

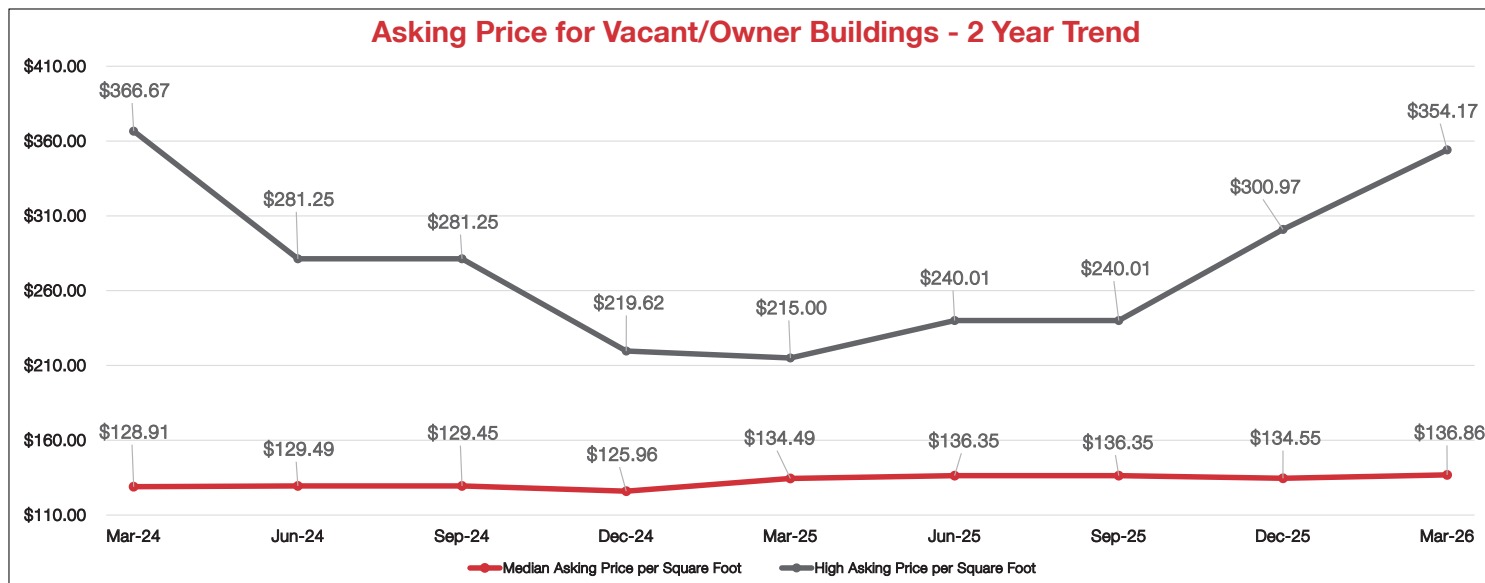
2026 Q1 Sale Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

Sales of vacant/owner-occupied industrial real estate continue to outperform investment sales

As of the end of Q1 2026, the median asking price for vacant/owner-occupied industrial properties reached \$136.86 per square foot, a two year high. It has now remained comfortably above \$130 per square foot for four consecutive quarters.

The highest asking per square foot price each quarter has increased dramatically in the last year. What justifies pricing higher than \$200 per square foot? More often than not it has to do with a property's Floor Area Ratio (FAR).



FAR measures the relationship between building size and land area. A 15,000 square foot warehouse on a 1-acre lot has an FAR of 34.44% which means that roughly 35% of the lot is occupied by a structure and is otherwise unusable. Compare this to that same 1-acre lot but now with a 10,000 square foot warehouse instead. The FAR drops to just under 23%. That difference (35% vs. 23%) means that the lot with the smaller building has a proportionally higher amount of excess usable land even though the lot size is identical.

That excess usable land could be used to expand the existing building. But in today's market, its value is more tied to outdoor storage of vehicles, materials, and equipment.

When it comes to pricing, properties with low FAR values marketed above \$200/SF don't necessarily have superior buildings. Most of the premium in value comes from the excess land relative to the building.

Another factor influencing the higher end of pricing in recent quarters is the attempt to re-sell marijuana grow facilities.

Five years post legalization, the market for marijuana in New Mexico is maturing and consolidating. In response, recently in-operative grow facilities have come to market. Most are converted warehouse buildings with significant (and expensive) modifications to electrical and HVAC systems—modifications that have limited to no utility for companies outside of the industry.

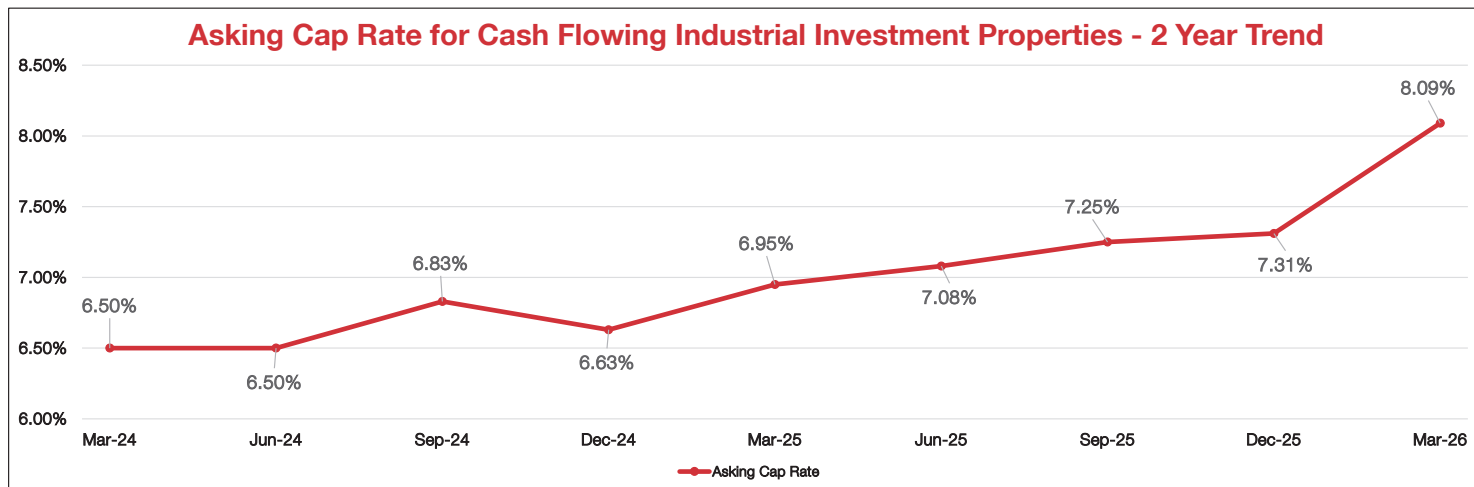
Sellers have struggled to achieve pricing that reflects their combined investment into the real estate and equipment, and the broader market has not yet supported elevated valuations for these assets.

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Quality industrial investment properties trade in a very tight

The median asking capitalization (cap) rate for cash flowing industrial investment properties increased again, now for the fifth consecutive quarter, and has now eclipsed 8%.



The interest rate environment has marginally improved but is still not favorable enough to investors to meaningfully shift demand. In response, sellers have a few options: lowering asking prices to improve their property's cap rate, patiently waiting for interest rates to decrease, or pull their properties from the market until conditions to improve.

That said, quality industrial investment properties are still trading in Greater Albuquerque:

A 63,000 square foot distribution warehouse located at 702 Carmony Lane was recently acquired by an investor based in Salt Lake City, Utah. The building is leased to ARRK Enterprises, a wholesale supplier for companies in the healthcare, pharmaceutical, food and beverage, and janitorial/sanitization industries. At the time of sale, the current lease term has just over six years remaining and the tenant has three, 5-year renewal options for a combined total of 21-years of existing and potential lease term.

In addition, two multi-tenant, small-bay industrial* investment properties recently sold. One is an 18,000 square foot building located at 8301 Washington St. NE which has 8 individual suites ranging in size between 2,000 and 2,360 square feet. The other is located at 2400 Morningside Dr. NE and is 8,950 square feet spread across two buildings with 4 individual suites ranging in size from 1,875 to 3,000 square feet.

When compared to the market for vacant/owner-occupied industrial real estate, the market for industrial investment properties is not nearly as dynamic. But quality buildings in good locations with either stable (long term single tenant) or diversified (multiple tenants, varying lease terms) income streams still have a market.

Definitions:

Small-Bay Industrial: A multi-tenant industrial property composed of smaller, divisible units—typically around 1,000 to 5,000 square feet—each with its own entrance and usually a grade-level roll-up door. These buildings are designed for local businesses such as contractors, light manufacturers, and service users that need flexible space combining warehouse and office functionality.

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