground on

the previously announced State Crime Lab in Fort Myers, Florida, and we are on track for a fourth quarter 2026 delivery.

As a reminder, our growth into mission-critical state leases not only diversifies our portfolio, but also increases our weighted average lease term. While U.S. government leases are limited to 20 years, state governments can lease for as long as 40 years, attractively are increasing our WALT to strong credit tenancy.

Our largest development project in the company's history, FDA Atlanta, is nearing the finish line, and we expect the government to accept the premises and the lease to commence in December of this year. Notably, at FDA Atlanta, we received a third progress payment on the lump sum reimbursement during the quarter. The receipt of $102 million meaningfully reduced cash leverage from 7.9x to 7.6 for the quarter. We expect that cash leverage will further improve upon the project's completion to below 7.5x. Echoing Darrell's comments, this is an important step in reducing cash leverage in furtherance of our medium-term leverage goals.

On the debt capital front, Easterly continues to be a creditworthy borrower reflected in our successful recast and upsize of our 2018 senior unsecured term loan from $174.5 million to $200 million, as well as the new accordion feature added to that loan. Further in October, KBRA reaffirmed Easterly's investment-grade rating with a stable outlook. We also continue to work towards receiving additional investment-grade ratings, which we will believe will position us to healthily tap the public bond markets, securing access to debt capital at attractive levels allows us to unlock pipeline value in the medium term.

Turning to guidance. We are narrowing our full year core FFO per share guidance range for 2025 to $2.98, to $3.02 on a fully diluted basis. This range is consistent with our stated goal of 2% to 3% annual core FFO growth, and at its midpoint reflects strong 3% growth over 2024. For 2026, we are issuing full year core FFO per share guidance in the range of $3.05 to $3.12. This guidance range implies a growth rate in our stated 2% to 3% range, supported by the delivery of FDA Atlanta, successes of 2025 renewal execution, sustained operational efficiencies and continued expansion of the portfolio through acquisitions.

At the midpoint, this 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 can see ourselves achieving the upper end of this range and executing on $400 million of acquisitions, given our $1.5 billion pipeline, and the spread we can create to our cost of capital. We remain focused and disciplined in capital management, tenant retention and execution across our development pipeline. These fundamentals underpin Easterly's ability to generate stable growing cash flows and long-term 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 with Citi.

Seth Bergey^ I just wanted to ask about the Flagstaff courthouse completion. It looks like -- they got pushed out on two quarters. Just could you talk a little bit about what's happening there?

Allison Marino^ Yes. So the government continues to work through the design of that courthouse. They are balancing three or four agencies in the building that collaborate on the space design, and we are expecting that they will finalize the lump sum and the TI project in total in 2026, which would then naturally push the ultimate delivery. But that is not unexpected, and we think the new date is certainly achievable.

Seth Bergey^ Great. Then just a second one. I think on -- you kind of target 100 to 150 basis points of spread on development of your cost of capital. But issuing equity kind of below, at least, consensus NAV. Can you just talk about your overall thoughts on capital allocation? And have you considered other sources of funding for development?

Darrell Crate^ Yes. I mean I think broadly, we -- there's two ways we sort of think about cost of equity. I mean broadly, there's -- think about it as FFO cost of equity. Essentially, our estimate next year, divided by the share price, and we look at our debt cost in the sort of 5.5% to 6% range. All of that gets you to a cost of -- weighted average cost of capital while we delever and do all those good things, of -- in the high 9s. When we also just think about our cost of equity relative to peers and real estate risk, you look at dividend plus growth, or there's a whole set of other ways to think about it, but those vector into a cost of equity that's somewhere between 8% and 8.5%.

So we believe that we can be developing at 100 basis points to the upper end to that FFO range. We're able to do that just because we've learned how to do this very well specifically with the agencies that we're close to. But we also -- it's not lost on us that we believe that's adding considerable real value to the overall enterprise and the long-term value of the portfolio. That further said, we have some strong relationships with large sovereign wealth fund and some other partners. They value this long WALT in a significant way and add values that are sort of well below all the NAV kinds of conversation.

So there, that's also -- that could end up being a more attractive way to go while we're in this interim period, where the stock price starts to become more comparable to office and net lease peers, which would materially reduce our cost of capital and get us sort of, again get us closer to on an FFO basis, or FFO cost of equity. Quite similar to the cost of equity that we look at with the sort of more simple metrics of dividend plus growth.

Operator^ Our next question comes from the line of Michael Lewis with Truist Securities.

Michael Lewis^ My first question, I wanted to ask about the $50 million acquisition guidance for '26. I think that's a little lower than you've typically done in the past. I'm guessing that's not a reflection of the opportunity set, the investment opportunity set. Is it more constrained by the cost of capital and what you were just talking about? Or maybe give us some thought on that?

Darrell Crate^ It's a great point. I mean the -- I think given our cost of capital and what we've heard is, hey, there might be some challenges with your cost of capital. How are you ever going to get acquisitions done? We are hoping for some mean reversion as we continue to deliver consistently on this 2% to 3%. As I said this last year, we're delivering 3% growth. We're going to we're looking to next year, and again we're going to be squarely in that 2% to 3% range, possibly with some upside.

So as folks tune into that message and we get away from the dividend cut, and the reverse split, and those other things that where people wonder if DOGE or the headline risk is going to get in our way we imagine we're going to get that kind of mean reversion. That all said, as we move forward, the range that we have for next year really only requires us to get $50 million done.

So we're trying to send a message, which is we are right on track for the growth that people want while doing something that's well below what we've done before. I mean even with our cost of capital this year, which we did a very nice job finding some terrific buildings like York and others, we were able to deliver what's been almost $200 million of acquisitions with a cost of capital that stinks, quite frankly, and we can continue to deliver growth.

So I think we've set a pretty low expectation. We don't want folks to think that we're not going to make the 2% to 3% growth because cost of capital could get in our way. I would say with $50 million of acquisitions and the strength of the pipeline that is $1.5 billion. If our acquisition team hasn't already identified that $50 million that gets us to the right place, I would be very, very, very, very surprised. So it's meant to be a low bar. It's meant for people to accept the guidance that we're putting forward, and we're very excited to continue to deliver on that in 2026.

Michael Lewis^ Okay. Great. Then it looks like you sold the property in the third quarter. Is it possible that dispositions could become part of this getting down to your leverage target? And also related to the leverage target, what does that mean for development starts? Obviously development, you put money out now it impacts your leverage. You don't get the cash flow until later. So your thoughts on those two pieces, dispositions and also what that means for development?

Darrell Crate^ Sure. I think we probably need a little kick from interest rates in order for dispositions to lead to any leverage reduction. I think when we look forward to the sort of medium term 6x, again we stepped back and we looked at net lease peers, we look at office. Our job is to run a portfolio of mission-critical assets, and we're doing that well but it's also our job as we try to manage that portfolio in this public vehicle that we

should be delivering people what they want and looking what they're paying for other organizations. And -- and so as we think about -- as we think about what we're executing, we find ourselves in a place where we would like to get our leverage in line with those peers.

And in that case, our stock should be materially higher than it is right now. That said, we think we can continue to bring in acquisitions, move towards that -- move towards that lower leverage state. I think that as we think about development and moving forward, we will try to work towards that lower leverage. We could use some external partners and JVs in order to make that more possible. But it's -- we really just need to be working with shareholders who are supportive of the company, and be delivering on the metrics that they need to feel good about what we're doing, and using our pipeline and all the work that we've done with agencies to deliver value for shareholders.

Michael Lewis^ Okay. Then one last one for me. Just to put a bow on your comments about the government shutdown. Does that lead to delays in leasing and just slow things down? And is there any threat to any agencies, you think from this process?

Darrell Crate^ In the first part, it absolutely slows things down a bit. I mean in that -- folks are working less. I don't see that's any diminution in value of the portfolio, and there will be a quick catch up. I'd also say post the sort of newer environment of working with the government, where they are thinking about efficiency, they are working more closely with us and other private partners in order to make things work.

So while the government is shut, we're still doing our good work for the government and moving things along, and we're excited for them to come back online. I don't think the shutdown threatens any particular agency, maybe some things get recrafted over time in the spirit of efficiency. But the big dials as you know are making sure entitlement programs are getting organized. Healthcare, you're going to see a lot of movement on that as we get into this next year. None of which has really very much to do with us. And as we focus on mission-critical, that means law enforcement that is drugs, that is all the things that keep Americans safe.

So we find our agencies today more than ever to be enthusiastic about what they're doing moving forward. And for the agencies that we work with in the main, they are they are showing up at work doing their job and feeling the support of the government and their mission.

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

Michael Carroll^ Darrell can you provide some bigger picture trends, I guess how to achieve this 6x cash flow leverage. I know you kind of mentioned a little bit throughout this call. But is that going to be through, a more like, joint venture sales to kind of achieve that? Or can you kind of describe what are some of the levers you can pull to get to that number?

Darrell Crate^ Sure. I think working with joint venture partners is probably the least important, but it's absolutely an avenue that we can pursue. I think first and foremost, these development projects that we're putting in place are very attractive. We've -- as we see the FDA Atlanta is going to be coming online at the end of the year, and that's certainly going to start adding to our EBITDA, and we're going to get another lump sum payment.

So that's going to take us down closer between seven and 7.5x. And as we look forward to these other development projects that we're moving, we will basically financially structure them so that we get to a cost of capital that is about 100 basis points above what we believe the cost of capital to be, by looking into the market and all the metrics that we've articulated. Then we will lever them less when we have return that's in excess of that amount. We believe -- and we do have a very robust pipeline, and our team continues to do a terrific job moving those things forward. I think that as we find it, if we set our goal at 100 basis points above cost of capital for our projects, we're going to find ourselves nicely delevering over the next 24 to 36 months.

Michael Carroll^ Okay. Is that the timeframe of the medium-term goal of two to 3?

Darrell Crate^ Yes. I think so. yes. And again I don't view the 6% as -- our number 1 priority is to grow 2% to 3% a year consistently and be known as a grower that's in that space. That said, our target is going to be 6x. We're not going to take a direct line there, but we want investors to understand that that's what we're marching towards. That's a very important priority for us. I know when we sit here in three to four years, we're going to be a lot closer to 6% than we are today.

I think that that's going to be comparable to -- you're going to look at net lease peers, and you're going to look at office peers. We're going to compare very favorably, especially when you think about the strength of our tenancy credit and the WALT that's in the portfolio. And we certainly get that feedback from large possible joint venture partners today and we are hopeful that the public markets, especially as large REIT funds and others, as money sort of comes back to real estate rather than being in outflows, we're very -- we're a terrific anchor for folks' portfolios with our sort of new mission of making sure the company is growing at those levels.

Michael Carroll^ And is that trend kind of reflected in your 2026 guidance kind of overequitizing some acquisitions and development expenditures?

Darrell Crate^ Yes. I mean my expectation would be that leverage is going to be -- will be lower at the end of '26 than it is at the beginning. I think we should have a six handle within something on the end of it. We're going to continue to report on our leverage in this way. As I said, it's not going to be a straight line, but we're -- we're going to absolutely be driving towards growing the business, hitting that kind of 3% target, which is at the upper end of the range, and making sure we're getting the leverage down so that folks don't consider it a concern for the company. I mean we've always been of the

mindset and especially in the private markets that these assets, given the term of the lease and given the strength of the tenancy that they can handle a lot more leverage.

But it's also just clear to us in the public markets when you -- when we -- when the leadership team got together 24 months ago, and we laid out a strategy, it became clear to us that growing 3% a year is a very good target. If we're delivering 2%, we are right in the ZIP code of where we need to be. We think that growing same-store sales and getting that to be better over the sort of the medium term is also important.

So that's why we moved into a place where we have great skill which is state, local and government adjacency. Those are all mission-critical facilities or just like the facilities that we manage today and we know how to do that very well. But the great news is, once we finally get 30% of our portfolio to have those types of leases with bumps, we start the year with 60 basis points of growth as opposed to 0, in a flat lease environment, waiting for renewals. So I think with lease renewals plus same-store sales, we sort of get ourselves 100 basis points of growth as we look forward over the next 10 years.

Then if we're rewarded and supported by shareholders, adding another 2% to 3% of growth on top of that eventually, with leverage levels that are attractive, seems to be the model in the space that investors are willing to reward, and we think we can get there and achieve it. We talked to investors for a long time about covering our dividend and the capital markets didn't support it, and we held on to our dividend for a little while, knowing that our portfolio could grow into it. But our portfolio doesn't reprice as fast as -- certainly storage or many other areas of real estate.

We looked at ourselves and said, we're going to gut it out for a couple of years here, and we're going to cover our dividend, and that's all going to be good. But that's not what the capital markets want. So it's important for us to do what we do well which is supporting these mission-critical agencies. But likewise, making sure that the metrics when somebody comes to learn about Easterly Government Properties and what we're doing, that they don't have any allergy to the stats that they're starting with. And I think the more that they take the time to do the work and understand the portfolio of the business and what we're trying to do and our years of expertise doing this, that they'll be pretty pleased for it to be part of their portfolio over the longer term.

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

Merrill Ross^ I wanted to ask a few questions about York, and then I had a separate question about mix. Remind us what the total investment was for York, what the cap rate is going in. And maybe a little bit about York's history of government contracts and renewals just to get a sense of the ongoing nature of their contracts with the federal government. And how this property is essential to their mission as you often described your federal portfolio being?

Allison Marino^ Sure. So the acquisition price on that asset was $29 million and the cap rate was in the low 11s. That definitely reflects the fundamentals of the overall Denver market and a motivated seller. So that's what I would share in terms of cap rate compared to some of our others. In terms of the building itself, so this functions as their company headquarters, it's kind of a fascinating building. They have a clean room in the first floor where they construct satellites and other items for their government contracts. So it's unique, right?

When you think about the work that goes into fulfilling a government contract, this is very practical, but also very strategic for them. Their partnership with the U.S. government goes back years. They are a very trusted partner in terms of their overall contract base. The work that they do in the Aeronautics and Defense industry is very integral to their overall business success, and I think they have been quite successful over the years.

Darrell Crate^ And Merrill, we spent a bunch of time with management and other folks. The talent base that supports their business in and around the Colorado area is profound, deep and enduring. So the ability for them to move is difficult. They love the building. I think we're -- we're excited about the lease that we have in place, and I think we're even more excited for renewal when that time comes, far in the future.

Merrill Ross^ I would just observe that in your supplement, you say that 88% of your lease income is from federal government. Then not -- the rest is 12%. I'm just curious how -- and you're trying to meet your 3% goal, and your leverage goal. What do you see that mix moving toward, maybe in the longer term in the next six months? But where are you going with that?

Allison Marino^ Sure. So we have a goal of 70% GSA or federal exposure, a 15% state and local, and another 15% in that adjacent space. So we're definitely on the lookout for our sourcing opportunities where we can continue to grow the state and local and adjacent exposure in the portfolio, while still being able to acquire high credit mission-critical U.S. government properties as well. So I think this year was very demonstrative of how we're going to achieve that. So you saw us acquire D.C. Plaza and an adjacent building with this York Space Systems. But you've also -- we've also acquired DHS Burlington, which is a government asset as well. So it's a good example of how we'll continue to do all of it. But the state and local and adjacent space is certainly an area where we can create more growth because of these escalators that Darrell is talking about.

Merrill Ross^ Right. Do you see, as a result, DOGE, the GSA considering other forms of leases other than their standard contract?

Allison Marino^ I think the GSA is willing to entertain discussions around a more modern lease structure. Escalators is a very good example of that. So in our most recent short-term renewal at USFS in Albuquerque, we were successful in embedding lease escalators into that renewal. So for us, I think that's a really good example of where we --

the GSA is evolving and the GSA is becoming more modern in its leasing practices. And particularly as the government's desire to lease versus own expands, that is an area that we believe that they will become more competitive.

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

John Kim^ Darrell in early last year, you provided a new strategy at your Analyst Day. You talked about delivering 4% growth in earnings consistently. With that came some higher leverage, which I think made sense given the high credit nature of your tenancy. Today it seems like you're focusing -- going back to the 2% to 3% growth with lower leverage. What's changed in the last few months and why the change in strategy?

Darrell Crate^ Yes. So I think we've never set 4% as the promise in target, but we're certainly, that's our stretch goal. I mean our job is to set some expectations and obviously work on exceeding them. So that -- we've always stated sort of 2% to 3% is the right -- is a growth rate that should give us a cost of capital that's attractive. We hit 3% this year.

As Allison is mentioning, our guidance for next year actually has 4% of growth at the upper end of the range. I think to get there, if we are having $300 million to $400 million of acquisitions, which does not seem implausible to me. We can start getting to those 4% rates. What I just don't want to do is set expectations that are too high, and then we feel like we've tripled the growth rate of the company, but we're still failing in the eyes of our investors.

Today at $22, I think that -- 3% is a very attractive alternative. I mean our dividend plus growth is in the mid 11s, which given the stability of the company is really strong. So we just don't want to be able to get out in front of ourselves. That said, and as you know I know you well know if our stock was $28 to $32, we could grow a lot faster. If our stock price was anywhere near our net lease peers, we could grow even faster still. The pipeline, I mean I didn't say it lightly, and it's no BS in our script that the pipeline that our acquisitions team with the addition of Chris Wang and Mike Ibe, a fantastic team, developing a broad range of development and acquisition opportunities.

I mean the idea that we can put a couple of hundred million dollars to work, I think so effectively with a cost of equity that's high is a real shout out to them. If we had a cost of equity that was more in line with what comps would show, I think we can start achieving growth rates that are even higher. But so hopefully, that just gives you context. I feel better about the company today than I did a year ago and a year ago, I felt better about the company than I did a year before that.

So the team is terrific. The pipeline is outstanding. I think as we march towards getting an investment-grade rating that will -- at some point, we will be a terrific healthy issuer of investment-grade debt, which will take our cost of capital down another 50 to 100 basis points. I think that we'll be delivering an earnings set of metrics to the market where investors will be pleased for this to be an anchor for their portfolio. And an opportunity for compounding IRRs over many years.

John Kim^ So to summarize, your line of thinking now is getting lower leverage with more moderate growth will lead to a better cost of capital?

Darrell Crate^ I think that's right. But my growth objective is really -- they really are unchanging in that I think that we are growing very nicely, but getting to lower leverage seems to be -- when I look at -- and again we spend 90% of our time focused on working with the U.S. government, building our portfolio, and doing our job in real estate world. But when you look at the comps, you have to wonder why with our growth rate, why with our dividend and why would our -- the strength of tenancy, why is our stock at $22? It just doesn't make sense.

And when I look at the comps, I think our growth rate is right in line. We're certainly at the upper end of office. We're a little - 100 basis points below net lease peers. If we were in line with office, our stock would be $28 to $32. If we were in line with net lease peers, it would be $36. And the only thing that I can see is that our leverage level on a cash basis continues to be higher than the other folks.

I can also imagine that when we reverse split our stock and cut our dividend, those are generally not signs of portfolio health. But what became clear is that the capital markets weren't supporting that our portfolio could grow into our dividend. So it was time to husband resources were -- that -- obviously it's a lot easier to manage the growth in the company with a lower dividend. And back when we cut our dividend, we were saying 2% to 3%. And I think as I said, maybe I know to you, that getting closer to 3%, it's a lot easier when you have retained earnings in the company. So we're in a place where I think we're poised for significant growth and a little support from the capital markets would go an awfully long way to accelerating that growth.

John Kim^ Okay. Then on your '26 guidance that came in below consensus. You've had some highly accretive acquisitions this year that we thought would boost earnings. Can you talk about some of the headwinds in '26? I mean it looks like you have some dispositions lined up just based on the impairment that you recorded this quarter? And maybe you want to talk about the cap rate on some of the asset sales?

Darrell Crate^ Yes. So I mean we don't have any dispositions, but I'll let Allison, why don’t you just talk a little bit about the model. And again I think in our minds, we don't -- I think if we put a 10% growth rate on the company, the stock price wouldn't change. I mean I think we need to get people -- I think we need to build a base of shareholders, and we try to be very transparent about what we're building. I think the cash flow stream that we're creating is one that's very valuable. And the idea of putting high expectations out there that we can exceed is not going to benefit us. So that said, I think we're promising to shareholders something that is way more attractive than a $22 stock price. But Allison, why don't you just talk about '26 and what we're going to do?

Allison Marino^ Sure. So at its midpoint '26 guidance is roughly an $0.08 increase over the midpoint of '25. If we look at how that sort of $0.08 comes to be -- you're right. There

is absolutely some growth from 2025 accretive acquisitions that occurred. But largely, the largest acquisition we did in 2025 was completed in very early April. So there's only about a quarter of delta, NOI delta, from that particular property year-over-year that's going to increase 2026. So as we look to sort of the $0.08 mark, what I would share with you is that it's predominantly FDA Atlanta. FDA Atlanta has been a very accretive opportunity for us to drive earnings growth.

So that represents a very large portion of that $0.08. We are expecting some same-store growth. We typically target about up 0 to 100 basis points. That's inclusive of leases renewing as well as the commencement of TI and BSAC rents throughout other already executed leases. Then that is offset by some increases in G&A. If you remember, when Bill retired, we accelerated all of the vesting of his existing awards. So this will be the first year we step into a run rate noncash comp number.

John Kim^ Okay. So no dispositions as part of that guidance?

Allison Marino^ There are no dispositions expected for 2026.

John Kim^ Final question for me -- sorry for asking so many, but -- you weathered a number of government shutdowns in the past. I think you said in the prior calls, going back many years that there was enough to pay for 30 days of a government shutdown. I'm wondering if that's still the case? Or do you expect to have an accounts receivable balance at this --

Darrell Crate^ Yes. That's a great question. Thanks for asking. Because just to be super specific, I mean all of leases are funded for six months plus in the government already. The point being that as you're seeing, the administration and Congress are moving money around to meet sets of obligations that are ongoing. In our leases, right at the bottom, it says United States of America, full stop. It's not some subsidiary. It's not an agency. It's the same thing it says on your dollar bill, and it's the same thing as it does on a U.S. Treasury.

So if they don't send us our money, that is a default, and you will see that on the front page of every financial newspaper on the planet Earth. And I think that they're going to find the money to continue to pay bonds, T-bills and our rent. It would be very surprising to not. That's why I think government shut downs are serious business, but I also call it Kabuki theater because it is a negotiating tool that's partisan right now. The government, each party has got a better idea on how to run the government, and that's fine. But they are going to pay their bills and the country is not going to stop moving.

So we're very sanguine about the shutdown. And as we've also seen, we can't wait for the headline risk related to that to go away so that we can, again talk about one less thing related to our strong portfolio and get on our growth path and deliver some fabulous returns to shareholders over the next five to 10 years. Anything else? I mean seriously we love to hear the criticism because I think that we -- or questions because we want to make sure that -- and I really appreciate you asking all the questions, John, because we want to

be very specific with investors about what are any perceived challenges in the model, because we are very proud of the portfolio, and we're proud of the growth that we're delivering.

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. Well thanks, everybody, for joining us on our third quarter conference call. We very much look forward to talking to you as the year ends, and we begin 2026. We're -- and I appreciate the robust conversation. We are excited to rebuild the shareholder base and again deliver growth, deliver strong dividends and deliver an enduring portfolio that keeps America safe. All the best.

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