



Vacancy goes lower, construction taking off

In Q3 2020, Albuquerque’s industrial vacancy rate continued to make history, dropping to another all-time low of 2.51%, a 30 basis point drop from the previous quarter. The majority of the quarter’s 123,259 square feet absorption took place in the North I-25 submarket, where most of the market’s vacant space has been concentrated.

Demand has continued to drive Albuquerque’s vacancy lower, making quality industrial space virtually nonexistent. This is evidenced by the significant decrease of nearly \$1.00 per square foot NNN in average asking rates at the close of the third quarter. Albuquerque’s available industrial inventory is primarily Class C space with lower asking rates. This lack of quality industrial space has spurred adaptive reuse projects, new construction, and strong demand for industrial investment opportunities.

4595 San Mateo Blvd NE, formerly iT’Z Family Food and Fun, a large format entertainment concept, is being reimaged and marketed as industrial space. The 53,000 square foot free-standing building is currently considered retail, but new infrastructure and industrial features like roll-up doors and a new façade will bring much needed supply to the industrial inventory.

Strong demand and consistently low vacancy rates have led banks to consider industrial properties as one of the most secure property types for investors. Albuquerque’s industrial sale market has seen increased activity and heavy competition for well-positioned industrial investment offerings.

Construction in Albuquerque had been limited to a handful of locally developed projects but saw a huge increase with the announcement of Amazon’s new 2.58 million square foot fulfillment center last quarter. The project has now gone vertical and the outline of the massive multistory project is visible on Albuquerque’s West Mesa.

Key factors in this quarter

- › Albuquerque’s industrial inventory reached another historic low of 2.51% with overall positive absorption of 123,259 square feet.
- › Amazon’s 2.5 million square foot fulfillment center has gone vertical and its outline can now be seen along the Albuquerque West Mesa skyline.
- › New construction is likely to continue with a new development in the planning stages for an 80-acre site adjacent to the Sunport International Airport.

Market summary

ALBUQUERQUE – Total SF	41,543,442
Total Available SF	1,038,499
Availability %	2.50%
Change in Available SF	(47,720)
Total Vacant SF	1,042,568
Vacancy %	2.51%
Q1 Vacant %	2.81%
Absorption	123,259
Year-over-year Vacancy Change	(93) basis points
Asking Rate	\$7.74 NNN
SANTA FE – Total SF	1,485,788
Total Vacant SF	0
Vacant %	0.0%
Asking Rate	\$12.00
Absorption	2,720

The new Amazon facility is part of what Bernalillo County has identified as a regional public infrastructure improvement project in the Upper Petroglyphs Industrial Park. The project is a \$6.5 million investment by the county to bring improvements including street extensions and improvements, curbs, gutters, lighting, and paving to the area to attract new development in the 1,200-acre park. Completion of the improvements is expected by the beginning of Q2 2021. Efforts like these are expected to drive more new construction in Albuquerque.

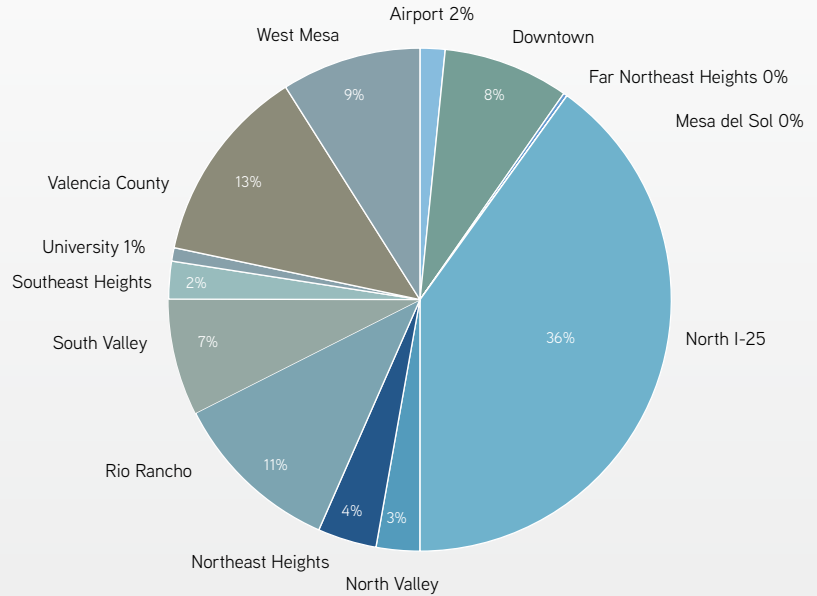
Another major construction project is on the horizon for Albuquerque near Sunport International Airport. The City of Albuquerque Aviation Department’s Business Development Division has been working with Group Orion (a subsidiary of Theia Group), an aerospace company headquartered in Washington, D.C., on the initial planning phases for a new development located near Girard Blvd SE and Gibson Blvd SE. The 80-acre site was once occupied by a now decommissioned runway and has been positioned by the city for aerospace development.

Theia’s new facility would bring high economic multiplier jobs to Albuquerque, as well as hundreds of construction jobs. The construction costs for the project are estimated to be between \$8-\$10 billion over the next ten years. A hearing for Group Orion’s plan is scheduled for mid-November. With approval to proceed, the initial site work could begin as soon as Spring 2021, with some phases of construction completed by 2023.

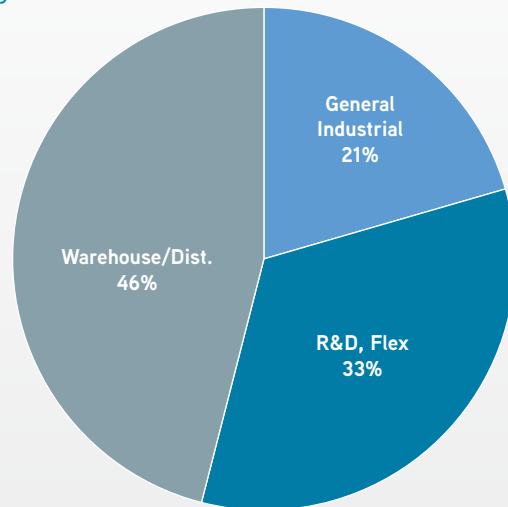
This project would be another step for New Mexico to position itself as a leader in the rapidly growing space industry. By 2045, the global space economy is estimated to be worth up to \$3 trillion.

Despite continuing uncertainty and challenges created by the COVID-19 global pandemic, the industrial market has continued to perform strongly, reaching new record lows for vacancy. Albuquerque’s industrial market is poised for major growth with the kickoff of large-scale construction.

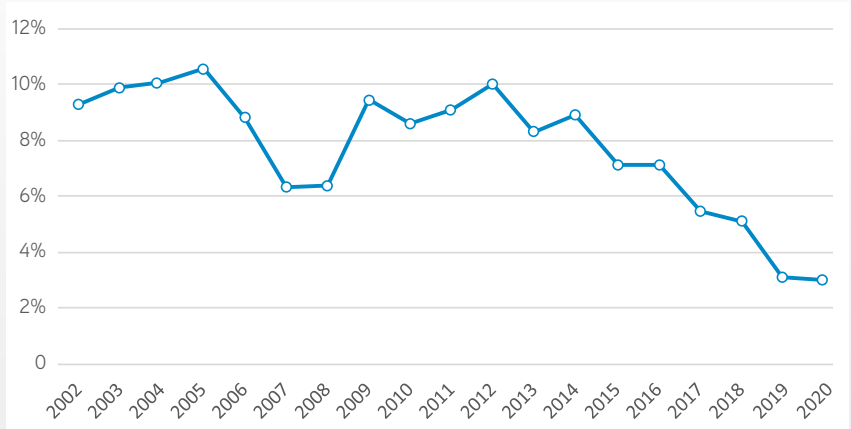
Vacancy by submarket



Vacancy by use



Historical vacancies



Market statistics by use

Albuquerque – Industrial							
PRIMARY USE	TOTAL SF	AVAILABLE SF	VACANCY	AVAILABLE %	VACANCY %	ABSORPTION	RENT Q2 2020
General Industrial	15,872,072	148,012	105,570	0.93%	0.67%	(664)	\$8.83
R&D, Flex	4,739,702	219,715	363,133	4.64%	7.66%	6,158	\$9.43
Warehouse/Dist.	20,931,668	670,772	573,865	3.20%	2.74%	117,765	\$6.47
Total	41,543,442	1,038,499	1,042,568	2.50%	2.51%	123,259	\$7.74

Santa Fe – Industrial							
PRIMARY USE	TOTAL SF	AVAILABLE SF	VACANCY	AVAILABLE %	VACANCY %	ABSORPTION	RENT Q2 2020
General Industrial	400,868	13,200	-	3.29%	0.00%	-	\$12.00
R&D, Flex	548,649	-	-	0.00%	0.00%	-	NA
Warehouse/Dist.	536,271	-	-	0.00%	0.00%	2,720	NA
Total	1,485,788	13,200	-	0.89%	0.00%	2,720	\$12.00

Market statistics by submarket

Albuquerque – Industrial							
SUBMARKET	TOTAL SF	AVAILABLE SF	VACANCY	AVAILABLE %	VACANCY %	ABSORPTION	RENT Q2 2020
Airport	900,418	5,750	5,750	0.64%	0.64%	8,297	\$6.00
Downtown	3,544,094	98,626	47,650	2.78%	1.34%	(5,000)	\$7.06
Far Northeast Heights	202,014	4,000	4,000	1.98%	1.98%	-	NA
Mesa del Sol	632,363	-	-	0.00%	0.00%	-	NA
North I-25	18,083,018	369,675	391,087	2.04%	2.16%	32,928	\$8.31
North Valley	1,745,561	9,790	9,790	0.56%	0.56%	-	NA
Northeast Heights	455,629	10,590	10,590	2.32%	2.32%	-	\$6.75
Rio Rancho	6,012,639	52,936	122,236	0.88%	2.03%	6,400	\$7.11
South Valley	2,253,510	67,715	60,990	3.00%	2.71%	22,020	\$6.54
Southeast Heights	1,306,412	113,145	40,361	8.66%	3.09%	(4,154)	\$13.25
University	183,699	4,131	4,131	2.25%	2.25%	-	\$6.75
Valencia County	2,023,988	201,607	219,421	9.96%	10.84%	-	\$4.75
West Mesa	4,200,097	100,534	126,562	2.39%	3.01%	62,768	\$6.90
Total	41,543,442	1,038,499	1,042,568	2.50%	2.51%	123,259	\$7.74

* Industrial inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Available space includes all vacant space and occupied space currently on the market for lease. "Change in Availability" is based on the change of availability from Q2 2020 to Q3 2020. Absorption is the change in vacancy from Q2 2020 to Q3 2020. Rent is calculated by weighted average of NNN rental rates. Full service or Modified gross market rates are adjusted to reflect NNN rents.

Information herein has been obtained from sources deemed reliable, however its accuracy cannot be guaranteed. The user is required to conduct their own due diligence and verification.

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Albuquerque submarket area map



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