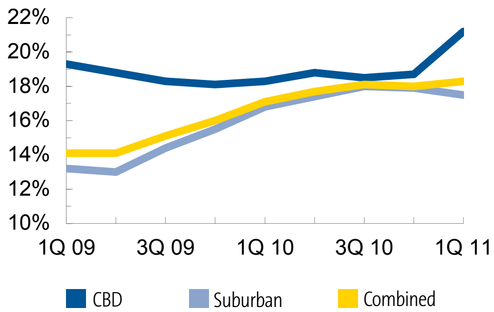
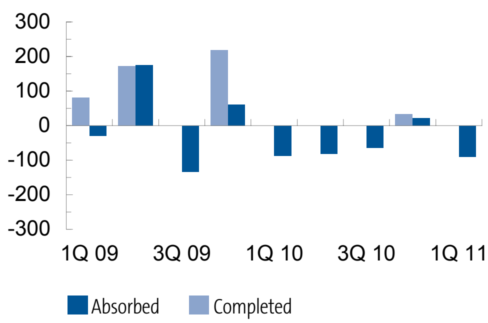
Office Trends Report—First Quarter 2011
Albuquerque, NM

GRUBB & ELLIS New Mexico

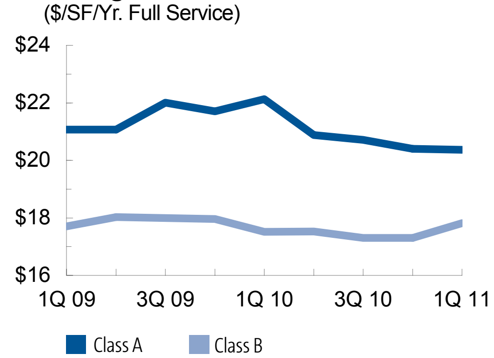
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Full Service)



Losing Optimism

Conditions have not improved while vacancy climbed to its highest level over the last twenty years. The overhang of unused shadow space, negative job growth, and reliance on productivity increases has stunted any chance for recovery in the near term. Adding to the challenges is a growing level of available space which increased by twelve percent or nearly 300,000 square feet during the quarter.

The uptick in available space is being driven by several factors. A growing number of state, local, and federal government tenants are planning to consolidate operations or move into new facilities by year-end. Failed office condominium projects have been foreclosed on by lenders and have entered or will be soon entering the leasing market competing for scarce tenants. Lastly, a large financial services company has started construction on its own facility and will be vacating over 45,000 square feet.

Activity for tenants seeking spaces has remained strong but this has been offset by almost an equal number closing or downsizing operations. Overall asking rates fell by almost two percent during the quarter but landlords may not have much room left to cut with rising expenses. Tenant improvements are still a big challenge. A trend for tenants to take spaces "as is" or with basic paint and carpet is becoming common.

FORECAST

- Vacancy levels remain stable.
- Landlord concessions are still required to make deals.
- Rising operating expenses become a challenge.

KEY TRANSACTIONS

*DexMedia	*Stryker Corporation	Peterson Properties
leased 11,709 SF at Sycamore Plaza Albuquerque, NM from Rosemont Real Estate One	leased 11,578 SF at 9550 San Mateo Blvd NE Albuquerque, NM from Mechenbier Construction	purchased 14,000 SF at 609 Gold SW Albuquerque, NM from *Private Investor

** Indicates Transaction Represented by Grubb & Ellis*

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By Submarket	Total SF	Vacant SF	Vacant %	Available %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Construction SF	Asking Rent Class A	Asking Rent Class B
Downtown	2,735,375	579,706	21.2%	23.3%	(25,478)	(25,478)	-	$20.07	$14.08
CBD Total	**2,735,375**	**579,706**	**21.2%**	**23.3%**	**(25,478)**	**(25,478)**	**-**	**$20.07**	**$14.08**
Airport	1,249,784	136,210	10.9%	11.0%	13,358	13,358	-	-	$12.97
Far Northeast Heights	967,769	133,865	13.8%	16.6%	(2,229)	(2,229)	-	-	$16.19
Mesa del Sol	271,052	41,778	15.4%	15.4%	-	-	-	-	$23.00
North I-25	3,228,845	645,639	20.0%	23.0%	(41,196)	(41,196)	98,720	$22.25	$18.34
Northeast Heights	878,482	182,278	20.7%	22.5%	(426)	(426)	-	-	$15.98
Rio Rancho	616,578	58,760	9.5%	9.8%	357	357	-	-	$20.96
Southeast Heights	594,440	139,953	23.5%	26.3%	(921)	(921)	-	-	$12.54
University	904,514	132,036	14.6%	21.0%	169	169	-	-	$17.23
Uptown	1,824,745	329,281	18.0%	21.1%	(18,149)	(18,149)	-	$19.38	$18.01
West Mesa	326,128	105,033	32.2%	32.2%	(15,256)	(15,256)	-	-	$19.09
Suburban Total	**10,862,337**	**1,904,833**	**17.5%**	**20.0%**	**(64,293)**	**(64,293)**	**98,720**	**$20.81**	**$17.82**
Totals	**13,597,712**	**2,484,539**	**18.3%**	**20.7%**	**(89,771)**	**(89,771)**	**98,720**	**$20.37**	**$17.11**

By Class	Total SF	Vacant SF	Vacant %	Available %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Construction SF	Available for Sublease CBD	Available for Sublease Suburban
Class A	1,386,055	203,142	14.7%	16.1%	(14,351)	(14,351)	-	-	14,787
Class B	9,152,285	1,678,440	18.3%	20.8%	(67,830)	(67,830)	98,720	2,566	77,092
Class C	3,059,372	602,957	19.7%	22.7%	(7,590)	(7,590)	-	-	3,649
Totals	**13,597,712**	**2,484,539**	**18.3%**	**20.7%**	**(89,771)**	**(89,771)**	**98,720**	**2,566**	**95,528**

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OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*