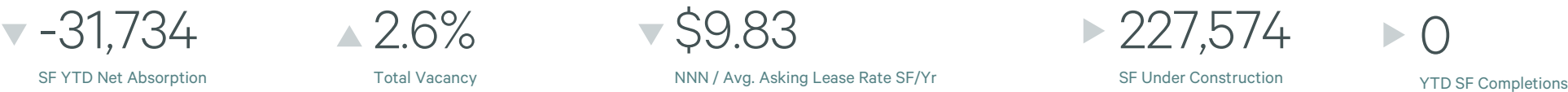


FIGURES | ALBUQUERQUE INDUSTRIAL | Q3 2024

Site readiness challenges contribute to Q3 2024 negative market performance

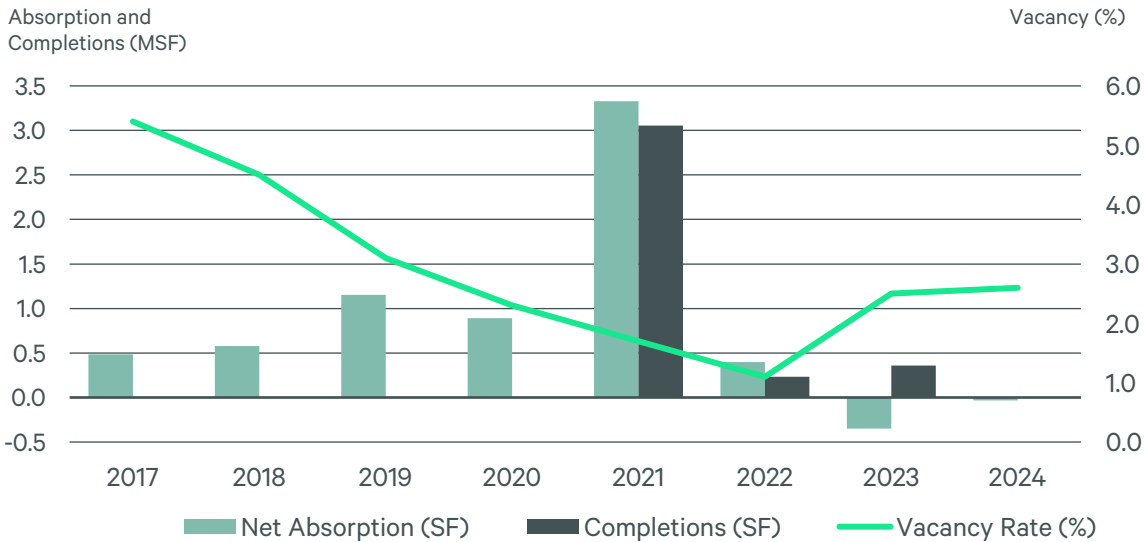


Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- After a positive Q2 2024, Albuquerque industrial absorption slipped in the third quarter bringing the year-to-date net absorption to a negative 31,734 sq. ft. Activity overall has been tamped down by the lack of inventory, but we expect net absorption to be positive by year end.
- Vacancy is still low for the market, now at 2.6%, but has climbed from the record low of 1.1% in 2022. This is still well below a “healthy” vacancy rate which we consider to be around 5%.
- Average asking lease rates, now at \$9.83 per sq. ft. per year NNN, saw a 1.5% quarter over quarter decrease and a 6.6% decrease since Q3 2023. This decrease in asking price has more to do with the quality of space on the market. Given construction pricing and the lack of quality product, class A space remains very high for the Albuquerque market.
- The availability rate has slowly decreased since Q1 2024, landing at 2.7%.
- Compared to Q2 2024, the under construction pipeline remained flat, however we do anticipate 151,000 sq. ft. of the pipeline to be completed this year.

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

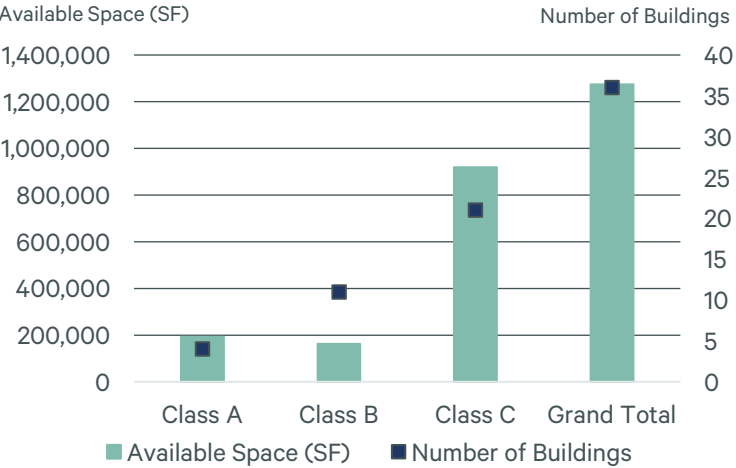


Source: CBRE Research, Q3 2024

Market Overview

The Albuquerque industrial market’s performance was sluggish in Q3 2024 due to a significant imbalance between tenant needs and new supply. Site readiness remains a critical challenge, with few vacant buildings and even fewer fully entitled and utility-ready sites available for immediate development. Despite a steady stream of inquiries from potential tenants and interest from the Albuquerque Regional Economic Alliance (AREA), the market is inhibited by a significant lack of available inventory. Prospective tenants are seldom willing to wait 18 to 36 months to relocate. While the level of inquiries for move-in ready industrial facilities remains historically consistent, the minimal construction activity and limited site readiness are factors that continue to stifle market growth and responsiveness.

FIGURE 2: Market Availability by Number Buildings & Available Space (SF)



Source: CBRE Research, Q3 2024

FIGURE 3: Market Statistics

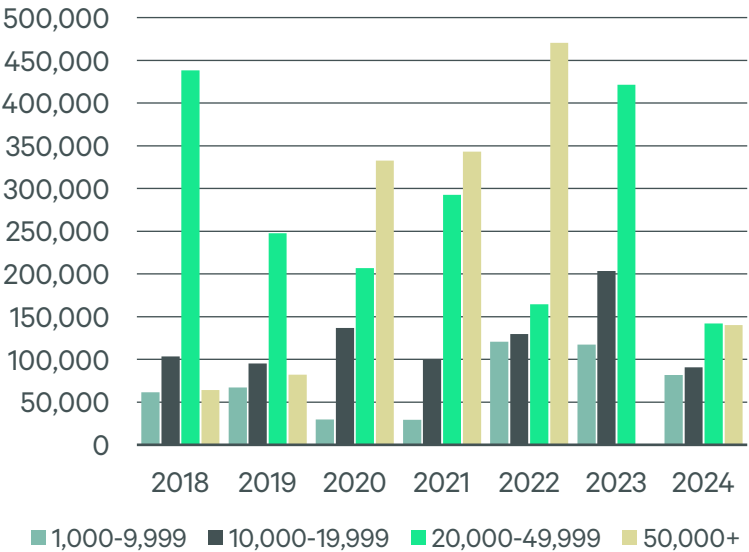
	Net Rentable Area (SF)	Avail. Rate (%)	Vacancy Rate (%)	YTD Net Absorption (SF)	Average Asking Rent (\$/SF/Yr NNN)	Under Const. (SF)	YTD Deliveries (SF)
Airport	1,113,585	7.6	6.7	21,233	10.81	-	-
Downtown	3,287,932	2.5	2.1	(63,154)	9.00	-	-
Mesa del Sol	693,896	-	-	36,608	-	-	-
NE Heights	482,381	0.2	0.2	-	9.00	-	-
North I-25	16,684,839	4.0	3.7	(7,970)	9.50	141,574	-
North Valley	2,599,515	1.2	1.1	(82,305)	11.31	-	-
Rio Rancho	6,539,789	-	-	5,300	-	-	-
SE Heights	1,511,743	2.1	1.5	4,013	13.02	-	-
South I-25	3,106,520	3.5	3.4	4,849	11.70	-	-
Valencia County	3,234,118	6.1	6.1	-	9.50	-	-
West Mesa	7,811,057	1.1	1.1	49,692	11.06	86,000	-
Market Total	47,065,375	2.7	2.6	(31,734)	9.83	227,574	-

Source: CBRE Research, Q3 2024

Market Summary

As of Q3 2024, the Albuquerque industrial market saw a slight increase in total vacancy rate compared to Q2 2024, and a more substantial rise from the same period last year. This increase in vacancy was partly driven by a notable rise in sublease space. Pre-COVID-19, the market underwent significant changes, with the total vacancy rate now lower than it was in Q3 2019. The availability rate experienced a minor decline from Q2 2024, indicating a gradual absorption of available space. Average direct rents have softened by 4.0% since Q1 2024. However, compared to pre-COVID-19 levels, these rents have increased significantly, reflecting the market’s evolution over the past few years.

FIGURE 4: Historical Lease Activity (SF) by Deal Size Range



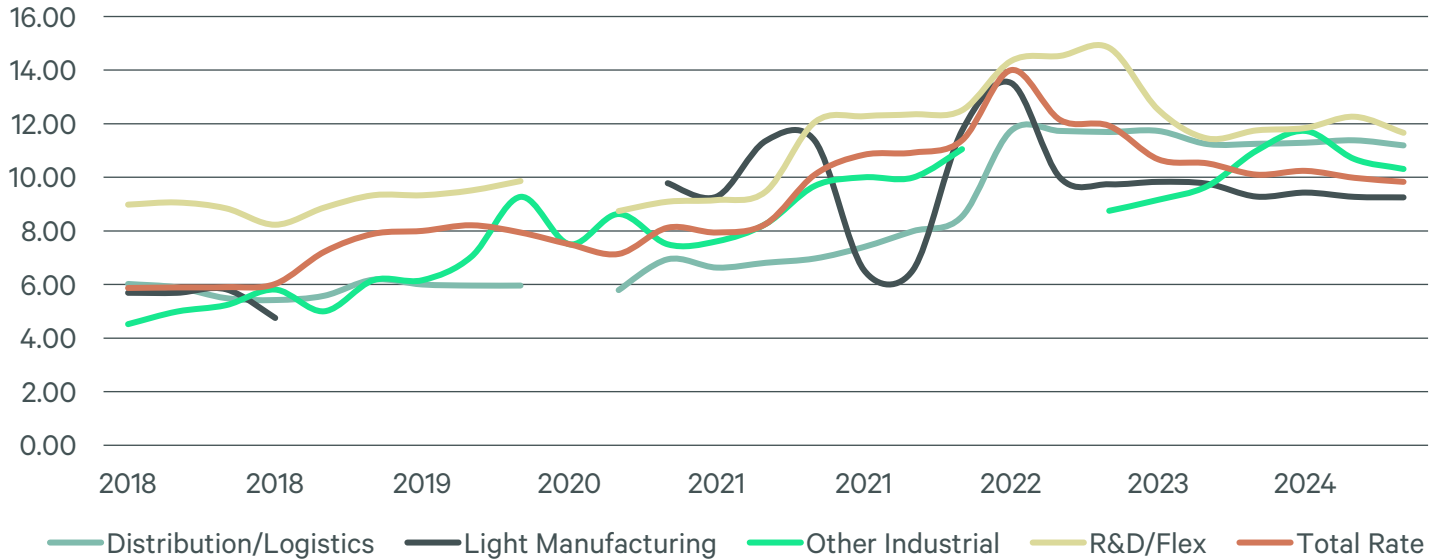
Source: CBRE Research, Q3 2024

FIGURE 5: Market Statistics by Property Type

Property Type	Net Rentable Area (SF)	Vacancy Rate (%)	YTD Deliveries (SF)	Under Const. (SF)	YTD Net Absorption (SF)	Average Asking Lease Rate (\$/SF/Yr NNN)
Logistics/Dist.	17,968,623	1.6	-	162,574	(64,774)	11.19
Manufacturing	13,794,348	5.6	-	-	7,322	9.25
Special Purpose	10,216,230	1.0	-	-	(891)	10.31
R&D/Flex	5,086,174	0.7	-	65,000	26,609	11.66
Metro Total	47,065,375	2.6	-	227,574	(31,734)	9.83

Source: CBRE Research, Q3 2024

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



Source: CBRE Research, Q3 2024

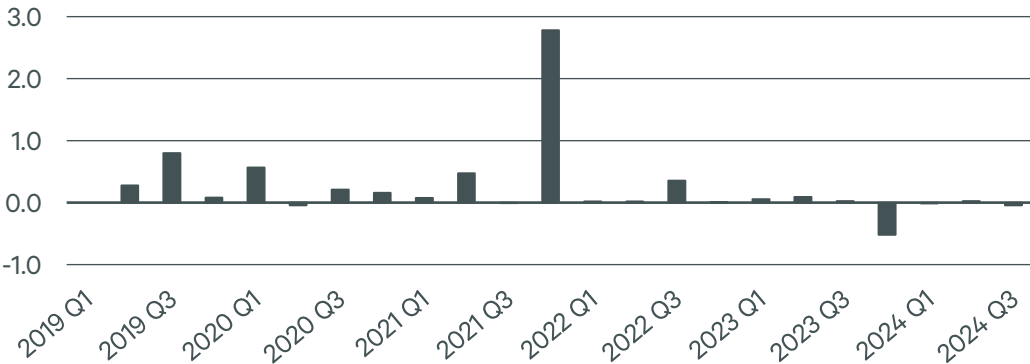
* Missing values indicate no available product within that property subtype

Market Activity

In Q3 2024, the Albuquerque industrial market experienced underwhelming lease activity. The largest net absorption occurred at the DKD Electric Warehouse (3800 Academy Parkway), where the 10,760-sq.-ft. warehouse was leased. Additionally, 8500 Volcanoes Road saw 10,000 sq. ft. absorbed in Suites C and D, while 6808 Academy Parkway recorded close to 6,000 sq. ft. of net absorption. On the other hand, several large spaces were vacated, contributing to negative net absorption. ProPack vacated roughly 34,000 sq. ft. at the Meridian 7 building (540 Gallatin Place NW), and Five Foreign Auto (601 Haines Avenue NW) made their entire 15,000-sq.-ft. warehouse available in Q3. The Pastian’s Bakery (3320 2nd Street NW) was fully vacated, adding approximately 11,000 sq. ft. of negative absorption. The Jefferson Business Center (4904 Jefferson Street NE) reported nearly 11,000 sq. ft. of vacancy in Q3. Additionally, almost 6,000 sq. ft. of space was vacated in the Central Motive Power Building (3740 Princeton Drive NE), which is under renovation and expected to be available in Q1 2025.

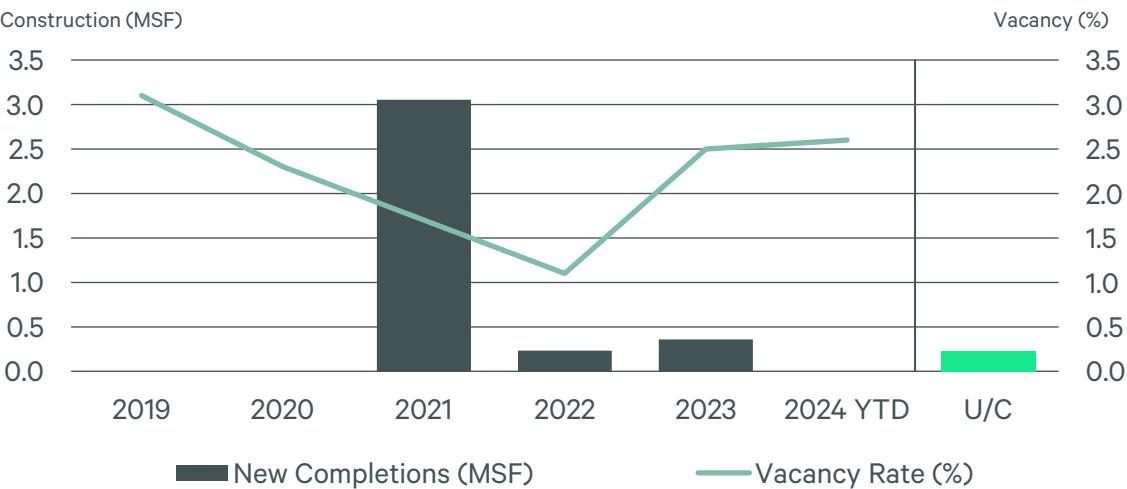
Overall, the quarter recorded a total positive absorption of roughly 62,000 sq. ft., offset by negative absorption totaling close to 104,000 sq. ft., resulting in a net negative absorption for the quarter. This reflects the market's ongoing challenges, with limited inventory and site readiness issues continuing to impact leasing activity and market dynamics.

FIGURE 7: Historical Net Absorption (MSF)



Source: CBRE Research, Q3 2024

FIGURE 8: Historical Construction Completions (MSF) and Vacancy Rate (%)



Source: CBRE Research, Q3 2024

FIGURE 9: Q3 2024 Under Construction Projects

Under Construction (SF)		Submarket	Spec/BTS
Meridian Business Park	86,000	West Mesa	BTS
4000 Ellison St NE	76,574	North I-25	BTS
Curia Expansion	65,000	North I-25	BTS

Source: CBRE Research, Q3 2024

Local Economic Overview

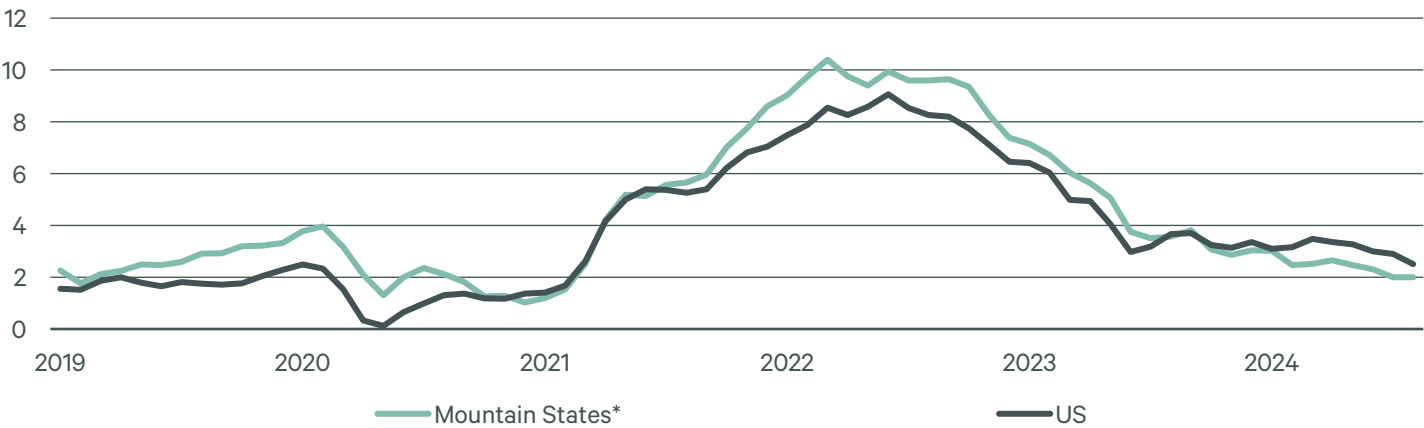
Despite national economic uncertainties, Albuquerque’s economy showed resilience in many industries. The city experienced steady job growth, particularly in the information, manufacturing, and construction sectors, with increases of 84.9%, 39.5%, and 140.0% respectively. However, inflationary pressures and a general lack of new construction posed challenges for real estate transactions and absorption.

National Economic Overview

Soft landings are rare, but recent data suggested that this outcome for the economy was increasingly likely. Business investment remained steady, and consumer distress was limited to a few vulnerable segments. Discretionary spending, such as travel, was generally on par with the previous year, although many signs indicated the post-pandemic spending boom was over. The key threat to consumption was a rollover in the labor market, although the recent bump in unemployment appeared benign, mainly driven by increased participation. A reason for concern was the decline in the share of private industries creating jobs. However, companies were not shedding workers at a particularly high rate. The labor market had slowed, but it was not slumping.

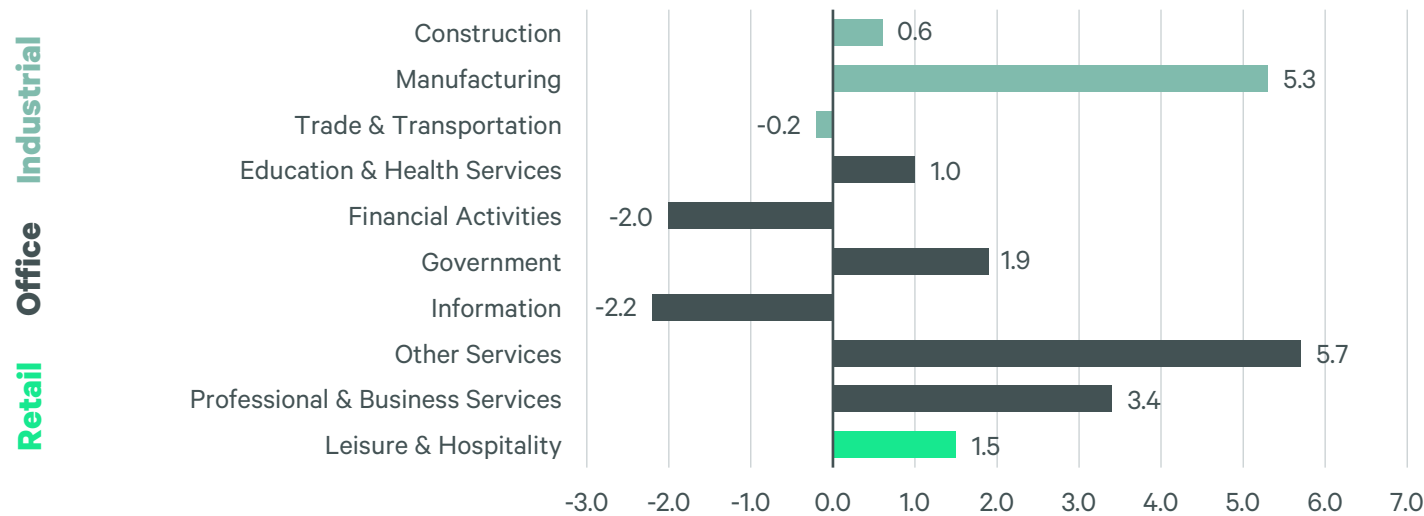
While many were focused on the upcoming November election, the Federal Reserve had already pulled the most consequential policy lever. At their September meeting, they lowered the target for the federal funds rate by 50 bps to a range of 4.75% to 5.0% and signaled another 50-bps reduction by year-end. This easing of financial conditions combined with continued economic growth is expected to support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop is anticipated to breathe fresh wind into real estate transaction markets and is consistent with indications that capitalization rates have peaked and may be starting to fall in some sectors.

FIGURE 10: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



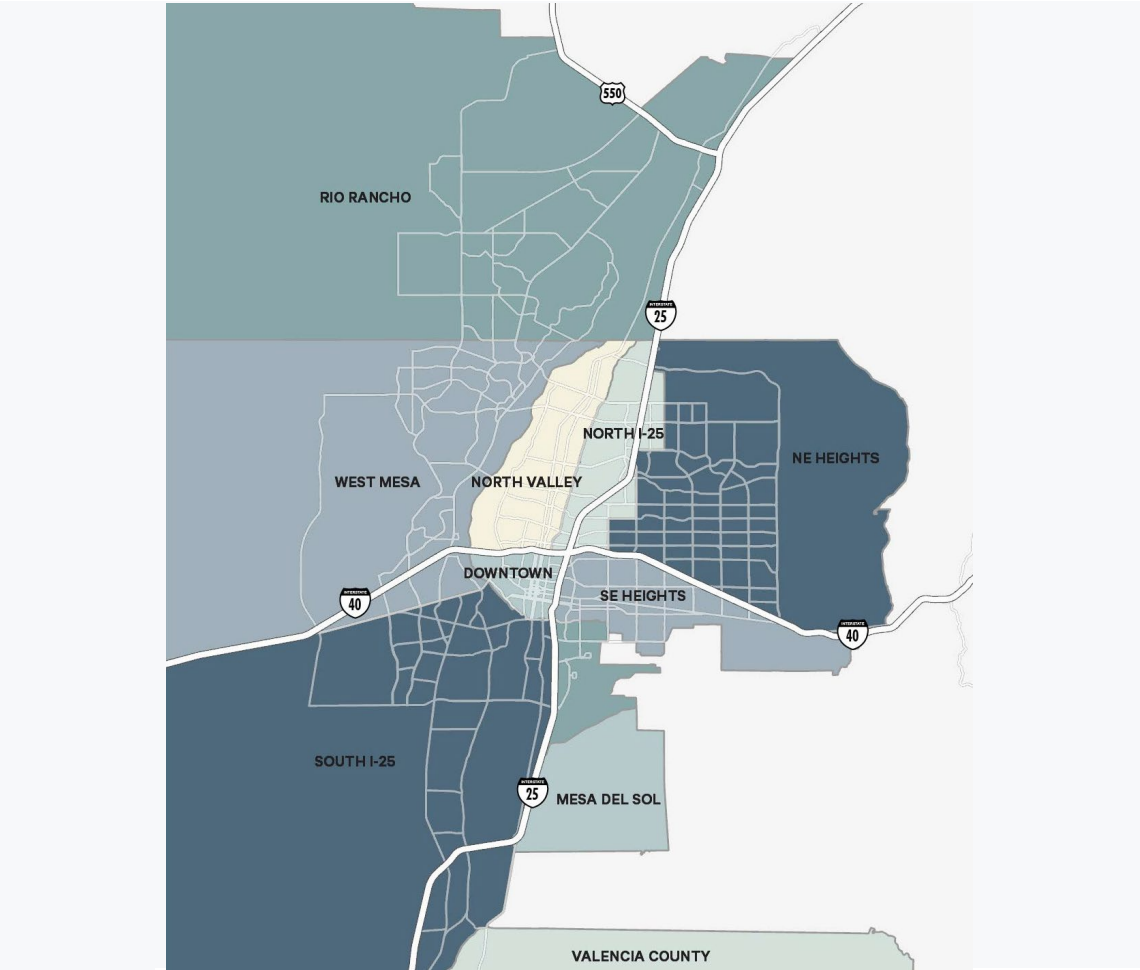
Source: Bureau of Labor Statistics, October 2024.

FIGURE 11: New Mexico Non-Farm Job Growth YOY by Industry (%)



Source: Bureau of Labor Statistics, October 2024.

Market Area Overview



CBRE ALBUQUERQUE

6565 Americas Parkway NE, Suite 825
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.

Contacts

Ryan Foreman Field Research Analyst +1 801 869 8074 ryan.foreman@cbre.com	Sierra Hoffer Field Research Manager +1 801 869 8022 sierra.hoffer@cbre.com	Jim Chynoweth Managing Director +1 505 837 4943 jim.chynoweth@cbre.com
---	---	--

© Copyright 2024 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE’s Global Chief Economist.