

Office Market Trends Albuquerque

Grubb & Ellis Research
Third Quarter 2006



“Large Spaces Becoming Harder to Find..”

New Construction Drives Market

The office market gained traction in the third quarter as new construction completions kept the vacancy rate from turning upward. This is significant given the amount of new space that came on-line during the quarter. A total of 124,000 square feet of new space was added to the overall inventory in three new projects. On a submarket basis, North I-25 added 95,000 square feet of space in two new projects while the Far Northeast Heights added 27,000 square feet in one new project. Of the new space delivered, only 20,000 square feet, or 16 percent, remained vacant at the end of the quarter. The positive absorption of space was a result of existing tenants in the market expanding into larger spaces.

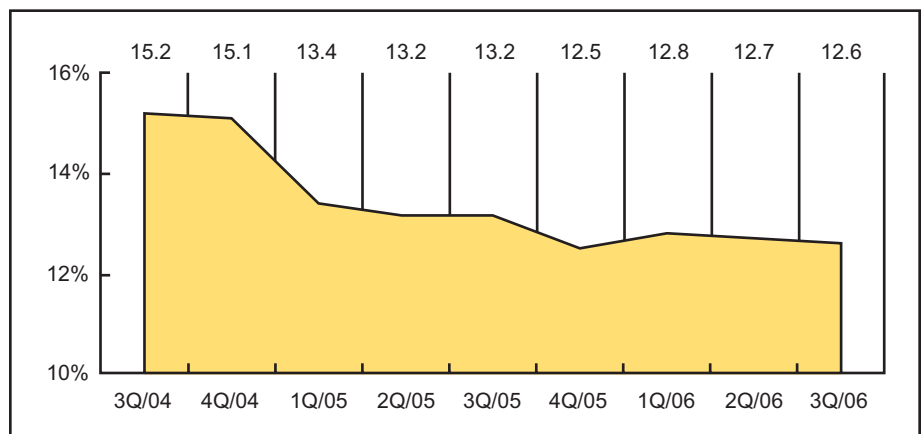
Choices of large contiguous blocks over 25,000 square feet are beginning to dwindle. Those that remain are becoming functionally obsolete, were built for unique user needs, or they are subleases still being occupied. The most viable spaces are located in the Downtown and North I-25 submarkets while the Airport has the most economical options, which should bode well for the amount of new construction currently underway. Another 100,000 square feet of office space is scheduled to be delivered by the end of the year.

In another emerging trend, activity levels for the health care sector increased significantly. These include back office medical operations, home health care and hospice providers. Employment in the health services sector for the Albuquerque area has increased approximately 3.9 percent, or 1,800 new jobs since this time last year, increasing demand for smaller spaces in Class B and C buildings.

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 Third Quarter 2006

By Submarket (All Classes)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption		Under Const. (3) SF	Asking Rent (4)	
				Curren	Year To Date		Class A	Class B
Downtown	2,717,338	531,704	19.6%	9,608	(47,626)	-	\$19.30	\$14.28
Airport	1,221,792	278,739	22.8%	(15,308)	(2,888)	-	-	\$14.22
Far Northeast Heights	974,905	75,613	7.8%	27,162	26,608	36,000	-	\$17.57
North I-25	2,956,669	292,847	9.9%	55,028	64,639	96,555	\$21.00	\$18.23
Northeast Heights	784,230	80,513	10.3%	20,519	5,656	-	-	\$15.01
Rio Rancho	284,019	13,052	4.6%	6,087	14,426	-	-	\$17.21
Southeast Heights	582,050	26,122	4.5%	200	2,987	-	-	\$18.50
University	978,333	92,771	9.5%	(20,676)	(36,856)	-	-	\$13.91
Uptown	1,784,449	158,982	8.9%	47,250	69,723	-	\$20.24	\$17.18
West Mesa	296,280	36,646	12.4%	3,587	18,017	55,000	-	\$17.58
Totals	12,580,065	1,586,989	12.6%	133,457	114,686	187,555	\$19.77	\$15.98

By Class (All Submarkets)	Total (1) SF	Vacant (2) SF	Vacant %	Curren	Year To Date	Under Const. (3) SF	Available for Sublease	
							CBD	Suburban
Class A	1,382,104	150,485	10.9%	37,526	(30,814)	-	3,900	20,000
Class B	7,948,067	1,059,414	13.3%	107,017	169,742	187,555	5,264	75,997
Class C	3,249,894	377,090	11.6%	(11,086)	(24,242)	-	8,100	17,611
Totals	12,580,065	1,586,989	12.6%	133,457	114,686	187,555	17,264	113,608

(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

