



Client update letter – September 2019

September 5th, 2019

Good morning!

I hope you and yours had a wonderful Labor Day weekend. My apologies in advance for the longer than normal update, but there has been a lot of market activity in the last month or so.

In Comparison

If I had to assign a theme or genre to this month's update, it would be the words **"In Comparison"**. I spent most of the day yesterday returning phone calls from out of state investors, who **in comparison to the product they are selling**, consider our prices very attractive (see last 2 pages). I interviewed a major leg of our capital market financing, and they indicated that **in comparison** to their competition, they feel very confident about the future prospects of multifamily product. I talk to out of state brokers who indicate that **in comparison**, their clients are finding our returns higher than their market. Recently we had a CPA and tax expert in an investment class who said that **in comparison**, Californians benefit from owning in NM, more than Texans. If you look at our region as a donut (with Arizona, Colorado, Utah, Texas, Nevada and California as the outside), then NM is the opportunity zone as **in comparison to those surrounding states**. Our ratio of new jobs and offered rates of return are drawing investment dollars in.

Capital Markets

Two weeks ago, Peter Gineris was kind enough to arrange a meeting for me with Steve Malloy who oversees the Southwest region lending for Freddie Mac Multifamily. We discussed **Freddie Mac updates on loans (Small Business Loan program or SBL) and some recent changes** Freddie made to their grid that caused some bumps in interest rates. For the most part, they are still looking at a Debt Coverage Ratio of 1.30, ideally a 75% Loan to value. We saw a 0.15 bps bump in rate in 2019, ironically on the same day as the Federal Reserve lowered rates. Steve shared with me that this related more to smoothing out overall deal flow, and that after Q3 concludes, rates will go back down (as they will be closing those deals in 2020). Freddie's SBL continues to keep pace with Fannie's volume, but is winning this market of 20 to 200 units (loans under \$10M).

Kahleetah and I once worked with a broker who correctly predicted 2 out of the last 24 downturns. This broker could take whatever news of the day and spin it into a chicken little sky is falling scenario. I mention this, because the media seems to be on the hunt for any tell tale sign of a downturn, and while it would be wise to plan for one, it's also just as wise to follow market metrics and not be swayed by forecasts of demise. **Yes, it's a much more turbulent world, and you never know what the twitter post is that will yank the stock mark up or down, but real estate continues to be an investment for those looking for safe haven from inflation and political volatility.**

The last downturn was led with the capital markets seizing up and a shut down of all financing. When I asked Steve at Freddie what they saw on their horizon, he let me know Freddie takes their loan portfolio to the capital markets for syndication every month and has a commitment to deliver \$400 M to \$500M every single month and they believe the appetite from institutional investors is larger than what they can deliver. Said another way, Freddie is feeding the investment demand for safety and certainty offered by investment in real estate whether it's debt or equity.

For the smaller properties – an article last week indicated that lenders may move to digital (only) appraisals – for properties under \$400k –

<http://www.nmapartment.com/appraisalnews400>

We have reached out to a couple of lenders to see if this will apply to duplexes, triplexes and fourplexes and we will keep you posted.

Investment Markets

- This month, for the first time in the marketplace, we will see a deal close over \$200,000/unit and a wave of deals between \$135,000 to \$175,000 that come to market. Earlier this year the market had a couple of sales in this same price range, these all-time high prices for us native New Mexicans, are bargain prices for those folks who look at it **in comparison** to Colorado and California prices. Case in point - I received a flyer yesterday from Colorado: on 1970s vintage deal - \$179,000 per unit, which is much lower than the prices on the last two pages for California deals (\$600,000 to \$800,000).
- **Office to Apartment** - I had a luncheon last week with a group that is a spin-office of North American's largest office investment firm. They are now looking to move into apartments with a tour on September 13th, 2019 of the market. Focus is on value-add deals.
- I had a CPA in a course I taught two weeks ago on investment benchmarks – it was really nice to have an expert on taxation in the class - as the conversation turned to why California has a stronger presence in our market than Texas – he pointed out that Californians have a comparative state tax advantage over Texans when they invest. CA has an income tax that can deduct NM taxes, TX does not.
- I would add to this that **in comparison** pricing in California continues to be a larger driver of our market. Now pricing in Colorado, Oregon and other states are becoming overheated.
- **Investors prowling in the market** - We are currently tracking 65 different investors who are actively pursuing product in the market from \$150,000 to \$35,000,000 from the simple core asset to the complicated condo conversion and everything in between.
- **Market Barometer – fourplex sales** - Since 45% of Albuquerque's inventory is smaller than 4 units, we track these metrics relentlessly. Current indicators are that 2019 could be a banner year surpassing the last peak a dozen years ago.

Marketing Update

1. **The second wave of Silicon Valley advertisements is out and can be viewed at** <http://nmapartment.com/apt/sv/adv/> or individually at http://www.nmapartment.com/apt/sv/adv/300x250_NMAI2.gif, http://www.nmapartment.com/apt/sv/adv/320x50_NMAI1.gif, http://www.nmapartment.com/apt/sv/adv/728x90_NMAI_Version1.gif. Last month's campaign yielded 86 potential leads. This campaign runs about \$4,800 per month.
2. In addition to SWMLS, CARNM, the NMAA website, Loopnet and CREXi, we are trying out a **new listing service** Apartmentbuildings.com. All of our listings will be loaded this week.
3. **Did you know that Albuquerque is #1 city for nature lovers – and it even outranks San Francisco** - <https://www.mnn.com/lifestyle/eco-tourism/stories/10-of-the-top-us-cities-for-nature-lovers>
4. We just completed a postcard mailing (attached) to 4,000 investors and brokers – typical mailing runs about \$4,000
5. We have increased our Google ad Words monthly budget
6. We are planning a major campaign to woo out of state brokers to working with their 1031 clients to bring investors our way. More on this in October
7. **Apartment broker luncheon was last week and your property was presented.**

New listings

Downtown portfolio - 22 units with 14 garages - <http://www.nmapartment.com/apt/NMAA-401-14th-SW.pdf>

Historic Stamm Historic House – triplex next to Mary Fox Park - <http://www.nmapartment.com/apt/NMAA-323-13th-NW.pdf>

Adorable Owner/Occupant duplex – with garages and hard wood floors – <http://www.nmapartment.com/apt/NMAA-SanPedro622SE.pdf>

Downtown portfolio – 10 units downtown with garages - <http://www.nmapartment.com/apt/NMAA-12th401SW.pdf>

Uptown Fourplex – 908 Alcazar NE - <http://www.nmapartment.com/apt/NMAA-alcazar908Ne.pdf>

(joins its sister, 916 Alcazar NE that we took to market last month - <http://www.nmapartment.com/apt/NMAA-alcazar916Ne.pdf>)

The Cascades – new construction – 53 units – 3308 Fourth NW - <http://www.nmapartment.com/apt/NMAA-Fourth3308NW.pdf>

The Christmas Shop steps from the Historic Old Town Plaza – mixed use in Old Town – ideal vacation rental –
http://www.nmapartment.com/apt/NMAA_Romero400NW.pdf

Coming Soon:

- Amazing portfolio of renovated/repositioned properties – 147 units will set new pricing in market for \$/sf, \$/unit.

Closings & Pending Sales this week:

- 1808 Old Town NW - 6 units under contract to a vacation rental operator
- 306 Walter SE 5 units - out of state investor repeat investor - closes Friday
- 4119 Fourth NW 75 units - Bay area 1031 buyer - closes Friday
- 4322 Fourth NW 24 units - local 1031 buyer
- 4201 Atrisco NW 30 units– California based buyer

Buyers update

In the last 24 months, we have had 1,267 unique buyers express interest in our apartment listings, and currently we are tracking 63 of them who are actively looking at deals. This month, we will be focusing on how to improve those other 1,199 buyers' odds of becoming owners...

We are working hard to make the balance of the year profitable and rewarding for you and your property.

Sincerely,



Todd Clarke CCIM CIPs

CEO

NM Apartment Advisors Inc.

Sample of CA Deals

Why Californians prefer NM to CA for investment

NM has no form of rent control and the Landlord/Resident Relations Act is balanced between the needs of the resident and property owner

NM does not require an onsite manager and does not dictate how a property owner manages their asset.

NM offers Actual CAP rates from 4.60% to 8.50% depending on age, geography and condition.



SOUTH EL MOLINO APARTMENTS | 529-5411 S El Molino Ave., Pasadena, CA 91101
2 x 10-units (NO ON-SITE Manager required, Value Add in Pasadena Playhouse District
Large Units, Large R3 Zoned Lot, Proform | CAP 4.82%
NO-Rent-Control, NO Soft Story Retrofit Required
One block from SOUTH LAKE AVE Shopping District, south of 210

Albuquerque isn't known for hosting natural disasters like hurricanes, earthquakes, power outages or mudslides.


Albuquerque has recently experienced unparalleled job growth with the addition of new Netflix Studios and a Facebook data center.



New Mexico is consistently rated one of the top places in the country to film TV shows and Movies.



The EMOJI building - \$874,500 per unit

Request Info


Charming Pink Emoji Duplex

2 UNITS | \$874,500/UNIT | MANHATTAN BEACH, CA

Gallery 2D
Map View
Street View

Download OM
Submit LOI

Listing Contacts **Active**

Asking Price: **\$1,749,000**

[Learn more](#)

Address

216 39th Street, Manhattan Beach, CA 90266

Listing Added **08/19/2019**
 Listing Updated **08/26/2019**

Details

| | | |
|--------------------------|--------------------|------------------|
| Property Type | Multifamily | Square Footage |
| Price/Sq Ft | \$1,144.63 | Occupancy |
| Units | 2 | Year Built |
| Buildings | 1 | Stories |
| Permitted Zoning | MBRH | Lot Size (sq ft) |
| Price/Sq Ft (Land Value) | \$1,297 | Parking (spaces) |
| Broker Co-Op | Yes | APN |
| Price/Unit | \$874,500 | |

Marketing Description

Lyon Stahl Investment Real Estate is proud to present 216 39th St in M Beach. This charming 1,528 SF duplex is situated on a 1,348-lot with 4 parking spaces. Built in 1931, this property features a unit mix of (2) 1-b currently bringing in rental income of \$7000 monthly and \$84,000 anr property is just a short walk away from the beach and is the quintesse side living experience. This is a perfect investment opportunity for any looking to rent out both units with very strong rent appeal or a homeo looking to live by the ocean and rent out the other unit.

Investment Highlights

- Unit Mix: (2) 1-Bed/1-Bath
- 1,528 SF Two-Story Building on a 1,348 SF Lot

New construction - \$699,500

New Construction - 10 Unit Building - Mid Wilshire

1545 South Fairfax Avenue, Los Angeles, CA

For Sale Multifamily

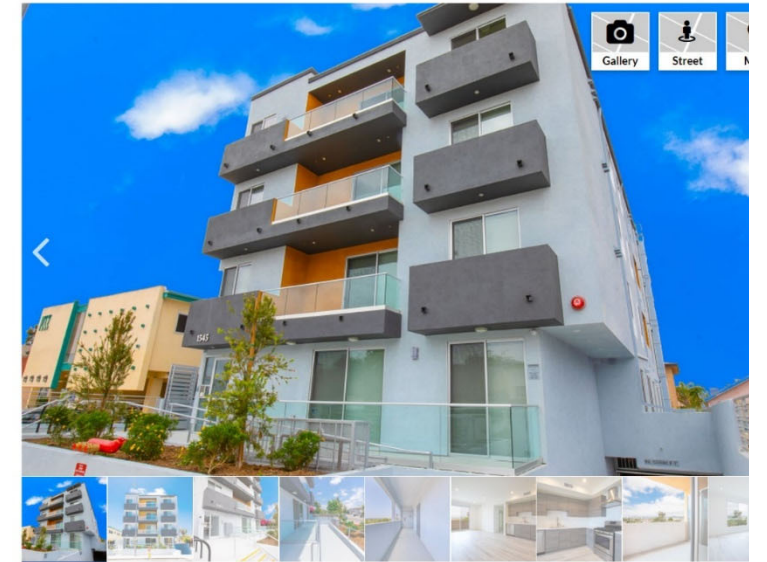
\$6,995,000

Price

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Overview
Description
Highlights
Documents
More Listings



| | | | |
|---------------------|-------------------|---------------------|---------------|
| Cap Rate | 4.27% | Building Size | 12,665 |
| Lot Area | 6,553 sqft | Occupancy | 1 |
| Units | 10 | GRM | 1 |
| Year Built | 2019 | Zoning | (QR)3 |
| Floors | 4 | Parking Spots | |
| Construction Status | CofO | Number of Elevators | |

DESCRIPTION

The subject property is a luxury, brand new construction, 10 unit apartment complex located in the Mid-City submarket of Los Angel

Situated on Fairfax Ave just south of Pico Blvd and east of La Cienega Blvd, this 2019 constructed building has massive, pristine units incredible unit mix. The property boasts one 2 bedroom, 2 bathroom unit, seven 3 bedroom, 2 bath units and two 3 bedroom, 3 bath two-story townhome style units. One 3+2 is reserved for low income.