

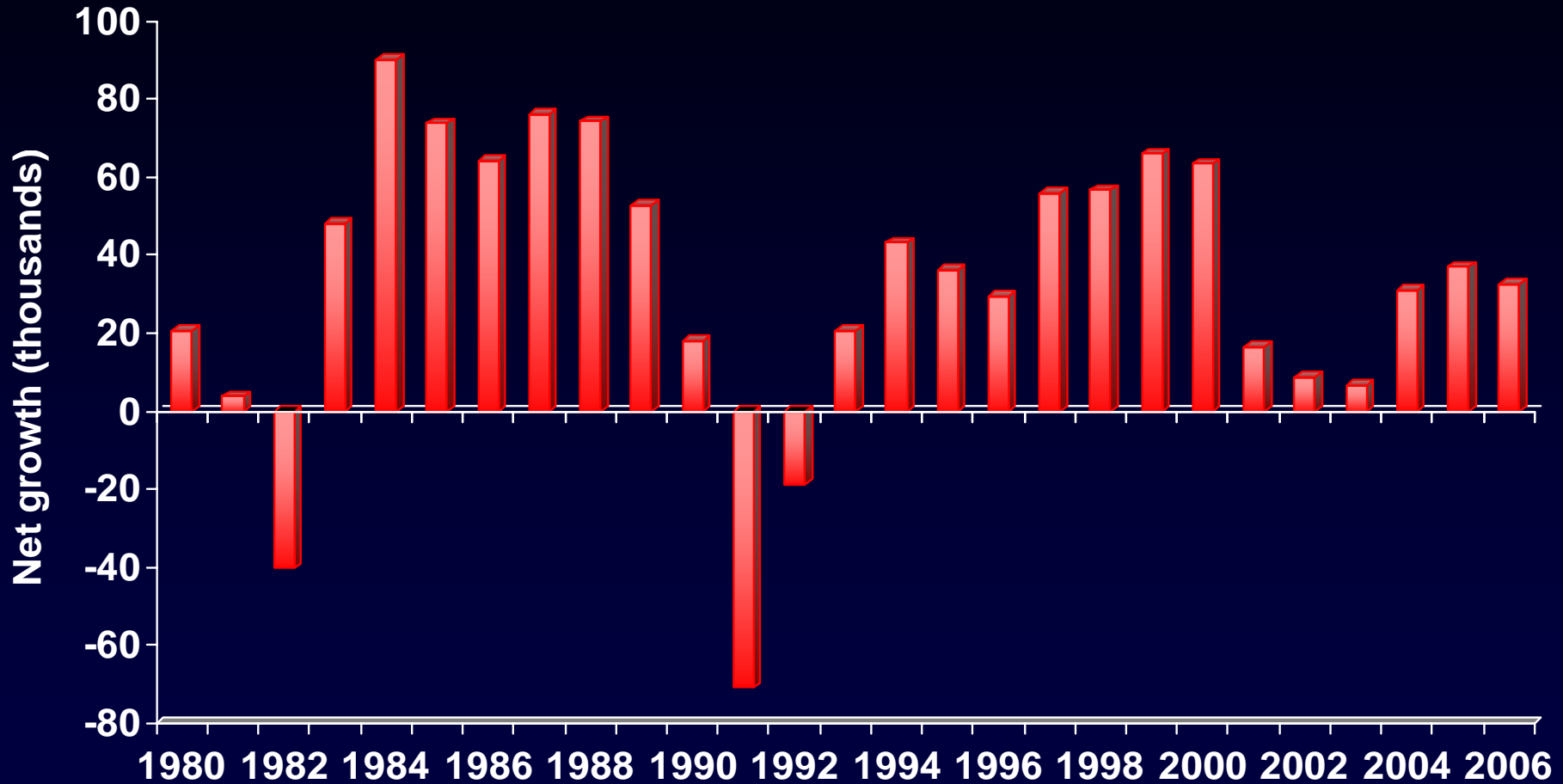
Baltimore's Office Market Improves

*On Behalf of
"The Real Deal"*

*By: Anirban Basu
Sage Policy Group, Inc.*

January 18, 2007

Employment Growth in Maryland 1980 through 2006*

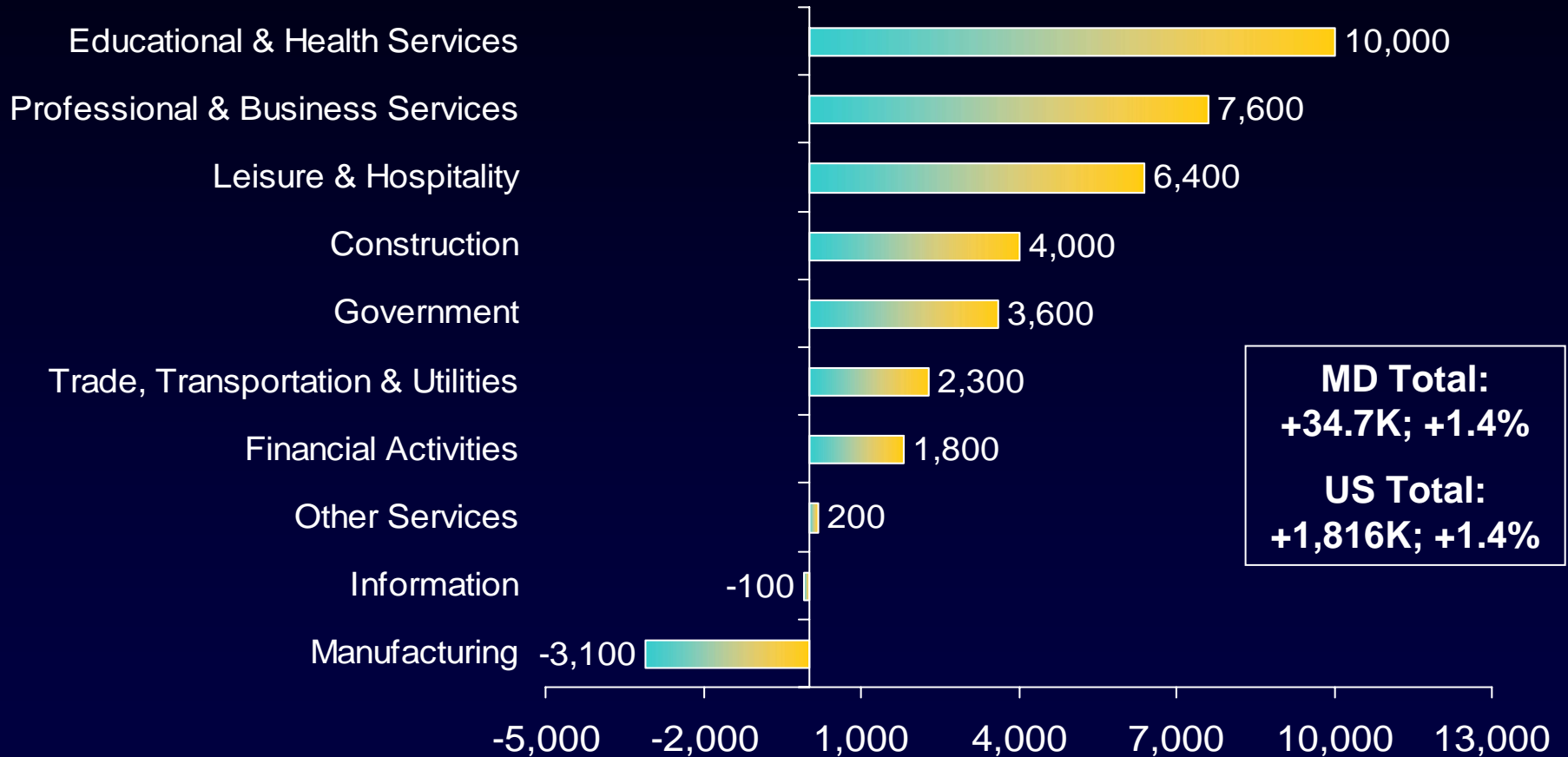


*Through November 2006

Maryland Nonfarm Employment by Industry Sector Groups

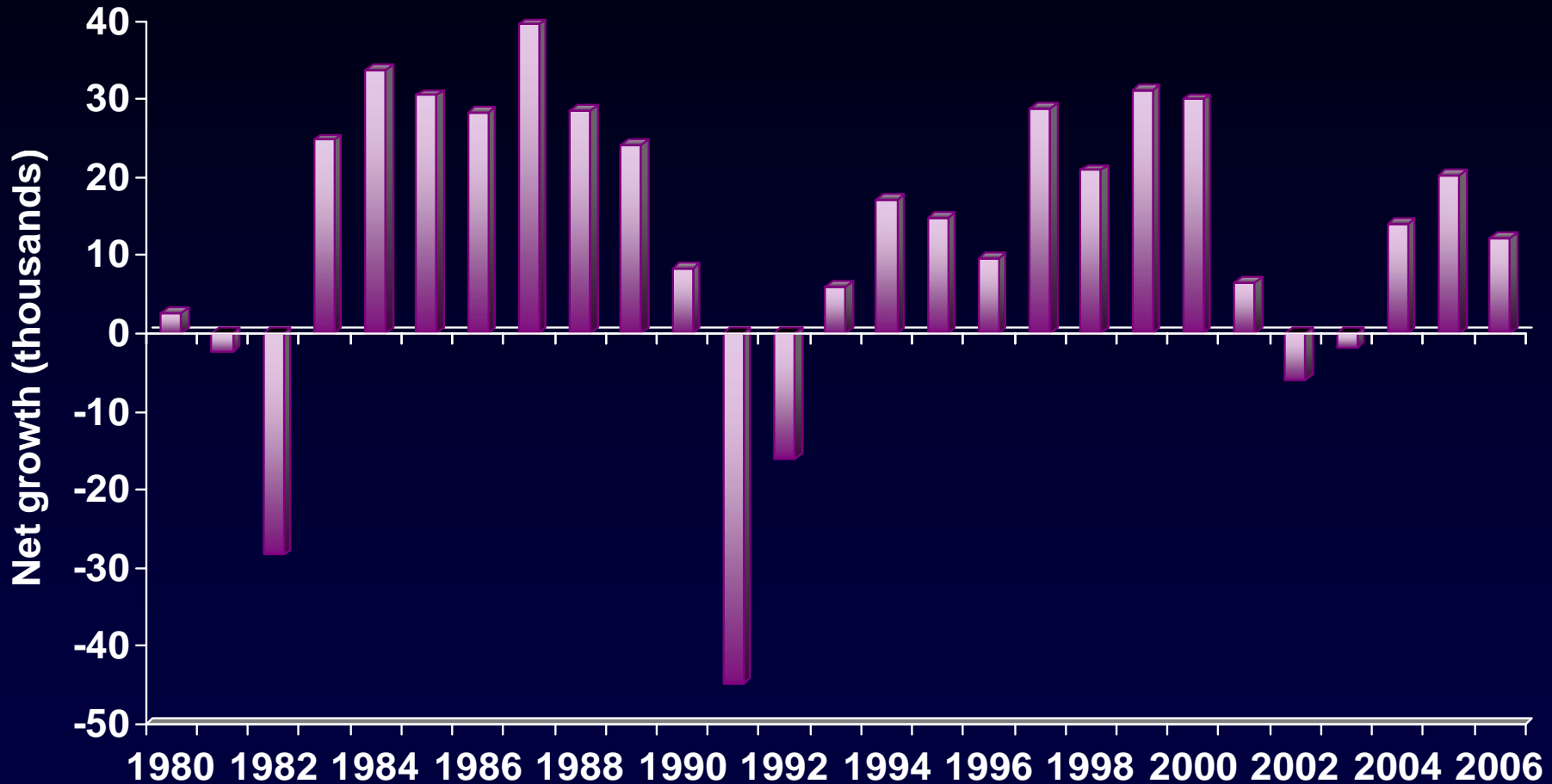
November 2006 v. November 2005

Absolute Change



Source: Bureau of Labor Statistics

Employment Growth in Baltimore MSA 1980 through 2006*

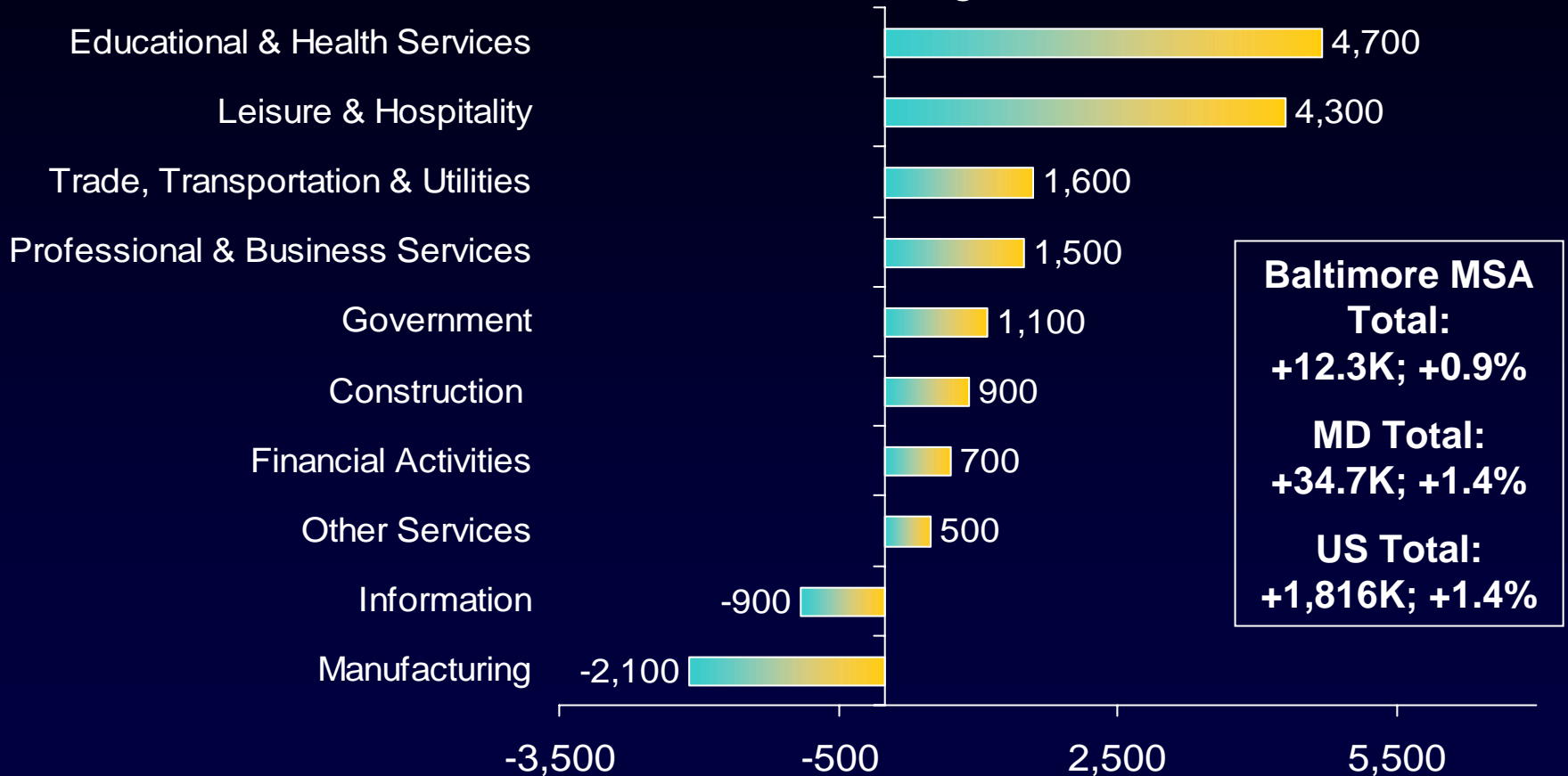


*Through November 2006

Baltimore MSA Nonfarm Employment by Industry Sector Groups (NSA)

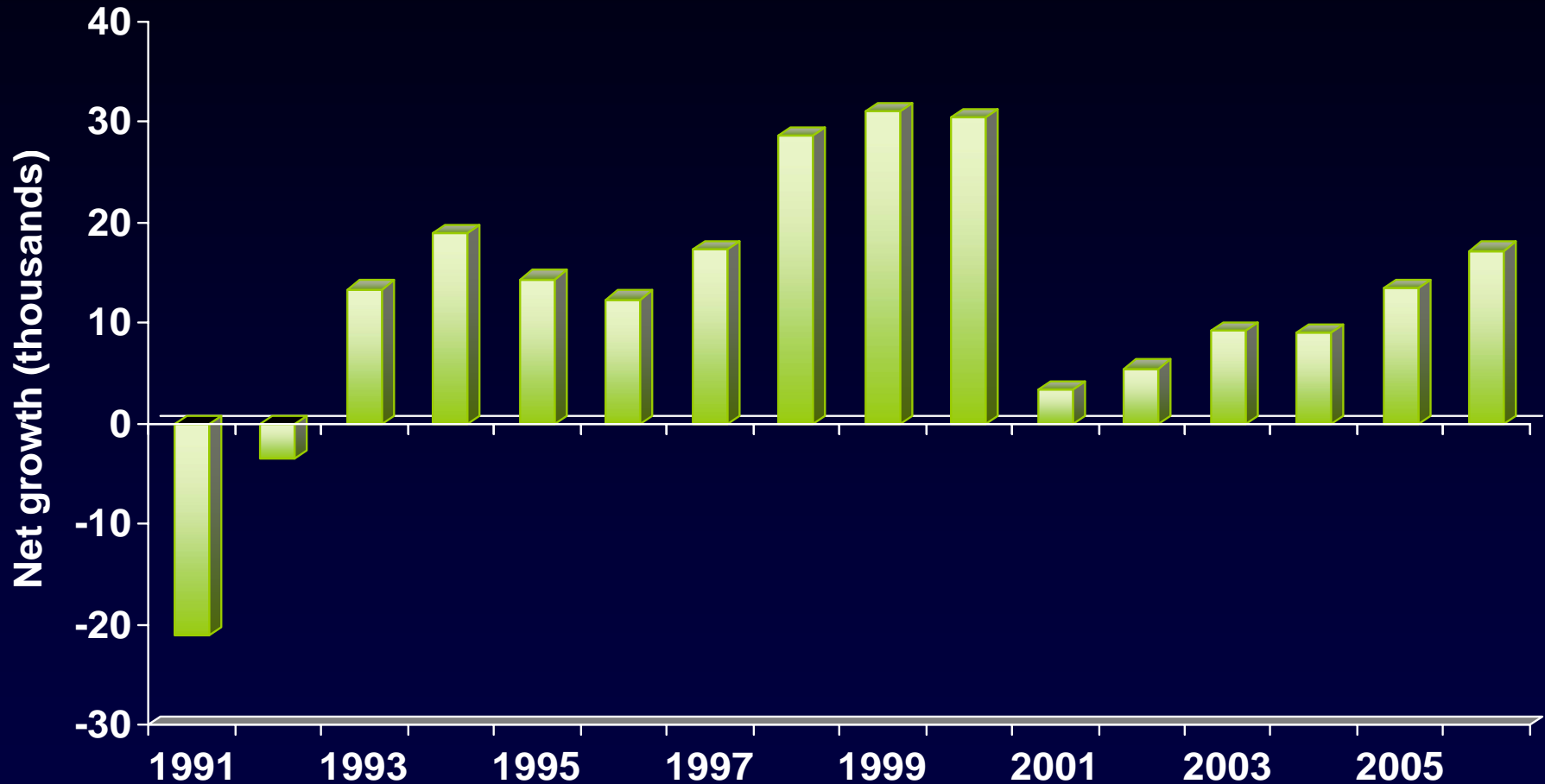
November 2006 v. November 2005

Absolute Change



Source: Bureau of Labor Statistics

Employment Growth in Suburban MD 1991 through 2006*

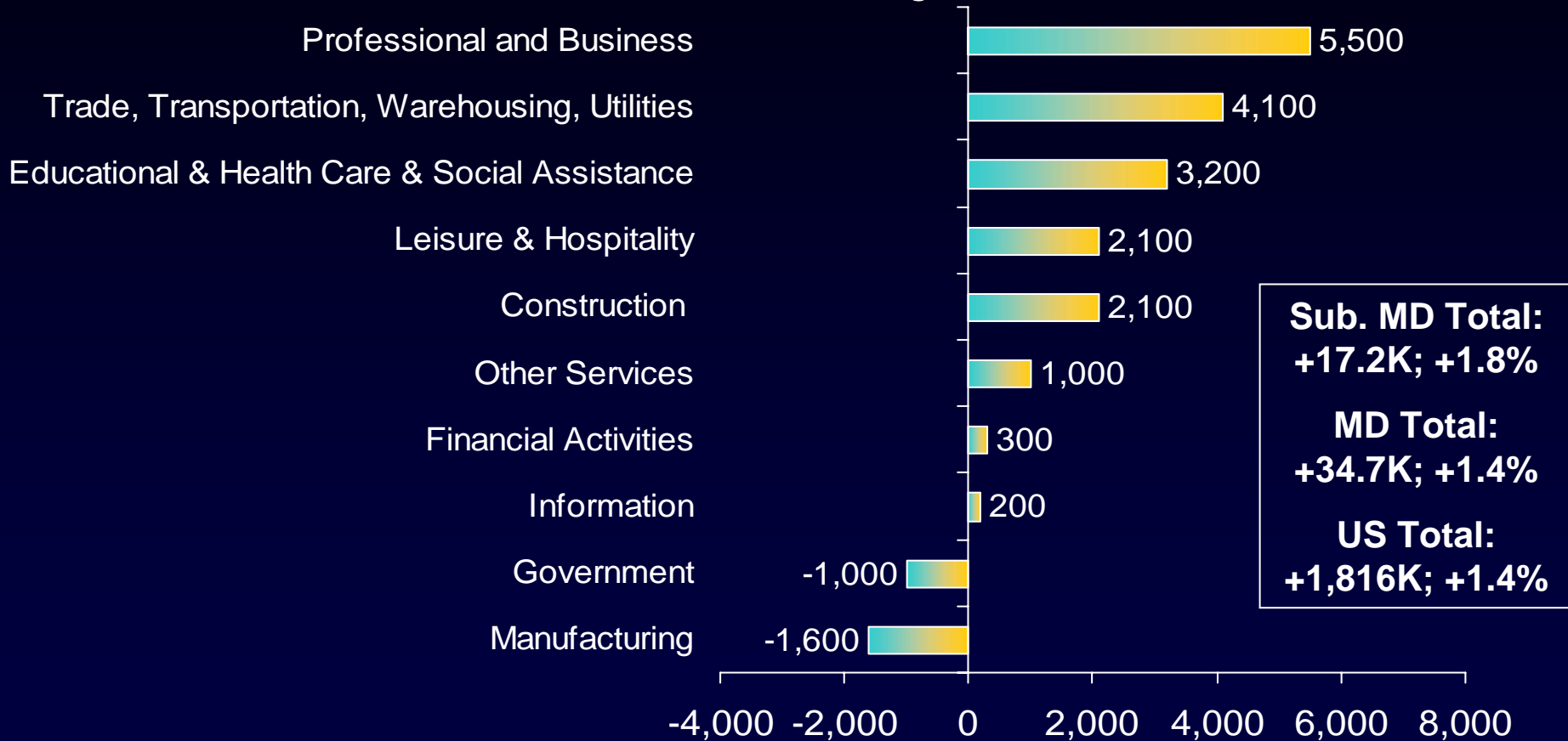


*Through November 2006

Suburban Maryland Nonfarm Employment by Industry Sector Groups (NSA)

November 2006 v. November 2005

Absolute Change



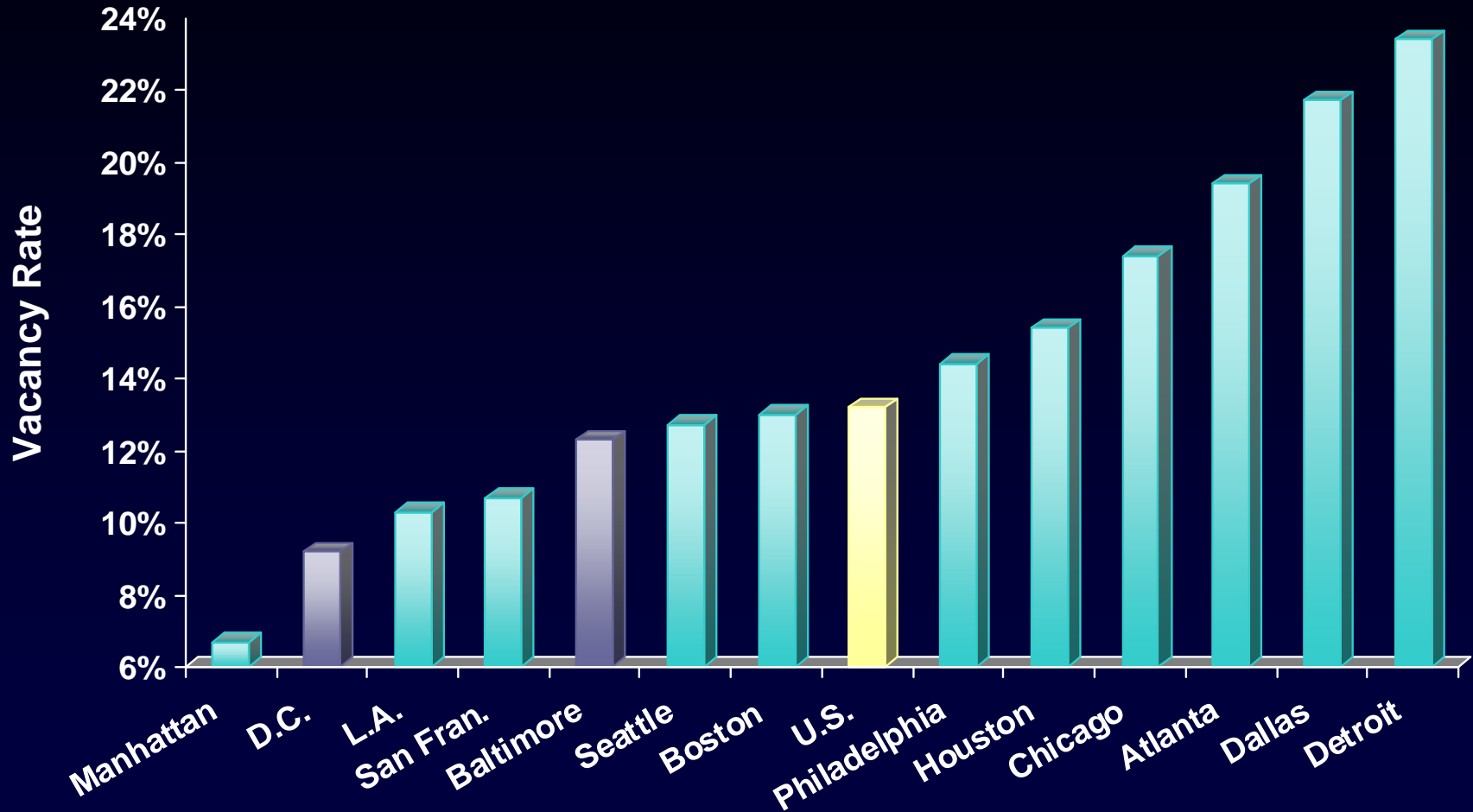
Source: Bureau of Labor Statistics

Employment Growth by Maryland Metro- and Micropolitan Areas, November 2006 vs. November 2005

Region	Net Change in Employment (thousands)	% Change in Employment
<i>Maryland</i>	34.7	1.4%
Baltimore-Towson, MD	12.3	0.9%
Bethesda-Frederick- Gaithersburg, MD	10.4	1.8%
Calvert-Charles-Prince George's, MD	6.8	1.7%
Salisbury, MD	0.4	0.7%
Hagerstown, MD	0.3	0.3%
Cumberland, MD	-0.2	-0.5%

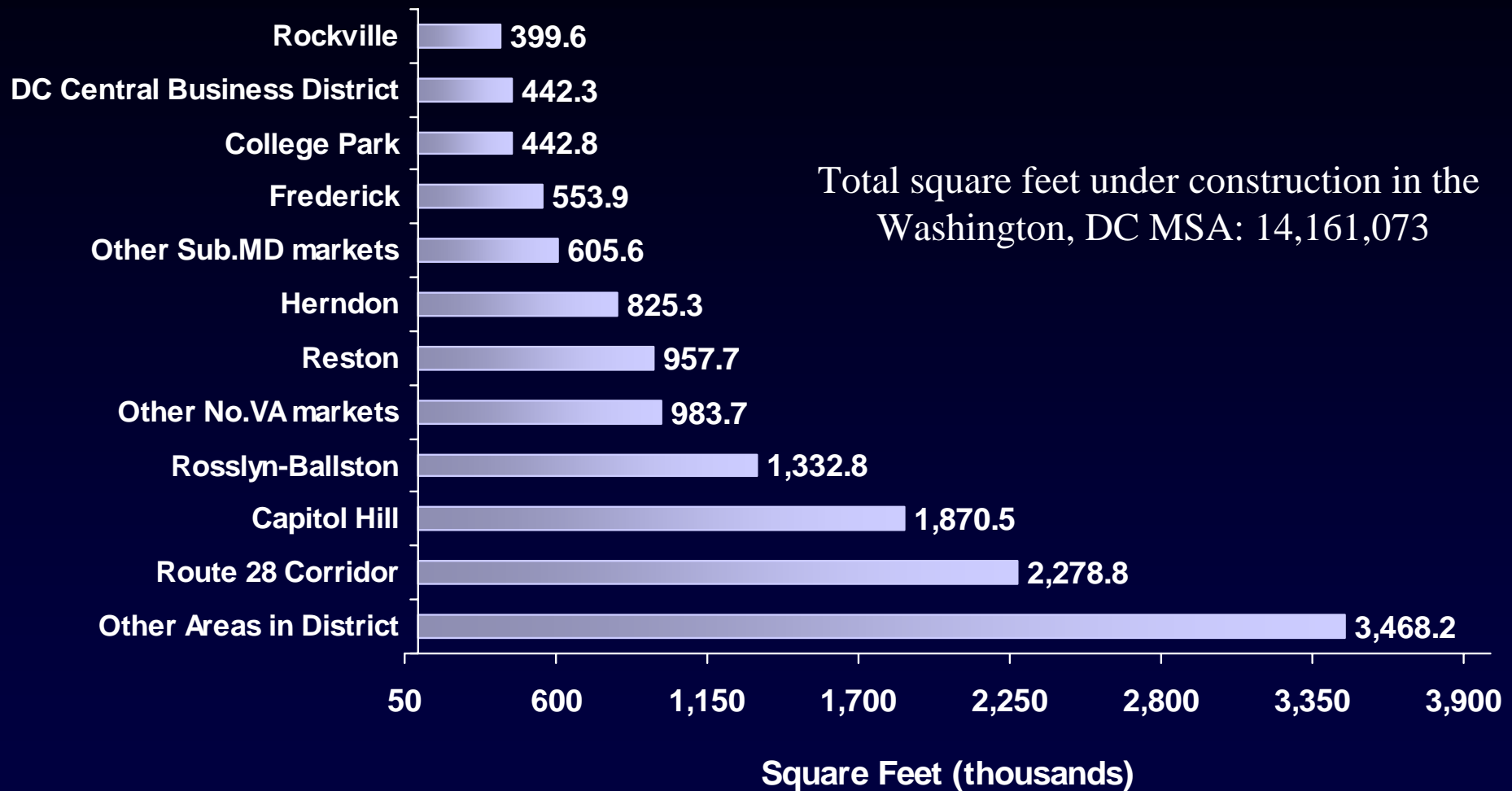
Source: Bureau of Labor Statistics

Office Vacancy Rates for Select Metropolitan Areas 2006Q3



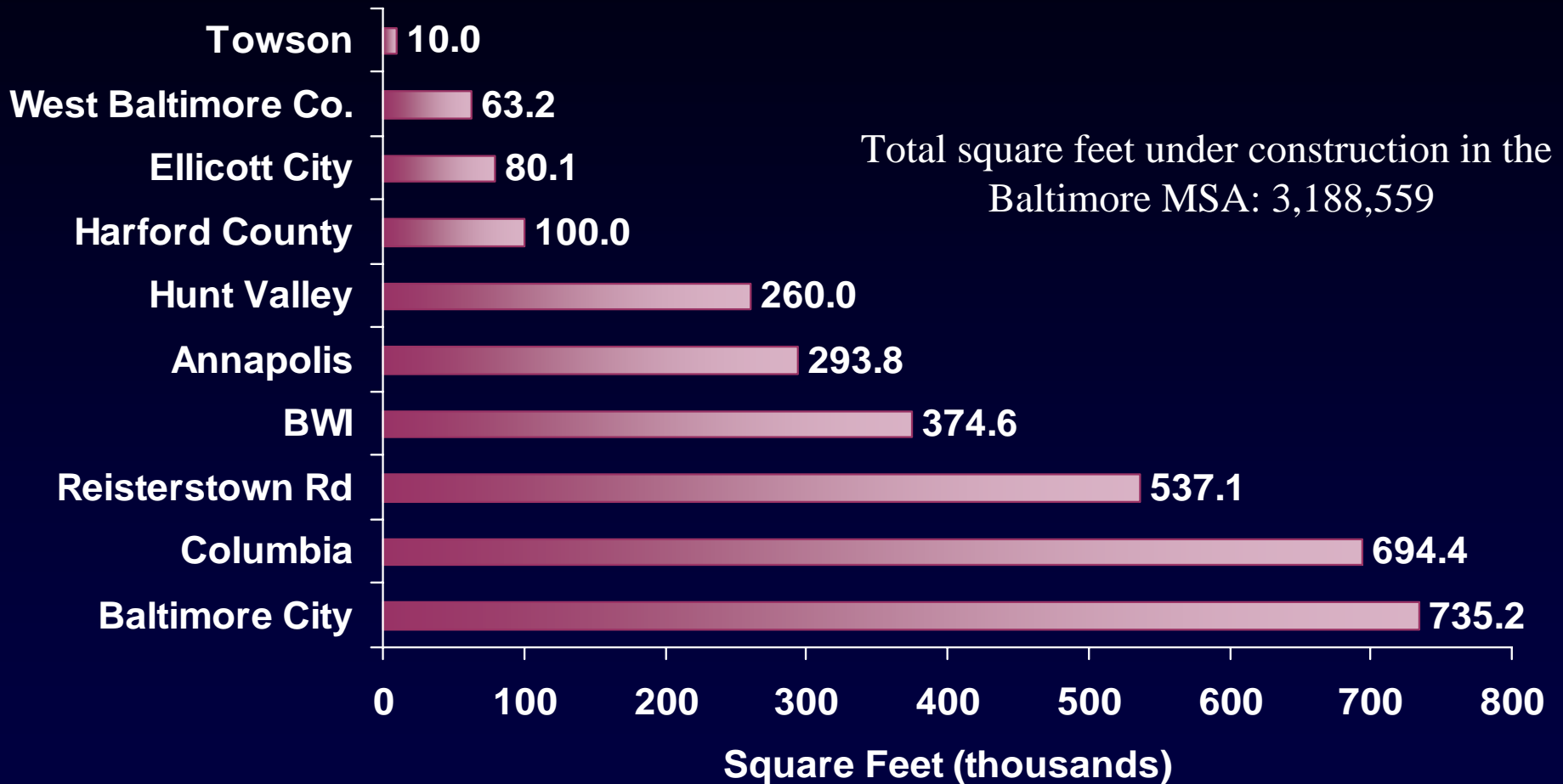
Source: CB Richard Ellis

Office Space Under Construction in the Washington, DC Metropolitan Area, 2006Q3



Source: Trammell Crow Company

Office Space Under Construction in the Baltimore MSA, 2006Q3



Source: CB Richard Ellis

Baltimore MSA Office Market, 2006Q4

Submarket	Direct Vacancy Rate	Net Absorption 2006 YTD
Class "A+" Baltimore City	10.18%	249,996
Class "A" Baltimore City	12.32%	124,490
Class "B" Baltimore City	12.28%	4,384
Downtown Total	11.58%	378,840
Annapolis	3.53%	261,692
BWI	7.46%	456,438
Columbia	9.57%	412,867
Ellicott City	9.58%	28,787
Reisterstown Rd Corridor	9.11%	68,864
Towson/Timonium	8.64%	1,180

Source: CB Richard Ellis

Baltimore's 2006 Office Market Performance

- The Baltimore Metropolitan area office market absorbed and built more than two million square feet of office space in 2006 for the third consecutive year, surpassing the performance of any other three-year period, including the market run-ups in the late 1980's and 1990's;
- Howard County absorbed over half of the new space built in 2006; and
- There were two buildings completed in the City, including the largest new building in the metropolitan market, the 510,000 sf First Mariner Bank building.

Source: Colliers Pinkard

Department of Defense Activities Relocating to Aberdeen Proving Ground and Fort Meade

- Aberdeen Proving Ground:
 - U.S. Army Research Laboratory (some elements);
 - Sensors, Electronics and Electronic Warfare, Research, Development and Acquisition Activities;
 - Human Systems Research;
 - Vehicle Technology Directorates;
 - U.S. Army Communications-Electronics Command (some elements);
 - U.S. Army Test and Evaluation Command and Army Evaluation Center;

Source: U.S. Department of Defense

Department of Defense Activities Relocating to Aberdeen Proving Ground and Fort Meade (cont.)

- Aberdeen Proving Ground (cont.):
 - Various Chemical and Biological Defense Research Activities;
 - Civilian Personnel Operations (some elements);
 - Information Systems Development/Acquisition.
- Fort Meade:
 - The Defense Information Systems Agency;
 - The Adjudication and Office of Hearing and Appeals;
 - Department of Defense Media Activities.

Source: U.S. Department of Defense

Department of Defense Activities Relocating to Fort Detrick and National Naval Medical Center

- Fort Detrick:
 - U.S. Army Reserve and US Marine Corps Reserve Units;
 - The Joint Center of Excellence in Regulated Medical Product Development and Acquisition;
 - The Joint Center of Excellence in Biomedical Defense Research.
- National Naval Medical Center:
 - Walter Reed National Military Medical Center (new site on the National Naval Medical Center grounds).

Source: U.S. Department of Defense

Conclusions

- Baltimore office market poised for another fine year;
- Subsequent years could be even better assuming that the national economy holds up; and
- Market strength is spreading to the north.

Thank You

- You can always reach me at abasu@sagepolicy.com
- You'll be hearing a lot from us the balance of the year.
- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.