

FIGURES | EL PASO INDUSTRIAL | Q1 2025

# Steady leasing activity slows vacancy growth. Development pipeline picks back up.



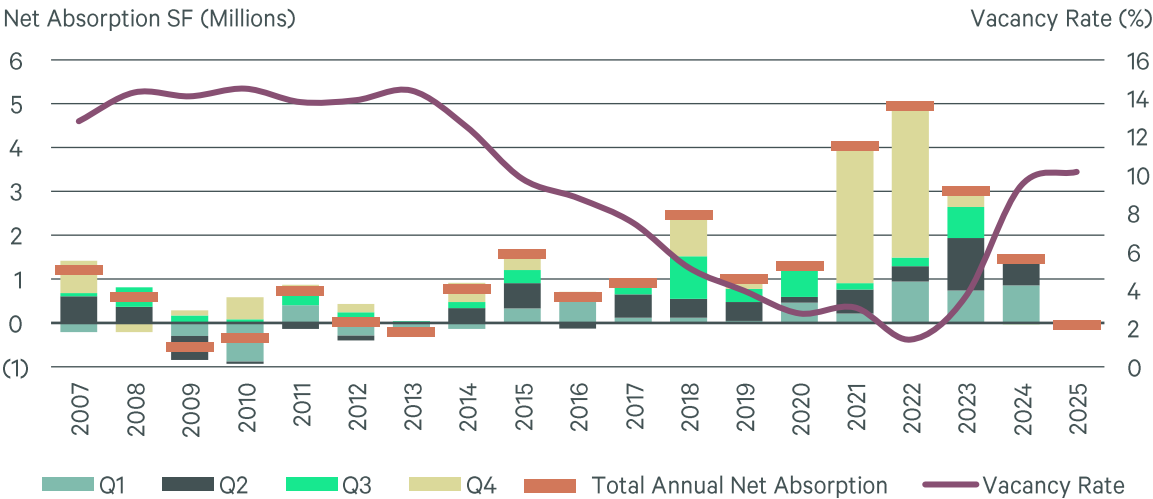
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q1 2025 closed with negative 57,329 sq. ft. net absorption, the third negative quarter in a row for the El Paso Industrial Market.
- Quarter-over-quarter, the market-wide vacancy rate increased by 70 basis points and Class A vacancy increased by 60 basis points.
- 4.9 million sq. ft. of industrial space remained under construction at the end of Q1 2025.
- Demand for industrial space remained above the 56-quarter trailing average with tenants seeking 2.3 million sq. ft.

Net absorption in the El Paso Industrial Market dipped into negative territory for the third quarter in a row after an eight-year streak of positive absorption was broken in Q3 2024. Despite negative absorption, leasing and renewal activity remained healthy, including the pre-lease of one under-construction speculative building. Although vacancy rates continued to rise, the vacancy rate growth slowed significantly. Nine new speculative buildings, with an average size below recent trends, broke ground during the quarter following a year of record setting deliveries as the industrial market continues to expand.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q1 2025.

## Absorption and Leasing Activity

Q1 2025 closed with negative 57,329 sq. ft. net absorption, the third negative quarter in a row recorded for the El Paso Industrial Market since Q2 2016. Gross absorption for the quarter was just under 470,000 sq. ft. Class A product made up the majority of gross absorption in Q1 2025, a total of about 334,000 sq. ft.

Q1 2025 registered eight new leases, a subleases, and three renewals totaling 1.1 million sq. ft. of activity. The East submarket held the largest share of activity, 479,500 sq. ft. through four leases and three renewals. The largest deal was the pre-lease of 415,000 sq. ft. spec project in the West submarket. Five new leases totaling 749,500 sq. ft. came through Class A product.

Quarter-over-quarter, the market-wide vacancy rate increased by 70 basis points (bps) and Class A vacancy increased by 60 bps. The vacancy rate was impacted equally by the delivery of vacant spec space and a handful of recently vacated 2<sup>nd</sup> generation buildings. Four spec projects, a total of 523,070 sq. ft., were delivered vacant during Q1 2025. The quarter registered five new vacancies totaling 470,000 sq. ft. Of this space, 75% was Class B. With the exception of a small space of under 20,000 sq. ft. in the Northeast submarket, newly vacated space occurred in the West, East, and Central submarkets.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy	Availability	Construction (SF)		Net Absorption (SF)
	(%)	(%)	Active	Delivered	Q1 2025
West	9.4	11.0	415,220	240,157	(219,419)
Northeast	3.1	4.3	-	-	120,371
Central	0.9	3.1	-	-	(94,439)
East	17.0	18.3	1,716,676	282,913	126,558
Lower Valley	11.2	17.0	1,484,441	-	9,600
Horizon East	78.6	78.6	1,306,796	-	-
El Paso Total	10.2	12.3	4,923,133	523,070	(57,329)
Class A	17.7	19.4	4,923,133	523,070	210,129
Class B	2.7	5.5	-	-	(267,458)

Source: CBRE Research, Q1 2025.

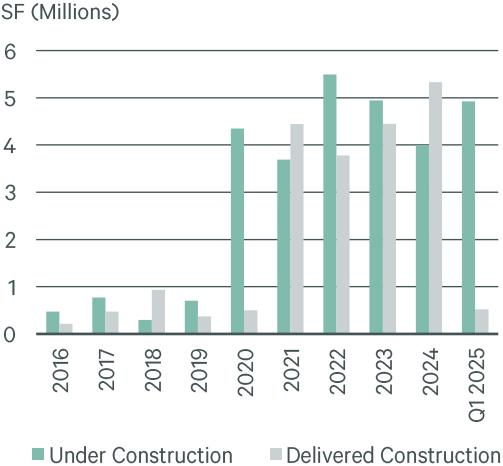
## Construction

Following a record setting year of deliveries, a fresh wave of new construction starts began in Q1 2025. Nine new spec projects, a total of nearly 1.5 million sq. ft., began moving dirt during the quarter. Seven projects, 1.0 million sq. ft., are in the East submarket and the remaining projects are in the Horizon East submarket. New spec starts saw a decline in average size compared to recent trends. From 2021 to 2024, the annual average size of new starts ranged from 234,000 sq. ft. to 267,000 sq. ft. Q1 2025 new starts had an average size of 161,000 sq. ft. Q1 2025 closed with 20 projects and 4.9 million sq. ft. of industrial space under construction, an increase of 925,550 sq. ft. compared to Q4 2024. The majority of space under construction, 4.7 million sq. ft., is spec. One build-to-suit project in the Lower Valley submarket also remained under construction.

## Future Activity

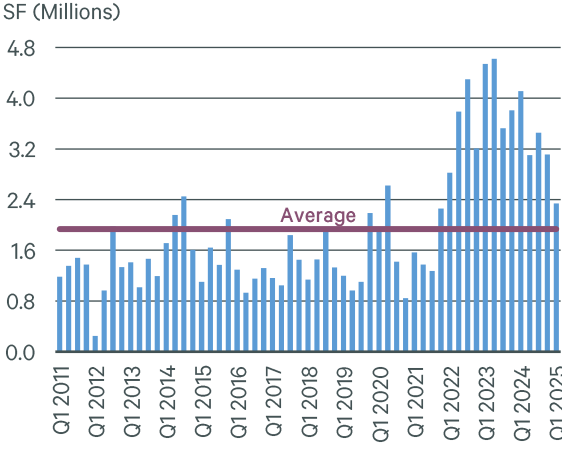
CBRE tracks user demand for space in the El Paso Industrial Market. Q1 2025 closed with users seeking 2.3 million sq. ft., a quarter-over-quarter decrease of 771,000 sq. ft. but still above the 56-quarter trailing average. Industrial users are seeking space ranging in size from 50,000 sq. ft. to 800,000 sq. ft. More than 75% of demand came through transportation 3PL and electronics manufacturing users.

FIGURE 6: Construction



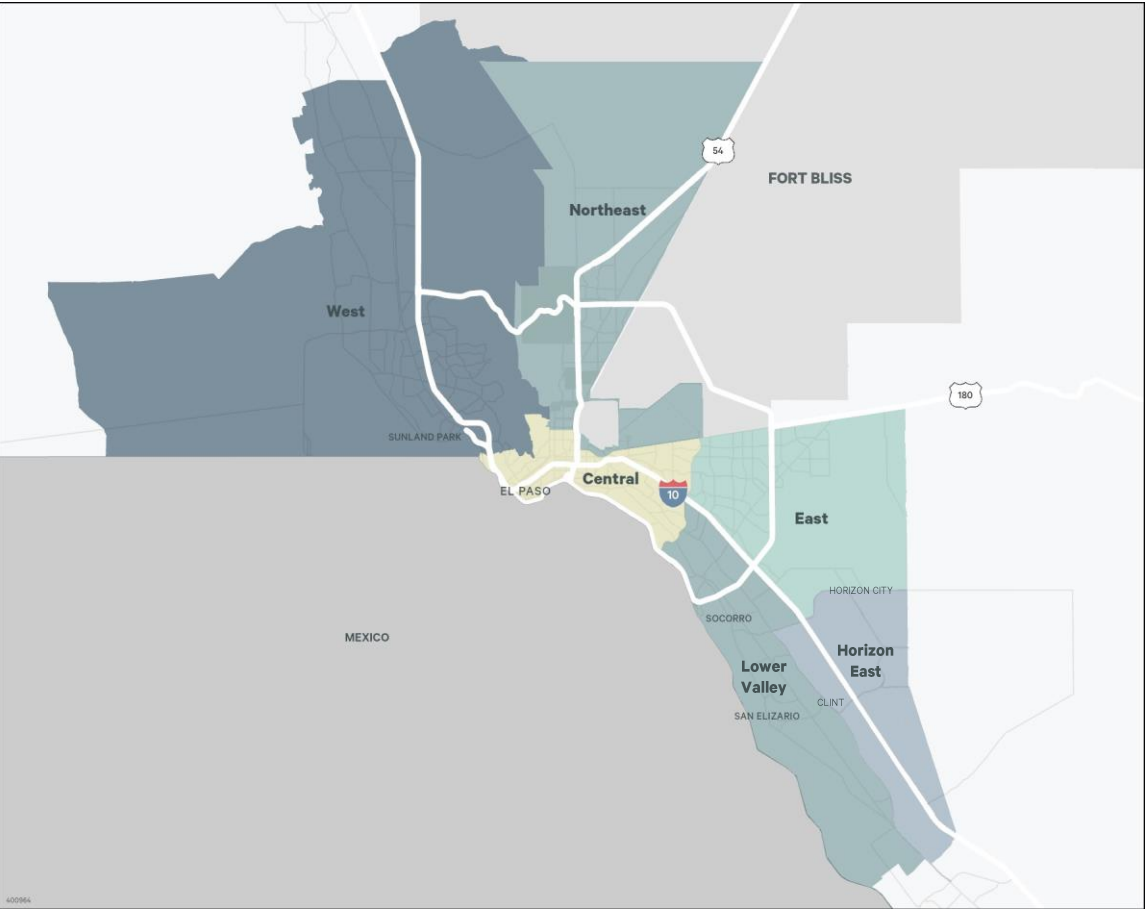
Source: CBRE Research, Q1 2025.

FIGURE 7: Active Users in the Market



Source: CBRE Research, Q1 2025.

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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