THE DOWNS & UPS OF THE 2022 HOUSING MARKET
RISING INTEREST RATES, VEXING INFLATION & STILL A LOW INVENTORY OF HOMES

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The housing market as we approach the end of 2022 differs in important ways from the market a year ago. Interest rates have doubled, and inflation is impacting household budgets. As a result, competition in the purchase market has cooled, increasing pressure in the rental market. While home prices have stabilized, mortgage payments have become far less affordable; this is vividly depicted in the graphic at the bottom of page 10.

Refinancing activity has dropped significantly as a result of the increase in interest rates. At 6.9%, mortgage rates are at their highest point in two decades. This has resulted in many more adjustable-rate mortgages, which offer a lower rate for a fixed time period. This can present problems for borrowers unprepared for the increased payments that come later. ARMs currently account for about 10% of mortgages, and their appeal is likely to last while rates remain elevated. The decline in demand achieved by rising interest rates has resulted in a modest increase in inventory, but listings remain very low by historical standards. The moderation in prices has done little to blunt the impact of higher rates.

Despite these challenges, many indicators continue to reflect a strong economy. However, this winter is likely to be a difficult time for many households, particularly renters. The number of evictions in the state has been low for the past two years due largely to the now-expired federal moratorium and support provided through the NH Emergency Rental Assistance Program. With rent and utility assistance programs winding down, more low- and moderate-income households could face housing insecurity or homelessness. NH Housing continues to work closely with the state and Community Action Partnership agencies to help these vulnerable households.

For homeowners who are struggling financially to pay their mortgage, property taxes, or utilities, help continues to be available through the NH Homeowner Assistance Fund program. Information and applications are available at HomeHelpNH.org.

New Hampshire Housing will publish a Housing Needs Assessment study at the end of the year. It will provide a deep analysis of the state’s housing market and needs, quantifying what market dynamics have already made clear: New Hampshire has an insufficient supply of housing to meet the needs of the state’s workforce and residents. Using federal funds, the InvestNH initiative is now targeting different ways to build more housing units and to encourage our communities to be more receptive to affordable housing development. We are hopeful that these new opportunities will soon begin to yield the housing that residents of the Granite State need.

ARE YOU BEHIND IN PAYING YOUR MORTGAGE, PROPERTY TAXES, ASSOCIATION FEES, OR UTILITIES?

The NH Homeowner Assistance Fund provides assistance to eligible NH homeowners who have been affected in any way by an increase in expenses or a reduction in income as a result of the COVID-19 public health crisis.

Apply at HomeHelpNH.org
New Hampshire's unemployment rate remained stable the past six months. NH is tied with Nebraska and North Dakota as the fourth lowest unemployment rate in the country.

A low unemployment rate indicates a strong economy. As we emerge from the pandemic, workers are seeing abundant job opportunities. Employers continue to find recruiting and retaining staff is a challenge in this market.
Renter income has increased more than homeowner income when compared to 2019. This could be due to renters staying in units longer because of the lack of affordable homes to purchase.

* 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.
Single-family permits peaked in the summer of 2021 and are now starting to level off. Cumulatively, these permits are down 11% from the same period in 2021 (January through September).

Multifamily permits have increased month over month in 2022, but are 23% lower than the same time period in 2021 (January through September).
COST OF BUILDING MATERIALS

The cost of these materials impacts new construction costs as well as the home renovation market. Softwood lumber is typically used for construction and includes dimension lumber, beams, wood paneling, flooring, decking, molding and millwork, and door and window frames.

Rising mortgage rates along with declining builder sentiment stemming from stubbornly high construction costs and weakening consumer demand pushed new home sales down nationwide in September, according to the National Association of Home Builders. New home sales are down 14.3% on a year-to-date basis compared to 2021.

NAHB, 10/26/22

Evictions in the state are still significantly lower than they were pre-pandemic.

With the pause of the NH Emergency Rental Assistance Program on October 21st, and the wind down of rental and utility assistance in the coming months, many social services providers anticipate an increase in evictions.

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.

**Mortgage foreclosure deeds.**

In Q3-2022, the number of foreclosure deeds in NH rose above 2021 levels, but it is about four times less than in 2019. (Foreclosure begins when a lender decides to take action on a borrower who is in arrears on their payments. When a home is foreclosed upon, the lender typically repossesses and attempts to sell the house.)
MLS LISTINGS IN NH

MONTHS OF SUPPLY OF INVENTORY

Listings are 15% lower than a year ago (November 2021 to 2022). Compared to the number of listings from the past three years, the inventory in 2022 continues to be notably lower. Listings are down 53% from November 2019 to November 2022.

As the pace of sales slows for several reasons (low inventory, climbing interest rates, and increased home prices), we see a marginal increase in the months of supply of inventory.

Source: Based on information from the 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.
Cumulatively from January through September 2022, properties sold in NH are down 17% compared to the same period last year.

In June 2022, the statewide median sales price hit a record high of $450,000. By September 2022, the median sales price was $430,000, down 4% from this peak.
In October 2021, interest rates were at 3.07%. By October 2022, interest rates were at 6.90%, a rate last seen in 2002. (Rates are Freddie Mac’s monthly average commitment rate on a 30-year fixed-rate mortgage.)

As interest rates have spiked, refinancing activity has slowed considerably in comparison to the previous two years. Refinancing activity is down 56% from January - September 2021, and down 67% from September 2021.
While still low compared to historic rates, the rise in interest rates this year is impacting the type of mortgage homebuyers are using for financing. The increase in adjustable rate mortgage activity reflects homebuyers trying to obtain a more affordable rate, even in the short term. The number of adjustable rate mortgages in NH was up 255% cumulatively from January - September 2021, and up 461% when compared to September of last year. (All home loans offered by NH Housing are fixed rate.)

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Looking at the same period from 2020 to 2022, the impact of higher interest rates has greatly diminished the appeal of refinancing a home.
WHERE DO NH HOMEBUYERS COME FROM?

PERCENTAGE OF OVERALL NH HOME SALES (2016 - OCTOBER 7, 2022)

Two months from the end of 2022, the proportion of buyers from NH when compared to last year is up 1.3%, Massachusetts buyers are down 2.6% and buyers from all other locations are up 1.3%.

New Hampshire buyers make up almost 70% of the purchasing activity to date. At this juncture, the highest number of “Other” purchases are from buyers in FL, ME, CT, CA, NY and VT. The highest percentage of cash buyers come from Florida; 36% of these buyers purchased their houses without a mortgage.

Source: The Warren Group; * 2022 data is through 10/7/2022.
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.

$63,000
RENTER INCOME NEEDED TO AFFORD THE MEDIAN COST OF A 2-BEDROOM APARTMENT WITH UTILITIES (131% OF THE ESTIMATED STATEWIDE MEDIAN RENTER INCOME)

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, per past survey data.