



Multi-Family Forecast for Southern Maine 2016 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

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President, Southern Maine Landlord Association

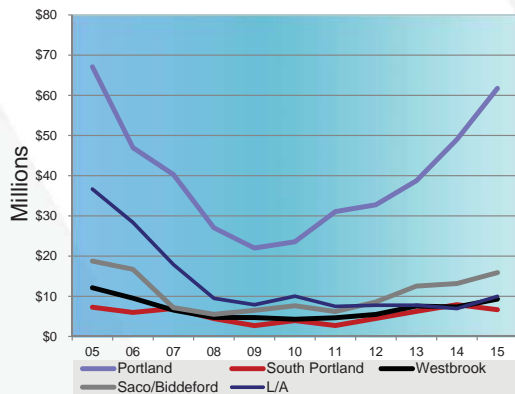


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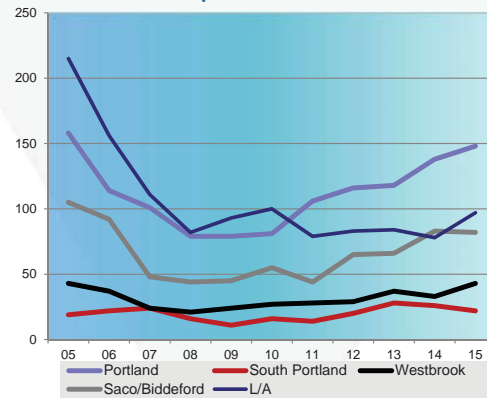
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Sales Volume



Properties Sold

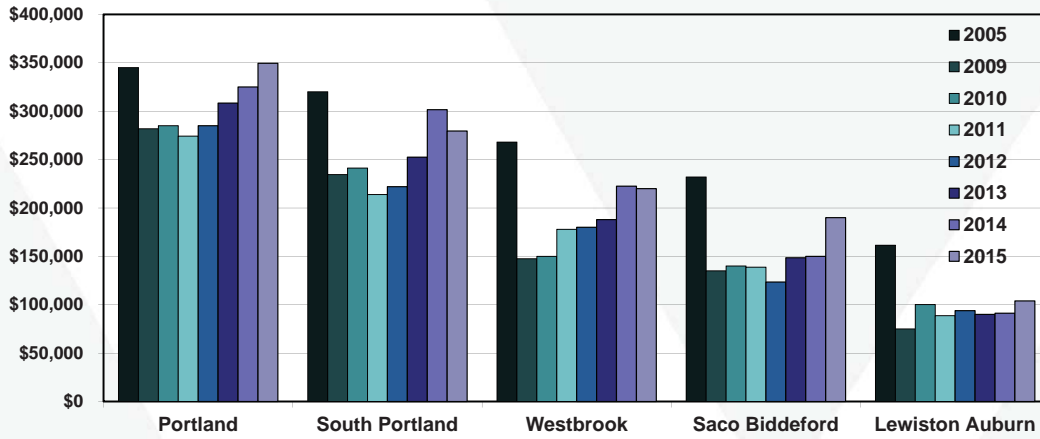


		Portland	South Portland	Westbrook	Saco Biddeford	Lewiston Auburn
2014 → 2015	Volume	26%	-16%	27%	21%	44%
	Sold	7%	-15%	30%	-1%	24%
2009 → 2015	Volume	177%	147%	97%	145%	27%
	Sold	83%	100%	79%	82%	4%

Note: Portland's sales volume was 32% higher than the other areas combined

*Based on MLS data
12/31/04 – 12/31/15

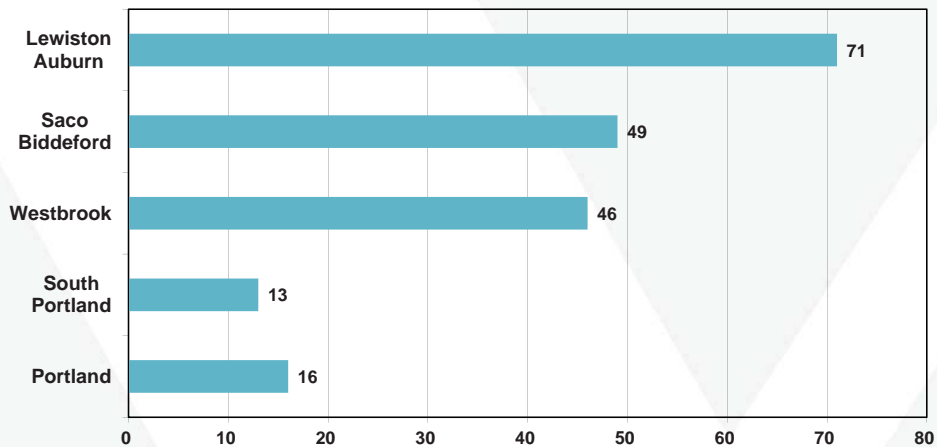
Median Sale Price



Δ to 2015	Portland	SoPo	Westbrook	Saco/Bidd	L/A
2014	8%	-7%	-1%	27%	14%
2009	24%	19%	49%	41%	39%
2005	1%	-13%	-18%	-18%	-36%

*Based on MLS data between 12/31/04 – 12/31/15

Days on Market



*Based on MLS data between 12/31/04 – 12/31/15

Saco/Biddeford

- Sales Volume: +21% from 2014
- Up 145% from 2009!!
- Median price: +27%
- Cap rate: 9 – 9.5%
- Average Price/Unit: \$49,000



<u>Address</u>	<u>City</u>	<u>Units</u>	<u>Sale Price</u>	<u>Price/Unit</u>
53 Oak	Biddeford	10	\$520,000	\$52,000
17 Cutts	Biddeford	7	\$368,501	\$52,640
70 Bacon	Biddeford	6	\$305,000	\$50,830
44 Jefferson	Biddeford	6	\$260,000	\$42,300
15 St Mary's	Biddeford	6	\$250,000	\$41,670
465 Main	Biddeford	5	\$300,000	\$60,000
415 Main	Biddeford	5	\$204,900	\$40,980

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

Lewiston/Auburn

- Sales volume: +44% from 2014
- Transactions: +24%
- Median price: +14%
- Average Cap Rate: 15%
- Median price/unit - \$23,800, up slightly



<u>Address</u>	<u>Town</u>	<u>Units</u>	<u>Sold Price</u>	<u>Price/Unit</u>
94-104 Knox	Lewiston	21	\$600,000	\$28,570
146 Pierce	Lewiston	10	\$250,000	\$25,000
117 Horton	Lewiston	9	\$214,000	\$23,780
63-65 Fifth	Lewiston	6	\$180,000	\$30,000
128-130 College	Lewiston	6	\$130,000	\$21,670
162 College	Lewiston	6	\$110,000	\$18,330
174 Ash	Lewiston	6	\$105,000	\$17,500
154 Bartlett	Lewiston	6	\$55,000	\$9,170

*Based on MLS data between 1/1/15 – 12/31/15

Portland Multi-Family Market

- Many **large transactions**, the most in recent history
- **Prices increased**
- Sales based in part on the opportunity to **reposition** for higher rents
- Influx of **new demographic** to downtown Portland
 - Out of state young professionals
 - Retiring Baby boomers
 - Young families choosing urban life over the 'burbs
- **New construction** in the pipeline, ~700 units
- Munjoy Hill continues to boom, but **all of Portland is HOT**

Commercial Multi Market – Portland

Substantial Number of Major Transfers

- Three large local owners took the opportunity to dispose of **average** units to more aggressive buyers/owners
- Port Properties (local) and I-95 (out of state) made multiple acquisitions
- Cap rates at 6 - 7% (had historically been 9)
- Median Stats
 - \$79,000/Unit
 - \$103/SF

Sample of Notable Sales – Portland



Property	Units	Price	Price/Unit	Cap(%)
• East End Corp	74 Units	\$6.97 MM	\$94,121	7.0
• 125-133 Grant St	51 Units	\$4.34 MM	\$85,000	7.4
• Deering/High Portfolio	37 Units	\$3.06 MM	\$82,700	6.6
• Woodfords Portfolio	37 Units	\$3.2 MM	\$86,500	7.5

Notable Sale – Greater Portland

Largest Residential Sale in Maine History



Units: 309
Sale Price: \$50.25 MM
Price/Unit: \$162,500
Cap Rate: 6.5%

Buyer: Out of state family trust

Broker: Joe Porta, CBRE The Boulos Company

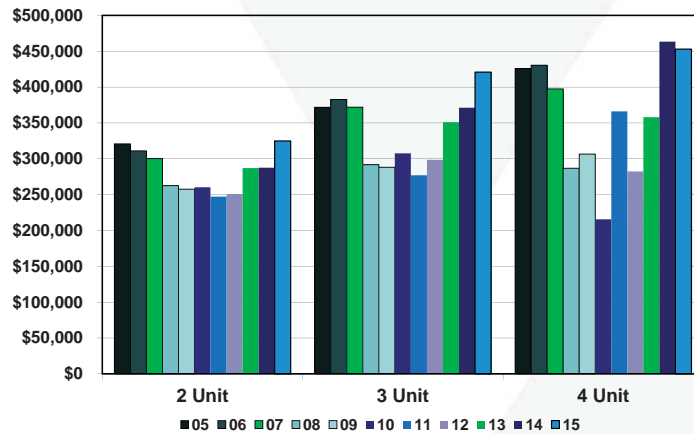
Three Residential Complexes

Tamerlane	Portland
Foxcroft	Scarborough
Coach Lantern	Scarborough

Portland 2 - 4 Units - Average Price

- 2 & 3 Unit Prices up 13%
- Low Inventory creates competitive purchasing environment

2 Units = \$325,000
3 Units = \$421,000
4 Units = \$453,000



*Based on MLS data 12/31/04 - 12/31/15

Which Side of Town is Hotter?

The West End



2 Unit - \$685,000
Renovated
38 Spruce Street



4 Unit - \$725,000
With large garage
47 West Street



3 Unit - \$562,500
Large owner's unit
80 Spruce Street

East End (Munjoy Hill)



3 Unit - \$716,000
Listed for \$699,995
50 Montreal Street



3 Unit - \$730,000
Listed for \$699,950
42-44 Munjoy Street



3 Unit - \$655,000
Needed rehab
34 Congress Street

Portland – What’s Going On?

“HOUSING CRISIS POSES THREAT TO ECONOMY”



*“PAIN AND JOY OF DEVELOPMENT:
RENOVATION LEAVES TENANT
HOMELESS, WHILE COUPLE BUILDS
DREAM CONDO ON MUNJOY HILL”*

“INFLUX OF AFFULENCE: A TWO-EDGED SWORD”

*“DESPERATE RENTERS
LOOK OUTSIDE CITY”*



**“Rental Prices Skyrocketing in Portland,
Maine: Rental prices in Portland, Maine, have
increased **17.4 percent** in the last year.”**

*“LANDLORDS CAPITALIZE ON
‘INSANE’ MARKET”*

Is the Portland Rental Market in Crisis?

- Hot spring rental market created sense of housing crisis
- Existing units continued to be repositioned to capture new demographic. This results in a major investment and improvement in the old and neglected housing stock.

- Rents up ~ 8-9%
- High rents forced tenants to consider purchasing

	Average Rents, Heated	
	2014	2015
Studio	\$750 - \$800	\$850
1 Bd	\$925 - \$1,000	\$1,100
2 Bd	1,100 – 1,400	\$1,300
3 Bd	\$1,400 – 1,600	\$1,550

- Subsidized tenants struggled to compete with market rates
- 2015-16 winter rental market slow – landlords surprised at the low responses from ads and lower quality of applicants

A View of the New Tenants

Two surveys done by a local management company
of their own units in the Spring of 2015

- 1) **178 apartments**
27% are from "away"
- 2) **26 renovated units**
65% - from out of state
50% - 2 person households
23% - students
29 - average age
77% - annual household income of \$58,000+
\$1,170* - average rental amount

**This rent is 24% or less of the household's gross income. "Unaffordable" is commonly considered to be higher than 30% of income.*

The Pipeline – Portland Rentals

Anderson Street (East Bayside)

53 Market Rate Apartments
construction phase
Developer: Redfern



667 Congress St (Joe's Smoke Shop)

139 Market Rates, demolition phase
Developer: Redfern & partners



Schlotterbeck & Foss, 117 Preble Street

55 Units
Developer: local group, using historic tax credits



101 York St (El Rayo site)

63 Market Rate Apartments
Developer: J.B. Brown

Midtown (Bayside)

~400 Apartments
Developer: Federated



New Units = 310 +

= 710

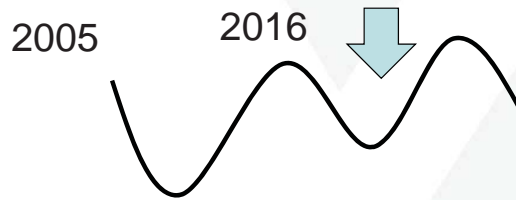
Portland

**Changing
Demographic
Market Cycle**



OR

**Normal
Market Cycle**



Westbrook – Could it Become Hip?

	2014	2015	Change
Days on Market	72	46	-63%
Sales Volume	\$7.2MM	\$9.3MM	+29%
Transactions	33	43	+30%
Median Price	\$222,000	\$220,000	No change

Foodie businesses moving in...



Multi-Family Forecast for 2016

- Portland Sales will stay strong. Cap rates will stay around 7%. High prices will continue to entice sellers.
- Watch out for a slowing of the rental market. This will take the exuberance from the buyers, who are paying prices based largely on the promise of higher rents and low vacancy rates, (plus low energy costs and interest rates).
- Prices of 2 – 4 units will increase modestly as buyer demand continues to exceed available supply.
- Rents – watch the spring market. Is it as hot as last year?
- Westbrook will emerge (**no really, this year!**) as rent rates increase and new businesses move into the downtown.
- 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 fourth term as President of the Southern Maine Landlord Association. In 2015, he served on Portland's Fire Safety Task Force formed in the wake of the Noyes Street fire. He personally owns and manages multi unit investments in Portland and Yarmouth.

Brit grew up in Yarmouth, before he graduated from Harvard University in 1995. He lives in Yarmouth with his wife, Yasmin, 7-year-old son, Coltrane and 4-year-old daughter, Allegra. He enjoys mountain biking, tennis, and single malt scotch.

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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