

Office Market Trends Albuquerque

Grubb & Ellis Research
First Quarter 2008



Signs of Things to Come

The office market has yet to experience any major downturns but some turbulence could be looming. Vacancy increased slightly during the quarter as a result of 77,000 square feet of new space coming on line that still had about one third vacant. Total vacant sublease space is holding around 208,000 square feet which was consistent with 2007 levels. A bigger concern is the 185,000 square foot increase in available space. Disproportionate increases in available space could be a harbinger of growing vacant sublease space over the next few quarters, driving up vacancy.

Bumpy Ride Could be Ahead...

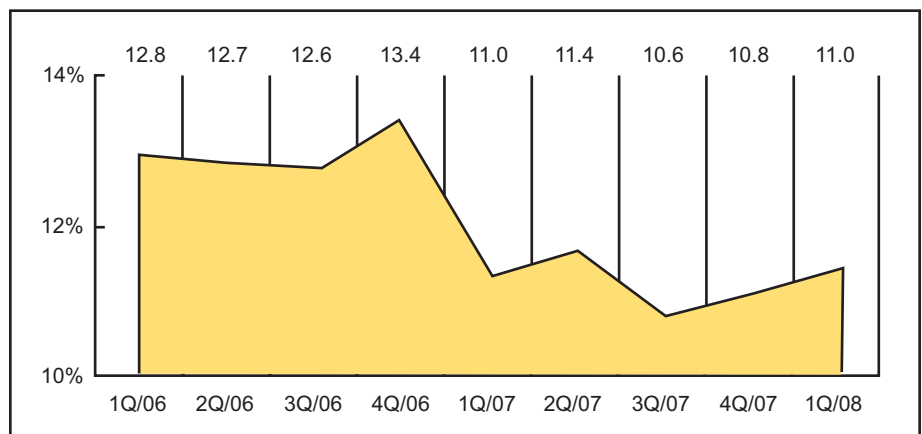
The construction pipeline is expected to deliver around 200,000 square feet of new space in the second quarter. With only 25 percent of this pre-leased, 150,000 square feet of new space will be delivered empty and vacancy is likely increase by almost one percent. These first generation spaces can meet the shortage of large, contiguous spaces over 20,000 square feet but may remain on the market longer since demand for larger spaces has declined.

Adding even more pressure to the office lease market is the growing number of new office condominiums that have remained on the market unsold. Some developers are changing their strategies by putting their projects on the market for lease. Given the higher asking rates required, these condominium projects will primarily be competing with the newer office buildings. Look for tenants to become much more rate sensitive as a result of the current economic downturn. Landlords of newer office buildings with higher asking rates will likely be forced to consider concessions such as rent abatements and higher tenant improvement allowances.

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Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot Albuquerque First Quarter 2008

By Submarket (All Classes)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption		Under Const. (3) SF	Asking Rent (4)	
				Current Qtr	Year To Date		Class A	Class B
Downtown	2,600,870	377,681	14.5%	25,559	25,559	11,936	\$22.00	\$14.41
CBD Total	2,600,870	377,681	14.5%	25,559	25,559	11,936	\$22.00	\$14.41
Airport	1,234,969	115,259	9.3%	10,651	10,651	-	-	\$13.73
Cottonwood	15,671	2,732	17.4%	-	-	-	-	\$22.00
Far Northeast Heights	921,325	62,772	6.8%	10,701	10,701	-	-	\$18.61
Mesa del Sol	-	-	-	-	-	210,000	-	-
North I-25	2,968,551	388,465	13.1%	(5,781)	(5,781)	185,587	\$18.00	\$19.92
Northeast Heights	741,088	96,269	13.0%	374	374	-	-	\$16.29
Rio Rancho	363,022	49,435	13.6%	1,142	1,142	10,800	-	\$25.35
Southeast Heights	592,914	30,231	5.1%	(5,505)	(5,505)	-	-	\$17.49
University	973,180	76,161	7.8%	(25,443)	(25,443)	-	-	\$16.00
Uptown	1,834,776	156,650	8.5%	9,921	9,921	-	\$21.50	\$18.85
West Mesa	282,321	26,483	9.4%	936	936	19,540	-	\$18.15
Suburban Total	9,927,817	1,004,457	10.1%	(3,004)	(3,004)	425,927	\$20.61	\$18.26
Totals	12,528,687	1,382,138	11.0%	22,555	22,555	437,863	\$21.35	\$17.35

By Class (All Submarkets)

Available for Sublease

Class	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Const. SF	Available for Sublease	
							CBD	Suburban
Class A	1,389,162	175,122	12.6%	(17,728)	(17,728)	-	2,018	33,000
Class B	8,101,821	878,466	10.8%	53,190	53,190	437,863	17,716	132,835

(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

