



**Beltsville/College Park
Market Overview**

2nd Quarter 2007



Prince George's County Overview

The Prince George's county market is home to over 900,000 residents wrapping around the northeastern, eastern and southeastern borders of Washington DC. The County's commercial market is divided into six submarkets; Beltsville/College Park, Laurel, Greenbelt, Landover/Landham, Bowie and Oxon Hill/Suitland; comprising over 13.5 msf of office inventory. Prince George's County consists of over 500 square miles and over 15,300 businesses, with Ronald Regan National Airport located only three miles from the northeastern border.

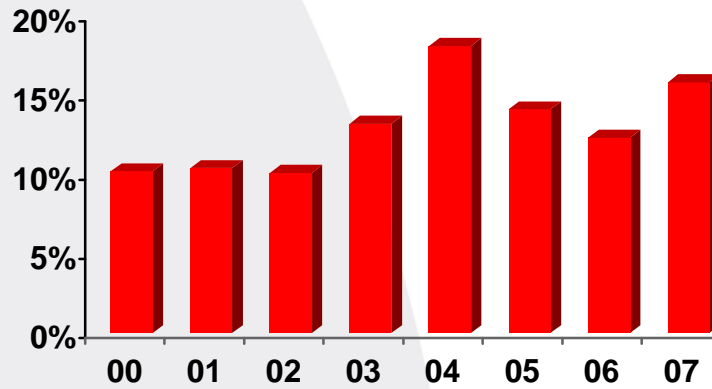
Prince George's County hosts a plethora of government and military agencies along with a booming private sector. These sectors flock to the county for attractive rates and a close proximity to Washington DC. Prince George's County is home to the United States Department of Agricultural Research Center; NASA's Goddard Space Flight Center; the United States Census Bureau; Andrews Air Force Base; the University of Maryland's College Park campus; Six Flags; FedEx Field; and the largest single development convention center-hotel complex on the East Coast, The National Harbor. Developed by Peterson Companies and Gaylord Entertainment, The National Harbor provides an amenity rich, pedestrian friendly, urban environment hosting over 620,000 sf of new office, 415,000 sf of retail and multiple upscale hotel amenities. All together the county hosts 220 historic landmarks, 22,000 acres of parkland and a large portion of the Capital Beltway.

Beltsville/College Park Submarket Profile

Total Inventory	4,451,616
Total Existing Buildings	96
Total Vacant Space (SF)	727,746 SF
Direct Vacancy (SF)	703,746 SF
Sublet Vacancy (SF)	24,270 SF
Total Vacancy Rate	16.3%
Direct Vacancy Rate	15.8%
Sublet Vacancy Rate	0.5%
YTD Net Absorption	-48,730 SF
YTD Class A Net Absorption	32,244 SF
2007 Construction Completions	54,000 SF



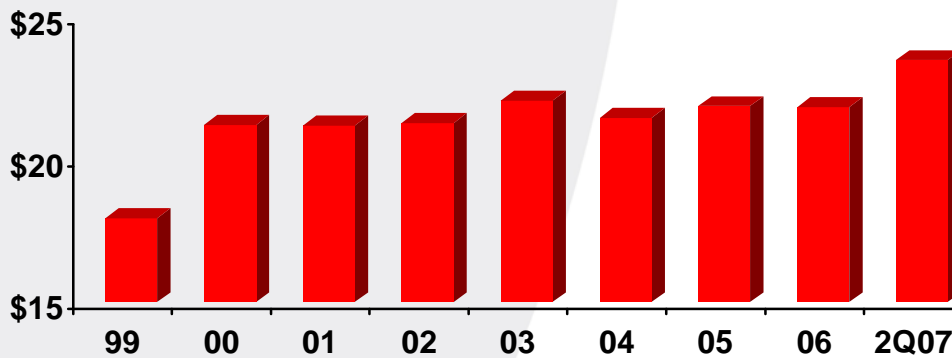
HISTORICAL DIRECT VACANCY



VACANCY

The Beltsville/College Park submarket consists of 4.45 million square feet through 96 buildings, consisting of class A (29.5% of inventory), class B (47% of inventory), and class C (23.5% of inventory). The direct vacancy rate through the second quarter of 2007 was 15.8%, slightly above the five year average of 13.6%. In the short term, vacancy rates are predicted to dip below the 15% mark. However, Raytheon, former PNC Bank owner, recently signed a 98,674 sf lease at 5700 Rivertech Court. While this is the largest deal in the submarket year-to-date, Raytheon will be vacating 1616 McCormick Drive in Landover, where they currently occupy 232,000 sf, a future -132,000 sf hit to vacancy and absorption in Prince George's County.

AVERAGE ASKING RENTAL RATES



RENTAL RATES

Rents strengthened through the second quarter of 2007 rising to \$23.52 per square foot full service, an 11 percent increase from the second quarter of 2006. Class A rents also increased by \$2.61 from the same time last year as second quarter numbers showed class A asking rental rates of \$26.27 for direct

and overall. Rental rates will likely continue to nominally rise, although 81% of the two buildings are already pre-leased, causing a limitation in new quality supply.

TENANT COMPOSITION

Prince George's County is the home of, Maryland's premier state university at College Park, various government agencies, and several large private corporations. Chief among these are Andrews Air Force Base (17,410 employees), University System of MD (11,730 employees), NASA (7,000 employees), Giant Food (5,394 employees, and the U.S. Census Bureau (4,158 employees) which will be relocating to its new headquarters in Suitland in the fall. The newest agency that will be moving to and impacting the immediate area of College Park is NOAA – the National Oceanic and Atmospheric Administration, which will be moving into its new home at M Square by the first quarter of 2008. This move is expected to bring various contractors, as is evident by the expected pre-lease of Earth System Science Inter-Disciplinary Center (ESSIC) for 45,000 sf at 5825 University Research Court, and currently slated for a fourth quarter 2007 delivery.

Notable Beltsville/College Park Tenants

Tenant	Address	SF	Lease Expiration
Financial Management Service	3700 East-West Highway	392,578	9/30/2012
U.S. Department of Agriculture	4700 River Road	337,500	7/31/2015
National Oceanic Atmospheric Administration	River Road@Haiig Court	268,762	10/1/2020
National Center for Health Statistics	3311 Toledo Road	178,444	12/31/2012
American Institute of Physics	1 Physics Ellipse	125,000	Owned
Verizon Communications	3901 Calverton Boulevard	120,000	Owned
Raytheon	5700 Rivertech Court	98,674	12/31/2012



LEASING ACTIVITY

The submarket experienced stable leasing activity in the office market in the second quarter of the year. The pre-lease by F.E.M.A. at 6511 America Boulevard took on the entire under constructed building (54,000 sf), making it the largest lease of the second quarter. Year to date, the largest lease has been at 5700 Rivertech Road, where Raytheon leased 98,624 sf to help backfill most of the space PNC bank left after selling the building in 2006. Through the second quarter 163,483 sf of leases were signed in the submarket comprising approximately 31% of the total leases signed in Prince George's County for the year. The bulk of the activity occurred in class A buildings. This is apparent as year-to-date net absorption is 32,244 sf for class A, while through the second quarter class B stands at -71,021 sf.

SELECTED LEASE TRANSACTIONS BELTSVILLE/COLLEGE PARK YTD 2007

Tenant	Address	Date	SF
Raytheon	5700 Rivertech Court	July-07	98,674
F.E.M.A.	6511 America Boulevard	June-07	54,000
Clifton Gunderson	11710 Beltsville Drive	May-07	19,149
Grimm and Parker	11720 Beltsville Drive	Jan-07	12,758

SELECTED LEASE TRANSACTIONS BELTSVILLE/COLLEGE PARK 2006- 2007

Tenant	Address	Date	SF
Raytheon	5700 Rivertech Court	July-07	98,674
F.E.M.A.	6511 America Boulevard	June-07	54,000
P.I.R.E.	11720 Beltsville Drive	Feb-06	19,568
Lown Home Financial	4041 Powdermill Road	June-06	19,552
Clifton Gunderson	11710 Beltsville Drive	May-07	19,149
Techno-Science, Inc	11750 Beltsville Drive	Jan-06	14,616
Grimm and Parker	11720 Beltsville Drive	Jan-07	12,758

INVESTMENT SALES

Prince George's County continues to benefit from the red hot capital markets in the Washington, DC Metropolitan area. The table below outlines the recent investment sales activity in Prince George's County.


SELECTED PRINCE GEORGE'S COUNTY SALES TRANSACTIONS

Property	Size	Price	Price/SF	Sale Date	Year Built
Maryland Trade Center I & II	342,000	\$61,560,000* Under Contract	\$180 (est.)	Sept-07	1981/84
9001 Edmonston Road	79,326	\$9,050,000	\$114	May-07	1983
6196 Oxon Hill Road	69,747	\$11,750,000	\$165	Jan-07	1987
1616 McCormick Drive	233,000	\$28,000,000	\$120	Dec-06	1990
4235 28 th Avenue	86,979	\$7,500,000	\$86	Oct-06	1970
4175 N Hanson Court	36,548	\$8,200,000	\$224	Aug-06	2000
5700 Rivertech Court	158,000	\$24,750,000	\$156	Apr-06	1996
14405 Laurel Place	49,413	\$8,000,000	\$162	Mar-06	1987
4550 Forbes Boulevard	46,858	\$6,500,000	\$139	Mar-06	1986
Capital Office Park	844,000	\$161,700,000	\$191	Feb-06	1972-91
8903-8905 Presidential Parkway	182,163	\$22,500,000	\$124	Feb-06	1988-91
14502-14504 Greenview Drive	141,362	\$17,000,000	\$120	Feb-06	1986-88

DEVELOPMENT ACTIVITY

Through the second quarter of 2007, Prince George's county had 508,762 square feet under construction, with 53% of that being pre-leased. The majority of the activity emerged in the Beltsville/College Park submarket, where two of the four buildings are currently being built. 6511 America Boulevard, a recently delivered but speculative project, became 100% pre-leased when the Federal Emergency Management Agency pre-leased the 54,000 sf project.

Two of the other projects currently under construction are located at M Square. The first is the future home of the National Oceanic & Atmospheric Administration at River Road at Haiig Court. The 268,762 sf property is due to deliver by the end of the third quarter. The second building, 5825 University Research Court, is looking to deliver in the 4th quarter of 2007. This building looks to gain off



the NOAA steam by pre-leasing the fourth floor and part of the third floor of M Square One to the group ESSIC, seizing about 45,000 sf of the 120,000 sf of total rentable building area.

Outlook

The submarket looks to remain stable through 2007. M Square One looks to secure leases with tenants tied to the National Oceanic & Atmospheric Administration as well as tenants with ties to the University of Maryland as it delivers. Further, the immediate area around 5700 Rivertech Road looks to reap the benefits of the signature lease by Raytheon in July. Overall, activity looks to remain active in the class A market with vacancy rates hovering back and forth around the 15% range for the year. While the vacancy rate looks to remain constant for the year, look for rental rates to continue increase, however at a slower rate than the past 12 months. The future looks bright, as a plan to redevelop the East Campus of College Park (2.6 msf) will incorporate 25 restaurants and 500,000 sf of retail space. This amenity rich plan is expected to help attract an even wider tenant base beyond the typical contractors and university tied tenants. Further, it is expected that the area will benefit from the two large moves starting first with the Base Realignment Area Closure to Fort Meade and the surrounding space including the FDA move to White Oak.