

# Office Market Trends Santa Fe

Grubb & Ellis Research  
Third Quarter 2007



*Inaugural Issue of  
Grubb&Ellis|New Mexico  
Santa Fe Office Trends...*

## Office Space Scant

Grubb&Ellis|New Mexico is now tracking all office buildings 5,000 square feet and larger in the Santa Fe, New Mexico market. The initial vacancy level was only five percent, an extremely low level compared to 13.0 percent for the overall U.S. vacancy level. Santa Fe's Downtown Business Center District (BCD), a very highly desirable area located among many popular tourist attractions and restaurants, has one of the lowest vacancies in the nation at only 2.9 percent. Outside of the BCD, vacancy was 6.1 percent for the Greater Santa Fe suburban area.

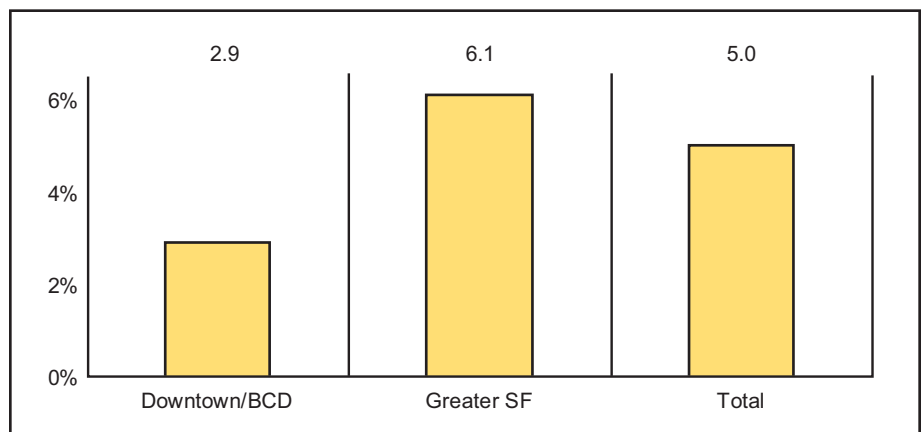
The Santa Fe base inventory consists of 121 office buildings that total 1.27 million square feet of space. From a classification standpoint, the Santa Fe office market is truly the "City Different". When using asking rental rates, construction quality and amenities as a basis to categorize the market, a majority of the office buildings are Class A space based on local market standards. Since Santa Fe is a relatively small office market, no high rise properties over five stories exist in the market that are not owned or occupied by government tenants. With occupancy levels currently very high, landlords generally have the upper hand during lease negotiations. Class B and C properties have occupancy rates of 97.8 and 100 percent respectively compared to a Class A occupancy level of 93.7 percent.

Look for the vacancy level to remain very tight in the next few quarters across all classes of space. This will be driven by a lack of new developments in the pipeline. Consequently, the availability coupled with rising construction costs should make lease space a bit more expensive across the board.

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publications, please contact:

**Ken Schaefer**  
Director of Brokerage Operations  
E-mail: ken.schaefer@grubb-ellis.com

Grubb & Ellis|New Mexico  
2400 Louisiana Blvd NE  
Bldg 1, Suite 300  
Albuquerque, NM  
Phone: 505.883.7676  
Internet: www.genewmexico.com  
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**Office Vacancy Rate\***

*\*All Classes of Space*

## Office Market Snapshot Santa Fe Third Quarter 2007

By Submarket (All Classes)	Total (1)		Vacant (2)		Net Absorption		Under Const. (3) SF	Asking Rent (4)	
	SF	SF	Vacant %	Current Qtr	Year To Date	Class A		Class B	
Downtown/BCD	431,083	12,608	2.9%	-	-	-	\$28.28	-	
<b>CBD Total</b>	<b>431,083</b>	<b>12,608</b>	<b>2.9%</b>	-	-	-	<b>\$28.28</b>	-	
Greater Santa Fe	839,531	51,281	6.1%	-	-	-	\$22.20	\$21.00	
<b>Suburban Total</b>	<b>839,531</b>	<b>51,281</b>	<b>6.1%</b>	-	-	-	<b>\$22.20</b>	<b>\$21.00</b>	
<b>Totals</b>	<b>1,270,614</b>	<b>63,889</b>	<b>5.0%</b>	-	<b>0</b>	-	<b>\$24.18</b>	<b>\$21.00</b>	

By Class (All Submarkets)	Total		Vacant		Net Absorption		Available for Sublease	
	SF	SF	Vacant %	Current Qtr	Year To Date	CBD	Suburban	
Class A	903,326	56,752	6.3%	-	-	-	-	
Class B	331,143	7,137	2.2%	-	-	-	-	
Class C	36,145	-	-	-	-	-	-	
<b>Totals</b>	<b>1,270,614</b>	<b>63,889</b>	<b>5.0%</b>	-	-	-	<b>0</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.

Note: Absorption not available until Q4 2007

\* 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

