2026 Q2 Market Review

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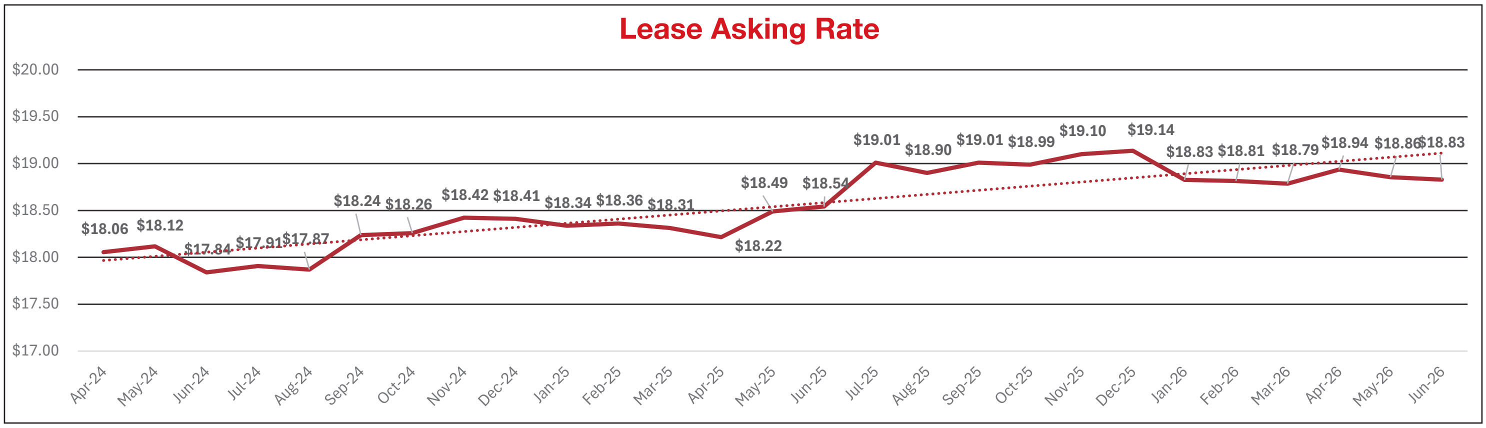
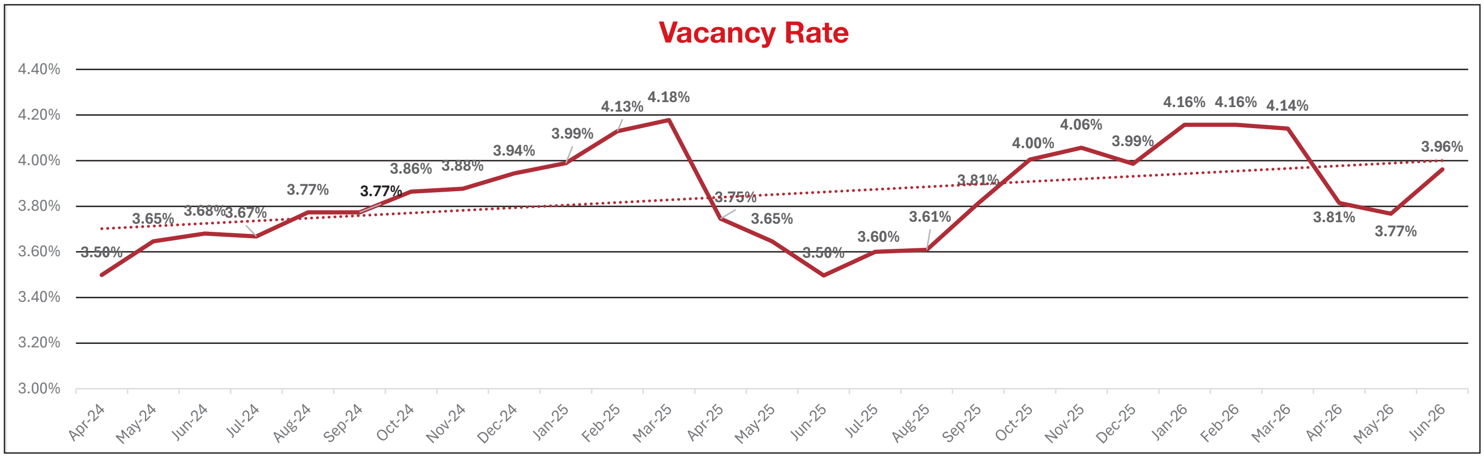
Q2'26 Recap: Stable Fundamentals Continue as Investment Inventory Expands

Albuquerque's retail market continued its fundamentally healthy performance through the second quarter of 2026. While uncertainty surrounding interest rates and the broader economy persists nationally, local retail fundamentals remain remarkably resilient. Asking lease rates held essentially flat throughout the quarter while vacancy remained below 4% for most of Q2, reinforcing the market's long-standing supply constraints. At the same time, retail investment opportunities increased across both multi-tenant and single-tenant assets without triggering meaningful cap rate expansion. Together, these trends point to a market that has transitioned from rapid post-pandemic growth into a period of equilibrium characterized by stable pricing, healthy tenant demand, and continued investor confidence.

As reflected throughout this report, Albuquerque's leasing market continues to be driven by individual transactions, corridor quality, and property-specific fundamentals rather than broad market appreciation. While average asking lease rates reached the upper-$18 per square foot range, they remained essentially unchanged throughout the second quarter, suggesting landlords have largely reached pricing equilibrium after several years of steady rent growth. Premium retail corridors and newly constructed projects continue to command the highest asking rents, while more traditional neighborhood retail remains competitively priced. The data continues to support a two-tier leasing environment where location, visibility, and property



Retail vacancy remains among the tightest of all commercial property types throughout the Albuquerque metropolitan area, particularly within the Far Northeast Heights and Northwest trade areas. Vacancy declined through much of the second quarter before experiencing only a modest increase in June, ultimately remaining below the levels observed at the beginning of the year. Likewise, total available retail inventory declined from first-quarter levels before stabilizing near quarter-end, indicating continued tenant absorption despite a slowing pace of rent growth. The relationship between stable asking rents and historically low vacancy suggests landlords are prioritizing occupancy and tenant retention over aggressively pushing rental rates higher. For smaller retail suites, particularly those under 1,500 square feet in high-performing trade areas such as Rio Rancho and the Far Northeast Heights, landlords continue to enjoy meaningful pricing leverage due to limited availability.



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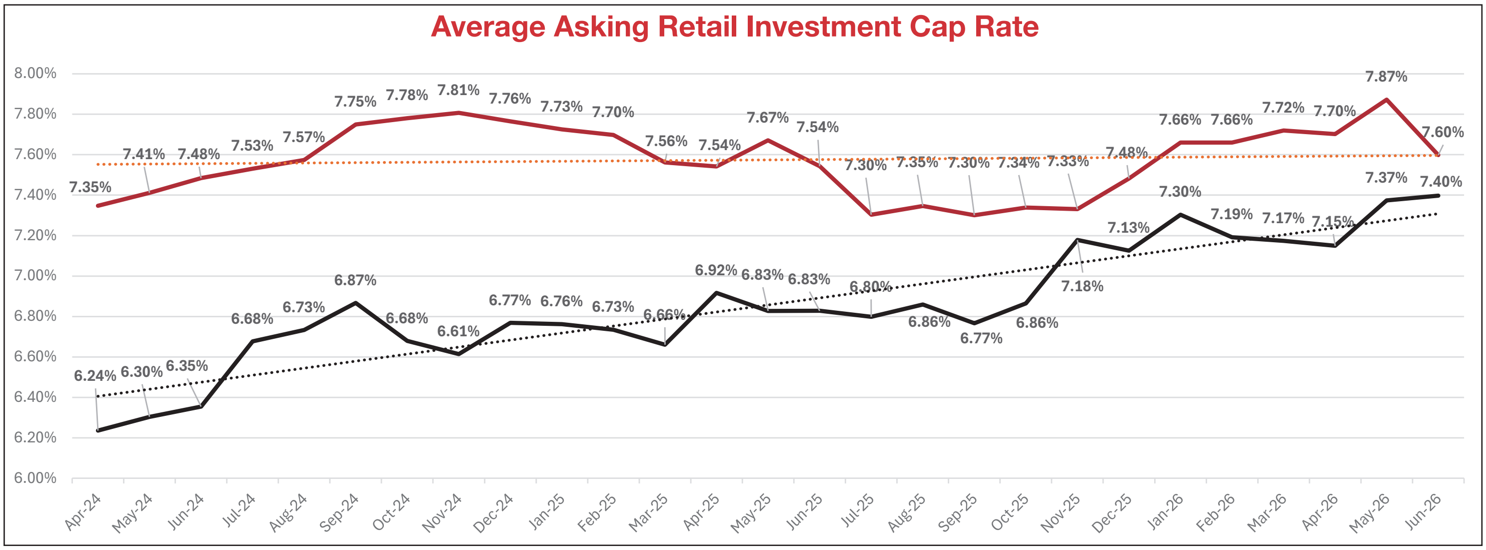

One of the more notable developments during the second quarter was the increase in retail investment opportunities entering the market. Both multi-tenant and single-tenant inventory expanded during Q2, providing investors with a broader selection of available assets. Despite the increase in listings, average cap rates remained remarkably stable. Multi-tenant cap rates continued to trade within the mid-7% range throughout the quarter, while single-tenant net lease assets exhibited only modest movement despite the additional inventory. Rather than signaling weakening fundamentals, this relationship suggests investor demand remains sufficiently healthy to absorb increased supply without requiring significant pricing concessions.

For multi-tenant retail specifically, the combination of higher inventory and relatively unchanged cap rates indicates a market becoming more balanced rather than materially softer. Buyers have greater choice than earlier in the year, but quality shopping centers continue to command competitive pricing and attract active investor interest. The absence of meaningful cap rate expansion suggests buyers remain confident in Albuquerque's underlying leasing fundamentals and long-term income stability.

Single-tenant net lease assets continue to represent one of the strongest-performing segments of the local investment market. Although available inventory increased during the quarter, cap rates remained tightly range-bound, reflecting continued investor preference for predictable cash flow, credit tenancy, and long-term lease structures. Just as importantly, the data continues to show what is absent from the market: rapid cap rate expansion, distressed pricing, or significant volatility. Owners remain under little pressure to dispose of assets, and debt maturities have yet to translate into widespread distress or forced sales.

Several notable retail transactions occurred during the second quarter, continuing the healthy pace of activity observed throughout the Albuquerque market. While buyers and users have become increasingly selective, quality retail assets remain highly sought after, particularly well-located neighborhood shopping centers and single-tenant net lease properties with durable cash flow.