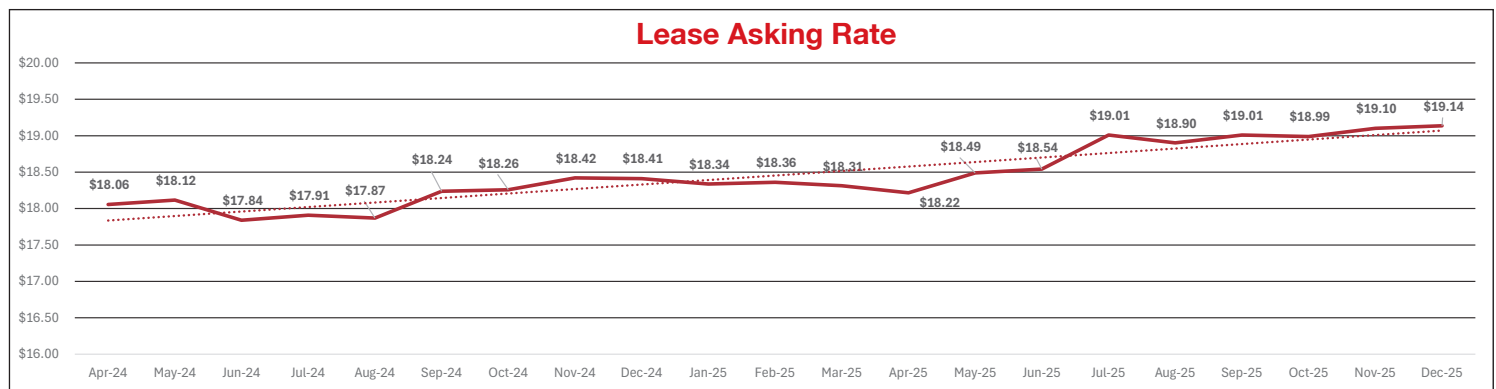


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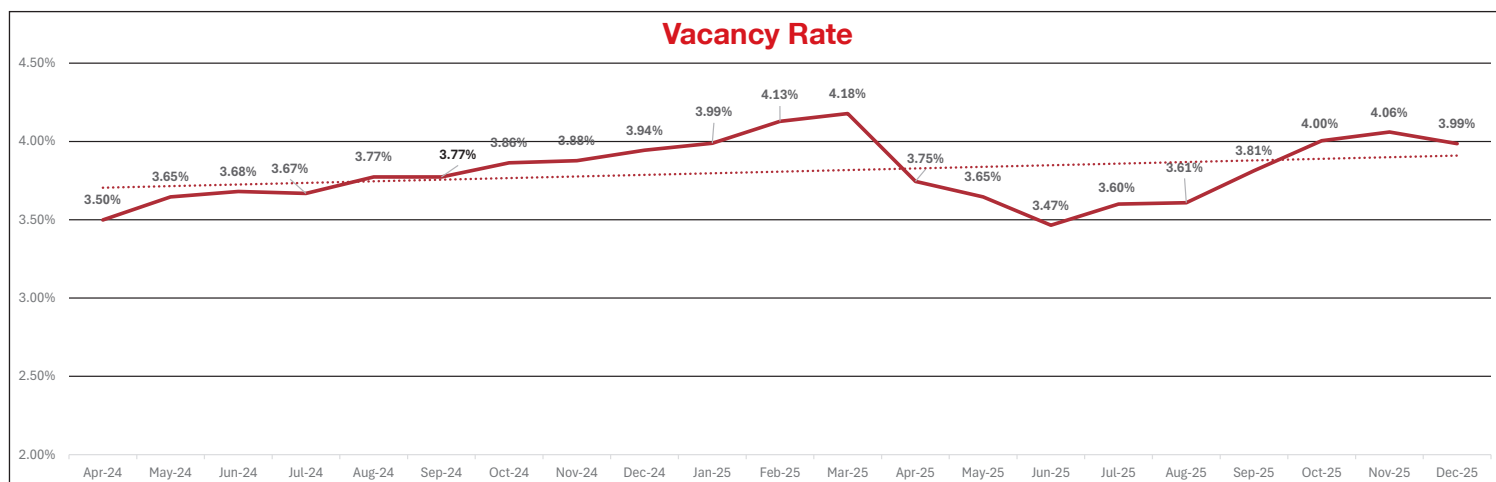
### Q4'25 Recap: Light at the End of Tunnel for New Construction, A+ Sites Remain Competitive

The final quarter of 2025 brought illuminated signs of stronger activity in the retail sector, which I believe will continue into 2026. On a macro level, many believe interest rates will be settling below 6% by year end, contingent upon slowing inflation and additional rate cuts. Locally, several new construction retail projects including, Lobo Crossing and Oxbow Center are gaining momentum with pad and shop space tenants.

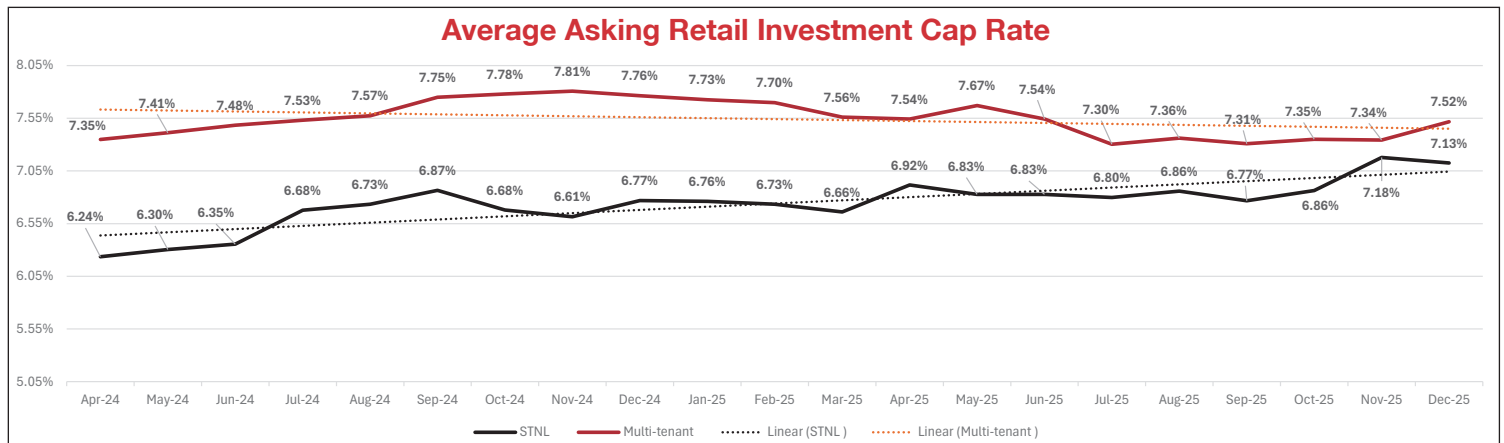
The continued theme of positive rent growth was evident in Q4 of '25, with a jump from \$19.01 in September '25, up to \$19.14 at the end of December '25. Rates for prime spaces have remained competitive, while B and C properties tend to remain stabilized. Medical and restaurant users primarily lead the way for premium rents and a similar "flight-to-quality" phenomenon, seen in the office market over the last twelve months, is occurring in the retail category.



Although it is still considerably low, vacancy rates continue to trend slightly upwards. It is important to note that vacancy data is largely skewed by several empty big box spaces in the Cottonwood trade area, which I'd expect to be home to new tenants in 2026, given the velocity of big box absorption over the last twelve months. The Far Northeast Heights, especially the Paseo Del Norte corridor, remains as one of the most desirable markets for retail tenants and is evidenced by minimal available inventory and quick shelf life of product brought to market. Outside of space 15,000+ square feet, a majority of the retail inventory comprising the vacancy metric is in the Southeast Heights and pockets of the Northeast Heights closer to the interstate.



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Despite an additional rate cut, landing at 3.50% on the lower limit, the upward trend in cap rates on single tenant net leases has continued in the Albuquerque market. Asking cap rates for multi-tenant retail products has remained relatively flat since data collection for this report began in April '24. 2025 ended with considerably more multi-tenant retail investments on the market than single tenant opportunities (17 and 26, respectively).

Anecdotally, investor activity in the New Mexico market for retail investment opportunities has been largely concentrated around multi-tenant retail centers, both anchored and unanchored. This asset type provides a strong hedge against macro changes in consumer behavior and allows investors to target a mix of credit strength from tenants.

Several notable transactions, shown below, occurred in Q4 of '25, including a Single Tenant Net Leased Calibers Indoor Gun Range, a former Bank of America (soon to be Tap N Taco) on Wyoming Blvd, and the former Whole Foods on Carlisle, which was acquired by a user.

