

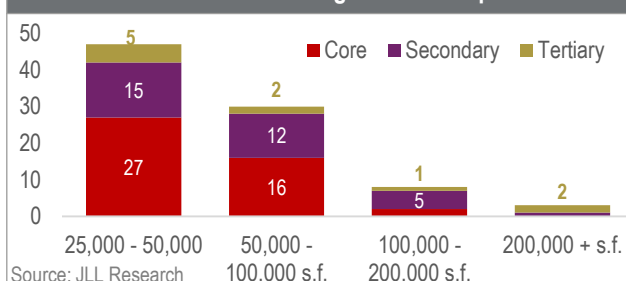


New construction and major transactions show core suburbs still attracting investment

Core submarkets have more than half of the PA Suburbs' large blocks

Nearly half of all large blocks of space available today in the PA Suburbs are located in the core submarkets, a perennially tight market for larger tenants. In the King of Prussia/Wayne submarket, the 14 large block availabilities (nearly 900,000 square feet of space) are partly the result of the shifting dynamics of the pharmaceutical industry—Shire's departure from the Chesterbrook Corporate Center to Malvern/Exton and Auxilium's move to sublease 640 Lee Road after its acquisition by Endo. Also notable is some softening in the Radnor submarket, closing 2016 with its highest availability rate (20 percent) since the recession and large blocks available at 555 E Lancaster and 5 Radnor Corporate Center.

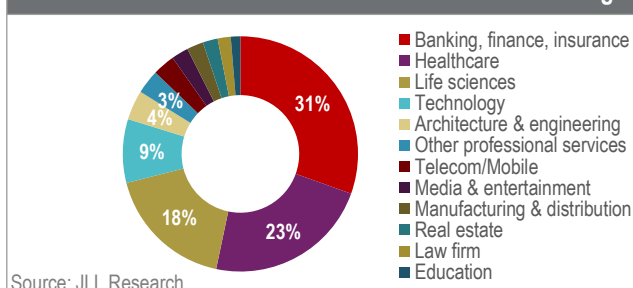
Core submarkets offer most large blocks of space



Healthcare and life sciences dominate market demand

Looking forward to 2017, nearly half of all tenants in the suburban Philadelphia office market are in the healthcare, life sciences, and technology sectors, reflecting the region's perennial strength in these areas. Nearly one million square feet of office space are currently being sought by science and technology companies looking to expand their footprint in the market, the majority of which are looking along the Route 202 Corridor. While the continued expansion of the healthcare and pharmaceutical industry is a good sign for the ongoing strength of the suburban office market, all of the current demand is locally-generated, a reminder that Philadelphia and its suburbs may be growing but not attracting new businesses.

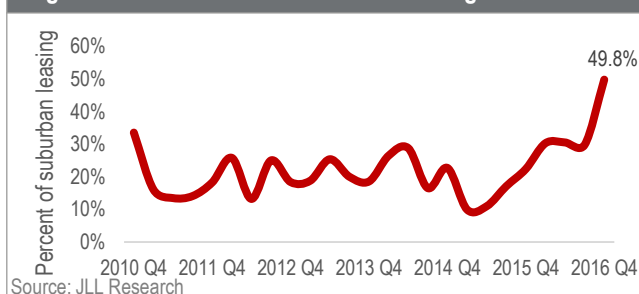
Distribution of tenants in the market with 2017/2018 timing



King of Prussia/Wayne tenant reshuffling generates major leasing activity

Thanks to competitive rental rates and some new vacancies in the submarket's most attractive buildings, King of Prussia/Wayne closed 2016 with a record proportion (nearly 50 percent) of the Pennsylvania suburbs' total quarterly leasing activity. Behind the flurry of leasing are within-submarket tenant expansions: Vertex will lease almost all of GSK's 2301 Renaissance, and Dell Boomi will move into 1400 Liberty Ridge, which leaves Shire's two other former buildings, 1200 Morris and 735 Chesterbrook, as the largest vacancies in the submarket.

King of Prussia accounted for 50% of leasing in Q4



53,001,999

Total inventory (s.f.)

102,853

Q4 2016 net absorption (s.f.)

\$25.87

Direct average asking rent

184,000

YTD delivered construction (s.f.)

14.1%

Total vacancy

411,717

YTD net absorption (s.f.)

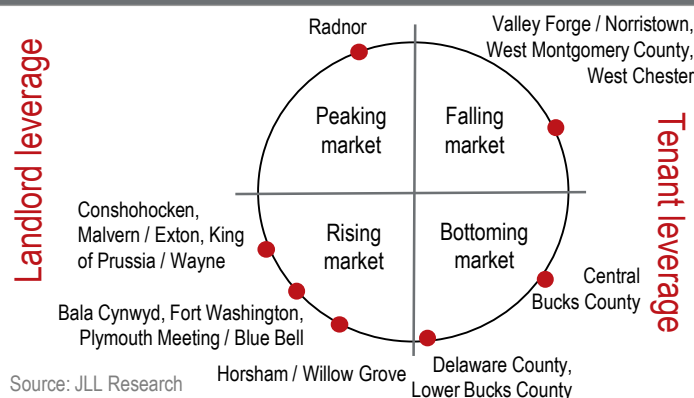
4.8%

12-month rent growth

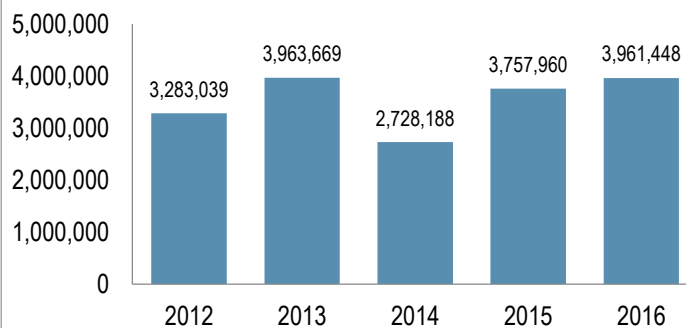
42%

Total preleased

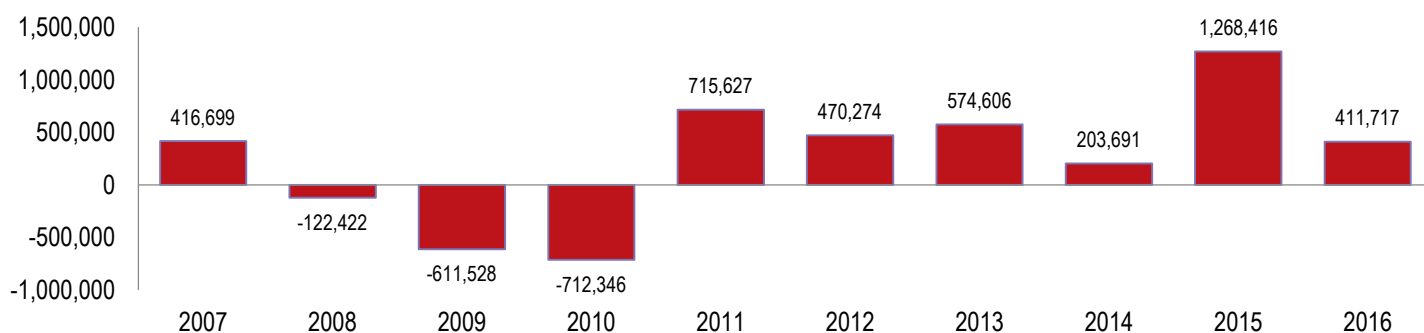
Current conditions – submarket



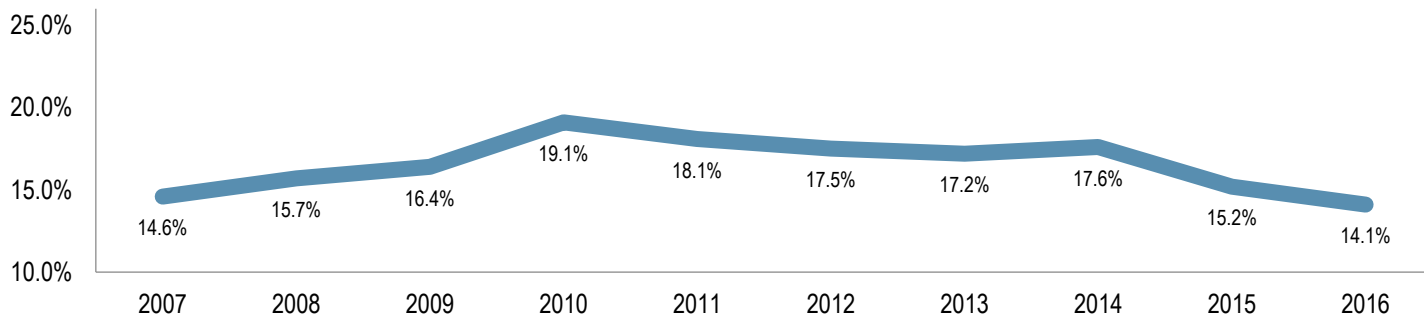
Historical leasing activity (s.f.)



Total net absorption (s.f.)



Total vacancy rate (%)



Direct average asking rent (\$ p.s.f.)

