



2Q 08 DIRECT VACANCY

DC	6.9%	—
NOVA	10.0%	▲
MD	10.3%	▲

*Arrows indicate change from previous quarter

WASHINGTON, DC REGIONAL QUARTERLY OVERVIEW

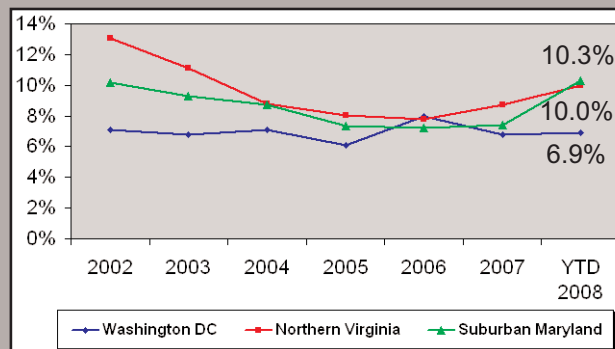
Metropolitan Washington, DC Office Market

The Metropolitan Washington, DC office market consists of approximately 369 million square feet of office space which spans the District of Columbia, Northern Virginia, and Suburban Maryland markets. In 2008, the demand for office space in the Washington region has noticeably waned as the majority of significant leases signed during the second quarter were renewals. Tenants, who have been influenced by the sluggish economy and increasing expenses associated with moving, are choosing to stay put, leaving several new construction projects to deliver with large blocks of space available. However, it appears that new groundbreakings have started to slow down in the region, which will likely curb the rise in vacancy rates and allow tenant demand for office space a chance to catch up with the new supply.

Vacancy Rate

Direct vacancy rates in the Washington, DC metropolitan office market increased from 8.2% at the end of first quarter to 9.0% for second quarter of 2008. When taking into consideration sublet space, the metropolitan area's total vacancy rate also increased during the second quarter from 9.2% to 10.2%. The District's direct vacancy rate remained unchanged from the previous quarter at 6.9%. The direct rate in Northern Virginia increased from 9.5% to 10.0%, representing an increase of 5.2% from the previous quarter, and the Suburban Maryland direct rate also increased over the past quarter from 8.3% to 10.3%. Total vacancy experienced a similar trend by increasing in all three jurisdictions. Suburban Maryland witnessed a jump from last quarter's mark of 9.8% to 11.9% for the second quarter, Northern Virginia increased from 10.7% to 11.2%, and the District's total vacancy rose from 7.6% to 7.7%.

DIRECT VACANCY HISTORICAL CHART



The direct rate in Northern Virginia increased from 9.5% to 10.0%, representing an increase of 5.2% from the previous quarter, and the Suburban Maryland direct rate also increased over the past quarter from 8.3% to 10.3%. Total vacancy experienced a similar trend by increasing in all three jurisdictions. Suburban Maryland witnessed a jump from last quarter's mark of 9.8% to 11.9% for the second quarter, Northern Virginia increased from 10.7% to 11.2%, and the District's total vacancy rose from 7.6% to 7.7%.

Absorption

In the first half of 2008, the Washington, DC metropolitan area experienced 1.74 million square feet of direct net absorption and 1.34 million square feet of total net absorption. In Northern Virginia, the direct net absorption for the first and second quarter 2008 was 1.34 million square feet while the District realized 716,651 square feet over the same period. On the other hand, Suburban Maryland experienced negative 317,318 square feet of direct net absorption during the first and second quarter 2008 with a majority of the loss occurring in Prince George's County.

2008 YTD DIRECT NET ABSORPTION

DC	716,651 SF
NOVA	1.34 MIL SF
MD	(317,318) SF



WASHINGTON, DC REGIONAL QUARTERLY OVERVIEW

2ND QUARTER 2008

2Q 08 UNDER CONSTRUCTION

DC	7.97 MIL SF
NOVA	2.86 MIL SF
MD	2.52 MIL SF



2Q 08 DELIVERIES

DC	673,958 SF
NOVA	1.66 MIL SF
MD	436,788 SF

Construction

At the close of the second quarter 2008, sixty-eight (68) office buildings (26 in DC, 23 in VA, and 19 in MD) in the metropolitan region were under construction totaling 13.35 million square feet. Nineteen (19) buildings delivered during the second quarter 2008 (3 in DC, 11 in VA, and 5 in MD) adding approximately 2.77 million square feet of new supply to the region. A majority of the deliveries have occurred in Northern Virginia, which has already delivered 3.79 million square feet of new construction in 2008.

Government

In the second quarter of 2008, GSA took a breather from its torrid pace of new leases that occurred during the first quarter. In fact, GSA mirrored its private sector counterparts – very heavy on renewals. The largest lease signed was a renewal for the Department of Defense at 400 Army Navy Drive in Arlington, Virginia for 235,000 square feet. Other major leases were signed this quarter in the District: GSA renewed 111,000 square feet for the State Department at 2121 Virginia Ave, the DEA renewed 76,000 square feet at 801 Eye Street, the Justice Department renewed 44,000 square feet at 800 K Street, and the Federal Labor Relations Board renewed its lease for 45,000 square feet at 1400 K Street.

Notable Investment Sales Transactions

Address	Submarket	Price	Buyer	Seller	Class	Occupancy
51 Louisiana & 300 New Jersey Ave, NW	Capitol Hill	\$375 Million \$813 psf	Dweck Properties	JBG	A	85%
2099 Pennsylvania Ave, NW	CBD	\$172.5 Million \$837 psf	Vico Capital	Wealth Capital Management	A	100%
Tysons Dulles Plaza 1410-1430 Spring Hill Rd	Tysons Corner	\$152 Million \$313 psf	KBS Realty Advisors	Vornado/ Chalres E. Smith	B	92%
Tech Hill I & II 12211 & 12215 Plum Orchard Dr	Silver Spring	\$38 Million \$265 psf	Grubb & Ellis Realty Investors	ING Clarion Partners	A	100%

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WASHINGTON, DC QUARTERLY OVERVIEW

Market Summary

The Washington, D.C. office market consists of 724 buildings over 25,000 square feet for a total of 124.1 million square feet. Direct vacancy in the District at the end of the second quarter was 6.9%, unchanged from the first quarter's mark of 6.9%. During the second quarter, Washington witnessed 524,823 square feet of direct net absorption, an increase from the previous quarter's 191,828 square feet of absorption. At the end of the second quarter, average asking rental rates were \$48.43 psf, full service also unchanged from the previous quarter. Direct leasing activity decreased during the second quarter to 1,520,074 square feet from 1,909,510 square feet during the first quarter. The largest lease of the past quarter was the National Labor Relations Board renewing its lease for 276,000 square feet at 1099 14th St, NW in the East End. The District witnessed the delivery of three new buildings during the second quarter, adding approximately 675,000 square feet to the market.

Vacancy Rate

In the District, direct vacancy remained stable at 6.9%, and direct vacancy with sublet space increased slightly, from 7.6% during first quarter 2007 to 7.7% at the end of the second quarter 2008. Second quarter vacancy levels were more than those of the second quarter 2007. Within the District, the CBD remains the tightest submarket with a direct vacancy rate of 4.7% and a total vacancy rate of 6.1%.

WASHINGTON DIRECT VACANCY RATES	CBD - 4.7%	East End - 7.4%
	CBD/EE Class A- 7.3%	CBD/EE Class B- 4.3%
	SW/Cap Hill/NoMa - 10.0%	West End/Georgetown - 9.8%

Absorption and Gross Leasing

Direct absorption increased during the second quarter to 524,823 square feet, and net sublet absorption experienced negative 99,032 square feet of absorption resulting in 425,791 square feet of total net absorption for the quarter. This number is up from the 115,924 square feet of total net absorption in the first quarter of 2008. Direct leasing activity was 1,520,074 square feet and total leasing activity was 1,777,520 square feet. This represents a 485,420 sf decrease in total leasing activity from last quarter but keeps the District on pace to surpass 8 million square feet of leasing activity in 2008. During the second quarter the district witnessed numerous significant transactions, however eight of the top ten leases signed during the quarter were tenants renewing their leases at current locations. The two notable new leases signed were Arent Fox at 1000 Connecticut Ave, NW and the U.S. Green Building Council at 2101 L St, NW.



*1000 Connecticut Ave, NW
Arent Fox - Leased 255,000 SF*

2Q 08 HIGHLIGHTS

Total Vacancy Rate:
7.7%

2008 YTD
Direct Net Absorption:
716,651 SF

2008 YTD
Total Net Absorption:
541,715 SF

2008 YTD Gross
Leasing Activity:
4.04 Million SF

Average Rental Rate:
\$48.43

Under Construction:
7.9 Million SF

Pre-leased:
28 %

2008 YTD Deliveries:
923,958 SF

WASHINGTON, DC QUARTERLY OVERVIEW

2ND QUARTER 2008



2099 Pennsylvania Ave, NW
Sold for \$172.5 Million
(\$837 psf)

2Q 08 SIGNIFICANT LEASE TRANSACTIONS

- ◆ NLRB ~ 276,000 SF
1099 14th St, NW
*Renewal
- ◆ CNN ~ 96,000 SF
820 First St, NE
*Renewal
- ◆ USGBC ~ 75,500 SF
2101 L St, NW
- ◆ Gryphon Tech. ~
15,000 SF
80 M St, SE



The Executive Building
Delivered April, 2008
332,000 SF Available for Lease

Construction

At the end of the first quarter 2008, 7.9 million square feet of office space was under construction in 26 buildings and 28% of that space was pre-leased. An additional 3.4 million square feet is currently under going some form of renovation (lobby, common areas, restrooms, etc.). During the second quarter of 2008 the district witnessed the delivery of three buildings totaling approximately 675,000 square feet.

Potential Space Available

In addition, to the 8.3 million square feet immediately available in the city (of which 862,894 square feet

WASHINGTON NEW OFFICE DELIVERIES	The Executive Building at 1030 15th St, NW (332,000 SF, 0% Leased)
	1331 L St, NW (170,704 SF, 33% Leased)
	1099 New York Ave, NW (175,036 SF, 51% Leased)

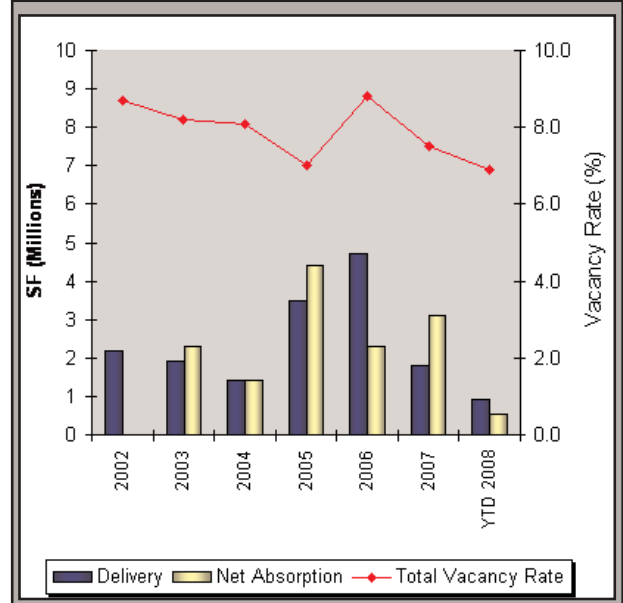
is sublet space), an additional 9.6 million square feet is being marketed as potentially available in the next 24 months, totaling 18,003,690 square feet available in the next 24 months. This includes pending lease expirations, new construction, buildings under renovation, and proposed buildings, which have not yet begun construction.

Outlook

The second quarter 2008 was marked by the same sense of uncertainty that we witnessed during the first quarter. On the one hand, total direct vacancy remained steady at 6.7% and net absorption increased to almost 426,000 square feet. On the other hand it is worth noting that absorption is really a trailing indicator and gross leasing activity was once again under two million square feet, well below historic averages.

The most telling statistic of the quarter comes from the survey of ten largest lease transactions, of which eight were renewals. We expect this renewal trend to continue into the third quarter as tenants of all sizes adjust growth expectations and look for ways to renew and avoid the costs associated with moving.

DC HISTORICAL STATS 2002 - 2008 YTD





*400 Army-Navy Drive
DoD ~ Renewed 235,983 SF*

2Q 08 HIGHLIGHTS

Total Vacancy Rate:
11.2%

**2008 YTD
Direct Net Absorption:**
1.34 Million SF

**2008 YTD
Total Net Absorption:**
1.21 Million SF

**2008 YTD Gross
Leasing Activity:**
6.14 Million SF

Average Rental Rate:
\$31.93

Under Construction:
2.86 Million SF

Pre-leased:
12%

2008 YTD Deliveries:
3.79 Million SF

NORTHERN VIRGINIA QUARTERLY OVERVIEW

Summary

The Northern Virginia office market, which combines Arlington, Alexandria, Fairfax, and Loudoun counties for a total of 166.9 million square feet of rentable space, carried the trend of increasing vacancy rates witnessed in 2007 into the second quarter of 2008. At the close of the second quarter, the total vacancy rate for Northern Virginia was 11.2%, which represented a 4.7% increase over the past quarter and a 13.1% increase since year-end 2007. Although the area continues to be supported by regional job growth, the Northern Virginia commercial real estate market has felt the impact of a slowing national economy. The Northern Virginia office market has also added just under four (4) million square feet of new construction during the first half of 2008. Many of these new projects are delivering with little to no preleasing activity compelling landlords to offer significant tenant improvement packages and in some cases up to 12 months of rental abatement.

At the end of the second quarter, 250 office buildings were marketing contiguous blocks of space 20,000 square feet or greater in Northern Virginia. This represented an 5% increase from the 238 buildings hosting the same amount of space at the end of first quarter 2008. The number of large blocks of space available in the range of 50, 000- 99,999 square feet also increased over the past quarter from 55 to 62 buildings. In addition, the number of buildings advertising 100,000 square feet of contiguous space or greater increased from 64 to 66 buildings. As for major leases signed this quarter, there were four (4) completed in excess of 100,000 square feet, surpassing the three (3) transactions finalized for over 100,000 square feet in the first quarter of 2008. The investment sales market witnessed eight (8) major office transactions during the second quarter in Northern Virginia compared to the six (6) transactions in first quarter of 2008. The total sales during second quarter registered \$1.6 billion, an increase from first quarter's results of \$936.1 million. The largest investment sale that took place in Northern Virginia during the second quarter was Vornado Charles E. Smith sale of Tysons Dulles Plaza located at 1410, 1420, & 1430 Spring Hill Road in Tysons Corner. The three buildings were sold to KBS Realty Advisors in June for \$152 million (\$313 psf) and were 92% leased at the time of the sale.

Vacancy Rate

The direct vacancy rate for Northern Virginia increased from 9.5% to 10.0% over the past quarter and has increased 14.9% since year-end 2007. Total vacancy rate, which includes sublet space available, also jumped over the past quarter from 10.7% to 11.2% and has increased 13.1% since year-end 2007.

Absorption

The total net absorption in Northern Virginia for 2008 is 1.21 million square feet. The second quarter's absorption rate was almost four times greater than the absorption witnessed in the first quarter 2008. This increase can be attributed in part to a few large tenants moving into space for which leases were signed back in 2007 such as: Long and Foster moving into their recently delivered headquarters in the Rt. 28 South submarket and Volkswagen moving into their new offices in Herndon for a combined total of 371,547 square feet.

NORTHERN VIRGINIA QUARTERLY OVERVIEW

2ND QUARTER 2008

Construction

Construction in Northern Virginia can be broken down into two noticeably different scenarios: inside the beltway and outside the beltway. 71% of the projects currently under construction are located in submarkets outside of Northern Virginia's symbolic dividing line at I-495. At the close of the second quarter, 23 buildings were under construction in Northern Virginia for a total of 2.8 million square feet, of which 11% is pre-leased. Five (5) new buildings broke ground during the second quarter compared to only three (3) in first quarter 2008. Eleven (11) buildings delivered this past quarter totaling 1.6 million square feet, of which 29% was pre-leased. The second quarter deliveries included: Dulles View North & South and Dulles Station East in Herndon, Two Reston Crescent in Reston, 3074-3072 Centreville Road and The Ellipse at Westfields in Rt 28 South, Loudoun Gateway V, 21625 Red Rum Drive Bldg A in Rt. 28 North, Cornwell Medical in Leesburg, and Randolph Sq in the I-395 Corridor.

Potential Available Space

In addition to the 20.4 million square feet, which is listed as available immediately, 9.3 million square feet is being marketed as potentially available in the next 24 months. This includes pending lease expirations, new construction, and buildings under renovation.

Outlook

The second quarter of 2008 reached a milestone, as the direct vacancy rate in Northern Virginia exceeded 10% for the first time since 2003. Although the increase in supply of available space has given active tenants in Northern Virginia additional options in most markets, the majority of tenants with large requirements are renewing in their current space. Six of the seven largest leases signed in Northern Virginia during the second quarter were renewals. Tenants with expiring leases have the pressures of economic uncertainties, challenging financial conditions, and moving expenses in addition to often being offered below market rates by current landlords who are unwilling to take the risk of having large blocks of space vacated. According to the Wall Street Journal, "companies are taking less office space across the nation" resulting in diminished rent growth and increased vacancy rates. The Northern Virginia office market, which historically fares better than the national average, has responded to the decreased demand with a decline in new construction projects. There are currently 2.8 million square feet under construction in Northern Virginia compared to the 7.1 million square feet under construction one year ago. The majority of the buildings under construction and recently delivered projects have been in the suburban markets causing some submarkets to reach total vacancy rates close to 20% contrasted by the 6.2% recorded in the R-B Corridor. It is likely that vacancy rates in the submarkets outside the beltway, which have been flooded with new construction coupled with lackluster demand, are close but have probably not reached their peak. Overall, the Northern Virginia market has witnessed less than average numbers for 2008 but the office market seems stable when compared to other national markets.



Lincoln Park II - Bldg A
Sold for \$17 Million

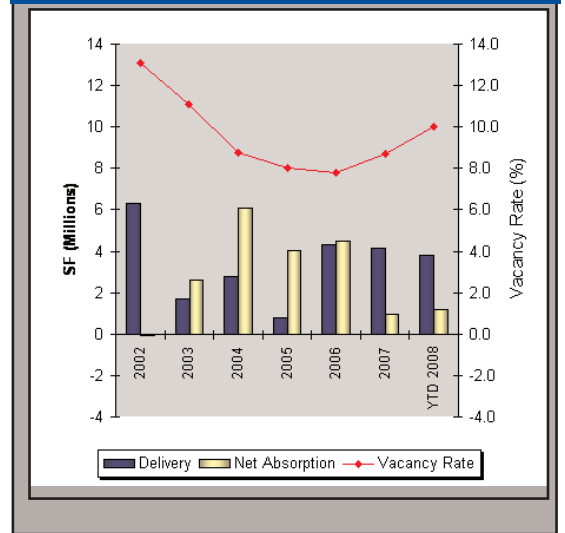
2Q 08 SIGNIFICANT LEASE TRANSACTIONS

- ◆ DoD ~ 235,983 SF
400 Army-Navy Dr
- ◆ Sprint ~ 327,788 SF
2001 & 2003
Edmund Halley Dr
- ◆ Argon ~ 165,029 SF
Hyatt Plaza I
- ◆ USPS ~ 117,866 SF
International Place



Meadow Pointe
134,000 SF Available for Lease

NOVA HISTORICAL STATS 2002 - 2008 YTD





*1 Research Court
Capital Technology
Information Services~
Renewed 42,676 SF*

2Q 08 HIGHLIGHTS

**Total Vacancy Rate:
11.8%**

**2008 YTD
Direct Net Absorption:
(317,318) SF**

**2008 YTD
Total Net Absorption:
(408,780) SF**

**2008 YTD Gross
Leasing Activity:
2,047,628 SF**

**Average Rental Rate:
\$28.23**

**Under Construction:
2,522,061 SF**

**Pre-leased:
30.1%**

**2008 YTD Deliveries:
436,788 SF**

SUBURBAN MARYLAND QUARTERLY OVERVIEW

Summary

The Suburban Maryland office market (Montgomery and Prince George's County) consists of 831 office buildings or 78.3 million square feet. Since the end of the second quarter 2008, the direct vacancy rate increased slightly by 0.5% to 10.3% and total vacancy rate increased by 0.5% to 11.8%. Direct net absorption was 92,082 square feet for the second quarter, compared with last quarter which was negative 409,400 square feet. Total net absorption over the past quarter was negative 14,547 square feet. There are currently 111 existing office buildings marketing contiguous blocks of space 20,000 square feet or greater. One of the largest leases of the second quarter took place in the College Park submarket when the Department of Defense leased 123,000 square feet at 5850 University Research Court, a Class-A office building beginning construction in August of 2008. Indian Health Services (GSA) leased 87,785 square feet in the Rockville Submarket at 12300 Twinbrook Pky, a 165,427 square foot Class A office building built in 1988. The Class A total vacancy rate for this quarter is 13%. Overall rental rates are averaging \$28.62 per square foot full service and Class A rental rates are averaging \$31.06 per square foot full service.

Vacancy Rate

Direct vacancy for the second quarter increased to 10.3% compared to the same time last year at 8.2%. When sublet space is taken into account, the vacancy rate increased to 11.8% compared to 9.7% one year ago. Class A direct vacancy also increased to 11.3% from the previous year's rate of 9.3%.

Absorption

Second quarter's net absorption for direct space is 92,082 square feet, compared to 484,695 square feet in second quarter 2007. When taking sublet space into account, the second quarter's total net absorption was negative 14,547 square feet compared to 347,183 square feet for second quarter 2007. The two major submarkets in suburban Maryland both containing over 10 million square feet of office space are North Rockville and Bethesda/Chevy Chase whose year-to-date net absorption are respectively 24,474 & 75,138 square feet.

MARYLAND	174 Waterfront Street (75,000 SF, 20% Leased) - National Harbor
NEW OFFICE	120 Waterfront Street (75,000 SF, 20% Leased) - National Harbor
DELIVERIES	1 Preserve Parkway (183,788 SF, 20% Leased) - Rockville

SUBURBAN MARYLAND QUARTERLY OVERVIEW

2ND QUARTER 2008

Construction

Nineteen (19) office buildings were under construction at the close of the second quarter for a total of 2,522,061 square feet. Two buildings delivered a total of 150,000 square feet during the second quarter. 174 Waterfront St - National Harbor, delivered 75,000 square feet in June. This Class A office building developed by The Peterson Companies delivered 20% pre-leased with \$36.00 per square foot full service asking rates. 120 Waterfront St- Building M, a 75,000 square foot Class A building, delivered in April. The Peterson Companies delivered this building 20% leased, and the asking rate is currently \$36.00 per square foot full service. These building are in the National Harbor development located in the Oxon Hill/Ft. Washington Submarket.

Potential Available Space

In addition to the 8.5 million square feet immediately available in Suburban Maryland, an additional 13.6 million square feet is being marketed as potentially available over the next 24 months. This includes pending lease expirations, new construction and buildings under renovation.

Outlook

The foundation for the suburban Maryland commercial real estate industry remained stable throughout the quarter but looks to be growing with a wave of 19 buildings currently under construction

and a few groundbreakings planned in the near future. A relatively low unemployment rate and an increased amount of construction activity seems to be attractive for relocating businesses and good for the retention of current businesses. There has been a biotech push in the I-270 Corridor that could to begin to change the tenancy throughout the area over the next several quarters but more dramatically over the next several years as potential sites are being evaluated and firms in the industry look to relocate to the corridor. Direct and total vacancy rates have increased slightly over the last quarter while deliveries and absorption were minimal. Pushed by preleased deliveries, Montgomery County, especially the North Rockville and Bethesda/Chevy Chase Submarkets lead the Suburban Maryland office market in absorption activity and vacancy rates. Although average direct rental rates have climbed \$0.96 since second quarter 2007, demand seemed minimal. With many business looking to cut unnecessary costs such as moving costs, there has been a steady trend of short term renewals among the region. Based on strong market indicators, such as relatively steady vacancy rates, minimal change in absorption, heavy construction activity and continually increasing rental rates, the suburban Maryland office market should remain one of the stronger markets in the metropolitan DC area throughout 2008.



6350 Stevens Forest Rd
37,699 SF Available for Lease

2Q 08 SIGNIFICANT LEASE TRANSACTIONS

- ◆ IARPA ~ 123,000 SF
5850 University
Research Ct.
- ◆ GSA ~ 87,785 SF
12300 Twin Brook
Pky
- ◆ MedImmune ~
56,000 SF
101 Orchard Ridge
Drive
- ◆ Nextpoint ~ 53,265
SF
1445 Research Blvd



Lincoln 495
8420 Westphalia Rd
153,700 SF Available for Lease

MD HISTORICAL STATS 2002 - 2008 YTD

