

Downtown Market Overview

The Economics of Land Use



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City of Albuquerque

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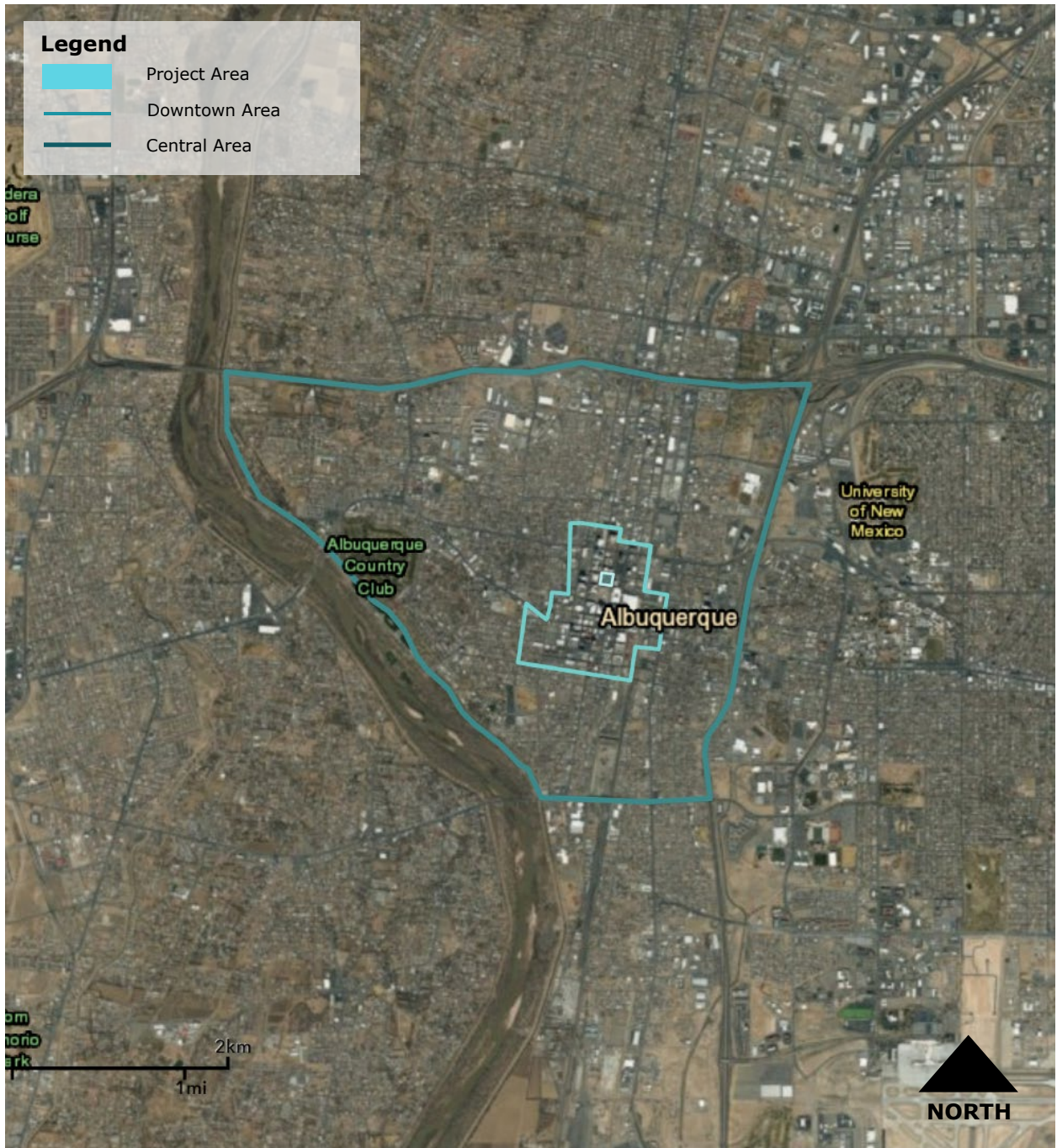
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Figure 2. Downtown Market Area



Figure 3. Central Market Area



2. Economic and Demographic Trends

This section provides a summary of the economic and demographic trends for the Downtown Area, a Central Market Area, and the City of Albuquerque. An overview of key population and household trends and conditions is provided below:

- Downtown currently has just under 1,100 housing units. The surrounding Central Area has 11,300 units as shown.
- Population, household, and housing unit growth within the Downtown Area has outpaced growth rates in the Central Area and in the City as a whole. Since 2010, the Downtown Area has added a total of 283 housing units or an average of roughly 31 units per year, as shown in **Table 1**.

Table 1. Population, Households, and Housing Units, 2000-2019

Description	2000	2010	2019	2000-2019			2010-2019		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Population									
Downtown	1,942	2,071	2,503	561	30	1.34%	432	48	2.13%
Central Area	20,897	20,235	21,643	746	39	0.18%	1,408	156	0.75%
City of Albuquerque	451,355	545,284	573,160	121,805	6,411	1.27%	27,876	3,097	0.56%
Households									
Downtown	533	697	978	445	23	3.25%	281	31	3.84%
Central Area	8,720	9,516	10,287	1,567	82	0.87%	771	86	0.87%
City of Albuquerque	184,475	224,125	232,828	48,353	2,545	1.23%	8,703	967	0.42%
Housing Units									
Downtown	607	809	1,092	485	26	3.14%	283	31	3.39%
Central Area	9,880	10,597	11,289	1,409	74	0.70%	692	77	0.71%
City of Albuquerque	199,701	238,924	250,342	50,641	2,665	1.20%	11,418	1,269	0.52%

Source: ESRI Business Analyst; Economic & Planning Systems

Employment trends and conditions are tracked for the 2005 to 2018 time period. Data is only available at the county level as shown in the tables and figures below.

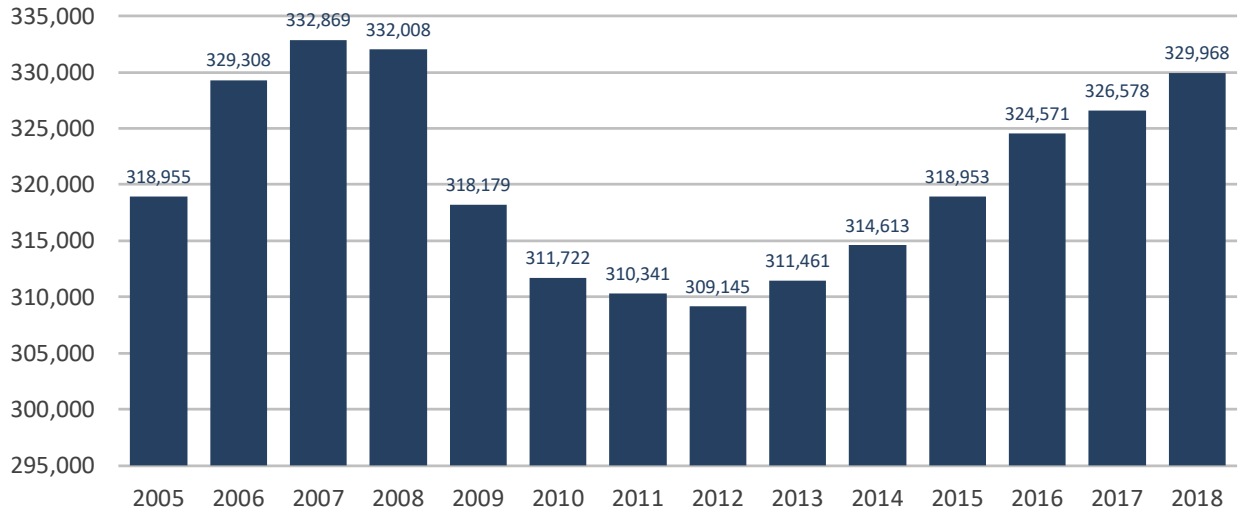
- Between 2010 and 2018, employment in the Bernalillo County increased by 0.71 percent per year (2,281 jobs per year), as shown in **Table 2**. High wage sectors, including health care, have experienced some of the highest growth rates across specific industries.
- Employment in Bernalillo County reached 330,000 in 2018 which is approximately equal to pre-recession peak at 332,000 in 2008, as shown in **Figure 4**.
- The majority of employment within the Central Area is represented by health care and social assistance (19 percent of total), accommodation and food services (11 percent of total), and retail trade (11 percent of total) as shown in **Figure 5**. Combined these three sectors make up nearly 41 percent of employment in the Downtown Area.

Table 2. Employment by Industry, Bernalillo County, 2005-2018

Industry	2005	2010	2018	2005-2010			2010-2018		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Accommodation and Food Services	29,595	32,190	37,344	2,595	519	1.70%	5,154	644	1.87%
Administrative and Waste Services	25,796	23,505	21,024	-2,291	-458	-1.84%	-2,481	-310	-1.38%
Agriculture, Forestry, Fishing & Hunting	173	168	229	-5	-1	-0.58%	61	8	3.95%
Arts, Entertainment, and Recreation	6,856	5,496	6,352	-1,360	-272	-4.33%	856	107	1.83%
Construction	25,334	18,949	20,575	-6,385	-1,277	-5.64%	1,626	203	1.03%
Educational Services	25,206	27,080	25,005	1,874	375	1.44%	-2,075	-259	-0.99%
Finance and Insurance	11,209	10,044	11,665	-1,165	-233	-2.17%	1,621	203	1.89%
Health Care and Social Assistance	44,756	52,155	62,004	7,399	1,480	3.11%	9,849	1,231	2.19%
Information	8,025	7,958	6,998	-67	-13	-0.17%	-960	-120	-1.59%
Management of Companies and Enterprises	3,580	3,173	3,597	-407	-81	-2.38%	424	53	1.58%
Manufacturing	15,589	12,685	12,594	-2,904	-581	-4.04%	-91	-11	-0.09%
Mining	81	139	113	58	12	11.41%	-26	-3	-2.56%
Other Services, Ex. Public Admin	9,208	9,247	9,152	39	8	0.08%	-95	-12	-0.13%
Professional and Technical Services	29,147	28,243	30,565	-904	-181	-0.63%	2,322	290	0.99%
Public Administration	17,109	19,706	20,496	2,597	519	2.87%	790	99	0.49%
Real Estate and Rental and Leasing	5,039	4,723	4,895	-316	-63	-1.29%	172	22	0.45%
Retail Trade	38,851	35,092	35,652	-3,759	-752	-2.01%	560	70	0.20%
Transportation and Warehousing	10,996	9,509	9,848	-1,487	-297	-2.86%	339	42	0.44%
Unclassified	47	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Utilities	N/A	733	1,084	N/A	N/A	N/A	351	44	5.01%
Wholesale Trade	12,358	10,927	10,776	-1,431	-286	-2.43%	-151	-19	-0.17%
Total	318,955	311,722	329,968	-7,919	-1,584	-0.46%	18,246	2,281	0.71%

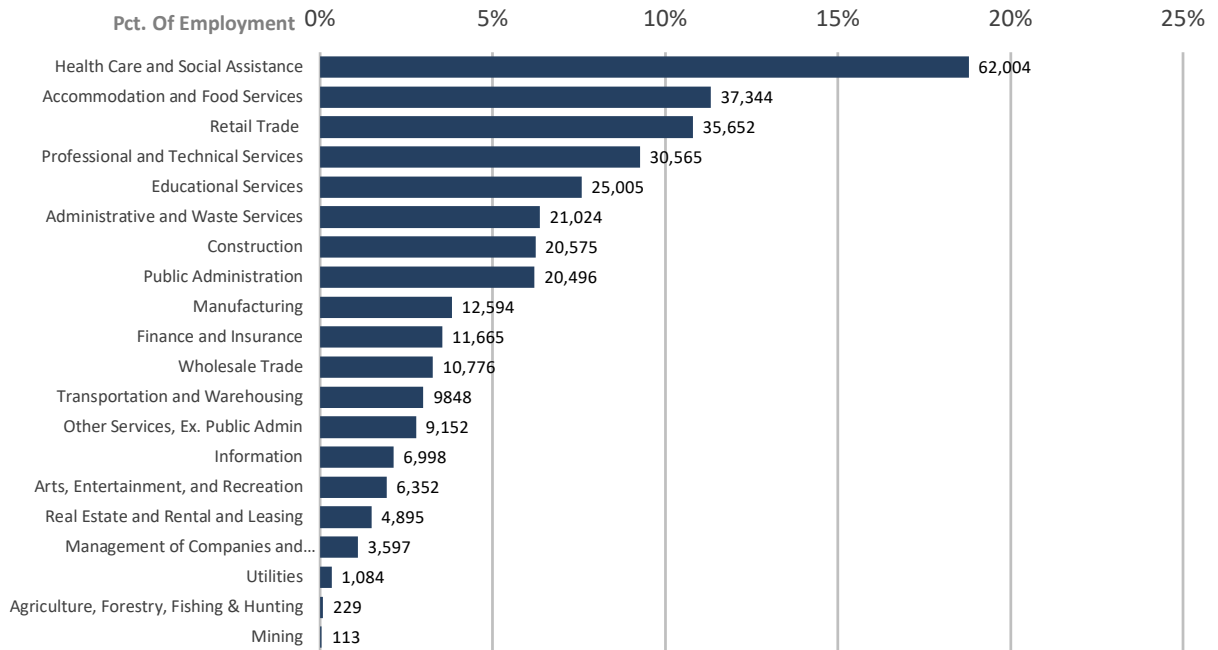
Source: Bureau of Labor Statistics QCEW; Economic & Planning Systems

Figure 4. Total Employment, Bernalillo County, 2005-2018



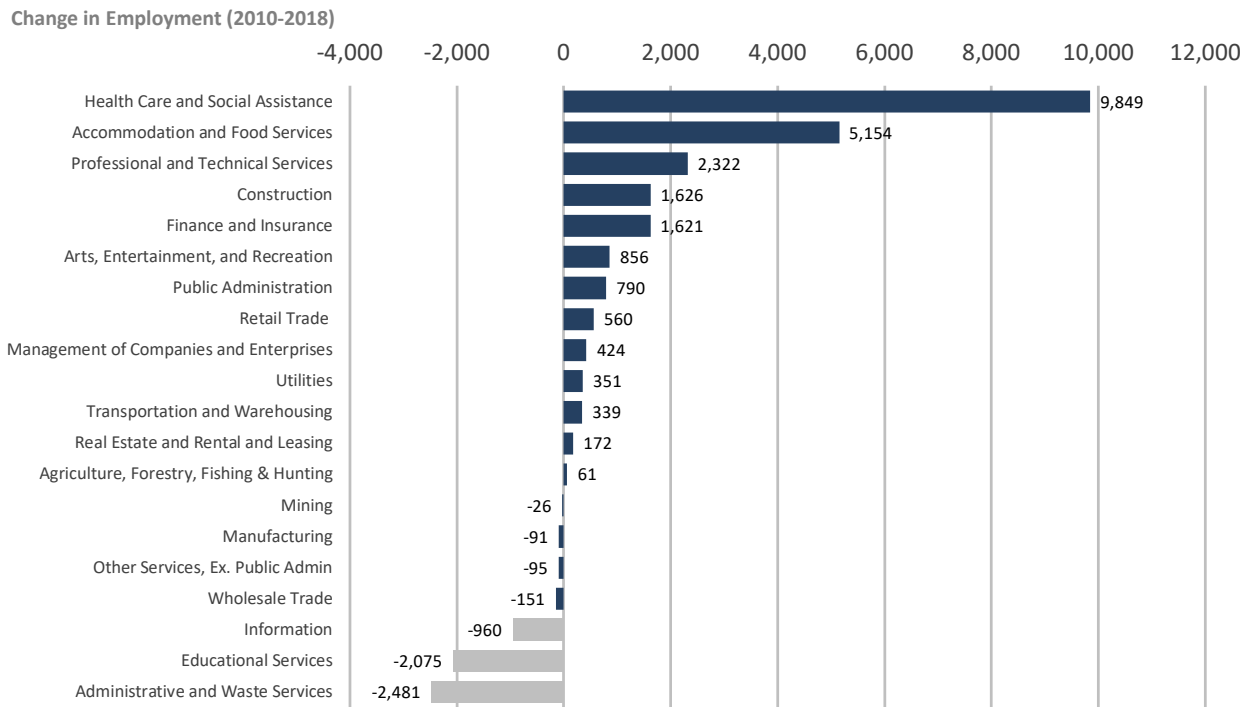
Source: Bureau of Labor Statistics QCEW; Economic & Planning Systems

Figure 5. Employment by Industry, Bernalillo County, 2018



Source: QCEW; Economic & Planning Systems

Figure 6. Change in Employment, Bernalillo County, 2005-2018



Source: QCEW; Economic & Planning Systems

3. Office Market

This section provides a summary of the key market trends for office space in the Downtown Area and Central Area surrounding the project site as well as the City of Albuquerque. An overview of key trends and conditions is provided below:

- Steady job growth and corresponding population growth has resulted in a strengthening office market in and around Albuquerque. However, much of this growth has occurred outside of the Central Area. Since 2007, the Central Area has only seen an additional 76,800 square feet of additional office development, as shown in **Table 3**.
- Since 2010, nearly all (93 percent) of new office development in the City of Albuquerque has been Class B office space, as shown in **Table 4**. During this period, only 43,000 square feet of Class A office space has been added to the overall inventory in the City. Currently, the 230,000-square foot 500 Marquette and 182,511-square foot 6565 Americas Parkway command some of the highest asking rents for Class A space in Albuquerque.
- Base rental rates are currently estimated at \$18.35 per square foot for all office development within the Central Area and \$16.17 in the City of Albuquerque, as shown in **Figure 7** and **Table 3**.
- Vacancy rates for office space in the Central Area decreased significantly between 2014 and 2018, from 16.4 percent in 2014 to 7.5 percent in Q4 of 2019, as shown in **Figure 10** and **Table 3**. Vacancy rates for Class A space in the downtown area averaged 12.9 percent as of the fourth quarter of 2019, down from 14.3 percent in 2010, as shown in **Table 4**. In recent quarters, occupancy rates have decreased, and as of the fourth quarter of 2019, vacancy stood at 7.5 percent. Nevertheless, current vacancy remains lower than the historical average over the past decade.
- We note that office vacancy rates tracked by local brokerage firms, such as Colliers and CBRE, are higher than vacancy tracked by CoStar. As of the fourth quarter of 2019, Colliers tracks office vacancy in the downtown submarket (coterminous with the Central Area) at 18.2 percent, as shown in **Table 5**. As of H2 of 2019, CBRE tracks office vacancy at 23.0 percent in the Central Area. This discrepancy is due to the fact that Colliers and CBRE track their data differently, and typically exclude public space and buildings 10,000 square feet or less, which tend to have higher occupancy.
- Since 2011, the Central Area office market has witnessed just 2,200 square feet of new deliveries, as shown in **Table 3**. The City of Albuquerque, however, has posted nearly 2.3 million square feet of new office deliveries since 2007, as shown in **Table 3** indicating the strength of the broader office market.

Table 3. Office Development, Downtown, Central Area, City of Albuquerque, 2007-2019

Year	Downtown			Central Area			Albuquerque		
	Deliveries	Base Rent per sq. ft.	Vacancy	Deliveries	Base Rent per sq. ft.	Vacancy	Deliveries	Base Rent per sq. ft.	Vacancy
Starting Inventory	5,203,222			7,119,768			31,410,520		
2007	0	\$13.54	9.1%	36,600	\$13.87	8.2%	393,293	\$14.72	8.9%
2008	0	\$15.53	14.8%	40,610	\$15.82	12.9%	570,618	\$15.57	10.6%
2009	0	\$13.62	13.5%	23,936	\$13.49	11.7%	498,071	\$15.52	10.9%
2010	0	\$16.27	13.9%	7,500	\$16.31	11.4%	328,744	\$15.96	11.2%
2011	0	\$15.91	14.1%	0	\$15.69	10.9%	252,390	\$15.35	11.3%
2012	0	\$15.47	15.6%	0	\$14.87	12.4%	64,532	\$15.23	11.4%
2013	0	\$15.72	19.8%	0	\$15.00	16.4%	169,734	\$15.19	12.0%
2014	0	\$15.76	20.4%	2,200	\$14.91	16.4%	34,700	\$15.22	12.6%
2015	0	\$16.39	17.9%	0	\$15.64	14.8%	11,256	\$14.53	11.6%
2016	0	\$17.17	11.6%	0	\$16.97	9.7%	59,319	\$15.03	8.8%
2017	0	\$17.15	10.0%	0	\$16.96	8.2%	189,250	\$14.82	7.5%
2018	0	\$18.48	7.0%	0	\$18.25	5.5%	21,530	\$15.78	7.5%
2019	0	\$18.45	9.1%	0	\$18.35	7.5%	68,000	\$16.17	7.1%
Ending Inventory	5,203,222			7,196,538			33,681,188		
Change	N/A	\$4.91	0.0%	76,770	\$4.48	-0.7%	2,270,668	\$1.45	-1.8%
Ann. #	N/A	\$0.41	0.0%	6,398	\$0.37	-0.1%	189,222	\$0.12	-0.2%
Ann. %	N/A	2.61%	0.0%	0.09%	2.36%	-0.7%	0.58%	0.79%	-1.9%

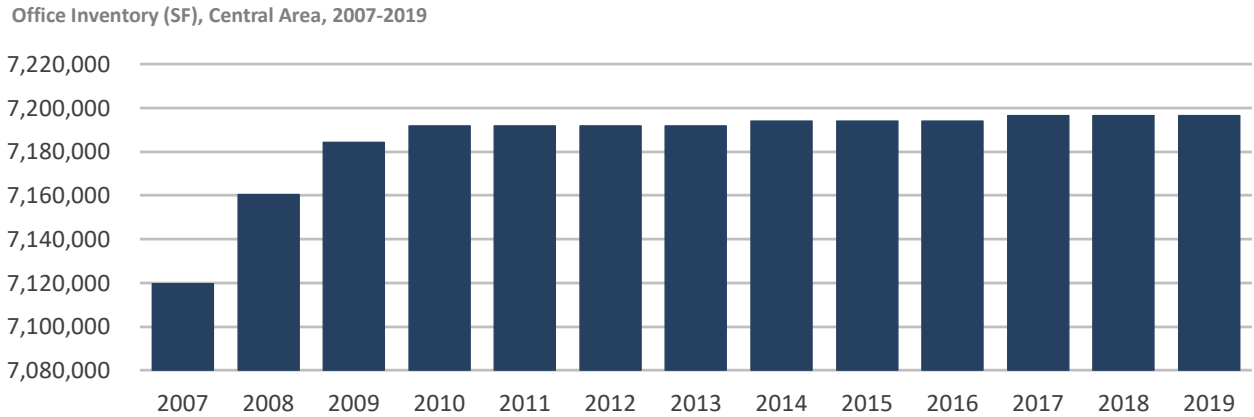
Source: CoStar; Economic & Planning Systems

Table 4. Class A/B/C Office, Downtown, 2010-2019

Description	Downtown			Central Area			Albuquerque		
	Total SF	Vacant SF	Vacancy	Total SF	Vacant SF	Vacancy	Total SF	Vacant SF	Vacancy
2010									
Class A	2,041,357	292,357	14.3%	2,041,357	292,357	14.3%	4,719,096	565,096	12.0%
Class B	2,793,194	404,355	14.5%	4,082,621	474,485	11.6%	21,204,102	2,461,239	11.6%
Class C	450,671	26,405	5.9%	1,065,669	50,590	4.7%	6,847,507	662,836	9.7%
Subtotal	5,285,222	723,117	13.7%	7,189,647	817,432	11.4%	32,770,705	3,689,171	11.3%
2019									
Class A	2,041,357	262,771	12.9%	2,041,357	262,771	12.9%	4,762,096	551,778	11.6%
Class B	2,793,194	205,317	7.4%	4,084,821	262,551	6.4%	21,996,577	1,521,750	6.9%
Class C	450,671	5,135	1.1%	1,068,193	14,384	1.3%	6,863,737	320,963	4.7%
Subtotal	5,285,222	473,223	9.0%	7,194,371	539,706	7.5%	33,622,410	2,394,491	7.1%
Change									
Class A	0	-29,586	-1.4%	0	-29,586	-1.4%	43,000	-13,318	-0.4%
Class B	0	-199,038	-7.1%	2,200	-211,934	-5.2%	792,475	-939,489	-4.7%
Class C	0	-21,270	-4.7%	2,524	-36,206	-3.4%	16,230	-341,873	-5.0%
Subtotal	0	-249,894	-4.7%	4,724	-277,726	-3.9%	851,705	-1,294,680	-4.1%

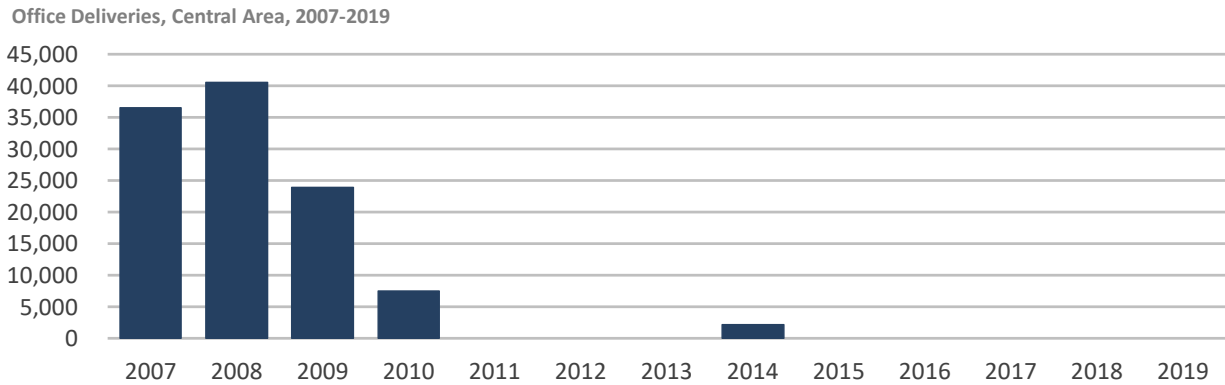
Source: CoStar; Economic & Planning Systems

Figure 7. Office Inventory (SF), Central Area, 2007-2019



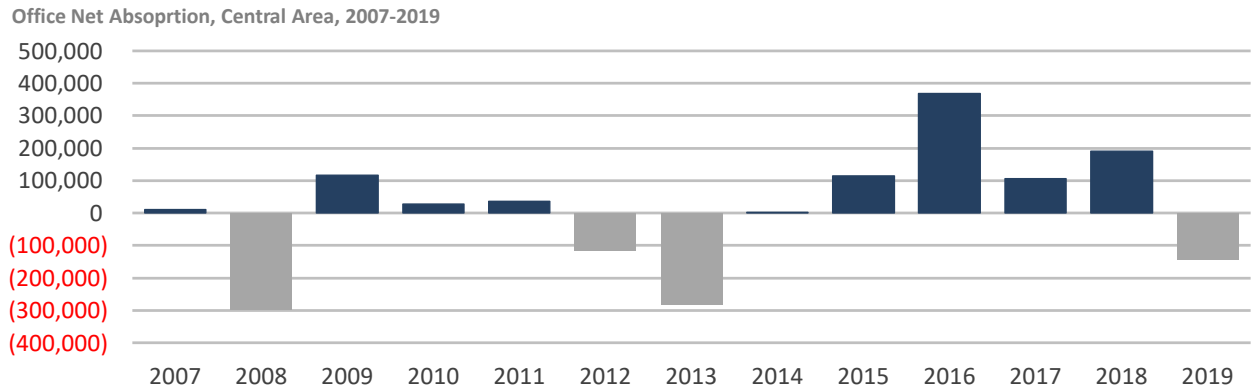
Source: CoStar; Economic & Planning Systems

Figure 8. Office Deliveries, Central Area, 2007-2019



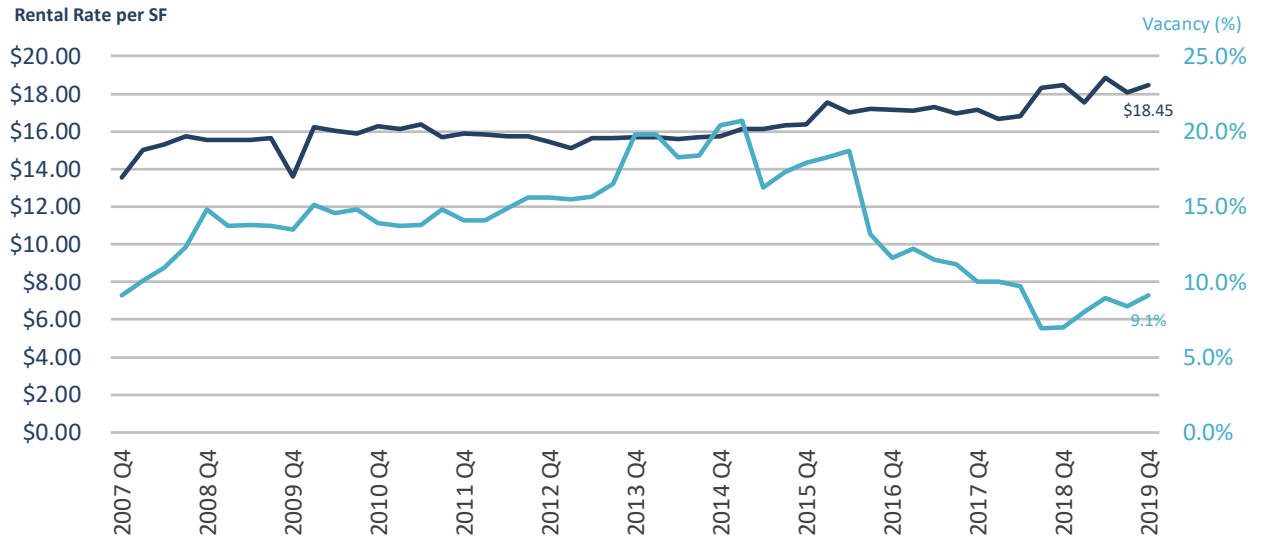
Source: CoStar; Economic & Planning Systems

Figure 9. Office Net Absorption, Central Area, 2007-2019



Source: CoStar; Economic & Planning Systems

Figure 10. Office Avg. Rent per SF and Vacancy, Downtown, 2007-2019



Source: CoStar; Economic & Planning Systems

Table 5. Office Metrics by Data Source

Description	CoStar	CBRE	Colliers
Rent			
Central Area	\$18.35	\$16.50	\$19.32
Albuquerque	\$16.17	\$16.00	\$18.76
Vacancy			
Central Area	7.5%	23.0%	18.2%
Albuquerque	7.1%	17.2%	16.4%

Source: CoStar; CBRE; Colliers; Economic & Planning Systems

Projects proposed and recently completed (since 2000) are summarized in **Table 6**. The largest delivery to the Central Area since 2000 was a 153,465-square foot office development tenanted by the Social Security Administration, which was delivered in 2001. While there are currently no office projects under construction, the 47,450-square foot Innovate ABQ project is expected to be completed in the latter half of 2020.

Table 6. Office Development Summary, Central Area

Name	Address	Year	Stories	RBA	Occ.
Proposed					
Innovate ABQ	101 Broadway Blvd NE	2020	3	<u>47,450</u>	---
Total/Average				47,450	---
Existing					
ACCIÓN	2000 Zearing Ave NW	2010	1	7,500	100.0%
MWC Office Building	1030 18th St	2009	2	12,000	100.0%
800 Lomas Professional Office Comple	800 Lomas Blvd NW	2009	2	11,936	100.0%
Emerald Building	1121 4th St NW	2008	3	25,500	100.0%
N/A	1130 Mountain Rd NW	2008	2	3,490	100.0%
N/A	1516 5th St NW	2008	1	11,620	100.0%
West Enterprise Center	609 Broadway Blvd NE	2007	2	36,600	100.0%
New Mexico Human Services Department	1010 18th St NW	2005	1	25,267	100.0%
N/A	115 Gold Ave SW	2005	2	28,980	68.5%
N/A	1412 Lomas Blvd NW	2005	2	5,200	100.0%
N/A	610 Broadway Blvd NE	2004	1	9,863	0.0%
N/A	1001 Woodward PI NE	2003	2	93,590	100.0%
N/A	555 Broadway Blvd NE	2003	2	62,078	100.0%
Acropolis	220 Copper Ave NW	2002	7	14,400	100.0%
USDA Forest Service Building	333 Broadway Blvd SE	2001	3	94,783	100.0%
Social Security Admin (GSA)	500 Lead Ave SW	2001	4	153,465	100.0%
N/A	1324 6th St NW	2000	1	1,073	100.0%
N/A	510 Slate Ave NW	2000	1	3,615	100.0%
N/A	600 Central Ave SW	2000	3	26,799	96.3%
N/A	915 Copper Ave NW	2000	1	<u>5,159</u>	<u>100.0%</u>
Total/Average				632,918	93.2%

Source: CoStar; Economic & Planning Systems

Strong population and job growth have contributed to a strengthening office market in Albuquerque. While there has been a relative lack of new supply Downtown and in the Central Area, rental rates have charted steady growth and vacancy is at a near-record low. Overall, the Albuquerque office market should remain relatively stable and the outlook is optimistic.

4. Retail Market

This section provides an overview of the retail market in the Central Area surrounding the project site as well as the City of Albuquerque. While the data surrounding office uses is mixed, the data regarding the retail sector shows steady and increasingly positive trends.

An overview of key trends and conditions is provided below:

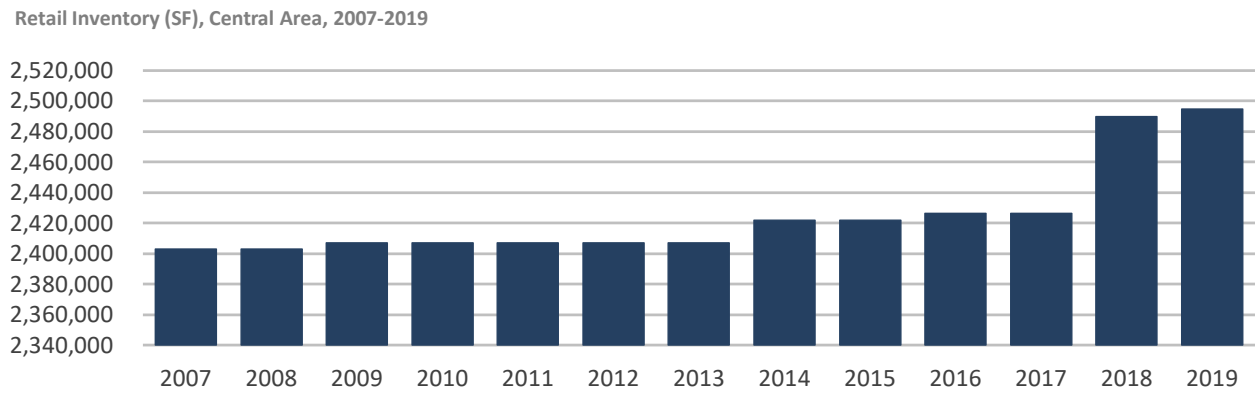
- Between 2017 and 2019, the Central Area added just 91,600 square feet of additional retail space, a growth rate of 0.3 percent per year. In addition, there are a limited number of projects that are currently underway or proposed. However, other market fundamentals, such as trends in rental and occupancy rates are strong.
- Between 2007 and 2019, rental rates in the Central Area increased by 5.2 percent per year and currently average \$17.50 per square foot (NNN), while rental rates in the City of Albuquerque have modestly grown at 0.1 percent over the same period and currently average \$13.99 per square foot (NNN), as shown in **Table 7** and **Figure 14**.
- Vacancy rates have generally fallen over the latter half of the past decade, with minor occupancy erosion witnessed in recent years. Nevertheless, vacancy rates are currently estimated at just 4.0 percent and 5.2 percent in the Central Area and City of Albuquerque, respectively, as shown in **Table 7** and **Figure 14**. In most markets, equilibrium for stabilized vacancies ranges from 5.0 to 7.0 percent for retail space. Averages below this range are one indication of demand for additional space.
- We note that retail vacancy rates tracked by local brokerage firms, such as Colliers and CBRE, are higher than vacancy tracked by CoStar. As of the fourth quarter of 2019, Colliers tracks office vacancy in the downtown submarket (coterminous with the Central Area) at 13.6 percent, as shown in **Table 8**. As of H2 of 2019, CBRE tracks office vacancy at 19.5 percent in the Central Area. This discrepancy is due to the fact that Colliers and CBRE track their data differently, and typically exclude public space and buildings 10,000 square feet or less, which tend to have higher occupancy.

Table 7. Retail Development, Downtown, Central Area, Albuquerque, 2007-2019

Year	Downtown			Central Area			Albuquerque		
	Deliveries	NNN Rent <i>per sq. ft.</i>	Vacancy	Deliveries	NNN Rent <i>per sq. ft.</i>	Vacancy	Deliveries	NNN Rent <i>per sq. ft.</i>	Vacancy
Starting Inventory	796,111			2,403,030			43,967,978		
2007	27,950	\$8.45	5.3%	35,135	\$9.58	5.5%	534,103	\$13.79	4.8%
2008	0	\$11.06	9.3%	0	\$11.83	4.5%	537,603	\$14.27	5.4%
2009	0	\$14.76	6.6%	3,800	\$14.34	5.3%	688,809	\$15.00	6.5%
2010	0	\$15.04	11.7%	0	\$14.32	7.0%	156,358	\$14.66	6.6%
2011	0	\$15.62	6.1%	0	\$13.55	6.0%	196,316	\$13.90	6.8%
2012	0	\$14.21	7.9%	0	\$15.01	5.9%	94,016	\$13.20	6.5%
2013	0	\$13.99	10.6%	0	\$13.99	6.7%	283,443	\$13.05	6.6%
2014	0	\$12.71	12.1%	15,000	\$11.75	6.1%	375,240	\$13.30	5.4%
2015	0	\$10.67	13.0%	0	\$11.59	5.2%	123,790	\$14.57	4.6%
2016	0	\$10.87	8.0%	4,750	\$12.99	3.9%	319,306	\$14.29	3.9%
2017	0	\$14.31	5.8%	0	\$14.58	2.8%	359,005	\$13.78	4.6%
2018	44,000	\$18.71	10.4%	63,008	\$16.27	4.7%	260,013	\$13.95	5.4%
2019	0	\$19.35	8.5%	5,000	\$17.50	4.0%	74,475	\$13.99	5.2%
Ending Inventory	840,111			2,494,588			47,580,708		
Change	44,000	\$10.90	3.2%	91,558	\$7.92	-1.5%	3,612,730	\$0.20	0.4%
Ann. #	3,667	\$0.91	0.3%	7,630	\$0.66	-0.1%	301,061	\$0.02	0.0%
Ann. %	0.45%	7.15%	4.0%	0.31%	5.15%	-2.6%	0.66%	0.12%	0.7%

Source: CoStar; Economic & Planning Systems

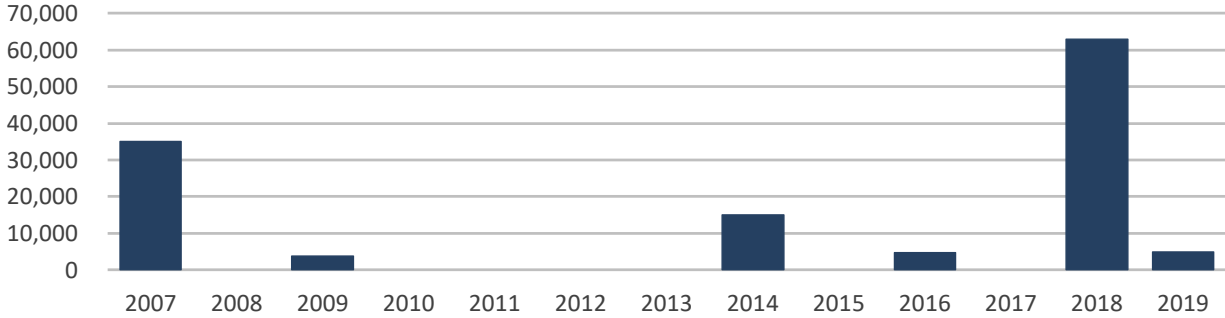
Figure 11. Retail Inventory (SF), Central Area, 2007-2019



Source: CoStar; Economic & Planning Systems

Figure 12. Retail Deliveries (SF), Central Area, 2007-2019

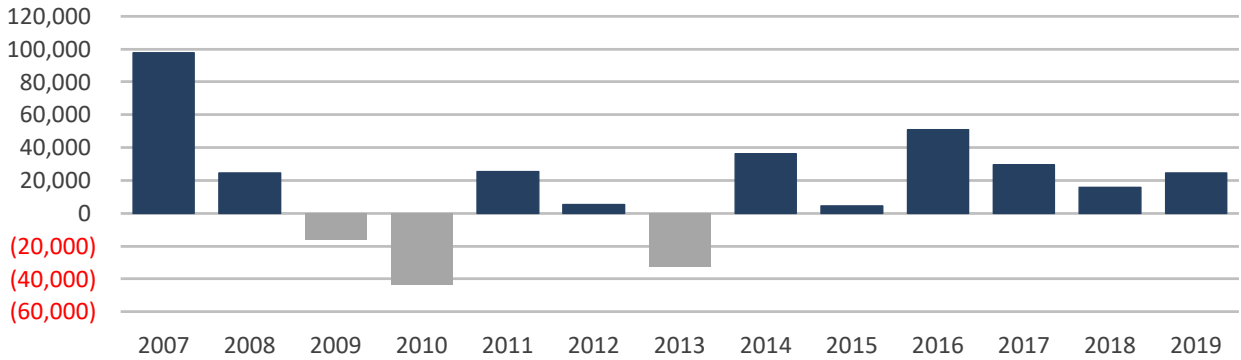
Retail Deliveries, Central Area, 2007-2019



Source: CoStar; Economic & Planning Systems

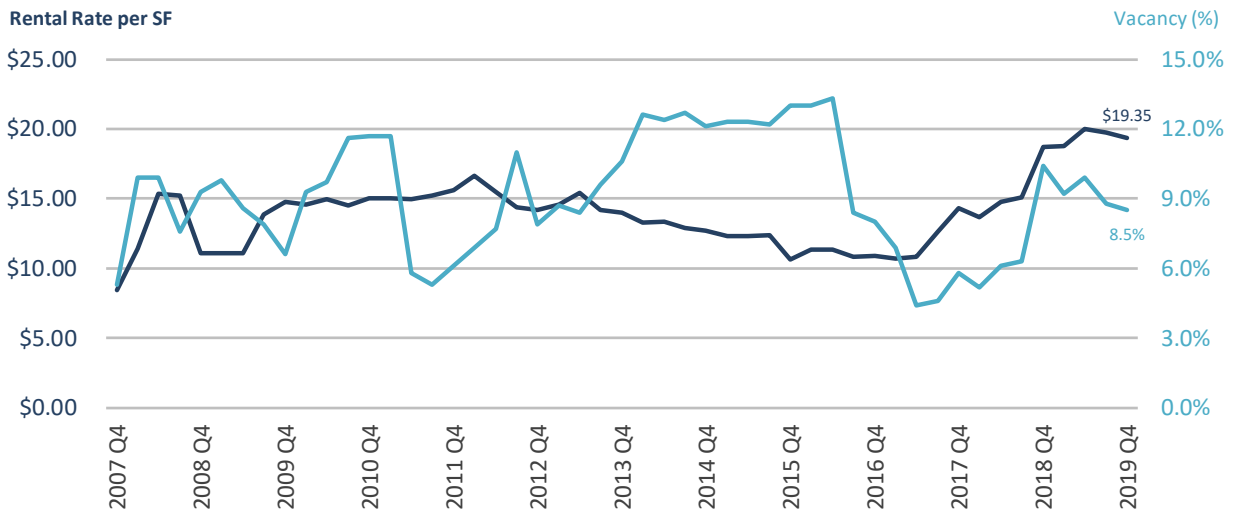
Figure 13. Retail Net Absorption (SF), Central Area, 2007-2019

Retail Net Absorption, Central Area, 2007-2019



Source: CoStar; Economic & Planning Systems

Figure 14. Retail Avg. Rent per SF and Vacancy, Downtown, 2007-2019



Source: CoStar; Economic & Planning Systems

Table 8. Retail Metrics by Data Source

Description	CoStar 2019 Q4	CBRE 2019 H2	Colliers 2019 Q4
Rent			
Central Area	\$17.50	\$17.75	\$16.86
Albuquerque	\$13.99	\$14.00	\$14.73
Vacancy			
Central Area	4.0%	19.5%	13.6%
Albuquerque	5.2%	11.0%	6.7%

Source: CoStar; CBRE; Colliers; Economic & Planning Systems
 C:\Users\Adam Illing\Downloads\Colliers & CBRE Market data.xlsx\T-Retail 3 Source

Projects proposed and recently completed (built since 2000) are summarized in **Table 9**. The largest retail delivery to the Central Area since 2000 was the 47,930-square foot Century 14 Theatres which came online in 2004. While there are currently no office projects under construction, three retail developments, each comprising less than 20,000 square feet, are in the proposal pipeline.

Table 9. Retail Development Summary, Central Area

Name	Address	Year	Stories	RBA	Avg. Rent (NNN)	Occ.
Proposed						
Proposed - Building 4	12th St NW	N/A	1	2,500	---	---
Proposed - Building 3	12th St NW	N/A	1	5,000	---	---
Proposed - Building 2	12th St NW	N/A	1	<u>16,000</u>	---	---
Total/Average				23,500	---	---
Existing						
N/A	616 Lomas Blvd NW	2020	1	4,882	---	50.3%
N/A	1771 Bellamah Ave NW	2019	1	5,000	---	100.0%
N/A	2500 Central Ave	2018	1	19,008	---	69.6%
One Central	1 Central Ave NW	2018	3	44,000	---	0.9%
Burger King	1000 Rio Grande Blvd NW 1	2016	1	3,250	---	100.0%
Starbucks	1000 Rio Grande Blvd NW 2	2016	1	1,500	---	100.0%
N/A	1410 Central Ave SW	2014	2	15,000	---	100.0%
N/A	1211 4th St NW	2009	1	3,800	---	100.0%
N/A	215 Central Ave SW	2007	3	23,000	---	100.0%
Lotus Nightclub	211 Gold Ave SW	2007	1	4,950	---	100.0%
N/A	309 Rio Grande Blvd NW	2007	2	3,657	---	100.0%
N/A	523 Lomas Blvd NW	2006	1	2,072	---	100.0%
N/A	203 Rio Grande Blvd NW	2006	1	4,000	---	100.0%
N/A	300 Aspen Ave NW	2005	1	4,800	---	100.0%
Century 14 Theaters	100 Central Ave SW	2004	1	47,930	---	100.0%
City Market Lofts	401 Central Ave NE	2000	3	21,500	---	100.0%
N/A	300 Broadway Blvd NE	2000	2	7,169	---	100.0%
N/A	400 Romero	2000	2	<u>5,000</u>	---	100.0%
Total/Average				220,518	---	90.0%

Source: CoStar; Economic & Planning Systems

Much like the Albuquerque office market, the Albuquerque retail market has experienced limited construction activity in recent years. Despite this, rental rate growth, especially in the Central Area, has been strong. In addition, vacancy in the retail market has generally fallen over the past decade. Overall, the outlook for the Albuquerque retail market is optimistic.

5. Lodging Market

This section provides an overview of key metrics related to the hotel market in and around the Central Area. Specific metrics such as room nights, average daily rate (ADR), and occupancy rates are summarized. This section focuses on six comparable select properties in the Central Area, as shown in **Table 10**. Hotel Parq Central, Embassy Suites, Hyatt Regency, Curio Collection, and Hotel Albuquerque at Old Town are all classified as upper upscale hotels, while Hotel Chaco is classified as a luxury hotel. The downtown market for hotels has generally improved over the past five years. An overview of key trends and conditions related to these selected hotels is provided below:

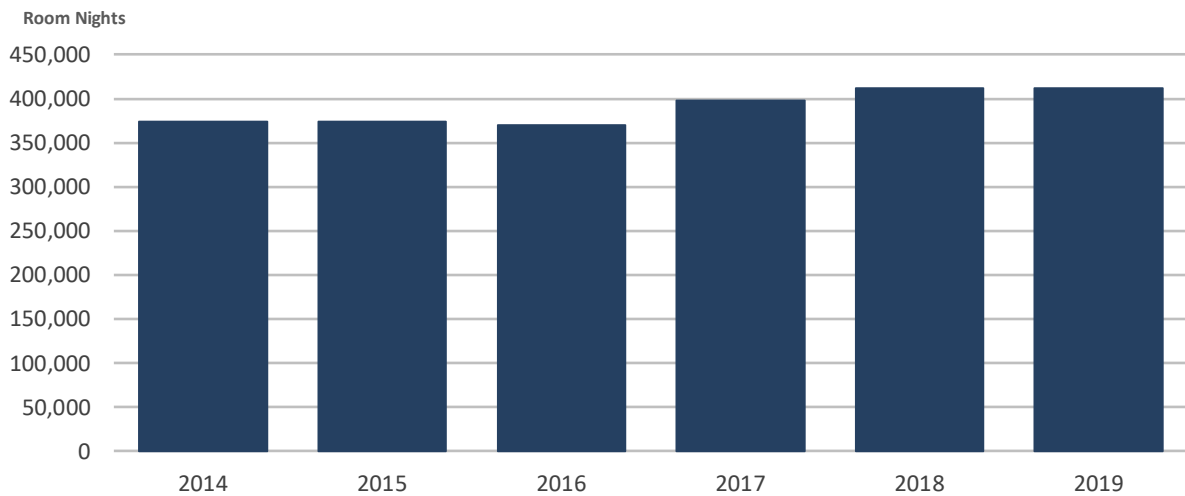
- Between 2014 and 2019, an additional 38,325 hotel room nights were added to the market, which translates to an additional 105 rooms, as shown in **Table 12** and **Figure 15**.
- Between 2014 and 2019, average daily revenue (ADR) and revenue per available room (RevPAR) have escalated at 3.7 percent and 5.0 percent, respectively, as shown in **Table 11**, **Figure 17**, and **Figure 18**. The current ADR for the six area competitive properties is roughly \$139 per room.
- Average annual occupancy rates are estimated at 72 percent, as shown in **Table 11** and **Figure 16**. This level is above the key metric of 70 percent occupancy, which the industry generally relies on to support additional construction.
- Occupancy rates for the six competitive hotels were estimated at approximately 68.1 percent in 2014 and 72.4 percent in 2019, as shown in **Table 11**. ADR was estimated at \$139 per room in 2019, which represents an increase of approximately \$23 per night or 3.7 percent compared to 2014 rates. RevPAR was estimated at \$100 per room which also represents an annual increase of 5.0 percent from 2014. As noted above, the competitive hotels included in this analysis reflect a mix of luxury and upper upscale hotels. The hotel proposed at this location is expected to be a luxury hotel and is likely to be able to achieve an ADR and RevPAR above what is summarized below.

Table 10. Competitive Hotel Summary

Name	Rooms	Class
Hotel Parq Central	74	Upper Upscale Class
Embassy Suites by Hilton Albuquerque Hotel & Spa	261	Upper Upscale Class
Hyatt Regency Albuquerque	382	Upper Upscale Class
Curio Collection by Hilton Hotel Andaluz Albuquerque	107	Upper Upscale Class
Hotel Chaco	118	Luxury Class
Hotel Albuquerque @ Old Town	188	Upper Upscale Class

Source: STR; Economic & Planning Systems

Figure 15. Hotel Supply (Room Nights), Central Area Competitive Properties, 2014-2019



Source: Smith Travel Research (STR); Economic & Planning Systems

Table 11. Operating Summary, Central Area Competitive Properties, 2014-2019

Description	2014	2019	2014-2019		
			Total	Ann. #	Ann. %
Occupancy	68.1%	72.4%	4.3%	0.9%	1.2%
ADR	\$115	\$139	\$23.2	\$4.6	3.7%
RevPAR	\$79	\$100	\$21.8	\$4.4	5.0%

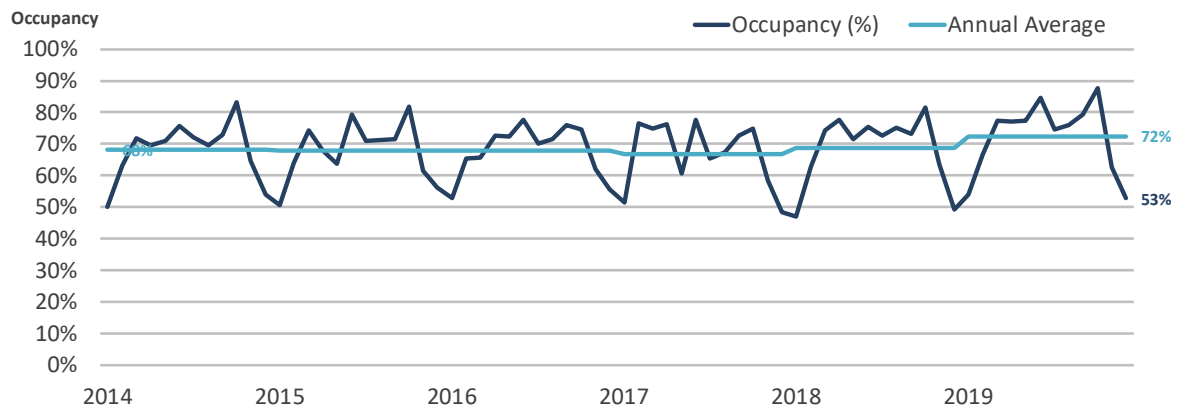
Source: STR; Economic & Planning Systems

Table 12. Lodging Overview, Central Area Competitive Properties, 2014-2019

Year	Supply (Room Nights)	ADR (\$)	RevPAR(\$)	Revenue	Occupancy (%)
2014	374,125	\$115	\$79	\$29,403,213	68.1%
2015	374,125	\$120	\$81	\$30,346,069	67.8%
2016	369,783	\$123	\$84	\$30,877,455	68.0%
2017	398,290	\$130	\$87	\$34,540,579	66.8%
2018	412,450	\$134	\$92	\$37,961,702	68.6%
2019	412,450	\$139	\$100	\$41,417,068	72.4%
Change	38,325	\$23.22	\$21.83	\$12,013,855	4.3%
Ann. #	7,665	\$4.64	\$4.37	\$2,402,771	0.87%
Ann. %	2.0%	3.7%	5.0%	7.1%	1.2%

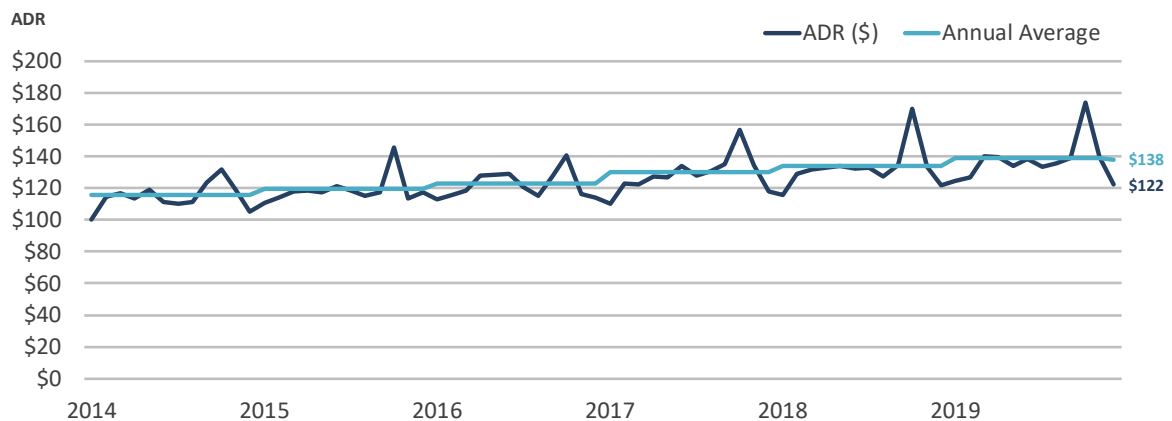
Source: Smith Travel Research (STR); Economic & Planning Systems

Figure 16. Hotel Occupancy (%), Central Area Competitive Properties, 2014-2019



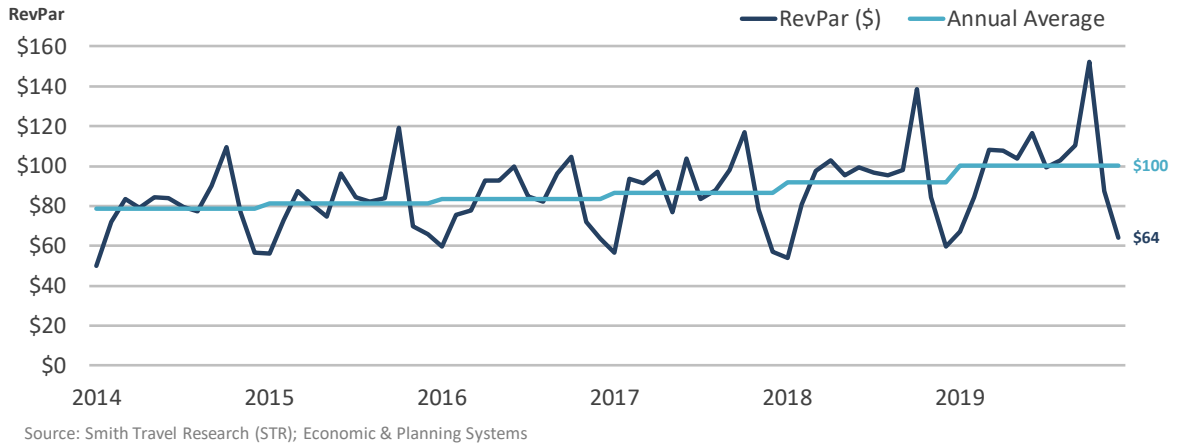
Source: Smith Travel Research (STR); Economic & Planning Systems

Figure 17. Hotel Avg. Daily Rate (ADR), Central Area Competitive Properties, 2014-2019



Source: Smith Travel Research (STR); Economic & Planning Systems

Figure 18. Hotel RevPAR, Central Area Competitive Properties, 2014-2019



The Albuquerque Lodging Market has generally improved over the past five years, adding nearly 40,000 hotel room nights between 2014 and 2019. In addition, average daily revenue (ADR) and revenue per available room (RevPAR) have increased since 2014. Average occupancy rates currently average 72 percent, which is above the key metric of 70 percent occupancy, which the industry generally relies on to support additional construction. Overall, the outlook for the Albuquerque Lodging Market is optimistic.

6. Multifamily Market

This section provides a summary of the key market trends for multifamily development in the Central Area surrounding the project site as well as the City of Albuquerque. An overview of key trends and conditions is provided below:

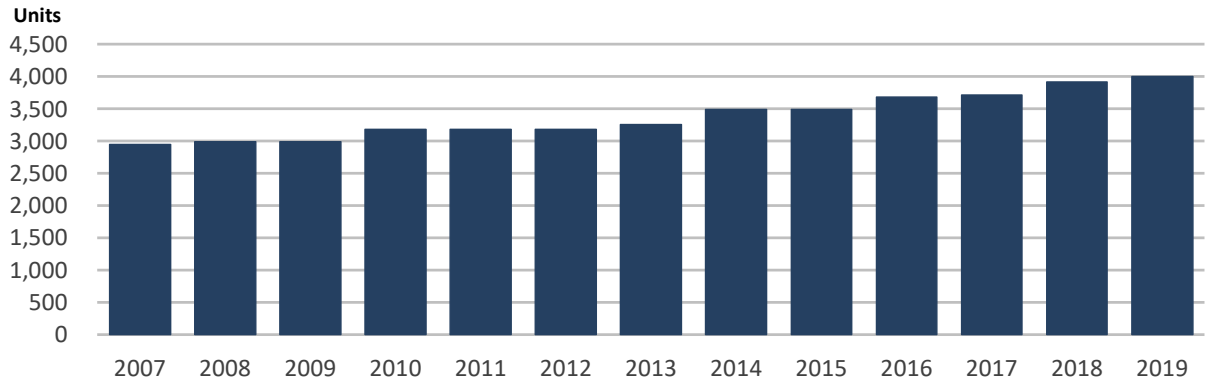
- Much like the retail market, Albuquerque’s broader multifamily market has experienced steady growth and strong fundamentals since 2000.
- Between 2000 and 2017, there were an average of roughly 115 new units added per year in the Central Area, and approximately 877 new units added per year in the City of Albuquerque, as shown in **Table 13, Figure 19,** and **Figure 20.**
- Vacancy rates have steadily declined in recent years, indicating strong leasing demand in the City of Albuquerque and the Central Area. Vacancy rates are currently estimated at 4.4 percent and 5.9 percent in the Central Area and the City of Albuquerque, respectively, as shown in **Table 13.**
- Between 2000 and 2019, rental rates in the Central Area have increased by 1.47 percent per year and currently average \$750 per unit, while rental rates in the City of Albuquerque have grown at 1.61 percent over the same period and currently average \$833 per unit

Table 13. Multifamily, Downtown, Central Area, and City of Albuquerque, 2007-2019

Year	Downtown			Central Area			Albuquerque		
	Deliveries	Rent per unit	Vacancy	Deliveries	Rent per unit	Vacancy	Deliveries	Rent per unit	Vacancy
Starting Inventory	509			2,626			54,174		
2007	0	\$624	4.9%	0	\$651	8.7%	386	\$691	6.4%
2008	45	\$630	9.6%	45	\$661	9.1%	963	\$700	7.1%
2009	0	\$610	7.4%	0	\$636	10.1%	540	\$681	7.4%
2010	193	\$613	8.6%	193	\$637	8.9%	245	\$686	6.5%
2011	0	\$624	7.2%	0	\$646	9.4%	66	\$697	7.2%
2012	0	\$638	6.8%	0	\$660	8.3%	5	\$706	6.8%
2013	71	\$653	10.0%	71	\$674	9.0%	1905	\$710	6.8%
2014	151	\$684	6.7%	237	\$689	7.8%	272	\$722	6.5%
2015	0	\$669	6.1%	0	\$689	8.2%	1353	\$732	6.7%
2016	132	\$663	6.0%	188	\$698	7.4%	531	\$748	6.8%
2017	34	\$703	5.6%	34	\$719	5.5%	455	\$764	7.3%
2018	174	\$728	5.3%	207	\$742	5.3%	855	\$787	6.3%
2019	0	\$757	2.9%	79	\$761	4.4%	79	\$833	5.9%
Ending Inventory	1,309			4,002			64,693		
Change	800	\$133	-2.0%	1,376	\$110	-4.3%	10,519	\$142	-0.5%
Ann. #	67	\$11	-0.2%	115	\$9.17	-0.4%	877	\$11.83	0.0%
Ann. %	8.19%	1.62%	-4.3%	3.57%	1.31%	-5.5%	1.49%	1.57%	-0.7%

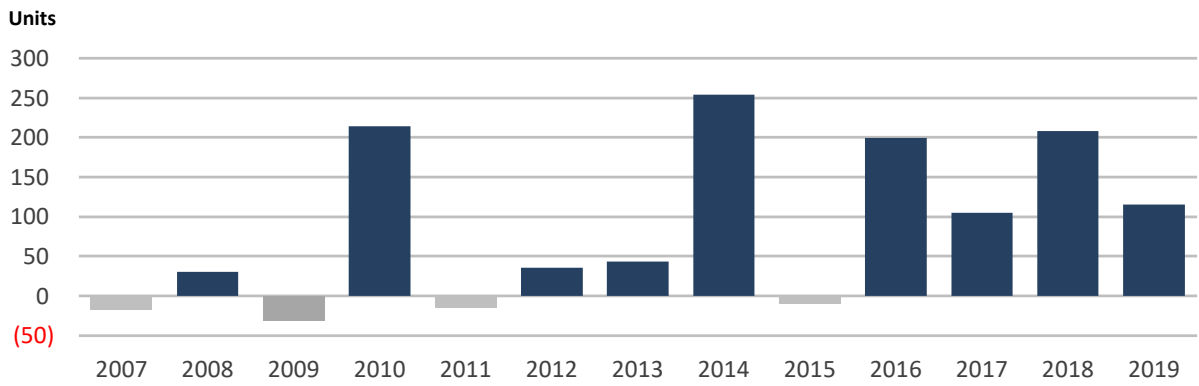
Source: CoStar; Economic & Planning Systems

Figure 19. Multifamily Inventory (Units), Central Area, 2007-2019



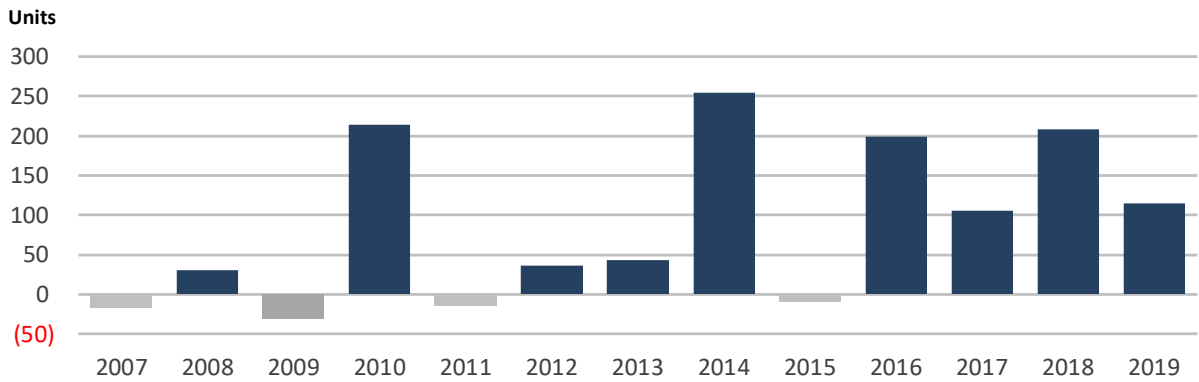
Source: CoStar; Economic & Planning Systems

Figure 20. Multifamily Deliveries (Units), Central Area, 2007-2019



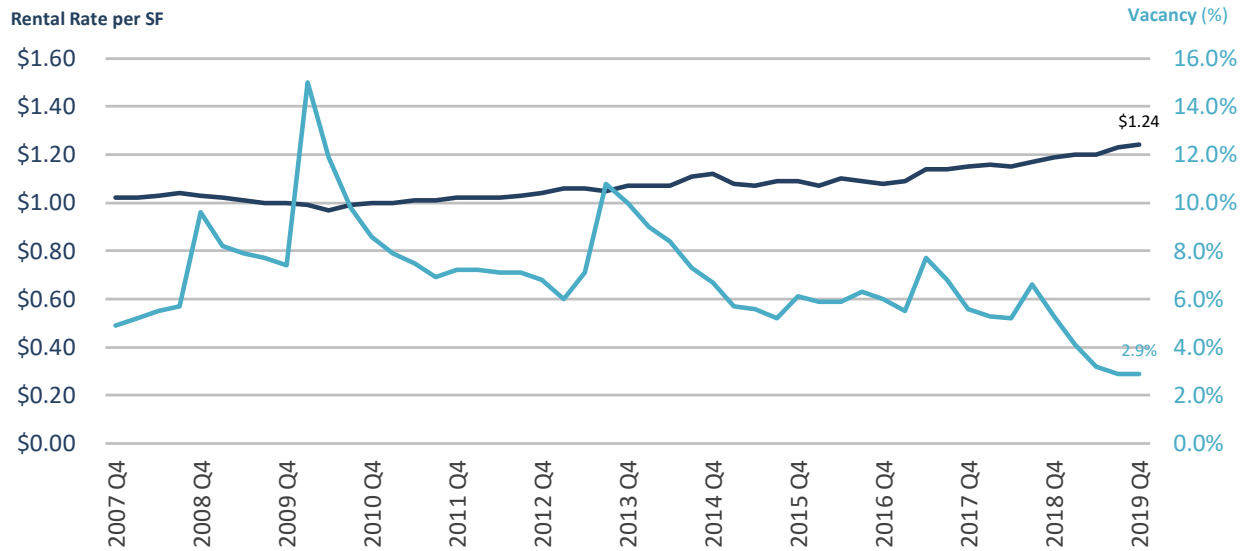
Source: CoStar; Economic & Planning Systems

Figure 21. Multifamily Net Absorption (Units), Central Area, 2007-2019



Source: CoStar; Economic & Planning Systems

Figure 22. Multifamily Avg. Rent per SF and Vacancy, Downtown, 2007-2019



Source: CoStar; Economic & Planning Systems

- Projects proposed and recently completed (built since 2000) are summarized in **Table 14**. The largest multifamily delivery to the Central Area since 2000 was the Villa de San Felipe, a 161-unit residential complex that was delivered in 2001. While there are currently no office projects under construction, one is in the proposal stage: the 174-unit Elevate @ Lomas & Third, which is expected to come online in 2021 in the Central Area.
- The Highlands, a \$120 million, 12-acre mixed-use project is currently one of the largest multifamily projects tracked in the City of Albuquerque. Phase I, which broke ground in the first quarter of 2019, is a 118-room Marriot SpringHill Suites Hotel, while Phase II and III include approximately 380 luxury apartment units and are slated to come online in the latter half of 2020.
- There are also an additional 300 units proposed in the Central Area, as shown in **Table 14**.

Table 14. Multifamily Development Summary, Central Area

Name	Address	Year	Stories	Units	Avg. Rent (per unit)	Avg. Rent (per SF)	Occ.
Proposed							
Elevate @ Lomas & Third	310 Lomas Blvd NW	2021	7	<u>174</u>	---	---	---
Total/Average				174	---	---	---
Existing							
Zocalo Lofts	507 4th St SW	2019	2	21	\$1,376	\$1.84	76.2%
The Franz	1716 Central Ave NW	2019	3	58	\$926	\$1.85	94.8%
One Central	1 Central Ave NW	2018	6	68	\$1,312	\$1.70	N/A
Casa Grande	2500 Central Ave SW	2018	1	33	\$1,022	\$1.27	93.9%
Sterling Downtown	800 Silver Ave SW	2018	4	106	\$576	\$1.09	98.1%
505 Central Lofts	505 Central Ave NW	2017	3	34	\$786	\$1.29	97.1%
Imperial Apartments	205 Silver Ave SW	2016	4	74	\$767	\$1.20	96.0%
Cuatro Apartments 55+ Community	1319 4th St NW	2016	1	56	\$392	\$0.48	96.4%
Mehran Lofts	517 Gold Ave SW	2016	7	58	\$684	\$1.15	94.8%
Plaza Ciudadana	310 Indian School Rd NE	2014	3	68	\$477	\$0.63	100.0%
Silver Moon Lodge	901 Park Ave SW	2014	4	151	\$645	\$1.22	98.7%
Rio Grande Lofts	200 Rio Grande Blvd SW	2014	2	18	\$1,133	\$1.12	N/A
Casitas de Colores	215 Lead Ave SW	2013	2	71	\$850	\$1.29	N/A
Downtown @ 700 2nd Street	700 2nd St NW	2010	4	72	\$460	\$1.53	95.8%
Silver Gardens Apartments	100 Silver Ave SW	2010	4	121	\$611	\$1.15	97.5%
Residences at Anasazi	524 Central Ave SW	2008	9	45	\$1,351	\$1.54	93.3%
Sawmill Lofts	1801 Bellamah Ave NW	2006	2	60	\$484	\$0.57	96.7%
N/A	1235 8th St NW	2004	2	N/A	N/A	N/A	N/A
Copper Lofts	400 Copper Ave NE	2004	3	18	N/A	N/A	94.4%
Hibernian House	600 Coal Ave SW	2003	1	20	\$433	\$0.73	100.0%
Huning Castle Luxury Apt. Homes	1500 Central Ave SW	2002	3	63	\$1,452	\$1.66	98.4%
Villa de San Felipe	501 Coal Ave SW	2001	3	161	\$707	\$1.16	94.4%
N/A	401 12th St SW	2000	1	<u>5</u>	<u>\$700</u>	<u>\$1.25</u>	N/A
Total/Average				1,381	\$816	\$1.22	95.4%

Source: CoStar; Economic & Planning Systems

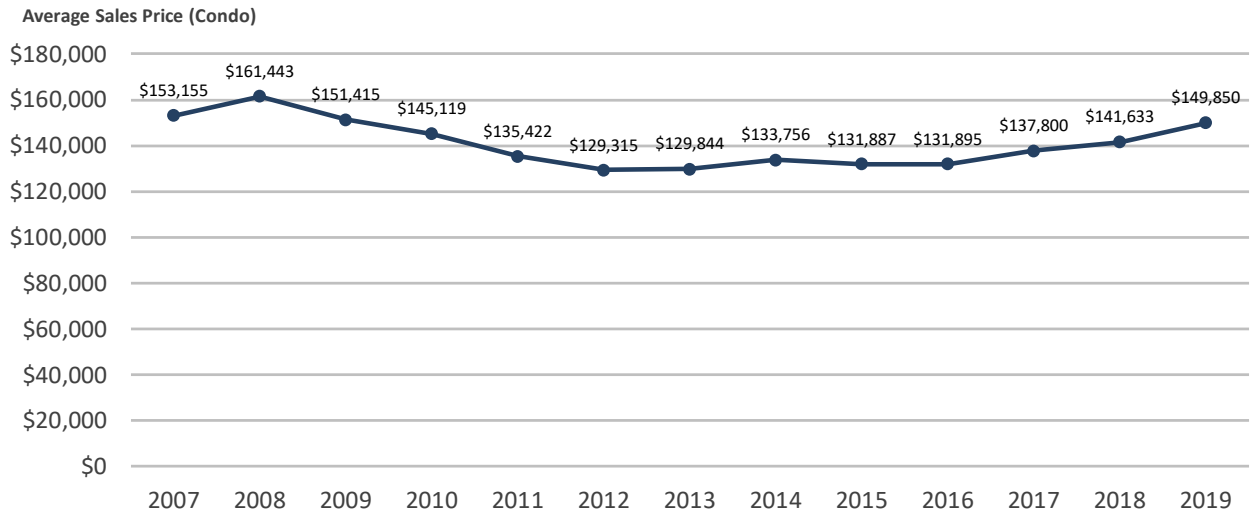
The Albuquerque multifamily market has charted strong growth over the past decade. Leasing activity has been strong in the City of Albuquerque and the Central Area, and vacancy currently sits at a decade-low. While the proposal pipeline is modest, construction activity should remain steady over the near term. Overall, the outlook for the Albuquerque multifamily market is optimistic.

7. For-Sale Condo Market

This section provides an overview of the for-sale residential condo market in the City of Albuquerque. An overview of key trends and conditions is provided below:

- Since 2007, Albuquerque has witnessed modest price fluctuation in the average home value for condominiums. In 2012, the average condo sale price in Albuquerque was \$129,315, as shown in **Figure 23**. Since then, home values have steadily increased in Albuquerque, and, as of the fourth quarter of 2019, the city recorded an average of \$149,850, its highest value since 2010.
- Pricing for luxury condominiums built after 2017 has ranged from \$221 to \$385 per square foot in the city of Albuquerque, as shown in **Table 15**.
- While the number of new luxury large-scale condominium developments in the City of Albuquerque is limited, at the time that this analysis was completed there were a number of luxury condominium units listed for sale. Four of the units surveyed (1408 Mountain Road Northwest, 219 Central Avenue Northwest, 100 Golf Avenue Southwest, and 100 Gold Avenue Southeast) are located in the Central Area and were built after 2005, as shown in **Table 15**.
- The other luxury condominium units are clustered to the west and northwest of downtown Albuquerque. Asking prices in the group average \$289 per square foot, with the highest asking price of \$364 per square foot, located in the Central Area, at 100 Golf Avenue Southwest, as shown in **Table 15**.

Figure 23. Condominium Average Value, City of Albuquerque, 2007-2019



Source: Zillow; Economic & Planning Systems

Table 15. Recent Condo Sale Summary, City of Albuquerque

Address	Year Built	Square Feet	Sales Price	Per SF
2424 Louisiana Boulevard Northeast	2020	1,365	\$525,000	\$385
1408 Mountain Road Northwest	2020	1,925	\$425,000	\$221
3600 Central Avenue Southeast	2018	1,421	\$509,900	\$359
3004 Calle Obispo Northwest	2017	1,953	\$445,000	\$228
3339 Central Avenue Northeast	2009	1,618	\$379,000	\$234
100 Golf Avenue Southwest	2005	1,333	\$485,000	\$364
219 Central Avenue	1923	2,039	\$479,999	\$235
Average		1,665	\$464,128	\$289

Source: Zillow; Economic & Planning Systems

The for-sale residential condo market has been steady since 2007, witnessing modest price fluctuation over the past decade. While there are only a few new luxury large-scale condominium developments in the Albuquerque area, there are currently a number of luxury condominium units currently for sale. All things considered, the for-sale residential condo market should maintain its position over the near term.

8. Construction Costs

This section provides summary of estimated construction costs by development type and cost category. The purpose of this analysis is to provide a baseline set of cost data from which to evaluate cost estimates used in the financial pro formas for each development project.

Hard Costs

Hard costs (brick and mortar expenses) represent the costs associated with the physical construction of a building or structure. These costs are typically tied to the labor and materials required to construct the physical components of a project. While hard costs are tangible and generally easy to estimate, they can range considerably depending on the specific product type. However, as a generally rule of thumb hard costs typically represent 70 to 85 percent of total development costs. Typical hard costs include foundations and site grading, framing and structure improvements, interior finishes, labor cost, equipment, drainage, HVAC systems, and a wide range of others.

Based on data provided by RSMeans, a leading national construction cost database, EPS has developed rough hard cost estimates by project and development type. The purpose of these estimates is to ground the cost estimates submitted by each development team as part of their proposal. The cost estimates submitted by each development team reflect detailed estimates that tie directly to the specific building types and uses proposed for development on the site.

The purpose of this analysis and the hard cost data summarized in this chapter is not to provide a second set of detailed cost estimates but to establish a baseline cost estimate by building type from which to evaluate each proposal. In addition, due to limitations with the RSMeans data and based on the unique building designs proposed for the redevelopment site, there may be considerable variation between the baseline RSMeans cost estimates and the estimates submitted by the development team. As a result, the data summarized in this chapter will be used to help to highlight key differences between the baseline cost data and the estimates submitted by each development team and will help to inform additional conversations with each team.

Using the RSMeans data, EPS has developed estimated construction costs for the range of uses proposed for each project, summarized in **Table 16** through **Table 21**. Costs estimates are summarized by project and development type. As a result, current estimates by building component should be used to develop estimates on a price per square foot basis and not used to provide total project cost estimates. Cost estimates by type are summarized below:

- **Residential** – Estimated hard costs for apartments and condos range from \$220 per square foot to \$240 per square foot. Due to the unique building designs and building heights (close to 40 stories for two projects), it is likely that there is an additional cost premium associated with these projects. This is taken into account in the detailed pro forma analysis completed as a separate phase of the overall review.
- **Hotel/Lodging** – Estimated hard costs for hotel/lodging space range from \$185 per square foot to nearly \$200 per square foot. Again, it will be important to add an additional premium for higher quality building designs and the level of density incorporated in a number of the proposals. In addition, it will be necessary to account for costs associated with furniture, fixtures, and equipment (FF&E), which can range from \$30 to \$60 per square foot.
- **Office** – Hard costs for office space are estimated at roughly \$210 per square foot. Similarly, building design and density premiums will be accounted for.
- **Retail/Restaurant** – This space type was not estimated individually and is assumed to be accounted for the overall cost per square foot estimates for each building as a whole. Additional adjustments for higher tenant improvements costs associated with this space type are accounted for in the detailed pro forma analysis.

Soft Costs

Soft costs include a range of development costs that are generally not tangible items. These costs generally represent approximately 10 to 25 percent of total development costs. In addition, soft costs are also typically summarized as a percent of hard costs. For most projects, softs costs range from 20 to 30 percent of total hard costs. For the purposes of this analysis, EPS will evaluate overall soft cost estimates and estimates for specific line items and compare those to industry standards. Typical soft costs are summarized below.

- **Land and Real Estate** – Includes legal costs, appraisals, assessments, and other upfront pre-development soft costs. Also includes the costs of surveying, research, easements, rights of way, and staging areas.
- **Architectural and Design Fees** – Includes master planning, feasibility studies, design work, and other similar costs.
- **Development Fees and Inspections** – Includes any city or county fees, such as impact fees, building fees, and inspections. Also covers the costs of applying for and filing permits, including occupancy permits.
- **Indirect Equipment, Tools and Rentals** – Includes building supplies, services, and equipment not directly tied to project completion. Includes office trailers and equipment, communications systems, and staging area equipment.

- **Project Specific Studies** – Includes costs associated with relevant project studies or analysis. Typically includes traffic and geotechnical studies, surveys, professional and consultant costs, environmental impact assessments and startup fees.
- **Construction Loan Interest and Accounting** – Includes transaction fees, interest on loans, accounting expenses, software, mortgage broker fees and commitment fees.
- **Project Management and Developer Fee** – Includes personnel costs for handling drawings and documentation, lease administration, safety and security staff, and temporary support staff.
- **Insurance and Professional Costs** – Includes project insurance, bid fees, performance and payment bonds, and liability insurance.
- **State and Local Taxes** – Includes any state and local taxes. Typically include gross receipt tax and property tax.
- **Advertising** – Includes project marketing and public relations costs.