2025 Q3 Sale Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Don't Overlook the South Valley Submarket; What Industrial Investment Properties are Selling

The median asking sale price for vacant/owner-occupied industrial buildings in Albuquerque held steady between the second and third quarters of 2025 at $136.35 per square foot. That said, the market was considerably more active in the third quarter than in prior quarters this year.

Figure 1 - Median Asking Price for Vacant/Owner-Occupied Buildings 1-Year Trend

Two noteworthy sales closed in the South Valley*, a submarket of Albuquerque that historically has been overlooked but is now in the midst of a promising transformation. Improvements to infrastructure in recent years specifically the Rio Bravo Blvd. and Sunport Blvd. interchanges have made the area more accessible, inscreasing demand for properties in response.

In September, a 31,000 SF office/warehouse/manufacturing facility on two acres was sold to a local door manufacturing company while an 11,000 SF warehouse/industrial outdoor storage (IOS)* property on three-acres sold to a local auto parts wholesaler.

Both properties featured good visibility, a very permissive industrial zoning designation (M-2 Heavy Manufacturing), and more efficient access to the entire metropolitan area stemming from the aforementioned infrastructure projects.

While the North I-25 Corridor remains Albuquerque's most in demand submarket, the South Valley is on the rise. It offers larger, more affordable properties in close proximity to major growth areas in the city including the Southwest Mesa and Mesa del Sol.

Definitions:

South Valley: A submarket of industrial real estate in Albuquerque generally understood to be bounded by Avenida Cesar Chavez to the north, I-25 to the east, the Rio Grande to the west, and the intersection of I-25 and Broadway Blvd. to the south.

Industrial Outdoor Storage (IOS): Industrially zoned real estate that has a high percentage of usable land relative to buildings/structures on site. For example, the IOS property referenced above is a 3-acre parcel of which only 8% is occupied by a building. This gives the owner/user a surplus of outdoor space for storing materials, vehicles, and equipment (or for future expansion).

Compare this to the average percentage of buildings to land in Greater Albuquerque (which is closer to 30%) and the owner/user of an IOS property has about 22% more usable land area.

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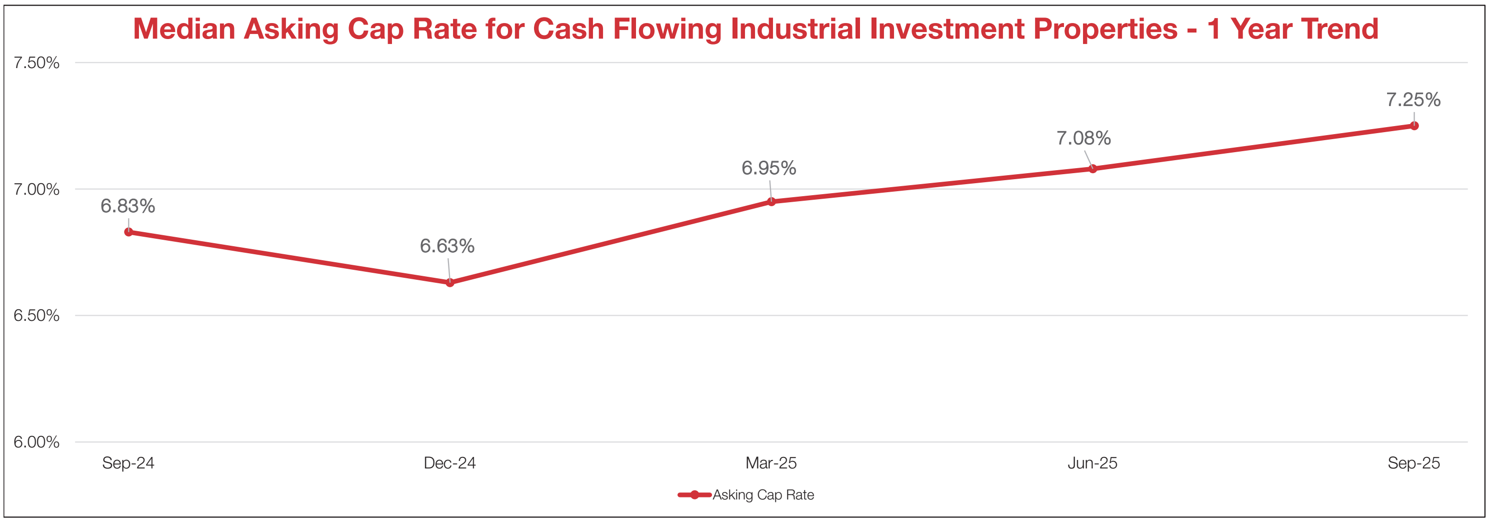
Asking sale prices for investment properties decrease

The median asking cap rate for cash flowing industrial investment properties rose for the third consecutive quarter and now sits at 7.25%. This upward trend is tied to high interest rates which have a direct and negative impact on investment sales. While the Federal Reserve recently decreased the Federal Funds Rate (and signaled additional decreases could occur later this year), it may be several months before the impact of lower rates percolates through the wider real estate market.



However, the robust demand for and strong performance of industrial real estate in recent years has allowed it to remain an attractive investment even in the midst of a higher-than-normal interest rate environment.

Three multi-tenant industrial buildings sold in the third quarter, each of which offered immediate value-add potential.

Two—located in Southeast Albuquerque near Kirtland Air Force Base—had month-to-month tenants which will allow the new owners to improve the performance of the property by raising rents and/or signing the tenants to longer term leases.

The third—located in the North Valley—is in the midst of converting from a modified gross lease structure (wherein the landlord pays all operating expenses including property taxes, insurance, and common area maintenance) to a triple-net lease structure (wherein the tenant pays for those operating expenses in addition to the base rent amount already in place).

Circumstances like these help mitigate the impact of high interest rates. On the other hand, investment properties with longer-term leases in place (5+ years) are taking longer to sell as the returns are fixed for several years into the future.

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