

# Philadelphia, Pennsylvania

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

## Overview

This market consists of nearly 117 MSF of class A and 113 MSF of class B office product. The 4th quarter closed with market absorption at negative 1.38 MSF. Vacancy rates experienced a rise of 0.82%, and rental rates showed softness during this period. The region's commercial real estate statistics continue to reflect the true state of the local economy with continued sharp negative absorption and rising vacancy. Inducement and concession packages have become a substantial portion of negotiations and lease commitments. Most sub markets have experienced a decline in leasing and sales activity as companies have maintained a wait and see approach involving their operational needs. No notable construction was recognized in the 4th quarter.

## Market Trends

- This region is the 5th largest U.S. metro area by population and has the 7th highest gross metro product and the 4th largest total employment. (Source Select Greater Philadelphia 2009)
- A recent study by The Milken Institute ranked the region #2 in the country in the life sciences industry.
- The unemployment rate for the Philadelphia MSA stood at 9.1% through October 2009, below the national average of 10.2%.
- Comcast's merger with NBC Universal is expected to have a range of economic effects on Philadelphia with the potential for new jobs, additional office space, and the arrival of new businesses wanting to be near the giant cable and media company.

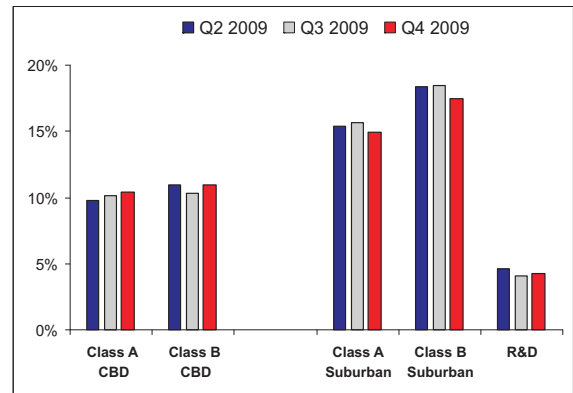
## Tenant's Perspective

Most activity this quarter was associated lease renewals and recasts, while in the CBD no significant commercial office sales were noted. It's anticipated this region will continue to experience static leasing and sales activity with an increase in sublease space. The financial strength of a prospective landlord continues to be an area of concern, specifically the inability of certain ownerships to fund tenant improvements. Tenants can continue to anticipate having exceptional leverage in any contemplated lease negotiation well into 2010. One area that may be an exception is with larger users of space (over 75,000 SF). These users are seeing fewer options as landlords have been breaking spaces to generate income, and no construction has occurred. Given the lack of large spaces in the market we are beginning to see some upward pressure on rents in larger transactions.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
ESW America	40,220	Warehouse	Lease
Tosoh Bioscience	13,500	Office	Lease
Archway Marketing	352,456	Distribution	Lease
Willis of Pennsylvania	31,524	Office	Lease
BioClinica	36,143	Office	Lease
I-many	15,335	Office	Lease
Milliman USA	29,860	Office	Lease
Strayer University	17,000	Office	Lease
Schwarz Paper Source	388,000	Warehouse	Lease
Bennett Bricklin & Saltzberg	23,056	Office	Lease

## Vacancy Rate



## Average Rental Rates

	Q2 2009	Q3 2009	Q4 2009
<b>CBD</b>			
Class A Office	\$25.05	\$25.35	\$25.85
Class B Office	\$21.20	\$21.65	\$22.30
<b>Suburban</b>			
Class A Office	\$23.65	\$23.40	\$23.15
Class B Office	\$19.20	\$19.35	\$19.89
R&D	\$12.46	\$12.78	\$12.80

Prepared By CresaPartners  
One West First Avenue, Suite 201  
Conshohocken, Pennsylvania 19428  
610.825.3939 ■ [www.cresapartners.com](http://www.cresapartners.com)