

4Q 09 DIRECT VACANCY

DC	10.6%	▲
NOVA	11.6%	▲
MD	13.2%	▬

*Arrows indicate change from previous quarter



The Executive Building
1030 15th St.
274,944 SF Available

2009 YTD TOTAL NET ABSORPTION

DC	(384,533) SF
NOVA	854,911 SF
MD	(917,812)

WASHINGTON, DC REGIONAL QUARTERLY OVERVIEW

Metropolitan Washington, DC Office Market

The fourth quarter 2009 statistics reveal that the Metropolitan Washington, DC office market, which consists of approximately 385 million square feet of office space and spans the District of Columbia, Northern Virginia, and Suburban Maryland, continues to weather the effects of a historic national recession. The area is still treading in a weak economy, but over the past few months the greater Washington DC area's unemployment rate has decreased just slightly to 11.8% and retained this position for a couple months, showing some stability and hope of economic turnaround in the coming year.

Financial struggles and job cuts directly affect the demand for office space as tenants continue to offer space on the market for sublease, consolidate, or close their businesses. Although real estate fundamentals in the Washington, DC region have suffered along with the rest of the nation, there are positive indicators out there as well. The investment sales market has seen an increase in action with major building trades occurring throughout the marketplace. Large GSA leases continue to be a shining point in a market that looks to the Federal Government for continued support.

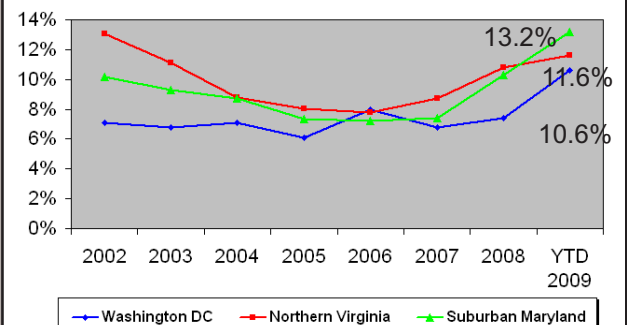
Vacancy Rate

The direct vacancy rate in the Washington, DC metropolitan office market increased for the eighth consecutive quarter to end the fourth quarter of 2009 at 11.8%, which represents a 0.7% increase from the third quarter 2009. 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 12.8% to 13.2%. During the fourth quarter 2009, the direct vacancy rates increased across both DC and Virginia markets with the District's rate escalating from 9.6% to 10.6% and Northern Virginia's rate rising from 11.4% to 11.6%. Suburban Maryland managed to stay the same at 13.2%, which is a positive sign relative to the past few years of consistent increase in this area. The total vacancy rates experienced a similar trend over the past quarter. The District saw an increase from 10.8% to 11.8% and Northern Virginia bumped up slightly from 12.9% to 13.0%. Suburban Maryland saw a decrease from 15.2% to 14.9% primarily because of government agencies signing two major leases in the Rockville and North Rockville areas.

Absorption

The Washington, DC metropolitan area experienced approximately 633,597 square feet of direct net absorption over the course of 2009. The rise in available sublease space seems to be slowing as

DIRECT VACANCY HISTORICAL CHART



**4Q 09 UNDER
CONSTRUCTION**

DC	3.9 MIL SF
NOVA	2.67 MIL SF
MD	441,762 SF



1530 Wilson Blvd
50,160 SF Available

**4Q 09
DELIVERIES**

DC	383,877 SF
NOVA	295,000 SF
MD	114,970 SF

Northern Virginia, Southern Maryland and the District all witnessed modest increases in the fourth quarter compared to the sharp escalations of the past few quarters. At 2009 years end, the District registered negative 384,553 square feet of total net absorption and Suburban Maryland witnessed negative 917,812 square feet while Northern Virginia recorded positive 854,911 square feet of total net absorption due in large part to a few sizeable tenants starting to occupy space for which leases were signed during late 2008 and early 2009.

Construction

At the close of the fourth quarter 2009, twenty-three office buildings (12 in DC, 8 in VA, and 3 in MD) in the metropolitan region were under construction totaling 6.9 million square feet. Three buildings delivered during the fourth quarter 2009 (1 in DC, 1 in VA, and 1 in MD) adding approximately 780,000 square feet of new office supply to the region. The fourth quarter completion of the full building renovation at Constitution Center in Southwest Washington also added 1.4 million sf of additional space to the market. The deliveries that have occurred in the area are continuing to affect the overall vacancy rates in the market as leasing activity remains moderate, aside from GSA. As this space is absorbed and deliveries and square feet under construction begin to decrease over the next 12-18 months the market will look for vacancy rates to begin to decline.

Government

Activity remained steady in 2009 for GSA, as it finished the year with a flurry of activity, particularly in Washington, DC. As far as new deals done in the last quarter, GSA signed a 330,000 SF lease on behalf of the Department of Agriculture at Patriots Plaza III in SW, a 288,000 SF lease for its own headquarters swing space at Constitution Square in NOMA, a 170,000 square foot lease for the IRS at 77 K Street in NOMA, and a 50,000 SF lease for the Secret Service at 1735 New York Ave. GSA renewed several substantial leases as well: a 210,000 SF renewal for the Dept. of Defense at 3100 Clarendon Blvd in Arlington, VA, a 200,000 SF renewal for Department of Justice at 1301 New York Ave, and a 185,000 SF renewal for HHS at 901 D Street, SW.

Notable Investment Sales Transactions

Address	Submarket	Price	Buyer	Seller	Class	% Leased
818 18th Street	CBD, DC	\$17.8 Million \$321.28 psf	K & M Properties, Inc.	Laffal Property Associates	B	100%
12061 Bluemont Way	Reston, VA	\$68.5 Million \$297 psf	Rockwood Capital	Sallie Mae	A	100%
1451 Rockville Pike	North Rockville, MD	\$24.1 Million \$230 psf	Carr Services, LLC	Brookfield Properties	A	0%

Neither Lincoln, its affiliates, employees or representatives makes any representation or warranty as to the accuracy or reliability of this information. We encourage any user of this information to independently confirm its accuracy and completeness.



Constitution Square
GSA Headquarters Swing Space
Leased 288,000 SF

DC HIGHLIGHTS

Direct Vacancy Rate:
10.6%

**2009
Direct Net Absorption:**
322,608 SF

**2009
Total Net Absorption:**
(384,533) SF

**2009
Gross Leasing Activity:**
6.6 Million SF

**Average Direct Rental
Rate:**
\$49.19 psf FS

Under Construction:
4.2 Million SF

Pre-leased:
52%

2009 Deliveries:
5.1 Million SF

WASHINGTON, DC QUARTERLY OVERVIEW

Market Summary

The Washington, D.C. office market consists of 769 buildings over 25,000 square feet for a total of approximately 132 million square feet. Over the past few years the District has witnessed an influx of new deliveries, increasing inventory, vacancy, and asking rental rates in the class A market all at the same time. We now appear to be coming to the end of the large spec development period that had been driving vacancies up as few construction starts have occurred over the past year. The direct vacancy rate in the District's office market increased over the past quarter ending the fourth quarter 2009 at 10.6%. Total net absorption for the quarter was 160,772 sf, and that leaves the District with a total of negative 384,533 sf absorbed during 2009. The negative absorption in the city was primarily caused by a tough start to 2009 when the city recorded negative 859,000 sf of total net absorption in the first quarter. The largest lease occurring in the District this quarter was a 330,000 square foot Dept. of Agriculture requirement for the GSA that landed in Southwest at Patriots Plaza III.

WASHINGTON DIRECT VACANCY RATES	CBD - 8.3%	East End - 8.0%
	CBD/EE Class A - 9.6%	CBD/EE Class B - 5.7%
	Cap Hill/NoMa - 14.8%	West End/Georgetown - 12.0%
	Southwest - 24.8%	Capitol Riverfront - 16.5%

Vacancy Rate

In the District, the direct vacancy rate increased to 10.6% from the third quarter's rate of 9.6%, and when taking sublet space into consideration, the total vacancy rate also increased to 11.8% from the third quarter rate of 10.8%. The increase in direct vacancy continues to be affected by the delivery of new buildings in the District. At the end of the fourth quarter the CBD/East End Class B submarket had a direct vacancy rate of 5.7% and a total vacancy rate of 6.5%. The Class B market remains tight in the District due to the pressure on the bottom end of the market. Class C total vacancy at the end of the fourth quarter was 4.0% with only 0.1% of that being sublet vacancy. Vacancy rates in Southwest have skyrocketed due to the completion of Constitution Center at 400 7th St, SW. The 1.4 million sf building had zero preleasing prior to its delivery.

Absorption and Gross Leasing

During the fourth quarter 2009, the District's office market witnessed 137,470 square feet of direct absorption. When considering net sublet absorption, which was 23,302 square feet, the total net absorption for the fourth quarter was 160,772 square feet. After four straight quarters of negative sublet absorption, the District recorded 23,302 sf in the fourth quarter hopefully showing an end to the abundance of space being given back by tenants. The direct leasing activity for the past quarter was 1,855,656 square feet, and total leasing activity was 2,035,601 sf. This represents the first time in four



888 18th Street, NW
Sold for \$17.8 Million
(\$321 psf)

4Q 09 SIGNIFICANT
LEASE TRANSACTIONS

- ◆ Dept. of Agriculture
330,000 SF
355 E St, SW
New Lease
- ◆ GSA Headquarters
288,000 SF
1275 First St, NE
New Lease
- ◆ DC Public Schools
199,822 SF
1200 First St, NE
New Lease



1200 First St, NE
DC Public Schools
Leased 199,822 SF

quarters that the District has broken the 2 million square-foot plateau. In 2009 Washington recorded a total of 6.6 million sf of total leasing activity, shy of historical averages however quarterly totals have been trending upward over the past three quarters.

WASHINGTON
NEW OFFICE
DELIVERIES



355 E Street, SW
383,877 SF
(87% LEASED)

Construction

At the end of the fourth quarter 2009, twelve (12) office buildings were under construction for a total of 4.2 million square feet, of which 52% was pre-leased. An additional 1.3 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 fourth quarter of 2009, the District witnessed the delivery of one (1) new building for a total of 383,877 square feet and the completion of the full building renovation of Constitution Center in Southwest of 1.4 million sf. Of the remaining projects under construction only five are located in the Primary Business District and those are currently 37% preleased. We expect this preleased percentage to increase over the next quarter as rumored transactions begin to become reality. Of the remaining construction projects in the NoMa, Southwest and Southeast submarkets, 60% have been preleased, primarily by the GSA or District of Columbia Government.

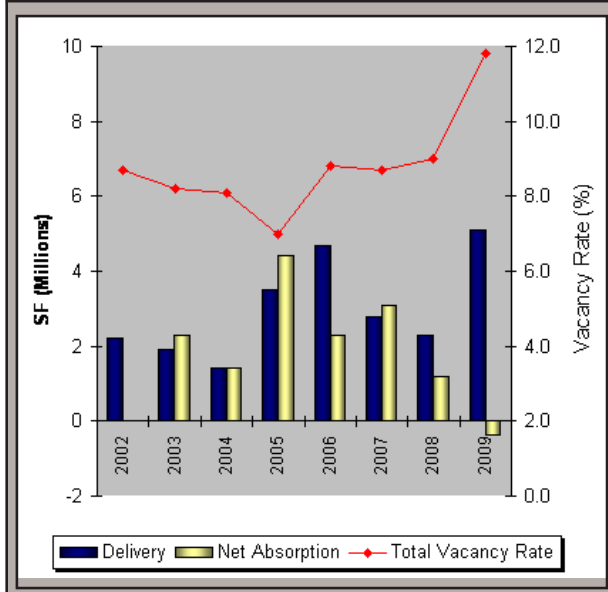
Potential Space Available

In addition to the 12.5 million square feet available immediately in the city (of which 1.6 million square feet is sublet space), an additional 9.2 million square feet is being marketed as potentially available in the next 24 months, totaling 21.8 million square feet available. This includes pending lease expirations, new construction, buildings under renovation, and proposed buildings, which have not yet begun construction.

Outlook

Unless you were a tenant in the market, 2009 was not a great year for most in the real estate business - leasing and sales activity were down, rents declined, concessions increased and vacancy rates increased. But ask landlord and tenant alike how they feel about the coming year compared to how they felt at the beginning of January 2009, and most will respond that things are looking up. Larger tenants are already becoming concerned about the number of options that will be available in the second half of 2011 and beyond, and smaller tenants are becoming less tentative about making decisions. While we expect that the amount of available space will continue to make it a tenant's market well into the second half of 2010, we also believe that the market may be bumping along the bottom.

DC HISTORICAL STATS
2002 - 2009



NORTHERN VIRGINIA QUARTERLY OVERVIEW

Summary

During the fourth quarter 2009, the Northern Virginia office market, which combines Arlington, Alexandria, Fairfax, and Loudoun counties for a total of 174.3 million square feet of rentable space, continued to witness lackluster leasing activity with overall vacancy rates continuing to increase, a trend which began in the first half of 2007. However, the bulk of the high quality sublet space which flooded the market in early 2009 has been absorbed. There are strong indicators that the Northern Virginia market is on the mend with the federal government protecting the region from the full impact of the national recession. The unemployment rate for Arlington, Fairfax, the City of Alexandria and Loudoun Counties has been declining since June and is currently at 4.7% according to the Washington Business Journal.

At the end of the fourth quarter, 293 office buildings in Northern Virginia were marketing contiguous blocks of 20,000 square feet or greater. This represented a decrease from 299 buildings hosting the same amount of space available at the close of the third quarter 2009. The number of large blocks of space available in the range of 50,000-99,999 square feet increased slightly over the past quarter from 74 to 75 buildings, while the number of buildings marketing 100,000 square feet of contiguous space or greater decreased from 56 to 53 buildings. As for major leases signed this past quarter, there were five (5) completed in excess of 100,000 square feet, an increase from three (3) transactions finalized for over 100,000 square feet during the third quarter 2009. There were two (2) sale transactions during the fourth quarter, the most notable being Rockwood Capital's acquisition of Sallie Mae's headquarters in the Reston submarket, which Rockwood Capital purchased for 68.5 million (\$297 psf).

Vacancy Rate

The direct vacancy rate in the Northern Virginia office market grew from 11.4% to 11.6% over the past quarter and has increased 7.4% since year-end 2008. The total vacancy rate, which includes sublet space available, also rose slightly over the past quarter from 12.9% to 13.0% and has increased 6.6% since year-end 2008. The overall vacancy rate in Northern Virginia has steadily increased from 9.6% since the first quarter 2007.

N. VIRGINIA DIRECT VACANCY RATES	N. VIRGINIA		
	Alexandria - 11%	Reston/Herndon - 13.7%	Crystal City - 7.9%
	Fairfax - 12.5%	Merrifield - 12.9%	Rt. 28 North- 15.7%
	R-B Corridor - 4.7%	Tysons Corner - 13.1%	Rt. 28 South - 17.6%

Absorption

During the fourth quarter 2009, the Northern Virginia market witnessed 315,180 square feet of positive direct net absorption, much of which can be attributed to Government related leasing activity within the region. When considering a few large blocks of sublease space being removed from the market, the total net absorption increased 476,643 square feet for the fourth quarter 2009. With the absence of financing for development projects, new office supply will be limited over the next few quarters, which should help absorb existing inventory in Northern Virginia.



Monument III
Sold for \$51 Million
(\$264 psf)

VA HIGHLIGHTS

Total Vacancy Rate:
13%

**2009 YTD
Direct Net Absorption:**
1,118,832 SF

**2009 YTD
Total Net Absorption:**
854,911 SF

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

Average Rental Rate:
\$29.95 psf FS

Under Construction:
2.67 Million SF

Pre-leased:
71%

2009 YTD Deliveries:
1.4 Million SF



1850 Towers Crescent Plaza
*Delivered 295,000 SF
in the Tysons Corner
submarket*

**4Q 09 SIGNIFICANT
LEASE TRANSACTIONS**

- ◆ General Dynamics ~
130,499 SF
McLearn Center
- ◆ GSA ~ Minerals Man-
agement Science
124,548 SF
Parkway Atrium
- ◆ FDIC ~
107,325 SF
One Verizon Plaza
- ◆ Fairfax County Public
Schools ~
105,903 SF
3877 Fairfax Ridge Rd



Mosaic District Corporate Center
*Office Future Availability~
Up to 175,000 SF*

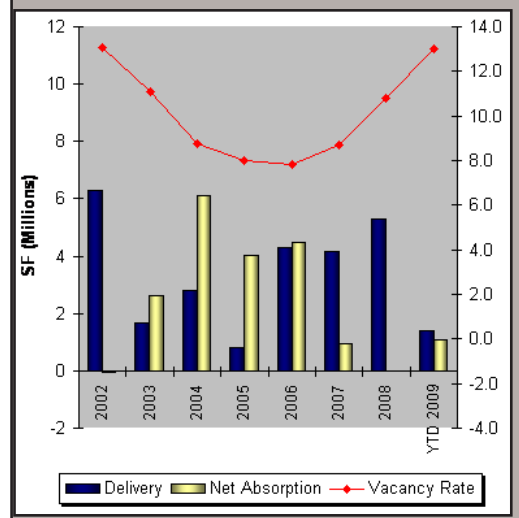
Construction

At the close of the fourth quarter 2009, there were eight (8) buildings under construction in Northern Virginia for a total of 2.67 million square feet, of which 71% was pre-leased. There were no new constructions starts during the last half of 2009. In addition, seven (7) buildings are scheduled to deliver in 2010 totaling 977,530 square feet. Declining office demand and the frozen credit markets are causing most developers to delay new construction projects. However, unless there is significant pre-leasing activity, most new projects will remain idle. One (1) building, located at 1850 Towers Crescent Drive in the Tysons Corner submarket, delivered during the fourth quarter for a total of 295,000 square feet of which 0% is pre-leased. In total, 10 buildings delivered in 2009 totaling 1.4 million square feet.

Outlook

During the fourth quarter 2009, the Northern Virginia office market still faced challenges despite signs of improving economic activity. Vacancy rates continued to increase in most submarkets within Northern Virginia. Submarkets outside the Beltway continued to remain weak with vacancies reaching peaks of 17.3% in Loudoun County and 15% in Fairfax County. In addition to the high vacancy rates, construction completions in 2009 added 1.4 million square feet to the existing inventory, of which 867,907 square feet remains available at year-end 2009. However, there were two significant leases signed during the fourth quarter in submarkets outside the Beltway. General Dynamics signed a 130,000 square foot lease at Lincoln Park III which sat vacant since it delivered in mid-year 2007. Fairfax County Public Schools removed 105,903 square feet from the sublet market at High Ridge Corporate Park located at 3811 Fairfax Ridge. With the soft market conditions, owners are offering attractive concession packages, such as tenant improvement allowances of up to \$70 per square foot and free rent ranging from 10-18 month periods. Submarkets inside the Beltway have remained relatively healthy despite the economic turmoil over the past 18 months. Government related leasing activity has kept Crystal City and Arlington County afloat. During the fourth quarter, the Federal Deposit Insurance Corporation (FDIC) leased 107,234 square feet at 1310 N. Courthouse Road. In addition, The Department of Defense (DoD) added five years to its existing leases in Arlington County totaling 300,000 square feet. The renewals are related to the BRAC extension which allows Government agencies to stay in buildings that do not meet anti-terrorism security standards through September 30, 2014. The renewals have delayed huge increases in occupancy in the Rosslyn-Ballston Corridor as BRAC will shift approximately 20,000 workers from Arlington County to Fort Belvoir in Fairfax County. The Rosslyn-Ballston Corridor remains the strongest performing submarket in Northern Virginia with steady leasing activity and increases in rental rates. The average asking rental rate in the Rosslyn-Ballston Corridor is \$40.74 per square foot, which represents an 8.8% increase since year-end 2008. In 2010, tenants are expected to remain conservative regarding real estate decisions until there are more definitive signs of an economic turnaround. However, look for government spending and business service providers to contribute to the majority of the employment growth in 2010.

**NOVA HISTORICAL STATS 2002
- 2009 YTD**





*12501 Ardennes Ave
Twinbrook Place - 144,970 SF
Delivered 12 /2009*

MD HIGHLIGHTS

Total Vacancy Rate:
14.9%

**2009
Direct Net Absorption:**
(673,550) SF

**2009 YTD
Total Net Absorption:**
(693,407) SF

**2009
Gross Leasing Activity:**
4,702,643 SF

Average Rental Rate:
\$26.99 psf FS

Under Construction:
441,762 SF

Pre-leased:
98.9%

2009 Deliveries:
1,361,639 SF

SUBURBAN MARYLAND QUARTERLY OVERVIEW

Summary

The Suburban Maryland office market consists of 848 office buildings totaling approximately 80.81 million square feet located in Montgomery and Prince George's Counties. During the fourth quarter 2009, the direct vacancy rate in the Suburban Maryland office market increased over the last year by 2.8% to 13.2%, and the total vacancy rate increased by 3% to 14.9%. Over the fourth quarter, Suburban Maryland witnessed negative 152,627 square feet of direct net absorption. When considering sublet space, total net absorption over the past quarter was 171,293 square feet. The direct asking rental rates in the office market decreased slightly in the fourth quarter to \$26.99 per square foot Full Service as the Class-A rates remained consistent only dropping a couple cents to \$30.57 per square foot Full Service. By principle, rental rates are inversely proportionate to vacancy rates as this proves to be true over the past year. There are currently 81 existing office buildings marketing contiguous blocks of space 30,000 square feet or greater in the Suburban Maryland market. One of the largest leases signed during the fourth quarter was in the North Rockville submarket where GXS, Inc. signed a new lease of 83,737 square feet at The Summit at Washingtonian I located at 9711 Washingtonian Blvd. OPNET Technologies, Inc. also signed a significant lease by renewing 60,466 square feet at Bethesda Row at 7255 Woodmont Ave. in the Bethesda/Chevy Chase submarket.

Vacancy Rate

Direct vacancy in Suburban Maryland over the fourth quarter increased to 13.2%. When sublet space is taken into account, the total vacancy rate increased to 14.9%. Following this upward trend, the direct vacancy rate for Class A buildings also increased over the past year from 11.2% to 14.7%, while the Class A total vacancy rate closed the fourth quarter at 17.1% increasing from 13% a year ago. 1,361,639 square feet of moderately pre-leased new office space delivered to the market in 2009, contributing to the increase in vacancy rates by adding a substantial number of vacant square feet, relative to the size of the market.

MARYLAND NEW OFFICE DELIVERIES

16901 Melford Boulevard (155,000 SF, 0% Leased)- Bowie

Absorption

During the fourth quarter of 2009, direct net absorption in the Suburban Maryland office market was negative 152,627 square feet. When taking sublet space into account, the market's fourth quarter total net absorption was 171,293 square feet. This is a direct result of a strong positive sublet absorption number of 323,920 square feet which has been greatly impacted by tenants moving into attractive sublet spaces that have been put on the market over the past year. One of the biggest blocks of space put back on the market during the fourth quarter is the 100,000+ square feet vacated by MAMSI in the North Rockville submarket. 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 119,390 square feet and negative 54,240 square feet, respectively, of total net absorption in 2009. Over the past year, companies have been more likely to renew without expansion which hinders



6201 Columbia Park Rd.
Landover/Largo Ind Submarket
47,972 SF Available for Lease

**4Q 09 SIGNIFICANT
LEASE TRANSACTIONS**

- ◆ GXS ~
83,737 SF
9711 Washingtonian
Blvd.
- ◆ OPNET ~
60,466 SF
7255 Woodmont Ave.
- ◆ MedStar Research
Institute~
32,766 SF
6525 Belcrest Rd



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

absorption numbers of a market that is used to witnessing frequent renewal/expansions as well as new businesses coming to the area taking space.

Construction

At the close of the fourth quarter, three (3) office buildings were under construction in Suburban Maryland for a total of 441,762 square feet that are significantly preleased. Twinbrook Place located at 12501 Ardennes Avenue in the Rockville submarket was the lone delivery of the fourth quarter. Owned by Uniwest Commercial Realty, this 144,970 square foot Class-A office building delivered in December and is 1.4% leased. The NOAA Building in College Park, owned by Opus, is a fully leased, 268,762 square foot Class-A building scheduled for delivery in the second quarter of 2010. 5850 University Research Court is a fully leased, 123,000 square foot Class-A building owned by The University of Maryland, also in College Park scheduled for a 2010 delivery.

Potential Available Space

In addition to the 12.1 million square feet available immediately in Suburban Maryland, 7.9 million square feet are being marketed as potentially available over the next 24 months. The Health and Human Services was rumored to have been looking into spaces in Prince George's County but recently signed a three year renewal in Rockville, removing 800,000 square feet of available space from the Montgomery County market. Several large government contracts are expected to be allocated to Suburban Maryland companies which could impact this number over the next 2 years.

Outlook

The Suburban Maryland commercial real estate market preformed moderately over the previous quarter. The fourth quarter displayed a number of positive indicators such as significant absorption of the multiple blocks of sublet space that had recently been vacated by large tenants. This trend will help stabilize the foundation for the market as the numbers attempt to climb back to the national highs that they once represented. Several noteworthy sales paired with significantly pre-leased buildings delivered to the market over the past year will provide benchmarks for the immediate future.

As the greater Washington area is constantly acknowledged as one of the healthier real estate markets in the country, there has been a lot of talk of foreign investors wanting to ambush the DC area investment sales market in the first half of 2010. The strong, consistent trends and numbers this overall market produces year-in and year-out have been identified as the motivation for this push. Adding to the numbers this area has recently posted, future indicators seem strong as well. The government has announced that they plan to create around 30,000 jobs in the near future through stimulus spending with the greater DC area identified as benefiting greatly from this. The Suburban Maryland market is expected to realize this spending through large GSA contracts awarded to construction firms working on government agency headquarters in the area as well as other R&D and defense contracts with Suburban Maryland firms. In regards to sales in the Suburban Maryland market, noteworthy sales include One Bethesda Center located at 4800 Hampden Ln. in the Bethesda/Chevy Chase submarket which sold for \$392.25 per square foot. 8484 Georgia Ave., 1010 Wayne Ave. and 1100 Wayne Ave. in Silver Spring sold as a portfolio for \$150.31 per square foot. A positive sign that Suburban Maryland vacancy rates will begin to decline is three (3) buildings are currently under construction and few are scheduled to break ground in the next year. Contributing to this lack of product in the development pipeline is the 7.16% Impact Tax increase developers in Montgomery County are fighting. The vacant office inventory in Suburban Maryland is likely to be alleviated over the next couple of years through few buildings delivering and gradually sustained growth. Because of the reputable situation Suburban Maryland has positioned itself in over the years; this market is set to grasp growth and stability before others. As a result, this market will be in contention to gain traction and capitalize on the opportunities when they arrive.

**MD HISTORICAL STATS
2002 - 2009**

