Retail Market Trends Albuquerque

Grubb & Ellis Research

Second Quarter 2007

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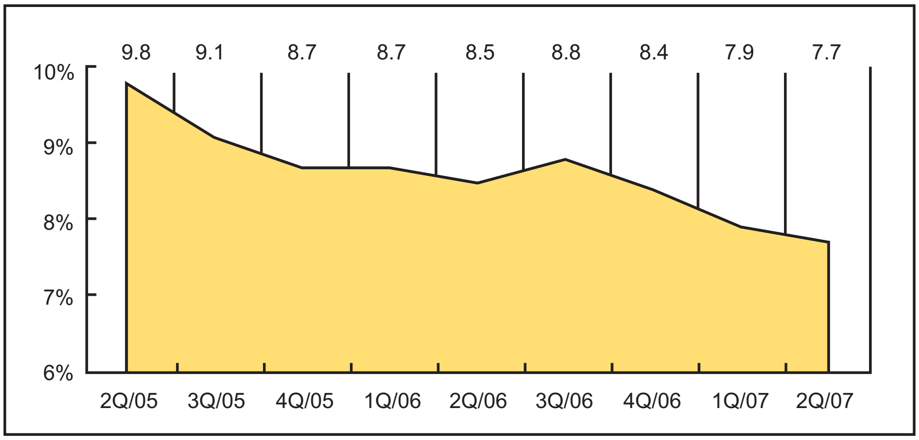
Rates of New Construction Ready to Peak...

Retail Pace Steady

Overall retail activity remained stable. As seen for much of 2006, the majority of space absorbed occurred in free standing retail buildings. In the second quarter Lowe's Home Improvement Warehouse and Ashley Furniture Homestore both opened new locations. These openings accounted for 81 percent of space absorbed. The remaining absorption of space occurred in recently completed strip and neighborhood centers located in the Cottonwood and Far Northeast Heights submarkets.

Rates in new retail projects are still climbing upward. Some have even passed $30 per square foot. The market rate for new, well-located, retail centers is typically from $24 to $30. National tenants generally have no problem making deals with landlords in this range. Local tenants, however, could face challenges as new retail center landlords become more stringent in evaluating creditworthiness. Prospective local tenants are often required to provide three years of financial information along with background checks. Tenants must demonstrate their ability to continue paying rent if their business plan does not pan out.

Developers of new retail projects under construction should remain fairly optimistic throughout the year. Strong population and job growth in the Albuquerque Metro area is expected to increase interest levels from national retailers. The key will be to balance lease rates relative to construction costs and national retailers' expectations of sales per square foot attainable.



Retail Vacancy Rate*
**All Product Types*

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Ken Schaefer
Director of Brokerage Operations
E-mail: ken.schaefer@grubb-ellis.com

Grubb & Ellis|New Mexico
2400 Louisiana Blvd NE
Bldg 1, Suite 300
Albuquerque, NM
Phone: 505.883.7676
Internet: www.genewmexico.com
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Retail Market Snapshot Albuquerque Second Quarter 2007

By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) Neighborhood	Asking Rent (4) Power
Downtown	554,178	110,178	19.9%	628	8,374	-	-	-
CBD Total	**554,178**	**110,178**	**19.9%**	**628**	**8,374**	**-**	**-**	**-**
Cottonwood	3,749,049	132,008	3.5%	18,948	129,903	96,348	$15.49	$21.50
Far Northeast Heights	3,658,446	186,834	5.1%	20,605	23,056	105,860	$17.89	-
North I-25	3,030,846	108,771	3.6%	45,017	48,765	54,448	$11.65	-
North Valley	920,151	65,430	7.1%	166,962	166,962	-	$9.78	-
Northeast Heights	3,967,627	363,707	9.2%	(12,353)	(15,659)	26,137	$11.95	-
Rio Rancho	1,543,675	61,692	4.0%	(3,133)	932	61,312	$13.24	-
South Valley	992,798	56,056	5.6%	6,915	12,938	15,753	$16.27	-
Southeast Heights	2,902,059	203,863	7.0%	(2,400)	28,580	-	$9.63	-
University	922,304	79,036	8.6%	505	13,911	30,000	$20.00	-
Uptown	2,346,923	443,058	18.9%	-	-	25,000	$14.50	-
West Mesa	1,900,627	235,115	12.4%	10,219	(49,331)	31,800	$18.64	$21.00
Suburban Total	**25,934,505**	**1,935,570**	**7.5%**	**251,285**	**360,057**	**446,658**	**$13.80**	**$21.31**
Totals	**26,488,683**	**2,045,748**	**7.7%**	**251,913**	**368,431**	**446,658**	**$13.80**	**$21.31**

By Property Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year To Date	Under Const. SF	Asking Rent
Community	2,001,139	146,371	7.3%	10,535	(69,451)	26,137	$13.72
Free-standing	7,302,389	260,888	3.6%	201,968	283,525	97,433	$11.39
Neighborhood	6,747,630	610,566	9.0%	(30,869)	87,861	110,660	$13.80
Power	844,382	12,756	1.5%	(3,954)	(3,954)	-	$21.31
Showroom	1,759,253	100,000	5.7%	10,000	10,000	32,000	$5.75
Specialty/Theme	171,000	43,236	25.3%	-	-	-	-
Strip	4,344,319	416,241	9.6%	52,246	39,178	180,428	$12.19
Super-regional	3,064,213	361,310	11.8%	9,300	9,300	-	$77.48
Urban Retail	254,358	94,380	37.1%	2,687	11,972	-	$13.44
Totals	**26,488,683**	**2,045,748**	**7.7%**	**251,913**	**368,431**	**446,658**	**$16.26**

(1) Inventory includes multi-tenant and single-tenant and owner-occupied buildings with at least 10,000 sq. ft.
(2) Vacant space includes both vacant direct and vacant sublease space.
(3) Space under construction includes speculative and build-to-suit for lease projects.
(4) Asking rates are per square foot per year, NNN. Rates for each building are weighted by the amount of available space within the building.
** Grubb & Ellis|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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