HOUSING MARKET SNAPSHOT

MARCH 2023

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IMPACT OF INTEREST RATES

Interest rate and payments calculated based on $400,000 home with 5% downpayment, 30-year mortgage. Per-month cost reflects principal and interest only, excludes estimated insurance and taxes.

3.0% INTEREST RATE $1,602 PER MONTH
4.0% INTEREST RATE $1,814 PER MONTH
5.0% INTEREST RATE $2,040 PER MONTH
6.0% INTEREST RATE $2,278 PER MONTH
7.0% INTEREST RATE $2,528 PER MONTH

Vacancy rate 0.3%
SPRING HOUSING MARKET EXPECTATIONS

STEADY INTEREST RATES & PERSISTENT LOW INVENTORY

Rob Dapice, Executive Director/CEO, New Hampshire Housing

The UNH Survey Center just released a new poll: 32% of New Hampshire residents believe housing is the most important problem facing the state. This is followed by 10% who believe jobs or the economy are the most important issue. Further, the percentage of people who cite housing as the most important problem is at an all-time high. Perhaps the upside of this news is that it shows a growing awareness that an insufficient supply of housing is a serious problem, and that the state’s policymakers have an important role in finding and implementing solutions to the shortfall.

At the beginning of March, we hosted 200+ attendees at our annual Homeownership Conference. Recognizing that we are about to begin the 2023 homebuying season with a discouraging market notable for its record-low inventory and ongoing affordability challenges, four speakers presented on innovative housing development. Brian Gaudio of Module Housing talked about building highly energy-efficient prefab homes in urban settings to create high-density housing; Evan Gilman spoke about the University of Maine’s BioHome3D project, the first 3D-printed home made entirely with bio-based, recyclable materials; and Maggie Randolph and John Randolph talked about their employer-built housing in Durham and Dover, intended to serve the employees of their Harmony Homes assisted living facilities.

Meanwhile, a number of promising housing bills have been working their way through this legislative session. Lawmakers are poised to take action on several funding initiatives that will be helpful to housing development. Unfortunately, it appears unlikely any legislation will pass that would substantially change the housing development regulatory environment. Various federally funded initiatives are providing significant public investments at the municipal level, supporting changes to local regulations as well as the production of multifamily housing. Ultimately however, most change will have to happen at the local level to establish policies and land use regulations that allow our communities to grow and change to meet the housing needs of our population.

The need to move thoughtfully and swiftly to stimulate the construction of new housing of all types is underscored by the findings in a series of housing needs assessments being released this spring. Our 2023 New Hampshire Statewide Housing Needs Assessment looks at the state’s housing market, housing needs, and projected housing demand. Additionally, each of the state’s nine regional planning commissions is releasing its own housing needs assessment, which have been developed in collaboration with the Department of Business and Economic Affairs. All the studies illustrate and quantify the gap between the housing that is available and that which will be needed to stably house New Hampshire’s current and projected population.
New Hampshire’s seasonally adjusted unemployment rate for January 2023 is 2.8%. We are tied with Colorado for the 10th lowest unemployment rate in the U.S. The state’s unemployment rate has risen for the past five consecutive months.

Source: U.S. Bureau of Labor Statistics (seasonally adjusted)
The Consumer Price Index (CPI) shown here measures the monthly change in a weighted average of prices for a basket of goods and services paid by consumers in the Northeast. This aggregate of consumer spending serves as a standard measure of inflation & deflation.

The 2020 ACS 1-year used an experimental estimation methodology and should not be compared with other ACS data. Inflation Adjustment figures are provided by US Department of Labor Statistics Consumer Price Index and are compiled by New Hampshire Housing.

Owner & Renter Median Income

While building permits have climbed from the lows following the Great Recession, they still remain considerably lower than the peak homebuilding years of earlier decades.

**Single-family permit** activity climbed in 2020 and peaked in 2021. These permits were down 7% in 2022 when compared to the prior year.

**Multifamily permit** activity increased 12% in 2022 when compared to the prior year.
The producer price index for ready-mix concrete manufacturing was up by 13% year-over-year in January 2023. Ready-mix concrete is used in a variety of home construction applications such as foundations and floor slabs. The producer price index for softwood lumber is down 44% year-over-year in January 2023.

Additionally, production delays in the delivery of electrical switch gear and transformers are impacting the ability to connect power to multifamily housing projects, according to Shaun Malone, NH Housing’s construction expert. “It’s hampering the ability to complete projects on time and obtain certificates of occupancy.”

Evictions have risen from the very low levels during and immediately after the pandemic. The end of the Emergency Rental Assistance Program could result in these numbers returning to historically normal levels.

Note: In January 2023, weekly reporting was changed to monthly reporting for Landlord Tenant Writ Cases Filed and Writs of Possession issued. NH Housing converted weekly data into estimated monthly data for 2019 through 2022.

To legally evict a tenant in NH, a landlord must first file a Landlord/Tenant Writ with the court. A judge determines if a writ of possession court order will be issued, allowing a landlord to have a tenant lawfully removed from the home.

The number of foreclosures in New Hampshire remains low. The state’s moratorium on foreclosures ended in July 2020 but forbearance has continued.

If the national emergency ends on May 11, 2023, as anticipated, the CARES Act provisions that must be requested by the mortgagor allow forbearance for federally backed mortgages will end 120 days later. Many properties remain in forbearance today. A forbearance temporarily suspends or reduces mortgage payments.

New Hampshire continues to have the lowest number of mortgage delinquencies (3.29%) in New England (3.71%), and lower than the U.S. as a whole (3.92%).
MLS Listings in NH

Source: Based on information from PrimeMLS (formerly Northern New England Real Estate Network) and compiled by NH Housing. Excludes land, interval ownership, seasonal camps/cottages, age-restricted, multifamily properties, mobile/manufactured homes, and commercial/industrial property.

Listings are only 2.4% lower than a year ago (March 2022 - 2023).

However, inventory still remains very low. March 2023 listings are 62% lower than they were in March 2019.

As the pace of sales slows due to various factors (low inventory, higher interest rates, and increased home prices), we see a marginal increase in the months of supply of inventory.

Source: Based on information from PrimeMLS (formerly Northern New England Real Estate Network) and compiled by NH Housing. Excludes land, interval ownership, seasonal camps/cottages, age-restricted, multifamily properties, mobile/manufactured homes, and commercial/industrial property.
Closed sales cumulatively for January and February of this year are down 24% when compared to the same period last year.

In February 2023, the statewide median sales price was 7% higher than February of last year. It was down 8% from the peak median sales price of $450,000 in June 2022.

Source: Based on information from PrimeMLS (formerly Northern New England Real Estate Network) and compiled by NH Housing. Excludes land, interval ownership, seasonal camps/cottages, age-restricted, multifamily properties, mobile/manufactured homes, and commercial/industrial property.
In February 2023, the average mortgage interest rate for a 30-year fixed-rate mortgage was 6.26% percentage points lower than the peak of 6.90% we saw in October of 2022.

As interest rates have risen, they have impacted the monthly mortgage payments significantly, and made it less affordable for many to purchase a house. Higher interest rates also have made refinancing much less attractive to those who already own homes.

Note: Interest rate and payments calculated based on $400,000 home with 5% downpayment, 30-year mortgage. Per-month cost reflects principal and interest only, excludes estimated insurance and taxes.
As interest rates increased from historic lows of below 3% to 6.26%, adjustable-rate mortgages (ARMs) are becoming more attractive to buyers.

Refinancing activity in NH dropped by 58% from 2021 to 2022 mainly due to the higher interest rates.

Home equity loans and home equity lines of credit activity increased 28% in 2022 compared to activity in 2021 as homeowners tapped the higher value of their homes.
While almost all age cohorts have a slight reduction in the percentage of homeowners with a mortgage, for ages 65 to 74 and ages 75 and over, we see a slight increase when comparing 2011 to 2021.

“Older homeowners with mortgages are more likely to be cost-burdened (pay more than 30% of their income for housing) than older homeowners who don’t have a mortgage but it is not clear whether older owners are tapping debt to meet basic needs or using debt to purchase amenities that improve their quality of life,” noted an article published by the Joint Center for Housing Studies of Harvard University.

Source: US Census Bureau, American Community Survey (2011, 2021), 1 Year Estimates Table B25027
www.jchs.harvard.edu/blog/doolder-homeowners-mortgages-cutback-health-spending
Migration data for New Hampshire are based on year-to-year address changes reported on individual income tax returns filed with the IRS. Although there is a three-year lag in data, we are able to see migration patterns for inflows—the number of new residents who moved to NH and where they migrated from, and outflows—the number of residents leaving NH and where they went.

While it is difficult to know the reasons behind the spike seen in 2016-17, it is possible that there could have been pent-up demand for mobility as homeowners recovered from the effects of the Great Recession and were able to sell their homes that had previously had values less than the mortgages owed on them.

Source: U.S. Internal Revenue Service
WHERE DO NH HOMEBUYERS COME FROM?

PERCENTAGE OF OVERALL NH HOME SALES (2016 - 2022)

The proportion of out-of-state buyers increased in 2020 to 28.5% from 25.2% in 2019. Out-of-state buyer activity increased again in 2021, making up 31.6% of home purchases but this activity fell slightly to 30.2% in 2022. Massachusetts residents still represent the largest proportion of out-of-state buyers into New Hampshire, but most NH buyers already live here.

Source: The Warren Group
The 2022 NH Residential Rental Cost Survey gathered responses from the owners of 21,385 market-rate (unsubsidized) rental housing units, or 14% of all units statewide. The survey results reflect a high demand for apartments, a very limited supply, a low vacancy rate, and pressure on affordability.

The 2022 statewide median gross rent (including utilities) of $1,584 for two-bedroom units is up 5.7% over last year (and up 10% for all units).

Rents statewide have increased annually over the past 14 years.

There is a vacancy rate of 0.5% for all apartment rentals.

Source: 2022 New Hampshire Housing Residential Rental Cost Survey
The statewide median gross rent (including utilities) for a 2-bedroom unit has increased almost 26% in the past 5 years.

NH’s rental vacancy rate remains well under 1% for 2-bedroom and all units. A balanced rental market has a vacancy rate of about 5%, where the supply of units is meeting demand. A rate of 3% reflects turnover (the time it takes to prepare a unit for the next tenant). The last time NH’s vacancy rate was at 5% was in 2009, according to past survey data.

If you own or manage apartments, **PLEASE TAKE OUR RENTAL COST SURVEY!**

Participate in New Hampshire Housing’s rental cost survey...you could win a $100 gift card!

Every spring owners and managers of market-rate New Hampshire residential rental properties take our brief survey. This important data assists us in tracking rental unit costs, which we compile in a report for property owners, the public, businesses, and public officials. We’ve been a trusted source for housing data for more than 40 years!

Participant information is kept confidential.

NHHousing.org/RentSurvey • 603-310-9290 • RentSurvey@nhhfa.org

Source: 2022 New Hampshire Housing Residential Rental Cost Survey