

LOCAL REAL ESTATE, HOME BUILDERS,
AND DESIGN TRENDS

HOME STYLE

ISSUE 7

JULY 3 – JULY 9, 2016



FINDING HER NICHE

COMMERCIAL REAL ESTATE REPORT

EVERY OPEN HOUSE THIS WEEK

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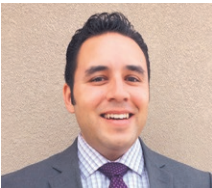
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MARKET REPORT

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NEW MEXICO

MARKET SUMMARY – MAY 2016

NEW MEXICO

12.2 MILLION SQ. FT. COMMERCIAL SPACE FOR SALE	13.1 MILLION SQ. FT. COMMERCIAL SPACE FOR LEASE
28,753 ACRES LAND & FARM FOR SALE	\$2.1 BILLION TOTAL SALE PRICE

CURRENT STATISTICS FOR NEW MEXICO

PROPERTY TYPE	LISTINGS	ASKING LEASE RATE	ASKING SALE PRICE
INDUSTRIAL	425	\$6.44 PSF	\$58.19 PSF
OFFICE	1258	\$15.22 PSF	\$75.41 PSF
RETAIL-COMMERCIAL	812	\$15.11 PSF	\$120.21 PSF
SHOPPING CENTER	510	\$16.82 PSF	\$103.30 PSF
VACANT LAND	991	\$4.99 PSF	\$1.00 PSF
FARM/RANCH	8	-	\$0.03 PSF
HOSPITALITY	13	-	\$66.70 PSF
MULTI-FAMILY	68	-	\$64.06 PSF

COMMERCIAL
REAL ESTATE
MARKET REPORT

BUILDING CLASS DEFINITIONS / COMMERCIAL REAL ESTATE

CLASS A	CLASS B	CLASS C
Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.	Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price.	Buildings competing for tenants requiring functional space at rents below the average for the area.

SOURCE: WWW.BORNA.ORG

STATISTICS COURTESY OF CARNM

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BY KEITH MEYER

CCIM, SIOR, DIRECTOR NAI MAESTAS & WARD

FOR THE PAST THREE YEARS, THE COMMERCIAL REAL ESTATE MARKET IN NEW MEXICO has been improving, but mixed. It has been a case where a rising tide has not yet raised all boats.

It has been well documented that New Mexico has not enjoyed the job growth or rate of recovery of our neighboring states. Professional seminars that I have attended in just the past month have reaffirmed this, including NAIOP's I.CON (land use conference) in Dallas, the Spring SIOR (industrial and office) conference in San Diego, and the ICSC retail global conference in Las Vegas.

Interestingly, in more than one instance examples were given that indicate things may be slowing down nationally. Factors contributing to this slowdown include the global recession, poor retail sales performance in some sectors, rising interest rates and the fact that it is an election year. Fortunately, many still see untapped opportunity in New Mexico.

New Mexico is experiencing strength in certain employment sectors over others, such as professional services over manufacturing. Leasing demand for Class A and B office space has been active while Class C continues to suffer higher than average vacancy. Demand for industrial buildings and land

have generally been weak. However, demand for new office space is so great that there are two new high rise office buildings currently under construction, a circumstance that we have not seen in Albuquerque in ten years.

Other factors that have been driving the market include: continued low interest rates, the disparity between lease rates and new construction costs, continued CAP rate (a return on investment computation commonly used to determine sales price), compression for income producing properties, strength in retail real estate, and changes in real estate demand based on an aging and downsizing population as it relates to single family housing.

We have been in an era of historically low interest rates for years and it has created opportunities that some have taken advantage of, although not as many people as you would hope, in large part because of the ongoing uncertainty in the market. What we do know is if you are thinking about buying, now remains a good time. Commercial real estate prices, especially vacant land, remain historically low. There are plenty of resources available to borrow money and interest rates will be going up.

The demand for real estate with an income stream is at an all-time high.

There are more buyers than sellers, and we see out-of-state demand from buyers who have given up trying to find value in California, Arizona, Texas, etc. With CAP rates now easily exceeding 2006 values, even the most steadfast owners have become sellers.

Retail has been the strongest commercial real estate sector. With the construction of Enchanted Hills Plaza in Rio Rancho and Las Estancias in the Southwest Mesa, the redevelopment of the former K-Marts at Sierra Vista, Central and Atrisco, topped off by the redevelopment of Winrock; there is more leased retail space in Albuquerque than ever before, and at higher lease rates. The rest of the state, from Farmington to Hobbs, has enjoyed similar new retail expansion. Maybe not as much as they wanted, or the retailers they wanted, but some. But again, a rising tide has not raised all boats, as certain markets such as Socorro and Belen have seen retail choices reduced.

The last significant driver in the current market is the aging population. This has manifested itself in two ways: the increase in the amount of

healthcare and health services related facilities, and the dramatic increase in demand for senior housing facilities. These two categories are currently the hottest in commercial real estate, as evidenced by the two high rise office buildings currently under construction that were described earlier; both will house major healthcare providers. At the same time there are at least five senior housing facilities either under construction, just completed, or in for approvals at this time.

In summary, the New Mexico commercial real estate market is active. Given the amount of out-of-state interest, level of new retail concepts looking for new customers, increases in health care demand, incremental strength in single family housing and stabilization in oil prices, we expect the market to continue its slow, uneven rise irrespective of the uncertainties that are swirling around us.

Keith Meyer is a Director at NAI Maestas and Ward, a CARNM and ICSC member and 2016-2017 New Mexico President of SIOR, the Society of Industrial and Office REALTORS®. ■