

Industrial Market Trends Albuquerque

Grubb & Ellis Research
First Quarter 2007



Activity Wanes

Big moves into large spaces drove industrial vacancy downward. The biggest was Albuquerque Studios' completion of a 326,000-square-foot production studio in Mesa Del Sol. Verizon Wireless took a 197,000-square-foot flex space for a back office call center in the South Valley. Combined, these two moves accounted for the majority of industrial space absorbed.

Not Many Looking...

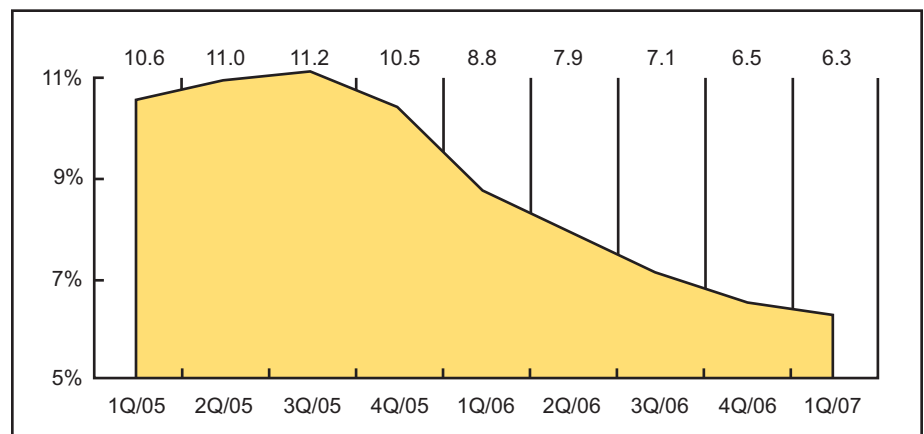
Without these big moves, overall industrial activity waned in the first quarter and slowed down from 2006's brisk pace. The number of users seeking space is declining while the availability of choices has dropped dramatically. A limited supply of inventory is beginning to taper demand downward. Many users are sitting on the sidelines and taking a breath as a result of a decreasing inventory and concerns about an economic slowdown. Landlord concessions have also dropped and items like free rent and lower rental rates have all but disappeared as a result of lower vacancies.

When looking at the current construction pipeline, a majority of the projects underway are either owner/user projects or built-to-suit spaces. The amount of speculative projects currently being built is less than 70,000 square feet. Much of this is smaller office warehouse spaces that are typically being offered for purchase as condominiums. A shortage exists for larger spaces over 20,000 square feet. The challenge is for users to find properties with current design standards. Higher ceiling heights greater than 20 feet are becoming the standard in general industrial spaces while warehouse / distribution properties must provide at least 24-foot clear heights. The older inventory that is available often lacks the minimum clear height required.

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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque First Quarter 2007

By Submarket (All Property Type)	Total (1)		Vacant (2)		Net Absorption		Under Const.(3)	Asking Rent (4)	
	SF	SF	Vacant %	Current	Year To Date	SF	WH/Dist	R&D/Flex	
Airport	850,979	32,816	3.9%	13,922	13,922	-	-	-	
Downtown	3,100,949	395,999	12.8%	35,146	35,146	-	\$4.04	\$6.77	
Far Northeast Heights	215,664	72,000	33.4%	(68,700)	(68,700)	-	-	\$12.00	
Mesa Del Sol	414,334	-	-	326,738	326,738	-	-	-	
North I-25	15,298,573	1,034,341	6.8%	125,524	125,524	199,500	\$6.70	\$8.03	
North Valley	1,400,043	215,154	15.4%	(52,000)	(52,000)	-	\$5.59	-	
Northeast Heights	365,134	51,069	14.0%	(10,080)	(10,080)	-	\$5.95	-	
Rio Rancho	5,689,469	44,436	0.8%	(11,200)	(11,200)	14,600	\$5.00	\$7.00	
South Valley	2,461,310	148,758	6.0%	197,000	197,000	120,576	\$6.06	-	
Southeast Heights	1,222,044	45,606	3.7%	(65,000)	(65,000)	-	-	\$16.50	
University	193,960	23,400	12.1%	0	-	-	\$3.00	-	
Uptown	30,000	2,500	8.3%	0	-	-	-	-	
West Mesa	3,304,578	107,964	3.3%	22,872	22,872	221,500	\$10.67	-	
Totals	34,547,037	2,174,043	6.3%	514,222	514,222	556,176	\$6.08	\$8.55	
By Property Type (All Submarkets)									
							Wtd Asking Rent		
General Industrial	16,808,187	868,640	5.2%	446,457	446,457	253,540	\$6.61		
Incubator	12,000	-	-	-	-	-	-		
R&D/Flex	3,860,075	467,748	12.1%	135,039	135,039	-	\$8.55		
Warehouse/Distribution	13,866,775	837,655	6.0%	(67,274)	(67,274)	302,636	\$6.08		
Totals	34,547,037	2,174,043	6.3%	514,222	514,222	556,176	\$6.94		

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects and owner built projects.

(4) Asking rates are per square foot per year, NNN. Rates for each building are weighted by the amount of available space within the building.

* Grubb & Ellis|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Grubb & Ellis Office Locations

