

MarketView

Greater Philadelphia Office

(PA, DE & NJ) — THIRD QUARTER 2006

QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	13.75%	↓	↓
Lease Rates	\$23.71	↑	↑
Net Absorption*	0.545M	↑	↑
Construction	3.86M	↑	↑

* 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

- Two Former NFL Films buildings were demolished at 306 & 330 Fellowship Rd., Mt. Laurel, NJ to make way for Southern New Jersey's first LEED-certified office building.
- Regus signed a lease for the entire 36th floor of One Liberty Place at 1650 Market St. The 12 year lease was valued at approximately \$8 million.
- 1800 & 1880 John F. Kennedy Blvd., two 236,956 square foot buildings in Center City Philadelphia, were sold for a combined total of \$55 million.
- Westbrook Partners LLC sold the two-building Valley Forge Park Place office complex in King of Prussia to Keystone Property Group for \$21.1 million.

For the third consecutive quarter, the Greater Philadelphia office market posted an overall positive net absorption rate. Aggressive leasing activity in the Philadelphia Suburban and Downtown markets, helped to bring the 2006 year-to-date net absorption figure to just over 1.223 million square feet. This reported activity has propelled the year-to-date absorption figure to almost double that of last year's absorption rate for the year of 681,000 square feet. With only one quarter to go, 2006 is beginning to mirror what was achieved in the late 1990's.

The strength of the current market bodes well for landlords, investors, and developers alike. The overall vacancy rate for the Greater Philadelphia metro area was 13.75% in the third quarter, down 0.37 points from the second quarter rate of 14.12%. The Northern Delaware, Philadelphia Suburban and Downtown markets saw decreases in vacancy rates while Southern New Jersey and the Lehigh Valley witnessed only minor increases. As vacancy rates continue their steady decline, average asking lease rates are starting to increase. Overall Class A

average asking lease rates increased \$1.47 from the second quarter, to \$23.71 per square foot. Steady tenant demand and investment activity are resulting in the higher asking lease rates and lower vacancy rates.

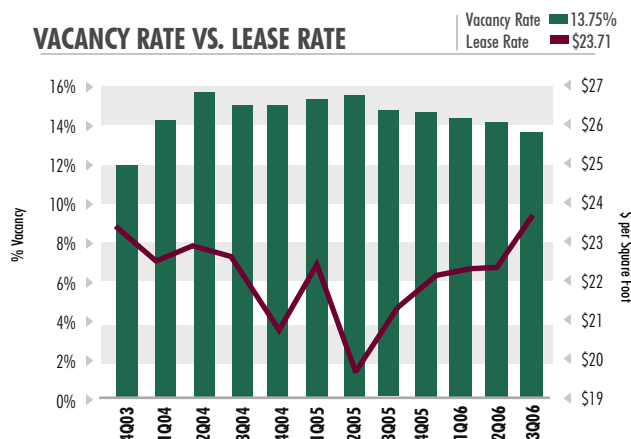
During the third quarter, sales activity remained strong with approximately \$485 million in reported closings. Office sales totals are approaching \$2.2 billion so far this year, and have already exceeded the record sales of \$1.9 billion set at the end of 2005. Investment activity in the Philadelphia region continues to remain at all time highs. In downtown Philadelphia, the Curtis Center and the Graham Building were sold for \$94.0 million and \$35.0 million, respectively. 800 N. King St in Wilmington, DE traded hands for \$12.0

million. 53 Haddonfield Rd in Southern New Jersey was sold for \$22.0 million or \$132 per square foot. In the Philadelphia suburb of Bala Cynwyd, 111 Presidential Blvd. sold for over \$35.0 million.

Tenant demands focused on the large blocks of space (100,000 SF and larger) in the central business districts. There are approximately 15 large blocks of space available in the Philadelphia CBD, and there are one dozen companies looking for these large blocks of space – compared to 8 companies looking at this same time last year. In Downtown Wilmington, there are only three large blocks of existing space available, but 500 Delaware Avenue is scheduled to be delivered within the next month and this Class 'A' building will bring additional quality product to the marketplace.

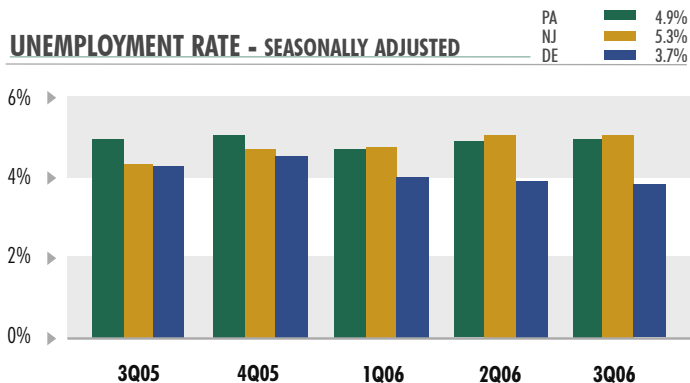
“For the third consecutive quarter, the Greater Philadelphia office market has posted an overall positive net absorption rate.”

VACANCY RATE VS. LEASE RATE



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	12.08%	(72,409)	1,253,223	\$24.82	14.6%
Market East	7,119,998	10.50%	170,881	0	\$20.22	11.8%
Independence Hall	5,378,449	8.39%	217,669	0	\$22.66	10.4%
Downtown Philadelphia Subtotal	40,327,366	11.31%	316,141	1,253,223	\$24.30	13.6%
Bala Cynwyd	2,820,021	15.73%	45,016	0	\$27.68	18.3%
Conshohocken	3,295,258	12.70%	203,117	0	\$28.63	14.2%
Delaware County	4,748,185	22.75%	(187,952)	177,500	\$21.87	25.1%
Exton/West Chester	3,486,682	15.69%	195,575	180,966	\$21.72	18.6%
Fort Washington	3,479,127	16.98%	266,145	0	\$18.90	20.9%
Horsham/Willow Grove	4,849,855	16.16%	(89,461)	132,000	\$21.84	17.6%
Jenkintown	1,324,176	9.08%	(26,794)	0	\$23.85	11.2%
King of Prussia/Valley Forge	16,244,177	13.69%	446,985	205,122	\$23.06	15.9%
Lansdale/Montgomeryville	2,552,718	12.49%	(23,403)	0	\$20.57	14.4%
Lower Bucks County	4,648,381	16.14%	137,964	309,438	\$24.23	17.7%
Main Line	2,864,674	24.76%	226,009	0	\$28.07	26.4%
Plymouth Meeting/Blue Bell	5,293,303	20.24%	(24,376)	120,877	\$25.22	22.2%
Upper Main Line	1,313,879	15.80%	39,967	0	\$26.75	15.8%
Suburban Philadelphia Subtotal	56,920,436	16.28%	1,208,792	1,125,903	\$24.05	18.4%
Burlington County	9,336,215	12.81%	(192,624)	124,062	\$21.78	15.9%
Camden County	6,607,009	11.57%	87,505	146,186	\$20.27	13.2%
Gloucester County	226,760	1.75%	(1,975)	30,000	\$20.00	1.8%
Southern New Jersey Subtotal	16,169,984	12.15%	(107,094)	300,248	\$21.51	14.6%
Wilmington CBD	6,270,138	11.61%	(44,521)	682,000	\$23.80	16.2%
New Castle Co. Suburbs	7,433,473	13.22%	(79,537)	136,480	\$21.60	17.1%
Northern Delaware Subtotal	13,703,611	12.49%	(124,058)	818,480	\$22.30	16.7%
Lehigh Valley East	3,581,388	13.66%	48,879	88,221	\$18.51	13.7%
Lehigh Valley West	3,551,069	13.06%	(119,427)	97,660	\$20.59	13.4%
Lehigh Valley Totals	7,132,457	13.36%	(70,548)	185,881	\$19.61	13.5%
TOTAL	134,253,854	13.75%	1,223,233	3,683,735	\$23.71	16.1%

UNEMPLOYMENT RATE - SEASONALLY ADJUSTED



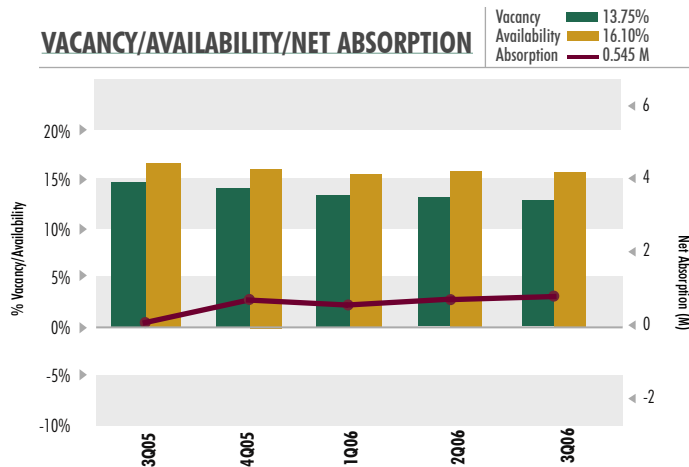
Source: Bureau of Labor Statistics

Economic Conditions: The state unemployment rate for the third quarter has risen slightly since second quarter from 4.8% to 4.9% - but remains below the 5% realized in the 3rd Quarter of 2005. Income growth in the Philadelphia area continues to remain above both the state and national averages. In a large part, this is due to a strong concentration of government and professional service jobs in the region.

A decline in real consumer spending coupled with a slight rise in consumer inflation was realized during the 3rd Quarter. However, as a result of falling energy costs, consumer confidence is improving heading into the 4th Quarter. In the housing market, existing home sales fell throughout the 3rd Quarter, due to rising interest rates and a decline in housing affordability. A stabilizing of mortgage applications may be an early indicator of a lag in demand for housing.

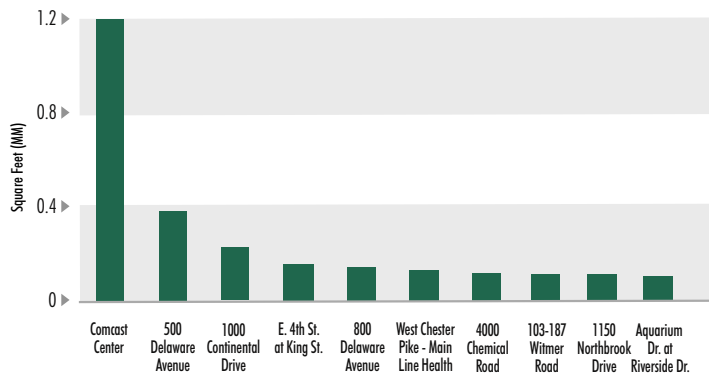
Although national employment growth has slowed in recent months, the Children's Hospital of Pennsylvania (CHOP), one of the nation's leading pediatric centers, has announced plans to hire 3,000 new employees over the next five years, which will coincide with its \$1.7 billion expansion project, adding another 1.2 million SF of space and doubling the size of the hospital's main campus in University City. The expansion is scheduled for completion in 2010.

VACANCY/AVAILABILITY/NET ABSORPTION



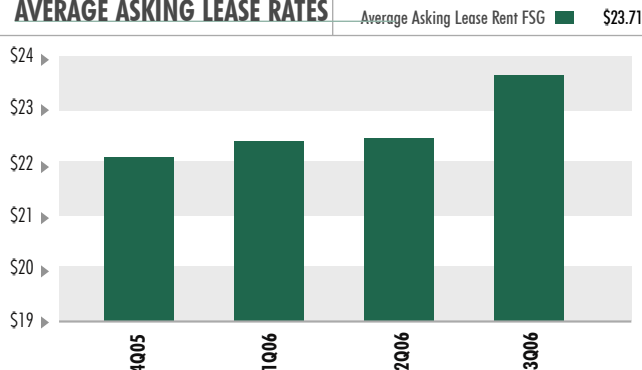
Vacancy & Availability: The Philadelphia MSA reported a 13.8% vacancy rate for the third quarter, a decrease from last quarter's 14.1%. The Philadelphia CBD, Suburban Philadelphia, and Northern Delaware all reported decreases in vacancy. In the Philadelphia suburbs, the Main Line and Upper Main Line led the way as both submarkets reported vacancy rates decreases just over 3%, while Lansdale / Montgomeryville dropped vacancy rates by 2%. In addition, Exton / West Chester, Fort Washington and King of Prussia / Valley Forge all contributed to the overall decrease in vacancy rate in the Philadelphia suburban office market. The Philadelphia CBD had an encouraging third quarter with vacancy rates falling in each submarket. The Delaware office market had an impressive third quarter, decreasing vacancy rates from 13.6% to 12.4%. Southern New Jersey and the Lehigh Valley both reported slight bumps in vacancy, but both remain at healthy rates of 12.1% and 13.3%, respectively.

CONSTRUCTION ACTIVITY



Construction Activity: Construction activity around the Philadelphia MSA remains healthy, with 3.68 million square feet of office space under construction. In Downtown Philadelphia, the 1,253,223 square foot Comcast Center is slightly above 80% pre-leased. In the suburbs, construction continues at 1000 Continental, which will add 205,122 SF to the King of Prussia submarket. In Plymouth Meeting, Brandywine Realty Trust's project at 4000 Chemical Rd, the first of three buildings at the Metroplex Corporate Center is fully under way. In Lower Bucks County construction continues at the Northbrook Corporate Center, a project that will add 107,500 SF to that market. Along the Wilmington Riverfront, construction continues on the Renaissance Centre at East 4th and King Streets. Buccini/Pollin Group's new 371,000 square foot tower at 500 Delaware Avenue, in the Wilmington CBD, is still moving along and is expected to be delivered October 2006. Additionally, region-wide, there is over 23 million square feet of proposed office development in the pipeline.

AVERAGE ASKING LEASE RATES



Average Asking Lease Rates: Throughout 2006, the Philadelphia MSA office market has continued to witness increased leasing activity, reported strong absorption numbers and lowered vacancy rates, without seeing significant jumps in asking lease rate. Overall, the third quarter is reporting increases in Class 'A' office space rental rates from \$22.24 to \$23.71. In the suburbs, the Upper Main Line, Lower Bucks and Lansdale / Montgomeryville also reported increases. The Philadelphia CBD office market reported an increase from \$22.21 to \$24.30 for the third quarter. The Southern New Jersey market and the Northern Delaware office market both witnessed decreases in Class 'A' office rental rates.

Net Absorption: The Philadelphia MSA reported an impressive positive net absorption of 545,315 SF for the third quarter, pushing the year-to-date absorption to over 1.2 million SF of positive absorption. Both Downtown and Suburban Philadelphia reported positive absorption, and in particular every submarket in the Philadelphia CBD had positive absorption, a true sign of a healthy market. Leading the way in the suburbs was King of Prussia / Valley Forge, which absorbed 447,753 square feet. Although they are smaller markets, it is also significant that the Main Line and Lower Bucks County absorbed over 80,000 square feet a piece. In Delaware, the Wilmington CBD also posted strong positive absorption, at 45,555 square feet.

MARKET OUTLOOK

The prediction that 2006 would be a strong year for leasing activity is holding true, and indications are that the trend will continue. In Philadelphia, 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 Comcast Center is looking positive as it is over 80% 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 final quarter of 2006 all indicators suggest that the Philadelphia MSA office market should continue to improve well into 2007, provided that the economy continues to grow at its current pace. Concern that new construction and development would cause a vacancy issue, in not only the CBD, but in the entire Greater Philadelphia office market has been put to rest by the fully leased Cira Centre and the more than 1.5 million square feet of net absorption projected by year-end.

TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
42,616	Aramark (Verizon sublease)	1717 Arch Street, Bell Atlantic Tower, Philadelphia, PA
37,000	Nationwide Mutual Ins. Co.	1001 E. Hector Road, Quaker Park, Conshohocken, PA
24,697	Regus	1650 Market Street, One Liberty Place, Philadelphia, PA
21,472	Corporate Call Center	1400 Union Meeting Road, Blue Bell, PA
15,000	Clear Channel	920 Basin Rd., New Castle, DE

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
885,786	J. Grasso Properties	126 S. 26th Street, The Curtis Center, Philadelphia, PA
473,912	ASI	1800 & 1880 JFK Blvd., Philadelphia, PA
241,831	30 South 15th Associates, LP	1 Penn Sq. West, The Graham Building, Philadelphia, PA
172,665	Dividend Capital Total Realty Trust	111 Presidential Blvd., Bala Pointe Office Centre, Bala Cynwyd, PA
155,411	Keystone Property Group	1016 & 1018 W. 9th Avenue, King of Prussia, 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.