

Overview

According to the Bureau of Labor Statistics, the preliminary February 2011 unemployment rate for Maryland at 7.1% was 1.8 percentage points lower than the national unemployment rate of 8.9%. The strong presence of the public, healthcare and education sectors in the state continued to bolster its steady recovery but private sector growth remained slow and residents exiting the workforce remained problematic.

Vacancy and Leasing Activity

Signs of recovery were evident in the first quarter of 2011 as both direct and overall vacancy rates at 12.7% and 13.5%, respectively, for the Baltimore market dropped at least two percentage points from the first quarter of 2010. Improvements in the market were concentrated in Baltimore's Non-CBD submarkets as the overall vacancy rate decreased three percentage points from first quarter of 2010 to 12.4%, while the Baltimore CBD, at an overall vacancy rate of 17.4%, saw a slight uptick of half a percentage point from the first quarter of 2010. Vacancy rates are expected to decrease one percentage point by the end of 2011 due to the 233,304 square feet (sf) move-ins of Ober Kaler and Transamerica at 100 Light Street. However, further declines in vacancy rates and positive absorption will remain limited as activity is largely confined to existing CBD tenants, who are opting for renewal leases. Fifteen buildings held more than 50,000 sf of vacant space in the quarter. Notable first quarter 2011 CBD leases included: 57,601-sf University of Maryland Medical Systems renewal and expansion lease at 250 West Pratt Street, 35,000-sf Ballard Spahr renewal lease at 300 East Lombard Street and the 17,000-sf Northwestern Mutual direct lease at 111 South Calvert Street.

The direct vacancy rate for Baltimore's Non-CBD stood at 12.4% in the quarter with the lowest vacancy rates residing in Anne Arundel and Harford Counties at 9.5% and 6.1%, respectively. Government and contractor requirements continued to drive activity as growth is expected in Baltimore County due to the expansion of the Social Security Administration (SSA) and the September 2011 operational deadline for Base Realignment Act Closure (BRAC) draws near for Fort Meade and Aberdeen Proving Ground (APG).

Additionally, Howard and Anne Arundel Counties stand to benefit from United States Cyber Command (USCYBERCOM) headquarters located at Fort Meade as the agency is expected to employ 20,000 employees nationally. The largest leases of the quarter for the Baltimore Non-CBD were TESSCO Technologies Incorporated's 97,392-sf renewal lease at 375 West Padonia Road and Computer Science Corporations (CSC) 83,010-sf direct lease at 6721 Columbia Gateway Drive.

Sales Activity

A total of 421,360 sf in investor sales were executed in the quarter in Baltimore's Non-CBD submarkets. REITs remained active in the Baltimore market particularly in buildings which boasted occupancy rates of 70% or above. The largest sale transaction of the quarter was Government Properties Income Trust's purchase of the fully occupied 6300 and 6340 Security Boulevard in Woodlawn, MD for \$28.0 million. Other notable transactions included First Potomac Realty Trust's purchase of 10320 Little Patuxent Parkway for \$11.0 million and Healthcare Trust of America, Incorporated's purchase of 333 Cassell Drive for \$29.25 million.

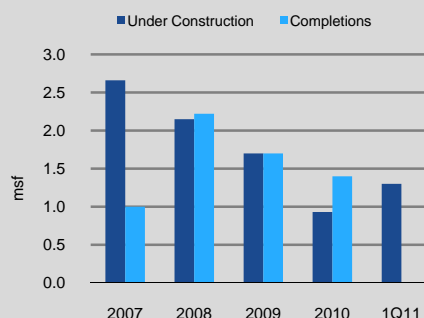
Outlook

Activity for the Baltimore market is expected to remain concentrated in Baltimore's Non-CBD submarkets as proximity to the greater Baltimore-Washington DC area and strong government and contractor activity will help to stabilize its vacancy rates. Construction activity will continue to be limited to projects servicing government and contractor use near Fort Meade, APG and SSA headquarters. A total of 1.3 million square feet (msf) is expected for delivery in 2011 in Howard, Anne Arundel and Harford Counties with 1.2 msf available for lease with asking direct rental rates ranging from \$30.00 to \$36.00 per square foot (psf) with \$40.00 psf to \$45.00 psf in tenant improvements.

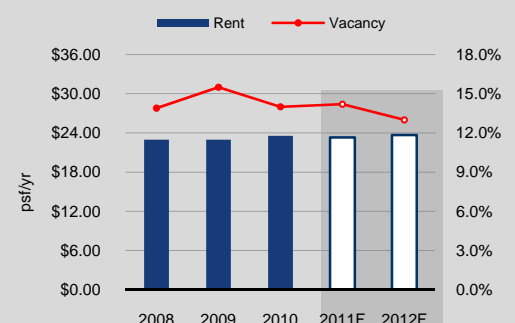
Stats on the Go

	1Q10	1Q11	Y-o-Y change	12 month Forecast
Overall Vacancy	15.8%	13.5%	-2.3 pp	◀▶
Direct Asking Rents	\$22.77	\$24.26	6.5%	◀▶
YTD Leasing Activity (sf)	471,106	377,614	-19.8%	◀▶

Under Construction vs. Completions



Overall Rental Rate vs. Overall Vacancy Rate



Market/Submarket Statistics

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Class A Gross Rental Rate*
CBD	13,499,628	17.4%	15.3%	25,992	0	0	(75,961)	72,495	\$2128	\$24.87
Midtown	1,592,922	2.8%	2.7%	0	0	0	8,599	8,599	\$18.76	\$25.25
Northwest	911,610	4.8%	4.2%	0	0	0	5,103	879	\$23.79	N/A
Northeast	77,016	0.0%	0.0%	0	0	0	0	0	N/A	N/A
Southeast	4,496,353	15.9%	15.2%	28,048	0	0	40,125	40,952	\$30.57	\$34.22
Southwest	1,775,662	30.7%	29.8%	0	0	0	2,831	2,831	\$22.44	\$40.00
Baltimore City	22,353,191	16.5%	15.1%	54,040	0	0	(19,303)	125,756	\$23.48	\$28.47
Columbia North	1,167,713	10.8%	10.8%	0	0	0	(4,349)	(4,349)	\$22.79	\$23.42
Columbia South	6,933,342	12.8%	12.3%	106,537	250,845	0	(4,677)	29,390	\$26.90	\$28.42
Town Center	2,078,844	15.9%	15.7%	17,262	0	0	(20,857)	(24,089)	\$23.62	\$24.44
Ellicott City	206,770	1.6%	1.6%	0	0	0	2,703	2,703	\$23.16	\$23.16
BWIHoward County	643,685	38.6%	38.6%	43,950	0	0	46,450	46,450	\$24.17	\$25.51
Howard County	11,030,354	14.5%	14.1%	167,749	250,845	0	9,270	50,105	\$25.33	\$26.58
Annapolis	2,308,268	6.1%	5.2%	13,146	0	0	36,237	33,381	\$25.47	\$29.60
Route 2 North	202,611	10.9%	10.9%	0	0	0	(3,164)	(3,164)	\$15.51	N/A
Route 2 South	261,913	12.0%	12.0%	0	0	0	2,469	2,469	\$24.11	\$25.75
BWIAnne Arundel	4,390,364	11.0%	10.8%	66,170	579,878	0	(20,894)	(20,894)	\$27.75	\$28.46
BWILinthicum	2,628,627	11.4%	11.1%	18,794	0	0	(27,950)	(27,950)	\$23.26	\$23.97
I97/Crain Hwy	290,988	5.6%	5.6%	0	0	0	0	0	\$23.50	\$23.50
Anne Arundel	10,082,771	9.8%	9.5%	98,110	579,878	0	(13,302)	(16,158)	\$26.15	\$27.99
Baltimore County East	868,351	13.5%	13.5%	0	0	0	10,046	10,046	\$22.30	\$24.10
Towson	3,674,204	12.5%	11.8%	0	0	0	51,230	34,449	\$20.68	\$22.89
Route 83 South	1,846,429	10.8%	10.8%	19,189	0	0	16,566	17,781	\$24.71	\$24.98
Route 83 North	3,870,364	13.9%	12.8%	0	0	0	(29,392)	(30,814)	\$22.74	\$23.40
Reisterstown Road Corridor	4,422,650	12.9%	12.5%	0	0	0	8,666	2,361	\$20.83	\$21.36
Woodlawn/Catonsville	2,827,760	4.7%	4.7%	38,526	0	0	78,272	78,974	\$18.96	\$22.51
Baltimore County	17,509,758	11.5%	11.0%	57,715	0	0	135,388	112,797	\$21.91	\$23.40
Harford	884,197	6.6%	6.1%	0	452,720	0	2,353	(17,12)	\$34.31	\$34.50
Harford	884,197	6.6%	6.1%	0	452,720	0	2,353	(17,12)	\$34.31	\$34.50
NON-CBD	48,360,643	12.4%	12.0%	351,622	1,283,443	0	190,367	198,293	\$24.90	\$27.50
BALTIMORE TOTAL	61,860,271	13.5%	12.7%	377,614	1,283,443	0	114,406	270,788	\$23.96	\$26.96

*Rental rates reflect asking \$/sq ft/year.

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
375 West Padonia Road	Route 83 South	TESSCO Technologies Incorporated*	97,392	B
6721 Columbia Gateway Dr	Columbia South	Computer Science Corporation	83,000	A
250 West Pratt Street	CBD	University of Maryland Medical Systems**	57,601	A
7595 Montevideo Blvd	BWIHoward County	NCO Group	43,950	B

*Renewal - not included in Leasing Activity Statistics **Renewal/Expansion - renewal portion not included in Leasing Activity Statistics

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
6300 and 6340 Security Boulevard	Woodlawn/Catonsville	Government Properties Income Trust	181,328	\$28,000,000
10320 Little Patuxent Parkway	Town Center	First Potomac Realty Trust	138,646	\$11,000,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
----------	--------	--------------	-------------	-----------------

N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
206 Research Boulevard	Harford	N/A	128,120	2Q11
4696 Millenium Drive	Harford	ManTech International Corporation	125,000	2Q11
430 National Business Parkway	BWIAnne Arundel	N/A	110,000	2Q11
2288 Blue Water Boulevard	BWIAnne Arundel	N/A	63,753	2Q11
6180 Guardian Gateway	Harford	N/A	29,400	2Q11



Cushman & Wakefield of Maryland, Inc.
500 E. Pratt Street, Suite 500, Baltimore, MD 21202 (410) 685-9595

www.cushmanwakefield.com

* The market terms and definitions in this report are based on NAIOP standards. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals. © 2011 Cushman & Wakefield, Inc. All rights reserved.