

# Industrial Market Trends Albuquerque

Grubb & Ellis Research  
Fourth Quarter 2008



*Speculative projects prevent an over supply of space . . .*

## Slip Sliding Away

The market faced many challenges in 2008. Vacancy increased over the last three consecutive quarters and it was the first time since 2004 that the year ended with negative absorption of space. A majority of the negative absorption occurred during the fourth quarter, which may be a sign of further deterioration. Many of the negative moves can be attributed to national companies downsizing or shuttering operations altogether. These moves are increasing the amount of sublease space on the market, which grew by 94,000 square feet compared to the same time last year.

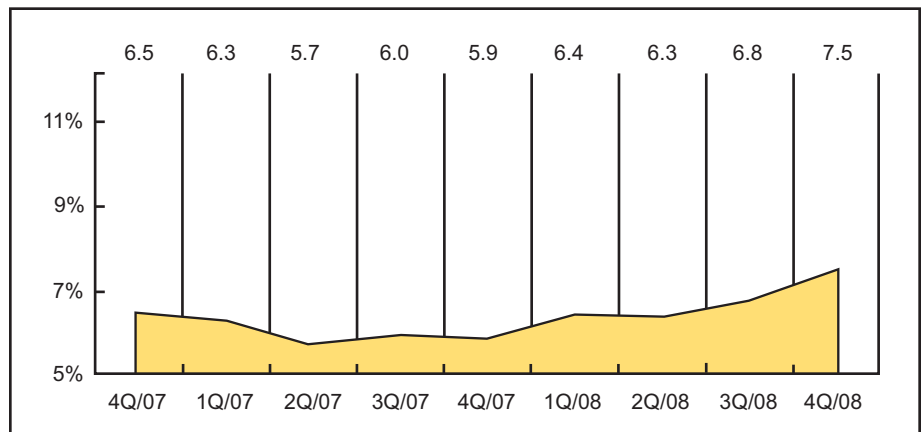
The current economic slowdown is having a chilling effect on speculative construction. Only 10 percent of the total space under construction is being built on a speculative basis. The 30,000 square feet of speculative construction underway is one of the lowest levels seen over the last ten years. The sole project is being built in Rio Rancho where industrial vacancy is only two percent. The balance of new projects underway is build-to-suit and owner/user projects being built in Mesa Del Sol and in the West Mesa. Look for new speculative starts to be further restrained by more stringent financing standards. Many lenders are now requiring much higher pre-leasing levels, 50 percent or higher, before financing becomes available.

Even though construction costs are falling, developers will be less eager to start new projects. Decreasing raw material expenses and excess labor from the residential housing market should help landlords provide more attractive build outs in the leasing market. Tenants may also begin seeing more concessions in the form of generous tenant improvement allowances, rent abatement, and attractive rates spurred by decreasing construction costs.

**Albuquerque Industrial Market Trends** is a newsletter published quarterly by Grubb & Ellis|New Mexico. To obtain additional copies or other Grubb & Ellis|New Mexico publications, please contact:

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**Industrial Vacancy Rate\***

\*All Product Types

