

Office Market Trends Santa Fe

Grubb & Ellis Research
Fourth Quarter 2007



Vacancy Rises in the Central Business District

Concessions not necessary to spur demand...

The vacancy rate increased as several spaces came onto the market in the Central Business District. Overall, tenants shied away from signing new leases. National concerns buoyed by a disappointing employment report and combined with fears of a possible recession ebbed plans for growth or expansions from local tenants. Demand for office space has begun to slow and has spurred a wait-and-see attitude by many tenants.

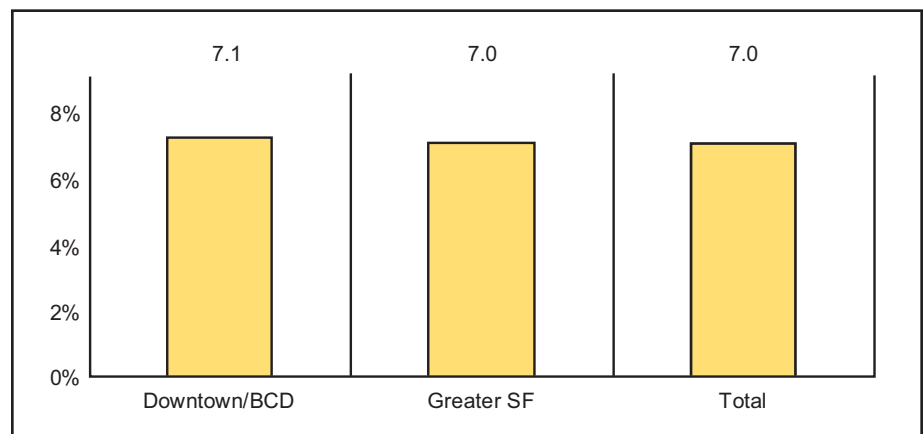
New construction starts remain almost non-existent. Despite a very low vacancy rate, office developers are shying away from a very restrictive entitlement process. Navigating through the complicated permit process in this current economic environment is likely to keep new starts at a minimum.

Concessions are not expected to be offered by landlords anytime soon. Even with a slowing demand for space, the lack of new construction should keep the vacancy rate fairly stable over the next few quarters. Current asking rates are rising at a much slower pace compared to last year.

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Office Vacancy Rate*

**All Classes of Space*

Office Market Snapshot Santa Fe Fourth Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)		Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B
Downtown/BCD	431,083	30,635	7.1%	(18,027)	(18,027)	-	\$27.49	\$15.00
CBD Total	431,083	30,635	7.1%	(18,027)	(18,027)	-	\$27.49	\$15.00
Greater Santa Fe	839,531	58,590	7.0%	(7,309)	(7,309)	-	\$21.48	\$21.00
Suburban Total	839,531	58,590	7.0%	(7,309)	(7,309)	-	\$21.48	\$21.00
Totals	1,270,614	89,225	7.0%	(25,336)	(25,336)	-	\$23.69	\$16.40

By Class (All Submarkets)							Available for Sublease	
	SF	Vacant %	Current Qtr	Year To Date	SF	Class A	Class B	Suburban
Class A	903,326	8.7%	(22,136)	(22,136)	-	-	-	12,363
Class B	331,143	3.1%	(3,200)	(3,200)	-	-	-	-
Class C	36,145	-	-	-	-	-	-	-
Totals	1,270,614	7.0%	(25,336)	(25,336)	-	-	-	12,363

(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

