4TH QUARTER 2008

WASHINGTON, DC REGIONAL QUARTERLY OVERVIEW

Metropolitan Washington, DC Office Market

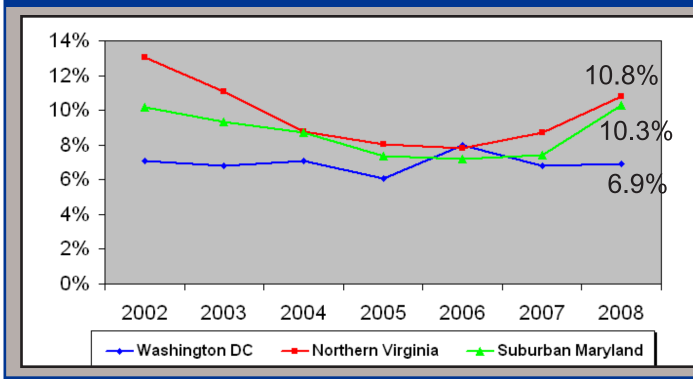
As 2008 comes to an end, the commercial real estate market reflects the culmination of distress experienced in the national economy. Vacancy rates in virtually every major city across the country are increasingly driven by weak demand from businesses forced to retract or cut expenses. In November, the unemployment rate in the Washington, DC region reached 4.4%, which represents the highest level since June 2003 but still places the Washington area far below the national unemployment rate of 6.7%. The Metropolitan Washington, DC office market, which consists of approximately 374 million square feet of office space and spans the District of Columbia, Northern Virginia, and Suburban Maryland, showed signs of struggle in 2008 but resisted a major downturn in large part due to the dynamic local private sector and the activity of the federal government. Although, the Washington area office market anticipates further support from the new administration as the government prepares to implement a multi-billion dollar economic recovery plan, tough constraints in the credit markets, decline in investment and construction activity, and falling property values are expected to persist in 2009.

4Q 08 Direct Vacancy

DC	6.9%	▲
NOVA	10.8%	▲
MD	10.3%	▼

*Arrows indicate change from previous quarter

Direct Vacancy Historical Chart



Vacancy Rate

Direct vacancy rates in the Washington, DC metropolitan office market continued on an upward trend throughout 2008 closing the year at 10.6%, which represented a 17% increase from the third quarter and 38% jump from the year-end 2007 rate. When taking into consideration sublet space, the area's total vacancy rate also increased over the past quarter from 10.3% to 12.1%. During the fourth quarter 2008, the direct vacancy rate rose from 6.5% to 6.9% in the District and increased from 10.4% to 10.8% in Northern Virginia while the direct vacancy rate actually dropped in Maryland from 10.5% to 10.3%. Total vacancy experienced similar movement in the District with an increase from 7.3% to 7.7% and in Northern Virginia with a jump from 11.7% to 12.2% while the total vacancy rate in Suburban Maryland decreased slightly from 12.0% to 11.9%.

2008 Total Net Absorption

DC	1.23 MIL SF
NOVA	14,456 SF
MD	158,644 SF

Absorption

In 2008, the Washington, DC metropolitan area experienced 2.0 million square feet of direct net absorption and 1.41 million square feet of total net absorption with both numbers falling far short of the 3.2 million and 2.45 million square feet of direct and total net absorption realized in 2007. At the close of the fourth quarter, Northern Virginia registered 14,456 square feet of total net absorption for 2008 while the District witnessed approximately 1.23 million square feet over the same period. On the other hand, Suburban Maryland, which had consistently reported negative total net absorption during the first three quarters of 2008, recorded over a half of a million square feet of positive net absorption in the fourth quarter for a total of 158,644 square feet in 2008.

Construction

At the close of 2008, fifty (51) office buildings (24 in DC, 16 in VA, and 11 in MD) in the metropolitan region were under construction totaling 11.27 million square feet. Twelve (12) buildings delivered during the fourth quarter of 2008 (3 in DC, 6 in VA, and 3 in MD) adding approximately 2.40 million square feet of new office supply to the region. While a vast majority of the area's projects were delivered in Northern Virginia, which contributed about 5.30 million square feet of new construction in 2008, the District currently hosts the most activity with over 7.50 million square feet under construction. The total number of square feet under construction has been on steady decline as projects which commenced during a more favorable economic time start to deliver and few new projects are able to find financing or bear the risk of building with low tenant demand.

Government

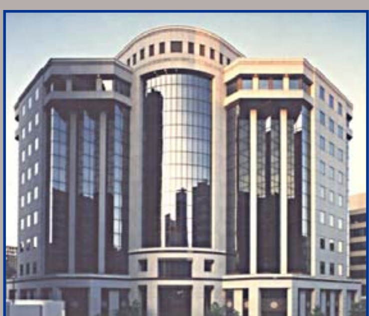
The last week of 2008 turned in the largest GSA deal of the year as GSA renewed the Coast Guard's headquarters building at 2100 2nd St, SW for 592,000 square feet for a 7 year term. This lease is one indicator that GSA activity is likely to be strong in 2009, considering both TARP and Homeland Security are currently out in the market for new space and the ongoing large procurements for the Department of Agriculture, HHS and NIH are all expected to close in the first half of 2009. There also is widespread speculation that the Federal workforce will grow under the new Obama administration, particularly in the Energy, Housing, and Financial Regulation agencies such as the SEC, FDIC and Fannie/Freddie Mac.

Notable Investment Sales Transactions

Address	Submarket	Price	Buyer	Seller	Class	Occupancy
2445 M Street	West End, DC	$181.4 Million $625 psf	WRIT	Broadway Partners	A	100%
Quincy Crossing - 801 N Quincy Street	Ballston, VA	$55.5 Million $500 psf	Guardian Life	Normandy	A	100%
Avion Mid-Rise III & IV - 14450 & 14560 Avion Parkway	Rt 28 South, VA	$41.5 Million $290 psf	CBRE Realty Trust	Advance Realty Group	A	100%
Commerce Ctr 1 - 7701 Greenbelt Road	Greenbelt, MD	$18.7 Million $152 psf	CSG Partners	Asset Capital Corporation	A	92%

4Q 08 Under Construction

DC	7.50 MIL SF
NOVA	2.18 MIL SF
MD	1.59 MIL SF



4Q 08 Deliveries

DC	429,100 SF
NOVA	683,030 SF
MD	1.29 MIL SF

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4TH QUARTER 2008

2100 2nd Street, SW
U.S. Coast Guard
Renewed for 592,000 SF

4Q 08 HIGHLIGHTS

Total Vacancy Rate:
7.7%

2008
Direct Net Absorption:
1.35 Million SF

2008
Total Net Absorption:
1.23 Million SF

2008 Gross
Leasing Activity:
8.2 Million SF

Average Direct Rental Rate:
$49.25 psf FS

Under Construction:
7.50 Million SF

Pre-leased:
22 %

2008 Deliveries:
1.67 Million SF

WASHINGTON, DC QUARTERLY OVERVIEW

Market Summary

The Washington, D.C. office market consists of 740 buildings over 25,000 square feet for a total of 126 million square feet. The direct vacancy rate in the District's office market was up slightly from the third quarter number and ended the fourth quarter 2008 at 6.9%. During the fourth quarter, the Washington market witnessed negative 143,034 square feet of direct net absorption, down significantly from the previous quarter's positive 350,099 square feet of absorption. Although net absorption was down, the direct leasing activity increased during the fourth quarter to 2.2 million square feet from 1.4 million square feet leased during the third quarter. The largest lease signed in the District over the past quarter was the U.S. Coast Guard renewing 592,000 square feet at 2100 2nd Street, SW in the Capitol Riverfront submarket. The District witnessed the delivery of three (3) new buildings during the fourth quarter, adding approximately 429,000 square feet to the market in addition to a full building renovation, at 1225 Connecticut Ave, NW, which also delivered during the fourth quarter.

Vacancy Rate

In the District, the direct vacancy rate increased to 6.9% from the third quarter's mark of 6.6%, and when including sublet space, the total vacancy rate also increased slightly over the past quarter from 7.3% to 7.7% at the end of the fourth quarter 2008. Within the District, the CBD remains the tightest submarket with a direct vacancy rate of 5.7% and a total vacancy rate of 7.0%. Class B space in the CBD and East End reached a low of 4.9% vacant for direct space and 5.7% for its total vacancy rate.

WASHINGTON DIRECT VACANCY RATES		
	CBD - 5.7%	East End - 7.2%
	CBD/EE Class A- 7.6%	CBD/EE Class B- 4.9%
	SW/Cap Hill/NoMa - 8.0%	West End/Georgetown - 11.0%

Absorption and Gross Leasing

Direct absorption decreased during the fourth quarter 2008 to negative 143,034 square feet, and when considering net sublet absorption, which was negative 124,585 square feet, the total net absorption for the quarter was negative 267,619 square feet. This number is down from the 532,258 square feet of total net absorption realized during the third quarter of 2008. This quarter represented the third consecutive quarter of negative sublet absorption for 2008. The District ended the year far short of the 10-year average mark of 2 million square feet per year by recording approximately 1.23 million square feet of total net absorption. Direct leasing activity for the quarter was 2.27 million square feet, and total leasing activity was 2.38 million square feet. This represents an approximate 782,000 square foot increase in total leasing activity from last quarter and puts the District's total leasing activity for the year up to about 8.26 million square feet due in large part to a surprisingly strong fourth quarter.

101 CONSTITUTION AVENUE NW, WASHINGTON, DC 20001 (P) 202-513-6700
1530 WILSON BOULEVARD, ARLINGTON, VA 22209 (P) 703-522-4600

Lincoln Property Company

WASHINGTON, DC QUARTERLY OVERVIEW

4TH QUARTER 2008

2445 M Street, NW
Sold for $181.4 Million
($625 psf)

4Q 08 Significant Lease Transactions

- World Bank
  227,000 SF
  1225 Connecticut Ave, NW
- Hunton & Williams
  190,000 SF
  2200 Pennsylvania Ave, NW
- American Chemistry Council
  90,000 SF
  700 2nd St, NE

1050 K St, NW
Delivered December, 2008
136,574 SF

Construction

At the end of the fourth quarter 2008, 24 office buildings were under construction for a total of 7.50 million square feet, of which 22% was pre-leased. An additional 2.6 million square feet is currently removed from total inventory as the buildings are undergoing some form of major renovation (lobby, common areas, rest rooms, etc.). During the fourth quarter of 2008, the District witnessed the delivery of three (3) buildings for a total of 429,100 square feet.

Washington New Office Deliveries	
	1050 K Street, NW - 136,574 SF
	100 M Street, SE - 244,526 SF
	1800 Martin Luther King Ave, SE - 48,000 SF

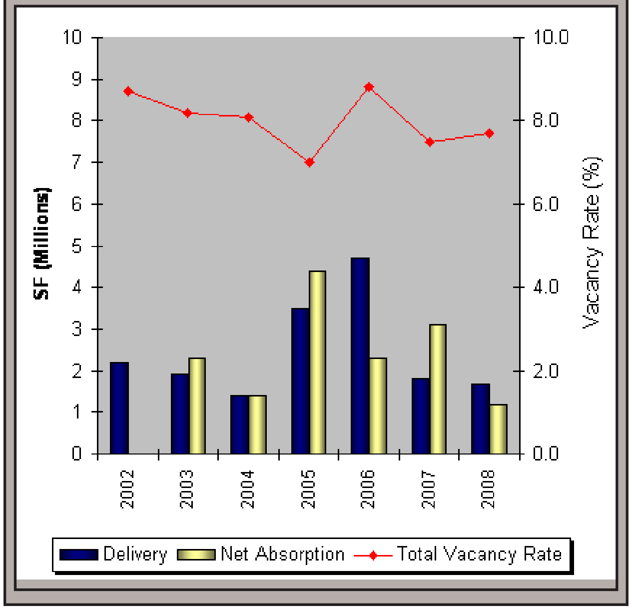
Potential Space Available

In addition, to the 9.2 million square feet immediately available in the city (of which 1.1 million square feet is sublet space), an additional 12.2 million square feet is being marketed as potentially available in the next 24 months, totaling 21.4 million 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 economic events of 2008 led to a downturn in leasing and absorption throughout the District that we expect to continue at least through the first half of 2009. With vacancy already on the rise, the District is set to witness nearly 5 million sf of new product deliver in 2009 with only 35% of that space currently leased. This space will compete with the large blocks already available in existing buildings. Not surprisingly, owners are going to new measures in order to capture deals that are in the market. Rental abatement, broker incentives, and increasingly high tenant improvement dollars are common at buildings with large blocks of vacant space. While there is hope that the Federal Government will step up as a tenant and not only contribute to leasing activity but also net absorption in 2009, many private sector tenants are taking a wait and see approach as they examine their space requirements. Short term (2 to 3 year) leases are becoming popular. These leases may represent a judiciously cautious approach for the tenant uncertain about future business, but for those confident about their business plan, 2009 should be the year that tenant's are able to negotiate very favorable longer term transactions, especially if a tenant is prepared to consider one of the submarkets outside of the Primary Business District.

DC HISTORICAL STATS 2002 - 2008



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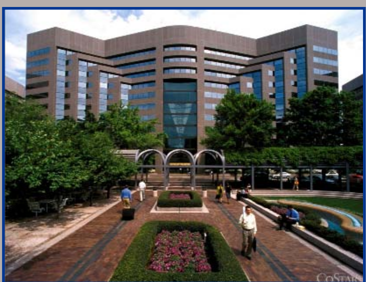
4TH QUARTER 2008

NORTHERN VIRGINIA QUARTERLY OVERVIEW



2121 Crystal Drive
Lockheed Martin leased
229,000 SF

4Q 08 Highlights

Total Vacancy Rate:
12.2%

2008
Direct Net Absorption:
394,338 SF

2008
Total Net Absorption:
14,456 SF

2008 Gross
Leasing Activity:
13.04 Million SF

Average Rental Rate:
$31.42 psf FS

Under Construction:
2.18 Million SF

Pre-leased:
24%

2008 Deliveries:
5.3 Million SF

Summary

The Northern Virginia office market, which combines Arlington, Alexandria, Fairfax, and Loudoun counties for a total of 168.9 million square feet of rentable space, continued to weather the effects of a weakening economy and increased turmoil in the credit markets during the fourth quarter 2008. Leasing activity suffered as many businesses downsized driving vacancy rates to rise in almost every submarket. In addition to leasing, the construction and investment sales sectors struggled in the face of a challenging financial climate. Compared to year-end 2007, every major submarket in Northern Virginia experienced an increase in direct vacancy during 2008 except Crystal City, which experienced a 29% decrease and Rt. 28 South, which remained the same at 18.2%.

At the end of the fourth quarter 2008, 276 office buildings in Northern Virginia were marketing contiguous blocks of space 20,000 square feet or greater. This represented a 4% increase from the 265 buildings hosting the same amount of space available at the end of the third quarter and a 23% increase since year-end 2007. The number of large blocks of space available in the range of 50,000-99,999 square feet remained at 65 buildings over the past quarter while the number of buildings advertising 100,000 square feet of contiguous space or greater increased slightly from 61 to 62 buildings. As for major leases signed this quarter, there were five (5) deals completed in excess of 100,000 square feet, a decrease from the seven (7) transactions finalized for over 100,000 square feet in the third quarter of 2008. Although the investment sales market in Northern Virginia showed signs of life with three (3) major office transactions closing during the fourth quarter compared to zero (0) transactions during the third quarter, activity is still very slow. Investment sales are likely to continue to stall in 2009 as financing is very difficult to obtain and properties are hard to value with few sales comparables.

Vacancy Rate

The direct vacancy rate for Northern Virginia increased from 10.4% to 10.8% over the past quarter and has increased 24% since year-end 2007. Total vacancy rate, which includes sublet space available, also jumped over the past quarter from 11.7% to 12.2% and has increased 23% since year-end 2007.

N. Virginia Direct Vacancy Rates		
	Alexandria - 5.2%	Reston/Herndon - 14.4%
	Merrifield - 12.3%	Rt. 28 South- 18.2%
	R-B Corridor - 5.5%	Tysons Corner - 10.9%

Absorption

At the close of the fourth quarter, the total net absorption in Northern Virginia for 2008 was 14,456 square feet, a significant decline when compared to the 10-year average from 1998-2007of 3.86 million square feet per year. Large blocks of sublease space are starting to arrive on the market, which will likely contribute to future negative total net absorption. Another factor likely to create negative net absorption is businesses consolidating into smaller spaces.

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NORTHERN VIRGINIA QUARTERLY OVERVIEW

4TH QUARTER 2008

7930 Jones Branch Dr
Delivered 323,698 sf
in Tysons Corner

4Q 08 SIGNIFICANT LEASE TRANSACTIONS

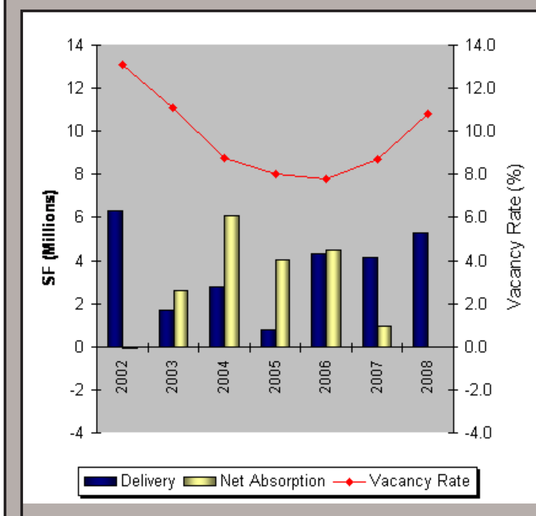
- GSA-Drug Enforcement Administration ~ 513,992 SF
  600-700 Army-Navy Dr
- Lockheed Martin ~ 229,000 SF
  2121 Crystal Dr
- Boeing ~ 145,692 SF
  1200 Wilson Blvd
- Strayer Education ~ 104,914 SF
  2303 Dulles Station Blvd

Tysons Pond I
51,345 SF Available for Lease

Construction

At the close of the fourth quarter, sixteen (16) buildings were under construction in Northern Virginia for a total of 2.18 million square feet, of which 24% is pre-leased. As many of the projects currently under construction were started under more stable economic conditions, the current challenges are reflected in the fact that no new buildings broke ground during the fourth quarter compared to six (6) in third quarter 2008. Six (6) buildings delivered this past quarter totaling 683,030 square feet, of which 13% was pre-leased. The fourth quarter deliveries included: Park Place II in Tysons Corner, Ashmill Building & Lansdown Medical Center in Route 7 Corridor, Elden Place in Herndon, and Ballenger East & Ballenger West in the Eisenhower Ave submarket.

NOVA HISTORICAL STATS 2002 - 2008



Outlook

During the fourth quarter of 2008, commercial real estate fundamentals continued to deteriorate as the U.S. slid further into a national recession. Northern Virginia, long considered one of the strongest commercial real estate markets in the country, has begun to feel the pinch of the national downturn. Uncertainty about the future state of business and the significant cost of moving is harshly affecting the local leasing markets. Many businesses with large requirements are renewing their current space rather than moving into new buildings with a few notable exceptions this quarter: Strayer Education leased 104,914 square feet at the recently delivered Dulles Station East in Herndon and the United Healthcare Group signed a new lease for 57,377 square feet at Two Reston Crescent in the Reston submarket. Even with slow leasing activity and vacancy rates increasing in almost every submarket, rental rates have held relatively steady in large part due to landlords, who are forced to compete for tenants, offering concession packages in the form of tenant improvement dollars beyond what is necessary to built out space, rental abatement, and increased broker commissions . Ironically, the economic instability and the meltdown of financial markets may benefit the DC region. The incoming Obama administration is expected to create jobs necessary to oversee and implement the government's financial rescue plans. Although the nation's jobless numbers are rising, Northern Virginia has one of the lowest unemployment rates in the country. In November, the Virginia Employment Commission reported that Virginia's unemployment rate was 4.6% compared to 6.7% nationally. Optimism for the Northern Virginia office market lies in the fact that government spending will likely occur in the local area and financial constraints should slow development limiting new supply in the area until tenant demand has a chance to recover. In 2001 sublet vacancy represented 41% of total vacancy in the market compared to 11.5% at year-end 2008. It is anticipated that 2009 will resemble 2001 with a significant amount of sublet space hitting the market due to the downturn in the economy. On a positive note, 1.8 million square feet is scheduled to deliver in 2009 compared to 4.58 million square feet delivering on average the last three (3) years.

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4TH QUARTER 2008

5404 Wisconsin Ave
Wisconsin Place - 295,000 SF
Delivering 5 /2009
Microsoft Leased
160,700 SF

4Q 08 HIGHLIGHTS

Total Vacancy Rate:
11.9%

2008
Direct Net Absorption:
250,470 SF

2008
Total Net Absorption:
158,644 SF

2008 Gross
Leasing Activity:
4.18 Million SF

Average Rental Rate:
$28.31 psf FS

Under Construction:
1.59 Million SF

Pre-leased:
42%

2008 Deliveries:
1.29 Million SF

SUBURBAN MARYLAND QUARTERLY OVERVIEW

Summary

The Suburban Maryland office market (Montgomery and Prince George's County) consists of 833 office buildings totaling 78.9 million square feet, and over the past quarter, the direct vacancy rate decreased by 0.4% to 10.3% and total vacancy rate decreased by 0.3% to 11.9%. Direct net absorption in Suburban Maryland was 572,840 square feet for the fourth quarter, compared to last quarter's number of 47,892 square feet. When also considering sublet space, total net absorption over the past quarter was 569,955 square feet. At the close of 2008, overall direct rental rates in the office market were averaging $28.31 per square foot Full Service while Class A direct rental rates were averaging $30.94 per square foot Full Service. There are currently 121 existing office buildings marketing contiguous blocks of space 20,000 square feet or greater. One of the largest leases of the fourth quarter took place in the Pennsylvania Ave Corridor submarket where the Board of Education leased 190,000 square feet at 8903/8905 Presidential Parkway, two Class A office buildings built in 1989 and 1991. Microsoft also signed a significant lease for 160,700 square feet in the Bethesda/Chevy Chase submarket at 5404 Wisconsin Avenue, a 295,000 square foot Class A office building scheduled to deliver in the second quarter of 2009.

Vacancy Rate

Direct vacancy in Suburban Maryland over the fourth quarter increased to 10.3% compared to 8.9% recorded at the same time last year. When sublet space is taken into account, the total vacancy rate increased to 11.9% compared to 10.4% recorded one year ago. The direct vacancy rate for Class A buildings also increased over the past year from 9.5% to 10.7%, while the Class A total vacancy rate closed the fourth quarter at 12.5%.

Absorption

The fourth quarter 2008 net absorption for direct space in the Suburban Maryland office market was 572,840 square feet, compared to 478,147 square feet witnessed in fourth quarter 2007. When taking sublet space into account, the area's fourth quarter total net absorption was 569,955 square feet compared to 518,163 square feet for fourth 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 2008 total net absorption numbers were negative 40,233 square feet and 192,435 square feet, respectively.

MARYLAND NEW OFFICE DELIVERIES	**Milestone Center Ct - Bldg 3** (156,638 SF, 0% Leased) - Germantown
	12150 Annapolis Rd (50,000 SF, 100% Leased) - Bowie
	12200 Annapolis Rd (50,000 SF, 96% Leased) - Bowie

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SUBURBAN MARYLAND QUARTERLY OVERVIEW

4TH QUARTER 2008

7220 Wisconsin Ave
Bethesda/Chevy Chase
16,500 SF Available for Lease

4Q 08 Significant Lease Transactions

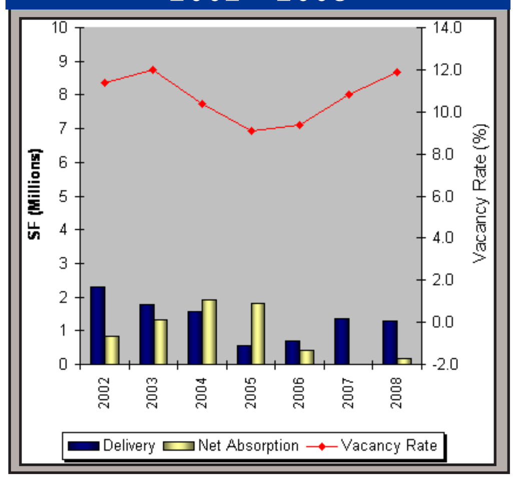
- Prince George's County Board of Education ~ 190,000 SF 8903-8905 Presidential Pky
- MNCPT~ 29,900 SF 7833 Walker Dr
- McFadden & Associates ~ 23,800 SF 8403 Colesville Rd

Lincoln 495
8420 Westphalia Rd
Delivered 2008
153,700 SF Available for Lease

Construction

Eleven (11) office buildings were under construction in Suburban Maryland at the close of the fourth quarter for a total of 1,587,754 square feet. Three (3) buildings delivered adding a total of 256,638 square feet to the office inventory over the fourth quarter. In December 2008, Milestone Center Court delivered 156,638 square feet. This Class A office building owned by New Tower Multi-Employer Property Trust delivered 0% pre-leased with $32.00 per square foot Full Service asking rates. Also completing construction this quarter, 12150 Annapolis Rd, a 50,000 square foot Class A office medical condominium building located in the Bowie submarket, delivered 100% pre-leased in October 2008.

MD HISTORICAL STATS 2002 - 2008



Potential Available Space

In addition to the 9.3 million square feet immediately available in Suburban Maryland, an additional 10 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 Suburban Maryland commercial real estate market remained somewhat stagnant during the fourth quarter, which may seem extremely fortunate when compared to many areas across the country struggling with vacancy rates approaching 20%. With a surge of eleven (11) buildings currently under construction and the potential of several ground breakings planned, inventory in Suburban Maryland is likely to grow by over 2.5 million square feet of office space in the next two years. In 2008, the number of square feet delivered in Suburban Maryland was slightly below average adding a limited amount of new space to the market. Even with constraints on the supply, slow leasing activity in the second half of 2008 resulted in fewer direct deals signed and an increase in vacancy rates from year-end 2007. As many businesses attempt to reduce expenses, such as moving costs and paying for unused square footage, Suburban Maryland witnessed a steady trend of short term renewals and office consolidations. As a result, several submarkets turned in negative absorption for 2008 which also contributed to the steady increase in Suburban Maryland vacancy rates. As the new presidential administration gets underway, Suburban Maryland expects to benefit from a wave of Federal spending on healthcare, biotechnology, and national defense, especially in the markets of North Bethesda and Rockville, which are home to several government contractors supporting these industries. Even through a tough economic period, Montgomery County, especially the North Rockville and Bethesda/Chevy Chase submarkets, which are driven by high levels of commerce, good access to the surrounding area and top quality buildings, was able to produce positive absorption and hold vacancy rates steady. Even with demand trailing off in the last couple of quarters and vacancy rates increasing, the average direct rental rates have climbed $0.45 since the fourth quarter of 2007. In 2009, the Suburban Maryland office market should temporarily remain steady with decent market indicators, such as stable vacancy rates, favorable federal spending, and minimal new construction activity.