

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Third Quarter 2005



“Leasing market still slow in some areas”

Warehouse and Distribution Space Delivers

The vacancy rate inched up slightly in the third quarter as a result of new construction completions. Warehouse and distribution projects accounted for 200,000 square feet of the 226,000 total square feet delivered. Of this, almost 50 percent of the new space became occupied during the quarter. The majority of new construction absorption activity occurred in owner occupied warehouse buildings. Only 37,000 square feet of absorption occurred in new speculative projects.

Warehouse and distribution projects saw an increased amount of activity during the third quarter. This uptick occurred in large contiguous spaces having at least 25,000 square feet available. Strong leasing activity is expected to continue through the year's end for larger distribution type spaces. Projects located on the West Mesa should perform especially well given their proximity to Interstate 40 and being in the heart of growth.

The leasing market remained slow for medium sized spaces in the 5,000 to 15,000 square feet range. A continued desire to own remains the primary goal for users in this category. The challenge is finding spaces that meet their requirements and are also in an acceptable location. Smaller spaces, however, less than 2,000 square feet are becoming harder to find in both for sale and for lease scenarios.

Overall, the industrial market is at a crossroad. If the majority of speculative new construction gets leased up by the end of 2005, the market should begin to favor landlords. Conversely, if this vacant space is not leased quickly, look for activity to increase in second and third generation buildings.

Albuquerque Industrial Market Trends

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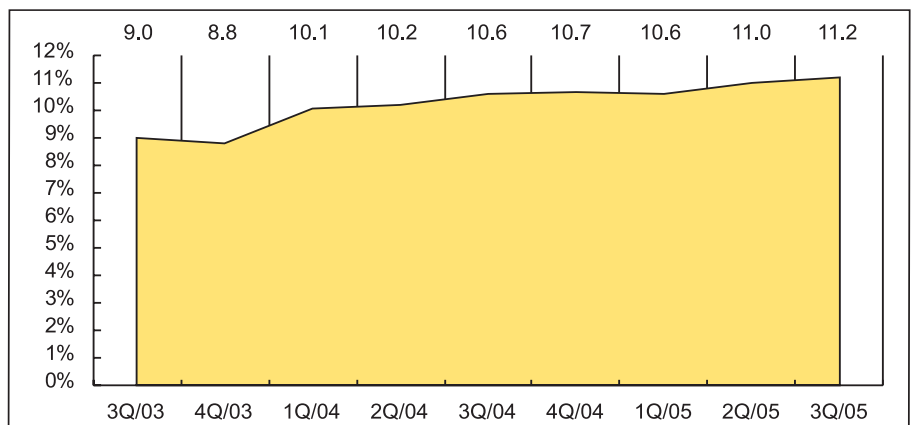
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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque Third Quarter 2005

By Submarket (All Product Types)	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	62,110	7.6%	12,691	14,390	-	\$4.79	\$7.35
Downtown	2,954,903	576,543	19.5%	(25,750)	(16,941)	-	\$3.92	\$8.89
Far NE Heights	214,447	66,600	31.1%	-	2,500	-	-	\$11.00
North I-25	15,396,492	1,870,702	12.2%	53,063	111,453	225,333	\$6.33	\$8.08
North Valley	1,406,449	184,260	13.1%	14,772	(6,828)	-	\$7.41	-
Northeast Heights	387,141	97,850	25.3%	(45,346)	(59,165)	-	\$5.85	-
Rio Rancho	4,722,219	171,436	3.6%	15,200	64,316	-	\$5.00	\$9.50
South Valley	2,096,376	119,515	5.7%	20,024	14,024	68,040	\$4.71	-
Southeast Heights	836,801	51,149	6.1%	29,827	48,227	55,914	-	-
University	198,460	10,400	5.2%	(800)	(4,800)	-	\$2.50	-
West Mesa	2,394,627	320,476	13.4%	63,857	124,082	804,800	\$5.42	-
Totals	31,430,008	3,531,041	11.2%	137,538	291,258	1,154,087	\$5.60	\$8.71

By Product Type (All Submarkets)								Asking Rent by Product Type
General Industrial	14,309,008	1,607,798	11.2%	18,901	108,378	983,490	\$6.53	
R&D/Flex	3,337,771	483,107	14.5%	11,865	(34,222)	55,914	\$8.71	
Warehouse/Dist.	13,783,229	1,440,136	10.4%	106,772	217,102	114,683	\$5.60	
Total	31,430,008	3,531,041	11.2%	137,538	291,258	1,154,087	\$6.53	

- (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

