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Now is not that time for multi-family investment

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Dr. Crocker H. Liu has some eye-opening statistics about multi-family locations. Liu, an often-cited author on the subject of real estate finance investments and a professor of finance at Arizona State University, presented his stats at the Phoenix CCIM meeting earlier this month.

Both multi-family real estate brokers and owners hoping to strike it rich this year may want to rethink their expectations. Why? Take a look at the graphic provided that shows the nation-wide apartment price appreciation over the past three years, and at the forecasted price appreciation for this year and next year

Compare these numbers to the commercial real estate category of hotels and lodging, which is expected to have a 21.4 percent appreciation in 2007 and 15.4 percent appreciation in 2008, and you will quickly decide that the next two years may not be the time to make huge profits, in general, in multi-family residential real estate.

What can we expect in New Mexico? Las Cruces is not considered a major market, and institutional investors rarely invest in multi-family properties in a secondary or even tertiary market like Las Cruces. But Albuquerque is starting to attract national attention.

Todd Clarke, with New Mexico Apartment Advisors in Albuquerque, said, "In real estate, you can draw a line between new jobs and increasing real estate values. So while New Mexico has long been a safe haven for Californians who grow tired of monthly disasters and oppressive state government regulations, now that we have a governor with presidential aspirations, we've really seen the state move the bar up another notch in recruiting world class companies like Virgin Galactic, Tesla Motors, Tempepedic Mattress.

"Combine this with our other high tech companies like Eclipse Aviation, Intel and Sandia National labs," he said. "Each of these employers are the type that have a large multiplier effect in our community which pushes the occupancy, rents and values of properties even higher. In short, look for New Mexico's real estate to continue on a long trend of steady appreciation in the high single digits to the low double digits"

What's a prudent investor to do? If you own multi-family, try to maximize revenues from operations. If you want to sell, be sure the sales price provides a good rate of return for the buyer. If you are a buyer, deals exist, but you will need to be patient and diligent. And remember, these predictions will not be confirmed or denied until after the fact.

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