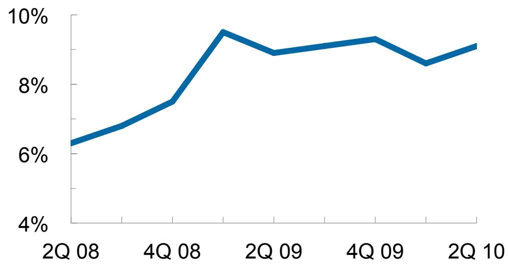
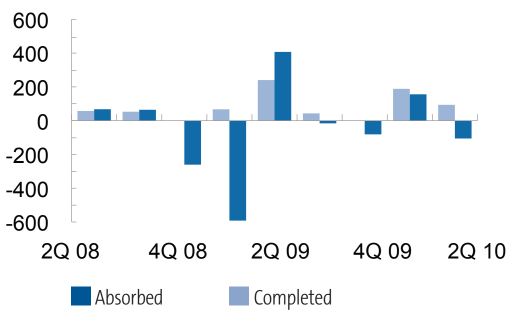
Industrial Trends Report—Second Quarter 2010
Albuquerque, NM

GRUBB & ELLIS. New Mexico

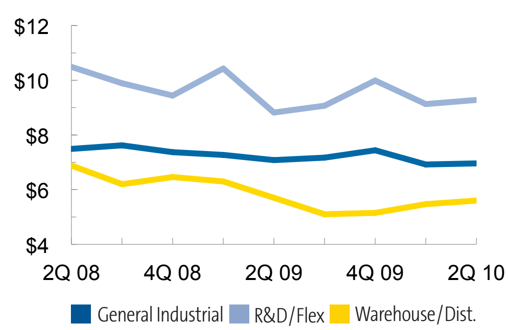
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Triple Net)



Narrowing Confidence

What looked like a turning point towards positive momentum turned out to be temporary and unsustainable. In order to turn the corner the industrial market requires a broad based recovery in key sectors that drive demand. Sectors such as construction and manufacturing have remained relatively flat and have not provided sustainable recovery opportunities. While the clean energy sector is growing, it is not able to buoy the entire market by itself.

The ability to grow requires confidence that taking risks will be rewarded. Tenants are generally operating in survival mode and are not willing to take on the risks of adding additional space. The net effect is a stagnation of the market which is making it more susceptible to downsizings and closings. When a majority of the moves are negatives, vacancy tends to move upward. Even more concerning is that non-traditional users such as charter schools and churches are searching for value-oriented industrial deals.

In response to market conditions, landlords are aggressively lowering asking rates. Compared to a year ago, overall asking rates have declined over three percent. The spread between asking rates and contract rates is increasing. Landlords are becoming more realistic in their pricing strategy. They have dropped their asking rates slightly knowing it will take much larger reductions to get deals done. Tenants are savvy of market conditions and those seeking spaces know they are the exception and are commanding rate concessions.

FORECAST

- Market remains in favor of tenants and buyers.
- Low activity levels spur concessions.
- Industrial land prices fall.

KEY TRANSACTIONS

	Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
Leasing	Ambercare	Private Investor *	1500 Renaissance NE	9,000
Leasing	Cricket	Windsor at Comanche *	2420 Comanche NE	18,220
Leasing	Wal-Mart, Inc.	Private Investor *	1820 Bellamah NW	54,318
Sales	Private Buyer	B & S Investors *	4901 McCleod NE	30,700

Leasing Sales (R) = Renewal (S) = Sublease ** Indicates Transaction Represented by Grubb & Ellis*

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By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT WH/Dist	ASKING RENT R&D/Flex
Airport	873,746	110,343	12.6%	(4,768)	(2,338)	-	5.25	11.50
Downtown	3,196,183	425,497	13.3%	68,008	100,825	-	3.97	-
Far Northeast Heights	215,664	-	-	-	2,000	-	-	-
Mesa Del Sol	639,334	-	-	-	-	-	-	-
North I-25	15,965,925	1,343,732	8.4%	(26,067)	117,005	-	6.33	9.69
North Valley	1,577,368	121,973	7.7%	(1,868)	12,854	-	4.63	6.12
Northeast Heights	359,059	41,227	11.5%	19,484	19,484	-	5.88	3.45
Rio Rancho	6,072,679	154,157	2.5%	(51,717)	(59,165)	-	4.50	6.50
South Valley	2,574,876	397,192	15.4%	(52,160)	(123,832)	-	4.61	-
Southeast Heights	1,483,861	250,364	16.9%	-	20,786	-	5.74	9.45
University	193,960	18,600	9.6%	(13,000)	(13,000)	-	3.00	-
West Mesa	3,831,913	515,307	13.4%	(43,532)	(24,135)	-	6.69	-
Totals	**36,984,568**	**3,378,392**	**9.1%**	**(105,620)**	**50,484**	**-**	**5.60**	**9.28**

By Property Type	Total SF	Vacant SF	Vacancy %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	18,255,456	1,221,540	6.7%	46,188	224,929	-	6.96
Incubator	12,000	-	-	-	-	-	-
R&D/Flex	4,105,103	610,695	14.9%	(63,321)	(61,175)	-	9.28
Warehouse/Distribution	14,612,009	1,546,157	10.6%	(88,487)	(113,270)	-	5.60
Totals	**36,984,568**	**3,378,392**	**9.1%**	**(105,620)**	**50,484**	**-**	**6.65**

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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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