

Office Market Trends Albuquerque

Grubb & Ellis Research
Third Quarter 2005



*“Tenants Seeking Deals
Should Consider Downtown”*

Market Becoming Tight in Some Areas

Activity in the third quarter resembled that of the second quarter. The appeal of new construction in the centrally located North I-25 submarket continued to attract tenants. Newly delivered Class B buildings were responsible for the majority of space absorbed. The North I-25 submarket added over 75,000 square feet of new space in two buildings. Another 112,000 square feet of new office space is scheduled to break ground early next year in this submarket.

Established Class B buildings appear to be well positioned for tenants seeking a balance between affordability and quality of space. New Class B space is currently priced above Class A building rates. Asking rates for new Class B buildings, delivered since 2004, are approximately seven percent higher than Class A buildings. Conversely, asking rates for established Class B buildings are almost 30 percent below these new Class B buildings. As construction costs continue to rise, look for this disparity to continue and even increase.

Tenants looking to renew or expand should consider acting quickly to secure the best terms. This is especially important for locations in the North I-25 and Uptown submarkets. Falling vacancies and rising operating costs are giving landlords the upper hand in these areas. The Downtown submarket, however, remains the area where tenants may have the upper hand in negotiations. Landlords of many Downtown office buildings will be eager to make deals since many have experienced prolonged vacancies.

Albuquerque Office Market Trends

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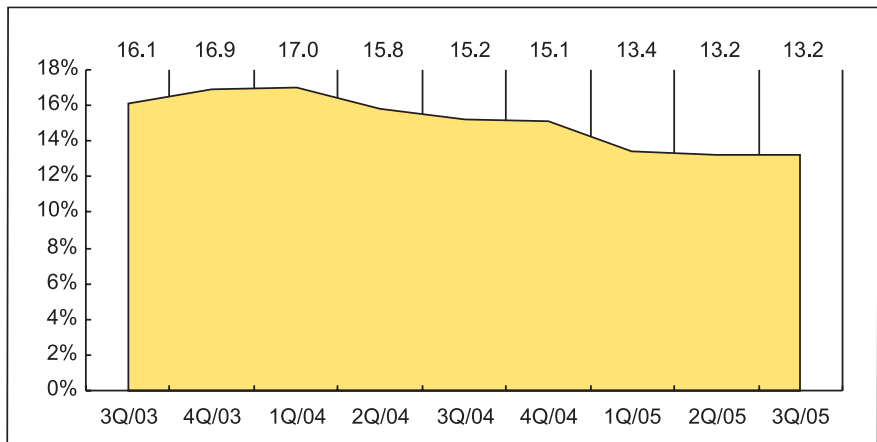
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Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot Albuquerque Third Quarter 2005

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD (Downtown)	2,767,440	554,211	20.0%	(26,831)	(37,874)	-	\$17.80	\$14.12
Airport	1,222,492	298,154	24.4%	29,237	57,578	-	-	\$13.19
Far NE Heights	913,339	71,933	7.9%	13,389	16,628	25,605	-	\$17.37
North I-25	2,834,216	249,047	8.8%	46,646	199,157	-	-	\$16.84
Northeast Heights	754,494	98,366	13.0%	6,623	7,932	-	-	\$15.00
Rio Rancho	279,928	28,178	10.1%	7,475	15,923	-	-	\$16.74
Southeast Heights	566,847	37,970	6.7%	(7,860)	(12,797)	26,650	-	\$15.77
University	990,573	60,270	6.1%	5,351	11,452	-	-	\$13.50
Uptown	1,773,556	193,590	10.9%	4,015	46,738	-	\$19.08	\$16.35
West Mesa	266,713	44,192	16.6%	7,849	36,252	-	-	\$18.02

CBD (Downtown)	2,767,440	554,211	20.0%	(26,831)	(37,874)	-	\$17.80	\$14.12
Suburban	9,602,158	1,081,700	11.3%	112,725	378,863	52,255	\$19.08	\$15.85
Total	12,369,598	1,635,911	13.2%	85,894	340,989	52,255	\$18.41	\$15.28

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	120,099	7.9%	13,921	89,007	-	5,000	20,000
Class B	7,576,036	1,067,035	14.1%	50,861	201,330	52,255	25,680	40,181
Class C	3,265,971	448,777	13.7%	21,112	50,652	-	-	3,056
Total	12,369,598	1,635,911	13.2%	85,894	340,989	52,255	30,680	63,237

(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 Office Locations

