

LOCAL REAL ESTATE, HOME BUILDERS,  
AND DESIGN TRENDS

# HOME STYLE

ISSUE 4

JUNE 12 – JUNE 18, 2016

LOCAL BUILDER FINDS HIS SWING

BABY BOOMERS CREATE GROWTH

EVERY OPEN HOUSE THIS WEEK

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LOCAL ECONOMICS

# ABQ MARKET REPORT

INDUSTRIAL, JOB MARKETS GROW MODESTLY



BY JIM SMITH

COMMERCIAL ASSOCIATION OF REALTORS® NEW MEXICO

**T**HE ALBUQUERQUE INDUSTRIAL MARKET ENDED 2015 ON A HIGH NOTE. Both gross activity and net absorption were up, with net positive absorption (873,544 square feet) being the highest since 2007. The actual numbers of lease transactions tracked was a bit below 2014, but the median transaction size was the highest since 2007. The end of 2015 marked a 6.5 percent vacancy rate. The average asking rate for all industrial space was \$6.93 PSF NNN net on an annual basis.

Albuquerque has not yet seen many of these new entrants in the market, despite the State Legislature increasing closing fund budgets and lowering corporate tax rates. However, it does appear that these changes are increasing the pipeline of

prospects and better results are expected in 2016 and beyond.

2016 began with good activity, but slowed in March with 7,575 square feet of negative net absorption for quarter one. Most of the activity in the first quarter was smaller office warehouse transactions and the median lease transaction size was small, the smallest since the fourth quarter of 2014.

The Albuquerque job market is growing modestly. At the end of February 2016, year-over-year private sector employment grew by 1,400 jobs, or 0.5 percent. However, most of this growth was in the health care and education sectors. The manufacturing sector shrank by 400 jobs, or 2.4 percent. Employment in the construction sector increased 2.8 percent.

## ARTICLE DEFINITIONS

### NET ABSORPTION

The total new square footage leased minus the total square footage of tenants who no longer occupy the property in a given time period.

### PSF (PRICE PER SQUARE FOOT)

Helps buyers compare various properties apples to apples.

### TRIPLE NET (NNN) LEASE

A commercial lease structure in which the buyer pays all operating expenses associated with a property.

Overall, the sectors of the economy that usually occupy industrial space – including mining, logging and construction, manufacturing, wholesale trade, transportation, warehousing and utilities – lost 400 jobs year-over-year as of the end of February. The goods producing sector has seen zero year-over-year job growth through February 2016.

The largest transactions over the past 12-15 months included food manufacturing (Flagship Food, Rio Grande Tortilla), high density polyethylene pipe manufacturing (United Poly Systems), electronics manufacturing (Delta Group Electronics) and ecommerce (FedEx, UPS).

There has been very little speculative construction in the Albuquerque market since 2008. This has put downward pres-

sure on vacancy rates and limited availability. However, because demand has been sluggish, the spread between current asking rates and the rates needed to justify new construction has been tough to overcome. Currently all industrial projects under construction are owner-user projects.

Another bright spot over the last two years has been owner-user sales activity. Owner-user buyers and build-to-suit transactions come from a wide range of industries. Currently an industrial distributor has a 42,510 square foot office/warehouse building in the North I-25 Submarket under construction and an electrical wholesaler has a 15,625 square foot office/warehouse building in the West Mesa Submarket under construction. ■

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