

Office Market Trends Albuquerque

Grubb & Ellis Research
Second Quarter 2006



Uptown Area Becoming Hot

Overall the office market remained stable in the second quarter as the vacancy rate remained virtually unchanged. The majority of activity occurred in Class B buildings primarily in the Uptown area. Interest in the Uptown submarket has been increasing over the last six months with improved access to Interstate 40 and new retail amenities in Uptown. The recent completion of the Louisiana and Interstate 40 overpass has provided quick easy access to and from the area. In addition, the fall completion of ABQ Uptown, a 170,000 square foot retail lifestyle center with major new retailers like Pottery Barn, Coldwater Creek, Jos. A. Banks, Elephant Bar and Marcello's Steaks will offer office tenants new retail experiences.

"North I-25 sees challenges"

The Uptown area appears to be gaining interest away from the popular North I-25 submarket which may have reached its crescendo. Over the last two quarters of 2005, the North I-25 submarket experienced positive absorption of almost 67,000 square feet. Compared to the first two quarters of 2006, it has seen positive absorption of only 9,600 square feet. Increased traffic flows during rush hours and higher asking rates are making it more challenging to lease office space in the North I-25 area. New North I-25 office projects with asking rates higher than most Class A buildings may have to increase concessions to remain competitive. These higher asking rates are mostly due to the increases in construction materials and rising interest rates.

Look for the Downtown submarket to see increased activity throughout the end of the year. Excluding higher priced new construction in the North I-25 submarket, opportunities are present for office tenants requiring large, contiguous spaces, at affordable rates. The US Immigration Service center taking the remaining Qwest Communications vacated space Downtown could be the start of similar moves.

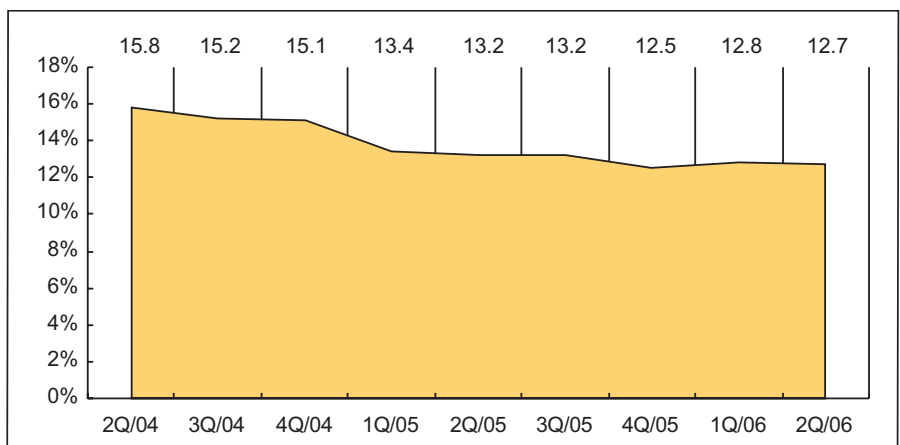
Albuquerque Office Market Trends

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Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot Albuquerque Second 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 | 541,312 | 19.9% | 4,872 | (57,234) | - | \$18.40 | \$14.03 |
| Airport | 1,221,792 | 261,672 | 21.4% | (5,103) | 12,420 | - | - | \$13.39 |
| Cottonwood | - | - | - | - | - | 55,000 | - | - |
| Far NE Heights | 931,867 | 79,165 | 8.5% | 2,277 | (554) | 68,038 | - | \$16.86 |
| North I-25 | 2,844,533 | 252,339 | 8.9% | 5,397 | 9,611 | 163,948 | \$20.50 | \$16.32 |
| North Valley | 16,600 | - | - | - | - | - | - | - |
| Northeast Heights | 784,230 | 101,032 | 12.9% | (16,793) | (14,863) | - | - | \$14.98 |
| Rio Rancho | 284,019 | 19,139 | 6.7% | 2,146 | 8,339 | - | - | \$16.25 |
| Southeast Heights | 582,050 | 26,322 | 4.5% | 4,190 | 2,787 | - | - | \$18.50 |
| University | 978,333 | 72,095 | 7.4% | (16,353) | (16,180) | - | - | \$13.50 |
| Uptown | 1,784,449 | 183,384 | 10.3% | 36,865 | 22,473 | - | \$20.24 | \$16.91 |
| West Mesa | 296,280 | 40,217 | 13.6% | 3,786 | 14,430 | - | - | \$18.70 |
| CBD (Downtown) | 2,717,338 | 541,312 | 19.9% | 4,872 | (57,234) | - | \$18.40 | \$14.03 |
| Suburban | 9,724,153 | 1,035,365 | 10.6% | 16,412 | 38,463 | 286,986 | \$20.29 | \$16.02 |
| Total | 12,441,491 | 1,576,677 | 12.7% | 21,284 | (18,771) | 286,986 | \$19.23 | \$15.41 |
| By Class | | | | | | | Available for Sublease | |
| (All Submarkets) | | | | | | | CBD | Suburban |
| Class A | 1,382,104 | 188,011 | 13.6% | - | (68,340) | - | 3,900 | 20,000 |
| Class B | 7,756,417 | 969,586 | 12.5% | 46,694 | 62,725 | 286,986 | 5,264 | 91,688 |
| Class C | 3,302,970 | 419,080 | 12.7% | (25,410) | (13,156) | - | 7,000 | 18,659 |
| Total | 12,441,491 | 1,576,677 | 12.7% | 21,284 | (18,771) | 286,986 | 16,164 | 130,347 |

(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

