

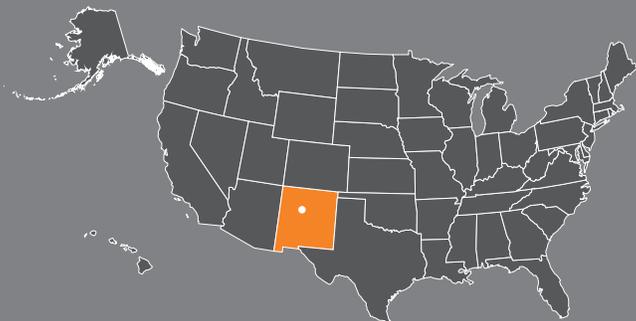
HUD PD&R Housing Market Profiles

Albuquerque, New Mexico



Quick Facts About Albuquerque

- Current sales market conditions: balanced
- Current apartment market conditions: slightly tight
- The Albuquerque metropolitan area is home to Kirtland Air Force Base (AFB), Sandia National Laboratories, and the University of New Mexico (UNM), which have a combined economic impact on the metropolitan area of \$7.7 billion annually (Kirtland AFB, UNM).



By Randall Goodnight | As of June 1, 2020

Overview

The Albuquerque metropolitan area, in central New Mexico, is coterminous with the Albuquerque, New Mexico Metropolitan Statistical Area and consists of Bernalillo, Sandoval, Torrance, and Valencia Counties. The metropolitan area is a popular tourist destination because of its location near the Sandia Mountains and because of its semiarid climate, which includes more than 300 days of sunshine each year. In 2019, the metropolitan area had 6.2 million visitors, resulting in an economic impact of more than \$2.0 billion (Visit Albuquerque). The metropolitan area is also a popular location for film productions. Netflix, Inc. moved its U.S. production hub to the metropolitan area in 2019 and is expected to create as many as 1,000 new film production jobs in the metropolitan area annually during the next 10 years (Netflix, Inc.). The metropolitan area ranked first in the *MovieMaker Magazine* “Best Places to Live and Work as a Movie Maker 2020” list.

- The current population of the metropolitan area is an estimated 921,100, representing an average increase of 3,350, or 0.4 percent, annually since April 2010; of that population growth, 12 percent was the result of net in-migration.

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- The populations of Bernalillo and Sandoval Counties account for an estimated 74 and 16 percent of the total population of the metropolitan area, respectively, and the remaining two counties account for a combined 10 percent.
- Population growth in Bernalillo and Sandoval Counties has accounted for all the estimated population growth in the metropolitan area since 2010.
- Net in-migration has occurred in Sandoval County at an estimated average pace of 1,200 residents annually since 2010; during the same period, net out-migration occurred in each

of the remaining three counties, which averaged a combined estimated 810 residents annually.

- In 2019, the largest city in the metropolitan area was the city of Albuquerque, in Bernalillo County, with a population of 560,500 (U.S. Census Bureau population estimates as of July 1). The city of Rio Rancho, in Sandoval County, was the second largest city, with 99,200 residents.
- The population in the city of Rio Rancho increased at the greatest pace compared with 2010, growing an average of 1.4 percent, or 1,250, annually.

Economy

Reflecting the effects of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, nonfarm payrolls in the Albuquerque metropolitan area decreased significantly during the 3 months ending May 2020. During the period, payrolls declined by an average of 27,800, or 7.0 percent, to 370,300 jobs. By comparison, nonfarm payrolls increased 1.3 percent during the same period a year earlier. Nonfarm payrolls reached a pre-Great Recession peak level of 398,000 jobs during 2007, before declining an average of 1.4 percent annually from 2008 through 2012 as a result of the housing crisis and Great Recession. The metropolitan area economy began a recovery in 2013, and nonfarm payrolls increased an average of 1.0 percent

annually from 2013 through 2019 to reach 398,900 jobs; that number of jobs surpassed the pre-Great Recession peak job level reached in 2007.

During the 3 months ending May 2020—

- Payroll losses occurred in almost every job sector. The decline was greatest in the leisure and hospitality sector, which decreased by 11,200 jobs, or 25.0 percent.
- Job losses were also significant in the education and health services and the wholesale and retail trade sectors, which declined by 4,300 and 3,800, or 6.5 and 7.2 percent, respectively.

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Nonfarm payrolls decreased significantly in the Albuquerque metropolitan area, with 40 percent of job losses occurring in the leisure and hospitality sector.

| | 3 Months Ending | | Year-Over-Year Change | |
|----------------------------------|-------------------------|-------------------------|-------------------------|---------|
| | May 2019 (Thousands) | May 2020 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 398.1 | 370.3 | -27.8 | -7.0 |
| Goods-Producing Sectors | 40.5 | 38.7 | -1.8 | -4.4 |
| Mining, Logging, & Construction | 24.1 | 24.2 | 0.1 | 0.4 |
| Manufacturing | 16.4 | 14.5 | -1.9 | -11.6 |
| Service-Providing Sectors | 357.7 | 331.6 | -26.1 | -7.3 |
| Wholesale & Retail Trade | 52.5 | 48.7 | -3.8 | -7.2 |
| Transportation & Utilities | 10.4 | 9.8 | -0.6 | -5.8 |
| Information | 6.1 | 5.7 | -0.4 | -6.6 |
| Financial Activities | 19.3 | 18.8 | -0.5 | -2.6 |
| Professional & Business Services | 63.5 | 61.0 | -2.5 | -3.9 |
| Education & Health Services | 66.5 | 62.2 | -4.3 | -6.5 |
| Leisure & Hospitality | 44.8 | 33.6 | -11.2 | -25.0 |
| Other Services | 12.1 | 10.6 | -1.5 | -12.4 |
| Government | 82.4 | 81.2 | -1.2 | -1.5 |
| Unemployment Rate | 4.3% | 9.0% | | |

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

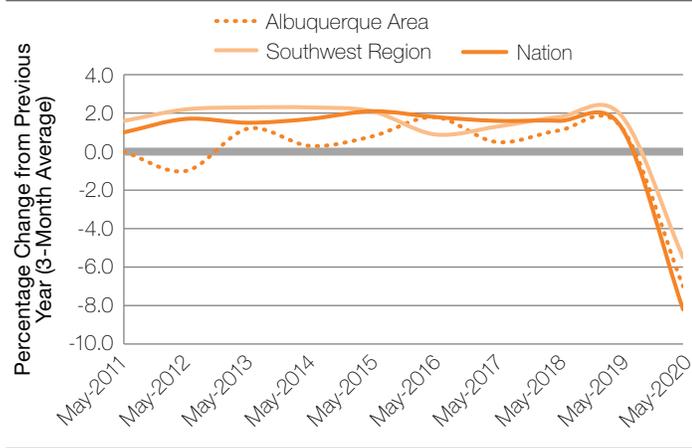


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- The mining, logging, and construction sector, which gained 100 jobs, or 0.4 percent, was the only sector to have an increase in jobs.
- The government sector is the largest sector in the metropolitan area, with 81,200 jobs, down by 1,200, or 1.5 percent.

The economy of the metropolitan area benefits considerably from its largest employers, UNM, Sandia National Laboratories, and Kirtland AFB. UNM, the largest employer in the metropolitan area, has 15,900 employees, including a combined 8,900 staff and faculty at its main campus in the city of Albuquerque and branch

Recent job declines in the Albuquerque metropolitan area were at a greater pace than the Southwest region but not as significant as the nation.



Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

Sales housing market conditions are balanced in the Albuquerque metropolitan area. The estimated sales vacancy rate is currently 1.8 percent, down from 2.1 percent as of April 1, 2010. The inventory of unsold homes in the metropolitan area in May 2020 was 1,625, down 43 percent from a year earlier (Greater Albuquerque Association of Realtors®). A decrease in the number of homes potential sellers listed for sale because of economic uncertainty stemming from the effects of COVID-19 contributed to the sharp decline in unsold home inventory. Job growth from 2013 through 2019 and the easing of home mortgage-lending standards contributed to the lower sales vacancy rate compared with 2010.

As of April 2020, 1.5 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 1.7 percent a year earlier and from the peak of 6.8 percent in June 2012 (CoreLogic, Inc.). During the 12 months ending April 2020, new and existing home sales (including single-family homes,

campus in Valencia County. A combined 7,000 physicians and staff are employed at the UNM Health Sciences Center and seven UNM hospitals located throughout the metropolitan area. UNM campuses, Health Sciences Center, and hospitals have a combined economic impact of \$3.1 billion annually on the metropolitan area economy (UNM). Sandia National Laboratories is located within Kirtland AFB in the city of Albuquerque and has 12,400 private-sector employees, of which one-half are scientists and engineers with advanced college degrees (Sandia National Laboratories). During 2019, the number of employees at the facility increased by 1,650, or 15 percent. Kirtland AFB employs 10,200, including 4,400 military personnel and 5,800 civilian employees. Combined, Kirtland AFB and Sandia National Laboratories have an economic impact of \$4.6 billion on the metropolitan area economy and account for more than one-tenth of the metropolitan area GDP (Kirtland AFB).

Largest Employers in the Albuquerque Metropolitan Area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|-------------------------------|----------------------------------|---------------------|
| University of New Mexico | Government | 15,900 |
| Sandia National Laboratories | Professional & Business Services | 12,400 |
| Kirtland Air Force Base (AFB) | Government | 10,200 |

Notes: Excludes local school districts. Data for Kirtland AFB include military personnel, who are generally not included in nonfarm payroll survey data. Source: Local employers

townhomes, and condominiums) totaled 20,000, unchanged from a year earlier, and the average price increased by \$16,150, or 7 percent, to \$256,200 (CoreLogic, Inc., with adjustments by the analyst). New and existing home sales fluctuated during the early 2010s, ranging from a 10-percent decrease during the 12 months ending April 2011 to an increase of 20 percent during the 12 months ending April 2013. During the late 2010s, home sales generally increased during most of the period, albeit moderately, averaging gains of 3 percent annually. Since 2010, the average new and existing home price increased an average of 2 percent annually. Home price changes ranged from a 1-percent decline in 2010, partly because of a 38-percent increase in lower priced distressed sales (REO and short sales), to an average increase of 7 percent annually during 2016 and 2017. Increased home sales demand stemming from economic recovery—combined with an average annual decrease of 18 percent in lower priced distressed sales—contributed to the relatively strong gain in the average home price during 2016 and 2017.

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During the 12 months ending April 2020—

- New home sales decreased 3 percent to 1,250 homes, and the average price increased 5 percent to \$312,700.
- Regular resale home sales increased 2 percent to 17,450 homes, and the average price for a regular resale home was \$255,400, up 6 percent.
- Distressed home sales declined 22 percent to 1,275 homes, and the average price of distressed home sales increased 23 percent to \$210,100. Distressed sales accounted for 7 percent

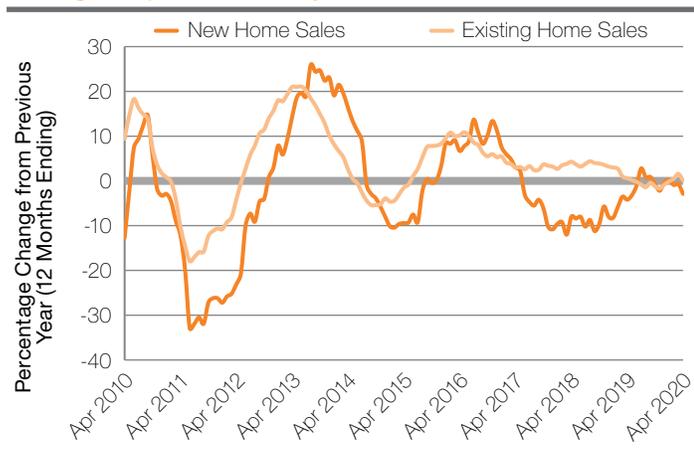
Year-over-year new home price increases have occurred in the Albuquerque metropolitan area since December 2015, and existing home prices have increased since August 2019.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

Both new and existing home sales in the Albuquerque metropolitan area have fluctuated during the past several years.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

of existing home sales, down from 9 percent a year earlier and down from a peak level of 24 percent during the 12 months ending June 2011.

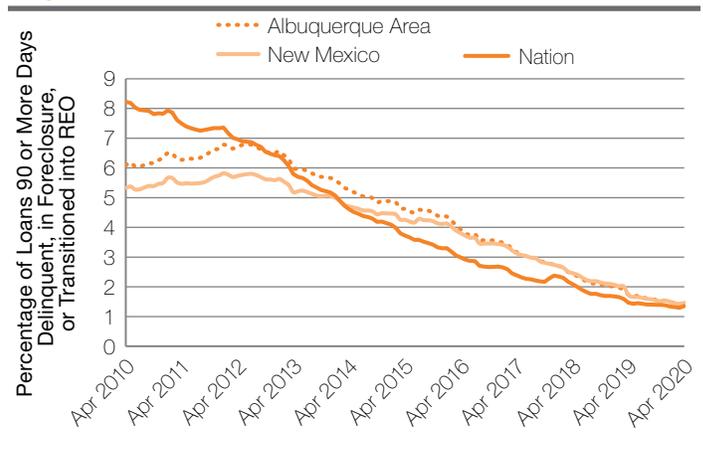
- Absentee-owner home sales, which are primarily investment or second-home purchases, accounted for 19 percent of total sales, unchanged from a year earlier, but down from a peak level of 33 percent during the 12 months ending May 2013 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, absentee-owner home sales accounted for 27 percent of total home sales nationally, up from 26 percent a year earlier.
- New and existing condominium sales in the metropolitan area totaled 450, unchanged from a year earlier, and the average price for a condominium increased 7 percent to \$149,700. Condominium home sales have accounted for about 2 percent of total home sales since 2010.

Single-family homebuilding activity in the metropolitan area—as measured by the number of single-family homes permitted—increased by 110, or 6 percent, to 1,925 homes during the 12 months ending May 2020, as homebuilders were slow to respond to a decrease in new home sales. Approximately 400 single-family homes are currently under construction.

- Single-family homebuilding was strong in the metropolitan area from 2000 through 2007, when an average of 5,750 homes were permitted annually; that number reflects relaxed lending standards during the period.

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The percentage of home loans that were 90 or more days delinquent, in foreclosure, or recently transitioned to REO has generally trended downward in the Albuquerque metropolitan area since July 2012.



REO = real estate owned.

Source: CoreLogic, Inc.

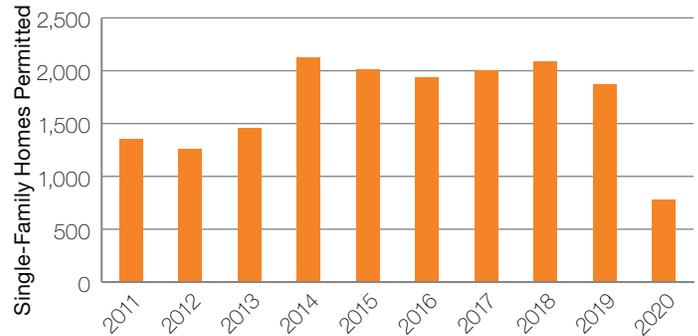


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- As a result of decreased home sales demand stemming from the housing crisis and Great Recession, single-family home permits averaged 1,525 annually during 2008 through 2013, a decline of 73 percent compared with the average annual pace during 2000 through 2007.
- During 2014 through 2018, single-family homebuilding fluctuated but averaged 2,025 permits annually, up 33 percent compared with the average number of homes built annually from 2008 through 2012. An expanding economy and increased home sales during the period contributed to the increase in single-family homebuilding.
- Since 2010, 49 and 35 percent of single-family homebuilding occurred in the cities of Albuquerque and Rio Rancho, respectively.
- Construction is ongoing at the Volterra residential community in the city of Albuquerque, 3 miles southwest of Sandia National Laboratories. Since opening in 2017, 27 new three- to seven-bedroom single-family homes have sold at Volterra for an average price of \$365,000. An additional 29 homes are complete and available for sale at Volterra. Fifty-eight homes are currently under construction at the community, and approximately 300 home sites remain available.
- In the city of Rio Rancho, construction is underway at the Cleveland Heights residential community. A total of 21 three-, four-, and five-bedroom single-family homes, ranging in size

from 1,300 to 2,750 square feet, have sold for an average price of \$256,900 at Cleveland Heights since opening in late 2019. Eight additional homes have been completed and are available for sale, and 12 homes are currently under construction. Approximately 160 home sites remain available for construction at the community.

The number of single-family homes permitted in the Albuquerque metropolitan area has been relatively strong since 2014 compared with permitting from 2011 through 2013.



Note: Includes preliminary data from January 2020 through May 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are currently slightly tight in the metropolitan area, compared with softer conditions in 2010. During the first quarter of 2020, the average apartment vacancy rate was 3.8 percent, down from 4.5 percent a year earlier and 6.4 percent during the first quarter of 2010 (Reis, Inc.). By comparison, the average apartment vacancy rate was 4.1 percent from 2013 through 2018. Job growth from 2013 through 2019, increased preferences to rent, and moderate apartment construction have contributed to tighter apartment market conditions in the metropolitan area compared with 2010. The metropolitan area rental market benefits from student enrollment at UNM. In the fall of 2019, 22,800 students were enrolled at UNM, of which 20,800 resided off-campus and accounted for an estimated 5 percent of the metropolitan area renter households (UNM, with estimates by the analyst).

During the first quarter of 2020—

- The average apartment rent in the Albuquerque metropolitan area was \$916—an increase of 4 percent, compared with a 6-percent increase a year earlier.
- For class A apartments in the metropolitan area, the average vacancy rate decreased to 3.9 percent from 5.0 percent a

year earlier, and the average rent was \$1,072, up 4 percent. The average vacancy rate for class B/C apartments was 3.7 percent, down from 4.0 percent a year earlier, and the average rent for class B/C units increased 5 percent to \$789.

- Apartment vacancy rates in the metropolitan area ranged from 2.0 percent in the Reis, Inc.-defined Northeast market area, which includes the northeast portion of the city of Albuquerque, to 4.9 percent in the Downtown/Southwest market area. Average apartment rents ranged from \$746 in the Southeast market area to \$1,052 in the Northeast market area.
- Apartments built since 2010 have both the highest average rent and vacancy rate, \$1,285 and 5.9 percent, respectively. Apartments built from 2000 through 2009 have the second highest average rent, at \$1,159, but have the lowest average vacancy rate in the metropolitan area, at 2.6 percent.

Multifamily construction activity in the Albuquerque metropolitan area, as measured by the number of multifamily units permitted, fluctuated during the 2010s, with annual building activity ranging from 280 units in 2011 to 1,150 units in 2013. Multifamily building activity averaged 670 units annually from 2010 through 2019, compared with an average annual 630 units during the 2000s.

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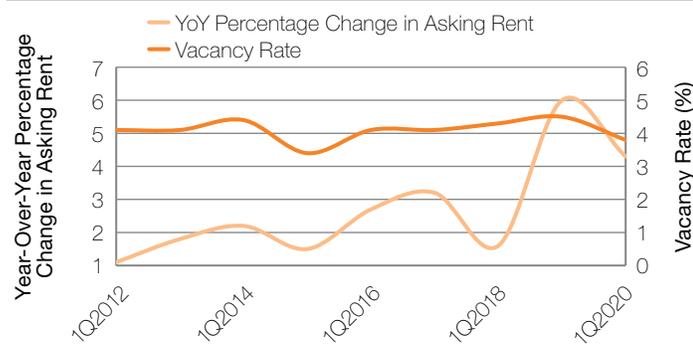


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Since 2010, income-restricted apartment units have accounted for an estimated 31 percent of multifamily construction activity, compared with 57 percent during the 2000s. More than 90 percent of multifamily construction activity in the metropolitan area has occurred in the city of Albuquerque since 2010. Condominium construction activity has accounted for less than 2 percent of multifamily construction activity in the metropolitan area since 2010.

- Multifamily construction activity totaled an estimated 420 units during the 12 months ending May 2020, compared with 640 units permitted a year earlier (preliminary data, with adjustments by the analyst).
- Approximately 660 multifamily units are currently under construction in the metropolitan area, all of which are in the city of Albuquerque.

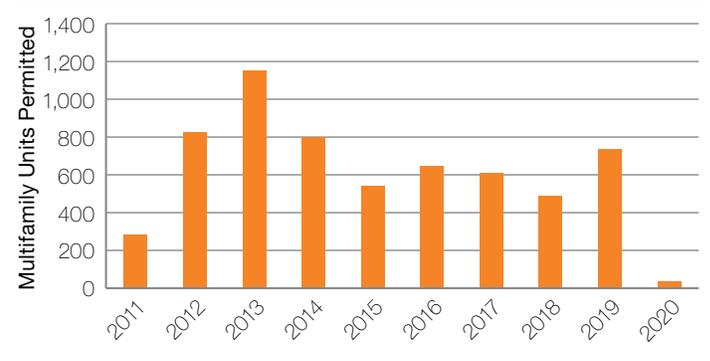
The apartment vacancy rate in the Albuquerque metropolitan area has been generally steady since 2012, with rates ranging from 3.4 to 4.5 percent. Rents have increased every year since 2012, with stronger rent growth occurring during the past 2 years.



1Q = first quarter. YoY = year-over-year.
Source: Reis, Inc.

- Reserve by Markana is an apartment community currently under construction with an expected completion date in the fall of 2020. The development will include 135 apartment units. Reserve by Markana is 10 miles northeast of downtown Albuquerque and is adjacent to its sister property, Markana, which was completed in 2018. One-, two-, and three-bedroom units are offered at Markana for rents ranging from \$1,539 to \$1,933.
- Construction at the Highlands North apartment community, located about 2 miles east of downtown Albuquerque, is expected to be completed in the fall of 2020. The four-story apartment community, which will include 92 one- and two-bedroom units, is part of a neighborhood redevelopment plan that is funded via public-private partnerships. The community will also include retail and restaurant space and a 118-room SpringHill Suites by Marriott hotel, also under construction.

Multifamily construction activity in the Albuquerque metropolitan area has been relatively moderate since the recent peak in 2013.



Note: Includes preliminary data from January 2020 through May 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

