Retail Market Trends Albuquerque

Grubb & Ellis Research

Fourth Quarter 2008

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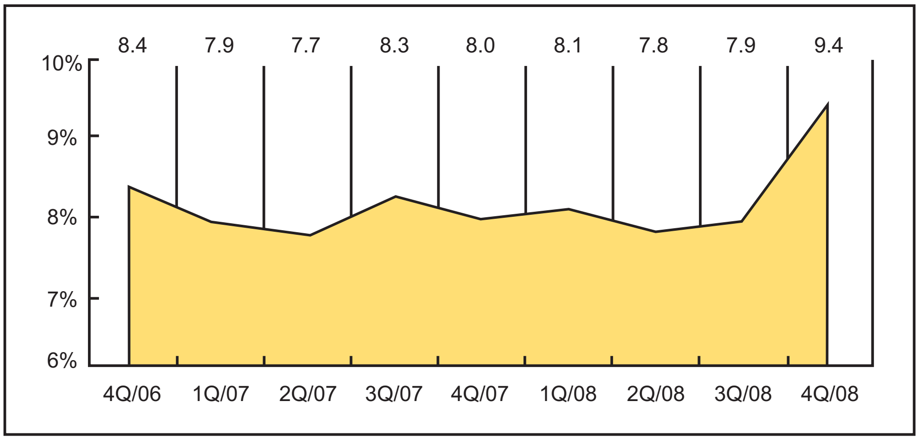
Better to have a Cold than the Flu

According to the National Retail Federation, 2008 holiday sales fell 2.8 percent nationwide. This was the first time a decrease was ever recorded since the trade group began collecting data in1995. On a national basis, retail sales have decreased for the sixth straight month. Difficulties in the national retail market are creating vacancy locally. The closure of two Mervyn's Department Stores and two Linens-n-Things accounted for 278,000 square feet of additional vacant space hitting the market. Without these closures, overall absorption for the quarter would have been a positive 95,000 square feet.

Despite a few closures some retailers are expanding...

The Albuquerque metro area retail market has a slight cold compared to the influenza the national retail market is suffering. In the metro area, new construction projects are beginning to experience much longer than expected lease up times. New projects delivered since the beginning of 2008 have an overall vacancy of 45 percent. A few new projects are even over 90 percent vacant. On the positive side, Albuquerque's first Urban Outfitters store opened along with a new Ace Hardware, Walgreen Drug Store, and Sunflower Farmer's Market.

Expect more of the same in the next quarter. Two Circuit City stores are expected to complete their liquidation sales by March of 2009 adding another 90,000 square feet of vacant space. A majority of these shuttered locations will not stay vacant for long. Many are in very desirable areas and are in well anchored power centers. Some national retailers will be looking for growth opportunities in strong markets and take advantage of these shuttered locations.



Retail Vacancy Rate*

**All Product Types*

Albuquerque Retail Market Trends
is a newsletter published quarterly by Grubb & Ellis|New Mexico. To obtain additional copies or other Grubb & Ellis|New Mexico publications, please contact:

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Retail Market Snapshot Albuquerque Fourth Quarter 2008

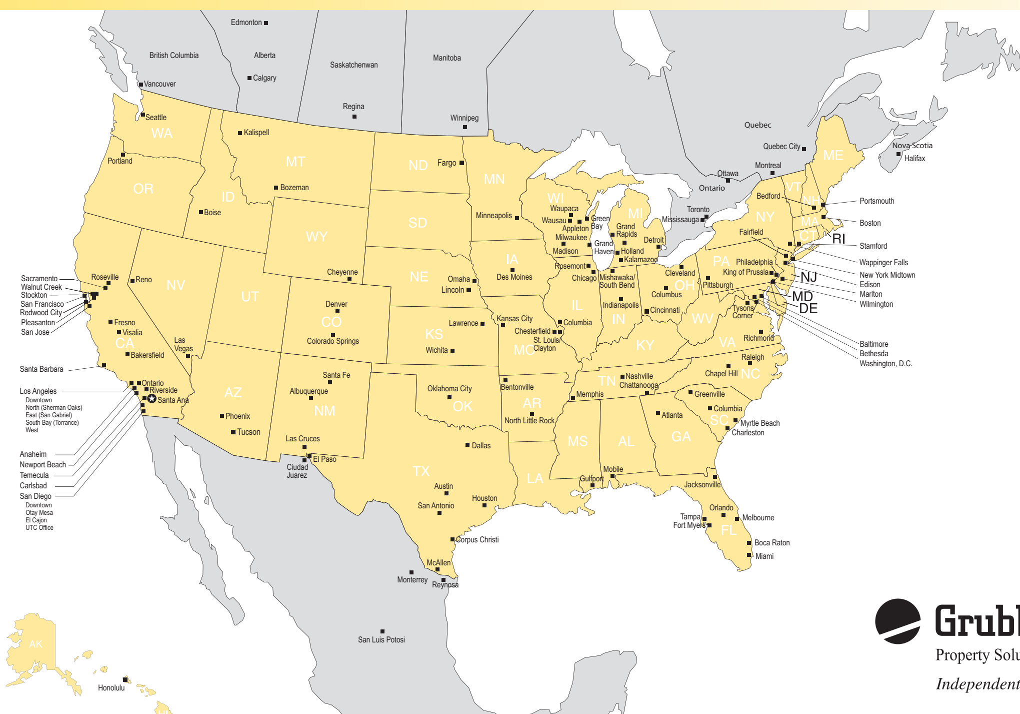
By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) Neighborhood	Asking Rent (4) Power
Downtown	588,005	109,111	18.6%	(446)	(2,048)	-	-	-
CBD Total	**588,005**	**109,111**	**18.6%**	**(446)**	**(2,048)**	**-**	**-**	**-**
Cottonwood	4,037,024	255,878	6.3%	(132,171)	(76,009)	-	$15.39	-
Far Northeast Heights	3,859,128	307,535	8.0%	37,227	51,028	-	$17.99	-
North I-25	3,092,435	178,014	5.8%	(26,699)	4,735	94,900	$12.58	-
North Valley	981,540	101,147	10.3%	894	7,561	-	$14.57	-
Northeast Heights	4,049,725	470,402	11.6%	(23,457)	3,976	203,982	$14.05	-
Rio Rancho	1,758,605	88,876	5.1%	8,062	109,118	-	$15.15	-
South Valley	1,017,327	89,161	8.8%	(4,228)	(26,887)	-	$14.43	-
Southeast Heights	2,809,190	115,022	4.1%	13,263	438	-	$13.23	-
University	999,179	101,622	10.2%	9,564	25,918	-	$20.00	-
Uptown	2,405,896	535,533	22.3%	(111,482)	(136,784)	-	$15.00	-
West Mesa	2,054,601	260,151	12.7%	4,700	97,061	-	$22.56	-
Suburban Total	**27,064,650**	**2,503,341**	**9.2%**	**(224,327)**	**60,155**	**298,882**	**$16.70**	**-**
Totals	**27,652,655**	**2,612,452**	**9.4%**	**(224,773)**	**58,107**	**298,882**	**$16.70**	**-**

By Property Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Current Qtr	Year To Date	Under Const. SF	Asking Rent
Community	2,133,090	285,636	13.4%	(40,526)	(41,659)	203,982	$15.03
Free-standing	7,872,681	348,524	4.4%	32,794	173,475	-	$10.75
Neighborhood	7,021,730	838,396	11.9%	10,642	132,821	56,200	$16.70
Power	832,382	41,250	5.0%	(35,650)	(29,276)	-	-
Showroom	1,811,468	35,721	2.0%	-	1,126	38,700	$15.90
Specialty/Theme	171,000	10,500	6.1%	6,790	27,597	-	$42.50
Strip	4,469,606	438,397	9.8%	3,895	50,223	-	$13.96
Super-regional	3,064,213	511,992	16.7%	(202,272)	(255,532)	-	$37.53
Urban Retail	276,485	102,036	36.9%	(446)	(668)	-	$15.96
Totals	**27,652,655**	**2,612,452**	**9.4%**	**(224,773)**	**58,107**	**298,882**	**$18.04**

(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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