

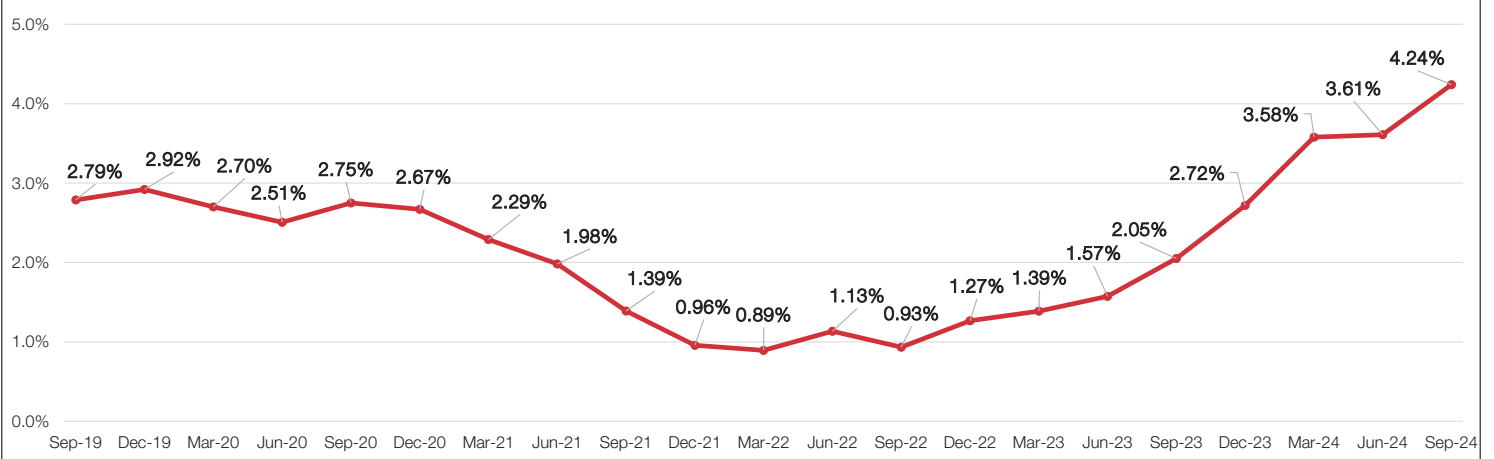
# 2024 Q3 Lease Market Overview

## ALBUQUERQUE | INDUSTRIAL REAL ESTATE

*After a brief stabilization, vacancy is on the rise again*

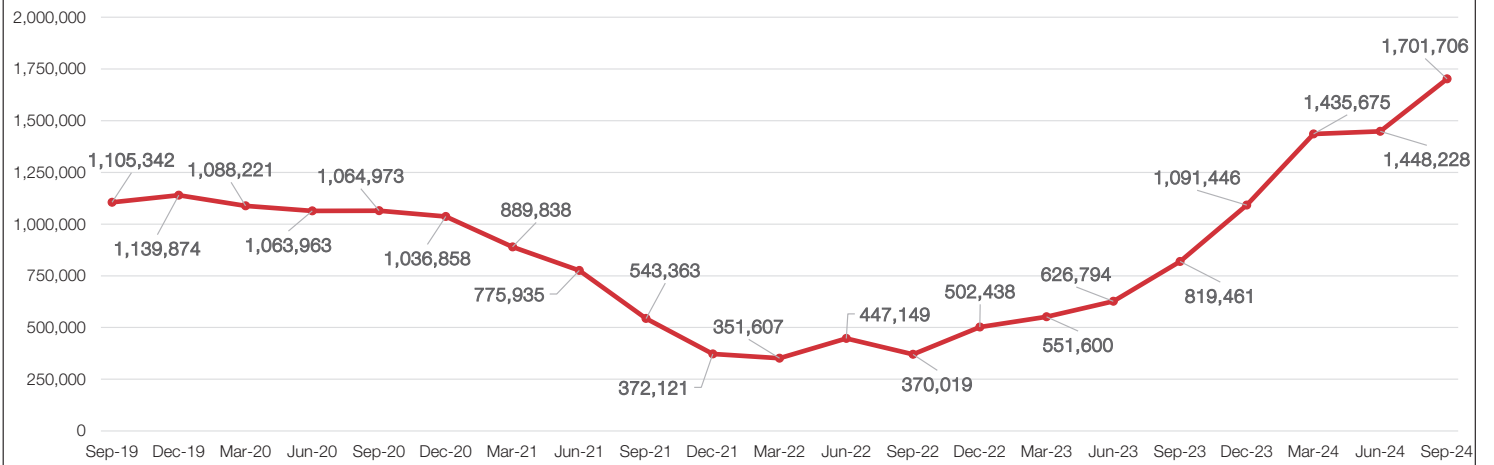
For a third consecutive quarter, the vacancy rate for industrial real estate in Albuquerque has set a new five-year high. Now at 4.24%, the share of properties in the market available for lease continues to grow but is still below the national vacancy rate which sits somewhere between 5% and 7%.

**Vacancy Rate - 6 Year Trend**



The total of vacant industrial space is just over 1,700,000 square feet, up about 250,000 square feet from the second quarter of this year. The lion's share of this increase is tied to a single property located at 245 Woodward Rd. SE which alone added 112,000 square feet of space to the market. This continued a trend mentioned in previous editions of this report wherein larger, bulk distribution and manufacturing properties are disproportionately impacting the vacancy rate.

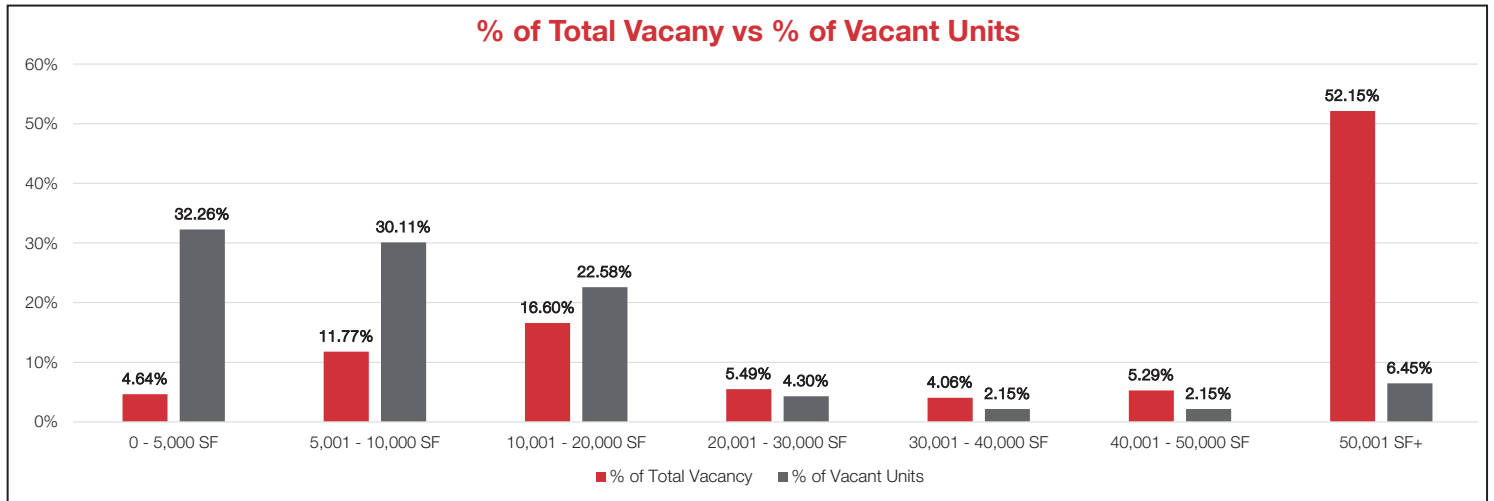
**Square Feet Available for Lease - 6 Year Trend**



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As of this writing, six individual properties with a combined total of 883,366 square feet make up just over 52% of total vacancy, despite being only 6.45% of the 93 individual units currently on the market. The remaining available space is more evenly apportioned among various size ranges. The category with the next highest share of the total vacancy are properties in the 10,001 SF – 20,000 SF range, which only make up about 17% of the total vacant space. This top-heaviness present in the market is the result of several circumstances, foremost of which are high interest rates (which have more prominently impacted users of larger space). In addition, most new construction in the market has taken the form of bulk distribution warehouse buildings, which have been slower to lease.



| Availability by Size | Total SF         | Units     | Average Unit Size |
|----------------------|------------------|-----------|-------------------|
| 0 - 5,000 SF         | 78,975           | 30        | 2,633             |
| 5,001 - 10,000 SF    | 200,337          | 28        | 7,155             |
| 10,001 - 20,000 SF   | 282,502          | 21        | 13,452            |
| 20,001 - 30,000 SF   | 93,472           | 4         | 23,368            |
| 30,001 - 40,000 SF   | 69,088           | 2         | 34,544            |
| 40,001 - 50,000 SF   | 89,966           | 2         | 44,983            |
| 50,001 SF+           | 887,366          | 6         | 147,894           |
| Largest Project      | 250,000          | -         |                   |
| <b>Total</b>         | <b>1,701,706</b> | <b>93</b> | <b>18,298</b>     |

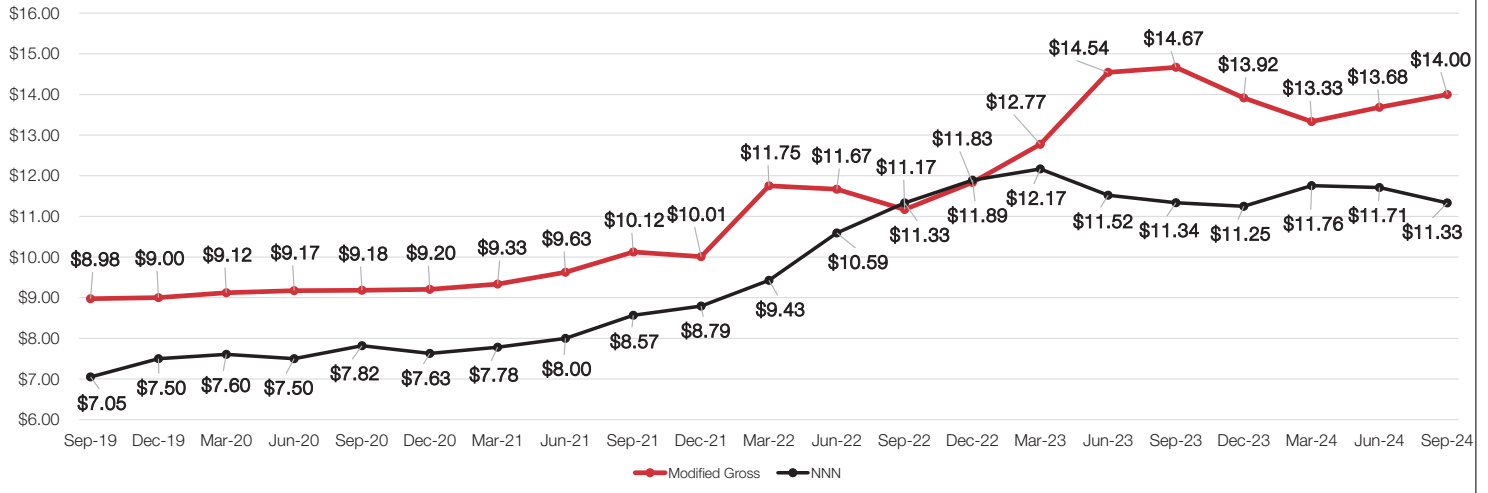
| Availability by Submarket | Total SF         | Spaces    | Units  | % of Vacancy |
|---------------------------|------------------|-----------|--------|--------------|
| Airport                   | 120,590          | 6         | 20,098 | 7.09%        |
| Bernalillo                | 15,000           | 1         | 15,000 | 0.88%        |
| Downtown                  | 172,846          | 13        | 13,296 | 10.16%       |
| North I-25                | 753,931          | 33        | 22,846 | 44.30%       |
| North Valley              | 93,644           | 16        | 5,853  | 5.50%        |
| Rio Rancho                | 69,956           | 3         | 23,319 | 4.11%        |
| South Valley              | 311,677          | 9         | 34,631 | 18.32%       |
| Southeast Heights         | 52,709           | 6         | 8,785  | 3.10%        |
| West Mesa                 | 109,353          | 5         | 21,871 | 6.43%        |
| Midtown                   | 2,000            | 1         | 2,000  | 0.12%        |
| <b>Total</b>              | <b>1,701,706</b> | <b>93</b> |        |              |

The median triple-net (NNN) asking lease rate has decreased for the second consecutive quarter but at \$11.33/SF is still in line with rates from prior quarters and almost identical to the median NNN asking lease rate at this time last year (\$11.34/SF). The median modified gross lease rate (a lease structure that has made a comeback after nearly disappearing as an option from the market when vacancy plummeted to record lows) currently sits at \$14.00/SF.

# 2024 Q3 Lease Market Overview

## ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Median Asking Lease Rate - 6 Year Trend



New construction projects mentioned in past editions of this report remain underway while two, smaller buildings have since broken ground. One is an eight-unit multitenant industrial building in the North I-25 Corridor (13,865 SF total) while the other is a four-unit multitenant industrial building on the Westside near Unser and I-40. Both cater to a heretofore underserved segment of the market and should lease faster than the bulk new construction projects because of the wider tenant pool to which they cater.

What's next? Some recent news may be a harbinger of improved circumstances to come. On September 18th the Federal Reserve announced it would be reducing the Federal Funds rate for the first time since March 2020. After two+ years of steady increases and the rate remaining fixed at between 5.25% and 5.50 % for the last 12 months, some relief is finally on the way. While the impact of this decision will not be felt immediately, reduced borrowing costs will make it easier for businesses of all kinds and sizes to finance expansion plans, leading to more activity in the market. This is a positive change after several years of tough sledding. Future rate cuts in the coming months are a real possibility, which will further compound the positive impact.

### NEW CONSTRUCTION OVERVIEW:

| Under Construction        | Q2 2024 | Q3 2024 | % Change |
|---------------------------|---------|---------|----------|
| Total Square Footage      | 162,574 | 182,039 | 10.69%   |
| Number of Buildings       | 2       | 4       | -        |
| Average Project Size (SF) | 81,287  | 45,510  | -        |
| Proposed/Marketed         | Q2 2024 | Q3 2024 | % Change |
| Total Square Footage      | 923,486 | 910,021 | -1.48%   |
| Number of Buildings       | 13      | 12      | -        |
| Average Project Size (SF) | 71,037  | 75,835  | -        |

### CONTACT FOR MORE INFORMATION:

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