



## Multi Family Market in Southern Maine 2010 MEREDA Real Estate Forecast Conference

Presented By Brit Vitalius

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## Overview

- Southern Maine Market
- Short Sales, Foreclosure Auctions and REO Sales
- 2 – 4 Units
- 5+ Units
- Rental Market
- 2010 Multi Family Forecast





## Synopsis: Multi Family Market

- There are signs we have hit bottom
- Short Sales, REO's and Auctions = 25%-30% of sales
- 2 – 4 Units: FHA and \$8,000 First Time Buyer Incentive
- 5+ Units: Buyers held out for super deals; that may be changing
- Rental Market: Vacancies up and rents down



## Southern Maine Markets

- Properties Sold, Sales Volume and Median Price are a mixed bag. Overall the trend indicates a leveling and likely a bottom.
- Absorption Rate is flat or down for all cities
  - Number of properties sold has flattened from '08
  - Inventory is down
- Short sales and foreclosures constitute substantial portion of the market
- Location within each city is major factor in value
  - Example: In Portland, Munjoy Hill and West End maintain high values whereas Kennedy Park and through streets drop by ~20-30% from peak in 2005.
- Investors are bottom feeders; Owner occupants are fairly high end
- Low end inventory finds few takers



## Properties Sold

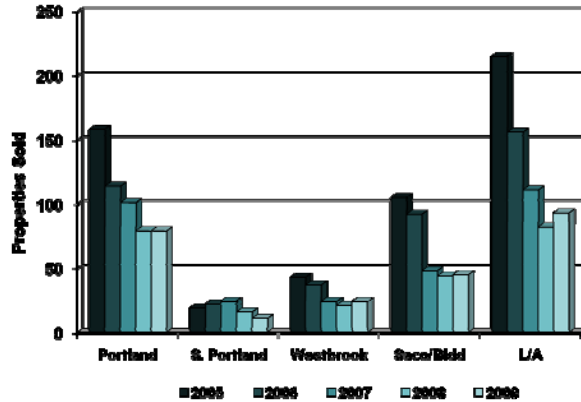
## Southern Maine Markets

### Five Year Comparison

	Portland	S Port	Westbrk	Saco/Bidd	L/A
2005	158	19	43	105	215
2006	114	22	37	92	156
2007	101	24	24	48	111
2008	79	16	21	44	82
2009	79	11	24	45	93

### Percent Change

	'05-'09	'08-'09
Portland	-50%	0
South Portland	-42%	-31%
Westbrook	-44%	+14%
Saco/Bidd	-57%	+2
L/A	-57%	+13%



\*Based on MLS Data from 1/1/05 – 11/30/09



## Inter-City

## Southern Maine Markets

### Five Year Comparison

	Portland	South Portland	Westbrook	Saco/Biddeford	L/A
2005	158	19	43	105	215
2006	114	22	37	92	156
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2008	79	16	21	44	82
2009	79	11	24	45	93
<b>Δ% 05-09   08-09</b>	<b>-50   0</b>	<b>-42   -31</b>	<b>-44   +14</b>	<b>-57   +2</b>	<b>-57   +13</b>
2005	\$67,088,172	\$7,283,800	\$12,128,750	\$18,746,296	\$36,656,894
2006	\$46,968,962	\$5,974,247	\$9,531,950	\$16,695,275	\$28,370,188
2007	\$40,308,404	\$6,958,544	\$6,567,709	\$7,190,945	\$17,910,904
2008	\$27,048,615	\$4,442,860	\$4,725,589	\$5,523,709	\$9,479,905
2009	\$22,010,530	\$2,704,694	\$4,714,672	\$6,484,718	\$7,893,912
<b>Δ% 05-09   08-09</b>	<b>-67   -19</b>	<b>-63   -39</b>	<b>-61   +0</b>	<b>-65   +17</b>	<b>-78   -17</b>
2005	\$345,000	\$320,000	\$268,000	\$232,000	\$161,500
2008	\$281,000	\$255,000	\$225,000	\$169,950	\$133,000
2009	\$281,790	\$234,500	\$147,500	\$135,000	\$75,000
<b>Δ% 05-09   08-09</b>	<b>-18   +28</b>	<b>-27   -08</b>	<b>-45   -34</b>	<b>-42   -21</b>	<b>-54   -44</b>

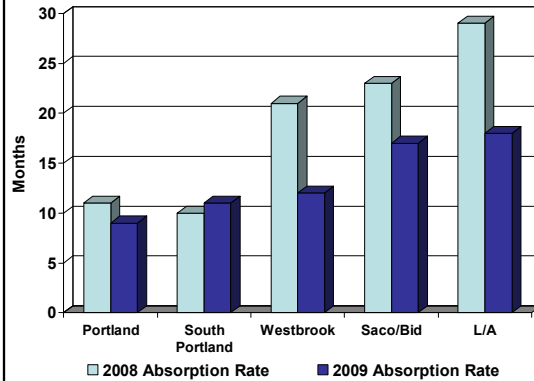
\*Based on MLS Data from 1/1/05 – 11/30/09

## Absorption Rate



## Southern Maine Markets

	Portland		S Port		Westbrook		Saco/Bidd		L/A	
On the Market	83	68	14	12	36	26	81	71	200	159
Monthly Sales	7.4	7.5	1.4	1.1	1.7	2.2	3.5	4.1	6.8	8.8
Absorption Rate (months)	11	9	10	11	21	12	23	17	29	18



\*Based on MLS Data from 1/1/05 – 11/30/09 and the number of properties listed on the MLS as of 12/14/09



## Short Sales & REO's

- **25-30% of sales in Portland are short sales or REO's.**
  - Efficiency increases from short selling banks
  - Brokers learn the ropes
  - Headaches abound
- Auctions occur in Portland and other markets
- Investors are the dominant player; some first timers jump in
  - Properties tend to be in ill repair and require substantial resources
  - Many properties cannot qualify for FHA financing
- Few bargains exist (when true cost of repairs are considered)
- Only the most savvy find good investments and "flip" opportunities

\*Based on interpretation of all MLS data for Portland, 1/1/09 – 11/30/09



## 2 – 4 Unit Market

Two Different Markets Existing Together (in Peace and Harmony)

- **Owner Occupants**
  - FHA financing; local banks court first time buyers
  - Incentivized by the \$8,000 tax credit
  - Buyers have jobs, credit and money
  - Buyers will pay for properties and locations they want live in for the long term – price is less of an issue than quality
  - **Example:** 12 two units sell for \$300,000+, up to \$400,000!
- **Investors**
  - Only picking from the bottom, trying to 'buy it right'
  - Most purchases to hold long term, some to flip for a quick profit
  - No cash flow in 2-4 unit Portland market (taxes, water/sewer too \$\$)
  - **Example:** 2 four units sell for less than \$180,000



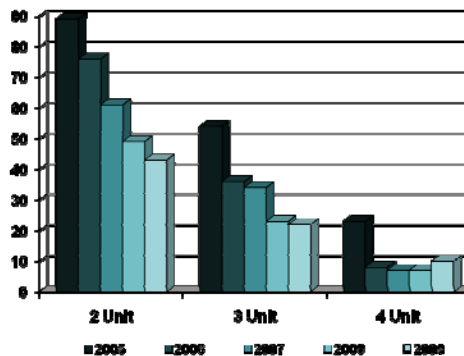
### Properties Sold Five Year Comparison Portland

### 2 – 4 Unit Market Residential Financing

	2 Unit	3 Unit	4 Unit
2005	89	54	23
2006	76	36	8
2007	61	34	7
2008	49	23	7
2009	43	22	10

#### Percent Change

	'05-'09	'08-'09
2 Unit	-52%	-12%
3 Unit	-59%	-4%
4 Unit	-57%	+43%



\*Based on MLS Data from 1/1/05 – 11/30/09



## Average Sales Price Five Year Comparison Portland

### Percent Change

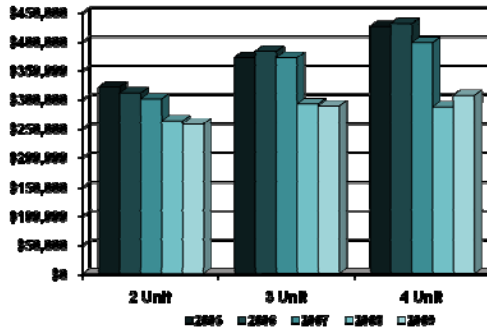
	'05-'09	'08-'09
2 Unit	-20%	-2%
3 Unit	-22%	-1%
4 Unit	-28%	+7%

### Average Price/Unit - 2009

2 Unit	\$128,807
3 Unit	\$96,065
4 Unit	\$76,646

## 2 - 4 Unit Market Residential Financing

	2 Unit	3 Unit	4 Unit
2005	\$320,759	\$371,851	\$425,637
2006	\$311,064	\$382,653	\$430,456
2007	\$300,267	\$371,933	\$397,512
2008	\$262,512	\$291,711	\$286,767
2009	\$257,613	\$288,195	\$306,583



\*Based on MLS Data from 1/1/05 - 11/30/09



## 5+ Unit Market

### PORTLAND SALES SUMMARY

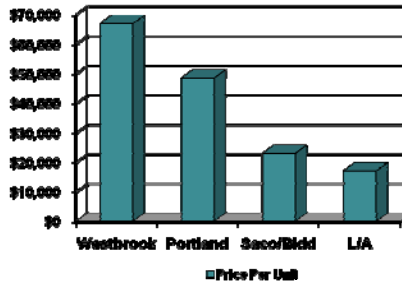
- There is no average price/unit or clear cap rate due to the scarcity and variety of sales
- The cap rate for average income properties in Portland is 9 -10 (based, in part, on non-sales)

### Summary of Nearly All Portland Sales

- Grant Street 12 unit sells at auction = \$410,000
- Grant Street 13 unit = \$5250,000
- A rooming house, 9 units = \$300,000
- 660 Congress, vacant 9 unit (Roxanne Quimby) = \$350,000
- Brick 7 unit on West End = \$695,000
- Condo quality 5 unit = \$525,000 (short sale, down from \$930k)

	Units	Sales Price	Price/Unit
<b>Westbrook</b>	5	\$420,000	\$84,000
	11	\$650,000	\$59,091
	<b>16</b>	<b>\$1,070,000</b>	<b>\$66,875</b>
<b>Portland</b>	5	\$525,000	\$105,000
	7	\$431,250	\$61,607
	9	\$350,000	\$38,889
	13	\$525,000	\$40,385
	10	\$300,000	\$30,000
	<b>44</b>	<b>\$2,131,250</b>	<b>\$48,438</b>
<b>Saco/Bidd</b>	5	\$169,900	\$33,980
	5	\$140,000	\$28,000
	10	\$140,000	\$14,000
	5	\$125,000	\$25,000
	<b>25</b>	<b>\$574,900</b>	<b>\$22,996</b>
<b>L/A</b>	5	\$135,900	\$27,180
	5	\$60,000	\$12,000
	5	\$40,500	\$8,100
	6	\$168,000	\$28,000
	5	\$40,000	\$8,000
	<b>26</b>	<b>\$444,400</b>	<b>\$17,092</b>

**Price Per Unit 2009**



\*Based on MLS Data from 1/1/09 – 11/30/09 and Portland Assessors Data

## Rental Market - Portland

Sullivan Multi Landlord Survey

- The rental market softened in 2009
- Vacancy estimate
  - Portland & Greater Portland < 5% (Port Properties @ 4.8%)
  - Saco/Biddeford = 10%
- 65% of landlords say that it is harder to get tenants now than last year
- 40% says they have dropped their rents

### Quotes from Landlords on the Rental Market in Late 2009

- "I had to offer concessions to rent"*
- "I had to offer one month free to get the phone ringing"*
- "No different to rent apartments, but there are fewer respondents"*
- "Fewer calls"*
- "The quality of tenant looking at my rental is way down!"*

\*Some results based on the Sullivan Multi Landlord Survey



## Rental Market

Sullivan Multi Landlord Survey

	Portland		Greater Portland		Saco/Biddeford	
	Heated	Non-Heated	Heated	Non-Heated	Heated	Non-Heated
Studio/Efficiency	\$623	\$513	\$580	\$538	\$450	Data not available
1 Bedroom	\$788	\$743	\$733	\$656	\$675	Data not available
2 Bedroom	\$1,003	\$888	\$905	\$819	\$750	\$720
3 Bedroom	\$1,297	\$1,089	\$1,127	\$1,164	\$950	Data not available

2010 Sullivan Multi Landlord Survey Sample Size

	Portland	Greater Portland	Saco/Biddeford
Respondents	71	42	14
Units	1034	198	105

\*Based on the results of a Sullivan Multi Landlord Survey

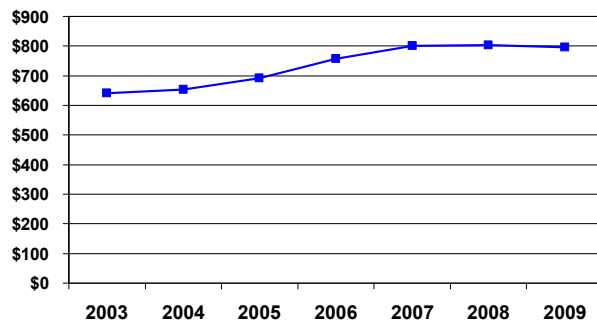


## Rental Market

**Section 8/Maine Housing  
2003 - 2009  
Rental Increase Trend**

Rents have started to level out since  
2006 in Portland for Portland Subsidized  
Housing

1 Bedroom Rent - PHA



1 Bedroom Rent  
Payment Standard  
Schedule

(Utilities Included)

2003	- \$642
2004	- \$653
2005	- \$691
2006	- \$757
2007	- \$800
2008	- \$804
2009	- \$797

\*Based on information provided by Portland Housing Authority





## Rental Market

### General Issues Affecting Landlords

- New CO and Smoke Detector Law (Maine)
- EPA's *Lead Paint: Renovation, Repair and Painting Program* = Contractor Certification Requirements – April 22, 2010
- City of Portland is looking at the Rules around the Protection of Housing; there is a proposal to increase density in B2B

### Landlord Concerns for 2010

- Higher vacancies and declining rents
- Harder to find good tenants
- Controlling expenses in the face of declining income
- Price of Oil

\*Based on the results of a Sullivan Multi Landlord Survey



## Recap of 2009 Forecast

- ✓ Non-Portland cities will continue to see prices fall until buyers finally get excited. Sales volume may rise by the end of '09.
- Portland sales activity slightly increases in '09; prices drop a little further.

### 2-4 Units

- ✓ Foreclosures/short sales will continue. The bottom is discovered as buyers outbid each other on low-priced foreclosures.
- Super low interest rates increase buyer excitement and activity.
- ✓ High quality properties and the Portland peninsula will maintain value.

### 5+ Units

- ✓ Buyers push for 9+ cap rates in Portland, much higher outside Portland.
- ✗ A few buyers will emerge to take over low income inventory.
- ✓ Rents will flatten (how can they keep going up!?).
- ✓ Job losses will leave some tenants unable to pay rent.
- ✓ Landlords will lock oil below \$2.50/gal.



## 2010 Multi Family Forecast

- Short Sales, Foreclosures and REO's will continue at a similar pace.
- 2-4 unit sales will increase up to the expiration of the tax incentive (under contract by April 30<sup>th</sup>, 2010), then stall somewhat through the rest of the year. Hopefully, positive economic signs will provide support for a base level of activity between buyers and sellers.
- 5+ sales will pick up (it can't get much slower). First time investors get in the game as confidence in the market's "bottom" takes hold. Veteran investors will continue holding out for deals, i.e. short sales and auctions.
- All sales will be helped by an increase in quality inventory. Long-term owners are getting tired of the difficult rental market, don't believe in near term appreciation, and will finally sell.
- Sales will continue to be challenging in Saco/Biddeford and Lewiston/Auburn as they struggle with higher vacancy rates. Price may continue to drop in these areas.



### Rentals Market

### 2009 Multi Family Forecast

- Rents will flatten or decrease slightly in Portland
- Increased interest rates in mid 2010. Will there be a second "bottom"?
- Who will take over low income inventory ? How low do prices have to go?

Notes: All MLS data which was taken through 11/30/09 was adjusted to reflect a 12 months period.

The Sullivan Multi Landlord Survey was completed by 120 different landlords. Some information is based on Brit's experience with anecdotal input from landlords and tenants in 2009.

**Sullivan Multi Family Realty** is a real estate brokerage firm exclusively committed to the multi family market in Greater Portland, representing both Buyers and Sellers.

**Sullivan Management** was founded by Brit and his partners in mid 2009 to offer their skills, knowledge, and professionalism in the multi family market to owners in Portland. Sullivan Management already has over 100 units under management.

**Brit Vitalius** is a principle and the Designated Broker of Sullivan Multi Family Realty, which he co-founded with Bill Sullivan in 2004. He specializes in the analysis of multi family investments for the purpose of assisting clients in purchases and sales. Brit is the current president of the Southern Maine Landlord Association. He personally owns and manages multi family properties in Portland and Yarmouth.



Brit grew up in Yarmouth, Maine before he graduated from Harvard University in 1995. He currently lives in Yarmouth with his wife and one year old son.