

Industrial fundamentals strengthen with ongoing absorption gains

▼ 3.4%
Vacancy Rate

▼ 487,000
SF Net Absorption

▲ 281,000
SF Construction Delivered

▼ 0
SF Under Construction

▼ \$10.64
NNN/Yr Direct Lease Rate

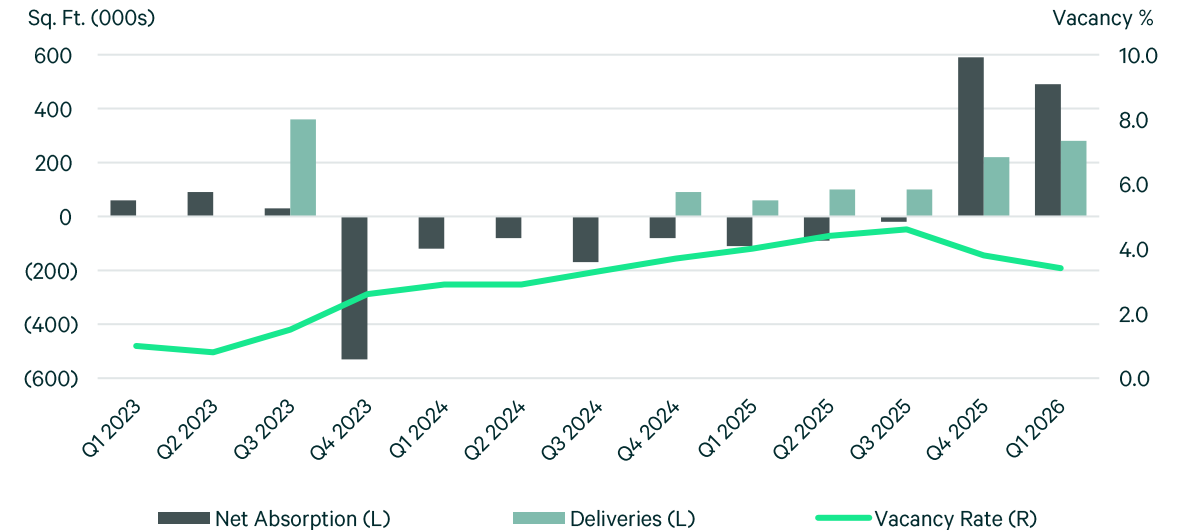
Note: Arrows indicate change from previous quarter.

Market Overview

In Q1 2026, leasing fundamentals showed clear improvement compared with a year earlier. Net absorption totaled 487,000 sq. ft., following 587,000 sq. ft. in Q4 2025 and reversing the negative 113,000 sq. ft. recorded in Q1 2025, a year-over-year swing of approximately 600,000 sq. ft. Vacancy declined to 3.4%, down 40 basis points (bps) from the prior quarter and 60 bps year over year, reflecting stronger occupancy gains across the market. Availability increased modestly to 4.2%, rising 1.0 percentage point from Q4 2025 and 0.4 percentage points from Q1 2025, as some space returned to the market despite ongoing leasing. Average asking rents trended lower during the quarter, decreasing 3.4% quarter over quarter and 0.8% year over year to \$10.64 per sq. ft., consistent with broader market adjustments.

Supply dynamics continued to shift over the year as development activity moved into a pause. All projects that were under construction reached completion in Q1 2026, resulting in total deliveries of 281,000 sq. ft. for the quarter, exceeding the 217,000 sq. ft. delivered in the prior quarter and the 58,000 sq. ft. completed in Q1 2025.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (000s)



Source: CBRE Research, Q1 2026

Availability Rate

Industrial availability increased to 4.2% by the end of Q1 2026, rising from 3.2% in the prior quarter as additional space came online. On a year-over-year basis, availability also edged higher from 3.8% in Q1 2025, reflecting leasing activity that has not yet fully absorbed new and recently delivered inventory. Over a longer horizon, availability has risen meaningfully from 1.2% in Q1 2023 to 4.2% in Q1 2026, highlighting the market’s shift away from historically tight conditions toward a more balanced supply-demand environment.

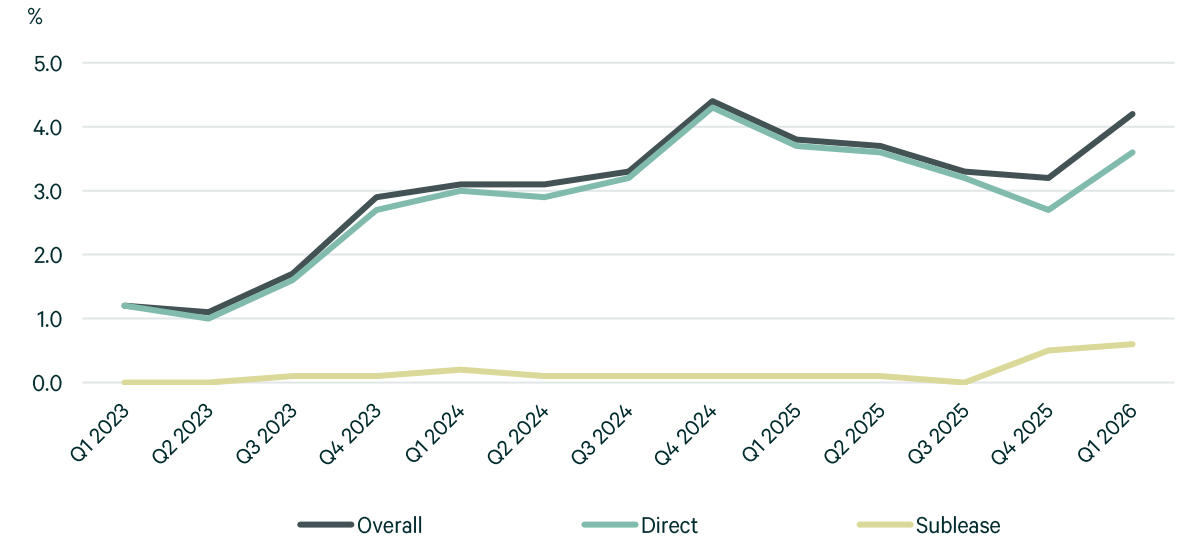
Availability differed notably across submarkets in Q1 2026. The NE Heights recorded the lowest availability rate in the metro at 0.3%, followed closely by SE Heights at 0.5%, highlighting continued space constraints in these areas. In contrast, the Airport submarket posted the highest availability rate at 9.4%, indicating comparatively slower absorption and elevated near-term options for tenants. Sublease availability also increased modestly during the quarter, rising to 0.6% from 0.5% in Q4 2025. Total sublease space on the market reached nearly 270,000 sq. ft., suggesting some increased space backfilling as select occupiers adjust their space needs, though overall sublease levels remain relatively limited.

Asking Rent

Average asking rent stood at \$10.64 per sq. ft. NNN per year in Q1 2026, declining 3.4% quarter-over-quarter and 0.8% year-over-year, reflecting continued pricing pressure in the industrial market. Over the past three years, average asking rents have decreased 10.8% from Q1 2023 levels, highlighting the broader softening that followed the exceptionally tight conditions of the post-pandemic period. The recent decline suggests landlords remain focused on maintaining occupancy amid increased availability and limited new leasing momentum, with rent concessions and competitive pricing increasingly used to attract tenants.

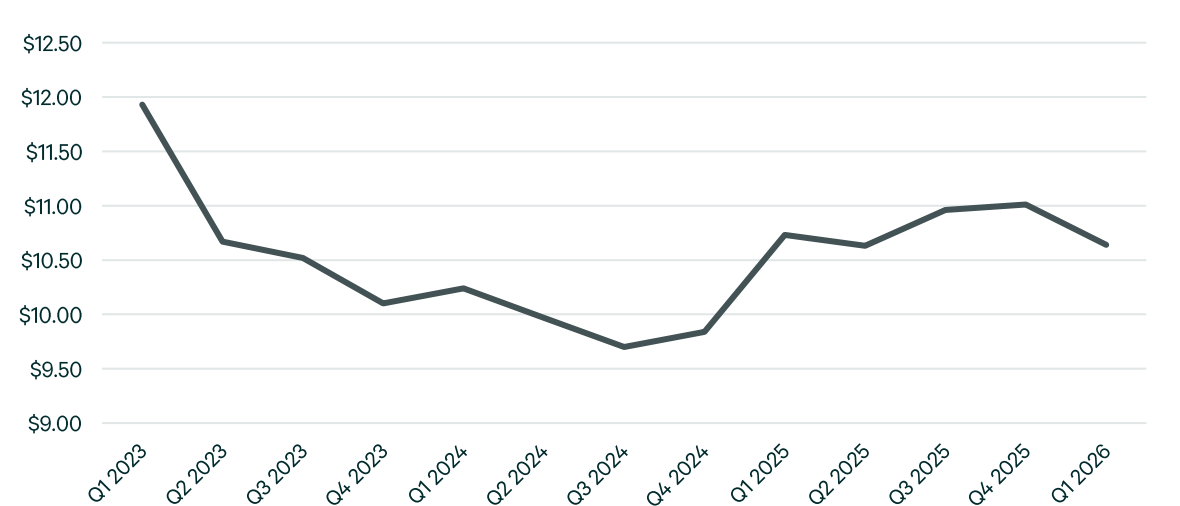
At the submarket level, South I-25 recorded the highest average asking rent at \$13.00 per sq. ft., followed closely by Valencia County at \$12.95 per sq. ft., reflecting stronger pricing power in these areas. Additional submarkets with above-average asking rents included NE Heights at \$12.48 per sq. ft. and the Airport submarket at \$11.30 per sq. ft. SE Heights and West Mesa each posted average asking rents of \$11.25 per sq. ft., while North Valley averaged \$11.16 per sq. ft. Downtown and Rio Rancho reported similar levels at \$10.78 per sq. ft. and \$10.77 per sq. ft., respectively. North I-25 recorded the lowest average asking rate at \$10.24 per sq. ft., highlighting ongoing variability in rental performance across the metro.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate \$ / SF



Source: CBRE Research, Q1 2026

Net Absorption

Net absorption totaled 487,000 sq. ft. in Q1 2026, easing from the stronger 587,000 sq. ft. reported in Q4 2025 but still representing a second consecutive quarter of occupancy gains. Although absorption moderated quarter-over-quarter, market conditions have improved meaningfully compared to negative 113,000 sq. ft. in Q1 2025. Over the past 12 months, net absorption reached approximately 970,000 sq. ft., reflecting a return to expansion after an extended period of tenant contraction. That said, cumulative net absorption over the last three years remains slightly negative at 8,000 sq. ft., illustrating that recent gains are only now offsetting prior losses experienced earlier in the cycle.

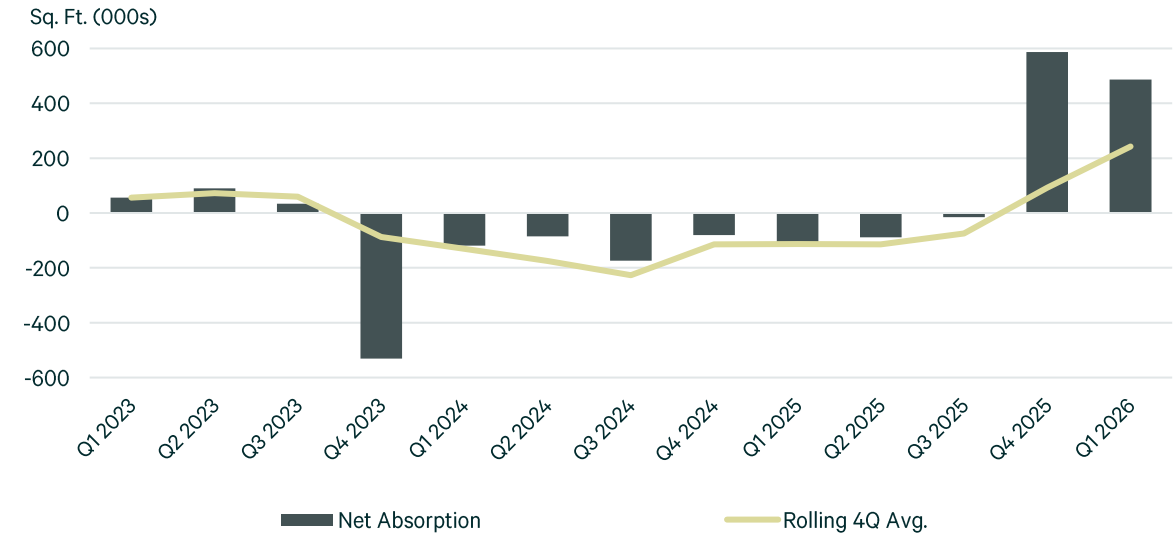
Q1 2026 net absorption was driven primarily by the West Mesa submarket, which led the metro with 306,000 sq. ft. of gains for the quarter. South I-25 also posted solid activity with 80,000 sq. ft. of positive absorption. Other submarkets recording increases included Mesa del Sol (65,000 sq. ft.), Downtown (27,000 sq. ft.), North I-25 (13,000 sq. ft.), SE Heights (10,000 sq. ft.), and Rio Rancho (4,000 sq. ft.). In contrast, the Airport and NE Heights submarkets recorded modest net move-outs of negative 7,000 sq. ft. and negative 1,000 sq. ft., respectively, indicating that while demand has returned, absorption remains uneven across the market.

Construction Activity

The market recorded 281,000 sq. ft. of deliveries during the quarter, effectively bringing the current development cycle to a close, with no projects underway at quarter-end. The most significant completion was a nearly 217,000-sq.-ft. facility in the West Mesa submarket, where Array Technologies expanded its local footprint, accounting for the majority of new supply delivered during the period. More broadly, development activity over the past few years has remained selective and measured, with new supply entering the market in discrete phases rather than through sustained construction momentum.

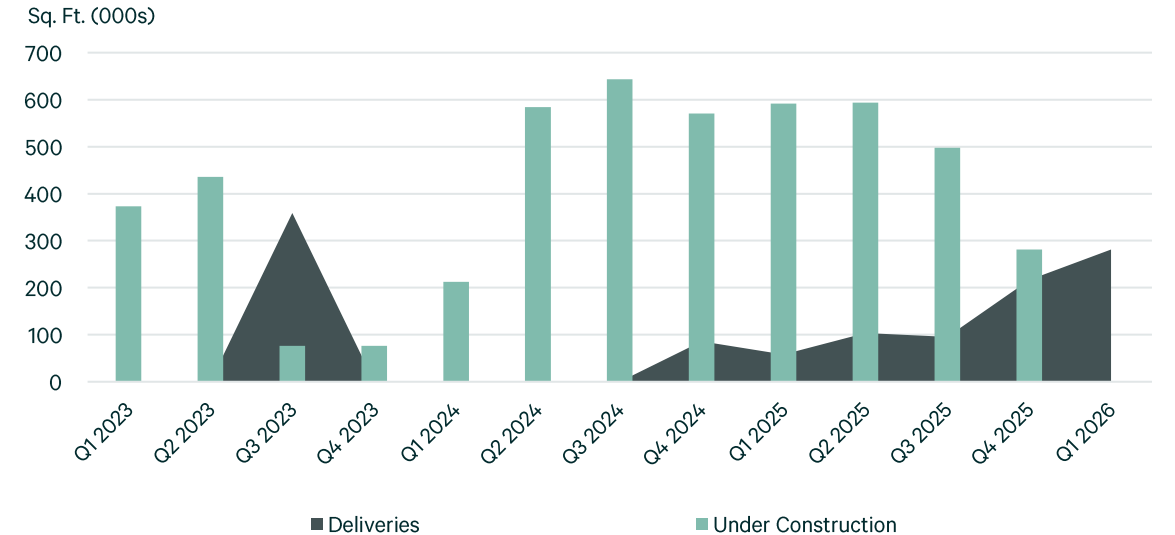
With no new projects breaking ground during the quarter, construction activity paused following the completion of the remaining pipeline. This outcome aligned with the incremental nature of development seen throughout the current cycle, where projects advanced cautiously and in response to broader market conditions rather than aggressive expansion. The absence of ongoing construction limited near-term supply growth and shifted focus toward absorption of existing inventory as the market continues to adjust.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 6

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF/Yr NNN)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Under 100,000 sq. ft.	27.84	2.9	4.2	3.2	1.0	11.42	208,000	208,000	65,000	-
100,000-199,999 sq. ft.	5.41	4.9	5.3	5.3	-	11.37	88,000	88,000	-	-
200,000-299,999 sq. ft.	2.89	0.9	0.9	0.9	-	12.25	191,000	191,000	216,000	-
300,000-499,999 sq. ft.	1.53	-	-	-	-	-	-	-	-	-
500,000-749,999 sq. ft.	1.06	47.8	47.8	47.8	-	9.00	-	-	-	-
750,000 sq. ft.	9.00	-	-	-	-	-	-	-	-	-
Total	47.73	3.4	4.2	3.6	0.6	10.64	487,000	487,000	281,000	-

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 7

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF/Yr NNN)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	18.54	2.6	3.2	2.9	0.3	11.49	509,000	509,000	281,000	-
Manufacturing - General	13.81	6.3	7.7	6.4	1.4	9.63	(79,000)	(79,000)	-	-
R&D/Flex	5.03	2.3	2.5	2.5	-	12.02	23,000	23,000	-	-
Other Industrial	10.35	1.4	1.9	1.6	0.3	11.29	34,000	34,000	-	-
Total	47.73	3.4	4.2	3.6	0.6	10.64	487,000	487,000	281,000	-

Source: CBRE Research, Q1 2026

Market Statistics by Class

Figure 8

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF/Yr NNN)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	1.25	4.8	4.8	4.8	-	11.58	-	-	-	-
Institutional	0.24	-	-	-	-	-	-	-	-	-
Other Class A	1.01	6.0	6.0	6.0	-	11.58	-	-	-	-
All Other Industrial	46.48	3.3	4.1	3.6	0.6	10.61	487,000	487,000	281,000	-
Total	47.73	3.4	4.2	3.6	0.6	10.64	487,000	487,000	281,000	-

Source: CBRE Research, Q1 2026

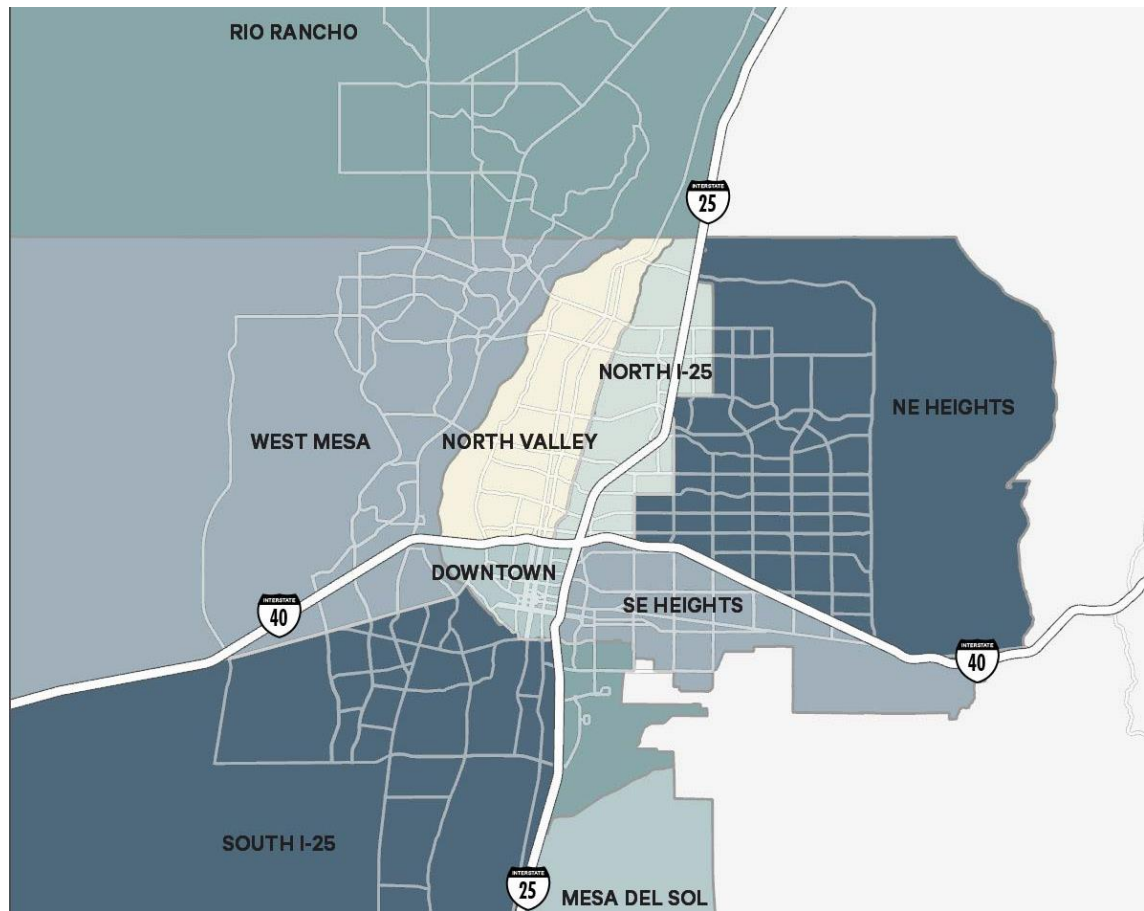
Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Airport	1.13	9.4	9.4	9.4	-	11.30	(7,000)	(7,000)	-	-
Downtown	3.19	2.7	3.5	2.9	0.6	10.78	27,000	27,000	-	-
Mesa del Sol	0.82	-	-	-	-	-	65,000	65,000	65,000	-
NE Heights	0.48	0.3	0.3	0.3	-	12.48	(1,000)	(1,000)	-	-
North I-25	16.85	5.0	5.8	5.4	0.4	10.24	13,000	13,000	-	-
North Valley	2.59	2.2	3.2	2.9	0.3	11.16	(11,000)	(11,000)	-	-
Rio Rancho	6.54	3.1	5.8	3.1	2.8	10.77	4,000	4,000	-	-
SE Heights	1.51	0.5	0.5	0.5	-	11.25	10,000	10,000	-	-
South I-25	3.05	2.4	2.4	2.4	-	13.00	80,000	80,000	-	-
Valencia County	3.28	4.1	4.1	4.1	-	12.95	-	-	-	-
West Mesa	8.28	1.3	1.3	1.3	-	11.25	306,000	306,000	216,000	-
Total	47.73	3.4	4.2	3.6	0.6	10.64	487,000	487,000	281,000	-

Source: CBRE Research, Q1 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all existing industrial buildings 10,000 sq. ft. and greater in size, in the Albuquerque metro market. Buildings which have begun construction are evidenced by site excavation or foundation work.

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