

WHAT'S BEHIND ABQ'S SKYROCKETING RENTS?

Out-of-state investment could be a boon to city's apartment scene, but tenants face rent hikes and other issues

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When Aaron Barreras moved into the Spain Townhomes in 2010, the complex felt like family.

The owner, who Barreras grew to know well, was local and frequently visited the property. The property manager and maintenance staff were responsive. Although the building, which was built around 50 years ago, suffered some maintenance issues, Barreras said, it was affordable and he loved the small, quiet neighborhood in the Northeast Heights.

"What drew me to this place is it didn't feel like a giant complex," Barreras said. "You didn't feel like a number."

But 12 years later, after living in three different units on the property, Barreras will be moving out when his lease ends later this year. He said he's seen an "exodus" of other tenants over the past months.

The property was bought in July 2022 by a California-based real estate investment company, Golden Bear Equities, which, according to its website "endeavors to transform under-performing, workforce housing into high-quality properties that provide great value for residents and profitable returns for investors."

GBE did not respond to emailed questions from the Journal or several voicemails requesting comment.

When Barreras signed a new lease in November 2022, following the purchase, his rent



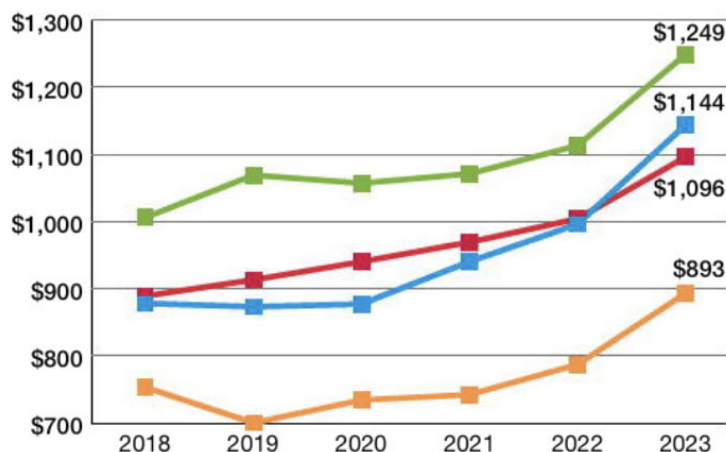
CHANCEY BUSH/JOURNAL

Aaron Barreras holds his cat Clovis while sitting on the stairs inside his unit at the Spain Townhomes in Northeast Albuquerque last month. Barreras said shortly after he signed a new lease in November 2022, his rent jumped by nearly 30% and said he'll be moving out when he can.

Fair market rent for a 2-bedroom from 2018-23

- Santa Fe/Santa Fe County
- Nationwide
- Albuquerque/Bernalillo County
- Las Cruces/Doña Ana County

Source: U.S. Department of Housing and Urban Development



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jumped nearly 30%, from \$789 a month for a two-bedroom townhome to \$1,010. In the first 10 years that Barreras had lived there, his rent had increased by only \$100. Breaking the new lease would cost \$2,000.

More outside investors are buying multifamily properties around the metro area — which could be a boon for Albuquerque's aging housing stock, with many investors promising renovations and updates post-purchase. But tenants from several buildings around the city have reached out to the Journal over the past months, detailing rent hikes, problems with maintenance and unexpected lease non-renewals after ownership changed hands.

Maria Griego, director of economic equity at the New Mexico Center on Law and Poverty, said the center frequently receives calls from tenants after their buildings are bought.

"I'd say it's one of our more common calls that we get," Griego said. "More and more, we're hearing from folks who are surprised to know that their lease is not going to be renewed, or that it will be renewed, but they have to pay a huge increase in rent."

So what's causing the changes in the Albuquerque rental scene? And what's the impact on the city's thousands of renters?



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More outside investors are buying multifamily properties around the Metro area. California real estate company Golden Bear Equities purchased Spain Townhomes (5009 El Corte Miramar NE), left, and The Palazzo at Sandia Heights (14124 Copper NE), center. The Overlook Apartments (6200 Eubank NE), right, were purchased by Canadian investment firm Sheiner Group and are managed by Living Well Homes, an Arizona-based property manager.

Tech growth and a tight market

The vast majority — about 88% — of the 8,000-odd multifamily rental properties in Albuquerque are locally owned, mom-and-pop operations, said New Mexico Apartment Advisors CEO Todd Clarke.

But a growing number of real estate investors are entering the market.

According to data from Clarke, there are currently 1,999 investors looking in the Albuquerque multifamily market — a number that has increased sixfold since before the pandemic.

There are a number of factors that have made Albuquerque appealing to outside investors, Clarke said. Pre-pandemic, he saw many investors come from markets that had rent control, unlike New Mexico, and were attracted by the low square-footage cost.

Clarke said Albuquerque's economic growth

over the past few years has been boosted by the FAANG effect — the relocation of major tech companies including Facebook, Amazon, Apple, Netflix and Google to an area. And investors started to take more notice, Clarke said.

"I feel like if not for the global pandemic, and kind of crazy national and global politics, that the headline news every day would have been this phenomenal economic success that Albuquerque is having," Clarke said. "Investors like to go to markets where you see some strong job growth, because it speaks well about your future prospects for the community."

Outside investment could increase and update Albuquerque's housing stock. There are several thousand new units either under construction or newly opened, Clarke said. But before those units came on the market, the average age of

an apartment in Albuquerque was 58 years — significantly older than housing in similar markets.

Cynthia Meister, vice president of Albuquerque's branch of real estate company Northmarq said when she first moved to Albuquerque, she found the condition of the housing stock "embarrassing" — and said investors also noticed how out-of-date many properties were.

"There were some developers that came in and they bought up some of these properties that were just dilapidated, and they put in outside lighting ... they put in new cabinets, etc," Meister said. "And yes, there is going to be a rent increase. Absolutely, there is going to be a rent increase."

Meister noted that tenants don't necessarily want to move out of their current apartments into renovated units — and thus either pay higher rents for unrenovated or have to move entirely at the end of a lease.

Clarke said many Albuquerque residents have put up with "substandard housing," in exchange for lower rents. Over the past decades, Clarke said, rents have remained somewhat stagnant — until now, as the city reckons with a rental shortage of about 13,000 units. In Northmarq's Q4 2022 report, data indicated that low vacancy and high rents had prompted more housing development, but Meister noted that enduring supply chain issues could push back opening dates.

A pressure cooker of high demand and the cost of

renovating outdated buildings has led to the city-wide rent spikes, giving a "heart attack" to residents as prices increase all at once, Clarke said. And, mortgages are now harder to afford, he continued, so there are fewer housing options available, putting additional pressure on the rental market.

Albuquerque isn't alone — rents have been surging nationwide, with prices increasing 12% year over year. But, the 2022 annual State of the Nation's Housing report from the Harvard Joint Center for Housing Studies found that Albuquerque's rents were increasing even faster, at a rate of 18% year over year.

"Rent is going crazy," said City Councilor Tammy Fiebelkorn. "It's causing people to become unhoused."

Rent increases and maintenance problems

Back at the Spain Townhomes, other residents saw larger increases than Barreras. Fellow resident James Miller, who had switched to a month-to-month lease during the pandemic and didn't switch back to a yearly contract, saw his rent increase almost 80% from \$800 to \$1,425.

Living in an older building, Miller said, was manageable at \$800. But now that his rent has increased, Miller is thinking about moving out.

"We could kind of tolerate it, just because we're paying such little rent," Miller

said. "It's OK to have some holes in the walls as long as we're not out on the street, you know."

The State of the Nation's Housing analysis of data from the 2021 Rental Housing Finance Survey found that non-individual investors — LLCs, LLPs, and other investment groups — generally spend less per unit on renovations for rental units than individual investors.

Down the street from the Spain Townhomes is the Overlook Apartments. When Tabitha and Ryan Kill first saw the apartments in early 2020, they were excited to move in. The front desk staff seemed friendly; a coworker had raved about the model apartment. The price for a base unit was \$850 — "which was basically unheard of," Ryan Kill noted.

But things changed when the couple came to pick up their keys in January 2020. The Overlook Apartments were bought that month by a Canadian investment firm, the Sheiner Group, and are currently managed by Living Well Homes, an Arizona-based property manager.

Once they moved in, the Kills said they struggled to get maintenance requests filled. While Ryan Kill said some renovations were made, other parts of the property were neglected. A door in the couple's apartment was severely water-damaged and took more than a month to be replaced, according to the Kills, and

Percent change in fair market rent for a 2-bedroom from 2020-23



Source: U.S. Department of Housing and Urban Development

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the bathroom was frequently mold-infested. Complaints filed with the city of Albuquerque show repeated calls about stagnant water in a washing machine — one caller said the water had been there for five months, with no recourse from the managers, city documents show.

Griego said renters with out-of-state landlords are often uncertain of who to contact when there's a problem with the building.

"We have heard in the past from renters who ... they know the property is owned by some corporate entity," Griego said. "They either have issues when it comes time to actually paying the rent, like, who do they write the rent check out to, or who is actually responsible for responding to maintenance requests. It seems to be kind of a pass the buck along."

The Kills saw their rent increase about \$150. But the couple was more bothered by the quality of life at the apartment than the rent increase.

"The amount of money that we pay per month and the increase in money does not reflect how we live," Ryan Kill said.

The Kills have since moved out of that complex.

In an email, Emily Sheiner, the Sheiner Group's director of marketing and communications, said the firm has made extensive renovations on the property including exterior paint, new signage, a new leasing office and new pool decks and furniture, as well as in-unit renovations as apartments become vacant.

Sheiner said the apartments are offered at market rate, and the company does a new market survey each week to "ensure we are aligned with our competitors." She also cited increasing prices for materials, labor and other costs due to inflation.

When the Kills lived in the Overlook, the couple were saving for a house, and felt "stuck" in the property — at least, until their lease was not renewed in March and the pair were given a few weeks to find a new place to live.

"It feels like 'How quick can we put bodies in these apartments,'" Ryan Kill said. "... A person can only take so much before hitting their breaking point."

Unplanned moves

Willie Smith wasn't given the option to keep living at Spain Townhomes, regardless of price. Smith moved into the unit in August 2021 with his teenage son. In April, Smith, who was paying month to month, received a notice: He'd have to move out by the end of the month.

"This is my home," Smith said. "My son and I have spent the last year kind of, like, nesting, making it our own — we had just redecorated his bedroom. We had all these plans for the next year. It just kind of suddenly threw everything into chaos."

Smith said he can't currently afford the cost of a move, so he's moving in with his ex-wife until he can find a new place.

Albuquerque lawyer Joseph Woods, who has been in contact with residents in investor-bought buildings, said there's little legal recourse in the state for tenants who see massive rent spikes or even lease non-renewals.

"That's perfectly acceptable in New Mexico," Woods said.

Woods is familiar with tenant protection laws in other states besides New Mexico. He said states with more tenant protections, like California, have pros and cons. On the one hand, tenants are generally protected from large rent increases and evictions or non-renewals without reason.

But, the increased costs for property owners can chill housing development, he said, especially without other programs in place to promote growth.

Tenant protections have been repeat-

edly rejected by the Albuquerque City Council. In the past months, Fiebelkorn proposed two tenant protection bills — one that would have limited fees charged by landlords and added transparency to leases and rental agreements, and another that would have created a landlord registry, which was voted down on Monday.

Opponents said the proposals would put an undue burden on landlords, force them to raise rents even more and would discourage developers from building new apartments — adding to the shortage of housing in Albuquerque.

Residents of the Palazzo Apartments, which was also bought by GBE, were in attendance at Monday's City Council meeting and spoke in favor of the registry, raising concerns about the condition of the apartments. And, a group of tenants from the complex have visited the Attorney General's Office and have consulted with an attorney about filing a lawsuit against their property owners.

Like Smith, Emma Mincks, a UNM graduate student and now-former resident of the Palazzo Apartments, also received a non-renewal notice and had to move out at the end of April. Mincks said she's found a new apartment, which is slightly more expensive, but has a local landlord.

"It's owned by a woman whose grandfather built the property," Mincks said. "So I'm just choosing to move to a place where I can have a more personal relationship with my landlord."