

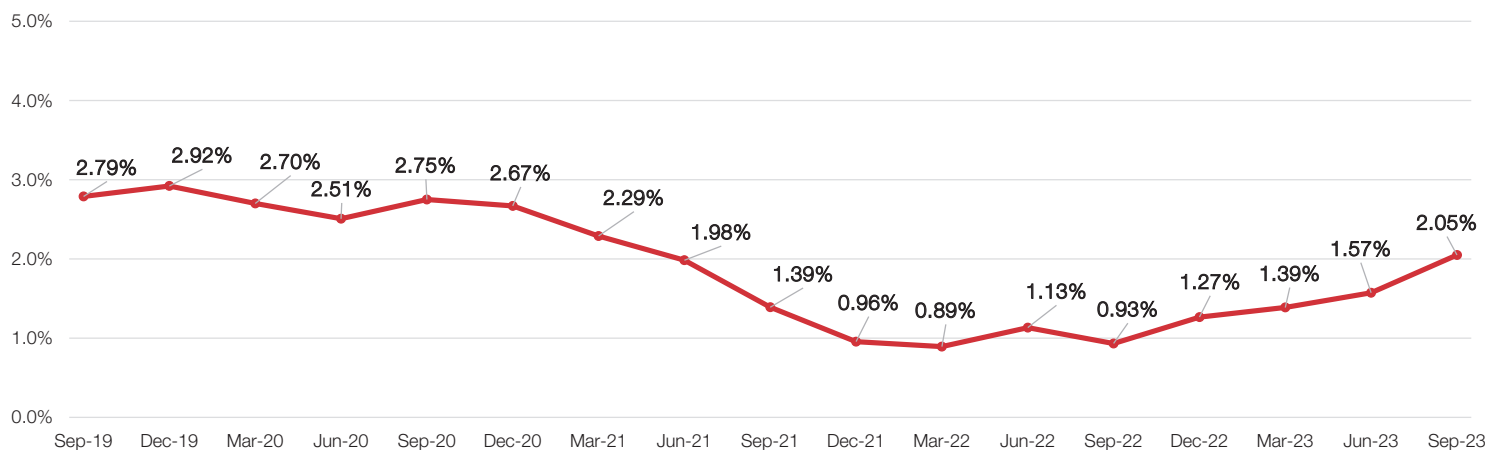
2023 Q3 Lease Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

The vacancy rate continues to rise as new construction projects are completed

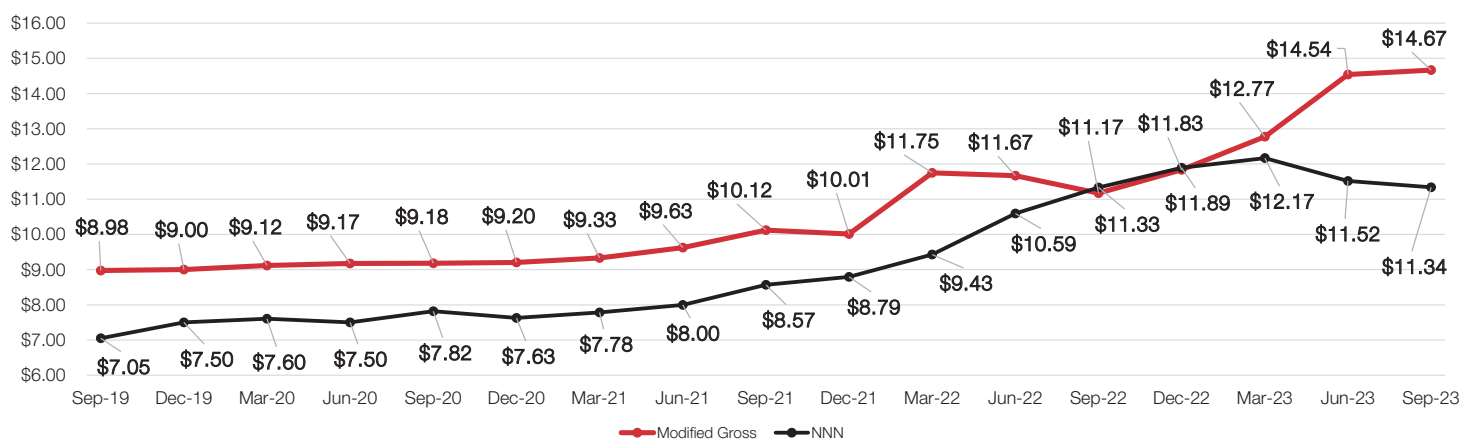
The vacancy rate for industrial real estate in Albuquerque has doubled year over year from its record low of 0.93% at the end of September 2022 to just over 2% today.

Vacancy Rate



- Nearly 820,000 square feet of space is available to occupy, a significant increase above the 625,000 square feet of space that was available at the end of the last quarter. The bulk of this increase comes from two new construction projects that were completed in the third quarter: 9210 Daytona Rd. NW, a ±150,000 SF distribution warehouse near the intersection of I-40 & 98th St. and 3750 Prince St. SE, a ±150,000 SF distribution warehouse near the intersection of I-25 and Rio Bravo Blvd.
- The North I-25 corridor has the most vacant space with roughly 250,000 square feet currently on the market. Submarkets west of the river and north of I-40 have the lowest amount of vacant space. Only one building in that geographic area is currently available: a 15,000 SF warehouse in Bernalillo.
- The largest existing vacancy is a 102,881 square foot unit located at 3750 Prince St. (one of the new construction projects mentioned above). The smallest existing vacancy (1,423 SF) is an office/warehouse building in the North I-25 corridor.

Median Asking Lease Rates



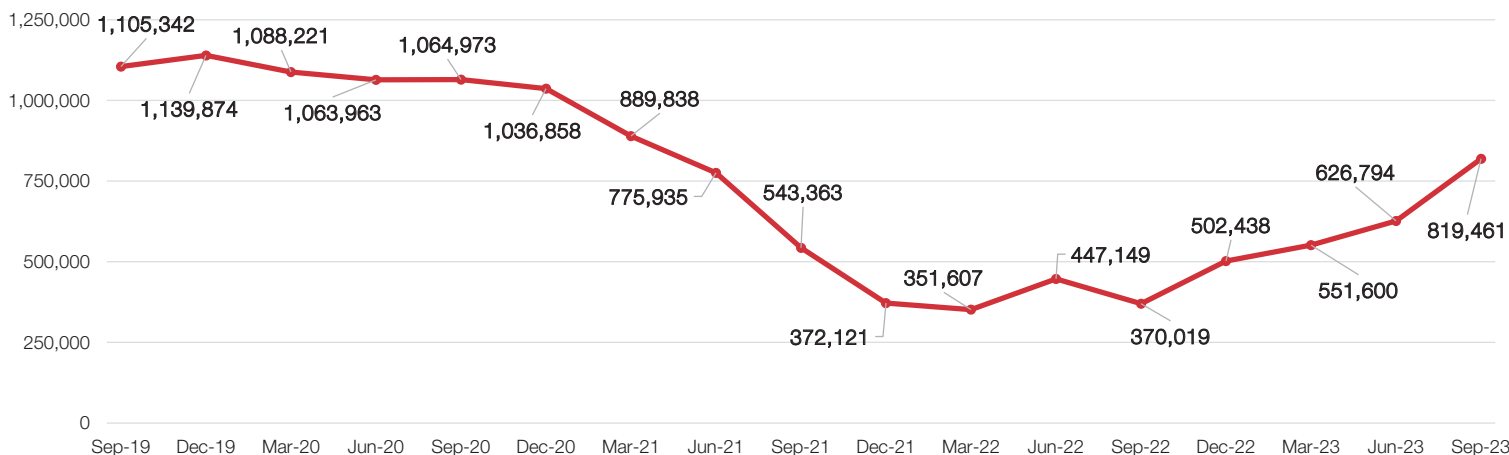
- The median triple-net (NNN) asking lease rate has decreased for the second consecutive quarter and currently sits at \$11.34 per square foot. Nearly all industrial space on the market has a price tag at or above \$10.00 per square foot, though, which may be the floor for lease rates until the vacancy rate returns to its historic average of around 5-6%.

2023 Q2 Lease Market Overview

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- New construction of industrial space has ground to a halt. While about 1,500,000 square feet scattered across a dozen or so projects is still being marketed, as of this writing no actual construction is underway. The interest rate environment is most likely to blame, as both construction financing and permanent financing costs are pricing developers out of the market.
- While the vacancy rate has increased in response to delivery of new space and negative macroeconomic conditions, it may stabilize for the foreseeable future. With no new construction to increase supply, existing stock will continue to be in demand. Tenants considering expansion may be put off by high construction costs and opt to renew existing leases.

Square Feet Available for Lease



The market for owner-occupied industrial real estate is in a similarly strong position. The median asking sale price for a vacant industrial building is \$130 per square foot, a rising figure but still well below replacement cost. Many users find it more affordable to purchase and renovate existing space rather than building from the ground up.

Have an existing industrial building? If brought to market, it's certain to be in demand.

NEW CONSTRUCTION UPDATE:

Under Construction	Q2 2023	Q3 2023	Quarterly Change
Total Square Footage	298,214	0	-100.00%
Number of Buildings	2	0	-100.00%
Average Project Size (SF)	149,107	-	-

Proposed/Marketed	Q2 2023	Q3 2023	Quarterly Change
Total Square Footage	1,533,413	1,543,493	0.66%
Number of Buildings	16	17	6.25%
Average Project Size (SF)	95,838	90,794	-5.26%

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