

TEEL
VALUATION GROUP

ECONOMIC OUTLOOK

October 2026

Metros without Movies: Opportunity in the Overlooked

In collaboration with John E. Silvia, Ph.D.

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ABOUT TEEL VALUATION GROUP



- Founded in 1983 by Gerald A. Teel, built on rigorous analysis, independence, and high professional standards
- Over 40 years of growth from a local practice to a regional firm with national coverage
- Serves a diverse client base across the U.S.
  - Financial institutions
  - Attorneys
  - Government agencies
  - Estates and trusts
  - Corporations
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ABOUT JOHN E. SILVIA, Ph.D.



- Over two periods as Senior Economist for the U.S. Senate Joint Economic Committee and then first Chief Economist at U.S. Senate Banking Committee
- Founder of Dynamic Economic Strategy and former chief economist for Wells Fargo, where he led global economic research and strategy for two decades
- Recognized by Bloomberg and Focus Economics as one of the nation's top forecasters. Known for his accurate and accessible assessment of growth, inflation, and interest-rate trends

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DR. SILVIA'S KEY TAKEAWAYS

Albuquerque and El Paso are not the headline industrial markets, but both sit at interstate crossroads and are benefiting from the national recovery in industrial production. The opportunity is real but uneven: El Paso logistics shows the strongest demand, Albuquerque flex is tightening, and cap rates in both metros have not yet adjusted to higher interest rates.

- National backdrop is supportive. U.S. industrial production returned to year-over-year growth in 2025 and was up 2.2 percent over the last twelve months: business equipment output was up 6.7 percent from a year earlier as of September 2026.

- Labor markets are cooling without a jump in unemployment. Albuquerque employment slipped 0.6 percent year over year in 2026 2Q, yet unemployment was little changed between 2022 1Q and 2026 1Q (Albuquerque 4.5 to 4.6 percent; El Paso 4.5 to 4.4 percent).

- Demand momentum favors El Paso. Year-to-date (through August) net absorption equals 3.6 percent of inventory in El Paso (4.6 percent in logistics), versus 0.6 percent in Albuquerque (0.8 percent in logistics).

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KEY TAKEAWAYS

- National backdrop is supportive. U.S. industrial production returned to year-over-year growth in 2025 and was up 2.2 percent in September over a year earlier; business equipment output was up 6.7 percent from a year earlier as of September 2026. Hi-tech industrial production was up 17.5 percent as of September (Source: Federal Reserve) which will benefit the technology and data infrastructure elements of the Albuquerque market.

- Labor markets are cooling without a jump in unemployment. Albuquerque employment slipped 0.6 percent year over year in 2026 2Q, yet unemployment was little changed between 2022 1Q and 2026 1Q (Albuquerque 4.5 to 4.6 percent; El Paso 4.5 to 4.4 percent). The metro employment slowdown is consistent with the national employment slowdown.

- Demand momentum favors El Paso. Year-to-date (through August) net absorption equals 3.6 percent of inventory in El Paso (4.6 percent in logistics), versus 0.6 percent in Albuquerque (0.8 percent in logistics).

- Pricing is edging higher in both metros. Overall price per square foot reached $83.01 in El Paso (up 2.8 percent from 2025) and $114.13 in Albuquerque (up 0.5 percent).

- Vacancy trends are mixed. Albuquerque flex vacancy fell from 4.5 to 2.6 percent while specialized industrial vacancy rose from 4.1 to 7.1 percent; in El Paso, flex (4.9 to 7.6 percent) and specialized industrial (2.6 to 3.1 percent) vacancy both rose.

- Cap rates have not yet repriced to higher rates. After rising about 110 basis points from 2022 to 2024, overall cap rates have held near 9.1 percent in Albuquerque and 8.5 percent in El Paso, even as the 5-year Treasury yield climbed from 3.67 percent in 2025 4Q to 4.50 percent in 2026 3Q.

- Credit is easing. A net 11.3 percent of banks eased standards on nonfarm nonresidential CRE loans in 2026 3Q, offsetting part of the drag from higher rates.

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TWO METROS WITH INDUSTRIAL OPPORTUNITIES: ALBUQUERQUE AND EL PASO

TRANSPORTATION CROSSROADS

Albuquerque: crossroads of I-40 and I-25

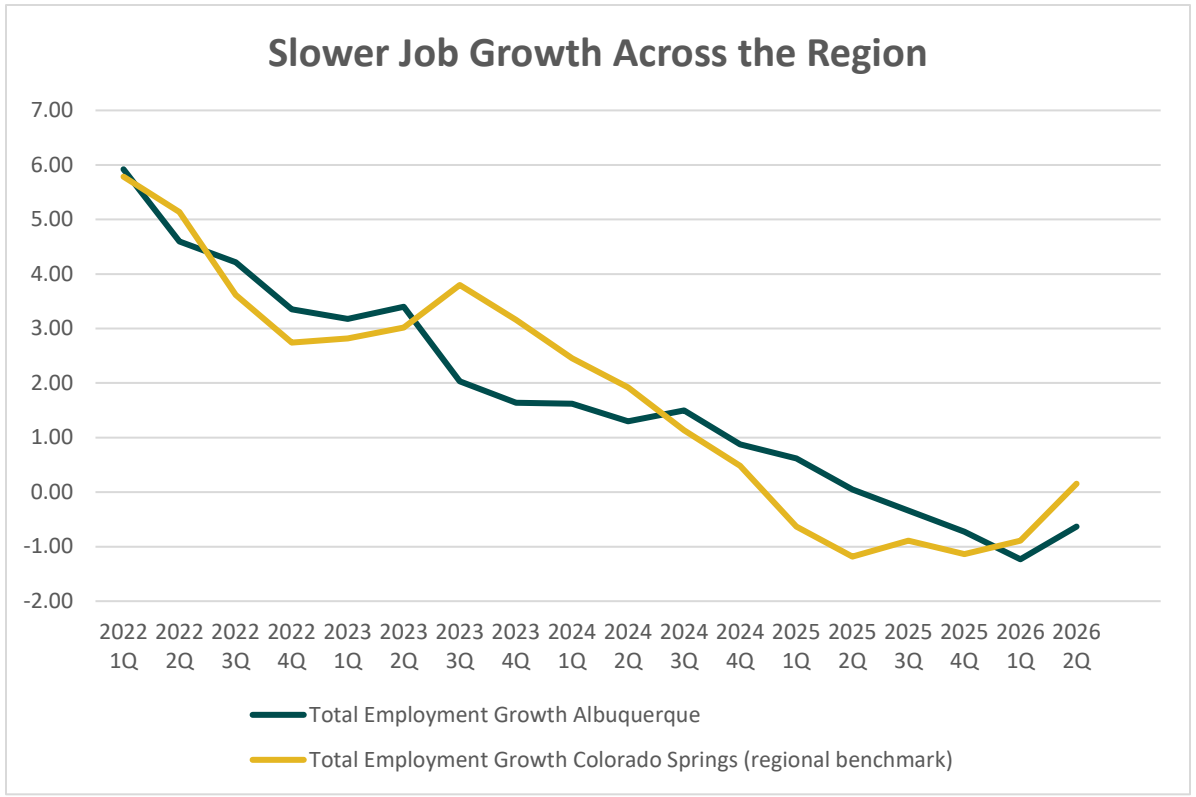
- I-40 east to Oklahoma City, west via Flagstaff, about 145 miles north of Phoenix
- I-25 north to Santa Fe and Denver

El Paso: on I-10

- I-10 west to Tucson and Phoenix, east to San Antonio

SLOWER JOB GROWTH FOLLOWS NATIONAL PATTERN

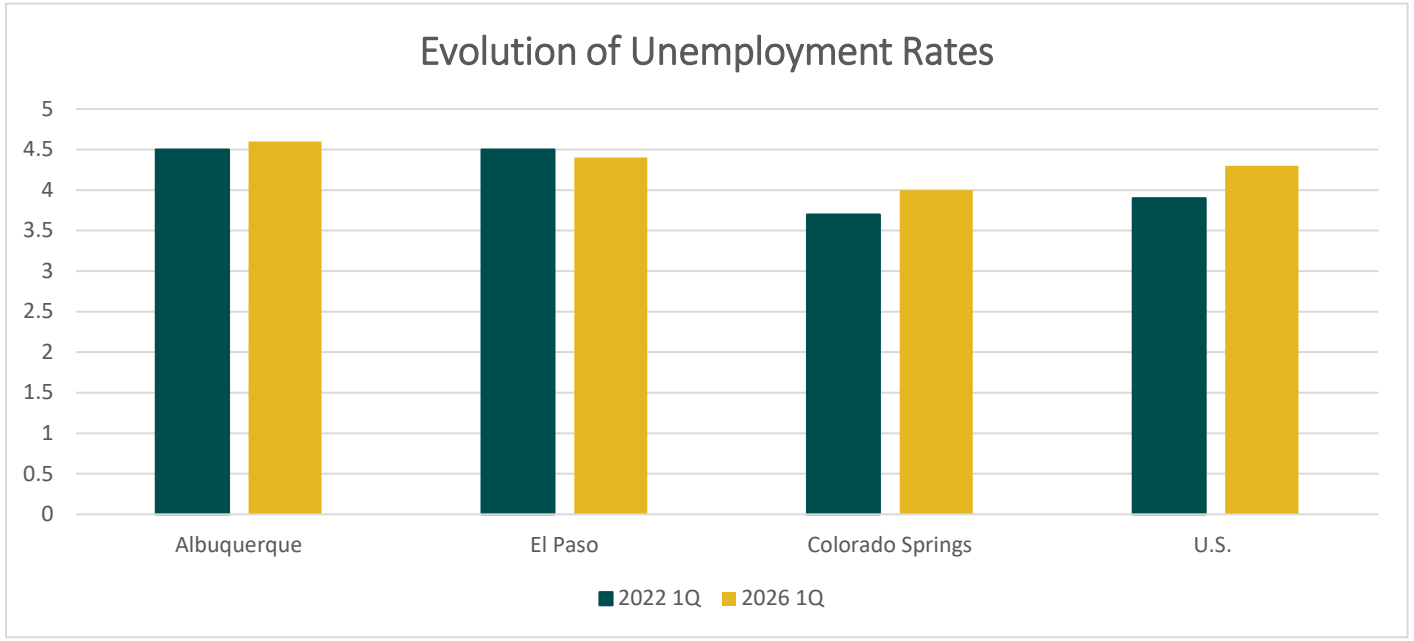
- Albuquerque job growth slowed from 5.9% in 2022 1Q to -0.6% in 2026 2Q, with losses in each of the last four quarters
- Colorado Springs, the regional benchmark, slowed from 5.8% to 0.2% over the same period
- The slowdown is broad-based across the region and nationally, not unique to either metro.



Source: U.S. Department of Labor, Bureau of Labor Statistics, Dynamic Economic Strategy. Data shown are percent changes of the current quarter versus a year ago.
Albuquerque metro population 925K, El Paso 881K (U.S. Census Bureau, Vintage 2025 metro estimates, July 1, 2025).

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UNEMPLOYMENT RATES

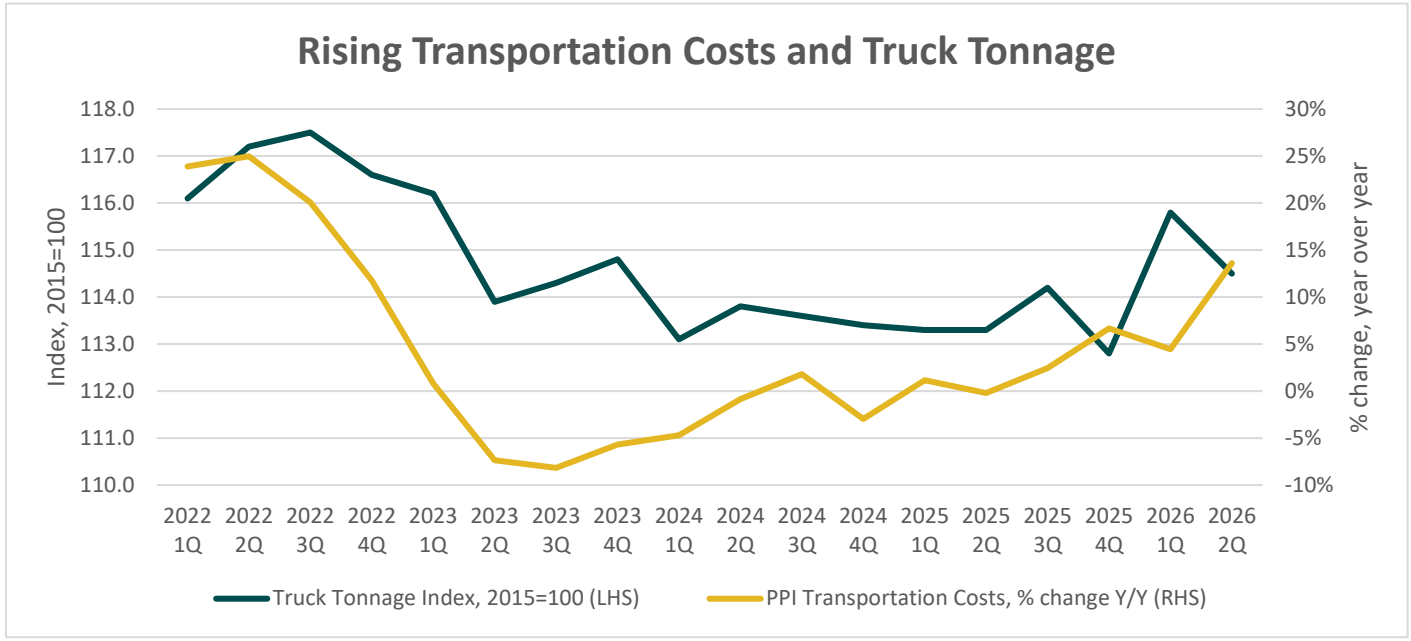


Source: U.S. Department of Labor, Bureau of Labor Statistics, Dynamic Economic Strategy. Unemployment rates are shown for 2022 1Q and 2026 1Q.

Slower job gains have not been associated with materially higher unemployment rates in Albuquerque and El Paso metros. This signals that those two labor markets remain tight.

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RISING TRANSPORTATION COSTS AND TRUCK TONNAGE

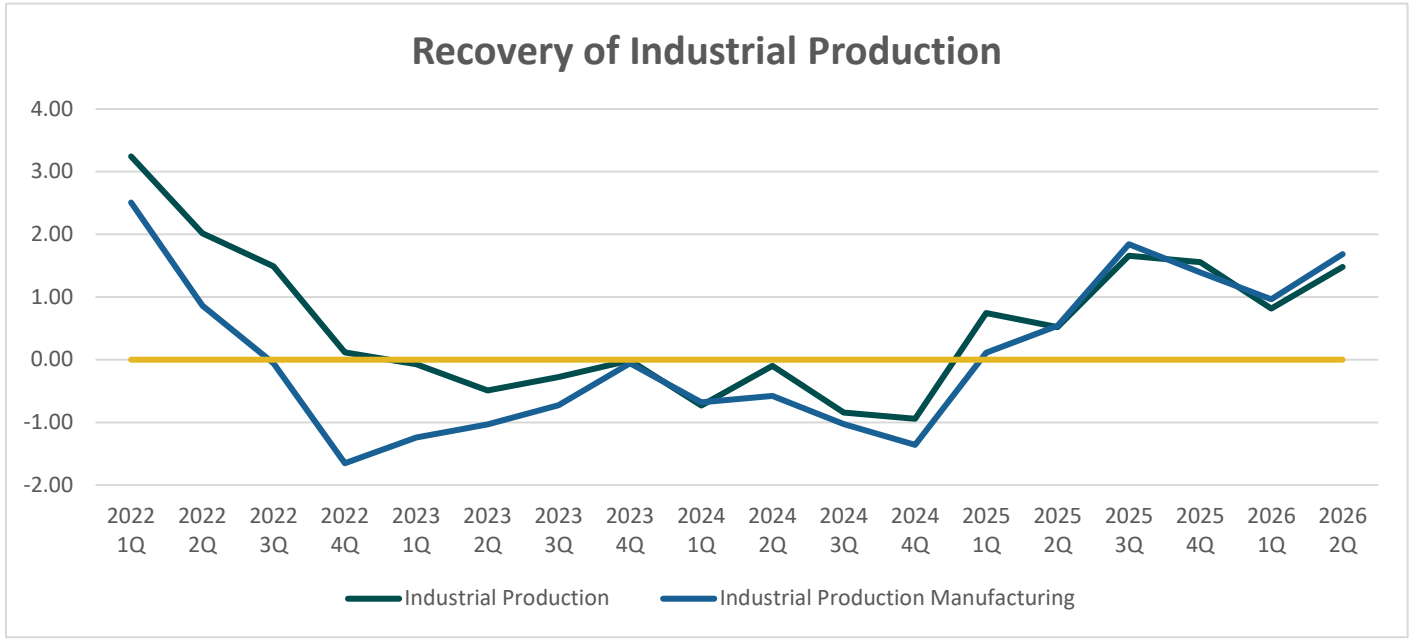


Source: American Trucking Associations via U.S. Bureau of Transportation Statistics (truck tonnage, seasonally adjusted, 2015=100); U.S. Bureau of Labor Statistics (PPI); Dynamic Economic Strategy.

Rising transportation costs reflect the national rise in inflation but also the revival of industrial production. Business equipment production is up 6.7 percent over a year ago (September 2026, Federal Reserve).

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A BROADER RECOVERY IN INDUSTRIAL PRODUCTION



Source: Board of Governors Federal Reserve System. Dynamic Economic Strategy, Index 2017=100, Series plotted is per cent change from a year ago.

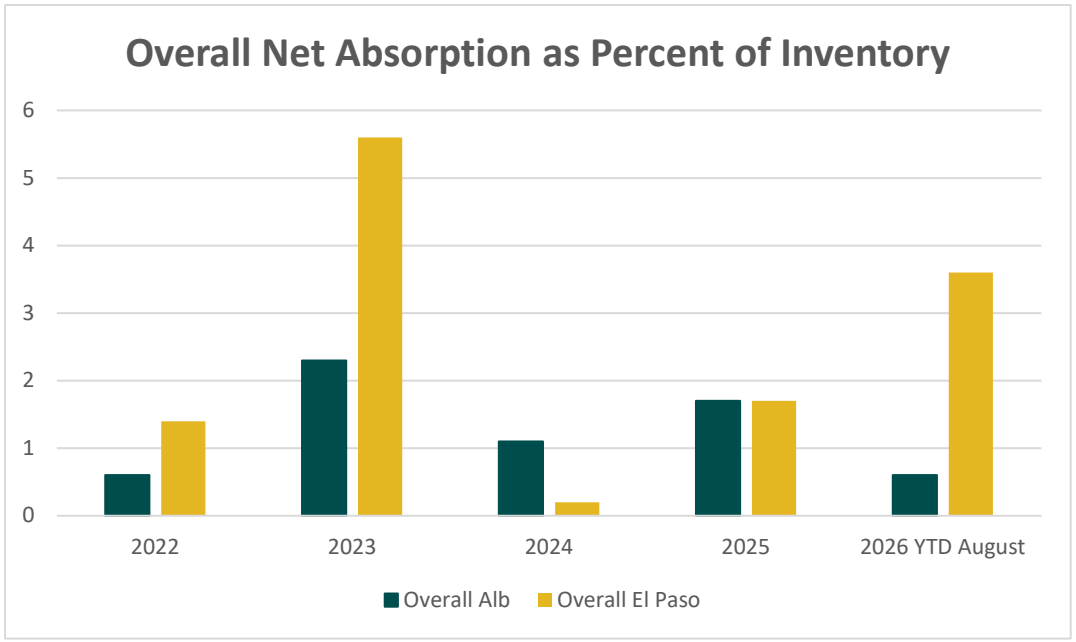
Industrial production contracted on a year-over-year basis in nearly every quarter of 2023 and 2024 before turning positive in 2025.

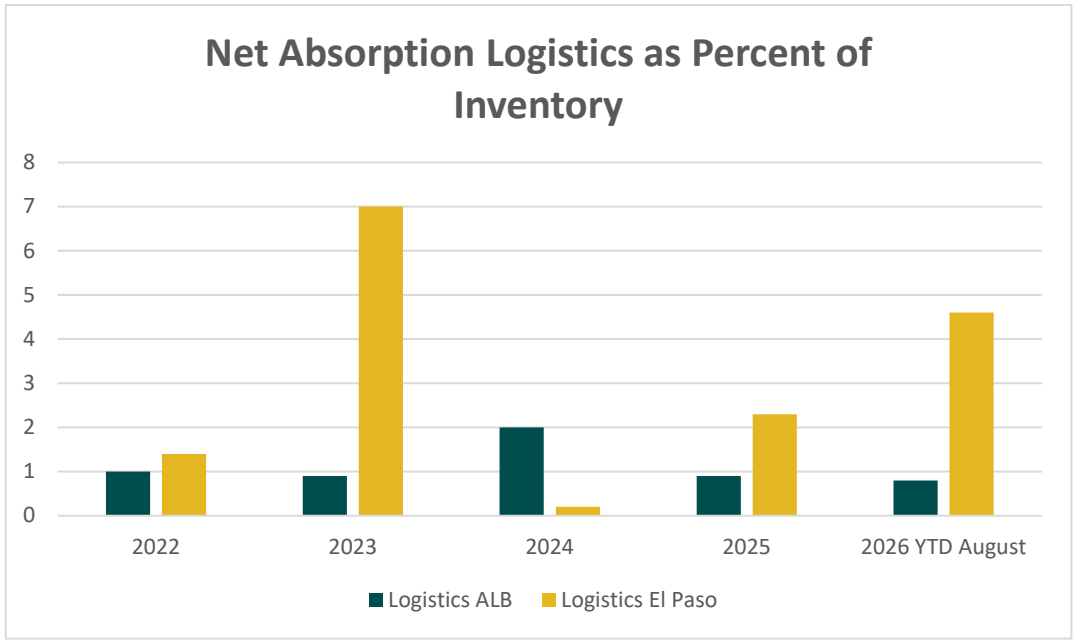
In 2026 2Q, total output was up 1.5 percent and manufacturing output 1.7 percent from a year earlier; the Federal Reserve's September 2026 release shows total output 2.2 percent above its year-earlier level.

The recovery is modest but supports demand for industrial space.

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THE MACRO IMPLICATIONS FOR METRO FUNDAMENTALS



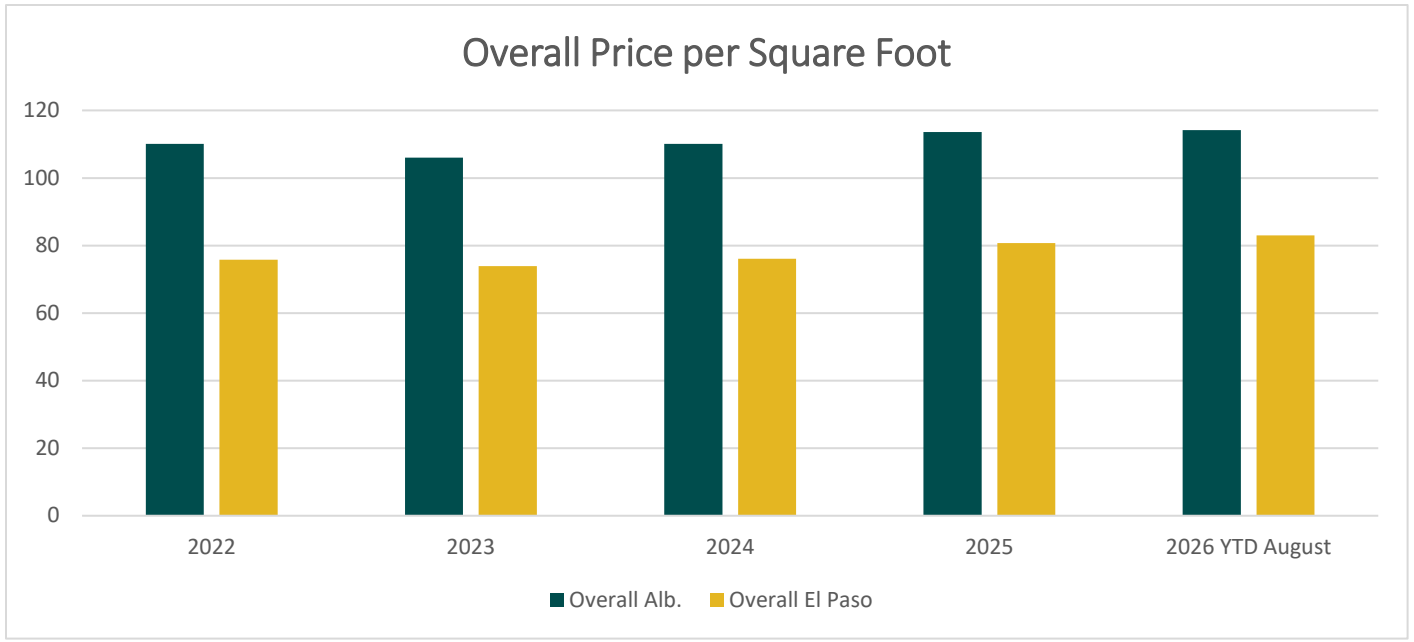


Source: CoStar Industrial Market Reports, Albuquerque and El Paso, September 2026 and Dynamic Economic Strategy. 2026 YTD is through August (eight months), so it is not directly comparable to full-year bars.

The gains in industrial production are consistent with the improvement in net absorption overall and in logistics for El Paso, but less so for Albuquerque.

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PRICE PER SQUARE FOOT: STEADY GAINS IN BOTH METROS

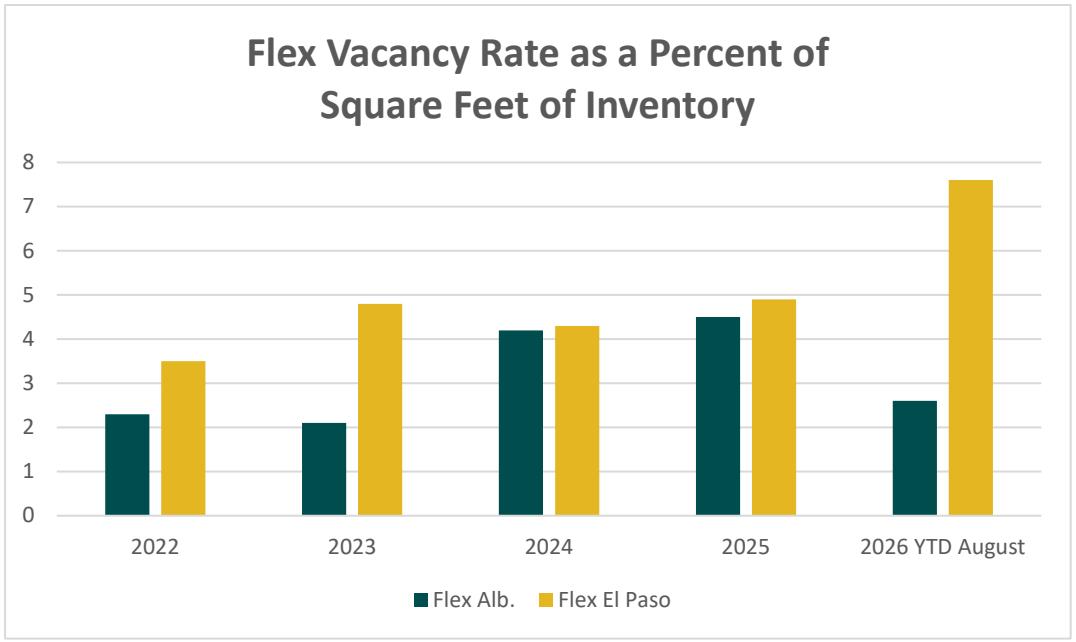


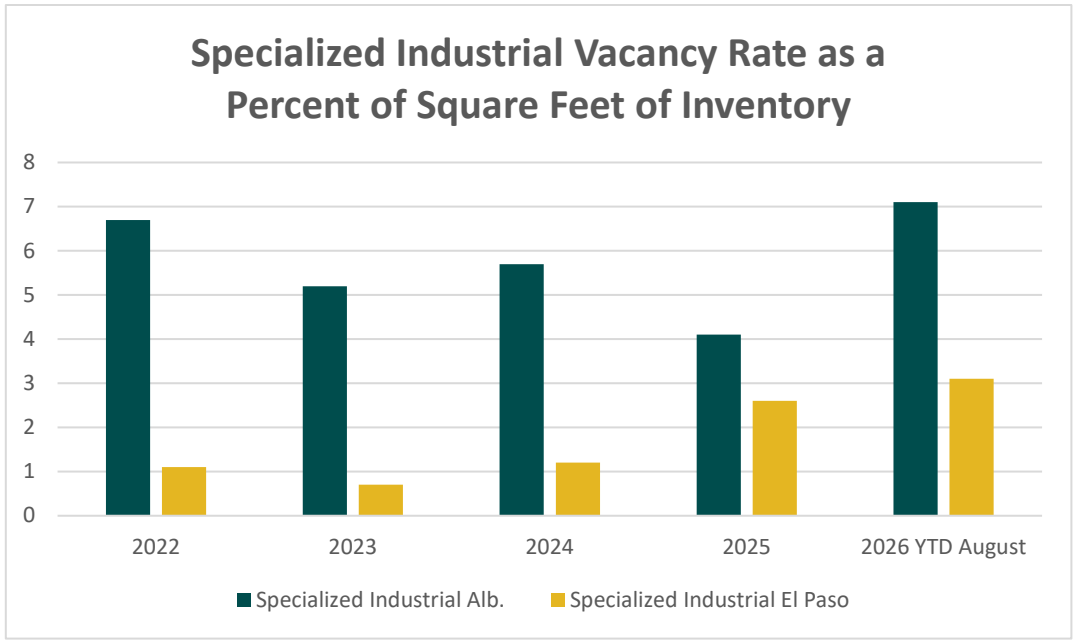
Source: CoStar Industrial Market Reports, Albuquerque and El Paso, September 2026 and Dynamic Economic Strategy. Sales price, price per square foot. 2026 YTD is through August (eight months), so it is not directly comparable to full-year bars.

Overall price per square foot has improved gradually in both Albuquerque and El Paso. Pricing reached $83.01 per square foot in El Paso (up 2.8 percent from 2025) and $114.13 in Albuquerque (up 0.5 percent).

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VACANCY RATES: RISING IN EL PASO, MIXED IN ALBUQUERQUE



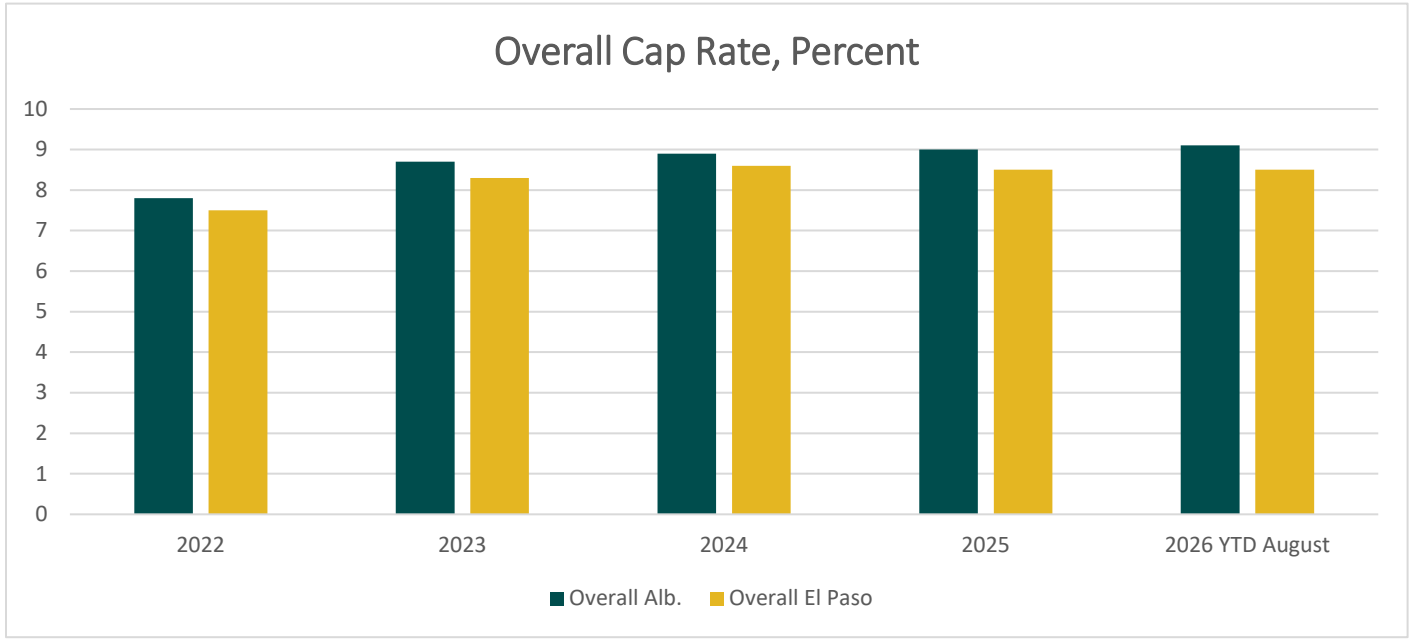


Source: CoStar Industrial Market Reports, Albuquerque and El Paso, September 2026 and Dynamic Economic Strategy. 2026 YTD is through August (eight months), so it is not directly comparable to full-year bars.

One interesting shift is the sharp decline in the vacancy rate for flex structures for Albuquerque in the year-to-date. This decline contrasts with the rise in vacancy for specialized industrial in Albuquerque. Vacancy rates rose for both flex and specialized industrial in the El Paso metro.

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CAP RATES HAVE NOT REPRICED

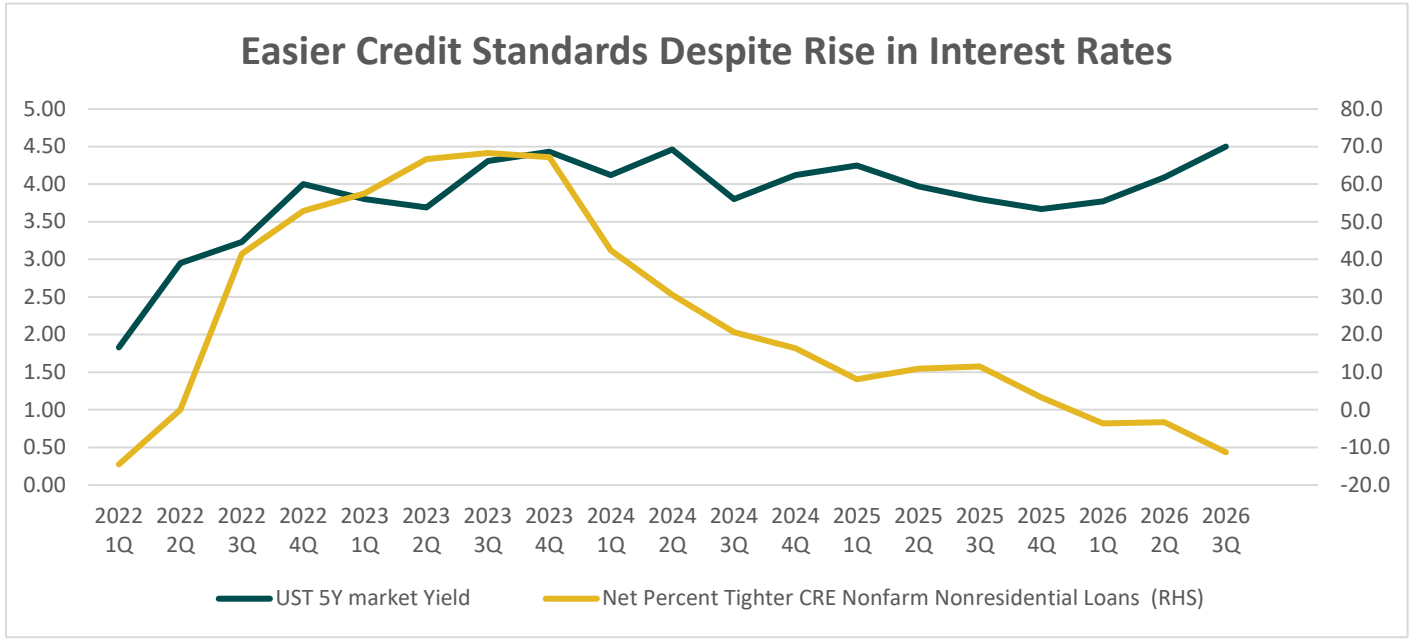


Source: CoStar Industrial Market Reports, Albuquerque and El Paso, September 2026 and Dynamic Economic Strategy. 2026 YTD is through August (eight months), so it is not directly comparable to full-year bars.

Overall cap rates have been essentially flat since 2024 for both Albuquerque and El Paso, after rising about 110 basis points between 2022 and 2024. The growth in the national economy and industrial production has not shown itself in cap rates. The sharp rise in interest rates in recent months may alter these calculations.

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THE CREDIT SIDE OF THE CRE CALCULATION



Source: Both from The Federal Reserve Board of Governors. Zero is neutral on credit standards for the Fed's credit standards survey. Negative values indicate net easing.

Two opposing forces underlie commercial real estate. Interest rates have risen, with the 5-year Treasury yield up from 3.67 percent in 2025 4Q to 4.50 percent in 2026 3Q. The decline in the percentage of banks tightening credit standards reflects strong national economic gains and above-trend profitability improvements.

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COMMERCIAL REAL ESTATE IMPLICATIONS

WHAT THIS MEANS FOR CRE

- Selectivity matters: investors who are selective on metro, property type and price can find value the market has overlooked
- El Paso logistics shows the strongest fundamentals; in Albuquerque, flex is the bright spot
- Flat cap rates against rising yields leave valuations exposed to cap rate expansion
- Local employment trends and market-specific analysis remain essential as conditions shift

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HOW TVG PUTS THIS TO WORK

TVG translates macroeconomic context like Dr. Silvia's into defensible value conclusions through market-specific analysis grounded in observed evidence.

- Regional employment analysis tied to local market conditions
- Sector-level insights across office, retail, industrial, hospitality, and specialized property types
- Market-specific research supporting credible valuation conclusions
- Analysis grounded in observed economic data, not broad assumptions

Let's talk.

We welcome the opportunity to discuss what these trends mean for your portfolio, your assignment, or your market.

Schedule a virtual or in-person briefing with the TVG team and Dr. Silvia.

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The economic views expressed in this outlook are those of Dr. John E. Silvia and Dynamic Economic Strategy. They are general in nature, do not constitute a forecast adopted by Teel Valuation Group, and are not relied upon in any specific TVG valuation assignment. Each TVG appraisal reflects conditions as of its stated effective date.