

FIGURES | EL PASO INDUSTRIAL | Q3 2024

Industrial market hits a speed bump not a roadblock as net absorption balances out.



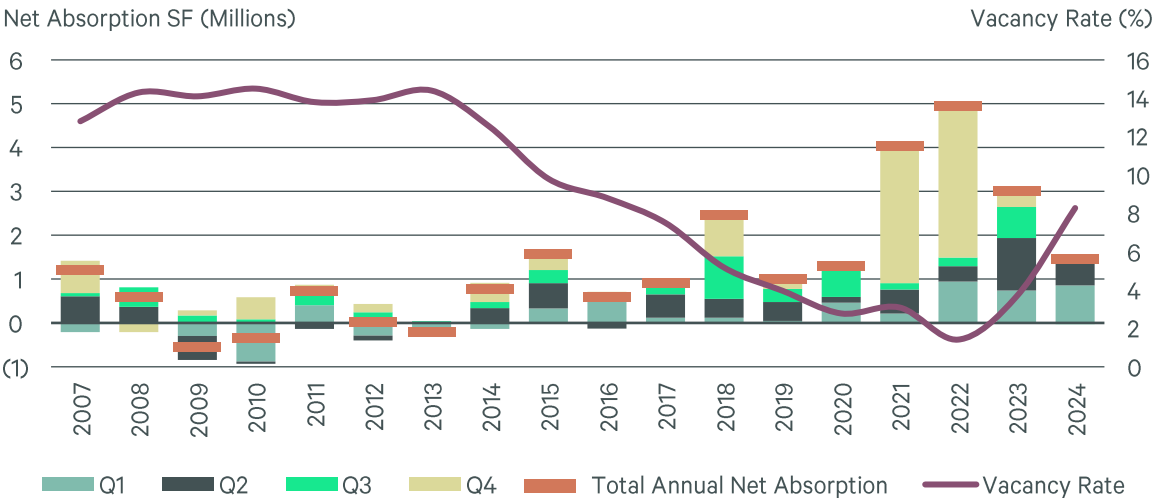
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q3 2024 closed with negative 25,364 sq. ft. of net absorption, the first negative quarter recorded for the El Paso Industrial Market since Q2 2016.
- Q3 2024 Class A year-to-date net absorption was the second largest Q3 year-to-date figure recorded for the product class since CBRE began tracking the market.
- The market-wide vacancy rate increased by 280 bps to 8.3%. The Class A vacancy rate, which accounts for almost all vacancy, increased by 380 bps to 15.1%.
- The market-wide asking rent reached a new record high.
- Over 3.9 million sq. ft. of industrial space, of which 3.1 million sq. ft. is spec, remained under construction at the end of Q3 2024.

The El Paso Industrial Market saw net absorption fall slightly into negative territory for the first time in nearly eight years. However, overall market fundamentals remained on a favorable trend with continued leasing activity, strong year-to-date net absorption, and above average demand. The delivery of completed construction continued to drive absorption but increases in vacant speculative space have put upward pressure on the vacancy rate and maintained record-high asking rents.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q3 2024.

Absorption and Leasing Activity Remain Strong

Q3 2024 closed with negative 25,364 sq. ft. of net absorption, the first negative quarter recorded for the El Paso Industrial Market since Q2 2016 when absorption was negative 125,500. Year-to-date, net absorption remained healthy, outpaced by a noticeable amount only by the Q3 2023 year-to-date record setting figure of 2.6 million sq. ft. Q3 2024 Class A year-to-date net absorption was the second largest Q3 year-to-date figure recorded for the product class since CBRE began tracking the market. The delivery of three build-to-suit (BTS) projects contributed just over 700,000 sq. ft. of gross absorption to the quarter's 1.2 million sq. ft.

Q3 2024 registered five new leases, two subleases, and seven renewals totaling 1.2 million sq. ft. of activity. Class A product accounted for a new lease, both sublets, and five renewal, totaling 760,000 sq. ft. of activity. The largest share of activity, 480,000 sq. ft. through three renewals and a lease, was in the West submarket.

Quarter-over-quarter, the market-wide vacancy rate increased by 260 basis points caused in part to the delivery of three vacant speculative (spec) spaces totaling just under 550,000 sq. ft. However, the largest contributor to vacancy increases was a slew of new vacancies, roughly 940,000 sq. ft. of 2nd generation Class A and Class B spaces.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy (%)	Availability (%)	Construction (SF)		Net Absorption (SF)	
			Active	Delivered	Q3 2024	YTD 2024
West	6.1	7.3	240,737	223,500	187,500	375,611
Northeast	2.0	4.1	75,000	-	(136,371)	(143,251)
Central	0.3	2.4	-	-	-	-
East	15.2	17.8	554,835	1,031,756	(149,157)	1,097,731
Lower Valley	9.2	10.3	2,060,721	-	72,664	122,664
Horizon East	-	-	1,010,740	-	-	-
El Paso Total	8.3	10.3	3,942,033	1,255,256	(25,364)	1,452,755
Class A	15.1	16.9	3,942,033	1,255,256	5,149	1,490,148
Class B	2.1	3.9	-	-	17,487	10,607

Source: CBRE Research, Q3 2024.

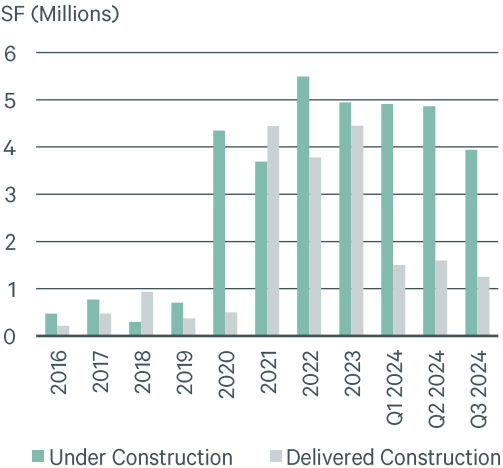
Construction

Q3 2024 ended with 16 projects and 3,942,033 sq. ft. of industrial space under construction, a decrease of 920,160 sq. ft. compared to the previous quarter. The largest share of space under construction, 3.1 million sq. ft., is spec. Four BTS projects, three in the Lower Valley submarket and one in the Northeast submarket, also remained under construction. Three spec projects, a total of about 540,000 sq. ft., began moving dirt during Q3 2024. These new developments were in the East, Lower Valley, and West submarkets.

Future Activity

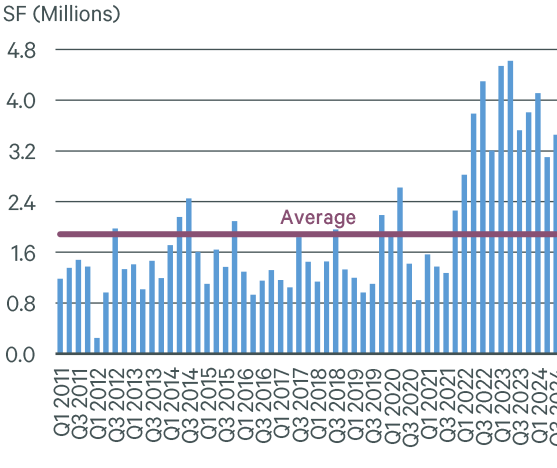
CBRE tracks user demand for space in the El Paso Industrial Market. Q3 2024 closed with users seeking 3.5 million sq. ft., a quarter-over-quarter increase of 400,000 sq. ft. and 1.6 million sq. ft. above the 54-quarter trailing average. Industrial users are seeking space ranging in size from 10,000 sq. ft. to 400,000 sq. ft. with an average size of 133,000 sq. ft. The transportation and logistics/3PL industry continues to be a mainstay of the El Paso market, making up 60% of demand for industrial space in the market.

FIGURE 6: Construction



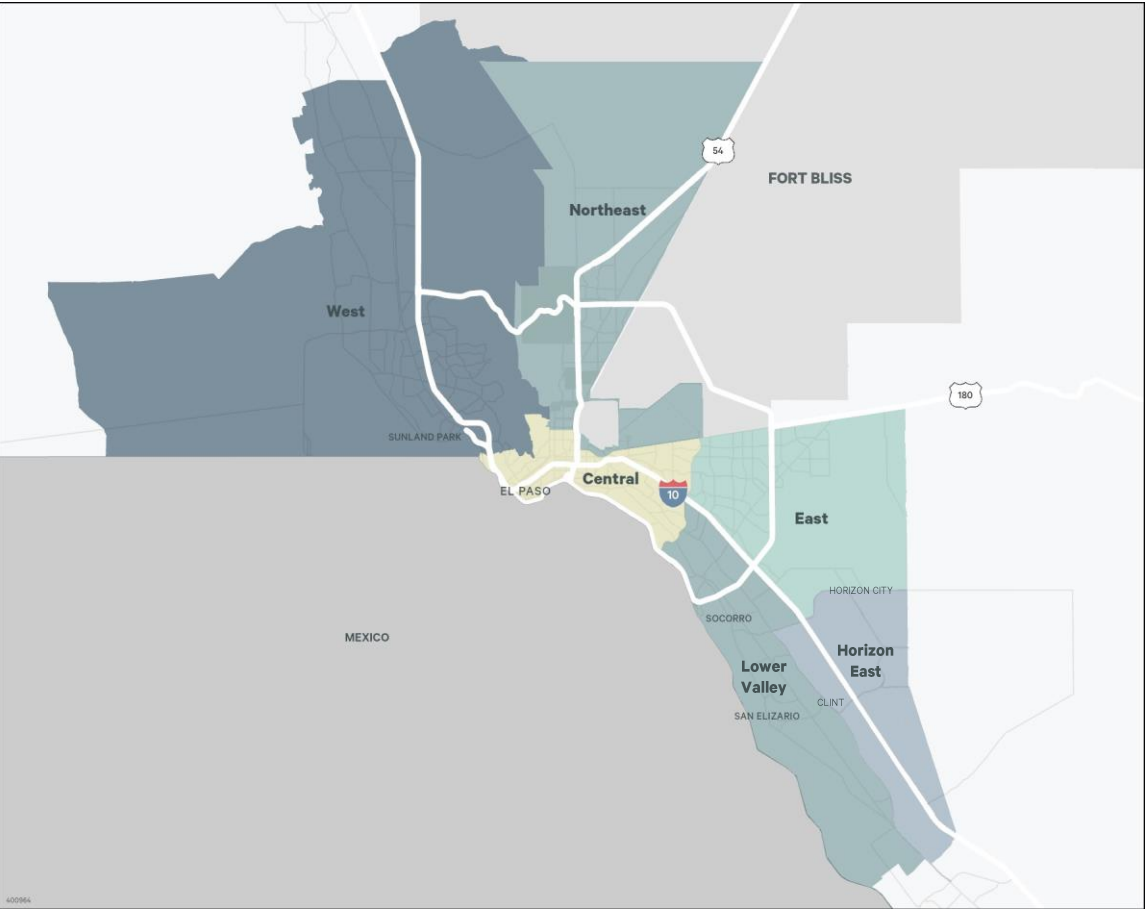
Source: CBRE Research, Q3 2024.

FIGURE 7: Active Users in the Market



Source: CBRE Research, Q3 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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