

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **1,311**

UNITS DELIVERED (YTD) **248**

## MARKET FUNDAMENTALS



VACANCY RATE **7.2%**

YEAR-OVER-YEAR CHANGE **+70bps**

ASKING RENTS **\$1,299**

YEAR-OVER-YEAR CHANGE **-0.6%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$169,800**

## ALBUQUERQUE MULTIFAMILY 2Q 2025

## MARKET INSIGHTS

# Improving fundamentals follow construction slowdown

### HIGHLIGHTS

- Development in the Albuquerque multifamily market has been modest so far this year, allowing for modest improvements to operating conditions. During the second quarter, vacancy declined while asking rents inched higher.
- Area vacancy improved in recent months after rising in each of the preceding three quarters. The vacancy rate declined by 10 basis points during the second quarter to 7.2%. Year-over-year, vacancy is up 70 basis points.
- While rent growth was modest in recent months following a decline in the previous quarter, asking rents increased by 0.2% during the second quarter to \$1,299 per month. During the past year, rents have declined by 0.6%.
- Investment activity has been limited to this point in 2025, mirroring trends from the first half of 2024. In transactions where pricing was available, the median sale price is \$169,800 per unit year to date, down 9% from 2024.

### ALBUQUERQUE MULTIFAMILY MARKET OVERVIEW

Lighter supply growth in the Albuquerque multifamily market supported improved property performance in recent months. Projects totaling nearly 250 units came online in the first half, a sharp decline from the 2,200 units added in the prior two years. Absorption totals have picked up in recent quarters, and the vacancy rate inched lower by 10 basis points during the second quarter to 7.2%. Despite recent improvements, vacancy conditions have felt the cumulative impact of supply growth since 2023. Area vacancy is up 70 basis points annually. Development activity has been mixed in recent periods. The construction pipeline has declined by 51% year over year, but permitting has moved in the opposite direction. Renter demand has been strong enough in recent periods to warrant continued development, but these projects will likely not deliver until 2028 and 2029.

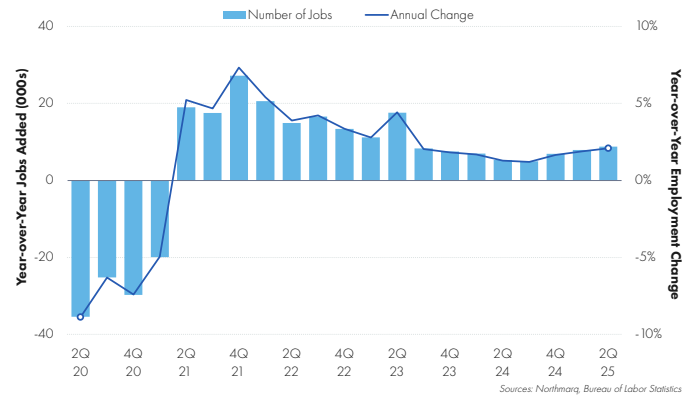
Transaction volume in the Albuquerque multifamily investment market remained limited in recent months, tracking levels recorded since the beginning of 2023. Sales activity has been spread throughout the region to this point in the year, with the Far Northeast Heights, Southeast Heights, North Valley, and North I-25 submarkets all recording sales. Southeast Heights recorded its first sale since 2023, marking a return to activity in a historically active submarket. In recent quarters, the transaction mix has consisted of a wider range of property vintages. Properties built during the 1960s, 1970s, 1990s, 2010s, and 2020s have changed hands to this point in 2025. In the previous decade, properties built in the 1970s or 1980s led the way in transaction totals, largely due to limited new construction.

## EMPLOYMENT

- Hiring momentum remains strong in Albuquerque. Total employment increased by 2.1% year-over-year, with the addition of 8,800 workers.
- Gains were elevated in the professional and business services sector. Employers in this sector added 3,000 new hires during the past 12 months, an increase of 4.4%.
- ABB Installation Products recently completed a 90,000-square-foot expansion of its West Mesa manufacturing facility, doubling the location's production capacity. ABB has already hired 100 employees to support the additional space while planning to add 50 more in the near future.
- **FORECAST:** Hiring is expected to slow in the coming quarters, but annual growth will remain strong. Local employment is projected to rise by 7,000 workers during 2025, an increase of 1.6%, compared to 1.7% growth in 2024.

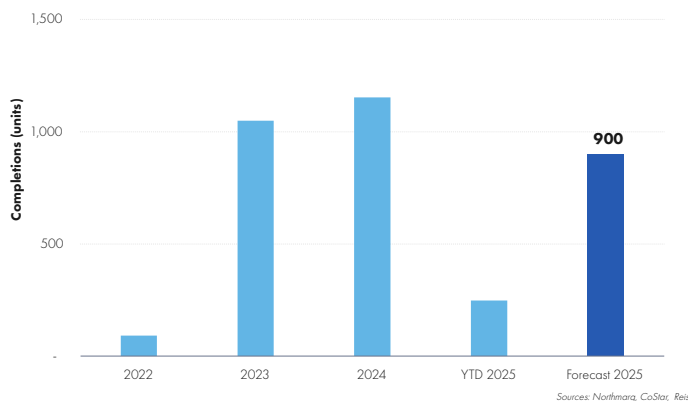
*Total employment increased by 2.1% year-over-year.*

### EMPLOYMENT OVERVIEW



*Roughly 1,300 units are currently under construction.*

### DEVELOPMENT TRENDS

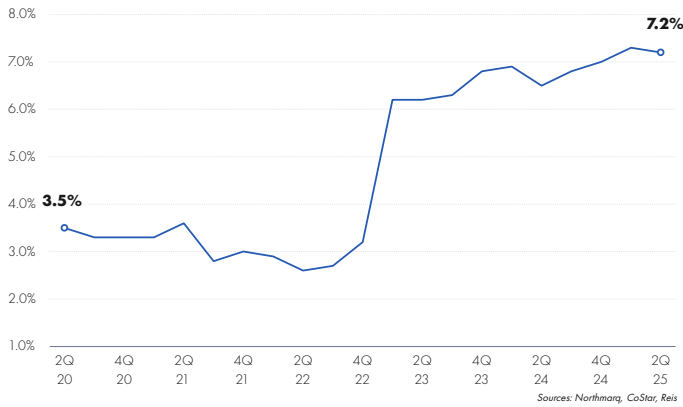


## DEVELOPMENT & PERMITTING

- Multifamily completions have been light to this point in the year, after more than 1,000 units came online in each of the past two years. Year to date, projects totaling approximately 250 units have come online.
- Construction activity has contracted in recent quarters, as only two starts of significance have been recorded in the past year. Projects totaling roughly 1,300 units are currently under construction in Albuquerque, down 51% from one year ago.
- Although starts have slowed, multifamily permitting has picked up during the past year, with permits for 1,200 units issued during this time frame. In the preceding 12 months, developers pulled permits for nearly 700 units.
- **FORECAST:** The pace of multifamily deliveries is expected to accelerate during the second half, following a slow start to the year. Projects totaling 900 units are slated for completion in 2025, lagging levels recorded in each of the previous two years. Before spiking, developers completed an average of 300 units per year from 2011 to 2022.

*Vacancy declined by 10 basis points during the second quarter.*

#### VACANCY TRENDS



#### VACANCY

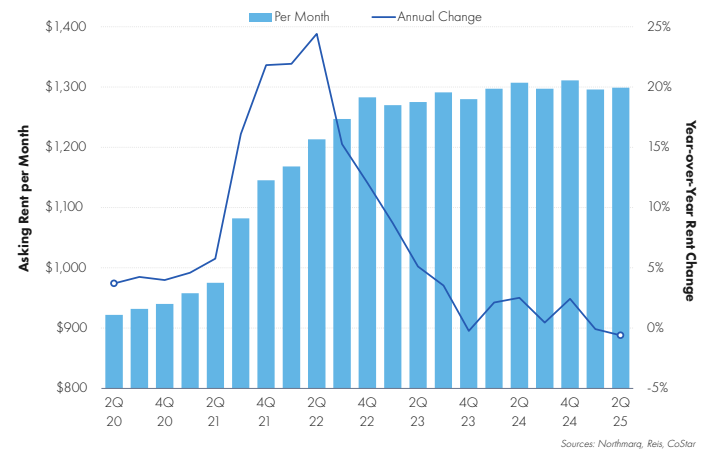
- The vacancy rate in Albuquerque inched lower in recent months after trending higher during the second half of 2024 into early this year. Area vacancy declined by 10 basis points during the second quarter to 7.2%. Year-over-year, vacancy is up by 70 basis points.
- Renter demand has been elevated in recent periods after low absorption rates in 2022 and 2023. Since the beginning of 2024, apartments have posted net move-ins for more than 1,800 units.
- Heightened deliveries in 2023 and 2024 have applied upward pressure on Class A vacancy. The vacancy rate for top-tier properties rose by 200 basis points during the past year to 8.6%. Vacancy fared better in middle-tier and lower-tier assets. The combined vacancy rate for Class B and Class C properties closed the first quarter at 6.0%, up 30 basis points annually.
- **FORECAST:** With inventory growth projected to accelerate through the end of the year, area vacancy will likely tick higher, but future increases should be mild. The vacancy rate is expected to finish 2025 at 7.5%, up 50 basis points for the full year.

#### RENTS

- Asking rents in Albuquerque inched higher in recent months after recording a steep drop in the previous quarter. During the second quarter, apartment rents inched higher by 0.2% to \$1,299 per month. Year-over-year, rents declined by 0.6%.
- While rent growth has tapered off during the past 18 months, long-term trends highlight more rapid gains. Since the start of 2021, asking rents have advanced by 38%.
- Operators for Class A properties have struggled to raise rents in recent periods following elevated supply growth. Top-tier rents closed the first quarter at \$1,520 per month, down 0.6% from one year ago.
- **FORECAST:** Area rents are projected to trend higher in the coming quarters, but gains for the full year will be modest. Asking rents are forecast to close 2025 at \$1,315 per month, up 0.3% from the end of 2024. Prior to rents spiking in 2021, rent growth averaged 2.8% per year from 2011 to 2020.

*During the second quarter, rents inched higher by 0.2%.*

#### RENTS TRENDS

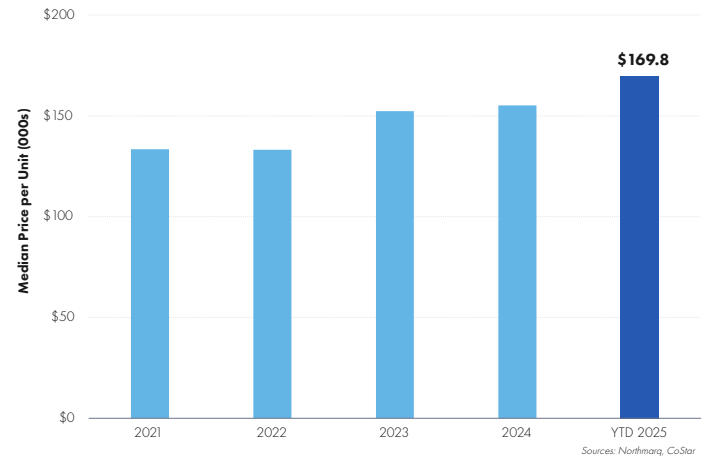


## MULTIFAMILY SALES

- Transaction volume in Albuquerque remains light, as total sales to this point in the year are closely tracking levels recorded last year. Sales activity was similarly limited throughout 2023.
- Pricing has improved in recent periods. In transactions where pricing was available, the median sale price to this point in 2025 is \$169,800 per unit, up 9% from 2024.
- Cap rates held steady in the mid-6% range during the second quarter, closely tracking trends since the beginning of 2024.

*The median sale price to this point in 2025 is \$169,800 per unit.*

### INVESTMENT TRENDS

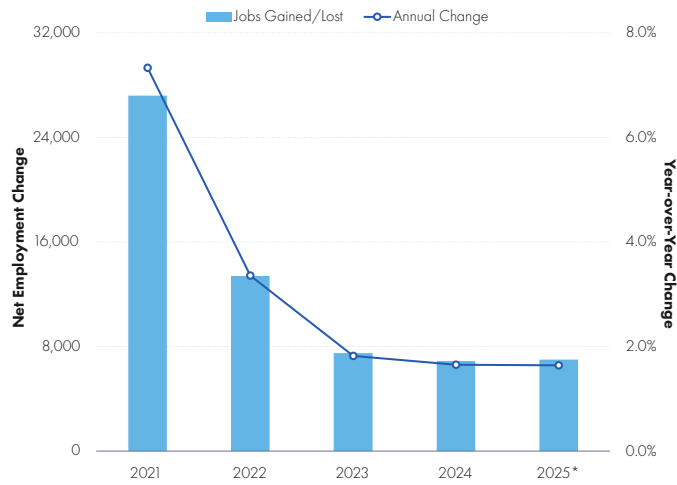


## LOOKING AHEAD

Supply growth is expected to accelerate through the end of the year. Projects totaling 900 units are slated for delivery in 2025, after more than 2,000 combined units have been completed since the beginning of 2023. Following this year, the pace of multifamily deliveries should decline, with roughly 500 units currently scheduled for completion in 2026. Additional inventory growth in the immediate future will likely push the vacancy rate higher. Beyond 2025, operating conditions should perform well as supply growth becomes less robust. In 2026, vacancy is expected to trend lower and rent growth will likely accelerate. Multifamily permitting will likely slow in the coming quarters. Permitting trends have been uneven in recent years, with permits for more than 350 units being issued in some quarters, while other quarters have recorded permits for less than 50 units.

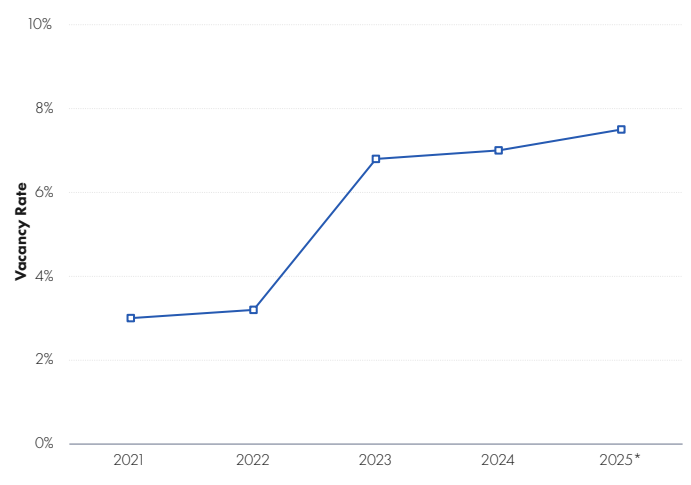
Sales activity in the Albuquerque multifamily investment market will likely remain limited in the coming quarters as investors continue to track the competitive impact of recent and future supply growth, while also monitoring the pace of absorption across the market. Longer term, investment opportunities should present themselves as the recently built inventory stabilizes. Nearly every property that was completed in 2023 has been successfully leased-up, and many of the properties delivered in 2024 are trending in that direction. Sales velocity in the traditionally strong Northeast Heights and Southeast Heights submarkets should gain momentum in the coming quarters after a brief dip in activity in recent periods.

## EMPLOYMENT FORECAST



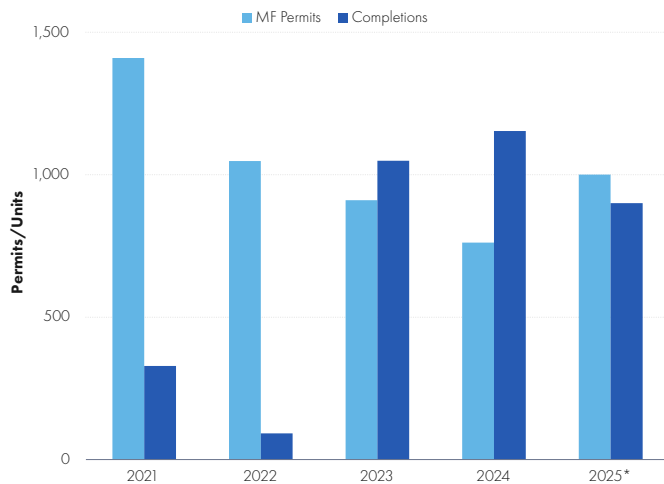
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

## VACANCY FORECAST



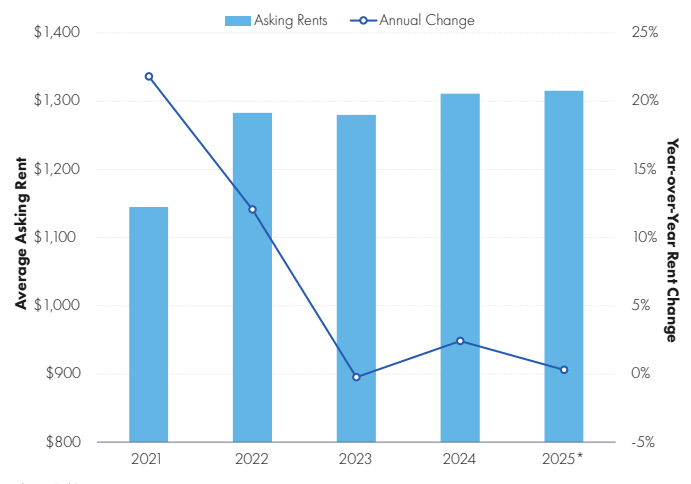
\* Year End Forecast  
Sources: Northmarq, CoStar, Reis

## CONSTRUCTION & PERMITTING FORECAST



\* Year End Forecast  
Sources: Northmarq, Census Bureau, Reis

## RENTS FORECAST



\* Year End Forecast  
Sources: Northmarq, Reis



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