



# Apartments are all about...

- People
- Ideas
- Capital



- Demand = Population / persons per house x % of population that rents

OR



The Albuquerque MSA needs 1 apartment units for every 10 people



## Based on that, we need

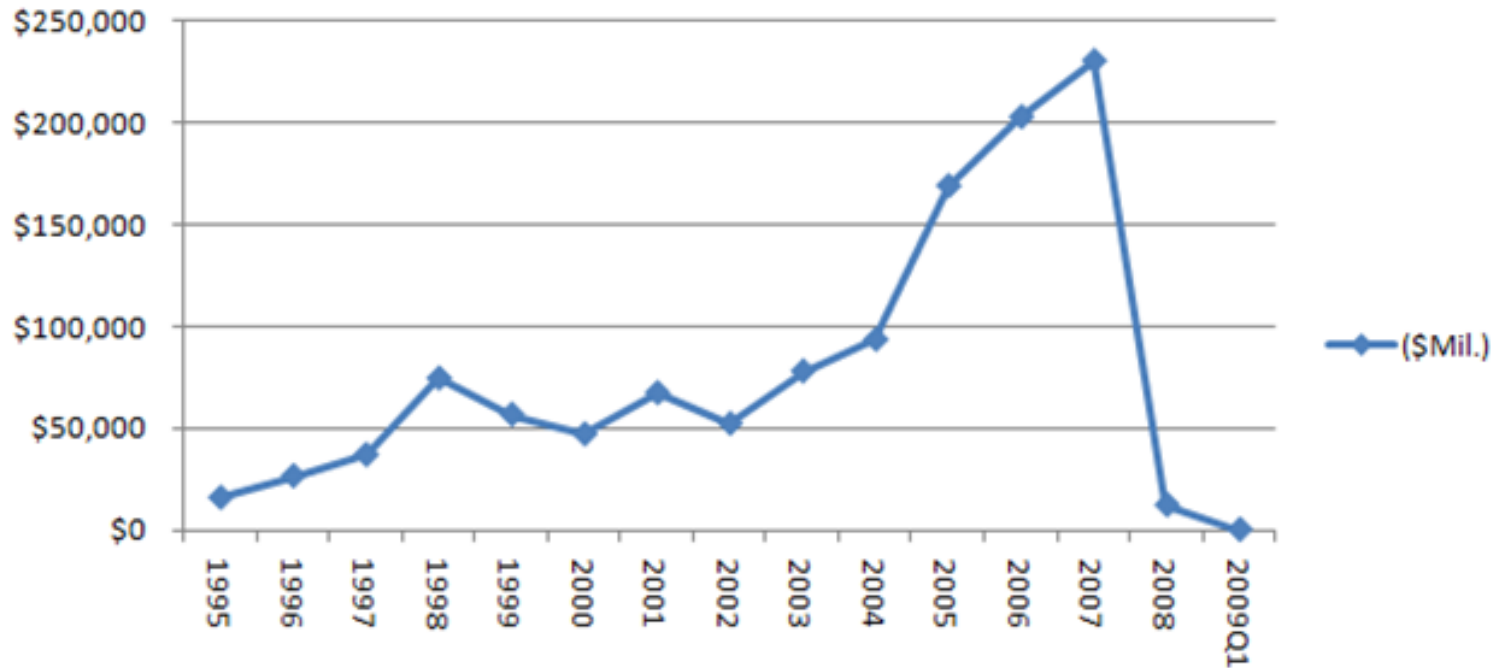
- Albuquerque – ok today, needs 1,350 units a year
- Rio Rancho – underserved by 4,600 units
- Los Lunas – underserved by 796 units



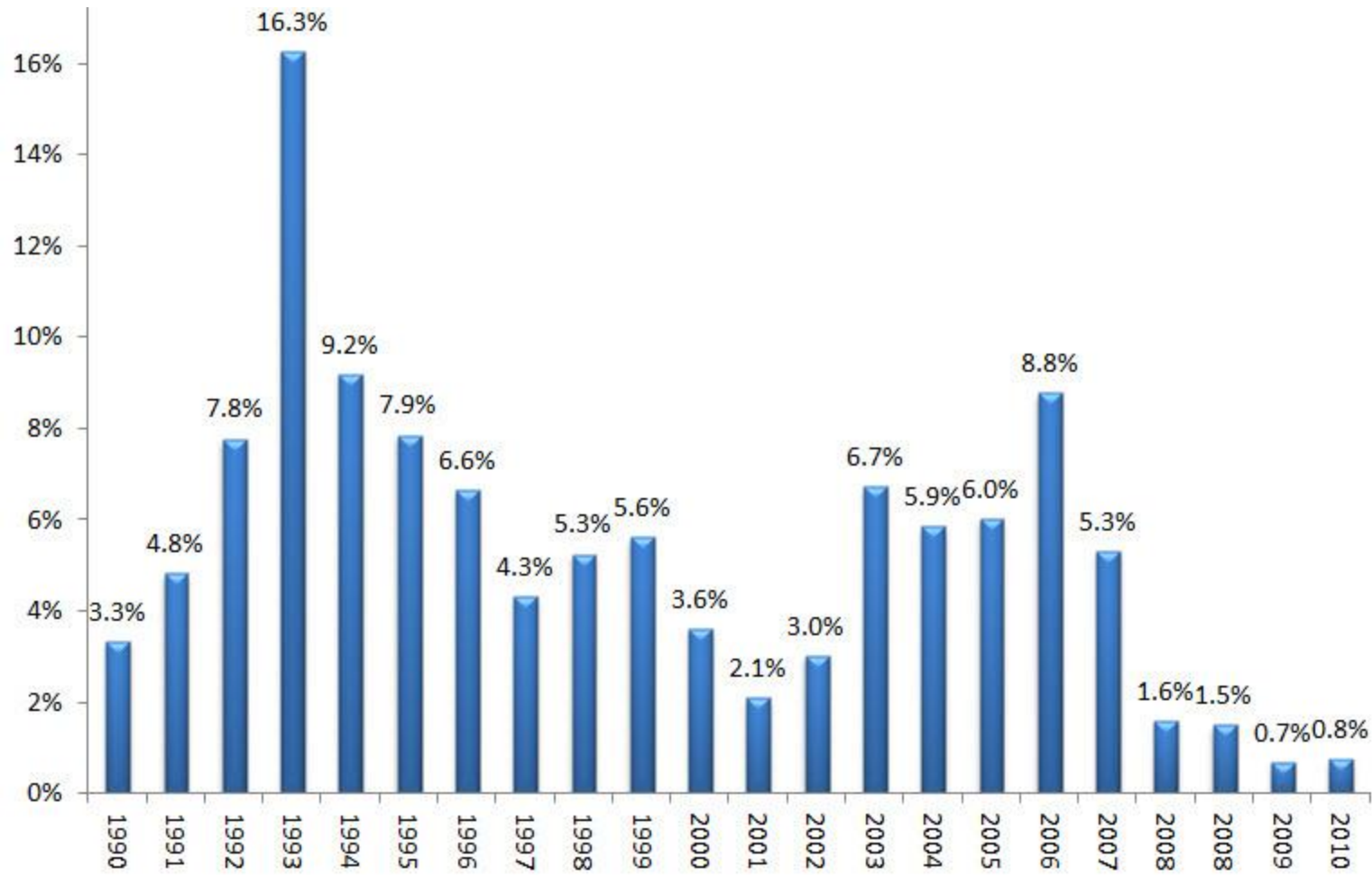


\$250B in 2007 to \$12B in 2008

US - CMBS Issuance  
in (\$Mil.)



## Annual percentage of total apartment inventory sold 1990-2010



# State of the Market 2005 to 2010

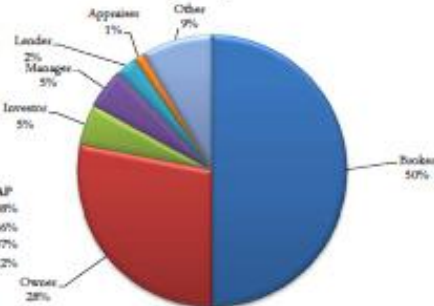
Cantera Consultants & Advisors Inc. Commercial Real Estate Market Survey - Albuquerque, Las Cruces, Rio Rancho, Santa Fe and New Mexico

Survey compiled by Todd Clarke CCIM - respondents were surveyed June/July 2010 - 82 responses from NM's leading brokers, owners, investors and appraisers

## Survey Respondents

Broker	41
Owner	23
Investor	4
Manager	4
Lender	2
Appraiser	1
Other	7
<b>Total</b>	<b>82</b>

## Survey Respondents



## Differences in CAP Rate by Market

Market	2009 CAP	2010 CAP
Santa Fe	0.43% lower	9.08%
Rio Rancho	1.05% higher	10.56%
Las Cruces	1.55% higher	11.07%
Rural NM	2.61% higher	12.12%

## What do you believe buyers are looking for in CAP rates for 2010?

Low=	8.9%
High=	10.1%
Avg=	9.5%

## What do you believe CAP rates were for deals closed in 2009?

Low=	8.4%
High=	9.4%
Avg=	8.9%

## What do you believe CAP rates were for deals closed in 2008?

Low=	7.6%
High=	8.5%
Avg=	8.0%

## What do you believe CAP rates were for deals closed in 2007?

Low=	6.8%
High=	7.9%
Avg=	7.4%

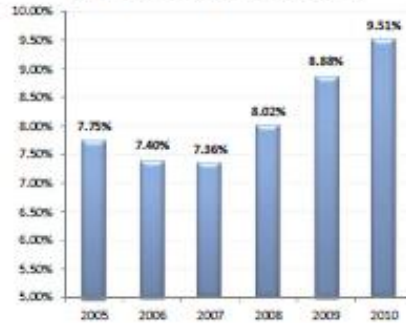
## What do you believe CAP rates were for deals closed in 2006?

Low=	6.9%
High=	7.9%
Avg=	7.4%

## What do you believe CAP rates were for deals closed in 2005?

Low=	7.2%
High=	8.3%
Avg=	7.8%

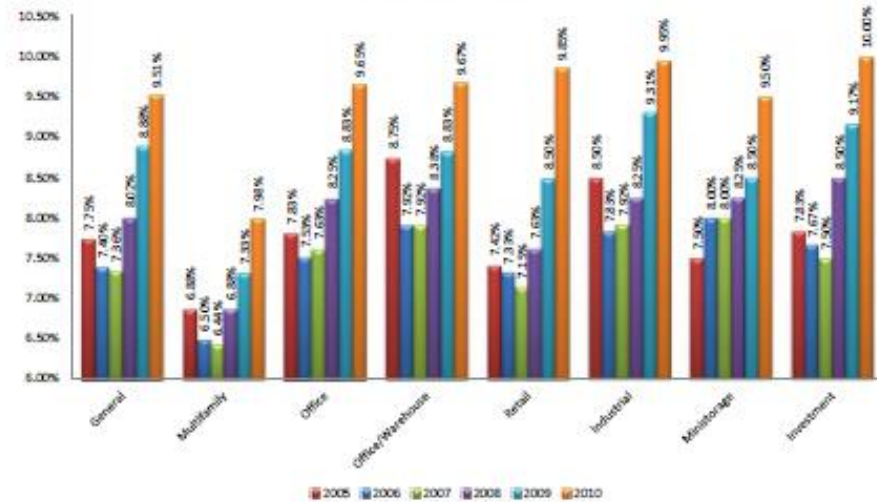
## Cap Rates in general for ABQ



## Cap Rates by product Type

	General	Multifamily	Office	Office/Warehouse	Retail	Industrial	Ministorage	Investment
2005	7.75%	6.88%	7.83%	8.75%	7.42%	8.50%	7.50%	7.83%
2006	7.40%	6.50%	7.53%	7.92%	7.33%	7.83%	8.00%	7.67%
2007	7.36%	6.44%	7.63%	7.92%	7.15%	7.92%	8.00%	7.50%
2008	8.02%	6.88%	8.25%	8.38%	7.63%	8.25%	8.25%	8.50%
2009	8.88%	7.33%	8.83%	8.83%	8.50%	9.33%	8.50%	9.17%
2010	9.51%	7.98%	9.65%	9.67%	9.85%	9.95%	9.50%	10.00%

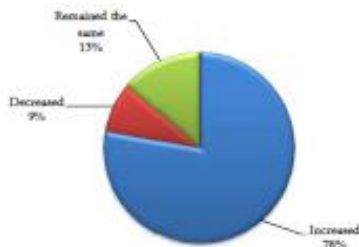
## Albuquerque Commercial Real Estate CAP rates 2005-2010 by product type



## Vacancy Rates 2005-2010

Increased	63
Decreased	7
Remained the same	11
<b>Total</b>	<b>81</b>

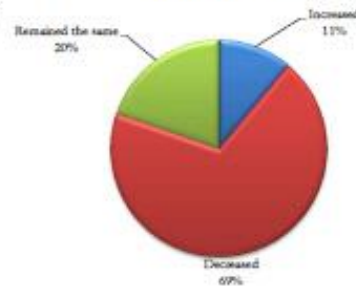
## Vacancy Rates



## Rental Rates 2005-2010

Increased	9
Decreased	56
Remained the same	15
<b>Total</b>	<b>81</b>

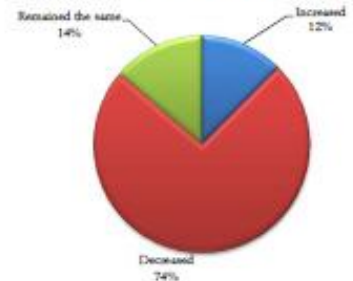
## Rental Rates



## Property Values 2005-2010

Increased	10
Decreased	59
Remained the same	11
<b>Total</b>	<b>80</b>

## Property Values





## CAP RATES INCREASING IN N.M.

A sign of the times in commercial real estate, rising cap rates mean falling values. As a general rule of thumb, each percentage point increase in cap rates translates into about a 10 percent decrease in real estate value.

Here are the changes over the past five years by property type:

### Apartments

2005	6.9%
2010	8%

### Office

2005	7.8%
2010	9.6%

### Warehouse

2005	8.7%
2010	9.7%

### Retail

2005	8.5%
2010	9.9%

### Industrial

2005	8.5%
2010	9.9%

### Ministorage

2005	7.5%
2010	9.5%

SOURCE: Todd Clarke of Cantera Consultants & Advisors Inc.

JOURNAL

**That's a 15% decrease  
Rent's have to increase  
More than that to restore  
Values to 2005 levels**





- Grandkids of the babyboomers
- Never known a world without Internet
- Google has been their go to resource since age 10, today's go to resource is Facebook (27% of them use FB as THE resource for recommendations)
- Likely to have 10 to 14 jobs by the age of 38





# What about apartment sites?

- 1980's - hundreds
- 1990's - dozens
- 2000's – a handful
- 2010's – thanks to TOD zoning, MRA plans, and Rio Rancho – back up to two dozen





- idea communities = ideal communities
  - Live / Work
  - Live / Leave / Green
  - Live / Shop
  - Live / Learn
- idea communities = niche
- unfortunately the herd mentality of lender's encourages SAMENESS



## SILVER GARDENS

APPLY ON-LINE

Neighborhood Green Features Amenities Gallery Floor Plans Leasing & Contact

**“Leased ahead of  
schedule – market  
rate and under  
30% of income  
units leased first”  
- Developer/Owner**



**Green Rental Apartments**





## Brick Light District

Contact Us

Urban  
living



Live



Work



Play



Walk

### Bricklight District Overview

#### Live

#### New Courtyard Apartments

Available for Lease - July 1, 2008

» Photo Gallery

» Unit Amenities

» Sample Unit Renderings

» Rates & Floorplans

» Color Schemes

#### 116 Harvard Apartments

» Photo Gallery

#### Work

» Available Retail Space

#### Play

» Local Businesses

#### Walk

> Walk to Work

> Conveniences



1/6

BRICKLIGHT DISTRICT

These urban apartment homes were designed for people who choose to be free from boring traditional apartment living, and can easily leave their car if so desired. Located in a dense pedestrian corridor, across from the University and is within walking distance to unique shops and restaurants. Finally you can put a stop to mundane living!

New Courtyard Apartments: 505.712.4357



## Unique design and location, top rents

## Idea #3: Live / Shop



An Apartment Community Apart from the Rest

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[LOFT AMENITIES](#)

[NEIGHBORHOOD](#)

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**“this property outperformed the market by \$0.50/sf and the consultant’s proforma by 20%”**

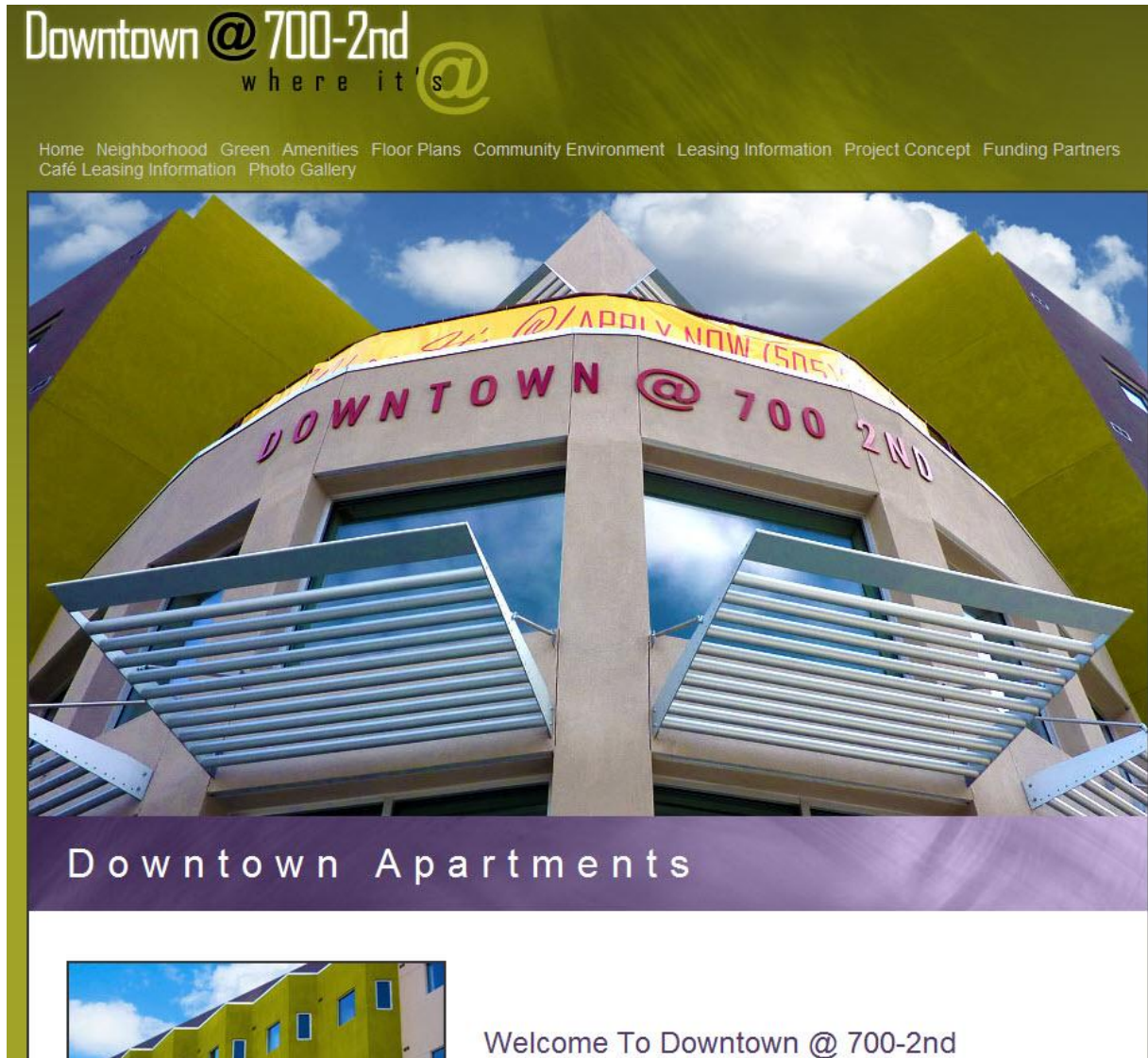


**Superior design and location, top rents, top sales price**



Urban Land  
Institute

## Idea #4: Live / Work



**“I think we  
could  
Build these all  
Day long”  
- Mark Allison**



**Superior design, focus on resident base and location top rents**





## What isn't working...

- Warmed over 1980's vintage design
- Focus on unit size vs. quality/design
- Any location





- Lender's don't want to hear this
- The niche product is outperforming the market product by 2 to 1
- Any location





- Double Digit Rent increases
- Values will begin to recover when capital is abundant
- Niche Play's (i.e. idea communities) will continue to outperform

