

Tightening of rental property market could foretell a crisis

Todd Clarke believes Albuquerque is less than two years away from a multifamily housing shortage similar to the one the city experienced in the early 1990's, mainly because "there is almost nowhere to build apartments and they're going to be needed because of anticipated job growth here," says the principal of NM Apartments and NM Housing Resources.

"On average, about 35 percent of all of the housing we need in the city represents rental housing, but among most of the private developments, I've found that less than one percent of their projects are devoted to multifamily housing," Clarke remarks.

In September 1994, the apartment market occupancy rate stood at 98.1 percent. At the end of May 2002, it stood at about 95 percent citywide. From 1992 to 1994, the last time the apartment market was so tight, rents jumped from 49 cents per square foot to 74 cents per square foot. What's happening right now, says Clarke, is that in certain areas of the city, like the Northwest Heights and other high-end properties, landlords are charging new tenants for carpet and painting improvements. "There's so much competition for these units that what used to be the responsibility of the apartment management as part of the repair and replacement work done by them when a tenant vacated a unit is now being assessed as a 'redcoration fee' and tacked on to monthly rent payments for the new tenants," he explains. "It's one way to raise rents."

Clarke also says the city is going to need more senior housing. "Between 2000 and 2010, the population of people over the age of 50 is going to double, and these people won't be looking at the C grade apartments with two and three bedrooms or the larger, vintage 70's complexes, like the ones along Montgomery

Boulevard. So there won't be enough tenants for that housing."

Steve Monroe and his CB Richard Ellis colleague, Samantha Wexler Morin, were involved in the first quarter's largest multifamily transaction, in fact, one of the largest transactions in the past year. The 200-unit Presidio at Northeast Heights apartment complex at 6350 Eubank Blvd. NE was sold to a private Chicago investment partnership who told NWBW that one of the reasons it did the deal was because the city is flourishing. The listing price was \$15 million. The investors have about 6,000 apartment units in eight or nine states and more than 600 private investors.

Monroe, managing partner of CBRE, remarks, "There was tremendous interest in this property, almost all from out of town. It's a trend we've seen for the last three of four years. There's a lot of interest in Albuquerque's better properties."

Also during Q1 2002, the 41-unit Executive East complex at 2112 Moon NE was sold for more than \$1.65 million to a local investor group. Tim Lutten, Grubb & Ellis/Lewinger Hamilton, represented both the purchaser and seller. In the second deal, Candlewood Village Apartments, at 12050 Candelaria Ave. NE, was acquired by CV Apartments LLC of Scottsdale, Ariz. The sellers, Steven and Kay Moreno of San Diego, Calif., were represented by Bill Fox, Hendricks & Partners of Albuquerque. The 59-unit complex sold for \$2.5 million.

While American Realcorp's 548-unit complex, The Aspens, continued construction

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during the quarter near Irving and Coors on the Westside, GSL Properties of Portland, Ore., was watching its three-block-long, 161 unit Villa de San Felipe Downtown on Coal Avenue SW fill up. Another Downtown gem, The Lofts at Albuquerque High, the public-private project at Central and Broadway NE, started moving in tenants during Q1 2002. The Classroom building had only three of the first 26 lofts still available when moving trucks started arriving on February 15; since then the building has become fully occupied, says Rob Dickson, developer and principal of Paradigm & Company of Albuquerque. In late May, Dickson reported that he had only seven lofts remaining among the 70 units in the Old Main building at the 78-year-old former high school. GSL broke ground during the first quarter on a 500-unit complex to be built in two phases and called Manzano Mesa at Southern and Eubank SE, adjacent to the Sandia Science and Technology Park. John March, West Wood Realty represented both parties, land owner/seller Albuquerque Public Schools, and purchaser, GSL, in the 25-acre transaction.

At his firm's annual commercial real estate forecast session held during the first quarter of 2002, Monroe predicted stable occupancy rates for 2002 and relatively little new apartment construction. It's that latter belief that has many in the multifamily sector of the real estate industry here in a quandary about the availability of the right housing to meet the community's future needs. Intel continues to add new jobs now that its expansion is virtually complete. BlueCross Blue/Shield of New Mexico's Chicago parent and LifeMasters Supported SelfCare Inc. of California are bringing hundreds of new jobs to the city that pay better-than-average wages, but what about the small businesses? Observes Clarke, "If you take the Flying 40 companies [the fastest growing technology companies in the metro area] by themselves – most of them predicted earlier this year that they'd probably double their 25-person-average workforces in the near future – multiply that by 40, and you've got almost 1,000 new jobs just from that group

alone." The new workers recruited from outside the metro area to fill those jobs – as well as locals climbing up the wage ladder and looking for luxury rental housing – should continue to keep local landlords hopping and developers scouting for sites for new multifamily housing properties as the market gets tighter.