

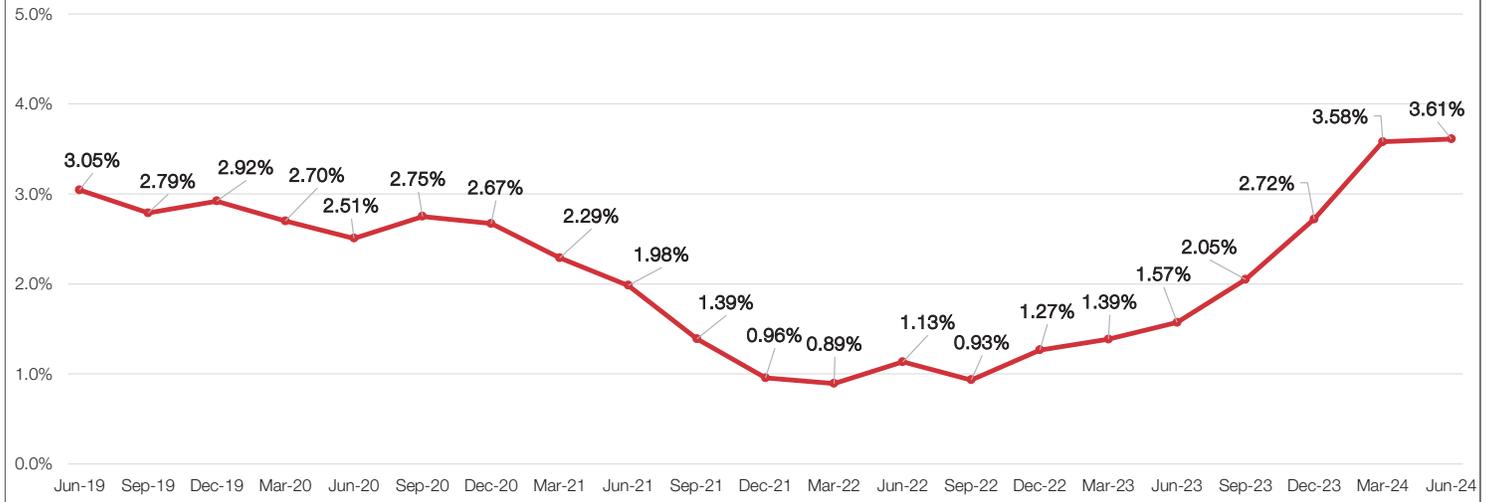
# 2024 Q2 Lease Market Overview

## ALBUQUERQUE | INDUSTRIAL REAL ESTATE

### *Vacancy stabilizes after sharp increases in recent quarters*

For seven consecutive quarters dating back to Q3 2022, the vacancy rate has increased steadily from its record low of 0.93% to 3.61% today. However, the most recent increase between Q1 and Q2 of this year is by far the most nominal (3.58% to 3.61%) and suggests that the vacancy rate may be stabilizing.

**Vacancy Rate - 6 Year Trend**

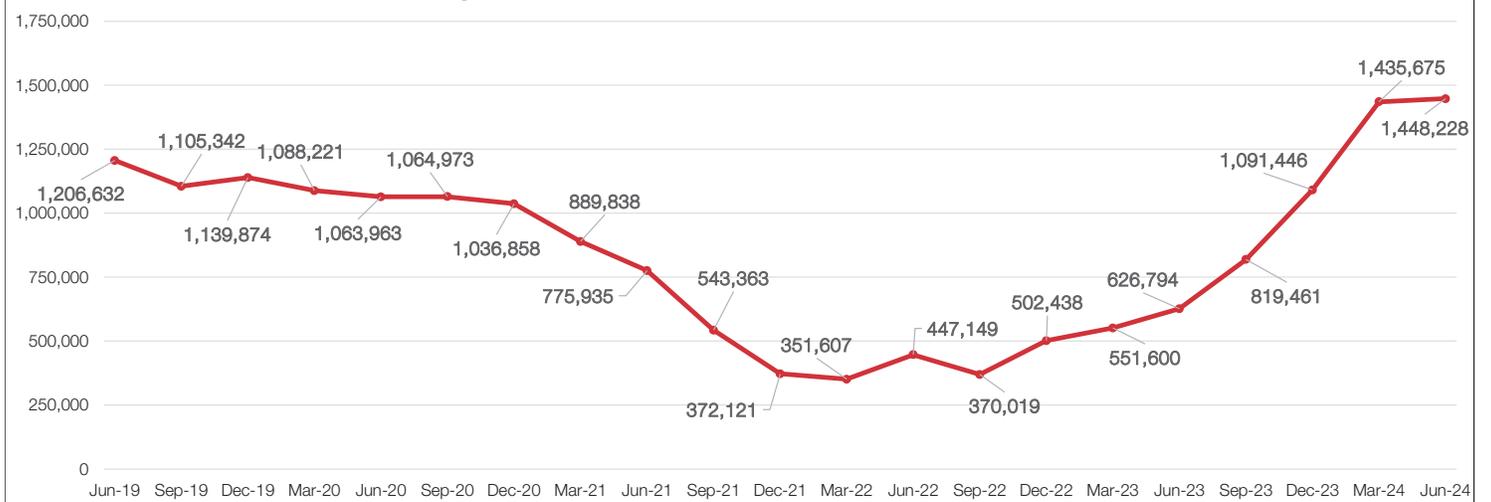


As of June 30, roughly 1,448,000 square feet of industrial real estate scattered across the Albuquerque MSA is vacant and available for lease. This figure continues to be skewed by the presence of a uniquely large vacancy (located at 9201 San Mateo Blvd. NE and detailed in previous editions of this report) that alone is responsible for just under 35% of the total vacant space.

In the fourth quarter of last year, that property and three others with a combined size of about 698,000 square feet all came to market within a few weeks of each other. Two others totaling 76,000 square feet became available during the first quarter of this year. Added together, these six vacancies have contributed almost three quarters of a million square feet to the market, over half of the total vacant space. All of the remaining vacant space (roughly 675,000 square feet) is shared among 74 different properties with an average size of 9,100 square feet.

The significant rate of increase in the vacancy rate and availability rate seen in the Q4 2023 and Q1 2024 editions of this report was primarily driven by just a handful of large spaces coming to market in rapid succession.

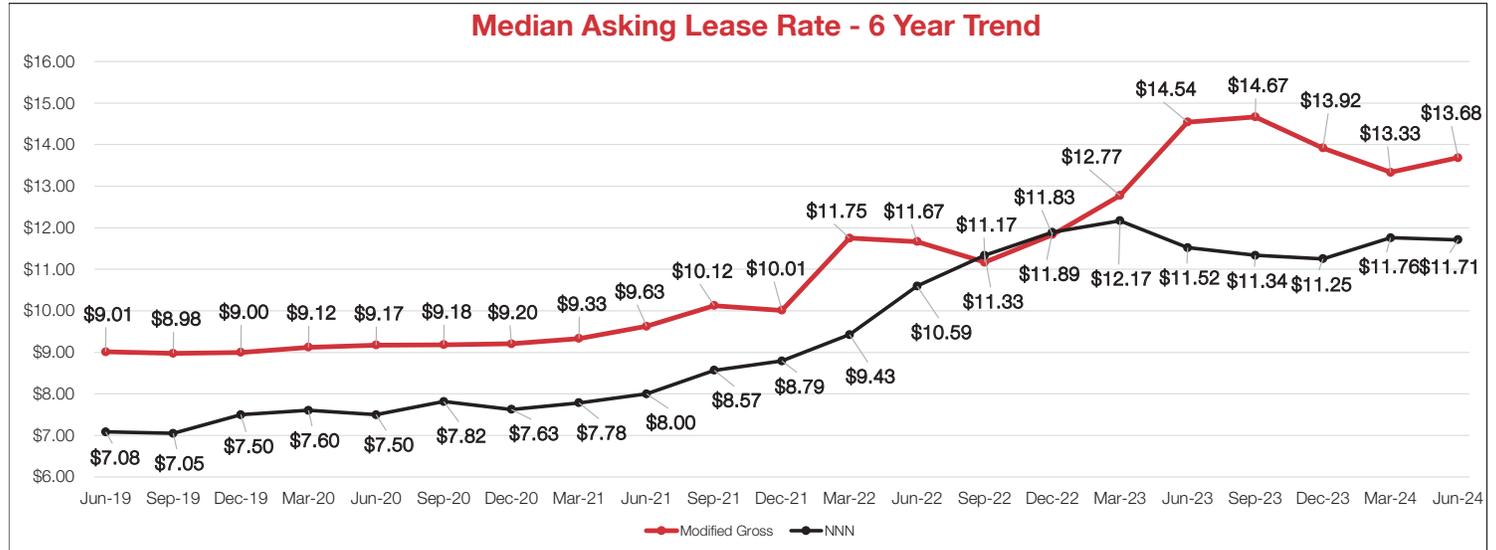
**Square Feet Available for Lease - 6 Year Trend**



# 2024 Q2 Lease Market Overview

## ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Triple-net (NNN) asking lease rates have been stable for four consecutive quarters now, hovering somewhere between \$11.25 and \$11.75 per square foot. Modified gross asking lease rates are a bit more volatile due to a limited number of properties with that lease structure but are tracking accurately at about \$2 per square foot higher than the NNN rate.



No new construction projects were started in the second quarter. Two new buildings (541 Airport Rd. and 4000 Ellison St.) are underway or showing signs of progress. Assuming normal construction timelines, they are likely to be completed during the fourth quarter of this year and first quarter of next year. Once finished, the pipeline for new construction will be dry, unless one or several of eight other projects currently being proposed/marketed break ground.

The two new buildings that were completed last year continue to be absorbed, though slowly in today's high interest rate environment. As of this writing, a 150,000 square foot bulk distribution warehouse near I-40 and 98th St. (9210 Daytona Rd. NW) is 76% leased while another 150,000 square foot space near I-25 and Rio Bravo (3750 Prince St.) is about 31% leased.

All told, the industrial real estate market in Albuquerque remains healthy, but is in a period of stabilization. Landlords continue to benefit from elevated lease rates that had not seen much growth in the ten years prior to 2020. And tenants, because of new construction options and the increased vacancy rate, now have more breathing room than they did two and three years ago. That margin allows for more strategic decision making, which is better for the market in the long run.

### NEW CONSTRUCTION OVERVIEW:

Under Construction	Q1 2024	Q2 2024	% Change
Total Square Footage	162,574	162,574	0.00%
Number of Buildings	2	2	-
Average Project Size (SF)	81,287	81,287	-
Proposed/Marketed	Q1 2024	Q2 2024	% Change
Total Square Footage	1,111,486	923,486	-16.91%
Number of Buildings	14	13	-
Average Project Size (SF)	79,392	71,037	-

### CONTACT FOR MORE INFORMATION:

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