

# 2022 Land Outlook

## Market Overview

The commercial real estate industry is gaining momentum both nationally and locally. Land properties are no exception when it comes to being a target asset class in this fast-moving market. Land is in demand, period. This past year has demonstrated that there is both a need for land and strong market confidence to move forward with deals. As the economy continues to recover from the pandemic, there are clear indicators that there is a healthy appetite for multifamily, single-family residential and industrial development opportunities. This past year saw one of the strongest increases in residential land sales (both multifamily and single-family developments) nationwide, followed by sales for industrial use.

National trends are also visible in the growing Albuquerque metro areas. From a residential perspective, the need for housing continues, making land that is suited for residential development a target for home developers and contractors. Since the pandemic, there has been a lifestyle shift. People are looking to invest in land outside the city where they have an opportunity to be near open spaces, enjoy privacy and build a home that can comfortably support a hybrid work-live situation.

Where residents go, retail inevitably follows. National retail concepts are tracking these growth patterns and extending their footprints, siting locations to service these growing communities. At the top of these lists are national quick serve restaurants, convenience stores and gas stations. In the Albuquerque metro areas, we are seeing continued expansion in the Rio Rancho area, especially in the Unser Gateway corridor, anchored by Presbyterian's Regional Hospital – Rust Medical Center. Another notable growth node to the north is the Town of Bernalillo, where new housing continues to be developed and national retail concepts

are locking in their sites along the main corridor.

The northwest and southwest mesa areas of Albuquerque continue to be desirable options for residential development and expanding retail services due to being land locked by mountains to the east, as well as surrounding Pueblo land. The commuter corridors to these peripheral residential communities are contributing to (and will continue to do so) an uptick in land sales to quick-serve restaurants and convenience store developers. Housing continues to develop in Albuquerque's southeast region through the Mesa Del Sol development. Anchored by Albuquerque Studios, Netflix and more, this area will continue to grow as services come to the area to support residents and movie industry employees. To the south of Albuquerque, we observe that Los Lunas is experiencing a continued growth spurt with housing to accommodate Facebook expansions and other economic factors positively affecting the growth of the community.

Along with residential land, the need for industrial land for warehousing, distribution centers, flex spaces and other industrial buildings with storage facilities and contractor yards is higher than ever. Ideal locations for these large facilities are on the periphery of the city along the I-40 and I-25 corridors. The change of retail to e-commerce was already trending prior to Covid-19. What we are seeing today is an acceleration of this need. Not only is land needed for large-scale warehousing, there is an equal appetite for smaller lots to accommodate small to medium warehouse developments. Low industrial inventory, absorption of warehouse space by the expanding movie industry, and legalization of cannabis manufacturing are some contributors to this demand. Additionally, space consumption required by out of state contractors for large developments such as the tech/aerospace industry, an Amazon Distribution Center,

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Facebook's Data Centers, etc. are also reasons why buyers are turning to appropriately-zoned land for construction.

**Continued barriers** for land development in the Albuquerque metro area will be land scarcity due to the natural constraints of the mountains and surrounding Pueblo lands, difficult land assemblage in Rio Rancho for housing, material and construction costs, supply chain issues, municipality (planning and zoning) timelines, etc. Another important factor to consider is water resources and utilities to supply these expansions.

**Opportunities** in our area can be found in emerging locations and submarkets of the metro area, businesses expanding into secondary sites, meeting land demand for residential and retail needs, out-of-state investors targeting New Mexico for new locations, I-40/I-25 logistic corridors, infill/redevelopment opportunities, economic development incentives, pro-development jurisdictions and pent-up energy/money coming out of the pandemic.



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