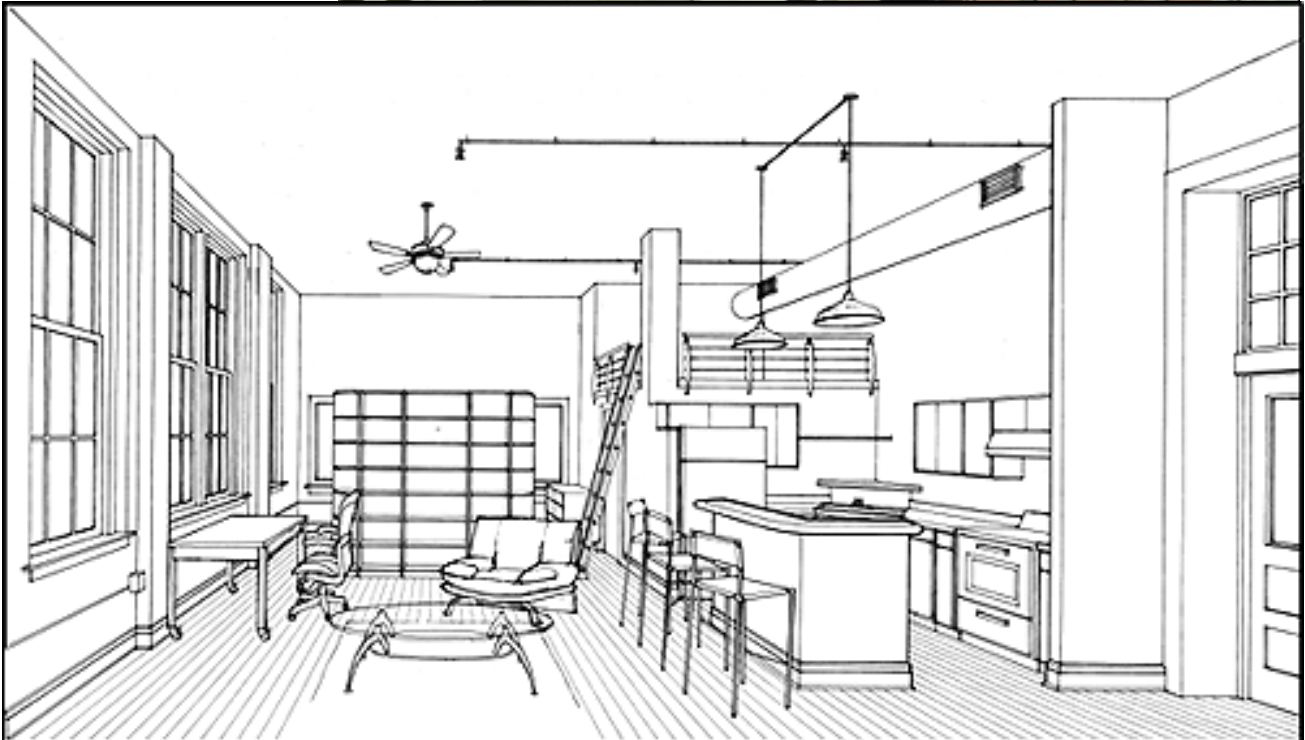
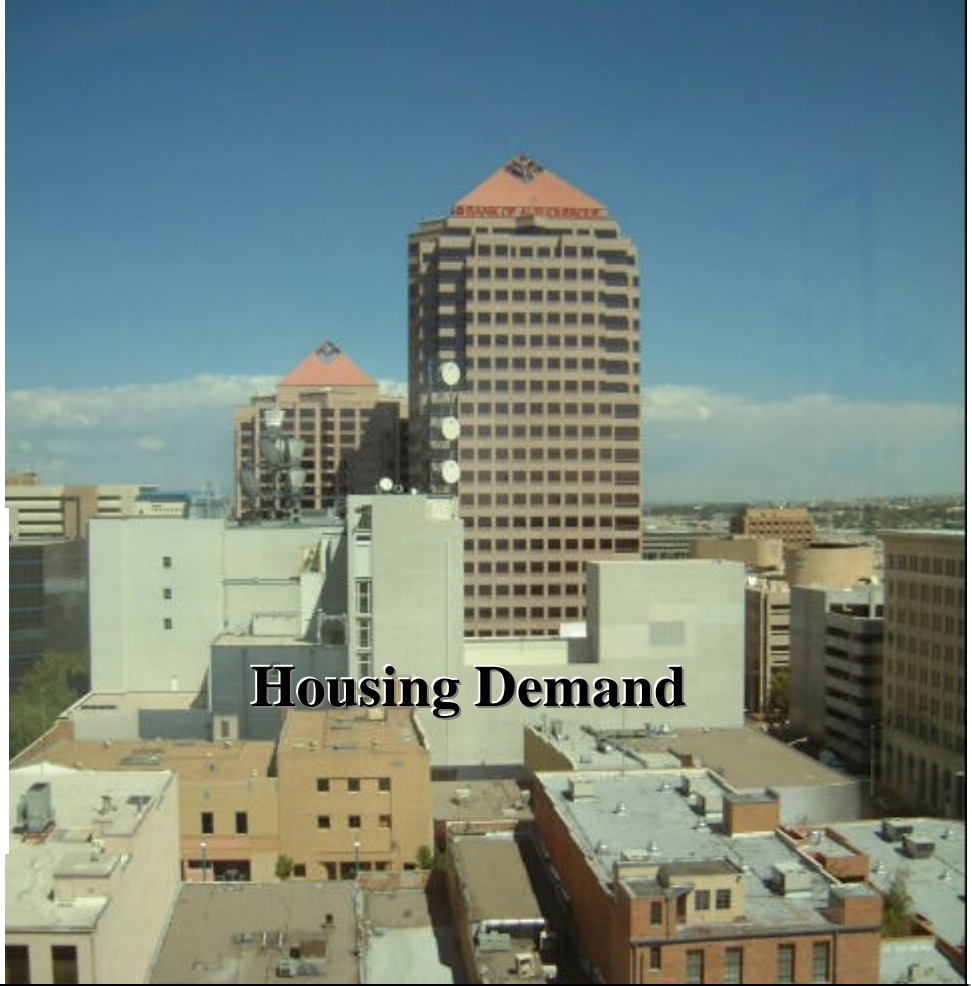


3

Housing Demand





Demand for Downtown Housing

Downtowns are unique. In most communities the Downtown was the original city and, as such, its growth rates are non-existent. Given the limited amount of land area, and housing stock, downtowns do not typically capture a large share of the housing market.

Given the difficulty in determining housing demand in a unique marketplace, three methods were utilized:

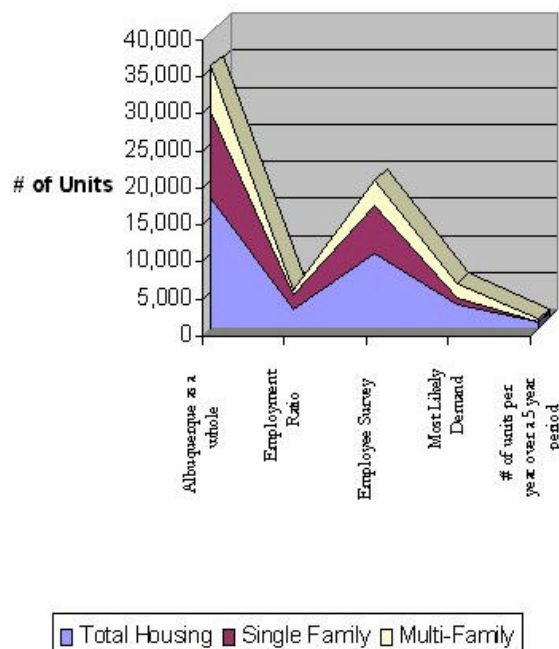
1. Using forecasted population increase, including downtown into the overall Albuquerque picture (giving no weight for possible higher demand for downtown housing than suburban housing).
2. Applying the ratio that exists between the number of Albuquerque Employees and housing stock to Downtown Employees to Downtown Housing.
3. Surveying a sample of the downtown employees to determine what percentage might consider relocating downtown and apply that ratio to the future housing growth.

The success enjoyed by other downtowns, increasing employment in the downtown area, increasing retail trade and services, increasing availability of downtown housing) and increasing job and population growth throughout the city, counter the argument of the lack of demand for downtown housing.

Using each of the demand analysis techniques, demand for housing for the next five years ranges can be summarized as follows:

	Total Housing 100%	Single Family 65%	Multi-Family 35%
Albuquerque as a whole	17,727	11,522	6,205
Employment Ratio	2,566	1,667	898
Employee Survey	<u>4,039</u>	<u>2,625</u>	<u>1,413</u>
Most Likely Demand	3,000	1,000	2,000
# of units per year over a 5 year period	600	200	400

Demand for Downtown Housing



Absorption Rates

Historically those properties that are located close to employment centers or cultural/civic amenities lease or sell faster than those that are located further away from employment or amenities.

Downtown Albuquerque is one of the few sub-markets that offers close proximity to employment and cultural amenities, civic amenities, and retail services.

Based on the above demand calculations, and historical absorption rates, and an available supply of housing, Downtown Albuquerque should absorb 600 housing units a year or 50 residences per month.

Capture Rates

Based on the 259,000 households in Albuquerque, at the rate of 600 new housing units per year, Downtown would only have to capture 0.23% of the current households.



Demand for Downtown Housing— Albuquerque

Demand for the Proposed Project

Sources of Demand

Albuquerque MSA population is estimated to increase by 46,800 people between 1999 and 2004. According to the Census Bureau, 35% of all Albuquerque residents rent versus own their residence and on average, there are 2.64 persons per household. Based on these presumptions, the demand for multi-family can be calculated as follows:

Resident Income Profile & Eligible Households

Population Increase	/ person per household	= potential demand for new all types households	X % Renters	= Potential Demand for new multi-family households
46,800	/ 2.64	= 17,727	x 35%	= 6,204

Based on the suggested rent levels, the community will attract households with up to three persons and minimum incomes of \$15,552. According to the demographic projections, by 2004, individuals that make less than \$15,000 per year will represent 18.5% of the population (or 8,658 of the 46,800). Therefore

Population increase of Income Eligible Residents	/ person per household	= potential demand for new all types households	X % renters	= Potential demand for new multi-family households
38,142	/ 2.64	= 14,448	x 35%	= 5,057

Adjustment for Stabilized Market Occupancy Level

Based on historical data, Albuquerque’s rental market reaches an equilibrium when the market is 94% occupied. At this point, concessions have disappeared, and rent increases, while possible, are not imminent.

Units of Demand Per Year

Based on the demographic data the estimated units of demand for multi-family at a 94% occupancy is 1,076 units per year (5,380 / 5 years).

= Potential demand for new multi-family households	/ 94% occupancy	= potential demand for new all types households to reach stabilized point at 94% occupancy
5,057	/ 94%	= 5,380

Demand for Downtown Housing— Albuquerque

Planned Communities in Pipeline – Year by Year absorption

The above table demonstrates the trickle down theory of apartment occupancy – that all other things being equal - new residents will settle into the newest apartments before they return to the market and assume older product.

Summary of Demand

Based on the units of demand per year and if all of the “pipeline” communities were constructed, at the completion of the existing planned downtown communities, Downtown Albuquerque would obtain 94% occupancy and the market occupancy would rise from today’s level of 91.3% to 93.86% in year 2003, and assuming limited availability of land inside the City of Albuquerque, the lack of construction in years 2003-2005 could leave the occupancy at 98.16%

Leasing Year	Community Name	Year Permitted Status	# of Units	Stabilized Occupancy	New Market Demand (Annual)	Carry over from Previous Year	Total Annual Demand	Demand to New Units	Demand to Market	EOY Citywide Occupancy
2000	Arrowhead Ridge	1999	187	176	1,076		1,076	176	900	91.3%
	Renaissance Lifestyle	1999	100	94				94	806	
2001	Applewood	2000	264	248	1,076	806	1,882	248	1,634	92.55%
	Gibson/Louisiana Tax Credit	2000	96	90				90	1,544	
	Senior Housing	2000	188	177				177	1,367	
	Villa de San Felipe	2000	160	150				150	1,217	
	Lofts at Albuquerque High	2001	69	65				65	1,152	
2002	Silver Ave. Townhomes	Planned	45	42	1,076	1,152	2,228	42	2,186	93.86%
	Westside Luxury	Planned	300	282				282	1,904	
	Westside B+	Planned	500	470				470	1,434	
	Westside B+	Planned	500	470				470	964	
2003					1,076	964	2,040		1,076	95.30%
2004					1,076		1,076		1,076	96.73%
2005					1,076		1,076		1,076	98.16%



Demand for Downtown Housing— Employment Ratio

Albuquerque Population/Employment/Household Ratios

Albuquerque currently has 683,016 residents who live in 259,612 households, while 339,927 of the residents are employed.

That ratio between the number of households to the number of jobs is .76

Downtown Albuquerque Population/Employment/Household Ratios

Downtown Albuquerque currently has 25,533 residents who live in 10,496 households, while 41,574 employees work downtown.

That ratio between the number of households to the number of jobs is .61

The difference of .15 (or 6,236 people and 2,566 households) between the Albuquerque ratio and the Downtown ratio can be considered an imbalance of housing for the downtown area.

Potential Demand

Assuming there was sufficient housing to meet the demand, and that the imbalance would reach a balanced situation in five years, the potential demand for housing is **2,566** households or 513 new residences per year.

Using the Citywide average of 65% ownership, 35% rental—this demand could further be disaggregated into demand for **1,667** single family residences (or 333 per year) and **898** apartments (or 179 per year).

Please note that this calculation assumes no increase in employment in the downtown sector. In the event, more firms like GAP Inc. back office operation relocate to Downtown Albuquerque, demand for downtown housing will increase exponentially.



Demand for Downtown Housing— Employee Survey

Research and Polling Results

According to the 1998 survey, 14% of the downtown employees rated themselves as “very likely” to move downtown, while 22% rated themselves as “somewhat likely.” The remaining 63% rated themselves “somewhat unlikely.”

For the purposes of this analysis, it was assumed that 90% of the “very likely’s” would move downtown while only 50% of the “somewhat likely’s” would move downtown. ($90\% \times 14\% = 13\% + 50\% \times 22\% = 11\%$ or 24%)

Applying the sample population to the downtown employment base

41,574 residents in Albuquerque are currently employed Downtown. Assuming 24% of those employed downtown would live there, yields a potential demand of 9,978, dividing the number of employees by 2.47 persons per household indicates a demand of 4,039.

Potential Demand

Assuming there was sufficient housing to meet the demand, and that the imbalance would reach a balanced situation in five years, the potential demand for housing is 4,039 households or 807 new residences per year.

Using the Citywide average of 65% ownership, 35% rental, this demand could further be disaggregated into demand for **2,625 single family residences (or 525 per year)** and **1,413 apartments (or 283 per year)**.