

January 17, 2018



HC Government Realty Trust Issues Fourth Quarter Corporate Update

To Our Shareholders and Stakeholders:

First and foremost, we want to wish you all a healthy and happy New Year, and extend our sincere appreciation for your continued support during 2017. It was a transformative year for HC Government Realty Trust, marked by many positive milestones, including:

- Acquisition of several properties to grow our asset base;
- Successful \$7 million capital raise as part of our SEC-qualified Regulation A offering;
- Initiation of all quarterly dividend payments;
- Expansion of our Broker-Dealer network; and,
- Development of both our executive team and Board of Directors.

Clearly, we move into 2018 with momentum and optimism regarding our future. All of us at HCG remain focused on growth, building our asset base, and generating value for our stakeholders.

Our focus in 2017 was on three key objectives: supporting capital raising activities; expanding our portfolio of built-to-suit properties leased to the United States of America; and, further enhancing the Company's organizational structure and leadership team to better manage and support the business as we execute on our robust, strategic plan.

We'd like to take this opportunity to update you on our progress and the further realization of our vision moving forward.

Growth of Our Asset Base and Acquisition Updates

Central to our business plan is the identification and acquisition of Federally-leased properties that meet carefully selected criteria: leases that are full faith credit obligations of the United States; properties occupied by Federal agencies that fulfill mission-critical or direct citizens service functions. Our strategy is to identify and acquire properties located in secondary or smaller markets with limited competition and contain between 5,000 and 50,000 Rentable Square Feet (RSF).

We closed 2017 with a real estate portfolio including 13 properties representing approximately 269,000 RSF, and housing tenants such as the Citizenship and Immigration Services, FBI, Social Security Administration, and Customs and Border Protection, among others. Notable here, in the less than 18 months since the REIT was formed, it has directly acquired six properties for a total acquisition cost of roughly \$39,000,000, more than

doubling the size of our portfolio when compared to contributions of Holmwood Capital, LLC, whose portfolio of seven properties represented an aggregate RSF in excess of 104,000. To date, more than 1,200 potential acquisition targets located across the United States have been identified, and our acquisition team is hard at work as our pipeline continues to grow to include a number of new properties already in due diligence or in various stages of negotiation. Based on this, our plans for 2018 include targeting another \$100M+ in acquisitions, representing between 7 and 10 additional properties. Momentum and acceleration of our capital-raising activities will clearly drive an increase in the pace of our asset acquisitions, and this in turn, will drive significant increases in cashflow.

Capital Raise and Broker-Dealer Network Momentum

Throughout 2017, we presented at several investor conferences, met with shareholders and prospects, and initiated an aggressive campaign to increase awareness of HCG as an attractive investment and further enhance brand equity. At the close of 2017, we had raised over \$7 million in capital and the pace of our capital raise continues to increase. We brought onboard Sandlapper Securities, LLC., to be our new lead Broker-Dealer, and expanded our syndicate of firms to now include Boustead Securities and Cambria Capital.

The capital raised thus far has enabled us to implement the first round of asset acquisitions and triggered other key corporate development activities (highlighted by the contribution of seven existing properties from Holmwood Capital, LLC, our predecessor). Building upon this effort, in 2018, we will continue to pursue additional funding through Regulation A, and also have plans to augment our funding efforts through both new and existing relationships with a number of national and regional financial firms, with one goal in mind: further accelerating our acquisition plan to drive more value.

Management and Board of Director Updates

Talented leadership is critical to any successful enterprise. Our executive team has over 50 years of experience in the real estate market, having completed nearly \$3 billion of acquisitions, dispositions and/or financing in the commercial and Federally-leased real estate space. We also have extensive expertise navigating the Regulation A market, in mergers and acquisitions, and securities compliance. But management is only part of the HCG story. In 2017, we enhanced our network of advisors and Board representation. In June, we announced the addition of four independent directors. Joining HCG were Scott A. Musil, whose extensive accounting and finance experience includes serving as Chief Financial Officer of First Industrial Realty Trust, Inc., a New York Stock Exchange-traded REIT; Leo Kiely, whose management experience includes holding senior-level positions at both public and privately-held companies, such as serving as CEO of MillerCoors LLC; William Robert Fields, who brings over 30 years of retail and consumer goods industry experience to the Company, including serving formerly as the CEO of Wal-Mart Stores; and John F. O'Reilly, who is Chairman and CEO of O'Reilly Law Group, and who has served as the Chairman of the Nevada Gaming Commission. We place a great deal of emphasis on strong corporate governance and best practices, and believe the Board we have in place will serve us well in the coming years.

Quarterly Dividend Declarations

In 2017, we continued to successfully honor our financial commitment to investors with

the declaration of our third consecutive quarterly common stock dividend. The quarterly dividend payment is in line with our communicated intent to provide investors with a \$0.55 per share annual dividend, and is something we expect to continue doing throughout 2018. Income creation is part of our story; value creation is the other and we are well-positioned in 2018 to execute on our strategy.

Summary

While we have achieved much in 2017, we believe there is more that can and will be done to ensure we continue to deliver on the prospects and potential we see ahead for HCG. We will keep shareholders updated on our progress and, as always, remind you to feel free to reach out to us, your Broker-Dealer, or our Investor Relations firm, GW Communications LLC. There are many exciting developments underway and we look forward to building upon the strong foundation we established in 2017, as we strive to create a truly great REIT, one that will deliver significant value to all stakeholders.

Sincerely,

Edwin M. Stanton

Co-Founder, Director and CEO

Robert R. Kaplan, Jr.

Co-Founder and President