



BALTIMORE OFFICE OVERVIEW

SECOND QUARTER | 2015



Through it all, Office Market Momentum Persists

Presented by Anirban Basu, Sage Policy Group

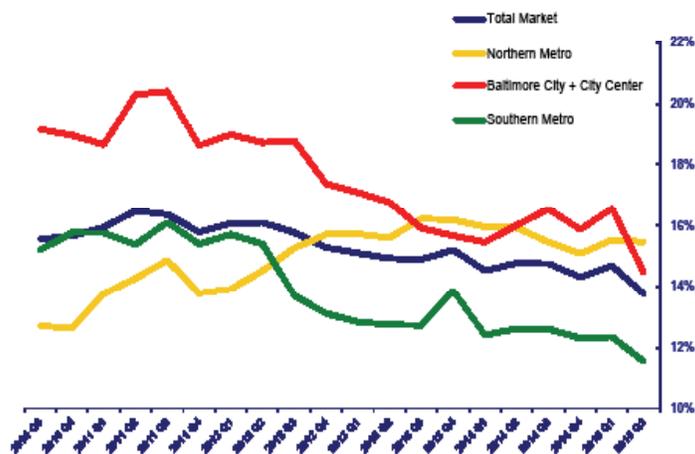
The second quarter was certainly an interesting one for Baltimore. For now, the events of April and May do not appear to have undone office market momentum. After net absorbing fewer than 14,500 square feet of space during the first quarter of 2015, City Center net absorbed 97,878 square feet in the second quarter. City Center's direct vacancy rate has fallen from 17.2 to 15.6 percent over the past year, while asking rents have expanded from \$20.34/sf one year ago to \$21.37/sf more recently.

For whatever reason, the economy seems to be driven increasingly by ultra-successful, rapidly expanding firms. This is likely a reflection of the impact of technology and globalization, which permits some firms to generate incredible rates of growth while suppressing the economic prospects of others. Accordingly, more than 100 percent of the net absorption in City Center during the second quarter occurred in Class A+ space, which net absorbed more than 100,000 square feet of space during the second quarter alone. Asking rent for this category of space is now approaching \$29.50/sf, up almost precisely \$4.00/sf in just one year. By contrast, City Center Class B space is associated with a 28.4 percent vacancy rate and an asking rent that is below its year-ago level.

There is also some evidence in the data that the impacts of sequestration are beginning to release their grip on the local economy. Job growth in Maryland has been nothing short of spectacular recently. After several months of soft employment growth, Maryland added 13,500 net new positions in May after adding 16,000 jobs in April. One could have viewed April's job growth as simply a post-winter event, with jobs returning to construction and other segments of the economy typically impacted by icy weather. The May data, however, strongly suggest that there is something more afoot, and that businesses are beginning to aggressively expand operations in the Free State. Over the past twelve months, Maryland has added 1.8 percent to its job totals, which translates into 46,800 net new jobs. This represents the best year-over-year performance since the period stretching between March 2005 and March 2006 (55,200 jobs; 2.2%). Maryland's D.C suburbs appear to be coming back to life with the pace of economic recovery accelerating in Baltimore's suburbs as well.

These dynamics are neatly reflected in Baltimore area office market data. Of all Baltimore metropolitan area submarkets, the best performance in terms of net absorption was in the Southern Metro market. That sub-market net absorbed more than 303,000 square feet during the second quarter. Direct vacancy is now below 11.6 percent. This is the submarket that had been most directly impacted by the onset of sequestration in March 2013.

HISTORICAL VACANCY RATES



QUICK STATS

13.73%
VACANCY RATE

446,088
ABSORPTION

\$22.50
AVG. RENTAL RATE

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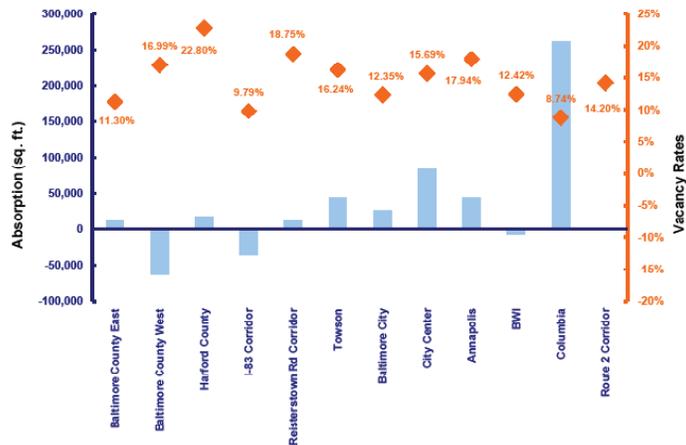
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ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



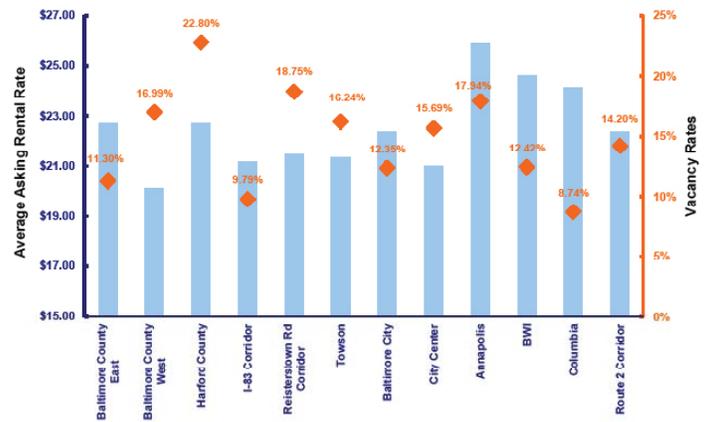
Activity for the Baltimore Metro office market was consistent throughout the 2nd Quarter. Total market vacancy decreased by 0.59% to a rate of 13.73%. The City Center submarket noticed the largest difference in vacancy, decreasing by 1.0%. Multiple submarkets remained under 10% including Baltimore City South (1.93%), City Center Class A+ (5.25%), Baltimore City East (8.5%), Columbia (8.63%), and I-83 Corridor (9.04%). Total market absorption was more than 446,000 sf with the Southern Metro accounting for nearly 70% of this number at 303,936 sf. City Center Class A+ was also a large contributor with 100,243 sf absorbed.

HIGHLIGHTS

- LifeBridge Health signs first office lease at Foundry Row for 29,000 sf, occupying about 75 percent of the 40,000 sf Class A office building
- St. John Properties delivered three new buildings at their Annapolis Commerce Park project totaling 123,000 sf
- McCormick & Co. Inc. announced plans this quarter to move to a massive new headquarters location to Hunt Valley
- 20 S. Charles Street achieved an occupancy rate of 86.1% this quarter after signing four new tenants (more than 18,300 sf), the highest rate the building has seen since the 3rd quarter of 2001.
- The historic Trentham Mansion in Owings Mills was sold May 28 to 135 Village Queen LLC to advertising and marketing firm Devaney & Associates
- University of Maryland Physicians occupied 36,000 sf at 5900 Waterloo Road in Howard County

RENTAL RATE/VACANCY RATES

Vacancy Rates %
Rental Rates



Rental rates for the market changed by a mere \$0.21/sf this quarter for an average rate of \$22.50. City Center B+, Baltimore City Midtown, and Baltimore City East all saw increases of more than \$2.00/sf from the 1st Quarter. Only a few submarkets decreased, average change was \$0.35/sf. The Southern Metro (Annapolis, BWI, Columbia, and Route 2 Corridor) continues to lead with the highest average rate, \$24.40/sf. City Center Class A+ commanded the highest among individual submarket segments with an average rate of \$29.47/sf; Baltimore City North was second with an average rate of \$26.00/sf.

- Medstar took occupancy of 9,800 sf at 7106 Ridge Road
- Columbia Association occupied their new, 32,000 sf headquarter location at 6300 Hillside Court
- Pandora officially occupied their space at 250 W. Pratt in April
- Howard County financial planning firm, Vision Financial Group, signed a lease for 3,675 square feet at 9881 Broken Land Parkway
- National companies, Rhode Island-based Gibane Building Company and Kimley Horn, a national engineering firm signed leases totaling 16,000 sf at McHenry Row
- Empire Medical Building in Glen Burnie at 200 Hospital Drive sold for \$18.65 million to Calif.-based American Healthcare Investors
- FEi Systems, a leading provider of health-related Information Technology (IT) solutions signed a lease for 48,000 sf in Columbia

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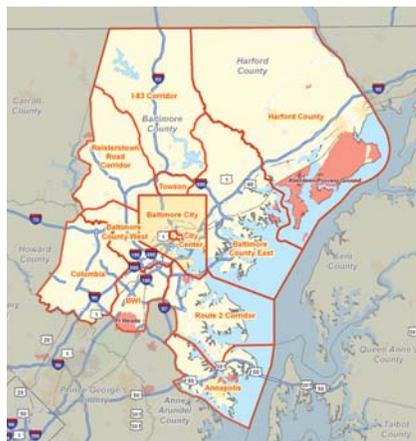
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
9755 Patuxent Woods Drive	Columbia	FEi Systems	48,832 sf
1 E. Pratt Street	City Center	Parsons Brinckerhoff, Inc.	21,182 sf
9175 Guilford Road	Columbia	Gantech Federal, LLC	18,278 sf
849 Fairmount Avenue	Towson	Maxim Healthcare	13,202 sf
1215 Fort Avenue	Baltimore City South	Gilbane Building Co.	12,000 sf
10705 Red Run Boulevard	Reisterstown Road Corridor	Chesapeake Urology Associates, PA	10,564 sf
7106 Ridge Road	Baltimore County East	MedStar	9,800 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
200 Hospital Drive	Route 2 Corridor	\$18,650,000	\$246/sf	75,718 sf
3701 Koopers Street	Baltimore City West	\$9,900,000	\$116/sf	85,000 sf
981 Corporate Boulevard	BWI	\$2,600,000	\$73/sf	35,550 sf
9607 Belair Road	Baltimore County East	\$778,000	\$126/sf	6,138 sf
1011 Frederick Road	Baltimore County West	\$752,000	\$302/sf	2,494 sf
15 West Street	Annapolis	\$635,000	\$162/sf	3,900 sf
18 W. Franklin Street	Baltimore City Midtown	\$610,000	\$62/sf	9,762 sf



Number of Buildings 1,219
Market Size 76,000,857 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

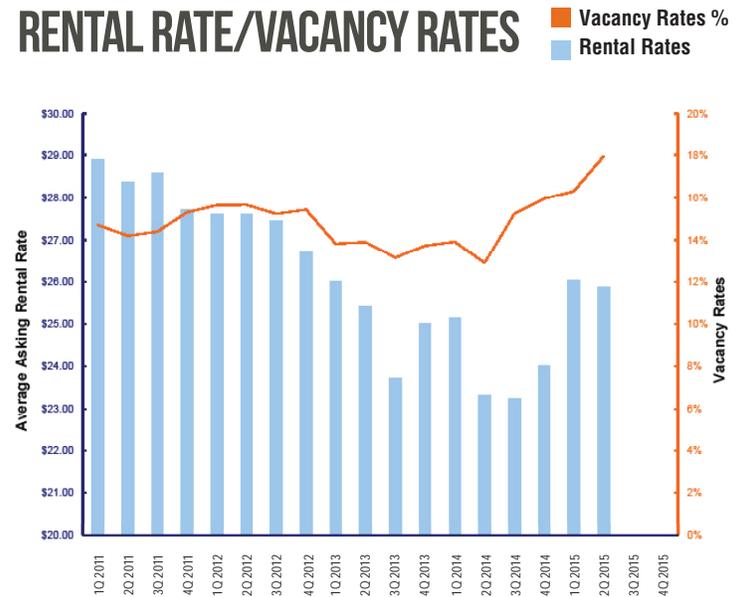
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"Vacancy rates for Annapolis have been increasing since the 3rd Quarter of 2014 (up more than 4.75%) for reasons consistent with adding new product to the submarket. This quarter we saw the delivery of St. John Properties' projects on Harry S. Truman Parkway add more than 123,000 square feet of inventory to the area. This amount consists of two flex buildings and one, two-story office building. As we approached mid-year, activity has slowed; however, interest remains steady as tenants are still shopping the area. Majority of the activity that was seen has been led by retail and service-oriented tenants and a few tenants moving to different buildings in the same area, or rather, "shuffling the deck." Rental rates remain strong for Annapolis with concessions being based on the needs of the buildings."

- Trish Farrell
Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

17.66%
VACANCY RATE

A notably higher than normal vacancy rate for this market (an increase of 1.36% from the 1st Quarter), increases can be attributed to multiple new projects delivering this quarter including the 123,170 sf at 181, 183, and 185 Harry S. Truman Pkwy. This time last year, vacancy rates were as low as 12.9% (4.77% less than current rates).

54,761
ABSORPTION

Due to the addition of new product in the Annapolis submarket this quarter, absorption remained positive despite the increase in vacancy rates. Year to date, Annapolis has absorbed 51,916 sf.

\$25.90
AVG. RENTAL RATE

Regardless of vacancy rates increasing, rental rates remain relatively steady, decreasing by only \$0.16/sf from the 1st Quarter 2015 to the 2nd Quarter rate of \$25.90/sf. They remain \$2.56/sf above rates quoted during the same quarter in 2014.



Number of Buildings 137
Market Size 4,038,785 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 ten 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*

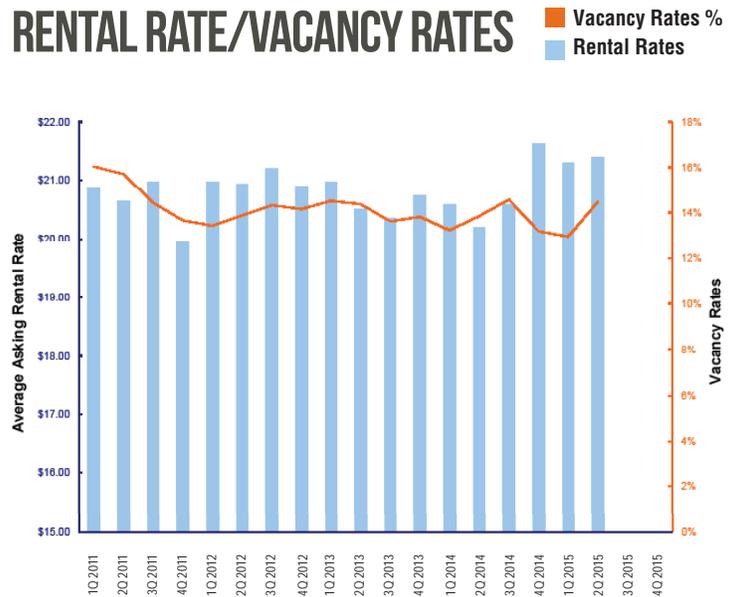
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"The Baltimore City submarket experienced very little leasing activity during the 2nd Quarter of 2015. Office vacancy decreased slightly from 12.98% in the first quarter to 12.35%. We are continuing to see the trend toward mixed-use projects outside of City Center; The Stadium Square project in Federal Hill is set to begin this year, while there are also reports of new office product being built on the waterfront in Canton. The Port Covington project in South Baltimore is also creating a lot of buzz around the city. We are also seeing strong interest in these mixed-use projects by tenants which do not wish to be in the City Center in order to avoid Pratt Street congestion as well as the high cost of parking. For example, the Maryland Automobile Insurance Fund has recently leased 60,000 square feet at the expansion of the old Phillips building in Locust Point."

- Matt Curran
Real Estate Advisor

RENTAL RATE/VACANCY RATES



QUICK STATS

12.35%
VACANCY RATE

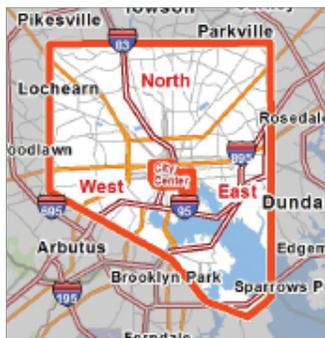
27,871
ABSORPTION

\$22.56
AVG. RENTAL RATE

Overall vacancy rates for the Baltimore City submarket decreased by 0.63% from the 1st Quarter 2015 to the 2nd Quarter. The lowest segment of this submarket was Baltimore City South at 1.93%; the highest, Baltimore City West at 25.78%. Baltimore City East, North, and Midtown all fell between a healthy rate of 8.5% - 10.6% average vacancy rate.

After starting the year with a negative absorption of 20,290 sf, rates turned positive due to a slight increase in activity across each segment, the most being in Baltimore City North and South.

Rental rates for each segment of the Baltimore City submarket increased, resulting in an average rate of \$22.56/sf. This is an increase of \$1.27/sf from the 1st Quarter rate of \$21.29 and an increase of \$2.36/sf since the same period one year ago. Baltimore City Midtown had the largest increase, \$2.58/sf.



Number of Buildings 100

Market Size 7,990,295 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

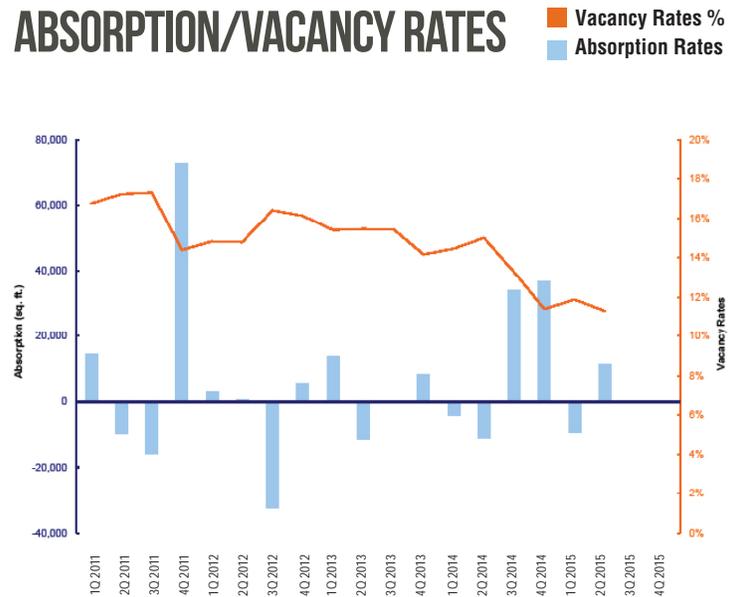
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"Progress continues to be slow and steady in the Baltimore County East submarket. We continue to inch closer to the magical 10% vacancy level, universally accepted by the CRE industry to be a "healthy" rate. Rental rates for this area remain strong and among the highest for the Northern metro at \$22.74/sf. The most notable transaction this quarter was Medstar's 9,800 square foot lease at 7106 Ridge Road. The majority of completed deals continue to be smaller users and independent businesses in the area spanning between Franklin Square Hospital and White Marsh Mall. As we finish the first half of the year, the prediction made after 4th quarter 2014 stands - if tenants that have been "kicking tires" in this submarket sign leases, Baltimore County East may see vacancy rates below 10% by early 2016."

- Joe Bradley
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

11.3%
VACANCY RATE

11,455
ABSORPTION

\$22.74
AVG. RENTAL RATE

Baltimore County East continues to enjoy a healthy vacancy rate and the second lowest within the Northern Metro Market (after the I-83 Corridor) at 11.3% for the 2nd Quarter. This is a slight decrease of 0.58% from the 1st Quarter rate of 11.88%.

After a negative 9,292 sf absorption during the 1st Quarter of 2015, this submarket absorbed a total of 20,747 sf resulting in a positive 11,455 sf for the 2nd Quarter.

Rental rates remained steady from the 1st Quarter to the 2nd, increasing by only \$0.14 to \$22.74/sf, the highest among the Northern Metro submarkets.



Number of Buildings 56
Market Size 1,972,825 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

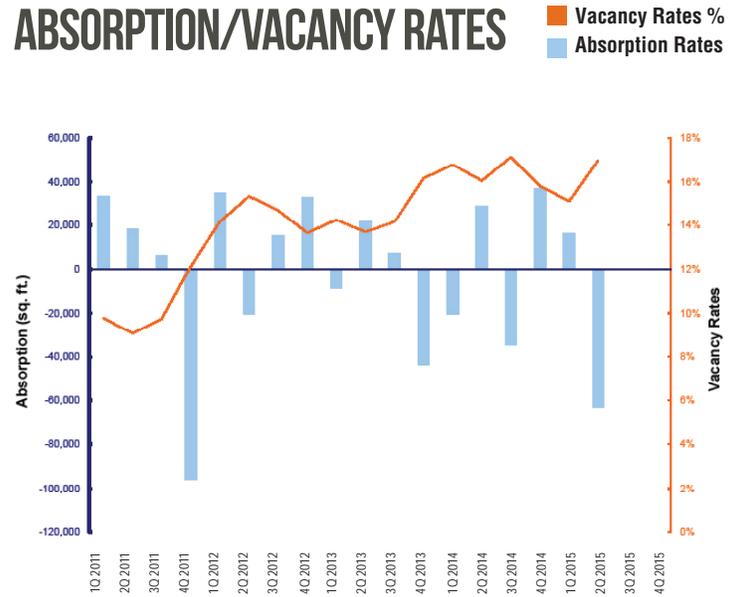
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"The Westside of Baltimore County took a hit during the 2nd Quarter of 2015 with vacancy decreasing by more than 2%. A submarket that has been dependent on activity spilling over from surrounding submarkets and government contracts, especially around the Woodlawn area, noticed a lull on both fronts between the first and second quarters. However, it has been noted among industry colleagues that government and related-user interest has begun to show a possible return. This resurgence would allow both vacancy and absorption rates to return to positive levels hopefully by year end. There has also been increased interest and activity among medical users in Catonsville and surrounding St. Agnes Hospital. Landlords have kept rental rates fairly steady, in the low \$20.00/sf range."

- Henson Ford
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

17.26%
VACANCY RATE

Vacancy rates for Baltimore County West experienced an increase of 2.15% from the 1st Quarter rate of 15.11%.

-71,900
ABSORPTION

After starting the 1st Quarter of 2015 with a positive absorption of 16,336 sf, the Baltimore County West submarket experienced a loss of -88,236 sf resulting in a negative 71,900 sf for the 2nd Quarter.

\$20.13
AVG. RENTAL RATE

Rental rates remain steady for this submarket, decreasing slightly from the 1st Quarter rate of \$20.65/sf to \$20.13/sf during the 2nd Quarter. This same quarter during 2014, rates were \$19.96/sf.



Number of Buildings 68
Market Size 3,217,198 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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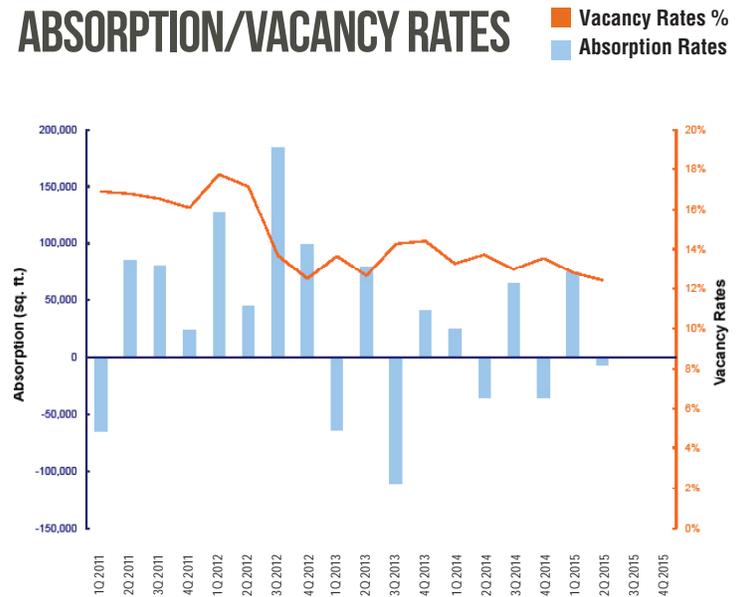
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"Arguably a 'decent' vacancy rate and the second lowest among the Southern Metro submarkets, overall interest in the BWI submarket remains hit or miss and is beginning to lose activity to surrounding submarkets, particularly Columbia. Activity that has been experienced is mainly driven by National Business Park near Ft. Meade, while portions such as Airport Square continue to struggle despite proximity to the airport and I-295. West Nursery Road and Elkridge Landing Road also remain challenged and are now considered "tenant deserts."

- Dave Sciamarelli
Senior Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

12.72%
VACANCY RATE

The BWI submarket remained relatively steady from the 1st Quarter to the 2nd Quarter of 2015, decreasing by a mere 0.09%. This is the second lowest rate among the Southern Metro submarkets.

-28,001
ABSORPTION

Since the decrease in vacancy was so minute, absorption resulted in a negative 28,001 sf; however, year to date remains positive for BWI at 46,565 total square feet absorbed.

\$24.30
AVG. RENTAL RATE

With a slight decrease of \$0.61 from the 1st Quarter's \$24.91, average rental rates for BWI remain among the highest in the Baltimore region.



Number of Buildings 109
Market Size 8,947,333 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 9 million sf (msf) of office space.

CITY CENTER

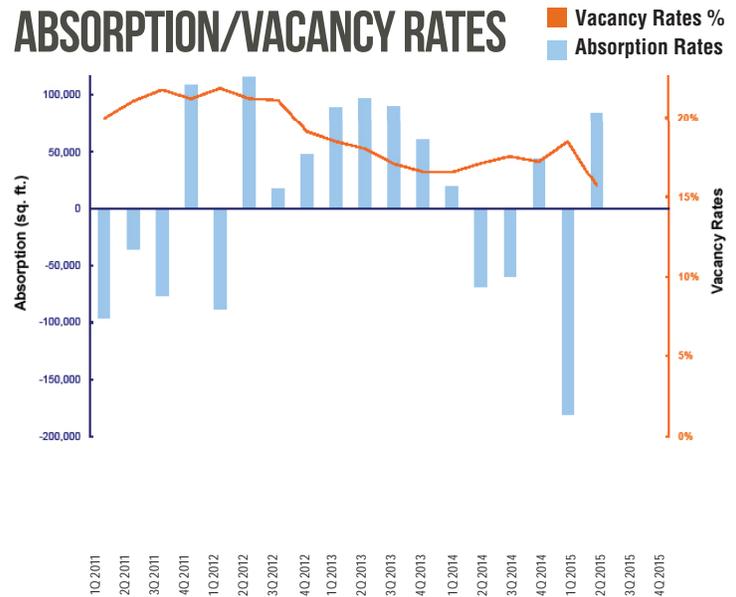
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"After a minor positive absorption started the year off, City Center had an impressive 97,878 square feet of absorption for the 2nd Quarter bringing the year to date amount to 112,376 square feet. It should be noted that both Class A+ and B+ have substantially lower vacancy rates (5.25% and 12.61% respectively) than Class A & Class B properties (24.35% and 28.40% respectively), strongly indicating that tenants are continuing to relocate to higher quality product. The overall vacancy rate in City Center now stands at a respectable 15.59%, however this is still considered to be 4.0 - 5.0% above structural equilibrium."

- Mark Deering
Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

15.59%
VACANCY RATE

Overall vacancy for City Center remained stable, decreasing by 1.0% from the 1st Quarter rate of 16.59%. Class A+ product remains the tightest segment with a 5.25% rate while Class B experienced a high of 28.40%.

97,878
ABSORPTION

Positive absorptions of 100,243 sf in Class A+ buildings was decreased only slightly by overall numbers for each segment of the City Center submarket resulting in a positive absorption of 97,878 sf for the City Center submarket.

\$21.37
AVG. RENTAL RATE

Average rental rates for City Center increased by \$1.11 from the 1st Quarter rate of \$20.25. Class A+ buildings continue to command the highest in the Baltimore Metro area, \$29.47/sf, an increase of \$1.20 from last quarter. Class B+ buildings also experienced an increase of \$2.48/sf from the 1st Quarter rate of \$18.19, resulting in an average of \$21.37/sf for the submarket.



Number of Buildings	76
Market Size	13,853,523 sf

Overview: As the downtown district of Baltimore City, the City Center submarket is defined by Broadway Street to the east, Martin Luther King Jr. Boulevard to the west, Centre Street to the north, and Cross Street to the south. City Center is Baltimore's dense Central Business District and easily accessible to both I-95 and 295. Baltimore's City Center continues to expand eastward along the water's edge to include Harbor East and the hotly debated Harbor Point. Total office inventory is nearly 14 million square feet (msf). 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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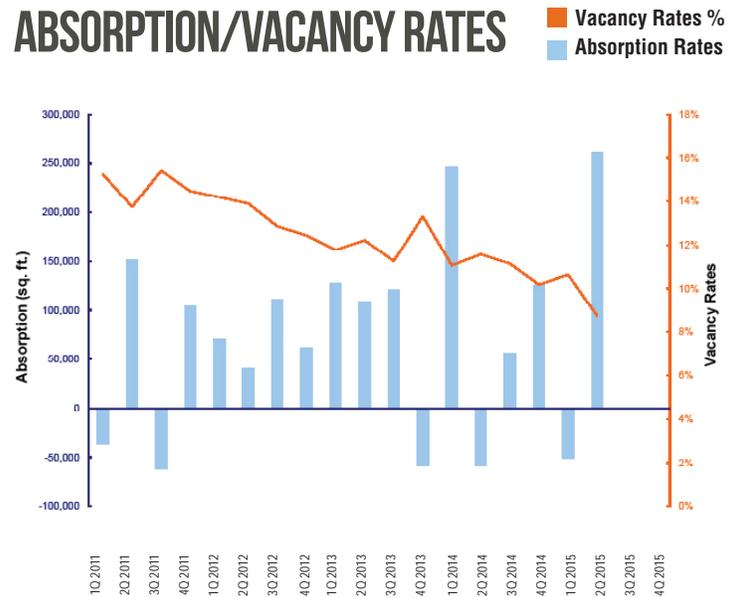
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"We continue to see the revitalization plans for downtown Columbia take shape and evolve attracting tremendous attention, transforming the submarket to a true, mixed-use, "walkable" environment. Excitement for the area is driving vacancy rates to record levels, this quarter at 8.63%, down nearly 3% in one year. Pre-leasing has begun for the Howard Hughes projects with the county targeting national corporations with hopes of making Columbia a national destination. The next portion of the downtown redevelopment slated for to begin, is The Crescent, a multiple building, mixed-use project that will wrap Merriweather Post Pavilion. Long range plans for Columbia involves questionable futures for some of the Corporate Center buildings that ring the mall."

- Chris Bennett
Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

8.63%
VACANCY RATE

274,094
ABSORPTION

\$24.15
AVG. RENTAL RATE

The healthiest rate among the Southern Metro submarkets, Columbia vacancy rates decreased by nearly 2% during the 2nd Quarter from the 1st Quarter rate of 10.64%. The 2nd Quarter rate of 8.63% is 2.93% less than the same quarter in 2014.

Leasing activity was strong throughout the 2nd Quarter 2015 resulting in a positive absorption of 274,094 sf. Deals that contributed included University of Maryland Physicians leasing 36,203 sf at 5900 Waterloo Road and the Columbia Association's new 32,853 sf office at 6310 Hillside Court.

Rental rates for the Columbia submarket have remained steady for the past year, decreasing slightly by \$0.51/sf from the 1st Quarter rate of \$24.66/sf.



Number of Buildings	224
Market Size	13,220,081 sf

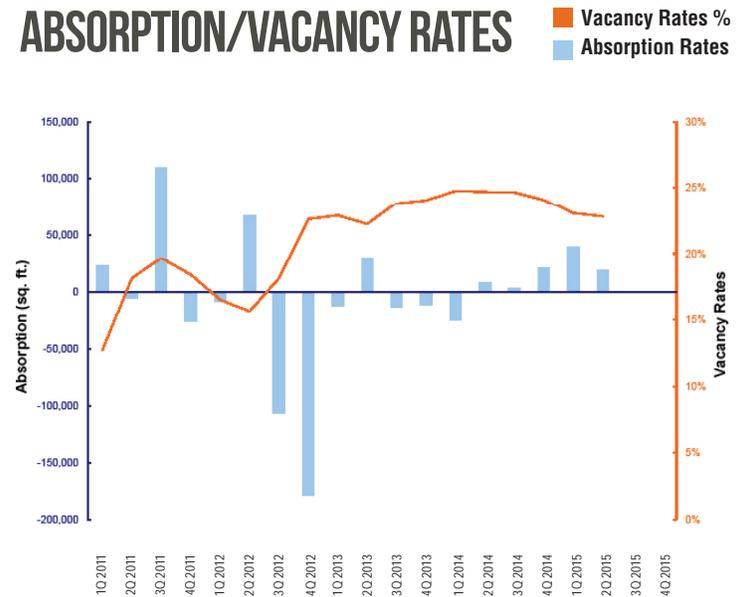
Overview: Located between Baltimore and Washington, DC in Howard County, Columbia offers convenient access to Annapolis, the Chesapeake Bay, and three international and regional airports. Commuter and bus services and the MARC commuter rail system are available to residents and businesses. Routinely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



"During the 2nd Quarter, Aberdeen saw a glimmer of light in activity due to limited funding being released to defense contractors; however, this was not enough to make a true dent in the vacancy rates. In the remaining areas of the county, proof of the economy improving is evident in the consistency of activity with most stemming from medical providers and professional service-oriented businesses. Although not government related, this activity could be attributed to BRAC and the effect it had on the surrounding population as a whole - residents that relocated are now moving businesses to the area, occupying existing spaces. Very little product is being developed aside from the 100,000 square foot MedStar building at Emmorton and Plumtree Road. As a result, rental rates for the area have stabilized."

- Beetle Smith
Senior Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

22.85%
VACANCY RATE

31,275
ABSORPTION

\$22.71
AVG. RENTAL RATE

Vacancy rates for Harford County have continued to slowly decrease over the past four quarters; however by only slight increments. The 2nd Quarter rate is a decrease of 0.20% from the 1st Quarter 2015 rate of 23.05%.

The submarket experienced another quarter of positive absorption, 31,275 sf, bringing the year to date to absorption to a respectable 70,211 sf.

Rental rates for Harford County increased by \$1.02 from the 1st Quarter rate of \$21.69/sf to \$22.71/sf. This rate shares top billing for the Northern Metro market with the Baltimore County East submarket.



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

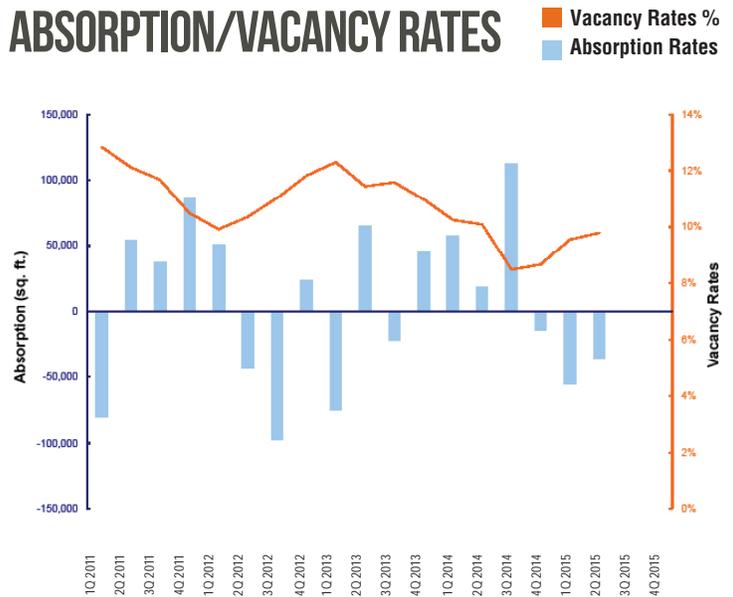
SECOND QUARTER | 2015



"The I-83 Corridor remained strong in the 2nd Quarter with only a couple minor setbacks caused by large tenants downsizing or vacating space. The foreseeable market health is predicted to remain strong with the new developments at Wight Avenue and Shawan and York Road delivering in the near future. Expect rents to remain competitive with true vacancy to decrease. We will also see this submarket, especially on the North end, transform into an entirely different real estate market with improved retail, office, and increased residential going forward."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

9.04%
VACANCY RATE

Vacancy rate for the I-83 Corridor remains under the 10% point, the healthiest submarket among the Northern Metro, for the third consecutive quarter at 9.04%. This is a slight decrease of 0.51% from the 1st Quarter rate of 9.55%.

22,217
ABSORPTION

After a negative absorption of 55,014 sf during the 1st Quarter, the I-83 Corridor recovered a total of 77,231 sf resulting in a positive absorption of 22,217 sf for the 2nd Quarter.

\$20.96
AVG. RENTAL RATE

Rental rates for I-83 remained relatively unchanged, shifting by on \$0.17 from the 1st Quarter rate of \$21.13.



Number of Buildings 130
Market Size 7,626,530 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

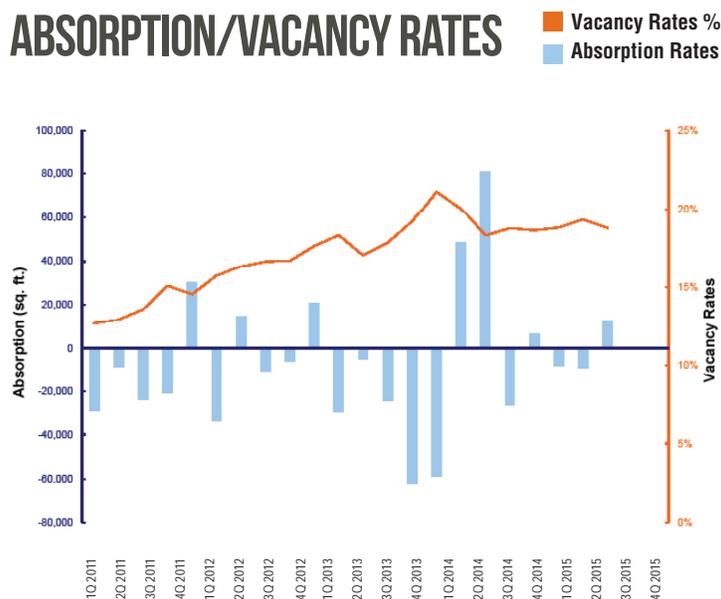
SECOND QUARTER | 2015



"The Reisterstown Road Corridor vacancy continues to hover just below 20% at 18.75%. The story continues to be BECO's success with the Mill Run Circle properties that they purchased and renovated in 2013. They continue to be aggressive with rental rates and tenant improvement packages and are wooing tenants to their building. The big news recently for the area was Lifebridge's commitment to lease 30,000 square feet of the still under construction office building that is part of the Foundry Row project. Lifebridge joins a growing number of national retailers including Wegmans, DSW, LA Fitness and more. This market seems to be picking up in activity with several companies out looking for space ranging from 10,000 square feet and above, but the question that remains, will these companies actually relocate, or stay in their existing situations? This has been the case over the past several years."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

18.48%
VACANCY RATE

25,274
ABSORPTION

\$21.48
AVG. RENTAL RATE

Vacancy rates for the 2nd Quarter 2015 were 18.48%, a decrease of 0.81% from the 1st Quarter rate of 19.29%. As new projects slated for the area continue to deliver such as Foundry Row, this number will remain elevated.

After a negative absorption of 9,061 sf during the 1st Quarter, the Reisterstown Road Corridor recovered a total of 34,335 sf resulting in a positive 25,274 sf for the 2nd Quarter.

Rental rates remain steady during the 2nd Quarter at \$21.48/sf, a decrease of only \$0.36 from the 1st quarter rate of \$21.84.



Number of Buildings 85
Market Size 4,643,309 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

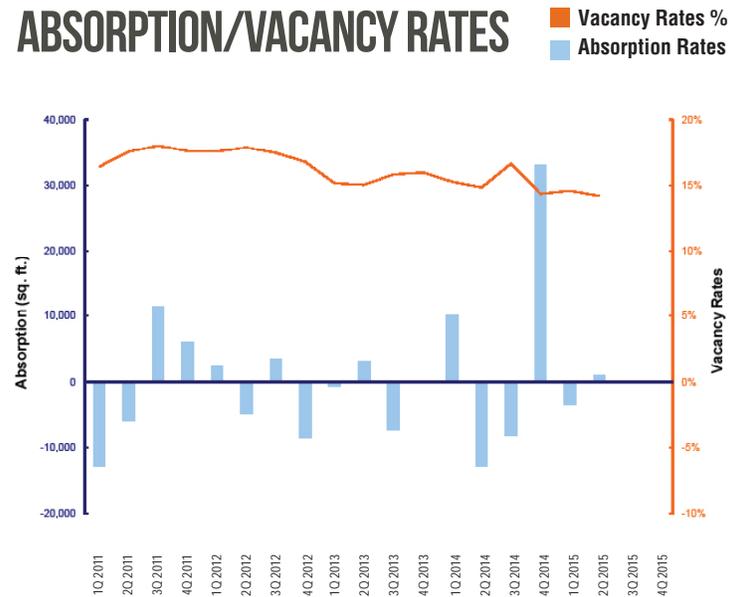
SECOND QUARTER | 2015



"The Route 2 Corridor continues to see a lot of activity from small and mid-sized tenants looking to serve the local Business to Consumer (B2C) community. Surrounded by dense residential, small businesses and those looking for less expensive space options often land in this market. With vacancy holding in the mid-teens and rents averaging less than the surrounding areas, this remains a good alternative for the cost conscious and smaller businesses."

- Bethany Hobbs
Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.07%
VACANCY RATE

3,082
ABSORPTION

\$22.41
AVG. RENTAL RATE

Although above the 10% point which is considered "healthy" by industry standards, a vacancy rate of 14.07% is impressive for the Route 2 Corridor. This is a slight decrease from the 1st Quarter 2015 rate of 14.59%.

After ending the 1st Quarter of 2015 with a negative 3,407 sf of absorption, the submarket has recovered 6,489 sf resulting in a positive absorption of 3,082 sf for the 2nd Quarter 2015.

Rental rates for the Route 2 Corridor remain the lowest in the Southern Metro at \$22.41/sf. This is a slight increase of \$0.48 from the 1st Quarter 2015 rate of \$22.93/sf and \$1.53/sf more than this same quarter last year.



Number of Buildings 42
Market Size 1,471,830

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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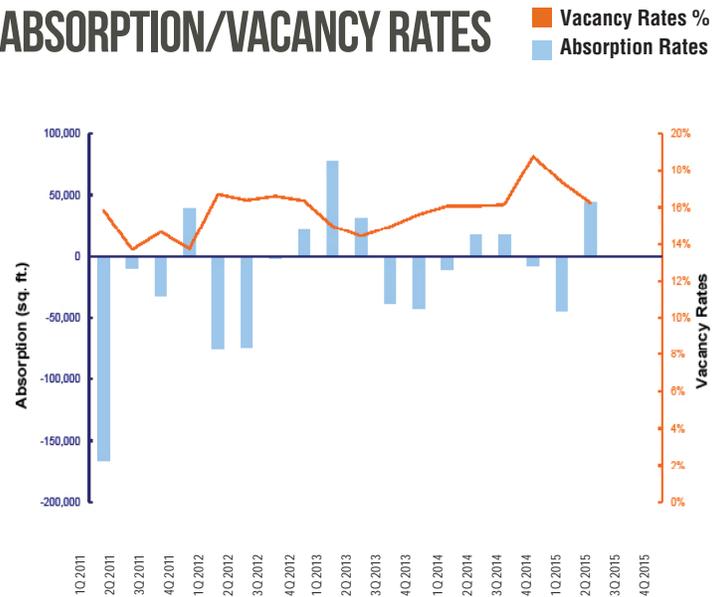


"Towson continues to show signs of significant recovery with regards to the retail and housing markets; however, the office leasing market remains a hit and miss area with existing tenants continuing the trend of moving from one building to the next depending on the most aggressive lease terms and conditions. The Towson Square project has received good reviews among the general public and continues to open new restaurants next to the Cinemark Movie Theater while the Towson Row project is well under way with demolition nearly finished. Once delivered, these significant projects will spur the "live, work, and play" plan for the greater downtown Towson market. Over the next five years, this coupled with the multi-famly residential projects in the area, will cause an ignition of the office market to levels not seen in the past ten years."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

17.19%
VACANCY RATE

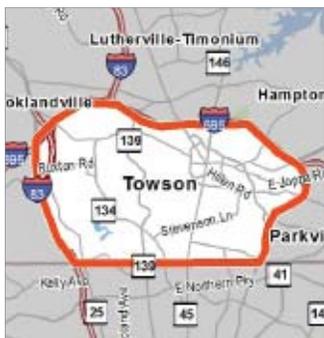
-1,918
ABSORPTION

\$21.26
AVG. RENTAL RATE

Vacancy rates for the Towson submarket experienced a minor decrease of 0.16% from the 1st Quarter rate of 17.35%. This remains 1.14% above rates during the same quarter in 2014.

Although this quarter saw a minor, negative absorption of 1,918 sf, Towson recovered a total of 42,863 sf during the 2nd Quarter 2015.

Rental rates remained stable and in the \$21.00/sf range for the fourth consecutive quarter in the Towson market, decreasing by only \$0.15 from the 1st Quarter rate of \$21.42/sf.



Number of Buildings	86
Market Size	5,328,893 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.