

# 2020 Year-End Market Review

## Q4 Overview

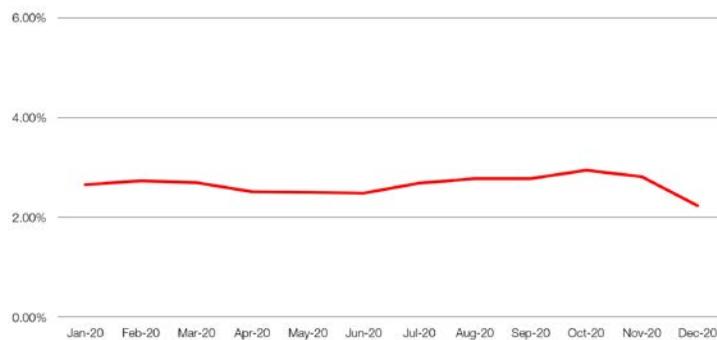
Nine months after COVID-19 unexpectedly disrupted a previously strong economy, the industrial real estate market so far has not been negatively impacted. The vacancy rate—effectively unchanged from this time a year ago—continues to hover between 2-3%.

Several large transactions were completed in Q4, including 2121 Claremont Ave. NE, (38,872 SF), 3921 Academy Parkway N. NE (35,020 SF), and 5950 Office Blvd. NE (20,255 SF). Along with a host of smaller transactions, a healthy slate of activity to finish the year has resulted in today's record low vacancy rate of 2.24%.

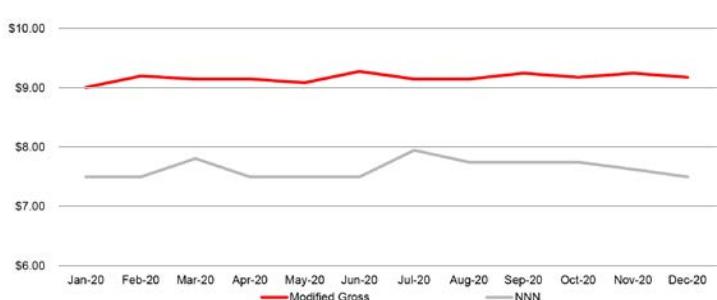
Unfortunately, downward pressure on the vacancy rate has not lead to notable increases in lease rates. Robust activity in the owner-occupied real estate market due to competitive lending terms is one among many potential explanations for stalled lease rate growth. Median lease rates on a triple net (NNN) basis are down slightly from the previous quarter with December figures at \$7.50 per square foot, down \$0.25 from the end of Q3.

Median lease rates on a modified gross basis have flatlined, consistently bubbling between \$9.00 and \$9.28 per square foot throughout 2020.

### Vacancy - Trailing 12 Months



### Median Lease Rates - Trailing 12 Months



## Fast Facts (NAI Maestas & Ward)



### Largest Vacancy

4595 San Mateo Blvd. NE  
Albuquerque, NM

53,300 SF  
Warehouse/distribution facility



### Median Vacancy

5821 Midway Park Blvd. NE  
Albuquerque, NM

5,437 SF  
Warehouse/distribution facility



### Smallest Vacancy

3100 Pan American Fwy. NE  
Albuquerque, NM

1,265 SF  
Warehouse/storage space



Median Office/  
Warehouse Ratio  
27:73

## Market Tracking - 12 Months

Mo - Yr	Vacancy	Modified Gross	NNN Median
Jan-20	2.66%	\$9.01	\$7.50
Feb-20	2.74%	\$9.20	\$7.50
Mar-20	2.70%	\$9.15	\$7.81
Apr-20	2.52%	\$9.15	\$7.50
May-20	2.51%	\$9.09	\$7.50
Jun-20	2.49%	\$9.28	\$7.50
Jul-20	2.69%	\$9.15	\$7.95
Aug-20	2.78%	\$9.15	\$7.75
Sep-20	2.78%	\$9.25	\$7.75
Oct-20	2.95%	\$9.18	\$7.75
Nov-20	2.82%	\$9.25	\$7.63
Dec-20	2.24%	\$9.18	\$7.50

The information contained herein was obtained from sources deemed to be reliable. We have no reason to doubt the accuracy of information, however, we cannot, and do not, make any guarantees. The information and perspectives contained herein is not a substitute for a thorough due diligence investigation.

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## Year-End Overview

While the retail and office segments of commercial real estate are eager to move on from 2020, those involved in the industrial sector are reflecting on an unexpectedly successful year despite significant macroeconomic setbacks. Growth in the industry, when weighed against elevated unemployment rates and a contracted Gross Domestic Product (GDP), might seem surprising, but insiders have readily identified its cause. Retail, restaurant, and office space serve as a gathering space for people—industrial real estate serves as a gathering space for products and inputs for services. This simple distinction positioned it for success in a year when the vast majority of Americans were subjected to restrictions prohibiting access to their place of work, local boutique, and favorite restaurant. Here's how industrial real estate performed in the Albuquerque MSA:

### Lease Market

The lease market can be viewed as stable or strong, depending on one's point of view. Those in the stable camp see a flat vacancy rate, with modest increases to asking lease rates on both a triple-net (NNN) and modified gross (MG) basis. Others who view it as strong point to record low vacancy rates (with effectively no room for further decreases) and consistent lease activity despite many users' preference to buy (more on that in the next section). Whichever point of view you might hold, there's no doubt that the industrial real estate lease market is no worse off on January 1, 2021 than it was on January 1, 2020—a circumstance that many other real estate sectors would be thrilled with (restaurant and hospitality especially).

### Purchase Market

Perhaps the only impediment to a stronger lease market was robust activity in the purchase market. Prior to COVID-19, competitive lending terms and high construction costs rendered existing industrial buildings a hot commodity. Such demand was bolstered in the aftermath of lockdowns via the CARES Act, which subsidized commercial lending even further (a user that purchased a building on June 1, for example, had their first six principal and interest payments paid by the SBA). Interest rates between 2.5% and 3.5% ultimately made purchasing real estate far more

attractive than leasing—monthly mortgage payments were that much lower.

### Conversions

Run of the mill industrial real estate activity is noteworthy enough during a pandemic, but mass closures of retail real estate accelerated a trend that many were predicting years in advance. Big box retailers—finding it increasingly difficult to compete with the likes of Amazon and Walmart—are closing stores across the country. Instead of similar users backfilling these spaces, they are being repositioned for industrial use. Here in Albuquerque two such projects are underway as a result of efforts by NAI Maestas & Ward's industrial real estate team.

Large spaces formerly occupied by It'z and Movies 8 (53,000 and 27,000 square feet, respectively) were reintroduced to the market as industrial space once a necessary zone change was completed. Both quickly went under contract to entities involved in manufacturing and distribution, transactions set to be finalized in early 2021. This is a unique and exciting trend that may provide landlords of vacant, big box real estate a new path forward for their assets.

### Conclusion

2020 has been a tremendously challenging year. As we enter a year of recovery, it's important to reflect on the virus' tangential impacts, specifically those related to real estate. Retail, restaurant, and office space face a challenging adjustment in the years to come, and as an investment, may never be viewed as favorably as before widespread lockdowns curtailed their utility. Industrial space, on the other hand, has proved resilient to challenges posed by the virus and is likely to grow in prominence throughout the next decade.

### 2020 Land & Industrial Highlights

**61** Transactions

**\$53,428,246** Total Consideration

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## Top 10 Industrial/Land Transactions in 2020

	Property Address	Type	Buyer Type	Square Feet	Acreage	Party Represented
1	Southeast Investment (6 Buildings) 9924 Bell Ave. SE   9916-9932 Bell Ave. SE 9923 Trumbull Ave. SE	Warehouse	Investor	16,400	1.02	Seller
2	121 Dale Ave. SE	Distribution	User	7,020	2.49	Seller
3	8301 Broadway Blvd. SE	Manufacturing	User	20,700	10.29	Seller/Buyer
4	245 Woodward Rd. SE	Manufacturing	User	112,000	14.32	Seller/Buyer
5	7421 Reading Ave. SE	Fabrication	Investor	18,900	7.59	Seller
6	3921 Academy Parkway N. NE	Lab/RND	User	35,020	1.67	Seller
7	8001 Las Lomitas Dr. NE	Land	User	N/A	1.54	Seller
8	Las Lomitas & Cuesta Abajo	Land	User	N/A	1.49	Buyer
9	2401 Edith Blvd. NE	Contractor Yard	User	4,750	0.6	Seller/Buyer
10	5201 Hawking Dr SE	High-Tech Manufacturing	User	113,000	35.00	Seller/Buyer

