

ALBUQUERQUE | RETAIL & RETAIL INVESTMENT

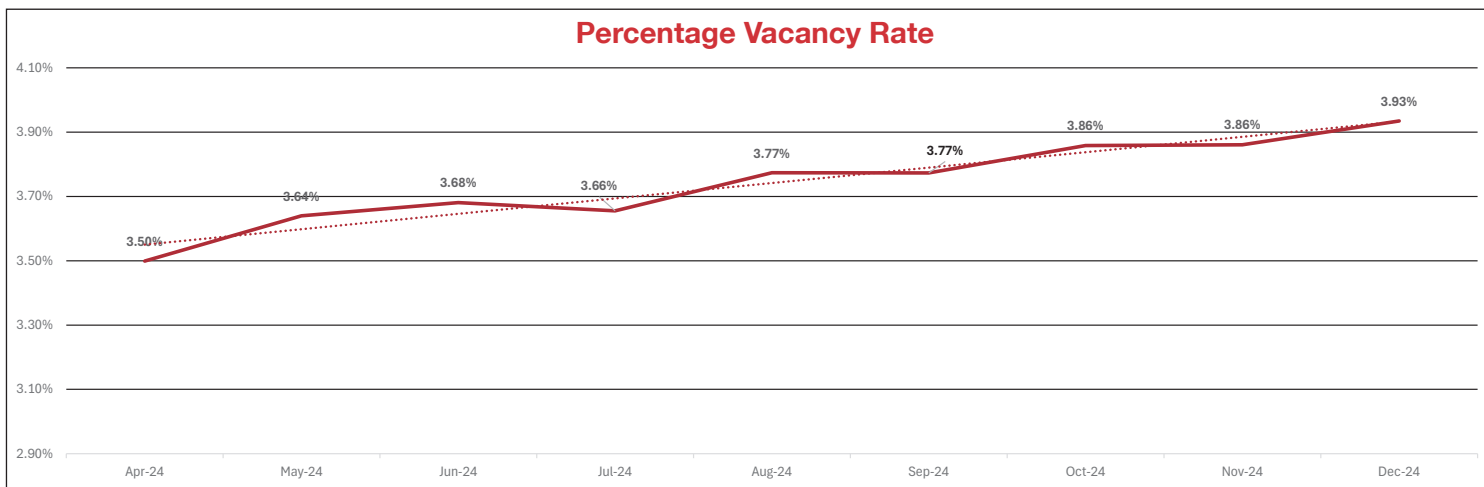
Q4 '24 Recap and 2025 Market Outlook: What's Next?

The fourth quarter of 2024 brought a handful of notable occurrences that have and will continue to affect the commercial real estate market: The election of Donald Trump as the next President of The United States, two additional .25% cuts to the federal funds target rate, a 100 bps rise in the 10-year treasury rate, and several bankruptcy/store closure announcements from national retailers.

While Albuquerque generally remains insulated from the major highs and lows experienced in primary and secondary markets, the effects are not entirely unnoticeable in The Duke City. Conn's and Walgreens announced store closures in Q4 of '24, with Conn's locations on Albuquerque's Westside becoming available for lease and three Walgreens East of the River now available for lease.

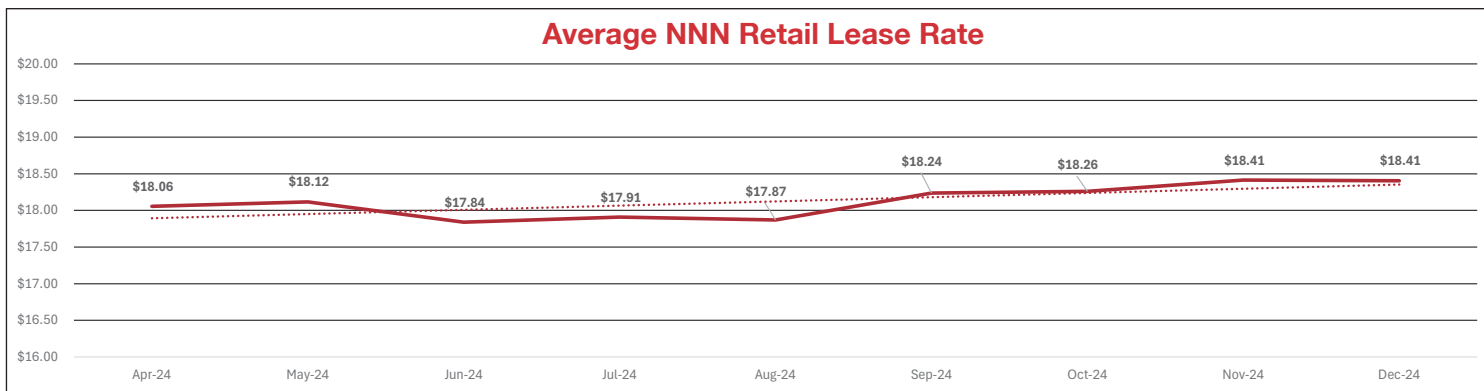
Despite rising vacancies (primarily comprised of big-box spaces), well-positioned retail spaces under 3,000 square feet are in high demand from national and local tenants, especially those available West of the River and North of I-40 on the Eastside. Food/Beverage and service-based retailers are the most active tenants in terms of space absorption. By and large, spaces with existing restaurant infrastructure are incredibly desirable, not only because of the increase in consumer spending in the food/beverage category but also because of the time and capital necessary to convert a non-restaurant space.

Percentage Vacancy Rate



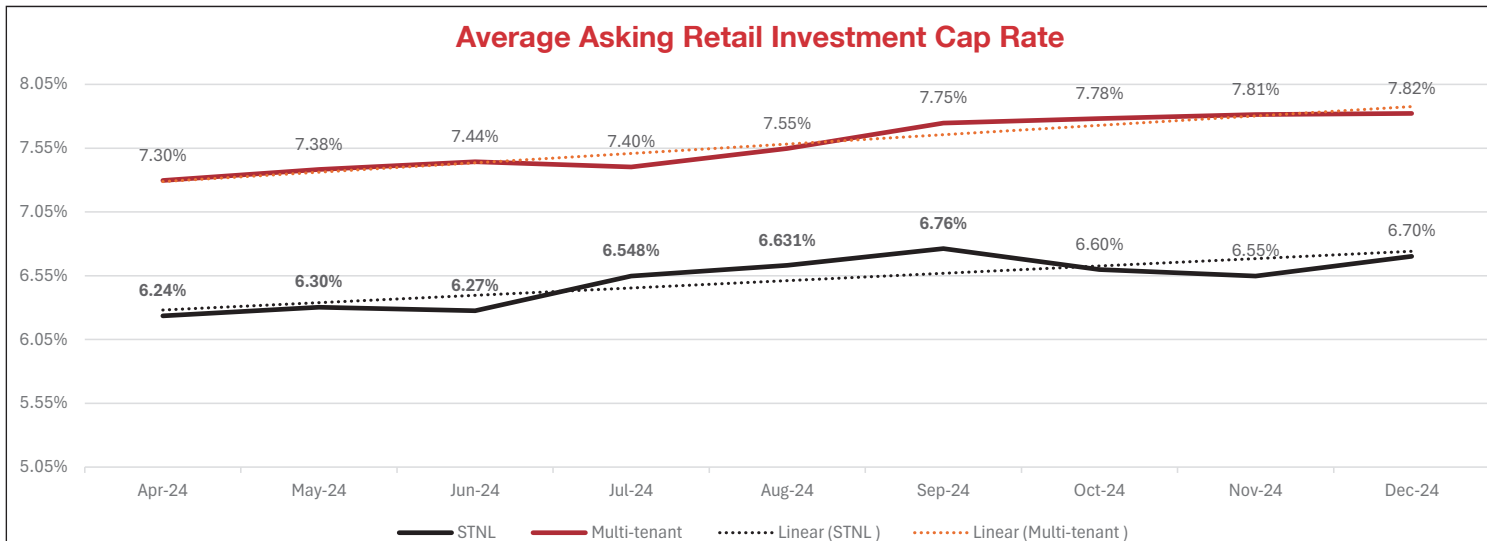
Retail spaces West of the Rio Grande River come with higher prices per square foot regarding lease rates. This is primarily due to the Westside having stronger demographics, significantly more residential growth, and more modern construction than the Eastside of Albuquerque – In turn, it is much more common for landlords to achieve NNN rents in the \$30+/per square foot range West of the Rio Grande.

Average NNN Retail Lease Rate



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Average Asking Retail Investment Cap Rate



Both anchored & unanchored retail centers remain a desirable asset class for investors. Core plus retail assets have been the most common to come across in the Albuquerque market in recent quarters, which often have medium to high-quality tenants and slightly inferior locations. Core investments, which feature stronger locations and less volatile tenants, have been more common in Albuquerque with STNL opportunities. Even with a steady rise in cap rates, the number of Single Tenant Net Lease and multi-tenant retail opportunities available in Albuquerque have increased considerably over the last several quarters, a trend I expect to continue into 2025.

December of '24 was a strong month for large multi-tenant retail transactions; two grocery-anchored retail centers were transacted, and one unanchored multi-tenant retail property was purchased, all by different local buyers. Each of these sold properties are pictured below and right.

