

## FOUR CORNERS FORECAST Potential Opportunities Exist for Real Estate Managers Despite Economic Crisis

ANYONE FORTUNATE ENOUGH TO VISIT THE FOUR CORNERS REGION (COLORADO, ARIZONA, NEW MEXICO AND UTAH) OF THE SOUTHWESTERN UNITED STATES CAN ATTEST TO THE PHYSICAL BEAUTY OF THE AREA'S LANDSCAPE. Scenic locales like Monument Valley, Mesa Verde and Canyon de Chelly have long been magnets for tourists, photographers and nature lovers.

No doubt, the area has been reeling lately from the country's current economic downturn. The crashing of the sub-prime lending market, the housing slump and the squeeze on credit has resulted in real estate developers significantly scaling down on production.

"It's very gloomy right now," said Richard Brent Meszaros, a Phoenix-based real estate agent. "A lot of developers have put themselves on hold."

Yet despite the current economic chill, the Four Corners states still boast of job growth that outpaces the national average, growing retail sales in several areas, and a commercial real estate market where demand is still strong. This all points to continuing opportunities for enterprising property managers willing to make an extra effort to operate in this challenging but still lucrative environment.

### COLORADO KEEPS AHEAD OF CRISIS

While commercial development across the nation struggles, the industrial and office markets in Colorado continue to bring in above-average results. Hosting the Democratic National

Convention provided a much-appreciated shot in the arm to the downtown Denver office market, with the Democratic National Committee leasing 65,000 square feet of office space. And developers continue to break ground on new developments in the area.

According to CB Richard Ellis, AMO®, 2.2 million square feet of office development is underway in the Denver area. The Parkside Office Plaza, a Class A office structure southeast of downtown Denver, was completed in late 2008. Other office projects in the area still ongoing include Village Center Station, Palazzo Verdi and Panorama Corporate Center.

Meanwhile, Colorado is experiencing a growing foreclosure rate on smaller properties, forcing banks to actively manage these properties instead of putting them on the market. This is creating new opportunities for property managers to work with lenders lacking the expertise to re-position these properties as rentals and put value back into them.

"There's a growing shadow market with foreclosures," said B.J. Hybl, president of the Griffis/Blessing Property Services Group based in Colorado Springs. "This is a new challenge for property managers as more companies try to de-fragment properties to make them easier to rent."

Many lenders lack in-house property managers and are looking to contract with professionals who can provide the guidance needed for lenders to navigate through the complex terrain of real estate management.

"When times are tough, professional experi-

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(LEFT)  
COLORADO  
CITIES LIKE  
DENVER  
CONTINUE  
TO SEE AN  
INCREASE IN  
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DESPITE THE  
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ARIZONA  
CITIES LIKE  
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FORECASTING  
FURTHER  
SLOWDOWN  
IN OFFICE,  
RETAIL AND  
RESIDENTIAL  
HOUSING  
MARKETS.

ence is a plus,” Hybl said. “These lenders need people who can take a longer term view on the property to maximize its value.”

#### RETAIL REMAINS POSITIVE IN NEW MEXICO

The beautiful climate, large availability of workers and relatively low cost of living has drawn businesses from across the country to New Mexico, and things have remained active during the national economic crisis. CB Richard Ellis reported that Sony Pictures Imageworks recently grabbed more than 21,000 square feet of office space in downtown Albuquerque, while United Healthcare is occupying an additional 25,000 square feet in the area.

More importantly, the retail market in New Mexico has remained strong while retailing has recently struggled across the country, even in other parts of the Four Corners region. Lowe’s Home Improvement opened a new 160,000 square foot facility in Albuquerque in late 2008. Spirit Halloween Stores opened in three locations totaling 62,000 square feet, and construction is continuing on an 87,000 square foot Wal-Mart Supercenter.

The strong activity in retail development in the state is largely based on New Mexico’s rela-



tive lack of retail amenities compared with other areas. New Mexico is still virgin territory for many major retailers, and companies continue to flow in despite the economic downturn.

“Office development is still being driven by new companies coming into Albuquerque,” said James Dountas, CPM® Candidate, and asset manager with Goodman Realty Group in Albuquerque. “Albuquerque was on a third tier map for many of them, so there is still a lot of room for growth.”

The ongoing retail development has created many opportunities for qualified property managers experienced in handling retail properties.

“Landlords and owners are looking for managers who have three to five years of experience, who can over-produce and who can work at a top-level position,” Dountas said. “These are the property managers better poised to be successful.”

#### SLOW DOWN IN THE STATE OF UTAH

The current state of the national financial markets have taken a toll on Utah. Office vacancy rates in the Salt Lake City area continue to climb. Job growth in the state has slowed to almost zero. The multifamily market has nearly

completely stalled. Foreclosure rates are climbing across the state and most forecasts for 2009 predict another difficult year in store for Utah.

But development is continuing on existing projects. In downtown Salt Lake, construction is ongoing on the City Creek Center, an expansive mixed-used development. And the office complex at 222 South Main is scheduled for completion at the end of 2009. By the end of the third quarter of 2008, more than 1 million square feet of new multi-tenant space had been completed.

In a difficult economy, property managers may still find pockets of great advantage.

“Whenever the market is not great, there are always opportunities for property managers,” said James Terry, CPM, president of Horizon Investment & Management in Salt Lake City. Terry has supervised the management of more than 105,000 apartment and condominium units across 15 states. It’s during a bumpy economy, Terry said, that absentee property owners need good property managers the most to get properties to perform better financially.

Terry points to several areas of opportunities for property managers in the current Utah economy. Lending institutions need experienced help in managing their real estate portfolios and larger real estate assets. Smaller local companies are looking for qualified property managers to run their real estate operations, especially condo owners who are forced to enter the rental market due to lack of unit sales. And foreclosed homes are now entering the rental market in greater frequency, creating growing competition in the multi-family market.

“It’s when the market is tight like it is now that companies need property managers who can get all the potential value out of a property that they can,” Terry said. “That’s when experience and know-how count the most.”

#### FORECLOSURE RATES RISE IN ARIZONA

Forecasts for declining population growth, negative job growth and falling consumer spend-



ing has led to a slowdown in Arizona’s office, retail and residential housing markets. Reduced household spending is especially taking a toll on Arizona’s retail-based economy, and overdevelopment during the housing bubble and the current credit squeeze is making it harder for developers to get new projects off the ground. Arizona is one of the handful of states with foreclosure rates higher than the national average.

“Property managers are shifting to survival mode,” said Bret Borg, CPM, president of Borg Property Services in Mesa, Ariz. “Everybody is taking a deep breath while the credit markets work themselves out.”

During this down cycle, Borg has noticed a growing trend of property developers bringing property management services in-house, creating opportunities for property managers to work for the developers.

“For developers who don’t have a property management division, they may want to create one to bring in more revenue,” Borg said. “People who had been doing it themselves are bringing in the professional property managers. They lean more heavily on property managers to emphasize revenue generation during a down cycle.”

Economic forecasts for the Four Corners area predict a rough 2009, but growing development by 2010. Meanwhile, even in the lean times, there are still plenty of areas in need of good, qualified managers.

“There’s always opportunity,” Borg said. “It just comes from different angles.” ■

OFFICE  
VACANCY  
RATES ARE  
ON THE RISE  
IN SALT LAKE  
CITY AND  
OTHER AREAS  
IN UTAH.

EDITOR’S NOTE: GIVEN THE OVERALL VOLATILITY IN THE ECONOMY, PLEASE NOTE THE DATA PROVIDED IS CURRENT AS OF PRESS TIME, DEC. 15, 2008.