

# NEW CASTLE COUNTY, DE

## Key Trends

- > The vacancy rate increased from an adjusted 12.9% vacancy rate in the first quarter to 13.1% in Q2.
- > Occupancy gains in the suburban market were offset by a loss in Downtown Wilmington.
- > The weighted average asking rent decreased slightly to \$25.10 full service.
- > Investment activity slowed during the second quarter, but is expected to increase in the third and fourth quarters.

Downtown Wilmington's vacancy increased slightly from an adjusted 16.2% to 16.3% in the second quarter. Downtown Class A buildings had stable vacancy at 13.3%, but the Class B vacancy increased from 24.7 to 25.0%.

Suburban Class B buildings also had a full percentage vacancy increase during the second quarter from 15.6 to 16.6%. Tenant expansions helped to decrease the suburban Class A vacancy from 8.1 to 8.0%.

The weighted average asking rent in Downtown Wilmington decreased slightly to \$25.81 per square foot, full service. The suburban average increased to \$24.21 per square foot. As more new construction and renovated space comes online, the suburban average will continue to increase.

Tenants continue to push for shorter term deals, but are meeting resistance from landlords who require longer terms to justify ever-increasing improvement costs.

The 60,600-square-foot building at 2951 Centerville Road was completed. This project was partially preleased by Bank of America and Merrill Lynch. The office portion of the mixed-use Linden Hill development will be completed in the third quarter. DelleDonne & Associates is renovating two of the former AstraZeneca buildings at 1800 Concord Pike for multi-tenancy. These blocks of 104,488 and 386,460 square feet will be available later in 2018. Pettinaro is renovating two buildings at Barley Mill Plaza, totaling 50,000 square feet, for 4th quarter 2018 delivery.

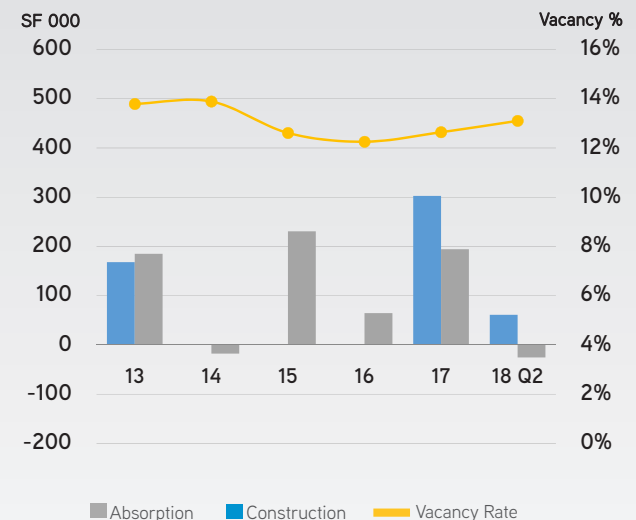
## MARKET INDICATORS

Relative to prior period	Q1 2018	Q3 2018*
VACANCY	↑	↔
NET ABSORPTION	↔	↔
CONSTRUCTION	↔	↓
RENTAL RATE	↑	↔

\*Projected

Arrows compare current period to the previous period and forecast the next period.

## NEW SUPPLY, VACANCY AND ABSORPTION



## Market Activity

The largest lease during the second quarter was AAA's renewal of the full building at 1 River Place.

The majority of the suburban deals were tenants moving within the market and expanding.

The sale of Bank of America's Bracebridge II and III was still pending and rumored to be acquired by an investor for a short-term, sale-leaseback transaction. Rockwood Office Park and AIG's Courthouse Square were under agreement. The fifteen-story 2200 Concord Pike (former Rollins Building) is also on the market for sale.

## Recent Transactions in the Market 2Q 2018

NOTABLE LEASES				
PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE
1 River Place	Downtown Wilmington	AAA	160,000	Renewal
2711 Centerville Road	Suburban Wilmington	Colfax	15,000	New
4550 Linden Hill Road	Suburban Wilmington	Continental Finance	13,327	New
2711 Silver Side Road	Suburban Wilmington	Baird, Mandalas, Brocksedt, LLC	9,580	New
200 Bellevue Corporate Center	Suburban Wilmington	Tiedemann Trust	8,411	Renewal/Expansion
500 Creek View Road	Suburban Wilmington	Franklin & Prokopik	6,900	New
750 Prides Crossing	Suburban Wilmington	Heartland Hospice	6,000	New
800 King Street	Downtown Wilmington	Strayer University	5,335	New

## Market Comparison Update

OFFICE MARKET									
SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE	NET ABSORPTION YTD	COMPLETIONS QUARTER	UNDER CONSTRUCTION*	AVG. ASKING RENT
<b>Downtown Wilmington</b>									
A	6,114,530	812,400	2,604	815,004	13.3%	18,371	0	0	\$28.88
B	2,124,424	528,777	1,952	530,729	25.0%	(69,998)	0	0	\$21.10
Total	8,238,954	1,341,177	4,556	1,345,733	16.3%	(51,627)	0	0	\$25.81
<b>Suburban Wilmington</b>									
A	7,300,362	526,276	58,778	585,054	8.0%	56,985	0	641,798	\$24.91
B	2,883,546	478,356	0	478,356	16.6%	(30,846)	0	0	\$23.35
Total	10,183,908	1,004,632	58,778	1,063,410	10.4%	26,139	0	641,798	\$24.21
<b>MARKET TOTAL</b>									
A	13,414,892	1,338,676	61,382	1,400,058	10.4%	75,356	0	641,798	\$27.22
B	5,007,970	1,007,133	1,952	1,009,085	20.1%	(100,844)	0	0	\$22.17
Total	18,422,862	2,345,809	63,334	2,409,143	13.1%	(25,488)	0	641,798	\$25.10

\* Includes buildings under renovation

Note: 913 N. Market Street was removed from the Downtown Wilmington inventory. Historical adjustments were made.