

# Office Market Trends Albuquerque

Grubb & Ellis Research  
Third Quarter 2008



Available space may increase dramatically...

## Stable Footing

After experiencing one of the biggest vacancy increases in the last ten years, the office market found stable footing during the quarter with challenges looming. Vacancy improved 20 basis points and even managed a modest 64,000 square feet of space absorbed. Despite a sentiment for slow growth, a few sectors were still active and were responsible for a majority of the space absorbed. These include the insurance, medical and legal service sectors that accounted for 70 percent of the overall space absorbed.

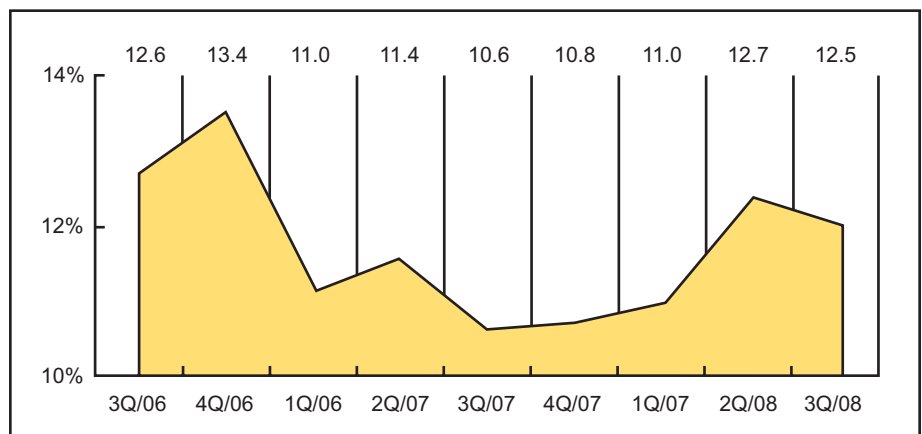
One sign of concern is a big increase in the amount of available space hitting the market. Compared to the same period last year, an extra 300,000 square feet of space became available during the quarter. This increase was the result of tenants who will be making planned moves out of large spaces and into new or existing spaces early next year. The tenants include the Fidelity Human Resources Division, which is moving into new space in Mesa Del Sol, and the University of New Mexico Hospital Administrative Services, which is moving into an existing location near the airport.

During the quarter 124,000 square feet of new speculative construction was underway in four projects. As these projects move towards completion, they will begin competing for tenants and add even more available space to the market. Combine this with almost 300,000 square feet of office condominium space now being offered for lease, and the market is beginning to turn back to the tenant's favor. The challenge will be convincing tenants not to stay on the sidelines during the economic slowdown. The dramatic increases in available space may trigger more concessions from landlords. Look for new projects to be especially aggressive by offering attractive first generation build out allowances.

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

Grubb & Ellis|New Mexico  
2424 Louisiana Blvd NE  
Suite 300  
Albuquerque, NM  
Phone: 505.883.7676  
Internet: www.genewmexico.com  
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Office Vacancy Rate\*

\*All Classes of Space

## Office Market Snapshot Albuquerque Third Quarter 2008

By Submarket (All Classes)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption		Under Const. (3) SF	Asking Rent (4)	
				Current Qtr	Year To Date		Class A	Class B
Downtown	2,612,806	433,413	16.6%	(4,886)	(20,575)	-	\$22.00	\$14.95
<b>CBD Total</b>	<b>2,612,806</b>	<b>433,413</b>	<b>16.6%</b>	<b>(4,886)</b>	<b>(20,575)</b>	<b>-</b>	<b>\$22.00</b>	<b>\$14.95</b>
Airport	1,234,969	98,800	8.0%	6,980	27,110	-	-	\$14.03
Cottonwood	15,671	2,732	17.4%	-	-	-	-	\$16.50
Far Northeast Heights	921,325	75,723	8.2%	(3,628)	(2,250)	-	-	\$19.32
Mesa del Sol	-	-	-	-	-	271,052	-	-
North I-25	3,154,138	491,868	15.6%	59,094	76,403	42,354	\$20.50	\$19.42
Northeast Heights	741,088	102,254	13.8%	6,835	(5,611)	-	-	\$16.04
Rio Rancho	385,300	67,234	17.4%	1,073	5,621	-	-	\$19.66
Southeast Heights	592,914	38,155	6.4%	6,727	(13,429)	-	-	\$17.47
University	973,180	80,630	8.3%	(7,008)	(29,912)	-	-	\$16.36
Uptown	1,834,776	137,489	7.5%	21,409	29,352	-	\$21.50	\$18.58
West Mesa	309,301	73,592	23.8%	(22,323)	(23,638)	28,402	-	\$19.51
<b>Suburban Total</b>	<b>10,162,662</b>	<b>1,168,477</b>	<b>11.5%</b>	<b>69,159</b>	<b>63,646</b>	<b>341,808</b>	<b>\$21.25</b>	<b>\$18.23</b>
<b>Totals</b>	<b>12,775,468</b>	<b>1,601,890</b>	<b>12.5%</b>	<b>64,273</b>	<b>43,071</b>	<b>341,808</b>	<b>\$21.65</b>	<b>\$17.48</b>
<b>By Class (All Submarkets)</b>							<b>Available for Sublease</b>	
							<b>CBD</b>	<b>Suburban</b>
Class A	1,389,162	163,533	11.8%	7,125	(5,869)	-	1,843	33,000
Class B	8,348,602	1,136,667	13.6%	38,512	34,987	341,808	17,716	161,380
Class C	3,037,704	301,690	9.9%	18,636	13,953	-	7,000	-
<b>Totals</b>	<b>12,775,468</b>	<b>1,601,890</b>	<b>12.5%</b>	<b>64,273</b>	<b>43,071</b>	<b>341,808</b>	<b>26,559</b>	<b>194,380</b>

(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

