

New Mexico

Apartment News

Your recognized source for expertise within the rental housing industry

Apartment Association of New Mexico

Spring 2019

*On behalf of the Board of
Directors and Staff,*

**HAPPY 40TH
ANNIVERSARY**

We couldn't have done it without you!

Independent Rental Owners

Market Update

While overall apartment fundamentals of occupancy and rent levels are continuing to improve, the supply/demand of investors to Sellers is moving towards a significant imbalance in favor of the sellers.

Demand from investors

Last month, we saw another increase in investor interest as measured by the number of investors that download flyer from the NMAA website. Last month averaged 124 downloads per property, with those properties with either a cap rate in excess of 7%, or in the old town, downtown, UNM/Nob Hill areas seeing the most activity. This is a **eight fold increase over three years ago** and explains the cap rate compression the market experience in 2019.

Demand from Owner/Occupants

According to recent Greater Albuquerque Association of Realtors reports – the current inventory level of homes under \$250,000 is rapidly being depleted, which is leading to more owner occupants acquiring duplexes, triplexes, and fourplexes.

Matched to Seller Supply

Currently there are about 7 to 8 investors for every apartment investment for sale – which in 2018, led to cap rate compression, and price appreciation and the overall results – **were multiple offers for most well located, attractive apartment investments.**

This is best evidenced in the graph below – this chart shows fourplex sales as we believe they are statically meaningful trend of market conditions.

Our updated trend report based on closed and pending fourplex sales so far in 2019, and if we annualize those results, the market could be reaching close to our past record of number of fourplex sales in the market. Part of this increased activity could be the 20%

spike in appreciation the market experience in 2019 (average sales price went from \$185,729 to \$222,721). I think part of this trend is owner occupants who are having a hard time finding houses under \$250,000.

Appraisals, possible solutions

Last year, 37% of the transactions we worked on had an appraisal issue. Either the buyer paid over appraisal, or the next buyer did not need an appraisal because they were all cash buyers. On February 28th, NM Apartment Advisors will host a breakfast meeting with appraisers in the market to share our latest research. IRO's reviewed this info in their the March IRO meeting. If you missed it- email for a copy.

Property Tax update

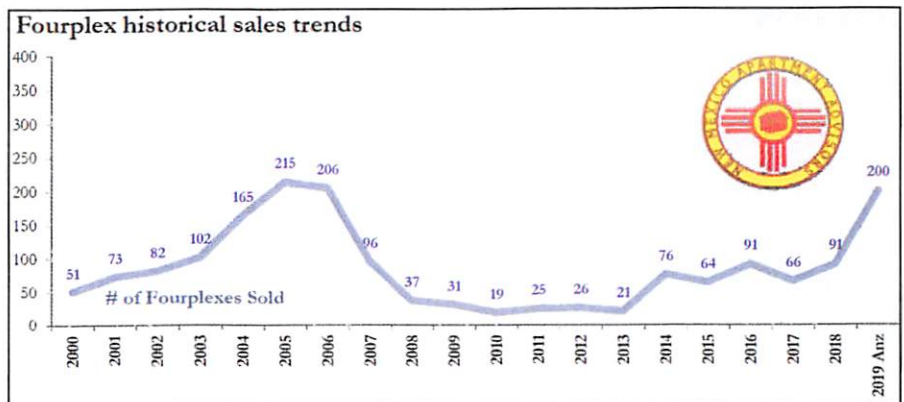
We have talked to the Bernalillo County assessor appraisers and it looks like we should not expect a large increase in values, as they are spending most of their time tracking recently SOLD properties.

The Appellate court has finally ruled in the Fox vs. Bernalillo Assessor case – you might recall this involved owner who move their property from an LLC to their personal name for purposes of refinance, then back to their LLC. Previous assessor's administration held that was not a transaction and left the 3% cap on values in place. This administration believed it was a sale and removed the 3% caps

on increases. One property tax board ruled in favor of the assessor, and then Gene Vance (Counsel to Apartment Association) and I took on the Richard Fox case pro-bono and prevailed at the property tax board. The assessor appealed to appellate court, which heard arguments in 2018, and finally ruled in 2019 in favor of the assessor. **So, going forward, until the legislature corrects this, you should plan on an increase in values if you refinance and move your property between you and your LLC.**

As it relates to property taxes and sales, NM Apartment Advisors has updated our research on property tax increase for apartments in Bernalillo County and found the following: since 2012, of the 90 transactions that closed with more than 9 units - 47% experienced an increase more than the 3% a year, of those that experience an increase, the average increase was only 8%, 20% experiences no increase, 15% experiences a decrease, and overall the average assessed values per unit are only 61% of sales price per unit.

In short, it's a good time to be an apartment owner, and AANM always welcomes new attendees at the IRO meetings! Next IRO Forum is April 5, in the AANM classroom at 9:00 a.m. Please sign up online for this no cost event! 📅



about the author

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