

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Second Quarter 2006



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The positive absorption trend continued in the second quarter. Across all property types, the industrial market posted healthy results and activity remained vibrant. Performing especially well were general industrial properties in the manufacturing and office warehouse areas. These property types have not seen this level of absorption activity since the fourth quarter of 2004 which was then being driven by new owner occupied projects. Conversely, in the second quarter of 2006, a majority of the activity occurred in the leasing of existing facilities.

“Rising New Construction Costs Spurring Renovations”

Overall existing industrial inventory should continue to perform well throughout the remainder of the year. New speculative construction projects have dropped off significantly since lease rate increases have not kept up with rising construction, interest rate and land costs. This positions existing inventory very well from an economic perspective. New projects are commanding higher asking rates to cover the increased building costs while established industrial buildings can offer lower lease rates, especially in general industrial buildings that are move in ready.

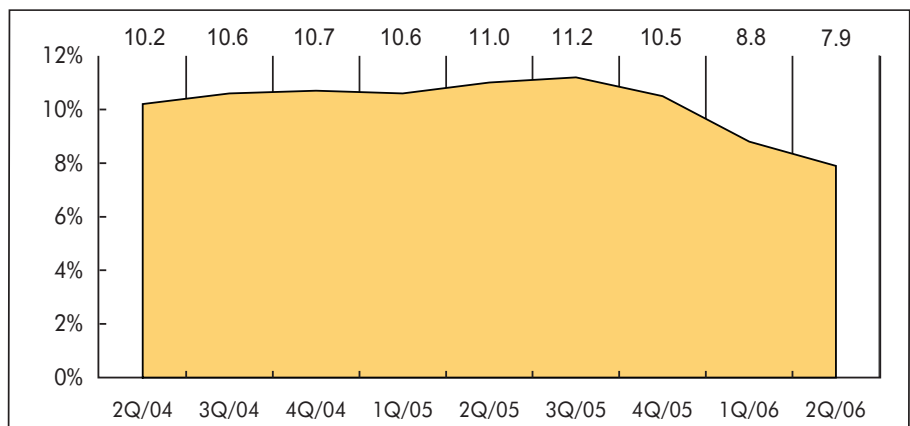
One key factor when comparing existing versus new buildings is to determine the amount of renovations required to make the existing space functional. Since many industrial properties were built with specific design parameters for their previous owners or tenants, significant renovations may be required. More often than not, a renovation strategy should prove more cost effective than starting a new building. One exception is for new warehouse and distribution properties. In these property types, a key factor is the amount of cubic square feet a facility can hold. Newer warehouses can store a higher cubic square footage since their ceiling heights are generally higher than older warehouse properties and may be more affordable on a cubic square foot basis.

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Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot Albuquerque Second 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	27,253	3.4%	8,760	22,233	-	\$4.75	\$7.35
Downtown	3,083,429	477,250	15.5%	93,598	180,397	-	\$4.03	\$8.89
Far NE Heights	215,664	2,000	0.9%	-	64,600	-	-	-
Mesa Del Sol	-	-	-	-	-	87,596	-	-
North I-25	15,625,190	1,457,913	9.3%	216,989	369,239	229,686	\$6.33	\$8.47
North Valley	1,394,543	177,569	12.7%	(19,500)	2,396	-	\$6.34	-
Northeast Heights	424,281	53,314	12.6%	16,454	38,196	-	\$6.35	-
Rio Rancho	5,709,819	33,236	0.6%	4,000	26,000	-	\$5.00	-
South Valley	2,173,310	139,366	6.4%	10,790	54,792	181,400	-	-
Southeast Heights	1,053,230	47,560	4.5%	(12,882)	(12,882)	163,914	-	\$17.00
University	198,460	10,400	5.2%	-	-	-	\$3.00	-
West Mesa	2,380,901	188,330	7.9%	8,236	96,459	812,800	\$5.85	-
Totals	33,068,296	2,614,191	7.9%	326,445	841,430	1,475,396	\$5.75	\$8.69

By Product Type (All Submarkets)	Asking Rent by Product Type							
General Industrial	15,718,950	1,361,289	8.7%	213,616	296,385	1,022,396	\$6.02	
R&D/Flex	3,474,118	412,557	11.9%	35,412	74,859	179,274	\$8.69	
Warehouse/Dist.	13,875,228	840,345	6.1%	77,417	470,186	273,726	\$5.75	
Total	33,068,296	2,614,191	7.9%	326,445	841,430	1,475,396	\$6.56	

(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

