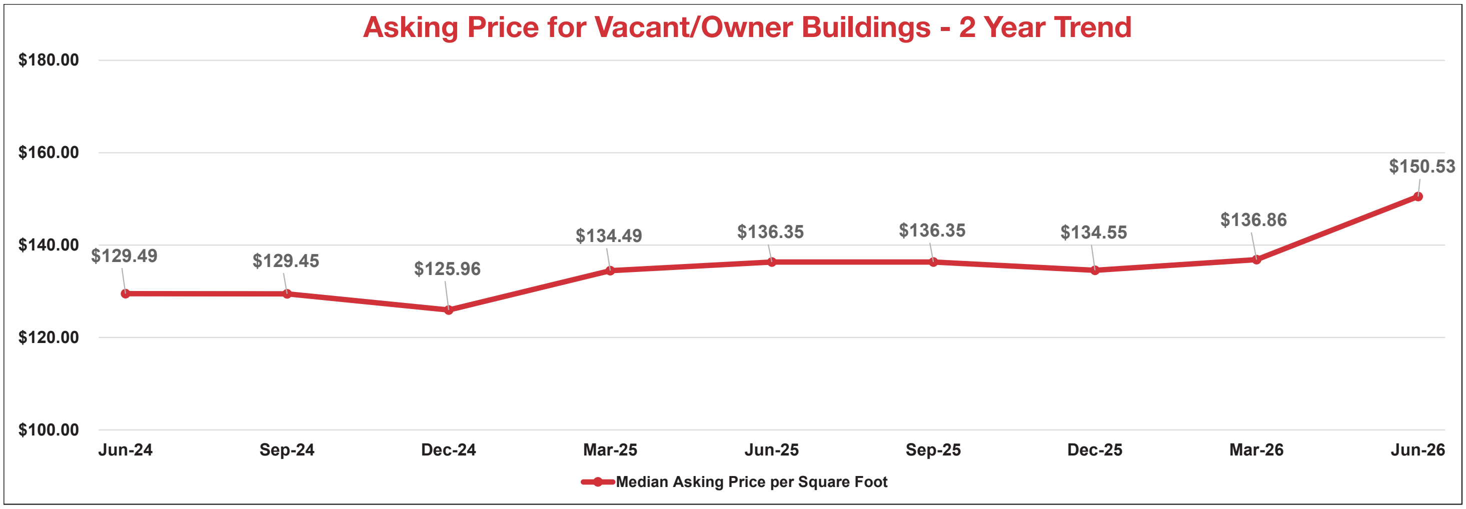
2026 Q2 Sale Market Overview

ALBUQUERQUE | INDUSTRIAL REAL ESTATE

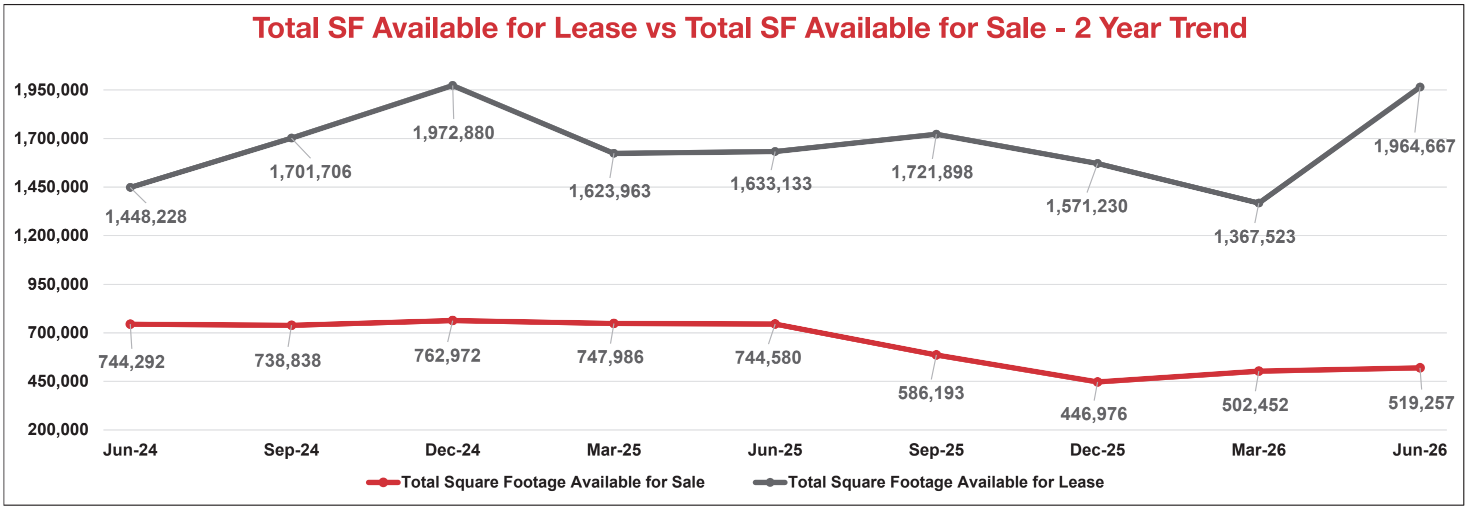
Sale price growth is evident in the vacant owner/user market

The last edition of this report celebrated four consecutive quarters of median asking sale prices for industrial real estate exceeding $130 per square foot. That positive trend has now accelerated: the median asking price rose to $150.53 per square foot by the end of the second quarter.



This increase compares favorably to the lease market for industrial real estate, where median asking lease rates have flatlined.

The most likely cause is the imbalance between space available for sale vs. space available for lease. About 520,000 square feet is currently listed for sale. Almost four times as much (1,965,000 square feet) is being marketed for lease.



With more and more space available for lease, tenants now have options and leverage, limiting the ability of landlords to seek higher rents. But a far more limited supply of properties for sale has allowed for continued growth in asking sale prices.

Property owners contemplating whether to sell or lease should keep this market dynamic in mind. With substantially fewer competing properties listed for sale than for lease, the sale market for industrial real estate is yielding higher returns than the

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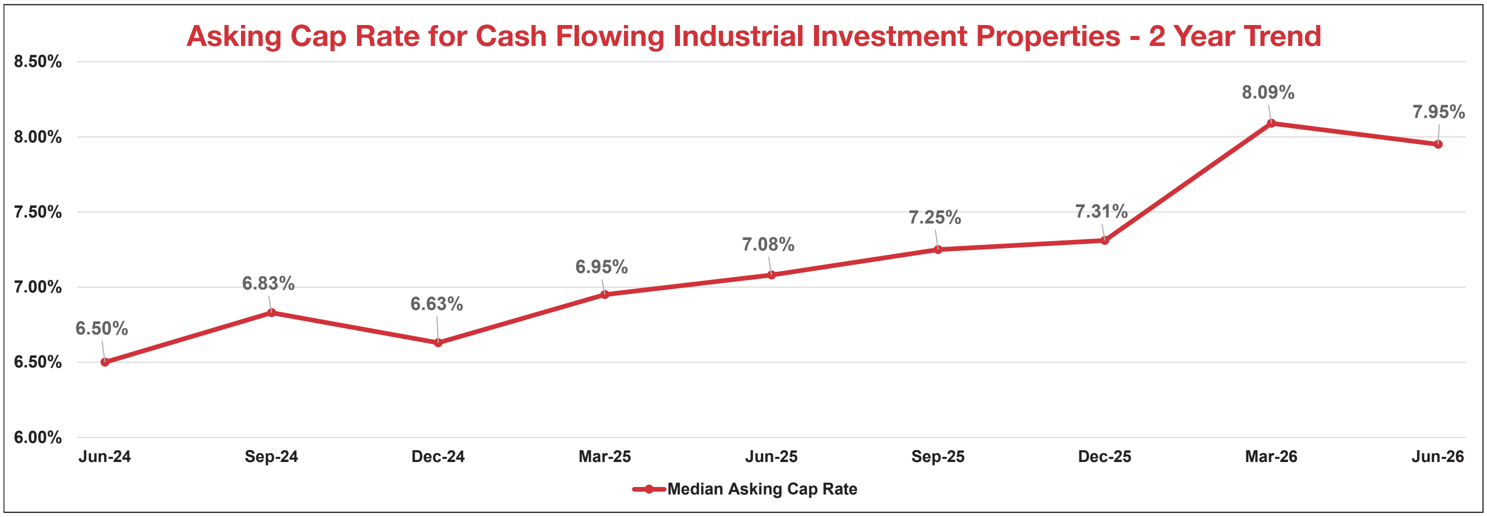
Limited options and limited sales in the investment market

The median cap rate for industrial investment properties decreased slightly between the first and second quarter but a long term upward trend remains in place.



Interest rates are still high and continue to weigh on the investment sale market. But other factors are limiting sale activity. The quality of available inventory is not of the highest caliber, while very few properties are being marketed.

Only seven true industrial investment properties* are currently listed for sale, and each one has meaningful limitations. Multi-tenant buildings with shorter-term leases have cash flow irregularity as tenants come and go. Some properties are fully occupied but have functional shortcomings like a lack of grade level access** or a high floor area ratio (FAR)***. One investment property has a tenant that no longer occupies the space but is still paying rent.

In short, the current inventory consists primarily of properties with real challenges, and buyers and sellers have yet to fully reconcile pricing expectations for these assets. As a result, current asking cap rates may not accurately represent where a high-quality, fully leased industrial investment property would trade in today's market.

Definitions:

***Industrial Investment Property:** a property that is leased to one or more tenants and generates ongoing rental income for the owner. Rather than being purchased for the owner's business operations, it is acquired primarily for its income-producing potential and long-term appreciation.

****Grade Level Access:** refers to a ground-level exterior door that allows vehicles or equipment to drive directly into a building without the use of a loading dock or raised platform. It is commonly used for loading, unloading, and vehicle access in industrial properties.

*****FAR:** measures the relationship between a building's size and the land it occupies. For example, a 15,000-square-foot warehouse on a 1-acre lot has an FAR of 34.44%, meaning about 35% of the site is covered by the building. A 10,000-square-foot warehouse on the same 1-acre lot has an FAR of just under 23%, leaving a significantly greater proportion of the site available for other uses. While this excess land could accommodate future building expansion, in today's industrial market it is often more valuable as usable yard area for outdoor storage of vehicles, equipment, or materials.

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