
Housing Market Update

The Economy

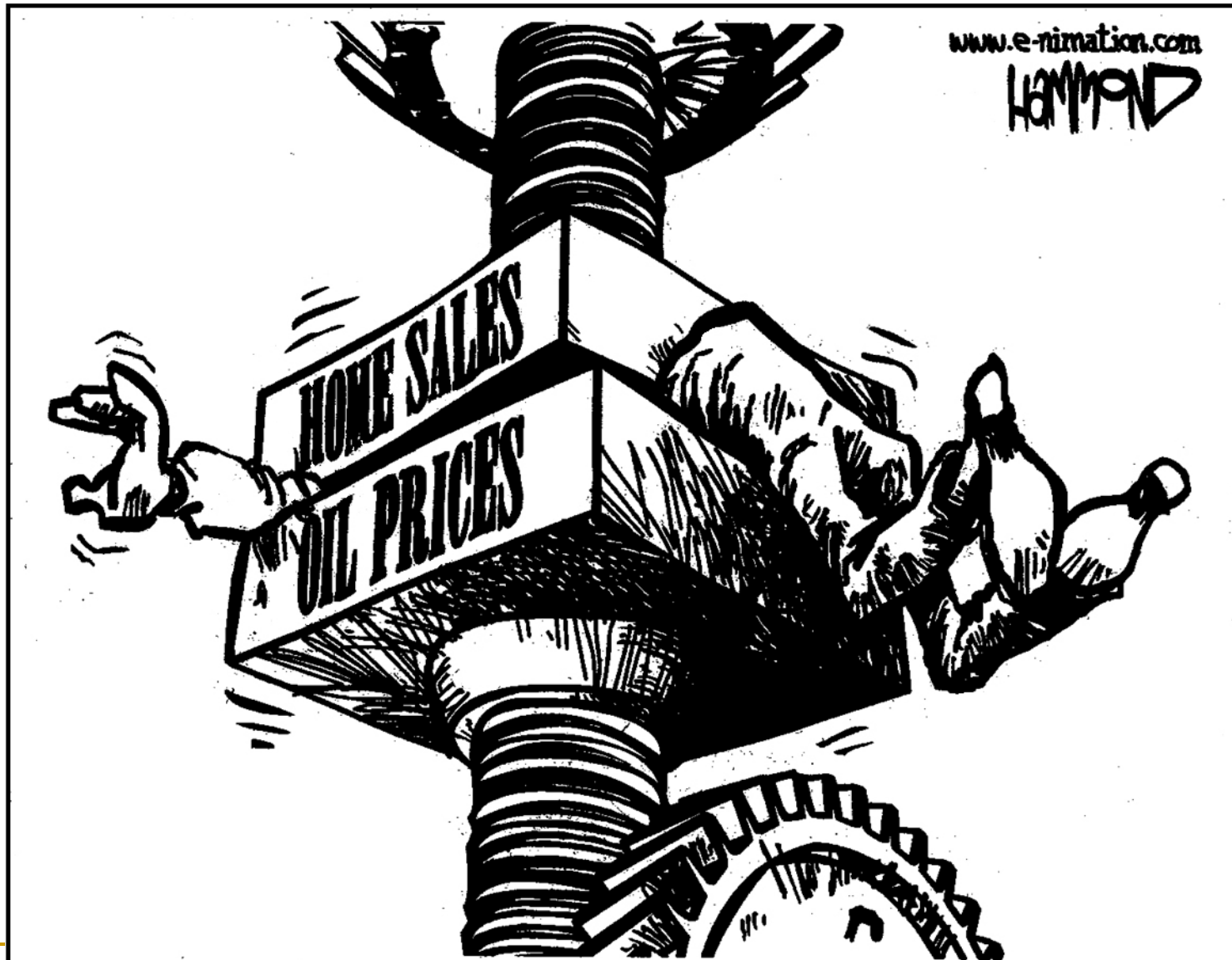
The Rental Housing Market

The Home Ownership Market

Affordability

Delinquency, Foreclosure and Subprime Lending

A Cartoon Worth A Thousand Charts

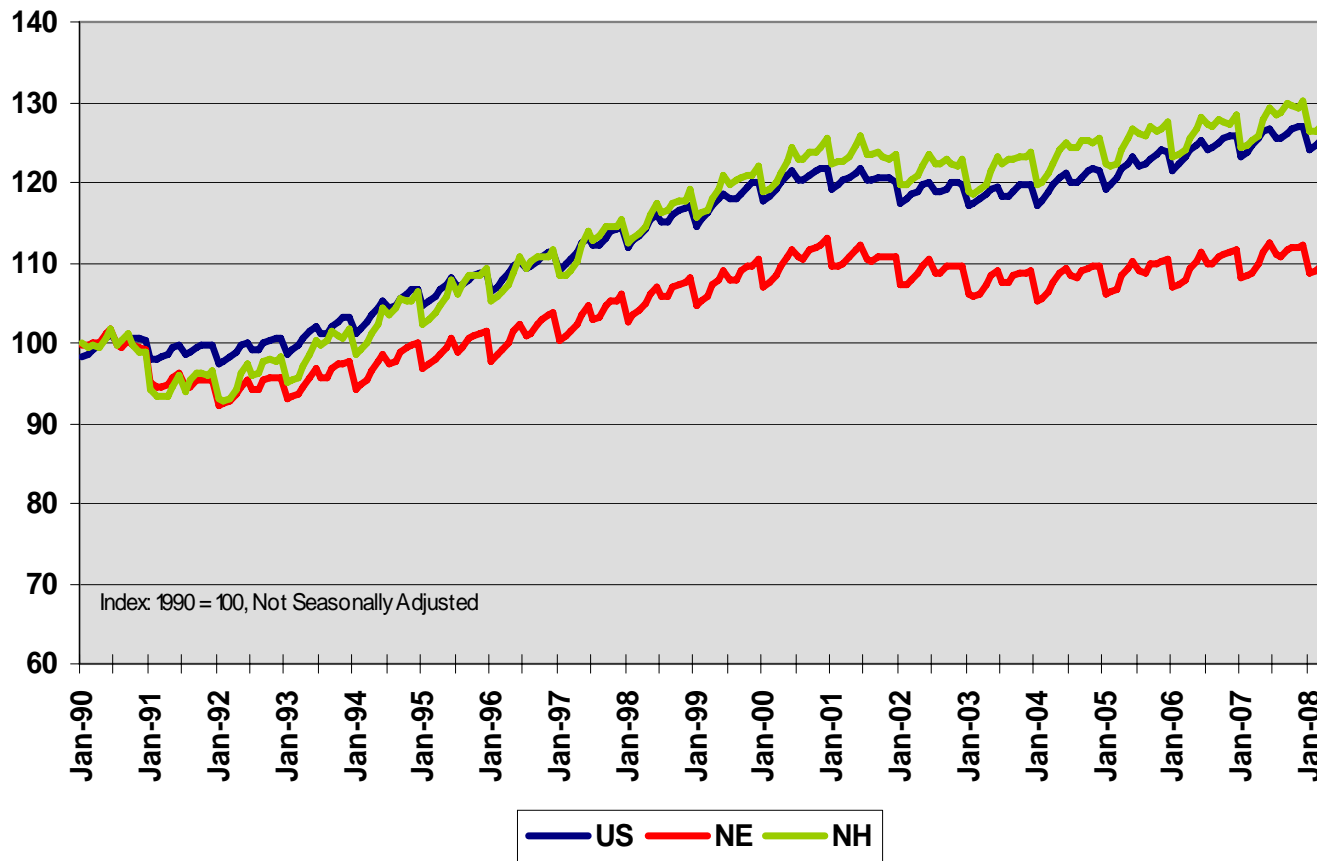


From: New Hampshire Business Review

The Economy

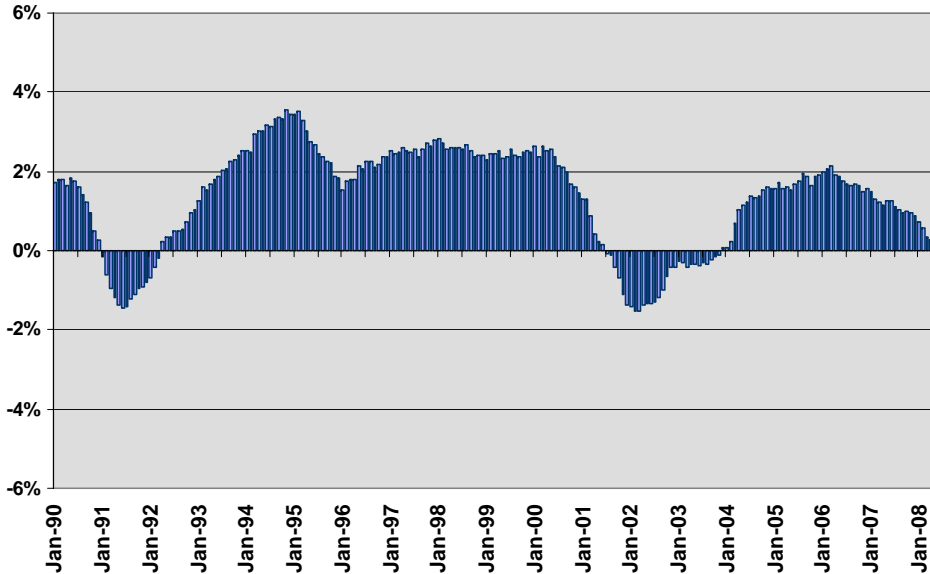
New Hampshire continues to out perform New England and to a lesser extent the US in job growth.

Index of Total Nonagricultural Employment

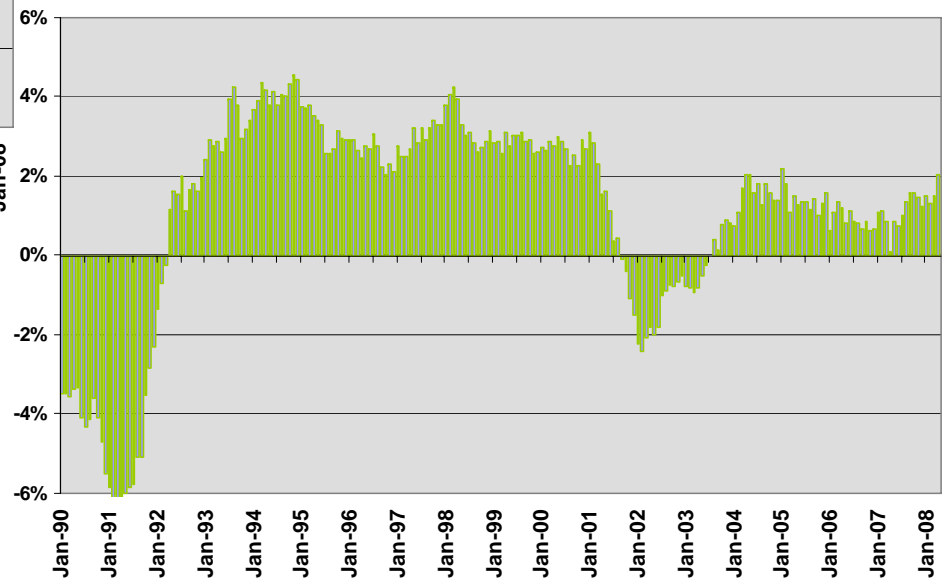


As the US economy slides toward negative job growth, New Hampshire continues to show more positive numbers

Year Over Year Change in US Total Nonfarm Employment

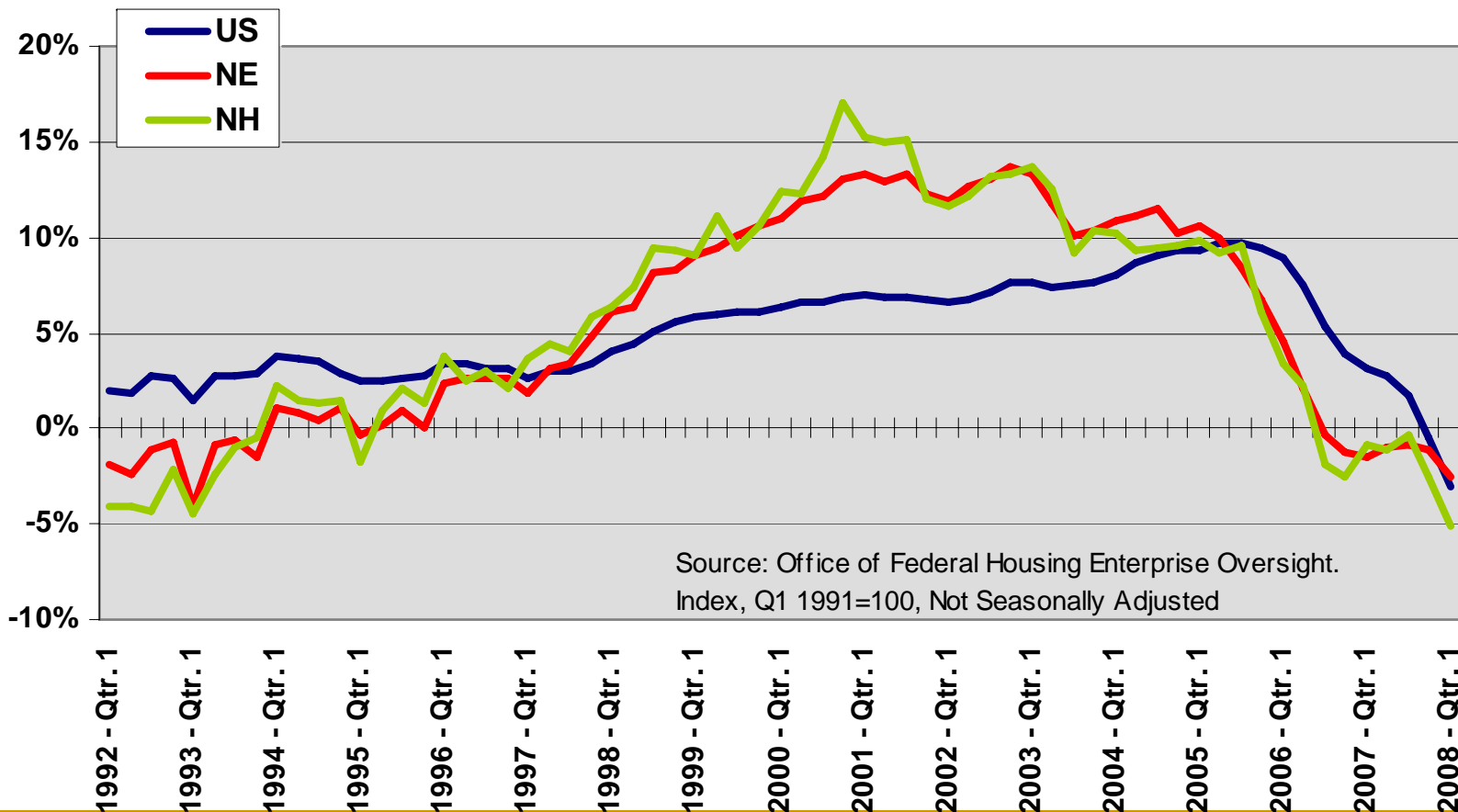


Year Over Year Change in NH Total Nonfarm Employment



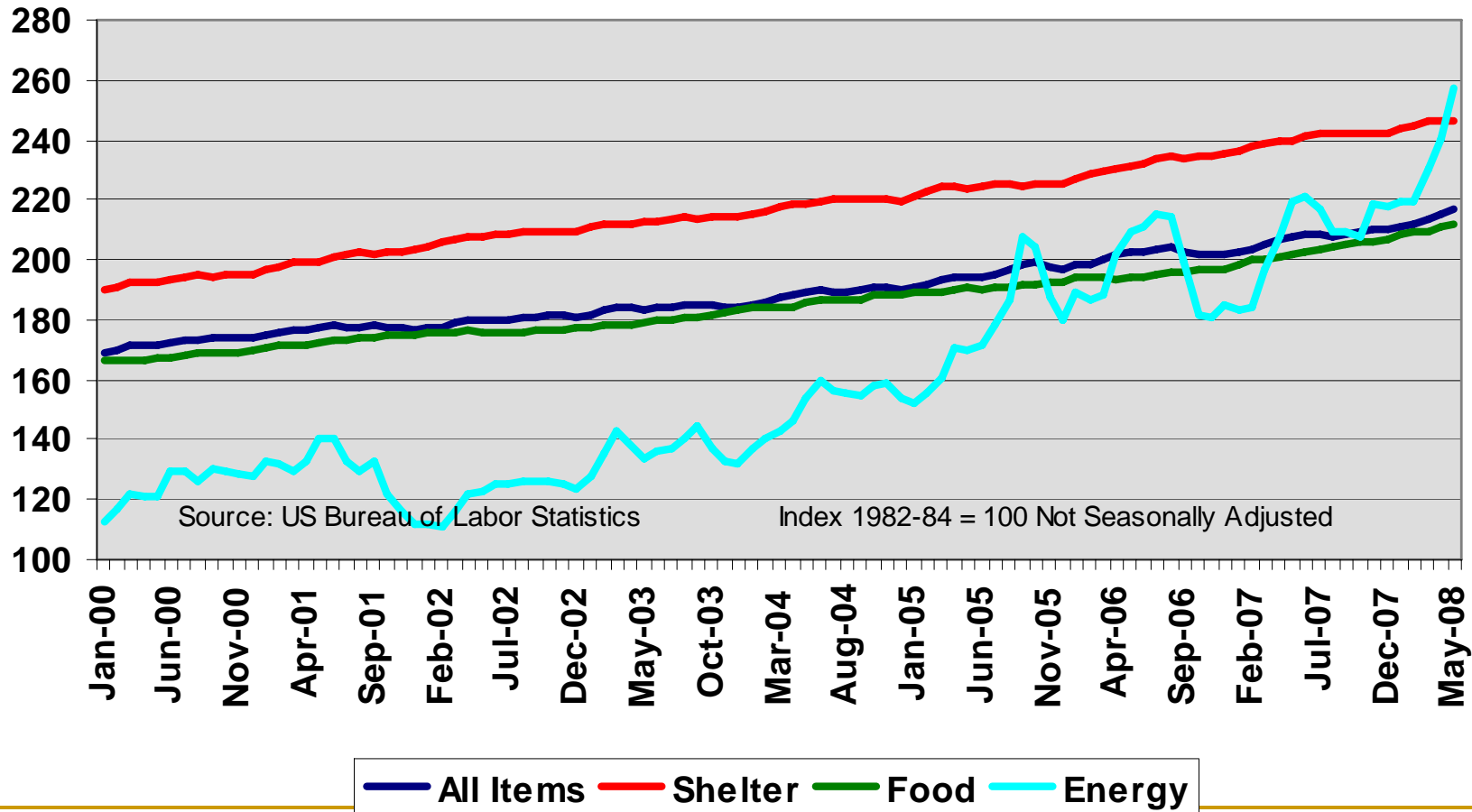
Home price appreciation in New England and New Hampshire outperformed the US throughout most of the past decade, but all three indices have turned negative over the past year

Home Price Index - Purchase Only
Percent Change from Prior Year



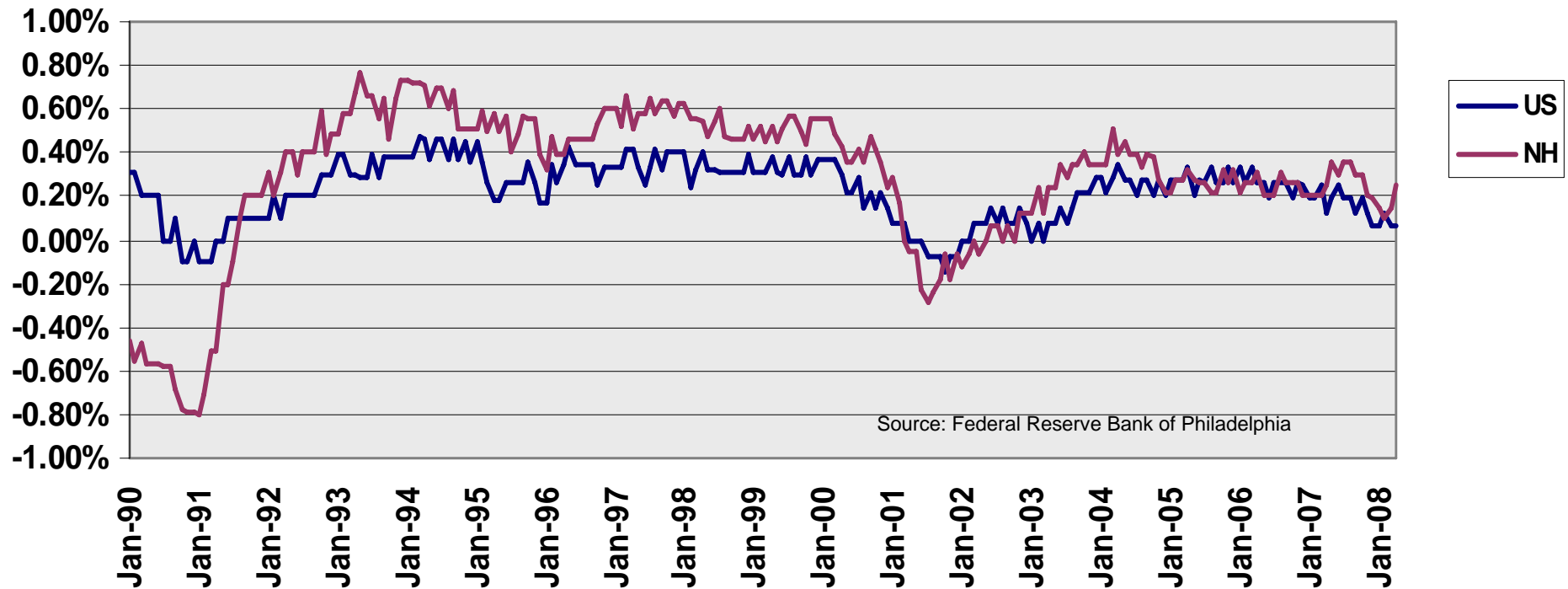
We have long been used to high housing costs, now we must get accustomed to high energy costs as well

US Consumer Price Index



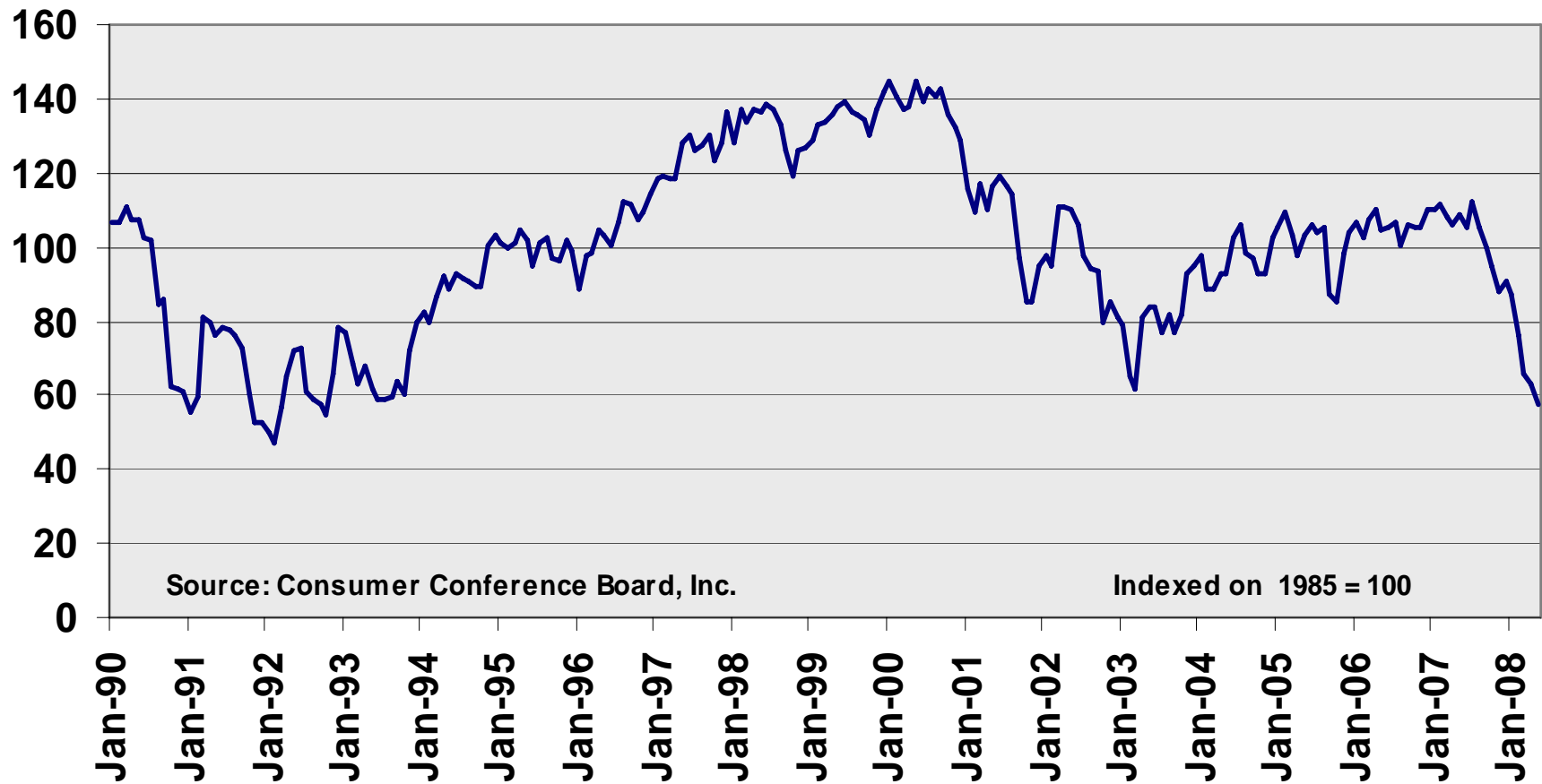
New Hampshire's economy is not yet in recession, at least not by the numbers. But it sure feels like a recession.

**Economic Coincident Index
Percent Change Prior Month**



Consumer confidence is now at a record low for the decade

Consumer Confidence Index



Source: Consumer Conference Board, Inc.

Indexed on 1985 = 100

— U.S. Consumer Confidence

The Economy - Summary

- ❑ Nationally the economy is struggling with very slow job growth, a broad and steep decline in the housing market, turmoil in the equity and credit markets, erosion in the value of the dollar, and significant inflation in energy costs.
 - ❑ The numbers may not define current conditions as a recession, but it sure feels like one. People are loosing jobs and homes, and are struggling to afford those things that seemed nearly affordable just last year (gas, utilities, travel, food, education, etc.)
 - ❑ New Hampshire's economy while fairing better than many other states is suffering from the same set of negative influences.
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Rental Housing Market

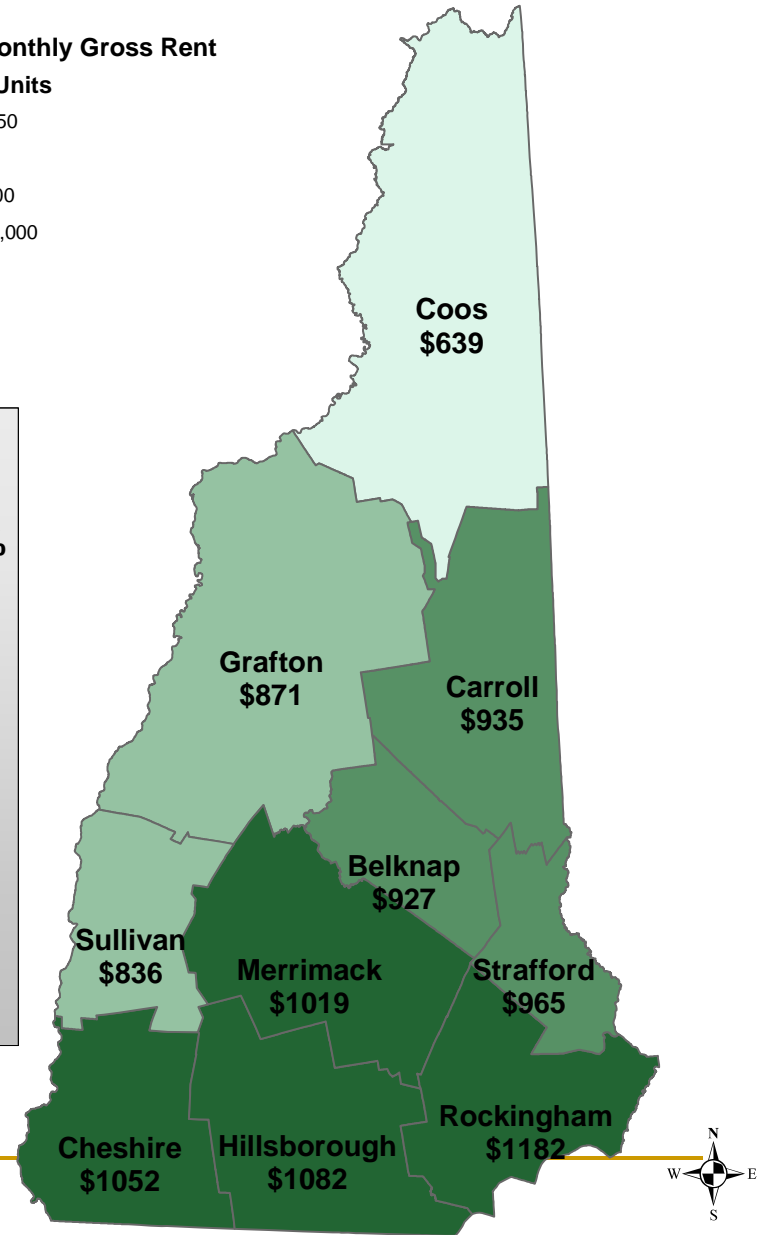
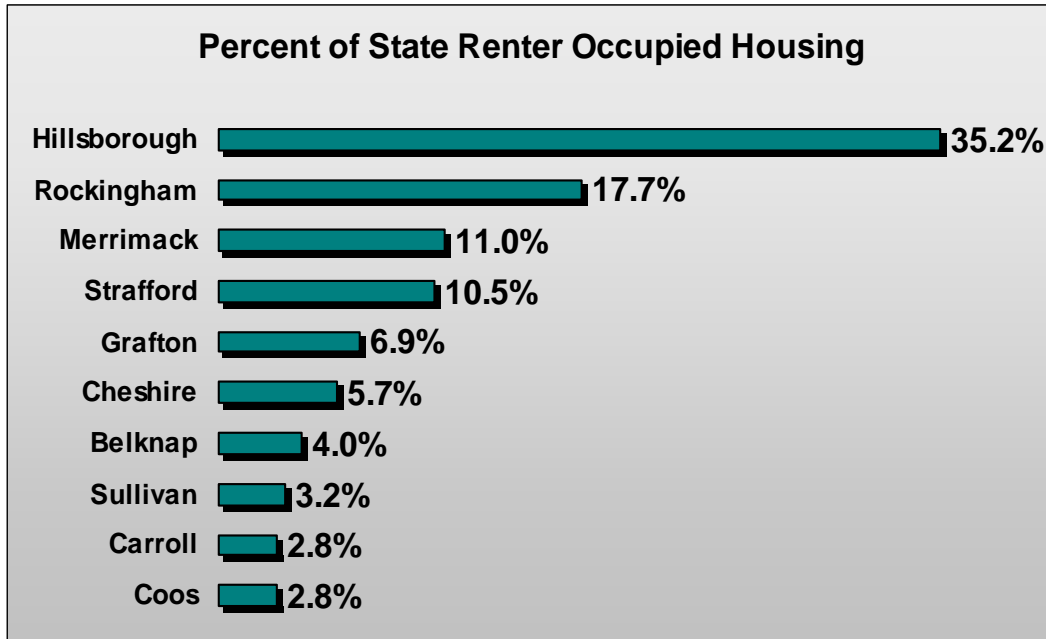
2008 Residential Rental Cost Survey

Statewide Median Gross Rent for 2-Bedroom Units
\$1,044

Monthly Median Gross Rental Cost

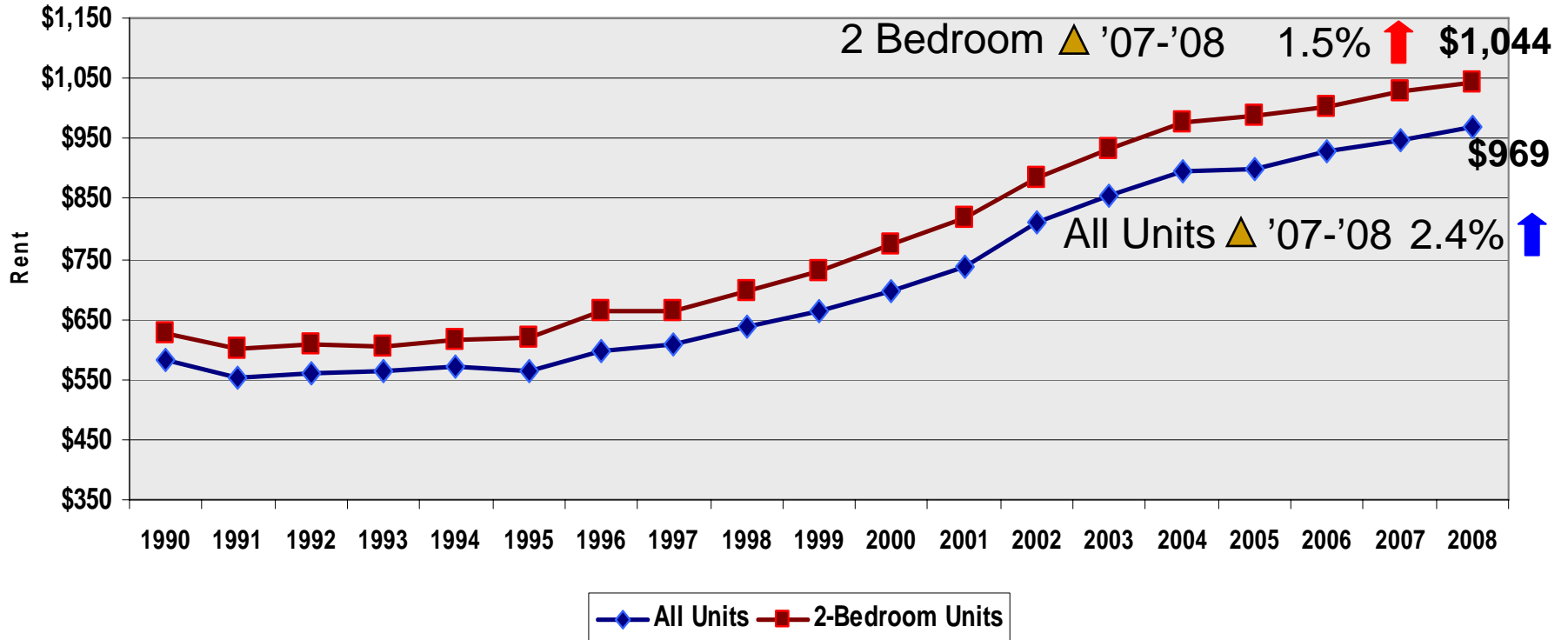
2008 Median Monthly Gross Rent For 2-Bedroom Units

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



Statewide

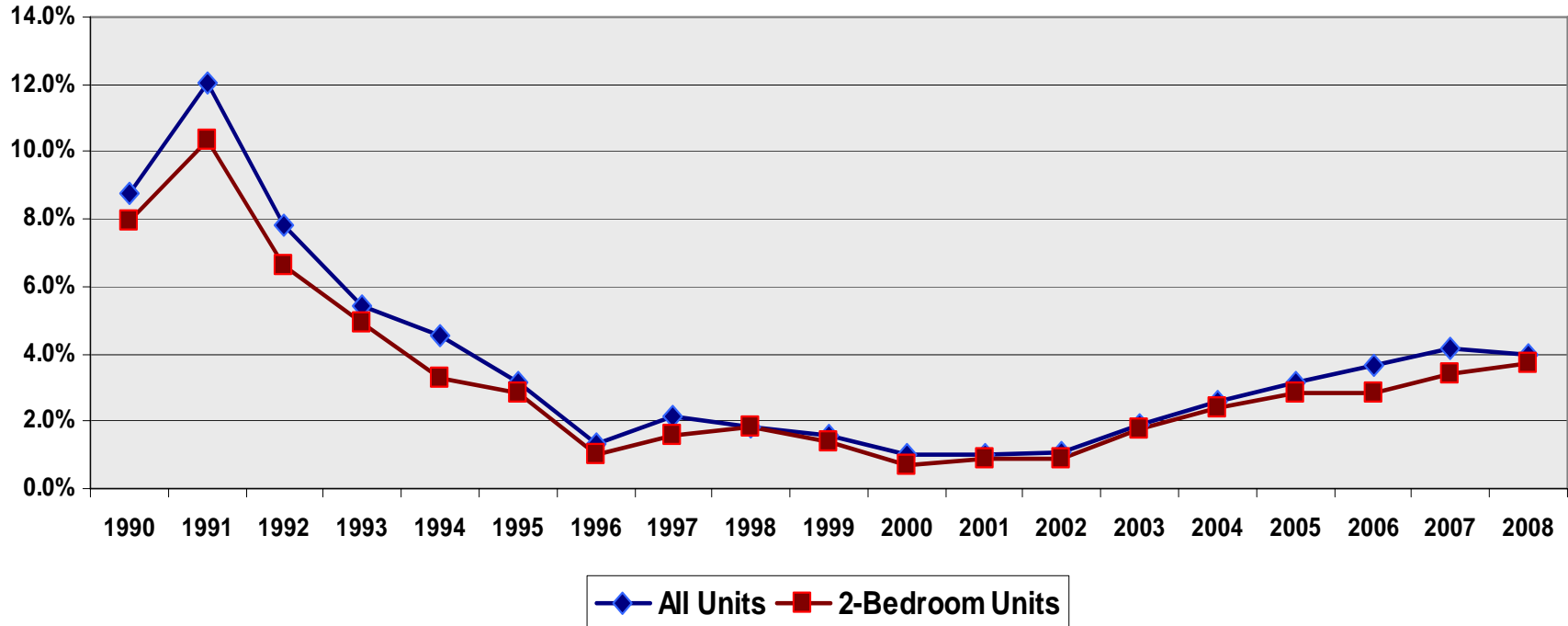
Median Gross Rental Cost



Change in CPI Shelter 4/07 to 4/08	
Boston	0.57%
US	2.61%

Statewide

Vacancy Rate of Rental Housing Units

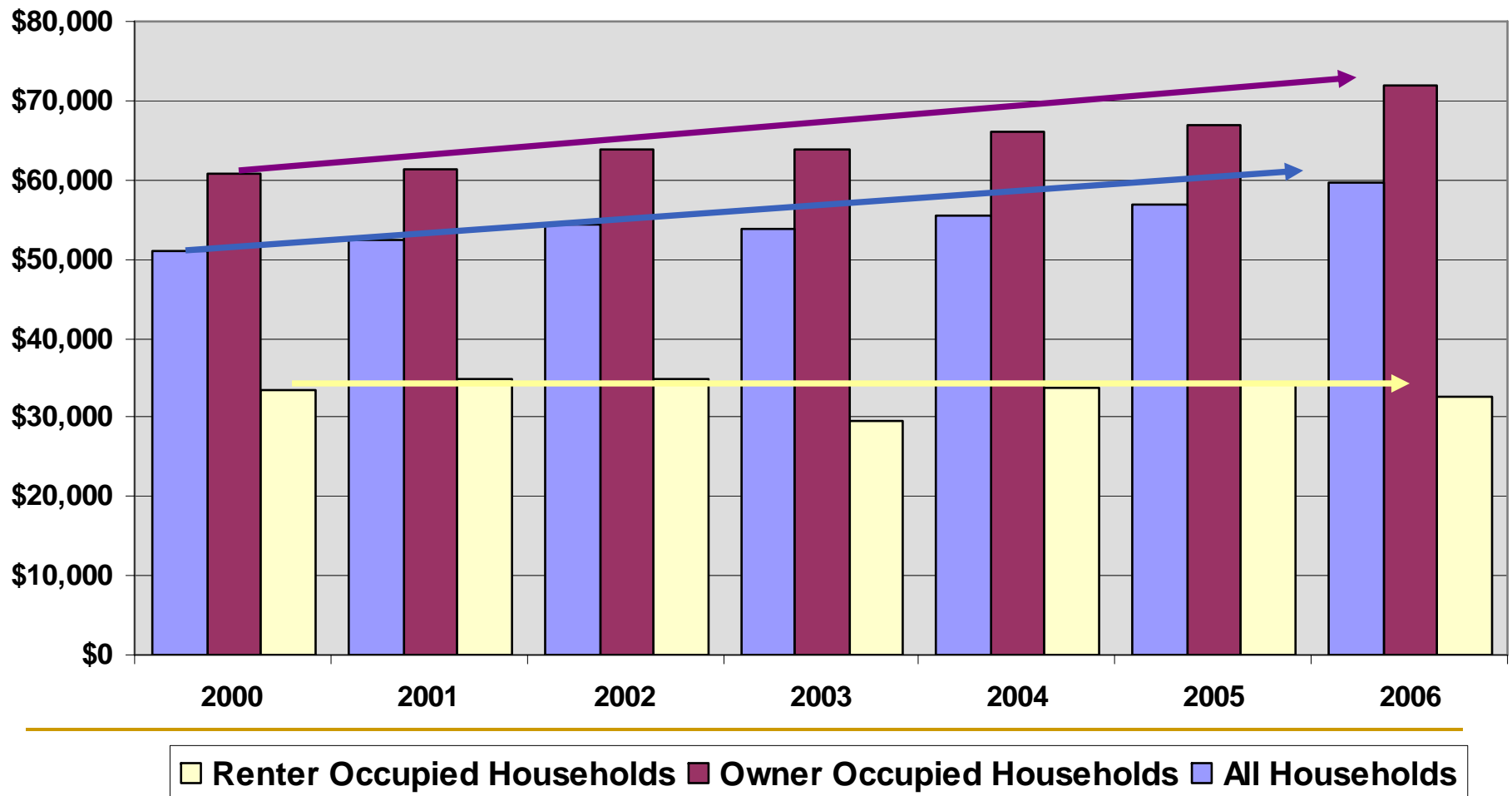


Year	All Units		2-Bedroom Units	
	Vacancy Rate	Sample Size	Vacancy Rate	Sample Size
2008	4.0%	13,128	3.7%	6,473
2007	4.2%	13,501	3.4%	6,800
2006	3.7%	13,760	2.8%	6,924
2005	3.1%	13,157	2.8%	6,793
2004	2.6%	12,266	2.4%	6,581



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

New Hampshire
Median Household Income By Tenure

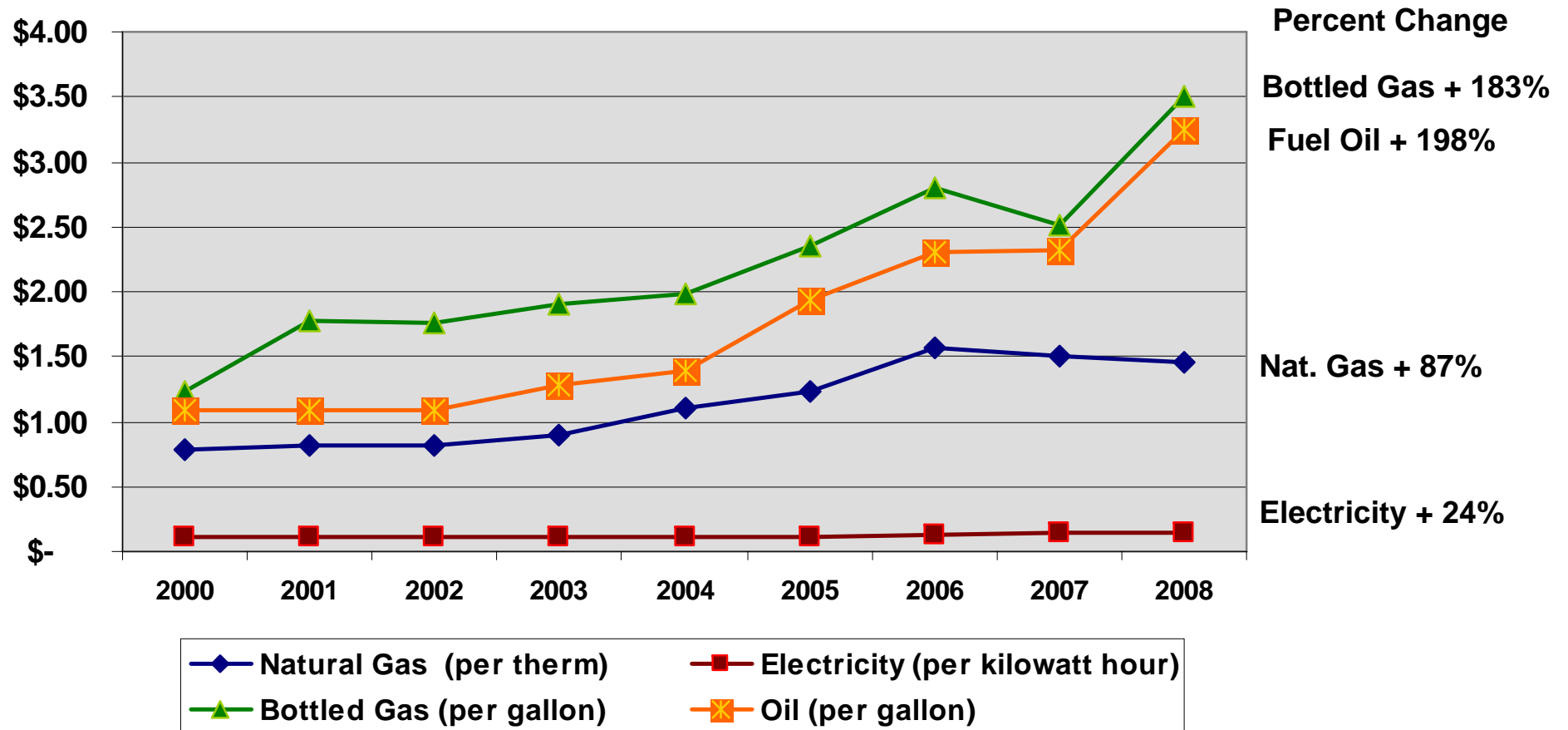


Per unit utility costs have risen dramatically during this decade.

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



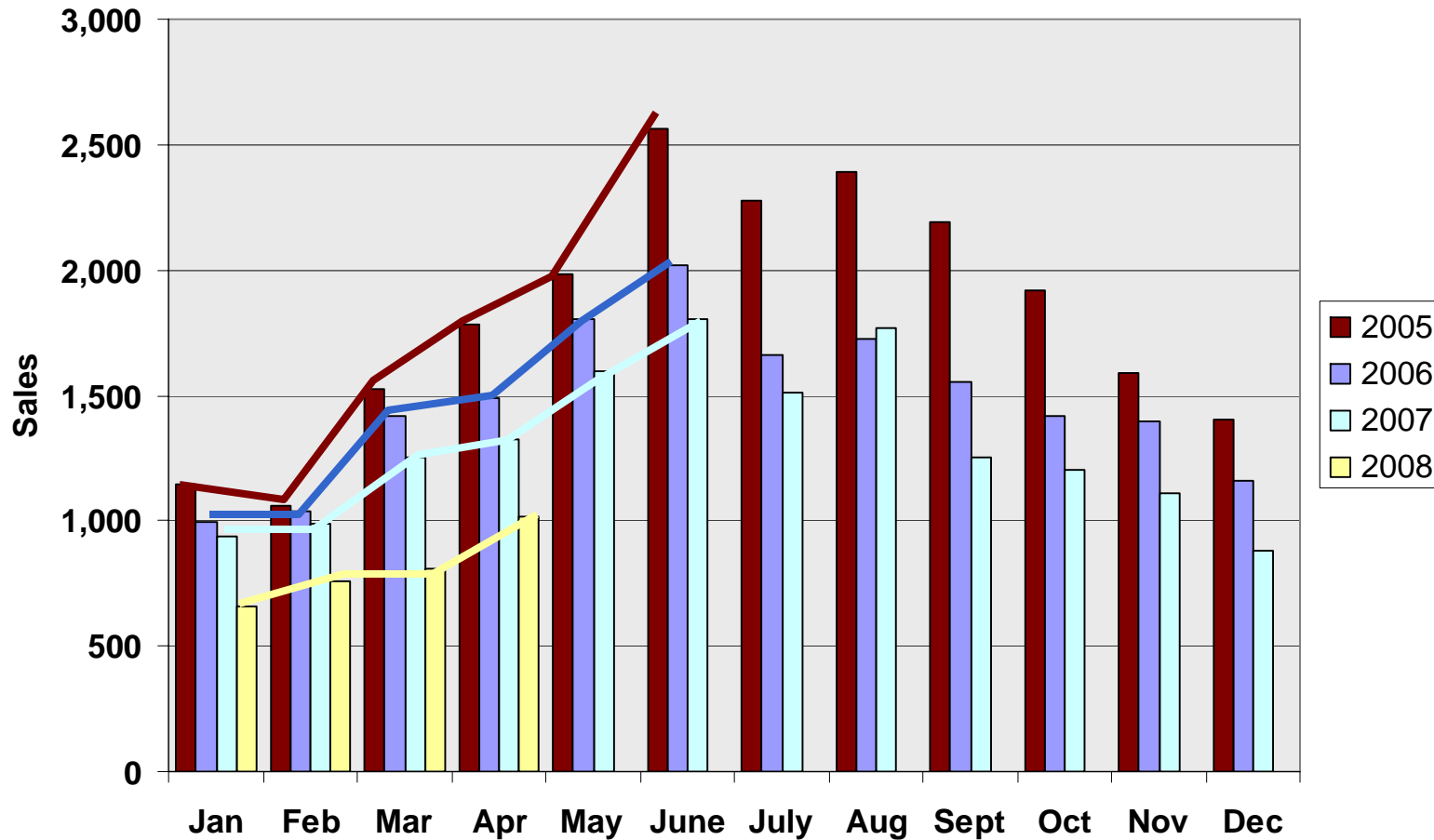
Rental Housing Market - Summary

- ❑ The Statewide Median Gross Rent at \$1,044 for a 2-bedroom unit remains above the one thousand dollar mark for the third year in a row.
 - ❑ Median Gross Rents have increased slightly over the past year, 1.5% for 2-bedroom units and 2.4% for all units. This is less than the increase in the US - CPI for Shelter of 2.6% but more than the minimal increase in the Boston – CPI for Shelter of 0.57%.
 - ❑ Most of the increase in median gross rents over the past year are probably attributable to increases in utility costs.
 - ❑ Vacancy rates as measured by this years survey of 3.7% for 2-bedroom units and 4% for all units, show no statistically significant change over last years numbers.
 - ❑ Median household incomes for renters have remained essentially flat since 2000, while incomes for owner households have grown at about 3% per year.
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Owner Housing Market

Residential real estate sales were down in each of the past two years, and based on sales through April, will be down again significantly in 2008.

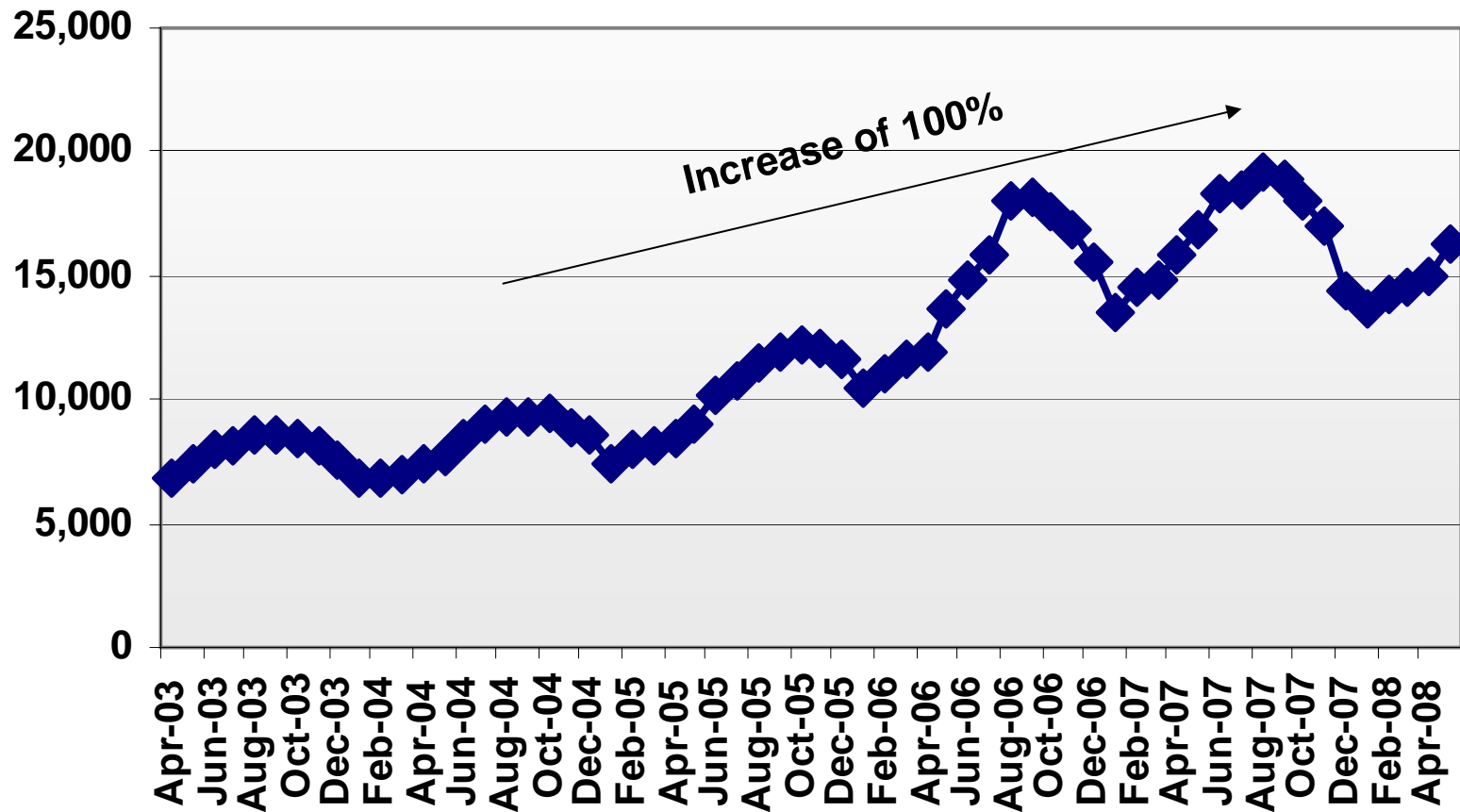
NH MLS Sales by Month



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

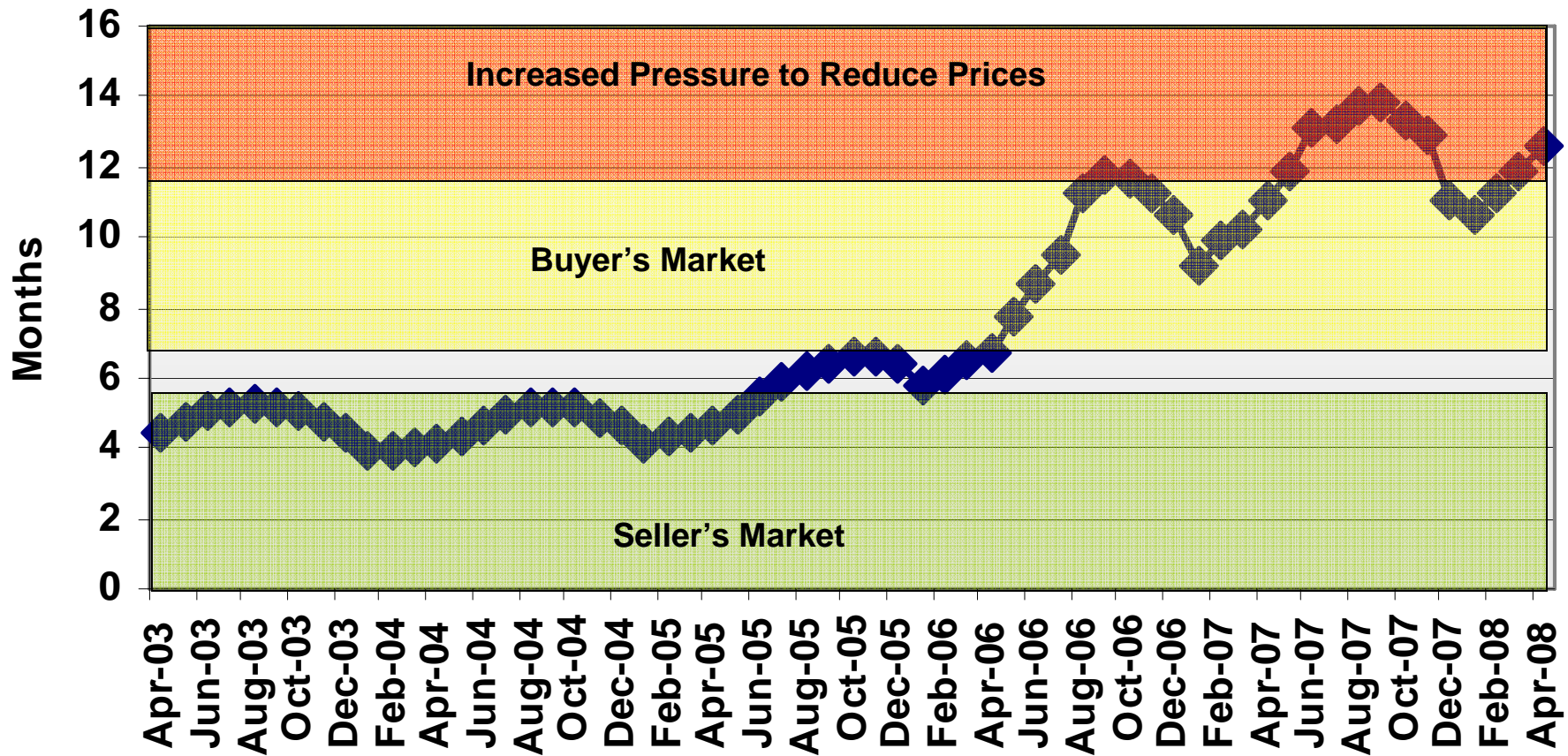


Based on information from the Northern New England Real Estate Network for towns in New Hampshire

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

MLS Housing Inventory

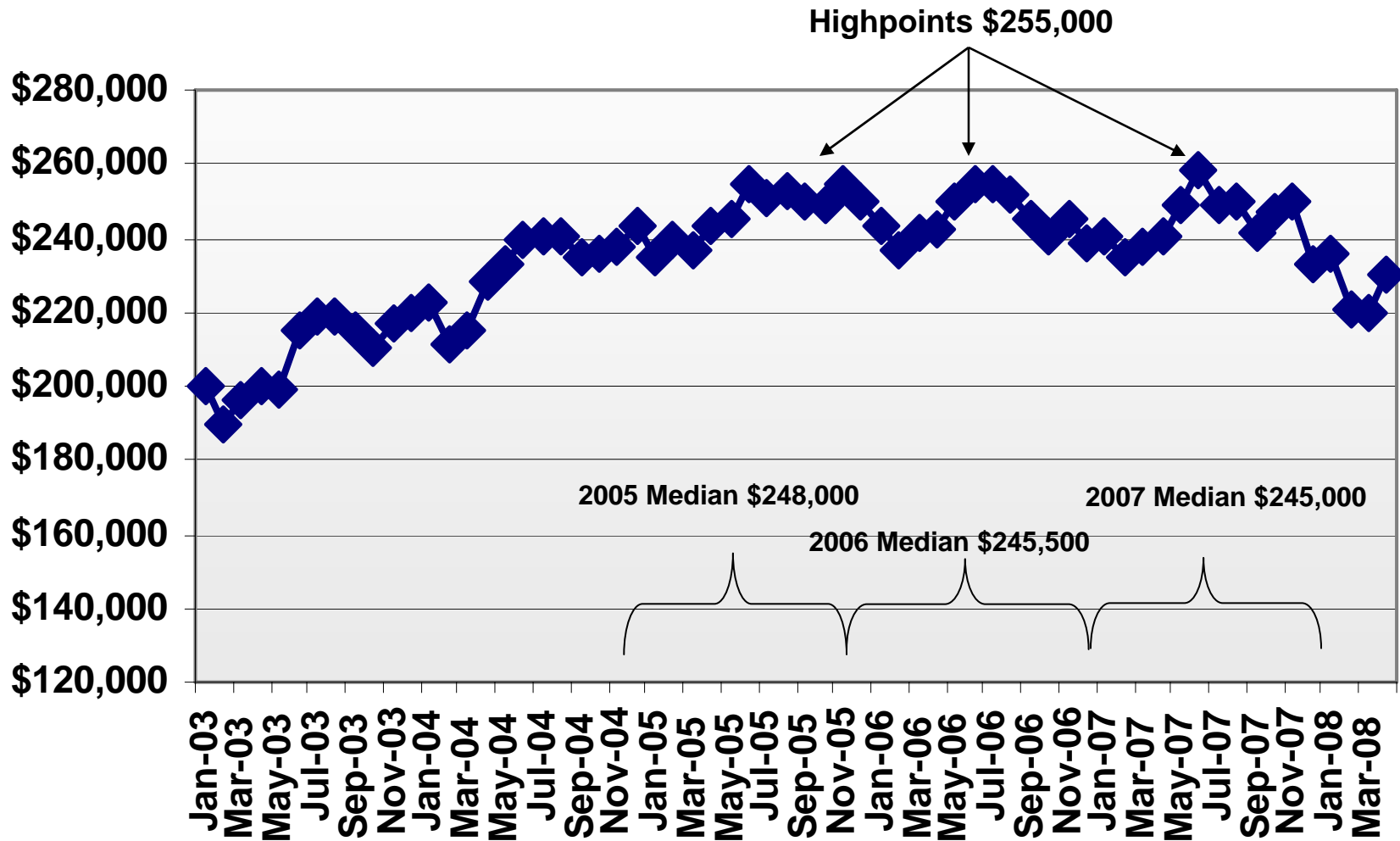
Months to Absorb Current Listings at Prior 12 months Sales Pace



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

The increase in inventory has resulted in a decline in median price

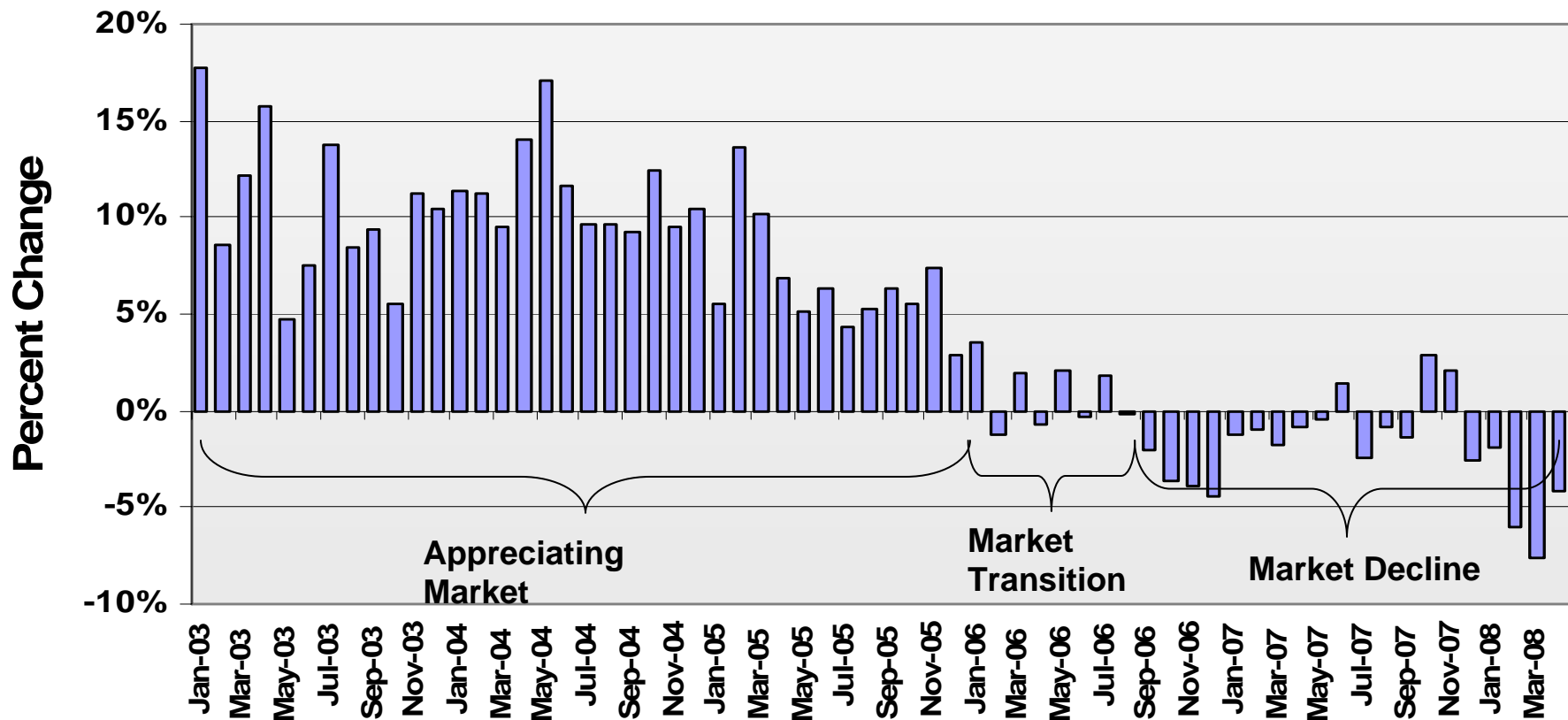
MLS Median Sale Price



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

The year over year percent change in median monthly MLS Sale Price is down in 17 of the past 20 months

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



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

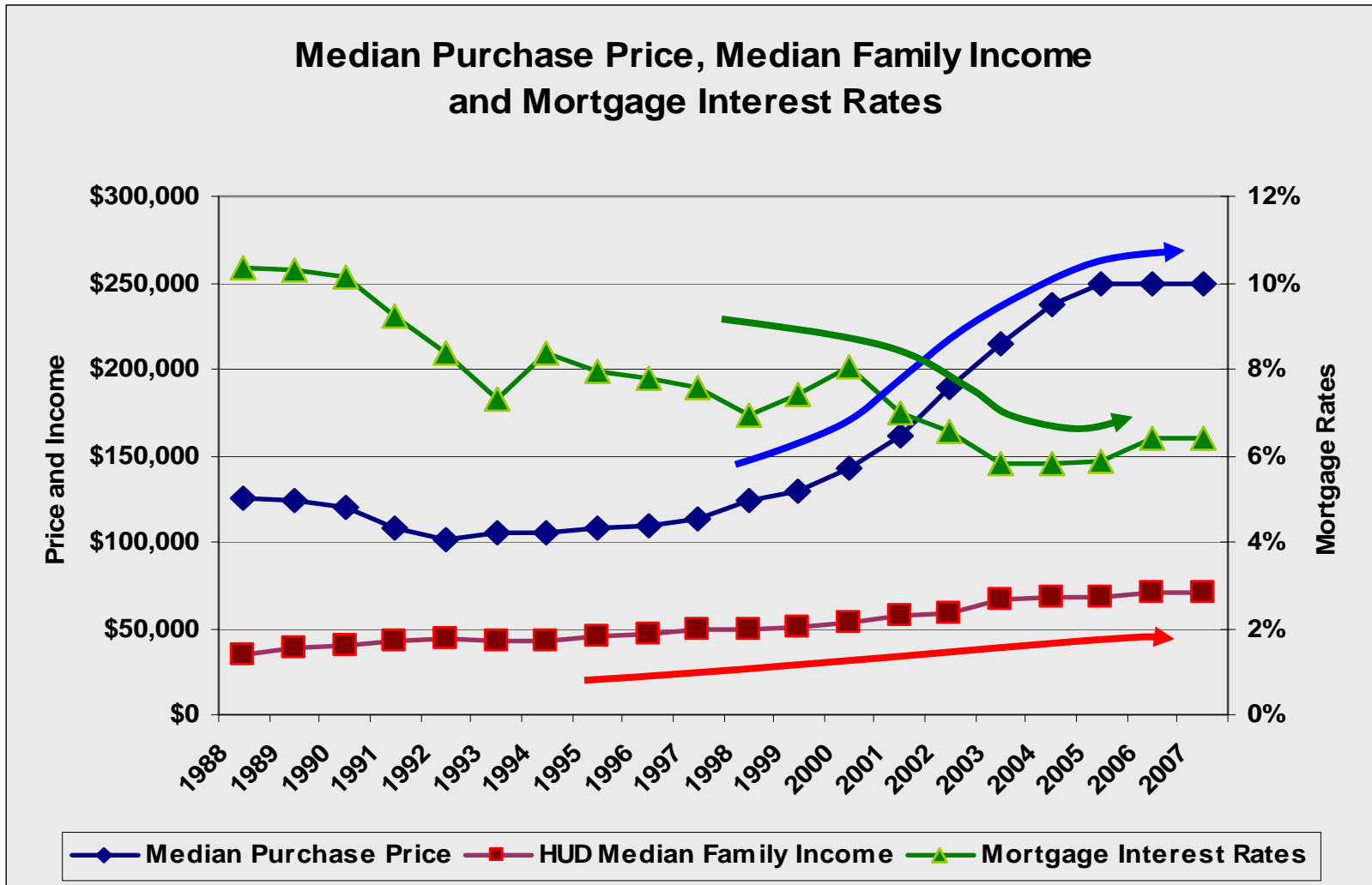
Owner Housing Market

- ❑ The pace of sales is down again this year. (demand is very weak, buyers staying out and/or just can't get into the market)
 - ❑ Listings are still near record highs, but no worse than last year at this time. (the supply has stabilized)
 - ❑ Inventory is at a 12 months supply and will probably climb to 14 months by summers end. (a healthy inventory would be about 6 months supply)
 - ❑ Prices have begun to decline but not by as much as the common perception and not as much as they will decline over the next 12 plus months.
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Housing Affordability

Housing Affordability

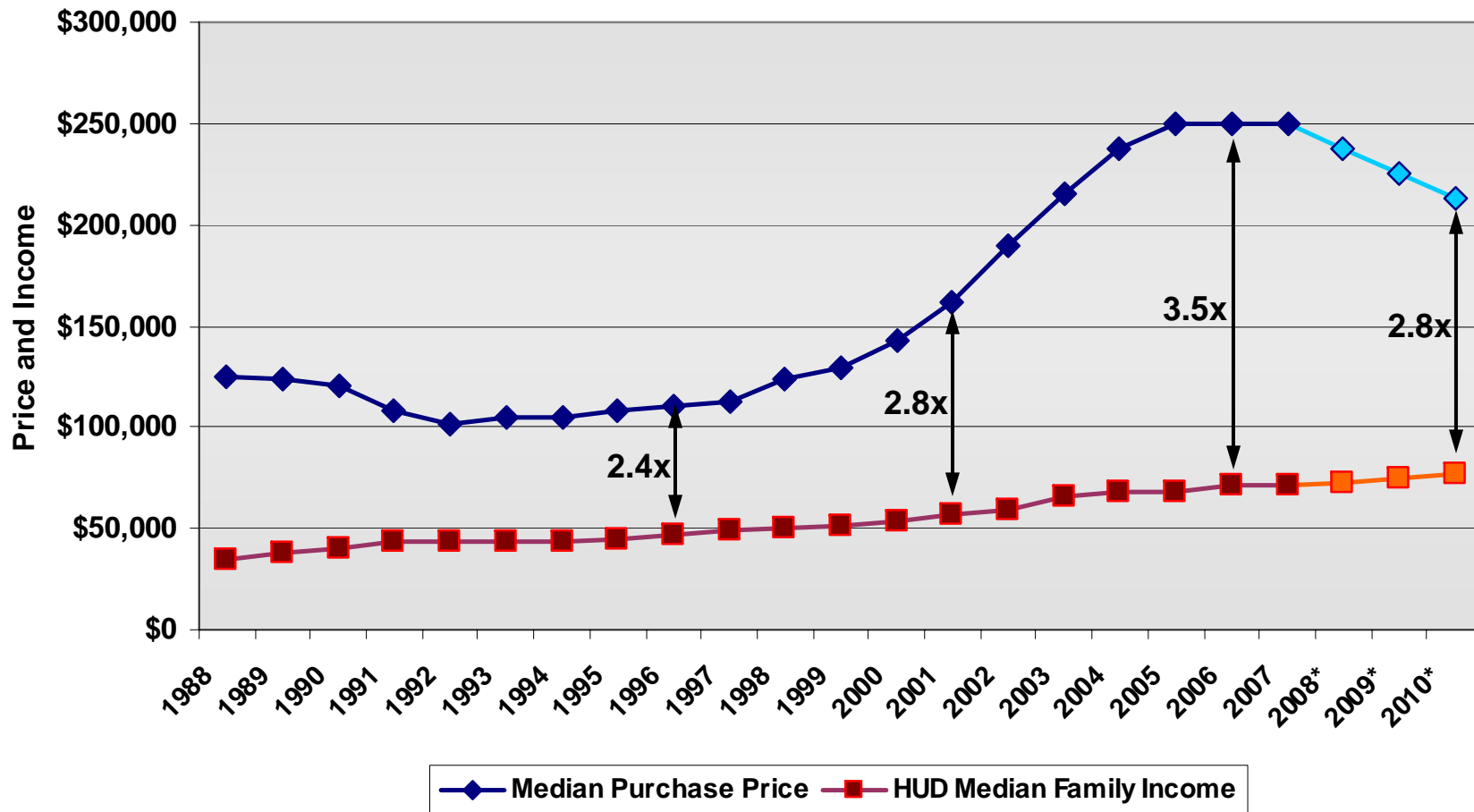
Prices have outpaced household incomes



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

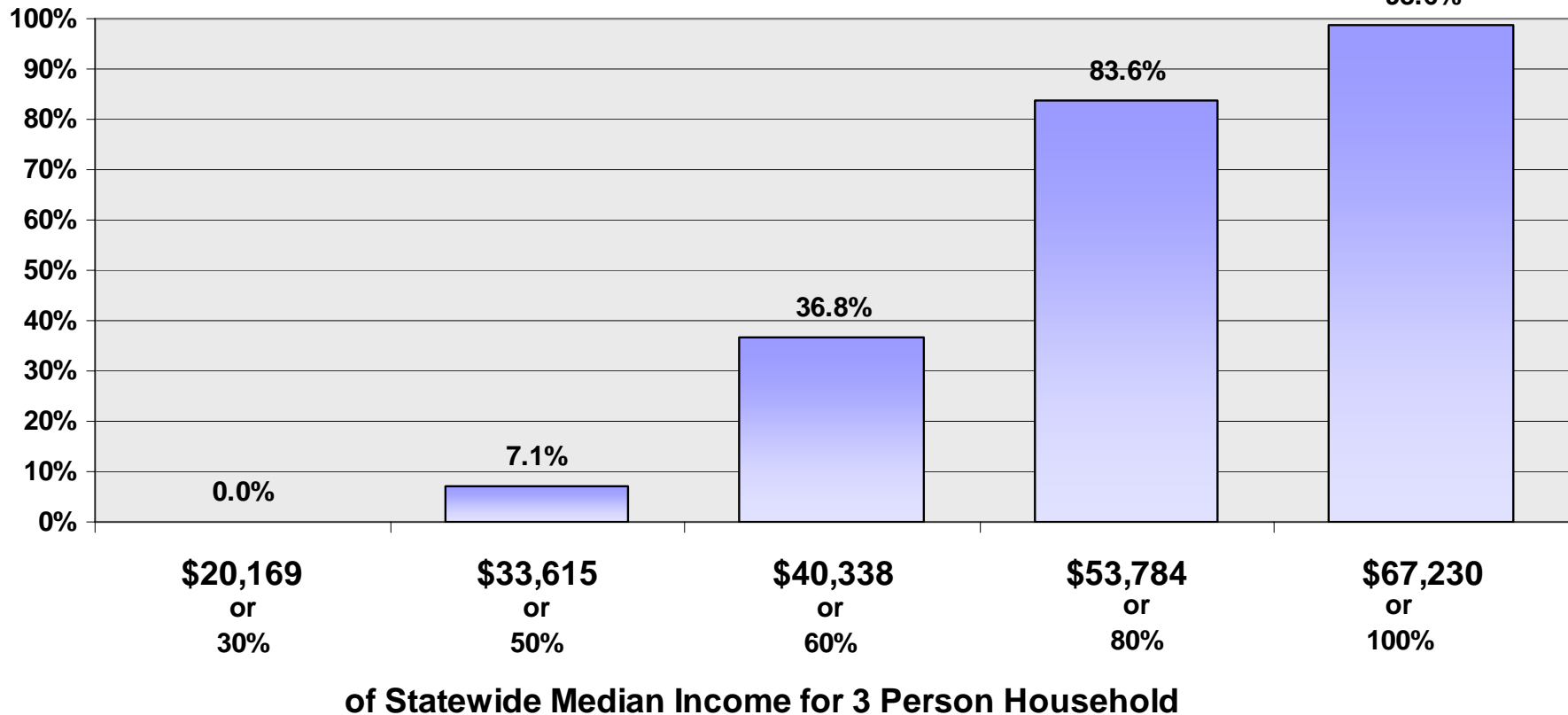
Median Purchase Price and Median Family Income



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

Rental Housing Affordability

**Percent of 2-Bedroom Units in
2008 Rental Cost Survey
Affordable at Selected Household Incomes**



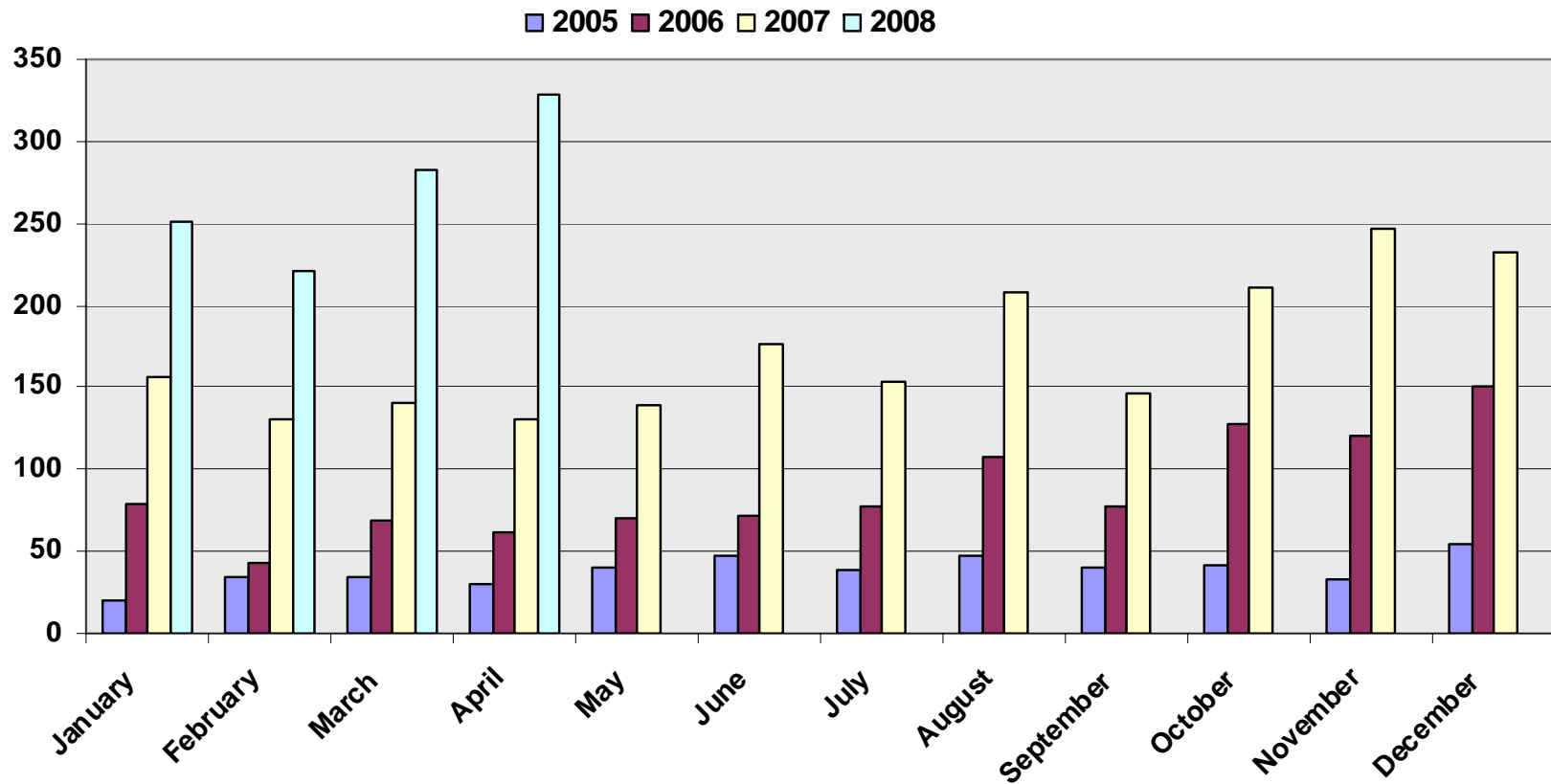
Housing Affordability

- ❑ Owner housing was affordable to many median income New Hampshire households during most of the 1990's, and that perception of affordability lingered into the beginning of this decade.
 - ❑ Housing in many New Hampshire markets became unaffordable during the first half of this decade, but increasing prices were supported by declining interest rates, “creative” lending practices (read subprime lending) and the perception that the market was only going to continue to appreciate.
 - ❑ To regain a sense of owner affordability prices must decline and/or incomes must increase.
 - ❑ Rental Housing in New Hampshire is typically affordable to households earning 80% or more of the Median Family Income, but the availability of affordable units drops dramatically below that income level.
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Mortgage Delinquencies, Foreclosures and Subprime Lending

The number of recorded foreclosure deeds per month continues to increase beyond previous predictions.

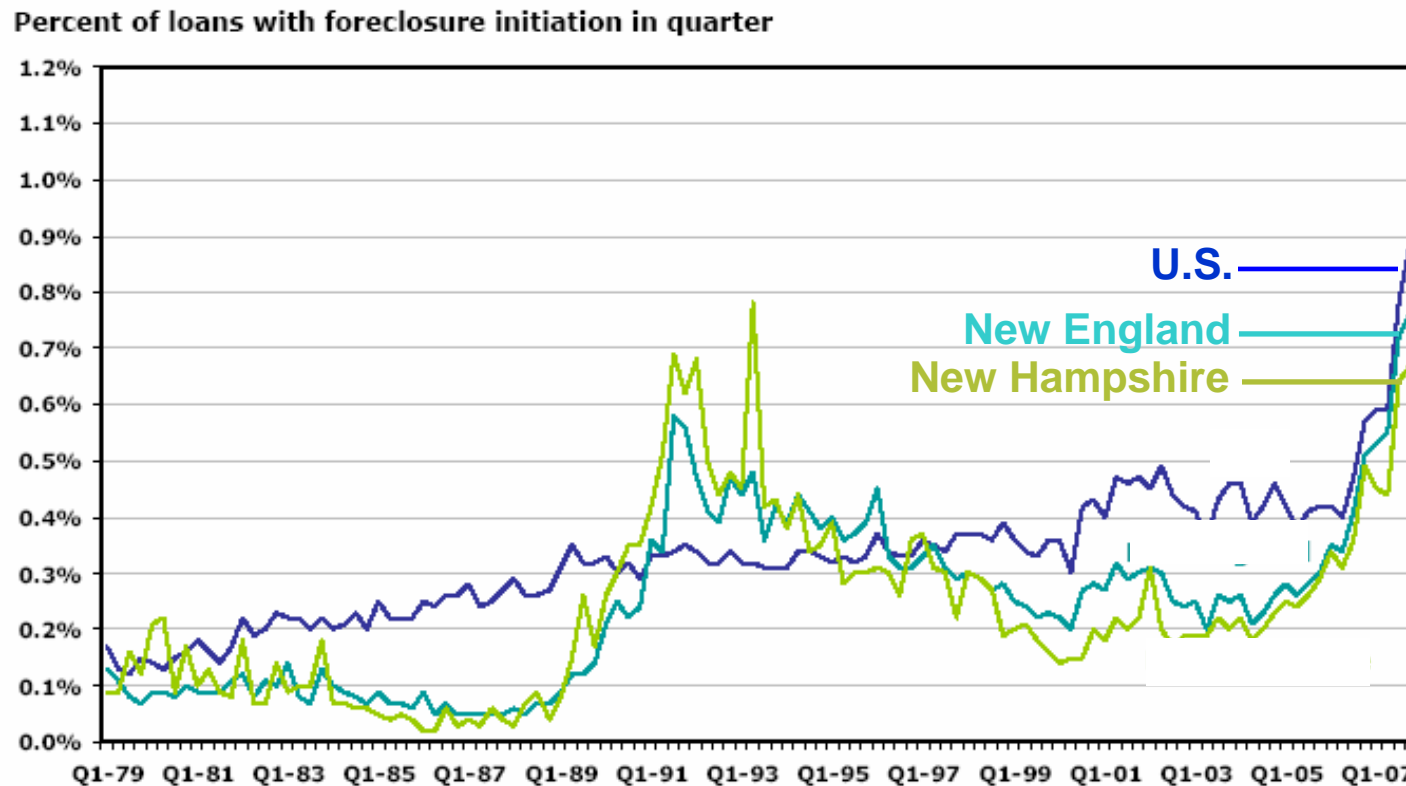
New Hampshire Foreclosure Deeds By Month



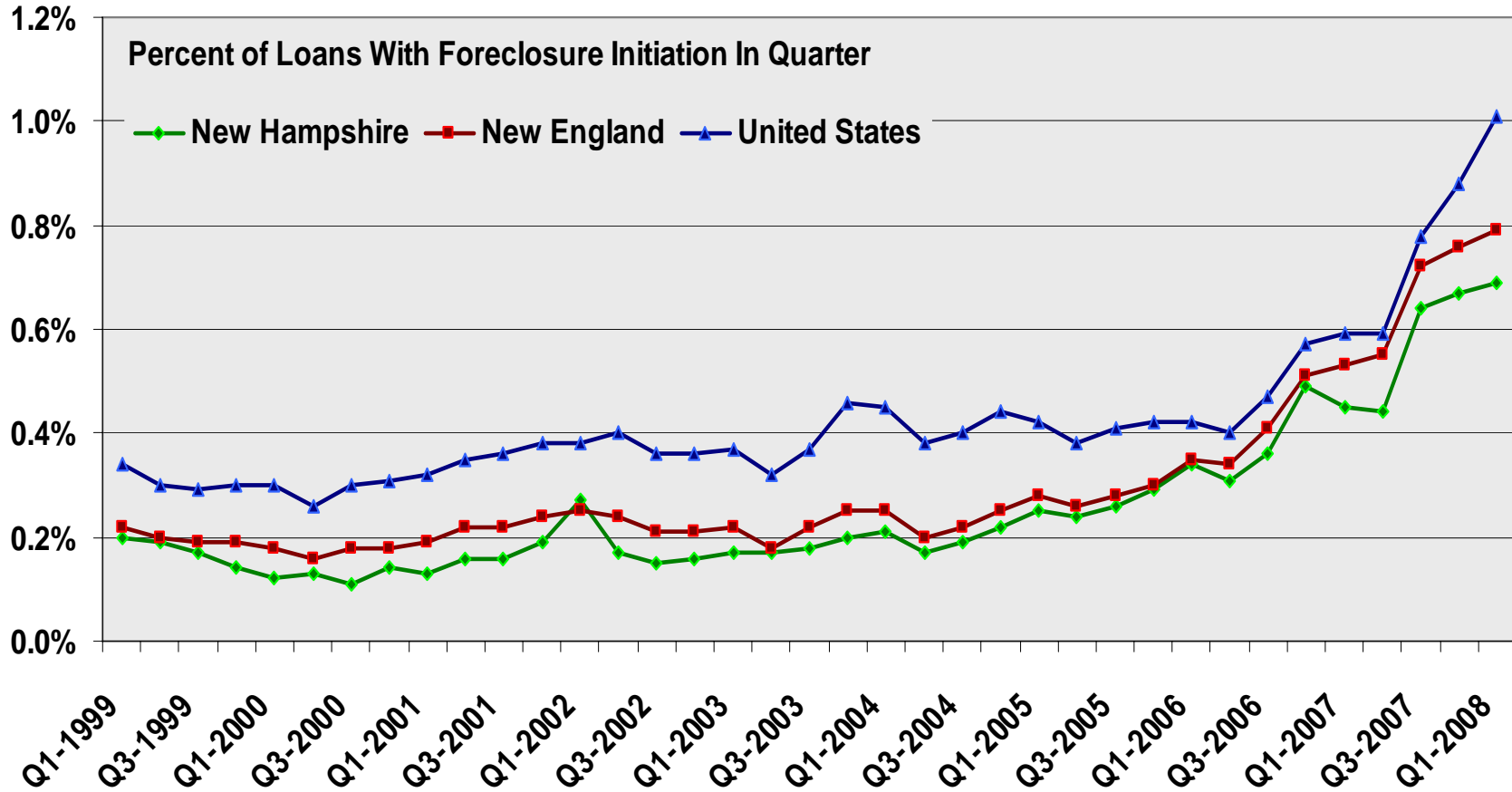
Source: Real Data Inc.

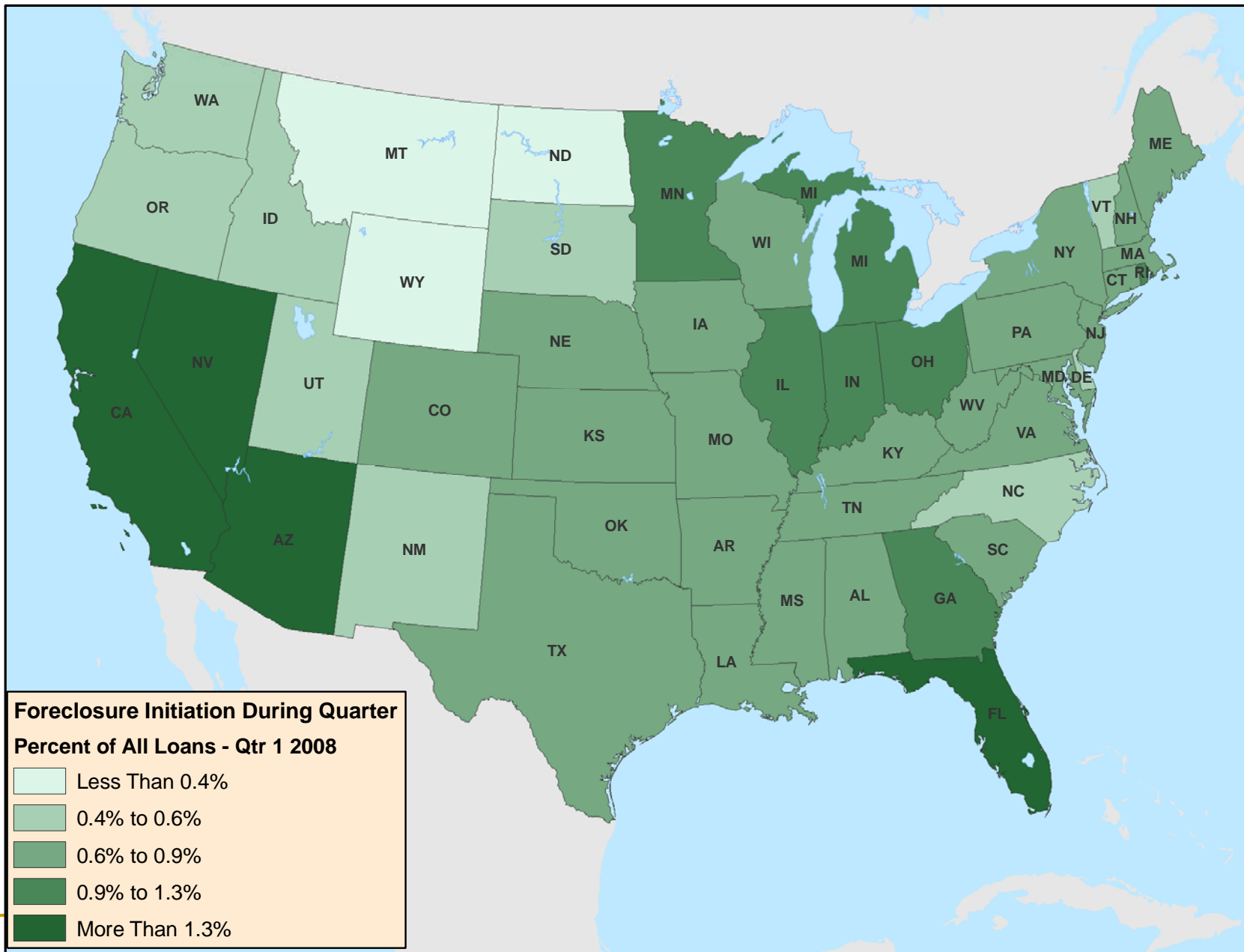
The rate of foreclosure initiation in New Hampshire is now similar to the rate during the early 1990's, and the rate for the US has reached an all time high in each of the past 6 quarters.

Foreclosure rates for United States, New England, and New Hampshire, through Q4-07



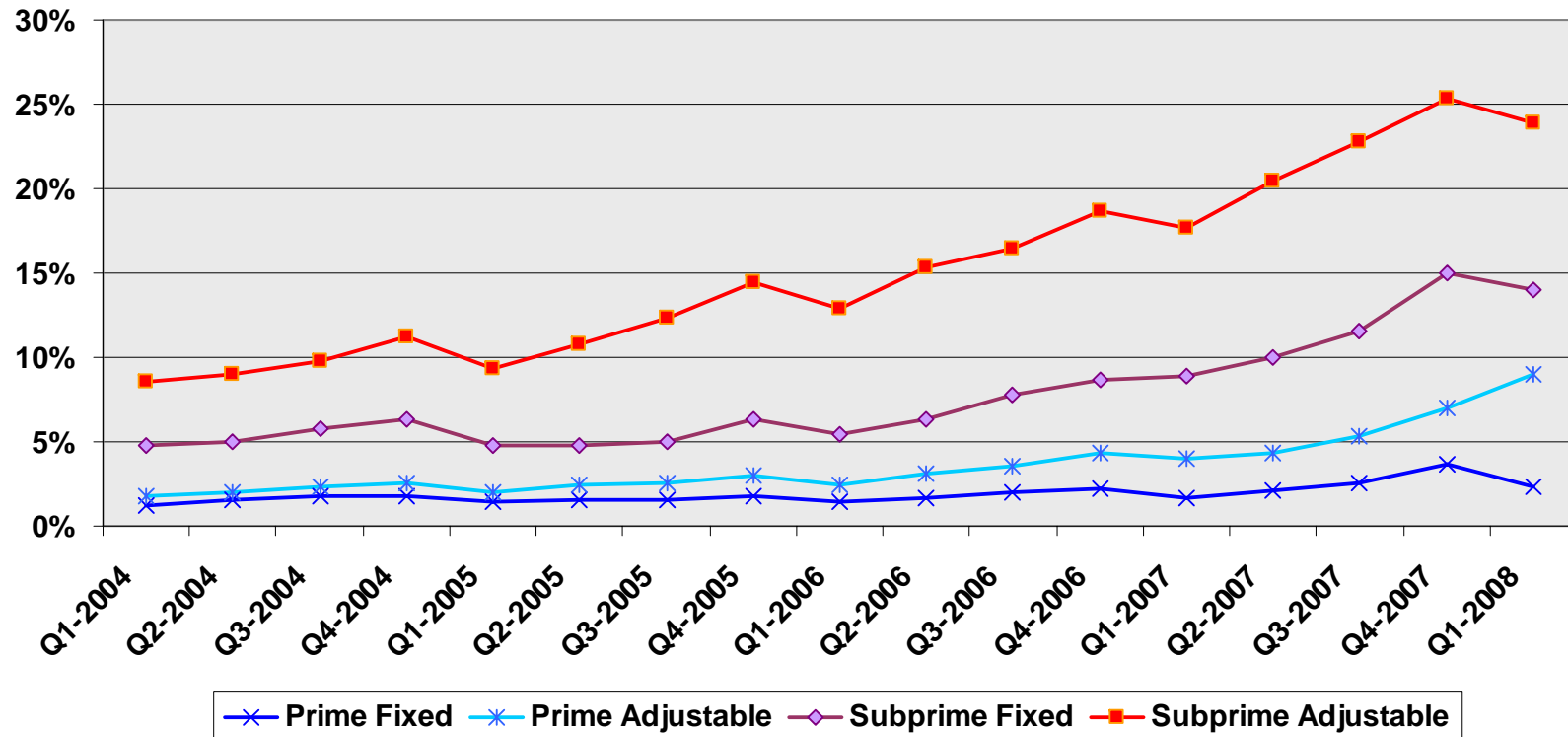
Foreclosure Rates For United States, New England and New Hampshire, through Q1-2008





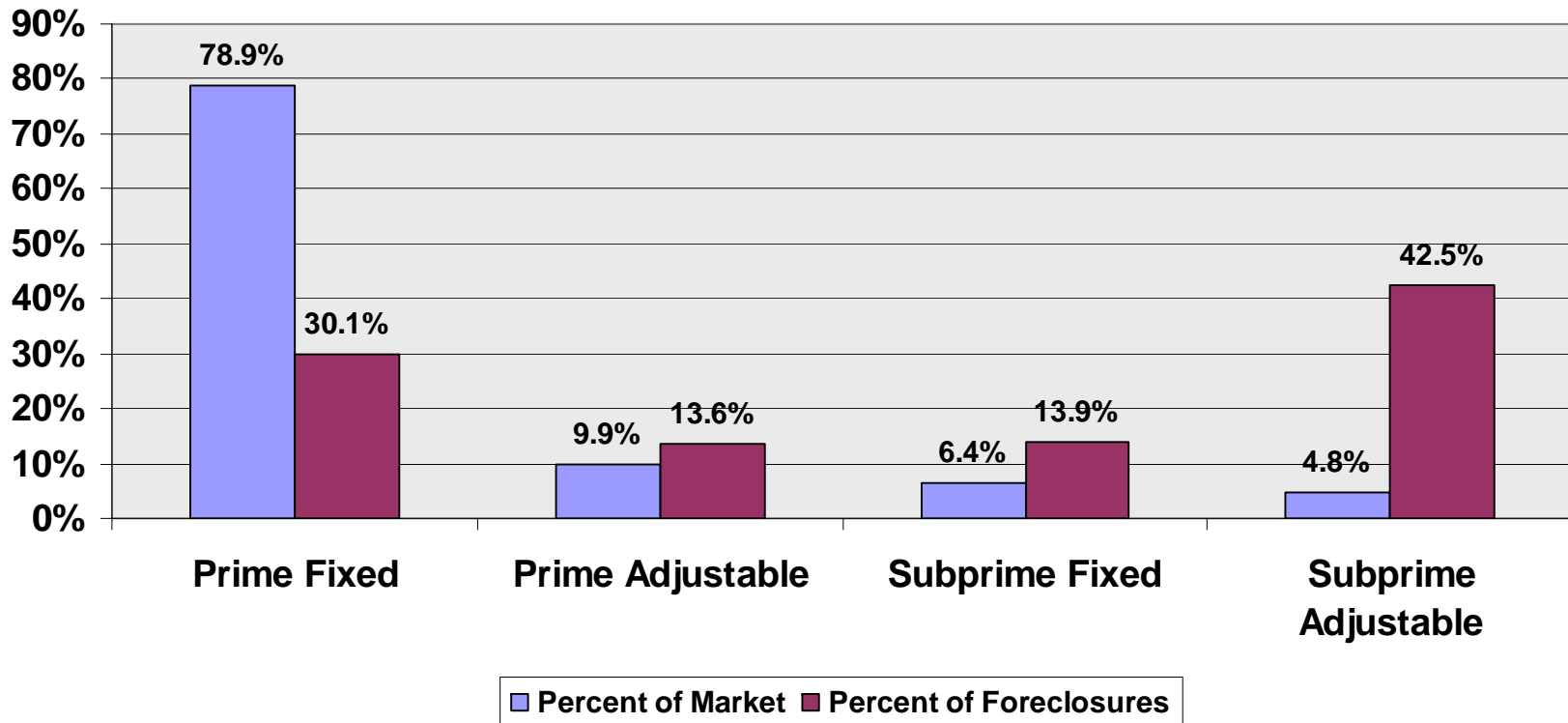
During the past three quarters the delinquency rates for all conventional mortgage loan types (not just subprime loans) have increased significantly.

Percent of New Hampshire Mortgage Loans With Installments Past Due



Subprime adjustable rate loans are now shrinking as a portion of the market, but they continue to be the largest share of foreclosures.

NH Mortgage Market and Foreclosure Share In Major Conventional Categories, Q1-2008



New Hampshire - 1st Quarter 2008 Delinquency and Foreclosure Estimates

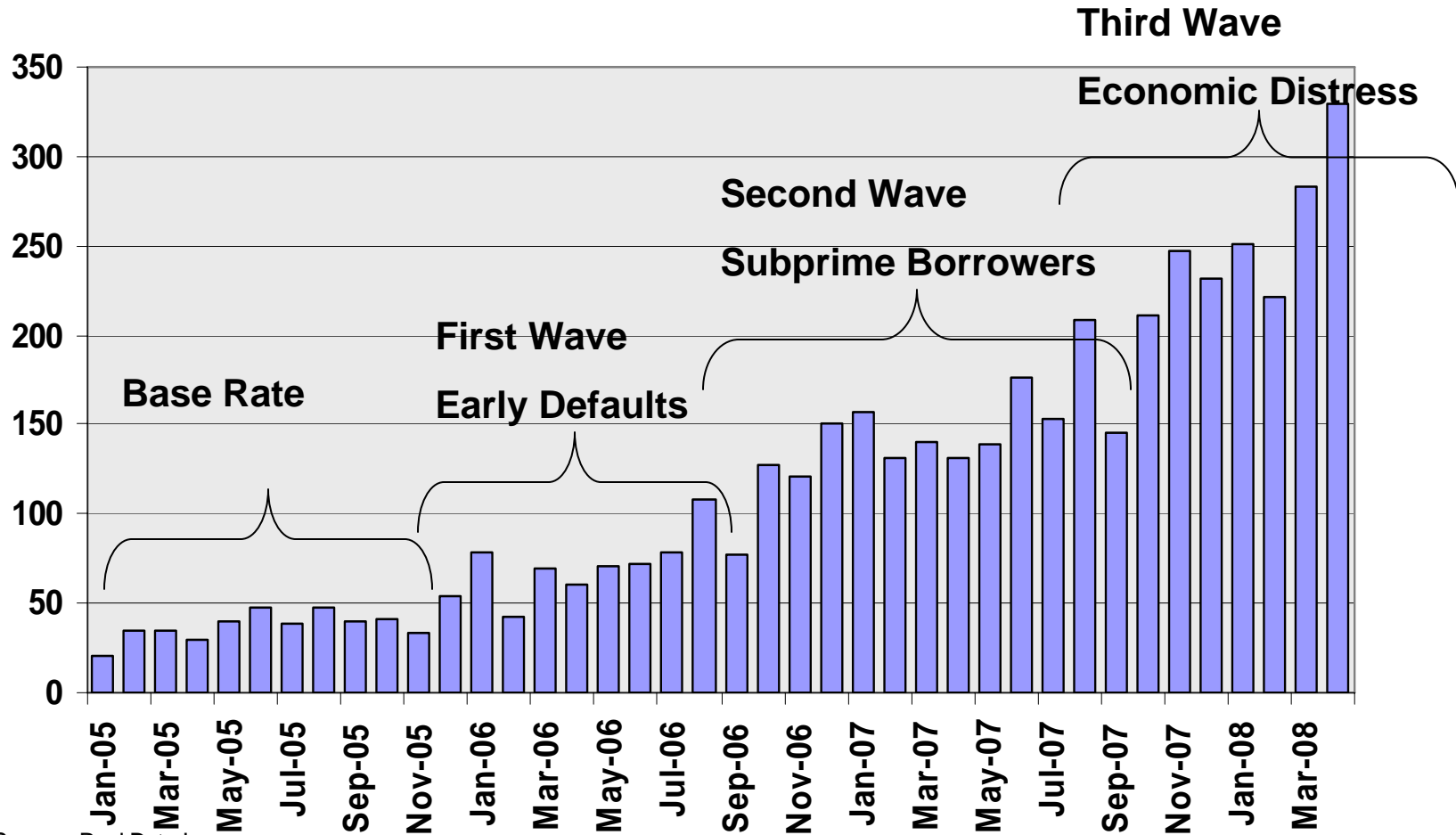
All Loans	Percent	Loans
Loans with payment past due	5.06%	14,630
Loans with foreclosure started during the quarter	0.69%	1,990
Loans in foreclosure inventory at the end of quarter	1.62%	4,680

Prime Loans	Percent	Loans
Est. number of prime loans	85.5%	247,180
Prime loans with payment past due	3.26%	8,060
Prime loans with foreclosure started during the quarter	0.35%	870
Prime loans in foreclosure inventory at the end of quarter	0.79%	1,950

Subprime Loans	Percent	Loans
Est. number of subprime loans	10.8%	31,130
Subprime loans with payment past due	18.22%	5,670
Subprime loans with foreclosure started during the quarter	3.45%	1,070
Subprime loans in foreclosure inventory at the end of quarter	7.18%	2,240

The Foreclosure Problem Timeline

New Hampshire Foreclosure Deeds By Month



Source: Real Data Inc.

Mortgage Delinquencies, Foreclosures and Subprime Lending

- ❑ The problem is not just subprime lending anymore, and,
 - ❑ we are not through the worst of it yet.
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