

Albuquerque Office Market Year End 2022

Featured Listings

Paseo Nuevo
8220 San Pedro NE
Class A Office Building
3,233-9,124 SF Available
\$26.50/SF Full Service



Zia Rising - Paseo Nuevo - 3



ALBUQUERQUE METRO MARKET



15,088,101
TOTAL SQUARE FEET



21.76%
VACANCY RATE



\$17.79
AVERAGE FACE RATE



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



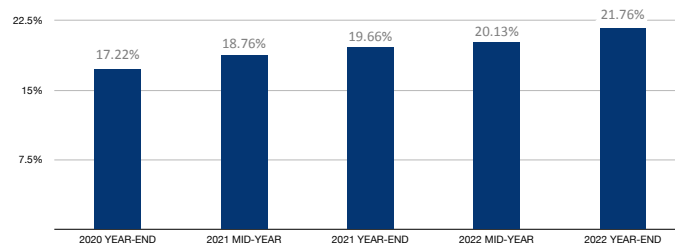
505.539.3200
www.reanm.com

According to CoStar, after more than two years of uncertainty, the hybrid work arrangement—that in which employees spend one to four days per week working remotely—emerged in 2022 as the preferred model for a plurality of office-using tenants, especially in the technology, finance, and professional services sectors. This has resulted in a downshift in demand for office space, which in turn has produced a substantial increase in availability of large blocks of space, including a doubling of inventory on the sublease market.

As the industry has begun to adjust to these normal-for-now conditions, new headwinds are emerging in the form of recession fears. With the prospect of a new recession on the horizon, the market has not yet bottomed out. Nowhere is weakness in the sector more evident than in the sublease and shadow space market. Given the amount of sublease and shadow inventory in the market, the availability rate is a better indicator of the true state of play than the vacancy rate.

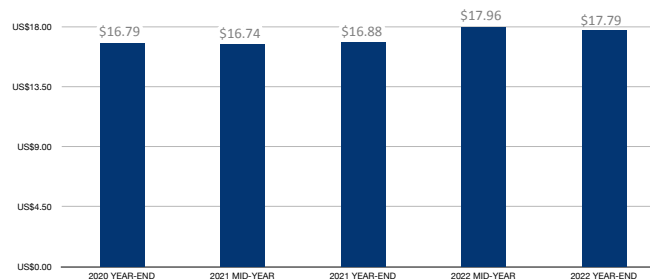
The Albuquerque multi-tenant office market availability rate has gradually increased by 4.54% over the last 2 years. We are anticipating the availability rate to continue its gradual ascent as many properties will face elevated lease rollover risk in the coming year, with organic long-term leases expiring 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.

AVAILABILITY RATE



Although the Albuquerque rental rates for the multi-tenant office market have increased by \$1.00 psf (6% over the last 2 years) building owners are just trading water as operating expenses and re-tenanting costs have substantially increased.

RENTAL RATE



In the summer of 2022, the Albuquerque office sector was holding its collective breath as hundreds of thousands of square feet of back-office space had come on the market for lease or sublease. Almost 500,000 square feet of this pending vacancy, which could have resulted in bringing the market availability rate to over 30%, was absorbed in the second half of 2022 through repurposing and acquisitions by owner/occupants. As many of these transactions were with Charter Schools and Church's, we think it's safe to say that the Albuquerque office market is fortunate for recent growth in education and religion.

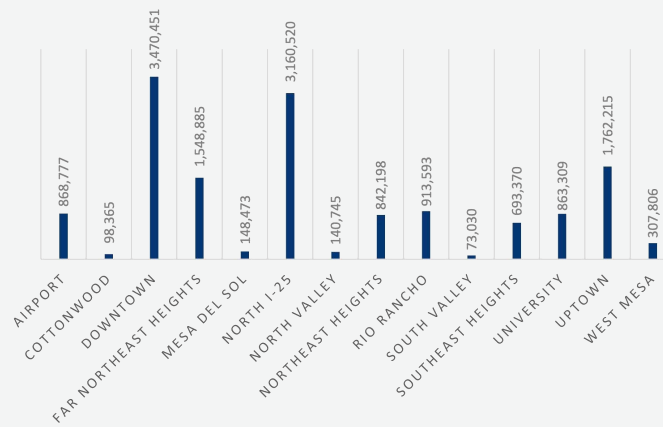
CLASS A	
Total Square Feet	1,562,615
Vacancy %	26.95%
Average Face Rate	\$25.14

CLASS B	
Total Square Feet	11,124,310
Vacancy %	20.61%
Average Face Rate	\$17.12

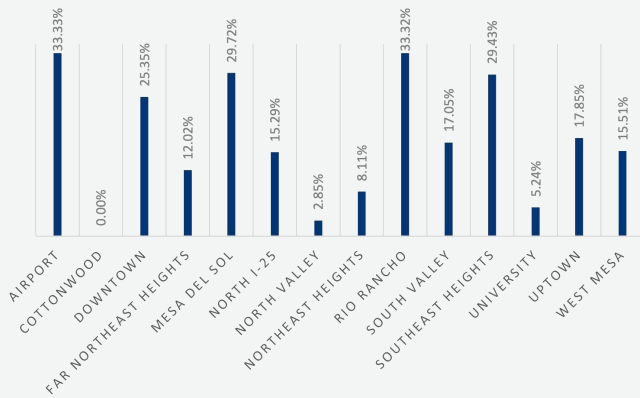
CLASS C	
Total Square Feet	2,319,883
Vacancy %	24.59%
Average Face Rate	\$15.00

SUBMARKET BREAKDOWN

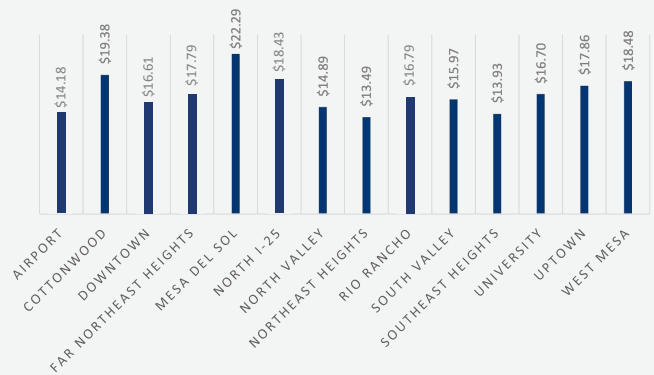
TOTAL SQUARE FEET



AVAILABILITY



AVERAGE FACE RATE



SIGNIFICANT LEASE TRANSACTIONS



5300 Homestead Rd NE			
Far Northeast Heights Submarket - Albuquerque, NM 87110			
Sign Date	Oct 2022	Tenant	Department of Health
Asking Rate	Negotiable	Listing Broker	Real Estate Advisors
Lease Term	10 years	Leasing Broker	None
SF	60,455		

111 Lomas Blvd NW			
Downtown Submarket - Albuquerque, NM 87102			
Sign Date	Oct 2022	Tenant	State of NM Courts
Asking Rate	Unknown	Listing Broker	Duke City Realty
Lease Term	Unknown	Leasing Broker	None
SF	33,802		



1401 Old Coors Rd SW			
South Valley Submarket - Albuquerque, NM 87121			
Sign Date	Jun 2022	Tenant	Rio Grande Performing Arts
Asking Rate	\$15.00/SF	Listing Broker	
Lease Term	5 years	Leasing Broker	Dove Commercial
SF	21,500		

4401 Masthead St NE			
North I-25 Corridor Submarket - Albuquerque, NM 87109			
Sign Date	Dec 2022	Tenant	Burns & McDonnell
Asking Rate	\$24.50/SF	Listing Broker	Real Estate Advisors
Lease Term	4 years	Leasing Broker	Sycamore Associates
SF	19,807		



10510 Research Rd. SE			
Southeast Heights Submarket - Albuquerque, NM 87123			
Sign Date	Sep 2022	Tenant	Bioflyte
Asking Rate	\$13.50/SF	Listing Broker	NAI Sunvista
Lease Term	Unknown	Leasing Broker	None
SF	15,000		

4401 MASTHEAD SUCCESS STORY

RECENT CLIENT SUCCESS

INCREASING OFFICE VALUE DURING TUMULTUOUS TIME

CHALLENGE

In 2018, a buyer acquired a Class A Office Building as a value-add play with 53% of the building's leases expiring within three years. Although the property was fully occupied, the rental rates being paid by tenants were below market at the time of acquisition. Unfortunately, the onset of the pandemic led to four tenants vacating their premises as they shifted to working remotely.



ACTION

A proactive leasing and renewal program was initiated. Two tenants were renewed at increased market rental rates, and early termination agreements were negotiated with the tenants who vacated the premises, resulting in the buyer receiving termination fees paid by the tenants who vacated their offices. Furthermore, a targeted marketing program was launched to attract new tenants that aligned with the vacant spaces' offerings.

RESULT

- The property maintained a 100% economic occupancy level throughout the buyer's ownership.
- Renewal and new tenant lease rates increased by 17% compared to those in place at the time of acquisition.
- The buyer incurred no out-of-pocket costs for tenant improvements as the early termination fees covered the cost of tenant improvements called for by the new leases.
- The value of the building increased by 56% with new longer-term leases at higher rental rates.

TESTIMONIAL

Real Estate Advisors proved to be fantastic partners, providing a proactive approach in working with tenants on renewals and structuring termination agreements that allowed for an uninterrupted stream of cash flow until new tenants were secured. These termination agreements also provided for fees that covered the cost of re-tenanting the spaces. The return on investment has exceeded our initial expectations during a tumultuous time.

