PHILADELPHIA SUBURBAN OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD® Global Real Estate Solutions℠

2Q10

ECONOMY

As of the second quarter of 2010, the greater Philadelphia region's economy appears to be turning the corner. Unemployment numbers peaked in February of this year at 9.7%, however they have dropped significantly since then to 9.0%. There has been an emergence of some bright spots involving employment, most notably the jobs that will be created from the new Sugarhouse Casino, the construction of the new Paulsboro Marine Terminal, and HelioSphera's planned solar manufacturing facility for 2011. However, despite these examples of significant job creation, recovery will be a slow process for most industries as companies will heal at different paces.

OVERVIEW

In the second quarter of 2010, the Philadelphia suburban office market continues to head in the right direction after a rough 2009. After a promising first quarter of 2010, the second quarter produced more favorable results. Year-to-date overall absorption numbers improved to 407,136 square feet (sf) far better than the 412,545 sf of negative absorption at this time last year. Year-to-date leasing activity has already breached the 1.0-million square foot (msf) mark, with the King of Prussia/Valley Forge submarket leading the way with 422,947 sf leased thus far in 2010. Direct vacancy rates are at 15.0% similar to the 14.9% last year at this time, however more important to evaluate is the improvement in the sublease vacancy rate. Last year there was an influx of office tenants opting to consolidate their space, putting their unoccupied space on the market for sublease. As a result, suburban sublease vacancy rates peaked in the third quarter of 2009 at 2.2%. However, over the past few quarters, tenants in the market looking for space found these cheaper short-term sublease opportunities more attractive and gradually chipped away at the inflated sublease vacancy to 1.7% currently. In response to these cheaper sublease rents, landlords were forced to decrease average asking rents for direct space. Average asking rents are nearly $2.00 per square foot (psf) less than 2008 values for class A space going from $27.66 psf to $25.88 psf currently.

Construction opportunities decreased substantially in 2009; however they appear to be picking up again. In Southern New Jersey, the Towne Place at Garden State Park delivered its first two speculative office buildings this quarter totaling 75,034 sf. The third and largest office building at that site totaling 90,000 sf of office space is currently under construction and will be complete sometime in the third quarter of 2010. In the Blue Bell/Ply. Mtg./Ft. Wash submarket there is a 150,000-sf build-to-suit project currently underway for SDI at 1 SDI Way. The building will be complete in the fourth quarter of 2010.

While renewals continue to be prevalent, there were several new leases this quarter throughout the suburban market. In Southern Bucks County, Publicis Touchpoint Solutions leased 60,000 sf of space at the recently constructed building at 1000 Floral Vale Boulevard in Yardley, PA. Other significant new leases this quarter included 1&1 Internet leasing 26,500 sf at 701 Lee Road, Microsoft taking 21,894 sf at 45 Liberty Boulevard and World Gate Service Inc. leasing 18,713 sf at 3800 Horizon Boulevard in Feasterville, PA.

FORECAST

The suburban office market will experience modest improvement throughout the remainder of 2010. New leasing activity should continue to increase gradually, with more significant increase in volume and deal size by 2011. Absorption numbers will likely remain on the positive side, however could potentially dip towards the negative depending on any of the lingering effects from 2009. Construction activity is still limited however evidenced by recent ground breakings and new building completions there could be an uptick in activity by 2011. Investment sales opportunities remain sparse and will not likely pick up until next year.

BEAT ON THE STREET

"During the last quarter we have seen a modest increase in activity while rental rates remain flat."

-Kim Finnerty, Associate Director

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	7.9%	8.9%	8.6%
Employment Growth	-3.3%	-0.9%	1.3%

Source: Moody's|Economy.com

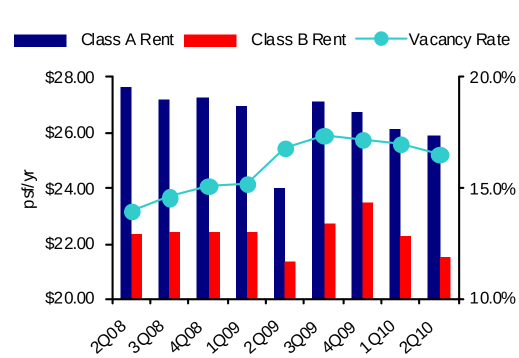
MARKET FORECAST

LEASING ACTIVITY will continue to improve throughout the remainder of 2010 and should top 2009 year-end totals.

RENTAL RATES may decrease slightly during the second half of the year. Tenant demand will determine when rental rates will move upward again.

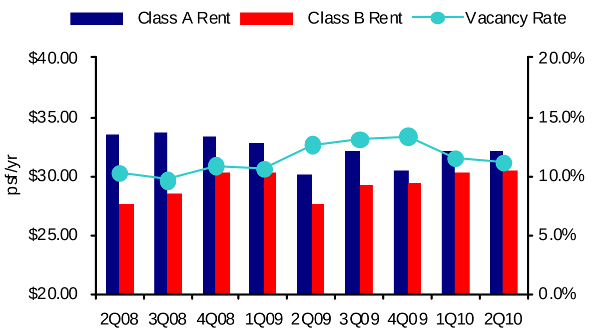
CONSTRUCTION activity has been rejuvenated recently with a couple of projects currently under construction set to deliver in 2010.

SUBURBAN RENTAL VS. VACANCY RATES



BALA CYNWYD & CONSHOHOCKEN

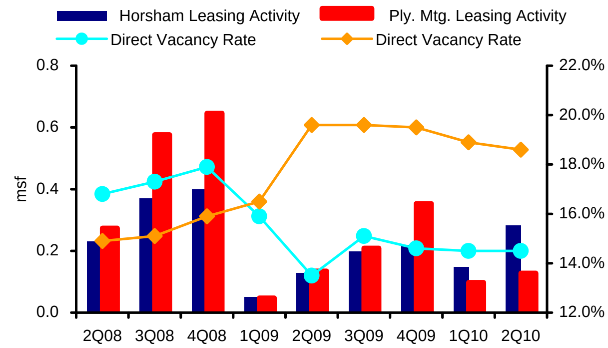
OVERALL RENTAL VS. VACANCY RATES



- There have been several significant renewals thus far in 2010 at 1100 Hector Street in the Spring Mill Corporate Center. National Label Co. renewed for 54,000 sf, PaeTec Communications renewed for 31,591 sf and David's Bridal renewed for 20,842 sf.
- Despite the economic climate for the past year, Bala Cynwyd continues to fetch over $30.00 psf for class A space at a direct average of $30.75 psf for the second quarter of 2010.

HORSHAM & PLYMOUTH MEETING

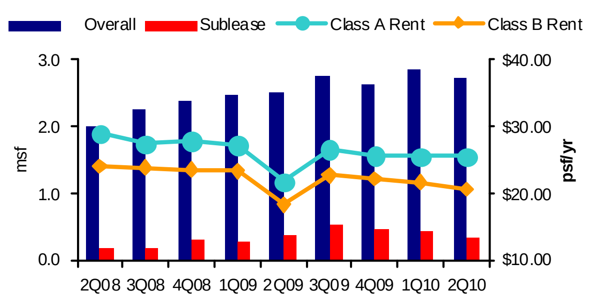
LEASING ACTIVITY VS. VACANCY RATES



- In Plymouth Meeting, a new 150,000-sf build-to-suit project at 1 SDI Drive is currently under construction for SDI. Construction is expected to be finished sometime in the fourth quarter of 2010.
- The Horsham/Willow Grove/Jenkintown submarket had a sublease vacancy rate of 3.2% in the second quarter of 2010, the highest sublease vacancy rate of all the suburban submarkets.

KING OF PRUSSIA & VALLEY FORGE

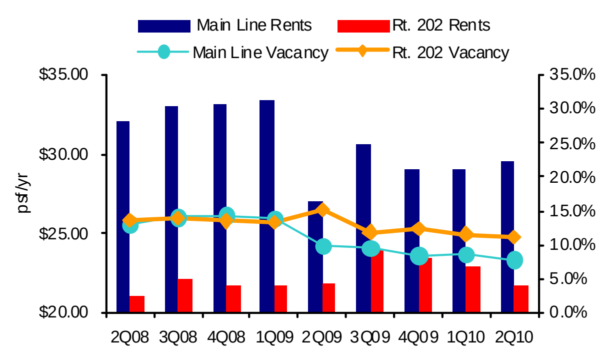
AVAILABLE SPACE TRENDS & RENTAL RATES



- Two significant deals closed at the end of the first quarter of 2010 in Berwyn, PA. Ametek leased 43,480 sf of space at 1100 Cassatt Road and State Street Bank leased 40,000 sf of space at 300 Berwyn Park.
- King of Prussia/Valley Forge continues to outperform all other suburban submarkets with 422,947 sf of space leased year-to-date, more than double any other suburban submarket.

MAIN LINE & SOUTHERN RT. 202

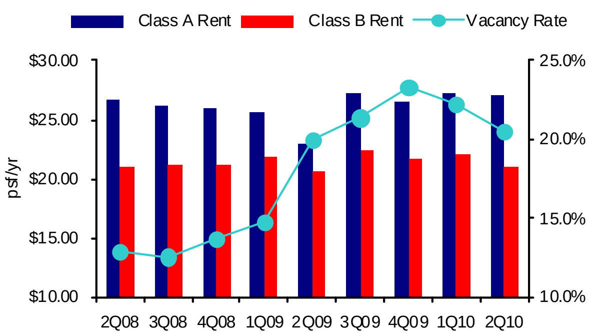
CLASS A RENTAL VS. VACANCY RATES



- Despite a limited amount of leasing activity over the past year, the Main Line continues to be the only submarket with an overall vacancy rate under 10%. This can be attributed to tenants in that market retaining their spaces along with a only a small number of new vacancies added to the market
- Over the past year, class A rental rates have decreased very little in the Southern Route 202 corridor. Average direct rates for class A space were at $21.89 psf last year at this time and are currently at $21.70 psf.

SOUTHERN BUCKS

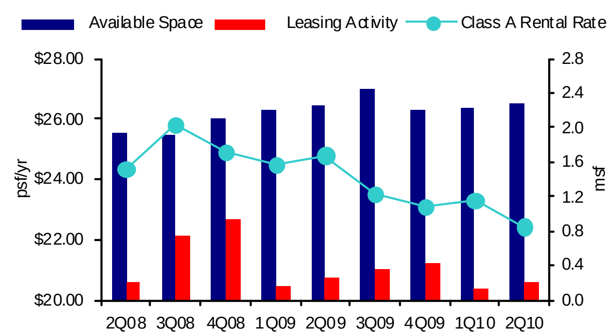
OVERALL RENTAL VS VACANCY RATES



- In one of the larger deals in the suburban market in the second quarter of 2010, Publicis Touchpoint Solutions leased 60,000 sf of space in Yardley, PA at 1000 Floral Vale Boulevard.
- After peaking at 23.3% in the fourth quarter of 2009, mostly due to new building completions, Southern Bucks County vacancy has since dropped to a vacancy rate of 20.5%. This can be attributed to the leasing activity at 1000 Floral Vale Boulevard and 3800 Horizon Boulevard.

SOUTHERN NEW JERSEY

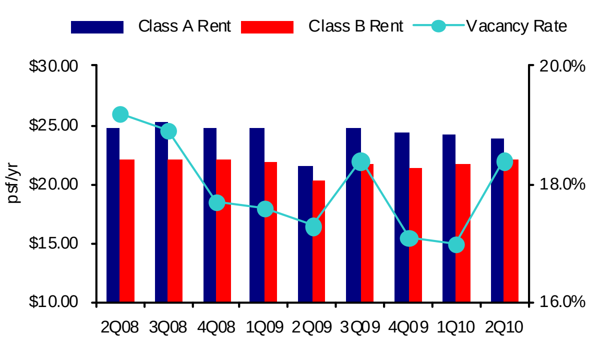
OVERALL MARKET TRENDS



- Towne Place at Garden State Park delivered its first two office buildings this quarter totaling 75,034 sf of new space added to the market. The third and largest building totaling 90,000 sf of space is still under construction and will deliver sometime next quarter.
- Renewal activity was prevalent in the first half of 2010 in Southern New Jersey. Montgomery McCracken Walker & Rhoads, LLP, AUS, Inc., ImpactRx, Inc., and ZONE Telecom Inc. all renewed at their current locations.

NORTHERN DELAWARE

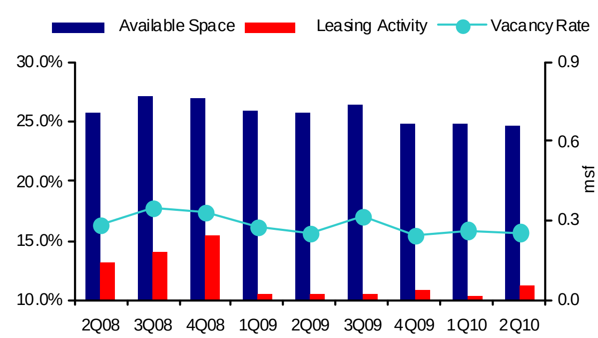
OVERALL RENTAL VS. VACANCY RATES



- The Star Building at 123 South Justison Street in Wilmington, DE finished construction in the second quarter of 2010. The seven story 158,770-sf building is 100% vacant and available for lease.
- Several law firms are in the market right now looking for a significant amount of space including Richards, Layton & Finger, Grant & Eisenhofer P.A. and Duane Morris LLP. Potter Anderson & Corroon LLP recently renewed for 80,000 sf at 1313 North Market Street in Wilmington.

DELAWARE COUNTY

OVERALL MARKET TRENDS



- Delaware County class A direct asking rental rates have stayed healthy over the past two years. The current rate of $25.91 psf is slightly better than the $25.73 psf mid-year 2008.
- Multiple leases were signed this quarter at One International Plaza for a total of 23,914 sf of new leasing activity at that building.

MARKETBEAT

PHILADELPHIA SUBURBAN OFFICE REPORT 2Q10

MARKET/SUBMARKET STATISTICS

MARKET/ SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT ABSORPTION	YTD OVERALL ABSORPTION	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
East of Broad	12,397,366	44	11.4%	11.0%	75,380	0	0	(280,358)	(254,300)	$25.16
West of Broad	29,696,654	75	12.4%	11.3%	338,808	0	0	(346,170)	(332,845)	$27.41
CBD Total	42,094,020	119	12.1%	11.2%	414,188	0	0	(626,528)	(587,145)	$27.15
Bala Cynwyd	2,779,940	22	13.6%	11.2%	44,357	0	0	60,355	73,312	$32.17
Southern Bucks County	6,415,199	102	20.5%	19.4%	118,566	0	0	208,199	180,289	$26.97
Southern Rte. 202. Corr.	5,210,010	119	12.2%	11.2%	57,446	0	0	66,686	61,951	$21.70
Delaware County	4,206,760	60	15.6%	15.0%	51,391	0	0	(35,235)	13,561	$25.91
B.Bell/Ply.Mtg./Ft.Wsh.	9,675,310	158	19.5%	18.6%	127,832	150,000	0	80,774	94,228	$24.63
Main Line	3,713,944	63	9.8%	7.9%	67,775	0	0	20,463	17,205	$29.55
Conshohocken	3,765,636	30	18.1%	15.5%	84,438	0	0	14,206	(413)	$29.40
Horsham/W.Gr./Jntwn	5,567,042	82	17.7%	14.5%	28,218	0	0	(12,763)	53,321	$23.55
King of Prussia/V. Forge	16,382,658	265	16.7%	14.5%	422,947	0	0	(197,102)	(86,318)	$25.60
Suburban Philadelphia Total	57,716,499	901	16.7%	15.0%	1,002,970	150,000	0	205,583	407,136	$25.88
Burlington County	7,873,583	154	13.7%	12.9%	127,451	0	0	4,861	(3,700)	$22.38
Camden County	6,136,547	110	19.6%	18.6%	86,084	90,000	75,034	(94,425)	(83,202)	$22.49
Southern New Jersey Total	14,010,130	264	16.3%	15.4%	213,535	90,000	75,034	(89,564)	(86,902)	$22.43
New Castle-Non-CBD	8,250,450	153	17.2%	16.8%	38,116	0	0	(103,871)	(114,395)	$23.19
New Castle CBD	6,944,147	39	19.7%	19.3%	44,097	0	158,770	(74,241)	(82,399)	$24.76
New Castle Cty - DE Total	15,194,597	192	18.4%	17.9%	82,213	0	158,770	(178,112)	(196,794)	$24.13
Lehigh & N. Hampton Cnty**	5,950,982	103	12.7%	12.2%	24,998	0	0	124,875	110,449	$18.94
NON-CBD Total	86,921,226	1,357	16.9%	15.5%	1,298,718	240,000	233,804	(62,093)	123,440	$24.81
PHILA MSA TOTAL	129,015,246	1,476	15.3%	14.1%	1,712,906	240,000	233,804	(688,621)	(463,705)	$25.79

* Rental rates reflect $psf/year

** Lehigh & North Hampton Counties are not included within the CBD & Philadelphia MSA total.

MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	BLDG CLASS
1000 Floral Vale Boulevard	Southern Bucks County	Publicis Touchpoint Solutions	60,000	A
701 Lee Road	King of Prussia/Valley Forge	1&1 Internet	26,500	A
45 Liberty Boulevard	King of Prussia/Valley Forge	Microsoft	21,894	A
3800 Horizon Boulevard-Bldg 1	Southern Bucks County	World Gate Service Inc.	18,713	A

SIGNIFICANT 2Q10 SALE TRANSACTIONS				
BUILDING	SUBMARKET	Buyer	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
123 Justison Street/ The Star Building	New Castle County-CBD	N/A	158,770	6/10
Towne Place at Garden State Park-Bldg 1	Camden County	N/A	37,517	6/10
Towne Place at Garden State Park-Bldg 2	Camden County	N/A	37,517	6/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1 SDI Drive	Blue Bell/Ply. Mtg./Ft. Wash.	SDI	150,000	10/10
Towne Place at Garden State Park-Bldg 3	Camden County	N/A	90,000	8/10

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*Market terms & definitions based on BOMA and NAIOP standards.