

COMMERCIAL REAL ESTATE **MARKET OVERVIEW**



NAI 1st Valley

Presented by:
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Principal

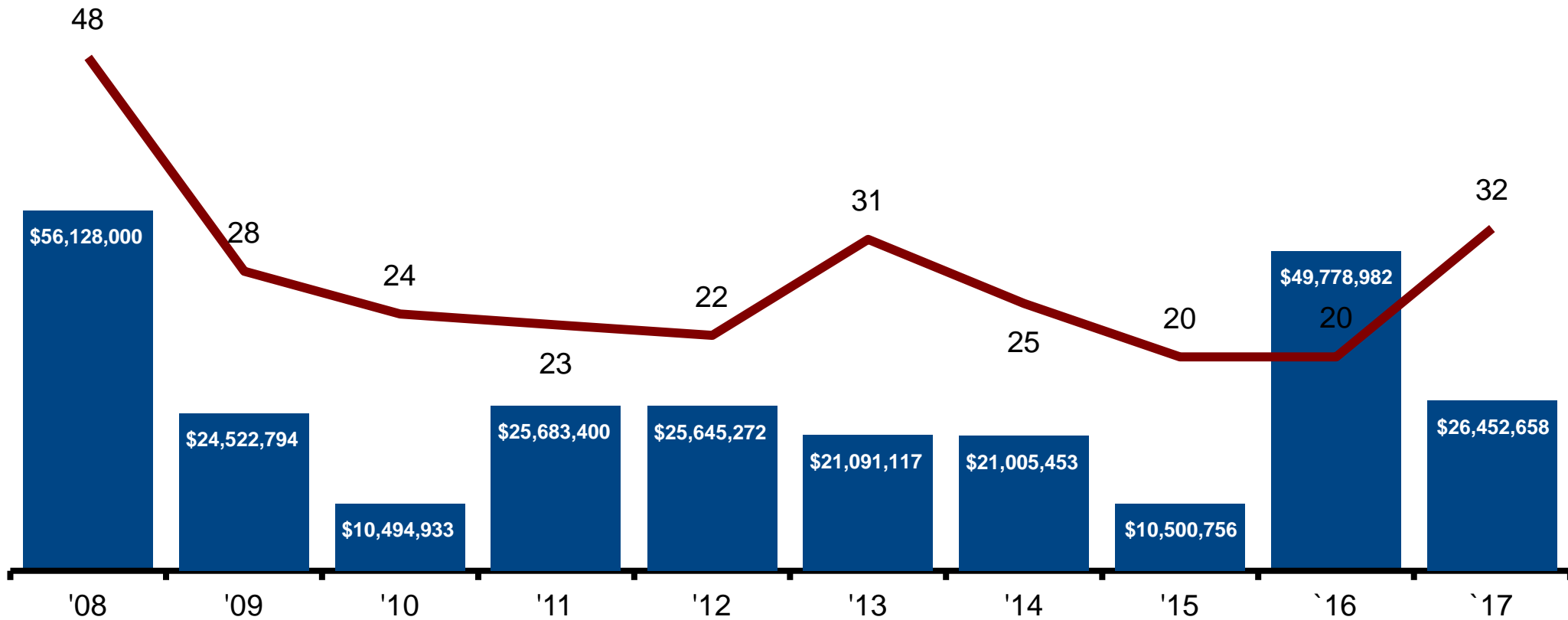
Overview

- ◇ Multi-Family, Office, & Retail Market Survey
- ◇ 2017 - Recap and Analysis
- ◇ Half-Way Point in 2018 and CRE trends to look for



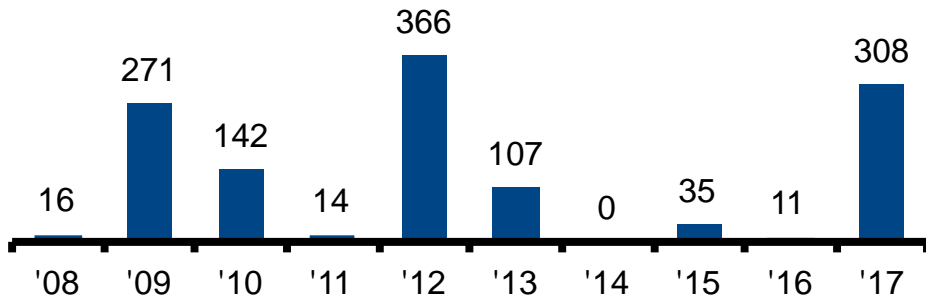
New Commercial Construction

Value of Permits Number of Permits

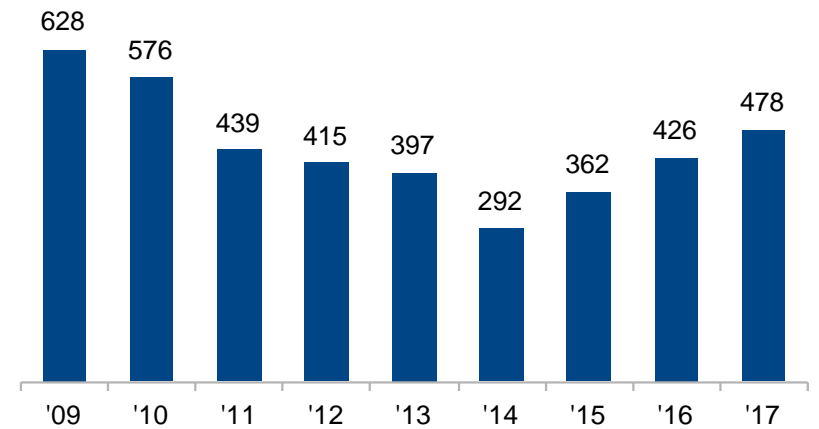


Multi-Family Market Survey

NUMBER OF PERMITTED MULTI-FAMILY UNITS



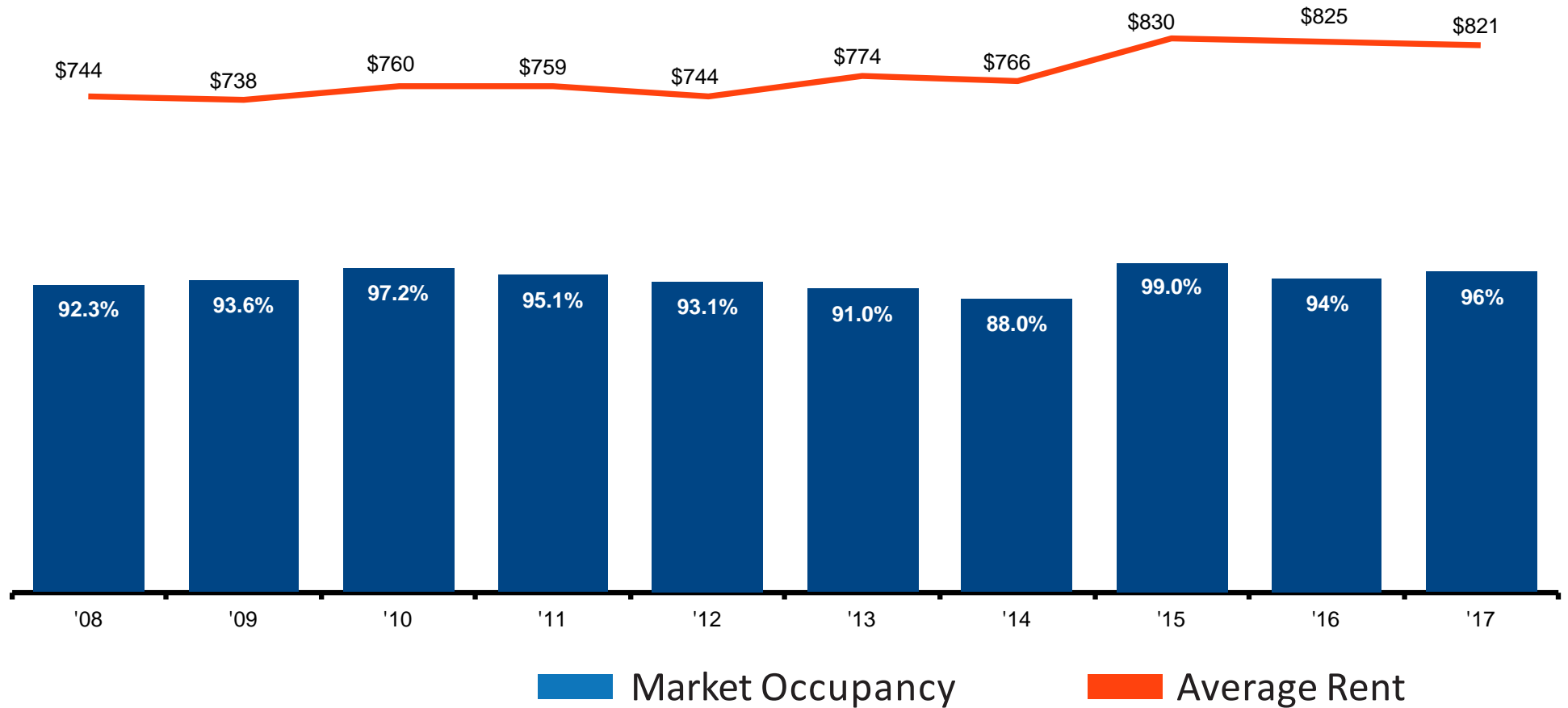
NUMBER OF PERMITTED SINGLE FAMILY UNITS




Source: City of Las Cruces

Multi-Family Survey

MARKET PERFORMANCE	2012	2013	2014	2015	2016	2017	16-'17 % Change	14-'17% Change	14-'17 Per. Ann. Avg. % Change
Avg Rent	\$744	\$774	\$766	\$830	\$825	\$821	-0.54%	7%	2.27%
Avg Rent PSF	\$0.82	\$0.83	\$0.82	\$0.77	\$0.84	\$0.87	2.99%	6%	-1.44%
Mkt Occup	93%	91%	88%	99%	94%	96%	2.85%	10%	6.03%



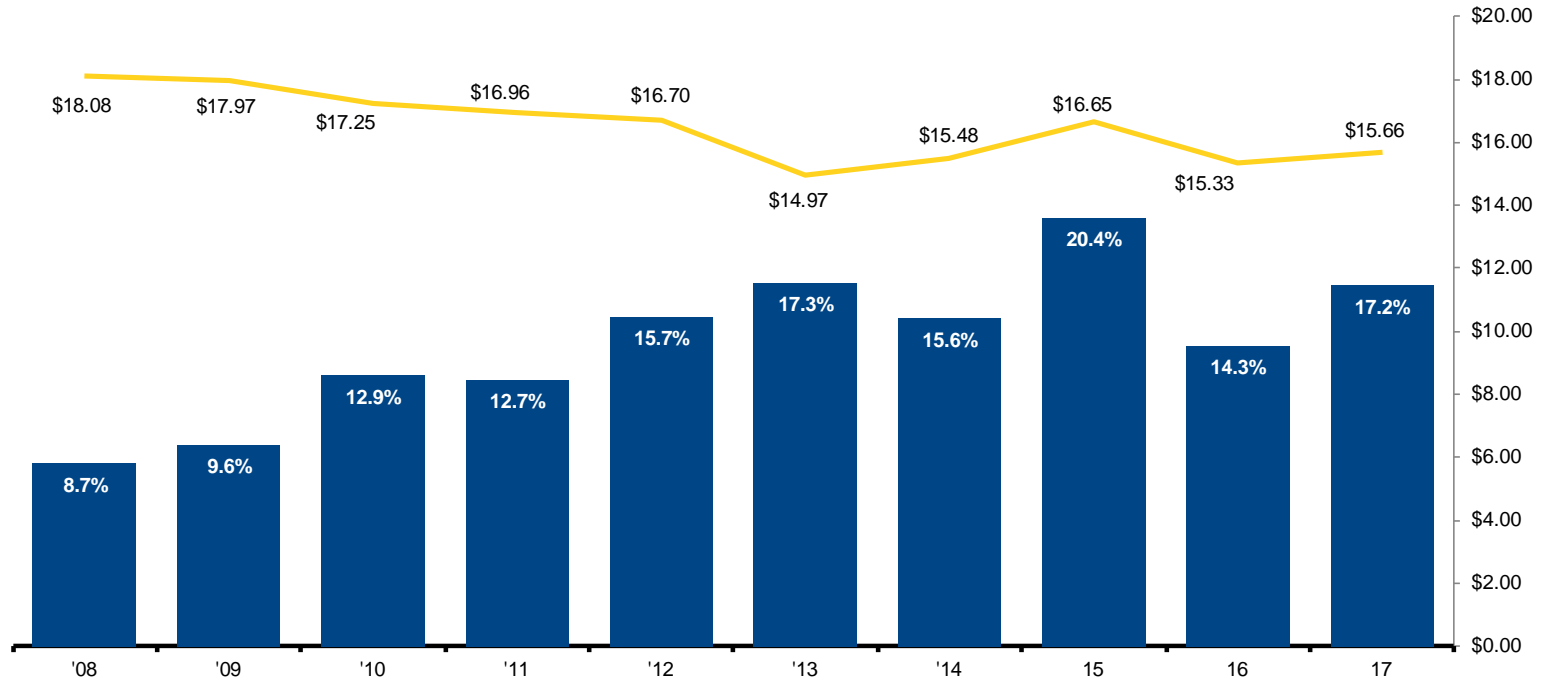
OFFICE SURVEY TRADE AREAS

-  **DOWNTOWN**
SURVEY SIZE: 432,500 SF
-  **E. LOHMAN**
SURVEY SIZE: 211,700 SF
-  **TELHOR**
SURVEY SIZE: 139,000 SF



Office Market Survey

LEASE RATES PSF & VACANCY PERCENTAGE BROAD MARKETS



BROAD MARKET	2013	2014	2015	2016	2017	16'-17%' change	14-17% change	14-17% Annual Avg. % Change	14-17 Period Avg
Lease Rate	\$14.97	\$15.48	\$16.65	\$15.33	\$15.66	2.18%	1.19%	0.39%	\$15.78
Vacancy Rate	17.3%	15.6%	20.4%	14.3%	17.2%	20.28%	10.26%	-6.35%	16.90%

■ Vacancy Rates

■ Lease Rates

Office Market Survey

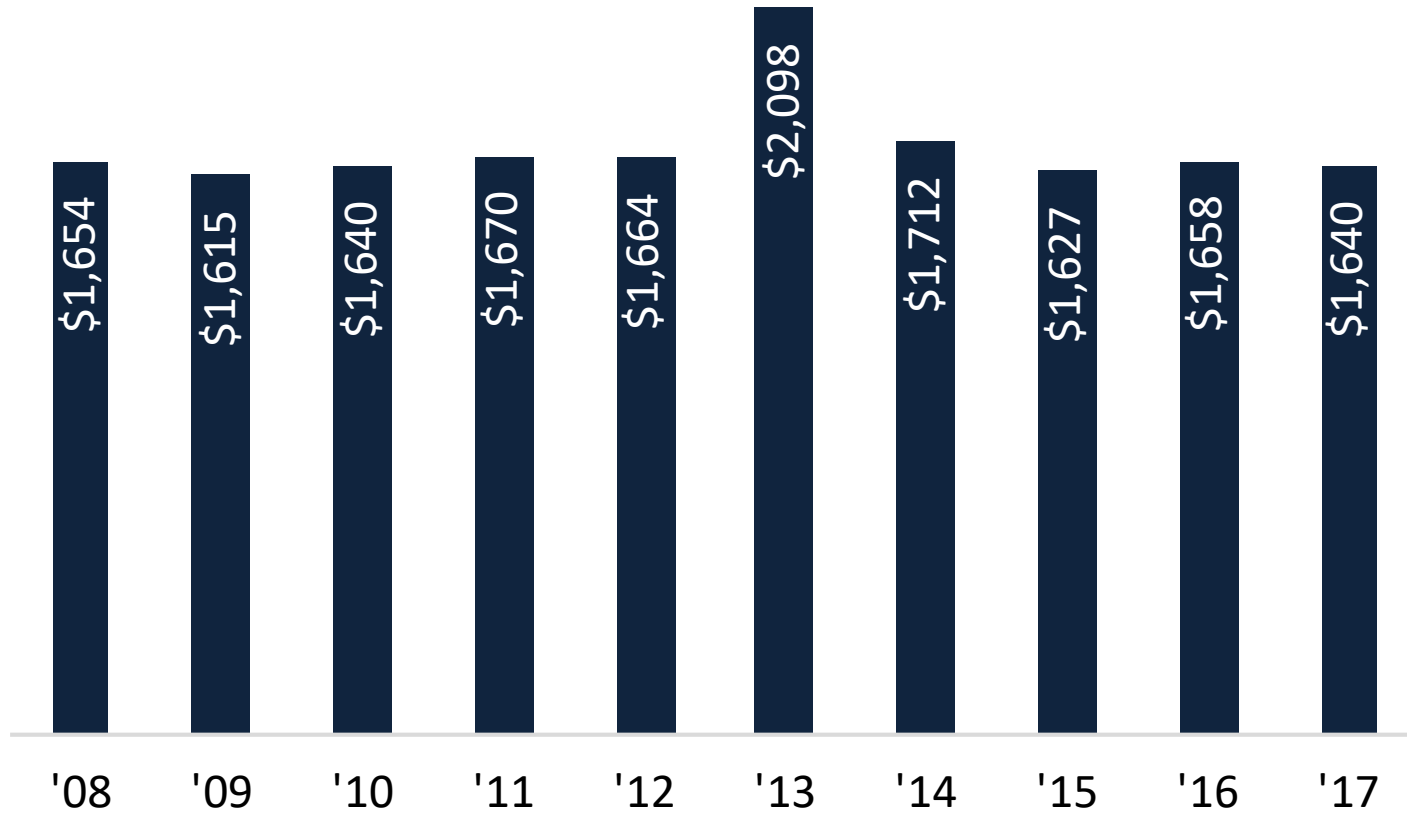
LEASE RATES PSF & VACANCY PERCENTAGE BROADMARKETS

SUB-MARKETS	2013	2014	2015	2016	2017	16-'17 % Change	14-'17 % Change	14-'17 Annual Average % Change	14-'17 Period Average
DOWNTOWN									
Lease Rate	\$14.97	\$15.18	\$13.36	\$14.25	\$14.67	2.95%	-3.36%	-1.14%	\$14.57
Vacancy Rate	19.30%	15.64%	23.20%	16.72%	15.2%	-8.88%	-23%	-0.86%	17.58%
TELSHOR									
Lease Rate	\$16.35	\$16.34	\$16.25	\$15.82	\$16.25	2.73%	-0.53%	-0.18%	\$16.17
Vacancy Rate	15.96%	18.16%	34.04%	27.93%	38.51%	37.89%	112%	25.07%	29.66%
E. LOHMAN									
Lease Rate	\$20.74	\$21.11	\$27.67	\$27.67	\$27.67	0.00%	33.41%	9.61%	\$24.30
Vacancy Rate	14.32%	8.14%	8.19%	1.37%	7.17%	-83.31%	-90%	-78.30%	8.00%

Retail Market Survey

TOTAL REPORTED RETAIL TRADE: (Las Cruces MSA)

Billions



Retail Market Survey

MARKET AVERAGE

ANCHORED SHOPPING CENTER*

	13	14	15	16	17	16-'17 % Change	13-'17 % Change	13-'17 % Ann Avg % Change	13-'17 Period Avg
Lease Rate	\$15.69	\$15.80	\$16.02	\$16.61	\$14.88	-10.42%	-5.16%	-1.16%	\$15.83
Vacancy Rate	4.35%	5.17%	7.67%	7.06%	7.94%	12.46%	82.53%	17.93%	6.96%

MARKET AVERAGE

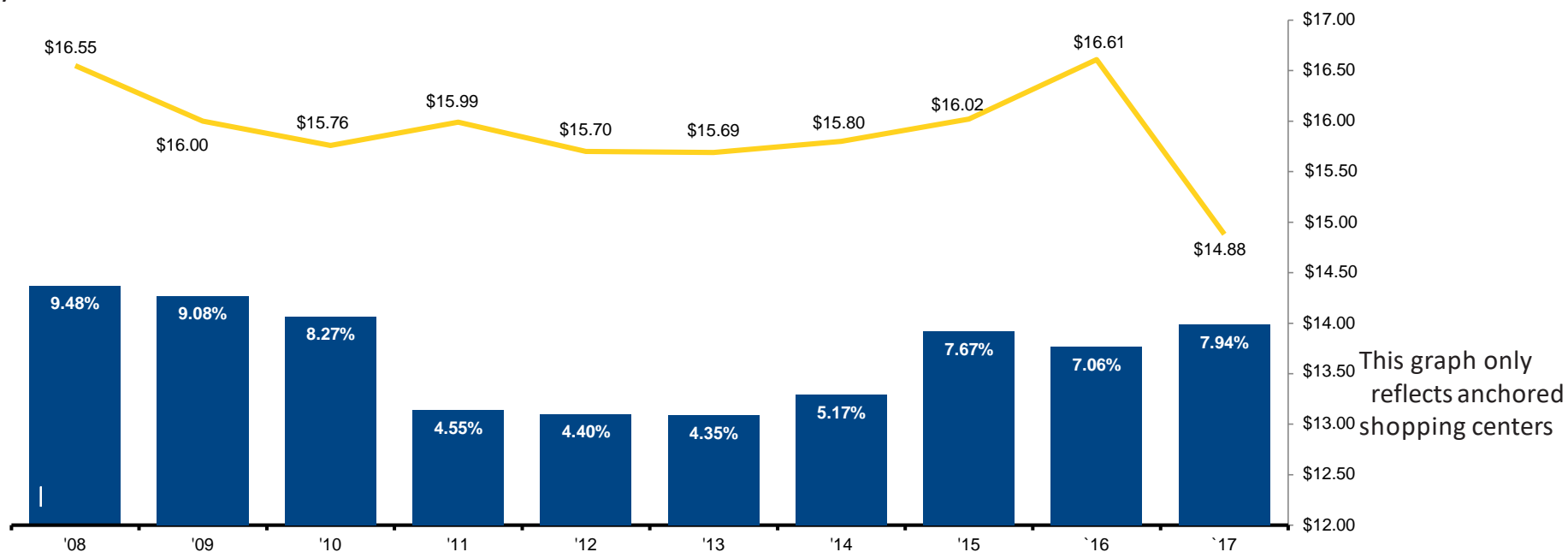
STRIP CENTERS

	15	16	17	16-'17	14-'17 % Change	14-'17 % Ann Avg % Change	14-'17 Period Avg
Lease Rate	\$18.21	\$17.75	\$20.54	15.72%	15.98%	5.34%	\$18.55
Vacancy Rate	13.00%	8.00%	8%	-2.67%	-51.33%	-19.96%	11.20%

RETAIL MARKET SURVEY AVERAGES: Lease Rates PSF & Vacancy Percentage (Anchored Centers)

Vacancy Rates

Lease Rates

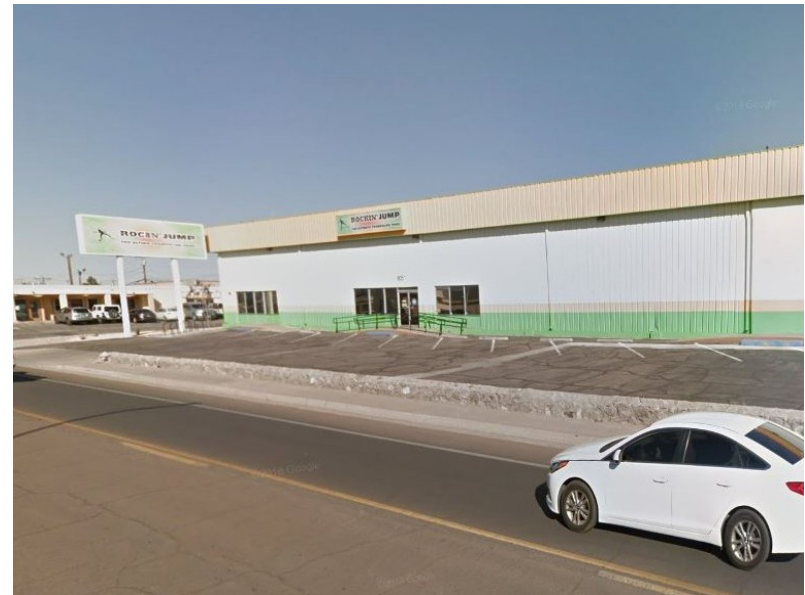


2017 Take-Aways



- ◇ Retail continues to adapt to national trends:
 - Alternative uses for mid box & big box properties in Las Cruces.
- ◇ Food users continue their rapid expansion, taking down quality real estate opportunities
- ◇ East Mesa
 - Housing starts in 2017 fueled some commercial construction. There remains a lack of demand from end users for land in the trade area.

Big Box Retail Continues to Evolve



- ◇ Fast Food and Beverage users expanding in Las Cruces
 - This trend will continue as the gap between dollars spent on eating out versus grocery store spending widens.



◇ East Mesa:

- New developments making progress
- Demand for commercial land in the trade area has remained relatively flat for the past several years





East Mesa



2017 Year In Review

- ◇ CAP Rates start to see upward pressure in the 4th Quarter of 17'
- ◇ Las Cruces remained flat in many economic areas compared to our region as a whole
- ◇ Medical continued to expand into major retail corridors

What's Next?

- Will New Mexico and Las Cruces heat up economically the same way the rest of the country has?
- Multiple Big Box Opportunities on the horizon. Finding alternative uses could prove challenging.
- The market for quality industrial space is tight. This should lead to some new growth in that sector.
- CAP Rates will continue to experience upward pressure as the Fed raises interest rates.
- Medically related Real Estate will continue its expansion for the foreseeable future. Market demographics position Las Cruces well to recruit and expand medical services for many years.

Thank You!