THE HOUSING MARKET: UNEXPECTEDLY STEADY

Dean J. Christon, Executive Director, New Hampshire Housing Finance Authority

It has been about four months since the COVID-19 pandemic hit New Hampshire and our nation. We anticipated various outcomes, yet we are experiencing the unexpected. The state’s housing market thus far appears to be undeterred by the pandemic. Houses in most areas of the state continue to sell briskly and at or above their asking price, and those priced under $300,000 are selling in under a month's time.

In March, Governor Sununu’s Emergency Orders stopped non-payment evictions and foreclosures, expanded unemployment insurance benefits, and prevented utility shut-offs for non-payment. These necessary relief measures, along with federal CARES Act funds, likely have deferred some of the impact that would otherwise have been felt when so many lost their jobs, were furloughed or were laid off.

While the market has remained generally stable, we are concerned that when expanded unemployment benefits come to an end, some owners and renters will experience significant financial stress. This will come at about the same time that the eviction and foreclosure moratoria will end. The potential confluence of these factors – in addition to the ongoing public health crisis – may have a negative impact on the market in the future.

We will continue to monitor trends carefully in an effort to provide policymakers with timely and accurate information. Next month we will publish our annual Residential Rental Cost Survey Report, and in August our Housing Market Report will look more deeply into current data on New Hampshire’s economy, and homeownership and rental markets.

THE DOUBLE DOUBLE

Russ Thibeault, Economist, Applied Economic Research | AER.com

I never thought I would see the “double-double” in New Hampshire. By that I mean a double-digit unemployment rate (14.5% in May) and double-digit year over year home price appreciation (generally 10%) at the same time. The conventional relationship is that when the economy tanks, housing slips and falls. That's not happening in this virus-struck bizarro world.

What accounts for this? For one thing, we are experiencing record low mortgage rates at or under 2.5%, thanks to Federal Reserve stimulus policies. Combine these rates with subdued construction and the thin inventory (only a one month backlog for units under $300,000) and units get scooped up as soon as a posting shows up on realtor.com. Realtors are busy, buyers are buying, and sellers are selling.

The rental market appears to be holding up reasonably well. The combined effects of existing rental subsidies, supplemental unemployment benefits, an exceptionally low vacancy rate at the start of the year and an interim moratorium on evictions are combining to ward off what would otherwise be challenging times for many renters and landlords.

So, as of now, housing markets have not tanked as might be expected given the unprecedented soft economic conditions. That said, issues remain. The pain of this downturn is not spread evenly across income and age cohorts. Most of the jobs lost have been in the retail, restaurant, and lodging sectors, consisting primarily of lower wage jobs held by younger workers. So, many of those who couldn't find an affordable place to live before the downturn hit, find their housing situation even worse today. As Homer Simpson quipped, “It just gets worser and worser.”

As to the future? Stay tuned. Housing's short and long term dimensions are elusive.
PRIOR TO THE CORONAVIRUS CRISIS, New Hampshire’s unemployment rate had been below 4% for over five years (4% or less is considered full employment).

New Hampshire’s pre-virus seasonally adjusted unemployment rate as of March 12 was 2.4%.

Unemployment claims due to job loss, layoffs or furlough are about the same nationally and regionally. In New Hampshire, the rate is more than 1% higher.

Source: U.S. Bureau of Labor Statistics (seasonally adjusted)
Unemployment claims appear to have peaked in early May, and by the end of the month had dropped to 102,189 in continuing claims. The state’s total labor force is 768,000.

Initial claims peaked in the week ending 4/4/2020; as of the week ending 6/6/2020, initial claims were down 84% from this.

Continued claims peaked in the week ending 5/9/2020; as of the week ending 6/6/2020, continued claims were down 12% from this peak.

The coronavirus had an immediate impact on various kinds of service-sector employers, from March until the Governor’s emergency orders began to allow phased-in reopenings of many businesses in May.

Employment by Type of Business (May 2020 v. May 2019)

<table>
<thead>
<tr>
<th>Industry</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amusement, Gambling, and Recreation Industries</td>
<td>-74.76%</td>
</tr>
<tr>
<td>Full-Service Restaurants</td>
<td>-70.77%</td>
</tr>
<tr>
<td>Accommodation</td>
<td>-65.52%</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>-63.28%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-54.30%</td>
</tr>
<tr>
<td>Restaurants and Other Eating Places</td>
<td>-53.47%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>-52.40%</td>
</tr>
<tr>
<td>Food Services and Drinking Places</td>
<td>-50.19%</td>
</tr>
<tr>
<td>Limited-Service Restaurants and Other Eating Places</td>
<td>-29.61%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>-20.59%</td>
</tr>
</tbody>
</table>

Sources: (top) U.S. Department of Labor; count totals are compiled by reflecting week ended; (bottom) New Hampshire Department of Employment Security www.nhes.nh.gov/index.htm
INTEREST RATES MAY 2020
Mortgage Interest | Fed Funds | 10-Year Treasury

New mortgage activity during May 2020 compared to May 2019 declined by 34%. Even more striking is the 40% decline in new mortgages for homes under $300,000.

The housing market at most price ranges is still tight, particularly so for homes under $300,000.

However, influenced by very low interest rates, refinancing activity continues to play a big role in mortgage activity in the state. NH household refinancing activity year-to-date is nearly three times higher than last year at this time.

MORTGAGE ACTIVITY

<table>
<thead>
<tr>
<th>Mortgage Activity in NH</th>
<th>May-2019</th>
<th>May-2020</th>
<th>Percent Change</th>
<th>YTD 2019</th>
<th>YTD 2020</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Mortgages</td>
<td>3,619</td>
<td>5,357</td>
<td><strong>48%</strong></td>
<td>13,319</td>
<td>21,632</td>
<td><strong>62%</strong></td>
</tr>
<tr>
<td>Purchase Mortgages</td>
<td>1,921</td>
<td>1,261</td>
<td>-34%</td>
<td>6,403</td>
<td>5,548</td>
<td>-13%</td>
</tr>
<tr>
<td>Refinance Mortgages</td>
<td>1,698</td>
<td>4,096</td>
<td>141%</td>
<td>6,916</td>
<td>16,084</td>
<td>133%</td>
</tr>
<tr>
<td>All Mortgages up to $300K(^1)</td>
<td>2,518</td>
<td>3,564</td>
<td>42%</td>
<td>9,595</td>
<td>14,516</td>
<td>51%</td>
</tr>
<tr>
<td>Purchase Mortgages up to $300K(^1)</td>
<td>1,250</td>
<td>749</td>
<td>-40%</td>
<td>4,288</td>
<td>3,436</td>
<td>-20%</td>
</tr>
<tr>
<td>Refinance Mortgages up to $300K(^1)</td>
<td>1,268</td>
<td>2,815</td>
<td>122%</td>
<td>5,307</td>
<td>11,080</td>
<td>109%</td>
</tr>
</tbody>
</table>

\(^1\)Conforming loans

Sources: (top) Freddie Mac Primary National Mortgage Market Survey; US Federal Reserve Selected Interest Rate H.15; (bottom) The Warren Group
MLS LISTINGS

MONTHS OF SUPPLY OF INVENTORY

Source: Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family properties, mobile/manufactured homes and commercial/industrial property.

Months of supply of inventory shows how many months it would take for the current inventory of homes on the market to sell, given the current pace of home sales.

As has been the case for the past five years, homes under $300,000 are generally on the market for only a month.

PENDING SALES include properties that are defined as Pending and Active Under Contract.

ACTIVE UNDER CONTRACT is for properties that have an accepted contract and the seller wishes to keep marketing the property in an effort to obtain a backup offer.

PENDING is for properties that have an accepted contract and the seller has ceased marketing and/or showing the property.

ACTIVE is for properties actively available on the market and that do not have a contract on it.
MLS CLOSED SALES

MLS MEDIAN SALES PRICE

Source: Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family properties, mobile/manufactured homes and commercial/industrial property.
This graph reflects the status of building permits issued as of May 2020. There is a decrease in multi-family construction permits; it is unclear at this time if the decrease is related to the COVID-19 crisis.

Source: U.S. Census Bureau, Construction Statistics Division (12-month moving average of actual permits issued)
WHERE DO NH HOMEBUYERS COME FROM?

NH Residential Sales (2016 - Q1 2020)

One pandemic impact trend that economists and demographers are tracking is the movement of families from urban areas to suburban or rural areas.

Many people who typically worked in an office environment full or part-time have found they can capably work remotely. This could influence where people live – regardless of where their employers are located – if they can successfully work from any location that has Internet access.

New Hampshire is regarded by many as a largely rural state and is a popular place for people to have a second home. Any significant changes in people moving to New Hampshire will be of interest.

Source: The Warren Group
New Hampshire Housing annually conducts a statewide survey of rental costs of market-rate apartments. This provides data to the public and housing-related organizations. This year’s survey was especially challenging as it was carried out from January - May, overlapping with the Governor’s “stay-at-home” emergency order.

Preliminary results show that it continues to be a tight and challenging market for renters. The survey found rents have increased for 2-bedroom units (5%) and all units (2%) from last year. On a positive note, however, the vacancy rate is nearly 1% higher for all units than last year (a 5% vacancy rate is considered balanced between tenants and landlords). There was an increase in multi-family building permits in 2017; the construction and lease-up of these new units could have improved the vacancy rate this year.

We do not know yet how the coronavirus may have impacted the vacancy rate and lease-ups.

The full report will be available in mid-July at NHHFA.org/publications-data.
As a self-supporting public corporation created by the state legislature, New Hampshire Housing Finance Authority promotes, finances, and supports affordable housing.