

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Second Quarter 2005



Construction Continues Despite Rising Vacancy

The industrial market softened in the second quarter. The vacancy rate was driven higher by a handful of companies discontinuing operations. Most of these were known in advance and should not portray signs of a weakening economy in the metro area. In aggregate these closings gave back 172,000 square feet of space to a market already abundant with lease options.

"Many tenants preferring new to old"

Despite a tough leasing market, the new construction engine continues to run. Just over 143,000 square feet of new construction completions were delivered. This new space was almost evenly split between speculative, build-to-suit, and owner occupied projects. Of the speculative projects delivered, 34,000 square feet or 45 percent was unoccupied and competing for tenants.

A majority of the new speculative construction projects currently are underway are taking place in the popular North I-25 submarket. This includes a total of 131,000 square feet of speculative projects that still have a reported 64 percent, or 85,000 square feet available. New projects seem to have more appeal to perspective tenants. Desirable features include higher clear heights, more efficient heating and cooling systems, and customized build outs.

Many tenants appear to be willing to pay higher rates to secure these features. Another area tenants are searching for is more flexibility in lease terms. They are often asking for options to expand or downsize dependant on contracts won or lost. These request maybe unrealistic for many landlords, but may provide creative opportunities to secure tenants for spaces that have been tough to fill.

Albuquerque Industrial Market Trends

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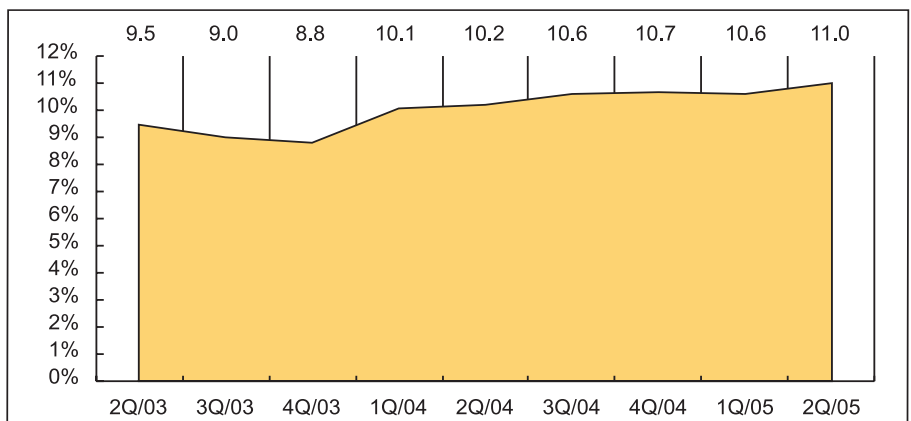
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Industrial Vacancy Rate*

*All Classes of Space

Industrial Market Snapshot Albuquerque Second Quarter 2005

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist.	R&D/Flex
Airport	822,093	74,801	9.1%	6,765	1,699	-	\$4.66	\$7.36
CBD (Downtown)	2,954,903	550,793	18.6%	6,825	8,809	-	\$4.38	\$8.89
Far NE Heights	214,447	66,600	31.1%	(600)	2,500	-	\$6.44	\$11.00
North I-25	15,313,912	1,840,521	12.0%	67,326	58,390	252,873	\$6.05	\$8.88
North Valley	1,406,449	199,032	14.2%	(19,600)	(21,600)	-	\$7.44	-
Northeast Heights	387,141	52,504	13.6%	(18,250)	(13,819)	-	\$5.66	-
Rio Rancho	4,722,219	186,636	4.0%	6,800	49,116	-	\$5.00	\$9.50
South Valley	2,096,376	139,539	6.7%	(2,212)	(6,000)	68,040	\$4.16	-
Southeast Heights	836,801	80,976	9.7%	11,000	18,400	-	-	-
University	198,460	9,600	4.8%	6,697	(4,000)	-	\$3.00	-
West Mesa	2,251,347	241,053	10.7%	(4,130)	60,225	892,880	\$5.54	-
Totals	31,204,148	3,442,055	11.1%	47,021	153,720	1,213,793	\$5.55	\$9.21

By Product Type (All Submarkets)								Asking Rent by Product Type
General Industrial	14,309,008	1,626,699	11.4%	(21,453)	89,477	974,090	\$6.24	
R&D/Flex	3,314,575	471,112	14.2%	(54,155)	(46,087)	23,860	\$9.21	
Warehouse/Dist.	13,580,565	1,344,244	9.9%	122,629	110,330	215,843	\$5.55	
Total	31,204,148	3,442,055	11.0%	47,021	153,720	1,213,793	\$6.45	

- (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 Office Locations

