

OFFICE MARKET & CORPORATE RETENTION FACT SHEET NOVEMBER 2010



FINANCING • ECONOMIC DEVELOPMENT • REAL ESTATE

OFFICE MARKET ANALYSIS – Q3 2010

Philadelphia Central Business District Key Statistics¹

Supply	Vacancy	Class A Asking Rental Rate
43.7 million SF	11.5% Direct (12.6% Overall)	\$27.75/SF

Market Trends

- Philadelphia's central business district (CBD) has 43.7 million square feet of office space; this figure represents a 33.4% share of the region's total office market. The CBD experienced **approximately 700,000 square feet of leasing in the third quarter** despite the challenging economic climate.²
- Philadelphia's CBD office market **appears to be regaining its balance** after a tumultuous 2009 and early 2010 which saw a number of decisions by major tenants to vacate or downsize space. These included **Sunoco** (220,000-sf sublease at Mellon Bank Center), **Dow Chemical** (202,000-sf newly available space at 100 Independence Mall West), **Arkema** (relocation to owned space in King of Prussia), and **Wolf Block** (dissolution of the firm). In the third quarter, the termination of **Verizon's** master lease at 1717 Arch Street added 365,000 sf of available direct lease space.
- The third quarter of 2010 largely saw a **continuing trend of renewals in place**, following recent transactions such as the Environmental Protection Agency (304,750 sf at 1650 Arch Street) and Beneficial Bank (133,000 sf at Penn Mutual Towers). New transactions in the third quarter included **Cozen O'Connor's** renewal of 202,000 sf at 1900 Market Street for an additional five years and **White & Williams'** renewal of 119,820 sf at One Liberty Place for an additional fifteen years. **Verizon** also committed to retaining 125,000 sf at 1717 Arch Street for an additional 7 years.
- Other new leases** signed year to date include: **Comcast Corporation** (43,230 sf at 1717 Arch Street), **Drucker & Scaccetti, P.C.** (15,000 sf at 1600 Market Street), **Offit Kurman** (13,536 sf at 1801 Market Street), and **Aetna** (12,792 sf at 2000 Market Street). This represents a new office location for Aetna, which did not previously have a presence in the city, to house the company's Medicare division serving the Commonwealth of Pennsylvania.
- Sales activity picked up in the third quarter** in the Philadelphia CBD after a very slow period throughout the past year. Brandywine Realty Trust purchased the Class A office building at **1717 Arch Street** (1,029,000 sf) known commonly as the Bell Atlantic Building from Blackstone for \$129 Million. Additionally, Brandywine purchased an interest in **One and Two Commerce Square** (1,900,000 sf combined) in partnership with Thomas Properties.
- Recently completed office development projects include the conversion of the 30th Street Post Office by Brandywine Realty Trust into a LEED-certified new facility for approximately 5,000 employees of the **Internal Revenue Service** (862,000 sf) and the renovation of **2401 Walnut Street**. On the tourism and hospitality front, the Sugar House Casino on the Delaware Waterfront opened in October 2010 and is expected to create approximately 800 new permanent jobs as well as an increase in tourist activity in that area.
- The **second half of 2010 continues to present significant opportunities for the CBD** as it takes further steps towards stabilization. There are several large tenants in the market looking for space that should be making decisions by the end of the year including **Janney Montgomery Scott** and **Conrad O'Brien**. In addition to these tenants, **Comcast, GlaxoSmithKline** and **The Children's Hospital of Philadelphia** are exploring options for expansion and/or consolidation.

¹ Cushman & Wakefield Marketbeat Philadelphia CBD Office Report 3Q10.

² Cushman & Wakefield Marketbeat Philadelphia CBD Office Report 3Q10.

Corporate Retention Program Highlights

- The Corporate Retention Program was formed by the City of Philadelphia and Center City District, along with the area's key economic development entities, to proactively respond to the large number of leases that were scheduled to expire in the CBD in 2002.
- Through this program, now in its eighth year, **150 out of 155 targeted tenants were retained in Philadelphia** representing approximately 17 million square feet and 57,800 jobs.
- Other recently renewed or new leases representing a cross-section of Philadelphia's economy include: **Delaware Investments, eResearch Technology, Fox Rothschild, iMany, KPMG, McCormick Taylor, PENN Capital, Social Reach, Sovereign Bank (Banco Santander), Tasty Baking Company, Towers Watson, and White & Williams.**

OFFICE RETENTION ACTIVITY

Summary of Corporate Retention Activity (2002-2010)

Year	Transactions	Jobs Retained	SF Retained
2002	28	12,872	3,217,951
2003	37	6,070	1,517,494
2004	13	3,754	938,559
2005	16	9,366	2,341,511
2006	34	14,442	3,610,494
2007	107	18,602	4,650,616
2008	58	8,666	2,166,582
2009	35	4,010	1,015,615
2010	18	5,928	1,459,769
Total	340	84,244	24,025,481

Square footage information is incomplete/estimated and includes multiple renewals by the same company. Job retention numbers are estimated based on 250 sf / job.

Top 10 Retention Successes by Employment (2002-2010)

Company	Employees	SF	Signing
Sunoco	1,700	250,000	2005
Ace	1,450	400,000	2006
Towers Perrin	1,400	250,000	2006
Aramark	1,400	300,000	2004
Seafood and Produce Terminal	1,400	420,000	2006
Wachovia	1,300	375,000	2006
Cigna	1,300	430,000	2006
Rohm & Haas	1,200	350,000	2006
Comcast	1,100	1,000,000	2007
Delaware Management Holdings	871	250,000	2002

QUOTES OF THE QUARTER

- "With Cozen O'Connor re-upping its lease at 1900 Market St. all of Philadelphia's largest law firms are set with Center City leases for the next few years." – *Philadelphia Business Journal*, October 1-7, 2010.
- "Philadelphia has location, location, and more location. Now is the time, and believe me, we are the place." – *Philadelphia Mayor Michael Nutter* on the announcement of Teva Pharmaceuticals' decision to locate a state of the art distribution facility in Northeast Philadelphia, as reported by *Philadelphia Daily News*, October 28, 2010.