

2Q25

Delaware Office Market Overview

NEWMARK

Market Observations

Economy

- Wilmington’s unemployment rate stood at 5.3% as of May, which is 1.3% higher than the national average. However, the city demonstrated encouraging progress, with unemployment declining by 90 basis points since August. Additionally, annual employment increased by 50 basis points compared to last May. Notably, this marks Wilmington's first annual employment growth since September 2024, even though it still lags behind the national 12-month employment growth rate by 60 basis points.
- During the 12 months ending in May, six out of Wilmington’s ten major industries reported year-over-year job growth. The most significant gains were seen in the Construction, Information, and Education and Health services sectors. Collectively, these three sectors comprise nearly one quarter of total regional employment, highlighting their pivotal role in Wilmington’s economic expansion.
- Office-using employment in Wilmington declined by 2.7% over the 12 months ending in May, primarily due to decreases of 2.7% in Business & Professional Services and 2.9% in Financial Activities. These sectors’ contractions contributed significantly to the region’s overall reduction in office-based job opportunities.

Major Transactions

- Although the majority of transactions over the past quarter involved spaces smaller than 10,000 square feet, two significant deals set themselves apart. In the second quarter, WSFS Bank renewed its lease for 69,919 square feet at 500 Delaware Avenue—one of the largest transactions in the market. Additionally, Johnson, Mirmiran & Thompson, Inc. signed a 20,733-square-foot lease at 121 Continental Drive, further highlighting ongoing demand for larger office spaces in key Wilmington locations.

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%.
- In the second quarter, Wilmington’s office market experienced negative net absorption of 48,310 square feet. Despite this, the Central Business District (CBD) recorded robust positive absorption, totaling 38,093 square feet. The overall market decline was primarily attributed to multiple smaller tenants vacating space, rather than the exit of a few large occupants. For instance, FIS Global vacated 9,468 square feet on the fourth floor of 2751 Centerville Road, exemplifying the trend of smaller-scale move-outs influencing overall absorption figures.
- Vacancy rates increased by 30 basis points to reach 19.8%, representing a modest uptick over the previous quarter. However, with 420,792 square feet currently sought by active tenants, there is a strong indication that vacancy could decrease in the coming months as these requirements translate into leasing activity.

Outlook

- Leasing activity in 2024 suggests increased office demand as we continue through 2025. Although leasing activity stabilized in the second quarter of 2025, the Delaware market has exhibited a consistent upward trend in leasing velocity since 2022.
- Modern office buildings delivered after 2000 are demonstrating notably stronger performance compared to the overall market. These contemporary assets report a vacancy rate of 15.5%, which is 430 basis points lower than the market average of 19.8%. This substantial gap underscores the persistent demand for high-quality, modern work environments. The strength of this trend is further evidenced by elevated levels of preleasing activity. For instance, Avenue North at 3025 Avenue North Boulevard, completed in the third quarter of 2024, achieved over 45% occupancy within its first year—an indicator of the ongoing shift toward newer, amenity-rich office space.

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics

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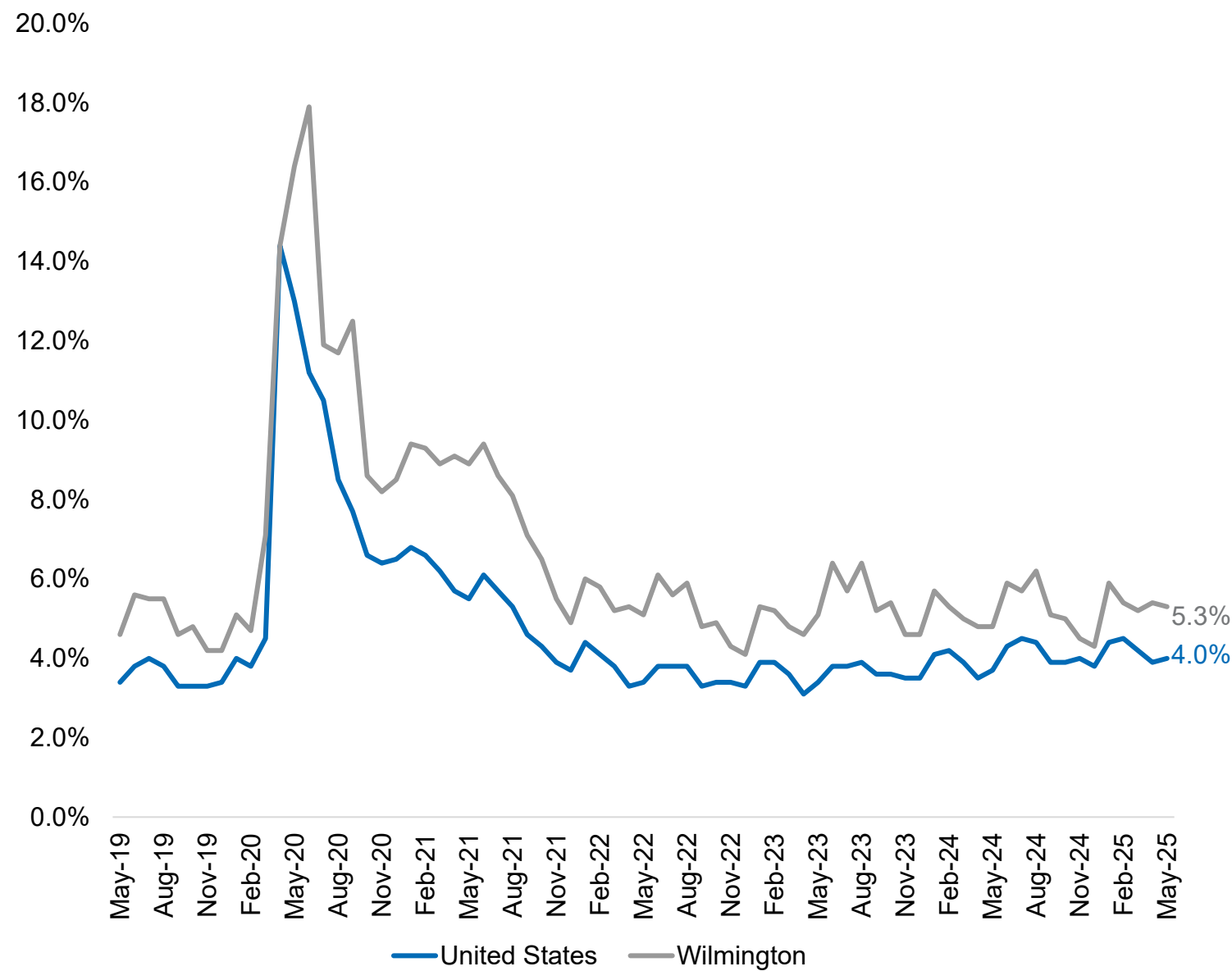
1. Economy



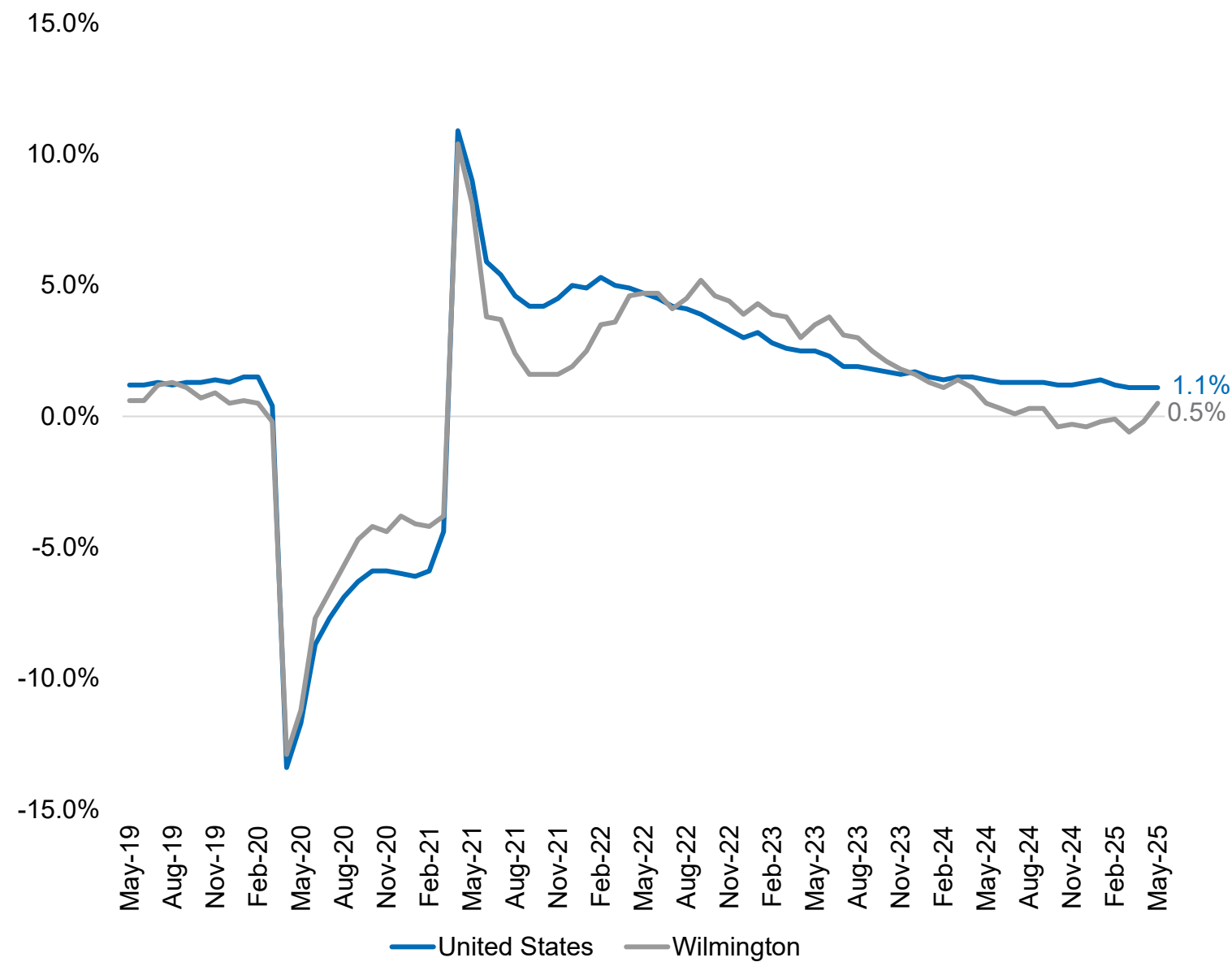
Wilmington Employment Shows Signs Of Growth

Wilmington's unemployment clocked in at 5.3% in May, which is 130 basis points below the national average. Although Wilmington unemployment remains elevated, the city saw a 50-basis-point increase in annual nonfarm payroll employment for the 12 months ending in May. Notably, this marks Wilmington's first instance of year-over-year employment growth since September of 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

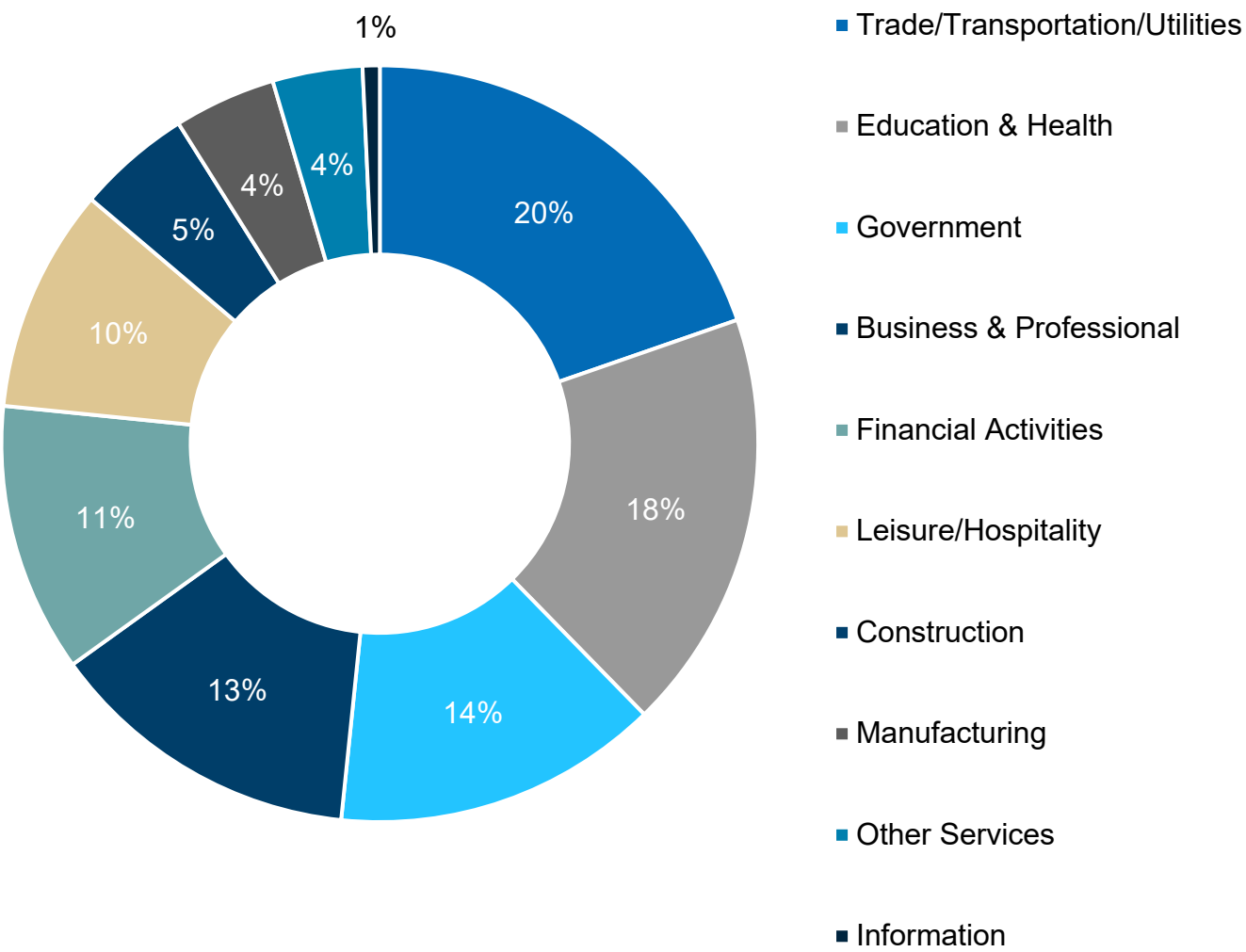


Source: U.S. Bureau of Labor Statistics, Wilmington

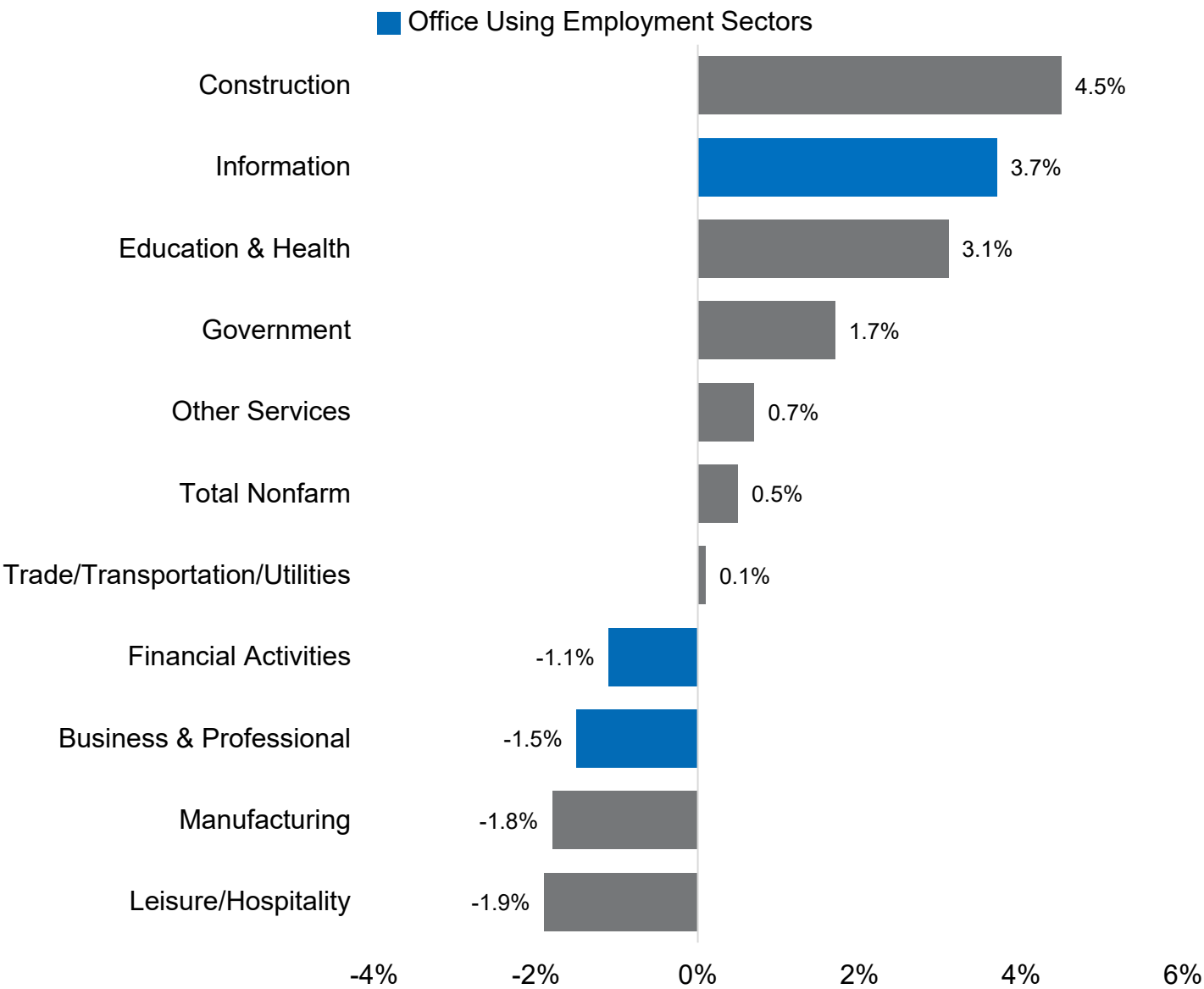
Trade/Transportation/Utilities Sector Continues To Dominate Wilmington Employment

For the 12 months ending in May, six of Wilmington’s ten primary industries posted annual employment growth. The most significant gains occurred in the Construction, Information, and Education and Health sectors, which together account for nearly a quarter of the region’s workforce. In contrast, Office-using employment sectors experienced a weighted average decline of 1.2% over the same period.

Employment by Industry, May 2025



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

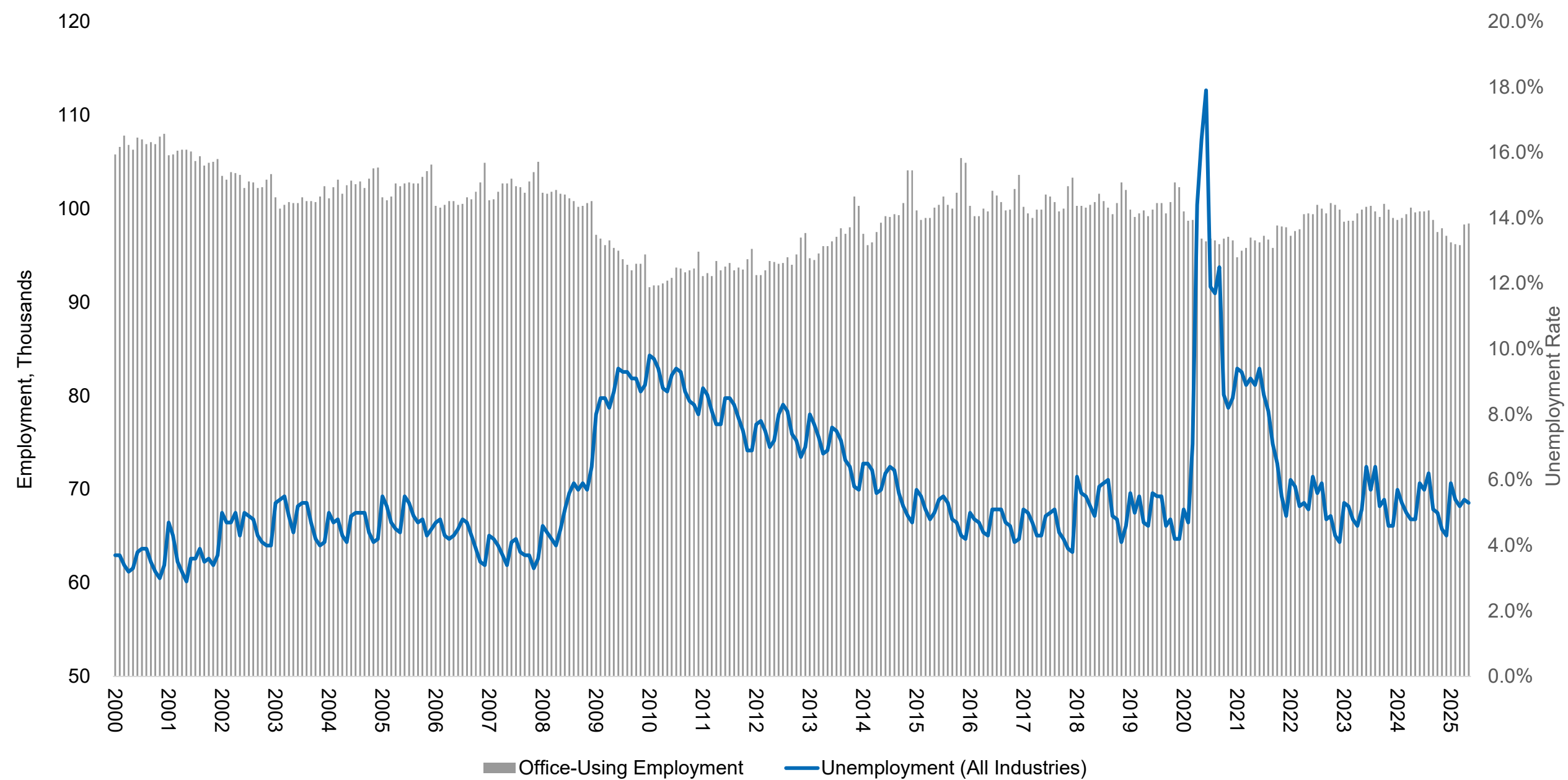


Source: U.S. Bureau of Labor Statistics, Wilmington

Overall Office-Using Employment Growth Slows

For the 12 months ending in May 2025, office-using employment declined by -1.2%. This contraction was primarily driven by reductions in the Professional & Business Services sector, which decreased by 1.5%, and the Financial Activities sector, which fell by 1.1%.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Wilmington
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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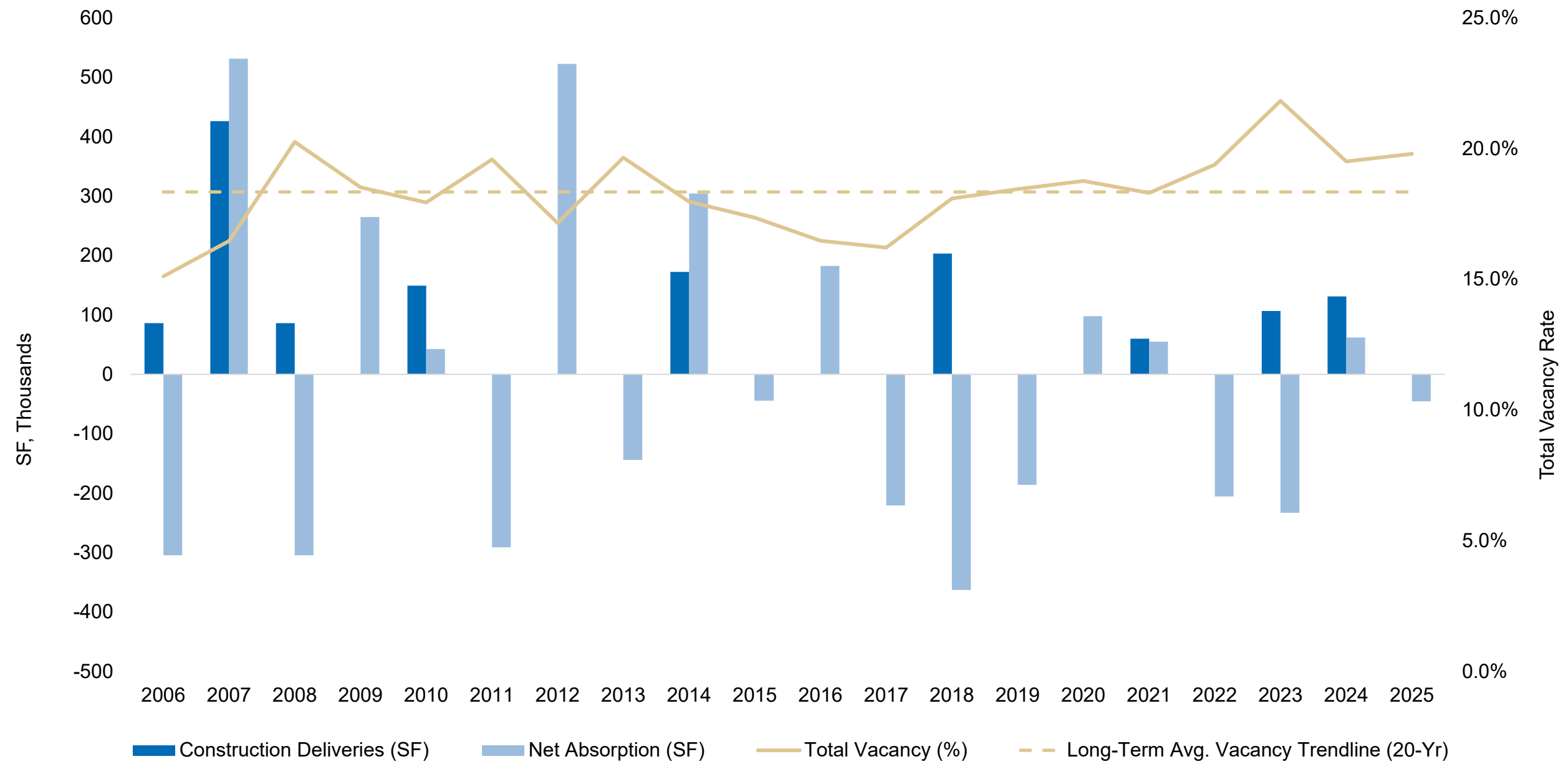
2. Leasing Market Fundamentals



Vacancy Rates Remain Below 2023 Peak

Following three consecutive quarters of positive absorption, Wilmington’s office market experienced negative quarterly absorption of 48,310 square feet in the second quarter. While this represents a relatively modest decline, it nonetheless pushed vacancy rates up by 31 basis points, bringing the market vacancy rate to 19.8%. Despite the uptick, this rate remains 120 basis points below the market peak of 22.0% recorded in the first quarter of 2024. The negative absorption was primarily the result of multiple smaller tenants vacating space, rather than large-scale departures. For example, FIS Global vacated the fourth floor at 2751 Centerville Road, resulting in a loss of 9,468 square feet of occupancy.

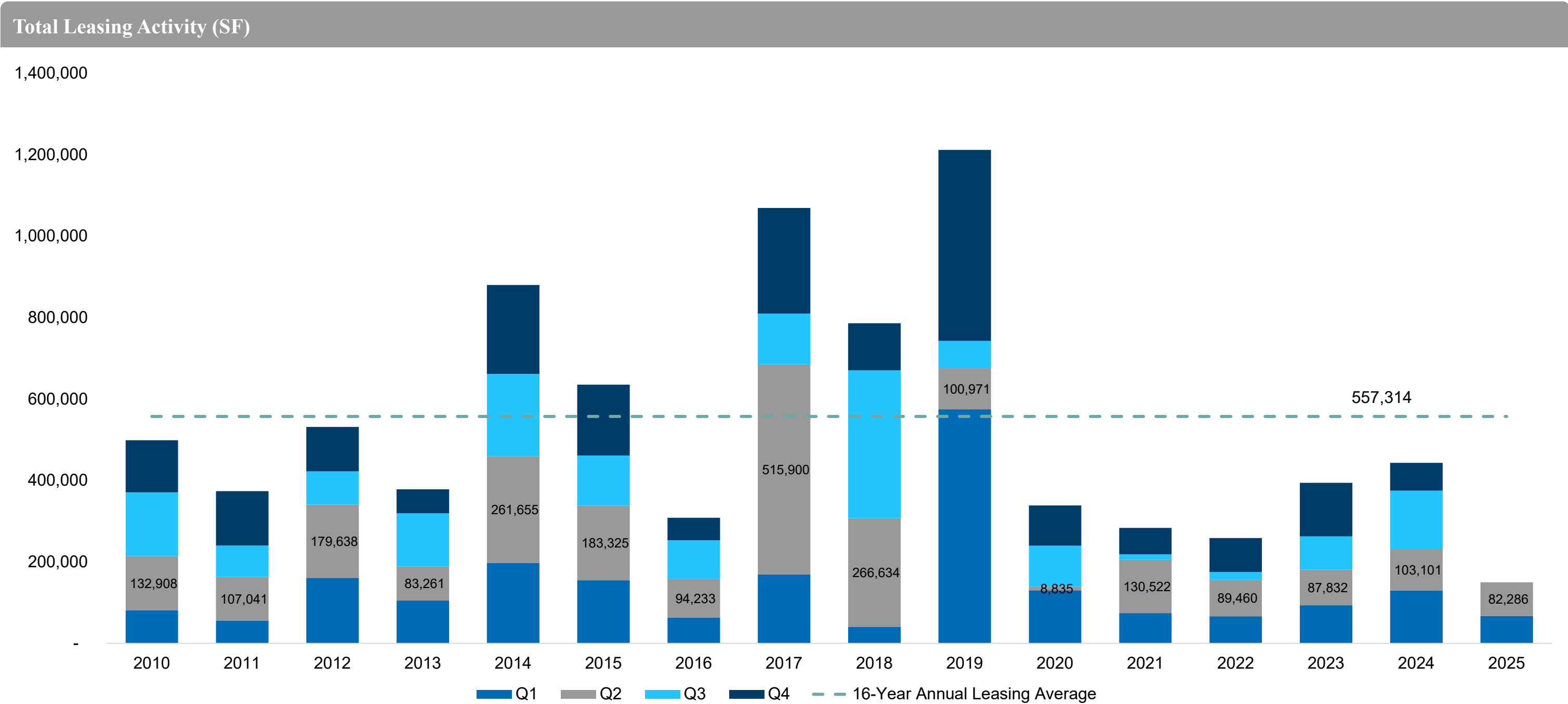
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Wilmington Leasing Activity Slows After Record Year

During the second quarter, more than 80,000 square feet of leases were signed. While this figure is below the historical average, it follows an exceptional year of leasing activity in 2024—the most robust year for office demand since 2019. In total, over 443,000 SF of leasing was recorded last year, a level of activity that is expected to continue lowering vacancy rates and supporting positive absorption in the near term.

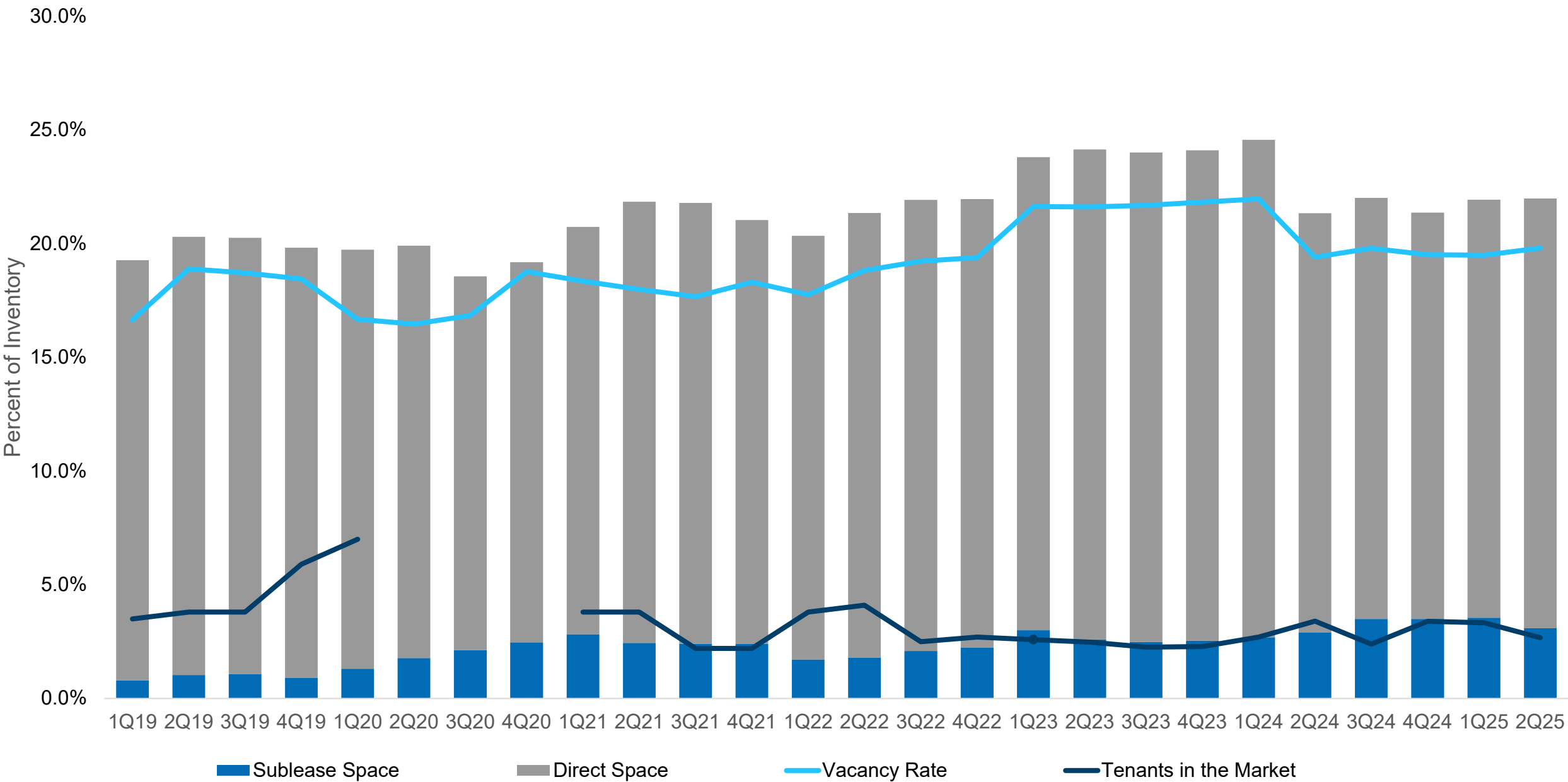


Source: Newmark Research, CoStar

Tenant Demand Pipeline Remains Above 400K SF

Office demand in Delaware, measured by the total square footage that tenants in the market are actively seeking, stood at 420,792 SF. This represents 2.7% of the market's inventory and marks a slight decrease from the first quarter of 2025. While government requirements have increased, legal services continue to lead market demand.

Available Space and Tenant Demand as Percent of Overall Market

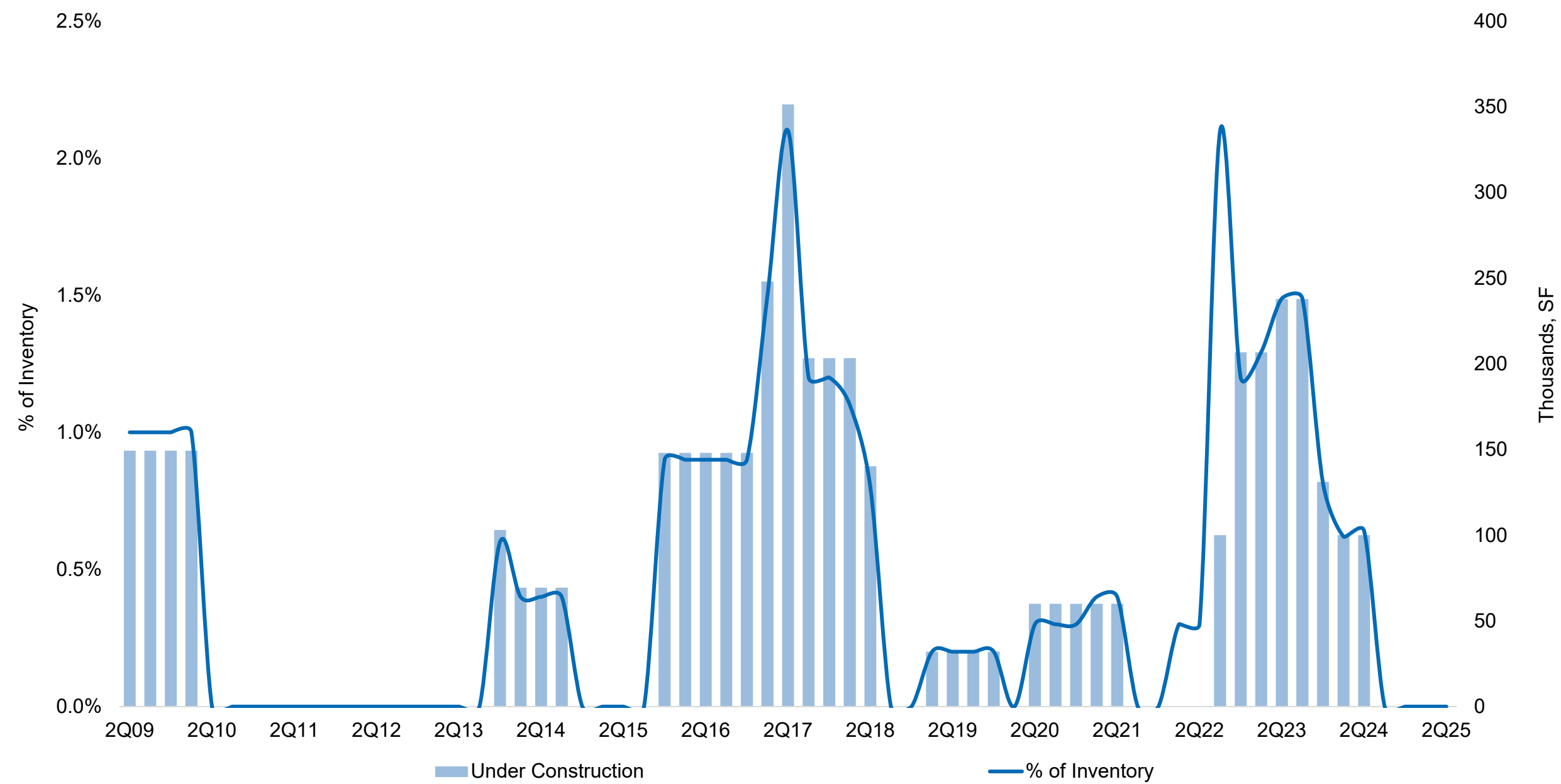


Source: Newmark Research
Note: No tenants in the market surveys were produced between Q2 2020 and Q4 2020 due to the COVID-19 Pandemic

No New Supply Creates Opportunities For Vacancies To Decrease

No new office projects were delivered to the market during the second quarter, with Avenue North remaining the most recent completion from the third quarter of 2024. The absence of new construction is providing an opportunity for occupiers to absorb existing vacant space, helping to bring market supply into closer alignment with ongoing office demand.

Office Under Construction and % of Inventory

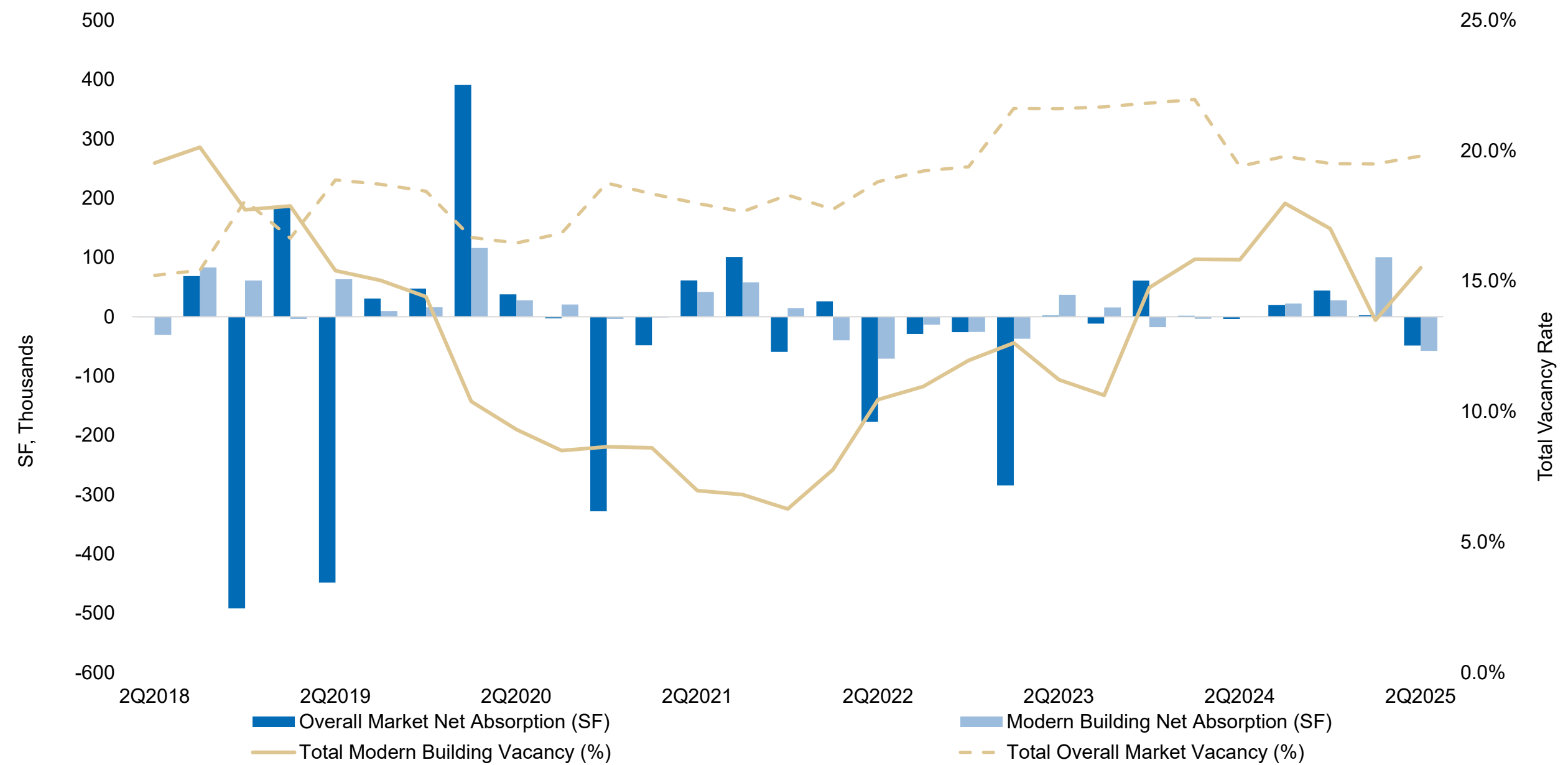


Source: Newmark Research, CoStar, Philadelphia Business Journal

Modern Buildings Continue To Outperform The Rest Of The Market

Modern office buildings built after 2000 are demonstrating notably stronger performance compared to the overall market. These contemporary assets report a vacancy rate of 15.5%, which is 430 basis points lower than the market average of 19.8%. This substantial gap underscores the persistent demand for high-quality, modern work environments. The strength of this trend is further evidenced by elevated levels of preleasing activity. For instance, Avenue North at 3025 Avenue North Boulevard, completed in the third quarter of 2024, achieved over 45% occupancy within its first year—an indicator of the ongoing shift toward newer, amenity-rich office space.

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

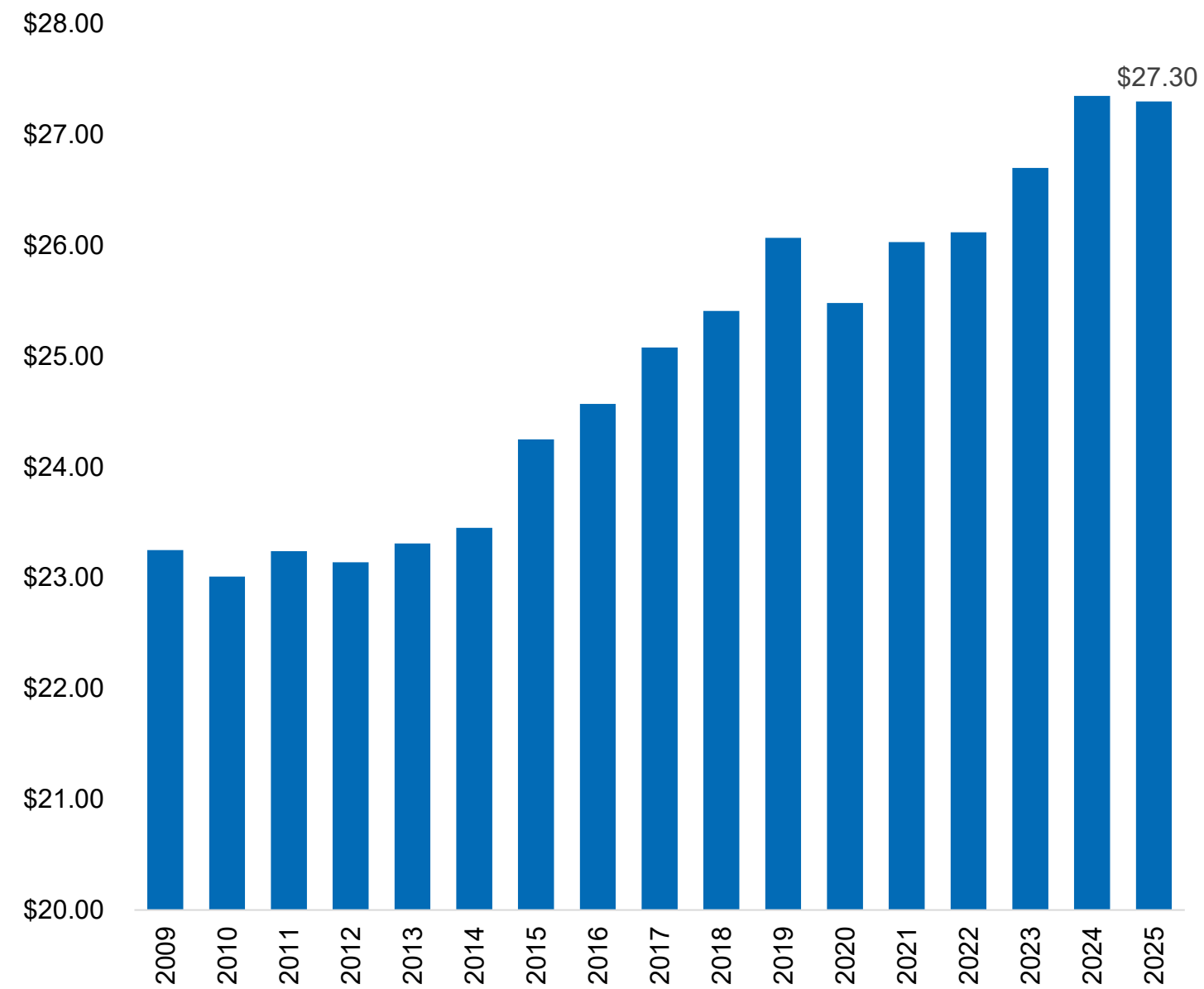


Source: Newmark Research
*Modern buildings are all offices built in 21st century

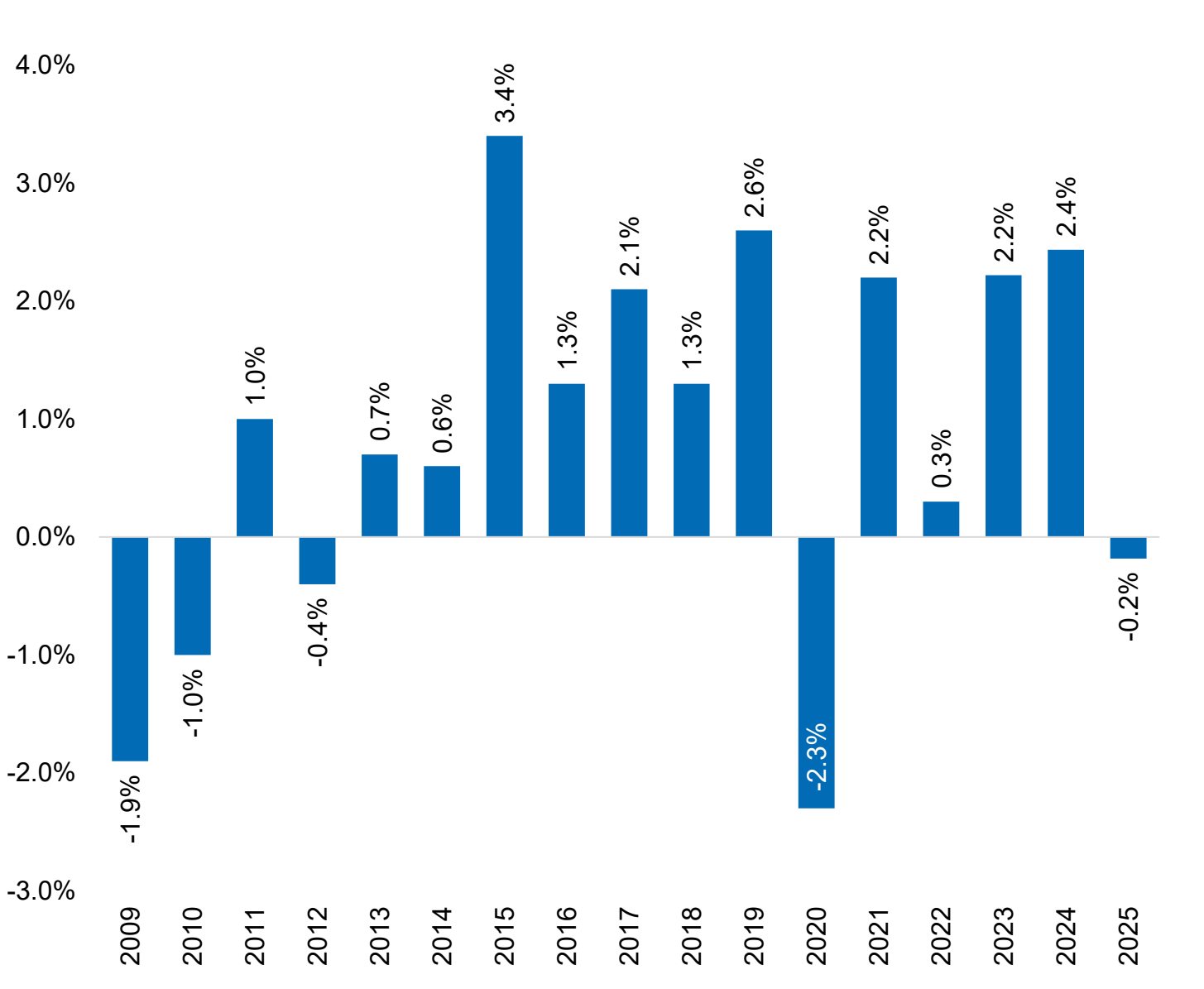
Asking Rents See Small Decrease

Direct asking rents declined slightly to \$27.30 per square foot in the second quarter, marking the first rate compression since 2021. While this decrease is minimal, it breaks a multi-year trend of steady rent growth despite weakening demand. The rental premium for Class A space remains significant, with a spread of \$6.11 per square foot over Class B space, underscoring tenants' continued preference for higher quality office environments.

Office Direct Average Asking Rent, \$/SF, FS



Year-over-Year Direct Asking Rent Growth Rate



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

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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	21.7%	1,529,795	73,306	24.3%	(74,833)	\$26.58
Wilmington North	3,216,387	23.6%	810,655	70,090	25.2%	38,093	\$29.88
Wilmington South	4,597,057	16.0%	833,660	334,357	18.1%	(4,460)	\$20.88
Wilmington West	1,466,586	15.2%	247,959	7,982	16.9%	(7,110)	\$33.70
Wilmington – Total	15,718,909	19.8%	3,455,069	485,735	22.0%	(48,310)	\$26.40

Source: Newmark Research

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