



2022 Year End Office Investments Market Report



901 Rio Grande Blvd NE
Suite D-224
Albuquerque, NM 87104

 505.539.3200
 www.reanm.com



2022 OFFICE INVESTMENT SUMMARY

Throughout 2021 and the first half of 2022, there was robust transaction volume as investors hedged against inflation and took advantage of historically low interest rates. However, the national office market experienced a much-anticipated slowdown in transaction volume which began to materialize in the 3rd quarter of 2022. According to CoStar, in 2022 the number of sales transactions of office properties plummeted to the lowest figure for the final quarter of a year since 2009. For the year, the \$80.2 billion in recorded sales volume was lower than any year in the past decade barring 2020's \$69.8 billion. Market pricing managed to climb slowly (about 3%) during 2022, but this was influenced by a smaller number of deals concentrated among well-leased assets. Both the financing environment and the challenging outlook for fundamentals have created a bid-ask spread in the capital markets for office buildings.

While real estate investment capital is still abundant, much of it is on the sidelines until a repricing occurs, and there are already signals that such repricing is happening now. The market capitalization of public office REITs would imply that cap rates have risen approximately 180 basis points in the past year, suggesting a corresponding decline in asset values of about 20%, though it should be noted that the portfolios owned by these firms are not representative of the larger market. Speaking privately, insiders suggest a downward adjustment in values of 20-25% from peak is likely, which would be similar to the drop that occurred in the aftermath of the Great Financial Crisis.

Several factors could combine to realize a correction in 2023. Many properties will face elevated lease rollover risk in the coming year, with organic long-term leases expiring alongside short-term extensions executed during the pandemic. Among those tenants who do renew, many are likely to reduce their footprints if they follow a trend that became visible in 2022. This will put pressure on NOI (Net Operating Income), which, combined with higher interest rates, will make it more difficult for owners to meet standard debt service coverage ratio requirements. A wave of loans maturing amid weak fundamentals and a difficult borrowing environment could trigger distressed transactions and reset the market, presenting opportunities to all-cash buyers and other well-capitalized investors.

As experts in the Albuquerque market, Real Estate Advisors can report that local trends are reflecting what CoStar is reporting on the national level. Although sale activity was robust through the end of the year, 2022 was a tale of two years. Of the 13 largest buildings sold in Albuquerque and Northern New Mexico, 7 sold in the first ½ of the year and 6 sold in the second ½ of the year. Of the buildings sold in the first ½ of 2022, 5 sold to investors and 2 sold to an owner occupant. But in the second ½ of 2022, all the largest office sales transactions were sales to owner occupant. This is telling us that, just like the national market, investors in the Albuquerque office market also are on the sidelines until a repricing occurs, while owner occupants are taking advantage of acquiring buildings where tenants have reduced their footprints for prices below replacement cost.



\$5.2 B

ASSET VALUE



\$36M

12 MO SALES VOLUME



8.9%

MARKET CAP RATE



3.7%

MKT SALE PRICE/ SF CHG (YOY)

12 MO SALES VOLUME	TOTAL	LOWEST	HIGHEST
Transactions	191	-	-
Sales Volume	\$36M	\$390K	\$10.6M
Properties Sold	164	-	-
Transacted SF	3M	440	270K
Average SF	15.6K	440	270K

12 MO SALES VOLUME	AVERAGE	LOWEST	HIGHEST	MARKET
Cap Rate	7.8 %	6.0 %	9.1 %	8.9 %
Sales Price/ SF	\$80	\$31	\$327	\$133
Sales Price	\$2.3M	\$390K	\$10.6M	-
Sales Vs Asking Price	71.5%	-8.2 %	372.5%	-
% Leased at Sale	95.7%	0 %	100 %	-

KEY PERFORMING INDICATORS



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SIGNIFICANT SALES TRANSACTIONS



505 Marquette Ave NW			
Downtown Submarket - Albuquerque, NM 87102			
Sale Date	Jun 2022	Buyer	H 5 Data Center
List Price	Off Market	Seller	505 Marquette, LLC
Leased	80.2%	Sale Type	Value Add
RBA	270,000		
Year Built	1970/2007		

7000 Central Ave SW			
South Valley Submarket - Albuquerque, NM 87121			
Sale Date	Aug 2022	Buyer	Legacy Church Inc.
List Price	Unpriced	Seller	GCCFC 2007-GG9 Central Ave, LLC
Leased	0%	Sale Type	Owner/User
RBA	197,298 SF		
Year Built	2006		



100 Sun Ave NE - One Sun Plaza			
North I-25 Submarket - Albuquerque, NM 87109			
Sale Date	Apr 2022	Buyer	Boyd Watterson Asset Management
List Price	Off Market	Seller	Sun Center Partners, LLC
Leased	94.7%	Sale Type	Investment
RBA	183,000 SF		
Year Built	1998		

8500 Menaul Blvd NE			
Northeast Heights Submarket - Albuquerque, NM 87112			
Sale Date	Jul 2022	Buyer	Zia Menaul LLC
List Price	Unpriced	Seller	Watchlist One Executive LLC
Leased	95%	Sale Type	Investment
RBA	114,522 SF		
Year Built	1976 / 2001		



4100-4200 Osuna Rd NE			
North I-25 Submarket - Albuquerque, NM 87109			
Sale Date	May 2022	Buyer	Finomaniro LLC
List Price	\$17,250,000	Seller	Carlo Inc.
Leased	92.2%	Sale Type	Investment
RBA	110,823 SF	Sale Type	
Year Built	1984		

320 Gold Ave SW			
Downtown Submarket - Albuquerque, NM 87102			
Sale Date	Jan 2022	Buyer	Alloy Real Estate Capital, LLC
List Price	\$7,985,000	Seller	320 Gold Office Associates
Leased	91.4%	Sale Type	Investment
RBA	106,942 SF		
Year Built	1967		



Tom Jenkins & Barbara Cuoco of Real Estate Advisors secured listing and subsequently they closed transaction under CBRE

SIGNIFICANT SALES TRANSACTIONS



6000 Uptown Blvd NE			
Uptown Submarket - Albuquerque, NM 87110			
Sale Date	Apr 2022	Buyer	Watchlist Uptown, LLC
List Price	Auction	Seller	6000 Uptown Blvd NW Hldgs, LLC
Leased	49.9%	Sale Type	Investment
RBA	69,581 SF		
Year Built	1981 / 2020		

500 Market Street			
Santa Fe Submarket - Santa Fe, NM 87501			
Sale Date	Feb 2022	Buyer	State Props of New Mexico LL
List Price	\$17,500,000	Seller	500 Market LLC
Leased	100%	Sale Type	Investment
RBA	82,000 SF		
Year Built	2008		

Tai Bixby of Real Estate Advisors secured listing and closed transaction while at NAI Sunvista



6301 Jefferson St NE			
North I-25 Submarket - Albuquerque, NM 87109			
Sale Date	Nov 2022	Buyer	BOK Financial Corporation
List Price	\$8,551,575	Seller	485 Fall Creek, LLC
Leased	0%	Sale Type	Owner / User
RBA	63,345 SF		
Year Built	1997 / 2012		

3721 Rutledge			
North I-25 Submarket - Albuquerque, NM 87109			
Sale Date	May 2022	Buyer	Sandia Labs Federal Credit Union
List Price	\$6,300,000	Seller	G Brunacini & Son Dev LLC
Leased	0%	Sale Type	Owner / User
RBA	48,221 SF		
Year Built	2008		



5525 US Highway 64			
Farmington, NM 87402			
Sale Date	Jul 2022	Buyer	City of Farmington
List Price	\$5,152,290	Seller	Plow Realty LP
Leased	0%	Sale Type	Owner User
RBA	46,839		
Year Built	1993		

1031 Lamberton Pl NE			
North I-25 Submarket - Albuquerque, NM 87107			
Sale Date	Jan 2022	Buyer	Regents of UNM
List Price	Off Market	Seller	Trinicap Properties 7 LLC
Leased	0%	Sale Type	Owner / User
RBA	40,874		
Year Built	2001		



6401 Jefferson St NE			
North I-25 Submarket - Albuquerque, NM 87109			
Sale Date	Nov 2022	Buyer	RM 6401, LLC
List Price	\$4,171,230	Seller	485 Fall Creek, LLC
Leased	0%	Sale Type	Owner / User
RBA	30,898		
Year Built	1997 / 2012		