

A nighttime photograph of Albuquerque, New Mexico, featuring a highway in the foreground, a city skyline with illuminated buildings, and a sunset sky with clouds. The text is overlaid on the upper portion of the image.

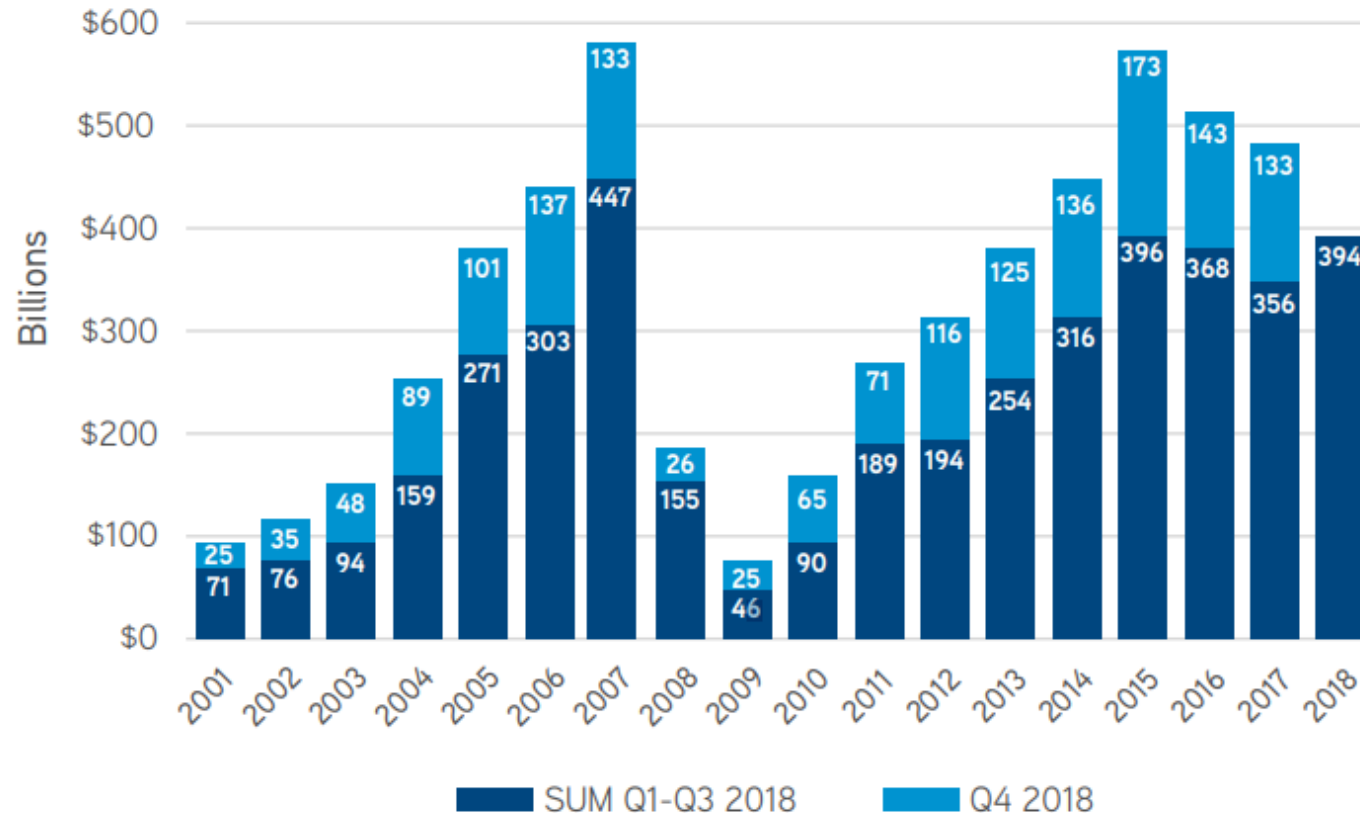
# Everything you need to know about ABQ's Commercial Real Estate Market

**March 30 2019**

# National office trends

## U.S. Commercial Real Estate Transaction Volume

Transactions > \$2.5M (\$ Billions)



# National office trends

- After two years of nearly static national office vacancy, 2018 saw an increase in net absorption and fewer completions.
- Vacancy rate is lowest of this economic cycle.
- Rental rates are experiencing limited upward pressure.
- Economic momentum continues to be positive, but decelerating.

# National office trends

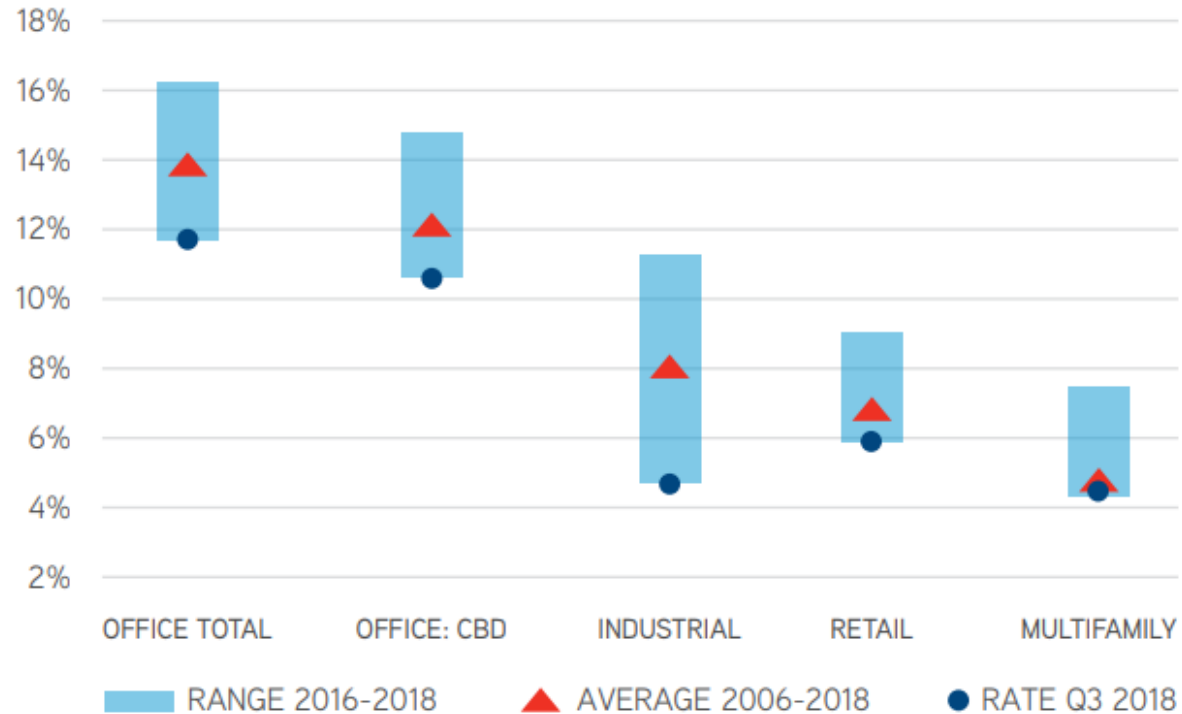
- Offices are encouraging face to face interactions
- Companies are looking to attract talent, office amenities are an advantage
- Co-working continues to grow, but economic cooldown is a threat
- Gen Z continues to enter the workforce, they “would rather share socks than office space”
- Space efficiency a primary concern
- Tech companies seeing the most growth with no clear sign of slowing.



# National industrial trends

# National industrial trends

Property Vacancy Rates by Sector: 2006 - Q3 2018



- National industrial vacancy is at an all time low at 5.0%
- Cargo volumes at U.S. ports are strong despite tariffs and fears of trade wars
- Record new construction, including class A space, driving up prices to all time highs
- Port cities are the strongest in the market and are running out of space



# National industrial trends

- Demand for industrial space is driven by e-commerce and logistics users
- There has been a shift to localized distribution, requiring more warehouses in more locations
- “The last mile”



“The last mile”



# National retail trends

# National retail trends

## 2017 National Retail Bankruptcies

The Limited	Wet Seal	BCBG Max Azria	RadioShack	Gordman's	Payless
Rue21	Gymboree	Alfred Angelo	Vitamin world	Toys R Us	Charming Charlie

## 2018 National Retail Bankruptcies

Clair's	Nine West	Sears	Mattress Firm	David's Bridal
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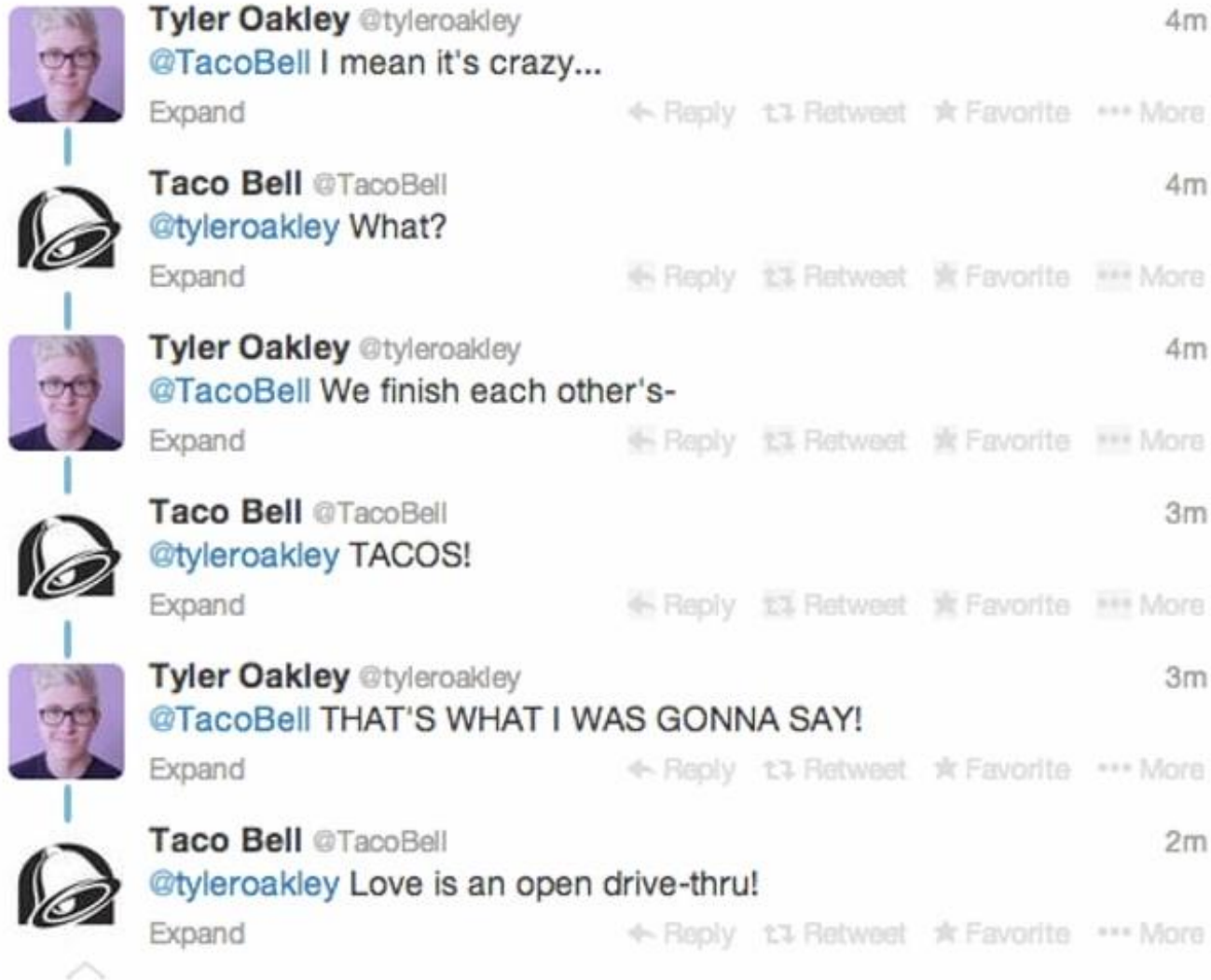


Photo: Taco Bell/Twitter

# National retail trends

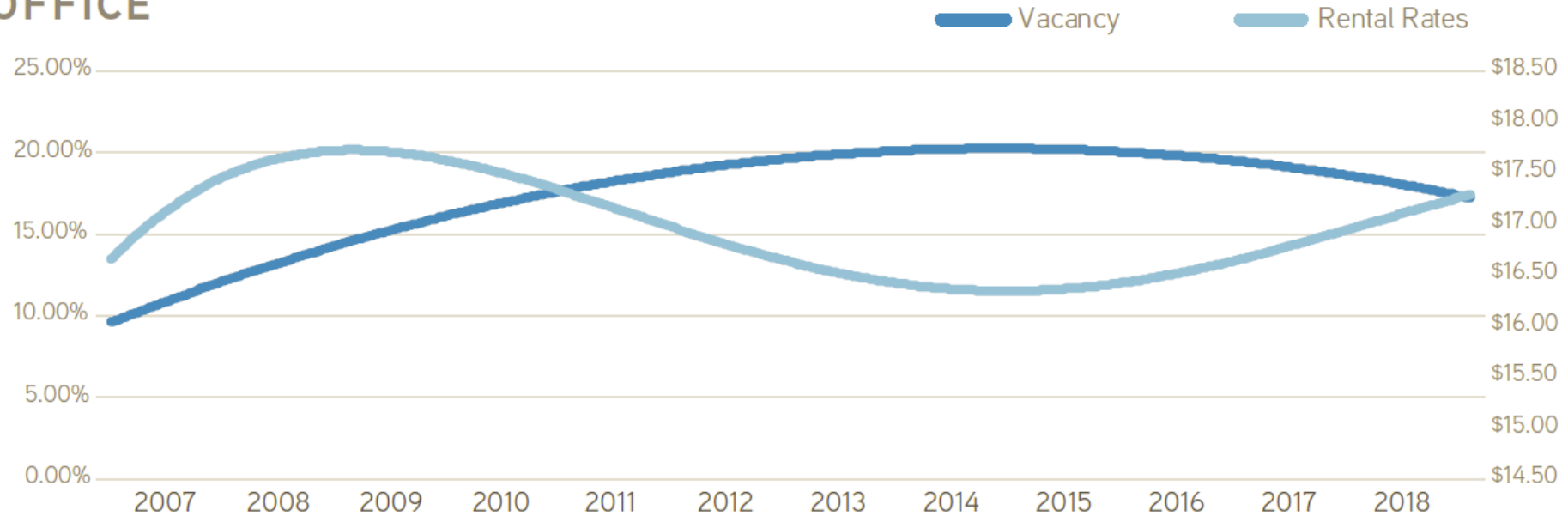
- Consumers are looking for retail engagement not just a “store.”
- Bifurcation of adapters and non-adapters
- Retail is rapidly reinventing itself to position itself in front of consumers right where they are.
- Online retailers are entering the brick and mortar realm.
- Consumers are more invested in brands than ever before.



What  
does this  
mean for  
ABQ?

# Local office trends

## OFFICE

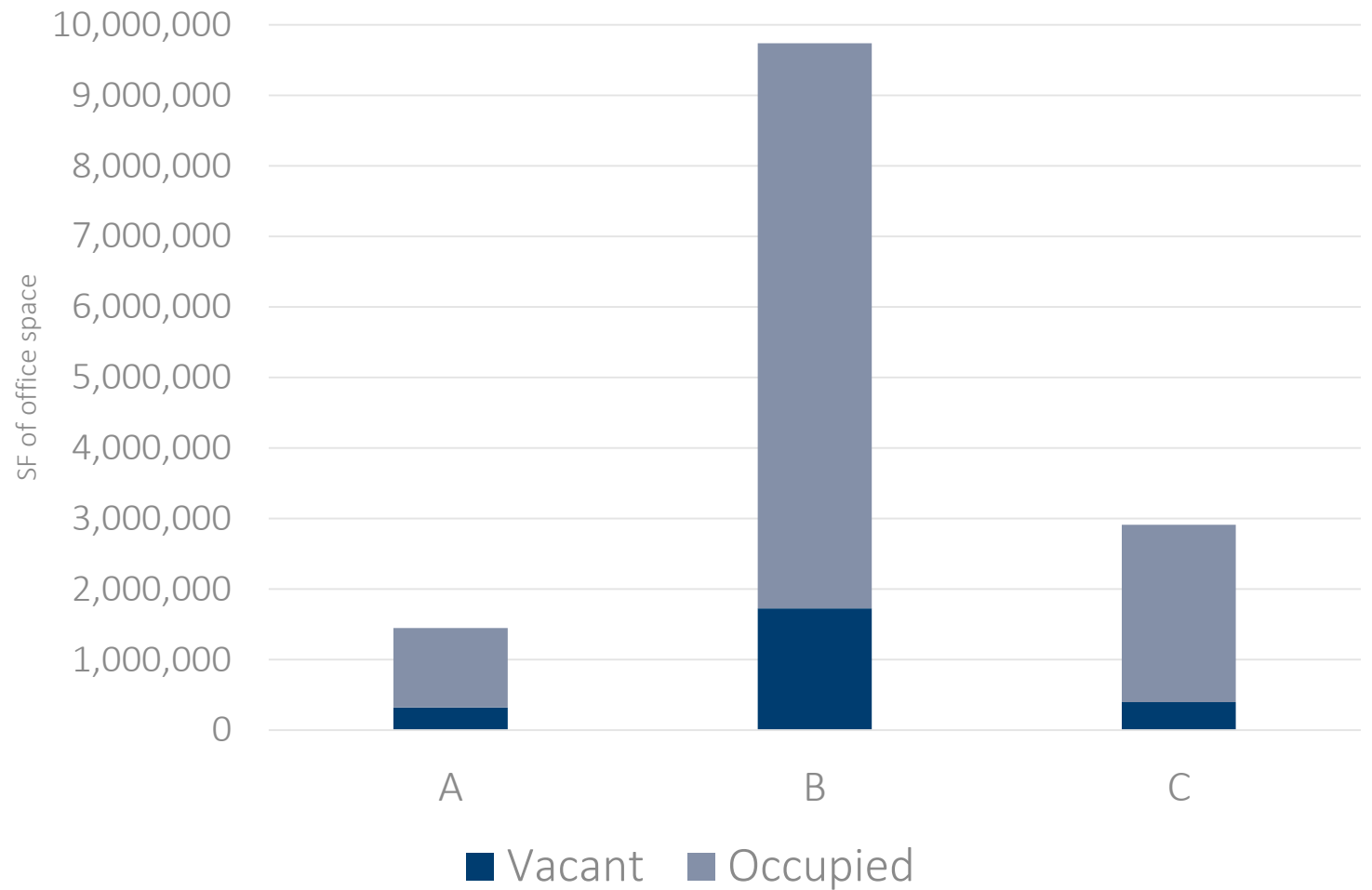


# Local office trends

- The Downtown submarket has historically had the highest vacancy rate, over the last two years, it has seen a substantial drop in vacancy.
- Albuquerque's office market has seen local investors driving sales and improving asset performance.

# Albuquerque office market overview

Albuquerque office space and vacancy by class



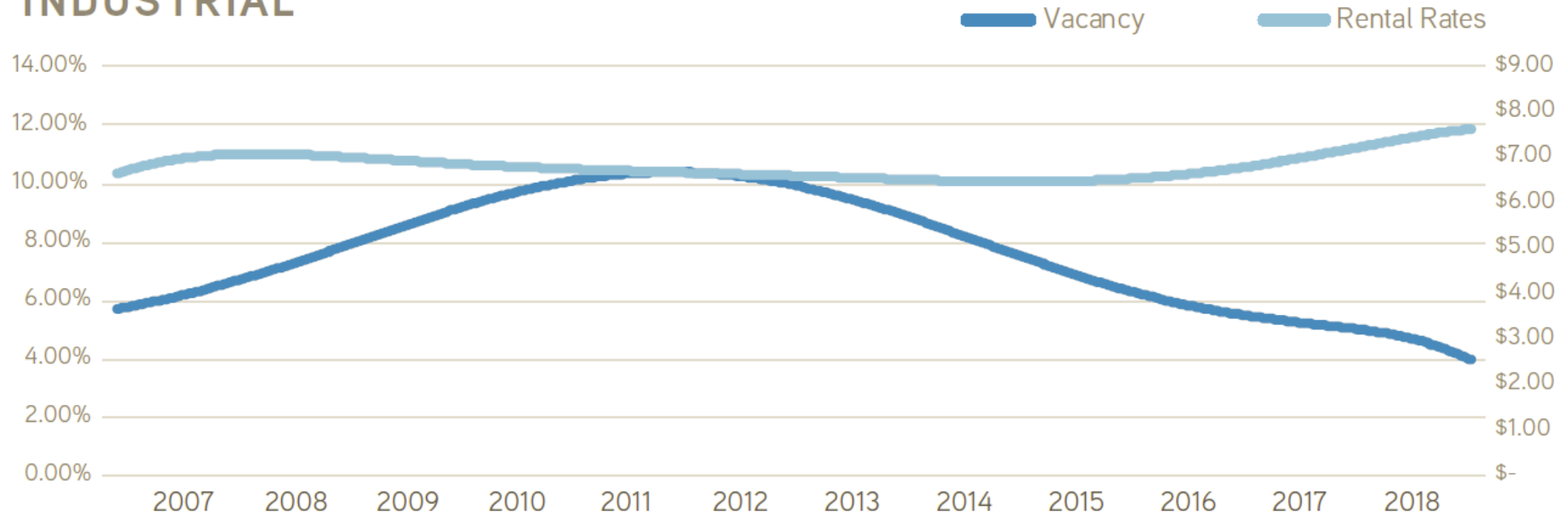
# 2019 office trends to watch

- Only built to suit construction happening, rates don't support construction
- Big blocks of class A space available for first time, pressure on landlords
- Right sizing and careful office planning



# Local industrial trends

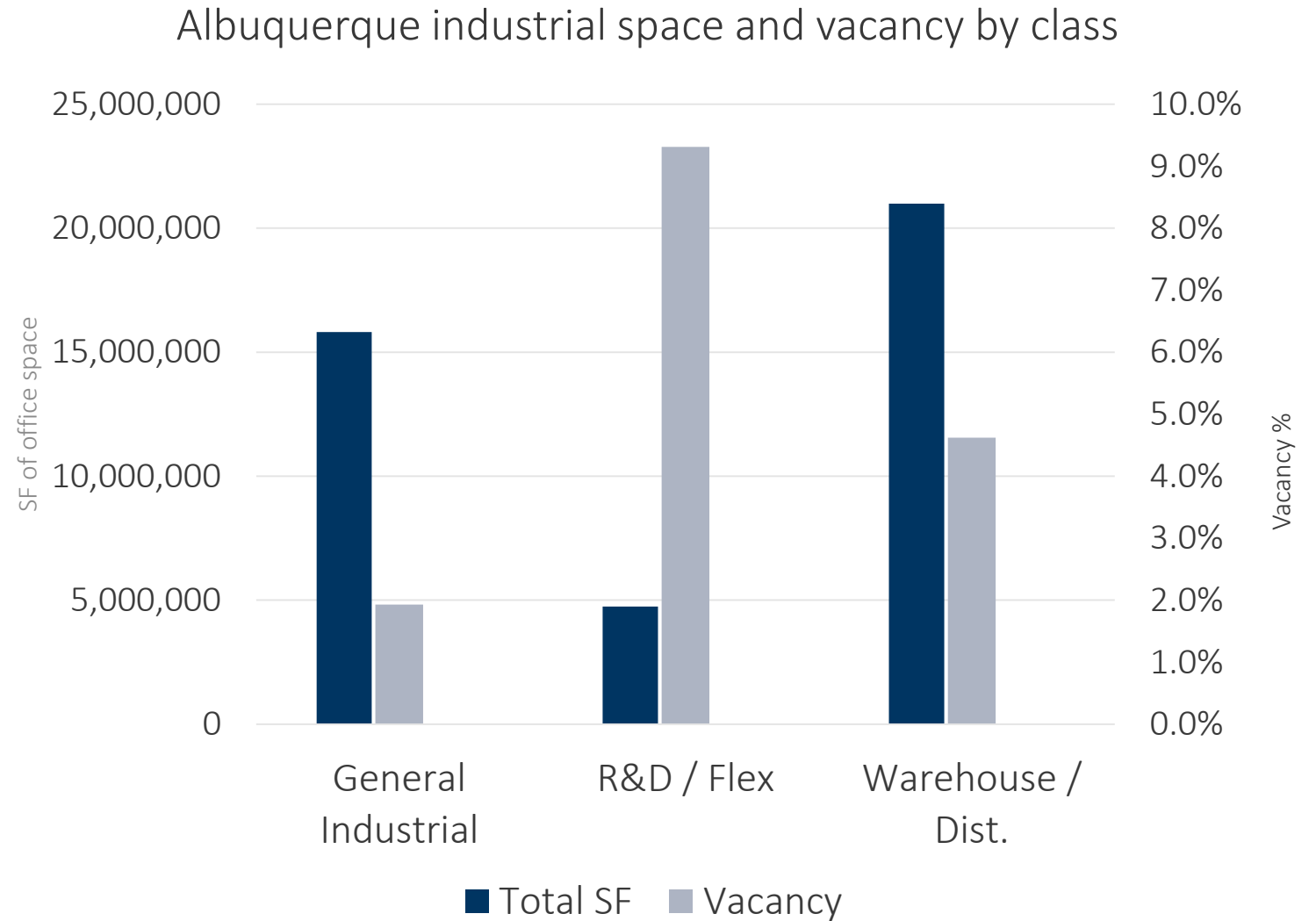
## INDUSTRIAL



## Local industrial trends

- The functional industrial inventory supply is critically low and cannot meet demand, there are currently two large rail park sites that can bring new inventory supply.
- The local industrial market as a whole has seen steady, though small, positive absorption.

# Albuquerque industrial market overview

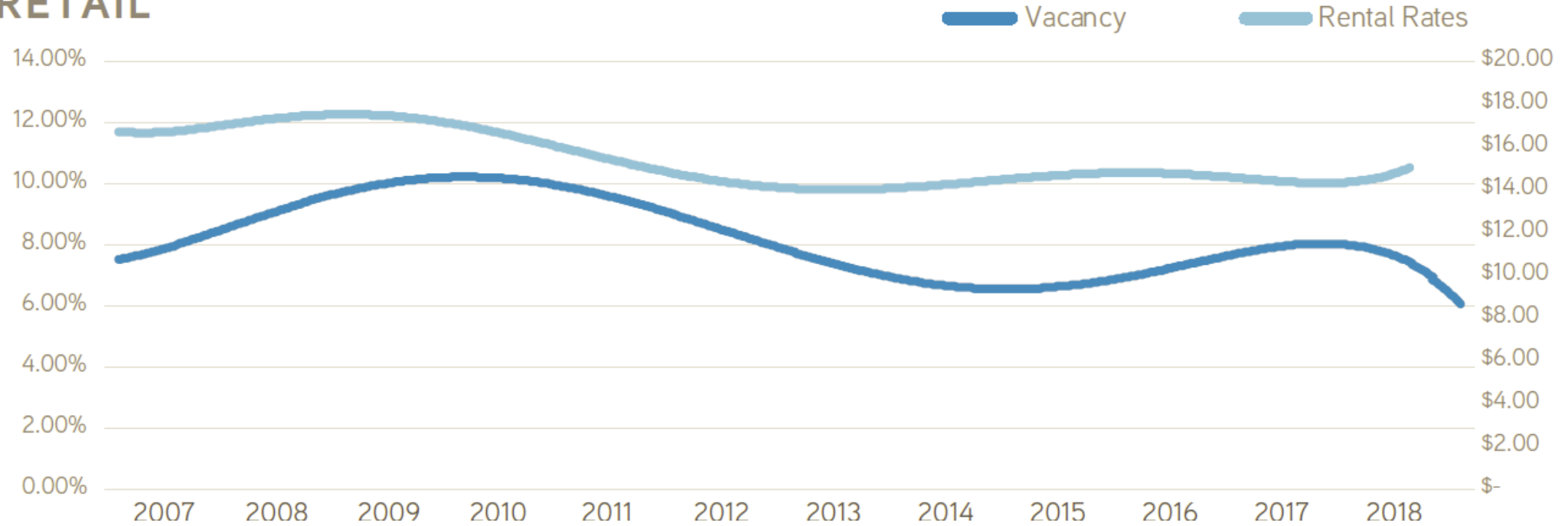


# 2019 industrial trends to watch

- 1.3 million square feet of construction – Facebook, Wagner, FedEx
- Two potential catalysts for big growth in industrial have always been: increased residential home permits and the entrance of a national developer which come with jobs and growth
- Contact and data centers in Albuquerque

# Local retail trends

# RETAIL

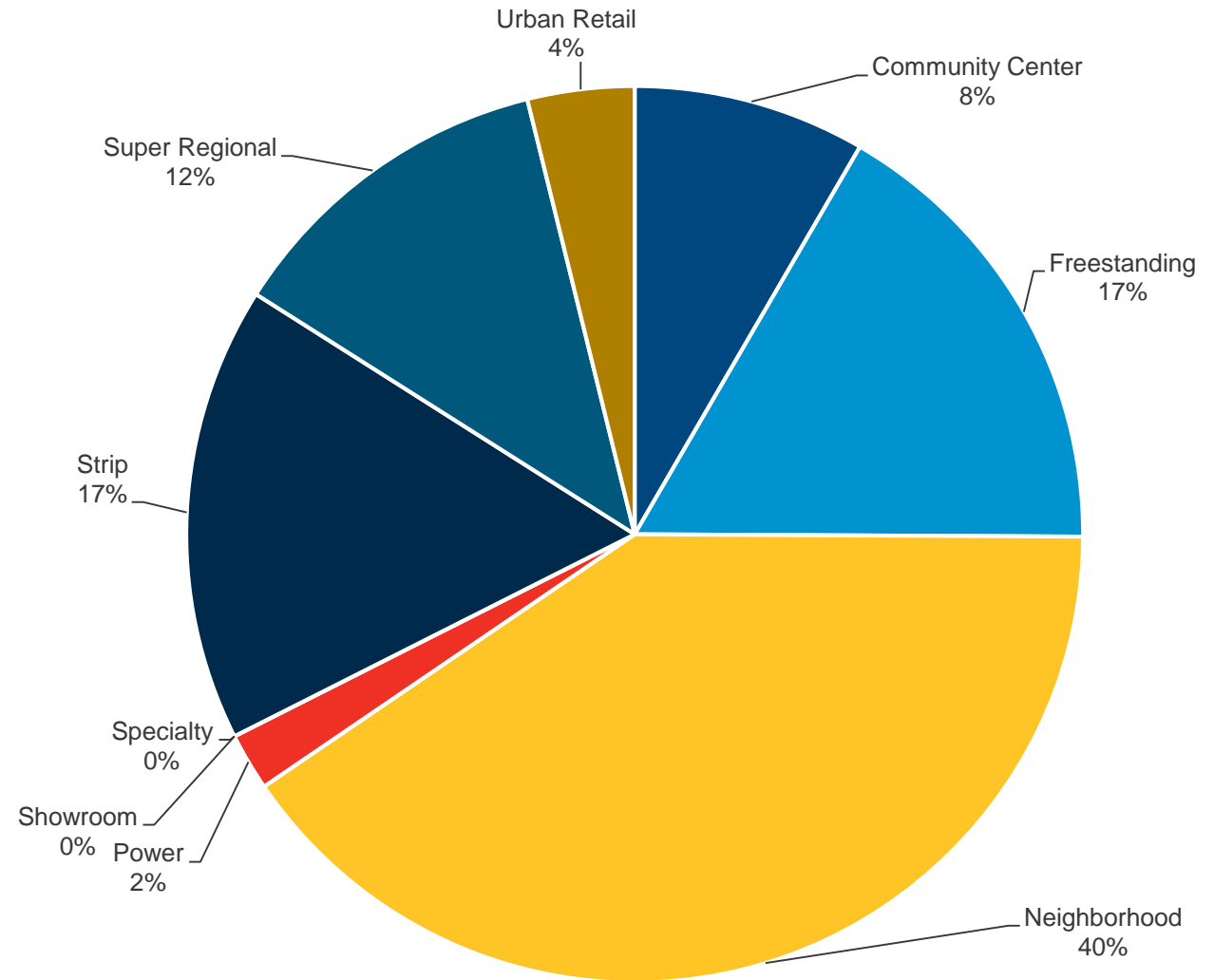


## Local retail trends

- The Albuquerque area has seen the rise of one stop lifestyle centers, these centers have tent mix of restaurants, fitness studios, craft beer and coffee and beauty salons
- Restaurants, breweries continue to thrive in the city
- Large national retailers have seen new backfills begin to occupy, overall absorption has been positive over the course of 2018
- High quality and well located retail space moves rapidly

# Albuquerque retail market overview

## Albuquerque retail vacancy by use



# 2019 retail trends to watch

- More online only and brick and mortar retailer acquisitions will develop to meet consumer demands
- Mixed use and local retail experiences
- Albuquerque should expect continued positive absorption



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