MarketView

Greater Philadelphia Office

(PA, DE & NJ) — THIRD QUARTER 2007

3Q07 QUICK STATS

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	12.69%	↓	↓
Lease Rates	$25.09	↑	↑
Net Absorption*	768 K	↑	↓
Construction	2.93 M	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Brandywine Realty Trust and the University of Pennsylvania will begin to develop the much anticipated Cira Centre South, a mixed-use project on 14 acres at 30th Street between Walnut and Market streets and the redevelopment of the U.S. Postal Service building. The project has an estimated cost of $375-400 million.
- Triple Net Properties LLC paid $37 million, or $182.00/SF, to GREIT Inc, for the purchase of 824 Market Street in Wilmington, DE.
- Wells Real Estate Investment Trust II recently purchased 1200 Morris Drive in Chesterbrook, PA for $29.7 million. Earlier this year, Shire Pharmaceuticals leased the entire building, which is located in the Chesterbrook Corporate Center.

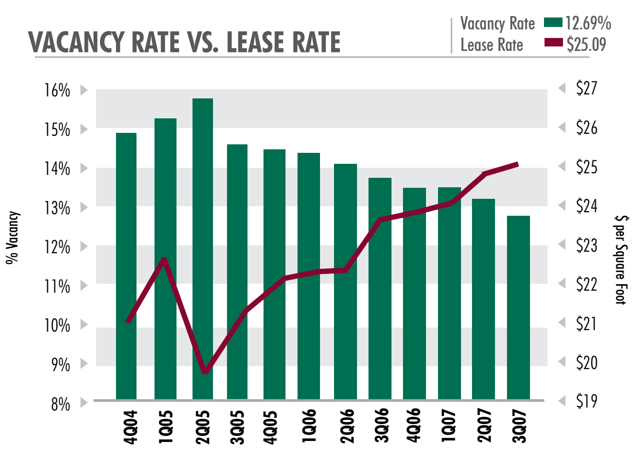
The Greater Philadelphia Office Market continues to move in the right direction. Solid absorption from the Suburban Philadelphia, Lehigh Valley and Northern Delaware submarkets helped the Greater Philadelphia Office Market post its eighth consecutive quarter of positive absorption. Meanwhile, the general trend of decreasing direct vacancy rates and increasing Class 'A' average asking lease rates persisted despite minor variations in a few submarkets.

In Downtown Philadelphia, positive absorption is driving down vacancy rates and increasing Class 'A' average asking lease rates. This combination seems to be a win-win for both tenants and landlords. Tenants are finding suitable space, while landlords are increasing rents to reflect tenant demand. For the second consecutive quarter, leasing activity dropped due to fewer tenants in the market. However, last year's leasing activity is still producing an optimistic outcome. Downtown Philadelphia looks forward to future development around the Pennsylvania Convention Center in Center City Philadelphia and University City in West Philadelphia.

"For the past year, direct vacancy rates in Suburban Philadelphia have declined, while average Class 'A' lease rates have increased."

The Suburban Philadelphia market again produced healthy numbers. For the past year, direct vacancy rates in Suburban Philadelphia have declined, while average asking Class 'A' lease rates have increased. Both trends can be attributed to a variety of activity from developers and REIT's, who are renovating older buildings and developing dynamic office space. O'Neill Properties Group's completion of 211 South Gulf Road, a redevelopment project in King of Prussia, PA is one example of how Suburban Philadelphia can attract high caliber tenants such as XL Insurance and Shire Pharmaceuticals. Sales activity may increase in the final quarter due to Brandywine Realty Trust's commencement of the marketing of a 32 property portfolio located in Ft. Washington, Horsham, Bucks County and the Lehigh Valley.

VACANCY RATE VS. LEASE RATE



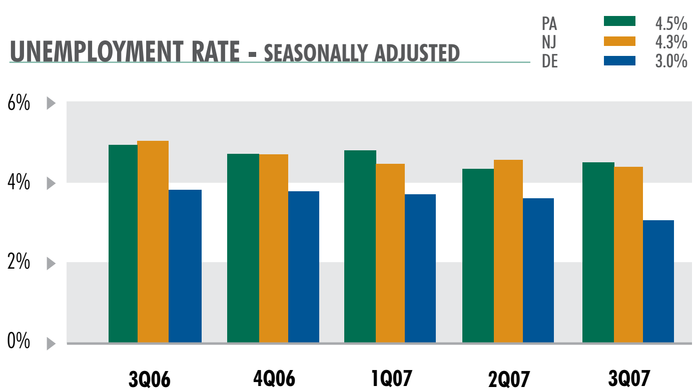
The recent boom of new construction in Southern New Jersey has made direct vacancy rates higher than any other quarter this past year. 1200 Howard Boulevard in Mount Laurel, NJ and the Samuel H. Jones Innovation Center in Glassboro, NJ are two buildings that delivered this quarter and additional product is on the way. Due to extraordinarily high asking rates in and around Manhattan, many New York investors are looking at opportunities in Southern New Jersey. The sale of 875 Kings Highway in West Deptford, NJ from Needleman Management to SJS Properties of New York exemplifies this trend and is something the market may see more of in the future.

In Northern Delaware, for the first time in the last year, both the Wilmington CBD and New Castle County submarkets have reported positive absorption. Decreasing vacancy rates are causing a need for increased construction, which is helping to drive development in both the Wilmington and Newark CBD's. While both areas are undergoing revitalization along their respective waterfronts, Newark's offering of tax incentives to attract first-rate companies makes its location particularly appealing.

Equivalent positive absorption in Lehigh Valley East and West marks the first time these submarkets have split evenly in the last few years. Both submarkets are taking advantage of the positive momentum carrying over from encouraging first half numbers.

Market	Rentable Area SF	Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Class A Average Asking Lease Rate $ FSG/SF/YR	Availability Rate %
Market West	26,903,303	9.92%	587,289	1,253,223	$26.93	14.80%
Market East	6,782,987	10.31%	(19,107)	0	$20.82	11.99%
Independence Hall	5,378,449	5.21%	70,941	0	$24.00	6.63%
University City	3,507,372	5.28%	(86,373)	169,000	$40.92	6.49%
Downtown Philadelphia Subtotal	**42,572,111**	**9.01%**	**552,750**	**1,422,223**	**$26.33**	**12.63%**
Bala Cynwyd	2,777,794	11.67%	36,687	0	$32.95	13.23%
Conshohocken	3,295,258	12.52%	3,992	41,273	$29.70	15.27%
Delaware County	4,757,185	15.40%	359,998	193,269	$22.48	18.87%
Exton/West Chester	3,658,741	12.87%	195,035	228,264	$22.86	15.58%
Fort Washington	3,367,632	10.96%	71,610	25,941	$21.56	15.42%
Horsham/Willow Grove	4,974,555	20.36%	(18,767)	120,000	$23.67	21.42%
Jenkintown	1,249,176	8.30%	(4,326)	0	$25.25	13.40%
King of Prussia/Valley Forge	15,904,116	11.88%	200,059	374,902	$25.20	15.89%
Lansdale/Montgomeryville	2,739,283	13.88%	28,933	0	$22.64	14.80%
Lower Bucks County	4,816,565	16.30%	89,927	0	$24.63	17.84%
Main Line	2,765,174	20.22%	106,994	0	$28.08	22.72%
Plymouth Meeting/Blue Bell	5,571,895	19.58%	57,136	0	$25.56	22.39%
Upper Main Line	1,250,924	15.60%	10,758	0	$26.41	15.87%
Suburban Philadelphia Subtotal	**57,128,298**	**14.57%**	**1,138,036**	**983,649**	**$25.53**	**17.43%**
Burlington County	9,655,393	13.07%	74,331	30,000	$22.49	16.02%
Camden County	6,869,995	12.39%	83,275	136,000	$20.51	13.48%
Gloucester County	591,928	18.61%	32,537	70,000	$23.00	22.84%
Southern New Jersey Subtotal	**17,117,316**	**12.99%**	**190,143**	**236,000**	**$22.11**	**15.24%**
Wilmington CBD	6,961,396	15.43%	(50,330)	0	$25.97	19.09%
New Castle Co. Suburbs	6,899,887	15.79%	207,149	183,000	$22.37	20.73%
Northern Delaware Subtotal	**13,861,283**	**15.61%**	**156,819**	**183,000**	**$24.24**	**19.90%**
Lehigh Valley East	2,586,607	9.19%	255,538	20,000	$17.34	10.54%
Lehigh Valley West	5,265,087	15.22%	93,040	87,000	$20.21	17.87%
Lehigh Valley Totals	**7,851,694**	**13.23%**	**348,578**	**107,000**	**$19.13**	**15.46%**
TOTAL	**138,530,702**	**12.69%**	**2,386,326**	**2,931,872**	**$25.09**	**15.82%**

NOTE: 10,000 SF and larger.



Source: Bureau of Labor Statistics

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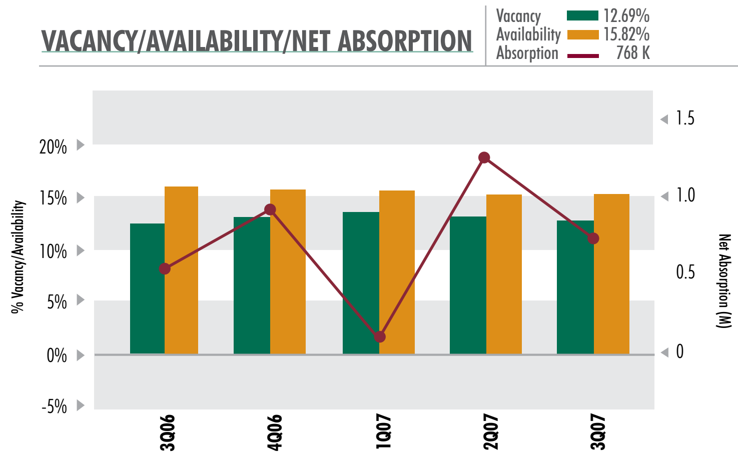
Economic Conditions: The Bureau of Labor Statistics reported that inflation (CPI-U) was 2.4% annualized in July 2007, down from 2.7% in June 2007. Although recent payroll figures indicate moderating employment growth at less than 100,000 per month, the Bureau of Economic Analysis estimated preliminary GDP at close to 4.0% for the second quarter of 2007, significantly up from the 0.6% for the first quarter of 2007. Nationally, consumer spending was fairly strong among recent back to school sales and the automobile sector also had an up tick in activity during the third quarter. However, with a bit of a lull in job and income growth, more moderate consumer spending may take hold in the next few quarters.

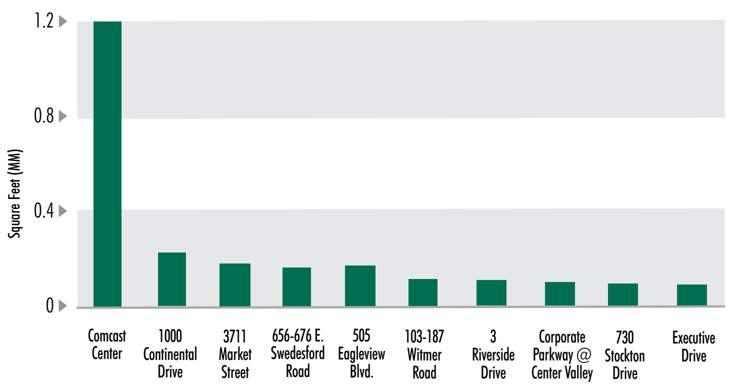
According to Wachovia's Economic Group, the Federal Reserve will likely cut interest rates again in October by a quarter of a point following their recent cut of a half a point at the end of the third quarter. The proposed cut would be an effort to help isolate problems in the subprime market from impacting other portions of the national economy. The tightening of subprime mortgages has proven a roadblock to many buyers actually closing on homes they had intended to purchase. In response, many residential builders are aggressively scaling back their production of new homes. Similarly, the tightening of lending practices nationwide has also had a negative impact on investment sales. Compared to last year's third quarter performance, investment properties have significantly decreased in their sales activity.

VACANCY/AVAILABILITY/NET ABSORPTION



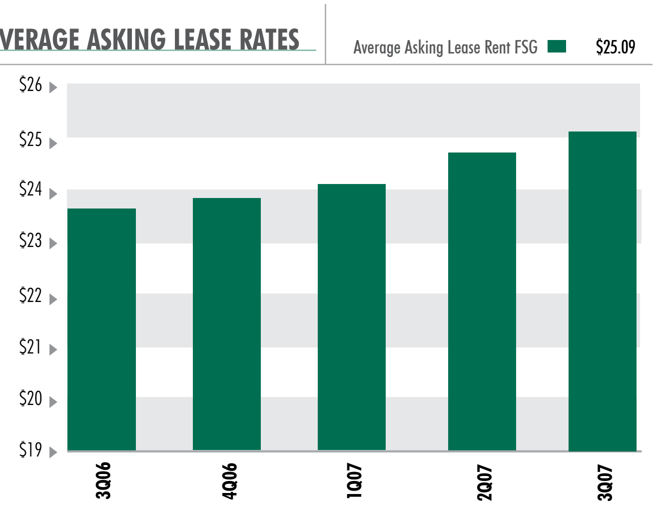
Vacancy & Availability: The Philadelphia MSA reported a 12.69% direct vacancy rate for the 3Q07, a decrease from last quarter's 13.07%, which is the lowest since 1Q03. In the suburbs, Exton/West Chester and Plymouth Meeting/Blue Bell led the way as both submarkets reported vacancy rate decreases of 1.65%, while Jenkintown and Main Line dropped vacancy rates by approximately 0.84% each. Downtown Philadelphia had an encouraging third quarter with vacancy rates lessening in each submarket except University City. 3020 Market Street in University City went from a single tenant building to a multi-tenant building which added 95,066 SF of vacant space to the market. The Independence Hall submarket dropped 1.04% due to tenants moving into the Public Ledger Building at 600 Chestnut Street and The Curtis Center at 601 Walnut Street. The Delaware office market had an impressive third quarter, decreasing vacancy rates from 17.28% to 15.61%. Likewise, the Lehigh Valley dropped notably by 1.72%. In contrast, Southern New Jersey reported slight bumps in vacancy but remains at a healthy rate of 12.99%. Camden County offices recently signed a long term 70,000 SF lease at 5 & 6 Executive Campus in Cherry Hill, NJ, which will help bring the vacancy rates down in the coming year.

CONSTRUCTION ACTIVITY



Construction Activity: Construction activity around the Philadelphia MSA totals 2.93 million SF of office space. This is the first quarter since 1Q06 that construction has dipped below 3.0 million SF. Corporate Pky @ Center Valley Pky in Center Valley, PA broke ground with 87,000 SF of Class 'A' office space, which is expected to be completed by June of 2008. The Suburban Philadelphia office development remains healthy and has posted impressive construction numbers over the past few quarters. BPG Properties continues work at 1000 Continental Drive in King of Prussia, PA, which is expected to be complete at the end of this year. Additionally, Keystone Property Group is redeveloping a 150,000 SF office building at 656-676 E Swedesford Road in Wayne, PA. Southern New Jersey remains busy with a total of 236,000 SF of space under construction. 3 Riverside Drive in Camden, NJ is the largest building in Southern New Jersey that is under construction with 88,000 SF of Class 'A' office space.

AVERAGE ASKING LEASE RATES



Average Asking Lease Rates: The 3Q07 marked the eighth consecutive quarter with increasing rates. Fort Washington experienced an increase in Class 'A' asking rates of $1.57 PSF and King of Prussia/Valley Forge also experienced an increase of $0.69 PSF. This increase is due to a tighter supply of Class 'A' space and a steady demand, which allows landlords to ask for higher rates. Still, when 1000 Continental Drive in King of Prussia, PA and 656-676 E Swedesford Road in Wayne, PA deliver in the next two quarters the average asking rate will surely increase. In contrast to Southern New Jersey's market increase of $0.21, the Northern Delaware office market witnessed decreases in Class 'A' office rental rates.

Net Absorption: The Greater Philadelphia MSA reported positive net absorption of 768,391 SF for the 3Q07, pushing the year-to-date absorption to over 2.38 million SF. Every submarket reported positive absorption except Southern New Jersey which reported a slight negative absorption of 12,053 SF. Market West, which is the largest submarket in Downtown Philadelphia with 26.9 million SF of office product, absorbed 75,857 SF due to tenants moving in at 1515 Market Street, 1800 and 1880 John F. Kennedy Blvd. Leading the way in the suburbs was King of Prussia/Valley Forge with 170,311 SF of positive absorption. Most notably, the Delaware office market, consisting of New Castle County and Wilmington CBD, absorbed 231,870 SF as a result of tenants moving in to buildings like 1220 N. Market St. in Wilmington, DE.

MARKET OUTLOOK

The future of the Philadelphia MSA office market looks promising as companies grow throughout the region. Expect demand to ease off, but remain active in the future. In Downtown Philadelphia, Morgan Lewis leased 95,410 SF at 10 Penn Center along with the Census Bureau's 27,000 SF at 1234 Market Street. In the suburbs, Elwyn, Inc. leased 25,000 SF in East Falls, PA and after a recent integration, Clyde Bergemann Delta Ducon leased 17,800 SF in King of Prussia, PA. In Southern New Jersey, Camden County signed a 70,000 SF lease at 5 & 6 Executive Campus in Cherry Hill, NJ. In Delaware, two law firms are moving in at 1220 N. Market Street totaling 25,000 SF. These are just a few examples that show employment growth and the ability of companies to add new jobs in the next year. Jobs will also be added due to the expansion of the Convention Center in Downtown Philadelphia, new casinos on the Delaware River waterfront and film production companies moving to Suburban Philadelphia. In addition, new hotel projects will break ground in the next couple of quarters looking to capitalize on the Downtown Philadelphia business and cultural hub.

Tax benefits will continue to be a major influence for businesses and developers. The equilibrium between landlords and tenants is now shifting more toward the landlord's side with the declining vacancy and increasing rental rates. In Downtown Philadelphia, expect to see new construction proposals due to the record breaking direct vacancy rates and the lack of large blocks of space (100,000 SF and above). The new development of Cira Centre South by Brandywine, and the potential office tower redevelopment of the 800 Walnut Street by Parkway Corporation, will aim to capitalize on this diminishing availability of Class 'A' office space.

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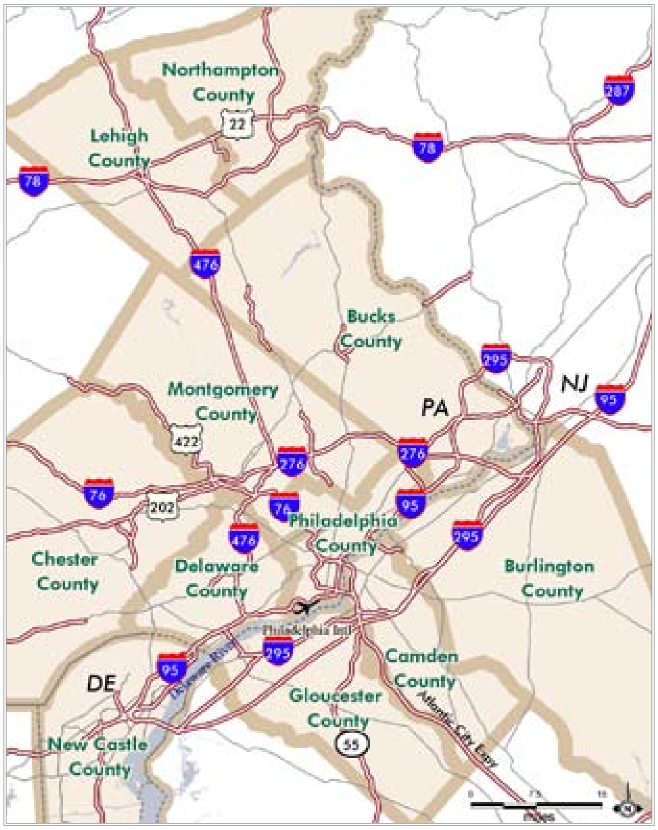
TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
95,410	Morgan, Lewis & Bockius LLP	1801 Market Street, Philadelphia, PA
90,000	AEGON	300 Eagleview Boulevard, Exton, PA
78,695	The City of Philadelphia	601 Walnut Street, Philadelphia, PA
70,000	Camden County	5 & 6 Executive Campus, Cherry Hill, NJ

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
203,000	Triple Net Properties LLC	824 Market Street, Wilmington, DE
114,000	Wells Real Estate Investment Trust II	1200 Morris Drive, Chesterbrook, PA
64,959	402 Fayette Street LLC	402 Fayette Street, Conshohocken, PA
30,000	Bloom Organization	1317 Route 70, Mt. Laurel, NJ

PHILADELPHIA REGION SUBMARKET MAP



AVAILABILITY RATE
Available Square Feet divided by the Net Rentable Area.

AVAILABLE SQUARE FEET
Available Building Area which is either physically vacant or occupied.

AVERAGE ASKING LEASE RATE
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

MARKET COVERAGE
Includes all competitive office buildings 10,000 square feet and greater in size.

NET ABSORPTION
The change in occupied square feet from one period to the next.

NET LEASES
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

NORMALIZATION
Due to a reclassification of the market, the base number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

OCCUPIED SQUARE FEET
Building area not considered vacant.

UNDER CONSTRUCTION
Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANCY RATE
Vacant Building Feet divided by the Net Rentable Area.

VACANT SQUARE FEET
Existing Building Area which is physically vacant or immediately available.

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