



BALTIMORE OFFICE OVERVIEW

THIRD QUARTER | 2015



Office Market Loses a Bit of Steam During Q3:2015

Presented by Anirban Basu, Sage Policy Group

The 3rd Quarter was certainly an interesting one for Baltimore, if one that was, thankfully, not as interesting as the 2nd Quarter. Every piece of data characterizing activity in the City and regional has special significance as people work to discern the economic impact of April's unrest. For now, the data and messages remain mixed.

After net absorbing more than 97,500 sf of space during the 2nd Quarter of 2015, City Center net absorbed 63,487 sf during the third. That was enough to drive City Center's direct vacancy rate lower, however, to 15.3%, down from 18.2% a year ago. Asking rents have expanded as the market has tightened, rising from \$20.80/sf a year ago to \$21.68/sf more recently.

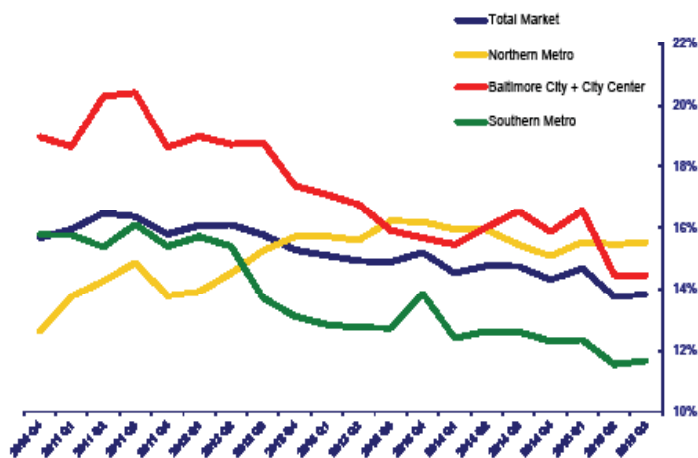
Superstar companies, or at least those that can afford the highest rents, had been driving the City's office market forward. During the 2nd Quarter, net absorption in the City's Class A+ market exceeded 100,000 sf, but absorption slowed to 11,173 sf one quarter later. The City's Class B and B+ markets actually led the way in terms of net absorption. In total, Baltimore City and City Center net absorbed 29,125 sf during the 3rd Quarter, leaving the citywide direct office vacancy rate at 14.5%.

The suburbs weren't much better. The Southern Metro sub-region, which includes markets like BWI and Columbia, net absorbed roughly negative 20,054 sf, with Columbia net absorbing a negative 78,517 sf. Vacancy with sublet continues to hover around 10% in Columbia. Potential lessees of space had to deal with federal government shutdown fears during the 3rd Quarter, which may have forestalled leasing activity.

The Northern Metro sub-region led the way in terms of consuming additional space, net absorbing roughly 164,061 sf. Two submarkets stood out – Towson (70,516 sf) and the Reisterstown Road Corridor (64,630 sf). The I-83 Corridor chipped in another 30,556 sf of net absorption, and now boasts a direct vacancy rate below 9%, the lowest of any suburban submarket in the Baltimore metropolitan area. At 22.75%, the highest direct vacancy rate can be found in Harford County.

One might have expected better performance from the regional office market given data characterizing broader economic performance. The Baltimore region has been adding jobs more quickly than the balance of the country recently, helped in large measure by the stabilization of the local housing market and large-scale hiring among certain newcomers to the region. Much of the job growth has come in non-office space using contexts, including in-medical clinics, entertainment venues, and distribution centers. Still, the office market is clearly improving, with the regional asking rate rising from \$22.04/sf during the 3rd Quarter of 2014 to \$22.76/sf one year later.

HISTORICAL VACANCY RATES



QUICK STATS

13.82%
VACANCY RATE

173,132
ABSORPTION

\$22.76
AVG. RENTAL RATE

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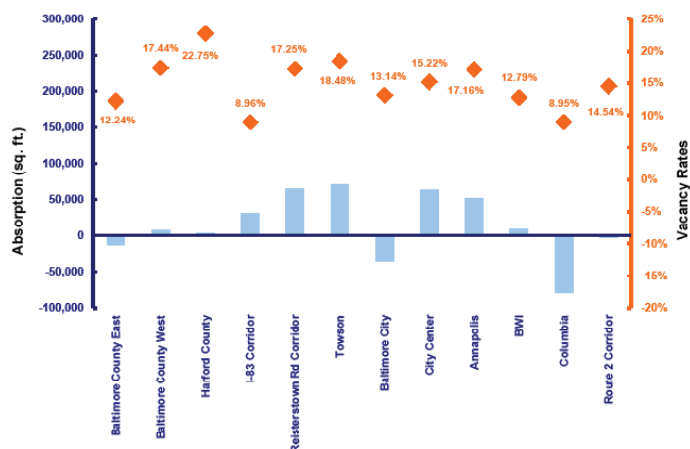
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ABSORPTION/VACANCY RATES

■ Vacancy Rates %
■ Absorption Rates



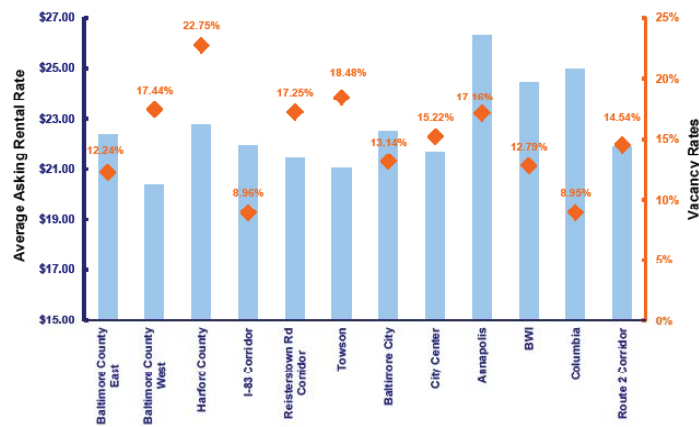
Vacancy for the Baltimore Metropolitan Office Market remained stable from the 2nd Quarter to the 3rd Quarter, increasing by a mere 0.09% for an average rate of 13.85%. The Southern Metro submarkets fared the best with an average vacancy rate of 11.68%, Columbia leading that area at 8.95% vacant. City Center continues to see a "flight to quality" movement as Class A+ vacancy hits a low of 5.11% and Class A remains elevated at 24.66%. The same can be said for Class B+ and B product, with vacancies of 11.74% and 27.23%, respectively. Absorption for the office market was a positive 173,132 sf. This brings the year-to-date total absorbed to 568,251 sf.

HIGHLIGHTS

- Mueller Associates, an award-winning mechanical, electrical, and plumbing engineering firm, signed a 13,000 sf lease for a new office at Airport Square's first floor at 1306 Concourse Drive in Linthicum, MD.
- 300 St. Paul Place, a 22-story building located in downtown Baltimore sold to Philadelphia-based property management group PMC Property Group for an undisclosed amount. Plans call for apartment conversion.
- Owings Mills Transit and David S. Brown Enterprises began construction on a 200,000 sf mixed-use office and retail building at 10200 Grand Central Avenue at Metro Center.
- Corporate Office Properties Trust completed the acquisition of 100 Light Street and its 560-space structured parking garage, 30 Light Street in downtown Baltimore for \$121.0 million.
- West Quest Technology Park, comprised of two office buildings at 1580 West Nursery Road in Linthicum, MD sold. The properties are

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



Like vacancy, overall average rental rates were steady for the Baltimore Metropolitan Office Market, increasing slightly by \$0.26/sf from the 2nd Quarter rate of \$22.50/sf to \$22.76/sf. City Center Class A+ continues to command the highest rental rate, even after decreasing by \$1.53/sf from the 2nd Quarter, for a 3rd Quarter rate of \$27.93/sf; the lowest, City Center Class B at \$16.89/sf. Only three other submarkets fall at \$25.00/sf or more: Baltimore City North (\$27.00/sf), Annapolis (\$26.31/sf), and Columbia (\$25.00/sf). Compared to the same quarter last year, vacancy rates for the entire office market have decreased by 0.90% and average rental rates have increased by \$0.67/sf.

100% leased to Northrop Grumman and total 315,350 sf.

- The Maryland State Dental Association will set up shop at 8901 Herrmann Drive in Columbia. The group bought the 12,240 sf building for its new headquarters, paying \$1.94 million (\$158/sf).
- Bay Bank leased 20,427 sf at 7151 Columbia Gateway Drive, which includes its new headquarters and a branch bank operation.
- Anne Arundel Health Systems signed a lease for 17,577 sf at 201 Defense Highway in Annapolis, which amounts to a doubling of its space there.
- F & M Development purchased 7202 Rutherford Road in Windsor Mill from BTR Capital Group for \$3.19 million, or about \$127/sf. The property currently serves as the new headquarters for the National Center on Institutions and Alternatives (NCIA) Youth in Transition School.

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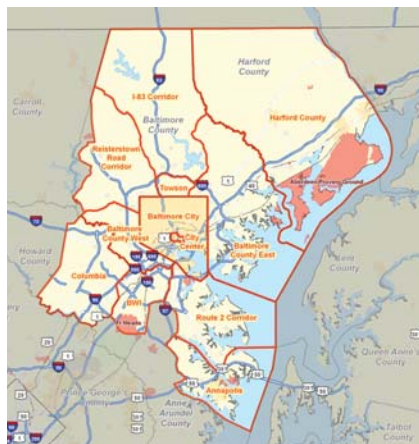
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
201 Defense Highway	Annapolis	Anne Arundel Health Systems	17,577 sf
9515 Deereco Road	I-83 Corridor	Big Huge Games	15,833 sf
10221 Wincopin Circle	Columbia	Cognosante	10,782 sf
10400 Little Patuxent Parkway	Columbia	Intergraph	10,303 sf
180 Admiral Cochrane Drive	Annapolis	Environmental Resource Management	9,451 sf
2304-2310 N Charles Street	Baltimore City Midtown	JR Healthcare Associates	8,000 sf
999 Corporate Boulevard	BWI	Teksystems, Inc.	7,520 sf
210 W. Pennsylvania Avenue	Towson	Mentzer Media Services	5,500 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
100 Light Street	City Center	\$121,000,000.00	\$149.23	549,273 sf
300 St. Paul Place	City Center	\$20,042,533.00	\$63.71	314,589 sf
1314 Bedford Avenue	Reisterstown Rd Corridor	\$4,450,000.00	\$111.67	26,654 sf
5820 York Road	Baltimore City North	\$2,450,000.00	\$98.15	24,963 sf
5310 Old Court Road	Reisterstown Rd Corridor	\$1,800,000.00	\$82.69	21,769 sf
100 Ridgely Avenue	Annapolis	\$425,000.00	\$340.54	1,248 sf
5044 Dorsey Hall Drive	Columbia	\$230,000.00	\$191.67	11,000 sf



Number of Buildings 1,199
Market Size 74,670,440 sf

Criteria: MacKenzie tracks buildings that meet the following requirements and identifies these buildings as true reflectors of commercial real estate activity within the Baltimore Metropolitan Statistical Market (MSA).

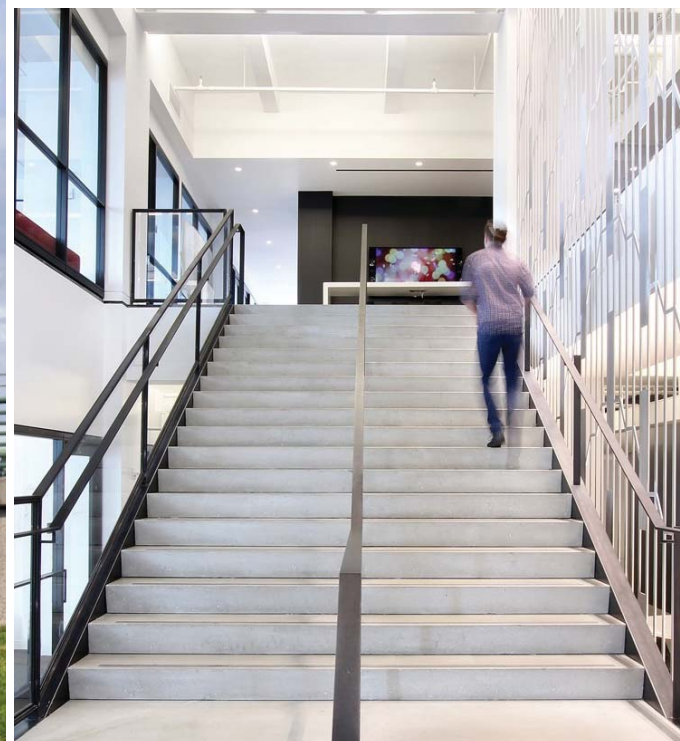
Office: Buildings 15,000 square feet (sf) in size and greater in the Metro areas within Anne Arundel County, Baltimore City, Baltimore County, and Howard County, buildings 20,000 sf in size and greater within Baltimore's City Center, buildings 10,000 sf in size and greater in the Metro areas within Harford County, and buildings 5,000 sf in size and greater within Annapolis city limits. MacKenzie does not track owner occupied buildings or buildings leased exclusively to medical tenants.

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ANNAPOLIS

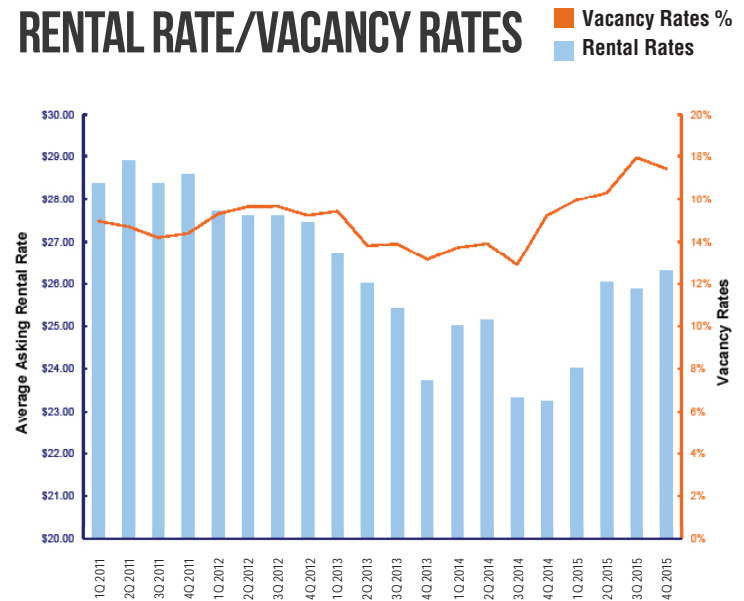
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"The Annapolis office market vacancy rate continues to hover at historical highs, around 17%. This is mostly a result of new deliveries over the last 24 months at Annapolis Corporate Park (113,000 sf), 1730 West Street (32,000 sf), and a large tenant vacating 185 Admiral Cochrane Drive and 180 Admiral Cochrane Drive. Landlords are happy to report average asking rental rates remain the highest in the Baltimore Metropolitan Market at \$26.31/sf. The 3rd Quarter saw an increase of \$0.41/sf quarter over quarter and \$3.08/sf year over year. With top of market rents reaching above \$35.00/sf full service, the flight to quality of the last few years has started to result in better activity for second tier Class A and B buildings. Vacancy rates will likely remain high for the foreseeable future; however, so will rental rates."

- Justin Mullen
Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

17.16%
VACANCY RATE

Vacancy rates for the Annapolis submarket decreased slightly from the 2nd Quarter rate of 17.66% to 17.16%. Since the same quarter in 2014, rates have increased by 1.94%, largely due to the delivery of new product.

51,139
ABSORPTION

Absorption remained positive during the 3rd Quarter of 2015, absorbing 51,139 sf. This brings the year-to-date total to 103,055 sf absorbed.

\$26.31
AVG. RENTAL RATE

Rental rates for Annapolis increased by \$0.41/sf from the 2nd Quarter rate to the 3rd Quarter. Since the third 3rd Quarter of 2014, this rate has increased by \$3.08/sf and remains consistently the highest among the Southern Metro submarkets.



Number of Buildings 136
Market Size 4,002,826 sf

Overview: The State Capital of Maryland and the county seat of Anne Arundel County, Annapolis 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 submarket is driven by a combination of government and tourism. This diverse blend of businesses is evidenced by the area's landscape which is comprised of an equal mix of historically significant buildings dating to the late 1600s and newer mixed-use lifestyle centers that have emerged over the last decade. Over the last 10 years, the United States Naval Academy along with the area's tourism and maritime industries have drawn the attention of firms looking for a more relaxed lifestyle for their employees. Steady growth in multiple sectors including healthcare, intelligence, and defense industries continue to drive market activity. Close proximity to major markets, the area is within 30 miles of both Baltimore and Washington, DC, has also proved beneficial in expanding the submarket's boundaries.

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BALTIMORE CITY*

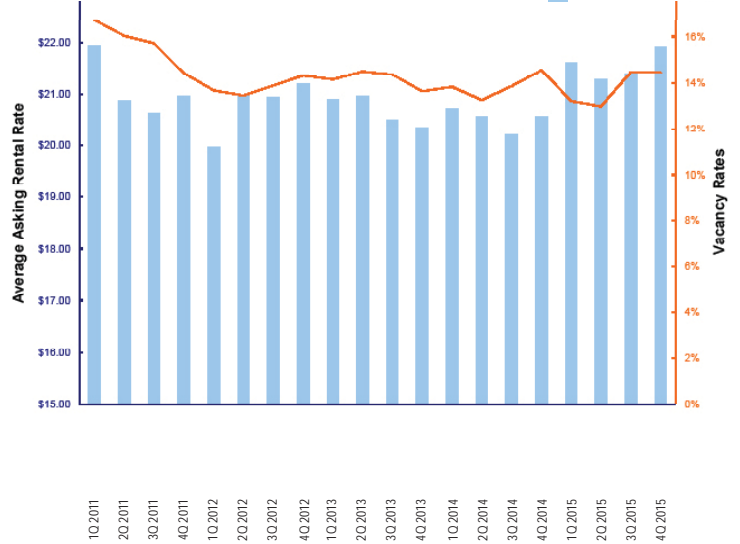
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"Overall activity for the Baltimore City market outside of City Center was relatively flat for the 3rd Quarter. The negative absorption that is noted below can be attributed to the addition of 140,000 sf of space at 1215 Fort Avenue, McHenry Row II. Fortunately this number is not larger, thanks to MAIF, Gilbane Building Company, Kiddie Academy, and Kimley Horn all having signed leases totaling approximately 112,000 sf for the building that has just delivered, leaving only 28,000 sf available. The submarket's rental rates remained steady, with the Baltimore City North segment experiencing the most noticeable change, an increase of \$1.00/sf due to the higher asking rates at the Rotunda's newly renovated offices."

- Jim Grieves
Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

13.14%
VACANCY RATE

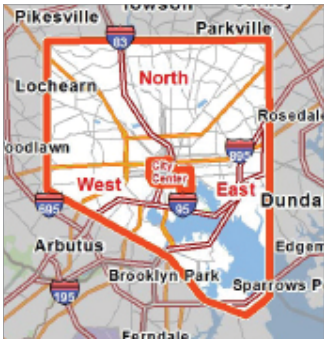
-34,362
ABSORPTION

\$22.51
AVG. RENTAL RATE

The average vacancy rate for the Baltimore City submarket increased by 0.79% from the 2nd Quarter rate of 12.35%. The Baltimore City South reported the lowest vacancy at 6.18% while Baltimore City West had the highest, 26.32%. Baltimore Midtown, East, and North vacancy fell between a healthy rate of 8.37% - 11%.

Overall absorption for Baltimore City was a negative 34,362 sf. Baltimore City North contributed to this the most reporting a negative 21,033 sf for the 3rd Quarter. Year-to-date absorption for the submarket is a negative 26,781 sf.

Rental rates for Baltimore City remained relatively unchanged from the 2nd Quarter to the 3rd Quarter, decreasing by only \$0.05/sf. The Baltimore City North segment saw the highest rate, \$27.00/sf; Baltimore Midtown the lowest, \$19.26/sf. Overall, the 3rd Quarter rate of \$22.51/sf is an increase of nearly \$2.00/sf from the same quarter in 2014.



Number of Buildings 100

Market Size 8,005,795 sf

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. Ranking 20th in population for U.S. Cities, Baltimore City is home to the world-renowned Johns Hopkins Hospital and School of Medicine and sports apparel giant Under Armour. Coupled with major investments by The University of Maryland Medical System in cooperation with the City, all are in the process of redefining Baltimore City's broader landscape. Further private redevelopments in Baltimore City's historic Midtown and North submarket buildings have also garnered interest as the City seeks to increase its residential population by attracting a highly educated and mobile workforce that seeks a live/work/play lifestyle. In response, growth in Baltimore's biotech parks and entrepreneurial incubators are helping Baltimore emerge as a technology hub.

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

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BALTIMORE COUNTY EAST

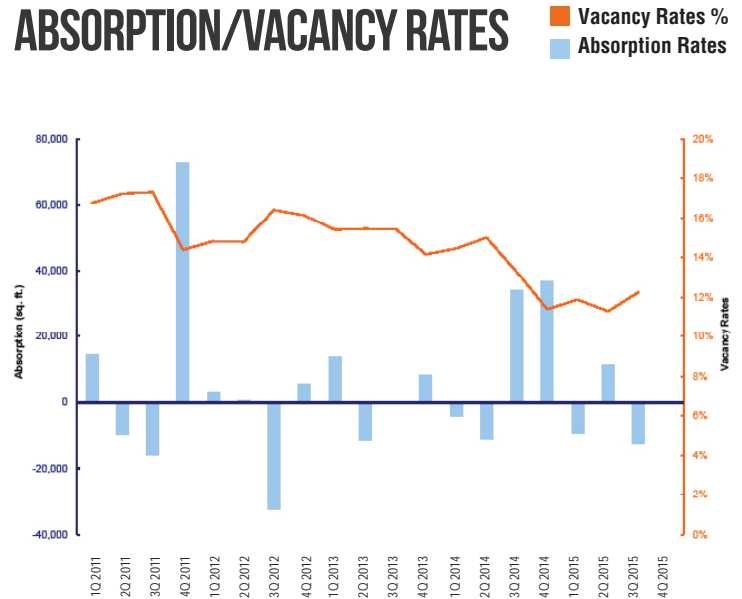
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"Baltimore County East took a slight step back as fairly small amounts of absorption occurred. Regardless, the overall market remains relatively strong, as it has the second lowest vacancy rate among the Northern Metro submarkets. COPT is actively marketing the sale of their remaining holdings in White Marsh which could signal the entry of new owners, a trend that has continued over the last two years. Traditionally, the most active area for leasing has been between Franklin Square Hospital and White Marsh Mall. This quarter, the most notable lease transaction completed was an expansion of Social Solutions for 11,032 sf at 405 Williams Court, a flex building east of I-95. Much of the leasing activity is still consisting of small local users; however, if one or two larger tenants from out of the market were to enter, we could see this submarket fall below 10% vacancy in 2016."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

12.24%
VACANCY RATE

-12,476
ABSORPTION

\$22.36
AVG. RENTAL RATE

Vacancy for the Baltimore County East submarket increased by 0.94% from the 2nd Quarter rate of 11.30%. This 3rd Quarter rate is still 1.03% less than the rate during the same quarter in 2014.

After a positive absorption of 11,455 sf during the 2nd Quarter of 2015, submarket activity during the 3rd Quarter resulted in a negative 12,476 sf absorbed. Year-to-date absorption remains negative at 10,313 sf.

Rental rates remained steady from the 2nd Quarter to the 3rd, slightly decreasing by \$0.38/sf. Baltimore County East has the second highest rental rate in the Northern Metro, falling closely behind Harford County's average rental rate of \$22.79/sf.



Number of Buildings 54
Market Size 1,906,825 sf

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, and Signode. 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. Anchored by White Marsh, a planned 2,000 acre mixed-use community adjacent to I-95, and close proximity to Aberdeen Proving Ground, the U.S. Army's oldest military proving ground, has helped the Baltimore County East submarket grow substantially over the last decade as more than \$800 million in private, state, and county investment in infrastructure, parks, schools, and housing has encouraged employment-intensive development throughout the submarket. Notable investments in new office, flex, and industrial opportunities by regional developer Corporate Office Properties Trust (COPT) and Franklin Square Hospital are expected to continue adding additional office space to the submarket in the coming years.

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BALTIMORE COUNTY WEST

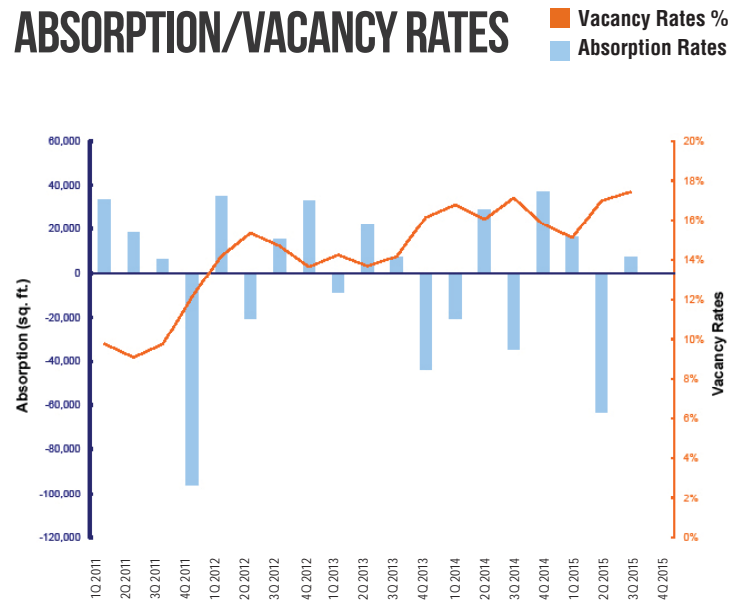
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"After a downturn in the 2nd Quarter, activity within the Baltimore County West submarket remained stagnant. This area continues to be one of the slowest in the Baltimore Metropolitan area with vacancy rates hovering just below the 20% mark for the past year. The submarket continues to be dependent on surrounding areas such as the Reisterstown Road Corridor, BWI, and Baltimore City tenants seeking an economic alternative from surrounding markets and government-driven interest. Although part of the neighboring Reisterstown Road Corridor, this submarket may see activity through year-end and into 2016 as a result of Lifebridge purchasing Northwest Hospital and the group backfilling surrounding buildings in the market."

- Joe Bradley
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

17.44%
VACANCY RATE

7,059
ABSORPTION

\$20.38
AVG. RENTAL RATE

Baltimore County West vacancy remained relatively unchanged, increasing by only 0.18% from the 2nd Quarter rate of 17.26% to the 3rd Quarter rate of 17.44%.

After a negative absorption of 71,900 sf during the 2nd Quarter, the submarket absorbed a total of 78,959 sf resulting in a positive total of 7,059 sf for the 3rd Quarter.

Rental rates for the Baltimore County West submarket increased by \$0.25/sf from the 2nd Quarter rate of \$20.13/sf. This submarket commands the lowest rental rate within the Northern metro. The highest, Harford County at \$22.79/sf.



Number of Buildings 66
Market Size 3,143,467 sf

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. Home to the headquarters of 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, the Woodlawn submarket is driven heavily by government related activity. The area is often 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. Woodlawn has been designated an Enterprise Zone by the State of Maryland Business and Economic Development.

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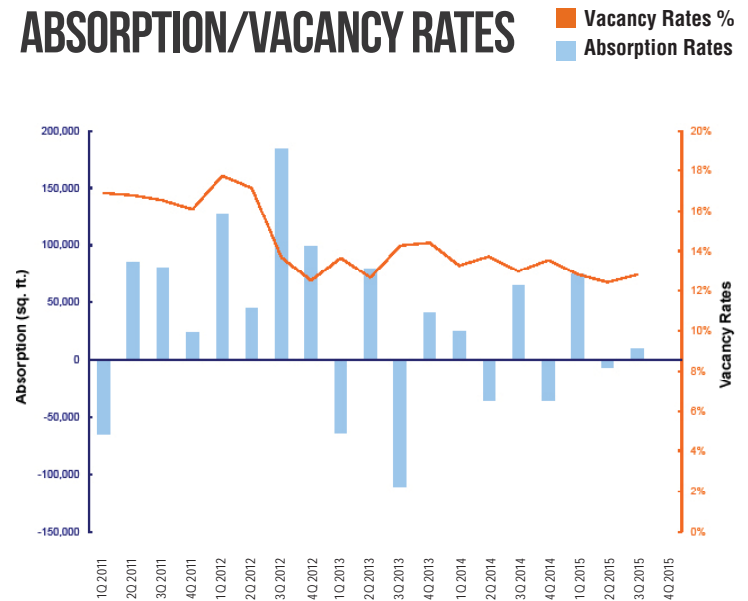
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"The BWI submarket market remains steady in all respects. Populated mainly by mid-sized to large technology and government contracting tenants with easy access to the Corridor and BWI Airport, this market continues to compete with neighboring markets in Anne Arundel and Howard Counties. Competition offered by newer product has caused some turnover in ownership with newer investors looking to take advantage of declining value properties, and older owners looking to rebalance portfolios. Rental rates hang squarely in the mid-\$20's and vacancy at a respectable 12.8%."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

12.79%
VACANCY RATE

9,440
ABSORPTION

\$24.46
AVG. RENTAL RATE

Vacancy rates for the BWI submarket remain consistent, increasing by a mere 0.07% from the 2nd Quarter to the 3rd Quarter and this quarter's rate is a slight increase of 0.19% from the same quarter in 2014.

Despite only a minor increase in vacancy rates, absorption for the 3rd Quarter still resulted in a positive 9,440 sf. Year-to-date absorption total for the BWI submarket remains positive at 56,005 sf.

Fluctuating by an average of \$0.35/sf in either direction, rental rates for the BWI submarket have remained steady for the past year. Increasing by only \$0.16/sf from the 2nd Quarter rate of \$24.30/sf, BWI commands one of the highest rental rates in the Baltimore region.



Number of Buildings 103
Market Size 8,591,429 sf

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, the BWI submarket has transformed as technology and intelligence communities take advantage of the submarket's close proximity to Fort Meade and major metropolitan markets in Baltimore and Washington, DC, growing total office inventory to nearly nine million sf of office space.

CITY CENTER

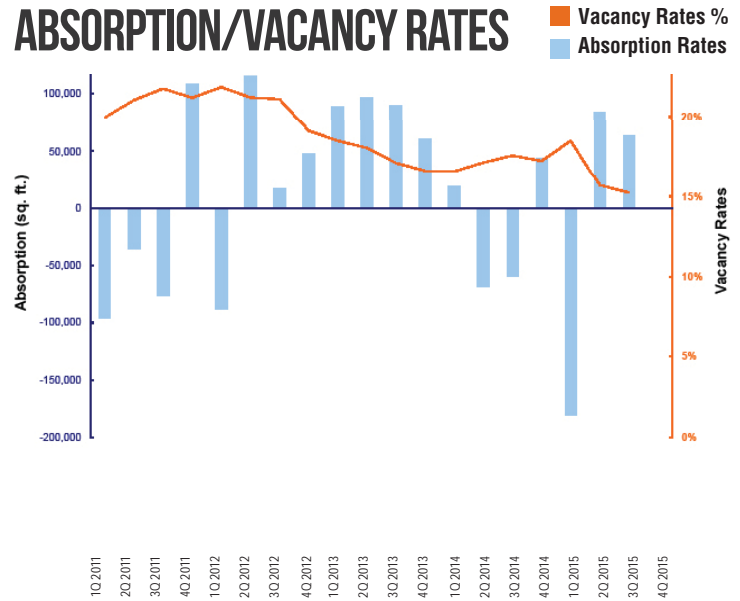
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"The 3rd Quarter of 2015 was strong in the City Center, as the submarket absorbed 63,487 sf of office space, marking the fourth consecutive quarter of positive absorption. We are continuing to see the trend of tenants relocating to higher quality product as Class A+ (trophy) buildings boast an impressive 5.11% vacancy rate, compared to a 24.66% vacancy rate in Class A buildings. Construction of the Exelon building in Harbor Point appears to be making good progress. This should have a huge effect on Pratt Street vacancy in late 2016, early 2017, as Exelon currently occupies large blocks of space in both the 111 Market Place, The Candler Building, and 750 E. Pratt Street."

- Matt Curran
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

15.28%
VACANCY RATE

63,487
ABSORPTION

\$21.68
AVG. RENTAL RATE

Overall vacancy for City Center decreased by 0.37% from the 2nd Quarter rate of 15.59%. Class A+ product remains the tightest segment with a 5.11% vacancy rate while Class B experienced a high of 27.28%. The numbers continue to show a "flight to quality" movement within City Center; tenants of Class B and A moving "up" to B+ and A+ spaces.

Positive absorptions in all segments of the City Center submarket except Class A resulted in a positive absorption of 63,487 sf this quarter for City Center. Year-to-date absorption for the submarket is a positive 175,863 sf.

Average rental rates for City Center increased by \$0.31/sf from the 2nd Quarter to the 3rd Quarter. As expected, Class A+ continues to command the highest rental rate at \$27.93/sf; however, this is a decrease of \$1.53/sf for the segment from the 2nd Quarter rate of \$29.47/sf.



Number of Buildings 76
Market Size 13,773,249 sf

Overview: As the downtown district of Baltimore City, the City Center submarket is defined by Broadway 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 to include Harbor East and the hotly debated Harbor Point. Total office inventory is nearly 14 million square feet. Drawn to City Center for its 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, Baltimore's City Center is a diverse mix of old and new. In 2011, The Downtown Partnership unveiled an ambitious proposal to transform the Central Business District's landscape to include \$100 million in new parks and public plazas adding up to revitalization of Baltimore's urban core. Major projects for the Inner Harbor, Charles Center, and west side are expected to generate new opportunities and encourage private growth.

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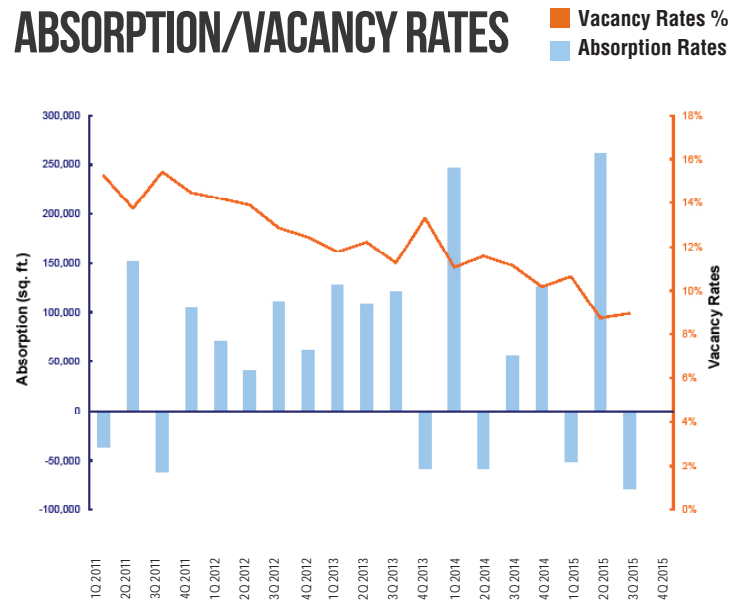
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"While the Columbia submarket shows only a slight increase in vacancy over the last quarter, the market truly continues to show growth and increasing strength. For the third quarter in a row, we continue to see proposed projects containing large, Class A office buildings being pre-leased prior to construction with the most recent example being Howard Hughes' Crescent development. This will allow them to begin Phase I. Now that the recession is behind us, we are seeing a flight to quality movement; companies are leaving Class B products to upgrade their image and/or take advantage of landlord improvements while neglecting the increase in rental rates. You'll continue to see Baltimore-based firms looking to relocate near the highly educated workforce of Howard county and take advantage of the new "Live, Work, Play" mentality of Columbia (and not to mention, free parking)."

- Dave Sciamarelli
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

8.95%
VACANCY RATE

-78,517
ABSORPTION

\$25.00
AVG. RENTAL RATE

With only a slight increase of 0.31% from the 2nd Quarter rate of 8.63%, Columbia remains the healthiest in terms of vacancy among the Southern Metro submarkets. This quarter's vacancy is also 2.19% less than the same quarter in 2014.

After an impressive 274,000 sf were absorbed during the 2nd Quarter, 3rd Quarter activity resulted in a negative 78,517 sf. Year-to-date total remains positive at 144,962 sf absorbed.

Rental rates for Columbia remain stable, increasing by \$0.85/sf from the 2nd Quarter rate of \$24.15/sf. Changes in rental rates for the Columbia submarket have averaged \$0.50/sf for the past year in either direction.



Number of Buildings 219
Market Size 12,981,611 sf

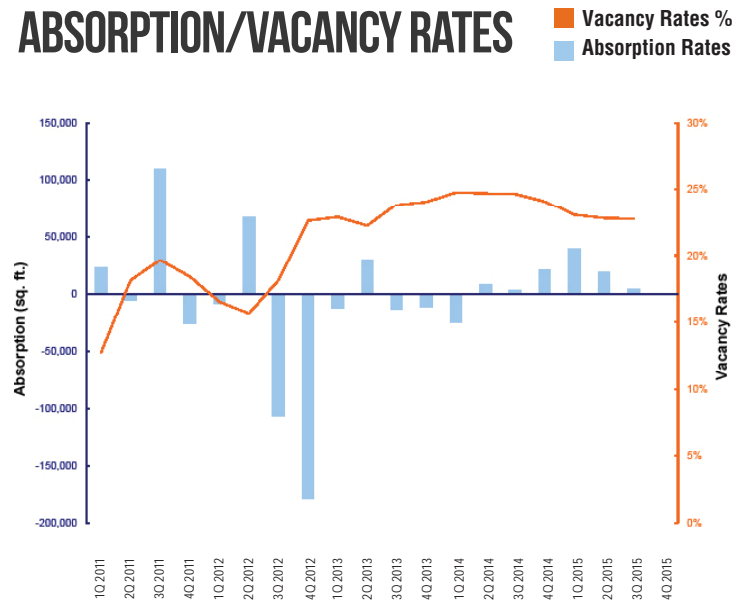
Overview: Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses. Routinely recognized by national news organizations for its highly educated labor pool, the Columbia submarket boasts one of the largest concentrations of corporate, political, and financial centers outside of Washington, DC. Development is currently underway at Howard Hughes' 13 million square foot mixed-use project for the downtown area, part of an approved 2010 master plan that will ultimately transform Columbia into a national attraction. Columbia's long history of diversity and abundance of premier retail and recreational amenities has helped the Columbia market remain the largest within the Baltimore Metropolitan Statistical Area (MSA).



"Vacancy remains elevated in the Harford County office market; however, it is more than 3% less than the same quarter last year which saw a rate of 25.9%. Unfortunately, high vacancy rates will remain the case due to the 1.3 million square feet of new product that was built over the last seven years for the anticipated BRAC needs that never materialized, and of which approximately 600,000 sf remains vacant. A bright spot for this market has been the Route 24 Corridor between I-95 and Bel Air. Although this area still has some availability, activity has been consistent and is experiencing gains. Rates in this area have stabilized and with a little more absorption, they will start to grow in relation to demand. Most of the Route 24 Corridor activity has been with small business services and medical. Couple this with the slowly growing population; and I believe this sector will continue to experience only gradual increases through the upcoming year."

- Beetle Smith
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

22.75%
VACANCY RATE

3,776
ABSORPTION

\$22.78
AVG. RENTAL RATE

Vacancy rates for Harford County remained relatively flat from the 2nd Quarter to the 3rd Quarter, decreasing by only 0.10%; however, this quarter's rate is nearly 2% less than the rate experienced during the same quarter in 2014.

As vacancy rates continue to decrease slightly, absorption remains positive for Harford County, absorbing 3,776 sf during the 3rd Quarter. Year-to-date total absorbed is a positive 73,987 sf.

Holding top billing for the highest rate in the Northern Metro, this quarter's average rental rate is a slight increase of \$0.07/sf from the 2nd Quarter rate of \$22.71/sf.



Number of Buildings 106
Market Size 3,690,255 sf

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. Interstate 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. 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.

I-83 CORRIDOR

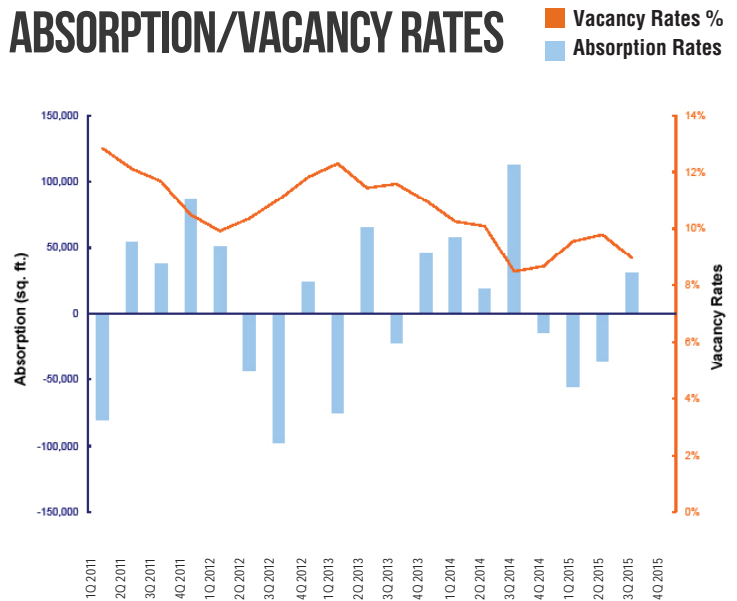
THIRD QUARTER | 2015



"Activity within the I-83 Corridor submarket remained consistent throughout the 3rd Quarter. We expect to see continued, if not increased activity through the end of the year with an emphasis on Class A product and flex/office tenants. With the steadying of the market, we expect to see new players eyeing existing product within this continuously strong Corridor and would not be surprised if portfolio sales came back again for Class A office and possibly some flex spaces. Rental rates have maintained consistency throughout the first three quarters of the year; I anticipate this will be maintained through year-end and the majority of 2016."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

8.96%
VACANCY RATE

Decreasing slightly by 0.08% from the 2nd Quarter rate of 9.04%, the I-83 Corridor remains constant with rates continuously under the 10% point. This submarket is the healthiest within the Northern Metro, followed by Baltimore County East at 12.24%.

30,556
ABSORPTION

With a decrease in vacancy, absorption totals for the submarket remained positive at 30,556 sf for the 3rd Quarter. Year-to-date absorption totals inch closer to positive, reporting only a negative of 2,241 sf.

\$21.96
AVG. RENTAL RATE

After remaining relatively unchanged for the first half of the year, rates increased by exactly \$1.00/sf from the 2nd Quarter rate of \$20.96/sf. Since the same quarter in 2014, rates for this submarket have increased by \$2.26/sf.



Number of Buildings 129
Market Size 7,547,897 sf

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. Arguably one of the most diverse submarkets, the I-83 Corridor is a blend of office, flex, and retail properties, dotted open land, and industrial landmarks. Attracted by numerous amenities including ease of access via Interstate 83, close proximity to Towson, and life-style epicenter Hunt Valley Towne Center, businesses in the Corridor are a blend of technology, professional services, and corporate and regional headquarter locations.

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REISTERSTOWN ROAD CORRIDOR

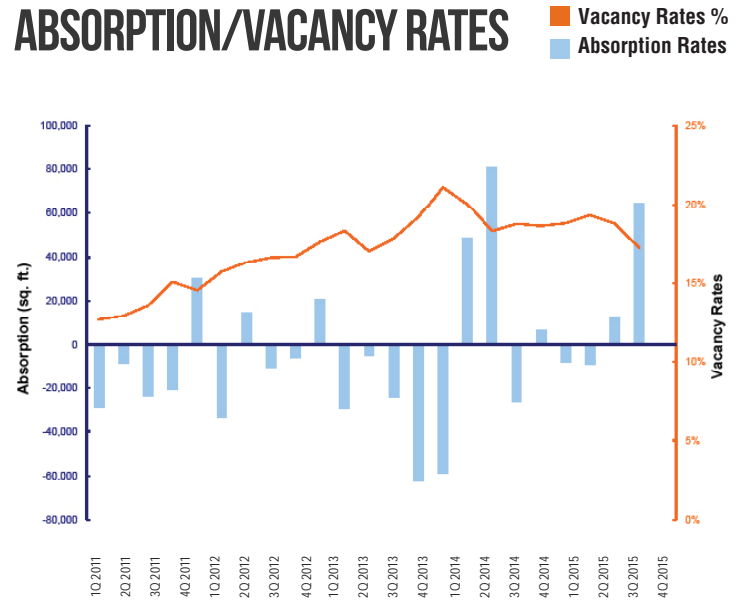
THIRD QUARTER | 2015



"Activity in the Reisterstown Road Corridor continues to center around new development, most recently the ground breaking of David S. Brown's 200,000 sf mixed-use office and retail building at 10200 Grand Central Ave at Metro Center. Leasing remains strong at BECO Towers which experienced another strong showing for absorption. The submarket as a whole continues to decrease with regards to vacancy while rental rates remain steady in the \$21.00 - \$22.00/sf range. Also, with the recent announcement that all interior stores at Owings Mills Mall have closed, coupled with Macy's announced closing for November, will we see redevelopment sooner for the mall?"

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

17.25%
VACANCY RATE

64,630
ABSORPTION

\$21.45
AVG. RENTAL RATE

We saw a slight uptick in activity during the 3rd Quarter with vacancy rates decreasing by 1.23% from the 2nd Quarter rate of 18.48%.

The decrease in vacancy for the Reisterstown Road Corridor resulted in the absorption of 64,630 sf. Year-to-date total absorbed for the submarket is 80,843 sf.

Average rental rates barely changed from the 2nd Quarter rate of \$21.48/sf to the 3rd Quarter rate of \$21.45/sf. This quarter's rate is \$1.09 less than the same quarter in 2014.



Number of Buildings 84
Market Size 4,599,619 sf

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 an assorted stretch of retail, flex, and office properties connecting Baltimore City to the rolling hills of Northern Baltimore County via Interstate 795 and Reisterstown Road. The submarket is currently seeing revitalization as more than \$1 billion in improvements pour into the area. Most notably, Metro Centre at Owings Mills, a 47 acre, pedestrian-friendly development surrounding the Metro subway station, is under construction having Phase I of its master plan nearing completion. Designated by the State of Maryland as a transit-oriented development project, the project includes offices, shops, restaurants, a new public library, and a satellite campus for the Community College of Baltimore County.

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ROUTE 2 CORRIDOR

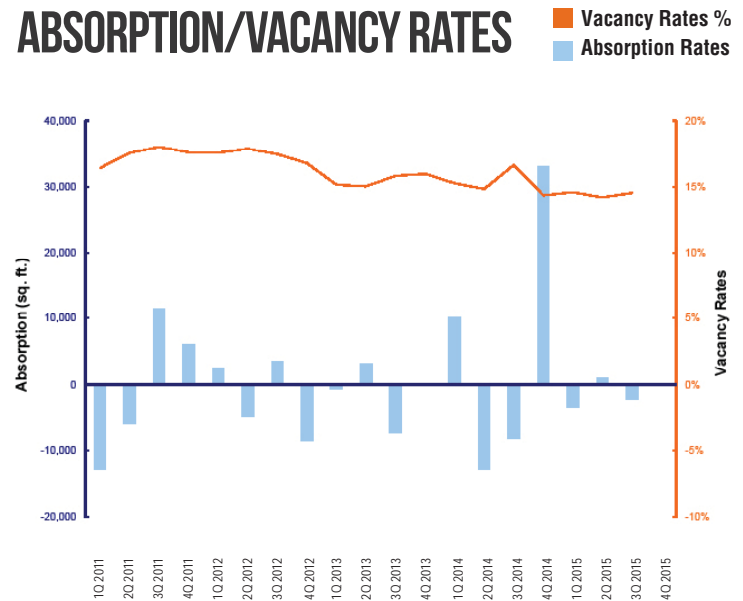
THIRD QUARTER | 2015



"Interest in small spaces, 500 sf to 2,500 sf, continues to command the majority of activity this quarter in the Route 2 Corridor. Landlords are also signing tenants at their asking rates, the low \$20.00/sf range. As vacancy remains steady, interest seems to increase with tenants shopping the submarket as an option for upgrading their spaces while remaining cost conscious."

- Chris Bennett
Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

14.54%
VACANCY RATE

Vacancy rate for the Route 2 Corridor increased by 0.47% from the 2nd Quarter rate of 14.07% to 14.54%. Falling second to Annapolis for the highest vacancy in the Southern Metro, this rate is considered strong for the area, an improvement from the same quarter in 2014 which saw a rate of 16.64%.

-2,116
ABSORPTION

The slight increase in vacancy resulted in a minor negative absorption of 2,116 sf. Year-to-date absorption for the submarket is a negative 2,441 sf.

\$21.92
AVG. RENTAL RATE

Rental rates decreased by \$0.49/sf from the 2nd Quarter to the 3rd Quarter of 2015. Rates are still \$0.99/sf higher than the same quarter in 2014 which saw an average rate of \$20.93/sf. The Route 2 Corridor remains the lowest in the Southern Metro.



Number of Buildings	41
Market Size	1,433,959 sf

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 smallest of the Baltimore submarkets, the Route 2 Corridor 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 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.

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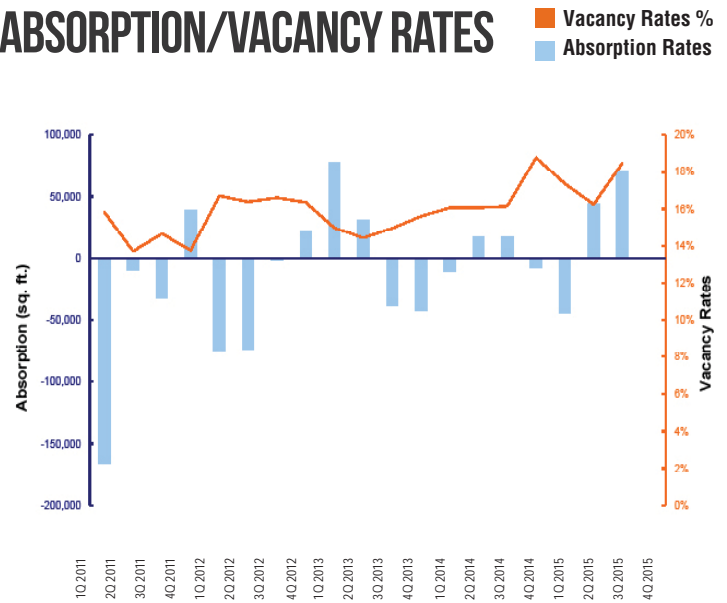


"Office product in Towson has stayed stagnant for the last several years with little to report. Outside of General Dynamics, Venable, and the success of City Center doing sizable leases or expansions, the office market has experienced only small blips on the leasing radar. This, however, appears to be changing with some new development posed to take off between 2017 and 2020. While this seems far off, it will be here before you know it. Recent retail success at Towson Square, home to Cinemark and a cadre of restaurants, has given us a glimmer of hope that the areas retail offering's will fuel the success of everything around it. Towson Row, under construction, will bring new life to the core of Towson with more retail, residential, student housing, and office space. Other projects like Towson Mews (townhomes), 101 York Road (student housing), and the Flats (residential) are all in the queue to be brought on line very soon. If everything takes flight, look for Towson numbers to improve as it becomes a new urban center."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

18.48%
VACANCY RATE

Vacancy for the Towson submarket experienced an increase of 1.28% from the 2nd Quarter rate of 17.19%. This quarter's rate is 2.33% higher than the same quarter in 2014.

70,516
ABSORPTION

Despite an increase in vacancy, the Towson submarket's absorption for the 3rd Quarter remained positive at 70,516 sf. Year-to-date total absorbed is 23,817 sf.

\$21.05
AVG. RENTAL RATE

Rental rates for the Towson submarket decreased by \$0.21/sf from the 2nd Quarter rate of \$21.26/sf. Rates have remained in the \$21.00/sf range for the past year, changing by an average of \$0.25/sf in either direction.



Number of Buildings 85
Market Size 4,993,508 sf

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. Steady growth of business and development continues to stimulate Towson's local economy. Known for its four-story Towson Town Center shopping mall, downtown Towson continues to revitalize its retail, restaurants, residential, and office buildings with a private investment of roughly \$500 million. Mixed-use projects such as the newly developed Towson Square, a four-acre urban expansion that includes eight restaurants and a 3,400-seat Cinemark Theater, and Towson Row (slated to deliver Fall 2017), which will be anchored by Whole Foods and include a 200,000 sf office tower and more than 100,000 sf of dining and retail, continue to transform the Towson area and skyline.