

Industrial Market Trends Albuquerque

Grubb & Ellis Research
First Quarter 2009



GRUBB & ELLIS
New Mexico

Warehouse and distribution properties deliver bad results . . .

Vacancy Sky High

The first quarter of 2009 delivered one of the biggest vacancy increases seen over the last ten years. Overall industrial vacancy surged upward by 190 basis points. This equates to almost 600,000 square feet of new space hitting the market. Reasons for the big increase can be attributed to bankruptcies, downsizings, and closings from both local and national tenants.

From a product type standpoint, the biggest losses occurred in distribution and warehouse properties which accounted for 82 percent of additional vacant space. Almost half of this negative activity was a casualty of industries related to the single-family housing market. The destabilized housing market appears to be contributing to disproportionate levels of excess space being vacated. Companies involved in the distribution of building materials, home furnishings, and flooring are having the biggest pullbacks.

The Downtown submarket was hit the hardest accounting for 20 percent of all new vacant space hitting the market. This additional 120,000 square feet of vacancy primarily occurred in older, functionally obsolete warehouse properties. The challenge for these older warehouse properties is actually competing on price. Lower ceiling heights can actually make warehouse space more expensive when evaluated on a cost per cubic square foot basis. Newer warehouses with clear heights over 24 feet can also handle computerized racking systems and offer even more savings. The biggest vacancy increase occurred in the North I-25 submarket as the result of a regional furniture retailer filing bankruptcy and closing down 167,000 square feet of state-of-the-art warehouse space.

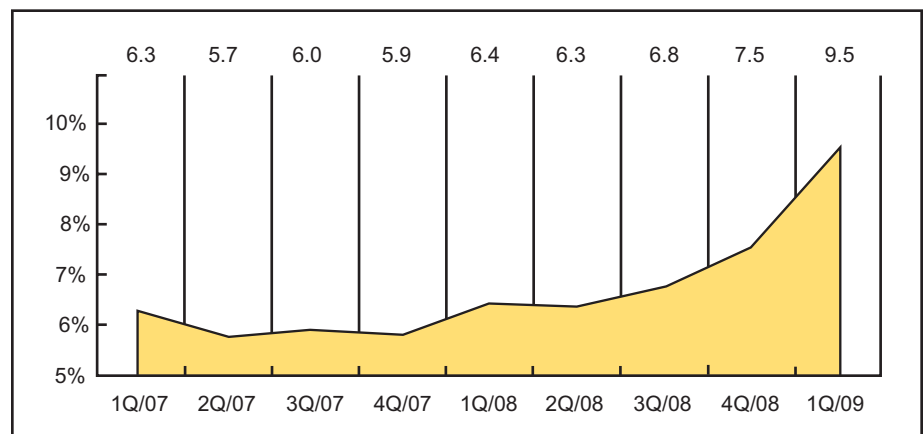
Albuquerque Industrial Market Trends

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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque First Quarter 2009

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	844,176	78,840	9.3%	(3,235)	(3,235)	-	\$6.00	-
Downtown	3,345,673	576,367	17.2%	(104,481)	(104,481)	-	\$4.71	\$7.50
Far Northeast Heights	215,664	4,000	1.9%	(2,000)	(2,000)	-	\$8.34	-
Mesa Del Sol	414,334	-	-	-	-	261,000	-	-
North I-25	15,675,654	1,487,898	9.5%	(414,121)	(414,121)	93,686	\$6.81	\$9.01
North Valley	1,591,795	222,663	14.0%	2,775	2,775	-	\$7.68	-
Northeast Heights	358,801	64,781	18.1%	-	-	-	\$5.60	-
Rio Rancho	6,057,304	142,297	2.3%	(900)	(900)	15,375	-	\$12.15
South Valley	2,514,632	214,726	8.5%	(84,993)	(84,993)	-	\$5.65	-
Southeast Heights	1,492,713	260,944	17.5%	9,164	9,164	-	\$3.50	\$11.87
University	193,960	10,400	5.4%	-	-	-	\$3.00	-
West Mesa	3,830,053	389,870	10.2%	6,035	6,035	43,200	\$6.98	-
Suburban Total	36,534,759	3,452,786	9.5%	(591,756)	(591,756)	413,261	\$6.30	\$10.43
Totals	36,534,759	3,452,786	9.5%	(591,756)	(591,756)	413,261	\$6.30	\$10.43

By Property Type (All Submarkets)	Asking Rent						
General Industrial	17,767,580	1,413,351	8.0%	(54,366)	(54,366)	370,061	\$7.27
Incubator	12,000	-	-	-	-	-	-
R&D/Flex	4,145,802	584,170	14.1%	(48,200)	(48,200)	-	\$10.43
Warehouse/Distribution	14,609,377	1,455,265	10.0%	(489,190)	(489,190)	43,200	\$6.30
Totals	36,534,759	3,452,786	9.5%	(591,756)	(591,756)	413,261	\$7.62

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

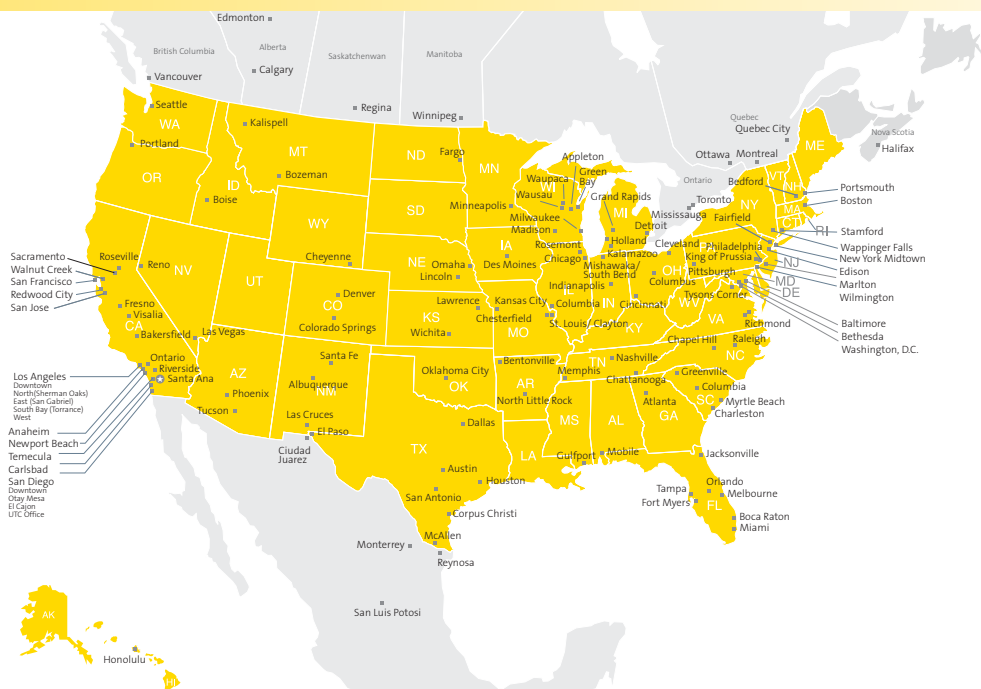
(2) Vacant space includes vacant sublease space.

(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



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