



# NM Apartment Advisors Client Update November 2022

Why tax savvy investors  
will be bulking up on  
deals before year's end.

## Market Dashboard

Craigslist Avg. rent **\$1,132**

Fourplex appreciation since 2017 **75.3%**

Fourplex appreciation YTD 2022 **13.9%**

# of active investors in market **1,749**

Increase in investor interest since 1st week of pandemic **538%**

“2022 is this last year to take advantage of the 2018 Tax Cuts and Jobs Act for combining cost segregation and 100% bonus cost recovery. Our recent analysis indicates that it could be up to \$100,000 in tax savings on a \$1,000,000 deal”  
-S Kunzman

## Is it possible to drive your effective Federal Tax rate to 0.00%?

Good morning! As it relates to shelter from Federal taxes, investment real estate is hard to beat. My intent in sharing this information with you is to ensure that you are aware that there **is a major tax benefit that decreases if you close on a deal after 12/31/2022.**

From a cash flow standpoint, an investor is able to deduct mortgage interest and cost recovery/depreciation from their cash flows before they pay a tax.

When they sell the property, the cost recovery tax is only 25%, and the capital gains tax is 20%, far below the top Federal tax rate of 35%.

This is where the shelter is created - put your money inside investment real estate and its effective tax rate is considerably lower than other investments.

Some of the more sophisticated investors I work with layer on top of this accelerated cost recover in the form of hiring a cost segregation expert to generate a study/report that demonstrates that the

property cost recovery should be less than the standard 27.5 years.

A cost segregation study can almost double the original cost recovery benefit.

In 2018, the Tax Cuts and Jobs Act (TCJA) created a temporary bonus depreciation category that accelerates some depreciation to 100% in the first year. That

100% benefit expires at the end of this year, and decreases 20% a year thereafter.

In the case study I put together (below), the layering of these **tax benefits drove the effective tax rate to 0.0%**

So, if you are in a closing as a buyer, please make sure it happens this year.

**SCHEDULE E (Form 1040) Supplemental Income and Loss** (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) **2021** (OMB No. 1545-0074) **4562** (OMB No. 1545-0172)

Department of the Treasury Internal Revenue Service (99) **2021** (OMB No. 1545-0172) **4562** (OMB No. 1545-0172)

Go to [www.irs.gov/schedulee](https://www.irs.gov/schedulee) for instructions and the latest information. Go to [www.irs.gov/form4562](https://www.irs.gov/form4562) for instructions and the latest information.

Name (show or attach) **David T & Kahleeta A Clarke** Your social security number **FRUIT NW**

**Part I Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions. ☐ Yes ☐ No

B If "Yes," did you or will you file required Form(s) 1099? ☐ Yes ☐ No

1 Physical address of each property (street, city, state, ZIP code)

A **715 FRUIT NW ALBUQUERQUE NM 87102**

1b Type of Property (from list below)

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.

	Fair Rental Days	Personal Use Days	QJV
A	365	0	<input type="checkbox"/>
B	365	0	<input type="checkbox"/>
C	365	0	<input type="checkbox"/>

Type of Property:

1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental

2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:

3 Rents received 3 21,002

4 Royalties received 4

Expenses:

5 Advertising 5

6 Auto and travel (see instructions) 6

7 Cleaning and maintenance 7

8 Commissions 8

9 Insurance 9

10 Legal and other professional fees 10

11 Management fees 11

12 Mortgage interest (see instructions) 12

13 Other interest 13

14 Repairs 14

15 Supplies 15

16 Taxes 16

17 Utilities 17

18 Depreciation expense or depletion 18

19 Other (list) ▶ See Line 19 Other Expenses 19

20 Total expenses. Add lines 5 through 19 20 108,046

21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198 21 -77,042

22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions) 22

23a Total of all amounts reported on line 3 for all rental properties 23a 21,002

b Total of all amounts reported on line 4 for all royalty properties 23b

c Total of all amounts reported on line 12 for all properties 23c

d Total of all amounts reported on line 18 for all properties 23d

e Total of all amounts reported on line 20 for all properties 23e

24 Income. Add positive amounts shown on line 21. Do not include any losses 24

25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter here. **25 -77,042**

26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. **26 104,958**

**Section II—Assets Placed in Service During 2021 Tax Year Using the General Depreciation System**

17 Listed property. Enter the amount from line 20 17 7

8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 8

9 Tentative deduction. Enter the smaller of line 5 or line 8 9

10 Carryover of disallowed deduction from line 13 of your 2020 Form 4562 10

11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions 11

12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 12

13 Carryover of disallowed deduction to 2022. Add lines 9 and 10, less line 12 13

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part III Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)**

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions 14 72,039

15 Property subject to section 168(f)(1) election 15

16 Other depreciation (including ACRS) 16

**Part IV MACRS Depreciation (Don't include listed property. See instructions.)**

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2021 17

18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ☐

**Section II—Assets Placed in Service During 2021 Tax Year Using the General Depreciation System**

19a 3-year property 19a

19b 5-year property 19b

19c 7-year property 19c

19d 10-year property 19d

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19i Nonresidential real property 19i

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### Are you tracking legislation on Rent Control?

Pledge your support at <http://www.nmapartment.com/norentcontrol>

Join CASA NM efforts to ensure a healthy economy - <https://nmcasa.homes/>

City Council Watch: **Ordinance 22-54**— Allow casitas in R-1 zoning (this would help increase supply of housing)

**Ordinance 22-59** - Residential Rental Permit Ordinance— would require you to report your rents and certify the condition of your property in addition to creating a registry of all properties, property managers and owners.

**Ordinance 22-60** - Residential Protection Ordinance - would limit and control fees and how you accept applications for your rental properties.

If you are sitting on the fence about buying now vs. next year, know that in the case study (below) that I put together that bonus benefit decrease after the first of the year increases taxes.

A copy of the powerpoint using our own personal investment portfolio of rental properties can be found at <http://www.nmapartment.com/resources/00-NMAA-Tax2018ActandCostSegregationExample-v2-11032022> .

*TL*

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



## Sample Case Study: Taxation in CRE

- Straight line Cost Recovery
- Cost Segregation Cost Recovery
- 2018 Changes in tax law under Tax Cuts and Jobs Act



The zoom video of this presentation can be found at <http://www.nmapartment.com/crntaxbenefits>

### Highlights from the NAR 2022 Profile of Buyers and Sellers Report:

- 1st time home buyers decreased from 34% last year to 26% this year
- The highest share of unmarried couples was at 10% of all buyers, and 18% of 1st time buyers
- 14% purchased a multigenerational home
- 22% of home buyers were Veterans, 1% were active-duty service members
- 22% of buyers indicated their primary reason to acquire was the desire to have a home of their own
- 62% of 1st buyers indicated their primary reason to acquire was the desire to have a home of their own
- 12% of home sales were new homes, 88% previously owned
- the median distance between the home that most recent buyers purchased and the home they moved from was 50 miles.
- 28% of buyers paid more than purchase price
- typical home was 1,800 sf, 3/2 and was built in 1986
- buyers expect to live in their home for 15 years, 28% indicated they were never moving.
- 78% of buyers financed their home, down from 87% last year

### 2022

#### PROFILE OF HOME BUYERS AND SELLERS

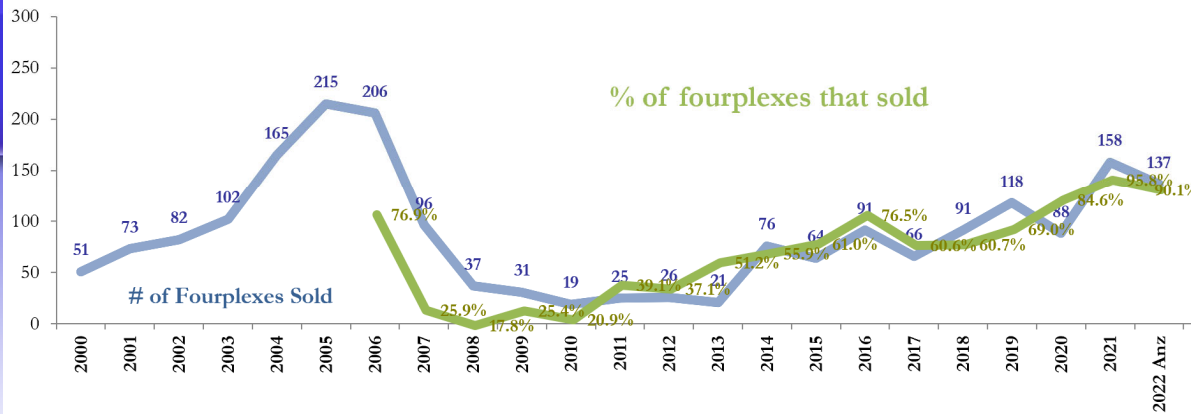






I share with fourplex investors, the thought, pause today, and next month it will cost you \$9,000 more next month...  
D. Todd Clarke

## Fourplex historical sales trends



## Fourplex market update

Fourplex sales continue to be on an upward trajectory in terms of number of sales, and overall price trends with 75.3% appreciation between 2017 to 2022 and 13.9% appreciation so far in 2022/



## A brief history of Fourplex sales in ABQ Area

compiled by Todd Clarke CCIM - tclarke@nmapartment.com  
updated BQ4-2022

www.nmapartment.com

Year	# of sales	% of REOs or SS in sales	# that did not sell	% of fourplexes on market that sold	% of market >\$200k	% of market >\$300k	% of market >\$400k	% of market >\$500k	% of market >\$600k	Average SOLD price	Median SOLD Price	Avg. List Price for those that did not sell	Properties that were overpriced as a % of Avg. SOLD price
2000	51				2%	0%	0%			\$132,324	\$129,000		
2001	73				4%	0%	0%			\$122,884	\$125,000		
2002	82				4%	0%	0%			\$132,892	\$133,000		
2003	102				5%	0%	0%			\$132,680	\$138,250		
2004	165				13%	2%	0%			\$158,688	\$152,000		
2005	215				45%	3%	0%			\$188,840	\$185,000		
2006	206		62	76.9%	21%	10%	1%			\$232,060	\$212,450	\$252,303	9%
2007	96	0%	275	25.9%	57%	14%	9%			\$230,604	\$216,500	\$261,847	14%
2008	37	0%	171	17.8%	49%	3%	14%			\$189,904	\$205,000	\$248,921	31%
2009	31	16%	91	25.4%	19%	3%	3%			\$167,680	\$176,750	\$248,592	48%
2010	19	47%	72	20.9%	42%	11%	0%			\$185,197	\$163,000	\$224,664	21%
2011	25	56%	39	39.1%	24%	12%	4%			\$171,427	\$168,000	\$216,921	27%
2012	26	19%	44	37.1%	46%	8%	4%			\$195,644	\$185,500	\$211,600	8%
2013	21	5%	20	51.2%	57%	5%	0%			\$201,648	\$224,000	\$221,345	10%
2014	76	16%	60	55.9%	34%	4%	0%			\$171,473	\$166,250	\$255,849	49%
2015	64	9%	41	61.0%	44%	8%	3%			\$192,912	\$183,250	\$223,237	16%
2016	91	2%	28	76.5%	47%	8%	1%			\$195,988	\$182,500	\$221,937	13%
2017	66	2%	43	60.6%	41%	8%	2%			\$185,729	\$176,920	\$238,270	28%
2018	91	0%	59	60.7%	51%	16%	5%			\$223,105	\$187,000	\$231,219	4%
2019	118	0%	53	69.0%	75%	17%	8%	3%		\$243,631	\$220,000	\$272,267	12%
2020	88	0%	16	84.6%	81%	23%	1%	1%	0%	\$247,215	\$234,840	\$387,600	57%
2021	158	0%	7	95.8%	95%	47%	15%	7%	2%	\$322,843	\$310,000	\$400,571	24%
2022 Anz	137	0%	15	90.1%	92%	73%	30%	11%	3%	\$367,876	\$350,000	\$415,717	13%

Appreciation 2017 to 2018  
Appreciation 2018 to 2019  
Appreciation 2019 to 2020  
Appreciation 2020 to 2021  
Appreciation 2021 to Q2-2022

first 9 months

20.1%  
9.2%  
1.5%  
30.6%  
13.9%

29.3%  
30.8%  
61.4%  
75.3%

Total since 2017  
Total since 2017  
Total since 2017  
Total since 2017

## Average SOLD price





“Santa Fe County stays number one for the eighth straight month with the highest median sale price at \$505,000. New Mexico days-on-market increased to 37 in September, a 8.82 percent increase change compared to 34 days-on-market a year ago.”  
-NMAR

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## NMAR state wide Housing Report—Affordability Still Challenging for Homebuyers—September 2022 Monthly Housing Report

“New Mexico Real Estate is continuing to see a decline in active listings, sales and volume year-to-date,” says Damon Maddox, NMAR President, “continuing economic uncertainty impacts borrowing ability as mortgage interest rates continue to rise. Mortgage rates increased to 6.92% in September, putting this into context, take the average sale price for Bernalillo County in September was \$325,388, using that list price with a 30-year fixed mortgage rate with 15 percent down, the monthly mortgage payment would be \$2,257, using the same information but with last year’s mortgage rate of 3.05 percent, the monthly mortgage payment would be \$1,605. Potential homebuyers are having to really take stock of their ability to buy right now.” The median sales price increased by 9.122 percent, or \$311,000, compared to \$285,000 this time last year. Inventory is down, at 15,265 for September, a 9.39 percent decrease compared to 16,848 listings in September 2021.

“Even with an economic recession looming, the Federal Reserve is unlikely to let up on its aggressive monetary policy of raising interest rates,” said Lawrence

Yun, Chief Economist for the National Association of REALTORS. “The 10-year Treasury yield broke past 4 percent this morning, and mortgage rates will be fighting to hold at a 7% average rate in the upcoming weeks.”

County	2022 YTD Sales	2022 YTD Median Sold Price	Active Listings	September Sales	September MEDIAN Sold Price	September Volume	September Average Days On Market	September Average Sale Price	Pending Listings**
Bernalillo	6,622	\$315,000	8,251	688	\$325,388	\$248,061,312	16	\$360,554	608
Catron	26	\$232,500	46	1	\$235,000	\$235,000	70	\$235,000	1
Chaves	428	\$205,500	148	51	\$220,000	\$11,537,860	86	\$226,233	7
Cibola	66	\$134,000	54	3	\$179,000	\$618,000	152	\$206,000	5
Colfax	229	\$340,000	141	33	\$315,000	\$13,423,200	73	\$406,764	6
Curry	569	\$210,000	79	62	\$207,500	\$12,483,800	30	\$201,352	55
Dona Ana	1,907	\$282,000	318	195	\$275,000	\$60,900,820	26	\$312,312	147
Eddy	510	\$260,000	168	56	\$261,500	\$16,236,428	93	\$289,936	47
Grant	233	\$240,000	65	21	\$196,000	\$5,165,300	30	\$245,967	14
Guadalupe	15	\$155,000	21	4	\$127,500	\$506,000	11	\$126,500	1
Hidalgo	2	\$175,000	4	NULL	NULL	NULL	NULL	NULL	1
Lea	464	\$224,500	95	54	\$181,450	\$11,680,553	55	\$216,307	57
Lincoln	580	\$368,750	161	88	\$433,654	\$47,068,664	74	\$534,871	58
Los Alamos	301	\$475,000	12	43	\$459,000	\$19,369,725	22	\$450,459	NULL
Luna	115	\$155,000	33	18	\$168,000	\$3,141,400	53	\$174,522	14
McKinley	114	\$205,500	30	9	\$203,000	\$1,741,400	55	\$193,489	11
Mora	7	\$120,000	10	1	\$120,000	\$120,000	218	\$120,000	3
Otero	636	\$215,250	109	90	\$185,000	\$19,459,316	36	\$216,215	81
Quay	15	\$166,000	7	NULL	NULL	NULL	167	NULL	4
Rio Arriba	197	\$229,000	216	26	\$195,875	\$5,803,693	100	\$223,219	NULL
Roosevelt	135	\$179,000	43	14	\$207,500	\$3,006,616	48	\$214,758	13
San Juan	701	\$245,000	82	77	\$264,900	\$22,633,075	32	\$293,936	50
San Miguel	113	\$247,500	134	19	\$245,000	\$5,870,500	151	\$308,974	7
Sandoval	1,997	\$350,000	2,605	226	\$365,000	\$89,721,621	22	\$396,998	184
Santa Fe	1,880	\$534,000	873	240	\$505,000	\$163,120,606	35	\$679,669	13
Sierra	86	\$199,450	57	6	\$257,450	\$1,834,800	226	\$305,800	8
Socorro	63	\$185,000	97	3	\$220,000	\$631,900	5	\$210,633	4
Taos	359	\$435,000	258	59	\$420,000	\$32,566,132	111	\$551,968	1
Torrance	70	\$185,500	108	6	\$126,000	\$1,120,000	90	\$186,667	4
Union	16	\$81,450	12	1	\$62,000	\$62,000	183	\$62,000	4
Valencia	733	\$276,000	1,028	79	\$276,000	\$23,629,061	30	\$299,102	67
<b>NM Total</b>	<b>19,189</b>	<b>\$305,000</b>	<b>15,265</b>	<b>2,173</b>	<b>\$311,000</b>	<b>\$821,748,782</b>	<b>37</b>	<b>\$378,163</b>	<b>1,475</b>