



Albuquerque-Santa Fe

Industrial 21Q2



Vacancy Rate
1.80%

YOY
▼
FORECAST
=



Net Absorption
183K SF

YOY
▲
FORECAST
▼



Under Construction
2.6M SF

YOY
▲
FORECAST
=



Overall Lease Rates (NNN)
\$9.70/SF

YOY
▲
FORECAST
=

Key Takeaways

- The construction bubble has finally burst, with developers committing to build new, high quality industrial business parks across the city.
- Lumber costs, which were predicted to come down slightly, have instead remained inflated due to continued wildfires, supply chain disruptions and labor shortages.
- Continued upward pressure on construction costs is expected throughout the year, but the return on immediately leased space seems to be worth it for the many new projects happening across the city.

Market Indicators



7.6%
Unemployment Rate

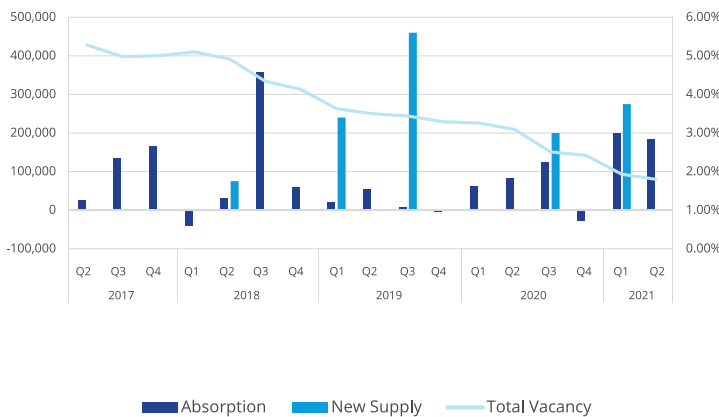


-4.6%
GDP — Yearly % change



1.36%
U.S. 10 Year Treasury Note

Market Graph



Historic Comparison

	20Q1	20Q4	21Q2
Total Inventory (in Thousands of SF)	41,891	41,891	42,166
New Supply (in Thousands of SF)	—	—	—
Net Absorption (in Thousands of SF)	62.87	(26.13)	183.74
Overall Vacancy	3.26%	2.42%	1.80%
Under Construction (in Thousands of SF)	2,900	2,900	2,600
Overall Asking Lease Rates (NNN)	\$8.02	\$7.53	\$9.70

Recent Transactions



Lease
8000 Bluewater Rd NW
West Mesa
32,000 SF



Lease
4432 Anaheim Ave
North I-25
8,419 SF



Lease
9670 Eagle Ranch Rd NW
West Mesa
2,566 SF



Sale
4810 Pan American E Fwy NE
North I-25
21,533 SF



Sale
2600 Karsten Court SE
South Valley
8,150 SF



Sale
620 Industrial Ave NE
North I-25
7,200 SF

Record low vacancy rates continues due to high demand

Construction bubble bursts with costs going up

Demand continued to outpace supply of industrial space in Q2, driving asking rates higher and vacancy rates lower once more. The new record-low vacancy rate in Albuquerque is 1.80%, after 183,742 SF of absorption during the quarter. Rental rates trended upwards significantly, averaging over two dollars higher than last quarter at \$9.70 NNN. In Santa Fe, asking rent rose to \$10.00 NNN, with the vacancy rate at 0.27%.

The construction bubble has finally burst, with developers committing to build new, high quality industrial business parks across the city. GA Brunacini Construction Co. Inc. announced in Q1 that they will build a 150,000 square foot warehouse shell space on the westside, and Goodman Realty Group has now announced they plan to develop a 400,000 square foot industrial business park on 22 acres of land south of Central Avenue and north of Sunset Gardens Road, near the Albuquerque Fire Academy on the Westside. The 118th Industrial Park is planned to be Class A space, with three buildings, room for trailer parking, and a large amount of loading docks.

Virginia-based defense contractor BlueHalo announced plans to build a new 200,000 SF office and industrial development in the Max Q Business Park at Gibson and Carlisle. The space will be an unspecified combination of office and industrial, being utilized for research, development, and manufacturing. Additional development at Max Q is expected after BlueHalo's space is completed.

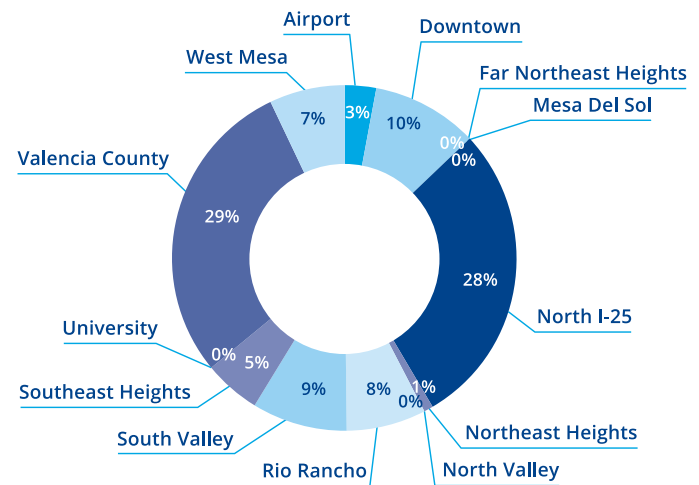
Lumber costs, which were predicted to come down slightly, have instead remained inflated due to continued wildfires, supply chain disruptions and labor shortages. Some national developers have begun using alternatives to lumber where available, including light gauge steel, which has increased demand for and driven up the price of steel in return. Continued upward pressure on construction costs is expected throughout the year, but the return on immediately leased space seems to be worth it for the many new projects happening across the city.

Drilling contractor Precision Sampling Inc. leased a 14,000 square feet suite at 3225 Candelaria Rd NE. They had previously occupied 2401 Menaul Blvd NE.

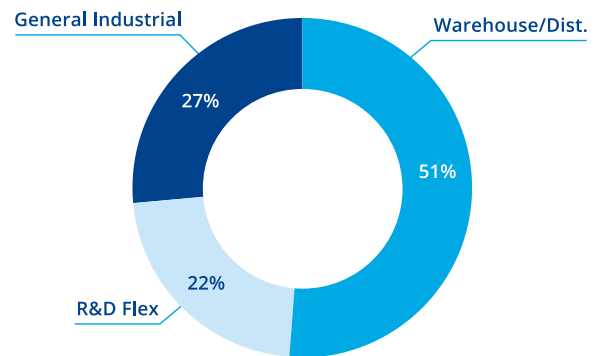
Beacon Communications leased 5,900 square feet at 3600 Osuna Rd. NE, Suite 512, as part of their nationwide

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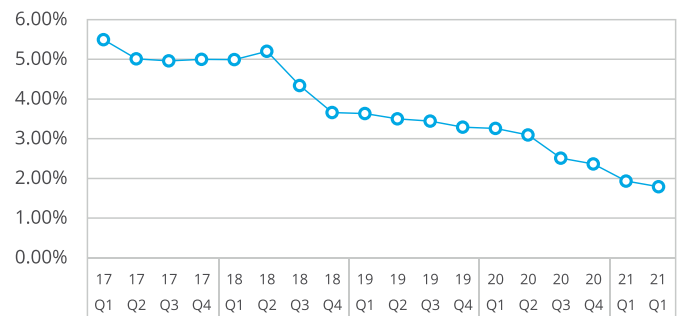
Vacancy by Submarket



Vacancy by Use



Historical Vacancies



Market Statistics by Use

Albuquerque — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
General Industrial	16,125,072	232,739	200,872	1.44%	1.25%	(24,924)	\$9.76
R&D, Flex	4,739,702	197,329	169,826	4.20%	3.61%	25,919	\$10.90
Warehouse/Dist.	21,301,668	389,151	389,151	1.83%	1.83%	182,747	\$7.75
Total	42,166,442	819,219	759,849	1.94%	1.80%	183,742	\$9.70

Santa Fe — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
General Industrial	400,868	—	—	0.00%	0.00%	0	NA
R&D, Flex	548,649	4,024	4,024	0.73%	0.73%	0	\$10.00
Warehouse/Dist.	536,271	—	—	0.00%	0.00%	0	NA
Total	1,485,788	—	—	0.73%	0.73%	0	\$10.00

Market Statistics by Submarket

Albuquerque — Industrial

Submarket	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2021
Airport	900,418	22,250	22,250	2.47%	2.47%	(16,500)	\$6.26
Downtown	3,544,094	75,489	75,489	2.13%	2.13%	(4,029)	\$6.43
Far Northeast Heights	202,014	2,000	2,000	0.99%	0.99%	(2,000)	\$9.00
Mesa del Sol	632,363	—	—	0.00%	0.00%	—	NA
North I-25	18,136,018	239,955	215,710	1.32%	1.19%	110,801	\$11.55
North Valley	1,745,561	—	—	0.00%	0.00%	—	NA
Northeast Heights	455,629	6,590	6,590	1.45%	1.45%	—	\$8.00
Rio Rancho	6,012,639	91,700	56,575	1.53%	0.94%	18,025	\$6.78
South Valley	2,453,510	67,715	67,715	2.76%	2.76%	22,809	\$6.54
Southeast Heights	1,265,912	40,361	40,361	3.19%	3.19%	—	\$11.19
University	183,699	—	—	0.00%	0.00%	4,131	NA
Valencia County	2,023,988	219,421	219,421	10.84%	10.84%	—	NA
West Mesa	4,570,097	53,738	53,738	1.18%	1.18%	50,505	\$8.34
Total	42,166,442	819,219	759,849	1.94%	1.80%	183,742	\$9.70

* 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 Q1 2021 to Q2 2021. Absorption is the change in vacancy from Q1 2021 to Q2 2021. Rent is calculated by weighted average of NNN rental rates. Full service or Modified gross marketed rates are adjusted to reflect NNN rents.

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Albuquerque Submarket Area Map



Industrial, continued

expansion. The company specializes in low voltage systems and serves healthcare, commercial, government and education clients across the US.

Armada Home Health Care leased suites 2 and 3 at 5501 Wilshire Ave NE, for a total of 6,946 square feet. Ryan Herco Flow Solutions leased 5,540 square feet of office/warehouse flex space in Suite E at 6711 Edith Blvd NE.

Netflix has received approval from the Albuquerque City Council to continue expanding in Mesa del Sol. Their newest deal includes 130 acres of state trust land and 170 acres of private land to be leased to the streaming company. Netflix will pay annual initial phase rent of \$175,000 for three years, with increases for years four and five. The lease agreement is for 40 years, allowing the production company to make long-term plans in the land of enchantment. Construction is expected to begin soon.

Netflix's announced projects in New Mexico include a 120,000-square-foot office building, a 50,000-square-foot special effects warehouse, a post-production facility, 10 sound stages, and dedicated space to construct sets. They have yet to publicly reveal plans for all of their production studio's space, but their presence in Albuquerque is increasing in the foreseeable future.



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