

2010 Forecast Report



ALBUQUERQUE

Office

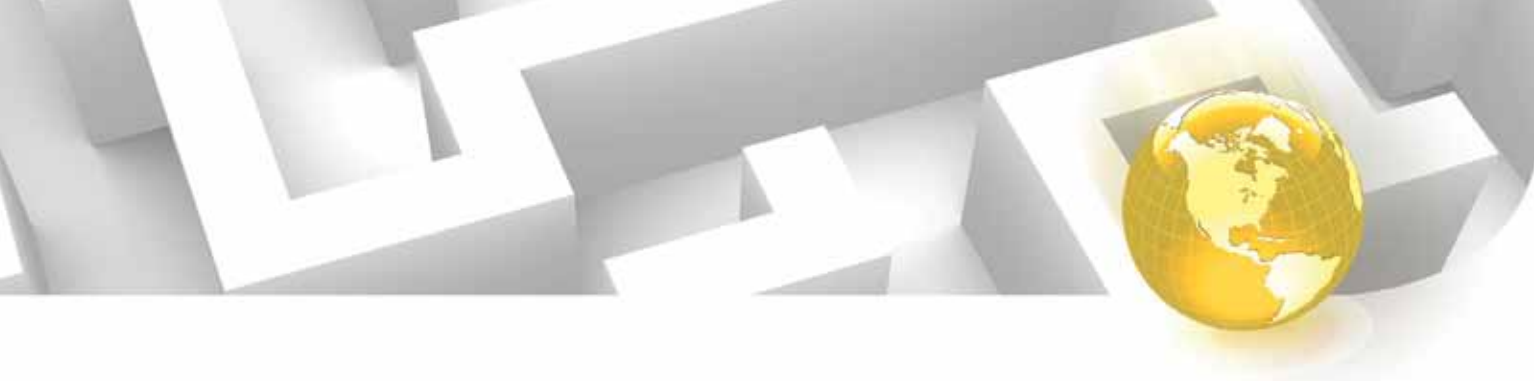
Industrial

Retail

Investment

Multi Housing





Albuquerque

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Dear Clients and Colleagues:

While everyone likes a challenge, in 2009 our industry has had more than its fair share of obstacles to maneuver. The U.S. and global economic conditions have not made it easy for anyone in the commercial real estate arena. Occupier demand plunged in all categories of commercial real estate last year. The fact that construction levels were moderate leading into the recession, while a mitigating factor, has not been enough to protect the industry from rising vacancy rates and falling rental rates that rival the deep cycle of the early 1990s.

Unlike that earlier cycle, commercial real estate was not a primary cause of the current downturn. Rather, it was the reckless use of credit, starting with subprime residential loans and spreading throughout the financial system and across the globe. Commercial real estate, whose value depends on leverage, was swept up in the credit bubble and the ensuing crash.

In the past few months, with the credit markets stabilizing, commercial real estate has developed a somewhat unfair reputation as “the next shoe to drop.” No doubt there is pain ahead, as losses are realized and the industry is recapitalized at lower values, but this transition is highly unlikely to repeat the disruption caused by the housing crisis for reasons we discuss in our analysis. The re-pricing of assets is generating opportunities unseen since the early 1990s, notably for tenants and investors with cash.

The economy is improving thanks in part to quick actions by governments around the world. Recovery will be slow, however, particularly in the labor market. Because tenant demand for commercial real estate derives from job growth, the leasing market will struggle in 2010. Tenants will have the upper hand in negotiations with landlords, resulting in flexible leases and hefty incentive packages. A shortage of debt capital will continue to affect the investment market, but there is a growing pool of equity capital forming to acquire property assets at bargain prices.

While we expect real estate sales to pick up during the year, banks have delayed selling their REO properties in order to protect their capital reserves. As a result, distressed assets will likely come to market over the next two, three or even four years. CMBS will provide opportunities for investors to acquire distressed debt in 2010, but the structure of the original agreements often makes the process more arduous than buying a property or a whole loan from a bank.

As we work through this maze together, we are focused on offering solutions that ensure each of our client’s real estate is being optimally utilized regardless of market conditions. Our 2010 forecast may encourage you to re-evaluate your real estate investment strategy, consider a new market for doing business or investigate alternative space options. We’re ready to discuss your needs at any time and are committed to delivering integrated real estate solutions that meet your business objectives. We’ll help you uncover opportunities that exist today – and together prepare for the future.

Sincerely,



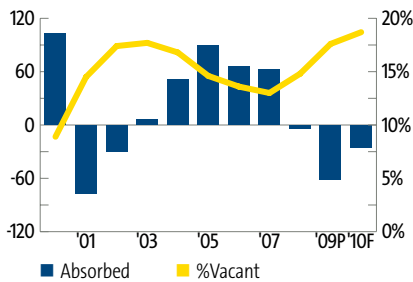
Jack Van Berkel

President, Real Estate Services

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U.S. Office Vacancy and Absorption

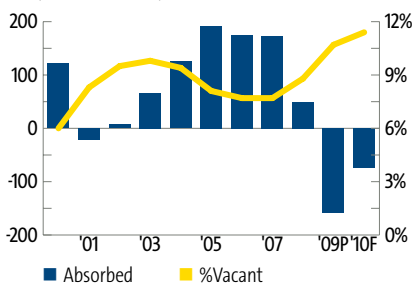
Year-End (in Millions of SF)



Source: Grubb & Ellis

U.S. Industrial Vacancy and Absorption

Year-End (in Millions of SF)



Source: Grubb & Ellis

Office and Industrial Review and Forecast

Year-End

	2009 Actual	2010 Forecast
Office Market		
Vacancy rate	17.6%	18.7%
Class A rental rate ¹	\$30.81	\$29.27
Class B rental rate ¹	\$22.93	\$22.01
Net absorption	-62MSF	-25MSF
Space completed	49MSF	25MSF
Industrial Market		
Vacancy rate	10.7%	11.4%
Warehouse/dist. rental rate ²	\$4.26	\$4.04
General industrial rental rate ²	\$5.26	\$5.15
R&D/flex rental rate ²	\$9.32	\$8.86
Net absorption	-158MSF	-75MSF
Space completed	60MSF	15MSF

¹ Asking rate per square foot per year full service

² Asking rate per square foot per year triple net

Source: Grubb & Ellis

It won't feel like a classic recovery.

2009: Averting Disaster

The Great Recession, the worst downturn since the Great Depression, most likely passed into history last fall. From its beginning in December 2007 through October 2009, the recession destroyed 7.3 million payroll jobs, but that estimate will be revised upward by approximately 824,000 in February when the Bureau of Labor Statistics benchmarks its data to state unemployment insurance tax records, as it does annually. With further losses anticipated through 2010, the final damage could approach 9 million jobs eliminated, or about 6 to 7 percent of total employment. That would make this labor market downturn worse than all 10 of the other post-World War II recessions, more than double the average employment loss of 2.7 percent.

The recession pushed vacancy rates higher, rental rates lower, absorption into the red and construction starts toward zero across all product types. Retailers downsized or postponed expansion plans, slicing demand for retail and industrial space. Falling global trade hurt demand for industrial space, particularly in import-dependent markets. Job losses in the financial services and professional and business services sectors pushed office absorption deep into the red. Even the unflappable apartment market was hurt when new graduates couldn't find work and young adults were laid off. The only subsector showing some resilience was medical office and healthcare properties. Conditions were even worse in the investment market where transaction volume slowed to subsistence levels. The average commercial property sales price, based on repeat sales (however few), fell approximately 40 percent from its 2007 peak.

It could have been worse, perhaps much worse. "Depression 2.0," a contemporary version of what the world endured in the 1930s, was on the table from late 2008 through early 2009. Although reasonable people may disagree, it appears that the epic rescue measures undertaken by the government – two stimulus packages, TARP and a host of lending programs at the Federal Reserve – helped pull the global economy back from the brink.

2010: The Aftermath

As the recession ebbs, discussion has turned to the shape of the recovery, with letters of the alphabet being the most popular descriptors. The possibilities are framed by the optimistic scenario of a brisk rebound (a "V") and the pessimistic scenario of a double-dip recession or zero growth following a stimulus-fueled bounce (a "W"). In between are weak but sustainable recoveries of varying lengths – a "U" depicting a jobless period of moderate length, and an "L" where the weakness lasts longer, perhaps much longer as occurred in Japan during the 1990s.

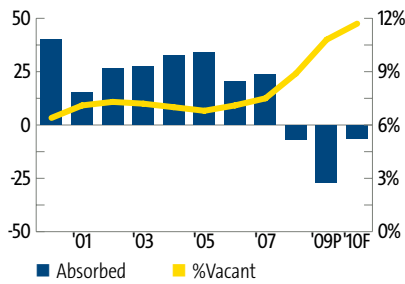
We believe a U-shaped recovery is most likely, with the labor market bottoming in the second half of 2010 and sustained job growth returning in 2011. The labor market is unlikely to recoup the 8 to 9 million lost jobs until 2014 or 2015. Inflation will not be an issue in 2010 but could become a problem down the road unless the government takes steps to control its debt. A little inflation could burnish real estate's long-dormant reputation as an inflation hedge.

National Overview

continued

U.S. Retail Vacancy and Absorption

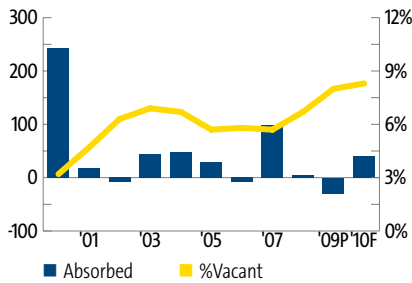
Year-End (in Millions of SF)



Source: Reis, Grubb & Ellis

U.S. Apartment Vacancy and Absorption

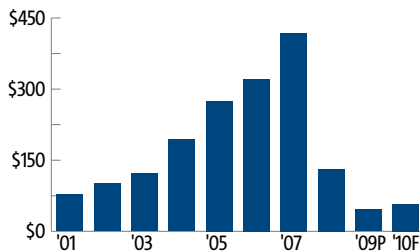
Year-End (in Thousands of Units)



Source: Reis, Grubb & Ellis

U.S. Commercial Property Sales

In Billions



Source: Real Capital Analytics, Grubb & Ellis

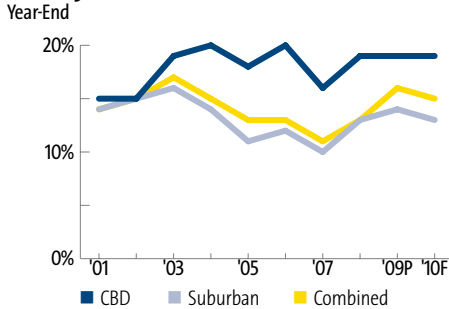
Expect the four core property types to recover in the following sequence:

- Multi Housing:** Early in the downturn, apartments benefited from the stream of foreclosed homeowners seeking a place to live. But the growing wave of foreclosures increased the supply of shadow units – unsold condominiums and houses being offered for rent. Job growth is required for a robust recovery. Longer term, apartments will benefit from the return of homeownership rates to pre-bubble levels (if not below) and growth of the 20 to 29 age cohort as the boomers’ kids move out on their own.
- Industrial:** The recession dealt a blow to the drivers of demand for industrial space – retail sales, logistics, global trade and manufacturing. Expect leasing market conditions to bottom out by year-end as these drivers register modest rebounds.
- Retail:** The crystal ball is cloudiest for this property category. Was this recession just another cyclical downturn, or are there secular forces at work that will permanently alter tenant demand for retail space? Bubble-era spending, inflated by unsustainable housing prices and a flood of credit, will not return, and the savings rate will keep rising. These changes may be part of the wallpaper in a couple of years – that is, part of the new normal operating environment for retailers and their customers.

4. **Office:** The shadow space inventory may be higher in this downturn because job layoffs, implemented so swiftly following “Lehman Brothers weekend,” have outrun tenants’ ability to shed unneeded space. Expect the vacancy rate to peak in the first half of 2011 and rents to bottom in the second half of 2011 followed by a multi-year return to equilibrium. Vacancy is likely to set a modern-day record by the end of 2010.

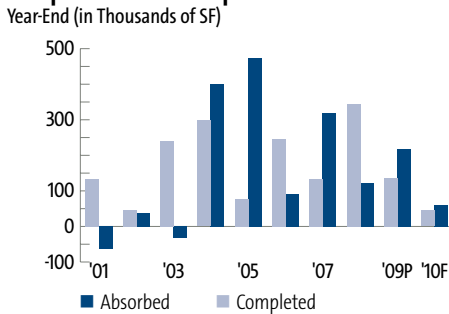
In the investment arena, we anticipate transactions to increase 20 to 30 percent in 2010 compared with last year’s artificially low levels. This is likely to be the start of a multi-year recapitalization process for commercial real estate where banks, CMBS servicers and other lenders finally write down and sell a steady river of distressed assets. Prices, already down 40 percent from their peaks, may decline another 10 percent as buyers finally get in the game. Anecdotes suggest that capitalization rates for apartment and medical office properties actually fell slightly late in 2009 as credit market panic abated, so prices may be finding a floor.

Vacancy Rate



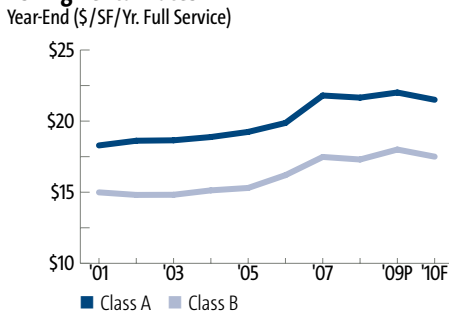
Source: Grubb & Ellis|New Mexico

Completions vs. Absorption



Source: Grubb & Ellis|New Mexico

Asking Rental Rates



Source: Grubb & Ellis|New Mexico

Key Leasing Transactions

2009

Lessee	Lessor	Property	Submarket	Size (SF)
Hewlett-Packard	Titan Development	City Centre	Rio Rancho	218,000
Immigration & Customs Enforcement	Forest City Covington NM, LLC	5600 University SE	Mesa Del Sol	33,000
United Healthcare	IHS Acquisition	Westlake Building	North I-25	19,449
Westar	City Place, LLC	City Place	Uptown	14,509
Brown Mackie College	MW Development, LLC	Copper Pointe	SE Heights	35,000

Source: Grubb & Ellis|New Mexico

New speculative projects remain on hold, as weak demand lingers throughout most of 2010. Job growth is not likely to turn positive until the beginning of 2011.

The dramatic drop-off in new speculative projects which began in late 2008 is not expected to change in 2010. Difficulties preleasing enough space to trigger financing should remain the biggest challenges for speculative developers. New projects will essentially stay on the back burner until job growth turns positive for an extended period of time. Additionally, the amount of vacant space on the market is much too high for most developers to risk starting new speculative projects. Once this space begins to get absorbed by the end of the year, look for the speculative development climate to turn more positive. The city of Albuquerque has waived development impact fees for most of 2010. The opportunity to build new projects at lower costs, by this initiative, could be the catalyst needed to break the drought of speculative construction.

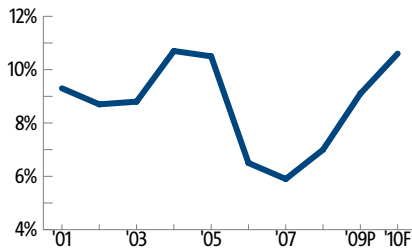
New office construction will not be completely absent in 2010. Build-to-suit projects will likely make up the majority of new construction starts. Several new projects are slated to move forward during the year in the Mesa Del Sol and North I-25 submarkets. These projects will be developed for various U.S. General Services Administration (GSA) agencies with only one completion during the year. The other major build-to-suit project in the market is the new Hewlett-Packard Technical Service Center

in Rio Rancho, which is scheduled to open at the end of 2009.

With the likelihood of a jobless economic recovery in 2010, landlords should expect tenants to be more insistent on receiving concessions. Free rent will be the easiest concession for landlords to offer. Tenants seeking spaces will commit primarily to shorter lease terms at reduced rates. Landlords will be more agreeable to accepting these terms, since a shorter lease term will allow them to renegotiate closer to market rates once the economy recovers. Under such terms, the amount of tenant improvements being offered by landlords will remain minimal. For small to medium-sized deals — below 5,000 square feet — tenants will be lucky to get basic paint and carpet. More extensive build-outs will likely require tenant-funded improvements. For larger deals, landlords will face the challenge of obtaining financing to pay for the improvements. Many national tenants will make sure landlords have the financial ability to complete the improvements and verify their creditworthiness by reviewing their credit report and or financial statements. The majority of new activity will likely occur in the education, government, medical and engineering sectors. Trade schools specializing in medical and high-tech trades will actively seek new space in the market.

Vacancy Rate

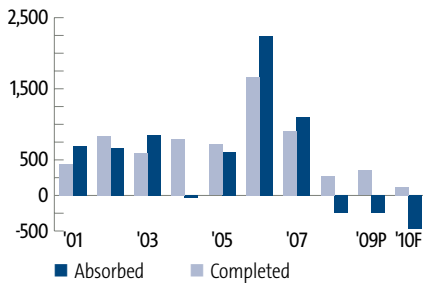
All Product Types, Year-End



Source: Grubb & Ellis|New Mexico

Completions vs. Absorption

Year-End (in Thousands of SF)



Source: Grubb & Ellis|New Mexico

The industrial market is poised for a slow recovery, as demand remains sluggish. Once new single-family home construction begins to increase, the pace of the recovery should accelerate.

The overhang of excess sublease space accumulated at the end of 2009 will have a big impact on the market in 2010. Over 1.5 million square feet of sublease space will be competing for tenants at aggressive rates. This will drive overall asking rates down as landlords are forced to lower rates in order to compete. Warehouse and distribution spaces are expected to feel the most significant decline in rates, since they will have the highest levels of sublease space available. A majority of the sublease space is related to the decline in new single-family home construction.

Tenants will be in a good position to negotiate favorable lease terms. With uncertainty in the economy, landlords will be more aggressive in competing for a scarce number of tenants. Concessions, such as free rent, will be required to get deals done. Tenants will generally seek shorter lease terms at attractive rates. Under these terms, tenant improvements will usually not be provided. In order to minimize risk, some tenants may insist on lease opt-out provisions tied to something like the loss of a major contract.

The speculative construction pipeline will remain empty for most of the year. New starts are expected to remain at historically low levels. Developers will be very reluctant to start new projects, given the high market vacancy and

current financing challenges. Many lenders will keep preleasing requirements around 50 percent. Achieving this level will be very difficult, especially with the large amount of lower priced sublease space on the market. Any new construction starts will likely be build-to-suit projects for larger credit tenants. A shortage of large warehouse and distribution space over 100,000 square feet currently exists in the market.

One of the biggest moves that will increase vacancy is the scheduled closing of the 477,000-square-foot GE Aircraft Plant in the South Valley. Since this plant is over 40 years old, and the probability of finding a replacement tenant in the near future is very low, this move will artificially increase the year-end vacancy rate. The likely outcome for this property is a complete renovation geared towards the manufacturing of renewable energy products, such as solar and bio-fuels. The Albuquerque metropolitan area is poised to receive an increase in demand for space from the renewable energy sector, given its ideal climate and engineering talent.

Those wishing to purchase properties may find more opportunities at attractive prices. The key will be getting the deals financed. Look for owner financing to become a popular method to bridge financing challenges. Buyers seeking to renovate older properties to current design standards are likely to find the best values.

Key Leasing Transactions

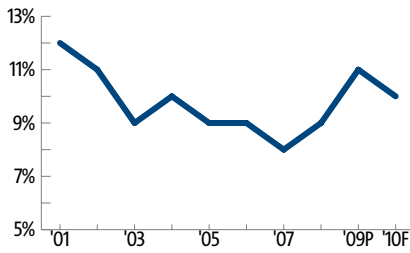
2009

Lessee	Lessor	Property	Submarket	Size (SF)
Roadrunner Food Bank	RIDA Office, LLC	5840 Office NE	North I-25	166,000
Visible Light Solar Technologies	Beck Office Systems	5300 Eagle Rock NE	North I-25	25,000
L-3 Communications	Greer Enterprises	530 Airport NW	West Mesa	75,000
Goodwill Industries	Private Investors	1750 7th St NW	Downtown	29,200

Source: Grubb & Ellis|New Mexico

Vacancy Rate

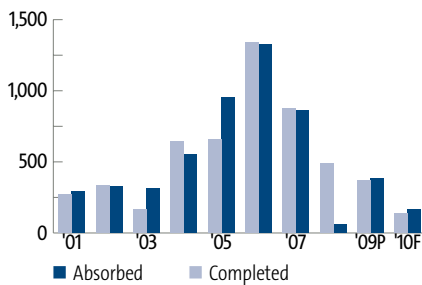
All Product Types, Year-End



Source: Grubb & Ellis|New Mexico

Completions vs. Absorption

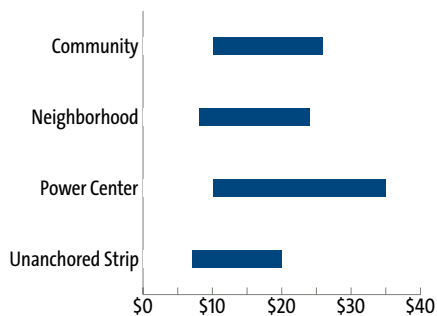
Year-End (in Thousands of SF)



Source: Grubb & Ellis|New Mexico

Asking Rent Range

2010 by Product Type (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis|New Mexico

Tenants Expanding or Downsizing

2010

Expanding or New to Market

CVS Pharmacy	Expanding
Ross Stores	Expanding
Defined Fitness	Expanding
Chick-fil-A	Expanding
Jack in the Box	New

Source: Grubb & Ellis|New Mexico

Lackluster consumer spending helps to weed out weak tenants and forces landlords to become very creative. Strong tenants will find opportunities to improve their locations.

For the first half of the year overall leasing activity will remain slow. A majority of national retailers will be in survival mode instead of growth mode. Uncertainty about economic recovery and negative job growth will keep consumer spending at low levels. This will pressure landlords to keep existing tenants and be aggressive with concessions on new deals.

2010 will likely remain a tenant's market. The number of new tenants in the market will remain low for most of the year. A lackluster 2009 holiday season could shake out the remaining weak retailers and empty more spaces. The environment will be ripe for established tenants to expand into new locations or upgrade to better locations at attractive rates using a flight-to-quality strategy. Older, unanchored strip centers should experience the most vacancy pressure during 2010, driven mainly by an increase in local retailer closings.

In order to minimize vacancy, landlords will be motivated to offer spaces at discounted rates, allow more free rent and even provide some tenant improvement allowances for credit tenants. Facing rising operational expenses, some landlords will consider broadening tenant mixes to include other non-retail uses. These include adding tenants such as churches, trade schools and gyms.

A majority of the new retail centers delivered since 2008 have not lived up to expectations. Many have experienced slow absorption of space,

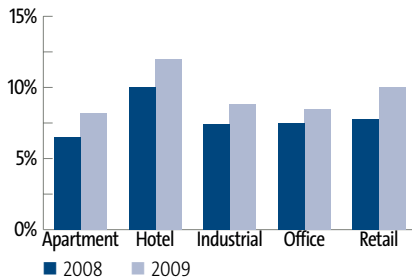
and their inability to find new tenants will have a chilling effect on new speculative construction starts. As consumer spending remains weak, and space demand wanes, developers will be less likely to start new projects. Lender interest in financing new speculative retail centers should be very low. These factors will make the probability of new developments extremely unlikely for most of 2010. A lack of new inventory will, however, position the market to heal faster once the economy gains momentum towards the end of the year.

Most of the new space to be delivered in 2010 will be comprised of free-standing buildings. Look for retailers in the categories of pharmacy, dollar stores, movie theatres, quick-serve and fast-casual restaurants to spur new construction activity. These types of retailers usually prefer built-to-suit and owner-occupied buildings. This in turn will generate strong demand for pad sites in newer centers and create new uses on established corners.

The greater Albuquerque and Rio Rancho metropolitan areas may be on the radar screen of some national retailers looking for growth opportunities. Compared to other southwestern cities, the economic downturn here has been less severe. Look for some of the select junior anchor spaces to be re-absorbed by year-end. Power centers and regional malls in the Cottonwood and Uptown submarkets will likely see increased interest.

Average Capitalization Rates

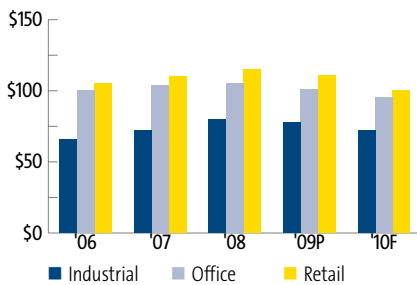
Closed Sales



Source: Real Capital Analytics, Grubb & Ellis|New Mexico

Average Sales Price

Year-End (\$/SF)



Source: Grubb & Ellis|New Mexico

Increasing capitalization rates will have a chilling effect on the number of deals made. Falling prices may trigger well-capitalized investors to make acquisitions.

The themes for the year will be a flight to quality and great deals for well-capitalized investors willing to take on more risk. The challenge will be finding deals that meet this criterion. Market fundamentals are not expected to improve during the year, across most asset types. Vacancy levels will likely increase slightly during the year, while effective rates trend downward and operating expenses trend upward. Property taxes will likely rise steadily. Many landlords will focus on maintaining occupancy levels and become very creative in their efforts to retain tenants.

The net effect will be lower net operating incomes. After adding in financing challenges, asset prices will face downward pressure. Since the financing of deals will require more equity, and underwriting requirements are expected to be more restrictive, capitalization rates should increase by around 50 to 100 basis points. Higher capitalization requirements will decrease the number of investors willing to sell at these levels.

The supply of troubled assets will grow as the ability to refinance deals on loans coming due diminishes. Given an inability to obtain financing, well-capitalized investors will have the upper hand as the supply of distressed properties on the market grows. Though many buyers may stay on the sidelines

until there is clarity as to whether the economy is out of the recession. Bargain hunters will find opportunities, but may have to accept more risk in terms of buying assets with higher vacancies.

Those willing to take on additional risk in 2010 can achieve healthy future returns. Investors who are comfortable buying an asset with higher vacancy, deferred maintenance issues or requiring significant renovations, may be able to do so at attractive values. With construction costs being lower than in previous years, a repositioning strategy for functionally obsolete properties can be implemented at much less cost. The net result will translate to achieving higher rental income once the economy turns around.

2010 will be a year for healing the capital markets. Troubled assets will work their way through the system and may provide opportunities for well-capitalized buyers. Options include purchasing the existing mortgage on an asset or refinancing with the existing lender. The increase in risk will translate to lower acquisition prices.

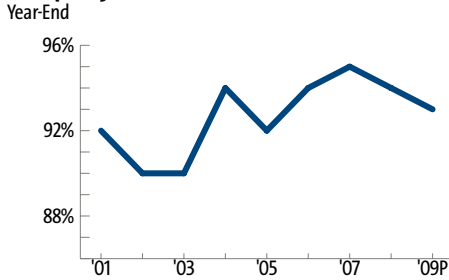
Key Investment Transactions

2009

Buyer	Seller	Property	Submarket	Size (SF)
RIDA Office Blvd., LLC	Private Investors	5840 Office Dr NW	North I-25	165,900
Gallatin Development, LLC	M & B Investments, Ltd.	FedEx Freight Service Center	West Mesa	36,643

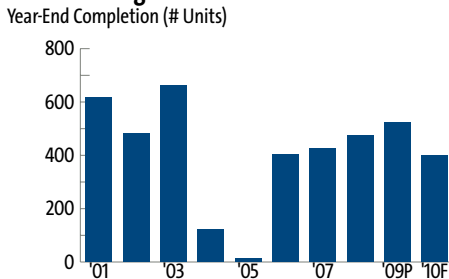
Source: Grubb & Ellis|New Mexico

Occupancy



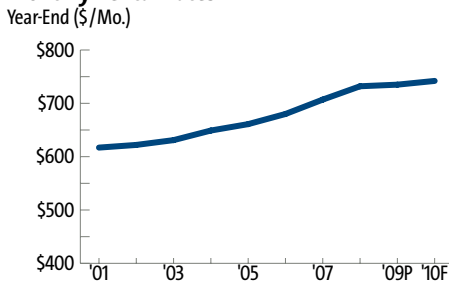
Source: Real Facts, Inc.

Multi Housing Construction



Source: Real Facts, Inc.

Monthly Rental Rates



Source: Real Facts, Inc.

2010 will be a healing year as investors wait for fundamentals to improve.

Transaction volume in 2009 was one of the lowest levels recorded over the last 20 years, across all unit sizes. This decrease was driven by weak investor demand and augmented by financing challenges. More of the same is expected for 2010, but with some new twists.

Capitalization rates are expected to move upward in 2010, but not as dramatically as they did in 2009. The ability for investors to finance deals will likely not improve much. Lenders will initiate underwriting requirements that are much stricter compared to 2009. Many lenders will only provide financing for in-place rents and may even lower the amount they are willing to finance if rents are falling. Historical expenses will also be carefully scrutinized. Investors can also expect increased reserve requirements when potential deals are being underwritten. Overall, the net effect will be lower net operating incomes, coupled with higher capitalization rates and lower valuations. Expect capitalization rates to be 9 percent and higher for many complexes.

Investor ability to leverage deals will also be diminished. The trend for lenders to require higher equity positions should remain constant. Loan-to-value ratios will increase and approach 35 to 40 percent. Many lenders will maintain their conservative position and require cross-collateralization through the pledging of other assets.

Market demand will trend lower as a result of declining occupancy levels and risk aversion. Well-capitalized investors

are expected to wait patiently on the sidelines for the market to bottom out. A growing number of distressed assets will occur in properties with smaller unit sizes. Look for an increased amount of foreclosures to occur in this segment as well.

Demand for large multi housing investments, over 100 units, should remain steady. The challenge, however, will be the continued disconnect in the perception of value between buyers and sellers. Investors who have made acquisitions over the last few years, did so at capitalization rates about 100 basis points lower than they are under current market conditions.

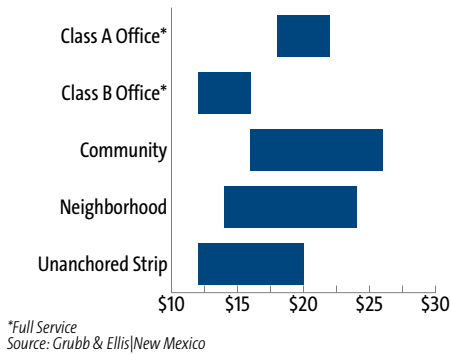
Deteriorating fundamentals will translate to lower values. The ability to increase rents will be marginal, while operating expenses increase and occupancy levels fall slightly, resulting in an overall reduction in net operating income.

The good news is that the amount of new units in the construction pipeline should be well below what the market can absorb in a typical year. It is expected that less than 400 new multi housing units will be delivered during the year in the greater Albuquerque area. This will help occupancy remain above 90 percent and not generate an oversupply of new units.

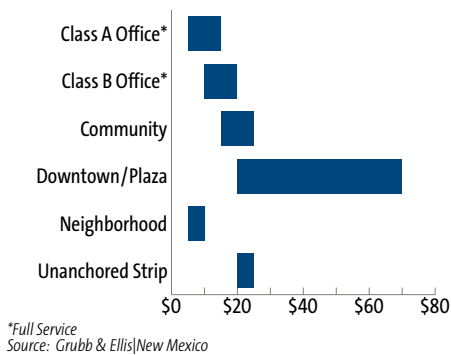
Landlords can expect to offer some concessions in order to increase occupancy, primarily in free rent or amenities like covered parking.

Las Cruces & Santa Fe Overview

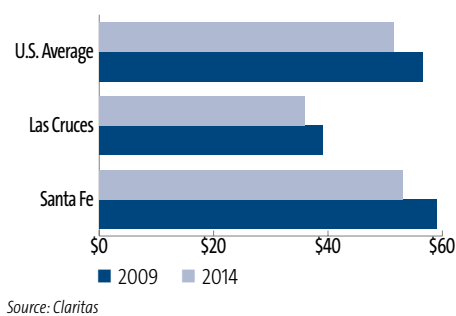
Las Cruces Asking Rent Range (\$/SF/Yr. Triple Net)



Santa Fe Asking Rent Range (\$/SF/Yr. Triple Net)



Median Household Income (In Thousands)



Las Cruces is poised for growth in 2010. Santa Fe will benefit from increased tourism.

Las Cruces

Proximity to the Mexican border should drive growth in the area over the next decade. Anchored by the new Foxconn Maquila electronics manufacturing plant, Santa Teresa should be able to attract manufacturers, as well as their suppliers. Foxconn is expected to open in March and ultimately employ 20,000 workers just across the border.

The Las Cruces economy is beginning to see increased business from the commercial aerospace industry. North of town, UP Aerospace is planning a regional spaceport launch pad for carrying scholastic and commercial entity payloads. This will also be the site of the first FAA licensed commercial spaceport in the country. Companies already committed to the project include Virgin Galactica, Starchaser Industries, Rocket Racing, and Xprise Cup. Virgin Galactic expects to begin providing space tourism trips sometime next year.

Downtown Las Cruces is in the midst of Phase III of its revitalization plan. The project, officially known as Main Street Downtown, includes pedestrian-friendly access to a variety of retail and office uses. A new five-story federal building is also slated to open in February.

Another opportunity for growth is taking place on the northeast side of town, as this area currently has the largest amount of developable commercial land with the infrastructure needed to support growth.

Santa Fe

Retail leasing has remained active in the local shopping centers, but there is a much higher vacancy rate in the downtown "Plaza" area. As tourism declined in 2009, the downtown stores that depend on the tourist trade have suffered, and several retailers have closed their doors. Meanwhile, downtown hotels are anticipating that 2010 occupancy rates will be the same as 2009. If tourism-driven retail sales remain stagnant, vacancies will likely increase. Some downtown landlords have already been open to lowering rental rates in an effort to maintain tenants.

On the bright side, the recently completed New Mexico Rail Runner Express commuter train from Albuquerque is bringing a steady stream of weekend visitors to Santa Fe. This has led to the development of a few transit-oriented retail locations around the train stations. Another draw is the new Downtown Santa Fe Convention Center, which is now operating and is expected to attract additional business group meetings to the area.

Because of the stagnant economy and difficulty obtaining loans for commercial projects, a very small amount of new developments will occur in Santa Fe during 2010. The most significant project likely to move forward is a new community center, anchored by a Wal-Mart Supercenter on Cerrillos Road.

Grubb & Ellis was named to the International Association of Outsourcing Professionals' 2009 *Global Outsourcing 100™*.

Transaction Services

- Agency leasing
- Tenant representation
- Consulting services
- Valuation consulting
- Retail services
- Institutional investment services
- Private capital investment services
- Site selection

Management Services

- Property management
- Facility management
- Asset management
- Business and fulfillment services
- Consulting services
- Project/construction management
- Engineering services

Overview

Headquartered in Santa Ana, Calif., Grubb & Ellis Company (NYSE: GBE) was founded in 1958. Over the last half century, the company has grown from a single office in San Francisco into one of the largest and most respected commercial real estate services and investment firms in the world. Its 6,400 professionals in approximately 130 company-owned and affiliate offices draw from a unique platform of real estate services, investment products and specialty practice groups to deliver integrated solutions to real estate owners, tenants and investors. The solutions Grubb & Ellis delivers to its clients are supported by proprietary market research and extensive local expertise.

From Fortune 500 multinational companies, institutional investors and government agencies to small and mid-sized businesses and individual investors, clients look to Grubb & Ellis for real estate solutions that meet their business objectives. Whether it is selecting a location to do business, improving a property or portfolio's operating efficiency, increasing occupancy or otherwise maximizing the return on an investment, we can help. Our practice groups bring together professionals who have experience with particular property types and specific industries, seeking to ensure clients' needs are clearly understood and the most effective solutions are implemented.

Through its real estate investment and asset management subsidiaries, Grubb & Ellis is a leading sponsor of a full range of commercial real estate investment programs, including public non-traded real estate investment trusts (REITs), mutual funds, tenant-in-common programs for investors structuring tax-deferred (like-kind) exchanges under Section 1031 of the Internal Revenue Code and various institutional investments. Through the Grubb & Ellis Private Client Management program, Grubb & Ellis also offers institutional and high net-worth investors a comprehensive program to build or expand their commercial real estate portfolio, whether their objectives are 1031 exchange-driven or not. One of the nation's most active buyers and sellers of commercial real estate, Grubb & Ellis' investment arm has completed acquisition and disposition volume totaling more than \$12.2 billion on behalf of program investments since its founding in 1998; in excess of \$9.3 billion of this volume has been transacted since 2005.

This is neither an offer to sell nor a solicitation of an offer to buy any security. Such an offer may be made only by means of an offering document. Investors should read the offering materials and review the risks associated with any offering prior to making an investment and should be able to afford the loss of their entire investment. Securities offered through Grubb & Ellis Securities, Inc. member FINRA/SIPC.

Company Profile

continued

Our experienced and knowledgeable professionals provide market insight and real estate solutions that help clients reach their business objectives.

Structured Around the Needs of Our Clients

Grubb & Ellis has the people, platform and best-in-class processes to deliver superior service whether a client needs help with a single property or multiple global facilities. Our comprehensive real estate solutions include transaction services, management services, corporate services and a wide range of investment programs.

Possessing one of the largest and most experienced real estate brokerage sales forces in the country, Grubb & Ellis' teams of specialists cover all aspects of commercial real estate and work closely with clients to assess the ways in which real estate issues relate to – and contribute to – an organization's strategic business objectives. Last year, Grubb & Ellis and its affiliates completed more than 15,000 brokerage transactions valued at more than \$16 billion.

We deliver integrated property, facility and asset management services focused on cost-efficient operations, tenant retention and increasing property values to a host of corporate and institutional clients. In total, Grubb & Ellis and its affiliates manage a diverse portfolio of nearly 300 million square feet of space. This portfolio includes headquarters, facilities and Class A office space for major corporations, as well as industrial, manufacturing and warehouse facilities, data centers, retail properties, medical

buildings and multifamily assets for real estate occupants and investors. Additionally, Grubb & Ellis provides consulting services that help clients better understand their real estate portfolio, the current operating environment, and future opportunities that exist through smart, strategic planning.

Why We're Unique

When selecting a commercial real estate firm, the most important consideration is how well the company understands your needs. Grubb & Ellis is known for working with clients, not just for them. We partner with clients to create long-term relationships that are built upon a commitment to their business objectives. In return, we have been recognized by our clients and others in the industry for our accomplishments. In 2008, Grubb & Ellis was honored with Microsoft Corporation's Environmental Award for our successful efforts to reduce the company's impact on the environment, and, in 2009, the company was included in the International Association of Outsourcing Professionals' *Global Outsourcing 100™*. This commitment to continuous improvement and the development of programs and initiatives designed to meet a client's individual needs are the driving forces behind our more than 50 years of service excellence.

Corporate Services

- Consulting services
- Real property and lease administration
- Retail services
- Strategic planning
- Tenant representation
- Valuation services
- Site selection
- Project management
- Portfolio rationalization
- Disposition services

Investment Programs

- Public non-traded real estate investment trusts (REITs)
- Private client management
- Institutional investments
- Mutual funds
- 1031 tenant-in-common exchanges
- Securities separate accounts and funds

The direct or indirect purchase of real property involves significant risks. Investors should consult their own tax advisors and legal counsel. Always remember that each property is unique and past performance is no guarantee of future results.

Grubb & Ellis professionals know that the best real estate decisions begin with sound real estate data. That's why our highly respected research and analysis is integrated in all that we do.

In today's complex environment, you want to be sure you're making smart decisions when it comes to your real estate needs. There's little room for error when competition is fierce, margins are tight and organizations are trying to squeeze the most value out of their investments. Sound research helps ensure you are pursuing the most effective real estate strategies and evaluating the best possible solutions to achieve your business objectives.

This approach is nothing new for Grubb & Ellis. Research is part of our legacy, and we're known for delivering some of the highest quality research in the industry. We cover big-picture economic trends as well as specific drivers of local market demand for space. Our professionals regularly provide expert commentary to business organizations, government entities and the media on the forces shaping the commercial real estate landscape. We go beyond standard real estate statistics to explore how significant developments – such as the 2009 stimulus package or recent environmental legislation – may affect real estate owners, tenants and investors.

Our comprehensive insights are based on:

- Our professional research managers and their staff, whose critical function it is to build the base of market intelligence in each office and provide published reports and custom analyses to our clients. Grubb &

Ellis pioneered the concept of hiring professional research managers to direct the company's research function. Analysts and brokers are trained to understand the nuances of the real estate cycle, inflection points in the cycle, leading indicators, and the actions and advice that are appropriate for each phase of the cycle.

- Our systems used to compile, maintain, analyze and disseminate our research. Grubb & Ellis was one of the first in the industry to use computerized market research and analysis and continues to make investments to improve and enhance the information available. In addition to subscribing to the top property databases, Grubb & Ellis maintains a proprietary, centralized Web-resident data warehouse to track its property-specific data – including property details, images, available space, leasing and sales comparables and tenant information. This sophisticated system is based on a rigorous set of research standards designed to ensure that data are consistent across markets.
- Our reports and publications through which we translate our extensive databases into analysis, insights and actionable recommendations for our clients. In addition to our annual national and local forecast reports, Grubb & Ellis produces quarterly Market Trends reports that analyze local and national market conditions by

product type, a Weekly Market Insight electronic communication on a timely economic or real estate-related topic, a biannual Logistics Market Trends report and white papers on issues that are important to our clients.

- Our real estate professionals and extensive network of specialty practices, whose familiarity with the people and the property in their submarkets and unique industry segments yields a daily, in-the-trenches grasp of changing market conditions. The creation of market intelligence is a team effort, with knowledge flowing constantly between our research teams, brokerage sales professionals, practice groups and investment specialists.

Our strong research platform combined with the knowledge and expertise of our professionals enables us to deliver integrated solutions to our clients – from market to market and around the globe. It is a proven tool that forms the foundation of all the services we provide, allowing us to uncover opportunities when they may not be easily visible. And it's what gives Grubb & Ellis and our clients a competitive advantage in the marketplace.

We'd be happy to discuss the findings in this year's forecast or any of our publications. To keep abreast of research disseminated by Grubb & Ellis, please visit www.grubb-ellis.com/research.

Contributors and Sources



Grubb & Ellis research teams across the U.S. work together to ensure our clients have the most up-to-date market knowledge.

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Sources

RealFacts, Claritas

INTEGRATED SOLUTIONS FROM MARKET TO MARKET.

About Grubb & Ellis Company

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