

FIGURES | ALBUQUERQUE INDUSTRIAL | Q1 2023

Persistent demand and limited deliveries pushes vacancy to record low

▼ 101,038
SF YTD Net Absorption

▼ 1.0%
Total Vacancy

▼ \$12.50 NNN
Median Yearly Asking Rate PSF

▼ 368,746
SF Under Construction

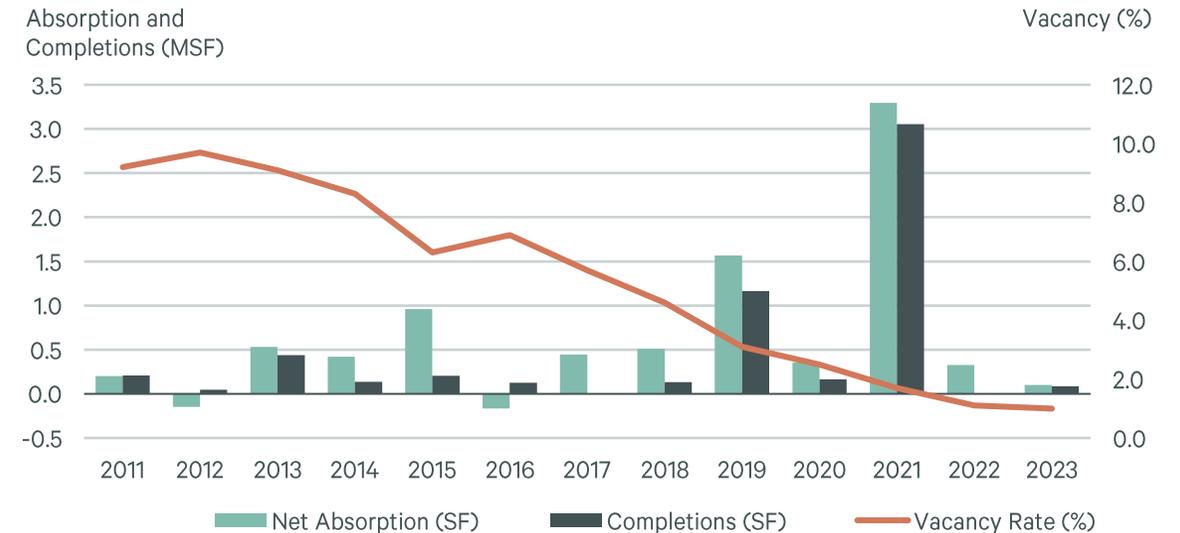
▲ 84,000
Completions

Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- The Albuquerque industrial market started the year with stability amid national concerns regarding inflation pressure and signs of a slowing economy.
- The first quarter of 2023 marked the 20th consecutive quarter of positive net absorption. Although this number remained positive in Q1 2023, it saw a significant decrease quarter-over-quarter.
- Steady demand, especially for quality space, pushed the vacancy rate down to a record low despite new additions to the market.
- Demand continued to surpass supply, which caused users to think about requirements for the years to come.
- The New Mexico seasonally adjusted unemployment rate ticked down to 3.6%, with the construction and mining industries leading the way in year-over-year job growth.
- The 245,000 sq. ft. owner-user sale of 1951 Hwy 304 occurred in Q1 2023, with Arcosa Wind Towers establishing their new operations at this location.

FIGURE 1: Net Absorption (SF), Completions (SF) and Vacancy Rate (%)

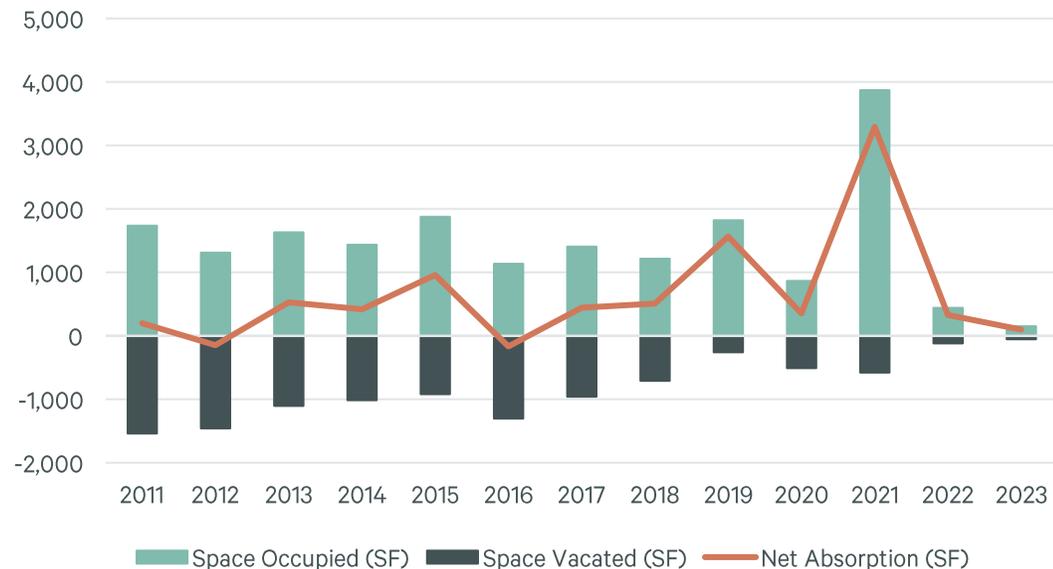


Source: CBRE Research, Q1 2023

Market Overview

The Albuquerque industrial market remained strong in the first quarter of 2023, with positive net absorption, record-low vacancy rates, and a robust pipeline of planned projects. Year-to-date net absorption remained positive for yet another consecutive quarter, showcasing the market's resilience. Net absorption decreased quarter-over-quarter as vacancy continued to drop. The SE Heights submarket was the only submarket to experience consecutive negative net absorption since Q1 2021, primarily attributable to the large share of rare vacant industrial space at 10421 Development Rd SE. Seven out of the eleven submarkets experienced no vacancy this quarter, resulting in a record low overall vacancy rate. Construction deliveries have not kept up with demand. Additionally, construction timelines have increased, further pushing out new product availability. Of the many under-construction projects that are expected to deliver this year, much of the space was already pre-leased, demonstrating the long-standing competitiveness of the market. The Albuquerque industrial market displayed its ability to withstand market fluctuations and demand at the start of 2023.

FIGURE 2: Gross Activity and Net Absorption (SF, 000s)



Source: CBRE Research, Q1 2023

FIGURE 3: Market Statistics

	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	2023 Net Absorption (SF)	Median Asking Rent (\$/SF/Yr NNN)	Under Construction (SF)	2023 Deliveries (SF)
Airport	1,111,668	-	-	11,497	-	-	-
Downtown	3,287,932	1.1	-	-	12.14	-	-
Mesa del Sol	693,896	-	-	-	-	-	-
NE Heights	482,381	-	-	-	-	-	-
North I-25	16,615,610	0.9	0.6	(3,456)	12.50	72,010	-
North Valley	2,660,178	0.8	-	-	8.75	-	-
Rio Rancho	6,567,789	0.4	0.4	7,600	13.00	-	-
SE Heights	1,507,770	11.0	8.9	(3,702)	14.16	-	-
South I-25	2,958,380	-	-	84,000	-	148,016	84,000
Valencia County	3,234,118	6.1	6.1	-	9.50	-	-
West Mesa	7,622,317	-	-	5,099	9.88	148,720	-
Market Total	46,742,039	1.3	1.0	101,038	12.50	368,746	84,000

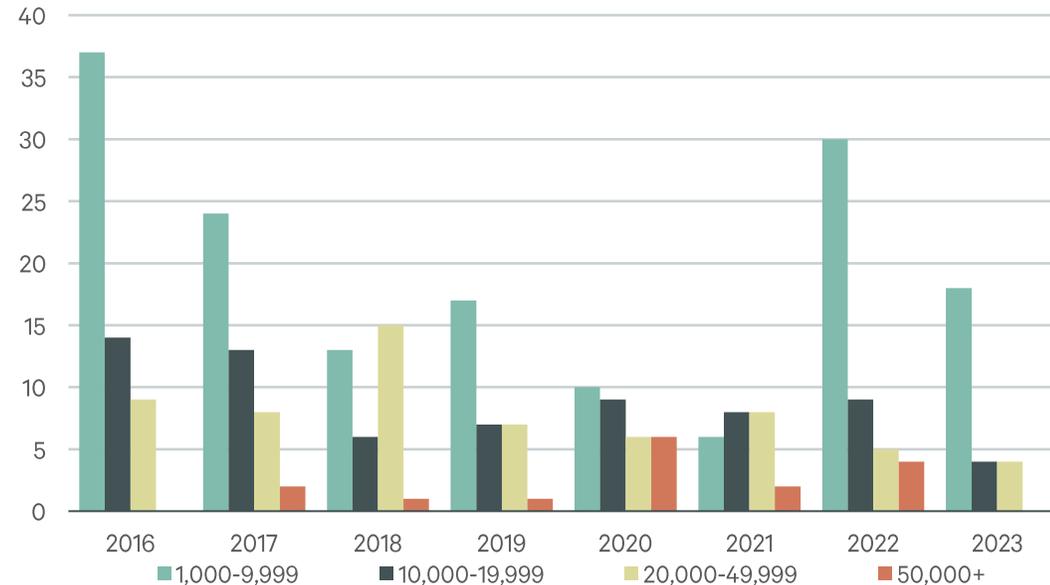
Source: CBRE Research, Q1 2023

Market Activity

High demand and persistent low supply caused a 4.0% increase in the overall median asking lease rate quarter-over-quarter. Contributing to the increase, were jumps in R&D/Flex and Warehouse/Distribution property types.

In Q1 2023, the overall vacancy rate decreased 10 bps to a record low of 1.0%, with most of the positive absorption coming from warehouse/distribution properties. All property types, except for manufacturing, witnessed a decline in the vacancy rate on a quarterly basis. R&D flex properties experienced a 50 bps drop in vacancy. Driving that decrease, were small-scale transactions like the 13,500 sq. ft. lease signed by La-Z-Boy at 5840 Midway Park Blvd NE and the 12,600 sq. ft. lease signed by Evergreen Construction Company at 8519 Jefferson NE. Another notable transaction within the warehouse/distribution property type, was the 43,330 sq. ft. lease signed at 3725 Prince St SE.

FIGURE 4: Historical Lease Count (#) by Deal Size Range



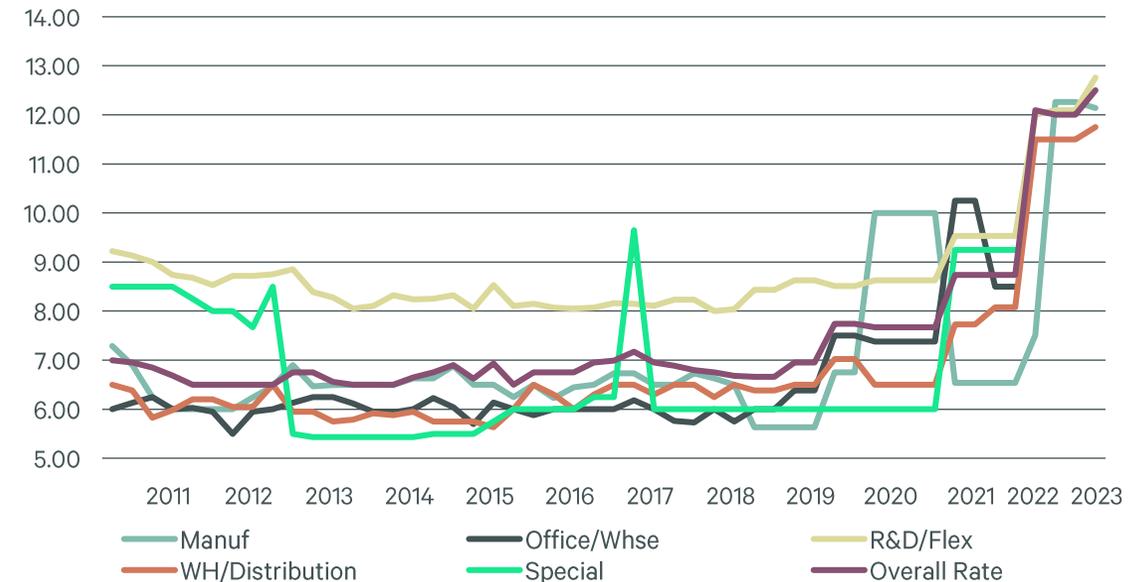
Source: CBRE Research, Q1 2023

FIGURE 5: Market Statistics by Property Type

Property Type	Rentable Area (SF)	Vacancy Rate (%)	YTD Deliveries (SF)	Under Construction (SF)	YTD Net Absorption (SF)	Median Asking Lease Rate (\$/SF/Yr NNN)
Manufacturing	13,792,598	1.6	-	-	-	12.14
R&D/Flex	5,110,201	4.3	-	-	7,130	12.76
Special Purpose	10,170,184	0.2	-	-	(89)	10.63
Warehouse/Dist.	17,669,056	-	84,000	296,736	93,997	11.75
Metro Total	46,742,039	1.0	84,000	296,736	101,038	\$12.50

Source: CBRE Research, Q1 2023

FIGURE 6: Median Asking Lease Rate (\$/SF/Yr NNN)



Source: CBRE Research, Q1 2023

Local Economic Overview

New Mexico's economy continues to make strides towards stability, as the state's seasonally adjusted unemployment rate declined slightly to 3.6% in February 2023. This is in line with the national average and marks a significant improvement from February 2022's local unemployment rate of 5.0%. Despite this progress, some challenges still exist. Inflation remains a concern for New Mexico as well as the rest of the United States. Additionally, the state is experiencing a housing shortage and many open job positions are not being filled. In February 2023, the labor participation rate was 56.7%, down slightly from the previous year's rate of 56.9%. In comparison, the national average for the same period was 62.5%.

National Economic Outlook

Downstream consequences of the Fed's tightening program are surfacing and signaling slower growth ahead. Demand for big-ticket items, such as housing and autos, will erode, but could also impede spending on services, which has been a key driver of growth. Meanwhile, other corners of the labor market are under pressure, as hiring has far exceeded revenue growth in recent years. Other operating challenges, such as inflation and cost of capital, are causing firms to shelve expansion plans and business investment is stalling.

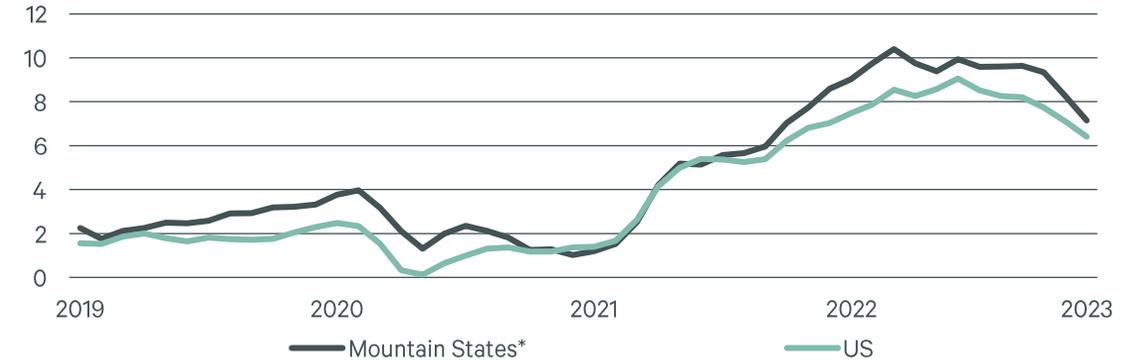
These factors point to a moderate recession this year. The impact on commercial real estate will be two-pronged—a weaker economy will slow NOI growth and tighter bank lending will limit investment activity. These conditions will likely crystalize value loss in the office sector, but losses elsewhere will be less severe due to stronger fundamentals. However, a faster slowdown in the economy will reduce inflation pressure and allow the Fed to ease monetary policy, providing greater clarity to the real estate sector.

FIGURE 7: Industrial Market Indicators



Sources: FRED Econ. Data, March 2023; Bureau of Labor Statistics, March 2023; FRED Econ. Data, March 2023; US Census, March 2023; CBRE Research, Q1 2023

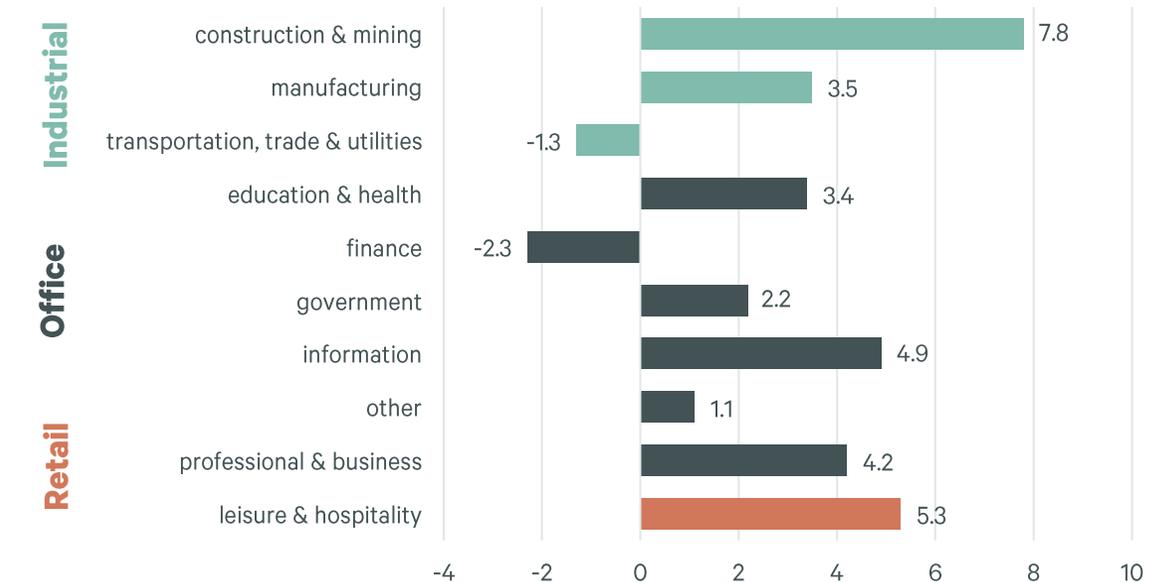
FIGURE 8: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



Source: Bureau of Labor Statistics, February 2023

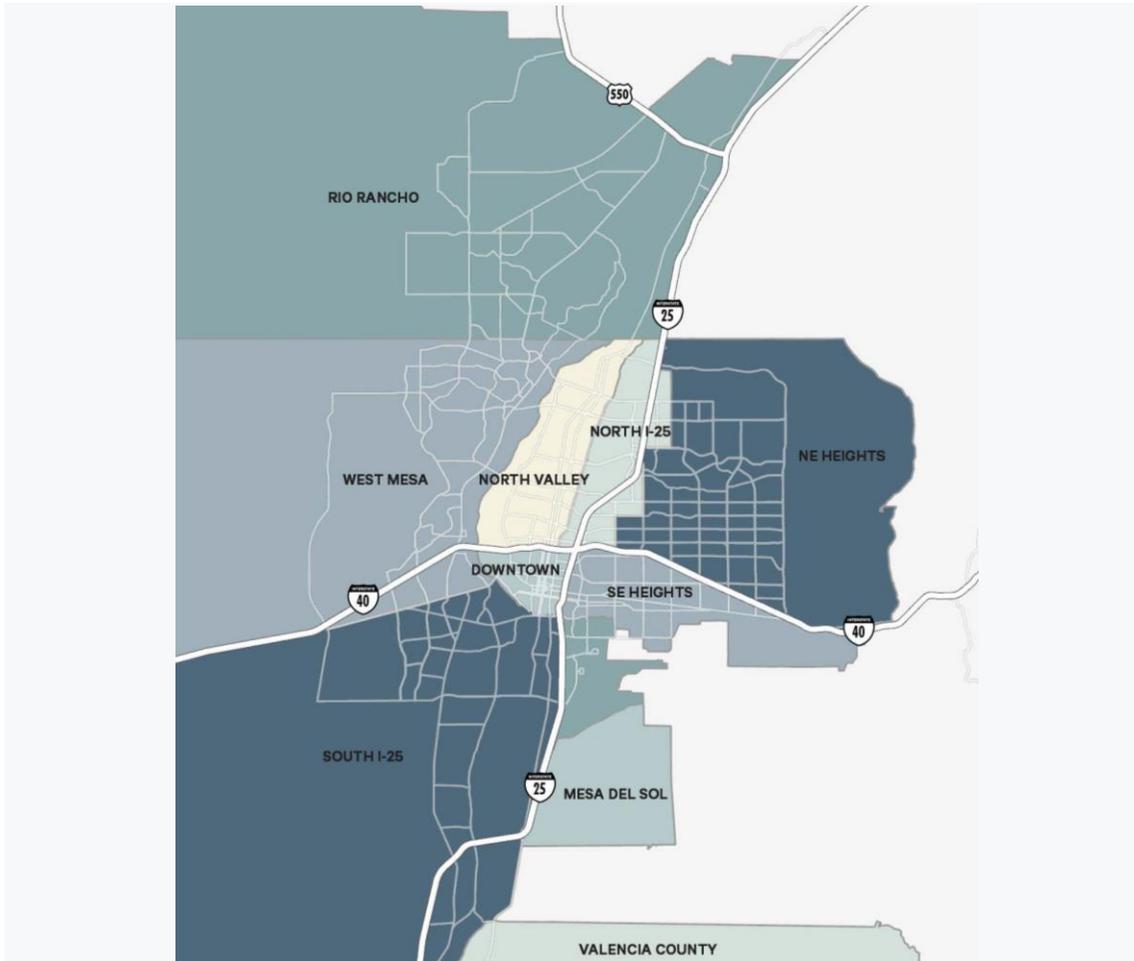
*Mountain States includes AZ, CO, ID, NV, NM, UT, WY

FIGURE 9: New Mexico Y-O-Y Percentage Job Growth by Major Industry Sector



Source: New Mexico Department of Workforce Solutions, February 2023; CBRE Research, Q1 2023

Market Area Overview



UPTOWN ALBUQUERQUE

6100 Uptown Blvd NE, Suite 310
Albuquerque, NM 87110

Survey Criteria

Includes all existing industrial buildings 10,000 sq. ft. and greater in size, in the Albuquerque metro market. Buildings which have begun construction are evidenced by site excavation or foundation work.

Methodology

Position absorption is calculated at time of occupancy, which allows for product to be vacant but no longer available. Lease rates are calculated using weighted average of asking lease rates for existing product with availability. Sublease space can be vacant or occupied. Total Vacancy includes both direct and sublease. Lease activity is the sum of the square footage of leases signed during a designated time period. Data published in previous reports is subject to change.

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