

Office Market Trends Albuquerque

Grubb & Ellis Research
Fourth Quarter 2005



“Abundant Choices Still Exist Downtown”

Downtown Rebound?

Finally, is there some good news for the Downtown office market? For the first time in four years Downtown Albuquerque experienced positive absorption of space over 50,000 square feet. The majority of this activity was the result of one tenant opening up a call center office. Utah based Sento Corporation leased space in the Compass Bank building on Marquette to provide on-line and telephone support for clients with Spanish speaking customers.

It is still too early to say that Downtown has turned the corner but this could be a positive sign. When looking at areas that have the largest amount of contiguous spaces available, the Downtown and Airport submarkets have the most choices at the lowest rates. Compared to other submarkets like North I-25 and Uptown, Downtown is positioned very well for the next few quarters to attract tenants who require affordable large contiguous spaces. Several other government tenants are slated to move away from Downtown in the first quarter of 2006 which may negate the positive absorption altogether.

The pace of new construction picked up in the fourth quarter. The popular North I-25 submarket saw two new projects totaling 120,000 square feet of space begin. Look for the number of new office projects to decrease as construction costs continue to rise combined with the added expense of impact fees doubling for new projects permitted after January 2006. There comes a point when the cost of a new building does not cash flow based on how high the lease rates need to be and what tenants are willing to pay.

Albuquerque Office Market Trends

is a newsletter published quarterly by Grubb & Ellis|New Mexico. To obtain additional copies or other Grubb & Ellis|New Mexico publications, please contact:

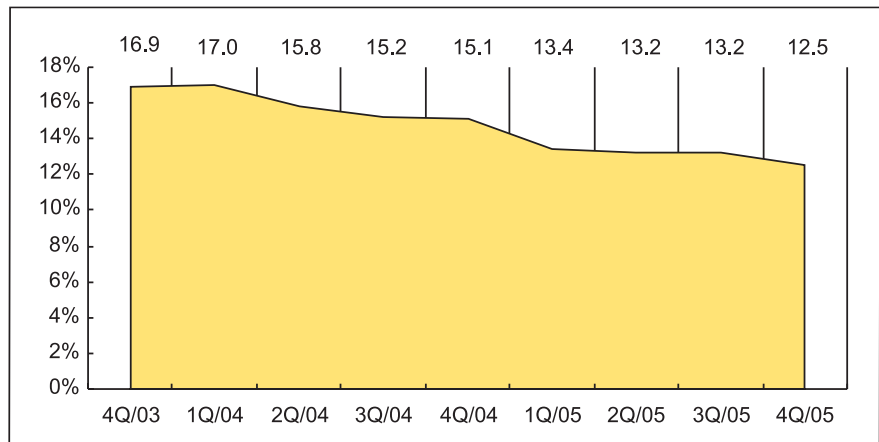
Ken Schaefer

Director of Brokerage Operations
E-mail: ken.schaefer@grubb-ellis.com

Grubb & Ellis|New Mexico
2400 Louisiana Blvd NE
Bldg 1, Suite 300
Albuquerque, NM
Phone: 505.883.7676

Internet: www.genewmexico.com

Independently Owned and Operated



Office Vacancy Rate*

**All Classes of Space*

Office Market Snapshot Albuquerque Fourth 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)	2,778,053	500,903	18.0%	63,921	26,047	-	\$18.40	\$14.07
Airport	1,222,492	284,066	23.2%	14,088	71,666	-	-	\$13.19
Far NE Heights	928,806	86,222	9.3%	1,178	22,331	35,400	-	\$17.35
North I-25	2,834,716	229,558	8.1%	19,989	219,146	92,455	\$22.21	\$16.29
Northeast Heights	754,494	95,193	12.6%	3,173	11,105	-	-	\$15.21
Rio Rancho	279,928	27,478	9.8%	700	16,623	-	-	\$16.31
Southeast Heights	555,865	29,109	5.2%	(2,121)	(4,014)	26,650	-	\$15.77
University	990,333	55,915	5.6%	4,115	15,567	-	-	\$13.50
Uptown	1,773,556	182,981	10.3%	10,609	57,347	-	\$18.83	\$16.56
West Mesa	280,672	56,037	20.0%	2,114	38,366	15,000	-	\$18.36
CBD (Downtown)	2,778,053	500,903	18.0%	63,921	26,047	-	\$18.40	\$14.07
Suburban	9,620,862	1,046,559	10.9%	53,845	448,137	169,505	\$19.88	\$15.85
Total	12,398,915	1,547,462	12.5%	117,766	474,184	169,505	\$19.24	\$15.30
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	1,527,591	126,017	8.2%	(5,918)	83,089	-	3,900	20,000
Class B	7,616,032	986,718	13.0%	120,313	326,168	149,505	30,214	22,493
Class C	3,255,292	434,727	13.4%	3,371	64,927	20,000	7,000	21,952
Total	12,398,915	1,547,462	12.5%	117,766	474,184	169,505	41,114	64,445

- (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

