4 Q 2006

PHILADELPHIA

Studley*Report*

STUDLEY OFFICE MARKET AND SPACEDATA REPORT

MARKET HIGHLIGHTS

CBD AVAILABILITY RATES DOWN FROM A YEAR AGO

The overall availability rate in Philadelphia's CBD stood at 13.4%, up from 13.1% last quarter but down by 2.1 pp from 15.5% a year ago. The Class A availability rate, 13.5%, mirrored this trend, increasing from 13.0% last quarter while decreasing from 15.1% at year-end 2005.

RENTS POST MINIMAL FLUCTUATIONS

Overall rent in the CBD ($22.63) fell slightly for the quarter (-0.4%) but posted a modest yearly increase (+1.0%). Class A rent ($24.79) increased by 0.3% from last quarter and grew by 1.6% from last year.

CBD LEASING STEADY

On a trailing four-quarter basis, overall leasing in the CBD totaled 3.4 msf, compared to 3.8 msf during the previous quarter (-10.1%) and 4.8 msf during the fourth quarter of 2005 (-29.8%). Similarly, Class A leasing (2.0 msf) declined from its levels of last quarter (2.3 msf) and last year (3.7 msf).

LARGE BLOCKS TREND DOWN

The number of large contiguous blocks of space (50,000 sf or more) was unchanged from last quarter at 14, but fell from 17 last year.

Market Tightens, Signaling Rate Increases

Philadelphia's CBD market continues to tighten with 600,000 sf of positive absorption in 2006 and projections for 1.0 msf in 2007. While tenant packages are currently stable, decreased concessions and rising rates are anticipated. Renewals and expansions are strong as tenants try to take advantage of current market conditions. In the CBD, talk of a Cira Centre II continues. In the suburban market, large blocks of Class A space are scarce with speculative construction underway.

Building sales remain very robust, evidence that Philadelphia is not being affected by trends experienced in other cities across the country. Investors still see a strong value market that offers profit potential. According to Real Capital Analytics (RCA), several important sales took place in the CBD during the fourth quarter. The 471,217-sf Public Ledger Building at 600 Chestnut Street sold for $43 million ($91/psf). The buyer was Grasso Properties and the seller was Triple Net Properties. Also, 3 Franklin Parkway at 1601-1645 Cherry Street (557,440 sf) was acquired by Behringer Harvard from AmStar Group. The price was $90 million ($161/psf). Additionally, the 668,000-sf Ten Penn Center at 1801 Market Street was bought by Sterling American JV Greenville Partners for $75 million ($112/psf). The seller was Baita International JV Rubenstein Real Estate.

In the suburban market, also according to RCA, Glenview Corporate Center (239,289 sf at 3220 Tillman Drive in Bensalem) sold for $34 million ($142/psf). The buyer was Maguire Properties of PA JV Endurance Real Estate Group JV Capital Solutions Inc.; the seller was Pitcairn Properties. Also, One Presidential Boulevard (130,000 sf) was acquired for $19 million ($146/psf) by Keystone Property Group from AAmco Transmission, Inc.

In New Jersey, rents are on the rise and activity is moving on par with that in the rest of the region. In Cherry Hill, the 167,017-sf 5 and 6 Executive Campus sold for $17.6 million ($105/psf). The buyer was Buccini/Pollin Group and the seller was Brandywine Realty Trust. During the fourth quarter, Buccini/Pollin Group also delivered 500 Delaware Avenue in Wilmington, a property that it developed and owns. The 15-story, 371,000-sf building is currently 51% leased. The Delaware market continues to be characterized by optimism and by steady velocity. Although the transactions in this market are not of significant size, there are a sufficient number of smaller transactions to keep activity upbeat.

CBD TRANSACTION BAROMETER

	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5-10 yrs	Unchanged	10-12 yrs	Unchanged
Concessions:				
Free Rent	4 months	Unchanged	8-12 months	Unchanged
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

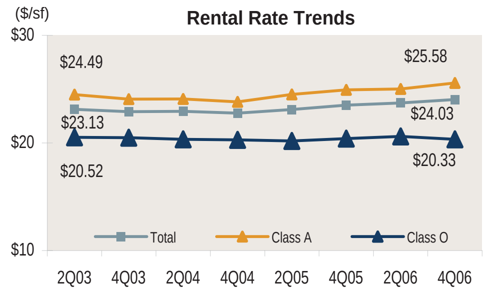
Outlook: Space availabliity will tighten with rates rising and large blocks of space declining.

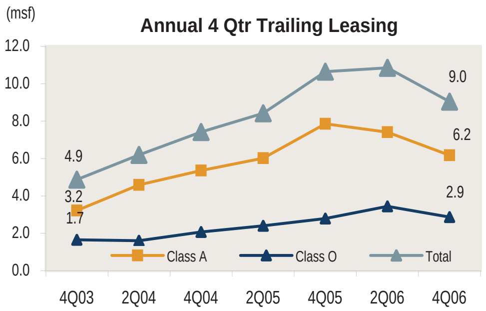
SUBURBAN TRANSACTION BAROMETER

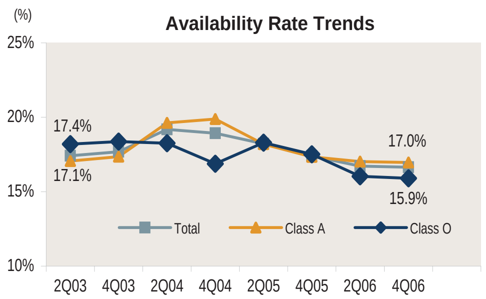
	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5-7 yrs	Unchanged	8-10 yrs	Unchanged
Concessions:				
Free Rent	4 months	Unchanged	6-8 months	Unchanged
Tenant Improvements	$25.00/sf	Unchanged	$35.00/sf	Unchanged
Parking	4 spaces /1,000 sf	Unchanged	4 spaces /1,000 sf	Unchanged

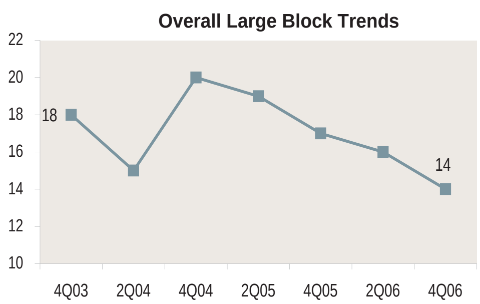
Outlook: Class A suburban availabilities are decreasing with corresponding rent increases. Speculative construction has begun on several buildings.

Up Down Unchanged









Rents Increase Slightly

- Rental rates continue to show modest increases, with the strongest growth occurring in suburban markets as new product delivers. Overall rent for the region inched up from $23.51 last year to $24.03. Class A rent rose from $24.93 at year-end 2005 to $25.58. Class A rents posted the most significant yearly growth in suburban markets such as Fort Washington (where the rate increased from $19.19 to $20.79) and Plymouth Meeting (which recorded a jump from $28.30 to $33.57) because of the future delivery of 4000 Chemical Road. Main Line/Conshohocken and Bala Cynwyd were the only suburban areas to register annual Class A rental rate decreases, although minimal.

Suburban Leasing Steady

- As Class A space becomes scarce, expanding tenants are looking toward Class B space as a leasing option. Class B landlords continue with building renovations to attract tenants and remain competitive with the Class A building amenities. As of mid-December, four-quarter trailing leasing activity had reached 9.0 msf, slipping under 10.0 msf for the first time since the second quarter of 2005. Volume was 15.1% less than it was a year ago. However, this is the result of less Class A space being available in the suburban marketplace. Delivery of new product in Horsham/Willow Grove and Plymouth Meeting has helped keep leasing above 3.0 msf in the suburban market for nine straight quarters.

Availability Rate Remains Essentially Flat

- The region's overall availability rate closed the fourth quarter at 16.7%, a 0.5 pp increase from last quarter. The rise largely resulted from new deliveries in the suburban market, and more than 250,000 sf of available unleased space approaching delivery at the Comcast Center. The CBD registered an overall availability rate of 13.4% and a Class A rate of 13.5%. New product has largely kept pace with leasing in suburban markets.

Large Blocks Trend Down

- The number of large contiguous blocks of space (50,000 sf or more) was unchanged from last quarter with 14 blocks available, but continues to trend down from 17 a year ago.

SELECTED TRANSACTIONS

Tenant	Sq Feet	Address	Market Area
Catholic Health East	100,000	3805 West Chester Pike	Delaware County
McKesson Health Solutions	63,170	5 Country View Rd	Route 202/422/King of Prussia
Graham Partners	60,000	3811 West Chester Pike	Delaware County
Nationwide Mutual Insurance Company	37,892	1001 East Hector St	Main Line/Conshohocken
CardioNet Inc.	34,659	227 Washington St	Main Line/Conshohocken
GSA	33,854	2201 Rt 38	South Jersey
Beacon Bioscience	30,659	2800 Kelly Rd	Bucks County
GE Divisional Corp	25,000	475 Creamery Way	Exton/West Chester
Mintzer, Sarowitz, Zeris, Ledva and Meyers LLC	24,000	1500 Market St	West Market
Springfield College	22,950	1007 Orange St	Wilmington
AstraZeneca LP	22,585	690 Lee Rd	Route 202/422/King of Prussia
University of Penn Health Systems	21,306	150 Monument Rd	Bala Cynwyd
Jacobs Engineering Group Inc.	20,023	20 Ash Street	Main Line/Conshohocken
Brinker Capital Inc.	19,600	1055 Westlakes Dr	Route 202/422/King of Prussia
Social Security Office	19,435	1601 Market St	West Market
Sum of Leases	**535,133**	**Sum of 4th Quarter Leasing Activity**	**1.7 MSF**

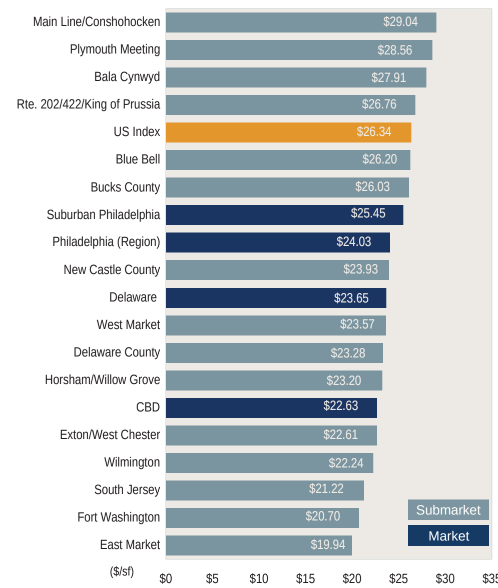
Submarket Focus

- Route 202/422/King of Prussia remains a very desirable area for suburban tenants. During the fourth quarter, this submarket captured three of the region's top 15 leases – McKesson Health Solutions (63,170 sf at 5 Country View Road), AstraZeneca LP (22,585 sf at 690 Lee Road) and Brinker Capital Inc. (19,600 sf at 1055 Westlakes Drive). On a quarterly comparison, trailing four-quarter leasing activity jumped by 7.1% overall and by 7.4% for Class A space. Rents are on the rise. The overall rate, $26.76, increased by 5.5% for the quarter and by 7.0% for the year. The Class A rate, $27.01, rose by 5.4% and 8.0% for these periods. While the overall availability rate (15.4%) grew modestly from 15.2% last quarter, it fell from 16.5% last year. Similarly, the Class A rate, 17.9%, increased from 15.9% during the previous quarter but dropped from 18.1% at year-end 2005. The Class Other availability rate, 5.6%, recorded a striking quarterly decrease from 12.7% and a significant annual drop from 11.1%.

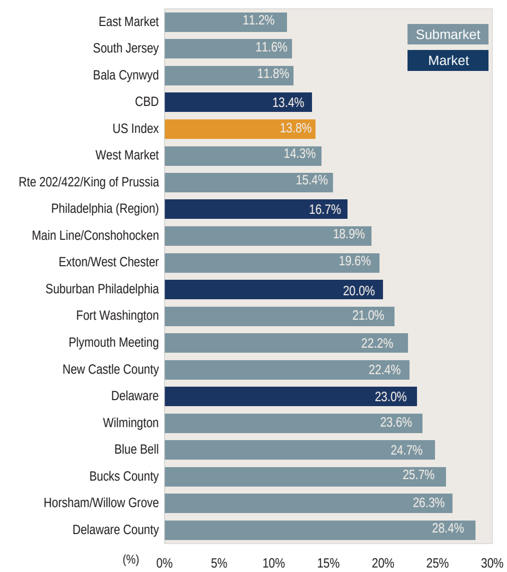
Looking Forward

- Availability rates are expected to trend downward. A tightening market, combined with new higher-priced product, will add pressure to already increasing rental rates. Tenants with large space requirements will need to start their searches earlier given current market conditions.

Overall Rental Rate Comparison

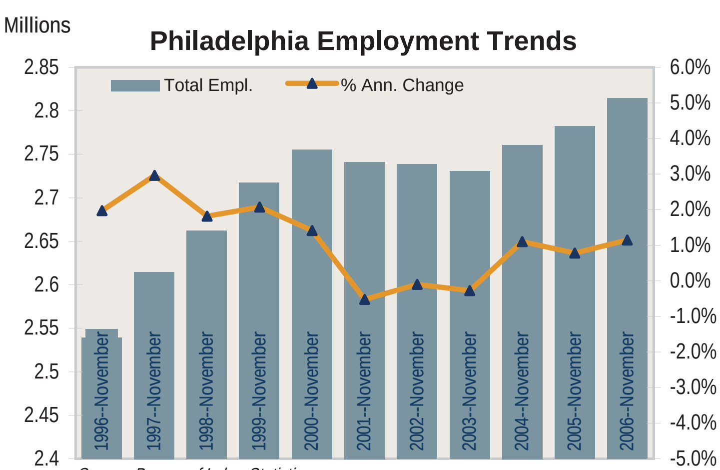


Availability Rate Comparison



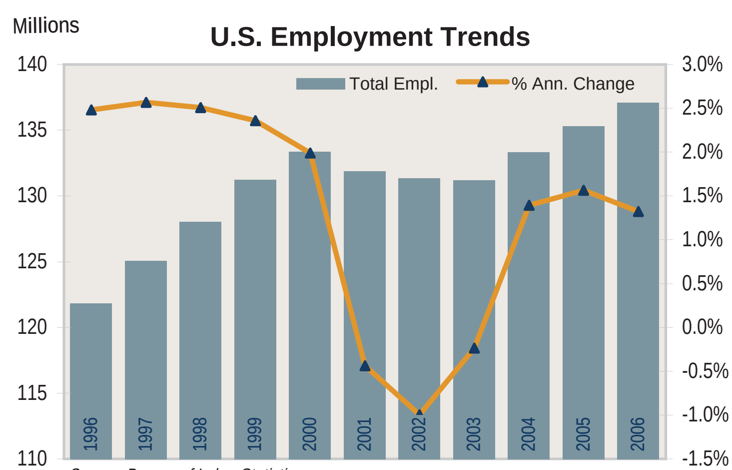
EMPLOYMENT TRENDS

Philadelphia Employment Trends



Source: Bureau of Labor Statistics

U.S. Employment Trends



Source: Bureau of Labor Statistics

MARKET SNAPSHOT: 4Q 2006

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**	28,820	2,322	2,403	4,135	-4.0%	4,860	3,929	14.3%	0.0%	17.1%	14.2%	$23.57	-0.2%	$23.26	$22.44
	West Market - Class A	20,390	1,659	1,753	2,963	-6.9%	3,287	2,255	14.5%	0.2%	16.6%	11.4%	$25.22	0.8%	$24.91	$23.80
2	**East Market**	11,280	1,073	797	1,258	10.6%	1,394	1,830	11.2%	1.1%	11.7%	16.9%	$19.94	3.5%	$19.32	$20.20
	East Market - Class A	5,367	396	445	504	19.1%	612	912	9.4%	1.5%	10.1%	18.3%	$22.53	4.4%	$21.66	$21.83
3	**Bala Cynwyd**	3,041	300	216	358	-4.6%	425	496	11.8%	-0.6%	15.9%	18.8%	$27.91	0.7%	$28.60	$27.93
	Bala Cynwyd - Class A	2,291	160	119	207	-23.5%	217	285	9.0%	-2.8%	15.6%	21.9%	$30.60	7.6%	$30.98	$28.82
4	**Blue Bell/Plymouth Meeting**	4,084	424	371	953	14.5%	639	681	23.3%	3.0%	16.2%	16.9%	$27.47	3.9%	$24.66	$23.49
	Blue Bell/Plymouth Meeting - Class A	2,354	274	245	619	-3.7%	344	281	26.3%	-1.0%	17.4%	14.2%	$29.01	4.2%	$25.86	$24.58
5	**Fort Washington**	2,529	275	295	531	-5.2%	638	631	21.0%	-1.2%	25.4%	25.8%	$20.70	-0.4%	$19.57	$21.33
	Fort Washington - Class A	1,261	87	140	263	19.3%	216	343	20.9%	3.4%	17.2%	28.9%	$20.79	-0.2%	$19.19	$21.63
6	**Horsham/Willow Grove**	3,487	345	237	918	14.5%	403	612	26.3%	3.3%	11.5%	17.4%	$23.20	2.0%	$20.38	$22.04
	Horsham/Willow Grove - Class A	2,550	223	172	689	18.9%	245	408	27.0%	4.3%	9.5%	15.8%	$24.65	3.1%	$21.90	$22.49
7	**Route 202/422/King of Prussia**	13,148	1,199	1,023	2,022	1.2%	2,187	2,632	15.4%	0.2%	16.5%	19.8%	$26.76	5.5%	$25.02	$24.74
	Route 202/422/King of Prussia - Class A	10,479	956	841	1,871	5.4%	1,859	2,060	17.9%	2.0%	18.1%	20.3%	$27.01	5.4%	$25.02	$25.35
8	**Exton/West Chester**	3,395	182	235	667	0.1%	623	826	19.6%	0.0%	18.7%	25.7%	$22.61	0.0%	$22.63	$24.50
	Exton/West Chester - Class A	2,406	172	192	523	-5.2%	499	711	21.7%	-0.1%	21.7%	30.9%	$23.06	0.7%	$22.31	$24.93
9	**Main Line/Conshohocken**	4,419	745	472	836	-5.8%	1,218	1,350	18.9%	-1.2%	27.5%	32.8%	$29.04	-0.1%	$29.48	$29.68
	Main Line/Conshohocken - Class A	4,249	745	466	810	-8.0%	1,208	1,320	19.1%	-1.7%	28.4%	33.5%	$29.14	0.0%	$29.51	$29.92
10	**Delaware County**	2,515	205	232	715	4.3%	676	556	28.4%	1.2%	25.6%	21.0%	$23.28	0.7%	$22.44	$21.92
	Delaware County - Class A	2,229	156	185	614	6.6%	559	467	27.5%	1.7%	24.1%	20.1%	$23.42	0.9%	$22.41	$22.31
11	**Bucks County**	4,367	538	364	1,124	-6.0%	1,299	678	25.7%	-1.6%	29.8%	17.4%	$26.03	0.8%	$24.10	$21.98
	Bucks County - Class A	3,217	419	299	866	-6.8%	1,010	524	26.9%	-1.9%	31.4%	18.3%	$26.10	0.8%	$24.79	$23.12
12	**Wilmington**	5,180	306	233	1,221	5.6%	1,188	1,039	23.6%	1.3%	24.1%	23.6%	$22.24	-4.5%	$23.81	$20.08
	Wilmington - Class A	4,361	265	179	843	8.4%	857	724	19.3%	1.6%	20.8%	21.1%	$25.96	0.7%	$26.61	$21.74
13	**New Castle County**	4,010	173	178	897	17.3%	690	643	22.4%	3.4%	17.7%	17.3%	$23.93	0.3%	$22.54	$20.87
	New Castle County - Class A	3,423	147	145	744	16.8%	550	582	21.7%	3.2%	16.6%	18.7%	$24.21	1.3%	$22.93	$21.13
14	**South Jersey**	13,344	1,042	958	1,553	-1.2%	1,729	1,754	11.6%	-0.1%	12.8%	13.1%	$21.22	-1.3%	$21.22	$20.71
	South Jersey - Class A	7,879	595	490	778	-7.3%	796	879	9.9%	-0.8%	10.1%	11.3%	$22.55	0.2%	$22.24	$21.39
1-2	PHILADELPHIA TOTAL	40,099	3,394	3,200	5,393	4.0%	6,254	5,760	13.4%	0.3%	15.5%	14.9%	$22.63	-0.4%	$22.41	$21.74
	PHILADELPHIA TOTAL - Class A	25,757	2,054	2,198	3,467	3.5%	3,899	3,167	13.5%	0.5%	15.1%	12.8%	$24.79	0.3%	$24.40	$23.22
3-11	SUBURBAN PHILADELPHIA TOTAL	40,985	4,124	3,417	8,185	2.3%	8,108	8,461	20.0%	0.5%	20.0%	21.2%	$25.45	0.9%	$25.02	$24.74
	SUBURBAN PHILADELPHIA TOTAL -	31,036	3,112	2,635	6,462	0.5%	6,158	6,399	20.8%	0.5%	20.8%	22.4%	$26.33	2.1%	$25.51	$25.53
12-13	DELAWARE TOTAL	9,189	480	411	2,118	10.2%	1,878	1,682	23.0%	2.2%	21.2%	20.7%	$23.65	0.6%	$23.38	$20.37
	DELAWARE TOTAL - Class A	7,784	412	323	1,587	12.2%	1,408	1,306	20.4%	2.3%	18.9%	20.0%	$25.28	1.2%	$25.27	$21.48
1-14	PHILADELPHIA REGION TOTAL	103,617	9,040	7,997	17,249	3.4%	17,969	17,657	16.7%	0.5%	17.4%	17.7%	$24.03	0.8%	$23.51	$22.90
	PHILADELPHIA REGION TOTAL - Class A	72,456	6,173	5,652	12,293	2.2%	12,260	11,750	17.0%	0.6%	17.3%	17.4%	$25.58	1.7%	$24.93	$24.08

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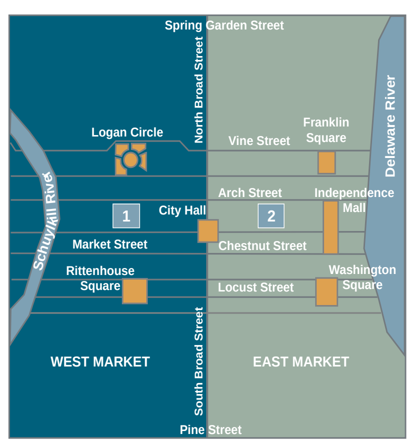

(1) Percentage point change for availability rates.
Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.Statistics are calculated using both direct and sublease information.