

Retail Market Trends New Mexico

Grubb & Ellis Research
First Quarter 2005



*Asking Rates Much Higher
for Newly Completed
Centers*

Same Old, Same Old

2005 started just like 2004 left off. The majority of retail activity is still occurring in free-standing buildings. On a positive note, the first of eight vacant, 14,000 square foot, Eckerd Drug Stores was finally sublet to a local bank at New Mexico's busiest intersection, San Mateo and Montgomery. In addition, two Walgreen's Drug Stores were delivered in the first quarter – one at Wyoming and Indian School and the other near Fourth and Osuna.

Breaking the trend, a couple of speculative retail strip centers are currently under construction in the Northeast Heights, West Mesa, and Cottonwood submarkets. With strip centers posting negative absorption for the last two quarters, tenants will have an interesting decision. They can opt for new construction and pay leasing rates up to 250 percent higher or look at older strip centers at much more attractive rates. Tenant improvement allowances will become the wild card. Older centers will have to offer more abundant allowances to compete for tenants more effectively.

Freestanding projects will continue throughout 2005 and dominate the amount of new square footage delivered to the market. These include two auto dealerships, a Target Store, a Wal-Mart Superstore, a Walgreen's, and a Trader Joe's. Several Neighborhood and Strip center projects on the west side of town are also expected to be completed by the year's end. Older centers that are located close to these should see increased activity since they will have a rate advantage.

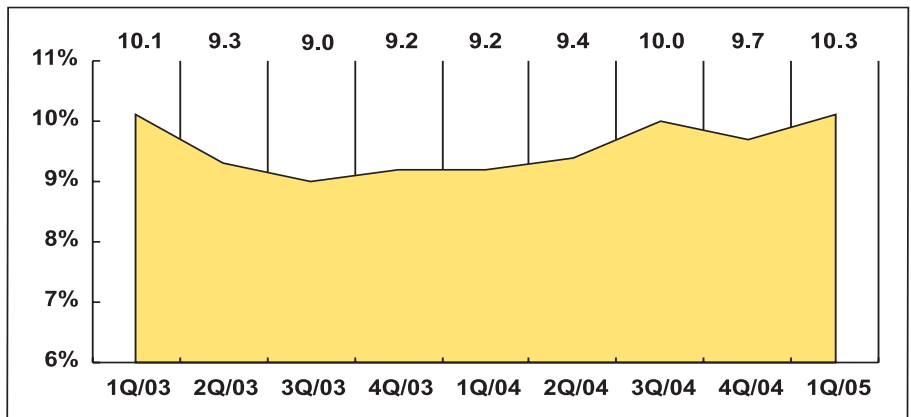
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Ken Schaefer

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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