

MarketView Greater Philadelphia Office

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	18.9%	↑	↔
Direct Lease Rates	\$24.04	↓	↓
Total Net Absorption*	0.20 MSF	↑	↑
Construction	0.55 MSF	↑	↓

* 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

- Publicis Touchpoint Solutions, Inc. leased 55,800 SF at 1000 Floral Vale Boulevard in Yardley, PA. Publicis will bring over 200 new jobs to Bucks County.
- The Environmental Protection Agency renewed their lease, of close to 350,000 SF, at 1650 Arch Street, Philadelphia, PA.
- Ametek, Inc. relocated into a 43,480 SF sublease at 1100 Cassatt Road in Berwyn, PA. Ametek will fulfill Suncom Wireless' lease term.
- Pitcairn Properties sold 520 Eagleview Boulevard in Exton, PA to Citadel Federal Credit Union. The 84,000 SF office building traded for \$13 million.

The Greater Philadelphia office market exhibited positive total net absorption for only the second time in the last two years. Year-over-year, there has been a dramatic decrease in negative total net absorption levels that can be attributed to improved leasing activity during the last 12 months. The Greater Philadelphia office market will likely continue to level out during the rest of 2010, but if positive absorption levels persist, this will be an indicator that the market is in recovery.

The Downtown Philadelphia submarkets experienced a slight increase in their total vacancy rate in the first quarter of 2010. However, expect the downtown market to turn the corner by the end of the summer due to an increase in tenant leasing activity throughout the first half of the year.

In the Suburban Philadelphia office market, vacancy remained relatively unchanged despite the fact that nine submarkets experienced positive total net absorption during the second quarter of 2010. This was the product of tenants recapturing and leasing sublease space coupled with an increase in inventory and a slight uptick in direct vacancy rates. Even though vacancy rates will continue to decrease modestly, rental values will remain deflationary in the near term and begin to flatten by year-end.

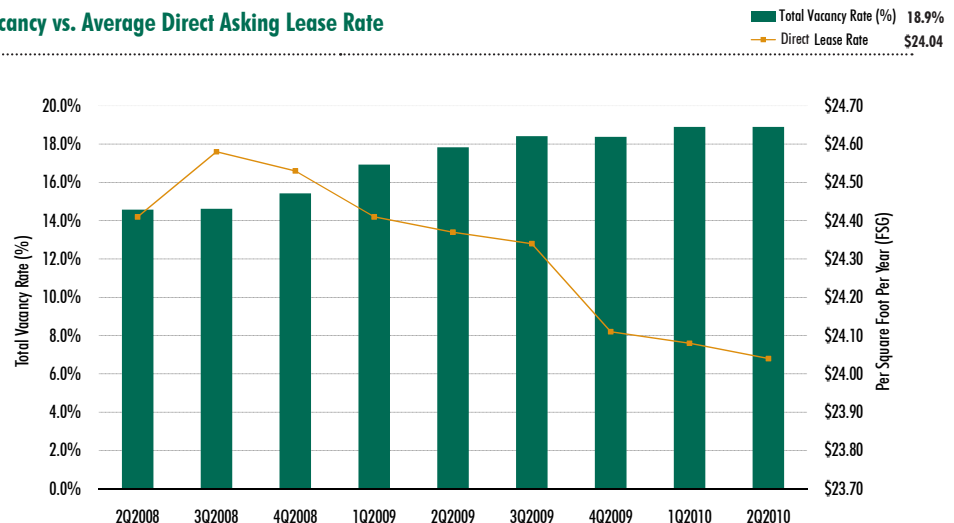
The direct and sublease vacancy rates remained unchanged in the Southern New Jersey submarkets while the total availability rate

increased slightly. This is indicative of a quarter with minimal occupancy, but suggests that there is shadow space looming in the distance. Fortunately, a recent increase in leasing activity, and an emphasis on supply-side discipline by developers, will help the Southern New Jersey submarkets to rebound in the second half of this year.

The Northern Delaware submarkets saw a slight decrease in their total vacancy rate as small to mid-cap tenants removed direct space from the market in the second quarter of 2010. An overall increase in leasing activity throughout the market can be attributed to a flight-to-quality by tenants who now feel the economy has firmly hit the bottom of the recessionary cycle. Most tenant movement remains exclusive to the New Castle County suburbs, but there are still a number of large law firm requirements testing the market in the Wilmington CBD.

Despite an increase in inquiries by well-qualified tenants in the Lehigh Valley submarkets, a robust recovery is still a few quarters away. While many small corporate tenants are still investing in the Lehigh Valley region for the first time, others are beginning to feel the strain of the economy in the form of sublease space. Office closings and tenant consolidations during the second quarter nearly doubled the amount of sublease space on the market, which inched the total vacancy rate closer to 20 percent.

Total Vacancy vs. Average Direct Asking Lease Rate

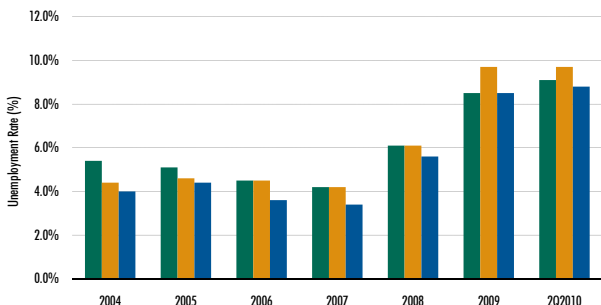


Market Statistics

SUBMARKET	INVENTORY	TOTAL VACANCY RATE	TOTAL AVAIL. RATE	COMPLETIONS	UNDER CONSTRUCT.	2010 YTD TOTAL NET ABSORPTION (SF)	AVG. ASKING LEASE RATE (\$FSG/PSF/YR)	AVG. CLASS A ASKING LEASE RATE (\$FSG/PSF/YR)
Market West	28,102,190	15.5%	16.8%	0	0	(267,486)	\$25.97	\$27.37
Market East	6,932,659	12.8%	13.3%	0	0	25,111	\$22.85	\$25.74
Independence Hall	5,303,425	12.0%	16.7%	0	0	(14,796)	\$25.93	\$27.49
University City	3,601,617	9.0%	9.8%	0	0	(8,878)	\$31.26	\$42.14
Downtown Philadelphia	43,939,891	14.1%	15.6%	0	0	(266,049)	\$25.89	\$27.75
Bala Cynwyd	2,815,794	18.4%	18.4%	0	0	(69,340)	\$31.03	\$31.53
Conshohocken	3,338,135	17.0%	17.8%	0	0	54,303	\$30.26	\$32.99
Delaware County	4,680,482	21.2%	21.2%	0	0	(12,922)	\$24.31	\$25.40
Exton/West Chester	3,731,005	22.8%	23.5%	0	0	24,686	\$23.88	\$25.31
Fort Washington	3,382,132	20.0%	22.2%	0	0	122,970	\$22.24	\$23.80
Horsham/Willow Grove	5,393,583	22.5%	25.3%	0	0	43,370	\$22.01	\$24.40
Jenkintown	1,346,850	17.8%	17.8%	0	0	(17,835)	\$22.97	\$26.15
King of Prussia/Valley Forge	15,841,227	21.0%	23.6%	0	351,736	(155,169)	\$24.79	\$26.84
Lansdale/Montgomeryville	2,739,283	16.9%	17.4%	0	0	9,633	\$22.99	\$24.11
Lower Bucks County	5,296,027	25.2%	27.9%	0	0	53,259	\$25.31	\$26.37
Main Line	2,795,174	16.1%	16.3%	0	0	898	\$28.96	\$30.11
Plymouth Meeting/Blue Bell	5,692,249	26.3%	26.6%	208,854	143,000	193,450	\$25.11	\$26.71
Upper Main Line	1,313,488	21.6%	24.0%	0	0	23,324	\$24.88	\$26.92
Suburban Philadelphia	58,365,429	21.3%	22.8%	208,854	494,736	270,627	\$24.86	\$26.83
Burlington County	9,667,692	18.0%	18.5%	0	0	(53,826)	\$20.23	\$21.83
Camden County	7,043,643	20.1%	21.7%	0	60,000	(91,285)	\$20.79	\$21.74
Gloucester County	555,678	15.3%	15.3%	0	0	(10,549)	\$20.59	\$21.50
Southern New Jersey	17,267,013	18.8%	19.7%	0	60,000	(155,660)	\$20.52	\$21.80
Wilmington CBD	7,057,443	20.7%	21.2%	0	0	59,995	\$23.63	\$26.23
New Castle Co. Suburbs	9,244,242	24.5%	24.5%	0	0	(78,706)	\$22.60	\$24.45
Northern Delaware	16,301,685	22.9%	23.1%	0	0	(18,711)	\$23.05	\$25.26
Lehigh Valley East	2,585,489	19.9%	19.9%	0	0	(28,836)	\$20.00	\$20.92
Lehigh Valley West	6,231,253	18.8%	19.0%	0	0	(114,508)	\$19.50	\$21.39
Lehigh Valley	8,816,742	19.2%	19.3%	0	0	(143,344)	\$19.67	\$21.21
TOTAL	144,690,760	18.9%	20.1%	208,854	554,736	(313,137)	\$24.04	\$26.27

Economic Conditions

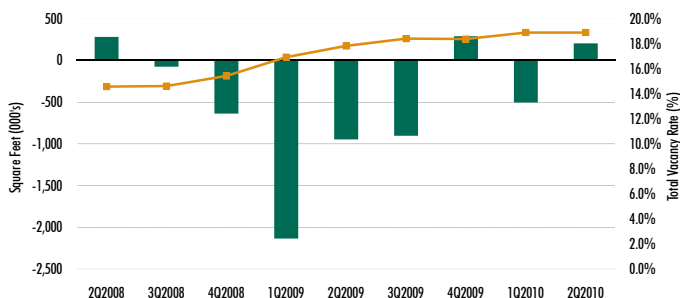
PA 9.1%
 NJ 9.7%
 DE 8.8%



The Bureau of Labor Statistics reported that the national unemployment rate declined slightly to 9.7% in May. Moody's Investors Service indicated that northeast regional job growth has been propelled by private sector expansion as well as the steady nature of education and health services. Increases to payroll, average hourly earnings and consumer sentiment continue to be bright spots in the economic recovery. Gross Domestic Product (GDP) has increased for the third straight month and is currently growing at an annualized rate of 3.2%. GDP received a boost from increased consumer spending in May. Although the recession is technically over, millions remain unemployed and personal income has declined by approximately \$400 billion due to the prolonged issues in the job market. It will undoubtedly take years for the economy to reach pre-recession levels, but it is safe to say that the economy is making a transition from a state of recovery to one of expansion and growth.

Total Vacancy & Net Absorption

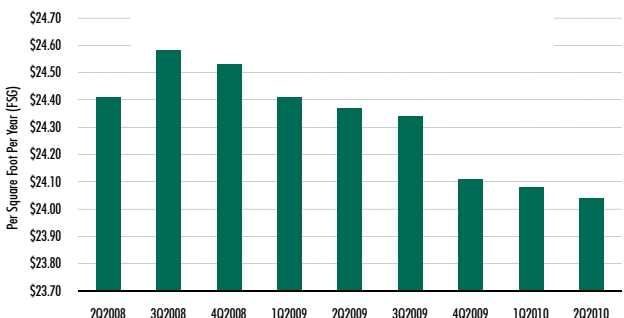
Vacancy 18.9%
 Absorption 0.20 MSF



The total vacancy rate for the Greater Philadelphia MSA remained unchanged from the first quarter at 18.9%. Class A vacancy rates decreased to 17.7% from 18.3% in the previous quarter while Class B vacancy rates saw a slightly more dramatic increase as vacancy rates rose from 19.9% to 20.9%. The decrease in vacancy for Class C was the smallest with rates decreasing to 18.8% from 19.1%. The office market experienced over 204,000 SF of positive absorption in the second quarter. However, the Downtown Philadelphia submarket experienced its eighth consecutive quarter of negative absorption as the financial services industry continues to be hit hard both locally and nationally. On a positive note, the Suburban Philadelphia and Northern Delaware submarkets have experienced over 363,000 SF and 67,000 SF of positive absorption as tenants continue to look for economic deals.

Rental Rates

Average Direct Asking Lease Rate \$24.04



The average asking lease rate for office space dropped during the second quarter of 2010 to \$24.04, a \$0.04 decrease compared to the first quarter. However, Class A space had an increase of \$0.16 per square foot compared to the previous quarter. Although on the surface it appears that asking rental rates have remained flat, the delta between the landlords' asking prices and the actual deal prices continues to widen. Throughout the past year, the lack of significant leasing activity in Class B and Class C buildings has forced landlords to lower their asking rents in order to attract tenants to these buildings. Class B asking lease rates decreased \$0.17 per square foot, while Class C asking rates decreased \$0.59 per square foot quarter-over-quarter. As the national and local economies recover, the market will continue to favor tenants as landlords are forced to lower their rental values and provide concessions in order to lease their buildings.

New Construction

Construction Activity ('000s)



Most construction projects have been idled and delayed due to the restrictive credit environment. Demand has fallen off, leading to no new projects breaking ground during the quarter. Only five projects are in the construction pipeline totaling approximately 554,000 SF, which is only 18% of the over three million square feet under construction at the same time three years ago. Office completions increased to 208,854 SF due to the completed renovation at 760 Jolly Road, Plymouth Meeting, PA. The remaining under construction projects are scheduled to deliver during the second half of 2010, of which approximately 70% is preleased.

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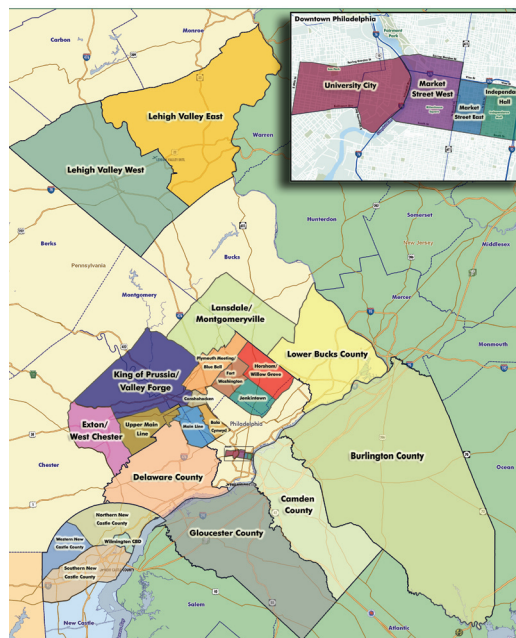
Top Philadelphia Lease Transactions

Size (SF)	Tenant	Address, City, State
348,320	United States Environmental Protection Agency	1650 Arch Street, Philadelphia, PA
75,000	GSI Commerce, Inc.	630 Allendale Road, King of Prussia, PA
56,267	Pinnacle Food Group, LLC	101 Woodcrest Road, Cherry Hill, NJ
55,800	Publicis Touchpoint Solutions, Inc.	1000 Floral Vale Boulevard, Yardley, PA
23,000	Concannon, Miller & Co. P.C.	1525 Valley Center Parkway, Bethlehem, PA

Top Philadelphia Region Sales Transactions

Size (SF)	Buyer	Address, City, State
84,000	Citadel Federal Credit Union	520 Eagleview Boulevard, Exton, PA
46,660	VRI Atrium Associates, LLC	10000-11000 Lincoln Drive West, Marlton, NJ
43,000	Keystone Property Group	185 Commerce Drive, Fort Washington, PA
39,434	Hill Properties, LLC	901 Lincoln Drive West, Marlton, NJ

Submarket Map



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Availability Rate

Available Square Feet divided by the Inventory.

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.

Available Area (Square Feet)

Area which is either physically vacant or occupied that is being actively marketed and is available for tenant build-out, including sublease space.

Completions

The number and square footage of properties where construction has been completed in the current period.

Inventory

The square footage of existing improved properties.

Market Coverage

Includes all competitive office buildings 10,000 SF and greater in size.

Net Absorption

The change in occupied square feet from one period to the next, including both direct and sublease space.

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.

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 Area (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 Inventory.

Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available, including sublease space.

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