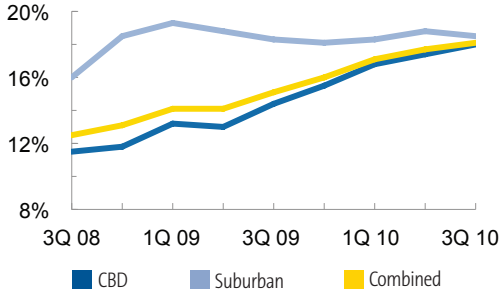


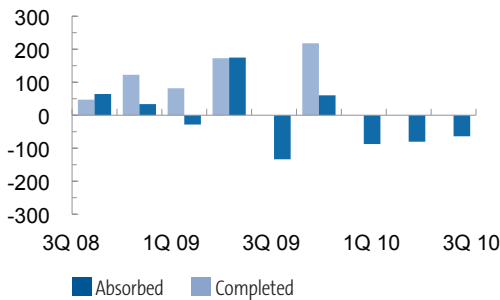
### Vacancy Rate



## Bottom Pursuit

If the current trend continues, 2010 may be one of the worst years ever for the office market. Last quarter's record setting vacancy level was easily surpassed this quarter. Vacancy rose by 40 basis points to 18.1 percent. The most stunning figure is that compared to 2009 an additional 460,000 square feet of vacant space is now on the market competing for tenants. Over one-half of the quarter's losses can be tied to Convergys vacating a 65,000 square-foot call center space after losing a big account.

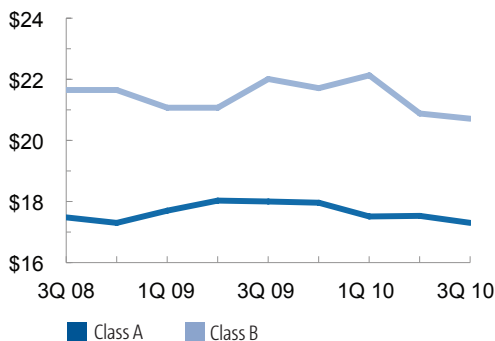
### Completions vs. Absorption (in Thousands of SF)



A big challenge is Albuquerque's rising unemployment rate. According to the New Mexico Department of Workforce solutions, employment contracted by 7,300 jobs over the last year. More than half of the employment losses occurred in the professional and business sectors and is now at a six year low. Even though the educational and health services sectors experienced positive job growth of 1,200 jobs, the overall net number is still negative when combined with the professional and business sectors. The net result is diminished demand for office space across most suite sizes.

Activity for larger tenants seeking over 10,000 square feet of space is almost non-existent. Those who are searching for spaces are tenants seeking smaller spaces less than 3,000 square feet. Unfortunately very few tenants appear to have the risk tolerance for taking advantage of current market conditions even with overall asking rates declining by 4.7 percent over the last year. The sentiment appears to be "a hunker-down mentality" to ride the storm out.

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



### FORECAST

- Vacancy losses will begin to stabilize.
- Tenants will slowly test the market for opportunities.
- Free rent will be exchanged for improvement allowances.

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
<ul style="list-style-type: none"> <li>■ National Institute of Flamenco, Inc. *</li> </ul>	Private Investor	1511 Central Ave. NE	15,000
<ul style="list-style-type: none"> <li>■ Southwest Family Guidance Center *</li> </ul>	Fair Plaza Associates	7005 Prospect Pl. NE	3,310

■ Leasing ■ Sales      (R) = Renewal (S) = Sublease      \* Indicates Transaction Represented by Grubb & Ellis

# Office Trends Report—Third Quarter 2010

## Albuquerque, NM



By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		Class A	Class B
Downtown	2,642,619	490,146	18.5%	6,937	(17,939)	-	\$20.08	\$14.04
<b>CBD Total</b>	<b>2,642,619</b>	<b>490,146</b>	<b>18.5%</b>	<b>6,937</b>	<b>(17,939)</b>	<b>-</b>	<b>\$20.08</b>	<b>\$14.04</b>
Airport	1,249,852	150,802	12.1%	(5,871)	(24,901)	-	-	\$13.20
Far Northeast Heights	953,465	142,272	14.9%	(10,077)	(71,332)	33,734	-	\$16.22
Mesa del Sol	271,052	41,778	15.4%	-	-	-	-	\$23.00
North I-25	3,206,030	616,390	19.2%	(69,537)	(87,940)	-	\$24.00	\$18.81
Northeast Heights	878,264	186,411	21.2%	(18,970)	(13,085)	-	-	\$15.94
Rio Rancho	628,056	71,270	11.3%	(2,428)	(5,431)	-	-	\$21.08
Southeast Heights	594,440	143,114	24.1%	(7,362)	(2,445)	-	-	\$12.58
University	1,002,283	232,144	23.2%	4,959	28,453	-	-	\$17.23
Uptown	1,820,398	302,237	16.6%	38,521	(41,962)	-	\$19.42	\$17.89
West Mesa	326,128	83,600	25.6%	15	5,135	-	-	\$19.38
<b>Suburban Total</b>	<b>10,929,968</b>	<b>1,970,018</b>	<b>18.0%</b>	<b>(70,750)</b>	<b>(213,508)</b>	<b>33,734</b>	<b>\$21.60</b>	<b>\$17.99</b>
<b>Totals</b>	<b>13,572,587</b>	<b>2,460,164</b>	<b>18.1%</b>	<b>(63,813)</b>	<b>(231,447)</b>	<b>33,734</b>	<b>\$20.71</b>	<b>\$17.30</b>

By Class	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
							CBD	Suburban
Class A	1,386,055	185,949	13.4%	(242)	(17,304)	-	-	-
Class B	9,153,403	1,680,741	18.4%	(54,757)	(150,753)	33,734	2,566	86,608
Class C	3,033,129	593,474	19.6%	(8,814)	(63,390)	-	-	3,649
<b>Totals</b>	<b>13,572,587</b>	<b>2,460,164</b>	<b>18.1%</b>	<b>(63,813)</b>	<b>(231,447)</b>	<b>33,734</b>	<b>2,566</b>	<b>90,257</b>

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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.*

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