



**NAIOP**

# Industrial & Office Market Update



November 15<sup>th</sup>, 2010

# Panel Introductions

- Moderator – Terri Dettweiler, SIOR
- Industrial – Tim MacEachen, CCIM, SIOR
- Office – Dan Newman, SIOR



# Why SIOR?

- **Comprehensive Commercial Real Estate Network**
- **Distinction that Increases Bottom Line**
- **Exceptional Professional Development**
- **Strict Code of Ethics**



# What Differentiates an SIOR

- **Depth of Expertise**
- **5 Years Minimum Experience**
- **Industry-educated, Ethically Driven  
& Respected**
- **Only 19 SIOR's in New Mexico**



# NM SIOR Chapter Members

## Industrial

- **Brad B. Allen, SIOR, CCIM**
- **Vic Bruno, SIOR**
- **Jim Chynoweth, SIOR**
- **Rich Diller, SIOR, CCIM**
- **Terry Johnson, SIOR, CCIM**
- **Tim MacEachen, CCIM, SIOR**
- **Randy McMillan, SIOR, CCIM**
- **Walter Skowronski, SIOR**
- **Jim Smith, CCIM, SIOR**

## Office

- **Walt Arnold, SIOR, CCIM**
- **Terri Dettweiler, SIOR**
- **Daniel Newman, SIOR**
- **Debbie Harms, SIOR, CCIM**
- **Karen Hudson, SIOR, CCIM**
- **Trudy Jones, SIOR, CCIM**
- **John R. Ransom, CCIM, SIOR**
- **Scott Throckmorton, SIOR**
- **Tim With, CCIM, SIOR**

## Developer

- **Angelo Brunacini, SIOR**



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# Truth . . .



# Historical Perspective

## What Ended?

- The Great Recession Actually Ended
- Commercial Property Not So Much

## In 2008 We Predicted

- 2:32pm, June 24, 2010

## In 2009 We Said "Stay Tuned"

- Critical Benchmarks
  1. Employment
  2. GDP
  3. Consumer Confidence
  4. Capital on the Sidelines
  5. Availability of Financing

**Jobs!**



# Agenda

- Industrial & Office
- Key Statistics
- Major Deals in 2010
- Financing
- Forecast





# Key Stats

**Albuquerque & Rio Rancho**



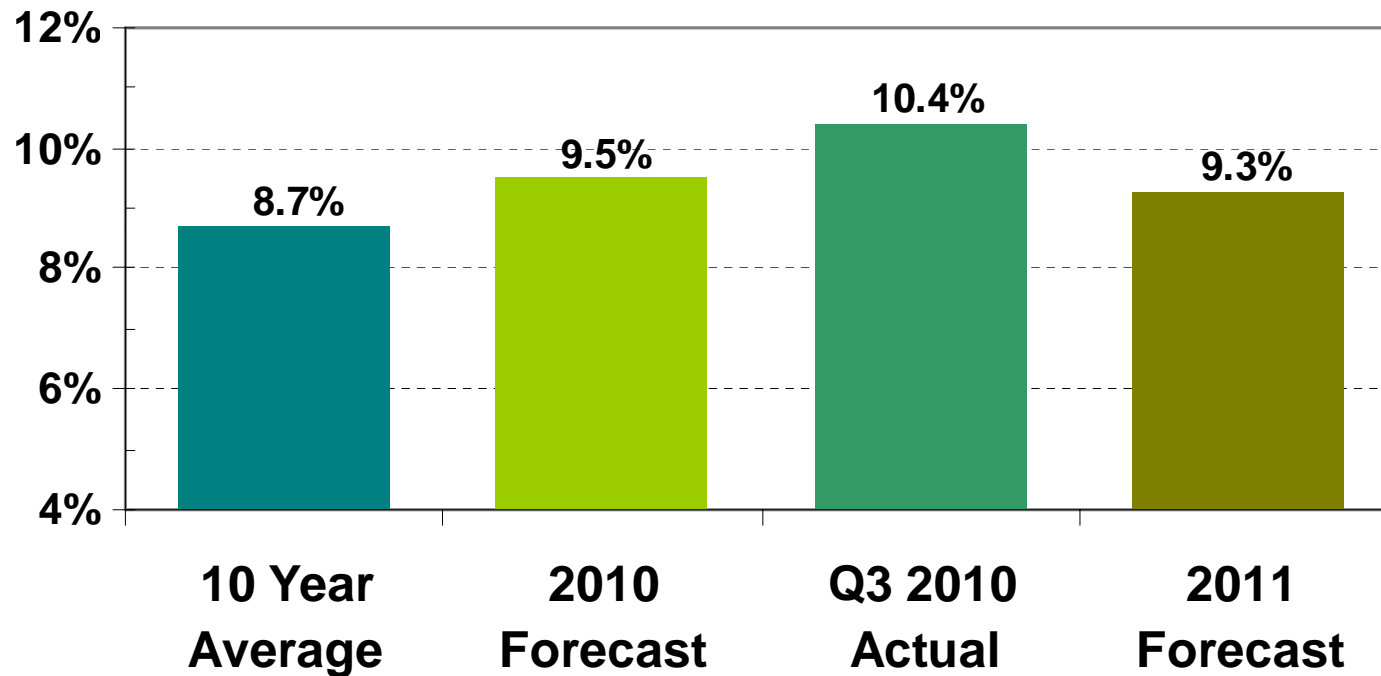
**Courtesy of Grubb & Ellis | New Mexico**

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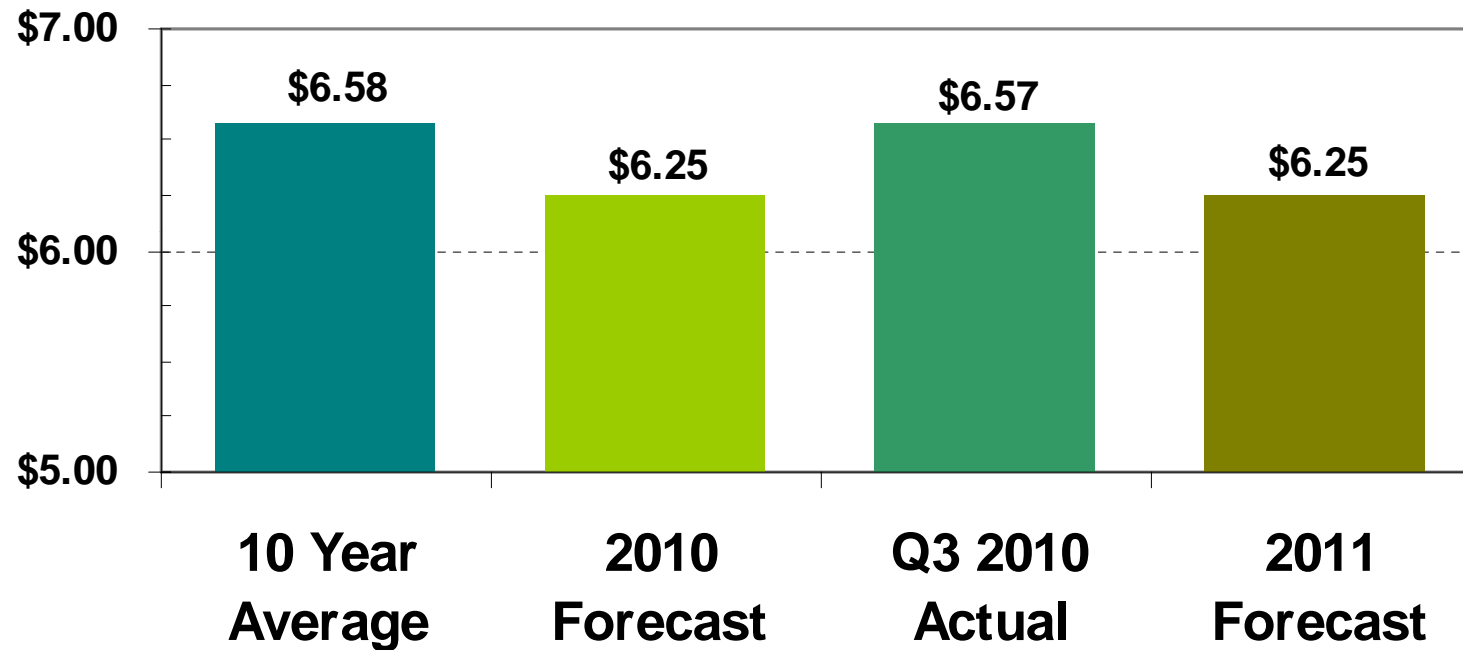
# SIOR Crystal Ball



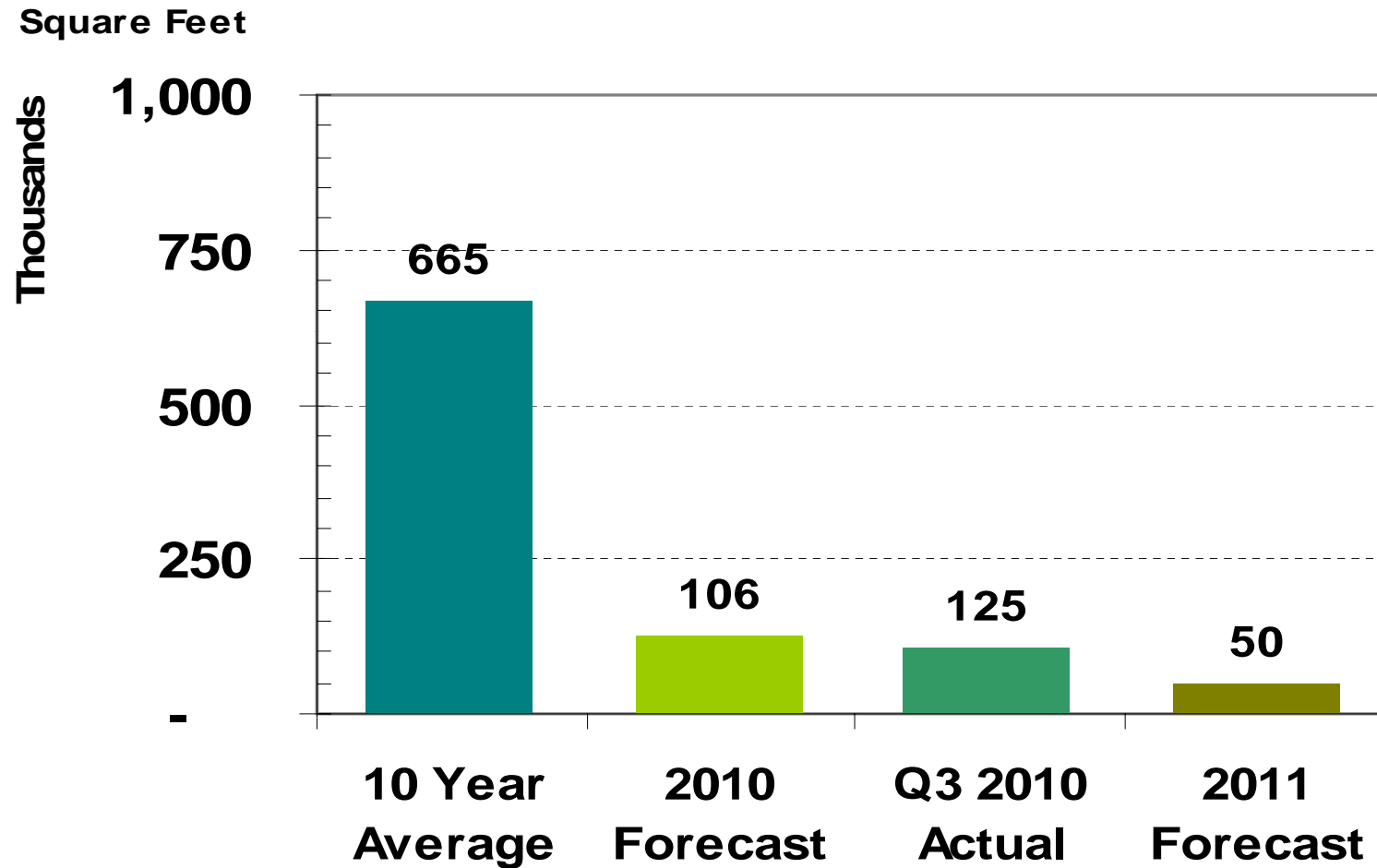
# Industrial Vacancy



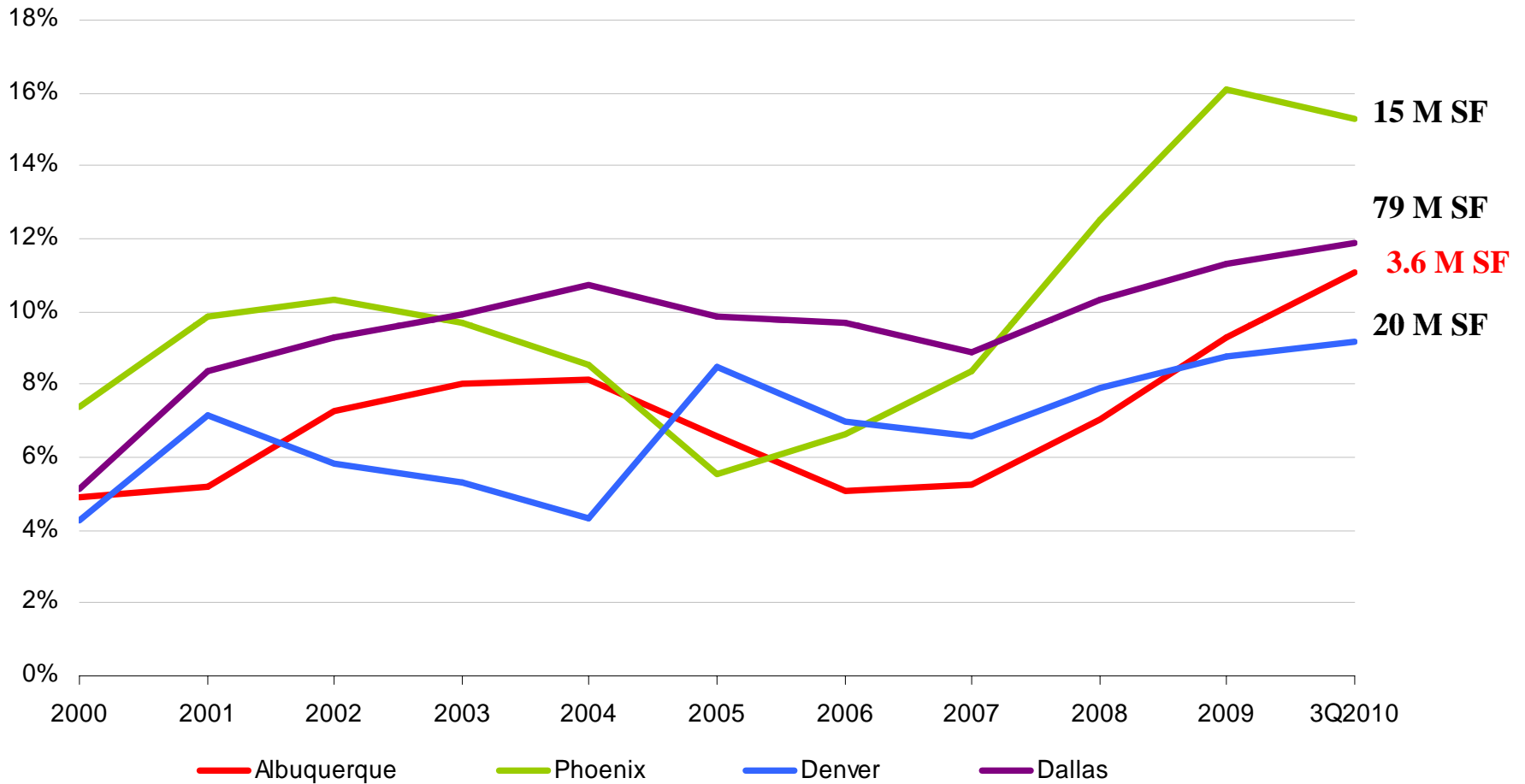
# Industrial Asking Rates



# Industrial Construction Completions



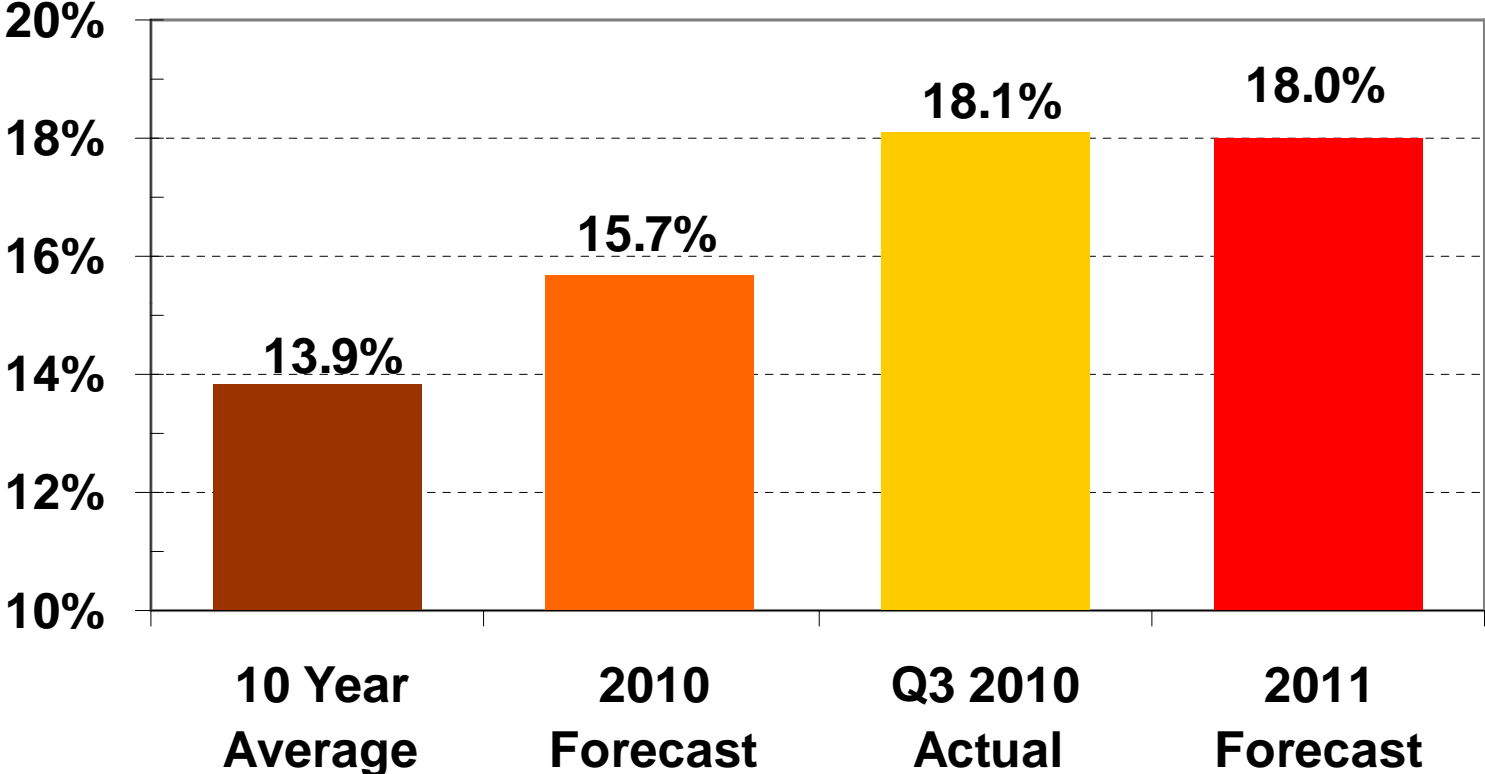
# Regional Industrial Vacancy



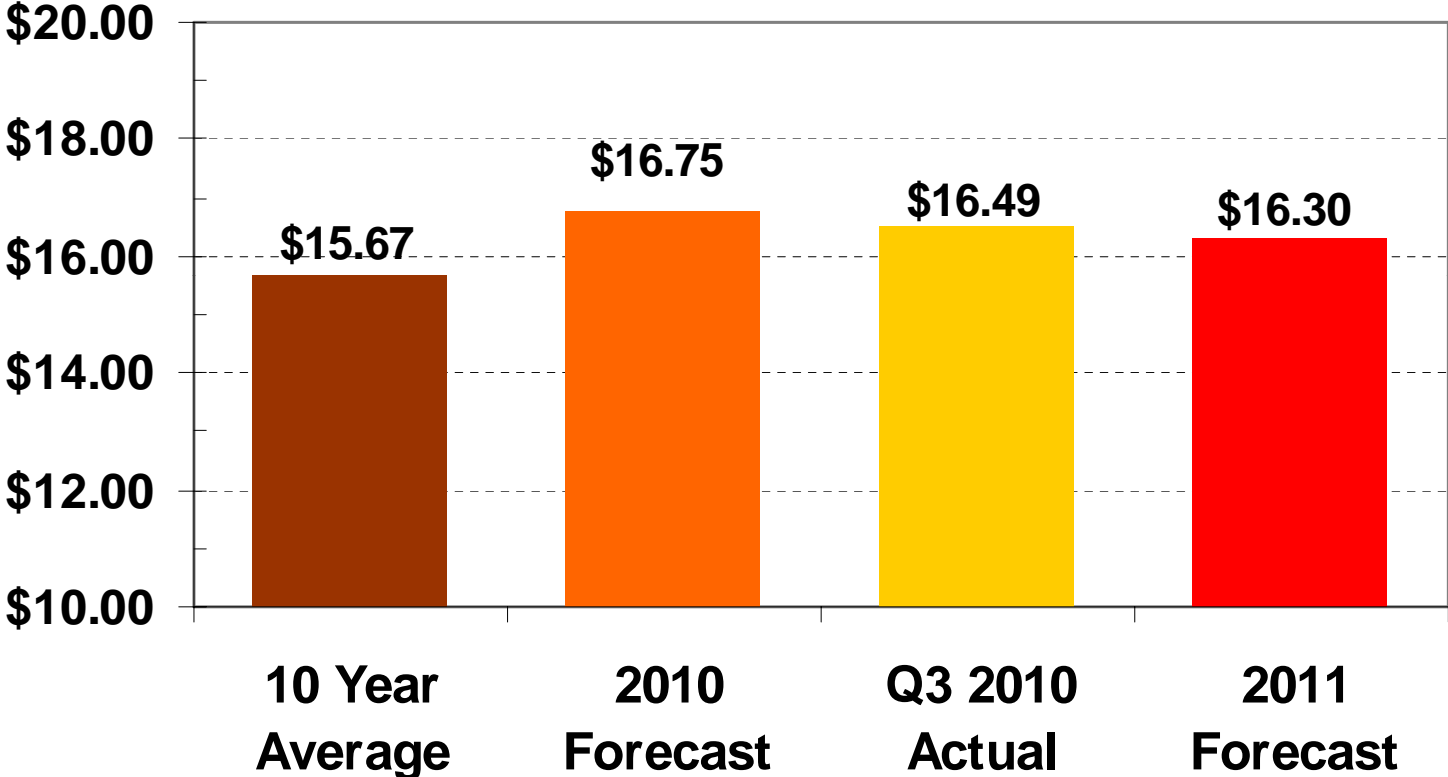
Source: CB Richard Ellis MarketViews



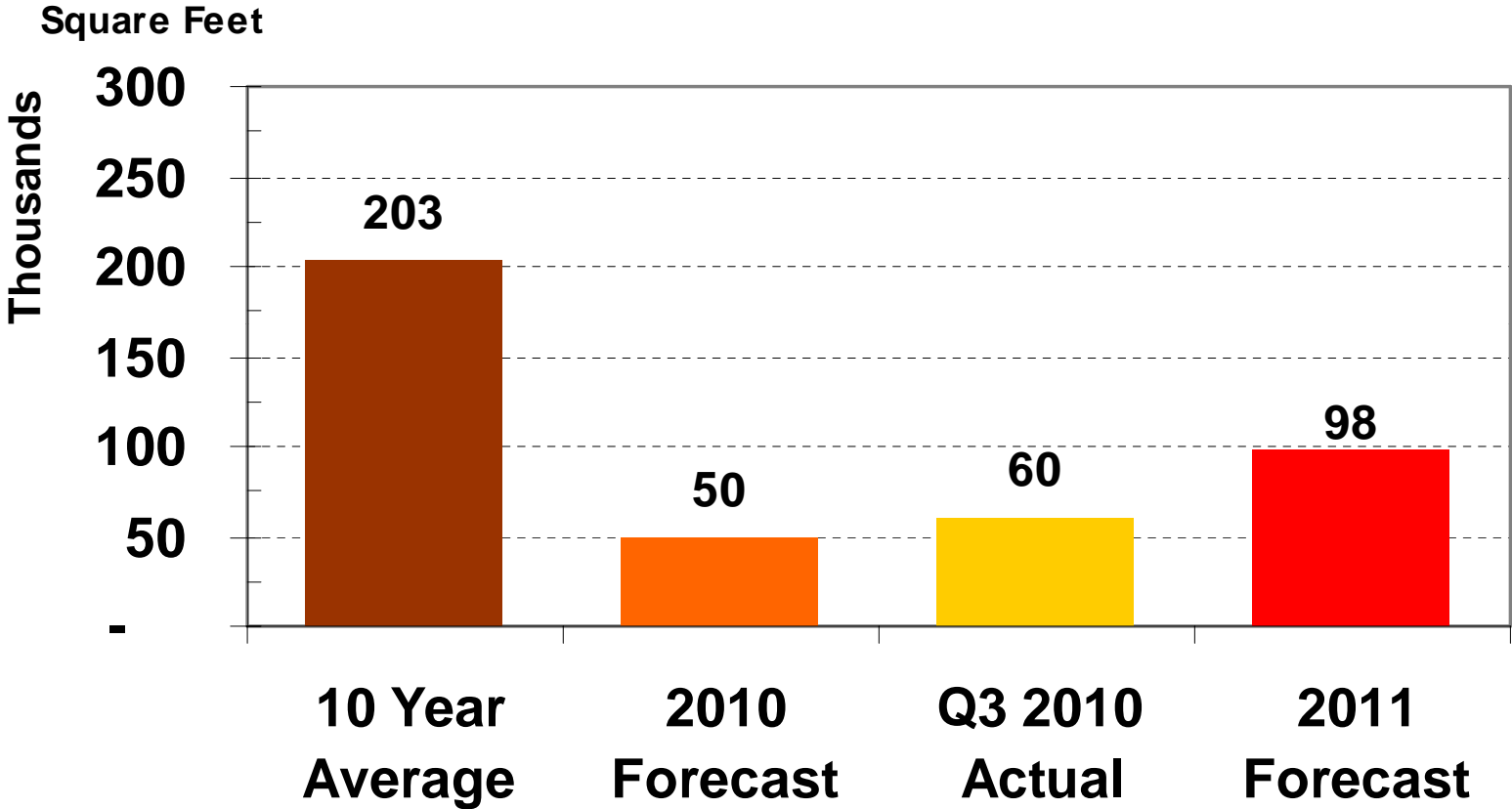
# Office Vacancy



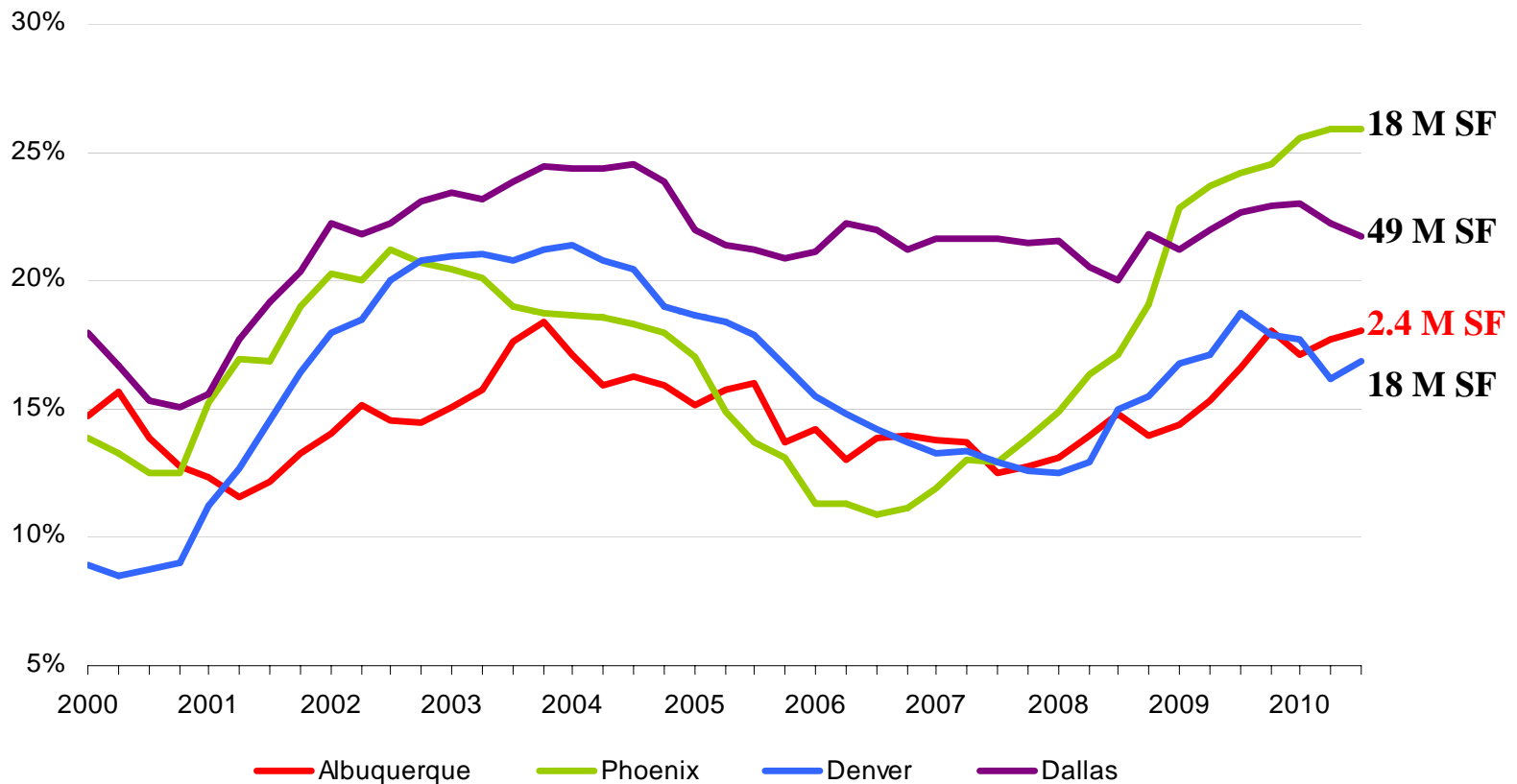
# Office Asking Rates



# Office Construction Completions



# Regional Office Vacancy



Source: CBRE - Econometric Advisors  
 CB Richard Ellis MarketViews





# Deals



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# Top Industrial Lease Deals



5600 University Blvd SE

MSR - FSR  
45,892 SF

CFV Solar Test Laboratory  
27,874 SF



# Top Industrial Lease Deals



4311 Sara Rd SE  
The ASK Academy  
24,111 SF



500 Broadway SE  
Creamland Dairy  
24,500 SF



*Expect more.*

Society of Industrial & Office Realtors®

# Top Office Lease Deals



U.S. Forest Service  
4000 Masthead NE  
98,720 SF



Outcomes, Inc.  
7850 Jefferson NE  
19,096 SF



Breathe America  
4901 Lang NE  
9,155 SF



# Top Industrial Sales



CNM  
4700-4800 Alameda Blvd NE  
247,000 SF



Array Technologies  
3901 Midway PI NE  
49,097 SF



# Top Industrial Sales



Former Midnight Rodeo  
4901 McLeod NE  
31,100 SF



Former Gerald Martin Contractors  
8501 Jefferson St NE  
15,147 SF



# Top Office Sales



First Family Church  
Copper Pointe  
10500 Copper Ave NE  
77,245 SF



Heritage Home Health  
3721 Rutledge NE  
36,000 SF



# Top Office Sales



Charter School Property Solutions  
4012 4<sup>th</sup> St NW  
19,579 SF



Charter School Property Solutions  
1325 Palomas SE  
26,000 SF





# Financing



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# Financing Trends

## Bank Perspective

- Real Estate Exposure No More than 300% of Reserve Capital
- Has Become a Hard & Fast Rule
- As Banks Get Closer to 300%, Motivation to Clean Up Problem Loans Increases & Ability to Renew or Make New Loans Decreases



# Financing Trends

## Borrower Perspective

- **Bank Lending Is Going to Feel Like It Did in the Late 1990's**
- **More Equity Required, 30% – 35%**
- **Spreads 300 bp over Treasury**
- **Strong Pre-Leasing Required**
- **Underwriting on Current Income Not Pro Forma**
- **Lenders May Require Reserves for Interest, Tenant Improvements & Commissions**
- **Yield to Debt Ratios (Loan Constant) i.e. NOI/Loan Amount Has Returned as an Important Metric**



# Financing Trends

## Investor Perspective

- **Not a Large Number of Foreclosures in ABQ**
- **Not Much Exposure to CMBS Loans**
- **Out-of-State Lenders with Problem Properties**
- **Not Much Overbuilding in ABQ & Regional Markets**
- **Virtually No New Supply Coming On Line**
- **Opportunities to find REO will be Lender Specific**



# This Year's Realities



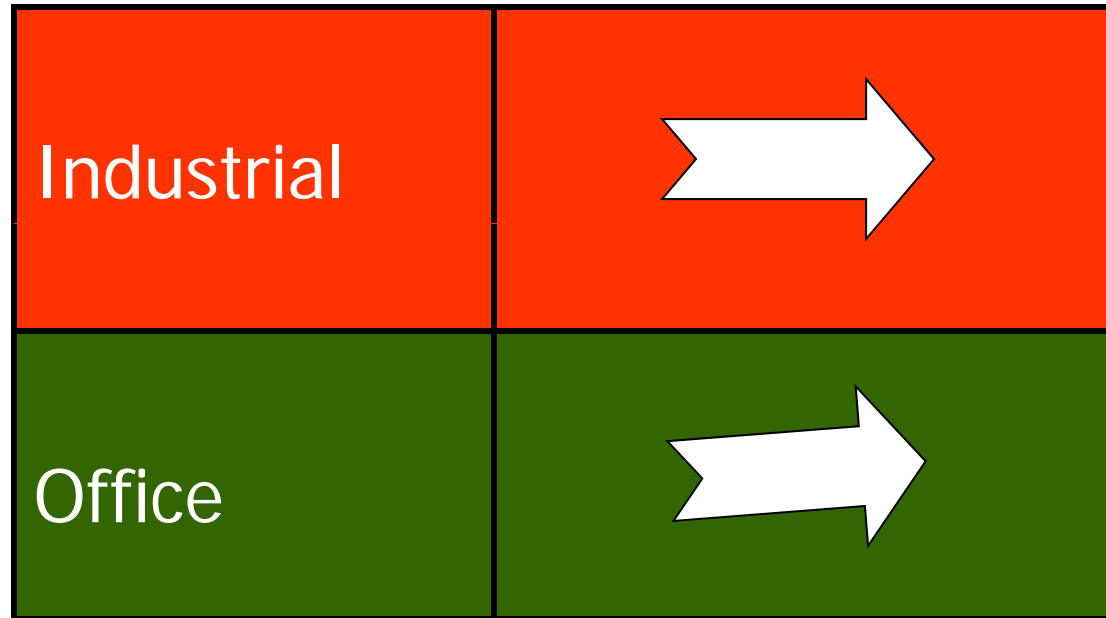


# 2011 Trends

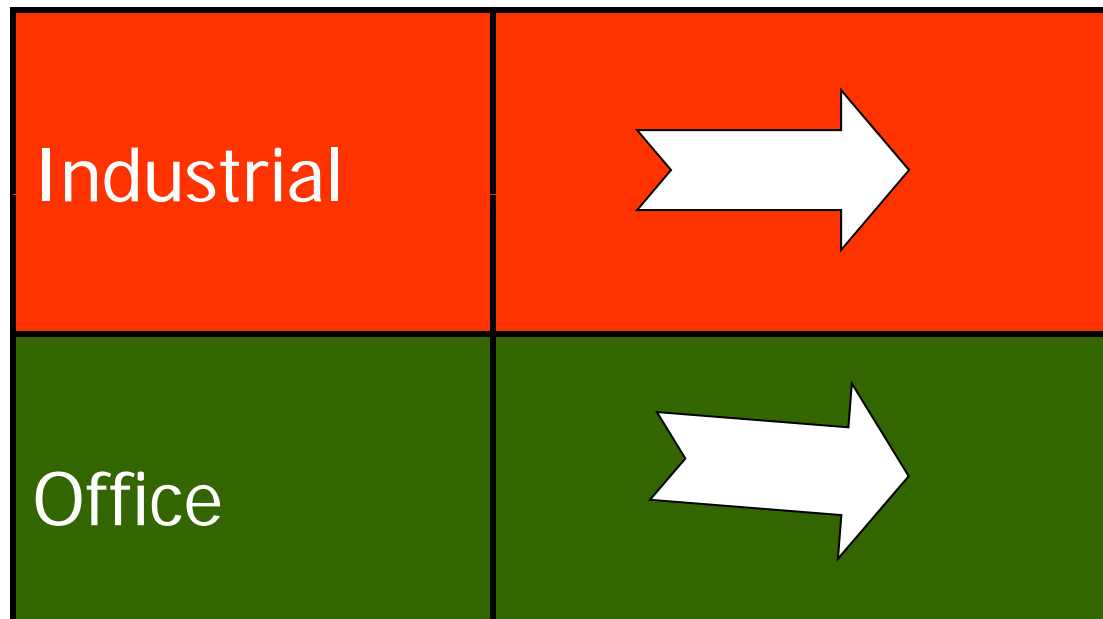


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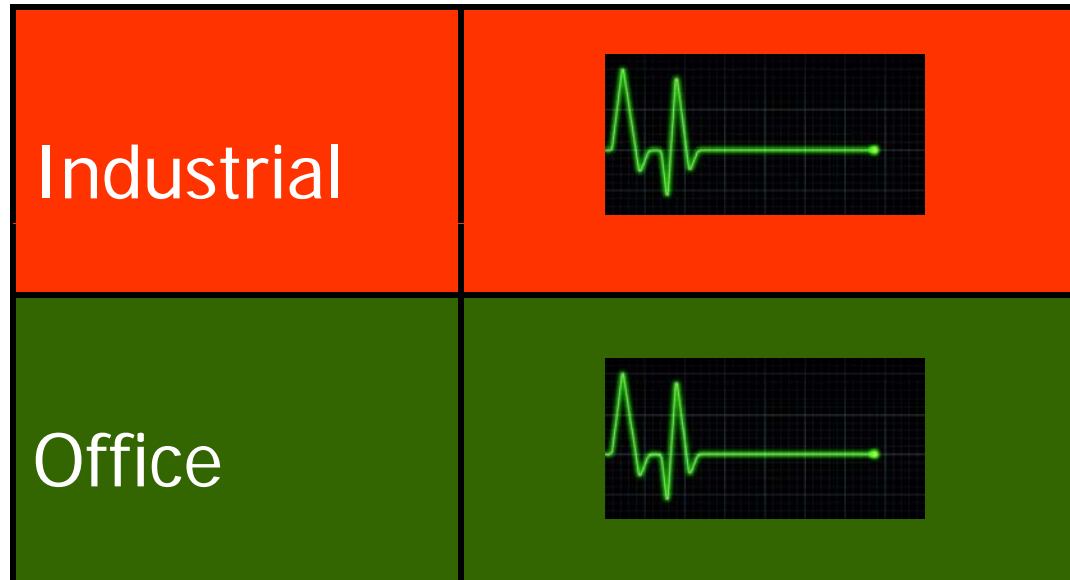
# Vacancy Forecast



# Lease Asking Rate Forecast



# Construction Forecast





# Good News



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# Good News

- Lack of Speculative Construction
- Interest Rates
- Extremely Competitive
- New Administration “Jobs are Priority One”
- Clean & Green Energy
- Buy Below Replacement Cost

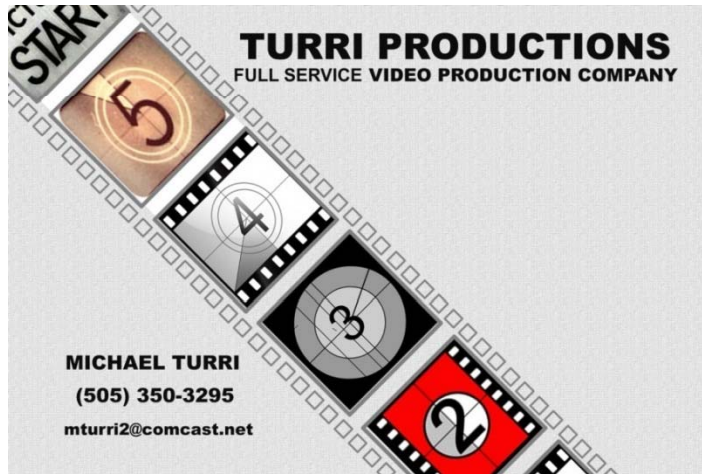


# The Wrap Up

- Final Thoughts
- Industrial
- Office



# Thank You!



**Ken Schaefer**



**Atsuko Poelman**



**Pat Sanchez**



**Darin Davis, CCIM**



# Questions?

- Ask An Expert

