



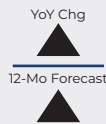
MARKET INSIGHTS



Available Rate
5.60%



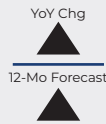
Market Rent/SF
\$26.27



CAPITAL MARKET



Average Cap Rate
9.8%



Market Sale Price per SF
\$174



US 10-year Treasury Note
4.32%



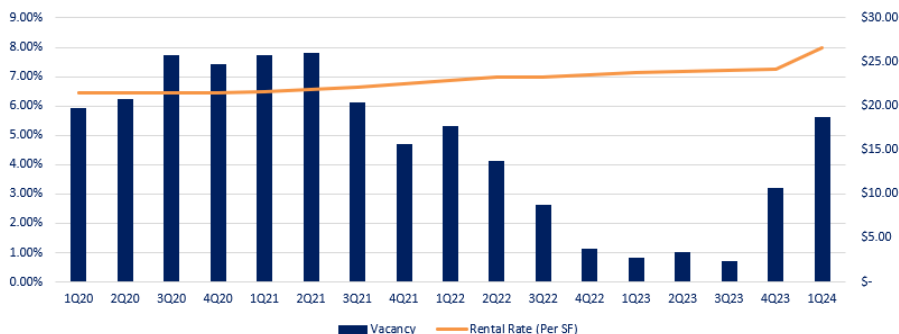
OFFICE MARKET SNAPSHOT

- Demand for space in the Santa Fe office market remains strong and steady with low vacancy rates, contrasting with the volatility and higher vacancies seen in 1st tier markets, primarily coastal metropolitan areas.
- Demand for office space in Santa Fe is mainly driven by the F.I.R.E sector (finance, insurance and real estate) and secondarily by professionals and medical users.
- The current availability rate stands at 5.6%, lower than pre-pandemic levels due to recent absorption.
- Rental rates, averaging \$26.27/sf, have increased by more than \$4.00 per square foot over the past five years.
- This increase in rental rates is due to lack of available space which is allowing landlords to increase rents to keep pace with inflation in operating expenses and tenant improvement construction costs.
- A potential concern in the office sector is an estimated 6% of office space in the market is leased but unoccupied and as it is not actively marketed (a phenomenon known as shadow space) it is not included in the availability rates being reported.

OFFICE INVESTMENT MARKET



- Office building sales activity increased in Q1 with the sale of over 150,000sf of office space closed.
- Lenders view all office investment properties, regardless of location, as an undesirable asset class, greatly challenging acquisitions.
- The scarcity of available financing has led to investment sales occurring at discounts, often below seller expectations.
- Sales to owner-users remain relatively stable, as buyers aim to secure fixed occupancy costs amidst rising rental rates.
- Lenders are still providing loans to owner-users for office sales, and while these buyers aren't seeing discounted prices, they can still purchase buildings below the replacement cost.

Vacancy Vs. Rental Rates








KEY SALES TRANSACTIONS

Property	Submarket	Buyer Type	RSF	List Price
 125 Lincoln 150 Washington	Downtown	Private Investor	134,606	Unpriced
 5 and 6 Calle Medico	Santa Fe	Private Investor	16,954	\$2,392,503

KEY LEASE TRANSACTIONS

Property	Submarket	Tenant	RSF
 125 Lincoln	Downtown	UBS Financial Services	3,794
 125 Lincoln	Downtown	Durham, Pittard & Spalding	3,766
 125 Lincoln	Downtown	Occidental Petroleum	1,676

CLASS SNAPSHOT

Class A		Class B		Class C	
Total Square Feet	205,122	Total Square Feet	1,575,007	Total Square Feet	452,611
Availability	13.48%	Availability	5.75%	Availability	1.50%
Avg. Face Rate	\$28.91	Avg. Face Rate	\$28.60	Avg. Face Rate	\$16.99

MARKET STATISTICS

Submarket Name	RBA	Available SF	Available Rate	Face Rate
Southwest Santa Fe	868,206	35,988	4.15%	\$25.00
Santa Fe	861,144	58,063	6.74%	\$23.72
Downtown	503,390	31,034	6.17%	\$32.52
Total	2,232,740	125,085	5.6%	\$26.27

PRODUCT TYPE BREAKDOWN



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OFFICE SNAPSHOT

Office market data includes non-owner-occupied buildings of ≥10,000 square feet in the Santa Fe MSA. Availability reflects all space currently on the market as well as vacant space. Rent asking rates are based on full service per square foot per year. All information is obtained from sources deemed reliable. While we make every effort to ensure the accuracy of our data, we cannot guarantee accuracy. Readers should consult a real estate professional before making investments decisions based on this data.