

Industrial Q2 2020

	YoY Chg	12-Mo. Forecast
6.1% Vacancy Rate	▲	▼
190K Net Absorption, SF	▼	▲
\$4.85 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
290.6K El Paso Employment	▼	▲
15.0% El Paso Unemployment Rate	▲	▼
13.0% U.S. Unemployment Rate	▲	▼

Source: US Bureau of Labor Statistics

ECONOMIC OVERVIEW:

2020 has been a year for the record books. Record unemployment that is followed by record employment job growth (8,500 jobs in May) and all within months of each other. Local Economic Stress Index improved slightly, but the County index indicates a weak and vulnerable outlook with a jobless rate rose eleven (11%) percent to a high of fifteen (15%) percent with over 41,000 jobs lost in the El Paso MSA.

Leisure and Hospitality jobs declined by 45.8% early in the quarter. Financial Services grew throughout the year, Construction Industries and Manufacturing, due in large part to increases in production in Juarez, Mexico that El Paso benefits. The negotiated USMCA will propel growth and enhance significant reshoring of manufacturing from China in the areas of automotive, medical devices & pharmaceuticals and durable consumer goods.

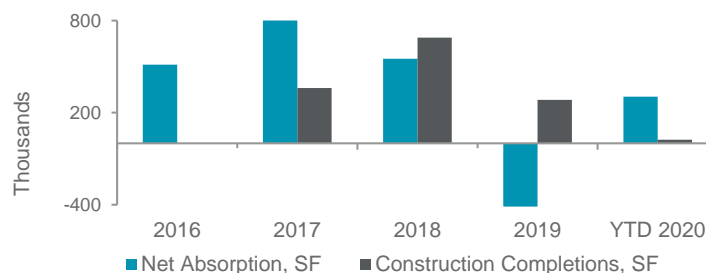
SUPPLY OR DEMAND:

Overall industrial activity saw new leases decline by 44% through the first half of 2020. Industrial activity, however, experienced gains of 29% over the same period and attributed to renewal and sale activity. Net absorption registered in at 190,000 sf with 171,500 sf of new leases and 581,000 sf of renewals. There were 361,000 sf of investment sales. Speculative Industrial construction is about 1,400,000 sf due for delivery anytime between now and the end of the first quarter of 2021. Of that total, just under 80% is being built on a speculative basis with an average suite size of 100,000 sf. Interest in the market has been on pace and we didn't see a decline in inquiries, but physical visits have been impacted for obvious reasons. The most significant new activity has been centered around personal protective equipment (PPE) companies with five (5) in active pursuits. We expect to share impressive announcements early in the third quarter.

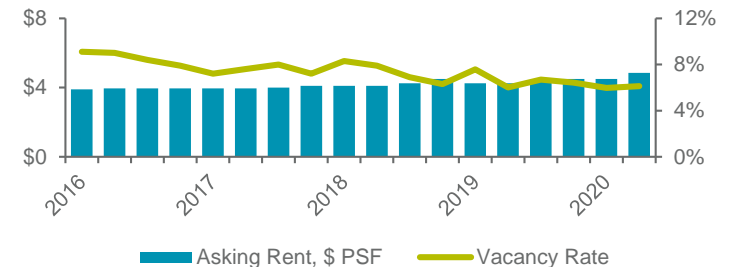
PRICING:

Industrial rates and values will continue to show strength and are expected to hold the increases from 2018, 2019 through 2020. The relatively scarce Class-A space on the market and arrival of new product will be absorbed by customers active in the market. Available product in the Class-B (47%) and Class-C (52%) range can expect lease rate increases because of the dearth of quality inventory and high lease rates. It is expected that Class-A vacancy rates will edge up slightly, but overall vacancy rates will continue to decline.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CLASSES	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	45,267,464	3,111,709	6.9%	167,620	218,516	1,212,418	24,000	\$4.75
Manufacturing	4,984,435	117,040	2.3%	24,800	49,800	103,000	0	\$5.00
Office Service / Flex	7,155,676	288,367	4.0%	-2,623	35,504	78,200	0	\$5.75
EI PASO TOTALS	57,407,575	3,517,116	6.1%	189,797	303,820	1,393,618	24,000	\$4.85

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
32 Celerity Wagon St.	Northeast / Butterfield Trail	Tyco Electronics	130,552	Renewal
12420 Mercantile Ave.	East	American Tire Distributors	105,600	Renewal
12150 Rojas Dr.	East	Avanza Loop	52,000	Renewal
16 Zane Grey St., Ste 800	Northeast / Butterfield Trail	Mitsui-Soko	50,000	Renewal

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
600 N Piedras St (Part of Portfolio)	Central	Dean Foods Company / Dairy Farmers of America	107,048	Not Disclosed
1390 Pullman Dr.	East	James A. Dick Co. / Stonelake Capital Partners	58,360	Not Disclosed

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