

# Office Market Trends

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current	Year To Date	SF	Class A	Class B
Downtown	2,717,338	554,573	20.4%	(22,869)	(70,495)	-	\$19.30	\$14.25
Airport	1,221,792	263,239	21.5%	15,500	12,612	-	-	\$13.43
Far Northeast Heights	1,005,635	97,944	9.7%	8,399	35,007	-	-	\$17.92
North I-25	3,008,487	372,292	12.4%	(27,627)	37,012	126,363	-	\$18.40
Northeast Heights	784,230	82,210	10.5%	(1,697)	3,959	-	-	\$15.32
Rio Rancho	284,019	15,512	5.5%	(2,460)	11,966	-	-	\$17.21
Southeast Heights	582,050	25,432	4.4%	690	3,677	-	-	\$18.50
University	978,333	80,668	8.2%	12,103	(24,753)	-	-	\$13.91
Uptown	1,784,449	160,352	9.0%	(1,370)	68,353	-	\$20.73	\$17.40
West Mesa	296,280	41,416	14.0%	(4,770)	13,247	-	-	\$18.60
<b>Totals</b>	<b>12,662,613</b>	<b>1,693,638</b>	<b>13.4%</b>	<b>(24,101)</b>	<b>90,585</b>	<b>126,363</b>	<b>\$19.87</b>	<b>\$16.20</b>
							<u>Available for Sublease</u>	
							<b>CBD</b>	<b>Suburban</b>
By Class (All Submarkets)								
Class A	1,382,104	145,749	10.5%	4,736	(26,078)	-	3,900	21,846
Class B	8,030,615	1,173,659	14.6%	(31,697)	138,045	126,363	5,264	102,352
Class C	3,249,894	374,230	11.5%	2,860	(21,382)	-	8,100	3,715
<b>Totals</b>	<b>12,662,613</b>	<b>1,693,638</b>	<b>13.4%</b>	<b>(24,101)</b>	<b>90,585</b>	<b>126,363</b>	<b>17,264</b>	<b>127,913</b>

(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.

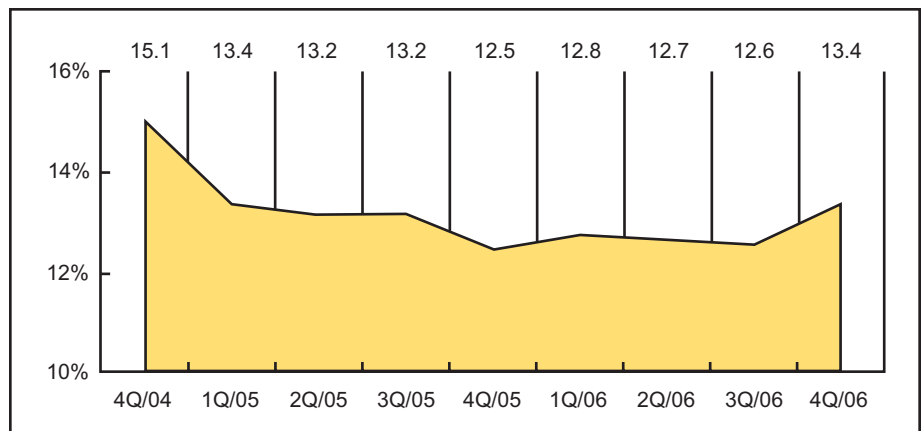
(4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

## Landlords Begin to Flex Muscles

Momentum in the office market remained positive during the fourth quarter. The pace of new construction continued to be steady. Most new projects experienced strong absorption of at least 50 percent occupancy upon completion. Lease up times for new projects has continued to meet expectations for most developers. Throughout 2006, many tenants were willing to pay higher rents for new buildings with higher quality finishes and build-outs. Existing buildings, on the other hand, were finally able to increase rates given a healthy, stable vacancy rate.

Tenant improvement allowances provided by landlords will be key to making deals. Rising construction costs have caused landlords to provide minimal improvement allowances. The typical allowance is for basic paint and carpet, beyond which tenants must cover the expenses. This trend is a major reason new construction projects are doing well. Developers of new projects are generally providing more attractive build out amounts compared to existing office buildings.

Even though vacancy increased 80 basis points, the rise was not a sign of a weakening market. This increase was the result of two factors. The first was the shuttering of America Online's 65,000 square foot call center office in the North I-25 submarket. This closing was part of AOL's planned company wide downsizing.



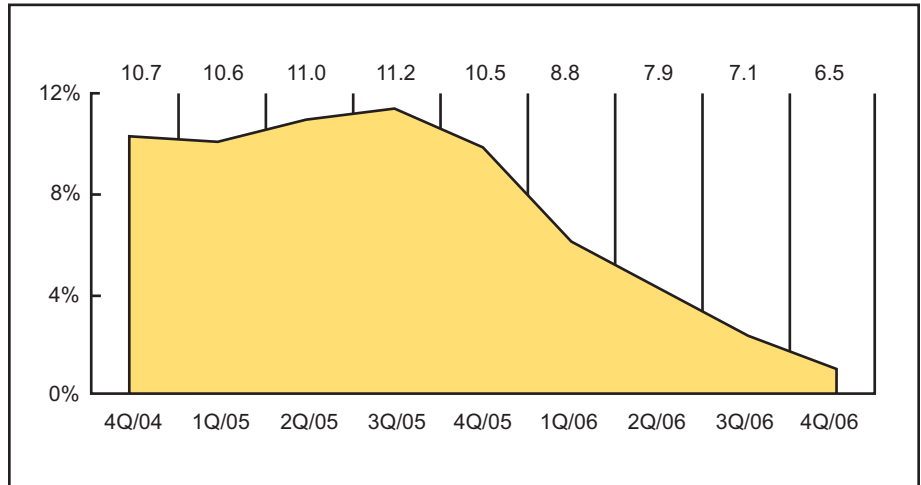
The space is not expected to remain vacant for long. It offers inventory that is tough to find – large contiguous floor plates in a desirable, centralized location. The second factor increasing vacancy was 83,000 square feet of new space completed. These five new buildings still had 40,000 square feet of vacant space at the end of the quarter.

# Industrial Market Trends

## Vigorous Leasing, Construction Activity in 2006

The year ended with a bang as the industrial market posted its lowest vacancy in at least six years. The new rate, 6.5 percent, is sharply down from 7.1 percent in the third quarter. The significant drop is due in no small part to the December occupancy of the long awaited 870,000 square foot Tempur-Pedic mattress factory in the West Mesa. Although the factory will not be fully operational until January 2007, Tempur-Pedic is preparing the facility to begin manufacturing.

But fourth quarter positive absorption would have occurred even without the addition of Tempur-Pedic as 195,000 square feet of additional new construction was completed in other submarkets, including the 87,596 square foot Advent Solar building in Mesa del Sol and the Emcore photovoltaic expansion of 20,000 square feet in the Southeast Heights. Of overall new industrial product delivered, owner-users occupied 977,000 square feet of space, while the remainder comprised speculative projects. Of these projects, roughly 80 percent is already occupied.



Even with new construction left out of the equation, the fourth quarter still saw positive absorption within existing inventory. The West Mesa experienced the most activity with Prime Therapeutics moving into a 71,150 square foot flex building recently vacated by a GE call center. Another big move was ARVADA Hardwood Floor Company who occupied 75,900 square feet of warehouse space. Well over 2,000,000 square feet was absorbed in 2006 and ample construction projects in the pipeline indicate that the vacancy rate should tighten further in 2007.

By Submarket (All Property Type)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current	Year To Date		WH/Dist	R&D/Flex
Airport	809,469	27,253	3.4%	0	22,233	-	\$4.75	-
Downtown	3,086,429	446,708	14.5%	340	213,939	-	\$3.89	\$6.77
Far Northeast Heights	215,664	3,300	1.5%	(1,300)	63,300	-	-	-
Mesa Del Sol	87,596	-	-	87,596	87,596	578,000	-	-
North I-25	15,245,443	1,035,493	6.8%	3,086	431,912	165,325	\$6.52	\$9.51
North Valley	1,394,543	172,934	12.4%	(6,632)	7,031	-	\$6.35	-
Northeast Heights	424,281	40,989	9.7%	13,825	50,521	-	\$5.95	-
Rio Rancho	5,709,819	33,236	0.6%	0	26,000	-	\$5.00	-
South Valley	2,304,530	188,978	8.2%	53,000	124,400	120,576	\$6.46	-
Southeast Heights	1,237,144	48,606	3.9%	58,721	188,130	-	\$4.80	\$16.50
University	198,460	27,900	14.1%	(17,500)	(17,500)	-	\$3.00	-
West Mesa	3,313,701	175,636	5.3%	1,017,050	1,041,953	220,040	\$8.34	-
<b>Totals</b>	<b>34,027,079</b>	<b>2,201,033</b>	<b>6.5%</b>	<b>1,208,186</b>	<b>2,239,515</b>	<b>1,083,941</b>	<b>\$6.05</b>	<b>\$9.23</b>
<b>By Property Type (All Submarkets)</b>							<b>Asking Rent</b>	
General Industrial	16,290,273	941,279	5.8%	1,019,047	1,305,862	835,445	\$6.59	
Incubator	12,000	-	-	-	-	-	-	
R&D/Flex	3,641,949	400,735	11.0%	111,063	254,512	30,360	\$9.23	
Warehouse/Distribution	14,082,857	859,019	6.1%	78,076	679,141	218,136	\$6.05	
<b>Totals</b>	<b>34,027,079</b>	<b>2,201,033</b>	<b>6.5%</b>	<b>1,208,186</b>	<b>2,239,515</b>	<b>1,083,941</b>	<b>\$6.94</b>	

(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.

# Retail Market Trends

By Submarket (All Property Type)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current	Year To Date	SF	Neighborhood	Power
Downtown	580,978	133,152	22.9%	820	22,703	-	-	-
Cottonwood	3,688,225	191,307	5.2%	114,797	180,439	84,500	\$11.60	\$21.50
Far Northeast Heights	3,649,783	181,020	5.0%	108,461	221,957	82,670	\$15.53	-
North I-25	2,963,780	98,679	3.3%	6,715	168,532	90,857	\$11.83	-
North Valley	761,168	73,409	9.6%	50,278	79,402	22,000	\$15.83	-
Northeast Heights	4,271,514	421,377	9.9%	47,304	81,600	-	\$12.06	-
Rio Rancho	1,611,965	86,374	5.4%	(4,650)	223,725	27,812	\$12.75	-
South Valley	987,798	68,994	7.0%	39,375	92,801	17,511	\$15.59	-
Southeast Heights	2,901,563	232,443	8.0%	63,741	118,706	-	\$9.54	-
University	1,016,764	158,768	15.6%	1,861	(16,778)	-	-	-
Uptown	2,438,923	420,822	17.3%	149,390	(60,239)	-	\$14.50	-
West Mesa	1,864,501	170,929	9.2%	13,529	209,722	-	\$15.33	\$21.00
<b>Suburban Total</b>	<b>26,155,984</b>	<b>2,104,122</b>	<b>8.0%</b>	<b>590,801</b>	<b>1,299,867</b>	<b>325,350</b>	<b>\$12.97</b>	<b>\$21.47</b>
<b>By Property Type (All Submarkets)</b>							<b>Wtd Asking Rent</b>	
Community	2,644,885	165,193	6.2%	41,837	135,595	-	\$15.67	
Free-standing	6,421,804	321,165	5.0%	304,811	854,490	153,485	\$11.56	
Neighborhood	6,889,421	687,598	10.0%	94,518	238,873	62,542	\$12.97	
Power	1,068,429	8,802	0.8%	-	(7,973)	-	\$21.47	
Showroom	1,727,503	100,000	5.8%	-	14,334	42,000	\$5.75	
Specialty/Theme	171,000	21,000	12.3%	150,000	150,000	-	-	
Strip	4,389,349	453,254	10.3%	245	129,573	67,323	\$12.73	
Super-regional	3,156,213	370,610	11.7%	(610)	(210,610)	-	\$77.22	
TBD	-	-	-	-	-	-	-	-
Urban Retail	268,358	109,652	40.9%	820	18,288	-	\$9.43	
<b>Totals</b>	<b>26,736,962</b>	<b>2,237,274</b>	<b>8.4%</b>	<b>591,621</b>	<b>1,322,570</b>	<b>325,350</b>	<b>\$15.91</b>	

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

(2) Vacant space includes both vacant direct and vacant sublease space.

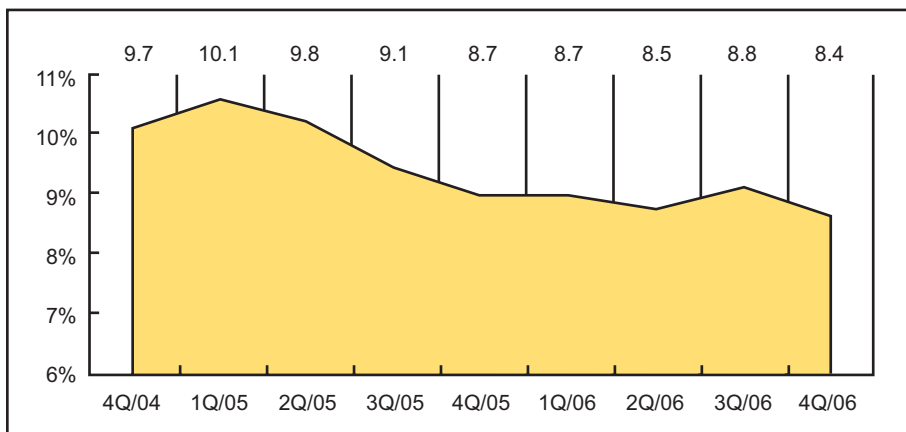
(3) Space under construction includes speculative and build-to-suit for lease projects and owner-built projects.

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

## Vacancy Inches Lower

Throughout 2006, vacancy hovered in the 8 percent range, consistently lower than in recent years. The fourth quarter posted the lowest vacancy yet, at 8.4 percent. Over a million square feet was absorbed during the year, more than twice that of 2004. Most of the new demand in the fourth quarter was due to tenants with pre-leased space taking occupancy of new construction completions.

The opening of two Kohl's stores in Cottonwood and the Far Northeast Heights drove free-standing activity and accounted for almost 190,000 square feet of new construction and an equal amount of absorption. The second greatest activity was seen in a product type new to Albuquerque, the "specialty-theme" center. Often described as a "lifestyle center," this product type is characterized by restaurant, fashion and entertainment-oriented tenants. The opening of Phase I of ABQ Uptown brings 171,000 square feet of specialty-theme product online, as well as a host of prestigious national tenants that are new to New Mexico. Because it's the first of its kind in this area, ABQ Uptown is also expected to bring consumers from all over the state and give a boost to the retail shopping profile of Albuquerque. The remaining 121,000 square feet of new construction was distributed about evenly among community, neighborhood and strip centers.



The Albuquerque Metro area retail sector is strong, going into 2007. According to the UNM Bureau of Business and Economic Research, personal income growth increased to 8.0 percent in the second quarter of 2006 while the economy added 25,167 (net) new jobs from the third quarter of 2005 to the third quarter of 2006. These factors, combined with decreasing fuel costs, contribute to consumer confidence, which in turn, bodes well for both landlords and tenants.