

FIGURES | MCALLEN INDUSTRIAL | Q3 2024

Large BTS projects drive market activity; Net absorption remains on positive trend.

▼ 1.7%

Vacancy Rate

▼ 58,963

SF Net Absorption

▲ 1,429,360

SF Construction

▼ \$7.47

NNN / Lease Rate

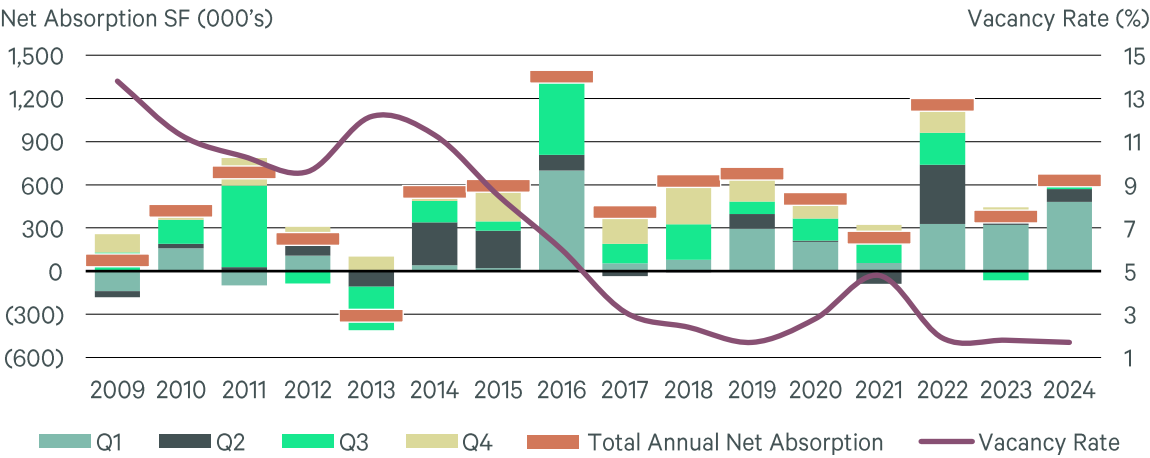
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q3 2024 closed with net absorption of 58,963 sq. ft. and year-to-date net absorption of 629,604 sq. ft.
- The market-wide vacancy rate of 1.7% was down 10 basis points compared to both Q2 2024 and Q3 2023. Class A vacancy rates saw a quarter-over-quarter decrease of 10 basis points.
- Industrial space under construction marked a record high of 1,429,360 sq. ft.
- Demand for industrial space in the market was 2.6 million sq. ft. and stood 863,000 sq. ft. above the 40-quarter trailing average.

The McAllen Industrial Market closed the quarter with positive absorption and year-to-date absorption outpacing the previous year’s total annual figure. Vacancy rates remained mostly flat with some small decreases in both the market-wide and Class A rates. Spurred by build-to-suit projects and demand for space that continues to outpace availability in the market, space under construction hit a record high.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q3 2024.

Absorption and Activity

The McAllen Industrial Market closed Q3 2024 with net absorption of 58,963 sq. ft. and year-to-date net absorption of 629,604 sq. ft. Year-to-date net absorption surpassed the 2023 total annual net absorption by 275,000 sq. ft. The market registered eight new leases and a user sale, a total of 1.5 million sq. ft. of activity. Just over 1.0 million sq. ft. of activity is from a new build-to-suit (BTS) lease in the Pharr submarket. Two additional BTS-leases were reportedly signed during the quarter, one in the McAllen submarket and one in the Mission submarket for a total of over 350,000 sq. ft. The remaining leases ranged in size from 10,00 sq. ft. to 68,000 sq. ft. Four of these leases occurred in the McAllen submarket. One lease and the user sale were in the Off Park submarket, which also held all the positive net absorption for Q3 2024.

Vacancy

The market-wide vacancy rate had a small decline of 10 basis points (bps) compared to both Q2 2024 and Q3 2023. Class A vacancy rates saw a quarter-over-quarter decrease of 10 bps and a year-over-year increase of 10 bps. The Class B vacancy rate increased by 40 bps quarter-over-quarter and by 30 bps year-over-year. Excluding cold storage space, only about 200,000 sq. ft. of Class A space through a handful of properties was vacant and available for lease at the end of the quarter.

Warehouse / Distribution Asking Rents

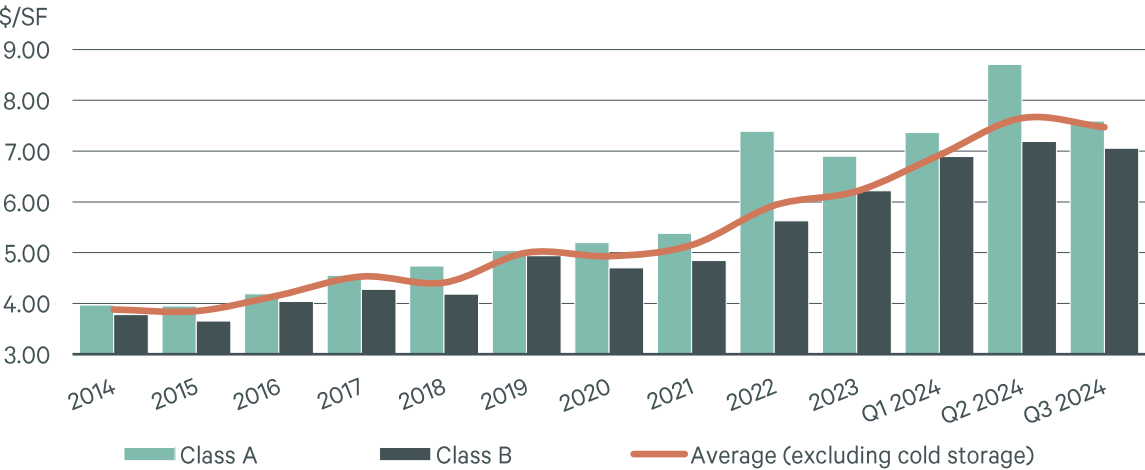
The warehouse / distribution market-wide average asking rent had a quarter-over-quarter decrease of \$0.18 per sq. ft. but a year-over-year increase of \$1.22 per sq. ft. Class A asking rents had a quarter-over-quarter decline of \$1.12 per sq. ft. but a year-over-year increase of \$0.80 per sq. ft. Both the market-wide and Class A asking rent decreases can be attributed to the lease up of a relatively higher-priced Class A space as well as lower-priced 2nd generation Class A space becoming available during Q3 2024.

FIGURE 2: McAllen Industrial Market Statistics

Submarket	Vacancy (%)	Availability (%)	Asking Rent (NNN/\$/SF/YR)			Construction (SF)		Net Absorption (SF)	
			Whs. & Dist.	Cold Storage	Industrial Avg.	Active	Delivered	Q3 2024	YTD 2024
McAllen	0.8	8.3	7.30	19.08	7.58	140,000	-	(3,837)	205,904
Pharr	2.6	3.9	8.61	15.00	9.15	1,264,360	-	-	83,400
Edinburg	-	-	N/A	N/A	N/A	-	-	-	-
Hidalgo	5.2	7.7	7.85	18.00	12.06	-	-	-	(10,000)
Mission	0.3	0.3	12.00	N/A	12.00	-	-	(5,200)	(5,200)
Off Park	4.2	4.5	6.84	N/A	6.84	25,000	-	68,000	355,500
McAllen Total	1.7	5.6	7.47	17.73	8.09	1,429,360	-	58,963	629,604
Class A	2.2	9.7	7.59	17.64	8.29	1,429,360	-	23,000	512,071
Class B	1.8	3.8	7.06	18.20	7.57	-	-	(5,200)	68,139

Source: CBRE Research, Q3 2024.

FIGURE 3: Warehouse and Distribution Asking Rents, NNN Avg. Annual



Source: CBRE Research, Q3 2024.

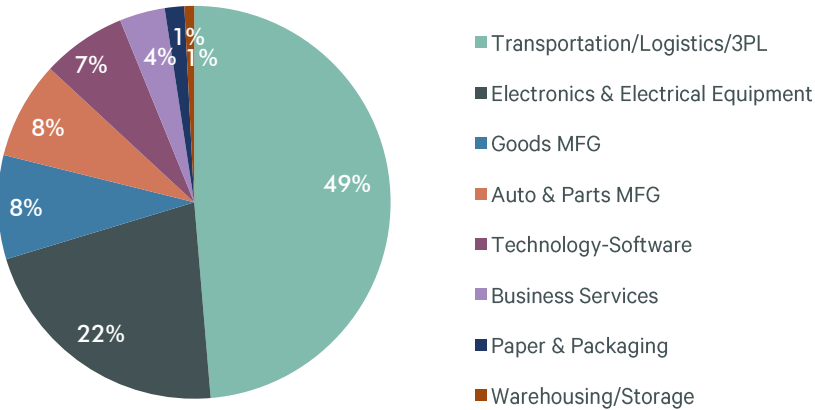
Construction

Q3 2024 closed with seven projects and over 1.4 million sq. ft. under construction, the largest figure recorded since CBRE began tracking the market. Space under construction consisted of two new speculative (spec) projects, four new BTS projects, and a BTS expansion. The largest development underway, a new BTS-lease of just over 1.0 million sq. ft., is in the Pharr submarket. In total, five projects and about 1.3 million sq. ft. of space was under construction in the Pharr submarket.

Demand Bolstered by Large Requirements

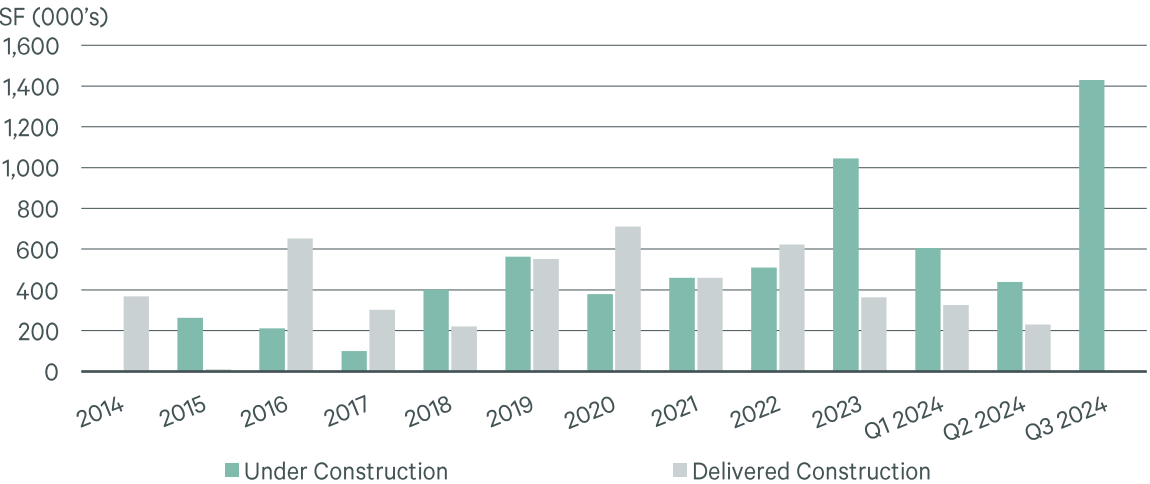
CBRE tracks user demand for space in the McAllen Industrial Market. Demand saw a quarter-over-quarter decrease of 785,000 sq. ft. due to the closing of the 1.0 million sq. ft. BTS-lease. Year-over-year, demand increased by 395,000 sq. ft. At 2.6 million sq. ft., Q3 2024 demand outpaced the 40-quarter trailing average and continued to exceed total available space in the market by 1.0 million sq. ft. The majority of demand for space, 1.7 million sq. ft. or 64%, comes from just four users.

FIGURE 4: Q3 2024 Active Users in the Market by Industry



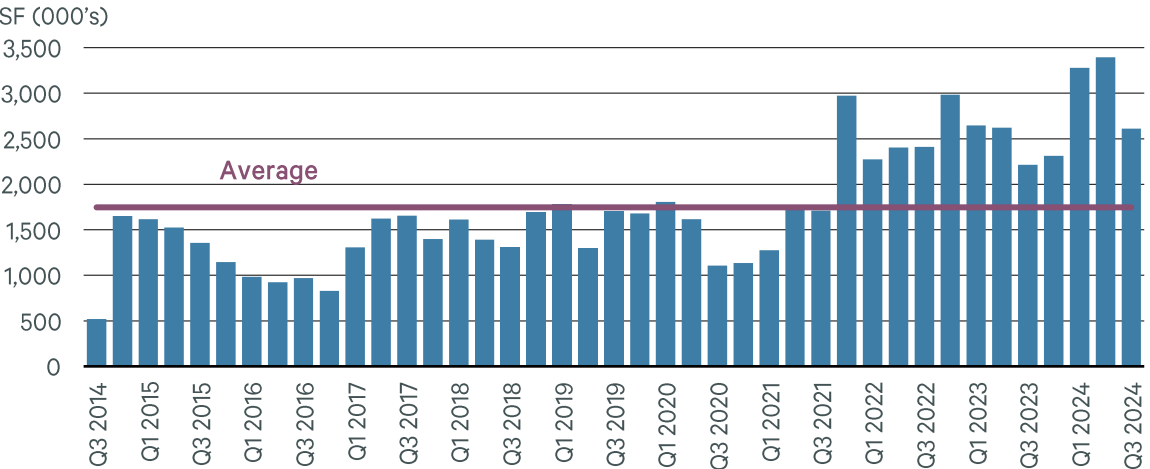
Source: CBRE Research, Q3 2024.

FIGURE 5: Construction



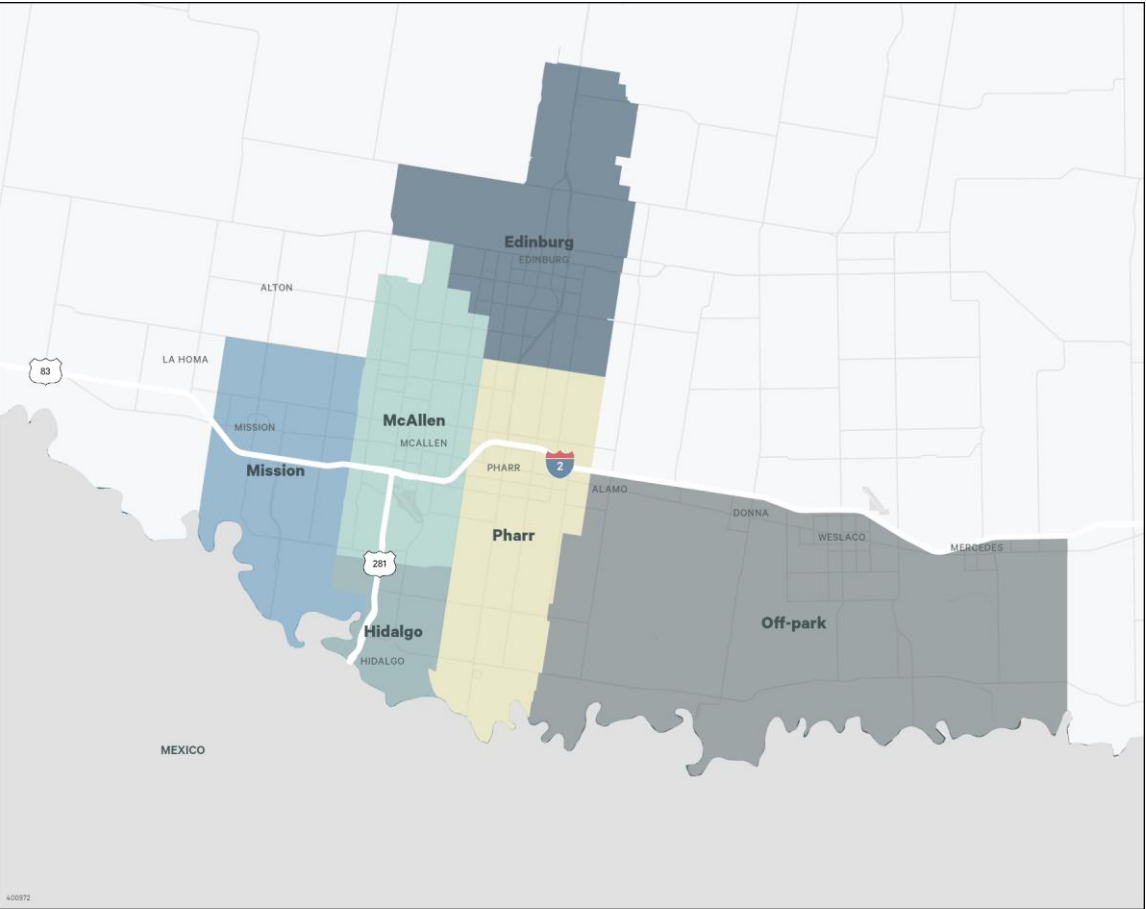
Source: CBRE Research, Q3 2024.

FIGURE 6: 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 McAllen, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

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