

Albuquerque Stays The Course

September 2024



Rent Growth, Occupancy Outperform

Construction Activity Robust

Sales at Standstill in Q2

ALBUQUERQUE MULTIFAMILY



Demand Powers Rent Growth

Albuquerque's performance was slow and steady in 2024 through July, with sustained rent growth, solid occupancy and a robust pipeline, but low investment activity. Average advertised asking rents rose 0.5% on a trailing three-month basis through July, to \$1,349, while occupancy slid 50 basis points year-over-year to 94.9% in June, just above the 94.6% U.S. rate.

Employment growth saw a 1.9% increase, or 8,400 jobs, in the 12 months ending in May, 60 basis points higher than the national average. Unemployment rose to 4.5% in June, trailing the U.S. (4.1%) and the state (3.9%), according to preliminary data from the Bureau of Labor Statistics. Professional and business services and government led job gains, up by 2,300 positions each. Meanwhile, information lost 1,100 jobs. There are several projects under development in the metro, which will further strengthen local economic growth and sustain multifamily demand. Two significant projects announced by Maxon Solar Technologies and Ebon Solar could position the state as a key player in the growing solar cell manufacturing industry.

Developers delivered 683 units in 2024 through July and had another 4,984 units under construction. Year-to-date, new construction volume fell just slightly below the level recorded during the same period last year. Meanwhile, investment activity totaled \$82 million, with all sales recorded in the first quarter.

Market Analysis | September 2024

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Recent Albuquerque Transactions

The Overlook



City: Albuquerque, N.M.
Buyer: Bascom Group
Purchase Price: \$68 MM
Price per Unit: \$198,837

San Miguel Court

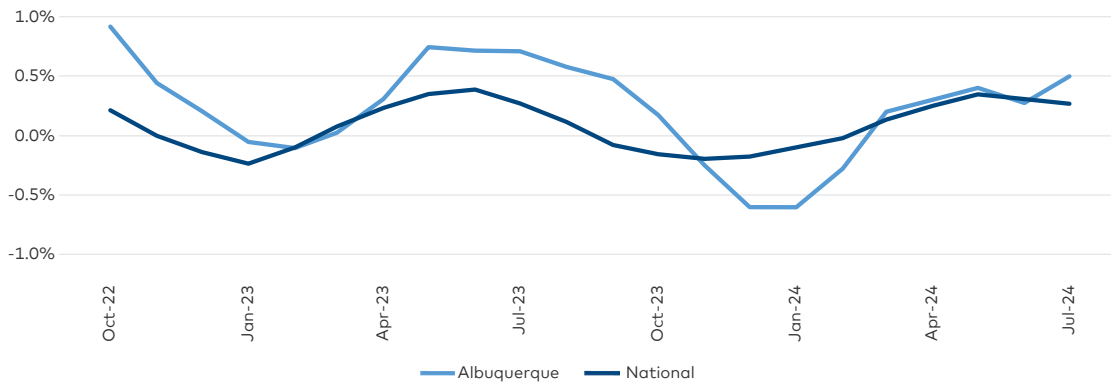


City: Santa Fe, N.M.
Buyer: Bascom Group
Purchase Price: \$14 MM
Price per Unit: \$141,667

RENT TRENDS

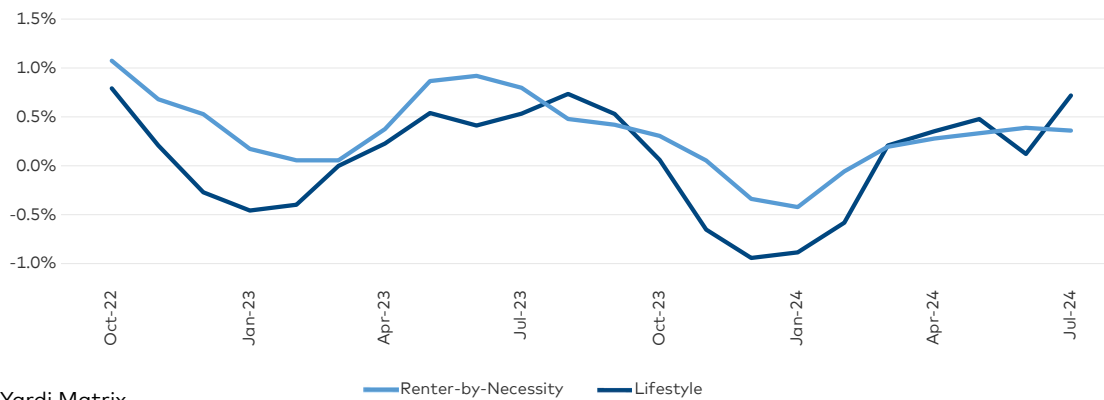
- ▶ Advertised asking rents in Albuquerque were up 0.5% on a trailing three-month (T3) basis through July, to \$1,349, 20 basis points above the U.S. rate (\$1,743). The metro's rates were also up 1.1% year-over-year, 30 basis points ahead of the national 0.8% figure.
- ▶ Growth was led by the upscale Lifestyle segment, with advertised asking rents up 0.7% on a T3 basis through July, to \$1,644, a 60-basis-point increase from June. Rents for the working-class Renter-by-Necessity segment were up 0.4% for the second consecutive month, to \$1,202.
- ▶ Steady supply growth had a greater impact on occupancy than on rent growth, with the rate in stabilized properties down 50 basis points year-over-year, to 94.9% in June. The new stock, mainly comprising upscale properties, pushed Lifestyle occupancy down 70 basis points, to 95.2%. Meanwhile, RBN occupancy decreased 40 basis points, to 94.8%.
- ▶ Of the 21 submarkets tracked by Yardi Matrix, six recorded significant declines in year-over-year performance in advertised asking rents. The largest drops were in Albuquerque–Westside (-1.1% to \$1,437), Albuquerque–Southeast (-3.4% to \$1,091) and Albuquerque–South (-1.6% to \$1,835). The latter remains the most expensive submarket in the metro.
- ▶ Meanwhile, Albuquerque–Montgomery (4.0% to \$1,111) and Santa Fe (3.9% to \$1,775) posted some of the largest increases during the period.

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 employment growth was up 1.9% year-over-year, 60 basis points ahead of the U.S. rate of improvement and 50 basis points above the metro's own December 2023 rate.
- ▶ Unemployment spiked 80 basis points month-over-month, to 4.5% in June, trailing both the U.S. (4.1%) and the state (3.9%), according to preliminary data from the BLS. Despite reaching its highest point in two years, the jobless rate remained consistent with seasonal patterns.
- ▶ The metro added 8,400 jobs in the 12 months ending in May. The information sector reported losses (-1,100 jobs). Professional and business services and government led gains, having both gained 2,300 jobs.
- ▶ A few recent large investments could help establish the state of New Mexico as an emerging hub for solar cell manufacturing. Maxeon Solar Technologies' \$1 billion solar cell and panel factory is slated to break ground later this year. Ebon Solar is investing \$942 million for another solar cell factory. Both projects are planned in Mesa del Sol's industrial area.
- ▶ Operating in New Mexico since 2019, Netflix announced a \$2 billion 108-acre expansion of its Albuquerque Studios, which will create thousands of jobs and further solidify the metro's budding film industry.

Albuquerque Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	74.6	15.3%
90	Government	97.1	20.0%
70	Leisure and Hospitality	58.7	12.1%
65	Education and Health Services	81.3	16.7%
30	Manufacturing	18.6	3.8%
80	Other Services	16.9	3.5%
15	Mining, Logging and Construction	31.2	6.4%
40	Trade, Transportation and Utilities	78.6	16.2%
55	Financial Activities	23.1	4.8%
50	Information	6.1	1.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Albuquerque gained 2,580 residents in 2022, up 0.3% and 10 basis points below the U.S. average.
- ▶ Growth has been slow throughout the decade ending in 2022, up just 2.5%, which is less than half the 6.3% national rate.

Albuquerque vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Albuquerque	912,108	915,986	913,388	915,968

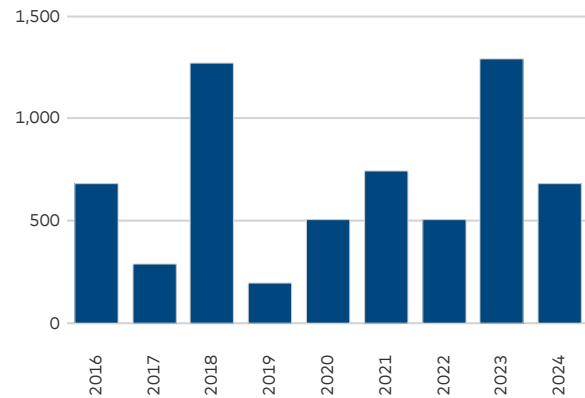
Source: U.S. Census

SUPPLY

- ▶ Albuquerque's existing inventory expanded by 683 units through the first seven months of 2024, accounting for 1.2% of existing rental inventory. That's 20 basis points below the U.S. average. Performance was above the 0.9% annual average recorded since 2016. The metro had two peak years in this time frame—2023 (2.3%) and 2018 (2.4%). Projects delivered in 2024 through July comprised a 64-unit fully affordable community in Los Alamos, and 619 Lifestyle apartments.
- ▶ Of the 3,984 units under construction as of July, 80% were in upscale projects, just under 17% were fully affordable, while the rest were RBN. An additional 9,000 units were in the planning and permitting phases.
- ▶ Demand persists in Albuquerque despite financial volatility. Construction starts slipped, to 626 units across four properties in 2024 through July, down from 754 units across four properties during the same period last year.
- ▶ As of July, Santa Fe led construction activity, with 1,371 units underway, 410 of which broke ground in 2024. Academy (502 units) and Albuquerque–North Valley (478 units) rounded out the top three submarkets for units underway.

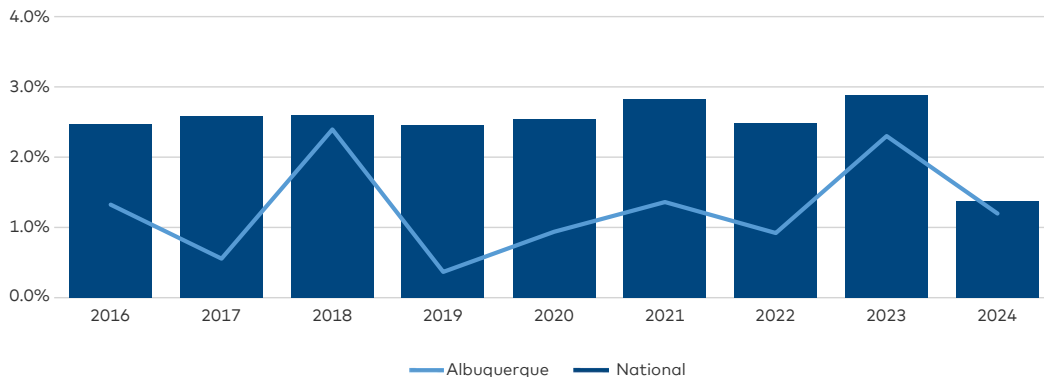
- ▶ The 240-unit South Meadows delivered in Santa Fe in January remained the largest project brought online this year through July. Owned by The Peters Corp., it was built with aid from a \$50 million HUD construction loan issued by CBRE Capital Markets in 2020. The largest projects under construction are also in Santa Fe—Arcadia (332 units) and Solwyn (330 units), slated for completion in 2025 and 2026.

Albuquerque Completions (as of July 2024)



Source: Yardi Matrix

Albuquerque vs. National Completions as a Percentage of Total Stock (as of July 2024)



Source: Yardi Matrix

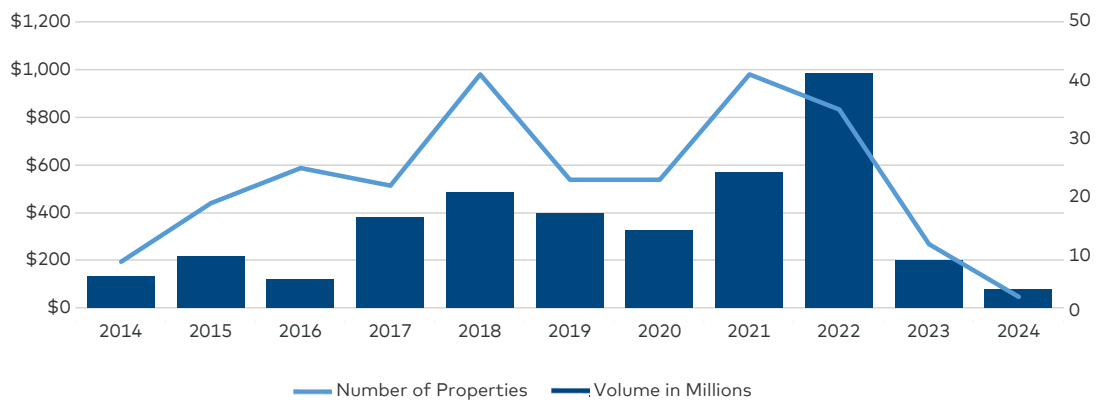
TRANSACTIONS

- ▶ Multifamily transactions in the metro have been very limited, with the \$82 million in asset sales recorded in the first quarter remaining the only activity posted in the metro through the first seven months of the year.
- ▶ Except for a spike in 2014, the metro's average price per unit trailed the U.S. figure over the last decade. Based on the small pool of sales recorded this year—one Lifestyle property, one RBN and one fully affordable—the per-unit price

rose 38.6% from its 2023 level, to \$186,364 as of July, surpassing the \$182,423 national rate.

- ▶ Bascom Group acquired two assets in the metro this year through July—a 344-unit Lifestyle property in Albuquerque-Northeast and a 96-unit RBN asset in one of Santa Fe's Opportunity Zones. Both transactions included loans, of \$51 million originated by TGP Capital and \$10 million issued by Jones Lang LaSalle.

Albuquerque Sales Volume and Number of Properties Sold (as of July 2024)



Source: Yardi Matrix

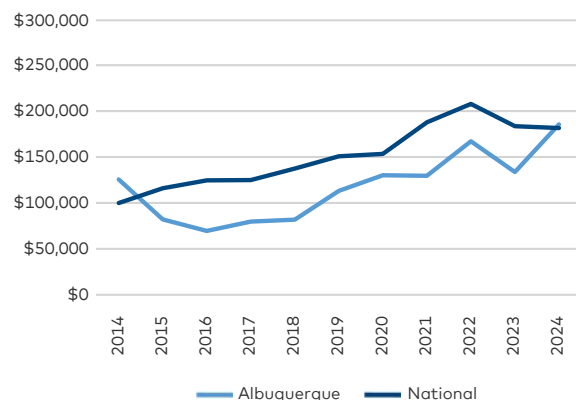
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Albuquerque–Northeast	68
Albuquerque–Paradise Hills	47
Albuquerque–Montgomery	37
Albuquerque–Academy	31
Albuquerque–Uptown	14
Santa Fe	14

Source: Yardi Matrix

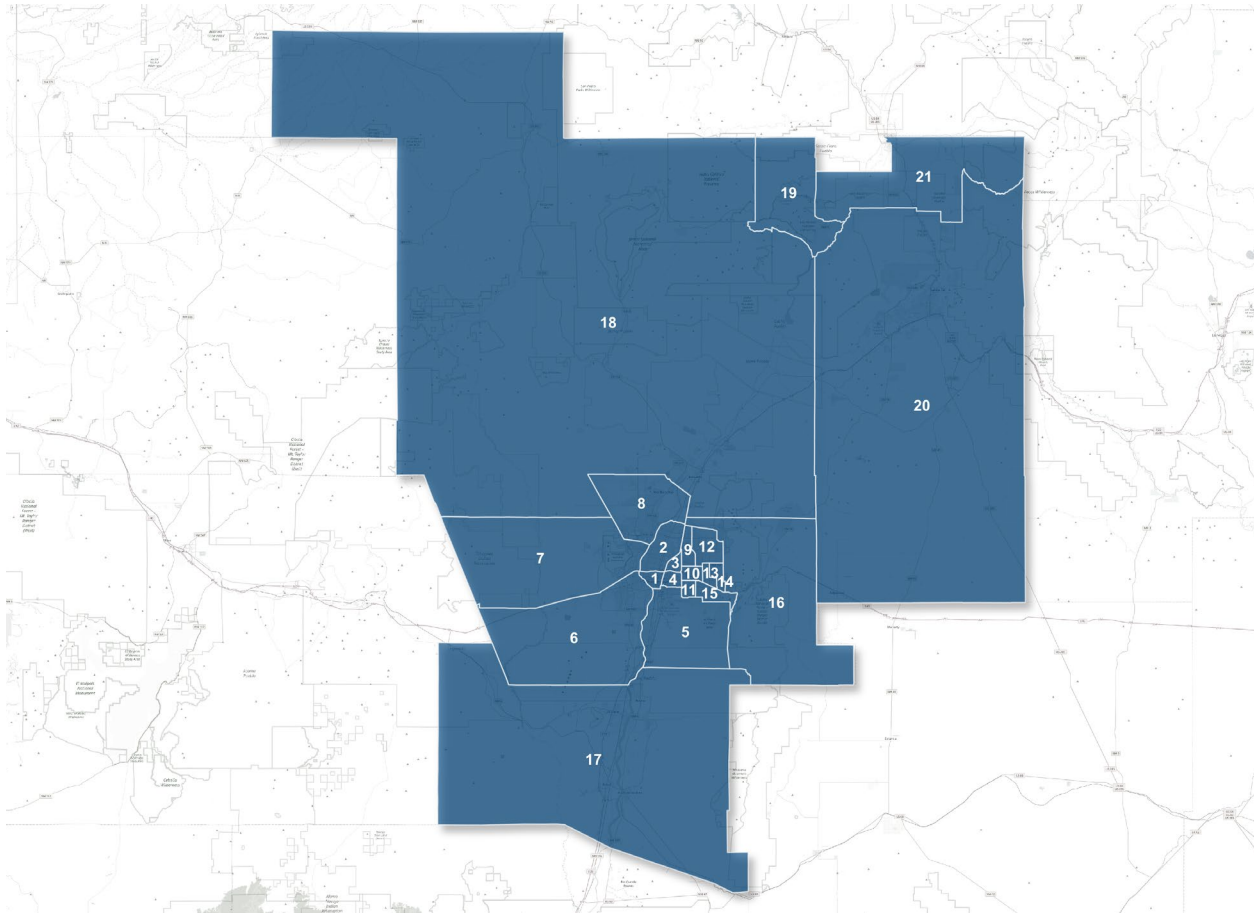
¹ From August 2023 to July 2024

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 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 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, 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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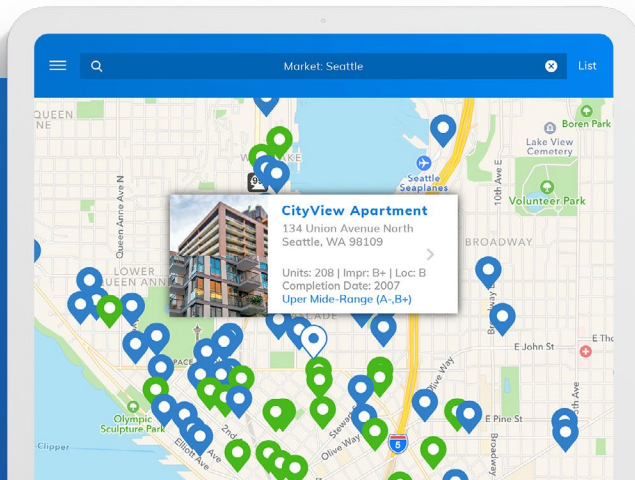
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