



Philadelphia, Pennsylvania

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The fourth quarter closed with positive net market absorption of 879,220 SF and overall vacancy declining to 11.92%. With continued, modest quarter-over-quarter improvement, the market is sustaining a consistent but still fragile recovery. Nearly 307,000 square feet of newly constructed office space was delivered in Q4 2011.

Market Trends

- The local MSA unemployment rate stood at 8.1% through October 2011, below the national average of 9% for the same period.
- A 2010 study by KPMG reported that Greater Philadelphia has a lower cost of doing business in 17 sectors when compared to the 18 largest metro areas across the U.S.
- Research and Development in the Greater Philadelphia Region Study, conducted by Select Greater Philadelphia, found that Greater Philadelphia is among the top 5 research and development centers in the U.S. with total R&D spending higher than the U.S. percentage.
- The 2010 "Inc. 5000" list of fastest growing companies named Greater Philadelphia a "Top 10 Metro Hotspot".

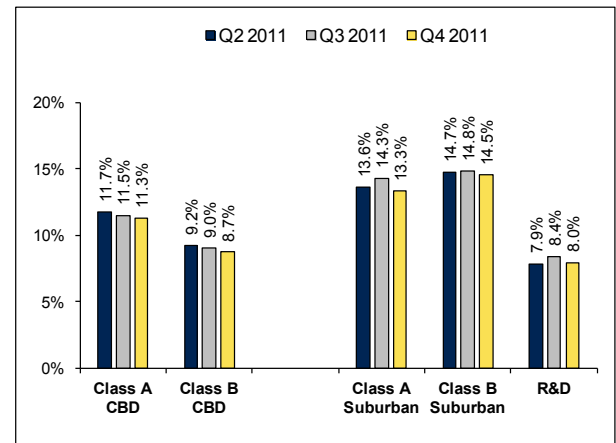
Tenant's Perspective

The Philadelphia region will continue to be a tenant's market through mid-2012. Most tenants can still expect favorable rents and rental concessions in any negotiation and are advised to act in the near term. This excludes requirements for specialty product and large contiguous blocks of space (over 75,000 SF), which both remain scarce. It is wise to visit lease obligations well in advance of their expiration (ideally >12-18 months) to capture the most favorable terms. As always there are submarkets which will run counter to this forecast, and it is advisable for tenants to consider researching multiple sub-markets as they look at space options. Understanding the financial strength of any prospective property remains an area of critical assessment, specifically the ability of certain ownerships to fund tenant improvements, transaction costs, and property maintenance need to be understood prior to making a commitment.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Keystone Property Grp	220,358	Office	Purchase
Gamesa Tech	74,297	Office	Lease
Holtec Int'l	206,243	Office	Purchase
GSA	53,000	Office	Lease
David Werner RE	841,000	Office	Purchase
Conrad O'Brien	45048	Office	Lease
The Hartford	41,869	Office	Lease
Goodwill Industries	60,760	Warehouse	Lease
Iroko Pharmaceuticals	56,413	Office	Lease
Pepper Hamilton	27,326	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$26.17	\$26.20	\$26.32
Class B Office	\$22.41	\$22.45	\$22.40
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$23.27	\$24.53	\$24.69
Class B Office	\$19.97	\$19.92	\$19.89
R&D	\$28.95	\$36.00	\$36.00

