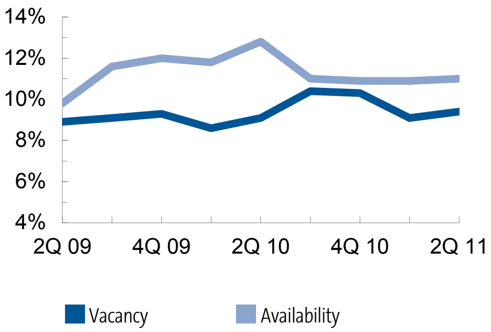
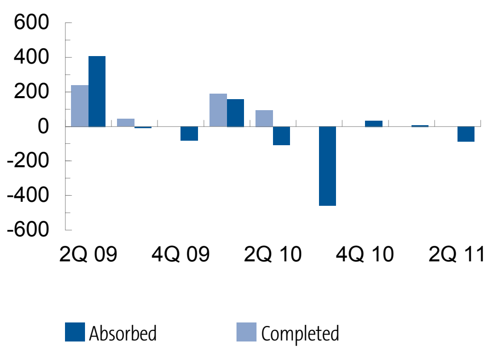
Industrial Trends Report—Second Quarter 2011
Albuquerque, NM

GRUBB & ELLIS. New Mexico

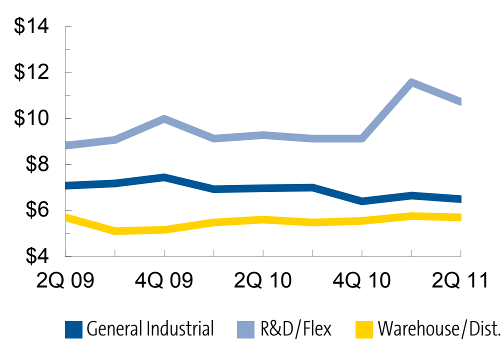
Vacancy & Availability Rates



Completions vs. Absorption
(in Thousands of SF)



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



Two Steps Forward . . .

Overall leasing velocity improved dramatically during the quarter. Large lease deals over 10,000 square feet came roaring back with higher volumes not seen over the last two years. One encouraging sign was the positive absorption of space occupied by more traditional types of industrial tenants. The majority of this activity occurred in warehouse and distribution properties. Over the last year non-traditional industrial tenants like charter schools, trade colleges, and even churches were the most active types of tenants in the market taking advantage of the more affordable industrial lease rates.

Unfortunately, there was a cumulatively higher amount of spaces vacated tipping overall absorption negative. About one third of this space was related to the single-family home construction industry, another third was comprised of national tenants right-sizing their distribution networks and the balance consisted of tenants ceasing or downsizing operations. It appears these negative moves could be part of the healing process and were necessary to establish the market bottom.

Renewal activity was another common theme. Tenants remain emboldened to secure favorable rates while landlords were eager to make deals given current conditions. Renewing leases for shorter terms was acceptable to both tenants and landlords. Most tenants are lacking the confidence to lock in favorable rates for longer lease terms. Conversely this is acceptable to landlords because they can hopefully achieve higher lease rates once the economy gains positive momentum.

FORECAST

- Market will begin to gain momentum.
- Tenants still expect attractive terms.
- Older properties experience less demand.

KEY TRANSACTIONS

***ITT Information Systems, Inc.**
leased
33,991 SF
at Copper Pointe
from MW Development, LLC

Jule-Art
leased
20,780 SF
at 1506 Candelaria Rd NE
from a private investor

***Furniture Corner**
leased
16,500 SF
at 6770 4th St NW
from a *private Investor

** Indicates Transaction Represented by Grubb & Ellis*

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By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT WH/Dist	ASKING RENT R&D/Flex
Airport	945,490	129,234	13.7%	15.4%	31,970	(32,523)	-	$4.84	$11.25
Downtown	3,197,780	393,219	12.3%	14.8%	(13,490)	(4,990)	-	$4.37	-
Far Northeast Heights	215,664	2,000	0.9%	7.5%	500	-	-	-	-
Mesa Del Sol	639,334	6,704	1.0%	1.0%	-	-	-	-	-
North I-25	16,023,234	1,339,795	8.4%	9.7%	33,565	31,846	53,164	$6.62	$9.84
North Valley	1,577,368	82,380	5.2%	7.5%	614	39,493	-	$4.64	$5.11
Northeast Heights	351,219	55,685	15.9%	27.1%	(30,458)	(30,458)	-	$6.83	$3.45
Rio Rancho	6,086,180	280,163	4.6%	5.3%	(40,219)	(115,546)	-	$4.50	$7.00
South Valley	2,099,032	413,003	19.7%	23.6%	(8,549)	15,260	184,310	$4.43	-
Southeast Heights	1,498,621	232,421	15.5%	17.7%	(14,882)	(23,302)	26,000	$5.06	$14.46
University	197,990	22,630	11.4%	11.4%	(4,030)	-	-	$3.00	-
West Mesa	3,831,913	475,755	12.4%	13.0%	(42,162)	39,686	-	$6.62	-
Totals	**36,663,825**	**3,432,989**	**9.4%**	**11.0%**	**(87,141)**	**(80,534)**	**263,474**	**$5.70**	**$10.73**

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	17,885,236	1,338,820	7.5%	8.4%	(37,574)	(93,246)	105,310	$6.49
Incubator	12,000	-	-	0.0%	-	-	-	-
R&D/Flex	4,153,290	594,838	14.3%	15.8%	(48,667)	(37,598)	23,164	$10.73
Warehouse/Distribution	14,613,299	1,499,331	10.3%	12.7%	(900)	50,310	135,000	$5.70
Totals	**36,663,825**	**3,432,989**	**9.4%**	**11.0%**	**(87,141)**	**(80,534)**	**263,474**	**$6.89**

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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.*