



BALTIMORE OFFICE OVERVIEW

FIRST QUARTER | 2016



Ongoing Economic Recovery Bypasses Local Office Market

Presented by Anirban Basu, Sage Policy Group

Between February 2015 and February 2016, Maryland added 37,600 nonfarm jobs according to the Bureau of Labor Statistics. That translates into 1.4% job growth, a bit short of the 1.9% rate of growth experienced nationally.

The Baltimore metropolitan area added the majority of those net new jobs. Over that same twelve-month period, employment in the Baltimore region climbed by 20,800 positions, translating into 1.6% job growth. The sector adding the most jobs on a year-over-year basis was professional and business services (+5,300), a segment closely aligned to the office market.

Despite ongoing macroeconomic progress, the local office market took a step back during the initial months of 2016 according to MacKenzie Commercial Real Estate Services data. Net office space absorption totaled -39,433 sf during the quarter, with -82,905 sf net absorbed in Baltimore City. On a year-over-year basis, regional net absorption was an uninspired -17,406 sf.

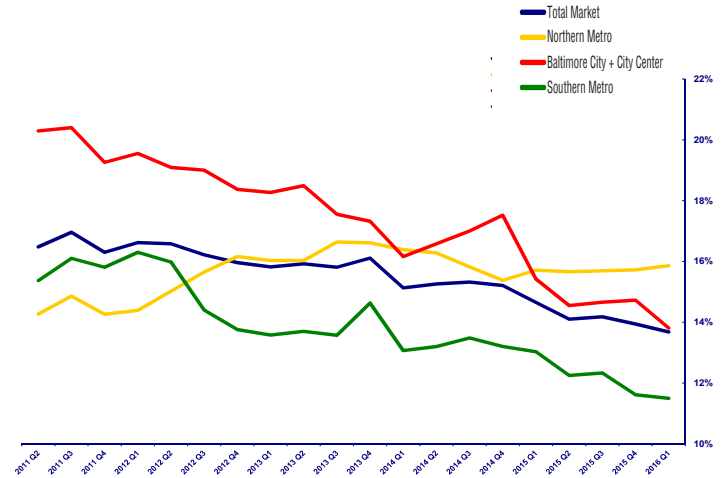
Still, from certain perspectives, the local office market appears healthier. A year ago, total office vacancy in the Baltimore region stood at 14.7%. During 2016's initial quarter, vacancy stood one percentage point lower at 13.7%. The decline in vacancy was especially noteworthy in the City Center Class B category. Vacancy in that segment fell from 29.7% a year ago to 18.9% more recently. This is largely attributable to successful adaptive reuse. The 330,000 square foot building known as 225 N. Calvert Street is being converted to apartments. One could make the argument that the move toward equilibrium in the office market is today more directly driven by population flows than job growth, though these factors are of course intertwined.

Certain suburban markets are progressing using more traditional techniques. For instance, nearly 51,000 square feet were net absorbed in the southern metropolitan submarket led by roughly 126,000 sf of net absorption in Columbia. However, the BWI submarket, Harford County, and Baltimore County East each sustained negative absorption on a quarterly basis during the 1st Quarter of 2016.

Given lackluster and inconsistent absorption totals, it comes as little surprise that rent growth is soft in most markets. A year ago, regional asking rent stood at \$22.29/sf. A year later, that figure stands at \$22.74/sf, an increase of \$0.45/sf or 2%. Asking rents have actually declined on a year-over-year basis in the BWI submarket as well as along the Route 2 Corridor and in Baltimore County East and Towson.

For now, the region's economic recovery remains in place. A number of industries appear poised for expansion in 2016, including healthcare, medical research, IT, construction and retail. Many of the jobs attached to these segments, however, do not directly relate to the office market. The implication is that the local economy could continue to recover at a respectable rate, but that the local office market's recovery will continue to be erratic and grinding.

HISTORICAL VACANCY RATES



QUICK STATS | BALTIMORE METROPOLITAN OFFICE

13.68%
VACANCY RATE

-39,433
ABSORPTION

\$22.74
AVG. RENTAL RATE

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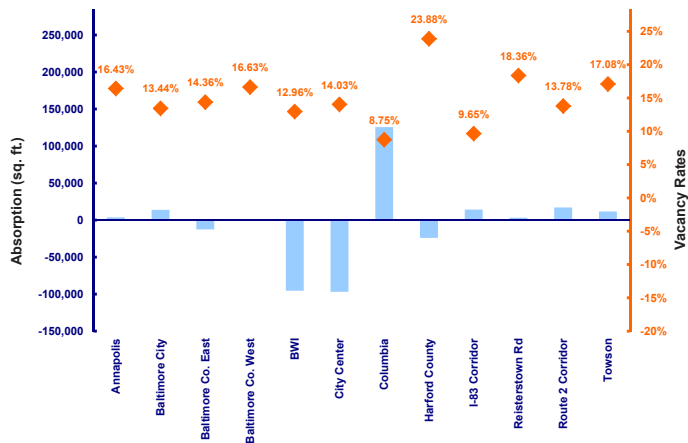
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ABSORPTION/VACANCY RATES

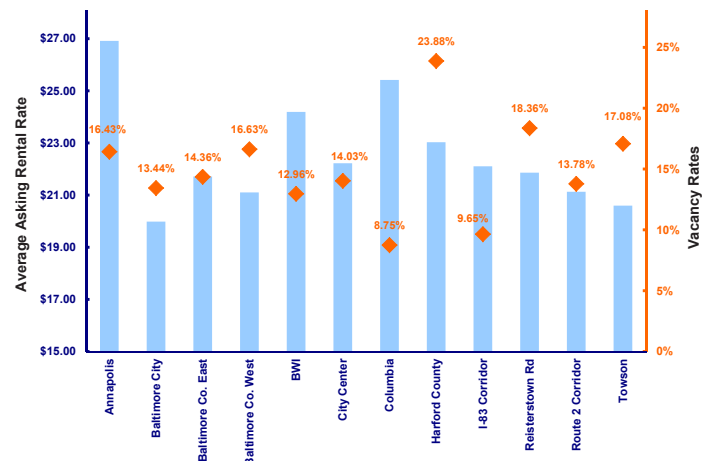
■ Vacancy Rates %
■ Absorption Rates



Steady activity throughout the Baltimore Metropolitan Office Market during the 1st Quarter 2016 resulted in a total market vacancy rate of 13.68%. This is an increase of only .26% from the 4th Quarter 2015. The Northern Metro was the only segment to report an increase in vacancy, a mere 0.14% from the 4th Quarter 2015 rate of 15.72%. City Center's Class B product experienced the most drastic vacancy change, a decrease of 8.71%. This was linked directly to the conversion of a 300,000 sf office building to residential in that area. Baltimore City's Midtown segment and the Route 2 Corridor were the only two areas to experience a decrease in vacancy of more than 1%. Total market absorption was a negative 39,433 sf. The Southern Metro was the only segment to report a positive absorption, 50,864 sf. The Columbia submarket led this area with a more than 125,000 sf absorbed; however, this was offset by BWI experiencing a negative 95,417 sf.

RENTAL RATE/VACANCY RATES

■ Vacancy Rates %
■ Rental Rates



Rental rates for the 1st Quarter 2016 remained relatively flat. The average rate for the Baltimore Metropolitan Office Market is \$22.74/sf, an increase of \$0.21/sf from the 4th Quarter 2015 rate of \$22.53/sf and an increase of \$0.45/sf from the same 1st Quarter in 2015. The most notable changes in rental rates was the increase of \$1.38/sf in City Center's Class A+ segment for a rate of \$29.22/sf; and, the decrease of \$2.33/sf in Baltimore City's East segment for a rate of \$20.38. City Center Class A+ continues to command the highest rental rates, followed by Annapolis and Columbia at \$26.92/sf and \$25.45/sf, respectively. City Center's total average rental rate has increased by \$1.97/sf since the 1st Quarter 2015. The best deals in town, Baltimore City West, City Center Class B, and Towson with rates of \$16.33/sf, \$17.63/sf, and \$20.60/sf, respectively.

HIGHLIGHTS

- In January, Kevin Plank's real estate company, Sagamore Development, unveiled its sweeping vision for transforming 266 acres at Port Covington into a bustling waterfront destination teeming with offices, shops, restaurants, residences, and parks. The project will also be home to the new HQ of Plank's Under Armour and his new whiskey distillery.
- CareFirst BlueCross BlueShield renewed seven leases across six buildings for a total of 655,000 sf of space in Owings Mills. The lease renewals ensure some 2,200 CareFirst employees will stay put through 2028.
- Annapolis Pediatrics expanded adding a fifth location, signing a lease for 6,025 sf at 3158 Braverton Street in Edgewater, Anne Arundel County, Maryland.
- Monument Sotheby's International Realty has signed a sublease for a total of 3,081 sf in the renowned Roland Park Shopping Center located at 4800 Roland Avenue in Roland Park, Maryland.
- Global Experiences, provider of highly customized international internship and study abroad programs, purchased the 5,000 sf 14 Annapolis Street, Annapolis, Maryland building.
- MedStar Health was named as the first tenant of Howard Hughes Corp.'s mixed-use Crescent project currently under development in Columbia. Currently in downtown Columbia, MedStar will take 97,000 sf in the first building of the development.
- Maryland University of Integrative Health (MUIH) signed a lease for 10,070 sf of space within 8115 Maple Lawn Boulevard.

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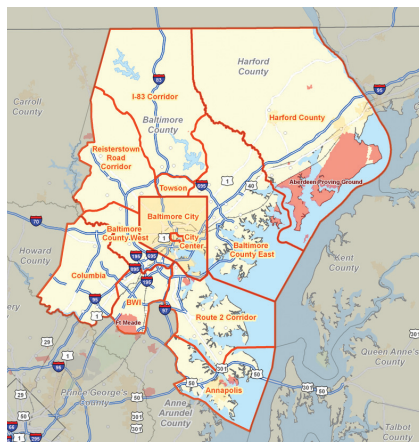
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
10 North Park Drive	I-83 Corridor	AON	53,000 sf
4 North Park Drive	I-83 Corridor	Sylvan	25,614 sf
2031 Clipper Park Road	Baltimore City North	Marshall Craft Associates, Inc.	10,063 sf
10480 Little Patuxent Parkway	Columbia	Resource Energy	5,505 sf
10221 Wincopin Circle	Columbia	The Horizon Foundation	5,166 sf
600 Washington Avenue	Towson	Pike & Gilliss, LLC	5,060 sf
10221 Wincopin Circle	Columbia	Banta Campbell Architects, Inc	2,900 sf
5005 Signal Bell Lane	Columbia	Premier Medical	2,173 sf
209 West Street	Annapolis	Rising Tide	1,873 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
2118 Greenspring Drive	I-83 Corridor	\$7,800,000	\$184.18	42,351 sf
929 West Street	Annapolis	\$2,650,000	\$122.80	21,580 sf
218 - 220 E. Lexington Street	City Center	\$1,350,000	\$58.74	22,981 sf
2500 N. Rolling Road	Baltimore County West	\$950,000	\$137.28	6,920 sf
4502 Schenley Road	Baltimore City North	\$400,000	\$142.86	2,800 sf
6706 - 6710 Holabird Avenue	Baltimore City East	\$395,000	\$51.33	7,696 sf



Number of Buildings 1,203
Market Size 74,505,354 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 Area (MSA).

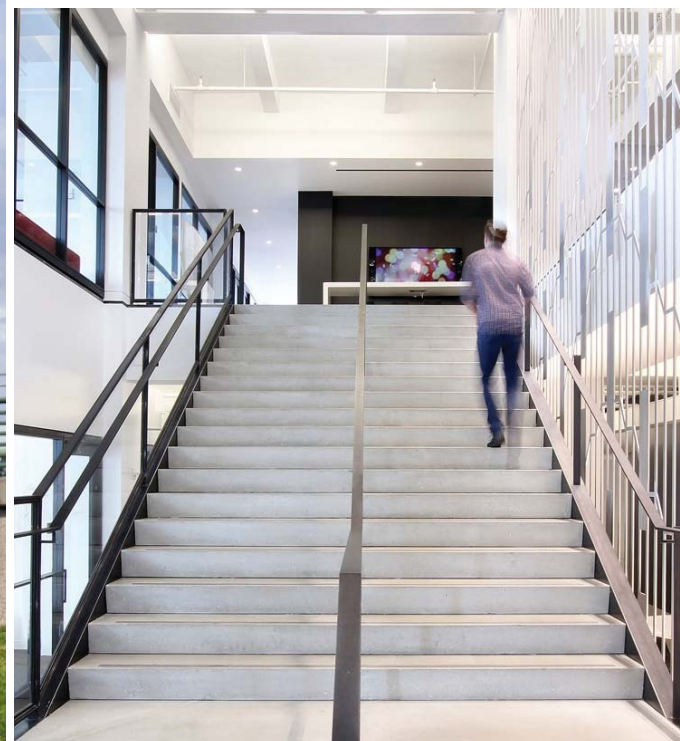
Office: Buildings 15,000 sf in size and greater in the Metro areas within Anne Arundel County, Baltimore City, Baltimore County, and Howard County, buildings 20,000 sf in size and greater within Baltimore's City Center, buildings 10,000 sf in size and greater in the Metro areas within Harford County, 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

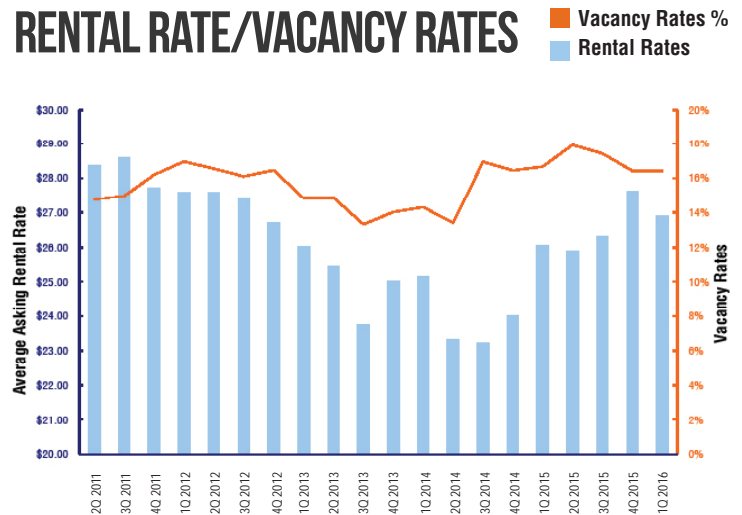
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"The Annapolis submarket experienced robust leasing activity during the 1st Quarter 2016 with expansions of existing tenants and new tenants in the market; however, this activity will not reflect in the numbers until tenants take occupancy later this year. One area of note includes steady leasing activity in the highly competitive Admiral Cochrane Drive corridor with Landlords competing to attract new tenants and fill large vacancies. Vacancy among top tier Class A product, however, remains low while rents remain high. Overall interest in the area continues to be positive with average sizes of those seeking space hovering around 2,500 - 5,000 sf. We have also seen an increase in larger tenants in the submarket. Owner-occupied and investment sales remain active in the submarket as interest rates continue to be at record lows. Given recent trends, we are optimistic that activity will remain on course this year resulting in positive outcomes for the submarket. Annapolis and the surrounding area continues to appeal to new businesses looking to attract sophisticated employees who appreciate the quality of life the region has to offer."

- Trish Farrell
Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

16.43%
VACANCY RATE

Average vacancy rate for the Annapolis market has hovered around 16.5% for the past year, and remained virtually unchanged from the 4th Quarter 2015 to the 1st Quarter 2016, increasing barely by 0.01%.

3,637
ABSORPTION

After finishing 2015 with a positive absorption of 44,491 sf during the 4th Quarter, the slight bump in vacancy during the 1st Quarter 2016 resulted in a positive absorption of 3,637 sf.

\$26.92
AVG. RENTAL RATE

Rental rates for the Annapolis submarkets decreased by \$0.69/sf from the 4th Quarter rate of \$27.61/sf. Annapolis continues to command the highest rental rates in the Southern Metro with Columbia following closely behind at \$25.42/sf.



Number of Buildings 136
Market Size 3,997,579 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 comprises 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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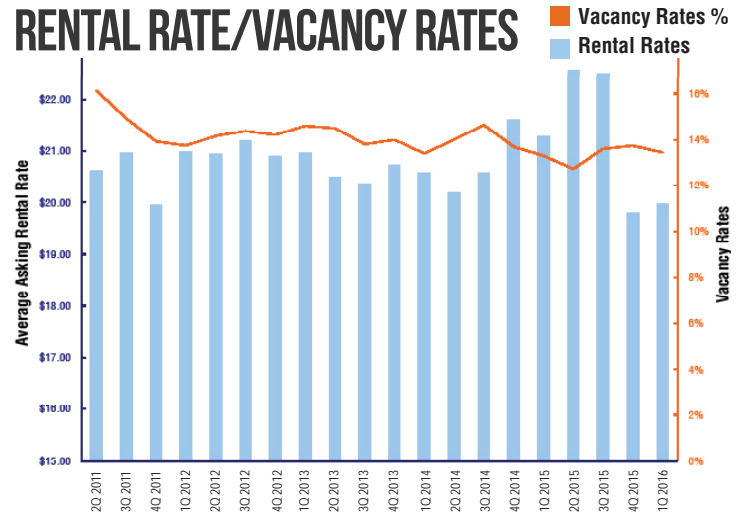
BALTIMORE CITY*

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"The Baltimore City office market was quiet for the 1st Quarter of 2016 with just 13,881 sf of net absorption, lowering the overall vacancy to 13.44%. The biggest story for the 1st Quarter was Under Armour announcing its plans to develop over 3.9 million square feet of mixed-use space at Port Covington in South Baltimore; 75% of the space will be office and include Under Armour's new Headquarters space. The waterfront development will be built over the next 20 years and will include office and retail space, recreational parks, and a small stadium. The Port Covington development will be one of the largest privately developed properties ever built in Baltimore City."

- Jim Grieves
Vice President



QUICK STATS

13.44%
VACANCY RATE

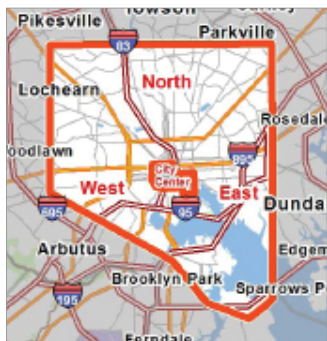
13,881
ABSORPTION

\$19.98
AVG. RENTAL RATE

Overall vacancy for Baltimore City decreased by 0.30% during the 1st Quarter 2016. Baltimore Midtown decreased by 1.00% from the 4th Quarter rate of 9.88% while Baltimore City South increased by nearly the same amount, .97% for a 1st Quarter rate of 6.26%. The Baltimore City West segment continues to lag behind with the highest vacancy, 26.98%.

After finishing 2015 with an overall negative absorption of 35,967 sf, the 1st Quarter's slight decrease in vacancy started 2016 with a positive absorption of 13,881 sf. Baltimore City West, although the highest vacancy, reported the largest absorption this Quarter for the city, a positive 14,384 sf.

Average rental rates for Baltimore City increased by \$0.17 during the 1st Quarter 2016. The Baltimore City North segment leads with the highest for the City, \$26.83/sf. The best deal in town, Baltimore City West at \$16.33/sf.



Number of Buildings 101

Market Size 8,030,595 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

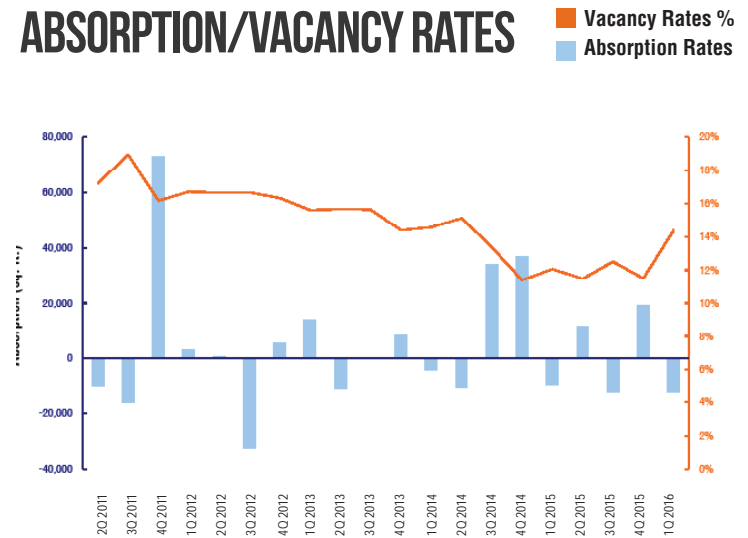
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"Leasing activity remained fairly stagnant in Baltimore County East for the 1st Quarter of 2016. The most significant positive and negative absorption took place east of I-95 with St. John Properties; the Goddard school leased 15,000 sf at 11560 Crossroads Drive, while Stuart Title vacated just over 5,000 sf at 415 Williams Ct. COPT is continuing to market the sale of its remaining White Marsh portfolio, which is over 500,000 sf. This type of action should bring new owners and hopefully more users alike into the market. This submarket continues to see consistent interest and property tours for mid-sized users, while the availability of larger space remains fairly tight."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.36%
VACANCY RATE

Although vacancy increased by 2.85% during the 1st Quarter 2016 from the 4th Quarter 2015 rate of 11.51%, Baltimore County East has the second lowest vacancy in the Northern Metro, falling behind the I-83 Corridor rate of 9.65% and overall activity remains constant.

-12,630
ABSORPTION

Increased vacancy during the 1st Quarter 2016 led to a negative absorption of 12,630 sf.

\$21.71
AVG. RENTAL RATE

Rental rates for the 1st Quarter 2016 decreased by a mere \$0.20/sf in the Baltimore County East submarket to \$21.71/sf. This 1st Quarter rate is \$0.89/sf less than the same quarter in 2015.



Number of Buildings 56
Market Size 1,955,615 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

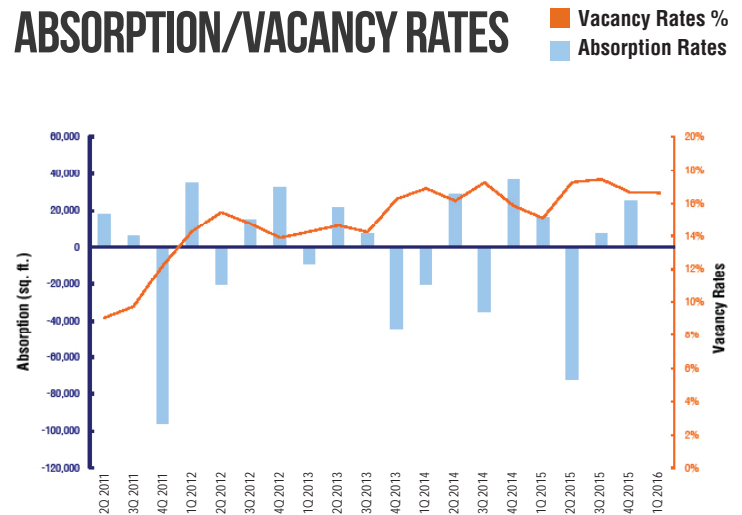
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"As predicted, 2016 has started with virtually no change among office product in the Baltimore County West submarket. Both vacancy and rental rates were untouched. Two highlights to note are the opening of LifeBridge's medical office building at the corner of Liberty and Old Court Roads; and, a portfolio of buildings and a few independent buildings that are currently available for sale that could bring new players into the area. There is also a flurry of speculation that large, existing tenants in this market are on the hunt for additional space. As noted at the end of 2015, the area around Northwest Hospital will be one to continue watching. Stay tuned for hopefully a more eventful second quarter."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

16.63%
VACANCY RATE

314
ABSORPTION

\$21.10
AVG. RENTAL RATE

Vacancy for the 1st Quarter 2016 remained basically the same, decreasing barely by 0.01% from the 4th Quarter 2015. This 1st Quarter rate remains 1.52% higher than the same quarter in 2015 when rates were 15.11%.

After absorbing a positive 25,239 sf during the 4th Quarter 2015, only a mere positive absorption of 314 sf resulted during the 1st Quarter 2016.

Average rental rates for Baltimore County West remained relatively unchanged from the 4th Quarter 2015 rate of \$21.09/sf and are an increase of \$0.46/sf from the same quarter in 2015.



Number of Buildings	66
Market Size	3,143,508 sf

Overview: Baltimore County West comprises 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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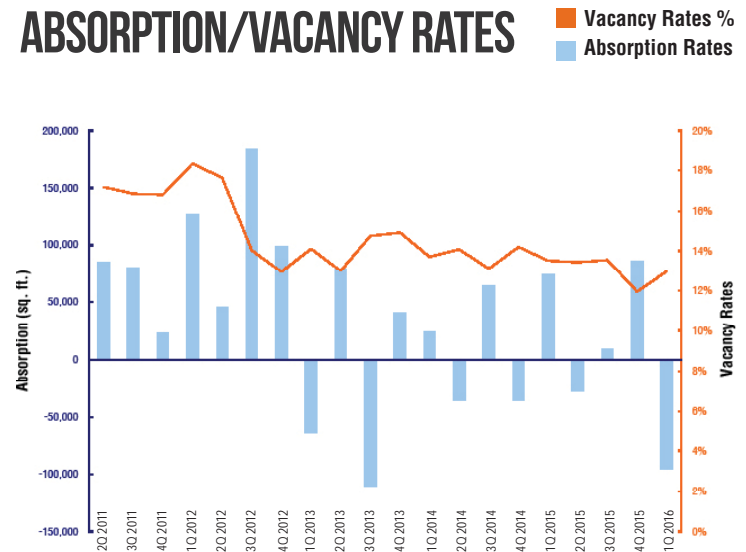


"While the BWI submarket gave up its 4th Quarter 2015 gains in the 1st Quarter of 2016, it is not considered a cause for concern. The submarket is still stronger than it was a year ago and has shown year-over-year improvement for the past three years. This is an impressive fact given that COPT has maintained a steady delivery of product in National Business Park, which is located in the southern portion of the submarket. Aside from Howard County's Maple Lawn, no other submarket has delivered more product through the recovery than BWI. COPT continues to invest in the weaker portion of the submarket, Airport Square, with marketing of its recently, skin-off, renovated 1201 Winterson Road, and construction of the adjacent Nursery Landing retail center, which will provide much needed amenities to the park."

- Chris Bennett

Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

12.96%
VACANCY RATE

Average vacancy for the BWI submarket increased by 1.02% during the 1st Quarter 2016 from the 4th Quarter rate of 11.95%. This quarter's rate of 12.96% remains 0.55% less than the average rate during the same quarter in 2015, 13.51%.

-95,417
ABSORPTION

After a positive absorption of more than 85,000 sf during the 4th Quarter 2015, the increase in vacancy ended the 1st Quarter 2016 with a negative 95,417 sf absorption. Larger changes in availability at National Business Park 6810 Deerpath, and 605 Global Way contributed to the majority of the negative absorption.

\$24.19
AVG. RENTAL RATE

Rental rates decreased in the BWI submarket by \$0.11/sf during the 1st Quarter 2016. This quarter's rate of \$24.19/sf is \$0.72/sf less than the same quarter in 2015.



Number of Buildings 104
Market Size 8,711,309 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

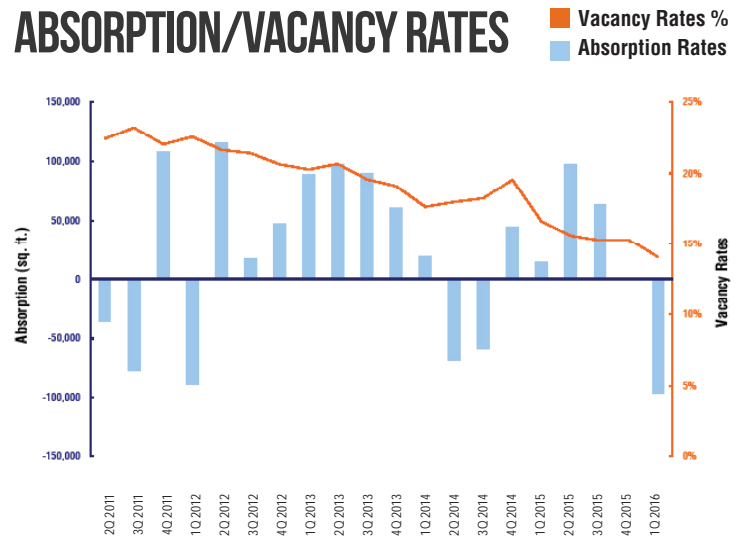
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"It was a slow 1st Quarter of leasing activity in the City Center as we saw approximately 100,000 sf of negative absorption in the submarket. The Class A+ buildings along Pratt Street and in Harbor East remain the most desirable buildings in the City Center, with vacancy dipping just below 5%. However, much of this will change in the next 12 months as Exelon plans to relocate from 150,000+ sf at both 111 Market Place and 750 E. Pratt Street to occupy their newly constructed building at Harbor Point. We expect this to fuel increased activity along Pratt Street in the next year as landlords look to backfill Exelon's vacated space. The trend toward apartment construction also continued this quarter with the groundbreaking of the new 44-story tower at the old McCormick site, 414 Light Street."

- Matt Curran
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.03%
VACANCY RATE

Overall vacancy for City Center decreased by 1.27% during the 1st Quarter 2016. The largest change was noted among City Center Class B product, where vacancy decreased by 8.71% from the 4th Quarter 2015 rate of 27.63%. This change can be attributed to the removal of a 300,000 sf office building that is being converted to residential. This conversion of surplus product, along with others, is helping to stabilize the market as no new product is coming online.

-96,831
ABSORPTION

The conversion of surplus office product to residential in City Center has been a contributing factor to the submarket's negative absorption. We expect increased activity as the year progresses with the move of Exelon to Harbor Point and landlords backfilling Pratt Street vacated space.

\$22.22
AVG. RENTAL RATE

The average City Center rental rate for the 1st Quarter 2016 increased by \$0.58/sf from the 4th Quarter 2015 rate of \$21.64/sf. Class A+ product increased by \$1.38/sf, now pushing nearly \$30.00/sf. While still the lowest per square foot price, Class B product also increased during the 1st Quarter by \$0.73/sf for a rate of \$17.63/sf.



Number of Buildings 74
Market Size 13,372,289 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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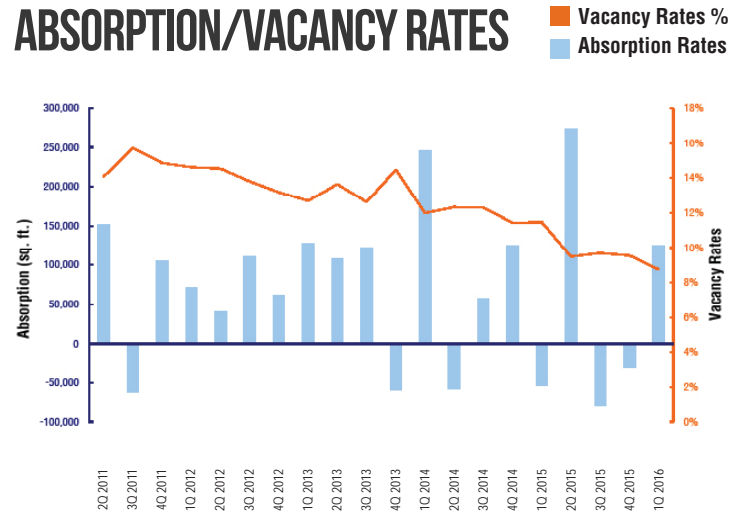
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"The Columbia market experienced one of its stronger quarters for the last two to three years, with vacancy decreasing by just over ¼ of a point. We saw a slight uptick in rental rates, mostly due to the positive absorption; however, expect the asking rents to stay stagnant through the end of 2016. The majority of new leases were small- to medium-sized businesses and expansions from one Columbia building to another. Although these 1st Quarter numbers look promising for a strong 2016, we have to expect a downshift in absorption as we enter the typical, slower months of the 2nd and 3rd Quarters. Overall, we remain optimistic based on the submarket's strong attraction, constant development, and general success that this shift would be small and lead to a strong finish for the year."

- Dave Sciamarelli
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

8.75%
VACANCY RATE

Vacancy during the 1st Quarter 2016 decreased by 0.79% and remains 2.71% lower than the same quarter in 2015. Columbia continues to have the healthiest vacancy rate in the Southern Metro.

125,566
ABSORPTION

Increased leasing activity led to a positive absorption of 125,566 sf during the 1st Quarter 2016.

\$25.42
AVG. RENTAL RATE

The average rental rate increased by \$0.29/sf from the 4th Quarter 2015 rate of \$25.13/sf. Columbia has the second highest rental rate in the Southern Metro, falling behind Annapolis at \$26.92/sf.



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

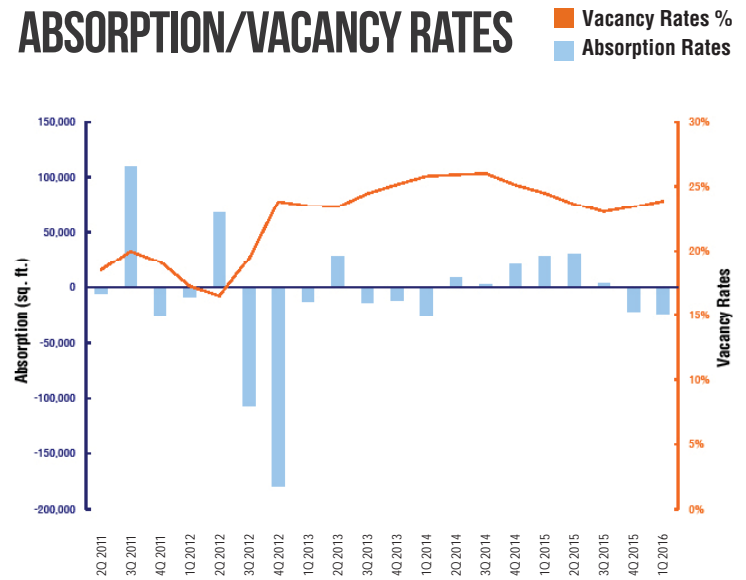
Overview: Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses. Routinely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



“The emptiness of the Aberdeen portion of the market continues to fuel the constant, higher-than-ideal vacancy rate for Harford County, keeping the number in the range of 22% - 24%. If this segment were to be removed, a more active and desirable market would be evident in the numbers. There is hope on the horizon however for Aberdeen, as APG will be replacing 600 jobs on post making up for a portion of those lost to sequestration. General activity for the remaining portions of the submarket leans toward small- to mid-sized businesses coming into the area and consistent lease renewals. Construction of new product is limited and what is currently underway centers around medical uses. Main areas of interest continue to be Bel Air to I-95 along the Route 24 Corridor.”

- Beetle Smith
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

23.88%
VACANCY RATE

Fluctuations in vacancy for the Harford County office market continue to hover around 0.50% in either direction. During the 1st Quarter 2016, rates increased by .47% from the 4th Quarter rate of 23.41%. This rate remains 0.60% lower than the same quarter in 2015.

-23,982
ABSORPTION

Negative absorption continued from the 4th Quarter 2015 into the 1st Quarter, resulting in a negative 23,982 sf absorbed.

\$23.03
AVG. RENTAL RATE

Average rental rates increased by \$0.17/sf during the 1st Quarter 2016 and remain more than \$1.30/sf higher than the same quarter in 2015. Harford County continues to command the highest rental rates among the Northern Metro submarkets.



Number of Buildings 107

Market Size 3,712,311 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 is an economic generator for the region and the County's largest employer with more than 13,000 employees.



I-83 CORRIDOR

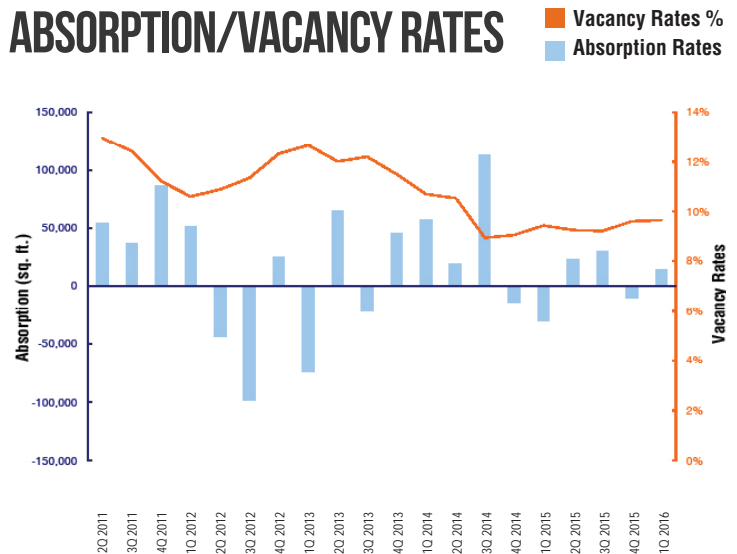
FIRST QUARTER | 2016



"The I-83 market continues on track as perhaps the healthiest submarket in the Metro area. Total vacancy continuously remains below 10%. This trend should continue downward through 2016 with more demand than space for tenants. I predict that the classic supply and demand rule will cause rents to continue increasing. Hunt Valley, in particular, continues to be a sought-after address with abundant amenities and quality work force. Notable leases this past quarter for the area included MedStar, AON, Sylvan, and Verizon, all leasing between 22,400 sf to 53,000 sf."

- Joe Bradley
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

9.65%
VACANCY RATE

The I-83 Corridor average vacancy for the 1st Quarter 2016 increased by a mere 0.04% from the 4th Quarter 2015. The submarket remains the healthiest in the Northern Metro, a trend that is expected to continue well into the future.

14,190
ABSORPTION

After ending 4th Quarter 2015 with an absorption of negative 9,642 sf, the submarket started the year on a positive note, 14,190 sf. This also represents the largest absorption for the Northern Metro.

\$22.11
AVG. RENTAL RATE

Although slightly less than the 4th Quarter rate of \$22.18/sf, 1st Quarter 2016 average rental rates for the submarket remain nearly \$1.00/sf more than the same quarter in 2015.



Number of Buildings 129
Market Size 7,549,440 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

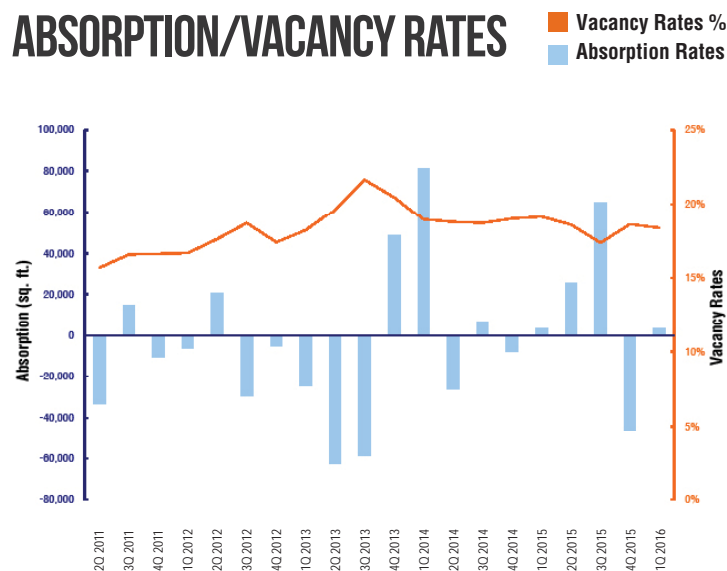
FIRST QUARTER | 2016



"This corridor remains a hot topic mostly due to the highly anticipated opening of Foundry Row and the new Wegmans, as well as the continual growth of Metro Center. BECO Management has also continued to make a splash with their deal-making at Mill Run Circle, in the back yard of Metro Center. All in all, the Class A/B+ product has been very successful. Medical has been a driver to the A/B Class success, most notably LifeBridge's purchase of the 100% medical 23 Crossroads Drive building and their commitment to 29,000 sf at Foundry Row. Rents have increased almost a dollar per square foot over the last quarter and vacancy has slightly declined. Look for the market to continue to see increased velocity surrounding the new developments and in the A/B class products. Rents should remain healthy, but the vacancy is likely to remain high (currently 18.09%) due to the B-/C class products dragging that number down. Expect a surge to occur over the next two quarters as Wegmans nears its opening and tenants can see the final product of many years' worth of construction and development."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

18.36%
VACANCY RATE

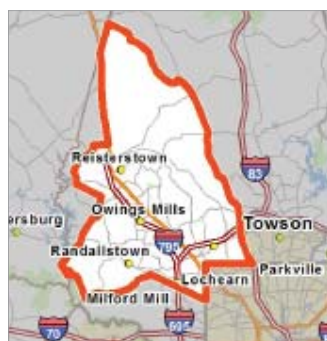
3,169
ABSORPTION

\$21.86
AVG. RENTAL RATE

Average vacancy rates decreased by 0.24% during the 1st Quarter 2016 and are 0.75% less than the 1st Quarter 2015 rate of 19.11%. Majority of the submarket's activity remains among the Class A/B+ product.

After a negative absorption of 46,372 sf during the 4th Quarter 2015, the submarket started the year on a positive note with an absorption of 3,169 sf.

Rental rates increased by \$0.64/sf during the 1st Quarter 2016 from the 4th Quarter rate of \$21.22/sf.



Number of Buildings 84
Market Size 4,599,605 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

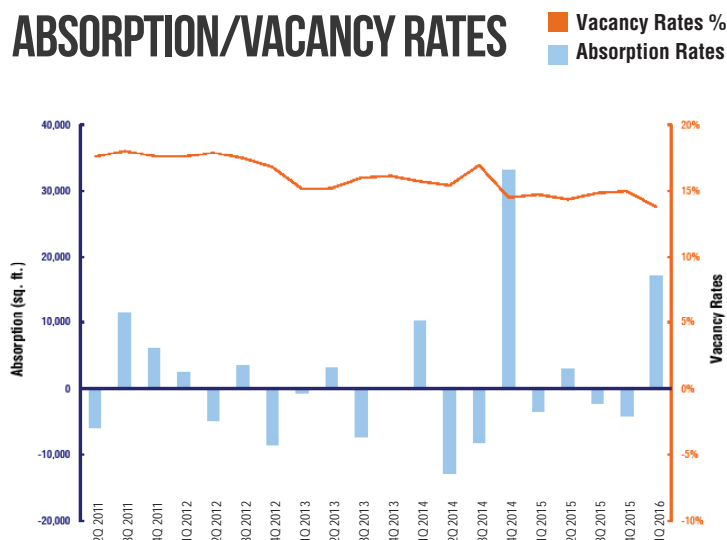
FIRST QUARTER | 2016



"Ritchie Highway between Annapolis and Glen Burnie is bustling. On the retail side that is, and the bar is being raised with upscale additions like Harris Teeter opening soon. Following a years' long lag behind neighboring markets, the Route 2 Corridor submarket continues to serve as a haven for the smaller office user in an area populated mainly by retail and residential. The trend toward quality retail should bring a corresponding demand for nearby offices which can benefit from the proximity. Concierge medical/dental and traditional professional services lead current demand in the area. Rents still hover in the low \$20.00/sf range for the best quality space."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

13.78%
VACANCY RATE

17,078
ABSORPTION

\$21.13
AVG. RENTAL RATE

Steady activity during the 1st Quarter 2016 led to a decrease of 1.19% in vacancy from the 4th Quarter rate of 14.98%.

Activity for the Route 2 Corridor resulted in a positive absorption of 17,078 sf during the 1st Quarter 2016.

Average rental rates experienced a slight increase during the 1st Quarter 2016 of \$0.24/sf. The \$21.13/sf rate remains \$0.80/sf less than the 1st Quarter 2015 rate of \$21.93/sf.



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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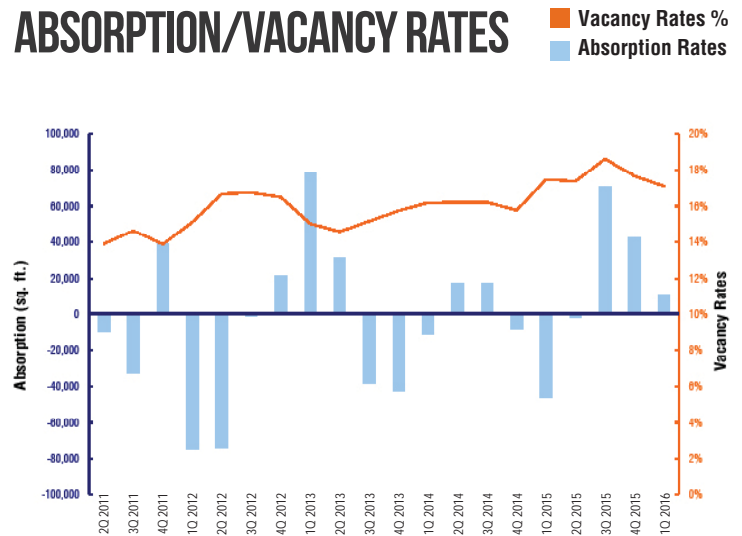


"The transformation of the Towson Central Business District (CBD) continues with the ongoing construction of the Towson Row project and the positive attraction of the nearby theater and restaurant development, Towson Square. Additional new apartment and student housing projects coming on line will increase the CBD's population, leading to more successful retail and restaurant launches. Retail and multi-family developments in Towson will remain key factors to spurring the office market to greater heights, thus improving the day time population and ultimately completing the live-work-play plan as envisioned by the County Executive. Until then, the office market continues to struggle with rents being flat and the velocity slowing to a trickle."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

17.08%
VACANCY RATE

11,592
ABSORPTION

\$20.60
AVG. RENTAL RATE

The Towson submarket experienced a decrease in vacancy during the 1st Quarter 2016 of 0.57%. Activity for the past year has kept vacancy around this level, a level that will hopefully decrease as new projects deliver and the daytime population for the area increases.

A decrease in vacancy led to a positive absorption of 11,592 sf during the 1st Quarter 2016.

Rental rates decreased during the 1st Quarter 2016 by \$0.19/sf from the 4th Quarter 2015 rate of \$20.78/sf and are \$0.82/sf less than the same quarter in 2015.



Number of Buildings 86
Market Size 5,017,533 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.