

# Industrial Market Trends Albuquerque

Grubb & Ellis Research  
Third Quarter 2008



*Warehouse and distribution  
sees historical low vacancy...*

## Holding On For Now

The industrial market stood strong but continued worries from a probable economic recession began to sour the mood of decision makers. Market activity showed signs of slowing while the amount of sublease space began to increase slightly. Compared to a year ago, overall vacant sublease space only went up by 71,000 square feet. The amount of available space, space that is still occupied but will soon be vacated, increased by 131,000 square feet which may point to higher chances of further market deterioration.

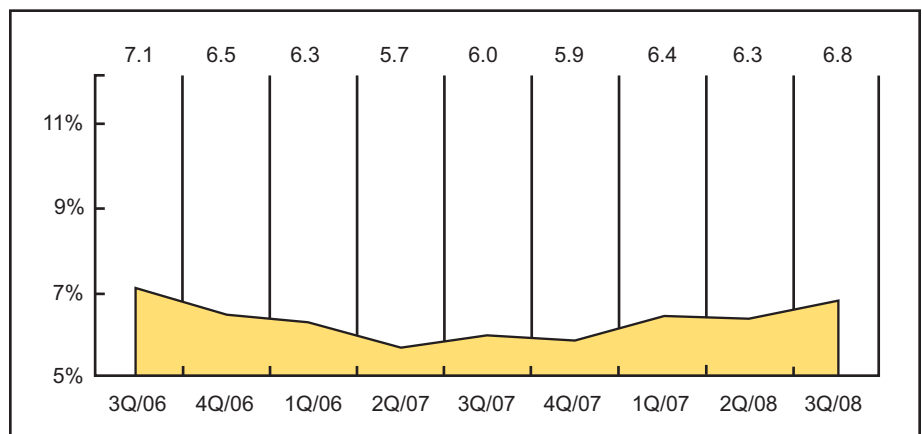
On the surface, the 50 basis point increase in vacancy appears to give credence to weakening fundamentals. The increase is actually the result of a single speculative construction project being delivered vacant. This renovation project is located in the Southeast Heights submarket and contains 192,000 square feet of R&D/flex space. Diminished pre-leasing activity does not bode well for starting new speculative projects while lenders are requiring higher levels of occupancy before funding.

From a product type perspective, warehouse and distribution space remains the biggest challenge for users to find. Large spaces over 25,000 square feet that have minimum clear heights of 24 feet are very scarce. The historical vacancy for warehouse and distribution properties is 5.1 percent, and has remained below 5.5 percent for all of 2008. Vacancy this low has not seen over the last ten years. So far this year new construction has only added 47,000 square feet of new space with only 16,000 square feet currently underway. Additional speculative warehouse and distribution projects will be difficult in the current financial environment.

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**Industrial Vacancy Rate\***

*\*All Product Types*

