

3Q25

Delaware Office Market Overview

NEWMARK

Market Observations

Economy

- Wilmington's unemployment rate registered 5.3% as of August, 130 basis points higher than the 5.0% national average. Despite an uptick in the unemployment rate, regional job growth over the 12 months ending in August kept pace with the U.S., with 0.8% growth compared with 0.9% for the national rate. After a period of negative job growth from the end of 2024 into the beginning of 2025, Wilmington has seen positive year-over-year job growth over the past four months.
- For the 12 months ending in August, five of Wilmington's ten primary industries posted annual employment growth. The most significant gains occurred in the Construction, Education & Health, Other Services, and Leisure & Hospitality sectors, which together account for 37.2% of the region's workforce. In contrast, office-using employment sectors each experienced a decline in employment over the same period.
- Office-using employment declined by 0.4% during the 12 months ending in August 2025. This contraction was primarily driven by the Information sector, which declined by 3.6%. However, the Information sector makes up only 0.7% of the region's employment. Declines in the larger office-using sectors of Professional & Business Services and Financial Activities have begun to moderate from the losses seen during the first half of 2025.

Major Transactions

- A consortium of doctors with Brandywine Urology purchased the three-story, 106,878-square-foot building at 12 Reads Way in the New Castle Corporate Commons for \$4.1 million, or \$38.36 per square foot, leasing back 71,252 square feet.
- Additional leasing activity for larger-sized office spaces over the past year has come from a diverse range of industries, including Construction, Legal, and Financial Activities. Most of these sizable transactions have been renewals concentrated in Wilmington's Central Business District (CBD). The presence of large leases across a variety of sectors is a promising indicator of continued strength and resilience in the Delaware office market.

Leasing Market Fundamentals

- Total net absorption for the Delaware office market registered 178,610 square feet during the third quarter, counteracting negative absorption during the first half of the year and bringing the year-to-date absorption total to 95,536 square feet. Positive absorption was driven by a handful of mid-sized tenant occupations—such as Morris James moving into approximately 46,000 square feet at 3205 Avenue North Boulevard—coupled with a lack of major move-outs.
- Strong absorption during the quarter pushed vacancy down 110 basis points to 18.9% as of the third quarter, well below the market's peak vacancy of 21.8% recorded in 2023.
- Direct asking rents declined 230 basis points over the past year to \$26.97 per square foot as of the third quarter, marking the first annual rate compression since 2020. 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 \$6.05 per square foot over Class B space.

Outlook

- During the third quarter, more than 70,000 square feet of leases were signed. While this figure is below the historical average, it follows an exceptional year of leasing activity, with 2024 being the most robust year for office demand since 2019. In total, over 600,000 square feet 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 as these tenants move in.
- Modern office buildings built after 2000 demonstrate a notably stronger performance compared to the overall market. These contemporary assets have a vacancy rate of 14.3% as of the third quarter, 460 basis points lower than the market average of 18.9%. 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 3205 Avenue North Boulevard—the most recent office delivery completed in the third quarter of 2024—achieved 75% 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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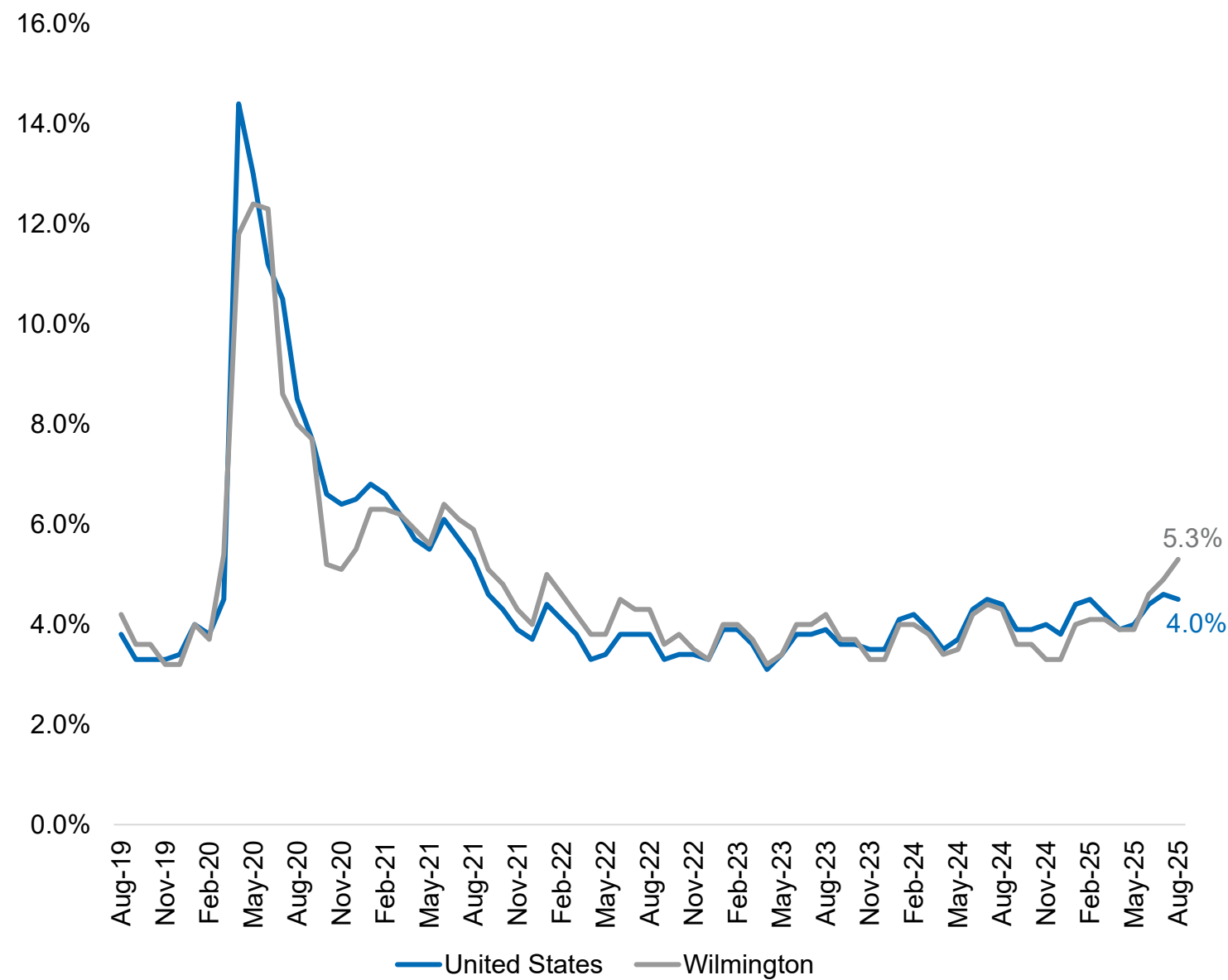
1. Economy



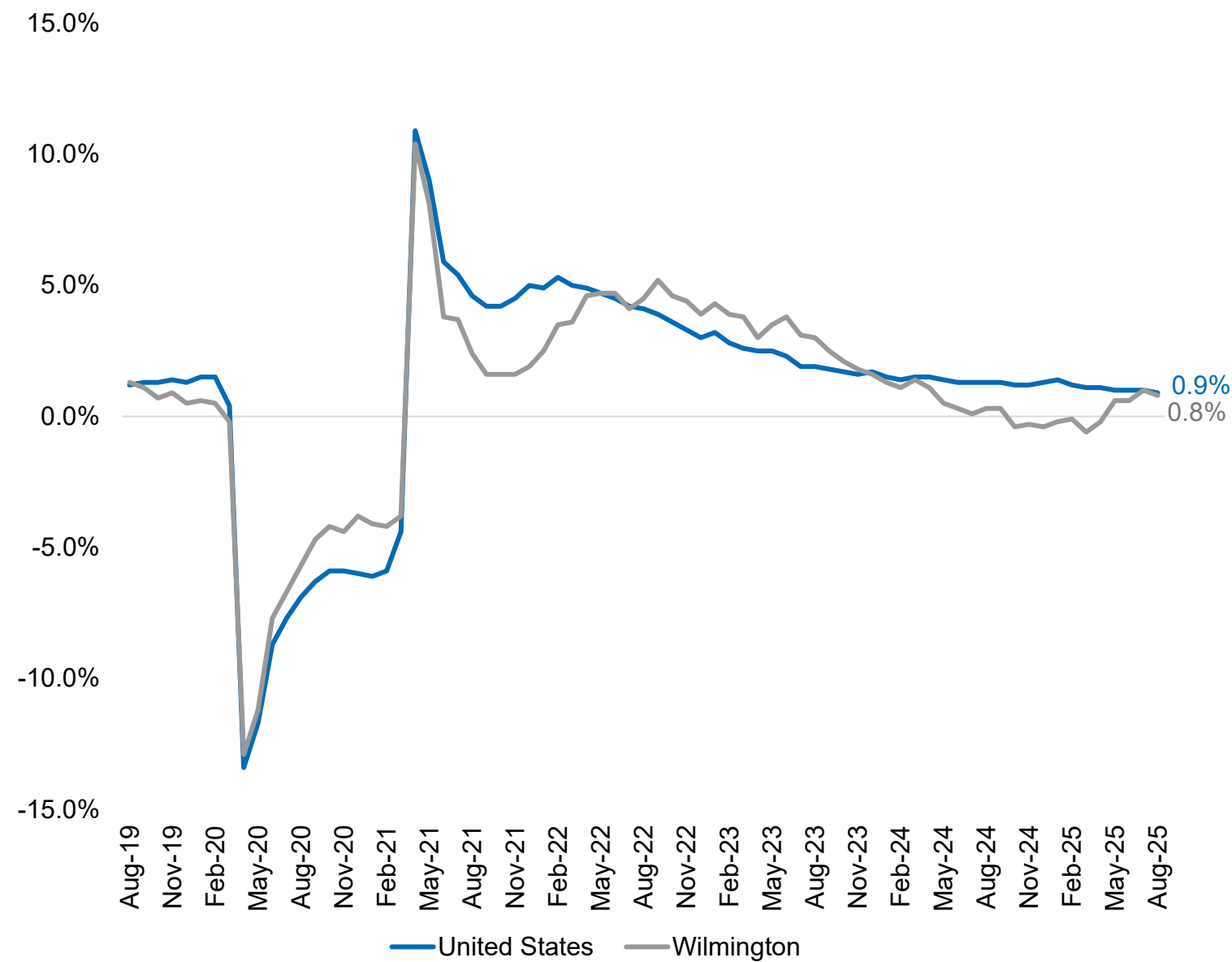
Wilmington Employment Growth Keeping Pace with National Rate

Wilmington's unemployment rate registered 5.3% as of August, 130 basis points higher than the national average. Despite an uptick in the unemployment rate, regional job growth over the 12 months ending in August kept pace with the U.S., with 0.8% growth compared with 0.9% for the national rate. After a period of negative job growth from the end of 2024 into the beginning of 2025, Wilmington has seen positive year-over-year job growth over the past four months.

Unemployment Rate, Non-Seasonally Adjusted



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

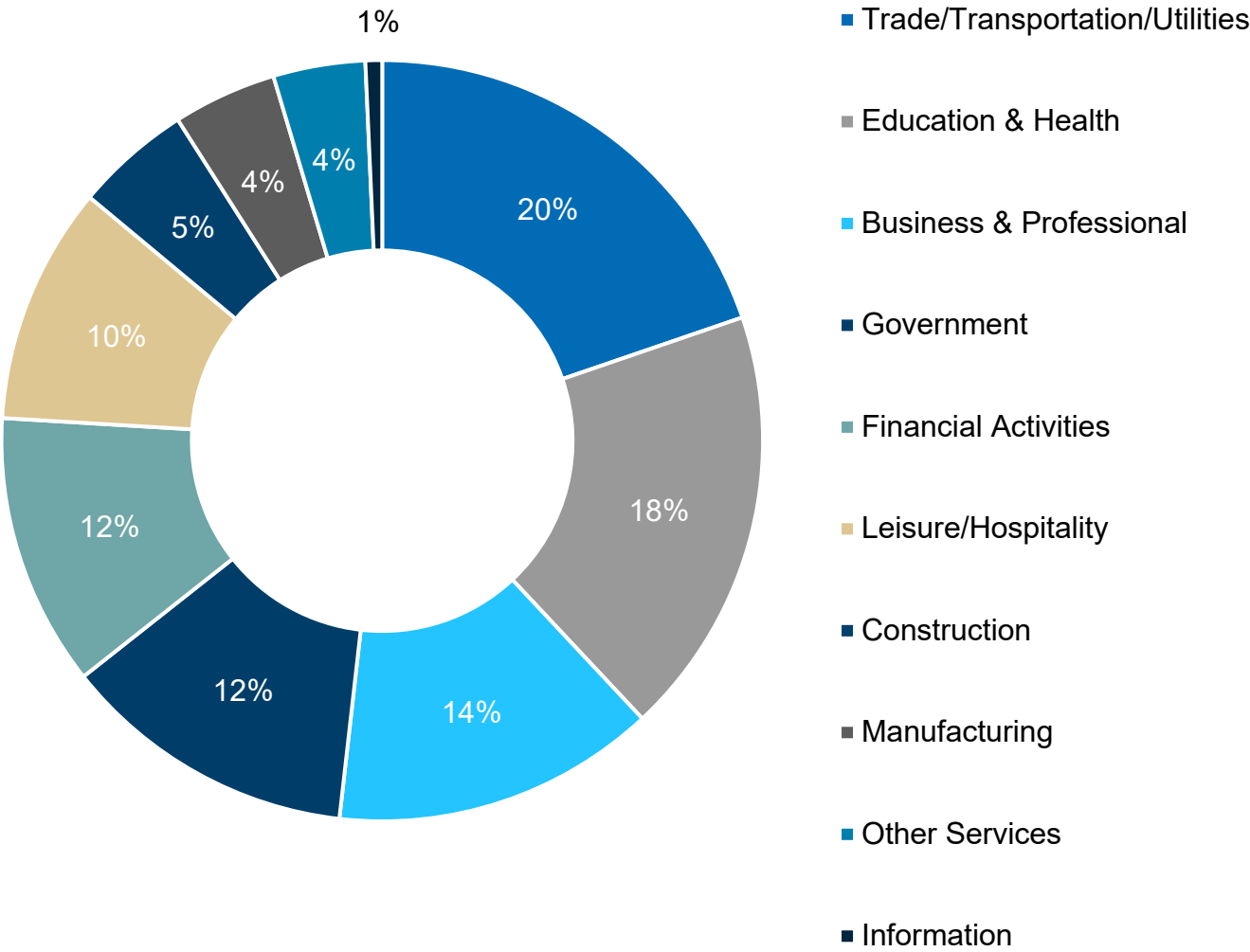


Source: U.S. Bureau of Labor Statistics, Wilmington

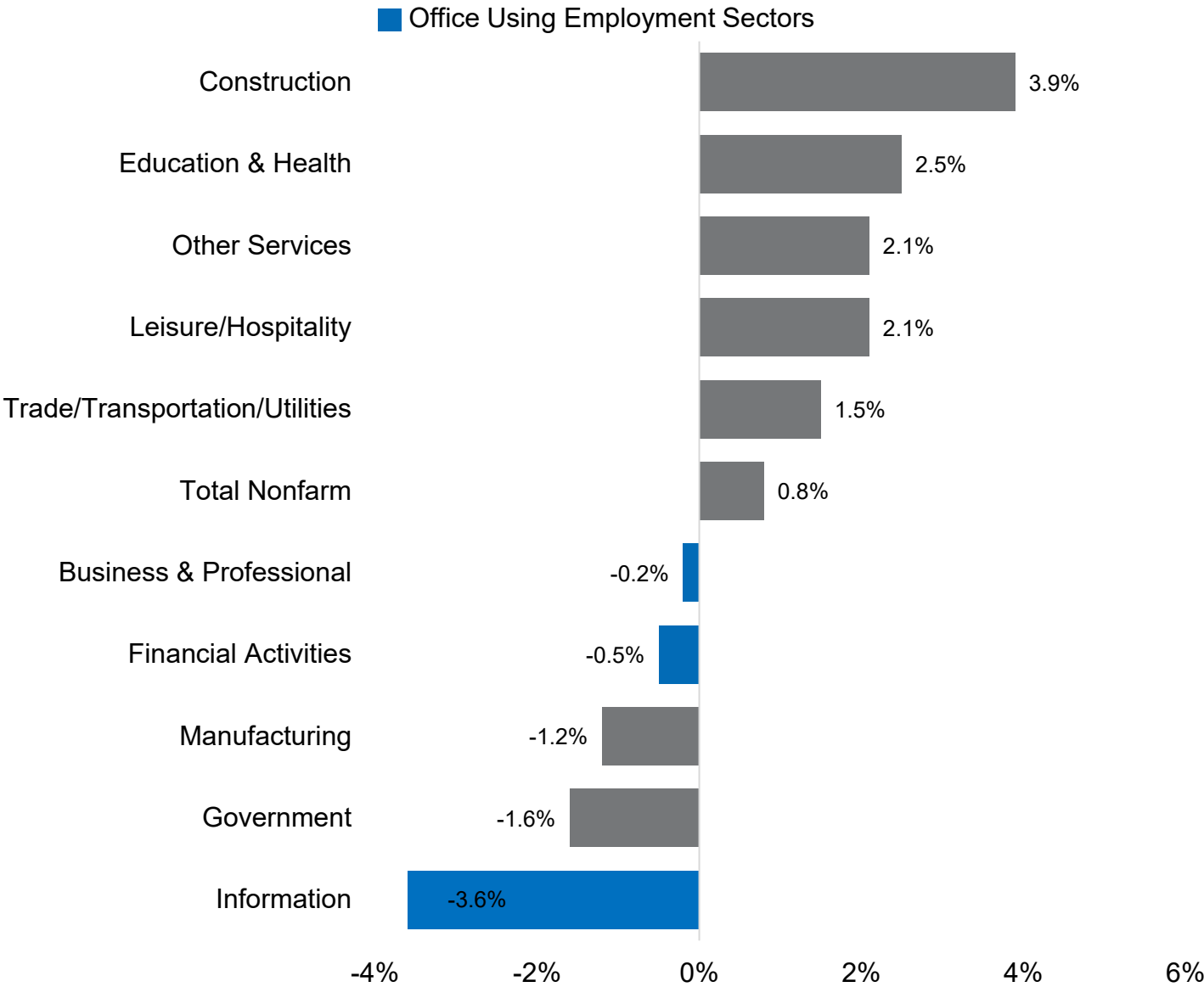
Construction and Education & Health Sectors Drive Area Employment Growth

For the 12 months ending in August, five of Wilmington’s ten primary industries posted annual employment growth. The most significant gains occurred in the Construction, Education and Health, Other Services, and Leisure & Hospitality sectors, which together account for 37.2% of the region’s workforce. In contrast, office-using employment sectors each experienced a decline in employment over the same period.

Employment by Industry, August 2025



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

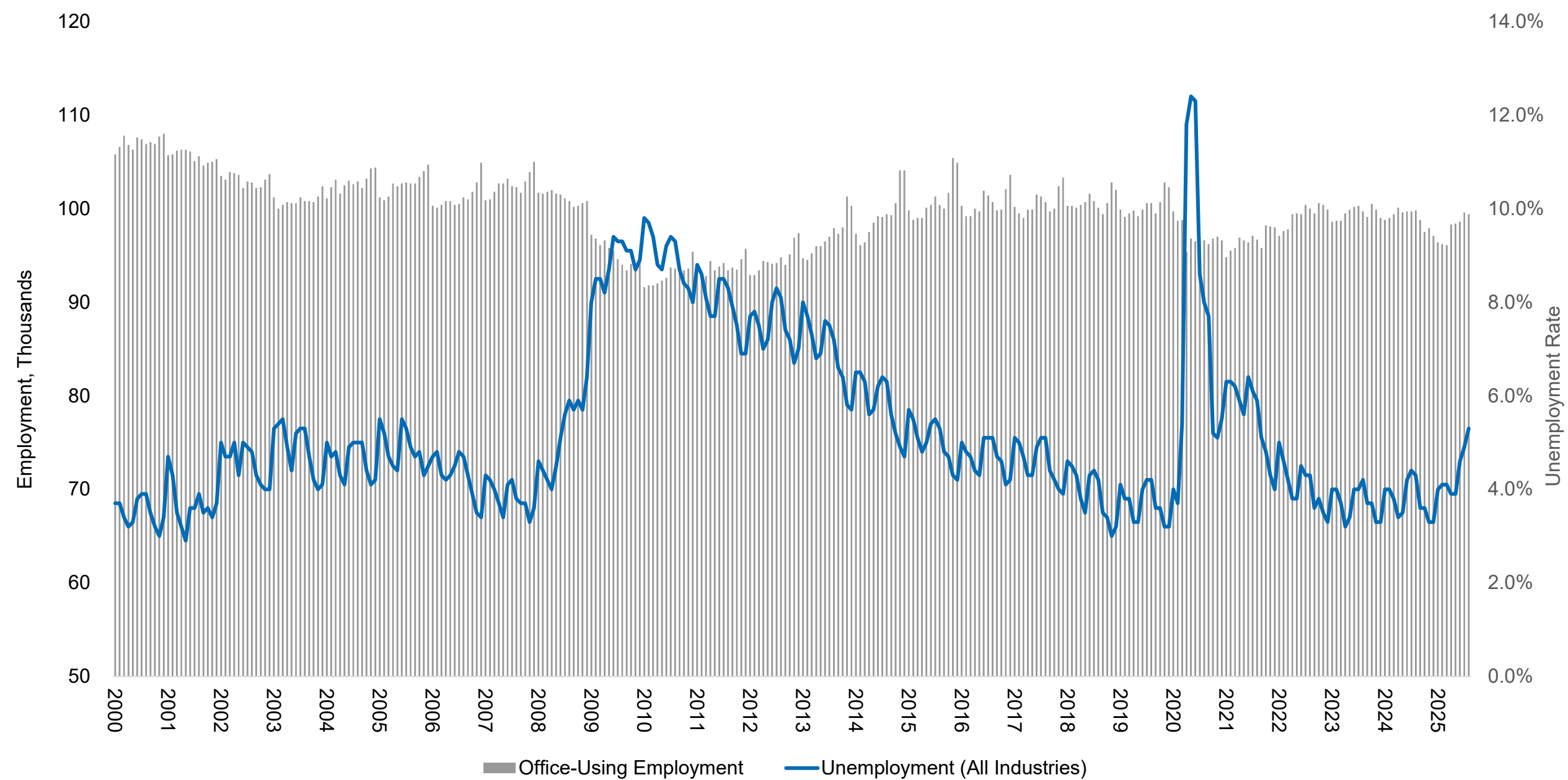


Source: U.S. Bureau of Labor Statistics, Wilmington

Overall Office-Using Employment Growth Slows

Office-using employment declined by 0.4% during the 12 months ending in August 2025. This contraction was primarily driven by the Information sector, which declined by 3.6%. However, the Information sector makes up only 0.7% of the region’s employment. Declines in the larger office-using sectors of Professional & Business Services and Financial Activities have begun to moderate from the losses seen during the first half of 2025.

Office-Using Employment* and Unemployment Across All Industries



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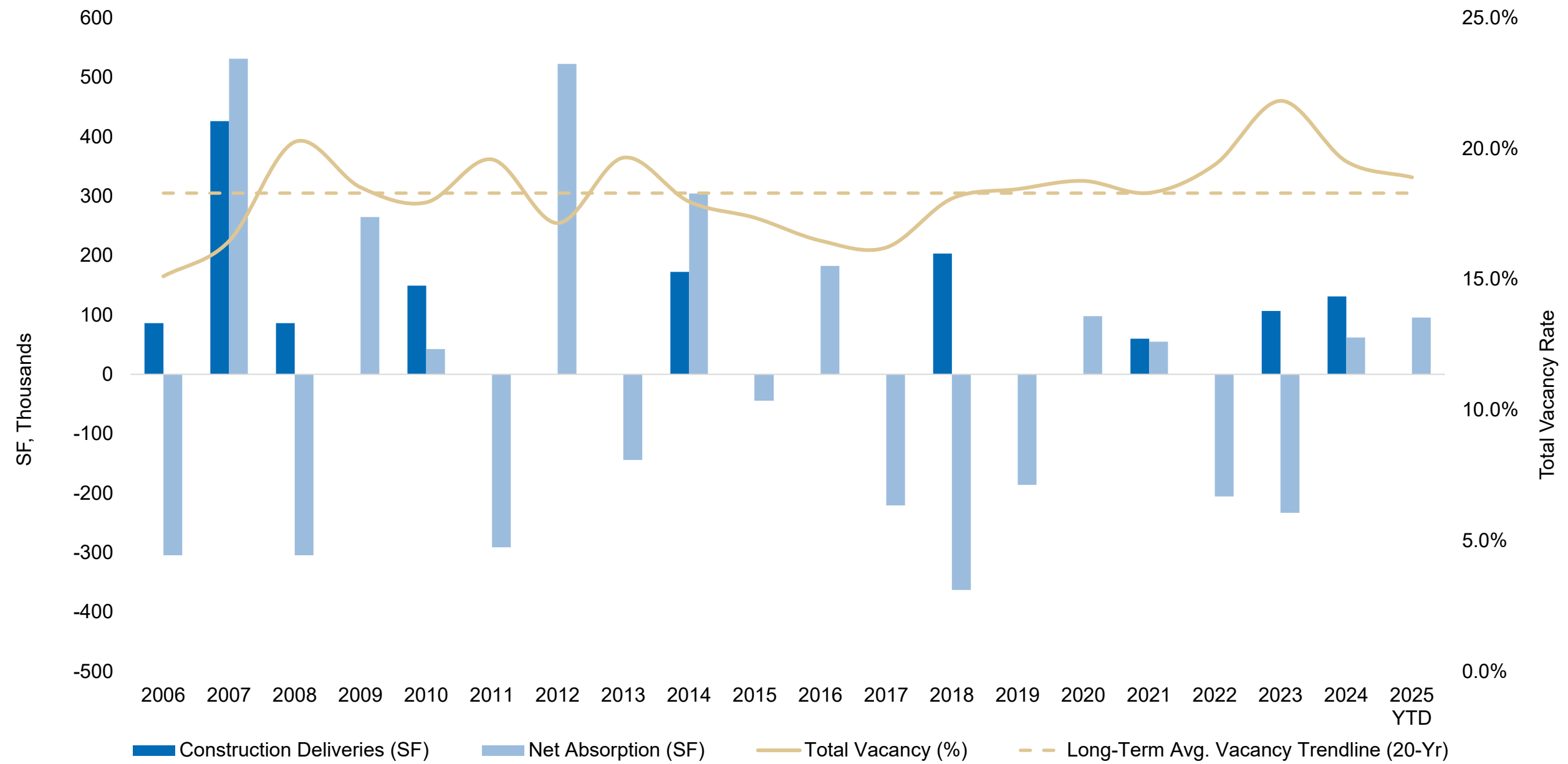
2. Leasing Market Fundamentals



Vacancy Continues to Decline from 2023 Peak

Total net absorption for the Delaware office market registered 178,610 square feet during the third quarter, counteracting negative absorption during the first half of the year and bringing the year-to-date absorption total to 95,536 square feet. Strong absorption during the quarter pushed vacancy down 110 basis points to 18.9% as of the third quarter, well below the market’s peak vacancy of 21.8% recorded in 2023. Positive absorption was driven by a handful of mid-sized tenant occupations—such as Morris James moving into approximately 46,000 square feet at 3205 Avenue North Boulevard—coupled with a lack of major move-outs.

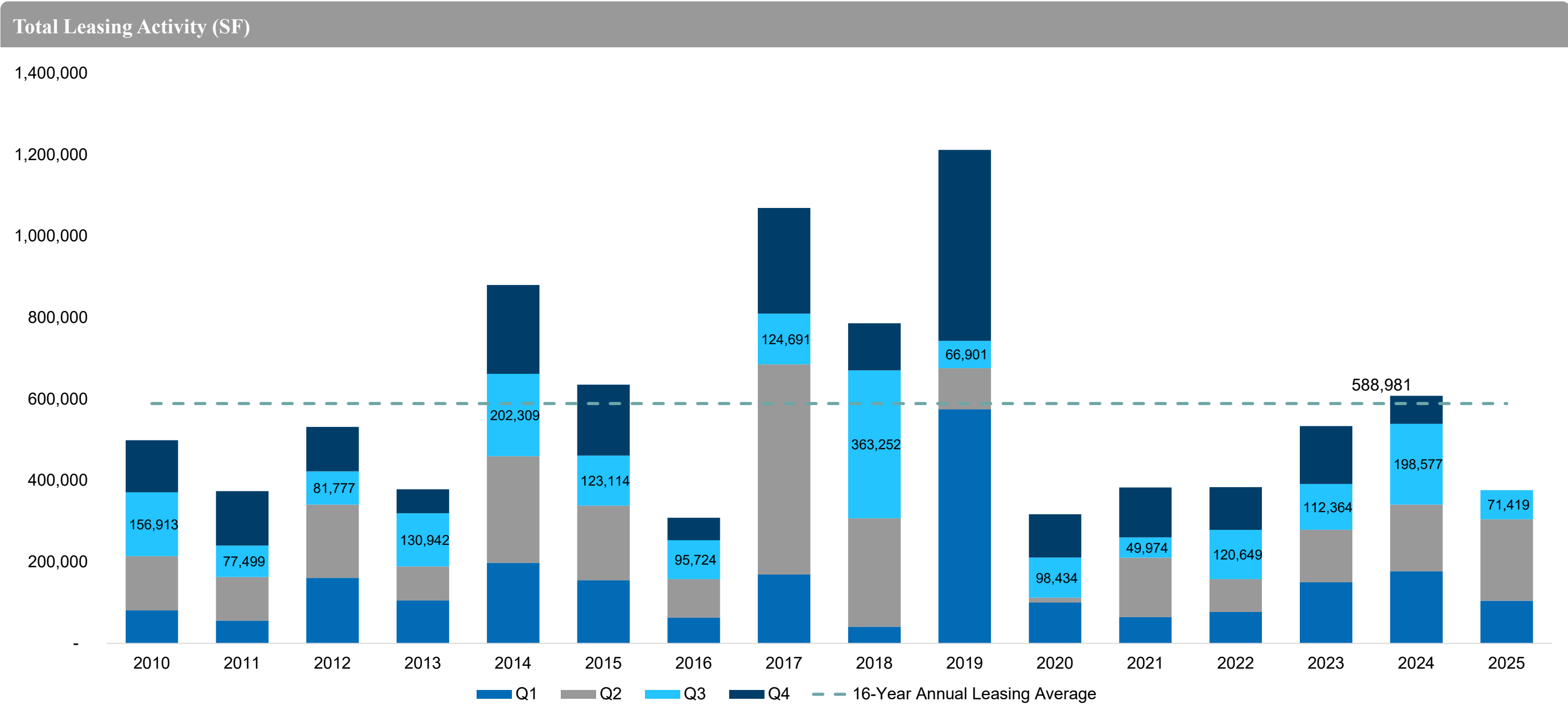
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Wilmington Leasing Activity Slows After Record Year

During the third quarter, more than 70,000 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 600,000 square feet 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 as these tenants move in.

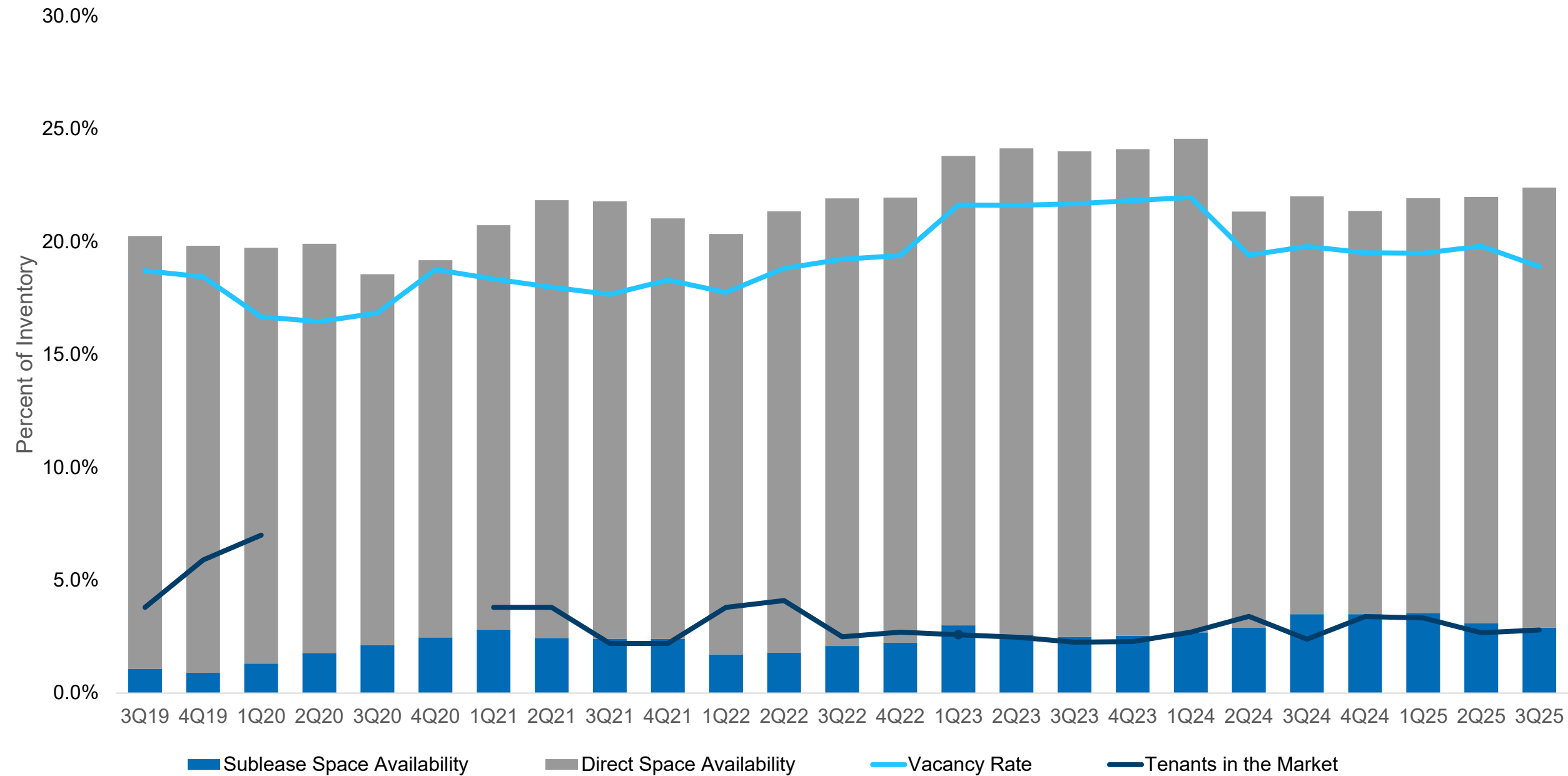


Source: Newmark Research, CoStar

Tenant Demand Pipeline Remains Above 400,000 Square Feet

Office demand in Delaware, measured by the total square footage that tenants in the market are actively seeking, stood at 445,792 square feet as of the third quarter, with an average requirement size of approximately 20,000 square feet. Current demand in the market represents 2.8% of the market's inventory, a slight increase from the prior quarter.

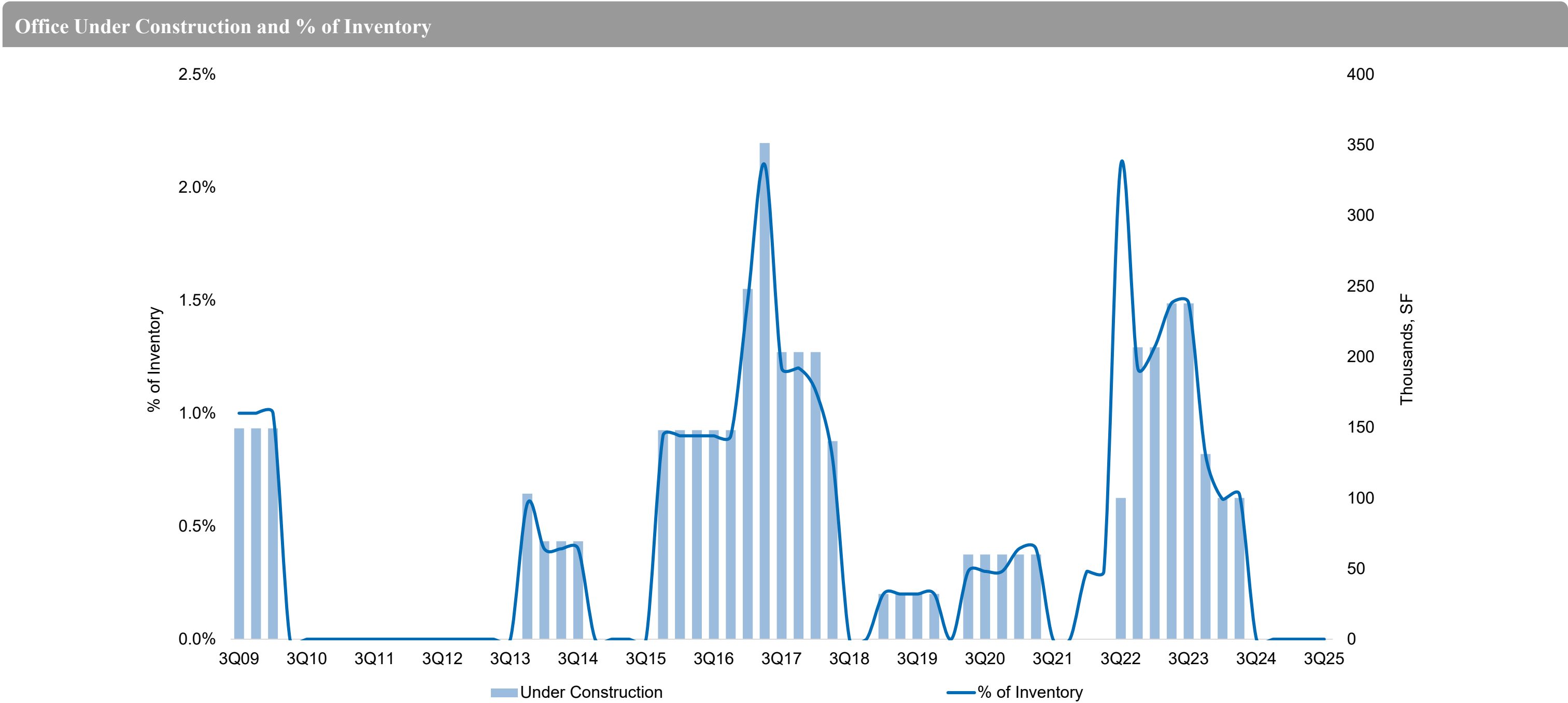
Available Space and Tenant Demand as Percent of Overall Market



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 have delivered to the market in 2025, with Avenue North remaining the most recent completion during the third quarter of 2024. Additionally, the market has no office projects under construction. The absence of new product is providing an opportunity for occupiers to absorb existing vacant space, helping to bring market supply into closer alignment with current office demand.

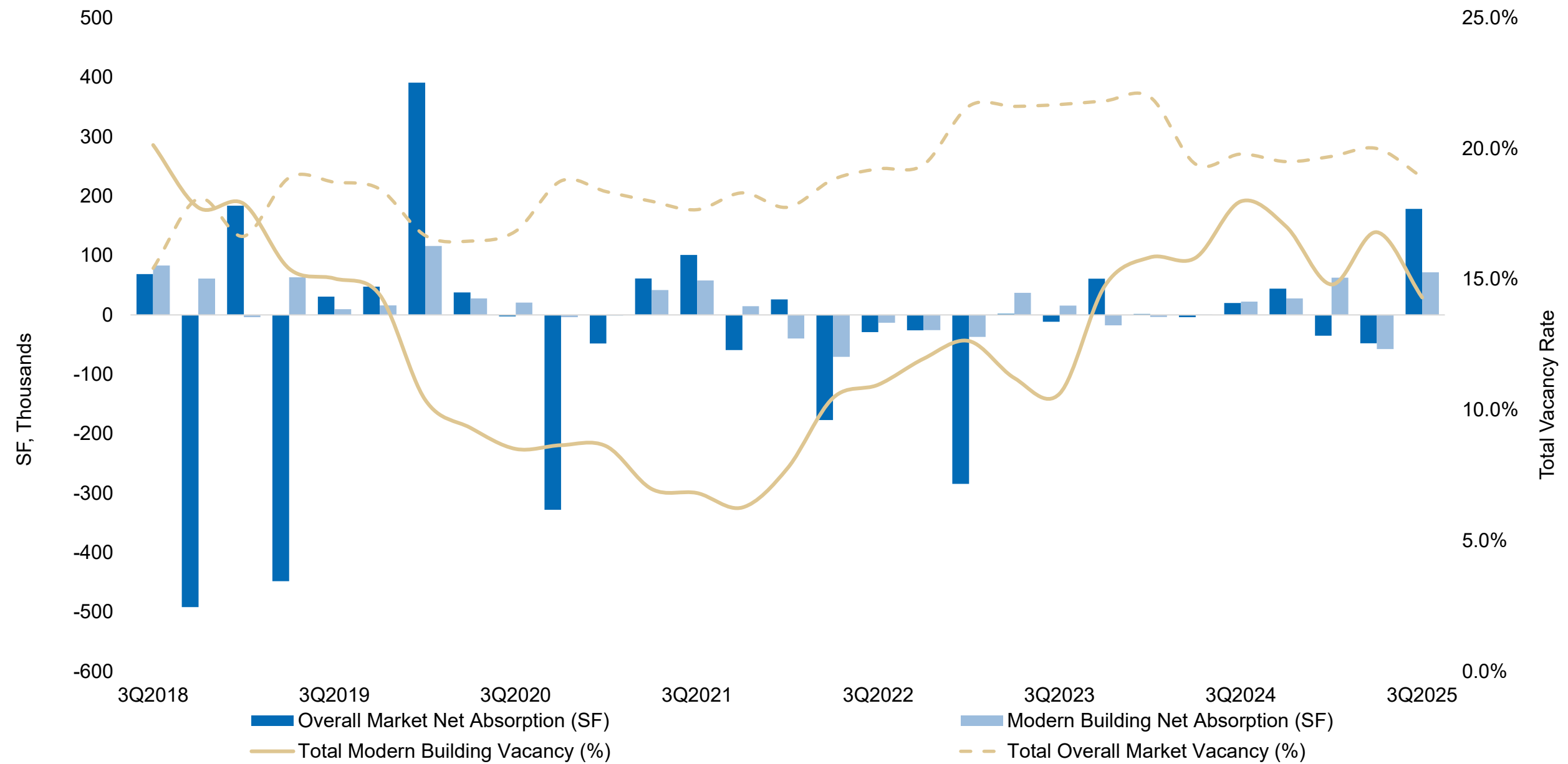


Source: Newmark Research, CoStar

Modern Buildings Continue To Outperform The Broader Market

Modern office buildings built after 2000 demonstrate a notably stronger performance compared to the overall market. These contemporary assets report a vacancy rate of 14.3% as of the third quarter, which is 460 basis points lower than the market average of 18.9%. 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 3205 Avenue North Boulevard—the most recent office delivery completed in the third quarter of 2024—achieved 75% 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

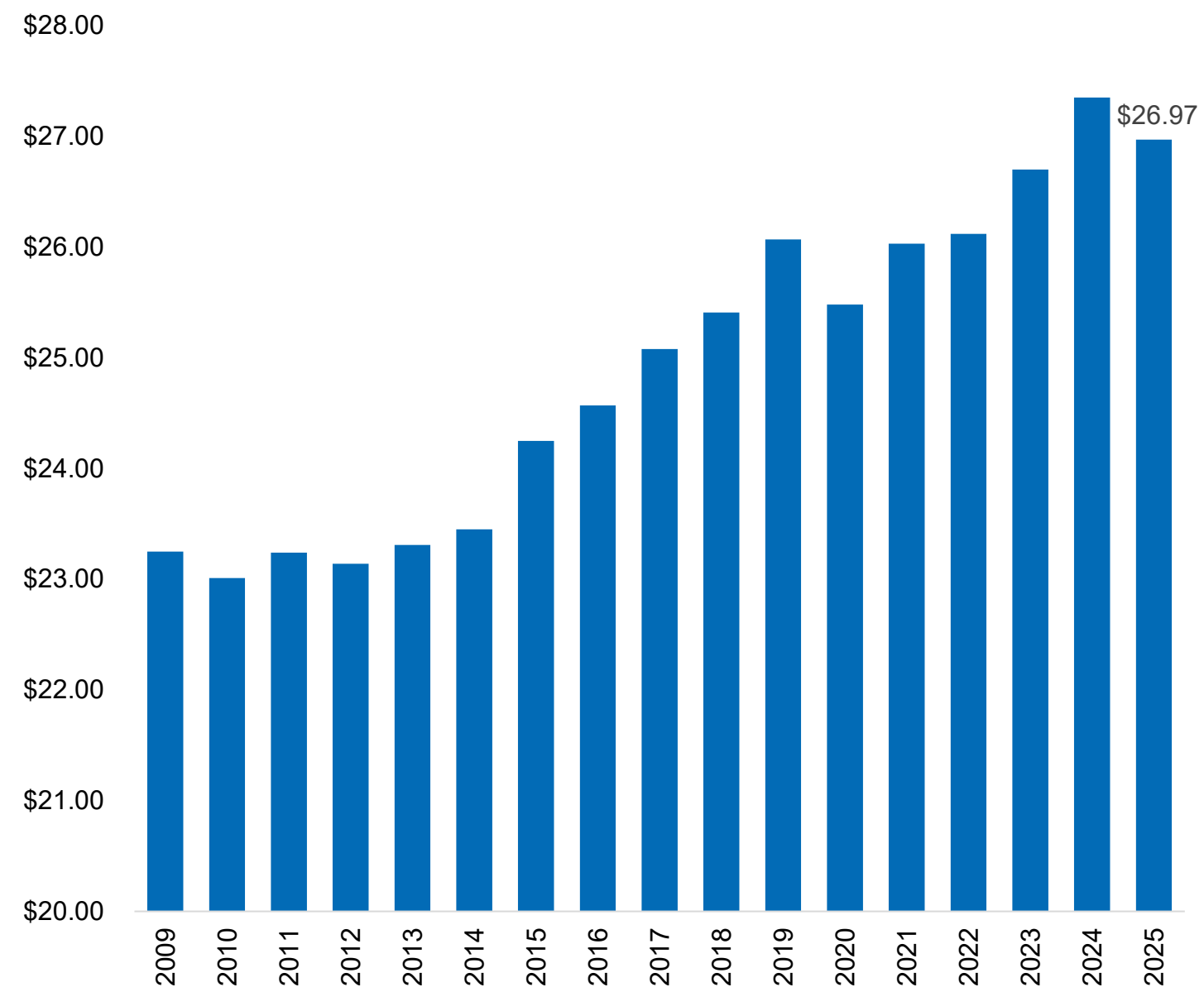


Source: Newmark Research
*Modern buildings are all offices built in 21st century

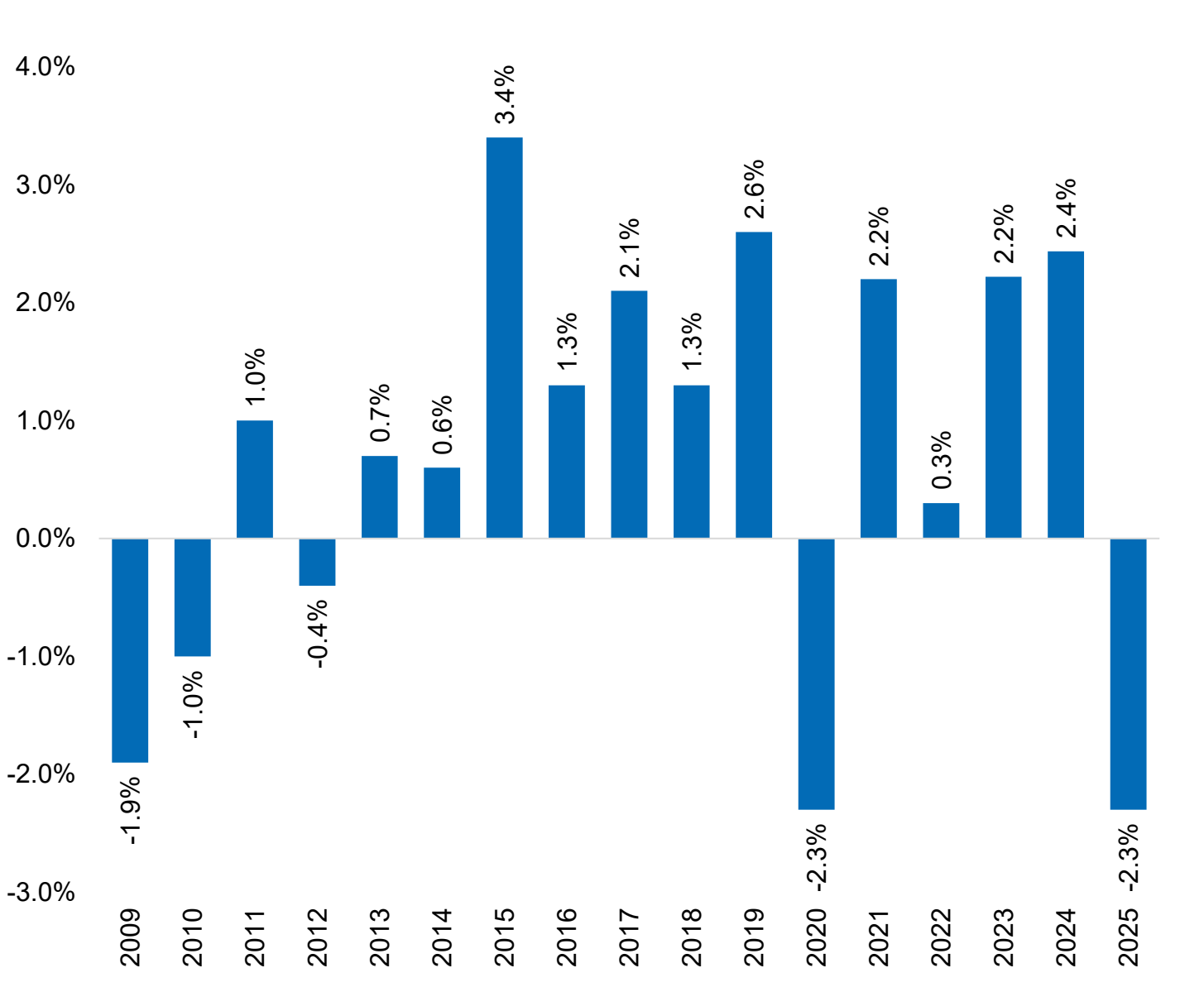
Asking Rents See Small Decrease

Direct asking rents declined 230 basis points over the past year to \$26.97 per square foot as of the third quarter, marking the first annual rate compression since 2020. 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 \$6.05 per square foot over Class B space.

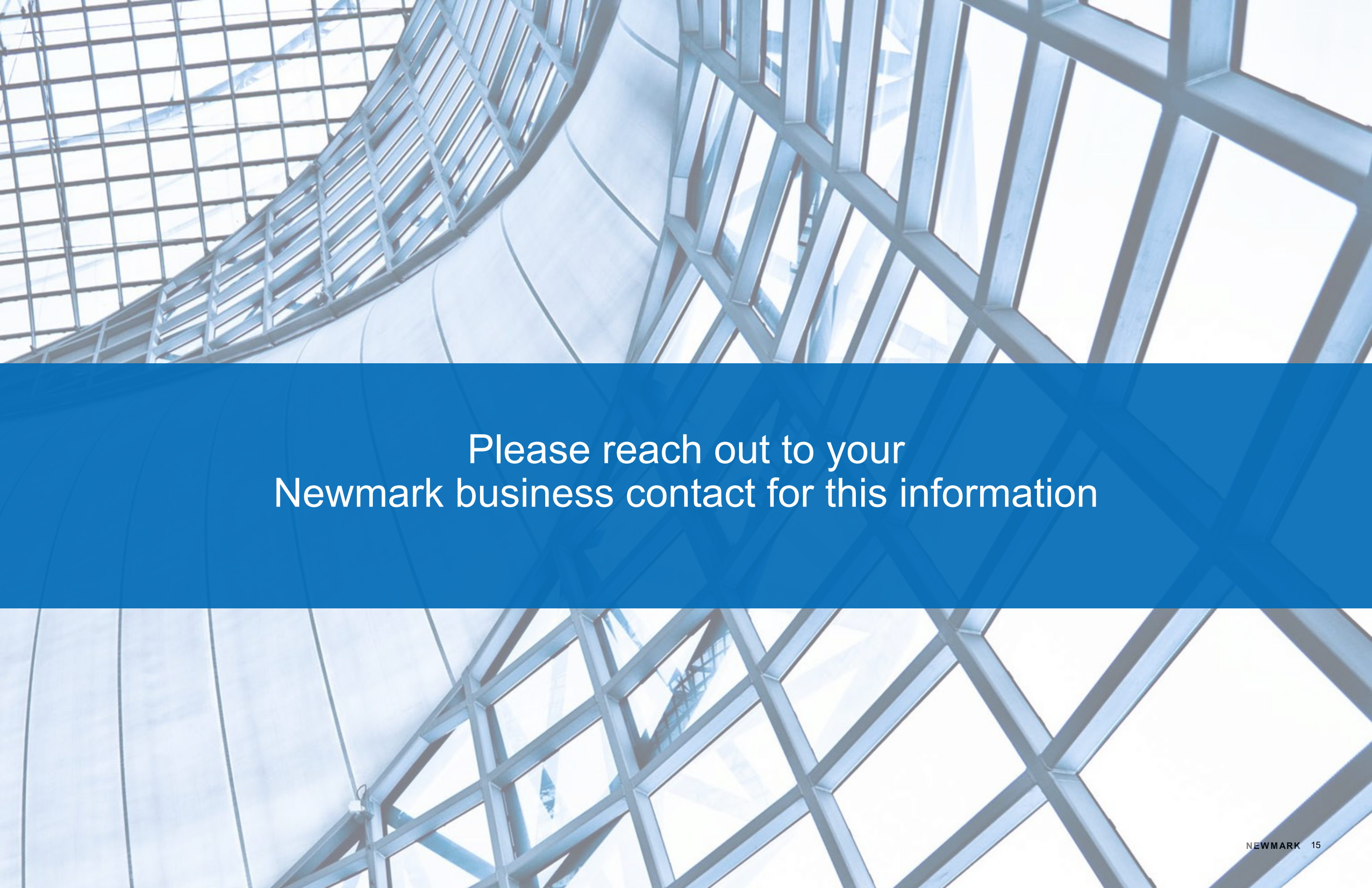
Office Direct Average Asking Rent, \$/SF, FS



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	21.5%	1,532,874	49,200	23.8%	14,958	\$26.41
Wilmington North	3,216,387	21.7%	792,001	70,090	24.6%	96,635	\$29.55
Wilmington South	4,597,057	14.3%	951,986	334,357	20.7%	75,658	\$22.45
Wilmington West	1,466,586	15.7%	249,033	7,332	17.0%	(8,641)	\$33.52
Wilmington – Total	15,718,909	18.9%	3,525,894	460,979	22.4%	178,610	\$26.97

Source: Newmark Research

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