

OUR 9TH ANNUAL HOT PLATE AWARDS

albuquerque

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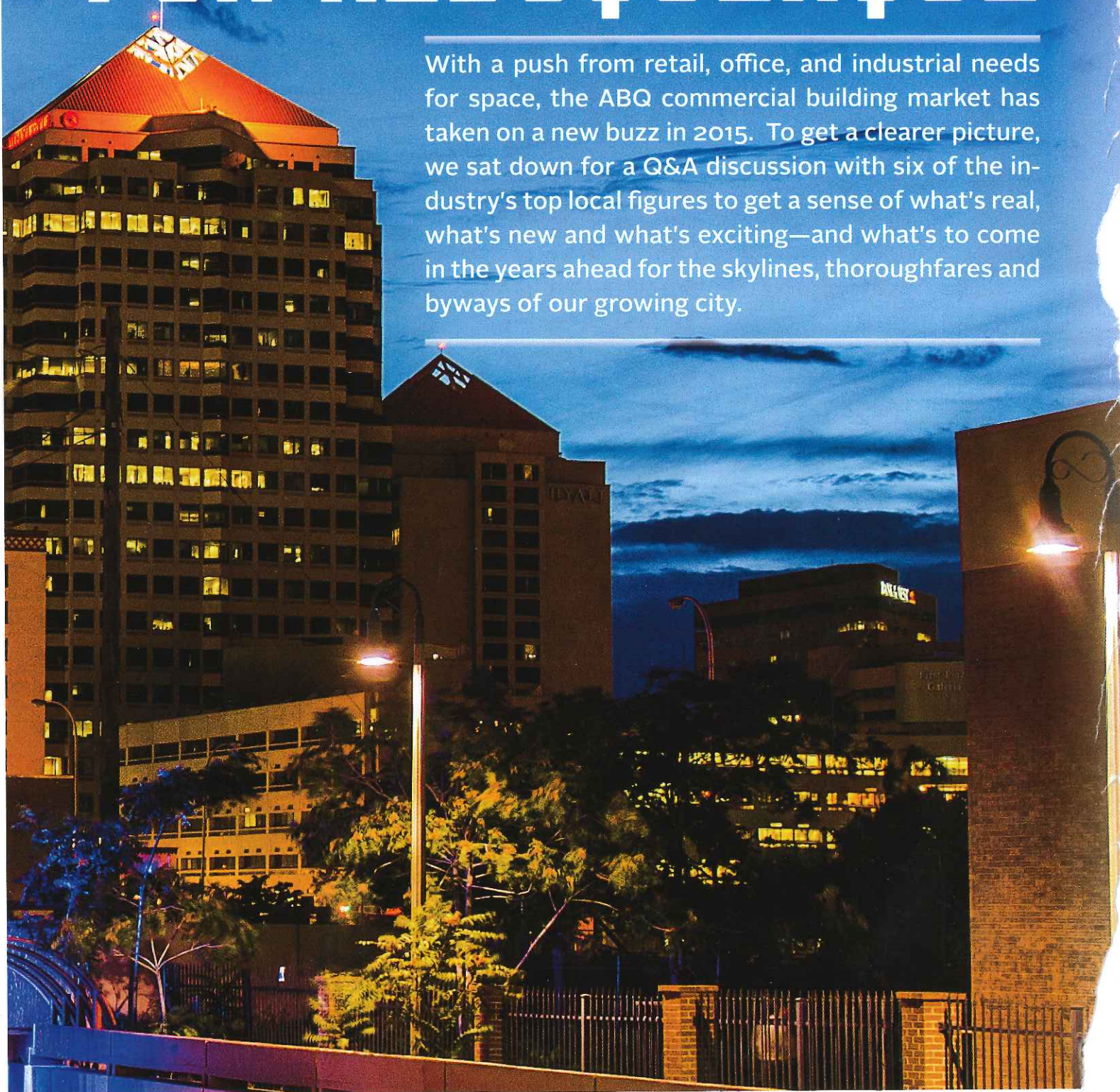
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COMMERCIAL PROPERTIES + SMART LEADERS + OPTIMISM = A NEW ROUND OF GROWTH FOR ALBUQUERQUE

With a push from retail, office, and industrial needs for space, the ABQ commercial building market has taken on a new buzz in 2015. To get a clearer picture, we sat down for a Q&A discussion with six of the industry's top local figures to get a sense of what's real, what's new and what's exciting—and what's to come in the years ahead for the skylines, thoroughfares and byways of our growing city.





Carl Grending, 2015 Board President, Commercial Association of Realtors® New Mexico (CARNM)



Scott Throckmorton, Member, Society of Industrial and Office Realtors® (SIOR)



Jim Rogers, Governance Chair, Urban Land Institute New Mexico (ULI)



Kurt Browning, Volunteer Board Chair, NAIOP Commercial Real Estate Development Association, New Mexico Chapter



Scooter Haynes, Board President, Certified Commercial Investment Member Institute (CCIM)



Dale Dekker, Vice Chair, Greater Albuquerque Chamber of Commerce 2065 Plan

ATM: How strong is the commercial real estate market in Albuquerque?

GRENDING: It's definitely stronger than last year, and each year it's getting a little bit better. It hasn't taken off to the levels we're hearing about in other cities, but it's definitely improving.

HAYNES: With the exception of the office segment, the Albuquerque market is fairly strong. There is a significant amount of velocity in that market.

THROCKMORTON: We're stable, but very active. We're not seeing a lot of growth, but we are seeing more tenants moving around and more people buying and selling property.

BROWNING: I do think we're back on the positive side of the scale, but compared to other markets, it could be better.

DEKKER: I think it has bottomed out and is slowly recovering. If we could just get some strong job growth, I think we'll really start to see things take off.

ATM: What makes Albuquerque's commercial real estate market unique?

HAYNES: The Sandia Mountains to the east and Indian Pueblos all around us

make for a fairly restrictive market. Those geographic boundaries confine the area, which means we'll have limited sprawl and more infill.

THROCKMORTON: We're so small. We have 920,000 people in the metro, and yet we only have 15 million square feet of office space. When you start comparing populations around the country and how much office or industrial space they have, Albuquerque's market is very, very small.

GRENDING: People put their issues aside to work together, because when offices fill up then retail markets benefit and the money flows across the board to everyone.

ATM: What are the top new projects this year?

HAYNES: There are a lot of high profile projects in the works, but there are also a number of smaller projects that are adding to the mix. For example, the Las Estancias project at Rio Bravo and Coors will bring retail space to the underserved South Valley.

DEKKER: Look for retail activity to take off around Innovate ABQ at Central and Broadway once that project gets going.

GRENDING: Winrock Towne Center is the big one. That project has been years in the making, and now we're seeing cranes moving over there.

ATM: Are there any exciting retail brands entering the Albuquerque market that you can talk about?

GRENDING: If Nordstrom Rack moves into Winrock, that will be a great opportunity for the retail sector. We really don't have something like that here. As a native of Albuquerque, I'm excited to see a grocery store being built downtown. It will help get things moving there again. Dave & Busters is another great brand that has already opened its doors here. Most people still ask me if we're ever going to get an In-N-Out Burger in Albuquerque. I haven't heard anything about that.

ROGERS: I hear the Whole Foods on Carlisle is moving across the street to Kmart. Innovate ABQ is going to be really good, because it will create a connection between Downtown and the university. That corridor will create an aura of business. It becomes a scene where people are walking, talking, and doing stuff.

DEKKER: I guess as somebody who has grown up here, I am glad to see the

major reinvestment in “older areas” of our city. I also like the vibe that is being created by the investments being made by our locally owned and operated restaurants and brewpubs. These unique venues, many along Central but now beginning to spread throughout the city, give us a unique sense of place and identity, that begins to brand us as our own unique community that says, “This is Albuquerque, and there is only one such place.”

GRENDING: A lot of it comes down to rooftops—our total population. Once we hit a million people in the metro area, a lot more retail managers will start looking at Albuquerque. We’re right on that cusp now.

ATM: How do you work with economic development groups to attract out-of-state businesses?

ROGERS: The Urban Land Institute really focuses on how to create a healthy, vibrant economy and city. We’ve engaged the mayor, UNM President Bob Frank, and civic leaders to think about responsible planning and to take a look at what other cities are doing that are successful so we can bring that here.

GRENDING: At CARNM, we’ve developed SiteLink, which ties all of our commercial products with all of the brokers into a package that can be used on other websites.

ATM: Are you optimistic that Albuquerque is prepared to sustain growth?

HAYNES: I’m a naturally optimistic person, so I’m going to say, “yes.” But there are still a number of challenges that Albuquerque faces. We need to foster opportunities for growth. That’s going to take a unique set of people and ideas and a forward-thinking approach to growth.

BROWNING: Adding new people and

new ideas would be great. In Albuquerque, there’s this notion that growth is bad. It doesn’t mean you have to have four million residents, like Phoenix. We can be a Rust Belt–like city with 25 percent unemployment, or we can grow. We need to understand that cities grow or die, and to realize growth is important.

DEKKER: Our community’s focus on innovation, entrepreneurship, and building a business-friendly ecosystem will pay dividends in the near future.

THROCKMORTON: To prepare for growth, we need to seriously consider developments like the Santolina Master Development Project, which would add 38,000 homes to Albuquerque’s Westside. If that gets bogged down and doesn’t pass, it will send the wrong signal.

ATM: What are some things we can be doing to promote growth?

ROGERS: We need to value excellence. We can’t settle on things being “good enough.”

THROCKMORTON: It’s going to take baby steps. We’ll have to do it one deal at a time. That’s the way to start building a base again.

ATM: So, is there enough existing commercial space or is there a demand for new development?

GRENDING: With vacancy rates at 20 percent, there is a lot of inventory for people to move into.

THROCKMORTON: Transaction activity is very strong right now. It appears there has been a lot of pent-up demand and people are starting to move, whether it’s to lease space or to buy real estate.

BROWNING: The demand will remain light until we see some significant job growth. Most of the inventory is older

and aging, which makes it hard to market properties. You’re not going to see spec buildings going up until we see job growth.

HAYNES: There is a demand for some new development, but as construction costs continue to increase, development costs have become prohibitive. As the market continues to strengthen and rental rates increase, then we’ll see demand for additional supply.

DEKKER: I think there is enough, however we are beginning to see our city grow in new ways. The millennials, for example, are much more interested in walkable urban communities, so great in-fill sites that are on transit lines and within walking distance of a variety of types of housing and that provide easy access to employment centers will drive new niche infill developments. EDo, Nob Hill and the Country Club retail/restaurant developments are examples of what we will see more of in the future.

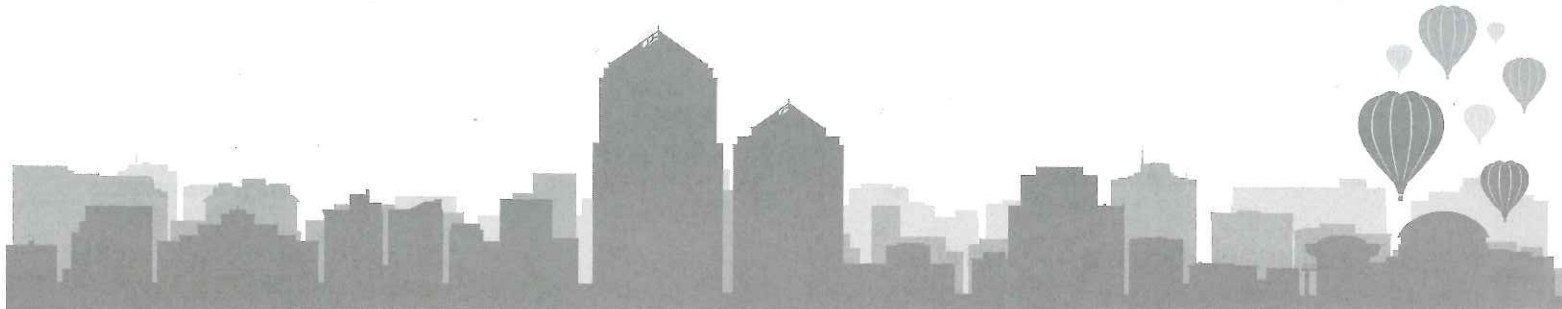
ATM: What are the best ways to find deals on commercial properties?

HAYNES: It always goes back to people. Investors need to tap the great network of real estate professionals in the Albuquerque area. They’ll share their market knowledge, experience, and expertise to help people through the process. That’s the best way to do it.

THROCKMORTON: The best way is to engage an experienced broker to represent your interests. A good broker is going to be able to ascertain your needs and guide you through complex decisions.

ATM: How can your groups help investors?

HAYNES: Certified Commercial Investment Member Institute (CCIM)—which includes realtors, attorneys, certified public accountants, and in-



FIRST-CLASS TRANSIT

There won't be subways or light rail in Albuquerque any time soon, but the City of Albuquerque's conceptual designs for Albuquerque Rapid Transit—or ART—stations along Central Avenue look pretty futuristic. The dedicated bus lanes will be a great way to beat traffic congestion and save on park-

ing space as the city grows. The first ART routes along Central Avenue will connect passengers to Old Town, the BioPark, Downtown, Presbyterian Hospital, UNM, retail outlets in Nob Hill, and all the way through the International District to the National Museum of Nuclear Science and History. Mayor Richard Berry calls it “a subway

with a view,” and thinks that investors will develop new commercial properties around the canopied stations. After Route 66 stations are in place, planners hope to add a route to connect passengers to the Sunport. If everything comes together as planned, ART will be rolling by September 2017.



CONCEPTUAL DESIGNS COURTESY INFRACONSULT LLC AND ALBUQUERQUE RAPID TRANSIT (ART)

It's been called “a subway with a view” by ABQ Mayor Richard Berry, but the city's plan for speedy bus service along the Central Avenue corridor won't just be pleasing to the eye—it'll also alleviate traffic congestion and competition for parking

No rails needed! Albuquerque Rapid Transit bus stations, or ART stations, will give the corridor a chic, modern look without clashing with the classic nostalgia of Route 66.

vestors themselves—is a global standard for personal achievement, so if you're an investor looking for someone who knows about the market, look for someone with the CCIM designation. You'll be able to tap into their knowledge, experience, and network to find the investment deal that works for you.

GRENDING: Investors can start at CARNM.com to find out what properties are for sale. The historical data will show what kind of income the rents have been generating. It also helps them connect with local brokers.

ATM: Scooter, what are some things people should consider when they pick a broker?

HAYNES: Five things are very important: Ethics, education, experience, reputation, and reality. The first four characteristics speak for themselves, but reality is important too, because I think your commercial broker tells you the truth, even if it's not something you want to hear. It's important to be realistic about your own expectations and goals.

ATM: Are banks offering attractive financing?

THROCKMORTON: If you have equity or cash to invest, interest rates are still very low. It's never been better if you've got the right deal. It's not the days of old. Before 2007, you could get 100-percent financing for a good commercial deal. Now, banks want to see everyone have some skin in the deal. Investors are going to have cash and equity at risk.

ABQ BUYING AND SELLING, SIMPLIFIED

In 1955, commercial real estate developers paid half a dollar for a copy of Albuquerque zoning ordinances. Since then, the thin, little rulebook has grown to thousands of pages. Commercial property developers say multiple layers of regulations are complicated and often conflict with other rules.

To make it easier to get projects approved and off the ground, Mayor Richard Berry and city councilors have started an ambitious two-year program—ABC to Z—to streamline the process.

KEY GOALS

ECONOMIC DEVELOPMENT: Diversify economic sectors, leverage cultural activity, grow small businesses, and attract and keep young workers.

PLACEMAKING: Creating vibrant, walkable centers; enhancing special places and ensuring better access for everyone.

ACCESS/MOBILITY: Ensure mobility and safety and support land uses.

HEALTH/QUALITY OF LIFE: Provide equitable access to good and services for all residents, ensuring housing options at all stages of life; enhance access to healthy recreational areas, including parks and open spaces; encourage vibrant activity in public spaces; and support economic activity that provides options for meaningful employment with livable wages.

SUSTAINABILITY: Establish a diverse economy; match economic activity with available resources, preserving natural, recreational, and open space areas, conserving water resources; and improve alternative transportation options.

HAYNES: Interest rates remain at historical lows, so that is attractive to investors. There are some really competitive banks and credit unions—a number of which are local that are great to work with.

GRENDING: The rumor that banks aren't lending is false. Banks are lending. We're getting deals done. There's definitely a variety of attractive loans out there. You can get pretty creative.

ATM: Has the commercial real estate market bounced back to pre-collapse rates?

BROWNING: No, not to pre-collapse times, however it is improving through 2014 and early 2015. We are out of the "valley," but nothing compared to our surrounding states.

GRENDING: Not totally. It takes a long time to bounce back financially and rebuild from 2008. But there are definitely some hot pockets in different areas of Albuquerque.

THROCKMORTON: The rates are about the same as pre-recession rates, but there are areas of town that are strong and getting stronger.

ATM: What are the hot areas in Albuquerque?

HAYNES: There is demand where there are numbers. It goes back to the people thing. Where do people want to go, and where do people want to shop?

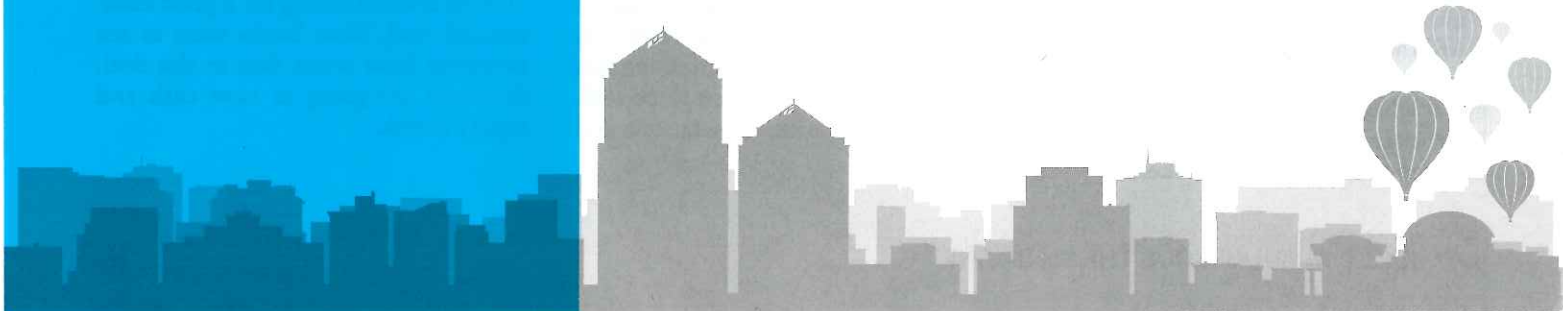
GRENDING: When you look at the Uptown area, Paseo at Wyoming, and across the river at Cottonwood for retail, you'll see some very strong markets with high rent rates. The owners of those properties are finally starting to see great activity—great income that they haven't seen in a long time. The vacancies are really low. If you look at Cottonwood

alone there's just not much space left out there. The few empty spaces out there will definitely get filled up.

BROWNING: Strong areas continue to be Journal Center, the north I-25 corridor, and pockets in the Heights and on the Westside, like southern Rio Rancho. Most sectors are lukewarm, but improving. There has not been a large office development in some time, but multi-family and small retail continue to do OK.

THROCKMORTON: There is a frenzy of activity out by Presbyterian Rust Medical Center. There will be lots of retail and restaurants coming up to support the medical community out there. The Paseo corridor is also going to remain strong. A lot of developers have been planning shopping centers and other retail locations there for years. Now that the interchange is done, the timing appears to be right to see some significant development. There is also some development out in Rio Rancho, at Highway 550 and 528.

DEKKER: I believe we will see any number of great in-fill projects take shape in 2015. Locating retail and commercial uses in areas of the city that have good access to transportation, housing, employment, and other services will thrive in the future. I think Pulte's Del Webb 55-plus Mirehaven Community will prove there's demand for quality retirement community living in Albuquerque, and will open our city up to a new market for retirees looking to locate to the Southwest. Another product type that I believe will see some new activity in 2015 and 2016 will be in industrial, warehouse and distribution facilities. Our city's great location on I-40 with excellent air and over the road truck service combined with our 310 days of sunshine in a high desert climate makes us an ideal location for businesses wishing to es-



Market Summary – March, 2015

Albuquerque, NM

6.3 million SF

Commercial Space For Sale

8.3 million SF

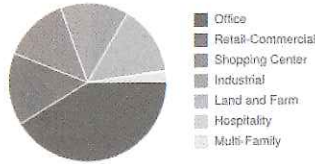
Commercial Space For Lease

6,628 Acres

Land & Farm For Sale

\$983.6 million

Total Sale Price



Current Statistics for Albuquerque, NM

Property Type	Listings	Asking Lease Rate	Asking Sale Price	Below List	Days on Market	Total Available
Industrial	352	\$6.77 PSF	\$65.92 PSF	11.2%	512	4.3 million SF
Office	1,038	\$15.79 PSF	\$85.40 PSF	-	218	5.7 million SF
Retail-Commercial	372	\$13.13 PSF	\$110.09 PSF	36.8%	218	1.8 million SF
Shopping Center	338	\$15.45 PSF	\$73.94 PSF	-	-	1.7 million SF
Vacant Land	355	\$2.45 PSF	\$1.89 PSF	26.0%	383	249.0 million SF
Farm/Ranch	3	-	\$0.06 PSF	-	-	44.0 million SF
Hospitality	5	-	\$41.01 PSF	-	-	181,616 SF
Multi-Family	53	-	\$77.81 PSF	3.6%	1,469	664,950 SF

cape the brutal winters, hurricanes, and regressive business climates of the East and West coasts.

ATM: Is infill more important than sprawl?

GRENDING: In Albuquerque, it always will be. We have to fill those inside vacancies. You can't just keep sprawling out further and further. Downtown is a prime example. We need to fill the vacancies down there. There's been a lot of progress. Commercial properties along Fourth Street are getting redeveloped.

ROGERS: We need to get more infill done. We don't need more sprawl until we see a lot of job growth.

BROWNING: They are not mutually exclusive. They both serve sectors and residents that want and need different lifestyles. Some people love urban development, others want a backyard and a barbeque during parts of their lives. A balance is critical, as is significant city mass.

THROCKMORTON: There is no sprawl in this town. If you look at how compact we are, and how small the lots are, there is no sprawl. You can get from the furthest tip of Rio Rancho out to Edgewood in less than one hour. We have huge constraints of growth here.

DEKKER: A city needs both infill and new growth areas. Infill represents re-investment, stabilizes existing neigh-

borhoods, and efficiently utilizes existing public infrastructure. New growth areas provide options for families and businesses to accommodate new and different community designs for daily living. One thing I think we will see, whether it is infill or new growth areas, will be increased density and thoughtful street patterns that promote walkable, connected communities.

ATM: Are developers using more green-building designs to protect the environment?

DEKKER: Many developers are tuned in to sustainable design and the benefits it provides from a cost point of view in reducing energy and water use. Grending: In our environment, more and more people are looking for ways to build in a way that is sustainable. They have to watch costs, but we see people looking at LEED guidelines and working with architects to build to those standards. If companies can find ways to save on costly utilities, they'll do it.

HAYNES: Absolutely. I think developers do a fantastic job protecting the environment, which is important to realize. We're all working hard to do what's best for the long term.

ATM: Based on the past 12 months, what do you predict the Albuquerque commercial real estate scene will look like by 2020?

HAYNES: I believe it will look very similar to what it looks like today. There are opportunities out there, but I think, based on the last 12 months and the end of the legislative session in Santa Fe, I think over the next decade that the market will simply remain stable. That's historically been a good thing for Albuquerque. I'd like to say we're going to see great things and economic development, but when we have a legislative body that isn't very successful, in my opinion, I think we're just going to stay steady.

GRENDING: I wish I had that crystal ball. Based on what's happening now, year over year, it keeps getting better. No doubt the market will be stronger market in 2020.

ROGERS: I think we're going to have resurgence in commercial real estate. Dekker: I am optimistic that we will see quality growth and development in our community between now and 2020 and beyond. Change requires people to think differently, and the future forces that will shape our city as we build a stronger, more robust private economy that is driven by a new spirit of cooperation and collaboration between the private and public sectors, will be critical in creating a quality of life and place that we want to call home.

THROCKMORTON: Eventually we're going to start growing. I think we're going to see more hotels, offices, and restaurants around Journal Center and more development along I-25 north all the way up to Sandia Pueblo. The Paseo corridor will also continue to mature, but unless we start taking steps to prepare for growth, we're really going to be penned in another 5 to 10 years.

BROWNING: The commercial real estate sector is directly impacted by quality job growth. That's a good reason why we need to make our city and state more business friendly. There's more work to be done at the legislature to make us competitive with neighboring states. Some people believe we're at the tipping point economically. 🍷

THIS COMMENTARY WAS EDITED FOR CLARITY AND LENGTH.