

Summer temperatures and rents rise as the market continues to see strong demand and active development.



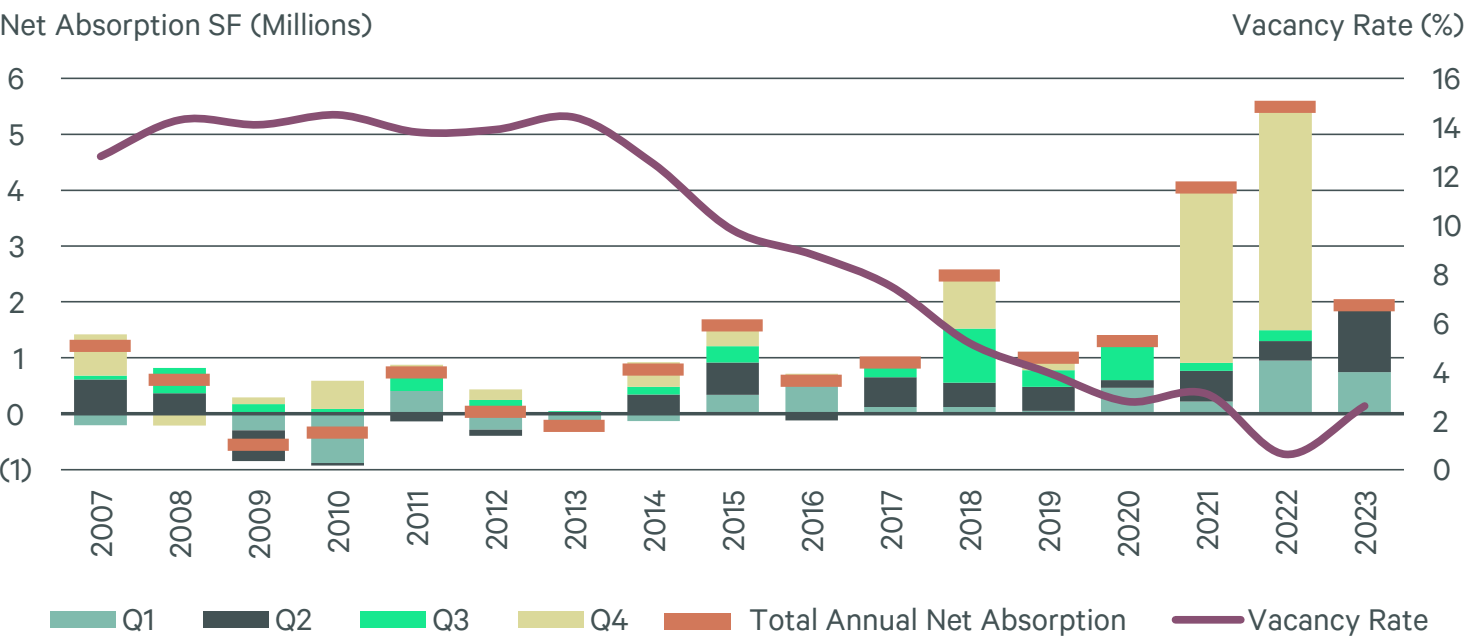
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q2 2023 recorded 1,197,633 sq. ft. of net absorption.
- Market-wide vacancy increased by 110 bps to 2.6%.
- Asking rents grew to new historical highs.
- Over 4.5 million sq. ft. of industrial space, almost all of which was speculative, remained under construction at the end of Q2 2023.

The El Paso Industrial Market continued to see steady leasing activity and strong absorption. Bolstered by the completion of pre-leased speculative space, absorption rose to new quarterly and mid-year record highs. Growth in asking rents picked up following the delivery of much needed new, vacant speculative space. Demand for industrial space remained far above the historical average as tenants seek to gain or expand on the advantages of the border market. As the market remains tight and leasing of existing space continues, tenants will have to continue to look at the construction pipeline to find future space.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q2 2023.

Strong Absorption, Leasing Activity Keep Vacancy Low

Q2 2023 closed with 1,197,633 sq. ft. of net absorption, the largest Q2 net absorption and the third largest quarterly net absorption recorded since CBRE began tracking the market. Mid-year net absorption marked a new record high of 1.9 million sq. ft., 650,000 sq. ft. more than the previous record set in 2022. The delivery of three pre-leased speculative (spec) projects contributed just under 1.0 million sq. ft. to the quarter’s net absorption.

Q2 2023 registered ten new leases and 11 renewals totaling over 1.5 million sq. ft. of activity. Class A product accounted for four transactions, two leases and two renewals, totaling 875,000 sq. ft. of activity. Class A activity included the pre-lease of a spec project that remained under construction at the end of Q2 2023. Fourteen transactions, six leases and eight renewals totaling 570,000 sq. ft. of activity, came from Class B product.

The market-wide vacancy rate saw a quarter-over-quarter increase of 110 basis points (bps). This increase stemmed from the delivery of a vacant spec space. The Class B vacancy rate saw a quarter-over-quarter decline of 40 bps, dipping to a new record low of 0.1%.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy	Availability	Construction (SF)		Net Absorption (SF)
	(%)	(%)	Active	Delivered	Q2 2023
West	1.4	3.9	646,263	-	31,486
Northeast	-	1.2	-	-	80,750
Central	-	0.1	-	-	96,865
East	4.4	6.1	3,679,125	1,809,010	886,465
Lower Valley	7.2	11.3	252,236	102,067	102,067
El Paso Total	2.6	4.2	4,577,624	1,911,077	1,197,633
Class A	5.7	7.3	4,577,624	1,911,077	1,012,387
Class B	0.1	2.7	-	-	88,381

Source: CBRE Research, Q2 2023.

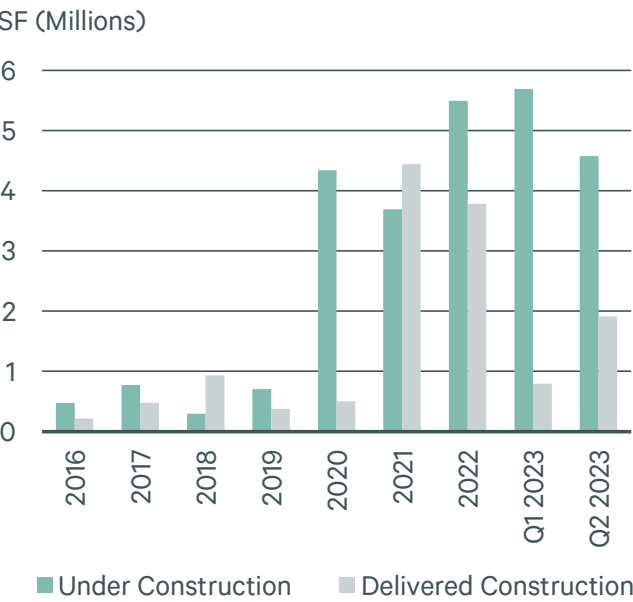
Asking Rents

Because available Class A space has consisted almost entirely of still under construction spec projects, Class A asking rates saw steadier growth while readily available 2nd generation Class B spaces saw significant upward pressure over the past two years. With the delivery of new, vacant spec space, market-wide and Class A asking rents marked new record highs. The lease-up of a handful of higher-priced Class B spaces and lower-priced spaces coming on-line led to a dip in the Class B asking rent.

Future Activity

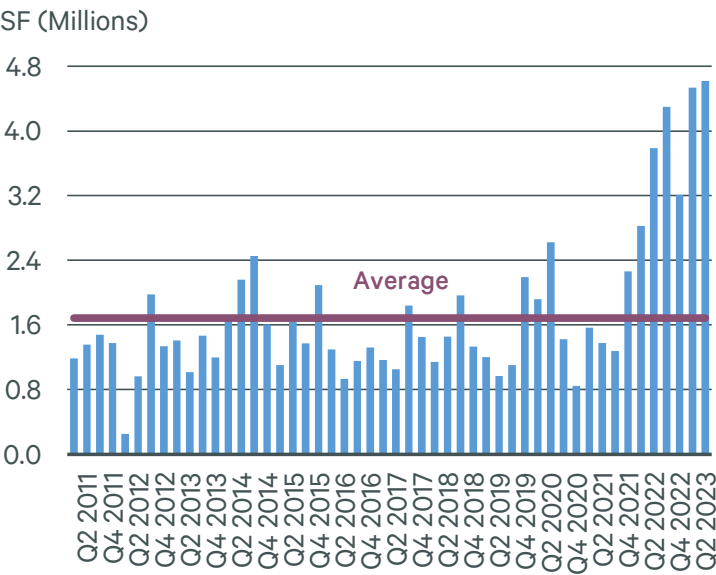
CBRE tracks user demand for space in the El Paso Industrial Market. Q2 2023 closed with users seeking a record high of 4.6 million sq. ft., almost triple the 49-quarter trailing average. Demand grew by 80,000 sq. ft. quarter-over-quarter and by 830,00 sq. ft. year-over-year. Users are seeking space ranging from 20,000 sq. ft. to 500,000 sq. ft. with an average size of 200,000 sq. ft. The logistics and 3PL sector makes up about 40% of demand while the auto and parts manufacturing sector accounts for 30% of demand.

FIGURE 6: Construction



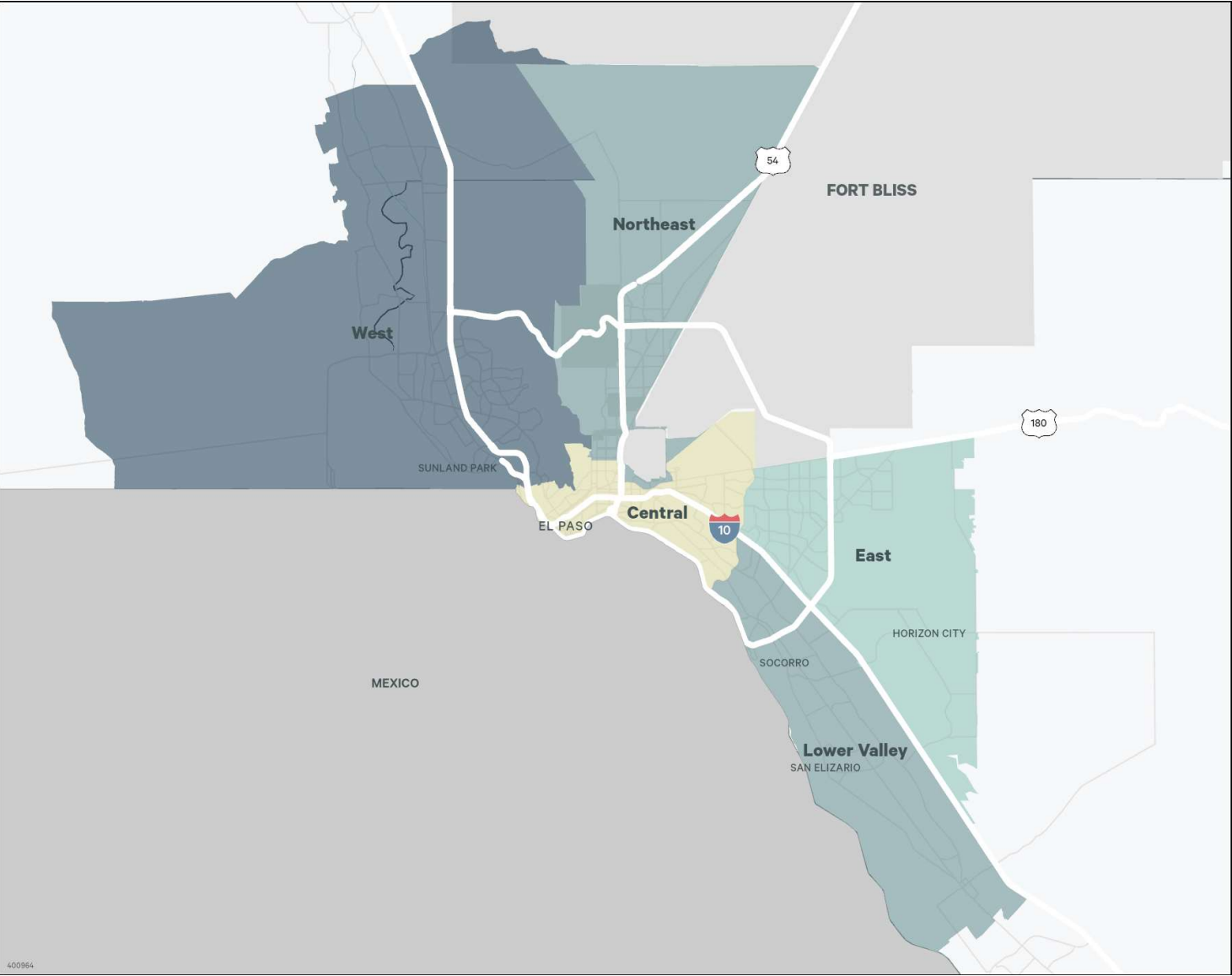
Source: CBRE Research, Q2 2023.

FIGURE 7: Active Users in the Market



Source: CBRE Research, Q2 2023.

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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