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NM's aerospace advantage: Federal support, incentives



Image: Courtesy of AREA

Chad Matheson, senior vice president of the Albuquerque Regional Economic Alliance (AREA)
COURTESY OF AREA



By [Molly Callaghan](#) – Technology and Energy Reporter , Albuquerque Business First
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New Mexico is poised for an intersection between aerospace and manufacturing, and the Albuquerque Regional Economic Alliance, a 501(c)(3) that works to grow and diversify the regional economy, released a report including data from the last quarter of 2024 to illustrate the state's competitive edge.

Albuquerque Business First talked to AREA Senior Vice President Chad Matheson about the report, prepared on time for [the organization's participation](#) in the 40th Annual Space Symposium, held April 7-10, in Colorado Springs.

Matheson, in his role, oversees AREA's business development and economic research. When the organization engages in conversations with companies within or outside of the regional market, he ensures everyone involved has a clear understanding of the Greater Albuquerque region's characteristics that may align with a potential customer or company's needs. These are called "critical location factors."

"We do it for manufacturing, we do it for all kinds of core competency sectors so that we have informed narratives for our business development team," he said. "Why would we as chief executives choose Greater Albuquerque over Colorado Springs and Dallas and Tucson and Phoenix and Salt Lake (City) for our operation? That, in some instances, is what this works to address."

Companies [considering expansions](#) might take into account [workforce availability](#) and cost, business climate, the corporate neighborhood or density

of similar firms in the area, and more, when deciding where to do business.

AREA also considers New Mexico's macroeconomic business environment, how statewide and regional assets align to a specific type of operation, graduate output from institutions of higher education and occupational presence and growth.

"We do this in a way that helps build a narrative of specialization. We have strengths in aerospace that are competitive with our peers in a South Mountain West context," Matheson said.

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Two industries have emerged as significant drivers of economic performance in aerospace and other advanced industries in the Greater Albuquerque region, according to Matheson. He examined a critical mass of jobs and growth over a five-year period and identified those drivers as New Mexico's research and development and semiconductor industries, with the latter focused primarily around electrical component manufacturing.

AREA's job growth data comes from a tool called Lightcast, and illustrates that in 2023 scientific research and development accounted for almost almost 15,942 jobs with an 18.3% previous five-year period growth rate.

A similar narrative is true for semiconductor and electronic component manufacturing as well, with 4,038 jobs, but a 47.8% growth over the previous five-year period.

In fact, in the Mountain West region's notable Metropolitan Statistical Areas (MSAs), New Mexico ranks fourth by way of a critical mass of jobs to other

state's with much larger populations. This saturation is an attractive feature to a company considering a move to New Mexico's metro area.

"We have to have more in our back pocket for, 'Why Greater Albuquerque?' for these \$50, \$100, \$500 million investment opportunities, than just quality of life attributes. ... When you're early in the stage of an inward investment, you have to line up your market across the critical location factors you're being analyzed on," Matheson said.

New Mexico's business tax rate for certain industries is competitive

The report leverages data from a national organization, The Tax Foundation, which produces a report called Location Matters, last updated in 2021.

Analysts at the foundation examined the business tax rate for certain investment types nationwide, to determine relative to a research and development facility, the effective business tax that a firm realizes if they're operating that kind of facility.

New Mexico, relative to its peers in the Mountain West regions, ranked first relative to research and development and technology centers, second in corporate headquarters, and fourth in capital intensive manufacturing.

"(This means) our overall macroeconomic business climate is friendly to those types of investments," Matheson said.

The Tax Foundation's analysis incorporates the use of state-level incentives that would drive down their effective rate, which Matheson believes are well-aligned to how New Mexico officials and business leaders would like to grow and receive investment.

These allow for companies to have a higher propensity to be incentivized to close a deal, contributing to how in some instances, New Mexico's effective rate

is pushed down because of the use of state dollars to make it more competitive on the cost side.

Federal presences and supports give NM legitimacy, competitive edge in aerospace industries

The report highlights New Mexico's unique support from the federal level illustrated through the Space Vehicles directorate, the [U.S. Air Force's](#) "Center of Excellence" for space research and development, the Directed Energy Directorate, which develops and transitions technologies in laser systems, high-power electromagnetics, weapons modeling and simulation, directed energy and electro-options for space superiority, and Spaceport America.

The presence of these federal resources influence New Mexico's engineering and workforce capabilities, giving the state a competitive advantage to other markets without these kinds of directorates.

The report also shows how industry can more easily partner with Sandia National Laboratories in comparison to other states, where Sandia alone far exceeds agreements and partnerships seen with labs in California and Texas, leading with 1,545 agreements and 609 partners.

New Mexico's site-readiness is still slow, can be more expensive

The report also details competitiveness around new construction for research and development manufacturing facilities, specifically those employing 200 people and building a new, 100,000-square-foot space.

Costs across labor and building, annualized operating are accounted for, and to that end New Mexico holds a "fairly strong" comparative position.

The report does not account for site readiness, however, where New Mexico has historically struggled in terms of speed. This includes not just to put a building up, but securing infrastructure in the ground, which would allow for utilities to be readily available.

Oftentimes, Matheson explained aerospace and defense technology companies are driven by contracts and need to move quickly.

“I’ve seen, even within the past 12 months, a company saying they need a larger facility than this built within 12 months, and they’re looking at areas that do not have infrastructure and, quite frankly, would be funded by the private sector, which is a competitive disadvantage to other states,” Matheson said.

Companies can instead go to Texas, for example, and colocate with industry and federal resources where there is readily available infrastructure.

“If we’re slow, we’re more expensive,” he added.

The report shows New Mexico’s potential to be less expensive with the right infrastructure in place, illustrating new construction is 5% less expensive than its peer averages for construction costs, at \$24.75 million.

[Site readiness](#) is not a “silver bullet,” Matheson emphasized, but an essential part of New Mexico’s competitiveness.

New Mexico legislators recently [proposed \\$24 million for a site readiness fund](#), a step in the right direction, according to Matheson.

“At the end of the day, for aerospace, our quality surpasses our peers in a lot of in a lot of ways, especially those who are looking to carve a niche for themselves within the industry. Having the accessibility of (the Air Force Research Laboratories) and Sandia and our partners who are ready to engage and build a relationship, I think that is a differentiator for us uniquely an aerospace system right now,” Matheson said.

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