

# Albuquerque Area Has a Glut of Commercial Condos

By [Richard Metcalf](#)

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The one-time niche market of commercial condominiums has erupted into a glutted real estate sector. More than 1 million square feet of industrial and office condos is currently on the market in the Albuquerque area, with the vast majority either completed or under construction.

"That's a scary number," Jim Mocho of Metro Commercial Realty.

Ten years ago, Mocho and one-time partner Hap Crawford were given the first-ever Vision Award by the local chapter of the National Association of Industrial and Office Properties for one of their early condo projects.

Their office/warehouse condos were considered groundbreaking because they gave small-business owners a chance to own, rather than rent, their space.

Condos, which are for-sale units in multi-tenant buildings, represent roughly 5 percent of all industrial and office space in the metro.

As recently as 11/2 to 2 years ago, there still weren't enough commercial condos to meet demand, said Jim Hakeem of Maestas & Ward Commercial Real Estate.

"It seemed like there was a good opportunity for developers to buy land to build office condos to accommodate the 2,000- to 5,000-square-foot user," he said.

"Unfortunately, everybody had the same good idea at the same time."

## **An overbuilt sector**

The market for office condos is the most overbuilt. Grubb & Ellis New Mexico estimates a two-year supply of office condos on the market right now.

There are nearly 200 office condo properties, with a total of 594,700 square feet, listed on the Commercial Association of Realtors-New Mexico Web site, according to a compilation by Grubb & Ellis. Those office condos have a combined value of more than \$100 million.

On the industrial side, there are 40 office/warehouse condo properties, with a total of 276,000 square feet, listed on the CARNM Web site. The

value of those condos adds up to \$33 million.

Although the listings include some previously owned condos, the vast majority is first-generation space in either new buildings or older ones that have seen extensive renovations, said Ken Schaefer, who compiled the Grubb & Ellis report.

There appears to be a lot more commercial condos out there than captured in Grubb & Ellis' report.

For example, Eagle Rock Business Center near Alameda and Interstate 25 shows up with four listings in the Grubb & Ellis report. The project actually has 37 industrial condos in 83,400 square feet.

The 211,077-square-foot Copper Pointe, which is the renovated former Siemens-Stromberg-Carlson electronics plant, is also a condo project that doesn't show up in the report.

"It's the grand-daddy of them all," said John Davidson of Metro Commercial about the sheer scale of the project.

The size and layout of Copper Pointe, however, lends itself more to leasing than condo sales, said Davidson, who is marketing the project near Eubank and Interstate 40.

In the end, he said he expected 15 percent to 25 percent of the building to be occupied by condo buyers. The rest will likely be rented.

The upshot is that it is difficult to determine the exact size of the commercial condo market in the metro. Suffice to say, there are more condos out there than ever before.

### **Slowed down middle of 2007**

By most accounts, commercial condo sales stalled in the middle of 2007.

"It coincided with the scares in the financial markets," said Carl Gerber of Industrial West Group, developer of two office condo projects in Rio Rancho. "People took a wait-and-see attitude."

The slowdown wasn't specific to condos, but spread across industrial and office real estate.

For example, the market for leased offices saw more space go empty than fill up between October and March. The market for leased industrial space has also slowed considerably from a year ago.

The immediate prospects for commercial real estate are uncertain, thus casting a shadow over condo sales.

"It is my belief, if the market turns (for the worse), that's going to be a market sector that experiences the most weakness," said Jim Chynoweth of CB Richard Ellis about commercial condos.

### **High asking prices**

Venture Commerce Center at 9664 Eagle Ranch NW created a buzz with its asking prices in the \$200 to \$260 per square foot range for its unfinished condos. Developed by Larkspur, Calif.-based Venture Corp., the project's 30 one- and two-story condos in five buildings were by far the most expensive in the metro.

"People had a lot of questions about the pricing," said John Ransom, who is marketing the project with associate Tim With of Grubb & Ellis.

When Venture Commerce Center opened in late March, none of the condos had sold.

"With interest rates down, the next six months are key," said Brett Dresden of Venture's Larkspur headquarters earlier this month.

Last week, Venture Corp. slashed its prices by 10 percent. Now in the \$180 to \$243 per square foot range, its condos are still at the top end of the market but not quite so out there.

In advance of an open house at the commerce center Tuesday from 5:30 to 7:30 p.m., Venture Corp. has added yet another incentive.

Buyers who commit by the end of this month will get a \$20,000 credit, Ransom said. The credit can be used in a variety of ways, such as reducing the price or for closing costs or tenant improvements.

Venture Corp. is not the only condo developer to cut prices.

Albuquerque-based Sunland Development recently dropped the price for condos in its Sun Valley Commerce Center from \$205 to \$185 a square foot.

The drop in price resulted entirely from lower-than-expected construction costs, said Scott Throckmorton, who is marketing the project with associate Stacey Nenninger of Argus Investment Realty.

Sun Valley at 320 Osuna NE isn't necessarily struggling. One of its first two 5,300-square-foot office buildings, currently under construction, was recently purchased by a law firm.

### **Holding fast**

Other commercial condo developers are sticking with their asking prices, at least on face value.

"We haven't cut our prices yet," Gerber said. "When sales slowed down, we didn't have people say (the condos) were too expensive. We just had less people looking."

Industrial West's two office condo projects— 48,000-square-foot One Executive Plaza and 34,600-square-foot Corrales Overlook— are priced at \$172 a square foot for a cold shell.

Potential condo buyers are typically small-business owners with limited financial means. Not surprisingly, they're looking for the best deal they can find.

"A lot of inquiries seem to be hovering at 10 percent below asking price," Hakeem said.

Hakeem is involved in marketing three different commercial condo projects, each with a different developer.

"We're standing fast (on price) but our position is bring us offers," he said.

Mocho has presold 10 of the planned 37 condos at Eagle Rock Business Center at an asking price of \$130 a square foot.

"In cash deals, they're selling for \$125 (a square foot)," he said.

Generally speaking, \$125 a square foot is currently the lowest price for a new commercial condo in the metro.

Copper Pointe is one exception. The asking price for unfinished flex office space is \$110 a square foot, while the asking price for unfinished warehouse space is \$90.

The space, however, is in larger allotments— a minimum of 10,000 square feet for office— and thus is more than a typical small-business needs.

### **The State of Commercial Condos**

- Ten years ago, office/warehouse condos were considered a novelty.
- Condos now represent roughly 5 percent of all industrial and office space in the metro.
- The Commercial Association of Realtors-New Mexico Web site currently has listings for nearly 200 office and 40 industrial condo properties, according to Grubb & Ellis New Mexico.
- More condo projects are in the works.
- Condo sales stalled in mid-2007, reflecting a general slowdown in commercial real estate.
- Some condo developers are cutting prices, while others are accepting offers below their asking price.