

WILMINGTON ALLIANCE & NEWMARK KNIGHT FRANK
SURVEY RESULTS



The Wilmington Alliance and Newmark Knight Frank developed and deployed a survey of major occupiers in the Wilmington office market to gauge how employers are adapting to meet challenges as a result of the global coronavirus pandemic. The following survey results assist with understanding how the commercial real estate market may evolve, in particular with reference to the continuance of remote working strategies.

The Wilmington Alliance and Newmark Knight Frank thank those who participated in the survey, and are pleased to share the following survey results.

KEY FINDINGS: Many office tenants have started to re-enter their space and do not have significant short- or long-term plans for reducing their footprint. However, 40% of the survey respondents do not have a date set for even partial office re-boarding yet and permanent work-from-home (W.F.H.) employees will be a part of future strategy for a significant portion of the respondents.

SIZE AND SCOPE OF SURVEY RESPONDENT POOL?

- Of **71 respondents**, 40 were located in the city, 25 in the suburbs, and 6 had offices spanning both the city and suburbs (of those spanning both markets, most employees were in the suburbs).
- Three-quarters of all city respondents are small occupiers – under 50 employees. Combined with responses from occupiers with offices in both the city and suburbs, **the responses cover a city workforce of approximately 4,800 employees.**

WHEN WILL OFFICE RE-BOARDING BEGIN AND AT WHAT CAPACITY?

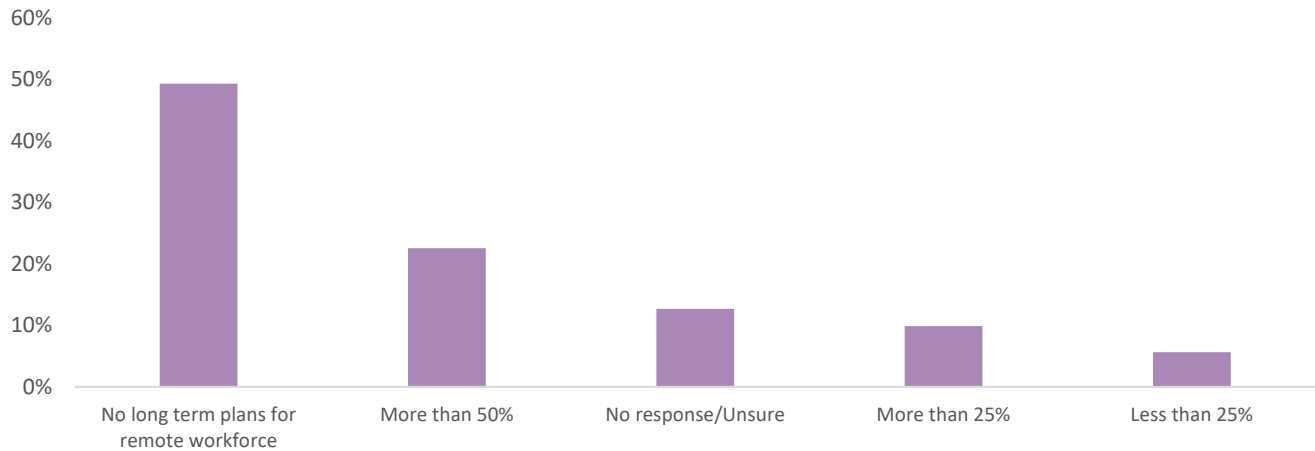
- **It has already started.** Market-wide, around half the respondents provided a date that has already transpired. 17% of respondents will begin over the summer months. **~40% do not have a date yet to commence re-boarding.** There was no direct correlation found between the size of a firm's workforce and setting a date to commence re-boarding. The largest occupier to respond started re-boarding at 25% capacity in June.
- Breaking down to city vs. suburbs, 25 of the 40 city companies and 15 of the 25 suburban companies have picked a date to re-board (and in both cases, the majority have already commenced).
- Most firms with a firm date started or will start at 25% occupancy.

W.F.H. - OUT OF NECESSITY - HAS BEEN SUCCESSFUL THUS FAR. WILL THIS CAUSE A PERMANENT CHANGE IN COMPANY STRATEGY?

- 38% of respondents plan to keep a percentage of the workforce remote for the long term – and of that pool, the majority selected more than 50% of their workforce.
- For city tenants, 17 indicated plans to keep a portion of the workforce remote long-term, and of those 17, all but two indicated plans to keep more than 25-50% remote long-term. While this pool was generally comprised of smaller occupiers, it did include two large occupiers (500-1,000 employees). One selected the option of "more than 25%" and the other, "more than 50%" of their employees may be remote long-term.
- **Roughly estimated, one in seven employees downtown could remain W.F.H. permanently.**

Source: NKF Research

DO YOU PLAN TO KEEP A PORTION OF YOUR WORKFORCE REMOTE FOR THE LONG TERM? SURVEY RESPONSES:



Source: NKF Research

SHORT-TERM SPACE STRATEGY CHANGES?

- Short-term space strategies were overwhelmingly stable – few respondents noted they had immediate plans to reduce their footprint, which is an encouraging indicator that, at least for the balance of 2020, there may not be a glut of sublease space put on the market due to firms looking to quickly unload unwanted space.
- Only two small firms in the city (under 50 employees) responded that they would be reducing their footprint in the short term; one is closing the local office and shifting work to a nearby out-of-state location, and the other is considering a shift to permanent W.F.H.
- The vast majority of city tenants stated short term space needs were stable and a handful noted they may expand their space – at least one tenant is considering expanding to accommodate new social distancing standards.

LONG-TERM SPACE STRATEGY CHANGES?

- **When it came to long-term strategies, tenants with plans to reduce their overall footprint jumped to 20% of all respondents market-wide.** However, of that 20%, most were smaller companies and only two were companies with a very significant city workforce (500-1,000). One of those tenants noted they are under a long-term lease but will look for options to reduce space, and the other noted that plans are “still to be determined.”
- Of 44 responses from city tenants and tenants split between city and suburbs who have significant volumes of employees downtown, 9 noted that their long-term space strategy was to reduce their footprint. Nearly all the short-form responses indicated those plans were due to W.F.H. success.
- 3 city respondents noted they wanted to expand their footprint.
- Several respondents in coworking locations are considering transitions to private office spaces for both short- and long-term expansions

HOW MUCH STOCK CAN WE PLACE IN THESE ANSWERS?

- We acknowledge that some respondents may be making educated guesses on their answers because actions and reactions are in constant evolution as more information becomes available in these uncertain times. Note that on a scale of one to five, one being that the tenant expects their stated plans to change and five being that the tenant is fully confident in their stated plans, the average response was 3.3.

Source: NKF Research

We invite our clients and associates to call on us for guidance and to visit [NKF's COVID-19 website](#) for helpful tools and information. In addition, please see NKF's second quarter market report.

RESEARCH 2Q 2020

WILMINGTON OFFICE MARKET

SUBURBAN MOVE-INS PROPEL POSITIVE OFFICE ABSORPTION DURING UNPRECEDENTED MARKET CIRCUMSTANCES

CURRENT CONDITIONS

Market vacancy dropped 23 basis points from 18.8% to 14.6%, quarter over quarter, on the heels of positive office absorption.

Rentals slightly softened to a market wide average of \$25.63/SF.

Amtrak committed to remaining in the downtown office market with its purchase of 403 N. King Street (Renaissance Center).

MARKET ANALYSIS

Asking Rent and Availability

Net Absorption (\$F, Thousands)

MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago	12 Month Trend
Total Inventory	17.7 MSF	17.7 MSF	18.0 MSF	↔
Vacancy Rate	14.6%	14.8%	19.2%	↓
Quarterly Net Absorption	37,740	408,879	(448,703)	↓
Average Asking Rent	\$25.47	\$25.96	\$25.90	↔
Under Construction	0.00 MSF	0.00 MSF	0.00 MSF	↔
Delivered	0.00 MSF	0.00 MSF	0.00 MSF	↔

[2Q2020 Wilmington Office Market Report](#)

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