

Multi-Family Forecast for Southern Maine

2019 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

Principal, Designated Broker

President, Southern Maine Landlord Association



Vitalius Real Estate Group
306 Congress Street, Suite 3
Portland, ME 04101

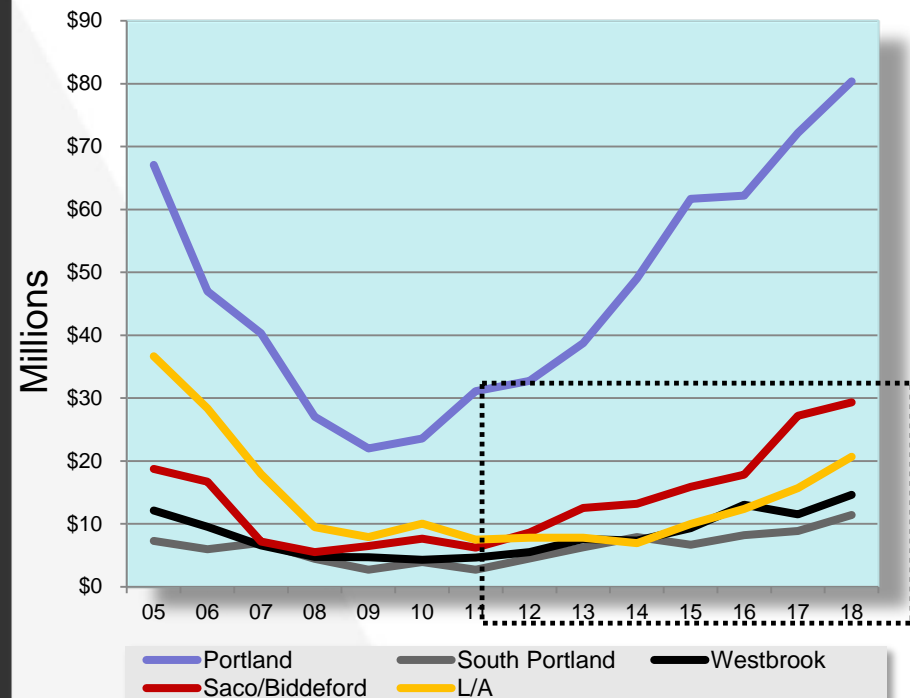
207.541.3755
brit@vitalius.com
www.vitalius.com

Brit's Presentation

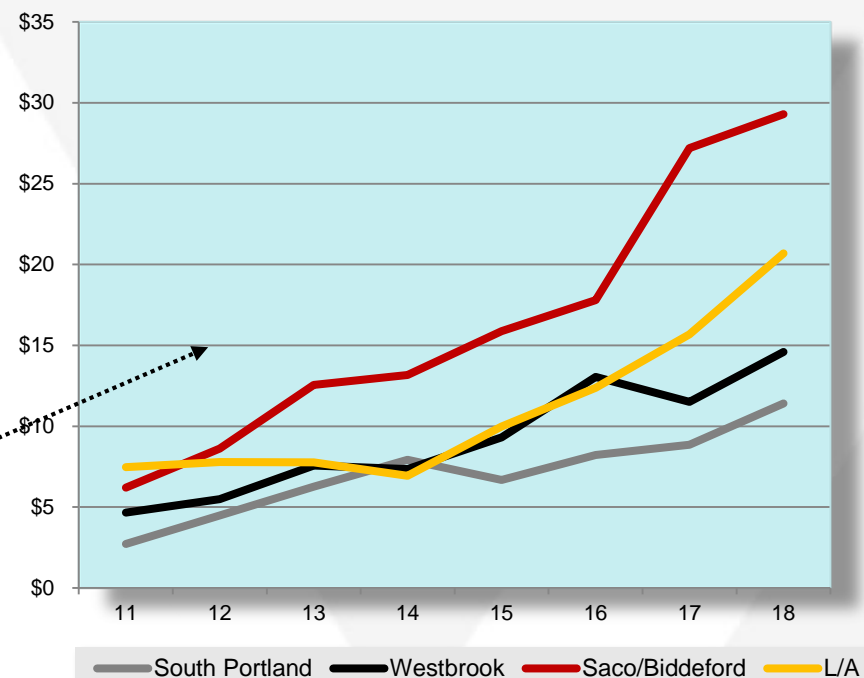
- Sales Data
- Portland
- Saco/Biddeford and Lewiston Auburn
- Portland Rental Rates
- Brit's Analysis
 - Beer
 - Market Dynamics
- Forecast

Sales Volume

All Cities 2005 - 2018



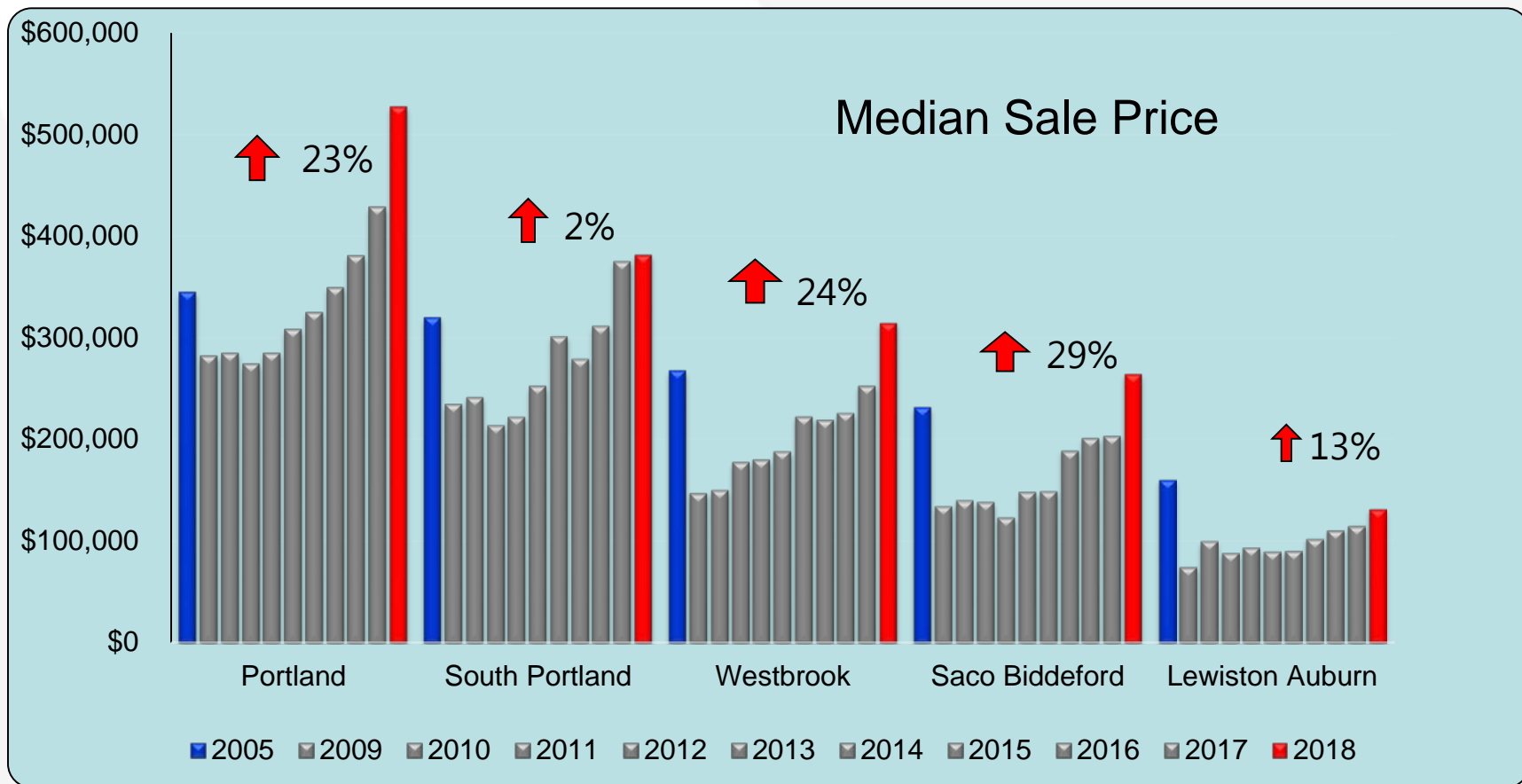
Non-Portland 2011 - 2018



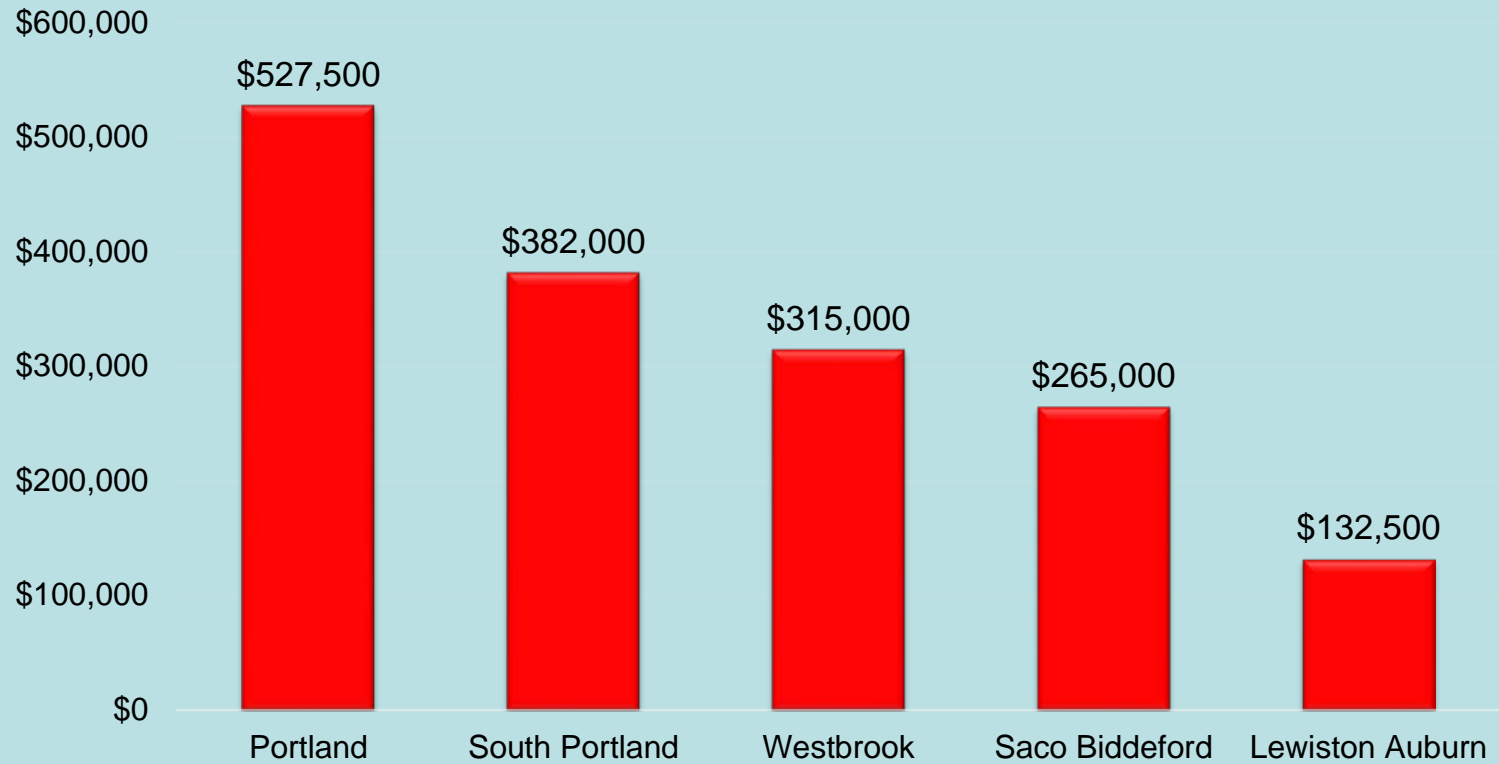
	Portland	SoPo	Westbrook	Saco Biddeford	L/A
2015 → 2016	1%	23%	40%	12%	24%
2016 → 2017	16%	8%	-12%	53%	27%
2017 → 2018	11%	29%	27%	8%	32%

*Based on MLS data

Change in Median Sale Prices

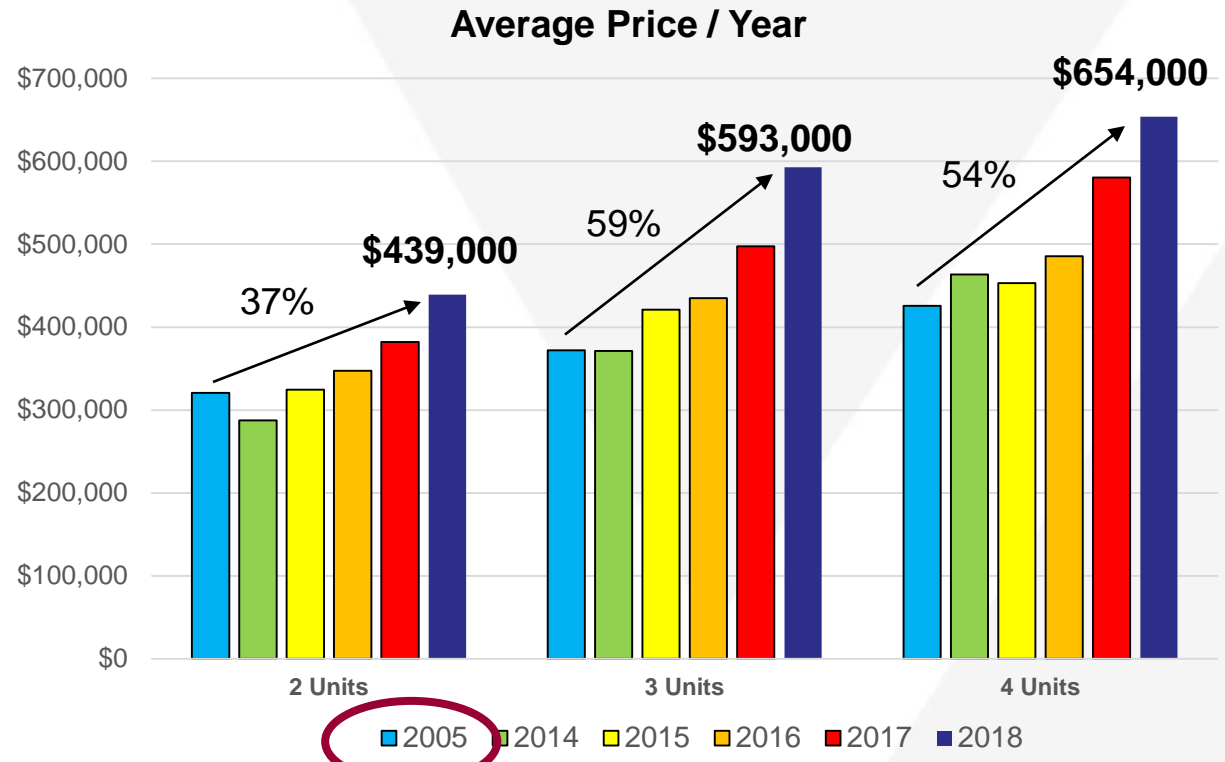


Median Sale Prices



Portland: 2 - 4 Unit Prices

	Δ	'16→'17	'17→'18
2 Units		10%	15%
3 Units		14%	19%
4 Units		20%	13%



Portland – Notable Sales



6 Unit
Short Term Rental
Investor
\$1,133,000



3-Unit
Cumberland Ave
\$830,000

3 Unit
Owner Occupant
1st time buyer
\$950,000



3-Unit
Flip
Purchased in 2016 \$263,000
Sold for \$670,000



3 Unit
Munjoy Hill
\$1.1 mm



2-Unit
High Rents, Near
Morrill's Corner
\$557,000

Greater Portland: Commercial (5+ Units)

- Price increases continue
- Cap rates generally flat with a few sales at 6% or lower

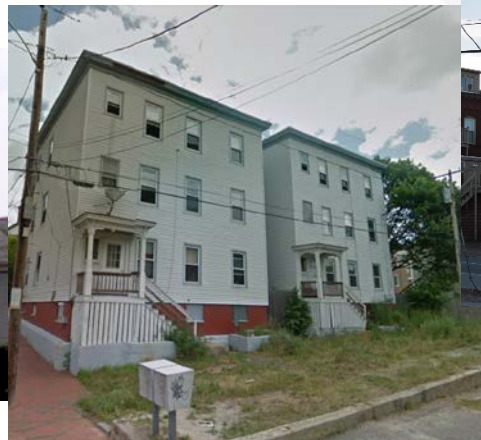
	2015	2016	2017	2018
Price/Unit	\$79,000	\$98,000	\$103,00	\$124,000
Price/SF	\$103	\$97	\$120	\$133
Cap Rate	6.5% – 7%	6.5% – 7%	7% – 7.5%	5% – 7.5%

Portland: Commercial (5+ Units)

Transactions of “typical” income multi-families



2017	2018
13 →	23



Greater Portland: Commercial (5+ Units) Notable Sales

Renovated Church, Portland

25 Units, \$4.3 mm, 5-6% cap, \$172k/unit



Sanford portfolio

106 Units, \$4 mm, 14% cap, \$38k/unit

493 Cumberland Ave, Portland

18 Units, \$1.6 mm, 6.8%, \$89k/unit



27 Morning St, Portland

6 Units, \$1.1 mm, \$175k/unit

Saco/Biddeford

- Total # of transactions declined, but 5 units+ sales nearly tripled (from 5 to 13)
- New development rental inventory – good or bad for rental rates?
- Median sale price up 29%

Median Price/Unit \$63,000
Median Price/SF \$70



Sample Sales

159 Elm St, Biddeford

15 Units, mixed use, \$925,000, \$61k/unit

61 Bacon St, Biddeford

Auction Sale, 10 Units, \$645,000, \$64.5k/unit

Lewiston/Auburn

- Total sales volume increased by 32%
- Cap rates dropped as buyers accepted lower rates for value-add opportunities

Median Price/Unit

\$30,000

Median Price/SF

\$32



Sample Sales

19 Wood St, Lewiston – 10 offers!

45 Units, \$2.35 mm, \$52k/unit, 8.5% cap

40-42 College St & 13 Barrtlet St, Lewiston

14 Units, \$448,500, \$32k/unit, 8% cap



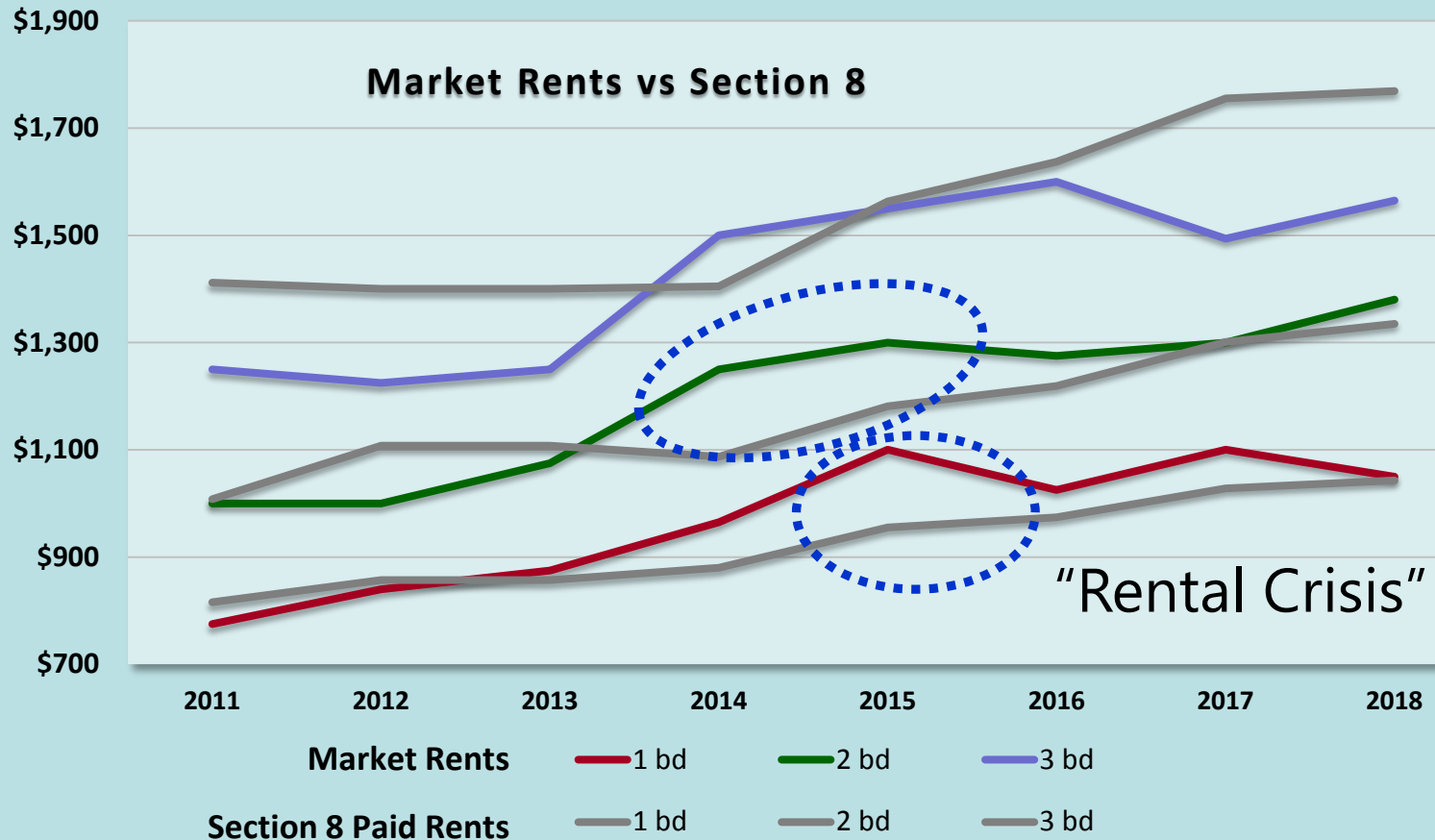
The Portland Rental Market

	Average Rents for mid-grade, heated units			
	2016	2017	2018*	Sec 8 – 2018
Studio	\$850	\$900	\$850	\$952
1 Bd	\$1,100	\$1,100	\$1,050	\$1,043
2 Bd	\$1,275	\$1,350	\$1,380	\$1,335
3 Bd	\$1,600	\$1,500	\$1,565	\$1,769

- Portland rents have leveled off
- Subsidized rents are equal to or exceed market rents

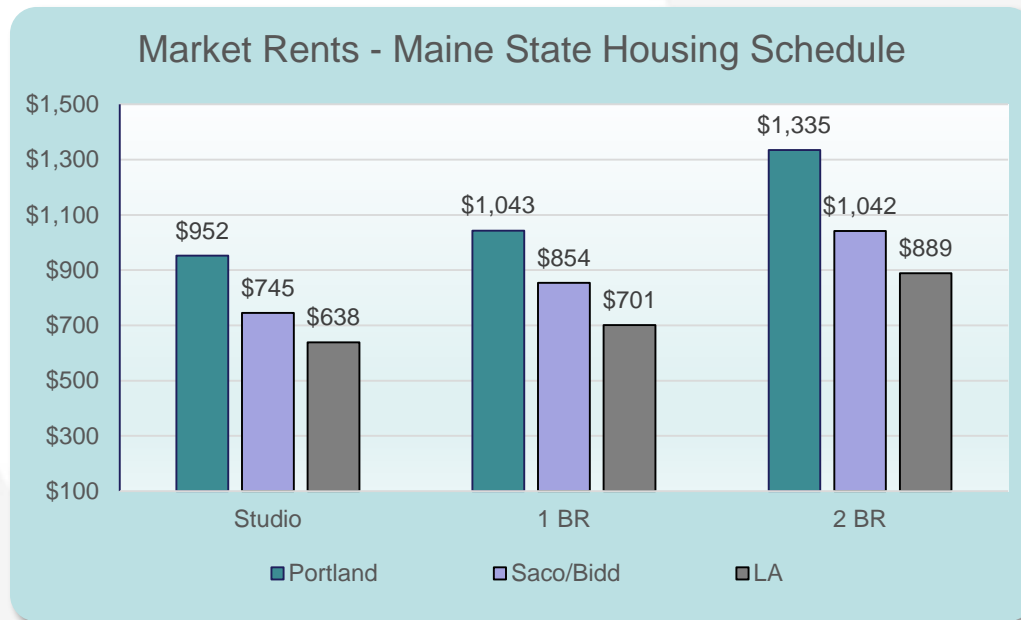
*City of Portland *Rental Market Survey*

The Portland Rental Market



Metro Rental Comparison

Biddeford and Lewiston metros benefit from affordability relative to Portland



2017 & Early 2018

FROTHY



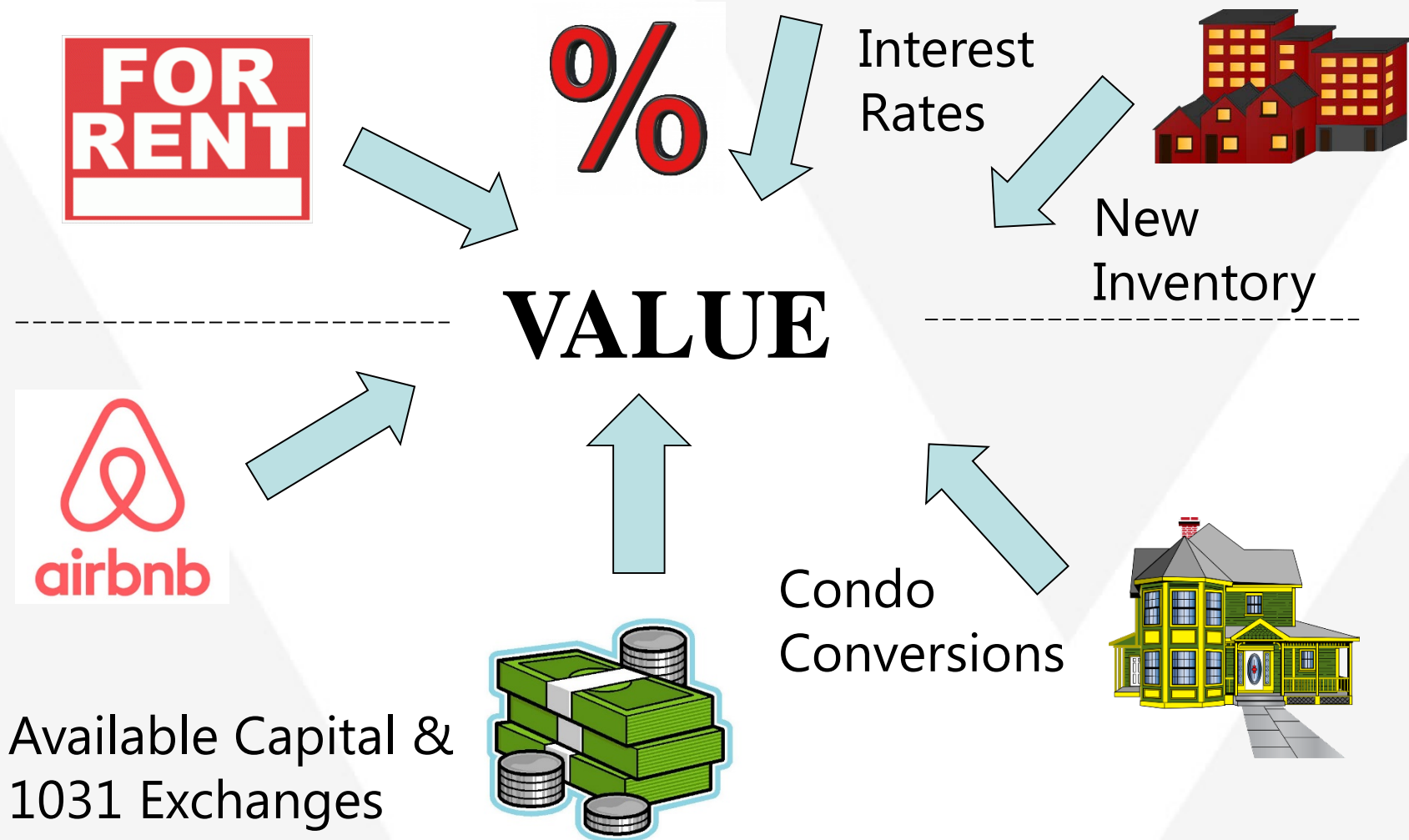
2017 & Early 2018



Summer of 2018



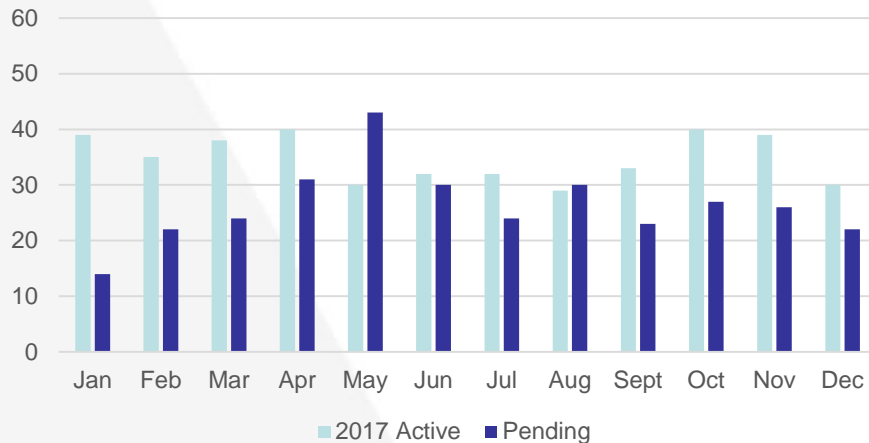
Multi-family Dynamics



Inventory Increasing

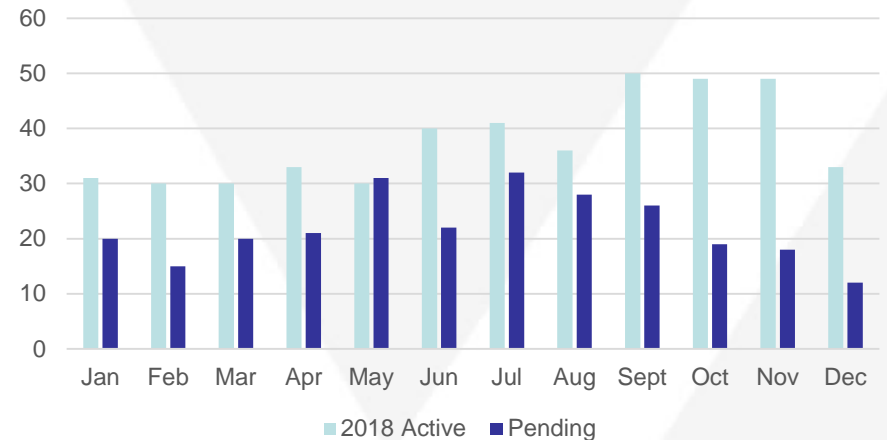
Ratio of Pending Sales to Active Listing

2017 Active vs Pending



76%

2018 Active vs Pending



58%

Feels Like the Top

Out of State buyers, first-time investors, and new players to the market driving prices

- Condo conversions
- Cash flow investments/flips
- Short term rentals

More price reductions for listed properties

Fewer buyers...for some properties

Less qualified buyers for many 2 – 4 units

Multi-Family Forecast for 2019

Macro

- **Market and political volatility impact buyer confidence.**

Portland

- **Generally, values flatten as fundamentals shift.**
- **Market turbulence as countervailing forces collide.** The industry struggles to decipher 'value' as *conservatives* fight with *believers*.
- **Prime locations**, high quality and 6+ units will **hold their value**, but **challenged and smaller units will drop**, widening the gap between top tier and sub-par properties.
- **Rental rates remain flat.**

Regional

- **Westbrook and South Portland price increases slow or flatten.**
- **Saco and Biddeford** will see continued price increases and activity as the affordability attracts investors looking for perceived value, banking on the continued development of the area.
- **Lewiston and Auburn** will see prices continue to rise as investors seek out an affordable alternative for investors looking for a return on capital.

Brit Vitalius has been representing buyers and sellers of multi-unit investments since 2004. He founded Vitalius Real Estate Group in 2011 to form a group of specialists to provide a full complement of residential, multi-family and commercial brokerage services to clients.

Brit is the President of the Southern Maine Landlord Association, a group which seeks to keep landlords up-to-date on important issues, trends and regulations. In 2018, Brit was recognized for his work leading the campaign which defeated Portland's rent control referendum. For his efforts he received awards from the Portland Regional Chamber of Commerce, MEREDA, and the Greater Portland Board of Realtors.

Brit currently serves as Chair of the ECAC Committee with the Portland Community Chamber of Commerce and a member of the Trustee and Governance committee for the Portland Symphony Orchestra. In 2018, Brit and his team recently established the Vitalius Giving Program which provides both the company and Vitalius brokers a way to give back to the community. In his copious free time, Brit manages his own portfolio of multi-unit investments in Portland and Yarmouth.

Brit grew up in Yarmouth, then went on to graduate from Harvard University in 1995. He now lives in Yarmouth with his wife, Yasmin, 10-year-old son, Coltrane and 7-year-old daughter, Allegra. He enjoys mountain biking, skiing, 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 complementary 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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