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Industrial vacancies suffer a setback

Schott Solar's closing hits metro's industrial real-estate market

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The closing of Schott Solar tipped the industrial real estate market back to a double-digit vacancy rate — from an expected slight improvement — in the Albuquerque metro area during the third quarter.

The vacancy rate for industrial buildings, which range from blue-collar warehouses to office-like “flex” buildings, was 10 percent in the third quarter, up from 9.7 percent in the preceding quarter and 9.9 percent in the third quarter of 2011, according to Grubb & Ellis New Mexico's latest Industrial Trends Report.

“Without the Schott plant closing and other consolidations, vacancy would have decreased slightly,” the report says. The local industrial market, which had an average vacancy rate of 7.4 percent in 2006-09, first passed the 10 percent threshold in the third quarter of 2010 with the closing of the General Electric plant in the South Valley. The vacancy rate has passed the threshold in four out of eight quarters since then.

Headquartered in Germany, Schott announced in late June the closure of its 182,420-square-foot plant at the Mesa del Sol masterplanned community south of the airport. Another firm has outlined plans to occupy the building, but no deal has been signed yet.

Schott ripple effect

The closure had a ripple effect on Fidelitone's Albuquerque operation, which provided third-party logistics to Schott. Fidelitone vacated a 133,800-square-foot warehouse near Old Town and consolidated to two other warehouses, according to CBRE, a commercial real estate services firm.

Another unrelated consolidation during the third quarter was Pella Window & Door moving its showroom and warehouse to 19,000 square feet at 3900 Singer NE. The company had previously occupied a 31,000-square-foot office and warehouse in Journal Center, plus a separate showroom on Alameda NE.

Elsewhere Gardner Zemke Co., an electrical and mechanical contractor, consolidated operations to a facility that it expanded at 6821 Academy Parkway NE.

The biggest positive move in the local industrial market didn't register in Grubb & Ellis vacancy rate because it involves a government-owned building, said Ken Schaefer, the firm's director of research.

A charter school, Southwest Aeronautics, Mathematics & Science Academy, opened in August in a 41,500-square-foot building built near Double Eagle Airport in 2007 by bankrupt and now-defunct Eclipse Aviation. The building ended up owned by the city of Albuquerque.

Trampoline space

Another nontraditional user of industrial space, Xtreme Hang Time trampoline park, moved into 17,600 square feet at 4320 Yale NE during the third quarter.

Nontraditional users of industrial space — charter schools and churches are common examples — are not just an Albuquerque phenomenon, said Tom Franchini of Grubb & Ellis.

“Industrial space is typically less expensive,” he said. “It's typically a big box — an empty shell — that you can arrange the way you want. The large lots for truck courts provide versatility for nontraditional users.”

Albuquerque is bucking a trend in many cities around the country of increased leasing activity and a gradual recovery in their industrial markets, said Jim Smith of CBRE.

“We've been in this same mode for a while,” Smith said about the local industrial market's sluggishness. “There's transactions going on — a lot of churning — (but) the median transaction size is trending down.”

Here's how Albuquerque's year-over-year increase in vacancy rate, from 9.9 percent to 10 percent, stacks up to industrial markets in other cities in the region as of the third quarter:

Austin at 9.5 percent, down from 11.7 percent a year earlier.

Dallas at 9.9 percent, down from 10.6 percent a year earlier.

Denver at 7.4 percent, down from 8.9 percent a year earlier.

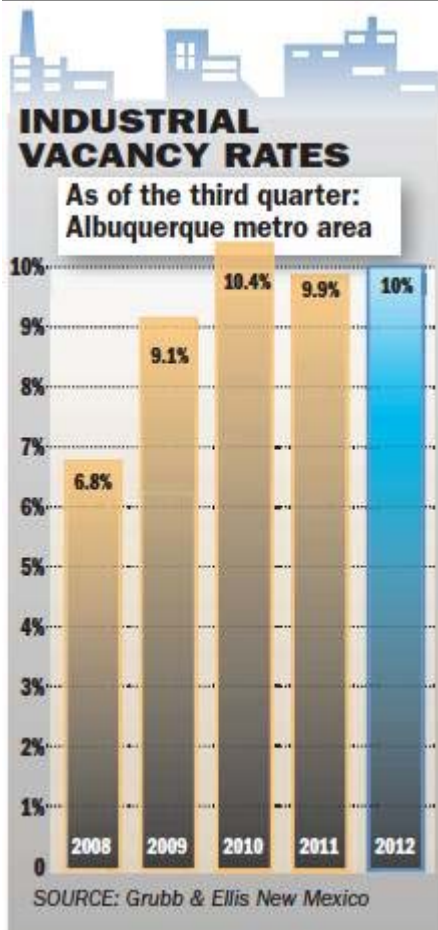
San Antonio at 6.3 percent, down from 8 percent a year earlier.

Tucson at 10.5 percent, down from 10.9 percent a year earlier.



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The closing of the 182,420-square-foot Schott Solar plant was a hit not only for the metro's manufacturing sector, but the industrial real estate market as well.



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