



Client update letter – December 2019

December 11th, 2019

Good morning!

It is an amazing time in New Mexico's multifamily market. In thirty-one years, I have not seen the volume, enthusiasm or interest level we currently have. As an example, we are **currently tracking 152 buyers in the market now those, 5 have scheduled tours before years end, and a handful more are working on their tour dates.** The holidays are almost upon us, and the investor buyers appear to be shopping through the balance of this year.

Fourplex update:

Fourplex sales are a good barometer of overall interest in the market as the graph on page 3 illustrates:

- fourplexes have appreciated in value 33% from 2017 to today
- the volume of fourplex sales put us on track to match 2003-2004 - still a couple of years away from the peak of 2006-7
- 92% of all fourplexes that go to market sell (that is up from 61% last year).
- my colleagues that sell houses tell me it is getting really hard to find a house under \$250,000, so we are finding more buyers are owner occupants
- the average sales price is currently \$252,396 or about 10% higher than the last peak in pricing in 2006-2007

Other good news:

1. Now that CA passed state wide rent control –bad for them (CA) good for us (NM) and as this article indicates – some landlords are throwing money at tenants who are getting sudden increases in rents - LA Times article - <https://www.latimes.com/california/story/2019-10-30/rent-increases-tenants-help-los-angeles>
2. I do not have CA empirical data on this - but I can see new listings flowing out of CA and the volume of product on the market looks to be 3-4 times more than prior to rent control. I do have our own data that indicates a three fold increase in investors since this fall.
3. Property tax bills this year will be 30 days late and should have arrived by 12/9, this relates to House Bill 407 that was passed by the legislature and elections that impacted approvals from all of the government entities that control the mill levy. This impacted 11 of NM's Counties including Bernalillo.
4. It is all about supply and demand – we have fielded or generated 53 offers since September 1, 2019.
5. Page four includes a flyer I recently received which reinforces why our lower than normal cap rates are sustainable – (2.12% cap rate).

Recent Closings and current Pending Sales

- ✓ 544 Palomas SE – fourplex – local investor – multiple offers
- ✓ 2100 Stardust – Alamogordo -52 units – ABQ Investor with family ranch near property
- ✓ 2604 Muriel NE – fourplex - \$275,000- received 5 offers in first 48 hours on market – purchased by local investor
- ✓ 3617-3621 Wellesley NE – 8 townhouse style units – local all cash 1031 investor
- ✓ Closing tomorrow - 4201 Atrisco NW 30 units– California (Silicon Valley area) based buyer

Recent Pending Sales

- ✓ 401-423 12th SW – 10 units – CA based buyer
- ✓ 401 & 416 14th SW – 22 units – CA based buyer
- ✓ 12209 Eric NE – 4 units – local investor
- ✓ 1021 Coal SW – fell out of contract, back under contract in a few hours – Hawaiian based investor in 1031 exchange (all cash)
- ✓ 917 Amherst SE – received multiple offers on this 8-unit Ridgecrest Charmer
- ✓ 4322 Fourth NW – local 1031 investor – we spent a year constructing this deal to move from multiple small properties to one larger one
- ✓ 320-8 Tennessee SE – 16 units – CA based investor
- ✓ 351 Washington SE #101 – nice Nob Hill condo – selling to Vermont based 1031 investor/owner occupant
- ✓ 540 Alvarado SE – duplex – local value add investor

New Listings

- ✓ 1024 Madeira SE – fourplex - \$189,500 – value add deal - <http://www.nmapartment.com/apt/NMAA-1024MadeiraSE.pdf>
- ✓ 1235 8th NW – new construction side by side downtown townhouses – ideal VRBO market - \$468,000 – 4.49% cap rate - <http://www.nmapartment.com/apt/NMAA-1235-8th-NW.pdf>
- ✓ 123 53rd NW – first time on market since built by the Milligan family – compound located behind Golden Pride - 123 53rd NW – 9 units (houses, duplexes and land) - \$575,000 – 8.40% cap rate - <http://www.nmapartment.com/apt/NMAA-123-53rdNW.pdf>
- ✓ New construction – Cascade Crossing - 53 units – 3308 Fourth NW – construction finishes end of the year - \$7.7M – 5.25% cap rate – <http://www.nmapartment.com/apt/NMAA-Fourth3308NW.pdf>
- ✓ Two house portfolio in Los Lunas – offered for \$120,000 per house – same houses are selling for \$139,900 – 3/2 with 2 car garage – 5.63% cap rate - <http://www.nmapartment.com/apt/NMAA-cypress.pdf>
- ✓ Q portfolio – market lead, iconic brand, best in market rents and systems – 130 units \$21,595,699 - <http://www.nmapartment.com/apt/Q.pdf>

I will be sending out an email in the next week or so confirming the rescheduled date for our free investment basics class. As you may remember, I had scheduled this for early December as our holiday gift to clients, but came down with the flu.

We are negotiating a contract now for a full-page advertisement in the ABQ Journal – if you are concerned about how this may impact your residents, and you do not want your property featured, please email or call me.

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

Sincerely,



Todd Clarke CCIM CIPs

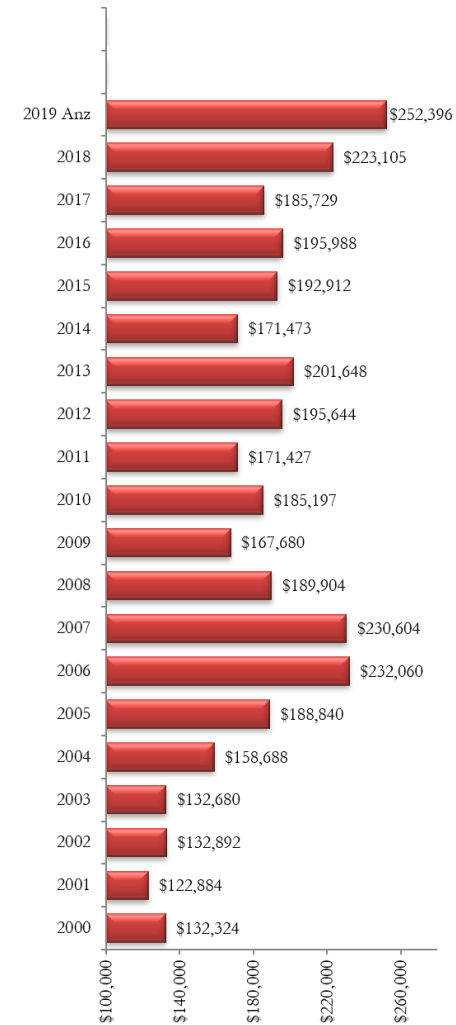
CEO

NM Apartment Advisors Inc.

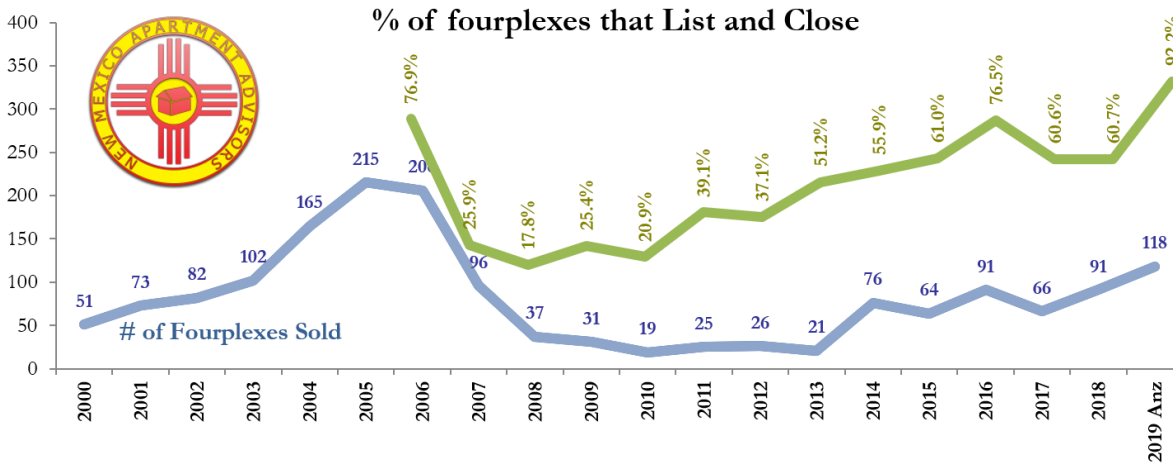
Fourplex Market update -

Year	# of sales	% of REOs or SS in sales	# that did not sell	% of fourplexes on market that sold	# of sales over \$200K	% of market >\$200k	Average SOLD price	Median SOLD Price	Avg. List Price for those that did not sell	Value of fourplex that were overpriced as a % of Avg. SOLD price
2000	51				1	2%	\$132,324	\$129,000		
2001	73				3	4%	\$122,884	\$125,000		
2002	82				3	4%	\$132,892	\$133,000		
2003	102				5	5%	\$132,680	\$138,250		
2004	165				21	13%	\$158,688	\$152,000		
2005	215				97	45%	\$188,840	\$185,000		
2006	206				44	21%	\$232,060	\$212,450	\$252,303	9%
2007	96	0%	62	76.9%	55	57%	\$230,604	\$216,500	\$261,847	14%
2008	37	0%	171	17.8%	18	49%	\$189,904	\$205,000	\$248,921	31%
2009	31	16%	91	25.4%	6	19%	\$167,680	\$176,750	\$248,592	48%
2010	19	47%	72	20.9%	8	42%	\$185,197	\$163,000	\$224,664	21%
2011	25	56%	39	39.1%	6	24%	\$171,427	\$168,000	\$216,921	27%
2012	26	19%	44	37.1%	12	46%	\$195,644	\$185,500	\$211,600	8%
2013	21	5%	20	51.2%	12	57%	\$201,648	\$224,000	\$221,345	10%
2014	76	16%	60	55.9%	26	34%	\$171,473	\$166,250	\$255,849	49%
2015	64	9%	41	61.0%	28	44%	\$192,912	\$183,250	\$223,237	16%
2016	91	2%	28	76.5%	43	47%	\$195,988	\$182,500	\$221,937	13%
2017	66	2%	43	60.6%	27	41%	\$185,729	\$176,920	\$238,270	28%
2018	91	0%	59	60.7%	46	51%	\$223,105	\$187,000	\$231,219	4%
2019 Anz	118	0%	10	92.2%	91	77%	\$252,396	\$225,000	\$265,585	5%
Appreciation 2017 to 2018							20%			
Appreciation 2018 to 2019							13%			

Average SOLD price



Fourplex historical sales trends



2% Cap rates are part of the reason California Investors keep coming to NM. (24.73 GRM, \$341,667/unit, \$469/sf)

716 PARKMAN AVE

OFFERING SUMMARY

EXECUTIVE SUMMARY

VITAL DATA				
			CURRENT	PRO FORMA
Price	\$1,025,000			
Down Payment	100% / \$1,025,000	CAP Rate	2.12%	5.01%
Loan Type	All Cash	GRM	24.73	14.24
Price/Unit	\$341,667	Net Operating Income	\$21,722	\$51,357
Price/SF	\$469.32	Net Cash Flow After Debt Service	2.12% / \$21,722	5.01% / \$51,357
Number of Units	3	Total Return	2.12% / \$21,722	5.01% / \$51,357
Rentable Square Feet	2,184			
Year Built	1921			
Lot Size	0.15 acre(s)			

UNIT MIX		
NUMBER OF UNITS	UNIT TYPE	APPROX. SQUARE FEET
3	1 Bed / 1 Bath	728
3	Total	2,184



PROPOSED FINANCING	
First Trust Deed	
Loan Type	All Cash
Debt Coverage Ratio	

MAJOR EMPLOYERS

EMPLOYER	# OF EMPLOYEES
Police Dept	8,099
Dodger Stadium	5,182
County of Los Angeles	4,468
Mufg Union Bank Foundation	4,200
Los Angeles Unified School Dst	4,027
California Dept State Hospitals	4,000
Mercury Insurance Services LLC	4,000
Usc School of Medicine	4,000
Mtv Networks	3,646
Kpmg LLP	3,030
SBE	3,002
Dept of Pub Wrks- Bur Sntation	3,000

DEMOGRAPHICS

	1-Miles	3-Miles	5-Miles
2018 Estimate Pop	70,334	573,297	1,181,406
2010 Census Pop	67,551	542,707	1,122,337
2018 Estimate HH	26,534	223,229	439,618
2010 Census HH	25,254	208,308	411,188
Median HH Income	\$48,309	\$39,440	\$42,023
Per Capita Income	\$27,160	\$26,519	\$26,924
Average HH Income	\$71,015	\$66,498	\$70,582