

NEWMARK



Delaware Office Market Overview

4Q25

Delaware Office Market Observations



Economy

- Year-over-year employment growth for the Greater Philadelphia region reached 1.3% as of November 2025, which far outpaced the U.S. average of 0.5%. The region has ranked among the top for payroll gains among major U.S. markets.
- The region maintains healthy labor market conditions, with the local unemployment rate continuing to track in line with the U.S. average. Despite increasing modestly over the two years, the regional unemployment rate only reached 4.5% in the Fall of 2025.
- The region's large, diverse economy has helped drive recent improvements in growth. Strong year-over-year gains were reported in the Education & Health Services, Professional & Business Services, and Financial Activities sectors. The Leisure & Hospitality industry also posted above-average employment growth over the last year.



Leasing Market Fundamentals

- Total net absorption for the Wilmington office market registered negative 31,804 SF during the fourth quarter of 2025; however, positive absorption earlier in the year brought 2025's year-to-date absorption total to 75,667 SF.
- A combination of strong absorption over the year, coupled with Wilmington University's purchase of the fully vacant 3 Beaver Valley Road, pushed vacancy down 190 basis points over the past 12 months from 19.6% to 17.7% as of the fourth quarter of 2025.
- Direct asking rents declined 440 basis points over the past year from \$30.54/SF to \$26.14/SF as of the fourth quarter, marking the first annual rate compression since 2020. While this decrease is notable, it is largely due to Wilmington University's purchase of 3 Beaver Valley Road. The fully vacant building had been offered at \$31.50/SF, so the removal of a large block of vacancy at an above-average rate was a significant factor in the rate decline.



Major Transactions

- In November, Wilmington University purchased the 260,000-square-foot Three Beaver Valley Road building in the Wilmington North Submarket for \$12.5 million, or \$47.71 per SF. The owner/user purchase of this fully vacant building reduced vacancy in the Wilmington market by 140 basis points, from 19.1% to 17.7%. The University is also under contract to purchase One Beaver Valley Road from Chubb. That purchase will not impact market statistics as it was already owner-occupied and therefore not included in the inventory.
- The largest leasing transaction signed during the fourth quarter of 2025 was Corteva's lease for 45,842 SF at the Brandywine Building at 1000 N. West Street in the Wilmington CBD. The agriculture company will move into the building during the first quarter of 2026. Buccini/Pollin now occupies the building's 16th floor.
- Negative absorption recorded in the fourth quarter was attributed to a few mid-size tenants vacating spaces, including MetLife and CAI. However, this was countered by tenant occupations earlier in the year—such as Morris James moving into approximately 46,000 SF at 3205 Avenue North Boulevard during the third quarter.



Outlook

- There are no office projects currently under construction in the Wilmington market, and no new office projects delivered during 2025. 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.
- 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 fourth quarter, 340 basis points below the market average of 17.7%. This substantial gap underscores the persistent demand for high-quality, modern work environments and is an indicator of the ongoing shift toward newer, amenity-rich office space.

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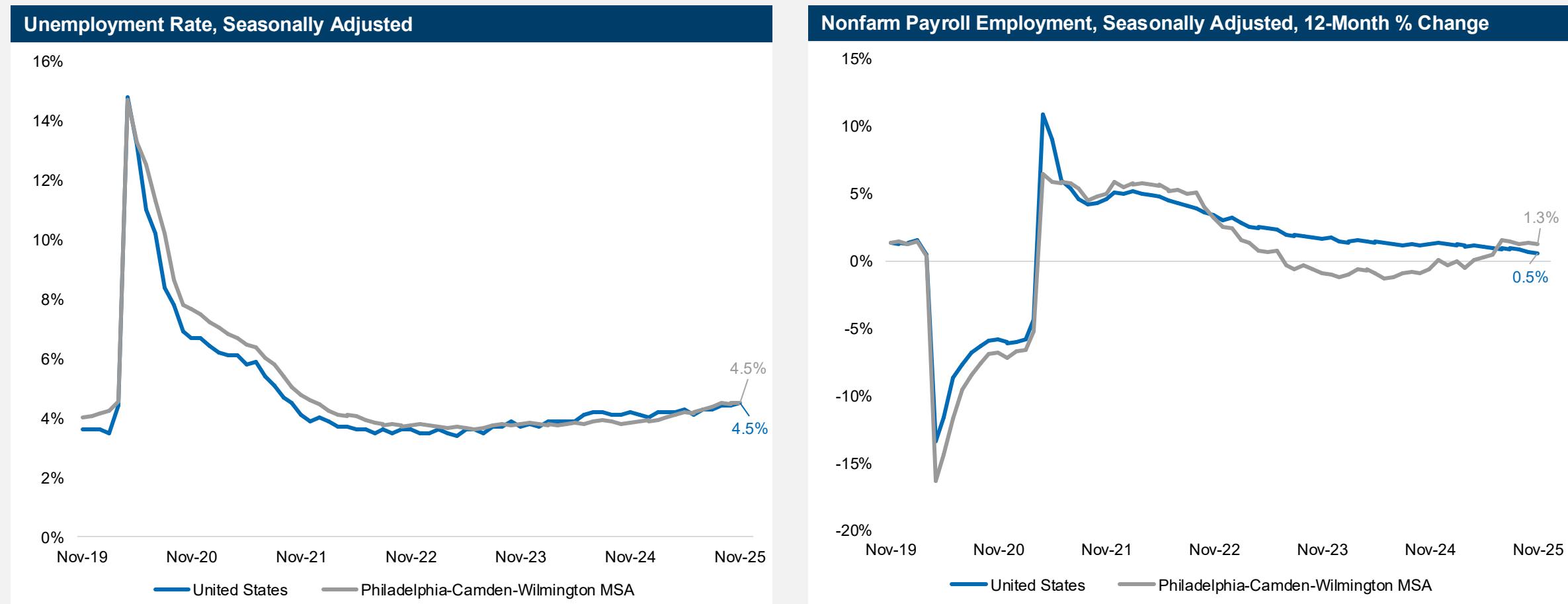
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Economy



Greater Philadelphia Maintain Favorable Labor Markets

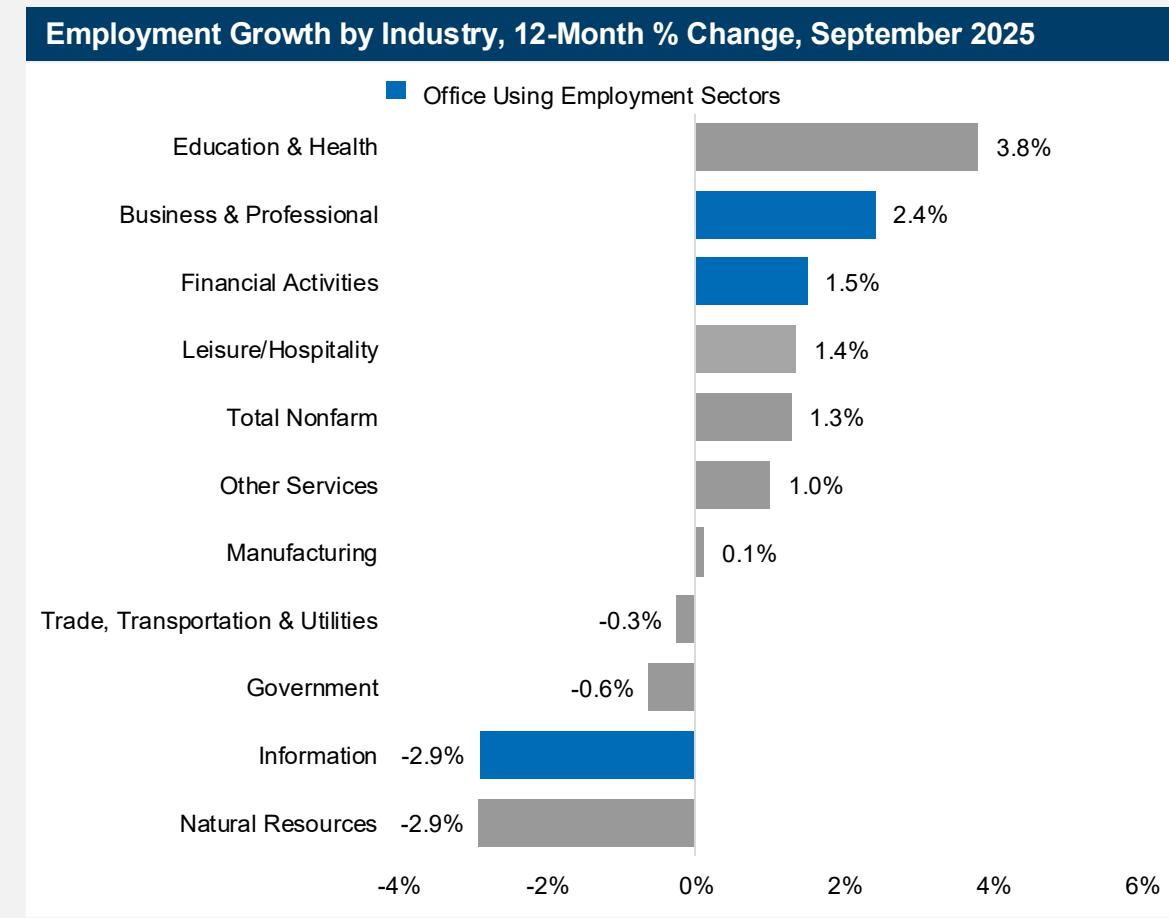
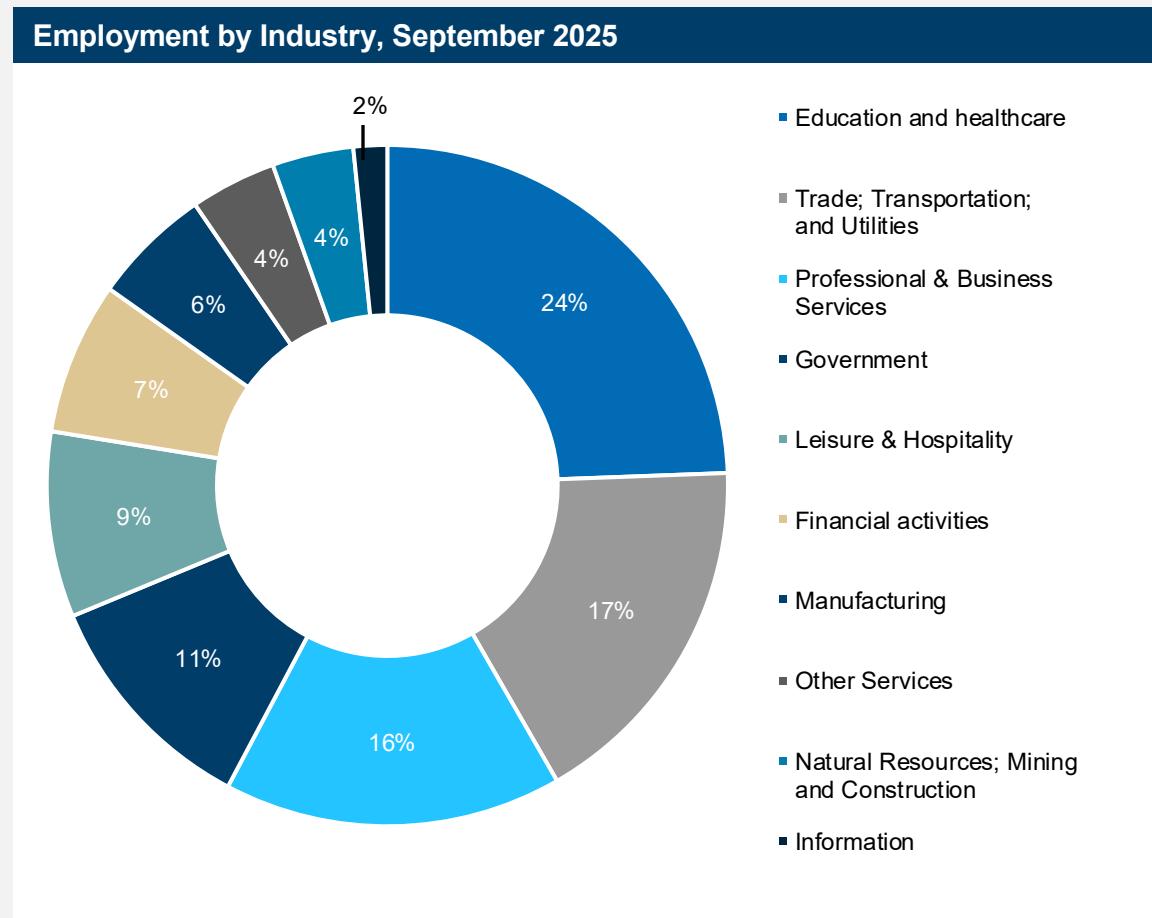
The Greater Philadelphia regional economy showed some resiliency during the second half of 2025, with local payrolls increasing by 1.3% year over year as of November 2025. The unemployment rate has been steadily rising across the region, but local labor markets are trending in line with the U.S. average. Several sectors have contributed to recent economic growth, with key office-related industries reporting above-average job growth over the past 12 months.



Source: Moody's, U.S. Bureau of Labor Statistics, Philadelphia-Camden-Wilmington MSA. Employment data for October and November is limited due to the federal government shutdown. A national unemployment rate has been released for November, but the market unemployment is carried from September.

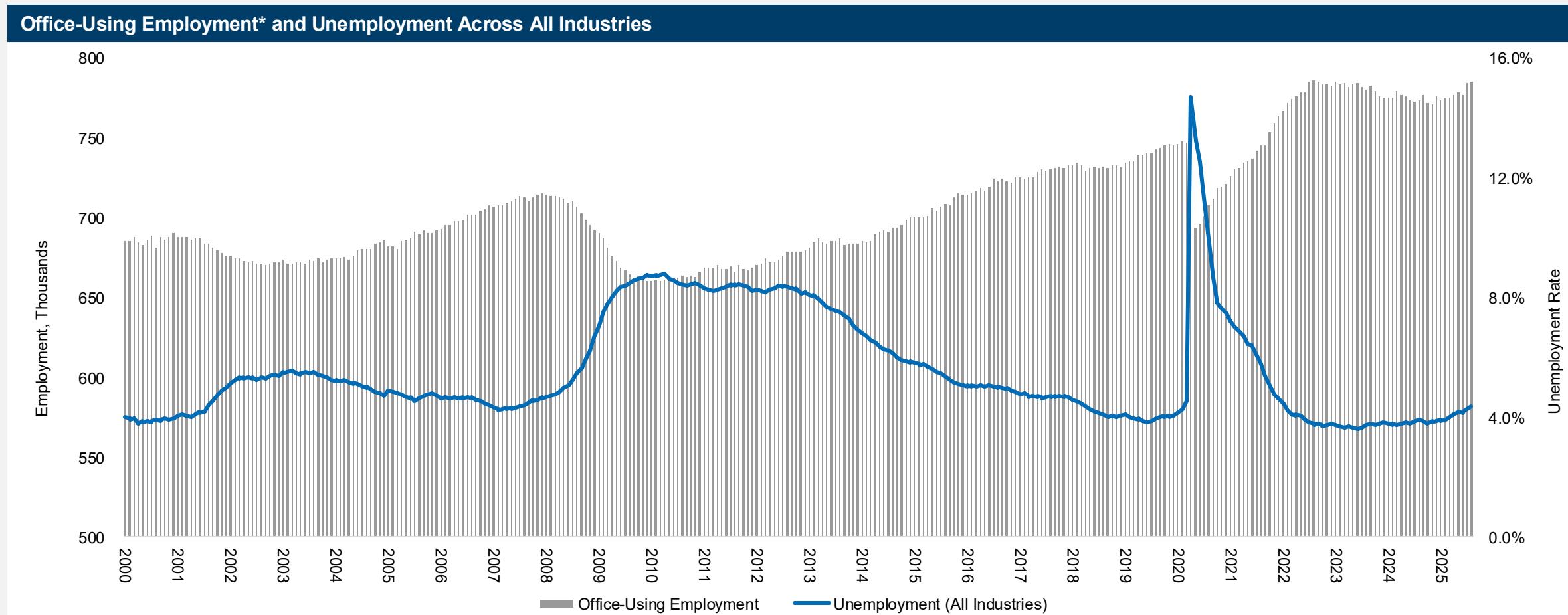
Eds & Meds Lead Local Job Growth

Education & Health stands alone as the market leader for total employment and growth, increasing local payrolls by 3.8% over the last 12 months. The next two sectors topping the growth chart are key office-related industries, including Business & Professional and Financial Activities. These sectors, combined, capture over 23.0% of the total employment in the market, and growth creates tailwinds for office demand. The benefits of these two sectors far outweigh the headwinds in the Information sector, which accounts for the smallest share of total employment and has seen some of the steepest job losses over the 12 months ending in September.



Office Employment Gains Traction

Office users rebounded in 2025, capping the year with roughly 785,000 total office-using jobs in November of 2025, a level not seen since the post-pandemic return in mid-2022. The 1.8% collective office-related employment growth over the prior year contrasts with the growing overall unemployment rate in the region, which rose about 60 basis points year-over-year in September of 2025.



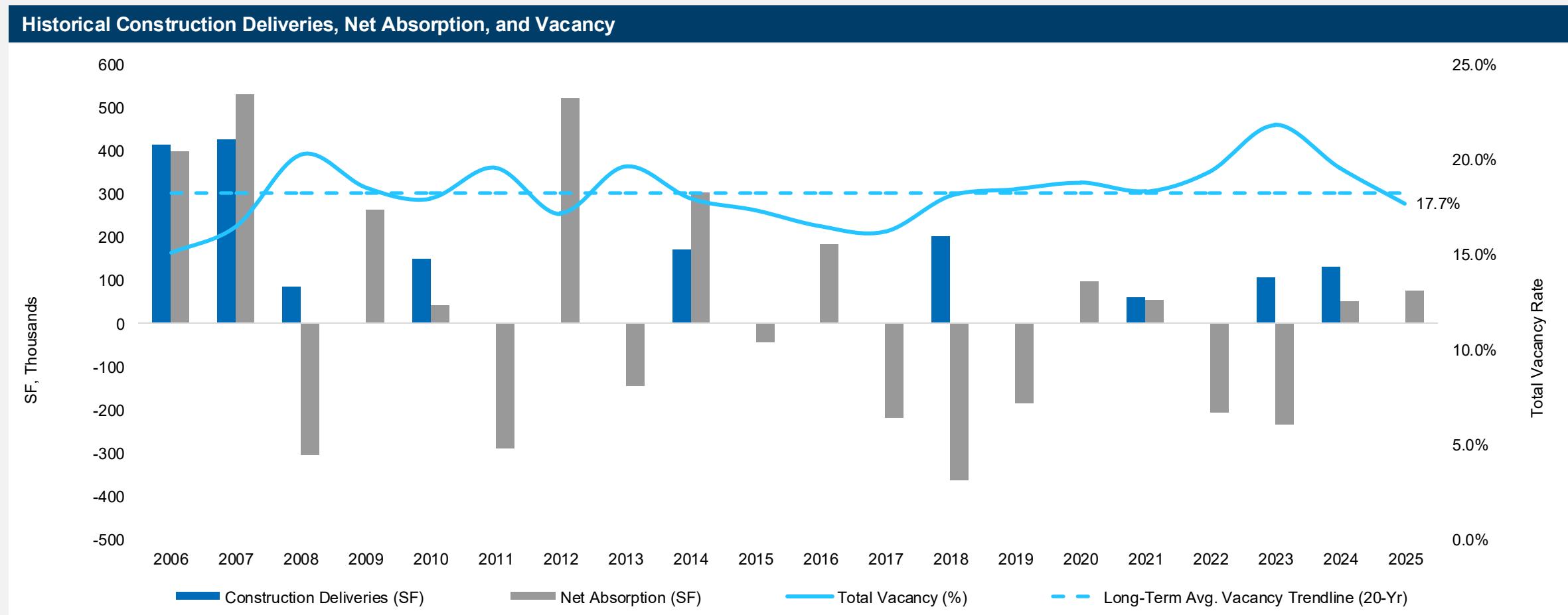
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Leasing Market Fundamentals



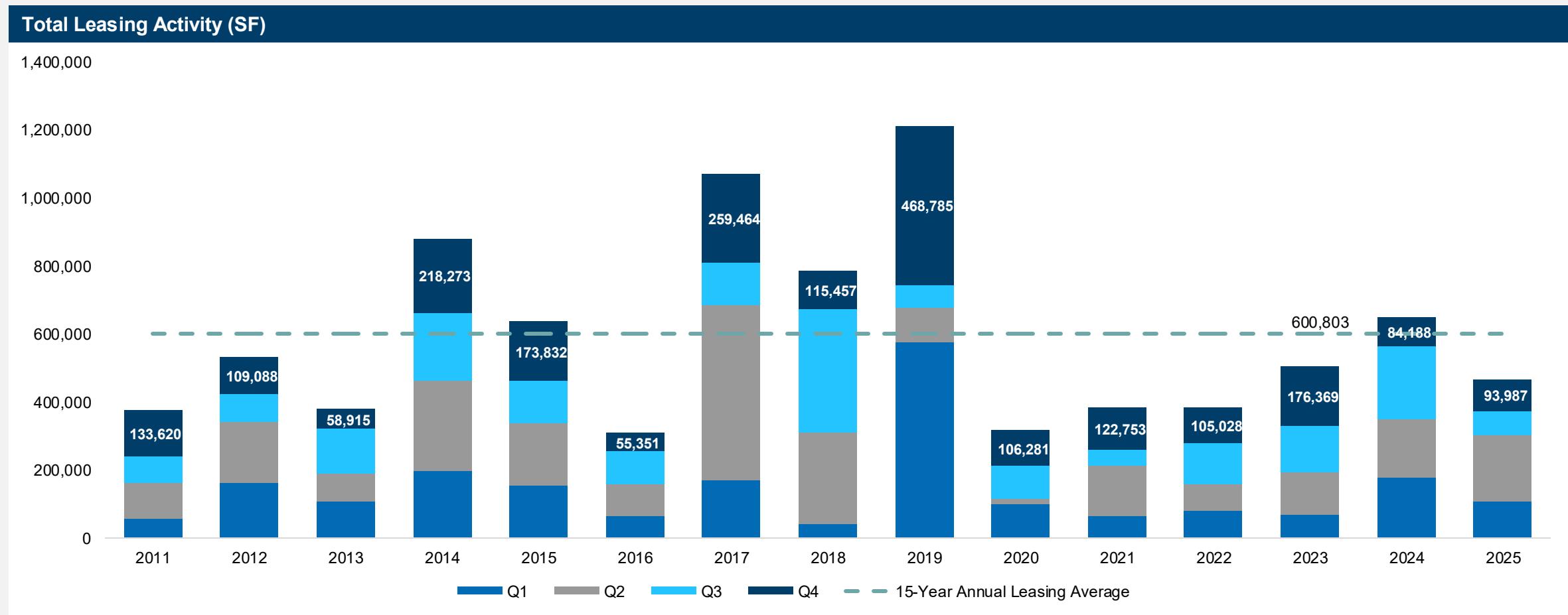
Market Posts Positive Absorption as Vacancy Continues to Decline from 2024 Peak

Total net absorption for the Wilmington office market registered negative 31,804 SF during the fourth quarter of 2025; however, positive absorption earlier in the year brought 2025's year-to-date absorption total to 75,667 SF. A combination of strong absorption over the year, coupled with Wilmington University's purchase of the fully vacant 3 Beaver Valley Road, pushed vacancy down 190 basis points over the past 12 months to 17.7% as of the fourth quarter, well below the market's peak vacancy of 22.0% recorded in the first quarter of 2024.



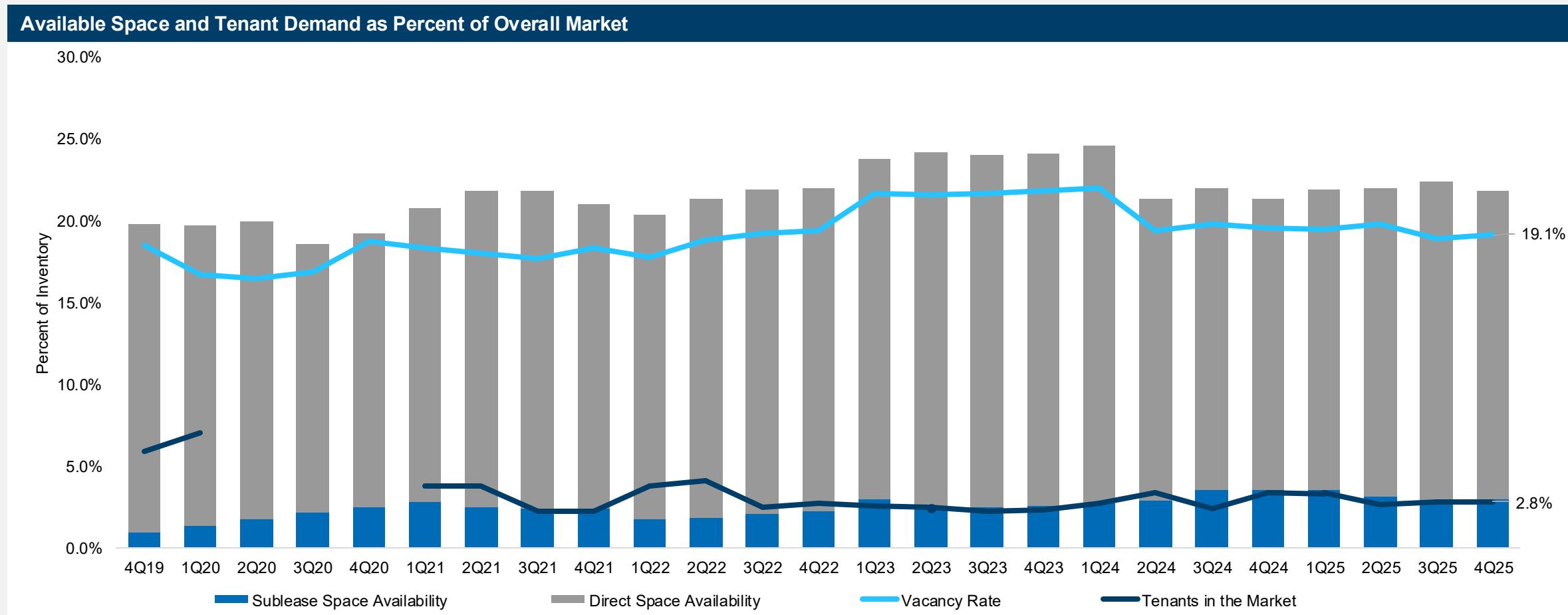
Wilmington Leasing Activity Slows After Record Year

During the fourth quarter, more than 90,000 SF 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 1.1 million SF of leasing was recorded over the past two years, 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.



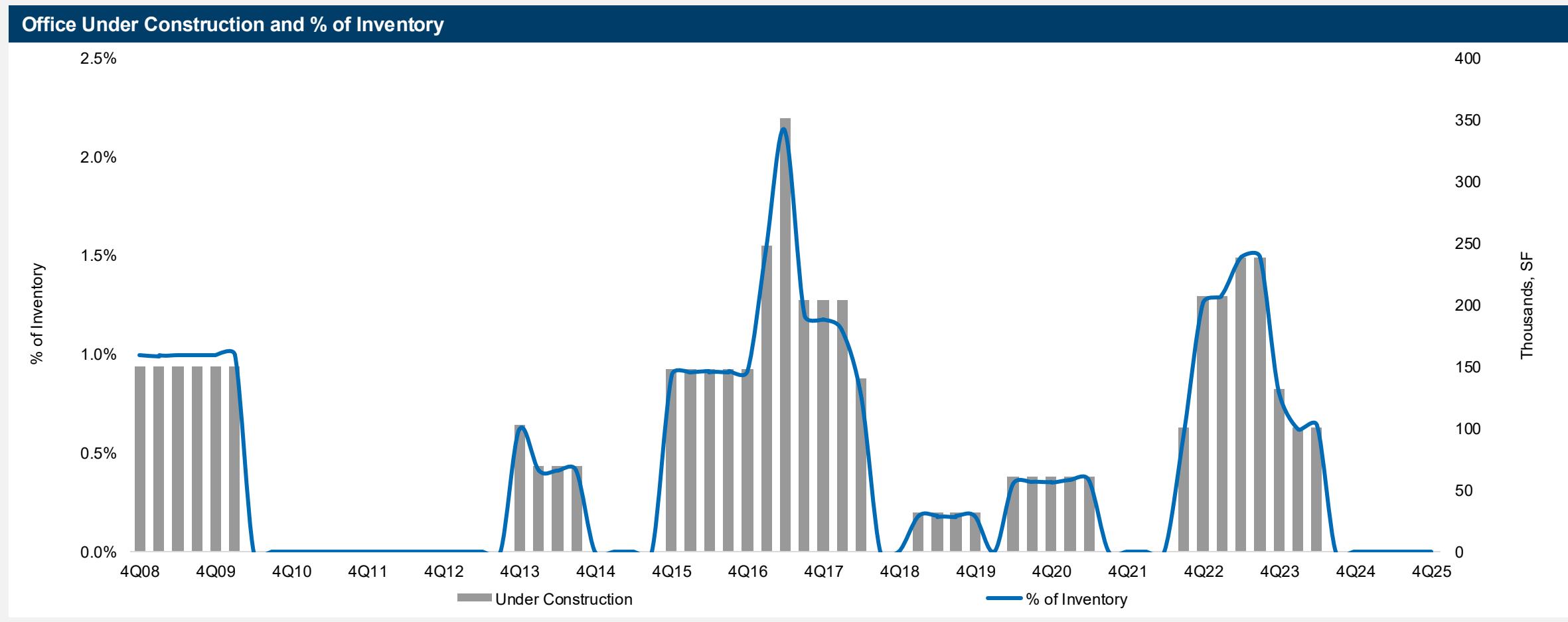
Tenant Demand Pipeline Remains Above 400,000 SF

Office demand in Wilmington, measured by the total square footage that tenants in the market are actively seeking, stood at 445,792 SF as of the end of 2025, with an average requirement size of approximately 20,000 SF. Current demand in the market represents 2.8% of the market's inventory, unchanged from the prior quarter.



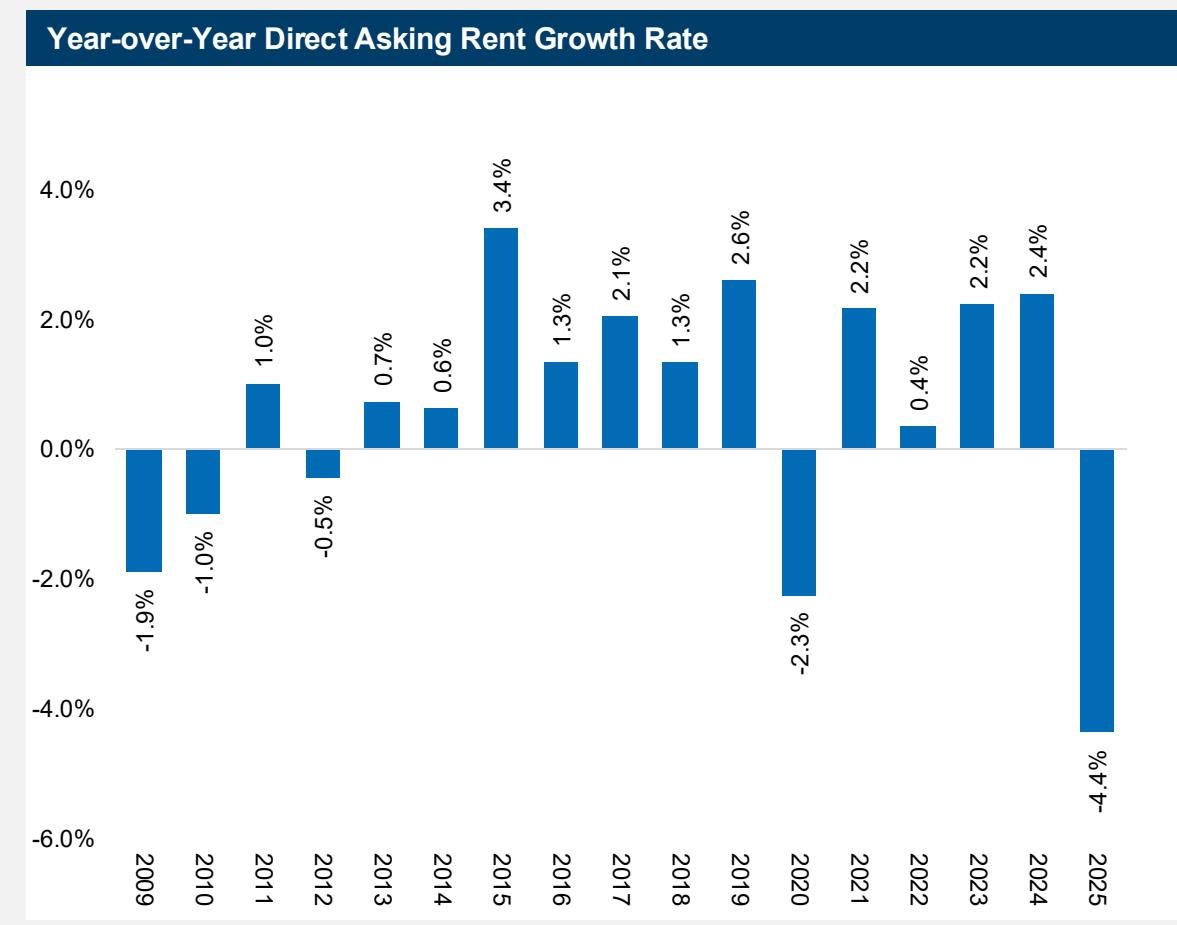
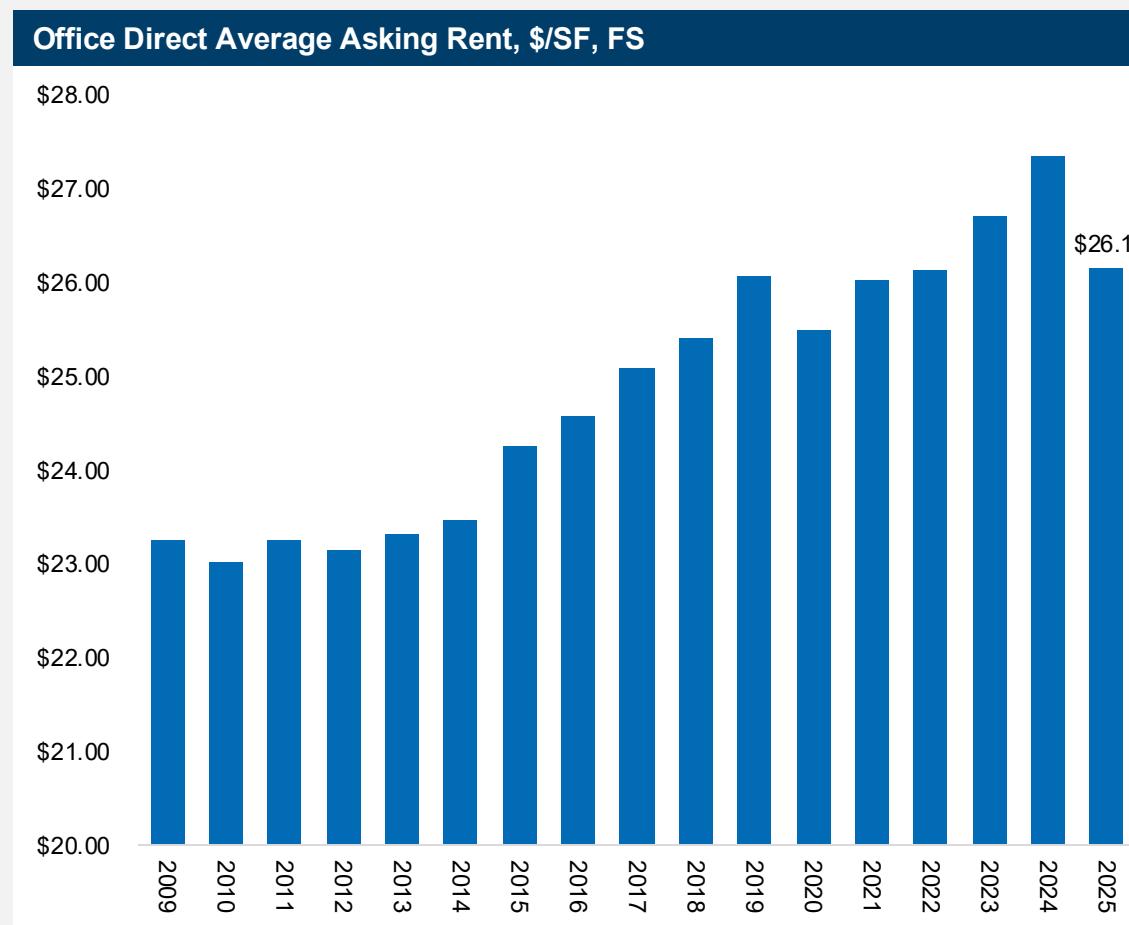
Lack of New Supply Aids Decline in Vacancy

There are no office projects currently under construction in the Wilmington market, and no new office projects delivered during 2025. Delle Donne & Associates' 3205 Avenue North Boulevard was the most recent office completion. The 100,000-square-foot Class A property delivered during the third quarter of 2024 and is currently 76.0% leased. 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.



Direct Asking Rents See Slight Decline After Steady Growth

Direct asking rents declined 440 basis points over the past year to \$26.14/SF as of the fourth quarter, marking the first annual rate compression since 2020. While this decrease is notable, it is largely due to Wilmington University's purchase of 3 Beaver Valley Road. The fully vacant building had been offered at \$31.50/SF, so the removal of a large block of vacancy at an above-average rate was a significant factor in the rate decline. Rent growth was solid over the past four years, so this change is not necessarily an indicator of weakening demand. The rental premium for Class A space remains significant, with a spread of \$5.26/SF over Class B space.



Please reach out to your
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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	21.9%	1,406,530	45,072	21.8%	(25,932)	\$25.84
Wilmington North	2,952,884	15.0%	535,005	82,669	18.1%	(231)	\$27.96
Wilmington South	4,597,057	14.5%	971,812	335,585	21.1%	(14,802)	\$21.03
Wilmington West	1,466,586	15.1%	242,338	7,332	16.5%	9,161	\$33.38
Wilmington – Total	15,455,406	17.7%	3,155,685	470,658	20.4%	(31,804)	\$25.28

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