



University of Southern Maine Portland Commons Residence Hall & McGoldrick Center for Career & Student Success
Photo courtesy of Trent Bell Photography

THE MEREDA 2024 INDEX

114.1



Pictured on Front and Back Covers: Recipients of MEREDA's 2023 Notable Project Award



Maine Real Estate &
Development Association

Supporting Responsible Development



Homeless Services Center - *Photo courtesy of John Benford*



114.1

**MEREDA
INDEX**

2024 EDITION

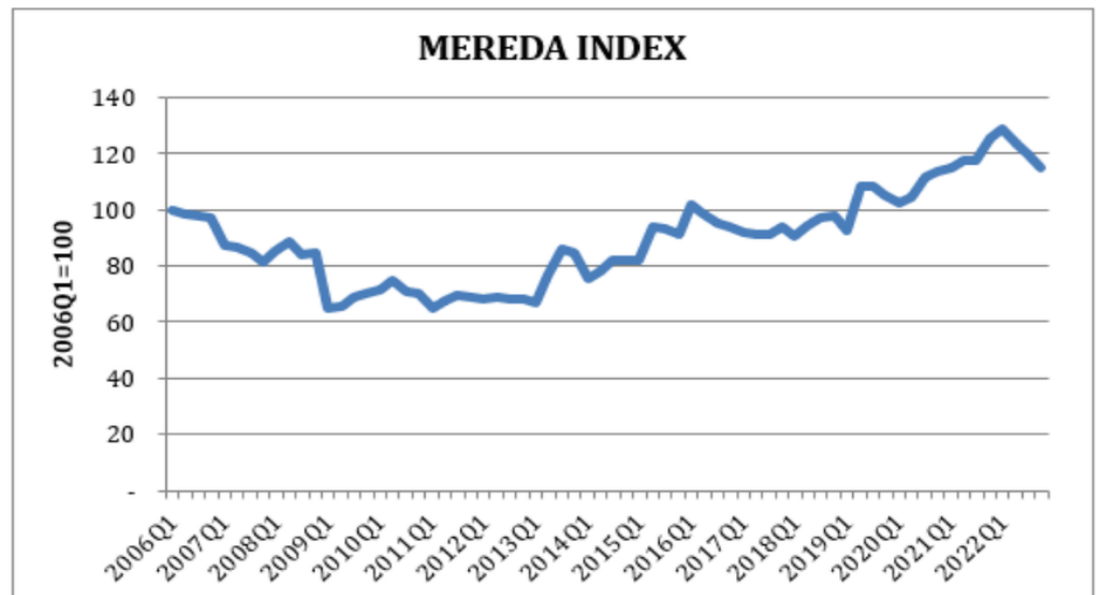
WHAT IS THE MEREDA INDEX?

The MEREDA Index is a measure of real estate activity designed to track changes in Maine’s real estate markets. The Index is a composite of nine measures reflecting both new development and transactions involving existing properties and it covers both the commercial and residential markets statewide. The Index is measured quarterly beginning in the first quarter of 2006.

This report covers the Index through the fourth quarter of 2023.

THE MEREDA INDEX FOR 2023: 114.1¹ ↓ 1.5%²

The story of real estate in Maine in 2023 was a meager supply increase but steady price increase. This was true of both the commercial and residential sectors. Despite a slight uptick in the construction employment index and increases in the price components, the supply components drove the MEREDA Index down by 1.5% between 2022 and 2023. The driver of the decline was the residential index, which declined 11.3% as interest rate increases being driven to offset inflation began to seriously bite into real estate markets. The commercial and construction components of the index both increased, by 23.5% in the former case and 2.3% in the latter case. These increases were not sufficient to offset the drops in residential activity. In general, activity decreased over the course of the year, but there was a spike in commercial real estate rental rates in the second half of the year.



¹ Annual average

² Compared with annual average 2022.



Shelly R. Clark, Executive Director

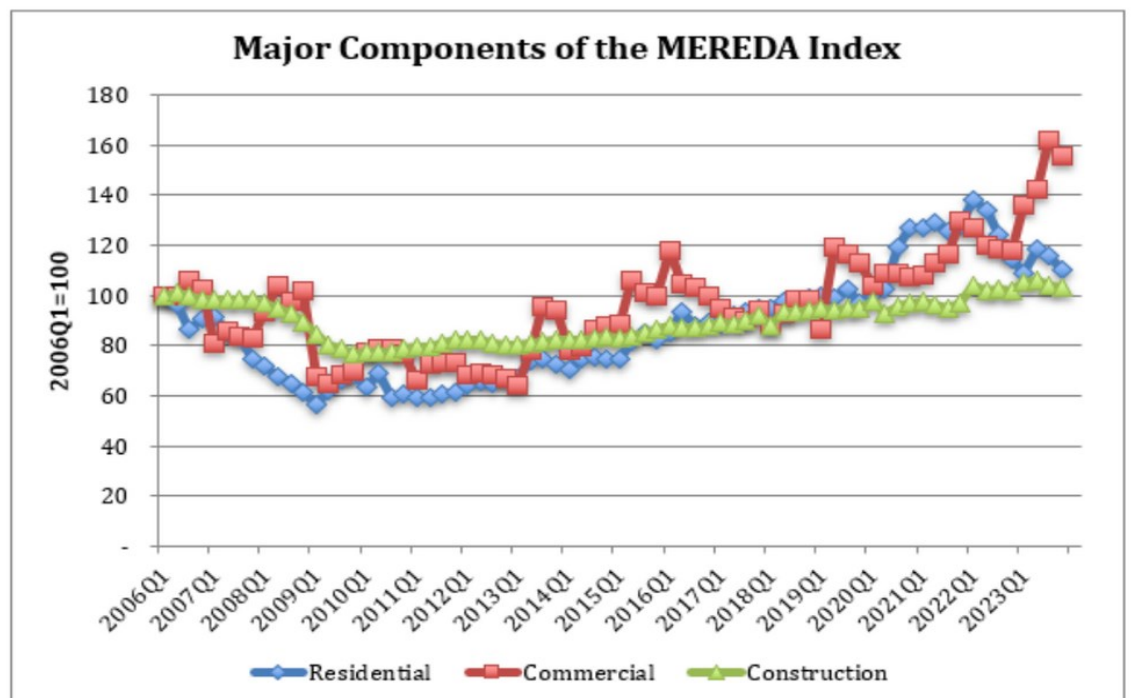
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INTRODUCTION

In 2012, MEREDA decided to invest in an annual study to measure various components of the real estate industry in Maine, and to combine the results into one number. We call that number the “**MEREDA Index.**” We understood that the Index was information that would become more meaningful over time, as a way to compare and chart the progress of the real estate industry in Maine. The first Index included information going back to 2006, which we treated as the benchmark for the Index. The first several years of computing the Index were marked by the impact of the Great Recession. Now in our 12th year of preparing the Index, we have new historic events shaping our economy and industry. The information and analysis provided by the Index is proving to be extremely useful and informative – not only by showing the relative performance of various sectors of the real estate industry, but also as a way of tracking the trends for each component of the Index.

The 2024 Index contains a report from Dr. Charles Colgan with a measurement and presentation of the real estate market in Maine and its various components for all of 2023. Looking at the report, we see that 2023 was another fascinating year for Maine’s real estate economy, with strong demand, limited supply, and inflation impacting the shape of the markets. With residential prices continuing to increase, buying a home in Maine remains a challenge. We want people moving to Maine, and we also want the Mainers who already live and work here to be able to access safe and affordable housing. This truly is the issue our generation must collaborate on to find viable solutions to move our state in the right direction.



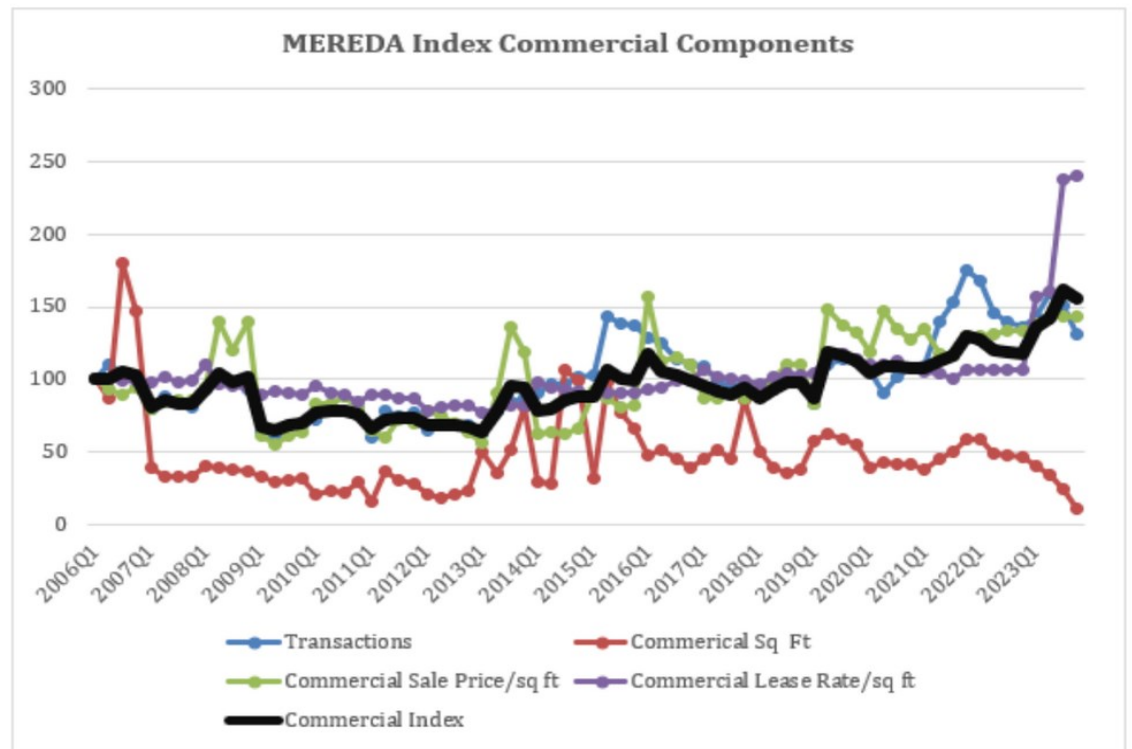


114.1

2024 EDITION

THE COMMERCIAL COMPONENT: 148.2 ▲ 23.2%

The general pattern of rising prices and shortening supply is clearly present in the commercial sector. The index for the number of commercial transactions declined by 0.75 and the total square footage leased or sold, a highly volatile component in the index, declined by 46.7%. On the other hand, the index for the sales price per square foot rose by 0.9% and the index for rental rates per square foot rose by a significant 86.1%. This large increase was associated with a small number of transactions where the lease rate was reported.



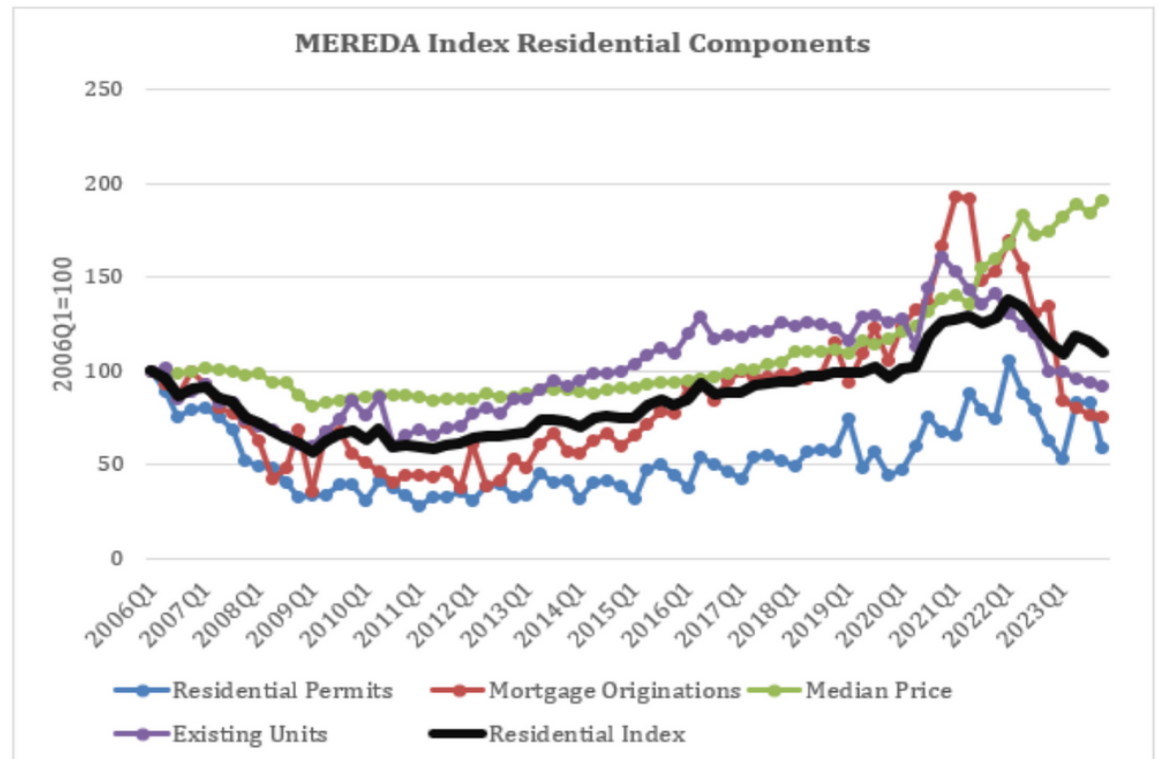
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2024 EDITION

THE RESIDENTIAL COMPONENT: 100.1 ↓ -12.7%

The indexes for the number of existing units sold (-19.5%), permits for residential construction (-17.1%), and non-refi mortgage originations (-46.1%) all spoke to the constraints on the supply side of the residential market. A 7% rise in the median price index signals that the supply constraints are having their predicted effect on price. It is likely that the relatively modest increase in the price index was also a sign of the effects of rising mortgage interest rates which reduce prices higher proportions of the price must go to interest paid to the mortgagor.





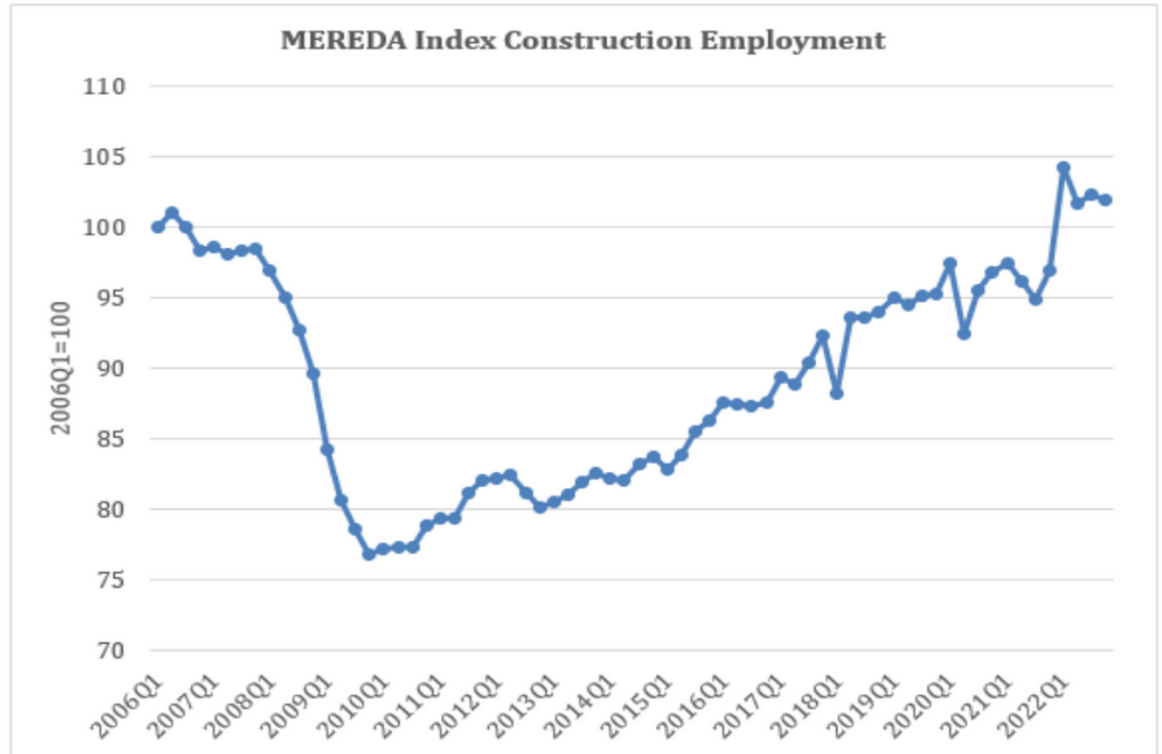
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**MEREDA
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THE CONSTRUCTION COMPONENT: 104.6  **2.1%**

The construction employment index was up rather modestly at 2.1%. The seasonally adjusted index had values over 100 for all four quarters, though there was a peak in the second quarter followed by a decline in the second half of the year. was a steady drop over the year. The strength in the construction sector relative to the other sectors is partly a function of spending fueled by the Bipartisan Infrastructure Law, and Inflation Reduction act which allowed a consistent growth in the heavy construction industry.



ABOUT MEREDA

The Maine Real Estate & Development Association (MEREDA) is an organization whose mission is to promote an environment for responsible development and ownership of real estate throughout the state. MEREDA accomplishes its mission through legislative advocacy, regulatory oversight, sponsorship of programs and conferences, and by serving as a unified and proactive representative for real estate and economic development interests. MEREDA is the state’s leading organization of commercial real estate owners, developers and related service providers. Founded in 1985, we now have nearly 370 members who employ thousands of Maine citizens and invest millions of dollars in the Maine economy each year. MEREDA is the only voice for the real estate development industry in Maine. Our success is dependent upon bringing together many different trades that are vitally interested in promoting positive growth in our great state. MEREDA advocates for fair, consistent, predictable regulations to create a healthy economic climate. Our efforts to promote responsible growth through fair and predictable legislation and regulation are vital for a return to a healthy, thriving economy.

TECHNICAL NOTES:

All data is either quarterly or monthly, converted to quarterly and then either seasonally adjusted or trended using moving averages and then compared to the value of each variable in the first quarter of 2006 (2006Q1=100). Data sources for the index include: the Maine Association of Realtors, the Boulos Company, Maine Department of Labor, Mortgage Bankers Association, U.S. Census, and Moody's Analytics.

One change in this version of the Index is that mortgage originations for 2023 were statistically estimated because of a change in the reporting process at the originating organization. Previous versions of the Index used actual estimates.

The relatively small volumes of real estate transactions in Maine and regular seasonal changes in the residential market mean that the raw numbers comprising the Index can be very volatile from month to month and quarter to quarter. The index is constructed using methods that adjust for seasonal changes and better capture underlying trends in the real estate market. The underlying data is also subject to regular revisions as new information becomes available. Comparisons between the absolute values of the Index in different editions of the Index may not, therefore, be meaningful.

The source of all data for the commercial index has been commercial real estate information maintained by the Boulos Company, which has generously made the data available for purposes of the Index.



The MEREDA Index is prepared by **Charles S. Colgan**, Professor Emeritus of Public Policy & Planning in the Muskie School of Public Service at the University of Southern Maine, where he chaired the Graduate Program in Community Planning & Development. He served 12 years in the Maine State Planning Office including positions as Maine State Economist and director of the Maine Coastal Program. He currently serves as Director of Research at the Center for the Blue Economy in the Middlebury Institute of International Studies at Monterey in Monterey, CA. He received his BA from Colby College and his PhD in Economic History from the University of Maine.

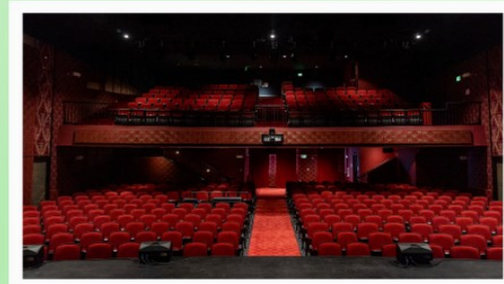


Maine Savings Amphitheater - Photo courtesy of Ben Getchell

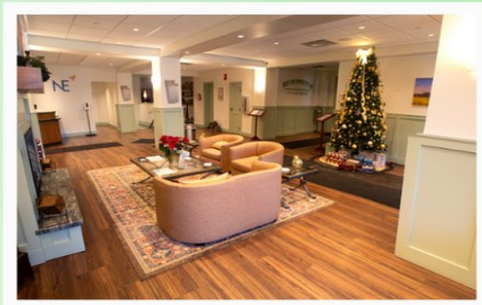
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The Armature at Hanover Works
Photo courtesy of Reveler Development
Photography by Hitched Willie



Johnson Hall Opera House
Photo courtesy of Mercedes Arnold



Northeastland Hotel
Photo courtesy of Haley Ward, Inc.



Phoenix Flats
Photo courtesy of Community Housing of Maine

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