

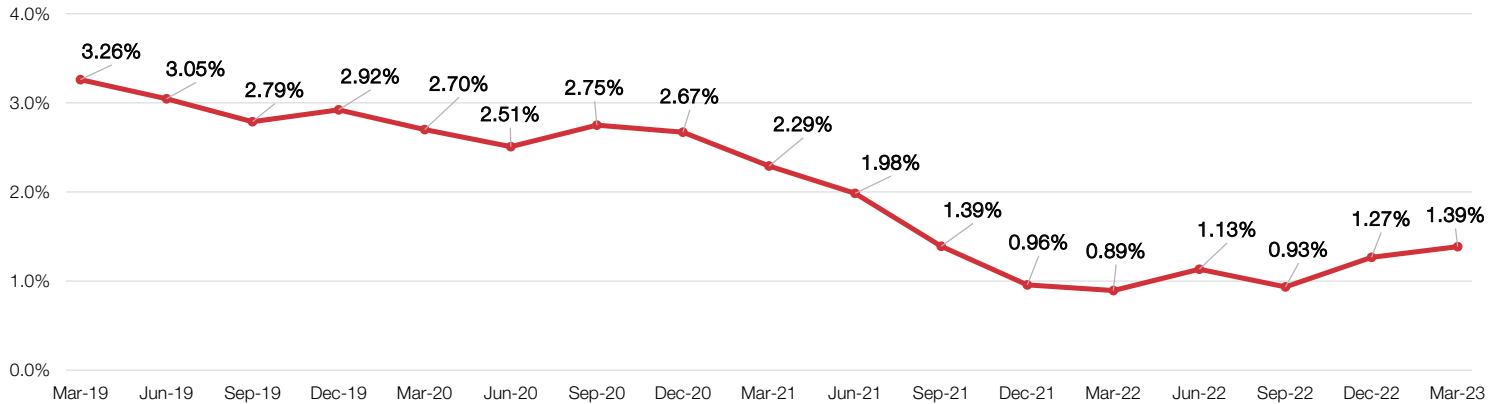
# 2023 Q1 Lease Market Overview

## ALBUQUERQUE | INDUSTRIAL REAL ESTATE

### The vacancy rate creeps up; new construction arrives

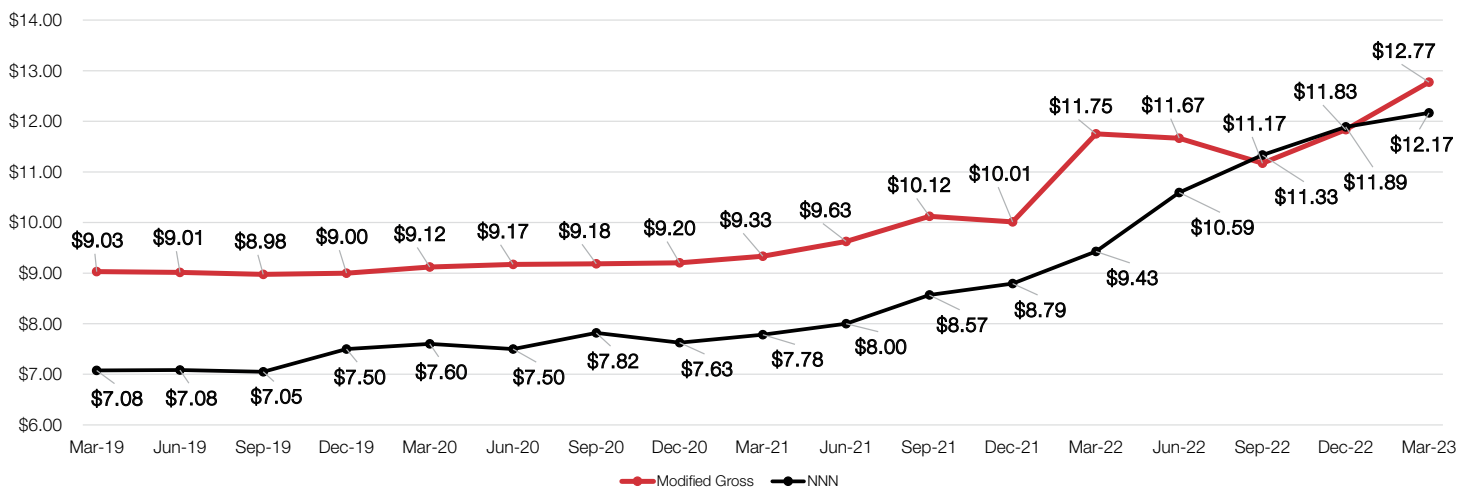
For the second consecutive quarter the vacancy rate for industrial real estate in Greater Albuquerque has increased, albeit very slightly. It currently sits at 1.39%. This remains very low by historic standards, as high demand persists for industrial space of any kind.

Vacancy Rate



- About 550,000 square feet of existing space is available, roughly 40% of which is located in the North I-25 corridor. Submarkets with the lowest amount of vacant space are Rio Rancho (with a grand total of 28,660 SF) and the West Mesa, which currently has no existing vacant space (new construction is on the way, though, more details below).
- The median triple-net (NNN) asking lease rate has now gone above \$12/SF annually. This could be a high watermark as lease rates appear to be leveling off. But with vacancy as low as it is, it's not unreasonable for asking lease rates to remain in the \$12/SF range for some time, possibly into next year.

Median Asking Lease Rates



- The first of several buildings under construction (a ±80,000 SF distribution center in the South Valley) was completed in Q1 2023. Two others—a ±150,000 square foot distribution center located in the West Mesa submarket and a ±60,000 square foot office/showroom/warehouse building in the North I-25 corridor—will likely be available to occupy at some point in Q2 2023. Another ±150,000 square foot distribution center in the South Valley is not far behind. All told, roughly 440,000 square feet of new construction industrial space will be added to the market before the year ends.

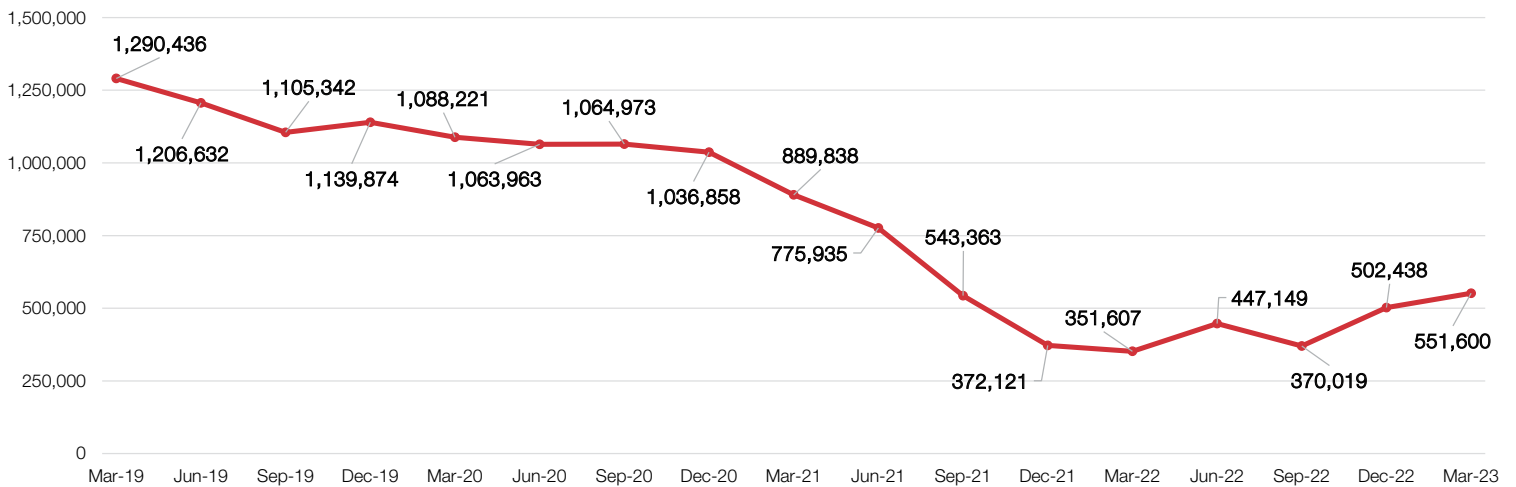
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• Developers looking to get in on the action should seriously consider projects that offer smaller unit sizes, particularly in the 2,000 – 5,000 square foot range. Only one such project (a 15,000 square foot building in north Rio Rancho that can be demised into 5,000 square foot units) is underway. When compared to the 440,000 square feet of large-scale space in progress, the near total lack of new construction of smaller-scale industrial space is a clear indicator of the next big development opportunity.

Macroeconomic benchmarks including interest rate increases, bank failures, inflation, and labor shortages continue to dominate the news, but industrial real estate as an asset class is well positioned to weather any of these gathering storms. Vacancy remains low, lease rate increases are outpacing inflation, and not enough new space is being built to soften demand.

### Square Feet Available for Lease



### NEW CONSTRUCTION OVERVIEW:

Status	Total Square Footage	Anticipated Completion
Under Construction	375,745	Q2 2023 - Q4 2023
Proposed	3,043,729	TBD
<b>Total</b>	<b>3,419,474</b>	
Smallest Project Under Construction		15,000 SF
Average Project Size Under Construction		94,000 SF
Largest Project Under Construction		150,574 SF

### CONTACT FOR MORE INFORMATION:

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