

What's Happening in... Albuquerque?



Situated just to the west of the majestic Sandia mountains, the city of Albuquerque is known as a hotspot for outdoor activities and hosts several major events each year, including the world's largest hot air balloon festival.

The city also boasts an impressive selection of museums and parks, including the Albuquerque Museum of Art and History, and the Albuquerque Biological Park, which includes an aquarium and botanical garden.

Adding to its appeal is a reputation as a culturally diverse melting pot. From cuisine to arts and architecture, the streets of Albuquerque seem to effortlessly blend the traditions and cultural heritage of its nearly 600,000 inhabitants, making for a bustling, diverse, and warmly welcoming metro.

Growth and Diversity

The city has a diverse and robust economy that spans everything from film and media to manufacturing, biosciences, renewable energy and the aerospace sector.

In fact, the Greater Albuquerque region has attracted several big names in aerospace over the years, including Boeing, Northrop Grumman and Lockheed Martin. It's also home to the Kirtland Air Force Base and Sandia National Labs, with the latter responsible for an influx of highly specialized scientific talent to the city in recent years.

More recently, newer aerospace companies like Universal Hydrogen have also gained a foothold in the area boosted by economic development funding aimed at expanding manufacturing facilities and creating new job opportunities.

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Economic Incentives

According to the City of Albuquerque, the big attraction for these companies is the friendly business environment that's been cultivated over the years.

They note: "New Mexico has the lowest property tax in the nation, no inventory tax, and offers industry-specific incentives for new jobs and investment. For companies operating in the aviation and aerospace industries, there are tax deductions on gross receipts for aircraft maintenance or remodeling, aircraft manufacturing, and directed energy systems/satellites."

Since 2019, Albuquerque has also offered incentives aimed at growing small businesses and encouraging existing businesses to relocate their operations to the city, creating a thriving environment for commercial real estate (CRE).

Industrial Leading CRE

With such a focus on aerospace and manufacturing, it's no surprise that one of the strongest CRE sectors in Albuquerque is industrial. Over the past two years, ongoing industrial demand has resulted in both low vacancies and rent growth, pushing the sector from strength-to-strength.

Though at the end of Q1 2023, NAI SunVista reported a slight increase in vacancies, the sector maintained a very low rate at just 1.39 percent.

They stated at the time that while there were several large-scale projects in the works, developers "should seriously consider projects that offer smaller unit sizes, particularly in the 2,000 – 5,000 square foot range," as these were in short supply at the start of the year.

In Q2, industrial saw only a modest uptick to 1.57 percent vacancy over the quarter, placing it still firmly below the historical average and showing the continued potential for industrial investment in the city.

An Affordable City

Another factor driving interest in Albuquerque real estate is the city's reputation as one of the most affordable in the US.

Through late 2021-2022, Albuquerque saw both high occupancy and steady rent growth in multifamily as a growing workforce paired with tight inventory to boost demand in the city.

More recently, YardiMatrix noted that, despite some moderation in rents and occupancy this year, Albuquerque multifamily fundamentals "have improved consistently this decade."

Their April 2023 report shows that even with a slightly negative turn in rent growth (0.1 percent), the metro is still "well ahead" of national averages for the past year while remaining one of the most affordable housing markets in the U.S. This remained the case as recently as July when figures from Apartment List showed Albuquerque still outperforming compared to the rest of the nation.

The city was also ranked as one of the top choices in the "Affordable West" category of the 2023 PwC "Emerging Trends in Real Estate" report, and a top destination for affordable CRE investment overall.