

Office Market Trends Delaware

Grubb & Ellis Research

Second Quarter 2007



Two Large Office Centers Come to Market

Executive Summary

As the second quarter drew to a close, the Wilmington office market posted 15,363 square feet of positive absorption which represented a decrease in vacancy of 10 basis points to 15.9 percent. While the suburban submarkets enjoyed the lion's share of the growth, the CBD experienced contraction on the order of 39,183 square feet. Glenmeade Trust and Kremer Laser Eye Surgery accounted for about half of the red ink in the CBD, vacating 12,000 and 7,500 square feet respectively. Notably, in the North, Cigna Health Care moved into 17,100 square feet of space at 650 Naamans Road and the South witnessed Comcast occupying 115,664 square feet of space at Christiana Corporate Center. This large absorption offset the hole left by Chase Bank after they vacated 101,218 square feet of space at 500 and 600 White Clay Drive.

Contents

Executive Summary1

Market Snapshot2

Rental rates kept in step with the market activity as Class A, CBD asking rents fell \$0.36 to \$26.49 per square foot while Class A rates throughout the market rose \$0.06 to \$25.91 PSF. Class B rates increased sharply from \$20.68 to \$21.15 PSF resulting from steady demand in the Wilmington suburbs. Overall, the rates held steady with an increase of only \$0.02 to \$23.60 PSF to end the quarter. Rents in the suburbs for the balance of the year will be affected in some part by the introduction of the Crozier Center, a former MBNA office campus, to the leasing market. In addition to this, DuPont announced this quarter that it will vacate its entire 1 million-square-foot office campus at Barley Mill Plaza, although most real estate professionals speculate that whoever acquires this facility will convert it into a mixed-use site, dampening its affect on the suburban office market.

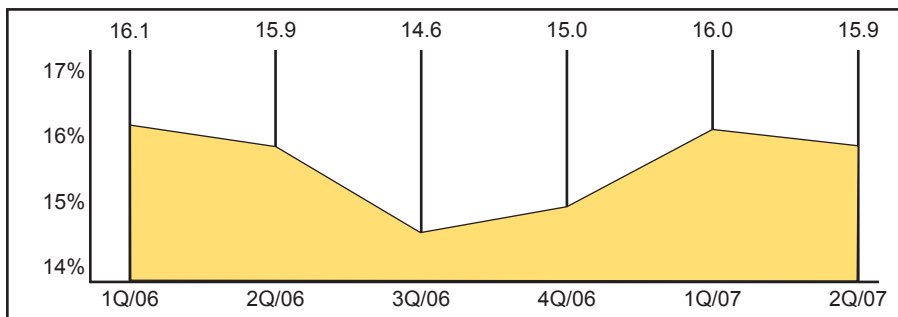
Delaware Office Market Trends

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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Delaware Second Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const.(3)	Asking Rent (4)	
	SF	SF		Current	Year To Date	SF	Class A	Class B
Wilmington CBD	6,416,126	1,155,825	18.0%	(39,183)	219,690	295,290	\$26.49	\$21.58
Wilmington North	3,327,484	650,749	19.6%	38,947	103,397	-	\$26.78	\$22.71
Wilmington South	3,268,861	353,402	10.8%	21,226	33,928	30,000	\$22.60	\$18.28
Wilmington West	775,781	28,205	3.6%	(5,627)	(6,354)	60,000	\$22.75	\$22.87
Totals	13,788,252	2,188,181	15.9%	15,363	350,661	385,290	\$25.91	\$21.15

By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	7,629,299	1,091,192	14.3%	133,695	421,793	385,290	-	201,642
Class B	5,769,805	962,669	16.7%	(115,475)	(68,275)	-	-	271,650
Class C	389,148	134,320	34.5%	(2,857)	(2,857)	-	-	14,485
Totals	13,788,252	2,188,181	15.9%	15,363	350,661	385,290	-	487,777

(1) Inventory includes multi-tenant and single-tenant buildings with at least 20,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Construction Second Quarter 2007

	New Speculative Development				New Build-to-Suit Development			
	Under Construction	Preleased	Completed This Qtr	Completed YTD	Under Construction	Preleased	Completed This Qtr	Completed YTD
CBD	142,290	16.7%	-	-	153,000	100%	-	250,000
Suburban	30,000	0.0%	-	-	60,000	91.7%	-	-
Total	172,290	13.8%	-	-	213,000	97.7%	-	250,000

Office Market Terms and Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.