

# Multi-Family Forecast for Southern Maine

## 2020 MEREDA Real Estate Forecast Conference

### Presented by Brit Vitalius

Principal, Designated Broker

President, Southern Maine Landlord Association



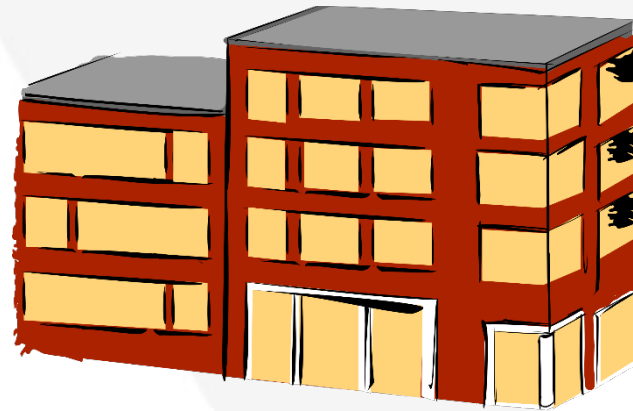
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## Portland: Residential vs Commercial



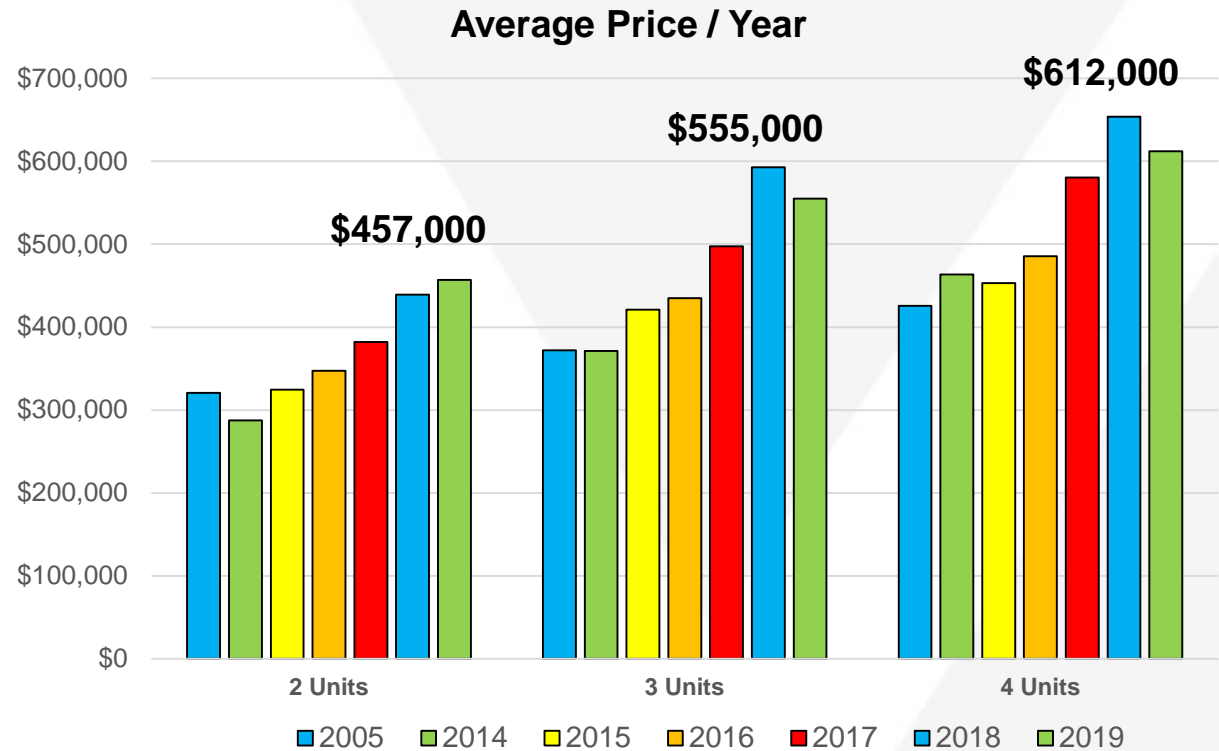
Residential  
2 – 4 Units



Commercial  
5+ Units

# Portland: 2 - 4 Unit Prices

	Δ	'17→'18	'18→'19
2 Units		15%	4%
3 Units		19%	-6%
4 Units		23%	-6%



## Greater Portland: Commercial (5+ Units)

- High demand/low supply
- 1031 drives many buyers
- Diverse investor profiles
- Cap rates closer to 6% or lower

	2015	2016	2017	2018	2019
Price/Unit	\$79,000	\$98,000	\$103,00	\$124,000	<b>\$144,000</b>
Price/SF	\$103	\$97	\$120	\$133	<b>\$160</b>
Cap Rate	6.5% – 7%	6.5% – 7%	7% – 7.5%	5% – 7.5%	<b>6% - 7%</b>

## Portland: Residential vs Commercial

Residential	2018	2019
# sold	119	116



Commercial	2018	2019
# sold	23	10





## Portland – Notable Sales



2 Unit – East End  
Used as single family  
**\$1,295,000**



2 Unit – USM Area  
First time investor  
**\$510,000**



2 Unit – Deering Center  
**Owner Occupant** from NYC  
Multiple offers over asking  
**\$550,000**

5 Unit - Downtown  
Investor  
Listed \$900,000  
**Sold: \$950,000**



## Greater Portland: Notable Sales

### **Bayside Village, Portland**

Sold: \$20.85mm plus

\$11mm redevelopment budget

Converting into 196 market rate units

Sold by Joe Porta of Porta & Co.



### **240 Harvard St**

Sold: \$10.775mm

85 Units

Vince Champi and

Joe Porta of Porta & Co



# The Portland Rental Market

	Average (“Market”) Rents for mid-grade, heated units		
	2017	2018*	2019
Studio	\$900	\$850	\$1000
1 Bd	\$1,100	\$1,050	\$1,200
2 Bd	\$1,350	\$1,380	\$1,450
3 Bd	\$1,500	\$1,565	\$1,600

- Portland rents generally flat
- HUD “Fair Market Rents” came in lower! - local agencies appealed.
- “Average” rents are now updated/modernized units

\*City of Portland *Rental Market Survey*



# The Portland Rental Market

- Sustained demand for updated units
- Opportunities still exists to improve older units in order to bring rents up to “market”

**Example:** Bayside Village purchase and redevelopment targets “market” rental rate.

- **Short Term Rental** registration limit of 400 units has been reached
  - Not transferable between units
  - Does not stay with the building on a sale

## Portland Rental Renovations



# The 1031 Engine



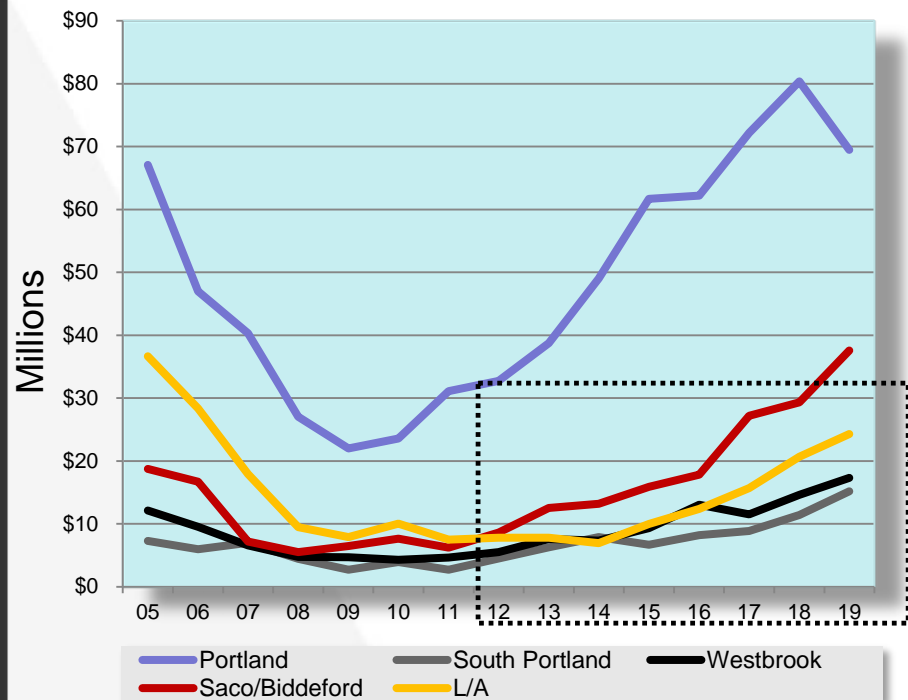
# The 1031 Engine

## Examples in 2019

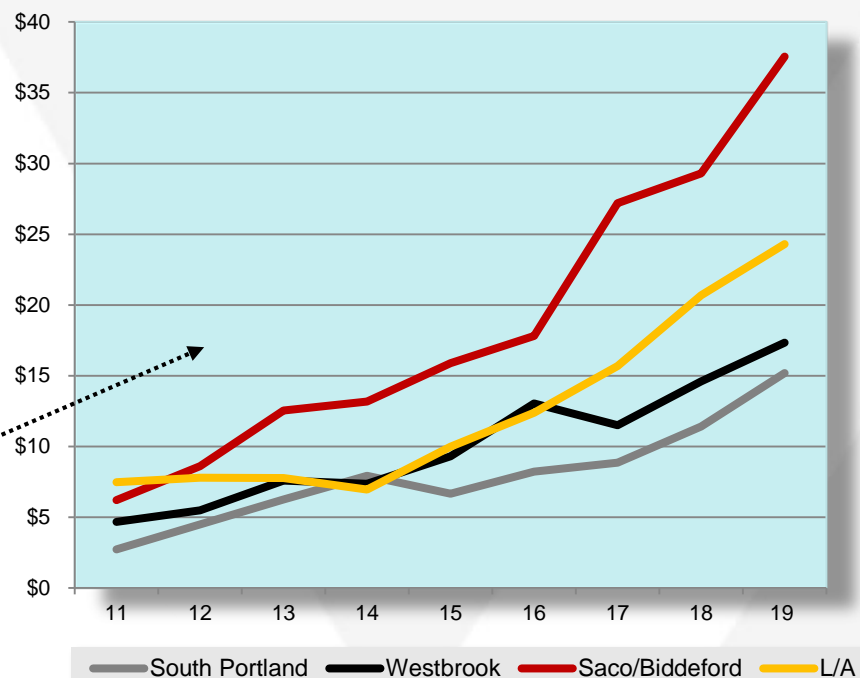
- 3 unit into a 3 unit (lateral move)
- 3 Unit into a 6 unit (expansion)
- Brooklyn 3 unit into Portland 10+ unit (location change)
- Portland 5 Unit into a Saco 5 Unit with upside (market shift/yield increase)

# Sales Volume

## Regional 2005 - 2019



## Non-Portland 2011 - 2019

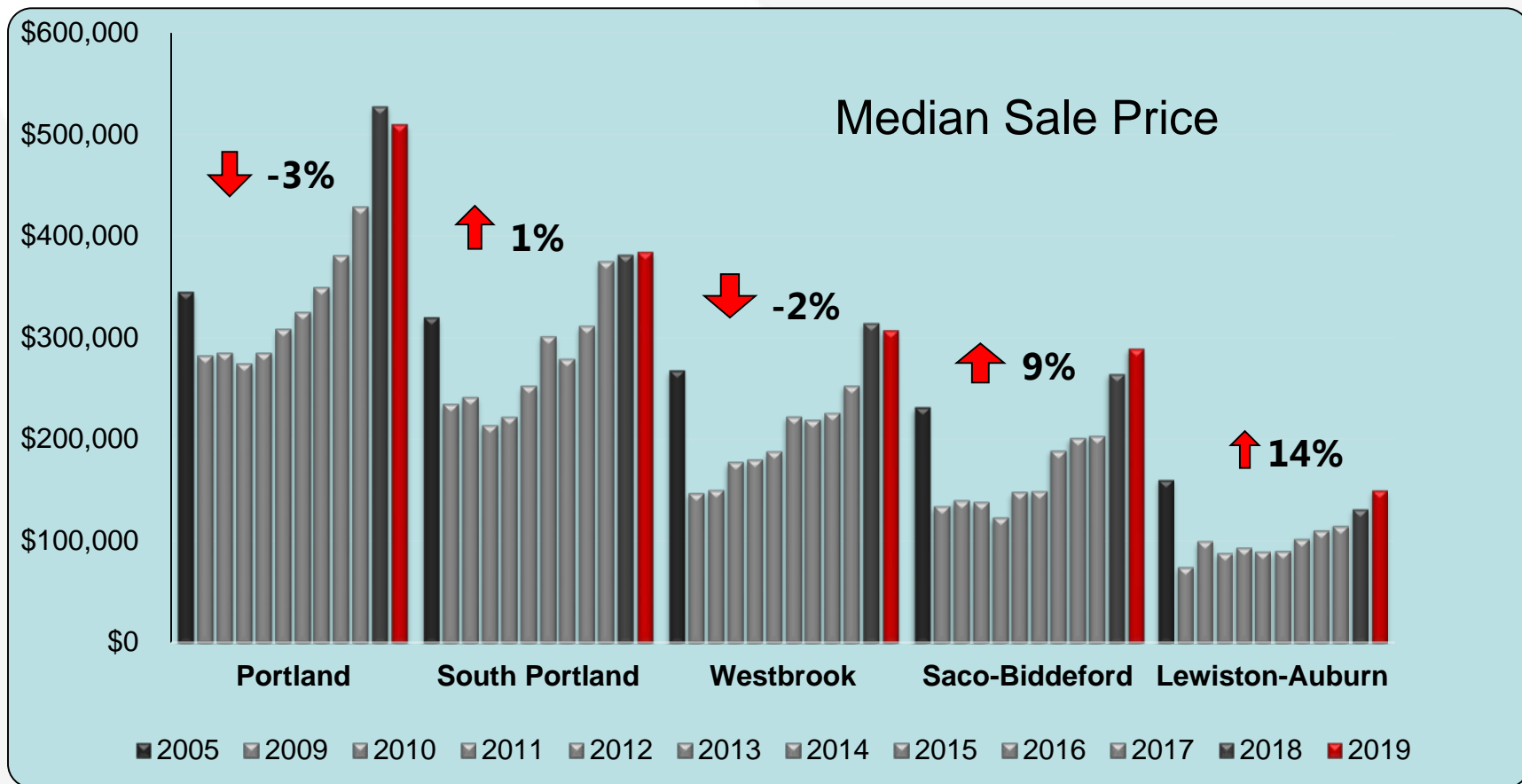


	Portland	SoPo	Westbrook	Saco Biddeford	L/A
2016 → 2017	16%	8%	-12%	53%	27%
2017 → 2018	11%	29%	27%	8%	32%
2018 → 2019	-14%	33%	19%	28%	17%

\*Based on MLS data




# Change in Median Sale Prices



## Median Sale Prices



## Saco/Biddeford – The Mills

- Have become a cultural and business hub
  - 400 new apartment units created since 2010
- 
- One Mill reports over 50% of tenants are in their 20's
  - Includes parking, allows pets, modern facilities
  - *“Living here now is a want more than a need. It has that small-town vibe Portland had 10 years ago.”* - Press Herald Article, March 10<sup>th</sup>, 2019, quoting a 27-year-old resident

### Mill Rental Rates (Monthly)

Market	Luxury
Studio: \$1,100	-----
1 BR: \$1,400	\$1,700 - \$2,000
2 BR: \$1,800	\$2,100 - \$2,600

## Saco/Biddeford

- Total # of transactions increased slightly
- Sales Volume up 28%
- Median sale price up 9%
- Cap Rate: 7.5% - 8+ %

### 5+ Units

Median Price/Unit

**2018**

**\$63k**

**2019**

**\$79k**

Median Price/SF

**\$70**

**\$85**



## Lewiston/Auburn

- Total sales volume increased by 17%
- Overall, median price is 14%

<b>5+ Units</b>	<b>2018</b>	<b>2019</b>
Median Price/Unit	\$30k	\$28k
Median Price/SF	\$32	\$32

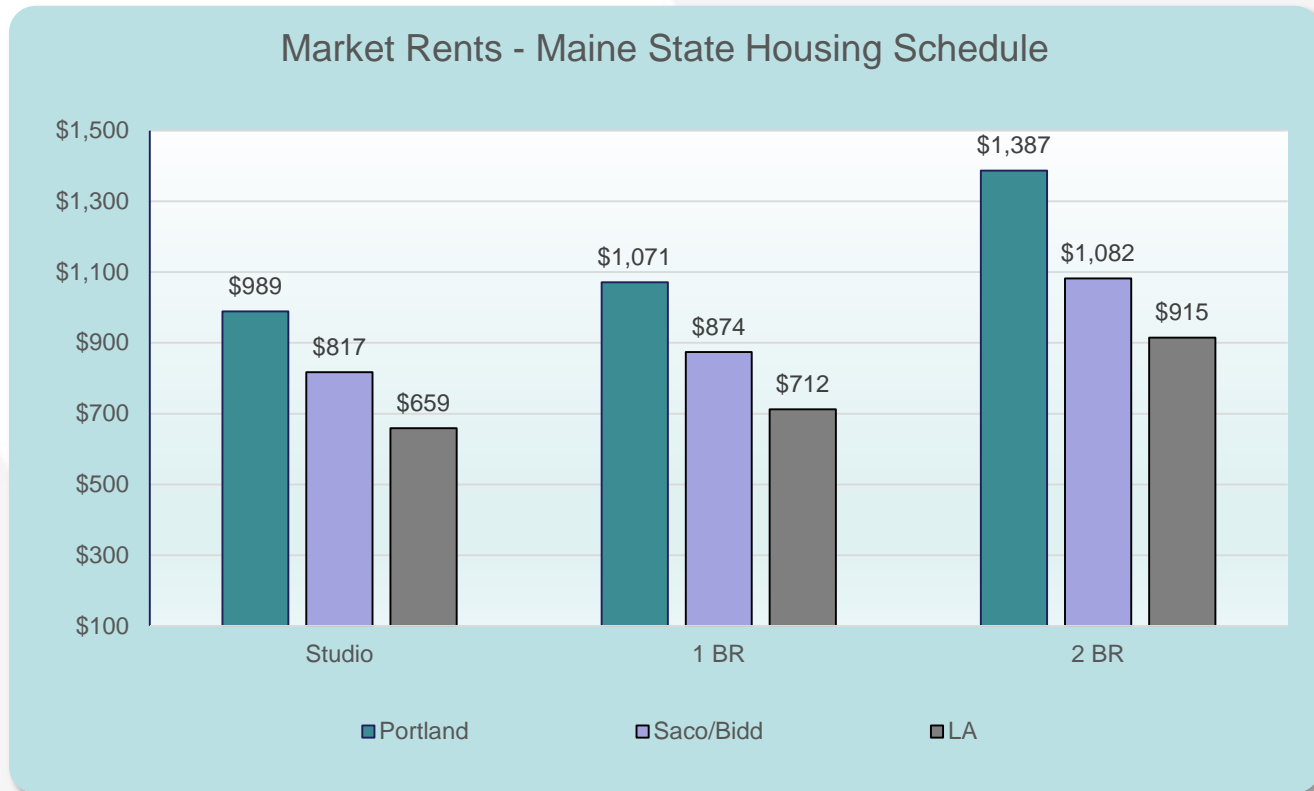
### **Significant New Development of Market Rate and Affordable Housing**

*"Over 650 housing units are in the works in Lewiston-Auburn"*  
– Sun Journal, Dec. 1st, 2019

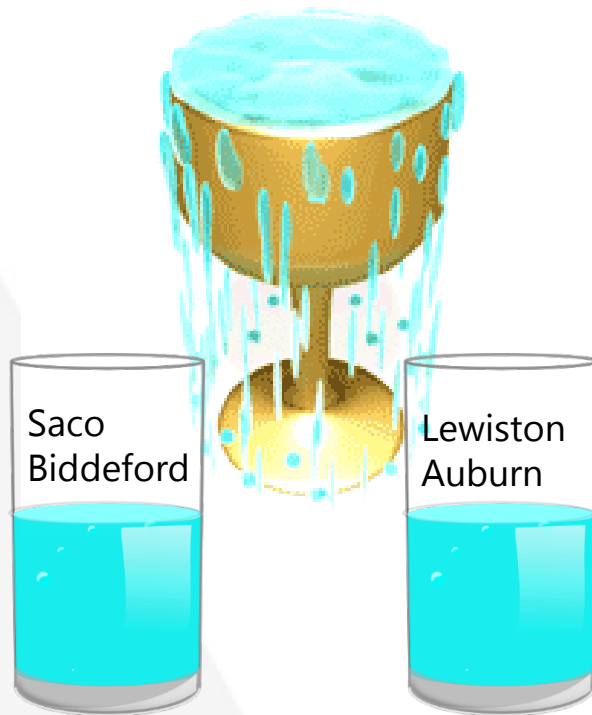
- Locals downsizing
- Pressure from Southern Maine prices
- Need for newer units with amenities



# Metro Rental Comparison



## Does Portland's Cup Spill Over?



### **Yes**

Increases in prices and rents push affordability seekers out and creates development opportunity

### **No**

The strong economy and general 'urbanization' trend is supporting many metros around the US

# Last Year's Forecast – The Grades

## Macro

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

## Portland

**B** Generally, values flatten as fundamentals shift.

**C** Market turbulence as countervailing forces collide. The industry struggles to decipher 'value' as *conservatives* fight with *believers*.

**A** Prime locations, high quality and 5+ units will **hold their value**, but **challenged and smaller units will drop**, widening the gap between top tier and sub-par properties.

**A** Rental rates remain flat.

## Regional

**A** Westbrook and South Portland price increases slow or flatten.

**A** 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.

**A** Lewiston and Auburn will see prices continue to rise as investors seek out an affordable alternative for investors looking for a return on capital.

# Multi-Family Forecast for 2020



## Multi-Family Forecast for 2020

**Portland** will stay steady and strong. Commercial multi prices will level off.

**Saco and Biddeford** will see continued strong activity as the affordability and gaps between the 'old market' and 'new market' attract investors.

**Lewiston and Auburn** will stay active, but prices and rents will not rise due to the high level of new development which will fill the higher end rental demand.



**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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