



Albuquerque-Santa Fe

Industrial 21Q4



Vacancy Rate
1.76%

YOY ∇
FORECAST \equiv



Net Absorption
11.6K SF

YOY \blacktriangle
FORECAST \equiv



Under Construction
2.8M SF

YOY \equiv
FORECAST \equiv



Overall Lease Rates (NNN)
\$9.34/SF

YOY \blacktriangle
FORECAST \equiv

Market Indicators



5.9%
Unemployment Rate

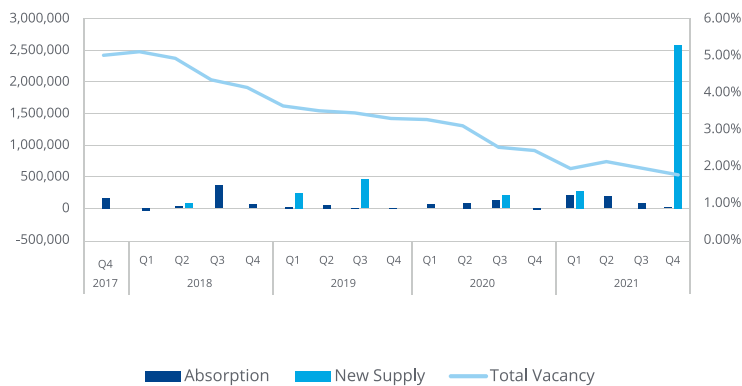


+11.24%
GDP — Yearly % Change



1.63%
U.S. 10 Year Treasury Note

Market Graph



Key Takeaways

- Satellite company Theia Group had committed to build the Orion Center project near the Albuquerque International Sunport. The campus would have added millions of square feet of R&D Flex space to the industrial inventory. During the fourth quarter, the project collapsed in its entirety, terminating leases and losing access to its other temporary facilities for failure to pay rent.
- The completion of the Amazon fulfillment center increased the total industrial inventory by 2.58 million square feet, and contributed to a 10 basis point drop in the overall vacancy.
- New construction continues despite high building costs thanks to high demand and record breaking low supply. Many of these projects are fully leased before completion.

Historic Comparison

	21Q2	21Q3	21Q4
Total Inventory (in Thousands of SF)	41,891	41,891	44,704
New Supply (in Thousands of SF)	—	—	2,580
Net Absorption (in Thousands of SF)	184	78.3	11.6
Overall Vacancy	2.12%	1.94%	1.76%
Under Construction (in Thousands of SF)	2,600	5,400	2,770
Overall Asking Lease Rates (NNN)	\$9.70	\$9.78	\$9.34

Recent Transactions



Sale
1921 Girard Blvd SE
44,300 SF



Lease
1230 Aspen Ave & 1239 Bellamah
45,166 SF



Sale
6080 Zenith Ct
14,035 SF



Lease
3700 Singer Blvd NE
10,100 SF



Sale
4310 Paseo del Norte NE
2,500 SF

Construction employment jumped 12% from last year

Speculative industrial projects continue to make gains thanks to high rental rates and occupancy

The extremely tight Albuquerque industrial market has seen a crushing 2021, with large jumps in asking rental rates and a new record low vacancy rate each quarter. Q4 was no different, with the vacancy rate dropping further to 1.76%, and a positive absorption of about 11,600 SF. Average asking rates across industrial product averaged \$9.34 NNN. R&D spaces continue to skew the average rates upward, with vacancy in R&D having a higher asking rate and a higher vacancy rate.

The biggest story of Q4 is the collapse of an aerospace project in the works since 2018. After nearly 3 years of negotiations, satellite company Theia Group has failed to commit to the Orion Center project, and the company is facing financial and legal trouble. Theia had been in ongoing talks with the city to put a massive multi-use campus near the Albuquerque International Sunport that would have included millions of square feet in construction. The company leased 176,000 SF across three buildings formerly occupied by Raytheon back in March, including 72,784 square feet at 10800 Gibson Blvd. SE, 83,156 square feet at 1300 Eubank Blvd. SE, and 20,737 square feet at 10421 Development Rd. SE, all for terms of 10+ years.

In October, Theia terminated their lease at 10800 Gibson Blvd. SE, and were locked out of their remaining offices for failure to pay rent. A court-appointed "receiver" is now in control of the company's assets and is examining Theia Group's finances and selling off what it can to cover expenses. Theia Group's whirlwind fallout has partially been blamed on the COVID-19 pandemic placing important contracts on hold, but it is now clear that the Orion Center as they had envisioned it will not come to fruition.

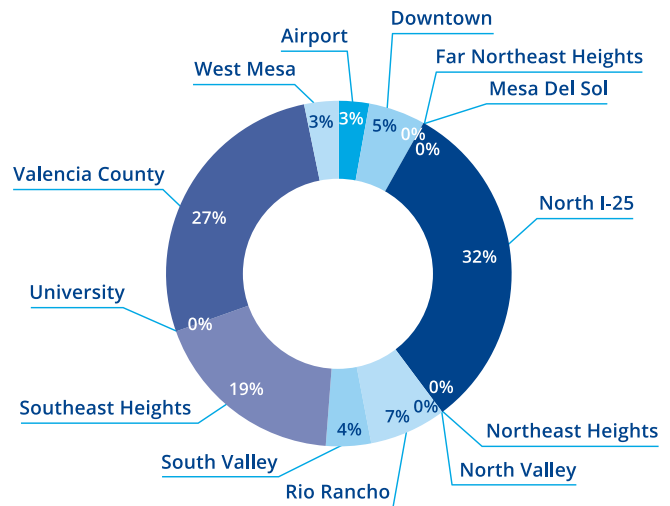
New speculative industrial projects are in the works across the city as previously reported, thanks to the increased asking rates making construction feasible for the first time since the great recession of 2008.

Brunacini Development announced plans for another industrial spec project in the Journal Center area. Journal West will comprise nearly 60,000 SF of Class A industrial space, expected to be completed by Q3 of 2022. Transportation and logistics company, Schenker Inc., has signed a lease to occupy Brunacini's 150,000 SF building at 7200 Bluewater Road NW that is still under construction. It is expected to be completed between Q1 and Q2 of 2022.

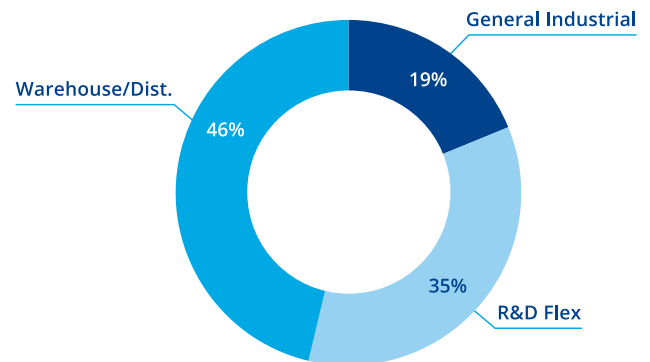
Construction has started on other new spec projects like Goodman Realty's 118th & Central Industrial Park, of which

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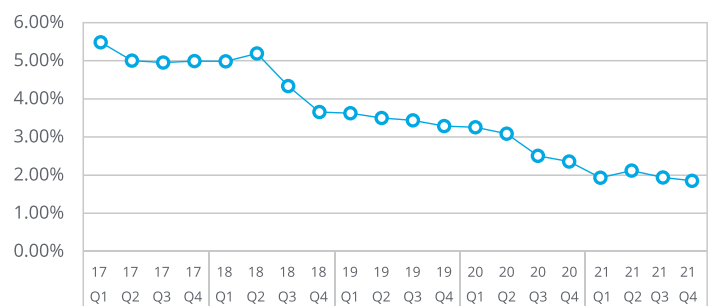
Vacancy by Submarket



Vacancy by Use



Historical Vacancies



Market Statistics by Use

Albuquerque — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
General Industrial	16,074,840	107,981	147,791	0.67%	0.92%	(4,412)	\$9.07
R&D, Flex	4,747,034	283,148	274,249	5.96%	5.78%	(8,316)	\$10.61
Warehouse/Dist.	23,881,668	303,396	363,553	1.27%	1.52%	24,333	\$6.95
Total	44,703,542	694,525	785,593	1.55%	1.76%	11,605	\$9.34

Santa Fe — Industrial

Primary Use	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
General Industrial	400,868	—	—	0.00%	0.00%	1,480	NA
R&D, Flex	548,649	—	—	0.00%	0.00%	0	NA
Warehouse/Dist.	536,271	—	—	0.00%	0.00%	0	NA
Total	1,485,788	—	—	0.00%	0.00%	0	NA

Market Statistics by Submarket

Albuquerque — Industrial

Submarket	Total SF	Available SF	Vacancy	Available %	Vacancy %	Absorption	Rent Q4 2021
Airport	900,418	22,250	22,250	2.47%	2.47%	—	\$6.50
Downtown	3,544,094	30,121	41,821	0.85%	1.18%	(1)	\$7.98
Far Northeast Heights	202,014	—	—	0.00%	0.00%	—	NA
Mesa del Sol	632,363	—	—	0.00%	0.00%	—	NA
North I-25	18,136,018	178,964	248,489	0.99%	1.37%	(16,361)	\$8.98
North Valley	1,745,561	13,000	—	0.74%	0.00%	—	\$8.00
Northeast Heights	455,629	—	—	0.00%	0.00%	10,700	NA
Rio Rancho	6,012,639	81,935	56,621	1.36%	0.94%	(1,246)	\$9.89
South Valley	2,453,510	18,144	33,144	0.74%	1.35%	6,669	\$3.50
Southeast Heights	1,265,912	111,097	144,254	8.78%	11.40%	—	\$16.50
University	183,699	—	—	0.00%	0.00%	—	NA
Valencia County	2,021,588	213,633	213,633	10.57%	10.57%	—	—
West Mesa	7,150,097	25,381	25,381	0.35%	0.35%	11,844	\$8.96
Total	44,703,542	694,525	785,593	1.55%	1.76%	11,605	\$9.34

* 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 Q3 2021 to Q4 2021. Absorption is the change in vacancy from Q3 2021 to Q4 2021. 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

140,000 SF is planned to be completed by August. Cauwels Investments LLC's 83,821 SF of industrial space at 3750 Prince Street SE is about halfway through construction, and almost half of the available space has already been leased. While projects like this increase the industrial inventory in Albuquerque, they are frequently being leased before completion due to the high demand, meaning they won't help relieve the pressure on the record low vacancy rate. The completion of Amazon's 2.58 million square foot fulfillment center in the fourth quarter increased overall inventory but dropped the vacancy rate by 10 basis points.

Almost all announced projects have seen timelines extended during 2021 due to supply shortages and construction costs. Construction companies' costs continue to increase as they grapple with the labor shortage, but they are finding solutions to bring in more workers. More than 66% of national metro areas saw an increase in construction employment year-over-year in a new analysis performed by Associated General Contractors of America. In Albuquerque, construction employment jumped 12% from last year.

Occupiers looking for smaller spaces are in for another difficult year in 2022, as many of the speculative buildings being built are meant for larger national tenants, and developers are not yet incentivized to look at small scale projects.



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