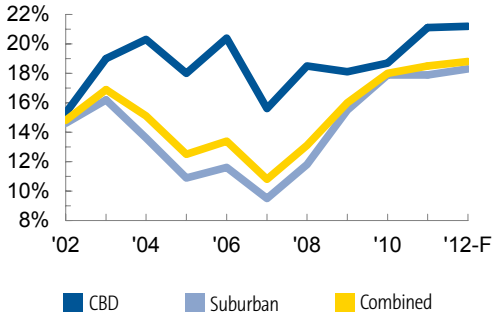


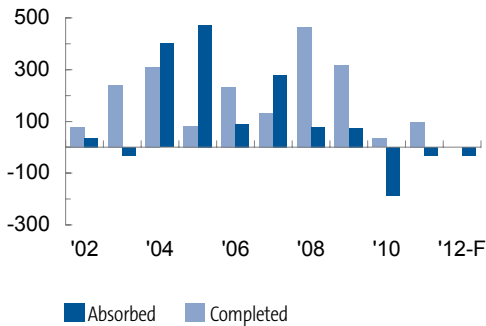
Vacancy Rate



Searching for Market Bottom

The year ended on a much needed positive note. Three large deals were signed totaling almost 93,000 square feet. Two of these were expansions of existing office tenants in the market, Innovasic and the American Red Cross, and the third was for a new customer call center for Lowe’s Home Improvement Warehouse. This level of new activity has not been seen in more than two years.

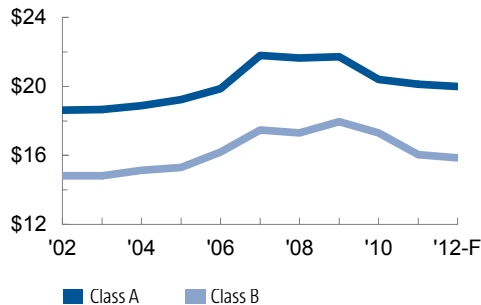
Completions vs. Absorption
(in Thousands of SF)



Completions of two new office buildings in the North I-25 submarket impacted the overall market both positively and negatively. The first was a 99,000-square-foot build-to-suit project for the U.S. Forest Service who took occupancy in November. Without this project overall absorption would have actually been negative. The second was an owner-occupied project for REDW, a large accounting and consulting firm, who vacated 31,000 square feet of leased space and expanded into a 47,000-square-foot building. Moves like these essentially increase the amount of space on the market competing for tenants. The Drug Enforcement Agency also vacated a 33,000-square-foot office building downtown and moved into an industrial R&D/flex complex in Mesa Del Sol.

Overall asking rates declined by 2.5 percent compared to the same time last year. Many landlords have been reluctant to lower asking rates but were willing to make deals well below what they were asking. It appears asking rates are now being actively lowered with the expectation of having tenants take spaces “as-is”.

Asking Rental Rates
(\$/SF/Yr. Full Service)



2011 REVIEW

The theme for the year was productive uncertainty. The majority of office users was generally reluctant to take advantage of current market conditions and expand into larger spaces at lower rates. It was typical for tenants to test the waters and search for deals only to remain at their current locations. The adoption of technology and mobile

(CONTINUED ON PAGE 2)

KEY TRANSACTIONS FOR 2011

<p>*Behavioral Health Services</p> <p>leased 15,145 SF at 707 Broadway Blvd NE from *7 Broadway Place, LLC</p>	<p>Lowes Home Improvement</p> <p>leased 65,000 SF at 6301 Jefferson St NE from Rosemont Realty</p>	<p>*Innovasic, Inc.</p> <p>leased 15,453 SF at 5635 Jefferson St NE from Rosemont Realty</p>	<p>Easterly Partners</p> <p>purchased 191,000 SF at 3900 & 4100 Masthead NE from Titan Development for \$51.5 Million</p>
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*Transaction Represented by Grubb & Ellis

OFFICE MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	18.0%	18.5%	18.8%
Class A Rental Rate ¹	\$20.40	\$20.13	\$20.00
Class B Rental Rate ¹	\$17.30	\$16.05	\$15.85
Net Absorption	(187,766)	(29,942)	(30,000)
Space Completed	33,734	98,720	-

1. Asking rate per square foot per year full service

(CONTINUED FROM PAGE 1)

computing resources allowed many companies to increase productivity. Some companies embraced work-from-home strategies while others implemented virtual offices for employees in the field. The net effect is a reduction in the amount of office space required, especially for service-based businesses.

One of the bright spots was the heightened demand for spaces smaller than 3,000 square feet. Approximately 80 percent of the deals made during 2011 were for smaller spaces. Small deals accounted for at least 250,000 square feet of space leased during the year, but this was offset by almost an equal number of small companies closing. Executive office suites also experienced strong activity for the year since they could provide month-to-month commitments along with “plug & play” offices that have reception, phone and internet services.

The office market had to endure significant headwinds throughout the year. Many federal, state, and city tenants were evaluating their requirements. The result was for some government tenants to exercise early termination clauses adding to the vacant space on the market. Many companies held onto unused shadow spaces but would then renew into smaller footprints. Landlords were put into a tight spot. Tenants demanded lower rates to make deals while building operating costs were rising, especially for utility and insurance expenses.

(CONTINUED ON PAGE 3)

2012 FORECAST

The office market will face challenging times for most of the year. A lack of sustained employment growth in the professional and business sectors is likely to temper demand for new space. Many federal, state, and city agencies began to aggressively re-evaluate their space needs in 2011. The trend to consolidate and streamline government operations should be brought to fruition in 2012 adding more vacant space to the inventory. Additionally, tenants holding under-utilized shadow space will give it back to the landlord during the renewal process. Many tenants will begin adopt current technologies allowing them to pare down space requirements. 2012 will be the year to test the viability of sending workers home or out in the field. This strategy will likely produce good results for some, but others will see that productivity declines will not offset reduced rent costs.

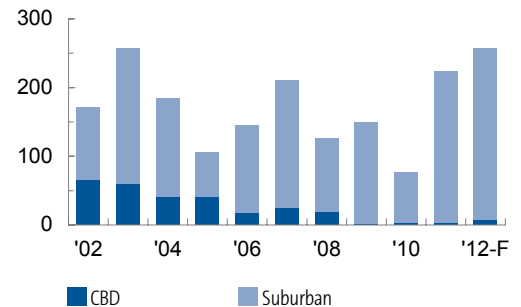
A few key deals for larger spaces are likely to increase from 2011 levels. This will, however, be offset by tenants taking advantage of purchase opportunities in the market and moving from leased spaces into purchased or owner-built spaces. Heightened activity for smaller spaces less than 3,000 square feet should again remain the bright spot and provide opportunities for organic growth.

Rising utility, property tax, and insurance costs should begin to decrease the decline in asking rates while reducing the amount of tenant improvement allowances. Class A and B buildings are likely to see asking rates bottom out towards the end of the year. Older Class C buildings will not fare as well and have to discount rates considerably to attract tenants, especially as existing tenants take advantage of existing rates to improve the quality of space.

Look for an increase in troubled office properties hitting the market. Many lenders will be actively foreclosing on assets whose borrowers have violated loan covenants. Even more properties may become real estate owned by lenders as call notes and borrowers are unable to pay off the balances.

Overall economic conditions and confidence will be “choppy” throughout most of the year but should improve by year-end setting the stage for vibrant growth in 2013.

Office Space Available for Sublease
(In Thousands of SF)



Office Trends Report—Fourth Quarter 2011
Albuquerque, NM

By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		Class A	Class B
Downtown	2,773,722	585,401	21.1%	22.5%	(616)	(9,873)	-	\$19.95	\$14.12
CBD Total	2,773,722	585,401	21.1%	22.5%	(616)	(9,873)	-	\$19.95	\$14.12
Airport	1,249,784	147,653	11.8%	23.6%	-	1,915	-	-	\$13.10
Far Northeast Heights	967,769	143,031	14.8%	18.1%	(600)	(11,395)	-	-	\$16.26
Mesa del Sol	271,052	41,778	15.4%	15.4%	-	-	-	-	\$23.00
North I-25	3,327,565	693,972	20.9%	19.9%	39,356	9,191	-	\$22.50	\$18.01
Northeast Heights	878,482	135,053	15.4%	22.6%	2,547	46,799	-	-	\$15.92
Rio Rancho	616,578	73,386	11.9%	11.9%	(3,676)	(14,269)	-	-	\$19.93
Southeast Heights	594,440	139,353	23.4%	26.2%	1,417	(321)	-	-	\$12.54
University	904,514	128,969	14.3%	20.7%	4,400	3,236	-	-	\$17.23
Uptown	1,824,745	358,350	19.6%	22.0%	(1,244)	(47,218)	-	\$17.92	\$18.56
West Mesa	326,128	97,784	30.0%	27.7%	5,306	(8,007)	-	-	\$17.06
Suburban Total	10,961,057	1,959,329	17.9%	20.8%	47,506	(20,069)	-	\$20.45	\$17.59
Totals	13,734,779	2,544,730	18.5%	21.1%	46,890	(29,942)	-	\$20.13	\$16.94

By Class	Total SF	Vacant SF	Vacant %	Available %	Current Qtr	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	1,433,555	202,808	14.1%	15.5%	19,561	(4,698)	-	-	24,106
Class B	9,241,852	1,737,796	18.8%	20.9%	19,627	(16,485)	-	2,566	108,354
Class C	3,059,372	604,126	19.7%	24.6%	7,702	(8,759)	-	-	88,278
Totals	13,734,779	2,544,730	18.5%	21.1%	46,890	(29,942)	-	2,566	220,738

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OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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