

Industrial Market Trends Albuquerque

Grubb & Ellis Research
First Quarter 2006



Industrial Market Sprints Out of the Gate

“Warehouse and distribution properties continue to deliver”

The industrial market started off the year with amazing results. Over one half million square feet of space was absorbed in the first quarter! This almost equals all the space absorbed in 2005. Continuing the trend that emerged in 2005, warehouse and distribution properties delivered the majority of space taken and accounted for 76 percent of the total space absorbed in the first quarter.

Significant population growth in the Southwest and the communities around Albuquerque like Rio Rancho, Belen, and Los Lunas is helping to fuel demand for warehouse and distribution space. About one half of the distribution spaces are being occupied by companies new to this area and the balance are existing companies expanding. Unique to the first quarter were the significant number of large lease deals that occurred in single and multi-tenant buildings. All combined, they totaled almost 326,000 square feet of space. This level of lease activity has not been seen since late 1999 and early 2000.

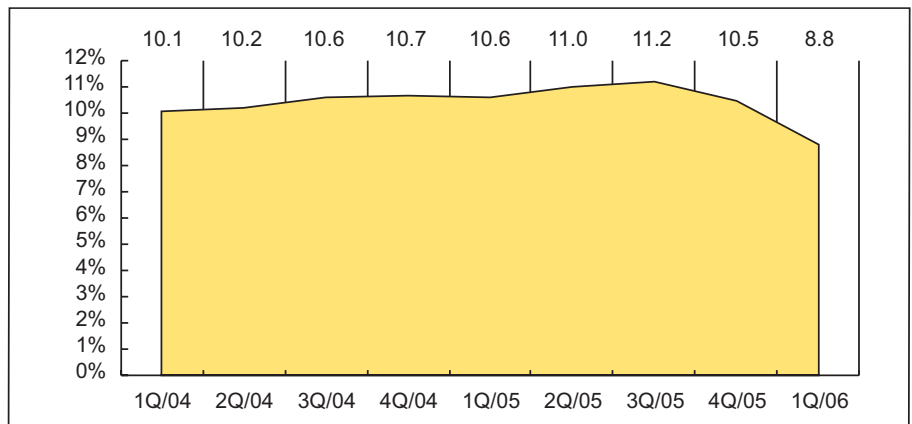
New construction remained fairly brisk across all investor product types. Speculative properties currently in the construction pipeline account for 312,000 square feet of the 1.35 million total square feet underway. Build-to-suit projects have 138,000 square feet underway while the balance, or 902,000 square feet, is in owner user projects. New speculative construction starts should begin to taper off in the next few quarters as the industrial market begins to take a breather from rising construction costs and impact fees. Build-to-suit and owner user projects are likely to continue throughout the year, especially in the new Mesa Del Sol development. Mesa Del Sol does not have impact fees since the developer is responsible for their own off-site infrastructure expenses.

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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque First Quarter 2006

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	809,469	36,013	4.4%	13,473	13,473	-	\$5.33	\$7.35
Downtown	3,047,809	535,228	17.6%	86,799	86,799	35,620	\$4.08	\$8.89
Far NE Heights	215,664	2,000	0.9%	64,600	64,600	-	-	-
Mesa Del Sol	-	-	-	-	-	87,596	-	-
North I-25	15,625,117	1,685,629	10.8%	152,250	152,250	199,539	\$6.31	-
North Valley	1,394,543	158,069	11.3%	21,896	21,896	-	\$6.34	-
Northeast Heights	424,269	69,756	16.4%	21,742	21,742	-	\$6.32	-
Rio Rancho	5,709,819	37,236	0.7%	22,000	22,000	-	\$5.00	-
South Valley	2,173,310	150,156	6.9%	44,002	44,002	53,000	-	-
Southeast Heights	1,053,230	34,678	3.3%	-	-	163,914	-	\$17.00
University	198,460	10,400	5.2%	-	-	-	\$3.00	-
West Mesa	2,380,901	196,566	8.3%	88,223	88,223	812,800	\$5.66	-
Totals	33,032,591	2,915,731	8.8%	514,985	514,985	1,352,469	\$5.79	\$8.56

By Product Type (All Submarkets)	Asking Rent by Product Type							
General Industrial	15,683,257	1,539,212	9.8%	82,769	82,769	1,058,016	\$6.31	
R&D/Flex	3,474,118	458,769	13.2%	39,447	39,447	148,914	\$8.56	
Warehouse/Dist.	13,875,216	917,750	6.6%	392,769	392,769	145,539	\$5.79	
Total	33,032,591	2,915,731	8.8%	514,985	514,985	1,352,469	\$6.57	

(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|New Mexico statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Grubb & Ellis Office Locations

