



FOURTH QUARTER | 2010

MacKenzie Market Report

Office Submarkets

MACKENZIE



Overview: Annapolis, the State Capital of Maryland and the county seat of Anne Arundel County, is situated on the Severn River. The office submarket is bounded by I-97 to the east, South River to the south, and includes the Route 50/301 corridor on both sides of the Severn River.

Designated a "Central City" by the United States Department of Housing and Urban Development, the major components of Annapolis' local economy are government (the State Capital, Anne Arundel County Seat, and the United States Naval Academy), tourism, and maritime industries.

Recent development in Annapolis includes newly completed office space at the Annapolis Towne Center, a 35 acre mixed-use redevelopment project in the Parole area comprising nearly 2 million square feet (msf) of retail, office, hotel, and residential floor space; and newly available office space at Park Place of Annapolis, a 12 acre project on West Street featuring 208 luxury condominiums, underground parking, and high-end office and retail space.

Living within 30 miles of both Baltimore and Washington, DC, many residents find

employment outside the City, however, as the State's Capital, the City experiences a daily population of up to 150,000 when the legislature is in session.

Following a sharp decrease in the first two quarters of 2010, vacancy rates in Annapolis have shown an increase for the second consecutive quarter. The current rate of 14.96 percent, however, signifies a 0.61 percent decrease over the previous year. These rates continue to hover well above 2008 levels due to newly delivered buildings in Annapolis Towne Center and Park Place. Annapolis' average asking rental rate showed a slight increase (+\$0.20 per square foot (psf)) from last quarter and now averages \$28.37 psf. This rate continues to be the highest in the Baltimore Metropolitan Market and has averaged more than \$28.00 psf since 2007. ■

Quick Stats

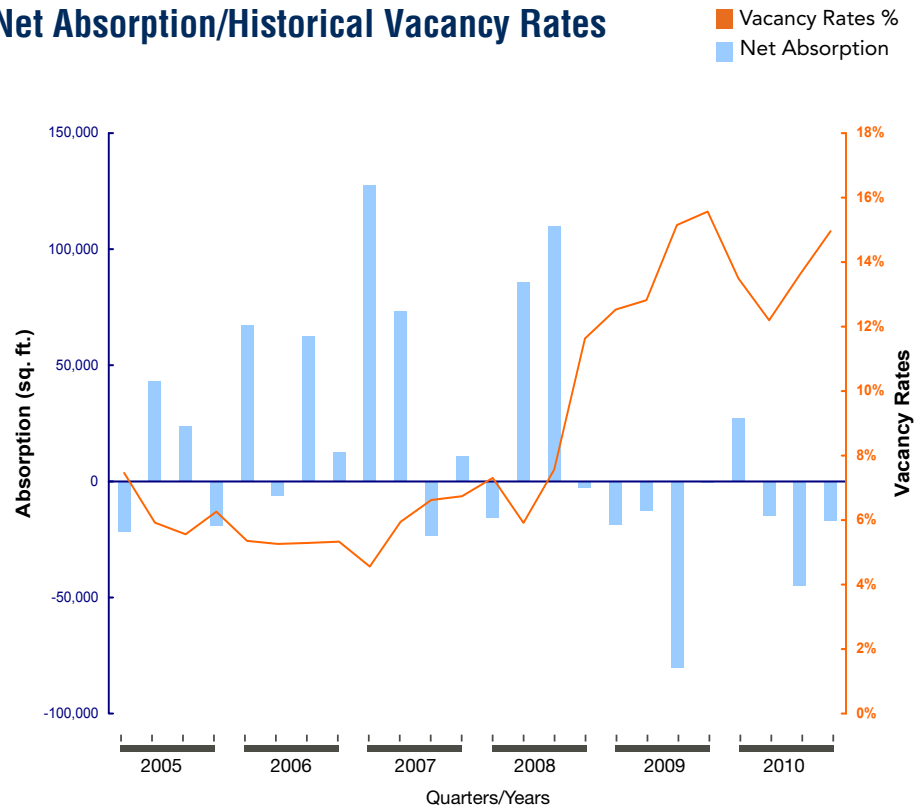
Number of Buildings	131
Market Size	3,645,174 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	14.96%	▲	▼
Vacancy W/ Sublet	15.45%	▲	▼
Net Absorption	-16,807	▲	▼
Avg. Asking Rate	\$28.37	▲	▼

Quarter Highlights

- 129 Lubrano Drive, a 40,000 square foot (sf), three-story medical office building was delivered during the fourth quarter. The property, which was nearly 50 percent pre-leased, is now home to Physiotherapy Associates, a pediatric dentist, Women's Surgery Center, and Maryland Primary Care.
- Annapolis Oncology relocated from 15,195 sf at 900 Bestgate Road to the campus of Anne Arundel Medical Center.
- Triton Engineering vacated 10,500 sf at 441 Defense Highway.

Net Absorption/Historical Vacancy Rates



Above: After a significant drop in the first two quarters of 2010, vacancy rates have again increased to just below the record highs experienced at the end of 2009.



Market Forecast

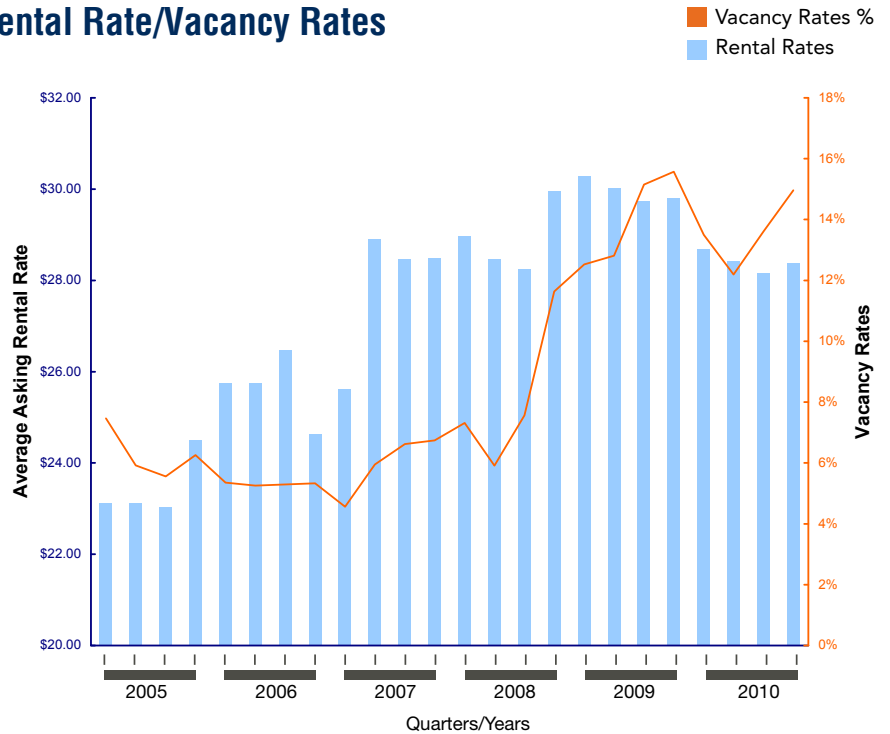
Properties in Annapolis are continuing to hold their value with recent land sales selling above appraised values and several office condominiums selling in Annapolis above \$315 psf and \$350 psf respectively. Leasing continues to be strong in the Class A market, with a marked increase in activity, tours of vacant space, and requests for proposals. Rents in Class A buildings are between \$28- \$32 psf with landlords continuing to offer concessions such as rent abatement and tenant improvements. All indications point to a busy first quarter in 2011.



Patricia B. Farrell
VICE PRESIDENT

MacKenzie Commercial
Real Estate Services, LLC

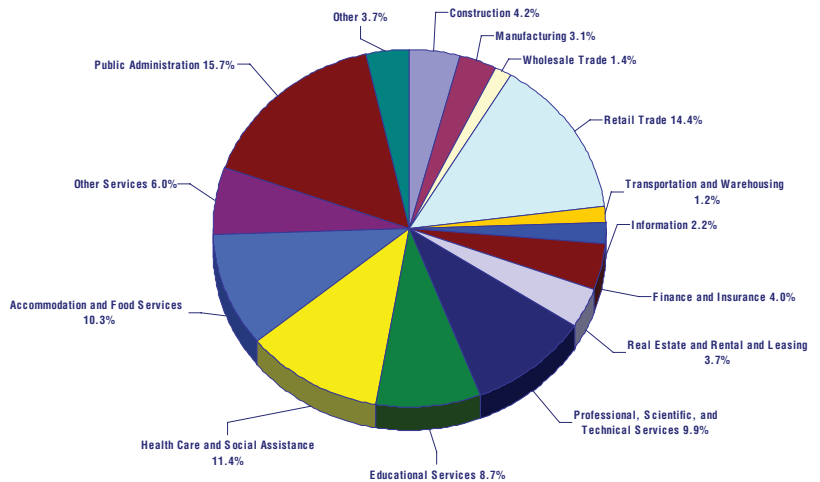
Rental Rate/Vacancy Rates



Above: After cresting above \$30.00 psf in early 2009, rental rates continue to adjust to depressed economic conditions and high vacancy. Annapolis' asking rates, however, have been consistently above \$28.00 psf since 2007 and remain the highest in the entire Baltimore Market.

Businesses in this Submarket

(based on number of employees)



Above: Apart from a large number of tourism and retail businesses, this submarket, also the State's Capital, is dominated by government-related industry, providing more than 10,000 individuals with jobs in the public administration field.

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Baltimore City*



Overview: Baltimore City is located 38 miles north of Washington, DC and 95 miles south of Philadelphia. This submarket is divided into four main areas: Midtown, which is bounded by Centre Street to the south, I-83 to the east, Martin Luther King Jr. Boulevard to the west, and North Avenue to the north; Baltimore City North, which encompasses the remaining area north of Route 40; and Baltimore City East and Baltimore City West, which are south of Route 40 and separated by Hanover Street which runs north-south.

Quick Stats

Number of Buildings	112
Market Size	7,767,844 sf

CHANGE SINCE LAST

	CURRENT	QTR	YR
Direct Vacancy	16.73%	▼	▼
Vacancy W/ Sublet	17.14%	▼	▼
Net Absorption	93,319	▲	▲
Avg. Asking Rate	\$21.95	▲	▲

Quarter Highlights

- The Social Security Administration has leased 538,000 sf at 6100 Wabash Avenue. The building at the Reisterstown Plaza Metro Station is expected to break ground in August 2011 and will eventually be home to 1,600 employees.
- 1500 Whetstone Way opened in the McHenry Row development located off Key Highway and Interstate 95. The 82,500 sf building is now home to Continental Title Group (5,000 sf), Yerman, Witman, Gaines and Conklin Realty (3,000 sf), and the Baltimore Metropolitan Council (12,500 sf).
- The Maryland Office of Chief Medical Examiner signed a 21,000 sf deal for space within the University of Maryland's BioPark. The facility is one of the nation's largest standalone medical examiner facilities.
- TravelCLICK, Inc. relocated from 1414 Key Highway to a larger space in the American Can Company complex at 2400 Boston Street.

Ranking 20th in population for U.S. Cities, Baltimore City is home to the world-renowned Johns Hopkins Hospital and School of Medicine, the largest recipient of federal research dollars in the country. The University of Maryland Medical System is also located in Baltimore's redeveloping west side. Both, in cooperation with the City, are developing biotech parks and are helping Baltimore emerge as a life sciences capital. When complete, the east side/Science & Technology Park at JHU will include 2 million square feet (msf) of research space and 1,200 units of mixed-income housing. The west side/UMB BioPark will include 2.5 million square feet (msf) of office, hotel, retail, and university space.

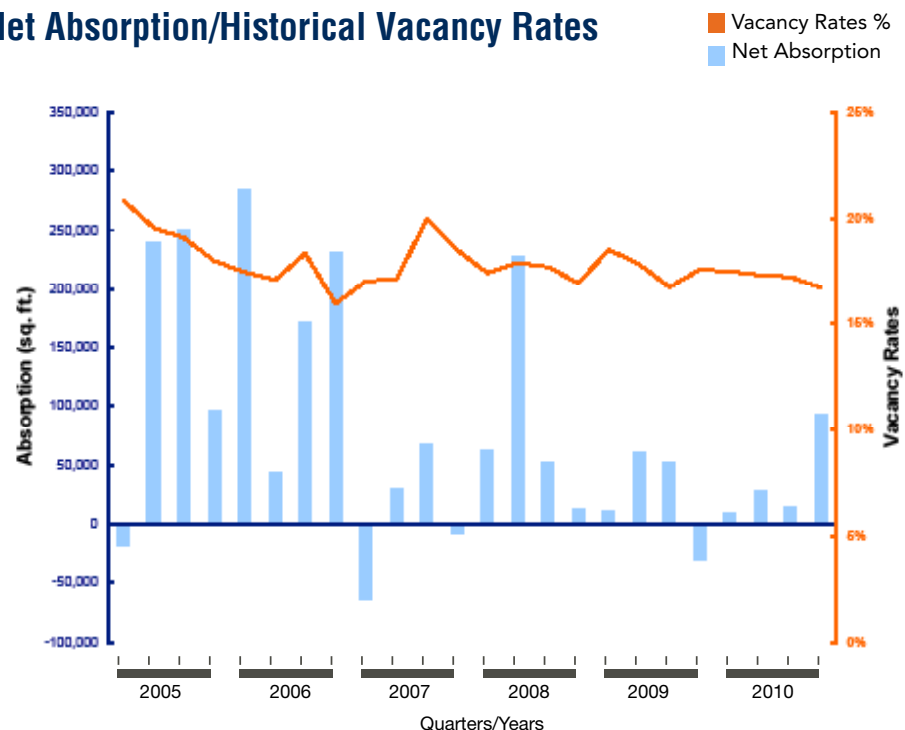
Baltimore's Midtown District is home to the University of Baltimore and the Maryland Institute College of Art. Just north of City Center, Midtown encompasses many of Baltimore's most vital cultural establishments and is experiencing a revitalization that includes plans for the \$1.4 billion, 28 acre State Center redevelopment. The project embraces a transit-oriented development approach that includes homes, offices, and commercial space.

Baltimore City's vacancy rate has dropped for the fourth consecutive quarter and now stands at 16.73 percent. This constitutes a 0.87 percent decrease in vacancy over the past year. The north side, west side, and Midtown districts each saw a reduction in vacancy over the past 12 months, however the opposite is occurring on the city's east side where vacancy rose 1.66 percent. While the west side's vacancy rate is decreasing, it is still significantly higher than other areas of the City. At 6.51 percent, the City's Midtown District enjoys the lowest vacancy rate in the City, as well as the entire Baltimore Metropolitan market.

Absorption was also low in the Midtown District where only 1,650 square feet (sf) were absorbed. In comparison, the north side absorbed 36,063 sf, the east side absorbed 34,606 sf, and the west side absorbed 21,000 sf. Asking rental rates continue to remain consistent and currently average \$21.95 per square foot (psf). ■

*NOTE: The Baltimore City submarket does not include the City's central business district, which is a distinctly different submarket called City Center.

Net Absorption/Historical Vacancy Rates



Above: Modest absorption in Baltimore City has brought vacancy rates to their lowest level since 2006.



Market Forecast

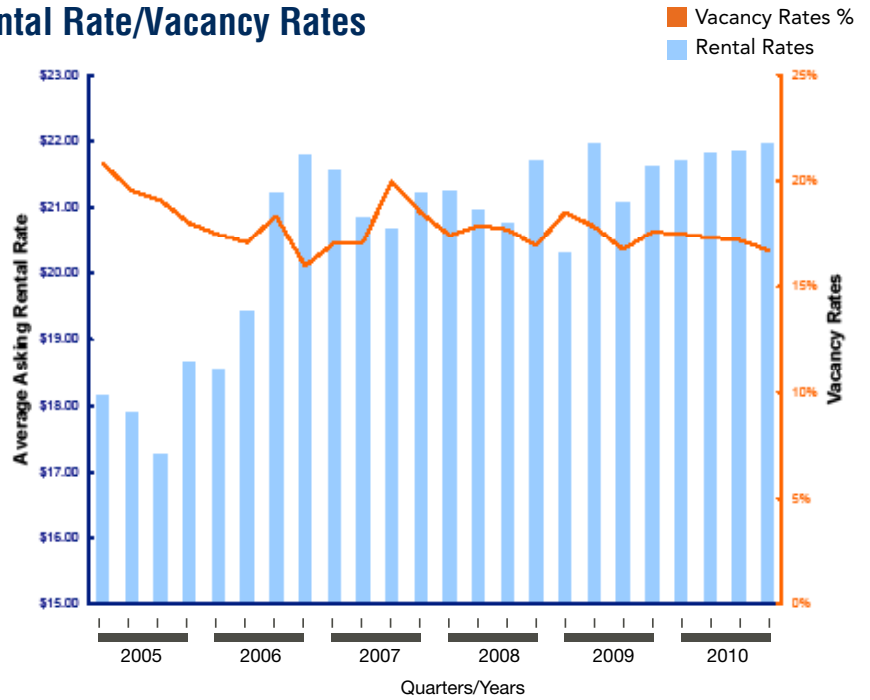
Baltimore City continues to experience high vacancy rates compared to previous rates prior to 2009. There are positive signs, however, with the vacancy rates going down moderately and asking rents increasing. The announcement of Transamerica/AEGON relocating to downtown will be a positive for City Center, but it will also leave a big block of space in the Midtown market. New and existing tenants continue to take advantage of the market with new space relocations and early renewals yielding immediate rent savings. Landlords continue to do a strategic analysis of the long-term effects of lowering rents in anticipation for a market recovery in the next 24 months. The lack of new companies moving into Baltimore City continues to be a concern for economic development officials and landlords.



Antony Gross
VICE PRESIDENT

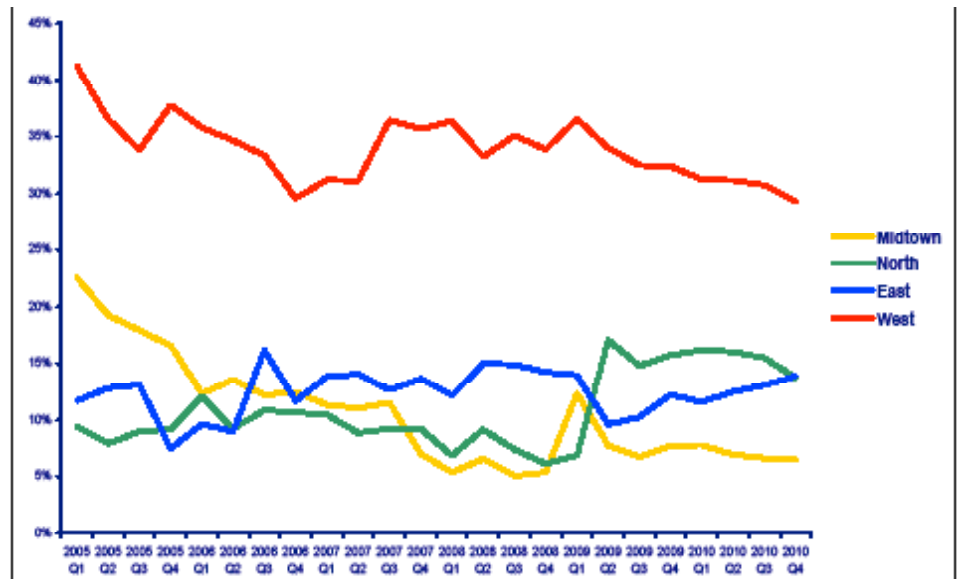
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Rental Rate/Vacancy Rates



Above: As vacancy inches downward, asking rental rates have risen to a historic high.

Vacancy Rate/Region



Above: Baltimore City West maintains a significantly higher vacancy than the remainder of the City. The Midtown District is currently enjoying the lowest vacancy rate in the metropolitan market.

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Baltimore County East



Overview: The Eastern Baltimore County submarket is home to a diverse business community, including some of the region’s largest manufacturers such as GM Power Train, Middle River Aircraft Systems, Lockheed Martin, Signode, and ISG Sparrows Point. An integrated transportation network links Dundalk, Essex, Middle River, and Rosedale to I-95, I-695, Baltimore/Washington Thurgood Marshall International Airport, and Martin State Airport. MARC commuter rail is available in Middle River.

This submarket is home to White Marsh, a planned 2,000 acre mixed-use community adjacent to I-95. Designated as an official growth area in 1983, White Marsh is one of the fastest growing areas in Baltimore County, experiencing more than 3.8 million square feet (msf) of business development in the past decade. Clusters of financial, insurance, health care, light manufacturing, technology, and distribution operations surround its vibrant town center, anchored by White Marsh Mall and The Avenue, a “Main Street” retail and entertainment lifestyle center.

growth area to the Middle River waterfront has opened 1,000 acres for business development, one of the largest available tracts on the I-95 Corridor.

Over the past year, Baltimore County East has shown signs of recovery as vacancy rates dropped by nearly 3 percent and average asking rental rates increased by \$2 per square foot (psf). The submarket, however, continues to experience one of the highest vacancy rates in the region at 18.3 percent. At \$21.88 psf, the average asking rental rate continues to rebound from record lows experienced a year ago. ■

Close proximity to Aberdeen Proving Ground, new office, flex, and industrial opportunities developed by Corporate Office Properties Trust (COPT), and \$800 million in private, state, and county investment in infrastructure, parks, schools, and housing has encouraged employment-intensive development in the submarket.

More recently, a \$60 million extension of Maryland Route 43 from the White Marsh

Quick Stats

Number of Buildings	57
Market Size	2,006,397 sf

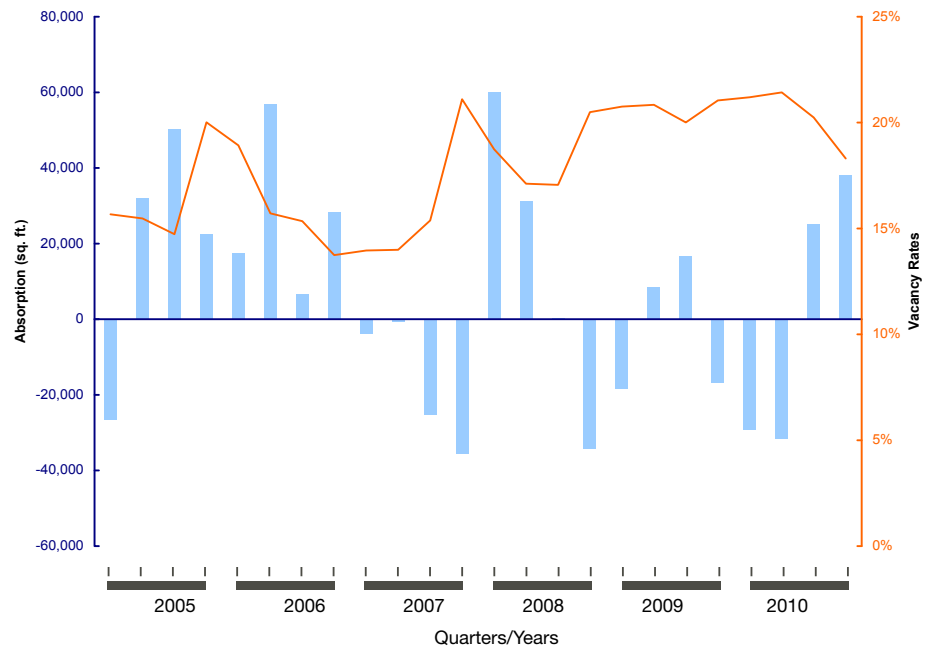
	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	18.30%	▼	▼
Vacancy W/ Sublet	18.30%	▼	▼
Net Absorption	37,965	▲	▲
Avg. Asking Rate	\$21.88	▼	▲

Quarter Highlights

- MedStar Health leased 31,244 square feet (sf) at 8010 Corporate Drive as consolidation efforts continue.
- Verizon continued the push to move employees from leased space to owner-occupied buildings. This resulted in vacating 12,150 sf at 6820 Hospital Drive.

Net Absorption/Historical Vacancy Rates

■ Vacancy Rates %
■ Net Absorption



Above: Healthy absorption in two consecutive quarters has brought vacancy rates back to 2008 levels.

Market Forecast

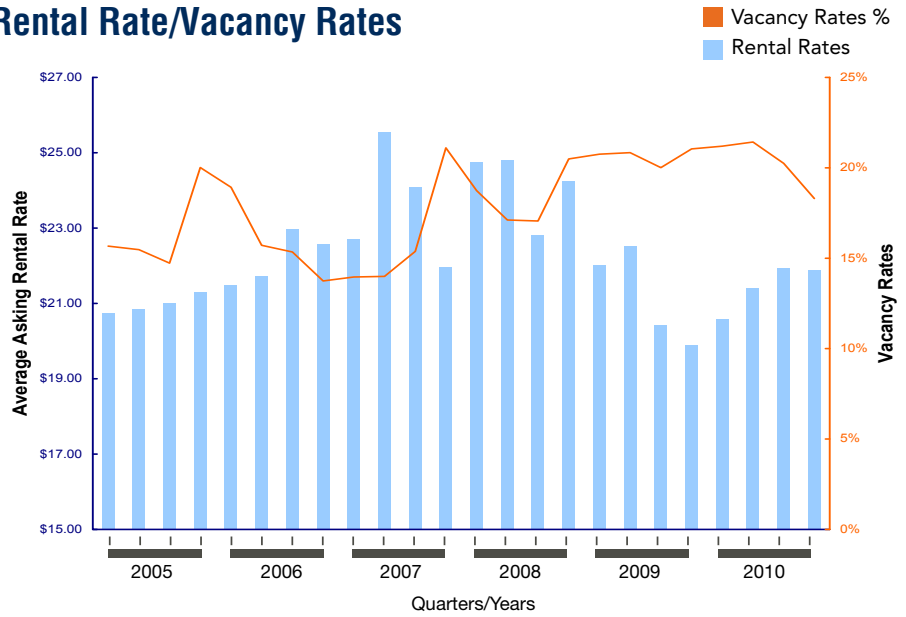
Rents have begun to stabilize in the Baltimore County East submarket as vacancy rates have dropped below 20 percent for the first time in over two years. This can be attributed to rising consumer confidence amongst smaller users, who have been very quiet over the past few years, as well as the flurry of condo sales towards the end of 2010. It is anticipated that these activities will continue into the New Year.



Meghan C. Gill
SENIOR REAL ESTATE ADVISOR

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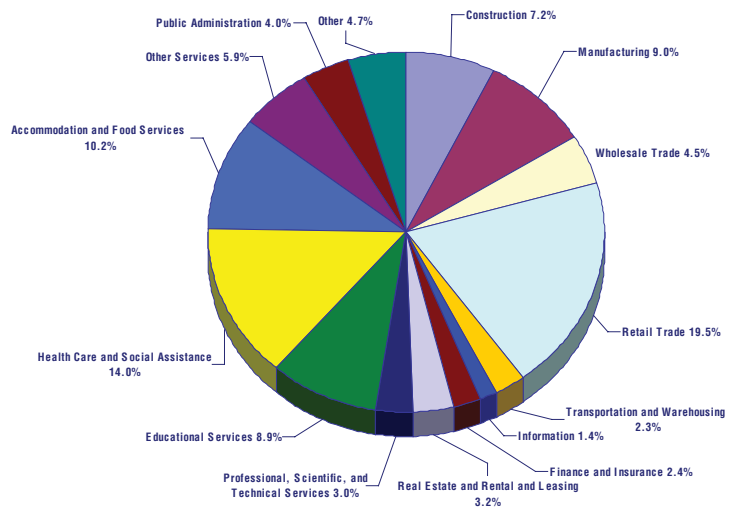
Rental Rate/Vacancy Rates



Above: The average asking rental rate continues to rebound from record lows experienced a year ago.

Businesses in this Submarket

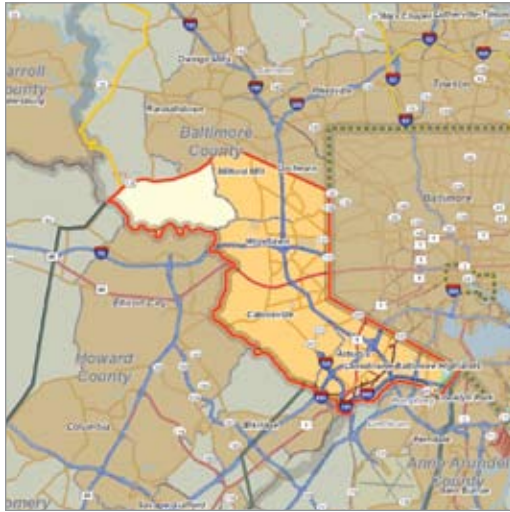
(based on number of employees)



Above: Retail Trade employs nearly 20 percent of individuals working in the Baltimore County East submarket. This is the largest percentage of retail jobs in all of the submarkets except Harford County (21.5 percent) and is attributed to White Marsh Mall and The Avenue, economic generators for the area.

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Baltimore County West



Overview: Baltimore County West is comprised of three unincorporated, census designated communities; Woodlawn, Catonsville, and Arbutus/Halethorpe. The submarket is adjacent to Baltimore City, and bordered by Howard County to the west, and Anne Arundel County to the south. I-70 and I-695 provide easy access to Towson, the Baltimore/Washington Thurgood Marshall International Airport, and Frederick and Montgomery Counties.

Woodlawn is home to headquarters for both the Social Security Administration (SSA) as well as The Centers for Medicare and Medicaid Services, two of the largest employers in the State of Maryland. Areas of Woodlawn are sometimes informally referred to as Security, Maryland, due to the importance of the SSA's headquarters as well as nearby Security Boulevard (Maryland Route 122) and Security Square Mall.

The University of Maryland Baltimore County, and bwtech@UMBC, a 41 acre research and technology community, are both located in the Baltimore County West submarket. When complete, bwtech@UMBC will comprise five new state-of-the-art buildings totaling 330,000 square feet (sf) of office and laboratory space. RWD Technologies, BDMetrics, Solvern Innovations, Convergent Technologies, Med-IQ, Goddard Earth Science and Technology Center (GEST), Erickson School of Aging Studies, Joint Center for Earth Systems Technology (JCET),

UMBC's Achieving the Commercialization of Technology in Ventures through Applied Training for Entrepreneurs (ACTIVATE®), and Invoke Systems have already located in the technology park.

The Arbutus/Halethorpe area offers a main street business environment as well as several flex and industrial parks.

Significant absorption in Baltimore County West during 2010 has led to a continued decrease in vacancy. Dropping nearly 4 percent in the past year, the vacancy rate for the submarket now stands at 10.99 percent, which is one of the lowest rates in the metropolitan market. The average asking rental rate continues to drop and now stands at \$17.70 per square foot (psf). Baltimore County West is the only submarket in the metropolitan market with average asking rental rates below \$20 psf. ■

Quick Stats

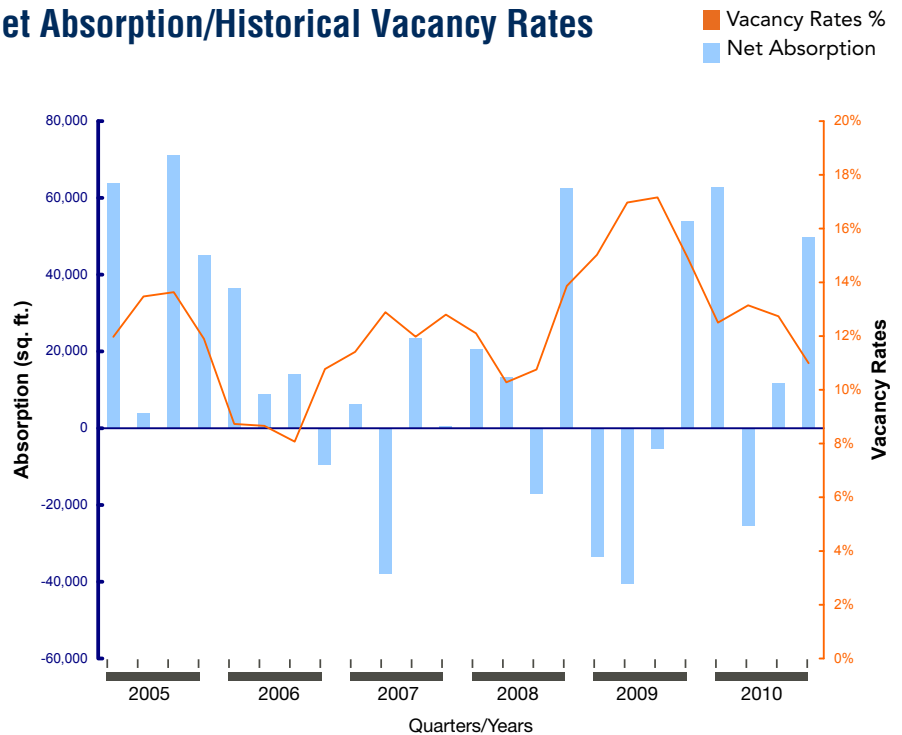
Number of Buildings	64
Market Size	2,843,233 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	10.99%	▼	▼
Vacancy W/ Sublet	11.01%	▼	▼
Net Absorption	49,675	▲	▼
Avg. Asking Rate	\$17.70	▼	▼

Quarter Highlights

- Renovations are underway at 7205 Windsor Boulevard where The Centers for Medicare and Medicaid have leased nearly 75,000 sf. The building is expected to be delivered during the second quarter of 2011.
- The General Services Administration has signed a lease for 66,707 sf at 7210 Ambassador Road. Federal employees are expected to begin moving in during February 2011.
- Northrop Grumman, a defense contractor, has renewed their lease for 32,541 sf at 7133 Rutherford Road in Windsor Mill.

Net Absorption/Historical Vacancy Rates



Above: After significant absorption in the first and fourth quarters, vacancy continues to decline to 2008 levels.

Market Forecast

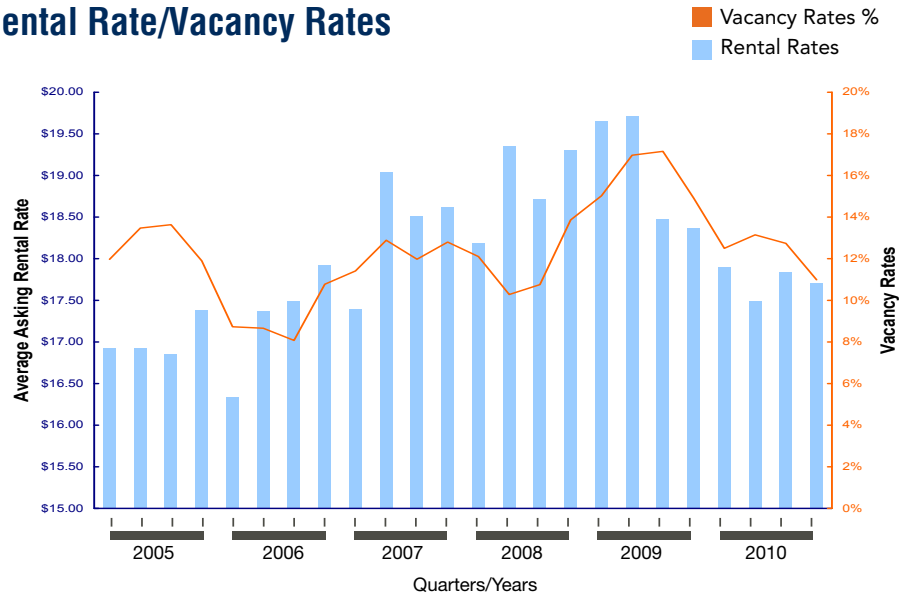
The data indicates that vacancy rates have leveled off, as absorption has remained positive throughout 2010. The announcement this November that the The Centers for Medicare and Medicaid Services will occupy 74,216 sf of a former pharmaceutical manufacturing building being redeveloped at 7205 Windsor Boulevard is further evidence that the Federal Government is and will remain the main economic driver in Western Baltimore County. The 251,000 sf former Actavis Pharmaceutical Building, renamed Windsor Station, has been redeveloped by Preston Partners as a single-story Class A office building containing approximately 200,000 sf of rentable space. Of some concern in this market, is the fact that Corporate Office Properties Trust has put their sizeable office portfolio up for sale (363,998 sf). Speculation is that the low rents in this market will not support projected capital expenses estimates.



Julio O. Purcell, SIOR
VICE PRESIDENT

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Real Estate Services, LLC

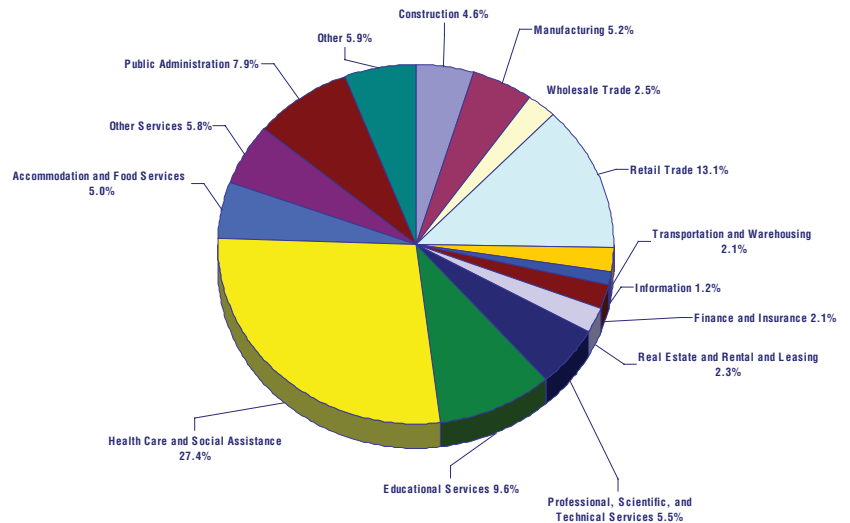
Rental Rate/Vacancy Rates



Above: Despite a healthy trend in vacancy over the past year, asking rental rates continue to fall to levels not seen since early 2007.

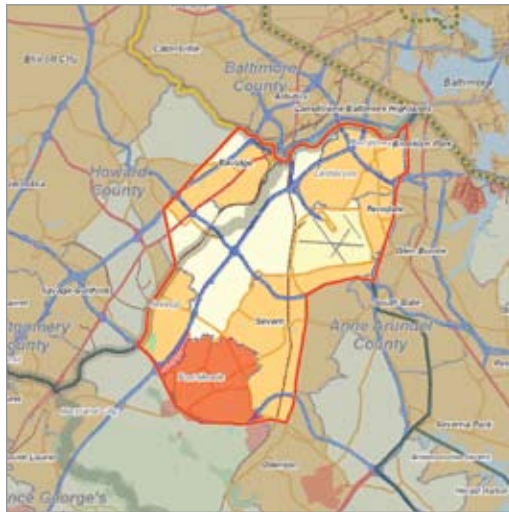
Businesses in this Submarket

(based on number of employees)



Above: 18,728 individuals are employed by the Health Care and Social Assistance Industries in this submarket, representing nearly 30 percent of Baltimore County West's employment. The Social Security Administration and the Centers for Medicare and Medicaid Services, two of Maryland's largest employers both located in Woodlawn, are responsible for this seemingly disproportionate distribution.

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Overview: Located in northern Anne Arundel County, just south of Baltimore, the BWI Office submarket surrounds Baltimore/Washington International Thurgood Marshall Airport and includes Glen Burnie, Linthicum, Hanover, and several smaller business districts. The area, which is home to the National Security Agency and Fort George Meade, is supported by a diverse set of economic drivers including world class private sector employers, telecommunications, health care, retail and distribution operations, and a rapidly expanding information and defense industry including eight of the top 10 defense contractors in the nation.

Over the past 30 years, this submarket has grown substantially. Total office inventory is more than 8 million square feet (msf) of office space and 16 msf of flex space. In addition to a strong health care presence in this area, the National Security Agency (NSA) and its contractors have been a significant factor in the submarket's growth. As a result of recent Base Realignment and Closure (BRAC) initiatives, Ft. Meade is anticipated to gain more than 22,000 jobs, increasing this area's impact on the County to more than \$5 billion annually.

Since that time, significant absorption has occurred as the effects of BRAC are felt throughout the area. Vacancy has dropped over 6 percent since the beginning of 2010 to its current level of 16.6 percent. The average asking rental rate has dropped from the record high experienced earlier in the year to \$24.79 per square foot (psf). ■

Key private sector employers include: Booz Allen Hamilton, Computer Sciences Corporation, Corporate Express, General Dynamics, Johns Hopkins Healthcare, Northrop Grumman, Lockheed Martin, ITT, BAE Systems, Raytheon, CSI, and Harris Corporation.

Vacancy peaked in the BWI submarket during the first quarter of 2010 at 22.9 percent.

Quick Stats

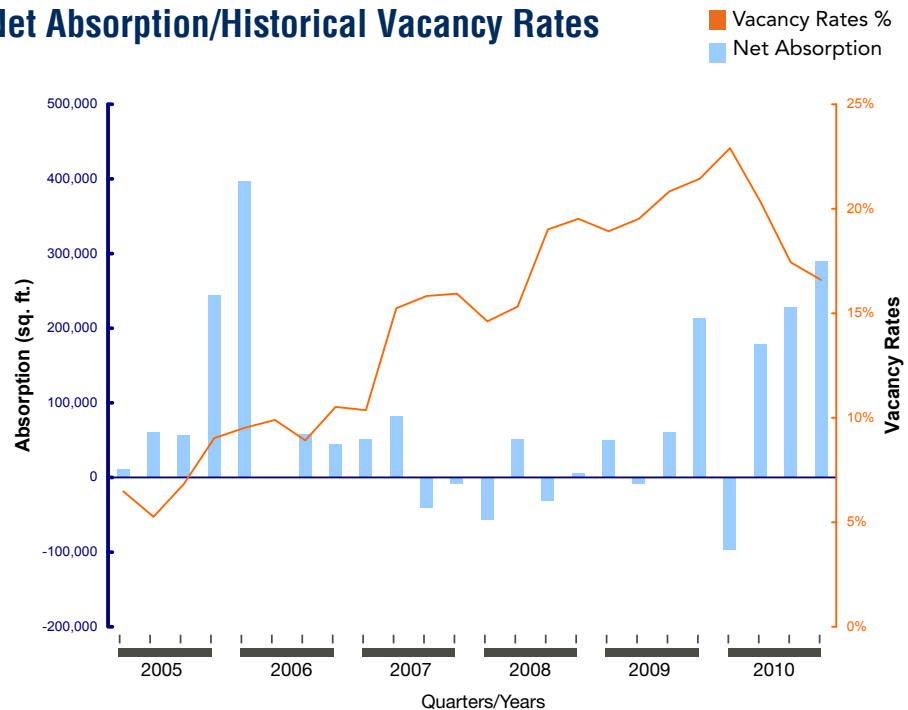
Number of Buildings	108
Market Size	8,378,951 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	16.60%	▼	▼
Vacancy W/ Sublet	17.05%	▼	▼
Net Absorption	290,562	▼	▲
Avg. Asking Rate	\$24.79	▼	▼

Quarter Highlights

- 324 Sentinel Way was delivered in the fourth quarter. The 125,130 square foot (sf) building was fully leased by the General Services Administration, with tenants moving in July 2011.
- The International Union of Painters and Allied Trades signed a lease at 7234 Parkway Drive. The 60,000 sf, 100 percent leased building was delivered this quarter.
- National Business Park, which continues to benefit from BRAC, saw the addition of CGI (10,900 sf), Raytheon (21,928 sf), and Stanley (20,443 sf) at 300 Sentinel Drive.
- Northrop Grumman, a defense contractor, has renewed their lease for 103,683 sf at 2691 Technology Drive in National Business Park. The Park is located in close proximity to Fort Meade.

Net Absorption/Historical Vacancy Rates

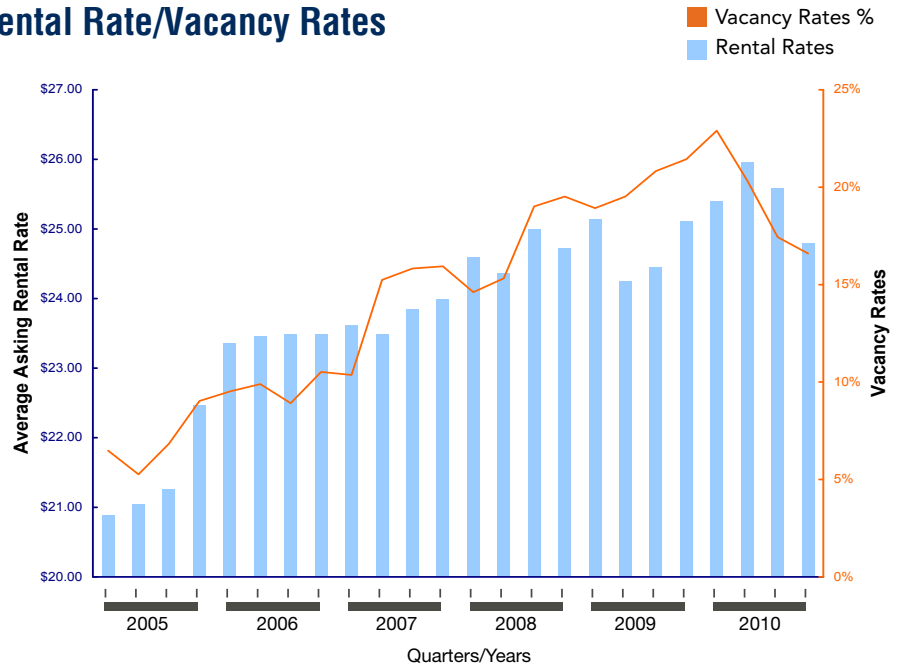


Above: After soaring to an all-time high of 22 percent in early 2010, this submarket is finally feeling the positive impacts of BRAC as vacancy rates have fallen to the lowest level since 2008.

Market Forecast

The BWI submarket enjoyed the highest absorption of all of the submarkets tracked in 2010 with 290,562 sf absorbed. This resulted in a significant reduction in the direct vacancy rate from 21.43 percent a year ago to a current rate of 16.6 percent at the end of 2010, all while adding 227,374 sf of space to the inventory. These statistics can be attributed to BRAC and the Cyber Command, both of which are centered at Fort Meade/NSA. National Business Park continues to be the strongest portion of the market, but the Route 100 and Route 32 corridors are seeing an increase in activity as well. Given what we have learned over the past year and what we know is still to come, it is anticipated that in 2011, the market will continue to see positive absorption and a reduction in vacancy. As a result, rents should see an increase, however, not as dramatic.

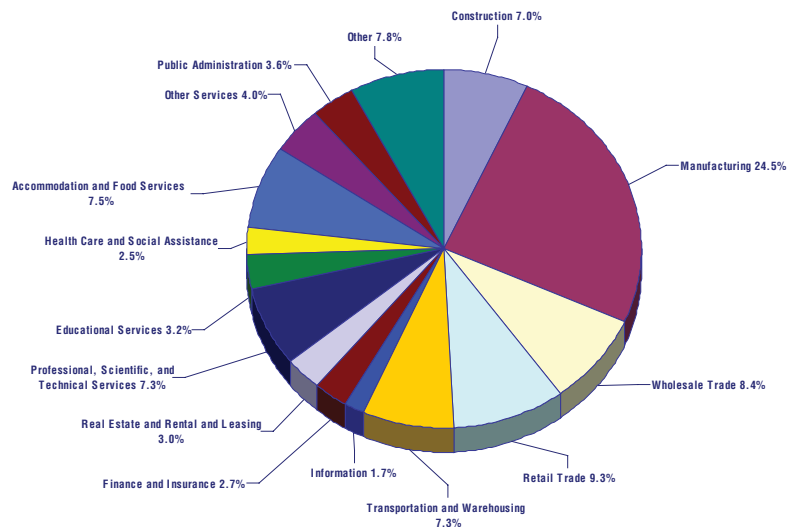
Rental Rate/Vacancy Rates



Above: The average asking rental rate has dropped from the record high experienced earlier in the year to 2008 levels.

Businesses in this Submarket

(based on number of employees)



Above: The BWI submarket employs the highest percentage of manufacturing employees of all of the office submarkets (24.5 percent). Interestingly, while the Health Care and Social Assistance Industries make up one of the top three largest sectors by employee in every other submarket, BWI employs a mere 2.5 percent (1,599) in this field.

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Christopher C. Bennett
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial
Real Estate Services, LLC

City Center



Overview: As the downtown district of Baltimore City, the City Center submarket is defined by Broadway Street to the east, Martin Luther King Jr. Boulevard to the west, Centre Street to the north, and Cross Street to the south. City Center is Baltimore's dense central business district and easily accessible to both I-95 and 295.

Baltimore's City Center continues to expand eastward along the water's edge, with new developments at 100 International Drive – Legg Mason's World Headquarters and 1300 Thames Street – Morgan Stanley's business services and technology group. Total office inventory is nearly 14.5 million square feet (msf). Tenants are often drawn to City Center to enjoy its Class A+ office buildings, water views, and amenities including Oriole Park at Camden Yards, M&T Bank Stadium, as well as easy access to a variety of ethnic restaurants, shops, and residences for those that walk to work.

Major employers in the submarket include: T. Rowe Price, Legg Mason, Under Armour, Constellation Energy, CitiFinancial, Verizon, Bank of America, M&T Bank, PNC, and Transamerica.

Class A+ office vacancy in City Center has decreased to 21.61 percent for the second

consecutive quarter. This rate, however, is still substantially higher than 2008 levels, due to the delivery, during the second quarter of 2009, of two new buildings in the Harbor East area. At 26.07 percent, Class B offices continue to have the highest vacancy rate. This rate has increased for the eighth consecutive quarter with a nearly 2 percent increase in the past year. Class A and Class B+ office space continues to enjoy the lowest vacancy rates in City Center at 17.76 percent and 13.14 percent respectively. Although there has been activity in City Center, net absorption continues to remain flat as tenants move both in and out of the area. Asking rental rates have continued their downward trek, dropping nearly \$1.00 per square foot (psf) over the past year to an average of \$21.61 psf. ■

Quick Stats

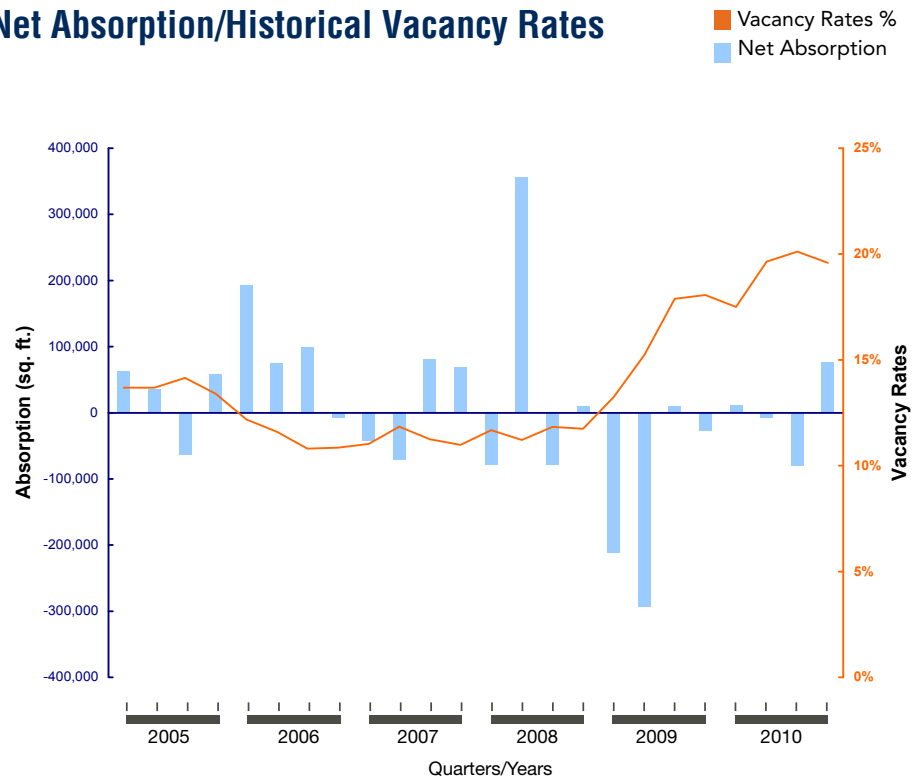
Number of Buildings	82
Market Size	15,108,457 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	20.10%	▼	▲
Vacancy W/ Sublet	22.97%	▼	▲
Net Absorption	-1,863	▲	▲
Avg. Asking Rate	\$21.61	▼	▼

Quarter Highlights

- Renovations have begun on 100 Light Street. Transamerica Life Insurance Company has signed a lease for 140,526 square feet (sf) and secured naming rights for the 40-story building. More than 700 employees will occupy the space in late 2011.
- OberKaler, the fifth largest law firm in Baltimore, has also signed a lease in 100 Light Street. The firm will occupy 92,778 sf and is expected to move in March 2011.
- In December, Bolton Partners, Inc. occupied 14,629 sf of subleased space at 100 Light Street.
- 180s Innovation Performance Wear signed a deal for 15,000 sf at 700 S. Caroline Street near Harbor East.

Net Absorption/Historical Vacancy Rates



Above: Following a rapid increase in vacancy in 2009, due to the delivery of several new Class A+ buildings, vacancy rates have appeared to level over the past three quarters, dropping only slightly in the fourth quarter. The overall vacancy rate now stands at approximately 20 percent. Space in these buildings continues to be leased; however, significant net gains in absorption for the submarket as a whole have yet to be seen.



Market Forecast

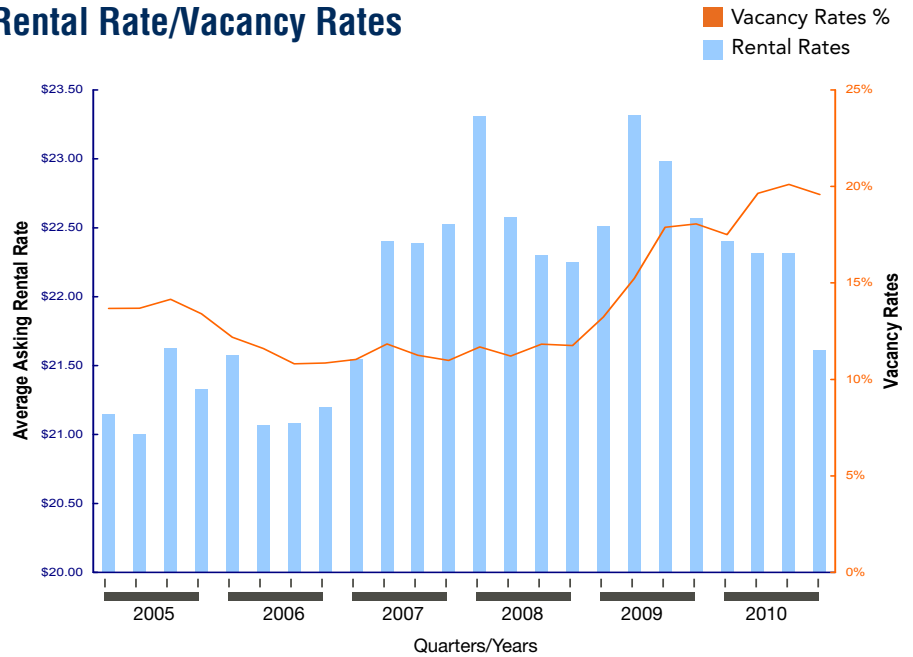
Market statistics suggest that the market bottomed out during 2010 and is beginning to recover. The pace of activity increased in the fourth quarter and vacancy rates dropped slightly. Although this news is encouraging, the underlying fundamentals of limited job growth and confusing and uncertain tax and monetary policy from Washington and Annapolis, suggests any recovery in 2011 will be slow. We forecast 2011 as an opportunity recovery period, particularly for users of space.



Mark M. Deering
SENIOR VICE PRESIDENT/PRINCIPAL

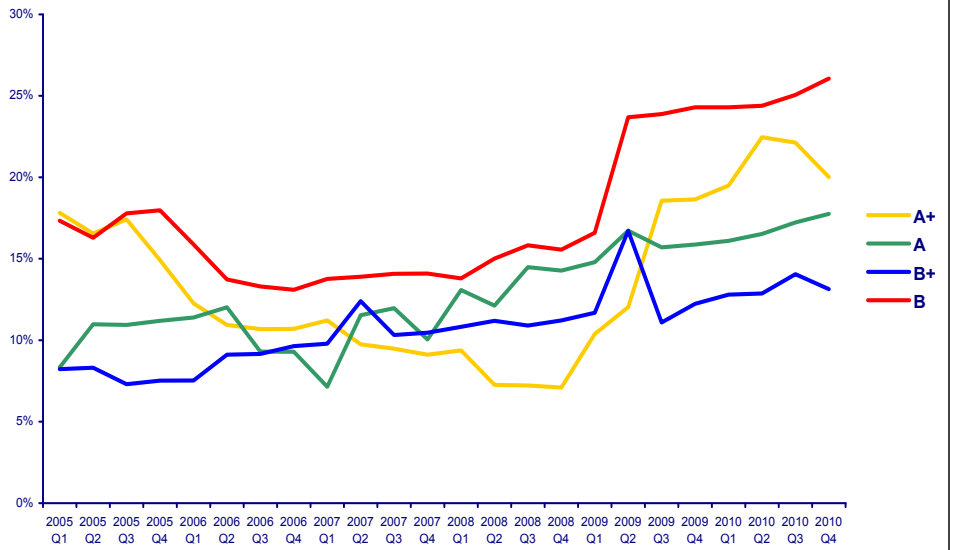
MacKenzie Commercial
Real Estate Services, LLC

Rental Rate/Vacancy Rates



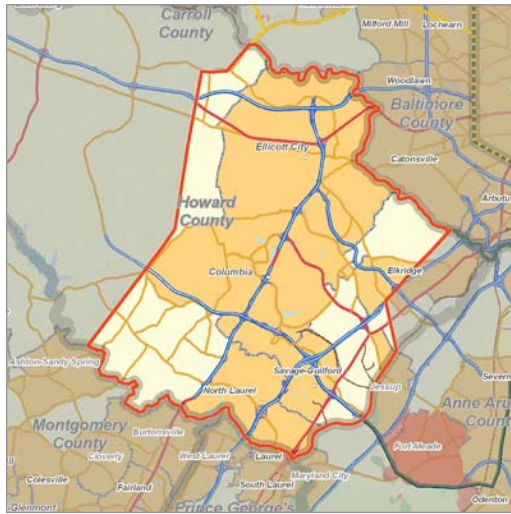
Above: Rental rates have continued to drop and now stand at levels not seen since early 2007.

Vacancy Rate/Building Class



Above: Vacancy rates of Class A and Class B office space has continued to gradually increase, whereas Class A+ and Class B+ properties have seen a slight decrease in the fourth quarter.

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Overview: Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses.

Columbia's diverse business mix is supported by one of the most highly educated labor pools in the country, excellent retail and recreational amenities, and corporate, political, and financial centers in Washington, DC.

Major employers in this submarket include Johns Hopkins University Applied Physics Laboratory, Verizon Wireless, SAIC, Wells Fargo, Arbitron, Dreyers Grand Ice Cream, Magellan Health Services, Northrop Grumman, and Raytheon.

High negative absorption over the past three quarters has driven the Columbia submarket's vacancy rates to its highest level in five (5) years. Vacancy now stands at 15.57 percent. After a temporary low in 2009,

asking rental rates are continuing their upward trend and now average \$24.18 per square foot (psf). This rate is consistent with levels seen in 2007. ■

Quick Stats

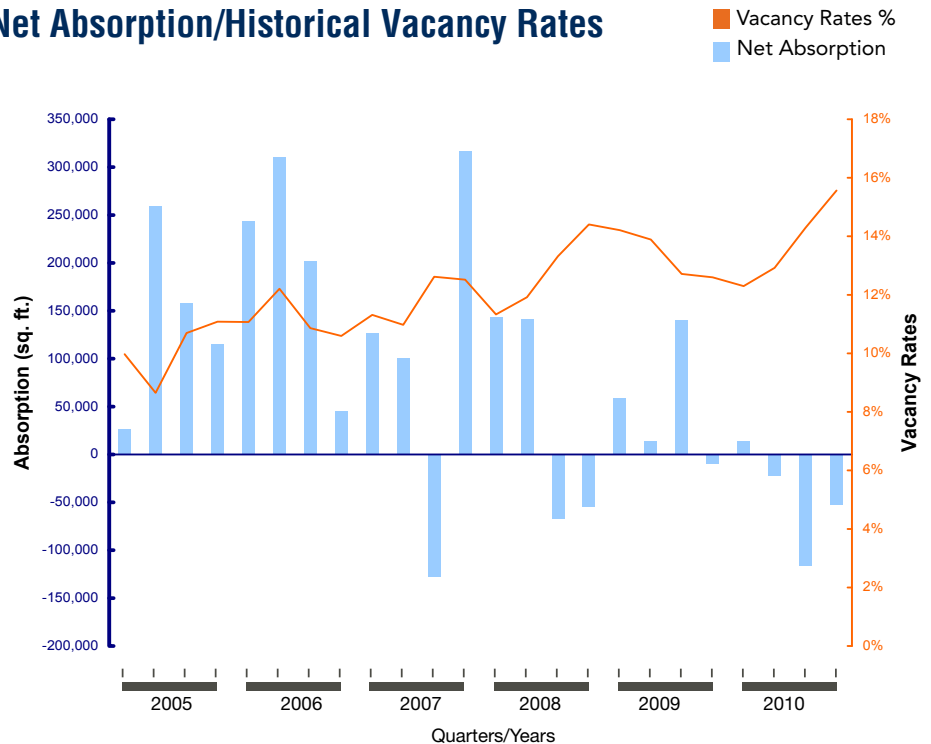
Number of Buildings 224
Market Size 13,064,456 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	15.57%	▲	▲
Vacancy W/ Sublet	16.47%	▲	▲
Net Absorption	-52,205	▲	▼
Avg. Asking Rate	\$24.18	▲	▲

Quarter Highlights

- Emerson One, a 160,000 square foot (sf) building at 9070 Sterling Drive, was delivered in this quarter. The building has yet to secure a tenant.
- Connections Academy has subleased 41,675 sf vacated by Cadmus Communications at 8621 Robert Fulton Drive. The company, which provides virtual schooling for grades K-12, is expected to move in during February 2011.

Net Absorption/Historical Vacancy Rates



Above: High negative absorption for the past three quarters has driven this submarket's vacancy rates to their highest level in five (5) years.

Market Forecast

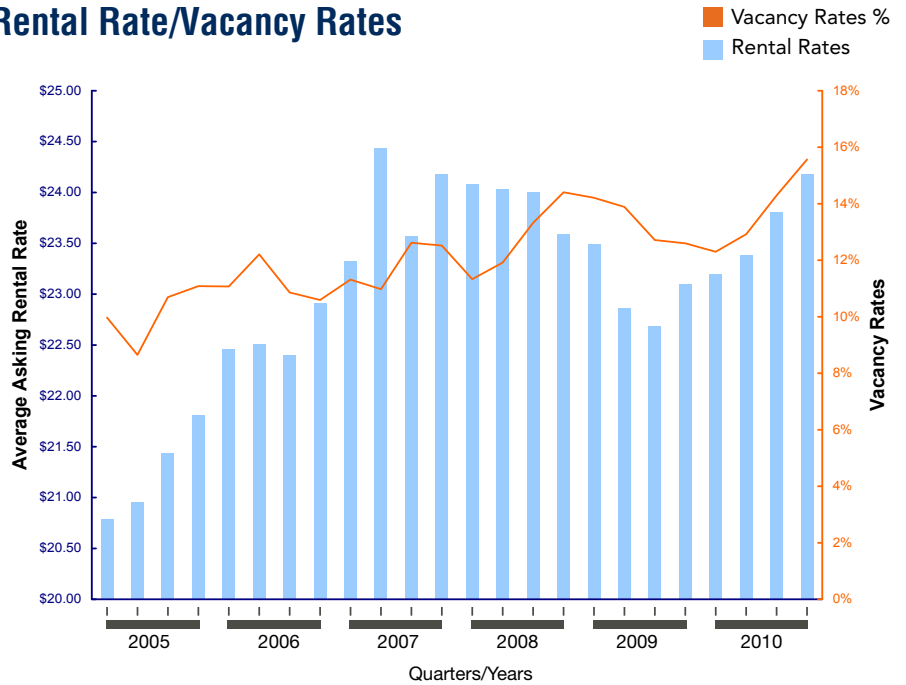
Vacancy in the Columbia Market increased in 2010 to 15.57 percent, up from 12.6 percent in the fourth quarter of 2009. This increase was due mainly to the sluggish economy as well as the availability of space in surrounding submarkets. While the Baltimore/Washington Corridor continues to be a desirable area for the government and government contractors, the Columbia Market is now sharing the growth in this area with the surrounding submarkets. Tenants who need a presence near Fort Meade or NSA are beginning to look at Arundel Mills, the Route 100 Corridor, Maple Lawn, Emerson, Annapolis Junction, and BWI as other good alternatives. These other areas previously had lower rents and higher vacancy rates, but may offer more when it comes to amenities and quality of life for the employees. With the struggling economy, tenants have been interested in keeping their overhead down and these additional submarkets provide attractive options to the higher rents commanded in the Columbia Market. While the Columbia vacancy rate increased this year, we do anticipate that Columbia will remain an attractive option for businesses in 2011 because of its ideal location along I-95 and its close proximity to Baltimore, Washington, Fort Meade, and NSA.



Lacey A. O'Neil
VICE PRESIDENT

Mackenzie Commercial
Real Estate Services, LLC

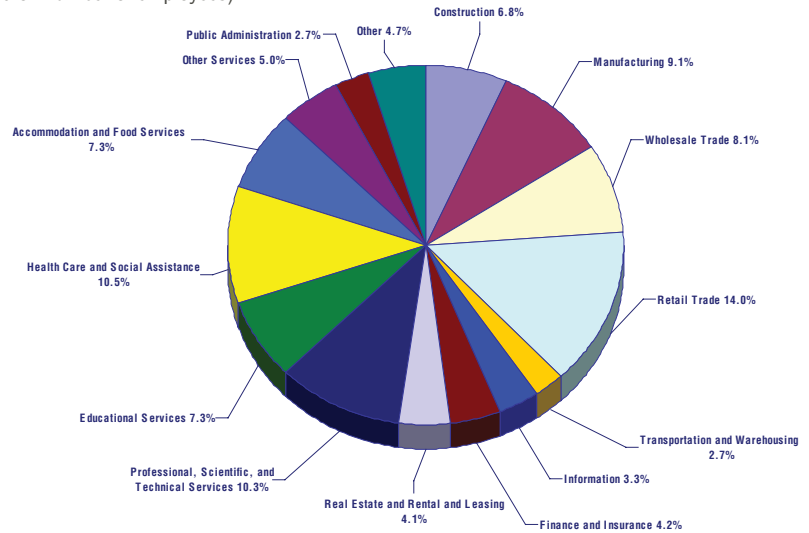
Rental Rate/Vacancy Rates



Above: After dipping during the middle of 2009, asking rental rates are returning back to their 2007 levels.

Businesses in this Submarket

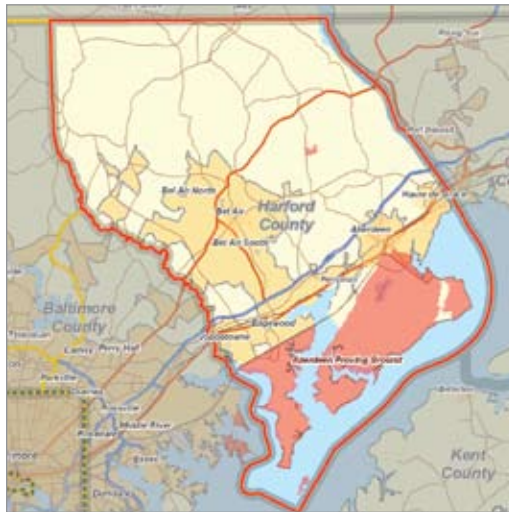
(based on number of employees)



Above: In addition to the typical mix of Health Care and Social Assistance Services (10.5 percent) and Retail Trade (14 percent) industries, this submarket has a high percentage of Professional, Scientific, and Technical Service employees (10.3 percent) and the second highest concentration of employees in the Information field of all of the submarkets.

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Harford County



Overview: Harford County is located along the I-95 Corridor just 23 miles north of Baltimore. Harford’s major business districts fall within the County’s Development Envelope and include Bel Air, the county seat, Aberdeen, Havre de Grace, Riverside, Joppa, and Edgewood. I-95, U.S. Route 1, U.S. Route 40, and Maryland 24, traverse the County providing easy access to its more than 20 business parks including Box Hill Corporate Center, Water’s Edge Corporate Campus, The GATE at Aberdeen Proving Ground, North Gate Business Park, and the HEAT Center.

Quick Stats

Number of Buildings	112		
Market Size	2,936,086 sf		
CHANGE SINCE LAST			
	CURRENT	QTR	YR
Direct Vacancy	7.44%	▲	▲
Vacancy W/ Sublet	7.61%	▲	▲
Net Absorption	192,746	▲	▲
Avg. Asking Rate	\$24.45	▲	▲

Quarter Highlights

- The GATE at Aberdeen Proving Ground continues to see a flurry of construction activity. Two new buildings, which are 100 percent leased, were delivered this quarter. 6260 Guardian Gateway Drive is now occupied by Raytheon Company who has leased 74,334 sf. L-3 Communication has leased 74,334 sf in 6280 Guardian Gateway Drive. Two additional buildings, totaling 150,000 sf, are expected to be delivered in August 2011.
- 210 Research Blvd opened at the North Gate Business Park at APG. Northrop Grumman, a defense contractor, has leased 27,472 sf of the 85,000 sf building.

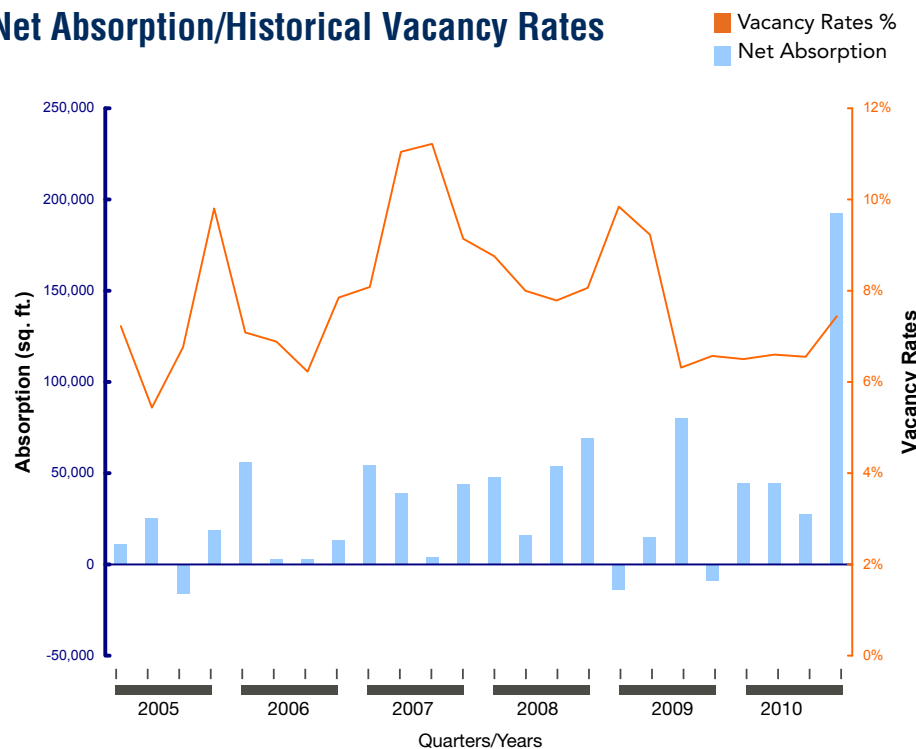
Harford County’s 5,690 businesses employ 66,800 workers. An estimated 113 of these businesses have 100 or more workers. The U.S. Army’s Aberdeen Proving Ground (APG) is an economic generator for the region and the County’s largest employer with more than 13,000 employees. As a result of the recent military Base Realignment and Closure (BRAC) process, APG is projected to gain 8,200 additional positions by 2011.

Major private sector employers in the County include AASKI Technology, Battelle, CACI, Clorox Products Manufacturing, Custom Direct, Computer Sciences Corporation, Cytec Engineered Materials, EAI (a subsidiary of SAIC), EG&G/Lear Siegler, Environics USA, EPS, Frito-Lay, General Dynamics, Independent Can, MITRE Corporation, Northrop Grumman, R4 Technologies, Raytheon, SafeNet, SAIC, Smiths Detection, System, and Upper Chesapeake

Health.

The effects of BRAC continue to be seen in the Harford County submarket which boasts one of the region’s highest absorption rates. In the fourth quarter, the region experienced a net gain of 192,746 square feet (sf). The delivery of several new buildings in the Aberdeen area has caused the vacancy rate to rise to 7.44 percent. In spite of this, the Harford County submarket still enjoys one of the lowest vacancy rates in the metropolitan market. After a slight dip during the third quarter, rental rates have continued their upward trend and now stand at \$24.45 per square foot (psf). ■

Net Absorption/Historical Vacancy Rates

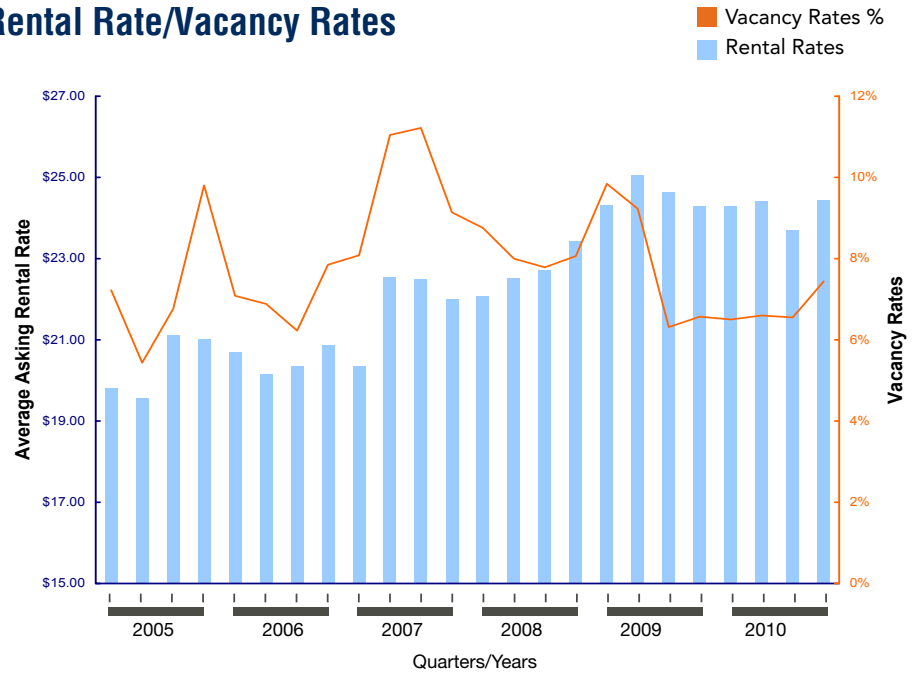


Above: The effects of BRAC continue to be seen in Harford County where absorption rates remain high and vacancy rates low.

Market Forecast

In 2011, we expect office leasing activity to gain momentum as early signs of interest and activity from small office users as part of BRAC, gives way to potential leasing transactions. With many of the larger scale leasing requirements completed, many of the subcontractors and service providers to the BRAC population, should be the catalyst to summer and fall office leasing. Pending construction, and delivery of a few new office developments such as Aberdeen Technology Park (Merritt Properties), James Run Corporate Park, and Box Hill Corporate Center (Ward Development Group), should allow rental rates to be stabilized throughout the year. We suspect other office leasing activity to be flat with an emphasis on leasing renewals at reduced rents, along with creative incentives by property owners fighting to keep occupancy rates from decreasing.

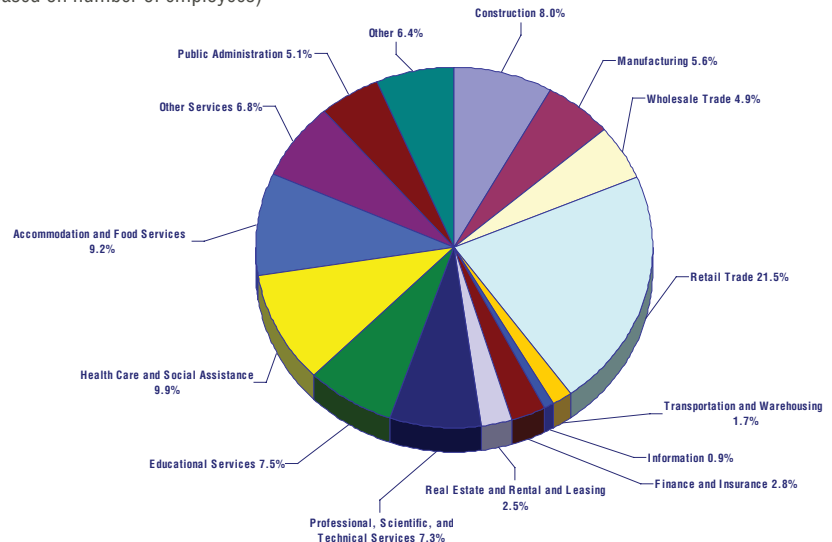
Rental Rate/Vacancy Rates



Above: Asking rental rates, which peaked in early 2009, continue to be the highest in the Northern Metropolitan Market.

Businesses in this Submarket

(based on number of employees)



Above: Retail Trade employs 21.5 percent of Harford County's workforce; more than twice as many individuals as the second largest field, health care and social assistance. It is likely Harford County's pie chart will change dramatically in the next three (3) years as electronics, defense, and IT contractors relocate to this submarket due to BRAC.



Thomas L. Fidler, Jr.
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial
Real Estate Services, LLC

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I-83 Corridor



Overview: The I-83 Corridor, which includes the business districts of Timonium, Hunt Valley, Loveton, and Sparks, encompasses the majority of Northern Baltimore County and stretches from Pennsylvania to Towson. Excellent infrastructure connects the Corridor to Baltimore City by way of Interstate 83 and Maryland Route 45, more commonly known as York Road. In addition, the light-rail system offers easy access to Baltimore City, Washington, DC, and the Baltimore/Washington Thurgood Marshall International Airport.

Office and flex properties in this submarket accommodate a variety of diverse users including AAI Corporation, Bill Me Later, KCI Technologies, MBNA, PDP, and Travelers. Corporate and regional headquarters include Fortune 500's McCormick & Company, TESCO Technologies, PHH Corporation, and TransHealthCare.

Businesses in the Corridor enjoy a number of recreational amenities including Hunt Valley Towne Centre and Cinemas, Marriott Hunt Valley Inn and Embassy Suites, and a number of extended stay hotels and conference facilities.

After significant positive absorption in

the first quarter of 2010, the I-83 Corridor has experienced three consecutive quarters of negative absorption. This has caused vacancy rates to return to 2009 levels, with the current rate standing at 12.23 percent. Over that same time period, rental rates have decreased each consecutive quarter inching up only slightly in the Fourth Quarter to the current rate of \$21.85 per square foot (psf). ■

Quick Stats

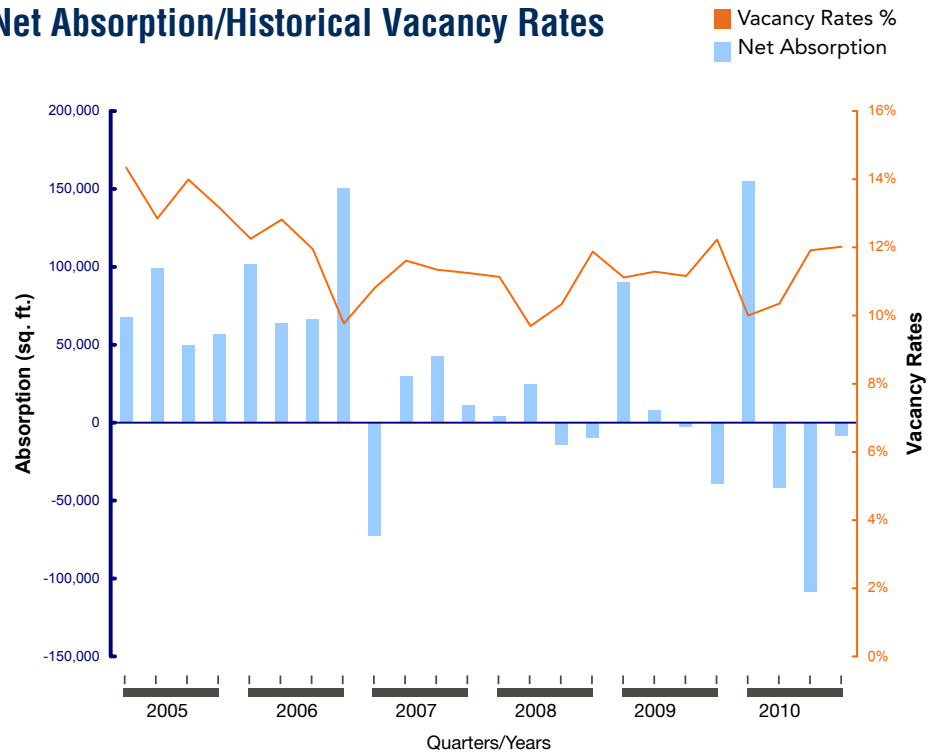
Number of Buildings 129
Market Size 7,598,014 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	12.02%	▲	▼
Vacancy W/ Sublet	12.81%	▲	▼
Net Absorption	-8,472	▲	▲
Avg. Asking Rate	\$21.85	▲	▼

Quarter Highlights

- The Orchard Square Professional Center at 1212 York Road sold for \$1.25 million, or \$83.16 psf. The building is currently 60 percent leased.
- Six Red Marbles, a provider of educational solutions for the K-12 market, moved into 6,759 square feet (sf) at 224 Schilling Circle in Hunt Valley.
- BreakAway Games vacated 40,004 sf at 10150 York Road.

Net Absorption/Historical Vacancy Rates



Above: Vacancy rates have increased for the third consecutive quarter. High absorption in First Quarter coupled with three quarters of negative absorption, leaves the total rate for the year relatively flat.

Market Forecast

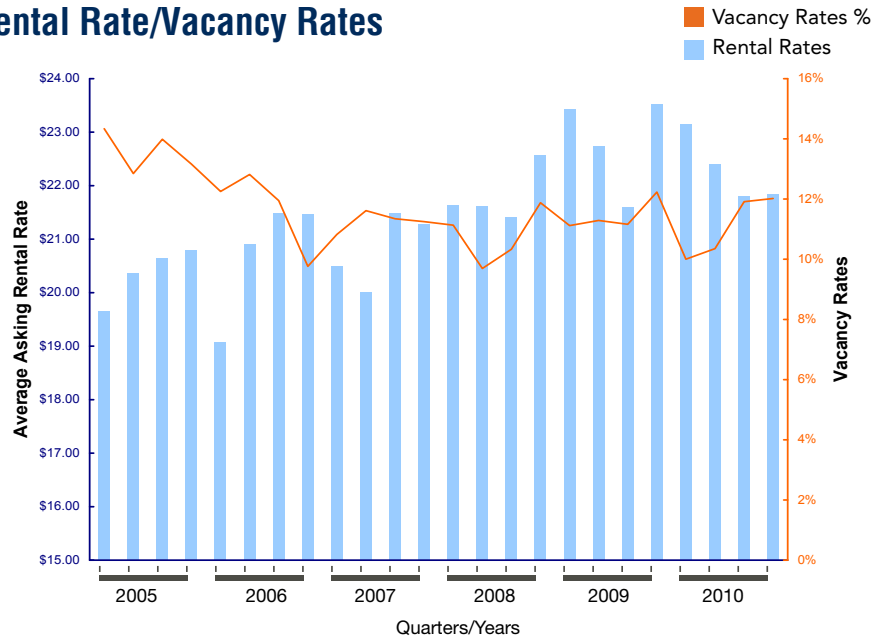
Anticipated leasing activity at the end of 2010 did not live up to many landlords' expectations. It looks like this trend will spill over into 2011, but the velocity has increased and some deals on larger blocks of space have been made recently. Vacancy, however, should remain above the 10 percent threshold for the year. Leasing activity will attempt to drive vacancy down, but the trend could be for large users to relocate from their existing space into new construction, keeping vacancy levels high. The I-83 Corridor will be a market of possibility in 2011. Space is available for any size user, and the area remains one of the only locations for viable build-to-suit opportunities in the County.



Matthew B. Mueller
VICE PRESIDENT

MacKenzie Commercial
Real Estate Services, LLC

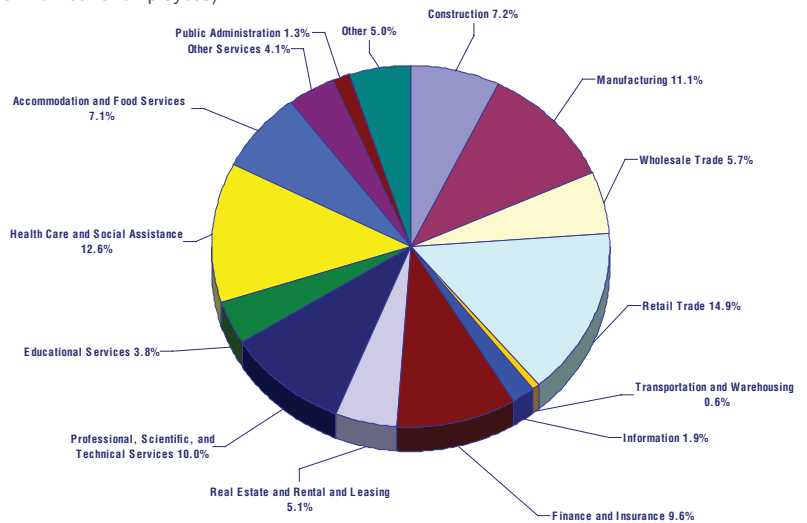
Rental Rate/Vacancy Rates



Above: Average asking rents have dropped by \$1.66 when compared to rates from one year ago.

Businesses in this Submarket

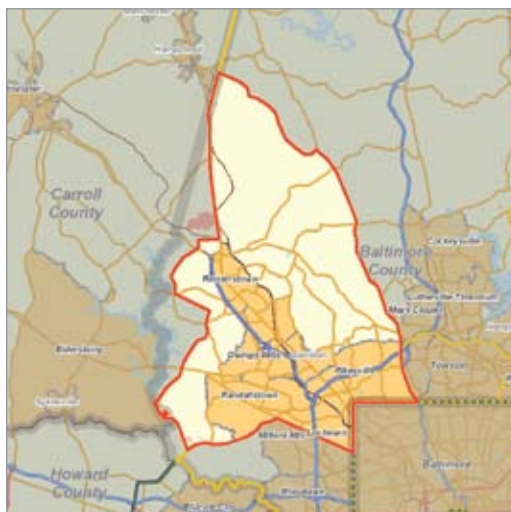
(based on number of employees)



Above: This submarket is home to nearly 5,000 businesses. While employment in the I-83 Corridor submarket is well distributed, there is a clear concentration of jobs in the health care and social assistance, professional, scientific, and technical services fields. In addition, this corridor is home to a thriving manufacturing industry.

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Reisterstown Road Corridor



Overview: The Reisterstown Road Corridor submarket is bounded by Greenspring Avenue to the east, Liberty Road to the west, the junction of Butler Road, Hanover Pike and Reisterstown Road to the north, and the Baltimore City line to the south. It includes Pikesville, Owings Mills Town Center, McDonogh/Garrison, Historic Reisterstown, and the Red Run Boulevard corridor.

The Reisterstown Road Corridor is anchored by Owings Mills, which is home to the highest concentration of young professionals in Baltimore County. Since designated as a growth area in 1983, more than 6 million square feet (msf) of development has occurred in Owings Mills.

More than \$1.4 billion in transportation improvements have been made to the Corridor, including improvements to I-795, which connects the Baltimore Beltway, Carroll County, and the Metro subway to downtown Baltimore. Metro Centre at Owings Mills, a \$1 billion, 47 acre, pedestrian-friendly development surrounding the Metro subway station, is under construction. When complete, the project, which is designated by the State of Maryland as a transit-oriented development project, will include offices, shops, and restaurants, a new public library, and a satellite campus for the Community College of Baltimore County.

Owings Mills continues to be the hub of significant financial and insurance related businesses which include ADP, Legg Mason, T. Rowe Price, Euler Hermes, Toyota Financial, Global Payments, CareFirst, Baltimore Life, and Zurich. Other major employers include Baltimore Spice Company, Axalto, and Quest International. A growing bioscience cluster includes Smith Kline Beacham and BioFX.

After a strong end to 2009, negative net absorption occurred over the last four quarters in the Reisterstown Road Corridor. As a result, direct vacancy has increased to 15.1 percent, a level not seen since 2008. Asking rents continue to be well below 2008 levels and have decreased \$0.59 per square foot (psf) from 2009. The average asking rent of \$20.83 psf continues to be one of the lowest rates in the metropolitan market. ■

Quick Stats

Number of Buildings	81
Market Size	4,654,251 sf

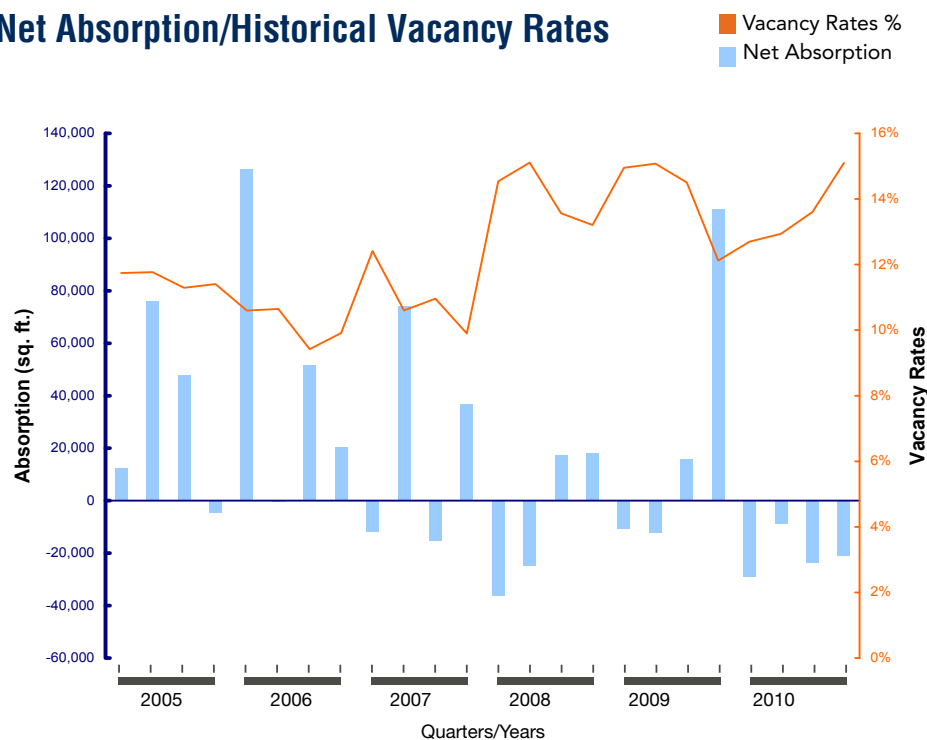
CHANGE SINCE LAST

	CURRENT	QTR	YR
Direct Vacancy	15.10%	▲	▲
Vacancy W/ Sublet	15.44%	▲	▲
Net Absorption	-20,823	▲	▼
Avg. Asking Rate	\$20.83	▲	▼

Quarter Highlights

- Solo Cup's plan to close its Owings Mills manufacturing facility within the next two years will eliminate 540 jobs from this submarket. The 18.7 acre site with 2 msf of manufacturing and distribution space is currently being marketed for sale, and may take years to be redeveloped.
- Biopharmaceutical company, Shire, shuttered its Owings Mills plant laying off 260 workers. The 26 acre site is currently for sale and may be a candidate for redevelopment as it is unlikely a pharmaceutical company will acquire the property.

Net Absorption/Historical Vacancy Rates



Above: Four quarters of negative absorption have brought vacancy rates back to 2008 levels.



Reisterstown Road Corridor

Market Forecast

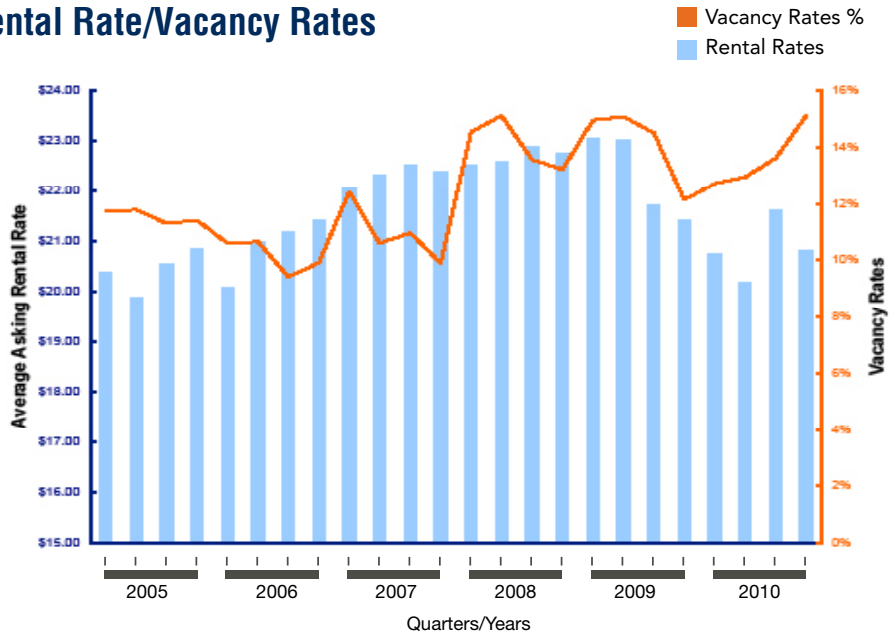
The last two quarters have seen a downward trend in asking rental rates with vacancy rates climbing slightly. We anticipate this trend to level off over the course of the next six months, and remain steady throughout 2011, so long as development activity remains at very low levels. Of concern is the outcome of three large tracts of commercial land and property for sale; the Solo Cup facility, the Shire Pharmaceutical site and the old Rosewood campus. All three properties represent different types of challenges to each seller, but also offer some interesting opportunities for prospective purchasers. The new Baltimore County Executive, along with his economic development team, should be paying special attention to these three properties. Baltimore County cannot afford to have these three valuable properties perceived to be white elephants.



Julio O. Purcell, SIOR
VICE PRESIDENT

MacKenzie Commercial
Real Estate Services, LLC

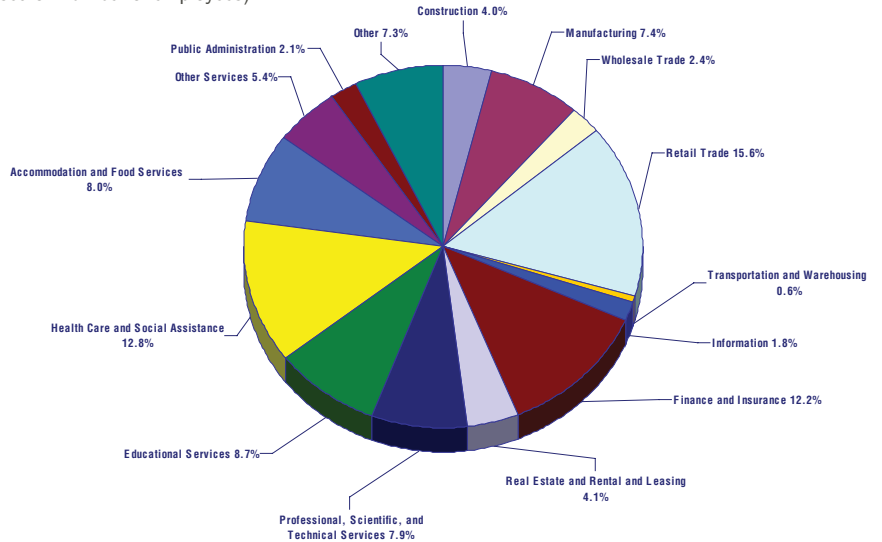
Rental Rate/Vacancy Rates



Above: Asking rents continue to be well below levels experienced in the first half of 2009.

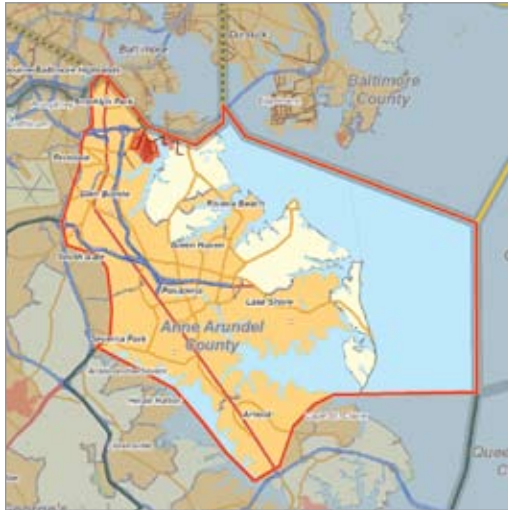
Businesses in this Submarket

(based on number of employees)



Above: Nearly half of all businesses in this submarket are characterized as Services, with Health Care and Social Assistance Services providing a dominating 12.8 percent of the total. The Reisterstown Road Corridor is also home to one of the largest concentrations of Finance and Insurance jobs, coming in third behind Baltimore City, and City Center, with 7,493 employees representing 12.2 percent of this submarket's total employment.

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Overview: Located in northeast Anne Arundel County, the Route 2 Corridor stretches from Severna Park to Pasadena, and includes the business districts of Glen Burnie and Arnold. Route 2 (or Ritchie Highway) connects Annapolis and the Baltimore Beltway offering access to other points in Anne Arundel County. In addition, Route 50, which extends from the southern part of the market (Severna Park), makes travel to Washington, DC an easy drive.

The Route 2 submarket of Anne Arundel County provides an assortment of office and retail facilities which cater to their local clientele. From the urbanized northern reaches of Glen Burnie, which is home to the monstrous MVA facility and other structures typical of an urban area, to the small strip centers that serve wealthy suburbanites in "South County", the Route 2 Corridor is a microcosm of our region. The larger buildings in the north that were once populated by the "nationals" have all seen a retrenchment, while the smaller "mom and pop" tenants along Route 2, are slugging it out as they compete for allegiance from their loyal

neighbors.

This submarket lacks any major office or industrial parks, therefore the majority of brokered deals are small in nature. Because of this, recent absorption has been consistently weak, leading to an increase in direct vacancy for the fourth consecutive quarter. Up 1.56 percent over the last year, vacancy now stands at 14.73 percent. Asking rental rates have shown a slight decrease over past two quarters, however, in the past year, the average asking rate has increased by \$0.31 per square foot (psf) to \$23.74 psf. ■

Quick Stats

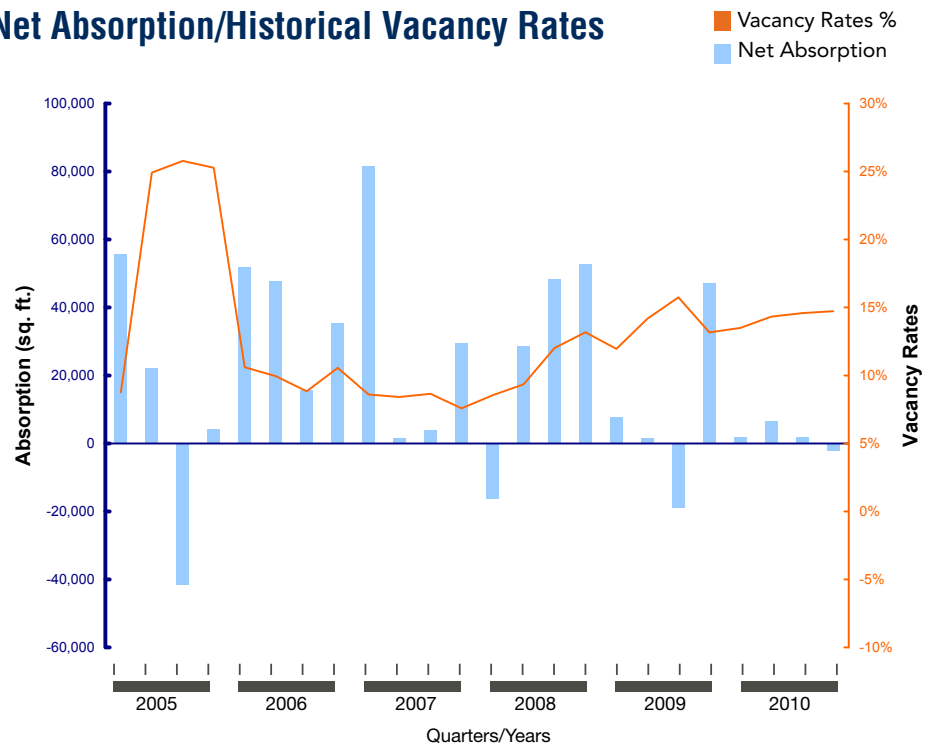
Number of Buildings	46
Market Size	1,538,361 sf

	CHANGE SINCE LAST		
	CURRENT	QTR	YR
Direct Vacancy	14.73%	▲	▲
Vacancy W/ Sublet	14.86%	▲	▲
Net Absorption	-2,279	▼	▼
Avg. Asking Rate	\$23.74	▼	▲

Quarter Highlights

- The largest deal brokered in the Corridor was for a 4,000 square foot (sf) medical office tenant at 7671 Quarterfield Road.
- Activity this quarter was limited to several small, mostly-medical transactions occurring in the Corridor.

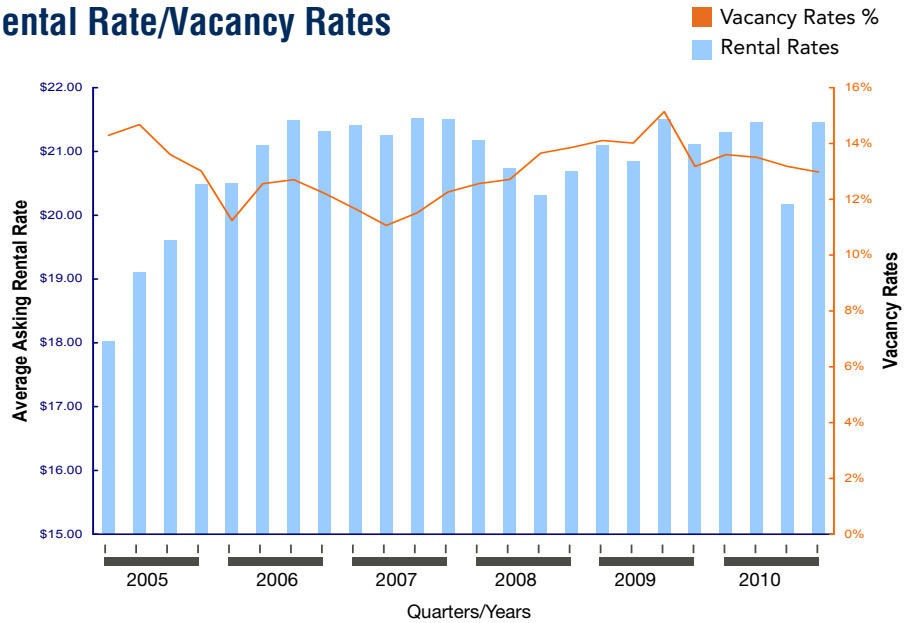
Net Absorption/Historical Vacancy Rates



Above: Weak absorption in the Route 2 Corridor has led to four consecutive quarters of increased vacancy.



Rental Rate/Vacancy Rates



Market Forecast

Given the number of "local businesses" located in this Corridor, the continuing recession is finally starting to affect some of the single-site tenants that dominate this submarket. Even though most users service the surrounding affluent neighborhoods, the third year of the lingering recession has created a slight increase in the vacancy level. However, limited planned construction and the general health of the surrounding markets should both stabilize this submarket during the first quarter and position it for growth later in 2011.

Above: Average asking rents have experienced a slight increase in the last year.

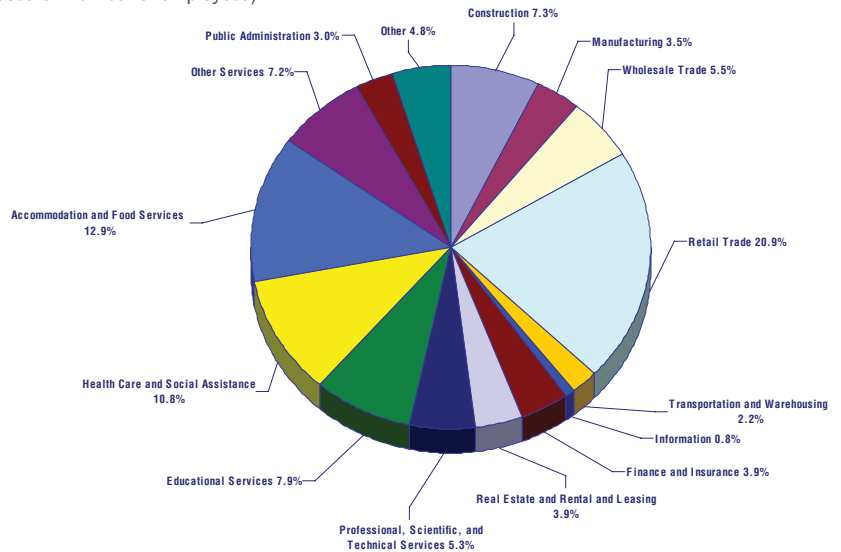


J. Scott Wimbrow, SIOR
SENIOR VICE PRESIDENT/PRINCIPAL

Mackenzie Commercial
Real Estate Services, LLC

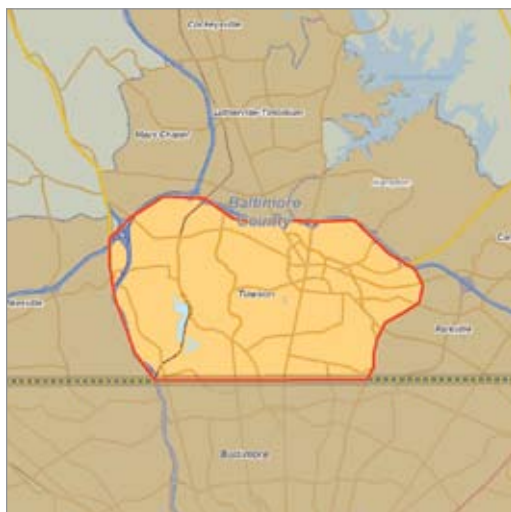
Businesses in this Submarket

(based on number of employees)



Above: This submarket is characterized by a large mix of service and retail trade businesses representing nearly 40 percent of the Corridor's employment. The Education and Construction fields make up the third and fourth largest industries by employment.

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Overview: Towson, the county seat of Baltimore County, is located directly north of Baltimore City, inside the beltway, east of I-83, and along York Road. It is home to two universities, Goucher College and Towson University, as well as three regional hospitals, Greater Baltimore Medical Center (GBMC), St. Joseph Medical Center, and The Sheppard Pratt Health System. The headquarters of Whiting-Turner Construction is also located in Towson, in addition to the offices of well known attorneys and engineers, movie and music theaters, and nationally recognized retailers.

Towson Circle, the site of Maryland's first urban roundabout, was built in the mid-1990s to ease the resulting congestion of four major highways intersecting. Today the area is a hub of commercial and retail activity. Adjacent to the circle, Towson Town Center, a four-story shopping mall, recently expanded to accommodate 30 new retailers including P.F. Chang's, The Cheesecake Factory, Crate and Barrel, Burberry, and Tiffany & Co.

\$500 million in private investment for new offices, retail, entertainment, and residential projects has been made in Towson. Three notable developments include The Quarter, a 900-unit apartment and condominium project, Towson Promenade, a 379-unit luxury apartment complex and the Palisades, an upscale apartment complex featuring 330, one, two, and three-bedroom units in downtown Towson.

Strong absorption this quarter has led to the continued decrease of vacancy rates in the Towson submarket. With a current rate of 12.98 percent, the submarket enjoys the lowest vacancy rate experienced since the second quarter of 2008. After a dip during the third quarter, the average asking rent has continued its gradual increase and currently stands at \$21.46 per square foot (psf), up \$0.35 psf from last year. ■

Quick Stats

Number of Buildings	91
Market Size	5,761,211 sf

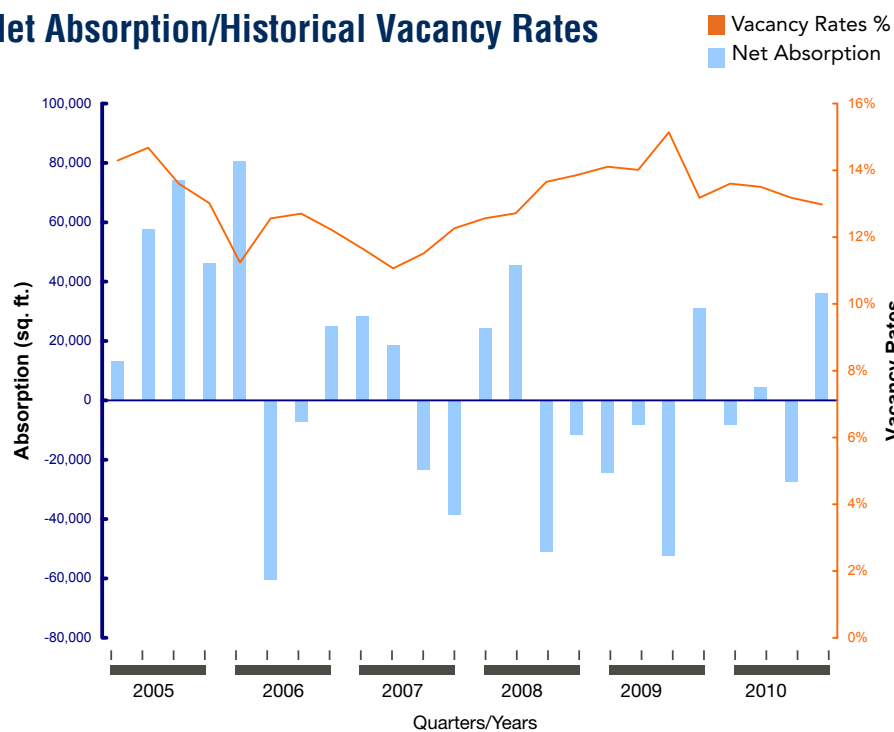
CHANGE SINCE LAST

	CURRENT	QTR	YR
Direct Vacancy	12.98%	▼	▼
Vacancy W/ Sublet	13.12%	▼	▼
Net Absorption	36,199	▲	▲
Avg. Asking Rate	\$21.46	▼	▲

Quarter Highlights

- Construction has begun on the \$27 million renovation of the long vacant Investment Building. The project will add 155,000 square feet (sf) of office, restaurant, and retail space to the Towson Circle area and is expected to be certified LEED Silver.
- The Exchange Building at 1122 Kenilworth Drive was sold for \$16 million, or \$181.29 psf. The 88,257 sf building is currently 93 percent leased.
- Hodes, Pessin & Katz, PA moved into 10,822 sf at 901 Dulany Valley Road.

Net Absorption/Historical Vacancy Rates



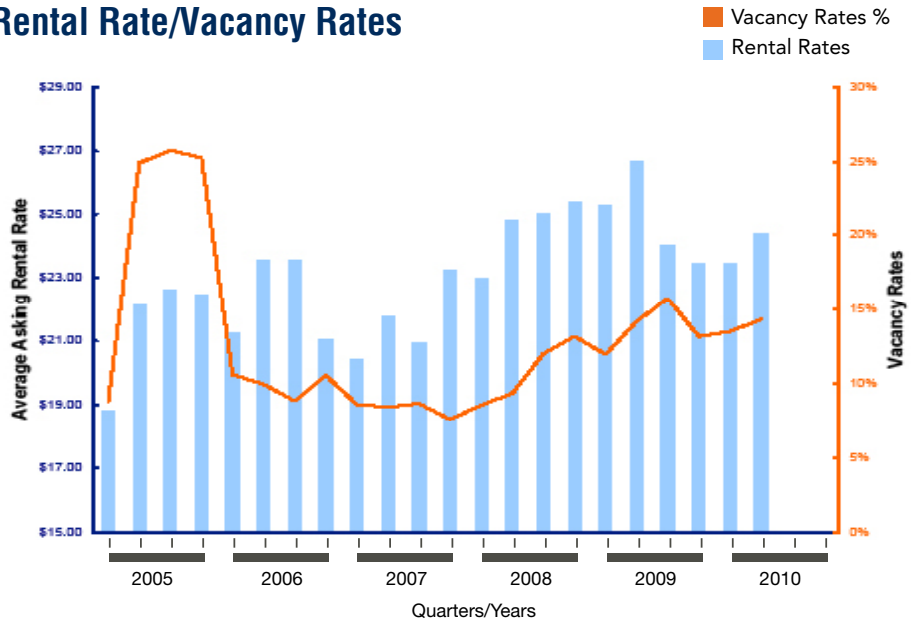
Above: The Towson submarket continues to show signs of recovery as vacancy rates have declined for the third consecutive quarter. After peaking at over 15 percent in 2009, the vacancy rate in Towson now stands at just under 13 percent.



Market Forecast

The Fourth Quarter seemed to focus on the Towson core and the election of a new County Councilman. The "eat, live and work" mantra continues to push forward with the successful early lease up of the Palisades, General Dynamics VIPs Unit's impending renewal expansion at the Towson Commons project (now owned by CapMark), as well as the successful opening of 7 West Chesapeake, Taste Mediterranean Grille, and the relocation of Café Troia's Restaurant. Early indications are that local and national developers continue to eye the revitalization of the downtown Towson core. In addition, Towson University is in the market for a substantial amount of office and classroom space off campus.

Rental Rate/Vacancy Rates



Above: After a brief decline in asking rents in the third quarter, rates have rebounded to the second quarter levels, which were consistent to asking rents seen in 2007.

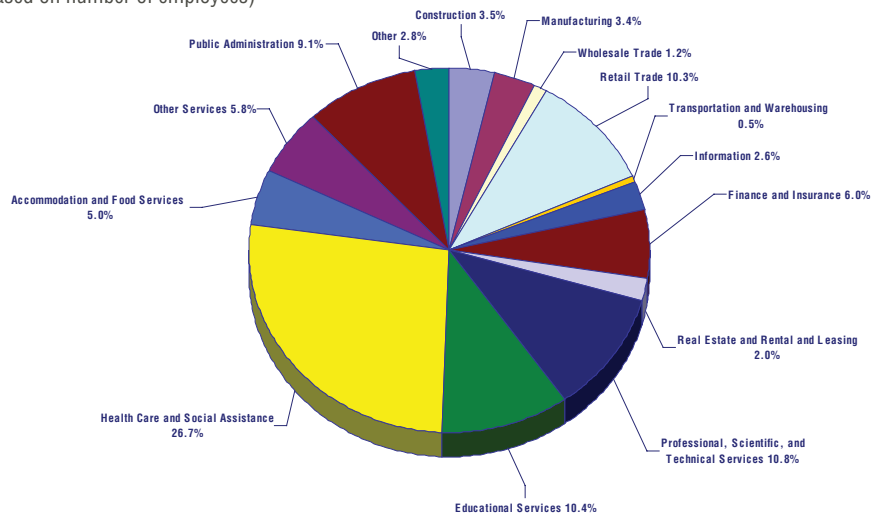


William W. Whitty, Jr., SIOR
SENIOR VICE PRESIDENT/PRINCIPAL

MacKenzie Commercial
Real Estate Services, LLC

Businesses in this Submarket

(based on number of employees)



Above: Towson has a large percentage of Healthcare and Social Assistance employees, representing nearly 27 percent of employment in this submarket. Retail, Educational, Professional, Scientific and Technical services make up an additional 32 percent of the economy.

* All information furnished regarding property for sale, rent, exchange or financing is from sources deemed reliable. No representation is made as to the accuracy thereof and all such information is submitted subject to errors, omissions, or changes in conditions, prior sale, lease or withdrawal without notice. All information should be verified to the satisfaction of the person relying thereon. Portions of the base statistics are from CoStar Property data. Data as of 12/2010.