

Retail Market Trends New Mexico

Grubb & Ellis Research
Second Quarter 2005



“Impact fees deliver new strategy”

New Retail Boom

Retail construction activity continued its vivacious pace. Almost 272,000 square feet of new space was added in the second quarter. A 208,000 square foot Wal-Mart Superstore in the South Valley was responsible for the majority of the new space delivered. The amount of new retail construction underway has not been seen since 1997 when Cottonwood Regional Mall was completed. This current construction cycle is being dominated by free-standing retail centers.

Infill retail projects are also ramping up around the city. The Paseo Del Norte corridor, east of Interstate 25, has several large projects underway including the metro area's first Super Target and Trader Joe's. A new Sam's Club is also going up in the North I-25 Renaissance area. As the amount of retail land continues to get developed and some turned into residential uses, watch for developers to use more creative strategies.

One such strategy is called adaptive re-use. This strategy takes an existing building and dramatically remodels the space, often adding additional square footage. Taken to an extreme, this might involve a complete demolition of the existing building. With impact fees starting to be phased in as of July 1, 2005, adaptive re-use strategies could breathe new life into older obsolescent buildings. According to the impact fee regulations, assessments to remodeled buildings are not charged if the type of use is not changed.

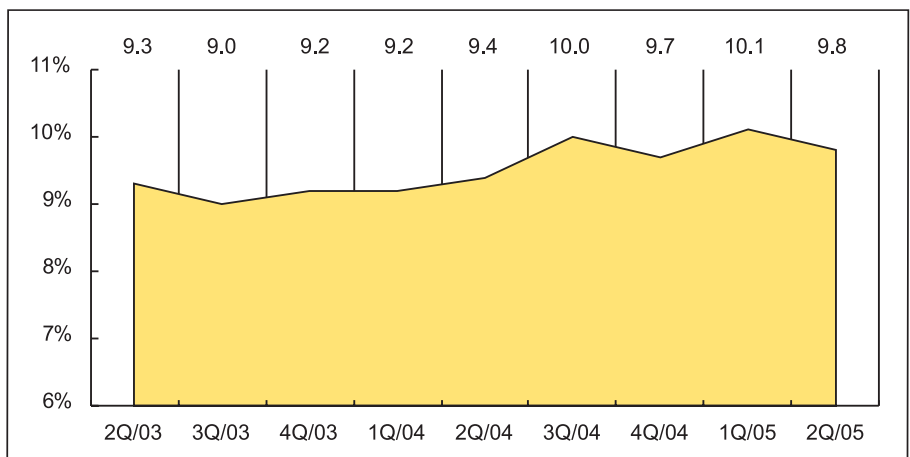
Albuquerque Industrial Market Trends

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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 Vacancy Rate*
* All Classes of Space

Retail Market Snapshot Albuquerque Second Quarter 2005

By Submarket (All Product Types)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Const. SF(3)	Asking Rent(4) Neighborhood	Power
				Current Qtr.	Year-to-date			
Cottonwood	3,481,862	303,419	8.7%	6,541	(26,406)	15,000	\$11.73	-
Downtown	608,450	160,267	26.3%	(300)	9,600	-	-	-
Far NE Heights	3,478,174	290,342	8.3%	16,820	(16,242)	103,000	\$10.82	-
North I-25	2,614,280	169,161	6.5%	55,673	87,669	166,902	\$11.23	-
North Valley	723,109	59,533	8.2%	(4,151)	14,339	13,000	\$9.12	-
Northeast Heights	4,240,184	441,985	10.4%	(2,978)	53,267	16,000	\$10.48	-
Rio Rancho	1,356,665	95,682	7.1%	858	3,844	214,000	\$7.64	-
South Valley	939,975	145,497	15.5%	209,019	209,319	179,436	\$9.29	-
Southeast Heights	2,700,085	219,148	8.1%	57,296	55,755	-	\$7.21	-
University	1,016,825	151,817	14.9%	(150)	(150)	-	-	-
Uptown	2,268,096	191,006	8.4%	6,986	8,486	53,107	\$14.50	-
West Mesa	1,618,115	215,712	13.3%	21,012	17,128	84,286	\$14.67	\$21.00
Total	25,045,820	2,443,569	9.8%	366,626	416,609	844,731	\$10.30	\$21.00

By Product Type (All Submarkets)

							Asking Rent By Product Type
Community	2,469,885	245,266	9.9%	16,560	9,877	-	\$11.30
Free-standing	5,562,512	460,189	8.3%	208,558	294,878	663,338	\$11.57
Neighborhood	6,735,404	891,845	13.2%	90,575	79,154	52,616	\$10.30
Power	1,046,429	829	0.1%	6,559	5,593	-	\$21.00
Showroom	1,600,472	127,555	8.0%	48,073	48,073	-	\$5.87
Specialty/Theme	-	-	-	-	-	53,107	-
Strip	4,190,775	429,018	10.2%	(3,399)	(20,666)	75,670	\$10.07
Super-regional	3,156,213	160,000	5.1%	-	-	-	\$75.00
Urban Retail	284,130	128,867	45.4%	(300)	(300)	-	\$12.79
Total	25,045,820	2,443,569	9.8%	366,626	416,609	844,731	\$10.87

(1) Inventory includes multi-tenant, single tenant, and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects and owner-built projects.

(4) Asking rates are per square foot per year, triple net. Rates for each building are weighted by the amount of available space within the building.

Grubb & Ellis Office Locations

