

2024 opens with strong net absorption and creation of a new submarket as demand pushes development further east.

▲ 4.5%

Vacancy Rate

▲ 858,752

SF Net Absorption

▼ 4,908,575

SF Construction

▲ 1,503,758

SF Delivered Construction

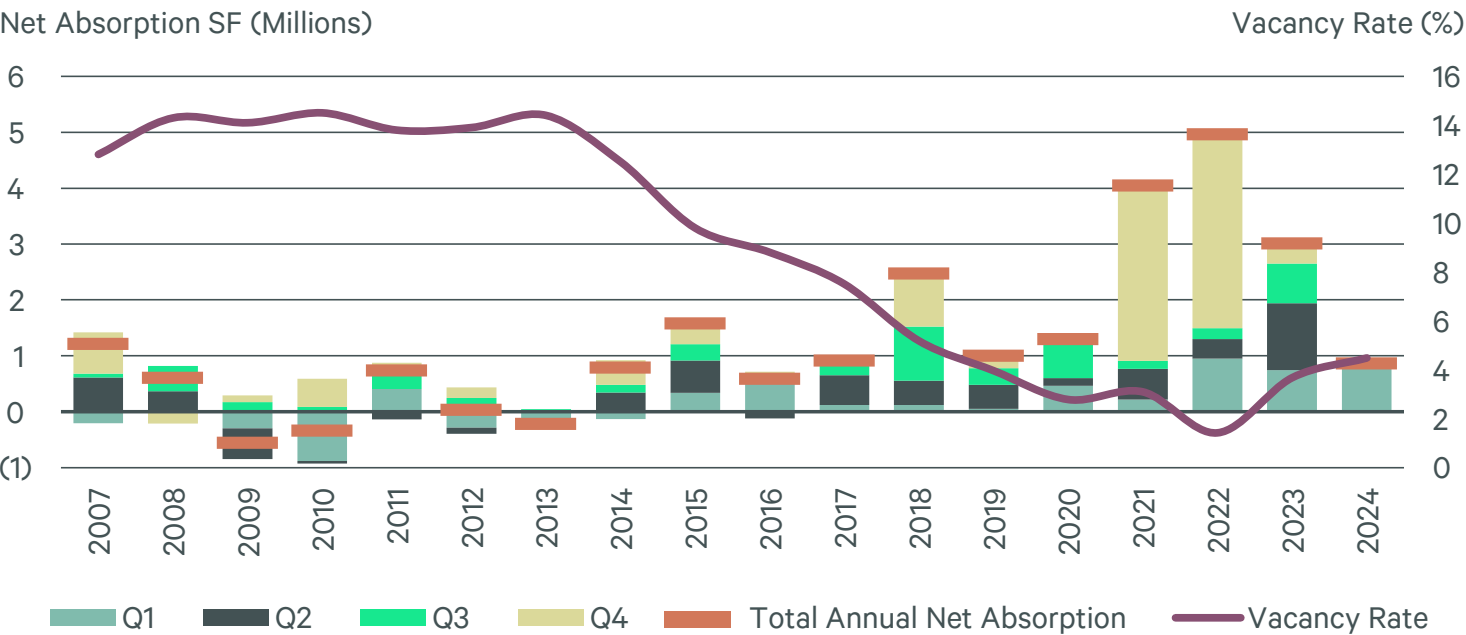
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q1 2024 recorded 858,752 sq. ft. of net absorption, more than double the Q4 2023 figure.
- The market-wide vacancy rate increased by 80 bps to 4.5%.
- The market-wide asking rent reached a new record high while the Class A asking rent remained stable.
- We have created a new submarket named Horizon East as four spec projects kicked off past the I-10 & Horizon Blvd interchange in Q1 2024.

The El Paso Industrial Market opened the year with above average net absorption and strong leasing activity. The completion of pre-leased speculative space and the lease up of recently delivered speculative space was a significant contributor to net absorption during the quarter. The market-wide asking rent continued on a nearly uninterrupted five-year upward trend, reaching a new high. Demand for industrial space also remained far above the historical average, outpacing vacant space in the market. We have also seen a peak of the under construction pipeline, which will decline throughout the year.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q1 2024.

Absorption and Leasing Activity Remain Strong

Q1 2024 closed with 858,752 sq. ft. of net absorption, more than double the Q4 2023 figure and a year-over-year increase of 117,000 sq. ft. Of the nearly 1.5 million sq. ft. of gross absorption in Q1 2024, 720,000 sq. ft. came through the delivery of three pre-leased speculative (spec) projects and one build-to-suit (BTS) project.

Q1 2024 registered five new leases, an expansion, a sublease, and five renewals totaling 1.8 million sq. ft. of activity. New leases made up 1.1 million sq. ft. of activity. Class A product accounted for four new leases, a sublease, and three renewals, totaling 1.6 million sq. ft. of activity. Class A activity included a BTS lease, which began construction during the quarter and the lease of a spec space that was delivered vacant in Q2 2023.

The market-wide vacancy rate increased by 80 basis points quarter-over-quarter. This increase stemmed from the delivery of vacant spec space. Although vacancy rates have increased compared to the historic lows seen in 2022, 26% of all vacant space in the market is held in two buildings. Without these two spaces, a long-term Class A vacancy and a spec projects delivered in Q2 2023, the market-wide and Class A vacancy rates would fall to 3.3% and 6.5%, respectively.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy	Availability	Construction (SF)		Net Absorption (SF)
	(%)	(%)	Active	Delivered	Q1 2024
West	4.6	8.1	1,193,500	-	(311,256)
Northeast	0.1	2.4	75,000	-	(6,880)
Central	0.3	1.0	-	-	-
East	7.4	10.2	2,224,335	1,453,758	1,126,888
Lower Valley	6.5	9.8	405,000	50,000	50,000
Horizon East	-	-	1,010,740	-	-
El Paso Total	4.5	6.8	4,908,575	1,503,758	858,752
Class A	9.0	11.5	4,908,575	1,503,758	865,632
Class B	0.5	3.0	-	-	(6,880)

Source: CBRE Research, Q1 2024.

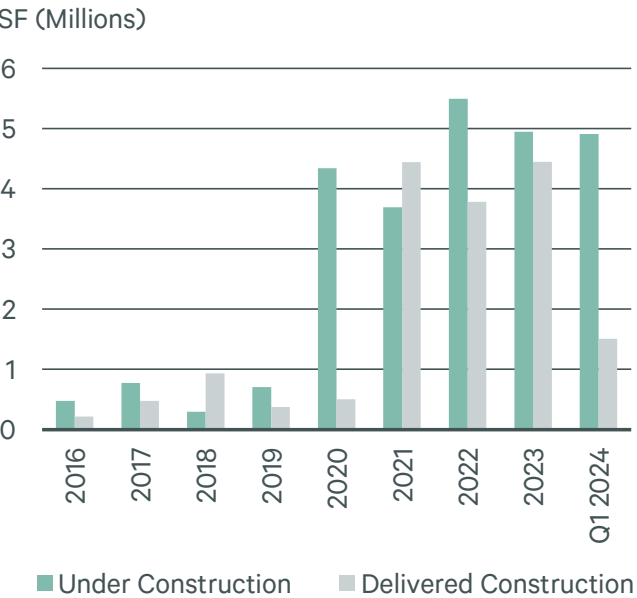
Construction

Q1 2024 ended with 21 projects and 4,908,575 sq. ft. of industrial space under construction, a small decrease of 40,000 sq. ft. compared to the previous quarter. The largest share of space under construction, 3.5 million sq. ft., is spec. Four spec projects and two BTS projects, a total of 1.3 million sq. ft., began moving dirt during Q1 2024. All four spec projects are in the new Horizon East submarket. Over 1.5 million sq. ft. of space was delivered to the market in Q1 2024.

Future Activity

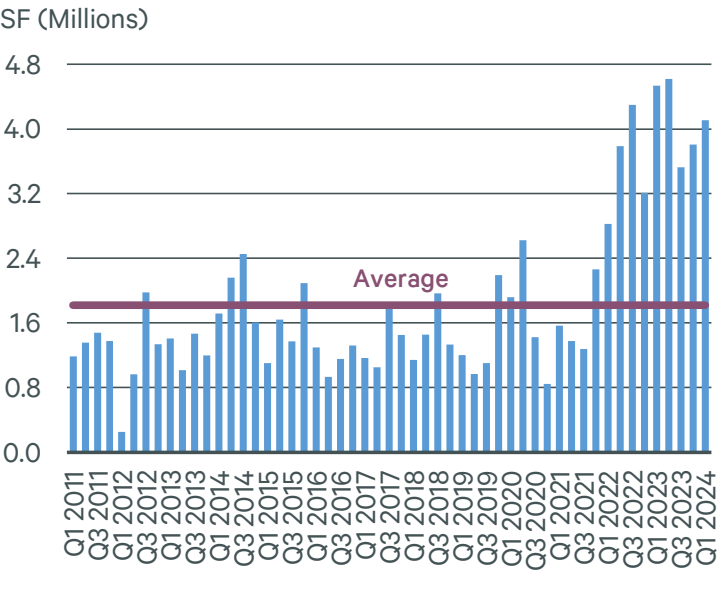
CBRE tracks user demand for space in the El Paso Industrial Market. Q1 2024 closed with users seeking 4.1 million sq. ft., 2.3 million sq. ft. above the 52-quarter trailing average. Quarter-over-quarter, demand for industrial space grew by 300,000 sq. ft. but declined by 426,000 sq. ft. year-over-year when demand was at a near record-high. Industrial users are seeking space ranging in size from 20,000 sq. ft. to 600,000 sq. ft. with an average size of 158,000 sq. ft. Two industries, the logistics and 3PL sector and electronics and electrical equipment manufacturing accounted for 56% of total demand.

FIGURE 6: Construction



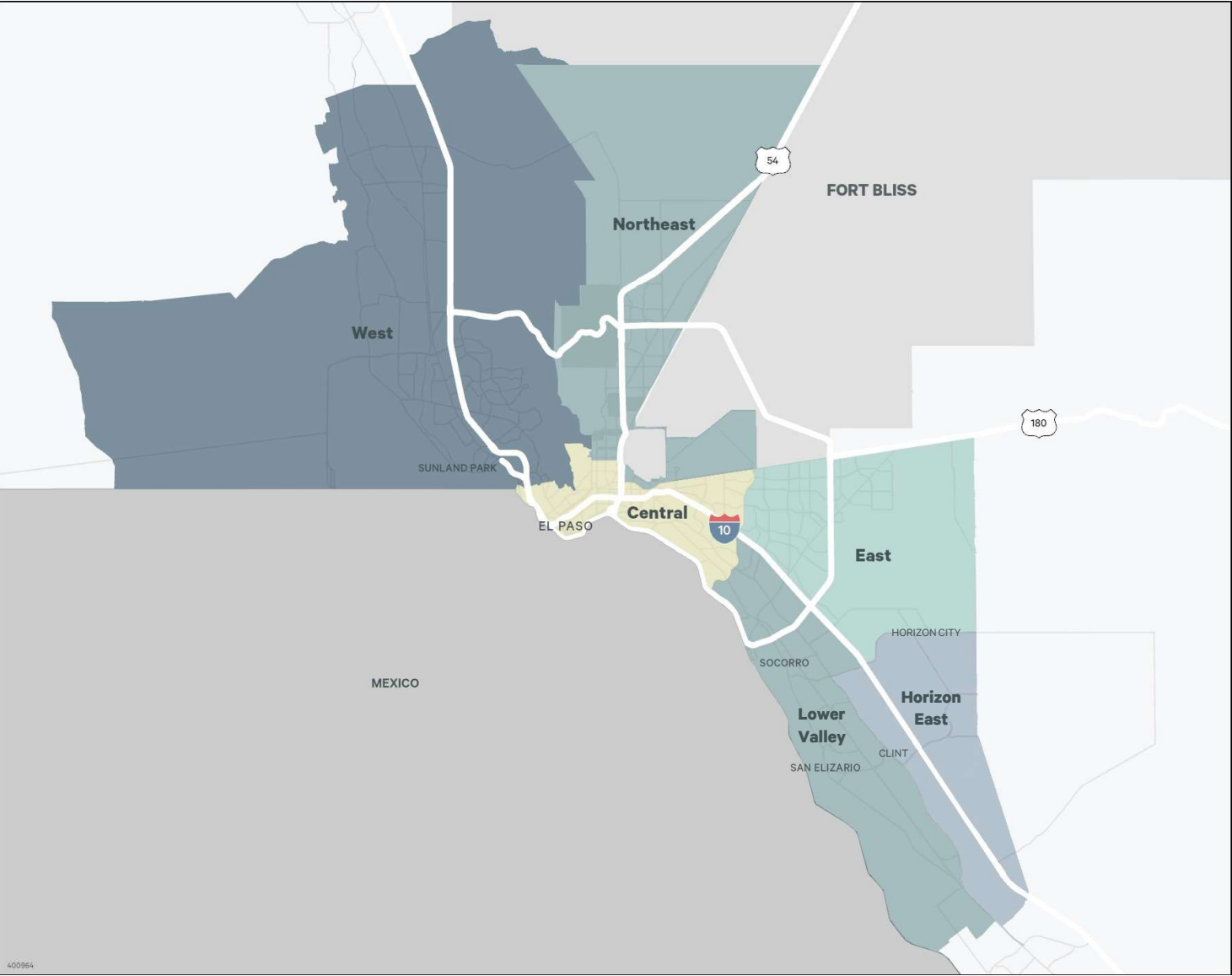
Source: CBRE Research, Q1 2024.

FIGURE 7: Active Users in the Market



Source: CBRE Research, Q1 2024.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Triple Net Lease Rate: Rent excludes the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied immediately.

Survey Criteria

Includes all industrial buildings 30,000 sq. ft. and greater in size in greater metropolitan area of El Paso, TX and Santa Teresa, NM. Buildings which have begun construction as evidenced by site excavation or foundation work.

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