

Office Market Trends Delaware

Grubb & Ellis Research

Third Quarter 2008



Soft Market Expectations Come To Fruition

Executive Summary

The New Castle County office market posted a substantially negative absorption total for the quarter due in large part to the E.I. DuPont lease expiration at the Brandywine Building reintroducing 252,000 square feet of vacant space in the heart of the Wilmington CBD into the competitive inventory. In all, the New Castle County office market tallied over 390,000 square feet of negative absorption over the past 90 days as the vacancy rate crested the 20 percent threshold in the New Castle County office market for the first time in five years. Since this movement has been expected for some time now, its effect on rates has already been realized. In fact, New Castle County overall asking rents ticked up 3 basis points this quarter and 61 basis points since this time last year. Sublease offerings are down for the fourth straight quarter, but much of this decline is attributed to the aforementioned DuPont lease expiration not tenant demand.

Given the large amount of supply on the market, developers have ceased activity with only Trefoil's built-to-suit for Honda Financial underway in the Commons at Little Falls. Overall, the construction pipeline is down 70 percent since last year. After Honda Financial's building is complete, one should expect development to remain dormant until large blocks of available space recently added to the market are significantly leased up. The largest of these blocks are DuPont's former space at the Brandywine Building and Bank of America's former campus at the newly renamed Iron Hill Corporate Center.

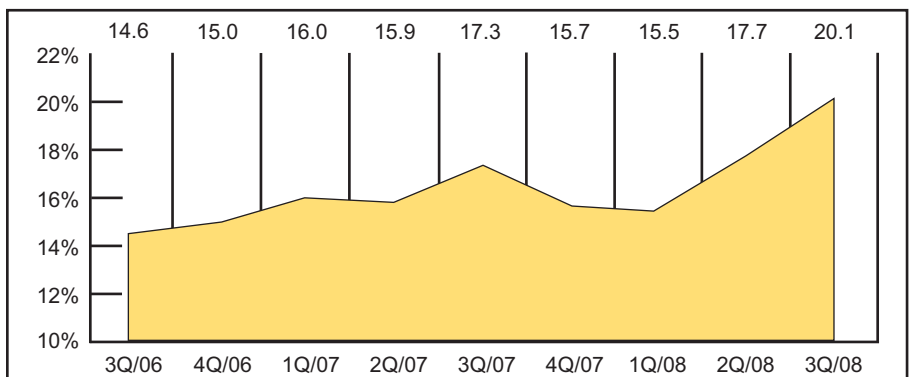
Delaware Office Market Trends

is a newsletter published quarterly by Grubb & Ellis Company. To obtain additional copies or other Grubb & Ellis publications, please contact:

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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Delaware Third Quarter 2008

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	Class A	Class B
Wilmington CBD	6,816,079	1,411,057	20.7%	(338,136)	(293,317)	-	\$28.14	\$22.44
CBD Total	6,816,079	1,411,057	20.7%	(338,136)	(293,317)	-	\$28.14	\$22.44
Wilmington North	3,296,191	765,479	23.2%	(45,143)	(90,233)	-	\$26.95	\$22.36
Wilmington South	3,693,543	718,122	19.4%	(9,387)	(52,212)	-	\$23.46	\$20.54
Wilmington West	835,781	50,711	6.1%	2,284	44,765	26,000	\$27.24	\$22.41
Suburban Total	7,825,515	1,534,312	19.6%	(52,246)	(97,680)	26,000	\$25.65	\$21.61
Totals	14,641,594	2,945,369	20.1%	(390,382)	(390,997)	26,000	\$27.18	\$21.87

By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	7,973,660	1,273,899	16.0%	(367,096)	(249,404)	-	90,527	6,757
Class B	6,278,786	1,553,514	24.7%	(23,009)	(140,166)	26,000	-	66,087
Class C	389,148	117,956	30.3%	(277)	(1,427)	-	-	-
Totals	14,641,594	2,945,369	20.1%	(390,382)	(390,997)	26,000	90,527	72,844

(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 Third Quarter 2008

	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	-	-	-	-	-	-	-	-
Suburban	-	-	-	-	26,000	-	-	60,000
Total	-	-	-	-	26,000	-	-	60,000

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.