



MULTIFAMILY REPORT

Albuquerque: Increasing Attractions

April 2022

YoY Rent Growth in Double Digits

Employment Market in Recovery Mode

Investment Volume at All-Time High in 2021

ALBUQUERQUE MULTIFAMILY



Rental Stock Expansion Affects Occupancy

Albuquerque's recovery continued in 2021 and had a remarkable third quarter with elevated rent growth, as well as intense activity on both the development and investment fronts. However, rent gains moderated slightly during the winter, reacting to both incoming supply and seasonality. Rates rose just 0.2% on a T3 basis through February, to \$1,186, boosted by activity in the Renter-by-Necessity segment.

The year closed with the unemployment rate at 4.6%, a 4.0% improvement from January, according to data from the Bureau of Labor Statistics. Albuquerque's rate outperformed the state's (4.9%) but trailed the nation (3.9%). The job market grew by 4.5% in the 12 months ending in December, 10 basis points above the U.S. rate, with two sectors still in negative territory. Leisure and hospitality accounted for one-third of all jobs, followed by trade, transportation and utilities and construction, which added 3,500 positions each. Company expansions, including Amazon, Facebook and Netflix, point to continued economic development.

Developers had 2,074 units under construction as of February and another 7,700 units in the planning and permitting stages. This comes after 877 units delivered in 2021. Meanwhile, transaction volume marked an all-time high in 2021—\$544 million—and the price per unit inched up 4.1% year-over-year to \$125,949.

Market Analysis | April 2022

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Recent Albuquerque Transactions

Local 1896



City: Santa Fe, N.M.
Buyer: Benedict Canyon Equities
Purchase Price: \$37 MM
Price per Unit: \$233,974

Puerta del Sol

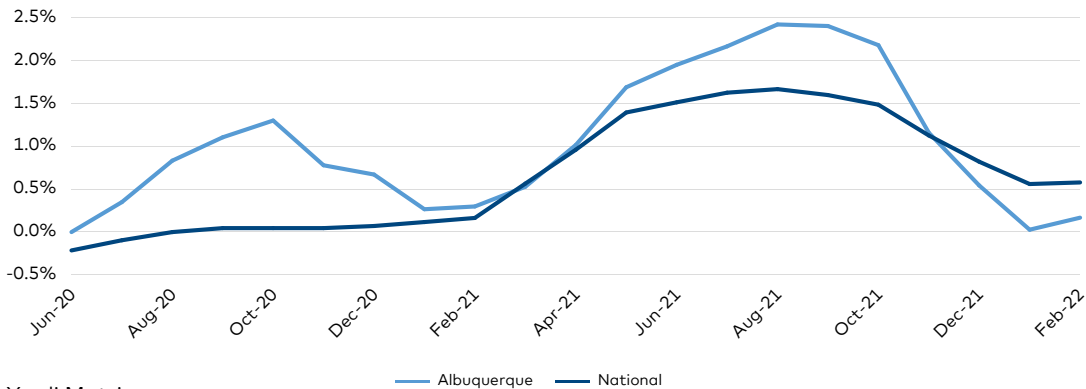


City: Albuquerque, N.M.
Buyer: DiNapoli Capital Partners
Purchase Price: \$15 MM
Price per Unit: \$107,804

RENT TRENDS

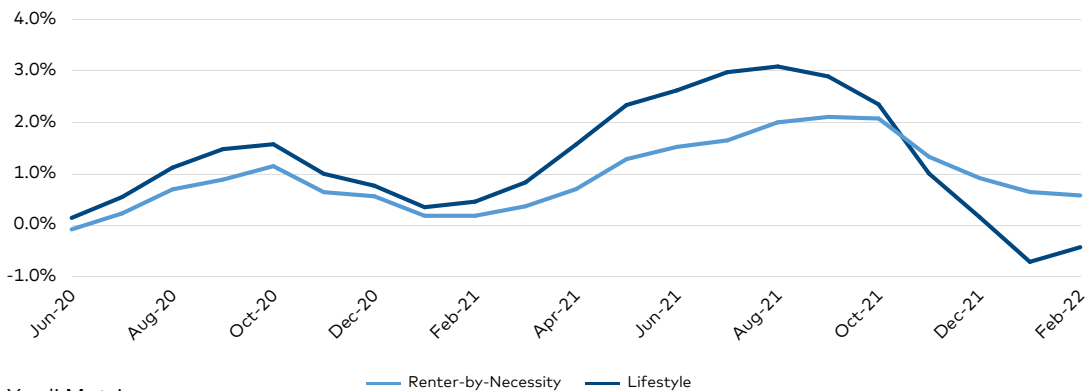
- ▶ Albuquerque rents rose 0.2% on a trailing three-month basis through February, to \$1,186, behind the 0.6% U.S. rate. The national overall average asking rate was \$1,628. On a year-over-year basis, Albuquerque rent growth (17.7%) outpaced the national figure (15.4%).
- ▶ Rent development was strong in the metro last year, especially during the latter half of 2021, when rate growth on a T3 basis remained above the 2.0% mark for five consecutive months. In the fourth quarter, rates began moderating, responding to both new supply and the slowing seasonal pattern.
- ▶ Rent expansion was led by the Renter-by-Necessity segment, up 0.6% on a T3 basis to \$1,044. Meanwhile, Lifestyle rates reacted to incoming supply—which consisted mostly of upscale projects—and contracted 0.4% to \$1,479.
- ▶ Despite improving demand, incoming supply put a dent in the occupancy rate in stabilized properties, which dropped 110 basis points in the 12 months ending in January, to 95.4%. Specifically, the rate in Lifestyle units decreased by 160 basis points and RBN occupancy lost 90 basis points.
- ▶ Growth reached double digits year-over-year through February in all but two submarkets: in the University area, the average rent rose 7.8% to \$1,048 and in Albuquerque South, rates improved 5.8% to \$1,728. The latter is also the most expensive submarket in the metro, followed by Santa (16.4% to \$1,450), which also has the largest construction pipeline underway.

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 4.6% as of December, representing a 400-basis-point improvement from the start of 2021 and outperforming the 4.9% state rate. Still, the recovery process is slower than the national 3.9% rate, which improved by another 10 basis points in January 2022. The employment market expanded by 4.5%, or 26,000 jobs, in the 12 months ending in December, outpacing the nation by 10 basis points. This marked the first time during that period that the local market led the U.S. Still, two sectors lost jobs—government (-200 jobs) and information (-400 jobs).
- ▶ Accounting for one-third of all new jobs, leisure and hospitality led gains, up by 22.3% (8,700 jobs). Trade, transportation and utilities and construction added 3,500 jobs each. The area's economy looks promising: Amazon partnered with the city's aviation department to develop an air cargo facility at the Albuquerque International Sunport.
- ▶ Facebook announced plans to add two more buildings (\$800 million over the next four years) at its Los Lunas data center, and will hire another 200 employees, in addition to 1,000 construction workers. Data-center operator and developer Adacen has relocated its headquarters and will require 100 new employees over several years. Netflix's expansion of its studio in Mesa del Sol is slated for completion in 2023.

Albuquerque Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	48	10.6%
40	Trade, Transportation and Utilities	75	16.6%
15	Mining, Logging and Construction	32	7.1%
65	Education and Health Services	77	17.0%
60	Professional and Business Services	69	15.3%
30	Manufacturing	18	4.0%
80	Other Services	15	3.3%
55	Financial Activities	21	4.6%
90	Government	92	20.4%
50	Information	5	1.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Albuquerque gained 5,612 residents in 2020, up 0.6%, outpacing the U.S. rate by 20 basis points. In 2019, the metro's population increased by just 0.2% year-over-year.
- ▶ Between 2010 and 2020, Duke City's demographics expanded by 3.8%, trailing the 6.5% national rate.

Albuquerque vs. National Population

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

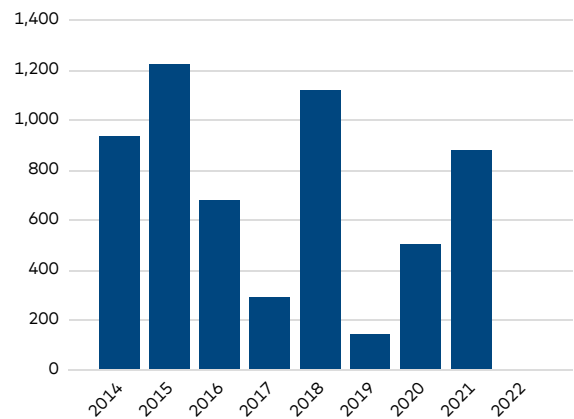
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Development picked up again in Albuquerque, and developers had 2,074 units under construction as of February and another 7,700 units in the planning and permitting stages. By the pipeline composition, developers primarily target high-income renters; in addition, 381 units are in fully affordable communities, with no market-rate properties underway.
- ▶ Recently announced company expansions and the metro's low housing costs and high quality of life have contributed to an increase in housing demand in Albuquerque. In 2021, developers delivered 877 units in six properties, or 1.6% of total stock, trailing the 2.6% U.S. average.
- ▶ The bulk of deliveries comprised Lifestyle projects and 240 units in one fully affordable community. This volume comes after two years with limited inventory expansion (650 units combined)—2019 marked the weakest performance in stock expansion with just 145 units brought online.
- ▶ Santa Fe remained the most sought after by multifamily developers and led in development volume, accounting for half of the units

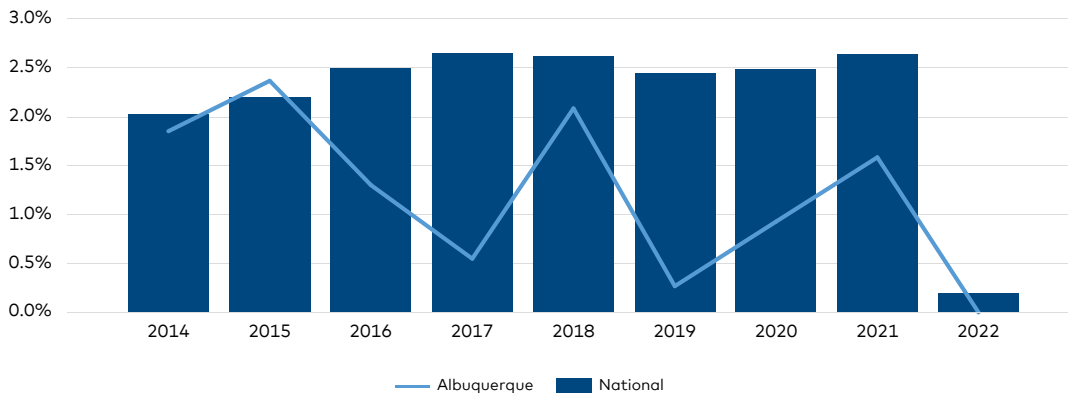
underway (1,077 units). Northeast had 281 units under construction in one project—Allaso High Desert, slated for completion in 2023, and built by local developer Titan Development with aid from a \$41.2 million construction loan issued by BOK Financial Corp. Paradise Hills and Westside each had 171 units underway.

Albuquerque Completions (as of February 2022)



Source: Yardi Matrix

Albuquerque vs. National Completions as a Percentage of Total Stock (as of February 2022)



Source: Yardi Matrix

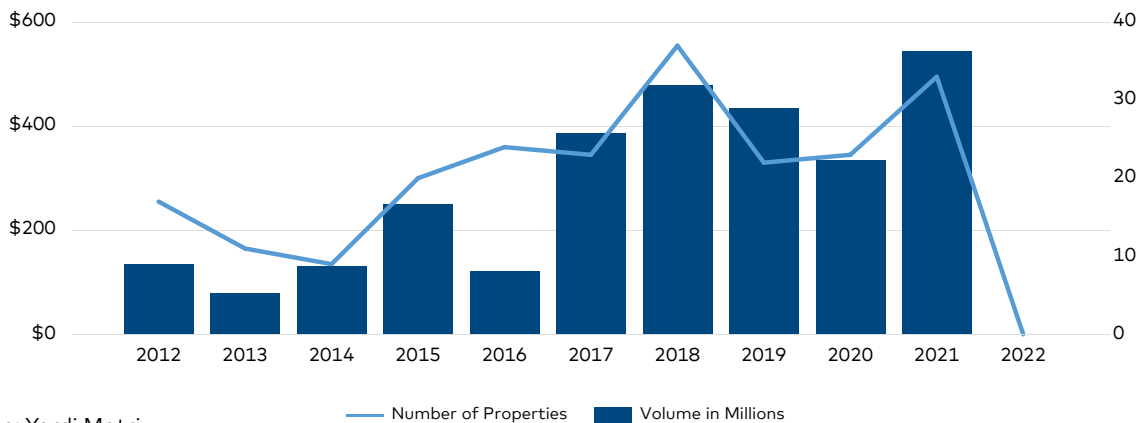
TRANSACTIONS

- ▶ Mirroring the national trend, transaction activity picked up in Albuquerque, reaching \$544 million in 2021. That's an all-time high for multifamily sales in the metro.
- ▶ The sales breakdown heavily favored Renter-by-Necessity properties; they accounted for 85% of all sales and the price per unit rose 4.1% to \$125,949. The increase in property values can be attributed in part to rising construction material costs but also to more intense

competition among investors. Meanwhile, the national price per unit rose 21.9% year-over-year, to \$192,222.

- ▶ Santa Fe led all submarkets for transaction volume with \$159 million in multifamily deals; the Westside and Academy submarkets followed with \$87 million and \$54 million, respectively. One of the most active investors in Albuquerque in 2021 was DiNapoli Capital Partners, which expanded its portfolio by 922 units.

Albuquerque Sales Volume and Number of Properties Sold (as of February 2022)



Source: Yardi Matrix

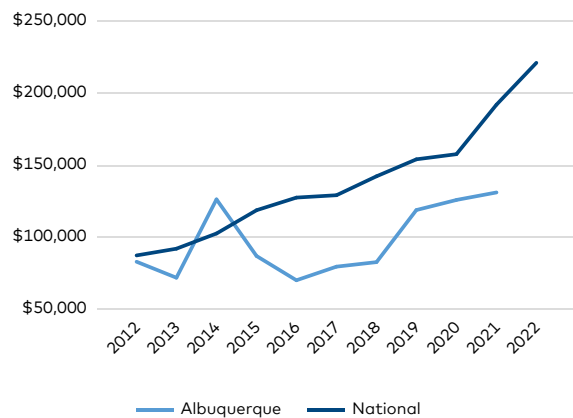
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Santa Fe	159
Westside	87
Academy	54
Chelwood Park	50
Central	33
Northeast	30
University	27

Source: Yardi Matrix

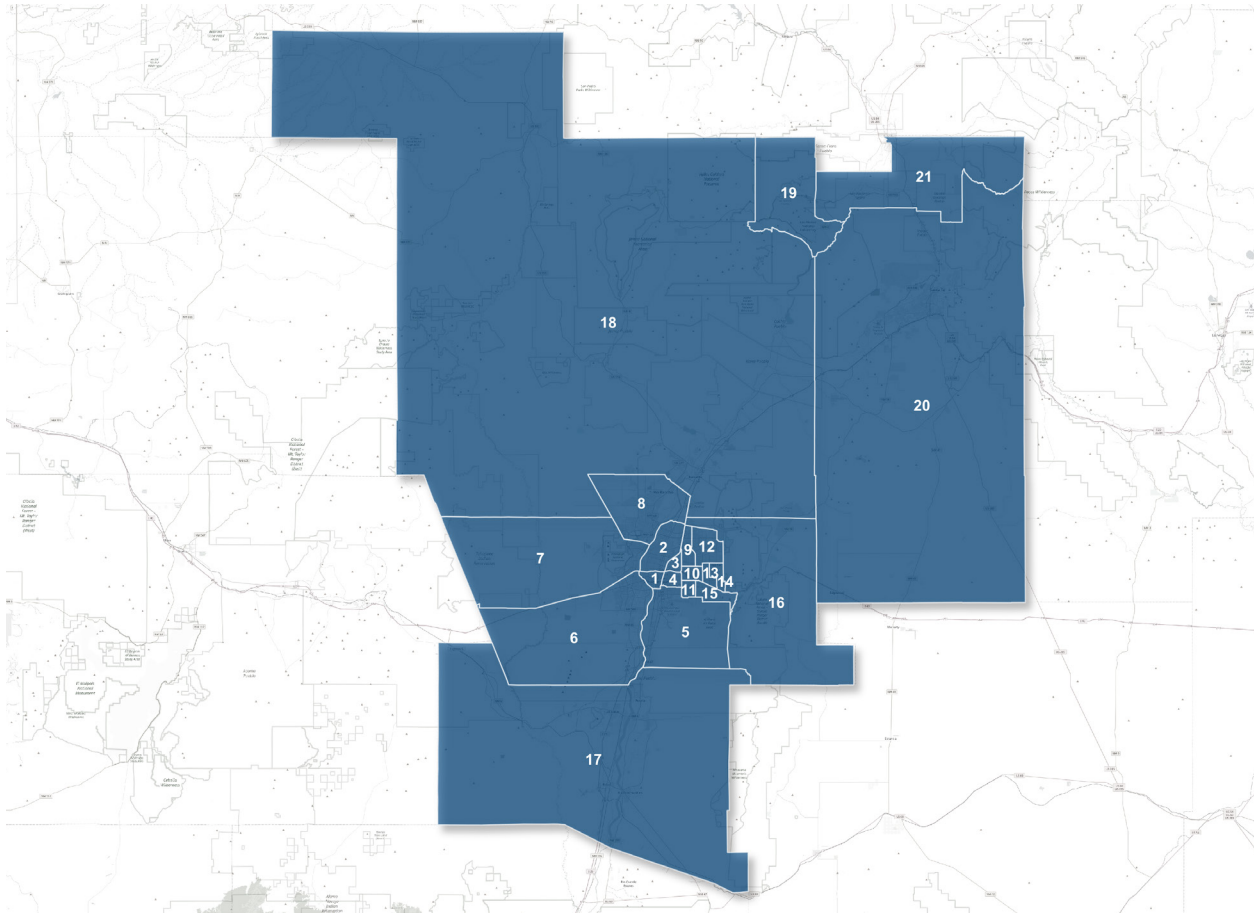
¹ From March 2021 to February 2022

Albuquerque vs. National Sales Price per Unit



Source: Yardi Matrix

ALBUQUERQUE SUBMARKETS



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

DEFINITIONS

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.

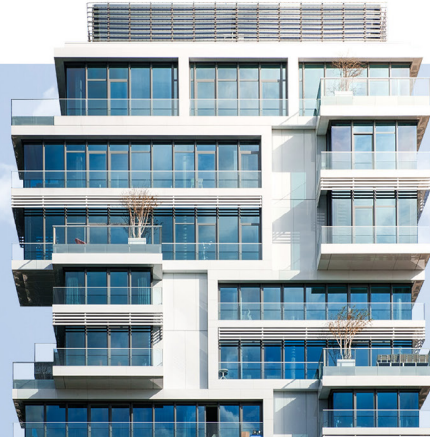
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



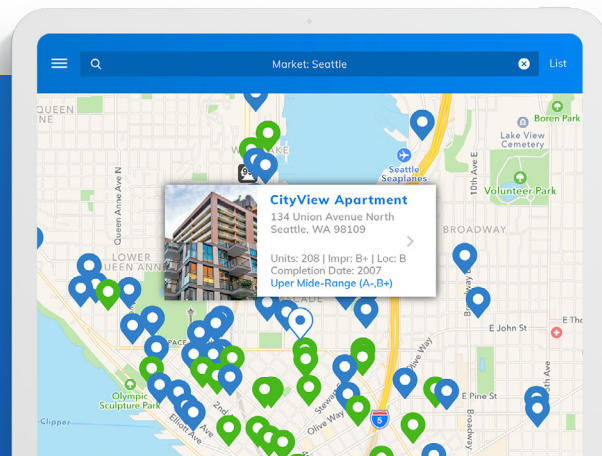
Yardi Matrix

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MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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