Multi-Family Forecast for Southern Maine

2018 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

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The Challenges of Growth

SAY NO TO RENT CONTROL

Falmouth council approves **retroactive development freeze** 11/15/17 –The Forecaster

…more than 400 residents signed a **petition** calling for a **180-day building moratorium** and an overall review of **Westbrook's** code of ordinances. 10/12/17 – Portland Press Herald

VOTE NO
ON PORTLAND'S
QUESTION 2

South Portland *councilors* ***favor ban on some short-term rentals*** *12/12/17 –Portland Press Herald*

Development Moratorium on Munjoy Hill

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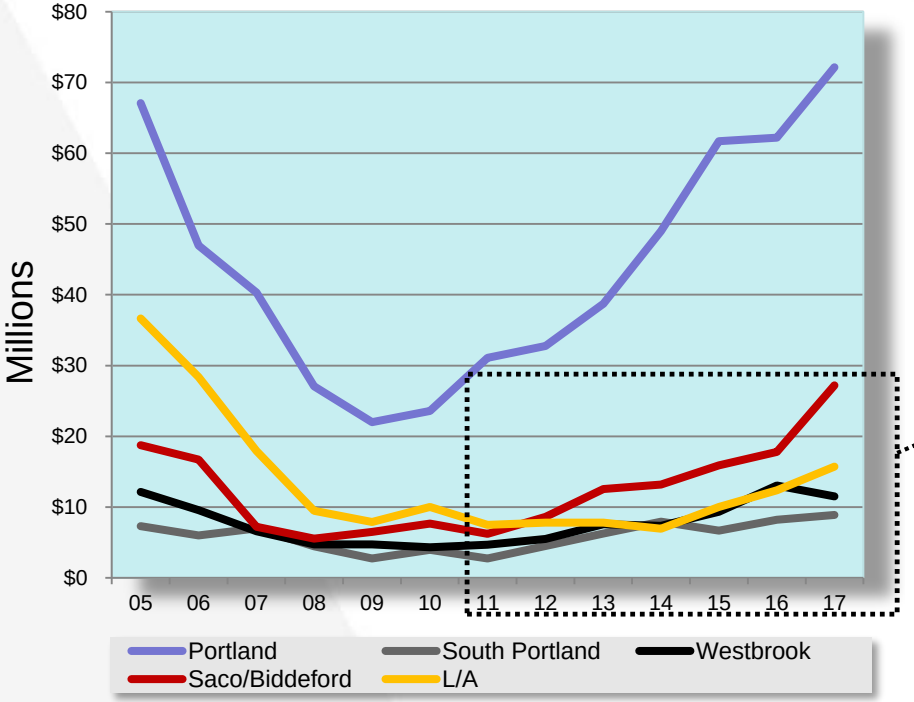
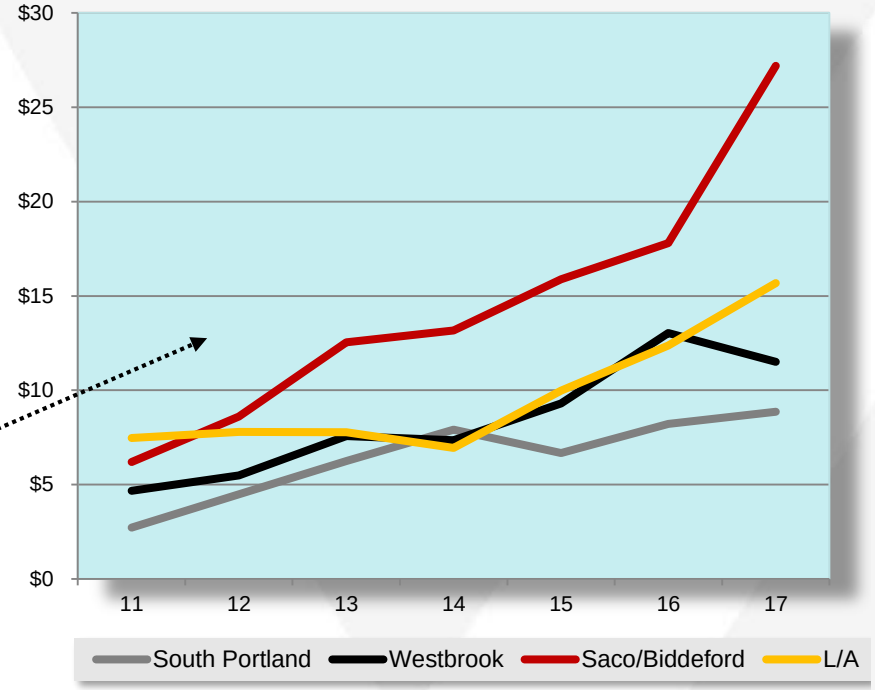
Sales Volume

All Cities 2005 - 2017



Non-Portland 2011 - 2017



	Portland	SoPo	Westbrook	Saco Biddeford	L/A
2014 → 2015	26%	-16%	27%	21%	44%
2015 → 2016	1%	23%	40%	12%	24%
2016 → 2017	↑ 16%	↑ 8%	↓ -12%	↑ 53%	↑ 27%

*Based on MLS data

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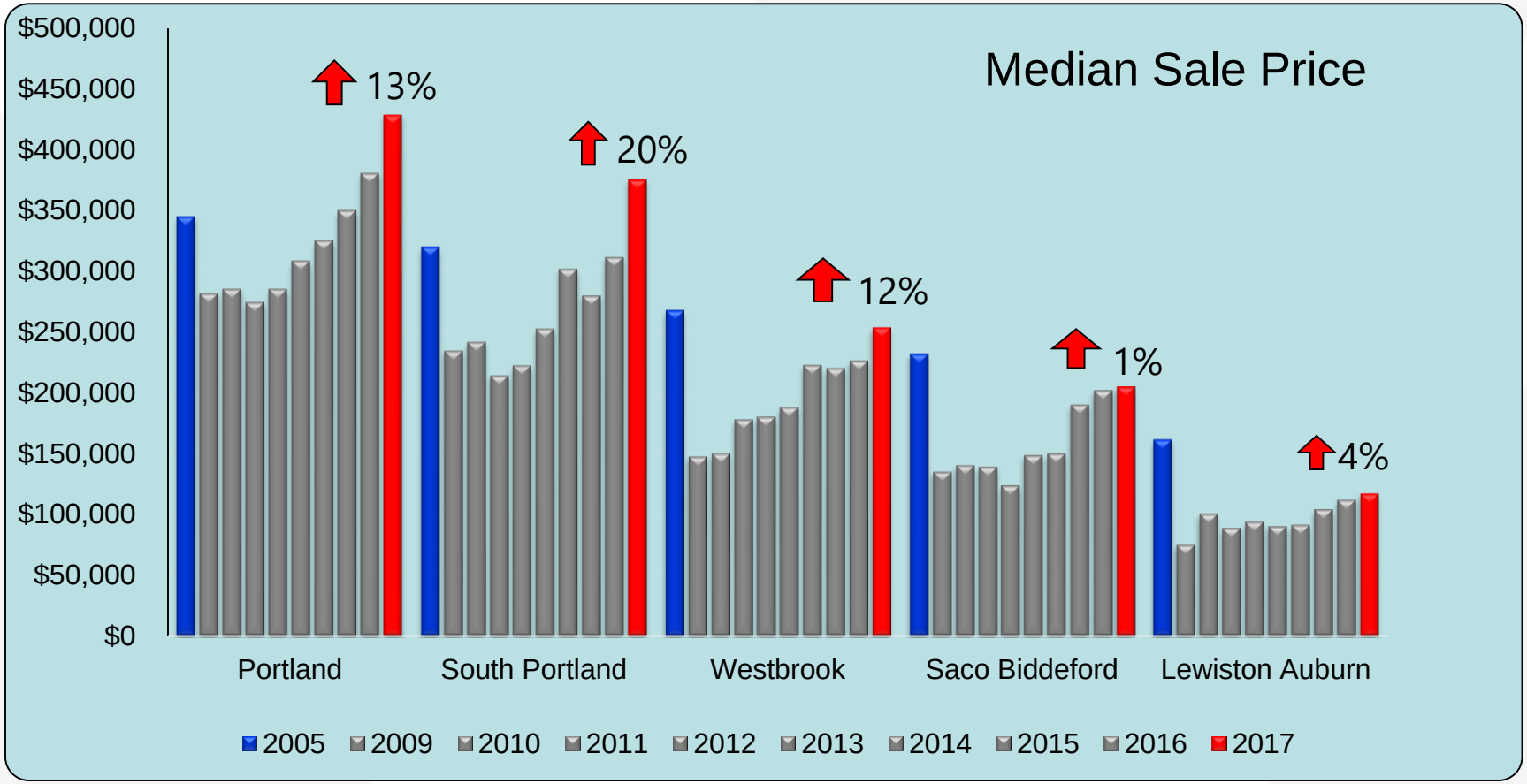
Change in Median Sale Prices



*Based on MLS data

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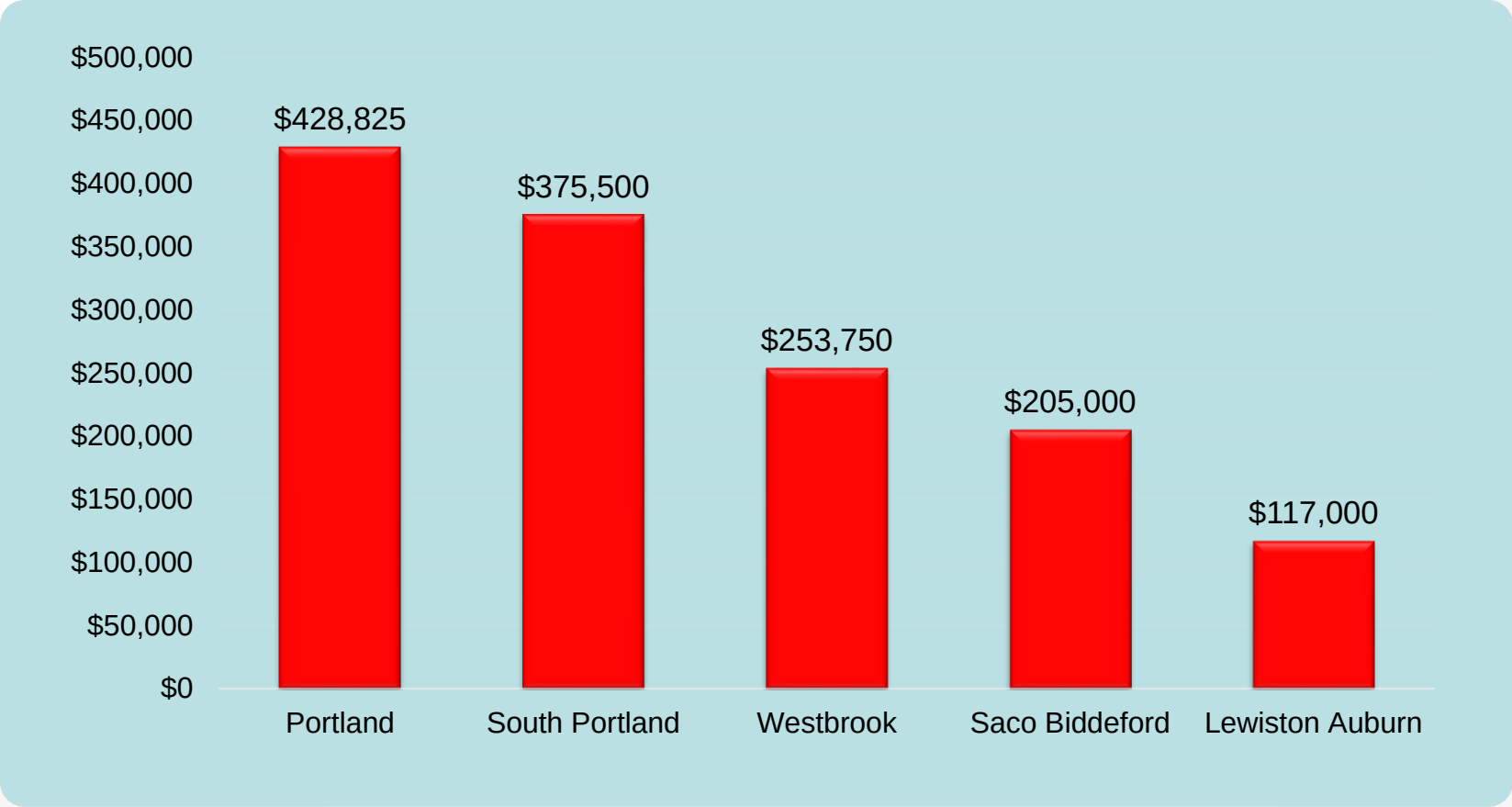
Median Sale Prices



*Based on MLS data

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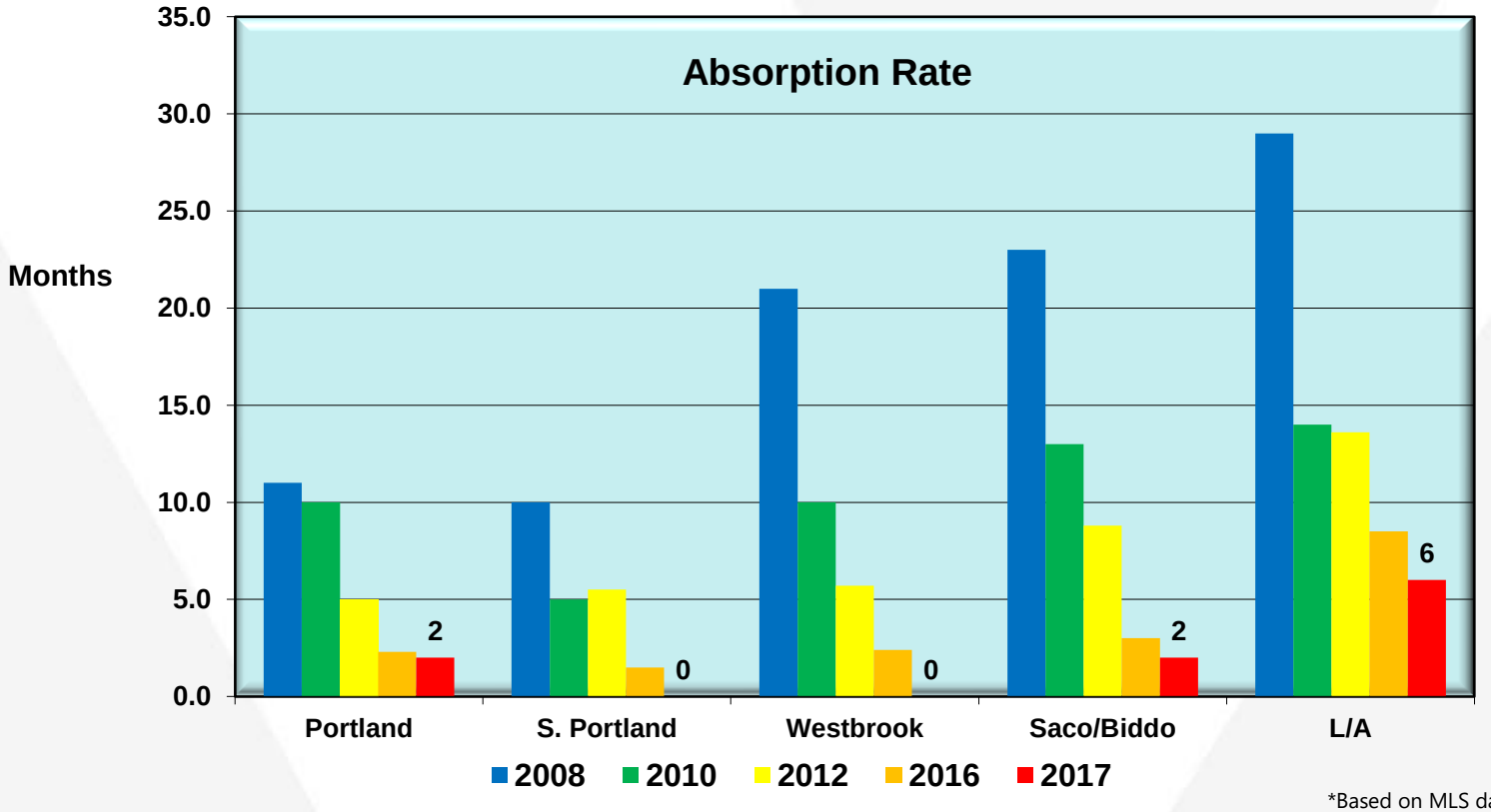
Record Low Inventory

- 0 – 1.5 Months of Inventory in Greater Portland
- 2 Months in Saco/Biddeford
- 6 Months in Lewiston/Auburn



*Based on MLS data

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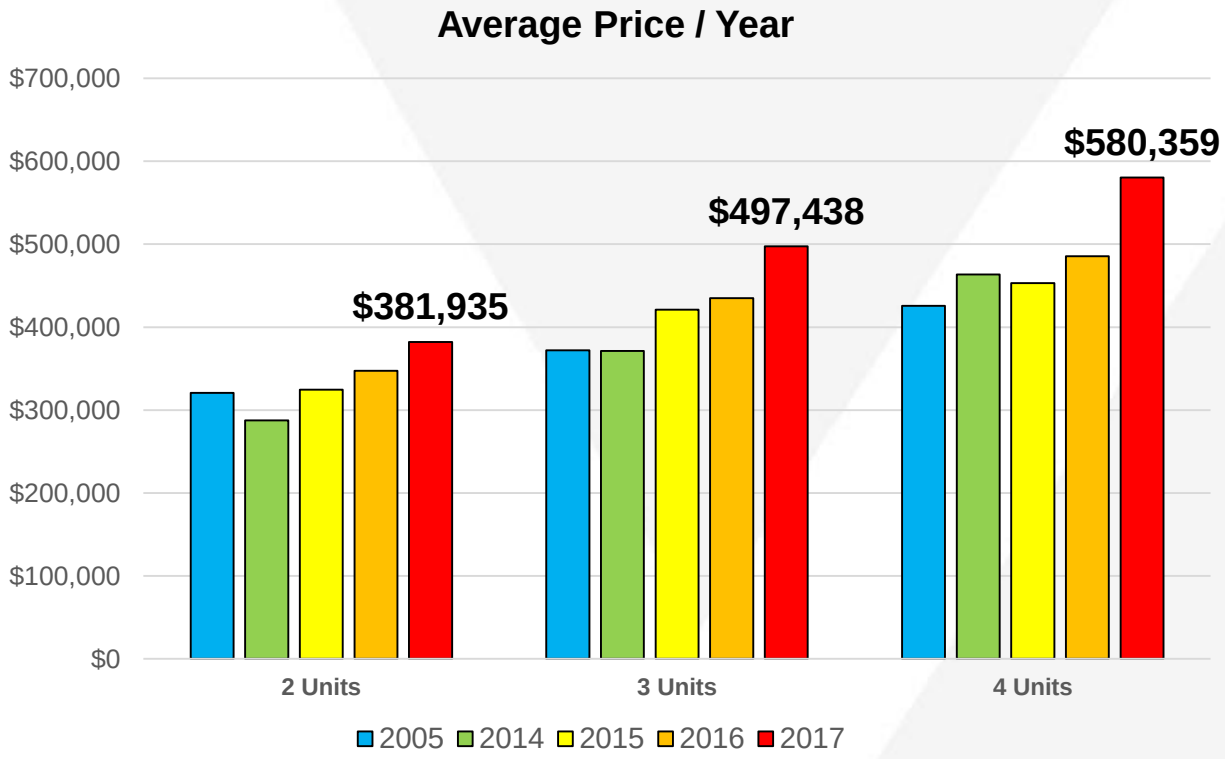
Portland: 2 - 4 Unit Prices

Δ	’15→’16	’16→’17
2 Units	7%	10%
3 Units	3%	14%
4 Units	7%	20%



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Portland: Commercial (5+ Units)

- High demand and low inventory
- Fewer institutional/large transactions
- Prices increased slightly, cap rates remained flat

Commercial Multi-Family Market Stats

	2015	**2016**	**2017**
Price/Unit (Median)	$79,000	$98,000	$103,000
Price/SF (Median)	$103	$97	$120
Cap Rate	6.6 - 7%	6.6 - 7%	7 - 7.5%

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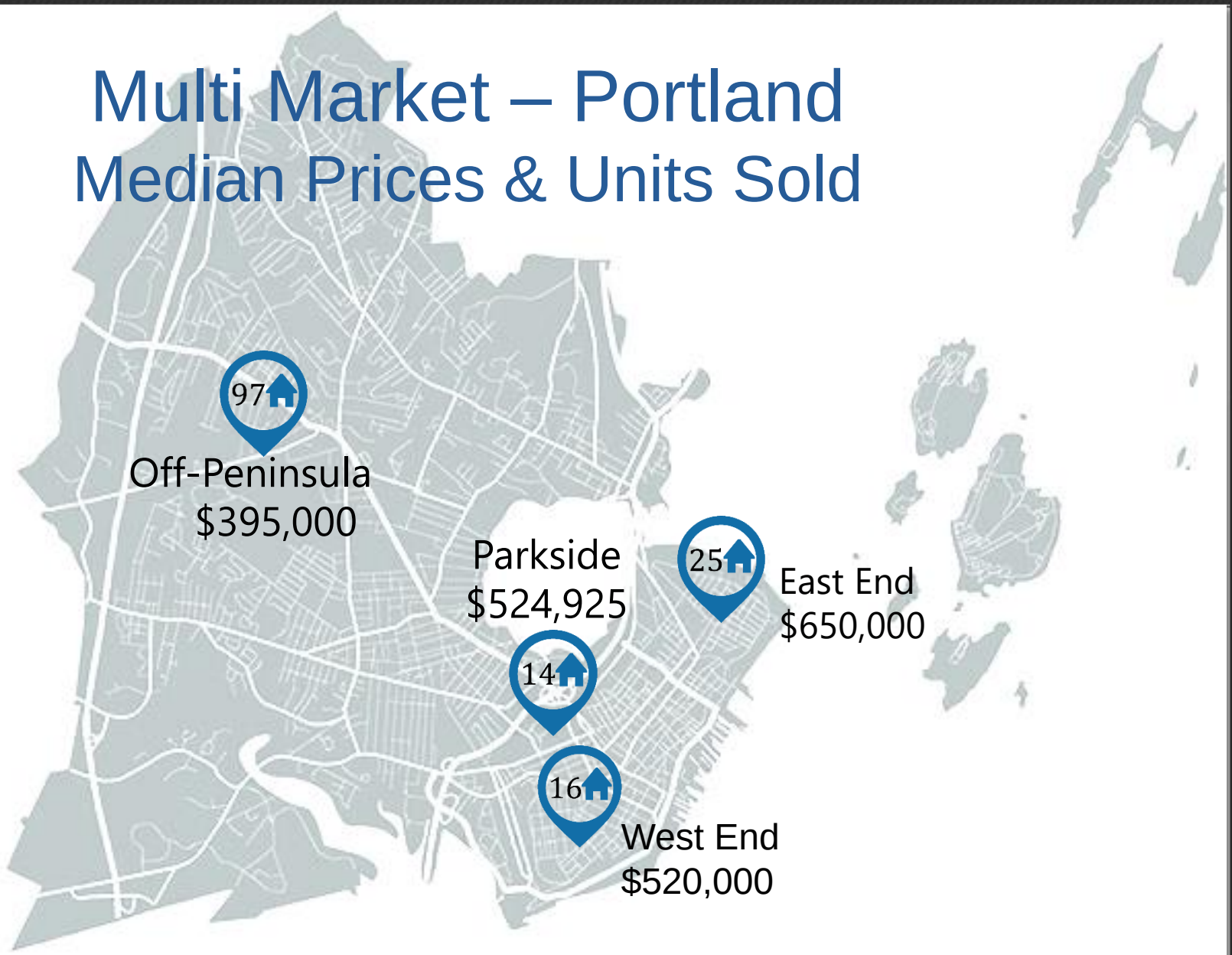
Multi Market – Portland
Median Prices & Units Sold



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Downtown Portland – Varied Buyer Profiles

West End

3 Unit
Short Term
Rental Investor
$561,000

2 Unit
Owner Occupant
1st time buyer
$510,000

6 Unit
1031 Buyer
Out of State
$745,000

East End

4-Unit
Owner Occupant
1st time buyer
$795,000

Single Family
Tear-down and rebuild
single family
$760,000

6-Unit
Gut renovation
Rental units
$865,000

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Portland Developments - All **Occupied**

89 Anderson Street (East Bayside)
53 *Market Rate Apartments*

Schlotterbeck & Foss
117 Preble Street
55 *Units*
Online Q1

3 Pleasant Avenue
(Woodford Corner)
25 *Units*

The Hiawatha - 667 Congress St
131 *Market Rate*

Bayside Anchor
(Bayside)
45 *Units, 36 Affordable*

Total = 300+

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New Development: Portland & The Region

Most current and planned developments are outside of Portland

Westbrook	**250**
South Portland	**200**
Cumberland	**100**
Scarborough	**865**
Falmouth	**??**
Total	**~1,400**

Planned Portland Units
Bayside & Affordable Units

Total	**~220**

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Saco/Biddeford – On the Rise

181 Market Rate Units (in addition to meeting spaces, a restaurant, 10,000 square-foot fitness club and a rooftop pool and bar) - Lincoln Mill

22 Micro Units – Saco Island Mill

72 Units - Cascade Falls Phase 2

80 Units - Saco Church Renovation & New Development
(47 online in 2018)

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New Units – Regional Rental Comparison

	Average Rents for mid-grade, heated units		
	Anderson St - Portland	Cumberland/SoPo/ Scarborough	Cascade Falls - Saco
1 Bd	$1,550	$1,250 - $1,325	$1,200
2 Bd	$2,000	$1,450 - $1,500	$1,450 – $1,600
Occupancy	100%	~75% newest units	100%

Portland

- Developers aggressively use incentives to fill units

Outside of Portland

- Patience, holding prices, slower occupancy rates

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The Portland Rental Market

	Average Rents for mid-grade, heated units			
	2015	2016	2017	Sec 8 - 2017
Studio	$850	$850	$900	$911
1 Bd	$1,100	$950 - $1,100	$1,100	$1,028
2 Bd	$1,300	$1,275	$1,350	$1,301
3 Bd	$1,550	$1,600	$1,500	$1,755

- Portland rents leveling off
- Regional development is affecting the Portland market
- *Affordability* improves: subsidized rents are catching up with and passing market rents

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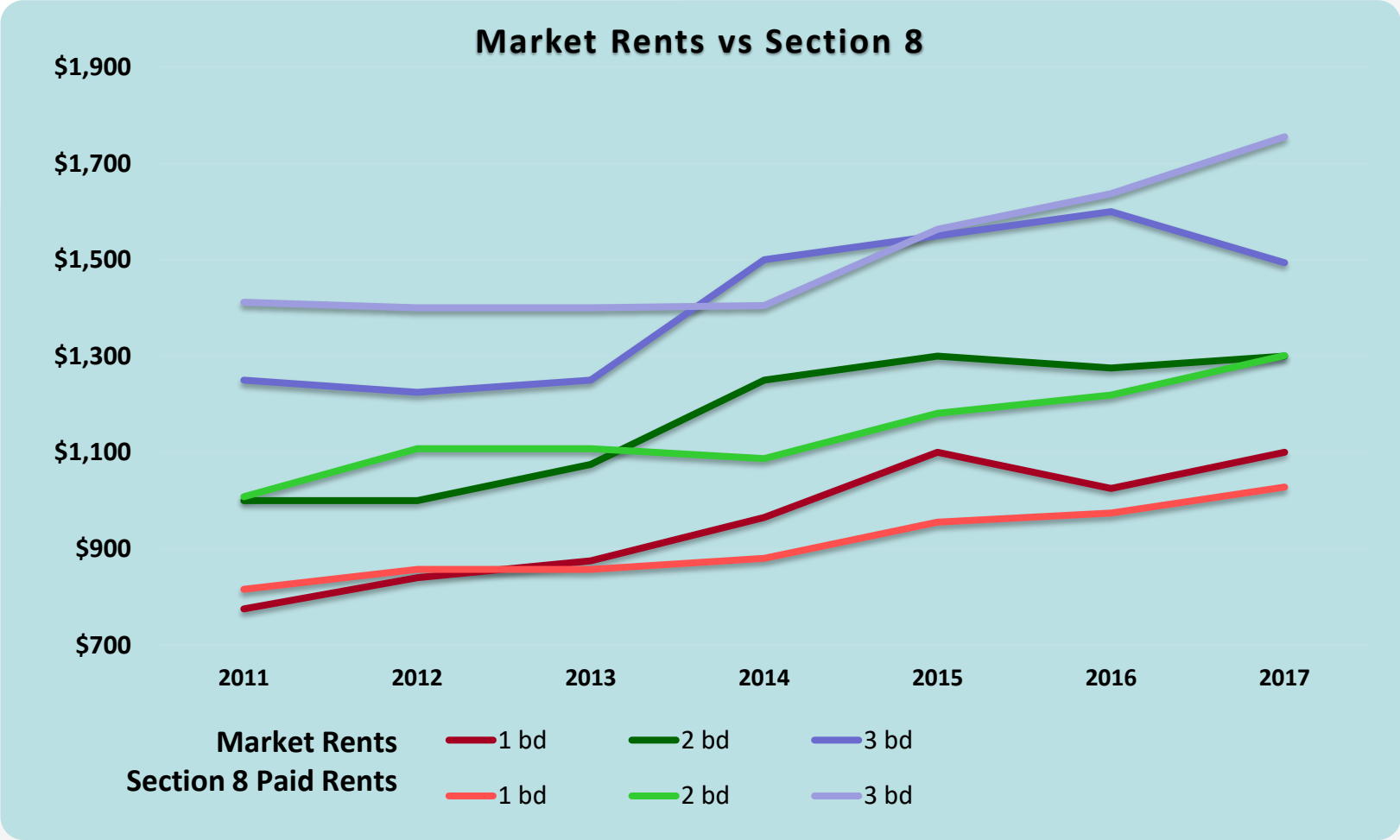
The Portland Rental Market



Other Forces

- New Tax Code
- Interest Rates
- Condo Conversions
- Local Regulations
- Affordable Housing
- NIMBY Opposition to development (particularly of affordable housing)

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How did I do?
Multi-Family Forecast 2017 (Last Year)

B+ **Portland sales will stay strong**. Rising interest rates will become a consideration and will keep cap from decreasing.

C **Prices of 2 – 4 units will increase modestly** as buyer demand continues to exceed available supply.

A **New rental units will be absorbed** but at a modest pace.

B+ As the new rental units attract the top tier tenants, **"average" Portland units feel a flattening in rents** (even a decrease?) and a slight drop in tenant quality.

A **Westbrook absorbs new units.** The city as a whole continues to be an attractive alternative to Portland.

A **Saco and Biddeford will see continued growth and energy** from the new developments and continued market strength.

C+ Overall, it will be **another strong but slightly more sober year** for sales and values in Southern Maine.

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Multi-Family Forecast for 2018

Portland

- **Sales will stay strong** due to high demand, low inventory, Portland's general attractiveness.
- **Cash flow buyers start to pull back** on values with flat rental rates.
- Upper end prices will be driven by **condo conversions and high end owner occupants.**
- **Rental rates remain flat** due to regional development.

Regional

- **Buyers and renters continue to seek out alternatives** to Portland.
- **Westbrook and South Portland prices increase modestly** due to extreme low inventory and price affordability.
- **New rental units risk market saturation** outside of Portland. Alternatives to the new products have an opportunity to differentiate.
- **Saco and Biddeford will see continued growth and energy** from the new developments and continued market strength. Is there a ceiling or saturation point?

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Brit Vitalius has been representing buyers and sellers of multi-unit investments since 2004. He founded Vitalius Real Estate Group in 2011 to form a group of specialists to provide a full complement of residential, multi-family and commercial brokerage services to clients.

Brit is the President of the Southern Maine Landlord Association, a group which seeks to keep landlords up-to-date on important issues, trends and regulations. In the wake of the 2015 Noyes Street Fire, Brit became an active participant in multi-unit fire safety issues, and he was asked to serve on Portland's Fire Safety Task Force.

Brit currently serves as Chair of the ECAC Committee with the Portland Community Chamber of Commerce and a member of the Trustee and Governance committee for the Portland Symphony Orchestra. As a Realtor, he serves as a member of the Board of Maine Listings (the Maine MLS). The Vitalius team is also a proud sponsor of 2 Degrees Portland. In his copious free time, Brit manages his own portfolio of multi-unit investments in Portland and Yarmouth.

Brit grew up in Yarmouth, then went on to graduate from Harvard University in 1995. He now lives in Yarmouth with his wife, Yasmin, 9-year-old son, Coltrane and 6-year-old daughter, Allegra. He enjoys mountain biking, skiing, tennis, and single malt scotch.

Vitalius Real Estate Group is a boutique real estate brokerage based in downtown Portland. We believe that our clients benefit from working with a diverse team of intelligent professionals who are dedicated to effectively negotiating the myriad needs of a real estate transaction.

Our group is comprised of associates who have complementary areas of market specializations - multi-family, commercial, condos and residential. Instead of one broker attempting to be all things to all people, we put together a team, which brings the needed area of expertise to a given client and situation. And we have a lot of fun along the way.

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