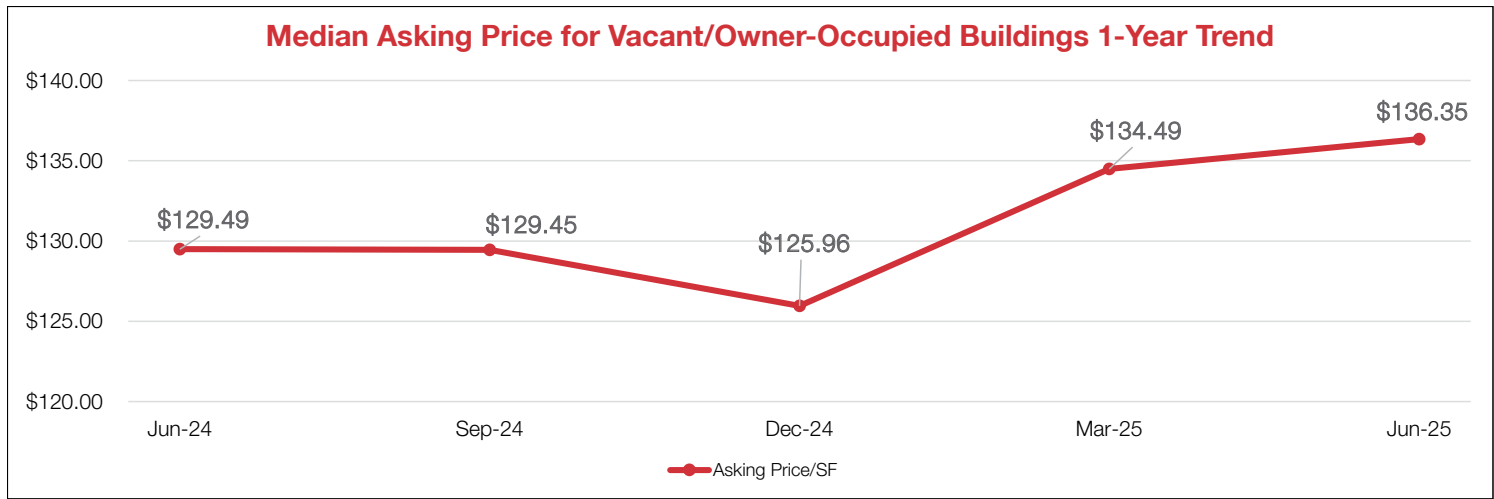


2025 Q2 Sale Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Asking sale prices for vacant/owner-occupied space increase

The median asking sale price for vacant/owner-occupied* industrial buildings in Albuquerque rose again in Q2 2025 to \$136.35.



Sellers continue to possess two key market advantages: limited supply and high construction costs.

Supply is particularly constrained in the sub 10,000 square foot range. In the last five years, smaller (4,000 – 10,000 SF) office/warehouse buildings with excess land for parking and/or outdoor storage have experienced significant appreciation in value.

Pre-COVID, “top of market” pricing for buildings like these was in the \$100 - \$110/SF range—maybe as high \$120/SF in the right circumstances. In the last 18 months, though, sales have consistently traded in the \$140/SF, \$150/SF and \$160/SF range. A few notable examples have even approached \$200/SF.

Demand for larger buildings (10,000 SF – 50,000 SF) is not quite as robust, though still present. This has more to do with a smaller pool of buyers than it does with the actual value of the asset. There simply is not as wide a market for a 30,000 SF building than there is for a 5,000 SF space.

Construction cost increases continue to outpace the growth in value of existing buildings. While a handful of new buildings have been built in recent years, most (if not all) were completed by developers and investors with the intent to lease the space. Almost none were built by owner-occupiers. It’s difficult to say when construction costs will stabilize (and it’s unlikely they will ever decrease) as their two primary drivers—labor and materials—remain as costly as ever.

Asking sale prices for investment properties decrease

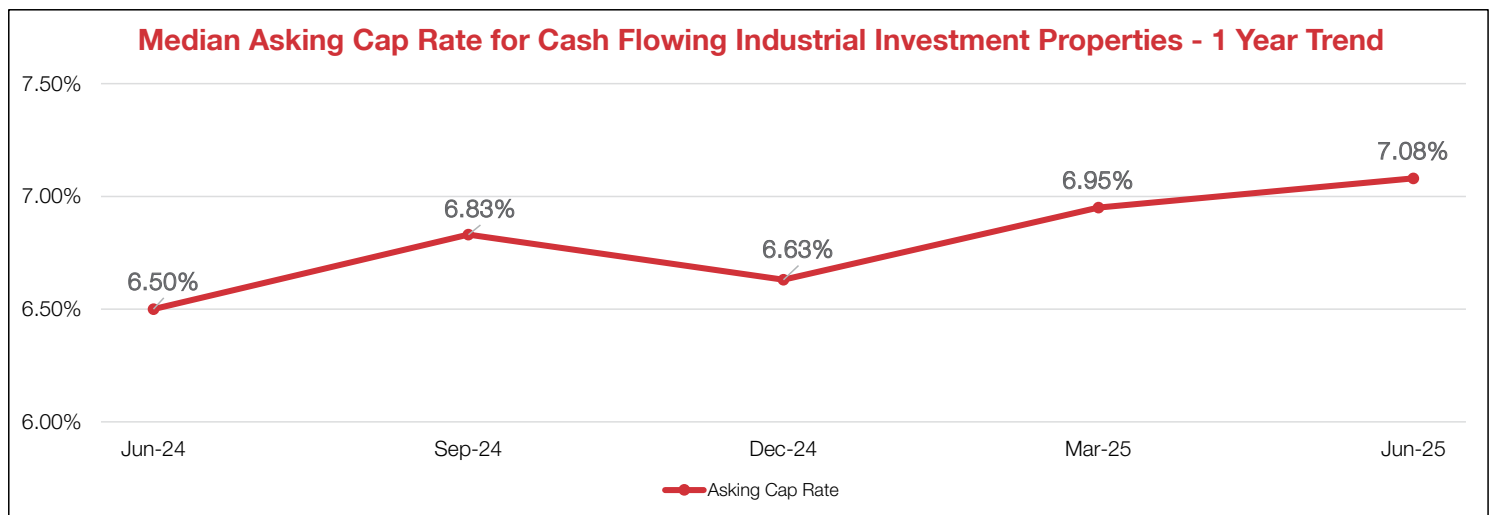
The median asking cap rate* for cash flowing industrial investment properties* continues to rise, albeit very slowly. Since the end of Q2 2024 it has increased from 6.50% to 7.08% leading to a corresponding decrease in property values.

2025 Q2 Sale Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

The primary culprit? Persistently high interest rates. While a certain category of investor (cash buyer or 1031 Exchange buyer) can get by with a return in the 6% - 7% range, most investors still rely on debt financing to acquire property. When interest rates charged by lenders are in the same 6% - 7% range as the return offered by a property, there's little to no margin to make the investment compelling.

As a result, cash flowing industrial investment properties are staying on the market far longer than vacant/owner-occupied properties. Those that end up selling either offer more attractive returns (8% or higher) or are structured to allow the new owner to increase the return in short order (mainly through increasing rents to market as leases expire).



Definitions:

Vacant/owner-occupied industrial real estate: an industrially zoned office/warehouse, manufacturing facility, contractor's yard, or other facility catering to an industrial use in which the owner of the property also occupies the property for use in its business or trade.

Cash flowing industrial investment properties: an industrially zoned property that is leased to a third-party tenant from whom the owner receives monthly rent payments. The owner's interest in the property is not for its utility but rather the financial return it generates.

Cap rate: shorthand for "Capitalization Rate", this metric is expressed as a percentage and represents the annual net income a property generates relative to its value. For example, a property for sale for \$1,000,000 that generates \$100,000 in net income each year would have a cap rate of 10% (\$100,000 divided by \$1,000,000 = 10%).

Cap rates and property values have an inverse relationship, meaning that a lower cap rate translates to a higher price and vice versa. If the property mentioned above were instead marketed at \$1,200,000 (a higher price), its cap rate would decrease to 8.33% (\$100,000 divided by \$1,200,000 = 8.33%). Correspondingly, if that property were marketed at \$800,000 (a lower price), its cap rate would increase to 12.5%.

NAI SunVista understands the unique real estate needs of the land and industrial communities. Our Land and Industrial Division advisors have extensive experience in developing customized solutions for our clients in manufacturing, assembly, warehousing and distribution, as well as those looking for vacant land.



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