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Maine multifamily outlook: Opportunities in Portland, Bangor, and Lewiston-Auburn - Blake Wright and Kristie Russell

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The multifamily market in Maine's major cities presents a diverse range of opportunities for investors. We looked at the potential benefits and unique characteristics of three major submarkets in the state: Portland, Bangor, and Lewiston-Auburn.

The information below is based on research done in CoStar and county registries, and focuses on multifamily properties that have four or more units.

Portland Submarkets: A great long-term hold

Portland, the largest city in Maine, has been experiencing significant growth in its multifamily market. While renter demand may be showing signs of cooling down, there is still a steady influx of individuals seeking housing in nearby bedroom communities, making it an attractive location for investors.

Here are some key highlights:

- The high demand for rental properties is clear with the low vacancy rate of 2.9%. The rate was relatively unchanged over the last year, showing the stability of the market.
- The rental market rose by 3.7%, notably in the class A and B categories, indicating the potential for a steady income stream for property owners.

- Over the last year, the city of Portland has recorded an impressive sales volume of \$34.1 million, with 24 deals closed.
- Within this time period, the average sale price per unit in the city is \$179,528, which is significantly higher than neighboring areas.
- The average cap rate is around 7% in the Portland submarket, climbing in the last year. The cap rates in the market are more attractive when compared to major cities like Boston or New York, making it an ideal area for long-term holds.
- The average asking rent in the city of Portland is notably higher than the submarket's average in all three categories. Many people who want to stay in the city have focused on class C properties or pivot to neighboring towns.
- With the high demand, it is not surprising to see the submarket has 980 units already under construction to be completed by the end of the year. This does not include the two downtown Portland redevelopments that were approved at the end of the quarter, including vacant office space being converted to 100 units on Congress St. and 840 units that would be built as part of Portland's Bayside redevelopment.

Bangor Submarket: A market in need of buildings

Bangor, though smaller than Portland, presents its own unique opportunities for investors. The market indicates strong demand with low vacancies, but there is a notable lack of new construction.

Here are the key highlights for Bangor's multifamily market:

- The strength of the Bangor market is highlighted by the vacancy rate falling over the last two years and ending the quarter at 1.9%.
- Average rent in the area has increased by 3.4% over the previous year, suggesting a healthy rental market.
- Only 18 out of 1,586 total units in the submarket are considered class A properties, with rents averaging \$2,552 per month and a vacancy rate of 5.5%.
- Unlike the Portland submarket, there are currently no properties under construction and with the tight market there is a potential opportunity for developers to meet the growing demand. With UMaine Orono and Husson College in the area, where roughly 13,900 student attend, the demand for apartments will continue to grow.
- While transaction volume has been relatively slow, the market remains strong for both investors and sellers, with cap rates above the national average.

Lewiston – Auburn Submarket: A market for up-and-coming investors

Lewiston and Auburn, located along the Androscoggin River, offer a unique market for up-and-coming investors. This area shows strong diversity in ownership and is a high cap rate market.

Here are the key highlights:

- Yearly sales volume in the Lewiston-Auburn area reached \$19.6 million, with 14 properties sold.
- The average sale price per unit is \$69,000, lower than last year, making it an accessible market for investors.
- The market boasts a high cap rate of 9.2%, indicating the potential for attractive returns on investment.
- This up-and-coming market had a 2.1% drop in the vacancy rate year-over-year, attributable to the success of the revitalization projects in the area. The steady demand for rental units led to the vacancy rate ending the quarter at 4.8%.
- When compared to Bangor and Portland markets, this area has the most diverse mix of owners, including private individuals, private equity groups, users, REITs, and institutional investors.

Conclusion

Maine's multifamily real estate market presents distinct opportunities across its major cities. Portland remains an excellent long-term hold, boasting better cap rates than larger metropolitan areas. Bangor reflects a market in need of new construction to meet demand. Lewiston-Auburn offers potential for up-and-coming investors with its high market cap rate and affordable prices. As always, investors are advised to conduct thorough research and work closely with local real estate experts to capitalize on the full potential of these promising markets.

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