



Albuquerque-Santa Fe

Industrial 22Q2



Vacancy Rate
1.29%



Net Absorption
220.3K SF



Under Construction
1.4M SF



Overall Lease Rates (NNN)
\$11.98/SF



Key Takeaways

- High demand and low supply is creating a frenzy of activity around any industrial property that comes to market, creating competition among users.
- The vacancy rate fell to 1.29% during Q2, down a further 30 basis points from Q1, thanks to an overall positive absorption of approximately 220,307 SF.
- Speculative construction projects may ease some of the pressure on the large tenant industrial market, but tenants with smaller space needs are struggling to find and afford space due to the fierce competition.

Market Indicators



5.1%
Unemployment Rate

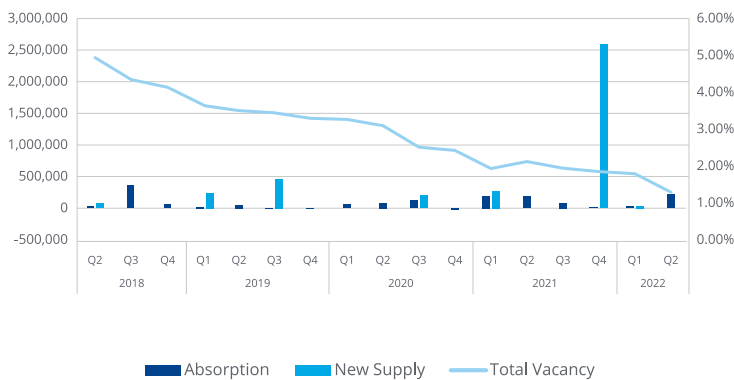


+9.3%
GDP — Yearly % Change



2.88%
U.S. 10 Year Treasury Note

Market Graph



Historic Comparison

	21Q4	22Q1	22Q2
Total Inventory (in Thousands of SF)	44,704	44,869	44,719
New Supply (in Thousands of SF)	2,580	34	150
Net Absorption (in Thousands of SF)	11.6	29.4	220.3
Overall Vacancy	1.76%	1.78%	1.29
Under Construction (in Thousands of SF)	2,770	1,568	1,417
Overall Asking Lease Rates (NNN)	\$9.34	\$11.80	11.98

Recent Transactions



Sublease
2420 Midtown PI NE
Building 3
North I-25
4,800 SF



Lease
3830 Singer Blvd NE
Suite 3000
North I-25
5,649 SF



Sale
613 N Paseo de Onate
Española
27,471 SF



Sublease
7447 Pan American Fwy NE
North I-25
13,520 SF

Demand Outpacing Supply for Industrial Market throughout New Mexico

Albuquerque's Industrial Market is Caught in a Frenzy of Activity over Space

Demand for industrial warehouse, manufacturing, and distribution spaces is at an all-time high in the Albuquerque MSA, outpacing supply of the current inventory to such an extreme that it's creating a frenzy of activity around any industrial property that comes to market. Whether for sale or for lease, industrial properties are seeing multiple offers above their market rates, and even spaces that were once considered Class C inventory are being occupied.

The vacancy rate fell to 1.29% during Q2, down a further 30 basis points from Q1, thanks to an overall positive absorption of approximately 220,307 SF. Asking rates rose slightly to \$11.98 per square foot NNN, setting another record for the highest average Colliers has on record.

Owners and developers are doing everything they can to bring new industrial inventory to Albuquerque, with several construction projects already underway and more recently announced. The costs of construction continue to rise due to inflation, wage increases, and supply chain shortages, and timelines for completion of speculative spaces continue to be extended in these frantic market conditions.

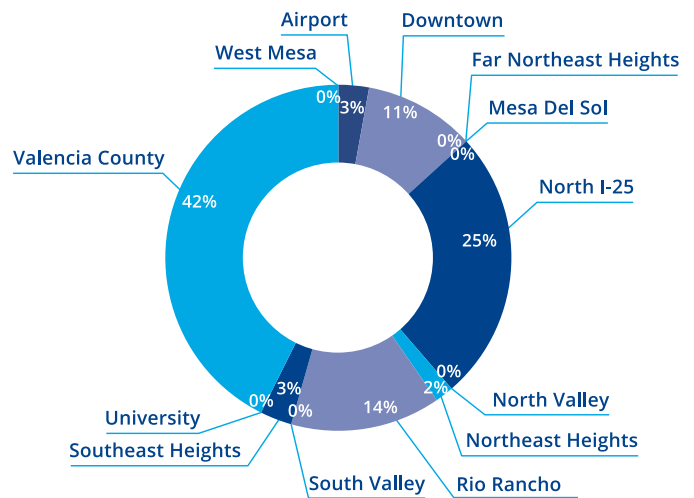
Developer John Rockwell announced plans to build a new 27,000 SF warehouse off University Ave, near Albuquerque International Sunport, located at 1601 Airtech Ct. SE. The building will be geared towards distribution, manufacturing and technology tenants.

Brunacini Development Co. has announced more new projects, after the completion of a 150,000 square foot spec building at 7200 Bluewater Road NW earlier this year. Transportation and logistics company Schenker Inc. leased and occupied that space upon its completion. Brunacini's latest project will be spec space at 7421 Snaproll St. NE in the Journal Center, aimed at industrial tenants who may also need office space. The proposed 62,000 SF space will offer 24-foot clear height, dock-high and grade-level doors in the warehouse and built-to-suit office space. Suites will be available beginning at 7,000 SF.

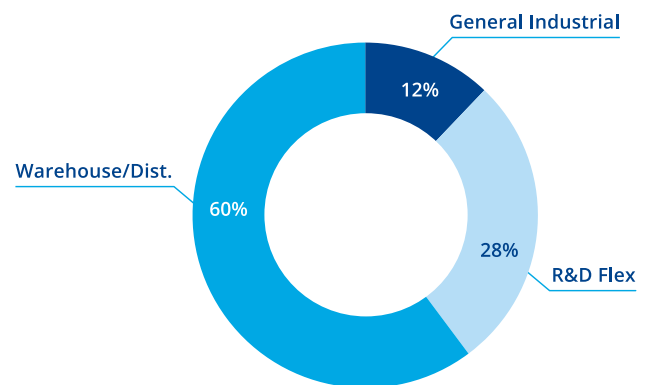
While these speculative construction projects may ease some of the pressure on the large tenant industrial market, tenants with smaller space needs are struggling to find and afford space due to the fierce competition. With users who can take a whole space readily available to go to lease, users in need of demised space or tenant improvements are finding very

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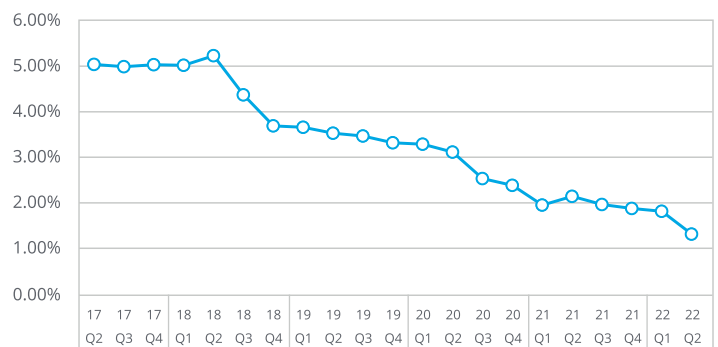
Vacancy by Submarket



Vacancy by Use



Historical Vacancies



Market Statistics by Use

Albuquerque — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2022
General Industrial	16,107,420	90,790	70,210	0.56%	0.44%	27,541	\$11.21
R&D, Flex	4,810,616	164,136	160,311	3.41%	3.33%	143,443	\$12.89
Warehouse/Dist.	23,951,201	250,618	348,754	1.05%	1.46%	49,323	\$10.37
Total	44,869,237	505,544	579,275	1.13%	1.29%	220,307	\$11.98

Santa Fe — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2022
General Industrial	400,868	—	—	0.00%	0.00%	1,380	NA
R&D, Flex	548,649	—	—	0.00%	0.00%	—	NA
Warehouse/Dist.	536,271	—	—	0.00%	0.00%	—	NA
Total	1,485,788	—	—	0.00%	0.00%	1,380	\$10.45

Market Statistics by Submarket

Albuquerque — Industrial

Submarket	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q2 2022
Airport	900,418	16,500	16,500	1.83%	1.83%	5,750	\$6.50
Downtown	3,544,094	8,925	60,280	0.25%	1.70%	(25,980)	\$11.00
Far Northeast Heights	202,014	—	—	0.00%	0.00%	—	NA
Mesa del Sol	632,363	—	—	0.00%	0.00%	—	NA
North I-25	18,208,484	147,090	147,090	0.81%	0.81%	80,592	\$12.01
North Valley	1,760,861	3,825	—	0.22%	0.00%	13,000	\$17.00
Northeast Heights	467,629	10,025	10,025	2.14%	2.14%	(10,025)	\$16.00
Rio Rancho	6,012,639	81,250	81,250	1.35%	1.35%	(26,964)	\$12.75
South Valley	2,474,090	20,580	—	0.83%	0.00%	37,756	\$10.00
Southeast Heights	1,292,594	17,236	17,236	1.33%	1.33%	161,490	\$12.75
University	183,699	—	—	0.00%	0.00%	—	NA
Valencia County	1,916,588	198,219	245,000	10.34%	12.78%	(31,367)	NA
West Mesa	7,168,764	1,894	1,894	0.03%	0.03%	16,055	\$12.00
Total	44,764,237	505,544	579,275	1.13%	1.29%	220,307	\$11.98

* 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 2022 to Q2 2022. Absorption is the change in vacancy from Q1 2022 to Q2 2022. Rent is calculated by weighted average of NNN rental rates. Full service or Modified gross market rates are adjusted to reflect NNN rents.

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Albuquerque Submarket Area Map



Industrial, continued

few options. Some smaller groups are doing short-term renewals in place to wait and see what the market does, but unless construction costs stabilize and come down, it isn't likely that new construction catering to smaller tenants will be a priority for owners anytime soon.

Further complicating the tight market is the increased need of cannabis producers, which typically need secure and specialized warehouse space, who are trying to meet the demand of recreational marijuana since it was legalized in New Mexico in April. Since cannabis producers can't cross state lines with their product, everything being sold in New Mexico must be grown here, and some producers are going out into the far reaches of the state to find growing space.

Top Crop, a four-year-old cannabis company, committed to a 15-year lease for a 38,000 SF warehouse in Las Cruces to supply their 5 dispensaries throughout the state. Part of the deal includes adding a second story to the existing warehouse in order for Top Crop to meet their production needs, which they weren't able to fulfill in Albuquerque. While recreational adult-use cannabis started out with a bang in April by bringing in \$22.1 million in sales and has remained relatively steady, rising inflation for gas, groceries, and other living expenses may cause the initial demand to drop over the course of the year.



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