



Albuquerque-Santa Fe

Office 21Q4



Vacancy Rate
13.84%



Net Absorption
35.6K SF



Under Construction
0 SF



Overall Lease Rates (Full Service)
\$19.10/SF



Market Indicators



5.9%
Unemployment Rate

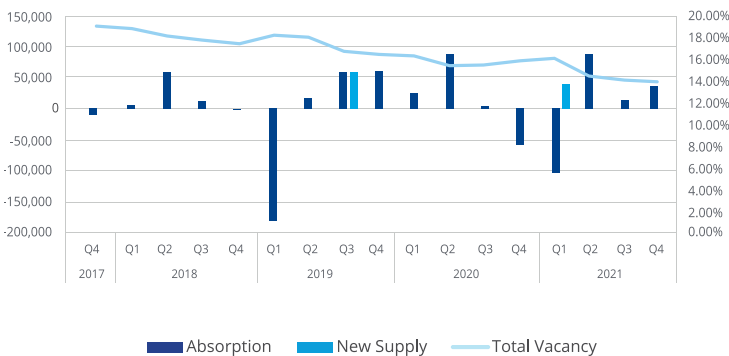


+11.24%
GDP — Yearly % Change



1.63%
U.S. 10 Year Treasury Note

Market Graph



Key Takeaways

- The final quarter of 2021 saw positive absorption primarily driven by Raven Defense, a supplier of electrical defense systems, that signed a 10-year lease for 25,000 square feet at 4411 The 25 Way.
- Leasing activity was also driven by small office users with the majority of activity concentrated in spaces under 5,000 square feet. The number of small businesses and startups has increased by nearly 25% over 2020.
- Rental rates dipped down slightly and are likely to hold as construction costs for buildouts and other operating expenses are continuing to increase.

Historic Comparison

	21Q2	21Q3	21Q4
Total Inventory (in Thousands of SF)	14,264	14,264	14,264
New Supply (in Thousands of SF)	—	—	—
Net Absorption (in Thousands of SF)	71.10	13.31	35.6
Overall Vacancy	14.12%	14.09%	13.84%
Under Construction (in Thousands of SF)	—	—	—
Overall Asking Lease Rates (FS)	\$19.26	\$19.65	\$19.10

Recent Transactions



Lease
4411 The 25 Way
North I-25
25,532 SF



Sale
1550, 1570 & 1596
Pacheco SE
100,000 SF



Sale
5901 Jefferson
North I-25
9,511 SF



Lease
230 Truman St
University
11,000 SF



Sale
7021 B Jefferson
North I-25
12,459 SF



Lease
100 Sun Ave
North I-25
15,535 SF

Office market continues to see positive absorption

Increased market activity was driven primarily by small businesses growth

The final quarter of 2021 saw positive absorption in the Albuquerque office market, continuing to signal activity and recovery from the uncertainty of COVID-19. Approximately 35,638 SF was absorbed through a variety of mid-sized deals, and average asking rates fell slightly to \$19.10 Full Service. The final vacancy rate came to 13.84%, down 18 basis points from last quarter. This continues a downward trend in vacancy rates, with this quarter's being the lowest in the office market since 2009.

Small businesses are driving the search for office space, with the amount of new small businesses and startups increasing by 24.6% from the national average in 2020. This growth is outpacing business loss for the first time in several years, as the pandemic inspires career entrepreneurs and individuals who were laid off or unemployed to explore starting their own businesses. Small businesses have seized the opportunities the pandemic presented, especially in the industrial and non-traditional sectors, and are now coming back to the office market along with more traditional office users.

Small, move-in ready spec spaces are the most desirable and are driving major market activity, both due to the small business growth and the cost and timing delays of construction and renovation. Tenants on short notice to attain space may not have the time it takes for construction to meet their needs, and the increased costs of constructing needed improvements may also drive lease rates and terms up, making move-in ready space far more appealing.

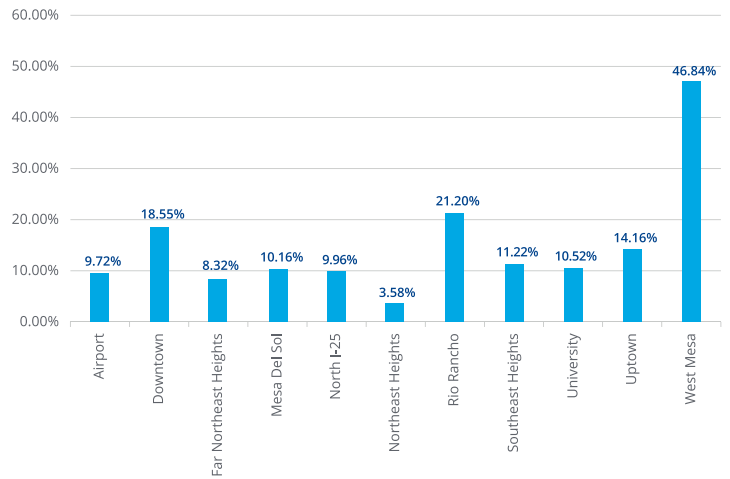
Lease rates are anticipated to increase in 2022 due to new owners investing in making previously obsolete spaces into fresh, appealing and modern buildings, with the high cost of the construction increasing asking prices overall. Nationally, the majority of vacancies continues to be in Class B and C spaces, with high quality spaces being leased quickly.

The largest positive absorption of the quarter took place at 4411 The 25 Way, where Raven Defense signed a 10-year lease to occupy the 25,552 SF space. The space will serve as research development and manufacturing for the expanding tech company.

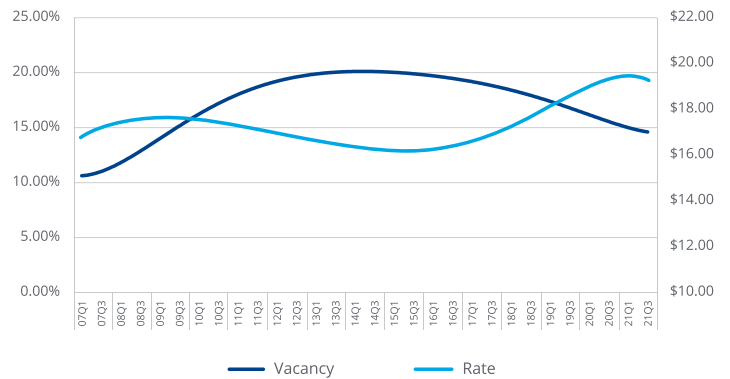
Cyber Security Works leased 3,269 SF at 2440 Louisiana Blvd NE as part of its merger with Arizona-based technology consultant

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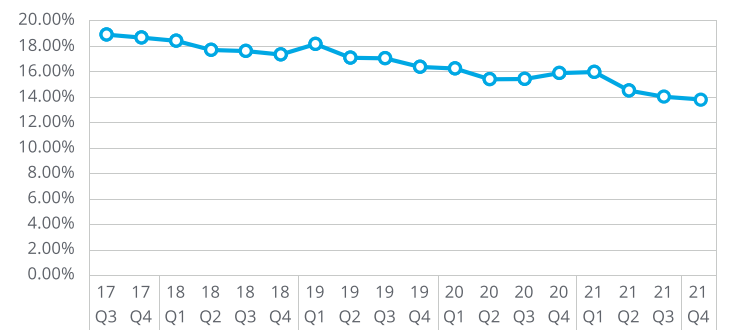
Vacancy by Submarket



Vacancy and Rate Trends



Historical Vacancies



Market Statistics by Class

Albuquerque — Office

Asking Rent	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
Class A	1,629,308	99,077	278,368	6.08%	17.09%	11,529	\$22.81
Class B	9,782,832	1,265,513	1,349,051	12.94%	13.79%	29,240	\$19.12
Class C	2,851,736	219,727	346,846	7.71%	12.16%	(5,131)	\$17.26
	14,263,876	1,584,317	1,974,265	11.11%	13.84%	35,638	\$19.10

Santa Fe — Office

Asking Rent	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
Class A	278,515	—	20,030	0.00%	7.19%	28,851	\$32.00
Class B	1,768,440	104,795	104,795	5.93%	5.93%	6,573	\$29.16
Class C	207,718	—	—	0.00%	0.00%	—	—
	2,254,673	104,795	124,825	4.65%	5.54%	35,424	\$29.69

Market Statistics by Submarket

Albuquerque — Office

Submarket	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
Airport	1,033,501	100,457	100,457	9.72%	9.72%	(31,813)	\$16.16
Downtown	3,198,630	249,455	593,401	7.80%	18.55%	13,741	\$18.75
Far Northeast Heights	978,921	73,175	81,489	7.48%	8.32%	14,117	\$18.28
Mesa del Sol	297,447	—	30,228	0.00%	10.16%	—	—
North I-25	3,663,341	383,069	364,882	10.46%	9.96%	34,304	\$20.89
Northeast Heights	865,554	33,617	30,974	3.88%	3.58%	(10,681)	\$19.35
Rio Rancho	611,749	128,858	129,664	21.06%	21.20%	651	\$19.31
Southeast Heights	858,375	96,558	96,308	11.25%	11.22%	(1,025)	\$16.00
University	421,497	28,588	44,322	6.78%	10.52%	—	\$18.91
Uptown	1,808,891	244,162	256,162	13.50%	14.16%	12,744	\$18.98
West Mesa	525,970	246,378	246,378	46.84%	46.84%	3,600	\$20.21
Total	14,263,876	1,584,317	1,974,265	11.11%	13.84%	35,638	\$19.10

* 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

Zuggand Inc. The expansion comes as part of their ongoing plan to expand and hire in New Mexico.

Cien Aguas International School relocated from 2000 Randolph Rd SE to 2501 Buena Vista Dr SE, leaving 27,000 SF vacant.

Respec Engineering completed their move to 7770 Jefferson as reported in the second quarter, leaving approximately 13,000 SF of vacancy at their former location in 5971 Jefferson St NE.

1st Care Of New Mexico LLC moved their Albuquerque office from 2300 Candelaria Rd NE to occupy approximately 4,700 SF at 6100 Uptown Blvd. They provide non-medical home care services in Belen, Los Lunas, Rio Rancho and Albuquerque.

ADACEN LLC, a new-to-market advanced data center technology company, leased the former Federal Aviation Administration space at 3500 Access Rd C. SE, near the Albuquerque International Sunport.

With the pandemic's economic impacts waning, the commercial office market in Albuquerque is strongly positioned for growth and continued low vacancy in 2022. Move-in ready, updated office space will continue to have a quality advantage over more dated spaces or suites that require improvements, and smaller square foot deals are likely to lead the way into 2022.



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