



Multi-Family Forecast for Southern Maine

2015 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

Principal, Designated Broker

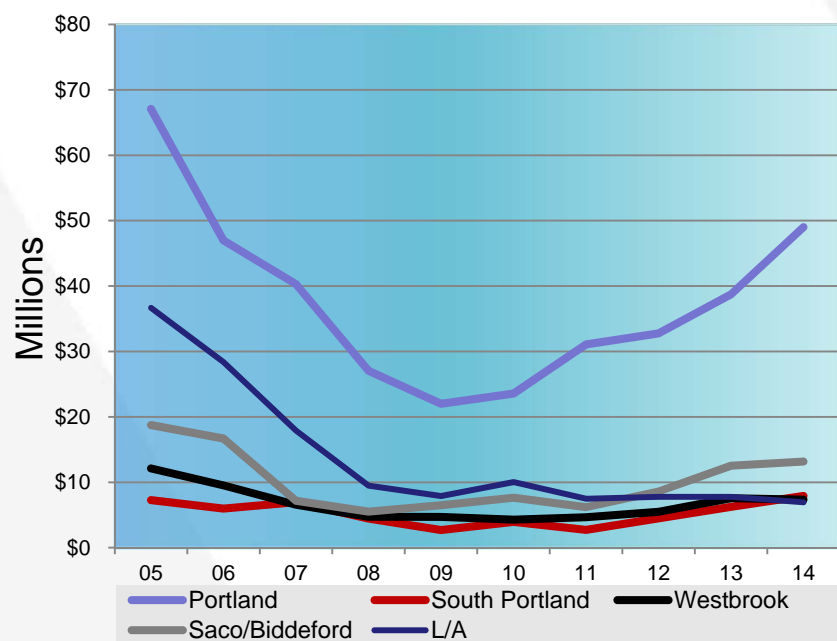
President, Southern Maine Landlord Association



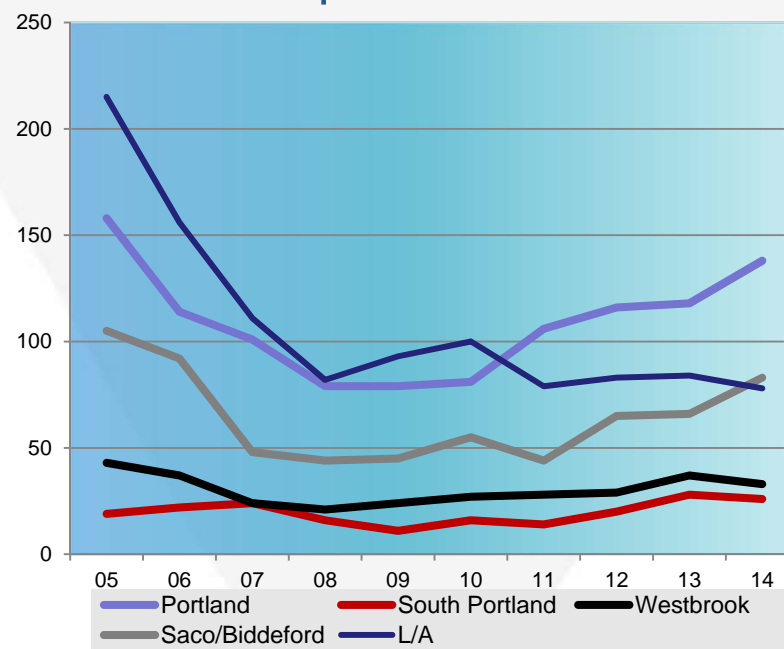
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Sales Volume



Properties Sold

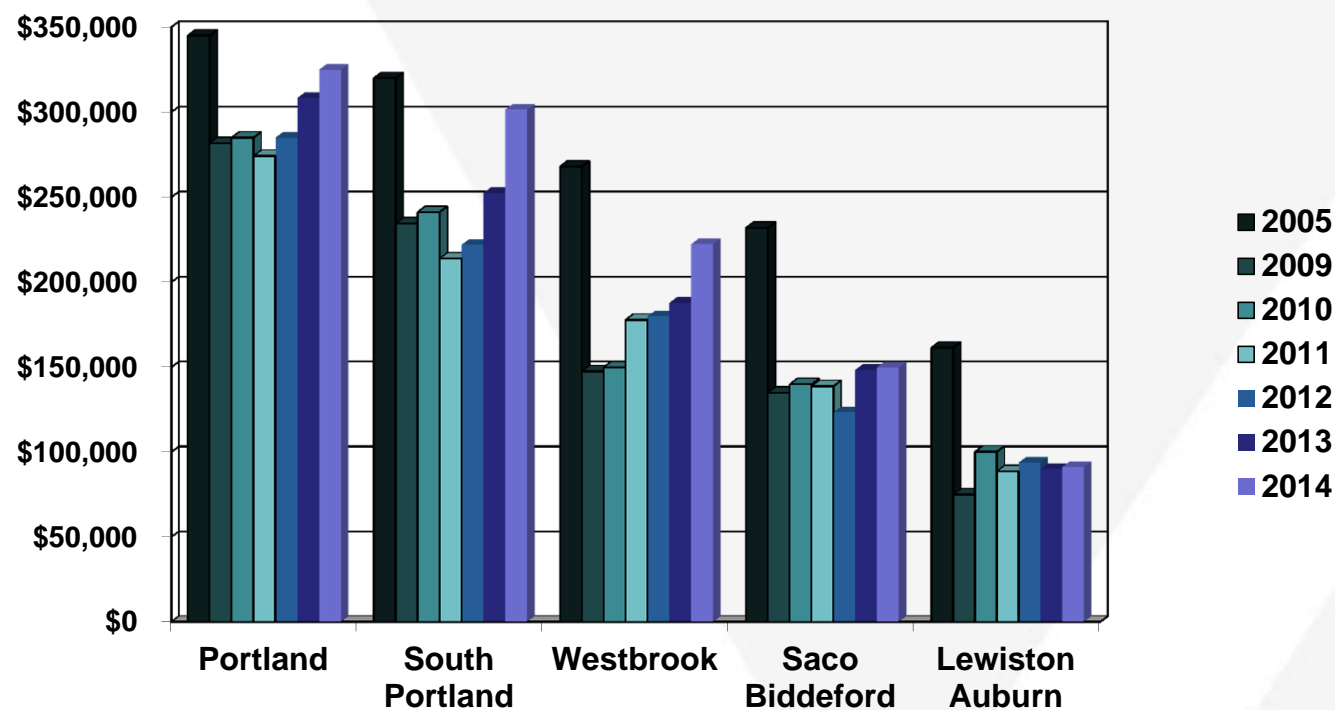


		Portland	South Portland	Westbrook	Saco Biddeford	Lewiston Auburn
2013 → 2014	Volume	26%	27%	-3%	5%	-11%
	Sold	17%	-7%	-11%	26%	-5%
2009 → 2014	Volume	123%	193%	56%	103%	-12%
	Sold	75%	136%	38%	84%	-14%

Note: Portland's sales volume is 38% higher than the other areas combined

*Based on MLS data
12/31/04 – 12/27/14

Median Sale Price



Δ to 2014	Portland	SoPo	Westbrook	Saco/Bidd	L/A
2013	5%	19%	18%	1%	1%
2009	19%	41%	25%	8%	3%
2005	-6%	-6%	-17%	-35%	-43%

*Based on MLS data between 12/31/04 – 12/27/14

Saco/Biddeford

- Number of MLS recorded sales up 26%
- Sales Volume is flat
- Median price is steady at \$150,000
- Median days on market = 63
- Estimated cap rate: 9.5 – 10%
- Estimated vacancy rate: 10%
- Price/Unit: \$45,000



<u>Street</u>	<u>Name</u>	<u>City</u>	<u>Units</u>	<u>Sale Price</u>	<u>Price/Unit</u>
55-65	Main	Biddeford	10	\$505,000	\$50,500
994	Portland	Saco	9	\$385,000	\$42,778
38	Graham	Biddeford	8	\$375,000	\$46,875
65	Green	Biddeford	8	\$375,000	\$46,875
2	Harrison	Biddeford	6	\$305,900	\$50,983
55	Middle	Saco	5	\$340,000	\$68,000
54	School	Saco	5	\$318,500	\$63,700
137	South	Biddeford	5	\$210,000	\$42,000
23	Pine	Biddeford	5	\$197,500	\$39,500
8	Union	Biddeford	4	\$279,000	\$69,750

*Based on MLS data between 1/1/14 – 12/27/14

Development Plans – Saco & Biddeford

Lofts at Saco Falls - Biddeford

80 Units – Majority is affordable housing
Funding: Affordable & historic tax credits
Developers: Szanton, Monks & Cullen



Cascade Falls - Saco

68 Units – Market Rate

Townhouse Style

Phase I: 19 units

Summer, 2015

Projected Rents: \$1,400 - \$1,600/mo

Developer: Chamberlain Homes



Lincoln Mill - Biddeford

96 Units - Market
rate units plus
Hotel, 2 restaurants

Status: City
approved, expected
online in 2017

Developer: Tim
Harrington



Lewiston/Auburn

- Sales volume is down 11%
- Transactions are down 5%
- Median price has been flat since 2007
- Estimated cap rate: 11 – 17%
- Estimated vacancy rate: ~15%
- Average price/unit - \$22,000, same as last year



Street	Name	Town	Units	Sold Price	Price/Unit
165-167	Bartlett	Lewiston	8	195,000	\$24,375
333-339	Pine	Lewiston	6	92,500	\$15,417
204-206	Ash	Lewiston	6	128,500	\$21,417
207-209	Pine	Lewiston	6	111,000	\$18,500
40	Bartlett	Lewiston	6	116,000	\$19,333
66-68	Bradley	Lewiston	6	135,000	\$22,500
299-301	Bates	Lewiston	6	135,000	\$22,500
28	Horton	Lewiston	5	119,000	\$23,800
86	Winter	Lewiston	5	135,000	\$27,000

*Based on MLS data between 1/1/14 – 12/27/14

Portland Multi-Family Market

- Investors drive the market
- Quality over location
- Munjoy Hill reigns
- A higher end rental market expands and spurs investment
 - New market rate development for the first time in many years
 - Many units are repositioned to capture higher end market
- High rental rates cause tenants to become buyers

Commercial Multi Market – Portland

NOT a repeat of last year...

- Cap rates drop from 9% to **6% - 8% !!!**
- Prices go to \$80k - \$100k+/unit
- Substantial number of units transfer/high prices finally entice some owners to sell
- Both local and out-of-state investors are active
- 1031 purchases are a factor

Notable Sales – Portland



Property	Units	Price	Price/Unit	Cap
• Lone Palm/Denali	48 Units	\$4.2 MM	\$87,500	6.8%
• 312 Congress St	20 Units	\$1.4 MM	\$70,000	7.4%
• 33 Hill St, SoPo	10 Units	\$1.15 MM	\$115,000	7.5%
• Tilton Apts, SoPo	18 Units	\$975,000	\$54,000	10%

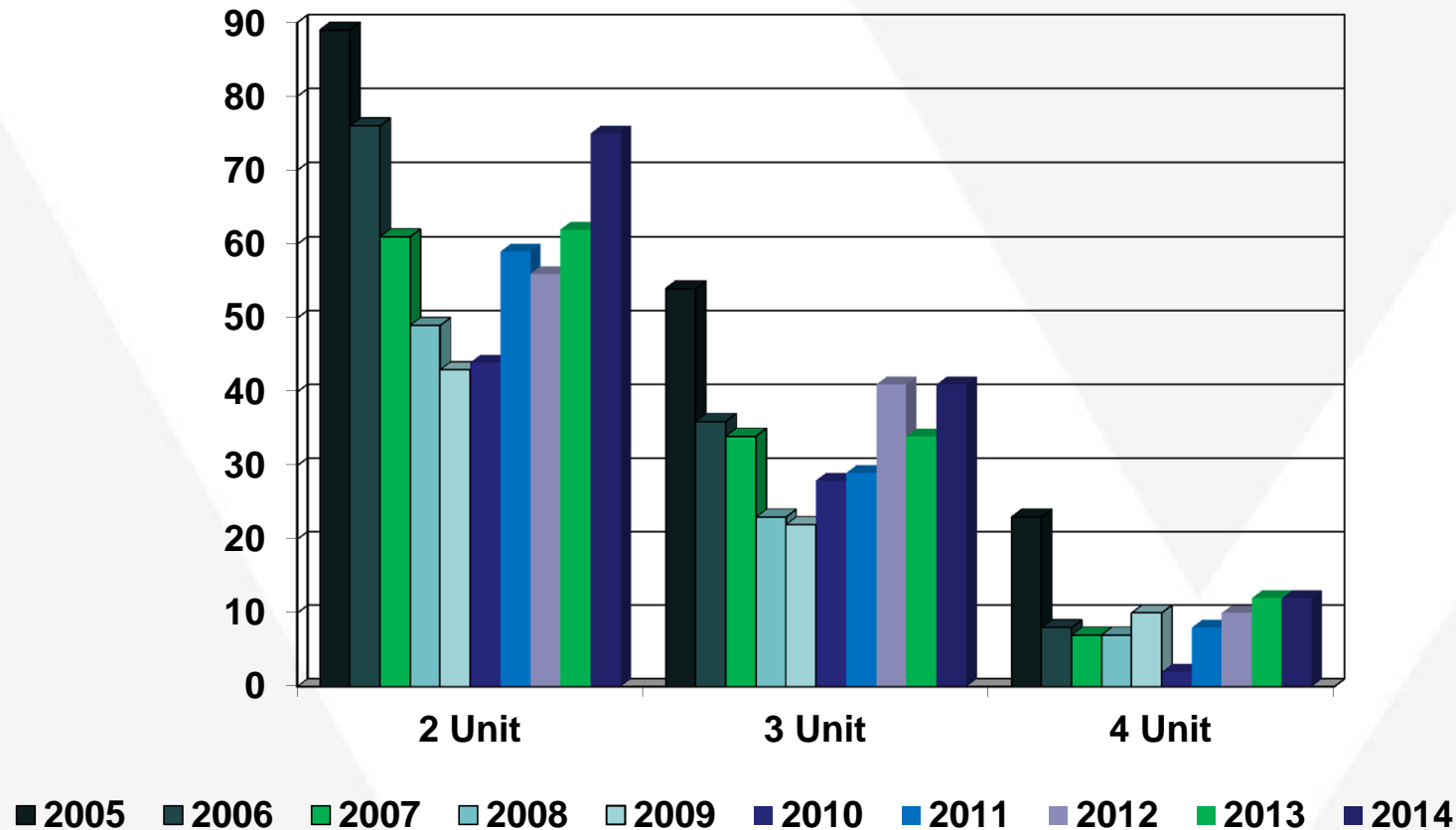
Notable Sales – Portland



Property	Units	Price	Price/Unit	Notes
• I-95 Portfolio	56 Units	4 Indiv Sales	\$97,000	Out-of-State
• Miles Standish	40 Units	\$4.5 MM	\$112,500	Master Lease
• 287 State St	6 Units	\$475,000	\$79,000	1031 Exchange

2-4 Units Portland - # of Properties Sold

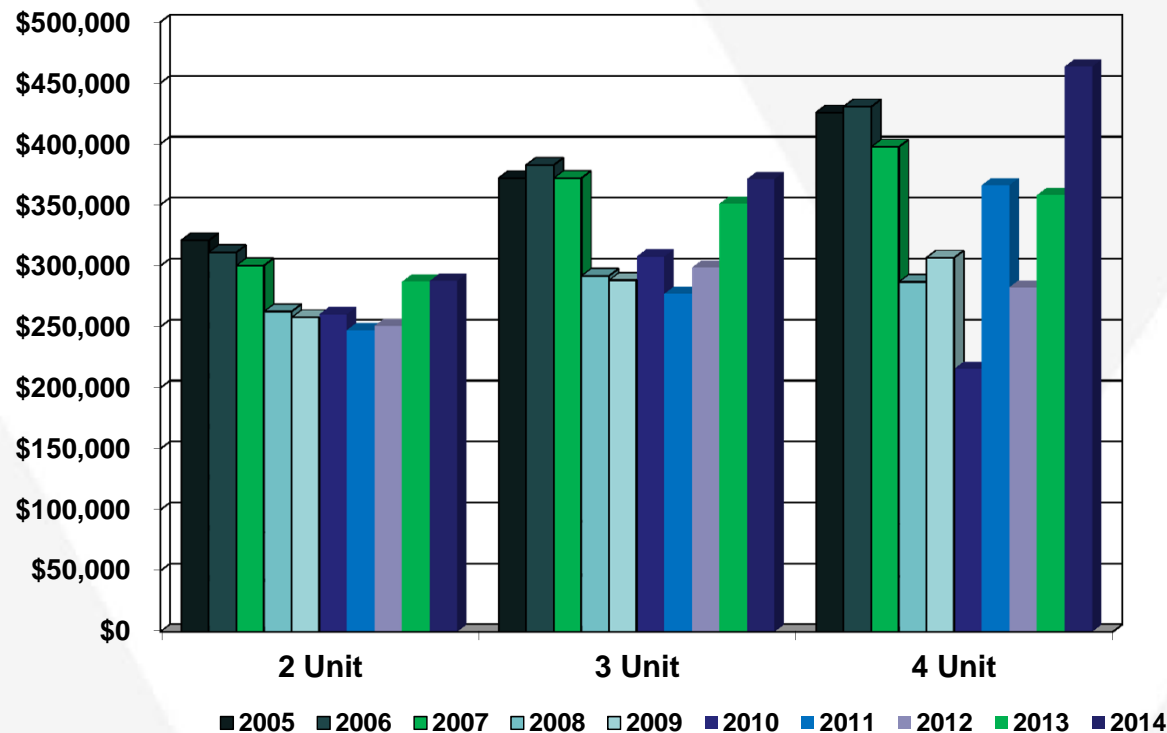
2 and 3 units make a first big jump in sales numbers since 2011



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

2 - 4 Units Portland - Average Price

Opposite of last year, in which sales were flat but prices were up due to a lack of inventory. This year seemed to have more available for purchase until the end of the year.



*Based on MLS data 12/31/04 – 12/27/14

Notable Sales – Portland 2 - 4 Units



Quality



Location



Notable Sales

- | | | |
|---------------------|---------|-----------------|
| • 21 Weymouth | 4 Units | \$390,000 |
| • 1 Grant St | 4 Units | \$465,000 |
| • 3 Units on Munjoy | 8 Sold | \$440k - \$500k |
| • 64 Montreal | 4 Units | \$800,000 |

Rehab/Flip, Near Ball Park
Small, but pristine & 2 car garage
Most in good condition, not great
\$200,000, occupant/investor

The Tale of Two Buildings

Quality + Location Exceeds Rational Adjustments

Deering High Area – 3 Units

Sale Price: \$280,000

Condition: Fair

Units: 2/2/1

Size: 3,236 SF

Parking: 4+



Munjoy Hill – 3 Units

Sale Price: \$485,000

Condition: Renovated

Units: 2/2/2

Size: 3,096 SF

Parking: 2



Development Plans

West End Place – Portland

39 *Luxury Apartments* online April, 2015
Projected Rents: \$1,400 - \$2,500/mo
Developer: Redfern & LWS Investments



409 Cumberland – Portland

57 *Units*, online in February
46 Affordable: \$669 - \$1,030/mo
11 Market Rate: \$825 - \$1,250/mo
Developer: Avesta



Complete

134 Washington Ave

18 *Studios* – Income restricted.
Developer: Avesta



Planned

89 Anderson

(near Kennedy Park)
53 *market rate apartments*
Status: Planning
Projected online 2016
Developer: Redfern

Midtown in Bayside - Portland

Modified to only 1 Phase
445 *Apartments*
Developer: Federated



Rental Market – Portland

- High end market expands on the peninsula
 → market rate moves to Grant St
 → subsidized tenants struggle
- Existing units are repositioned
- Rents up ~ 8-12%
- High rents force tenants to consider purchasing

Sample of Higher-End
Rental Rates

Type	Rent	SF
1 BR	\$1,825	685
Studio	\$1,575	673
Studio	\$1,700	1,050
1 BR	\$1,300	497

	Market Rate/mo Heated	Section 8 (PHA) Rates/mo Heated
Studio	\$750 - \$800	\$739
1 Bd	\$925 - \$1,000	\$880
2 Bd	1,100 – 1,400	\$1,087
3 Bd	\$1,400 – 1,600	\$1,405

- Subsidized tenants struggle to compete with market rates

Fire Safety



Do you believe you are generally **compliant** with local fire code?

Yes - 72%

Mostly - 27%

No - 0%

Do you believe you **understand** the code?

Yes - 61%

No - 6%

Somewhat - 33%







Since the Noyes Street fire, have you take some **actions** around fire safety

Yes - 54%

No - 46%

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

Last Year's Forecast – How'd I do?

-  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.
-  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.

Multi-Family Forecast for 2015

- Portland Sales will continue to be strong provided sellers can be found. Cap rates will go to 6% for the right properties but average around 7%.
- Prices of 2 – 4 units will increase modestly as buyer demand exceeds available supply.
- Rents will increase by another 5%
- New rental units will be absorbed quickly. Larger developments like Anderson St and Midtown are slated for 2016 or later, but may have an effect on the rental market when they come online.
- Westbrook will emerge (really, this year!) as rent rates increase and the City efforts improve perception
- Saco and Biddeford will see continued growth and energy from the new developments and continued market strength



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 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, 6 year old son, Coltrane and 3 year old daughter, Allegra.

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 complimentary 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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