Retail Market Trends Albuquerque

Grubb & Ellis Research

First Quarter 2009

GRUBB & ELLIS
New Mexico

Concessions provide opportunity to improve locations...

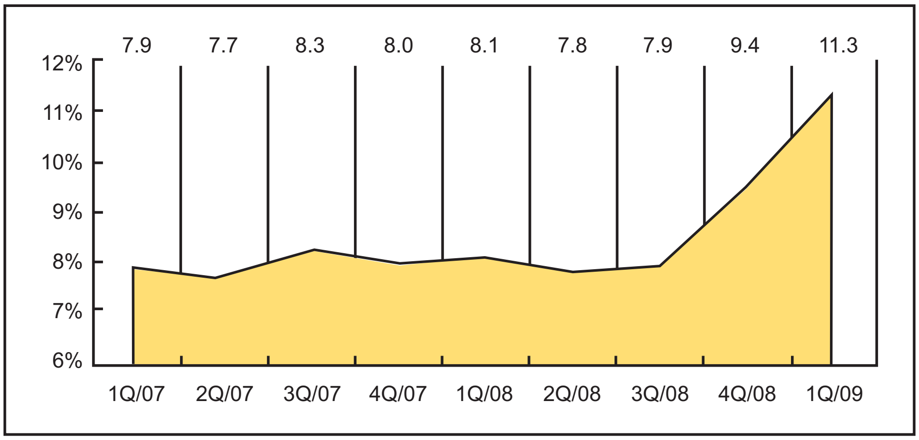
Vacancy Surge off the Charts

What started out as a slight cold turned into a bad case of the flu caught from a weak national economy. The Albuquerque metro area retail market showed symptoms of weakness as vacancy soared to its highest level since 2002. This sharp increase was propelled by a storm of bankruptcies and closings by national and regional retailers. The largest were Circuit City and American Home Furnishings who each shuttered two stores while Wild Oats closed one store resulting from a merger consolidation. Combined these closings accounted for almost forty percent of the total space lost.

All property types experienced a challenging environment and lost tenants. Especially hard hit were local tenants moving out of well anchored strip, neighborhood, community and showroom centers. A majority of national retailers are not in a growth mode right now and are becoming very selective when looking at new sites. Look for more difficulties to take place in the automotive sector. The recent closings of Zangara Dodge dealership and Enchantment RV are likely just the beginning.

Many retailers are in survival mode and weak players are being forced to close. This is good news for stronger players who can gain market share from competitors closing and provide long term stability. With more landlord rate concessions available, well established retailers can now look at centers that were previously out of their budget.

The construction pipeline has a low level of speculative projects. Only 28,000 square feet is underway in two small strip centers. For the rest of 2009 vacancy is not expected to jump up as dramatically as it did in the first quarter.



Retail Vacancy Rate*

**All Product Types*

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Retail Market Snapshot Albuquerque First Quarter 2009

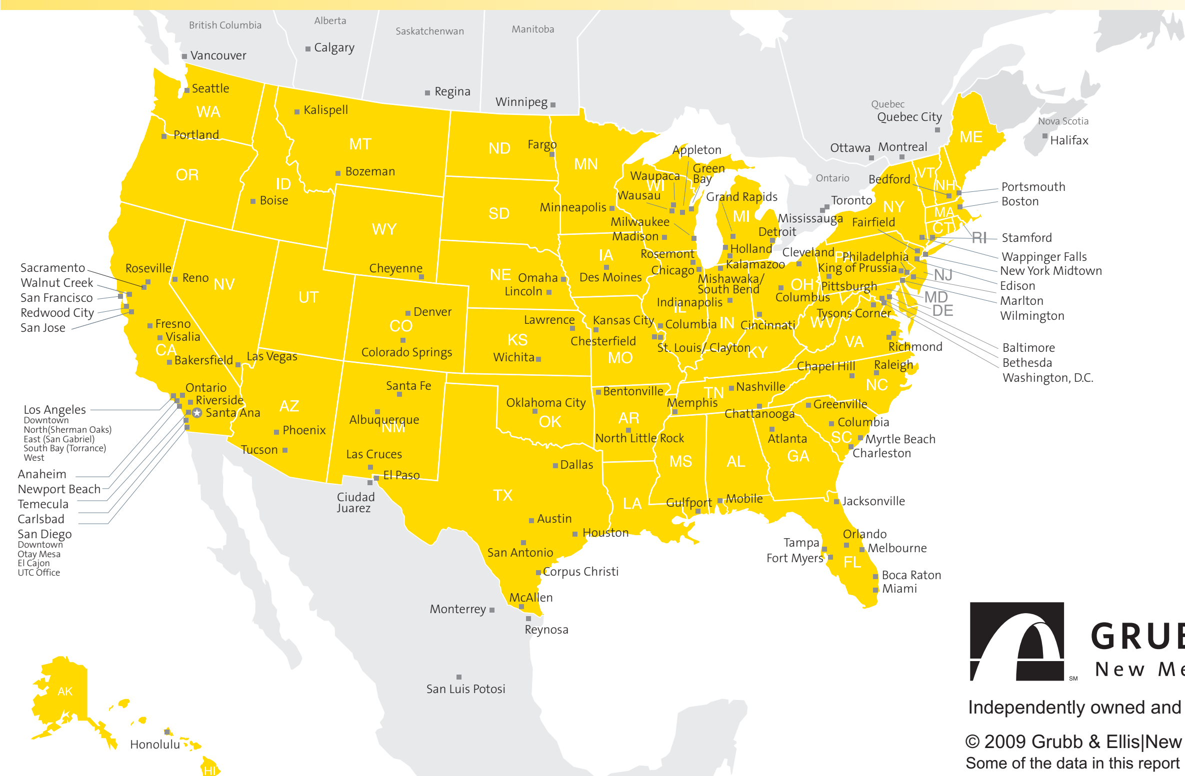
By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) Neighborhood	Asking Rent (4) Power
Downtown	552,038	114,791	20.8%	(5,680)	(5,680)	-	-	-
CBD Total	**552,038**	**114,791**	**20.8%**	**(5,680)**	**(5,680)**	**-**	**-**	**-**
Airport	23,089	23,089	100.0%	(2,252)	(2,252)	-	-	-
Cottonwood	4,051,007	400,813	9.9%	(128,508)	(128,508)	-	$19.62	$24.00
Far Northeast Heights	3,848,205	368,089	9.6%	(63,652)	(63,652)	-	$16.91	-
North I-25	3,200,883	252,221	7.9%	26,981	26,981	14,957	$12.63	-
North Valley	968,540	92,389	9.5%	(4,242)	(4,242)	-	$14.57	-
Northeast Heights	4,071,084	654,427	16.1%	(172,563)	(172,563)	203,982	$15.93	-
Rio Rancho	1,765,718	91,576	5.2%	(2,700)	(2,700)	14,288	$16.90	-
South Valley	1,017,346	88,491	8.7%	670	670	-	$12.70	-
Southeast Heights	2,754,190	212,729	7.7%	(186,107)	(186,107)	-	$13.51	-
University	1,011,266	119,877	11.9%	(5,155)	(5,155)	-	$20.00	-
Uptown	1,998,699	397,042	19.9%	(141,509)	(141,509)	-	$15.00	-
West Mesa	2,055,876	271,141	13.2%	(10,990)	(10,990)	14,000	$18.29	-
Suburban Total	**26,765,903**	**2,971,884**	**11.1%**	**(690,027)**	**(690,027)**	**247,227**	**$16.28**	**$24.00**
Totals	**27,317,941**	**3,086,675**	**11.3%**	**(695,707)**	**(695,707)**	**247,227**	**$16.28**	**$24.00**

(All Submarkets)	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Const. SF	Asking Rent
Community	2,133,350	320,566	15.0%	(34,930)	(34,930)	203,982	$16.32
Free-standing	7,816,742	555,839	7.1%	(154,823)	(154,823)	14,000	$11.19
Neighborhood	6,921,137	930,979	13.5%	(198,583)	(198,583)	-	$16.28
Power	1,299,062	46,042	3.5%	(4,792)	(4,792)	-	$24.00
Showroom	2,016,156	196,689	9.8%	(69,780)	(69,780)	-	$15.90
Specialty/Theme	171,000	12,722	7.4%	(2,222)	(2,222)	-	$42.50
Strip	4,466,300	501,957	11.2%	(63,561)	(63,561)	29,245	$14.10
Super-regional	2,190,336	392,427	17.9%	(160,435)	(160,435)	-	$37.52
Urban Retail	303,858	129,454	42.6%	(6,581)	(6,581)	-	$17.88
Totals	**27,317,941**	**3,086,675**	**11.3%**	**(695,707)**	**(695,707)**	**247,227**	**$17.92**

(1) Inventory includes multi-tenant and single-tenant 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 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.*

Grubb & Ellis Office Locations



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