



# New Hampshire Housing

*Bringing You Home*

**Housing Market Update – Winter 2008**

For  
February 22 ,2008

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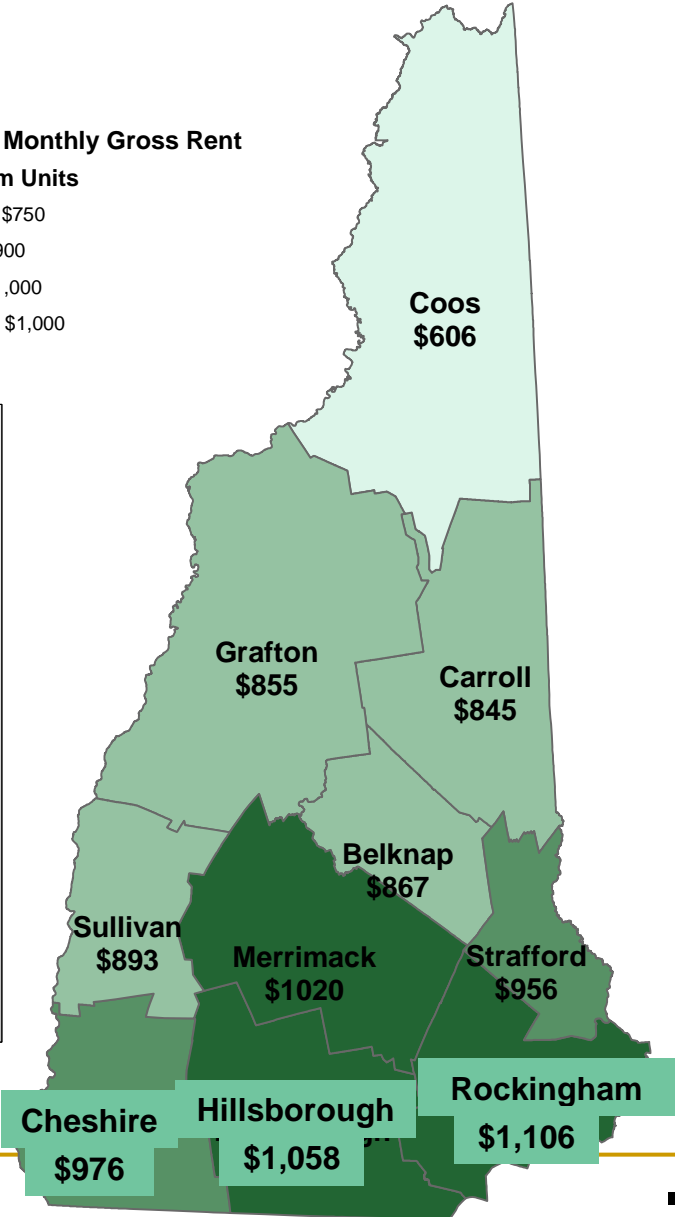
# Rental Housing Market



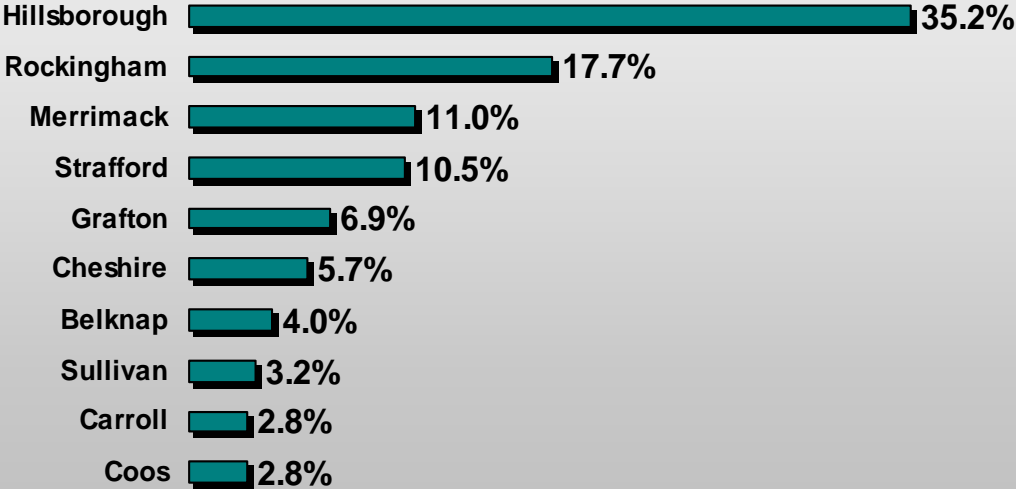
# Monthly Median Gross Rental Cost

2007 Median Monthly Gross Rent  
For 2-Bedroom Units

- Less than \$750
- \$750 to \$900
- \$900 to \$1,000
- More than \$1,000

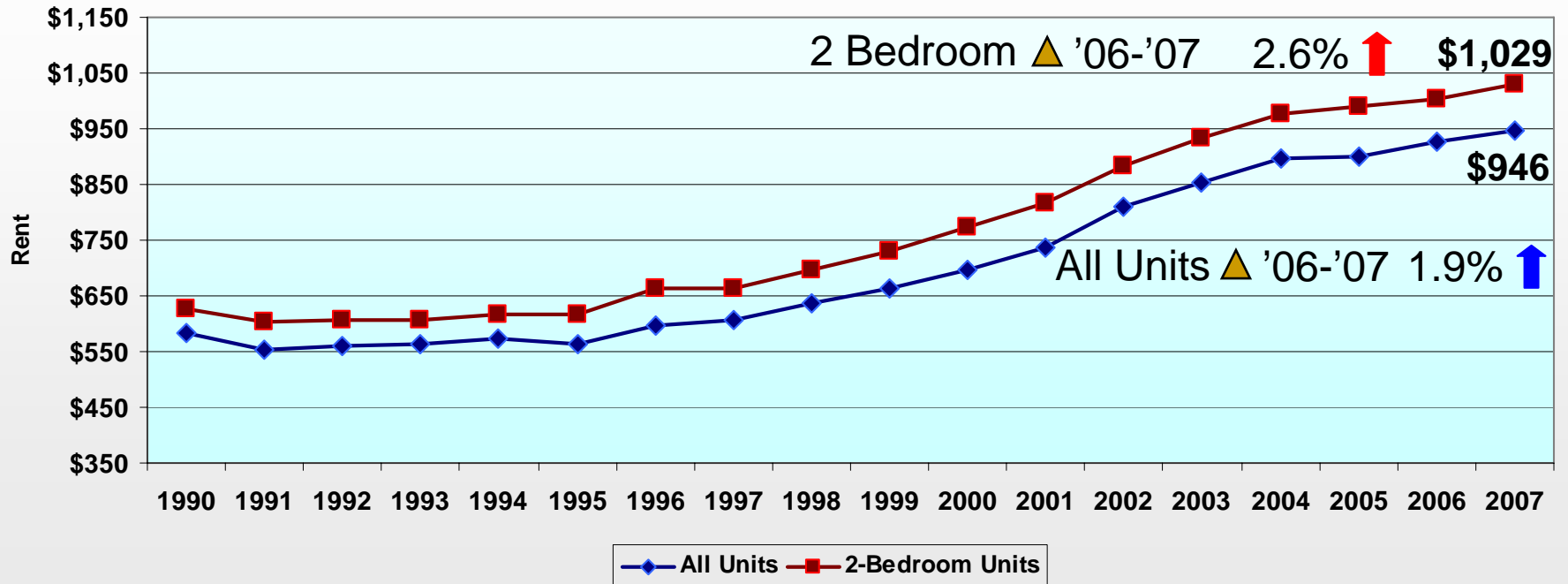


Percent of State Renter Occupied Housing



# Statewide

## Median Gross Rental Cost

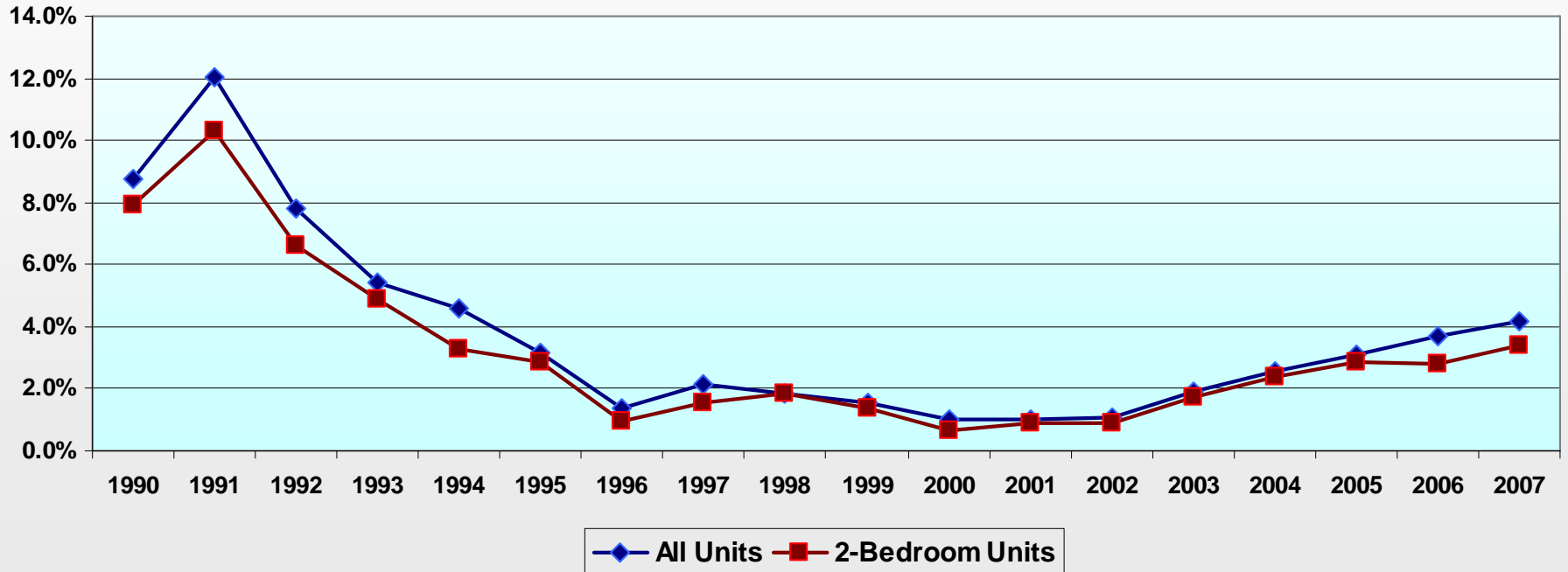


### Change in CPI Shelter 4/06 to 4/07

Boston	2.78%
US	2.92%

# Statewide

## Vacancy Rate of Rental Housing Units

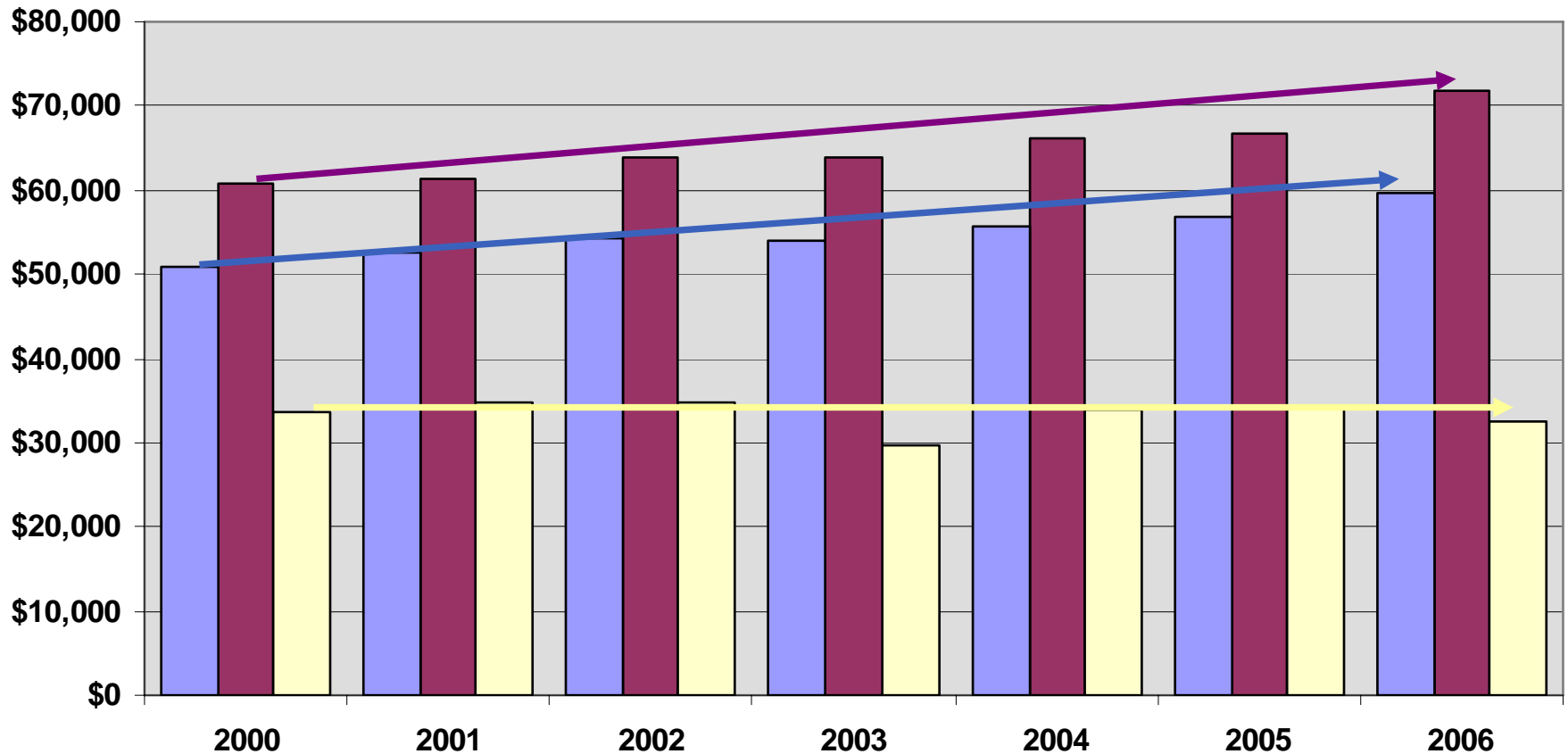


Year	All Units		2-Bedroom Units	
	Vacancy Rate	Sample Size	Vacancy Rate	Sample Size
2007	4.2%	13,501	3.4%	6,800
2006	3.7%	13,760	2.8%	6,924
2005	3.1%	13,157	2.8%	6,793
2004	2.6%	12,266	2.4%	6,581
2003	1.9%	13,166	1.8%	7,171



# Renter household incomes have not kept pace with Owner household incomes in this decade

New Hampshire  
Median Household Income By Tenure



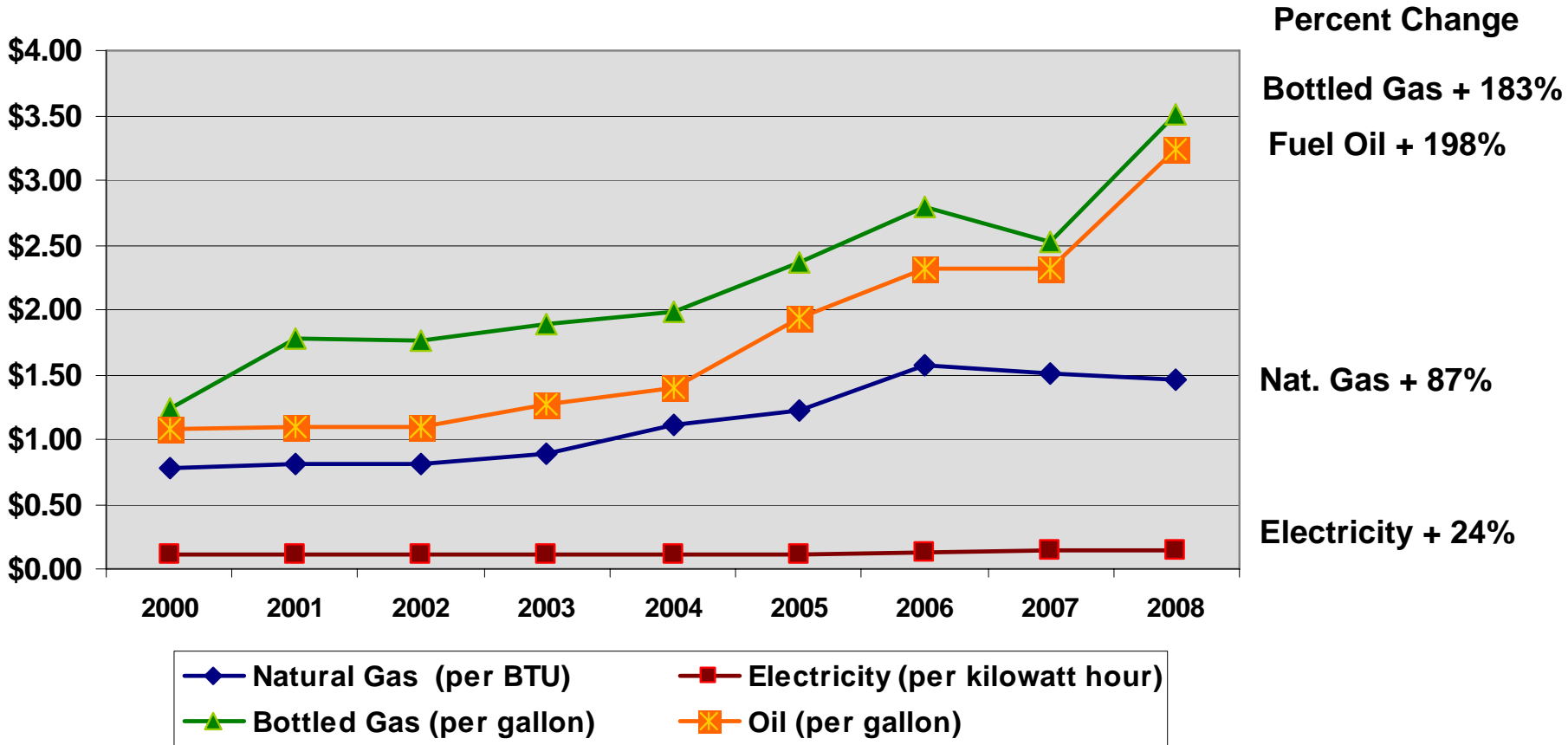
■ Renter Occupied Households ■ Owner Occupied Households ■ All Households

# Per unit utility costs have risen dramatically during this decade.

For a typical 2-bedroom apt. the avg. monthly utility cost has increased from \$96 to \$155 or 61%.

For a typical 3-bedroom home the avg. monthly utility cost has increased from \$127 to \$299 or 135%.

## Utility Costs Since 2000

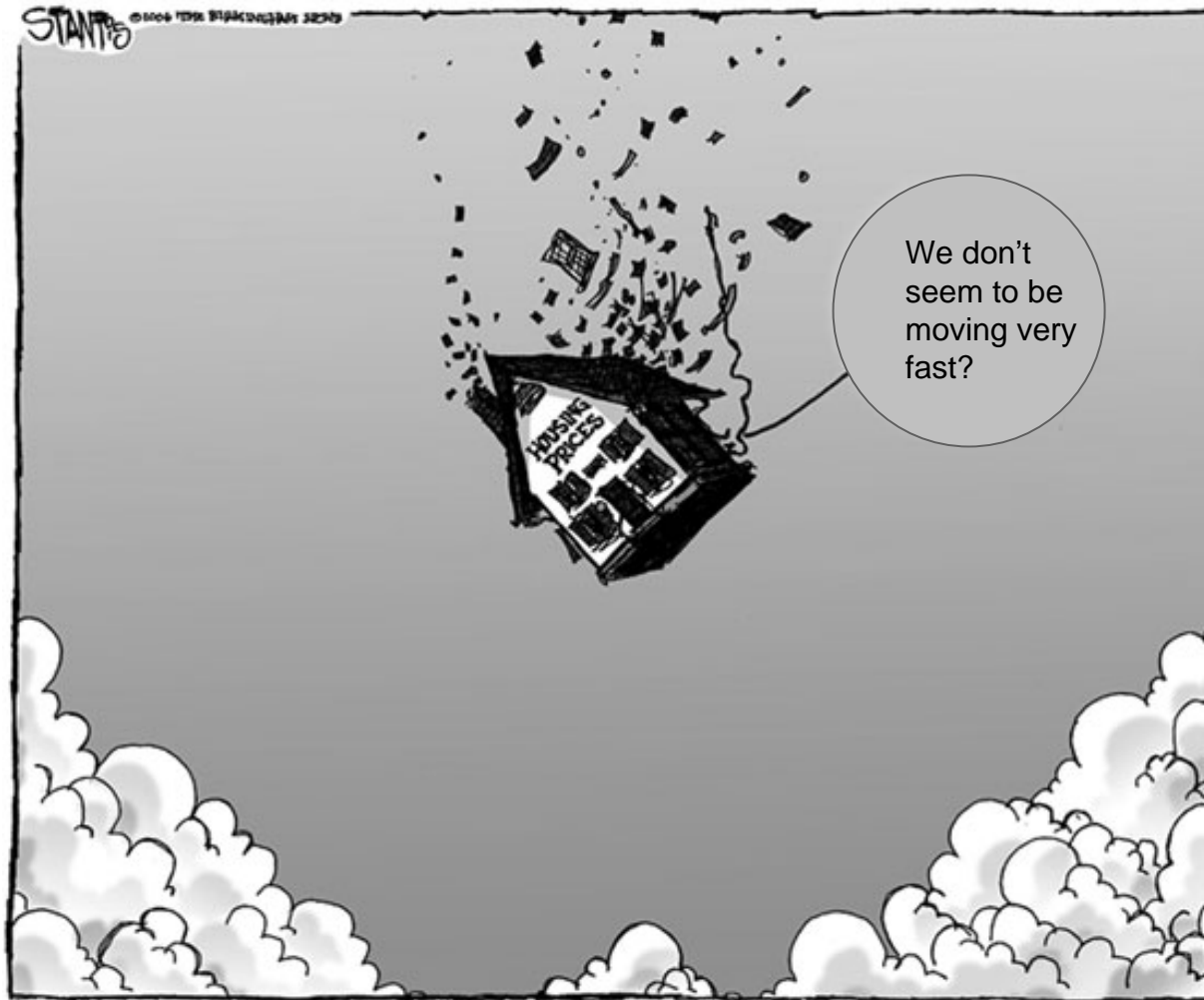


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# Owner Housing Market



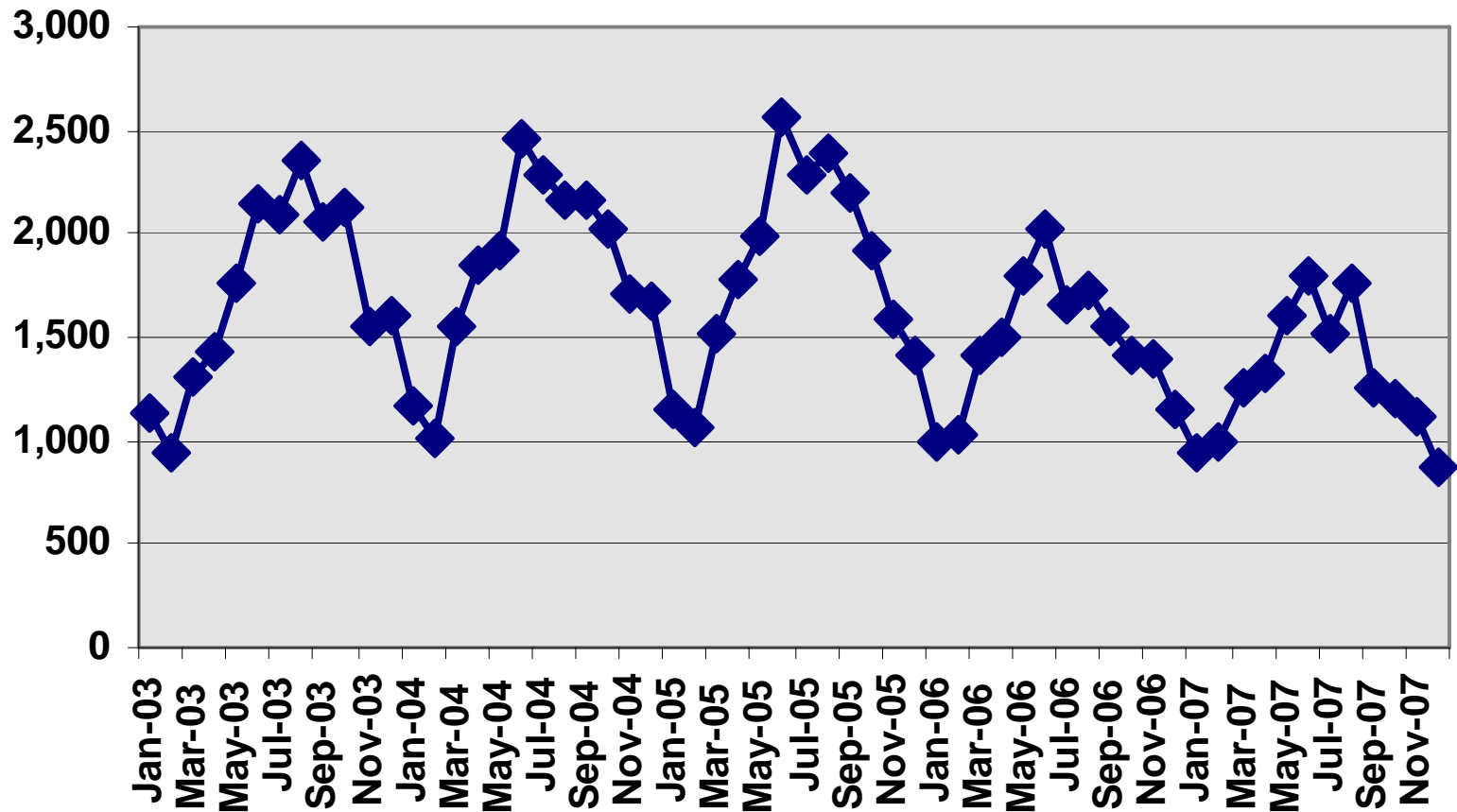
# Everyone Agrees, Home Prices Are Falling !



**But in New Hampshire the fall is in slow motion!**

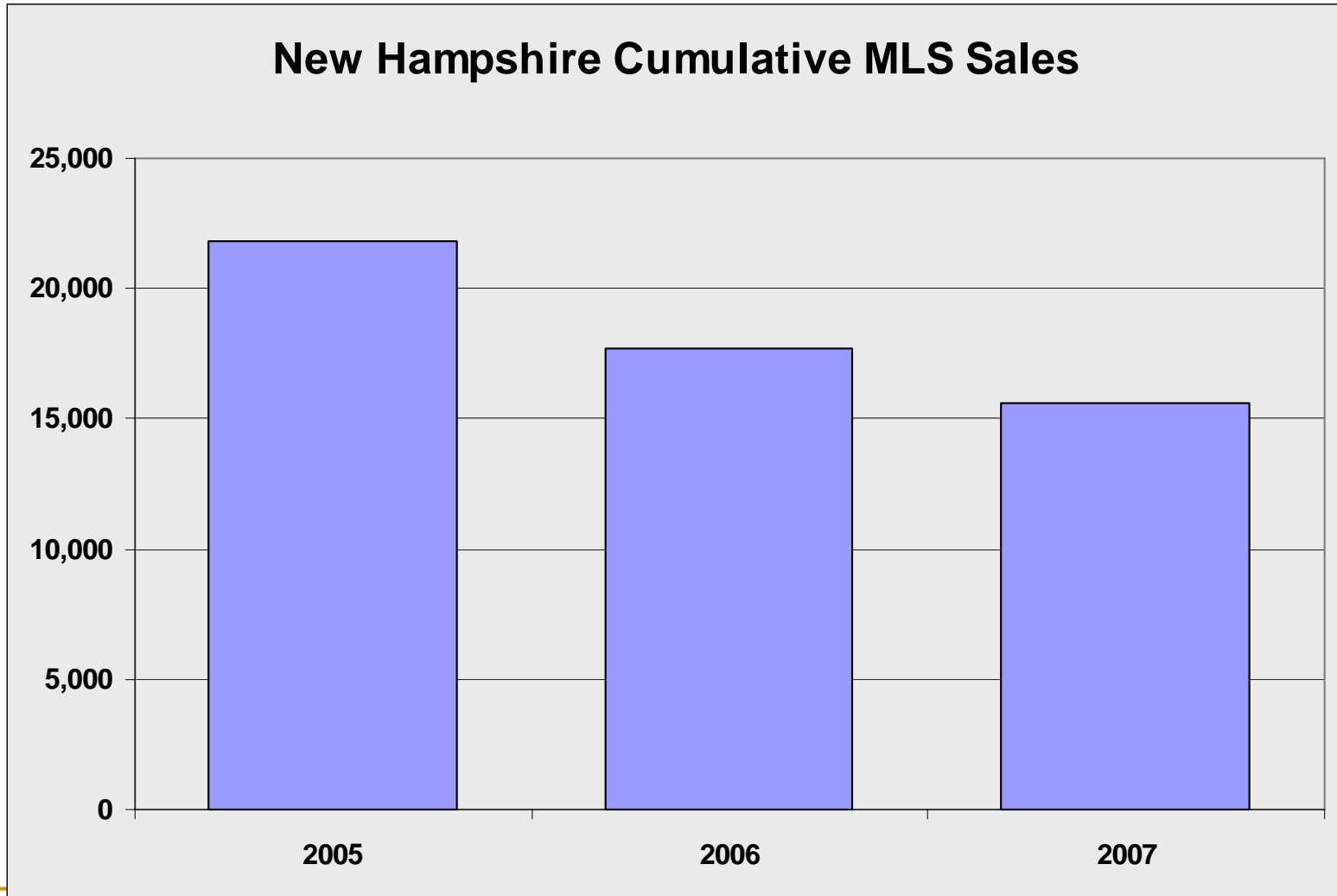
# Residential real estate sales are down in each of the past two years

## New Hampshire MLS Closed Sales



Based on information from the Northern New England Real Estate Network for towns in New Hampshire

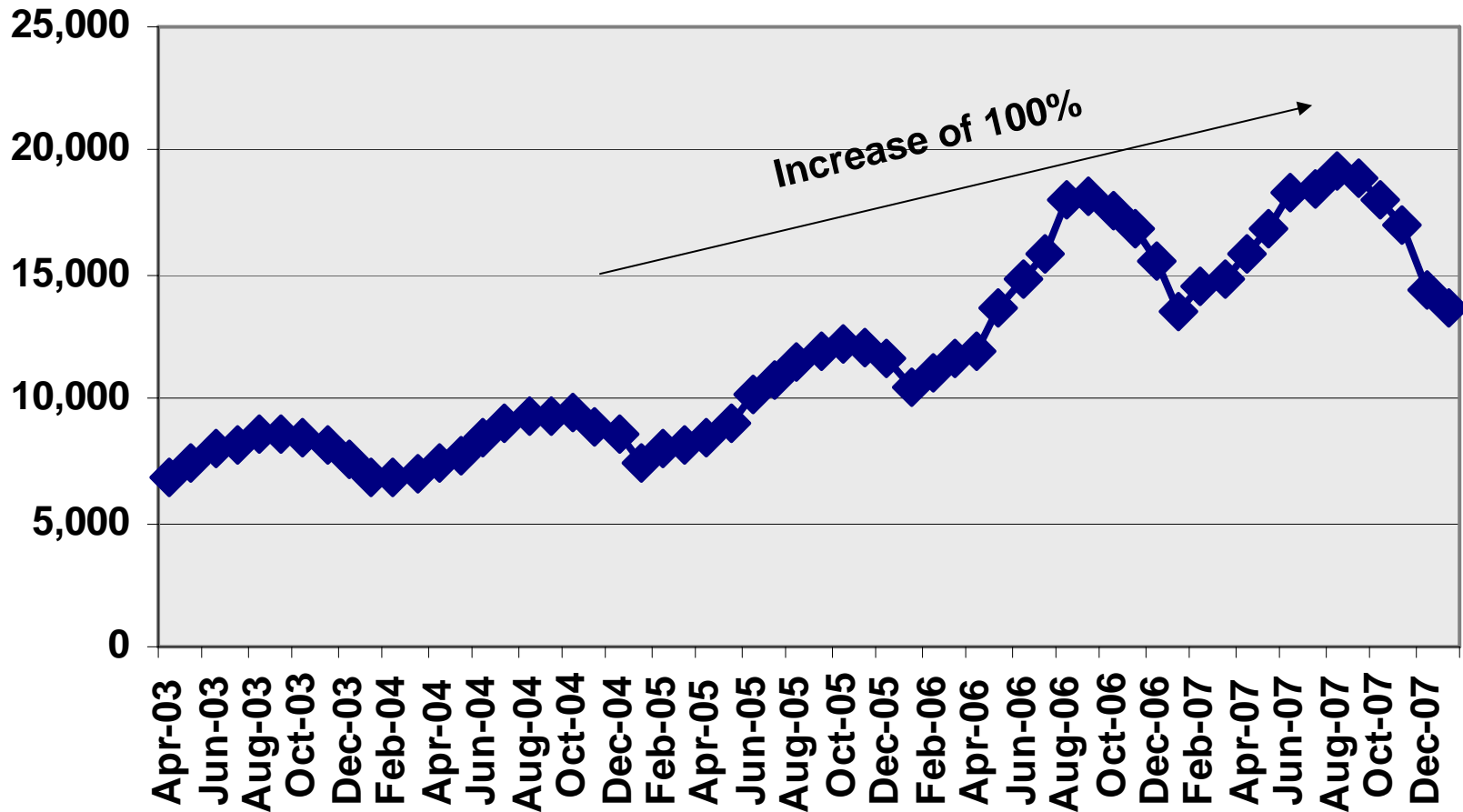
# NH Real Estate Sales were down by 19% in 2006 and another 11% in 2007



Based on information from the Northern New England Real Estate Network for towns in New Hampshire

# Last summer residential listings reached an all time high

## New Hampshire, MLS Current Listings

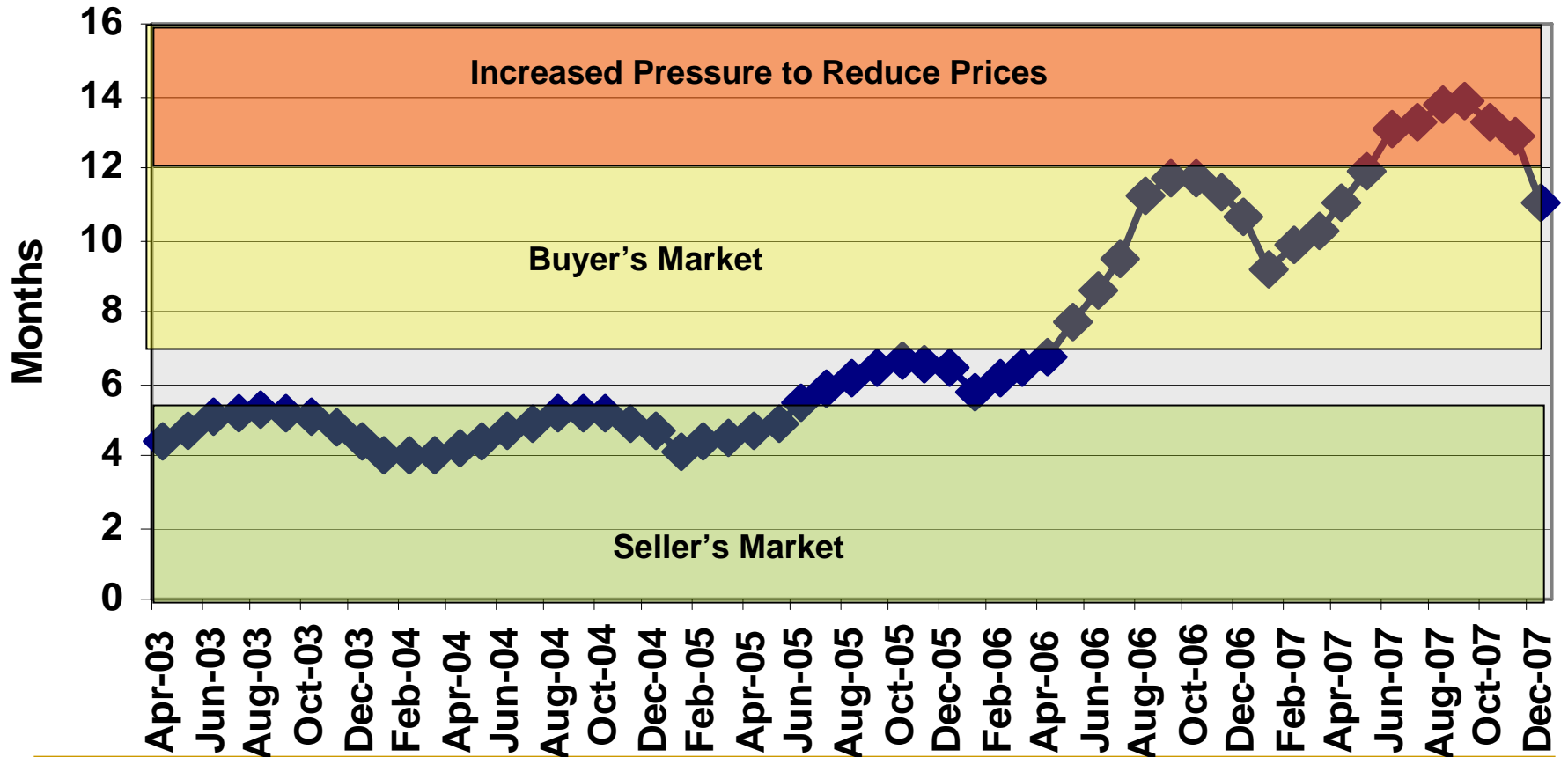


Based on information from the Northern New England Real Estate Network for towns in New Hampshire

# A declining pace of sales and an increase in listings means an increase in available inventory

## MLS Housing Inventory

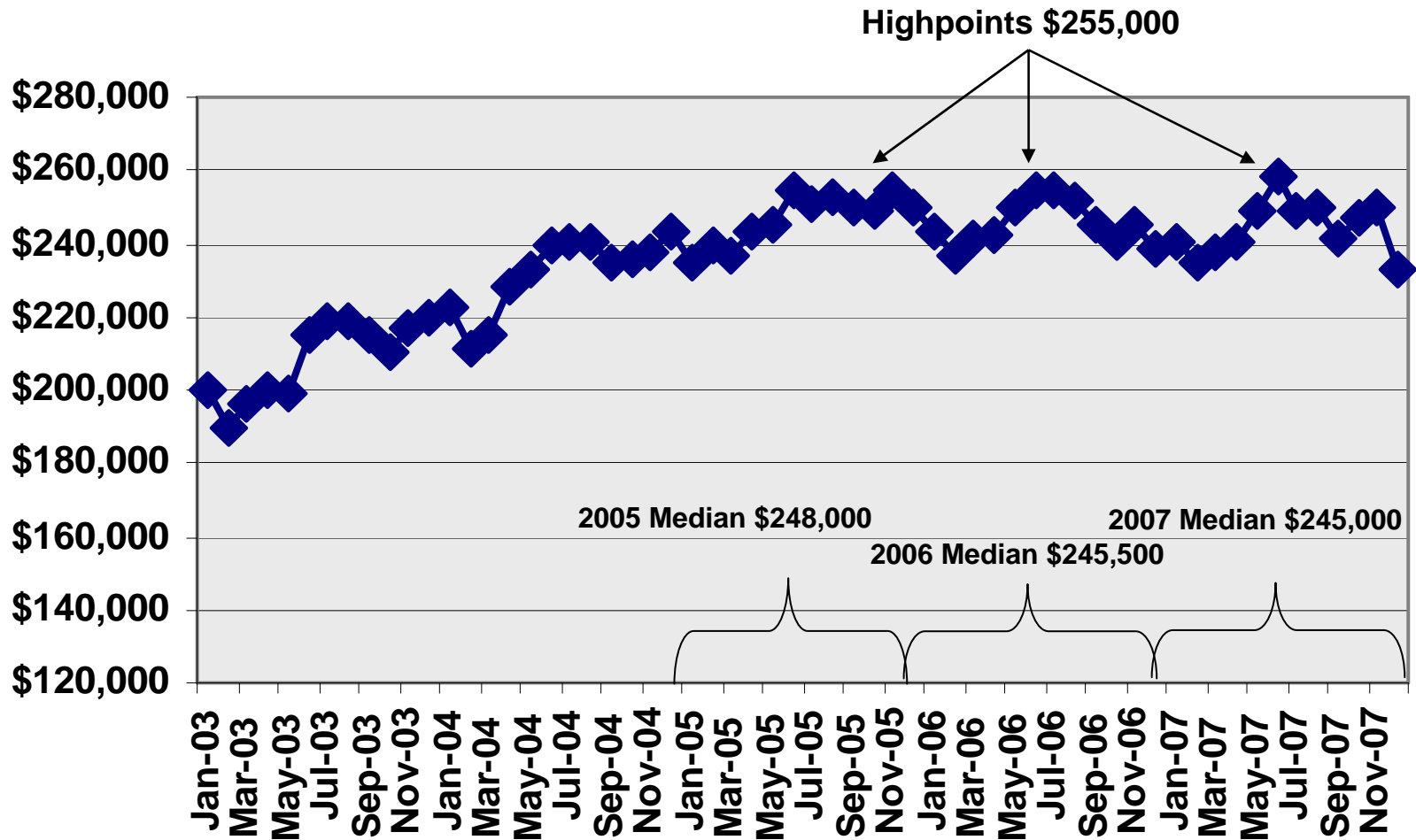
Months to Absorb Current Listings at Prior 12 months Sales Pace



Based on information from the Northern New England Real Estate Network for towns in New Hampshire

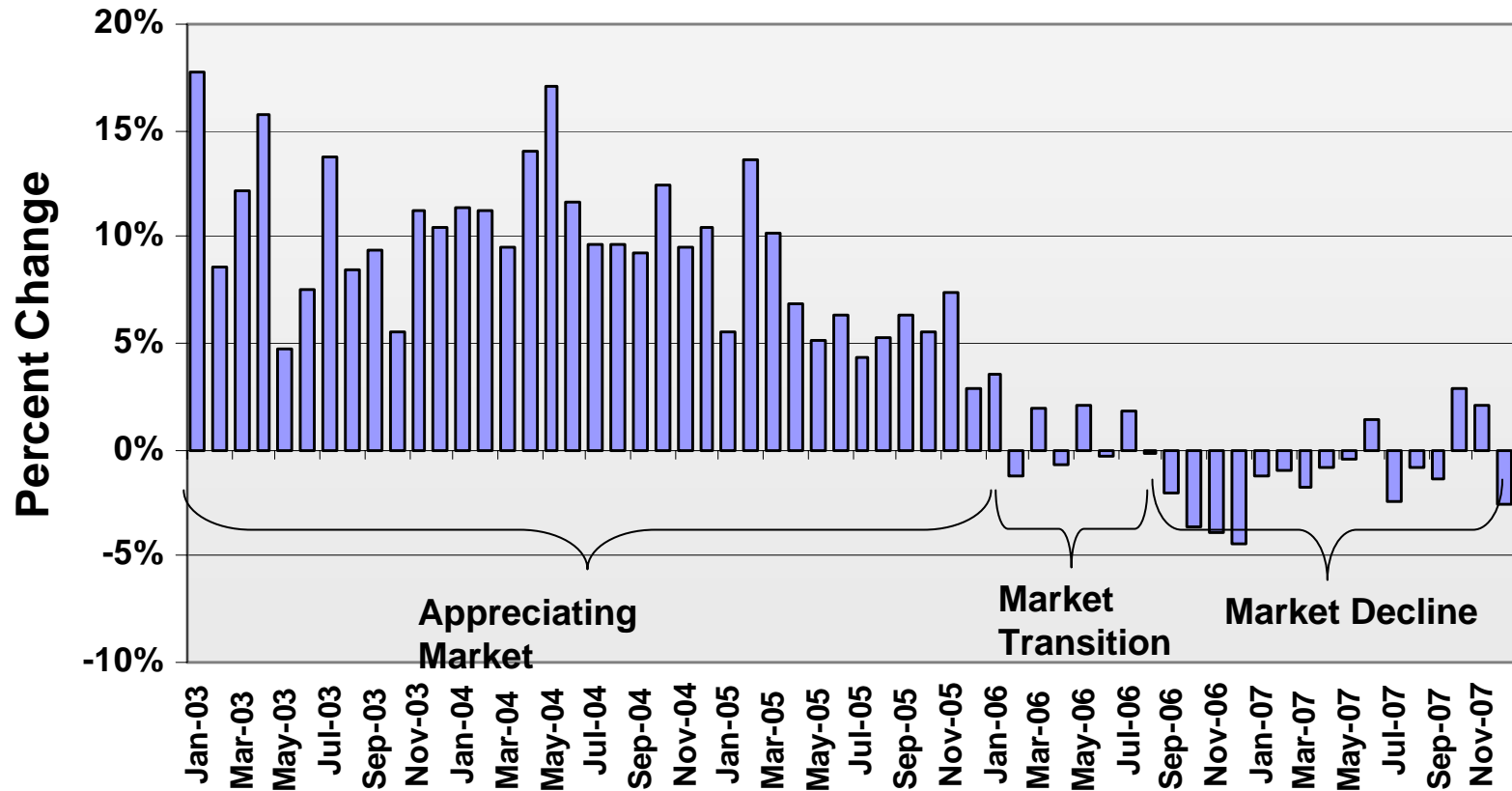
# Has the increase in inventory resulted in a decline in median price ?

## MLS Median Sale Price



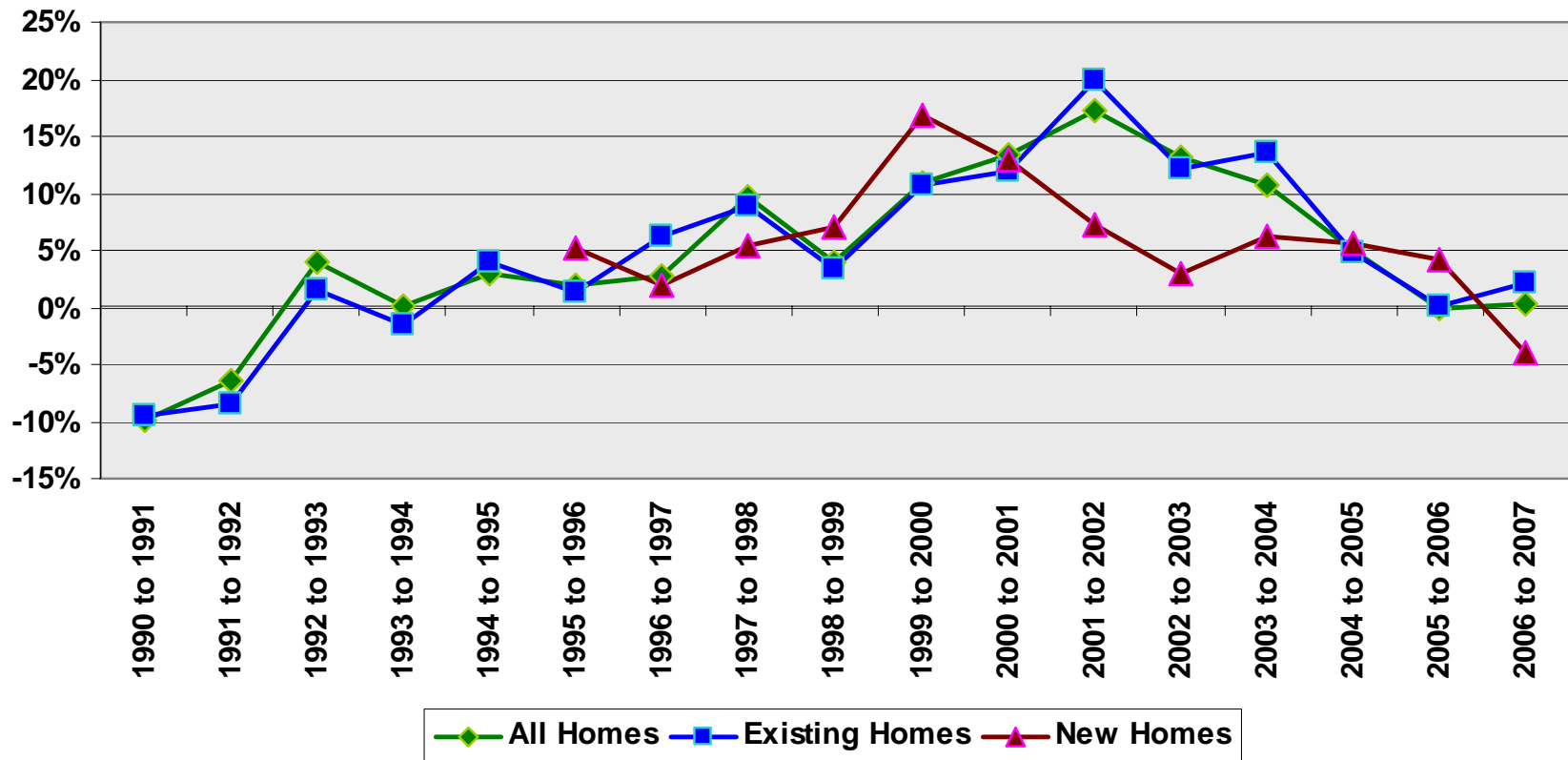
# The year over year percent change in median monthly MLS Sale Price is down in 9 of the past 12 months

## Year Over Year Percent Change in Monthly Median MLS Sale Price - All Units



# Prices may not be declining yet, but declining home price appreciation has been apparent for a while.

## Percent Change In Median Purchase Price From Prior Year



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# **Why (the perception of) declining prices? I thought the NH economy was doing just fine!**

- **What are the influences on the residential real estate market in New Hampshire?**
  
  - **Positive or Neutral Influences**
    - **Employment growth, unemployment and overall economic activity are still positive (but just barely)**
    - **Regional migration trends and the aging baby boomer demographic are still mild positives**
    - **There is little or no evidence of overproduction in the housing market**
    - **Short term interest rates are down sharply over the past 6 months and may decline further**
    - **Long term interest rates remain historically low (but for how long)**
  
  - **Negative Influences**
    - **Increases in energy costs are a growing negative factor, contributing to the decline in disposable household income.**
    - **Consumer confidence or more specifically market perception is a serious issue. We don't know if we are in a recession yet, but it sure feels like one.**
    - **Foreclosures, the subprime market fall out and the resulting credit crisis are having a significant negative impact on the real estate market regionally and nationally, and the equity and capital markets nationally and globally.**
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## But Wait ! Before you get all depressed.

- Remember, like politics, all Real Estate is local.
    - So trends in your market area, and especially in your neighborhood may not look at all like statewide trends.
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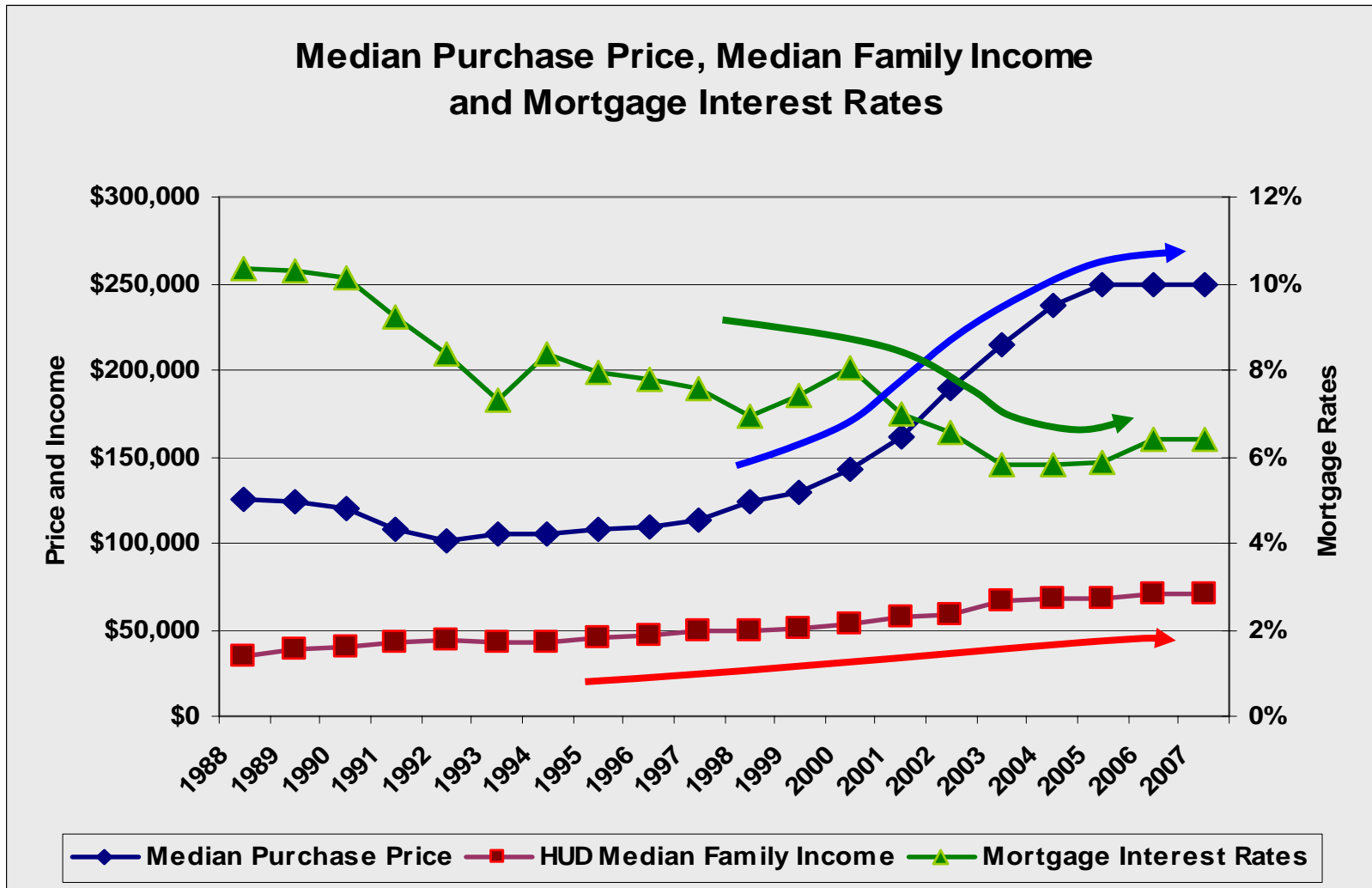
# Housing Affordability

- Or, What will it take for the Housing Market to get its MoJo back?



# Housing Affordability

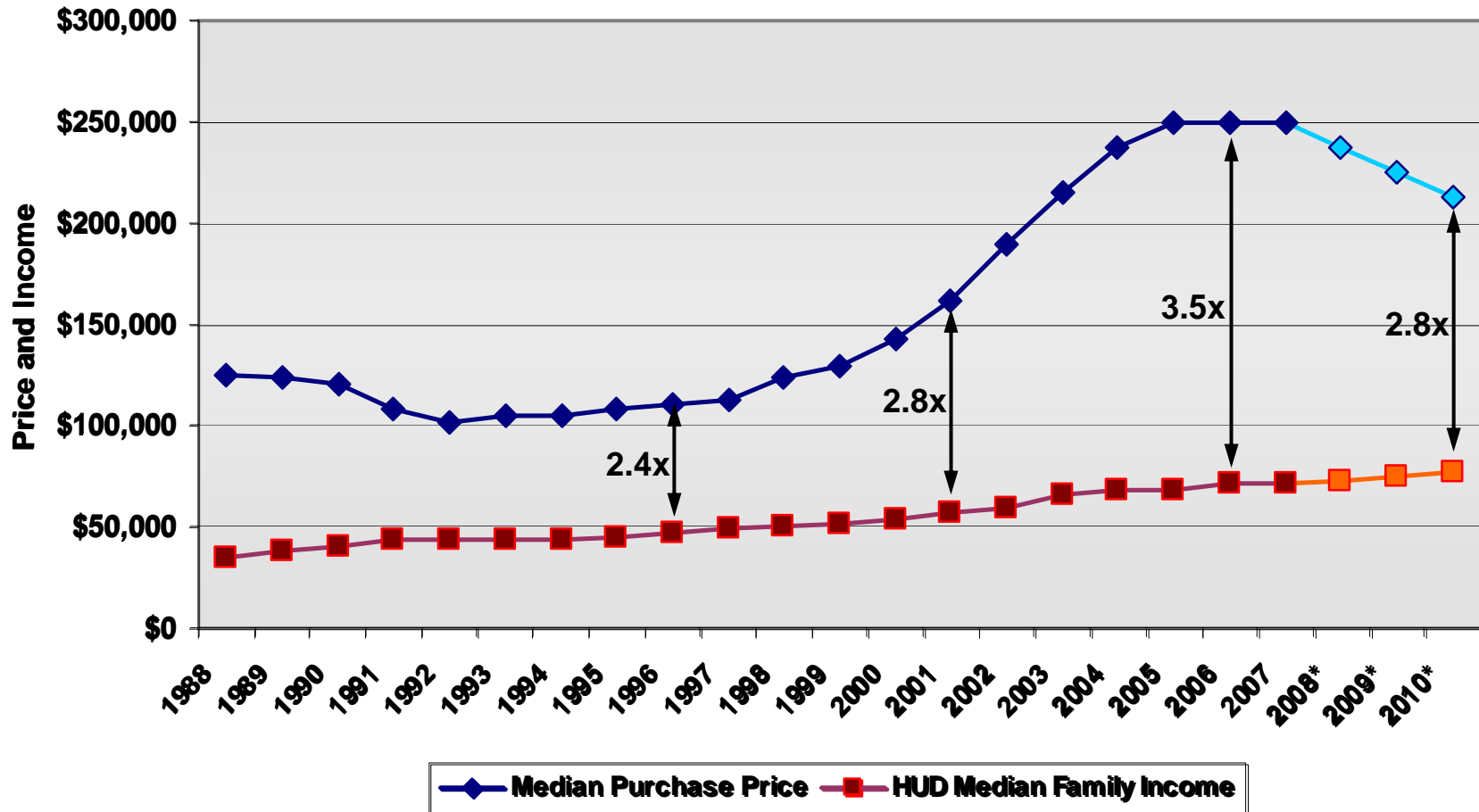
Prices have outpaced household incomes



Sources: Median Purchase Price - NHHFA Purchase Price Database, Mortgage Interest Rates - Freddie Mac Survey  
Income - HUD Statewide Median Family Income for NH 2006 are preliminary numbers

# To regain a sense of affordability, Home prices must decline and/or Incomes must increase

## Median Purchase Price and Median Family Income



Sources: Median Purchase Price - NHHFA Purchase Price Database, Income - HUD Statewide Median Family Income for NH

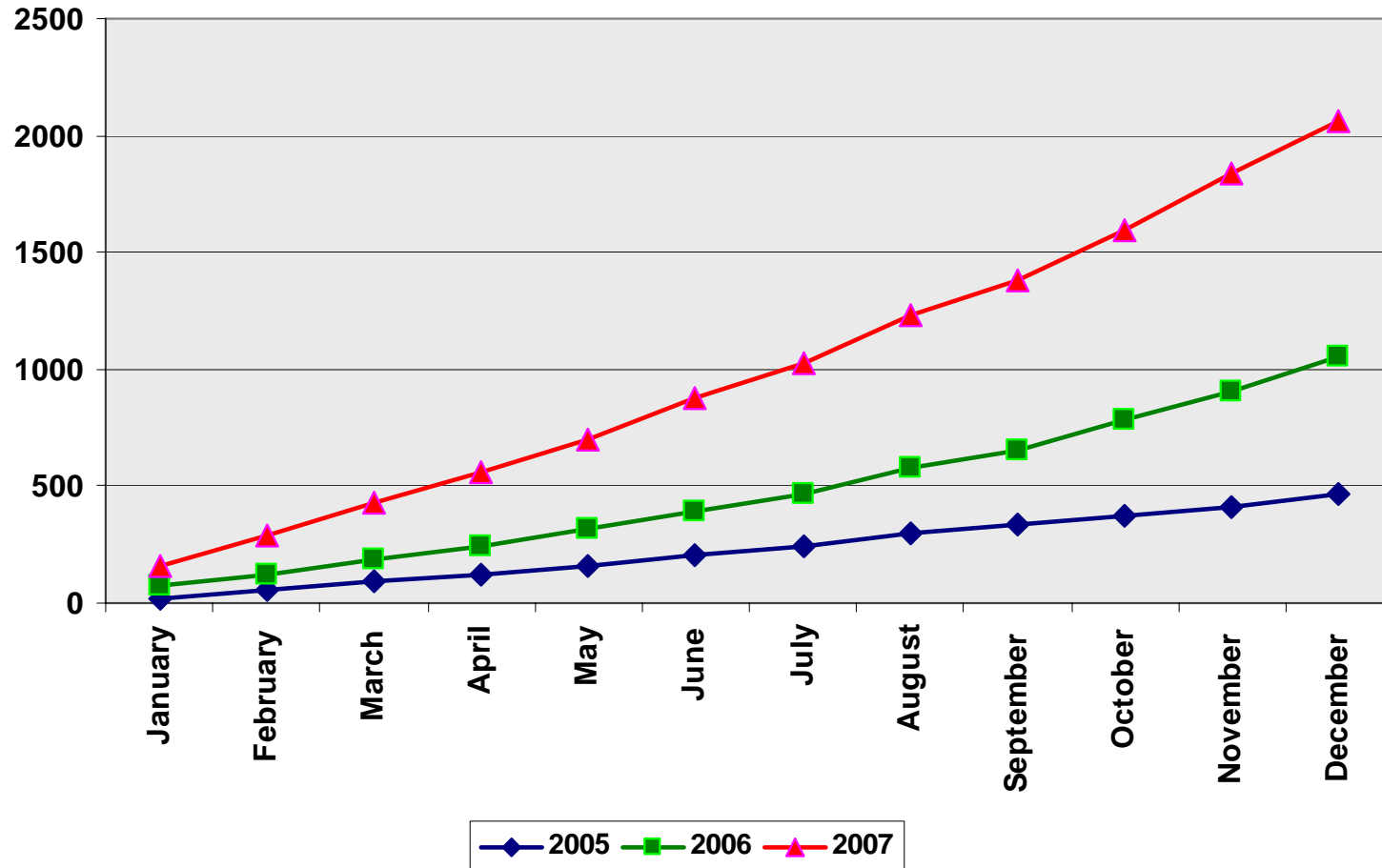
# Foreclosures and the Subprime Mortgage Market

- It didn't look that risky at the time!



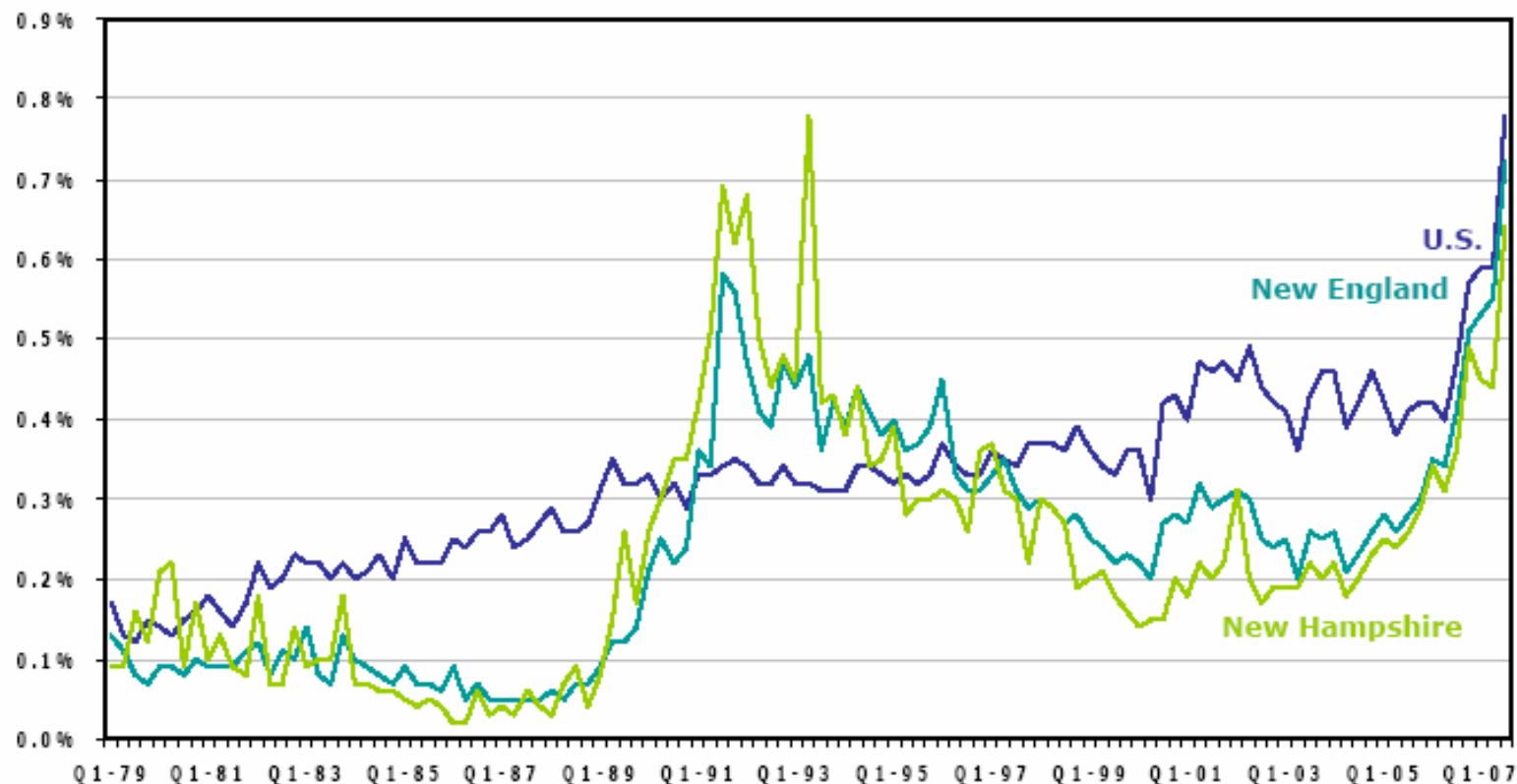
Foreclosure deeds in NH have increased from an average of 40 per month in 2005 to 172 per month in 2007

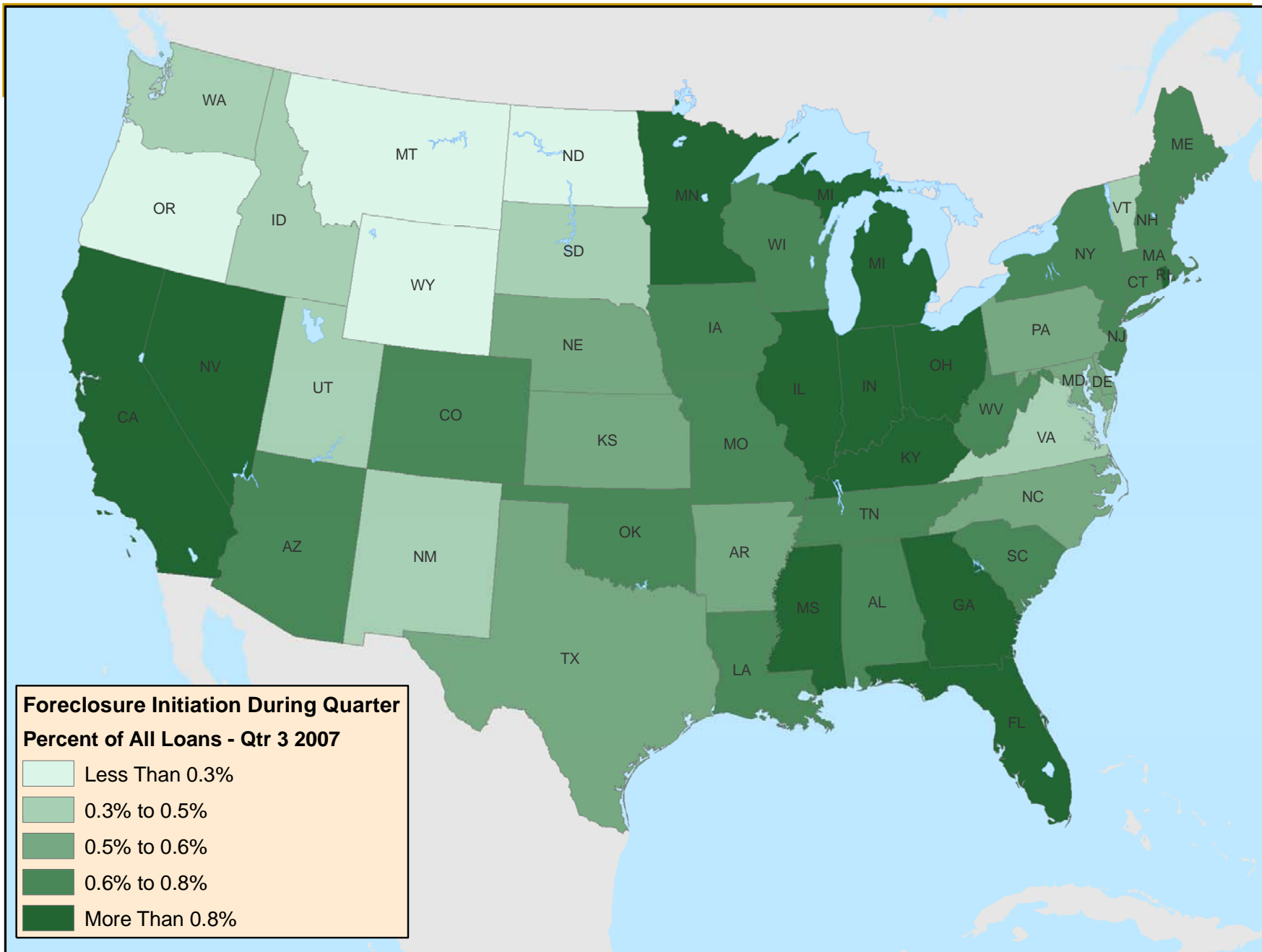
### Estimated Cumulative Foreclosures



# Foreclosure rates for United States, New England, and New Hampshire, through Q3-07

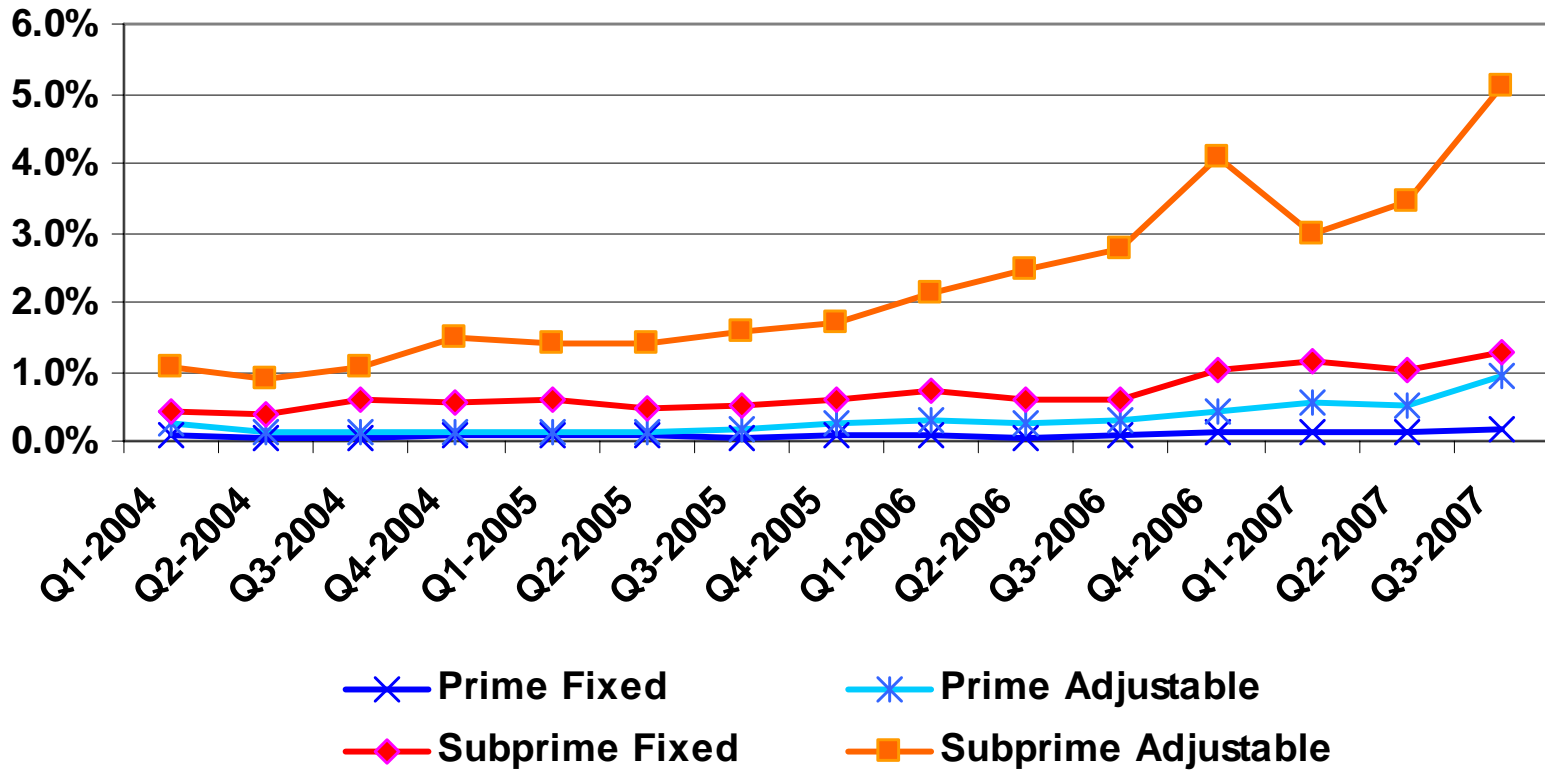
Percent of loans with foreclosure initiation in quarter





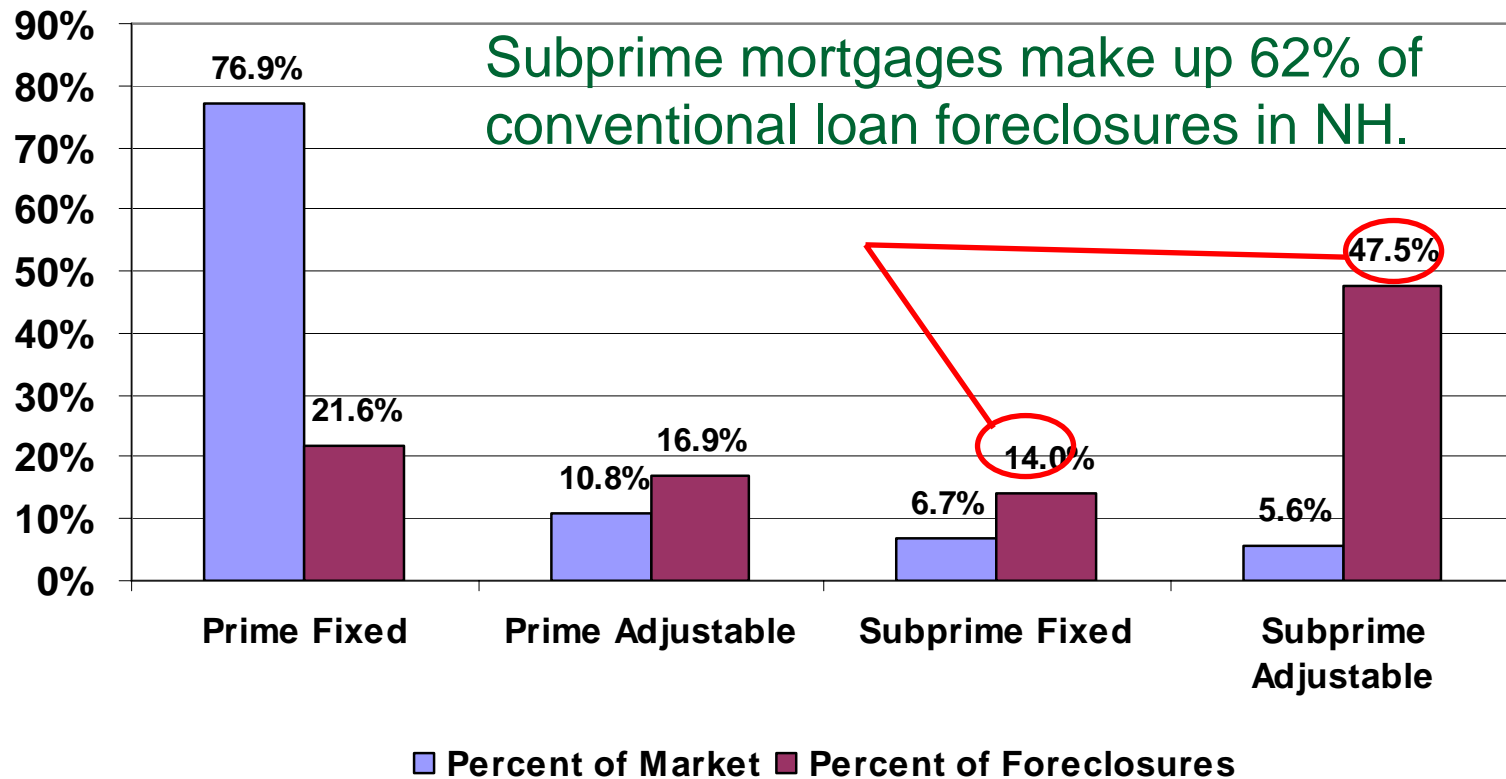
Between 2004 and 2007 the foreclosure rate for prime fixed rate mortgages increased only slightly, while the foreclosure rate for subprime adjustable rate mortgages more than tripled.

### Percentage of Loans In New Hampshire With Foreclosure Initiation Started In Quarter



**Subprime adjustable rate mortgages make up the smallest portion of conventional loans, but almost half of conventional loan foreclosures in NH.**

### **NH Mortgage Market and Foreclosure Share Major Conventional Loan Categories, Q3-2007**



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# Mortgage Delinquency, Foreclosures, and Subprime Lending in New Hampshire

## ■ How big is the problem in NH?

- ❑ Almost 2,100 foreclosure deeds at year-end 2007
- ❑ 5% of mortgage loans are delinquent, almost 15,000 loans
- ❑ Approximately 1,900 loans started foreclosure during 3rd quarter, 2007
- ❑ Subprime loans now account for about 62% of all foreclosures

## ■ How does New Hampshire compare?

- ❑ Foreclosure rate is now similar to the early 1990's
  - ❑ Foreclosure rate is slightly better than the New England states average and US average
  - ❑ Foreclosure rate in NH is still better than in some other parts of the US
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# Foreclosures – Parting Thoughts

- **The Real Estate market slowdown contributed to the increase in foreclosures, and the market is anticipated to decline further.**
- **NH foreclosures are up, and are likely to continue at an accelerated rate over the next year. The number of foreclosures is still not overwhelming, but it is a growing negative influence on the Real Estate market.**
- **Subprime lending was most active between 2004 and early 2007. So the fallout will continue for the next 18 to 24 months.**
- **Foreclosure rescue plans will help some, but are unlikely to significantly change the outcome for many troubled borrowers.**
- **About 95% of NH mortgages are current and 30% of owner occupied homes have no mortgage at all.**
- **Unlike the 80's, NH banks have limited exposure to the current round of delinquencies and foreclosures.**
- **The biggest threat to the housing markets and the New Hampshire economy in general is the increasing likelihood of a recession brought on by continued problems the credit and equity markets and increasing energy costs.**

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# Questions?

