

Office Market Trends Albuquerque

Grubb & Ellis Research
Fourth Quarter 2005



“Abundant Choices Still Exist Downtown”

Downtown Rebound?

Finally, is there some good news for the Downtown office market? For the first time in four years Downtown Albuquerque experienced positive absorption of space over 50,000 square feet. The majority of this activity was the result of one tenant opening up a call center office. Utah based Sento Corporation leased space in the Compass Bank building on Marquette to provide on-line and telephone support for clients with Spanish speaking customers.

It is still too early to say that Downtown has turned the corner but this could be a positive sign. When looking at areas that have the largest amount of contiguous spaces available, the Downtown and Airport submarkets have the most choices at the lowest rates. Compared to other submarkets like North I-25 and Uptown, Downtown is positioned very well for the next few quarters to attract tenants who require affordable large contiguous spaces. Several other government tenants are slated to move away from Downtown in the first quarter of 2006 which may negate the positive absorption altogether.

The pace of new construction picked up in the fourth quarter. The popular North I-25 submarket saw two new projects totaling 120,000 square feet of space begin. Look for the number of new office projects to decrease as construction costs continue to rise combined with the added expense of impact fees doubling for new projects permitted after January 2006. There comes a point when the cost of a new building does not cash flow based on how high the lease rates need to be and what tenants are willing to pay.

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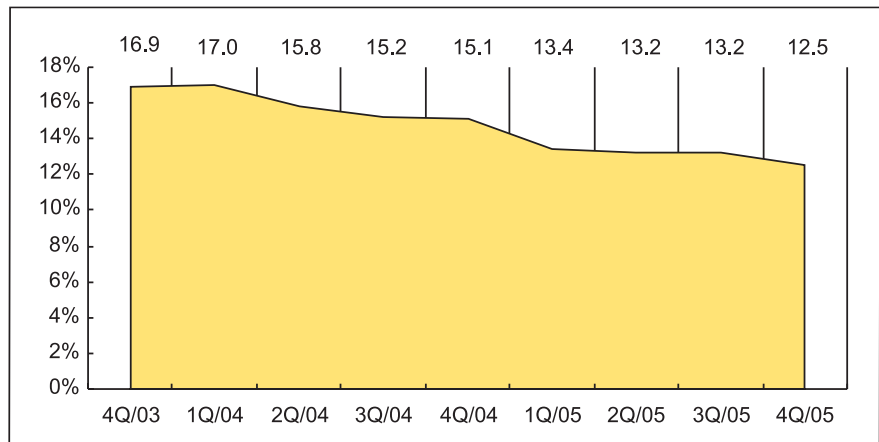
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Office Vacancy Rate*

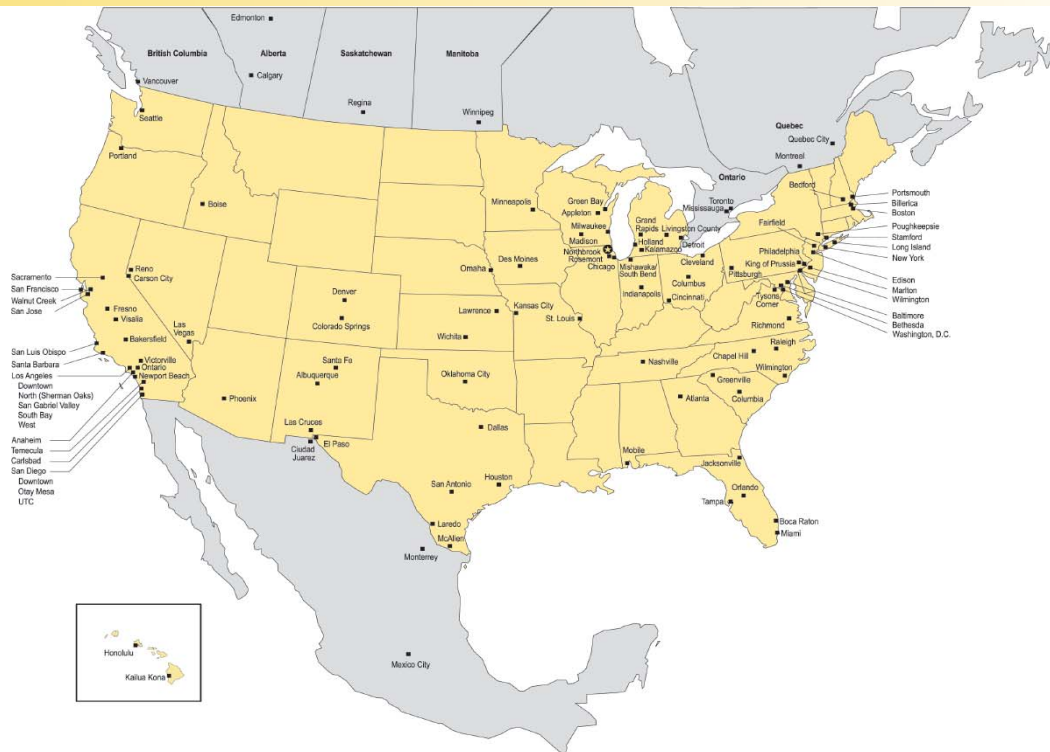
**All Classes of Space*

Office Market Snapshot Albuquerque Fourth Quarter 2005

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD (Downtown)	2,778,053	500,903	18.0%	63,921	26,047	-	\$18.40	\$14.07
Airport	1,222,492	284,066	23.2%	14,088	71,666	-	-	\$13.19
Far NE Heights	928,806	86,222	9.3%	1,178	22,331	35,400	-	\$17.35
North I-25	2,834,716	229,558	8.1%	19,989	219,146	92,455	\$22.21	\$16.29
Northeast Heights	754,494	95,193	12.6%	3,173	11,105	-	-	\$15.21
Rio Rancho	279,928	27,478	9.8%	700	16,623	-	-	\$16.31
Southeast Heights	555,865	29,109	5.2%	(2,121)	(4,014)	26,650	-	\$15.77
University	990,333	55,915	5.6%	4,115	15,567	-	-	\$13.50
Uptown	1,773,556	182,981	10.3%	10,609	57,347	-	\$18.83	\$16.56
West Mesa	280,672	56,037	20.0%	2,114	38,366	15,000	-	\$18.36
CBD (Downtown)	2,778,053	500,903	18.0%	63,921	26,047	-	\$18.40	\$14.07
Suburban	9,620,862	1,046,559	10.9%	53,845	448,137	169,505	\$19.88	\$15.85
Total	12,398,915	1,547,462	12.5%	117,766	474,184	169,505	\$19.24	\$15.30
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	1,527,591	126,017	8.2%	(5,918)	83,089	-	3,900	20,000
Class B	7,616,032	986,718	13.0%	120,313	326,168	149,505	30,214	22,493
Class C	3,255,292	434,727	13.4%	3,371	64,927	20,000	7,000	21,952
Total	12,398,915	1,547,462	12.5%	117,766	474,184	169,505	41,114	64,445

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.
 (2) Vacant space includes both vacant direct and vacant sublease space.
 (3) Space under construction includes speculative and build-to-suit for lease projects.
 (4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

Grubb & Ellis Office Locations



Industrial Market Trends Albuquerque

Grubb & Ellis Research
Fourth Quarter 2005



"All product types see improvements"

Recovery Underway

The industrial market appears to have turned the corner. Leasing picked up considerable momentum in the fourth quarter. Additionally, absorption of space is no longer being driven by owner occupied buildings being completed. The quarter saw significant absorption of space in leased buildings which posted almost 150,000 square feet of positive absorption. The balance, or 158,000 square feet of the quarter's 318,000 square feet of absorption occurred in owner occupied buildings.

This overall activity was positive for all product types. The leader continued to be warehouse and distribution properties which posted the highest absorption for the quarter and for the year end 2005. Interest appears to be increasing for companies setting up regional distribution sites in the Albuquerque Metro area. Warehouse and distribution properties in the metro area are relatively smaller in size compared to surrounding markets. Most of these properties are in the 100,000 to 200,000 square foot range.

On the surface the amount of new construction underway appears very significant. The Tempur-Pedic Mattress Plant on the West Mesa, however, accounts for 63 percent or 750,000 square feet of the current construction activity. The balance of the 430,000 square feet under construction consists mostly of speculative distribution warehouse projects for smaller users requiring suites less than 10,000 square feet. These types of spaces usually offer clear heights greater than 20 feet, have shared dock access, and drive in doors. Tenants are demanding these types of amenities and are usually willing to pay higher rates.

Albuquerque Industrial Market Trends

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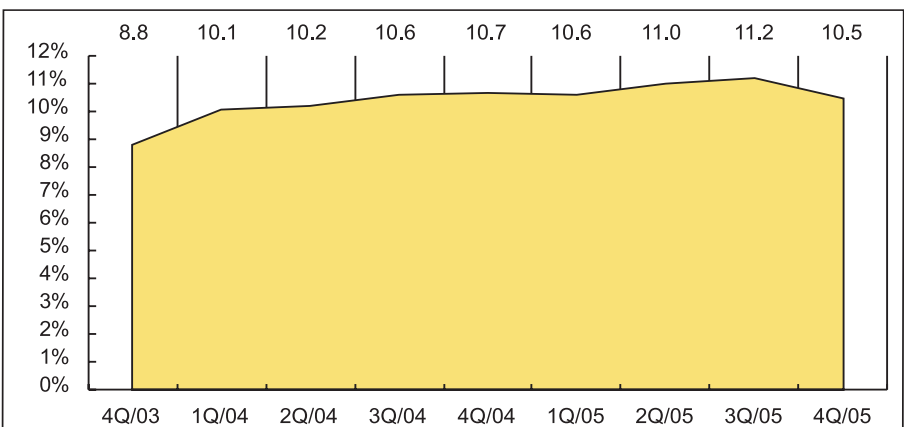
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Industrial Vacancy Rate*

**All Product Types*

Industrial Market Snapshot Albuquerque Fourth Quarter 2005

By Submarket (All Product Types)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist.	R&D/Flex
Airport	822,093	62,110	7.6%	-	14,390	-	\$4.82	\$7.35
Downtown	2,954,903	637,626	21.6%	(61,083)	(78,024)	-	\$3.73	\$8.89
Far NE Heights	214,447	66,600	31.1%	-	2,500	-	-	-
North I-25	15,417,814	1,776,173	11.5%	104,851	216,304	261,895	\$6.05	\$8.07
North Valley	1,406,449	178,471	12.7%	5,789	(1,039)	-	\$7.45	-
Northeast Heights	387,141	74,850	19.3%	23,000	(36,165)	-	\$5.54	-
Rio Rancho	4,722,219	73,436	1.6%	98,000	162,316	-	\$5.00	\$9.50
South Valley	2,096,376	123,319	5.9%	(3,804)	10,220	68,040	\$4.74	-
Southeast Heights	929,801	38,024	4.1%	106,125	154,352	55,914	-	-
University	198,460	10,400	5.2%	-	(4,800)	-	\$2.50	-
West Mesa	2,404,627	284,789	11.8%	45,687	169,769	794,800	\$5.50	-
Totals	31,554,330	3,325,798	10.5%	318,565	609,823	1,180,649	\$5.58	\$8.28

By Product Type (All Submarkets)

Asking Rent by Product Type

General Industrial	14,330,330	1,524,168	10.6%	104,952	213,330	949,840	\$6.41
R&D/Flex	3,430,771	487,114	14.2%	88,993	54,771	86,914	\$8.28
Warehouse/Dist.	13,793,229	1,314,516	9.5%	124,620	341,722	143,895	\$5.58
Total	31,554,330	3,325,798	10.5%	318,565	609,823	1,180,649	\$6.37

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects and owner-built projects.

(4) Asking rates are per square foot per year, NNN. Rates for each building are weighted by the amount of available space within the building.

Grubb & Ellis Office Locations



Retail Market Trends New Mexico

Grubb & Ellis Research
Fourth Quarter 2005



"New centers performing well"

Retail Thrives in 2005

The retail market ended 2005 on a positive note. The fourth quarter vacancy rate reached the lowest level seen since the first quarter of 2001. In addition, overall absorption was almost one million square feet of space. This represents a 75 percent increase over 2004's total absorption of 549,000 square feet. A major factor for the significant absorption of space in 2005 can be attributed to new free standing buildings being occupied upon completion.

New retail centers in growth areas also performed quite well and are experiencing faster lease up time when compared to older parts of the city. The Far Northeast Heights, Cottonwood, and West Mesa submarkets accounted for 91 percent of the fourth quarter's overall absorption level. These areas are experiencing significant residential growth and retail activity is following suit.

Look for Rio Rancho to post similar absorption levels in the first two quarters of 2006. A new Super Wal-Mart is scheduled to open in the spring of 2006 and has already spurred several strip center developments close by. The City of Rio Rancho has experienced a 70 percent increase in the number of single family housing permits in 2005 compared to 2004 levels. Albuquerque, on the other hand, saw its first decrease since 2000 and dropped 4.3 percent.

Albuquerque Industrial Market Trends

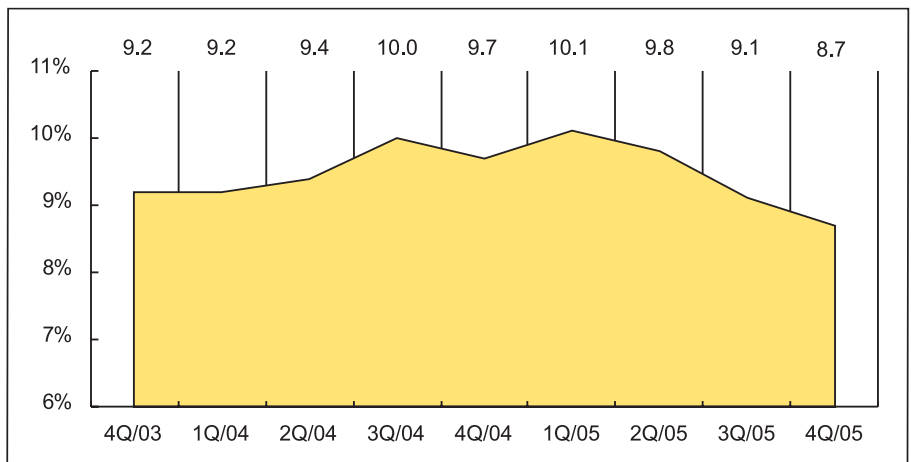
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