



# Portland-South Portland, Maine

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of June 1, 2018



## Housing Market Area



The Portland-South Portland Housing Market Area (hereafter, Portland HMA) is on a peninsula in Casco Bay on the Gulf of Maine and the Atlantic Ocean, about 100 miles north of Boston. It is coterminous with the Portland-South Portland, ME Metropolitan Statistical Area, which consists of Cumberland, Sagadahoc, and York Counties. The HMA includes the city of Portland, the economic center of the HMA and most populous city in the state. The HMA is a regional center for health care for southern Maine and is renowned for a working waterfront in the city of Portland.

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## Summary

### Economy

The HMA has added jobs each year since 2011 following 3 years of job declines from 2008 through 2010. During the 12 months ending May 2018, nonfarm payrolls increased by 2,700 jobs, or 1.3 percent, to 208,000, 7 percent higher than the 2007 pre-recessionary high of 194,400. Nonfarm payrolls increased or were stable in 9 of the 11 nonfarm payroll sectors during the most recent 12 months, with the education and health services sector, the largest sector in the HMA, leading. As the economy continues expanding, nonfarm payrolls are expected to increase an average of 1,700 jobs, or 0.8 percent annually during the 3-year forecast period.

### Sales Market

The sales housing market in the HMA is currently tight, with an estimated 1.2-percent vacancy rate, down from 1.9 percent in April

2010. New and existing homes sales in the HMA totaled 10,650 during the 12 months ending May 2018, up 1,550, or 17 percent, from the previous 12 months (CoreLogic, Inc.). During the forecast period, demand is estimated for 5,525 new homes (Table 1). The 490 homes currently under construction will satisfy some of the demand.

### Rental Market

The rental housing market in the HMA is currently balanced, with an estimated vacancy rate of 5.7 percent, down from 8.3 percent in 2010 when conditions were soft. The apartment market is slightly tight with a 4.2-percent vacancy rate during the first quarter of 2018, down from 6.6 percent 1 year earlier (RealPage, Inc.). During the forecast period, demand is estimated for 1,675 new market-rate rental units (Table 1). The 710 units currently under construction and the 181 units in planning will satisfy a portion of this demand during the 3-year forecast period.

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

	Portland-South Portland HMA	
	Sales Units	Rental Units
Total demand	5,525	1,675
Under construction	490	710

*Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2018. The forecast period is June 1, 2018, to June 1, 2021.*

*Source: Estimates by analyst*

## Economic Conditions

**N**onfarm payroll data are only available for the Portland-South Portland, ME Metropolitan New England City and Town Area (hereafter, Portland NECTA). The Portland NECTA is geographically similar to the Portland HMA and contains all the major employment and population centers in the HMA. As a result, nonfarm payrolls will be discussed for the NECTA geography while other data and discussion will focus on the HMA.

Economic conditions in the HMA are currently strong. The NECTA has added jobs each year since 2011 with nonfarm payrolls in 2014 exceeding the pre-recessionary high, which occurred in 2007. Nonfarm payroll growth in the NECTA averaged 2,700 jobs, or 1.4 percent, annually from 2011 through 2016. During the 12 months ending May 2018, nonfarm payrolls in the NECTA increased by 2,700 jobs, or 1.3 percent, to 208,000, slowing

from the 4,300-job, or 2.2-percent, increase during the 12 months ending May 2017 (Table 2). The unemployment rate in the HMA fell to an average of 2.5 percent during the 12 months ending May 2018, from 2.9 percent during the previous year, and is the lowest unemployment rate since 2000. Figure 1 shows the trends in the unemployment rate, labor force and resident employment for the HMA from 2000 through 2017.

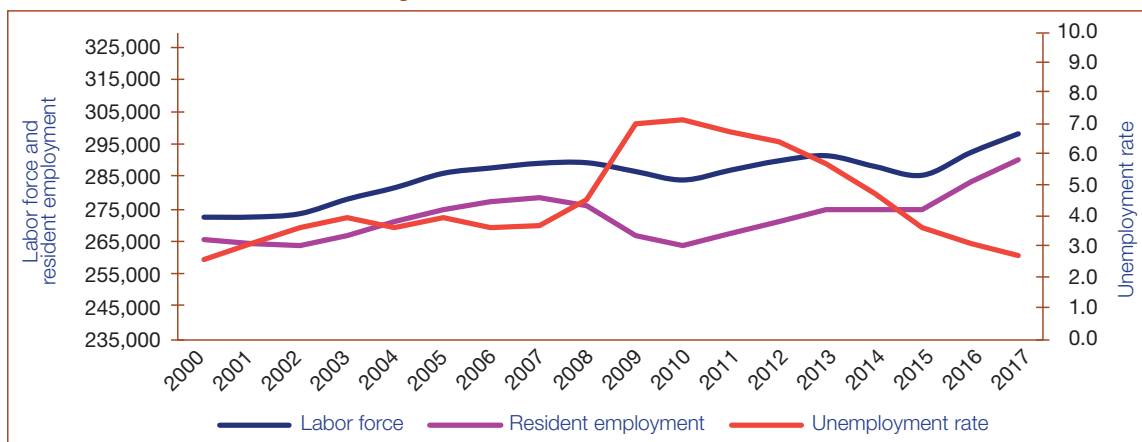
The education and health services sector, which includes four of the ten largest employers in the HMA and is the largest nonfarm payroll sector, with 43,400 jobs, or nearly 21 percent of all nonfarm payrolls during the 12 months ending May 2018 (Figure 2) has led recent job growth. Since 2000, the sector has been the fastest growing payroll sector in the NECTA (Figure 3) adding jobs each year during the period and surpassing the number of jobs in the wholesale and retail trade sector in 2008.

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

	12 Months Ending		Absolute Change	Percent Change
	May 2017	May 2018		
Total nonfarm payroll jobs	205,300	208,000	2,700	1.3
Goods-producing sectors	22,800	23,200	400	1.8
Mining, logging, and construction	9,500	9,700	200	2.1
Manufacturing	13,300	13,600	300	2.3
Service-providing sectors	182,500	184,700	2,200	1.2
Wholesale and retail trade	33,300	33,100	-200	-0.6
Transportation and utilities	6,600	6,800	200	3.0
Information	3,100	3,100	0	0.0
Financial activities	15,700	16,100	400	2.5
Professional and business services	27,700	28,000	300	1.1
Education and health services	41,700	43,400	1,700	4.1
Leisure and hospitality	23,500	23,200	-300	-1.3
Other services	7,800	7,800	0	0.0
Government	23,200	23,300	100	0.4

Notes: Based on 12-month averages through May 2017 and May 2018. Numbers may not add to totals because of rounding.  
Source: U.S. Bureau of Labor Statistics

**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Portland-South Portland HMA, 2000 Through 2017

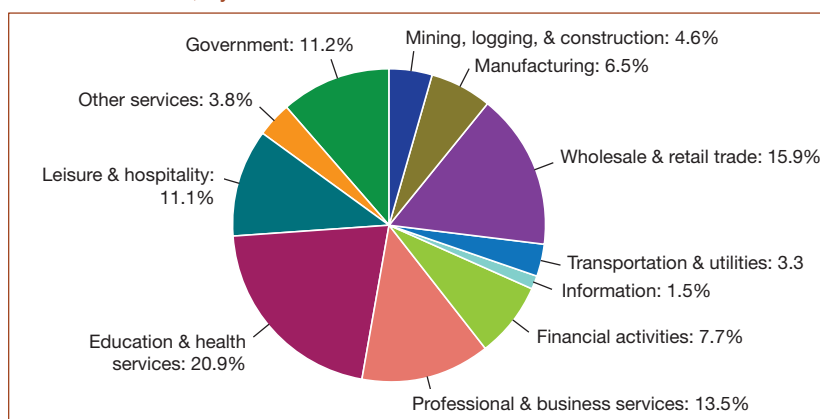


Source: U.S. Bureau of Labor Statistics

From 2001 through 2007, when the NECTA added an average of 1,800 jobs, or 1.0 percent a year, more than one-half of overall job growth occurred in the education and health services sector, which expanded by an average of 1,000, or 3.2 percent, a year. During the period, the healthcare and social assistance industry increased by 700 jobs, or 2.8 percent, a year. The sector added an average of 600 jobs, or 1.7 percent, annually, from 2008 through 2010, figures that accelerated to averages of 900 jobs and 2.3 percent, annually, from 2011 through 2016. During the 12 months ending May 2018,

the sector added 1,700 jobs, or 4.1 percent, both the largest and fastest job growth in the NECTA. Much of the recent gains in the sector are attributed to the completion of a \$40 million, two-story expansion of the surgery wing at Maine Medical Center, a member of MaineHealth, which is the largest employer in the HMA, in 2015; adding an undisclosed number of jobs (Table 3). Increased student enrollment at the University of New England, a private university with two campuses in the HMA, has also contributed to recent job growth in the sector. From 2010 through 2017, fall enrollment increased by an average of 470 students, or 8 percent, a year, to 8,275, while total staff (full-time and part-time) increased an average of 60 members, or 6 percent a year, to approximately 1,375. The university had an economic impact of more than \$1 billion across the state of Maine during the 2016 academic year (Planning Decisions, Inc). At the University of South Portland, a public university, fall enrollment has declined an average 260 students, or 3 percent, a year, to 7,800 from 2011 through 2017, while total staff has remained relatively unchanged at 680.

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

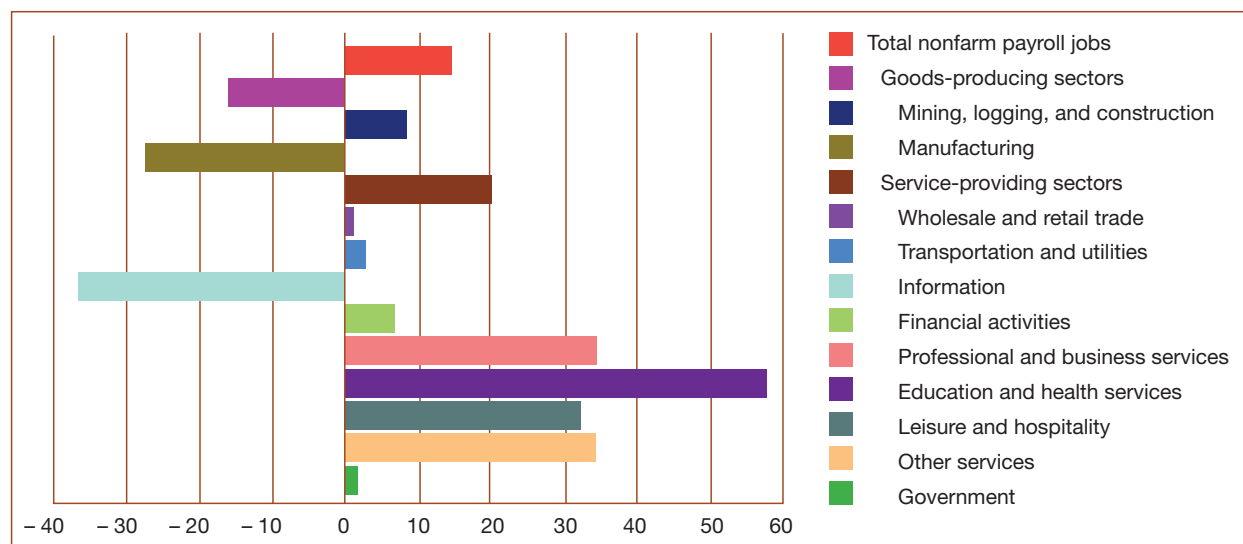


Note: Based on 12-month averages through May 2018.

Source: U.S. Bureau of Labor Statistics

## Economic Conditions *Continued*

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



Note: Current is based on 12-month averages through May 2018.

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	9,001 to 9,500
Portsmouth Naval Shipyard	Government	6,450
General Dynamics Bath Iron Works	Manufacturing	5,501 to 6,000
L.L. Bean, Inc.	Wholesale & retail trade	5,501 to 6,000
Hannaford Bros. Co.	Wholesale & retail trade	4,001 to 4,500
Unum Provident	Financial activities	2,501 to 3,000
Southern Maine Health Care	Education & health services	2,001 to 2,500
Pratt & Whitney Aircraft Group	Manufacturing	1,501 to 2,000
Mercy Hospital	Education & health services	1,001 to 1,500
University of New England	Education & health services	1,375

Note: Excludes local school districts. Data for the University of New England are as of fall 2017. Data for Portsmouth Naval Shipyard are civilian employees for calendar year 2017. For all other employers, employees are as of the fourth quarter of 2017.

Sources: Maine Department of Labor; Office of Institutional Research and Assessment at the University of New England; Seacoast Shipyard Association Economic Impact Report 2017.

The city of Portland, founded in 1632, with its location on the Atlantic Ocean began as a center for shipping and commerce at the Port of Portland, which remains a significant economic component of the HMA. During the 12 months ending May 2018, the value of goods imported by vessels through the Port of Portland totaled \$865.1 million, up 27 percent from the previous 12 months (U.S. Census Bureau). The total value of goods exported through the Port of Portland was \$81.9 million during the same period, up 18 percent from the previous 12 months. Shipping and commerce associated with the port have a significant economic impact throughout the NECTA, particularly the wholesale and retail trade sector, which added an average of 400 jobs, or 1.1 percent, annually, from 2012 through 2016. Eimskip, an Icelandic shipping company, contributed to those gains beginning in 2013, when the city of Portland became its North American headquarters. The wholesale and retail trade sector decreased by 200 jobs, or less than

1 percent, to 33,100 during the 12 months ending May 2018 because of a 230-job, or 0.9-percent loss in the retail trade subsector.

Historically, the HMA has also benefitted from manufacturing associated with the military. Located at the southern tip of Maine, Portsmouth Naval Shipyard, which overhauls and modernizes submarines, is the second largest employer in the HMA. The facility has 6,450 civilian employees and, in 2017, had an economic impact of more than \$751.8 million on the local economy. General Dynamics Bath Iron Works, located primarily in the city of Bath, designs, fabricates, and assembles ships for the U.S. Navy. Ships currently underway include the final of three Zumwalt-class destroyers, which take more than 3 years to build, and six Arleigh Burke-class destroyers. Pratt & Whitney Aircraft Group produces parts for military and commercial jet engines and has the largest manufacturing facility in Maine.

The location of the HMA has helped it develop into a major tourist destination. The city of Portland is a port of call for several cruise lines that transport thousands of passengers annually. During 2018, an estimated 236,800 passengers and crewmembers are expected to disembark at the Port of Portland, 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 when national economic conditions were weak and passenger traffic declined. The ferry served approximately 35,600 passengers in 2016 and 41,600 in 2017, mostly during July

and August. Visitors to the HMA have contributed to job growth in the leisure and hospitality sector, the fifth largest component of the Portland NECTA economy, with 23,200 jobs, or 11 percent of total nonfarm payrolls. Despite increased visits from Canadians, during the 12 months ending May 2018, the sector lost 300 jobs, a reverse from the 700-job gain during the previous 12-month period and the average of 500 jobs, or 2.1 percent that were added every year from 2010 to 2016. The only other year the sector lost jobs since 2000 was in 2008 when 200 jobs, or 1 percent were lost partly because the national economy was in a recession; the number of jobs in the sector remained unchanged in 2009.

The third largest sector is the professional and business services sector, with 28,000 jobs, or approximately 14 percent of total nonfarm payrolls in the NECTA. From 2010 to 2016, the sector added an average of 600 jobs, or 2.2 percent, annually. Part of the growth in the sector during the period, is attributed to SaviLinx, a call center, which opened on the former site of the Naval Air Station (NAS) Brunswick, in the town of Brunswick in 2013 and expanded in 2016 to 140 full-time employees. During the 12-months ending May 2018, the professional and business services sector added 300 jobs, or 1.1 percent, down from 400 jobs, or 1.3 percent growth, during the previous 12-month period.

Prior to the recent period of job growth, the HMA lost jobs during the Great Recession, from 2008 through 2010; payrolls in the NECTA declined by an average of 2,300 jobs, or 1.2 percent, a year, compared with the national loss rate of 1.9 percent a year. During the period, 7 of 11 sectors in the



HMA lost jobs, with the largest losses in the wholesale and retail trade sector, which declined by 1,000 jobs, or 2.9 percent a year. The sector accounted for more than 40 percent of the losses from 2008 through 2010, mostly because of declines in the retail subsector. L.L. Bean, Inc., a mail-order and retail company based in the town of Freeport and one of the largest employers in the Portland HMA, reduced its workforce by approximately 200 jobs in 2009. Additional job loss occurred in the government sector, the fourth largest nonfarm payroll sector, which lost an average of 300 jobs, or 1.2 percent annually, partly because of the 2005 Base Realignment and Closure committee decision to close NAS Brunswick, a process that began in 2008 and was completed in 2011.

During the 3-year forecast period, the economy of the HMA is expected to continue expanding, with nonfarm payrolls increasing an average of 1,700 jobs, or 0.8 percent annually. Job gains are

expected to be higher in the first year of the forecast period and moderate through the third year. Job growth is likely to remain strongest in the education and health services sector partly because of a \$512 million, 5-year, three-phase expansion of the Maine Medical Center currently under construction. The first phase, which is expected to be complete in late 2019, includes the addition of three levels, or 225-parking spaces, to the visitor parking garage, the relocation of the helipad, and the addition of 64 new rooms (or two floors) for cancer patients in the east tower. The remaining two phases are expected to increase the overall footprint of the medical center by 25 percent, although the number of permanent jobs to be added is currently unknown. Additional job growth is expected at General Dynamics Bath Iron Works because the U.S. Navy awarded the company a \$49.8 million contract to provide lead yard services for the Arleigh Burke-class destroyers.

## Population and Households

As of June 1, 2018, the population of the Portland HMA is estimated at 535,100. Approximately 55 percent of the population resides in Cumberland County, which includes the most populous city—Portland—and also South Portland, while 38 percent reside in York County, and the remainder reside in Sagadahoc County.

For most of the period since 2000, generally stable job growth in the HMA has attracted movers to the HMA from other parts of New England, particularly from the city of Bangor, Maine, which

accounted for all the net in-migration from the state (Internal Revenue Service tax return data 2000–2015). The population in the HMA has grown at a slower rate since 2010 compared with the early to mid-2000s due to declining net natural increase (resident births minus resident deaths), however. From 2000 to 2007, population growth in the HMA averaged 3,400 people, or 0.7 percent, annually (Census Bureau population estimates as of July 1). During the period, net in-migration averaged 2,200 people a year and accounted for

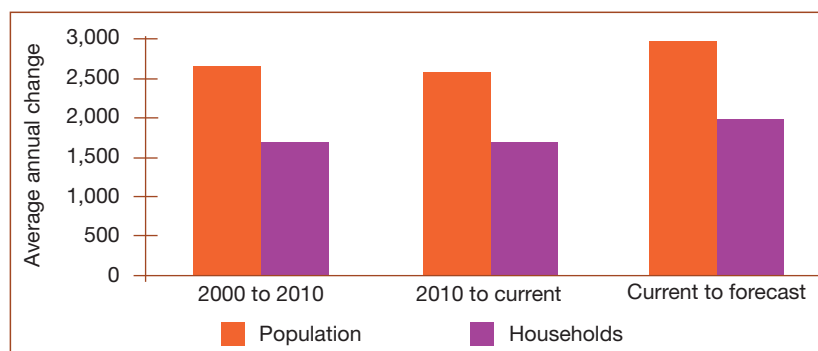
65 percent of population growth. Weak economic conditions and the impact of the national housing crisis beginning in 2007 caused population growth in the HMA to slow to an average of only 670 people, or 0.1 percent, annually, from 2007 to 2010. All population growth during the period was attributed to net natural increase because net out-migration averaged 300 people, a year. The transition of approximately 5,000 military and civilian personnel from NAS Brunswick to NAS Jacksonville, FL contributed significantly to the net out-migration during the period. Job growth has contributed to average net in-migration of 2,375 people, annually, since 2010, although

population growth has averaged only 2,575 people, or 0.5 percent, during the period because net natural change has averaged only 200 a year, compared with 970 a year from 2000 to 2007. The fall in net natural change is partly tied to the aging of the population.

Since 2010, overall population growth has been the result of an increase in the retirement age portion of the population, age 65 and older, which increased by an average of 3,075, or 3.7 percent, annually, from 2010 to 2016 (2016 American Community Survey [ACS] 1-year estimates). During the same period, the working age population in the HMA, those 18 to 64 years, decreased by an average of 260 people, or 0.1 percent, a year, while the portion of the population aged 18 and younger declined by an average of 900 people, or 0.9 percent, a year. During the next 3 years, the population of the HMA is expected to increase by an average of 1,975, or 0.6 percent, annually, to 544,000 (Figure 4). The majority of population growth will consist of those 65 and older, while the working age population is expected to increase only slightly, and the population aged 18 and younger is expected to continue to decline. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

Despite the decreased rates of population growth since the late 2000s, the relatively small household size for those 65 years and older has resulted in stable household growth in the HMA since 2000. From 2000 through 2010, the number of households increased from 196,669 to 213,436, an average annual increase of 1,675, or 0.8 percent. The number of households in the HMA is currently estimated at 227,100, an

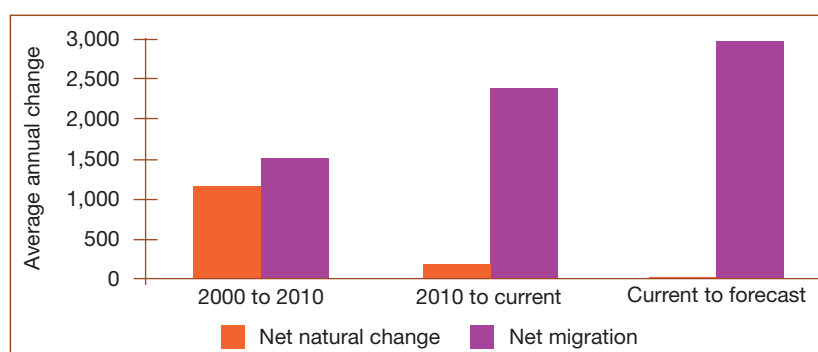
**Figure 4. Population and Household Growth in the Portland-South Portland HMA, 2000 to Forecast**



Note: The current date is June 1, 2018. The forecast date is June 1, 2021.

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

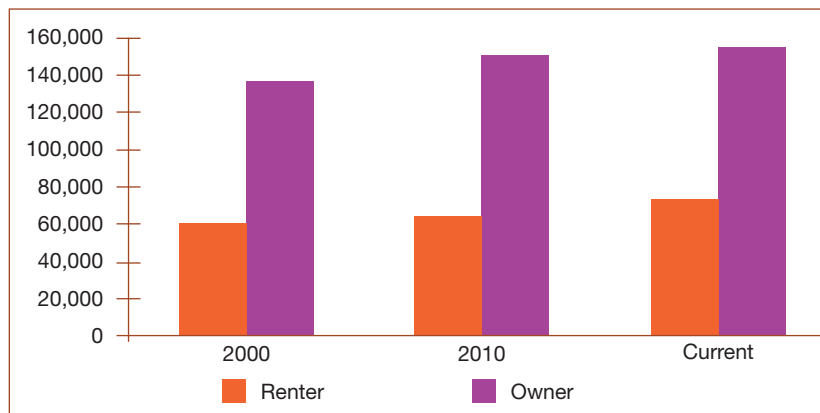
**Figure 5. Components of Population Change in the Portland-South Portland HMA, 2000 to Forecast**



Note: The current date is June 1, 2018. The forecast date is June 1, 2021.

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

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



*Note: The current date is June 1, 2018.*

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

average annual increase of 1,675, or 0.8 percent, since April 2010. During the 3-year forecast period, the number of households is expected to increase by an average

of 1,975, or 0.9 percent, annually, faster than the rate of population growth. Figure 6 depicts the number of households by tenure from 2000 through the current date.

## Housing Market Trends

### Sales Market

The sales housing market in the Portland HMA is currently tight, with an estimated vacancy rate of 1.2 percent, down from 1.9 percent in April 2010, because increased demand and limited homebuilding activity in the HMA have contributed to a significant decline in available inventory (Table DP-1). As of June 1, 2018, the months' supply of homes also declined to 2.7 months, down from 5.1-months' supply of homes in April 2010 (CoreLogic, Inc.). The sales market in the HMA fared better than both Maine and the nation during the housing crisis, due to relatively low rates of seriously delinquent mortgage loans (loans that are 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties. In April 2010, 6.1 percent of mortgages were seriously delinquent or had

transitioned into REO status compared with rates of 6.5 and 8.2 percent for Maine and the nation, respectively (CoreLogic, Inc.). As of May 2018, the rate of seriously delinquent loans and REO properties in the HMA was 1.9 percent, down from 2.4 percent a year ago, and below the rates of 2.8 and 2.0 percent for Maine and the nation, respectively. Despite the relatively moderate impact of the national housing crisis in the HMA, the homeownership rate has decreased 2.0 percentage points since 2010 to 68.0 percent, partly because of relatively high sales prices compared with the state.

During the local housing market downturn from 2007 through 2010, an average of 3,575 new and existing single-family homes, townhomes, and condominiums sold annually in the HMA, down



## Housing Market Trends

Sales Market *Continued*

45 percent from the average of 6,525 homes sold in 2006 (CoreLogic, Inc., with adjustments by the analyst). The decline in sales reflected reductions in the number of regular resales and new home sales of 2,925 and 270, or 49 and 48 percent, respectively, but growth in REO home sales slightly offset those reductions. When the market weakened, REO purchases rose from 20 homes sold in 2006 to an average of 210 homes sold, annually from 2007 through 2010. The sales market in the HMA began to improve in 2011, following the economic downturn. The number of new and existing home sales increased 25 percent during each of the next 5 years to 10,750 in 2015, before decreasing to 10,000 homes sold in 2016 when the number of REO sales declined 26 percent. Total home sales have rebounded during the most recent 24 months, however. During the 12 months ending April 2018, 10,550 homes sold, a 17-percent increase from the previous 12 months. New home sales and regular resales were up by 20 and 1,675 homes, or 5 and 21 percent, respectively, from a year earlier, while REO sales declined by 120, or 30 percent.

The average new and existing home sales price rose 8 percent during the 12 months ending April 2018, to \$308,600, a faster rate than the average of 3 percent, annually from 2011 through 2016. The current home sales price in the HMA is 24 percent higher than the average of \$249,500 from 2007 through 2010, when REO sales comprised 6 percent of existing sales and negatively affected the average sales price in the HMA; REO sales currently comprise 3 percent of existing sales. From 2007 through 2010, the average REO home sales price was \$181,800, approximately 29 percent lower than the \$256,800 average sales price of a regular

resale home. The current home sales price in the HMA is 8 percent above the \$286,900 peak reached in 2006 before the local housing downturn. The current average sales price in the HMA is 27 percent higher than the average home sales price in Maine.

Part of the increase in new home sales and prices since 2011 is attributed to increased development of relatively expensive 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 HMA is the 26-unit Luminato in the city of Portland, which was completed during the summer of 2017. Units offered at the Luminato had starting prices of \$345,000, \$500,000, and \$900,000 for one-, two-, and three- bedroom units, respectively; every unit was sold 6 months before the development was completed. A number of new sales units in the HMA were also created through the process of converting apartments to condominiums. In 2017, the 25 High Street complex in Portland was under construction as apartments but was converted to condominiums; of the 63 units, currently 13 units are available for sale. Also in Portland, the 28-unit Twenty Thames is currently under construction. Completion is expected by fall 2018, with prices expected to range from \$500,000 to more than \$2 million for two- and three-bedroom units. Additional condominium construction is underway in Kittery, 45 miles south of Portland. When the 11-unit Landmark Hill Square is complete in July 2018, prices are expected to start at \$389,000 for a three-bedroom unit.

Homebuilding activity, as measured by the number of

## Housing Market Trends

Sales Market *Continued*

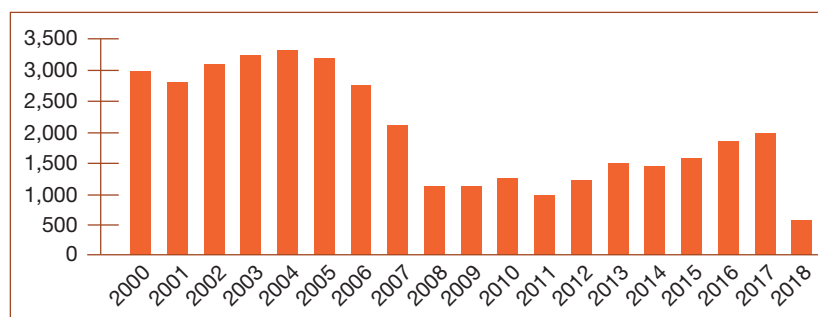
single-family homes permitted, has increased since 2012, but has been at relatively low levels since the late 2000s, in part because of retiree's propensity to purchase condominiums. From 2000 through 2004, the number of single-family homes permitted averaged 3,100 annually, before declining each subsequent year to 2,125 homes in 2007. From 2008 through 2011, the number of homes permitted averaged 1,100 homes annually in response to the local economic contraction and housing market downturn (Figure 7). Even with population growth and improving economic conditions, homebuilding activity increased slightly to an average of 1,500 homes a year, from 2012 through 2016. During the 12 months ending May 2018, 1,500 homes were

permitted compared with 1,350 homes permitted the previous year (preliminary data).

Recent single-family home construction has been distributed broadly across the HMA. In Saco, 17 miles south of downtown Portland, the Cascade Falls subdivision is expected to be completed in 9 phases. Construction of phase 1 began in 2018, with 10-single-family lots for sale. When all 9 phases are complete, the community will feature 72 hotel-style apartments, condominiums, and single-family homes, with prices starting at \$350,000 for a two-bedroom condominium. In Westbrook, approximately 8 miles west of downtown Portland, Twin Falls Landing, is currently in the planning phase. The 36-lot subdivision would be across the street from Autumn Woods, an apartment complex currently under construction. Prices are expected to start at \$550,000 for an 1,800-square-foot home.

During the next 3 years, demand is expected for an estimated 5,525 new homes in the HMA (Table 1). Demand is expected to be higher in the first year of the forecast period and moderate through the third year as economic growth levels off. Most of the demand for condominiums is expected to be in and around Portland, whereas single-family home demand will be widespread. Approximately 16 percent of total owner housing demand will be for condominiums, the remainder will be for single-family homes. The 490 single-family homes currently under construction will satisfy a small proportion of the estimated demand during the forecast period. Sales are expected to be strongest in the \$300,000-to-\$399,999 price range. Table 4 shows the estimated demand for market-rate sales housing by price range.

**Figure 7.** Single-Family Homes Permitted in the Portland-South Portland HMA, 2000 to 2018



Notes: Includes townhomes. Includes data through May 2018.

Source: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

**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		
200,000	299,999	1,650	30.0
300,000	399,999	2,475	45.0
400,000	499,999	1,100	20.0
500,000	and higher	280	5.0

Note: Numbers may not add to totals because of rounding. The 490 homes currently under construction in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

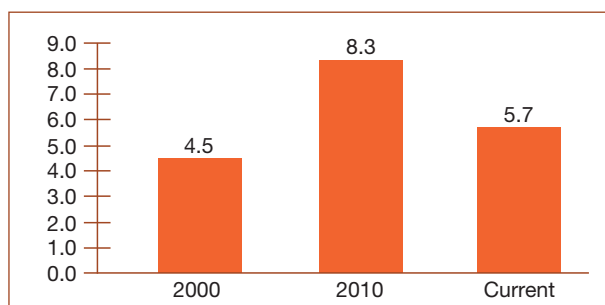
## Rental Market

Overall rental housing market conditions are currently balanced in the Portland HMA. The vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) is estimated at 5.7 percent, down from 8.3 percent in April 2010 (Figure 8). Approximately 63 percent of renter households in the HMA live in single-family homes, duplexes, multifamily properties with three or four units, and mobile homes (2016 ACS 1-year data); this ratio is higher than the 57 percent rate in the nation. Multifamily buildings with five or more units, typically apartments, accounted for the remaining 37 percent of all occupied rental units in the HMA in 2016. Of those occupied apartment units, 69 percent are in Cumberland County, 27 percent are in York County, and the remaining 4 percent are in Sagadahoc County.

Apartment market conditions in the HMA are currently slightly

tight because demand has exceeded supply as relatively high home sales prices prevent many potential buyers from purchasing, leading to low vacancy rates and strong rent growth. In 2006, when economic conditions were strong and readily available access to mortgage credit contributed to a higher propensity for homeownership, the apartment vacancy rate in the HMA was 7.7 percent and the average rent was \$927 (RealPage, Inc.). From 2007 through 2010, when homeownership decreased in response to the housing crisis, demand for apartments increased, reducing the apartment vacancy rate to 6.1 percent as of 2010. During the same period, the average rent increased by an average of \$25, or 3 percent, a year. When economic conditions began to improve in the early 2010s, increased net in-migration contributed to further absorption of available inventory and the apartment market vacancy rate continued to decline, reaching 3.0 percent during 2015. From 2011 through 2015, the average rent increased an average of \$48, or 4 percent, a year, to \$1,269. Although developers responded to tight conditions with high levels of apartment production in 2015 and 2016, the apartment vacancy rate has remained relatively low, and rent growth has remained strong. During the first quarter of 2018, the apartment vacancy rate was 4.2 percent, down from 6.6 percent during the first quarter of 2017. Strong demand and newer, generally expensive developments put upward pressure on rents during the period, and the average apartment rent increased \$78, or 6 percent, to \$1,403 during the first quarter of 2018.

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



Note: The current date is June 1, 2018.

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

## Housing Market Trends

Rental Market *Continued*

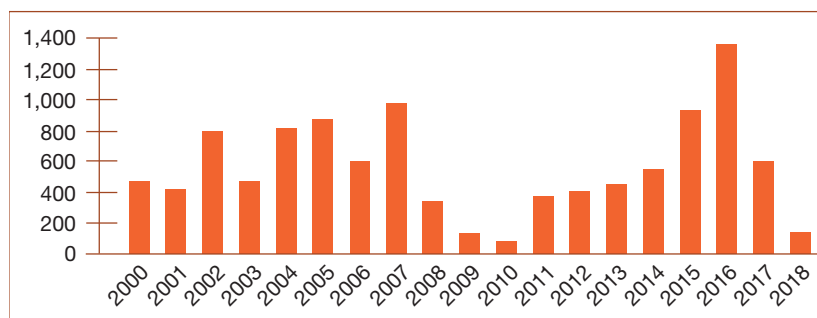
The rental market in the HMA is notably impacted by enrollment at the University of Southern Maine and the University of New England. Of the 16,100 students enrolled at the two universities, approximately 2,700 are housed in on-campus dormitories. The remaining 13,400 students who live off campus occupy an estimated 4,375 rental units. Students account for approximately 6 percent of the rental market.

Multifamily construction activity, as measured by the number of multifamily units permitted, has slowed during the past 24 months after increasing each year from 2011 through 2015 and reaching a recent high in 2016. From 2000 through 2006, multifamily permitting averaged 620 units a year, before increasing to 970 units in 2007 when the national housing crisis began. With the onset of economic contraction and net out-migration, the number of multifamily units permitted decreased to an average of only 170 units annually from 2008 through 2010, however. Multifamily construction subsequently increased to an

average of 440 units a year, from 2011 through 2014, before surging to 930 units in 2015 and, 1,350 units in 2016 in response to the tightening market. During the 12 months ending May 2018, 600 multifamily units were permitted, up from 460 during the previous 12-month period (preliminary data, with adjustments by the analyst). Of the 4,375 multifamily units permitted in the HMA from 2000 through 2006, when homeownership was higher, an estimated 890 units, or nearly 26 percent, were built as owner-occupied units. Since 2007, approximately 16 percent of all multifamily units in the HMA have been built for owner occupancy. Figure 9 shows the number of multifamily units permitted in the HMA from 2000 through the current date.

Recent apartment completions in the HMA include the Hiawatha, a 139-unit apartment complex in the city of Portland completed in July 2017. Rents for studios, one-, and two-bedroom units start at \$1,150, \$1,333, and \$2,325, respectively. Currently, multifamily construction is underway at the \$3 million, 60-unit market-rate Carrier Woods Apartments in Scarborough, approximately 8 miles southwest of the city of Portland. When completed in September 2018, the property will feature one- and two-bedroom units, with rents ranging from \$1,375 to \$1,500, respectively. In addition, Autumn Woods, a 108-unit apartment complex in Westbrook, will consist of one- and two-bedroom units with rents ranging from \$1,325 to \$1,475 when construction is complete in August 2018. The growing retiree population has also impacted the rental market, and projects currently under construction include multiple luxury developments intended for retirees. In the cities of Portland

**Figure 9.** Multifamily Homes Permitted in the Portland-South Portland HMA, 2000 to 2018



Notes: Excludes townhomes. Includes data through May 2018.

Source: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

## Housing Market Trends

Rental Market *Continued*

and South Portland, 3 such properties with approximately 353 independent and assisted units are currently under way. Approximately 18 miles southwest of Portland in the city of Biddeford, an additional 181-general occupancy market-rate apartment units are in planning at Lincoln Mill. The conversion of the former textile mill was first proposed in 2014 and is now expected to be complete by July 2020.

During the next 3 years, demand is estimated for 1,675 new market-

rate rental units in the HMA (Table 1). Similar to the sales market, demand is expected to peak in the first year and level off in the second and third years of the forecast period, as economic growth moderates. The 710 units currently under construction and the 181 units in planning will meet a portion of the expected rental housing demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

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

Zero Bedrooms		One Bedroom		Two Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
1,150 to 1349	150	1,300 to 1,499	460	1,450 to 1,649	250
1,350 to 1549	65	1,500 to 1,699	190	1,650 to 1,849	100
1,550 or more	40	1,700 to 1,899	190	1,850 to 2,049	50
		1,900 or more	95	2,050 to 2,249	50
				2,250 or more	50
Total	250	Total	930	Total	510

*Note: Monthly rent does not include utilities or concessions. Numbers may not add to totals because of rounding. The 710 units currently under construction will likely satisfy some of the estimated demand.*

*Source: Estimates by analyst*

## Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	265,372	263,760	291,800	- 0.1	1.4
Unemployment rate	2.6%	7.1%	2.5%		
Total nonfarm payroll jobs	181,500	187,500	208,000	0.3	1.4
Total population	487,568	514,098	535,100	0.5	0.5
Total households	196,669	213,436	227,100	0.8	0.8
Owner households	136,424	149,343	154,400	0.9	0.4
Percent owner	69.4%	70.0%	68.0%		
Renter households	60,245	64,093	72,700	0.6	1.6
Percent renter	30.6%	30.0%	32.0%		
Total housing units	233,323	262,718	275,100	1.2	0.6
Sales vacancy rate	0.8%	1.9%	1.2%		
Rental vacancy rate	4.5%	8.3%	5.7%		
Median Family Income	NA	NA	NA	NA	NA

*Notes: Median Family Incomes are for 1999, 2009, and 2016. Employment data represent annual averages for 2000, 2010, and the 12 months through May 2018. Nonfarm payroll data are for the Portland-South Portland NECTA.*

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



## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 6/1/2018—Estimates by the analyst

Forecast period: 6/1/2018–6/1/2021—Estimates by the analyst

The metropolitan statistical area and New England city and town area definitions noted in this report are based upon 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 this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), 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\\_18.pdf](http://huduser.gov/publications/pdf/CMARtables_Portland_SouthPortlandME_18.pdf).

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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 the Economic and Market Analysis Division within HUD. 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.

For additional reports on other market areas, please go to [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).