



I wish I had a six-burner stove, because I have three items on the front burner for August/September of 2024 an additional three items on the back burner that I wish I had more time to address.

Those include:

**Burner #1 – Will the Federal Reserve drop interest rates when they meet on September 17<sup>th</sup>/18<sup>th</sup>?**

Despite my hopes, prayers and statistical parsing of what the Federal Reserve states this year, they have declined 5 times. Could the 6<sup>th</sup> time be the charm?

The market thinks so... As we are finally starting to see the Fed break the back of inflation – with the first signs as job growth slows and unemployment rises to 4.35%, according to CNN - <https://www.cnn.com/2024/08/02/economy/us-jobs-report-july-final/index.html>

“Unsurprisingly, the Fed left rates unchanged but put markets on notice that a mid-September cut is highly likely. The Fed is now, finally, concerned not just about inflation, which they described almost benignly as just “somewhat elevated,” but more importantly, about labor markets which worryingly are slowly and steadily deteriorating. Expect a 25bps cut on 9/18/24 and hopefully 50bps on 12/18/24. See Powell Cut. Cut Powell cut. Cut, cut, cut.” – Elliot Eisenberg PHD, the Bowtie economist – [www.econ70.com](http://www.econ70.com)

One of my favorite local lenders, **Peter Gineris indicates** - “On the heels of the latest FOMC meeting, Freddie Mac has again lowered pricing on all Small Balance Loans for a decrease of 35 bps this week and a total drop of 135–160 bps since late April.”

One last note, the WRE News reports that mortgage rates have dropped to a 6-month low - <http://www.nmapartment.com/wrenews>

**Burner #2**

Thoughts on Property taxes, New Mexico’s path to full disclosure of sales prices, reclassifying short term rentals, penalizing new development and a potential transfer/stamp tax on real estate. A month ago, the common thought about the 2025 long legislative session was that since redistricting occurred, and no one was an incumbent, and all candidates were running, there would be **too little time** for the opposition to the housing/real estate industry to organize, write bills and lay out a battle plan.

Unfortunately, those thoughts were dashed when it became clear that many of the candidates and their supporters are hosting meetings and pushing an aggressive, anti-housing-development agenda that includes rent-control, landlord registry, residents bill of rights, full disclosure of sales price and so much more.

One example of this is the Association of County Assessors offices have been hosting a series of statewide townhalls to obtain voter feedback on a number of future legislative initiatives. This includes: “equitable disclosure of sales prices”, re-classifying short term rentals as commercial properties, and pushes to bring new construction suddenly to full market.

One such meeting was held in Las Cruces last week. The meeting was not posted on the Dona Ana county assessors website, or Dona Ana county website. While indications were that the meeting was open to the public, people in the room recalled that out of 50 attendees, 47 of them worked for the county assessor, leaving the head of NAIOP, the Apartment Association of NM, and a member of the governing affairs committee for the NM Association of Realtors as the only members of the public. The agenda had seven items on it which included a nod to local businesses, property owners, developers, etc., EXCEPT, of course, that they forgot to invite them.

An Assessor mantra/marketing campaign is starting to take shape – one that involves fighting for the little guy (Mom and Pop New Mexican's) against the big guy (out of state, corporate ownership from wall-street backed hedge funds). When confronted with the facts that the developers are local, that 88% of all apartment owners are New Mexico entities and that this push for higher values is going to lead to a “assessors renter tax” the response was that “rent control will fix that problem.”

Since the rewrite of the 1970s state constitution removed disclosure of sales price to remove the transfer tax, its reasonable to expect that full disclosure, could bring back a transfer tax.

In this age of abundant digital information, I personally believe full disclosure is in the best interest of our clients, so long as there is no ability to bring back a real estate property transfer tax.

The next two meetings are on September 11<sup>th</sup>, 2024 in Roswell (Chaves County), October 1<sup>st</sup>, in Las Vegas (San Miguel County) and the last one on December 4<sup>th</sup>, 2024 in Santa Fe. I will share additional info on the venues and times as it becomes “public”.

New apartment developments are experiencing a double to quadruple increases in assessed values, due to strong-arm tactics by the assessor, and a precedent of how the last half-dozen assessor handled new construction. So far, our model, indicates that whereas new construction assessments would lead to a bill of \$75 a month per unit, this has increased to \$100, \$200 and one unresolved case, \$300 a month in rent. **If you believe that taxes are ultimately passed on to the consumer, the in the middle of a housing shortage of over 23,000 rental units (see back burner #4 below), the assessors efforts could yield an across the board increase in rents of \$102.63 a month, per resident.**

If you are looking for leverage to push back, you are not alone as Nebraska has shared its frustration in a special session:

<https://www.newsfromthestates.com/article/nebraska-gov-pillen-formally-calls-special-session-property-tax-relief>

While voters in North Dakota are looking to place a ballot initiative to prohibit property taxes:

[https://ballotpedia.org/North\\_Dakota\\_Prohibit\\_Property\\_Taxes\\_Initiative\\_\(2024\)](https://ballotpedia.org/North_Dakota_Prohibit_Property_Taxes_Initiative_(2024))

**Want to vent about property taxes – complete this survey and let us know how you feel**

<http://www.nmapartment.com/propertytaxes>

**And if you want to help fight back, the political action committee, CASA NM PAC will be funding a marketing campaign and other efforts during the legislative session. This organization is run by volunteers, and we could use your financial support. REALTORS – your donation to the PAC has a large multiplier as your local Realtors Association will often match donation, which is then matched by the State Association, and then the National Association. (Full disclosure, I am the current president and unpaid volunteer board member for CASA NM PAC).**

### **Burner #3**

**NAR settlement** – The Spring of 2024 saw a lot of media coverage on how a handful of middle to large real estate brokerage firms limited the choices for their Sellers in terms of offering compensation to a Buyer's Broker. A Class-action lawsuit, followed by negotiations with the National Association of Realtors has led to dramatic changes in how houses are sold in residential Multiple Listing Systems. Since most of our business straddles working with Residential and Commercial Realtors, I would like to schedule time with you to discuss the changes our firm is making.

Since this lawsuit was announced, I have following the outcomes and working with our web vendor and legal counsel to develop solutions that allow our client's to maximize their exposure and opportunities to receive an offer, while potentially minimizing the fee you might offer to Buyer's Broker or as a credit to a Buyer who self represents.

Please note, I have been working on this to develop a system that works best for my clients as they balance offering a Buyer's broker compensation, or a credit a Buyer who self-represents vs. the concern that the property may not move as fast if they do not offer any compensation

The main question I have received from client's is where the balancing line is between offering some compensation and receiving offers, nor offering no compensation, and potentially receive no offers.

I think part of the answer to this question lies in who you believe the Buyer is.

If the Buyer is sophisticated, they may not need a Buyer's-Broker (and previously we would have offered a credit for representing themselves).

If the Buyer is not very sophisticated, but they have a sophisticated Buyers Broker, who can walk them through how they now should pay their Buyers Brokers for the work they do, then it should not be an issue not to offer a fee to the buyers-broker.

If both the Buyer's Broker and Buyer are not sophisticated, I think we are likely not to see offers from them as the (lazy?) Buyers broker will go to listing that are offering a Buyers-brokerage fee.

Knowing this, please find attached the addendum we are sending to all clients in the next 2 weeks that allows you to decide what fee you feel comfortable paying.

Since we are no longer allowed to advertise that fee in the MLS systems, NM Apartment Advisors Inc has developed an automated system where a broker can email us at [compensation@nmapartment.com](mailto:compensation@nmapartment.com) with a listing number and this form is sent to them directly. (Please note that national commercial MLS systems like loopnet, crexi, etc. will continue to have a Buyers brokerage fee advertised as the NAR ruling focused on residential MLS systems and houses)

Let me know what compensation (if any) you want to offer and if we can offer that as a credit to the Buyers broker so I can complete the form and send it to via docusign. I am also glad to jump on a zoom or call to discuss if that would help.

### **Back Burner #4 – Increase Employment**

Although Netflix studios is now open, a new strike launched on July 26<sup>th</sup> impacts over 160,000 actors/radio artists who make up the Screen Actors Guild-American Federation of Television and Radio Artists. Their issue revolves around video games, which are often tied up with TV shows, streaming services and movies.

The good news is that the recent announcement of Ebon Solar developing a 900 job plant at Mesa Del Sol raises the three year demand for housing to **23,048 rental units**.

### **Back Burner #5 – Dry Powder Capital**

We expect to see a number of larger deals come to market in Q3-2024 with an anticipate Q4-2024 closing. The common consensus is that vulture investors, who raised capital early when interest rates where on the rise, with a pitch to their investors that foreclosures and good deals would fall to their feet as the Federal Reserved upped interest rates 5% in a short amount of time. Fortunately, if you are a Seller, the Extend-and-Pretend guidance from the Treasury department to lenders has minimized a downturn in prices. Couple this with Sellers who are frozen /locked in place with low-interest rate loans, and it has left the vulture-capital-buyers-powder, cold and earning no return. Indications are as rates decrease, those investors will want to see their money invested or returned.

### **Back Burner #6 – Getting Deals done in this odd place of limbo**

**We have recently closed and/or pended a number of listing, many of which required creative deal crafting from the brokers and the Sellers.**

These include:

- Offering to buy down the Buyer's interest rates for 4 units and under from 6.25% to 4.99% when the Seller offers about 5% of the purchase price as a financing concession.
- Offering to move one resident out to allow an owner occupant.
- Offering a portfolio of deals with a slightly better buy for the Buyer than individual properties.
- Playing match maker with multiple Buyers and Sellers to line up their 1031 exchanges, tax benefits from a 2024 closing along with their other investment goals

### **And in the oven...**

In support or brining on more housing to alleviate the current housing shortage, we are excited to share with you a new website we have developed for the marketing of apartment land – you can view it at <http://www.nmapartmentland.com>.

**Although prices continue to show small gains, the decrease of deal volume has led to appraisal issues if the lender/appraiser are limited in their appraisal instructions by geography or time. Said another way, we have had to write four times as many appraisal rebuttal letters this year as we did last.**



We continue to be very optimistic about the strength of the market and are looking for a bright light at the end of the interest rate bridge that will yield more transactions.

Thanks,  
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