

Business

Outlook

MONEY RATES ◆ PAGE 18



MONDAY, AUGUST 26, 2013

THE RETAIL CONNECTION

North Valley girl's Sushi Loka, and Garduno's patio at Hotel Albuquerque

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COURTESY OF CUTTER AVIATION

The current look of the entrance to Cutter Aviation at the Albuquerque International Sunport.

Cutter to remodel, expand ABQ hub

Aviation services, sales company to modernize terminal building, add new corporate jet hangar

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Albuquerque Journal

BY KEVIN ROBINSON-AVILA
Journal Staff Writer

Cutter Aviation is planning a \$1.75 million expansion and remodel of its aircraft fueling and service station at the Albuquerque International Sunport.

The company will build a new \$1.5 million hangar

capable of handling large corporate jets. It also will invest \$250,000 to modernize its terminal building for general aviation customers.

"We'll start remodeling the whole front area before the end of the year to modernize it and give it a more contemporary Southwest feel," said Cutter President Will Cutter. "We plan to open the doors on our new, large corporate hangar in about two years."

The changes are part of

companywide upgrades underway at many of the eight airport hubs that Cutter now operates in five southwestern states. That includes a new service location that the company opened on July 15 at Van Nuys Airport in southern California.

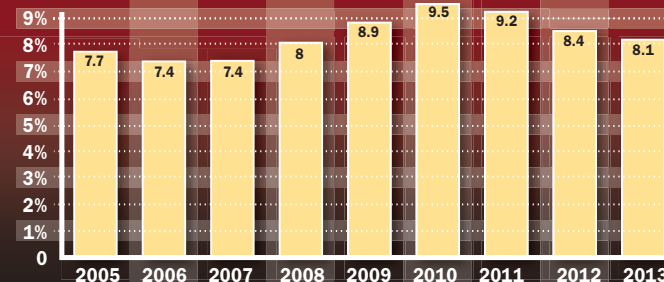
Cutter is an 85-year-old, family-run firm that launched in Albuquerque. It provides aircraft fueling, repair and

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ALBUQUERQUE CAP RATES

Short for "capitalization rate," the CAP RATE is a measure of risk and reward in evaluating commercial real estate investment. A HIGHER CAP RATE MEANS HIGHER RISK AND VICE VERSA.

AVERAGE CAP RATES FOR ALL PROPERTY TYPES AS OF THE MIDDLE OF EACH YEAR



SOURCE: Cantera Consultants & Advisors Inc.

JOURNAL

ABQ commercial real estate solidifies

Survey finds shift away from distress

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Albuquerque Journal

BY RICHARD METCALF
Journal Staff Writer

A common tool in evaluating commercial real estate is pointing toward a less risky environment for investors in the Albuquerque metro area market, according to a survey of mostly local industry insiders by the New Mexico chapter of the Urban Land Institute.

Cap rates, a formula-based measure of market fundamentals, have continued a three-year trend of declines in all commercial property types — office, industrial, apartments and retail. That is an early indication of a slow shift away from a market in distress.

The average blended cap rate, short for "capitalization rate," was 8.1 percent at midyear across all property types, the lowest it's been in five years, the institute's survey found.

The drop from the most recent high of 9.5 percent in 2010 would appear to signal real-estate values are starting to solidify.

"Cap rates in general for Albuquerque have descended down to where we were when the downturn started (8 percent in 2008)," said Todd Clarke, CEO of Cantera Consultants & Advisors, who conducted the study for the Urban Land Institute.

'The tipping point'

As in 2008, there's still a lot of uncertainty in commercial real estate, he noted, adding, "I think we've crossed the tipping point."

Based on a simple equation using a property's net operating income and price,

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Metro's commercial real estate stabilizing

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cap rates are considered a valuable tool to reflect real estate values. A rule of thumb is that a change of 1 percent in the cap rate, up or down, translates to a change in a property's value by a factor of about 12 percent.

Cap rates are also an indicator of the rate of return on a commercial property. They often are used to compare commercial real estate to other types of investments like stocks and bonds.

A building that's close to fully leased to high-credit tenants will have a lower cap rate than a building that has a lot of vacancy or tenants with lower credit ratings. The reason is that the building with a lot of vacancy or low-credit tenants is considered higher risk as an investment.

The high average blended cap rates during the harshest years of the economic downturn — 8.9 percent in 2009, 9.5 percent in 2010 and 9.2 percent in 2011, according to the survey — reflect the crash in real-estate values as space went empty due to business closures and downsizings.

The average blended cap rate during the 2005-07 boom years was 7.5 percent, a still relatively high rate that reflects the inherent risk of investing in most commercial property types in a smaller, third-tier metro such as Albuquerque.



JOURNAL FILE

A new report suggests that the commercial real-estate sector in the Albuquerque metro has "crossed the tipping point" toward stabilizing and improving. This bird's-eye view of Downtown Albuquerque was shot earlier this summer.

'One benchmark'

Although popularly quoted, cap rates are just one tool to evaluate commercial real estate, said John Ransom, managing director of Colliers International's Albuquerque office.

"It's one benchmark we look at, a snapshot," he said. "We look at so many other things as well."

The common measures of the performance of a commercial real-estate market — vacancy rates, average asking lease rates and new construction — portray a local commercial real-estate market where the office and industrial property types are still in a down cycle.

Both apartment and retail properties in general have bounced back. Although it did hit a lull in 2008-09, the local apartment market has held up well during the downturn. At 7 percent, it has the lowest average cap rate among all commercial property types in the metro.

The retail market had the second-lowest average cap rate at 7.7 percent, according to the institute's survey. From a real-estate perspective, the toughest years for retail were 2009-10.

"Retail falls into two categories," Clarke said. "There's the newer, nicer stuff — Paseo del Norte corridor, the Cottonwood area, Uptown — and then there's everything else. I

think the cap rate reflects the newer, nicer stuff."

Three measures

The gradual improvement in the commercial real-estate market is reflected by most of the answers given by the roughly 100 owners, investors and brokers surveyed by the institute on three basic measures of the market's health:

■ **Property values:** 32 percent said values had increased, compared with 13 percent in 2010; 27 percent said values decreased, compared with 74 percent in 2010; and 41 percent said values had remained the same, compared with 14 percent in 2010.

■ **Vacancy rates:** 24 percent said vacancies had risen, compared with 78 percent in 2010; 37 percent said vacancies had dropped, compared with 9 percent in 2010; and 39 percent said they had remained the same, compared with 14 percent in 2010.

■ **Rental rates:** 21 percent said rates had increased, compared with 11 percent in 2010; 26 percent said rates had decreased, compared with 69 percent in 2010; and 53 percent said they had remained the same, compared with 20 percent in 2010.

The survey also asked respondents to prioritize a list of concerns and issues. Not surprisingly, the top concern was job growth, followed by favorable tax policies and low interest rates, which are top concerns of Albuquerque's business community in general.

What was surprising were a couple of the items at the bottom of the prioritized list, including "interest in building green" and "optimism about N.M. business," Clarke pointed out.

"I expected more people to be talking about building green," he said. "I think the lack of optimism about the New Mexico economy was a surprise. It's not real tangible. Collectively, it feels like a hopelessness about encouraging the government to get out and do something to encourage job growth."

'Boomer bike' helps take on hills

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60 pounds, said Wolf, "so you really wouldn't want to turn them off." Traditional mountain bikes weigh between 20 and 30 pounds.

With the ElectroBike, the motor shuts off if the rider stops pedaling. The battery is tucked inside the frame for a sleek design. Each model features a speedometer indicating the battery level and mode that shows the level of power used to help the rider.

Owners can add LED lights, baskets, fenders, water bottles or a rack — everything you can add to a bicycle, Wolf said. All of the



This battery delivers a power assist for the electric bicycle, which is targeted primarily at the boomer generation.

bikes come with hydraulic disc brakes. The battery is regenerative; if depleted, it will add more power while the bike coasts.

The bikes come in a

complementary color scheme of red, white or black. They cost between \$3,399 for the "Elite" model and \$3,999 for the "Platinum" version.

So far, Wolf's customers have hit the target demographic of the late 40s and up.

"It's people who still want the exercise and they can use a little bit of assistance," he said. "It's almost cheating."

Wolf is hoping to franchise the company.

Test rides are available. Rentals will be offered for \$80-\$85/day by the end of August. Call 505-819-5165 or see www.electrobiking.com.



DEAN HANSON/JOURNAL

The ElectroBiking logo is applied to the Santa Fe retailer's Stromer battery-powered bicycles. The Guadalupe Street store is the first stand-alone ElectroBiking shop in the U.S.