

**Markets for Traditional Neighborhoods
in Midcoast Maine**

Summary Report

Maine State Planning Office

April, 2003

Markets for Traditional Neighborhoods in Midcoast Maine

Summary Report

A Study of Residents Living in Midcoast Maine Regarding Preferences in Home Location Along With Analysis of Housing Demand.

April, 2003

**Maine State Planning Office
David H. Keeley, Acting Director**

Study Co-Managers: Kenneth Smith, Rockport Town Manager, and Wayne Marshall, Belfast City Planner.

Study Advisory Committee Members: Kerry Leichtman, Rockport Planning Board; Christopher Shrum, Rockport Comprehensive Planning Committee, Jack Williams, Camden National Bank, and Michael Lund, Kenniston Real Estate.

Project Coordinator: John Del Vecchio, State Planning Office

Primary Investigator: Brian Robertson, Ph.D., Market Decisions, LLC

Summary Report Author: Frank O'Hara, Planning Decisions, Inc.

Funding was provided by the U.S. Department of Commerce, Office of Ocean and Coastal Resource Management, under the Coastal Zone Management Act (CZMA) of 1972, as amended. CZMA is administered in Maine by the State Planning Office's Maine Coastal Program.

A. Introduction

This paper is a companion to the Market Decisions study “State Planning Office: Belfast and Rockland LMA Housing Study,” published in 2002. That study reported on and analyzed a survey of 300 households in the Rockland and Belfast housing market areas (as defined by the Maine State Housing Authority, and the same as labor market areas as defined by the Maine Department of Labor). The survey explored what people look for when they moved most recently, and what they will look for if they move again. The purpose of the survey was to explore people’s preference for living in a “Great American Neighborhood” in the midcoast area. This type of development is also referred to as a “traditional neighborhood” or “neotraditional.” It is characterized by mixed uses (single and multi-family housing, stores, schools, businesses); a variety of prices and housing types; compact, walkable arrangement; sidewalks and paths for pedestrians; with parks and public spaces integrated throughout. Examples of Great American Neighborhoods exist in many midcoast communities, including residential neighborhoods adjacent to the downtowns of Belfast, Camden and Rockland and villages in Rockport and Union.

This companion report generalizes the Market Decisions findings to estimate housing demand for traditional neighborhoods within the market areas as a whole by bringing in other data from the Maine State Housing Authority, the Census, and the Maine Multiple Listing Service. It proceeds by describing the components of demand (B), estimating annual movement within the housing market areas C), summarizing overall demand for neotraditional housing (D), looking at new additions to housing each year (E), considering turnover of existing housing (F), and summarizing the results (G).

B. Net new housing demand

The demand for housing in a region is driven by two basic elements:

- 1) net new households in the region, and
- 2) the replacement of housing lost to fire or demolition

New households can come from three sources:

- 1) young people leaving home to start their own households
- 2) in-migration to the area; and
- 3) divorces and household breakups.

Each of the three is offset by an opposite movement. Even as young people form new households, older people die and households are lost. As some move into the area, others leave. As some get divorced, others get married. In assessing housing demand, it is generally the *net* change that is measured.

In the Rockland and Belfast Housing Market Areas, the net housing demand from these sources came to roughly 450 housing units per year during the 1990s:

Table 1: Annual Housing Demand, Coastal Market Areas, 1990-2000

	Rockland HMA	Belfast HMA	Total
Net New Households	250	150	400
Housing Loss	30	20	50
Annual demand	280	170	450

Source: Maine State Housing Authority (*figures rounded by Planning Decisions*)

C. Annual housing movement within the Belfast and Rockland market areas

Net housing demand figures, however, like tips of icebergs, can give an misleading impression of the depth and scale of day-to-day real estate activity going on within the market.

This total activity can be estimated through the use of survey data. The recent Market Decisions survey of households in the Rockland and Belfast market areas found that nearly 1 in 4 households in the two market areas had moved in 2001 or 2002 (see page 15 of survey results). This is 6,500 households in a market of less than 29,000 households. If this number seems high, it is confirmed by another source. The 2000 Census found that, in the 15 months from January 1, 1999, to April 1, 2000, 1 in 6 Knox County residents and 1 in 7 Waldo County residents had moved – a roughly comparable annual rate of movement as that found in the Market Decisions survey.

Using the Market Decisions findings as a basis, in any given year along the midcoast roughly 1 in 9 households (11.5%) is changing residences. In all, this comes to 3,250 coastal households landing in a new place every year. Of the movers, about 40% are in-migrants from outside the area (roughly 1,300 a year), and 60% (or 1,950 a year) are people moving from within the area (see page 44 of the survey). These estimates are displayed below. They represent the bulk of the iceberg of housing market activity, which are for the most part not visible from typical housing demand data.

Table 2: Annual Housing Movement, Coastal Market Areas

	Rockland HMA	Belfast HMA	Total
Total movers	1,950	1,300	3,250
- from outside	780	520	1,300
- from within	1,170	780	1,950

Source: Market Decisions Survey

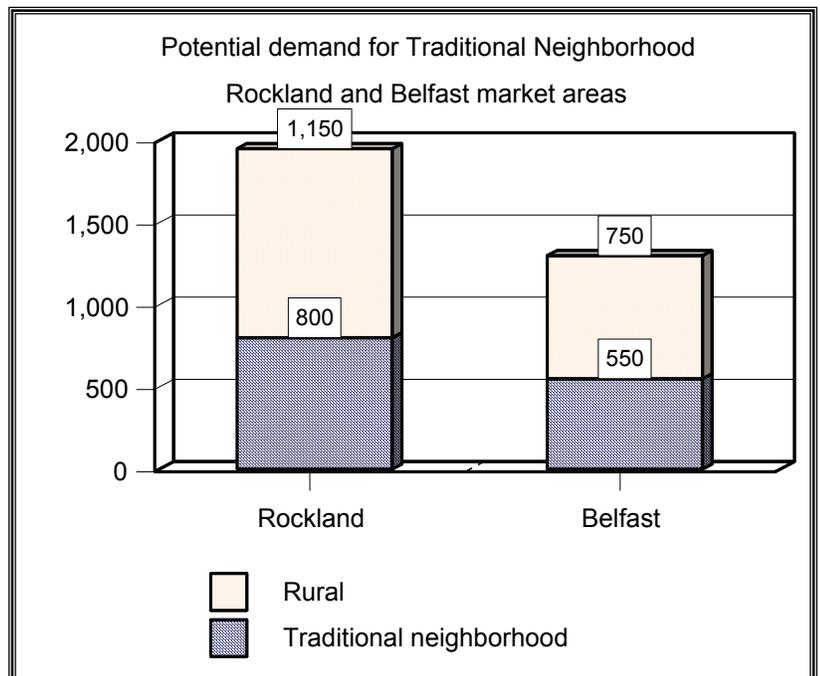
D. Annual demand for a traditional neighborhood

For community planners and homebuilders, the market is the universe of movers, not simply new net demand. In other words, the homebuilder in Rockland is marketing to all 1,950 movers, not simply to the 280 households who represent net new demand. The fact that the net new demand in the Rockland housing market areas is 280 units per year is not irrelevant to the homebuilder's calculations; generally speaking, a homebuilder does not want to build new units in a market that has a negative demand, or in quantities that exceed total net new demand. But assuming that there are some new households coming into the market, the homebuilder's goal becomes achieving a reasonable share of all movers. A 2% share of all movers in the Rockland market, for example, is about 40 units per year.

The universe of all movers, however, is a very broad group of people. It includes a young single person looking for a rent, a family with young children looking for a starter home, an older family looking to upgrade to a larger home, a divorced man or woman looking for an apartment, an older couple looking for a low-maintenance condominium, an elderly person seeking assisted living. Generally speaking, a developer is looking for market share of a specific group in terms of age, income, and housing preference – a particular subgroup of the entire set of movers.

However, in the case of the developer of a “Great American Neighborhood” – a walkable neighborhood with traditional patterns of mixed uses, sidewalks, and services – the neighborhood developer would likely remain interested in the larger number. The reason is that such neotraditional neighborhoods are, by definition, designed to include a variety of housing types with a range of housing costs – from garden apartments to townhouses to single family homes, from government-assisted to high end.

So the first market question is what proportion of the overall group of movers would be interested in a Great American Neighborhood. The Market Decisions survey asked this question and found that 42% of households in the two coastal markets were interested in such a neighborhood (see page 85 of the Market Decisions study). This means that about 550 of the annual moving households in the Belfast market, and 800 in the Rockland market, are interested at least conceptually in buying a home in a traditional neighborhood.



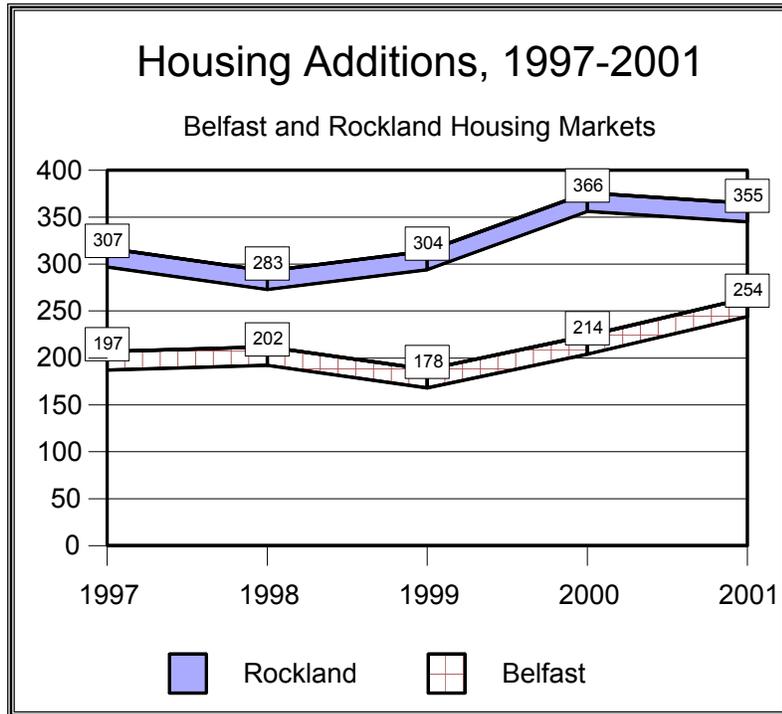


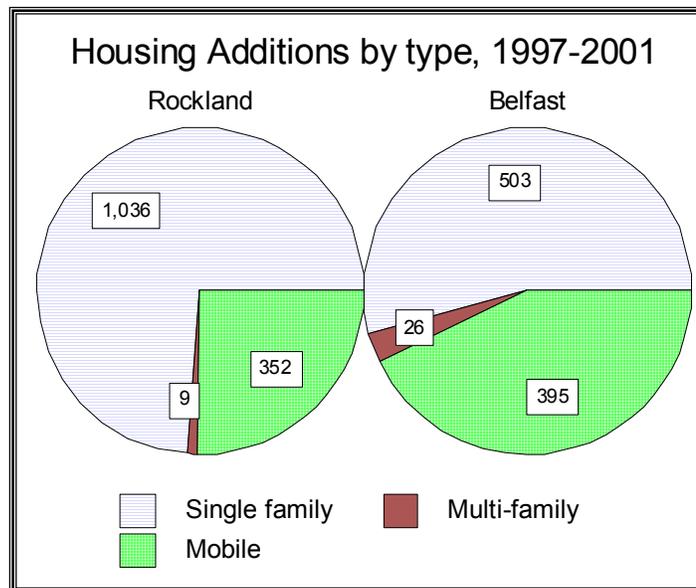
Figure 2
E. Market supply – new additions

After a slow period in the early 1990s, the market in the coastal area has been very active. New housing additions have averaged about 200 units a year in the Belfast market area, and about 300 a year in the Rockland market area (see Figure 2 to the right). This is just above the pace of year-round housing demand (see Table 1 above). However, some of the units built are for seasonal purposes, and these are not easily pulled out of the data series used below (from Maine Revenue Services).

Figure 3

Most of the new housing was single family homes. The second largest amount – about a quarter in the Rockland market, over a third in the Belfast market – was in mobile homes. There were hardly any multi-family units added in this period.

In general, it can be said that new housing additions are keeping rough pace with new demand. But much of the new development is in rural mobile homes, which are a different market than the traditional neighborhood.



F. Market supply – existing housing

As net new housing demand is only a small proportion of total housing movement, so new construction represents only a small proportion of total housing transactions. Most transactions involve already-existing rental and owner stock. Unfortunately, most are not recorded in any convenient way.

There are two basic sources of information on housing transactions. The first is new construction and additions. These (described above) account for about 20% of housing transactions in midcoast Maine. The second source is the Multiple Listing Service (MLS) – a joint information exchange of Maine Realtors. This also accounts for about 20% of housing transactions in the midcoast. All MLS sales involve owner housing, and generally MLS sales are at the higher end of the market. The remaining 60% of transactions involve rental housing, owner-broker sales, and mobile home park sales. Generally rural transactions are less likely to be recorded in MLS than town or city housing sales.

Table 3: 2002 Home Sales, Multiple Listing Service

	Rockland HMA	Belfast HMA	Total
Total sales	427	179	606
High Quartile	\$237,750	\$177,450	\$218,500
Median	\$145,000	\$120,000	\$137,250
Low Quartile	\$105,750	\$80,200	\$95,000

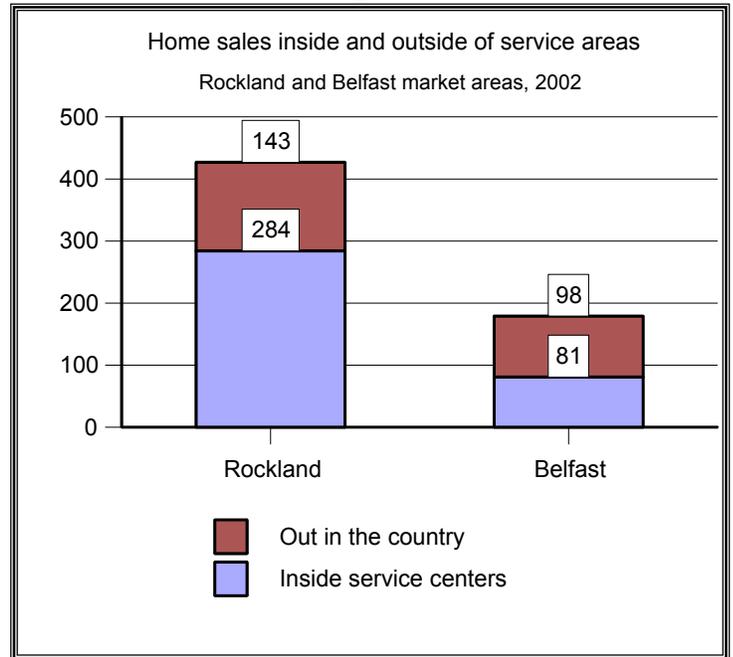
Source: Maine State Housing Authority

The Multiple Listing data (Table 3 above) shows that, even in this limited sample, there is still a healthy range of housing types available in the Belfast and Rockland markets. A quarter of the sales are below \$80,000 in the Belfast area, and \$105,750 in the Rockland area, showing that there is some stock of affordable owner housing. Of the 152 sales in the lower quartile, 22 are mobile homes (there are many more mobile homes changing hands in the rural area, not included in this data source). The lower cost homes tend to be in rural Waldo County, inland Knox County, and in parts of Belfast, Rockland, Thomaston, and Waldoboro.

The majority of the sales in the Rockland housing market were within service center communities (Rockland, Camden, Rockport, Thomaston, Waldoboro), but more sales were in the inland towns rather than service center communities (Belfast, Searsport) in the Belfast market area (see Figure 4 on next page).

The summary impression is that all kinds of housing, at all kinds of prices, are available in the coastal counties, but they are not distributed equally across the landscape. The more expensive housing is in the service centers, the less expensive is in the rural areas inland. This cost disparity may be driving sprawl trends along the coast, as working families seek more affordable housing.

Figure 4



G. Conclusion

Based on the analysis above, there is ample demand in the midcoast market for new homes in a Great American Neighborhood. Assuming that the homes are priced for the middle of the market – values ranging from the first to third quartile, in the \$100,000 to \$200,000 range generally (see Table 4 below) – then a project that captures 5% of potential demand can sell or rent 50 units a year in the Rockland area and 30 a year in the Belfast market.

Given that the product of a Great American Neighborhood will be extremely unique, a 10% penetration rate should be an achievable goal for a quality developer.

Table 4: Possible Sale Volumes at Different Penetration Rates

Penetration rate	Rockland HMA	Belfast HMA
<i>price range (1st to 3rd quartile)</i>	<i>\$100,000 to \$240,000</i>	<i>\$80,000 to \$180,000</i>
If 1.0% penetration achieved	10	5
If 5.0%	50	30
If 10.0%	100	65
If 20.0%	200	130

Any developer or community interested in such a development should consult the larger Market Decisions study entitled “State Planning Office: Belfast and Rockland LMA Housing Study” for a wealth of detail on movers within the midcoast markets.