

Market Review & Outlook

Review: Philadelphia CBD leasing activity remained at historical lows throughout 2009, only showing a significant increase during the last quarter. Large blocks of space (50,000sf+), increased to 21 as 2009 ended, up from 16 one year ago.

	2009	% Change
Net Rent	\$15.50	-3.9 ▼
Operating Expenses	8.20	1.2 ▲
Real Estate Taxes	3.10	0.0 ◀▶
Electricity	2.10	5.0 ▲
Total Rent	28.90	-1.5 ▼
Concessions	45.00	7.1 ▲
Tenant Effective Rent	22.69	-1.8 ▼
Landlord Effective Rent	7.68	-7.2 ▼

Outlook: Leasing activity, although moderate, is expected to accelerate throughout 2010. It will be a welcome sign that a recovery is in process. Tenants, however, will continue to enjoy a favorable, tenant-friendly market.

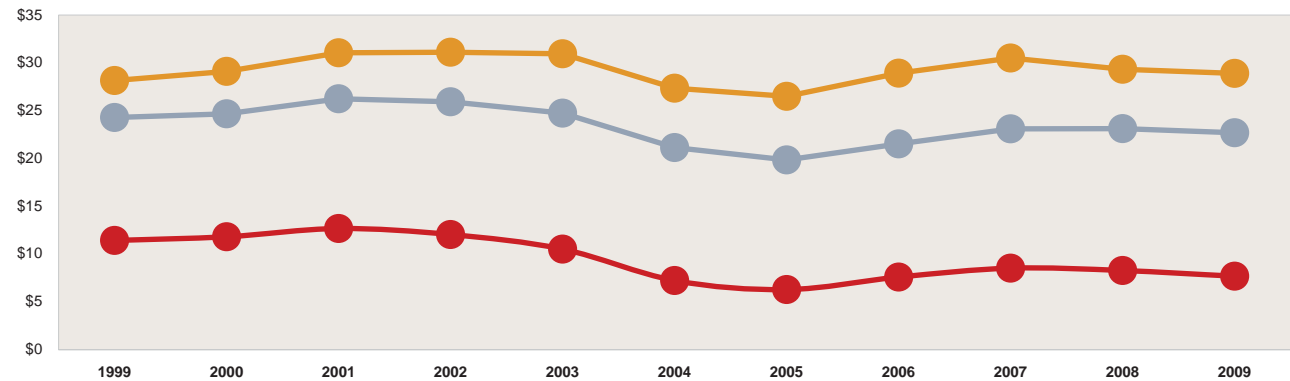
▲ Up ▼ Down ◀▶ Unchanged

Rent Trends

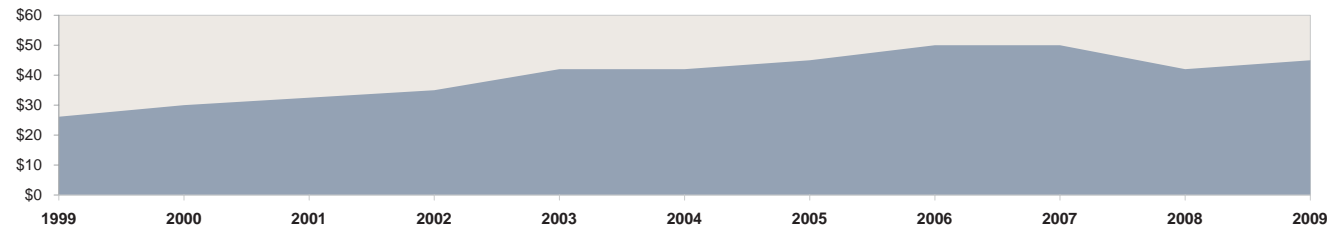
Total Rent

Tenant Effective

Landlord Effective



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
	2008-2009	2004-2009	1999-2009											
Total Rent	\$28.15	\$29.10	\$31.05	\$31.11	\$30.95	\$27.35	\$26.50	\$28.92	\$30.50	\$29.33	\$28.90	-1.5%	1.1%	0.3%
Tenant Effective Rent	\$24.28	\$24.66	\$26.24	\$25.93	\$24.74	\$21.14	\$19.84	\$21.52	\$23.10	\$23.12	\$22.69	-1.8%	1.4%	-0.7%
Landlord Effective Rent	\$11.42	\$11.81	\$12.67	\$12.05	\$10.52	\$7.24	\$6.29	\$7.60	\$8.53	\$8.28	\$7.68	-7.2%	1.2%	-3.9%



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
	2008-2009	2004-2009	1999-2009											
Concessions	\$26.14	\$30.00	\$32.50	\$35.00	\$42.00	\$42.00	\$45.00	\$50.00	\$50.00	\$42.00	\$45.00	7.1%	1.4%	5.6%

SERI2010

Rent Components

Net Rent

Operating Expenses

Real Estate Taxes

Electricity

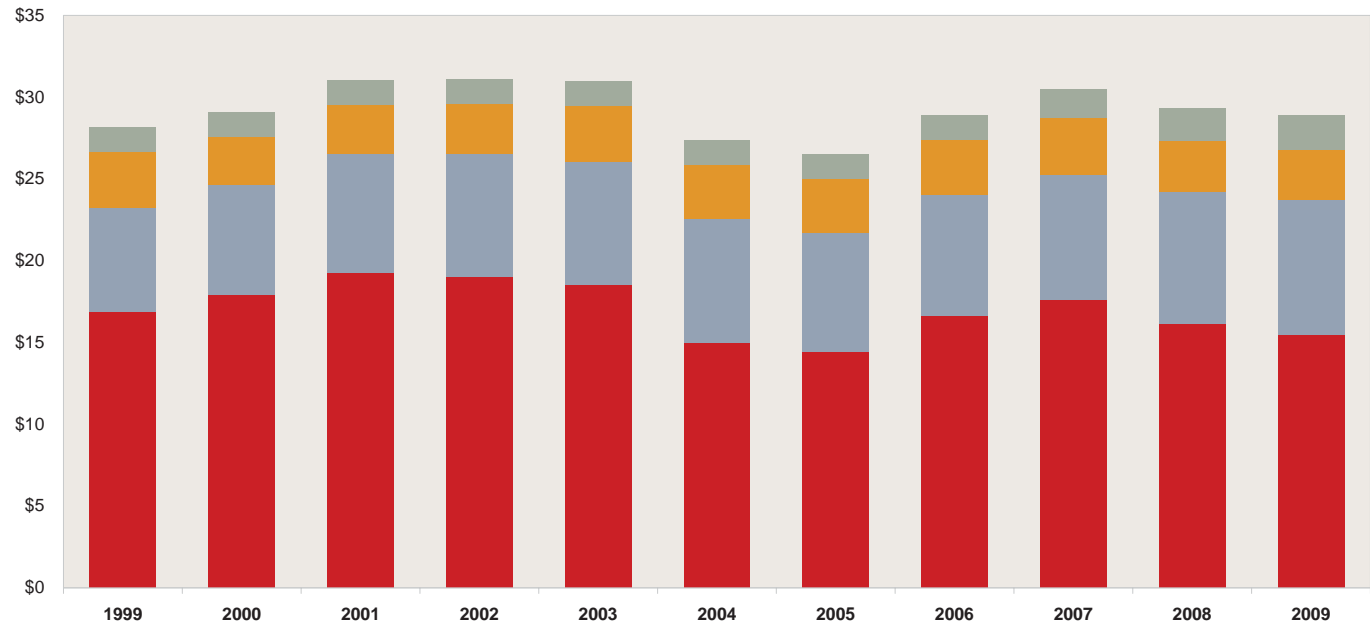
Total rent declined by 1.5% to \$28.90.

Operating expenses increased by 1.2% and tenant electric rose by 5.0%. In contrast, real estate taxes were unchanged and net rent dropped by 3.9%.

The value of concession packages grew by 7.1% to \$45.00.

Tenant effective rent dipped by 1.8% to \$22.69.

Landlord effective rent registered an even more substantial decline of 7.2% to \$7.68.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
												2008-2009	2004-2009	1999-2009
■ Net Rent	\$16.89	\$17.90	\$19.25	\$19.00	\$18.50	\$15.00	\$14.45	\$16.64	\$17.65	\$16.13	\$15.50	-3.9%	0.7%	-0.9%
■ Operating Expenses	\$6.39	\$6.72	\$7.30	\$7.52	\$7.56	\$7.60	\$7.30	\$7.38	\$7.60	\$8.10	\$8.20	1.2%	1.5%	2.5%
■ Real Estate Taxes	\$3.37	\$2.98	\$3.00	\$3.09	\$3.39	\$3.25	\$3.25	\$3.40	\$3.50	\$3.10	\$3.10	0.0%	-0.9%	-0.8%
■ Electricity	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.75	\$2.00	\$2.10	5.0%	7.0%	3.4%
Total Rent	\$28.15	\$29.10	\$31.05	\$31.11	\$30.95	\$27.35	\$26.50	\$28.92	\$30.50	\$29.33	\$28.90	-1.5%	1.1%	0.3%

Philadelphia

Transaction Barometer

Review: The challenging credit market has kept tenant improvement dollars tight in 2009, although landlords have increased free rent concessions to offset expenses incurred by tenants. Asking rents remain stable to slightly lower, but effective rents have shown large discounts.

Transaction Size: Under 50,000 sf

Average Term:	5-8 yrs	▼
Concessions:		
Free Rent	4-6 months	▲
Tenant Improvements	\$27.50/sf	▼
Architect Fee	\$2.50/sf	◀▶
Moving Allowance	\$2.00/sf	◀▶

Transaction Size: Over 50,000 sf

Average Term:	10-15 yrs	◀▶
Concessions:		
Free Rent	4-6 months	▲
Tenant Improvements	\$40.00/sf	▼
Architect Fee	\$3.00/sf	◀▶
Moving Allowance	\$2.00/sf	◀▶

Outlook: Effective rents will remain low in 2010 as landlords compete for a limited number of new tenants and try to retain current ones. Asking rents will hold steady as landlords try to create leverage in renewals, which will continue to dominate leasing activity.

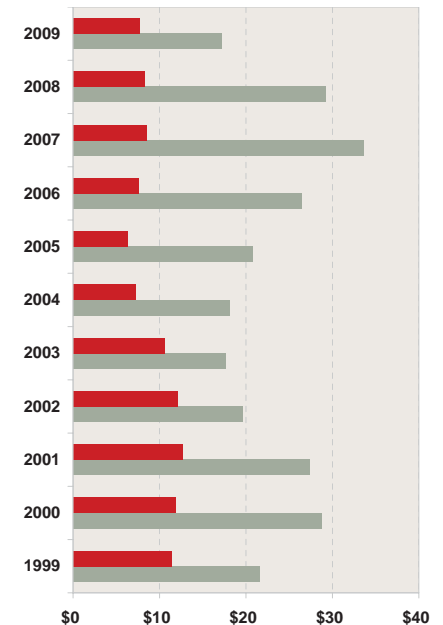
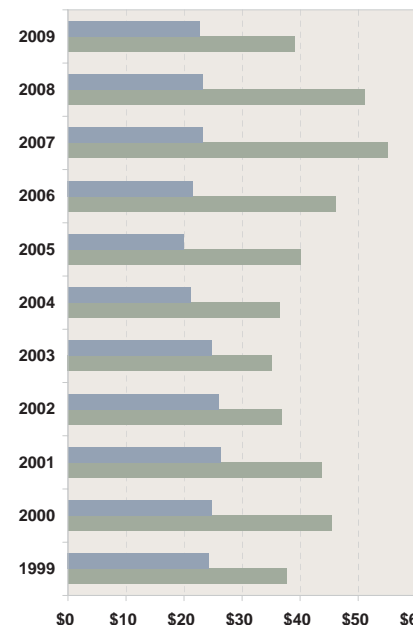
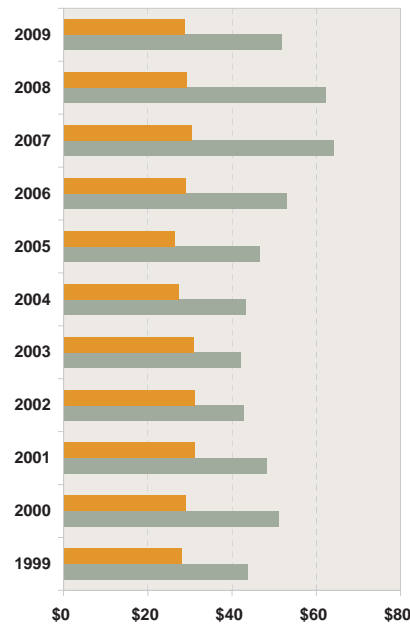
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Rent Comparison

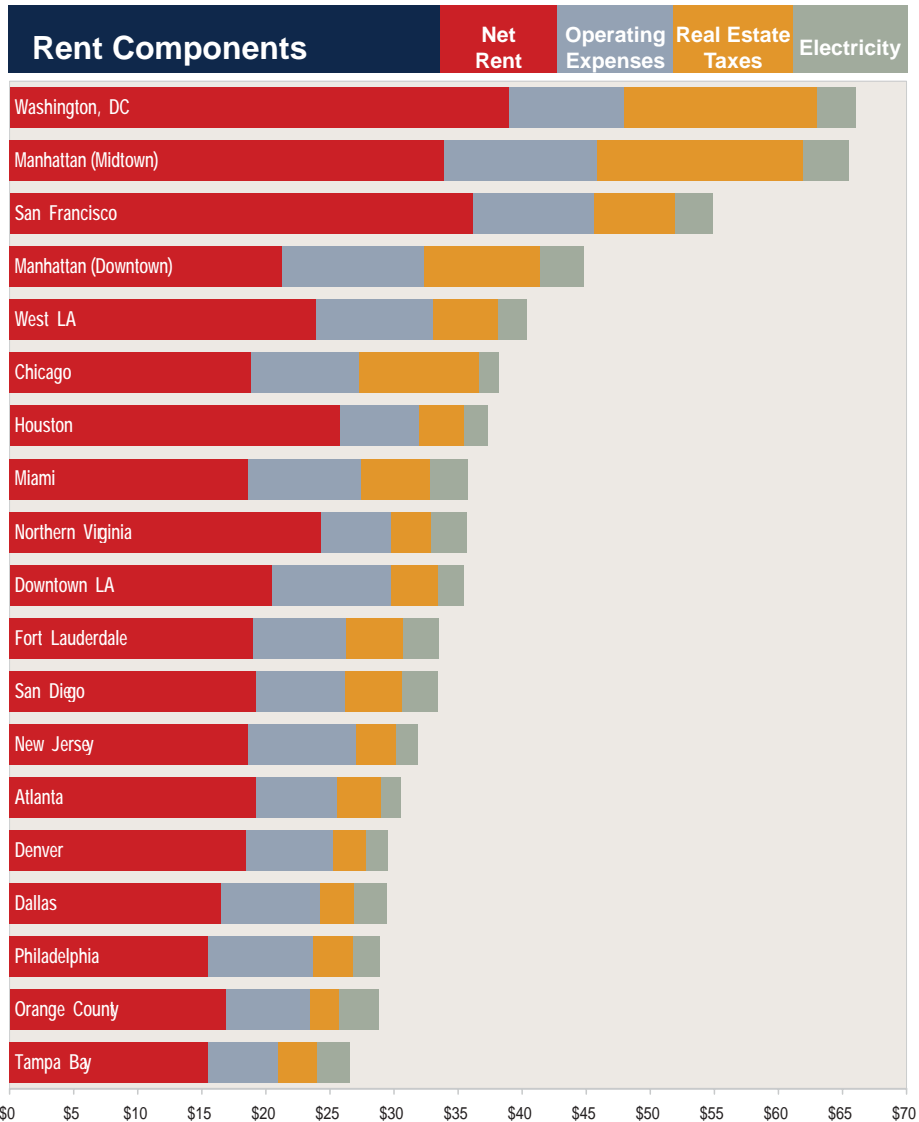
Total Rent

Tenant Effective

Landlord Effective



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Rent											
Philadelphia	\$28.15	\$29.10	\$31.05	\$31.11	\$30.95	\$27.35	\$26.50	\$28.92	\$30.50	\$29.33	\$28.90
U.S. Average	\$43.67	\$51.22	\$48.14	\$42.81	\$42.09	\$43.37	\$46.68	\$53.01	\$64.07	\$62.24	\$51.73
Tenant Effective Rent											
Philadelphia	\$24.28	\$24.66	\$26.24	\$25.93	\$24.74	\$21.14	\$19.84	\$21.52	\$23.10	\$23.12	\$22.69
U.S. Average	\$37.63	\$45.44	\$43.68	\$36.73	\$35.15	\$36.35	\$40.00	\$46.14	\$55.02	\$51.14	\$38.98
Landlord Effective Rent											
Philadelphia	\$11.42	\$11.81	\$12.67	\$12.05	\$10.52	\$7.24	\$6.29	\$7.60	\$8.53	\$8.28	\$7.68
U.S. Average	\$21.61	\$28.74	\$27.33	\$19.65	\$17.64	\$18.06	\$20.79	\$26.39	\$33.63	\$29.21	\$17.11



The Studley Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. This study focuses on the true cost of occupancy rather than only analyzing average asking rents.

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Glossary

Concessions Includes tenant improvements, free rent and other non-rent incentives that a tenant may receive as part of the lease terms.

Landlord Effective Rent An estimate of rent received from a tenant less related expenses.

Net Rent The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus lease concessions, which are amortized over the average market lease term, using an 8.0% interest rate and beginning-of-period payments.

Tenant Electricity Payments made by the tenant, whether to the landlord or public utility, or by the landlord, as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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