

Riding the Real Estate Wave along Maine's Coast

by Ryan Swanson

Whether your take on Maine's real estate scene over the past few years is "half empty" or "half full," it is certain that it has not been boring. Real estate is such an integral part of the US economy that it's nearly impossible to avoid its impact. The National Association of Realtors state Maine's real estate sector accounted for \$14.8 billion, or 19.5 percent of the state's gross product in 2021.¹ Whether you're renting, living in the same home you've owned for 27 years (as many Mainers do!), or have just moved to Maine, the pull of the real estate market here is unavoidable. And that pull gets stronger as you near the coast.

I've been a full time real estate broker in coastal Hancock and Washington Counties since 2004. I've been licensed with small brokerages, I've been licensed with large brokerages, and now I own my own brokerage. Much of what I share is based on my market experiences on the coast Downeast. Though fairly stated, much of Maine's coast has had a shared market experience over the past few years. That market experience has consistently been values up, inventory down. The number one market driver as of late? No question. Easy call: The COVID-19 pandemic. This driver may be obvious, but for reasons more nuanced than one may think. The rise in home values in Maine is actually a trend that precedes COVID. Since about 2015 we have been seeing a consistent up creep in values in coastal Downeast Maine. COVID-19 only served to ramp up the rise in values.

Figure 1 shows some numbers for Maine's eight coastal counties combined (York, Cumberland, Sagadahoc, Lincoln, Knox, Waldo, Hancock, and Washington) and selected from the July statistics from 2019 to 2023, for single family homes sales (based on information from Maine Listings).

The change between 2019 and 2020 could be considered a relatively normal year-over-year gain for value increases given the market conditions at that time: a jump of 6.8 percent in values. Enter COVID-19 and 2020 to 2021 sees a 22.2 percent rise in values, 2021 to 2022 sees a 15.8 percent rise in values, and 2022 to 2023 sees a 5.4 percent rise in values. Anecdotally, I don't recall one account of a waterfront buyer client I was working with over the past few years ever asking me a question or my thoughts on rising sea levels in Maine. I'd guess that this is the same for other brokers along the coast.

I have definitely been asked about this topic many times in years prior. It seems as though concern for the near-term disaster far outweighed that for the long(ish)-term disaster.

Returning to the numbers, it appears obvious that the COVID market wave has come, crested and now ebbed. Or has it? Figure 2 displays the number of single-family homes available for purchase in Maine's eight coastal counties combined over the same period as Figure 1.

That's a record low inventory in 2023. The effects of COVID-19 on our real estate market are still here. While leaps in home value have cooled, it isn't because of a rise in supply. And this low level of inventory does not appear to be shifting any time soon. From my more senior broker colleagues, I've been told of a similar (but smaller) market rally in Maine post-September 11, when that tragic event led to urban flight. These colleagues say it took about three Maine winters for those who came to Maine around 2001 to return to city life outside of Maine. Perhaps we will see this same enter/exit pattern occur again, with 2025 being the year that COVID-inspired

FIGURE 1: Median Home Sales Price in Maine's Coastal Counties, 2019–2023

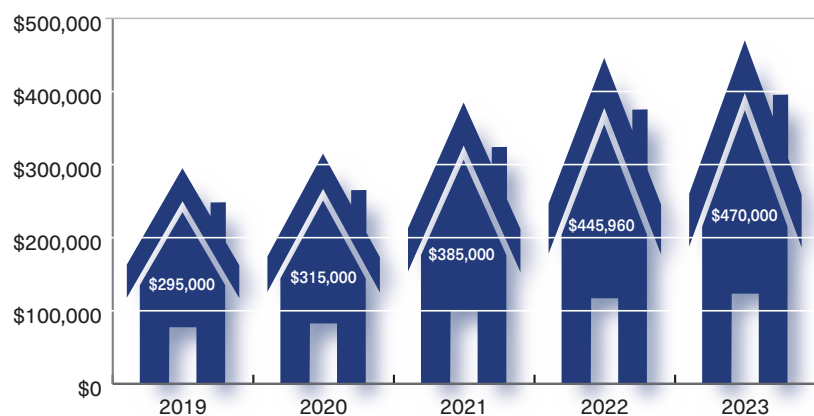
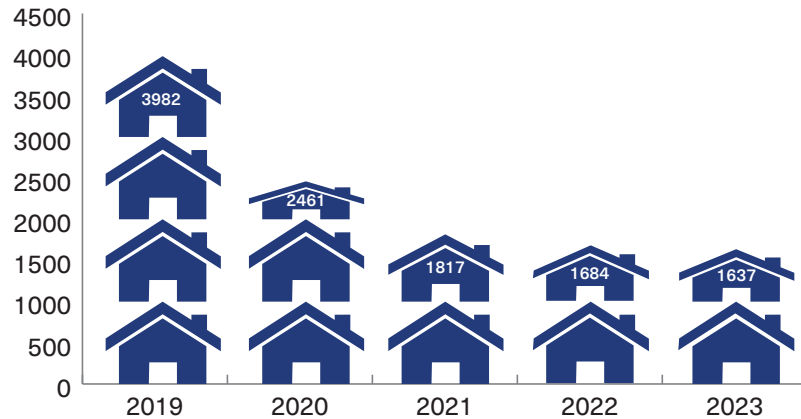


FIGURE 2: **Number of Single-Family Home Available in Maine's Coastal Counties, 2019–2023**



home purchases begin to return to the market as available inventory.

So the numbers tell it, a rush to the coast of Maine to buy homes. But, why? For many Mainers, this is an easy answer: quality of life. Compared to the places many folks who bought homes in coastal Maine came from, Maine is cleaner, safer, prettier; it has more open space, a definable character, and probably most importantly, it is less expensive than most other coastal states. Maine coastal property, even with its average 59 percent gain in value since 2019, is much cheaper than coastal values seen in California, Florida, or most any other coastal state. While Maine has historically had affordable oceanfront property, it took the catalyst of a global pandemic to really get its market juiced.

It's clear that Maine, and all its natural glory, is both a desirable and relatively affordable place to own a home on the water, but what might not be obvious is the key factor that actually allowed many folks to be able to move to Maine: remote working. The complete retooling of the office scene due to COVID-19 restrictions allowed countless professionals to work from anywhere with a stable internet connection. Evolving

internet access technology like Starlink, which makes it possible to get high-speed internet from almost anywhere, and Maine's continuing infrastructure investment in internet access have allowed professionals in other states to actually move here, buy a home here, and live here. With this influx, we also witnessed a change to the way homes in Maine were purchased. In 2019, among the eight coastal counties, an average of 30.1 percent of homes were purchased with cash. In 2023 in those same counties, an average of 40.3 percent of homes were purchased with cash, an increase of more than 30 percent.

Beyond remote working, and especially so in my part of Maine, which has long been a retirement destination, another COVID-inspired realization contributed significantly to the boom in home buying: life is short. We saw people looking at the news, then their retirement plans, and saying, "Three years is too long. I'm moving to Maine now. I can make it work." I'd have an attic full of nickels if I had a nickel for every time I heard a home shopper say, "Well, we were planning on doing this in five years."

The winners seem clear: anyone who moved here to live on the ocean, or near

it, and anyone who services the growing coastal towns and cities of Maine. Who didn't win? Well, in my backyard, Mount Desert Island, we had a housing crisis in 2019. I'm not sure what to call it in 2023, but it is way worse now. It is not uncommon to hear of younger people with careers in fishing driving 55 minutes each way to fish from the harbor that their parents and grandparents fished from, when those same relatives actually lived on the harbor. We're seeing families that have made their livings on the sea for generations be driven inland considerable distances (or exiting fishing altogether) partly because of home affordability near the coast. While those fishing families are emblematic of Maine's working class coastal flight, they are not alone. Most younger home buyers, regardless of their occupation, have been on the losing end of the multiple-offer home-buying scenarios that have become ubiquitous in Maine's coastal counties. Younger buyers often do not have cash available to compete in multiple-offer scenarios or are not willing to purchase a home without a home inspection. Most of our seller clients over the past three years would place a financed purchase offer pending a home inspection at the bottom of the offer pile. And who can blame them for doing so when a handful of all-cash, no-contingency buyers are vying for the property?

Many towns in Hancock County have either recently or are planning to reevaluate assessed property values. These revaluations will eventually lead to steep increases in property taxes, especially for the towns that have not revalued in many years. With the rise in population, year-round homes, and use of resources that comes with being human, the ocean itself stands to be the biggest loser from the trends of late. Without smart management, the finite wealth of the ocean will

soon be squandered. An ironic twist of fate being that so many who moved to Maine because of its marine beauty may be a part of what causes that beauty to fade. These are all examples of what has not fared well during the recent market cycle.

It's inevitable that with such a dramatic upturn in the real estate market, things as we've known them in Maine will change. On the brighter side, most of the changes I have seen in my neck of Maine have been positive. Coastal towns in my market area that were forever sleepy, like Ellsworth, Bucksport, and Milbridge, now have vibrant downtowns with a far wider array of services, amenities, and events. Many different people from many different areas have brought with them to the coast of Maine new ideas, energies, and ways of seeing the world. Online events calendars that I have cruised for years are now exploded with stuff to see and do. And while it's still rare ground to find a decent place to eat Downeast past 8:00 PM, this recent influx of community input has made where I live a much more engaging place to call home. I would prefer this change did not come about via global calamity, but now that it's here, I'll enjoy it while I can.

NOTES

- 1 <https://www.nar.realtor/sites/default/files/documents/2022-state-economic-impact-report-me-04-28-2022.pdf>

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