

MULTI-FAMILY MARKET REPORT

2018 Market Review & 2019 Forecast

As we move into the spring 2019 season, the searing hot market of the last couple of years has mellowed out. Buyer demand remains strong and inventory low, yet there is generally a new level of sobriety to buyer's valuation. Properties with particular challenges like location or condition should take extra care when pricing. That being said, there continue to be buyers who are willing to pay more due to motivating factors such as 1031 exchanges and short term rentals. The phenomena of 'multiple offers over asking price' are still occurring for the right properties.

SALES VOLUME 2005-2018

Volume in all sectors is up across the area, and has been going up for several years. What looked like a plateau in the 2015 Portland market proved to be a brief pause before the market sky-rocketed.



	% increase		
	'15 to '16	'16 to '17	'17 to '18
PORTLAND	1%	16%	11%
SOUTH PORTLAND	23%	8%	29%
WESTBROOK	40%	-12%	27%
SACO/BIDDEFORD	12%	53%	8%
LEWISTON/AUBURN	24%	27%	32%



PORTLAND MUNJOY HILL
3 unit
\$950,000

Listed by Vitalius Real Estate Group

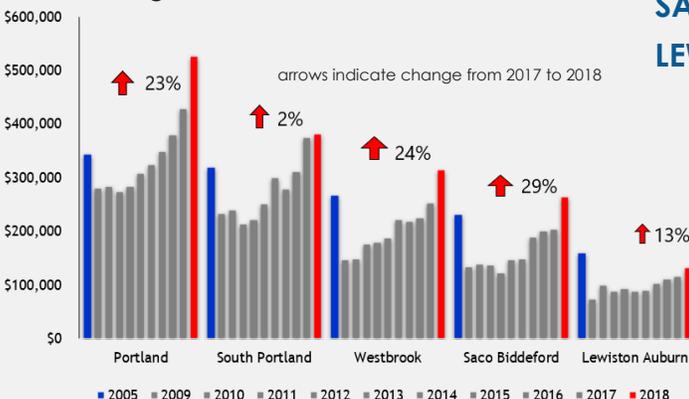


PORTLAND
3 unit flip
2016: \$263,000
2018: \$670,000

Listed by Jed Rathband Keller Williams Realty

MEDIAN SALES PRICE

The median sales price for multi-families is up significantly in most towns across the area. It's notable that in Portland the median sales price is over \$500,000 - a figure that includes 2 and 3 unit buildings.



	2017	2018	% increase
PORTLAND	\$426,825	\$527,500	23%
SOUTH PORTLAND	\$375,500	\$382,000	2%
WESTBROOK	\$253,750	\$315,000	24%
SACO/BIDDEFORD	\$205,000	\$265,000	29%
LEWISTON/AUBURN	\$117,000	\$132,000	13%



PORTLAND MUNJOY HILL
6 unit
\$1,333,000

Listed by Vitalius Real Estate Group



LEWISTON 19 WOOD ST
45 unit
\$2.35 million
6.8% cap

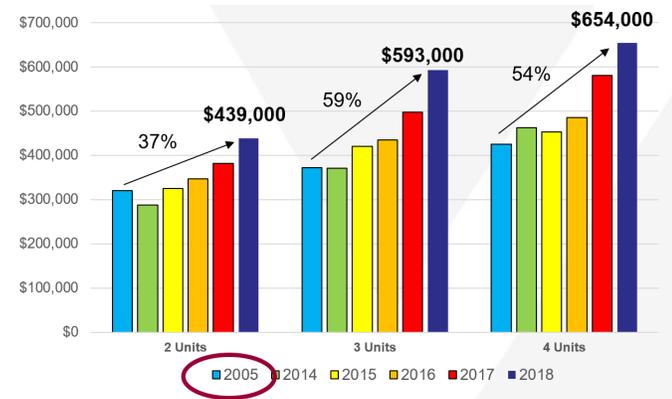
Listed by JT Leahy Real Estate

MULTI-FAMILY & COMMERCIAL SALES OVERVIEW

PORTLAND

PORTLAND'S 2 TO 4 UNIT MARKET

Portland's 2 to 4 unit market is an important market to watch since it's a majority of the city's building inventory. Prices are up 50% since the last market peak in 2005.



EXAMPLE SALES



MUNJOY HILL
4 unit
\$1.1 million

Listed by
Bean Group



MORRILL'S CORNER
2 unit
\$557,000

Listed by
John Robinson,
RE/MAX Shoreline

PORTLAND'S 5+ UNIT COMMERCIAL MARKET

Prices in the 5+ unit market continue to increase. Cap rates are generally flat in the 7 to 7.5% range, with a few sales at 6% or lower. The number of transactions nearly doubled from 13 in 2017 to 23 in 2018 - with sellers ready to cash out and plenty of buyers to take their places.

	2015	2016	2017	2018
Price/Unit	\$79,000	\$98,000	\$103,000	\$124,000
Price/SF	\$103	\$97	\$120	\$133
Cap Rate	6.5% - 7%	6.5% - 7%	7% - 7.5%	5% - 7.5%

EXAMPLE SALES



HIGH STREET
6 unit
\$808,000

Listed by
Vitalius Real
Estate Group



493 CUMBERLAND AVE
18 unit
\$1.6 million
6.8% cap

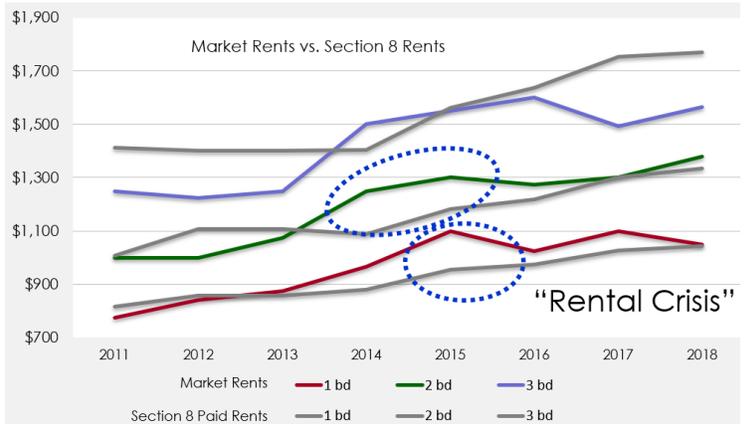
Listed by
James Benoit,
F.O. Bailey Real Estate

PORTLAND RENTALS

In 2018 the city conducted a rental survey that definitively shows Portland rents have leveled off.

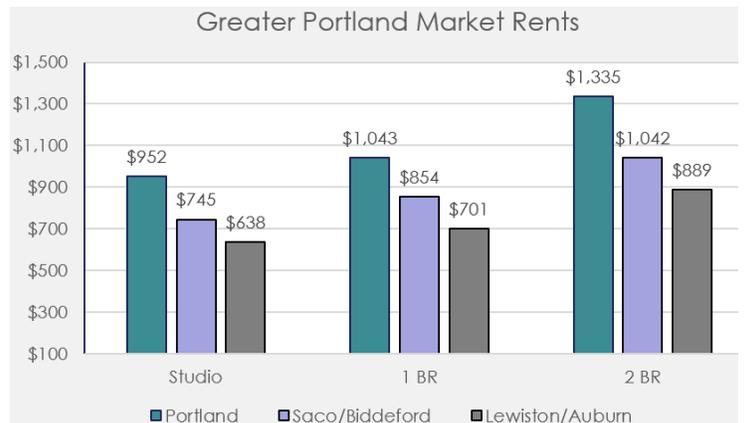
	Average rents for mid-grade, heated units (excerpted from City of Portland rental survey)			
	2016	2017	2018	Sec 8 - 2018
Studio	\$850	\$900	\$850	\$952
1 bed	\$1,100	\$1,100	\$1,050	\$1,043
2 bed	\$1,275	\$1,350	\$1,380	\$1,335
3 bed	\$1,600	\$1,500	\$1,565	\$1,769

Along with this, there is a growing perception of affordability because subsidy programs have caught up with - and even surpassed, in the case of 3 bedrooms - market value. It will be interesting to watch how multi-unit owners manage their investment properties as they see an increasing mix of subsidized renters alongside market rate rental applicants.



GREATER PORTLAND RENTALS

The Saco/Biddeford and Lewiston/Auburn metro areas benefit from affordability relative to Portland with monthly rental rates \$200 to \$400 lower.



SACO/BIDDEFORD

Although the total number of transactions declined, 5+ unit sales in Saco/Biddeford nearly tripled from 5 to 13, and the median sales price was up 29%. The median price per unit is getting closer to what we were seeing with Portland price points just a few years ago - hovering around the low to mid-\$60,000s. If there is any backslide in the market, it will be interesting to see how the flood of new development will impact the existing inventory and rents.

LEWISTON/AUBURN

Lewiston/Auburn had a very active year. Total sales volume was up 32%. Buyers were accepting lower cap rates with the mindset that with property improvements the cap rate would improve.



**PORTLAND - 34 NORTH STREET
MUNJOY HILL**

2 unit
SOLD - \$645,000



PORTLAND - FOREST AVE

25 unit
SOLD - \$4.3 million
5-6% cap rate



**PORTLAND - 33 FLORENCE
DEERING CENTER**

2 unit
FOR SALE - \$525,000



**PORTLAND - 481 CUMBERLAND
DOWNTOWN**

4 unit
SOLD - \$725,000

THE TREND HEADING INTO THE SPRING SELLING SEASON

2017 & Early 2018 Market like a Frothy Beer



In 2017 and early 2018 the multi-family market was "frothy." We saw multiple offers over the listed price, and in some cases far above the listed price.

Summer 2018 Beer begins to Flatten



In 2018 things began to shift. A behind the scenes look showed we often saw only one offer on a listing; however, properties are still selling at list price, we've just moved into a less competitive time.

Portland Multi-Market Dynamics to Watch in 2019

HIGH LEVEL FACTORS Multi-unit prices and sales are steady thanks to available capital in the marketplace, 1031 exchanges, demand for Airbnbs, home ownership, and condo conversions; however, rents are flat, interest rates are going up, and the new inventory may challenge the existing stock.

RATIO OF PENDING LISTINGS TO ACTIVE LISTINGS IS DOWN In 2017 pending listings were 76% of the active listings. In 2018 that dropped to 58%, showing reduced buyer pressure.

OTHER FACTORS We're seeing more out of state buyers, first-time investors, and new market players, but there's still some upward pressure: a crowded condo conversion market, high priced flips with minimal upgrades, and short-term rental investors.

PRICE REDUCTIONS For the first time in several years we've seen price reductions on listings.

FEWER/LESS QUALIFIED BUYERS Listed properties that are more distressed are facing more challenges in the market with fewer qualified buyers, such as first time buyers, and those who need FHA financing.



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VITALIUS PORTLAND MULTI-FAMILY MARKET REPORT

Read inside for an update on the Portland and Greater Portland multi-family market.

www.vitalius.com

WE KNOW MULTIS.



BRIT VITALIUS, Principal & Designated Broker

For more than a decade I've delivered an annual overview of the past year's multi-family sales picture and a forecast for the upcoming year to the Maine Real Estate & Development Association. My assessments are based on what I've seen in the marketplace as a real estate broker who has specialized in the multi-family market in Greater Portland since 2004, and the valuable insights of my colleagues at Vitalius. As a multi-family property owner in Portland and Yarmouth myself, understanding the ebbs and flows of the market helps me in managing my property portfolio. I'm sharing my market report with you so you can feel knowledgeable about the current market conditions and make informed decisions - whether buying or selling a multi-family - in the year ahead.

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VITALIUS GREATER PORTLAND MULTI-FAMILY REPORT

Wondering where your multi is valued in the current market?

For a no-cost, no-obligation opinion of value for your property, call or email me today!

If you are currently working with a Realtor, please disregard this notice. It is not our intention to solicit the clients or properties of other brokers.



VITALIUS REAL ESTATE GROUP

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. We do not hesitate to share our opinions, suggestions and experiences and our clients benefit from our team members' wide breadth of market knowledge. We will sell your condo, house or multi-family property with speed and the utmost professionalism, while making sure everyone has fun along the way. We work together because we like and respect each other – and we think you will feel the same way. www.vitalius.com

About the Multi-Family Market Report

The Portland Multi-Family Market Report is an annual review of the Greater Portland multi-family sales market and a forecast for the upcoming year produced by Brit Vitalius, Owner of Vitalius Real Estate Group. Brit has been presenting this report to the Maine Real Estate & Development Association for the past decade. View the presentation online at vitalius.com.