



36 years of selling apartment investments



The current headwinds

July 7th, 2025

Good afternoon!

I hope you and yours had an amazing Fourth of July weekend. Our family enjoyed the fireworks from the balcony at our Office. It reminded me so much of what I love about Albuquerque: vibrant, authentic, gritty, sometimes slightly illegal (we counted over 48 different sources of illicit fireworks in the 180-degree view), and always beautiful.



Overall Status and Statistics for NMAA apartment listings

The metrics on our listings indicate that while traffic is up in residential MLS services (9%), it is down in commercial listing services (13%), up in virtual tour views (8%), up in flyers downloaded from our website (20%) and overall traffic is up 14% since the beginning of the year. This measure for the first half of 2025 is fairly anemic and speaks to the **major headwinds of interest rates, unfavorable legislation, property taxes and insurance increases** that are keeping most investors on the sidelines.

Additionally, many of our listings are taking twice as long to close once they go under contract and move to pending status, a reflection of how high interest rates are making deals harder for lenders to underwrite and close as well as the few week lead time now needed to get an insurance policy bound.

Offers – quantity and quality are down.

The volume of offers received during the last 60 days was a mere trickle when compared to the same period in 2024. An overwhelming majority of these offers ranged from “creative” to “ridiculous” and continue the bot-buyer scheme we first saw become popular in back in 2023

<http://www.nmapartment.com/resources/NMAA-BotBuyers-04012023-v2.pdf>

If fourplexes are a precursor to overall market conditions, the Albuquerque residential MLS shows that the days on the market metric has increased from 42 to 74. Price appreciation is up 8.1% over the previous year. Currently there are 28 fourplexes available for sale with many residential brokers offering panicky advice to their sellers as evidence by 55% of the inventory that has had a price decrease since going to market, and are now priced, on average 7.4% lower than they were originally.

The average fourplex price sales price is \$483,704 and the average list price is \$479,316, a reflection of lower quality product with only 3 of the 28 fourplexes having a location in a nice Northeast heights’ neighborhood, one is downtown, one is in the Nob-Hill area. The balance is represented by some 82% that are for the most part are in the tougher areas of town.

If we are sailing on a common ship containing our apartment investments, then I could categorize the balance of this year into issues that are pushing us back, **head winds**, and issues that are propelling us forward, as **tail winds**. An inventory of both is as follows:

1. **Interest rate** are higher in recent years, but lower than 20-year average. The current rates have encouraged most buyers to sit on the sideline. The Federal Reserve has been clear that interest rates decreases are off the table until they measure the impact of an uneven tariff regime on the economy as it relates to potential for self-inflicted inflation.
2. **Rent Control – part I** – The latest version of legislative punishment for Albuquerque investors has failed at Land Use, Planning and Zoning committee, but may reappear in August - <http://www.nmapartment.com/resources/ABQJournal-RENT-FailsatLUPZ-06122025.jpg>
3. **Rent Control – part II** – If you are like me, since rent control first came on the radar in late summer of 2022, you have likely spent a considerable amount of time tracking, researching and testifying against legislation on a local and state level. This legislation has told a one-sided narrative that villainizes those who provide housing while attempting to deprive us of our private property rights. The constant flood of legislation, hearings and articles has placed a storm cloud over our market. **If you want to work on some positive steps to resolve this please considering completing this survey** - <http://www.nmapartment.com/abetterway> which will help us develop a plan going forward to put that hopefully will put those who villainize the housing industry on their backfoot, or potentially push them from office.
4. **Property tax notices of assessed values have been released, and they indicate substantial increases across the board** – While apartment investments enjoy a 3% maximum increase (or cap) each year, when they do sell, we are now seeing an increase of over 400% in the assessed value. (Please see last page for detailed information).

Additionally, there is a new short-term rental category that includes over \$422M in inventory, which lost its 3% cap on increases and is going to receive a commercial mill levy rate, an effective double whammy of property tax bill increases. Our sister firm, Cantera Consultants & Advisors, is consulting with hundreds of these owners to help them bring assessed value relief and potential legal action for the assessor's novel and new interpretation on how a house is no longer a house, but a one unit hotel room. **Apartment investors who have corporate units that rent for less than 30 days at a time, could also be impacted going forward.**

Additionally, commercial properties, known as non-residential properties, experienced an 86% increase in values, which is lower than the 400% we were told in 2024, and much higher than the 12% we had negotiated new legislation for. The legislation for this and apartment investments did not pass in the 2025 session, but there is a working group still pursuing this.

5. **Property Tax values are now at the forefront on impacting potential values** – as a recent article in the ABQ Business First highlights the issues and journey and why we needed property tax value relief - <http://www.nmapartment.com/proptaxarticle>

Many of my **apartment broker peers are re-underwriting deals** where they formerly had a modest increase to now reflect this change in how apartments assessed values are handled. There is a bit of a nuance here as there is a time lag/delay from date of sale to date of increased property tax bill. There are also some components in the property tax code that limit moving the value to 100% of the disclosed sales price. Please call me if you want more

detailed information on the process and why we are underwriting our listings with a potentially assessed value of 85% of sales price, even though we believe the final numbers will come in closer to 70% of the sales price.

6. The NM legislature did make some Changes to the **NM Landlord/Resident Relations Act** that gently swing in favor of the residents. These changes are effective 7/1 - <http://www.nmapartment.com/lrr>.
7. Most of us are aware that **New Mexico is heavily dependent on the Federal Government**, and a recent presentation expanded on the downside of this. I recently attended a presentation Enterprise Bank hosted on cybersecurity threats and one of their speakers, UNM, gave an economic overview that indicated NM receives 25.7% of its overall personal income from the Federal Government in the form of social security, Medicare/Medicaid, VA benefits, highway, food, EPA, family, forest, housing, and so much more, totaling over \$21B. New Mexico is the 4th highest state in the country on recipients on a per capita basis. Our state is also a fairly larger exporter and could be severely impacted by the tariffs on trade (war).
8. **Is Intel expanding or laying off?** From the articles I have read, it looks like Intel is closing its chipmaking for automobiles facilities in Oregon. If Intel continues with the announced expansion in NM, our housing shortage is estimated at 32,243 rental units. If Intel reduces its current NM workforce by 15%, the housing shortage decreases to 28,056 units. If all of the solar/wind turbine jobs that were announced prior to this Federal Administration do not get built, because of the new Federal Tax bill, the housing shortage decreases to 19,664 units.



I am often asked to use my crystal ball and forecast what the head winds mean for values. Given the large number of variables, my crystal ball is all but useless. That said, to assist my clients in understanding the many variables we are tracking that impact value.

I have created an Excel spreadsheet tool where you can measure the impact of increasing property taxes, property insurance premiums and interest rates on the same property we used for the 2022 case study.

For your use, a video presentation can be found here -

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

And the Excel model can be downloaded here - <http://www.nmapartment.com/headwindexcel>

Knowing the above, and that we are not likely to receive a quality offer on your property in the coming 30 to 45 days, fourplex owners should consider withdrawing their property for the market. Please email or call me to discuss this.

A bit of good news comes to us in the form of the following tail winds or those efforts that are pushing our industry forward, include:

1. Thanks to Tom Coulson for sharing this article on what makes **ABQ so special** and why it continues to draw in folks from around the world <http://www.nmapartment.com/wsABQ>
2. The extension of the 2018 Tax Cut and Jobs Act, now known as the new Big Beautiful Bill should have a positive impact on commercial/investment real estate. Two articles that do a deeper dive on this include: <http://www.nmapartment.com/2018taxcut1> and <http://www.nmapartment.com/2018taxcut2>
Spoiler, it looks like the 100% accelerated cost recovery is back. If you are a real estate professional, this means that the 20-25% down payment you put down on a property will be a “credit” against your active income, which could virtually wipe out writing a check for Federal taxes. Please note that there are a lot of assumptions to this statement including how much you make as your active income. If you are interested, video on that can be found here - <http://www.nmapartment.com/cretaxbenefits>
3. A recently announced New Space center could add 1,000 new jobs to the local economy - <http://www.nmapartment.com/1000pointsofspacejobs>
4. According to a recent report from Sabio systems, NM's unemployment rate is at 4.4% with rapid growth in technology/cybersecurity, energy/manufacturing and small businesses.
5. Our pricing of apartment investments remains extremely attractive, as compared to listings in other markets (See page 5). That said, for deals that need to move in 2024, we are pricing them with a 1.2 to 1.25 debt coverage ratio for a 75% loan to value loan.

Although I remain optimistic about the fundamentals in our market, the industry needs more people to put their oars in the water and start rowing against the current headwinds.

Thanks,
Todd Clarke CCIM CIPS
CEO
NM Apartment Advisors Inc.
(505) 440-TODD

I do keep my eye on investments from other markets and these two examples of deals on the market in California still indicate that New Mexico prices are a bargain in comparison.

3815 Heffron Dr, Burbank

THE MOST PRIDE-OF-OWNERSHIP TRIPLEX YOU'LL FIND IN ALL OF BURBANK | MOMENTS FROM WHOLE FOODS | A+++ LOCATION






4.78% Pro Forma

CAP RATE

3,094

SQUARE FEET

3

UNITS

2

DELIVERED VACANT

Investment Highlights

- Rare Opportunity To Own One Of The Nicest Triplexes In Burbank
- Moments From Whole Foods And Tolaria, A+++ Location.
- Two Vacant Units At Close!

[View the Marketing Package](#)

Offered at \$1,975,000

location, and upside, this is a property that truly stands out.



Sunshine Apartments

MULTIFAMILY | 4.8% CAP | 26 UNITS | \$400K PRICE REDUCTIONS!

[View OM](#) [View Flyer](#) [Submit LOI](#) [Request Info](#)

Listing Contacts

Dan Melroy  **Melroy Investments**

License: CA 01319421

Phone Number: Call

[Chat](#) [View my profile](#)

Active

Asking Price: **\$7,200,000**

Earnest Money Deposit: **\$150,000 min.** [Learn more](#)

Details

Property Type	Multifamily, Senior Living	Subtype	Apartment Building
Investment Type	Value Add	Square Footage	15,210
Price/Sq Ft	\$473.37	Cap Rate	4.81%
NOI	\$346,000	Units	26
Year Built	1986	Buildings	1
Stories	3	Zoning	RM-3-9
Lot Size (sq ft)	11,204	Parking (spaces)	12
APN	445-432-17-00		

INTELLIGENCE

[Explore more in-depth Comp & Record details for this property.](#) [Explore](#)

Marketing Description

Located in the vibrant North Park neighborhood of San Diego, Sunshine Apartment offers 26 one-bedroom/one-bath units, a large community club-room, and 12 parking spaces. Residents enjoy convenient elevator access and close proximity to an array of shops and restaurants. The property is also a short drive to downtown and Balboa Park, with easy walking access to the iconic North Park Water Towers, North Park Community Park, and North Park Recreation Center. This is an exceptional investment opportunity in one of San Diego's most sought after and rapidly developing neighborhoods.

Investment Highlights

Sunshine Apartments Offering

- List Price: \$7,200,000 ~ \$277K per Unit *
- 13.8 GRM and 4.8 % Cap Rate
- Senior building: 62 yrs and older

Note – both properties are offering a proforma cap rate that starts with 4%.

Bernalillo County Data set

Orig #	Rank	2024 NOV		2025 NOV		% change in total values
		Row Labels	Sum of TOTAL VALUE	Sum of TOTAL VALUE		
118	1	SHORT TERM RENTAL		\$ 422,595,966		NEW
98	2	RES/TIEBACK TO IMPROVED PARCEL	\$ 573,534	\$ 6,333,671		1004%
64	3	MULTIFAMILY RES O4U	\$ 426,123	\$ 2,206,105		418%
85	4	RADIO, TV OR MOTION PICTURE STUDIO	\$ 44,369,758	\$ 129,394,886		192%
143	5	VACANT SFD GOLF COURSE LOT	\$ 226,300	\$ 571,200		152%
30	6	DEPARTMENT STORE	\$ 11,360,543	\$ 21,279,121		87%
18	7	CLUB HOUSE	\$ 2,173,719	\$ 3,695,418		70%
47	8	HOTEL/MOTEL HI RISE	\$ 318,560,473	\$ 536,078,320		68%
46	9	HOSPITAL	\$ 484,211,709	\$ 764,669,758		58%
67	10	NEIGHBORHOOD SHOPPING CENTER	\$ 98,866,206	\$ 154,821,633		57%
146	11	WAREHOUSE	\$ 1,212,838,471	\$ 1,754,557,956		45%
123	12	STRIP SHOPPING CENTER	\$ 354,165,938	\$ 511,624,207		44%
107	13	RETAIL MULTI-OCCUPANCY	\$ 427,782,352	\$ 603,024,514		41%
49	14	INDOOR RACQUET CLUB	\$ 414,732	\$ 584,511		41%
86	15	RADIO/TV TRANSMITTER BUILDING	\$ 2,894,100	\$ 4,031,359		39%
45	16	HIGH RISE APARTMENTS O4U (OVER 3 STY)	\$ 300,648,800	\$ 418,169,882		39%
112	17	SAVINGS INSTITUTION	\$ 5,229,648	\$ 7,223,400		38%
6	18	AUTO DEALER FULL SERVICE	\$ 177,076,848	\$ 243,492,097		38%
108	19	RETAIL SINGLE OCCUPANCY	\$ 398,829,728	\$ 546,139,501		37%
41	20	FUNERAL HOME	\$ 11,968,653	\$ 16,237,951		36%
81	21	PREFAB WAREHOUSE	\$ 241,861,475	\$ 327,896,314		36%
99	22	RESEARCH AND DEVELOPMENT	\$ 29,594,725	\$ 40,053,184		35%
19	23	COLD STORAGE BUILDING	\$ 136,500,339	\$ 184,607,848		35%
48	24	HOTEL/MOTEL LOW RISE	\$ 234,247,543	\$ 316,323,038		35%
80	25	POLICE/FIRE STATION	\$ 46,969,489	\$ 63,407,369		35%
4	26	ASSISTED LIVING	\$ 107,154,410	\$ 143,178,961		34%
69	27	NON-RES/UNINHABITABLE	\$ 30,001,810	\$ 39,879,563		33%
60	28	MEDICAL OFFICE BUILDING	\$ 320,258,120	\$ 422,477,440		32%
121	29	SOCIAL/FRATERNAL HALL	\$ 19,981,950	\$ 26,140,516		31%
17	30	CINEMA/THEATER	\$ 25,319,329	\$ 33,070,570		31%
74	31	OFFICES HIGH RISE (OVER 4 STY)	\$ 441,199,470	\$ 575,061,693		30%
8	32	BANK	\$ 108,701,388	\$ 139,451,589		28%
75	33	OFFICES LOW RISE (1-4 STY)	\$ 1,594,489,252	\$ 2,034,154,112		28%