

Site Readiness

A case for real estate investment



Setting the Stage

Site Readiness and its Role in Site Selection

Location strategy is a process used by companies and site selection consultants to determine optimal locations for a company's future facility.

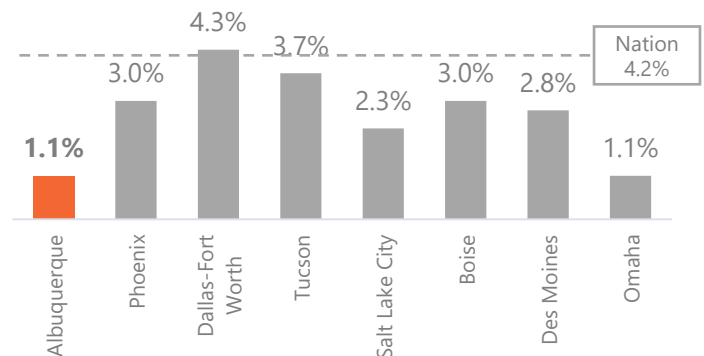
For states and municipalities, anything that can be done to minimize risk for business operations will enhance the community's probability of success in economic development.

Given high costs of construction, low vacancy, and minimal construction activity, the underdeveloped market in greater Albuquerque pushes rents to be some of the highest amongst a competitive set of metropolitan peers. For greater Albuquerque and New Mexico to win, **targeted infrastructure and facility development on key sites** will be required to support higher value manufacturing and research and development facilities.

Key Insight: Proactively invest in infrastructure by aligning real estate to targeted customers. In many instances, the economic impact and new tax revenue generated from new investments far outweigh the up-front cost of the initial investment into the property.

¹Q4 2022 Vacancy Rate

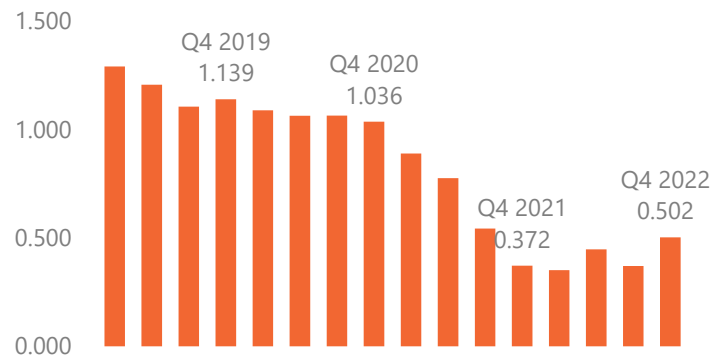
Select AREA 1.0 Peers



Source: CBRE Q4 2022 Industrial Market Report
*City names reflect metro areas

²Sq. Ft. Available for Lease, Albuquerque MSA

Quarterly Average | Numbers in millions



¹Market Comparison | Select AREA 1.0 Peers | Q4 2022

Metro Area	Vacancy Rate	Asking Rent/NNN	Total Inventory (millions)	Under Construction (millions)
Albuquerque	1.1%	\$12.00	46.4	0.579
Phoenix	3%	\$12.24	378.6	38.2
Dallas-Fort Worth	4.30%	³ \$6.54	913.7	76.9
Tucson	3.7%	\$10.68	40.3	1.8
Salt Lake City	2.3%	\$10.20	158.2	8.7
Boise	3%	\$10.44	44.8	4.5
Des Moines	2.76%	\$6.20	79.9	2.4
Omaha	1.1%	\$7.36	82.7	2.1

¹CBRE Research Insights Industrial Figures 4th Quarter 2022 <https://www.cbre.com/insights/figures/albuquerque-industrial-figures-q4-2022>

²NAI Sun Vista Land/Industrial 4th Quarter Report <https://sunvista.com/land-industrial-2022-q4-market-review/>

³ Colliers Q4 2022 Industrial Market Report, <https://www.colliers.com/en/research/dallas/q4-2022-dallas-fort-worth-industrial-report>

Site Readiness

Return on Investment



Return on Investment

Proactive Investment Opportunity

In the short-term, proactive improvement initiatives related to infrastructure and site development encourages cluster development and represents tactical opportunities where the economic value of implementation will **redefine the baseline for economic growth.**

In the long-term, by focusing on a collaborative growth model that strengthens the regional ecosystem, economic development efforts have the potential to **yield lasting impacts that will strengthen the region's industrial base and move greater Albuquerque into a more favorable competitive position** within both the domestic and international markets.

With the AREA analysis, the noted cost of infrastructure development (water, sewer, road) was valued at a conservative estimate of \$1.8 million. Given this investment in real estate and measured by anticipated increases in state tax revenue, the State of New Mexico would realize a 5-year return on investment of 5:1, shown right. In addition, this return would occur within 5 years of the real estate being absorbed.

Investment Profile and Economic Impact

Investment Profile

- 1 **Industry Sector:** Scientific research and development
- 2 **Building Square Footage:** 100,000
- 3 **Number of employees:** 200
- 4 **Wages:** \$71,438 (BLS median wage for this sector)

Cost and Revenue Inputs

Construction costs: \$14.9 million

Investment in equipment: \$10 million, tax-exempt.

Revenue: \$20,000,000

- 50% is subject to gross receipts tax.

5-year Summary | Direct and Total Revenue Impacts State Tax Revenue

	Direct Impact	Total Impact
2023	\$774,665	\$1,218,285
2024	\$527,041	\$1,414,280
2025	\$526,727	\$2,301,205
2026	\$526,458	\$2,300,935
2027	\$526,188	\$2,300,665
Cumulative Impact	\$2,881,079	\$9,535,370

*Impacts are the sum of real/personal property and GRT from company operations



5-Year Return on Investment State Tax Revenue

Direct Fiscal Impact

1.6 : 1

Total Fiscal Impact

5.3 : 1