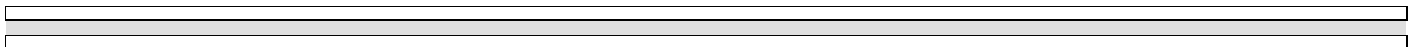
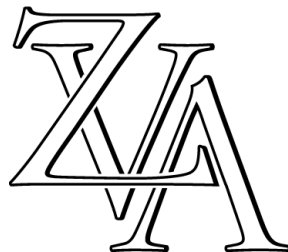

An Analysis of Residential Market Potential

Downtown Las Cruces

The City of Las Cruces
Doña Ana County, New Mexico

February, 2016

Conducted by
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Research & Strategic Analysis

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Research & Strategic Analysis

SUMMARY OF FINDINGS

AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

Downtown Las Cruces
The City of Las Cruces, Doña Ana County, New Mexico

February, 2016

SUMMARY OF FINDINGS

This purpose of this study is to determine the annual market potential for new housing units—created through adaptive re-use of existing non-residential buildings as well as through new construction—that could be developed over the next five years within Downtown Las Cruces, a multiple-block area undergoing substantial infrastructure enhancement, renovation and restoration, as well as new construction.

For the purposes of this study, the boundaries of the Downtown are coterminous with those of the TIDD (Tax Increment Development District), and generally include Picacho Avenue to the north; Campo Street to the east; an area just north of the intersection of South Main Street and South Alameda Boulevard to the south; and Alameda Boulevard to the west. The Downtown includes such amenities as the Albert Johnson Park, the Las Cruces Museum of Art, the Post Office, the Rio Grande Theatre, several banks and eateries, and Las Montanas Charter High School. A new civic plaza, the centerpiece of Downtown that is planned to be completed by this summer, is under construction at the intersection of Main Street and Griggs Avenue. The plaza will be home to the Farmers and Crafts Market, a stage for community performances, and a splash pad.

The magnitude and household characteristics of the potential market for new housing units within Downtown Las Cruces have been derived from the housing preferences and financial capacities of the draw area households, identified through Zimmerman/Volk Associates' proprietary target market methodology and extensive experience with urban development and redevelopment.

Downtown Las Cruces
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—THE DRAW AREAS—

The most recent Doña Ana County migration and mobility data—as derived from taxpayer records compiled by the Internal Revenue Service from 2006 through 2010 and from the 2014 American Community Survey five-year estimates for the county and the City of Las Cruces—shows where those households with the potential to move to new housing units in the Downtown currently live (the draw areas). The draw areas include the following:

Annual Market Potential by Draw Area
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

City of Las Cruces (Local Draw Area):	38.6%
Balance of Doña Ana County (County Draw Area):	2.7%
El Paso, Bernalillo, and Otero Counties (Regional Draw Area):	14.9%
Balance of US (National Draw Area):	<u>43.8%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

—ANNUAL MARKET POTENTIAL FOR DOWNTOWN LAS CRUCES—

As determined by the migration and mobility analyses, up to 1,850 households in groups with median annual incomes at or above \$40,000 and currently living in the draw areas represent the annual potential market for newly-created housing units in Downtown Las Cruces each year over the next five years. The tenure (rental versus ownership) and housing type preferences of those 1,850 draw area households are shown on the table following this page (*see also* Table 1 *at the end of the study*):

Downtown Las Cruces
The City of Las Cruces, Doña Ana County, New Mexico
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Tenure/Housing Type Propensities
 Annual Average Market Potential For New Housing Units
 Households In Groups With Median Incomes Over \$40,000
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
MULTI-FAMILY FOR-RENT (lofts/apartments, leaseholder)	865	46.8%
MULTI-FAMILY FOR-SALE (lofts/apartments, condo/co-op ownership)	190	10.3%
SINGLE-FAMILY ATTACHED FOR-SALE (townhouses/live-work, fee-simple/ condominium ownership)	235	12.7%
SINGLE-FAMILY DETACHED FOR-SALE (houses, fee-simple ownership)	<u>560</u>	<u>30.3%</u>
Total	1,850	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

In order to increase the number and impact of households living in Downtown Las Cruces as quickly as possible, rental and for-sale multi-family development, both single- and mixed-use buildings, is the most efficient residential land use. Therefore, only those 1,055 households with preferences for multi-family rental and for-sale units have been examined in the balance of this analysis. The tenure preferences of those 1,055 households is shown as follows (*see again* Table 1):

Tenure/Multi-Family Housing Type Propensities
 Average Annual Market Potential For New Housing Units
 Households In Groups With Median Incomes Over \$40,000
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
MULTI-FAMILY FOR-RENT (lofts/apartments, leaseholder)	865	82.0%
MULTI-FAMILY FOR-SALE (lofts/apartments, condo/co-op ownership)	<u>190</u>	<u>18.0%</u>
Total	1,055	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

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—TARGET MARKETS—

As determined by the target market analysis, the annual potential market for new rental and for-sale multi-family housing units in Downtown Las Cruces can be characterized by general lifestage and household type as follows (*see also* Table 2):

- Younger singles and childless couples: 79 percent;
- Empty nesters and retirees: 15 percent; and
- Traditional and non-traditional family households: 6 percent.

The protracted ownership housing slump since 2008 has been one of several factors behind the measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households. There is currently a much greater consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical a decade ago. At the same time, there has been a significant shift in preferences from auto-dependent subdivisions toward mixed-use, walkable neighborhoods.

The analysis shows that the primary target markets for Downtown Las Cruces are younger singles and couples in eight target market groups, that make up 79 percent of the total annual potential market. These households, young adults aged 40 and younger, are part of the “Millennial” cohort, the generation born from 1977 through 1996 which, at 88 million, is now the largest in American history. The Millennials are demonstrating a strong preference for downtowns and urban neighborhoods, particularly those served by transit. In contrast to the traditional family, *i.e.*—a married couple with children—that comprised the typical post-war American household, Millennials are predominantly childless singles and couples.

Among the other principal factors driving the larger share of the market held by younger singles and couples are:

- Their higher mobility rates—young people tend to move much more frequently than older people; and
- Their strong preference for rental apartments, in part because many of them do not have sufficient funds for a down payment and in part because, since the collapse of

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the housing market in 2008, many of them remain skeptical about the value of owning versus renting.

—THE CURRENT CONTEXT—

Summary supply-side information for Downtown Las Cruces (covering primarily multi-family rental properties and the limited number of for-sale single-family attached properties) is provided in tabular form following the text: Table 3, Summary of Selected Rental Properties, City of Las Cruces; and Table 4, Summary of Attached Residential Units Listed For Sale, City of Las Cruces..

—OPTIMUM MARKET POSITION: DOWNTOWN LAS CRUCES—

The market-entry rents and price points for new market-rate housing units that could be developed within Downtown Las Cruces are derived from the financial capabilities of those target draw area households with incomes at or above \$40,000 per year.

—*Rental Distribution by Rent Range: Multi-Family For-Rent*—

Each year up to 865 households with incomes at or above \$40,000 per year represent the target markets for newly-constructed market-rate rental housing units within Downtown Las Cruces (*as shown on Table 5, following the text*). Supportable market-rate rents, from the consumer perspective, have been established at 25 percent of the 865 target households' annual gross incomes, yielding the following distribution:

Distribution by Rent Range
 Target Groups For New Multi-Family For Rent
 Households In Groups With Median Incomes Over \$40,000
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$500–\$750	220	25.4%
\$750–\$1,000	200	23.1%
\$1,000–\$1,250	130	15.0%
\$1,250–\$1,500	110	12.7%
\$1,500–\$1,750	95	11.0%
\$1,750–\$2,000	75	8.8%
\$2,000 and up	<u>35</u>	<u>4.0%</u>
Total:	865	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

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—*For-Sale Distribution by Price Range: Multi-Family For-Sale*—

Each year up to 190 households with incomes at or above \$40,000 per year represent the target markets for newly-constructed market-rate multi-family condominium housing units within Downtown Las Cruces (*as shown on Table 6, following the text*). Supportable market-rate price points, from the consumer perspective, have been determined by assuming a down payment of 10 percent, and a monthly payment on a 30-year, fixed-rate mortgage at 4.5 percent interest, excluding taxes and utilities, that does not exceed 25 percent of annual gross income for each of the 190 households that represent the annual potential condominium market, yielding the following price point distribution:

Distribution by Price Range
 Target Groups For New Multi-Family For Sale
 Households In Groups With Median Incomes Over \$40,000
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$125,000–\$150,000	20	10.5%
\$150,000–\$175,000	25	13.2%
\$175,000–\$200,000	40	21.0%
\$200,000–\$225,000	35	18.4%
\$250,000–\$275,000	30	15.8%
\$225,000–\$250,000	20	10.5%
\$275,000–\$300,000	10	5.3%
\$300,000 and up	<u>10</u>	<u>5.3%</u>
Total:	190	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

A total of 250 newly-created rental and ownership multifamily units could be absorbed in Downtown Las Cruces within five to six years. (*See MARKET CAPTURE below.*) In an area the size of Downtown Las Cruces, as delineated by the TIDD, these 250 units would have a substantial impact. The addition of that number of units would not only help redefine the downtown as the civic center, but also establish it as a viable mixed-use neighborhood. Ultimately, site planning and the feasibility of non-residential uses will determine the actual number of units could be accommodated within the Downtown; nevertheless, regardless of the number of units, the tenure mix should be adhered to as closely as possible. As derived from market preferences, then, a target residential mix of 250 units would be as shown on the table following this page:

Downtown Las Cruces
The City of Las Cruces, Doña Ana County, New Mexico
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Target Residential Mix: 250 New Housing Units
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

HOUSING TYPE	PERCENT OF TOTAL	NUMBER OF UNITS
MULTI-FAMILY FOR-RENT (lofts/apartments, leaseholder)	82%	205
MULTI-FAMILY FOR-SALE (lofts/apartments, condo/co-op ownership)	18%	45
Total	100%	250

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

The first buildings should be developed as rental properties, since there are higher absorption rates for rental than ownership units; renters show greater willingness than owners to populate emerging neighborhoods; and a mix of incomes can be more easily accomplished with rental than for-sale development.

The optimum market position for 250 new multi-family rental and for-sale housing units has been established based on a variety of factors, including but not limited to:

- The lifestages, tenure and housing preferences of draw area households with incomes at or above \$40,000 per year;
- The physical and locational assets and opportunities of Downtown Las Cruces;
- Current residential market dynamics in the Las Cruces market area; and
- The completion of the new civic plaza, along with associated infrastructure and street improvements.

The optimum market position for 250 new rental and for-sale multi-family housing units within Downtown Las Cruces is summarized on the table following this page (*see also Table 7 following the text for greater detail*):

Downtown Las Cruces
The City of Las Cruces, Doña Ana County, New Mexico
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Base Rent, Price and Size Ranges
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT —			
205 Apartments/Lofts	\$500–\$1,100/month	400–1,000 sf	\$1.10–\$1.25 psf
MULTI-FAMILY FOR-SALE —			
45 Condominiums	\$125,000–\$195,000	800–1,325 sf	\$147–\$156 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

The proposed rents and prices are in year 2016 dollars and are exclusive of location or floor premiums and consumer-added options or upgrades. Rents and prices are not limited by the current, largely auto-dependent housing context, but rather are based on the characteristics and incomes of households that would move to Downtown Las Cruces if appropriate housing options were available there.

Based on the unit types, sizes, and rents/prices outlined in the optimum market position, the weighted average rents and prices for the apartments and condominiums are shown on the following table (*see again Table 7 following the text*):

Weighted Average Base Rents, Prices and Size Ranges
 Downtown Las Cruces
City of Las Cruces, Doña Ana County, New Mexico

HOUSING TYPE	WEIGHTED AVERAGE BASE RENT/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENT/PRICES PER SQ. FT.
MULTI-FAMILY FOR-RENT Apartments/lofts	\$770 PER MONTH	670 sf	\$1.15
MULTI-FAMILY FOR-SALE Condominiums	\$160,000	1,063 sf	\$151

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

—MARKET CAPTURE—

As noted above, absorption of 250 new dwelling units within Downtown Las Cruces could be achieved within five to six years from commencement of marketing, depending on phasing and

Downtown Las Cruces
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 February, 2016

construction, and barring a significant local, regional and/or national economic downturn. Pricing and positioning have been designed to maximize values and the potential for escalation, yet achieve lease-up/sell-out within a reasonable absorption period.

After more than 28 years' experience in various markets across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that an annual capture of up to 10 percent of the potential market for new rental housing and up to 7.5 percent of the potential market for new for-sale housing is achievable. (Nationally, until the 2008 housing collapse, newly-constructed dwelling units represented 15 percent of all units sold.)

The forecast absorption of each housing type is shown on the following table (*see again* Table 7 *following the text*):

Forecast Absorption Downtown Las Cruces <i>City of Las Cruces, Doña Ana County, New Mexico</i>	
HOUSING TYPE	FORECAST ABSORPTION
MULTI-FAMILY FOR-RENT Apartments/lofts	54 to 60
MULTI-FAMILY FOR-SALE Condominiums	8 to 10

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

Based on the forecast absorption paces outlined above, the resulting capture rates of the annual potential market for each housing type within Downtown Las Cruces would be as follows:

Capture Rates of the Potential Market Based on Forecast Absorption Downtown Las Cruces <i>City of Las Cruces, Doña Ana County, New Mexico</i>			
HOUSING TYPE	ANNUAL MARKET POTENTIAL (HHS)	FORECAST ANNUAL ABSORPTION (UNITS)	CAPTURE RATE
MULTI-FAMILY FOR-RENT	865	54 to 60	6.2% to 6.9%
MULTI-FAMILY FOR-SALE	190	8 to 10	4.2% to 5.3%

SOURCE: Zimmerman/Volk Associates, Inc., 2016.

These housing type-specific capture rates are well within the parameters required for feasible development. The target market capture rates of the potential renter/purchaser pools are a unique

Downtown Las Cruces
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and highly-refined measure of feasibility. Target market capture rates are not equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the annual forecast absorption by the number of households that have the potential to move to the site in a given year.

The **penetration rate** is derived by dividing the total number of dwelling units planned for a property by the total number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the total number of buyers or renters by the total number of prospects that have visited a site.

Because the prospective market for a property is more precisely defined using target market methodology, a substantially smaller number of households are qualified; as a result, target market capture rates are higher than the more grossly-derived penetration rates. The resulting higher capture rates remain within the range of feasibility.



Table 1

Annual Market Potential

Annual Average Number Of Draw Area Households With The Potential To Move To The Downtown Study Area Each Year Over The Next Five Years Households In Groups With Median Incomes Above \$40,000

Downtown Las Cruces

City of Las Cruces, Doña Ana County, New Mexico

*Las Cruces City, Doña Ana County,
Regional Draw Area, and Balance of the United States
Draw Areas*

Annual Target Market Households
With The Potential To Rent/Purchase In the
City of Las Cruces, Doña Ana County, New Mexico 1,215

Annual Target Market Households
With The Potential To Rent/Purchase In
Downtown Las Cruces 1,850

Annual Market Potential

	<i>Multi- Family</i>		<i>Single- Family</i>				<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached ..</i> <u>All Ranges</u>	<u>Low-Range</u>	<u>Mid-Range</u>	<u>High-Range</u>	
Total Households:	865	190	235	215	190	155	1,850
<i>{Mix Distribution}: </i>	46.8%	10.3%	12.7%	11.6%	10.3%	8.4%	100.0%

Downtown Market Potential

	<i>Multi- Family</i>		<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	
Total Households:	865	190	1,055
<i>{Mix Distribution}: </i>	82.0%	18.0%	100.0%

NOTE: Reference Appendix One, Tables 1 Through 11.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Table 2

Annual Market Potential By Lifestage And Household Type
 Annual Average Number Of Draw Area Households With The Potential
 To Move To Downtown Las Cruces Each Year Over The Next Five Years
 Households In Groups With Median Incomes Above \$50,000

Downtown Las Cruces

City of Las Cruces, Doña Ana County, New Mexico

Number of Households:	<i>Multi- Family</i>		
	<u>Total</u>	<u>For-Rent</u>	<u>For-Sale</u>
	<u>1,055</u>	<u>865</u>	<u>190</u>
Empty Nesters & Retirees	15%	12%	26%
Traditional & Non-Traditional Families	6%	6%	5%
Younger Singles & Couples	79%	82%	68%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Las Cruces, Doña Ana County, New Mexico
January, 2016

<i>Property Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Base Rent</i>	<i>Unit Sizes</i>	<i>Rents per Sq. Ft.</i>	<i>Other Information</i>
... Downtown ...						
Lofts at Alameda (2015) 310 North Alameda Boulevard	38	1br/1ba/study 2br/2ba	\$640 \$765 to \$850	800 950	\$0.80 \$0.81 to \$0.89	
... West of I-25 ...						
Sun Ridge Village (1986) 2330 Nevada Avenue	152	1br/1ba 2br/1ba	\$550 to \$590 \$640	520 to 544 700	\$1.06 to \$1.08 \$0.91	88% occupancy. Two pools, gameroom, storage units, grill, picnic area.
Colony Garden (1964) 2250 Missouri Avenue	66	1br/1ba 2br/1ba 2br/1.5ba TH 3br/2ba 3br/2.5ba TH	\$555 \$660 to \$690 \$690 to \$715 \$765 to \$785 \$875	783 1,080 1,174 1,285 1,760	\$0.71 \$0.61 to \$0.64 \$0.59 to \$0.61 \$0.61 \$0.50	n/a Laundry, playground.
Woodcrest (1984) 2241 Entrada del Sol	96	1br/1ba 2br/2ba	\$585 \$685	700 888	\$0.84 \$0.77	100% occupancy. Pool.
Park Place (1988) 3245 University Avenue	292	1br/1ba 2br/1ba 3br/2ba	\$590 to \$605 \$650 to \$730 \$905	575 to 627 784 to 812 1,036	\$0.96 to \$1.03 \$0.83 to \$0.90 \$0.87	n/a Clubroom, pool, spa, fitness center, sport court, playground.
Town and Country (1965) 2100 Desert Drive	77	1br/1ba 2br/1ba 2br/1.5ba TH 2br/2ba 3br/2ba	\$635 to \$665 \$690 \$755 \$741 \$890	690 to 800 960 1,150 1,100 1,275	\$0.83 to \$0.92 \$0.72 \$0.66 \$0.67 \$0.70	n/a Pool, laundry, grill, picnic area.

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

City of Las Cruces, Doña Ana County, New Mexico

January, 2016

<i>Property Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Base Rent</i>	<i>Unit Sizes</i>	<i>Rents per Sq. Ft.</i>	<i>Other Information</i>	
<i>... West of I-25 (continued) ...</i>							
Quail Ridge (2001) 251 North Roadrunner Parkway	216	1br/1ba	\$695 to \$710	702	\$0.99 to \$1.01	95% occupancy. Pool, spa, fitness center, business center, grill, putting green, basketball court, volleyball court.	
		2br/1ba	\$790	920	\$0.86		
		2br/2ba	\$865	987	\$0.88		
		3br/2ba	\$980	1,170	\$0.84		
Beverly Heights (2015) 3 Crosses Avenue	39	2br/2ba	\$695 to \$700	1,000	\$0.70	<i>(Phase one of 200 planned units) Summit Development Chapter 11 bankruptcy filed 08/11/2016</i>	
		3br/2ba	\$795 to \$810	1,200	\$0.66 to \$0.68		
Stone Mountain Place (2007) 930 East Boutz Road	84	2br/1ba	\$715	900	\$0.79	100% occupancy. <i>(72 low-income units) Playground, picnic area, clubhouse, laundry, storage space.</i>	
		3br/2ba	\$815	1,200	\$0.68		
<i>... East of I-25 ...</i>							
Willow Brook (1996) 3240 Venus Street	130	1br/1ba TH	\$450 to \$465	560	\$0.80 to \$0.83	n/a Clubhouse, media center, fitness center, laundry, basketball court. storage space.	
		1br/1ba	\$575 to \$605	527 to 557	\$1.09		
		2br/1ba TH	\$575 to \$590	750	\$0.77 to \$0.79		
		2br/1ba	\$650 to \$700	672 to 887	\$0.79 to \$0.97		
		2br/2ba TH	\$750	965	\$0.78		
		2br/2ba	\$725 to \$750	919	\$0.79 to \$0.82		
		3br/2ba TH	\$850 to \$900	1,257 to 1,347	\$0.67 to \$0.68		
Four Hills (2005) 2595 Mars Avenue	72	2br/2ba	\$461	934	\$0.49		100% occupancy. <i>(60 low-income units) Pool, laundry, fitness center.</i>
		3br/2ba	\$825	1,143	\$0.72		

Summary Of Selected Rental Properties
City of Las Cruces, Doña Ana County, New Mexico
January, 2016

<i>Property Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Base Rent</i>	<i>Unit Sizes</i>	<i>Rents per Sq. Ft.</i>	<i>Other Information</i>
. . . East of I-25 (continued) . . .						
The Alexis (1996) 3500 Foothills Road	170	1br/1ba	\$470 to \$630	640 to 725	\$0.73 to \$0.87	95% occupancy. Pool.
		2br/2ba	\$615	1,025	\$0.60	
		2br/2.5baTH	\$600	1,100	\$0.55	
Copper Ridge Village (1995) 451 North Roadrunner Parkway	88	1br/1ba	\$525	620	\$0.85	n/a Clubroom,
		2br/1ba	\$600 to \$680	812 to 887	\$0.74 to \$0.77	pool, spa.
		3br/2ba	\$780	1,040	\$0.75	
Sierra Verde (1973) 2600 East Idaho Avenue	130	1br/1ba	\$575	650	\$0.88	93% occupancy. Clubhouse lounge,
		2br/1.5ba	\$675	864	\$0.78	pool, spa, sauna,
		2br/2ba	\$850	1,107	\$0.77	fitness center, business center, playground, grill, picnic area.
High Range Village (1986) 301 North Roadrunner Parkway	144	1br/1ba	\$580 to \$615	645 to 765	\$0.80 to \$0.90	93% occupancy. Clubroom,
		2br/1ba	\$700	954	\$0.73	pool, spa,
		2br/2ba	\$740	1,091	\$0.68	corporate units.
Sunset Peak (1974) 825 South Telshor Boulevard	73	1br/1ba	\$585	750	\$0.78	n/a
		2br/2ba	\$685	1,000	\$0.69	
		3br/2ba	\$785	1,350	\$0.58	
Regency Pointe (1985) 3000 Majestic Ridge	90	1br/1ba	\$595 to \$615	673 to 758	\$0.81 to \$0.88	100% occupancy. Pool.
		2br/1ba	\$665	861	\$0.77	
		2br/2ba	\$699	957	\$0.73	
		3br/2ba	\$814	1,140	\$0.71	

Summary Of Selected Rental Properties
City of Las Cruces, Doña Ana County, New Mexico
January, 2016

<i>Property Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Base Rent</i>	<i>Unit Sizes</i>	<i>Rents per Sq. Ft.</i>	<i>Other Information</i>
. . . East of I-25 (continued) . . .						
Cuestas (1997) 2800 North Roadrunner Parkway	104	1br/1ba 2br/1ba 2br/2ba 3br/2ba	\$650 \$710 \$765 \$885	645 815 900 1,080	\$1.01 \$0.87 \$0.85 \$0.82	96% occupancy. Clubhouse, pool, spa, fitness center, storage space, corporate units.
Copperstone (2009) 2775 North Roadrunner Parkway	502	1br/1ba 2br/2ba	\$675 to \$755 \$890 to \$1,060	669 to 774 1,038 to 1,246	\$0.98 to \$1.01 \$0.85 to \$0.86	n/a Clubhouse, pool, spa, fitness center, business center, volleyball court.
Pavilions at South Fork (2003) 435 Ithaca Court	130	2br/1ba 2br/2ba 3br/2ba	\$715 \$870 \$1,150	866 1,158 1,393	\$0.83 \$0.75 \$0.83	n/a Pool, spa, sauna, clubroom, playground, fitness center, tennis and sports courts
Casitas at Morningstar (2005) 3650 Morning Star Drive	271	1br/1ba 2br/2ba	\$775 to \$850 \$850	760 to 906 1,060 to 1,256	\$0.94 to \$1.02 \$0.68 to \$0.80	n/a Pool, fitness center, grill, picnic area.
Casas de Soledad (2004) 3901 Sonoma Springs Avenue	178	1br/1ba 2br/1ba 2br/2ba 2br/2.5ba TH 3br/2ba	\$867 to \$912 \$733 \$788 to \$1,459 \$975 \$1,068 to \$1,171	708 to 913 867 867 to 1,638 1,092 1,092 to 1,757	\$1.00 to \$1.22 \$0.85 \$0.89 to \$0.91 \$0.89 \$0.67 to \$0.98	96% occupancy. Garage: \$100; Carport: \$25. Clubhouse, pool, fitness center, dog park, laundry, bike/walking trails.

Summary Of Selected Rental Properties
City of Las Cruces, Doña Ana County, New Mexico
January, 2016

<i>Property Address</i>	<i>Number of Units</i>	<i>Unit Type</i>	<i>Base Rent</i>	<i>Unit Sizes</i>	<i>Rents per Sq. Ft.</i>	<i>Other Information</i>
<i>... East of I-25 (continued) ...</i>						
Sonoma Palms (2013) 4260 Northrise Drive	192	1br/1ba	\$900 to \$960	858	\$1.05 to \$1.12	n/a Lounge w/coffee bar, salt water pool, fitness center, conference room, dog park, playground, corporate units.
		2br/2ba	\$995 to \$1,055	1,201	\$0.83 to \$0.88	
		3br/2ba	\$1,295 to \$1,355	1,334	\$0.97 to \$1.02	
Missions, Sonoma Ranch (2015) 1871 El Presidio	42	2br/2ba	\$1,025	1,000	\$1.03	In lease-up.
<i>... Student-Oriented Housing ...</i>						
OMNI-Centre Square (1987) 2049 South Triviz Drive	160	1br/1ba	\$449 to \$525	600	\$0.75	95% occupancy. Outdoor & indoor pools, grisl, picnic area, laundry, volleyball,
		2br/1ba	\$525	796	\$0.66	
		2br/2ba	\$550 to \$625	858 to 896	\$0.64 to \$0.73	
Milton's Place (1999) 2125 South Espina Street	22	1br/1ba	\$500 to \$525	600	\$0.83 to \$0.88	n/a Playground, picnic area.
The Country Crest (1986) 1840 Wyoming Avenue	80	1br/1ba	\$575	645 to 815	\$0.71 to \$0.89	n/a Pool.
		2br/2ba	\$675	900 to 1,080	\$0.63 to \$0.75	
Pavilions at University (2001) 2060 South Triviz	50	2br/2ba	\$719 to \$795	1,000	\$0.72 to \$0.80	n/a Pools, spa, clubhouse, billiards, fitness center, tanning, gameroom, playground,
Casa Bandera (2002) 701 East University Avenue	232	1br/1ba	\$715	733	\$0.98	99% occupancy. Clubhouse, gameroom, pool, spa, fitness center, business center, grill, picnic area, tennis & basketball courts.
		2br/2ba	\$800	974	\$0.82	
		3br/2ba	\$985	1,168	\$0.84	

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Las Cruces, Doña Ana County, New Mexico
January, 2016

<u>Property Address</u>	<u>Number of Units</u>	<u>Unit Type</u>	<u>Base Rent</u>	<u>Unit Sizes</u>	<u>Rents per Sq. Ft.</u>	<u>Other Information</u>
<i>... Student-Oriented Housing (continued) ...</i>						
The Grove (2006) 321 East Union Avenue	168	2br/2ba	\$1,050 to \$1,070	900	\$1.17 to \$1.19	n/a Student housing. Furnished units.
		3br/3ba	\$1,275 to \$1,440	1,200	\$1.06 to \$1.20	Pool, media center, fitness center, gameroom, laundry, basketball, racquetball, tanning.

Table 4

Summary of Attached Residential Units Listed For Sale*City of Las Cruces Doña Ana County, New Mexico***January, 2016**

<i>Address</i>	<i>Unit Type</i>	<i>Year Built</i>	<i>Asking Price</i>	<i>Unit Size</i>	<i>Price psf</i>	<i>Configuration</i>	<i>Notes</i>
1491 Alamo Street, Apt E	TH	1966	\$ 59,900	1,024	\$58	2br/1.5ba	attached 1-car garage
1345 Branson Avenue	TH	1982	\$ 73,900	1,340	\$55	2br/2ba	attached 1-car garage
1340 Durazno Street	TH	1987	\$ 85,000	1,140	\$75	2br/2ba	carport
1367 Durazno Street	TH	1983	\$ 87,000	1,128	\$77	2br/2ba	Alamo Mission Apts.

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

Table 5

**Target Groups For New Multi-Family For-Rent
Downtown Las Cruces**

City of Las Cruces, Doña Ana County, New Mexico

Empty Nesters & Retirees*	<i>Number of Households</i>	<i>Percent</i>
Urban Establishment	10	1.2%
Small-Town Establishment	10	1.2%
Cosmopolitan Elite	5	0.6%
Suburban Establishment	5	0.6%
New Empty Nesters	15	1.7%
Affluent Empty Nesters	5	0.6%
Cosmopolitan Couples	5	0.6%
Middle-Class Move-Downs	45	5.2%
Mainstream Retirees	5	0.6%
Subtotal:	105	12.1%
Traditional & Non-Traditional Families†		
Unibox Transferees	5	0.6%
Full-Nest Urbanites	10	1.2%
Multi-Ethnic Families	20	2.3%
Multi-Cultural Families	15	1.7%
Subtotal:	50	5.8%
Younger Singles & Couples*		
The Entrepreneurs	10	1.2%
e-Types	55	6.4%
The VIPs	40	4.6%
Fast-Track Professionals	15	1.7%
New Bohemians	100	11.6%
Twentysomethings	165	19.1%
Small-City Singles	165	19.1%
Urban Achievers	160	18.5%
Subtotal:	710	82.1%
Total Households:	865	100.0%

* Primarily one- and two-person households

† Primarily three- and four-person households.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Table 6

**Target Groups For New Multi-Family For-Sale
Downtown Las Cruces**

City of Las Cruces, Doña Ana County, New Mexico

Empty Nesters & Retirees*	<i>Number of Households</i>	<i>Share of Households</i>
Cosmopolitan Elite	5	2.6%
Suburban Establishment	5	2.6%
New Empty Nesters	5	2.6%
Affluent Empty Nesters	5	2.6%
Urban Establishment	5	2.6%
Cosmopolitan Couples	5	2.6%
Middle-Class Move-Downs	15	7.9%
Mainstream Retirees	5	2.6%
Subtotal:	50	26.3%
Traditional & Non-Traditional Families†		
Full-Nest Urbanites	5	2.6%
Multi-Ethnic Families	5	2.6%
Subtotal:	10	5.3%
Younger Singles & Couples*		
e-Types	15	7.9%
The Entrepreneurs	5	2.6%
The VIPs	15	7.9%
Fast-Track Professionals	5	2.6%
New Bohemians	15	7.9%
Twentysomethings	30	15.8%
Small-City Singles	25	13.2%
Urban Achievers	20	10.5%
Subtotal:	130	68.4%
Total Households:	190	100.0%

* Primarily one- and two-person households

† Primarily three- and four-person households.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

Table 7

Optimum Market Position: 250 Market-Rate Dwelling Units
Downtown Las Cruces

City of Las Cruces, Doña Ana County, New Mexico

February, 2016

<i>Percent of Units</i>	<i>Housing Type</i>	<i>Unit Mix</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>	<i>Annual Market Capture</i>
82.0%	Multi-Family For-Rent					54
205	New Apartments and Lofts					to
	Microloft / 1 bath	15%	\$500	400	\$1.25	60
	Studio / 1 bath	25%	\$650	550	\$1.18	units
	1 bedroom / 1 bath	30%	\$750	650	\$1.15	
	2 bedrooms / 1 bath	15%	\$950	850	\$1.12	
	2 bedrooms / 2 baths	15%	\$1,100	1,000	\$1.10	
	Weighted Averages:		\$770	670	\$1.15	
18.0%	Multi-Family For-Sale					8
45	New Condominiums					to
	1 bedroom / 1 baths	35%	\$125,000	800	\$156	10
	2 bedrooms / 1.5 bath	35%	\$165,000	1,100	\$150	units
	2 bedrooms / 2 baths	30%	\$195,000	1,325	\$147	
	Weighted Averages:		\$160,000	1,063	\$151	
100.0%						62
	250 New Dwelling Units					to
						70
						units

NOTE: Base rents/prices in year 2016 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.



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ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the proprietary residential target market methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.





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