

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Fourth Quarter 2005



Recovery Underway

The industrial market appears to have turned the corner. Leasing picked up considerable momentum in the fourth quarter. Additionally, absorption of space is no longer being driven by owner occupied buildings being completed. The quarter saw significant absorption of space in leased buildings which posted almost 150,000 square feet of positive absorption. The balance, or 158,000 square feet of the quarter's 318,000 square feet of absorption occurred in owner occupied buildings.

"All product types see improvements"

This overall activity was positive for all product types. The leader continued to be warehouse and distribution properties which posted the highest absorption for the quarter and for the year end 2005. Interest appears to be increasing for companies setting up regional distribution sites in the Albuquerque Metro area. Warehouse and distribution properties in the metro area are relatively smaller in size compared to surrounding markets. Most of these properties are in the 100,000 to 200,000 square foot range.

On the surface the amount of new construction underway appears very significant. The Tempur-Pedic Mattress Plant on the West Mesa, however, accounts for 63 percent or 750,000 square feet of the current construction activity. The balance of the 430,000 square feet under construction consists mostly of speculative distribution warehouse projects for smaller users requiring suites less than 10,000 square feet. These types of spaces usually offer clear heights greater than 20 feet, have shared dock access, and drive in doors. Tenants are demanding these types of amenities and are usually willing to pay higher rates.

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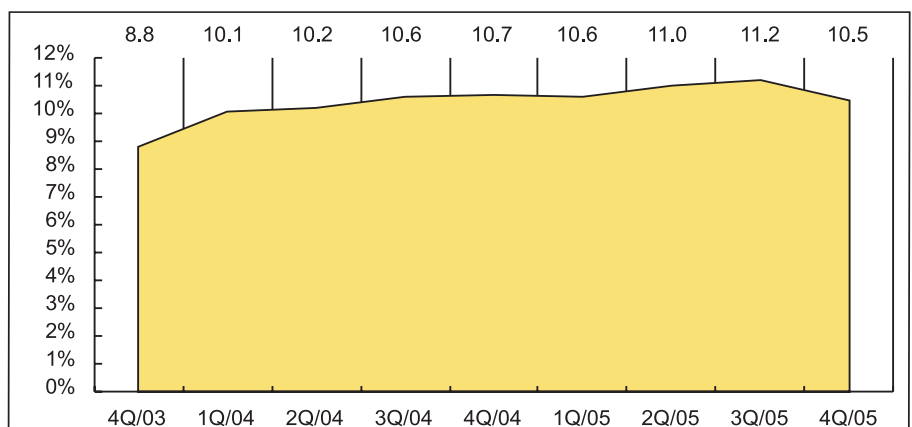
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Independently Owned and Operated



Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque Fourth 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%	-	14,390	-	\$4.82	\$7.35
Downtown	2,954,903	637,626	21.6%	(61,083)	(78,024)	-	\$3.73	\$8.89
Far NE Heights	214,447	66,600	31.1%	-	2,500	-	-	-
North I-25	15,417,814	1,776,173	11.5%	104,851	216,304	261,895	\$6.05	\$8.07
North Valley	1,406,449	178,471	12.7%	5,789	(1,039)	-	\$7.45	-
Northeast Heights	387,141	74,850	19.3%	23,000	(36,165)	-	\$5.54	-
Rio Rancho	4,722,219	73,436	1.6%	98,000	162,316	-	\$5.00	\$9.50
South Valley	2,096,376	123,319	5.9%	(3,804)	10,220	68,040	\$4.74	-
Southeast Heights	929,801	38,024	4.1%	106,125	154,352	55,914	-	-
University	198,460	10,400	5.2%	-	(4,800)	-	\$2.50	-
West Mesa	2,404,627	284,789	11.8%	45,687	169,769	794,800	\$5.50	-
Totals	31,554,330	3,325,798	10.5%	318,565	609,823	1,180,649	\$5.58	\$8.28

By Product Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Current Qtr.	Year-to-date	Under Construction	Asking Rent by Product Type
General Industrial	14,330,330	1,524,168	10.6%	104,952	213,330	949,840	\$6.41
R&D/Flex	3,430,771	487,114	14.2%	88,993	54,771	86,914	\$8.28
Warehouse/Dist.	13,793,229	1,314,516	9.5%	124,620	341,722	143,895	\$5.58
Total	31,554,330	3,325,798	10.5%	318,565	609,823	1,180,649	\$6.37

- (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

