Class A leasing activity drives vacancy below 13.0%

▼ 12.9%
Vacancy Rate

▲ 62,000
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▲ $20.93
FSG/YR Direct Lease Rate

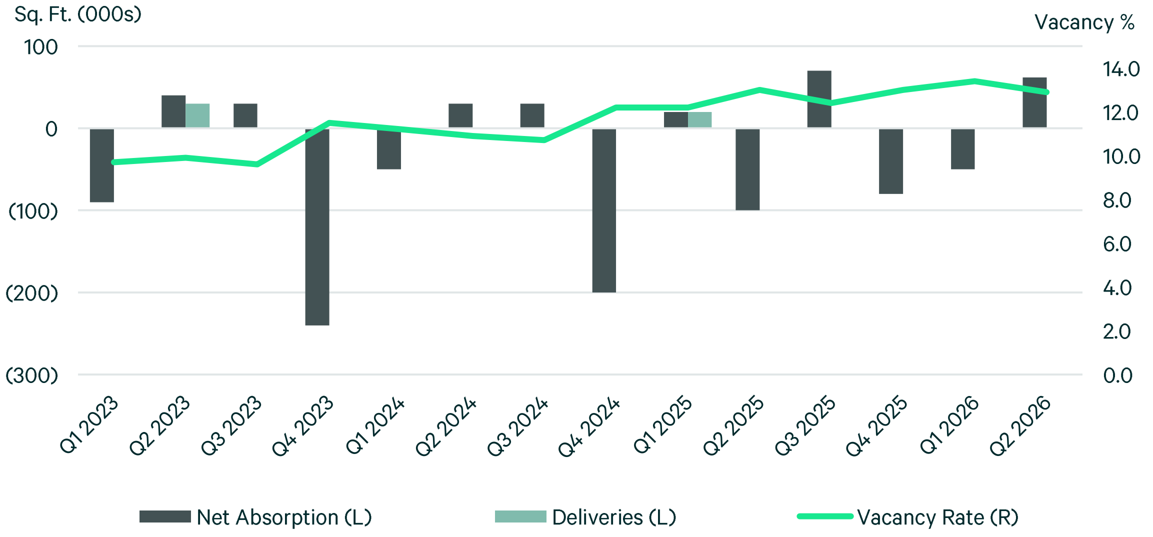
Note: Arrows indicate change from previous quarter.

Market Overview

The Albuquerque office market gained momentum in Q2 2026, supported by positive absorption and improved occupancy within several larger blocks of space. The overall vacancy rate declined to 12.9%, a 50-basis-point decrease quarter-over-quarter and 10 basis points below the rate recorded one year earlier. The improvement was largely attributable to occupancy gains within the Class A inventory, particularly in Mesa del Sol, where the New Mexico Environment Department occupied space previously vacated by Fidelity in late 2025. Tenants continued to prioritize high-quality space despite ongoing economic uncertainty. Demand remained concentrated in well-located Class A and upper-tier Class B assets, where available move-in-ready options remain limited.

Market performance continued to diverge by location. Mesa del Sol led all submarkets in absorption, while Downtown maintained the highest vacancy rate at 23.6%, reflecting the continued presence of large blocks of available space. Asking rents increased modestly during the quarter, with the average direct asking rent rising to $20.93 per sq. ft. FSG, up slightly from both the prior quarter and year earlier.

Figure 1: Historical Net Absorption (SF), Deliveries (SF), and Vacancy (%)



Source: CBRE Research, Q2 2026

Vacancy

The Albuquerque office vacancy rate declined to 12.9% in Q2 2026, decreasing 50 basis points quarter-over-quarter from 13.4% in Q1 2026 and 10 bps year-over-year from 12.8% in Q2 2025. The improvement reflected occupancy of several previously vacant blocks of space, most notably within Mesa del Sol, where the New Mexico Environment Department occupied the North Building following Fidelity's departure in Q4 2025.

By Class, Class A vacancy fell to 14.9%, declining 470 basis points quarter-over-quarter from 19.6%. The decrease reinforced continued tenant preference for higher-quality space and significantly reduced the vacancy impact associated with several large vacant blocks that had weighed on fundamentals in recent quarters. Class B vacancy measured 14.6%, increasing 50 bps from 14.1% in Q1 2026 and generally reflecting selective leasing activity. Vacancy remained uneven across submarkets. Downtown recorded the highest vacancy rate at 23.6%, while Rio Rancho followed at 17.8%, reflecting the influence of a limited number of large available spaces. Conversely, SE Heights posted the lowest vacancy rate at 3.9%, followed closely by West Mesa at 4.1%, highlighting continued occupancy stability within smaller and more constrained submarkets.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q2 2026

Asking Rent

Average direct asking rents increased modestly in Q2 2026, with the market average ending the quarter at $20.93 per sq. ft. per year FSG. This represented a $0.09-per-sq.-ft. increase quarter-over-quarter from $20.84 in Q1 2026. Year-over-year, asking rents increased $0.16 per sq. ft. from $21.09 in Q2 2025.

Pricing trends by class continued to reflect tenant preference for quality space. Class A rents averaged $25.64 per sq. ft., remaining largely unchanged from the previous quarter, while Class B rents increased to $20.86 per sq. ft. from $20.72. Limited availability within top-tier Class A and Class B assets continued to support pricing despite a more measured pace of demand compared with prior years. At the same time, current rent levels remain below those generally required to support speculative office development.

North I-25 commanded the highest asking rents in the market at $23.44 per sq. ft., supported by its concentration of desirable office inventory and continued tenant interest. The Airport submarket recorded the lowest average asking rent at $15.96 per sq. ft.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q2 2026

Net Absorption

The Albuquerque office market recorded approximately 62,000 sq. ft. of positive net absorption in Q2 2026, improving substantially from approximately 50,000 sq. ft. of negative absorption in Q1 2026. Compared with approximately 102,000 sq. ft. of negative absorption in Q2 2025, the market experienced a year-over-year improvement of roughly 164,000 sq. ft., reflecting stronger occupancy growth and a rebound in leasing activity.

Submarket performance varied notably. Mesa del Sol recorded the strongest absorption at approximately 99,000 sq. ft., driven by the occupancy of the North Building by the New Mexico Environment Department. In contrast, the University submarket posted approximately 15,000 sq. ft. of negative absorption, representing the weakest performance among Albuquerque submarkets during the quarter.

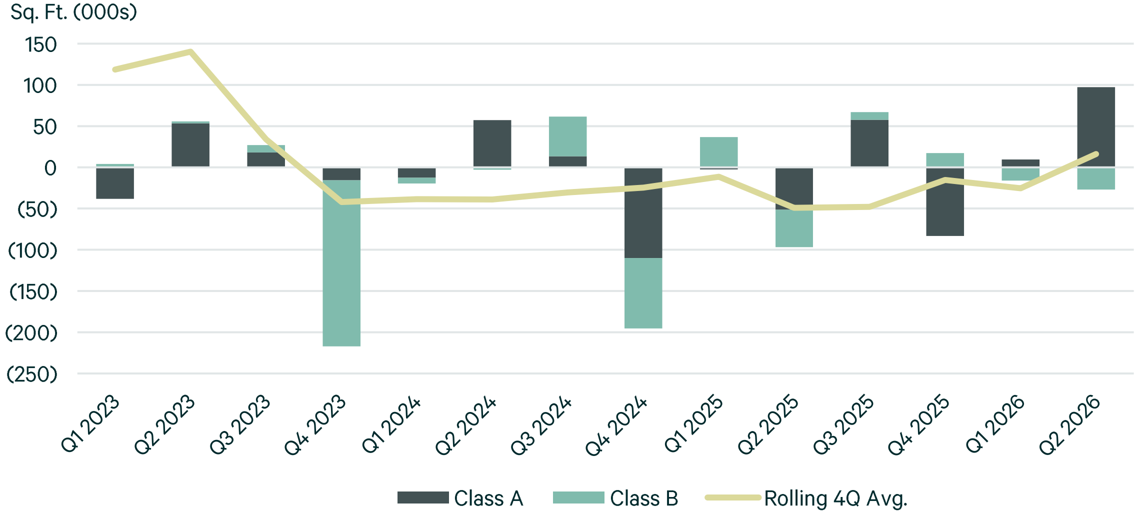
By class, Class A posted approximately 97,000 sq. ft. of positive absorption, a significant increase from approximately 10,000 sq. ft. in Q1 2026. Class B recorded approximately 27,000 sq. ft. of negative absorption, though losses moderated slightly from the prior quarter. Overall, leasing activity remained concentrated in the market's most competitive buildings, as occupiers continued to prioritize location, quality, and operational efficiency.

Construction Activity

Office construction activity remained inactive in Q2 2026. Development continued to be constrained by elevated construction and financing costs, as well as rent levels that remain below those generally required to support new office development. As a result, market activity remained focused on absorbing existing inventory rather than introducing new supply.

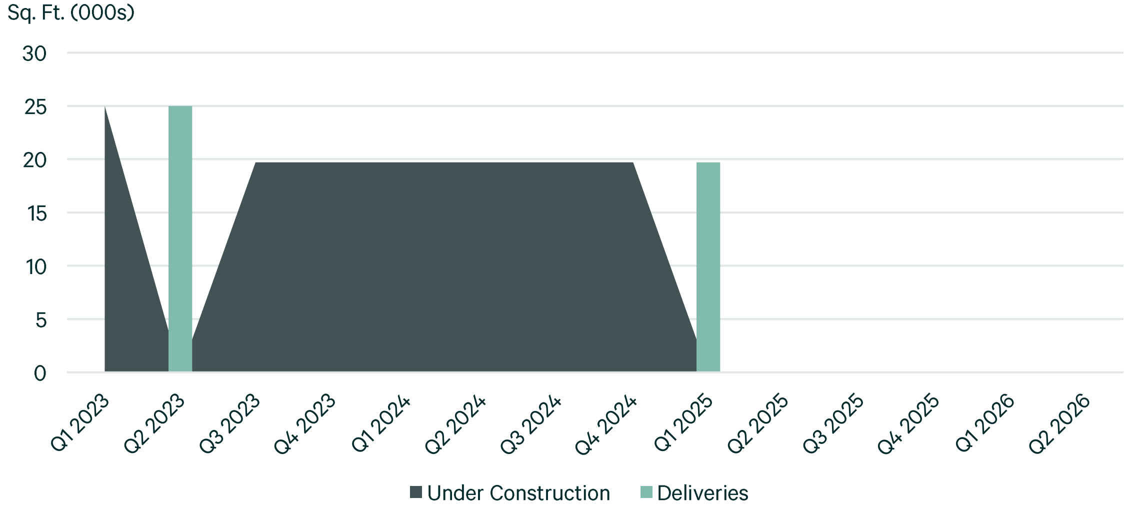
Market factors continued to favor reinvestment and repositioning opportunities within the existing inventory base, particularly among Class B and select Class C properties. With no projects currently under construction and limited near-term development anticipated, Albuquerque remains positioned to work through available space organically as leasing activity continues to normalize and occupiers compete for a limited supply of high-quality office product.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

Market Statistics by Class

Figure 6: Metro Market Statistics by Class

Property Class	Net Rentable Area M(SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/Yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	2.05	14.9	19.0	16.5	2.5	25.64	97,000	107,000	-	-
Class B	6.48	14.6	15.7	14.6	1.1	20.86	(27,000)	(59,000)	-	-
Class C	4.09	9.4	10.3	9.5	0.8	17.50	(8,000)	(36,000)	-	-
Total	**12.62**	**12.9**	**14.5**	**13.3**	**1.2**	**20.93**	**62,000**	**12,000**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics

Figure 7: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/Yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	1.47	16.7	20.3	18.0	2.3	25.85	102,000	110,000	-	-
Class B	5.32	9.7	11.1	9.8	1.3	21.66	(35,000)	(65,000)	-	-
Class C	3.03	7.0	7.7	7.1	0.5	17.82	(4,000)	(19,000)	-	-
Total	**9.82**	**9.9**	**11.4**	**10.2**	**1.2**	**21.90**	**64,000**	**26,000**	**-**	**-**

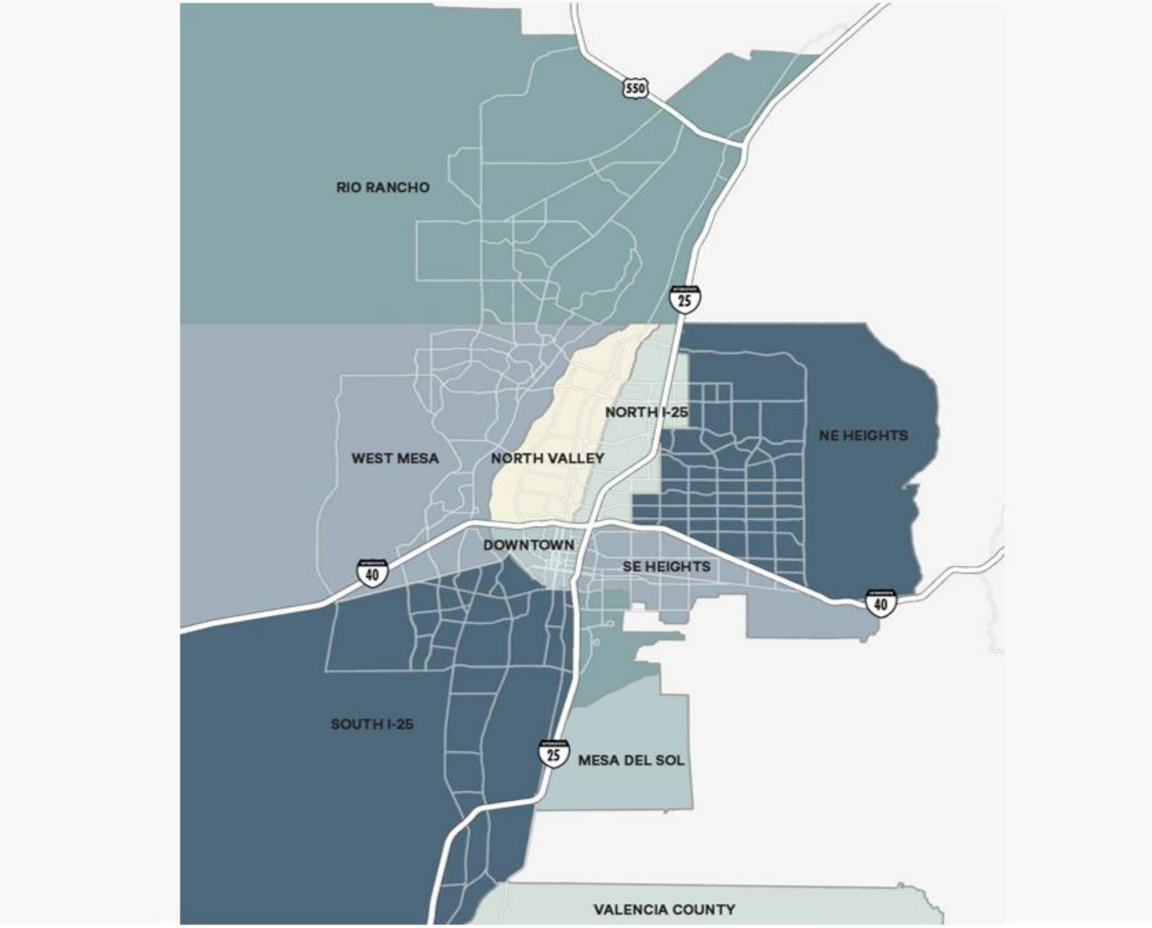
Source: CBRE Research, Q2 2026

Figure 8: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/Yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	.58	10.2	15.8	12.7	3.0	24.50	(5,000)	(3,000)	-	-
Class B	1.16	36.7	36.7	36.7	-	19.87	7,000	6,000	-	-
Class C	1.06	16.4	17.9	16.4	1.5	17.11	(4,000)	(17,000)	-	-
Total	**2.80**	**23.6**	**25.3**	**24.1**	**1.2**	**19.46**	**(1,000)**	**(15,000)**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Area Overview



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Survey Criteria

Includes all existing office 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.

Methodology

Positive absorption is calculated at time of occupancy, which allows for product to be vacant but no longer available. Lease rates are calculated using weighted average of asking lease rates for existing product with availability. Sublease space can be vacant or occupied. Total Vacancy includes both direct and sublease. Lease activity is the sum of the square footage of leases signed during a designated period. Data published in previous reports is subject to change.

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