Yardi Matrix

Duke City's Newfound Allure

Summer 2021

YoY Rent Growth in the Double Digits

Deliveries Favor Lifestyle Assets

Transactions, Deliveries Surge

Yardi Matrix

Limited Inventory Boosts Rent Evolution

Albuquerque's multifamily market performed strongly during 2021's first seven months, with sustained activity on both the development and investment sides. Thanks to a tight rental market—the average occupancy rate in stabilized properties was up 100 basis points year-over-year as of June, to 96.8%—the average rent increased 1.9% on a trailing three-month basis, to $1,079. On a year-over-year basis, the metro ranked 11th among all major U.S. metros. The scarcity of upscale units boosted the Lifestyle segment especially.

Unemployment rose again to 8.1% in June from 7.0% the month prior, trailing the 5.9% national average. The employment market posted a 3.2% contraction, lagging the -1.9% U.S. rate. Albuquerque added 31,400 jobs in the 12 months ending in May, with contractions in the financial activities, government and information sectors. Trade, transportation and utilities, Albuquerque's third-largest sector, added 6,700 jobs, and Amazon's announced expansion will create another 1,500 jobs. Netflix and Intel will create some 1,700 jobs combined in expansion and upgrade strategies.

Development and transaction activities picked up speed in Albuquerque, with developers delivering 415 units in 2021 through July and another 1,461 underway. Meanwhile, multifamily deals totaled $234 million, for a per-unit price that slid to $116,192.

Market Analysis | Summer 2021

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Recent Albuquerque Transactions

Olympus Rodeo

City: Santa Fe, N.M.
Buyer: Olympus Property
Purchase Price: $47 MM
Price per Unit: $250,511

Glo

City: Albuquerque, N.M.
Buyer: Benedict Canyon Equities
Purchase Price: $27 MM
Price per Unit: $140,898

RENT TRENDS

➤ Albuquerque rents rose 1.9% on a trailing three-month (T3) basis points through July, to $1,079, 30 basis points above the national rate, but trailing the $1,510 average. After a brief softening during the first quarter of the year, at the start of the second quarter, rent growth resumed improvement and climbed above the 1.0% mark on a T3 basis, nearing the 2.0% mark in June and July.

➤ Rent expansion was led by the Lifestyle segment, up 3.4%, to $1,389, on a T3 basis through July, due in part to the limited supply of upscale units. Renter-by-Necessity rates rose 1.0%, to $938, during the same period.

➤ Year-over-year, the average rent in Duke City hiked 14.3%, ranking 11th for rent gains among major U.S. metros. This exceptional rent improvement was driven by the Lifestyle segment, where the average rent marked a hefty 22.9% jump. RBN figures rose 9.3% during the period.

➤ Of the 19 submarkets tracked by Yardi Matrix, 11 posted average rates above the $1,000 mark, increasing from eight last year. Submarkets that in February were seeing contractions in their average rents—University and Santa Fe—posted year-over-year rent gains of 5.0% to $1,020 and 2.7% to $1,508, respectively. The latter was the metro's most expensive area, had the strongest construction pipeline and came in second for transaction activity this year through July.

Albuquerque vs. National Rent Growth (Trailing 3 Months)
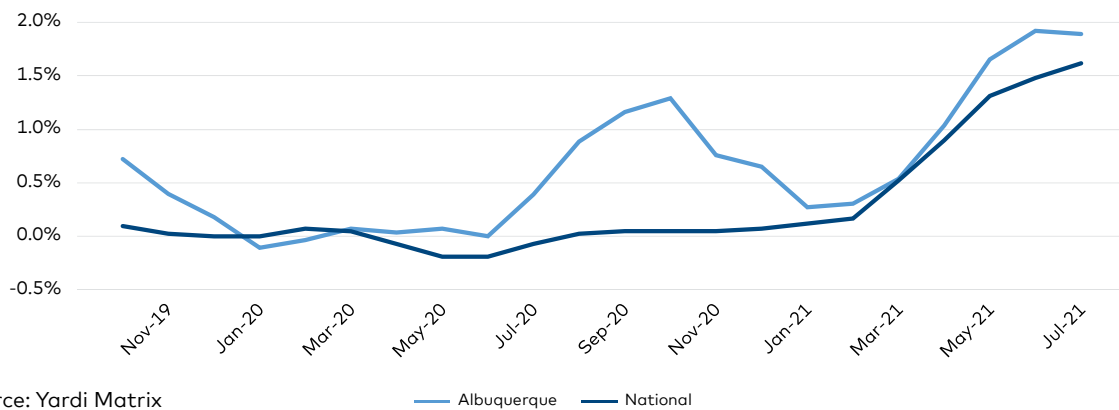
Source: Yardi Matrix

Albuquerque Rent Growth by Asset Class (Trailing 3 Months)
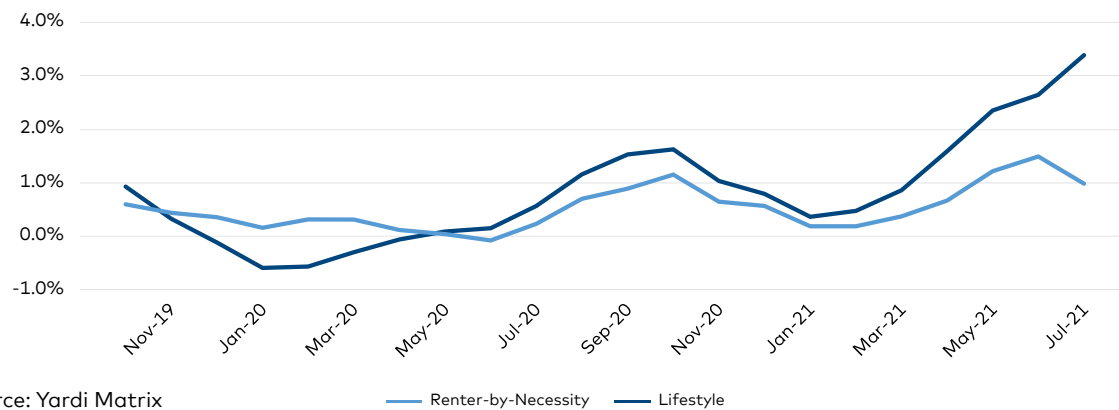
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Albuquerque's unemployment rate stood at 8.1% in June, up from 7.0% in May and trailing the 5.9% national average. The local employment market, although steadily improving, was behind the -1.9% U.S. average, posting a 3.2% contraction in the 12 months ending in May.

➤ Only three sectors posted job losses in the 12 months ending in May, for 1,600 positions combined, with financial activities down 1,000 jobs. Overall, the metro added 31,400 jobs, led by leisure and hospitality, which, due to the easing of pandemic restrictions, recovered 13,200 jobs, or 39.3% of the workforce. Next in line were mining, logging and construction (11.6%

or 3,100 jobs) and trade, transportation and utilities (10.5% or 6,700 jobs). The latter—Albuquerque's third-largest driver—is poised for sustained growth, as Amazon announced further expansion in the metro that will create more than 1,500 jobs.

➤ Netflix has leased 130 acres of land in Mesa del Sol for an expansion that will create about 1,000 full-time jobs and nearly 1,500 construction jobs. Intel announced plans to invest $3.5 billion in updating its manufacturing operations in Rio Rancho and will add at least 700 jobs, in addition to 1,000 construction jobs.

Albuquerque Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	47	10.7%
40	Trade, Transportation and Utilities	71	16.2%
65	Education and Health Services	75	17.1%
60	Professional and Business Services	67	15.3%
15	Mining, Logging and Construction	30	6.8%
80	Other Services	14	3.2%
30	Manufacturing	16	3.7%
50	Information	5	1.1%
90	Government	93	21.2%
55	Financial Activities	20	4.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Albuquerque added 5,612 residents in 2020, for a 0.6% uptick, 20 basis points above the national rate.

➤ The metro's affordable housing prices, low cost of living and doing business, and its low-risk status for natural disasters are alluring to businesses and residents alike.

Albuquerque vs. National Population

|	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Albuquerque Metro	912,897	915,927	918,018	923,630

Sources: U.S. Census, Moody's Analytics

SUPPLY

➤ In 2021 through July, 415 units came online in the metro, 0.8% of total stock and 20 basis points below the national rate. All new deliveries were projects in the Lifestyle segment. Last year, the metro's inventory expanded by 505 units, while in 2019 just 145 units were added.

➤ Albuquerque had 1,461 units under construction as of July and another 7,700 in the planning and permitting stages. With its multifamily inventory mostly consisting of RBN assets, the pipeline highlights a shift to upscale projects: More than half of the projects underway—894 units—are targeting the high-end segment. Another 567 units are set for fully affordable communities. Santa Fe led in construction activity with 957 units. The area also had one of the highest average rents. The South Valley and University submarkets had a respective 240 and 102 units underway. By the end of the year, we expect inventory to expand by 1.8%.

➤ Albuquerque's multifamily market is tight, with the occupancy rate in stabilized properties clocking in at 96.8% in June, following a 100-basis-point year-over-year increase: Oc-

cupancy for RBN assets stood at 96.7%, while the Lifestyle rate was 96.9%.

➤ The largest project delivered in 2021 through July was Olympus Rodeo, a 188-unit asset in Santa Fe, recently acquired by Olympus Property from Titan Development.

Albuquerque Completions (as of July 2021)
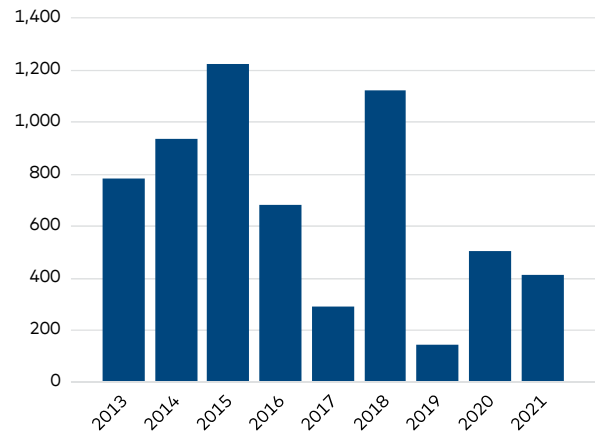
Source: Yardi Matrix

Albuquerque vs. National Completions as a Percentage of Total Stock (as of July 2021)
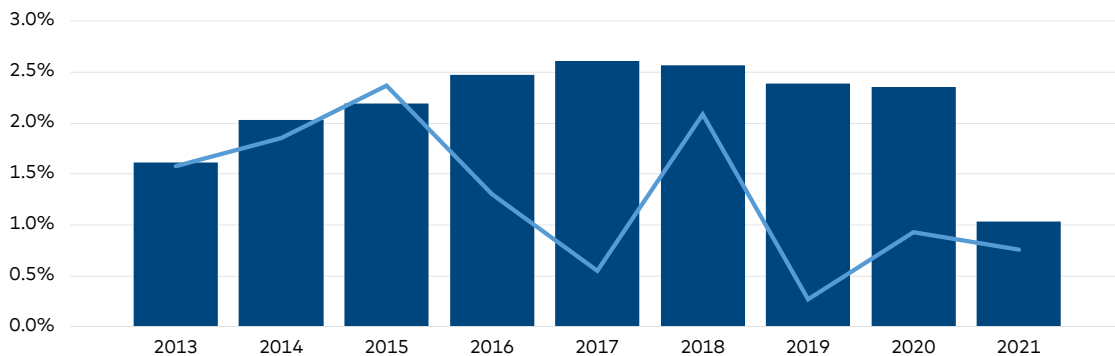
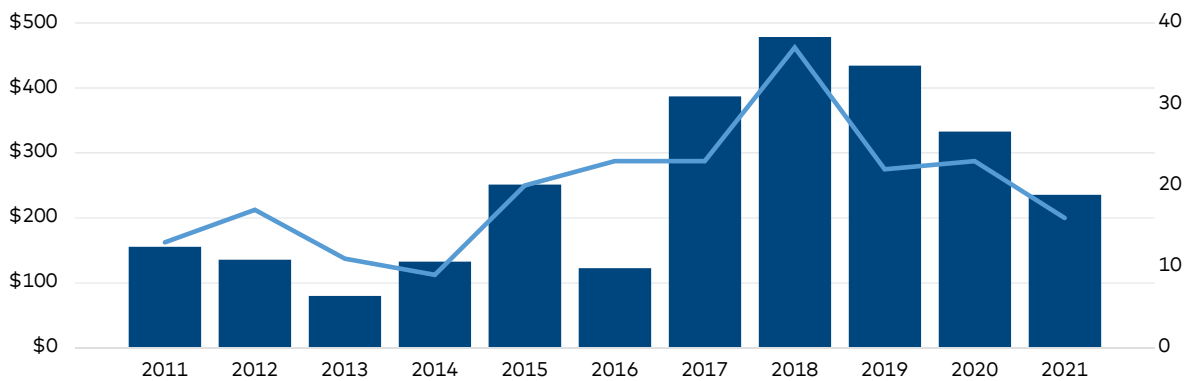Source: Yardi Matrix

— Albuquerque   ■ National

➤ Investment activity picked up in Albuquerque, with some $234 million in multifamily assets trading in 2021 through July. That's nearly three times the volume registered during the same interval in 2020. Last year, total multifamily sales amounted to $334 million, $246 million of which traded in the fourth quarter.

➤ Nearly all properties that changed hands in 2021 through July were in the Renter-by-Necessity segment, with just two of the 16 sales recorded

during the period comprising Lifestyle assets. Consequently, the price per unit slid 3.4% on a year-over-year basis, to $116,192, trailing the $174,922 national average.

➤ In the 12 months ending in July, the Academy submarket and Santa Fe attracted the highest volume of investment, with multifamily sales totaling $119 million and $98 million, respectively.

Albuquerque Sales Volume and Number of Properties Sold (as of July 2021)

Source: Yardi Matrix

Number of Properties — Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Academy	119
Santa Fe	98
Northeast	86
Paradise Hills	68
Montgomery	40
University	27
Westside	25

Source: Yardi Matrix
[1] From August 2020 to July 2021

Albuquerque vs. National Sales Price per Unit

Albuquerque — National

Source: Yardi Matrix

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MULTI-HOUSING NEWS

data by
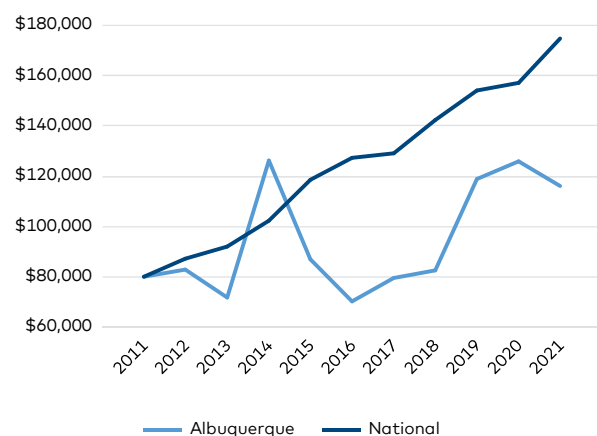
Yardi Matrix

## Top Western Markets for Rent Growth

By Beata Lorincz

The multifamily sector is reaching record levels of rent growth across the country. Asking rents were up 6.3% year-over-year through June and registered a $62—or 4.4%—increase in the second quarter of the year, according to Yardi Matrix data. In June alone, national rents expanded by a whopping $23, ballooning to an average of $1,482. The list below highlights the top Western markets that registered the highest rent growth year-over-year through June, based on Yardi Matrix data.

Market	YoY Rent Change – June 2021	Occupancy Rate	Units Under Construction
Boise	20.67%	98.11%	3,308
Phoenix	17.00%	96.40%	33,554
Las Vegas	14.62%	96.42%	5,834
Tucson	14.38%	96.61%	1,765
Colorado Springs	14.34%	96.58%	3,593
Reno	14.25%	96.80%	4,169
Albuquerque	13.57%	96.77%	1,461
Salt Lake City	10.52%	96.88%	13,160
Denver	8.11%	95.05%	21,581

ALBUQUERQUE, N.M.

Albuquerque's multifamily market rebounded in the second half of last year, fueled by steady demand and limited supply growth. As of June, rents climbed 13.6% on a year-over-year basis, hitting $1,063—the lowest average rate on this list—and tracing the national average of $1,482. There was a significant difference between Lifestyle (18.6%) and Renter-by-Necessity (10.6%) rate growth for the market, with Lifestyle assets outperforming the latter by 8% year-over-year.
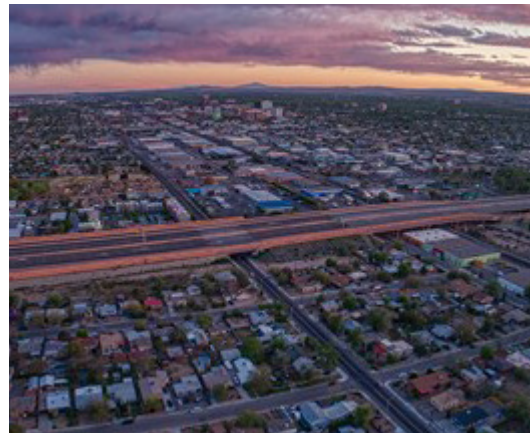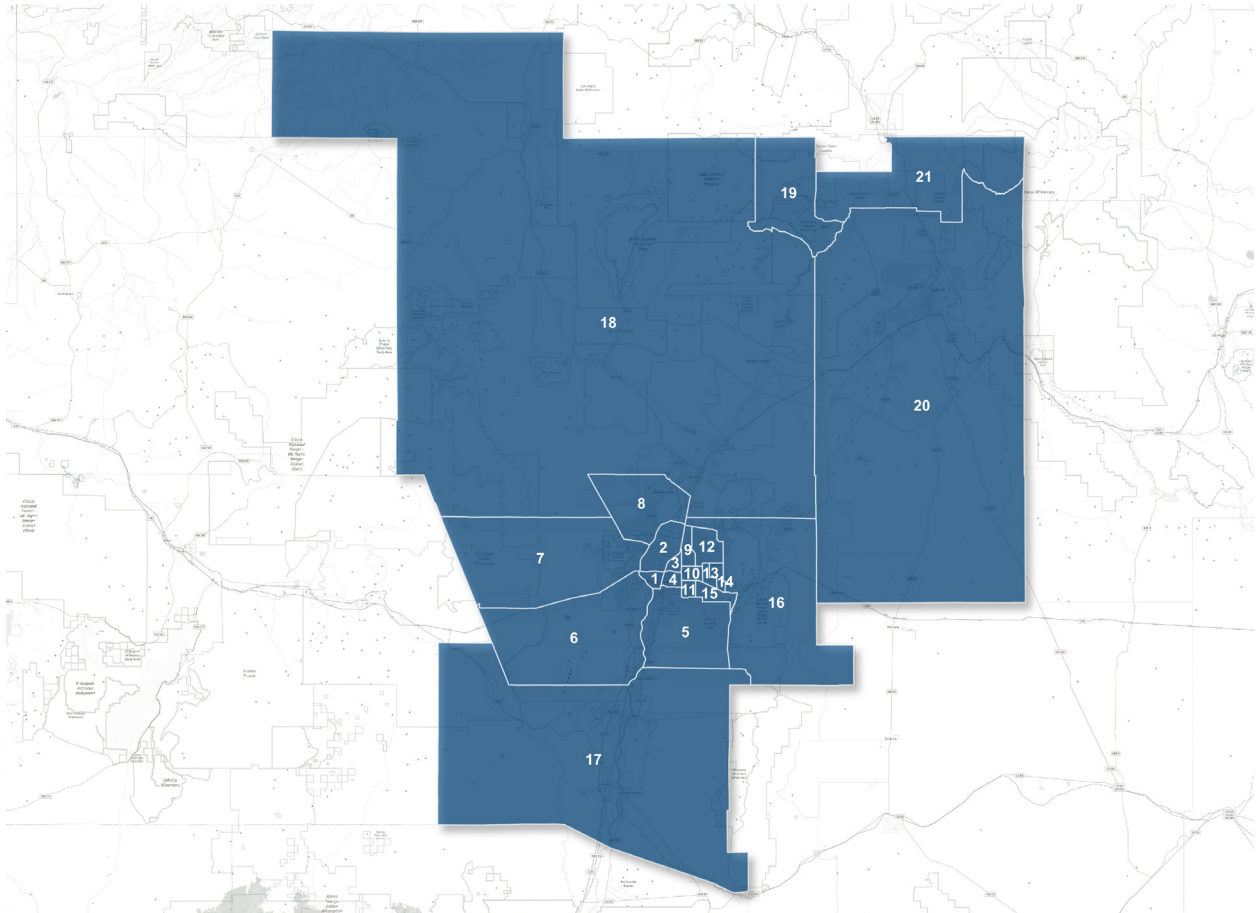
Area No.	Submarket
1	Albuquerque–Central
2	Albuquerque–North Valley
3	Albuquerque–Montgomery
4	Albuquerque–University
5	Albuquerque–South
6	Albuquerque–South Valley
7	Albuquerque–Westside
8	Albuquerque–Paradise Hills
9	Albuquerque–Academy
10	Albuquerque–Uptown
11	Albuquerque–International District

Area No.	Submarket
12	Albuquerque–Northeast
13	Albuquerque–La Cuesta
14	Albuquerque–Chelwood Park
15	Albuquerque–Southeast
16	Bernalillo County–East
17	Valencia County
18	Sandoval County
19	Los Alamos
20	Santa Fe
21	Espanola

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

➤ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;

➤ *Students,* who also December span a range of income capability, extending from affluent to barely getting by;

➤ *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;

➤ *Blue-collar households,* which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;

➤ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;

➤ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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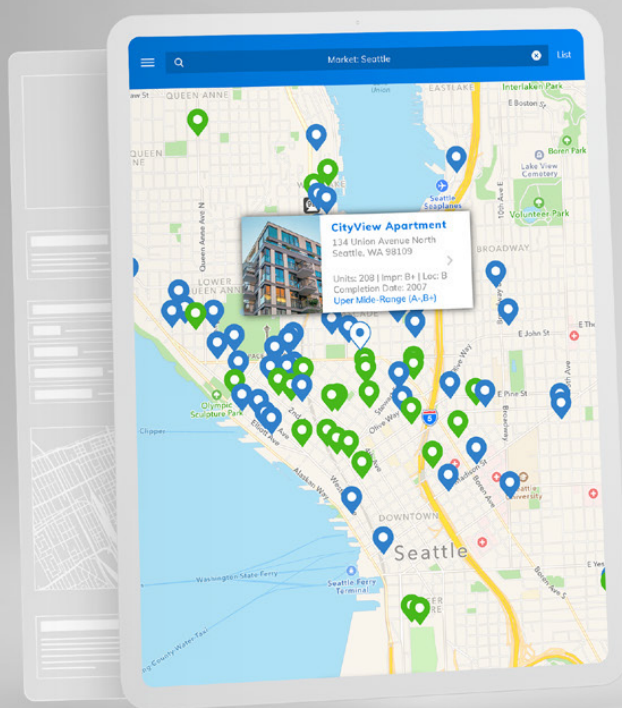
Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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