

Office Market Trends Delaware

Grubb & Ellis Research

First Quarter 2006



Absorption Gains in 1Q06; Rents Rise

Executive Summary

The Greater Wilmington office leasing fundamentals shored up with the area posting 11,586 square feet of positive absorption in the first quarter, although the market struggles to keep pace with the growth trend established by others in the Delaware Valley. By the end of March, the Wilmington overall vacancy settled at 16.1 percent, while the Class B vacancy fell 1.5 percent over the fourth quarter to rest at 18.3 percent. In Wilmington North, after signing a lease in 2005, Wachovia Bank moved into 46,000 square feet of office space in the Rockwood Office Park, completely filling the second and third floors in the first quarter. On the supply front, in the Wilmington South submarket, the 42,000 square foot building at 1352 Marrows Drive was completed and added to the inventory in 1Q06. Despite small gains and new development and construction in Wilmington, as a result of Bank of America Corporation's January acquisition of MBNA Corporation, the elephant in the room remains the future of MBNA employees and the office space they occupy. The 3.3 million square foot portfolio currently held by Bank of America poses significant absorption questions if the space is returned to the market, leaving Wilmington in an extended period of speculation with clear answers as far as a year away. Meanwhile, with landlords shoring up commitments for office space, overall full-service asking rents increased \$0.52 to \$22.70 per square foot per year, with Class A rents gaining \$0.08 to \$25.46 PSF/YR in the first quarter.

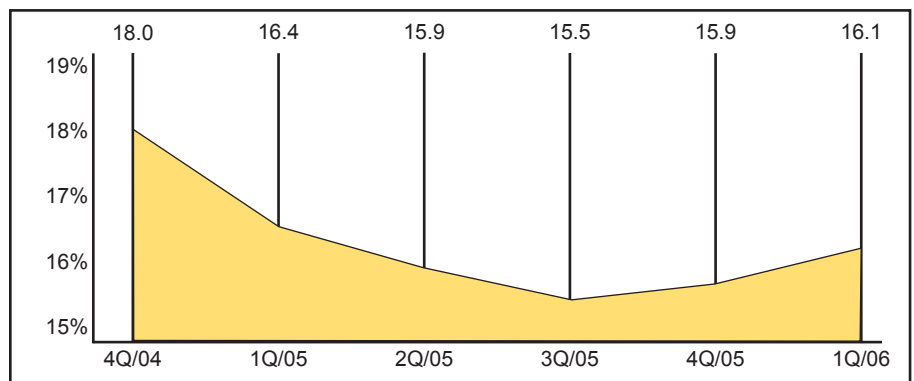
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Matthew Wright

Research Services Manager
E-mail: matthew.wright@grubb-ellis.com

Grubb & Ellis Company
1001 Jefferson Street, Suite 104
Wilmington, Delaware 19801
Phone: 302.888.4500
Internet: www.grubb-ellis.com



Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Delaware First Quarter 2006

By Submarket (All Classes)	Total SF(1)	Vacant SF(4)	Vacant %	Net Absorption		Under Construction(2)	Asking Rent(3)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD	5,502,669	850,228	15.5%	(11,177)	(11,177)	774,222	\$26.66	\$19.86
Wilmington North	3,205,753	659,992	20.6%	(10,426)	(10,426)	-	\$24.73	\$21.27
Wilmington South	3,324,861	490,125	14.7%	16,212	16,212	-	\$22.01	\$18.59
Wilmington West	695,781	50,535	7.3%	16,977	16,977	-	\$25.77	\$21.00
Totals	12,729,064	2,050,880	16.1%	11,586	11,586	774,222	\$25.46	\$20.00

By Class (All Submarkets)	Total SF(1)	Vacant SF(4)	Vacant %	Current Qtr.	Year-to-date	Under Construction(2)	Available for Sublease	
							CBD	Suburban
Class A	6,657,111	879,909	13.2%	(63,737)	(63,737)	774,222	-	319,067
Class B	5,685,805	1,039,651	18.3%	86,271	86,271	-	-	29,107
Class C	368,148	131,320	35.7%	(10,948)	(10,948)	-	-	14,485
Totals	12,729,064	2,050,880	16.1%	11,586	11,586	774,222	-	362,659

(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.

Office Locations

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