



Multi-Family Forecast for Southern Maine

2013 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

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Summary of 2012

Regional Markets

- Inventory down in all markets
- Low interest rates and strong rents attract buyers to the Portland market
- Saco/Biddeford has first real increase in activity and total sales volume in years
- Rental Market: rents increase, vacancy is down

Buyers

- Buyer pool increases substantially
- Young, owner occupant buyers return and drive the 2-4 unit market

Lending

- Low interest rates attract investors to both commercial and residential loans
- FHA financing is the loan of choice for owner occupants: 3.5% down payment

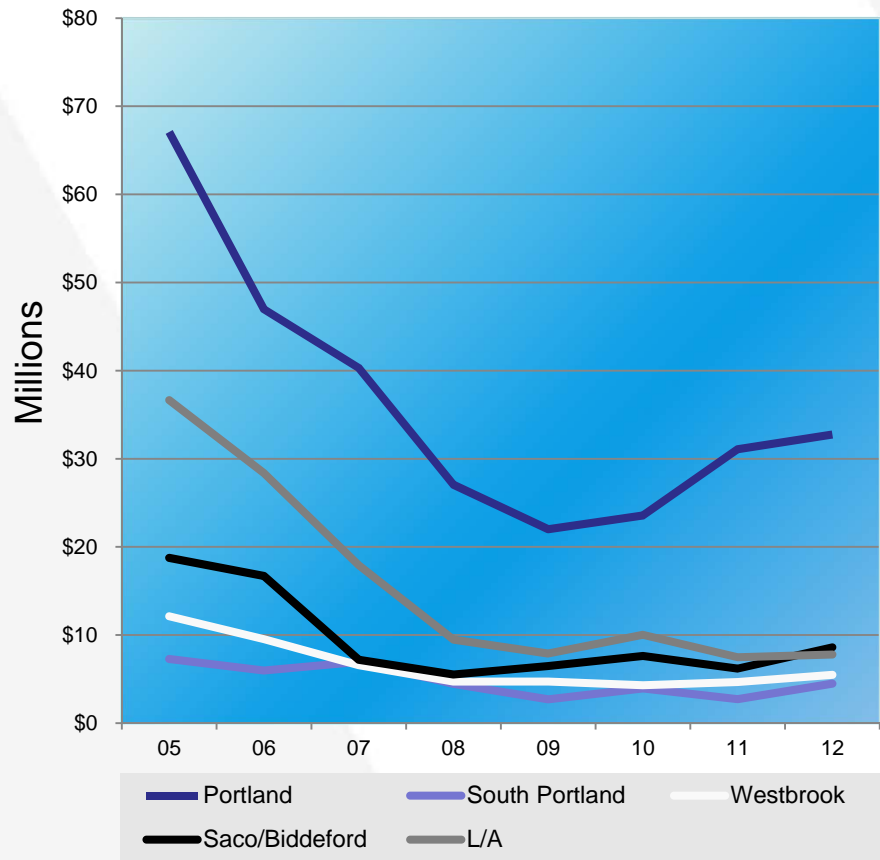
Portland Development

- For the first time in years, the strong rental market stimulates new projects downtown

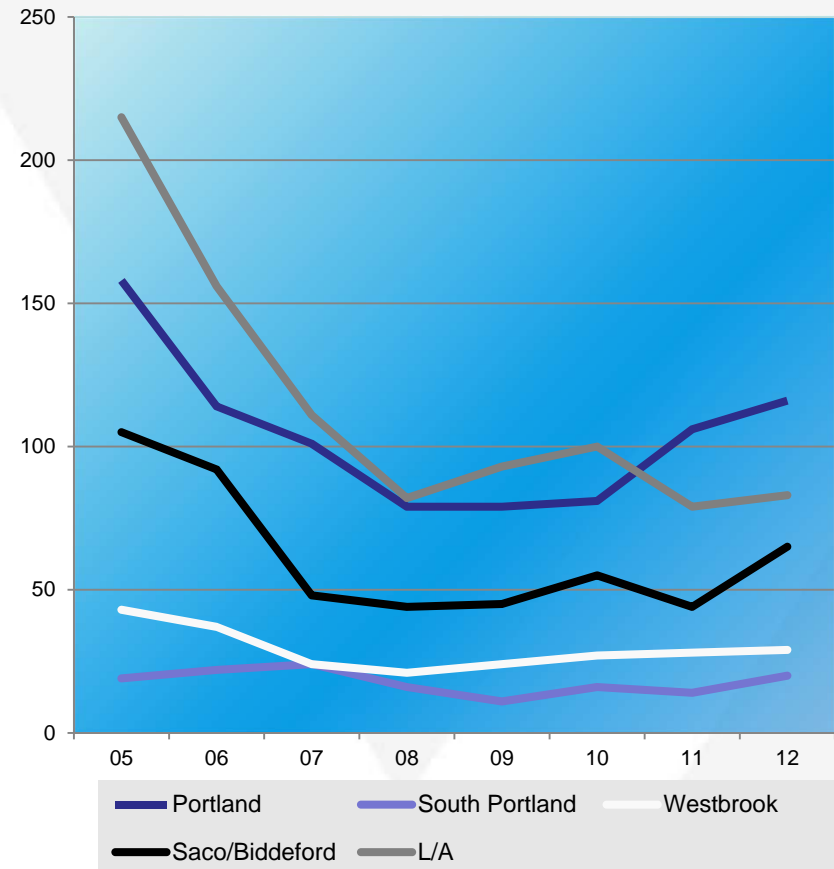
Short Sales/Foreclosures

- ~10-15% of Multi Family Sales in Portland and South Portland
- ~30+% in Westbrook, Saco/Biddeford and L/A

Sales Volume

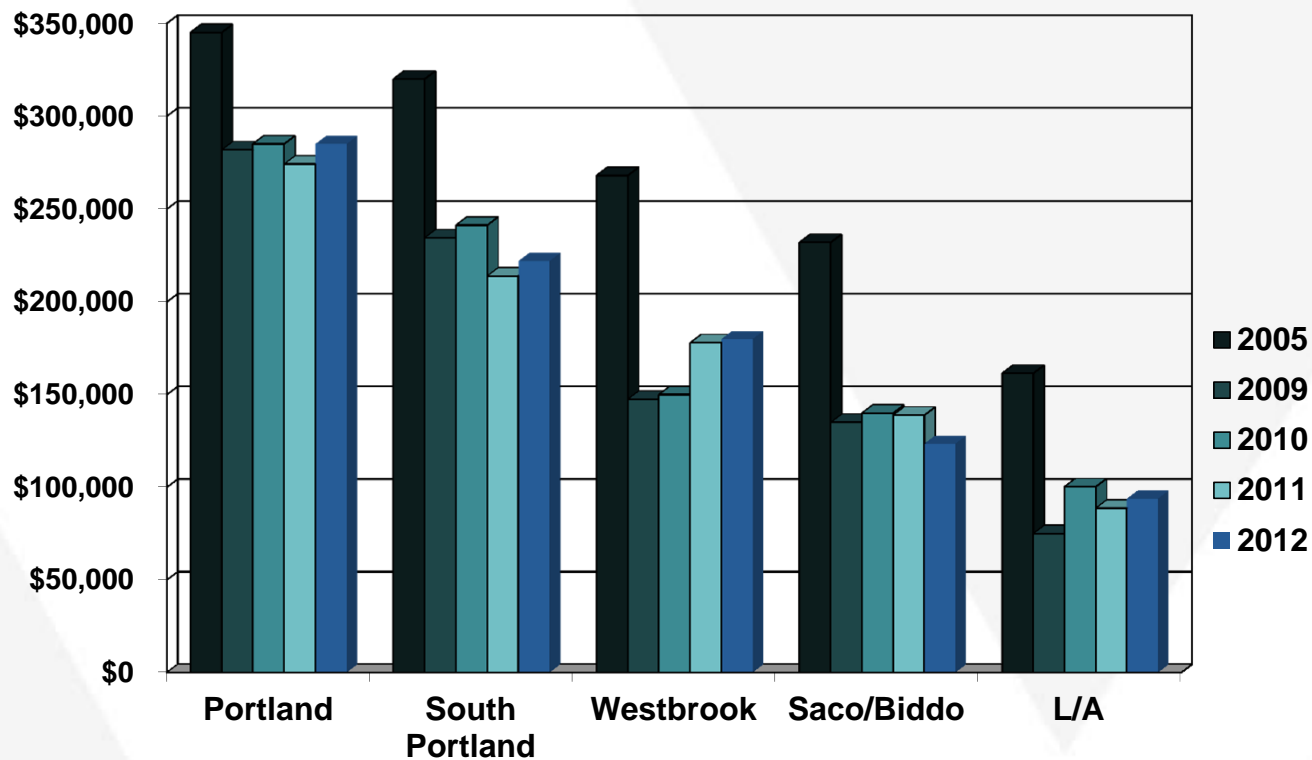


Properties Sold



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

Median Sale Price



2012 vs. 2011

4%

4%

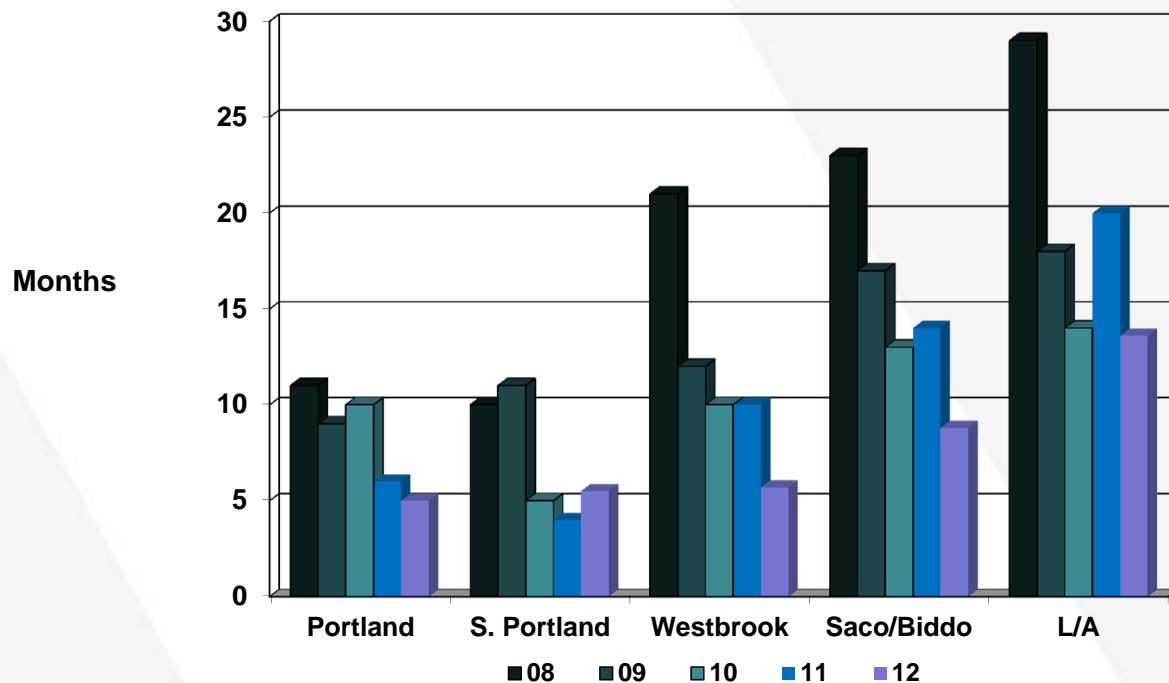
1%

-11%

6%

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

Absorption Rate



Absorption Rate
Amount of time it will take to sell the current inventory at the present rate of sales.

*Based on MLS data
 12/31/07 – 11/30/12

	Portland					South Portland					Westbrook					Saco/Biddeford					Lewiston/Auburn				
	08	09	10	11	12	08	09	10	11	12	08	09	10	11	12	08	09	10	11	12	08	09	10	11	12
On the Market	83	68	65	56	31	14	12	7	5	9	36	26	22	23	14	81	71	60	52	48	200	159	114	133	94
Monthly Sales	7.4	7.5	6.8	8.8	9.6	1.4	1.1	1.3	1.2	1.6	1.7	2.2	2.3	2.3	2.5	3.5	4.1	4.6	3.7	5.5	6.8	8.8	8.3	6.6	6.9
Absorption Rate(months)	11	9	10	6	5.0	10	11	5	4	5.5	21	12	10	10	5.7	23	17	13	14	8.8	29	18	14	20	13.6

Commercial Multi Market – Portland

- Cap Rate: 8 - 9% average but may be as low as 6%
- Vacancy: < 2%
- Strong Rental Market
- Lending is accessible, appraisals are not an obstacle
- Inventory is extremely low
- Many buyers are not enticed by the quality of what is available
- More veterans than newbies actually closing deals in Portland

Breaking into the Portland market is more challenging than most new buyers initially anticipate for three main reasons: 1) returns tend to be lower than expected, 2) properties are often less attractive than they envision and 3) inventory is extremely low.

Commercial Multi Market – Portland



Notable Sales

- The Lafayette
- Bayside Village
- 212 High St
- 191 Pine St
- 68 Pine St
- 266-268 Danforth St
- 75 Sherman St

Units

95 Units/Com
 400 Units
 10 Units
 7 Units
 7 Units/Com
 8 Units
 9 Units

Price

\$4.5mm
 \$18.2mm
 \$625,000
 \$850,000
 \$750,000
 \$675,000
 \$345,000

Price/Unit

\$47,400
 \$45,500
 \$62,500
 \$121,000
 \$107,000
 \$84,000
 \$38,000

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

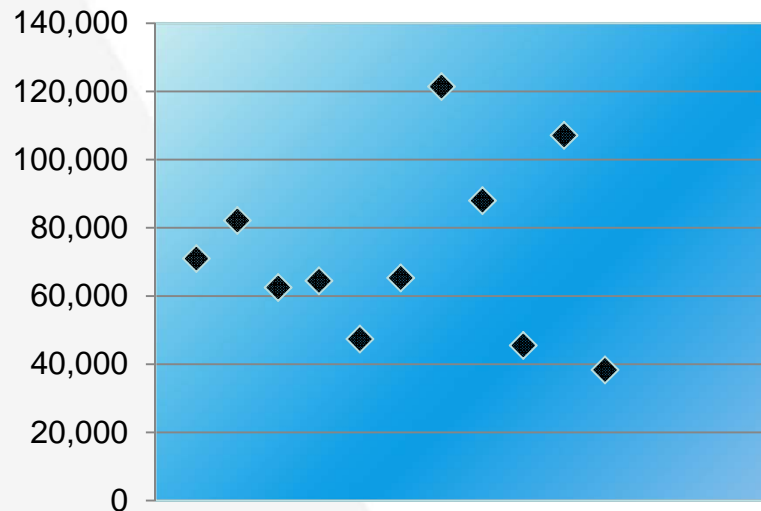
Commercial Multi Market – Portland

Sales

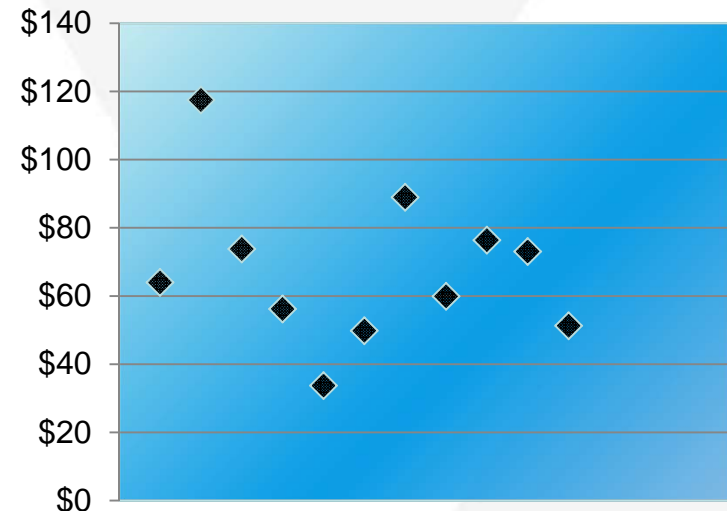
- Median price/unit: \$71,000
- Range: \$38k - \$121k

- Median price/sqft: \$64
- Range: \$50 - \$118

Price/Unit



Price/SqFt



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

Portland - Development

Completed 2012



Oak St Lofts
Avesta
37 Efficiencies
Income Restricted

Online Q1 2013



Pearl Place 2
Avesta
54 Units
Income Restricted

Future Development Planned – Market Rate



West End Place
Corner of Pine & Brackett
39 Luxury Apartments
Includes parking & shops



East Bay Side
Hammond Street
Two - 3 Units
Market rate rentals



Maritime Landing
Bayside
400 – 500 Units Proposed

Commercial Multi Market - Biddeford

- Estimated cap rate: 11 – 12%
- Estimated vacancy rate: 10 - 15%
- Market improves as inventory decreases and sales increase

Notable: 40 Unit Property is Under Contract

Address	Units	Sold Price	Sq Ft	Price/Unit	Price/Sq Ft
Biddeford					
51 Cutts Street	6	\$315,000	8,520	\$52,500	\$37
26 South Street	7	\$165,000	4,031	\$23,571	\$41
141-143 Cleaves Street	7	\$325,000	4,552	\$46,429	\$71
20 Jefferson Street	8	\$365,000	7,646	\$45,625	\$48
			Avg	\$43,225	\$49
Saco					
90 Spring Street	5	\$240,000	4925	\$48,000	\$49
			Avg	\$48,000	\$49

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

Commercial Multi Market – L/A

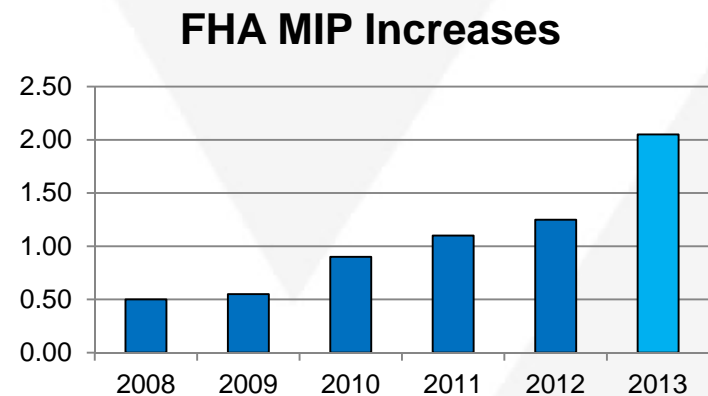
- Estimated cap rate: 14-15%, difficult to calculate for properties not stabilized
- Estimated vacancy rate: 15%
- Sales volume same as 2011, but inventory is down making a healthier absorption rate of 13 months
- Many distressed sales
- Average Price/Unit - \$20,200, up almost 10% from previous year

St #	St Name	Units	Sold Price	SqFt	Price/Unit	Price/SqFt
341	Turner Street	5	144,000	3,937	\$28,800	\$37
18	HORTON STREET	5	125,000	4,670	\$25,000	\$27
11	Bearce Street	6	130,000	4,368	\$21,667	\$30
32	SECOND STREET	6	169,000	4,908	\$28,167	\$34
115	Pine Street	6	45,000	5,907	\$7,500	\$8
17	Horton Street	6	47,000	5,800	\$7,833	\$8
725-729	Sabattus Street Willow & 110	7	105,000	6,932	\$15,000	\$15
8	Hampshire Street	12	280,000	9,729	\$23,333	\$29
16	Leeds Street	9	218,800	7,620	\$24,311	\$29
Average					\$20,200	\$24

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

2-4 Units Portland - Summary

- Young, owner occupants re-enter the market
- 3 Unit sales were particularly hot
 - Average price up 8% from previous year
 - Reflects owner occupants desire for both a residence to live in and a better cash flow situation than 2 units provide
- FHA financing dominates
 - 3.5% down payments
 - Interest rate average 3.5% – 4% on 30 year fixed loan
 - Future Concern: Mortgage Insurance Premiums (MIP) keep rising (see chart)

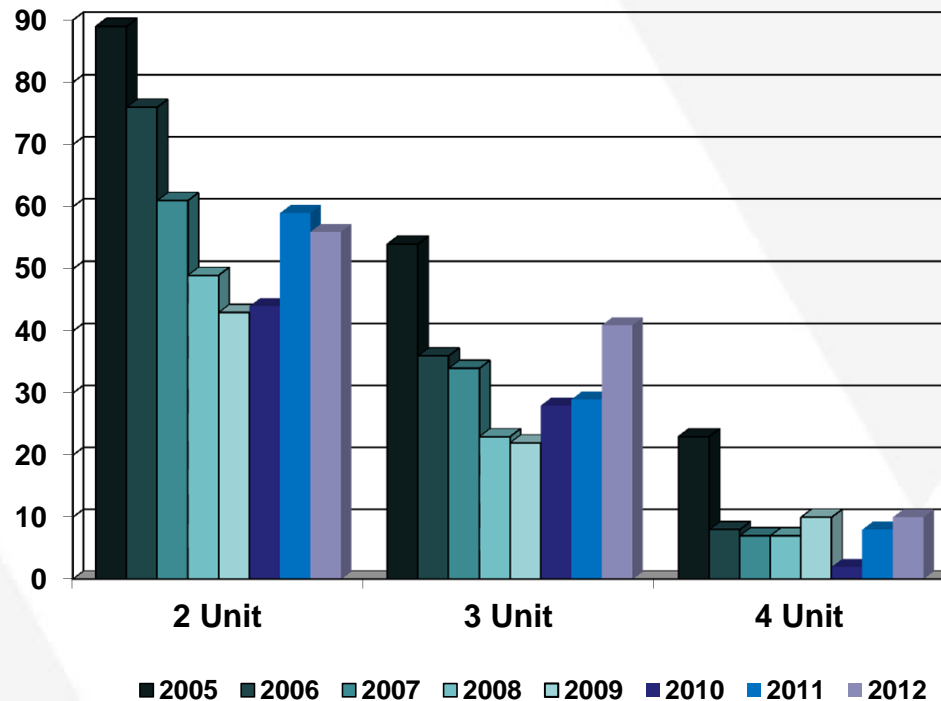


2.05% is proposed for 2013

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

2-4 Units Portland - Properties Sold

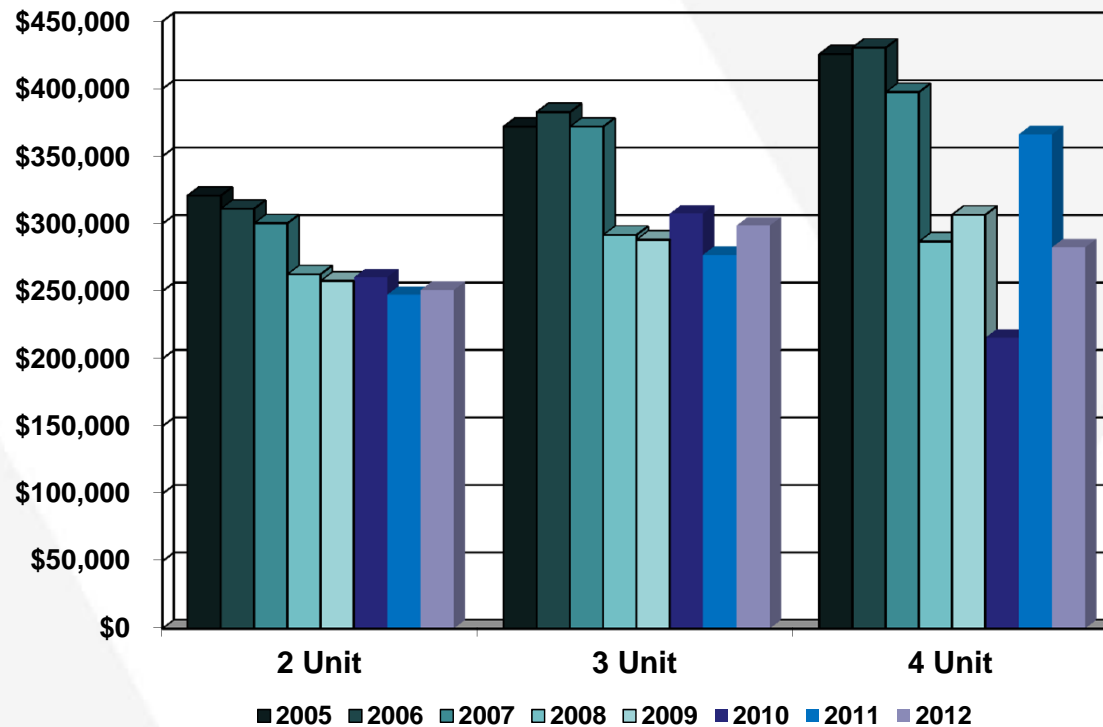
2-4 sales are up 11% from the previous year due in larger part to a 40% increase in 3 unit transactions



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

2 - 4 Units Portland – Average Price

2 units steady, 3 units up 8% and 4 units down due to a high percentage of short sales and foreclosures



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

Rental Market

Average Rental Rates

	Portland		Greater Portland		Saco/Biddeford	
	Heated	Unheated	Heated	Unheated	Heated	Unheated
Studio	\$695	\$625	\$650	-----	\$550	-----
1 Bd	\$875	\$805	\$825	\$775	\$700	\$650
2 Bd	\$1,050	\$950	\$910	\$850	\$790	\$750
3 Bd	\$1,300	\$1,150	\$1,200	\$1,100	\$950	\$850

Vacancy Rates

Portland 1-3%

Saco/Biddeford 10-15%

Lewiston/Auburn 15%

Saco/Biddeford and L/A continue to be challenging rental markets due to high vacancy rates, quality of tenant, and collections issues.

*Information based on data and feedback from Vitalius Landlord Survey

Rental Market

Portland Overview

Rentals

The Portland rental market continued to tighten in 2012. Rents up an average of 4%. Downtown is generally the most desirable location and high end rentals continue to be strong.

Furnished Rentals

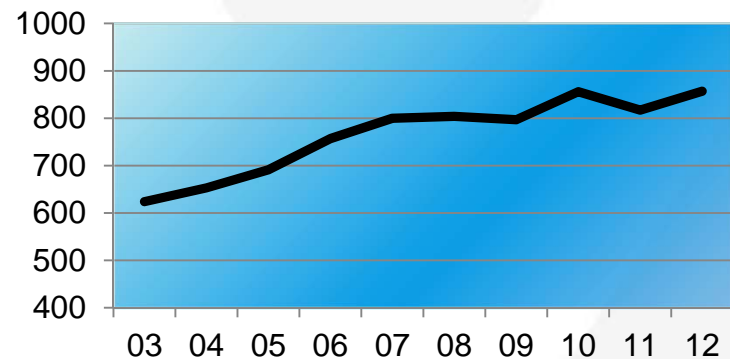
The furnished rental market, which has expanded in recent years, may be getting saturated as vacancy rates are increasing. Some owners are considering de-furnishing units or are marketing units both ways.

Portland Housing Authority (Section 8)

PHA Payment Schedule November 2012

Bdrms	Rent
1	\$857
2	\$1,108
3	\$1,400
4	\$1,541

History of PHA 1 bdrm Payment Schedule



2012 vs. 2011 = +5% 10 year avg = 3.7%

Includes all utilities; rents cover most of Cumberland County

Rental Market

Landlord's Top Concerns



Radon Regulation takes effect in March 2014 (Maine)



Fire code compliance



Energy/Oil costs



Taxes, water/sewer



Tenant Quality



Addition of new units will bring down rents



Bedbugs - 30% of survey respondents have treated for bedbugs

2013 Multi Family Forecast

- Portland Commercial sales activity and pricing hold steady as the low inventory leaves buyers with few options; premium properties continue to 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.



Brit Vitalius founded Vitalius Real Estate Group at the beginning of 2011 so that he could continue to focus on the multi-unit market while assembling a group of professional brokers to provide a full complement of brokerage services to clients. Brit has made his career representing buyer and seller clients of multi-unit investments. For six years he was a partner at Sullivan Multi Family Realty and he co-founded what is now Bell Port Property Management.

Brit is in his second 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, 4 year old son, Coltrane and 2 year old daughter, Allegra.



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