

Office Market Trends Delaware

Grubb & Ellis Research

Second Quarter 2006



Vacancy Recedes, Development Continues

Executive Summary

As 2006 unfolded, the Wilmington office market kept pace with other regional markets by posting over 52,000 square feet of growth in the second quarter, bringing the annual absorption figure to 63,629 square feet. As the second quarter came to a close, Wilmington's overall vacancy dropped 20 basis points, settling at 15.9 percent. The decline was largely attributable to absorption of Class B product; and consequently, vacancy in the sector fell 40 basis points and rested at 17.9 percent in 2Q06. The Wilmington South submarket, the bright spot of the Delaware office market, was active as the Internal Revenue Service moved into 24,000 square feet of space at 1352 Marrows Road. On the supply front, developers continue to opt to build in Delaware. Also in Wilmington South, work nears completion on the 50,000 square foot office complex at 5350 Summit Bridge Road known as Cricklewood Grove. The speculative project is expected to be completed by the first half of the third quarter and will include 15,000 square feet of retail space. Work continues to progress on the 250,000 square foot build-to-suit project for Juniper Bank along the Christiania Riverfront, along with the 371,000 square foot office project the Buccini/Pollin Group is building at 500 Delaware Avenue. Both projects are expected to be completed by mid-2007 and November 2006, respectively. In the second quarter, work commenced on the largest mixed-use development project in Wilmington since World War II, Justinson Landing, an 11-acre redevelopment site located off of South Madison Street. The initial phase of the Buccini/Pollin Group project will include townhomes, lofts, apartments and retail space. Over the course of the next five years, additional retail and over 300,000 square feet of office space will be constructed.

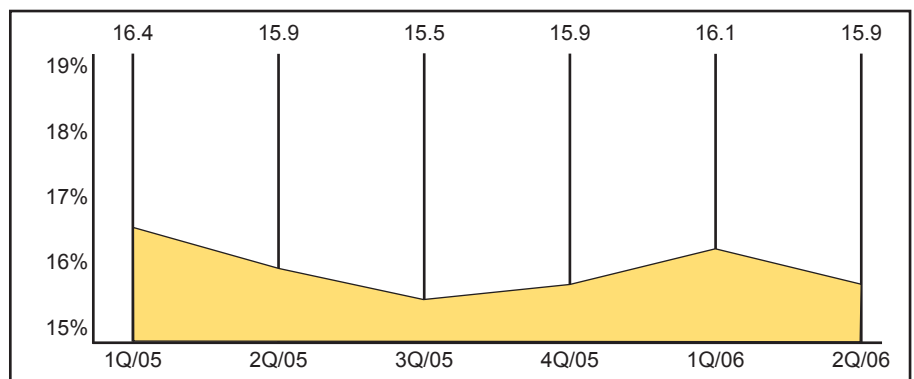
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Office Vacancy Rate*

* All Classes of Space

