

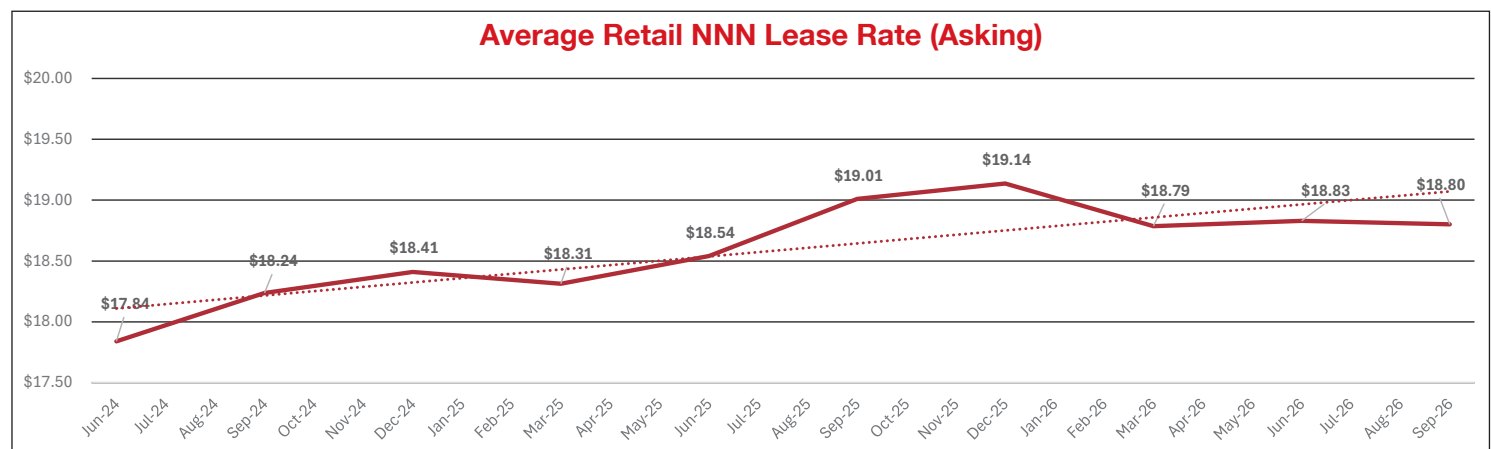
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Retail Rents Hold Steady as Vacancy and Investment Pricing Diverge

Albuquerque's retail market experienced a modest shift in fundamentals during the third quarter of 2026. While asking lease rates remained remarkably stable, retail vacancy increased toward quarter-end, driven in significant part by several larger retail spaces entering the market. Meanwhile, the investment market experienced greater differentiation between multi-tenant and single-tenant net lease (STNL) assets, as rising Treasury yields placed additional pressure on commercial real estate underwriting. Despite these developments, the broader market continues to demonstrate resilience, with performance increasingly dependent on location, tenant credit, and property-specific fundamentals rather than broad market movements.

Albuquerque's retail asking lease rates remained largely unchanged throughout Q3, reinforcing the pricing stability observed during the previous quarter. Average asking rates began July at \$18.87 per square foot, increased marginally to \$18.89 in August, and finished September at \$18.80. The lack of meaningful movement suggests landlords have largely maintained their pricing expectations despite fluctuations in available inventory.

As discussed in previous reports, Albuquerque remains a deal-driven leasing market, where premium corridors, newer construction, and highly visible retail centers command higher rents than traditional neighborhood retail. The continued stability in asking rates suggests landlords are exercising pricing discipline rather than pursuing aggressive increases. However, with vacancy increasing toward quarter-end, the coming months may provide a clearer indication of whether current asking rents can be sustained as additional space enters the market.

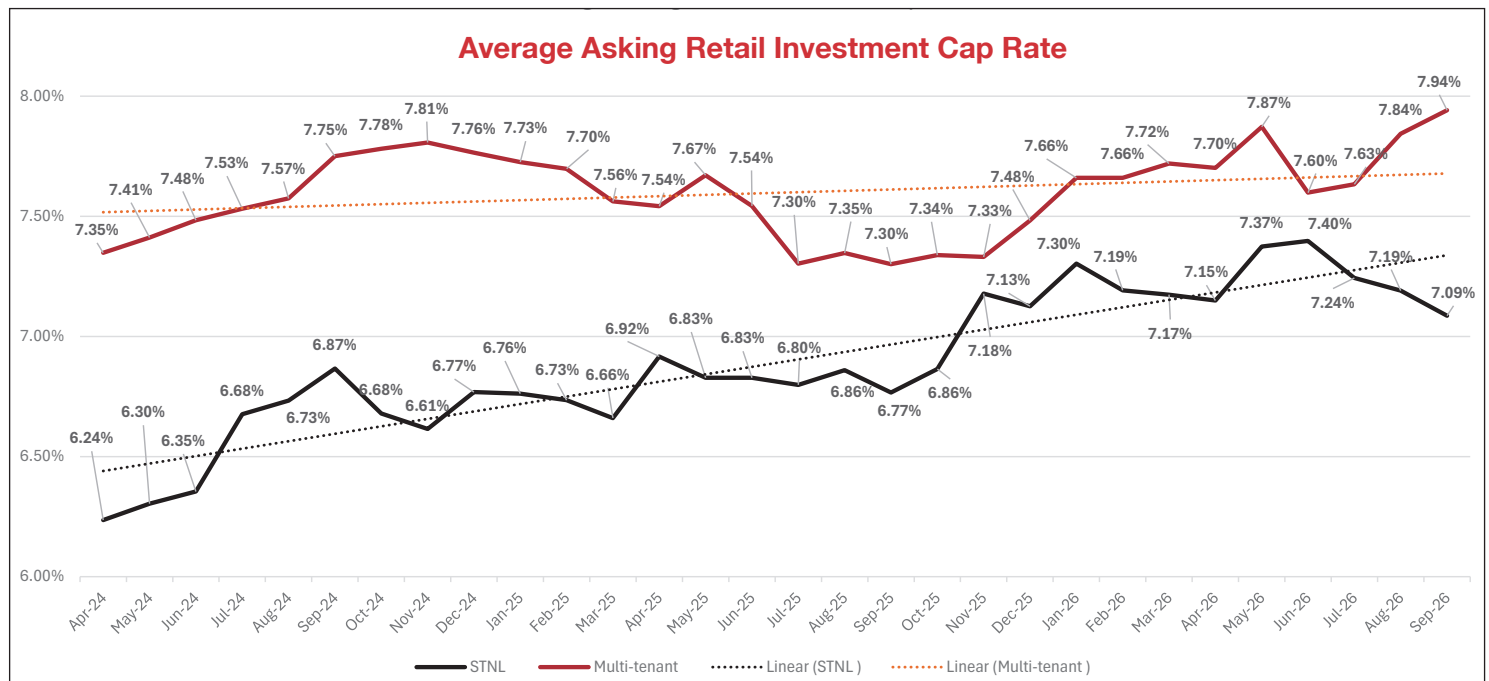
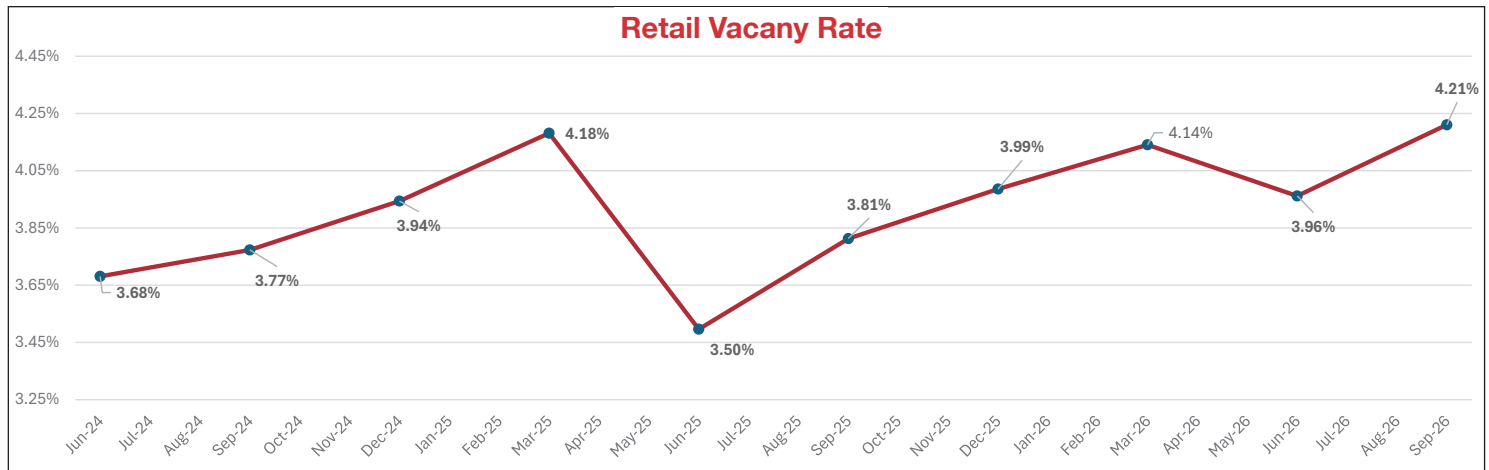


Retail vacancy increased during the third quarter, reaching 4.21% in September compared with 3.96% at the end of Q2. Total available retail square footage increased by approximately 122,000 square feet over the same period, reaching 2.07 million square feet. Although this represents a noticeable change from the tightening observed earlier in the year, a closer examination of property-level activity reveals that the increase was driven disproportionately by several larger retail spaces entering the market rather than a widespread increase in small-shop vacancies.

Notably, six larger listings accounted for approximately 87,000 square feet of gross additions during Q3, with much of the increase concentrated in August and September. While some of this activity may reflect changes in marketed availability rather than newly vacated space, the concentration of larger listings suggests that the increase in vacancy is not necessarily indicative of broad-based weakness in tenant demand.

The relationship between stable asking rents and increasing availability will be an important trend to monitor during Q4. Should larger vacancies remain on the market for extended periods, landlords may face greater competition for prospective tenants. However, smaller retail suites in established, high-performing trade areas continue to benefit from limited availability, supporting pricing expectations for well-located properties. (cont. on next page)

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The retail investment market experienced a more pronounced shift during Q3 as rising interest rates and greater investor selectivity influenced pricing expectations. The benchmark 10-year U.S. Treasury yield increased from a monthly average of approximately 4.47% in June to 4.99% in September, placing additional pressure on commercial real estate financing and required investment returns. Higher borrowing costs can reduce leveraged returns and increase the yields buyers require to justify the risks associated with property ownership. Consequently, the relationship between financing costs, property income, and asking cap rates remains an increasingly important consideration in investment underwriting.

Within Albuquerque's multi-tenant retail market, average asking cap rates increased from approximately 7.60% in June to 7.94% in September. Available investment opportunities remained relatively stable during Q3 following the inventory increase observed in Q2. The combination of higher asking cap rates and relatively consistent inventory suggests greater pricing sensitivity among multi-tenant investors. Buyers continue to place significant emphasis on tenant rollover exposure, occupancy stability, future leasing expenses, and the durability of net operating income. While the movement does not necessarily indicate widespread market softening, it suggests investors are becoming more selective in their underwriting. (cont. on next page)

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The STNL market followed a different trajectory, with average asking cap rates declining from approximately 7.40% in June to 7.09% in September. However, this movement should not be interpreted as broad-based cap rate compression or appreciation across the STNL market. Several corporate-credit STNL properties entered the market during August and September, introducing lower-cap-rate investment opportunities that influenced the overall average. The resulting decline was therefore driven primarily by a change in the composition of available investments rather than a fundamental shift in market-wide pricing.

This distinction is particularly important when comparing STNL and multi-tenant investment trends. While the spread between the two segments widened during Q3, much of that movement reflects differences in tenant credit quality and the underlying properties being marketed. In a market such as Albuquerque, where the number of available investment opportunities is relatively limited, a handful of premium listings can meaningfully influence aggregate cap rate averages.

Looking ahead, elevated Treasury yields and borrowing costs may continue to challenge investment pricing, particularly for leveraged buyers. Nevertheless, Albuquerque's relatively stable leasing fundamentals continue to provide support for retail investment activity, with tenant credit, lease duration, and income durability remaining central to investor underwriting.

Several notable retail transactions occurred in the third quarter, including the sale of an interstate pad site to a national coffee user, two former Carl's Jr QSRs, and a former Sonic located in the North Valley. The interstate pad site sold for \$30/per square foot based on land size, which was just over half an acre and the former Sonic building was purchased by an investor who has begun looking for a tenant to backfill the space.



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