Market fundamentals hold firm amid moderating occupier demand

▲3.6%
Vacancy Rate

▼(93,000)
SF Net Absorption

▼0
SF Construction Delivered

▶0
SF Under Construction

▲$11.10
FSG/YR Direct Lease Rate

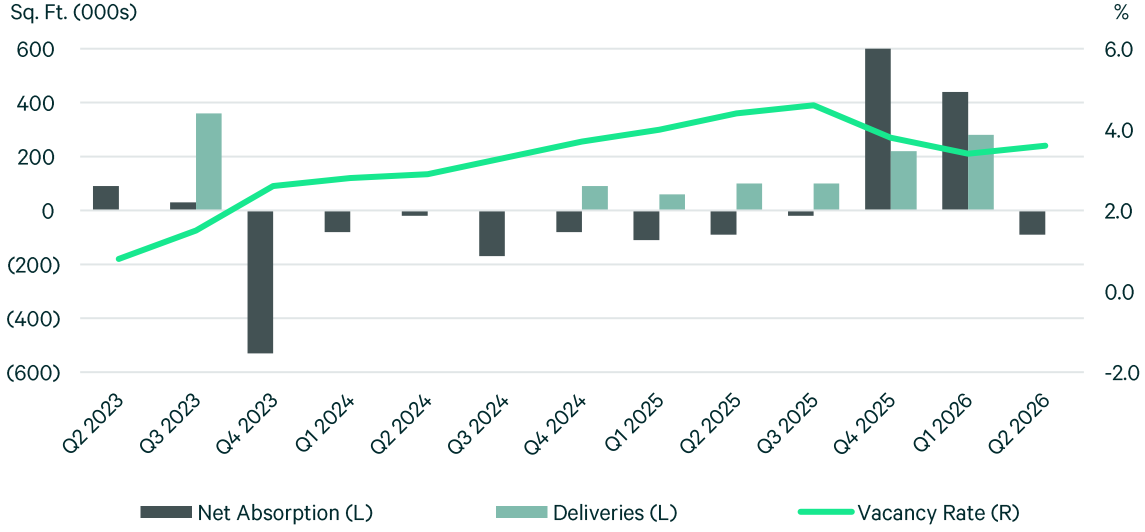
Note: Arrows indicate change from previous quarter.

Market Overview

The Albuquerque industrial market moderated during Q2 2026 after a strong start to the year. Net absorption totaled negative 93,000 sq. ft. during the quarter, a reversal from the 440,000 sq. ft. absorbed in Q1 2026. Despite the quarterly slowdown, year-to-date net absorption remained positive at 347,000 sq. ft., indicating that occupier demand has continued to support market fundamentals through the first half of 2026. Vacancy increased to 3.6%, up 20 basis points (bps) from 3.4% in Q1 2026 but remained well below the 4.4% recorded one year ago. Average direct asking rents reached $11.10 per sq. ft. NNN, increasing 4.3% quarter-over-quarter and 4.4% year-over-year, as limited vacancy continued to support landlord pricing power.

Leasing activity moderated during the second quarter following a strong start to the year, contributing to a slower pace of market growth. Despite softer demand, fundamentals remained healthy and continued to compare favorably with historical trends. Vacancy remained low, asking rents continued to increase, and tenants seeking quality industrial space faced limited options in many areas of the market. While economic uncertainty and evolving occupier requirements influenced some leasing decisions during the quarter, the market remained well-positioned due to its supply-constrained environment and stable demand base.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



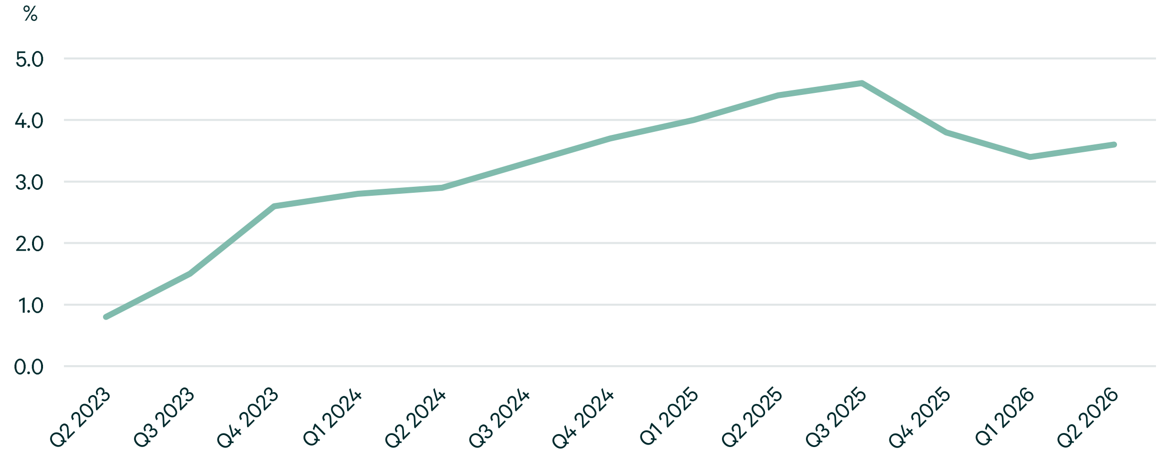
Source: CBRE Research, Q2 2026

Vacancy Rate

The industrial market remained fundamentally tight in Q2 2026 despite a modest increase in vacant space. Overall vacancy rose to 3.6%, increasing 20 bps from 3.4% in Q1 2026 as the market absorbed recent occupancy losses in several major submarkets. While vacancy moved higher quarter-over-quarter, it remained substantially below the 4.4% rate recorded in Q2 2025, highlighting the continued strength of industrial demand and the limited amount of available industrial inventory across the metro. The increase in vacancy suggests some near-term softening; however, market conditions remained considerably tighter than historical norms.

Vacancy conditions varied considerably throughout the market. The Airport submarket posted the highest vacancy rate at 9.9%, followed by the North I-25 and Valencia County submarkets at 5.6% and 4.0%, respectively. At the opposite end of the spectrum, the SE Heights submarket remained one of the market's tightest industrial submarkets with vacancy of just 0.5%, while the West Mesa submarket maintained a low 1.1% vacancy rate despite ongoing development activity. Although vacancy has increased modestly from recent lows, conditions remain favorable for landlords as tenants continue to face limited options in many submarkets, particularly in the market's most established industrial corridors.

Figure 2: Total Vacancy Rate



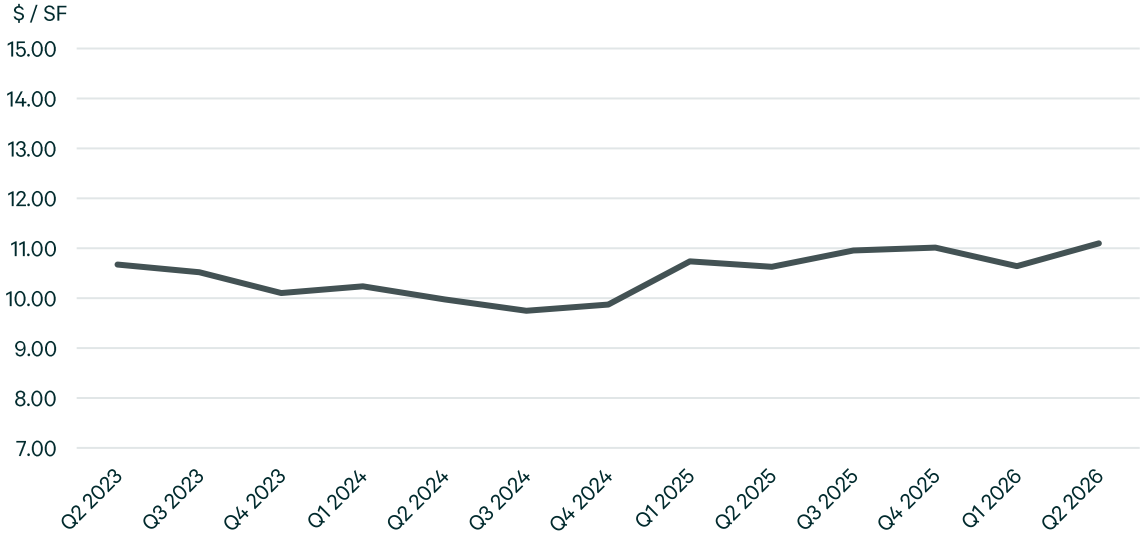
Source: CBRE Research, Q2 2026

Asking Rent

Average direct asking rents increased to $11.10 per sq. ft. NNN in Q2 2026 from $10.64 per sq. ft. in Q1 2026 and $10.63 per sq. ft. one year earlier. The increase marks another quarter of rent growth and reflects the combination of limited vacancy, elevated construction costs, and continued demand for modern industrial facilities. Even as leasing activity moderated during the quarter, owners maintained pricing power due to the scarcity of available space throughout much of the market.

Rental rates continued to vary by location and product quality. The South I-25 submarket reported the highest direct asking rents in the market at $13.00 per sq. ft. NNN, while the Airport, North I-25, North Valley, and West Mesa submarkets all recorded asking rents above the market average. Submarkets with newer warehouse inventory and strong transportation access continue to command premium pricing, while older industrial product remains relatively more affordable. With vacancy remaining historically low and no new deliveries completed during the quarter, rental rate growth is expected to remain supported through the remainder of the year.

Figure 3: Average Direct Asking Rate



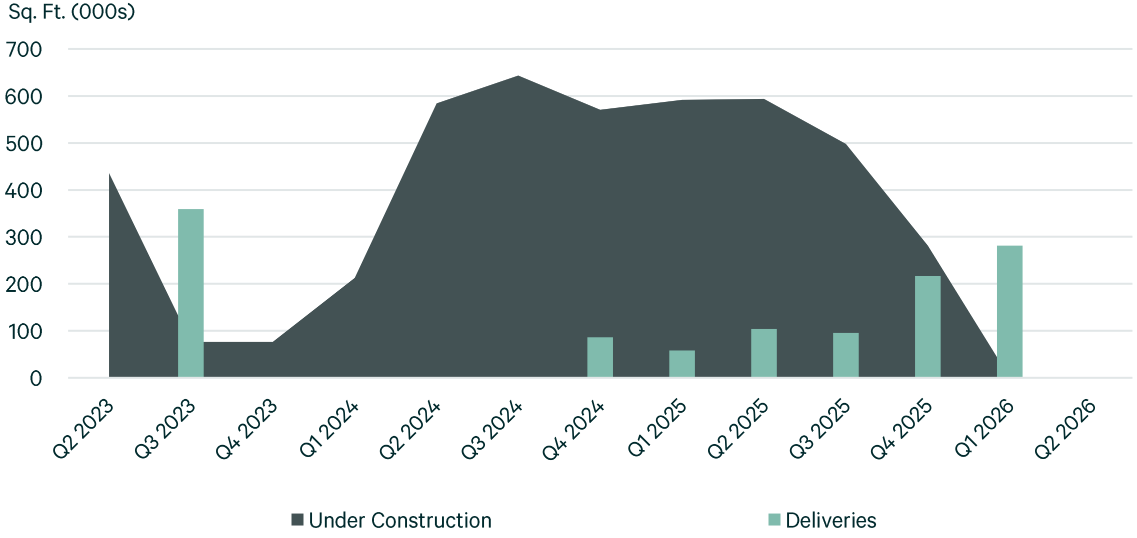
Source: CBRE Research, Q2 2026

Construction Activity

Industrial development activity remained nonexistent during Q2 2026, with no projects delivered and no active construction underway at quarter-end. As a result, Albuquerque's industrial inventory remained essentially unchanged throughout the quarter. The lack of new supply additions helped preserve the market's tight operating environment despite softer leasing demand and negative net absorption. Even as vacancy increased modestly during the quarter, overall market fundamentals remained healthy due in large part to the limited availability of industrial space across the metro.

Limited supply growth remained a defining characteristic of Albuquerque's industrial market in Q2 2026. With no projects currently under construction, tenants seeking modern industrial space face limited future supply options, particularly in the market's most desirable submarkets. While occupier demand moderated during the quarter, the prolonged lack of new development has contributed to historically low vacancy levels and continued rent growth. Future market conditions will likely depend on whether improving fundamentals and rising rental rates are sufficient to stimulate new construction activity in the coming quarters.

Figure 4: Construction Activity



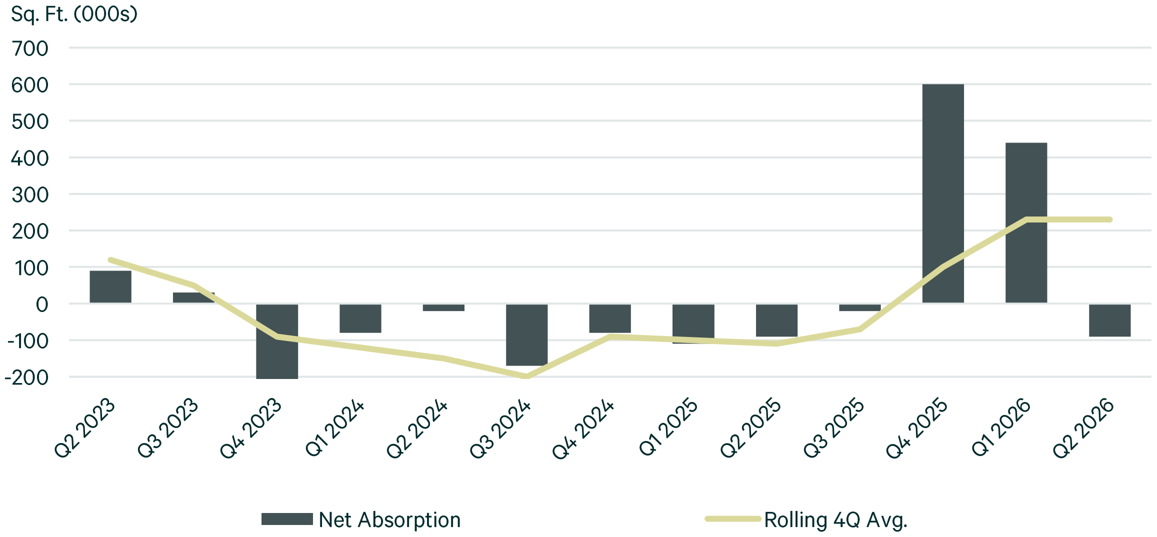
Source: CBRE Research, Q2 2026

Net Absorption

After recording strong occupancy gains in Q1 2026, the Albuquerque industrial market posted negative net absorption of 93,000 sq. ft. during Q2 2026. The decline was driven by several tenant move-outs and occupancy reductions across the market, including two move-outs exceeding 20,000 sq. ft. in the North I-25, submarket and marked a pause in the market's recent growth trajectory. However, year-to-date net absorption remained positive at 347,000 sq. ft., demonstrating that occupier demand has remained healthy overall despite quarterly volatility.

Absorption trends varied considerably by submarket during the quarter. The West Mesa submarket led the market with more than 318,000 sq. ft. of positive absorption, while the South I-25 and Mesa del Sol submarkets collectively added roughly 145,000 sq. ft. of occupancy gains. These gains were partially offset by occupancy losses across several submarkets, most notably in the North Valley and North I-25 submarkets. The variation in performance across submarkets suggests that tenant demand remained active but increasingly selective, with occupiers continuing to favor certain locations and building types over others.

Figure 5: Net Absorption Trend



Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 6

Product Type	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)
Distribution/Logistics	18.3	2.6	3.1	2.9	0.2	12.08	(15,000)	459,000	-	-
Manufacturing - General	13.8	6.2	8.0	6.9	1.1	9.66	26,000	(58,000)	-	-
R&D/Flex	5.1	3.2	3.7	3.7	-	13.25	(46,000)	(24,000)	-	-
Other Industrial	10.7	2.4	2.8	2.7	0.1	11.91	(58,000)	(30,000)	-	-
Total	**47.9**	**3.6**	**4.5**	**4.1**	**0.4**	**11.10**	**(93,000)**	**347,000**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 7

Size Range	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)
Below 50K SF	20.1	2.4	3.1	2.8	0.3	12.88	(80,000)	10,000	-	-
50K-99,999 SF	7.8	6.0	8.0	6.2	1.9	11.61	(13,000)	51,000	-	-
100K-249,999 SF	7.0	4.1	5.7	5.7	-	10.79	-	286,000	-	-
250K-499,999 SF	2.9	-	-	-	-	-	-	-	-	-
500K-749,999 SF	1.1	47.8	47.8	47.8	-	9.00	-	-	-	-
750,000 SF +	9.0	-	-	-	-	-	-	-	-	-
Total	**47.9**	**3.6**	**4.5**	**4.1**	**0.4**	**11.10**	**(93,000)**	**347,000**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics by District

Figure 8

Submarket	Net Rentable Area (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)
Airport	1.1M	9.9	11.3	11.3	-	11.56	(6,000)	(13,000)	-	-
Downtown	3.2M	3.4	3.5	3.5	-	10.22	(15,000)	4,000	-	-
Mesa del Sol	818,000	-	-	-	-	-	-	65,000	-	-
NE Heights	482,000	3.3	3.3	3.3	-	11.26	(15,000)	(16,000)	-	-
North I-25	16.9M	5.6	6.3	6.0	0.3	11.34	(31,000)	(63,000)	-	-
North Valley	2.6M	2.1	3.1	2.9	0.3	11.12	(42,000)	(45,000)	-	-
Rio Rancho	6.5M	3.1	5.3	3.1	2.2	10.90	(1,000)	3,000	-	-
SE Heights	1.5M	0.5	0.5	0.5	-	11.25	-	10,000	-	-
South I-25	3.2M	2.4	2.4	2.4	-	13.00	-	80,000	-	-
Valencia County	3.3M	4.0	7.0	7.0	-	9.50	4,000	4,000	-	-
West Mesa	8.3M	1.1	1.1	1.1	-	11.09	12,000	318,000	-	-
Total	**47.9M**	**3.6**	**4.5**	**4.1**	**0.4**	**11.10**	**(93,000)**	**347,000**	**-**	**-**

Source: CBRE Research, Q2 2026

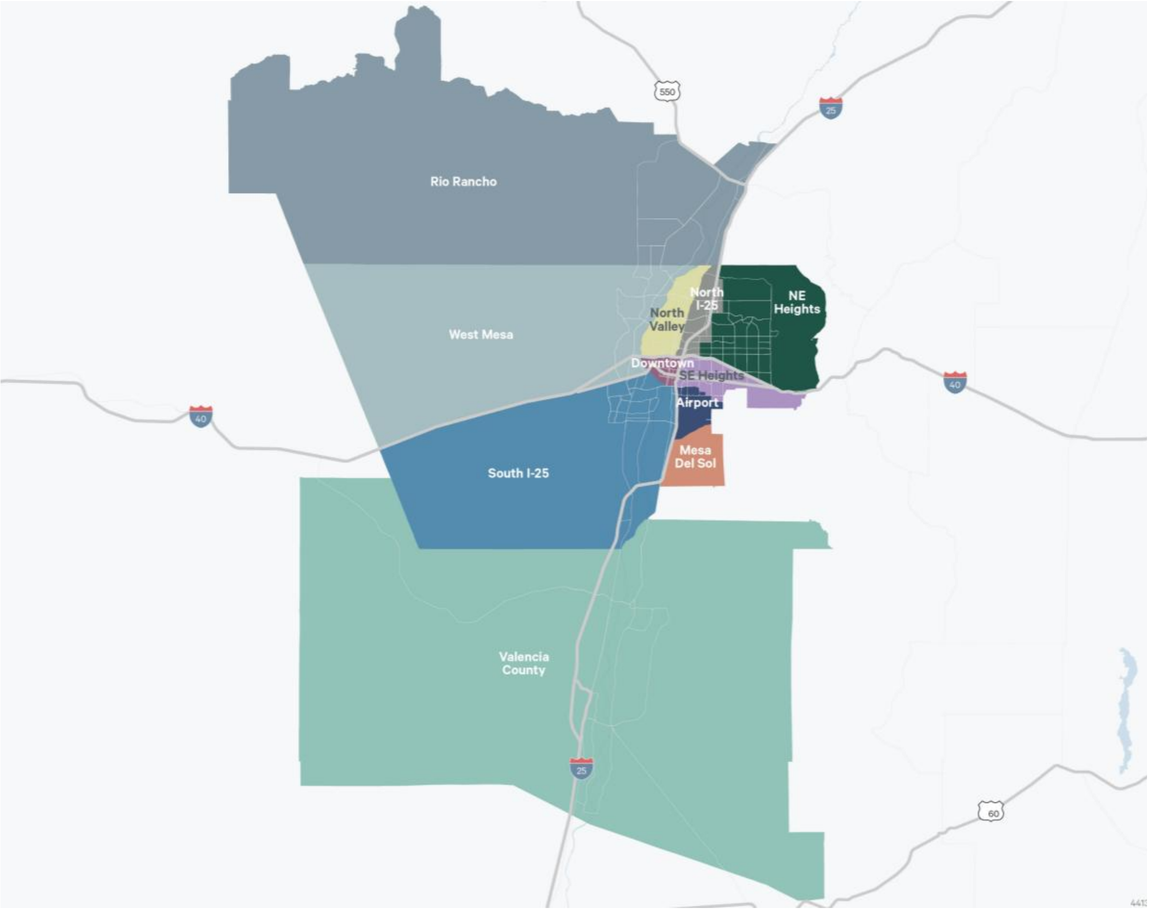
Market Statistics by Class

Figure 9

Property Class	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)
Class A	1.3	3.8	3.8	3.8	-	11.36	13,000	12,000	-	-
All Other Industrial	46.6	3.6	4.5	4.1	0.4	11.09	(106,000)	335,000	-	-
Total	**47.9**	**3.6**	**4.5**	**4.1**	**0.4**	**11.10**	**(93,000)**	**347,000**	**-**	**-**

Source: CBRE Research, Q2 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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