1. Regional Housing Forum Agenda

Documents: REGIONAL HOUSING FORUM AGENDA - 03.23.2016.PDF

1.I. HUD Comprehensive Housing Market Analysis - Portland-South Portland

Documents: HUD COMPREHENSIVE HOUSING MARKET ANALYSIS - PORTLAND-SOUTH PORTLAND.PDF

Regional Housing Forum

Date:	March 23, 2016 (Wednesday)
Time:	5:30 PM – 7:45 PM
Location:	University of Southern Maine – Portland Campus
	Abromson Center, Room 214/215
	88 Bedford Street, Portland, ME 04104
Parking:	Parking is available in the abutting garage off Bedford Street

AGENDA

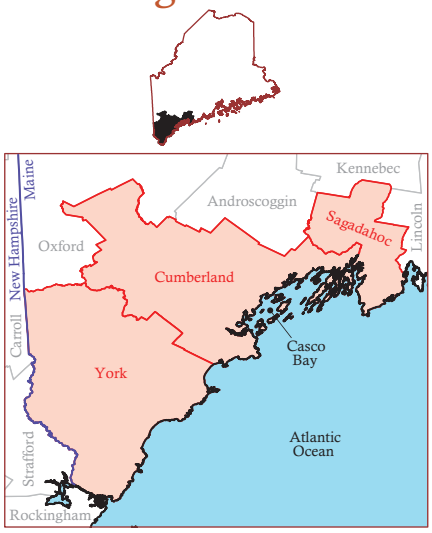
1. Introductions
2. Overview of HUD's 2015 Comprehensive Housing Market Analysis for the Portland-South Portland, Maine market area to be presented by staff from HUD's Office of Policy Development & Research
3. Brief overview of housing challenges and goals for each community
4. Discussion between community representatives regarding housing needs, challenges, and opportunities for collaboration.

Directions: https://usm.maine.edu/pce/directions-abromson-center

Portland-South Portland, Maine

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of October 1, 2015

Housing Market Area



The Portland-South Portland Housing Market Area (HMA) in southern Maine, along the Atlantic Coast, is coterminous with the Portland-South Portland, ME Metropolitan Statistical Area (MSA), the most populous MSA in northern New England. The HMA comprises Cumberland, Sagadahoc, and York Counties and includes the city of Portland, the most populous city in the state. The Portland-South Portland HMA is a regional center for health care and retail and is renowned for a working waterfront in the city of Portland.

Market Details

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Summary

Economy

Economic conditions in the Portland-South Portland HMA continue to improve, building on a trend that began in 2011. During the 12 months ending September 2015, nonfarm payrolls increased by 3,100 jobs, or 1.6 percent, compared with a year earlier. Nonfarm payrolls increased or were stable in 9 of the 10 private employment sectors, led by the education and health services sector, which is the largest sector in the HMA. Total nonfarm payrolls are expected to increase by an average of 1,250 jobs, or 0.6 percent, annually during the next 3 years.

Sales Market

The sales housing market in the HMA is balanced, with an estimated vacancy rate of 1.4 percent, down from 1.9 percent in April 2010. Sales of existing single-family homes increased 11 percent during the 12 months ending September 2015 compared with the previous 12 months. During the next 3 years, demand is expected for 4,000 new homes (Table 1). The 850 homes currently under construction and a portion of the estimated 42,200 other vacant units in the HMA that may reenter the sales market will satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is slightly tight. The estimated rental vacancy rate is currently 5.5 percent, down from 8.3 percent in April 2010. The apartment market in the HMA is tight, with a vacancy rate of 2.9 percent during the third quarter of 2015 (Axiometrics, Inc.). During the next 3 years, demand is expected for 2,000 new market-rate rental units (Table 1). The 450 apartments currently under construction will satisfy some of the forecast demand.

Table 1. Housing Demand in the Portland-South Portland HMA During the Forecast Period

	Portland-South Portland HMA	
	Sales Units	Rental Units
Total demand	4,000	2,000
Under construction	850	450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of October 1, 2015. A portion of the estimated 42,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is October 1, 2015, to October 1, 2018.

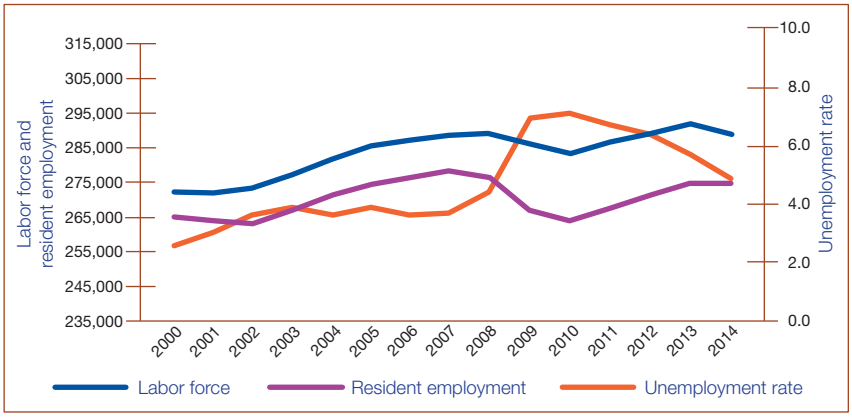
Source: Estimates by analyst

Economic Conditions

The Portland-South Portland, ME Metropolitan New England City and Town Area (hereafter, the Portland NECTA) has a similar geography to the Portland-South Portland HMA and contains most of the major employment and population centers that are in the HMA. The Portland NECTA is used in the discussion of nonfarm payroll jobs because the data are readily available for NECTAs from the U.S. Bureau of Labor Statistics. All other data in this report relate to the HMA.

The economy of the Portland NECTA is expanding, continuing a period of growth that began in 2011. From 2011 through the current date, nonfarm payrolls increased by an average of 2,100 jobs, or 1.1 percent, annually. This was slightly lower than the rate of growth in the early 2000s when, from 2001 through 2004, nonfarm payrolls increased by an average of 2,400 jobs, or 1.3 percent, annually. Payrolls continued to expand from 2005 through 2007, albeit at a lower rate of 1,100 jobs, or 0.6 percent a year. The slowdown in growth stemmed primarily from fewer job additions in the education and health services sector and from job losses in the mining, logging, and construction sector.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Portland-South Portland HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

Nonetheless, the economy of the Portland NECTA expanded during the 2000-to-2007 period, extending a long period of growth that had been under way since the early 1990s. The average annual unemployment rate was less than 4.0 percent every year from 2000 through 2007 (Figure 1).

After nonfarm payrolls peaked in 2007, economic conditions in the HMA weakened partially because of the effects of the national recession that lasted from December 2007 to June 2009. From 2008 through 2010, nonfarm payrolls in the Portland NECTA declined by an average of 2,300 jobs, or 1.2 percent, annually. A large portion of the decline came from the wholesale and retail trade sector, which declined by 1,000 jobs, or 2.9 percent, annually. L.L. Bean, Inc., a mail-order and retail company based in the town of Freeport and currently the fourth largest employer in the Portland-South Portland HMA, reduced its workforce by about 200 jobs during 2009. In addition, low levels of single-family and multifamily construction activity from 2008 through 2010 contributed to a decline in the mining, logging, and construction sector by an average of 600 jobs, or 6.1 percent, annually. The average annual unemployment rate peaked at 7.1 percent in 2010.

Following the economic downturn, the number of nonfarm payroll jobs in the Portland NECTA began to increase in 2011 and surpassed the 2007 peak in 2014. The three largest nonfarm payroll sectors (education and health services, professional and business services, and wholesale and retail trade) have accounted for more than 80 percent of net jobs added in the Portland NECTA since 2011. During the 12 months ending September 2015, nonfarm payrolls increased by 3,100 jobs, or 1.6 percent (Table 2),

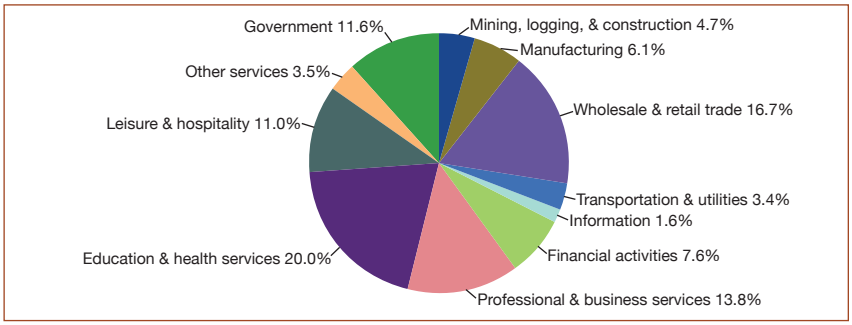
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Portland-South Portland HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	September 2014	September 2015		
Total nonfarm payroll jobs	194,300	197,400	3,100	1.6
Goods-producing sectors	21,100	21,400	300	1.4
Mining, logging, & construction	8,900	9,200	300	3.4
Manufacturing	12,200	12,100	– 100	– 0.8
Service-providing sectors	173,200	176,100	2,900	1.7
Wholesale & retail trade	32,800	33,000	200	0.6
Transportation & utilities	6,400	6,800	400	6.3
Information	3,100	3,100	0	0.0
Financial activities	14,800	15,000	200	1.4
Professional & business services	26,900	27,300	400	1.5
Education & health services	37,900	39,500	1,600	4.2
Leisure & hospitality	21,700	21,700	0	0.0
Other services	6,600	6,900	300	4.5
Government	22,900	22,800	– 100	– 0.4

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through September 2014 and September 2015. Nonfarm payroll jobs data are for the Portland-South Portland, ME Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Portland-South Portland HMA, by Sector



Notes: Based on 12-month averages through September 2015. Nonfarm payroll jobs data are for the Portland-South Portland, ME Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Portland-South Portland HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
MaineHealth	Education & health services	6,501 to 7,000
General Dynamics Bath Iron Works	Manufacturing	5,001 to 5,500
Portsmouth Naval Shipyard	Government	5,250
L.L. Bean, Inc.	Wholesale & retail trade	3,501 to 4,000
Hannaford Brothers Company	Wholesale & retail trade	3,001 to 3,500
Unum Group	Financial activities	3,001 to 3,500
Mercy Hospital	Education & health services	1,501 to 2,000
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,501 to 2,000
Webber Hospital Association	Education & health services	1,501 to 2,000
TD Bank	Financial activities	1,001 to 1,500

Notes: Excludes local school districts. Employees at Portsmouth Naval Shipyard are civilian employees as of the current date. For all other employers, employees are as of the second quarter of 2015.

Sources: Maine Department of Labor; Portsmouth Naval Shipyard Public Affairs Office

compared with a gain of 900 jobs, or 0.4 percent, during the previous 12 months. The 12-month average unemployment rate has declined since 2011 and was 4.0 percent during the 12 months ending September 2015, down from 5.0 percent during the previous 12 months.

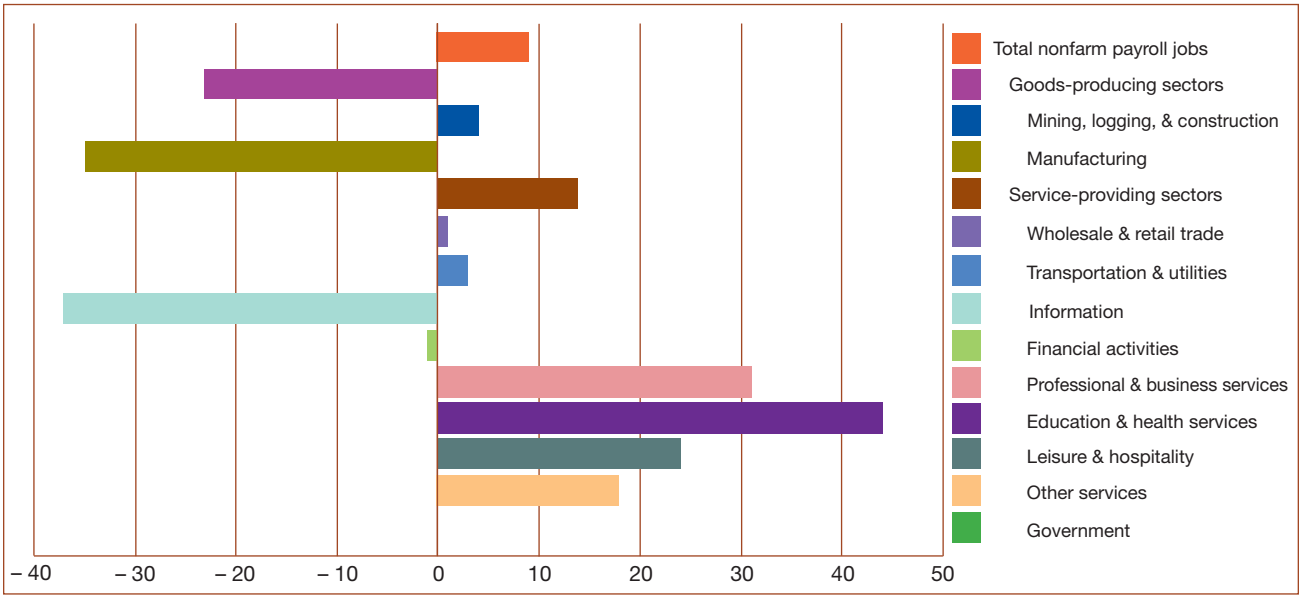
Education and health services is the largest sector in the Portland NECTA, accounting for 20.0 percent of current nonfarm payroll jobs (Figure 2). MaineHealth is the largest employer in the HMA and the third largest in the state of Maine (Table 3). At Maine Medical Center, a member of MaineHealth in the city of Portland with approximately 6,500 employees, the construction of a new $40 million surgery wing is expected to be complete in October 2015. (A precise figure for the number of jobs this expansion added to the sector is not available.) The University of New England, a private university with two campuses in the HMA and an enrollment of 7,800 students, added 60 faculty and staff during the past year.

Pathways of Maine, a service provider for individuals with disabilities, added about 60 jobs to the education and health services sector in late 2014 upon opening a school for autistic children at a repurposed military base—Naval Air Station (NAS) Brunswick—in the town of Brunswick.

The closure of NAS Brunswick in May 2011 marked the end of the transfer of approximately 5,000 military and civilian personnel to NAS Jacksonville in Jacksonville, Florida, based on the recommendation of the 2005 Base Closure and Realignment Commission, or BRAC. Since then, more than $225 million has been invested and 800 jobs have been created through redevelopment initiatives at the former military base. SaviLinx, a call center, opened on the site in July 2013, expanded in 2015, and added approximately 120 jobs to the professional and business services sector during the past year (*Portland Press Herald*). Since 2000, jobs in the professional and business services sector have increased 31 percent, representing the second largest sector gains during the period, trailing only the 44-percent gain in the education and health services sector (Figure 3).

The International Marine Terminal in the city of Portland is a main component of the Port of Portland and the working waterfront. In broad terms, a working waterfront is an area of land abutting water that provides access to water-dependent commercial activities such as fishing, marine transportation, and freight importing and exporting. The value of goods imported through the Port of Portland totaled $2.53 billion during the 12 months ending September 2015, down 28 percent from the total during the previous 12 months (U.S. Census Bureau). Oil accounted for two-thirds of the total imported value of goods, however, and the decrease in oil prices during the past year was a significant cause of the overall decline. The total value of goods exported through the Port of Portland was $228.5 million during the 12 months ending September 2015, up 40 percent from the value during

Figure 3. Sector Growth in the Portland-South Portland HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through September 2015. During this period, employment in the government sector showed no net change. Nonfarm payroll jobs data are for the Portland-South Portland, ME Metropolitan New England City and Town Area.

Source: U.S. Bureau of Labor Statistics

the previous 12 months. Eimskip, an Icelandic shipping company, began operations at the International Marine Terminal in 2013 and has contributed to the increase in exports. Americold Logistics LLC plans to build a 150,000-square-foot refrigerated warehouse on land next to the International Marine Terminal. The warehouse, which is anticipated to be complete in mid-2017, is expected to create 200 jobs in the construction subsector, 30 jobs in the transportation and utilities sector, and additional jobs in industries related to food production and processing.

The city of Portland is a port of call for several large cruise lines that bring thousands of passengers annually. An estimated 140,000 passengers and crew-members will disembark at the Port of Portland during 2015, with most visits occurring in September and October (http://www.cruiseportlandmaine.com). In addition, a ferry service between the Port of Portland and the province of Nova Scotia, Canada, was reestablished in 2014 after a 5-year hiatus, serving approximately 60,000 passengers annually, mostly during July and August. Spending by daytime and overnight visitors contributes to job growth in the wholesale and retail trade and the leisure and hospitality sectors in the Portland-South Portland HMA. Retail sales at restaurants and lodging establishments in the HMA totaled $1.76 billion during the 12 months ending September 2015, up 8 percent from the total during the previous 12 months (Maine State Data Center).

Major employers located outside the NECTA but within the HMA include General Dynamics Bath Iron Works, Portsmouth Naval Shipyard, and Pratt & Whitney Aircraft Group. General Dynamics Bath Iron Works, located primarily in the city of Bath, designs, fabricates, and assembles ships for the U.S. Navy. Ships currently under way include three Zumwalt-class destroyers, each of which takes more than 3 years to build, and five Arleigh Burke-class destroyers. Portsmouth Naval Shipyard, located at the southern tip of Maine, with 5,250 civilian employees, overhauls and modernizes submarines for the U.S. Navy. Approximately 820 civilian employees were added at Portsmouth Naval Shipyard during the 12 months ending September 2015 because of a backlog of maintenance needs. Pratt & Whitney Aircraft Group, with about 1,000 employees, manufactures parts for military and commercial jet engines.

During the forecast period, nonfarm payrolls are expected to increase by an average of 1,250 jobs, or 0.6 percent, annually. This forecast is modest compared with nonfarm payroll growth since 2011 and, in part, depends on the size of the working-age population and the availability of workers to fill new job openings. The working-age population is defined in this report as the population ages 18 to 64 and is examined in the Population and Households section. The greatest number of job additions is expected during the second year of the forecast period, coinciding with the completion of the refrigerated warehouse at the Port of Portland. The direct employment effect of the warehouse is limited because port operations are highly mechanized, and, although the warehouse may affect job growth in other sectors, the size of that effect is unknown. The education and health services and the professional and business services sectors are expected to lead growth during the forecast period.

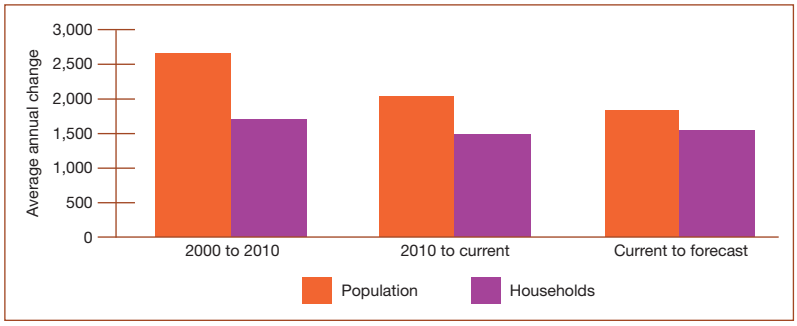
Population and Households

The population of the Portland-South Portland HMA is estimated at 525,200 as of October 1, 2015. Since 2000, population growth was strongest from 2000 through 2004, averaging 4,900 people, or 1.0 percent, annually, because of strong economic growth (Census Bureau decennial census counts and population estimates, as of July 1). Net in-migration averaged 3,650 people annually, accounting for 75 percent of population growth. From 2004 to 2008, population growth slowed to an average of 1,450 people, or 0.3 percent, annually, because of slower job growth and a steep increase in home sales prices in the early 2000s. Annual net in-migration fell to an average of 300 people during this period as households moved more often to counties surrounding the HMA, where homes were relatively less expensive. From 2008 to 2010, the population remained relatively unchanged, partially because of a declining number of births in the HMA, but mostly because of a net out-migration of 950 people annually. The out-migration was a consequence of the transition of military and civilian personnel from NAS Brunswick to NAS Jacksonville in 2009 and a decline in nonfarm payrolls in the Portland NECTA from 2008 through 2010.

From 2010 to the current date, the population of the Portland-South Portland HMA increased by an average of 2,025, or 0.4 percent (Figure 4). Because of the return of job growth and more modest increases in housing prices, net migration returned to an average annual net gain of 1,650 people, accounting for more than 80 percent of population growth (Figure 5). Approximately 20 percent of migration into the HMA is from other metropolitan areas in Maine, 10 percent is from rural counties in Maine, and 25 percent is from other states in New England (2009–2013 American Community Survey [ACS] 5-year data).

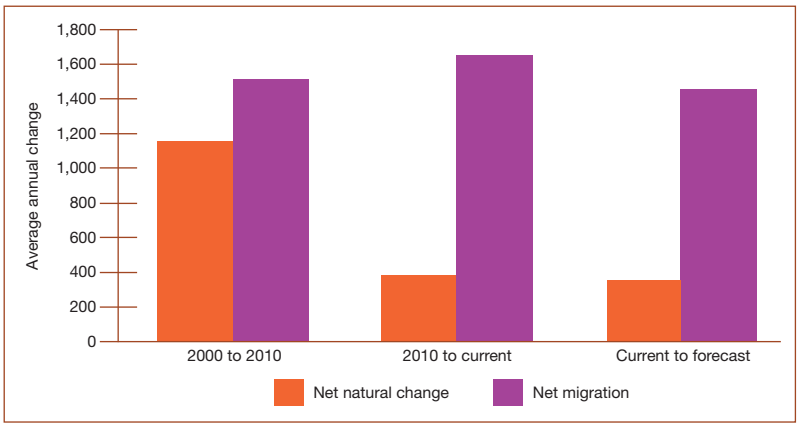
The increase in the population of residents ages 65 and older has accounted for the majority of overall population growth since 2010. From 2000 to 2010, people ages 18 to 64 accounted for 68 percent of growth in the population ages 18 and older. Since 2010, however, 18- to 64-year-olds accounted for only 6 percent of growth in the population ages 18 and older. Conversely, people ages 65 and older accounted for 32 percent of growth in the population 18 years and older from 2000 to 2010 but 94 percent since 2010. This

Figure 4. Population and Household Growth in the Portland-South Portland HMA, 2000 to Forecast



Notes: The current date is October 1, 2015. The forecast date is October 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Portland-South Portland HMA, 2000 to Forecast



Notes: The current date is October 1, 2015. The forecast date is October 1, 2018.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

growth, caused in part by residents aging in place and the in-migration of retirees, is contributing to the increase in multifamily construction activity in the HMA, as older householders downsize from larger, single-family homes to reduce maintenance and utility costs. The population ages 18 and younger has been declining since 2002, and several schools that have closed partially as a result of this decline have been converted recently to apartments and condominiums.

An estimated 221,550 households currently reside in the Portland-South Portland HMA, reflecting an average annual gain of 1,475 households, or 0.7 percent, since 2010. Approximately 69.1 percent of households are homeowners (Figure 6). Homeownership rates vary widely, however, by location and degree of urbanization within the HMA. In many rural, noncoastal towns, more than 85 percent of households are homeowners (2010–2014 ACS 5-year data). In the cities of Portland and Biddeford, where a combined 34 percent of renter households in the HMA reside, homeownership rates are below 50 percent.

Figure 6. Number of Households by Tenure in the Portland-South Portland HMA, 2000 to Current

Note: The current date is October 1, 2015.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

During the next 3 years, population growth is expected to average 1,800, or 0.3 percent, annually. The population 65 years and older is expected to comprise more than 90 percent of population growth in the HMA (University of Southern Maine Center for Business and Economic Research projections). Overall net in-migration is expected to average 1,450 people, accounting for 80 percent of population growth. Household growth is anticipated at an average of 1,525, or 0.7 percent, annually.

Housing Market Trends

Sales Market

The sales housing market in the Portland-South Portland HMA is balanced. Increasing home sales and limited homebuilding activity in the HMA contributed to a decline in the sales vacancy rate from 1.9 percent as of April 2010 to a current estimate of 1.4 percent (Table DP-1 at the end of this report).

Sales of existing single-family homes have been increasing since 2012 after declining in most years from 2005 through 2011. In 2001, 5,550 existing single-family homes sold in the HMA (Maine Association of Realtors®). From 2002 through 2004, sales increased an average of 6 percent annually, to 6,600 homes sold during 2004. This

increase coincided with an unsustainable rise in sales prices and, as net in-migration slowed, sales declined an average of 5 percent annually from 2005 through 2011; 4,425 existing homes sold during 2011. With the return of job and population growth, sales of existing homes increased an average of 14 percent annually from 2012 through 2014. During the 12 months ending September 2015, 7,200 existing homes sold in the HMA, up 11 percent from the number sold during the previous 12 months. Sales in Cumberland County, which typically account for 55 percent of existing homes sold in the HMA, increased 16 percent and were 15 percent more than the prerecession peak sales total in 2005. Sales in York County, where about 17 percent of housing units are for seasonal use only, increased 6 percent during the 12 months ending September 2015, but the total was 1 percent less than the prerecession peak sales total in 2004. In Sagadahoc County, existing home sales increased 2 percent during the past year, and the total was 7 percent less than the prerecession peak sales total in 2004.

Median existing home sales prices are available only by county and in this discussion are listed from highest to lowest in the following order: Cumberland County, York County, and Sagadahoc County. Median sales prices for existing homes sold during 2001 were $157,200, $150,000, and $121,000 (Maine Association of Realtors®). From 2002 through 2005, the increase in median price was rapid in each county, ranging from 12 to 13 percent annually. Median existing sales prices in 2005 were $250,000, $245,000, and $194,000. The rise in sales prices contributed to less in-migration to the HMA and more in-migration in nearby counties where homes were increasingly more affordable. For example, median sales prices in Androscoggin and Kennebec Counties, to the north of the HMA, were $62,600 and $70,200 less, respectively, than the median in Cumberland County in 2001, but they were $95,000 and $110,000 less by 2005.

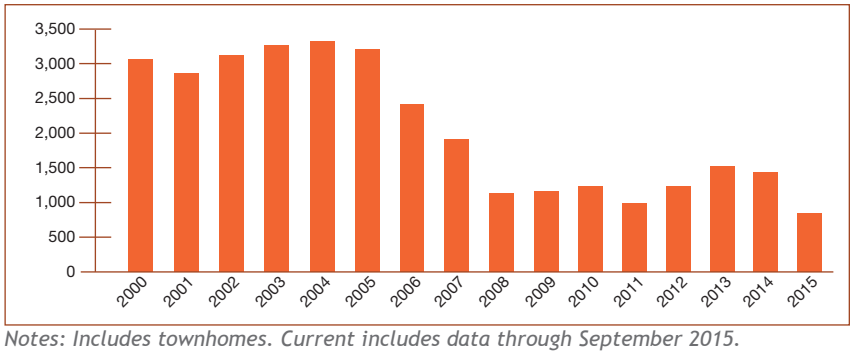
From 2006 through 2011, median sales prices declined in the range of 2 to 3 percent annually, to $224,750, $207,000, and $162,800. Moderate sales price growth has prevailed in the HMA in recent years. Median existing sales prices increased 1 to 3 percent annually from 2012 through 2014. Median sales prices for existing homes sold during the 3 months ending September 2015 were $256,800, $230,000, and $196,500, increases of 5, 2, and 1 percent from the medians during the same period in 2014.

An increase in the number of bank-repossessed homes sold in the HMA has affected home price growth. Approximately 7 percent of existing home sales in the HMA during the past year were sales of real estate owned (REO) properties (CoreLogic, Inc., with adjustments by the analyst). By comparison, REO sales were less than 1 percent of existing home sales during 2006 and 2007. The increased share of REO sales hampered home price growth in recent years because average sales prices for REO homes are typically 40 percent less than sales prices of nondistressed existing homes. The judicial foreclosure requirement in Maine has slowed the foreclosure process and the return of these homes to the sales market in the HMA. The percentage of home loans that were 90 or more days delinquent, were in foreclosure, or had transitioned into

REO status in the HMA peaked at 7.1 percent in March 2013, more than 3 years after the national peak of 9.2 percent in early 2010 (Black Knight Financial Services, Inc.). The percentage in the HMA has declined since March 2013, however, and was 4.5 percent as of September 2015, slightly higher than the national rate of 4.2 percent.

Homebuilding activity in the HMA, as measured by the number of single-family homes permitted, was relatively high from 2000 through 2005, when an average of 3,125 homes were permitted annually (Figure 7). As a consequence of the decline in home sales, homebuilding slowed by an average of 370 homes, or 18 percent, annually, from 2006 through 2011. With population growth and improving economic conditions, homebuilding activity increased by an average of 260 homes, or 25 percent, annually from 2012 through 2013. Single-family permitting declined slightly by 70 homes, or 4 percent, during 2014. During the 12 months ending September 2015, 1,075 homes were permitted, down 16 percent from the number permitted during the previous 12 months (preliminary data). Homebuilding activity during this period was slowed in part by severe winter weather in early 2015.

Figure 7. Single-Family Homes Permitted in the Portland-South Portland HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through September 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Dunstan Crossing is a subdivision of 249 single-family homes, townhomes, and duplex condominiums under construction in the town of Scarborough. Since construction began in 2007, 70 homes have been sold. Phase 3 of Dunstan Crossing, with a total of 41 single-family homes and duplex condominiums ranging from $350,000 to $450,000, is currently under way and is expected to be complete in 2016. Munjoy Heights is a community of 29 luxury townhome units under construction in the city of Portland that is expected to be complete in late 2016. Since breaking ground in mid-2014, 13 townhomes at Munjoy Heights have sold for between $599,900 and $799,900. Condominiums currently under construction include Meetinghouse Lofts, an adaptive reuse of a former elementary school in the city of South Portland. The 19 one- and two-bedroom units at Meetinghouse Lofts start at $294,500 and $389,900, respectively, and are expected to be complete in early 2016.

During the next 3 years, demand is estimated for 4,000 new homes in the HMA (Table 1). The 850 single-family homes under construction will satisfy some of the demand. In addition, a portion of the 42,200 other vacant units, most of which are second homes for seasonal use only, may reenter the market and satisfy additional demand. Sales prices for new homes are expected to start at $150,000, and more than one-third of the demand is expected to be for homes between $300,000 and $399,999 (Table 4).

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Portland-South Portland HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
150,000	199,999	400	10.0
200,000	299,999	1,200	30.0
300,000	399,999	1,400	35.0
400,000	499,999	600	15.0
500,000	and higher	400	10.0

Notes: The 850 homes currently under construction and a portion of the estimated 42,200 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is October 1, 2015, to October 1, 2018.

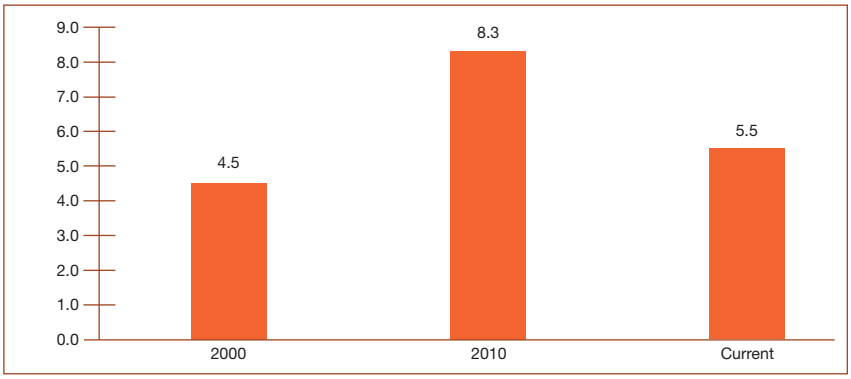
Source: Estimates by analyst

Rental Market

The rental housing market in the Portland-South Portland HMA is slightly tight. The overall rental vacancy rate, including single-family homes and mobile homes which constitute about 30 percent of all rental units (2010–2014 ACS 5-year data), is estimated at 5.5 percent currently, down from 8.3 percent from April 2010 (Figure 8). Rental housing markets in the cities of Portland and South Portland are tighter than in the HMA as a whole, with overall rental vacancy rates of 3.5 and 3.0 percent, respectively (2010–2014 ACS 5-year data). The rental housing markets in Portland and South Portland are tight partially because the labor markets in these cities are relatively stronger than in other parts of Maine and because quality-of-life attributes attract movers to the HMA from other parts of New England and elsewhere.

The apartment market in the HMA is currently tight. From the third quarter of 2010 through the third quarter of 2014, the apartment market was slightly tight, with a vacancy rate ranging from 3.2 percent to 4.4 percent and a 5-percent average annual increase in the effective market rent (Axiometrics, Inc.). The apartment market has since further tightened, however. From the third quarter of 2014 through the third quarter of 2015, the apartment vacancy rate declined from 3.6 to 2.9 percent, and the effective market rent increased nearly 8 percent, to $1,314. Rents increased at a higher rate because many existing, older apartment properties were upgraded during the past year. Research indicates that rental affordability in the Maine State Housing Authority (MaineHousing)-defined Portland-South Portland market area declined from 2010 through 2014 (the most recent data available) because of increasing rents and declining median renter household incomes (MaineHousing). In 2014, 64 percent of renter households in the area were unable to afford the cost of an average two-bedroom apartment (including utilities) using no more than 30 percent of gross income.

Figure 8. Rental Vacancy Rates in the Portland-South Portland HMA, 2000 to Current



Note: The current date is October 1, 2015.

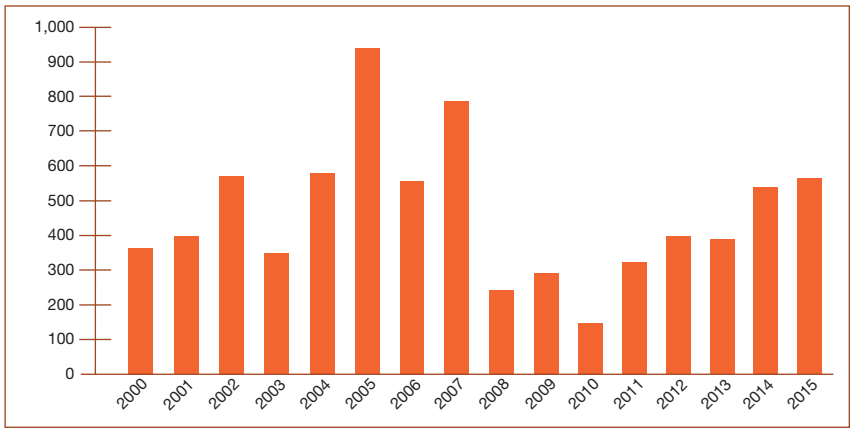
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily construction activity, as measured by the number of multifamily units permitted, has increased in the years since the economic downturn. From 2000 through 2007, during a period of population growth and economic expansion in the HMA, an average of 570 multifamily units were permitted annually in the HMA (Figure 9). With the onset of net out-migration and economic contraction, multifamily production fell to an average of 220 units annually from 2008 through 2010. Multifamily construction subsequently increased by an average of 100 units, or 39 percent, annually, from 2011 through 2014. Approximately 17 percent of multifamily units permitted since 2000 were condominiums. Condominiums permitted during the past year include 113 Newbury, with 37 units in the city of Portland, which is expected to be complete in mid-2016.

During the 12 months ending September 2015, 450 multifamily units were permitted in the Portland-South Portland HMA, up by 90 units, or 25 percent, from the number permitted during the previous 12 months (preliminary data). Units permitted during the past year include 28 income- and age-restricted units at Young Street Apartments in the town of South Berwick. Young Street Apartments, funded in part through low-income housing tax credits, is expected to open in December 2015, with rents starting at $790 and $947 for one- and two-bedroom apartments, respectively. Of all apartments built in the Portland-South Portland HMA since 2000, approximately 59 percent were subsidized through federal and state programs. Nathan Clifford Residences, itself partially funded through a state-based tax credit program for the rehabilitation of historic structures, opened in May 2015, with 22 market-rate apartments in the city of Portland. Rents for one- and two-bedroom units at the former elementary school start at $1,025 and $1,500, respectively, and all units were leased before the development opened (*Portland Press Herald*).

West End Place, with 39 luxury apartments, was completed in January 2015 in the city of Portland. Rents are higher than most other newly constructed units in the HMA, in part because of its advantageous location directly between two large hospitals and on the peninsula, a historic portion of the city bounded by Interstate 295, the Fore River, and Casco Bay. Rents for one- and two-bedroom units start at $1,420 and $1,725, respectively. All units at West End Place were leased within 8 months of opening. Another high-end development, Pepperell Mill Campus Phase 3, opened in the city of Biddeford in July 2015, with rents starting at $1,400 and $1,650 for one- and two-bedroom units, respectively; all 19 units were leased before completion. In addition, all 82 apartments built within the former textile mills at Pepperell Mill Campus have been 100-percent occupied since first becoming available in 2007. The demand for apartments at Pepperell Mill Campus bred similar rehabilitation efforts within

Figure 9. Multifamily Units Permitted in the Portland-South Portland HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through September 2015.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

very close proximity. The conversion of two other textile mills in the city of Biddeford, which include a total of 176 market-rate and income-restricted apartments and other nonresidential uses, began in mid-2015, with availability expected in mid-2016. Across the Saco River in the city of Saco, the conversion of a textile mill to 150 market-rate apartments is expected to begin by the end of 2015.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Portland-South Portland HMA During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
950 to 1,149	400	1,100 to 1,299	300	1,500 to 1,699	20
1,150 to 1,349	240	1,300 to 1,499	300	1,700 to 1,899	40
1,350 or more	160	1,500 to 1,699	200	1,900 to 2,099	80
		1,700 or more	200	2,100 or more	60
Total	800	Total	1,000	Total	200

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 450 units currently under construction will likely satisfy some of the estimated demand. The forecast period is October 1, 2015, to October 1, 2018.

Source: Estimates by analyst

During the next 3 years, demand is expected for 2,000 new market-rate units in the Portland-South Portland HMA (Table 1). Demand is expected to range from 600 to 700 units a year and to be concentrated within or near the cities of Portland and South Portland. The 450 apartments under construction will satisfy nearly 25 percent of the demand. The most significant apartment development in planning is MiDTOWN, a proposed rental community in the city of Portland that will have 445 studio, one-bedroom, and two-bedroom apartments, 90,000 square feet of retail space, and a parking garage. MiDTOWN is expected to begin construction in early 2016 and to add at least 150 units during the forecast period. Table 5 illustrates the demand for new market-rate rental housing by number of bedrooms and rent level.

Data Profile

Table DP-1. Portland-South Portland HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	265,372	263,669	275,300	– 0.1	0.9
Unemployment rate	2.6%	7.1%	4.0%		
Nonfarm payroll jobs	181,500	187,500	197,000	0.3	1.0
Total population	487,568	514,098	525,200	0.5	0.4
Total households	196,669	213,436	221,550	0.8	0.7
Owner households	136,424	149,343	153,200	0.9	0.5
Percent owner	69.4%	70.0%	69.1%		
Renter households	60,245	64,093	68,350	0.6	1.2
Percent renter	30.6%	30.0%	30.9%		
Total housing units	233,323	262,718	269,900	1.2	0.5
Owner vacancy rate	0.8%	1.9%	1.4%		
Rental vacancy rate	4.5%	8.3%	5.5%		
Median Family Income	NA	$67,359	$75,435	NA	2.3

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through September 2015. Nonfarm payroll jobs data are for the Portland-South Portland, ME Metropolitan New England City and Town Area. Median Family Incomes are for 2009 and 2014. The current date is October 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 10/1/2015—Analyst's estimates
Forecast period: 10/1/2015–10/1/2018—Analyst's estimates

The metropolitan statistical area and New England City and Town Area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Portland-SouthPortlandME_16.pdf.

Contact Information

Benjamin B. Houck, Economist
Philadelphia HUD Regional Office
215–430–6678
benjamin.b.houck@hud.gov

This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.