



70

MEREDA  
INDEX

Sponsored by  
CBRE | The Boulos Company

# MEREDA INDEX



Drew Sigfridson  
MEREDA President



The Maine Real Estate & Development Association (MEREDA) is pleased to present its first ever report on the current state of the real estate industry in Maine. Our mission is to promote fair and responsible development and ownership of real estate. MEREDA members participate in all aspects of the real estate industry and their work includes management, brokerage, development, construction, financing, legal, accounting, engineering, and maintenance of residential and commercial property.

Over the past year, MEREDA, in conjunction with Professor Charles Colgan and his team at the Muskie Institute, has developed the MEREDA Index. This is a composite index derived from several data sets of three major components: residential, commercial and construction. Once the data is retrieved from available resources, weighted and compiled, it provides a current indicator specifically for determining the relative health and construction activity of the real estate industry in Maine. The index is currently at 70 and positive signs of growth are on the horizon.

The MEREDA Index was developed to increase the awareness and importance of the real estate industry in our state's economy and to provide valuable information to our members, the general public and our political representatives in tracking historic trends and predicting future growth. Real estate is cyclical and being ahead of the curve is critical for our members' organizations and for the overall strength of Maine's economy. We have over 250 member organizations with thousands of employees working in the real estate industry. When our business is strong, the State's economy sees a tremendous boost. Our goal is that over time the MEREDA Index and associated report will be a trusted resource for predicting future growth trends, lead to policy initiatives that encourage growth in real estate, and highlight the intricate link between the strength of the real estate market and the vitality of Maine's economy.

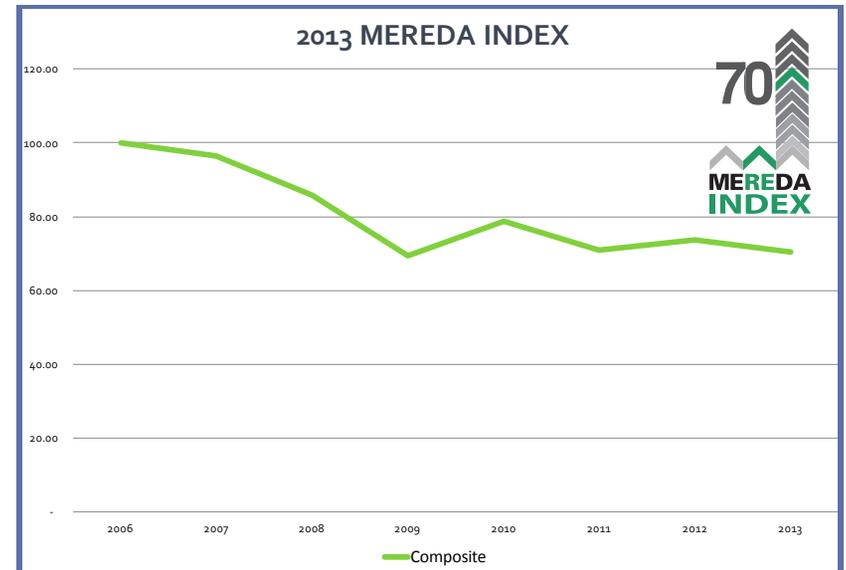


Charlie Colgan  
Professor of Public Policy & Management, Muskie School, USM

The MEREDA Index is a measure of real estate activity in Maine designed to track changes in Maine's real estate markets. The Index is a composite measure of new development, sales and prices reflecting activity in both the residential and commercial property markets. The Index measures quarterly changes in real estate activity beginning in 2006Q1 and continuing to 2013Q1.

All data is monthly, converted to quarterly and seasonally adjusted, except for commercial transactions and commercial square feet leased or sold which are 12-month moving averages. All data is indexed to 2006Q1=100.

The overall index is a weighted composite of the residential (40%), commercial (50%) and construction indexes (10%).



# INDEX COMPONENTS



The MEREDA Index measures commercial and residential real estate activity in Maine using nine measurements of data:

## RESIDENTIAL 40%

- New Single and Multi-family Housing Permits (Source: U.S. Census)
- Mortgage Originations, Non-Refinance. (Source: Moody's Analytics)
- Median Sale Price, Existing Homes (Source: Maine Association of Realtors)
- Existing Home Sales (Source: Maine Association of Realtors)

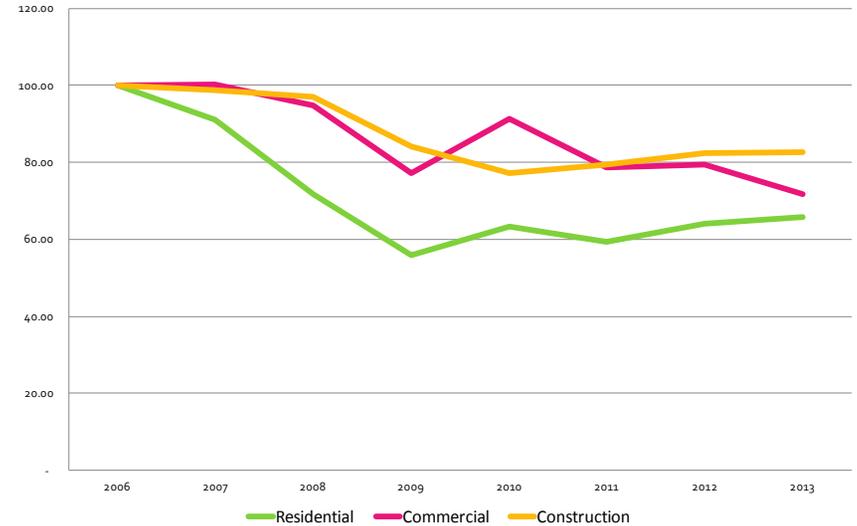
## COMMERCIAL 50%

- Commercial Transactions (Lease and Sale)
- Commercial Square Feet Leased or Sold
- Average Sale Price Per Square Foot
- Average Lease Rate Per Square Foot

## CONSTRUCTION 10%

Employment data from Maine Department of Labor

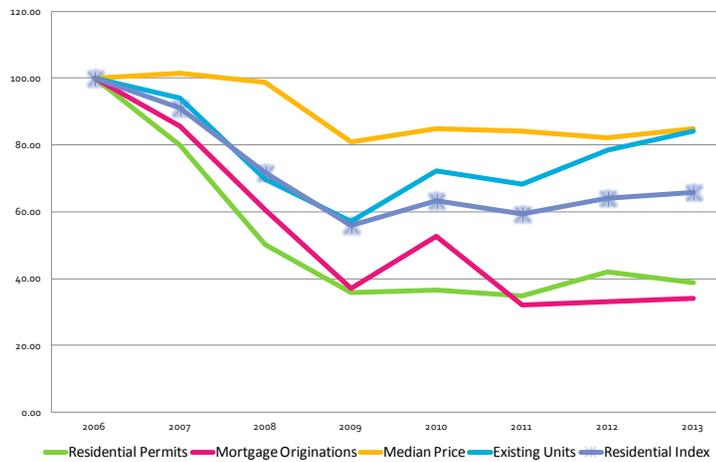
MEREDA INDEX COMPONENTS



# INDEX COMPONENTS

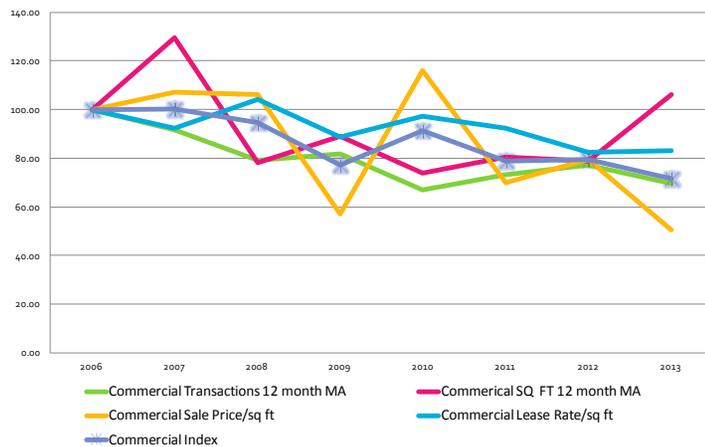


## RESIDENTIAL COMPONENTS



The Residential Index includes residential permits using census data, mortgage originations from the Mortgage Bankers Association (not including re-fi's), the statewide median price gathered monthly from the Maine Association of Realtors, the number of residential units sold and the number of multi-family units sold gathered from the New England Commercial Property Exchange (NECPE).

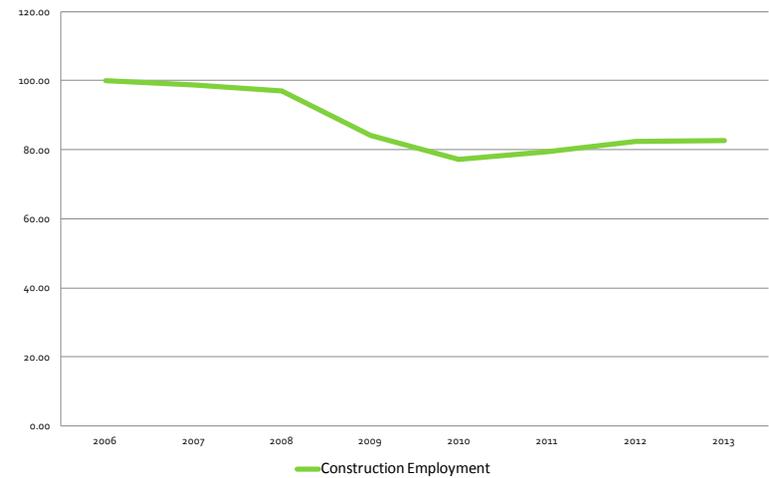
## COMMERCIAL COMPONENTS



The Commercial data includes statewide monthly data from NECPE by type, lease rate/sf, sale price/sf, listing price/sf, number of monthly transactions by property type and sale/listing ratio. The data sets appear to be representative of the regional areas across the entire state. The data is organized in the following groups: Retail, Office, Industrial, Vacant Land and Other. Vacancy rates were not included because there isn't a publicly accessible stock variable.



## CONSTRUCTION COMPONENT



The Construction data includes employment data from the Maine Department of Labor. Construction has dropped about 20% from 2006 to the bottom of the recession and has stayed at around 23,000 employees. This hasn't moved in 4 years. Given the volatility of the other markets, the construction industry has given the Index the most stability.

## INDEX SUMMARY

The market has declined since the over-heated conditions of 2006 and 2007. The recession certainly impacted the real estate industry in a profound manner, and we experienced a decline in all sectors into 2009. The economic stimulus package and home buyer incentives, coupled with low interest rates, provided an uptick in activity in 2010, but then declined a bit into early 2011. Since then, the numbers have stabilized and started to improve since the fourth quarter of 2010. We anticipate a slow, steady improvement of the MEREDA Index over the coming years. We look forward to testing the numbers against anecdotal evidence in the coming months and providing this on-going report on the health of the real estate industry in Maine.



Maine Real Estate &  
Development Association

**Supporting Responsible Development**



The Maine Real Estate & Development Association (MEREDA) is an organization whose mission is to promote an environment for responsible development and ownership of real estate throughout the state. MEREDA accomplishes its mission through legislative advocacy, regulatory oversight, sponsorship of programs and conferences, and by serving as a unified and proactive representative for real estate and economic development interests.

MEREDA is the state's leading organization of commercial real estate owners, developers and related service providers. Founded in 1985, we now have over 260 members who employ thousands of Maine citizens and invest millions of dollars in the Maine economy each year. MEREDA is the only voice for the real estate development industry in Maine. Our success is dependent upon bringing together the many different trades that are vitally interested in promoting positive growth in our great state. MEREDA advocates for fair, consistent, predictable regulations to create a healthy economic climate. Our efforts to promote responsible growth through fair and predictable legislation and regulation are vital for a return to a healthy, thriving economy.

## THANKS TO OUR PARTNERS AT THE MUSKIE SCHOOL:



UNIVERSITY OF  
**SOUTHERN MAINE**

Portland • Gorham • Lewiston • Online  
[usm.maine.edu](http://usm.maine.edu)

THE 2013 MEREDA INDEX IS SPONSORED BY:

**CBRE** | The Boulos Company

[www.mereda.org](http://www.mereda.org)