

MarketView

Greater Philadelphia Office

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First Quarter 2009

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Total Vacancy Rates	16.93%	↑	↑
Lease Rates	\$26.39	↑	↓
Total Net Absorption*	(2.13)M	↓	↓
Construction	0.72 M	↓	↑

* 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

- Barclaycard US signed a 70,000 sq. ft. lease for a new customer contact center at 700 Prides Crossing, in Newark, DE. Employees at the facility will handle customer service operations including customer care, collections, technology, fraud management and human resources.
- Financing has been lined-up for a 94,000 sq. ft. office building on the northwest corner of 41st and Market Streets in West Philadelphia. Lawyer-investor Thomas Leonard and developer Scott Mazo plan on breaking ground on the LEED Platinum registered building once they achieve at least 60 percent in pre-leasing obligations.
- As noted by the Economy League of Greater Philadelphia, the Philadelphia region will benefit from \$631 million from the federal economic stimulus package. The money will be used to fund transportation infrastructure projects to highways in southeastern Pennsylvania and southern New Jersey as well as improvements to the Southeastern Pennsylvania Transportation Authority (SEPTA).

In the first quarter of 2009, the Greater Philadelphia office market exhibited weakening fundamentals that were brought on by the recession in the national economy. Although not as severe as some other parts of the country, the Philadelphia MSA displayed its third straight quarter of negative total net absorption as well as rising total vacancy and total availability rates. These increases are primarily a consequence of an influx of sublease space being placed on the market. In the Suburban Philadelphia submarkets alone, over 550,000 sq. ft. of vacant sublease space was placed on the market since the end of 2008. In fact, only the Bala Cynwyd and King of Prussia submarkets experienced a decrease in their total availability rates compared to the same time last year. However, the amount of sublease space entering the market should slow throughout the remainder of the year.

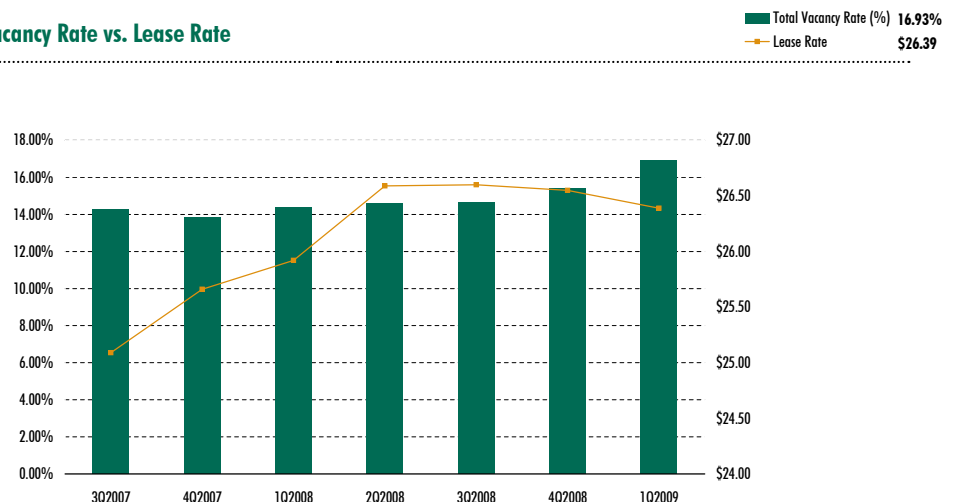
The Downtown Philadelphia submarkets had an overall slowdown in leasing activity during the first quarter of 2009. Currently, tenants are seeking short-term renewals, which will give them the flexibility to grow their businesses as the market regains strength.

In the Southern New Jersey submarkets, strong fundamentals and the lack of new construction in 2008 paved the way for the speculative development of the Towne Center at Garden State Park in the Camden County submarket. Once completed, this park will not only bring 140,000 sq. ft. of quality Class A space to the Cherry Hill area, but it will also be the first new Cherry Hill office building in almost 5 years.

The Lehigh Valley submarkets are experiencing a decrease in construction costs for tenant improvements allowing landlords to offer turn-key deals to new tenants. Landlords are also holding tight to their Class A average asking lease rates amidst the downward pressure of increasing vacancy rates.

Unlike other submarkets in the Philadelphia MSA, sublease space has not yet been a factor in the Northern Delaware submarkets where increases in total vacancy rates have been kept to a minimum. Most recently, the Pettinaro Company broke ground on a 163,800 sq. ft. speculative office building in the Wilmington CBD, proving there is still a need for quality Class A construction in the region.

Total Vacancy Rate vs. Lease Rate

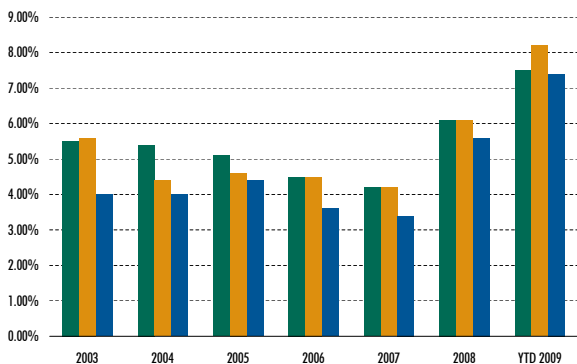


Market Statistics

SUBMARKET	INVENTORY	TOTAL VACANCY RATE	TOTAL AVAILABILITY RATE	COMPLETIONS	UNDER CONSTRUCTION	2009 YTD TOTAL NET ABSORPTION (SF)	AVG. CLASS A ASKING LEASE RATE (\$FSG/PSF/YR)
Market West	28,102,190	12.59%	13.62%	0	0	(163,857)	\$27.89
Market East	6,932,659	14.53%	16.69%	0	0	(38,497)	\$22.22
Independence Hall	5,303,425	8.03%	8.03%	0	0	(62,450)	\$27.82
University City	3,601,617	8.54%	8.72%	0	0	8,881	\$35.00
Downtown Philadelphia	43,939,891	12.02%	13.03%	0	0	(255,923)	\$27.66
Bala Cynwyd	2,815,794	12.69%	13.38%	0	0	11,546	\$32.83
Conshohocken	3,509,531	17.11%	20.64%	0	0	(76,390)	\$33.21
Delaware County	4,745,482	18.75%	19.32%	0	0	(90,360)	\$25.75
Exton/West Chester	3,990,964	19.39%	20.31%	0	0	(143,326)	\$24.06
Fort Washington	3,382,132	21.68%	21.68%	0	0	(247,405)	\$24.75
Horsham/Willow Grove	5,385,370	23.81%	24.00%	0	0	(114,177)	\$23.71
Jenkintown	1,243,086	20.00%	20.00%	0	0	(16,420)	\$26.90
King of Prussia/Valley Forge	15,855,355	18.19%	19.62%	14,300	0	(268,192)	\$27.53
Lansdale/Montgomeryville	2,739,283	16.03%	16.03%	0	0	(3,536)	\$23.79
Lower Bucks County	4,843,165	17.95%	19.70%	12,600	329,475	(100,553)	\$24.50
Main Line	2,765,174	21.46%	22.05%	0	0	(107,921)	\$32.75
Plymouth Meeting/Blue Bell	5,483,395	23.56%	25.36%	24,000	0	(194,538)	\$27.03
Upper Main Line	1,250,924	16.32%	16.32%	0	0	(10,336)	\$26.69
Suburban Philadelphia	58,009,655	19.25%	20.36%	50,900	329,475	(1,361,608)	\$27.04
Burlington County	9,673,393	20.64%	20.99%	0	0	(269,413)	\$22.85
Camden County	7,043,643	14.47%	16.41%	0	140,000	(10,503)	\$22.34
Gloucester County	555,678	13.36%	13.36%	0	0	0	\$22.94
Southern New Jersey	17,272,714	17.89%	18.88%	0	140,000	(279,916)	\$22.69
Wilmington CBD	6,900,772	19.06%	19.06%	0	163,800	15,637	\$26.46
New Castle Co. Suburbs	8,868,878	21.05%	21.41%	10,000	0	(167,646)	\$24.16
Northern Delaware	15,769,650	20.18%	20.38%	10,000	163,800	(152,009)	\$25.10
Lehigh Valley East	2,618,606	18.77%	18.77%	0	0	(60,040)	\$21.35
Lehigh Valley West	6,260,640	18.38%	18.43%	0	83,056	(25,097)	\$22.35
Lehigh Valley	8,879,246	18.50%	18.53%	0	83,056	(85,137)	\$22.02
TOTAL	143,871,156	16.93%	17.83%	60,900	716,331	(2,134,593)	\$26.39

Economic Conditions

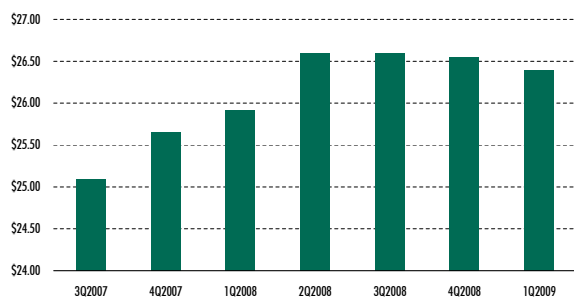
PA 7.50%
 NJ 8.20%
 DE 7.40%



The nationwide housing market may be taking a turn for the better. According to the National Association of Realtors, existing-home sales, including single-family, townhomes, condominiums and co-ops, rose 5.10 percent to a seasonally adjusted annual rate of 4.72 million units. Furthermore, the government plans to finance purchases of as much as one trillion in "toxic assets" from banks. These purchases will stimulate efforts to deal directly with mortgage foreclosures, improve lending to small businesses and soften the credit markets for several types of consumer loans. The commercial real estate sector will be benefited greatly by provisions in the economic stimulus package that focus on green buildings, energy efficiency and business tax incentives. This evidence and action supports the U.S. Federal Reserve chairman, Ben Bernanke's predictions that the recession will end this year and the recovery will continue to strengthen.

Rental Rates

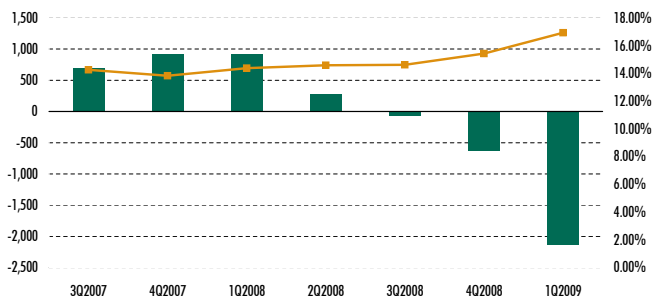
Average Asking Rate \$26.39



The Class A average asking lease rate in the Greater Philadelphia region was \$26.39 per sq. ft. As owners of Class B buildings begin to decrease their asking lease rates, Class A properties are feeling this downward pressure. Albeit slightly, this is causing Class A average asking lease rates in both the Downtown and Suburban Philadelphia submarkets to dip. However, submarkets that experienced these declines are not expected to decrease much further. Elsewhere in the region, Class A average asking lease rates remained stable during the first quarter as owners continue to negotiate lease renewals in an effort to retain tenants.

Total Vacancy & Net Absorption

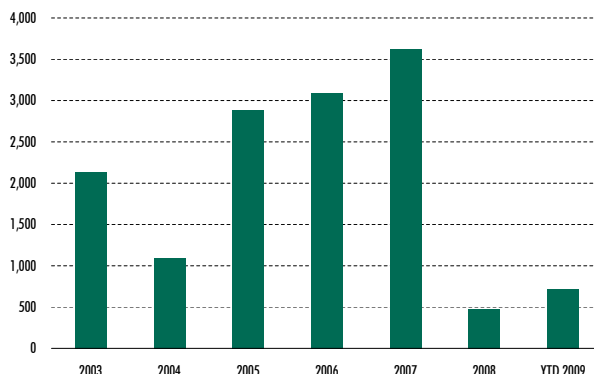
Vacancy 16.93%
 Absorption (2.13M)



The first quarter reported a total vacancy rate of 16.93 percent, an increase of 150 basis points since year-end 2008. In some submarkets, specifically Northern Delaware, direct and sublease vacancy rates remained relatively steady, even with the announcement of two significant renewals. However, due to the recent announcement by WolfBlock LLP to dissolve its practice, the Downtown Philadelphia total vacancy rate will likely increase next quarter. The Greater Philadelphia office market saw a negative total net absorption rate of more than 2.13 million square feet, which was the culminating effect of over 800,000 sq. ft. of negative sublease absorption coming on the market since last quarter. Such major space decisions had an immediate negative impact on absorption statistics, which otherwise would have been more indicative of the first quarter's minimal activity.

New Construction

Construction Activity ('000s)



Construction activity increased in the first quarter as the demand for new office space in the region continues. The Wilmington CBD and Southern New Jersey submarkets recently began construction on two new projects. Reflective of their optimistic outlook toward economic recovery, the Pettinaro Company and Turnberry Associates began construction on their new 163,800 sq. ft. and 140,000 sq. ft. office buildings that are set to deliver early next year. Additionally, the Suburban Philadelphia and Lehigh Valley submarkets continue to remain steadfast with 329,475 sq. ft. and 83,056 sq. ft. in the pipeline, respectively.

MarketView Greater Philadelphia Office

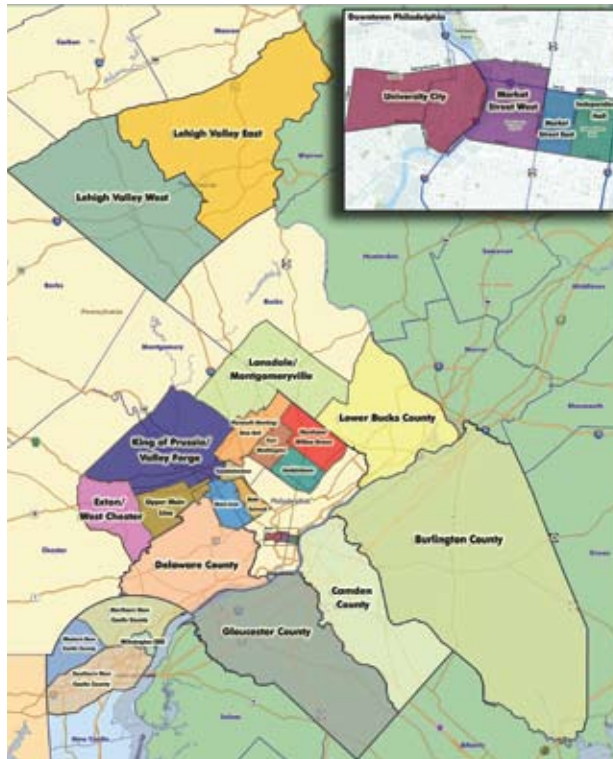
Top Philadelphia Lease Transactions

Size (Sq. Ft.)	Tenant	Address
97,000	Fiserv, Inc.	455 S. Gulph Road
76,000	Klehr, Harrison, Harvey, Branzburg & Ellers LLP	1835 Market Street
70,000	Barclaycard US	700 Prides Crossing
53,600	Automatic Data Processing, Inc.	7535 Windsor Drive
53,000	Children's Health Care Associates, Inc.	401 Lippincott Drive

Top Philadelphia Region Sales Transactions

Size (Sq. Ft.)	Buyer	Address
110,000	GID Investment Advisers LLC	777 Township Line Road
66,664	Hayden Real Estate Investments LLC	748 & 855 Springdale Drive
26,822	Dietrick Group LLC	3864 Adler Place

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 square feet 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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