

ALBUQUERQUE BUSINESS FIRST

Boomers, Millennials Power Apartment Biz

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When the economy tanked, it changed many attitudes toward homeownership. Credit standards tightened and the bar for owning a home got nudged upward as subprime loans went bad.

But what hit the housing market hard was a boost for the apartment market.

"For the first time, I'm seeing people that have the money to buy a home to live in an apartment," said Jeff Danley, the founder of Salt Lake City's Peak Capital.

Danley spoke at last week's Apartment Industry Market Forum in Albuquerque about the industry's 1.1 trillion effect on the nation's economy.

His company started investing in multifamily developments in 2009, including four developments in Albuquerque and Santa Fe. He said by year's end he will purchase two more projects in New Mexico and will then have a total of about 10,000 units.

Danley said housing trends are favoring apartments, and for investors, the Albuquerque market is appealing because of the lack of new multifamily projects across the metro.

While the market for single-family homes has also improved across much of the U.S., including in the Albuquerque area, the increased sales and higher prices are in large part due to inventories that are too low to match the need.



Todd Clarke speaks at the recent Apartment Industry Market Forum in Albuquerque. Clarke said Albuquerque can't build apartments fast enough to keep up with demand.

Baby boomers and millennials could be buying homes but often aren't, Danley and other industry analysts say. The two demographics were a big focus of conversation at the forum, a partnership between the Apartment Association of New Mexico and the Urban Land Institute's New Mexico chapter.

Todd Clarke, an expert on the city's apartment market, said part of the issue is the size of living spaces. He said Albuquerque can't build efficiencies and studio apartments fast enough because millennials want less space and are much more inclined to give up square footage if they can get amenities and mass transit options.

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In addition, he said, baby boomers are downsizing after owning homes in the suburbs with big garages and lots of storage space. Empty nesters also aren't interested in having room for their kids to move back in and fill that nest.

Clarke heads ULI-NM's commercial real estate market survey, which gauges attitudes and trends in the multifamily market. The national ULI uses the data for its year-end Emerging Trends publication.

Trujillo, a Gen Y'er and urban planner with the Albuquerque office of Dekker/Perich/Sabatini, said his generation would rather spend money on traveling and eating out versus homeownership and related costs. Trujillo, who lives in a loft in Downtown Albuquerque, said amenities are also driving his cohorts to apartment rentals. Swimming pools and workout facilities are attractive to young buyers and the amenities don't stop at the apartment's boundaries, as many projects are popping up near restaurants, theaters, bars and other activities that are within walking distance.

"I didn't buy a house for all of those reasons," Trujillo said. "In addition to the amenities, I'm also along nearly every transit route in the metro area, reducing my need to drive everywhere. I prefer the urbanism that Downtown provides and I'm hopeful we'll continue to see more residential and retail development in the area. The more foot traffic, the better."

About Peak Capital Partners

Peak Capital Partners and its affiliates own and manage conventional, affordable, and student apartment communities in growth markets in the United States. Founded in 2007, Peak Capital Partners owns 25 apartment communities in eight states. Today, the firm has an asset portfolio valued at \$350 million.

By Damon Scott