

Industrial Market Trends Albuquerque

Grubb & Ellis Research

Third Quarter 2006



“Construction Pipeline Delivers Speculative Product..”

Renovation Shrinks Area Vacancy

In the first quarter of 2004, the industrial vacancy rate spiked upward 1.5 percent when Philips Semi-Conductor shuttered a 500,000 square foot manufacturing plant. The plant remained vacant largely because of obsolete technology and configuration issues at the site. What had previously increased vacancy has now given new opportunity for the space to be repositioned.

A major renovation of the former Philips Semi-Conductor plant began this quarter to transform the site into a mixed use redevelopment. When major renovations like this occur, the vacant space is essentially removed from the competitive inventory during the construction phase which compresses the rate, a primary reason why vacancy fell almost 100 basis points this quarter. Upon completion, however, approximately 200,000 square feet of R&D/flex space for data center applications will be returned back to the industrial market. The remaining space is slated for office, retail and even some residential uses.

Excluding the Philips plant renovation, Albuquerque's overall vacancy would have actually increased 50 basis points. Of the 382,000 square feet of new industrial space delivered, 93,000 square feet was occupied by owner users, and the balance, or 289,000 square feet, occurred in 11 speculative projects. These projects saw 100,000 square feet of space become occupied during the quarter leaving 65 percent still vacant. From a property type standpoint, warehouse/distribution properties added 170,000 square feet followed by 75,000 square feet of flex space and 44,000 square feet of general industrial buildings.

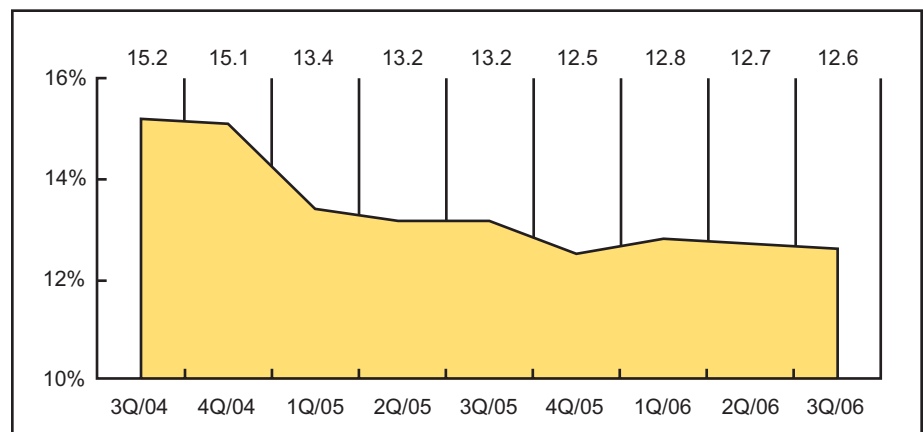
Albuquerque Office Market Trends

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Industrial Vacancy Rate*

*All Classes of Space

Industrial Market Snapshot Albuquerque Third Quarter 2006

By Submarket (All Property Type)	Total (1)	Vacant (2)	Net Absorption		Under Const. (3)	Asking Rent (4)		
	SF	SF	Vacant %	Current	Year To Date	SF	WH/Dist	R&D/Flex
Airport	809,469	27,253	3.4%	0	22,233	-	\$4.75	\$7.35
Downtown	3,086,429	447,048	14.5%	33,202	213,599	-	\$3.86	\$6.77
Far Northeast Heights	215,664	2,000	0.9%	0	64,600	-	-	-
Mesa Del Sol	-	-	-	0	-	665,596	-	-
North I-25	15,210,857	1,003,993	6.6%	81,586	428,826	151,946	\$6.13	\$9.48
North Valley	1,394,543	166,302	11.9%	11,267	13,663	-	\$6.30	-
Northeast Heights	424,281	54,814	12.9%	(1,500)	36,696	-	\$5.54	-
Rio Rancho	5,709,819	33,236	0.6%	0	26,000	-	\$5.00	-
South Valley	2,251,530	188,978	8.4%	16,608	71,400	173,576	\$6.46	-
Southeast Heights	1,217,144	87,327	7.2%	124,147	129,409	-	\$4.80	\$16.50
University	198,460	10,400	5.2%	0	-	-	\$3.00	-
West Mesa	2,443,701	322,686	13.2%	(71,556)	24,903	790,040	\$6.79	-
Totals	32,961,897	2,344,037	7.1%	193,754	1,031,329	1,781,158	\$5.96	\$9.16

By Property Type (All Submarkets)	Wtd Asking Rent						
	Total (1)	Vacant (2)	Vacant %	Current	Year To Date	Under Const. (3)	Asking Rent (4)
General Industrial	15,259,677	929,730	6.1%	14,285	286,815	1,696,076	\$6.19
Incubator	12,000	-	-	-	-	-	-
R&D/Flex	3,641,949	511,798	14.1%	68,590	143,449	30,360	\$9.16
Warehouse/Distribution	14,048,271	902,509	6.4%	110,879	601,065	54,722	\$5.96
Totals	32,961,897	2,344,037	7.1%	193,754	1,031,329	1,781,158	\$6.78

(1) Inventory includes multi-tenant and single-tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, full service. Rates for each building are weighted by the size of 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

