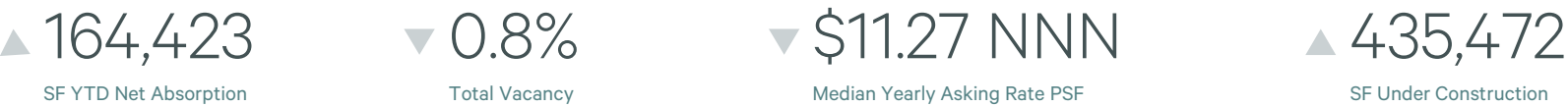


FIGURES | ALBUQUERQUE INDUSTRIAL | Q2 2023

Industrial experiences record-low vacancy rate amid limited supply relief

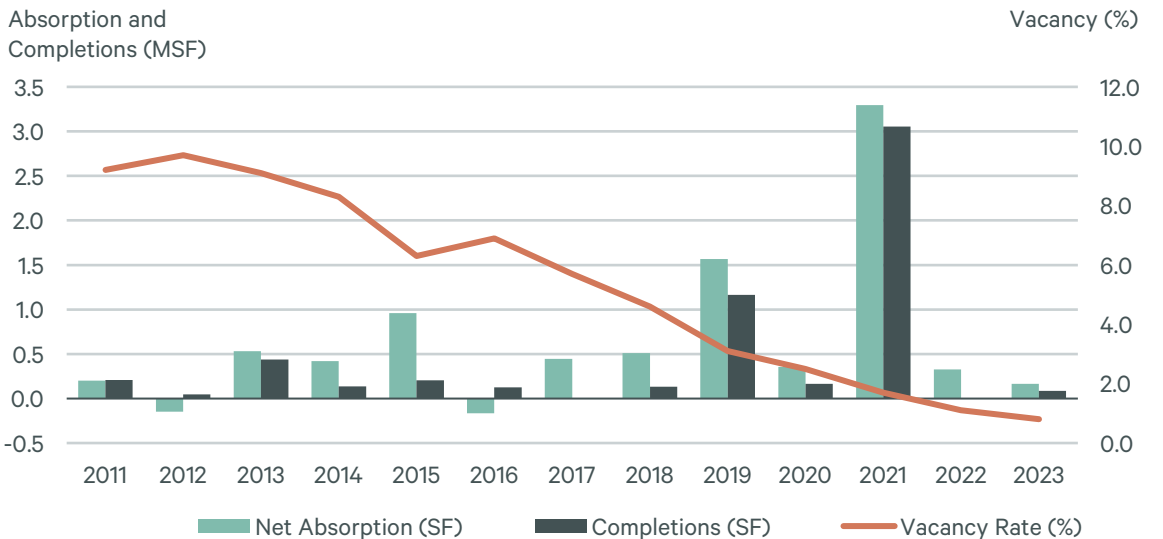


Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- Albuquerque’s industrial market posted 164,423 sq. ft. of positive net absorption in Q2 2023, marking the 21st consecutive quarter of positive net absorption.
- Total vacancy decreased to a record low of 0.8 percent, down 20 basis points (bps) quarter-over-quarter.
- With 435,472 sq. ft. in the construction pipeline, supply strived to keep pace with rampant demand. With construction delivery dates expected in the coming quarters, much of the space is pre-leased and has caused users to contemplate future requirements.
- The New Mexico seasonally adjusted unemployment rate fell to 3.5 percent, 0.6 percent lower than in May 2022 and 0.2 percent lower than the national unemployment rate of 3.7 percent.
- The overall median asking lease rate experienced a quarter-over-quarter decrease. Manufacturing property types demanded the highest rates, at \$12.14 NNN.

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



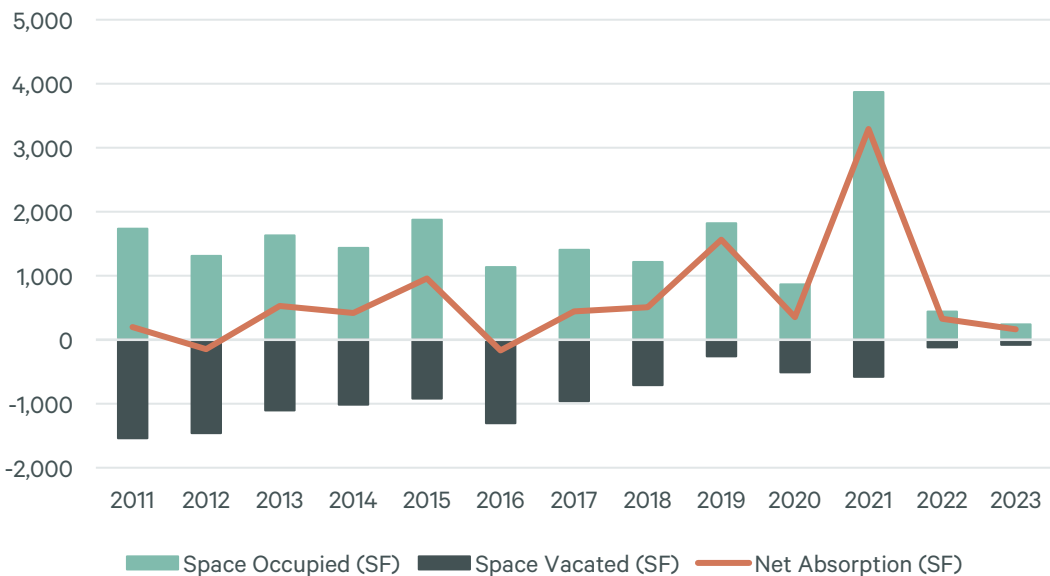
Source: CBRE Research, Q2 2023

Market Overview

The Albuquerque industrial market demonstrated continued positive net absorption in Q2 2023 at 164,423 sq. ft., compared to the positive absorption of 101,038 sq. ft. in Q1 2023. Four out of the eleven submarkets experienced positive net absorption, primarily concentrated in the SE Heights and South I-25 submarkets. This can be attributed to the recent delivery of pre-leased space at 3725 Prince St. SE and activity within the Sandia Science and Technology Park.

The overall availability rate experienced a slight decrease of 20 bps to 1.1 percent quarter-over-quarter. On the other hand, the overall vacancy rate experienced a record low of 0.8 percent, a 20 bps decrease from the 1.0 percent overall vacancy rate in Q1 2023. The Valencia County and SE Heights submarkets account for 5.1 percent of total market vacancy. All other submarkets maintained vacancy rates below 1.0 percent, highlighting the inability of supply to keep up with demand for industrial space in the market.

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



Source: CBRE Research, Q2 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	1.7	1.7	(7,168)	11.50	-	-
Downtown	3,287,932	1.9	0.2	(5,523)	10.00	-	-
Mesa del Sol	693,896	-	-	-	-	-	-
NE Heights	482,381	0.9	0.9	(4,420)	9.00	-	-
North I-25	16,615,610	0.9	0.6	(4,619)	11.63	138,612	-
North Valley	2,660,178	0.8	-	-	8.75	-	-
Rio Rancho	6,539,789	-	-	7,600	-	-	-
SE Heights	1,511,743	4.8	2.8	89,454	14.16	-	-
South I-25	2,958,380	-	-	84,000	-	148,140	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	46,718,012	1.1	0.8	164,423	11.27	435,472	84,000

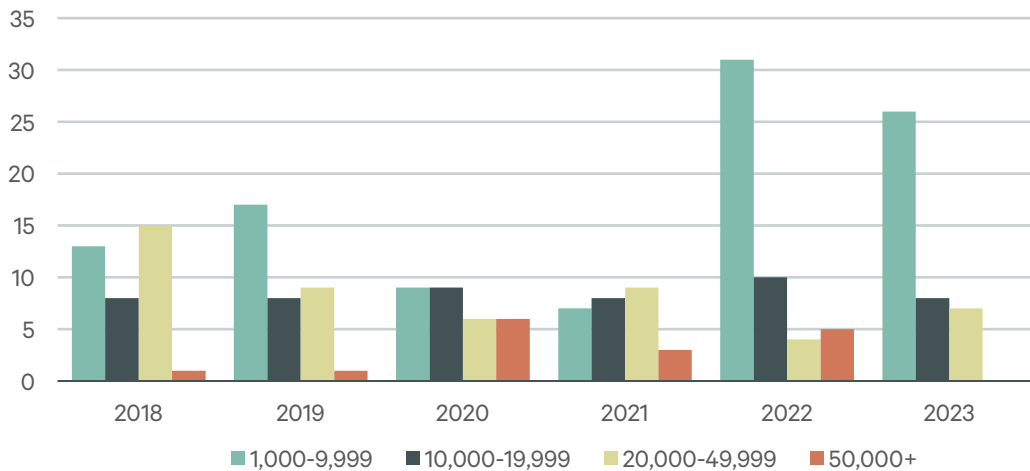
Source: CBRE Research, Q2 2023

Market Activity

The Albuquerque industrial market has remained highly competitive since 2021, primarily due to limited supply. The overall vacancy rate reached a record low of 0.8 percent. While logistics/distribution and special purpose property types experienced a slight increase in vacancy rate compared to the previous quarter, all other property types saw a decrease. Despite low vacancy and limited supply, high demand for space continued to drive market activity in Q2 2023. Notably, positive absorption was strongest in R&D/flex type properties. Playing a significant role in this trend was Blue Halo, who occupied 84,000 sq. ft. at Eubank Blvd. SE. Other notable transactions in the R&D/flex property segment included 20,677 sq. ft. of space leased at 4500 Alexander Blvd. NE and 10,000 sq. ft. of space leased at 10510 Research Rd. by the State of New Mexico.

The overall median asking lease rate experienced a modest quarter-over-quarter decrease. It is important to note that this decrease is reflective of changes in market composition rather than a broad-scale decline in asking lease rates. To elaborate further, the market consists predominantly of older Class B and Class C space, while Class A space that is under construction, is being preleased prior to its completion.

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



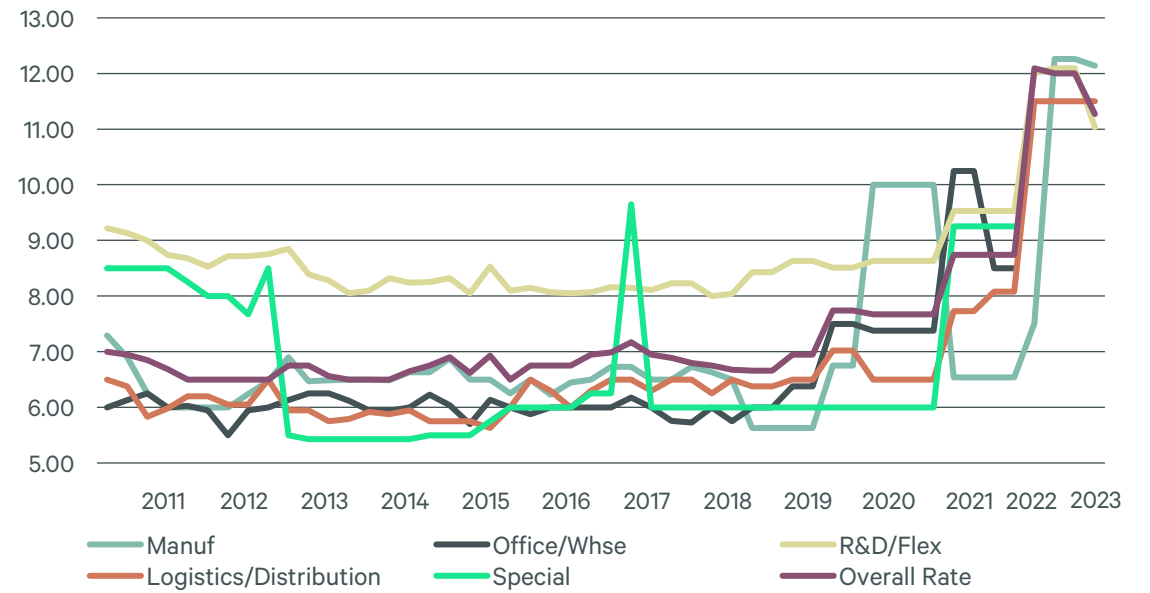
Source: CBRE Research, Q2 2023

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)
Logistics/Dist.	17,669,056	0.1	-	435,472	84,000	11.50
Manufacturing	13,792,598	1.6	-	-	-	12.14
Special Purpose	10,170,184	0.4	-	-	(20,627)	9.50
R&D/Flex	5,086,174	1.9	84,000	-	101,050	11.03
Metro Total	46,718,012	0.8	84,000	435,472	164,423	\$11.27

Source: CBRE Research, Q2 2023

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



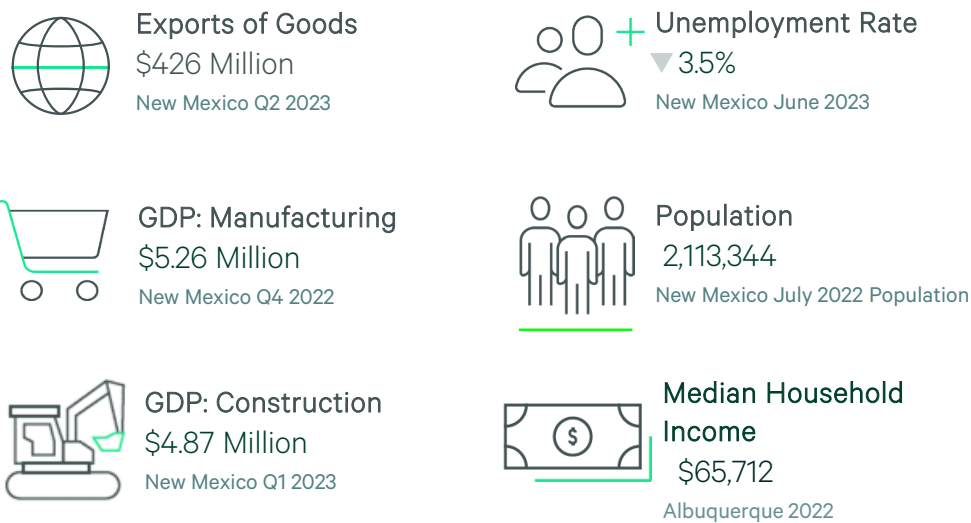
Source: CBRE Research, Q2 2023

Local Economic Overview

New Mexico's economy continued its progress towards stability, as evidenced by a slight decline in the state's seasonally adjusted unemployment rate to 3.5 percent in May 2023. The Bureau of Labor Statistics reported that New Mexico added 20,900 jobs over the year in May 2023, bringing the total number of jobs in New Mexico to 869,400 - the highest seen in history. Construction and mining led job growth within the industrial sector, at 7.4 percent year-over-year growth.

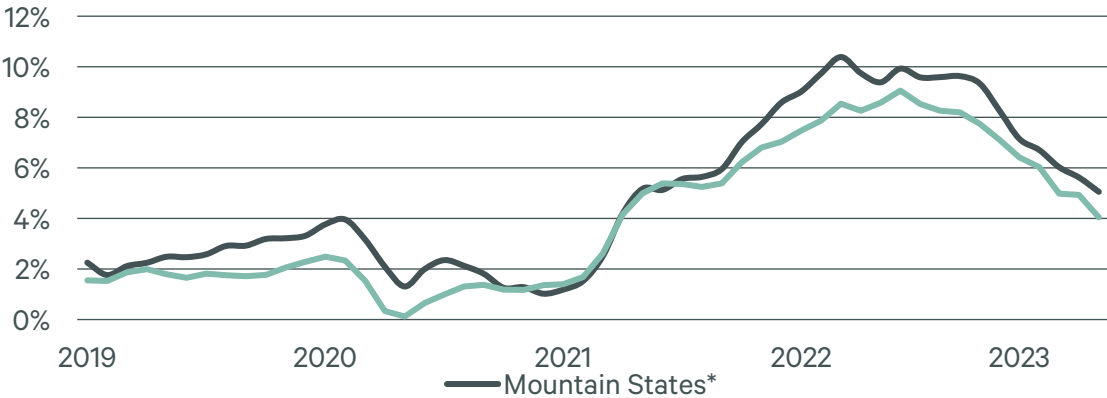
New Mexico still faces some economic challenges, such as poverty rates that surpass the national average and the need for infrastructure development. Nevertheless, concerted efforts are underway to further diversify the economy, attract new industries, and foster the growth of small businesses.

FIGURE 10: Industrial Market Indicators



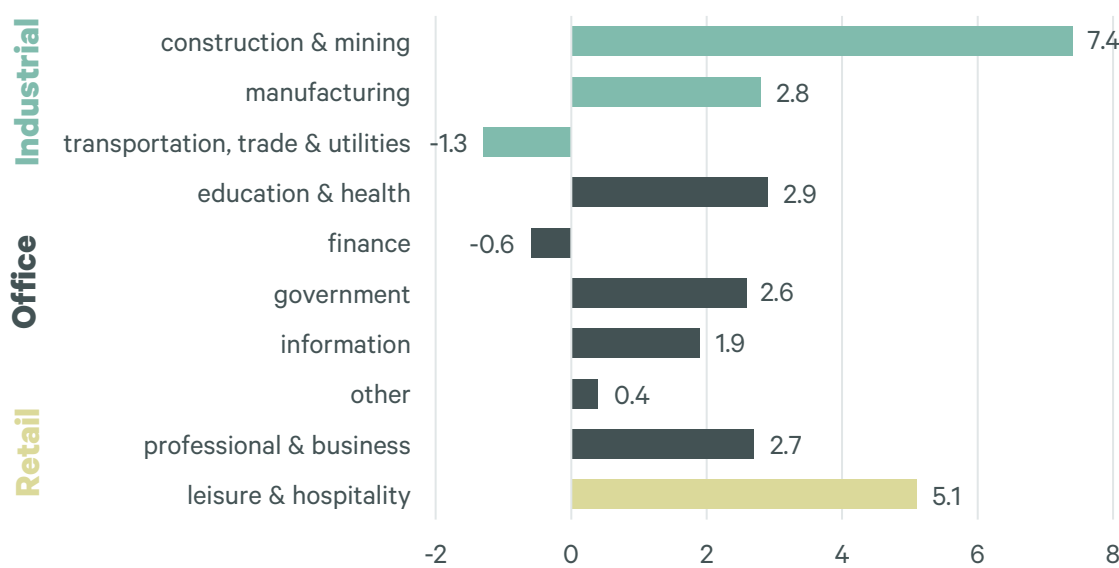
Sources: FRED Econ. Data, June 2023; Bureau of Labor Statistics, June 2023; FRED Econ. Data, June 2023; US Census, June 2023; FRED Econ. Data, June 2023; AREA, June 2023; CBRE Research, Q2 2023

FIGURE 11: 12-month Change in Consumer Price Index for Mountain States and U.S. (%)



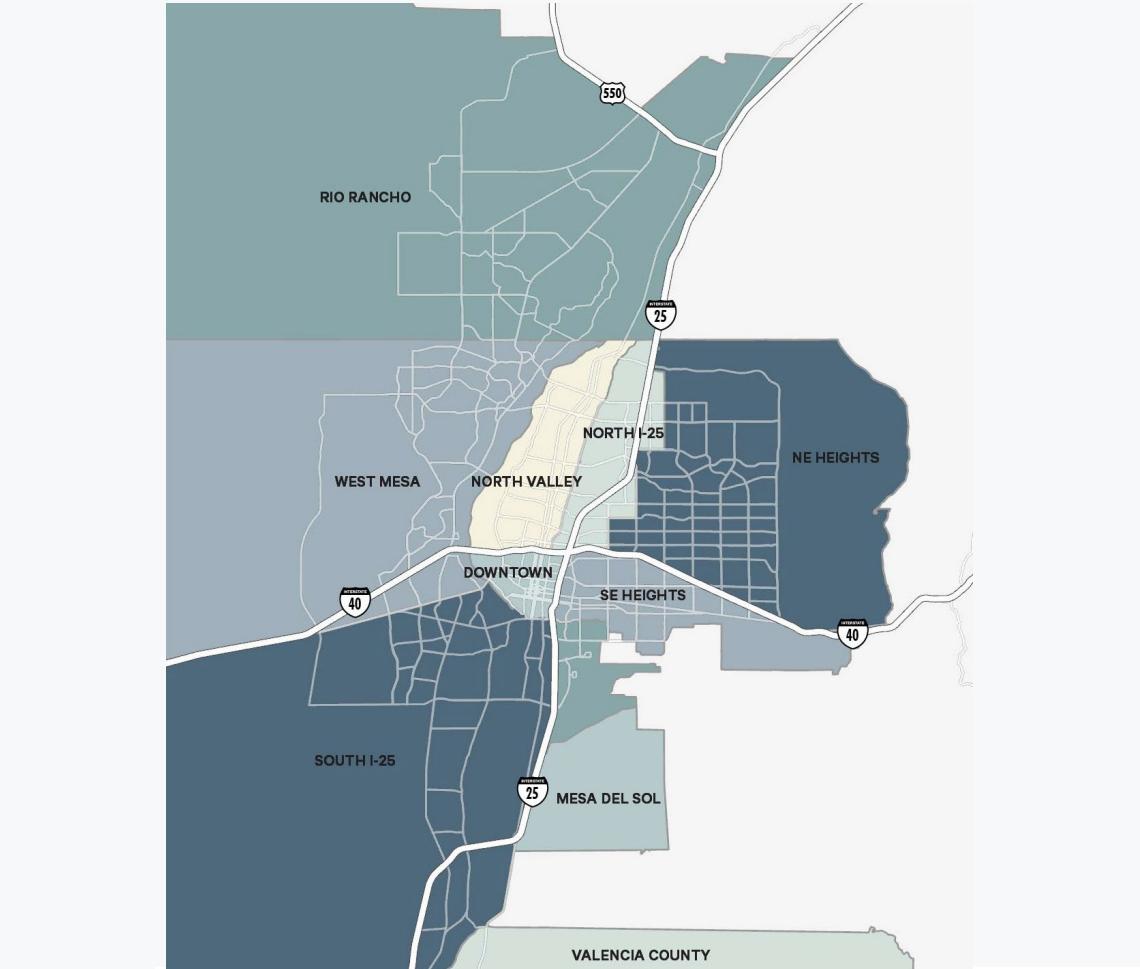
Source: Bureau of Labor Statistics, June 2023 *Mountain States includes AZ, CO, ID, NV, NM, UT, WY

FIGURE 12: New Mexico Y-O-Y Percentage Job Growth by Major Industry Sector



Source: New Mexico Department of Workforce Solutions, June 2023; CBRE Research, Q2 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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