NH’S HOUSING MARKET: A DEARTH OF SUPPLY & A SEARCH FOR SOLUTIONS

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

“Concord and the Manchester-Nashua region are among the nation’s top 10 emerging housing markets” ...“Upper Valley home sales continue hot streak”...“Bonkers housing market”...“NH sees boom in out-of-state homebuyers.” These headlines may sound like hype, but they are not: New Hampshire is a popular place to live and work, perhaps even more so since the pandemic opened up the possibility that many could work remotely effectively. Yet our housing inventory – both homes to buy and to rent – and housing affordability are seriously limiting the places that our state’s workforce will live, raise families, and retire.

While the number of building permits filed for single- and multi-family housing was beginning to increase prior to the pandemic, single-family building is now up significantly (perhaps in part because of the dampening of demand during the early days of the pandemic). This is encouraging news for housing supply in the state, yet there is still an urgent need to explore other solutions to expand the state’s housing supply.

When the second set of the 2020 Census results are released, we will learn how the demographics in the Granite State have changed in the past 10 years. Preliminary data show New Hampshire’s population increased by about 4.6%, or almost 61,000 people, to a total of 1.379 million people since the 2010 Census, a slightly higher rate than in New England. In August, the census details will reveal the impact of this increase on the amount of federal funds the state receives, as well as on our voting districts. The demographics will also show us more specifically what the housing needs are for our state.

We continue to watch for and respond to signs that homeowners and renters are experiencing financial stress that may affect their ability to remain in their homes. The NH Emergency Rental Assistance Program has, to date, distributed $7.5 million to help renters impacted by the pandemic by providing assistance with rent and utilities so they can remain in their homes. The state also will be receiving federal funds later this year to provide assistance to homeowners.

In July, we will release the results of our annual Residential Rental Cost Survey. If you are a property owner or manager, there is still time to participate in this important data initiative. Contact us at info@nhhfa.org to take the short survey now.

DO YOU NEED HELP PAYING YOUR RENT AND UTILITIES BECAUSE OF COVID-19?

The New Hampshire Emergency Rental Assistance Program provides assistance to eligible residents who cannot pay their rent and utilities due to the COVID-19 pandemic. Find out if you qualify.

Apply at a Community Action Partnership (CAP) agency.

APPLY ONLINE AT CAPNH.ORG OR CALL 2-1-1 FOR ASSISTANCE.
PRIOR TO THE CORONAVIRUS CRISIS, New Hampshire’s unemployment rate had been below 4% for over five years. The state’s seasonally adjusted unemployment rate on March 12 prior to the onset of the pandemic was 2.4%.

Now, unemployment claims due to job loss, layoffs or furlough are about the same nationally and regionally at about 6%.

In New Hampshire, the rate has dropped to 3.0%, which is notably lower than New England as a whole and the U.S.
Unemployment claims peaked in May 2020. Currently, the number of continued claims has dropped to 20,077, a 2% decrease from the previous week.

Initial claims peaked in the week ending 4/4/2020; as of 4/24/2021, initial claims were down 92% from the peak.

Continued claims peaked in the week ending 5/9/2020; as of the week ending 4/24/2021, continued claims were down 86% from the peak.

The table showing employment by type of business depicts the impact of the pandemic on various industries. Non-office, lower-wage and hourly jobs still show a significantly higher rate of unemployment in these occupations.

### NH Employment by Type of Business (from 3/2020 to 3/2021)

<table>
<thead>
<tr>
<th>Industry</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amusement, Gambling, and Recreation Industries</td>
<td>-29.90%</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>-24.32%</td>
</tr>
<tr>
<td>Full-Service Restaurants</td>
<td>-16.99%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-15.59%</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>-13.85%</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 April 2021
Mortgage Interest | Fed Funds | 10-Year Treasury

Historically low interest rates continue to favor homebuying and home refinancing.

Refinancing activity in the state tripled from January - April 2019 to January - April 2021.

The refinancing boom has provided homeowners with the opportunity to take cash out for home improvements as well as to shorten the length of their mortgages.

REFINANCING ACTIVITY IN NH

January through April

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,499</td>
<td>13,429</td>
<td>21,752</td>
</tr>
</tbody>
</table>

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

REFINANCING ACTIVITY +62% from January - April 2020
Buying a home is a challenge in this tight market, where affordable homes priced $300,000 or less are on the market for under a month. The extremely low inventory of homes and a competitive market in which there are frequently bids over asking price, makes it especially challenging for those who are in the essential worker professions to be able to afford to buy a home.

Assumptions: Housing costs are 30% of annual income; Mortgage: 5% down; 2.88% interest rate with 0.7 points; estimated statewide property tax of $20.27 per $1,000 of valuation.
Compared to the number of listings from the past three years, the inventory in 2021 is notably lower. 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 sales.

Home sales reflect just how fast-paced the market is - see page 8.

As has been the case for the past five years, homes in NH under $300,000 are generally on the market for less than month. In April 2021, there were 1,506 sales, an increase of 12% from April 2020. In April 2021, the median price hit a record high of $362,250 (16% higher than April 2020). Typically, annual peak prices occur in summer. The impact of all these factors is a rapid increase in the sales price of homes as well as bids over asking price.
MLS CLOSED SALES IN NH

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.
BUILDING PERMITS ISSUED IN NH
Single-Family & Multi-Family Units (as of 3/2021)

After a decade of slow increases in single-family building permits, the issuance of permits rose rapidly in 2020. This was contrary to predictions at the onset of the pandemic, and is consistent with the escalation in home prices statewide in the second half of 2020.

Multi-family permit activity has been increasing much more slowly since the Great Recession, and despite periodic monthly spikes in activity, the overall trend remains more modest.

Source: U.S. Census Bureau, Construction Statistics Division (12-month moving average of actual permits issued)
The price for building materials, and in particular lumber, has skyrocketed in the past year. This impacts new construction as well as the home renovation market. According to the Producer Price Index by Commodity for lumber and wood products, softwood lumber shows an increase of 121% since April of 2020 and 119% increase from April 2019.

According to Robert Dietz, chief economist at the National Association of Home Builders, “It’s adding about $36,000 to the price of a typical newly built home and almost $13,000 to a typical apartment.”

Source: Federal Reserve Bank of St. Louis; U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Lumber & Wood Products; Softwood | Units: index 1982=100, Not seasonally adjusted
**EVICITION INDICATORS — NH DISTRICT COURTS**

2021 YTD Through 5/7/2021

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.

Governmental actions to stop evictions during the pandemic have impacted the numbers on this graph.

**MORTGAGE DELINQUENCIES**

Percent of Loans Past Due Q1-2021

<table>
<thead>
<tr>
<th>State</th>
<th>Percent Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT</td>
<td>6.99%</td>
</tr>
<tr>
<td>ME</td>
<td>5.59%</td>
</tr>
<tr>
<td>MA</td>
<td>5.35%</td>
</tr>
<tr>
<td>NH</td>
<td>4.74%</td>
</tr>
<tr>
<td>RI</td>
<td>5.74%</td>
</tr>
<tr>
<td>VT</td>
<td>5.28%</td>
</tr>
<tr>
<td>NE</td>
<td>5.78%</td>
</tr>
<tr>
<td>US</td>
<td>6.12%</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association, National Delinquency Survey
WHERE DO NH HOMEBUYERS COME FROM?
Percentage of Overall NH Home Sales (2016 - Q1 2021)

Is New Hampshire’s torrid housing market being impacted by people from out of state coming here to live full-time and work remotely? This pandemic trend has been widely reported and tracked, particularly the movement of families from urban areas to suburban or rural areas, like New Hampshire. The state has long been a popular place to own a second home.

If people can work remotely, and do not need to live near their employers, this could influence where they live long-term.

As 2020 ended, there was a slight increase in the proportion of buyers from Massachusetts and other states. Q1-2021 shows about a 5% increase from 2020 when compared to overall purchases by Bay State buyers.

Source: The Warren Group

0% 10% 20% 30% 40% 50% 60% 70% 80%
2016 2017 2018 2019 2020 2021*

All other states/countries Massachusetts New Hampshire