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## Cashing in on the last of the hot spots. Spotlight: Albuquerque

Keep your head during a boom and you'll keep more of your gains over the long run.

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**Money**

NEW YORK (MONEY Magazine) - In early spring a TV news report on KASA Channel 2 in Albuquerque noted that the housing market nationwide was slowing down, with mortgage rates and inventory rising and demand slackening.

"Now with all that said, by all accounts here in New Mexico things are still red hot," quipped Greg Zanetti, a local financial adviser. "But we are usually a little behind national trends."

Indeed, Albuquerque missed much of the great bull market in houses.

Between 2000 and 2004, median prices appreciated no more than 5% a year. But as other sunbelt cities are cooling, Albuquerque has started sizzling.

Call it the rolling boom. As high home values price buyers out of one area, they move to new cities.

Thus the San Diego bubble begat the Phoenix boom, and Las Vegas led to a bull market in Reno.

Now those booms, and one in Santa Fe, have rolled into Albuquerque.

"Even though our prices have gone up, we are still much more affordable than other areas," says Cathy Colvin, president of the Albuquerque realtors board. Booms do roll over, however.

Housing prices in Phoenix, for example, could decline nearly 20% over the next 5 1/2 years, according to Moody's Economy.com. So even if prices are still rising in your market, you'll want to make decisions with an eye to holding on to as much of your equity as possible once the easy gains have been made.

### Go Where Land Is Scarce

Certain neighborhoods appreciate faster than others. In Albuquerque, expansion to the north, south and east is restricted by mountains, Indian reservations and an Air Force base. This helps explain why the little remaining land in already developed areas has increased in value more than some of the new developments to the west, says David Murphy, publisher of SalesTraq of New Mexico.

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Consider the West River Valley, a small, highly coveted locale. It backs up to the Rio Grande and feels like the country, yet it's five minutes from a major mall.

Robert and Heather Drager bought an acre there seven years ago. Still in their twenties at the time, they couldn't afford to build a house. So for four years they lived with their parents and house-sat for friends to save money.

"Obviously, we really wanted this neighborhood," says Rob.

In total they paid about \$250,000 for their land and 2,000-square-foot house, about \$100,000 more than they would have shelled out in Rio Rancho, a fast-growing community to the west.

The sacrifice paid off. The Draggers' area has appreciated at more than double the rate of Rio Rancho.

Today they wouldn't consider selling for less than \$450,000, an 80% gain.

Other hot neighborhoods these days: city centers. Young professionals and baby boomers with suddenly empty nests are moving to downtown areas, lifting real estate values in the process.

It's a phenomenon that's hardly unique to Albuquerque; it's happening in Philadelphia, Baltimore and Cleveland as well.

Prices in Albuquerque's Nob Hill area have jumped about 30% since 2004, and that section of town was rising even when the rest of the market was flat a few years ago, according to local agent Linda DeVlieg.

"This neighborhood is walking distance from shopping areas, restaurants and night life -- even my work," says clothing boutique owner Emma Del Frate, 39, who's listing her Nob Hill home for \$335,000 and has bought a larger, \$500,000 house around the corner.

Finding the house proved difficult. Emma and her husband Victor, 38, searched the area for a year and a half with no luck.

So they got inventive. In December 2004 they left a note on the front door of a house that looked attractive, asking the owners to call if they ever wanted to sell. The following summer they did. By year's end, the Del Frates were in serious negotiations.

The house needs some updating, but the couple say they'll be conservative when it comes to renovating - no ripping out walls and relocating rooms.

Which leads to a second strategy:

### **Don't Go Crazy When You're Remodeling**

"Even in a rising market, you actually can over-remodel," says Everett Collier, president of the remodeling industry's trade group.

Consider kitchens, which give one of the highest returns. According to Remodeling magazine, the average price for a minor kitchen remodel is \$15,000. You recoup 99% of the cost at sale. When the price tag climbs to \$82,000 for a high-end remodeling job, your return drops to 85% of the cost.

That's why Janine Archibeck and her husband Michael opted to work with their existing floor plan. "A larger master bathroom would have been nice," says Janine of her 3,700-square-foot home in Albuquerque's Near Northeast Heights area. But not for the price: at least \$25,000.

Janine, 38, and Michael, 39, were certainly willing to invest in their architect-designed 1961 home, which they bought in 2002 for \$320,000. In addition to replacing fixtures and appliances, and adding glass to brighten the place, the couple turned their backyard into a paradise that features a heated pool, a pool house and a canopy that shades a sitting area near the outdoor fireplace and grill.

What they didn't do, says Janine, was knock down structural walls. "All the bathrooms are in the same place," she says. "We didn't have to move any plumbing."

The Archibecks spent \$190,000 on interior renovations and could easily have spent twice that had they decided to expand the home's footprint, says their architect, Jon Anderson. Today the home is worth at least \$750,000.

The moral: Build a breakfast area or an apartment-size bathroom because you want one, not because you figure that in a fast-rising market, the more you spend the more you'll make. The boom will fade, and then your gains will depend on how wisely, not how much, you invested.

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