

The Best Little Warehouse Market in Texas.

Pre-leases and construction deliveries bring strong net absorption.



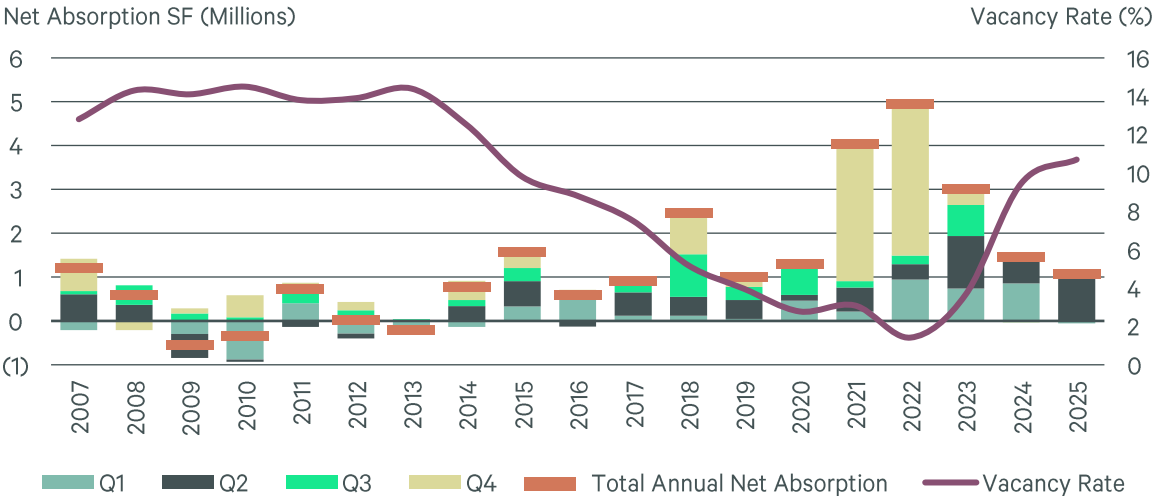
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Q2 2025 closed with 1,122,653 sq. ft. net absorption and over 2.5 million sq. ft. of market activity.
- Quarter-over-quarter, the market-wide vacancy rate increased by 50 basis points and the Class A vacancy rates increased by 110 basis points.
- 5.0 million sq. ft. of industrial space, of which 4.3 million sq. ft. is speculative, remained under construction at the end of Q2 2025.
- Demand for industrial space declined as 1.1 million sq. ft. of demand converted to deals during the quarter.

Following three quarters of negative net absorption, the El Paso Industrial Market posted the fourth largest quarterly net absorption recorded for the market. Overall market activity strengthened with a mixture of renewals, large new leases, and construction deliveries pushing quarterly activity and net absorption to double what has been seen in the past year. Although vacancy rates continued to rise following the delivery of vacant speculative space, the vacancy rate growth continued to slow as well.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q2 2025.

Absorption and Leasing Activity

Q2 2025 closed with 1,122,653 sq. ft. of net absorption. This is the fourth largest quarterly net absorption recorded since CBRE began tracking the market. The two largest quarters of net absorption, Q4 2021 and Q4 2022, each included the delivery of a build-to-suit (BTS) of over 2.5 million sq. ft. Absorption for the quarter included new leases, a user sale, and delivered construction through eight transactions, a total of over 1.2 million sq. ft. of gross absorption. Two speculative (spec) projects, 415,000 sq. ft. pre-leased in Q1 2025 and 449,000 sq. ft. pre-leased in Q2 2025, and a 225,000 sq. ft. BTS will deliver before the end of the year and lock in a minimum of 2.8 million sq. ft. of gross absorption for 2025.

Q2 2025 registered eight new leases, two expansions, a user sale, and five renewals totaling 2.5 million sq. ft. of activity, double the activity recorded for Q1 2025. The Lower Valley submarket saw the most activity, 1.0 million sq. ft. through a leases, a user sale, and three renewals. Except for three Class B leases and an expansion totaling 167,600 sq. ft., all of the quarter’s activity was through Class A product.

Quarter-over-quarter, the market-wide vacancy rate increased by 50 basis points (bps) and Class A vacancy increased by 110 bps. The vacancy rate increased following the delivery of vacant speculative (spec) space. Three spec projects, a total of 853,780 sq. ft., were delivered vacant during Q2 2025. The quarter registered only one new vacancy, a 102,000 sq. ft. sublease.

FIGURE 2: El Paso Industrial Market Statistics

Submarket	Vacancy (%)	Availability (%)	Construction (SF)		Net Absorption (SF)	
			Active	Delivered	Q2 2025	YTD 2025
West	8.2	11.1	848,662	-	123,737	(95,682)
Northeast	2.3	3.5	-	-	104,388	224,759
Central	0.9	3.3	-	-	-	(94,439)
East	16.7	18.2	1,716,676	-	77,794	204,352
Lower Valley	10.8	16.3	1,238,628	868,801	816,734	826,334
Horizon East	95.9	95.9	1,207,032	853,780	-	-
El Paso Total	10.7	13.0	5,010,998	1,722,581	1,122,653	1,065,324
Class A	18.8	20.7	5,010,998	1,722,581	987,865	1,197,994
Class B	2.2	5.0	-	-	134,788	(132,670)

Source: CBRE Research, Q2 2025.

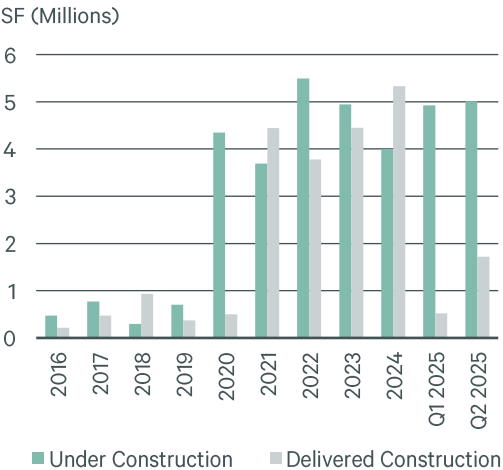
Construction

Despite 1.7 million sq. ft. of construction was delivering during Q1 2025, total space under construction increased quarter-over-quarter and year-over-year. Five spec projects and two BTS projects, a total of over 1.8 million sq. ft., began moving dirt during Q2 2025. The Lower Valley submarket had three spec starts, the Horizon East submarket had two spec starts, and the two BTS starts were in the West submarket. New spec starts in the previous quarter had an average size of 161,000 sq. ft., below the 2021 to 2024 trend where the average ranged from 234,000 sq. ft. to 267,000 sq. ft. Spec starts in Q2 2025 exceeded the previous trend with an average size of 275,000 sq. ft. Q2 2025 closed with 22 projects and 5.0 million sq. ft. of industrial space under way. 4.3 million sq. ft. of the space under construction is spec.

Future Activity

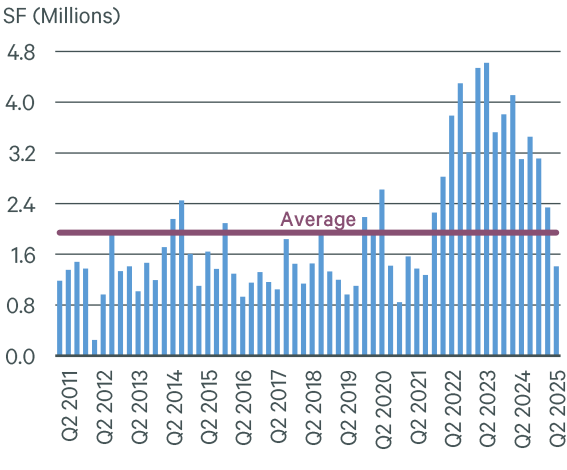
CBRE tracks user demand for space in the El Paso Industrial Market. Q2 2025 closed with users seeking 1.4 million sq. ft., a quarter-over-quarter decrease of 930,000 sq. ft. This decline was caused by the over 1.1 million sq. ft. of tracked user demand that was converted to deals during Q2 2025. Industrial users are seeking space ranging in size from 20,000 sq. ft. to 315,000 sq. ft. with an average size of 118,000 sq. ft. About 70% of current demand is through Logistics / 3PL users.

FIGURE 3: Construction



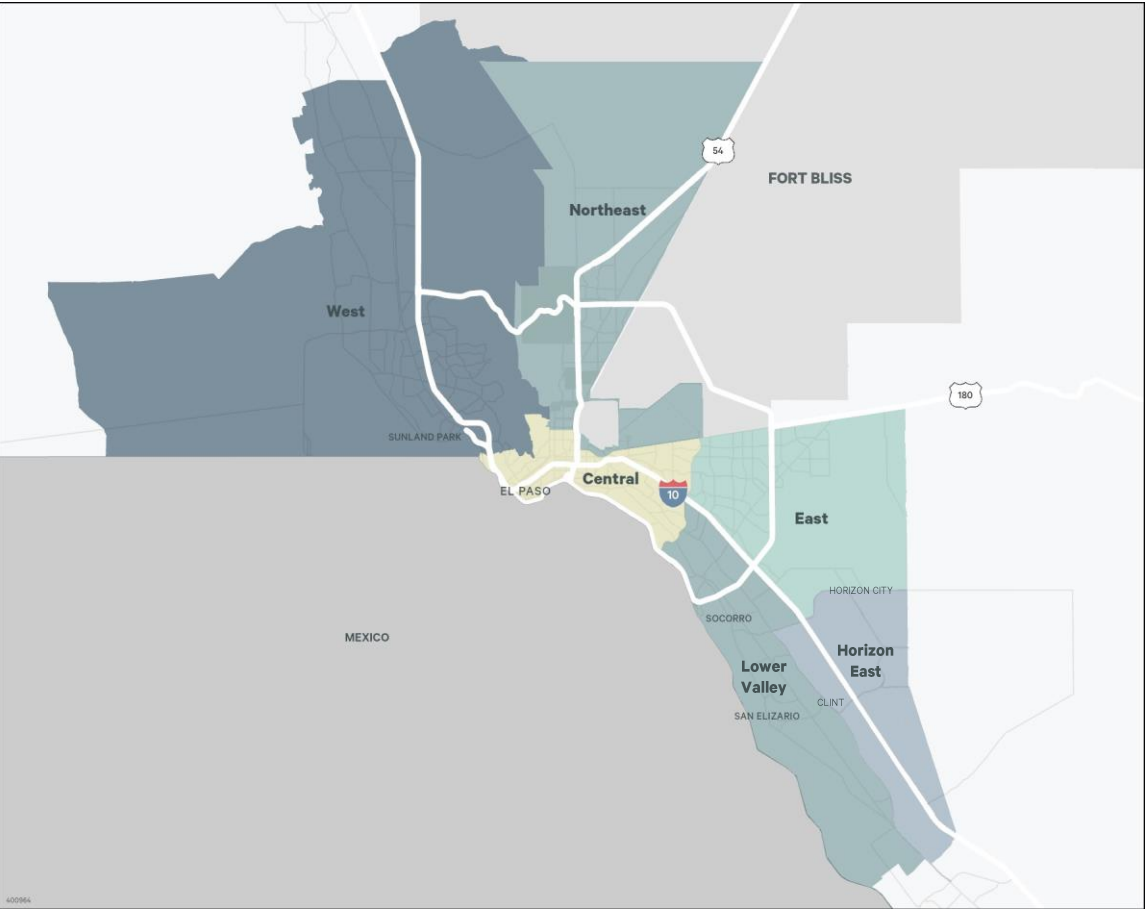
Source: CBRE Research, Q2 2025.

FIGURE 4: Active Users in the Market



Source: CBRE Research, Q2 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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