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SEVERAL OFFICE REDEVELOPMENT PROJECTS UNDERWAY IN NEW CASTLE COUNTY



David Morrison

CCIM, Principal,
NAI Emory Hill

The New Castle County office market includes roughly 16 million square feet of total inventory with nearly 3 million square feet of that vacant. Vacancy in Class A space has improved somewhat as tenants take advantage of market conditions but these moves have not had much impact on overall vacancy rate. Jackson Cross Partners reports 2014 absorption of 80,000 square feet; although positive, this indicates we have years of recovery before a healthy overall vacancy rate is reached.

We are seeing a number of projects that will have some impact on reducing inventory and improving vacancy rates as marginal office space is redeveloped for various non-office uses. These projects include:

- A group of local investors purchased 1001 Jefferson Street in the city of Wilmington, which contains 170,000 square feet of office space on approximately 1.4 acres in May 2014, following a failed auction process. The building was recently demolished and the site is now being improved for surface parking, at least temporarily. Although a new office project is not being ruled out down the road, the site is being marketed for other uses, including residential and retail.

- 1300 Market Street, also in the City of Wilmington, containing 62,000 square feet of office space, was marketed specifically as a redevelopment play. Several potential buyers expressed interest in the property for a variety of non-office uses. The building was placed under contract in early 2015 by a hotel developer. Renovation work on the building will begin im-

mediately with the hotel scheduled to open by October 2015.

- 4500 Linden Hill Road, which is located at the intersection of Route 7 and Linden Hill in Pike Creek, Delaware, contains approximately 80,000 square feet of office space. The property was purchased in July after being vacated by Citigroup. The new owner plans to demolish the building and improve the seven-acre site with a mix of apartments, townhouses and retail known as Linden Hill Station.

- Situated nearly adjacent to the planned Linden Hill Station project, 4550 Linden Hill Road is a 105,000-square-foot office building on eight acres and is currently scheduled for an auction sale this month. Given the current high vacancy in this building, this site may also attract interest in redevelopment for alternative uses.

- 2100 Ogletown Road in Newark, Delaware, known as the Avon Property, is situated on 45 acres and includes about 80,000 square feet of office space that was used by Avon. The site is under contract and a plan has been submitted to develop primarily apartments and retail, although an office component is included in the plan.

- Buccini/Pollin Group plans to demolish five buildings totaling 131,000 square feet of office space at Concord Plaza located in North Wilmington at the intersection of Route 202 and Silverside Road. This section of Concord Plaza will be redeveloped for residential and retail uses.

We expect to see more of these major redevelopment projects continue in the future, which could mean a rebound in the commercial office market in Delaware. A recent report by NAI Global's Chief Economist Dr. Peter Linneman predicts that we could actually be headed for another unprecedented boom in about five years if current trends continue nationwide and locally.