Retail Market Trends Albuquerque

Grubb & Ellis Research

Third Quarter 2006

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Retail Races On

The retail sector still has the pedal to the metal despite an apparent housing slowdown in the third quarter. New construction completions increased vacancy slightly because the overall amount of square footage grew, but absorption remained positive as tenants moved into new space.

"West Mesa drives majority of growth.."

New construction in this quarter added 241,000 square feet of retail space, with strip centers accounting for the largest share at 121,010 square feet, and neighborhood centers constituting the second largest with 69,430 square feet. On a submarket basis, the West Mesa experienced the greatest growth with 104,000 square feet coming online, mainly through the opening of three strip centers and one neighborhood center. Initial absorption in these new centers was just over fifty percent at the end of the quarter.

The only submarket showing significant losses was Uptown. Many of Winrock's tenants have left, as plans for the mall's future hang in limbo. The future of the Uptown submarket, though, is much clearer. Positive absorption will occur in the fourth quarter as the ABQ Uptown lifestyle center opens and brings 170,000 square feet of new construction online. This project is already about ninety percent leased. The submarkets of Cottonwood and the Far Northeast Heights will be experiencing similar absorption rates with the fourth quarter opening of Kohl's stores in each.

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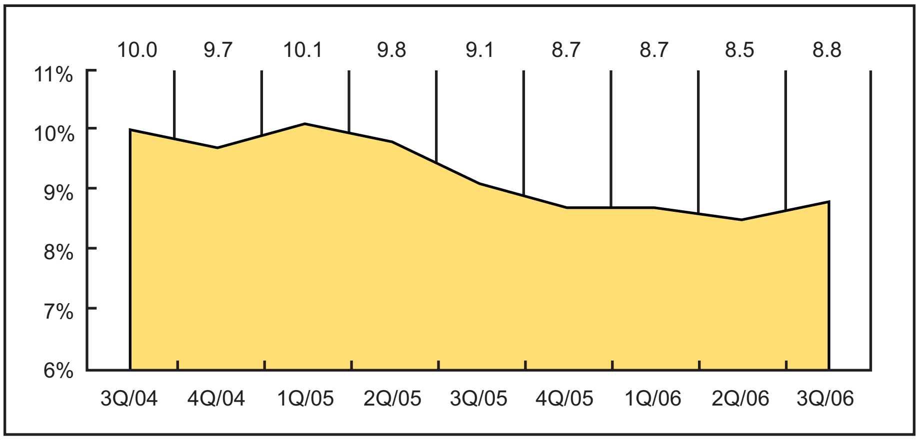

Retail Vacancy Rate*
**All Classes of Space*

Retail Market Snapshot Albuquerque Third Quarter 2006

By Submarket (All Property Type	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) orhood	Asking Rent (4) Power
Downtown	580,978	133,972	23.1%	6,175	21,883	-	-	-
Cottonwood	3,557,832	175,711	4.9%	27,245	65,642	215,393	$11.34	$21.50
Far Northeast Heights	3,547,393	187,091	5.3%	20,173	113,496	258,734	$13.69	-
North I-25	2,963,780	105,394	3.6%	(4,260)	161,817	150,000	$10.96	-
North Valley	757,168	74,687	9.9%	20,824	29,124	-	$15.83	-
Northeast Heights	4,244,694	465,861	11.0%	10,258	10,296	26,820	$11.30	-
Rio Rancho	1,611,965	81,724	5.1%	7,024	228,375	6,900	$12.18	-
South Valley	971,752	67,794	7.0%	26,518	53,426	40,575	$15.59	-
Southeast Heights	2,885,093	279,714	9.7%	21,063	54,965	43,470	$11.71	-
University	1,016,764	160,629	15.8%	6,075	(18,639)	-	-	-
Uptown	2,267,923	399,212	17.6%	(60,000)	(209,629)	171,000	$14.50	-
West Mesa	1,849,501	169,458	9.2%	93,312	196,193	15,000	$15.33	$21.00
Totals	**26,254,843**	**2,301,247**	**8.8%**	**174,407**	**706,949**	**927,892**	**$12.65**	**$21.47**

By Property Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Net Absorption Current	Net Absorption Year To Date	Under Const. SF	Wtd Asking Rent
Community	2,595,885	158,030	6.1%	45,458	93,758	-	$15.75
Free-standing	6,232,105	366,748	5.9%	30,820	549,679	540,728	$10.45
Neighborhood	6,857,521	750,216	10.9%	63,169	144,355	137,094	$12.65
Power	1,068,429	8,802	0.8%	-	(7,973)	-	$21.47
Showroom	1,727,503	100,000	5.8%	3,000	14,334	-	$5.75
Specialty/Theme	-	-	-	-	-	171,000	-
Strip	4,348,829	436,979	10.0%	87,324	105,328	79,070	$11.67
Super-regional	3,156,213	370,000	11.7%	(60,000)	(210,000)	-	$77.35
TBD	-	-	-	-	-	-	-
Urban Retail	268,358	110,472	41.2%	4,636	17,468	-	$8.54
Totals	**26,254,843**	**2,301,247**	**8.8%**	**174,407**	**706,949**	**927,892**	**$17.88**

(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, full service. Rates for each building are weighted by the size of 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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