

MarketView Greater Philadelphia Office

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	19.3%	↓	↓
Direct Lease Rates	\$23.96	↓	↓
Total Net Absorption*	(0.55) MSF	↑	↓
Construction	0.28 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

- Sallie Mae announced that they will move their corporate headquarters to Newark, DE, which will create more than 1,500 jobs over a five-year period.
- Styron, a former division of Dow Chemical Co., is moving their headquarters site to Berwyn, PA, where they will house 40-50 top executives.
- Brandywine Realty Trust purchased a 25% limited partnership with Thomas Properties Group in both One and Two Commerce Square in downtown Philadelphia.

The Downtown Philadelphia submarkets experienced slightly increased leasing activity in the third quarter as tenants seem to be more willing to make real estate decisions. However, absorption levels remain negative in the wake of Brandywine Realty Trust's purchase of 3 Logan Square, a Class AA office building that placed nearly 340,000 SF of direct vacant space onto the Market West submarket. An allocation of capital by large owners into trophy real estate holdings downtown suggests that the economy may be at or near the bottom of the recessionary trend.

The Suburban Philadelphia office market showed stability in the third quarter of 2010 with only 50,620 SF of negative total net absorption. A flight-to-quality over the last several quarters has allowed tenants to lease space in Class A buildings for Class B rental rates. Correspondingly, the delta between asking rental rates and net effective rental rates continues to hover around twenty percent, when free rent is factored into the deal. Vacancy rates should continue to stabilize throughout the end of the year and modest growth should follow in 2011 as employment levels begin to return to normal.

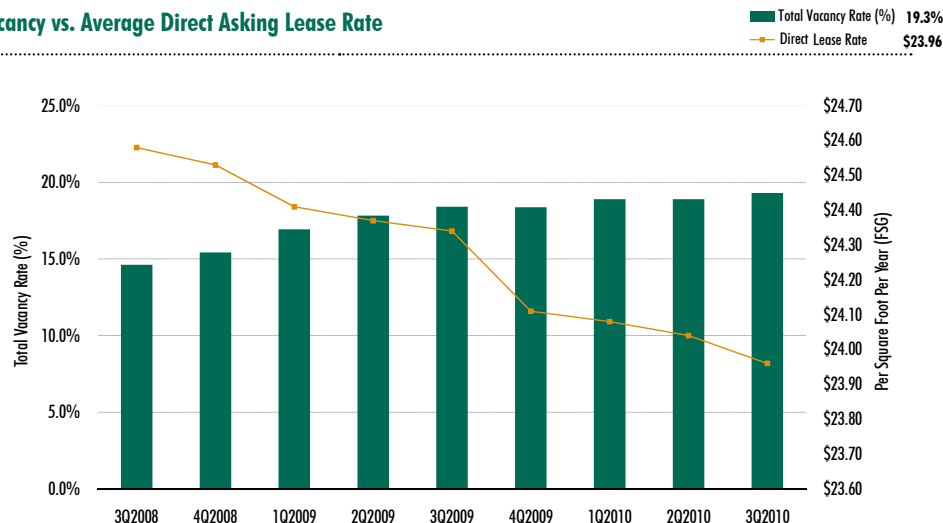
The Southern New Jersey office market held steady in the third quarter of 2010 with only a modest increase in the total vacancy rate. Most firms are deciding to renew, consolidate

or downsize due to the economy, which will continue to place pressure on vacancy rates. When growth returns, the saturation of available space currently in the market will be absorbed fairly quickly. Until then, expect depressed asking rental rates, high vacancy rates, and negative total net absorption.

The Northern Delaware submarkets saw a slight decrease in their total vacancy rate as tenants who deferred real estate decisions until the beginning of 2010 began to take occupancy. During the third quarter, an overall increase in leasing activity was attributed to the early renewal of a few large law firm tenants within the Wilmington CBD, and the consolidation or downsizing of corporate tenants throughout the region. Despite taking less space overall, the willingness to strike a deal illustrates that tenants feel we have reached the bottom of the market cycle.

The Lehigh Valley office market posted negative total net absorption during the third quarter of 2010. The addition of 64,166 SF of vacant direct and sublease space in the market drove the year-to-date total to 207,510 SF. While leasing activity has picked up since the beginning of the year, most tenants are taking less space. Despite increases in asking rental rates, net effective rental rates will continue to represent a substantial discount until vacancy rates stabilize.

Total Vacancy vs. Average Direct Asking Lease Rate

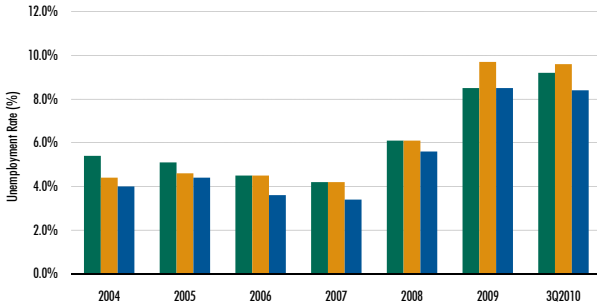


Market Statistics

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	16.4%	17.7%	0	0	(526,444)	\$25.89	\$27.32
Market East	6,822,409	11.0%	12.1%	0	0	65,571	\$22.61	\$23.02
Independence Hall	5,303,425	14.2%	16.3%	0	0	(132,058)	\$26.11	\$27.44
University City	3,466,617	11.0%	11.1%	0	0	(66,219)	\$31.53	\$42.19
Downtown Philadelphia	43,694,641	14.9%	16.1%	0	0	(659,150)	\$25.73	\$27.40
Bala Cynwyd	2,815,794	19.7%	19.7%	0	0	(106,244)	\$30.99	\$31.77
Conshohocken	3,338,135	18.4%	20.0%	0	0	7,353	\$29.62	\$32.52
Delaware County	4,661,026	21.7%	21.7%	0	0	(45,360)	\$24.18	\$25.28
Exton/West Chester	3,645,610	23.1%	23.5%	0	0	(51,952)	\$23.36	\$24.68
Fort Washington	3,382,132	19.7%	19.7%	0	0	134,122	\$22.46	\$23.80
Horsham/Willow Grove	5,393,583	23.9%	26.7%	0	0	(33,810)	\$22.00	\$24.38
Jenkintown	1,346,850	16.2%	16.2%	0	0	3,690	\$22.96	\$26.15
King of Prussia/Valley Forge	15,832,627	21.3%	23.9%	75,000	276,736	(162,492)	\$24.74	\$26.62
Lansdale/Montgomeryville	2,739,283	17.6%	18.7%	0	0	(9,584)	\$21.97	\$22.68
Lower Bucks County	5,296,027	25.2%	27.5%	0	0	52,910	\$25.44	\$26.48
Main Line	2,773,174	14.3%	15.0%	0	0	56,495	\$29.00	\$30.43
Plymouth Meeting/Blue Bell	5,868,849	25.5%	28.0%	143,000	0	371,051	\$24.81	\$26.51
Upper Main Line	1,305,488	23.2%	25.6%	0	0	3,828	\$24.25	\$25.67
Suburban Philadelphia	58,398,578	21.6%	23.2%	218,000	276,736	220,007	\$24.72	\$26.64
Burlington County	9,667,692	18.1%	19.1%	0	0	(56,340)	\$20.08	\$21.55
Camden County	7,103,643	22.0%	23.4%	60,000	0	(172,159)	\$20.57	\$22.17
Gloucester County	555,678	13.7%	13.7%	0	0	(1,697)	\$18.83	\$19.00
Southern New Jersey	17,327,013	19.5%	20.7%	60,000	0	(230,196)	\$20.30	\$21.68
Wilmington CBD	7,057,443	20.8%	21.2%	0	0	57,167	\$23.63	\$26.25
New Castle Co. Suburbs	9,244,242	23.5%	23.5%	0	0	17,674	\$22.67	\$24.27
Northern Delaware	16,301,685	22.3%	22.5%	0	0	74,841	\$23.09	\$25.19
Lehigh Valley East	2,585,489	20.9%	20.9%	0	0	(54,061)	\$19.93	\$21.26
Lehigh Valley West	6,205,253	19.5%	19.7%	0	0	(153,449)	\$19.78	\$21.48
Lehigh Valley	8,790,742	19.9%	20.0%	0	0	(207,510)	\$19.83	\$21.40
TOTAL	144,512,659	19.3%	20.5%	278,000	276,736	(802,008)	\$23.96	\$26.14

Economic Conditions

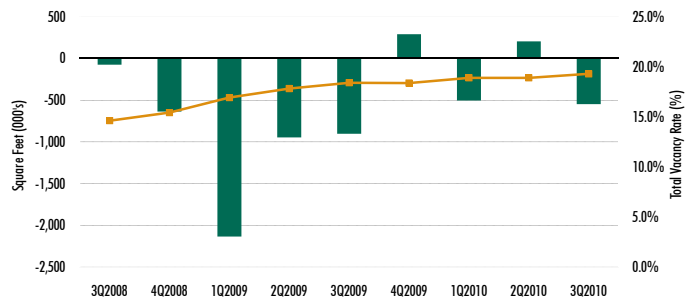
PA 9.2%
 NJ 9.6%
 DE 8.4%



According to the National Bureau of Economic Analysis, the national recession that started in December of 2007 officially ended in June 2009. This 18 month downturn was the longest recession experienced by the United States since the Great Depression. While it may be over, the slowed economic state over the past year, characterized by sustained high unemployment and weak consumer spending, will continue in the near future and prevent any type of quick recovery from occurring. The latest news release from the Bureau of Labor Statistics indicates that the national unemployment rate remains virtually unchanged at 9.6%. In an effort to stimulate forward progress, Ben Bernanke, the Chairman of the Federal Reserve, declared the Federal Funds rate will be kept in the 0.0% and .25% range in order to maintain interest rates at their current historic lows. While a double-dip recession seems unlikely, the Federal Reserve also announced it is prepared to put more money into the economy if stabilization is necessary.

Total Vacancy & Net Absorption

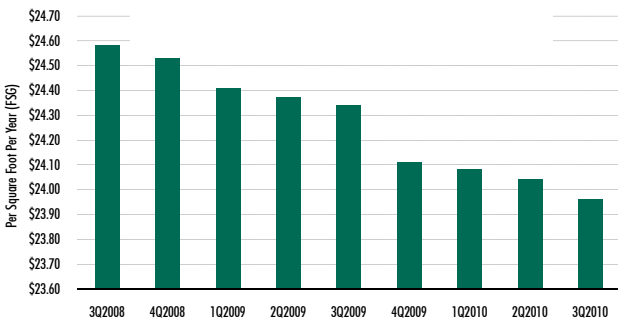
Vacancy 19.3%
 Absorption (0.55) MSF



The Greater Philadelphia vacancy rate increased to 19.3% in the third quarter, up from 18.9% last quarter and 18.4% from one year ago. For the second quarter in a row, the Downtown Philadelphia submarkets contributed the most negative total net absorption with an 80 basis point increase in their total vacancy rate. The vast majority of the vacancy came from the Verizon space at 3 Logan Square being introduced to the market after the former Bell Atlantic Tower was purchased by Brandywine Realty Trust. Total net absorption in the Greater Philadelphia office market yielded negative 546,409 SF during the third quarter. The minor gains in positive absorption last quarter were offset by negative net absorption from all but seven submarkets in the third quarter.

Rental Rates

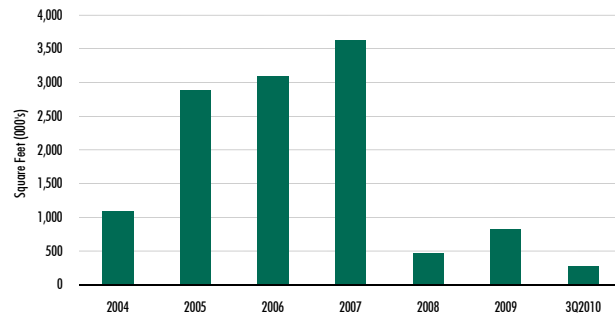
Average Direct Asking Lease Rate \$23.96



Lack of demand for office space in the economy continues to place downward pressure on asking rents in most Greater Philadelphia submarkets. Lease rates followed suit with the rest of the market in the third quarter, falling to \$23.96 on a full-service basis. Although recent asking rates have decreased their rate of decline, the delta between asking lease rates and actual rents will continue to widen as owners offer attractive rental rates concession packages to lure tenants. These reduced asking rates are a product of landlord competition within the market, giving a greater advantage to tenants looking to reduce lease payments if they are willing to relocate. In the near term, asking rates can be expected to continue to fall as demand remains low. When employment growth returns in the near future, it should burn off excessive supply and bring pricing back into equilibrium.

New Construction

Construction Activity ('000s)



No major development projects broke ground during the third quarter, as most remained on the drawing board due to the restrictive credit environment for speculative construction and lack of demand. The Greater Philadelphia construction pipeline shrank to 276,736 SF after four projects delivered a total of 278,000 SF this quarter, of which 69.4% was preleased. The current pipeline represents only 7.5% of the 3.68 MSF under construction at the same time four years ago and once these buildings deliver next quarter, the construction drought will become official. Credit markets are beginning to thaw, yet the lack of demand has kept any proposed projects shelved. Additionally, due to the lack of capital available for new construction and higher pre-leasing requirements, it is unlikely there will be any new starts this year.

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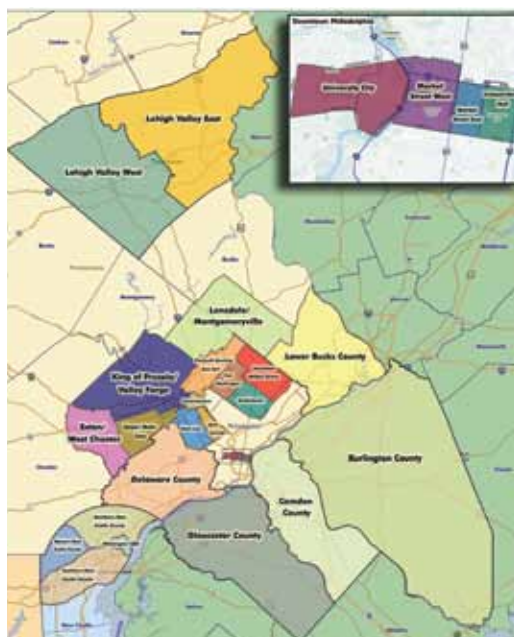
Top Philadelphia Lease Transactions

Size (SF)	Tenant	Address, City, State
157,715	IMS Health, Inc.	200 & 400 Campus Drive, Collegeville, PA
147,202	Beneficial Mutual Bancorp, Inc.	510-530 Walnut Street, Philadelphia, PA
137,000	Quest Diagnostics Incorporated	1001 Adams Avenue, Norristown, PA
90,000	Potter Anderson & Corroon, LLP	1313 N. Market Street, Wilmington, DE
89,947	Comcast	1500 Market Street, Philadelphia, PA

Top Philadelphia Region Sales Transactions

Size (SF)	Buyer	Address, City, State
1,058,389	Brandywine Realty Trust	1717 Arch Street, Philadelphia, PA
150,581	Private Buyer	400 Horsham Road, Horsham, PA
75,000	Goodman Properties	101 W. City Avenue, Bala Cynwyd, PA
62,749	Carlino Development Group	2800 Kelly Road, Warrington, PA
49,264	Dunn Twigg Company, LLC	479 Thomas Jones Way, Exton, PA

Submarket Map



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Availability Rate

Available space as a percentage of the Base Inventory or Building Sq. Ft

Average Asking Lease Rate

Average of Asking Lease Rates for each property weighted by the associated Available Space.

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

Rentable Building Area completed during the period.

Base Inventory, Base or Building Square Feet

The sum of the Rentable Building Area for all competitive 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.

Occupied Square Feet

Rentable Building Area less Vacant Space.

Under Construction

Buildings that have begun construction as evidenced by site excavation or foundation work, and is on-going.

Vacancy Rate

Vacant space as a percentage of the Base Inventory or Building Sq. Ft.

Vacant Area (Square Feet)

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

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