

# Office Market Trends Albuquerque

Grubb & Ellis Research  
First Quarter 2005



*"New projects will keep concessions around"*

## Optimism Abounds

Office landlords have something to be optimistic about. The vacancy rate fell to its lowest level in three and half years. Driving the rate downward was strong absorption of Class A space and newly completed projects in the North I-25 corridor. The Downtown submarket also experienced moderate improvement. This was primarily attributed to office space being taken off the market and converted to permissive retail and condominium projects. With defense contractors securing some big contracts, the Airport Submarket finally showed signs of life.

As new construction completions come online, demand for Class B spaces should increase, more relative to other classes of space, over the next two quarters. Over 265,000 square feet of new space is in the pipeline and expected to be completed before the year's end. Asking rates for these new projects are at least twenty percent higher than current Class A spaces. Amid inflation fears and rising interest rates, tenants will have an opportunity to secure modest Class B building space at a favorable market rate.

Rising tenant improvement costs, however, could provide some sticker shock for tenants seeking major build outs. Landlords for all building classes will likely continue to offer build out concessions to remain competitive. The key will be to fund build outs enough to hold the effective rates below that of the new projects. Other concessions will also be left on the table, especially for Class C landlords.

### Albuquerque Office Market Trends

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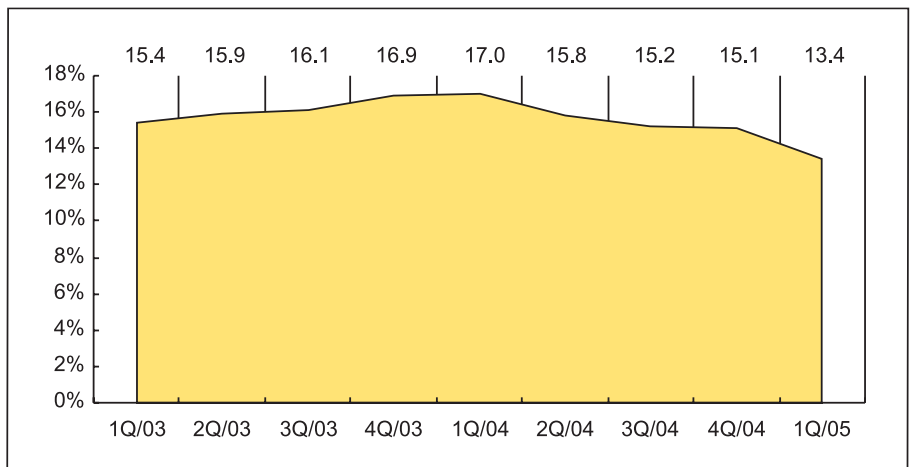
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Office Vacancy Rate\*

\*All Classes of Space



# Office Market Snapshot Albuquerque First Quarter 2005

By Submarket (All Classes)	Total SF(1)	Vacant SF	Vacant %	Net Absorption		Under Construction(2)	Asking Rent(3)	
				Current Qtr.	Year-to-date		Class A	Class B
Airport	1,222,492	324,246	26.5%	31,486	31,486	-	-	\$13.33
Cottonwood	-	-	-	-	-	18,000	-	-
Far NE Heights	913,339	84,664	9.3%	3,897	3,897	39,093	-	\$17.33
North I-25	2,697,916	208,839	7.7%	78,465	78,465	124,710	-	\$15.48
Northeast Heights	754,494	113,166	15.0%	(6,868)	(6,868)	-	-	\$14.60
Rio Rancho	279,928	38,253	13.7%	5,848	5,848	-	-	\$17.41
Southeast Heights	566,769	29,155	5.1%	(4,060)	(4,060)	28,650	-	\$15.77
University	990,573	72,848	7.4%	(1,126)	(1,126)	18,900	-	\$14.00
Uptown	1,773,556	228,564	12.9%	5,364	5,364	-	\$19.08	\$16.22
West Mesa	230,713	46,843	20.3%	(2,399)	(2,399)	36,000	-	\$15.33
<b>CBD (Downtown)</b>	<b>2,767,440</b>	<b>491,810</b>	<b>17.8%</b>	<b>2,769</b>	<b>2,769</b>	<b>-</b>	<b>\$17.80</b>	<b>\$14.19</b>
<b>Suburban</b>	<b>9,429,780</b>	<b>1,146,578</b>	<b>12.2%</b>	<b>110,607</b>	<b>110,607</b>	<b>265,353</b>	<b>\$19.08</b>	<b>\$15.50</b>
<b>Total</b>	<b>12,197,220</b>	<b>1,638,388</b>	<b>13.4%</b>	<b>113,376</b>	<b>113,376</b>	<b>265,353</b>	<b>\$18.41</b>	<b>\$15.07</b>

By Class (All Submarkets)	Total SF	Vacant SF	Vacant %	Current Qtr.	Year-to-date	Under Construction	Available for Sublease	
							CBD	Suburban
Class A	1,527,591	155,823	10.2%	53,283	53,283	-	5,000	23,890
Class B	7,403,736	1,002,241	13.5%	41,066	41,066	265,353	16,330	70,386
Class C	3,265,893	480,324	14.7%	19,027	19,027	-	-	16,643
<b>Total</b>	<b>12,197,220</b>	<b>1,638,388</b>	<b>13.4%</b>	<b>113,376</b>	<b>113,376</b>	<b>265,353</b>	<b>21,330</b>	<b>110,919</b>

(1) Inventory includes multi-tenant and single tenant buildings with at least 10,000 sq. ft.  
 (2) Space under construction includes speculative and build-to-suit for lease projects.  
 (3) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of the building.

## Grubb & Ellis Office Locations

