

## Greater Philadelphia Office

(PA, DE & NJ) — FIRST QUARTER 2007

### 1Q07 QUICK STATS

	Current	Change from last	
		Yr.	Qtr.
Vacancy	13.47%	↓	↑
Lease Rates	\$24.05	↑	↑
Net Absorption*	0.138M	↓	↓
Construction	3.60M	↑	↑

\* 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

- GPX Realty Partners LP acquired the Woods Office Center, a 17-building portfolio aggregating 570,000 SF in Chester and Montgomery counties, for \$60 million, or just over \$105 per SF.
- Shire Pharmaceuticals leases 114,000 SF and will occupy the entire building at 1200 Morris Drive (Chesterbrook Corporate Center), Wayne, PA.
- Lincoln Financial leases 180,000 SF at 130 and 150 Radnor Chester Road. Lincoln Financial plans to move 400 of its employees from Philadelphia, PA to Radnor, PA.

The Greater Philadelphia office market started 2007 with great momentum, posting positive net absorption figures, lower vacancy rates, increased construction activity and higher Class 'A' rental rates. Aggressive leasing activity in the Philadelphia Suburban and Downtown markets as well as the Southern New Jersey office market produced an aggregate of 484,200 square feet of positive absorption and helped to bring the entire region's absorption figure to a positive 138,585 square feet. Direct vacancy rates in the Philadelphia CBD office market decreased from 10.50% during the fourth quarter 2006 to 10.31% in the first quarter 2007.

The overall direct vacancy rate for the Greater Philadelphia metro area was 13.47% for the first quarter of 2007. Philadelphia CBD, Philadelphia Suburban and Southern New Jersey office markets reported decreased vacancy rates. While the Lehigh Valley and Northern Delaware markets showed slight increases in vacancy rates. It is anticipated that vacancy rates in the Philadelphia Suburban and Downtown markets will continue to decline, specifically Class 'A' space, given the new lease signings and expected occupancies throughout 2007. The strength of the current market bodes well for landlords, investors, and developers alike. As predicted, steady demand and increased leasing

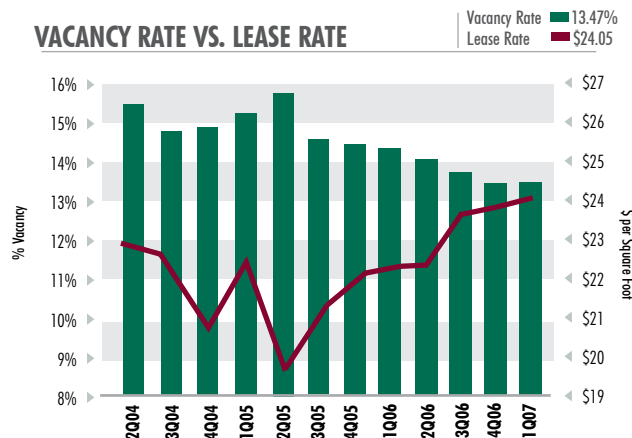
activity throughout the Philadelphia MSA office markets have resulted in an increase in Class 'A' average asking lease rates. Overall, Class 'A' average asking lease rates increased from \$22.23 during the first quarter of 2006 to \$24.05 for the first quarter 2007.

After much speculation, it was officially announced that the top of Two Liberty Place would be converted to condos. The Falcone Group, LLC, a Boca Raton based Real Estate Company, began the conversion of the top 20 floors of Two Liberty Place into luxury condominiums. Named The Residences at Two Liberty Place, there will be 122 residences beginning on the 40th floor and will be substantially higher than any other condominium residences in the City. Since this is a conversion project and not new construction, prospective homeowners have the ability to move into their new home as soon as December 2007. Taking the former Class 'A' office space off the market has only further contributed to lower Class 'A' vacancy rates and increase asking rental rates in the Market West submarket of Philadelphia CBD.

For the first time, CB Richard Ellis is now tracking the University City office market. The University City office submarket is located between 30th Street and Market Street to the East and 43rd Street and Market Street to the West. Three major universities, University of Pennsylvania, Drexel University and University of the Sciences, as well as three major institutions, Hospital of the University of Pennsylvania, Children's Hospital of Philadelphia and the US Post Office surround University City. The University City office submarket consists of 3.47 million square feet. Brandywine Realty Trust's Cira Centre, a 730,683 square foot Class 'A' high-rise, adjacent to Amtrak's 30th Street Station along with the University Science Center led the way in revitalizing this submarket. The University City submarket, including the Cira Centre building, reported an impressive direct vacancy rate of 2.35%.

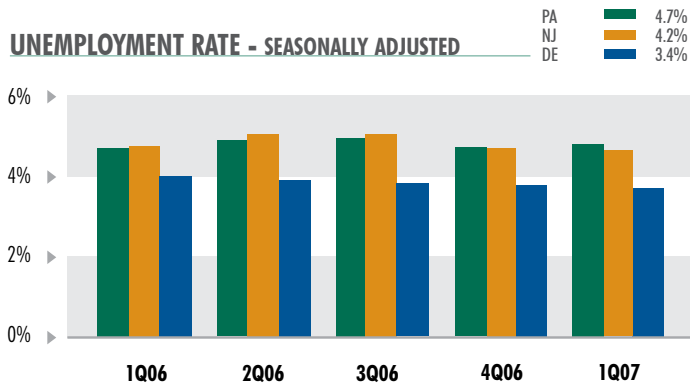
*“As predicted, steady demand and increased leasing activity throughout the Philadelphia MSA office markets have resulted in an increase in Class 'A' average asking lease rates.”*

### 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	26,903,303	11.63%	175,284	1,253,223	\$24.68	14.79%
Market East	6,782,987	11.20%	(79,518)	0	\$19.29	12.38%
Independence Hall	5,378,449	7.77%	(66,739)	0	\$23.06	9.14%
University City	3,470,691	2.35%	17,182	169,000	\$29.00	8.35%
<b>Downtown Philadelphia Subtotal</b>	<b>42,535,430</b>	<b>10.31%</b>	<b>46,209</b>	<b>1,422,223</b>	<b>\$24.13</b>	<b>13.16%</b>
Bala Cynwyd	2,822,194	12.88%	27,418	0	\$28.76	14.15%
Conshohocken	3,295,258	12.66%	(585)	41,273	\$29.34	15.29%
Delaware County	4,782,185	17.60%	250,934	322,500	\$21.63	20.05%
Exton/West Chester	3,633,441	13.19%	101,959	69,780	\$21.93	15.76%
Fort Washington	3,471,127	9.50%	60,960	0	\$21.56	20.59%
Horsham/Willow Grove	4,982,555	21.16%	(71,133)	132,000	\$22.11	24.29%
Jenkintown	1,229,176	8.96%	(11,888)	0	\$24.00	9.47%
King of Prussia/Valley Forge	15,904,116	13.45%	(49,991)	205,122	\$24.18	15.97%
Lansdale/Montgomeryville	2,690,205	14.75%	12,240	0	\$21.65	15.54%
Lower Bucks County	4,806,381	16.19%	47,444	271,438	\$24.03	16.98%
Main Line	2,826,674	23.22%	9,653	0	\$28.08	24.99%
Plymouth Meeting/Blue Bell	5,297,523	20.86%	(77,543)	120,877	\$24.77	22.87%
Upper Main Line	1,313,879	13.84%	24,076	0	\$25.74	14.10%
<b>Suburban Philadelphia Subtotal</b>	<b>57,054,714</b>	<b>15.52%</b>	<b>323,544</b>	<b>1,162,990</b>	<b>\$24.40</b>	<b>18.15%</b>
Burlington County	9,607,512	11.08%	82,645	106,042	\$21.67	14.18%
Camden County	6,769,088	11.99%	21,822	344,469	\$19.45	13.60%
Gloucester County	546,366	15.95%	10,000	0	\$20.00	15.95%
<b>Southern New Jersey Subtotal</b>	<b>16,922,966</b>	<b>11.60%</b>	<b>114,467</b>	<b>450,511</b>	<b>\$21.12</b>	<b>14.00%</b>
Wilmington CBD	6,666,106	14.85%	(108,111)	295,290	\$26.69	19.02%
New Castle Co. Suburbs	7,565,198	16.87%	17,712	89,680	\$21.96	18.87%
<b>Northern Delaware Subtotal</b>	<b>14,231,304</b>	<b>15.92%</b>	<b>(90,399)</b>	<b>384,970</b>	<b>\$24.16</b>	<b>18.94%</b>
Lehigh Valley East	2,850,458	9.89%	5,707	156,221	\$21.38	9.89%
Lehigh Valley West	4,729,015	18.68%	(260,943)	25,660	\$20.17	21.46%
<b>Lehigh Valley Totals</b>	<b>7,579,473</b>	<b>15.38%</b>	<b>(255,236)</b>	<b>181,881</b>	<b>\$20.76</b>	<b>17.11%</b>
<b>TOTAL</b>	<b>138,323,887</b>	<b>13.47%</b>	<b>138,585</b>	<b>3,602,575</b>	<b>\$24.05</b>	<b>16.13%</b>

NOTE: 10,000 SF and larger.



Source: Bureau of Labor Statistics

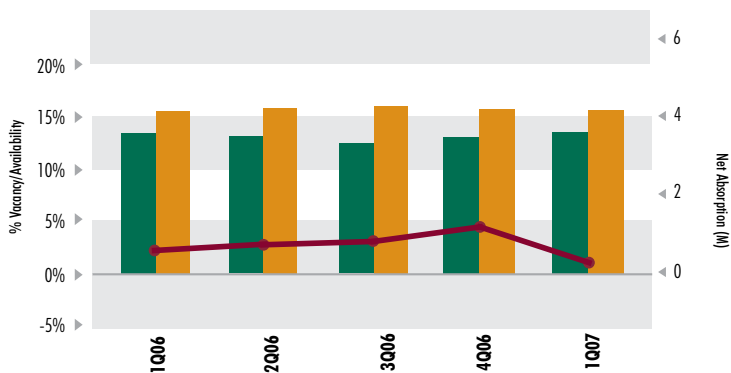
**Economic Conditions:** At the close of first quarter 2007, signs of an economic soft patch persist. Consumer spending continues to slow heading into the second quarter, brought about by slow retail sales growth and a pointed rise in gasoline prices. In addition, signs of vigilance and precaution have emerged from within the business community as evidenced by a recent lessening in capital spending and a voluminous inventory correction. However, employment indices have remained fairly stable.

The housing market continues to struggle. New home construction has dropped to its lowest levels in nearly a decade. With the combination of unsold inventory, reduced home prices and tighter lending standards, the backslide is likely to continue.

Activity in the Philadelphia region's office sector has consistently shown declining vacancy rates, increasing construction activity and positive net absorption. Overall, investors should continue to see added value in the Greater Philadelphia region as its image becomes that of a major metropolitan area with a quality labor force and a comprehensive real estate market.

**VACANCY/AVAILABILITY/NET ABSORPTION**

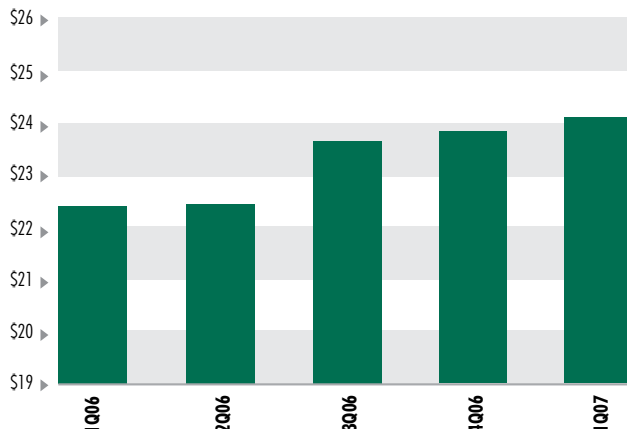
Vacancy 13.47%  
 Availability 16.13%  
 Absorption 0.138 M



**Vacancy & Availability:** The Philadelphia MSA reported 13.47% vacancy for the first quarter, down from 14.39% reported a year ago. The Philadelphia CBD continues to lead the way, reporting a vacancy rate of 10.31%, its lowest vacancy rate since first quarter 2005. The Philadelphia suburban markets report a 15.52% vacancy rate, with certain submarkets reporting exceptional first quarter rates. In particular, Fort Washington reported a decrease in vacancy rates from 11.25% to 9.50%. Other submarkets that reported significant changes are Bala Cynwyd, Delaware County and the Upper Main Line. Southern New Jersey reported a slight decrease in vacancy rates from 11.88% in 4Q06 to 11.60% in 1Q07. While The Delaware and Lehigh Valley office markets reported increases in vacancy rates to 15.92% and 15.38%, respectively; however, both markets are at stable vacancy rates and are witnessing active leasing markets.

**AVERAGE ASKING LEASE RATES**

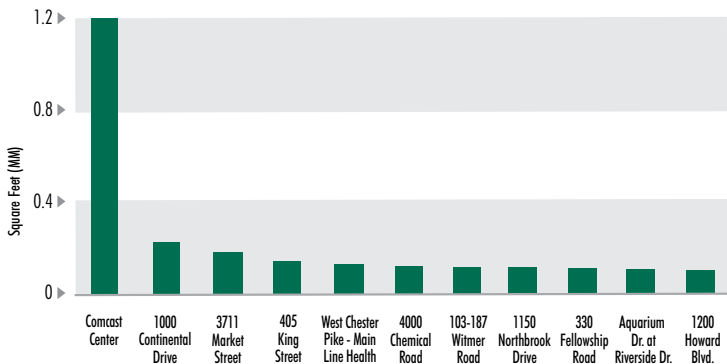
Average Asking Lease Rent FSG \$24.05



**Average Asking Lease Rates:** The Philadelphia MSA office market witnessed increasing activity, reported positive absorption and lowered vacancy rates in the first quarter of 2007. As predicted, increasing Class 'A' asking lease rates are a testament to the robust Philadelphia office market. Overall, Class 'A' office asking lease rates increased from \$22.23 during the first quarter of 2006 to \$24.05 for the first quarter of 2007. In the suburbs, Bala Cynwyd, Conshohocken and Lansdale/Montgomeryville submarkets reported increased asking lease rates. The Southern New Jersey, Lehigh Valley and the Northern Delaware office markets all witnessed increases in Class 'A' office asking lease rates as well.

**Net Absorption:** The Philadelphia MSA reported a positive net absorption of 138,585 SF for the first quarter. The Philadelphia CBD, Suburban Philadelphia and Southern New Jersey all reported impressive positive absorption figures, an aggregate of 484,200 SF. The Philadelphia CBD reported 46,209 SF of positive absorption, largely due in part of the Market West submarket that absorbed a remarkable 175,284 SF in the first quarter. The Suburban Philadelphia market reported 323,544 SF of positive absorption, with the Delaware County, Exton/West Chester and Fort Washington submarkets leading the way. Southern New Jersey submarkets had a strong first quarter. Burlington, Camden, and Gloucester counties reported a total positive absorption of 114,467 SF.

**CONSTRUCTION ACTIVITY**



**Construction Activity:** Construction activity around the Philadelphia MSA remains remarkably strong, with 3.60 million SF of office space under construction. In downtown Philadelphia, the 1.25 million square foot Comcast Center continues skyward. The Comcast Center is scheduled to be delivered, late 2007. Comcast will occupy 1.09 Million SF and the project is already 91% pre-leased. The Philadelphia suburbs report over 1.16 million SF under construction. In Plymouth Meeting, construction continues on Brandywine Realty Trust's Class 'A' 120,877 square foot building at 4000 Chemical Rd, the first of three buildings at the Metroplex Corporate Center. Along the Wilmington Delaware Riverfront, the Renaissance Centre nears completion located at 405 King Street. The 142,290 square foot Class 'A' office building is set to deliver in April 2007. Steel is rising at 330 Fellowship Road in Mount Laurel, NJ. The 103,071 square foot Class 'A' office building is scheduled for completion later this year. 1200 Howard Blvd, an 87,622 square foot Class 'A' office building in Mount Laurel, NJ is almost complete and is on track to deliver in the second quarter. The Ferry Terminal Building, a 100,907 square foot Class 'A' property, on Camden New Jersey's waterfront, is scheduled to be delivered in June 2007.

**MARKET OUTLOOK**

The Philadelphia MSA office market headed into 2007 with great momentum and ended the first quarter strong. Vacancy rates were down in nearly every submarket and positive net absorption was reported around the Philadelphia MSA. The University City area is thriving. The University of Pennsylvania's \$6.7 billion dollar large-scale master plan for new development continues and is projected to bring office, lab, multi-housing, parking and retail space to the market by 2010, as a part of the first phase of the project.

With the Comcast Center 91% pre-leased and the Two Liberty condo conversion officially underway, the supply of large blocks of contiguous space is diminishing in Center City. Expect landlords of Class 'A' properties to further increase asking rental rates and limit concession packages as they no longer have to compete with the select trophy office buildings. Another up-and-coming trend for 2007 may be the increase in buildings, both old and new, becoming LEED Certified, in an effort to become more environmentally conscious while simultaneously saving on energy cost.

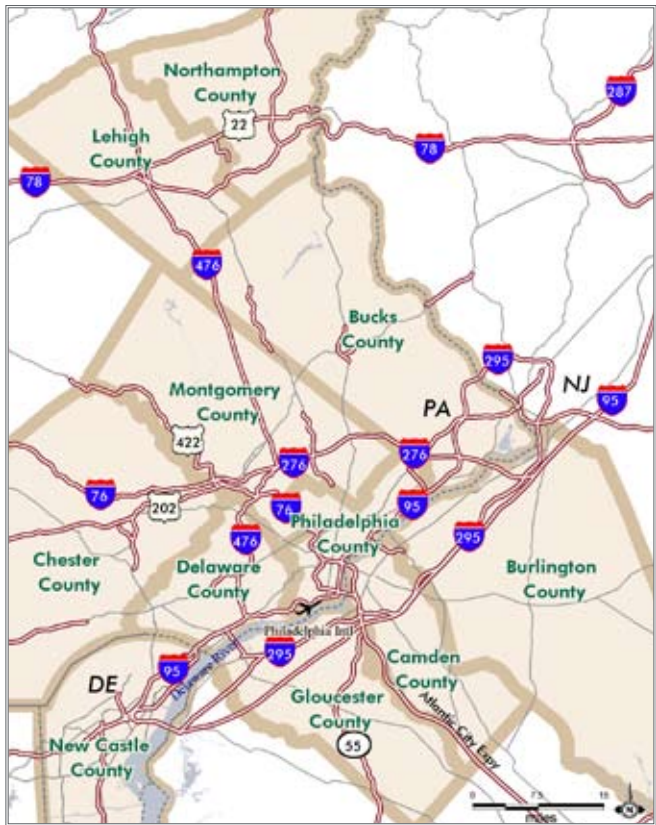
TOP PHILADELPHIA REGION LEASE TRANSACTIONS

Size (Sq. Ft.)	Tenant	Address
114,111	Shire Pharmaceuticals	1200 Morris Drive, Wayne, PA
20,186	Deasey, Mahoney & Bender Ltd.	1601 Market Street, Philadelphia, PA
17,372	Morgan Mint	801 Springdale Drive, Exton, PA
12,300	Wachovia Financial Services	1400 Union Meeting Road, Blue Bell, PA

TOP PHILADELPHIA REGION SALE TRANSACTIONS

Size (Sq. Ft.)	Buyer	Address
570,000	GPX Realty Partners LP	The Woods Office Center, Plymouth Meeting & Wayne, PA
173,000	The Buccini-Pollin Group	1105 N. Market Street, Wilmington, DE
52,400	NPV Direct Invest, LLC	80 W. Lancaster Avenue, Devon, PA
41,488	Pitcairn Properties, Inc.	851 DuPortail Road, Wayne, PA

PHILADELPHIA REGION SUBMARKET MAP



© Copyright 2007 CB Richard Ellis, Inc. (CBRE) Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.

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:

**Andrew Rudzinski, Director, Research & Marketing**  
 CB Richard Ellis, Inc.

1800 John F. Kennedy Blvd., Philadelphia, PA 19103  
 Main: 215.561.8900 Fax: 215.557.6719  
 andrew.rudzinski@cbre.com