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STUDLEY OFFICE MARKET AND SPACEDATA REPORT

MARKET HIGHLIGHTS

SLIGHT FLUCTUATION IN CBD AVAILABILITY RATES

Philadelphia's CBD recorded an overall availability rate of 11.7%, down by 0.6 pp from last quarter and by 1.0 pp from last year. The Class A availability rate stood at 10.7%, a decrease of 0.4 pp from the previous quarter and of 1.6 pp from the corresponding period a year ago.

RENTS UP FOR THE QUARTER AND THE YEAR

Overall rent in the CBD ($24.57) registered a quarterly increase of 1.0% and annual growth of 6.7%. Similarly, Class A rent ($27.05) rose by 1.5% from last quarter and by 6.8% from last year.

DECREASE IN LEASING ACTIVITY

On a trailing four-quarter basis, overall leasing in the CBD totaled 3.2 msf, a decrease of 13.8% from the previous quarter and of 12.7% compared to volume during the first quarter of 2007. Class A leasing (2.2 msf) fell by 19.8% and 4.8% from its levels of last quarter and last year.

LARGE BLOCK INVENTORY STABLE

The number of large contiguous blocks of space (50,000 sf or more) in the CBD increased to 10 from 9 last quarter and 13 a year ago.

Market Slows During First Quarter

Following a year of strong activity and a tightening marketplace in 2007, the first quarter of 2008 brought a slowdown to the market that ended the flight to quality or relocation to trophy space. Class A space around the region has tightened, especially in the Philadelphia CBD, which recorded an availability rate of 10.7%, a decrease of 0.4 pp from the previous quarter and 1.6 pp year-on-year. The first quarter continued a definite trend toward a landlord's market with reduced concessions, scarcity of large blocks of space and high-rise space in Class A buildings, along with rising rents in some submarkets.

Although the Philadelphia Region seems to be "steady as she goes" in comparison to national trends, tenants are becoming cautious. With the credit crunch gaining strength and bad quarterly reports from giants like Citigroup and Wachovia, most tenants have taken a tentative approach as they await the market's future. Companies are becoming more conservative in their projections, which could result in shadow space coming back to the market. If this does occur, opportunities will arise for tenants to obtain quality space at below-market rates with tenant-friendly incentive packages.

Building sales, which reached a record level in 2006, have been cooling off over the past 12 months. However, asking rents are still relatively high, supporting the historically elevated purchase prices of many assets and the limited availability of trophy space, especially in the Philadelphia CBD. Owners will continue to be challenged by potential increases in vacancy and competition for good credit tenants. However, owners will find it difficult to sell and most will be forced to roll with the tide until the next up-tick in the capital markets.

With large blocks of space and Class A space in general at a premium, fewer landlord concessions available and new construction projects on the horizon, but no steel on order, tenants in the CBD are likely going to lean toward renewals. In return, landlords will continue to push rents. Even with current market challenges, tenants in the region always have an opportunity to find space that fits their needs by using points of leverage. If tenants continue to look at their real estate requirements in advance, they will find build-

CBD TRANSACTION BAROMETER

	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5-9 yrs	◀▶	10-15 yrs	◀▶
Concessions:				
Free Rent	3-5 months	◀▶	6-8 months	◀▶
Tenant Improvements	$40.00/sf	◀▶	$50.00/sf	◀▶
Moving	$2.00/sf	◀▶	$2.00/sf	◀▶
Architect Fee	$2.50/sf	◀▶	$3.00/sf	◀▶

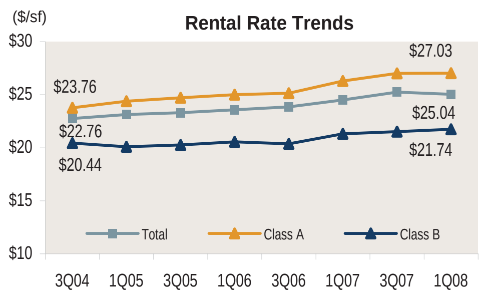
Outlook: Caution -- focus will be on the credit-worthiness of tenants, as well as the potential for quick market changes.

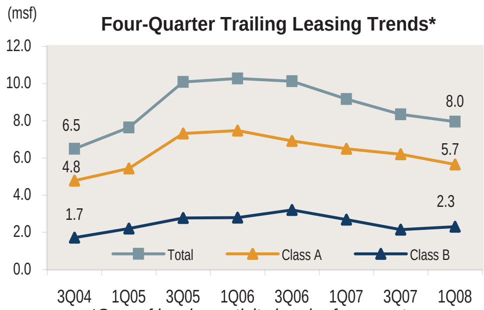
SUBURBAN TRANSACTION BAROMETER

	Under 50,000 sf	One Qtr Change	Over 50,000 sf	One Qtr Change
Average Term:	5 yrs	◀▶	10 yrs	◀▶
Concessions:				
Free Rent	1-2 months	◀▶	3-5 months	◀▶
Tenant Improvements	$25.00/sf	◀▶	$30.00-$40.00/sf	◀▶
Parking	4 spaces /1,000 sf	◀▶	4 spaces /1,000 sf	◀▶

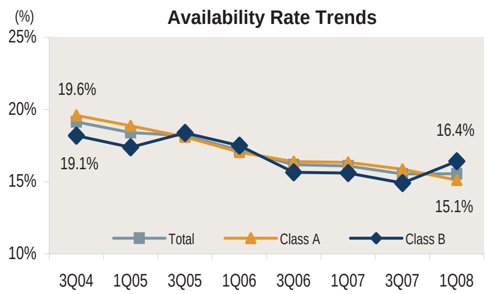
Outlook: Caution -- focus will be on the credit-worthiness of tenants, as well as the potential for quick market changes.

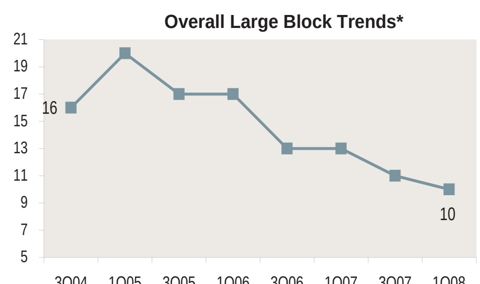
▲ Up ▼ Down ◀▶ Unchanged





Sum of leasing activity in prior four quarters.





Contiguous spaces >= 50,000 sf

to-suit options for large space users as well as direct and sublet options for medium-sized users. Some sublet spaces will have below-market rates, longer terms, tenant improvement allowance and other concessions available that will create the necessary competition for direct space.

Rents Decline Slightly

Philadelphia was one of four major U.S. markets to post lower asking rents in the first quarter. The overall rate dropped slightly, falling from $25.37 last quarter to $25.04. Class A rent was flat, ticking up from $27.02 to $27.03. Overall and Class A rents increased for the year by 2.2% and 2.8%, slightly below the national increases of 3.0% and 2.9%. The CBD has registered much stronger rental rate growth as availability there continues to contract. Class A rent rose by 6.8% from a year ago, increasing from $25.33 to $27.05. Rates in many new CBD buildings were well above the market average. Class A rents in the suburbs have increased by about half as much, rising by only 3.7% from $27.26 to $28.26. Oversupply in Delaware continues to undercut rental rate growth. Class A rent was up by 0.7% year-on-year, well below the rate of inflation, to $26.02.

Leasing Slows

Four-quarter trailing leasing activity (the sum of all leasing over the last four quarters) fell quarter-on-quarter from 9.0 msf to 8.0 msf, a decline of 11.6%. Class A trailing leasing totaled 5.7 msf, a 15.5% quarterly drop. Class A activity in the CBD decreased by 19.8% to 2.2 msf. The suburban leasing total was nearly identical at 2.3 msf (-19.6% for the quarter). Leasing was down compared to a year ago but was nearly even with its historical averages. Overall trailing leasing was only 5.4% below its historical average of 8.4 msf, and Class A volume was just 6.2% below its historical average of 6.0 msf. Of note, some firms have started to lease up the ample supply in Delaware. Class A trailing leasing activity in the submarket totaled 962,532 sf, 139.0% above the historical average of 402,767 sf. A few suburban Class A markets also recorded activity that exceeded historical averages, including Delaware County (+60.3% to 345,465 sf) and Horsham/Willow Grove (+44.1% to 292,830 sf).

Availability Rate Remains Stable

Philadelphia was one of only five major markets in the country to record lower availability in the first quarter of 2008 than during the first quarter of 2007. Philadelphia's office market was slow to share in the momentum enjoyed by most markets around the country, and now the national downturn appears to be having a delayed impact, as well. The overall availability rate stood at 15.6% for the third straight quarter. The Class A rate fell by 0.6 pp to 15.1%, but the Class B rate increased by 1.1 pp to 16.4%. The Class A rate declined by 1.6 pp to 16.9% in suburban Philadelphia. In

SELECTED TRANSACTIONS

Tenant	Sq Feet	Address	Market Area
Hartford Insurance	110,000	4 Walnut Grove Dr	Horsham/Willow Grove
Gamesa Technology Corp. Inc.	53,071	1801 Market St	West Market
State of Pennsylvania	49,000	801 Arch St	East Market
Hamilton Lane Advisors	36,469	1 Presidential Blvd	Bala Cynwyd
Selas Fluid Processing Corporation	35,249	325 Sentry Parkway E	Blue Bell
LEAF Financial Corporation	30,000	2005 Market St	West Market
Maskin Group	26,821	2 Aquarium Dr	South Jersey
Grosvenor Investment Management	25,000	1601 Chestnut St	West Market
Center for Autism	23,617	3905 Ford Rd	Bala Cynwyd
Cricket Communications	23,358	640 Freedom Business Ctr	Route 202/422/King of Prussia
Kooch & Taylor	22,926	1000 N West St	Wilmington
Liberty Mutual Insurance Co.	22,357	1011 Centre Rd	New Castle County
AdminServer Inc.	22,000	2501 Seaport Dr	Delaware County
LiquidHub, Inc.	20,788	500 E Swedesford Rd	Route 202/422/King of Prussia
First Judicial District of Pennsylvania	20,488	100 S Broad St	West Market
Sum of Leases	**521,144**	**Sum of 1st Quarter Leasing Activity**	**1.6 MSF**

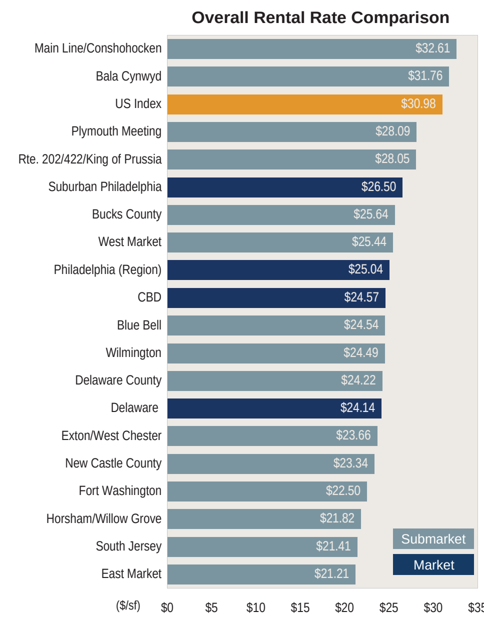
the CBD, the Class A rate dropped by 0.4 pp to 10.7%, a 1.6 pp decrease from a year ago. Nearly every submarket registered annual decreases in Class A availability rates, with particularly large drops in Fort Washington (-7.3 pp year-on-year to 9.0%), and Blue Bell (-6.5 pp to 13.3%). Sublet supply has increased regionally from 2.1 msf to 2.6 msf since the first quarter of 2007.

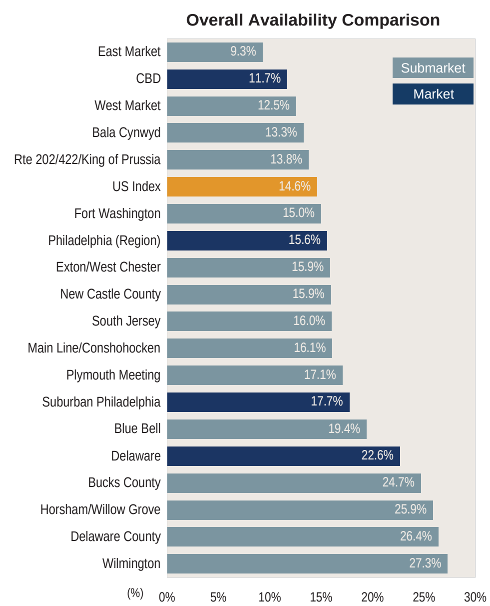
Hot Submarket

Philadelphia's CBD has captured much of the recent focus, with availability falling to its lowest level in years . Availability has decreased in the suburban markets as well, falling by 2.1 pp over the last four quarters, but remains at a much higher rate of 16.8%. The Bala Cynwyd submarket has tightened from a year ago, with its Class A availability rate dropping from 14.1% to 11.9%. This submarket also commands the second highest Class A asking rent in the suburbs ($32.43) – only Main Line/Conshohocken registers a higher rate. New construction in Bala Cynwyd has been controlled, but where it has occurred, tenants have been quick to snare available space. Hamilton Lane Advisors recently decided to nearly double its space, leasing 36,469 sf at 1 Presidential Plaza, a move from its current location at 1 Belmont. Hamilton will join Keystone Property Group and Global Employment Solutions, which leased space at the property last summer.

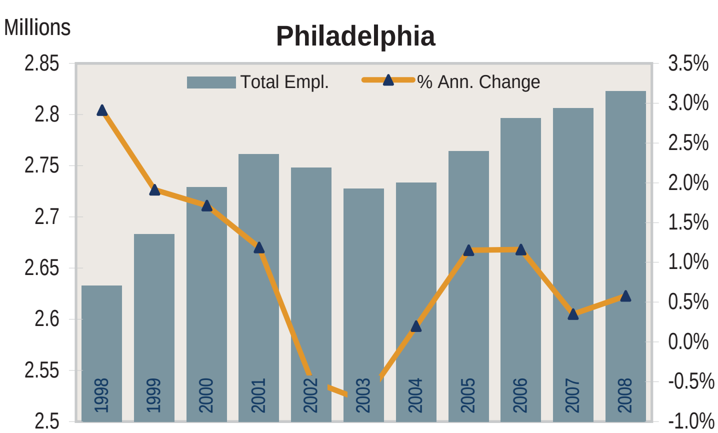
Looking Forward

While the office market does not yet reflect it, job growth in Philadelphia has been slowing over the last several months. Nevertheless, job creation remains above the national average. In 2007, the Philadelphia Region averaged a 1.8% year-on-year net addition of office jobs, although this rate dipped to 1.0% as of February. By comparison, in 2007 the U.S. averaged a 1.2% rate, and by January the rate of office job growth was down to 0.5%, followed by a nearly flat rate of 0.2% in February. Leasing activity will likely slow in 2008 as many area firms pull back on hiring plans or lay off employees, but so far, the region's economic diversity has helped it avoid the extensive job cutbacks seen in areas of California and Florida.

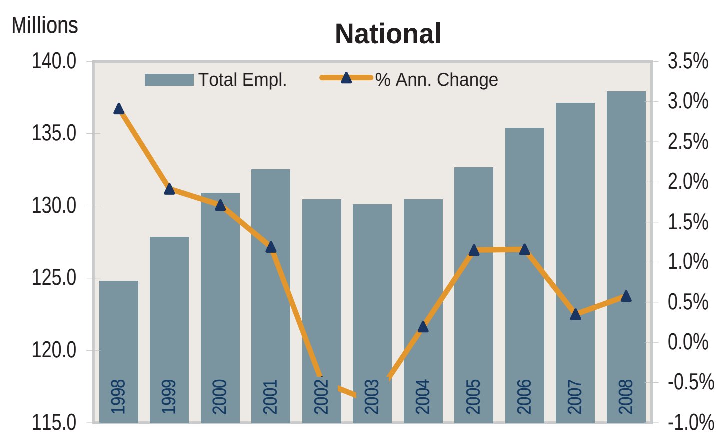




EMPLOYMENT TRENDS



Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

MARKET SNAPSHOT: 1Q 2008

MAP	SUBMARKET	TOTAL	LEASING ACTIVITY		AVAILABLE SF				AVAILABILITY RATE				ASKING RENTS PER SF			
		Inventory SF (1,000's)	Last 12 Mos	4 Yr Average	This Qtr	% Change from Last Qtr	Yr Ago	4 Yrs Ago	This Qtr	pp Change from Last Qtr (1)	Yr Ago	4 Yrs Ago	This Qtr	% Change from Last Qtr	Yr Ago	4 Yrs Ago
1	**West Market**	31,283	2,566	2,644	3,923	-4.2%	4,191	4,197	12.5%	-0.6%	13.8%	14.7%	$25.44	1.0%	$23.81	$23.05
	West Market - Class A	21,824	1,929	1,962	2,487	-1.8%	2,821	2,580	11.4%	-0.2%	13.5%	12.6%	$27.53	1.3%	$25.64	$24.75
2	**East Market**	11,280	585	738	1,046	-6.7%	1,101	1,842	9.3%	-0.7%	9.8%	16.9%	$21.21	0.7%	$20.10	$19.99
	East Market - Class A	5,142	277	414	397	-11.0%	378	908	7.7%	-1.0%	7.4%	18.3%	$23.58	1.4%	$23.23	$22.15
3	**Bala Cynwyd**	3,064	236	219	407	-2.5%	376	512	13.3%	-0.3%	12.4%	19.4%	$31.76	-2.1%	$32.78	$28.26
	Bala Cynwyd - Class A	2,447	210	136	291	-5.1%	340	324	11.9%	-0.6%	14.1%	24.8%	$32.43	-2.3%	$33.10	$29.49
4	**Blue Bell/Plymouth Meeting**	4,273	138	237	771	-8.1%	1,041	633	18.0%	-2.8%	25.5%	15.7%	$26.50	-2.3%	$26.89	$23.27
	Blue Bell/Plymouth Meeting - Class A	1,745	65	133	336	-7.9%	419	288	19.3%	-1.7%	24.0%	14.6%	$28.67	-6.0%	$30.32	$24.09
5	**Fort Washington**	2,411	169	277	361	3.6%	404	723	15.0%	0.5%	16.0%	29.6%	$22.50	-1.9%	$21.48	$21.57
	Fort Washington - Class A	1,431	29	116	129	-28.6%	232	275	9.0%	-3.6%	16.3%	23.1%	$23.43	-0.1%	$22.03	$21.84
6	**Horsham/Willow Grove**	3,619	338	267	936	1.0%	806	538	25.9%	0.2%	22.3%	15.3%	$21.82	-7.1%	$23.37	$21.50
	Horsham/Willow Grove - Class A	2,670	293	203	568	1.0%	565	362	21.3%	-3.0%	21.2%	14.0%	$24.43	-2.1%	$25.10	$21.85
7	**Route 202/422/King of Prussia**	13,181	741	1,044	1,816	2.4%	1,765	2,814	13.8%	0.3%	13.4%	21.3%	$28.05	-0.2%	$27.50	$24.78
	Route 202/422/King of Prussia - Class A	9,452	476	846	1,110	-19.0%	1,373	2,276	11.7%	-2.8%	14.6%	22.7%	$30.76	6.4%	$28.91	$25.26
8	**Exton/West Chester**	3,550	226	223	563	-2.1%	642	780	15.9%	-0.3%	18.9%	21.3%	$23.66	0.0%	$22.80	$23.78
	Exton/West Chester - Class A	2,561	199	189	462	-1.2%	518	663	18.0%	-0.2%	21.5%	22.7%	$24.21	0.3%	$23.22	$24.10
9	**Main Line/Conshohocken**	4,463	364	541	717	-4.2%	801	1,334	16.1%	-0.7%	18.0%	24.2%	$32.61	4.7%	$29.23	$30.24
	Main Line/Conshohocken - Class A	3,812	292	529	605	-4.3%	775	1,308	15.9%	-0.7%	18.7%	28.8%	$34.16	5.9%	$31.70	$30.40
10	**Delaware County**	3,400	359	259	898	0.9%	748	520	26.4%	0.2%	22.5%	32.3%	$24.22	-3.1%	$23.61	$22.52
	Delaware County - Class A	2,985	345	215	730	-8.7%	649	415	24.5%	-2.3%	22.6%	33.1%	$24.88	-1.6%	$23.81	$23.25
11	**Bucks County**	4,380	348	372	1,081	3.3%	1,064	819	24.7%	0.8%	24.2%	19.7%	$25.64	-5.3%	$26.10	$21.98
	Bucks County - Class A	3,520	319	312	917	6.1%	883	658	26.0%	1.5%	26.6%	18.4%	$26.42	-4.6%	$26.37	$22.35
12	**Wilmington**	5,482	333	249	1,497	6.3%	1,471	925	27.3%	1.6%	26.9%	21.0%	$24.49	-3.1%	$23.84	$22.14
	Wilmington - Class A	4,490	277	194	1,023	4.1%	1,161	641	22.8%	0.9%	25.9%	17.9%	$27.09	-3.0%	$26.04	$24.74
13	**New Castle County**	4,266	412	221	680	-8.0%	869	728	15.9%	-2.0%	21.4%	19.7%	$23.34	-1.9%	$23.96	$21.97
	New Castle County - Class A	3,561	386	189	494	-21.7%	770	642	13.9%	-4.4%	22.1%	20.6%	$23.77	-0.6%	$25.37	$22.41
14	**South Jersey**	13,716	892	980	2,195	15.5%	1,741	1,650	16.0%	2.1%	12.9%	12.4%	$21.41	-4.2%	$21.12	$20.80
	South Jersey - Class A	6,379	470	496	1,332	26.5%	706	779	20.9%	4.4%	10.9%	10.0%	$22.29	-4.1%	$22.84	$21.65
1-2	PHILADELPHIA TOTAL	42,563	3,151	3,382	4,969	-4.8%	5,292	6,039	11.7%	-0.6%	12.7%	15.4%	$24.57	1.0%	$23.03	$22.10
	PHILADELPHIA TOTAL - Class A	26,966	2,206	2,376	2,884	-3.2%	3,199	3,488	10.7%	-0.4%	12.3%	13.7%	$27.05	1.5%	$25.33	$24.02
3-11	SUBURBAN PHILADELPHIA TOTAL	42,598	3,169	3,565	7,551	-0.2%	7,647	8,673	17.7%	-0.2%	18.2%	21.8%	$26.50	-1.9%	$26.05	$24.85
	SUBURBAN PHILADELPHIA TOTAL - Class A	30,623	2,317	2,767	5,147	-8.7%	5,756	6,568	16.8%	-1.6%	18.9%	23.1%	$28.26	0.7%	$27.26	$25.65
12-13	DELAWARE TOTAL	9,611	1,035	490	2,177	1.4%	2,504	1,653	22.6%	0.3%	26.2%	20.4%	$24.14	-2.6%	$23.88	$22.06
	DELAWARE TOTAL - Class A	7,940	963	403	1,517	-6.0%	1,931	1,283	19.1%	-1.2%	24.2%	19.1%	$26.02	-1.2%	$25.84	$23.58
1-14	PHILADELPHIA REGION TOTAL	108,625	7,957	8,408	16,892	0.4%	17,184	18,016	15.6%	0.0%	16.1%	17.9%	$25.04	-1.3%	$24.51	$23.32
	PHILADELPHIA REGION TOTAL - Class A	72,019	5,650	6,026	10,881	-3.5%	11,592	12,118	15.1%	-0.6%	16.4%	17.7%	$27.03	0.0%	$26.29	$24.72

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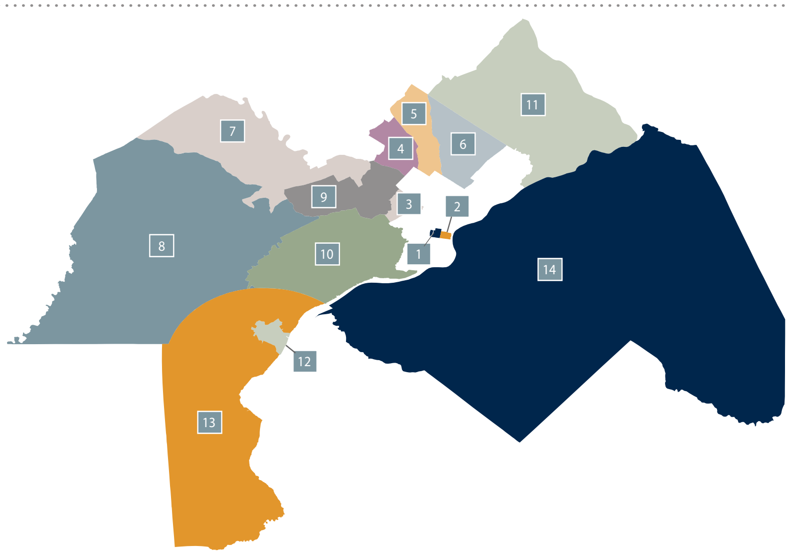

(1) Percentage point change for availability rates.
Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf.
Statistics are calculated using both direct and sublease information.
Recent Inventory adjustments may have contributed to statistical fluctuations in some submarkets.
The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof.