

FIGURES | ALBUQUERQUE INDUSTRIAL | Q4 2023

# Albuquerque industrial market fundamentals remain solid despite rise in vacancy

▼ (326K)

SF YTD Net Absorption

▲ 2.5%

Total Vacancy

▲ \$11.88 NNN

Median Yearly Asking Rate PSF

► 77K

SF Under Construction

► 359K

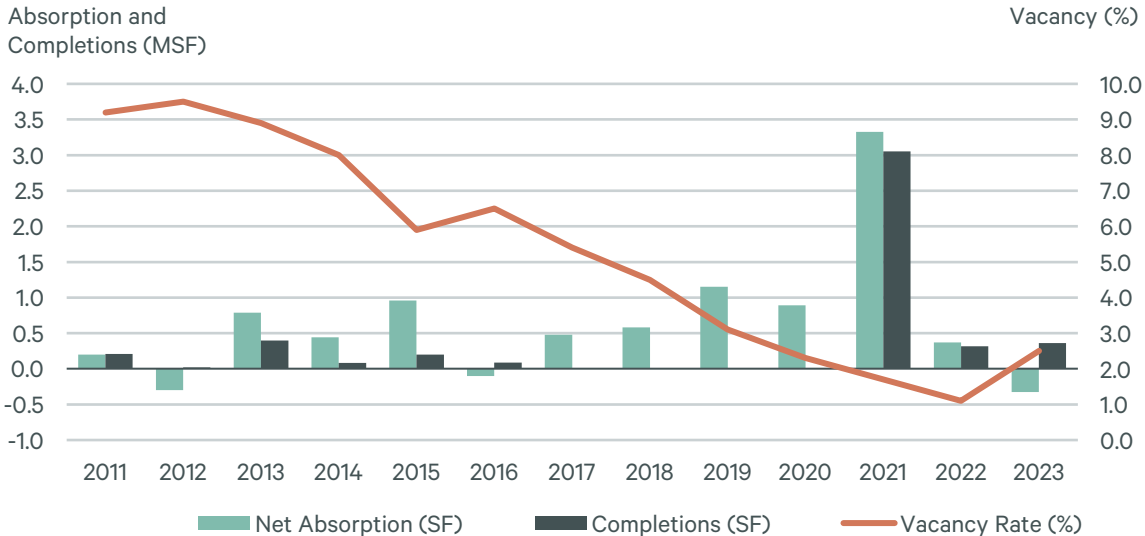
YTD SF Completions

Note: Arrows indicate change from previous quarter.

HIGHLIGHTS

- The overall vacancy rate for the Albuquerque industrial market continued to rise in Q4 2023. It increased 100 basis points quarter-over-quarter from 1.5% to 2.5%, marking a three-year high. While this is the highest rate since 2020, it is significantly lower than the 10-year average vacancy rate of 4.8%.
- Overall net absorption was negative 486,761 sq. ft. due to the addition of a large manufacturing vacancy. This brought the year-to-date net absorption to negative 325,892 sq. ft.
- New construction activity remained tight, with a total of four construction projects unfolding throughout 2023, and only one construction project active in Q4 2023.
- Year-to-date deliveries totaled 358,898 sq. ft., with the largest projects delivered in the South I-25 and West Mesa submarkets.
- Median asking rates increased quarter-over-quarter from \$11.00 NNN to \$11.88 NNN but decreased year-over-year from \$12.00 NNN. In Q4 2023, highest rates occurred in the R&D/Flex and special purpose property types.

FIGURE 1: Net Absorption, Completions, and Vacancy Rate



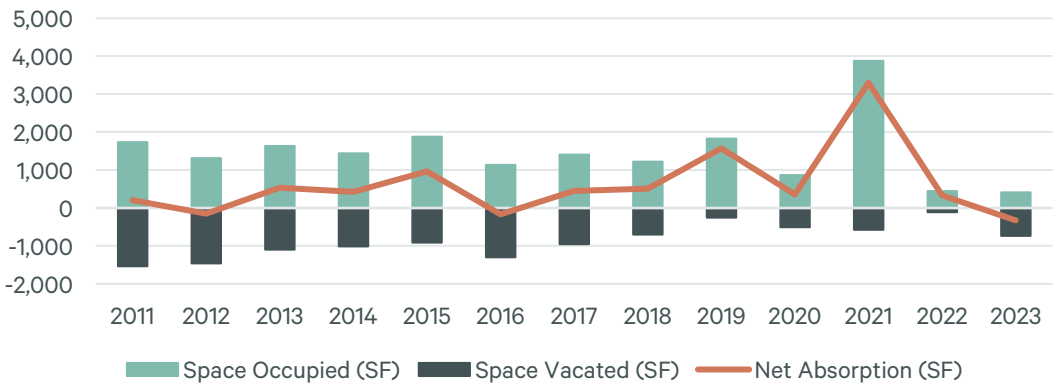
Source: CBRE Research, Q4 2023

## Market Overview

The Albuquerque industrial market closed 2023 with just over 47 million sq. ft. of inventory, including about 359,000 sq. ft. of newly-delivered space. Larger deliveries included two speculative projects. The first, totaling 148,140 sq. ft., was completed at 3750 Prince St SE, followed by 148,720 sq. ft. delivered at Westpointe 40. These developments were the primary drivers behind the positive absorption observed in Q4 2023. Quarter-to-date net absorption dipped into the negatives, totaling negative 486,761 sq. ft. bringing the year-to-date net absorption to negative 325,892 sq. ft. This shift can be attributed to the availability of approximately 476,000 sq. ft. of vacant space at 9201 San Mateo Blvd NE, which is an older building being redeveloped and repositioned. This vacant building won't likely be occupied until mid-2024. Additional contributors included vacant and available space for sale or lease within the Airport and North I-25 submarket, such as space at 3041 University Blvd SE and 5321 Wilshire Ave NE.

The overall vacancy rate experienced relief in Q4 2023. A 100-basis points increase was recorded, propelling the vacancy rate from 1.5% in Q3 2023 to 2.5% by the year's end, marking a three-year high for the market. The Airport and Valencia County submarkets recorded the highest vacancy rates. Note that the increased vacancy is concentrated within specific buildings rather than being widespread across the market.

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



Source: CBRE Research, Q4 2023

FIGURE 3: Market Statistics

	Net Rentable Area (SF)	Availability Rate (%)	Vacancy Rate (%)	YTD Net Absorption (SF)	Median Asking Rent (\$/SF/Yr NNN)	Under Construction (SF)	2023 Deliveries (SF)
Airport	1,111,668	10.7	9.4	(92,500)	11.00	-	-
Downtown	3,287,932	1.0	0.2	(5,523)	12.50	-	-
Mesa del Sol	693,896	5.3	-	-	11.00	-	-
NE Heights	482,381	0.9	0.9	(4,420)	9.00	-	-
North I-25	16,680,168	4.1	3.7	(454,568)	12.00	76,574	62,038
North Valley	2,663,822	0.7	0.4	(10,724)	11.00	-	-
Rio Rancho	6,539,789	0.1	0.1	2,300	19.00	-	-
SE Heights	1,511,743	2.4	1.7	105,052	14.00	-	-
South I-25	3,106,520	5.7	3.6	79,877	11.00	-	148,140
Valencia County	3,234,118	6.1	6.1	-	9.50	-	-
West Mesa	7,771,037	1.3	1.2	54,614	12.00	-	148,720
Market Total	47,083,074	3.0	2.5	(325,892)	11.88	76,574	358,898

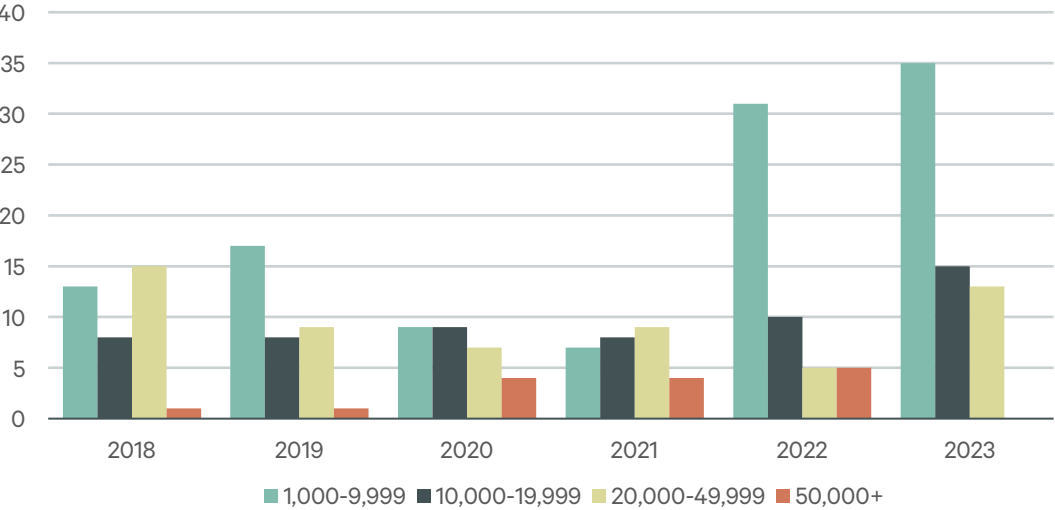
Source: CBRE Research, Q4 2023

## Market Activity

The Albuquerque industrial market, known for its sustained low vacancy rates, witnessed a notable easing in the overall vacancy rate during Q4 2023. Despite this shift, the market’s competitiveness was undiminished. Leasing activity below 20,000 sq. ft., reached its highest point since 2018. Year-over-year, leasing activity had increases across all deal sizes. Additionally, median asking lease rates increased across all property types, except for manufacturing property types. Potential drivers of this increase include consistent demand for space, limited availability, and increased construction costs impacting new developments.

There was notable activity in Q4 2023, with B&D industries securing a lease for a 16,000-sq.-ft. special purpose industrial facility. Top transactions in 2023 included: BioFlyte who secured 38,075 sq. ft. at 1400 Eubank Blvd SE and Vibrant who leased 27,160 sq. ft. at 8440-8444 Washington St NE.

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



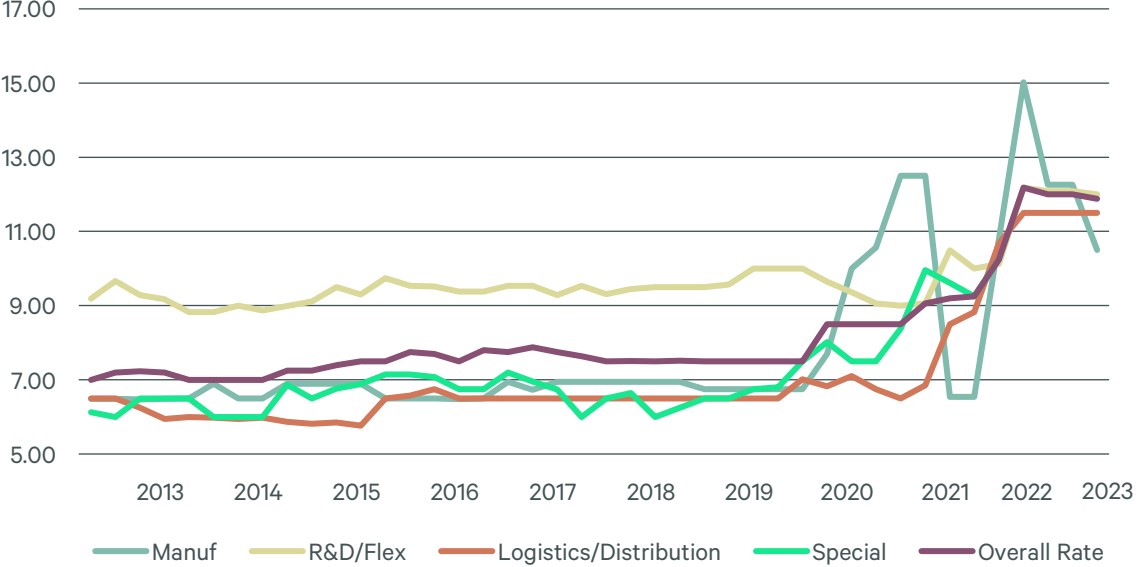
Source: CBRE Research, Q4 2023

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.	18,031,598	1.7	358,898	76,574	115,033	11.50
Manufacturing	13,792,598	5.4	-	-	(521,942)	10.50
Special Purpose	10,172,704	0.7	-	-	(51,931)	12.00
R&D/Flex	5,086,174	1.2	-	-	132,948	12.00
<b>Metro Total</b>	<b>47,083,074</b>	<b>2.5</b>	<b>358,898</b>	<b>76,574</b>	<b>(325,892)</b>	<b>\$11.88</b>

Source: CBRE Research, Q4 2023

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



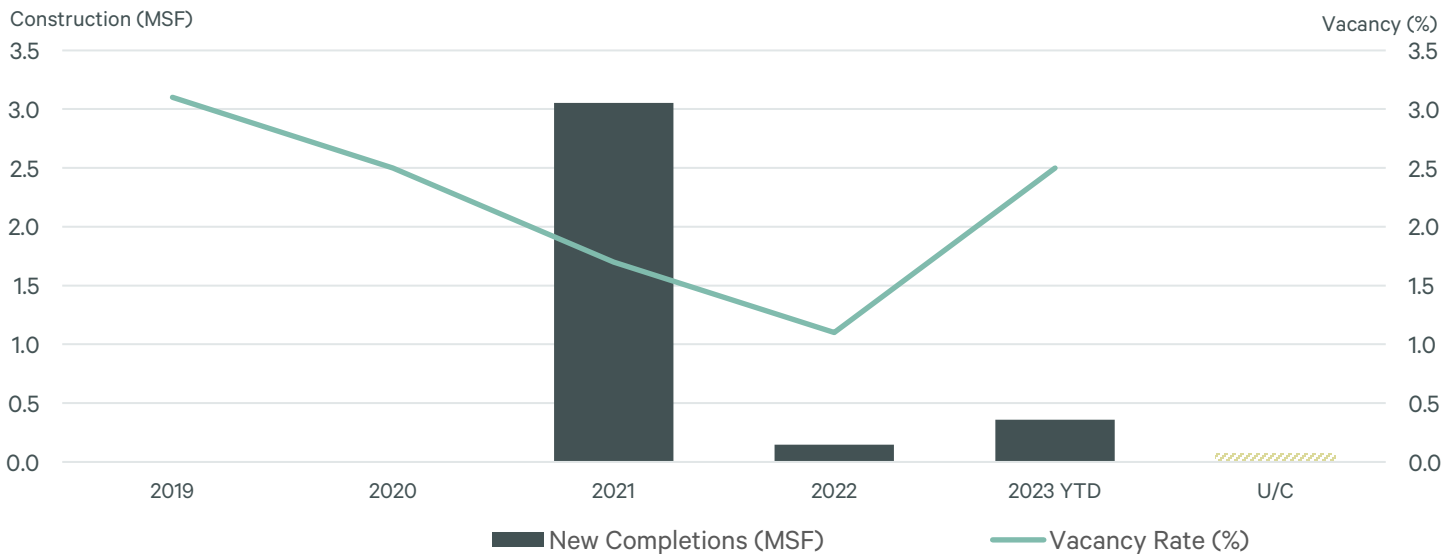
Source: CBRE Research, Q4 2023

## Development Activity

In Q4 2023, the development pipeline has diminished with limited projects currently underway or planned for near term construction and significant new deliveries have not been seen since 2021, signaling a substantial slowdown in development activity. Scarcity of supply is underscored by the fact that only one building remained under construction in Q4 2023, with a projected completion date of Q2 2024. This building is located at 4000 Ellison St NE and is 76,574 sq. ft.

Albuquerque remains on the radar for many developers and has numerous proposed projects in the pipeline. However, as the influx of new supply completed in 2024, coupled with an unfavorable macroeconomic climate for project financing, the trajectory of development activity is anticipated to remain subdued for the next year. Because of this, market dynamics where demand outpaces supply persists, sustaining the competitive dynamics that have been in play for the Albuquerque industrial market since 2022.

FIGURE 7: Historical Construction Completions (MSF) and Vacancy Rate (%)



Source: CBRE Research, Q4 2023

FIGURE 8: 2023 Completed Projects

2023 Completed Projects			
PROPERTY NAME	YTD Deliveries (SF)	Submarket	Spec/BTS
3750 Prince St SE	148,140	South I-25	Spec
Westpointe 40 Building 1	148,720	West Mesa	Spec
7421 Snaproll	62,038	North I-25	Spec

Source: CBRE Research, Q4 2023

### Economic Overview

The local labor market displayed signs of normalization in 2023. New Mexico’s seasonally adjusted unemployment rate inched up to 3.9%, marking a 40 basis points increase year-over-year. While New Mexico’s rate is 20 basis points higher than the national average, it was significantly lower than the pandemic peak of 9.3%. New Mexico added approximately 18,800 jobs over the past year, with leading contributions from the construction and mining, leisure and hospitality, and government sectors.

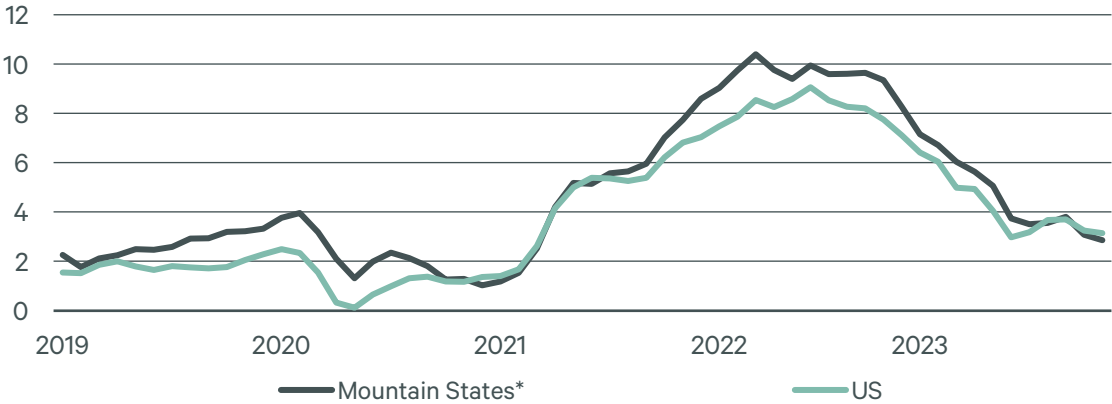
Nationally, the combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, while remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024. (CBRE expects 75 to 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

FIGURE 9: Industrial Market Indicators



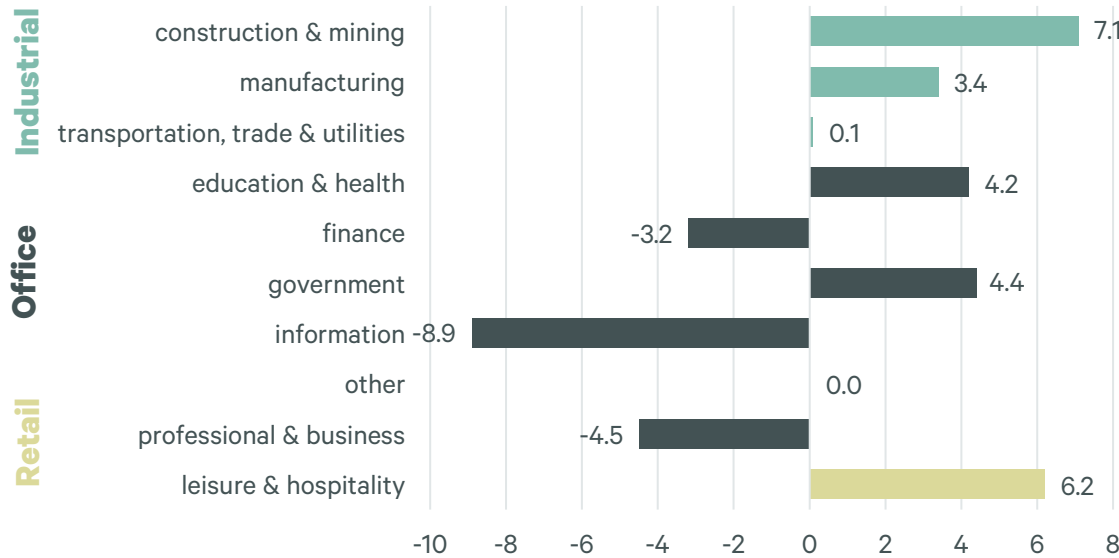
Sources: FRED Econ. Data, December 2023; Bureau of Labor Statistics, December 2023; FRED Econ. Data, December 2023; US Census, December 2023; FRED Econ. Date, December 2023; ESRI, December 2023; CBRE Research, Q4 2023

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



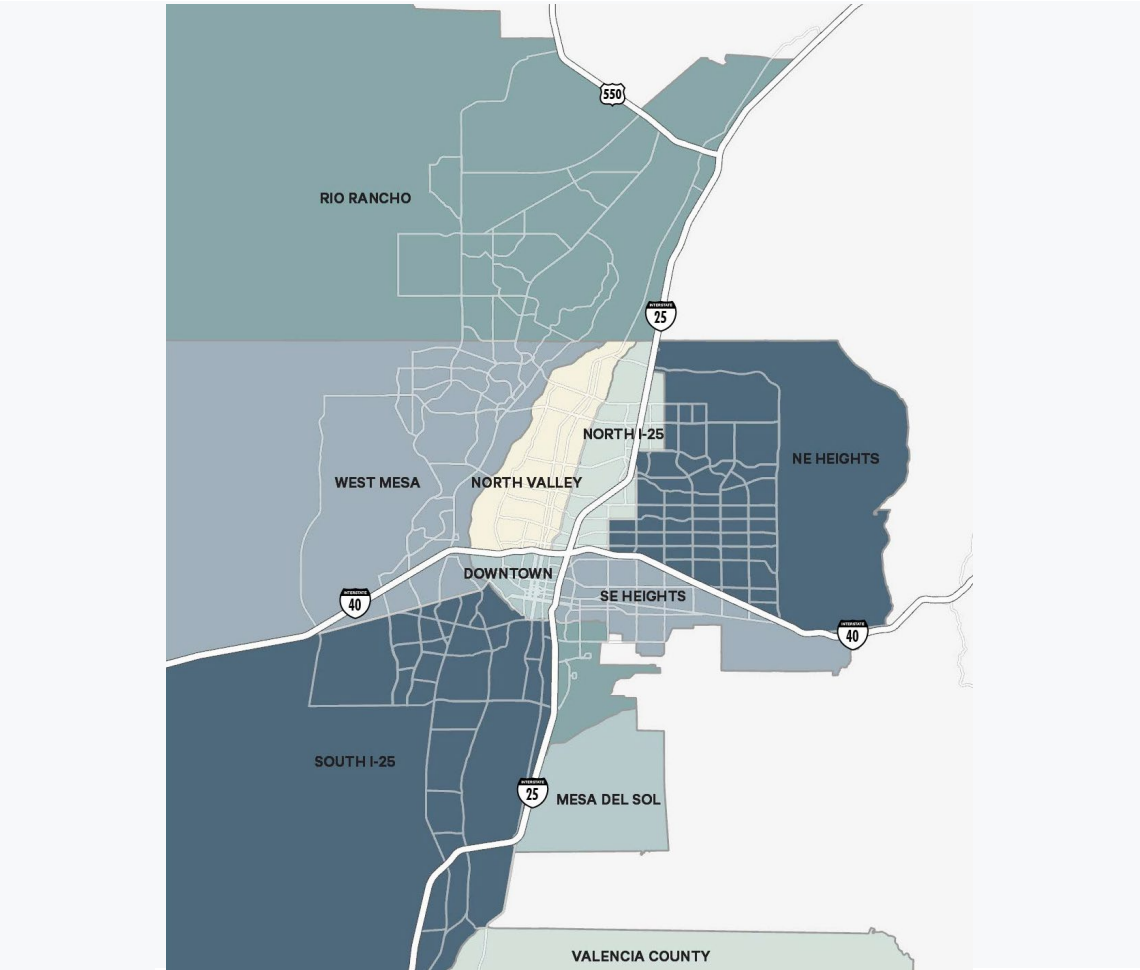
Source: Bureau of Labor Statistics, December 2023 \*Mountain States includes AZ, CO, ID, NV, NM, UT, WY

FIGURE 11: New Mexico YOY Percentage Job Growth by Major Industry Sector



Source: New Mexico Department of Workforce Solutions, December 2023; CBRE Research, Q4 2023

Market Area Overview



UPTOWN ALBUQUERQUE

6100 Uptown Blvd NE, Suite 300  
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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