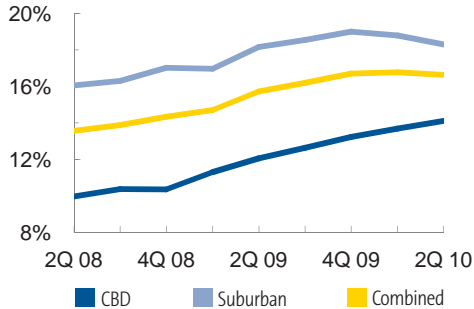
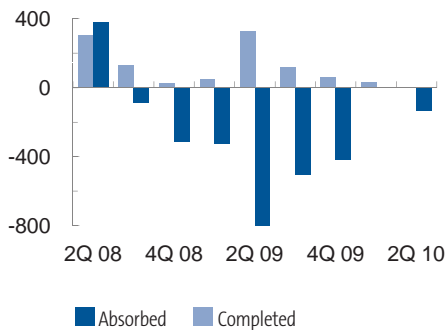




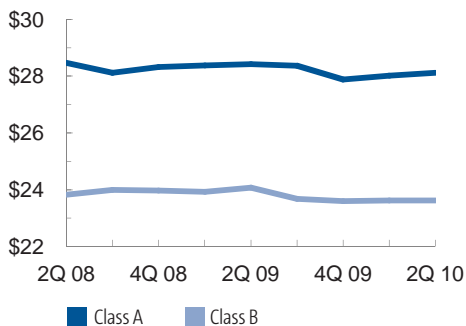
Vacancy Rate



Completions vs. Absorption (in Thousands of SF)



Asking Rental Rates (\$/SF/Yr. Full Service)



Suburbs Move Forward, CBD Takes a Step Back

During the first half of 2010, the story of the Philadelphia regional office market is a tale of two markets given the wide disparity in the performance of the Philadelphia CBD compared to its suburban counterpart. While the CBD office market continued to face strong headwinds during the first two quarters, the suburban market reversed course, enjoying consecutive quarters of positive net absorption. Furthermore, 9 of the 12 suburban submarkets benefited from net gain in tenant demand on a year-to-date basis, suggestive of a more broad-based recovery which could potentially maintain some of its momentum. In what has emerged as an unfortunate trend, the CBD office market once again felt the effects of a significant space consolidation from a tenant in the chemical sector. On the heels of recent announcements by DOW/Rohm & Haas and Sunoco, chemical manufacturer Arkema laid plans to vacate 131,000 square feet in the CBD and consolidate its regional operation at its King of Prussia location.

Another trend has emerged which serves to distinguish the CBD and suburban markets, namely that the suburban market has experienced a much more pronounced flight to quality compared to the CBD. During the past 12 months, the suburban Class A market, with approximately 300,000 square feet of positive absorption, dramatically outperformed the Class B and C sectors which combined contributed roughly 400,000 square feet to overall vacancy. Downtown, it's a different story, as both the Class A and B sectors have felt the pinch to equal degrees, each with a trailing 12-month tally of 460,000 square feet of new vacancy.

During the economic recovery of the previous cycle, the regional labor market lagged the rebound seen at the national level by 18 months which consequently delayed the onset of improved leasing market fundamentals. This go around non-farm payrolls in the region are tracking the larger national trend much closer with three consecutive monthly gains. If the current trend holds true, the regional market could escape the pronounced delay in recovery witnessed earlier in the decade - certainly good news for landlords and tenants alike.

FORECAST

- Tenants, particularly those in the market for cost-effective Class B space, will enjoy heightened levels of negotiating leverage
- Tenants continue to attempt to mitigate risk associated with landlord's potential inability to satisfy mortgage obligations
- Speculative construction to remain dormant

Office Trends Report—Second Quarter 2010

Philadelphia, PA



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		Class A	Class B
CBD-Chestnut/Walnut	2,003,202	422,582	21.1%	(29,251)	(48,322)	-	\$24.75	\$19.85
CBD-East Market	5,532,969	465,402	8.4%	43,706	43,546	-	\$22.47	\$22.95
CBD-Independence Square	4,831,077	614,437	12.7%	26,835	6,619	-	\$27.84	\$25.84
CBD-South Broad	2,554,684	424,329	16.6%	(11,056)	(60,151)	-	\$24.25	\$23.01
CBD-West Market	24,866,922	3,683,428	14.8%	(196,876)	(291,776)	-	\$28.43	\$24.69
CBD Total	39,788,854	5,610,178	14.1%	(166,642)	(350,084)	-	\$27.94	\$23.54
Bala Cynwyd	2,933,916	414,328	14.1%	(3,709)	(17,650)	-	\$35.02	\$31.42
Blue Bell/Plymouth Meeting	6,999,092	1,560,566	22.3%	91,972	55,895	140,000	\$26.70	\$23.95
Bucks County	7,861,115	1,833,826	23.3%	3,267	13,103	-	\$28.28	\$22.46
Central/S Delaware County	4,714,576	708,883	15.0%	8,831	665	-	\$28.39	\$24.15
Conshohocken	3,339,018	395,620	11.8%	1,873	15,115	-	\$33.15	\$25.29
Exton/Malvern	7,239,457	1,261,152	17.4%	(16,106)	13,530	-	\$24.69	\$24.15
Fort Washington	3,701,400	750,274	20.3%	(17,902)	83,075	-	\$24.20	\$22.03
Horsham/Willow Grove	4,688,428	971,320	20.7%	15,988	(10,839)	-	\$25.34	\$22.71
Jenkintown	1,043,078	221,851	21.3%	2,544	14,371	-	\$24.00	\$20.27
King of Prussia	12,715,900	2,388,036	18.8%	(98,278)	(160,128)	75,000	\$29.08	\$23.77
Radnor/Main Line	2,754,355	206,943	7.5%	27,470	178,635	-	\$30.09	\$26.80
Southern 202 Corridor	2,147,007	291,811	13.6%	15,232	28,830	-	\$25.81	\$20.75
Suburban Total	60,137,342	11,004,610	18.3%	31,182	214,602	215,000	\$28.23	\$23.64
Totals	99,926,196	16,614,788	16.6%	(135,460)	(135,482)	215,000	\$28.12	\$23.62

By Class	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
							CBD	Suburban
Class A	50,500,616	7,082,384	14.0%	56,749	259,069	215,000	946,892	997,459
Class B	42,278,381	8,208,857	19.4%	(95,404)	(211,064)	-	202,796	965,773
Class C	7,147,199	1,323,547	18.5%	(96,805)	(183,487)	-	3,787	38,882
Totals	99,926,196	16,614,788	16.6%	(135,460)	(135,482)	215,000	1,153,475	2,002,114

GRUBB & ELLIS PHILADELPHIA METRO OFFICE LOCATIONS

Philadelphia Office
1735 Market Street
Suite 4000
Philadelphia, PA 19103
215.561.8300 main
215.561.8311 fax

Suburban Philadelphia Office
1000 Continental Drive
Suite 200
King of Prussia, PA 19406
610.337.1010 main
610.337.1616 fax

Southern New Jersey Office
401 Route 73 N, Suite 120
40 Lake Center Executive Park
Marlton, NJ 08053
856.334.2100 main
856.866.1335 fax

Delaware Office
1001 Jefferson St
Suite 104
Wilmington, DE 19801
302.888.4500 main
302.888.2170 fax

OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*