STATE OF DOWNTOWN REPORT 2010

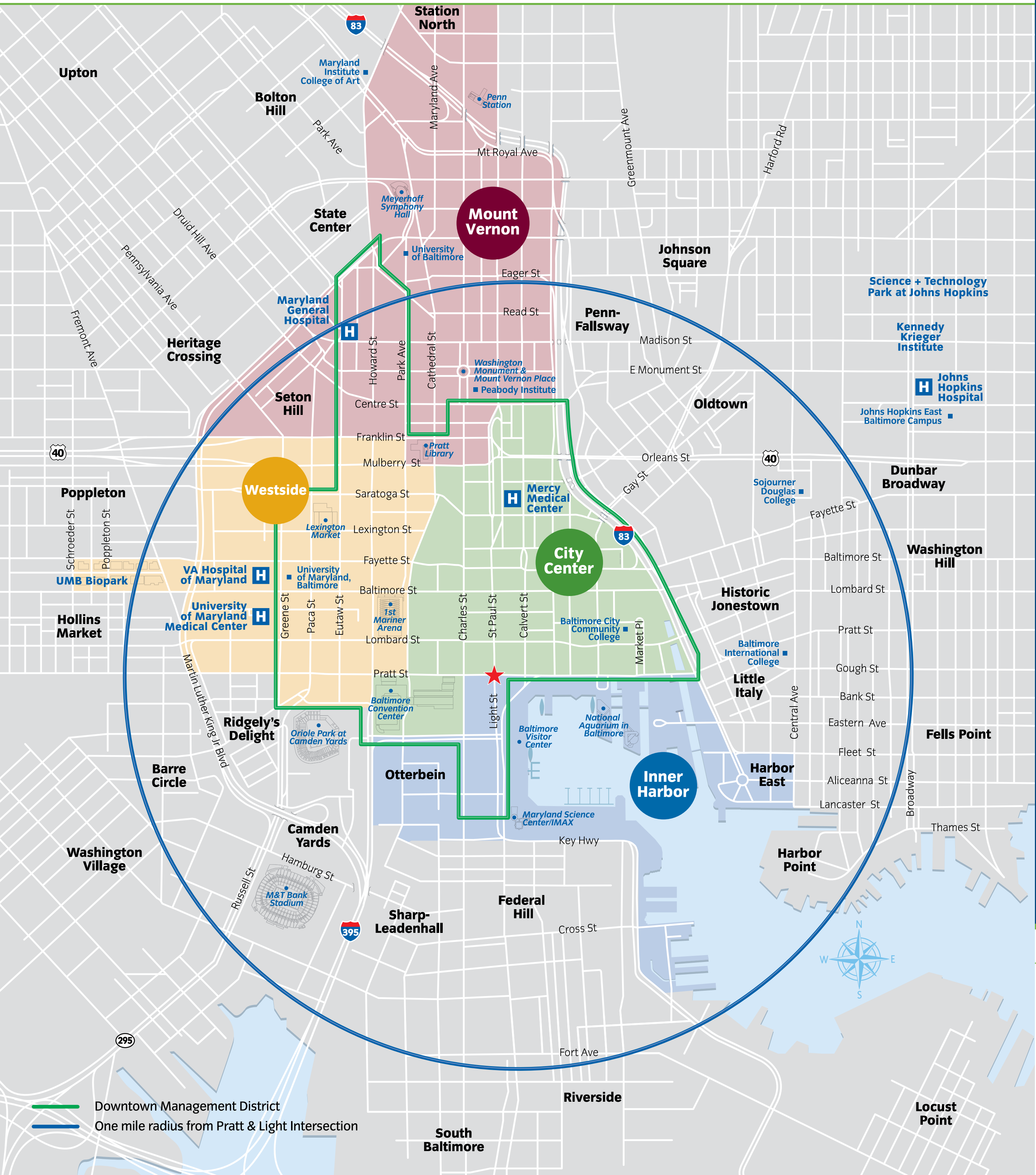
DOWNTOWN BALTIMORE

DOWNTOWN PARTNERSHIP

2010 1-MILE RADIUS TOTALS

Employment 113.437
Residents 41,289
Students 19,039
Office Space.............. 26M S.F.
Hotel Rooms 7,830

DOWNTOWN BALTIMORE 1-MILE RADIUS



In a year-end commentary about the 2010 economy, a writer for *Bloomberg Business News* summed up the year this way: "If things aren't nearly as bad as they seem, why do they seem so bad?"

The question could apply to Downtown Baltimore where office vacancies and the general pall cast by the international economic slowdown seemed to dominate business headlines. Positive news – such as the arrival of McGladrey in Harbor East, new retail openings, and a strong rental housing market – often took a backseat.

But something surprising happened in the midst of all this gloominess. Downtown gained 6,700 jobs in 2010, the first gain in three years and a six percent increase over 2009. The rental housing market continued to be strong, with buildings increasing occupancy from 93% to 96%, growing Downtown's population from 39,760 to 41,300, and making a strong case for the development of new residential properties. Retail growth was also encouraging, with 36 new stores signing leases and 39 new restaurants opening.

As in 2009, the biggest challenge in 2010 was the commercial vacancy rate, particularly in older sections of Downtown such as City Center and the Westside. Downtown ended 2010 with an average vacancy rate of slightly more than 19%, a marginal improvement over 2009. Concern about the vacancies in Downtown's older building stock informed the Downtown Partnership during a year-long strategic planning process. (The Partnership released its Strategic Plan for Downtown Baltimore concurrently with this State of Downtown Baltimore Report.) These concerns also prompted Mayor Stephanie Rawlings-Blake to develop a task force to look into improving occupancy.

Aside from lingering questions about filling office vacancies in older buildings, Downtown ended 2010 on a strong note. In addition to impressive job growth and residential demand, Downtown stakeholders expressed optimism about the successful debut of the Charm City Circulator (a free transit service with heavy ridership among Downtown employees and residents), the announcement by Transamerica that it will consolidate jobs and move into 100 Light Street in 2011, and planned retail that includes the 2011 opening of popular clothing chain H&M at Harborplace.

In all, the data shows that Downtown Baltimore's economy in 2010 was better than many expected.

To download the Strategic Plan for Downtown Baltimore, or a copy of Downtown Baltimore: Its Impact on the City Economy, visit GoDowntownBaltimore.com.

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Photo © Arianne Teeple

TOP 25 LARGEST U.S. METRO AREAS: 1-MILE RADIUS STATISTICS

POPULATION		
1	New York	178,711
2	San Francisco	118,699
3	Chicago	81,950
4	Philadelphia	70,129
5	Los Angeles	62,879
6	Seattle	54,458
7	Boston	43,559
8	Baltimore (8)	41,289
9	Denver	34,265
10	San Diego	33,799
11	Washington, DC	32,216
12	Minneapolis	29,747
13	Sacramento	24,494
14	Atlanta	23,029
15	Miami	21,275
16	Portland	21,158
17	Houston	20,676
18	Phoenix	18,104
19	Pittsburgh	16,720
20	Cincinnati	15,765
21	Dallas	14,136
22	St. Louis	9,800
23	Cleveland	9,498
24	Tampa	8,860
25	Detroit	8,399

MEDIAN INCOME		
1	New York	$93,474
2	Chicago	$72,868
3	Boston	$70,462
4	Dallas	$61,224
5	Philadelphia	$45,560
6	Washington, DC	$44,749
7	Houston	$43,590
8	Portland	$42,756
9	San Francisco	$40,335
10	Baltimore (10)	$37,625
11	Seattle	$36,774
12	Minneapolis	$35,971
13	Denver	$33,596
14	San Diego	$32,309
15	Detroit	$31,648
16	Tampa	$31,498
17	Sacramento	$30,837
18	St. Louis	$29,434
19	Pittsburgh	$26,596
20	Atlanta	$25,103
21	Miami	$24,864
22	Cleveland	$24,556
23	Cincinnati	$22,645
24	Phoenix	$21,479
25	Los Angeles	$17,163

HOUSEHOLDS OVER $75,000 ANNUAL INCOME		
1	New York	63,350
2	Chicago	25,706
3	San Francisco	16,498
4	Philadelphia	12,159
5	Boston	11,024
6	Seattle	7,115
7	Washington, DC	5,357
8	Baltimore (8)	4,654
9	Denver	4,187
10	San Diego	4,161
11	Minneapolis	3,743
12	Portland	2,799
13	Los Angeles	2,497
14	Dallas	2,218
15	Sacramento	2,141
16	Miami	1,958
17	Atlanta	1,645
18	Houston	1,432
19	Cincinnati	1,220
20	Tampa	972
21	Pittsburgh	960
22	Cleveland	712
23	St. Louis	573
24	Detroit	542
25	Phoenix	473

EMPLOYMENT		
1	New York	1,243,122
2	Chicago	346,206
3	Philadelphia	255,923
4	Boston	248,755
5	Washington, DC	240,453
6	San Francisco	199,242
7	Seattle	183,369
8	Los Angeles	169,908
9	Minneapolis	155,417
10	Houston	155,216
11	Denver	145,328
12	Atlanta	120,512
13	Cleveland	116,306
14	Pittsburgh	115,348
15	Baltimore (16)	113,437
16	Cincinnati	111,835
17	Dallas	111,673
18	Sacramento	83,931
19	San Diego	83,706
20	Detroit	70,057
21	Phoenix	66,954
22	Miami	59,256
23	St. Louis	58,699
24	Portland	39,797
25	Tampa	35,553

( ) - last year's ranking **Source: Claritas*

OFFICE MARKET

In 2010, at least 50 leases were signed and 21 new offices came on-line, including McGladrey, the financial services firm that moved from a surrounding county into 38,500 square feet of space in Harbor East. The law firm Ober / Kaler made an intra-Downtown move into approximately 93,000 square feet at the newly-renovated 100 Light Street. The largest office announcement of the year was by Transamerica, which plans to move 700 employees into at least 140,000 square feet at 100 Light Street in 2011.

Downtown's vacancy rate held steady from 2009 at approximately 19%. In a recent ranking, Baltimore's vacancy rate was stronger than similar districts in Atlanta, Cincinnati, Chicago, Dallas, San Diego, and Tampa.*

Even as employment grew, new trends in usage saw companies maximizing floor plans and increasing the amount of flex space to accommodate more employees in a smaller area. This national trend, and growing concern about newer office districts being planned on Downtown's perimeter, raised concerns about the oversupply of office space in the city.

*Grubb & Ellis: Office Market Trends, United States, Q4 2010, CBD % Vacant

NOTABLE LEASE TRANSACTIONS

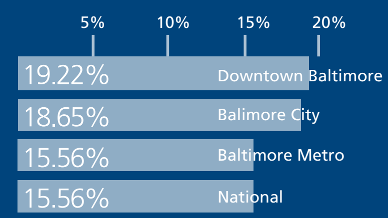
Name	Address	Neighborhood	Type of Lease	Business Type	Sq. Footage
Transamerica Life Insurance Company	100 Light St.	City Center	Relocation, Expansion	Insurance	140,500
Ober I Kaler	100 Light St.	City Center	Relocation	Law Firm	92,778
Veteran Affairs Medical Health Care System	209 W. Fayette St.	Westside	Expansion	Government	63,824
Paragon Bioservices	801 W. Baltimore St.	Westside	Expansion	Biotech	45,000
RSM McGladrey	100 International Dr.	Harbor East	Relocation	Insurance	38,500
Bolton Partners	100 Light St.	City Center	Relocation	Insurance	14,629
Managed Care Services, LLC	312 MLK Blvd.	Westside	Renewal	Health Care	13,229
Visicu, Inc.	217 E. Redwood St.	City Center	Renewal	Medical Manufacturing	12,700
South Baltimore Learning Center	28 E. Ostend St.	South Baltimore	Renewal	Non-Profit	11,000

2010 OFFICE MARKET STATISTICS

	Year End 2009	Year End 2010
Vacancy – Overall*	19.3%	19.2%
Rents – Class A**	$24-$29	$23-$25
Rents – Class B**	$16-$21	$16-$18

** Sources: Manekin, LLC, MacKenzie Commercial, Cushman and Wakefield of Maryland, CB Richard Ellis, Cassidy Turley, Grubb and Ellis Company, and Transwestern*
*** Sources: MacKenzie Commercial, Cushman and Wakefield of Maryland, CB Richard Ellis, and Colliers Pinkard*

2010 VACANCY

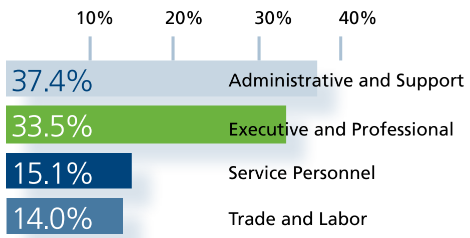


** Sources: Manekin, LLC, MacKenzie Commercial, Cushman and Wakefield of Maryland, CB Richard Ellis, Cassidy Turley, Grubb and Ellis Company, and Transwestern*

EMPLOYMENT

Downtown gained 6,700 jobs in 2010, ending the year with a total of 113,437. This was the first gain in three years, a six percent increase over 2009 and a 10% increase over the past five years. Downtown Baltimore ranked 15th nationally for office density and 6th best for job growth. Most of the growth came from small- and mid-sized companies that added employees. With more than 113,000 jobs, Downtown Baltimore's one-mile radius supports more employment than the geographically larger business districts in nearby Towson and Columbia, combined.

EMPLOYMENT BY INDUSTRY SECTOR:
% of TOTAL EMPLOYEES



**Source: Claritas*

HOUSING AND POPULATION

Downtown Baltimore continued to rank 8th in the U.S. for population as the number of Downtown residents grew from 39,700 in 2009 to 41,300 in 2010. Population growth slowed to a trickle because there was not enough apartment space to meet growing demand.

Occupancy at apartment buildings increased from 93% to 96%, with no major new residential projects scheduled for delivery in the immediate future, a consequence of constricted capital lending markets worldwide. The for-sale market was more sluggish with an occupancy rate of 75.3%.

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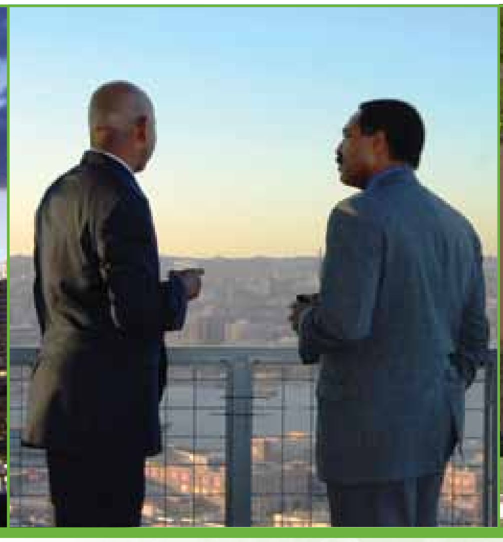
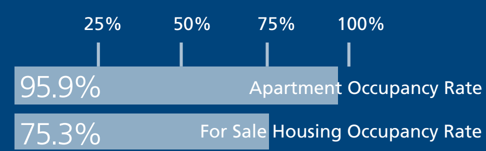


NOTABLE RESIDENTIAL OPENINGS*

Project Name	Address	Project Type	Housing Type	# of units
The Fitzgerald at UB Midtown – Phase II (Residential and Retail)	Mt. Royal Ave. & Oliver St.	Residential	Rental	275
City Arts Project	1500 Greenmount Ave.	Residential	Rental	69

**There were no projects inside the 1-mile radius. These openings are outside the 1-mile radius.*

HOUSING OCCUPANCY RATES: BY YEAR END 2010



RETAIL

Despite the slow national economy, Downtown continues to attract interest from local and national retailers. In all, 36 new retail leases were signed and 39 new restaurants opened in 2010 while 18 closed. Among the notable openings, Kona Grill took significant space along Pratt Street, where improvements under the Pratt Street Master Plan made the thoroughfare more favorable to outdoor dining.

Most Downtown retailers were small and independent businesses but demand was high for larger, national retailers that don't have a presence in Baltimore. Downtown Partnership surveyed Downtown residents and employees about their shopping habits and more than two-thirds feel the amount of retail in Downtown is limited. Nearly 90% report leaving the city to buy clothing, furniture, or appliances. When asked what additional types of retail they would like to see in Downtown, clothing stores were the most popular answer, followed by grocery stores, and furniture retailers. Respondents favor a mix of national and locally-owned retailers but, when asked to name specific stores they would like to have, respondents most often cited major chains such as Target and Trader Joe's.

ECONOMIC IMPACT

The importance of Downtown's economy to Baltimore was documented in a study released by Downtown Partnership in the fall of 2010. Downtown Baltimore: Its Impact on the City Economy showed that, while Downtown is just 3.8% of the city's total area, it provides 27% of all jobs in Baltimore City and 30% of Baltimore's total economic output.

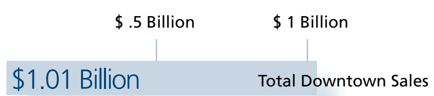
Downtown's approximately 40,000 residents pay $64 million in income taxes to Baltimore City, roughly 24% of Baltimore's total, while Downtown property owners pay $106 million in city taxes, 13.5% of Baltimore's total. Downtown hotels contribute $17.7 million in hotel taxes, 89% of the city's total. And, Downtown parking operators pay $8.1 million in taxes, 47% of the city's total parking tax yield.

Of all Downtown jobs, 34% are held by Baltimore City residents and 30% are held by Baltimore County residents.

NOTABLE LEASE TRANSACTIONS

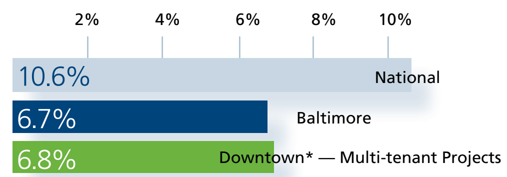
Name	Address	Neighborhood	Type of Lease	Business Type
Alewife	21. N. Eutaw St.	Westside	New Business	Restaurant
Bluegrass Tavern	1500 S. Hanover St.	Federal Hill	New Business	Restaurant
Centro Tapas Bar	1444 Light St.	Federal Hill	New Business	Restaurant
CR Lounge	518 N. Charles St.	City Center	New Business	Restaurant
Heidi's Brooklyn Deli & Sisters Pizza and Mussels	3 N. Eutaw St.	Westside	New Business	Restaurant
Kona Grill	1 E. Pratt St.	City Center	New Business	Restaurant
Milk and Honey	816 Cathedral St.	Mt. Vernon	New Business	Restaurant and Market
Noodles & Company	301 Light St.	Inner Harbor	New Business	Restaurant
Two Boots	30 Market Place	City Center	New Business	Restaurant
Home on the Harbor	1414 Key Highway	Federal Hill	Relocation	Retail – Furniture

DOWNTOWN RETAIL SALES : BY YEAR END 2010



Source: Claritas

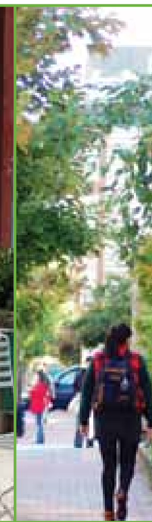
RETAIL VACANCY RATES : BY YEAR END 2010



**Includes Lockwood Place, Harborplace, The Gallery and Harbor East.*

HOTEL MARKET

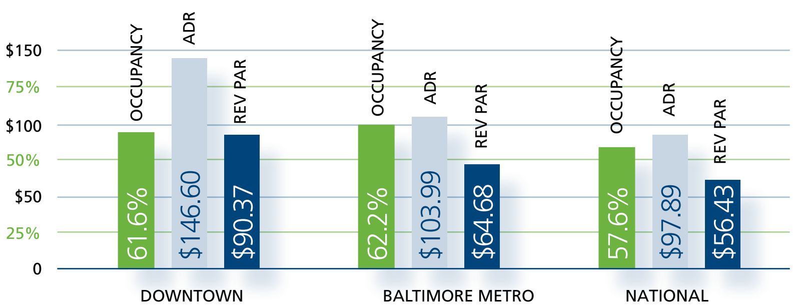
Downtown hotel occupancy was almost 62% for the year, a 3% increase over 2009. Hotel construction was slower last year than in the two years prior, with only 111 new rooms being delivered. In terms of Occupancy, Average Daily Rate, and Revenue Per Available Room, Downtown was on par with, or better than, the region and the U.S. as a whole.



NOTABLE LEASE TRANSACTIONS

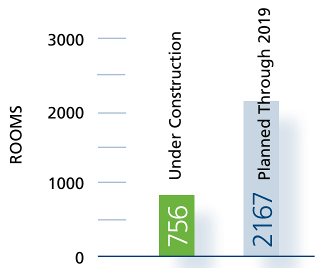
Name	Address	Project Type	# of Rooms
Sleep Inn and Suites	301 Fallsway	Conversion	62
Best Western Plus Envy Hotel	22 E. Fayette St.	Conversion	49

HOTEL PERFORMANCE

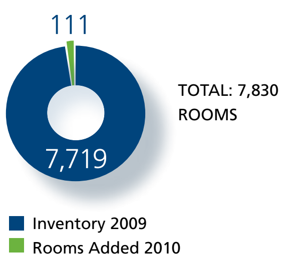


**Source: Smith Travel Research*

HOTEL PIPELINE



HOTEL INVENTORY



ABOUT THIS REPORT

This report is produced by Downtown Partnership of Baltimore, Inc., which is solely responsible for its content. Data is collected by, or on behalf of, Downtown Partnership and covers activity within a one-mile radius of the intersection of Pratt and Light streets. Charts, graphs, maps, and images are the property of The Partnership unless otherwise noted.

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