

Multi-Family Forecast for Southern Maine

2017 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

Principal, Designated Broker

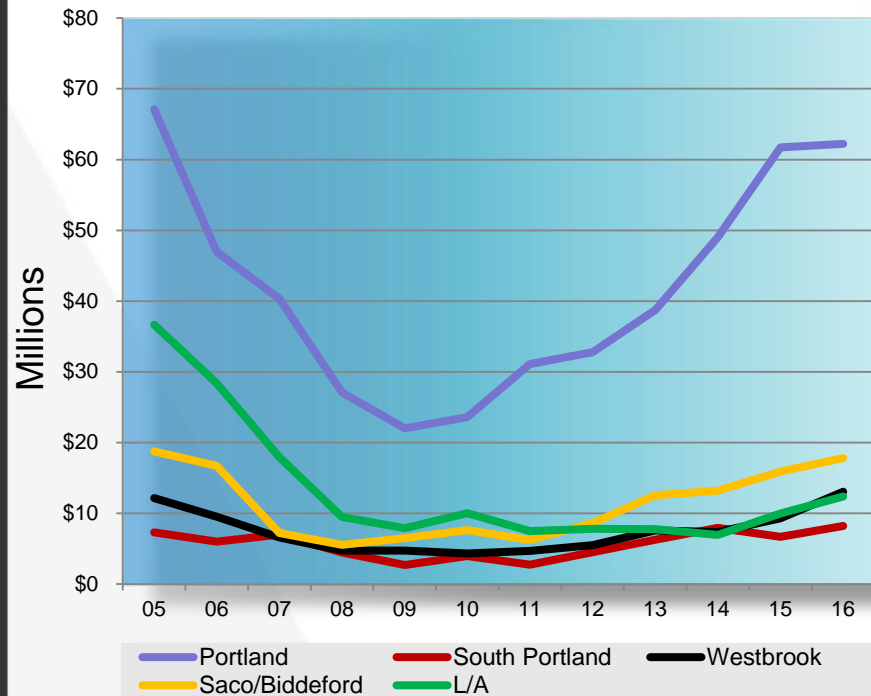
President, Southern Maine Landlord Association



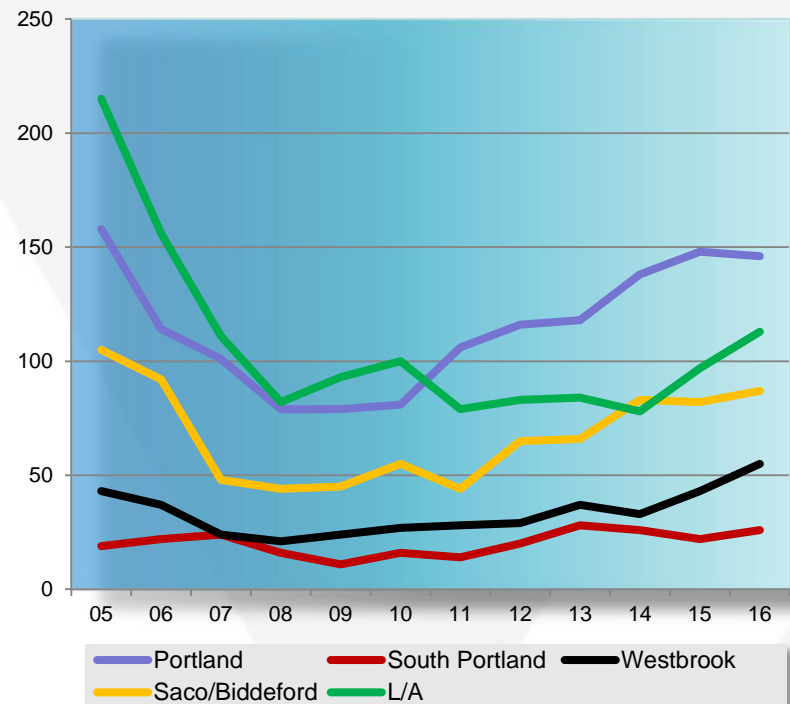
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Sales Volume

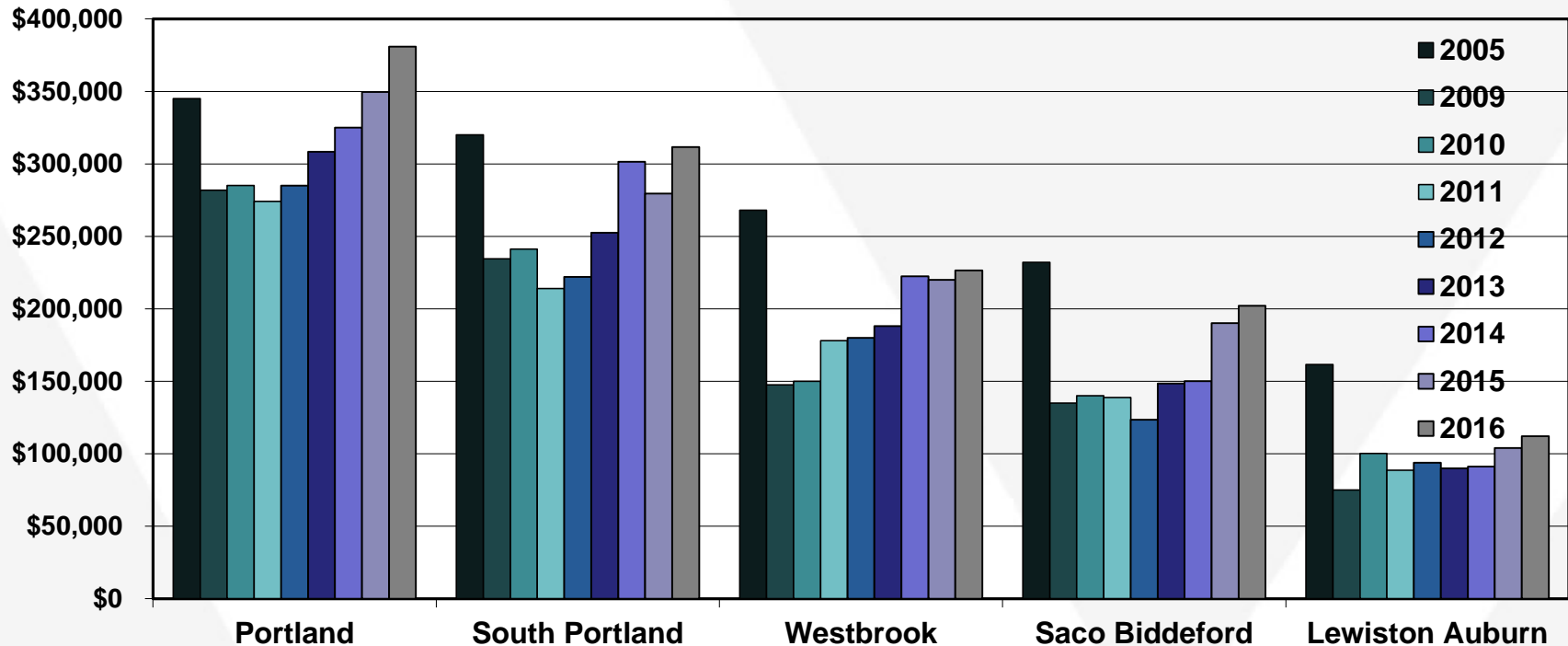


Properties Sold



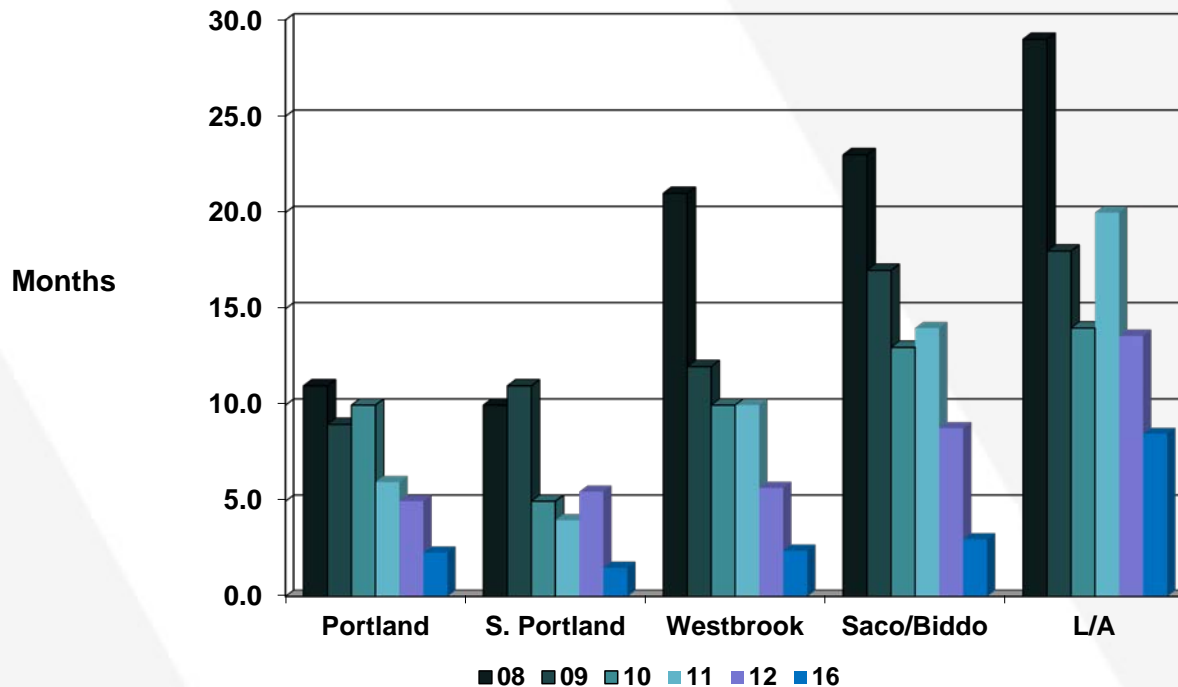
		Portland	South Portland	Westbrook	Saco Biddeford	Lewiston Auburn
2015 → 2016	Volume	1%	23%	57%	12%	24%
	Sold	-1%	18%	28%	6%	16%
2009 → 2016	Volume	183%	204%	211%	175%	57%
	Sold	85%	136%	129%	93%	22%

Median Sale Price



'15 → '16	9%	12%	3%	6%	14%
'09 → '16	35%	33%	54%	50%	49%
'05 → '16	10%	-3%	-16%	-13%	-31%

Absorption Rate

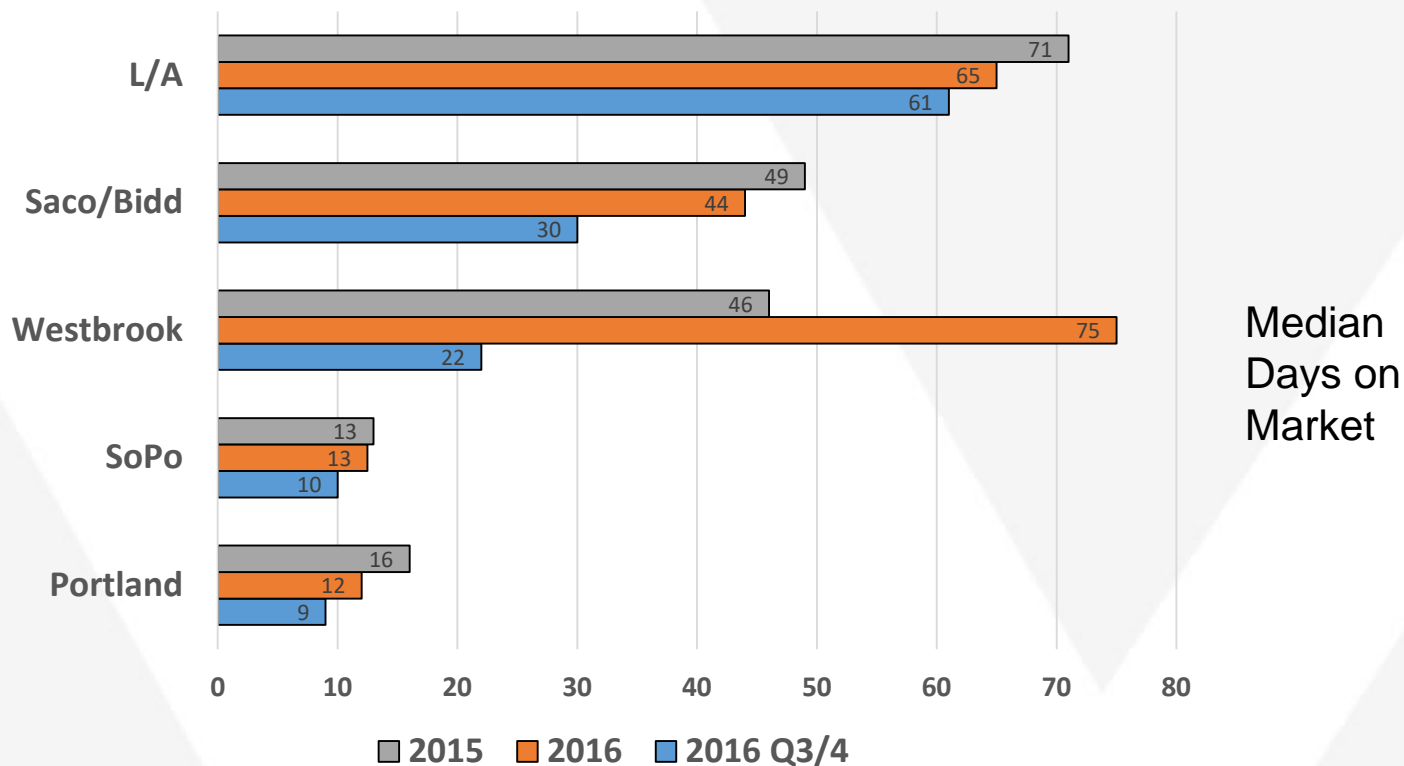


Absorption Rate

Amount of time it will take to sell the current inventory at the present rate of sales.

	Portland				South Portland				Westbrook				Saco/Biddeford				Lewiston/Auburn			
	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16
On the Market	83	65	31	28	14	7	9	3	36	22	14	11	81	60	48	22	200	114	94	80
Monthly Sales	7.4	6.8	9.6	12	1.4	1.3	1.6	2	1.7	2.3	2.5	4.5	3.5	4.6	5.5	7.25	6.8	8.3	6.9	9.4
Absorption Rate(months)	11	10	5.0	2.3	10	5	5.5	1.5	21	10	5.7	2.4	23	13	8.8	3.0	29	14	13.6	8.5

Days on Market



Multi Market – Portland

- Everyone wants a multi family, investors and occupants
 - Downtown is **hot** but it's ALL good
 - Multiple offers / offers over asking price
-

Commercial Multi-Family Market

- Investors struggled to find inventory
- Buyer motivation continues to push prices up, although not as fast as the previous year
- A couple big transactions, but most are 6 – 14 units

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

Sample of Notable Sales – Portland



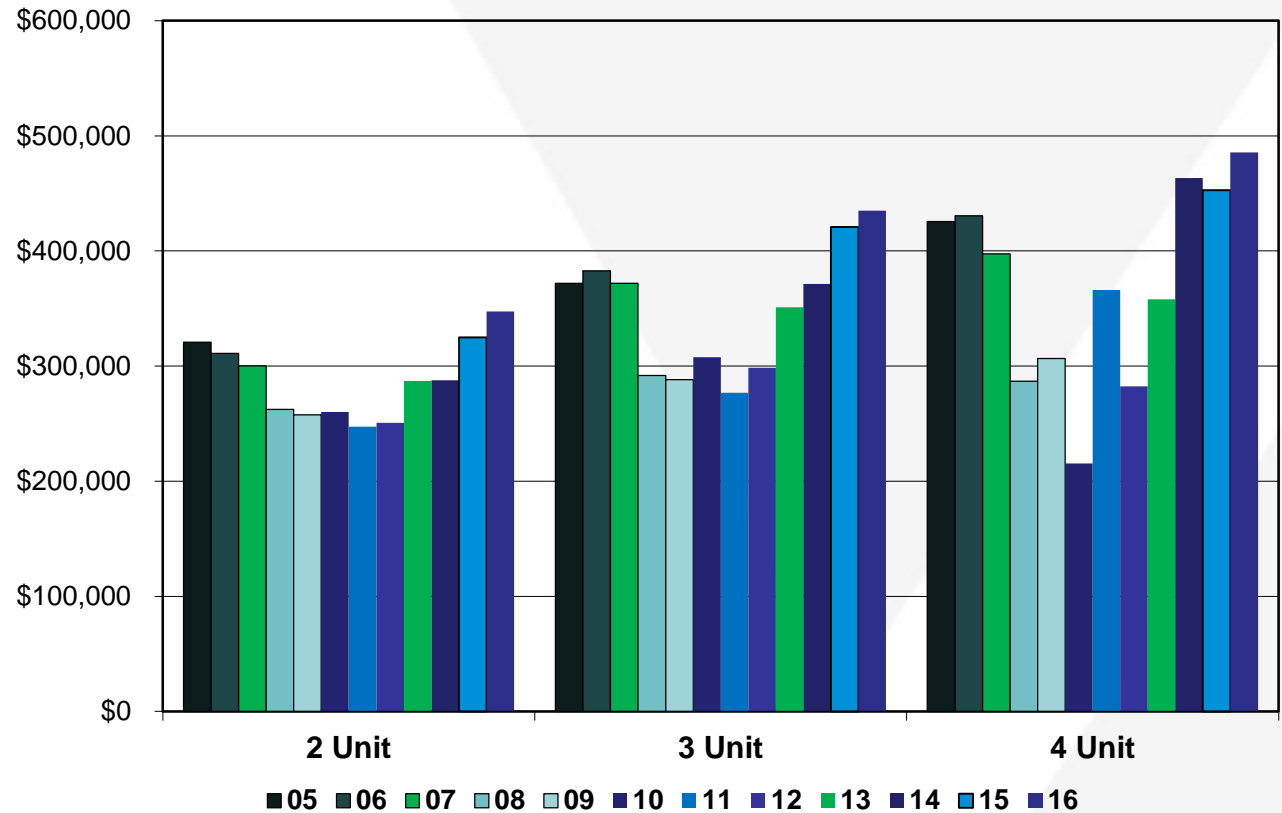
Property	Units	Price	Price/Unit
• Redbank, SoPo	620	\$87.5 MM	\$141,000
• Ambassador Apt	86	\$7.3 MM	\$84,890
• 13 Grant St	11	\$1.1 MM	\$100,000
• 27 Veranda St	9	\$1.0 MM	\$111,000
• 287 State St	6	\$750,000	\$125,000
• 111 Grant St	6	\$651,000	\$108,500
• 471 Cumberland Ave	14	\$1.145 MM	\$81,785

Portland 2 - 4 Units - Average Price

2 Units = \$347,500

3 Units = \$435,000

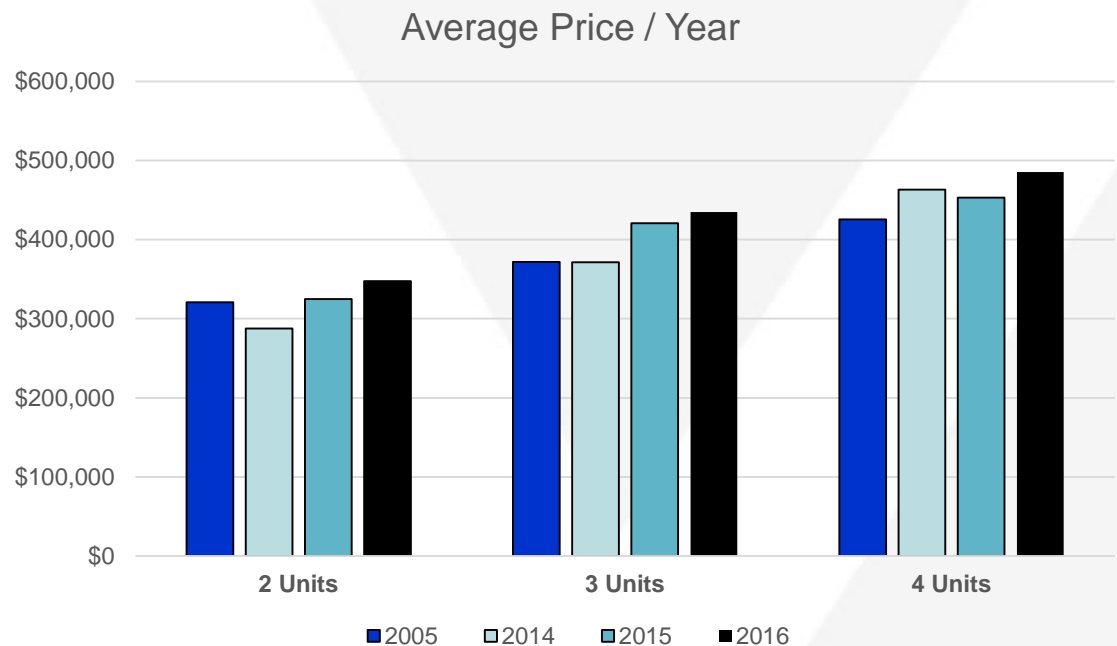
4 Units = \$485,500



Portland 2 - 4 Units - Average Price

- Benchmark from previous peak in 2005
- Dramatic price increases in last 2 years but slowing in last year

	Δ '05→'16	'14→'16	'15→'16
2 Units	8%	21%	7%
3 Units	17%	17%	3%
4 Units	14%	5%	7%



Portland Sales that Set the Market



3 Unit - \$787,600
Munjoy Hill
39 North Street

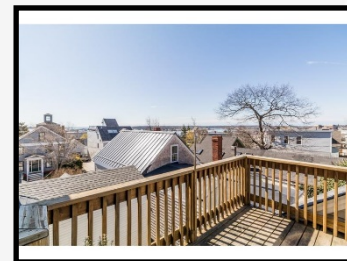


2 Unit - \$485,000
Off Peninsula
34 Pleasant Ave



3 Unit - \$735,000
Munjoy Hill
42 Vesper Street

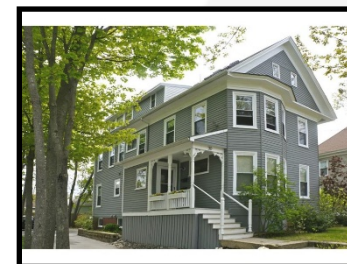
2 Unit - \$675,000
Munjoy Hill
90 St. Lawrence St



4 Unit - \$1.1 MM
5,000 SF, West End
119 Pine Street



4 Unit - \$605,000
Off Peninsula
30 Elmwood St



Saco/Biddeford – Summary & Notable Sales

- Sales Volume: +12% from 2015
- Median price: +6%, \$202,000
- Cap rate: ~10%
- Average Price/Unit: \$53,000
- Vacancy rate: 5-7%



32 Alfred Street, Biddeford
Mixed Use: 8 Units Plus 2 Commercial
\$635,000
11.4 Cap - \$64,500/unit



25-27 Chicoppe Lane, Biddeford
24 Units - \$3,100,000
7 Cap - \$129,000/unit

67-71 Bradbury Street, Biddeford
8 Units - \$390,000
9.6 Cap - \$64,500/unit



Lewiston/Auburn

- Sales volume: +24%
- Transactions: +16%
- Median price: +8%
- Average Cap Rate: 10%
- Average Price/Unit - \$23,000
- Vacancy: 10-15%



Lewiston/Auburn had 20
commercial multi-family
sales in 2016

Local City Councils Consider Responses to Tight Rental Market

Portland: Housing Super Committee

South Portland: Housing Task Force

Westbrook: Considered a moratorium on new construction

Proposed Actions Include:

- *Rent Control*
- *Extend notice to vacate from 30 to 90 days*
- *Force 1 year lease on all rentals*
- *Restrict short-term rentals*

Year of Headlines for New Development

“Plan for Rufus Deering site includes nearly 300 housing units in downtown Portland
The latest in a string of large-scale developments, the project would add three buildings – with units for sale or rent.”

“Portland Planning Board to vote on 54-unit apartment building in West Bayside”

“Developer proposes 108 more apartments for Westbrook project”

“Three more buildings planned for India Street block”

“South Portland approves 118-unit apartment complex”

“Cumberland approves 96-unit apartment complex
The project will quadruple the number of market-rate apartments in the affluent town north of Portland.”

Portland Developments 2016 / 2017



89 Anderson Street (East Bayside)

53 Market Rate Apartments

Online, 65% occupied in 4 months, mostly all from out of town

Rents: \$2.25 - \$3.00/SF



3 Pleasant Avenue (Woodford Corner)

25 Units

Online: 2017 Q1 & For Sale

Schlotterbeck & Foss

117 Preble Street

55 Units

Online Q1



72 Bishop Street (Morrill's Corner)

30 Units

667 Congress St (Joe's Smoke Shop)

131 Market Rate



New Rental Units 2016-17 = **294** Units lost to condo conversions: **30**

Net New Units: 264

Greater Portland Developments

Westbrook

98 Units in 2016 : Risbara

96 by summer 2017 : Risbara

...Plus all the houses → threatened a development moratorium!!

****32% of tenants in the first phase moved from Portland***

South Portland

118 units at Riverbrook/Brick Hill : Risbara & Developers Collaborative –
online late 2017

8 units, 31 Hoyt Street

Plus additional large projects on the horizon

Cumberland

96 Units on Route 1, online 2017

Scarborough

54 Units approved in Eastern Village

New Units Immediately Outside Portland: 470

The Portland Rental Market

- “Portland has hit its limits. Rent increases are slowing and it takes longer to find good tenants.” – Portland rental manager
- “Our units fill as fast as we can build them” – Rental manager, new Westbrook units
- Talk of rent controls scares off some development plans

	Average Rents for mid-grade, heated units			New Construction	
	2015	2016	Sec 8	Westbrook	89 Anderson St
Studio	\$850	\$850	\$838		\$1,250
1 Bd	\$1,100	\$950 - \$1,100	\$974	\$1,250	\$1,550
2 Bd	\$1,300	\$1,250 - \$1,300	\$1219	\$1,400	\$2,100
3 Bd	\$1,550	\$1,500 - \$1,700	\$1717		

Vacancy rate: still very low but there will be nearly 200 units to fill starting in spring ‘17. With no population growth, absorbing the new units may be challenging.

Imagine The Future – Portland Rentals

Rufus Deering Site, Commercial Street

300 Units ??

Developer: Reger Dasco



443 Congress Street

28 Apartments, Conversion of Office Space

Developer: Northland Enterprises

West Bayside

54 Market Rate Apartments

Developer: A&M Partners

Midtown (Bayside)

~400 Apartments

Developer: Federated

?????



101 York St (El Rayo site)

~~63 Market Rate Apartments~~ → **Condos**

Developer: J.B. Brown

58 Fore Street

Condos and Apartments

Developer: CPB2

?????



Multi-Family Forecast for 2017*

- Portland sales will stay strong. Rising interest rates will become a consideration and will keep cap from decreasing.
- Prices of 2 – 4 units will increase modestly as buyer demand continues to exceed available supply.
- New rental units will be absorbed but at a modest pace.
- 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.
- Westbrook absorbs new units. The city as a whole continues to be an attractive alternative to Portland.
- Saco and Biddeford will see continued growth and energy from the new developments and continued market strength.
- Overall, it will be another strong but slightly more sober year for sales and values in Southern Maine.

**Forecast subject to change due to erratic political behavior, geopolitical destabilization, terrorist attacks on US soil, or large scale natural disasters.*

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 in his fourth term as 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.

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

Brit grew up in Yarmouth, before he graduated from Harvard University in 1995. He lives in Yarmouth with his wife, Yasmin, 8-year-old son, Coltrane and 5-year-old daughter, Allegra. He enjoys mountain biking, 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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