State of New Mexico
Property Control Division
Lease Survey
Report & Tabulation

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Executive Summary

The State of New Mexico Property Control Division conducted a survey of leases that various state agencies have throughout the State of New Mexico. The survey responses were completed by the agency Division Heads in an MS-Excel Spreadsheet format. PCD compiled the 321 responses into a master file which was evaluated and analyzed by the Grubb & Ellis | New Mexico Research Department.

The 321 leases surveyed represent $42.3 million in annual lease payments for 2.33 million square feet of space. 5,814 full and part-time employees work in these leased spaces at an average annual leased-space cost per employee of $7,282. The average amount of square feet per employee is 401.

After applying the scoring to each lease, 28 leases were identified for consideration of potential consolidation. These leases represent a potential lease cost savings of $2.7 million per year; 146,252 square feet of space; 185 employees; an average leased-space cost per employee more than double the overall average of $14,729; and an average space per employee of 791 square feet.

It is also recommended that leases with less than two years or less be carefully reviewed for potential consolidations. These comprise a total of 89 leases representing just over $9 million dollars in annual lease payments. Some of these were listed in the above 28 leases already recommended.

Methodology

The completed survey results were analyzed by GENM using MS-Excel Spreadsheet and MS-Access Database software, versions 2003. The pivot-table feature in MS-Excel was utilized to tabulate the summary data for the number of leases, total number of full and part-time employees (FTE), total square feet leased, and total lease payments per year. These values were calculated for each agency, city, county and length of term until lease expiration. After generating these values the space per FTE, cost per square foot and cost per FTE per year were then calculated. This was also done for each lease record in the MS-Excel Spreadsheet.

A date of June 1, 2011 was used to calculate the time, measured in years, until each lease expires. Below is a table of how the lease expiration times were broken out.

Time Until Lease Expires:
Expired
< 1 Year
1 to 2 Years
2.1 to 3 Years
3.1 to 5 Years
5.1 to 10 Years
> 10 Years

Key Findings

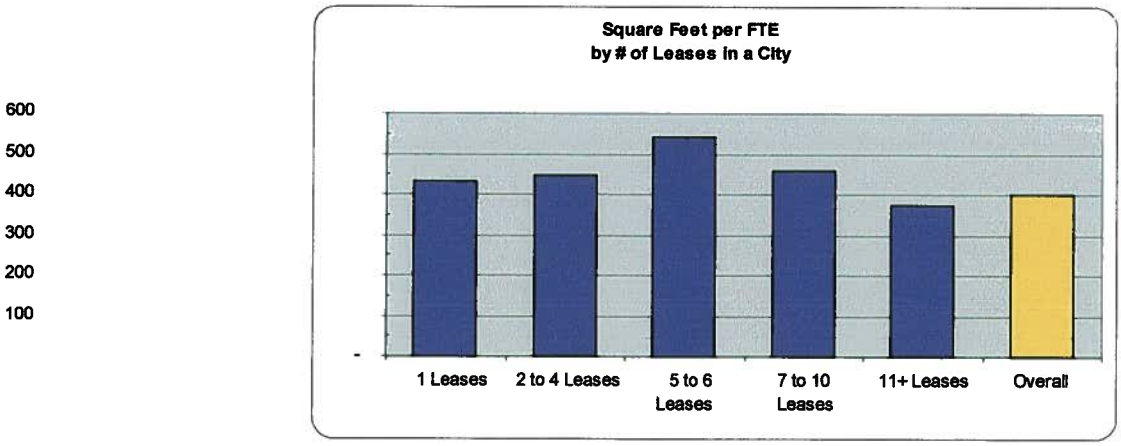
Viewing the data in aggregate provides an opportunity to compare the leases for each agency, city, and county relative to the overall results. This information can be used by the PCD and associated Department Heads to determine strategies to renew or consolidate individual leases.

Below are the overall key statistics generated by analyzing the leases in the survey.

Item	Value
# of Leases	321
# of FTE's	5,814
Total SF	2.33M
Total Annual Lease $	$42.34M
Space per FTE	401
Annual Lease Cost per FTE	$7,282
Cost per SF	$18.14

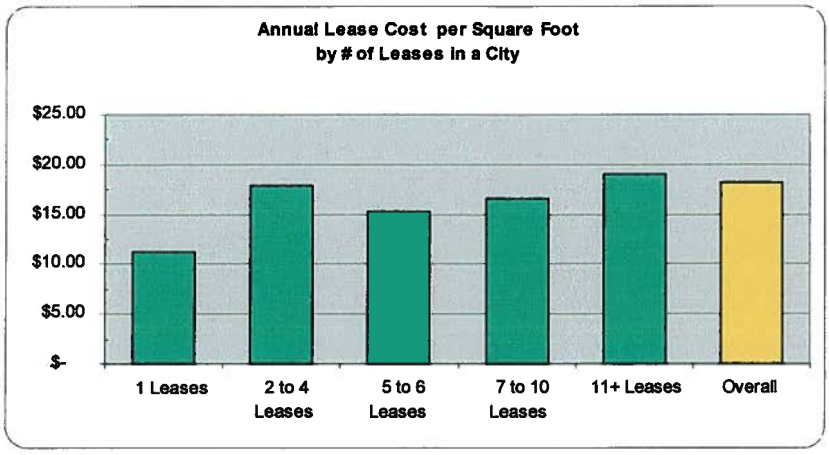
Segmenting the data by the number of leases in each city provided some interesting correlations. As shown in the following graph, cities with eleven or more leases have the least amount of square feet per employee. In other words, the leased spaces are generally used more efficiently by having a higher number of employees in the leased spaces. These are also the some of the largest cities in the state and include Albuquerque, Santa Fe, Las Cruces, and Roswell.

The highest amount of space per employee occurs in cities with five to six leases.

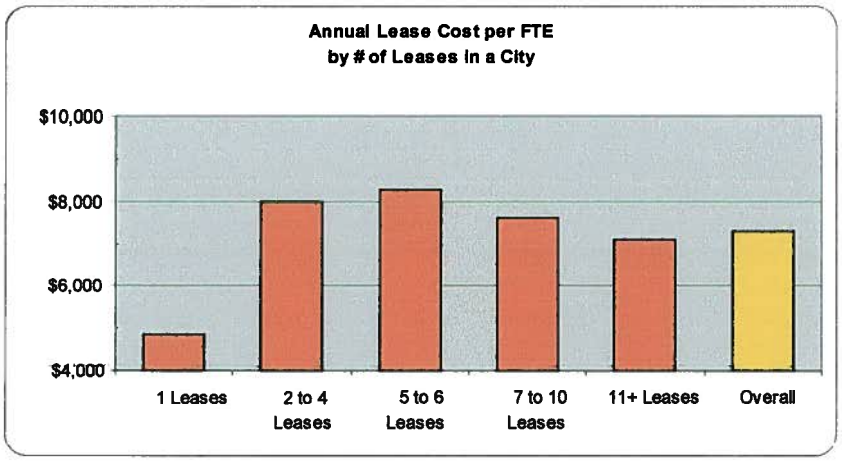


This appears to be occurring because of lower overall lease costs. The cost per square foot in medium-sized cities is the second lowest overall which drives more space to be leased.

Below is a graph that summarizes cost per square foot by the number of leases.

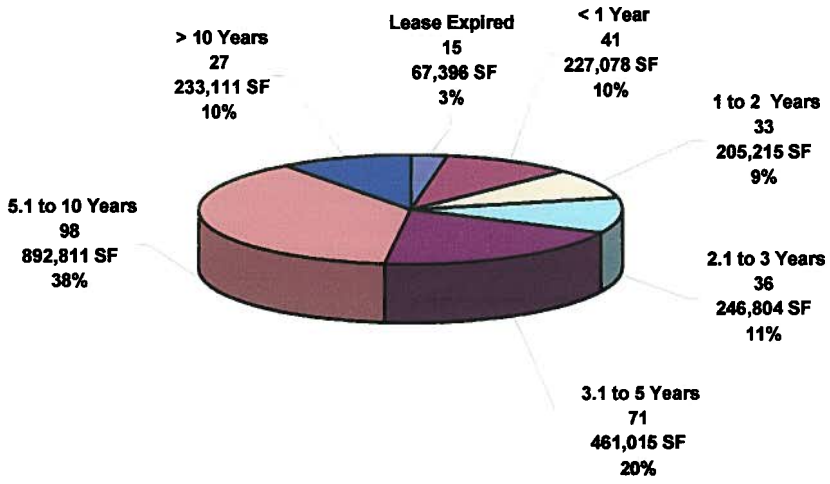


The smaller cities with only one lease are paying the least amount on a per square foot basis. This could be explained by the age of the buildings being generally older along with the leased spaces being much smaller and in small one-story buildings. These types of properties generally have much lower overall operating costs. The highest leases are occurring in the larger cities with eleven or more leases. The bigger cities generally have much higher operating expenses and property taxes which are translating to higher lease rates.



In the private sector, one of the key variables driving a potential consolidation of locations or is the length of time remaining until lease expiration. Generally speaking the lead time for larger companies to consider such a move is between one and two years. In the survey there were 89 leases, comprising almost 500,000 square feet that are either expired or are due to expire in the next two or less years. These "soon-to-expire" leases represent just over nine million dollars in current lease payments. Further evaluation of these leases could provide additional consolidation opportunities and savings. Please refer to the report of leases sorted by expiration date for the complete list.

Below is a breakout summarizing the number of leases and square feet by the amount of time until the leases expires.



Key
Lease Time Remaining
# of Leases
Total Square Feet
% of Total Square Feet

Lease with Jimmy, Roxanne and James Wagner (Wagner's Farmland Experience, LLC) for use of Grasslands for Agricultural Purposes

Term: 5 years (April 1, 2010 – March 31, 2015) with a 5 year option to renew

Rent: $5,700 per year for premises ($28,500 total lease w/o option)

In consideration of expenses for maintaining erosion control and for initial costs for irrigation equipment and infrastructure the lease payments for the water rights for the first 5 years is waived. Lease for water rights, $5,700? Waived $28,500 total for lease.

Purpose: Lease was entered into as a means of controlling the erosion on the property due to wind. The dust blowing across I-25 and into nearby neighborhoods was creating dangerous and unhealthy conditions. Other options considered for controlling the dust were much more expensive.

Well

Depth: 220 feet

Casing: 10 inch

Screen: Approximately 68 feet

Capacity: 700 gallons per minute

Condition: This well was repaired, parts replaced and brought back on line in 2010 at a cost of $46,000.

Supplemental Well

The lessee has requested more water at the site for irrigation. He would like to farm more of the property. He wants a total of 2500 GPM therefore an additional 1,800 GPM capacity.

After contacting a couple of well drillers in the area, we have been told that the cost to install a supplemental well capable of this capacity will exceed $100,000. One driller estimated that the cost could go as high as $225,000. The size of the pump and the depth of the well in order to achieve the rate desired are major drivers in the cost.

Water Rights

The Grasslands has 600 acre-feet of diverted water rights.

In February of 2011, PCD filed an application with the Office of the State Engineer for a permit to drill a supplemental well. Along with this application was an affidavit requesting emergency authorization to drill the supplemental well. The emergency authorization was granted by the OSE on February 24, 2011. This authorization expires on February 24, 2012.