

Multi-Family Forecast for Southern Maine

2021 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

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COVID Year

New daily COVID-19 cases

Positive lab results are reviewed by Maine CDC as soon as possible to determine if it is a new case of COVID-19 and whether or not it meets the criteria for follow-up by Maine CDC. The bars on this chart show case counts according to the date they were reviewed, and whether or not they were assigned for follow-up. The gray line on this chart shows the case count according to the date Maine CDC received the initial information. This metric is only available for dates before the oldest date in the existing backlog of lab results that Maine CDC has yet to review to determine case status.

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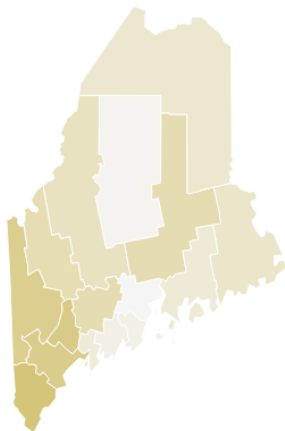
Case Status

All	Last 30 Days	Last 60 Days	Last 90 Days
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Showing: Case rate per 10,000 people
Date Range: November 2, 2020 to January 1, 2021

Case Status: All
[Click a county to filter](#)

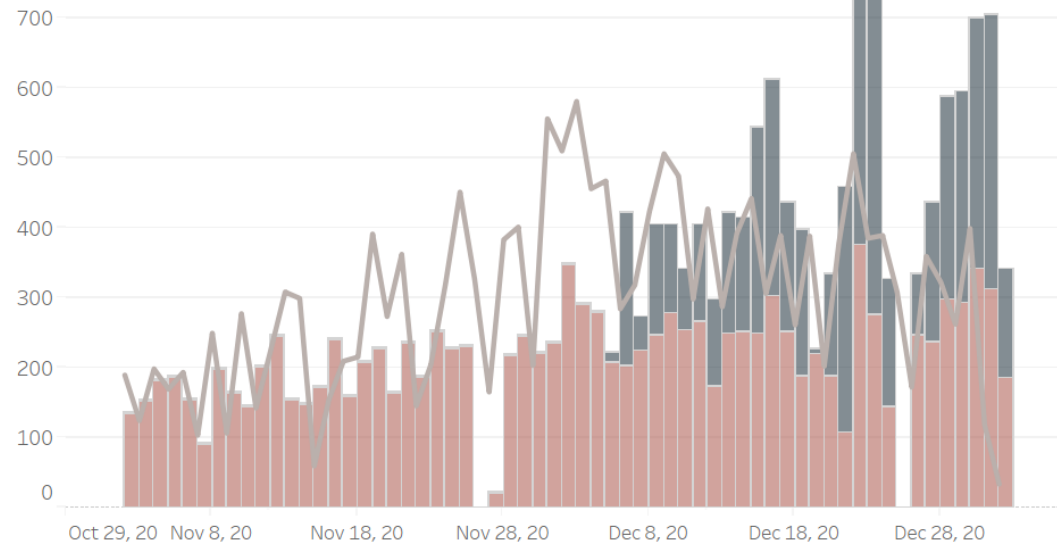
County: All | Case status: All | Date Range: November 2, 2020 to January 1, 2021



© Mapbox © OSM

Cases per 10,000 people

57.4  189.4



Case Count By Date of First Report to Maine CDC

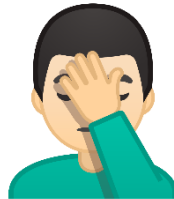
Case Count By Date Case Was Reviewed By Maine CDC

Open and Closed Without Follow-up

Assigned for Follow-up

Top 3 Takeaways for 2020

- Rents and collection rates were higher than expected
- Sales were very strong
- Rent Control in Portland



Educational Notes

- Marked with a 

Southern Maine Multi-Family in 2020

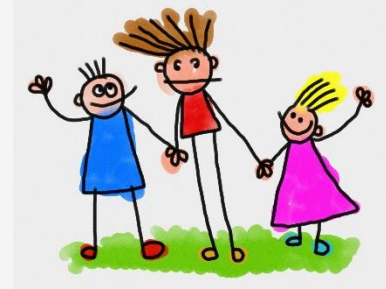
So Much Going On!

- Tons of new development
- Brunswick is becoming a hot spot
- Biddeford is beginning an incredible growth and transformation
- Affordable housing development successes

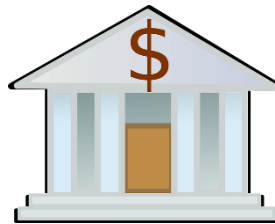


Selling Multi's in a Pandemic

Showings



**Financing &
Appraisals**

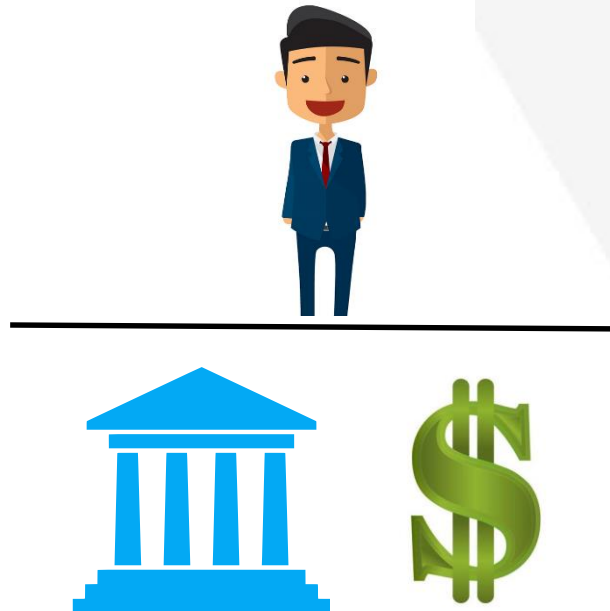


Closings



COVID Residential Rental Market

- Collections were higher than expected
- Federal & State subsidies were critical



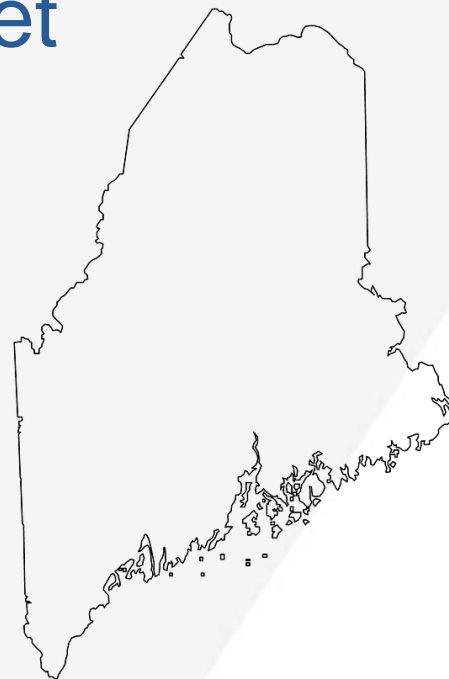
COVID Residential Rental Market

“Maine renters are at lowest danger of getting evicted, national study shows”

- December 31, 2020, MaineBiz

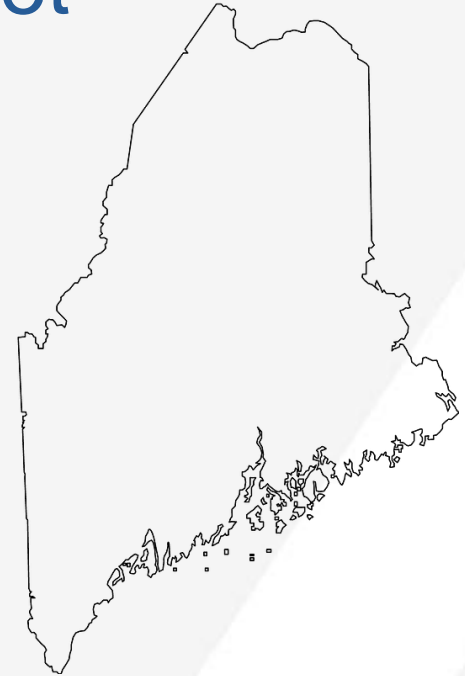
AdvisorSmith*

“Maine had the lowest rate of housing stress for renters, with only 6.3% of households behind on their rent payments. Additionally, only 2.8% of late paying households in the state expected to be evicted in the next two months. **Only 0.2% of Maine rental households were at risk of eviction based upon our analysis.**”



COVID Residential Rental Market

- COVID-driven tenant shifts
 - move back with parents
 - purchase a home
 - relocate to Maine
- Other: Eviction moratoriums & extensions

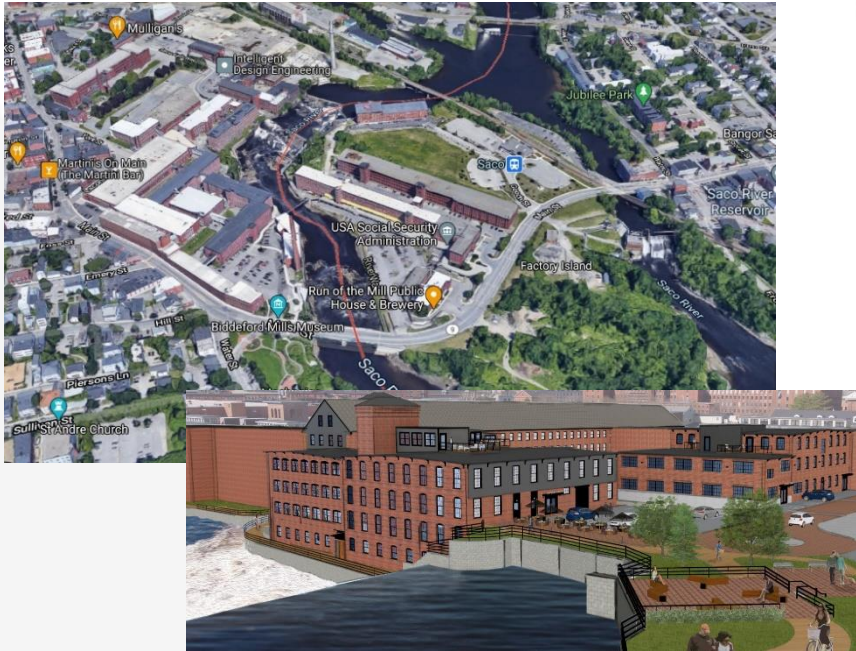


The Portland Rental Market

	Average ("Market") Rents for mid-grade, heated units			
	2018*	2019	2020	Sec 8
Studio	\$850	\$1000	\$1,075	\$1,072
1 Bd	\$1,050	\$1,200	\$1,250	\$1,167
2 Bd	\$1,380	\$1,450	\$1,450	\$1,516
3 Bd	\$1,565	\$1,600	\$1,750	\$1,982

- Rents steady
- Sec 8 comes in line with market rate
- Portland Rent Control throws the market into question

Saco/Biddeford Development & Change



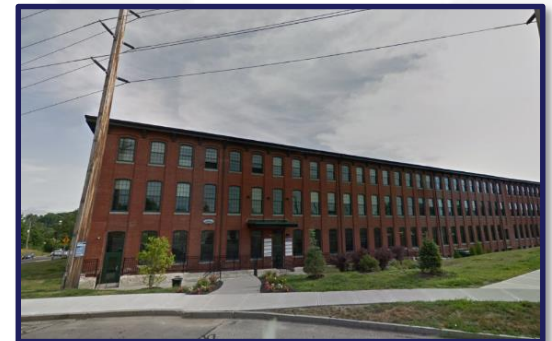
 **RIVERDAM**



- Continued high demand from tenants

Example: At Riverdam, 24 of the 25 were pre-leased in September above projections

- Some turnovers see 5%+ rent increase
- Tenants by choice



Saco/Biddeford Development & Change

Tenants Moving to The Mill

- Artists and students
- Nannies and young professionals
- Real Estate Agent
- Retired RN



“Biddeford is up and coming for young people”

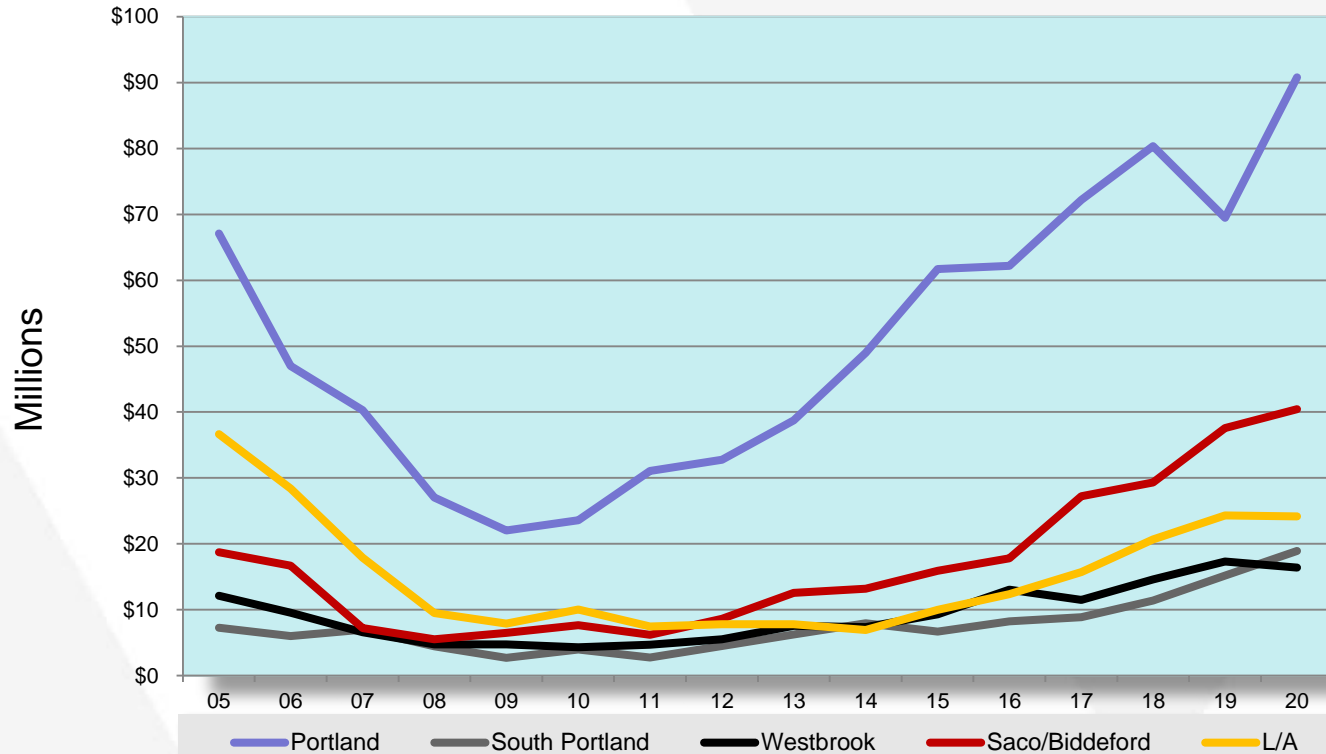
“Excellent locations...walkable”

“Easier to commute to Boston from Biddeford than Portland”

“Great middle ground location”

Sales Volume

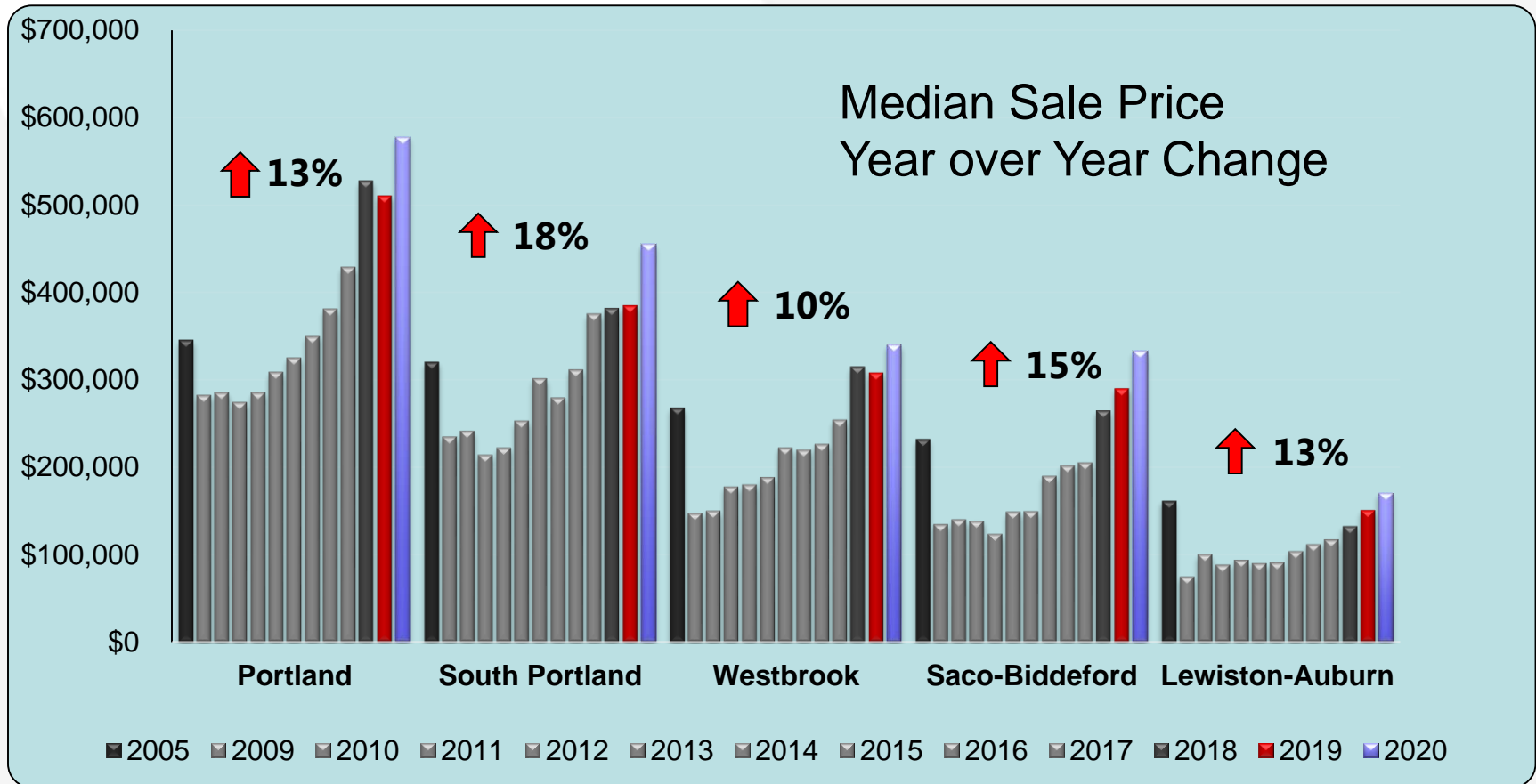
Regional 2005 - 2020



	Portland	SoPo	Westbrook	Saco Biddeford	L/A
2018 → 2019	-14%	33%	19%	28%	17%
2019 → 2020	31%	25%	-6%	8%	-1%

*Based on MLS data

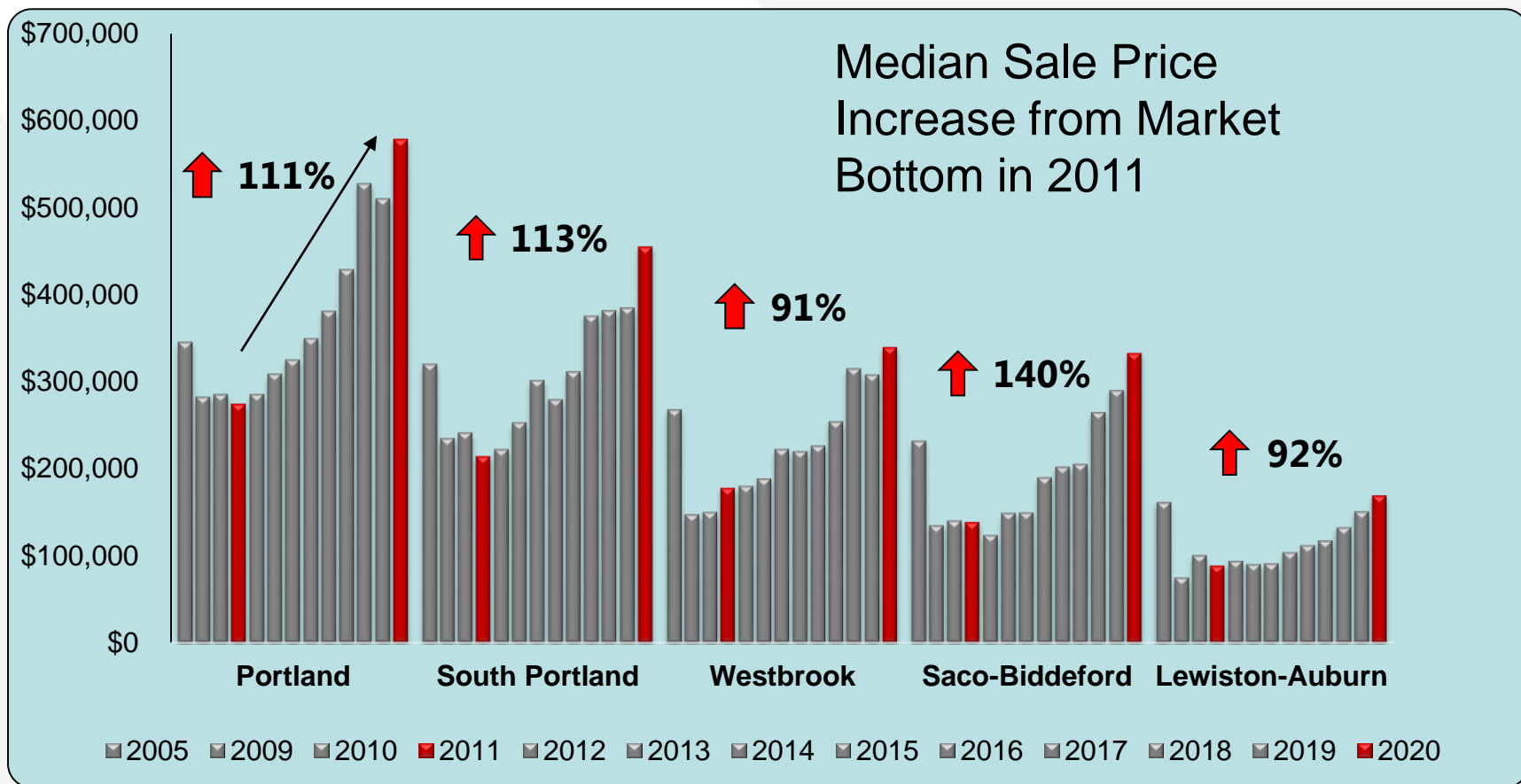
Sale Price Change - Year over Year



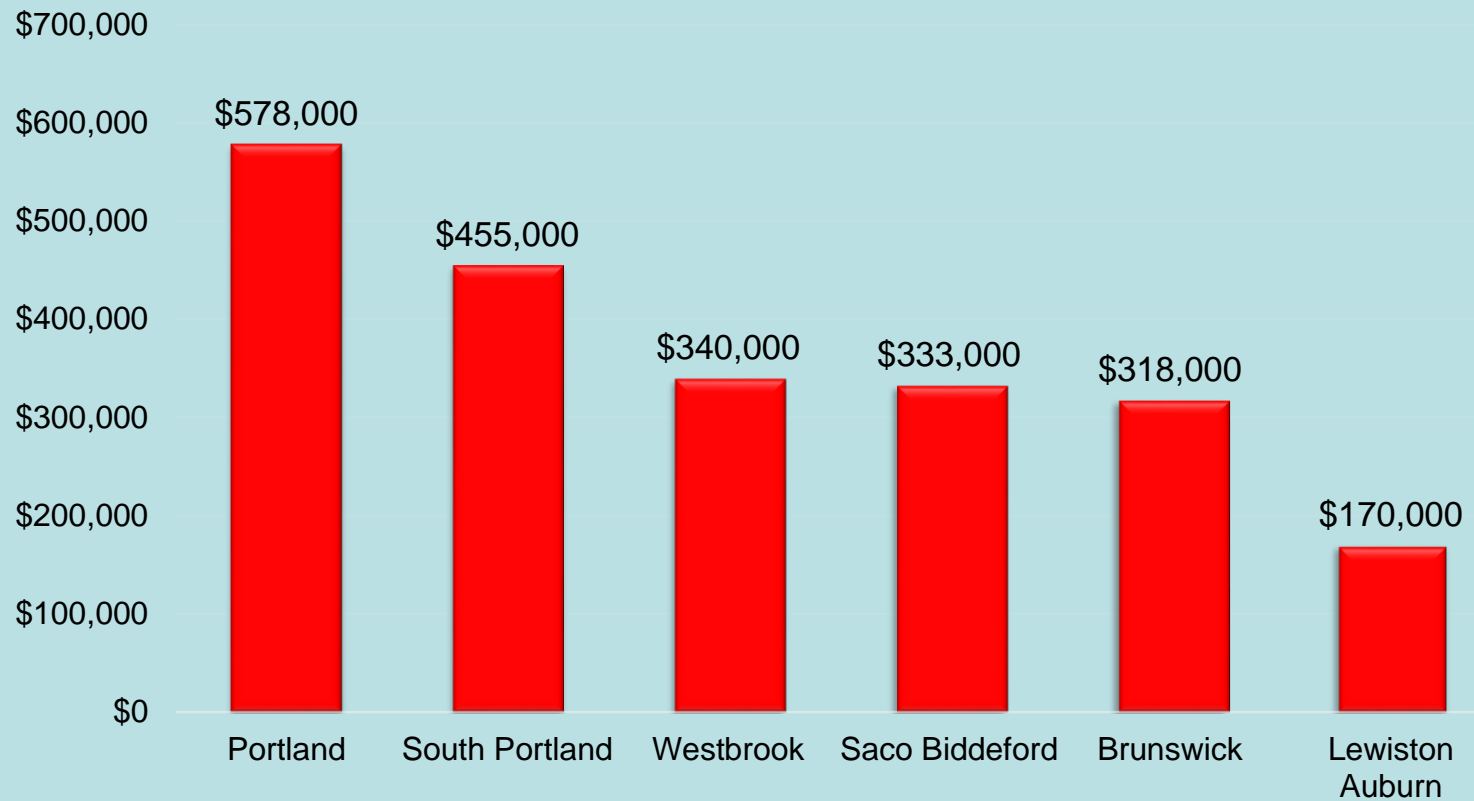
*Sales Prices increased in **ALL** these cities*

*Based on MLS data

Sale Price Change – From the Bottom



Median Sale Price Comparison



Looking to Buy a Multi-Family on January 3rd, 2021?

Portland

- 20 on the market
- 2 < \$500,000
- 6 > \$1mm+
- 22 under contract

Westbrook

- 1 on the market
- 14 under contract

South Portland

- 2 on the market

Biddeford

- 7 on the market
- \$340k - \$600k list price range
- 17 under contract

Lewiston & Auburn

- 12 on the market
- 31 under contract

Residential vs Commercial Multi-Family

Educational Minute

Defined by the mortgage products available

- Residential Multis = 2 - 4 Units
- Commercial Multis = **5+ Units**



RESIDENTIAL

- 30 year fixed
- Most mortgages sold to secondary
- Appraised value weighted on comp sales

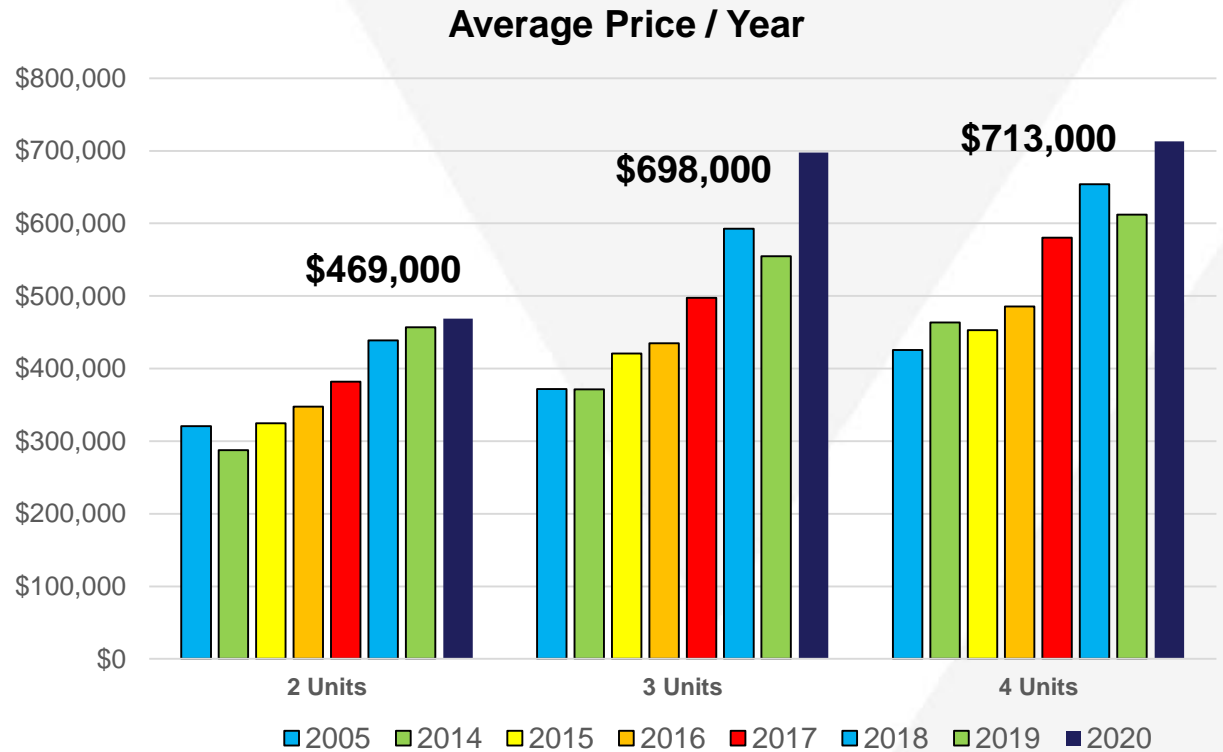
COMMERCIAL

- Shorter term & fixed amortization
- Portfolio loans
- Appraised value weighted on cashflow

The LOW rates and longer terms from commercial lenders has reduced the advantages between the residential and commercial loans available to investors.

Portland: 2 - 4 Unit Sale Price

	Δ	'18→'19	'19→'20
2 Units		4%	3%
3 Units		-6%	26%
4 Units		-6%	17%

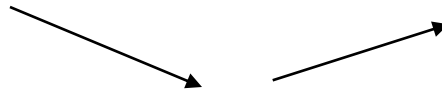


Portland – Residential vs Commercial

Residential	2018	2019	2020
# sold	119	116	109



Commercial	2018	2019	2020
# sold	23	10	22



Portland: Commercial (5+ Units)

- Transactions back up
- Cap rates closer to 6% -7% or lower
- Diverse buyer profile
- 1031 exchanges continue to drive some sales

Notable Sales

- Crandall Toothacher sold two different packages
 - 31 Units for \$5.9mm = \$190k/unit
 - 22 Units for \$5.1mm = \$232k/unit



Educational Minute **1031 Exchange**



An IRS code that defines rules regarding the deferral of capital gains where the proceeds from the sale of real estate is invested into a like-kind property.

Portland: Commercial (5+ Units)

	2015	2016	2017	2018	2019	2020
Price/Unit	\$79,000	\$98,000	\$103,00	\$124,000	\$144,000	\$166k
Price/SF	\$103	\$97	\$120	\$133	\$160	\$185
Cap Rate	6.5% – 7%	6.5% – 7%	7% – 7.5%	5% – 7.5%	6% - 7%	6 + %

Rent Control in Portland

- Referendum passed in November
 - Drastically reduces ability to increase rents
 - Annual increase tied to Boston area CPI
 - New tenant = 5%
 - After renovation = need *Rent Board* approval
 - Increase can never exceed 10% per year
 - Installs a volunteer *Rent Board* of “no more than three landlords and at least three tenants”
 - The *Rent Board* is in charge of rental increases and violation enforcement

Rent Control in Portland

- Will it stand up to inevitable legal challenges?
- What does it mean for values?

Likely Results

- Reduction in housing and less affordable housing
- Degradation of the housing stock
- Increase in condo conversions

Multi-Family Forecast for 2021



Multi-Family Forecast for 2021

Portland will stay steady but will have to muck through the rent control, which will be a mess and could impact values in properties with below-market rents

Saco and Biddeford will see continued strong activity and solidify its status as a new urban center

Westbrook will see continued price increases driven by low inventory

Low Interest Rates will continue to entice buyers

The pandemic will still suck but...

***2021 WILL BE BETTER THAN 2020
IF WE CONTINUE TO WORK TOGETHER***

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, 12-year-old son, Coltrane and 9-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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