

Trends in Real Estate and the Wider Economy



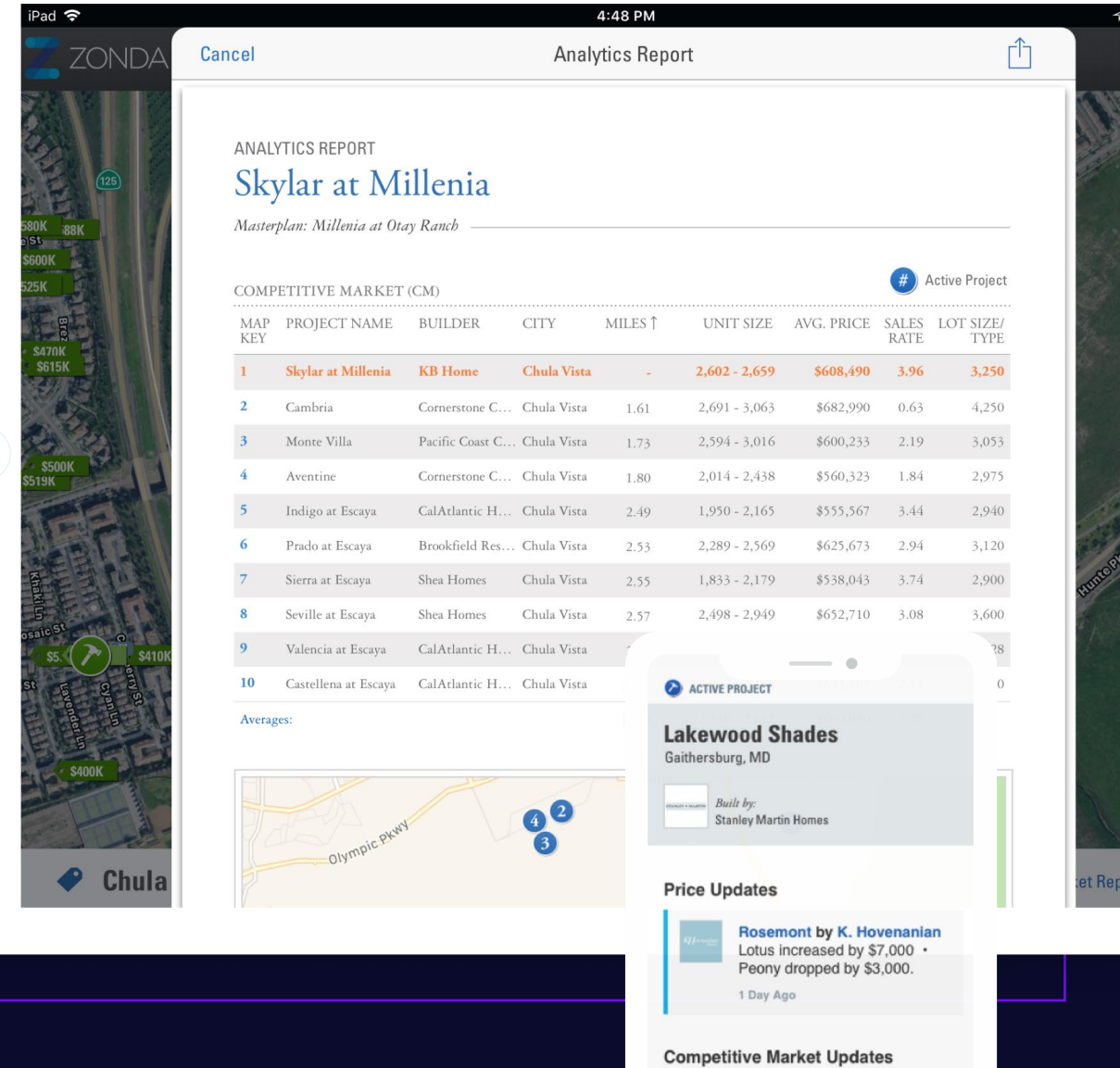
Ali Wolf

Chief Economist

Tracking the entire building lifecycle

Access the housing industry's most comprehensive research platforms

- 500+ housing and economic metrics
- Satellite imagery, sales office visits, in-house research department, surveys, and driving communities
- Curated and insightful market analysis



Today's Agenda

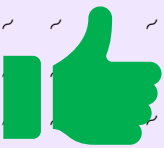
1. Economic backdrop, demographics, and migration
2. Housing shortage, affordability, and the rental market
3. New construction and limitations
4. Final thoughts

Economic backdrop, demographics, and migration

The economy's mixed messages

- Steady GDP growth
- Consumers fueling growth
- Wealth accumulation (stock market, home equity, etc.)
- Cooling inflation (though choppy)
- 3.9% unemployment rate
- Slowing but growing labor market
- High prime-age labor force participation rate
- Remarkable resilience

- Low personal saving rate, higher debt levels
- Select consumers falling behind on payments
- Consumer uncertainty
- High prices
- Income/wealth inequality
- Slower white-collar job growth
- Geopolitical tensions
- Low mobility



The Fed is in wait and see mode

Have they achieved the dual mandate? Maximum employment and price stability

Three months higher-than-expect economic date, one supports cutting

Our base case is still cuts to begin by the end of the year

2024

January						
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28	29	30	31			

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31						

April						
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August						
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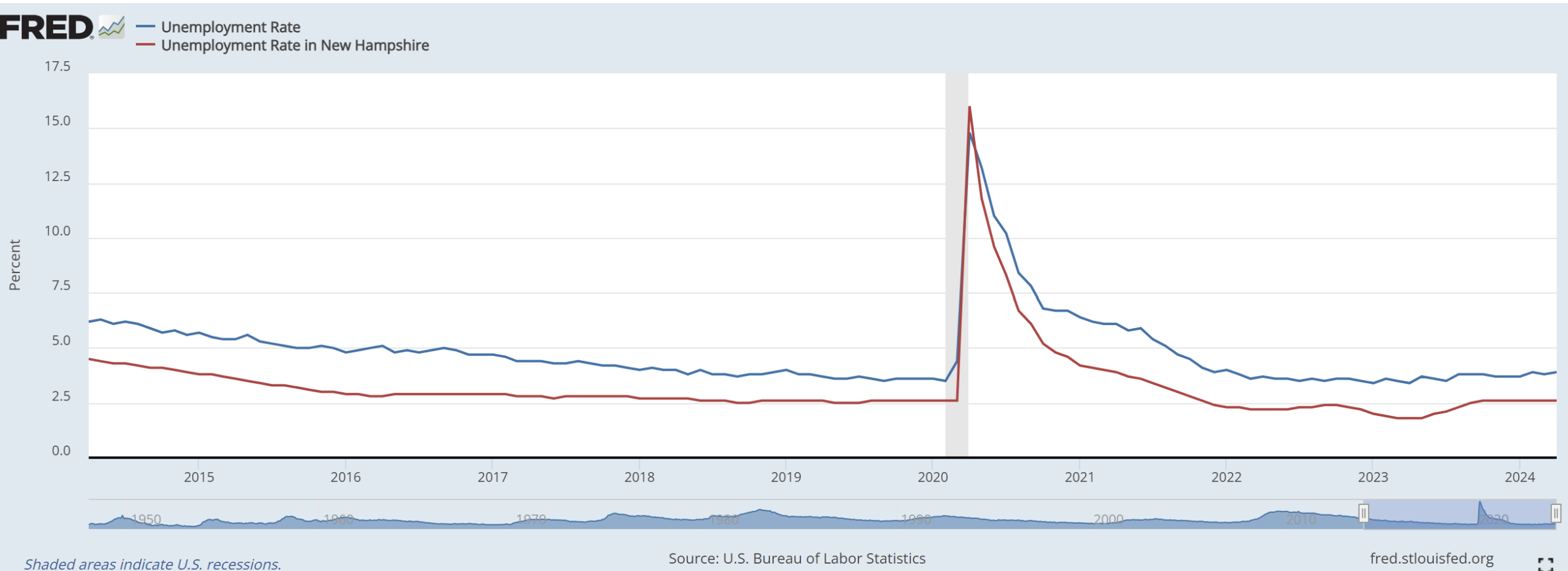
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November						
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December						
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22	23	24	25	26	27	28
29	30	31				

NH is tied for the 5th lowest u/e rate in the country: 2.6%

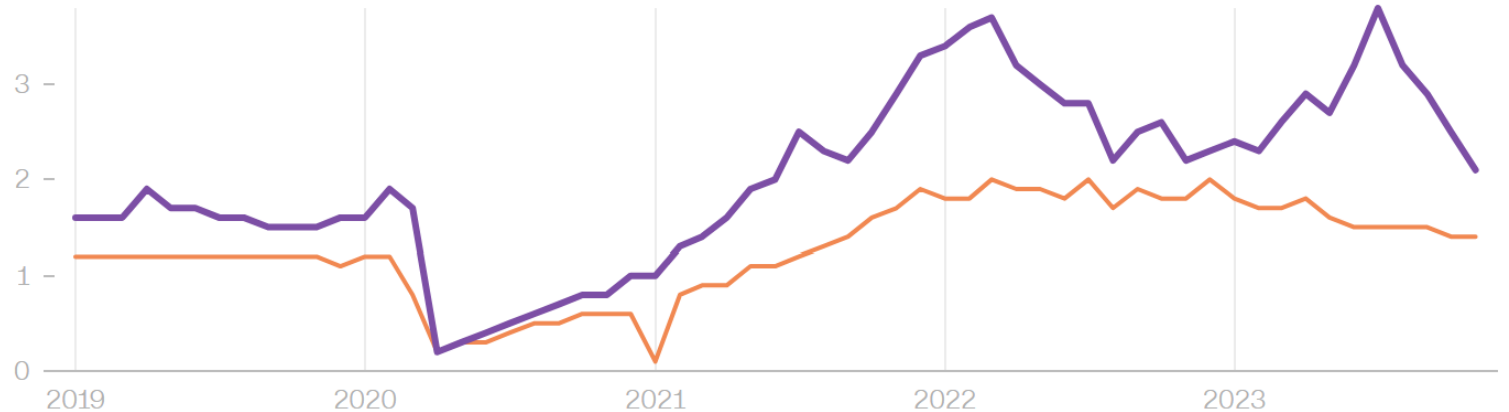


NH limited by labor supply more so than elsewhere

States with the worst labor short

1. South Dakota
2. Maryland
3. North Dakota
4. Vermont
5. New Hampshire

Job openings per job seeker in the US and New Hampshire



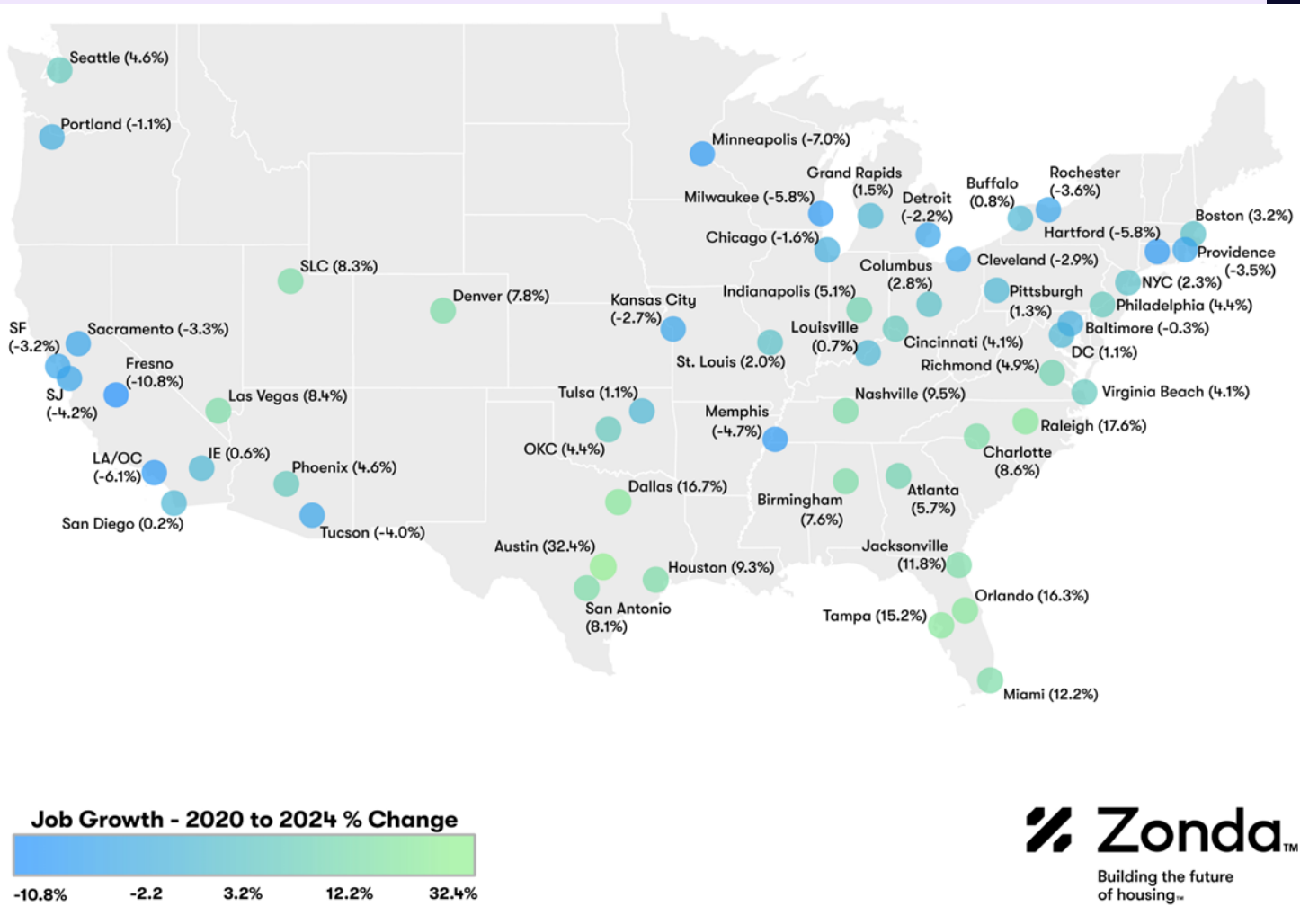
Note: November estimates are preliminary

Source: Bureau of Labor Statistics

CNN

There were 2.1 jobs for every person looking for one in New Hampshire vs 1.4

Reasonable job growth, not blockbuster



New Hampshire: +2.2% from 2020

Manchester: +1.6% from 2020

Portsmouth: +1.6% from 2020

Context: Boston +3.2% from 2019

Manchester: 23% high-income share

Nashua: 19%

Portsmouth: 23%

For context:

- Toledo 15%
- San Jose and Austin 33%

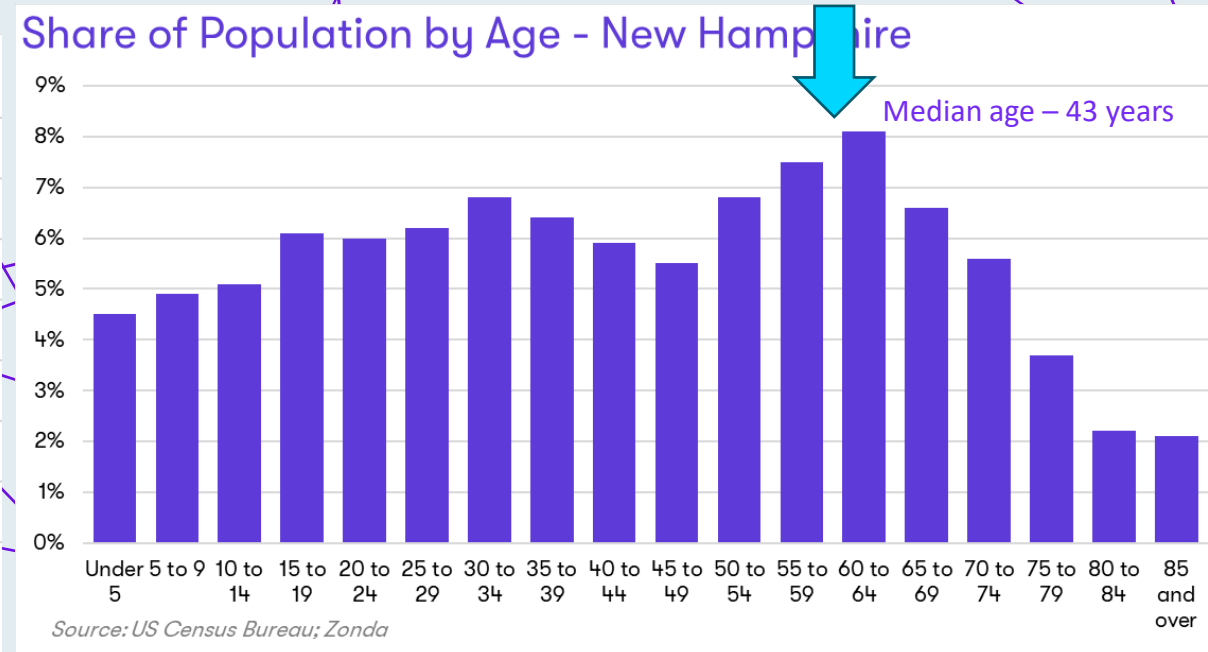
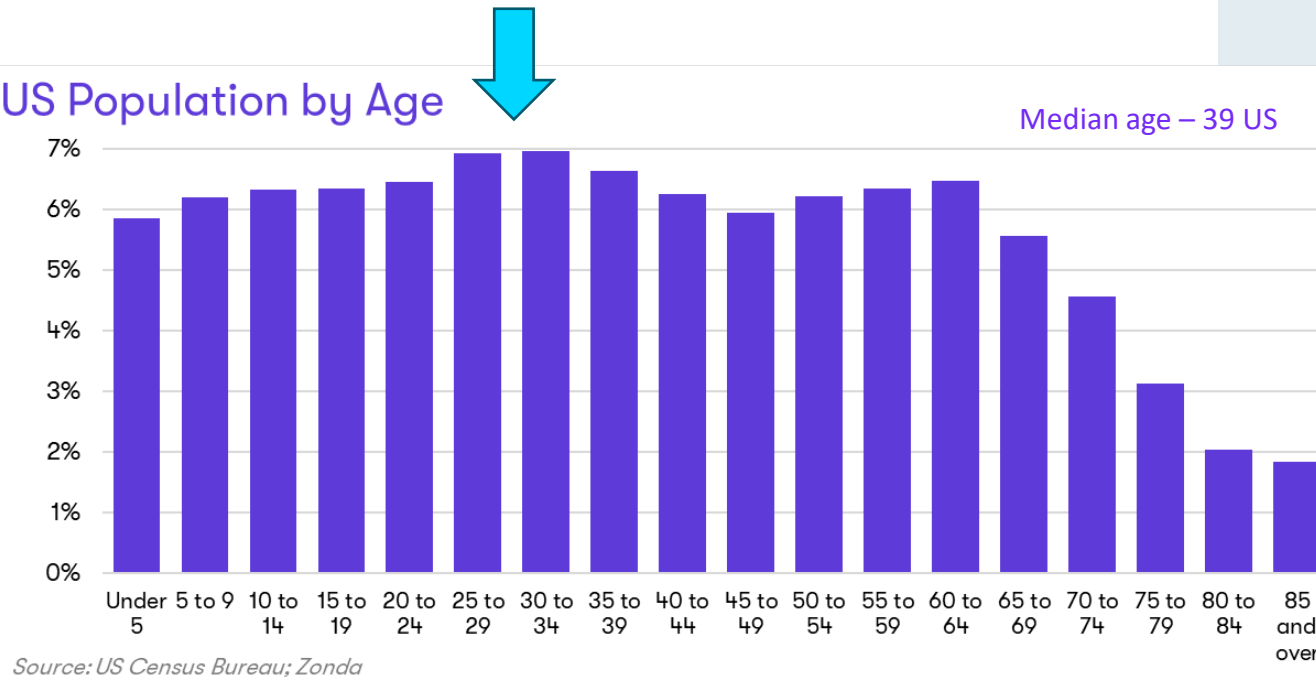
Where have the workers gone?

1. Aging workforce (worse in NH)
2. Slow domestic population growth (growing but slowing locally)
3. Lower levels of immigration (not a big driver)
4. Childcare availability and cost
5. Drug use
6. Alternatives to traditional work (.e.g social media, the gig economy)

Solutions?

- Automation/finding efficiencies
- Using AI
- Reduce barriers to entry, if desired (criminal records, those out of the workforce for a while, lacking a college degree)
- Training and education programs besides college degrees
- Get on the radar of the younger generation

NH is the second oldest state (following Maine)



How do we get on the radar? Interesting employment options, reasonable housing options, marketing (New Mexico example)

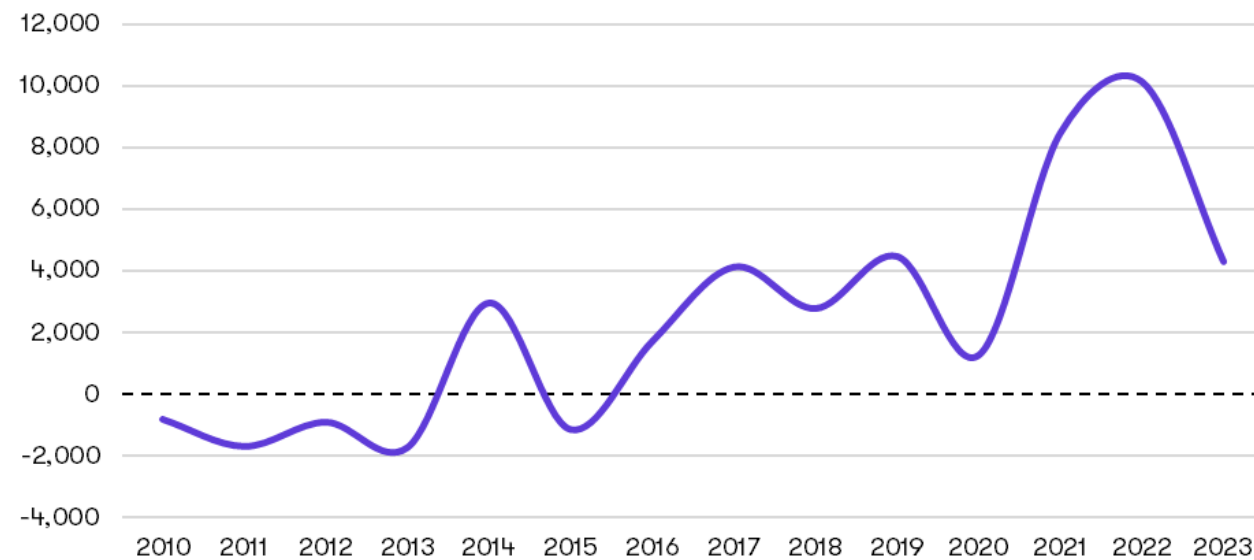
Migration is important here

New Hampshire		Total Inbound: 54.1% Total Outbound: 45.9%	
Primary Reason for Moving		Primary Reason for Moving	
Age Ranges			
INBOUND		INBOUND	OUTBOUND
1.90%	<18 to 34	17.50%	retirement 23.50%
22.60%	35 to 44	3.20%	health 0.00%
9.40%	45 to 54	36.50%	family 19.60%
22.60%	55 to 64	4.80%	lifestyle 15.70%
43.40%	65 or older	20.60%	job 19.60%
		3.20%	cost 3.90%

Source: United Van Lines; Zonda

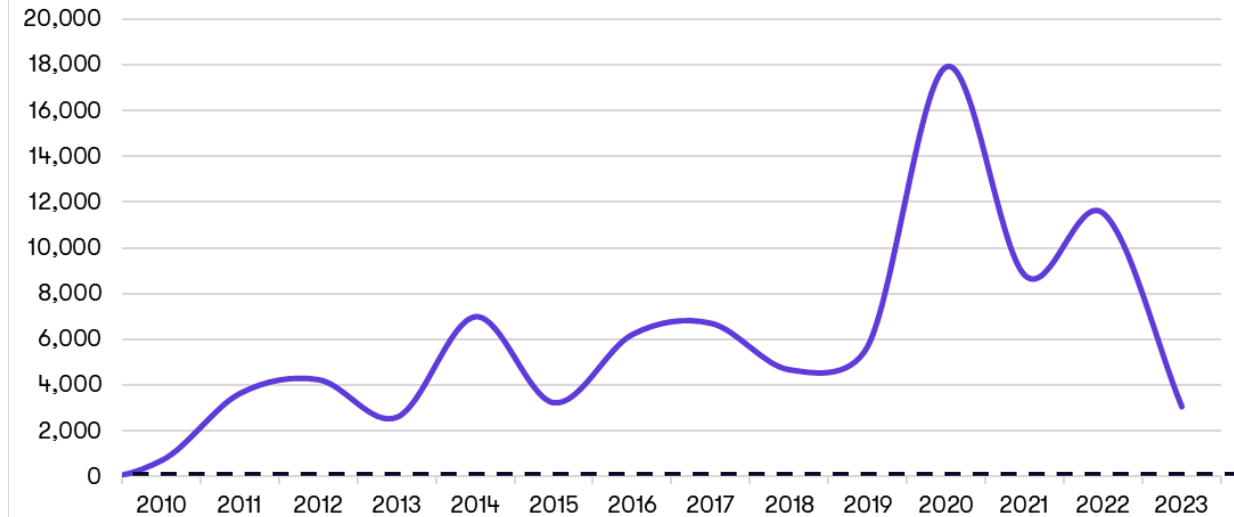
Positive domestic net migration has contributed to population growth

New Hampshire Domestic Net Migration



Source: US Census Bureau; Zonda

New Hampshire Annual Population Change



Source: US Census Bureau; Zonda

Housing shortage, affordability, and the rental market

ESTIMATED NUMBER OF HOUSING UNITS NEEDED

Based on Population Growth

2020-2030	BY HOUSEHOLD TYPE	
TOTAL HOUSEHOLDS ADDED	OWNER HOUSEHOLDS ADDED	RENTER HOUSEHOLDS ADDED
52,501	37,380	15,121
TOTAL UNITS NEEDED	UNITS NEEDED	UNITS NEEDED
59,934	40,319	19,615

Source: New Hampshire Housing; Zonda

The NH housing shortage is severe

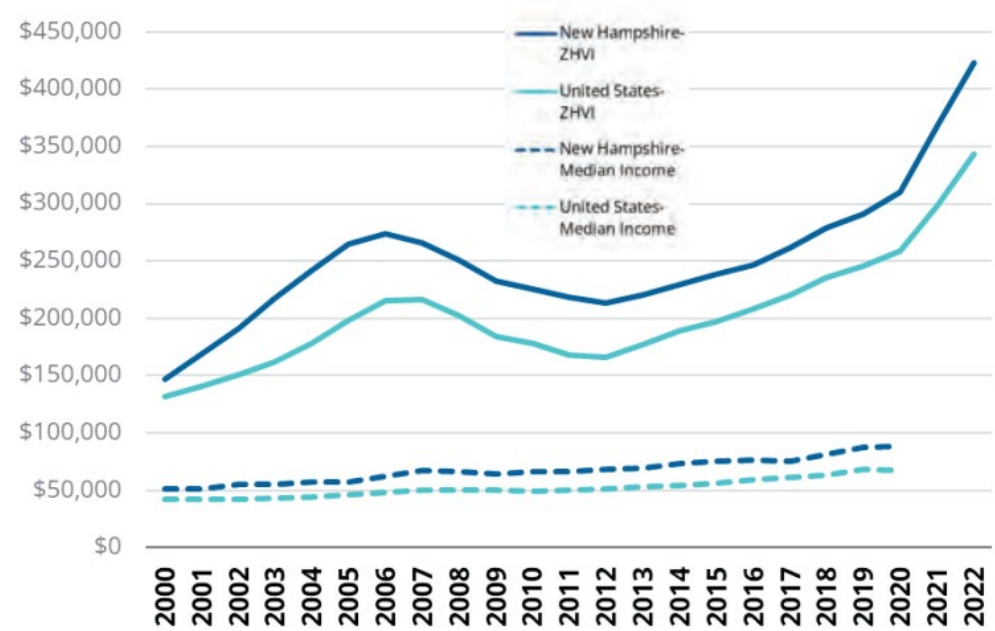
2020-2040	BY HOUSEHOLD TYPE	
TOTAL HOUSEHOLDS ADDED	OWNER HOUSEHOLDS ADDED	RENTER HOUSEHOLDS ADDED
74,437	52,998	21,440
TOTAL UNITS NEEDED	UNITS NEEDED	UNITS NEEDED
88,395	58,432	29,963

Note: Assumes the statewide ownership rate of 71%, a rental vacancy rate of 5%, and an owner vacancy rate of 2%.

Source: RLS Demographics, 2020 5-year ACS estimates, NH Housing Residential Rental Cost Survey, and Root Policy Research.

NH median prices rose 50% from 2019-2022

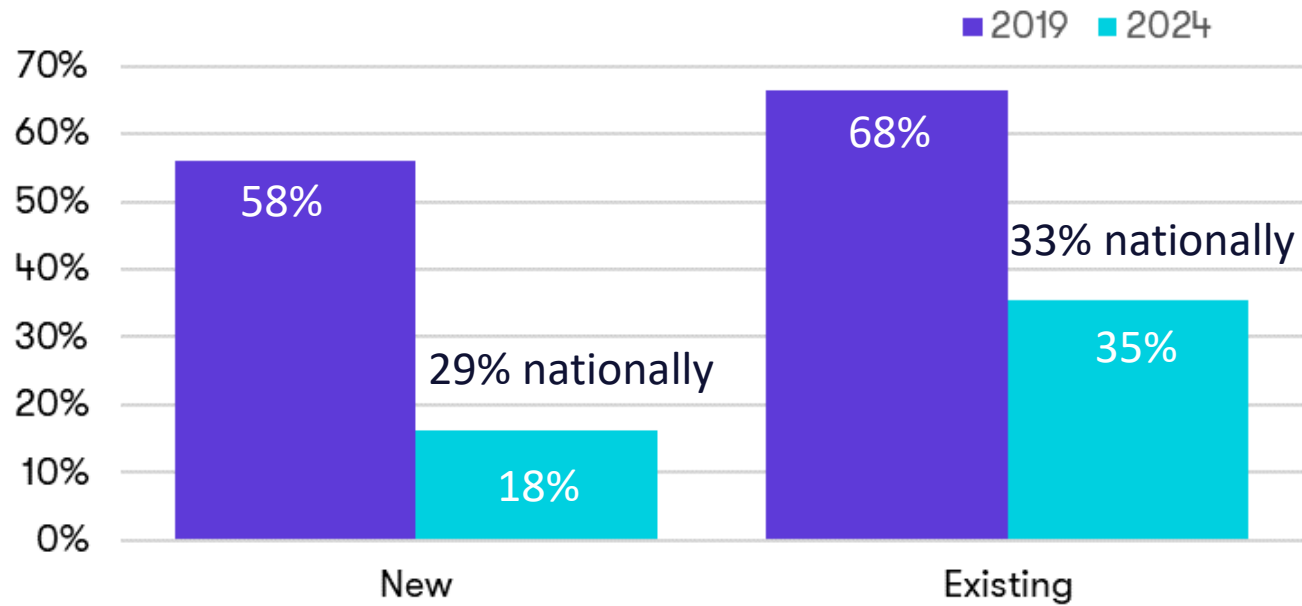
ZILLOW HOME VALUE INDEX & MEDIAN INCOME, NEW HAMPSHIRE AND U.S. (JAN. 2000 – JULY 2022)



Note: Data for 2022 represent January - July. Nominal dollars (not adjusted for inflation). Income data are only available through 2020.
Source: Zillow, U.S. Census median household income, retrieved from FRED, & Root Policy Research.

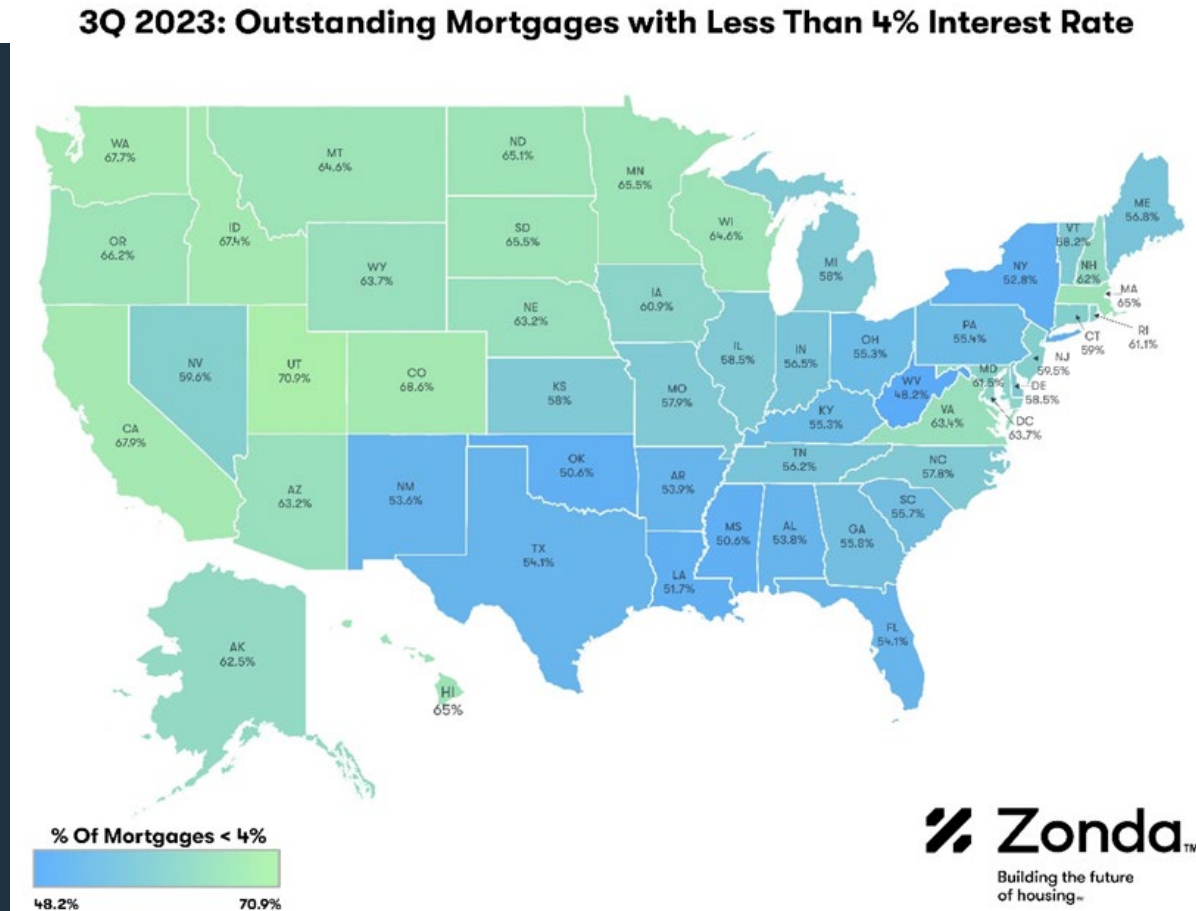
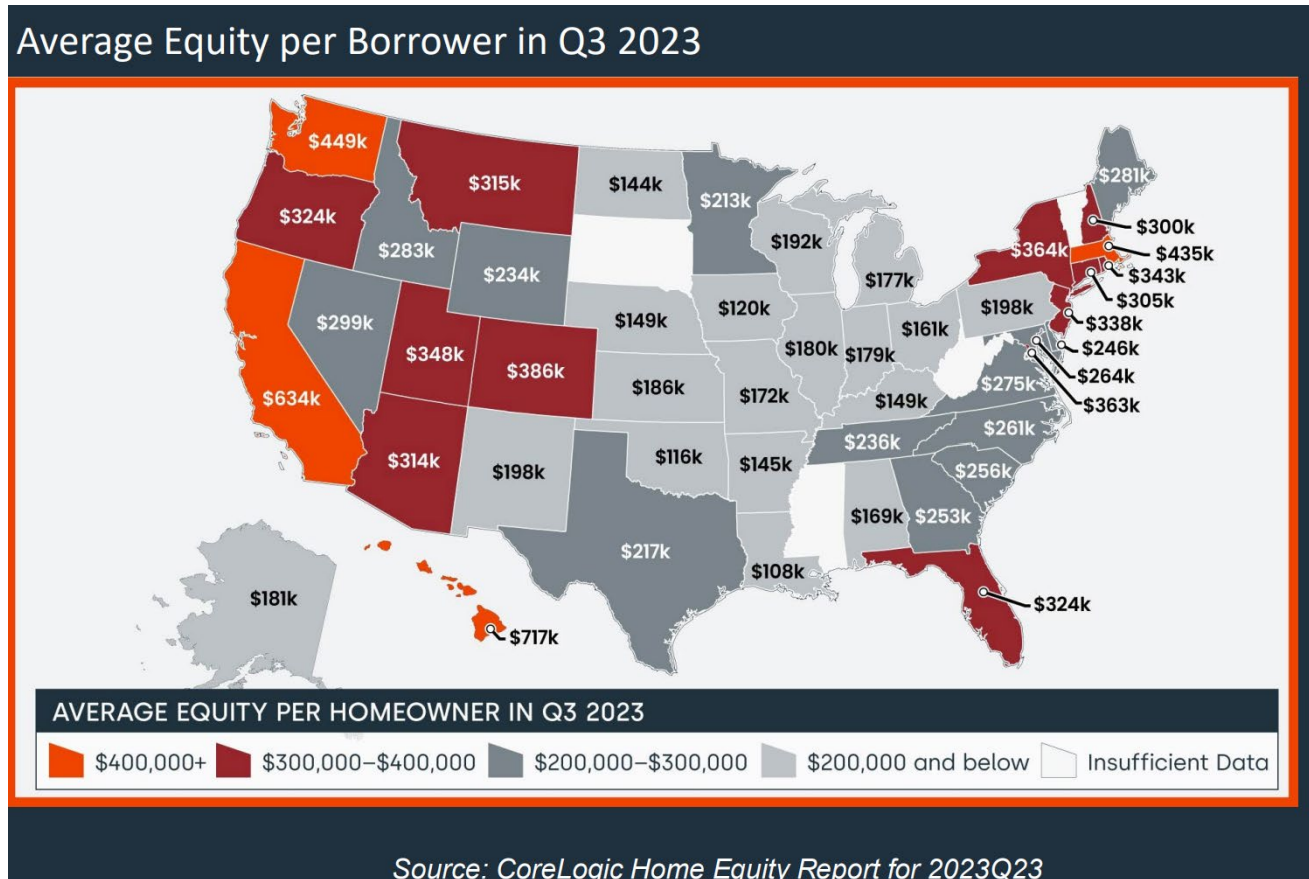
Source: New Hampshire Housing; Zonda

Manchester-Nashua, NH



Source: Zonda

A wealth boon to existing homeowners



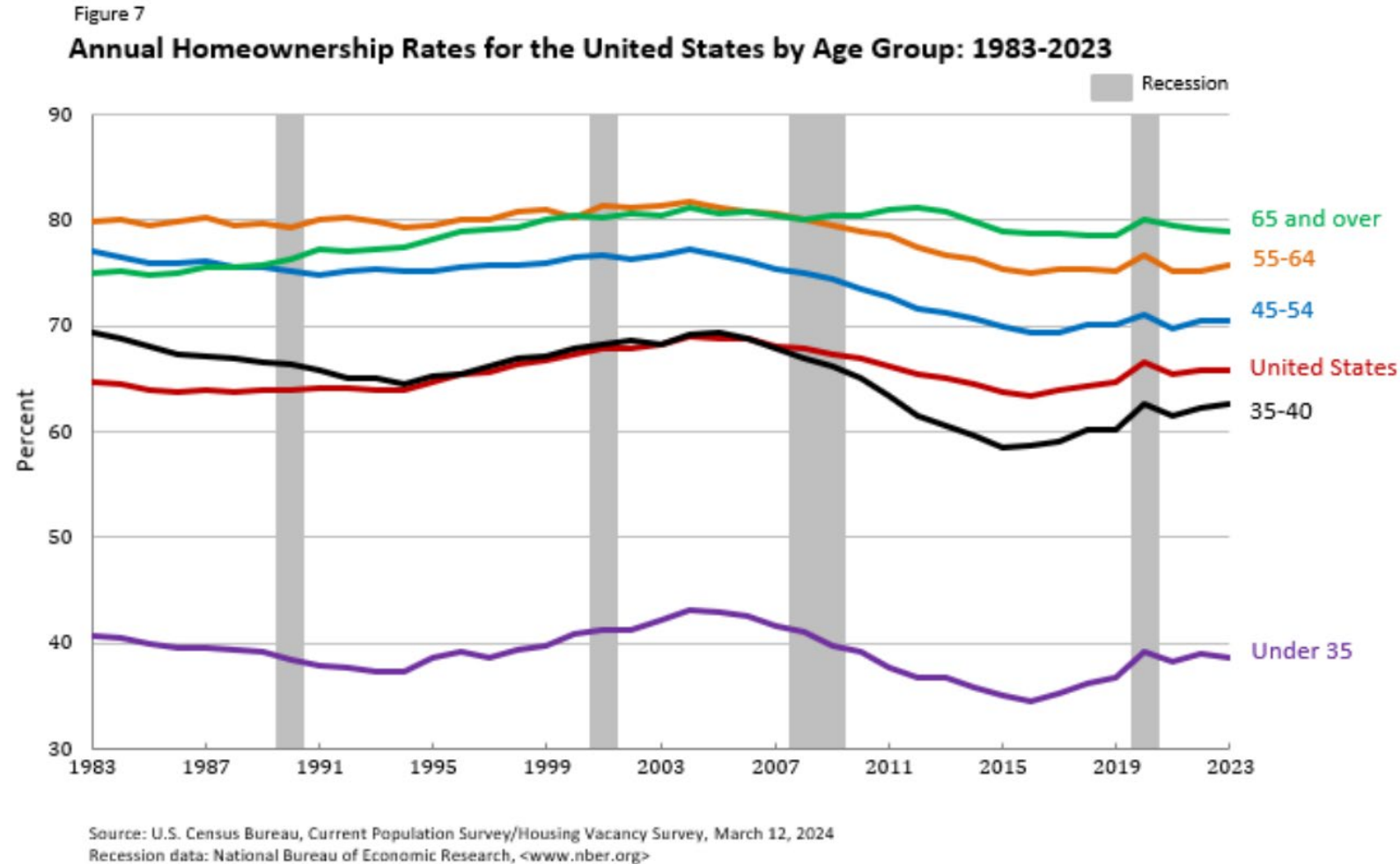
Propensity to own goes up with age

New Hampshire breakdown:

55% Millennials

75% Gen X

81% Boomers



What about those trying to get into the market?

+30% Buying off income alone has gotten a lot harder

+47% Labor market + lifestage catalysts for Gen Xers, millennials, and boomers (move-down) + equity!

+41% Relative affordability, especially for those that have lived elsewhere, demographics, and wealth accumulation

National Average Sales Rate by Price Tier

Entry-level

3.1

Move-up

2.6

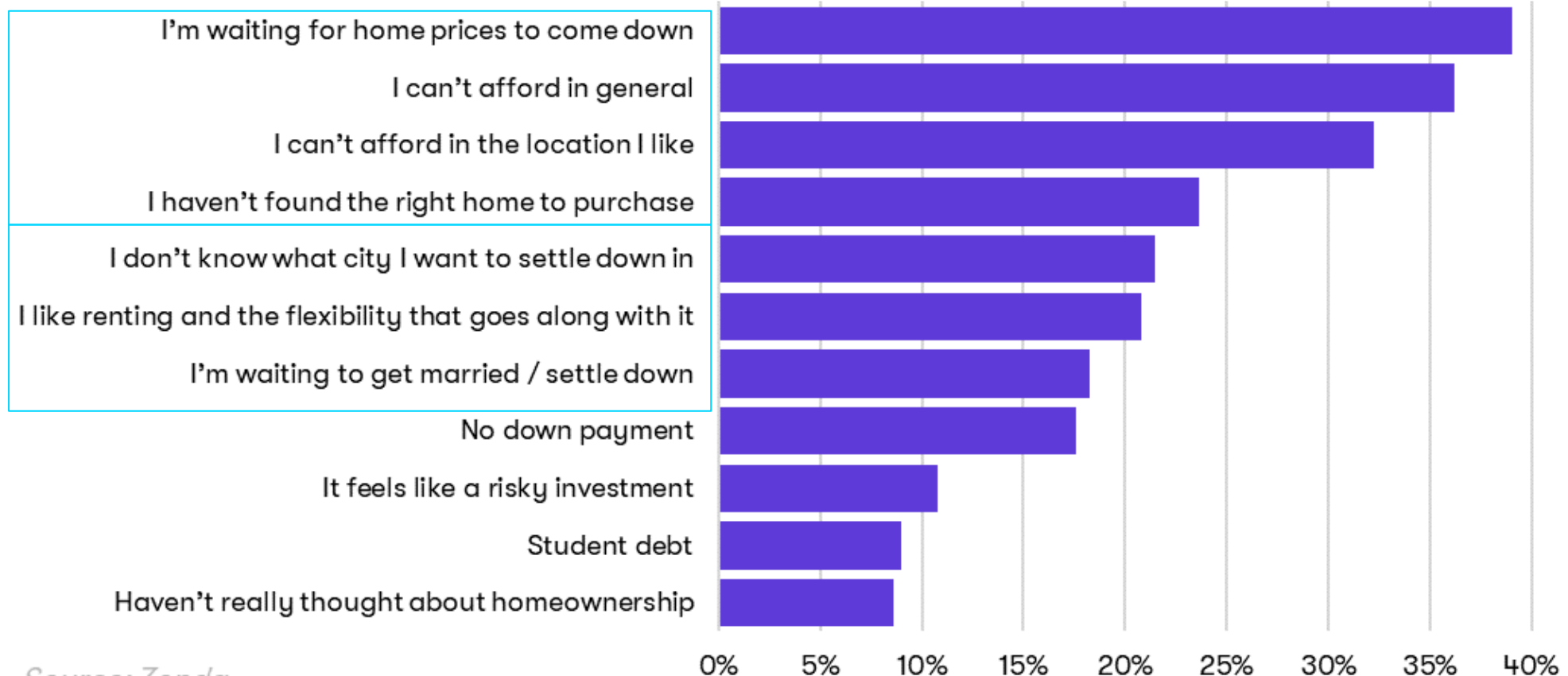
High-end

1.9

Source: Zonda

Prices, prices, prices

What is your main reason for renting?



Source: Zonda



Single-family home purchases continue to be an expensive housing alternative, In fact, **only 7.5% of our residents who moved out**, bought home as the reason in the third quarter which is one of the **lowest numbers we have seen since we started tracking the data back in 2006**.

EQR



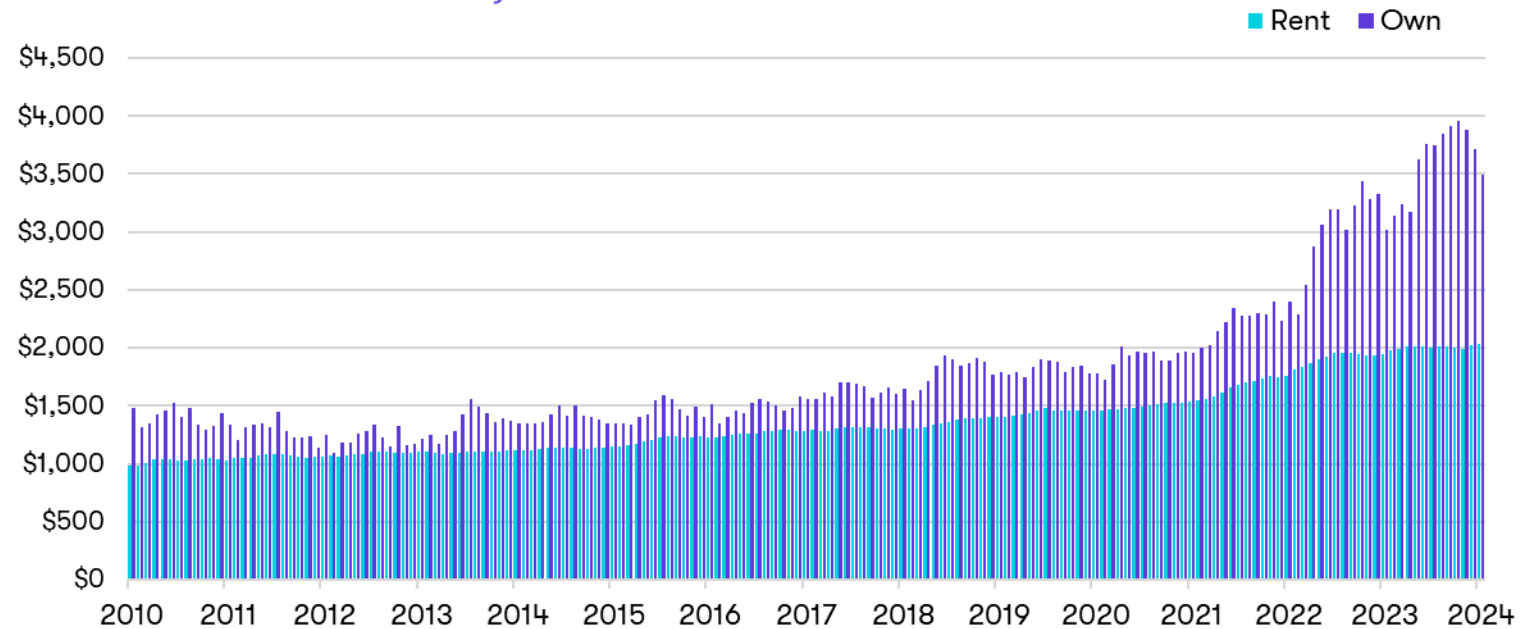
Kimberly Byrum

Managing Principal

kbyrum@zondahome.com
<https://www.linkedin.com/in/kimberlyfialabyrum>

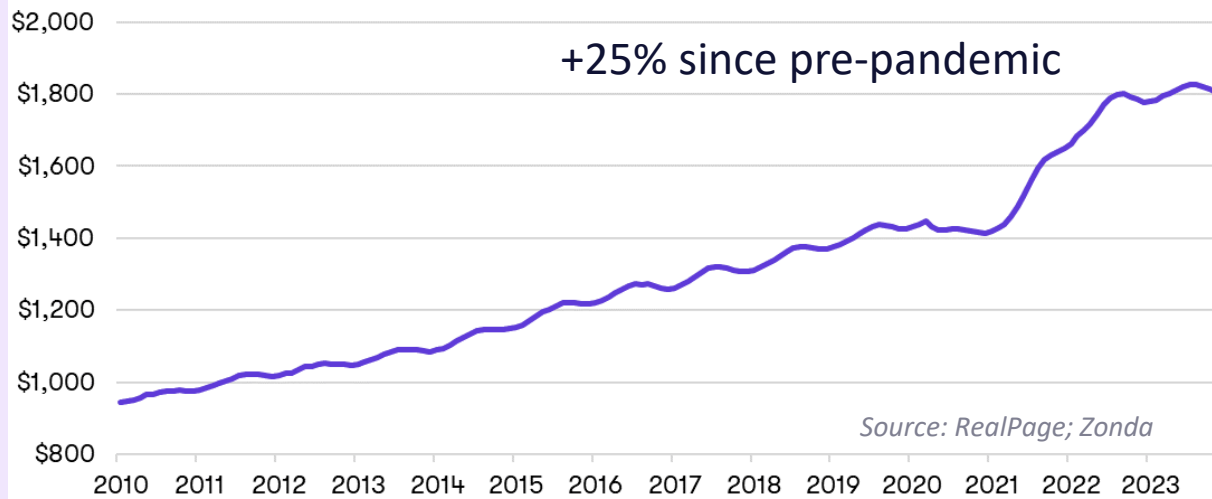
The math favors renting today

Manchester-Nashua, NH Rent vs Own

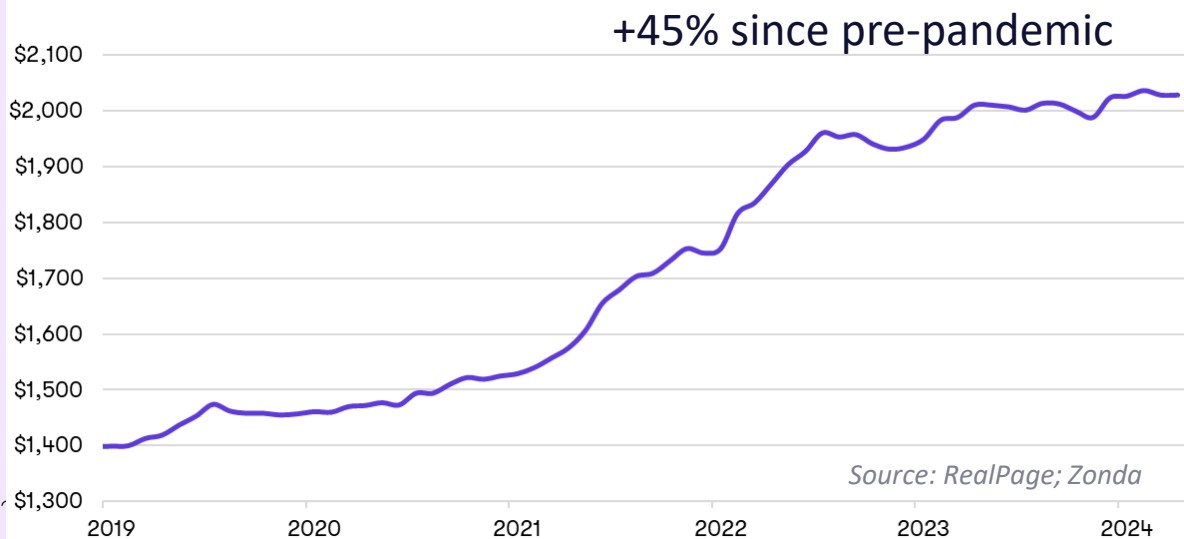


Sources: Public Record Data; RealPage; Zonda *assumes 5% down, PMI, taxes, and insurance

National Effective Rent



Manchester/Nashua/Concord, NH Effective Rent



Growth in rents locally far exceeds national trends

2023 MEDIAN GROSS RENT & VACANCY RATE

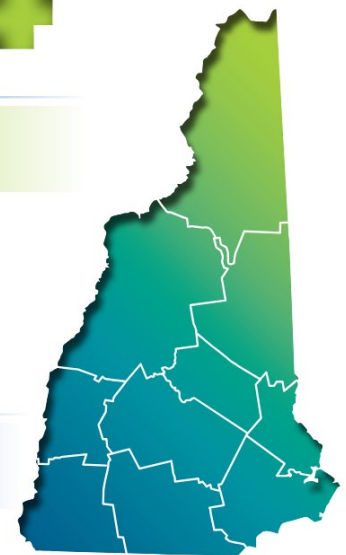
2-BEDROOM UNITS / STATEWIDE

\$1,764

MONTHLY MEDIAN GROSS RENT

11.4%

ANNUAL INCREASE IN MONTHLY
MEDIAN GROSS RENT

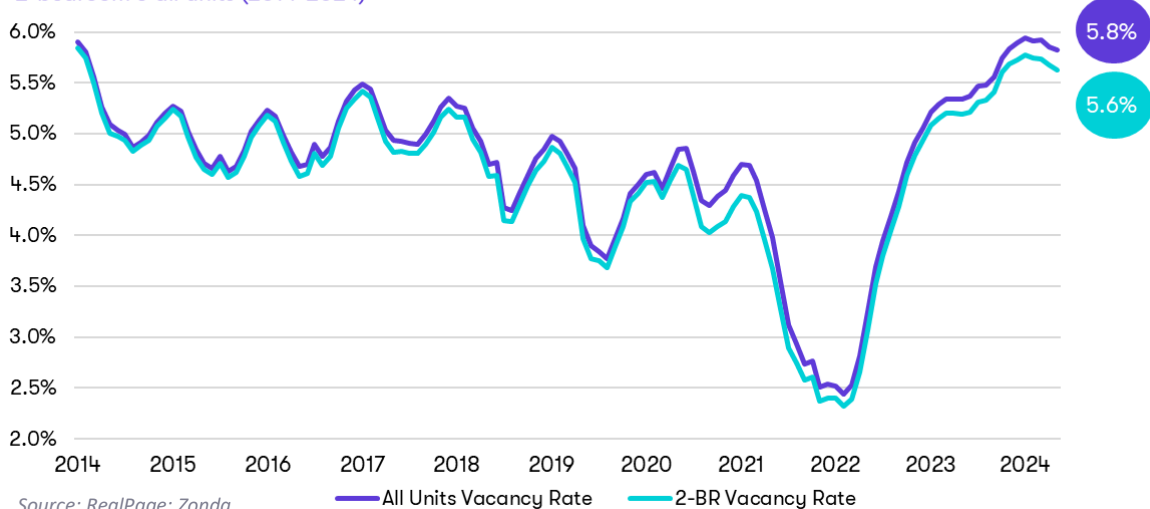


Source: New Hampshire Housing; Zonda

That's fueled by an astonishingly low vacancy rate

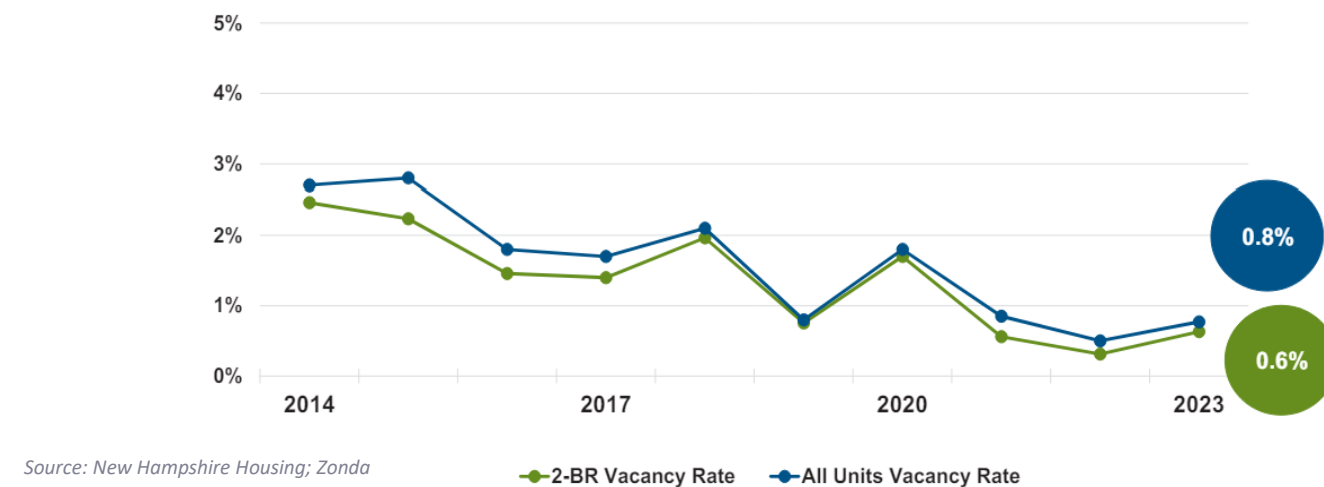
VACANCY RATES

2-bedroom & all units (2014-2024)



VACANCY RATES New Hampshire

2-bedroom & all units (2014-2023)



Me: New Hampshire's vacancy rate is 0.8% for all units. Crazy low! Are there other markets like that?

Kimberly: No. Used to be that way in Westchester NY, but they have been building.

New construction and limitations

Also, want to understand what products can move the needle quickly

Source: US Census Bureau; Zonda

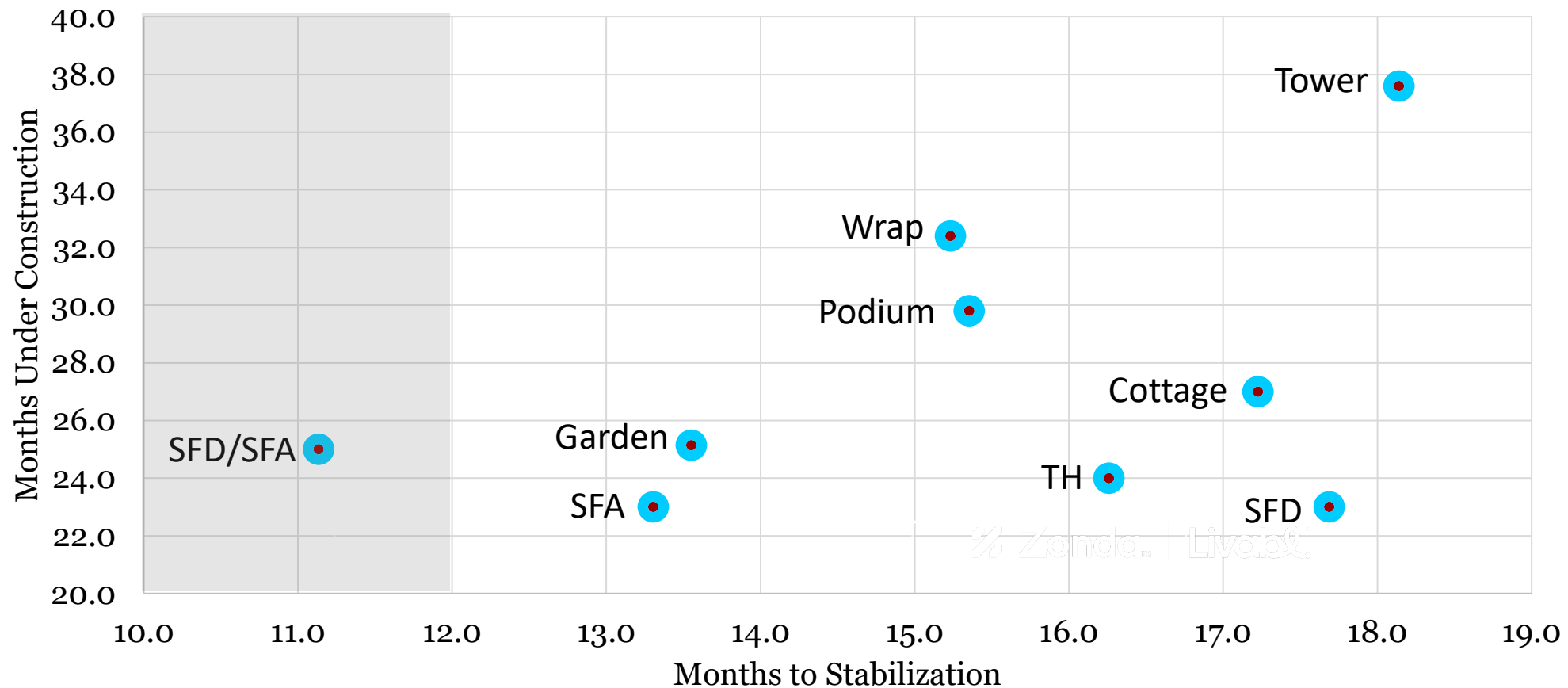
Higher density is quicker to market & stabilization

Mixed-use gives good density and quick stabilization

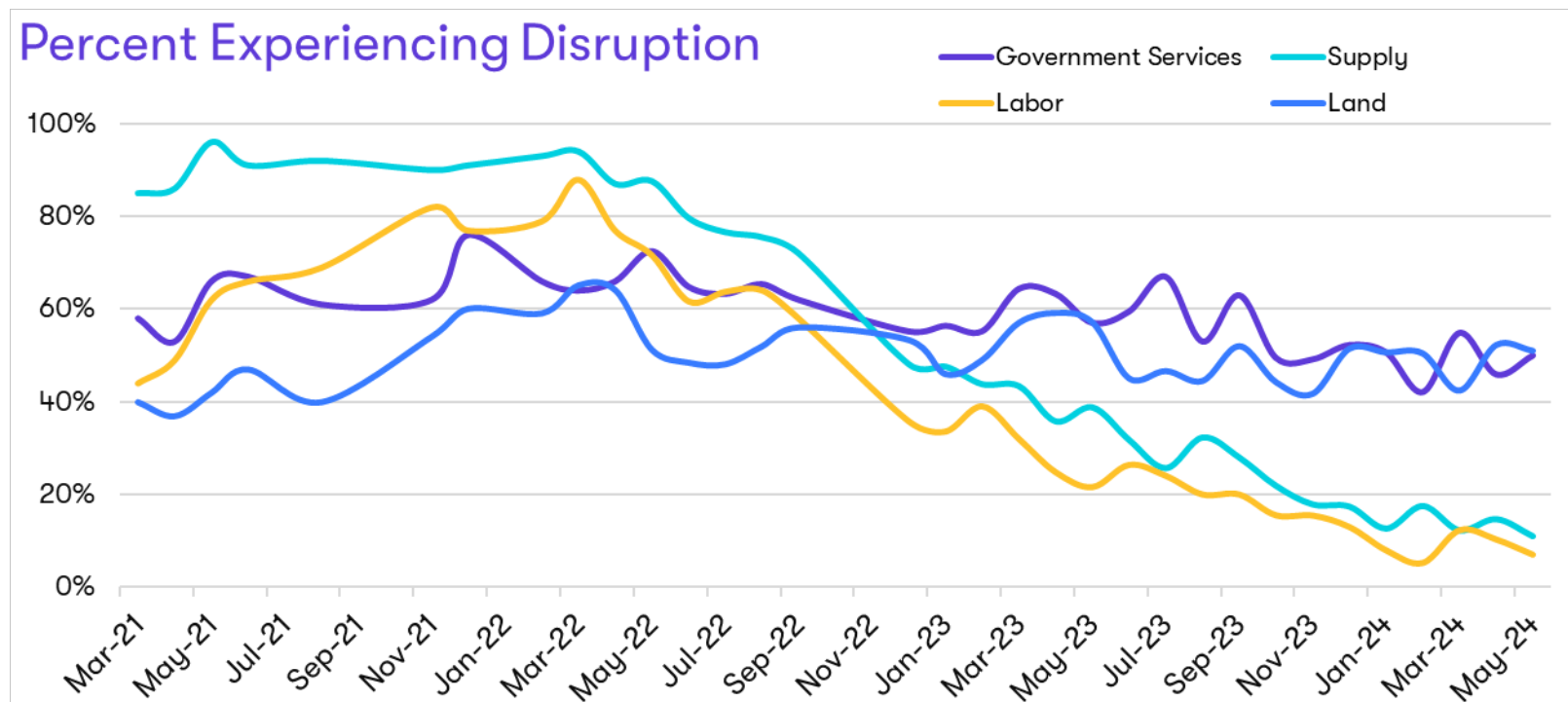
Garden is always the popular – easy to build, easy to lease

Cottage is taking longer and they are half the size of garden

Efficiency of Lease-Up By Product Type



Land and govt services are the biggest roadblocks to more supply



Entitlements/plats and utility installation timing

Land Development is SLOW

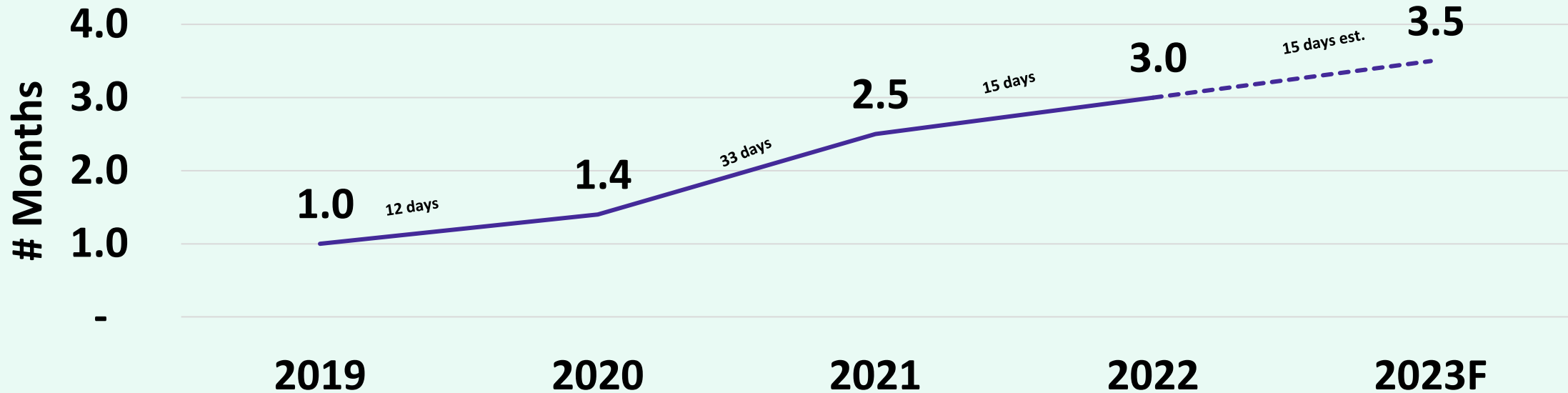
Cities are understaffed and there is no sense of urgency

Homes are taking longer to build because of lack of skilled tradespeople

Transformers

Measuring the impact of the supply chain and other delays on construction time frames

Cumulative Number of Months of Slippage Measuring Start to Completion (2018 Baseline) Private MF Construction Projects (All)



Suppliers are working to do their part!



- Most of the major manufacturers invested in capital improvements in their facilities over the past couple of years.
 - New plants / acquisitions
 - Automation
 - Increased capacity
- This has helped them ramp up capacity to meet demand
- Labor continues to be an issue in certain parts of the country, capacity is there, but bringing on the labor to run the additional shifts can take some time.



Where should we build?

- **Employment / population / demand.** Is there an underserved environment in a given location?
- **Competition.** What else are you competing with? Are people flush with options or only game in town?
- **Eyes.** Kimberly's rule of thumb is to be in places where 15,000 vehicles drive by the site per day.
- **Downtown vs suburban?**
More acceptance of different products and locations since the pandemic given affordability and WFH.

The big thing is convenience. Is there anything residents have in terms of nearby retail or amenities?

Final thoughts

Final thoughts

New Hampshire has the 5th worst labor shortage in the nation.

- What can be done for the workforce? More automation, training, and working to attract new businesses and employees.

The aging population needs addressed.

- The young generation has proven they'll move here for family or employment reasons.

There is a shortage of affordable housing units available, both rental and for sale.

- The limited inventory of for-sale homes is contributing to the affordability challenges in the rental market (renting for longer!).
- Rents have been steadily climbing for 10+ years, with a double-digit increase in the past year.

High demand and scary low vacancy rates = a market for new rental units.

Slippage is real when it comes to construction timelines + high IRs + a tight labor supply.

Need to work towards filling the gap: 60K units by 2030 and 90K through 2040. New Hampshire Housing

Thank you

Ali Wolf

Chief Economist

Zonda

awolf@zondahome.com

