

# Office Market Trends Albuquerque

Grubb & Ellis Research  
Second Quarter 2008



*Preference for Green  
Buildings Growing ...*

## Completions Push Vacancy Up

Vacancy surged upward as the office market registered one of its biggest increases in inventory. This 170 basis point vacancy increase was the result of 200,000 square feet of new office space coming on line with only 28,000 square feet, or 14 percent, of the space leased. Two relocations contributed another 80,000 square feet of lost space. Bank of America vacated 40,000 square feet Downtown while the University of Phoenix moved out of 40,000 square feet in the North I-25 submarket and relocated into a building they own and developed.

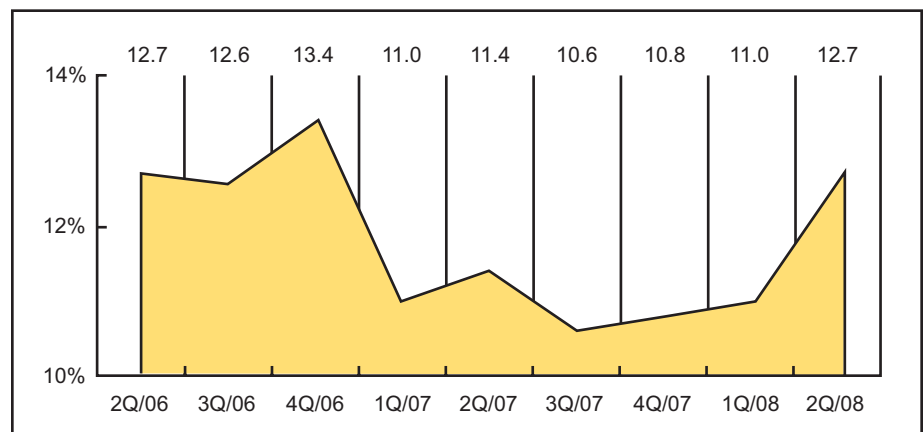
The market appears to be shying away from new projects with higher rates. The majority of new office space delivered since the second quarter of 2007 remains over 50 percent vacant. This equates to 204,000 square feet of vacant space of the 389,000 square feet completed during the last year. Absorption of new space appears to be occurring primarily from tenants with a national or regional presence who are used to paying rates higher than Albuquerque's Class A buildings.

New office projects with the Leadership in Energy and Environmental Design (LEED) certification appear to be performing much better than those without it. This emerging requirement bodes well for tenants looking to minimize future rate increases. Locally based tenants, conversely, have yet to adopt this green building requirement and appear to be more rate sensitive. Look for landlords to become more aggressive in renewing tenants and using rates and tenant improvement allowances more liberally.

**Albuquerque Office Market Trends**  
is a newsletter published quarterly by  
Grubb & Ellis|New Mexico. To obtain additional  
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**Office Vacancy Rate\***

\*All Classes of Space

## Office Market Snapshot Albuquerque Second Quarter 2008

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	2,600,870	416,591	16.0%	(41,248)	(15,689)	11,936	\$23.80	\$14.81
<b>CBD Total</b>	<b>2,600,870</b>	<b>416,591</b>	<b>16.0%</b>	<b>(41,248)</b>	<b>(15,689)</b>	<b>11,936</b>	<b>\$23.80</b>	<b>\$14.81</b>
Airport	1,234,969	105,780	8.6%	9,479	20,130	-	-	\$13.85
Cottonwood	15,671	2,732	17.4%	-	-	-	-	\$16.50
Far Northeast Heights	921,325	72,095	7.8%	(9,323)	1,378	-	-	\$19.32
Mesa del Sol	-	-	-	-	-	271,052	-	-
North I-25	3,129,738	526,562	16.8%	23,090	17,309	24,400	\$20.50	\$19.73
Northeast Heights	741,088	109,089	14.7%	(12,820)	(12,446)	-	-	\$16.06
Rio Rancho	374,500	57,507	15.4%	3,406	4,548	10,800	-	\$24.73
Southeast Heights	592,914	44,882	7.6%	(14,651)	(20,156)	-	-	\$17.49
University	973,180	73,622	7.6%	2,539	(22,904)	-	-	\$16.57
Uptown	1,834,776	158,898	8.7%	(1,978)	7,943	-	\$21.50	\$18.87
West Mesa	309,301	51,269	16.6%	2,194	(1,315)	28,402	-	\$19.21
<b>Suburban Total</b>	<b>10,127,462</b>	<b>1,202,436</b>	<b>11.9%</b>	<b>1,936</b>	<b>(5,513)</b>	<b>334,654</b>	<b>\$21.25</b>	<b>\$18.41</b>
<b>Totals</b>	<b>12,728,332</b>	<b>1,619,027</b>	<b>12.7%</b>	<b>(39,312)</b>	<b>(21,202)</b>	<b>346,590</b>	<b>\$22.61</b>	<b>\$17.54</b>
<b>By Class (All Submarkets)</b>							<u>Available for Sublease</u>	
							CBD	Suburban
Class A	1,389,162	170,658	12.3%	4,734	(12,994)	-	1,843	33,000
Class B	8,301,466	1,128,043	13.6%	(52,270)	(3,525)	346,590	17,716	150,229
Class C	3,037,704	320,326	10.5%	8,224	(4,683)	-	7,000	13,896
<b>Totals</b>	<b>12,728,332</b>	<b>1,619,027</b>	<b>12.7%</b>	<b>(39,312)</b>	<b>(21,202)</b>	<b>346,590</b>	<b>26,559</b>	<b>197,125</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

