



Philadelphia, Pennsylvania

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

With continued quarter-over-quarter improvement, the MSA is sustaining a consistent but still fragile recovery. Q1 closed with positive net market absorption of 379,622 SF, and overall vacancy declined to 11.54%. Less than 100,000 square feet of newly constructed office space was delivered in Q1 2012.

Market Trends

- The local MSA unemployment rate stood at 7.9% through December 2011, below the national average of 8.5% for the same period.
- A 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.
- A 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. average.
- The rise in new multifamily construction continues throughout the region.

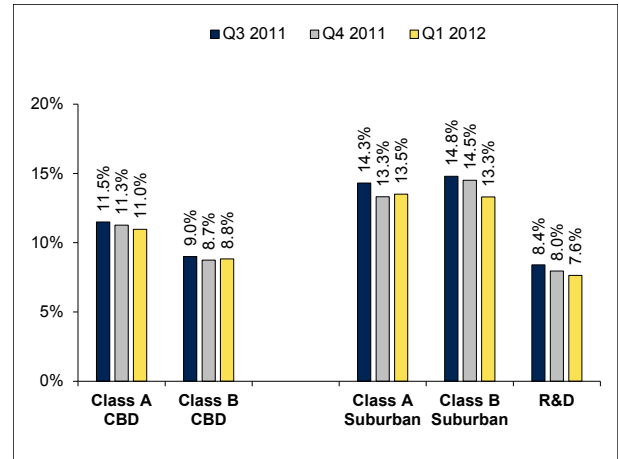
Tenant's Perspective

There is a return of some confidence and optimism; however, economic conditions continue to put a damper on any robust recovery. As a result, it is expected the Philadelphia region will continue to be a tenant's market through 2012, and statistically we have not yet approached market equilibrium which occurs at approximately a 10% vacancy rate. Most tenants can still expect favorable rents and rental concessions in any negotiation and are advised to address any approaching lease obligations in 2012 in order to capture the most favorable transaction terms. As always there are submarkets that will run counter to this forecast, and it is advisable for tenants to consider researching multiple submarkets as they evaluate their options. With an increase in landlord asking rental rates for all property classes through 2011 approaching 2%, actual transaction rates may begin to climb in 2012 as tenant demand continues to strengthen.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Endo Pharmaceuticals	300,000	Office	Lease
Qualcare Alliance	30,492	Office	Lease
PA Media Network	125,000	Office	Lease
The Hartford	34,122	Office	Lease
Nat'l Diversified Sales	47,500	Warehouse	Lease
Nestle Holdings	1,045,153	Warehouse	Lease
Ernst & Young	74,240	Office	Lease
PNC Bank	30,426	Office	Lease
First Niagra	63,003	Office	Lease
Marshall Dennehey	131,325	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$26.20	\$26.32	\$26.32
Class B Office	\$22.45	\$22.40	\$22.40
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$24.53	\$24.69	\$24.13
Class B Office	\$19.92	\$19.89	\$20.21
R&D	\$36.00	\$36.00	\$36.00

