MACKENZIE
COMMERCIAL REAL ESTATE SERVICES, LLC

MARKET REPORT

OFFICE MARKET

4TH QUARTER 2015

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BALTIMORE | LUTHERVILLE | ANNAPOLIS | BEL AIR | COLUMBIA

BALTIMORE OFFICE OVERVIEW

FOURTH QUARTER | **2015**

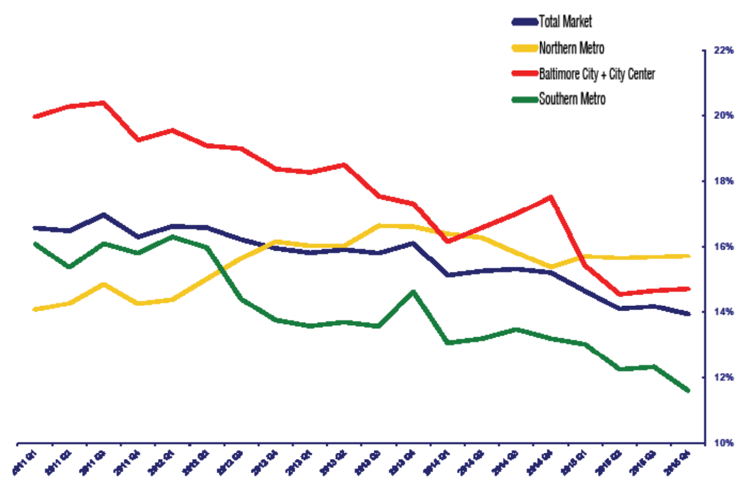
It was a Year of Progress in the Local Office Market

Presented by Anirban Basu, Sage Policy Group

Baltimoreans will want to quickly put 2015 in the rearview mirror. Disappointing performances by the Orioles and Ravens and monumental public safety issues in the city help set the stage for a better 2016. Despite poor optics, the fact of the matter is that the regional economy easily outperformed consensus expectations last year. The majority of the roughly 50,000 jobs added in Maryland last year were added in the Baltimore metropolitan area. Development has accelerated in the city, Towson, Owings Mills, Columbia and elsewhere.

Unlike prior years, the composition of the local economy actually helped last year. Both the Washington and Baltimore metropolitan areas were laid low by sequestration, which began impacting the economy in early-2013. Those impacts began to wane last year.

HISTORICAL VACANCY RATES



Moreover, the region was not impacted the way that many others were by collapsing commodity prices. While states like North Dakota and West Virginia are now in recession, Maryland benefits from lower input prices since we are much more likely to be consumers than producers. The strong U.S. dollar also tends to impact other communities more intensely. Maryland is not an export-intensive economy. While that causes Maryland to lag economically during periods of rapid global economic expansion, it improves relative economic performance when exports are lagging.

The region's positive economic performance in 2015 helped to drag regional vacancy lower. At the end of 2014, the total vacancy rate in City Center stood at 19.5%. By the end of 2015, it had fallen to 15.3%. Class A+ vacancy declined from 9.6% to 4.4%.

In the southern metro area, which disproportionately benefits from the spinoff activity at Fort Meade, office vacancy slid from 12.3 % to 11.6%. Another 95,000 sf were net absorbed during the fourth quarter and for the year the market absorbed nearly 400,000 sf. Among the southern metropolitan sub-markets, Annapolis and BWI registered the best net absorption tallies for the year (147,546 sf and 141,802 sf respectively).
Vacancy in the northern metropolitan area, however, was essentially unchanged over the course of the year. No northern sub-market generated significantly positive net absorption last year. While Towson net absorbed 66,300 sf last year and Harford County net absorbed 52,200 sf, negative net absorption was registered along the I-83 Corridor and in Baltimore County West.

The current year is shaping up to be a good one. The regional economy appears positioned for additional job growth. The region's unemployment rate has been a few tenths of a percentage point above the national average. Viewed from the perspective of growth, that could be viewed as good news since expanding firms are more likely to find available employees here than in metropolitan markets with much lower unemployment rates like Minneapolis, Seattle and Washington, D.C. Better economic performance is also supporting higher asking rents, which rose $0.50/sf last year to $22.53. That translates into 2.3% asking rent growth. In City Center, asking rent expanded 7.8% to end the year at $21.64.

QUICK STATS | BALTIMORE METROPOLITAN OFFICE

13.94%	95,915	$22.53
VACANCY RATE	ABSORPTION	AVG. RENTAL RATE

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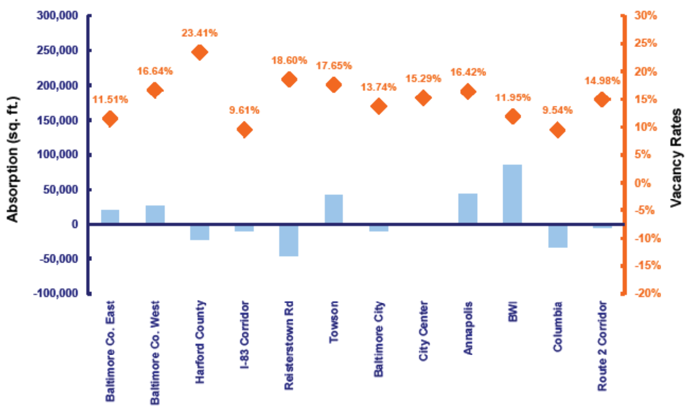
BALTIMORE OFFICE OVERVIEW

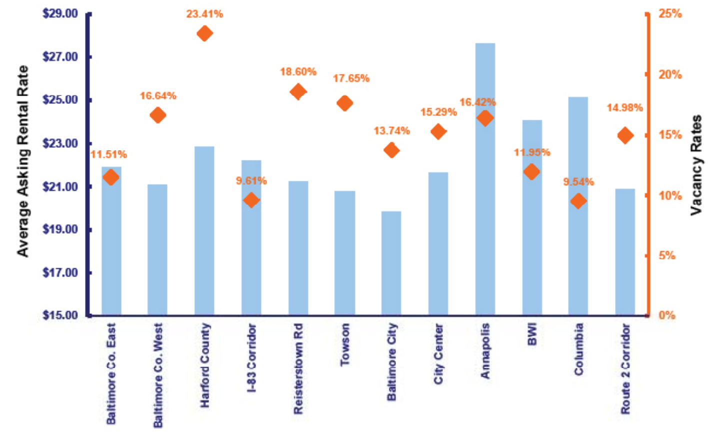
FOURTH QUARTER | **2015**

ABSORPTION/VACANCY RATES



Vacancy for the Baltimore Metro Office Market remained relatively stable from the 3rd Quarter to the 4th Quarter. Overall in 2015, vacancy decreased by 1.27% from an average of 15.21% to 13.94%. Baltimore's City Center submarket saw the most notable change in vacancy over the past year, decreasing by 4.24% for an average vacancy of 15.29%. City Center Class A+ buildings currently lead the market with a vacancy of 4.35% for the 4th Quarter. Absorption has steadily increased throughout the year. 4th Quarter saw a net absorption of 95,915 sf, bringing the 2015 total to a positive 664,166 sf. The Southern Metro spearheaded the positive absorption trend, averaging 396,395 sf in 2015.

RENTAL RATE/VACANCY RATES



Overall, there has been minimal change in the average rental rates for the Baltimore Metro Office Market. Throughout 2015 the market rental rate increased from $22.03/sf to $22.53/sf. City Center Class A+ continues to set the highest rental rates at an average of $27.84/sf. Annapolis ($27.61/sf), Baltimore City North ($26.51/sf), and Columbia ($25.13/sf) followed up with the next highest rates for the area. There has been a slight shift in rental rates between Baltimore City and its City Center. While city rates fell by $1.81/sf since 2014, City Center rates in turn increased by $1.57/sf. This is also reflected in vacancy levels decreasing in the City Center, while Baltimore City saw a slight increase.

HIGHLIGHTS

- University of Maryland Medical System (UMMS) has decided to move forward with its plan from January to build a patient center in Baltimore. The ambulatory care center will take up around 100,000 sf on the University of Maryland Medical Center Midtown Campus.
- Carlyle Development Group, based out of upstate New York, purchased 100 S. Charles Street (Bank of America Tower) in November for $45 million ($90/sf). The property is 500,000 sf. Plans include building a 25,000 sf addition along Pratt Street that will be leased primarily to retailers.
- First Choice Services, Inc. signed a lease for 9,000 sf at Sulphur Spring Business Park.
- Arcsource Group, Inc., a government contractor, has signed a lease for 1,751 sf at 8825 Stanford Boulevard in Columbia.
- The Law Offices of Dirska and Levin signed a lease for 3,400 sf at Maple Lawn in Howard County.
- The mailing services company, MDI Networx, LLC signed a lease at 717 E. Ordinance Road in Glen Burnie for 2,000 sf.
- CyberReliant, a technology firm, signed a lease for 16,738 sf and Environmental Resource Management signed a lease for 9,400 sf at 180 Admiral Cochrane Drive.
- Chesapeake Urology Associates was the first tenant to sign a lease at Merritt's Buckingham office park. The group will occupy 17,000 sf in the 53,000 sf building now under construction.
- Luxury real estate brokerage firm, Monument Sotheby's International Realty, signed a sublease for a total of 3,081 sf in the Roland Park Shopping Center located at 4800 Roland Avenue in Roland Park, Maryland.

BALTIMORE OFFICE OVERVIEW

FOURTH QUARTER | **2015**

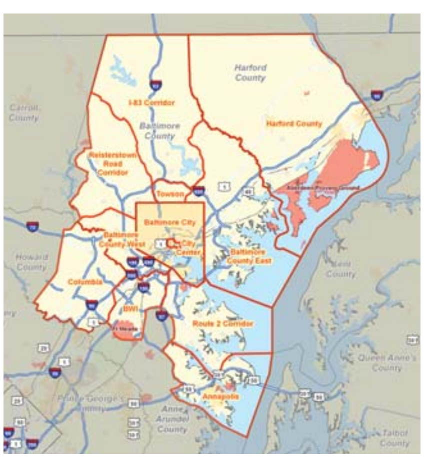
NOTABLE TRANSACTIONS

Lease

Location	Submarket	Tenant	Amount Leased SF
2211 Maryland Avenue	Baltimore City Midtown	Audacity of Hope Behavioral Health, LLC	80,000 sf
6315 Hillside Court	Columbia	BAE Systems Inc.	25,145 sf
1 E Pratt Street	City Center	International Youth Foundation	15,838 sf
303 International Circle	I-83 Corridor	Delmarva Surety Associates, Inc.	6,093 sf
20 Ridgely Avenue	Annapolis	National Wildlife Foundation	2,778 sf
21 Mellor Avenue	Baltimore County West	4 Oaks Physical Therapy, LLC	2,024 sf
3465 Box Hill Corporate Center Drive	Harford/Cecil County	Aurora Healthcare Resources, Inc.	2,000 sf
7601 Osler Drive	Towson	Englert Dermatology	1,696 sf

Sale

Location	Submarket	Price	PSF	Building Size SF
23 Crossroads Drive	Reisterstown Road Corridor	$14,850,000.00	$260.16	57,081 sf
8600 Snowden River Parkway	Columbia	$1,118,000.00	$260.00	4,300 sf
6730 Holabird Avenue	Baltimore County East	$600,000.00	$107.14	5,600 sf
7 S High Street	City Center	$425,000.00	$96.59	4,400 sf
8846 Belair Road	Baltimore County East	$335,000.00	$96.07	3,487 sf
8435 Frederick Road	Columbia	$254,000.00	$127.00	2,000 sf



Number of Buildings	1,200
Market Size	**74,790,400 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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OFFICE SUBMARKETS

4TH QUARTER 2015

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ANNAPOLIS

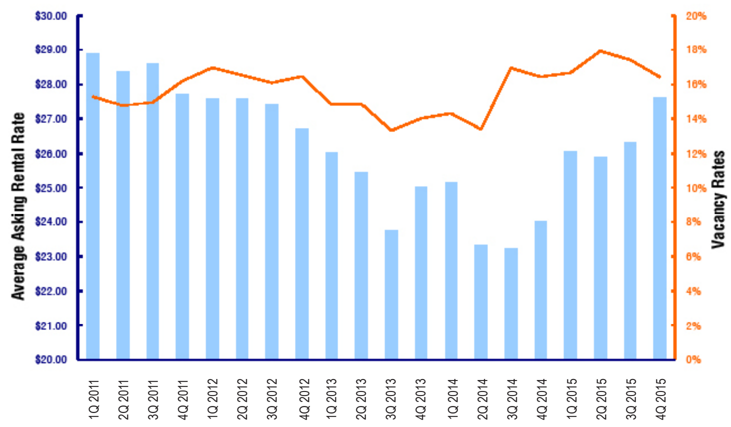
FOURTH QUARTER | **2015**

"The Annapolis submarket continues to show high rents in the midst of limited leasing activity. Vacancy rates remain historically high; however, there is light at the end of the tunnel. We are seeing numerous tenants needing 5,000 square feet or more actively looking for space in the area, many of which are new to the market. Additionally, Annapolis saw continued strength in owner-occupied sales over the last quarter and it will remain strong into 2016."

- Justin Mullen

Vice President

RENTAL RATE/VACANCY RATES



QUICK STATS

16.42%
VACANCY RATE

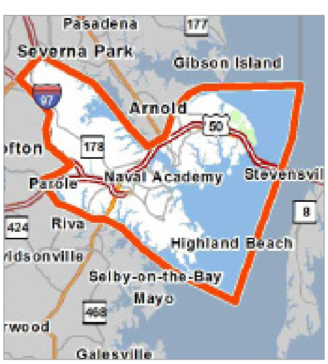
During the 4th Quarter, average vacancy rates for the Annapolis submarket decreased by 1.0% from the 3rd Quarter of 2015. Compared to the same quarter last year, rates remained relatively unchanged from the rate of 16.44% during 4th Quarter 2014.

44,491
ABSORPTION

The decrease in vacancy resulted in a positive absorption of 44,491 sf during the 4th Quarter of 2015. Overall for the year, Annapolis absorbed a total of 147,546 sf.

$27.61
AVG. RENTAL RATE

Average rental rates remain strong, increasing during the 4th Quarter by $1.30/sf from the 3rd Quarter rate of $26.31/sf, and by $3.60/sf from the 4th Quarter in 2014.



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

Overview: The State Capital of Maryland and the county seat of Anne Arundel County, Annapolis is situated on the Severn River. The office submarket is bounded by I-97 to the east, South River to the south, and includes the Route 50/301 corridor on both sides of the Severn River. Designated a "Central City" by the United States Department of Housing and Urban Development, the submarket is driven by a combination of government and tourism. This diverse blend of businesses is evidenced by the area's landscape which 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.

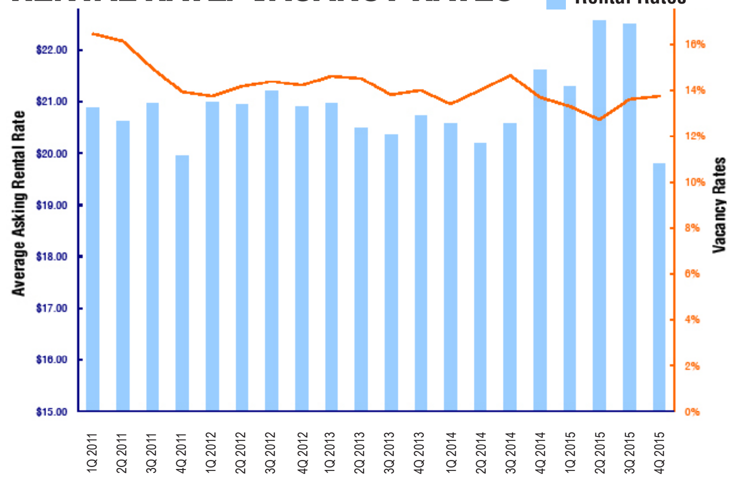
BALTIMORE CITY*

FOURTH QUARTER | 2015

"The Baltimore City office market, outside of the City Center, remained fairly flat during the 4th Quarter of 2015. Vacancy increased slightly in the submarket from 13.60% in the 3rd Quarter to 13.74% in the 4th Quarter of 2015. This small increase can largely be attributed to tenants vacating space in Baltimore City West, which owns the highest vacancy and the lowest asking rents in the City. On the other hand, South Baltimore continues to prove itself as the strongest sector in the submarket. The McHenry Row mixed-use project has been a success as tenants maintain the amenities of being in the City, but with free parking. Stadium Square, the mixed-use project planned for Federal Hill, is expected to break ground in 2016. The project will include new retail, residential units, and office space."

- Matthew Curran
Real Estate Advisor

RENTAL RATE/VACANCY RATES



QUICK STATS

13.74%
VACANCY RATE

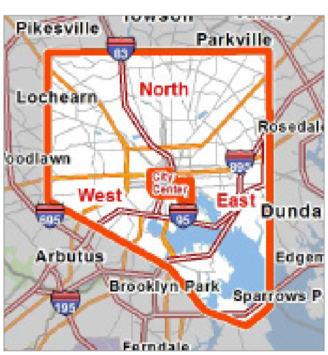
Overall vacancy for Baltimore City remained relatively steady, increasing by only 0.15% from the 3rd Quarter rate of 13.60%. The most notable changes in vacancy were in the Baltimore City South and West segments which experienced a decrease of 1.88% and an increase of 1.41%, respectively.

-9,186
ABSORPTION

Baltimore City's slight increase in vacancy resulted in a negative absorption of 9,186 sf for the 4th Quarter, closing the year with an overall negative absorption of 35,967 sf.

$19.81
AVG. RENTAL RATE

Average rental rates decreased by $2.70/sf from the 3rd Quarter rate of $22.51/sf. Baltimore City West saw the most drastic change, decreasing by $5.54/sf from the 3rd Quarter rate of $21.04/sf to $15.50/sf. Baltimore City North remains the highest at $26.51/sf.



Number of Buildings	100
Market Size	**8,005,795 sf**

Overview: Baltimore City is located 38 miles north of Washington, DC and 95 miles south of Philadelphia. This submarket is divided into four main areas: Midtown, which is bounded by Centre Street to the south, I-83 to the east, Martin Luther King Jr. Boulevard to the west, and North Avenue to the north; Baltimore City North, which encompasses the remaining area north of Route 40; and Baltimore City East and Baltimore City West, which are south of Route 40 and separated by Hanover Street which runs north-south. Ranking 20th in population for U.S. Cities, Baltimore City is home to the world-renowned Johns Hopkins Hospital and School of Medicine and sports apparel giant Under Armour. Coupled with major investments by The University of Maryland Medical System in cooperation with the City, all are in the process of redefining Baltimore City's broader landscape. Further private redevelopments in Baltimore City's historic Midtown and North submarket buildings have also garnered interest as the City seeks to increase its residential population by attracting a highly educated and mobile workforce that seeks a live/work/play lifestyle. In response, growth in Baltimore's biotech parks and entrepreneurial incubators are helping Baltimore emerge as a technology hub.

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

BALTIMORE COUNTY EAST

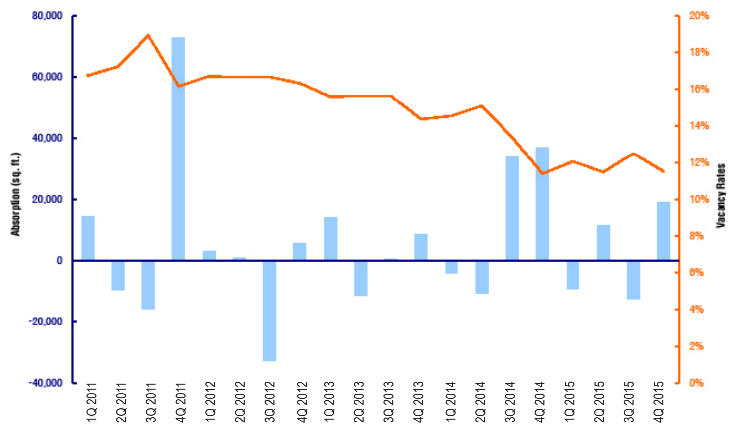
FOURTH QUARTER | 2015

"Leasing activity remained fairly flat in Baltimore County East for the 4th Quarter. The most significant leasing took place at 7600 Ridge Road, near the campus of Franklin Square Hospital. MedStar leased 10,000 square feet, while Mid Atlantic Nephrology leased just over 4,000 square feet. COPT is continuing to market the sale of its remaining White Marsh portfolio, which is over 500,000 square feet. This type of action should bring new owners and users alike into the market. Although vacancy decreased just slightly, it seemed there were more mid-sized groups touring the market needing to occupy new space in the first half of 2016. Seeing these new groups along with the sale activity, this submarket could have a strong beginning in 2016."

- Henson Ford

Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

11.51%
VACANCY RATE

With the second lowest vacancy rate in the Northern Metro, Baltimore County East experienced a decrease in vacancy of 1.00% during the 4th Quarter of 2015.

19,016
ABSORPTION

After a year of modest absorptions, Baltimore County East absorbed 19,016 sf during the 4th Quarter, ending the year with 8,703 sf absorbed overall.

$21.92
AVG. RENTAL RATE

Rental rates decreased slightly during the 4th Quarter from the 3rd Quarter rate of $22.36/sf. This 4th Quarter rate is $1.19/sf less than the same quarter in 2014.

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

Overview: The Eastern Baltimore County submarket is home to a diverse business community, including some of the region's largest manufacturers such as GM Power Train, Middle River Aircraft Systems, Lockheed Martin, and Signode. An integrated transportation network links Dundalk, Essex, Middle River, and Rosedale to I-95, I-695, Baltimore/Washington Thurgood Marshall International Airport, and Martin State Airport. MARC commuter rail is available in Middle River. Anchored by White Marsh, a planned 2,000 acre mixed-use community adjacent to I-95, and close proximity to Aberdeen Proving Ground, the U.S. Army's oldest military proving ground, has helped the Baltimore County East submarket grow substantially over the last decade as more than $800 million in private, state, and county investment in infrastructure, parks, schools, and housing has encouraged employment-intensive development throughout the submarket. Notable investments in new office, flex, and industrial opportunities by regional developer Corporate Office Properties Trust (COPT) and Franklin Square Hospital are expected to continue adding additional office space to the submarket in the coming years.

BALTIMORE COUNTY WEST

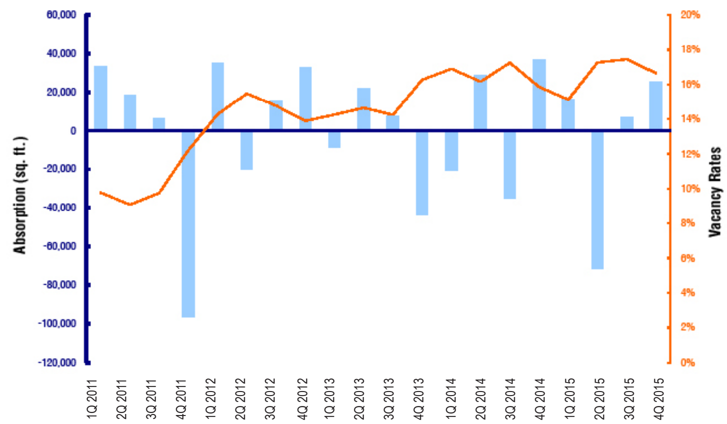
FOURTH QUARTER | **2015**

"Baltimore County West activity remained relatively steady during the 4th Quarter, attracting continued interest from surrounding submarkets and tenants seeking an economic alternative from such areas. We expect this to continue into 2016 with possible increases in medical uses and tenants due to LifeBridge's purchase of Northwest Hospital earlier in the year and their investment in additional buildings surrounding the hospital."

- Meghan Roy
Vice President

ABSORPTION/VACANCY RATES

Vacancy Rates %
Absorption Rates



QUICK STATS

16.64%
VACANCY RATE

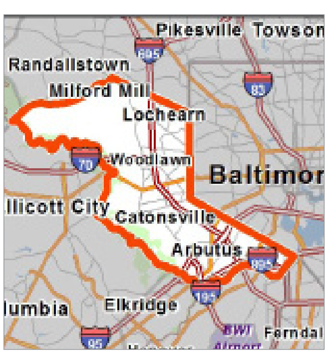
Vacancy in Baltimore County West decreased by 0.80% from the 3rd Quarter 2015 rate of 17.44%. This 4th Quarter rate is 0.79% higher than the same quarter in 2014 which was 15.85%.

25,239
ABSORPTION

Decreases in vacancy resulted in a positive absorption of 25,239 sf for the 4th Quarter. Year-to-date totals however remained negative at 23,266 sf for the submarket.

$21.09
AVG. RENTAL RATE

Rental rates for Baltimore County West increased by $0.71/sf during the 4th Quarter for an average rate of $21.09/sf. This rate is $1.19/sf higher than the same quarter one year prior.



Number of Buildings	66
Market Size	**3,143,467 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.

BWI

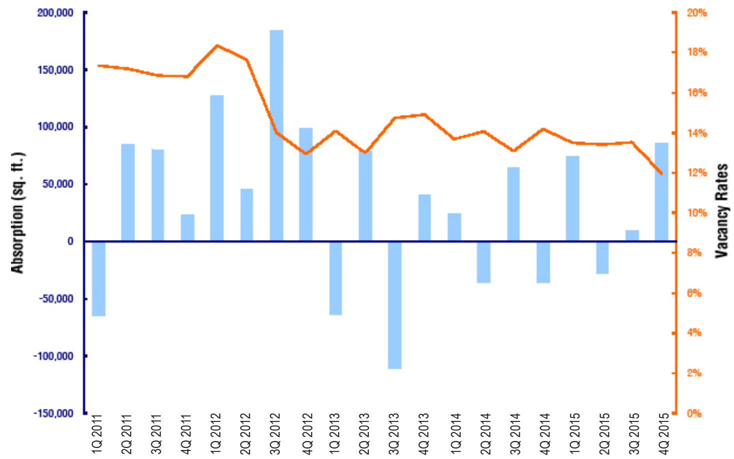
FOURTH QUARTER | 2015

"The BWI submarket continues to improve, albeit at a slow rate. Bifurcated primarily between National Business Park to the south with very low vacancy and very high rents, and Airport Square to the north with higher vacancy and more moderate rents, it has been difficult to gauge historically. During the 4th Quarter we saw an announcement from Northrup Grumman that they will be continuing to invest in their BWI/Airport Square campus. To add to that, COPT is wrapping up reconstruction of 1201 Winterson Road; and Heritage Properties is making headway in its leasing efforts at their newly acquired asset, 999 Corporate Boulevard. This confidence in Airport Square should trickle down for a positive impact on the market."

- Chris Bennett

Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

11.95%
VACANCY RATE

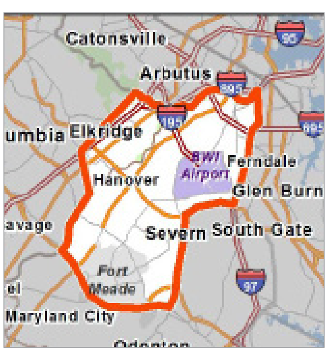
Activity increased steadily throughout the year in the BWI submarket with vacancy rates decreasing this quarter by 1.59% from the 3rd Quarter rate of 13.54% and by 2.24% from the same quarter in 2014 which saw rates of 14.19%.

85,797
ABSORPTION

Absorbing the most this quarter among the Southern Metro submarkets, BWI leasing activity led to the absorption of nearly 86,000 sf which helped close the year out with a total absorption of 141,802 sf for the submarket.

$24.08
AVG. RENTAL RATE

Rental rates for the BWI submarket decreased by $0.38/sf from the 3rd Quarter rate of $24.46/sf.



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

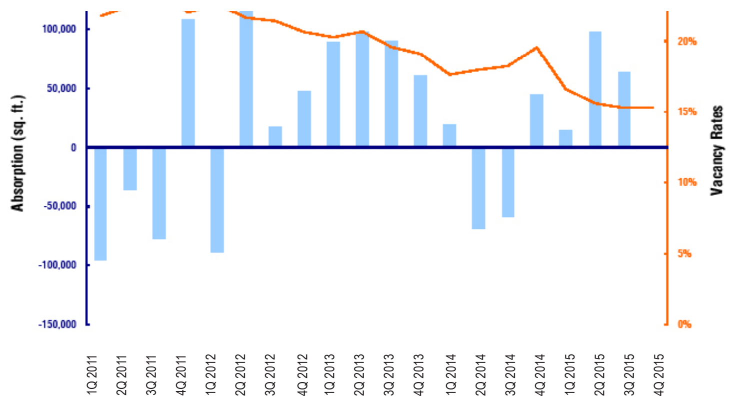
FOURTH QUARTER | 2015

"2015 trends continued through the 4th Quarter of 2015; vacancy rates remained virtually unchanged at 15.29%; tenants in large numbers are staying put, restructuring their leases and extending terms; and most lease extensions are 5-7 years. Tenants that do relocate are being rewarded by motivated Landlords. What to watch for: how much available space will be added to inventory when 1 Light Street comes on line in 2017? Will Stadium Square develop any speculative office space in 2016? Will Class A users have any other large blocks of space options besides 750 E. Pratt Street by 2017?"

- Mark Deering

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

15.29%
VACANCY RATE

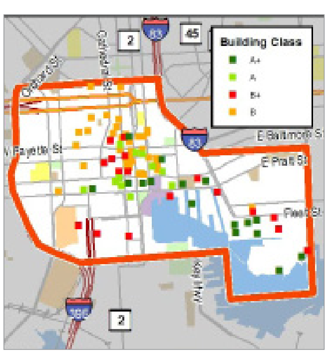
Vacancy rates for City Center remained virtually unchanged from the 3rd Quarter rate of 15.28%; however, this 4th Quarter rate is 4.24% less than the same quarter in 2014. Class A product saw the largest change this quarter with vacancy increasing by 1.77% for a rate of 26.43% while Class A+ decreased by 0.76% resulting in a vacancy of 4.25%.

1,333
ABSORPTION

Absorbing only 1,333 sf during the 4th Quarter, City Center closed the year with a total positive absorption of 177,196 sf.

$21.64
AVG. RENTAL RATE

Rental rates for City Center decreased by a mere $0.04/sf from the 3rd Quarter to the 4th Quarter. This 2015 rate is however $1.57/sf higher than the same quarter in 2014. This quarter, Class A+ continues to command the highest amount at $27.84/sf with Class B averaging $16.90/sf.



Number of Buildings	75
Market Size	**13,747,958 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.

COLUMBIA

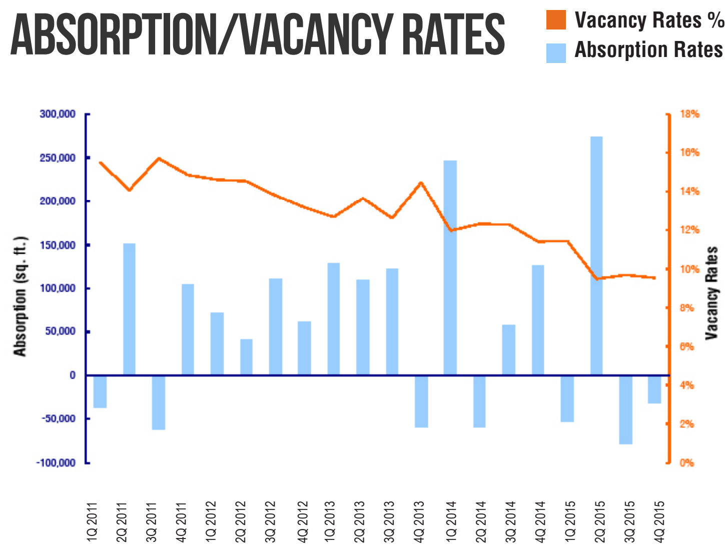
FOURTH QUARTER | **2015**

"The Columbia submarket continues to prove to be the healthiest among all in the Baltimore Metropolitan area. Development plans in both Maple Lawn and the ever-transforming Town Center continue with large and long-term leases keeping old tenants and also bringing new ones to the county. Even though we only saw a slight uptick in rental rates and vacancy during the 4th Quarter, expect an upward swing to continue into 2016. Companies continue to expand and as leases expire, we continue to see these companies looking to upgrade their image, starting with the quality of their office space. Howard Hughes has already begun their next building in the Crescent and expect to see another building break ground in Maple Lawn in 2016."

- Dave Sciamarelli

Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

9.54%
VACANCY RATE

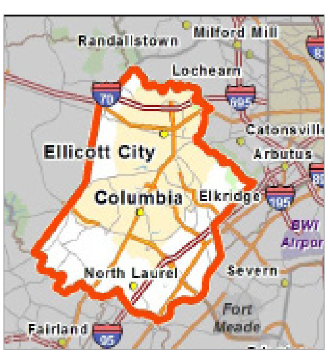
Total vacancy for the Columbia submarket decreased slightly by 0.15% from the 3rd Quarter rate of 9.69%. Columbia remains the healthiest submarket in the Southern Metro, consistently under the 10% vacancy mark.

-31,485
ABSORPTION

Due to development activity and delivery of new product primarily in Columbia's downtown area, absorption remained negative despite the slight bump in vacancy. Year to date absorption remains positive however at 113,477 sf.

$25.13
AVG. RENTAL RATE

Rental rates remained relatively stable for the year, fluctuating slightly by an average of $0.50/sf in either direction. During the same quarter last year, rates were $24.50/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).

HARFORD

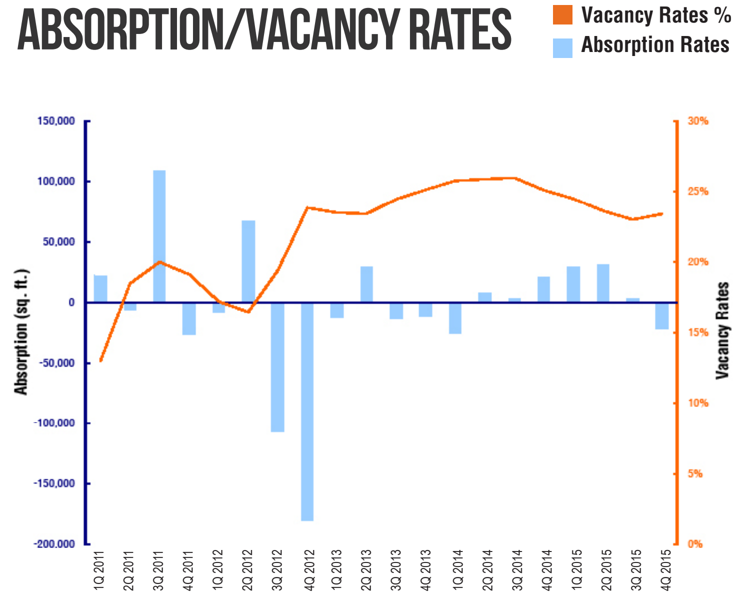
FOURTH QUARTER | **2015**

"2015 ends on a disappointing note for Harford County with a continued vacancy rate of nearly 24%. The Aberdeen market specifically makes up the majority of this product vacancy, having maintained an office vacancy rate of over 35% for the past two years. Rental rates are projected to remain the same with rent abatement and fixed rent options expected to elevate as inducements are needed to attract the little interest or activity in the market. Lease renewals continue at a steady pace, demonstrating that small business owners are taking a "wait and see" approach to any potential expansion or growth. As the market is dominated by small tenancies, this provides some level of strength to the market area with landlords of smaller, multi-tenant properties benefiting from pre-determined rental increases as part of the lease renewal. The continued lack of any substantive population growth will affect any potential demand for new construction, other than medical office space. With the aging population, the demand for more complex medical services will grow, thus pushing the average rents for existing space in this sector and the potential demand for new construction."

- Tom Fidler, Jr.

Executive Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

23.41%
VACANCY RATE

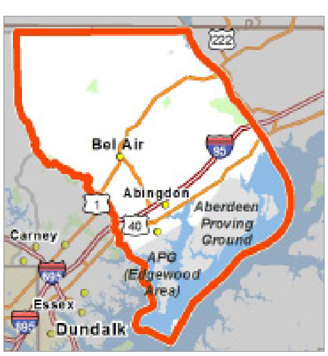
-21,771
ABSORPTION

$22.86
AVG. RENTAL RATE

Although a slight increase of 0.40% from the 3rd Quarter rate of 23.01%, total vacancy has continued to drop slowly in Harford County due to steady activity primarily among smaller businesses. During the same quarter in 2014, total vacancy was 25.10%.

With total vacancy increasing, absorption for Harford County was a negative 21,771 during the 4th Quarter of 2015. The county finished the year however on the positive side, absorbing a total of 52,216 sf.

Boasting the highest rental rates among the Northern Metro submarkets, Harford County's average rental rate increased by a mere $0.08/sf from the 3rd Quarter rate of $22.86/sf.



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

Overview: Harford County is located along the I-95 Corridor just 23 miles north of Baltimore. Harford's major business districts fall within the County's development envelope and include Bel Air, the county seat, Aberdeen, Havre de Grace, Riverside, Joppa, and Edgewood. Interstate 95, U.S. Route 1, U.S. Route 40, and Maryland 24, traverse the County providing easy access to its more than 20 business parks including Box Hill Corporate Center, Water's Edge Corporate Campus, The GATE at Aberdeen Proving Ground, North Gate Business Park, and the HEAT Center. The U.S. Army's Aberdeen Proving Ground is an economic generator for the region and the County's largest employer with more than 13,000 employees.

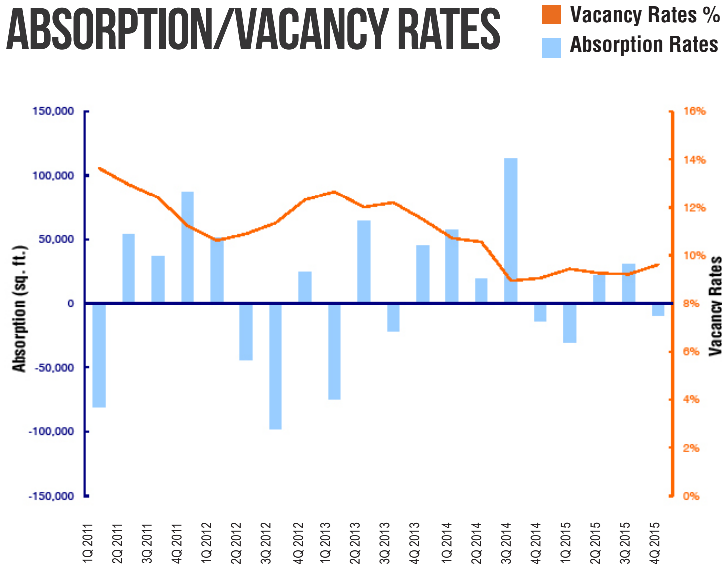
I-83 CORRIDOR

FOURTH QUARTER | **2015**

"The I-83 market remains one of the healthiest and most active in the Baltimore Metro area. Vacancy is still below 10% which is a trend that should continue through 2016. Activity significantly increased in the 3rd and 4th Quarters with small and mid-sized groups making moves across many product types. I anticipate that there will be a few blips in 2016 as companies reposition some of their headquarter locations; however, for each loss there will be a net gain as the availability for development and larger blocks of space still make the 83 corridor target rich for county-based companies. Look for rents to continue increasing and competition to tighten for users looking to increase their footprint in the area."

- Matt Mueller
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

9.61%
VACANCY RATE

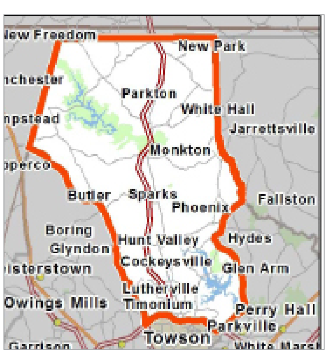
Despite a minimal increase of 0.39% during the 4th Quarter, the I-83 Corridor remains consistently under the 10% mark, a level that is deemed healthy and strong by industry standards.

-9,642
ABSORPTION

Absorption for the 4th Quarter was a negative 9,642 sf., which was the lion's share of the year-to-date number of negative 11,883 sf. Much of this can be attributed to timing; the market is expected to remain healthy despite this minor 4th Quarter blip.

$22.18
AVG. RENTAL RATE

Rents remain steady and should continue to increase. The I-83 Corridor has increased by $1.84/sf from the same quarter in 2014. This is a major indicator of an improving market.



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 lightrail 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.

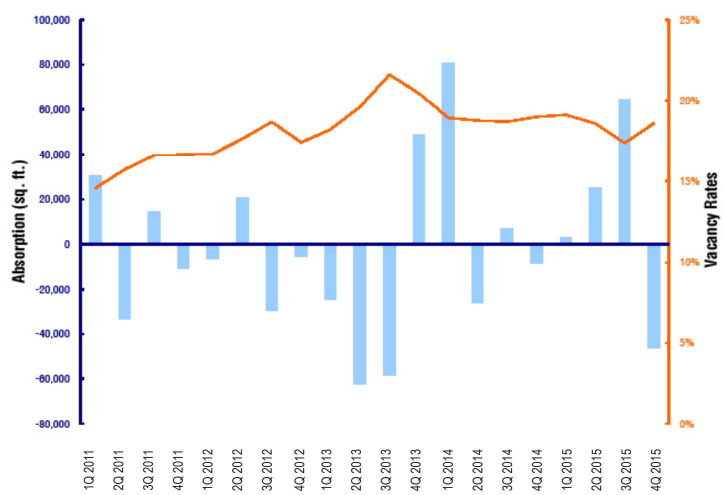
REISTERSTOWN ROAD CORRIDOR

FOURTH QUARTER | **2015**

""The Reisterstown Road Corridor started the year with slowly decreasing vacancies only to end on an increased rate, up by 1.23%. It is feast AND Famine as the same buildings continue to command the interest in the market, mostly Class A office and medical, while Class B and C space continues to suffer from lack of solid and consistent activity. Action in the market has also been dominated by the conversion of commercial land, or "traditional office/industrial" land to fit other zoning requirements such as retail or even residential, uses that may be better fitted and attract more interest in this Corridor. High-end and highly publicized developments such as Foundry Row and Metro Center continue to command attention and should see quick absorption upon completion. Outliers, like the Red Run and, to an extent, the Owings Mills Boulevard corridors are seeing declining interest as activity continues to grow closer to Reisterstown Road. Look for rents to maintain at current levels as Class A and medical will continue to drive the market. Concessions will still be plentiful as the remainder of the market seeks a rebound in absorption. Mixed use developments will be the driver throughout 2016 and 2017."

- Joe Bradley
Vice President

ABSORPTION/VACANCY RATES



QUICK STATS

18.60%
VACANCY RATE

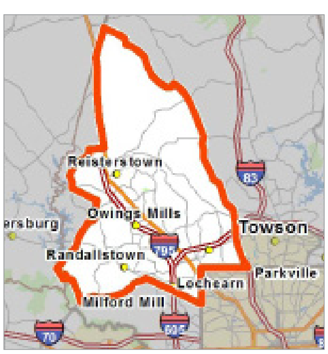
Total vacancy for the Reisterstown Road Corridor increased by 1.23% from the 3rd Quarter rate of 17.37%. A portion of this increase can be attributed to the delivery of new product in the market.

-46,372
ABSORPTION

After absorbing 64,630 sf during the 3rd Quarter, the submarket gave back 111,002 sf during the 4th Quarter resulting in a negative absorption of 46,372 sf. Year-to-date total for Reisterstown remained positive at 34,471 sf.

$21.22
AVG. RENTAL RATE

Rental rates continue to decline slightly for this submarket, this quarter by $0.23/sf from the 3rd Quarter rate of $21.45/sf. This same quarter last year, rates were $21.97/sf.



Number of Buildings	84
Market Size	**4,599,422 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.

ROUTE 2 CORRIDOR

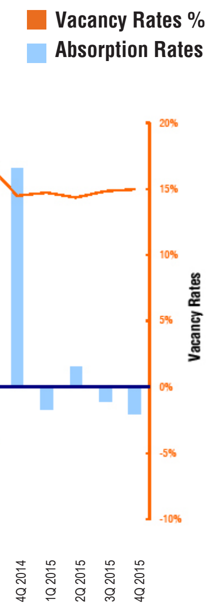
FOURTH QUARTER | **2015**

"Northern Anne Arundel County's Glen Burnie, Severna Park, and Arnold areas bustle with activity. Most of it, however, is residential and retail. The commercial office component continues to average a mid-teens vacancy rate and lower than average rents compared to neighboring Annapolis and Howard County. While multi-story office like 10-story Empire Towers commands rents of $20.00 to $24.00/sf, single to multi-story Class C product is fortunate to hit a range of $14.00 to $16.00/sf. This market does sustain a vibrant community of smaller professional tenants, most of whom prefer the area to remain close to their customers and clients. As the residential volume increases steadily, we look forward to increased demand and absorption."

- Bethany Hobbs

Real Estate Advisor

ABSORPTION/VACANCY RATES



QUICK STATS

14.98%
VACANCY RATE

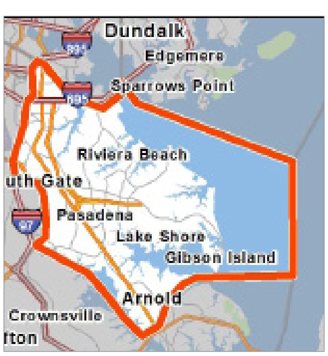
Total vacancy for the Route 2 Corridor remained relatively steady, increasing by a mere 0.13% from the 3rd Quarter to the 4th Quarter. This submarket continues to gain interest from those looking to upgrade their spaces yet remain cost conscious.

-3,989
ABSORPTION

The slight increase in vacancy resulted in a negative absorption of 3,989 sf. This submarket finished the year with a negative total absorption of 6,430 sf.

$20.89
AVG. RENTAL RATE

Average rental rates decreased by $1.03/sf from the 3rd Quarter rate of $21.92/sf, keeping the Route 2 Corridor the lowest in the Southern Metro.



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

Overview: Located in northeast Anne Arundel County, the Route 2 Corridor stretches from Severna Park to Pasadena, and includes the business districts of Glen Burnie and Arnold. Route 2 (or Ritchie Highway) connects Annapolis and the Baltimore Beltway offering access to other points in Anne Arundel County. In addition, Route 50, which extends from the southern part of the market (Severna Park), makes travel to Washington, DC an easy drive. The smallest of the Baltimore submarkets, the Route 2 Corridor submarket of Anne Arundel County provides an assortment of office and retail facilities which cater to their local clientele. From the urbanized northern reaches of Glen Burnie, which is home to the MVA facility and other structures typical of an urban area, to the small strip centers that serve wealthy suburbanites in "South County", the Route 2 Corridor is a microcosm of our region. The larger buildings in the north that were once populated by the "nationals" have all seen a retrenchment, while the smaller "mom and pop" tenants along Route 2, are slugging it out as they compete for allegiance from their loyal neighbors.

TOWSON

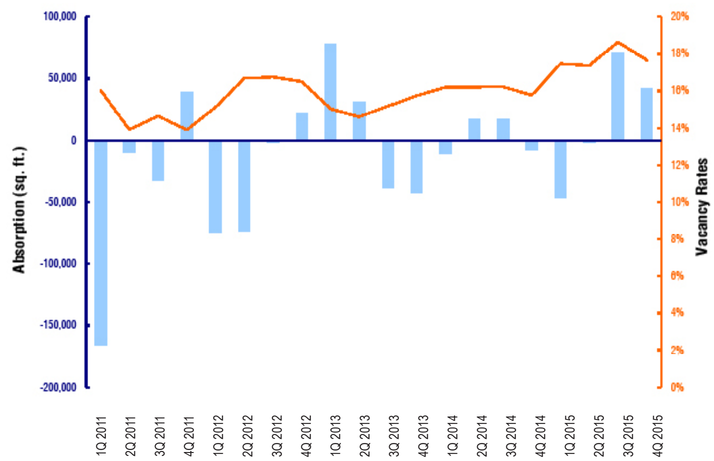
FOURTH QUARTER | **2015**

"The Towson office market continues to struggle as existing tenants remain in place and very few new tenants enter the Downtown Towson area. Free-standing buildings with surface parking outside the Towson core remain active with multiple showings and a few new leases being signed. The Towson Row project is starting to create increased "buzz" as demolition of existing buildings is completed and the landscape starts to take shape. The hope remains that with new multi-family construction and the new Whole Foods store, a better market will be created for the "live, work, play" crowd to lease additional office space."

- Bill Whitty

Senior Vice President/Principal

ABSORPTION/VACANCY RATES



QUICK STATS

17.65%
VACANCY RATE

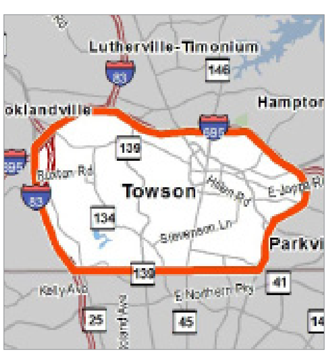
After decreasing by 0.98% during the 4th Quarter, total vacancy remains nearly 2% higher than the same quarter in 2014 which saw rates of 15.78%.

42,484
ABSORPTION

The Towson submarket absorbed more than 42,000 sf during the 4th Quarter of 2015, making up the majority of the year-to-date total positive absorption of 66,301 sf.

$20.78
AVG. RENTAL RATE

Continuing the trend of changing by an average of $0.25/sf in either direction over the past year, average rental rates decreased by $0.27 during the 4th Quarter of 2015. Towson holds the spot for lowest rental rate among all Northern Metro submarkets.



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.

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