

COMMERCIAL REAL ESTATE MARKET OVERVIEW



NAI 1st Valley

Presented by:
Jake Redfearn
Principal

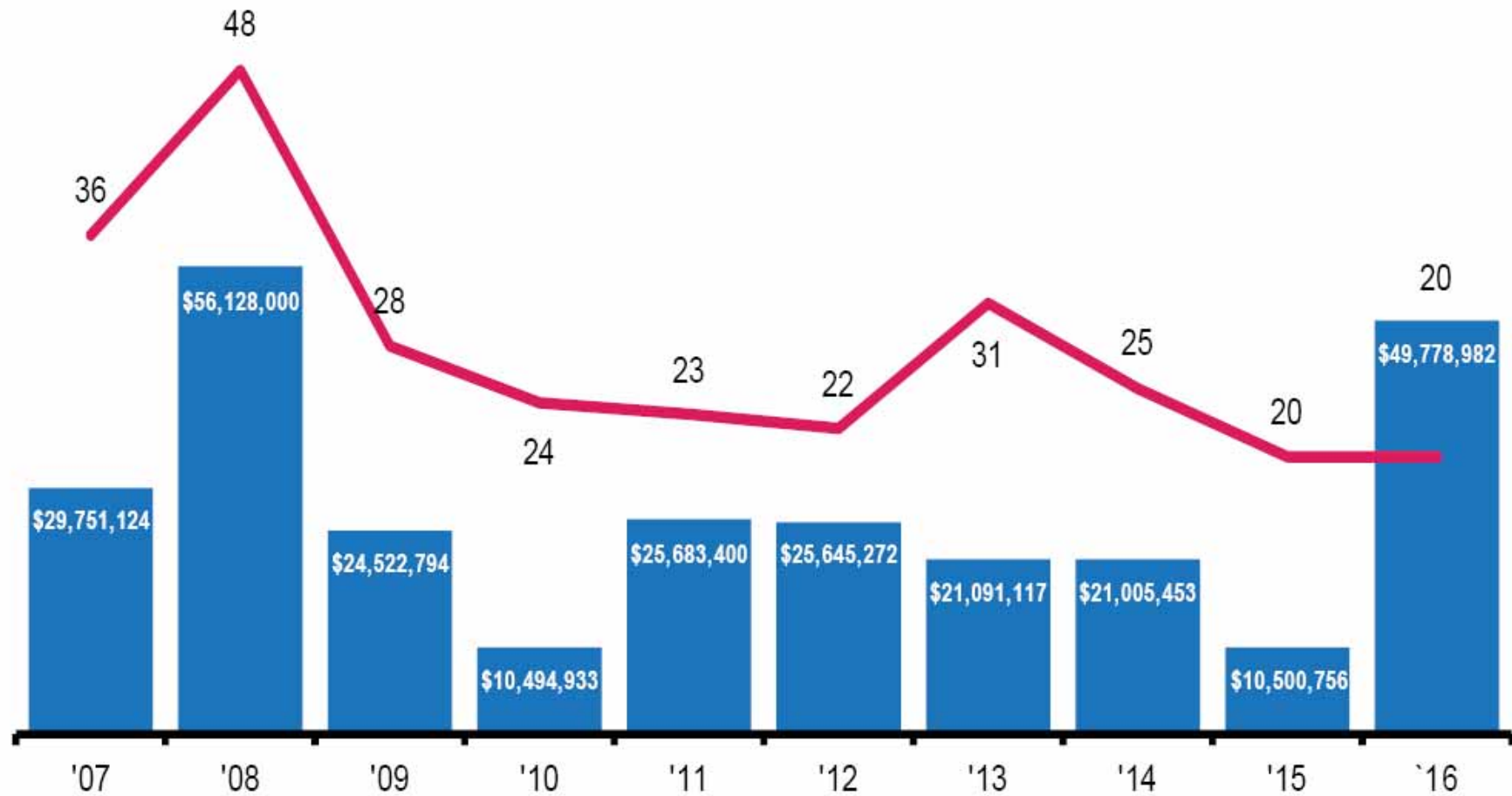
Overview

- ◇ **Multi-Family, Office, & Retail Market Survey**
- ◇ **2016 - A Look Back**
- ◇ **Around the Corner in 2017 and Beyond**



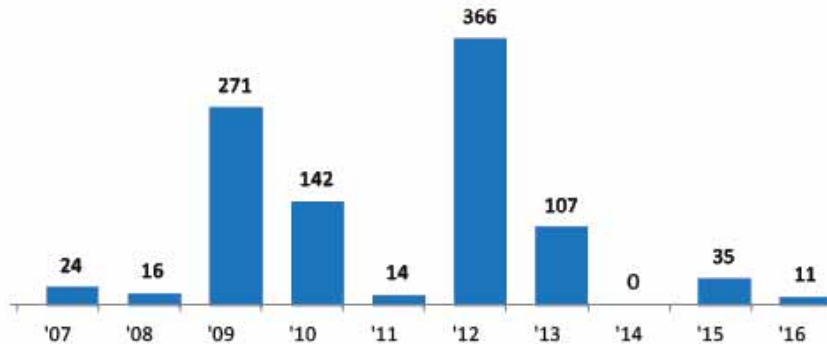
New Commercial Construction

■ Value of Permits ■ Number of Permits

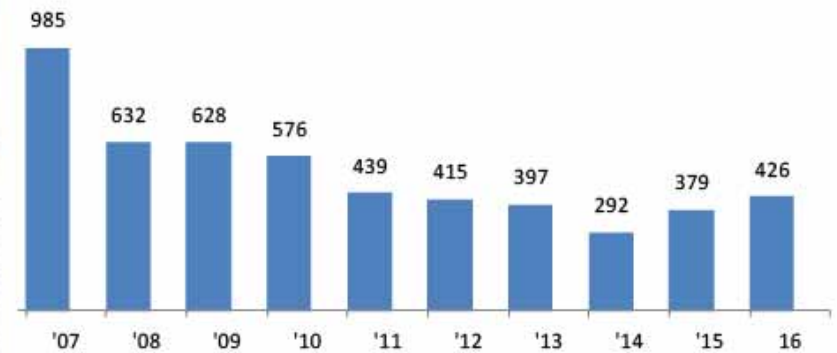


Multi-Family Market Survey

NUMBER OF PERMITTED MULTI-FAMILY UNITS



NUMBER OF PERMITTED SINGLE FAMILY UNITS



Source: City of Las Cruces



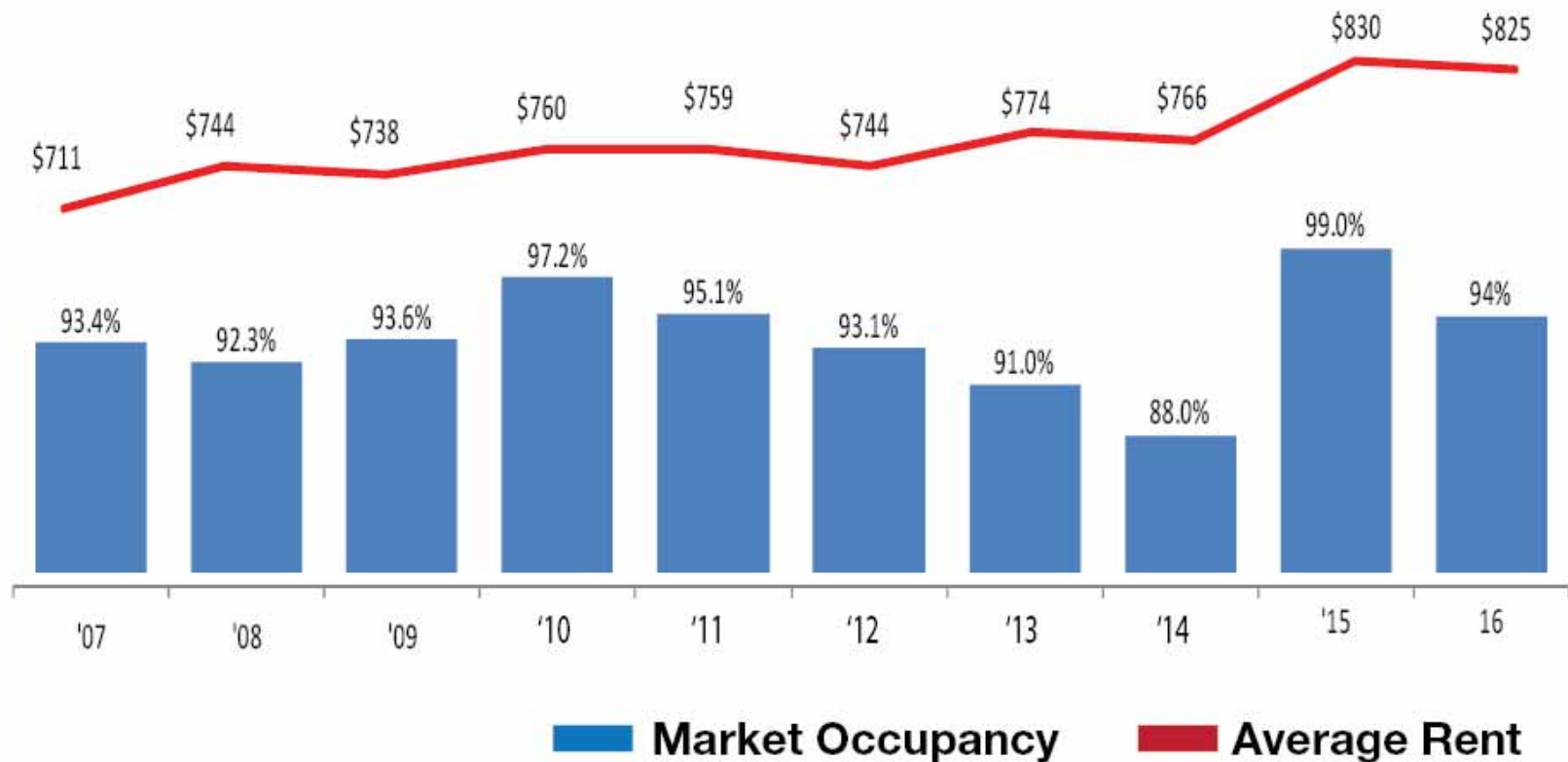
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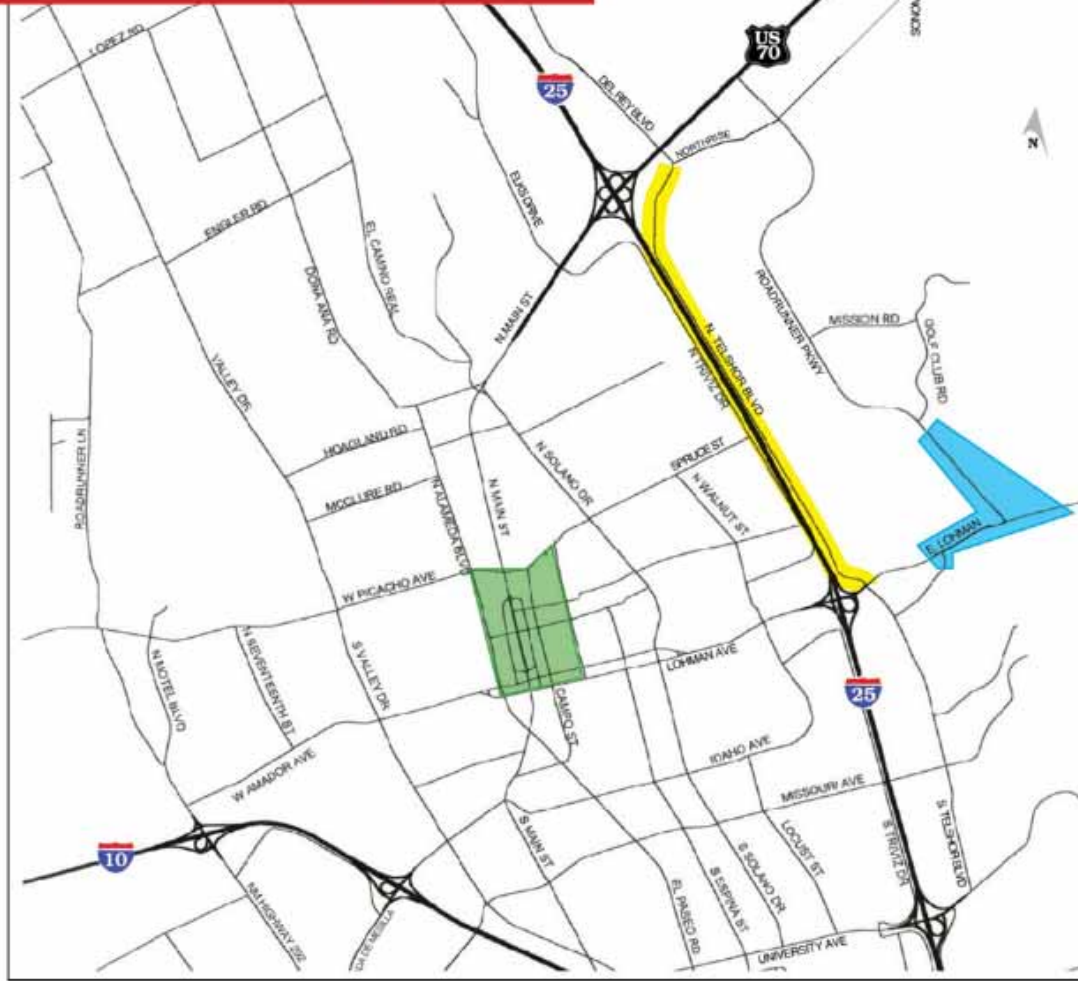
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Multi-Family Survey

MARKET PERFORMANCE	2011	2012	2013	2014	2015	2016	15-16 % Change	13-16 % Change	13-16 Per. Ann Avg % Change
Avg Rent	\$760	\$744	\$774	\$766	\$830	\$825.22	-0.58%	6.65%	3.39%
Avg Rent PSF	\$0.82	\$0.82	\$0.83	\$0.82	\$0.77	\$0.84	9.09%	1.20%	4.55%
Mkt Occup	95.10%	93.10%	91.00%	88.00%	99.00%	93.75%	-5.31%	3.02%	-2.65%



OFFICE SURVEY TRADE AREAS



DOWNTOWN
Survey Size: 432,500 SF

TELSHOR
Survey Size: 139,000 SF

E. LOHMAN
Survey Size: 211,700 SF

Office Market Survey

LEASE RATES PSF & VACANCY PERCENTAGE BROAD MARKETS



BROAD MARKET	'12	'13	'14	'15	'16	'15-'16 % Change	'13-'16 % Change	'13-'16 Ann Avg % Change	'13-'16 Period Avg
Lease Rate	\$16.70	\$14.97	\$15.48	\$16.65	\$15.33	-7.93%	2.40%	0.79%	\$15.61
Vacancy Rate	15.7%	17.3%	15.6%	20.4%	14.3%	-29.90%	-17.34%	-6.35%	16.90%

■ Vacancy Rates

■ Lease Rates

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Office Market Survey

LEASE RATES PSF & VACANCY PERCENTAGE BROAD MARKETS

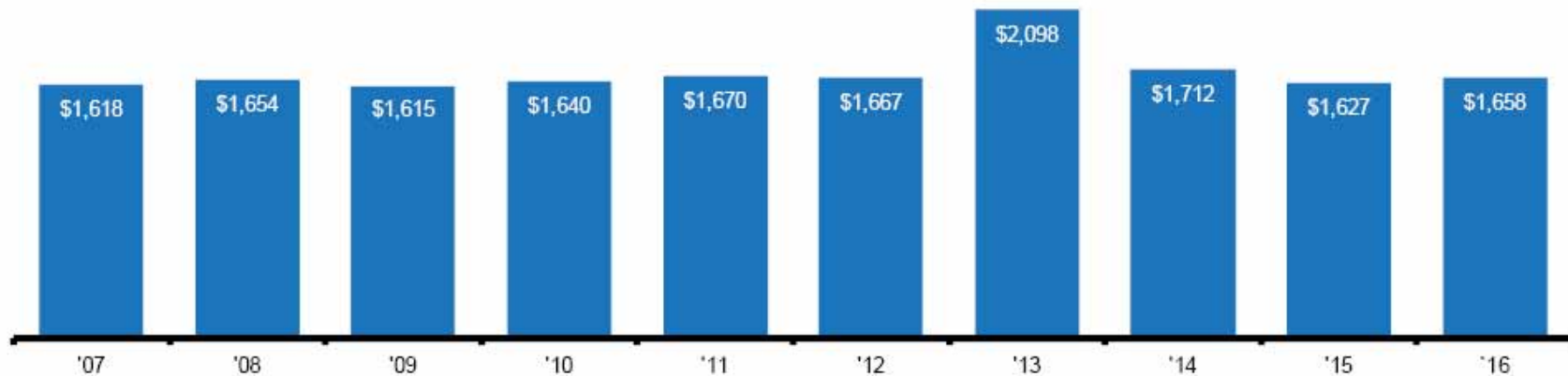
SUB-MARKETS	'12	'13	'14	'15	'16	'15-'16 % Change	'13-'16 % Change	'13-'16 Ann Avg % Change	'13-'16 Period Avg
DOWNTOWN									
Lease Rate	\$14.24	\$14.97	\$15.18	\$13.36	\$14.24	0.47%	-4.83%	-1.65%	\$14.64
Vacancy Rate	19.70%	19.30%	15.64%	23.20%	16.22%	-30.10%	-18%	-5.72%	18.58%
TELSHOR									
Lease Rate	\$17.09	\$16.35	\$16.34	\$15.82	\$15.82	0.00%	-3.21%	-1.09%	\$16.08
Vacancy Rate	12.28%	15.96%	18.16%	19.79%	27.93%	41.13%	75%	18.65%	20.46%
E. LOHMAN									
Lease Rate	\$24.68	\$20.77	\$21.11	\$27.67	\$27.67	0.00%	33.24%	9.57%	\$24.31
Vacancy Rate	9.57%	14.40%	13.93%	8.19%	1.37%	-83.31%	-91%	-78.49%	9.47%

Retail Market Survey

TOTAL REPORTED RETAIL TRADE: (Las Cruces MSA)

Billions

Percentage Change '07-'16 : 2.47%



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Retail Market Survey

MARKET AVERAGE ANCHORED SHOPPING CENTER*

	'12	'13	'14	'15	'16	'15-'16 % Change	'12-'16 % Change	'12-'16 Ann Avg % Change	'12-'16 Period Avg
Lease Rate	\$15.70	\$15.69	\$15.80	\$16.02	\$16.61	3.71%	5.82%	1.43%	\$16.03
Vacancy Rate	4.40%	4.35%	5.17%	7.67%	7.06%	-7.95%	60.45%	13.71%	6.06%

MARKET AVERAGE (STRIP CENTERS)

	'14	'15	'16	'15-'16	14-'16 % Change	14-'16 Ann Avg % Change	14-'16 Period Avg
Lease Rate	\$17.71	\$18.21	\$17.75	-2.53%	0.23%	0.15%	\$17.89
Vacancy Rate	16.00%	13.00%	7.79%	-40.10%	-51.33%	-29.43%	12.26%

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

■ Vacancy Rates ■ Lease Rates

This graph only reflects anchored shopping centers



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2016 Review

- ◇ **Lohman/Telshor:**
 - **Continues to be ground zero for retail development or redevelopment opportunities**
- ◇ **N. Telshor Develops Out**
- ◇ **East Mesa**
 - **Sees incremental growth; largely slowed by lack of population growth & slow housing starts**

2016 Review

- **NEW Planet Fitness, Rudy's BBQ, New Hotel, Sportsman's Warehouse, and Comfort Suites drive up land values in the area.**



2016 Take-Aways

◇ East Mesa:

- **The Game II Sports Bar is NOW OPEN**
- **Big-O Tires Built & Open**
- **Wendy's Under Construction**
- **Several deals completed with national users; construction commencing in the next 120-150 days**



2016 Take-Aways

- ◇ **The Nature of Retail is Changing:**
 - **Entertainment & Service based concepts expanding. (*Top Golf, Crunch Fitness, Rock & Jump, Alamo Draft House*)**
 - **This trend will have an effect on investments in retail real estate**



TOPGOLF



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2016 Year In Review

- ◇ **CAP Rates continue to hold steady as interest rates see slight increases**
- ◇ **El Paso's Growth will positively impact Las Cruces**
- ◇ **Sluggish areas of years past are beginning to be rejuvenated**

What's Next?

- Population growth continues to be a key indication for commercial users looking in the Las Cruces market.
- Fast-Food and Sit Down Restaurants continue their aggressive expansion plans.
- 2017 and into 2018 under utilized properties in the Lohman/Telshor area will be redeveloped into new chains.
- 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!