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WILMINGTON OFFICE POSITIVE PROGRESS

Wilmington, DE (December 15, 2010) – “During 2010 there have been more positives than negatives for the Wilmington office market,” said Pete Davisson of Jackson Cross Partners at the company’s annual Forecast Meeting. “The two numbers that people hang their hats on when analyzing the office real estate market are leasing activity and absorption. Both of these numbers were positive in 2010, with leasing activity up 19% across all markets, and absorption, the net increase or decrease in occupied space, positive at 57,382 square feet.”

“However, while most numbers were positive compared to 2009, it must be remembered that 2009 was the worst year since we started keeping records in 1979. Another number that people talk about is vacancy and it declined during 2010, an additional positive sign. But, combined vacancy rates still remain close to historic highs with a combined vacancy rate of 21.2% for Class A and B office space in the Central Business District (CBD) and the suburbs. The combined total of vacant space is 3.1 million square feet, still a substantial number in a market of our size,” noted Davisson.



Jackson Cross Partners reported that new leases totaling 154,781 square feet were signed during 2010 in the CBD. This represents a 72% increase from 2009. However, this number is far below the ten year average of 295,000 square feet.

In Wilmington's suburbs, 447,000 square feet of new leases were signed. This represents an increase of 67% above 2009, but that total is 14% below the 10 year average.

"We tracked 122 new lease transactions in the market in 2010," Davisson said. "As was the case last year, there were only four leases larger than 20,000 square feet, and all of them were in the suburbs. Morgan Stanley Smith Barney moved from the CBD and signed a 25,000 square foot lease at Delaware Corporate Center on Concord Pike. The State of Delaware signed a 22,400 square foot lease at University Office Plaza. Coventry Healthcare signed a 43,000 square foot lease at Iron Hill Corporate Center, and in the largest lease, CIGNA signed for 90,000 square feet in Bellevue Park Corporate Center."

Cindy Fleming, JCP Leasing Specialist, reported that in the past building owners have been concerned about the financial health of tenants. Today prospective tenants are also concerned about the financial health of building owners. "Tenant prospects want to know that the owner will have the financial ability to make needed tenant improvements and will be able to continue to properly operate and manage the building," said Fleming. Accordingly the larger institutional owners and REITS are now in a better position to protect the needs of the tenants and are in a stronger bargaining position than smaller owners.



To that end rental rates for the Class A buildings have remained virtually the same year to year, while Class B rates in both markets are down approximately 1 dollar per square foot.

For 2011 Davisson forecasts that leasing activity will remain at modest levels, but on the growth plane, and that while vacancy may continue to decline it will stay close to 20% across the market. Class A space should improve in the suburban market. Sublet space will remain level, as will rental rates. Tenants will continue to take advantage of deals in Class A office space and will move up to higher quality or better located space. Absorption will be positive, but still at modest levels.

Positives for the Delaware economy are the re-birth of The Queen, an entertainment complex in the City of Wilmington, The University of Delaware Science and Technology Campus at the former Chrysler Plant, Fiskar Automotive at the former General Motors Plant and the re-opening of the Valero Refinery in April 2011.

“So, while we have moved beyond the “Perfect Storm” of 2008 and 2009 and the ‘Troubled Waters’ that we experienced in 2010, we expect 2011 to remain turbulent and do not expect clear sailing in the office market until mid-2012,” concluded Davisson.

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Jackson Cross Partners is a Commercial Real Estate company, focusing on a consultative approach to client service. The Jackson Cross team brings extensive experience in Corporate Real Estate, Brokerage, Development and Finance to the property life cycle. With offices in Philadelphia and King of Prussia, Pennsylvania; Wilmington, Delaware; and, Swedesboro, New Jersey, Jackson Cross provides market coverage throughout the Delaware Valley as well as access to markets throughout the world through its affiliation with ONCOR International.

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