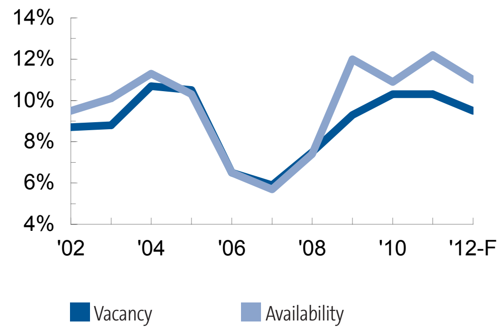
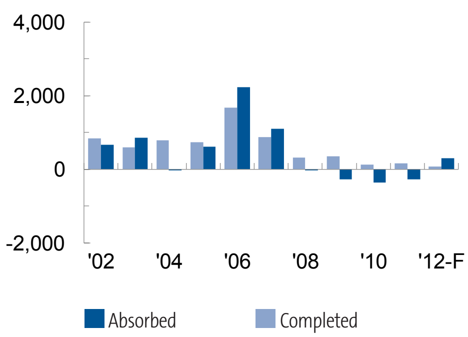
Industrial Trends Report – Fourth Quarter 2011
Albuquerque, NM

GRUBB & ELLIS
New Mexico

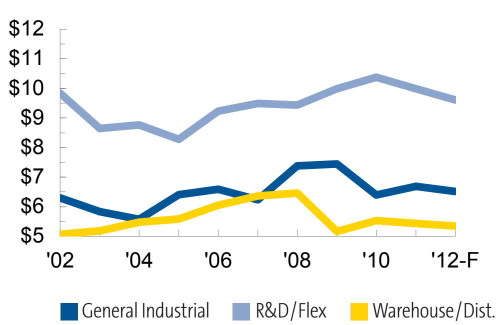
Vacancy & Availability Rates



Completions vs. Absorption
(in Thousands of SF)



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



Glimmer of Hope

The industrial market managed to end the year on a positive note. Activity surged for medium and larger-sized tenants seeking warehouse and distribution spaces 20,000 square feet and larger. In good news, deals were getting done and tenants were not just shopping for competitive quotes only to renew at their existing locations. Many tenants appeared to have the confidence to take advantage of market conditions and expand into larger spaces.

Overall vacancy did creep up slightly since most of these new deals are slated for occupancy during the first quarter of 2012. There was still some negativity being worked out, primarily from national and regional tenants making changes to space allocations. Almost 68,000 square feet of space was given back as a result of these moves.

Overall industrial employment levels decreased during the quarter. Most sectors were flat on a year-over-year basis. Construction employment, however, experienced the biggest loss of jobs dropping to levels not seen since the early 1990s. From a product-type perspective, the falling level of construction jobs is hitting general industrial buildings the hardest. A lack of new single-family and commercial construction projects is increasing the supply of office warehouse space on the market.

2011 REVIEW

The year started with what looked like a big improvement to overall vacancy. Realistically this drop was the result of a former half-million-square-foot General Electric Aircraft Engine Manufacturing Plant being razed, resulting in a 125-basis-point decline in vacancy.

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KEY TRANSACTIONS FOR 2011

Brycon Construction purchased 83,300 SF at Park West Commercial Center from *Bank of America	**Hoffman Town Body Shop** leased 65,000 SF at 702 Carmony Rd NE from a Private Investor	***Masco** leased 23,400 SF At 730 Haines Ave NW From *Ganard Investment	***ITT Information Systems** leased 33,991 SF at Copper Pointe from MW Development, LLC

** Transaction Represented by Grubb & Ellis*

Grubb & Ellis|New Mexico
2424 Louisiana Blvd. NE Suite 300, Albuquerque, NM 87110
www.genewmexico.com

Prepared by:
Ken Schaefer *Director of Brokerage Services*
505.880.7012 • ken.schaefer@grubb-ellis.com

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INDUSTRIAL MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	10.3%	10.3%	9.5%
General Industrial Rental Rate[1]	$6.40	$6.69	$6.52
R&D/Flex Rental Rate[1]	$10.38	$9.99	$9.61
Warehouse/Dist. Rental Rate[1]	$5.53	$5.53	$5.35
Net Absorption	(367,279)	(267,795)	300,000
Space Completed	132,080	165,000	80,000

1. Asking rate per square foot per year triple net

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One emerging trend was non-traditional industrial tenants taking advantage of weak market conditions. Collectively charter schools, churches, and indoor sporting organizations was one of the most active segments during the year. Over 225,000 square feet of space was absorbed by these types of users in both older and newer buildings. Landlords with buildings that have been on the market for awhile and not seeing much activity were willing to make deals.

Overall market activity was "choppy" during the year with periods of strong and weak demand. One of the strongest sectors was medium to large warehouse and distribution spaces. Many Class A distribution warehouse spaces were snapped up during the year leaving a short supply. Spaces over 100,000 square feet were virtually nonexistent leaving new construction as the only viable option. The largest new construction project was a 135,000-square-foot warehouse distribution project that was owner-built by U.S. Foodservice.

A lack of overall construction projects in both new single-family homes and commercial buildings was the biggest challenge. Falling employment levels in the construction industry is creating additional space on the market. The cycle appeared to still have another leg down. New speculative industrial projects were at an all-time low with less than 40,000 square feet of space delivered during the year.

Troubled industrial projects began to work their way through the foreclosure process. Pricing for these assets started to align themselves with investor expectations.

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2012 FORECAST

The theme for the year will be a value-driven flight to quality. Tenants and users are likely to remain aggressive in searching for the ideal space for the right price. Landlords of older properties may have to be more aggressive in pricing and the concessions provided. Newer properties may still have to provide concessions but not as much, especially in distribution and warehouse properties.

One of the major demand drivers for the industrial market is new construction. New single family home construction is expected to increase slightly during 2012. Commercial projects should see a small uptick and be focused in the retail sector. New industrial projects are likely to be less than 200,000 square feet and be predominantly build-to-suit or owner-developed projects. large warehouse spaces over 25,000 square feet located near the interstates with the desired clear heights should remain scarce.

A growing amount of functionally obsolete spaces combined with attractively priced industrial land is likely to spur an increase in new build-to-suit and owner-developed facilities out of necessity. The amount of government-sponsored projects for roads and infrastructure is expected to decline by about one-third. Speculative construction starts should again be virtually nonexistent as pre-leasing financing requirements remain high. Overall a lack of construction activity should keep current vacancy levels flat.

The trend for non-traditional users such as charter schools, indoor athletic facilities and churches occupying industrial spaces is likely to remain strong as tenants seek to minimize rent costs.

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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	178,549	18.9%	19.9%	-	(81,838)	-	$5.22	$11.25
Downtown	3,197,780	393,279	12.3%	14.4%	10,118	(5,050)	-	$4.46	-
Far Northeast Heights	215,664	2,000	0.9%	7.5%	-	-	-	-	-
Mesa Del Sol	639,334	6,704	1.0%	1.0%	-	-	-	-	-
North I-25	16,058,664	1,534,619	9.6%	10.6%	(83,103)	(139,814)	30,000	$6.35	$9.55
North Valley	1,577,368	242,334	15.4%	21.8%	(144,954)	(120,461)	-	$4.46	$5.11
Northeast Heights	351,219	55,685	15.9%	27.1%	-	(30,458)	-	$6.83	$3.45
Rio Rancho	6,086,180	277,863	4.6%	5.3%	1,150	(113,246)	-	$4.50	$7.00
South Valley	2,234,032	426,293	19.1%	22.0%	134,400	136,970	49,310	$3.85	-
Southeast Heights	1,524,621	173,435	11.4%	15.8%	58,991	61,684	-	$5.06	$12.95
University	197,990	24,606	12.4%	12.4%	-	(1,976)	-	$4.81	-
West Mesa	3,831,913	489,047	12.8%	15.1%	-	26,394	-	$6.40	-
Totals	**36,860,255**	**3,804,414**	**10.3%**	**12.2%**	**(23,398)**	**(267,795)**	**79,310**	**$5.43**	**$9.99**

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	17,911,236	1,478,435	8.3%	9.3%	(29,338)	(206,861)	79,310	$6.69
Incubator	12,000	-	-	-	-	-	-	-
R&D/Flex	4,188,720	628,608	15.0%	15.8%	(2,683)	(48,204)	-	$9.99
Warehouse/Distribution	14,748,299	1,697,371	11.5%	14.6%	8,623	(12,730)	-	$5.43
Totals	**36,860,255**	**3,804,414**	**10.3%**	**12.2%**	**(23,398)**	**(267,795)**	**79,310**	**$6.62**

Grubb & Ellis|New Mexico Real Estate Advisors

Jack Dettweiler
Vice President
505.880.7018
jack.dettweiler@grubb-ellis.com

Tim MacEachen, CCIM, SIOR
Senior Vice President
505.880.7075
tim.maceachen@grubb-ellis.com

Lori Robertson
Associate
505.880.7044
lori.robertson@grubb-ellis.com

Tom Franchini, CCIM
Associate
505.880.7097
tom.franchini@grubb-ellis.com

Bill Robertson
Senior Vice President/Principal
505.880.7050
bill.robertson@grubb-ellis.com

Lisa Sellers
Senior Associate
505.880.7082
lisa.sellers@grubb-ellis.com

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.*