

COMMERCIAL REAL ESTATE **MARKET OVERVIEW**



NAI 1st Valley

Presented by:
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Principal

Overview

- Update on the local CRE Drivers in Las Cruces
- Retail & Office
- Industrial
- Multi-Family
- Investment Sales



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Local CRE Update



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CRE Drivers...A Mixed Bag

- New Housing Permits Continue to Rise
 - Low of 292 (2014) High of 1,535 (2006)
- Existing Home Sales Remain Strong which creates a strong rental market
- Retirees moving to Las Cruces appears to be back in full swing.
- New Industries in Dona Ana County present significant opportunity
- Major Employers in the Mesilla Valley are stagnant with the exception of medically related fields
- Strong CRE demand in major markets coupled with a healthy national economy drives investment

Changing Nature of Retail

- Internet Sensitive Retail Concepts Continue to fail...bankruptcies challenge new development as tenants vacate existing space.
- Service based retail remains relatively strong across the country and Las Cruces.
- Medical, Fitness Gym's and other "non-traditional" retail uses are taking space in otherwise traditional retail centers
- Anchors for retail development are evolving to more entertainment based concepts.

Retail Ctd.

- Glut of Mid-Box and Big-Box Retail in Las Cruces. “Retail is not over built, it is under demolished”:
- Alternative uses for these opportunities require us to think outside the box.
- Some of the potential alternative uses are being impacted by policy.
- El Paso’s continued growth on the west side impacts local tenant opportunities

Retail/Flex Opportunities in Las Cruces



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Food and Beverage Users Will Continue to Expand



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Office Market Overview

- Non-Medically related office has been flat year over year since the recession.
- Most sub-markets are seeing tenants trade spaces, very little new users in the market.
- Specific corridors within Las Cruces are beginning to see upward pressure on rental rates.
- Lack of “Class A” office in Las Cruces could warrant new office development.
- Weakening back office user demand will create larger vacancies

Medical Drives Office Demand

Demographic of the population growth would support this trend continuing.

There is still opportunity to backfill existing medical office vacancies but the supply is dwindling.



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Industrial Market

- In 2018 we saw an improved industrial market. Local tenants feeling strong about the housing market and national economy moved from older, obsolete buildings to more modern facilities.
- By the end of 18' and into 19' the mood changed as national retail continued its slide and trade war discussion at the federal level dampened expansion plans.
- Appx. 175k-200k SF of Class A and B space is on the market today.

New Industries Impacting Industrial Real Estate



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Investment Sales

- Arguably the most active segment of the local market.
- Low Interest Rates and Strong CRE metrics in major markets is pushing capital to tertiary markets.
- Investment Sales are strongest in single tenant NNN deals but remain strong in other segments such as apartments and storage facilities.
- Investment sales in retail dominated centers continue to see upward pressure on CAP rates.
- Fast-Food and Restaurant investment deals are more attractive then ever.

Thank You!

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