

Market Insights

YoY Chg 12-Mo. Forecast

14.9%

Available Rate



\$18.77

Asking Rate, PSF



CAPITAL MARKET



10.1%

Average Cap Rate

YoY Chg 12-Mo. Forecast



\$124

Market Sale Price Per SF



\$20,355,000

Sales Volume



OFFICE MARKET

- The quarterly office vacancy rate in the U.S. increased to 16.1% in the third quarter of 2023, rising from 12% in the fourth quarter of 2019.
- The current direct vacancy rate in the Albuquerque Office Market stands at 11.94%, which is consistent with the rate at the end of 2019. However, the volume of space available for sublease has surged to over 556,195 square feet, more than quintupling the figure from 2019 and bringing the total office availability to 14.9%.
- 'Shadow office space' refers to areas that are leased or owned by companies but remain unoccupied by their employees and are not officially listed as vacant or available for rent. The presence of shadow office space can lead to an increased supply of office space in a market, exerting downward pressure on rents and property values. While difficult to quantify, some estimates suggest that shadow office space could constitute up to 7% of the total office inventory in certain U.S. markets.
- In Albuquerque, it's estimated that there are over 840,000 square feet of shadow space, which represents about 5% of the total office inventory. When combined with the space currently available, this would increase the total unoccupied office space in Albuquerque to just over 20%.

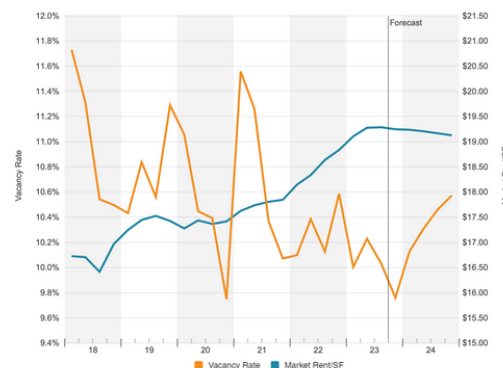
OFFICE INVESTMENT MARKET

- During the first nine months of 2023, office sales in the U.S. saw a precipitous 57% decline compared to the same period in 2022, marking the steepest drop in property investment for the first three quarters since 2009.
- Albuquerque's office sales mirrored this trend with a 58% fall in the first three quarters compared to 2022, and an even more pronounced 66% decline from 2021.
- This reduction in sales is partly due to a misalignment between the expectations of buyers and sellers. However, a key factor contributing to the downturn, as a commercial loan broker highlighted, is the prevailing apprehension among lenders regarding the office sector.
- In 2023, the most active buyers in the Albuquerque office property market were Owner/Users. This group reported the highest number of sales, benefiting from relatively more accessible financing options.

CLASS SNAPSHOT:

Class	Total SF	Available	Face Rate
A	1,624,935	22.27%	\$25.25
B	12,354,346	15.19%	\$17.10
C	2,476,672	8.63%	\$15.00

Vacancy & Market Rent Per SF





Office Q3 2023

OVERALL MARKET STATISTICS:

Submarket Name	RBA	Direct Vacancy	Sublet	Available SF	Shadow Space	Combined	Rent PSF/Yr	Available %
Airport	974,790	270,232	-	243,293	-	243,293	\$ 14.18	24.96%
Cottonwood	155,315	-	-	-	-	-	\$ 19.38	0.00%
Downtown	3,363,857	687,178	144,075	815,293	277,955	1,093,248	\$ 16.60	24.24%
Far Northeast Heights	1,655,557	149,953	6,337	143,601	15,267	158,868	\$ 17.79	8.67%
Mesa Del Sol	123,473	30,228	-	30,228	-	30,228	\$ 23.39	24.48%
North I-25	3,852,830	298,378	141,035	426,150	264,286	690,436	\$ 18.35	11.06%
North Valley	152,028	-	-	-	-	-	\$ 14.44	0.00%
Northeast Heights	914,358	12,293	-	12,293	-	12,293	\$ 13.49	1.34%
Rio Rancho	1,065,456	62,548	222,000	284,548	96,649	381,197	\$ 16.76	26.71%
South Valley	77,150	-	-	-	-	-	\$ 15.97	0.00%
Southeast Heights	736,740	141,062	-	141,062	177,246	318,308	\$ 13.93	19.15%
University	913,566	50,195	1,350	51,545	-	51,545	\$ 16.73	5.64%
Uptown	1,798,111	252,176	38,151	290,327	10,000	300,327	\$ 17.86	16.15%
West Mesa	360,502	8,790	3,247	12,037	-	12,037	\$ 18.13	3.34%

KEY SALES TRANSACTIONS:

Key Office Sale Transactions

Property	Submarket	Seller/Buyer	SF	List Price
4401 Masthead	North I-25	Legacy/PNM	64,896 SF	\$14,500,000
7425 Jefferson	North I-25	REDW/MFA	45,045 SF	\$10,000,000
2500 Louisiana	Uptown	Dray Lake/	67,850 SF	\$3,800,000

KEY LEASE TRANSACTIONS:

Key Office Lease Transactions

Property	Submarket	Seller/Buyer	RSF	Type
8801 Horizon	North I-25	REDW	24,525 RSF	New Lease
8801 Horizon	North I-25	Centene	8,760 RSF	New Lease
1645 Univeristy	University	Family Health and Counseling	7,316 RSF	New Lease

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