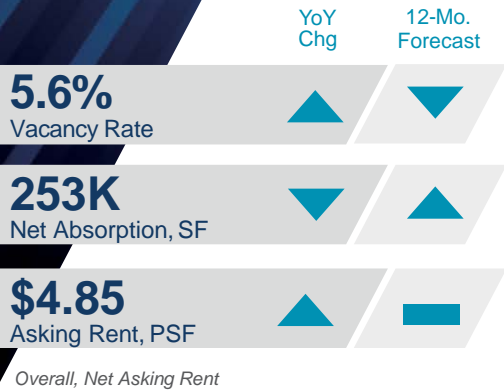
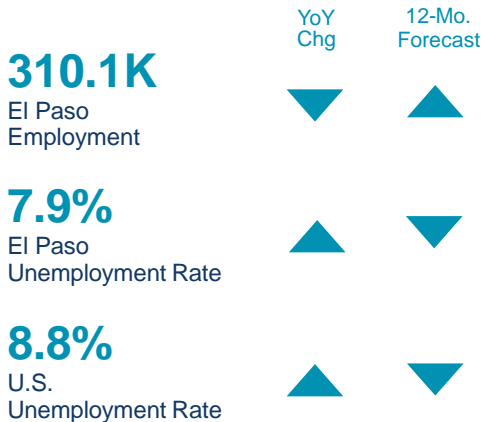


Industrial Q3 2020



ECONOMIC INDICATORS Q3 2020



Source: US Bureau of Labor Statistics

ECONOMIC OVERVIEW

The El Paso economy continued its slow but impressive recovery through the third quarter of the year. Industrial activity on both sides of the border continued to increase but remains below the levels of the same period in 2019.

The nation officially entered a recession in March 2020 due to Covid-19 which recorded (second quarter) the worst decline in post-war history. Predictably, overwhelming data indicates that the recovery commenced in May and has continued through Q3 2020. However, it is expected that unless or until there is a public health resolution, such as a vaccine(s), to the pandemic this recovery may falter. While this is not broadly felt, it is a concern that merits attention. Once a Covid-19 vaccine or proven treatment regimen is achieved then the nation and businesses will have the confidence required for a robust resurgence. To access the most recent research from Cushman & Wakefield CRE and the state of the economy, [click here](#).

SUPPLY OR DEMAND

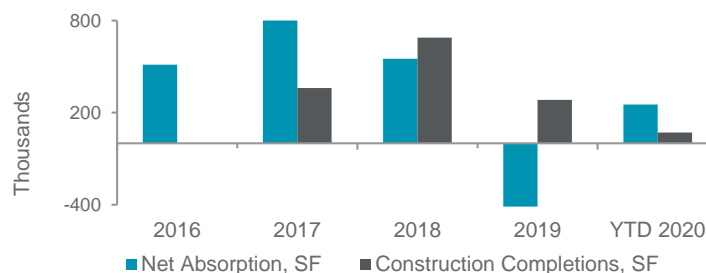
Demand for lease space continued solid during the third quarter of the year. There were over 30 transactions (new leases and renewals) during this period that totaled together about 1.7 million square feet (msf). The level of activity was similar to the same period of 2019. New leasing activity was nearly 1 msf and brought in the best quarter so far this year. Among the notable leases is that of a company that manufactures Personal Protective Equipment (PPE) which leased 300,000 sf in West El Paso, whose identity needed to remain confidential at this point.

Also, there is strong demand for new construction space which is demonstrated by the start of construction of four new speculative buildings that broke ground this quarter. This will add a total of 565,000 sf to the available inventory which are expected to be completed sometime in late 2020 or early 2021. Amazon began construction of an approximate 2.5 msf distribution fulfillment center in far East El Paso. Also, it was announced that the parent company for TJ Maxx has secured 125 acres adjacent to El Paso International Airport for the construction of 2 msf of distribution space.

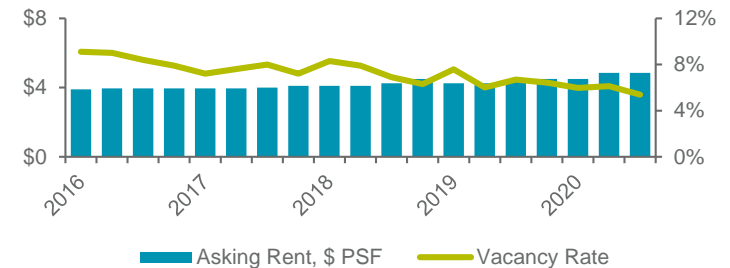
PRICING

Increases in industrial lease rates and property values have not abated and have remained strong through the pandemic of 2020. The lingering scarcity of, ready to occupy, Class-A space and the delayed delivery of new speculative product has produced a backlog that is reflected in quoted lease rates and aggressive deal terms. Because of this there has been a noted decrease in available lower graded properties (Class-B & C) range which have experienced improvement in lease rates because of the strong market and high lease rates for Class-A. 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



Industrial Q3 2020

| 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 | 44,854,111 | 2,717,329 | 6.1% | -17,762 | 268,185 | 2,356,811 | 70,560 | \$4.85 |
| Manufacturing | 5,194,896 | 218,105 | 4.2% | -71,980 | -56,325 | 103,000 | 0 | \$5.00 |
| Office Service / Flex | 7,288,945 | 266,101 | 3.7% | -1,174 | 41,291 | 105,150 | 0 | \$5.75 |
| EI PASO TOTALS | 57,337,952 | 3,201,535 | 5.6% | -90,916 | 253,151 | 2,564,961 | 70,560 | \$4.85 |

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

KEY LEASE TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-----------------------------|-----------|------------------------------|---------|---------|
| 6750 N. Desert Blvd. | West | MBS | 300,000 | Direct |
| 6750 N. Desert Blvd. | West | IDC Logistics, Inc. | 140,225 | Direct |
| 12430 Mercantile Ave. | East | Signify | 108,000 | Renewal |
| 7730 Market Center Ave. | West | Business Services | 80,000 | Direct |
| 1430 Henry Brennan Dr. | East | Computer MFG | 78,900 | Direct |
| 1455 Vanderbilt Dr. | East | Transportation/Logistics/3PL | 75,904 | Direct |
| 360 S Americas Ave., Bldg B | Southeast | ASO | 65,641 | Renewal |
| 425 Pan American Dr. | Southeast | Transportation/Logistics/3PL | 60,000 | Renewal |

KEY SALES TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|--|---------------------------------|---|------------------|----------------|
| 9566 Railroad Dr. | Northeast | Annlynn Corporation/ Not disclosed | 100,000 | Not disclosed |
| 15 Zane Grey St. & 7 Leigh Fisher Blvd. (Portfolio Sale) | Northeast/ Butterfield Trail | Hager Pacific Properties/ Sealy & Co Inc | 96,098 35,616 | \$34.54 |
| 1455 Vanderbilt Dr. | East | Cielak, Michael J (TR) & J Dayton Investments LLC & 3/ SL5 EP INDUSTRIAL LP | 85,904 | Not disclosed |
| 9555 Plaza Circle | Southeast | Newport Associates, Inc./ Blue Road Investments | 51,200 | Not disclosed |

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