StudleyReport

STUDLEY OFFICE MARKET AND SPACEDATA REPORT

MARKET HIGHLIGHTS

CBD AVAILABILITY RATES DECLINE

The overall availability rate in Philadelphia's CBD stood at 12.7%, down by 0.8 pp from last quarter and 1.6 pp a year ago. The Class A availability rate, 12.3%, mirrored this trend, decreasing by 1.2 pp from last quarter and 1.6 pp a year ago.

RENTS RISE

Overall rent in the CBD ($23.03) registered increases for the quarter (+1.8%) and the year (+2.5%). Similarly, Class A rent ($25.33) rose by 2.2% from last quarter and by 3.0% from last year.

INCREASE IN LEASING ACTIVITY

On a trailing four-quarter basis, overall leasing in the CBD totaled 3.6 msf, up 6.3% from the 3.4 msf leased during the previous quarter, but down from 4.3 msf during the first quarter of 2006. Similarly, Class A leasing (2.3 msf) increased from its levels of last quarter (2.0 msf) but fell from last year (3.2 msf).

LARGE BLOCKS CONTINUE DOWNWARD TREND

The number of large contiguous blocks of space (50,000 sf or more) in the CBD fell to 13 from 14 last quarter and 17 last year.

Opportunities Remain Despite Tightening Market

During the first quarter, the marketplace remained very active, with landlords continuing to push rental rates up across the region. One factor driving this trend is the low cost of capital and competitive push for acquiring office properties. New landlords are purchasing buildings at high costs per sf and low cap rates and are driving rental rates up to add value, meet expected returns and increase buildings' net operating income. Landlords are also optimistic that the investments they have made in the past three years in both purchases and renovations will pay off over the next two to three years.

As availability decreases, landlords are becoming more aggressive. Fewer concessions are being offered to the tenant. Philadelphia is becoming a two-tier market with the high-end Class A buildings asking $2.00 more per sf than lower class buildings. As rents continue to increase, this spread will become more noticeable and will likely mirror what was seen in Philadelphia 10 years ago. Of particular interest is the growing market share of REITs in both the CBD and suburbs. As a result of their continued growth, they can exert greater pricing power over tenants looking for space.

However, tenants are still able to make good deals. With rising rental rates, the solution is to know the market, investigate all possible availabilities – whether they be existing or upcoming – and employ a successful strategy for creating cost savings and lease flexibility. Large tenants with lease expirations in the next three years face a problem in that there are a greater number of large block tenants than there are spaces. Large blocks of space are also limited in the suburbs. Tenants need to have a strategy that will yield best rates/packages and press the landlord for favorable terms.

Although the region's commercial real estate market is tightening, there is always an opportunity for tenants to find space that fits their needs by using points of leverage.

CBD TRANSACTION BAROMETER

	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5-10 yrs	Unchanged	10-15 yrs	Up
Concessions:				
Free Rent	3-6 months	Unchanged	6-9 months	Down
Tenant Improvements	$40.00/sf	Unchanged	$50.00/sf	Unchanged
Moving	$2.00/sf	Unchanged	$2.00/sf	Unchanged
Architect Fee	$2.50/sf	Unchanged	$3.00/sf	Unchanged

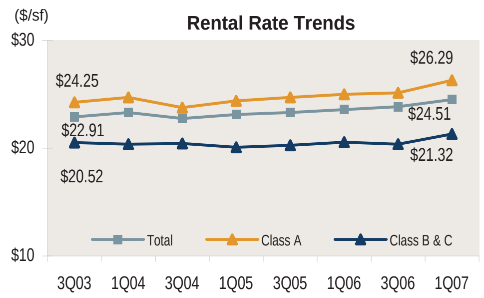
Outlook: Space availabliity will tighten with rates rising and large blocks of space declining.

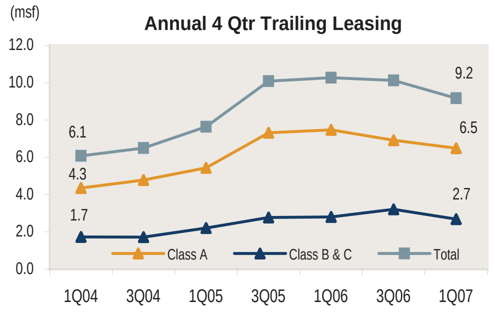
SUBURBAN TRANSACTION BAROMETER

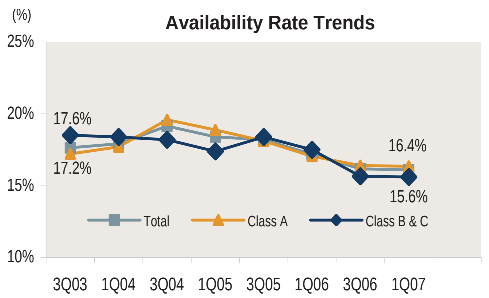
	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5 yrs	Unchanged	10 yrs	Unchanged
Concessions:				
Free Rent	4 months	Unchanged	6-8 months	Unchanged
Tenant Improvements	$25.00/sf	Unchanged	$30-$40/sf	Unchanged
Parking	4 spaces /1,000 sf	Unchanged	4 spaces /1,000 sf	Unchanged

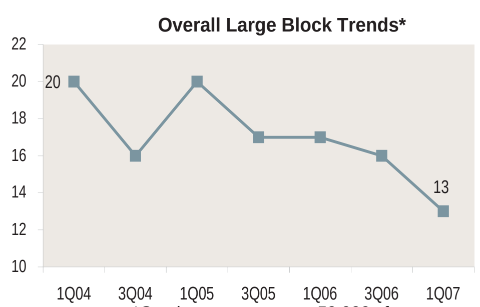
Outlook: Class A suburban availabilities are decreasing with corresponding rent increases. Speculative construction has begun on several buildings.

Up Down Unchanged









*Contiguous spaces >= 50,000 sf

Lots of musical chairs will continue to be played. The key is to be aware of the market and of who is moving, and to make a timely decision. Change brings opportunity. Specifically, tenants have opportunity in buildings with substantial vacancy that have just changed hands, as new owners try to fill these buildings up. Tenants also have opportunity by leasing in advance in substantial redevelopment projects. Finally, tenants who are flexible with respect to office layout can reduce TI cost and make excellent deals.

Rents Climb

The region's overall asking rent rose for the seventh quarter in a row, to $24.51. The rate jumped by 3.9% from one year ago. Class A rent registered a 5.2% annual increase from $25.00 to $26.29. Class A rents recorded the greatest gains in Plymouth Meeting (+22.1%) and Route 202/King of Prussia (+13.5%) as new properties pushed rates up. Wilmington, which has an availability rate of 26.9%, posted a minimal up-tick of 0.7%.

Overall Leasing Increases in Both CBD and Suburbs

Leasing activity in the Philadelphia region, which has dipped over the last two quarters, totaled 2.6 msf, 21.2% above the four-year historical average of 2.0 msf. Class A leasing (2.1 msf) was well above the historical average of 1.4 msf. Overall leasing in the CBD (1.1 msf) posted a quarterly gain of 150.5%, and Class A leasing (852,813 sf) increased 44.3%. Overall leasing increased for the quarter in the suburban markets by 93.5%, registering 1.2 msf, and Class A leasing (1.1 msf) rose by 24.0%. Leasing activity in Main Line/Conshohocken totaled 330,404 sf, an annual rise of 28.0%.

Availability Rates Slide to Lowest Level in Years

Decreasing to 16.1% overall, the availability rate has fallen every quarter since the second quarter of 2004, when it

SELECTED TRANSACTIONS

Tenant	Sq Feet	Address	Market Area
Lincoln Financial	180,000	130 & 150 Radnor Chester Rd	Main Line/Conshohocken
Comcast Corp.	151,646	1701 John F. Kennedy Blvd	West Market
Shire Pharmaceuticals	113,467	1200 Morris Dr	Main Line/Conshohocken
Nutrisystem	87,123	550 Blair Mill Rd	Horsham/Willow Grove
BDP International	80,000	510-530 Walnut St	East Market
Abington Memorial Hospital	72,000	480 Norristown Rd	Blue Bell/Plymouth Meeting
Dilworth Paxson	70,000	1500 Market St	West Market
EDS Information Services	67,292	1500 Market St	West Market
Teknion	56,268	350 Fellowship Rd	South Jersey
Smith Barney	49,300	1650 Market St	West Market
Pennsylvania Lumbermens Mutual Insurance	47,753	2005 Market St	West Market
Wells Fargo Financial	40,363	2501 Seaport Dr	Delaware County
Fresenius Medical Care	35,315	401 Plymouth Rd	Plymouth Meeting
Brinker Capital Inc.	32,469	1055 Westlakes Dr	Route 202/422/King of Prussia
St. Paul Travelers	30,864	1500 Market St	West Market
Sum of Leases	**1,113,860**	**Sum of 1st Quarter Leasing Activity**	**2.6 MSF**

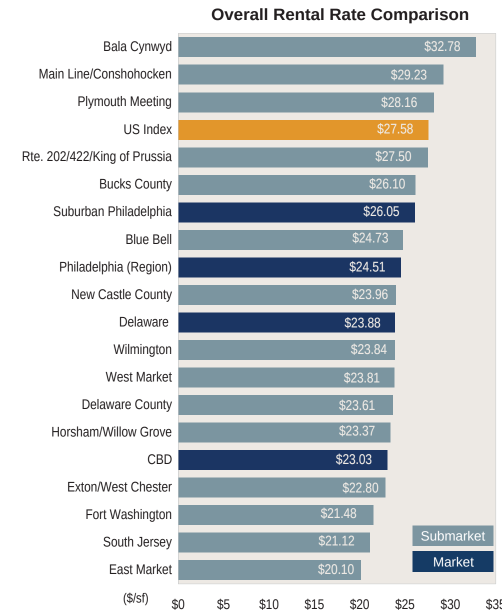
stood at 19.2%. The Class A availability rate (16.4%) has decreased every quarter since the fourth quarter of 2004, when the rate was 19.6%. Downtown's Class A availability rate (12.3%) was 6.7 pp lower than the 18.9% recorded in Suburban Philadelphia. Wilmington continued to register the region's highest availability rate (25.9%), a 6.5 pp increase from last quarter. Availability fell under 20% during the previous quarter, but increased again as more space was put on the market. For example, 257,000 sf was added at the Brandywine Building at 1000 N. West Street.

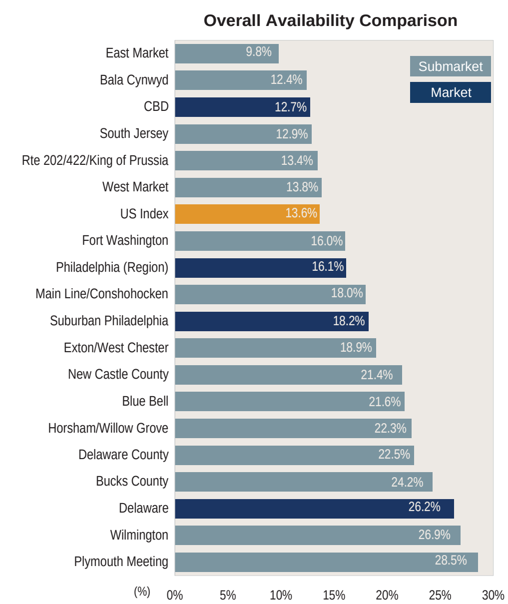
Submarket Focus

While the Philadelphia CBD has attracted much of the attention from the press, there are still leasing opportunities that can be found in the suburbs. One such market, Horsham/Willow Grove, accounted for 109,681 sf of total suburban leasing activity for the quarter. Nutrisystem's 87,123-sf lease at 550 Blair Mill Road was this submarket's largest deal in quite some time. Nutrisystem plans to maintain its current operation on Welsh Road. This submarket still has several large blocks of space for lease, unlike most other suburban submarkets. The entire 120,000-sf building at 680 Blair Mill Road, still partially occupied by Bank of America, is available for lease. Also, 110,000 sf is on the market at 4 Walnut Grove Drive; both have asking rents of $23.75.

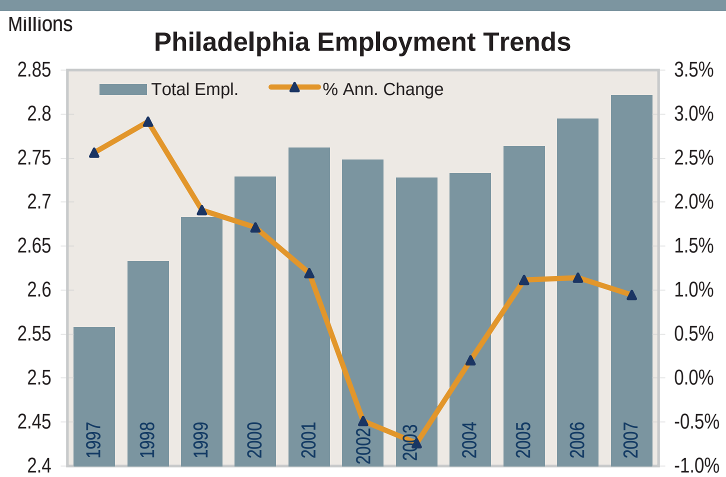
Looking Forward

Rental rates are expected to increase moderately over the next several quarters as the market continues to tighten and record-setting investment sales push asking rents higher. Availability rates are still above 15% in most submarkets and well above 20% in many areas. Besides pushing rental rates up, new construction will also force landlords in existing properties to offer concessions if they want to retain their current tenant roster.

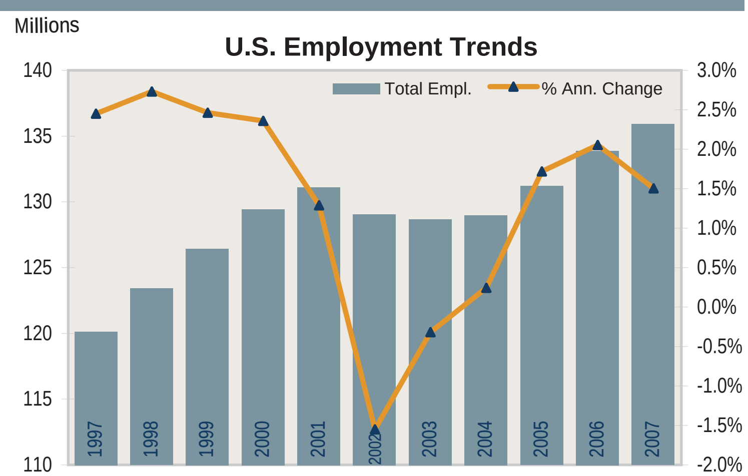




EMPLOYMENT TRENDS



Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

MARKET SNAPSHOT: 1Q 2007

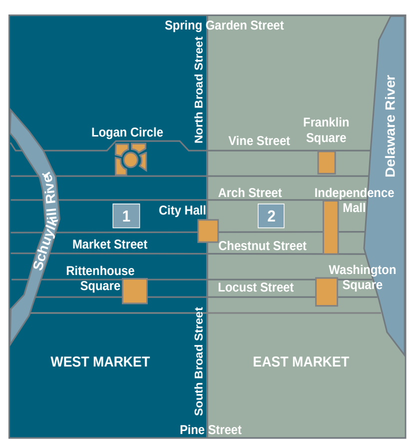
MAP	SUBMARKET	TOTAL	LEASING ACTIVITY		AVAILABLE SF				AVAILABILITY RATE				ASKING RENTS PER SF			
		Inventory SF (1,000's)	Last 12 Mos	3 Yr Average	This Qtr	% Change from Last Qtr	Yr Ago	3 Yrs Ago	This Qtr	pp Change from Last Qtr (1)	Yr Ago	3 Yrs Ago	This Qtr	% Change from Last Qtr	Yr Ago	3 Yrs Ago
1	**West Market**	30,410	2,665	2,603	4,191	1.4%	4,696	4,271	13.8%	-0.6%	16.2%	15.3%	$23.81	1.0%	$23.27	$23.36
	West Market - Class A	20,871	2,065	1,917	2,821	-4.8%	3,259	2,435	13.5%	-1.0%	15.9%	12.3%	$25.64	1.7%	$25.02	$25.18
2	**East Market**	11,280	943	733	1,101	-12.5%	1,172	1,662	9.8%	-1.4%	9.8%	15.4%	$20.10	0.8%	$19.13	$20.03
	East Market - Class A	5,142	251	410	378	-24.9%	436	847	7.4%	-2.0%	7.2%	17.0%	$23.23	3.1%	$21.53	$22.13
3	**Bala Cynwyd**	41,689	253	217	376	5.1%	514	507	12.4%	0.6%	19.2%	19.2%	$32.78	17.5%	$28.56	$27.83
	Bala Cynwyd - Class A	26,013	142	124	340	64.3%	265	277	14.1%	5.0%	19.0%	21.3%	$33.10	8.2%	$30.73	$28.34
4	**Blue Bell/Plymouth Meeting**	3,041	463	389	1,041	9.3%	602	666	25.5%	2.2%	15.2%	16.6%	$26.89	-2.1%	$24.53	$25.25
	Blue Bell/Plymouth Meeting - Class A	2,421	321	258	419	-32.2%	356	495	24.0%	-2.3%	18.0%	14.8%	$30.32	4.5%	$25.75	$26.23
5	**Fort Washington**	1,787	269	284	404	-23.9%	647	624	16.0%	-5.0%	25.7%	26.3%	$21.48	3.8%	$19.54	$21.90
	Fort Washington - Class A	981	96	126	232	-11.7%	230	321	16.3%	-4.6%	18.3%	28.8%	$22.03	6.0%	$19.34	$22.22
6	**Horsham/Willow Grove**	2,529	382	260	806	-12.2%	501	620	22.3%	-4.1%	14.4%	17.2%	$23.37	0.7%	$21.52	$22.04
	Horsham/Willow Grove - Class A	1,428	302	195	565	-18.0%	228	366	21.2%	-5.8%	9.0%	13.7%	$25.10	1.8%	$23.27	$22.32
7	**Route 202/422/King of Prussia**	3,619	1,135	1,068	1,765	-12.7%	2,215	2,697	13.4%	-1.9%	16.7%	20.4%	$27.50	2.7%	$25.67	$26.13
	Route 202/422/King of Prussia - Class A	2,670	1,016	892	1,373	-26.6%	1,814	2,208	14.6%	-3.3%	17.7%	22.1%	$28.91	7.0%	$25.47	$26.65
8	**Exton/West Chester**	2,296	171	224	642	-3.7%	648	776	18.9%	-0.7%	19.5%	24.6%	$22.80	0.8%	$22.09	$24.98
	Exton/West Chester - Class A	765	142	196	518	-0.9%	502	721	21.5%	-0.2%	21.8%	32.2%	$23.22	0.7%	$22.03	$25.43
9	**Main Line/Conshohocken**	13,148	818	549	801	-4.2%	1,055	1,072	18.0%	-1.0%	23.8%	26.4%	$29.23	0.6%	$29.30	$31.25
	Main Line/Conshohocken - Class A	9,419	818	544	775	-4.3%	1,048	1,033	18.7%	-0.4%	24.7%	26.6%	$31.70	8.8%	$29.35	$31.51
10	**Delaware County**	3,395	235	239	748	4.6%	727	619	22.5%	-5.9%	28.9%	23.5%	$23.61	1.4%	$22.46	$21.96
	Delaware County - Class A	2,406	196	192	649	5.8%	616	557	22.6%	-4.9%	27.4%	24.1%	$23.81	1.7%	$22.45	$22.25
11	**Bucks County**	4,460	451	361	1,064	-5.3%	1,185	719	24.2%	-1.5%	27.2%	18.5%	$26.10	0.3%	$24.95	$20.46
	Bucks County - Class A	4,156	341	296	883	2.0%	945	591	26.6%	-0.4%	29.3%	20.8%	$26.37	1.0%	$25.44	$20.68
12	**Wilmington**	3,321	350	235	1,471	20.5%	1,394	1,029	26.9%	3.3%	27.4%	23.5%	$23.84	7.2%	$23.45	$19.83
	Wilmington - Class A	2,868	276	178	1,161	37.8%	1,036	660	25.9%	6.5%	24.3%	19.4%	$26.04	0.3%	$25.86	$20.73
13	**New Castle County**	4,389	77	169	869	-3.1%	780	709	21.4%	-1.0%	19.7%	19.1%	$23.96	0.1%	$23.07	$23.90
	New Castle County - Class A	3,325	47	135	770	3.5%	640	636	22.1%	0.4%	19.0%	20.4%	$25.37	4.8%	$23.49	$24.28
14	**South Jersey**	41,985	1,049	975	1,741	12.1%	1,736	1,325	12.9%	1.2%	12.9%	10.2%	$21.12	-0.4%	$21.21	$20.31
	South Jersey - Class A	30,439	557	493	706	-9.2%	810	667	10.9%	1.0%	10.4%	9.0%	$22.84	1.3%	$22.37	$21.66
1-2	**PHILADELPHIA TOTAL**	41,689	3,608	3,336	5,292	-1.9%	5,868	5,933	12.7%	-0.8%	14.3%	15.3%	$23.03	1.8%	$22.47	$22.52
	PHILADELPHIA TOTAL - Class A	26,013	2,316	2,327	3,199	-7.7%	3,694	3,281	12.3%	-1.2%	13.9%	13.2%	$25.33	2.2%	$24.60	$24.52
3-11	**SUBURBAN PHILADELPHIA TOTAL**	41,985	4,088	3,564	7,647	-6.6%	8,092	8,300	18.2%	-1.8%	20.0%	21.0%	$26.05	2.4%	$25.12	$25.27
	SUBURBAN PHILADELPHIA TOTAL -	30,439	3,293	2,798	5,756	-10.9%	6,003	6,571	18.9%	-1.9%	20.4%	22.1%	$27.26	3.5%	$25.56	$25.87
12-13	**DELAWARE TOTAL**	9,538	427	405	2,504	18.2%	2,174	1,738	26.2%	3.2%	24.0%	21.5%	$23.88	1.0%	$23.32	$21.58
	DELAWARE TOTAL - Class A	7,967	324	314	1,931	21.7%	1,676	1,296	24.2%	3.9%	22.0%	19.9%	$25.84	2.2%	$24.98	$22.40
1-14	**PHILADELPHIA REGION TOTAL**	106,745	9,172	8,290	17,184	-0.4%	17,871	17,295	16.1%	-0.5%	17.2%	17.4%	$24.51	2.0%	$23.59	$23.55
	PHILADELPHIA REGION TOTAL - Class A	70,900	6,490	5,938	11,592	-5.7%	12,183	11,815	16.4%	-0.6%	17.0%	17.3%	$26.29	2.8%	$25.00	$24.83

PHILADELPHIA CONTACTS

One Liberty Place
1650 Market Street, Suite 1525
Philadelphia, PA 19103
(215) 563-4000

Branch Manager
H. Hetherington Smith - Senior Vice President
hsmith@studley.com

Corporate Media Contact
Esther Rose - Director of Public Relations
erose@studley.com
(212) 326-1078



(1) Percentage point change for availability rates.
Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.
Statistics are calculated using both direct and sublease information.
Recent Inventory adjustments may have contributed to statistical fluctuations in some submarkets.
The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof.
Statistics compiled with the support of The CoStar Group.