MarketView

Greater Philadelphia Office

(PA, DE & NJ) — FOURTH QUARTER 2006

4Q06 QUICK STATS

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	13.48%	↓	↓
Lease Rates	$23.94	↑	↑
Net Absorption*	0.891M	↑	↑
Construction	3.09M	↑	↓

* 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

- Trinity Capital Advisors entered into a 75-year ground lease, valued at over $90 million, to redevelop Girard Square at 10th and Market Street in the Philadelphia CBD.
- 2 Liberty completed lease transactions in excess of 200,000 square feet during 2006, and have additional lease transactions in the pipeline for the coming year.
- $2.5 billion worth of office sales, consisting of over 150 transactions, closed during 2006. This activity marks a 25% increase over last year's sales of $1.9 billion.

For the fourth consecutive quarter, the Greater Philadelphia office market posted positive net absorption. Leasing activity in the Philadelphia Suburban and Downtown markets, helped bring the 2006 year-to-date net absorption figure to just over 2.11 million SF. This activity has propelled the year-to-date absorption figure to be triple that of last year's annual absorption figure of 681,000 SF.

The strength of the current market continues to be advantageous for landlords, investors and developers alike. The overall direct vacancy rate for the Greater Philadelphia metro area was 13.48% in the fourth quarter, down 27 basis points from the third quarter rate of 13.75%. The Lehigh Valley, Southern New Jersey, Philadelphia Suburban and Downtown markets decreased vacancy rates while Northern Delaware witnessed an increase due to the completion of 500 Delaware Avenue, a Class 'A' Trophy Tower, in the Wilmington CBD. As vacancy rates continue their steady decline, average asking lease rates are starting to increase. Class 'A' average asking lease rates increased $1.85 throughout 2006, from $22.09 at the end of 2005 to $23.94 per square foot. Steady demand, increased sales and increased leasing activity have resulted in the higher asking lease rates and lower vacancy rates.

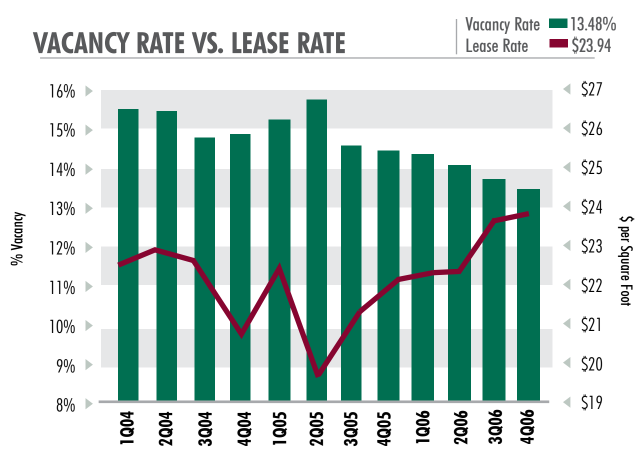
Office sales activity remained strong with approximately $344 million in reported closings for the quarter and $2.5 billion for the year. Sales totals have far exceeded the record sales of $1.9 billion set at the end of 2005. Investment activity in the Philadelphia region continues to remain at all time highs. In Allentown, PA the Plaza at PPL Center, a Gold LEED-Certified building, sold for $84 million or $333/square foot, which is a record high for the Lehigh Valley. 10 Penn Center, at 1801 Market in the Philadelphia CBD, traded for $75 million, or $112.30/square foot. In the Philadelphia suburb of Bala Cynwyd, 1 Presidential Blvd., the former Aamco headquarters building, sold for over $18.9 million. J. Grasso Properties acquired the Public Ledger Building at 6th and Chestnut Street in downtown Philadelphia for $43 million. This is the second purchase for J. Grasso Properties, which purchased the Curtis Center for $94 million in September.

"The University City Science Center began construction on the first of five new buildings, a $600 million project that will add 1.8 million SF to the University City research park by 2010."

The University City Science Center began construction on the first of its five new buildings, a $600 million project that will add 1.8 million SF to the University City research park by 2010. The 169,000 square foot building, at 3711 Market Street, will contain office and lab space, retail and parking. University City, a specialized submarket within West Philadelphia, contains over 2.8 million SF, but is less than 2% vacant.

Strong tenant demand continues, particularly for large blocks of space (100,000 SF and larger) in Philadelphia's central business district. As these large blocks become leased, vacancy rates could approach 10% in the CBD by year-end 2007 and average asking lease rates could approach $25 by year-end 2007. According to statistics, there are approximately 6 large blocks of space available in the Philadelphia CBD, and there are approximately 12 companies considering these large blocks – compared to approximately 11 blocks and 8 companies looking at this time last year.

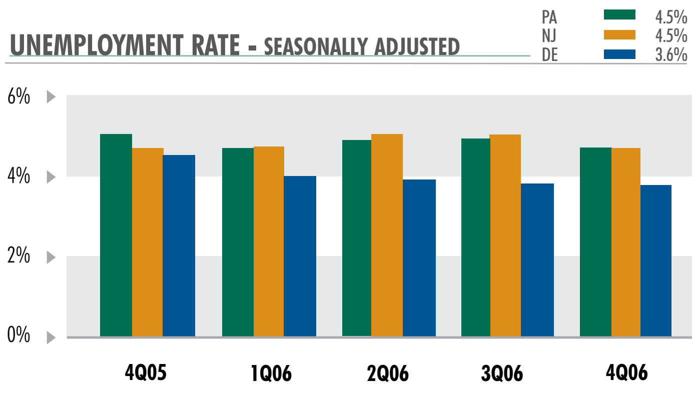
VACANCY RATE VS. LEASE RATE



Foxwoods Casino Philadelphia and Sugarhouse Casino were selected to receive slot gaming licenses in Philadelphia. Foxwoods $560 million project will be located on a 16-acre parcel on South Columbus Boulevard near Reed Street. Sugarhouse's $550 million project will be located on the site of the former Jack Frost sugar refinery, on Delaware Avenue north of the Ben Franklin Bridge. Revenue from both parlors will directly assist municipal officials in scaling back real estate taxes on both a county and statewide level. Additionally, the Greater Philadelphia Region is dedicated to keeping its young, bright graduates in the area and striving to become a true 24/7 city. Overall, investors will continue to see more value in the Philadelphia region as it improves its image as a major metropolitan area with a quality labor force and comprehensive real estate market.

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	27,828,919	11.40%	117,085	1,253,223	$25.10	13.1%
Market East	7,119,998	10.03%	204,592	0	$19.94	11.1%
Independence Hall	5,378,449	6.53%	317,759	0	$23.17	8.0%
Downtown Philadelphia Subtotal	**40,327,366**	**10.51%**	**639,436**	**1,253,223**	**$24.50**	**12.1%**
Bala Cynwyd	2,818,811	13.87%	96,507	0	$27.80	15.5%
Conshohocken	3,295,258	12.64%	205,150	0	$28.75	13.5%
Delaware County	4,782,185	22.84%	(197,687)	204,500	$22.05	25.7%
Exton/West Chester	3,708,669	16.30%	352,563	123,000	$21.64	19.9%
Fort Washington	3,471,127	11.25%	386,256	0	$18.86	18.6%
Horsham/Willow Grove	5,008,370	17.48%	(66,555)	132,000	$22.00	24.1%
Jenkintown	1,229,176	7.99%	(99,753)	0	$24.00	9.7%
King of Prussia/Valley Forge	15,903,116	13.18%	212,998	205,122	$24.36	17.7%
Lansdale/Montgomeryville	2,659,529	13.10%	(16,692)	21,640	$20.89	14.6%
Lower Bucks County	4,698,881	15.28%	170,278	291,438	$24.26	16.3%
Main Line	2,864,674	23.25%	269,208	0	$27.97	24.4%
Plymouth Meeting/Blue Bell	5,331,803	19.76%	10,937	120,877	$24.96	24.4%
Upper Main Line	1,313,879	15.67%	41,667	0	$26.16	15.7%
Suburban Philadelphia Subtotal	**57,085,478**	**15.69%**	**1,364,877**	**1,098,577**	**$24.28**	**19.3%**
Burlington County	9,584,212	11.73%	9,396	129,342	$21.98	15.1%
Camden County	6,769,088	12.31%	105,924	130,907	$20.40	14.1%
Gloucester County	236,760	5.90%	(1,975)	20,000	$20.00	5.9%
Southern New Jersey Subtotal	**16,590,060**	**11.88%**	**113,345**	**280,249**	**$21.67**	**14.6%**
Wilmington CBD	6,666,106	13.23%	183,371	295,290	$26.53	18.6%
New Castle Co. Suburbs	7,570,473	17.09%	(231,862)	16,480	$21.87	19.2%
Northern Delaware Subtotal	**14,236,579**	**15.28%**	**(48,491)**	**311,770**	**$23.89**	**18.9%**
Lehigh Valley East	3,070,705	10.62%	299,432	122,221	$19.01	10.6%
Lehigh Valley West	3,997,498	14.39%	(254,238)	25,660	$18.78	17.5%
Lehigh Valley Totals	**7,068,203**	**12.75%**	**4,194**	**147,881**	**$18.84**	**14.5%**
TOTAL	**135,307,686**	**13.48%**	**2,114,361**	**3,091,700**	**$23.94**	**16.3%**

NOTE: 10,000 SF and larger.



Source: Bureau of Labor Statistics

Economic Conditions: Quarterly reports have shown moderate GDP growth as the U.S. economy rose by 2.2%. However, trends suggest that domestic production might slow in coming months, which could potentially soften the labor market. Industrial production appears to be gaining strength – undoubtedly led by rising output at auto factories. The Federal Reserve has reported that industrial production was up 0.2% in November, the first increase following two months of decline. In the housing market, weaker demand coupled with a rising number of new home cancellations is adding to the inventory of unsold property. Nevertheless, research points to signs of a gradual stabilization.

The Commonwealth of Pennsylvania has recently announced a series of investments which will help companies build or acquire new facilities in and throughout 10 different state counties. The location finance assistance program is primarily geared towards attracting foreign investment. The funding, totaling more than $16.6 million, will go towards 15 projects, create some 541 new jobs, and retain 447 jobs for the Commonwealth.

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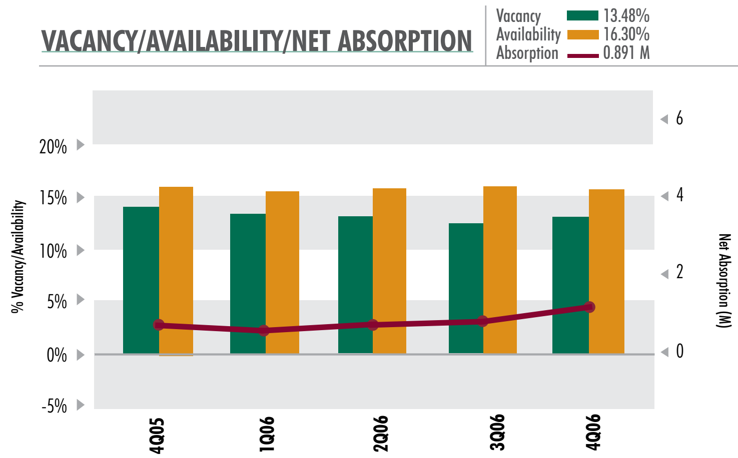
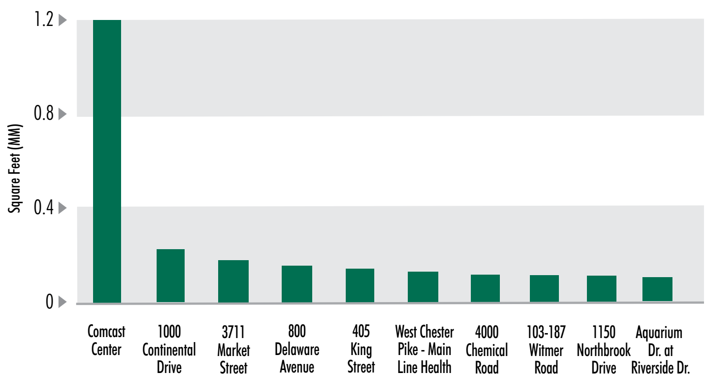
VACANCY/AVAILABILITY/NET ABSORPTION



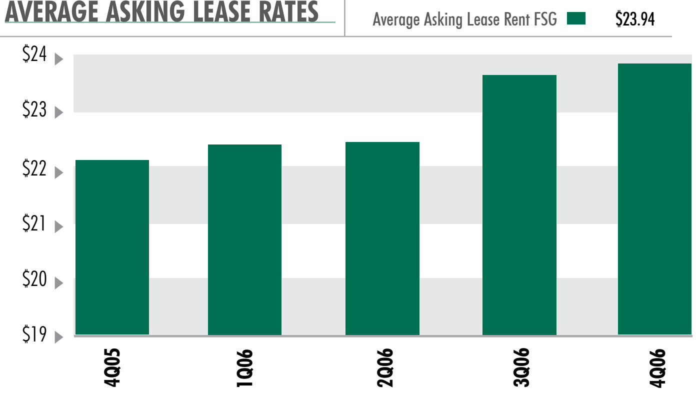
Vacancy & Availability: The Philadelphia MSA reported 13.48% vacancy for the fourth quarter, down from the 13.75% reported in the third quarter. The Philadelphia CBD continues to lead the way, reporting a vacancy of 10.51%, the lowest vacancy of the year; down 100 basis points since year-end 2005. The Philadelphia suburban markets report a 15.69% vacancy rate, an overall decrease of 220 basis points from last year - with certain submarkets reporting exceptional fourth quarter rates. In particular Fort Washington, which reported a decrease in vacancy from 16.98% to 11.25%. Other submarkets that reported significant changes included Bala Cynwyd, Jenkintown, and Lower Bucks County. Outside of Philadelphia, Southern New Jersey and the Lehigh Valley both reported slight decreases in vacancy rates of 11.88% and 12.75%, respectively. The Delaware office market reported an increase in vacancy to 15.28%; however this increase was largely due to the completion of 500 Delaware Ave. in the Wilmington CBD.

CONSTRUCTION ACTIVITY



Construction Activity: Construction activity around the Philadelphia MSA remains remarkably strong, with 3.09 million SF of office space under construction. In the Philadelphia CBD, the 1,253,223 SF Comcast Center continues skyward, with glass starting to cover the building's exterior. The project is approaching 80% pre-leased, and Comcast employees are set to occupy in late 2007. Along the Wilmington Riverfront, construction continues on the Renaissance Centre at 405 King Street, a 142,290 square foot Class 'A' office building delivering April 2007. The Philadelphia suburbs report over 1.0 million SF under construction. In Plymouth Meeting, Brandywine Realty Trust's project at 4000 Chemical Rd., a Class 'A' 120,877 square foot building, the first of three buildings at the Metroplex Corporate Center is fully under way, as is 1000 Continental, which will add 205,122 SF to the King of Prussia market.

AVERAGE ASKING LEASE RATES



Average Asking Lease Rates: Throughout 2006, the Philadelphia MSA office market witnessed increasing activity, reported strong absorption numbers and lowered vacancy, without seeing significant jumps in asking lease rate. Overall, for the fourth quarter Class 'A' office space increased from $22.23 during the first quarter to $23.94 to close out 2006. The Philadelphia CBD office market reported an increase from $24.30 in the third quarter to $24.50 for the fourth quarter. In the suburbs, King of Prussia, Lansdale / Montgomeryville and Jenkintown were the submarkets that reported notable increases. The Southern New Jersey market and the Northern Delaware office market both witnessed slight increases in Class 'A' office rental rates. The Lehigh Valley was the only office market to report a decrease from $19.61 in the third quarter to $18.84 for the fourth quarter.

Net Absorption: The Philadelphia MSA reported an impressive positive net absorption of 891,128 SF for the fourth quarter, pushing the year-to-date absorption to over 2.1 million SF of positive absorption. For the second quarter in a row every submarket in the Philadelphia CBD had positive absorption, totaling 323,295 SF for the fourth quarter. Suburban Philadelphia also reported positive absorption. Leading the way in the suburbs was Exton / West Chester and Fort Washington, which absorbed 156,988 and 120,111 SF, respectively, in the fourth quarter. Southern New Jersey also had a strong fourth quarter and in particular Burlington County reported 202,020 SF of positive absorption. Other submarkets that had notable fourth quarters were Wilmington CBD and Lehigh Valley East, both reporting over 225,000 SF of positive absorption.

MARKET OUTLOOK

The prediction that 2006 would be a strong year for leasing activity held true, and indications are that the trend will continue well into the New Year. Vacancy rates were down in nearly every submarket and positive absorption was reported around the Philadelphia MSA. The University City area is thriving as the University of Pennsylvania announced a large-scale master plan for new development of upwards of $6.7 billion dollars. The impact of the 1.2 million square foot Comcast Center on the downtown market is less threatening as it is now more than 79% pre-leased. Market lease rates, the last indicator to significantly tick up in the Philadelphia MSA, should rise for Class 'A' product as the supply dwindles.

Entering into the first quarter of 2007, all indictors suggest that the Philadelphia MSA office market should continue to improve - provided that the economy continues to grow at its current slow, but steady pace. Concern that new construction and development would cause a vacancy issue in the Philadelphia office market has been put to rest by the fully leased Cira Centre, Comcast's continuously expanding lease at the Comcast Center and the overall market trend reflecting a healthy decrease in vacancy rates.

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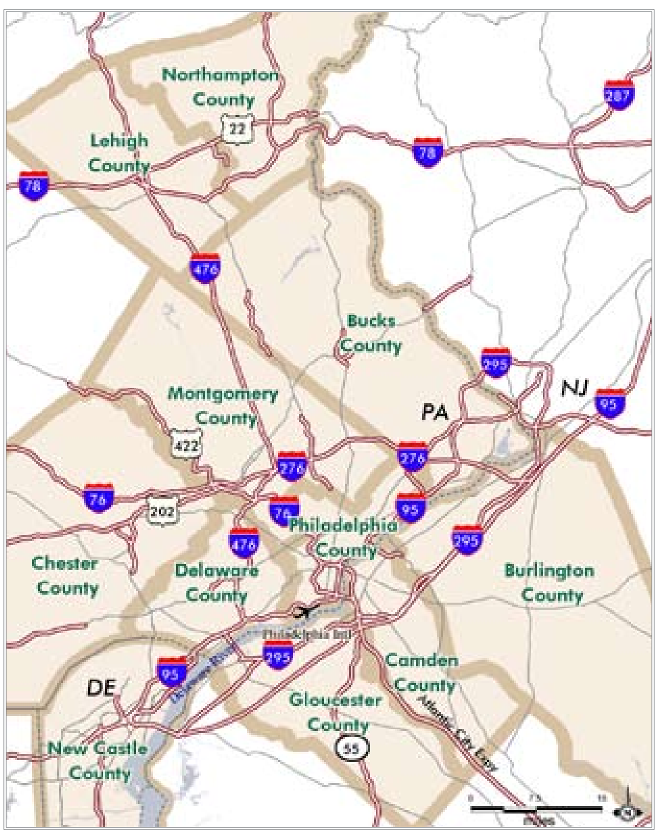
TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
100,000	Catholic Health East	3805 West Chester Pike, Newtown Square, PA
85,211 (renewal & expansion)	BE&K Engineering Company	242-248 Chapman Road, Newark, DE
44,173	Comcast IP Services	112 W. Park Drive, Executive Park at East Gate, Mt. Laurel, NJ
23,000	Gibbons, Del Deo, Dolan, Griffinger & Vecchione, PC	Two Logan Square, 100 N. 18th Street, Philadelphia, PA

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
667,825	Sterling American Properties & Greenville Partners LLC	1801 Market Street, 10 Penn Center, Phildelphia, PA
466,217	J. Grasso Properties	600 Chestnut Street, Public Ledger Building, Philadelphia, PA
252,193	The Plaza at 835 W. Hamilton Street, LP	835 W. Hamilton Street, Plaza at PPL Center, Allentown, PA
239,289 (4-building office complex)	Maguire & Partners Property Group, Endurance Real Estate Group & Capital Solutions Inc.	Tillman Drive, Glenview Corporate Center, Bensalem, PA
130,000	Keystone Property Group	1 Presidential Boulevard, Bala Cynwyd, PA

PHILADELPHIA REGION SUBMARKET MAP



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.

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.

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

OCCUPIED SQUARE FEET
Building area not considered vacant.

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

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

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

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

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

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.

For more information regarding the MarketView, please contact:
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