

1Q25

Delaware Office Market Overview



NEWMARK

Market Observations

Economy

- Unemployment in the Wilmington MSA registered 5.4% as of February. Though 90 basis points above the national rate, unemployment dropped 290 basis points from the end of August, reflecting the lowest unemployment rate we have seen in almost two years. Annual employment shrank by 10 basis points from the month of February, 130 basis points below the national 12-month growth rate.
- For the 12 months ending in February, annual employment growth was recorded in five of the ten primary industries in the Wilmington MSA. The most robust gains were in Construction, Education and Health, and Government, comprising over 37% of the region's employment.
- Office-using employment shrank by 2.7% for the 12 months ending in February. This compression can be credited to the Business & Professional and Financial Activities industries shrinking by 2.7% and 2.9%, respectively.

Major Transactions

- While most deals over the past 12 months involved spaces under 10,000 square feet, several notable leases stood out. Potter Anderson & Corroon renewed 82,758 SF at 1313 N Market Street. Bounce Pickleball Delaware LLC signed for 24,841 SF at 500 Justison Street. PNC signed for 15,481 SF at 222 Delaware Avenue. United Medical subleased 15,703 SF at 800 Delaware Avenue. A variety of industries signing leases, such as Legal, Recreation, and Financial Activities, reflects a diverse leasing market.

Leasing Market Fundamentals

- After a few years of occupancy losses, vacancy appears to be stabilizing in the Delaware office market, bolstered by Incyte's purchase of two downtown buildings formerly owned by Bank of America: Bracebridge I at 1100 N. King Street (372,118 SF) and Bracebridge III at 1100 N French Street (145,189 SF). The \$47M sale (\$92/SF) is a positive indicator for the office market. Incyte's influence on Wilmington's office market was swift and substantial, reducing the Class A vacancy rate by one-third, from 30.5% to 20.9%.
- There was a net absorption of 60,777 square feet in Q1, with Wilmington North leading demand at 52,906 SF.
- Vacancy rates decreased by 40 basis points to 19.0%. This decline is primarily attributed to lower vacancies in the Wilmington South (14.6%) and Wilmington West (14.7%) submarkets.

Outlook

- Strong leasing activity in 2024 suggests increased office demand heading into 2025. Though leasing activity stabilized in the first quarter of 2025, there has been a positive, upward trend of leasing activity in the Delaware market since 2022.
- The market experienced the lowest quarterly vacancy rate it has seen since the first quarter of 2022. This decline is largely due to shifting sentiment toward in-person work.
- Modern offices built after 2000 are significantly outperforming the overall market. These contemporary properties have a vacancy rate of 13.9%, which is 510 basis points below the market average of 19.0%. This highlights strong demand for modern work environments, reinforced by robust preleasing activity. For example, Avenue North at 3025 Avenue North Boulevard, which delivered in the third quarter of 2024, was over 45% occupied this quarter.

1. Economy
2. Leasing Market Fundamentals
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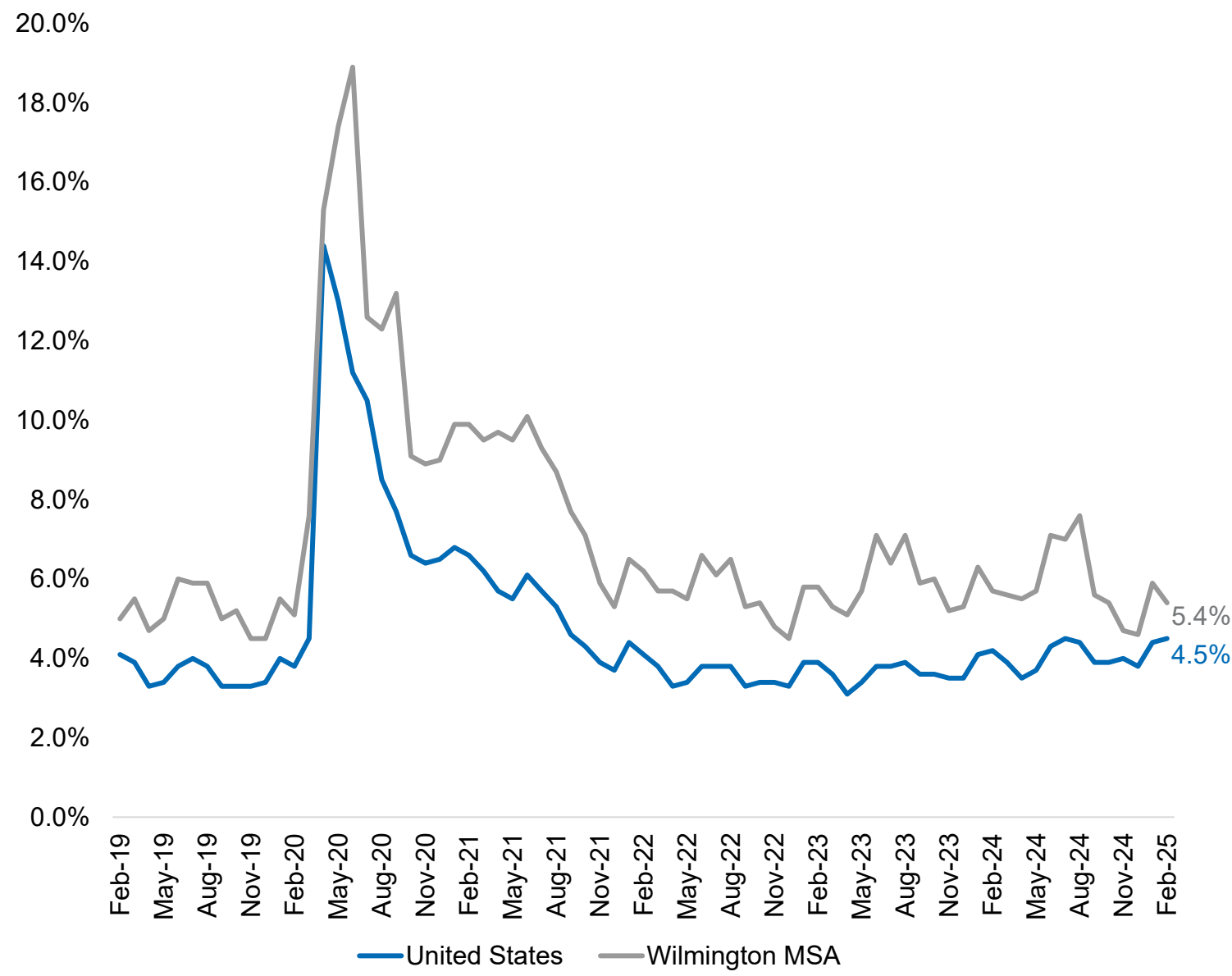
1. Economy



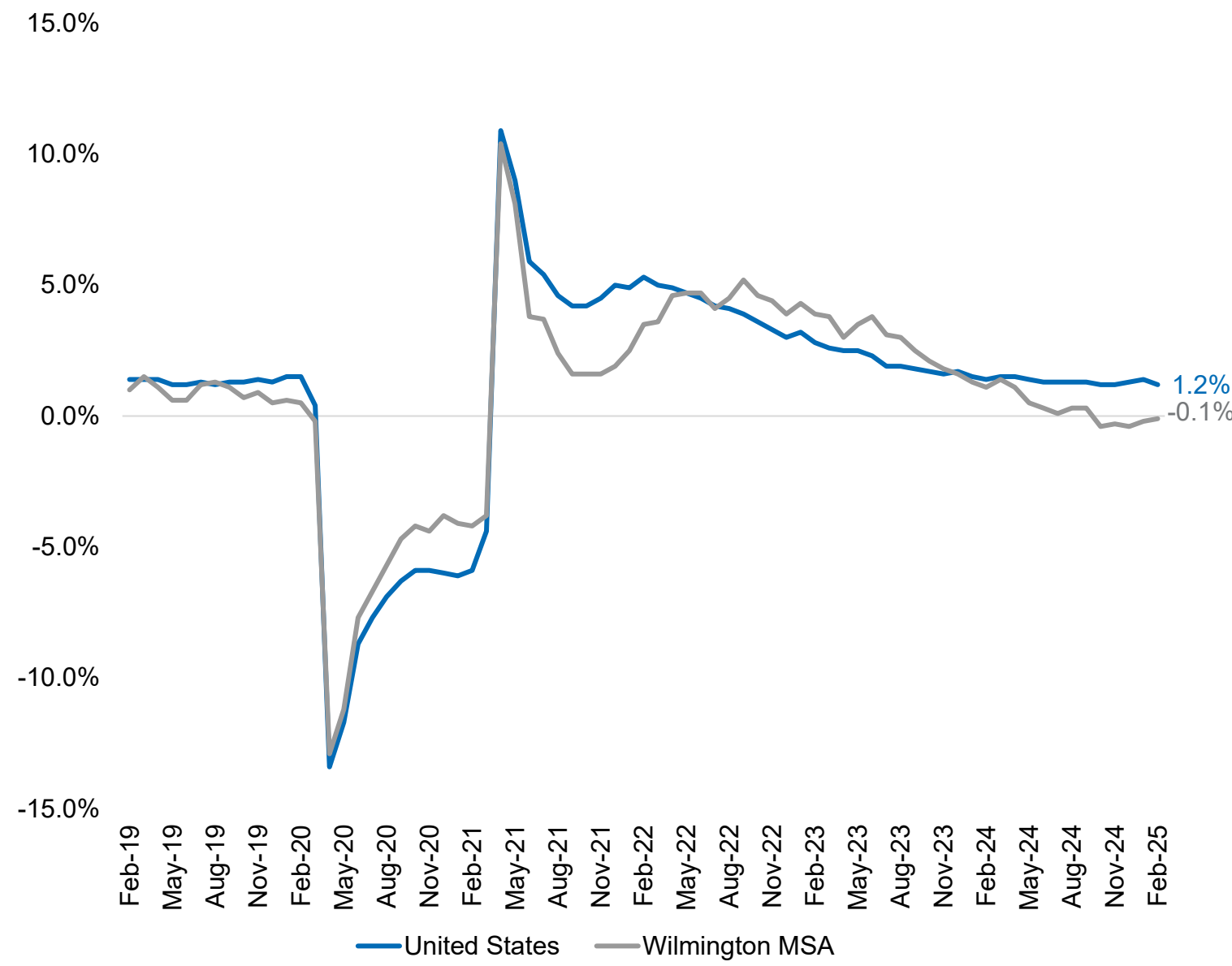
Wilmington Unemployment Significantly Decreases

Though still 90 basis points above the US unemployment rate, Wilmington's unemployment decreased by 220 basis points from August, when it was at its highest rate of 7.6% over the last 12 months. Annual nonfarm payroll employment shrank by 10 basis points in February. Construction, Education and Health have driven employment growth in Wilmington over the last 12 months.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

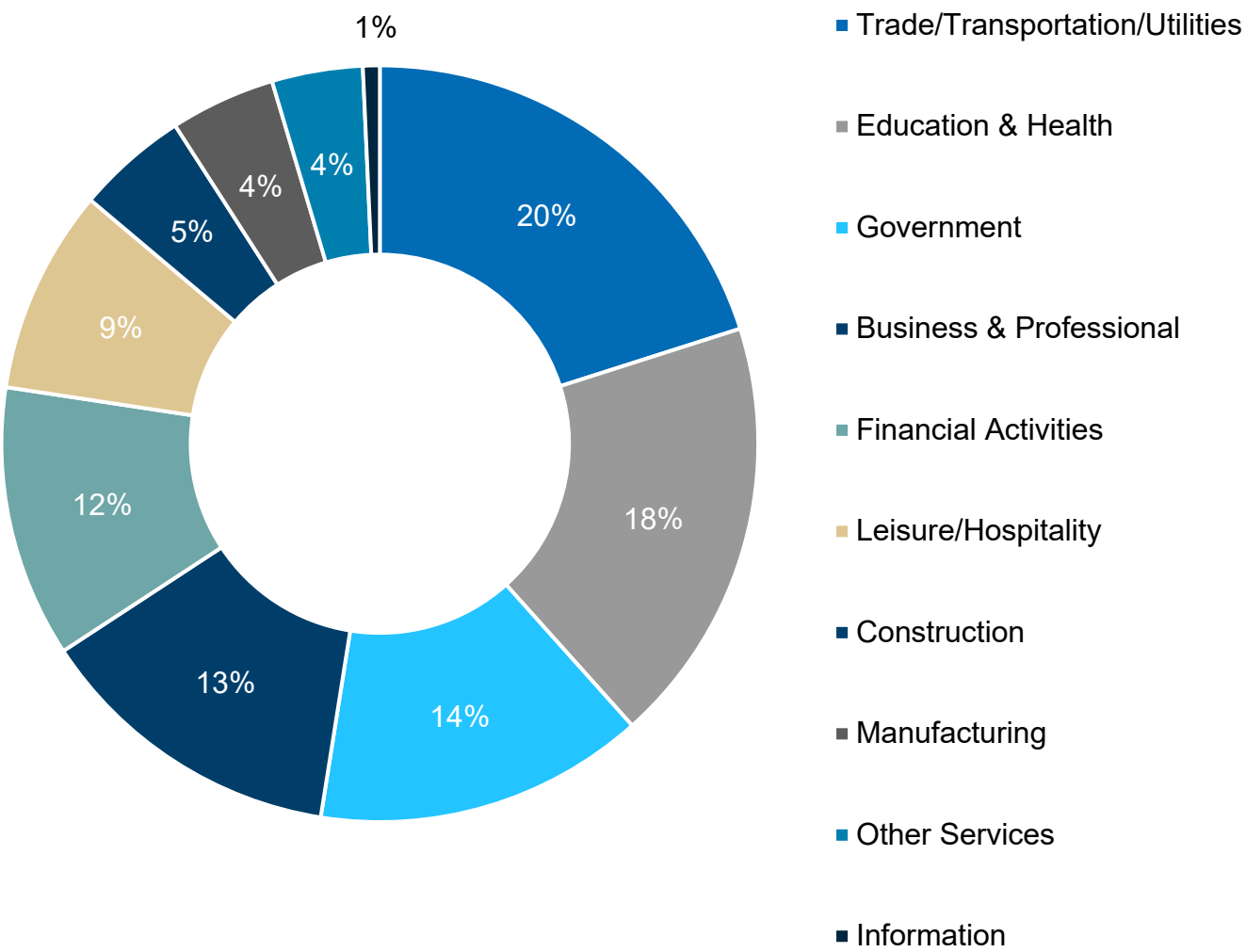


Source: U.S. Bureau of Labor Statistics, Wilmington MSA

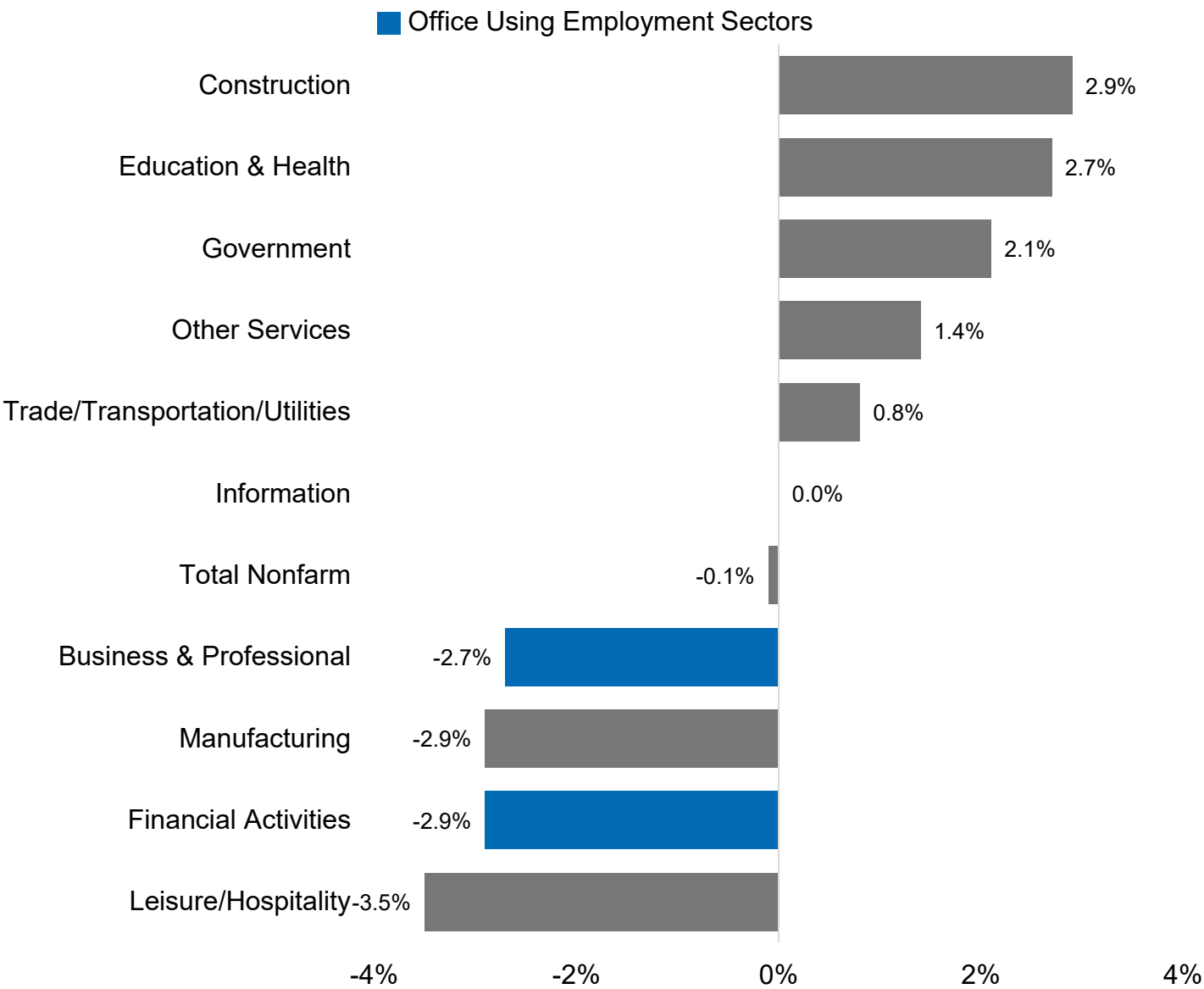
Trade/Transportation/Utilities Sector Continues To Dominate Wilmington Employment

For the 12 months ending in February, annual employment growth was recorded in half of the primary industries in the Wilmington MSA. The strongest gains were in Construction, Education and Health, and Government which combined comprise over 37% of the region’s employment. Office-using employment sectors decreased by a weighted average of 2.7% over the past 12 months.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

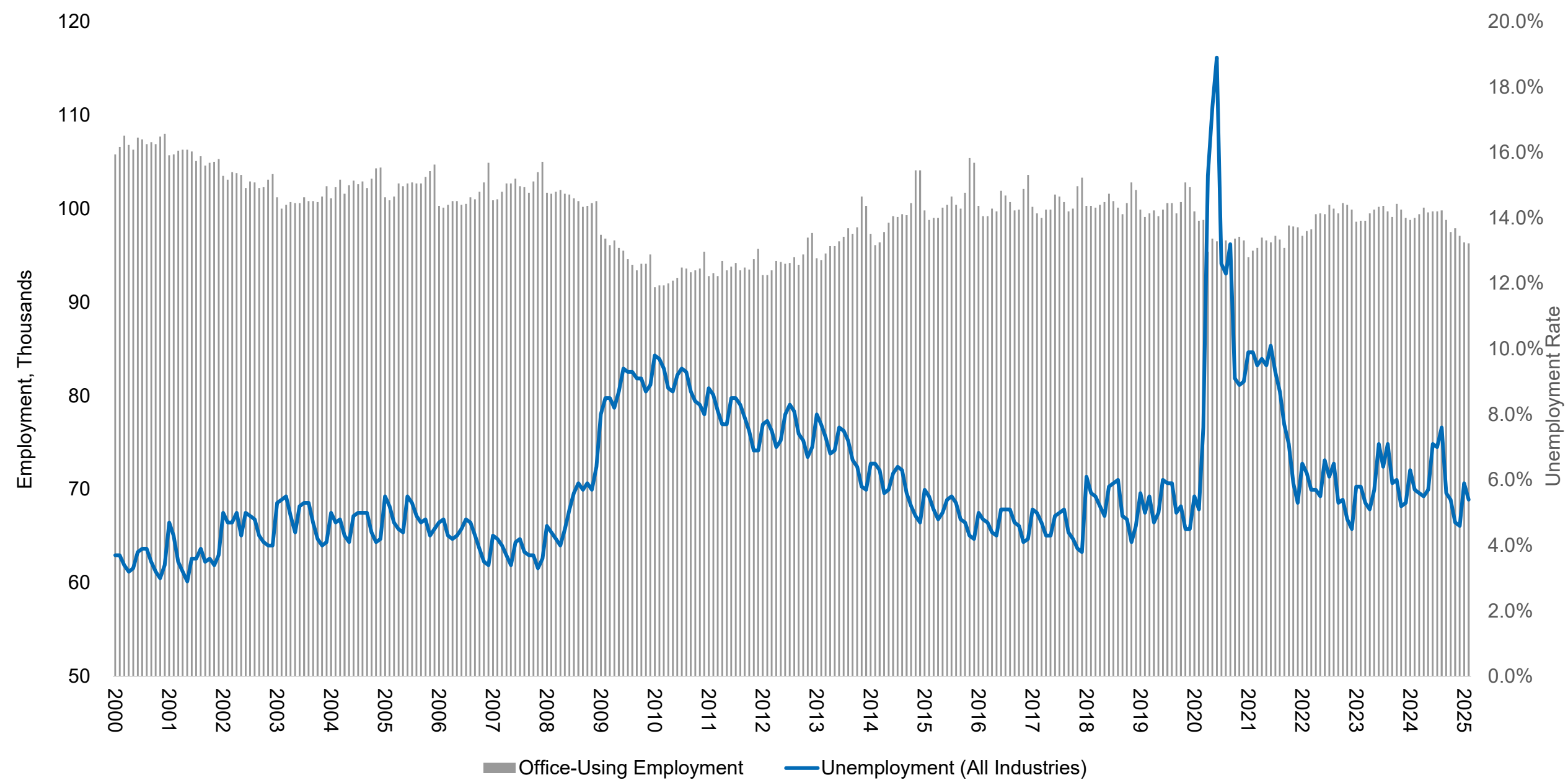


Source: U.S. Bureau of Labor Statistics, Wilmington MSA

Overall Office-Using Employment Growth Slows

For the 12 months ending in February 2025, office-using employment shrank by 2.7%. This decrease was mainly due to the Professional & Business Services and Financial activities sectors, which shrank by 2.7% and 2.9%, respectively.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Wilmington MSA
Note: February 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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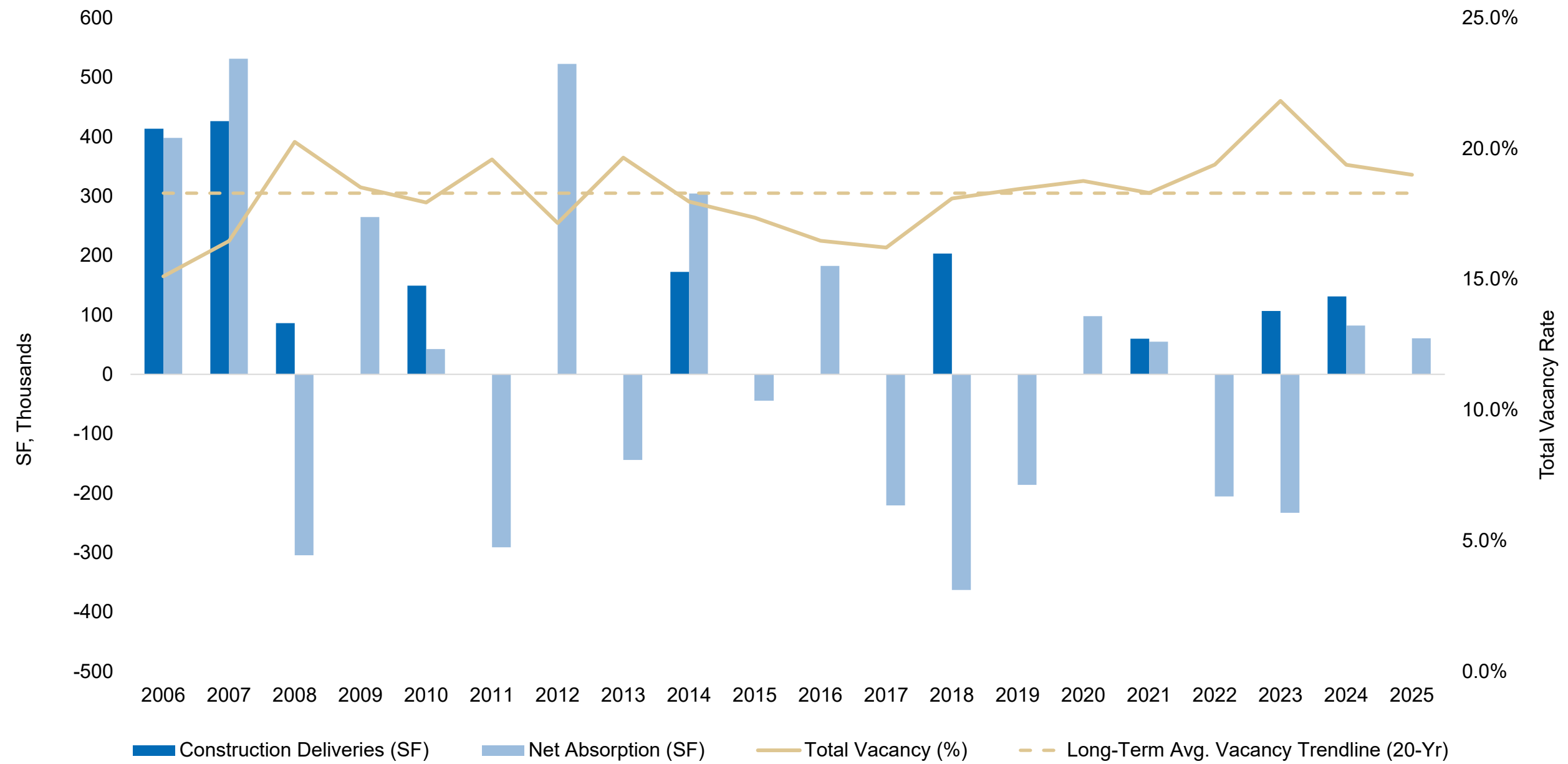
2. Leasing Market Fundamentals



Vacancies Fall And Net Absorption Stays Positive

Vacancy declined by 40 basis points between the fourth quarter of 2024 and the first quarter of 2025. Wilmington North was the primary driver of positive absorption this quarter, with a total of 52,906 SF of absorption. The market has shown recent signs of recovery over the last few quarters, as the 60,777 SF of absorption marks the third consecutive quarter of positive absorption. This quarter also marks the largest quarterly absorption recorded in the market since the fourth quarter of 2023.

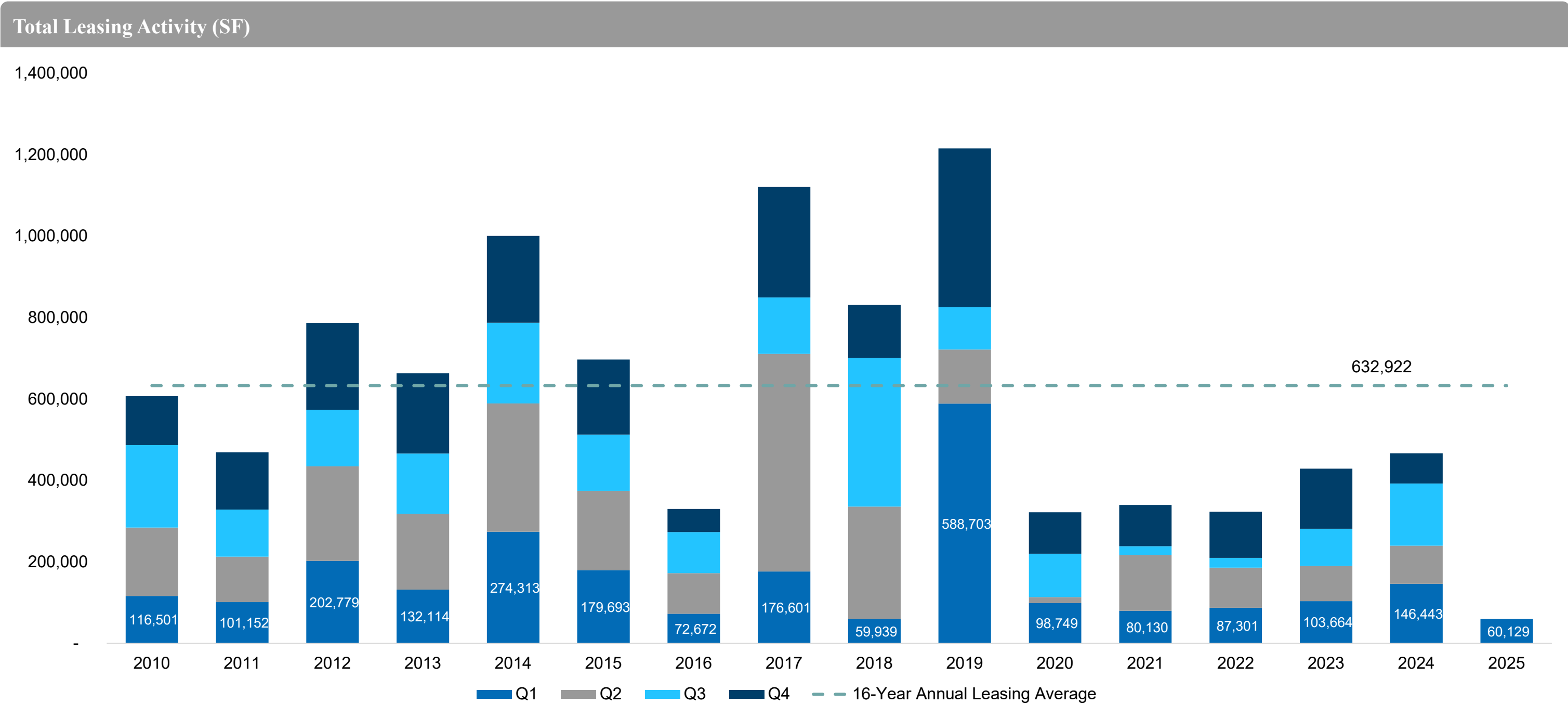
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Wilmington Leasing Activity Slows After Record Year

More than 60,000 square feet of leases were signed during the first quarter. Though below average, this occurred after record leasing activity in 2024, the most active year of office demand since 2019. Over 443,000 SF of leasing was recorded in 2024, which will continue to drive down vacancies and support near-term absorption.

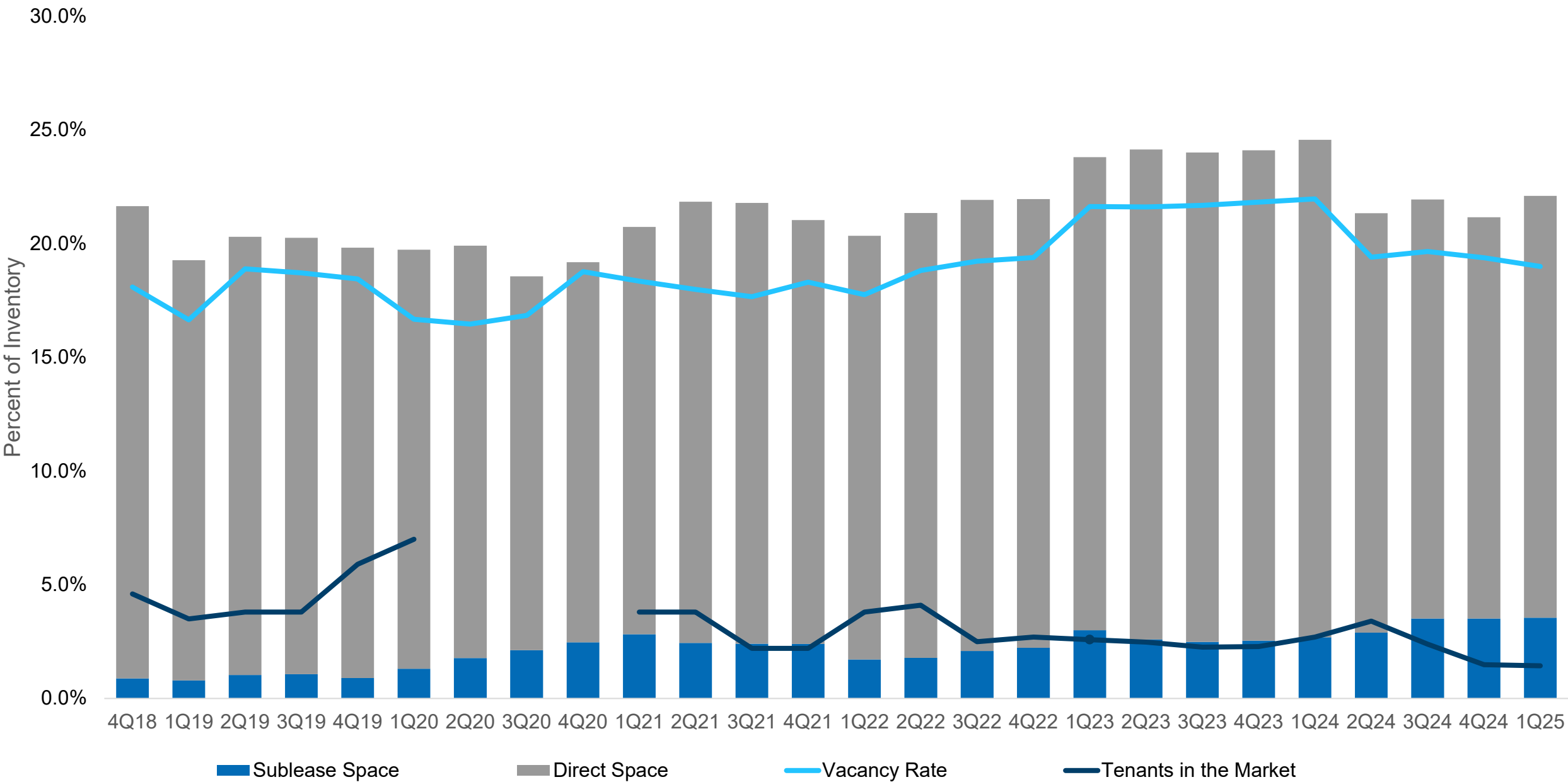


Source: Newmark Research, CoStar

Tenant Demand Pipeline Decreases As More Leases Are Signed

Office demand in Delaware, measured by the total square footage that tenants in the market are actively seeking, stood at 225,822 SF. This represents 1.4% of the market's inventory and marks a slight decrease from the fourth quarter of 2024. While government requirements have increased, legal services continue to lead market demand.

Available Space and Tenant Demand as Percent of Overall Market

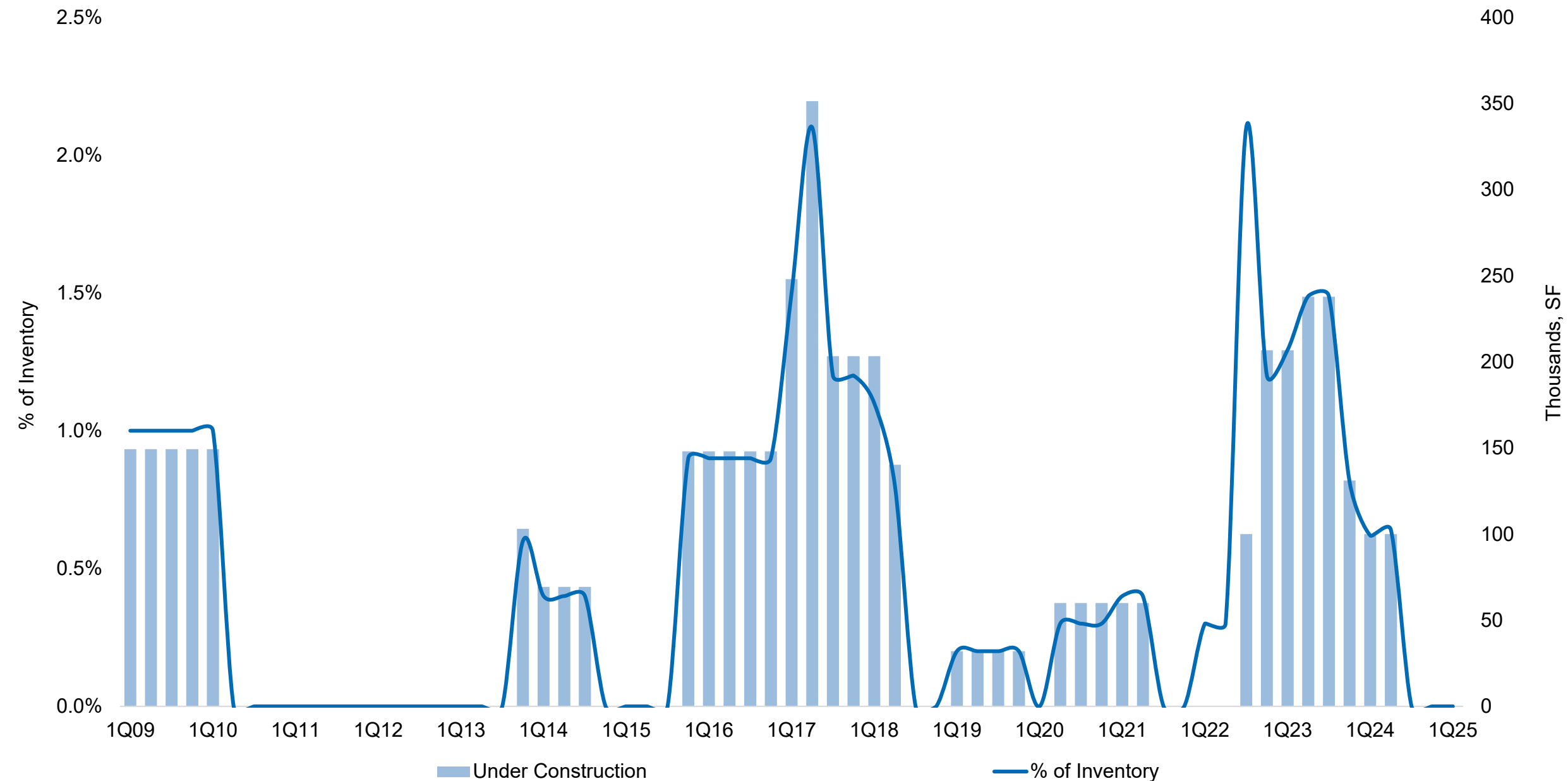


Source: Newmark Research
Note: No tenants in the market surveys were produced between Q2 2020 and Q4 2020 due to the COVID-19 Pandemic

Non-Existent Pipeline Creates Opportunities For Vacancies To Decrease

There were no office deliveries in the market during the first quarter, with Avenue North being the last project to deliver in the third quarter of 2024. A lack of construction allows occupiers to absorb the remaining vacant space in the market and for demand to remain healthy within Wilmington.

Office Under Construction and % of Inventory

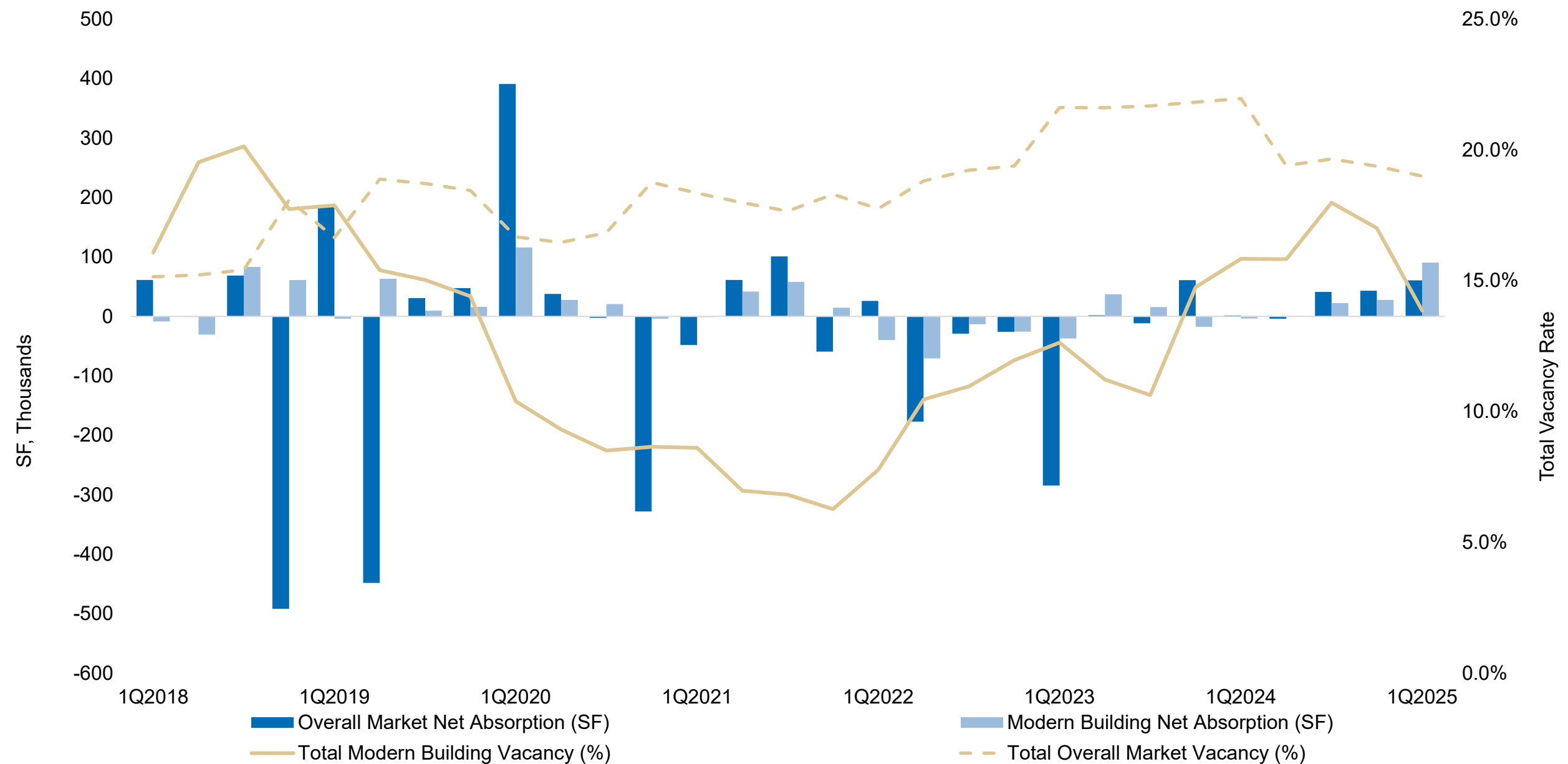


Source: Newmark Research, CoStar, Philadelphia Business Journal

Modern Buildings Continue To Outperform The Rest Of The Market

Modern office buildings built after 2000 are significantly outperforming the broader market. These contemporary properties have a vacancy rate of 13.9%, 510 basis points below the market average of 19.0%. This underscores sustained demand for modern work environments, further supported by robust preleasing activity. For example, Avenue North at 3025 Avenue North Boulevard, which delivered in the third quarter of 2024, reached over 45% occupancy this quarter.

Historical Net Absorption, and Vacancy For Modern Buildings* And The Overall Market

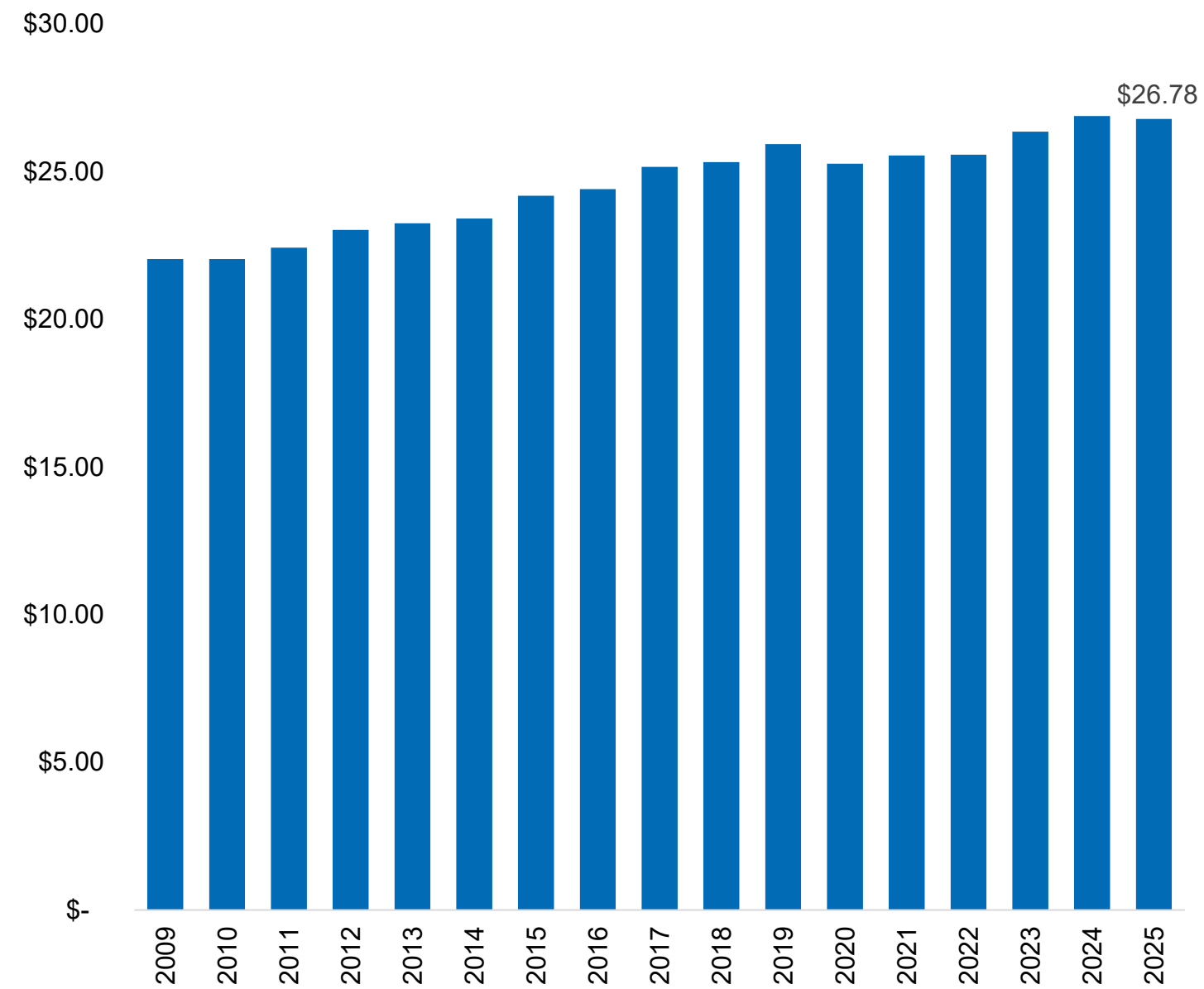


Source: Newmark Research
*Modern buildings are all offices built in 21st century

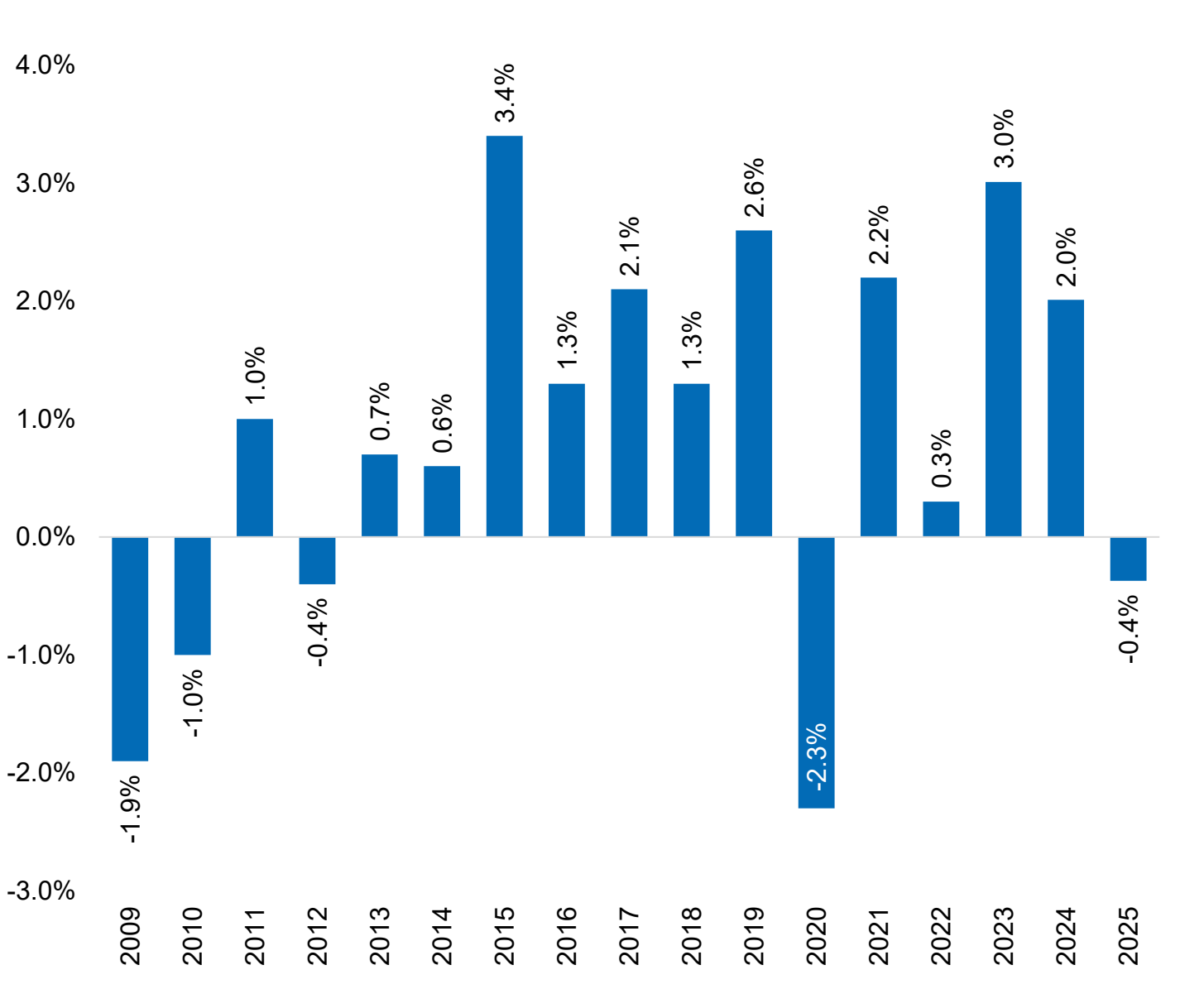
Asking Rents See Small Decrease

Asking rents compressed to \$26.78/SF in the first quarter. Though a very small decrease, this is the first time asking rates have compressed since 2021. Over the last few years, rents have steadily increased despite declining demand. Spreads between Class A and Class B space remain high at \$5.35/SF, reflecting occupiers’ demand for high quality space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar



Please reach out to your
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3. Market Statistics



Submarket Overview

Submarket Statistics – All Classes

	Total Inventory (SF)	Total Vacancy Rate	Total Available (SF)	Sublease Available (SF)	Total Availability Rate	Qtr. Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Wilmington CBD	6,438,879	20.6%	1,529,729	73,306	23.8%	(22,333)	\$26.29
Wilmington North	3,216,387	24.1%	808,077	79,422	25.1%	52,906	\$30.16
Wilmington South	4,597,057	14.6%	899,099	402,430	19.6%	13,345	\$22.10
Wilmington West	1,466,586	14.7%	236,349	3,120	16.1%	16,859	\$34.19
Wilmington – Total	15,718,909	19.0%	3,473,254	558,278	22.1%	60,777	\$26.78

Source: Newmark Research

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