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SECOND QUARTER 2008 MARKET REPORT

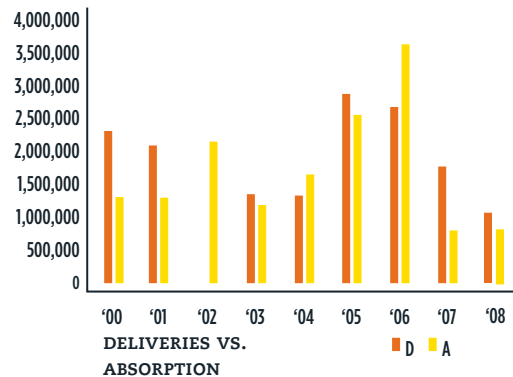
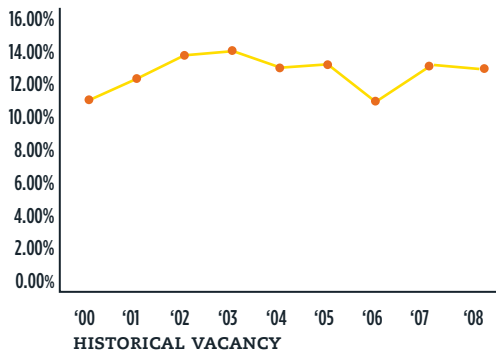
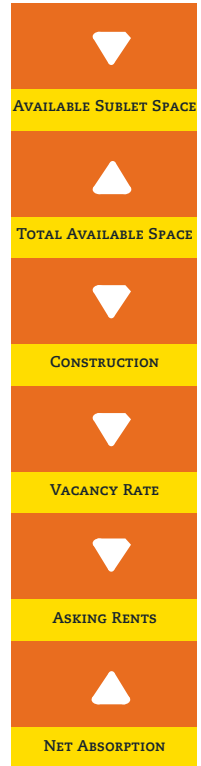
Baltimore Metropolitan Area Commercial Real Estate Market Report

## OFFICE HIGHLIGHTS

- The Baltimore Metropolitan Office market is centrally located in the Mid-Atlantic Region, 45 minutes north of Washington, D.C. The market is divided into three regions known as City Center/Baltimore City, Southern Metro, and Northern Metro. Together these markets contain 69,394,071 square feet (sf) of office space.
- The market experienced 656,340 sf of positive absorption this quarter with minimal increase in the overall vacancy rate; 13.66% compared to the 13.40% reported during the second quarter 2007.
- Direct vacancy increased from 12.15% in the second quarter 2007 to 12.55% reported during the second quarter 2008. Average asking rents rose 3% over the past year from \$22.33 per square foot (psf) to \$23.01 psf. Construction remains stable with 3.93 million square feet (msf) under construction.

- In addition, the square footage volume of significant transactions increased this quarter. The three most prominent leases amounted to 267,153 sf, compared to 104,785 sf leased last quarter.

## OVERVIEW 2ND Q



## NOTABLE OFFICE TRANSACTIONS | leasing

LOCATION	SUBMARKET	TENANT	AMOUNT LEASED (SF)
6721 COLUMBIA GATEWAY DR	COLUMBIA	INTEGRAL SYSTEMS, INC	131,451
10706 BEAVER DAM RD	I-83 CORRIDOR	SINCLAIR BROADCAST GROUP (REN)	66,551
200 ST. PAUL PL	CITY CENTER	MD INSURANCE ADMINISTRATION	69,151
801 W. BALTIMORE ST	BALTIMORE CITY W	UNIVERSITY OF MD	63,000
7142 COLUMBIA GATEWAY DR	COLUMBIA	MPRI	47,668
HARBOR EAST	CITY CENTER	HOGAN & HARTSON	38,000
6315 HILLSIDE CT	COLUMBIA	BAE SYSTEMS (REN)	25,181
900 ELKRIDGE LANDING RD	BWI	BOOZ ALLEN & HAMILTON (REN)	24,723
7110 SAMUEL MORSE DR	COLUMBIA	WELLS FARGO	20,000
849 INTERNATIONAL DR	BWI	EXCEPTIONAL SOFTWARE STRATEGIES (REN)	15,904
200 PARK PL	ANNAPOLIS	BIGNELL WATKINS HASSER	15,051



**BALTIMORE OFFICE SUBMARKET**

**NOTABLE OFFICE TRANSACTIONS | sales**

LOCATION	SUBMARKET	PRICE	PSF	BUILDING SIZE (SF)
10455 MILL RUN CIR	REISTERSTOWN RD COR	\$66,719,768	\$245.05	272,271
10453 MILL RUN CIR	REISTERSTOWN RD COR	\$28,295,043	\$240.48	117,659
2850 N. RIDGE RD	COLUMBIA	\$5,250,000	\$134.85	38,933
2205 YORK RD	TOWSON	\$3,038,000	\$126.35	24,045

## OFFICE HIGHLIGHTS (CONTINUED)

### City Center

- Baltimore's City Center comprises 13,837,705 sf of rentable building space. Although economic uncertainty has many City Center tenants seeking short-term solutions, some larger institutional tenants are pursuing expansion space.
- Over the past 12 months, direct vacancy has slightly decreased from 11.84% to 11.73%. Sublet vacant space experienced more significant changes this year increasing from 12.64% in the second quarter of 2007 to 13.66% in the second quarter of 2008.
- Direct net absorption this quarter is positive 105,703 sf. Venable LLP, the largest law firm in Baltimore, moved to 750 West Pratt Street bringing the building to full occupancy. The largest lease transaction in the City Center this quarter was The Maryland Insurance Administration, which leased 69,151 sf at 200 Saint Paul Place.
- Buildings under construction include 701 Aliceanna Street (579,230 sf) in Harbor East, future home of Legg Mason; and the Thames Street Wharf (275,412 sf) in Harbor Point. The Thames Street project is the first building in Harbor Point, an \$830 million office and residential campus on 27 acres at the end of South Caroline Street near Fells Point.
- Several office buildings are for sale including the Wachovia Tower at 7 Saint Paul Street (377,684 sf) and The Sun Life Building at 20 South Charles Street (121,322 sf).

### Baltimore City

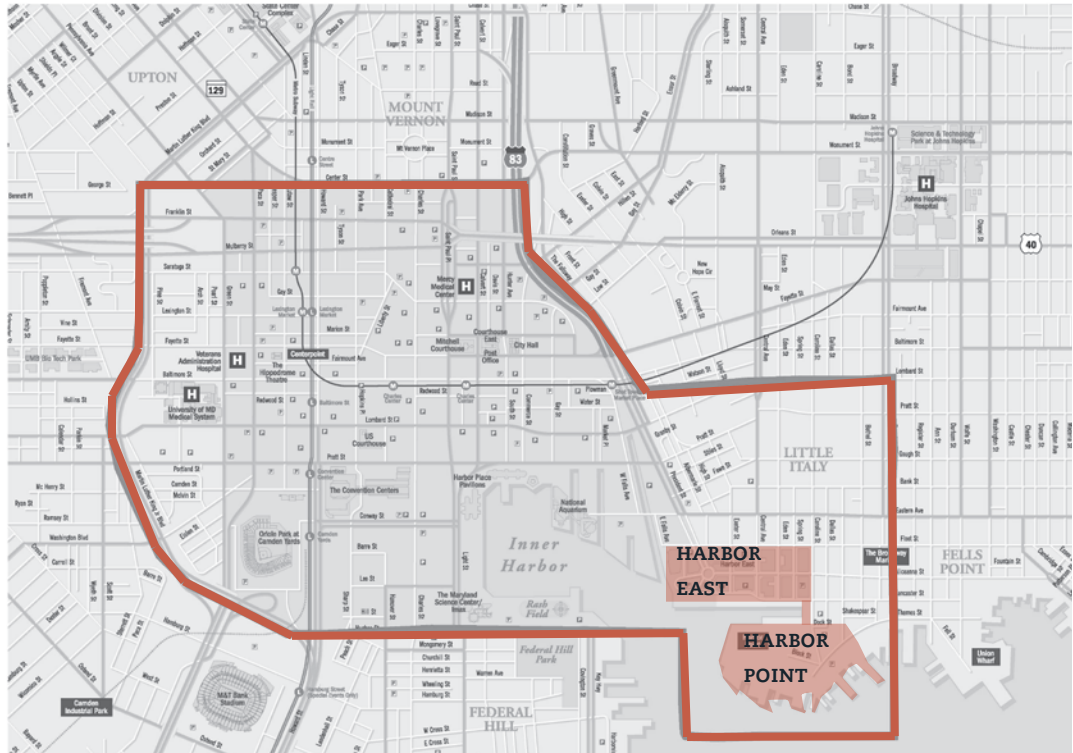
- Baltimore City is made up of four submarkets that surround the City Center: BALTIMORE MID-TOWN, BALTIMORE CITY NORTH, BALTIMORE CITY EAST, and BALTIMORE CITY WEST. Together they total 7,607,769 sf with the majority of space located between Fells Point and Canton on Baltimore City's east side.
- Two projects under construction are McHenry Row in Federal Hill, a mixed-use development that will include a five-story, 75,000 sf office building, 250 residential units, 110,000 sf of retail space, a parking garage; and the Southeast Professional Center, a 65,000 sf medical building near the Johns Hopkins Bayview medical campus.
- The largest notable lease transaction in the Baltimore City submarkets was University of Maryland's Institute for Genome Sciences' 63,000 sf lease at 801 West Baltimore Street in the University of Maryland (UMB) Bio Park. The Institute will occupy the fifth and sixth floors of the building.
- The first building in the Science and Technology Park at Johns Hopkins opened this quarter adding 295,000 sf to the Baltimore City East submarket. Currently the building, anchored by the Johns Hopkins School of Medicine for Biomedical Sciences, has 109,561 sf of available medical office space and 22,227 sf of available retail space.
- Hale Properties LLC has contracted to purchase 31 acres adjacent to their Canton Crossing project at 1501 South Clinton Street. Plans for the site include a second 500,000 sf office tower and a "Main Street"-style center with 500,000 sf of retail space. Hale Properties will continue remediation of the parcel initiated by the previous owner, Exxon Mobile. No timetable has been set for this project.

## TOTALS

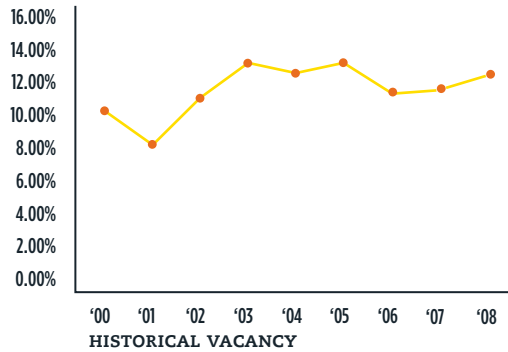
179
BUILDINGS
21,445,474
MARKET SIZE (SF)
13.81%
DIRECT VACANCY
15.20%
VACANCY W/ SUBLET
333,467
NET ABSORPTION
\$22.15
ASKING RENT

## CITY CENTER STATISTICS

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
CITY CENTER CLASS A+	14	4,107,453	7.26%	8.16%	88,671	\$28.10
CITY CENTER CLASS A	12	3,006,461	12.13%	12.71%	28,802	\$23.23
CITY CENTER CLASS B+	16	3,173,958	13.46%	18.20%	16,357	\$21.24
CITY CENTER CLASS B	35	3,549,833	15.01%	16.78%	-28,127	\$18.38
CITY CENTER TOTAL	77	13,837,705	11.73%	13.66%	105,703	\$22.58



CITY CENTER



BALTIMORE CITY OFFICE STATISTICS

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
MIDTOWN	25	1,179,957	4.63%	4.63%	9,042	\$19.21
NORTH	24	1,416,460	9.16%	9.16%	-30,037	\$22.61
EAST	36	2,797,967	15.01%	15.20%	147,208	\$23.29
WEST	17	2,213,385	33.22%	34.29%	101,551	\$17.32
<b>SUBTOTAL</b>	<b>102</b>	<b>7,607,769</b>	<b>17.61%</b>	<b>17.99%</b>	<b>227,764</b>	<b>\$20.95</b>

## OFFICE HIGHLIGHTS (CONTINUED)

### Suburban

- The Baltimore Metropolitan suburban office markets are divided into the Northern and Southern regions. The Northern region extends from White Marsh in the Baltimore County East submarket to Owings Mills located in the Baltimore County West submarket and north to Harford County. The Southern region covers Annapolis to the east, Columbia to the west, BWI Airport to the north and the Route 2 Corridor to the south. Total office inventory consists of 47,948,597 sf of office space.

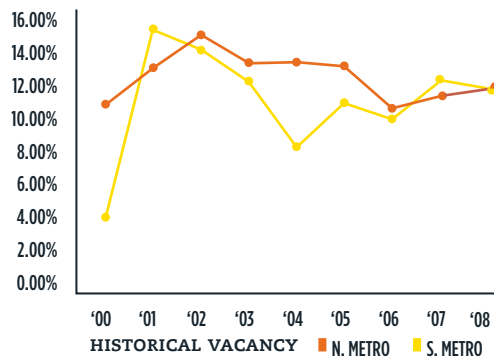
### Southern Metro

- Leasing activity in the Southern Metro was strong with five notable transactions totaling 220,204 sf. Integral Systems Incorporated, a leading provider of satellite ground systems, was responsible for the largest transaction this quarter. The company, which is relocating its headquarters, leased 131,451 sf at 6721 Columbia Gateway Drive. The building is presently under construction and scheduled for completion in the first quarter of 2009.

- Positive direct net absorption of 307,830 sf is attributed to the delivery and pre-leasing of new product. Approximately 60% of building deliveries occurred in the Southern Metro market, with the Columbia submarket gaining three new buildings totaling 239,700 sf with a pre-lease rate of 53.21%. One of the buildings, 7001 Columbia Gateway Drive, is occupied by Merkle, Incorporated, a database marketing agency, which leased the entire building (120,000 sf) prior to the start of construction.
- Direct vacancy has climbed to 11.93% from last year (11.38%). Average asking rental rates have gone from \$23.82 psf to \$24.58 psf. Total available space jumped from 3.8 msf to 3.9 msf and new construction more than doubled from 950,021 sf to 1.9 msf. Buildings anticipated for delivery by year end 2008 amount to 1.2 msf of space with only 17% pre-leased. The additional space may push direct vacancy to 15%.

## TOTALS

975
<b>BUILDINGS</b>
47,948,597
<b>MARKET SIZE (SF)</b>
11.98%
<b>DIRECT VACANCY</b>
12.97%
<b>VACANCY W/ SUBLET</b>
322,873
<b>NET ABSORPTION</b>
\$23.37
<b>ASKING RENT</b>



## SUBURBAN OFFICE STATISTICS | southern metro

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
ANNAPOLIS	120	3,375,480	5.91%	7.02%	85,901	\$28.46
BWI	92	7,203,511	15.32%	17.05%	51,352	\$24.36
COLUMBIA	220	12,324,116	11.92%	13.35%	141,873	\$24.03
ROUTE 2 CORRIDOR	47	1,574,309	9.35%	9.51%	28,704	\$24.82
<b>S. METRO TOTAL</b>	<b>479</b>	<b>24,477,416</b>	<b>11.93%</b>	<b>13.32%</b>	<b>307,830</b>	<b>\$24.58</b>



## OFFICE HIGHLIGHTS (CONTINUED)

### Northern Metro

- The overall vacancy rate is 12.61% compared to 12.96% in the second quarter 2007. Direct vacancy decreased to 12.03% from 13.52% during the same period. A considerable number of small deals drove the drop in vacancy. Average asking rents are \$21.70 psf, an \$0.80 increase from \$20.90 psf mid-year 2007.
- Tenant movement remains slow as economics and fuel costs become leading issues for relocation. Landlords are becoming aggressive with concessions and broker incentives. The focus on new construction is “green” with tax credits as an available incentive.
- Towson, the second largest submarket in the Northern Metro region, comprises 90 class A/B office buildings containing 5,219,144 sf of space. On the development side, Towson is a hotbed of growth activities, primarily residential. Strong demographics and its convenient location have drawn national developers to Towson. The market is booming with over \$500 million in new private investment underway for office, retail, entertainment, and residential projects.



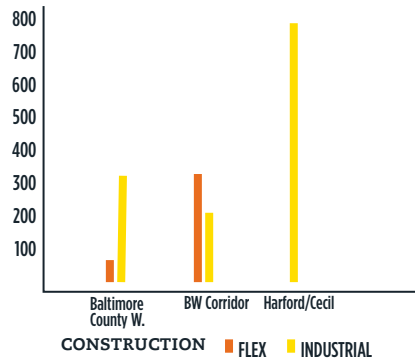
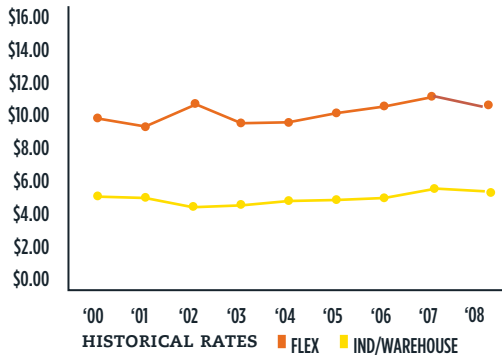
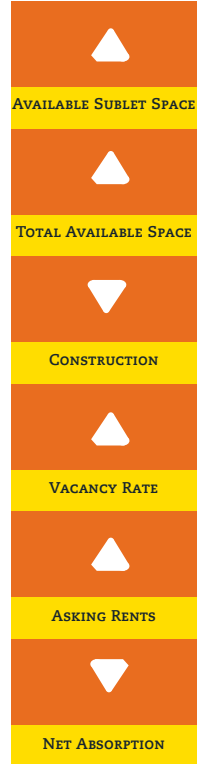
## SUBURBAN OFFICE STATISTICS | northern metro

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
BALTIMORE COUNTY E.	53	1,869,890	17.11%	17.51%	31,338	\$24.80
BALTIMORE COUNTY W.	60	2,545,220	10.28%	10.39%	13,267	\$19.34
HARFORD COUNTY	94	2,175,817	8.00%	8.07%	16,046	\$22.52
I-83 CORRIDOR	120	7,149,992	9.69%	9.97%	24,827	\$21.62
TOWSON	90	5,268,256	13.31%	14.02%	-45,432	\$20.73
REISTERSTOWN RD COR	79	4,462,006	15.11%	16.59%	-25,003	\$22.57
<b>N. METRO TOTAL</b>	<b>496</b>	<b>23,471,181</b>	<b>12.03%</b>	<b>12.61%</b>	<b>15,043</b>	<b>\$21.70</b>

## INDUSTRIAL HIGHLIGHTS

- The Baltimore Metropolitan Industrial market, located along the I-95 corridor extending to Cecil County to the north and Howard County to the south, comprises 177,301,370 sf of space. The market's superior infrastructure and close proximity to the Port of Baltimore and BWI Airport provide outstanding logistic opportunities to industrial users.
- Direct net absorption is down from 911,969 sf in the second quarter of 2007 to negative 576,447 sf in the second quarter 2008. This is largely attributed to Sears Roebuck & Company's lease termination at Gateway Commerce Center 20 in the BWI Corridor, which created a 1,016,800 sf vacancy. As a result, direct vacancy in this submarket increased from 8.48% last year to 10.64% this quarter.
- The most notable transaction of the quarter was Procter & Gamble's 538,000 sf lease at 4608 Appliance Drive in the Harford-Cecil submarket. The Company has an option to lease the remainder of the 800,000 sf building, which has been vacant since the first quarter of 2004 when General Electric relocated to the Principio Business Park in Cecil County. Absorption and vacancy will be positively affected when the company takes occupancy in the fourth quarter of 2008.
- The groundbreaking for Hollins End Corporate Park, a mixed-warehouse and office space development, was held this quarter marking the start of construction. The project, located at the intersection of I-895 and the Baltimore Beltway, will be home to a FedEx Ground build-to-suit distribution facility.

## OVERVIEW 2ND Q



## NOTABLE INDUSTRIAL TRANSACTIONS | leasing

LOCATION	SUBMARKET	TENANT	AMOUNT LEASED (SF)
4608 APPLIANCE DR	HARFORD/CECIL	PROCTER & GAMBLE	538,000
8839 GREENWOOD PL	BW CORRIDOR	SYSTEMS CONNECTIONS OF MD (REN)	140,069
8700 ROBERT FULTON DR	BW CORRIDOR	SLEEPY'S	119,000
1704 TRIMBLE RD	HARFORD/CECIL	AGCO	105,000
4501 CURTIS AVE	BALTIMORE CITY	BALTIMORE STEEL STORAGE (REN)	75,000
9065 GUILFORD RD	BW CORRIDOR	CAPITAL OFFICE SOLUTIONS	46,781
8215 WELLMOOR CT	BW CORRIDOR	SIMPSON STRONG TIE CO. INC	39,600



### BALTIMORE INDUSTRIAL SUBMARKET

#### NOTABLE INDUSTRIAL TRANSACTIONS | sales

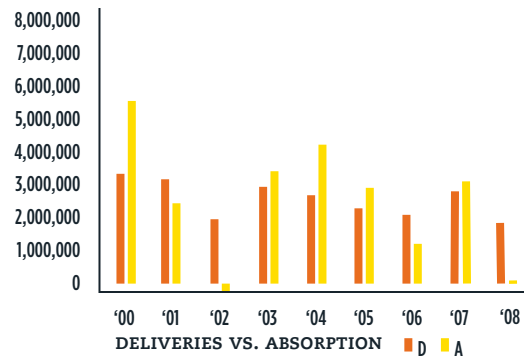
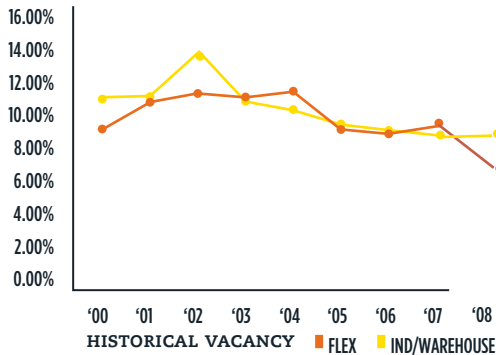
LOCATION	SUBMARKET	PRICE	PSF	BUILDING SIZE (SF)
RIVERS CORPORATE PARK	BW CORRIDOR	\$44,200,000	\$157.86	280,000
6655 DOBBIN RD & 8909 MCGAW CT	BW CORRIDOR	\$18,000,000	\$81.45	221,000
5601 METRO DR	BALTIMORE CITY	\$12,500,000	\$125.00	100,000
8335 TELEGRAPH RD	BW CORRIDOR	\$2,500,000	\$22.73	110,000

## INDUSTRIAL HIGHLIGHTS (CONTINUED)

- Pevco Systems International purchased 41,500 sf at 1401 Tangier Drive in the Baltimore Crossroads development in the Baltimore County East submarket. The company, a manufacturer of pneumatic tube systems for hospitals, acquired the building to accommodate anticipated growth.
- Slow market demand and negative absorption contributed to a significant drop in construction activities from 2.1 msf in the second quarter 2007 to 1.6 msf this quarter. Industrial construction deliveries totaled 740,398 sf with the majority occurring in the Baltimore City submarket. Two of the new buildings are located on the east side of the submarket, a 344,167 sf building in the Chesapeake Commerce Center and an 82,800 sf building in Hollander 95 Business Park.

## TOTALS

2,486
<b>BUILDINGS</b>
177,301,370
<b>MARKET SIZE (SF)</b>
9.20%
<b>DIRECT VACANCY</b>
9.84%
<b>VACANCY W/ SUBLET</b>
-576,447
<b>NET ABSORPTION</b>
\$6.01
<b>ASKING RENT</b>



## FLEX STATISTICS

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
ANNAPOLIS	32	1,112,689	2.23%	2.16%	-4,636	\$13.12
BW CORRIDOR	383	16,072,741	7.47%	8.27%	176,202	\$10.70
BALTIMORE CITY	67	2,458,916	7.28%	7.41%	-26,449	\$8.84
BALTIMORE COUNTY E.	58	2,590,020	9.62%	9.62%	-12,776	\$10.41
BALTIMORE COUNTY W.	119	5,065,626	8.67%	9.26%	27,384	\$9.66
HARFORD/CECIL	56	1,552,155	3.88%	3.88%	15,900	\$7.54
ROUTE 83/TOWSON	79	3,673,072	7.75%	7.77%	17,271	\$9.87
<b>FLEX TOTAL</b>	<b>794</b>	<b>32,525,219</b>	<b>7.49%</b>	<b>7.99%</b>	<b>192,896</b>	<b>\$10.22</b>



### INDUSTRIAL WAREHOUSE STATISTICS

SUBMARKET	BUILDING	MARKET SIZE (SF)	DIRECT VACANCY	VACANCY w/ sublet	NET ABSORPTION	ASKING RATE
ANNAPOLIS	16	506,267	8.32%	8.32%	160	\$18.40
BW CORRIDOR	504	49,900,817	10.64%	11.83%	-791,979	\$5.54
BALTIMORE CITY	645	38,310,384	6.90%	7.59%	-127,470	\$5.36
BALTIMORE COUNTY E.	187	15,839,296	10.98%	11.39%	-49,549	\$4.77
BALTIMORE COUNTY W.	153	12,631,182	4.87%	5.03%	340,194	\$5.85
HARFORD/CECIL	131	23,551,635	13.66%	13.74%	-219,108	\$4.90
ROUTE 83/TOWSON	56	4,036,570	7.60%	7.67%	78,409	\$6.34
<b>WAREHOUSE TOTAL</b>	<b>1,692</b>	<b>144,776,151</b>	<b>9.58%</b>	<b>10.25%</b>	<b>-769,343</b>	<b>\$5.41</b>

## RETAIL HIGHLIGHTS

- This year's International Council of Shopping Centers (ICSC) Convention in Las Vegas hosted 42,000 developers, brokers, retailers, attorneys, public officials, architects, and retail professionals. Despite economic uncertainty, the overall mood of the convention was optimistic. Retailers were eager to see new centers and opportunities, and developers were excited to showcase new and redeveloped projects. JDH Capital highlighted three new centers under development in southern Pennsylvania: Fairfield Market, Gettysburg Market, and Queen Street Market.
- Fairfield Market, a 60,000 sf, Food Lion-anchored shopping center, is located at the intersection of Route 116 and Iron Springs Road in Fairfield, PA. Gettysburg Market, a 220,000 sf, BJ's Wholesale-anchored shopping center, is located at the intersection of US Route 30 and US Route 15 in Gettysburg, PA. Queen Street Market, a 70,000 sf, Food Lion-anchored shopping center is located in York, PA. Construction on the centers are slated for Spring 2009, with small shop space delivered Fall 2009.
- In addition, two exciting new projects in Maryland include Gateway South and Nottingham Ridge. Gateway South is a \$400 million, 13-acre waterfront property at the southern entrance to downtown Baltimore. This project will encompass 600,000 sf of office space and a recreational sports center contiguous to M&T Bank Stadium and Oriole Park at Camden Yards. The second project, Nottingham Ridge, is a 3 msf Corporate Office Properties Trust (COPT) project. When complete, Nottingham Ridge, a 70-acre parcel in White Marsh, (the last undeveloped tract in the White Marsh Town Center), will include office space, hotels, residential units, and retail.
- Notable lease transactions include the signing of Kohl's Department Stores, Inc. at 2000 Rock Spring Road in Forest Hill, MD. Kohl's leased 103,000 sf at the Forest Lake project in Harford County. Notable sales transactions include the sale of Ordnance Plaza in Glen Burnie for \$26.5 million.

## NOTABLE RETAIL TRANSACTIONS | leasing

LOCATION	SUBMARKET	TENANT	AMOUNT LEASED (SF)
VILLAGE AT FOREST LAKES	HARFORD COUNTY	KOHL'S DEPARTMENT STORE	103,000
JUMPERS JUNCTION SC	PASADENA	GOODWILL INDUSTRIES	16,675
NORTH PLAZA SC	BALTIMORE COUNTY E	TUESDAY MORNING	11,368
RED APPLE VILLAGE	QUEEN ANNE'S COUNTY	MR. TIRE	6,300

## NOTABLE RETAIL TRANSACTIONS | sales

LOCATION	SUBMARKET	PRICE	PSF	BUILDING SIZE (SF)
ORDNANCE PLAZA	GLEN BURNIE	\$26,500,000	\$171.34	154,661
15 TEXAS STATION CT	YORK RD COR	\$22,300,000	\$169.65	131,446
6 S. MARLYN AVE	BALTIMORE COUNTY E	\$6,488,000	\$437.79	14,820
10525 YORK RD	YORK RD COR	\$1,600,000	\$107.38	14,900