

Industrial Market Trends Albuquerque

Grubb & Ellis Research
Second Quarter 2008



New speculative construction unlikely...

Stable Is Not So Bad

The Albuquerque industrial market held its own during the second quarter as vacancy remained stable. Despite the fears of an economic slowdown driven by significant declines in single-family home construction, some pockets of positive activity were present. The burgeoning film and movie industry is driving demand for warehouse spaces from companies providing logistical support to production companies. Users seeking smaller spaces are scrutinizing asking prices and commanding more concessions.

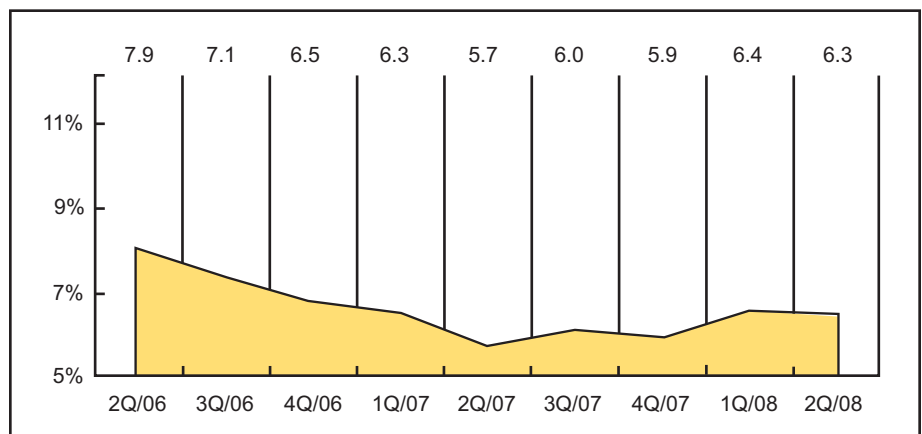
Landlord's pricing power has begun to adjust to current conditions. Overall annual average asking rates dropped twenty-two cents per square foot in the second quarter. With operating costs likely to increase, any further decrease in asking rental rates is unlikely. This could put landlords in a tough position if the market softens more and they need to increase their rents to meet rising costs. Tenants will likely see the advantage in negotiations unless they require warehouse/distribution spaces with clear heights greater than 24 feet.

New construction starts have yet to gain momentum resulting in a limited supply of larger spaces over 25,000 square feet. What is available in this segment are sublease opportunities by national or regional users who have pulled in their reins as a result of the contracting national economy. This may improve the supply of larger spaces on the market but have a chilling effect on new speculative construction starts. Compared to last year, projects under construction have fallen 77 percent. Look for new construction starts to be mainly build-to-suit and owner developed projects.

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Industrial Vacancy Rate*

*All Product Types

