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Easterly Government Properties, Inc.

Fourth Quarter 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

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Darrell W. Crate, *Chairman, Board of Directors*

William C. Trimble, *President, Chief Executive Officer and Director*

Meghan G. Baivier, *Executive Vice President, Chief Financial Officer and Chief Operating Officer*

CONFERENCE CALL PARTICIPANTS

John Kim, *BMO Capital Markets*

Emmanuel Korchman, *Citi*

Peter Abramowitz, *Jefferies*

Michael Lewis, *Truist Securities*

Bill Crow, *Raymond James*

Michael Carroll, *RBC Capital Markets*

PRESENTATION

Operator

Greetings, and welcome to the Easterly Government Properties Fourth Quarter 2020 Earnings Conference Call.

At this time, all participants are in a listen-only mode. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Lindsay Winterhalter, Vice President, Investor Relations. Thank you. You may begin.

Lindsay S. Winterhalter

Good morning.

Before the call begins, please note the use of forward-looking statements by the Company on this conference call. Statements made on this call may include statements which are not historical facts and are considered forward-looking. The Company intends these forward-looking statements to be covered by the Safe Harbor provisions for forward-looking statements contained in the Private Securities Litigation Act Reform of 1995, and is making this statement for the purpose of complying with those Safe Harbor provisions.

Although the Company believes that its plans, intentions, expectations, strategies and prospects as reflected in, or suggested by, those forward-looking statements are reasonable, it can give no assurance that these plans, intentions, expectations or strategies 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 Item 1A Risk Factors of its Annual Report on Form 10-K for the year ended December 31, 2020, to be filed with the SEC on February 24, 2021, and in its other SEC filings, and risks and uncertainties related to the adverse impact of COVID-19 on the U.S. regional and global economies, and the potential adverse impact on the financial condition and results of operation of the Company. The Company assumes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Additionally, on this conference call, the Company may refer to certain non-GAAP financial measures, such as funds from operations, funds from operations as adjusted, 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, Chairman of Easterly Government Properties.

Darrell W. Crate

Thank you, Lindsay. Good morning, everyone, and thank you for joining us for this Fourth Quarter Conference Call.

Today, in addition to Lindsay, I'm also joined by Bill Trimble, the Company's CEO, and Meghan Baivier, the Company's CFO and COO.

We're pleased with our results for 2020. We exceeded our acquisition targets, furthered our development efforts, successfully negotiated our anticipated renewals, all in the face of COVID-19 and its myriad of challenges. Our portfolio has 79 properties, up approximately 13%, and 7.3 million square feet, up approximately 12%, as compared to last year.

The team has also done an impressive job in building our acquisition and development pipelines for 2021, which will enable us to deliver the consistent, stable growth that our investors have come to anticipate from our young portfolio of mission-critical facilities with leases backed by the full faith and credit of the United States government.

As we look forward, we anticipate a long-term return for our investors of 7%, as measured by growth in FFO and dividends paid. We continue to target 2% to 3% annual FFO growth per share, coupled with a roughly 4% to 5% dividend yield. As you know, Easterly is somewhat uniquely positioned, relative to other REITs, to have insights into the long-term, steady growth potential of our portfolio. We intend for investors to appreciate this consistency and to continue to reward us with an attractive cost to capital.

In addition to enhancing our portfolio and forward opportunities in 2020, we continue to elevate our profile as a leader in important ESG metrics. As you may recall, we founded our business in early private equity years with a portfolio of buildings, many with Platinum, Gold and Silver LEED certification. With the new

Biden administration, we will continue to work with the government to enhance the energy efficiency of our portfolio. This is good for the environment and good for shareholders. It enhances our sustainability metrics, while also encouraging investment in our facilities. We also continue to focus on enhancing diversity on the Board and at all levels in the organization in a way that positions our business to be facing our clients, the government and investors that is constructive, progressive and consistent with our times.

Lastly, I want to thank our Management Team and our Board for their dedication and tireless efforts this year to enable us to deliver consistent results for our shareholders. 2020 was a unique year and I'm proud of the way we weathered the challenge, and I'm particularly pleased with how we are positioned as the economy and the new administration move forward.

With that, I'll turn the call over to Bill to give you insights into the 2020 results.

William C. Trimble

Thanks, Darrell, and good morning. Thank you for joining us for our fourth quarter earnings call. I hope everyone on this call is doing well as we enter year two of this pandemic in the United States.

Not hindered by the impacts of COVID-19, the Acquisitions Team was able to exceed guidance and close out another highly successful year, with four great additions to the Company's growing portfolio in the fourth quarter of 2020. These acquisitions were: the VA's Consolidated Mail Outpatient Pharmacy, located in Charleston, South Carolina, one of seven CMOPs in the country; the Health Resources and Services Administration's only facility devoted to the diagnosis, treatment and research of Hansen's Disease, also known as leprosy, located in Baton Rouge, Louisiana; and the Department of the Interior's regional facility located in Billings, Montana; and finally, the U.S. District Court for the Western District of Jackson, Tennessee, one of 94 U.S. District Courts located throughout the United States. In total, this makes nine accretive mission-critical acquisitions totaling just over $250 million, at a weighted average acquisition cap rate of 6.25 for the year. We surpassed our acquisition guidance, while still maintaining discipline towards our bullseye strategy.

When reflecting on our 2020 additions, several themes hold true. Each property is either built-to-suit or renovated-to-suit for the underlying tenant agency's highly specific requirements. The location of each facility is strategically located in its geographic region to help fulfill the scope of the agency's broader mission, and with a weighted average lease expiration year of 2032, all of these 2020 acquisitions have long-term stability of cash flows, with attractive opportunities for strong lease renewal spreads well into the future.

As Easterly continues on its growth trajectory, one thing becomes abundantly clear about the portfolio. It is only getting stronger. With 87% of the portfolio considered bullseye and each property becoming a smaller relative percentage of total NOI, we continue to diversify away risk that might lie with any single asset. We have a portfolio that is stronger today than pre-pandemic, which speaks to the underlying inherent value of these mission-critical, government-leased assets. The strength of this portfolio, with its strong ability to drive organic growth, coupled with an incredibly strong pipeline of actionable bullseye opportunities, sets the stage for sustainable future cash flow growth.

Our tenancy and the embedded growth opportunities within our portfolio differentiate Easterly from any other office REIT, or even net lease REITs. Rather than attempt to pigeon-hole DEA with net lease or office, we're just who we are, unique in our tenants' creditworthiness, unique in our transparency of future cash flows, a focused provider of infrastructure to enduring missions of the United States.

Turning to development, 2020 marks the third consecutive year Easterly has delivered a brand new, state-of-the-art, 100% leased facility for the beneficial use of the U.S. government. Most recently, Easterly has reached completion and commenced its new 20-year lease of the FDA Laboratory in Lenexa, Kansas. The FDA Lenexa Laboratory is now the newest regional laboratory for this highly important agency within the U.S. government. We continue to remain on track to deliver the 162,000 square foot FDA Laboratory in Atlanta, Georgia in the first half of 2023. Our team, led by Mike Ibe and Mark Bauer, are busy looking for other opportunities to fit our non-speculative development pipeline that provide out-sized accretion, in addition to our acquisition opportunities.

Turning to leasing updates, in the fourth quarter of 2020, we renewed a DEA field office located in a secure federal compound next to our DEA Lab and the FBI in Dallas, Texas, with a new 20-year lease that does not expire until 2041. The Asset Management Team was able to achieve attractive re-leasing spreads that are reflective of a typical bullseye renewal exercise. Later in the call, Meghan will go into more specifics on these lease renewals to date, as well as the Company's expectations with respect to upcoming lease rolls.

As we close our first year of this horrible pandemic, I hope you take away that Easterly Government Properties continues to execute. We execute on our focused acquisition strategy, we execute on our non-speculative development and we execute on accretive renewals. We look ahead, the worst most probably behind us, and are gratified to see a robust pipeline, a team of Asset Managers who are second to none in keeping our buildings up to mission and growing in value, and the opportunity for sustainable growth regardless of the opaque outlook that confronts so many other real estate sectors.

Thank you again for your time this morning, and with that, I will turn the call over to Meghan to discuss the quarterly and year end financial results.

Meghan G. Baivier

Thank you, Bill. Good morning, everyone.

It gives me great pleasure to post another strong quarter and close out a highly successful year here at Easterly. As with prior quarters, COVID-19 had no material negative financial impact on the organization, as Easterly received 100% of rental income due from our tenants in the fourth quarter.

As of December 31, we owned 79 operating properties comprising approximately 7.3 million square feet of commercial real estate, with one additional development project in design totaling approximately 162,000 square feet. In 2020, we acquired nine properties and sold one, a roughly 33,000 square foot facility in Otay, California. While immaterial to the greater portfolio, we are pleased with the value achieved on sale. We chose to exit this border asset given the government's changing needs in this region and are focused on keeping our portfolio pristine.

Through the acquisition of newer facilities and successful long-term renewals at existing properties, the weighted average age of our portfolio remains young at 13.3 years, and the weighted average remaining lease term has never been higher in the history of our Company at 8.2 years. Maintaining a young portfolio age and a long weighted average remaining lease term provides us with future cash flow visibility and the opportunity for healthy dividend growth, while also retaining capital to reinvest into our highly accretive acquisition and development projects.

Turning to our quarterly results for the fourth quarter, net income per share on a fully diluted basis was $0.03, FFO per share on a fully diluted basis was $0.32, FFO as adjusted per share on a fully diluted basis was $0.30, and our cash available for distribution was $21.1 million.

For the year ended December 30, 2020, net income per share on a fully diluted basis was $0.15, FFO per share on a fully diluted basis was $1.26, FFO as adjusted per share on a fully diluted basis was $1.20, and our cash available for distribution was $89.4 million.

At $1.26 per share on a fully diluted basis, Easterly delivered at the upper end of its increased 2020 FFO per share range, and the result represents an impressive 5% growth rate year-over-year. This growth, coupled with a roughly 4.5% dividend yield, we believe differentiates Easterly for the year 2020, and is indicative of how Easterly is exiting the U.S. pandemic stronger than it entered.

Turning to the balance sheet, at quarter end, the Company had total indebtedness of approximately $983.4 million, with $371 million available on our line of credit for future acquisitions and development-related expenses.

As of December 31, Easterly's net debt to total enterprise value was 31.8% and its adjusted net debt to annualized quarterly pro forma EBITDA ratio was at the bottom end of our stated range at 6 times. With this low leverage level, numerous sources of available debt capital, access to equity sold on a forward basis and an attractive cost of equity, we are well poised to lean into future growth opportunities.

In the fourth quarter of 2020, the Company issued approximately 849,000 shares of its common stock through the Company's ATM program, raising net proceeds to the Company of approximately $18.6 million. For the full year 2020, Easterly issued approximately 7 million shares of its common stock through the Company's ATM program at a net weighted average price of $22.93 per share, raising net proceeds to the Company of approximately $160.4 million. Raising equity at such an attractive cost and on a just-in-time basis contributed to our ability to drive meaningful earnings growth over the year.

Today, the Company has approximately 4.1 million shares, which are subject to unsettled forward sales transactions under the Company's ATM program. Assuming these shares are physically settled in full at a net weighted average initial forward sales price of $25.66 per share, the Company expects to receive net proceeds of approximately $105.4 million.

Turning to our earnings guidance, the Company is maintaining its previously issued 2021 FFO per share on a fully diluted basis guidance in a range of $1.28 to $1.30. The midpoint of this guidance is predicated upon completing $200 million in acquisitions and $25 million in growth development-related investment in 2021. Easterly remains on track to deliver 2% to 3% FFO growth per share year-over-year, a percentage we are proud to provide to our shareholders through underlying U.S. government cash flows.

In closing, and before I hand the call back to the Operator for questions, I would like to spend some time on our re-leasing successes.

As previously mentioned, due to the unique nature of our leases, final renewal rents cannot be ascertained until the exact amount of TI dollars required by the government at renewal is known and the TI work is complete. As such, there can be a lag in providing re-leasing data relative to the point at which we have signed a renewal lease.

As of December 31, 2020, we had executed three renewals for which the renewal TI work was complete and accepted by the government. These include: the DEA San Diego warehouse; our courthouse in El Centro; and CBP Chula Vista, which I'd note we sold in May of 2019. The average rent spread achieved on these three renewals was 19%, including approximately $14 per square foot of TI utilized by the government. The average total renewal term for these three renewal leases was 13 years.

I can also share that we currently expect our single-tenant bullseye properties that have renewed, but for which the new lease has not yet commenced or for which it has commenced but the TI has not yet been accepted by the government, to realize an average renewal rent spread of 17% to 20%, including an estimated $35 to $40 per square foot of TI to be utilized by the government, this group of assets totaled 400,000 rentable square feet and includes DEA North Highlands, DEA Riverside, FBI Richmond, FBI Albany, SSA Dallas, SSA San Diego, the courthouse in Charleston, and our DEA Dallas office. These eight properties each have renewed for total lease terms of 15 to 20 years, with an average of 16.9 years. In addition to these bullseye renewals, since IPO, we have executed renewal options at DEA Baton Rouge, SSA Charleston and USCIS Lincoln. We look forward to working with the GSA upon the expiration of these assets between 2024 and 2025.

Finally, with over 900,000 square feet and 15 leases expiring through the end of 2021, we are pleased to report we are making meaningful progress with the GSA and are in active discussions regarding all properties at this time. We feel good about the long-term mission and tenancy of these upcoming expirations.

As always, we thank you for your commitment to our thesis and appreciate your partnership as we continue to deliver for you. Please stay safe, everyone.

With that, I will turn the call back to the Operator.

Operator

Thank you. We will not be conducting a question-and-answer session.

Our first questions come from the line of John Kim with BMO. Please proceed with your questions.

John Kim

Thanks. Good morning. It looks like the number of leases and the rent expiring in 2023 has increased from the last quarter, and I'm wondering if this was due to some 2020 expirations that were just extended into that year.

Meghan G. Baivier

Yes, the main driver of that, John, is our GSA lease in Des Plaines. That lease was extended to 2023.

John Kim

I think there were four leases in total, so, I mean, were there other extensions, or was that part of an acquisition?

Meghan G. Baivier

That was in part—sorry, that's the largest driver of it. When you look at—just a second. Let me come back and I'll get you an itemized list of the other 2023s, but it's the leases at GSA Chicago, both the SSA and the USDA.

John Kim

In your prepared remarks, you characterized the pipeline as incredibly strong, as far as your acquisition pipeline. Can you compare the pipeline today versus perhaps a quarter ago? Since you acquired some refinance in the low 6% cap rate range, has that expanded your opportunities as far as acquisitions?

William C. Trimble

Yes, sure. Good morning. The reason I said it is that we are seeing a number of opportunities, particularly in the VA space, that are coming online, and these are brand new 20-year opportunities, so there's an increase over what we saw last quarter. That's why I mentioned that. We're also looking at some smaller portfolios that are out there. So, I would say, with the pricing right now on these assets, I think the most important thing for our investors to know is that with our terrific cost to capital, thanks to Meghan and the shareholders of our Company, we don't see a great deal of competition when we're looking for some of our pristine properties, and so I think we have a better opportunity than we've ever had to go out and do accretive acquisitions, and I think it's also a point, if you look at our most recent acquisitions, with long lease terms, important missions, beautiful new buildings. So, I think, from a pipeline standpoint, we've never been more gratified with what we're seeing, certainly, for the next year.

John Kim

So, why the conservatism on the guidance, given it's implying a lower amount this year than last year?

William C. Trimble

Well, I think what you've always seen—and I've tried to get this message across—is that there's a certain amount of off-market opportunities we have every year and there are a certain amount of marketed opportunities, and it really is not in our interest to go out and buy $1 billion of properties one year, pay an incredibly low cap rate, because we'd be that elephant in a swimming pool driving the pricing out in front of us and setting a bar for all time at what we don't think is a good value.

I think you've seen we've been able to hit our numbers, exceed them every year. I think we're the Steady-Eddy people out there. When we see an opportunity, we grab it. If something gets marketed, it fits in our bullseye, we're going to buy. So, I think that's the important part. I'd rather give you the good news and give you that steady, long-term growth rate than go out and flash around in a couple of quarters just to pump earnings or pump the size of our buildings. I think we're going to maintain our, I think, very prudent strategy going forward.

John Kim

Okay, appreciate the color. Thank you.

Meghan G. Baivier

Hey, John, just to circle back. The fourth is our new acquisition, the courthouse in Jackson. That is technically 2023. It has an extension option to 2028.

John Kim

Got it.

Operator

Thank you. Our next questions come from the line of Emmanuel Korchman with Citi. Please proceed with your questions.

Emmanuel Korchman

Hey, everyone, good morning. A question for you. Why—and maybe it's just the timing again, but why did you choose to allow leverage to sort of ramp up, rather than pulling on some of those equity forwards to sort of better match fund the large acquisitions you did, the large volume of acquisitions you did?

Meghan G. Baivier

Yes, I think, Manny, it keeps—at that low level, we still keep the same flexibility to put, if you will, that insurance on the balance sheet. It doesn't really change the way we approach 2021, and when we expect to be able to stay well within—at the bottom end of our range. It's just a small shift at the end of the quarter, but it doesn't really change the outlook for next year.

Emmanuel Korchman

Great, and then, Bill, going back to the acquisition market, maybe it would be helpful for the callers if you'd discuss sort of the values that things are transpiring at that you're not buying, and then also remind us what your target range is, just so we have a better handle on what's going on in the market overall.

William C. Trimble

Oh, absolutely, and good morning. This year, if you look at it, it's sort of a tale of two cities. We sort of came at an average of 6.25, and we really have traded in a fairly narrow range, compared to other real estate, since we got into this business back in 2010, so not a lot of dramatic moves. I will say, though, that when you look at what we're—I think some of the more pristine buildings we bought this year were brand new, in some cases, with 15-year leases, and we were seeing pricing closer to 6, or slightly below 6 caps. But, you know, when you look back at one of our most beautiful facilities, with is Loma Linda, the VA facility out there, that was, I think, about a 5.82 cap when we bought that property, and we didn't have the stock price we had today and it was accretive then.

So, I think the bigger takeaway for us is that the market is not moving faster than the attractiveness of our cost of capital, and as long as they're accretive, they fit our bullseye—and I mean reasonably accretive, just not some immeasurable amount—I think you're going to see us go out and have a very strong year.

Emmanuel Korchman

Maybe in a similar vein, as we think about the development environment, you guys have had a few successes, but I guess the question is are there less developments happening and you're still getting your share of the pie, or is somebody else gaining market share on the development side and then you end up being the take-out capital?

William C. Trimble

Well, I think that you—I'd see that we are seeing opportunities, and continue to see opportunities, certainly the FDA Laboratory space, where we've won all three of the, we hope, 10 buildings that will be announced over the next decade, but, you know, we were here, Manny, talking to you over the first couple of years and there weren't any development opportunities. So, it's unique, in that it really depends on the federal government to come out with an RFP, which many times are literally decades under consideration. Having said that, I think that we do believe that we're going to see pretty much the same course that we've seen over the last three years, with, hopefully, one development a year, and to your point, we have successfully taken over a couple of other developments that other people were maybe a little over their skis and we did some wonderful accretive transactions there and delivered some amazing properties.

So, we're looking at every opportunity out there. I can tell you Mike, Mark and Art are flying around the country and looking at things as we speak, so I'm confident we will continue to be able to deliver for development in the future.

Emmanuel Korchman

Thanks, Bill.

Darrell W. Crate

And Manny—it's Darrell—one observation, right? As we're seeing all these stimulus packages come forward, and ultimately an infrastructure bill, we don't want to get ahead of ourselves, but we are moving into an environment over these next sort of two, three, four years where government will be building, growing and getting larger, and we certainly stand to be a beneficiary of that trend.

Operator

Thank you. Our next questions come from the line of Peter Abramowitz with Jefferies. Please proceed with your questions.

Peter Abramowitz

Yes, thank you. Good morning. You talked about the opportunity for VA assets and the acquisition market. One thing you had talked about in the past a little bit, at the beginning of the pandemic, was some multi-type asset owners that you compete with potentially facing liquidity issues, financial distress. How has that kind of segment of the acquisition market shaping up? Is that something that's still materializing, or are you still expecting that to happen?

William C. Trimble

I think it is, yes—and good morning. I think that it absolutely is an opportunity for us and we're spending, certainly, all the time—plenty of time meeting with our friends in the brokerage community, our contacts on our list, making sure that people that have government properties and other more challenged properties know that we are very, very attractive way to exit in a very crisp, quick and, hopefully, pleasant manner.

Peter Abramowitz

Okay, and has that materialized in a way that was any more or less than what you anticipated back at the beginning of the pandemic?

William C. Trimble

No, I think it was on track. I won't go into a particular building, because I don't want to talk about the person who sold it to us under that scenario, but, no, I think it's been pretty much in line.

Peter Abramowitz

Got it, got it. Then, just going under the hood of the '21 FFO guidance—I know you disclosed the investment activity—anything from either like a G&A perspective or on the expense side to make note of, either that's notable or that's changed since you first gave guidance last quarter?

Meghan G. Baivier

Hey, Peter. No, I would say there's been no quarter-over-quarter change in expectation, there's no quarter-over-quarter change in guidance. I think you can—obviously, we haven't been on planes visiting assets this year, so we're going to need to consider that in our G&A, as you think about this year versus next year, but we have always found operating leverage on that line as we've continued to grow NOI over time, and you can expect the same in 2021.

Peter Abramowitz

Got it, that's helpful. Okay, that's it for me. Thank you.

Operator

Thank you. Our next questions come from the line of Michael Lewis with Truist. Please proceed with your questions.

Michael Lewis

Great, thank you. I have two questions about the disposition. I realize it was small. Maybe I'll just ask the first one first. Could you just talk a little bit about what happened there? It looked like that the tenant didn't renew and then you sold. I saw you put the loss on the income statement. Could you just talk about what happened there, and then maybe a little bit about the pricing or the return on the IRR on that investment, if you could?

Meghan G. Baivier

Yes. So, maybe in reverse order, Mike, we're really pleased with the value that we got on that asset. That was an asset that contributed as part of the portfolio at IPO, so it was allocated a value at that time. We're happy to be moving on and focused on maintaining this pristine portfolio and growing the rest of the portfolio.

Michael Lewis

Okay. The reason I asked the question was because I think in your prepared remarks, when you talked about it, you mentioned it's in your priorities. Changing government priorities is really one of the only significant risks that you guys seem to have. Is there anything else related to that—in other words, the government changing their priorities—that may impact other properties in your portfolio, or anything you see on that topic?

William C. Trimble

Well, I mean, I think, if you look at government priorities, I think a much bigger picture is our EPA, which we have some amazing assets there and they're going to be the recipient, and I think of a heck of a lot of largess going forward over the next months and years, and we're very excited about that.

I will say, as an owner of a car that has not had a nick on it since 2010, getting one tiny scratch behind the left tire has finally relieved me to be able to drive that car faster and not worry about it. I've been sitting on it for many years. It's always nice when one of your 10 smallest—it's one of your 10 smallest assets and one of your oldest, and we've moved on and we got a good price, and so off we go and keeping this pristine car chugging down the highway.

Michael Lewis

Okay, I understand it was small. I just wanted to make sure there wasn't anything related to that, that could be bigger picture.

Then, just lastly from me—this is a bigger picture question. Interest rates are still obviously very low, but the Treasury has started to click up. I was just wondering—Darrell described this model of 2% to 3% growth. You've got a 4.5% yield. If we see interest rates continue to creep up, does that change kind of your playbook at all, the way you look at the growth rate, the view of acquisitions versus development, or do you think rates would impact asset values and require development yields to maybe just rise that higher, but any thoughts on that? If the interest rate environment changes, does it change your playbook at all?

William C. Trimble

Yes, I mean, there's a couple things. If interest rates are changing materially over the interim period, cap rates are also going to go up. These continue to be sort of the most pristine assets that have, again, consistent cash flow over long periods of time. I think we also benefit from just on the margin, I mean, close to 30% of our leases will be renewing in the next four years, compared to a portfolio that has many, many 20-year leases, and we'll see many more. I think keeping up with inflation, the portfolio's positioned in a nice way for that to happen. So, we find ourselves in a place where, also given our cost to capital and given what we're seeing in the market, and as we're sort of broadcasting a level below elevated optimism as we look forward, the opportunity for us to accrete and grow the portfolio faster is well within our reach. We're emerging from COVID-19 with, I think, a very good relationship with the government, a favorable environment with the government, a capital environment that works for us, and a competitive position, relative to other buyers, that is very strong.

Michael Lewis

Great, thank you.

Operator

Thank you. Our next questions come from the line of Bill Crow with Raymond James. Please proceed with your questions.

Bill Crow

Thanks. Good morning. Just maybe more directly asking a question that was just posed. You have no known or expected move-outs over the next couple of years. Is that the right way to think about it?

William C. Trimble

Yes, absolutely. Just to say it again, this one building that we sold, it was allocated a value—a tiny building—allocated a value during a formation transaction, and there's a bunch of tensions, push and pulls with regard to bringing parties together, taking a company public, we may have over-allocated a bit, because today you look at that building and this was fair value, and so there's really—even though there's some—it's running through the books in a certain way, there's nothing about that that feels surprising, different or unanticipated, from our perspective.

Bill Crow

Got it, okay. Then, I apologize if I missed this earlier, but on the acquisition front, any perspective portfolio deals out there that we should consider?

William C. Trimble

Well, I mean, they're out there, but I'm certainly not going to announce it on this phone call, but there are plenty of opportunities out there and you can rest assured that we're mining through as many as we can and we're confident that we're going to end up with some wonderful opportunities over the next few years. Obviously, mostly, what we report on is the ones and twos, Bill, that we've been working on, which provide the most pristine assets, and we're also very excited about that.

Darrell W. Crate

Bill, as you know, from early days—and I think this is a conversation you and I had even before we were public—we very much want to broadcast stability and consistency. Our guidance for this year is just right. Bill was alluding to our acquisitions can be lumpy, so there's no way we want our Deal Team to feel pressured to buy a building that we wouldn't buy because we need to make a consensus estimate that's out there. That all said, as you step back, I mean, COVID is tough, to get deals done, and so—and I'm really proud of the team and how they were able to execute and exceed those expectations. As you know, at the beginning of 2020, we pulled those expectations back a bit, understanding the environment, but it's not hard to imagine that, given the context of the Biden administration, given the context of some potential sort of pent-up demand, as vaccines get out there and as the world opens up, it's going to be easier for us, and so we're not going to be pigs about it, but we're going to continue to build a pristine portfolio, we're going to do it in a nice way, but it's going to—we're going to feel a little more wind at our back than we have in the past.

Bill Crow

Understood. Well, keep the cart firmly behind the horse, from a modeling perspective. Thanks for your time, guys.

Operator

Thank you. Our next questions come from the line of Michael Carroll with RBC. Please proceed with your questions.

Michael Carroll

Yes, thanks. I wanted to talk a little bit on the acquisition activity, and I think, Bill, in your comments, or maybe in one of the questions, you kind of said that there is some single asset acquisitions you're looking at and smaller portfolio deals. Did I hear that correctly, and if so, can you talk a little bit about those smaller portfolio deals? Is that just a two- to three-asset-type portfolio?

William C. Trimble

You're absolutely right, what you heard, but there are only 550 buildings out there, so even though we are all friends on this phone call, I don't think I'm going to tell you what I'm in negotiations to do and who we're going to do them with, but I have seen more opportunities to do those negotiations than I've seen in a long time.

Michael Carroll

Okay. No, I guess, those portfolio transactions, is that a smaller portfolio or a larger portfolio, that you don't want to talk about? I guess, just kind of is it (inaudible).

William C. Trimble

Michael, I'm not going to tell you what we're going to buy next week, because I'm sure we can drive that price to unbelievable levels, but let's just say that we're confident that we're going to do a number this year and, just like last year, we're going to try to exceed it, and it's going to be with great buildings and it's going to be any mix of bullseye portfolio, mission-critical facilities.

Michael Carroll

Okay, and then on the development side, and I know that you've won a number of FDA Labs, I mean, what's the pace of those FDA Labs? Do you expect another one that will come out to RFP here shortly that you could potentially win, or what's the thinking behind that?

Meghan G. Baivier

We're comfortable that FDA Atlanta will be the next FDA Lab delivered, and they will—they can only handle sort of one or two of these at a time, and so we expect there to be a pipeline subsequent to that, but we're doing Atlanta, first and foremost.

Darrell W. Crate

I mean, as taxpayers, you've got to feel great about the government and how they are rolling this out. They have a terrific team. We've enjoyed working with them on each of these projects. I mean, when you look ahead to 2030, 2035, the FDA will have revamped all these labs, that will happen. Is that going to happen this year or next year? I don't know. But, we are very well positioned for an opportunity that could exceed everybody's expectations for our development opportunity over the next 10 years.

William C. Trimble

And I think it's only natural. When you see that COVID was there, it was difficult for the government to get around to a lot of these facilities. Mike and his team have done a terrific job—we're already in place in Atlanta, so we were able to do the planning. We already had the building before this happened, so it didn't particularly slow us down. But, having said that, now that, hopefully, these folks will be getting vaccines and travel will resume for the government—it didn't slow our travel down to see these, but it did for them—that they're going to get more things in order and, hopefully, we'll see some more activity there.

Michael Carroll

Okay, and then I know the FDA has been pretty active with these new builds. Is there any other agency that you're looking at that's also been active? I mean, is the VA similarly active out there right now?

William C. Trimble

VA is very active, we think that FEMA is going to be active, and there are a few facilities for the FBI that need to be replaced, and so, from that standpoint, we've probably seen more agencies out there looking to do some building than we have for quite some time.

Michael Carroll

Okay, great, thank you.

William C. Trimble

Thank you.

Operator

Thank you. There are no further questions at this time. I would like to turn the call back over to Darrell Crate for any closing comments.

Darrell Crate

Well, thank you very much for joining us for this Fourth Quarter Conference Call. We very much look forward to delivering strong results in 2021, and we appreciate your interest, focus, and we really look forward to the year that's ahead.

Operator

Thank you for your participation. This does conclude today's teleconference, you may disconnect your lines at this time. Have a great day.