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**F**inancial services firm Morgan Stanley, faced with an expiring lease at its standalone office building in Uptown, jumped at the chance to take a full floor in the 10-story Two Park Square just a few blocks away.

The move, planned for November, illustrates a “flight to quality” trend in the office real estate market.

Class A office buildings like Two Park Square are faring better in the down economy than the market as a whole. The vacancy rate for Class A office space in Albuquerque was 14.4 percent in the second quarter compared to 18 percent overall.

The flight to quality stems from the down economy and its impact on commercial real estate. A company with a proven track record can lease space in a Class A building, with all the prestige and amenities, at a price not much higher than a top-end Class B building.

Two Park Square and its twin One Park Square are among just eight office buildings classified as Class A by Grubb & Ellis New Mexico, although there are a number of other office properties out there that market themselves as Class A.

“We are very loose with the designation around here,” said Scott Throckmorton of Argus Investment Realty.

NAIOP, the commercial real estate development association, defines a Class A building as having



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Two Park Square at 6565 Americas Parkway NE in Uptown Albuquerque in one of just eight office buildings in the Duke City classified as Class A by Grubb & Ellis New Mexico, although a number of other office properties market themselves as Class A.

# CLASS-A QUARTERS

Top-tier accommodations fare better than commercial real estate market as a whole

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# Top-grade Class A space sets the pace

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an excellent location, high-quality design and finishes, top maintenance and internal systems like elevators and HVAC, and rents at the top of the office market.

Building Owners and Managers Association International puts emphasis on the type of tenants that occupy the building. A Class A building will be filled with companies that are household names.

“Relatively new companies — local startups, national companies exploring the market — rarely move into a Class A building,” Throckmorton said.

Under the BOMA definition, Morgan Stanley would be a prime candidate for a Class A building. Established in 1935, the New York City-based firm has more than 1,300 offices worldwide.

Since 2000, its Albuquerque office has been in a roughly 25,000-square-foot building at 6701 Uptown NE. Although centrally located, with plenty of parking, the one-story building is a converted Silo Appliances retail store.

Morgan Stanley will take the entire fourth floor of Two Park Square, just

under 19,000 square feet, said Throckmorton, who is the building’s leasing agent. Until earlier this year, the space had been occupied by Allstate Insurance.

“Two Park fits the image of what you’d expect from a Morgan Stanley office,” Throckmorton said.

One Park, Two Park and Albuquerque’s six other Class A buildings account for nearly 1.4 million square feet or 10.2 percent of the metro’s entire inventory of office space, said Ken Schaefer of Grubb & Ellis New Mexico.

The average asking lease rate for Class A space was \$20.38 a square foot in the second quarter, an 8 percent decrease from the peak of \$22.13 in early 2010, according to Grubb & Ellis data. The average asking rates ranged from \$18.95 to \$22.50 a square foot in the second quarter, depending on location.

For comparison, the average asking lease rate for Class B office space, which accounts for two-thirds of the local office market, was \$17.11 a square foot in the second quarter. Class B space has a wide range of asking rates, from a low of \$12.54 a square foot in the Southeast Heights to a high of \$20.58 a square foot in Rio Rancho.

## Class A space in ABQ

**The North I-25 corridor, which straddles Interstate 25 north of the Big I, has four office buildings classified as Class A by Grubb & Ellis. They are:**

■ The four-story, 60,000-square-foot San Francisco Building at One Sun Plaza in Journal Center.

■ The six-story, 178,080-square-foot Pan Am Building at One Sun Plaza, which along with the San Francisco Building was originally built as the Sun Healthcare corporate headquarters.

■ The four-story, 127,614-square-foot Westlake Building at 8801 Horizon NE, off Alameda, which was originally built as

the corporate headquarters for nursing home operator Horizon/CMS.

■ The five-story, 69,054-square-foot Mountain States Insurance Building at 5051 Journal Center NE.

**Downtown has two buildings classified as Class A by Grubb & Ellis. They are:**

■ The 22-story, 343,912-square-foot Albuquerque Plaza at 201 3rd NW, which is the Duke City’s tallest building.

■ The 15-story, 231,135-square-foot building called “500 Marquette,” after its street address, which has a skywalk connecting it to the City/County Government Complex.