

Overall Analysis

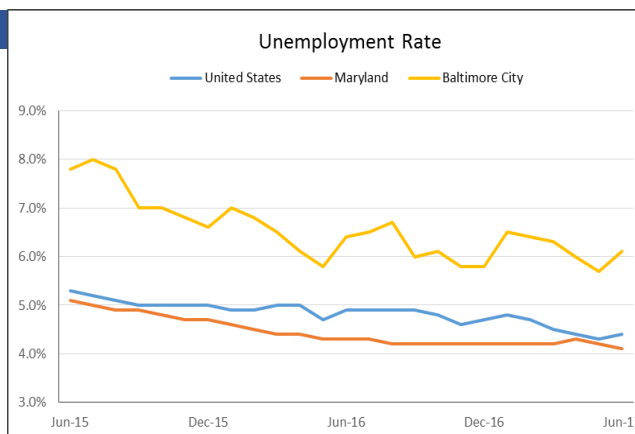
Through the first half of 2017, Baltimore City has showed positive signs of economic growth. The City's unemployment rate has continued to decline, indicating that persons who are seeking employment opportunities have been able to find jobs and a movement of firms to fill jobs. Several sectors, including the Construction and Manufacturing, have shown resilience and have added jobs. The City has experienced an increase in the number of firms and a growth of persons employed. The City's real estate market has also performed well in recent months. On the residential side, both the number of transactions as well as the average value per transaction have increased in the second quarter of 2017; meanwhile, other positive signs of growth include low vacancy rates for commercial and retail space, with businesses taking up currently available space within the Downtown area in particular. While these are all positive signs of a growing economy, the Federal Reserve has noted a softening of Statewide business activity in Maryland, but there remains a positive view of statewide business conditions going forward.

Unemployment Rate

	Jun-16	Mar-17	Jun-17	Trend
United States	4.9%	4.5%	4.4%	▲
Maryland	4.3%	4.2%	4.1%	▲
Baltimore City	6.4%	6.3%	6.1%	▲

Across all three regions, the unemployment rate is lower compared to both the most recent quarter as well as the same quarter from the prior year. In Baltimore, the unemployment rate experienced a decrease from 6.3% in March to 6.1% in June 2017. These signals increased optimism in the labor market.

Source: Bureau of Labor Statistics

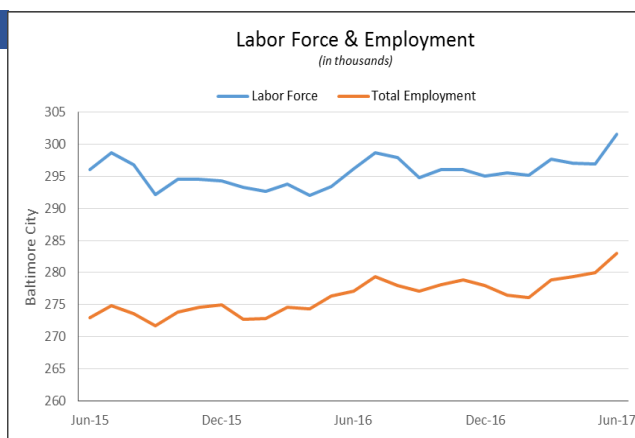


Labor Force & Employment

	Jun-16	Mar-17	Jun-17	Trend
Labor Force	296,152	297,650	301,541	▲
Employment	277,148	278,848	283,056	▲

In the second quarter of 2017, Baltimore saw increases in both the labor force and total employment. Both of these factors increased during the last quarter; however, the proportionally larger increase in employment over labor force contribute to the decreased unemployment rate shown in the chart above. Since June 2016, the labor force and employment have increased by 1.8% and 2.1%, respectively.

Source: Bureau of Labor Statistics

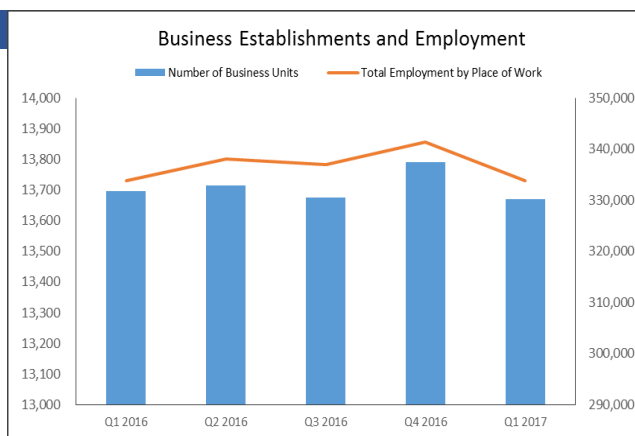


Business Establishments and Employment

	Q1 2016	Q4 2016	Q1 2017	Trend
# of Business Units	13,697	13,789	13,671	■
Employment	333,810	341,306	333,857	■

In the first quarter of 2017, there were 13,671 business establishments in Baltimore City, this is a decrease of -0.2% from the first quarter of 2016. From the first quarter of 2016 to the first quarter of 2017, firm growth occurred in the Goods Producing Sector – with an increase in Manufacturing establishments. Despite a decrease in the number of Service Providing Sector businesses, there was an increase in the number of both Professional and Business and Education and Health Service establishments from the first quarter of 2016 to the first quarter of 2017. These sectors also increased their employment over the same time period.

Source: Quarterly Census of Employment and Wages

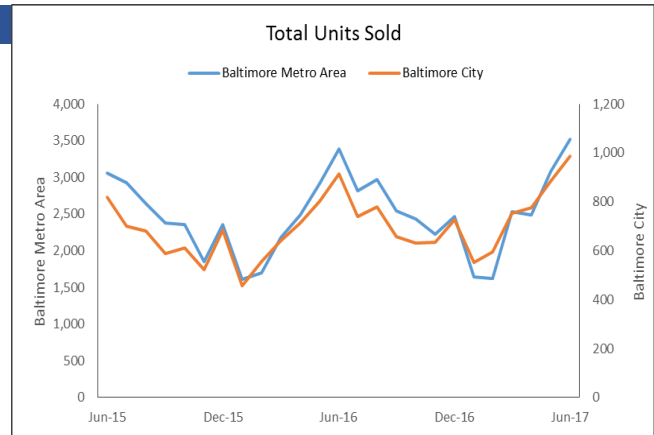


Total Units Sold

	Q2 2016	Q1 2017	Q2 2017	Trend
Baltimore Metro Area*	8,787	5,797	9,094	▲
Baltimore City	2,432	1,898	2,643	▲

On a year-over-year basis, total units sold in both the Baltimore Metro as well as Baltimore City region have increased. The totals above include all home sales from April through June of each respective year, as well as January-March of 2017. Home sales in the metro region are up 3.5%, and sales in the City have increased 8.7%.

*Does not include Baltimore City
Source: MRIS

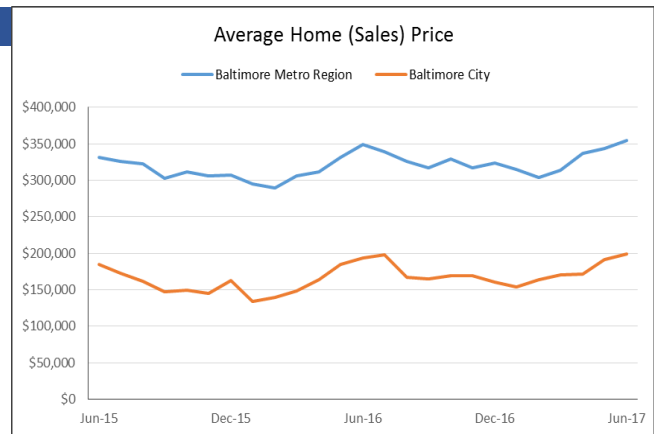


Average Home (Sales) Price

	Q2 2016	Q1 2017	Q2 2017	Trend
Baltimore Metro Area*	\$332,594	\$311,370	\$346,204	▲
Baltimore City	\$181,403	\$163,568	\$188,167	▲

Average sales prices from homes in both Baltimore City and the Baltimore Metro regions have increased on year-over-year basis. The averages above include all home sales from April through June of each respective year, as well as January-March of 2017. Average sales prices in the greater Baltimore Metro area have increased 4.1% over Q2 2016 levels. The average sales price for Baltimore City homes increased 3.7% over the second quarter of 2016.

*Does not include Baltimore City
Source: MRIS

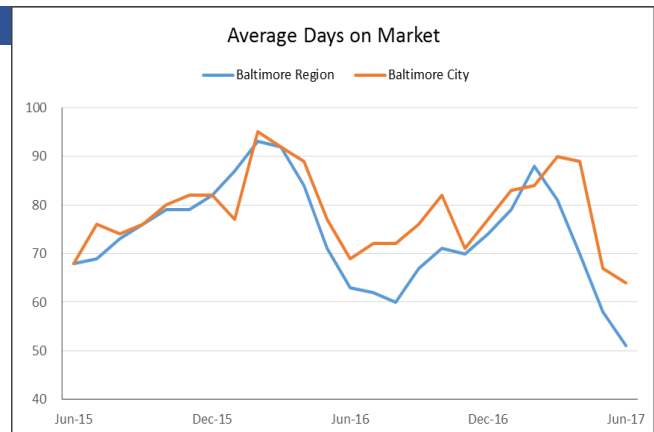


Average Days on Market

	Jun-16	Mar-17	Jun-17	Trend
Baltimore Region*	63	81	51	▲
Baltimore City	69	90	64	▲

Average Days on Market represents the average length of time it takes for a property to get sold once listed. A lower average indicates a strong housing market. While the Average Days on Market is down for both the Region and City, the Region saw a more significant reduction from June 2016. Given the seasonality of this indicator, the change from March 2017 does not represent a meaningful comparison since summer months generally have the lowest Average Days on Market.

*Includes Baltimore City
Source: MRIS



Commercial Real Estate Outlook

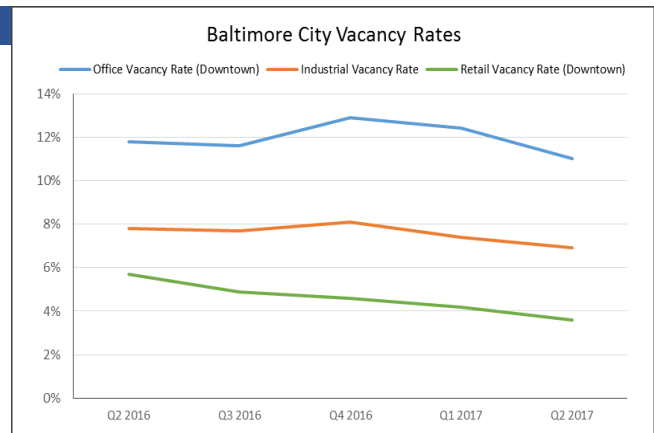
The Baltimore City commercial real estate market continues to show strong signals of demand. Many persons have commented on the number of cranes in the sky that are across the entire city. Indicating a growing supply. The decreasing vacancy rates and positive net absorption figures indicate a continued demand for space. Many key properties, such as 111 Market Place and 25 South Charles (both office buildings) have been sold in 2017. Multiple new industrial properties have been delivered within the City and there has been continued strong demand for space within the City's downtown area by retail establishments seeking to capture the new residents moving into buildings that have been converted from office to residential space.

Baltimore City Vacancy Rates

	Q4 2016	Q1 2017	Q2 2017	Trend
Office (Downtown)	11.9%	13.5%	11.0%	▲
Industrial	7.8%	7.4%	6.9%	▲
Retail (Downtown)	5.6%	4.2%	3.6%	▲

The City's vacancy rates for Office, Retail, and Industrial space have continued to decline, indicating a strong continued demand for available space and continued economic growth. As of the middle of 2017, the City's (Downtown) office vacancy rate was 11.0%, the retail (Downtown) vacancy rate was 3.6%, and the industrial vacancy rate was 6.9%.

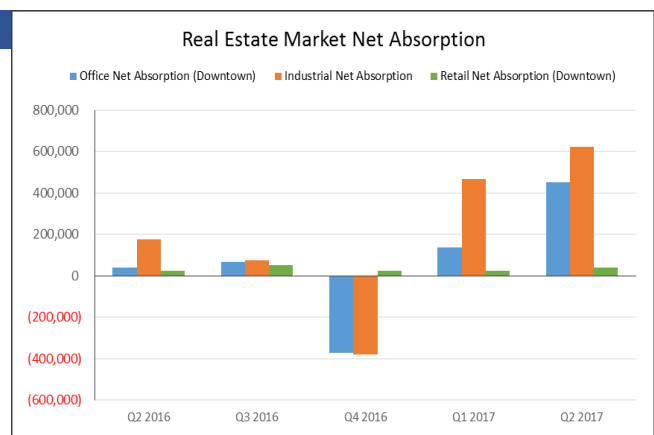
Source: CoStar



Real Estate Market Net Absorption

Through the first half of 2017, the City continued to experience an increase in the total amount of space being absorbed by businesses. In the second quarter of 2017, a total of 449,146 square feet of office space was leased in the Downtown. A total of 41,171 square feet of retail space (Downtown) was leased and a total of 620,001 square feet of industrial space was leased.

Source: CoStar

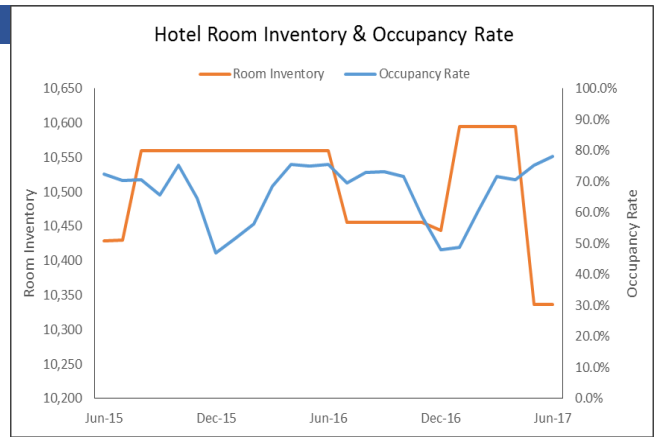


Hotel Room Inventory & Occupancy Rate

	Jun-16	Mar-17	Jun-17	Trend
Room Inventory	10,560	10,594	10,336	■
Occupancy Rate	75.5%	71.5%	78.1%	■

The Occupancy Rate measures the percentage of available rooms that were sold in a given month in terms of the inventory. Occupancy fluctuates significantly based on the City's tourism seasons. Occupancy is up 2.6% year-over-year; however, given the reduced room inventory, this only represents a slight increase in total occupancy.

Source: Smith Travel Accommodations Report (STAR)

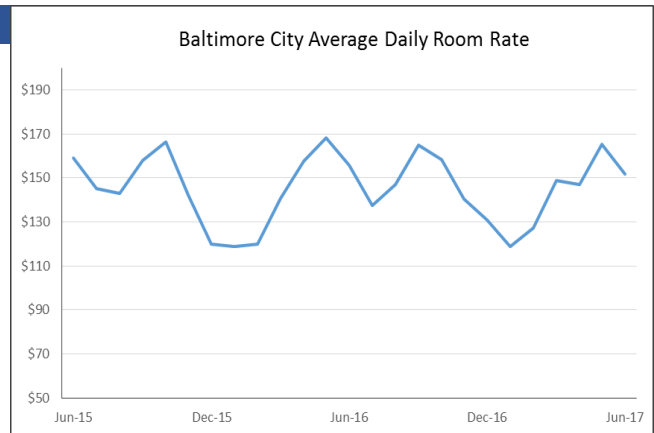


Average Daily Room Rate (ADR)

	Jun-16	Mar-17	Jun-17	Trend
Baltimore City	\$155.91	\$148.92	\$151.65	■

The Average Daily Room Rate is a measure of the average rate paid for rooms sold, calculated by dividing revenue per room by the total number of rooms sold. ADR is influenced by seasonality because hotels will decrease prices in an effort to increase occupancy in the off-season months; however, drastic changes can also point to an imbalance between the inventory of hotel rooms available and the demand for those rooms.

Source: Smith Travel Accommodations Report (STAR)



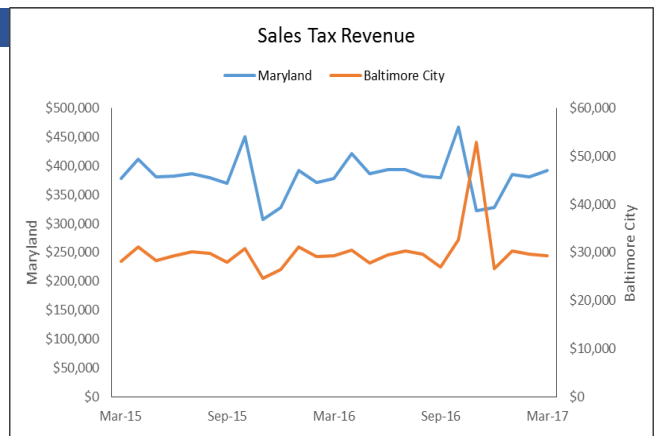
Sales Tax Revenue (State collected)

Although Baltimore City does not collect revenue on Sales Taxes, State and local Sales Tax activity can serve as an indicator of overall economic activity. In the second quarter of 2017, total State Sales Tax revenue increased both on a year-over-year as well as quarterly basis. After a strong first quarter of 2017, Sales Tax generated by the City declined in the second quarter. There is seasonality to this indicator, as some months (i.e. holidays, summer months) see more economic activity than others. Generally there is about a 1-2 month delay between activity and Sales Tax revenue being reported.

Sales Tax Revenue (in millions)

	Q2 2016	Q1 2017	Q2 2017	Trend
Maryland	\$1,140.5	\$1,117.5	\$1,159.3	▲
Baltimore City	\$89.7	\$112.2	\$89.3	■
Ratio - City:State	7.9%	10.0%	7.7%	■

Baltimore City saw its share of Maryland Sales Tax revenue decline in the second quarter of 2017. Locally, Sales Tax revenue was 20.4% lower in Q2 2017 than it was in the first quarter of 2017. Sales Tax revenue for the entire State increased 3.7% compared to Q1 2017. The steep decline in City Sales Tax revenue is partially due to the unusually high Q1; on a year-over-year basis, revenue only decreased 0.4%.



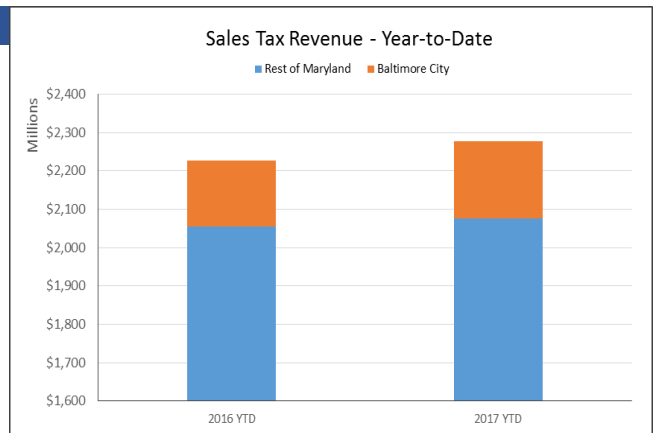
Source: Maryland State Comptroller's Office

Sales Tax Revenue – Year-to-Date (in millions)

	2016 YTD	2017 YTD	Trend
Maryland	\$2,227.1	\$2,276.8	▲
Baltimore City	\$171.6	\$201.6	▲
Ratio - City:State	7.7%	8.9%	▲

Despite a slower second quarter of 2017, Baltimore City YTD Sales Tax revenue generated is still 17.5% higher than at this point last year. As a whole, the State has increased revenues by 2.2% over the 2016 value.

Source: Maryland State Comptroller's Office



National Indicators

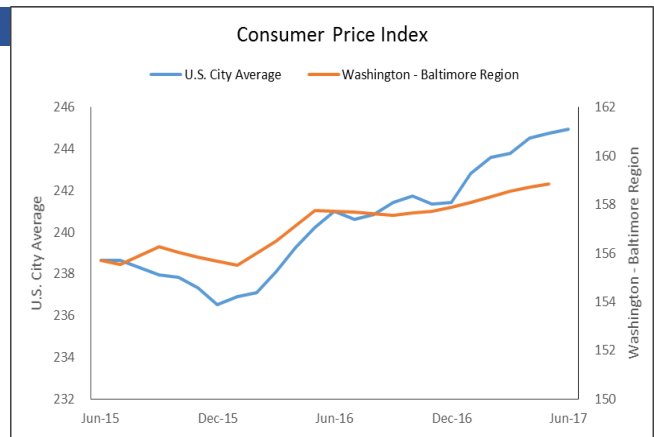
Second Quarter | 2017

Consumer Price Index (CPI)

	Jun-16	Mar-17	Jun-17	Trend
United States	241.02	243.80	244.96	▲
Baltimore/DC Region	157.72	158.56	158.84*	■

The Consumer Price Index for both the United States as well as the Baltimore/DC Metro Region increased over the second quarter of 2017. The CPI for the U.S. and Region has increased by 1.6% and 0.7% over the last year, respectively. The U.S. index, after increasing sharply at the end of 2016, is now showing signs of leveling off. The regional CPI continues to grow at a steady rate, and at this time there are no indications that suggest this trend will change.

*May 2017 Data. Region's CPI updates every two months
Source: Bureau of Labor Statistics

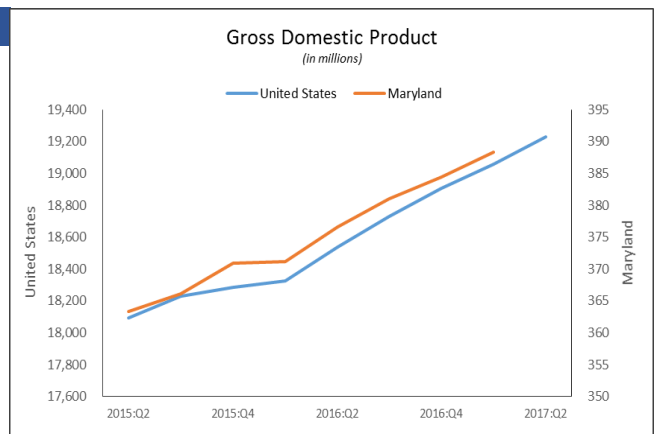


Gross Domestic Product (GDP)

	Q2 2016	Q1 2017	Q2 2017	Trend
United States	18538.0	19057.7	19226.7	▲
Maryland	376.58	388.32	n/a	▲

The U.S. GDP increased by 0.9% over the first quarter of 2017. As of July, 2017 second quarter data for the State was not available. The State's GDP generally trends similarly to the national index; therefore, it is not expected a different behavior pattern at the State level in the short-term. From the final quarter of 2016 through Q1 2017, State GDP increased 1.0%.

Source: Bureau of Economic Analysis

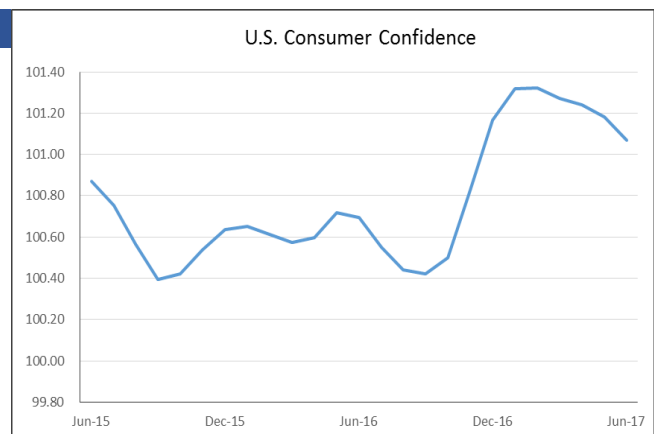


Consumer Confidence

	Jun-16	Mar-17	Jun-17	Trend
United States	100.70	101.27	101.07	■

Consumer Confidence is often viewed as a leading indicator for the overall economy, as consumers' attitudes towards the market may indicate future trends. After steady increases through the end of 2016, Consumer Confidence leveled off in the beginning of 2017. Between March and June of 2017, Consumer Confidence has declined 0.2%, indicating not material shifts in the market.

Source: Organization for Economic Co-operation and Development (OECD)



Employment Indicators

Unemployment Rate – The unemployment rate is calculated by taking the total number of unemployed workers (who are willing and able to work) divided by the total number of people in the labor force. The unemployment rate is affected by both changes in employment as well as people entering or leaving the labor force.

Total Employment – Total employment represents the total number of jobs that are available and have been filled.

Labor Force – The labor force is the sum of all employed and unemployed people. The labor force includes anyone over the age of 16 that is either employed or actively looking for a job.

Real Estate

Total Units Sold – Total number of housing sales that have been completed for the selected time period.

Average Home (Sales) Price – Calculated by taking the total Sold Dollar Volume (sum of all sales) divided by the number of units sold.

Average Days on Market – Days on market is defined as the total number of days the listing is on the active market before either an offer is accepted or the agreement between real estate broker and seller ends. Average days on market represents the average for all of the units in the selected region.

Commercial Vacancy Rates – A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space is generally not included in vacancy calculations.

Net Absorption – The net change in occupied space over a given period of time. Includes direct and sublease space.

Tourism Indicators

Hotel Occupancy Rate – Total number of rooms sold divided by the number of rooms available, multiplied by 100. Occupancy is always expressed as a percentage of rooms occupied.

Average Daily Room Rate – The Average Daily Room Rate is calculated by taking the total room revenue divided by the number of rooms sold, displayed as the average rental rate for a single room.

Hotel Room Inventory – The total number of rooms that exist across all hotels in the area.

National Indicators

Consumer Price Index – The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living; the CPI is one of the most frequently used statistics for identifying periods of inflation or deflation. (Source: Investopedia)

Gross Domestic Product – Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, the United States releases an annualized GDP estimate for each quarter in addition to the annual calculation. GDP includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade (exports are added, imports are subtracted). Put simply, GDP is a broad measurement of a nation's overall economic activity. (Source: Investopedia)

Consumer Confidence – An index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future. The idea behind the Consumer Confidence Index (CCI) is that if consumers are optimistic, they tend to purchase more goods and services. This increase in spending inevitably stimulates the whole economy. (Source: Investopedia)