

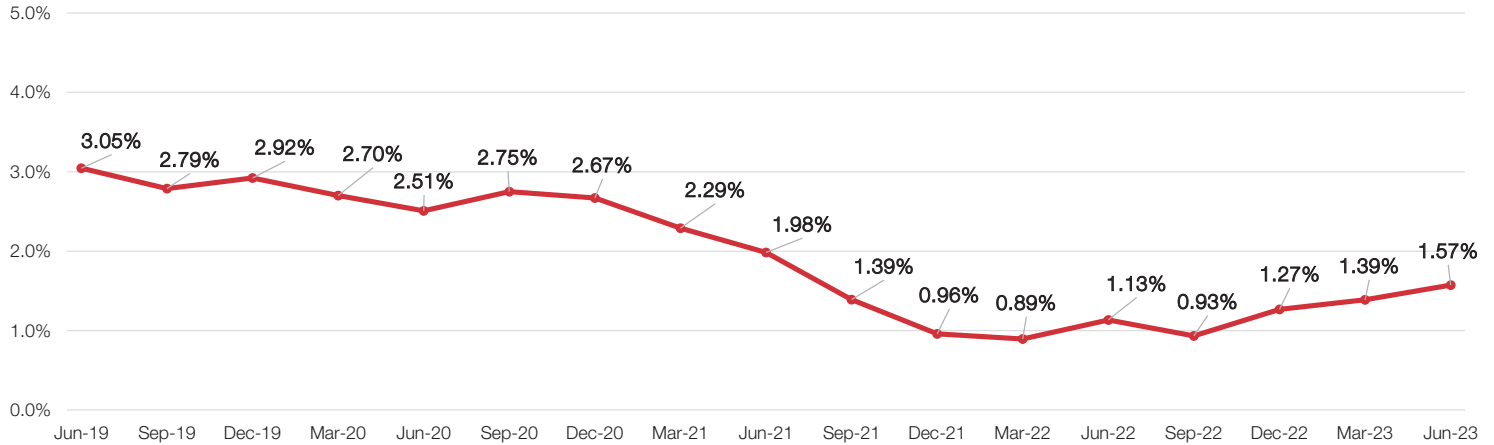
2023 Q2 Lease Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

The vacancy rate is increasing, but it's still well below the historical average

Since the end of Q3 2022, the vacancy rate has steadily increased from a record low of just under 1% to its current level, roughly 1.6%.

Vacancy Rate



- About 625,000 square feet of space is currently available, up from 550,000 at the end of the first quarter. The North I-25 corridor continues to have the highest amount of vacant space (roughly 280,000 square feet) while submarkets west of the river remain very short on space. The largest existing vacancy (a manufacturing facility in the North I-25 corridor) is just under 45,000 square feet. The smallest existing vacancy (1,075 SF) is an office/warehouse building in the South Valley.
- The median triple-net (NNN) asking lease rate has decreased from the previous quarter's record high (\$12.17/SF) to \$11.52/SF. This is likely in response to the vacancy rate increase, though 80% of all spaces currently being marketed still have a price tag at or higher than \$10.00/SF.

Median Asking Lease Rates



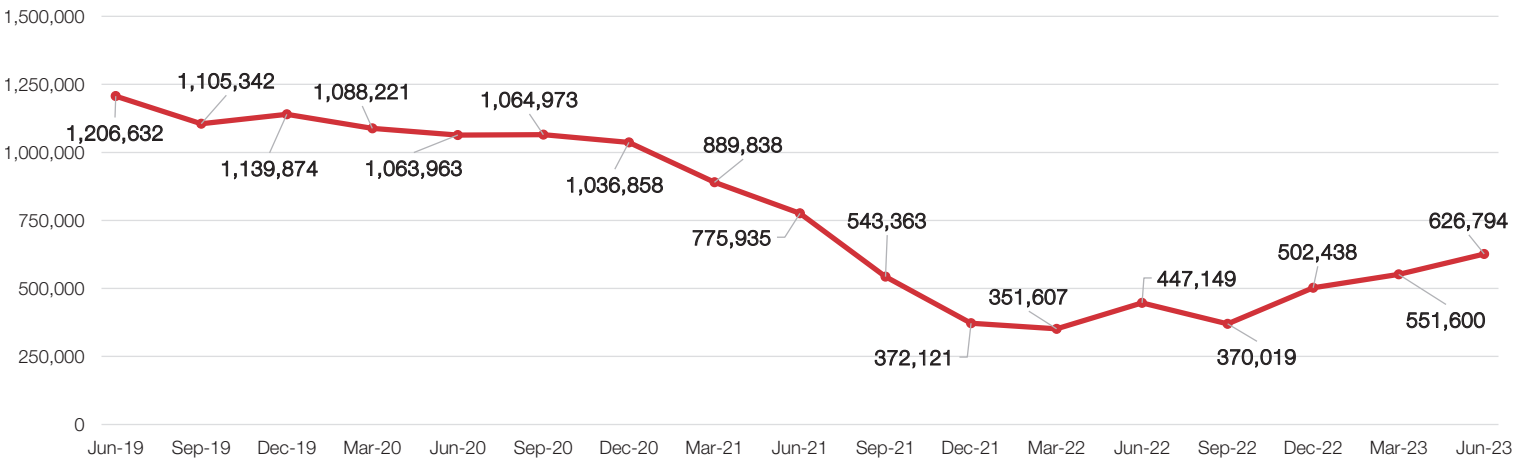
- New construction of industrial space continues but is slowing. A ±60,000 square foot building in the North I-25 corridor was completed in the second quarter. As of this writing it is about 70% leased. Two other buildings are well underway and should be delivered to the market in the third quarter: a ±150,000 square foot distribution center located in the West Mesa submarket and a ±150,000 square foot distribution center in the South Valley. Both buildings are about 30% preleased. While several other new construction projects are being marketed, none have yet broken ground.

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• In late June, a ribbon cutting ceremony was held to celebrate the opening of the Sunport Blvd. interchange which now links the intersection of Broadway Blvd. and Woodward Rd. to I-25. This project has been in the works for decades and dramatically improves accessibility to and from the area. While industrial property owners along the Broadway corridor north of Rio Bravo and south of Gibson stand to benefit the most, this is another benchmark improvement for the South Valley submarket which has seen several hundred million dollars in new investments (public and private) in the last five years.

Square Feet Available for Lease



Macroeconomic trends remain a challenge. The interest rate environment is unlikely to improve this year, but it also may not get worse. Inflation is tapering but not yet at the 2% target rate. Construction costs are still high. These and other factors may cause the industrial real estate market in Albuquerque to stabilize further but overall, the local market remains strong.

NEW CONSTRUCTION UPDATE:

Under Construction	Q1 2023	Q2 2023	Quarterly Change
Total Square Footage	375,745	298,214	-20.63%
Number of Buildings	4	2	-50.00%
Average Project Size (SF)	93,936	149,107	58.73%

Proposed/Marketed	Q1 2023	Q2 2023	Quarterly Change
Total Square Footage	3,043,729	1,533,413	-49.62%
Number of Buildings	23	16	-30.43%
Average Project Size (SF)	132,336	95,838	-27.58%

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