

Vacancy rate topped off by record deliveries and flight to quality. Activity and demand remained strong.



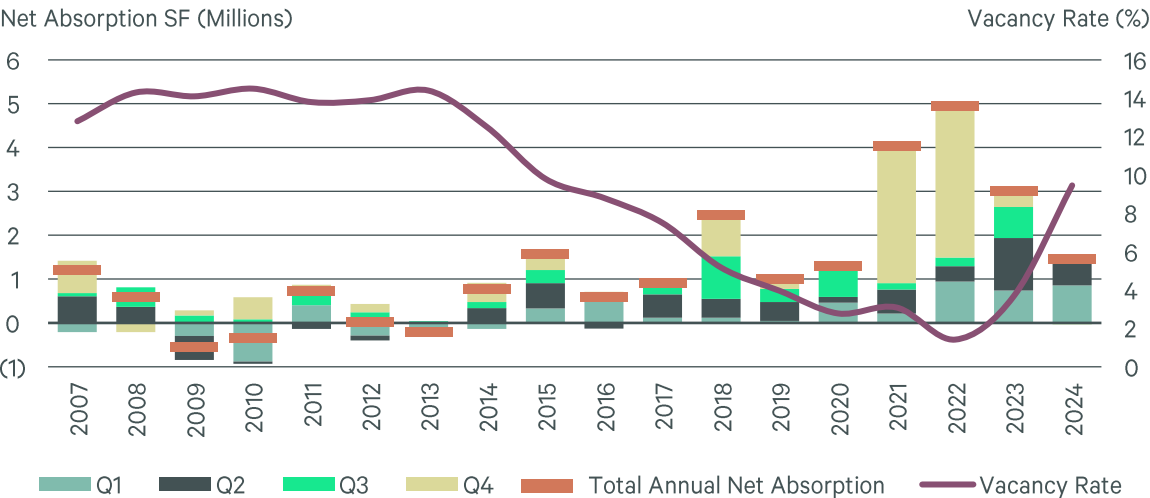
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q4 2024 closed with negative 5,172 net absorption, the second negative quarter recorded for the El Paso Industrial Market since Q2 2016. Annual net absorption was 1,447,583 sq. ft.
- Annual gross absorption for 2024 was 4.5 million sq. ft., 785,000 sq. ft. higher than 2023.
- The market-wide vacancy rate increased by 120 basis points and the Class A vacancy rate increased by 200 basis points.
- Almost 4.0 million sq. ft. of industrial space, of which 3.8 million sq. ft. is speculative, remained under construction at the end of Q4 2024.

The El Paso Industrial Market once again saw net absorption dip slightly into negative territory after an eight-year streak of positive net absorption was broken in the previous quarter. Although net absorption was sluggish in the second half of 2024, gross absorption from leasing activity for the year outpaced the 2023 figure. A record setting amount of new space delivered to the market during the year causing vacancy rates to go up and asking rates to remain high. With demand for industrial space well above average at the close of 2024, leasing activity should be strong in the coming year.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q4 2024.

Absorption and Leasing Activity

Q4 2024 closed with negative 5,172 net absorption, the second negative quarter recorded for the El Paso Industrial Market since Q2 2016. Total 2024 annual net absorption was 1,447,583 sq. ft., less than half of the annual figure for 2023 but in line with annual figures for 2020 and earlier. Gross absorption in Q4 2024 was 972,000 sq. ft., just 225,000 sq. ft. short of the Q3 2024 figure and 478,000 sq. ft. larger than Q4 2023. Total annual gross absorption for 2024 was 4.5 million sq. ft., 785,000 sq. ft. higher than 2023. Class A product made up the majority of gross absorption in 2024, recording over 3.8 million sq. ft.

Q4 2024 registered six new leases, two subleases, and four renewals totaling 660,000 sq. ft. of activity. The East submarket held the largest share of activity, 300,000 sq. ft. through four leases and a renewal. Three new leases and three renewals totaling 463,000 sq. ft. came through Class A product.

Quarter-over-quarter, the market-wide vacancy rate increased by 120 basis points (bps) and Class A vacancy increased by 200 bps. Vacancy rate increases were due in part to the delivery of vacant spec spaces totaling 445,000 sq. ft. Just as Class A led the year’s absorption and activity, it also led new vacancies. Nearly all of the space vacated in 2024, 1.8 million sq. ft., was Class A space. The vast majority of this vacancy occurred in 2nd generation space of pre-2000 vintage, driven by companies that grew into larger, more modern facilities.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy (%)	Availability (%)	Construction (SF)		Net Absorption (SF)	
			Active	Delivered	Q4 2024	YTD 2024
West	5.3	6.2	655,377	-	86,146	461,757
Northeast	4.1	5.3	-	-	(254,845)	(398,096)
Central	0.3	2.8	-	-	-	-
East	16.5	19.4	1,003,985	-	(367,428)	730,303
Lower Valley	11.2	13.7	1,484,441	818,080	530,955	653,619
Horizon East	100.0	100.0	853,780	156,960	-	-
El Paso Total	9.5	11.7	3,997,583	975,040	(5,172)	1,447,583
Class A	17.1	18.9	3,997,583	975,040	(5,172)	1,484,976
Class B	1.6	4.0	-	-	-	10,607

Source: CBRE Research, Q4 2024.

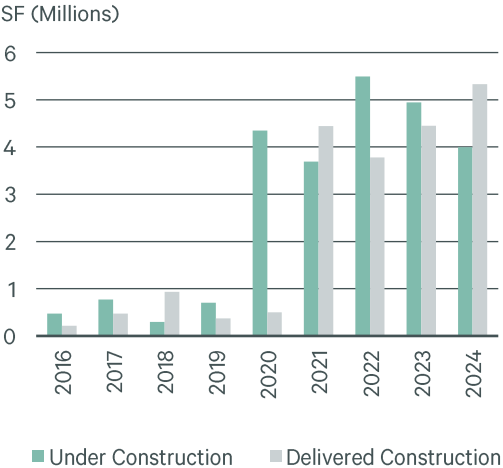
Construction

Over 5.3 million sq. ft. of new industrial space was delivered in 2024, the largest annual figure recorded since CBRE began tracking the market. 3.5 million sq. ft. of this space was spec and 1.8 million was build-to-suit (BTS). Q4 2024 ended with 15 projects and 3,997,583 sq. ft. of industrial space under construction, an increase of 56,000 sq. ft. compared to Q3 2024. The majority of space under construction, 3.8 million sq. ft., was speculative (spec). One BTS project in the Lower Valley submarket also remained under construction. Three spec projects, a total of about 1.1 sq. ft., began moving dirt during Q4 2024. These new developments were in the East, Lower Valley, and West submarkets

Future Activity

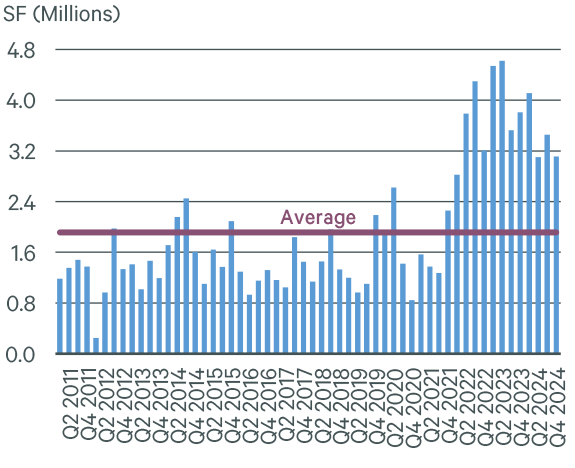
CBRE tracks user demand for space in the El Paso Industrial Market. Q4 2024 closed with users seeking 3.1 million sq. ft., a quarter-over-quarter decrease of 354,000 sq. ft. but 1.2 million sq. ft. above the 55-quarter trailing average. Industrial users are seeking space ranging in size from 30,000 sq. ft. to 500,000 sq. ft. The transportation and logistics/3PL industry continues to be a mainstay of the El Paso Industrial Market, making up 40% of demand for industrial space.

FIGURE 6: Construction



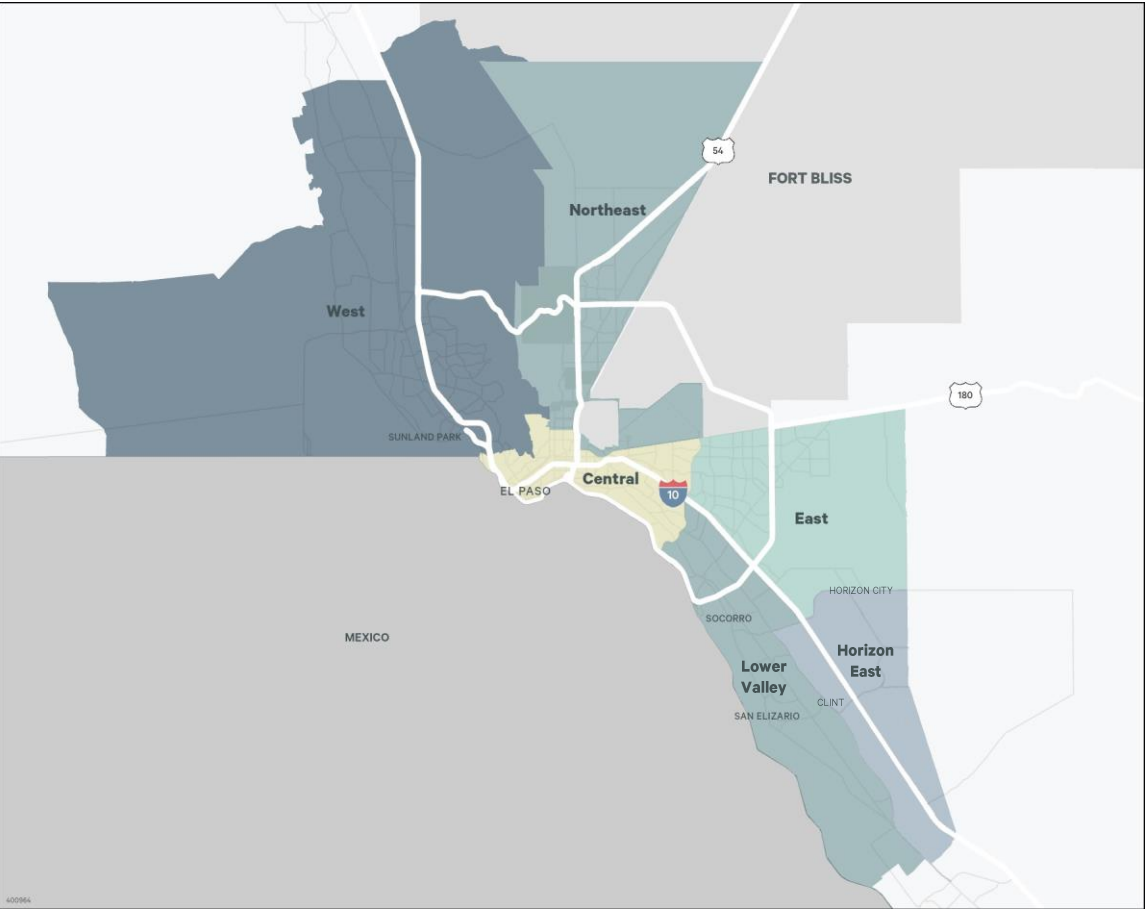
Source: CBRE Research, Q4 2024.

FIGURE 7: Active Users in the Market



Source: CBRE Research, Q4 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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