Yardi® Matrix

Albuquerque Rents Rebound

September 2023

Rent Growth Outperforms Nation

Investment Pauses, PPU Steady

Construction Activity Dwindles

Ⱳ Yardi Matrix

Rates Rise,
Occupancy Endures

Albuquerque fundamentals fluctuated at the start of the third quarter. With no deliveries recorded through July, the average rent increased 0.7% on a trailing three-month basis, strongly outperforming the U.S. The rate also marked a solid 5.8% year-over-year increase. Still, the metro remained within the affordable range, with the average rent at $1,327, trailing the $1,729 national figure. The overall occupancy rate in stabilized properties slid 50 basis points in the 12 months ending in June, to 95.5%, with the upscale Lifestyle segment at a tighter 96.0%.

The unemployment rate rose to 4.2% in June, trailing the U.S. (3.6%) and the state (3.5%), according to data from the Bureau of Labor Statistics. Employment expanded just 1.8%, or 8,600 jobs, in the 12 months ending in May, well behind the 2.8% U.S. rate. All sectors gained jobs, except for trade, transportation and utilities, which shed 700 positions. Leisure and hospitality (3,100 jobs) led gains, followed by professional and business services (2,100 jobs).

Developers had 4,075 units under construction as of July, with no deliveries of more than 50 units recorded in the first seven months of 2023. The number of units developers broke ground on through July dwindled compared to the volumes recorded in recent years. Meanwhile, just one asset traded, at $171,717 per unit. Interestingly, the price per unit at the end of 2022 marked a 25% yearly increase.

Recent Albuquerque Transactions

Casa Loma

City: Santa Fe, N.M.
Buyer: Cooper Street Capital
Purchase Price: $23 MM
Price per Unit: $171,717

Market Analysis | September 2023

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RENT TRENDS

➤ Albuquerque rents rose 0.7% on a trailing three-month (T3) basis through July for the third straight month, more than double the 0.3% U.S. rate. Year-over-year, the disparity was even wider, with rates up 5.8%, leading all major U.S. markets. Meanwhile, the national average clocked in at 1.6%. Despite robust rate performance, Albuquerque's average rent remained affordable at $1,327, well below the $1,729 U.S. figure.

➤ Working-class Renter-by-Necessity rates led growth, up 0.9% on a T3 basis through July, to $1,186, while rents in the Lifestyle segment increased 0.4%, to $1,616. Limited supply has not only boosted rent growth but also kept occupancy in stabilized properties steady, down a marginal 50 basis points in the 12 months ending

in June, to 95.5%. Lifestyle communities posted higher occupancy, at 96.0%, following a 30-basis-point decline, while RBN figures decreased 70 basis points, to 95.2%.

➤ The average asking rent fell in only one submarket, Albuquerque-South Valley, down 7.8% year-over-year, to $1,156. Six submarkets posted double-digit gains, including Santa Fe, where rents increased by 10.4%, to $1,706. The submarket has one of the highest asking rents in the larger metro area and also posted the largest construction pipeline as of July. Overall, the number of submarkets with the average rent below the $1,000 threshold dropped to one from three just 12 months ago.

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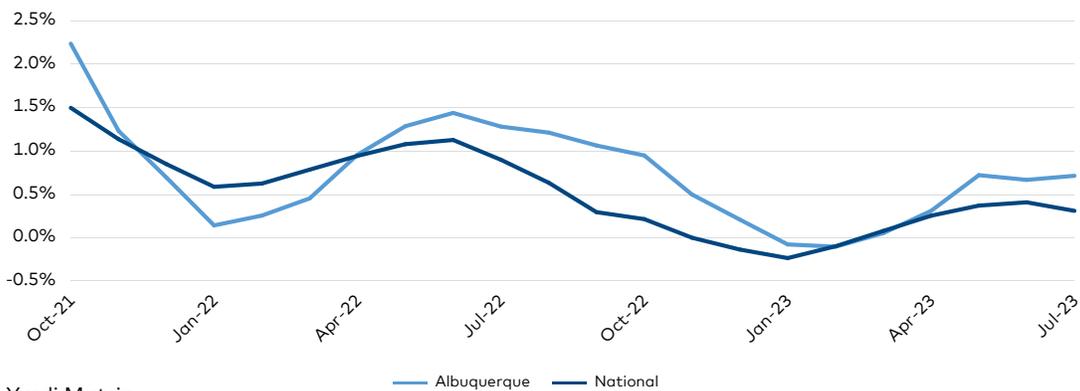
Source: Yardi Matrix

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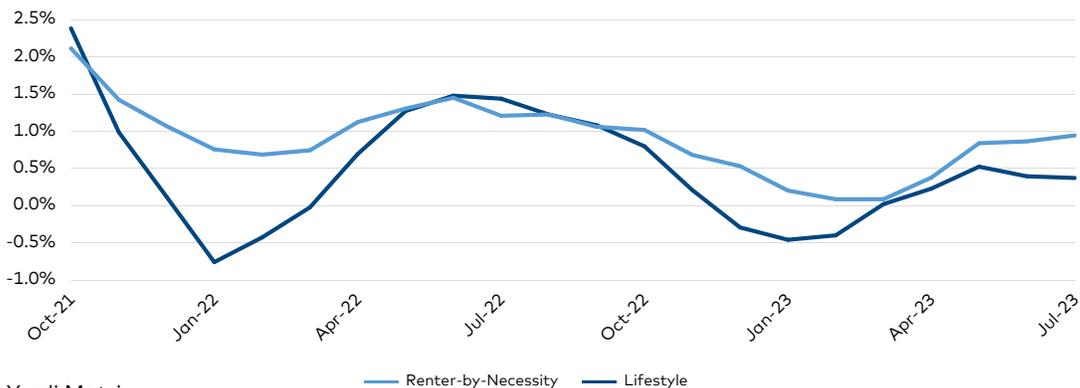
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ Albuquerque's unemployment rate took a sharp turn, rising to 4.2% in June, a 110-basis-point month-over-month rise, according to preliminary data from the BLS. The higher unemployment rate at this time of the year is a cyclical pattern consistently observed in the metro over the past decade, except for 2020, when COVID-19 took hold. Meanwhile, U.S. unemployment clocked in at 3.6% in June, and New Mexico at 3.5%.

➤ Employment expanded just 1.8%, or 8,600 jobs, in the 12 months ending in May, trailing the 2.8% national rate. Trade, transportation and utilities was the only sector to cut jobs, down by 700 positions.

➤ Leisure and hospitality led gains, up by 3,100 positions. Passenger volume at ABQ International Sunport continued to improve, surpassing the 5 million mark as of June, outperforming the last three years but still below the 5.4 million recorded during the same period in 2019.

➤ The next employment sector with the most job gains was professional and business services, which added 2,100 positions. Albuquerque is well positioned for growth, although the pace has considerably softened during the past year. Intel has started hiring for its $3.5 billion expansion in Rio Rancho, while Netflix's $1 billion expansion is nearing completion.

Albuquerque Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	56	11.9%
60	Professional and Business Services	73	15.5%
65	Education and Health Services	79	16.7%
15	Mining, Logging and Construction	30	6.4%
90	Government	94	19.9%
30	Manufacturing	18	3.8%
55	Financial Activities	23	4.9%
80	Other Services	15	3.2%
50	Information	7	1.5%
40	Trade, Transportation and Utilities	77	16.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Albuquerque's population inched up 0.1%, or 1,080 residents, in 2023 on par with the U.S. rate.

➤ Since the 2010 Census, the metro's population has expanded 3.2%, less than half the 7.3% national average.

Albuquerque vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Albuquerque	915,269	918,865	917,179	918,259

Source: U.S. Census

➤ As of July, Albuquerque's construction pipeline consisted of 4,075 units underway and another 9,700 units in the planning and permitting stages. Nearly 80% of the units under construction were in the Lifestyle segment, while 8% were units in fully affordable communities.

➤ Duke City, notorious for its limited inventory expansion, recorded no new deliveries of more than 50 units in 2023 through July. By the end of the year, Yardi Matrix estimates that 719 units will come online, the equivalent of 1.3% of existing stock. That would place the submarket slightly above the metro's 642-unit five-year average.

➤ During the first seven months of the year, only 559 units across three properties broke ground in Albuquerque, less than half the volume registered during the same period last year (1,273 units across nine properties) and roughly on par with 2021's total (521 units across two communities).

➤ Of the 21 submarkets tracked by Yardi Matrix, 13 had at least 50 units under construction as of July, with Santa Fe in the lead with 1,467 apartments, or a little more than one-third of the entire pipeline. The area also recorded one of the highest average asking rents in the metro. The next three submarkets with the most units un-

der construction were: Albuquerque-Northeast (392 units), Albuquerque-South (318 units) and Albuquerque-Montgomery (316 units).

➤ The largest project underway as of July was in Santa Fe. The 332-unit Arcadia is being built by DeBartolo Development with aid from a $58.6 million construction loan issued by PNC Bank. The property is expected to be delivered next year.

Albuquerque Completions (as of July 2023)
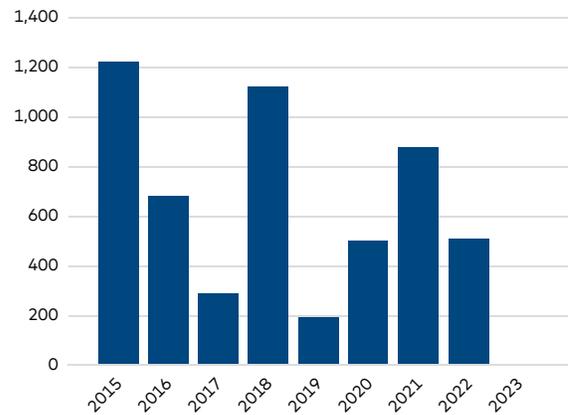
Source: Yardi Matrix

Albuquerque vs. National Completions as a Percentage of Total Stock (as of July 2023)
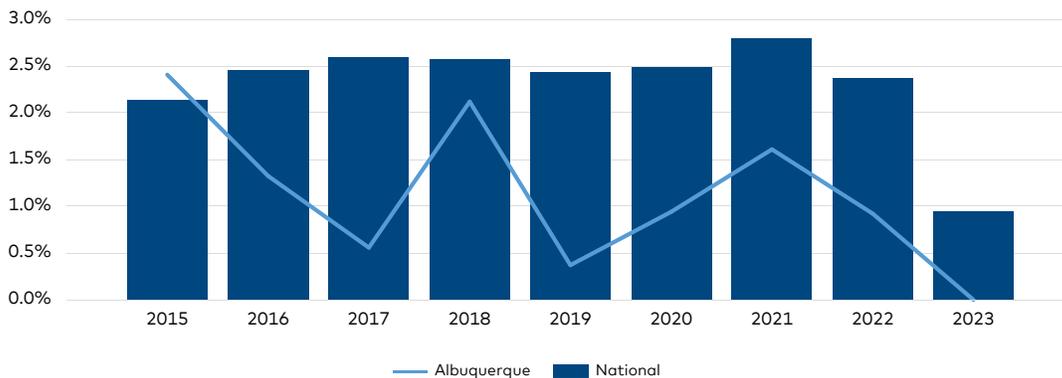
Source: Yardi Matrix

TRANSACTIONS

➤ Only one property of more than 50 units changed hands in Albuquerque in 2023 through July—Casa Loma, a 132-unit RBN property in Santa Fe, built in 1971. Cooper Street Capital acquired it in January from Greer Enterprises for $22.7 million, or $171,717 per unit, with aid from a $17 million loan originated by Wells Fargo Bank.

➤ The ongoing interest rate increases came crashing on the metro's transaction landscape. This

came on the heels of last year's record total investment volume of $953 million, with $833 million of that figure trading through July.

➤ The small sample size for the metro makes 2023 price discovery and average per-unit price calculations imprecise. However, the average clocked in at $169,258 in 2022, posting a 25% increase year-over-year. This year's U.S. average price per unit was $184,996, as of July.

Albuquerque Sales Volume and Number of Properties Sold (as of July 2023)
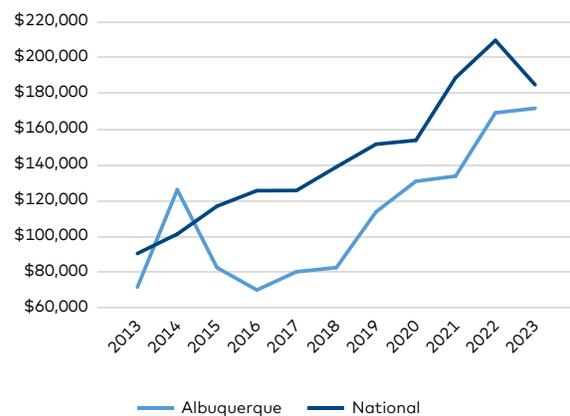

Source: Yardi Matrix

— Number of Properties ■ Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Santa Fe	79
Albuquerque-Montgomery	33
Albuquerque-North Valley	30
Albuquerque-Paradise Hills	18
Albuquerque-Academy	9
Albuquerque-International District	8

Source: Yardi Matrix
[1] From August 2022 to July 2023

Albuquerque vs. National Sales Price per Unit

— Albuquerque — National

Source: Yardi Matrix

MHN
MULTI-HOUSING NEWS
data by
Yardi Matrix

10 Most Affordable US Markets

By Anca Gagiuc

Before the health crisis, metros located farther away from gateway cities offered more attainable rents. Then the work-from-home trend morphed into a new way of living. Eliminating daily commutes enabled people to redesign their lives and suddenly, housing affordability improved, as long as relocation was considered.

Rank	Metro	RBN Occupancy February 2023	RBN Occupancy 2022 vs 2023 (Feb)	Inventory Dec 2022 (Units)
1	San Antonio	90.9%	−2.9%	215.764
2	Detroit	94.2%	−1.8%	215.280
3	Houston	91.3%	−1.8%	701.376
4	Indianapolis	93.0%	−1.3%	175.913
5	Albuquerque	94.3%	−1.0%	55.019
6	Cincinnati	95.4%	−1.0%	114.708
7	Pittsburgh	95.4%	−0.8%	90.975
8	Columbus	94.5%	−0.6%	182.405
9	Kansas City	94.2%	−0.4%	165.423
10	St. Louis	93.6%	−0.2%	128.771

Albuquerque

Albuquerque's RBN multifamily market was $6 less affordable than Cincinnati's, with the average rate in the RBN segment at $1,157 in April, down 0.4 percent on a T3 basis. Yet the rate rose 8.2% year-over-year, marking the third largest increase among the metros in this group. On a rent-to-income basis, Albuquerque was the least affordable, as rent payment accounted for 26% of the local area median income, on par with Houston.
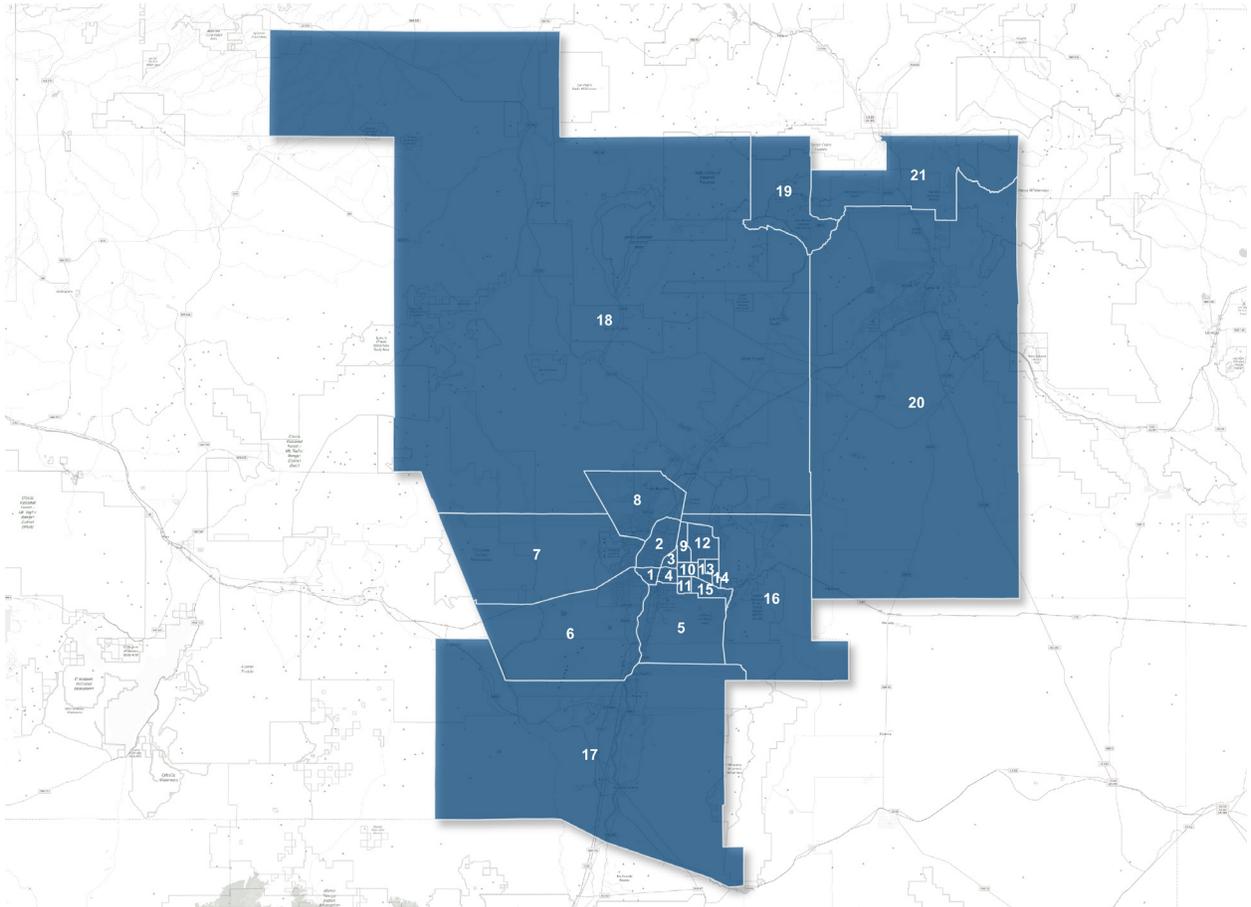
Area No.	Submarket
1	Albuquerque–Central
2	Albuquerque–North Valley
3	Albuquerque–Montgomery
4	Albuquerque–University
5	Albuquerque–South
6	Albuquerque–South Valley
7	Albuquerque–Westside
8	Albuquerque–Paradise Hills
9	Albuquerque–Academy
10	Albuquerque–Uptown
11	Albuquerque–International District

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 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.

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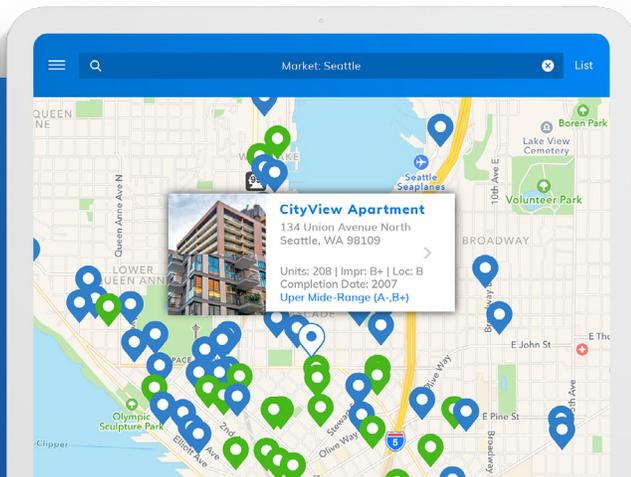
Yardi® Matrix

Power your business with the industry's leading data provider

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

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

CityView Apartment
134 Union Avenue North
Seattle, WA 98109

Units: 208 | Impr: B+ | Loc: B
Completion Date: 2007
Upper Mide-Range (A-,B+)

⅄YARDI

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Learn more at yardimatrix.com/**multifamily**