



NM Apartment Advisors Client Update July 2022

Market Dashboard

Craigslist Avg. rent	\$1,069
Fourplex appreciation 2021	31%
Fourplex appreciation Q1-2022	12%
# of active investors in market	1,547
Increase in investor interest since 1st week of pandemic	474%

I love market turmoil—it causes young investors to panic, leaving opportunities for mature investors who have seen a downturn (or 2, or 3).

A recent example - an inexperienced investor passed on a deal during the first month of the pandemic,

I jumped in and it is now worth 44% more.

- J. Barr

Is the Market worried about the wrong thing?

There is nothing like a bit of turmoil in the market to have the faint of heart headed for the fire exit.

In the last 39 months, I have been inundated with (mostly vulture) investors hoping that the ____ will spell a downturn in appreciation apartment investment market. (____ fill in the blank, Covid-19 global pandemic, supply chain issues, blockage in the Suez Canal, stimulus payments, Russia war on Ukraine, rising interest rates, inflation, etc.). My answer has been consistent with two responses:

1. I remain an active investor in the market place
2. The measure I care about are the imbalance between supply and demand

Active investor in the market

My wife and I have had a simple investment goal for the last 5 years - to double the size of our real estate investment portfolio every year, capturing double digit rent growth and benefitting from long term low interest rate loans, not to mention the extraordinary tax benefits.

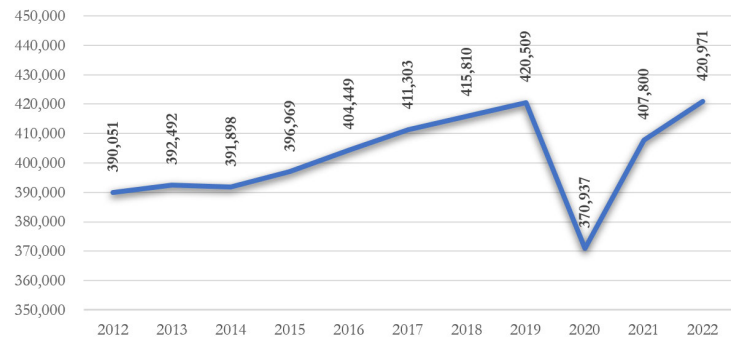
We are not alone—with over 1,547 active investors in the market the ratio between buyers to sellers remains steady at 10 to 15 buyers per listing. The recent news is like an eye in the storm, some investors are on pause, others are headed for the exit, but an even larger contingent of 1031 investors are continuing to pursue deals. Page 2 contains over 50 articles on why we remain optimistic about the market. (click on headline to read)

The toughest part of the market will be between now and early August as American families burst across the travelscape desperate to see the world after 3 years of covid-lockdowns.

Supply/Demand

Only when the cash buyers leave the market do I begin to worry about prices decreasing. When lend- ing contracts, it hits the 2nd home market first, and the expensive homes 2nd. - Kevin Caudill

ABQ Last Decade Annual Employment as of April



EBA For Albuquerque Area

	# of new jobs	Basic	Basic Jobs	Non Basic Jobs	Total Jobs
F.A.A.(I).N.G effect					
Facebook Construction (est.)	500	N		500	500
Facebook Data Center Operations	35	Y	35		35
Fidelity Investments	240	S	106	134	240
Amazon Fulfillment Center - Project Charlie	1,500	Y	1,500		1,500
Amazon Sortation Center - Project Nico	200	Y	200		200
Amazon Los Lunas - Project Charlie	600	Y	600		600
Amazon Airport					
Intel Construction	1,000	N		1,000	1,000
Intel Expansion	750	Y	750		750
NBC Universal Studio	330	Y	330		330
NetFlx Construction	300	N		1,000	1,000
NetFlx Production	00	Y	1,500		1,500
Lancs Industries	70	Y	70		70
LQ Digital	100	Y	100		100
Blue Halo additional jobs (over 260)	64	Y	64		64
MTX Group Inc (Downtown)	250	Y	250		250
KAFB Space Force	100	Y	250		250
	8,239	-	5,755	2,634	8,389

EBM (Bernalillo County)

Total New Jobs	45,116	2,634	47,750
P/E Ratio =			2.17
Total New People			103,619
# of persons per household			2.52
Total New Households			41,118
% that own			35%
# of new single family residences needed			26,727

% that rent	35%
# of new apartments needed at 100% occupancy	14,391
Occupancy Rate at ideal market balance	95%

# of new apartments needed at 95% occupancy	15,149
# of apartments built in 2020-2022	1,979
NEW Gap	13,170

Total units ABQ/Rio Rancho	91,148
Occupancy in 2019 - # of units occupied at 96%	87,502
# of vacant units =	3,646

+New Gap + occupied units - new occupied units	100,672
% occupancy	110.4%





News that impacts or covers our market

July 2022

Inflation

- 001 [Ignore Inflation Hysteria - Forbes](#)
- 002 [Bow Tie Economist - historic downturn summary 6/16/2022](#)
- 003 [Bow Tie Economist - decreasing housing inventory 6/7/2022](#)
- 004 [Economist - should we be on Recession Watch?](#)
- 005 [Economist - Take on Housing prices](#)



Supply/Demand

- 006 [GAAR GREAT event - ABQ is in its 5th housing shortage](#)
- 007 [Article in Western Real Estate Journal- NMs MF heats up](#)
- 008 [Suggestions for solutions instead of O-2022-16 to increase housing supply](#)

Financing

- 009 [Globe Street - are rising interest rates holding down deals?](#)
- 010 [Globe Street - Negative leverage may be the new normal](#)
- 011 [Bowtie Economist - \(New\) housing hit by rate increases](#)

Market Updates

- 012 [ABQ house prices reach new high](#)
- 013 [Single family continues to appreciate - Forbes](#)
- 014 [Nearby: Scottsdale sees 356 unit sale at \\$543,539 per unit](#)
- 015 [Multifamily shows no signs of slowing - Real Page](#)
- 016 [Single Family prices up - 4/21/2022 - Bowtie Economist](#)

International News

- 017 [Inflation Geopolitical conflict makes CRE look better than ever - Globe Street](#)
- 018 [NAR Global Ambassadors support efforts in Ukraine](#)

Solutions

- 019 [An organized and pre approved Accessory dwelling ordinance could provide immediate relief \(Portland has the path\)](#)
- 020 [Globe street - 40% of development cost are regulations](#)

Lifestyle

- 021 [Outside Magazine - ABQ nominated as great place to bike](#)

Other

- 022 [FCC Changing Rules for internet access in apartments](#)
- 023 [KRQE Podcast on what is happening downtown](#)
- 024 [Harvard releases 2022 Housing report](#)
- 025 [ABQ Ordinance on prohibiting income discrimination passes](#)
- 026 [Multifamily update - Freddie Mac](#)

Rents

- 027 [Rent Growth - ABQ up 22% \(KRQE\)](#)
- 028 [Demand from traveling nurses](#)
- 029 [Guardian - Rent growth in US markets up 40%](#)
- 030 [KRQE News - Will ABQ rents continue to rise?](#)
- 031 [Globe Street - Sunbelt sees continued rent growth in](#)
- 032 [Bow tie Economist on why rents will continue to grow as interest rates increases](#)
- 032 [ABQ - 19 residents for every apartment \(Denver Post\)](#)
- 033 [Pinon Post - rents rising 21% \(NM is one of the fastest in country\)](#)
- 034 [Most renters are renewing leases - Biz Journals](#)
- 035 [Market Shift fuels rental demand \(Arbor\)](#)
- 036 [CoreLogic - April jump in rent due to job growth and lack of inventory](#)

New Employment

- 037 [ABQ Journal - ABQ #1 for Film](#)
- 038 [Spaceport NM has another launch](#)
- 039 [Max Q Project lands another tenant](#)
- 040 [Netflix pull building permit in ABQ Studios Campus](#)
- 041 [Netflix campus to open in 2024](#)
- 042 [Inside NM's Thriving innovation economy](#)
- 043 [Los Lunas lands 1,000 new jobs](#)
- 044 [Intel adds new jobs in Rio Rancho/ABQ Area](#)

New Construction

- 045 [Taos approves 100 new units - include renovated Taos Sun God - KRQE News](#)
- 045 [Allaso Vineyards announces 111 new units](#)
- 046 [Pah! Apartments GAHP builds for ASL](#)
- 047 [Luminaria Apartments for seniors grand opening](#)
- 048 [International District Mixed Use](#)
- 049 [Rio Rancho Inn converted to apartments](#)
- 050 [New Units in Village of Los Ranchos](#)
- 051 [Santa Fe new units near airport](#)
- 052 [ShooFly apartments in Santa Fe](#)
- 053 [Sawmill \(ABQ\) adds new units](#)



Historic review of interest rates and market conditions

Todd's Thoughts on the market new we are in:

When the economy contracts 20% (say during a pandemic) the headline news is decrease of 20%.

When the economy recovers back to pre pandemic levels, mathematically that is a 25% increase, but a headline Economy back to normal is not nearly as clickable as 25% inflation on the way!

When the Federal Reserve raises interest rates, its important to also track the increase of Certificates of Deposit as well as the average mortgage rate.

Finally, American's are sitting on \$3 Trillion dollars of savings, American banks are much better financial ground than they were in the early 2000's and stimulus money is going to fuel higher construction costs as developers compete with the government sector as they rebuild roads, train tracks, bridges, etc.

Supply/Demand (cont. from page 1) Its all about jobs

Albuquerque's lost decade of employment has been replaced with a dynamic expansion of expensive to relocate jobs from Netflix Billion dollar film studio expansion to Facebook data center, to Intel's home grown expansion to the creation of not 1, not 2, but 4 new Amazon distribution facilities. These jobs and others that are listed on page one are creating Albuquerque's 5th acute housing shortage in modern times, which has sparked 18% to 24% annual rent growth and fueled 31% appreciation in the fourplex market.

As these new jobs phase in the next couple of years, it will create a housing shortage of 26,727 single family homes and 13,170 rental units.

As Albuquerque continues to garner national attention for the presence of a majority of the FAANG tech stocks, this will continue to fuel investor demand in the marketplace.

To those investors who keep their powder dry, you will soon realize:

1. 6% is a great interest rate
2. The correct way to compare interest rates to investments is using IRRs not cap rates
3. The investors who bought at 2.5%, 3.5%, 4.5%, 5.5% have an

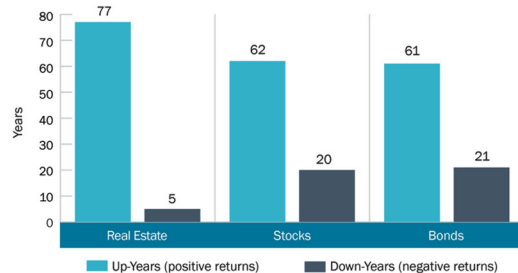
amazing competitive advantage against your interest rate AND

4. They benefitted from the 18% rent growth in the market and 30% price appreciation.

Our biggest worry should be the long term impact of over employment and how that is going to transform everything we depend on. Sure, some jobs will go the way of increased automation, but high touch jobs like the real estate and construction industry continued to see employers chasing more unqualified employees and paying them and training them more. (A good analysis on this come from a good friend and economic development guru, Mark Lautman).

Positive and Negative Return Comparison

"Up" and "Down" Years For Real Estate, Stocks and Bonds (1934 to 2019)

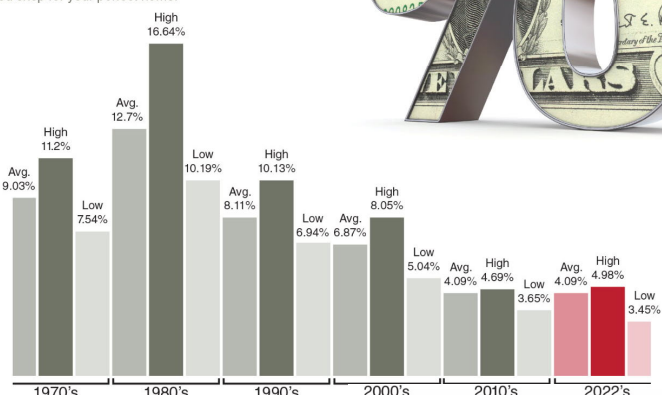


Sources: NCREIF (National Council of Real Estate Investment Fiduciaries) and Bloomberg. Past performance is not a guarantee of future results. Real estate is represented by the NCREIF Property Index (NPI), an index of quarterly returns reported by institutional investors on investment grade commercial properties owned by those investors. The NPI is used as an industry benchmark to compare an investor's own returns against the industry average. NCREIF data is based on institutional investments and is presented without leverage or fees. Institutional investors often invest on substantially different terms and conditions than individual investors, which may include lower fees, expenses or leverage. Stocks are represented by the S&P 500 Index, an unmanaged index of the 500 largest stocks (in terms of market value), weighted by market capitalization and considered representative of the broad stock market. Bonds are represented by the Barclay's Capital Aggregate Bond Index, an index of securities that are SEC-registered, taxable and dollar-denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The prices of securities represented by these indices may change in response to factors including: the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates and investor perceptions. All indices are unmanaged and do not include the impact of fees and expenses. An investment cannot be made directly in any index.

Infographic from
Cynthia Johnson at
VANDYK MORTGAGE
REAL ESTATE CORPORATION

AVERAGE MORTGAGE RATES PER DECADE

Although rates are rising, it is important to note that they are still sitting at historic lows, making it still a great time to buy or refinance! Contact me today to get your mortgage rate locked in while you shop for your perfect home!



When the Boomers Bail

How Demographics will Sort Communities into Winners and Losers



Mark Lautman

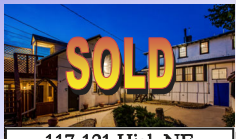
I share with fourplex investors, the thought. pause today, and next month it will cost you \$9,000 more... Do not mistake the eye of the storm for a lull in the market - **D. Todd Clarke CCIM CIPs**



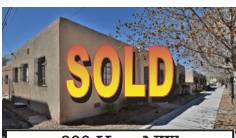
New listings / recent sales



2001 Lead SE
Triplex



117-121 High NE
11 units in EDO



800 Kent NW
Downtown 12 units



Abes Ministorage
285 units



Delarmar loop 32 units
Buyer representation



501 Bullock 16 units
Socorro, NM



6 units 1404 Montana,
Las Cruces
Buyer representation



146 Rhode Island SE
Fourplex new to market
\$352,950 - 5.46% cap rate
Recent renovations



2531 Candelaria NW
17 units - just fell out of contract
Full inspections available
\$3,336,866 next to nature center
4.86% cap rate



First time for sale in 25+ years!
Sunset Gardens
28 units in 7 fourplexes
5.52% cap rate
13.60% after tax IRR
Brick construction



3212 Wellesley NE
\$450,925
6.81% cap rate
12.20 After tax IRR



1112 Edith NE
Adorable duplex in downtown
ABQ - \$221,066 - 7.48% cap
Inspection reports avail 7/8



Questa Real
32 units in Alamogordo
6.48% cap rate,
10.50% after tax IRR



Morris Townhomes
NE Heights location near retail
52 townhouse residences



12361 Mountain NE
8 units adjacent to park
\$948,597 - 5.46% cap rate
Upgraded units, room for
12% rent growth



308-320 Charleston NE
Three side by side fourplexes- can
sell together or separate
\$249,757 to \$363,253
Or total of \$937,979

Thinking about going off market?

- Think twice, you might save the small buyers brokerage fee, but a recent study indicates offer market deals trade 15% to 20% below market (which is why buyers like them!)

NM Apartment Advisors marketing efforts include:

- mailing to 5,000 owners/investors (this postcard)
- entry into ABQ residential MLS (and Taos, Santa Fe, Las Cruces, Otero County etc.)
- entry into state wide commercial MLS
- entry into 3 national MLS systems
- email blast to over 400 investment brokers /- email blast to over 300 commercial brokers
- email blast to over 1,000 apartment investors
- digital advertising in key investment markets (San Diego, LA, silicon valley)
- an annual advertising budget of over \$75,000
- office policy against dual-agency (we only represent sellers)
- we cooperate with all residential and commercial brokers.

The market has over 1,516 active investors looking for product!

We price our listings to where the market is going, not where it has been.

We tell our sellers that we only represent them (no dual agency!) and we will bring them 9-12 offers during the listing period to find the one right offer.

In short, until your property is exposed to the entire market, how do you know you obtained the top pricing?

Todd Clarke CCIM CIPs

CEO

NM Apartment Advisors Inc.

NMREC License QB#13711

524 Central SW Suite 801, ABQ, NM 87102

505-440-TODD

tclarke@nmapartment.com

www.nmapartment.com

