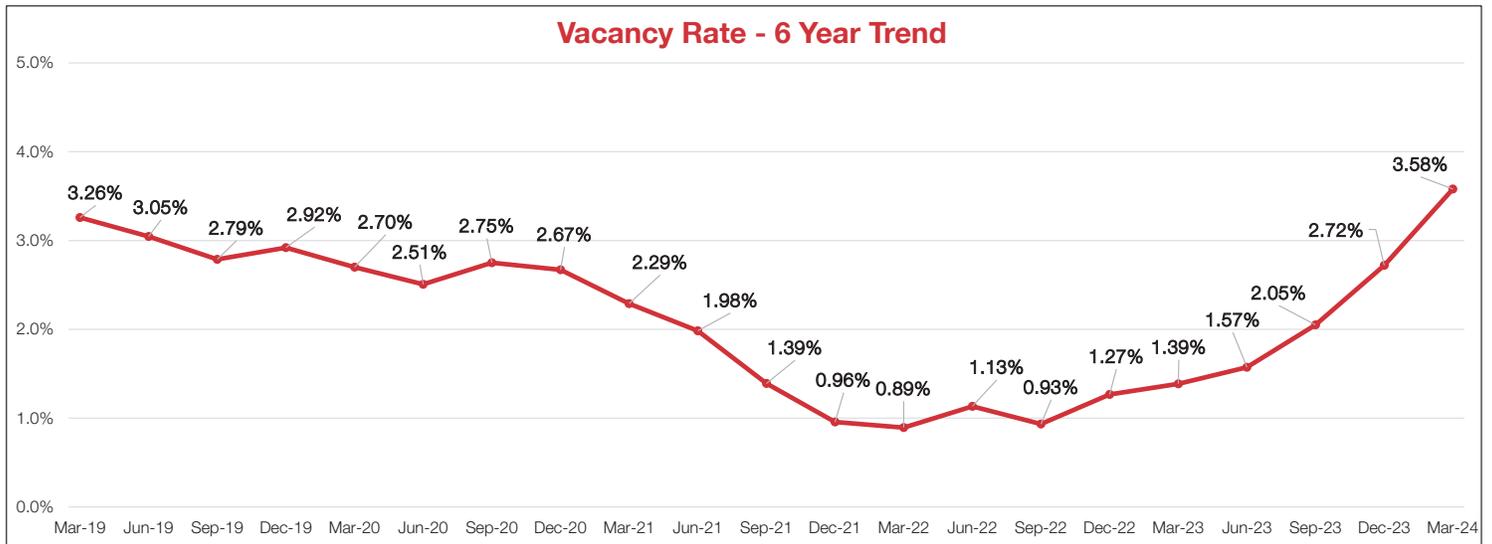


2024 Q1 Lease Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Vacancy at a 5-year high - a sign of a slowing market or something else?

The vacancy rate for industrial real estate in Albuquerque has increased above 3% for the first time since 2019 and is about four times higher than its all-time low two years ago. As landlords have adjusted to extraordinary demand by raising lease rates, the availability of space is normalizing. All things considered, this is good for the market.



As of this writing, the sum total of industrial space for lease is about 1,435,000 square feet. This figure has nearly tripled since the end of the first quarter last year, though a significant portion of the increase is concentrated in a few bulk vacancies that have come to market in recent months. A facility formerly occupied by Honeywell (detailed in the last version of this report) remains the largest vacancy at 475,000 SF. This space alone represents almost one third of the total vacancy in the market. Three other properties at or above 50,000 square feet were recently brought to market. When combined, these four spaces contribute roughly 695,000 square feet to the market—almost half of the total vacant space.

Just as measures of inflation rightly differentiate multiple factors that can influence the statistic, it is important to account for how the vacancy rate is distributed and not simply acknowledge the top line number. Outside of the four large vacancies mentioned above, the balance of current vacancies—including core space in the 2,500 – 25,000 SF range—adds up to only 1.8% of all existing space, signaling a still tight market.



2024 Q1 Lease Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Asking lease rates bear this out. Charts on this report showing the vacancy and availability rates show dramatic increases but the median asking lease rate chart has held steady. In the last twelve months, rates have hovered between \$11 and \$12 per square foot. This quarter's triple-net asking lease rate is at a three-quarter high (\$11.76) just below the record of \$12.17 set in the first quarter of 2023.



New construction of industrial space continues to plod along. Three projects show signs of progress, one in the West I-40 corridor and two in the North I-25 corridor. Among the North I-25 corridor projects is a 10,000 SF multi-tenant industrial building, a rare (and much needed) deviation from the typical new construction profile that has predominated (bulk space). Several other projects in the Mesa del Sol, South Valley, and West I-40 submarkets are still being proposed. Positive absorption of recently built and soon to be completed construction projects and continued stability of lease rates will determine whether these potential developments ever come out of the ground.

The charts included on this edition of the market report show some dramatic changes—the vacancy rate and sum total of available space are undoubtedly on the rise. But a closer look at the data shows much of this increase concentrated in a few large bulk vacancies, lease rates holding steady, and new supply from construction still very limited. The industrial real estate market in Albuquerque still has a lot of margin.

NEW CONSTRUCTION OVERVIEW:

Under Construction	Q4 2023	Q1 2024	% Change
Total Square Footage	172,654	162,574	-6.20%
Number of Buildings	3	2	-
Average Project Size (SF)	57,551	81,287	-
Proposed/Marketed	Q4 2023	Q1 2024	% Change
Total Square Footage	1,360,759	1,111,486	-18.32%
Number of Buildings	13	14	-
Average Project Size (SF)	104,674	79,392	-

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