Office Market Trends Albuquerque

Grubb & Ellis Research

Second Quarter 2007

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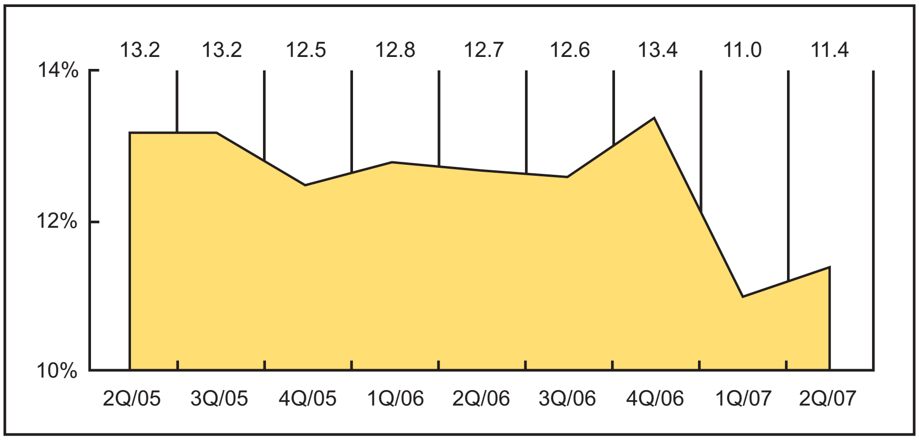
Glimmer Downtown

Activity Slows for Larger Tenants...

Overall office market leasing activity slowed down for medium to large size tenants seeking over 7,500 square feet while activity for established office tenants remained steady, especially for spaces below 5,000 square feet. Many local tenants searching for space are experiencing sticker shock at rates in newer properties. Most of these new office projects have annual asking rates in the $22 to $24 per square range, or 30 percent higher than Class B buildings. This differential is making lease renewals a more popular option for many tenants.

The challenge for new office projects is finding tenants willing to lease large spaces over 7,500 square feet at higher rates. Tenants requiring less than 2,000 square feet of space are generally more willing to pay higher rates for new office space in order to be closer to their residences and be in more prestigious office space. The number of national tenants looking for office space declined relative to the prior two quarters.

A bright spot in the second quarter was the Downtown submarket. For the first time in over seven years, Downtown experienced the highest level of space absorbed market wide. Although this only amounted to a total of 33,000 square feet, it is a possible indicator that the area is finally gaining the attention of prospective tenants. Because Downtown has had one of the highest vacancy rates in the market for the last few years, the asking rates are about 16 percent lower than the overall market for Class B buildings. With the success of the Rail Runner mass transit commuter train, talk of a new multi purpose arena, and four office condominium projects underway, Downtown's future is looking brighter.



Office Vacancy Rate*
**All Classes of Space*

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Office Market Snapshot Albuquerque Second Quarter 2007

By Submarket (All Classes)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) Class A	Asking Rent (4) Class B
Downtown	2,649,225	474,700	17.9%	33,863	53,998	11,096	$20.60	$14.17
CBD Total	**2,649,225**	**474,700**	**17.9%**	**33,863**	**53,998**	**11,096**	**$20.60**	**$14.17**
Airport	1,206,567	120,621	10.0%	1,055	134,291	28,453	-	$13.73
Far Northeast Heights	986,111	114,388	11.6%	(22,970)	(16,444)	-	-	$18.66
North I-25	2,915,710	278,312	9.5%	(17,584)	21,691	245,409	-	$19.99
Northeast Heights	730,584	83,733	11.5%	(9,011)	(16,859)	-	-	$15.94
Rio Rancho	282,222	24,658	8.7%	3,350	(1,552)	168,961	-	$18.12
Southeast Heights	596,673	24,635	4.1%	(803)	2,667	-	-	$19.50
University	958,737	58,505	6.1%	(4,608)	2,392	-	-	$15.86
Uptown	1,821,785	194,273	10.7%	(27,088)	(35,634)	-	$21.50	$18.35
West Mesa	296,280	38,832	13.1%	10,759	2,584	-	-	$18.67
Suburban Total	**9,794,669**	**937,957**	**9.6%**	**(66,900)**	**93,136**	**442,823**	**$21.50**	**$17.98**
Totals	**12,443,894**	**1,412,657**	**11.4%**	**(33,037)**	**147,134**	**453,919**	**$20.96**	**$16.86**

By Class (All Submarkets)							Available for Sublease CBD	Available for Sublease Suburban
Class A	1,388,049	175,389	12.6%	(380)	(29,640)	76,000	3,900	21,846
Class B	7,914,913	908,593	11.5%	3,008	198,497	377,919	-	195,993
Class C	3,140,932	328,675	10.5%	(35,665)	(21,723)	-	7,000	-
Totals	**12,443,894**	**1,412,657**	**11.4%**	**(33,037)**	**147,134**	**453,919**	**10,900**	**217,839**

(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

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