

Kirtland's housing problem could tighten apartment market

Substandard housing may be closed, sending families off-base.

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The federal government could be an unlikely savior of Albuquerque's beleaguered apartments, which is seeing the highest vacancy rate in years at 9 percent.

"Kirtland Air Force Base is developing a plan to move some 2,000 to 2,100 families off the base," Todd Clarke of Grubb & Ellis/Lewinger Hamilton Inc. said last week. "Today, we have about 6,000 apartment units that are vacant. We're looking at filling nearly half of them, probably in a 90-day period."

Speaking at a May 18 luncheon meeting of the New Mexico Chapter of the National Association of Industrial and Office Prop-

erties, Clarke said Kirtland's initiative is being driven by substandard housing on the base.

"They don't have the money today nor are they likely to have the money in the future to fix the substandard housing," he said. "They've spent three years now trying to do some joint venture programs to get the substandard housing built up. It has not worked."

Clarke said it was unclear when the move might take place, but indicated it might not be imminent. "The latest plan is to slowly move these people into the marketplace with a government voucher system similar to Section 8 rents. That will have a dramatic im-



Todd Clarke

pact."

The Albuquerque metro area's relatively high vacancy rate — there were almost no vacancies four years ago — has resulted in a flat rental rate of 72-cents per square foot over the past two years — down from a high of 74 cents in 1995.

Clarke said the apartment market isn't overbuilt, but rather suffers from several economic factors. Wages have not kept up with a near doubling of rents from 45-cents per square foot in 1989. In addition, he said first-time homebuyer programs and manufacturing housing have lured potential renters into home ownership.

"If you own an apartment today, what can you do to compete?" Clarke asked. "You need to focus on tenant retention and the services you offer. Ideally, you need to maintain minimal debt service. You need to have the ability to drop your rents if that

time should come."

Animals can also be a key. "One of the fastest-growing segments in our market for rental increases has come through charging pet rents and deposits," said Clarke, adding that another is tying in with retailers for coupons.

A second speaker at the NAIOP luncheon was Stanley Duobinis, an economist with the National Association of Homebuilders who said Albuquerque's current economic slowdown is part of a national trend.

"Hot places are getting cooler. Cool places are getting hotter. Everybody's becoming equal," Duobinis said. "This is basically what I would call the great communist forecast — make everybody equal."

Indicators of Albuquerque's cool down include slower job growth, slower population growth and fewer housing starts.