

2Q 09 DIRECT VACANCY

DC	8.6%	▲
NOVA	11.3%	▲
MD	12.4%	▲

*Arrows indicate change from previous quarter



The Hartford Building
Sold for \$71.5 Million
(\$337 psf)

2009 YTD TOTAL NET ABSORPTION

DC	(590,078) SF
NOVA	99,375 SF
MD	(489,223) SF

WASHINGTON, DC REGIONAL QUARTERLY OVERVIEW

Metropolitan Washington, DC Office Market

The second quarter 2009 statistics reveal that the Metropolitan Washington, DC office market, which consists of approximately 381 million square feet of office space and spans the District of Columbia, Northern Virginia, and Suburban Maryland, continues to weather the effects of a deepening national recession. In addition to a weak economy, the country has experienced dramatic employment loss as evidenced by the 433,000 jobs lost in June and the unemployment rate, which reached a 25-year high of 9.5% in June 2009. Financial struggles and job cuts directly affect the demand for office space as tenants persist in consolidating, subleasing space, or closing their business. Although real estate fundamentals in the Washington, DC region have suffered along with the rest of the nation, there is room for optimism: eight leases were signed this past quarter in excess of 100,000 square feet, a few significant sales transactions were completed, and the local area anticipates that increased assistance from the national stimulus package and the federal government will result in job creation.

Vacancy Rate

The direct vacancy rate in the Washington, DC metropolitan office market increased for the sixth consecutive quarter to end the first half of 2009 at 10.6%, which represents a 5.0% increase from the first quarter 2009 and a 12.8% jump from the year-end 2008 rate. When taking into consideration the substantial sublet space that continues to saturate the market, the area's total vacancy rate also increased

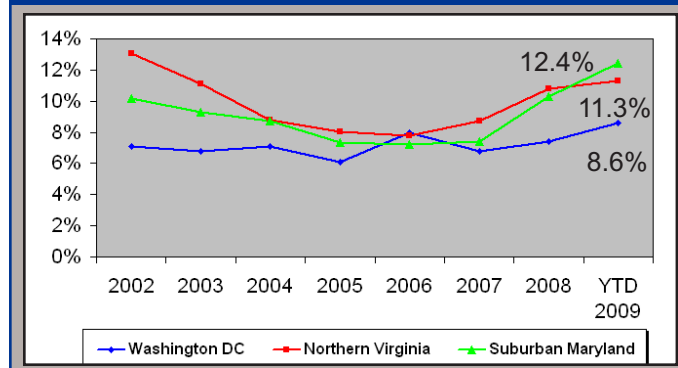
over the past quarter from 11.5% to 12.1%. During the second quarter 2009, the direct vacancy rates increased across each market with the District's rate escalating from 7.6% to 8.6%, Northern Virginia's rate rising from 11.1% to 11.3%, and the rate in Suburban Maryland growing from 11.4% to 12.4%. The total vacancy rates experienced a similar upward trend over the past quarter in the District with an increase from 8.7% to 10.0%, in Northern Virginia with a slight move upward from 12.7% to 12.9%, and in Suburban Maryland with a rise from 13.0% to 13.9%.

Absorption

The Washington, DC metropolitan has area experienced approximately 77,667 square feet of positive direct net absorption during the first half of 2009. However, as the challenging economic conditions have compelled several tenants to shut their doors or reduce their demand for office space, a substantial portion of sublease space has become available this year, resulting in negative 979,926 square feet of total net absorption. Through the first two quarters of 2009, the District registered negative 590,078

square feet of total net absorption and Suburban Maryland witnessed negative 489,223 square feet

DIRECT VACANCY HISTORICAL CHART



part to a few sizeable tenants starting to occupy space for which leases were signed during 2008.

Construction

At the close of the second quarter 2009, thirty-seven (37) office buildings (16 in DC, 13 in VA, and 8 in MD) in the metropolitan region were under construction totaling 10.9 million square feet. Twelve (12) buildings delivered during the second quarter 2009 (6 in DC, 1 in VA, and 5 in MD) adding approximately 2.9 million square feet of new office supply to the region. One of the most significant additions to the stock of buildings that are currently being developed is the 1.7 million square feet project titled BRAC 133, which is located at the Mark Center Office Park in Alexandria, Virginia. The Army selected this site to host a new office complex for Department of Defense personnel in an effort to comply with the VA Base Realignment (BRAC) initiative to consolidate government employees closer to existing army bases. The Washington region has been tagged as having more new space delivering over the next two years than any other market in the country, but it should also be noted that this market is also larger than most in the United States. The local real estate community is hopeful that significant preleasing commitments, such as with the DoD at the Mark Center project, and increased demand spurred either directly by the government or as a result of the stimulus program will aid in keeping vacancy rates reasonable as new supply enters the market.

Government

The stimulus package has definitely helped the Metropolitan Washington, DC real estate market, as several GSA leases were signed this past quarter. The Recovery Act group itself completed a lease for 12,000 square feet at 1717 Pennsylvania Avenue, and Troubled Asset Relief Program (TARP) signed another lease for 70,000 square feet at 1801 L Street. In Maryland, GSA also stirred leasing activity with its 105,000 square foot renewal of the FDA's space at 1350 Piccard Drive in Rockville, even though the existing FDA tenants had already moved to their new building in White Oak. GSA plans to backfill the building in Rockville with future FDA hires and some consolidation from other leases. In Virginia, a new 47,500 square foot lease was signed for the National Technical Information Service at 5301 Shawnee Road in Alexandria, and a new 25,000 square foot lease was signed for the Department of Homeland Security (CIS) at 2121 Crystal Drive in Crystal City.

Notable Investment Sales Transactions

Address	Submarket	Price	Buyer	Seller	Class	Occupancy
1501 M Street, NW	East End, DC	\$60.0 Million \$352 psf	John Buck Company	CBRE Investors	A	88%
Hartford Bldg 3101 N Wilson Blvd	Courthouse/ Clarendon, VA	\$71.5 Million \$337 psf	MRP/ Angelo Gordon & Co	MEPT	A	100%
4807 Stonecroft Blvd	Rt 28 South, VA	\$29.0 Million \$260 psf	Franklin Street Properties	Duke Realty Corporation	A	100%
One Choke Cherry Road	North Rockville, MD	\$43.5 Million \$191 psf	JBG	Morgan Stanley	A	100%

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2Q 09 UNDER CONSTRUCTION

DC	5.13 MIL SF
NOVA	3.67 MIL SF
MD	2.10 MIL SF



Mark Center Office Park
1.7 Million SF
Under Construction

2Q 09 DELIVERIES

DC	1.89 MIL SF
NOVA	156,000 SF
MD	871,578 SF

WASHINGTON, DC QUARTERLY OVERVIEW

Market Summary

The Washington, DC office market consists of 765 buildings over 25,000 square feet for a total of approximately 130 million square feet. The direct vacancy rate in the District's office market increased over the past quarter ending the second quarter 2009 at 8.6%. The uptick in the vacancy rate was coupled with the delivery of six office buildings totaling 1.9 million square feet of new inventory. Of the new product delivered to the market, only 39% of it was pre-leased at the end of the second quarter. Negative sublet absorption caused by an influx of vacant sublet space has affected total net absorption throughout the city. Total absorption for the second quarter was 143,220 square feet, which was well below the pace needed to reach the historical average of 2 million square feet per year. The largest lease occurring in the District over the past quarter was a 150,000 square foot renewal signed by the World Bank at 1776 G St, NW in the Central Business District.

Vacancy Rate

In the District, the direct vacancy rate increased to 8.6% from the first quarter's rate of 7.6%, and when taking sublet space into consideration, the total vacancy rate also increased to 10.0% from the first quarter rate of 8.7%. The increase in the District's direct vacancy was primarily affected by the delivery of six new buildings, which added 1.9 million square feet of new vacant and unleased space to the equation. During the past quarter, the CBD/East End Class B submarket remained relatively tight with a direct vacancy rate of 5.7% and a total vacancy rate of 7.1%. Overall, the Class B market remained tight in the District due to the pressure on the bottom end of the market. Class C total vacancy at the end of the second quarter was 3.9% with only 0.1% of that being sublet vacancy.

WASHINGTON DIRECT VACANCY RATES

CBD - 7.8%

East End - 8.0%

CBD/EE: Class A - 9.6%

CBD/EE: Class B - 5.7%

Cap Hill/NoMa - 11.7%

West End/Georgetown - 12.0%

Southwest - 7.3%

Capitol Riverfront - 16.7%

Absorption and Gross Leasing

During the second quarter 2009, the District's office market witnessed 422,256 square feet of direct net absorption. When considering net sublet absorption, which was negative 279,036 square feet, the total net absorption for the second quarter was 143,220 square feet. Negative sublet absorption occurred as many tenants either moved out of space that they had been subleasing or tenants downsized and listed large blocks of vacant sublet space as available. The second quarter 2009 represented the third straight quarter for negative sublet absorption. This quarter's total net absorption number was up significantly from the negative 733,298 square feet of total net absorption realized during the first quarter and brought the year-to-date total absorption number to negative 590,078 square feet. Direct leasing activity for the past quarter was 945,674 square feet, and total leasing activity was 1.1 million square feet, which contributed to the 2.6 million square feet of total leasing activity for 2009.



1776 G St, NW
The World Bank
Renewed for 150,000 SF

2Q 09 HIGHLIGHTS

Total Vacancy Rate:
10.0%

2009 YTD
Direct Net Absorption:
122,337 SF

2009 YTD
Total Net Absorption:
(590,078) SF

2009 YTD
Gross Leasing Activity:
2.6 Million SF

Average Direct Rental
Rate:
\$48.47 psf FS

Under Construction:
5.1 Million SF

Pre-leased:
38%

2009 YTD Deliveries:
2.1 Million SF



1501 M Street, NW
Sold for \$59.25 Million
(\$348 psf)

Construction

At the end of the second quarter 2009, sixteen (16) office buildings were under construction for a total of 5.1 million square feet, of which 38% was pre-leased. An additional 3.1 million square feet has been removed from total inventory as buildings are undergoing some form of major renovation (lobby, common areas, rest rooms, etc.). During the second quarter of 2009, the District witnessed the delivery of six (6) new building for a total of 1.9 million square feet.

WASHINGTON	1200 19th St, NW - 308,394 SF	700 6th St, NW - 300,000 SF
NEW OFFICE	1155 F St, NW - 250,000 SF	55 M St, SE - 274,264 SF
DELIVERIES	700 2nd St, NE - 507,273 SF	300 NJ Ave, NW - 255,691 SF

Potential Space Available

In addition, to the 11.7 million square feet immediately available in the city (of which 1.8 million square feet is sublet space), an additional 9.1 million square feet is being marketed as potentially available in the next 24 months, totaling 20.8 million square feet available in the next 2 years. This includes pending lease expirations, new construction, buildings under renovation, and proposed buildings, which have not yet begun construction.

Outlook

More of the same is expected for the balance of 2009 and the beginning of 2010, but things could change quickly in the Primary Business District (PBD) if demand shows any signs of recovery. At first glance, with over 2 million square feet still scheduled to deliver in 2009, an additional 3.8 million scheduled for 2010, and a market witnessing anemic demand, one could easily predict a rapidly increasing vacancy rate through 2010. In fact, we expect the vacancy rate in the District to be higher in 2010 than it is today. However, a closer look at the numbers point to a potential tightening of supply within the PBD during the first half of next year. Less than 850,000 square feet of the 2 million square feet expected to deliver in the balance of 2009 is located inside the PBD, and only 530,000 square feet of the 3.8 million square feet delivering in 2010 is located inside the PBD. If employers slow the pace of job loss (vacant sublet space grew from 973,000 square feet in second quarter 2008 to 1.7 million square feet in second quarter 2009) and the effects of the stimulus package start to kick-in, we could see several of the submarkets within the CBD start to tighten.

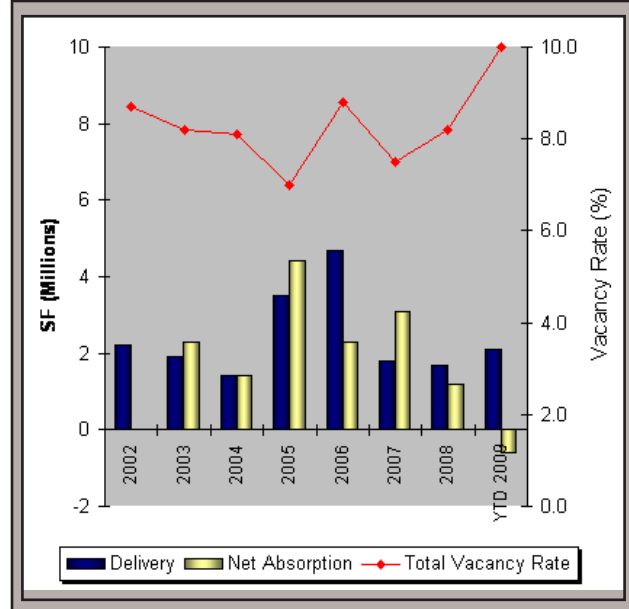
**2Q 09 SIGNIFICANT
LEASE TRANSACTIONS**

- ◆ World Bank ~
80,000 SF
1800 G St, NW
Renewal
- ◆ Dept of Justice ~
54,970 SF
Constitution Square
Expansion
- ◆ Veterans Affairs ~
35,000 SF
131 M St, NE
New Lease



700 2nd St, NE
Delivered 2nd Quarter 2009
507,273 SF

**DC HISTORICAL STATS
2002 - 2009 YTD**



NORTHERN VIRGINIA QUARTERLY OVERVIEW

Summary

During the second quarter 2009, the Northern Virginia office market, which consists of Arlington, Alexandria, Fairfax, and Loudoun counties for a total of 171.9 million square feet of rentable space, experienced an increase in vacancy rates matched by a drop in the average asking rental rate. The amount of available direct and sublease space in Northern Virginia is on the rise as many tenants have remained conservative when it comes to real estate decisions. This trend has resulted in plenty of options for companies in a decent financial position to take advantage of landlords who are offering generous incentive packages or to acquire quality space that has already been built-out to a high standard.

At the end of the second quarter, 283 office buildings in Northern Virginia were marketing contiguous blocks of 20,000 square feet or greater, down from 285 buildings the prior quarter. This represented a decrease in the quarterly inventory for the first time since the second quarter 2007. The number of large blocks of space available in the range of 50,000-99,999 square feet increased over the past quarter from 61 to 63 buildings, while the number of buildings advertising 100,000 square feet of contiguous space or greater decreased from 63 to 57 buildings. As for major leases signed this past quarter, there were five (5) leases completed in excess of 100,000 square feet, which matched the number of transactions finalized for over 100,000 square feet during the first quarter of 2009. There were four (4) major sale transactions during the second quarter, which was the same number of sales closed during the first quarter 2009 but still far below the sales activity witnessed in 2007-2008.

Vacancy Rate

The direct vacancy rate in the Northern Virginia office market grew from 11.1% to 11.3% over the past quarter and has increased 4.6% since year-end 2008. The total vacancy rate, which includes sublet space available, also rose slightly over the past quarter from 12.7% to 12.9% and has increased 5.7% since year-end 2008.

N. VIRGINIA DIRECT VACANCY RATES	Alexandria - 10.0%	Reston/Herndon - 14.2%
	Merrifield - 11.4%	Rt. 28 South- 15.9%
	R-B Corridor - 5.3%	Tysons Corner - 11.8%

Absorption

During the first half of 2009, the Northern Virginia office market has witnessed 434,793 square feet of positive direct net absorption. A few sizable tenants, most of whom signed leasing commitments in 2008, have starting to occupy their space creating positive net absorption, but a flood of sublet space has also entered the market through tenant consolidations and bankruptcies diminishing the area's year-to-date total net absorption to 99,375 square feet.



*4807 Stonecroft Blvd
Sold for \$29 Million
(\$260 psf)*

2Q 09 HIGHLIGHTS

Total Vacancy Rate:
12.9%

**2009 YTD
Direct Net Absorption:**
434,793 SF

**2009 YTD
Total Net Absorption:**
99,375 SF

**2009 YTD
Gross Leasing Activity:**
6.09 Million SF

Average Rental Rate:
\$30.13 psf FS

Under Construction:
3.67 Million SF

Pre-leased:
67%

2009 YTD Deliveries:
197,888 SF



MetroPark VIII
Delivered 154,999 SF
in the Springfield/Burke
submarket

**2Q 09 SIGNIFICANT
LEASE TRANSACTIONS**

- ◆ Boeing Company ~
250,000 SF
Crystal Gateway 3
- ◆ Freddie Mac ~
202,840 SF
Fairfax Building
- ◆ Deloitte ~
171,591 SF
Waterview
- ◆ Arlington County ~
144,740 SF
Sequoia Plaza Phase I



Bridgewater Corporate Center
69,708 SF
Available for Lease

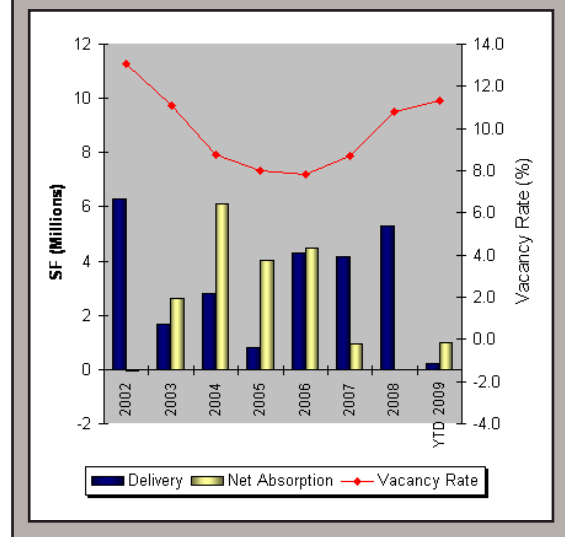
Construction

At the close of the second quarter 2009, thirteen (13) buildings were under construction in Northern Virginia for a total of 3.67 million square feet, of which 67% was pre-leased. There were two (2) new construction starts in Northern Virginia during the second quarter. The Army in coordination with Duke Realty and Clark Construction broke ground on the Mark Center Office Park, which is a 1.7 million square foot office complex in the I-395 submarket. The project is being developed to host Department of Defense personnel and is scheduled to be completed by the September 2011 BRAC deadline. The JBG Companies also broke ground on a 144,000 square foot office building, located at 900 N Glebe Road in the Ballston submarket. The building is 100% leased to the Virginia Tech Research Institute, who will receive ownership upon completion of the structure. Declining office demand and the frozen credit markets have caused most developers to delay new construction projects unless there is a significant portion of pre-leasing activity. One (1) building located at MetroPark VIII, 6909 Metro Park Dr, in the Springfield/Burke submarket delivered during the second quarter for a total of 154,999square feet, of which 35% is pre-leased.

Outlook

During the second quarter 2009, favorable tenant conditions such as lower asking rates and large incentive packages encouraged leasing activity as a few large leases were signed. Unfortunately, even with the concessions offered, many companies have been inclined to shed jobs or consolidate their office requirements in order to cut expenses, leading to a decrease in Northern Virginia's overall demand for office space. In coordination with diminished demand, vacancy rates in Northern Virginia continued to rise with submarkets in Fairfax County seeming to have suffered the most. Crystal City remains one of the healthiest submarkets as government related leasing activity has kept the vacancy rate below 10 percent. One bright spot for the second quarter was a few significant non-renewal deals signed in excess of 50,000 square feet by: QinetiQ North America, Deloitte, ITT, and Arlington County. Although these leases removed several large blocks of space from the market, Northern Virginia can be broken down into two noticeable different scenarios: inside the beltway and outside the beltway. There are currently 51 vacant buildings totaling more than 4.5 million square feet in Northern Virginia, and of the 51 vacant buildings, 47 are located outside the beltway. Recovery momentum is anticipated to continue in submarkets inside the beltway where rental rates have held steady with increases in some of the submarkets inside Arlington County. Even with limited new office supply over the past few quarters and support from the stimulus package and increased federal budget, the region is struggling but poised to recover much quicker than other parts of the country.

**NOVA HISTORICAL STATS
2002 - 2009 YTD**





SUBURBAN MARYLAND QUARTERLY OVERVIEW

Summary

The Suburban Maryland office market consists of 836 office buildings totaling approximately 79.55 million square feet located in Montgomery and Prince George's counties. During the second quarter 2009, the direct vacancy rate in the Suburban Maryland office market increased by 1% to 12.4%, and the total vacancy rate increased by .9% to 13.9%. Over the past quarter, Suburban Maryland also witnessed negative 448,923 square feet of direct net absorption, which falls considerably below the first quarter's number of negative 30,540 square feet. Direct asking rental rates in the office market decreased slightly ending the second quarter at \$27.58 per square foot Full Service overall and \$30.54 per square foot Full Service for Class A space. The declining rental rates are a direct result of increasing vacancy rates and negative absorption. Another significant statistic was that 86 existing office buildings were marketing contiguous blocks of space 20,000 square feet or greater in the Suburban Maryland market, which represented a 22.5% decrease in the number of buildings from the second quarter of 2008. The largest lease signed during the past quarter was in the Gaithersburg submarket where Montgomery County leased 341,692 square feet at 100 Edison Park Drive. The Food & Drug Administration also signed a significant lease by renewing 104,000 square feet at 1350 Piccard Drive in the North Rockville submarket.

Vacancy Rate

Direct vacancy in Suburban Maryland increased over the second quarter to 12.4%, which represented a notable increase when compared to 10.5% recorded at the same time last year. When sublet space is taken into account, the total vacancy rate increased over the past quarter from 13.0% to 13.9%. This rate has also climbed when compared to 12% recorded one year ago. Following the upward trend, the direct vacancy rate for Class A buildings increased over the past year from 12.0% to 13.6%, while the Class A total vacancy rate closed the second quarter at 15.6%. This is the highest total vacancy rate reached for Class A space over the last ten years and has increased 85% over the past three years since the second quarter of 2006 which reported a low of 8.4%.

Absorption

During the second quarter 2009, net absorption for direct space in the Suburban Maryland office market was negative 448,923 square feet, which signified a substantial descent when compared to the 47,534 square feet of positive absorption witnessed in second quarter 2008. This disparity can largely be attributed to the approximately 600,000 square feet of vacancy delivered to the market during this past quarter. When taking sublet space into account, the area's second quarter total net absorption was negative 449,926 square feet, which was also a decline when compared to negative 53,240 square feet recorded during the second quarter 2008. The two major submarkets in Suburban Maryland, North Rockville and Bethesda/Chevy Chase, each host over 10 million square feet of office space and have produced negative 80,795 square feet and negative 187,485 square feet of total net absorption in 2009. These numbers represent a slight decline in absorption for both submarkets over the past year.

Construction

At the close of the second quarter, eight (8) office buildings were under construction in Suburban Maryland for a total of 2.1 million square feet. Five (5) buildings delivered during the second quarter adding a total of 871,578 square feet of office inventory. Two major projects, located at 520 & 530



*5404 Wisconsin Ave
Wisconsin Place - 295,000 SF
Delivered June 2009
Microsoft Leased
160,700 SF*

2Q 09 HIGHLIGHTS

Total Vacancy Rate:
13.9%

**2009 YTD
Direct Net Absorption:**
(479,463) SF

**2009 YTD
Total Net Absorption:**
(489,223) SF

**2009 YTD
Gross Leasing Activity:**
1,848,814 SF

Average Rental Rate:
\$27.58 psf FS

Under Construction:
2.1 Million SF

Pre-leased:
16%

2009 YTD Deliveries:
1,023,470 SF



1350 Piccard Drive
North Rockville
FDA Renewed 104,000 SF

2Q 09 SIGNIFICANT
LEASE TRANSACTIONS

- ◆ Montgomery County ~
341,692 SF
100 Edison Park Dr
- ◆ GSA-FDA~
104,000 SF
1350 Piccard Dr
- ◆ Lockheed Martin ~
68,000 SF
7474 Greenway Center Dr



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

Gaither Road in the North Rockville submarket, delivered 347,462 square feet, of which 0% was pre-leased. These two Class A office buildings, owned by Perseus Realty, have aided increasing vacancy rates in the market. Another significant delivery was Wisconsin Place, a 295,000 square foot, Class A office building located at 5404 Wisconsin Avenue in the Bethesda/Chevy Chase submarket. The building was 90% pre-leased upon delivery in June with Microsoft, which leased 106,000 square feet, and Capital Source, which took the second, third, tenth and eleventh floors, as lead tenants. The building currently has around 123,000 square feet available with both of those tenants putting several thousand square feet back on the market for sublease. 327 Ballenger Center Drive, which is a 120,765 square foot, Class-A office building in Frederick, was on schedule to deliver in the first quarter of 2010 but has now ceased construction until a considerably higher percentage of the building is preleased.

Potential Available Space

In addition to the 11.03 million square feet available immediately in Suburban Maryland, 7.3 million square feet are being marketed as potentially available over the next 24 months. This includes pending lease expirations, new construction and buildings under renovation. Several core tenants such as: American Capital Strategies, Capital Source, Chevy Chase Bank, and Fannie Mae, consolidated or were acquired resulting in several large blocks of prime and sublease space being returned to the market.

Outlook

The Suburban Maryland commercial real estate market performed moderately throughout the second quarter with productivity more apparent in some submarkets than others. The second quarter was marked by a number of positive indicators that will optimistically serve as building blocks for the second half of 2009. Some of the indicators include: Montgomery County taking 341,692 square feet in Gaithersburg and the GSA-FDA renewing 104,000 square feet and Lockheed Martin expanding by 9,000 square feet in North Rockville. There were also several positive signs on the sales market including: the exchange of 1 Choke Cherry Road in North Rockville and the Fairmont Building at 7735 Old Georgetown Road in the Bethesda/Chevy Chase submarket. Although there has been a 33% decline in leasing activity, the numbers produced in this market are considered favorable when compared to many other regions across the country whose vacancy rates are approaching double that of the suburban Maryland market. With eight (8) buildings currently under construction and few scheduled to break ground in the remainder of 2009, the vacant office inventory in Suburban Maryland is likely to stabilize over the next two years. Slow leasing activity has resulted in a consistent increase in the area's vacancy rates by approximately 0.5% per quarter over the past two years. Since short term renewals and office consolidations have been prevalent, landlords are often offering higher tenant improvement allowances and more rental abatement to attract new tenants or keep existing ones. As the government's new budget programs become fulfilled over the next few years, Suburban Maryland expects to benefit from a wave of federal spending on healthcare, biotechnology, and national defense. This effect will be seen particularly in the markets of North Bethesda through North Rockville, which are home to several government contractors who sustain these industries. Even through a tough economic period, the Suburban Maryland office market, particularly Montgomery County, which is driven by an overall highly educated work-force and affluent population, has been able to sustain the impact of the economy and is prepared to take full advantage when things begin to look up.

MD HISTORICAL STATS
2002 - 2009 YTD

