

Retail Market Trends Albuquerque

Grubb & Ellis Research

First Quarter 2006



New Construction Continues

New retail projects continued to drive absorption levels and, as in 2005, free-standing buildings accounted for a majority of the activity. Recent openings include a Sam's Club, Wal-Mart Neighborhood Market, Trader Joe's, Raley's Superstore, PetSmart, and a Walgreens. Combined, these openings were responsible for 284,000 square feet of absorption. Another 257,000 square feet of free-standing space is expected to be completed soon and will continue to bolster absorption levels.

"Rates continue to rise in new projects"

Rising construction costs are driving up lease rates in the majority of new multi-tenant retail centers. In many new retail centers, asking lease rates in the \$22 to \$24 per square foot range seemed excessive at the end of 2005. Now, many new retail projects have broken the \$30 level for projects just breaking ground. National retailers are not blinking an eye at these rates and benefit from moving into first generation space. At these levels, many local retailers are beginning to get priced out of the new construction market and must consider established centers below the \$20 level.

Rising gas prices and interest rates could begin to be a concern for some retailers. Consumer spending has remained strong in the Albuquerque Metro area and gross receipts have not fallen off when compared to 2005 levels. Older retail centers may experience increased interest as some retailers attempt to reduce overhead by levels in order to remain price competitive.

Albuquerque Retail Market Trends

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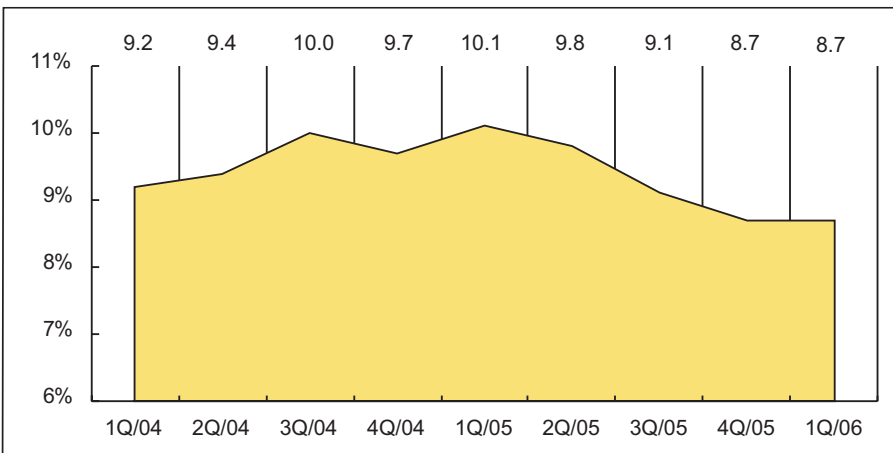
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Retail Vacancy Rate*

**All Classes of Space*

Retail Market Snapshot Albuquerque First Quarter 2006

By Submarket (All Product Types)				Net Absorption		Under	Asking Rent(4)	
	Total SF(1)	Vacant SF(2)	Vacant %	Current Qtr.	Year-to-date	Const. SF(3)	Neighborhood	Power
Cottonwood	3,540,862	185,986	5.3%	38,397	38,397	30,670	\$11.40	\$21.50
Downtown	580,978	150,979	26.0%	4,876	4,876	-	-	-
Far NE Heights	3,520,674	185,097	5.3%	88,771	88,771	36,919	\$11.22	-
North I-25	2,944,850	84,154	2.9%	164,127	164,127	15,930	\$12.24	-
North Valley	737,168	73,811	10.0%	10,000	10,000	22,000	\$15.37	-
Northeast Heights	4,243,371	472,245	11.1%	2,589	2,589	-	\$10.82	-
Rio Rancho	1,377,965	73,337	5.3%	2,762	2,762	306,775	\$9.65	-
South Valley	971,752	94,312	9.7%	26,908	26,908	-	\$9.39	-
Southeast Heights	2,794,755	220,579	7.9%	23,762	23,762	27,000	\$8.42	-
University	1,016,764	166,641	16.4%	(24,651)	(24,651)	-	-	-
Uptown	2,267,923	339,212	15.0%	(149,629)	(149,629)	171,000	\$14.50	-
West Mesa	1,744,950	186,659	10.7%	74,441	74,441	73,631	\$15.51	\$21.00
Total	25,742,012	2,233,012	8.7%	262,353	262,353	683,925	\$10.87	\$21.45

By Product Type (All Submarkets)						Asking Rent By Product Type	
	Total SF	Vacant SF	Vacant %	Current Qtr.	Year-to-date	Const. SF	Asking Rent
Community	2,575,885	223,388	8.7%	8,400	8,400	-	\$12.61
Free-standing	5,989,854	358,817	6.0%	315,359	315,359	256,930	\$10.30
Neighborhood	6,721,951	699,670	10.4%	59,331	59,331	118,905	\$10.87
Power	1,068,429	8,802	0.8%	(7,973)	(7,973)	-	\$21.45
Showroom	1,724,503	100,000	5.8%	11,334	11,334	-	\$5.75
Specialty/Theme	-	-	-	-	-	171,000	-
Strip	4,236,819	406,395	9.6%	23,902	23,902	137,090	\$10.98
Super-regional	3,156,213	310,000	9.8%	(150,000)	(150,000)	-	\$77.35
Urban Retail	268,358	125,940	46.9%	2,000	2,000	-	\$9.92
Total	25,742,012	2,233,012	8.7%	262,353	262,353	683,925	\$17.34

(1) Inventory includes multi-tenant, single-tenant and owner-occupied 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 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|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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