

# Industrial Market Trends Albuquerque

Grubb & Ellis Research  
Second Quarter 2007



*Older properties becoming more attractive ...*

## Inventory Squeeze

Vacancy spiraled downward in the second quarter as the supply of industrial buildings squeezed to levels not seen in almost a decade. For the last three quarters, very few new speculative projects have been undertaken. Industrial land with the necessary infrastructure remains scarce and is driving land costs up. This, combined with higher construction costs, is pushing lease rates up, and ultimately may be daunting for tenants in search of space. Delivery time of these projects may also be a challenge for tenants currently in the market. Consequently, two significant trends are emerging: tenants are either opting for older properties or becoming owners by buying into condominiums.

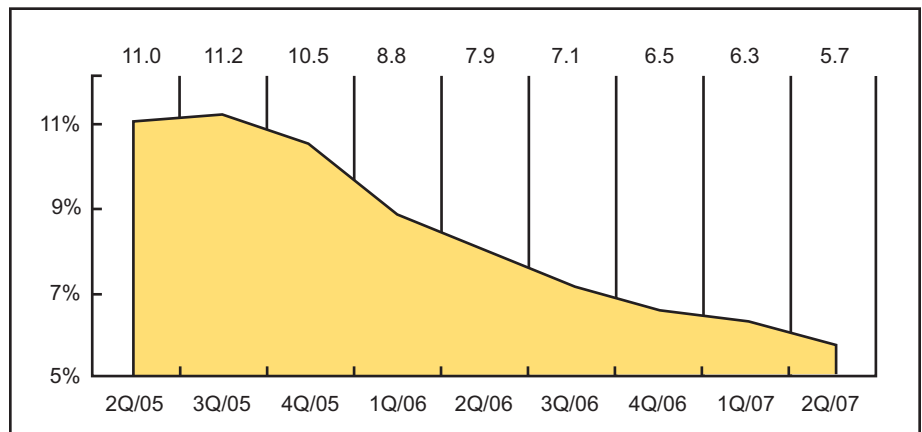
With such scarce inventory available, older properties that were often overlooked are now being considered. The Downtown market has an ample supply of older properties and is also where some of the lowest lease rates in the city prevail. These kinds of rates are obviously proving attractive to tenants even if it means giving up a few amenities that come with newer buildings. Rehabilitation strategies can provide more value as long as the amount of renovations is kept in the \$30 - \$40 per square foot range. Older warehouse and distribution properties, however, will not be considered unless they have clear heights of at least 24 feet and can accommodate the new racking system technology.

Another viable tack for business owners, however, is to invest in condominiums, which allows them to become property owners and to see their investment appreciate over time. One new segment being addressed in the condominium market is providing yard space for individual units, something that has been hard to find over the last five years.

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**Industrial Vacancy Rate\***

*\*All Product Types*

