



Multi-Family Forecast for Southern Maine 2017 MEREDA Real Estate Forecast Conference

Presented by Brit Vitalius

Principal, Designated Broker
President, Southern Maine Landlord Association

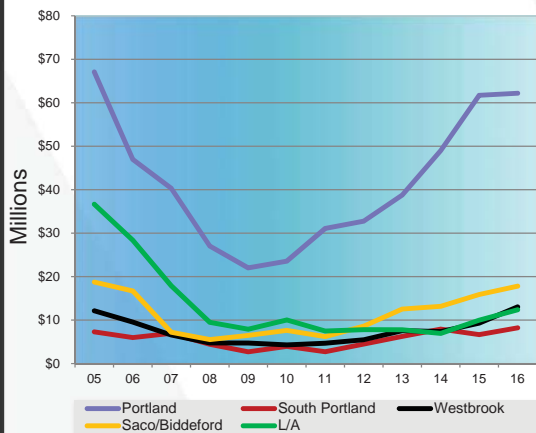


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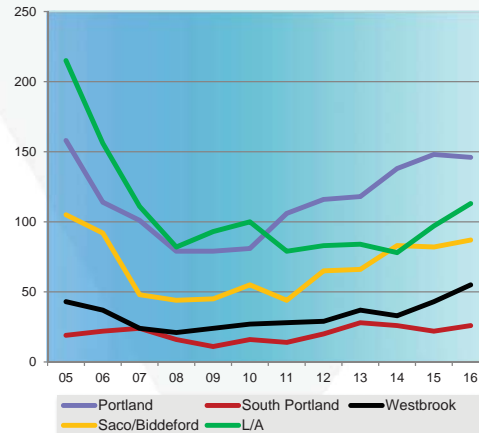
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Sales Volume



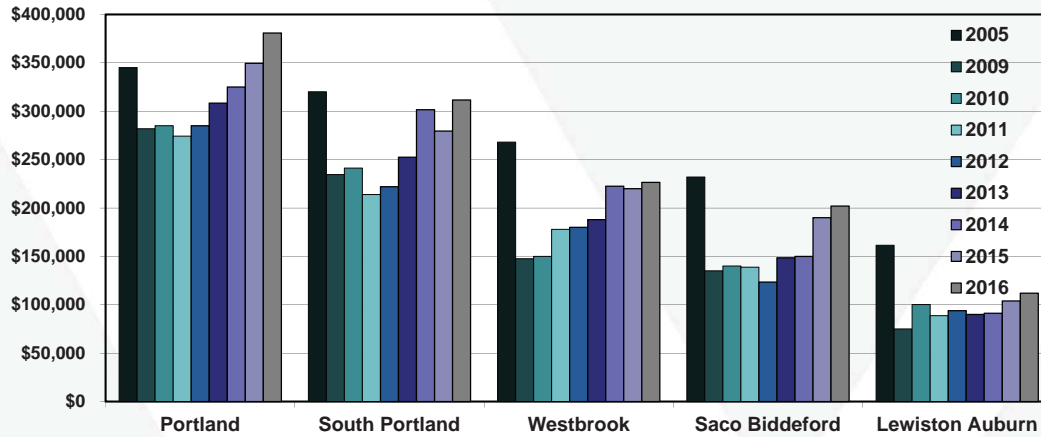
Properties Sold



		Portland	South Portland	Westbrook	Saco Biddeford	Lewiston Auburn
2015 → 2016	Volume	1%	23%	57%	12%	24%
	Sold	-1%	18%	28%	6%	16%
2009 → 2016	Volume	183%	204%	211%	175%	57%
	Sold	85%	136%	129%	93%	22%

*Based on MLS data

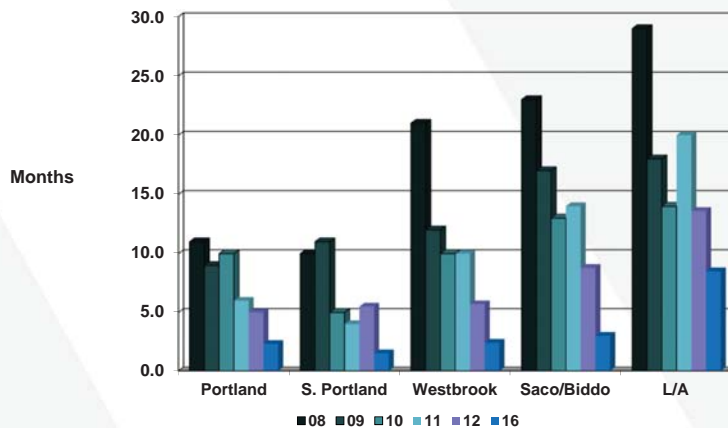
Median Sale Price



'15 → '16	9%	12%	3%	6%	14%
'09 → '16	35%	33%	54%	50%	49%
'05 → '16	10%	-3%	-16%	-13%	-31%

*Based on MLS data

Absorption Rate

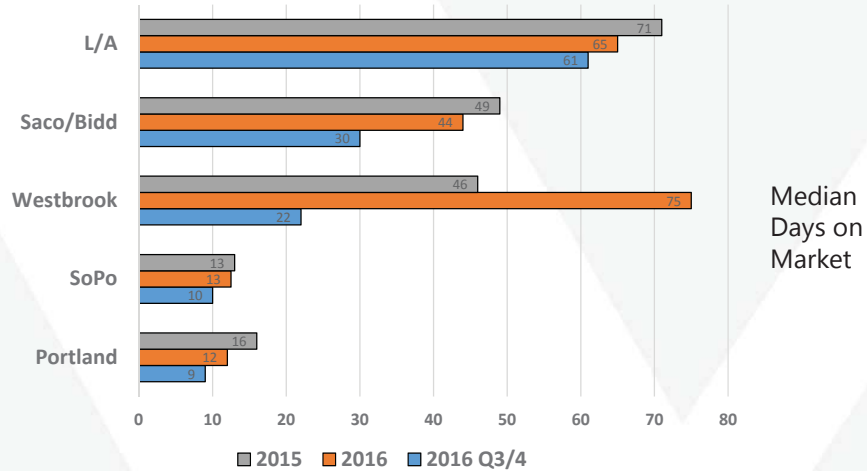


Absorption Rate
Amount of time it will take to sell the current inventory at the present rate of sales.

	Portland				South Portland				Westbrook				Saco/Biddeford				Lewiston/Auburn			
	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16	'08	'10	'12	'16
On the Market	83	65	31	28	14	7	9	3	36	22	14	11	81	60	48	22	200	114	94	80
Monthly Sales	7.4	6.8	9.6	12	1.4	1.3	1.6	2	1.7	2.3	2.5	4.5	3.5	4.6	5.5	7.25	6.8	8.3	6.9	9.4
Absorption Rate(months)	11	10	5.0	2.3	10	5	5.5	1.5	21	10	5.7	2.4	23	13	8.8	3.0	29	14	13.6	8.5

*Based on MLS data

Days on Market



*Based on MLS data

Multi Market – Portland

- Everyone wants a multi family, investors and occupants
- Downtown is **hot** but it's ALL good
- Multiple offers / offers over asking price

Commercial Multi-Family Market

- Investors struggled to find inventory
- Buyer motivation continues to push prices up, although not as fast as the previous year
- A couple big transactions, but most are 6 – 14 units

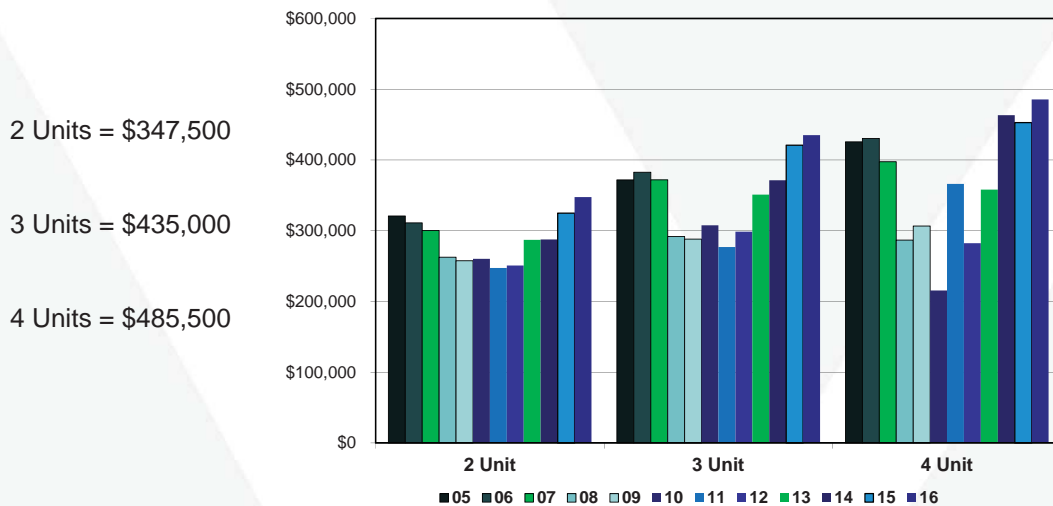
	2015	2016
Price/Unit (Median)	\$79,000	\$98,000
Price/SF (Median)	\$103	\$97
Cap Rate	6.6 - 7%	6.6 - 7%

Sample of Notable Sales – Portland



Property	Units	Price	Price/Unit
• Redbank	620	87.5 MM	\$141,000
• 13 Grant St	11	\$1.1 MM	\$100,000
• 27 Veranda St	9	\$1.0 MM	\$111,000
• 287 State St	6	\$750,000	\$125,000
• 111 Grant St	6	\$651,000	\$108,500
• 471 Cumberland Ave	14	\$1.145 MM	\$81,785

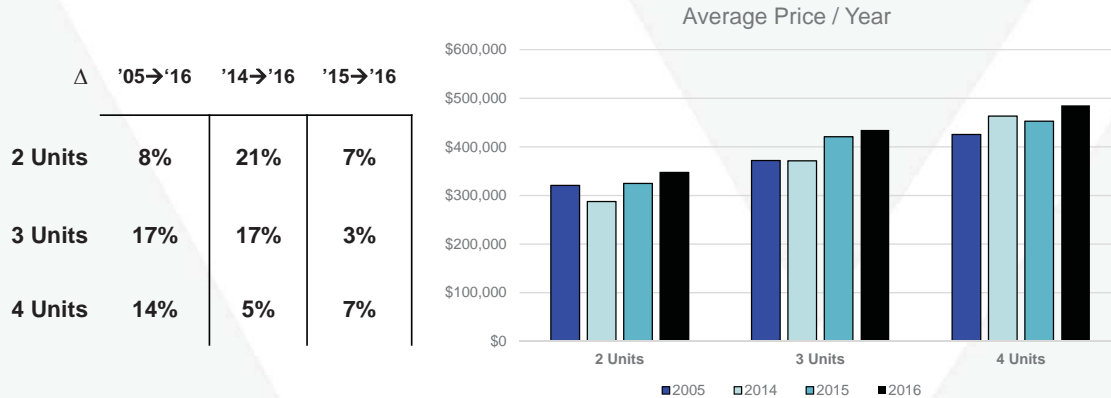
Portland 2 - 4 Units - Average Price



*Based on MLS data

Portland 2 - 4 Units - Average Price

- Dramatic price increases in last 2 years but slowing in last year
- Benchmark from previous peak in 2005



Portland Sales that Set the Market



3 Unit - \$787,600
Munjoy Hill
39 North Street



2 Unit - \$485,000
Off Peninsula
34 Pleasant Ave



3 Unit - \$735,000
Munjoy Hill
42 Vesper Street



2 Unit - \$675,000
Munjoy Hill
90 St. Lawrence St



4 Unit - \$1.1 MM
5,000 SF, West End
119 Pine Street



4 Unit - \$605,000
Off Peninsula
30 Elmwood St

Saco/Biddeford – Summary & Notable Sales

- Sales Volume: +12% from 2015
- Median price: +6%, \$202,000
- Cap rate: ~10%
- Average Price/Unit: \$53,000
- Vacancy rate: 5-7%



32 Alfred Street, Biddeford
Mixed Use: 8 Units Plus 2 Commercial
\$635,000
11.4 Cap - \$64,500/unit



25-27 Chicoppe Lane, Biddeford
24 Units - \$3,100,000
7 Cap - \$129,000/unit

67-71 Bradbury Street, Biddeford
8 Units - \$390,000
9.6 Cap - \$64,500/unit



Lewiston/Auburn

- Sales volume: +24%
- Transactions: +16%
- Median price: +8%
- Average Cap Rate: 10%
- Average Price/Unit - \$23,000
- Vacancy: 10-15%



Lewiston/Auburn had 20 commercial multi-family sales in 2016

Local City Councils Consider Responses to Tight Rental Market

Portland: Housing Super Committee

South Portland: Housing Task Force

Westbrook: Considered a moratorium on new construction

Proposed Actions Include:

- Rent Control
- Extend notice to vacate from 30 to 90 days
- Force 1 year lease on all rentals
- Restrict short-term rentals

Year of Headlines for New Development

“Plan for Rufus Deering site includes nearly 300 housing units in downtown Portland

The latest in a string of large-scale developments, the project would add three buildings – with units for sale or rent.”

“Portland Planning Board to vote on 54-unit apartment building in West Bayside”

“Three more buildings planned for India Street block”

“South Portland approves 118-unit apartment complex”

“Cumberland approves 96-unit apartment complex

The project will quadruple the number of market-rate apartments in the affluent town north of Portland.”

Portland Developments 2016 / 2017



89 Anderson Street (East Bayside)

53 Market Rate Apartments

Online, 65% occupied in 4 months, mostly all from out of town

Rents: \$2.25 - \$3.00/SF



3 Pleasant Avenue (Woodford Corner)

25 Units

Online: 2017 Q1 & For Sale

Schlotterbeck & Foss

117 Preble Street

55 Units

Online Q1



72 Bishop Street (Morrill's Corner)

30 Units

667 Congress St (Joe's Smoke Shop)

131 Market Rate



New Rental Units 2016-17 = **294** Units lost to condo conversions: **30**

Net New Units: **264**

Greater Portland Developments

Westbrook

98 Units in 2016 : Risbara

96 by summer 2017 : Risbara

...Plus all the houses → threatened a development moratorium!!

***32% of tenants in the first phase moved from Portland**

South Portland

118 units at Riverbrook/Brick Hill : Risbara & Developers Collaborative –
online late 2017

8 units, 31 Hoyt Street

Plus additional large projects on the horizon

Cumberland

96 Units on Route 1, online 2017

Scarborough

54 Units approved in Eastern Village

New Units Immediately Outside Portland: 470

The Portland Rental Market

- “Portland has hit its limits. Rent increases are slowing and it takes longer to find good tenants.” – Portland rental manager
- “Our units fill as fast as we can build them” – Rental manager, new Westbrook units
- Talk of rent controls scares off some development plans

	Average Rents for mid-grade, heated units			New Construction	
	2015	2016	Sec 8	Westbrook	89 Anderson St
Studio	\$850	\$850	\$838		\$1,250
1 Bd	\$1,100	\$950 - \$1,100	\$974	\$1,250	\$1,550
2 Bd	\$1,300	\$1,250 - \$1,300	\$1219	\$1,400	\$2,100
3 Bd	\$1,550	\$1,500 - \$1,700	\$1717		

Vacancy rate: still very low but there will be nearly 200 units to fill starting in spring '17. With no population growth, absorbing the new units may be challenging.

Imagine The Future – Portland Rentals

Rufus Deering Site, Commercial Street

300 Units ??

Developer: Reger Dasco



443 Congress Street

28 Apartments, Conversion of Office Space

Developer: Northland Enterprises

West Bayside

54 Market Rate Apartments

Developer: A&M Partners

~~101 York St (El Rayo site)~~

~~63 Market Rate Apartments → Becoming Condos~~

~~Developer: J.B. Brown~~

Midtown (Bayside)

~400 Apartments

Developer: Federated

?????



58 Fore Street

Condos and Apartments

Developer: CPB2

?????



Multi-Family Forecast for 2017

- Portland sales will stay strong. Rising interest rates will become a consideration and will keep cap from decreasing.
- Prices of 2 – 4 units will increase modestly as buyer demand continues to exceed available supply.
- New rental units will be absorbed but at a modest pace.
- As the new rental units attract the top tier tenants, “average” Portland units feel a flattening in rents (even a decrease?) and a slight drop in tenant quality.
- Westbrook absorbs new units. The city as a whole continues to be an attractive alternative to Portland.
- Saco and Biddeford will see continued growth and energy from the new developments and continued market strength.
- Overall, it will be another strong but slightly more sober year for sales and values in Southern Maine.

*Forecast subject to change due to erratic political behavior, geopolitical destabilization, terrorist attacks on US soil, or large scale natural disasters.

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 in his fourth term as President of the Southern Maine Landlord Association, a group which seeks to keep landlords up-to-date on important issues, trends and regulations. In the wake of the 2015 Noyes Street Fire, Brit became an active participant in multi-unit fire safety issues, and he was asked to serve on Portland's Fire Safety Task Force.

As a Realtor, he serves as a member of the Board of Maine Listings (the Maine MLS). Brit also enjoys his non-real estate community roles as a member of the Board of the Portland Community Chamber of Commerce and a member of the Trustee and Governance committee for the Portland Symphony Orchestra. The Vitalius team is also a proud sponsor of 2 Degrees Portland. In his free time, Brit manages his own portfolio of 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, 8-year-old son, Coltrane and 5-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 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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