

Retail Market Trends Albuquerque

Grubb & Ellis Research
Third Quarter 2007



Landlords and Tenants Need to Meet in the Middle...

Give and Take

Retail vacancy crept up slightly from 7.7 percent to end the quarter at 8.3 percent. Although overall absorption dipped to the lowest levels in over three years, it managed to stay positive at 21,000 square feet. The dramatic dip is due in part to the closing of two Raley's Supermarkets in the Far Northeast Heights and the Northeast Heights totaling almost 100,000 square feet of vacancy. These were offset by the purchase of the 100,000 square foot former K-Mart building in the Southeast Heights that will be used as an indoor flea market.

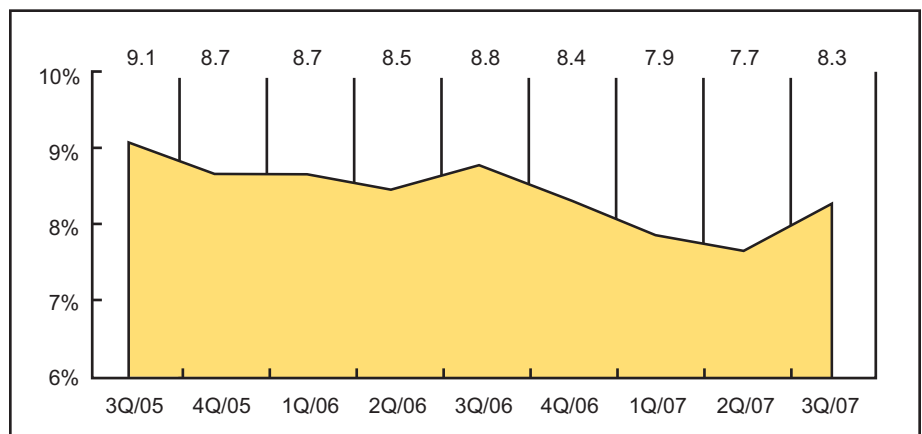
New construction saw relatively weak absorption as well, with only thirty percent of 175,000 square feet being occupied upon completion. However, much of the new space was pre-leased, and tenants are steadily moving in to new strip and neighborhood centers as they prepare to open for the holiday season.

Although new construction is coming online at a quick clip, asking rental rates are up and concessions are flat. Landlord tenant negotiations are breaking down on finer points like lease terms and tenant improvements. Both sides need to strive for flexibility. Landlords will have to be more creative if they want to attract quality tenants with a reliable revenue stream. One option is staggering escalations every two years rather than annually. Prospective tenants should enter negotiations with complete business plans and a sound set of financials.

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Retail Vacancy Rate*

*All Product Types

Retail Market Snapshot Albuquerque Third Quarter 2007

By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption		Under Const. (3) SF	Asking Rent (4)	
				Current Qtr	Year To Date		Neighborhood	Power
Downtown	589,578	136,896	23.2%	8,682	17,056	-	-	-
CBD Total	589,578	136,896	23.2%	8,682	17,056	-	-	-
Cottonwood	3,749,049	147,466	3.9%	(15,458)	114,445	252,087	\$17.28	\$21.50
Far Northeast Heights	3,714,393	273,921	7.4%	(31,140)	(8,084)	49,800	\$17.05	-
North I-25	3,062,846	151,540	4.9%	(10,769)	37,996	35,206	\$12.12	-
North Valley	920,151	67,944	7.4%	(2,514)	164,448	-	\$9.78	-
Northeast Heights	3,923,143	418,263	10.7%	(80,540)	(96,199)	26,137	\$11.99	-
Rio Rancho	1,594,175	94,321	5.9%	17,871	18,803	1,500	\$13.33	-
South Valley	1,017,327	72,361	7.1%	(16,305)	(3,367)	-	\$16.41	-
Southeast Heights	2,902,059	103,863	3.6%	100,000	128,580	-	\$9.61	-
University	922,304	79,711	8.6%	(675)	13,236	30,000	\$20.00	-
Uptown	2,371,923	462,919	19.5%	5,139	5,139	-	\$14.50	-
West Mesa	1,912,627	199,412	10.4%	47,703	(1,628)	169,729	\$19.36	\$21.00
Suburban Total	26,089,997	2,071,721	7.9%	13,312	373,369	564,459	\$14.42	\$21.33
Totals	26,679,575	2,208,617	8.3%	21,994	390,425	564,459	\$14.42	\$21.33

By Property Type (All Submarkets)	Total	Vacant	Vacant %	Current Qtr	Year To Date	Under Const.	Asking Rent	
							Neighborhood	Power
Community	2,001,139	196,942	9.8%	(50,571)	(120,022)	26,137	\$14.57	-
Free-standing	7,373,834	340,662	4.6%	(32,858)	250,667	271,016	\$9.29	-
Neighborhood	6,825,577	711,649	10.4%	(19,636)	68,225	113,393	\$14.42	-
Power	844,382	14,092	1.7%	(1,336)	(5,290)	-	\$21.33	-
Showroom	1,791,253	37,750	2.1%	94,250	104,250	-	\$15.77	-
Specialty/Theme	171,000	38,097	22.3%	5,139	5,139	-	\$35.00	-
Strip	4,353,819	412,314	9.5%	28,427	67,605	153,913	\$12.13	-
Super-regional	3,064,213	361,310	11.8%	-	9,300	-	\$77.48	-
Urban Retail	254,358	95,801	37.7%	(1,421)	10,551	-	\$13.20	-
Totals	26,679,575	2,208,617	8.3%	21,994	390,425	564,459	\$17.17	-

(1) Inventory includes multi-tenant and 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.

(4) Asking rates are per square foot per year, NNN. 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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