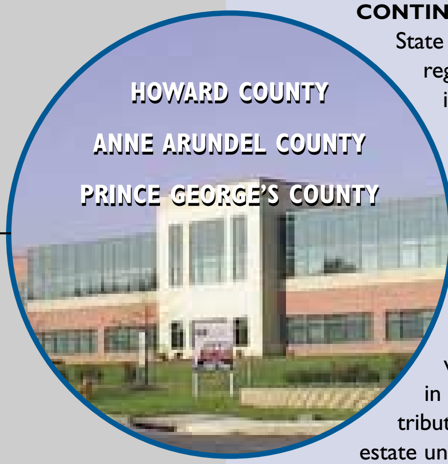
NAI KLNB

Commercial Real Estate Services, Worldwide.
A division of KLNB, founded in 1968.

Year End 2004

OFFICE & INDUSTRIAL MARKET UPDATE and Forecast



Baltimore Washington, D.C. Corridor

IN THIS ISSUE:

2004 YEAR END REVIEW

DEFENSE SECTOR IS KEY ECONOMIC DRIVER FOR CONTINUED RECOVERY

State and local economic development agencies, regional economists and experts in the real estate industry all agree that, after "bottoming out in 2002," Baltimore-Washington, D.C. commercial real estate continues to enjoy a recovery that began in 2003. A convergence of factors, including proximity to the federal government, Fort Meade and an expanding international airport are also supporting the need for additional real estate facilities in the Corridor. The burgeoning health care and biosciences industries, coupled with a diverse mixture of expanding corporations in the non-medical private sector, have also contributed to job creation and positively affected the real estate universe. All the proper ingredients for expansion are in place in the Baltimore-Washington area, including continued job growth, increased spending by the federal government, relatively low interest rates and new residential construction, to virtually guarantee no deviation from an upwards growth trend in 2005 and beyond.

ISSUES AND TRENDS AFFECTING THE LOCAL REAL ESTATE MARKETPLACE

- Defense contractors, such as Northrop Grumman, remain significant economic drivers
- Smaller, private companies are taking advantage of relatively low interest rates to expand their operations and purchase their own facilities
- Construction costs continue to spiral upwards - with up to 40% increases from three years ago - driving up rental rates and build-out expenses
- Improvement allowances provided by developers and landlords are not keeping pace with the increase in tenant build-out costs
- The sublet market, which reached historic highs two years ago due to the technology bust, has declined to normal levels
- Land constraints have contributed to both the escalation of land and building prices
- The purchase of condominium units for office and warehouse space is heating up in the region, with both end-users and investors showing buying interest. A number of new condominium projects have started in Howard and Anne Arundel Counties with positive success
- Rental rates, which have stabilized for the past several years, are showing signs of increasing across county lines and product categories

YEAR END REVIEW

"We continued to experience strong leasing activity in 2004 among our office and industrial properties throughout the Baltimore/Washington region. Many customers expressed interest in expansion space and new construction activity has been strong. Several new developments are in the planning stage for 2005 in an effort to better serve our diverse customer mix."

ROBB MERRITT
MERRITT PROPERTIES, LLC

"The Baltimore-Washington, D.C. region continues to be among the most prolific performers for First Industrial Realty Trust. The local area exceeded our leasing expectations in 2004, and we intend to maintain our aggressiveness in the acquisition and development of new industrial product in 2005."

MARK W. MCCONNELL
REGIONAL DIRECTOR
FIRST INDUSTRIAL REALTY TRUST, INC.

MARKET-BY-MARKET ANALYSIS

• HOWARD COUNTY INDUSTRIAL: Approximately 110,000 square feet of new industrial space was delivered and vacancy levels decreased by approximately 1% in this category. Industrial sales continued to be extremely strong, although the prospect for new construction remains bleak, with other real estate uses - including Class A office and residential – preferred.

• ANNE ARUNDEL COUNTY INDUSTRIAL: Activity was positive with the vacancy rate dropping three percentage points to approximately 11.8% with more than 800,000 square feet of space absorbed. In Marley Neck-Glen Burnie, the vacancy was 7% for flex space, 10% for office/warehouse and 20% for bulk warehouse. The overall vacancy rate was slashed in half in Odenton, moving from 33.6% to 14.9%.

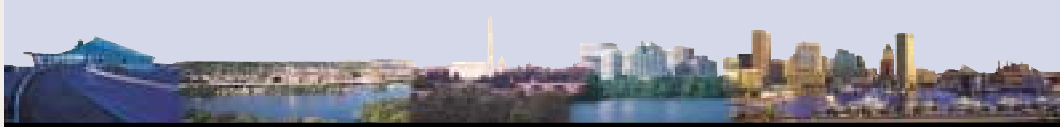
• PRINCE GEORGE'S COUNTY INDUSTRIAL, FLEX AND OFFICE: For the first time in four years, the overall industrial vacancy rate declined every quarter in 2004, ending at 10.5% after starting the year at 12.2%, based on nearly 1.3 million square feet of space being absorbed. Several build-to-suit industrial buildings were constructed, with some companies transferring their base of operations to this County from Northern Virginia. This is a possible trend worth watching. The repositioning of large, outdated industrial buildings also continues, with an excellent success story at the Glenn Dale Business Center. Flex product is being leased in small increments, but it continues to languish and vacancy rates are moving upward. Speculative Class "A" office has suddenly become in vogue, with new projects rising at the Patriot Center in Greenbelt and the Maryland Science & Technology Park (re-named to "Melford") in Bowie. Product appears to be paced slightly ahead of demand, although initial pre-leasing activity is decidedly encouraging.

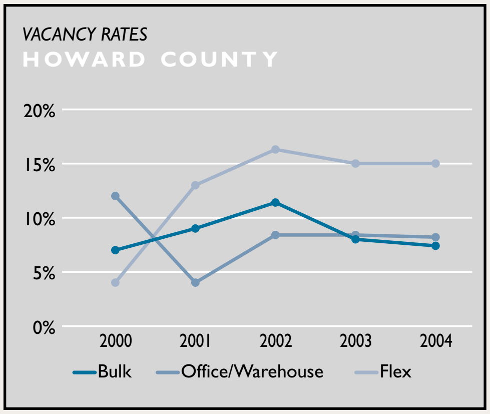
• HOWARD COUNTY OFFICE: Even with a number of new, Class "A" buildings delivered to this sub-market in 2004, the overall vacancy rate dropped from 14.1% to 12.7%. Class "B" product also followed suit with a positive absorption of nearly 123,000 square feet of space, with vacancy falling to 9.2% from the 14% level at the conclusion of 2003.

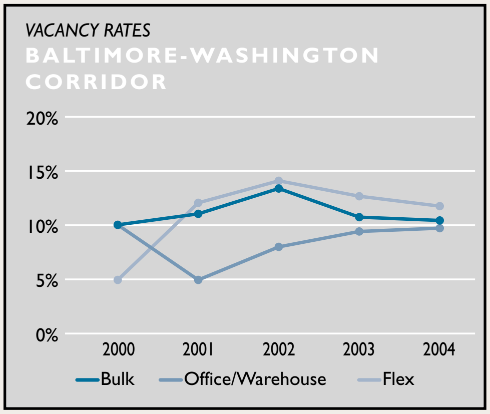
• ANNE ARUNDEL COUNTY OFFICE: The biggest news occurred at the end of the year with The Buccini/Pollin Group's announcement to construct approximately 400,000 square feet of Class A office space at BWI Airport, in conjunction with a Hilton Hotel. Continued growth in the defense contractor sector contributed to the overall 7% vacancy rate in this sub-market.

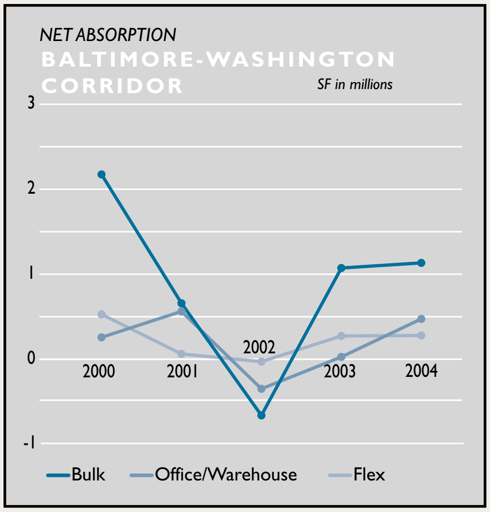
• CONDOMINIUM MARKET: With interest rates remaining low, approximately six different condominium projects stand in various stages of construction or completion, in this emerging product category. Typical purchasers for office condos are in the professional services field, including physicians, attorneys and accountants. The warehouse condominium market is also appearing in this market, with excellent reactions from end-users and investors alike.

• INVESTMENT SALES: Capitalization rates have reached historic lows due to the continuation of low interest rates, and competition among lenders has become ever more fierce. More than 80 office and industrial properties changed hands in Anne Arundel and Howard Counties (through October), representing $190 million and a significant rise from one year ago. Rising interest rates do not portend a curtailment of this sales activity, as companies still show interest in taking advantage of record pricing and relatively low capital gains taxes.









HOWARD COUNTY
Industrial/Flex Market Report

2004 was a productive year for all facets of commercial and industrial real estate throughout Howard County. After realizing over one million square feet of positive absorption in the county in 2003, the same was true for 2004. Since only 112,000 square feet of new space was delivered in the industrial market in the Route 1 Corridor and Columbia submarkets in 2004, the vacancy rate decreased yet again to approximately 8% throughout the county. This vacancy rate has slowly and steadily declined since the second quarter of 2003. This is partly due to the land constraints in the industrial sector of the market which has contributed to the upward tick in real estate rates in the county during 2004.

- Industrial sales continued at a strong rate in 2004 as in 2003.
- Interest rates remained low and record high prices were paid for all building types.
- Most of the county's remaining available developable land is slated for office, hotel, apartments and senior housing development, not for industrial use.

US ROUTE 1 CORRIDOR SUBMARKET

- The vacancy rate for bulk in the Route 1 Corridor decreased from 11% in 2003 to 8% by the end of 2004.
- As a result of the decreased vacancy, the Route 1 bulk inventory showed a positive absorption of approximately 300,000 square feet in 2004.
- Office/warehouse product continues to be the most sought after product in the Route 1 Corridor with the vacancy rate staying below 9% as it has been since the first quarter of 2001.
- The Route 1 flex market still continues to struggle with vacancy at 22% with two large buildings in Troy Hill remaining vacant.

COLUMBIA SUBMARKET

- With no new bulk distribution space constructed in Columbia in the past three to four years, the vacancy rate is an extremely healthy 5.5% and is at its lowest point since NAI KLNB has been keeping records. The county continues to attract users supplying the mid-Atlantic region from this strategic point.
- The Columbia flex market has also steadily improved with a current vacancy below 10%. This is the first time it has been below 10% since the second quarter of 2002 as the flex product has been the last product to emerge from the tech recession of 2000-2001.
- All in all, companies located in Columbia tend to stay in Columbia if they can, thus resulting in consistently low vacancy rates over the past two years.

INDUSTRIAL CONSTRUCTION ACTIVITY FOR 2005

Projects scheduled for delivery are as follows:

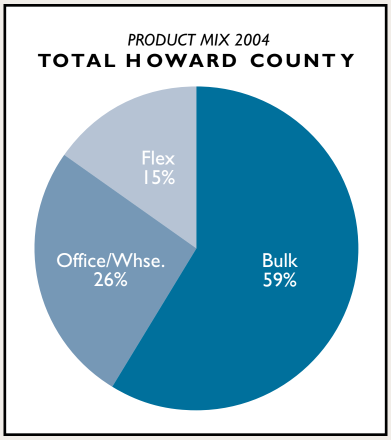
EMORY PROPERTIES AT BUSINESS PARKWAY AND MEADOWRIDGE ROAD

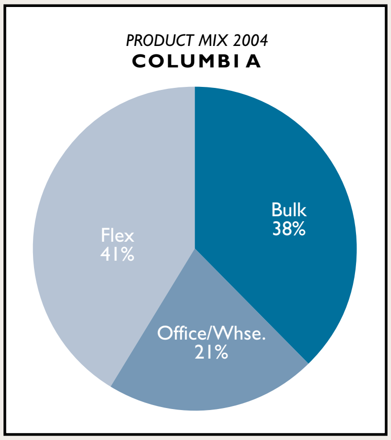
Emory Properties plans to deliver a 28' clear, 82,863 square foot bulk warehouse building at the Business Parkway and Meadowridge Road in February 2005. Asking rental rate is $6.95 per square foot, NNN.

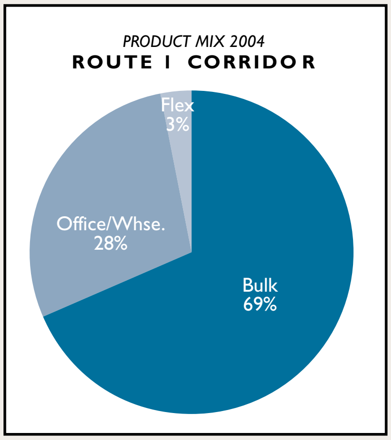
THE SANFORD COMPANIES AT 6725 SANTA BARBARA COURT

The Sanford Companies plans to deliver a 24' clear, 54,000 square foot, warehouse condominium units for sale at 6725 Santa Barbara Court in Spring 2005. The asking sale price is $120 per square foot.

HOWARD COUNTY
Industrial Market Report







8017 DORSEY RUN ROAD
Dorsey Run Park Condominiums, a 48,000 square foot warehouse condominium with 14' clear ceiling height, are scheduled for delivery in early 2005. Asking sale price is $110 per square foot.

SEEFRIED PROPERTIES AT PATAPSCO VALLEY
Two buildings totaling 270,000 square feet of bulk warehouse are currently under construction for delivery in the Summer of 2005, with asking rates of approximately $5.75-$6.25 per square foot, NNN.

LIBERTY PROPERTY AT HIGHPOINT 100 COMMERCE CENTER
Liberty Property Trust will be delivering 250,000 square feet of office/warehouse and bulk warehouse in the front of the Patapsco Valley Industrial Park. Delivery is slated for Fall of 2005.

MERRITT PROPERTIES AT PATAPSCO VALLEY
Merritt is planning to deliver 130,000 square feet of high-end flex. Delivery is expected in the Fall of 2005.

SELECTED INDUSTRIAL PROPERTY SALES

INVESTMENT

AHOLD USA FEDERAL CREDIT UNION
Ahold USA Federal Credit Union purchased a 22,550 square foot, flex building at 8871 Gorman Road in Laurel from Lincoln Freestate Phase 2, LLC, for $2.7 million or $119.73 per square foot.

VESLOR PROPERTIES, LLC
Veslor Properties, LLC, purchased a 33,474 square foot flex building at 6798 Oak Hall Lane in Columbia from Cooper Properties, LLC, for $3.2 million or $96.00 per square foot.

WASHINGTON REAL ESTATE INVESTMENT TRUST
Washington Real Estate Investment Trust purchased a 146,604 square foot warehouse building at 8880 Gorman Road in Savage from Lincoln Freestate, LLC, for $11.5 million or $78.44 per square foot.

BEN EPSTEIN & ASSOCIATES
Ben Epstein & Associates purchased an 80,950 square foot office/warehouse building at 9176 Red Branch Road in Columbia from Heathrow 1, LP, for $5.6 million or $69.18 per square foot.

JOHN GERMENKO
John Germenko purchased a 16,895 square foot flex building at 9121 Red Branch Road in Columbia from MOR IV Associates for $2.196 million or $130.00 per square foot.

DORSEY CENTER, LLC
Dorsey Center, LLC, purchased a 28,302 square foot flex building at 6801 Douglas Legum Drive in Elkridge from SK Dorsey, LLC, for $3.6 million or $127.00 per sf.

USER

WILLIAM MCADAMS
William McAdams purchased a 36,000 square foot, truck terminal situated on 5.2 acres of land at 5495 Levering Avenue in Elkridge from William Stafferi for $1.75 million or $48.61 per square foot.

JAMES BERGER
James Berger purchased a 23,000 square foot, warehouse building situated on 1.77 acres of land at 6315 Howard Lane in Elkridge from Industrial Lighting for $1.55 million or $67.39 per square foot.

HOWARD COUNTY INDUSTRIAL SELECTED LEASE TRANSACTIONS

Company	Square Footage	Building Address
BULK		
Next Day Blinds	118,306	8251 Preston Court
Advanced Polybag	81,000	6935 San Tomas Road
Empire Auto	80,000	8870 Greenwood Place
Alliance Material Handling	80,000	8301 Sherwick Court
Henry Wine Group	40,320	8100 Dorsey Run Road
Prime Office	33,000	7125 Troy Hill Drive
OFFICE/WAREHOUSE		
Hughes Group	13,500	9250 Gerwig Lane
Industrial Lighting	11,866	8325 Patuxent Range Road
Vintage Security	9,116	8220 Stayton Drive
Beltway Movers	9,000	9250 Gerwig Lane
Promark	7,200	10810 Guilford Road
FLEX		
Signs by Tomorrow	32,000	8681 Robert Fulton Drive
Global Medical	6,000	7184 Troy Hill Drive
Columbia Tile & Marble	5,500	7020 Troy Hill Drive
Morning Star Corp	4,876	9055 Guilford Road

PUMP HOUSE PROPERTIES, LLC
Pump House Properties, LLC, purchased a 15,000 sf office/warehouse building situated on 1.5 acres of land at 10910 Pump House Road in Annapolis Junction from Capital Investment Properties, LLC, for $1.35 million or $90.00 per square foot.

GAULIN PROPERTIES, LLC
Gaulin Properties, LLC, purchased a 13,460 square foot, warehouse building situated on 7.17 acres of land at 7221 Montevideo Road in Jessup from REB 1, LLC, for $1.5 million or $111.44 per square foot.

SCOTT K. TRENNER, ET AL
Scott K. Trenner, et al, purchased a 4,200 square foot, flex-condominium unit at 9385 Gerwig Lane, Units 1A and 1B, in Columbia from Ameritech Monitoring Services, Inc. for $340,000 or $80.95 per square foot.

BUY THE BOOK, LLC
Buy the Book, LLC, purchased a 22,770 square foot, flex building at 9008 Red Branch Road in Columbia from SM Trust III from $2.2 million or $96.62 per sf..

HUANGS BROTHERS, LLC
Huangs Brothers, LLC, purchased a 60,000 square foot warehouse situated on 3.2 acres of land at 8290 Patuxent Range Road in Jessup from Patuxent Range Investments, LLC, for $2 million or $33.33 per square foot.

6317 MACAW, LLC
6317 Macaw, LLC, purchased a 14,977 square foot industrial building located on 7.47 acres of land at 6317 Macaw Court in Elkridge from American Tank and Transport, Inc. for $1.5 million or $100.00 per square foot.

INDUSTRIAL LAND SALES

DEVELOPER

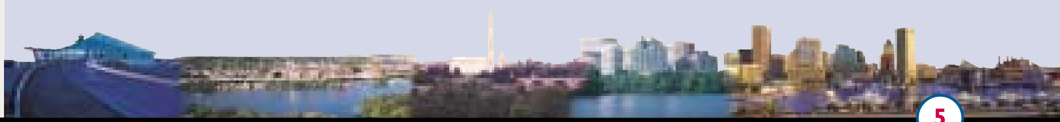
SEEFRIED PROPERTIES/CABOT AT COCA-COLA DRIVE
Seefried Properties/Cabot purchased 19 acres of land at Coca-Cola Drive from Patapsco Valley Development Corporation for $3.93 million or approximately $206,842 per finished acre.

LIBERTY PROPERTY TRUST AT COCA-COLA DRIVE
Liberty Property Trust purchased approximately 19 acres of land at Coca-Cola Drive from Patapsco Valley Development Corporation for $3.99 million or $210,000 per finished acre.

MERRITT PROPERTIES AT COCA-COLA DRIVE
Merrit Properties purchased approximately 20 acres of land at Coca-Cola Drive from Patapsco Valley Development Corporation for $4.1 million or $205,000 per finished acre.

USER

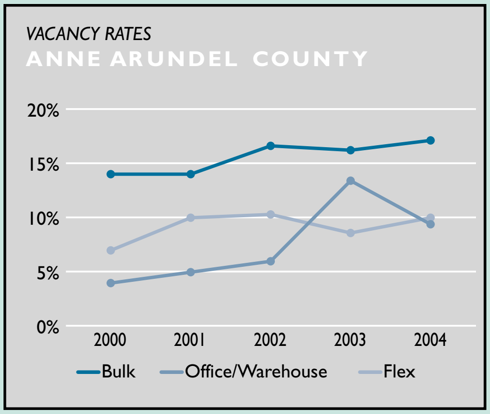
- **LEE'S TOWING** purchased 1.35 acres of land, zoned M-2, at 7968 Dorsey Run Road in Jessup from Joseph Keegin for $350,000 or $246,114 per acre.
- **WWWW, LLC,** purchased 1.41 acres of land, zoned M-2, at 9931 Washington Boulevard in Laurel from Laurel Equipment Rental for $392,000 or $277,912 per acre.
- **Nestle Ice Cream Factory** purchased 9.16 acres of land, zoned M-2, at Route 1 and Freestate Drive in Savage from Tamars Handelsman for $1.6 million or $174,250 per acre.

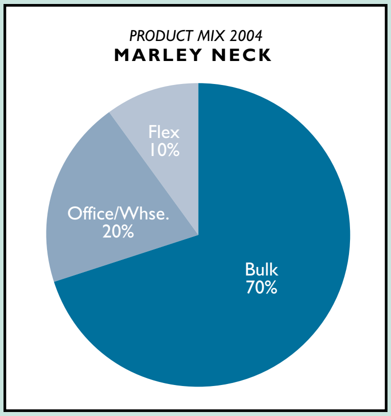


ANNE ARUNDEL COUNTY
Industrial Market Report

ANNE ARUNDEL COUNTY SELECTED INDUSTRIAL LEASE TRANSACTIONS

Company	Square Footage	Building Address
BULK		
Carrier	74,600	7010 Dorsey Road
Lindemeyer/Monroe	72,800	1879 Lamonte Ave.
Dealer Tire, Inc.	62,650	1780 Crossroads Dr.
Crate & Barrel	60,000	7190 Parkway Drive
Wines Ltd.	40,000	6600 Cabot Drive
OFFICE/WAREHOUSE		
DDS	221,000	8000 Telegraph Road
FLEX		
Mid Atlantic Massage	30,000	517 Progress Drive
East Coast Fire Protection	10,500	7526 Connolly Drive
Yun Chang	3,000	150 Penrod Court





Anne Arundel County continues to benefit from the expansion and growth of its diverse public and private sector economy, while BWI Airport accounts for 85,000 jobs statewide and pours more than $1 billion into the local economy.

The County had positive real estate activity in 2004, as industrial vacancy dropped over three percentage points from a year ago to 11.8% and experienced over 800,000 square feet of positive absorption. Notable transactions included:

- The purchase of the former 293,000 square foot Panasonic facility by R.E. Michel Company
- The 221,000 square foot lease in Odenton by DDS.
- Merritt Properties purchase of the former 353,000 square foot FILA warehouse in Brandon Woods.

Anne Arundel County contains approximately 14,000 acres of industrially-zoned land, most of which is still undeveloped. NAI KLNB tracks the activity of more than 24 million square feet of bulk, warehouse and flex space in Anne Arundel County. Given the continued growth of the BWI Airport, strengthened corporate earnings, the expansion of the Homeland Security initiatives, and measured speculative development, we anticipate a balanced industrial market with modestly rising rental rates and continued strong sale prices in 2005.

BWI AIRPORT SUBMARKET

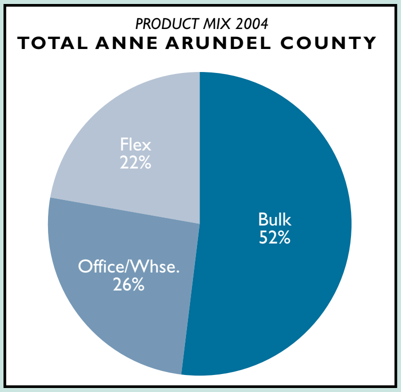
The Baltimore-Washington Airport's $1.8 billion expansion plan is proceeding on schedule. This extraordinary growth includes increasing roadway capacity to the main access roads on and around the airport, the addition of parking, including up to 8,400 new parking spaces that incorporate the "BWI Smart Park" systems, and incorporating two new concourses with 26 new gates between the two terminals. The effect of the expansion is being felt in a very positive way within the commercial real estate community, as new flex and industrial space are currently underway or planned in this submarket for 2005.

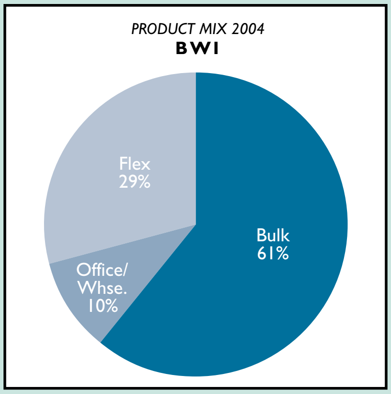
Construction in the airport region is still progressing with development by MIE Properties, FRP Development and Preston Partners. MIE's office/warehouse project located in the BWI Technology Park currently has three buildings under construction totaling 103,000 square feet of space. Preston Partners has plans to deliver Phase I of the new Preston Gateway Corporate Park totaling approximately 500,000 square feet, and FRP has plans to deliver a 83,232 square foot stand-alone building in the Hillside Industrial Park in 2005.

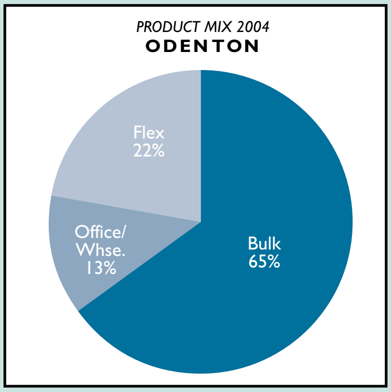
MARLEY NECK - GLEN BURNIE SUBMARKET

Similar to last year, 2004 had its share of problems and progress in this industrial submarket of 7.3 million square feet. Lease activity held steady as flex product (defined by product with ceilings under 16') and office/warehouse product (featuring ceilings between 16' and 22') had occupancy levels of 93% and 90% respectively, representing a balanced market.

Bulk product (with ceiling heights more than 22') still suffers from 20% vacancy levels, but that represents a 9% decline in availability since last year. We predict a further tightening of availability in the year ahead, since very little new speculative product is planned for 2005. Only the Creaney & Smith, 160,000 square foot, speculative distribution facility in the Gateway at Marley Neck is on the drawing board at the present time.







ODENTON MARKET

The Odenton market saw positive absorption for the first time in the past several years. The overall vacancy rate dropped more than in half from 33.6% in 2003 to 14.9% this year. The DDS 221,000 square foot lease represented the lion's share of this downward shift, coupled with no new buildings being delivered.

Another factor that reduced the vacancy rate in warehouse space was the conversion of four dated industrial buildings totaling 270,000 square feet to speculative office/flex space. With Odenton's close proximity to NSA, Preferred Real Estate Investment is converting these old warehouses in an attempt to capture defense contractors looking for inexpensive single- story office/flex space close to Ft. Meade.

2004 INDUSTRIAL CONSTRUCTION ACTIVITY

The following buildings were delivered in 2004:

MIE PROPERTIES AT BWI TECH PARK
MIE Properties delivered a 16' clear, 42,140 square foot, brick and block, flex project at 513 Progress Drive in Linthicum in the 2nd quarter of 2004. The asking rate is $8.50 to $9.00 per square foot, IG.

OPUS EAST, LLC, AT ARUNDEL CROSSING EAST
Opus East, LLC, delivered a 30' clear, 187,200 square foot, bulk warehouse at 350 Winmeyer Avenue in Odenton during the 1st quarter of 2004. The asking rate is $5.25 per square foot, NNN.

BRANDON III, LLC, AT 7611 BRANDON WOODS
Brandon III, LLC, delivered a 30' clear, 350,000 square foot, bulk warehouse at 7611 Brandon Woods in Curtis Bay in October 2004. This was a build-to-suit.

COVINGTON PROPERTIES AT ODENTON BUSINESS PARK
Covington Properties delivered a 22'-24' clear, 31,850 square foot warehouse at 8274 Lokus Road in Odenton during the 1st quarter of 2004. The asking rate is $7.50 per square foot, NNN.

HIGH'S AT 7477 NEW RIDGE ROAD
A 18' clear, 14,400 square foot, build-to-suit, warehouse building was constructed and delivered in April 2004 for High's at 7477 New Ridge Road in Hanover.

INDUSTRIAL CONTRUCTION ACTIVITY FOR 2005

- Preston Waters plans to build a 32' clear, 585,000 square foot, bulk warehouse at Dorsey & Wright Road in Hanover. The asking rate is $5.50 per square foot, NNN, with delivery expected in the 2nd quarter of 2004.
- Stone/Snyder plan to build a 32,330 square foot, flex building at 7609 Energy Court in Brandon Woods Business Park, Curtis Bay. Anticipated delivery is June 2005 and the asking rate is $8.50 per square foot, NNN.
- WP Properties plans to build a 100,000 square foot, flex building at 7231 Parkway Drive in Hanover. Delivery is expected in June 2005 and the asking rate is $13.50 per square foot, NNN.

"The Buccini/Pollin Group considers the BWI Airport submarket as the 'sweet spot' of the entire Baltimore-Washington, D.C. region and we are proceeding with the development of 400,000 square feet of Class A office space, coupled with a new 280-room Hilton Hotel. The area represents the growth engine of Anne Arundel County, and has proven to be a magnet for defense-related companies, as well as those involved in information and security technology systems. We intend to be active, prominent and long-term players in this market."

DAVID POLLIN
PRESIDENT
THE BUCCINI/POLLIN GROUP

SELECTED INDUSTRIAL PROPERTY SALES 2004

INVESTMENT

NEW BOSTON FUND
New Boston Fund purchased a 185,000 square foot, office/warehouse building at 7458 Candlewood Road in Hanover from Mercedes Benz of North America for $8.1 million or $43.78 per square foot.

HDG MANSUR GROUP
HDG Mansur Group purchased a 278,505 square foot warehouse at 7448 Candlewood Road in Hanover from Panattoni for $23.3 million or $83.66 per square foot.

MULLAN
Mullan purchased a 125,421 square foot, office and flex project at 1350-1370 Blair Drive in Odenton from First Industrial Realty for $11.2 million or $89.30 per sf.

LIBERTY PROPERTY TRUST
Liberty Property Trust purchased a 395,200 square foot, bulk distribution building at 1879 Lamonte Avenue in Odenton from Opus East, LLC, for $18.772 million or $47.50 per square foot on an empty basis.

MERRITT PROPERTIES
Merritt Properties purchased a 352,850 square foot, bulk distribution building at 7629 Gambrills Cove Road in Curtis Bay from Fila, USA, for $10.4 million or $29.47 per square foot.

USER

DAIRYLAND, USA
Dairyland, USA, purchased a 55,244 square foot, warehouse at 7477 Candlewood Road in Hanover from Coastal Sunbelt Produce for $3.625 million or $65.62 per square foot.

STONE & TILE WORLD
Stone & Tile World purchased a 37,840 square foot, industrial building at 8298 Brock Bridge Road in Laurel from Champion Forrest Consolidated Properties for $1.325 million or $35.02 per square foot.

KIRKPATRICK, LLC
Kirkpatrick, LLC, purchased a 15,100 square foot, flex condominium unit at 215-231 Thelma Avenue in Glen Burnie from Thelma Condos, LLC, for $1.1 million or $72.39 per square foot.

R.E. MICHEL COMPANY
R.E. Michel Company purchased a 293,269 square foot, warehouse building at 6749 Baymeadow Drive in Glen Burnie from Matsushita Real Estate Corp of America for $12.5 million or $43.00 per square foot.

INDUSTRIAL LAND SALES 2004

DEVELOPER

RACE ROAD INVESTORS, LLC
Race Road Investors, LLC, purchased a 14 acre site located at the 7400 block of Race Road in Hanover from Beatrice Reed Trust for $450,000 or $33,000 per acre.

PRINCE GEORGE'S COUNTY
Market Report

PRINCE GEORGE'S COUNTY 2005 INDUSTRIAL CONSTRUCTION ACTIVITY

Developer	Type	Address	SF
WAREHOUSE			
Steeplechase	Bulk	Ritchie Marlboro Road	200,000
Jackson Shaw	Bulk	Washington Business Park	103,317
Osprey Investment Co.	Bulk	Eastgate Business Park	60,000
OFFICE/WAREHOUSE			
BIT	Warehouse/ showroom	Hampton South	64,000
FLEX			
Jackson Shaw	Flex	Washington Business Park	40,046

PRINCE GEORGE'S COUNTY SELECTED INDUSTRIAL LEASE TRANSACTIONS

Company	Square Footage	Building Address
BULK		
Information Systems Support (ISS)	270,851	3300 75th Avenue
RIS	96,000	350 Prince George's Blvd
US Express Freight Systems Worldwide	30,660	3200-3244 Hubbard Rd.
OFFICE/WAREHOUSE		
Airborne Express	39,900	6101 Fallard Drive
Freeman Decorating	160,000	Annapolis Rd. & Business Pkwy.
FLEX		
MetaMorphix	30,165	9000 & 8000 Virginia Manor Rd.
Edge Technologies	26,000	8025 Laurel Lakes Ct.

The Prince George's County market continues to evolve as a destination location for many industrial warehouse and distribution users with an expanding office development component.

Many new industrial buildings have been built for users interested in taking advantage of Prince George's proximity to Washington, DC and the Capital Beltway. Clearly, this is the reason why DHL (formerly Airborne Express) chose to build their regional facility in Upper Marlboro. In addition, Freeman Decorators may be the start of trend for DC-focused companies leaving Virginia to take advantage of Prince George's location, as well as more attractive land and building costs. With the improvements to the Woodrow Wilson Bridge and the high cost and scarcity of Virginia industrial properties, this trend could easily translate into a wave of relocations.

Speculative new office construction has significantly accelerated. Notable mentions are the Patriot Center in Greenbelt which consists of a Class A, four story, 85,000 square foot building on the west side. The 100% pre-leasing during construction encouraged the owners, Atlantic Realty Companies, to commence construction on the east building, which is its mirror image. The building will deliver January 2005 and has experienced 50% lease up to date.

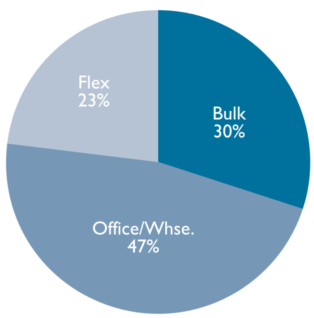
In Bowie, the Maryland Science & Technology Park — which was recently renamed "Melford" - is showing strong activity. Developed by MIE Properties, Inc., the first single-story office building became 100% leased in 2004 which prompted more aggressive speculation by the Baltimore developer to schedule building a four-story, Class A product totaling 150,000 square feet.

On the other side of MD Route 50 at Bowie Town Center, another planned five story, 130,000 square foot, office tower by Buchanan Partners is also scheduled to break ground in 2005. Should the two projects commence together, the result would be what the Bowie city fathers have been focused on for years. That is, a multitude of Class A office towers for consideration by regional companies to relocate to this ever expanding and desirable market.

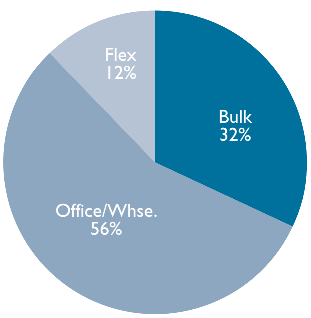
Flex product continues to languish with vacancy rising as the market struggles to find enough new tech companies to backfill what was left behind by the .com and telecom bust. There is some hope on the horizon as NASA achieves its budget goal from the federal government, and the Hubble Space Telescope and shuttle programs get back on track. Companies such as Lockheed Martin, Swales, Honeywell, and CSC should be the benefactors and expand operations into the flex void.

The repositioning of large, outdated industrial buildings continues. A prime example is the success of the Glenn Dale Business Center. Formerly the printing facility for McCall's Magazine, this 315,000 square foot facility has been transformed into a multi-tenant, mixed-use property generating single digit rents for bulk warehouse right up to double digit flex rates for smaller tenants with more office. The building achieved 100% occupancy this past summer.

PRODUCT MIX 2004
TOTAL PRINCE GEORGE'S COUNTY

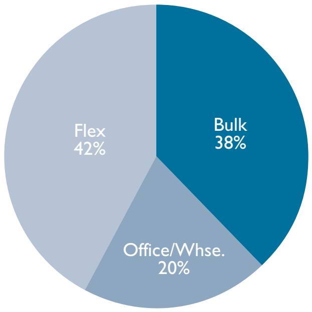


PRODUCT MIX 2004
INNER BELTWAY

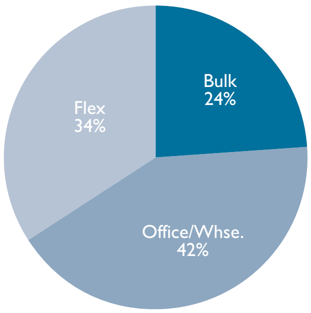


PRINCE GEORGE'S COUNTY
Market Report

PRODUCT MIX 2004
OUTER BELTWAY



PRODUCT MIX 2004
NORTHERN PRINCE GEORGE'S



Prince George's Industrial Market Overview

For the first time in four years, the Prince George's County industrial vacancy rate declined every quarter during 2004. The year started off at 12.2% vacancy and ended at 10.5% vacancy. Absorption followed suit with positive numbers in each quarter with a year-end net total of approximately 1.3 million square feet. As mentioned last year, this market was stronger than the vacancy numbers reflected. Rates were on the rise, which has encouraged the increase of projects now under construction.

PROJECTS UNDER CONSTRUCTION

Currently under construction at the Hampton South Business Park — Phase II — is a 64,000 square foot, 24' clear, warehouse/showroom distribution facility being built by BIT Investments in Capitol Heights. This inside-the-Beltway property will benefit from the new interchange at Ritchie Marlboro Road and the Capital Beltway. Also beginning construction at the same interchange is Steeple Chase, a 100-acre mixed-use industrial, office and retail project, of which two 24' clear warehouse distribution buildings will be constructed totaling 300,000 square feet.

The precursor to construction of these projects will be the extension of the Hampton Park Boulevard from Central Avenue to Ritchie Marlboro Road, which will create better access for all the Hampton Park industrial properties. In addition to these two projects, an additional pure retail, big-box style project is planned for the southwest quadrant and will include the powerhouse tenants WalMart and Sam's Club. Further south on the Beltway at the MD Route 4 interchange, Osprey Development is building a 65,000 square foot warehouse distribution facility in Eastgate Industrial Park.

In Lanham, at the Washington Business Park, Jackson Shaw, who has been employed to construct a 160,000 square foot build-to-suit building for Freeman Decorators, will also build two speculative buildings on the same site — a 50,000 square foot industrial building and a 30,000 square foot flex building. Rental rates for these properties start at $6.50 per square foot, triple net, for the warehouse shell and $8.50 per square foot for flex. Clearly, newer and quality properties are in demand.

LAND

Relative to other markets, Prince George's has an abundance of vacant land zoned and ready for development. All along the Beltway there are large projects planned for mixed-use development. Presidential Corporate Center on MD Route 4 is 200 plus acres of mixed use. Next door, Eastgate is planned for 260,000 square feet of warehouse and flex space. There are more development opportunities in the Inglewood Business Park and the Washington Business Park on MD Routes 50 and 450. Recently, 100 acres of ground has been rezoned in Laurel, Maryland, from I-2 (heavy industrial) to I-1, to accommodate Jackson Shaw's desire to build an industrial/flex project on the site.

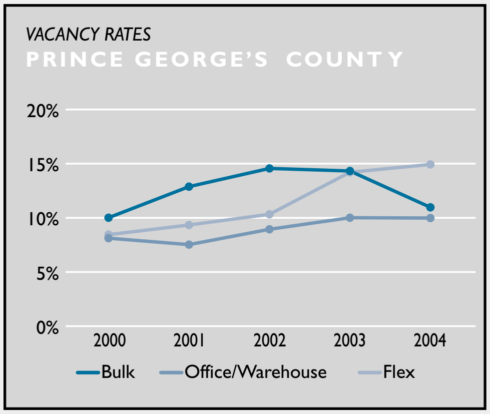
PRINCE GEORGE'S COUNTY FLEX

The Prince George's County flex market continues to soften with a recent rebound that provides encouragement going into 2005. Vacancy continues in the double digits starting the year off at 15.4% and climbing to a high of 16.6% by 3rd quarter. The year end vacancy rate saw a reduction to 14.8% with a total net absorption of approximately 327,000 square feet. One significant deal noted is the 30,165 square foot lease by MetaMorphix in Ammendale at 9000 and 8000 Virginia Manor Road.

PRINCE GEORGE'S COUNTY OFFICE

Prince George's County office remains soft with the exception of one new project's success–The Patriot Center. With vacancy rates steadily increasing for the last two quarters of 2004 and ending at 12.2%, there isn't much excitement for landlords and developers. Rates have remained steady for the past three years.

PRINCE GEORGE'S COUNTY
Market Report



INDUSTRIAL MARKET FORECAST

For 2005, we expect the industrial vacancy rate to remain in the 11-13% range due to the amount of new speculative industrial product slated to be delivered during the year. Absorption will most likely be negative for 2005 as the lease up of theses new projects will take 12-18 months. Rates for Class A new construction will increase, mainly due to the fact construction costs and land costs have increased dramatically over the last 2-3 years.

The demand for "user" buildings will continue to be strong as interest rates remain low and lending funds are readily available.

Commercially zoned land prices will continue to nudge higher and become more difficult to find, especially those over 10 acres and readily developable.

SELECTED INDUSTRIAL PROPERTY SALES 2004

INVESTMENT

CORIE MANAGEMENT purchased a 96,000 square foot industrial building at 350 Prince George's Boulevard in Upper Marlboro from Prince George's Center Boulevard, LLC, for $6.1 million or $63.54 per square foot. RIS Paper is the tenant.

BECO MANAGEMENT purchased a multi building complex totaling 604,055 square foot and located at the Forbes Business Center in Lanham from Robert Depew & Associates for $55 million or $91.05 per square foot.

CALOO-GROVE, LLC purchased a 146,440 square foot, warehouse building at 10780-10800 Hanna Street in Beltsville from First Washington Realty, Inc. for $10.5 million or $71.70 per square foot.

THE MARJAK COMPANY, INC. purchased an 84,712 square foot office/warehouse at 1900 Clarkson Way in Landover from Colpark Properties for $3.65 million or $43.09 per square foot.

MORGAN STANLEY REALTY, INC. purchased three warehouse buildings totaling 304,420 square feet at 3100-3130, 3200-3244, and 3300-3346 Hubbard Road in Landover from 3100 HR Corp. for $23.225 million or $76.29 per square foot.

GRANGE PARTNERS, LLC purchased a 138,000 square foot warehouse at 9200 East Hampton Drive in Capitol Heights from JC Penney for $3.4 million or $24.64 per square foot. The property was purchased vacant.

KENWOOD MANAGEMENT, LLC purchased a 32,560 square foot flex building located at 8900 Edgeworth Drive in Capitol Heights for $1.75 million or $53.75 per square foot and plans on converting it to condo.

FIRST INDUSTRIAL REALTY purchased seven buildings in the Washington Business Park totaling 442,455 square feet, located at 4600, 4621, 4700 and 4720 Boston Way and 9700, 9730 and 9800 Martin Luther King Highway in Lanham from Southgate at Washington Business Park, Inc. for $25.5 million or $57.63 per square foot.

USER

KALMIA CONSTRUCTION purchased an 11,202 square foot warehouse at 10230 Southard Drive in Beltsville from Wilhelm Construction for $11 million or $98.02 per square foot.

VITO PLUMBING purchased a 40,800 square foot industrial building at 4700 Boston Way in Lanham from First Industrial Realty Trust for $3 million or $73.53 per sf.

INDUSTRIAL LAND SALES 2004

DEVELOPER

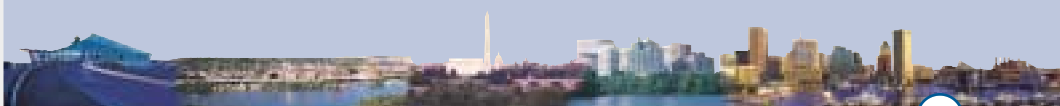
ATAPCO PROPERTIES recently purchased 100 acres at Ritchie Marlboro and Walker Mill Roads in Capitol Heights from the Interchange Group, Inc. for $9 million or $90,000 per acre. Plans are to build an 800,000 square foot warehouse on the property.

PARVEZ SHAH purchased 9.36 acres at 10201 Good Luck Road in Greenbelt from Cambridge Property Group, LP, for $1.2 million or $128,205 per acre.

USER

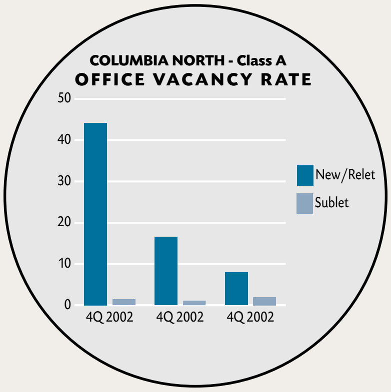
MINI-U-STORAGE recently purchased 4.52 acres of land at Westphalia Road in Forestville from JCA IV Forestville, LLC, for $833,289 or $184,356 per acre.

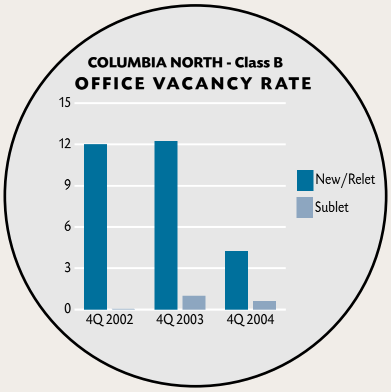
RFF/DARCEY, LLC purchased 9.65 acres at the northwest corner of Darcey Road and I-95 in Forestville from Delmarva Enterprises for $1.15 million or $119,171 per acre.



HOWARD COUNTY
Office Market Report

HOWARD COUNTY	Class A Office	Class B Office
New/Relet	740,322	439,697
Sublease	61,120	18,916
TOTAL VACANT	801,442	458,613
TOTAL EXISTING RBA	6,350,256	4,989,611
UNDER CONSTRUCTION RBA	711,078	165,000
ABSORPTION	**268,668**	**122,828**
VACANCY RATE (Direct)	11.7%	8.8%
VACANCY RATE (Sublet)	1.0%	.4%
TOTAL VACANCY	12.7%	9.2%





HOWARD COUNTY CLASS A

The Howard County office market showed signs of improvement in 2004, as leasing activity reduced the fourth quarter total vacancy rate for Class A office product from 17% in 2003 to 12.7%. Both direct and sublet vacancy rates contributed to the overall reduction in vacancy and, compared to 2003, direct vacancy dropped from 14.1% to 12.7% and sublet vacancy was reduced from 2.9% to approximately 1%. Of note:

- Class A space showed a positive absorption of 286,668 square feet of space.
- Class A space remains on the market for an average of 19 months before being leased.
- Quoted full-service rental rates for Class A new/relet product averaged $22.39 per square foot and $20.15 for sublet space.

Class A buildings delivered in 2004 include:

10330 OLD COLUMBIA ROAD, COLUMBIA
Delivered in August, this two-story, 42,860 square foot building was developed by KC Rivers Development, LLC and at year-end was 77% leased.

8600 SNOWDEN RIVER PARKWAY, COLUMBIA
This three-story office building consists of 39,000 square feet and was developed by Baxley Realty Advisors. It was delivered in November 2004 and at year-end was 68% leased.

6011 UNIVERSITY BOULEVARD, ELLICOTT CITY
Developed by Merritt Properties, this four-story office building contains 95,800 square feet and was delivered in June 2004. At year-end it was 96% leased.

8621 ROBERT FULTON DRIVE, COLUMBIA
This two-story 85,743 square foot, office building was developed by Manekin, LLC, and Corporate Office Properties Trust. It was delivered in third quarter and is 76% leased, with Cadmus Services leasing approximately 65,000 square feet of space.

COLUMBIA SUBMARKETS CLASS A OFFICE

Submarkets	Number of Bldgs.	Total Existing RBA (SF)	New/Relet (SF)	(Sublet) (SF)	Vacancy Rate % (New/relet)	Vacancy Rate % Sublet (SF)	Total Vacancy Rate %
Columbia North	16	955,000	74,083	12,089	7.8	1.2	9.0
Columbia South	46	3,573,372	406,273	45,394	11.4	1.2	12.6
Columbia Town Center	16	1,565,842	254,824	3,637	16.3	.2	16.5
TOTAL	78	6,094,214	735,180	61,120	12.1	1	13.0

COLUMBIA SUBMARKETS CLASS B OFFICE

Submarkets	Number of Bldgs.	Total Existing RBA (SF)	New/Relet (SF)	(Sublet) (SF)	Vacancy Rate % (New/relet)	Vacancy Rate % Sublet (SF)	Total Vacancy Rate %
Columbia North	19	513,028	23,643	4,462	4.6	.9	5.5
Columbia South	66	2,275,669	2,275,669	5,368	10.5	.2	10.7
Columbia Town Center	21	814,601	814,601	1,558	6.7	.2	6.9
TOTAL	106	3,603298	316,298	11,658	8.8	.3	9.1

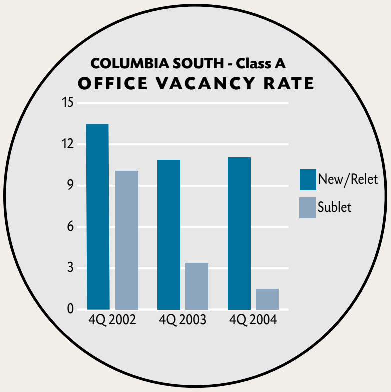
Building Criteria:

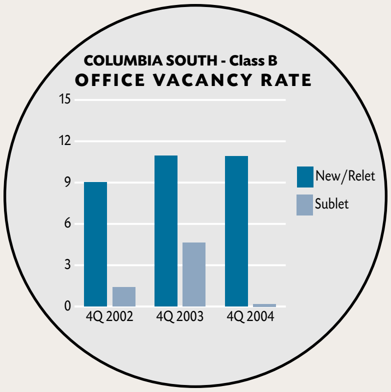
Rentable building area equal to or greater than 10,000 gross square feet; multi-story and single story buildings. Vacancy rates are based on existing office space that is currently unoccupied; however, lease documentation may exist for all or a portion of such space.

HOWARD COUNTY
Office Market Report

HOWARD COUNTY OFFICE UNDER CONSTRUCTION FOR 2005

Project Name Address	RBA Sq. Ft.	Developer	Delivery Date
7120 Samuel Morse Dr.	100,113	Abrams Development	3/2005
6031 University Blvd.	74,400	Merritt Properties	4/2005
7120 Minstrel Way	47,726	Jim Jost/ Bruce Jaffe	5/2005
6230 Old Dobbin Lane	64,515	Liberty Property Trust	5/2005
8860 Corporate 100 Pkwy	57,524	MDG Companies	7/2005
8171 Maple Lawn Blvd.	90,800	Greenebaum & Rose	8/2005
3290 North Ridge Rd.	50,000	Mangione Family	10/2005
8170 Maple Lawn Blvd.	130,000	Greenebaum & Rose	10/2005
7710 Montpelier Dr.	19,000	Manekin, LLC	Fall 2005
Lee Deforest Road (A)	36,000	Abrams Development	Fall 2005
Lee Deforest Road (B)	43,000	Abrams Development	Fall 2005
Lee Deforest Road (C)	43,000	Abrams Development	Fall 2005
Lee Deforest Road (D)	60,000	Abrams Development	Fall 2005
9254 Old Annapolis Rd.	60,000	Woodlands, LLC	Early 2006





HOWARD COUNTY CLASS B OFFICE

Vacancy levels for Class B office product also showed signs of improvement, with the fourth quarter vacancy rate standing at 9.2% as compared to 14% in 2003. Sublet space was the largest contributor to the decrease in vacancy rates, dropping to 0.4% from 3.5% a year ago. Although more Class B direct/relet space exists on the market today compared to one year ago, the vacancy rate for direct/relet still managed to drop from 10.5% to 8.8%. Of note:

- Class B space showed a positive absorption of 122,828 square feet.
- Class B space remain on the market for an average of 12 months before being leased.
- Quoted full service rental rates for Class B new/relet product averaged $20.25 per square foot and $16.81 for sublet space.

Class B buildings delivered in 2004 include:

8178 LARK BROWN ROAD, ELKRIDGE
Delivered in March, this three-story building contains 12,000 square feet, was developed by Chartwell Professional Park, LLC and 67% leased at year-end.

COLUMBIA SUBMARKET

CLASS A

- The Columbia Class A office market ended the fourth quarter 2004 with an overall vacancy rate of 13%, representing a 2.8% drop from one year ago.
- Class A new/relet space ended the fourth quarter 2004 with a vacancy rate of 12% as compared to 12.9% in 2003.
- The fourth quarter Class A sublet market showed signs of leveling off with a rate of 1% as compared to 2.9% in 2003.
- Although down 2% from last year, Columbia Town Center Class A is still experiencing the highest vacancy rate at 16.5%.
- Average rent for a full-service lease was $22.40 per square foot for a direct/relet deal and $20.15 for a sublet deal.

CLASS B

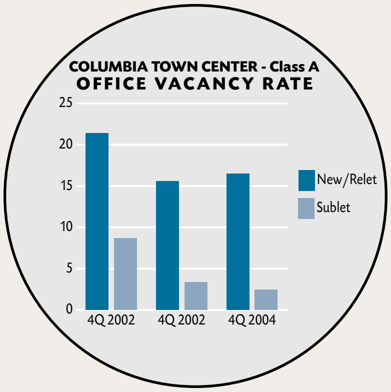
- The fourth quarter Class B vacancy rate trended downwards, decreasing from 14% in 2003 to 9.1% in 2004.
- The total sublet vacancy rate showed a large decrease from 3.4% in 2003 to only .3% at year-end 2004.
- Both Columbia South and Columbia Town Center contributed to this decrease, decreasing to 10.7% and 6.9%, respectively. Columbia North's Class B sublet vacancy market witnessed the opposite movement with vacancy increasing to .9% from .6% one year ago.
- Columbia South showed the highest overall vacancy rate of 10.7%, which is 5.2% lower than it was in 2003.
- The average rent for a full-service lease was $20.80 per square foot for a direct/relet deal and $17.10 for a sublet deal.

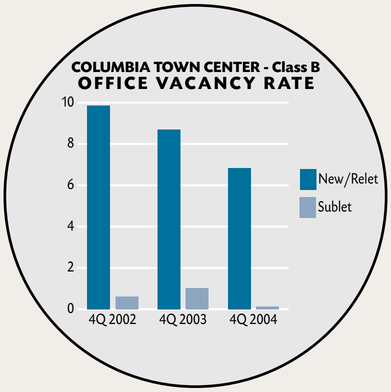
SELECTED OFFICE PROPERTY SALES

9052 ROUTE 108
Wells Fargo Securities Administration purchased this single-story, 143,000 square foot Class A building in Columbia from Wellsford Commercial Properties Trust, for $18.4 million or $127 per square foot.

10025 GOVERNOR WARFIELD PARKWAY
Transwestern Commercial Services bought this 97,323 sf., four-story, Class A office building in Columbia from One Mall, LLC, for $12.4 million or $128 per sf.

HOWARD COUNTY
Office Market Report





HOWARD COUNTY OFFICE SELECTED LEASE TRANSACTIONS

Company	Square Footage	Building Address
Scientific Laboratories	75,500	10150 Old Columbia Rd.
Cadmus Services	65,000	8621 Robert Fulton Drive
Essex Corp.	52,314	9020 Junction Drive
Magellan Health Services, Inc.	42,844	6040 Columbia Gateway Dr.
Mettler-Toledo	31,581	7075 Samuel Morse Drive
Lockheed Martin Corp.	30,240	6625 Selnick Drive
Coca-Cola Enterprises	30,008	10330 Old Columbia Rd.
Cigna Health Care	27,660	10490 Little Patuxent Pkwy.
Way Station	20,000	9030 Route 108
Corporate Rentals	19,665	7175 Oakland Mill Road
EyeTel Imaging	13,700	9130 Guilford Road
Rosewood-Hudson Associates	10,098	8830 Stanford Blvd.
NAI KLNB	5,472	6011 University Blvd.

7061 COLUMBIA GATEWAY DRIVE
Corporate Office Properties Trust acquired this two-story, 29,604 square foot, Class A office building located in Columbia from Howard Research and Development for $6.3 million or $213 per square foot.

9501 ROUTE 108
CNL Retirement MOP Columbia MD, LLC, purchased Dorsey Hall Medical Center, a three-story, 39,000 square foot, Class A, office building in Ellicott City from HCFP REIT - Dorsey, LLC, for $5.4 million or $140 per square foot.

6801 DOUGLAS LEGUM DRIVE
Dorsey Center LLC acquired this single-story, 28,302 square foot, Class B, office building located in Elkridge, from S.K. Dorsey, LLC, for $3.6 million or $127 per square foot.

9385 GERWIG LANE
Devries Commercial, LLC bought this single-story, 24,400 square foot, Class B, office building located in Columbia from Conklin Guilford, LP, for $925,000 or $113 per square foot.

SELECTED OFFICE LAND SALES

COLUMBIA GATEWAY DRIVE
Corporate Office Properties Trust purchased 14 acres of land known as Parcel T-11 at Columbia Gateway Drive for $6.3 million or $450,000 per acre.

ROUTE 100 AT ROUTE 170
Merritt Properties purchased 32 acres of land at Route 100 and Route 170 from the Maryland Department of Transportation for $6.05 million or $189,000 per acre.

CONDOMINIUM PROJECTS

There is a resurrection of new development taking off in the commercial real estate market, defined by the construction of office and warehouse buildings and sale as individual condominium units. An increasing amount of end-users are recognizing the equity investment in real property, as compared with the aggregate cost of rent, combined with the appreciation of the property and a company's ability to grasp a handle on their long term growth. Typical purchasers are in the professional services field, such as physicians, attorneys and accountants, which can predict the long-term growth of their company. A number of investors are also stepping to the plate to purchase one or several condominium units. The following projects are underway in the region.

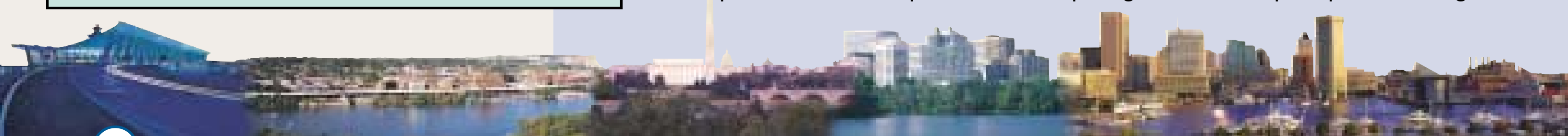
• Cascades Professional Center is a joint venture between The Sanford Cos. and James M. Jost & Company. This 47,000 square foot, two-story, Class A building is expected to be delivered in Summer 2005. Pre-construction pricing starts at $230 per square foot.

• The Sanford Cos. is constructing a 54,000 square foot warehouse condominium in the Route 100 Industrial Park located in Elkridge. Completed in December 2004, sale prices range from $120 to $130 per square foot. The project is 80% sold.

• Baxley Realty Advisors delivered a three-story, 39,000 square foot professional center located at 8600 Snowden River Parkway. The project was significantly pre-sold prior to construction, with sale prices ranging from $175 to $200 per square foot.

• MDG I & II are currently under construction by MDG Companies. They are expected to deliver a 51,422 square foot mid-rise building in Winter 2005 and a 57,000 square foot mid-rise in summer of 2005. Sale prices range from $205 to $250 per square foot.

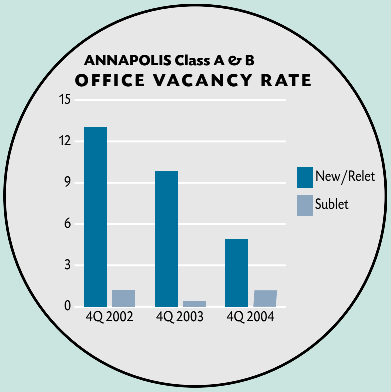
• Baxley Realty Advisors is planning two, two-story, office/flex condominiums in Columbia Gateway. Phase I will consist of 60,000 sf of space and more than half is already committed. Delivery is expected in 2006. Phase II consists of 60,000 square feet being delivered in the fourth quarter of 2006, and pre-construction pricing is in the $190 per square foot range.



ANNE ARUNDEL COUNTY
Office Market Report

ANNE ARUNDEL COUNTY CLASS A & B OFFICE

New/Relet	670,688
Sublease	32,392
TOTAL VACANT	703,080
TOTAL EXISTING	10,530,386
UNDER	728,200
CONSTRUCTION RBA	1,039,400
ABSORPTION	**794,169**
VACANCY RATE (Direct)	6.4%
VACANCY RATE (Sublet)	.3%
TOTAL	6.7%



BWI Airport Area

2004 was a relatively quiet year with virtually no new office space coming to the market, with the exception of approximately 17,000 square feet of surplus space in the American Urological Association's new building at 1000 Corporate Boulevard. MIE Properties single-story office building at BWI Technology Park was very successful, as this park's combination of flex and single-story buildings sprung to life this year.

The Buccini-Pollin Group's announcement of its BWI Hilton Park, a mixed-use project which will add approximately 400,000 square feet of mid-rise office space to the market over the next several years, was the most significant new project announced. The development is on Elm Road adjacent to BWI Airport, and it represents the largest concentration of new office space to this submarket in a number of years. Land has become increasingly scarce and land prices have increased dramatically around BWI.

The BWI Airport submarket is in relatively stable condition, as reflected by a vacancy rate just above 7%. Two main factors have been the ability of Corporate Office Properties Trust to retain and attract smaller tenants and the re-emergence of the US Government as an expanding entity. Defense giant Northrop Grumman has continued it's growth with the lease of the long-time vacant, 100,000 square foot building at 880 Elkridge Landing Road. The most significant vacancy in 2005 will be the relocation of Cadmus from 938 Elkridge Landing Road, a 53,000 square foot mid-rise office building — which they lease entirely — to a new larger build-to-suit facility in Columbia. This will be the only block of large, multi-story office available in this submarket in 2005.

Annapolis

The Annapolis office market experienced a healthy leasing year in 2004, reflected by the vacancy rate moving solidly into the single digits. Highlights of the year include:

• The market steadily absorbed space at 175 Admiral Cochrane Drive, which was left in US internetworking's downsizing wake in 2003 with nearly 50,000 square feet of vacancy. At year-end 2004, the building is fully leased.

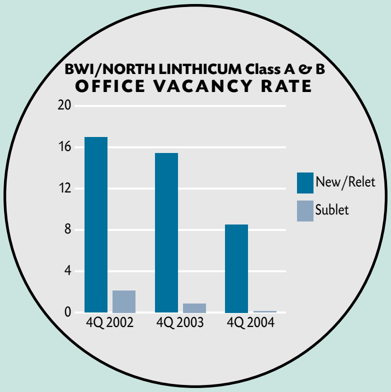
SUBMARKETS OF ANNE ARUNDEL COUNTY CLASS A & B OFFICE

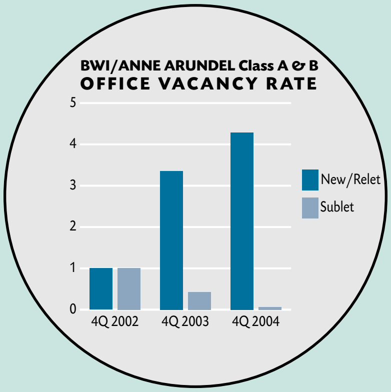
Location	No. of Buildings	Total Existing RBA (SF)	Vacant New/Relet (SF)	Vacant Sublet (SF)	Vacancy Rate % (New/Relet)	Vacancy Rate % (Sublet)	Total Vacancy Rate %
Annapolis	90	2.954,384	149,121	25,801	5	.9	5.9
BWI North/Linthicum	40	2,627,376	193,523	1,660	7.4	.1	7.5
BWI/Anne Arundel	30	2,384,111	100,200	0	4.2	0	4.2
I-97/Crain Hwy	41	895,093	50,658	4,931	5.7	.5	6.2
Route 2 North	31	876,725	109,928	0	12.5	0	12.5
TOTAL	232	9,737,689	626,590	32,392	7.12	.3	7.42

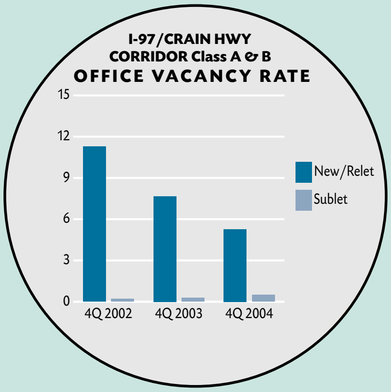
Building Criteria:

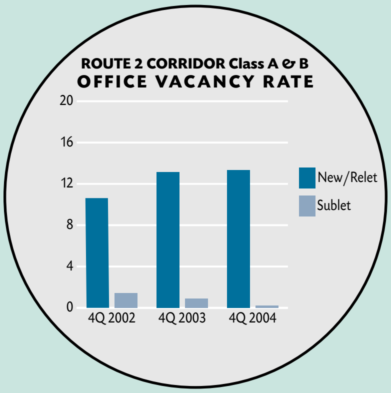
Rentable building area equal to or greater than 10,000 gross square feet; multi-story and single story buildings. Vacancy rates are based on existing office space that is currently unoccupied; however, lease documentation may exist for all or a portion of such space.

ANNE ARUNDEL COUNTY
Office Market Report









• Another success story was the Power Technology Building, which saw British Biotech and Wartsila Diesel leave the building virtually 100% vacant. The building was released in its entirety to several tenants including Trustwave Corporation (17,000 sq.ft.), Anteon Corporation (16,800 sq.ft.), Bay Technologies (6,000 sq.ft.), National Marine Underwriters (6,400 sq.ft.), Sturn, Wagner & Sacclaris (7,200 sq.ft.) and others. The building was leased "as is" at rental rates averaging $19.00 p.s.f., full service.

• MIE Properties' 888 Bestgate Road building was 79% leased at year-end with completed executed leases by Ferris, Baker, Watts (7,200 sq.ft.), Sofitel Capital (4,300 sq.ft.) and VasTech (5,000 sq.ft.) among others at $29 per square foot, full service.

• MIE's Annapolis Technology Park is nearly leased, with approximately 30,000 square feet remaining in the "retail" flex building which faces Harry S Truman Parkway.

• Severn Savings Bank broke ground on their 81,000 square feet, five-story office building which is expected to deliver in early 2006. The building will house Severn Savings Bank, the law firm of Hyatt, Peters & Weber and Hyatt Real Estate, who will collectively occupy approximately two-thirds of the building. Approximately 8,000 square feet of retail space is available on the first floor and 12,000 square feet of office space is available on the top floor.

• Park Place broke ground after securing their Tax Incremental Financing package and partnering with The Carlysle Group. The underground garage is under construction, and the project will feature 200 condominium units, a full service hotel with 225 rooms and 250,000 square feet of Class A office space. At year-end, no pre-leasing announcements have been made for the office space. Delivery of the office product is anticipated in late 2006.

• Annapolis Partners received site plan approval by Anne Arundel County for the redevelopment of the David Taylor Research Center. The project totals 630,000 square feet including 515,000 square feet of office, a 100,000 square foot full-service hotel, and 15,000 square feet of retail. Phase I includes two 75,000 square foot, three-story office buildings. One of the two 75,000 square foot office buildings will house the local telecommunications firm TCS. Delivery of Phase I product is not expected until early 2007.

ANNE ARUNDEL COUNTY
Office Market Report

NORTHERN ANNE ARUNDEL COUNTY SELECTED OFFICE LEASE TRANSACTIONS

Company	Square Footage	Building Address
Booz Allen Hamilton.	162,500	304 Carina Road
Northrop Grumman	104,000	2691 Carina Road
Northrop Grumman	100,000	880 Elkridge Landing Road
US Government	45,000	921 Elkridge Landing Rd.
Applied Signal Image Technology	23,360	613 Gobal Way
US Government	23,000	900 International Drive
Exceptional Software	14,000	1190 Winterson Road
Booz Allen Hamilton	13,000	1302 Concourse Drive
Raytheon	12,000	800 International Drive
General Dynamics	9,962	1343 Ashton Drive
Kuhne & Nagel	9,700	609 Global Way
INFORMS	9,100	7240 Parkway Drive
Master Builder	9,100	609 Global Way
INFORMS	8,000	7240 Parkway Drive
Fieldstone Mortgage	6,100	7240 Parkway Drive
Exceptional Software	5,500	849 International Drive
Wackenhut	4,500	609 Global Way

ANNE ARUNDEL COUNTY OFFICE UNDER CONSTRUCTION FOR 2005

Project Name Address	RBA	Developer	Delivery Date
National Business Park 318 Carina Road	126,000	COPT	Spring 2005
BWI Technology Park 505 Progress Drive	28,800	MIE	Mid 2005
BWI Technology Park 509 Progress Drive	32,400	MIE	Mid 2005
7001 Dorsey Road	145,000	FRP	Mid 2005
808 Landmark Drive	61,200	MIE	Mid 2005
7550 Teague Road	150,000	Arundel HGR, LLC	Late 2005
National Business Park 322 Carina Road	126,000	COPT	Late 2005
1362 Mellon Road	45,000	Manekin, LLC	Late 2005
National Business Park 306 Carina Road	162,500	COPT	Early 2006
National Business Park 302 Carina Road	162,500	COPT	Mid 2006

OFFICE MARKET FORECAST

The BWI Business District, which encompasses the Anne Arundel County and Howard County office markets, will maintain its improvement in the recovery phase of the current economic cycle. We expect to see rental rate growth continue with limited supply delivered in 2005. Absorption will be determined by economic drivers, such as the Federal Government and defense contractors. We are starting to see other drivers like the financial, insurance and real estate industries searching the market for space.

With limited supply, Merritt Properties has begun speculative construction on its third building consisting of 74,400 square feet at 6031 University Boulevard. We expect Corporate Office Properties Trust to break ground on their second building consisting of 125,000 square feet at Gateway Exchange in the coming year.

Homeland Security and job growth will continue to be the leading indicators as to how quick we move into the expansion phase of this economic cycle. We believe the pendulum is beginning its shift from the tenant's side to the landlord's side for 2005. Office tenants will have to move quickly to lock into aggressive deals before rental rates begin to rise and concessions are non-existent.

CONDOMINIUM FORECAST

Our forecast is for continued strong sales and absorption for the office condominium product, as users and investors are showing a strong and consistent demand. Although this activity is a derivative of low interest rates, we expect those rates to remain relatively low throughout 2005.

We expect to see a shift from office condo development to flex or industrial condo development. There are additional projects in the planning stage with potential delivery into 2006 and early 2007.

RESIDENTIAL LAND DEVELOPMENT

"2004 was another banner year for the Prince George's County real estate market, highlighted by the ground-breaking of National Harbor, the opening of the Magic Johnson Theatre and the initiation of a number of industrial and commercial projects. We expect to see the continuation of this momentum in 2005, with the realization of high-end retail uses entering the County and major new commercial office projects beginning construction on the horizon. Job creation and an excellent labor force are among the County's major strengths."

KWASI G. HOLMAN
PRESIDENT/CEO
PRINCE GEORGE'S COUNTY
ECONOMIC DEVELOPMENT
CORPORATION

RESIDENTIAL LAND DEVELOPMENT

LAND ISSUES IN THE BALTIMORE/WASHINGTON MARKET

The laws of supply and demand are working overtime in the Baltimore/Washington land market. The constraints on home building begin with the delivery of lots upon which to build today's McMansions and workforce housing. Throughout the metropolitan area, land zoned for development is scarce, highly sought after and an extremely valuable commodity.

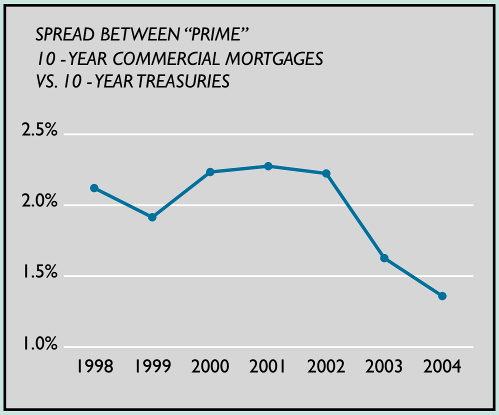
Howard and Anne Arundel Counties are nearly shut down to new market rate housing due to lack of school seats. Prince George's and Charles Counties, facing the same dilemma, have instituted a school impact fee of $12,000 and $10,000 per density unit repressively, as a way to build new schools and allow builders to keep building. Age-restricted housing is now springing from fields where schools are overcrowded, as builders find loopholes to bypass this problem.

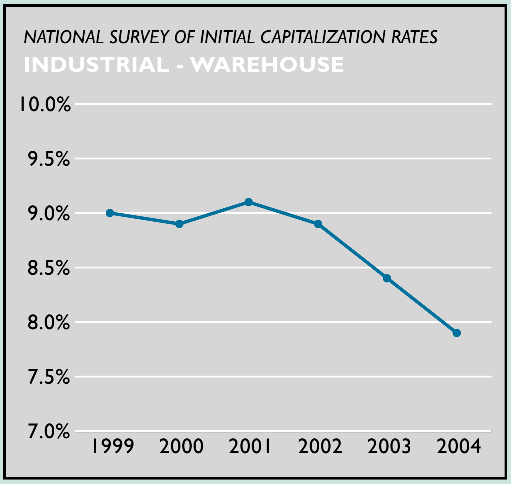
National homebuilders are making it more difficult for independent homebuilders to compete. America's national homebuilders are able to be aggressive in their acquisition of land because they don't necessarily need to make a profit on their land development operations. These homebuilders, unlike their smaller local homebuilder competitors, have multiple profit centers. They are, in turn, able to pay more for the land because they can absorb the increased price through these profit centers.

There is a saying among the area's land development firms and the engineers that lay out tomorrow's subdivisions that goes "All of the easy deals are done." The land that remains in the Baltimore/Washington metropolitan area is difficult to develop. Either it is owned by people who have placed an impossibly high value on their property less than a decade ago — and are now viewed as investment geniuses, since they have the only parcel left in a growth area — or the property has problems. The property may be rocky, or pocketed with wetlands or zoned for development but has a sewer that must be laid more than a mile in order to be developed.

Today's area land market is difficult to understand. Area land buyers are attempting to navigate in uncharted waters as the finished lot price continues to escalate towards 40% of the home price. Land buyers must take into consideration the appreciation of land values, as well as the increase in new home prices caused by lower interest rates. Mistakes are extraordinarily expensive and the competition for the dwindling supply of land is becoming more and more fierce as communities continue to hem in development of rural green fields by down zoning these pristine farm fields for development.

INVESTMENT OVERVIEW





INVESTMENT OVERVIEW

Those anticipating a real estate "bubble" in 2004 were disappointed, as demand from investors looking to acquire quality properties in the Baltimore-Washington, D.C. region increased to record levels. Capitalization rates have hit historic lows thanks to the continuation (even with the recent rise) of low interest rates. Competition among lenders has become fiercer and spreads are narrower than ever. The volume of sales has been strong with savvy sellers recognizing today's pricing levels may not be seen again for a long time and selectively pruning from their portfolios.

CAPITALIZATION RATES

Capitalization rates remain at their lowest levels in more than a decade. Current yields, in the industrial sector in particular, have led the way down. Buyers are justifying their record prices as a bet on the continued economic recovery and a resulting big spike in demand for space. Despite uneven and inconsistent leasing fundamentals in all but the hottest markets, cap rates have fallen to lows that continue to shock buyers and sellers alike. Regional malls have traded at cap rates as low as 5 percent and office buildings in markets like Washington, D.C. have fallen below 7 percent.

SALES VOLUME

United States commercial mortgage backed securities (CMBS) lending activity, an excellent barometer of overall investment activity, increased to more than $83 million over the first 11 months of 2004, compared to nearly $78 billion the previous year.

Office and industrial sales volume in the Baltimore-Washington Corridor is on pace to exceed last year's performance. The first ten months of 2004 saw 84 office and industrial sales in Howard and Anne Arundel Counties totaling about $190 million, versus 75 sales totaling $173 million in 2003.

THE BUYERS AND THE SELLERS

Among assets worth less than $20 million, local and regional developers, syndicators, and private buyers (often with 1031 exchange proceeds to reinvest) are dominating the fray. Life companies, pension funds and advisors, endowments, foundations, REITs, capital divisions of corporations and other institutional buyers dominate bidding for the larger assets.

Institutional investors, facing increased competition for quality assets and struggling to spend dollars allocated for real estate investment, are increasingly willing to pursue joint ventures with local and regional owners and developers.

Contributing to one of these institutional ventures - which often aggregate significant portfolios - can give the local owner or developer the "best of both worlds." The contribution is valued at today's inflated prices, the transaction is a tax-efficient event, and the local operator can often retain control of the asset.

OUTLOOK FOR 2005

NAI KLNB believes that the commercial real estate market is inherently cyclical. As the economic recovery continues, interest rates will rise and capital will be attracted by more and more emerging non-real estate investment opportunities. However, it is still not too late to take advantage of record pricing and relatively low capital gains taxes by selling into strength.

NAI KLNB

Commercial Real Estate Services, Worldwide.
A division of KLNB, founded in 1968.

The NAI KLNB Team

Established in 1968, KLNB, Inc. is a full-service commercial real estate firm offering sales, leasing, development, property management and real estate investment services. The company employs more than 50 real estate professionals, including 23 principals. In 2004, KLNB reported more than $1 billion in transactions.

In 2004, NAI KLNB reported volume of over $1 billion on 823 separate real estate transactions, and leased or sold more than twelve million square feet of industrial, office and retail space and over 550 acres in land. The full-service brokerage firm operates Maryland offices in Towson and Columbia, as well as Vienna, Virginia. KLNB is the mid-Atlantic representative of NAI, a network of real estate service providers serving more than 200 markets worldwide. KLNB represents NAI will a full range of brokerage, financial and investment services. In the Baltimore-Washington Corridor and BWI Airport office market, the NAI KLNB team includes:

Robert Z. Smith*
Industrial
(410) 290-1110 ext. 311
bsmith@klnb.com

J. Allan Riorda, SIOR*
Industrial
(410) 290-1110 ext. 302
ariorda@klnb.com

Craig P. Morrell, SIOR*
Office/Industrial
(410) 290-1110 ext. 306
cmorrell@klnb.com

James V. Caronna, SIOR*
Industrial
(410) 321-0100 ext. 320
jcaronna@klnb.com

John Boote, SIOR*
Office/Industrial
(410) 290-1110 ext. 303
jboote@klnb.com

Thomas W. Greene
Office
(410) 290-1110 ext. 305
tgreene@klnb.com

Alan M. Coppola
Industrial
(410) 290-1110 ext. 304
acoppola@klnb.com

David J. Fritz, SIOR, CCIM
Office
(410) 290-1110 ext. 321
dfritz@klnb.com

Michael P. Moran
Office/Industrial
(410) 290-1110 ext. 319
mmoran@klnb.com

Jonathan Green
Office/Industrial
(410) 290-1110, ext. 315
jgreen@klnb.com

Stephen J. Ferrandi
Land Sales
(410) 290-1110 ext. 320
sferrandi@klnb.com

Brad J. Berzins
Office/Industrial
(410) 290-1100 ext. 308
bberzins@klnb.com

Christopher B. Kubler, CCIM
Investment Sales
(410) 290-1110 ext. 317
ckubler@klnb.com

Michele D. North
Office
(410) 290-1110, ext. 313
mnorth@klnb.com

Carol Mox
Brokerage Assistant
(410) 290-1110, ext. 314
cmox@klnb.com

**denotes principal of firm.*

Although NAI KLNB makes every effort to ensure the accuracy and reliability of the data container herein, NAI KLNB makes no guarantee, representation or warranty regarding the quality, accuracy, timeliness or completeness of the data in this market report.

www.klnb.com

B/W CORRIDOR OFFICE

6011 University Blvd.
Suite 350
Ellicott City, Maryland 21043
(410) 290-1110 or (301) 621-5114
Fax: (410) 290-0723

BALTIMORE/TOWSON OFFICE

100 West Road
Suite 505
Baltimore, Maryland 21204
(410) 321-0100
Fax: (410) 321-0129

VIRGINIA OFFICE

8027 Leesburg Pike
Suite 300
Vienna, Virginia 22182
(703) 288-4000
Fax: (703) 288-2999

PROPERTY MANAGEMENT OFFICE

1430 Joh Avenue
Suite A
Baltimore, Maryland 21227
(443) 297-9000
Fax: (443) 543-0191