



Albuquerque-Santa Fe

Office 21Q2



Vacancy Rate
14.51%



Net Absorption
71K SF



Under Construction
0M SF



Overall Lease Rates (Full Service)
\$19.26/SF



Market Indicators



7.6%
Unemployment Rate

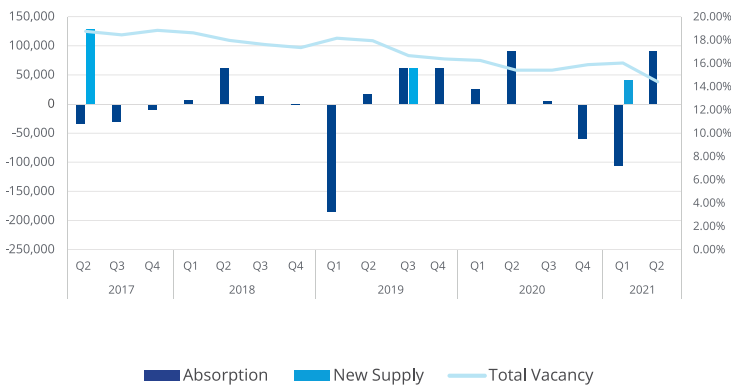


-4.6%
GDP — Yearly % change



1.36%
U.S. 10 Year Treasury Note

Market Graph



Key Takeaways

- The Albuquerque market has proven to be particularly resilient in comparison with larger city centers, and short-term renewals kept many leasing relationships in place over the past year.
- Longer lease terms are beginning to normalize again, but more tenants are requesting early termination clauses in the event of additional complications from the pandemic.
- Sublease activity has seen an increase in 2021 over previous years.

Historic Comparison

	20Q1	20Q4	21Q2
Total Inventory (in Thousands of SF)	14,222	14,222	14,262
New Supply (in Thousands of SF)	—	—	—
Net Absorption (in Thousands of SF)	25.71	(60.27)	71.10
Overall Vacancy	16.24%	15.88%	14.51%
Under Construction (in Thousands of SF)	40.0	40.0	—
Overall Asking Lease Rates (FS)	\$18.99	\$19.35	\$19.26

Recent Transactions



Lease
500 Marquette
Downtown
3,938 SF



Lease
6200 Uptown
Uptown
3,389 SF



Lease
1533 Stephanie Rd SE
Rio Rancho
2,400 SF



Sale
2116 Vista Oeste Dr NW
West Mesa
2,950 SF

Office market continuing along toward recovery

For office occupiers, flexibility is key to making new deals so they can adapt to an everchanging business climate

The vacancy rate in Albuquerque’s office market fell to 15.00% during Q2 of 2021, down from 16.02% last quarter and lower than pre-pandemic rates. Combined with the quarter’s net positive absorption of 22,479 SF, the vacancy rate points towards the start of office market recovery from the slowdown caused by the pandemic. Rental rates remained steady for the quarter, averaging \$19.26 per square foot full service.

The economic impacts of the pandemic on offices, office users, and the commercial office market were widely felt throughout 2020, and recovery has been a slow process filled with bumps for many. The Albuquerque market has proven to be particularly resilient in comparison with larger city centers, and short-term renewals kept many leasing relationships in place over the past year.

Longer lease terms are beginning to normalize again, but more tenants are requesting early termination clauses in the event of additional complications from the pandemic. This trend of caution will likely remain for many occupiers as they manage risks and prepare for any additional upheavals caused by the pandemic. For office occupiers, flexibility is key to making new deals so they can adapt to an everchanging business climate.

Sublease activity has seen an increase in 2021 over previous years. In addition to small space subleases, some call centers have opted to sublease their open space while their employees work remotely, allowing them to maintain control over the space for future use while recapturing some or all of the cost of their lease.

Respec Engineering leased approximately 20,000 SF in Suite 200 of the Marshall Building at 7770 Jefferson St NE. They will be moving from their former location at 5971 Jefferson St NE.

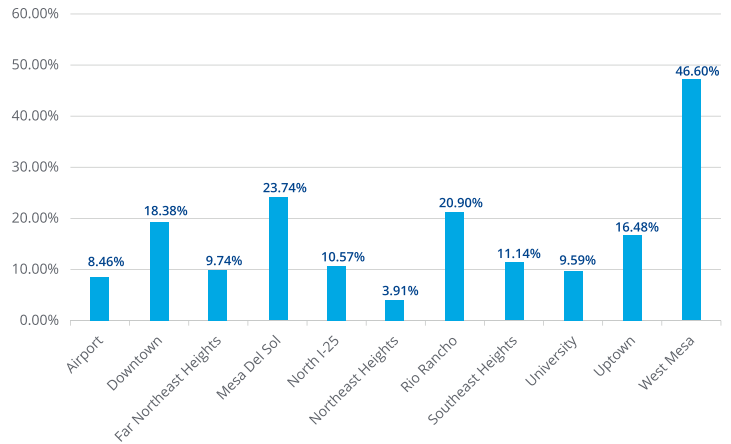
The New Mexico Department of Health signed a lease for 10,000 SF at 5301 Central Ave NE.

Lockheed Martin has leased 6,000 SF at 2340 Alamo Ave SE, vacating their former space at 4300 Garfield Ave SE.

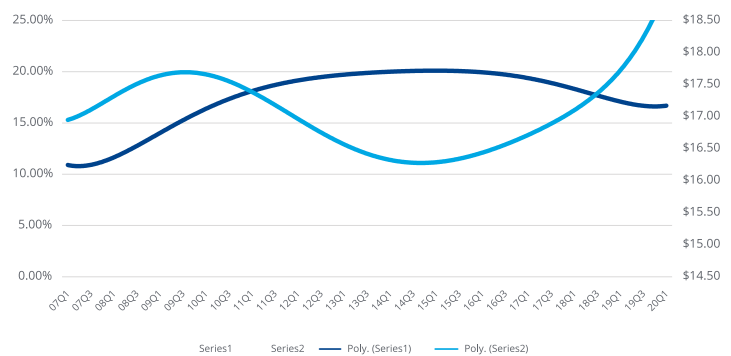
Virginia-based defense contractor BlueHalo announced plans to build a new 200,000 SF office development in the Max Q Business Park at Gibson and Carlisle. The space will be an unspecified combination of office and industrial, being utilized

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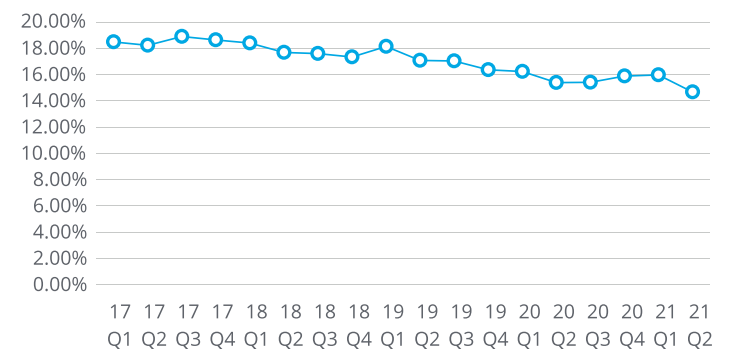
Vacancy by Submarket



Vacancy and Rate Trends



Historical Vacancies



Market Statistics by Class

Albuquerque — Office

Asking Rent	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
Class A	1,629,308	159,454	305,793	9.79%	18.77%	3,912	\$21.84
Class B	9,782,832	1,368,079	1,426,591	13.98%	14.58%	38,559	\$19.29
Class C	2,850,248	365,638	336,924	12.83%	11.82%	28,633	\$17.86
	14,262,388	1,893,171	2,069,308	13.27%	14.51%	71,104	\$19.26

Santa Fe — Office

Asking Rent	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
Class A	278,515	—	50,335	0.00%	18.07%	1,963	\$30.00
Class B	1,768,440	102,730	102,730	5.81%	5.81%	4,961	\$23.46
Class C	207,718	—	—	0.00%	0.00%	—	—
	2,254,673	102,730	153,065	4.56%	6.79%	6,924	\$24.83

Market Statistics by Submarket

Albuquerque — Office

Submarket	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
Airport	1,032,013	114,238	87,299	11.07%	8.46%	19,399	\$14.96
Downtown	3,198,630	530,004	587,816	16.57%	18.38%	8,000	\$18.99
Far Northeast Heights	978,921	76,970	95,323	7.86%	9.74%	6,449	\$17.40
Mesa del Sol	297,447	30,228	70,615	10.16%	23.74%	—	—
North I-25	3,663,341	322,005	387,258	8.79%	10.57%	23,286	\$21.83
Northeast Heights	865,554	35,660	33,885	4.12%	3.91%	(506)	\$17.86
Rio Rancho	611,749	135,858	127,858	22.21%	20.90%	(7,986)	\$19.67
Southeast Heights	858,375	95,658	95,658	11.14%	11.14%	9,204	\$17.40
University	421,497	40,405	40,405	9.59%	9.59%	(16)	\$19.49
Uptown	1,808,891	267,038	298,084	14.76%	16.48%	4,730	\$18.78
West Mesa	525,970	245,107	245,107	46.60%	46.60%	8,544	\$20.09
Total	14,262,388	1,893,171	2,069,308	13.27%	14.51%	71,104	\$19.26

* Office inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Available space includes all vacant space and occupied space currently on the market for lease. Government and medical buildings are not included if these tenants own and occupy 100% of the building. Asking rates are full service gross on a per square-foot annual basis. "Change in Availability" is based on the change of availability from beginning of quarter to the end. "Absorption" is based on the change of vacancy from the beginning of the quarter to the end. Rent is calculated by weighted average of full service rental rates. NNN and Modified gross marketed rates are adjusted to reflect full service rents.

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Albuquerque Submarket Area Map



Office, continued

for research, development, and manufacturing.

Goodman Realty announced that construction on their mixed-use, three-story office and retail development project at Winrock will begin during Q3 of 2021. The COVID-19 pandemic pushed out their original timeline, but the building is expected to be finished by Q2 of 2023.

While trepidation around the COVID-19 virus remains a concern for office users to manage, companies who have weathered the pandemic successfully have one thing in common: adaptability. Adapting to rapidly changing circumstances with ease is the make-or-break skill for office users of the future and will play a large part in leasing relationships they choose to create with landlords.



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