

Multi-Family Market

Summer 2018

Southern Maine's multi-family investment market remains red hot as we are seeing many qualified buyers, both local and out of state, submitting purchase bids. Increased interest rates of approximately 100 basis points over their lows of a year ago have not produced the expected rising capitalization rates. This is primarily due to ever increasing investor demand and record low inventory. I do not expect to see the delta between capitalization rates and the cost of capital continue to compress, therefore I expect to see capitalization rates level off.

There are some major demographic shifts occurring that investors should have their eye on. First, Millennials are getting older and with that comes a shift in lifestyle. Many Millennials (currently ages 22-37) are stepping into the housing market. This shift from renting to owning has come later than previous generations due to increased debt and housing affordability issues. Second, apartment supply continues to increase especially in suburban markets. Approximately 2,000 units have either been recently completed or are in the process of being built/approved in the Greater Portland Area.

There are some bright spots in the market however. Investors who have acquired assets in neighborhoods that have high barriers to entry have enjoyed strong rent appreciation. I expect this to continue as some municipalities push back on large scale apartment projects while other locations enjoy protection from new supply due to high land costs.

All in all, I expect the apartment market to remain strong from both a rental demand and investment standpoint.



Sylas Hatch

Associate Broker
NAI The Dunham Group
207-773-7100
hatch@dunhamgroup.com