2023 Mid Year
Office Market Report

REA | REAL ESTATE ADVISORS

ALBUQUERQUE METRO MARKET

16,611,535
TOTAL SQUARE FEET

24.05%
AVAILABILITY

$17.79
AVERAGE FACE RATE

THE CHANGING LANDSCAPE OF THE ALBUQUERQUE OFFICE REAL ESTATE MARKET: SUBMARKETS REIMAGINED

The commercial real estate office sector is undergoing rapid transformation as demand and availability dynamics shift in response to the post-pandemic era and evolving workforce preferences. Notably, the Downtown, Airport, and Southeast Heights Submarkets are facing challenges with significant oversupply, accounting for almost half of the total availability but less than a third of the total square footage in the market. Surprisingly, the Suburban Submarkets have become a focal point for major leases, signaling a shift in preferences.

One key contributing factor to the decline in demand for Downtown, Airport, and SE Heights spaces is the shift in Albuquerque's population demographic center, moving north to Montgomery Blvd and I-25. This demographic change has led to employees seeking office locations closer to home, with a growing aversion to long commutes and limited parking options that coincide with the Downtown submarket. The pandemic has further accelerated this trend as remote work gains popularity, emphasizing the desire for a better work-life balance.

The demand for flexibility has resulted in a surge in hybrid work options, where employees split their time between remote work and physical office attendance. Suburban and outlying Submarkets, like Uptown and North I-25, have benefited from this trend, offering office spaces closer to where people live.

The commercial real estate landscape is transforming rapidly, with the Suburban Submarkets thriving and Downtown and Airport Submarkets struggling due to high availability rates. As businesses embrace hybrid work options and employee preferences evolve, the role of traditional office spaces may be permanently altered. To succeed in this new era, stakeholders in the commercial real estate office sector must embrace change, innovate, and adapt to the evolving needs of tenants and employees alike.

There is still hope for quality office properties in Downtown, the Airport, and SE Heights Submarket. While some employees prefer shorter commutes, a positive trend is emerging as many employers now encourage their staff to spend most of their workweek at the office. The CEO of JPMorgan Chase, Jamie Dimon, echoes this sentiment, highlighting a broader shift in attitudes toward traditional office setups, "I completely understand why someone doesn't want to commute an hour and a half every day, totally got it. Doesn't mean they have to have a job here either."
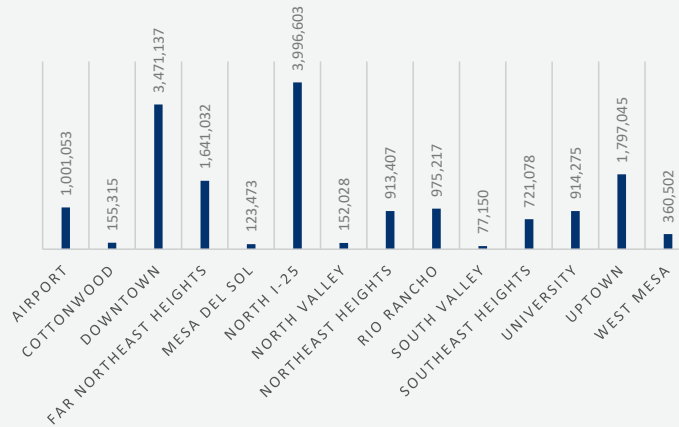
CLASS A		CLASS B		CLASS C	
Total Square Feet	1,936,021	**Total Square Feet**	12,160,530	**Total Square Feet**	2,473,380
Availability	20.74%	**Availability**	23.64%	**Availability**	29.07%
Average Face Rate	$25.14	**Average Face Rate**	$17.14	**Average Face Rate**	$15.00

SUBMARKET BREAKDOWN

TOTAL SQUARE FEET

AVAILABILITY
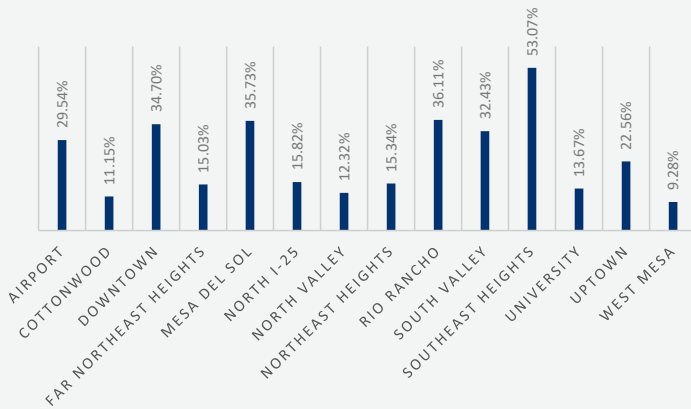
AVERAGE FACE RATE
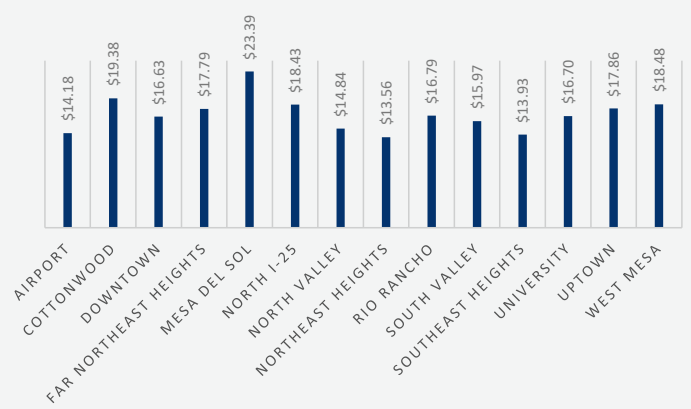
SIGNIFICANT LEASE TRANSACTIONS

8801 Horizon Blvd NE			
North I-25 Corridor Submarket - Albuquerque, NM 87113			
Tenant	REDW	Listing Broker	NAI Sunvista
Asking Rate	$22.00/SF	Leasing Broker	NAI Sunvista / JLL
SF	24,524		

4041 Jefferson Plz NE			
North I-25 Corridor Submarket - Albuquerque, NM 87109			
Tenant	Giving Home Healthcare	Listing Broker	Argus Investment Realty
Asking Rate	$22.65/SF	Leasing Broker	SVN Walt Arnold
SF	21,827		

2650 Yale Blvd SE			
Airport Submarket - Albuquerque, NM 87106			
Tenant	Unknown	Listing Broker	Commercial Real Estate Services
Asking Rate	$13.00/SF	Leasing Broker	N/A
SF	12,568		

2551 Coors Blvd NW			
West Mesa Submarket - Albuquerque, NM 87120			
Tenant	TRU Security	Listing Broker	Edwards Commercial Realty
Asking Rate	$14.00/SF	Leasing Broker	N/A
SF	12,553		

14820 Central Ave SE			
Southeast Heights Submarket - Albuquerque, NM 87123			
Tenant	General Atomics	Listing Broker	Real Estate Advisors
Asking Rate	$12.50/SF	Leasing Broker	Edwards Commercial Realty
SF	12,308		

PASEO NUEVO'S SUCCESS STORY

RECENT CLIENT SUCCESS
FROM STRUGGLING TO SUCCESS

CHALLENGE

The Paseo Nuevo Office Property, a Class A 5-Story Multi-Tenant Office Building in Albuquerque's coveted North I-25 corridor, encountered several challenges. These included a high vacancy rate due to the anchor tenant's departure, leading to revenue loss and impacting financial returns. Additionally, in-place rental rates couldn't cover rising operating expenses, resulting in declining returns. The pandemic worsened matters, causing further tenant vacancies during the lease-up period and straining the property's performance.

ACTION

To tackle these challenges, the property leasing team launched a targeted marketing program, employing two key actions. First, they adopted a proactive marketing strategy to attract new tenants that aligned with the vacant spaces, reducing out-of-pocket leasing costs. Second, the team identified tenants who recognized the property's value and offered increased rental rates, seeking to establish long-term and high-value partnerships.

RESULT

1. Full Occupancy: As of March 2023, Paseo Nuevo successfully reached a 100% stabilized occupancy rate.

2. Rental Rate Growth: Over a span of four years, the property managed to secure new leases with increased rental rates of over 30%.

3. Diverse Tenant Portfolio: The property's targeted marketing approach attracted a more diverse mix of national credit and professional local tenants, mitigating risk and ensuring a stable revenue stream.

4. Long-Term Leases: The marketing efforts also led to a substantial increase in the average lease term for tenants, providing stability and predictability for the property's future income, assuring investors of sustainable returns.

CONCLUSION

Paseo Nuevo's success story exemplifies how proactive marketing and tenant alignment turned a struggling property into a thriving Class A office building, showcasing the power of innovative solutions and market understanding in achieving lasting success.