

Industrial Market Trends Albuquerque

Grubb & Ellis Research
First Quarter 2008



Construction Down as Market Hangs On

Not Many Choices...

At first look the fifty basis point jump in vacancy that occurred this quarter could be a cause of concern. For most of 2007 very little excess inventory was available. The market was at a frictional vacancy level of six percent, a point where further declines are not possible due to ongoing turnover in the market. During the first quarter, the rise in vacancy can be attributed to new construction coming on line without tenants. Only 25 percent of the 165,000 square feet of new space was occupied upon delivery. Speculative condominiums comprised over 110,000 square feet of this space and have not seen significant absorption. Look for some developers to begin offering condominiums for lease.

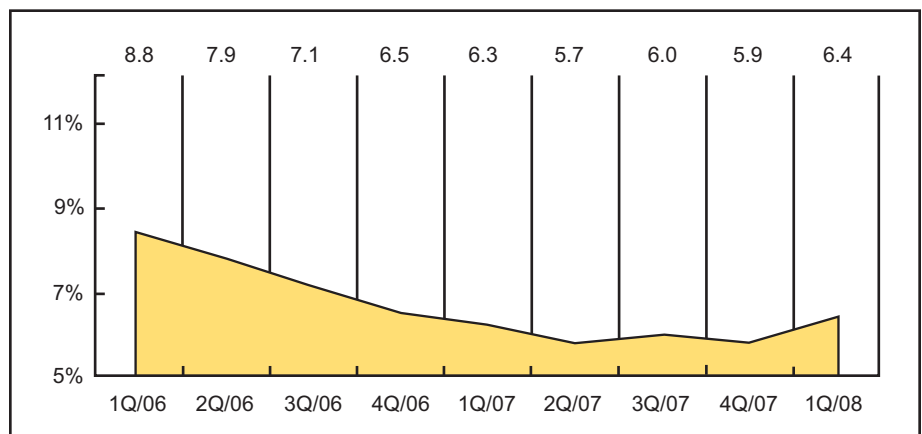
The numbers of projects under construction has dropped 77 percent compared to the first quarter of 2007. This sharp decline should protect the market from accumulating too much excess inventory but will restrain the number of viable choices available. Currently no new speculative warehouse and distribution projects are being built. Weak economic conditions will make this situation more palatable but it could become a big challenge if the economy picks up and no options are available.

Overall, the industrial market is still fairly tight even though user activity is down from a year ago. Total sublease space on the market has actually declined by 25 percent. For the few that need new space, finding the right space at a good rate remains a big challenge. Absorption levels have gone down for the fifth consecutive quarter. Demand for locations in the North I-25 submarket is constant while interest for Downtown locations appears to have increased. Downtown offers some of the most affordable rates in the region but it also has some of the oldest inventory.

Albuquerque Industrial Market Trends
is a newsletter published quarterly by
Grubb & Ellis|New Mexico. To obtain additional
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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque First Quarter 2008

By Submarket (All Property Types)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	WH/Dist	R&D/Flex
Airport	830,224	75,605	9.1%	(755)	(755)	-	\$12.00	-
Downtown	3,309,327	468,872	14.2%	44,738	44,738	-	\$4.37	-
Far Northeast Heights	215,664	66,000	30.6%	4,000	4,000	-	-	\$12.00
Mesa Del Sol	414,334	-	-	-	-	36,000	-	-
North I-25	15,582,770	896,998	5.8%	8,872	8,872	57,650	\$7.11	\$10.67
North Valley	1,576,895	227,137	14.4%	34,325	34,325	-	\$6.02	-
Northeast Heights	375,134	57,573	15.3%	(30,780)	(30,780)	-	\$3.09	-
Rio Rancho	5,972,367	41,096	0.7%	10,600	10,600	36,437	-	-
South Valley	2,496,303	140,600	5.6%	32,400	32,400	-	\$5.93	-
Southeast Heights	1,287,636	91,449	7.1%	(9,882)	(9,882)	-	\$6.50	\$17.75
University	193,960	23,400	12.1%	-	-	-	\$3.00	-
West Mesa	3,692,392	205,306	5.6%	(20,575)	(20,575)	-	\$6.79	-
Suburban Total	35,947,006	2,294,036	6.4%	72,943	72,943	130,087	\$6.60	\$11.17
Totals	35,947,006	2,294,036	6.4%	72,943	72,943	130,087	\$6.60	\$11.17

By Property Type (All Submarkets)	Asking Rent						
General Industrial	17,603,677	1,217,956	6.9%	30,701	30,701	83,487	\$8.16
Incubator	12,000	-	-	-	-	-	-
R&D/Flex	3,873,147	326,658	8.4%	(25,298)	(25,298)	-	\$11.17
Warehouse/Distribution	14,458,182	749,422	5.2%	67,540	67,540	46,600	\$6.60
Totals	35,947,006	2,294,036	6.4%	72,943	72,943	130,087	\$8.08

(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

