

## Market Insights

YoY Chg    12-Mo. Forecast

**15.85%**  
Available Rate



**\$16.89**  
Asking Rate, PSF

## CAPITAL MARKET



**10.2%**



Average Cap Rate



**\$122**



Market Sale Price Per SF



**\$37.5 M**



Sales Volume

## OFFICE MARKET:

- Albuquerque's office market is anchored by federal government, education, and health services, with significant tenancy from state and city government and contractors for the two major Department of Energy labs.
- The city has experienced stable office vacancy rates, contrasting with national trends, due to limited construction over the past decade and consistent demand from smaller tenants.
- Despite a direct vacancy rate of 12.35% and an additional 3.5% available for sublease, leading to a total availability rate of 15.85%, the market is undergoing shifts in demand. There is an estimated 837,000 square feet of unoccupied 'shadow space' that may soon enter the market, which is not currently included in the availability rate.
- The average office rent in Albuquerque has increased by 3.1% year-over-year, remaining around half the national average, attracting corporations seeking cost-effective expansion or relocation options.

## OFFICE INVESTMENT MARKET:

- The office sector faces challenges with forecasted increasing vacancies, rising tenant improvement costs, and slowing rent growth, leading to diminished investor interest.
- Sales volumes in 2023 dropped nearly 60% from 2022 levels, reaching lows not seen since 2010, with particularly weak activity in the final quarter of 2023.
- Investment volume has declined due to high interest rates and economic uncertainty, with the North I-25 Submarket being the most active in recent investments.
- Conservative investors are shifting towards single-tenant properties to mitigate risks associated with multi-tenant properties, given the current market conditions.
- The most active buyers in the office market are Owner Occupants.
- The resilience of the market will be tested by upcoming loan maturities amidst rising debt costs and unpredictable demand, but strategic opportunities remain for well-informed investors.

## CLASS SNAPSHOT:

CLASS A		CLASS B		CLASS C	
Total Square Feet:	1,624,935	Total Square Feet:	12,337,650	Total Square Feet:	2,513,894
Availability:	21.79%	Availability:	15.80%	Availability:	12.11%
Avg. Face Rate:	\$ 25.25	Avg. Face Rate:	\$ 17.11	Avg. Face Rate:	\$14.97

### Office Year End 2023



### OVERALL MARKET STATISTICS:

Submarket Name	RBA	Direct Vacancy	Sublet	Available SF	Shadow Space	Combined	Rent PSF/Yr	Vacancy Rate
Airport	1,025,562	249,858	-	249,858	-	249,858	\$ 14.18	24.36%
Cottonwood	183,939	4,182	-	4,182	-	4,182	\$ 19.27	2.27%
Downtown	3,465,321	674,207	144,075	818,282	277,955	1,096,237	\$ 16.60	31.63%
Far Northeast Heights	1,742,732	186,447	8,194	194,641	15,267	209,908	\$ 17.78	12.04%
Mesa Del Sol	123,473	30,228	-	30,228	-	30,228	\$ 23.39	24.48%
North I-25	3,884,830	300,156	164,695	464,851	158,877	623,728	\$ 18.45	16.06%
North Valley	152,028	-	-	-	-	-	\$ 14.89	0.00%
Northeast Heights	936,100	34,035	-	34,035	-	34,035	\$ 13.49	3.64%
Rio Rancho	1,036,832	60,116	222,000	282,116	96,649	378,765	\$ 16.71	36.53%
South Valley	77,150	-	-	-	-	-	\$ 15.97	0.00%
Southeast Heights	736,740	120,324	-	120,324	278,246	398,570	\$ 13.93	54.10%
University	929,079	57,046	1,350	58,396	-	58,396	\$ 16.70	6.29%
Uptown	1,809,444	296,338	30,151	326,489	10,000	336,489	\$ 17.86	18.60%
West Mesa	373,249	21,537	3,247	24,784	-	24,784	\$ 18.13	6.64%

### KEY SALES TRANSACTIONS:

Property	Submarket	Buyer Type	RSF	List Price
4401 Masthead St NE	North I-25	Owner User	64,896	\$ 14,500,000
7425 Jefferson St NE	North I-25	Owner User	43,035	\$ 9,950,000
2500 Louisiana Blvd NE (Bank of Albuquerque)	Uptown	Owner User	67,850	\$ 3,750,000

### KEY LEASE TRANSACTIONS:

Property	Submarket	Tenant	RSF
8801 Horizon Blvd NE	North I-25	REDW	24,542
4401 Masthead	North I-25	Burns & McDonald	19,946
4041 Jefferson Pl NE	North I-25	Giving Home Health Care	12,768

*Tom Jenkins*, SIOR, CCIM  
Qualifying Broker

📞 (505) 539-3201

✉️ tom@reanm.com

📍 Real Estate Advisors, LLC 901 Rio Grande Blvd, NW Suite # D-224

🌐 <https://reanm.com/home/>

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