

# Office Market Trends Albuquerque

Grubb & Ellis Research  
First Quarter 2007



## Condo Craze Shrinks Inventory...

## Flying High

The office market began 2007 with a tailwind. Total absorption of space in the first quarter exceeded all of 2006 combined. This activity was driven by two big leases. In the largest move, the University of New Mexico took 140,000 square feet of space in the former Social Security Administration building in the Airport submarket. The site is being used as administrative offices for UNM Hospital with a portion being slated for a technology charter school. As expected, Convergys occupied the former AOL customer service space in the North I-25 submarket. This 65,000-square-foot space took less than two months to be reabsorbed. Albuquerque remains viable for national companies seeking regional back office or technical customer service operations.

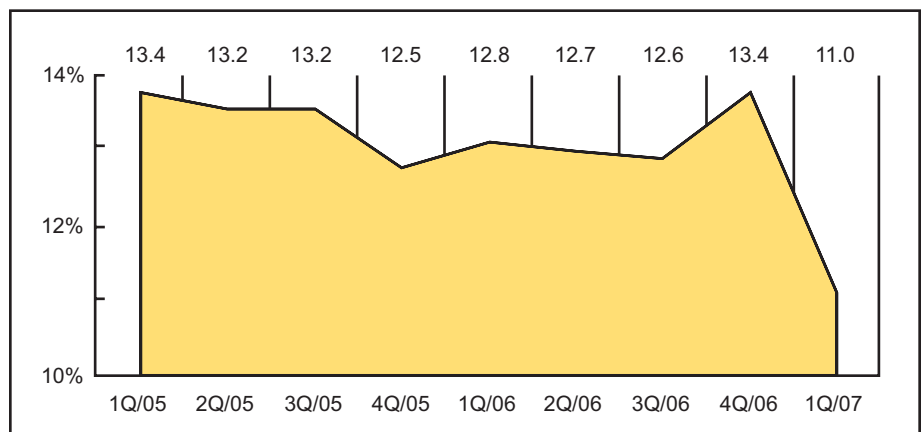
Another emerging trend is the conversion of office buildings into condominiums. A low supply of small and single tenant office buildings combined with rising lease rates has encouraged many office users to consider purchase options, particularly those requiring between 1,200 and 5,000 square feet of space. Office owners and developers are meeting this demand by converting larger spaces into condos and by acquiring underperforming properties for the purpose of condo conversion. Developers must deal with rising construction costs in order to bring renovated spaces up to current building codes. The challenge will be keeping purchase prices at affordable levels. Look to the Downtown area to bring a majority of renovated condos to market.

Since condominiums are not in competition for leased space, they are not considered part of the base inventory of office space in the metro. The approximately 125,000 square feet of condo space removed from the inventory in 2006 contributed to reducing the vacancy down to its lowest level in over ten years. But even without the conversions, absorption would have remained positive.

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Office Vacancy Rate\*

\*All Classes of Space

# Office Market Snapshot Albuquerque First Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current	Year To Date	SF	Class A	Class B
Downtown	2,649,225	508,563	19.2%	20,135	20,135	-	\$19.30	\$14.40
<b>CBD Total</b>	<b>2,649,225</b>	<b>508,563</b>	<b>19.2%</b>	<b>20,135</b>	<b>20,135</b>	-	<b>\$19.30</b>	<b>\$14.40</b>
Airport	1,206,567	121,676	10.1%	133,236	133,236	-	-	\$15.26
Far Northeast Heights	986,111	91,418	9.3%	6,526	6,526	-	-	\$17.52
North I-25	2,915,710	260,728	8.9%	39,275	39,275	213,763	-	\$19.89
Northeast Heights	730,584	74,722	10.2%	(7,848)	(7,848)	-	-	\$15.41
Rio Rancho	271,022	16,808	6.2%	(4,902)	(4,902)	87,200	-	\$16.62
Southeast Heights	596,673	23,832	4.0%	3,470	3,470	-	-	\$18.50
University	958,737	53,897	5.6%	7,000	7,000	-	-	\$19.65
Uptown	1,821,785	167,185	9.2%	(8,546)	(8,546)	-	\$21.50	\$19.07
West Mesa	296,280	49,591	16.7%	(8,175)	(8,175)	-	-	\$18.25
<b>Totals</b>	<b>12,432,694</b>	<b>1,368,420</b>	<b>11.0%</b>	<b>180,171</b>	<b>180,171</b>	<b>300,963</b>	<b>\$20.17</b>	<b>\$17.09</b>

By Class (All Submarkets)	Available for Sublease							
	SF	SF	Vacant %	Current	Year To Date	SF	CBD	Suburban
Class A	1,388,049	175,009	12.6%	(29,260)	(29,260)	76,000	3,900	30,000
Class B	7,903,713	900,401	11.4%	195,489	195,489	224,963	5,264	162,804
Class C	3,140,932	293,010	9.3%	13,942	13,942	-	8,100	3,715
<b>Totals</b>	<b>12,432,694</b>	<b>1,368,420</b>	<b>11.0%</b>	<b>180,171</b>	<b>180,171</b>	<b>300,963</b>	<b>17,264</b>	<b>196,519</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.

\* Grubb & Ellis|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

## Grubb & Ellis Office Locations

