

First comes the rental, then sales, but not here

Editor's note: Like so many other cities trying to revitalize their downtowns, attract new business and become the next "it" locale, Albuquerque is riding the bandwagon called "new urbanism." This planning strategy calls for the end of suburbia, sprawl and reliance on the automobile, replacing that with walkable streets, mixed-use neighborhoods, public transportation and infill development. Creating a more residential downtown is part of that vision. This is the first of three columns that look at how our urban housing market is progressing and how that could affect the city's ability to build business.

Everybody's Business



AUTUMN GRAY
Of the Journal

The early adopters of Albuquerque's new Downtown pads prefer proprietorship to just a place to rent. At least that's what has been discovered by developers in this market, where a few dozen townhomes and nearly 200 condominium/loft units spread among several buildings are going up. Many are sold, or reserved, before construction starts.

It's all kind of curious.

Residential property development in urban centers typically follows a progression: Rental units test the market, and condominiums and the like follow if the demand exists. Albuquerque hasn't necessarily skipped a beat in this area of renewal, but its developmental heart rate looks to be at least somewhat arrhythmic.

At the same time that development of for-sale property is happening, perhaps prematurely, the amount of construction occurring is rather puny.

"In other cities, it's always done on a larger scale" — 300 condos per development vs. 30, said Todd Clarke, a consultant with Housing Resources, which conducts market studies. Plus, "there's no rental property in the works (Downtown) right now."

"Frankly, that's been a little bit of a surprise for us," said Pat Bryan, chief operating officer of New Mexico's Downtown Historic District Improvement Co. "The thinking was that Downtown would have to increase the rental market before the buying market would come around."

That's how it's happening in Dallas now, how it happened in Phoenix a few years ago, and Denver falls somewhere in the middle.

"There is definitely a residential boom going on down here (in Dallas), but there is not a condominium boom. We have a rental unit boom going on," said Nancy Hormann,

See **DOWNTOWN** on **PAGE 12**

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Downtown is different

from PAGE 2

president of the Central Dallas Association, which does business marketing, recruitment and retention for Big D's downtown.

She said the area added 1,500 rental units in the last year, another 1,500 are under construction and 1,000 are awaiting approval to begin construction.

Though the demand exists for condos, she said, for-sale product just doesn't exist yet. Developers are only beginning to look at the downtown market after significant for-sale development has occurred right outside the urban core.

Considering its population of about 1.3 million, Phoenix doesn't have much in the way of condos downtown yet, either — about 350 in its redevelopment district, said Dan Klocke. The director of Downtown Phoenix Community Development Corp. said rental property was all that was being built until recently. Only in the last 18 months, he said, is it that "a tremendous number of for-sale projects have come on."

In fact, 800 condominiums are being built, and 11 of 14 planned projects downtown are for-sale properties.

Denver is different. Though 5,597 condos have been built since 1990 and 401 are under construction, many people there want rentals, said Errin Welty, research coordinator for the Downtown Denver Partnership.

Developer Dominick Mazotti, CEO of GMDM Inc. in the San Francisco area, said he looked at Denver as well as Scottsdale, Ariz., and Phoenix before deciding to invest in Albuquerque. He bought the former Banana Joe's building on Central between Sixth and Seventh streets in February for a condominium project. Architectural plans have been sent to the city for 16 units to go in there, with construction expected to start in the fall.

"It's an awesome downtown," he said. "There was a lot of buzz (among developers in California) at the time they were talking about putting in the downtown (arena)." But talk has slowed, he said, as the

city has hedged on the arena project and since there is still no grocery or large anchor retail store Downtown.

"They're still fearful as to which way Albuquerque is going," he said, referring to many national developers.

Other for-sale projects Downtown include the Gold Avenue Lofts (32 are residential), the Lofts at Albuquerque High (110 in the first two of five phases), a handful of condominiums at 401-411 Tijeras NE, and a collection of lofts and townhomes in the area of Silver SW and Eighth.

Among them, prices range from \$150 per square foot to \$300 per square foot. Those costs are comparable to prices in the Phoenix and Dallas markets. Downtown Denver condo prices, including "affordable housing," range from \$169 to \$565 per square foot.

As rosy as all this may sound, some see the new Albuquerque housing scene as a step toward Downtown gentrification. More on that next week in the second part of this three-part series.

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