

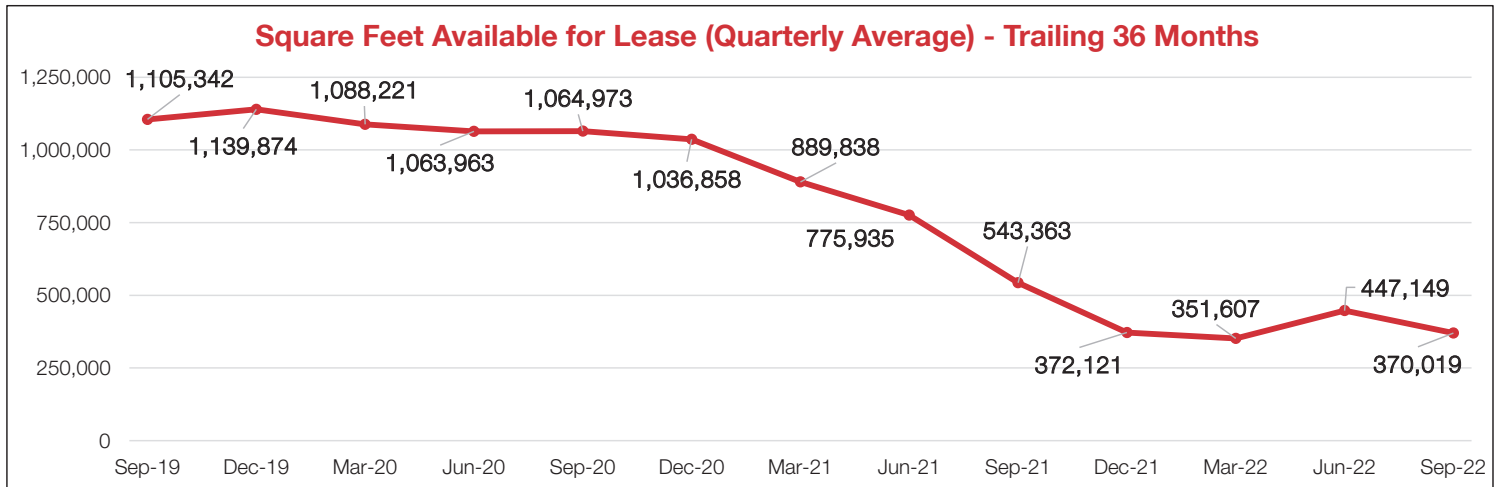
2022 Q3 Market Review

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

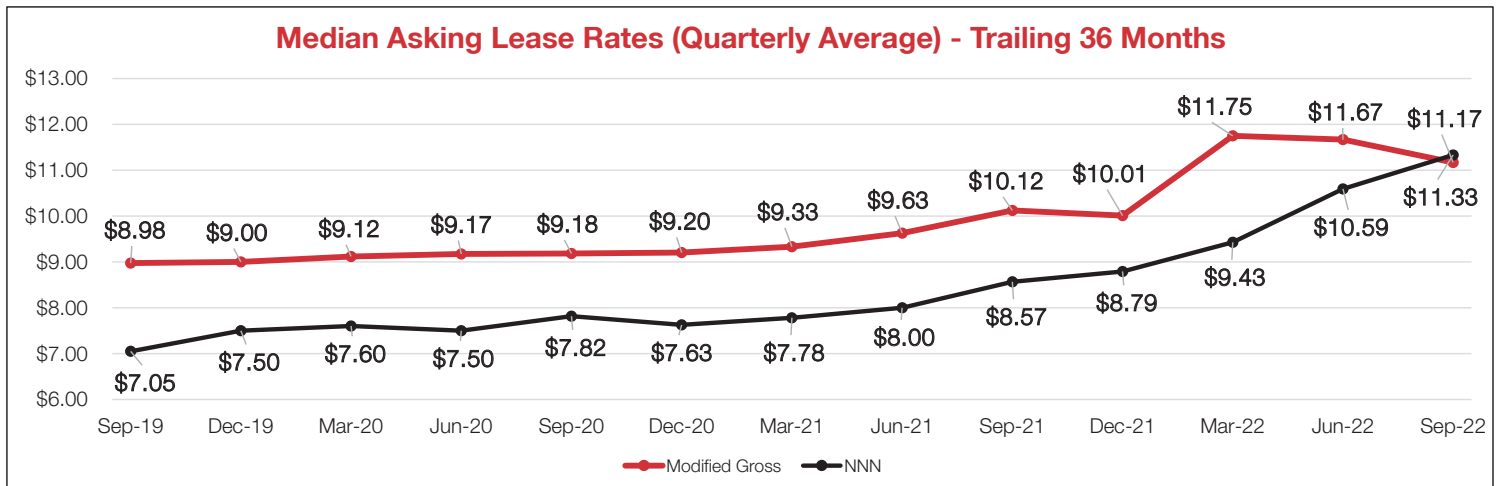
Despite economic headwinds, industrial real estate remains a top performing asset class in Albuquerque

The vacancy rate continues to hover around 1% as the quantity of newly available space just barely keeps pace with (and regularly falls shy of) the quantity of space leased in any given month.

- In aggregate, the volume of existing space available for lease is roughly 370,000 square feet. This figure has maintained below 500,000 square feet since the end of September 2021 and well below 1,000,000 square feet going all the way back to December 2020.



- Landlords are now fully aware of the leverage they possess. The median triple-net (NNN) asking lease rate eclipsed \$11.00 per square foot in August as double-digit lease rates—once exceptional—are now becoming a norm.



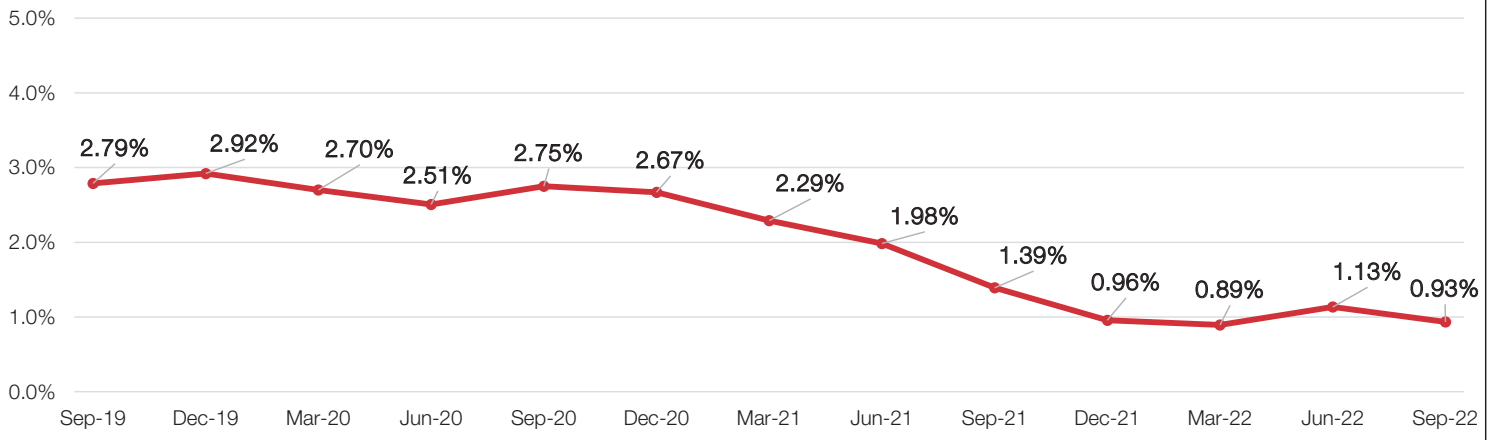
- New construction of industrial space continues to develop. At least five buildings are underway in multiple submarkets including the North I-25 Corridor, the West Mesa, and the South Valley. The average size of these projects remains tilted toward larger tenants, though, at just over 87,000 square feet. While costs continue to be a challenge, strong demand dynamics thus far have proved enough to keep things moving forward.

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- Smaller scale tenants still do not have new construction options to consider. Industrial developers currently active in the market seem to have the larger scale space needs well covered at present; other developers that are interested in industrial projects should seriously consider buildings (freestanding or multi-tenant) that offer space in increments of 10,000 square feet or less.
- The Federal Reserve has increased interest rates by 0.75 percentage points on two occasions since this report was last published. Another increase is anticipated after September's 8.2% year over year increase in prices for consumer goods. This could be both a challenge and a boon to the industrial real estate market. As borrowing becomes more expensive, would-be buyers of real estate may elect to be tenants instead. On the flipside, developers may find it increasingly difficult to underwrite projects if financing is required. In New Mexico, where construction is expensive relative to neighboring states, lease rates must remain at or above their current levels to justify building new space.

Vacancy Rate (Quarterly Average) - Trailing 36 Months



A persistently low supply of available space and increasing lease rates both point to continued strength in the industrial real estate market in Albuquerque, despite the specter of an upcoming recession.

NEW CONSTRUCTION OVERVIEW:

Status	Total Square Footage	Anticipated Completion
Under Construction	437,326	Q2 2023 - Q4 2023
In Permitting Process	0	-
Proposed	1,661,095	TBD
Total	2,098,421	
Smallest Project	7,000	-
Average Project Size	87,434	-
Largest Project	250,000	-

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