THE NUMBERS

	DIRECT VACANCY			ABSORPTION		ASKING RENTAL RATES*		
SUBMARKET	**2018 Q1**	**2017 Q4**	**2017 Q1**	**Current**	**YTD**	**2018 Q1**	**2017 Q4**	**2017 Q1**
Baltimore City East	4.3%	+1.2%	-4.4%	-34,977	-34,977	$24.98	-$2.20	-$0.86
Baltimore City Midtown	8.5%	-1.0%	-0.7%	12,271	12,271	$20.86	-$0.08	+$0.32
Baltimore City North	9.2%	+0.1%	-0.4%	-2,130	-2,130	$26.71	-$0.48	+$0.52
Baltimore City South	7.2%	+0.3%	+5.1%	852	852	$26.50	+$3.50	+$3.30
Baltimore City West	27.7%	+1.3%	+0.3%	-30,250	-30,250	$18.31	-$1.52	-$5.44
Baltimore City	**11.7%**	**+0.6%**	**-0.8%**	**-54,234**	**-54,234**	**$21.10**	**-$0.86**	**-$3.13**
City Center A	23.4%	-4.9%	-6.6%	-4,135	-4,135	$23.60	+$0.01	+$0.30
City Center A+	6.4%	-0.4%	+0.4%	23,589	23,589	$29.43	+$1.52	-$0.98
City Center B	19.9%	-0.1%	-1.9%	3,258	3,258	$18.40	-$0.48	+$0.02
City Center B+	10.5%	-1.0%	-9.3%	26,381	26,381	$23.47	+$0.50	+$0.61
City Center	**13.3%**	**-1.4%**	**-3.4%**	**49,093**	**49,093**	**$23.07**	**+$0.30**	**-$0.01**
Baltimore + CBD	**12.7%**	**-0.5%**	**-2.3%**	**-5,141**	**-5,141**	**$22.37**	**-$0.12**	**-$1.10**
Baltimore County East	12.9%	-0.2%	-1.4%	4,110	4,110	$22.80	+$0.85	+$1.02
Baltimore County West	12.0%	-0.3%	-1.8%	10,768	10,768	$20.61	+$0.84	+$0.16
Harford County	23.7%	+0.2%	+2.5%	-8,801	-8,801	$23.58	+$0.74	+$0.84
I-83 Corridor	9.4%	+0.3%	+0.2%	-24,981	-24,981	$22.16	+$0.41	+$1.23
Reisterstown Rd Corridor	18.1%	-0.0%	+0.5%	2,514	2,514	$22.50	+$0.97	+$0.77
Towson	13.2%	-0.1%	-2.0%	8,592	8,592	$22.10	+$0.40	+$0.71
Northern Metro	**14.3%**	**+0.0%**	**-0.2%**	**-7,798**	**-7,798**	**$22.38**	**+$0.65**	**+$0.81**
Annapolis	10.5%	+0.0%	-3.3%	-857	-857	$27.59	-$0.83	-$0.25
BWI	15.3%	-0.6%	+0.0%	76,414	76,414	$26.90	+$0.22	+$1.62
Columbia	10.9%	+1.0%	+2.1%	-130,755	-130,755	$25.44	+$0.21	+$0.13
Route 2 Corridor	13.6%	+0.2%	+0.4%	-4,020	-4,020	$22.97	-$0.49	+$0.07
Southern Metro	**12.4%**	**+0.3%**	**+0.6%**	**-59,218**	**-59,218**	**$26.10**	**+$0.02**	**+$0.53**
Totals	**13.1%**	**-0.1%**	**-0.6%**	**-72,157**	**-72,157**	**$23.54**	**+$0.21**	**+$0.12**

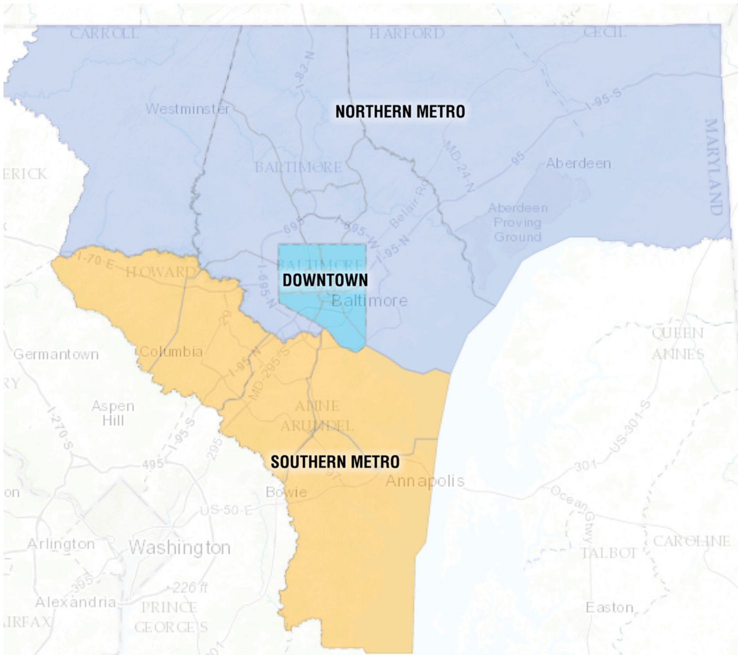
Rental rates are weighted average.

13.1%
VACANCY RATE

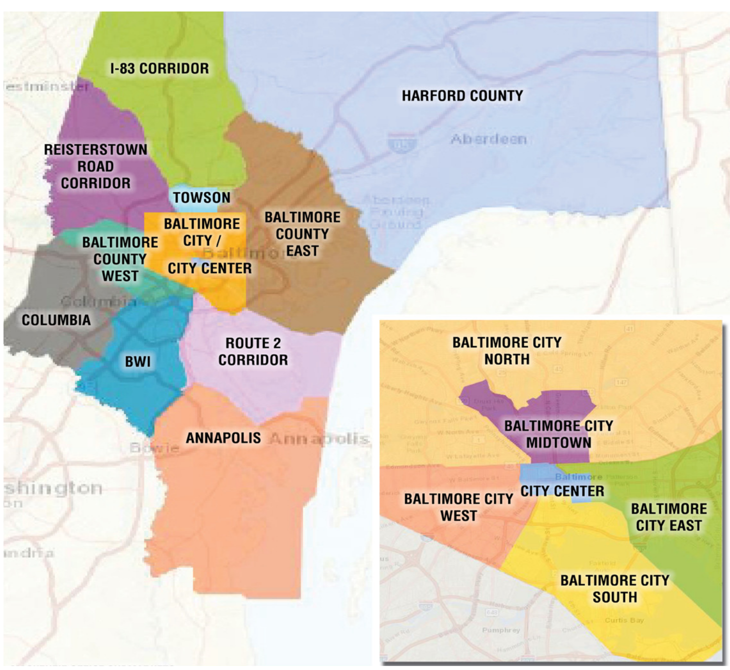
-72,157
YTD ABSORPTION

$23.54
AVG. RENTAL RATE

MARKET SNAPSHOTS



SUBMARKET BREAKDOWN



DOWNTOWN

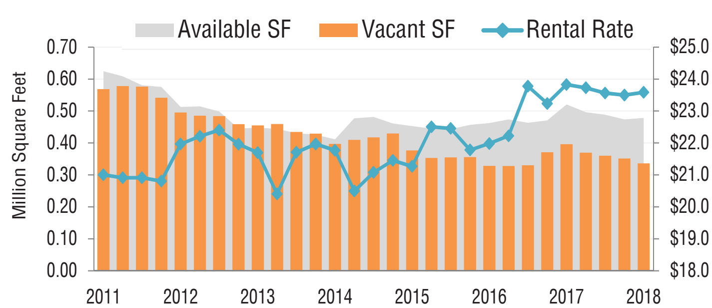
It's a story that has persisted for years - the shuffling of tenants in the Central Business District (CBD). The first quarter was no exception. Once again, velocity on Pratt Street in the Class A market lead the way for leasing, which resulted in a decrease in the overall CBD vacancy. Exelon's move from 750 E. Pratt saw a building that went from a 50% vacancy to fully leased in a matter of months with big name tenants such as Johns Hopkins, Maryland Health Benefit Exchange, and KPMG.

Another continuing trend is the interest of out-of-town investors in CBD office buildings. This quarter alone, 1 E. Pratt sold for $80.1 million to a Miami real estate firm, and 500 E. Pratt sold for $60 million to a South Florida-based investment firm, which continues the central business district investment trend that arguably began to take shape in 2015 with the sale of 300 W. Pratt Street, 250 W. Pratt Street, and the Transamerica Tower.

With Beatty Development at the helm, Baltimore City Midtown could become a "new frontier" of growth. In December, Amtrak announced Beatty to help develop Penn Station and other properties in the area, which will provide some much-needed attention to this part of the city. Their plans include a mixed-use development with up to 1.6 million sf of new developments including office, residential, and additional retail concourse space.

The UM BioPark is also providing some growth and investment for Baltimore City West with new co-working space at the GRID. Baltimore City South recently saw an increase in market size and vacancy due to the recent listing of the Federation of the Blind. Incubation spaces also continue to be popular downtown, taking large spaces off market.

Outside of the CBD, Baltimore City is continuing to see growth and new tenants have entered the periphery markets driven by a younger workforce. These markets offer commuter benefits such as easier parking and less congestion. Flywheel Digital is the perfect example of this movement. In the past couple years, they have moved their offices from Catonsville to Foundry Row temporarily, and just recently signed a lease in Baltimore City at McHenry Row.

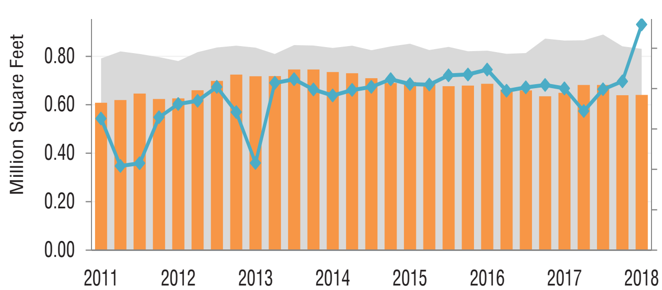


NORTHERN METRO

Baltimore's Northern Metro recently concluded a rather lackluster 1st Quarter of 2018. The office market is relatively quiet, with a few small transactions headlined by Stanley Black & Decker taking around 6,000 sf± at 210 Allegheny Avenue in Towson. 1 W. Pennsylvania Ave is advertising new vacancies up to 22,000 sf with Allstate Insurance planning to leave the building in the late summer this year. Residential construction continues to drive new workforce opportunities in the Towson area with Washington Avenue's Flats at 703 leasing up and Avalon Bays new apartment project at the York Road Circle well underway. First floor retail looks like it is leading in the right direction with new tenants added along the 400-500 blocks of York Road to include Chipotle and Boho Nation. The Towson Row project, now headed up by Greenberg Gibbons, hopes to start the student housing construction this summer with the retail and office components falling into place down the road.

I-83 Corridor continues to be one of the area's healthier markets, with proximity to major highways and easy access to downtown markets, while still offering competitive pricing for Class A spaces, and general commuter privileges such as a multitude of amenities in Hunt Valley, free and plentiful parking, and easy access for employees on the periphery of the metro area. Earlier this quarter, Altus Group leased 13,794 sf at 20 Wight Avenue. As Altus continues to expand their company holdings, their move into Hunt Valley from Sparks is an excellent example of companies continuing to take advantage of what the corridor has to offer.

The I-83 Corridor and Baltimore County East will also be the home to a multitude of upcoming job opportunities in the next few years, beginning with Bank of America's renewal for approximately 330,000 sf at 11333 McCormick Road. This year, they've announced the future addition of 600 jobs, nearly doubling their staff over the next few years. In total, they will be employing around 1,500 people in Hunt Valley by 2020. The Hunt Valley area is also awaiting the completion of the new McCormick & Company headquarters building at 99 Shawan Road, which is on schedule to deliver in June 2018. Stanley Black & Decker has also announced 400 new jobs that will come to their new space at Greenleigh at Crossroads in White Marsh. This February, the company announced plans to invest $8.5 million into a 92,000 sf building at Geenleigh at Crossroads as part of their expansion into the new development. Altogether, Stanley Black & Decker will employ approximately 2,700 people in Maryland alone.

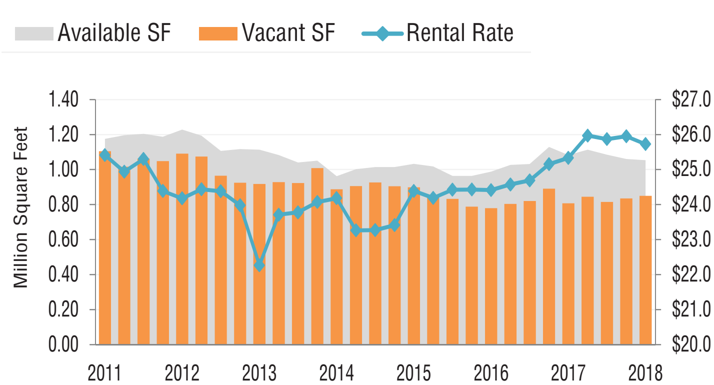


SOUTHERN METRO

This quarter, the Annapolis leasing market has seen some unexpected changes including a resurgence of mortgage companies looking for short-term space. Lord & Taylor has vacated the Annapolis Mall, and the top floor is now being marketed as medical-use rather than retail as part of the ongoing effort to change how users view the area's malls. St. John Properties is working on new buildings in the area; two Class A buildings at 187 Harry S. Truman (approximately 130,000 sf) and 810 Bestgate (100,000 sf) are currently under construction and set to deliver 1/2019 and 12/2019, respectively. The sales market in Annapolis continues to be robust with investors and owner-occupiers looking to buy. We've seen a lot of multi-family and self-storage operators looking to purchase with the intent to convert the spaces as well.

The BW Corridor, specifically BWI and Columbia, has seen the majority of Southern Metro activity including building and land sales, new leases, and even a few larger subleases and renewals. Columbia Gateway continues to show a lot of activity as tenants shift around the Columbia submarket. TCOM, LP purchased 42,150 sf from Bernstein at 7115 Thomas Edison Drive, and 7021 Columbia Gateway Drive sold to Abrams Development for $153.94/sf. Renewals and subleases have also occurred in Gateway with The Jacobs Group renewing 15,000 sf at 7164 Columbia Gateway Drive, while Oracle is subleasing two complete floors, and CSRA is subleasing their space in Gateway so they can downsize. Town Center remains active with Costello leasing the remaining office space in their new Class A building downtown to Next Phase Solutions (16,300 sf) and Fusion (11,332 sf). Costello also purchased the Columbia Sheraton Hotel in Town Center.

Kaiser Permanente purchased 10.3 acres of land for a new 90,000 sf medical office building. They paid $10.3 million for the land at 8201 John McAdam Drive which was purchased from Howard Research and Development. In the past several years, they have opened several new facilities in the corridor, including a 131,000 sf building in Halethorpe and a 25,735 sf medical center in Glen Burnie, along with the center they already have in Columbia Gateway.



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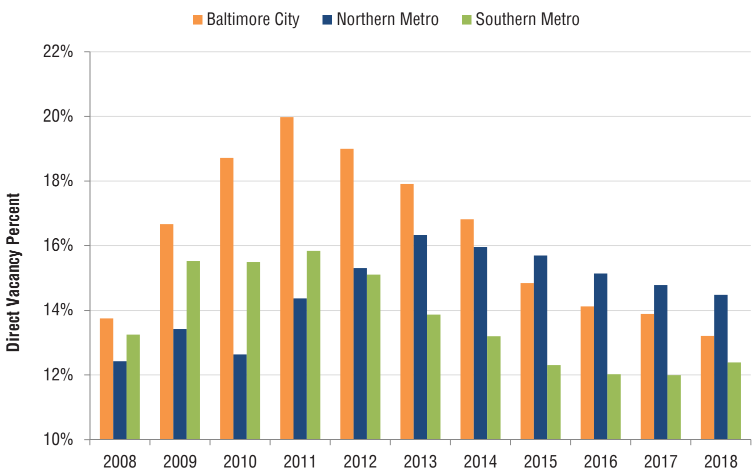
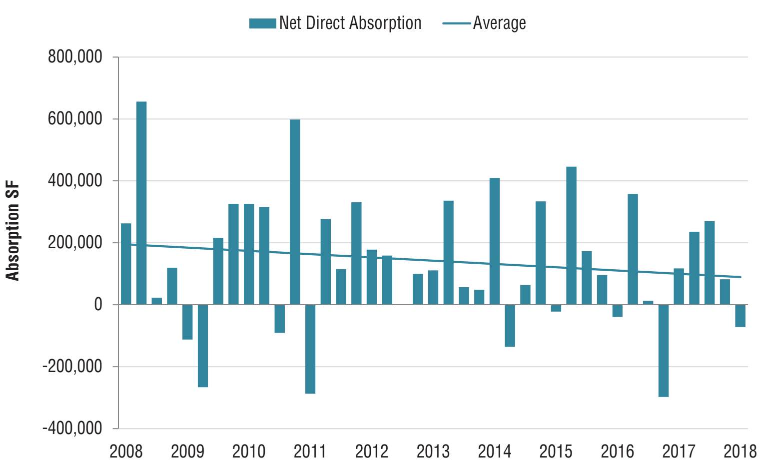
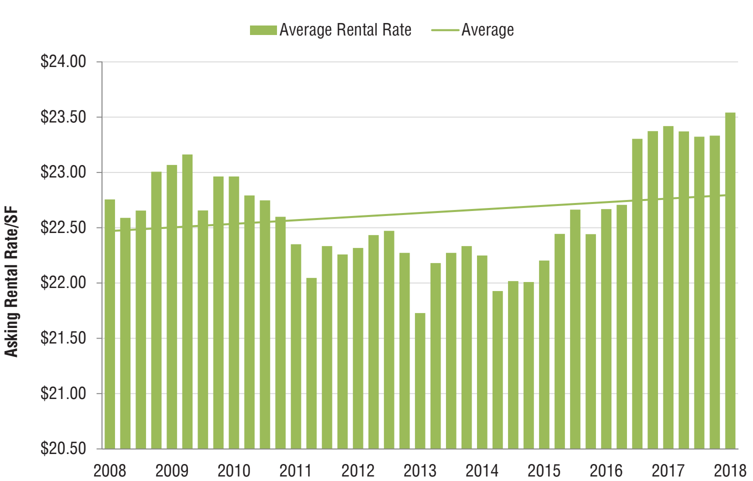
DIRECT VACANCY



ABSORPTION



ASKING RENTAL RATES



Vacancy Continues to Drop

Overall office vacancy slightly decreased this quarter, averaging 13.1% for the Baltimore Metro Area. The region with the highest vacancies has moved from City Center in Q4 2017 to the Northern Metro, due to the steadily high vacancies in Harford County, currently averaging 23.7%. On the other hand, City Center has decreased 1.4% this quarter on average, and saw a considerable shift of -4.9% in Class A buildings alone. The tightest submarket continues to be Baltimore City East, averaging 4.3% (although this increased 1.2% since last quarter). While each region has a wide range of vacancy averages between its various submarkets, the Southern Metro has consistently kept low vacancies overall, maintaining a lower than average market vacancy. Columbia has increased to double digit vacancy (currently 10.9%), which is to be expected with the increase in new product and subsequent tenant shifts.

Absorption Takes a Brief Fall

Absorption totals for the office market dropped into the negative, losing approximately 72,157 sf of tenants this quarter. However, with overall vacancy continuing to decrease, and plenty of new space on the market, this looks like a temporary blip rather than a continuing trend. The majority of loss took place in Columbia, averaging -130,755 sf this quarter, -81,000 of which took place at 8621 Robert Fulton Drive. Although the numbers reflect Pearson's move out, the space has already been leased to Magellan Health Services, who should be moving in this April. Baltimore City East also gained 34,977 sf of vacancy this quarter, mostly due to tenants leaving 2400 Boston Street. While most other submarkets saw little activity this quarter, there was positive absorption in BWI (+76,414 sf), City Center B+ (+26,381 sf), and City Center A+ (+23,589 sf). City Center was the only region that experienced a net gain of tenants this quarter, averaging 49,093 sf.

Market Remains Expensive for Tenants

Rising $0.21/sf this quarter alone, average asking rents for the metro area are currently $23.54/sf. Rents range from the best deals, which can be found in Baltimore City West ($18.31/sf) and City Center Class B ($18.40/sf), to the most expensive areas in City Center Class A+ (asking $29.43/sf) and Annapolis ($27.59/sf). While there were no large changes to the market average, the biggest shifts this quarter can be found in Baltimore City: City East decreased by $2.20/sf, City West decreased by $1.52/sf, while City South increased by $3.50/sf. In Baltimore City West, the increase in available space (currently 38%) seems to coincide with their annual decrease in rent values (-$5.44/sf). Although the Northern Metro does not boast the highest or lowest rent values, its properties continue to rise in price across the board, averaging an increase of $0.81/sf this year and $0.65/sf this quarter.

NEWS HIGHLIGHTS

- 8820 Columbia 100 Parkway (Columbia 100 Corporate Center), a 85,798 sf Class A building, recently sold in January for $16.68 million to an affiliate of Mid-Atlantic Healthcare. The group had already purchased 1804 West Street (Annapolis) and 7671 Quarterfield Road (Glen Burnie), so this property was just the latest in a string of acquisitions.
- Annapolis Rhematology has expanded to 18 Magothy Beach Road in Pasadena, which is a Class B office/medical building. They leased 1,500 sf, leaving 4,500 sf left available in the center.
- 7021 Columbia Gateway Drive (Columbia Gateway Business Park) sold for $16.2 million in February. The Class A building is approximately 105,250 sf and is zoned M1. The building was mostly leased by Tenable, which is currently in the process of moving downtown; this will leave the building less than 50% occupied.
- The Maryland Democratic Party leased 2,677 sf of Class B office space at 275 West Street (West Garrett Building). The building is reportedly 70% leased at this time.
- The Forest Drive Executive Center at 1419 Forest Drive in Annapolis, was sold in January for $2.7 million ($141.36/sf) to Dr. Rudy Rai, an affiliate of the Gastro Center of Maryland. The Class B office/medical building is 19,100 sf, and the cap rate was confirmed at 9.33%. Currently, the building reports 100% leased.
- Little Patuxent Square in Columbia has filled its last office space, signing a lease with Next Phase Solutions and Services, a healthcare, engineering, and social services company. The lease was signed for 16,300 sf and begins in July for a ten-year term. Fusion Academy & Learning Center also signed a 12,100 sf space lease that will begin in August.
- Verizon Wireless signed a lease for approximately 59,161 sf of Class A office space at 10170 Junction Drive (Annapolis Junction Town Center). The Town Center was recently built in 2017 and is approximately 100,000 sf with four floors of office space.
- The Class A office tower at 500 E. Pratt Street sold in February for $60 million to Morning Calm Management (MCM 500 East Pratt LLC) based out of South Florida. The building is 279,712 sf and was reported as 93% leased at the time of sale. The pro forma cap rate was 8.25%.
- Stanley Black & Decker recently signed a lease for 6,600 sf at 210 Allegheny Avenue in Towson. They will be occupying the entire fifth floor.
- The Board of Public Works signed a lease for 2,490 sf at 60 West Street in Annapolis for a ten year term.
- KPMG is moving into the recently vacated space at 750 E. Pratt Street. They signed a lease for a reported 21,464 sf on the 18th floor, and will be relocating from 1 E. Pratt Street.

NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
10170 Junction Drive	BWI	Verizon Wireless	59,161 sf
750 E Pratt Street	City Center	Johns Hopkins	26,898 sf
839 Elkridge Landing Road	BWI	Board of Public Works	11,637 sf
3445 Box Hill Corporate Center Drive	Harford County	Englert Dermatology	4,725 sf

Sale

Location	Submarket	Price	PSF	Building Size
1 E Pratt Street	City Center	$80,100,000	$225.14	355,779 sf
500 E Pratt Street	City Center	$60,000,000	$214.51	279,712 sf
8820 Columbia 100 Parkway	Columbia	$16,675,000	$194.35	85,798 sf
200 Forbes Street	Annapolis	$4,880,548	$158.10	30,870 sf