

Office Market Trends Delaware

Grubb & Ellis Research

Third Quarter 2006



Occupancy, Rents Both Rise in 3Q06

Executive Summary

As third quarter drew to a close, Wilmington's office market clocked 106,724 square feet of positive absorption bringing the year-to-date to 221,294 square feet of new growth. As a result, vacancy edged down 1.3 percentage points settling at 14.6 percent by the end of the quarter. While second quarter's vacancy decline was largely due to demand for Class B space, the recent 90-day gains were largely within Class A product which accounted for 98,760 square feet of the quarterly total. During 3Q06, tenants showed strong demand for suburban locations as each suburban submarket posted black ink for the quarter, in contrast to overall negative absorption in Wilmington's CBD. Both the North and South submarkets saw over 40,000 square feet of space come off the market, while the West enjoyed over 20,000 square feet of positive absorption. The Class A sector's occupancy gains drew a \$0.28 increase in rents, which finished the third quarter at \$24.22 PSF/YR. Class B rents held steady at \$22.19 PSF/YR. In terms of development activity, the Wilmington office market ended the quarter with over 1.0 Million square feet of construction underway largely driven by new development activity in the CBD. The CBD alone had over 800,000 square feet of space in the pipeline, with only 365,661 square feet available, including the 158,000 Renaissance Centre, the 371,222 square foot WSFS Financial Center, the 153,000 square foot Corporate Plaza II and the 250,000 square foot Juniper Bank development.

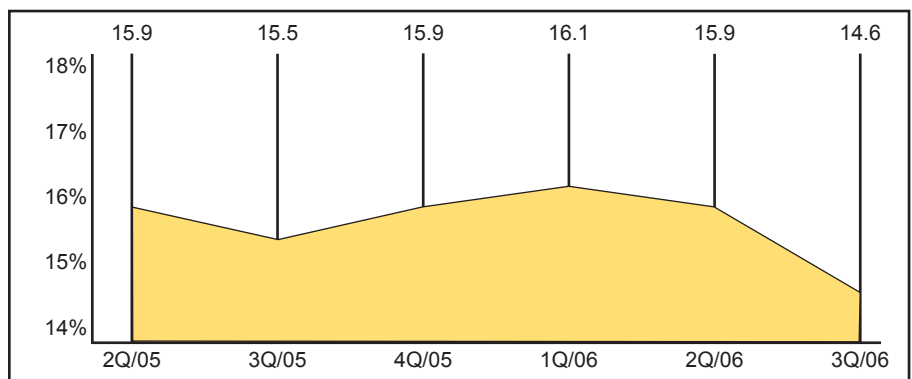
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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Delaware Third Quarter 2006

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current	Year To Date	SF	Class A	Class B
Wilmington CBD	5,502,669	867,771	15.8%	(13,328)	(28,720)	932,222	\$24.31	\$20.74
Wilmington North	3,205,753	624,355	19.5%	48,018	25,211	0	\$25.84	\$21.34
Wilmington South	3,329,861	354,779	10.7%	47,893	167,034	80,000	\$22.25	\$18.40
Wilmington West	695,781	9,743	1.4%	24,141	57,769	0	\$25.00	
Totals	12,734,064	1,856,648	14.6%	106,724	221,294	1,012,222	\$24.22	\$20.25

By Class (All Submarkets)							Available for Sublease	
	SF	SF	Vacant %	Current	Year To Date	SF	CBD	Suburban
Class A	6,675,111	736,331	11.0%	98,760	91,665	1,012,222	165,472	224,075
Class B	5,669,805	986,262	17.4%	13,574	143,312	-	35,061	44,793
Class C	389,148	134,055	34.4%	(5,610)	(13,683)	-	14,485	14,485
Totals	12,734,064	1,856,648	14.6%	106,724	221,294	1,012,222	215,018	283,353

- (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.

Office Locations

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