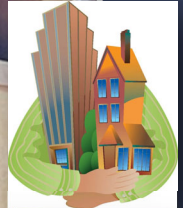


1111 W. McKay, Carlsbad, NM 88220

Register for Confidential Information: <http://www.nmapartment.com/1111WMcKay>

**Conveniently located - 4-plex**



**BERKSHIRE  
HATHAWAY**  
HOMESERVICES  
ENCHANTED LANDS,  
REALTORS®



**4 Units**

**Size: 3,292 sf**

**Land: 0.18 ac**

**Price: \$619,444**

**GRM: 11.22**

**Cap Rate: 6.07%**

**After Tax IRR: 13.80%**

# The Offering

On behalf of the owners, NM Apartment Advisors, Berkshire Hathaway Enchanted Land Realtors, and Deacon Property Services are excited to bring this updated Carlsbad four-plex to market. 4 well-apportioned 2 bedroom / 1 bath apartments pragmatically updated inside and out.

Recently remodeled units feature open floorplans with large eat-in kitchens, living areas with woodburning fireplaces, and bedrooms with plenty of storage – all complimented by custom woodwork and quality, hardy contemporary finishes throughout. Add all that to updated thermal windows, a new 30-year roof, upgraded stucco and paint, and a new common laundry room, and you've got a turnkey investment that will allow the next owner to truly reap the benefits of one of New Mexico's fastest growing and appreciating real estate markets (without the headache of inheriting deferred maintenance and urgent projects with no upside).

Carlsbad continues to grow exponentially as high paying jobs are generated in oil and gas production, agriculture, and one of the most solid tourism sectors in the southwestern united states. Beyond the boom economy, people choose to live in the "the Pearl on the Pecos" for its high quality of life, good schools, and unique recreation opportunities. Now is the right time to tap into one of the nation's premiere, undiscovered multi-family investment markets.



# The Property

**Address:** 1111 W. McKay

**Number of Units:** 4

**Year of construction:** 2003

**Bldg. Size:** 3,292 sf approx.

**Site Size:** 0.18ac

**Avg. Unit Size:** 823 sf

**UPC#:** 425637568280, R058051

**Legal:** Powers Rep AMD, Lot 1 Block 203 & Lot 2 Block 202

**Ask Price:** \$619,444

**\$/ unit:** \$154,861

**\$/sf:** \$188.17

	Actual/Est (2023)	Proforma (2024)
<b>Avg. Rent:</b>	\$1,150	1,323
<b>GRM:</b>	11.22	9.76
<b>Cap Rate Before reserves:</b>	6.07%	6.78%
<b>Cap Rate After reserves:</b>	5.93%	6.63%
<b>Year 1 NOI:</b>	\$36,718	\$41,073
<b>Cash on Cash:</b>	2.70%	5.51%
<b>Before Tax IRR:</b>	17.1%	
<b>After Tax IRR:</b>	13.8%	



# Annual Property Operating Data (APOD) - 1111

## NM Apartment Advisors Financial Overview for:

1111 W McKay

Prepared by: Todd Clarke CCIM

3/1/2024

"AS IS" Condition

### Unit/Rent Summary

						Actual		Total	Total Max		
#	Type Style	Approx Size	Actual Rent	Street Rate	Market Rent	Rent \$/sf		Actual	Rent for this type	Total Market Potential	Total sf
1111A	2/1	823	\$ 1,100	\$ 1,200	\$ 1,250	\$ 1.34		\$ 1,100	\$ 1,200	\$ 1,250	823
1111B	2/1	823	\$ 1,100	\$ 1,200	\$ 1,250	\$ 1.34		\$ 1,100	\$ 1,200	\$ 1,250	823
1111C	2/1	823	\$ 1,200	\$ 1,200	\$ 1,395	\$ 1.46		\$ 1,200	\$ 1,200	\$ 1,395	823
1111D	2/1	823	\$ 1,200	\$ 1,200	\$ 1,395	\$ 1.46		\$ 1,200	\$ 1,200	\$ 1,395	823
4	total units / Avg. Unit Size=	823	\$ 1,150	\$ 1,200	\$ 1,323			\$ 4,600	\$ 4,800	\$ 5,290	3,292
	Avg Actual Rent \$/sf=		\$ 1.40	\$ 1.46	\$ 1.61			\$ 55,200	\$ 57,600	\$ 63,480	3,292 Per Assessor

### Benchmarks

Offering Price	\$619,444		
\$/unit	\$154,861		
\$/sf	\$188.17		
GRM	11.22	Actual	Proforma
CAP Before Reserves	6.07%		6.78%
CAP After Reserves	5.93%		6.63%
Cash on Cash	2.70%		5.51%
DCR=	1.13		1.26
Walk Score: 49, Bike Score: 54			



### Income

1	A.	Total Potential Market Income	\$ 63,480	
2	B.	Less: loss to market lease	\$ 5,880	9%
3	C.	Total Potential Income (Street)	\$ 57,600	
4	D.	Less: Loss to lease	\$ 2,400	4%
5	E.	Total Income	\$ 55,200	
6	F.	Less: vacancy 5.0%	\$ 2,760	5% Market average
7	G.	Effective Rental Income	\$ 52,440	
8	H.	Plus: Other Income	\$ -	
9	I.	Gross Operating Income	\$ 52,440	

		Actuals 2023		Based on Estimates/Actuals		Proforma 2024		Based on: Forthcoming yr.	
Expenses (Annual)		\$/unit	%			\$/unit	%		
20	Real Estate Taxes	\$948	2%	2023 Actual Amount		\$3,259	5%	65% of Sales Price x mil rate	
21	Personal Property Taxes			assessed \$230,068					
22	Property Insurance	\$1,614	3%	2023 Actual		\$1,662	3%	Potential 2024 = 2023 + 3%	
23	Property Management:								
24	Off Site Management	\$5,541	11%	2023 Actual Amount		\$6,490	10%	Management @ 10% + NMGR	
25	Payroll-Onsite Personnel								
26	Repairs and Maintenance	\$4,282	8%	2023 Annualized		\$4,410	7%	Potential 2024 = 2023 + 3%	
27	Utilities:								
30	Water, Sewer, & Garbage	\$1,591	3%	2023 Annualized		\$1,638	3%	Potential 2024 = 2023 + 3%	
31	Gas								
32	Electric	\$215	0%	Vacancy		\$221	0%	Potential 2024 = 2023 + 3%	
43	Unit Turnover								
44	Landscaping	\$633	1%	2023 Annualized		\$652	1%	Potential 2024 = 2023 + 3%	
45	Carpet Cleaning								
46	Internet			repairs+unit turn+reserve=8to10%					
48	Reserve for replacement	\$900	2%	new lender will require		\$900	1%	new lender will require	
49	Total Operating Expenses	\$15,723	30%			\$19,233	30%		
50	Net Operating Income	\$36,718				\$41,073		Potential Market less 5% vacancy + other income	
	Less: Annual Debt Service	\$32,534				\$32,534			
	Cash Flow Before Taxes	\$4,183				\$8,539			

# Internal Rate of Return - 1111

## Internal Rate of Return Analysis

		Year	1	2	3	4	5	6	Calculated for 1st year of next owners, ownership
Total Potential Market Income	4.0% Increases		\$63,480	\$66,019	\$68,660	\$71,406	\$74,263	\$77,233	
Less: loss to market lease	9.3%		\$5,880	\$6,115	\$6,360	\$6,614	\$6,879	\$7,154	
Total Potential Income (Max Rent)			\$57,600	\$59,904	\$62,300	\$64,792	\$67,384	\$70,079	
Less: Loss to lease	4.2%		\$2,400	\$2,496	\$2,596	\$2,700	\$2,808	\$2,920	
Total Income			\$55,200	\$57,408	\$59,704	\$62,092	\$64,576	\$67,159	
Less: vacancy	5.0%		\$2,760	\$2,870	\$2,985	\$3,105	\$3,229	\$3,358	
Effective Rental Income			\$52,440	\$54,538	\$56,719	\$58,988	\$61,347	\$63,801	
Plus: Other Income	2.0% Increases		\$0	\$0	\$0	\$0	\$0	\$0	
Gross Operating Income			\$52,440	\$54,538	\$56,719	\$58,988	\$61,347	\$63,801	
Total Operating Expenses	2.0% Increases		\$15,723	\$16,037	\$16,358	\$16,685	\$17,019	\$17,359	
<b>Net Operating Income</b>			\$36,718	\$38,501	\$40,361	\$42,303	\$44,329	\$46,442	
Mortgage Balance			\$458,606	\$452,277	\$445,574	\$438,475	\$430,957		
ADS			\$32,534	\$32,534	\$32,534	\$32,534	\$32,534		
- Principal Reduction			\$5,977	\$6,329	\$6,703	\$7,099	\$7,518		
= Mortgage interest			\$26,558	\$26,205	\$25,831	\$25,435	\$25,016		
- cost recovery (annual)	27.5 yrs 1. 80%		\$17,270	\$18,020	\$18,020	\$18,020	\$17,270		includes mid mc
= Taxable Income			-\$7,110	-\$5,724	-\$3,490	-\$1,153	\$2,042		
Tax on income at ordinary income rate of 2. 35%			\$0	\$0	\$0	\$0	\$715		
NOI			\$36,718	\$38,501	\$40,361	\$42,303	\$44,329		
- Annual Debt Service			\$32,534	\$32,534	\$32,534	\$32,534	\$32,534		
= <b>Cash Flow Before Tax</b>			\$4,183	\$5,966	\$7,827	\$9,769	\$11,795		
- Less Ordinary Income Tax			\$0	\$0	\$0	\$0	\$715		
= <b>Cash Flow After Tax</b>			\$4,183	\$5,966	\$7,827	\$9,769	\$11,080		

## Sales Worksheet

### Calculation of Adjusted Basis

Basis at Acquisition	\$619,444
+ Capital Additions	
- Cost Recovery (Depreciation) Taken	\$88,601
= Adjusted Basis at Sale	\$530,843

### Calculation of Capital Gain

Disposition CAP Rate	5.9%
Sale Price	\$783,508
- Costs of Sale	\$62,681
- Adjusted Basis at Sale	\$530,843
= Gain or (Loss)	\$189,984
- Straight Line Cost Recovery (limited to g:	\$88,601
= Capital Gain from Appreciation	\$101,383

### Calculation of Sales Proceeds after tax

Sale Price	\$783,508
- Cost of Sale	\$62,681
- Mortgage Balance(s)	\$430,957
= <b>Sale Proceeds Before Tax</b>	\$289,870
- Tax: Straight Line Recapture at 25.0%	\$22,150
- Tax on Capital Gains at 20.0%	\$20,277
= <b>SALE PROCEEDS AFTER TAX:</b>	\$247,443

As a commercial real estate investor, the federal tax code gives you three advantages compared to other investments including:

1. Deduct your annual mortgage interest before you calculate your taxable amount;
2. Deduct your cost recovery/depreciation before you calculate your taxable amount, in the future when you sell the property, you only pay back 25% of the benefit you received;
3. Your long term profit, or capital gain, is taxed at 20%

The combination of these benefits could help lower an investor's effective federal tax rate from 35% federal tax rate to only 19%.

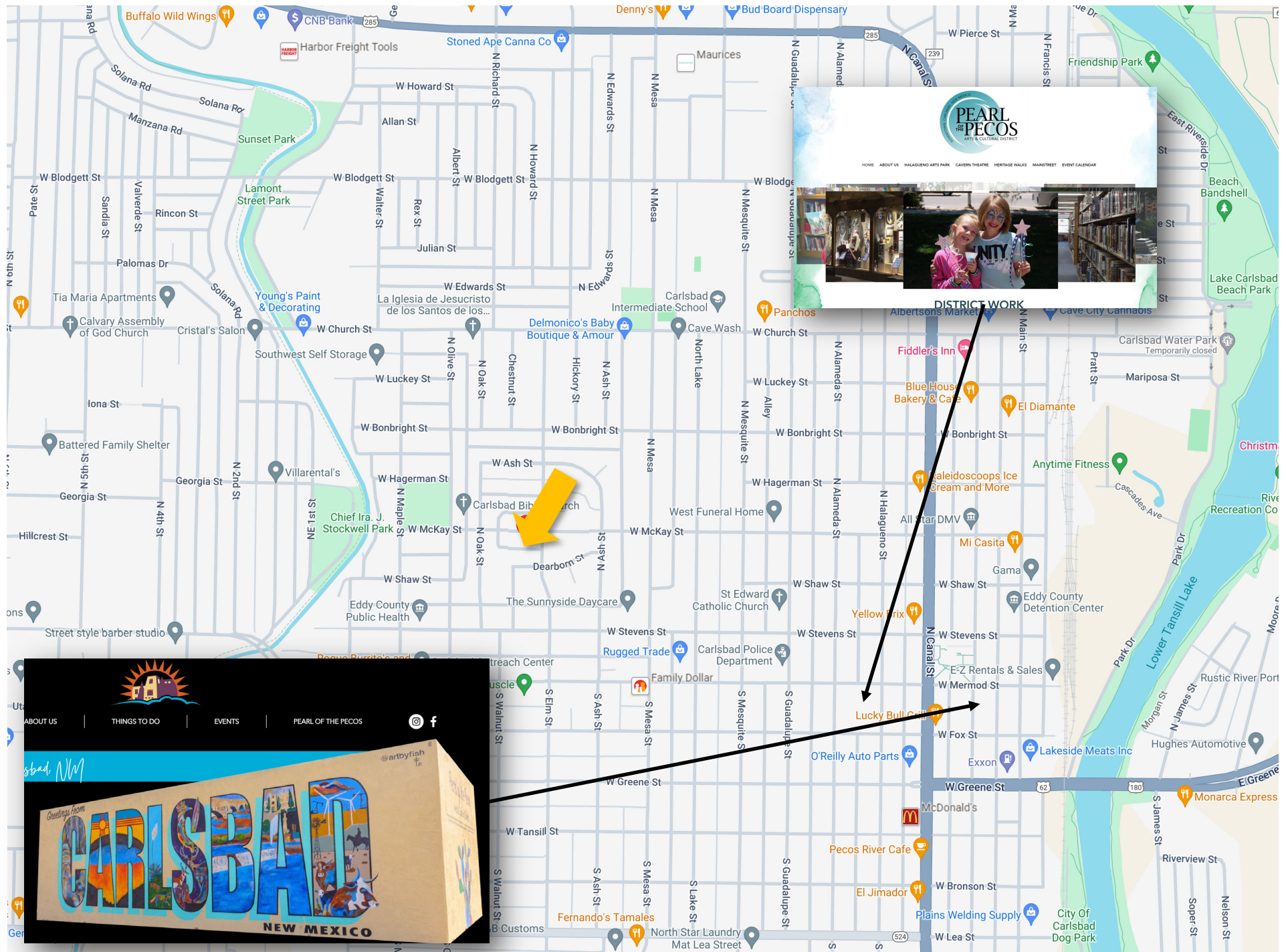
IRR Before tax =	17.1%
n	\$
0	\$ (154,861)
1	\$4,183
2	\$5,966
3	\$7,827
4	\$9,769
5	\$11,795 + \$289,870

IRR After tax =	13.8%
n	\$
0	\$ (154,861)
1	\$4,183
2	\$5,966
3	\$7,827
4	\$9,769
5	\$11,080 + \$247,443

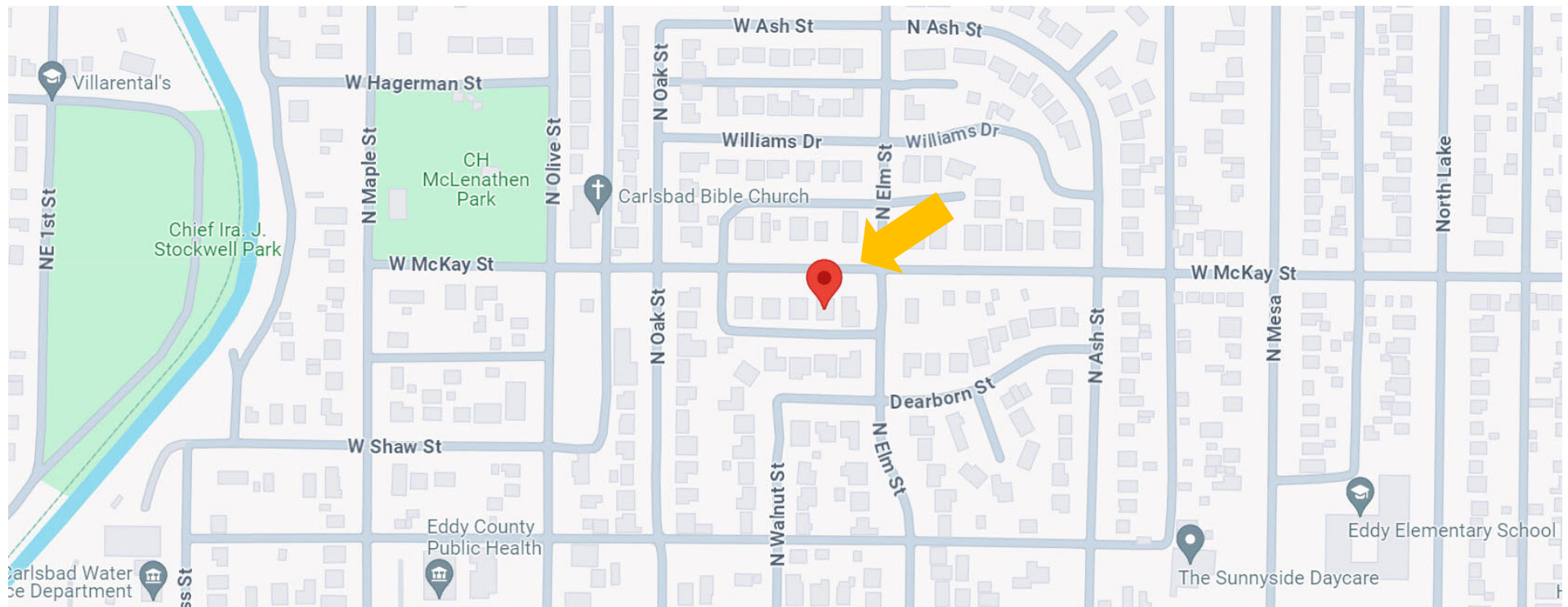
Investor's Effective Tax Rate = 19%



# Property Info - Location



# Property Info - Neighborhood Location





# Property Photographs - Exterior





# Property Photographs - Interior





# Property Photographs - Interior



Virtual Tour: <http://www.nmapartment.com/mckay3d>



# Property Photographs - Interior







# About Carlsbad, New Mexico



Carlsbad, New Mexico, has a diverse market influenced by various sectors, including oil and gas, tourism, agriculture, and retail.

Here is an overview of each:

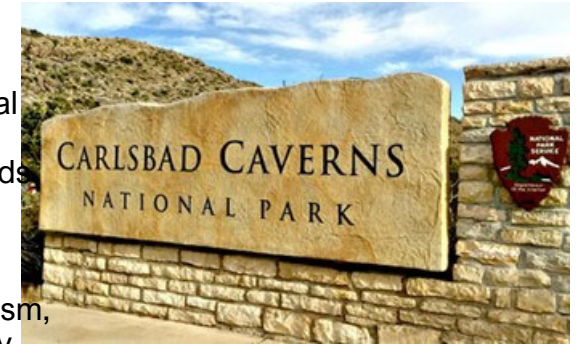
- Oil and Gas: Carlsbad's economy is heavily reliant on the oil and gas industry. The region is home to the Permian Basin, one of the most prolific oil and gas regions in the United States. Companies engage in drilling, exploration, production, and related services, creating job opportunities and driving economic growth.
- Tourism: Carlsbad Caverns National Park is a major tourist attraction, drawing visitors from around the world. The park features stunning cave formations, hiking trails, and bat flights, contributing significantly to the local economy through tourism-related businesses such as hotels, restaurants, and souvenir shops.
- Retirement Community: Strong employment foundation adds to the stability of the community. More than 15% of Carlsbad's population is over the age of 65.
- Agriculture: Agriculture plays a significant role in the economy of Carlsbad and the surrounding area. Farmers produce crops such as cotton, pecans, and alfalfa, potash while ranchers raise cattle and sheep. Agriculture provides employment opportunities and contributes to the region's overall economic output.
- Retail: Carlsbad has a thriving retail sector, with

numerous stores, shopping centers, and restaurants catering to residents and visitors alike. Retail establishments range from national chains to locally owned businesses, offering a variety of goods and services to meet the needs of the community.

Overall, Carlsbad's market is dynamic and diverse, with key sectors like oil and gas, tourism, agriculture, and retail driving economic activity and shaping the local economy. Additionally, the tourism sector is subject to seasonal variations, with visitation to Carlsbad Caverns National Park peaking during the summer months. Carlsbad continues to be a vibrant and economically resilient community.

Largest employers in Carlsbad:

Mosaic Potash, Intrepid Potash, Chevron, XTO, Exxon Mobil, Waste Isolation Pilot Plan (WIPP), Carlsbad Caverns



Carlsbad, New Mexico facts

- ☑ 101 Best small cities to start a business (KRQE)
- ☑ 2022 Census shows that Carlsbad was the fastest growing city in New Mexico by percentage. (Develop Carlsbad)
- ☑ Carlsbad had a population boom in the last decade. There are 50k-60k residents that live part time in Carlsbad due to their employment in the Oil and Gas and Potash industries



# Multifamily investment sales process and thoughts:

My name is Todd Clarke CCIM and I am a commercial Realtor who has been selling apartment investments for over 35 years. In that time, I have listed/sold over 13,909 units totaling \$572M. I also teach investment sales analysis for the CCIM institute (23 years, over 4,000 students in a dozen countries). I share this with you so you know that the balance of this document comes from experience, and my ideals about how the apartment business runs. This also gives you insight into how we counsel and advocate for our clients.

Most of your **Buyer's questions** about rents, expenses, and property info can be answered by downloading the flyer & APOD (Annual Property Operating Data) from the document center. **Please READ THEM. If you are new to investment sales, I am glad to assist you, but please know:**

## Showings/Tours

Residents have rights under the NM Landlord Resident Relations act, and Landlords take that law seriously.

Many Landlords consider their residents to be their **customers**. They work hard to keep them **happy**. Any attempt by a 3<sup>rd</sup> party to visit the property without the Landlord's prior written approval jeopardizes the Landlord's and Resident's happy customer relationship.

**Do not disturb the residents, do not walk the property.** It is considered rude to do either, and many Sellers will refuse to work with Buyers who violate this provision.

Landlords (Sellers) rarely are willing to show a property prior to having an offer.

Where possible, we have included virtual tours in high definition – please look to the flyer for those links.

Sellers suggest Buyers make an offer subject to inspection and that the buyer work hard to consolidate their inspections and appraisal review on the same business day.

## Commercial vs. Residential Real Estate sales

Apartment investments are considered commercial real estate sales. Although the occasional apartment will sell to an owner/occupant, from the Seller's and Listing Broker's perspective, they approach the transaction in a business-like manner, where it is all about the numbers, and very little about the emotions.

Commercial brokers work regular business hours during business days, and so do most of their clients. Please do not write an offer with an expiration date on a weekend, or a response period of anything less than 3 business days. Please do not text, or expect return phone calls after regular business hours.

## Offers

Commercial transactions often start with a two page letter of intent or LOI – this allows the parties to share the skeleton of a deal. If they can reach a meeting of the minds, they will then flesh out the details in a purchase and sale agreement. If your client chooses to do a letter of intent, please make sure your letter of intent form includes the basics like price, closing date, contingencies, and who pays what closings costs.

The current (2020) activity level from investors interest in our marketplace is 10 times higher than it was in 2016, our market is saturated with out of state investors, and I often tell buyers that they have a 1 in 10 chance of becoming an owner, where as everyone of my Sellers have a 1 in 1 chance of selling.

Please let your client know that I work with my clients on a merit based negotiation system - we do not play the high/low game, and my **listing agreement pre-**

**authorizes me to let you know when a (low) offer is likely not to be responded to by my Seller, so call first before your client suggests a low ball offer.**

If your client's strategy is to count days on market and expect a discount, please let them know we specialize in helping our clients establish the leading edge of current market pricing, and our clients are prepared to wait for the right investor who can meet their deal goals.

The follow-up questions Sellers ask after what is the price is, does the Buyer know the market? Have they been here? Do they have a team (management, lender, etc.) in place? Be prepared to answer these questions an advocate for your buyer, particularly if there are multiple competing offers.

Most of my Sellers are as focused on certainty of closing as they are the price, so don't be surprised when we ask you for proof of funds of down payment and a prequal letter from a qualified lender.

The standard in commercial transactions is that the Buyer pays for their own inspections and financing costs, and issues raised by the Buyer's lender are the Buyers to deal with.

## BID Process

If this property is being marketed with the BID process, then **the ask (start) price is set low** with the intention of garnering a lot of investor interest that will lead to multiple offers, a best and final round **with a final close price that is considerably higher than the original ask price**. This process may be new to you, but we have been using it for over 16 years. By participating in the BID Process, best case, your buyer becomes an owner, worst case they receive an education on current market conditions.

If the property is being marketed using the BID process, the tour date and time is the **only time** the property is available for a viewing. This is not an inspection. Please do not bring your vendors, inspectors, ladders, etc. This is not an open house, but a guided tour that lasts 10 to 20 minutes and allows you a chance to view the interior condition.

## Client Control

Your client's actions represent you in this transaction, and your actions represent them.

Please let your client know they have only one chance to make a good impression with my Sellers.

When in doubt, please ask for permission via email, **do not** take action and expect forgiveness from a Seller. Please let your clients know that their actions will be considered by the Seller when they review offers and rank them in likelihood to close.

**Open invitation** – on a monthly basis, we host a luncheon for brokers and property managers who have an interest in apartment investments – just email me for an invitation.

Please know that I love this business and I am glad to share my knowledge, expertise and enthusiasm with you and your Buyer. I want to help you, help them, to be a great landlord and investor.

I look forward to working on this transaction with you—Sincerely—Todd Clarke CCIM  
CIPs

# Further Information

Do not walk property or disturb residents.

To register for access to confidential documents go to:

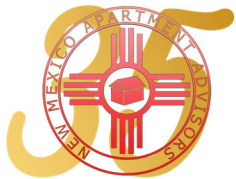
[www.nmapartment.com/1111WMcKay](http://www.nmapartment.com/1111WMcKay)

Virtual Tour: <http://www.nmapartment.com/mckay3d>

## Marketing Advisors

In the event of multiple offers, BID process will be used.  
Additional information on the sales process can be found at  
[www.nmapartment.com/bidprocess/bidprocess.pdf](http://www.nmapartment.com/bidprocess/bidprocess.pdf)

The owner and property are represented by Todd Clarke CCIM of NM Apartment Advisors, who has over 35 years of experience in marketing apartments, Kyle Deacon of Deacon Property Services, LLC, and Lanette Rostro of Berkshire Hathaway HomeServices Enchanted Lands Realtor. If there is any information you need on the market, submarket, or the property, please do not hesitate to ask.



**Todd Clarke** 

CEO

NM Apartment Advisors Inc.

NMREC License #13711

505-440-TODD

tclarke@nmapartment.com

[www.nmapartment.com](http://www.nmapartment.com)



**Kyle Deacon**

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NMREC License #15579

505-878-0100

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