

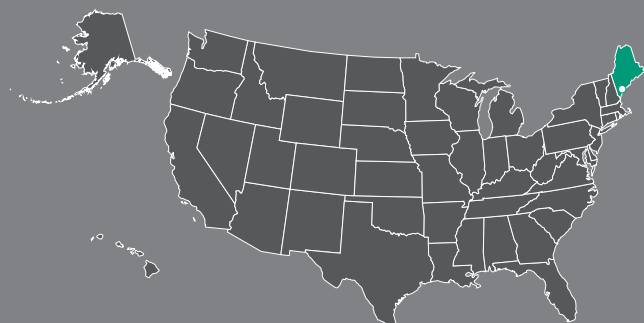
HUD PD&R Housing Market Profiles

Portland-South Portland, Maine



Quick Facts About Portland-South Portland

- Current sales market conditions: balanced
- Current apartment market conditions: slightly tight
- During the 3 months ending May 2019, the value of goods imported by vessels through the Port of Portland totaled approximately \$539.0 million, up 7 percent from the same period 1 year earlier; the total value of goods exported through the port was \$65.6 million during the most recent period, up 31 percent from the previous year (U.S. Census Bureau).



By Diana Villavicencio | As of June 1, 2019

Overview

The Portland-South Portland (hereafter, Portland) metropolitan area in southern Maine, along the Atlantic Coast, is coterminous with the metropolitan statistical area of the same name, which consists of Cumberland, Sagadahoc, and York Counties. The metropolitan area is the economic center and the most populous metropolitan area in Maine, accounting for 40 percent of the total population in the state. Historically, the metropolitan area has been known for economic activity—shipping, shipbuilding, and tourism—along the waterfront, but has also become a regional center for health care for southern Maine since 2008. During 2016, eight hospitals in Cumberland and York Counties had an economic impact of more than \$3.4 billion on the state (Maine Hospital Association).

- As of June 1, 2019, the estimated population of the Portland metropolitan area was 537,600, an average increase of 2,725, or 0.5 percent, a year since 2011, with net in-migration increasing by an average of 2,575 people annually. From 2007 to 2011, a period that included the local economic downturn and the national housing crisis, net in-migration averaged 60 people annually, resulting in average population growth of 940 people, or 0.2 percent, a year.
- From 2011 to 2017, the retirement age portion of the population, age 65 and older, in the metropolitan area, increased by an average of 3,600, or 4.1 percent, annually

continued on page 2



continued from page 1

(American Community Survey 1-year estimates). At 19 percent of the population in 2017, the Portland metropolitan area has the highest concentration of people aged 65 and older in the state.

- During the 2011-to-2017 period, the working-age population, residents 18 to 64 years of age, increased by an average of 110, or less than 1 percent, a year, accounting for 62 percent of the metropolitan area population in 2017.

Economic Conditions

Following the economic downturn that occurred in the Portland metropolitan area from 2007 through 2010, nonfarm payrolls increased an average of 1.4 percent annually from 2011 through 2018, but economic growth has recently decelerated. During the 3 months ending May 2019, nonfarm payrolls were nearly unchanged from the 3 months ending May 2018, increasing by 100 jobs, or less than 0.1 percent, to 207,400 jobs. The rate of job growth in the metropolitan area lagged rates in Maine and the nation, which grew at 0.3 and 1.6 percent, respectively, during the 3 months ending May 2019.

During the 3 months ending May 2019—

- The largest increase and fastest rate of job growth in the Portland metropolitan area occurred in the manufacturing sector, up by 800 jobs, or 5.8 percent, to 14,500 jobs. Job gains were supported by General Dynamics Bath Iron Works, which designs, fabricates, and assembles ships for the United

States Navy; it was awarded a \$910.7 million contract to build a fifth DDG-51 Flight III destroyer in December 2018.

- Partially offsetting overall job growth were losses in the leisure and hospitality and the transportation and utility sectors, which declined by 800 and 600 jobs, or 3.6 and 9.7 percent, respectively. During the period, the CAT high-speed ferry service to Nova Scotia relocated its terminal to Bar Harbor, Maine, outside of the metropolitan area; the number of jobs lost is unknown.
- The wholesale and retail trade sector, the second largest nonfarm payroll sector in the metropolitan area, lost 400 jobs, or 1.2 percent. Part of the decrease is a result of the closing of 11 Payless ShoeSource Inc. stores in the metropolitan area from March through May 2019 as the company prepared to close the remaining 2,100 stores in the United States and Canada.

continued on page 3

Although seven sectors added jobs in the Portland metropolitan area, nonfarm payrolls increased by only 100 jobs during the 3 months ending May 2019 relative to a year ago.

| | 3 Months Ending | | Year-Over-Year Change | |
|----------------------------------|-------------------------|-------------------------|-------------------------|---------|
| | May 2018 (Thousands) | May 2019 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 207.3 | 207.4 | 0.1 | 0.0 |
| Goods-Producing Sectors | 23.5 | 24.4 | 0.9 | 3.8 |
| Mining, Logging, & Construction | 9.8 | 9.9 | 0.1 | 1.0 |
| Manufacturing | 13.7 | 14.5 | 0.8 | 5.8 |
| Service-Providing Sectors | 183.8 | 183.0 | -0.8 | -0.4 |
| Wholesale & Retail Trade | 32.4 | 32.0 | -0.4 | -1.2 |
| Transportation & Utilities | 6.2 | 5.6 | -0.6 | -9.7 |
| Information | 3.4 | 3.2 | -0.2 | -5.9 |
| Financial Activities | 16.2 | 16.5 | 0.3 | 1.9 |
| Professional & Business Services | 28.9 | 29.0 | 0.1 | 0.3 |
| Education & Health Services | 42.2 | 42.7 | 0.5 | 1.2 |
| Leisure & Hospitality | 22.5 | 21.7 | -0.8 | -3.6 |
| Other Services | 7.9 | 8.1 | 0.2 | 2.5 |
| Government | 23.9 | 24.3 | 0.4 | 1.7 |
| | (Percent) | (Percent) | | |
| Unemployment Rate | 2.8 | 2.8 | | |

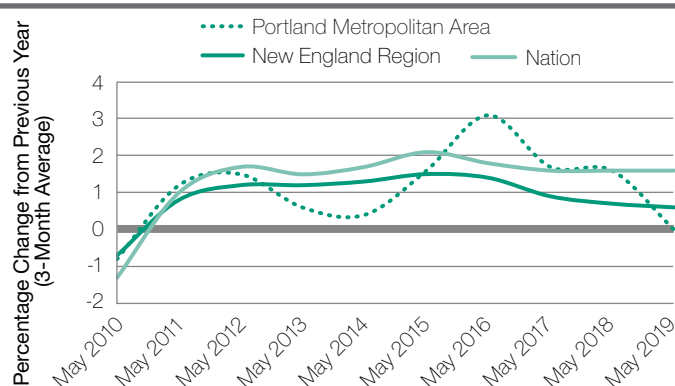
Note: Numbers may not add to totals due to rounding.
Source U.S. Bureau of Labor Statistics

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- The unemployment rate in the Portland metropolitan area averaged 2.8 percent, unchanged from the same period 1 year earlier. The current unemployment rate is one of the lowest rates since 2000, partly because of limited growth in the working-age population.

The education and health services sector, which includes MaineHealth, the largest employer in the metropolitan area, is the largest nonfarm payroll sector, with 42,700 jobs, or nearly 21 percent of all nonfarm payrolls. During the 3 months ending May 2019, the sector added 500 jobs or 1.2 percent. Much of the recent job growth in the sector was to fill positions for the first of three phases of a 5-year, \$512 million expansion of the Maine Medical Center, a member of MaineHealth. The first phase, which is expected to be completed in late 2019, includes the addition of 64 cancer patient rooms. The remaining two phases, to be completed by 2023, are expected to increase the overall footprint of the medical center by 25 percent, making the expansion one of the largest in the nation; the number of jobs to be added is unknown. In March 2019, MaineHealth announced a plan to build a \$59 million medical facility in the town of Scarborough that would offer neurological and other specialty services. Completion is anticipated for early 2021, adding an unknown number of jobs. Job growth in the education and health services sector is also supported by Bowdoin College and the University of New England, two private universities in the metropolitan area. From 2017 through 2018, total staff (full-time and part-time) at the two universities increased by 10 members, or nearly 1 percent, to approximately 1,575. The University of New England had an economic impact of more than \$1 billion across the state of Maine during the 2016 academic year (Planning Decisions, Inc.).

During the 3 months ending May 2019, job growth in the Portland metropolitan area lagged the rate of growth for the region and the nation for the first time since 2015.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

Largest Employers in the Portland Metropolitan Area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|----------------------------------|-----------------------------|---------------------|
| MaineHealth | Education & Health Services | 12,501–13,000 |
| Portsmouth Naval Shipyard | Government | 6,450 |
| General Dynamics Bath Iron Works | Manufacturing | 5,001–5,500 |

Notes: Excludes local school districts. Data for Portsmouth Naval Shipyard are civilian employees for calendar year 2018. For all other employers, employees are as of the third quarter of 2018.

Sources: Maine Department of Labor; Seacoast Shipyard Association Economic Impact Report 2018

Sales Market Conditions

The sales housing market in the Portland metropolitan area is currently balanced, with an estimated vacancy rate of 1.7 percent, down from 1.9 percent in April 2010. Market conditions have tightened since the housing market downturn that occurred from 2007 through 2010. During 2010, the supply of homes for sale was 15.2 months; as of May 1, 2019, this figure has fallen to 3.2 months of supply (CoreLogic, Inc.). The economic recovery in the HMA allowed for the absorption of the excess inventory of homes on the market. Because of tighter sales market conditions, the percentage of home loans in the Portland metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status declined from 2.0 percent in April 2018 to 1.6 percent in April 2019 and down from the high of 6.1 percent in April 2010 (CoreLogic, Inc.). The current rate is below the rate of 2.4 percent for Maine, but above the 1.5-percent rate for the nation.

During the 12 months ending April 2019—

- Approximately 9,100 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, down approximately 12 percent from the 10,300 homes sold during the previous 12 months. The decline was partially a result of a 21-percent decrease in REO sales, which fell to 240, and a 24-percent drop in short sales, which totaled 100. Regular resales declined 11 percent to 8,750 (CoreLogic, Inc., with adjustments by the analyst).
- Due in part to the significant decline in REO and short sales, the average sales price for existing homes increased 6 percent to \$323,000, faster than the 3-percent average annual increase from 2011 through 2017.
- New home sales (including single-family homes, townhomes, and condominiums) decreased 29 percent from a year earlier to approximately 400 homes sold; the average sales price increased

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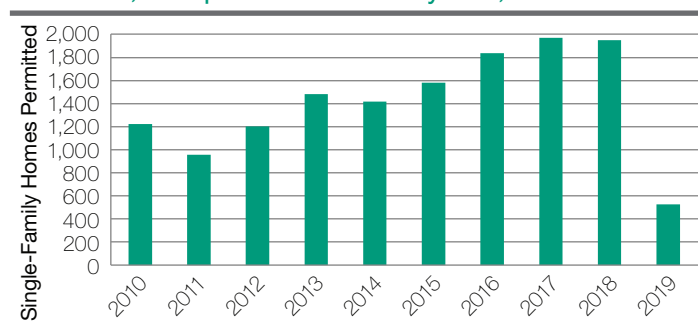
nearly 2 percent to \$337,100, only 4 percent higher than the existing home sales price. From 2011 through 2017, new home sale prices increased an average of 4 percent a year.

- Part of the increase in new home sales and prices was attributed to increased development of relatively high-priced condominiums, particularly in the city of Portland because older householders downsized from larger, single-family homes to reduce maintenance and utility costs. One of the newest condominium developments in the metropolitan area is the 28-unit Twenty Thames, which was completed in November 2018; prices range from \$500,000 to more than \$2 million for two- and three-bedroom units.

Homebuilding activity, as measured by the number of single-family homes permitted, reached a low in 2011, but increased from 2012 through 2017. During 2018 and 2019, rising labor, land, and materials costs have, however, suppressed growth in new home construction.

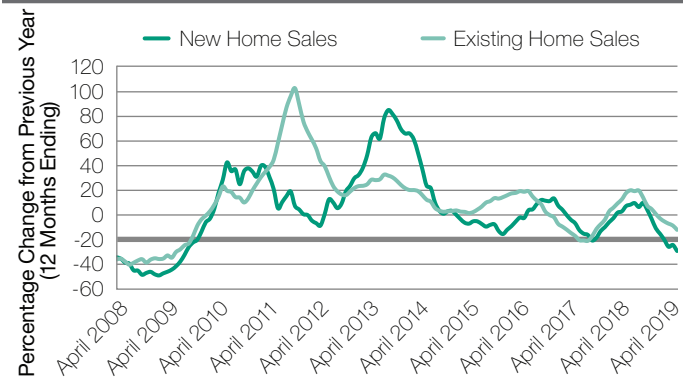
- During the 12 months ending May 2019, the number of single-family homes permitted decreased 10 percent from a year earlier, to 1,375 homes; this followed a 12-percent increase during the previous 12 months (preliminary data). During the most recent 12 months, permitting was distributed broadly across the metropolitan area, with Cumberland, York, and Sagadahoc Counties accounting for 54, 43, and 3 percent of single-family permitting, respectively.
- In 2011, a year after the local economic contraction and housing market downturn, 960 single-family homes were permitted, before single-family permitting increased an average 13 percent a year from 2012 through 2017, a period when local economic conditions improved.
- In the city of Saco, 17 miles south of downtown Portland, the first phase of the Cascade Falls subdivision began in 2018, with 10 single-family homes and 32 condominium units expected at completion; prices start at \$370,000 for a two-bedroom condominium unit. When the six phases are complete, the community will feature 82 condominiums, 35 single-family homes, and 72 apartment units; an additional three phases could increase total housing units to 300 in the subdivision.

Single-family home permitting in the Portland metropolitan area has reached high levels in 2017 and 2018, compared with other years, since 2010.



Note: Includes preliminary data from January 2019 through May 2019.
Source: U.S. Census Bureau, Building Permits Survey

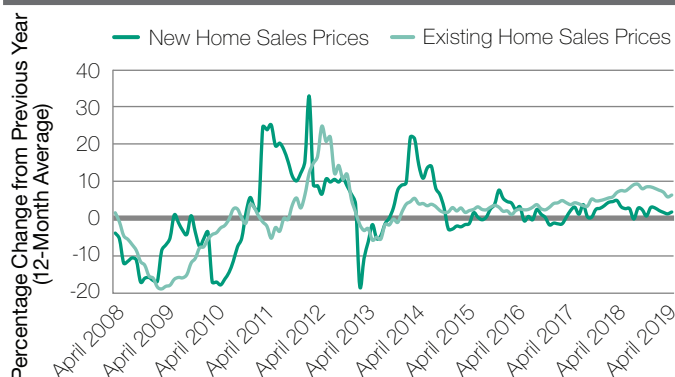
New and existing home sales in the Portland metropolitan area have shifted from growth to a decline since late 2018.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

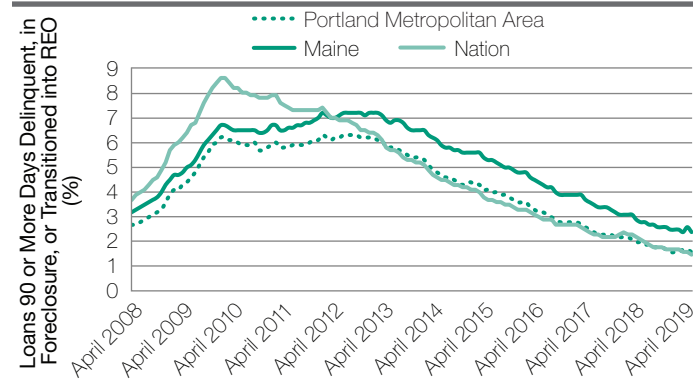
Existing home sale price growth has been below 10 percent since December 2012, and new home sales price growth has been below 10 percent since August 2014 in the Portland metropolitan area.



Note: New and existing homes sales prices include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties has declined in the Portland metropolitan area since the early 2010s but is currently above the rate for the nation.



REO = real estate owned.

Source: CoreLogic, Inc.

Apartment Market Conditions

The apartment market in the Portland metropolitan area is currently slightly tight. The average rent continued to increase, and the apartment vacancy rate steadily declined despite increased multifamily construction because jobs and net in-migration have increased since 2011. Conditions were softer in the earlier part of the decade because significant numbers of single-family homes entered the rental market when foreclosure activity in the metropolitan area peaked.

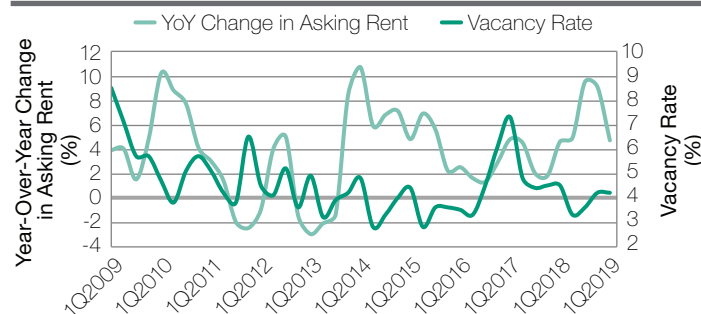
During the first quarter of 2019—

- The apartment vacancy rate was 4.2 percent, down from 4.5 percent a year earlier and from 4.7 percent in 2010 (RealPage, Inc.). Demand has exceeded supply as relatively high home sales prices have prevented many renter households from pursuing homeownership, leading to decreasing apartment vacancy rates.
- At 3.7 percent, the vacancy rate was lowest in the RealPage Inc.-defined Portland/South Portland market area, near the economic center and the most populous part of the metropolitan area, and higher, at 4.7 percent, in the Outer Portland market area.
- The average apartment rent increased nearly 5 percent, to \$1,415, from the first quarter of 2018, and faster than the 4-percent average annual rent increase from 2011 through 2018. Average rents increased 6 and 3 percent in the Portland/South Portland and the Outer Portland metropolitan areas to \$1,412 and \$1,418, respectively.
- The rental market in the metropolitan area is notably affected by the 18,000 students enrolled at the University of Southern Maine, the University of New England, and Bowdoin College, where approximately 13,200 students live off campus, accounting for approximately 6 percent of renter households. Currently, the Bowdoin College Park Row dormitory is under construction; when the new dormitory is complete in the fall of 2019, approximately 88 students will be housed at the property.

Despite a recent decline, multifamily construction is at a higher level in the Portland metropolitan area compared with 2011, because of improved economic conditions, increased population growth, and a limited supply of affordable for-sale housing.

- During the 12 months ending May 2019, approximately 610 multifamily units were permitted, down 10 percent from the 680 units permitted during the previous 12-month period (preliminary data). During the most recent 12-month period, approximately 4 percent of all multifamily units permitted in the metropolitan area were condominiums.
- In 2010, when economic conditions were weak and population growth was lower, only 35 multifamily units were permitted. In response to the tightening apartment market and increased net in-migration, permitting increased by an average of 75 units, or 48 percent, a year, from 2011 through 2017, to 540 units.

The vacancy rate in the Portland metropolitan area remains below the recent peak that occurred during the second quarter of 2017 despite a higher level of apartment construction from 2016 through 2018.

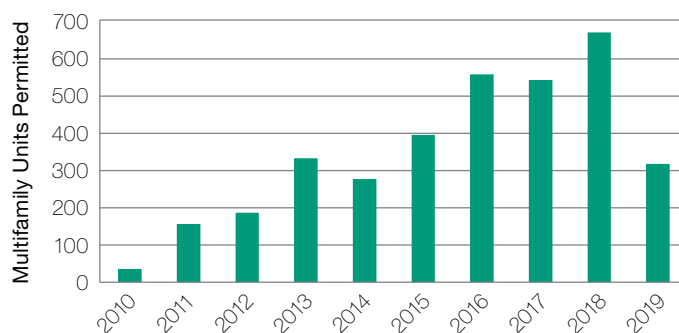


1Q = first quarter. YoY = year-over-year.

Source: RealPage, Inc.

- Recent multifamily construction has been dispersed throughout the metropolitan area; one of the largest apartment properties underway is the 288-unit Beacon at Gateway in the town of Scarborough. When complete in August 2019, the property will feature studio, one-, two-, and three-bedroom units, with rents starting at \$1,450, \$1,550, \$1,900, and \$2,325, respectively.
- In the city of Biddeford, the 181-unit Lincoln Mill is in planning. The conversion of the former textile mill was first proposed in 2014, and building permits are expected to be issued later in 2019.
- The growing number of people at retirement age or older has affected the rental market, and recently completed projects include 353 independent and assisted living units in the cities of Portland and South Portland.

The level of multifamily permitting in the Portland metropolitan area has increased nearly each year since 2010, reaching a high in 2018.



Note: Includes preliminary data from January 2019 through May 2019.

Source: U.S. Census Bureau, Building Permits Survey