

# Office Market Trends Albuquerque

Grubb & Ellis Research  
First Quarter 2009



**GRUBB & ELLIS**  
New Mexico

*Tenants perceive market differently than landlords ...*

## No Big Surprise - Vacancy Rises

As could be expected the challenging economic environment propelled vacancy levels upward by 130 basis points. This increase was hastened by two mid-sized speculative projects, totaling 99,000 square feet, being delivered with only 12,300 square feet of tenancy. Combined with another 63,000 square feet of downsizings from the financial and housing sectors, vacancy had only one direction to go – up.

Near term vacancy increases are likely to occur as the amount of overall available space on the market is growing. Compared to a year ago, available space surged by more than 430,000 square feet. Many companies are planning to trim their space requirements as a result of layoffs and lost business. These spaces are still occupied but have been placed on the market adding additional supply. Further economic weakness is likely to turn these available spaces into vacant sublease spaces. The total amount of vacant sublease space, however, only rose about 20,000 square feet from a year ago.

Although leasing velocity is down considerably, tenants that are in the market for space are searching for huge landlord concessions. This “blood in the water” attitude has not yet been adopted by many landlords. Landlords are more willing to make concessions but not at levels which are economically unfeasible. It is a great time for tenants to lock in attractive renewal rates. The challenge will be dealing with tenant improvement costs and rising commercial property taxes. New office projects may begin to appear more attractive from a rate standpoint since tenant improvement expenses are lower on first generation spaces and the property tax assessments were already at higher levels.

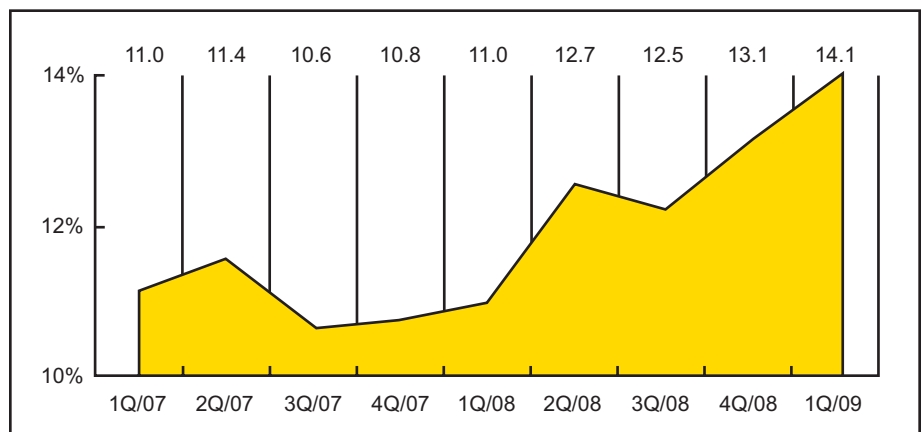
### Albuquerque Office Market Trends

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**Office Vacancy Rate\***

*\*All Classes of Space*

