

2/19/2019

Good morning!

The first of the year is off to a good start and I wanted to share with you the latest news in the market.

Before I review all the market activity, just a gentle reminder – if you have not had a chance to send me your current rent roll and end of year profit and loss statement – please do so soon so I can reanalyze your property, its value and its position in the market.

Investors active in market

- Son of well-known local family with long history in NM, is on tour next week looking for structured 1031 deal over \$2.5M
- Local investment group looking for new product – under \$8M
- Conversion to assisted living – established owner/operator looking to add 30 more beds
- Foreign buyers – French, living in Las Vegas, moving to NM – looking for up to \$3M
- 1031 buyer – Fresno Farmer who owns 10,000 acres – represented by out of state broker who likes Albuquerque and smaller rural markets
- An out of state investment club (entities tied together by their faith), has multiple investors in market making offers on deals \$500,000 to \$2.25M.
- Oregon based investor – contemplating his 3rd 1031 exchange in ABQ – owns 50 unit building here now.
- Denver based investor – first entre into market – looking for 50 to 150 units in 2019, chasing higher returns than the overheated Denver market can currently offer
- Coop housing from local baby boomers – under \$1M range – looking for space with large community area
- Fixer upper of any size – all cash buyer – local Realtor
- 1031 buyer all cash buyer – local, exchanged out of mineral interest lease to apartments – 12 units – downtown – all cash at 5.60% cap rate (with upside in rent increases).
- On a somewhat related note, a small group of Realtors, including myself, received their Certified International Property Specialist (CIPs) designation last month and I have started to see more international investors contacting us. To further this effort, we are assisting the Realtor family in creating a NM based global council.
- GAAR / SWMLS continue to report a lack of inventory of quality homes under \$250,000 – seems to be me magic price point for duplexes/triplexes/fourplexes for those willing to consider owner occupying an apartment investment. Our own research indicates there are about 500 homes for sale under \$250,000 in the core areas of Albuquerque, and January saw 499 homes sale (essentially, there is a one month supply in this price range for houses). There are currently only eight fourplexes in SWMLS priced under \$250,000.

Most viewed properties on NM Apartment website during January 2019:

- 38 units in Hobbs – currently pending – 278 views
- 29 units downtown at 1021 Coal SW – also pending – 218 views
- 320/328 Tennessee SE – almost the last 8% cap rate deal in town – 209 views
- 200 Hermosa NE – Nob Hill units – also pending – 189 views
- 612 Adams NE – 2 units – 180 views
- Downtown 5plex – 311 12th NW – 157 views
- 1340 San Mateo – 6 units + owners residence – 154 views
- 1515 8th NW – 12 units downtown – 154 views
- Adobe Rio Portfolio of homes – 122 views
- 2929 Monte Vista NE – high end units – 144 views
- Richmond Studios – high end live /work units - 117 views
- 715 Fruit NW – downtown fourplex – 107 views
- UNM Duplex – 317 Stanford SE – 106 views

ABQ Journal Insert (see last pages attached)

- Saturday, February 8th, 2019, we tried a new advertising format in the ABQ Journal -with a feature on high end apartments – I won't be able to measure the results until the end of the month, but remain hopeful it created new opportunities (copy of advertisement on last pages)

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.

Property Tax update

- I 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.

Recent Closings as a sign of market conditions

2019 has started strong with closings in early January/February including:

- High end fourplex -218 Yale SE – built in 2013 to LEED Platinum standard – sold to local investor, all cash, record high price for a fourplex - \$485,000.
- 301 Dorado SE – brick fourplex – Tramway/Central area – sold to all cash owner occupant - \$213,000
- 225 Figueroa NE – typical stucco quad – Juan Tabo/Central area – sold to owner occupant - \$212,500.

Upcoming events:

- ✓ **Appraisal breakfast** – in order to counteract some appraisal issues we saw last year, we are hosting an breakfast with appraisers to share the latest market info and trends.
- ✓ **Apartment Broker Luncheon** – typically this even has 15 or so apartment brokers – next one is scheduled for 2/28.

New office

- ✓ **NM Apartment Advisors has acquired a new office location downtown at 1324 6th NW – about halfway between Lomas and I-40. I would be honored to give you a tour, but please remember, we are not really set up for drop-ins, so appointments are recommended.**

I remain excited about the level of activity in our investment marketplace and know that it is mostly a waiting game – waiting for the right 1031 buyer to move on your property, and know that we are doing all we can to make sure your property is well positioned for that buyer.

One final note – I plan to celebrate my 50th birthday this spring by taking my family out of the country (Oslo, Copenhagen and Svalbard) between March 8th to March 18th. I will have access to email and phone during that time.

Thanks,



Todd Clarke CCIM

CEO

NM Apartment Advisors Inc.

LOCAL REAL ESTATE, HOME BUILDERS,
AND DESIGN TRENDS

HOME STYLE

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GREATER ALBUQUERQUE & SANTA FE

FREE HOME BUYER PACKAGE!*

- FREE Home Inspection
- FREE House re-key
- FREE Credit Report
- FREE Home Appraisal
- FREE NM Gift
- FREE Hot Air Balloon Ride!!

Buying a House? Call the HOTLINE!

505.375.1337

Hotline manned by Premier Choice Mortgage
To be eligible, call the HOTLINE

*Terms, Conditions, & Disclosures- Home Inspection up to \$300. Minimum sales price \$150,000. All items in offer are delivered, or reimbursed, or awarded upon closing and funding of a home purchase. Appraisal up to \$500. Appraisal, credit report and house re-key for PCM brokered loans only. Balloon ride for one person, value up to \$120 + nmgrt. No part or whole of offer may be redeemed for cash. Offer subject to change at any time without notice. Must use participating real estate broker – see www.HSQBA.com. See your broker for any additional details. Offer exp 06/30/19

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ABOUT THE COVER

Apartments are no longer the low rung on the ladder to single family home ownership. Millennial rents, driven by locations with high walk, bike and transit scores are smashing through the rent ceiling paying \$1,000 to \$3,500 a month in rent. Albuquerque's new zoning encourages the live/work mixed uses that today's renter demands. Higher rents = higher values as amazing in-fill located apartment investments set new records for prices per unit, prices per square foot and cap rates.

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2929 MONTE VISTA NE

7 UNITS
 MIXED USE + PENTHOUSE

\$1,631,824
 \$233,118 PER UNIT
 \$301/SF | 5.79% CAP



1808 OLD TOWN NW

6 UNITS
 VACATION RENTAL OPP

\$618,708
 \$103,973 PER UNIT
 \$136/SF | 5.00% CAP

8 UNITS
 LIVE/WORK CONDO QUALITY

\$2,631,705
 \$328,963 PER UNIT
 4.44% CAP RATE

30 UNITS
 TOWNHOUSE CONDO UNITS

\$3,600,000
 \$120,000 PER UNIT
 \$107/SF | 5.43% CAP



117 RICHMOND SE



2306 CHELWOOD NE