

BRANDYWINE REALTY TRUST
Form 10-K
March 02, 2009

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

(Mark One)

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 001-9106 (Brandywine Realty Trust)

000-24407 (Brandywine Operating Partnership, L.P.)

Brandywine Realty Trust

Brandywine Operating Partnership, L.P.

(Exact name of registrant as specified in its charter)

MARYLAND (Brandywine Realty Trust)

23-2413352

DELAWARE (Brandywine Operating Partnership L.P.)

23-2862640

(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer Identification No.)

555 East Lancaster Avenue
Radnor, Pennsylvania

19087

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (610) 325-5600

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

Title of each class	Name of each exchange on which registered
Common Shares of Beneficial Interest, par value \$0.01 per share (Brandywine Realty Trust)	New York Stock Exchange
7.50% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest par value \$0.01 per share (Brandywine Realty Trust)	New York Stock Exchange
7.375% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest	New York Stock Exchange

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par value \$0.01 per share
(Brandywine Realty Trust)

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

Units of General Partnership Interest (Brandywine Operating Partnership, L.P.)
(Title of class)

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

Brandywine Realty Trust Yes ☐ No ☒

Brandywine Operating Partnership, L.P. Yes ☐ No ☒

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

Brandywine Realty Trust Yes ☐ No ☒

Brandywine Operating Partnership, L.P. Yes ☐ No ☒

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

Brandywine Realty Trust Yes ☒ No ☐

Brandywine Operating Partnership, L.P. Yes ☒ No ☐

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

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

Brandywine Realty Trust:

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

Brandywine Operating Partnership, L.P.:

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

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

Brandywine Realty Trust Yes ☐ No ☒

Brandywine Operating Partnership, L.P. Yes ☐ No ☒

The aggregate market value of the Common Shares of Beneficial Interest held by non-affiliates of Brandywine Realty Trust as of the last day of the registrant's most recently completed second fiscal quarter was \$1.4 billion. The aggregate market value has been computed by reference to the closing price of the Common Shares of Beneficial Interest on the New York Stock Exchange on such date. An aggregate of 88,600,253 Common Shares of Beneficial Interest were outstanding as of February 23, 2009.

As of June 30, 2008, the aggregate market value of the 2,356,593 common units of limited partnership (Units) held by non-affiliates of Brandywine Operating Partnership, L.P. was \$37.1 million based upon the last reported sale price of \$15.76 per share on the New York Stock Exchange on June 30, 2008 of the Common Shares of Beneficial Interest of Brandywine Realty Trust, the sole general partner of Brandywine Operating Partnership, L.P. (For this computation, the Registrant has excluded the market value of all Units beneficially owned by Brandywine Realty Trust.)

Documents Incorporated By Reference

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Portions of the proxy statement for the 2009 Annual Meeting of Shareholders of Brandywine Realty Trust are incorporated by reference into Part III of this Form 10-K.

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

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Filing Format

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

Forward-Looking Statements

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

changes in general economic conditions;

changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);

changes in the economic conditions affecting industries in which our principal tenants compete;

the unavailability of equity and debt financing, particularly in light of the current economic environment;

our failure to lease unoccupied space in accordance with our projections;

our failure to re-lease occupied space upon expiration of leases;

tenant defaults and the bankruptcy of major tenants;

changes in prevailing interest rates;

the impact of unrealized hedging transactions;

failure of acquisitions to perform as expected;

unanticipated costs associated with the acquisition, integration and operation of, our acquisitions;

unanticipated costs to complete, lease-up and operate our developments and redevelopments;

impairment charges;

increased costs for, or lack of availability of, adequate insurance, including for terrorist acts;

risks associated with actual or threatened terrorist attacks;

demand for tenant services beyond those traditionally provided by landlords;

potential liability under environmental or other laws;

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failure or bankruptcy of real estate venture partners;

inability of real estate venture partners to fund venture obligations;

failure of dispositions to close in a timely manner;

failure of buyers to comport with terms of their financing agreements to us;

earthquakes and other natural disasters;

risks associated with federal, state and local tax audits;

complex regulations relating to our status as a REIT and the adverse consequences of our failure to qualify as a REIT; and

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

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

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PART I

Item 1. Business

Introduction

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

We are a self-administered and self-managed real estate investment trust, or REIT, that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office and industrial properties. As of December 31, 2008, we owned 214 office properties, 22 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 23.6 million net rentable square feet. We also have two properties under development and six properties under redevelopment containing an aggregate of 2.3 million net rentable square feet. As of December 31, 2008, we consolidated three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, as of December 31, 2008 we own and consolidated 248 properties with an aggregate of 26.3 million net rentable square feet. As of December 31, 2008, we owned economic interests in 13 unconsolidated real estate ventures that contain approximately 4.2 million net rentable square feet (collectively, the Real Estate Ventures). In addition, as of December 31, 2008, we owned approximately 495 acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania, Metropolitan Washington, D.C., Southern and Central New Jersey, Richmond, Virginia, Wilmington, Delaware, Austin, Texas and Oakland, Carlsbad and Rancho Bernardo, California. In addition to managing properties that we own and consolidated, as of December 31, 2008, we were managing approximately 12.4 million square feet of office and industrial properties for third parties and Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

Organization

Brandywine Realty Trust was organized and commenced its operations in 1986 as a Maryland REIT. Brandywine Realty Trust owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. Brandywine Realty Trust controls the Operating Partnership as its sole general partner and as of December 31, 2008 owned a 96.9% interest in the Operating Partnership. The holders of the remaining interests in the Operating Partnership, consisting of Class A units of limited partnership interest, have the right to require redemption of their units at any time. At our option, we may satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share. Our structure as an UPREIT is designed, in part, to permit persons contributing properties to us to defer some or all of the tax liability they might otherwise incur in a sale of properties.

Our executive offices are located at 555 East Lancaster Avenue, Suite 100, Radnor, Pennsylvania 19087 and our telephone number is (610) 325-5600. We have regional offices in Philadelphia, Pennsylvania; Falls Church, Virginia; Mount Laurel, New Jersey; Richmond, Virginia; Austin, Texas; Oakland, California; and Carlsbad, California. We have an internet website at www.brandywinerealty.com. We are not incorporating by reference into this Annual Report on Form 10-K any material from our website. The reference to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

2008 Transactions

Real Estate Acquisitions/Dispositions

In 2008, we sold nine properties, containing an aggregate of 2.4 million net rentable square feet and one land parcel containing 3.24 acres. Specifically:

On January 14, 2008, we sold 7130 Ambassador Drive, an office property located in Allentown, Pennsylvania containing 114,049 net rentable square feet, for a sales price of \$5.8 million.

On February 14, 2008, we sold a parcel of land located in Henrico, Virginia containing 3.24 acres, for a sales price of \$0.4 million.

On February 29, 2008, we sold 1400 Howard Boulevard, an office property located in Mount Laurel, New Jersey containing 75,590 net rentable square feet, for a sales price of \$22.0 million.

On April 25, 2008, we sold 100 Brandywine Boulevard, an office property located in Newtown, Pennsylvania containing 102,000 net rentable square feet, for a sales price of \$28.0 million.

On October 1, 2008, we sold Main Street Centre, a 426,103 net rentable square feet office property located in Richmond, Virginia, for a sales price of \$48.8 million.

On October 8, 2008, we sold five properties, totaling approximately 1,717,861 net rentable square feet, in Oakland, California for an aggregate sales price of \$412.5 million (including debt assumption). We incurred an impairment charge of \$6.85 million upon the classification of these five properties as held for sale in the quarter ended June 30, 2008.

On November 17, 2008, we closed a transaction with US Bancorp related to the historic rehabilitation of the 30th Street Post Office whereby US Bancorp agreed to contribute approximately \$67.9 million of project costs and advanced \$10.2 million at the closing. The remaining funds are expected to be advanced later this year and in 2010 subject to our achievement of certain construction milestones and compliance with federal rehabilitation regulations. In return for its investment, US Bancorp will, upon completion of the project in 2010, receive substantially all of the rehabilitation credits available under section 47 of the Internal Revenue Code.

On December 30, 2008, we closed a transaction with US Bancorp related to the development of the Cira South Garage whereby US Bancorp contributed approximately \$9.0 million (net) towards past and future project costs in return for which it will receive all of the new markets tax credits available under section 45D of the Internal Revenue Code. As a result of this transaction, we held \$31.4 million of cash in escrow at December 31, 2008. The escrowed cash will fund future development costs of the Cira South Garage during 2009.

Developments

In 2008, we placed in service four office properties that we developed or redeveloped and that contain an aggregate of 677,284 net rentable square feet. We place a property in service at the earlier of (i) the date the property reaches 95% occupancy and (ii) one year from the project completion date. At December 31, 2008, we had eight properties under development or redevelopment that contain an aggregate of 2.3 million net rentable square feet at an estimated total development cost of \$440.7 million. We expect to place these projects in service at dates between the fourth quarter of 2009 and the third quarter of 2010.

During the year-ended December 31, 2008 land review, we identified a number of our land parcels that were impaired. In those circumstances, we recorded a non-cash impairment charge to write them down to their fair value. In the aggregate, a charge of \$10.8 million was recorded in the fourth quarter of 2008. As of December 31, 2008, we owned approximately 495 acres of land.

Current Economic Climate

Deteriorating economic conditions have resulted in a reduction of the availability of financing and higher borrowing costs. These factors, coupled with a slowing economy, have reduced the volume of real estate transactions and created credit stresses on most businesses. We believe that vacancy rates may increase through 2009 and possibly beyond as the current economic climate negatively impacts tenants in our Properties.

We expect that the impact of the current state of the economy, including rising unemployment and the unprecedented volatility and illiquidity in the financial and credit markets, will continue to have a dampening effect on the fundamentals of our business, including increases in past due accounts, tenant defaults, lower occupancy and reduced effective rents. These conditions would negatively affect our future net income and cash flows and could have a material adverse effect on our financial condition. In addition to the financial constraints on our tenants, many of the debt capital markets that we and other real estate companies frequently access, such as the unsecured bond market and the convertible debt market, are not currently available on terms that management believes are

economically attractive or at all. Although we believe that the quality of our assets and our strong balance sheet will enable us to raise debt capital from other sources such as traditional term or secured loans from banks, pension funds and life insurance companies, these sources are lending fewer dollars, under stricter terms and at higher borrowing rates, and there can be no assurance that we will be able to borrow funds on terms that are economically attractive or at all.

Unsecured Debt Activity

During the year ended December 31, 2008, we repurchased \$78.3 million of our \$275.0 million 2009 Notes in a series of transactions which resulted in a \$4.1 million gain on the early extinguishment of debt.

During the year ended December 31, 2008, we repurchased \$24.5 million of our \$300.0 million 2010 Notes in a series of transactions which resulted in a \$3.6 million gain on the early extinguishment of debt.

During the year ended December 31, 2008, we repurchased \$63.0 million of our \$345.0 million 3.875% Guaranteed Exchangeable Notes in a series of transactions which resulted in a \$13.0 million gain on the early extinguishment of debt.

We funded these repurchases from a combination of proceeds from asset sales, cash flow from operations and borrowings under our unsecured revolving credit facility.

During the year ended December 31, 2008, we exercised the accordion feature on our \$150.0 million unsecured term loan that we entered into on October 15, 2007 and funded an additional \$33.0 million, bringing our total outstanding balance to \$183.0 million. All outstanding borrowings under the term loan bear interest at a periodic rate of LIBOR plus 80 basis points. We used the net proceeds of the term loan increase to reduce indebtedness under our unsecured revolving credit facility.

During the second quarter of 2008, the borrowing rate on our \$20.0 million Sweep Agreement, which we entered into in April 2007, increased from LIBOR plus 75 basis points to LIBOR plus 160 basis points in connection with its renewal at that time. The changed rate remains in effect through maturity in April 2009. We are currently pursuing an extension of this agreement but do not know if this will be achieved or if doing so will be comparable to those in place today. Borrowings on the Sweep Agreement are short term and used for cash management purposes.

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

The Credit Facility contains financial and non-financial covenants, including covenants that relate to our incurrence of additional debt; the granting of liens; consummation of mergers and consolidations; the disposition of assets and interests in subsidiaries; the making of loans and investments; and the payment of dividends. The restriction on dividends permits us to pay dividends to the greater of (i) an amount required for us to retain our qualification as a REIT and (ii) otherwise limits dividends to 95% of our funds from operations. The Credit Facility also contains financial covenants that require us to maintain an interest coverage ratio, a fixed charge coverage ratio, an

unsecured debt ratio and an unencumbered cash flow ratio above certain specified minimum levels; to maintain net worth above an amount determined on a specified formula; and to maintain a leverage ratio and a secured debt ratio below certain maximum levels. Another financial covenant limits the ratio of unsecured debt to unencumbered properties. We were in compliance with all financial covenants as of December 31, 2008. Management continuously monitors the Company's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict management's ability to obtain alternative sources of capital. While management currently believes it will remain in compliance with its covenants, in the event of a continued slow-down and continued crisis in the credit markets, we may not be able to remain in compliance with such covenants and if the lender would not provide us with a waiver, could result in an event of default.

On April 30, 2007, we consummated the public offering of \$300.0 million aggregate principal amount of unsecured 5.70% Guaranteed Notes due 2017 and used the net proceeds from this offering to reduce borrowings under the Credit Facility.

Business Objective and Strategies for Growth

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

- maximize cash flow through leasing strategies designed to capture rental growth as rental rates increase and as below-market leases are renewed;

- attain a high tenant retention rate by providing a full array of property management and maintenance services and tenant service programs responsive to the varying needs of our diverse tenant base;

- form joint venture opportunities with high-quality partners having attractive real estate holdings or significant financial resources;

- utilize our reputation as a full-service real estate development and management organization to identify opportunities that will expand our business and create long-term value; and

- increase the economic diversification of our tenant base while maximizing economies of scale.

Based on the current economic environment we consider the following to be important objectives, however, such objectives may be considered more long term in nature than they have been previously:

- as warranted by market conditions, deploy our land inventory and seek new land parcels on which to develop high-quality office and industrial properties to service our tenant base;

- capitalize on our redevelopment expertise to selectively acquire, redevelop and reposition properties in desirable locations; and

- as warranted by market conditions, acquire high-quality office and industrial properties and portfolios of such properties at attractive yields in markets that we expect will experience economic growth.

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

- current and projected market rents and absorption statistics justify construction activity;

- we can maximize market penetration by accumulating a critical mass of properties and thereby enhance operating efficiencies;

barriers to entry (such as zoning restrictions, utility availability, infrastructure limitations, development moratoriums and limited developable land) will create supply constraints on office and industrial space; and

there is potential for economic growth, particularly job growth and industry diversification.

Operating Strategy

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

Our broader strategy remains focused on continuing to enhance liquidity and strengthen our balance sheet through capital retention, targeted sales activity and management of our existing and prospective liabilities. We intend to improve liquidity through a combination of secured mortgages and selective asset sales.

In the long term, we believe that we are well positioned in our current markets and have the expertise to take advantage of both development and acquisition opportunities, as warranted by market and economic conditions, in new markets that have healthy long-term fundamentals and strong growth projections. This capability, combined with what we believe is a conservative financial structure, should allow us to achieve disciplined growth. These abilities are integral to our strategy of having a geographically and physically diverse portfolio of assets, which will meet the needs of our tenants.

We use experienced on site construction superintendents, operating under the supervision of project managers and senior management, to control the construction process and mitigate the various risks associated with real estate development.

In order to fund developments, redevelopments and acquisitions, as well as refurbish and improve existing Properties, we must use excess cash from operations after satisfying our dividend and other requirements. The availability of funds for new investments and maintenance of existing Properties depends in large measure on capital markets and liquidity factors over which we can exert little control. Events over the past several months, including recent failures and near failures of a number of large financial service companies, have made the capital markets increasingly volatile. As a result, many property owners are finding financing to be increasingly expensive and difficult to obtain. In addition, downgrades of our public debt ratings by Standard & Poor's, Moody's Investor Service and Fitch could increase our cost of capital.

Policies With Respect To Certain Activities

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

Investments in Real Estate or Interests in Real Estate

We may develop, purchase or lease income-producing properties for long-term investment, expand and improve the properties presently owned or other properties purchased, or sell such properties, in whole or in part, as circumstances warrant. Although there is no limitation on the types of development activities that we may undertake, we expect that our development activities will meet current market demand and will generally be on a build-to-suit basis for particular tenants where a significant portion of the building is pre-leased before construction begins. It is unlikely we will start any new developments at this time or in the foreseeable future. We continue to participate with other entities in property ownership through existing joint ventures or other types of co-ownership. Our equity investments may be subject to existing or future mortgage financing and other indebtedness that will have priority over our equity investments. Due to current capital constraints, we do not anticipate making any new investments in the near term.

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

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

Investments in Real Estate Mortgages

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

Dispositions

Our disposition of Properties is based upon management's periodic review of our portfolio and the determination by management or our Board of Trustees that a disposition would be in our best interests. We intend to use selective dispositions to fund our capital and refinancing needs.

Financing Policies

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

Working Capital Reserves

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

Policies with Respect to Other Activities

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

Management Activities

We provide third-party real estate management services primarily through wholly-owned subsidiaries (collectively, the Management Companies). As of December 31, 2008, the Management Companies were managing properties

containing an aggregate of approximately 38.3 million net rentable square feet, of which approximately 25.9 million net rentable square feet related to Properties owned by us and approximately 12.4 million net rentable square feet related to properties owned by third parties and unconsolidated Real Estate Ventures.

Geographic Segments

As of December 31, 2008, we were managing our portfolio within six segments: (1) Pennsylvania, (2) Metropolitan Washington D.C, (3) New Jersey/Delaware, (4) Richmond, Virginia, (5) California and (6) Austin, TX. The Pennsylvania segment includes properties in Chester, Delaware, Bucks and Montgomery counties in the Philadelphia suburbs and the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and suburban Maryland. The New Jersey/Delaware segment includes properties in counties in the southern and central part of New Jersey including Burlington, Camden and Mercer counties and in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The California segment includes properties in Oakland, Concord, Carlsbad and Rancho Bernardo. The Austin, Texas segment includes properties in Coppell and Austin. Our corporate group is responsible for cash and investment management, development of real estate properties during the construction period and general support functions.

Competition

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

Insurance

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

Employees

As of December 31, 2008, we had 482 full-time employees, including 41 union employees.

Government Regulations Relating to the Environment

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

Existing conditions at some of our Properties. Independent environmental consultants have conducted Phase I or similar environmental site assessments on our Properties. We generally obtain these assessments prior to the acquisition of a Property and may later update them as required for subsequent financing of the property or as requested by a tenant. Site assessments are generally performed to ASTM standards then existing for Phase I site assessments, and typically include a historical review, a public records review, a visual inspection of the surveyed site, and the issuance of a written report. These assessments do not generally include any soil samplings or

subsurface investigations. Depending on the age of the property, the Phase I may have included an assessment of asbestos-containing materials. For properties where asbestos-containing materials were identified or suspected, an operations and maintenance plan was generally prepared and implemented. See Note 2 to our consolidated financial statements for our evaluation in accordance with FIN 47, *Accounting for Conditional Asset Retirement Obligations*. Historical operations at or near some of our properties, including the operation of underground storage tanks, may have caused soil or groundwater contamination. We are not aware of any such condition, liability or concern by any other means that would give rise to material, uninsured environmental liability. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns; there may be material environmental conditions, liabilities or compliance concerns that a review failed to detect or which arose at a property after the review was completed; future laws, ordinances or regulations may impose material additional environmental liability; and current environmental conditions at our Properties may be affected in the future by tenants, third parties or the condition of land or operations near our Properties, such as the presence of underground storage tanks. We cannot be certain that costs of future environmental compliance will not affect our ability to make distributions to our shareholders.

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

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

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

Other

We do not have any foreign operations and our business is not seasonal. Our operations are not dependent on a single tenant or a few tenants and no single tenant accounted for more than 10% of our total 2008 revenue.

Code of Conduct

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

Corporate Governance Principles and Board Committee Charters

Our Corporate Governance Principles and the charters of the Executive Committee, Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Trustees of Brandywine Realty Trust and additional information regarding our corporate governance are available on our website, www.brandywinerealty.com. In addition to being accessible through our website, copies of our Corporate Governance Principles and charters of our Board Committees can be obtained, free of charge, upon written request to Investor Relations, 555 Lancaster Avenue, Suite 100, Radnor, PA 19087.

Availability of SEC Reports

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

Item 1A. Risk Factors

Our results from operations and ability to make distributions on our equity and to pay debt service on our indebtedness may be affected by the risk factors set forth below. All investors should consider the following risk factors before deciding to purchase our securities.

Adverse economic and geopolitical conditions could have a material adverse effect on our results of operations, financial condition and our ability to pay distributions to you.

Our business is affected by the unprecedented volatility and illiquidity in the financial and credit markets, the general global economic recession, and other market or economic challenges experienced by the U.S. economy or the real estate industry as a whole. Our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio). If economic conditions persist or deteriorate, then our results of operations, financial condition, financial results and ability to service current debt and to pay distributions to our shareholders may be adversely affected by the following, among other potential conditions:

- significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to complete development opportunities and refinance existing debt, reduce our returns;

- from both our existing operations and our development activities and increase our future interest expense;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;

- the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, the dislocation of the markets for our short-term investments, increased volatility in market rates for such investments or other factors;

- reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair our ability to access capital; and

one or more lenders under our line of credit could refuse or be unable to fund their financing commitment to us and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all. These conditions, which could have a material adverse effect on our results of operations, financial condition and ability to pay distributions, may continue or worsen in the future.

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

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

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

competition from other office, industrial and commercial buildings;

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

changes in interest rates and availability of financing;

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

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

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

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

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

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

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

increasing the cost of debt we use to finance our ongoing operations and fund our development and redevelopment activities, thereby increasing their costs and reducing the associated returns;

reducing the availability of potential bidders to bid attractively for our for-sale properties or to close on sales at all; and

preventing us from accessing necessary debt capital on a timely basis leading us to consider potentially more dilutive capital transactions such as undesirable sales of properties or securities.

We may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of our tenants.

The current economic conditions have caused our tenants to experience financial difficulties. If more of our tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn in their business, there could be an adverse effect on our financial performance and distributions to shareholders. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If

a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances

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due under the lease must be paid to us in full. If, however, a lease is rejected by a tenant in bankruptcy, we would have only a general, unsecured claim for damages. Any such unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of the remaining rent during the term.

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

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

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

Increases in interest rates on variable rate indebtedness will increase our interest expense, which could adversely affect our cash flow and ability to make distributions to shareholders. Rising interest rates could also restrict our ability to refinance existing debt when it matures. In addition, an increase in interest rates could decrease the amounts that third parties are willing to pay for our assets, thereby limiting our ability to alter our portfolio promptly in relation to economic or other conditions. We entered into and may, from time to time, enter into agreements such as interest rate hedges, swaps, floors, caps and other interest rate hedging contracts with respect to a portion of our variable rate debt. Although these agreements may lessen the impact of rising interest rates on us, they also expose us to the risk that other parties to the agreements will not perform or that we cannot enforce the agreements.

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

Our degree of leverage could affect our ability to obtain additional financing for working capital expenditures, development, acquisitions or other general corporate purposes. Our senior unsecured debt is currently rated BBB- by Fitch Ratings, Baa3 by Moody's Investor Services and BBB- by Standard & Poor's. We cannot, however, assure you that we will be able to maintain this rating. In the event that our unsecured debt is downgraded from the current rating, we would likely incur higher borrowing costs and the market prices of our common shares and debt securities might decline. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally.

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

Our properties are subject to increases in operating expenses such as for cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping and repairs and maintenance of our properties. In general, under our leases with tenants, we pass through all or a portion of these costs to them. We cannot assure you, however, that tenants will actually bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective tenants, to seek office space elsewhere. If operating expenses increase, the availability of other comparable office space in our core geographic markets might limit our ability to increase rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to shareholders.

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

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

the unavailability of favorable financing alternatives in the private and public debt markets;

having sufficient capital to pay development costs;

unprecedented market volatility in the share price of REITs;

dependence on the financial services sector as part of our tenant base;

construction costs exceeding original estimates due to rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;

construction and lease-up delays resulting in increased debt service, fixed expenses and construction or renovation costs;

expenditure of funds and devotion of management's time to projects that we do not complete;

the unavailability or scarcity of utilities;

occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;

complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits; and

increased use restrictions by local zoning or planning authorities limiting our ability to develop and impacting the size of developments.

We face risks associated with property acquisitions.

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

we may not be able to obtain financing for acquisitions on favorable terms;

acquired properties may fail to perform as expected;

the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and manage new properties in a way that allows us to realize cost savings and synergies. We acquired in the past and in the future may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership. This acquisition

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structure has the effect, among other factors, of reducing the amount of tax depreciation we can deduct over the tax life of the acquired properties, and typically requires that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions on dispositions could limit our ability to sell an asset during a specified time, or on terms, that would be favorable absent such restrictions.

Acquired properties may subject us to known and unknown liabilities.

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

liabilities for clean-up of pre-existing disclosed or undisclosed environmental contamination;

claims by tenants, vendors or other persons arising on account of actions or omissions of the former owners of the properties; and

liabilities incurred in the ordinary course of business.

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

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

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

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

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

We face significant competition from other real estate developers.

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

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

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. As of December 31, 2008, we had investments in 13 unconsolidated real estate ventures and three additional real estate ventures that are consolidated in our financial statements. Our net investments in the 13 unconsolidated real estate ventures aggregated approximately \$71.0 million as of December 31, 2008. We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners or the lenders to our joint ventures are inconsistent with our own objectives, we may not be able to act exclusively in our interests. Furthermore, if the current constrained credit conditions in the capital markets persist or deteriorate further, the value of our investments could deteriorate and we could be required to reduce the carrying value of our equity method investments if a loss in the carrying value of the investment is other than a temporary decline pursuant to APB 18, The Equity Method of Accounting for Investments in Common Stock .

Because real estate is illiquid, we may not be able to sell properties when appropriate.

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

Some potential losses are not covered by insurance.

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

would be able to find alternative coverage in adequate amounts or at reasonable prices. In such case, we could experience a lapse in any or adequate insurance coverage with respect to one or more properties and be exposed to potential losses relating to any claims that may arise during such period of lapsed or inadequate coverage.

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Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.

Terrorist attacks against our properties, or against the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could result in increased operating costs; for example, it might cost more in the future for building security, property and casualty insurance, and property maintenance. As a result of terrorist activities and other market conditions, the cost of insurance coverage for our properties could also increase. We might not be able to pass through the increased costs associated with such increased security measures and insurance to our tenants, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy. Such adverse economic conditions could affect the ability of our tenants to pay rent and our cost of capital, which could have a negative impact on our results.

Our ability to make distributions is subject to various risks.

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

the operational and financial performance of our properties;

capital expenditures with respect to existing, developed and newly acquired properties;

general and administrative costs associated with our operation as a publicly-held REIT;

the amount of, and the interest rates on, our debt; and

the absence of significant expenditures relating to environmental and other regulatory matters.

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

Changes in the law may adversely affect our cash flow.

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

Potential liability for environmental contamination could result in substantial costs.

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

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

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

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

Americans with Disabilities Act compliance could be costly.

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

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

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

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

We face possible federal, state and local tax audits.

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. Certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations. We are currently being audited by the Internal Revenue Service for our 2004 tax year. The audit concerns the tax treatment of a transaction in September 2004 in which we acquired a portfolio of properties through the acquisition of a limited partnership. At this time it does not appear that an adjustment would result in a material tax liability for us. However, an adjustment could raise a question as to whether a contributor of partnership interests in the 2004 transaction could assert a claim against us under the tax protection agreement entered into as part of the transaction.

Competition for skilled personnel could increase labor costs.

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

We are dependent upon our key personnel.

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

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

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

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

- consider the transfer to be null and void;

- not reflect the transaction on our books;

- institute legal action to stop the transaction;

- not pay dividends or other distributions with respect to those shares;

- not recognize any voting rights for those shares; and

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

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

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

interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if the acquisition would be in our shareholders' best interests.

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

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

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

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

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

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

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

- level of institutional investor interest in our securities;

- relatively low trading volumes in securities of REITs;

- our results of operations and financial condition; and

- investor confidence in the stock market generally.

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

Additional issuances of equity securities may be dilutive to shareholders.

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

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

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

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

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

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

Our properties are located in Pennsylvania, New Jersey, Delaware, Maryland, Virginia, Texas, and California. Like other real estate markets, these commercial real estate markets have been impacted by the economic downturns during 2008, and future declines in 2009 in any of these economies or real estate markets could adversely affect cash available for distribution. Our financial performance and ability to make distributions to our shareholders will be particularly sensitive to the economic conditions in these markets. The local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors, and local real estate conditions, such as oversupply of or reduced demand for office, industrial and other competing commercial properties, may affect revenues and the value of properties, including properties to be acquired or developed. We cannot assure you that these local economies will grow in the future.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Property Acquisitions

We did not acquire any properties during the year ended December 31, 2008.

Development Properties Placed in Service

We placed in service the following office properties during the year ended December 31, 2008:

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Month Placed in Service	Property/Portfolio Name	Location	# of Buildings	Rentable Square Feet
Aug-08	4000 Chemical Road (Metroplex I)	Plymouth Meeting, PA	1	120,877
Oct-08	1200 Lenox Drive	Lawrenceville, NJ	1	75,000
Nov-08	South Lake at Dulles	Herndon, VA	1	268,240
Dec-08	Park on Barton Creek	Austin, TX	1	213,167
Total Properties Placed in Service			4	677,284

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

Property Sales

We sold the following office properties during the year ended December 31, 2008:

Month of Sale	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square Feet/ Acres	Sales Price (in 000 s)
Jan-08	7130 Ambassador Drive	Allentown, PA	1	114,049	\$ 5,800
Feb-08	1400 Howard Boulevard	Mount Laurel, NJ	1	75,590	22,000
Apr-08	100 Brandywine Boulevard	Newtown, PA	1	102,000	28,000
Oct-08	600 East Main Street (Main Street Centre)	Richmond, VA	1	426,103	48,820
Oct-08	Northern California Portfolio	Oakland, CA	5	1,717,861	412,500
Total Office Properties Sold			9	2,435,603	\$ 517,120

We sold the following land parcel during the year ended December 31, 2008:

Month of Sale	Property/Portfolio Name	Location	# of Bldgs.	Rentable Square Feet/ Acres	Sales Price (in 000 s)
Feb-08	Dabney Westwood	Henrico, VA		3.2	376
Total Land Sold				3.2	\$ 376

Properties

As of December 31, 2008, we owned 214 office properties, 22 industrial facilities and one mixed-use property that contain an aggregate of approximately 23.6 million net rentable square feet. We also have two properties under development and six properties under redevelopment containing an aggregate 2.3 million net rentable square feet. As of December 31, 2008, we consolidated three office properties owned by real estate ventures containing 0.4 million net rentable square feet. The properties are located in and surrounding Philadelphia, PA, Metropolitan Washington, D.C., Southern and Central New Jersey, Richmond, VA, Wilmington, DE, Austin, TX, and Oakland, Carlsbad and Rancho Bernardo, CA. As of December 31, 2008, the Properties were approximately 90.2% occupied by 1,423 tenants and had an average age of approximately 17.6 years. The office properties are primarily suburban office buildings

containing an average of approximately 104,433 net rentable square feet. The industrial properties accommodate a variety of tenant uses, including light manufacturing, assembly, distribution and warehousing. We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the Properties, with policy specifications and insured limits which we believe are adequate.

We had the following projects in development or redevelopment as of December 31, 2008:

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Project Name	Location	Rentable Square Feet	% Leased as of 12/31/08	Stabilization Date (a)
Under Development:				
Post Office/IRS	Philadelphia, PA	862,692	100.0%	Q3 10
Cira South Garage	Philadelphia, PA	542,273	94.3%	Q3 10
		1,404,965		
Under Redevelopment:				
Radnor Corporate Center I	Radnor, PA	190,219	64.0%	Q4 09
One Rockledge Associates	Bethesda, MD	160,173	57.7%	Q4 09
300 Delaware Avenue	Wilmington, DE	298,071	72.5%	Q4 09
Delaware Corporate Center II	Wilmington, DE	95,514	68.7%	Q4 09
100 Lenox Drive	Lawrenceville, NJ	91,450	67.6%	Q4 09
Atrium I	Mount Laurel, NJ	97,158	89.2%	Q4 09
		932,585		
		2,337,550		

(a) Projected stabilization date represents the earlier of (i) the date the property reaches 95% occupancy and or (ii) one year from the project completion date.

As of December 31, 2008, the above eight projects accounted for \$88.9 million of the \$121.4 million of construction in process shown on our consolidated balance sheet.

As of December 31, 2008, we expect our development cost for these eight projects, including an estimate of the tenant improvement costs, to aggregate \$440.7 million.

The following table sets forth information with respect to our core properties at December 31, 2008:

							Total Base	Average
							Rent	Annualized
							for the	Rental
							Twelve	Rate
							Months	
							Ended	as of
							December	December
							31,	31,
							2008 (b)	2008 (c)
Property Name		Location	State	Renovated	Feet	2008 (a)	(000 s)	
PENNSYLVANIA								
SEGMENT								
2929 Arch Street	(d)	Philadelphia	PA	2005	729,897	100.0%	24,467	34.43
100 North 18th Street	(e)	Philadelphia	PA	1988	702,006	99.6%	20,572	31.38
130 North 18th Street		Philadelphia	PA	1989	594,361	98.5%	12,484	27.60
150 Radnor Chester Road		Radnor	PA	1983	340,262	98.4%	9,417	28.71
201 King of Prussia Road		Radnor	PA	2001	251,372	86.7%	6,194	30.34
555 Lancaster Avenue		Radnor	PA	1973	242,099	99.9%	6,439	28.07
		Plymouth	PA	2001	201,883	100.0%	6,156	32.13
401 Plymouth Road		Meeting						
Philadelphia Marine Center	(d)	Philadelphia	PA	Various	181,900	91.2%	1,177	4.76
		W.	PA	1999	175,009	97.3%	4,099	25.92
101 West Elm Street		Conshohocken						
Four Radnor Corporate Center		Radnor	PA	1995	165,138	73.2%	3,001	24.75
Five Radnor Corporate Center		Radnor	PA	1998	164,577	87.4%	4,142	31.83
751-761 Fifth Avenue		King Of Prussia	PA	1967	158,000	100.0%	574	3.64
630 Allendale Road		King of Prussia	PA	2000	150,000	100.0%	3,722	26.53
640 Freedom Business Center	(d)	King Of Prussia	PA	1991	132,000	89.3%	1,975	23.89
		East Whiteland Twp.	PA	1988	131,017	100.0%	2,963	23.86
52 Swedesford Square		Berwyn	PA	1999	124,182	100.0%	3,267	28.05
400 Berwyn Park		Plymouth	PA	2007	120,877	45.1%	435	29.05
4000 Chemical Road		Meeting						
Three Radnor Corporate Center		Radnor	PA	1998	119,194	90.1%	2,828	27.35
101 Lindenwood Drive		Malvern	PA	1988	118,121	80.5%	1,961	22.24
181 Washington Street	(h)	Conshohocken	PA	1999	115,122	88.4%	2,918	27.95
300 Berwyn Park		Berwyn	PA	1989	108,619	94.8%	2,058	25.24
442 Creamery Way	(f)	Exton	PA	1991	104,500	100.0%	598	6.71
Two Radnor Corporate Center		Radnor	PA	1998	100,973	65.6%	1,964	29.64

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301 Lindenwood Drive		Malvern	PA	1984	97,813	100.0%	1,916	21.17
		W.	PA	1999	97,737	79.7%	2,024	27.82
1 West Elm Street		Conshohocken						
555 Croton Road		King of Prussia	PA	1999	96,909	84.0%	2,211	31.49
500 North Gulph Road		King Of Prussia	PA	1979	93,082	87.1%	1,228	18.69
620 West Germantown Pike		Plymouth Meeting	PA	1990	90,183	80.4%	1,693	28.31
610 West Germantown Pike		Plymouth Meeting	PA	1987	90,152	90.8%	1,752	29.72
630 West Germantown Pike		Plymouth Meeting	PA	1988	89,925	93.7%	1,339	28.33
600 West Germantown Pike		Plymouth Meeting	PA	1986	89,681	81.2%	1,629	24.85
630 Freedom Business Center	(d)	King Of Prussia	PA	1989	86,683	88.1%	1,749	26.48
1200 Swedesford Road		Berwyn	PA	1994	86,622	76.5%	1,407	28.65
620 Freedom Business Center	(d)	King Of Prussia	PA	1986	86,570	100.0%	1,746	23.37
200 Barr Harbour Drive	(h)	Conshohocken	PA	1998	86,021	100.0%	2,436	32.58
595 East Swedesford Road		Wayne	PA	1998	81,890	100.0%	1,750	22.44
1050 Westlakes Drive		Berwyn	PA	1984	80,000	100.0%	1,984	24.85
One Progress Drive		Horsham	PA	1986	79,204	100.0%	841	13.45
1060 First Avenue	(e)	King Of Prussia	PA	1987	77,718	70.3%	955	20.87
741 First Avenue		King Of Prussia	PA	1966	77,184	100.0%	580	8.95
1040 First Avenue	(e)	King Of Prussia	PA	1985	75,488	90.9%	1,219	27.86
200 Berwyn Park		Berwyn	PA	1987	75,025	98.6%	1,574	24.63
1020 First Avenue	(e)	King Of Prussia	PA	1984	74,556	100.0%	1,608	19.75
1000 First Avenue	(e)	King Of Prussia	PA	1980	74,139	88.9%	1,209	19.13
436 Creamery Way		Exton	PA	1991	72,300	96.2%	726	14.40

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Property Name	Location	State	Renovated	Year Built/	Net Rentable Square Feet	Percentage Leased as of December 31, 2008 (a)	Total Base Rent for the Twelve Months Ended December 31, 2008 (b)	Average Annualized Rental Rate as of December 31, 2008 (c)
							(000 s)	
130 Radnor Chester Road	Radnor	PA	1983		71,349	100.0%	2,150	30.00
170 Radnor Chester Road	Radnor	PA	1983		69,787	92.6%	1,597	23.12
14 Campus Boulevard	Newtown Square	PA	1998		69,542	100.0%	1,815	24.50
500 Enterprise Road	Horsham	PA	1990		66,751	0.0%		
575 East Swedesford Road	Wayne	PA	1985		66,265	100.0%	958	26.45
429 Creamery Way	Exton	PA	1996		63,420	100.0%	790	16.60
610 Freedom Business Center	(d) King Of Prussia	PA	1985		62,991	54.9%	723	23.05
925 Harvest Drive	Blue Bell	PA	1990		62,957	100.0%	1,136	15.04
980 Harvest Drive	Blue Bell	PA	1988		62,379	100.0%	1,382	23.56
426 Lancaster Avenue	Devon	PA	1990		61,102	100.0%	1,213	19.17
1180 Swedesford Road	Berwyn	PA	1987		60,371	100.0%	1,858	32.22
1160 Swedesford Road	Berwyn	PA	1986		60,099	100.0%	1,465	25.51
100 Berwyn Park	Berwyn	PA	1986		57,731	98.0%	1,060	22.11
440 Creamery Way	(f) Exton	PA	1991		57,218	88.8%	701	16.36
640 Allendale Road	King of Prussia	PA	2000		56,034	100.0%	350	8.26
565 East Swedesford Road	Wayne	PA	1984		55,979	66.3%	783	23.14
650 Park Avenue	King Of Prussia	PA	1968		54,338	100.0%	807	16.55
855 Springdale Drive	(g) Exton	PA	1986		52,714	87.8%	820	21.16
910 Harvest Drive	Blue Bell	PA	1990		52,611	100.0%	1,040	19.80
680 Allendale Road	King Of Prussia	PA	1962		52,528	0.0%	421	
2240/50 Butler Pike	Plymouth Meeting	PA	1984		52,229	100.0%	1,089	22.09
920 Harvest Drive	Blue Bell	PA	1990		51,875	100.0%	1,044	20.81
486 Thomas Jones Way	Exton	PA	1990		51,372	89.5%	810	19.75
660 Allendale Road	(f) King of Prussia	PA	1962		50,635	100.0%	279	8.11
875 First Avenue	King Of Prussia	PA	1966		50,000	100.0%	1,038	21.62

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630 Clark Avenue	King Of Prussia	PA	1960	50,000	100.0%	301	8.21
620 Allendale Road	King Of Prussia	PA	1961	50,000	67.0%	761	16.87
15 Campus Boulevard	Newtown Square	PA	2002	49,621	100.0%	1,018	24.22
479 Thomas Jones Way	Exton	PA	1988	49,264	66.7%	564	18.32
17 Campus Boulevard	Newtown Square	PA	2001	48,565	100.0%	1,224	29.91
11 Campus Boulevard	Newtown Square	PA	1998	47,699	100.0%	1,093	25.50
456 Creamery Way	Exton	PA	1987	47,604	100.0%	364	8.47
585 East Swedesford Road	Wayne	PA	1998	43,683	100.0%	818	26.01
1100 Cassett Road	Berwyn	PA	1997	43,480	100.0%	1,106	32.32
467 Creamery Way	Exton	PA	1988	42,000	77.3%	455	18.76
1336 Enterprise Drive	West Goshen	PA	1989	39,330	100.0%	796	23.60
600 Park Avenue	King Of Prussia	PA	1964	39,000	100.0%	545	15.65
412 Creamery Way	Exton	PA	1999	38,098	100.0%	824	23.20
18 Campus Boulevard	Newtown Square	PA	1990	37,374	100.0%	827	24.11
457 Creamery Way	Exton	PA	1990	36,019	100.0%	386	15.78
100 Arrandale Boulevard	Exton	PA	1997	34,931	100.0%	456	17.14
300 Lindenwood Drive	Malvern	PA	1991	33,000	100.0%	717	22.40
2260 Butler Pike	Plymouth Meeting	PA	1984	31,892	100.0%	658	21.61
120 West Germantown Pike	Plymouth Meeting	PA	1984	30,574	100.0%	540	22.11
468 Thomas Jones Way	Exton	PA	1990	28,934	100.0%	550	19.00
1700 Paoli Pike	Malvern	PA	2000	28,000	100.0%	505	22.25
140 West Germantown Pike	Plymouth Meeting	PA	1984	25,357	100.0%	490	24.65

Property Name	Location	State	Year Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2008 (a)	Total Base Rent for the Twelve Months Ended December 31, 2008 (b)	Average Annualized Rental Rate as of December 31, 2008 (c)
						(000 s)	
481 John Young Way	Exton	PA	1997	19,275	100.0%	405	22.79
100 Lindenwood Drive	Malvern	PA	1985	18,400	100.0%	335	19.69
748 Springdale Drive	(g) Exton	PA	1986	13,950	77.7%	197	20.22
200 Lindenwood Drive	Malvern	PA	1984	12,600	65.3%	148	19.83
111 Arrandale Road	Exton	PA	1996	10,479	100.0%	198	18.77

SUBTOTAL PENNSYLVANIA SEGMENT

9,511,397

**METROPOLITAN
WASHINGTON D.C.
SEGMENT**

1676 International Drive	McLean	VA	1999	299,388	100.0%	9,152	34.07
13820 Sunrise Valley Drive	Herndon	VA	2007	268,240	87.8%		
2340 Dulles Corner Boulevard	Herndon	VA	1987	264,405	100.0%	8,038	30.27
2291 Wood Oak Drive	Herndon	VA	1999	227,574	100.0%	5,326	29.13
7101 Wisconsin Avenue	Bethesda	MD	1975	223,054	95.9%	6,426	31.46
1900 Gallows Road	Vienna	VA	1989	202,684	100.0%	4,244	26.80
3130 Fairview Park Drive	Falls Church	VA	1999	180,645	85.2%	4,380	35.95
3141 Fairview Park Drive	Falls Church	VA	1988	180,611	96.9%	4,573	28.57
2355 Dulles Corner Boulevard	Herndon	VA	1988	179,176	84.0%	4,433	31.70
2411 Dulles Corner Park	Herndon	VA	1990	176,618	100.0%	5,611	31.75
1880 Campus Commons Drive	Reston	VA	1985	172,448	100.0%	3,112	21.73
2121 Cooperative Way	Herndon	VA	2000	161,274	96.4%	4,175	29.85
8260 Greensboro Drive	McLean	VA	1980	159,498	94.6%	3,695	25.03
2251 Corporate Park Drive	Herndon	VA	2000	158,016	100.0%	5,425	36.83
12015 Lee Jackson Memorial Highway	Fairfax	VA	1985	153,255	100.0%	3,775	26.17
13880 Dulles Corner Lane	Herndon	VA	1997	151,747	100.0%	4,686	34.95
8521 Leesburg Pike	Vienna	VA	1984	149,743	92.6%	3,731	27.27
2273 Research Boulevard	Rockville	MD	1999	147,689	98.4%	4,336	32.14
2275 Research Boulevard	Rockville	MD	1990	147,650	92.9%	3,693	28.37
2201 Cooperative Way	Herndon	VA	1990	138,806	100.0%	3,942	31.98

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2277 Research Boulevard	Rockville	MD	1986	137,045	100.0%	3,360	26.95
11781 Lee Jackson Memorial Highway	Fairfax	VA	1982	130,935	97.9%	3,064	24.87
11720 Beltsville Drive	Beltsville	MD	1987	128,903	77.6%	2,389	23.87
7735 Old Georgetown Road	Bethesda	MD	1964/1997	122,543	100.0%	3,249	31.72
13825 Sunrise Valley Drive	Herndon	VA	1989	104,150	38.4%	1,352	26.38
198 Van Buren Street	Herndon	VA	1996	98,934	100.0%	3,043	33.18
196 Van Buren Street	Herndon	VA	1991	97,781	84.4%	2,158	30.63
11700 Beltsville Drive	Beltsville	MD	1981	96,843	92.4%	1,926	25.13
11710 Beltsville Drive	Beltsville	MD	1987	81,281	100.0%	1,466	24.62
4401 Fair Lakes Court	Fairfax	VA	1988	55,972	100.0%	1,413	27.58
11740 Beltsville Drive	Beltsville	MD	1987	6,783	100.0%	140	23.18

SUBTOTAL METROPOLITAN WASHINGTON D.C. SEGMENT 4,803,691

**NEW
JERSEY/DELAWARE
SEGMENT**

50 East State Street	Trenton	NJ	1989	305,884	96.4%	4,919	24.08
920 North King Street	Wilmington	DE	1989	203,328	96.7%	4,504	26.44
10000 Midlantic Drive	Mt. Laurel	NJ	1990	183,147	97.5%	2,453	25.17
1009 Lenox Drive	Lawrenceville	NJ	1989	180,734	100.0%	4,346	19.28
33 West State Street	Trenton	NJ	1988	167,774	99.6%	2,906	28.38
525 Lincoln Drive West	Marlton	NJ	1986	165,956	93.1%	3,083	25.58
Main Street Plaza 1000	Voorhees	NJ	1988	162,364	86.4%	3,110	25.99

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Property Name	Location	State	Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2008 (a)	Total Base Rent for the Twelve Months Ended December 31, 2008 (b)	Average Annualized Rental Rate as of December 31, 2008 (c)
						(000 s)	
400 Commerce Drive	Newark	DE	1997	154,086	100.0%	2,321	15.51
457 Haddonfield Road	Cherry Hill	NJ	1990	121,737	98.0%	2,757	25.91
2000 Midlantic Drive	Mt. Laurel	NJ	1989	121,658	61.3%	1,055	24.48
700 East Gate Drive	Mt. Laurel	NJ	1984	119,272	72.9%	1,861	25.72
2000 Lenox Drive	Lawrenceville	NJ	2000	119,114	100.0%	3,230	30.86
989 Lenox Drive	Lawrenceville	NJ	1984	112,055	85.3%	2,635	29.44
993 Lenox Drive	Lawrenceville	NJ	1985	111,124	100.0%	2,880	28.29
1000 Howard Boulevard	Mt. Laurel	NJ	1988	105,312	95.7%	1,838	23.80
One Righter Parkway (d)	Wilmington	DE	1989	104,761	97.0%	2,501	23.87
997 Lenox Drive	Lawrenceville	NJ	1987	97,277	75.6%	2,355	27.69
1120 Executive Boulevard	Mt. Laurel	NJ	1987	95,278	100.0%	1,573	25.77
15000 Midlantic Drive	Mt. Laurel	NJ	1991	84,056	60.0%	1,078	20.63
220 Lake Drive East	Cherry Hill	NJ	1988	78,509	93.6%	1,360	23.04
10 Lake Center Drive	Marlton	NJ	1989	76,359	90.4%	1,307	21.38
200 Lake Drive East	Cherry Hill	NJ	1989	76,352	96.2%	1,451	24.38
1200 Lenox Drive	Lawrenceville	NJ	2007	75,000	49.3%	174	28.46
Three Greentree Centre	Marlton	NJ	1984	69,300	94.8%	1,381	24.88
200 Commerce Drive	Newark	DE	1998	68,034	100.0%	1,327	19.44
9000 Midlantic Drive	Mt. Laurel	NJ	1989	67,299	100.0%	836	26.05
6 East Clementon Road	Gibbsboro	NJ	1980	66,236	100.0%	944	20.29
100 Commerce Drive	Newark	DE	1989	62,787	99.8%	1,199	21.61
701 East Gate Drive	Mt. Laurel	NJ	1986	61,794	74.7%	847	23.43
210 Lake Drive East	Cherry Hill	NJ	1986	60,604	67.5%	988	22.92
308 Harper Drive	Moorestown	NJ	1976	59,500	45.7%	609	23.49
305 Fellowship Drive	Mt. Laurel	NJ	1980	56,824	96.2%	1,086	23.23
Two Greentree Centre	Marlton	NJ	1983	56,075	56.2%	622	23.91
309 Fellowship Drive	Mt. Laurel	NJ	1982	55,911	82.1%	1,149	24.98
One Greentree Centre	Marlton	NJ	1982	55,838	88.4%	972	22.13
8000 Lincoln Drive	Marlton	NJ	1997	54,923	100.0%	1,006	19.97
307 Fellowship Drive	Mt. Laurel	NJ	1981	54,485	70.8%	909	25.90
303 Fellowship Drive	Mt. Laurel	NJ	1979	53,768	75.5%	850	22.51
1000 Bishops Gate	Mt. Laurel	NJ	2005	53,281	100.0%	1,208	23.96
1000 Lenox Drive	Lawrenceville	NJ	1982	52,264	100.0%	1,329	29.63

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2 Foster Avenue	(f)	Gibbsboro	NJ	1974	50,761	94.6%	126	4.75
4000 Midlantic Drive		Mt. Laurel	NJ	1998	46,945	100.0%	657	24.32
Five Eves Drive		Marlton	NJ	1986	45,564	96.2%	817	21.07
161 Gaither Drive		Mount Laurel	NJ	1987	44,739	88.8%	553	22.71
Main Street Piazza		Voorhees	NJ	1990	44,708	89.6%	670	20.59
30 Lake Center Drive		Marlton	NJ	1986	40,287	91.3%	720	19.07
20 East Clementon Road		Gibbsboro	NJ	1986	38,260	93.5%	504	18.84
Two Eves Drive		Marlton	NJ	1987	37,532	82.9%	496	17.67
304 Harper Drive		Moorestown	NJ	1975	32,978	93.3%	666	23.58
Main Street Promenade		Voorhees	NJ	1988	31,445	80.0%	401	18.99
Four B Eves Drive		Marlton	NJ	1987	27,011	99.4%	408	16.88
815 East Gate Drive		Mt. Laurel	NJ	1986	25,500	100.0%	296	18.38
817 East Gate Drive		Mt. Laurel	NJ	1986	25,351	100.0%	225	13.15

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			Year	Net Rentable Square Feet	Percentage Leased as of December 31, 2008 (a)	Total Base Rent for the Twelve Months Ended December 31, 2008 (b)	Average Annualized Rental Rate as of December 31, 2008 (c)
Property Name	Location	State					
Four A Eves Drive	Marlton	NJ	1987	24,687	82.8%	356	16.56
1 Foster Avenue	(f) Gibbsboro	NJ	1972	24,255	100.0%	62	4.75
4 Foster Avenue	(f) Gibbsboro	NJ	1974	23,372	100.0%	152	9.34
7 Foster Avenue	Gibbsboro	NJ	1983	22,158	100.0%	390	23.32
10 Foster Avenue	Gibbsboro	NJ	1983	18,651	100.0%	252	18.23
305 Harper Drive	Moorestown	NJ	1979	14,980	0.0%	96	
5 U.S. Avenue	(f) Gibbsboro	NJ	1987	5,000	100.0%	24	5.00
50 East Clementon Road	Gibbsboro	NJ	1986	3,080	100.0%	174	56.41
5 Foster Avenue	Gibbsboro	NJ	1968	2,000	100.0%		
SUBTOTAL NEW JERSEY/DELAWARE SEGMENT				4,659,324			
RICHMOND, VA SEGMENT							
300 Arboretum Place	Richmond	VA	1988	212,741	93.9%	3,681	16.75
6800 Paragon Place	Richmond	VA	1986	144,722	94.3%	2,674	20.54
6802 Paragon Place	Richmond	VA	1989	143,585	93.0%	2,586	18.61
7501 Boulders View Drive	Richmond	VA	1990	137,283	86.3%	2,387	20.03
2511 Brittons Hill Road	(f) Richmond	VA	1987	132,548	100.0%	674	6.55
2100-2116 West Laburnam Avenue	Richmond	VA	1976	127,502	84.4%	1,621	16.10
1957 Westmoreland Street	(f) Richmond	VA	1975	121,815	100.0%	1,102	8.61
7300 Beaufont Springs Drive	Richmond	VA	2000	120,665	100.0%	2,574	20.53
1025 Boulders Parkway	Richmond	VA	1994	93,143	96.8%	1,807	19.67
2201-2245 Tomlynn Street	(f) Richmond	VA	1989	85,860	97.2%	475	7.98
7401 Beaufont Springs Drive	Richmond	VA	1998	82,639	87.3%	1,382	19.90
7325 Beaufont Springs Drive	Richmond	VA	1999	75,218	100.0%	1,553	20.09
100 Gateway Centre Parkway	Richmond	VA	2001	74,991	71.4%	416	15.98

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6806 Paragon Place		Richmond	VA	2007	74,480	100.0%	1,692	22.37
9011 Arboretum Parkway		Richmond	VA	1991	73,183	100.0%	1,329	18.41
4805 Lake Brooke Drive		Glen Allen	VA	1996	60,886	100.0%	966	18.70
9100 Arboretum Parkway		Richmond	VA	1988	57,917	81.0%	907	18.65
2812 Emerywood Parkway		Henrico	VA	1980	56,984	100.0%	860	16.57
4364 South Alston Avenue		Durham	NC	1985	56,601	100.0%	1,132	20.96
2277 Dabney Road	(f)	Richmond	VA	1986	50,400	100.0%	270	7.54
9200 Arboretum Parkway		Richmond	VA	1988	49,542	77.0%	304	14.87
9210 Arboretum Parkway		Richmond	VA	1988	48,012	100.0%	648	15.10
2212-2224 Tomlynn Street	(f)	Richmond	VA	1985	45,353	100.0%	225	7.53
2221-2245 Dabney Road	(f)	Richmond	VA	1994	45,250	100.0%	237	7.97
2251 Dabney Road	(f)	Richmond	VA	1983	42,000	70.0%	184	6.86
2161-2179 Tomlynn Street	(f)	Richmond	VA	1985	41,550	100.0%	271	8.25
2256 Dabney Road	(f)	Richmond	VA	1982	33,413	100.0%	224	8.51
2246 Dabney Road	(f)	Richmond	VA	1987	33,271	100.0%	287	10.82
2244 Dabney Road	(f)	Richmond	VA	1993	33,050	100.0%	297	11.23
9211 Arboretum Parkway		Richmond	VA	1991	30,791	100.0%	407	14.37
2248 Dabney Road	(f)	Richmond	VA	1989	30,184	100.0%	193	8.50
2130-2146 Tomlynn Street	(f)	Richmond	VA	1988	29,700	100.0%	258	10.11
2120 Tomlyn Street	(f)	Richmond	VA	1986	23,850	100.0%	132	7.32
2240 Dabney Road	(f)	Richmond	VA	1984	15,389	100.0%	138	11.62

SUBTOTAL RICHMOND, VA SEGMENT

2,484,518

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							Average
							Total
							Base Rent
							for the
							Twelve
							Months
							Ended
							December
							31,
							2008 (b)
							s
							2008 (c)
Property Name	Location	State	Renovated	Net	Percentage		
			Year	Rentable	Leased as		
			Built/	Square	of		
				Feet	December		
					31,		
					2008 (a)		
						(000 s)	
CALIFORNIA							
155 Grand Avenue	Oakland	CA	1990	204,278	63.4%	4,579	39.47
1220 Concord Avenue	Concord	CA	1984	175,153	100.0%	2,944	21.84
1200 Concord Avenue	Concord	CA	1984	175,103	100.0%	4,170	25.21
5780 & 5790 Fleet Street	Carlsbad	CA	1999	121,381	79.6%	3,381	32.85
5900 & 5950 La Place Court	Carlsbad	CA	1988	80,506	93.7%	1,876	24.59
16870 West Bernardo Drive	Rancho Bernardo	CA	2002	68,708	76.1%	1,724	34.31
5963 La Place Court	Carlsbad	CA	1987	61,587	53.7%	764	25.73
2035 Corte Del Nogal	Carlsbad	CA	1991	53,982	62.5%	1,038	23.64
5973 Avendia Encinas	Carlsbad	CA	1986	51,695	84.7%	1,317	28.11
SUBTOTAL	CALIFORNIA			992,393			
AUSTIN, TX							
1250 Capital of Texas Highway South	Austin	TX	1984	270,711	92.3%	3,376	23.83
1301 Mopac Expressway	Austin	TX	2001	221,397	100.0%	4,274	31.26
3711 South Mopac Expressway	Austin	TX	2007	213,167	30.7%	615	30.65
1601 Mopac Expressway	Austin	TX	2000	195,639	100.0%	2,960	27.04
1501 South Mopac Expressway	Austin	TX	1999	195,324	99.0%	2,858	26.80
1221 Mopac Expressway	Austin	TX	2001	173,302	94.4%	3,492	32.87
1177 East Belt Line Road	(h) Coppell	TX	1998	150,000	100.0%	1,833	14.87
1801 Mopac Expressway	Austin	TX	1999	58,576	100.0%	1,017	31.05
SUBTOTAL	AUSTIN, TX			1,478,116			
				23,929,439	91.9%		

**SUBTOTAL FULLY OWNED PROPERTIES /
WEIGHTED AVG.**

2970 Market Street	Philadelphia	PA	N/A	862,692	100.0%	522	
2930 Chestnut Street	Philadelphia	PA	N/A	542,273	94.0%		
300 Delaware Avenue	Wilmington	DE	1989	298,071	72.5%	3,001	18.12
One Radnor Corporate Center	Radnor	PA	1998	190,219	64.0%	3,957	35.61
6600 Rockledge Drive (d)	Bethesda	MD	1981	160,173	57.7%	2,963	28.93
1000 Atrium Way	Mt. Laurel	NJ	1989	97,158	88.6%	1,016	23.09
Two Righter Parkway (d)	Wilmington	DE	1987	95,514	68.7%	1,429	25.55
100 Lenox Drive	Lawrenceville	NJ	1991	91,450	67.6%	467	24.16

**SUBTOTAL
DEVELOPMENT/REDEVELOPMENT
PROPERTIES / WEIGHTED AVG.**

2,337,550 86.3%

**TOTAL CORE
PORTFOLIO**

26,266,989 91.4%

- (a) Calculated by dividing net rentable square feet included in leases signed on or before December 31, 2008 at the property by the aggregate net rentable square feet of the property.
- (b) Total Base Rent for the twelve months ended December 31, 2008 represents base rents received during such period, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principles (GAAP) determined on a straight-line basis.
- (c) Average Annualized Rental Rate is

calculated as follows: (i) for office leases written on a triple net basis, the sum of the annualized contracted base rental rates payable for all space leased as of December 31, 2008 plus the 2008 budgeted operating expenses excluding tenant electricity; and (ii) for office leases written on a full service basis, the annualized contracted base rent payable for all space leased as of December 31, 2008. In both cases, the annualized rental rate is divided by the total square footage leased as of December 31, 2008 without giving effect to free rent or scheduled rent increases that would be taken into account under GAAP.

- (d) These properties are subject to a ground lease with a third party.
- (e) We hold our interest in Two Logan Square (100 North 18th Street) primarily through our ownership of second and third mortgages that are secured by this property and that are junior to a

first mortgage with a third party. Our ownership of these two mortgages currently provides us with all of the cash flows from Two Logan Square after the payment of operating expenses and debt service on the first mortgage.

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(f) These properties are industrial facilities.

(g) Property sold on February 4, 2009.

(h) Property owned by consolidated real estate venture.

The following table shows information regarding rental rates and lease expirations for the Properties at December 31, 2008 and assumes that none of the tenants exercises renewal options or termination rights, if any, at or prior to scheduled expirations:

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year	Rentable Square Footage Subject to Expiring Leases	Final Annualized Base Rent Under Expiring Leases (a)	Final Annualized Base Rent Per Square Foot Under Expiring Leases	Percentage of Total Final Annualized Base Rent Under Expiring Leases	Cumulative Total
2009	358	2,362,180	\$ 50,817,534	\$ 21.51	9.6%	9.6%
2010	338	3,709,770	82,710,514	22.30	15.6%	25.2%
2011	268	2,994,974	65,666,675	21.93	12.4%	37.6%
2012	215	2,570,159	62,413,556	24.28	11.8%	49.4%
2013	157	2,065,563	43,342,785	20.98	8.2%	57.6%
2014	107	1,886,952	45,382,752	24.05	8.6%	66.1%
2015	54	1,311,627	32,678,740	24.91	6.2%	72.3%
2016	44	1,031,173	24,663,122	23.92	4.7%	77.0%
2017	46	1,293,514	38,517,250	29.78	7.3%	84.2%
2018	38	925,549	27,798,592	30.03	5.2%	89.5%
2019 and thereafter	42	2,064,739	55,697,450	26.98	10.5%	100.0%