

Office Market Trends Albuquerque

Grubb & Ellis Research

First Quarter 2006



Activity Levels Increase

The office market remained vibrant in the first quarter. Activity levels for small, medium and large sized tenants seeking space increased from fourth quarter 2005 levels. About one half of these potential tenants are new to the market and are searching for call center and back office operations space. The balance are existing tenants and include a variety of professional service companies and charter schools.

"Purchase options hard to find"

As the Downtown submarket lost a major tenant to a new build to suit project, it could not post positive absorption levels in consecutive quarters. The Bureau of Indian Affairs vacated almost 55,000 square feet of Class A office space Downtown. Optimistically, this provides additional choices of large contiguous spaces. No other submarket in the metro area can currently provide more options for large spaces than Downtown.

Heightened activity has put many local companies seeking office space at a decision crossroad. When comparing lease versus buy alternatives, rising interest rates and construction costs are beginning to bring back leasing as a more favorable option. A lack of viable for sale inventory remains a constant challenge for those seeking to purchase. New office condominium projects remain popular but are priced significantly higher than older buildings. Buying an older building and doing a major renovation is becoming less attractive in the face of rising construction costs and the amount of lead time required. With many office users, buying is still the preferred option and recent increases in lease rates seem to be maintaining the preference to purchase. Look for leasing activity to increase even more as interest rates and construction costs continue to climb.

Albuquerque Office Market Trends

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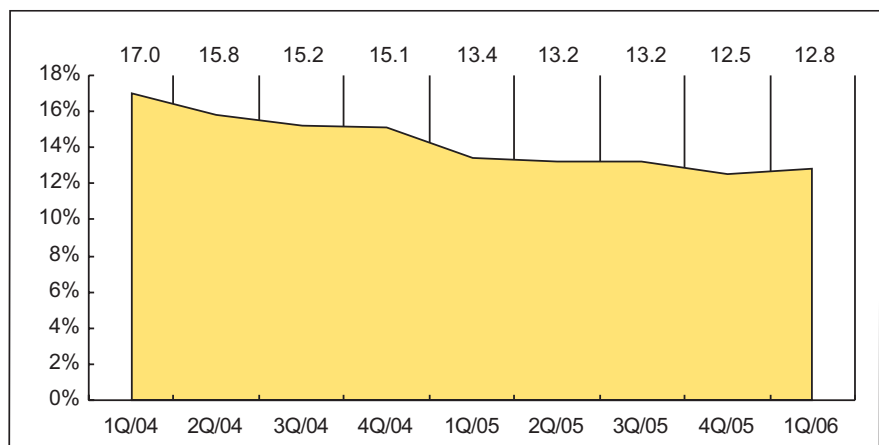
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Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot Albuquerque First Quarter 2006

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)	2,717,338	546,184	20.1%	(62,106)	(62,106)	-	\$18.40	\$14.03
Airport	1,221,792	256,569	21.0%	17,523	17,523	-	-	\$13.39
Far NE Heights	931,867	81,442	8.7%	(2,831)	(2,831)	63,038	-	\$16.86
North I-25	2,844,533	257,736	9.1%	4,214	4,214	81,832	\$20.50	\$16.23
North Valley	16,600	-	0%	-	-	-	-	-
Northeast Heights	784,230	84,239	10.7%	1,930	1,930	-	-	\$14.95
Rio Rancho	284,019	21,285	7.5%	6,193	6,193	-	-	\$16.25
Southeast Heights	582,050	30,512	5.2%	(1,403)	(1,403)	-	-	\$18.50
University	978,333	55,742	5.7%	173	173	-	-	\$13.50
Uptown	1,784,449	220,249	12.3%	(14,392)	(14,392)	-	\$20.24	\$16.87
West Mesa	296,280	44,003	14.9%	10,644	10,644	-	-	\$18.70
CBD (Downtown)	2,717,338	546,184	20.1%	(62,106)	(62,106)	-	\$18.40	\$14.03
Suburban	9,724,153	1,051,777	10.8%	22,051	22,051	144,870	\$20.29	\$15.97
Total	12,441,491	1,597,961	12.8%	(40,055)	(40,055)	169,505	\$19.23	\$15.38
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	1,382,104	188,011	13.6%	(68,340)	(68,340)	-	3,900	20,000
Class B	7,756,417	1,016,280	13.1%	16,031	16,031	144,870	27,214	61,366
Class C	3,302,970	393,670	11.9%	12,254	12,254	-	7,000	18,659
Total	12,441,491	1,597,961	12.8%	(40,055)	(40,055)	144,870	38,114	100,025

(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|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Grubb & Ellis Office Locations

