



Multi-Family Forecast for Southern Maine 2014 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

Principal, Designated Broker
President, Southern Maine Landlord Association



Vitalius Real Estate Group
306 Congress Street, Suite 3
Portland, ME 04101

207.541.3755
brit@vitalius.com
www.vitalius.com

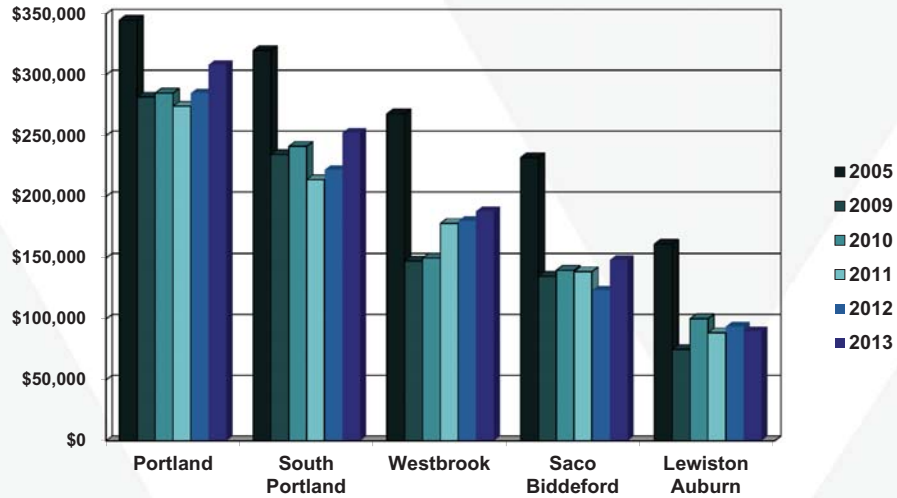


Summary of 2013

It was a good year for Multi-Family Sales

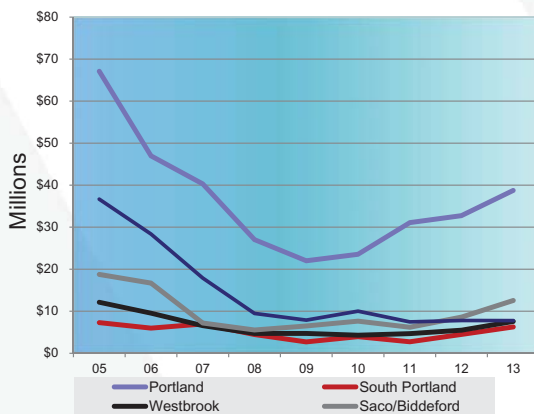
- Values increased due to strong buyer demand in most areas
- Significant increase in sales volume in several areas
- Low inventory still a challenge
- Historically low interest rates propelled demand
- Short Sales/Foreclosures below 5 – 10% in Greater Portland, 15 - 20% in Saco/Biddeford & Lewiston/Auburn
- Lewiston/Auburn is a carbon copy of 2012

Median Sale Price

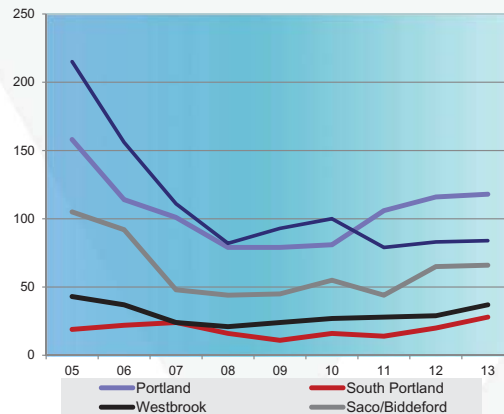


*Based on MLS data between 12/31/04 – 12/27/13

Sales Volume



Properties Sold



Increase 2012 → 2013	Portland	South Portland	Westbrook	Saco Biddeford	Lewiston Auburn
Sales Volume	8%	14%	0%	20%	0%
# Sold	0%	40%	28%	0%	0%
Median Price	8%	14%	0%	20%	0%

*Based on MLS data 12/31/04 – 12/27/13

Hot Spring Market – Mini Bubble?

Mini-bubble from May to June - Almost half of all 2013 sales in Portland went under contract from March to May and then closed over the summer. In Saco/Biddeford, 25% of all sales close in July.

Closed Transactions / Month



Portland



Saco/Biddeford

*Based on MLS data
12/31/04 – 12/27/13

Commercial Multi Market – Saco/Biddeford

- Sales volume up 46% from \$8.6mm to 12.5mm
- Median price is up 20% from \$123,500 to \$148,500
- # of properties sold is flat
- Median days on market = 50
- Estimated cap rate: 11%
- Estimated vacancy rate: 10%



Notable: 48 Units Sold for \$2.55mm, \$53k/unit

Address	Units	Sold Price	Sq Ft	Price/Unit	Price/Sq Ft
Biddeford					
37 Emery Street	5	\$250,000	6,920	\$50,000	\$36
35 Bacon Street	5	\$267,875	5,651	\$53,575	\$47
7 Harvey Street	6	\$250,000	5,034	\$41,666	\$49
41 Birch Street	48	\$2,550,000	38,703	\$53,125	\$66
			Avg	\$49,592	\$40
Saco					
55-57 Middle Street	5	\$316,000	3,184	\$63,200	\$99
43-45 Storer Street	16	\$640,000	17,895	\$40,000	\$36
			Avg	\$51,600	\$68

*Based on MLS data between 1/1/13 – 12/31/13

Commercial Multi Market – Lewiston/Auburn

- Sales volume is flat (\$7.8mm)
- Transactions are flat (83 sales vs. 84 sales)
- Median price is flat
- Estimated cap rate: 14-15%, difficult to calculate for properties not stabilized
- Estimated vacancy rate: 15%
- Average price/unit - \$22,200, up another 10% from previous year

St #	St Name	Units	Sold Price	SqFt	Price/Unit	Price/SqFt
	84 Shawmut Street	5	\$85,000	4,381	\$17,000	\$19
	118-120 Spring Street	5	\$130,000	4,500	\$26,000	\$28
	31 Pine Street	6	\$131,000	4,020	\$21,833	\$33
	209 Pine Street	6	\$120,000	5,922	\$20,000	\$20
	8 Willow & 110 Hampshire	12	\$280,000	9,729	\$23,333	\$29
	128 Campus Avenue	12	\$265,000	9,951	\$22,083	\$27
	142 College Street	18	\$232,000	9,263	\$12,889	\$25
	110 Howe Street	35	\$1,150,000	44,243	\$32,857	\$26
				Average	\$22,000	\$26

*Based on MLS data between 1/1/12 – 12/31/12

Commercial Multi Market – Portland

A Repeat of Last Year...

- Same cap rate: 9% - 8%
- Inventory is extremely low
- Strong rental market, vacancy: < 2%
- Buyers are primarily existing owners
- Per usual, many transactions occur off-market
- Local lenders become more interested in multi-families

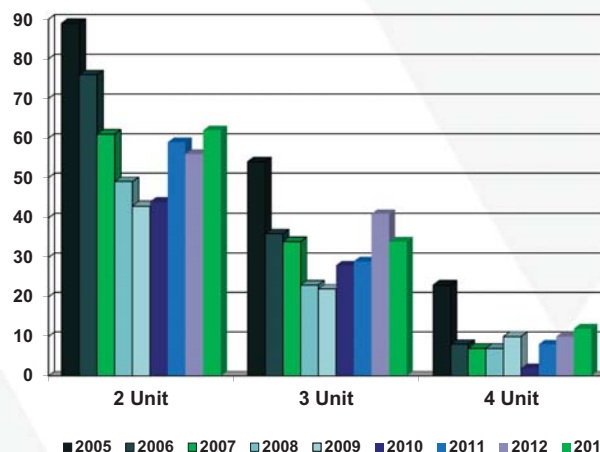
Portland – Overview of 2013

- 3 Units were in high demand, attractive to investors and owner occupants. Average price up 18% from 2012.
- Investors hungry for inventory expand search to include 2 unit properties
- Sober houses appear to increase – several different investors/operators make multiple purchases
- Short term rentals continue to emerge
- Mini-bubble from May to June - Almost half of all 2013 sales go under contract in those 3 months

*Based on MLS data between 1/1/12 – 12/31/12

2-4 Units Portland - Properties Sold

Total transactions are essentially flat from 2012 due to low inventory



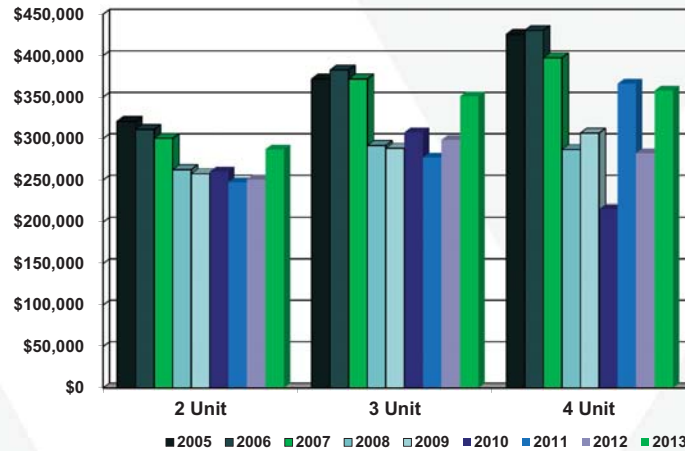
*Based on MLS data 12/31/04 – 11/30/12

2 - 4 Units Portland - Average Sales Price

Prices are Up

Increased buyer demand is reflected in the jump in sales price, the first significant increase in 5 years, almost back to 2007 levels.

2 Units up 14%
3 Units up 18%
4 Units up 27%



*Based on MLS data 12/31/04 – 11/30/13

Notable Sales – Portland



	Units	Price	Price/Unit
• 23 Savoy St	3 Units	\$360,000	\$120,000
• 201 Congress St	3 Units	\$680,000	\$227,000
• 130 Eastern Promenade	3 Units	\$1,250,000	\$416,667
• 11 Mellen St	4 Units	\$520,000	\$130,000

*Based on MLS data between 1/1/13 – 12/31/13 and/or personal knowledge of the deals.

Notable Sales – Portland



	Units	Price	Price/Unit
• 167 Woodford St	6 Units	\$497,500	\$82,917
• 75 Sherman St	9 Units	\$625,000	\$69,444
• 200 Elm St - S. Portland	18 Units	\$1,460,000	\$81,111
• 929 Congress St	8+ Comm	\$1.7 mm	8 Cap

*Based on MLS data between 1/1/13 – 12/31/13 and/or personal knowledge of the deals.

Portland – Development Plans

Bayside Development

Phase I

235 Apartments
705 Parking Spaces
39,000 SF Retail Space

Final Plan

700 Market Rate Apartments
1,100 Parking Spaces
95,000 SF of Retail Space



West End Place

Corner of Pine & Brackett
39 Luxury Apartments
Includes parking & shops
*Still in process with HUD
Financing

Rental Market – Portland Overview

- The Portland rental market continued to tighten in 2013
- Rents up an average of 5%
- 50% of landlords believe the rental market improved
- The high end market continues to soar as old units are renovated and then easily command premium rents
- Short term rentals: AirBnB and VRBO units increase as landlords discover a relatively new market and compete for hotel guests. Portland is a foodie town!

PHA Payments Decreased in 2013

Subsidized Units

Government cuts pose challenge for subsidized tenants. The current payment schedule appear to be below the market rents, adding an even greater challenge for those on a subsidy for find housing.

Bdrms	2012	2013
1	\$857	\$816
2	\$1,108	\$1,008
3	\$1,400	\$1,334
4	\$1,541	\$1,401

Includes all utilities; rents cover most of Cumberland County

Rental Market

Average Rental Rates

	Portland		Greater Portland		Saco/Biddeford	
	Heated	Unheated	Heated	Unheated	Heated	Unheated
Studio	\$725	\$650	-----	-----	\$550	-----
1 Bd	\$925	\$825	\$850	\$775	\$700	\$650
2 Bd	\$1,150	\$1,000	\$1,050	\$900	\$825	\$750
3 Bd	\$1,350	\$1,150	\$1,250	\$1,150	\$1,000	\$850

Vacancy Rates

Portland 1-2%

Saco/Biddeford 10-15%

Lewiston/Auburn 15%

*Information based on data and feedback from Vitalius Landlord Survey

Landlord Concerns



New Radon Regulation – March 2014



Drug Dealers



Lack of investment grade properties



Taxes, water/sewer



20% of respondents treated for pests in 2013

Bedbugs	45%	Mice/Rats	45%
Fleas	8%	Cockroaches	21%
Ants	29%		







NOT ON THE LIST...

Energy/Oil costs!!!



*Feedback based on results from annual Vitalius Multi Family Landlord Survey

Last Year's Forecast

- 
 Portland Commercial sales activity and pricing hold steady as the low inventory leaves buyers with few options; premium properties will still command a premium. Cap rates push below 9%.
- 
 Portland's low inventory finally forces buyers to look to other areas. Westbrook, Saco/Biddeford and Lewiston/Auburn, cities which have struggled for the last 7 years, should continue to see modest sales growth.
- 
 There are still a lot of short sales and foreclosures to work through in Saco/Biddeford and L/A.
- 
 2-4 unit sales in Portland will continue to be strong with quality inventory as the primary limitation. Prices may continue to increase slightly if the strong buyer demand holds.
- 
 Portland rents continue to increase slightly given the low vacancy rate.
- 
 Some owners may be even more reluctant to sell with the new increased capital gain rate for high earners.

Multi-Family Forecast for 2014

- Portland Sales will remain active but prices will level out. Rising interest rates will be countered by a continued rise in rents.
- Rents may increase as much as 5% in the most desirable units. Low income rents will remain flat due to reduced government funding.
- Portland commercial inventory will remain extremely tight, however cap rates will stay between 9% - 8%. Prices may rise with rents but not due to a decrease in cap rates.
- Some multi-family properties will be purchased for condo conversions, short term rentals, or other high end uses.
- Watch East Bayside for more activity. Although there is excitement about that area, the small multi market has not seen any evidence of that yet. This is probably in part due to relatively modest housing stock in the area.
- Westbrook will see an increase in sales activity and prices due to lack of inventory in Portland.
- The Saco/Biddeford market will see modest growth as investors continue to look for opportunities.

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

Brit is in his third term as President of the Southern Maine Landlord Association. He personally owns and manages multi unit investments in Portland and Yarmouth. Brit is also serving as President of the Yarmouth Alumni Association.

Brit grew up in Yarmouth, Maine before he graduated from Harvard University in 1995. He worked in technology as a programmer and team manager at BBN, the company that developed the forerunner of the internet. Brit currently lives in Yarmouth with his wife, Yasmin, 5 year old son, Coltrane and 2 year old daughter, Allegra.



Vitalius Real Estate Group
306 Congress Street, Suite 3
Portland, ME 04101

207.541.3755
brit@vitalius.com
www.vitalius.com