

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Fourth Quarter 2006



Tempur-Pedic Mattress plant is gearing up..

Vigorous Leasing, Construction Activity in 2006

The year ended with a bang as the industrial market posted its lowest vacancy in at least six years. The new rate, 6.5 percent, is sharply down from 7.1 percent in the third quarter. The significant drop is due in no small part to the December occupancy of the long awaited 870,000 square foot Tempur-Pedic mattress factory in the West Mesa. Although the factory will not be fully operational until January 2007, Tempur-Pedic is preparing the facility to begin manufacturing.

But fourth quarter positive absorption would have occurred even without the addition of Tempur-Pedic as 195,000 square feet of additional new construction was completed in other submarkets, including the 87,596 square foot Advent Solar building in Mesa del Sol and the Emcore photovoltaic expansion of 20,000 square feet in the Southeast Heights. Of overall new industrial product delivered, owner-users occupied 977,000 square feet of space, while the remainder comprised speculative projects. Of these projects, roughly 80 percent is already occupied.

Even with new construction left out of the equation, the fourth quarter still saw positive absorption within existing inventory. The West Mesa experienced the most activity with Prime Therapeutics moving into a 71,150 square foot flex building recently vacated by a GE call center. Another big move was ARVADA Hardwood Floor Company who occupied 75,900 square feet of warehouse space. Well over 2,000,000 square feet was absorbed in 2006 and ample construction projects in the pipeline indicate that the vacancy rate should tighten further in 2007.

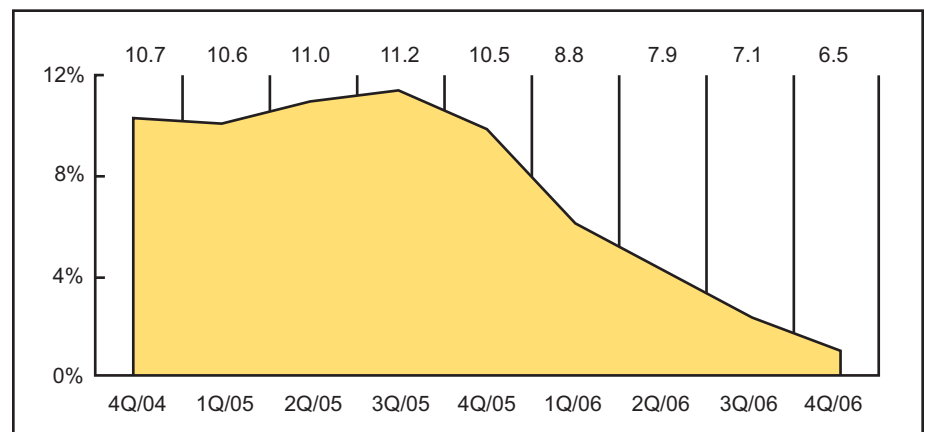
Albuquerque Office Market Trends

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Ken Schaefer

Director of Brokerage Operations
E-mail: ken.schaefer@grubb-ellis.com

Grubb & Ellis|New Mexico
2400 Louisiana Blvd NE
Bldg 1, Suite 300
Albuquerque, NM
Phone: 505.883.7676
Internet: www.genewmexico.com
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Industrial Vacancy Rate*

*All Classes of Space

Industrial Market Snapshot Albuquerque Fourth Quarter 2006

By Submarket (All Property Type)	Total (1) SF	Vacant (2)		Net Absorption		Under Const. (3) SF	Asking Rent (4)	
		SF	Vacant %	Current	Year To Date		WH/Dist	R&D/Flex
Airport	809,469	27,253	3.4%	0	22,233	-	\$4.75	-
Downtown	3,086,429	446,708	14.5%	340	213,939	-	\$3.89	\$6.77
Far Northeast Heights	215,664	3,300	1.5%	(1,300)	63,300	-	-	-
Mesa Del Sol	87,596	-	-	87,596	87,596	578,000	-	-
North I-25	15,245,443	1,035,493	6.8%	3,086	431,912	165,325	\$6.52	\$9.51
North Valley	1,394,543	172,934	12.4%	(6,632)	7,031	-	\$6.35	-
Northeast Heights	424,281	40,989	9.7%	13,825	50,521	-	\$5.95	-
Rio Rancho	5,709,819	33,236	0.6%	0	26,000	-	\$5.00	-
South Valley	2,304,530	188,978	8.2%	53,000	124,400	120,576	\$6.46	-
Southeast Heights	1,237,144	48,606	3.9%	58,721	188,130	-	\$4.80	\$16.50
University	198,460	27,900	14.1%	(17,500)	(17,500)	-	\$3.00	-
West Mesa	3,313,701	175,636	5.3%	1,017,050	1,041,953	220,040	\$8.34	-
Totals	34,027,079	2,201,033	6.5%	1,208,186	2,239,515	1,083,941	\$6.05	\$9.23

By Property Type (All Submarkets)

							Asking Rent	
General Industrial	16,290,273	941,279	5.8%	1,019,047	1,305,862	835,445	\$6.59	
Incubator	12,000	-	-	-	-	-	-	
R&D/Flex	3,641,949	400,735	11.0%	111,063	254,512	30,360	\$9.23	
Warehouse/Distribution	14,082,857	859,019	6.1%	78,076	679,141	218,136	\$6.05	
Totals	34,027,079	2,201,033	6.5%	1,208,186	2,239,515	1,083,941	\$6.94	

(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 direct available space.

* 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

