



Multi Family Market in Southern Maine

2012 MEREDA Real Estate Forecast Conference

Presented By John Graham

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Overview

- 2-4 Family Residential Market
- 5+ Commercial Market
- 2011 Rental Survey Results
- Absorption Rates by Area
- Short Sales & REO sales
- 5 Year Sales Comparison





Synopsis: Multi Family Market

- Portland Market Stays Stable, Rents Increase, Vacancies Down
- Biddeford, Saco Market dominated by Short Sales & REO's
- 2 – 4 Units: FHA/VA , fewer 20-25% down investors
- 5+ Units more inventory, less sales because of tougher financing
- Rental Market varies by area- time to improve units



Southern Maine Markets

- Properties Sold, Sales Volume and Median Price are a mixed bag.
 - Very area specific and quality specific
- Absorption Rates improve in Portland, South Portland and stay flat in Westbrook, Biddeford, and Saco. L/A continues to stay slow.
 - Inventory is down, though only slightly
- Short sales and REO's constitute substantial portion of the market
- Location within each city is major factor in value
- Investors are bottom feeders; Owner occupants are fairly high end
- Low end inventory finds few takers
- 5+ see more activity in Portland

Properties Sold

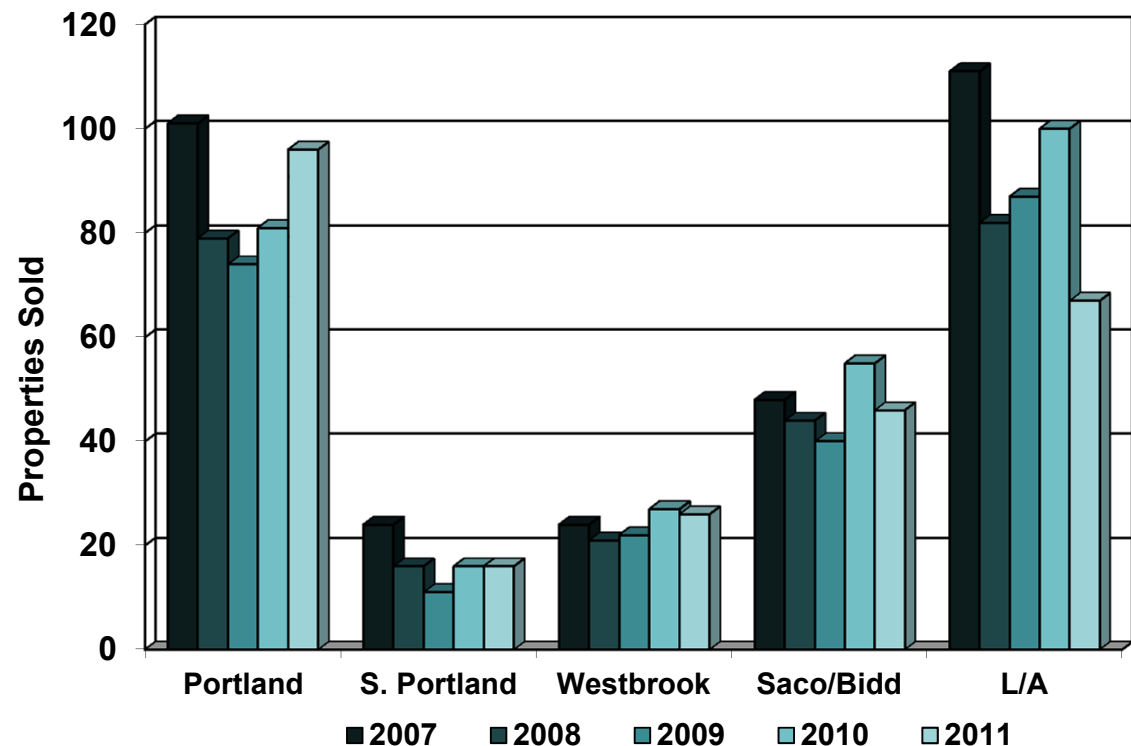
Five Year

Comparison

	Portland	S Port	Westbrk	Saco/Bidd	L/A
2007	101	24	24	48	111
2008	79	16	21	44	82
2009	74	11	22	40	87
2010	81	16	27	55	100
2011	96	16	26	46	67

Percent Change

	'07-'11	'10-'11
Portland	-05%	+19%
South Portland	-33%	0%
Westbrook	+8%	-4%
Saco/Bidd	-4%	-16%
L/A	-40%	-33%

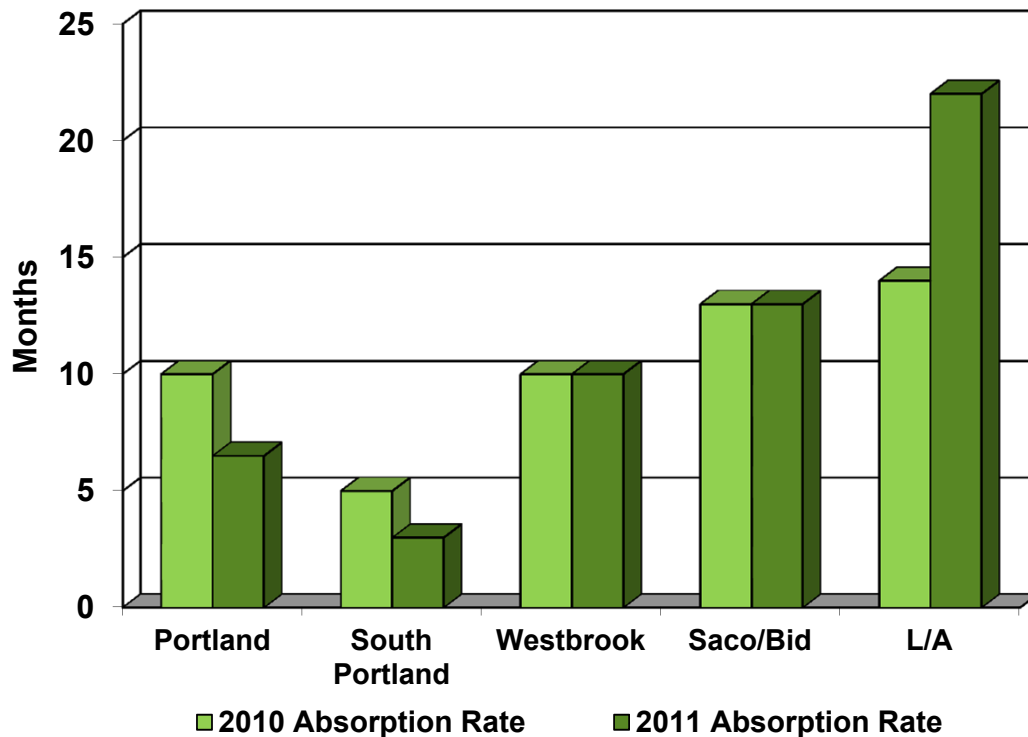


Absorption Rate



Southern Maine Markets

	Portland		S Port		Westbrook		Saco/Bidd		L/A	
On the Market	65	52	7	4	22	22	60	51	114	123
Monthly Sales	6.8	8	1.3	1.3	2.3	2.2	4.6	3.8	8.3	5.6
Absorption Rate (months)	10	6.5	5	3	10	10	13	13	14	22



*Based on MLS Data from 1/1/05 – 11/30/09 and the number of properties listed on the MLS as of 12/15/11

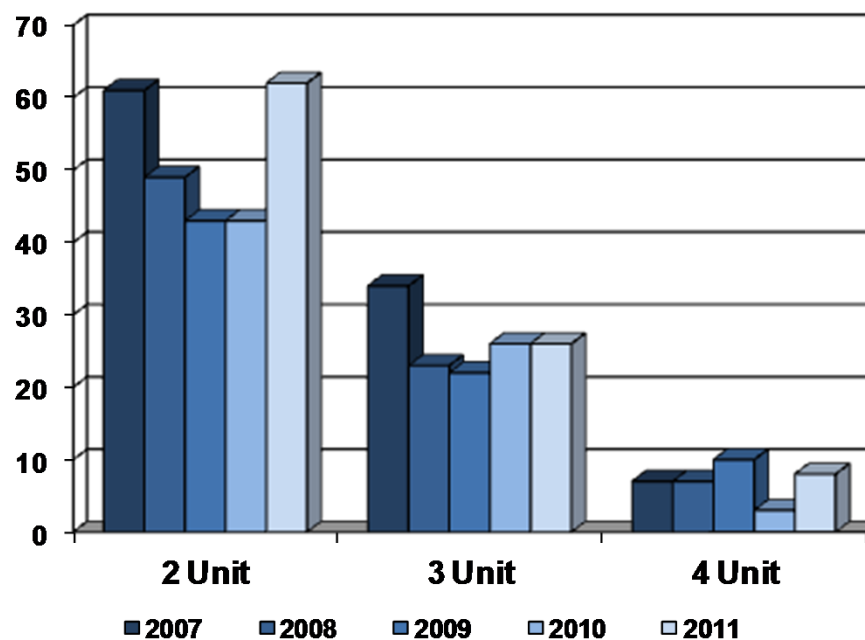
Properties Sold Five Year Comparison Portland

2 – 4 Unit Market Residential Financing

	2 Unit	3 Unit	4 Unit
2007	61	34	7
2008	49	23	7
2009	43	22	10
2010	43	29	3
2011	62	26	8

Percent Change

	'07-'11	'10-'11
2 Unit	+02%	+44%
3 Unit	-23%	-10%
4 Unit	+13%	+62%



*Based on MLS Data from 1/1/05 – 12/15/11

Inter-City

Five Year Comparison

		Portland	South Portland	Westbrook	Saco/Biddeford	L/A
Properties Sold	2007	101	24	24	48	111
	2008	79	16	21	44	82
	2009	74	11	22	40	87
	2010	81	16	27	55	100
	2011	107	16	27	51	81
	Δ% 07-11 10-11	+06 +32	-33 +0	+13 +0	+06 -07	-27 -19
Sales Volume	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	\$20,258,257	\$2,704,691	\$3,547,400	\$6,010,282	\$7,409,112
	2010	\$23,562,249	\$3,940,660	\$4,296,127	\$7,632,062	\$10,022,584
	2011	\$26,544,375	\$3,477,641	\$4,210,300	\$4,706,665	\$5,513,689
	Δ% 07-11 10-11	-34 +13	-50 -12	-36 -02	-35 -41	-69 -45
Median Price	2005	\$345,000	\$320,000	\$268,000	\$232,000	\$161,500
	2010	\$282,500	\$217,500	\$150,000	\$142,000	\$70,000
	2011	\$275,000	\$214,950	\$170,500	\$115,000	\$85,000
	Δ% 05-09 08-09	-20 -03	-33 -01	-36 +14	-50 -19	-47 +21

*Based on MLS Data from 1/1/05 – 12/15/11

Short Sales & REO's

- 11 % of sales in Portland are short sales or REO's.
- 57% of sales in Saco/Biddeford are short sales or REO's
 - Efficiency increases from short selling banks
 - More Brokers are understanding process
 - BPO's need to be local- out of towns don't understand market
- Auctions occur less, more short sales
- Investors continue to be dominant player
 - Properties tend to be in ill repair and require substantial resources
 - Most properties do not qualify for FHA/VA financing

2 – 4 Unit Market

Owner Occupants

- FHA financing; low interest rate, low down payment, but building must be in good condition
- Seeing more parents buying for children (high rents)
- First time Buyers will pay for properties and locations they want live – price is less of an issue than quality
- **Investors**
- Mostly buying cheap, with cash
- Most purchases to hold long term, some to flip for a quick profit
- Getting more educated and turning down some places because of too much work

Average Sales Price Five Year Comparison Portland

Percent Change

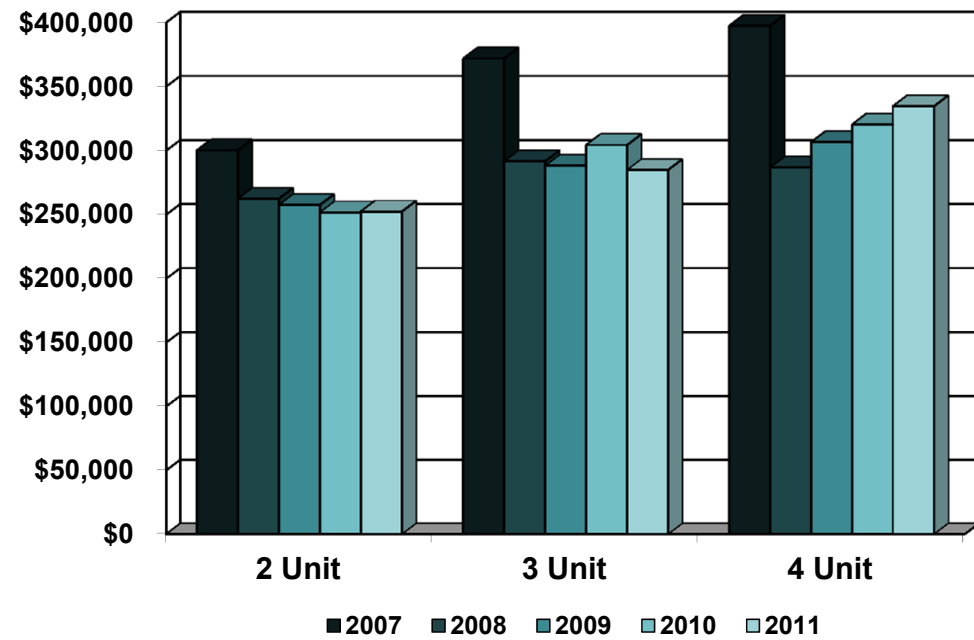
	'07-'11	'10-'11
2 Unit	-16%	+003%
3 Unit	-23%	-06%
4 Unit	-16%	+04%

Average Price/Unit - 2011

2 Unit	\$126,218
3 Unit	\$94,974
4 Unit	\$83,633

2 – 4 Unit Market Residential Financing

	2 Unit	3 Unit	4 Unit
2007	\$300,267	\$371,933	\$397,512
2008	\$262,512	\$291,711	\$286,767
2009	\$257,613	\$288,195	\$306,583
2010	\$251,800	\$304,407	\$320,332
2011	\$252,436	\$284,922	\$334,652



*Based on MLS Data from 1/1/05 – 12/15/11



5+ Unit Market

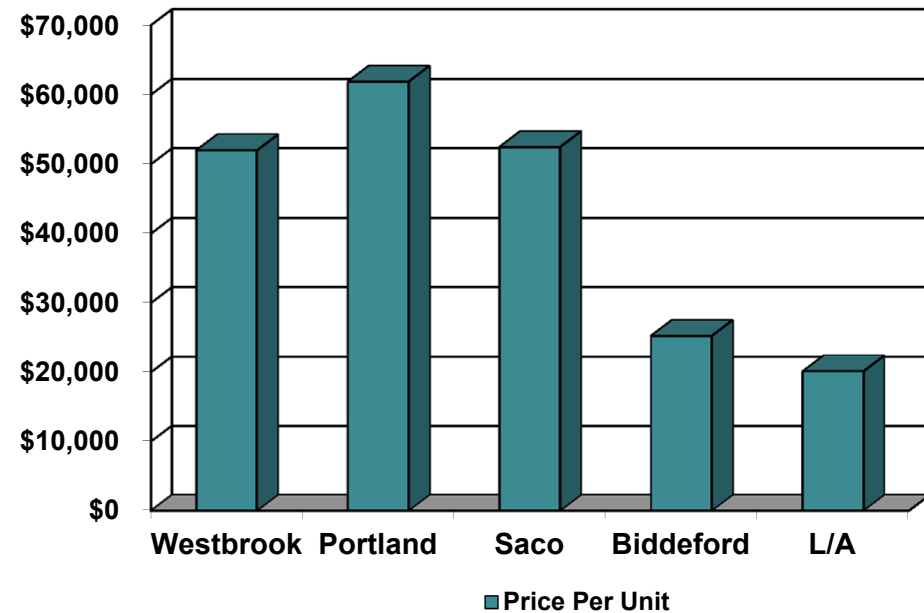
PORTLAND SALES SUMMARY

- Inventory is up in Portland, Investors are very conscious of deferred maintenance issues
- Average location and condition are not selling unless priced aggressively
- Condo Market is flat- very few conversions
- Banks are scaring first time investors from stepping in



	# Units	Sales Volume	Price/Unit
Westbrook	1	\$260,000	\$52,000
Portland	11	\$4,678,000	\$61,883
Saco/Bidd	5	\$964,500	
		Saco (2)	\$52,482
		Biddeford (3)	\$25,263
L/A	14	\$2,093,900	\$20,136
		Low:	\$8,889
		High	\$35,835

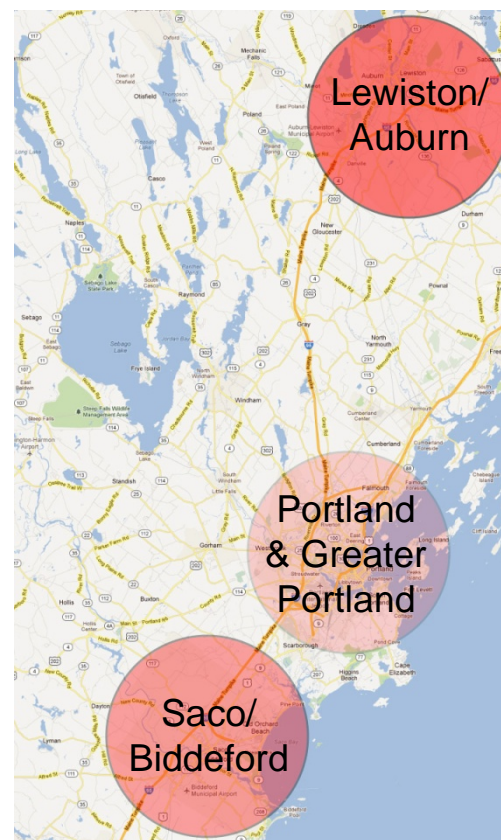
2011 Unit Prices



Rental Market - Portland

Sullivan Multi Landlord Survey

- The rental market tightened in 2011
- Vacancy estimate
 - Portland & Greater Portland < 4%
 - Saco/Biddeford 10-15%
 - Lewiston/Auburn 20-25%



*Some results based on the Sullivan Multi Landlord Survey



Rental Market

Sullivan Multi Landlord Survey

	Portland		Greater Portland	
	Heated	Non-Heated	Heated	Non-Heated
Studio/Efficiency	\$623	\$525	\$580	\$538
1 Bedroom	\$910	\$612	\$767	\$656
2 Bedroom	\$1021	\$897	\$858	\$819
3 Bedroom	\$1,279	\$957	\$950	Not enough Data Available

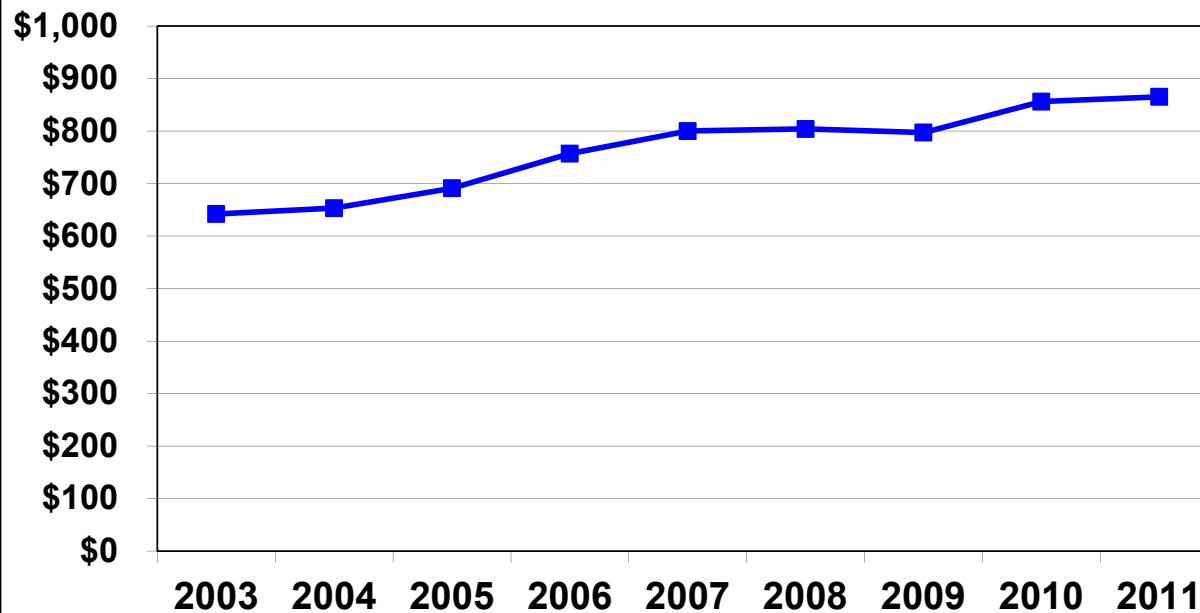


*Based on the results of a Sullivan Multi 2011 Landlord Survey

Rental Market

Section 8/Maine Housing 2003 - 2011 Rental Increase Trend

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
2010	- \$856
2011	- \$865

*Based on information provided by Portland Housing Authority

Rental Market

General Issues Affecting Landlords

- Bed Bugs
- Lead Paint Rehab Issues (Cost)
- Energy Costs
- Medical Marijuana Growth

Landlord Concerns for 2011

- Bed Bugs
- Retaining Quality Tenants
- How far to improve units
- Price of Energy



2012 Forecast

- Non-Portland/ South Portland cities will continue to see prices fall.
- Brokers and Banks must get realistic and list properties to sell not sit.
- Portland sales activity will continue to increase in 2012; prices will remain steady, Rehabbing apartments will continue to reap the reward of better tenants and higher rents.

2-4 Units

- Foreclosures/short sales will continue and continue...
- Super low interest rates, have listings FHA/VA ready...
- High quality properties and the Portland peninsula will maintain value.

5+ Units

- Rental Pool will remain good
- Inventory will remain available as good rents won't justify lowering prices to selling point
- Banks will remain extra cautious
- Markets continue looking for the next slumlord... deals and money to be made!

2012 Multi Family Forecast

- Short Sales, Foreclosures and REO's will continue at a similar pace.
- 2-4 unit sales will continue to be dominated by FHA/VA financing. Buyers will continue to be picky and make aggressive offers.
- 5+ sales will pick up a little. Long term investors will hold onto their inventory (rents good- banks overly cautious), but some new investors will get in the market. Unit pricing will continue to decline although slightly.
- Sales will continue to be challenging in Saco/Biddeford and Lewiston/Auburn as they struggle with higher vacancy rates and miserable quality. Price will continue to drop in these areas. Can we tear some down?



2012 Multi Family

Forecast

Rentals Market

- Rents will stay strong and increase in Portland
- Interest rates will stay historically low.
- Biddeford /Lewiston will continue to plummet in price... there is no bottom.

Notes: All MLS data which was taken from 1/1/2011 through 12/30/11

The Sullivan Multi Landlord Survey was completed by 120 different landlords.

John Graham has been brokering multi family Properties in the Greater Portland Area since 2001. He started working at Steve Davis Real Estate and moved to Sullivan Multi Family Realty in 2006. A Maine native, he grew up on a small farm in Weld. He was introduced to real estate at an early age by his father who owns and operates Sandy River Realty in Farmington. John attended Bates College in Lewiston and graduated with a BA in Rhetoric.

Sullivan Multi Family Realty was established in 2004 by Bill Sullivan. Through diligence and focus, the firm has distinguished itself in providing the highest level of brokerage services. Sullivan Multi Family is exclusively committed to the multi family market in Greater Portland, representing both buyers and sellers.