

New Hampshire ECONOMIC CONDITIONS

February 2023

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The Housing Market in New Hampshire is Slowing Down

Housing prices in New Hampshire surged during the pandemic, with the median home sale price increasing from \$300,000 in 2019 to \$460,000 in May and June 2022. The supply of houses for sale, which has declined since 2010, was a large factor in this price increase. An inadequate supply of housing increased competition for homes and placed upward pressure on home prices. While the supply of homes decreased, increased migration to New Hampshire during the pandemic intensified competition for homes, further increasing the mismatch between supply and demand.

Median sale prices have declined since June 2022, although sale prices are typically lower during the fall and winter. The median sales price in June 2022 had increased 12.6 percent over the previous June, and by November, the over-the-year increase declined to

8.3 percent, an indication that seasonal factors were not the only reason for falling prices.

Two metrics that measure the balance between housing supply and demand, months of supply available and days on the market, both indicate that demand for housing is declining. Days on the market is the average number of days between when a property is listed and when an offer was accepted. Days on the market fell from 56 in 2019 to just 13 in June 2022. Since June, days on the market has increased, reaching 27 days in October 2022. In September, October and November 2022, days on the market increased over-the-year.

Months of supply available is a ratio of available inventory of homes for sale at the end of the month and average monthly pending sales

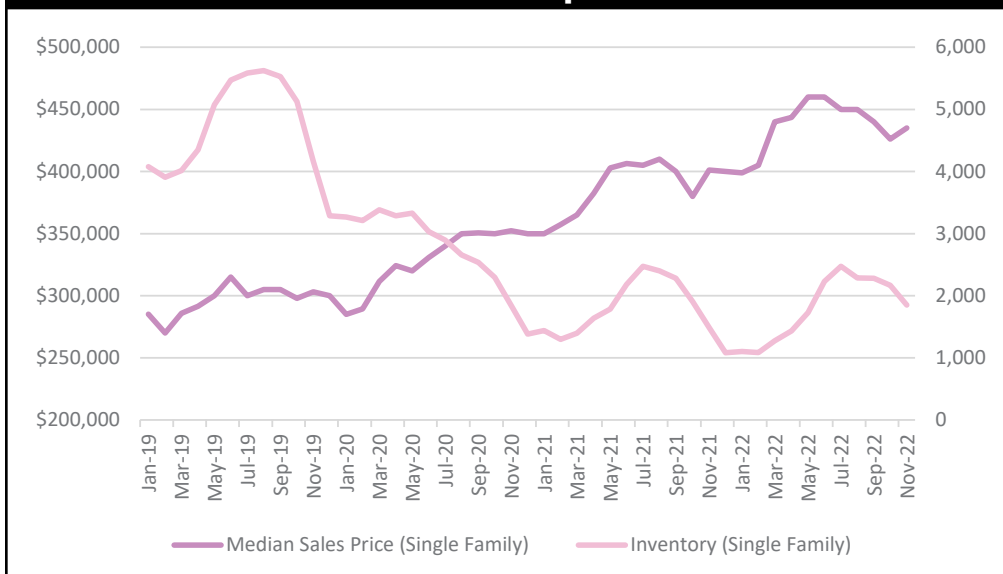
from the previous 12 months. In a balanced housing market, there are approximately six months supply of inventory.¹ Months of supply available for single family homes in New Hampshire has been below this level since 2016, and was 2.3 months when the pandemic began. Months of supply continued to fall during the pandemic, and reached its lowest value in December 2021, with 0.7 months' supply.

Since May 2022, months supply of inventory has grown year-over-year, although supply remained below two months of inventory, indicating that supply remains limited. The increase appears to be the result of declining monthly sales, rather than an increase in the supply of homes for sale.

Mortgage Rates

Increasing mortgage rates have contributed to reduced demand for housing in New Hampshire. After reaching historic lows during the pandemic, mortgage rates increased in early 2022, as the Federal Reserve raised interest rates. 30-year mortgage rates increased from 3.1 percent in December 2021 to 6.9 percent in

Single Family Home Price and Inventory in New Hampshire



Source: New Hampshire Realtors, NH Monthly Indicators

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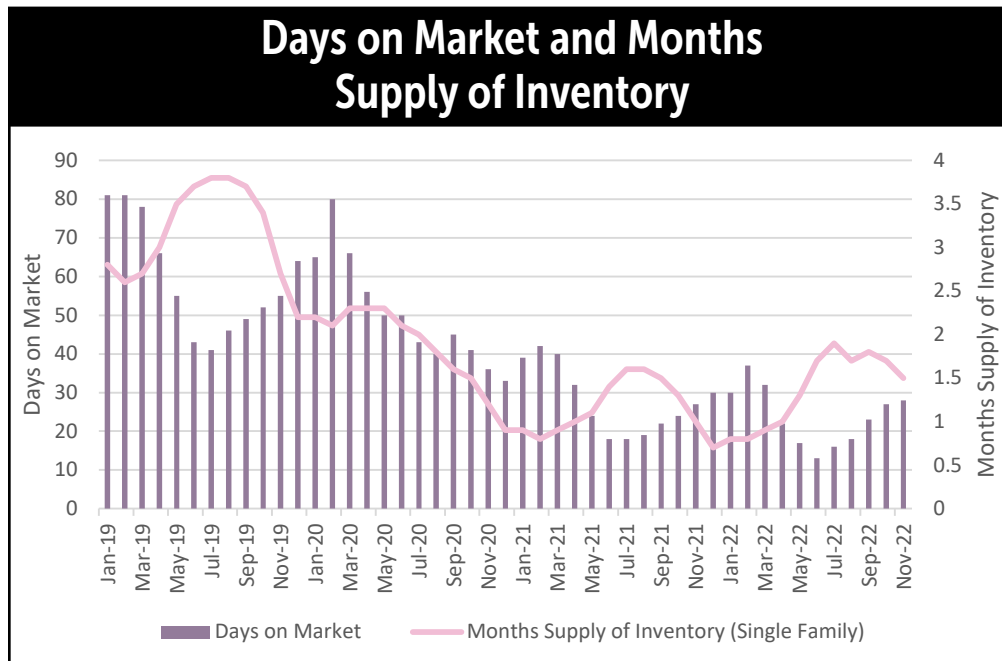
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1 New Hampshire Housing, June 2022 Housing Market Report. <https://www.nhfa.org/wp-content/uploads/2022/06/NH-Housing-Market-Report-06-2022.pdf>.



Source: New Hampshire Realtors, NH Monthly Indicators

October 2022, before falling slightly in November. While the number of homes sold in New Hampshire had started to decline in the second half of 2021, rising mortgage rates accelerated the rate of decline.

Combined with high prices, mortgage rate increases made homes in New Hampshire unaffordable for an increasing percentage of prospective buyers. For a prospective home buyer purchasing a house at the October 2022 median sales price of \$426,000 with a ten percent down payment (\$42,600), monthly mortgage payments with a 3.1 percent interest rate would be \$1,637; with the 6.9 percent mortgage rate available in October 2022, the same house would require a monthly payment of \$2,525, a 54 percent increase. According to the U.S. Department of Housing and Urban Development (HUD), households are considered cost burdened when they spend more than 30 percent of their income on rent or mortgage, and other housing needs.²

A \$2,525 mortgage payment would account for 30 percent of the income of a household with an income under \$101,000. In addition, because the \$2,525 mortgage payment does not include property taxes and other housing-related expenses, the income required to afford the median home purchased in October 2022 without becoming cost burdened would be well above \$100,000. The 2021 median household income in New Hampshire was \$88,465; well over half of New Hampshire households would be cost burdened by the median home sold in October.

Households that are not able to purchase a home using 30 percent of their income must choose to either become cost burdened or continue to rent. Becoming cost burdened impacts households' ability to save, spend on other goods and services, and makes them more vulnerable to economic shocks.³ Renting is also an expensive option, with median rents in New Hampshire reaching \$1,510 per month in 2022.⁴ For median rent to represent 30 percent of income, a household would need to earn roughly \$60,400 annually. Thus, there are fewer housing options for the nearly 30 percent of New Hampshire households with a median annual income of less than \$50,000.⁵ In addition, renters are not able to build equity by owning a home.

County-Level Data

Median home sales prices vary throughout the state, with the highest prices in southeastern New Hampshire. While prices are lower in western and northern regions of the state, these areas also have lower median incomes. To account for income differences, HUD estimates the maximum purchase price a family of four earning 80 percent of median income can afford without becoming cost burdened, based on regional income levels and home prices.

In non-metropolitan areas of the U.S., HUD publishes maximum affordable purchase price at the county level. Among the seven non-metropolitan counties in New Hampshire, only Coös has a median sales price below the maximum affordable purchase price.

² U.S. Department of Housing and Urban Development, Glossary of Terms to Affordable Housing <https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm>.
³ Joint Center for Housing Studies of Harvard University, Affordability Challenges for Low-Income Homeowners Have Intensified During the Pandemic. <https://www.jchs.harvard.edu/blog/affordability-challenges-low-income-homeowners-have-intensified-during-pandemic>.
⁴ New Hampshire Housing, 2022 Residential Rental Cost Survey Report. <https://www.nhhfa.org/wp-content/uploads/2022/08/NHHousing-2022-Rental-Cost-Report.pdf>.
⁵ US Census Bureau, 5-Year American Community Survey, 2017-2021, Table S1902, Income in the Past 12 Months (in 2021 Inflation-Adjusted Dollars). <https://data.census.gov/table?q=median+household+income&g=040000US33&tid=ACST5Y2021.S1901>

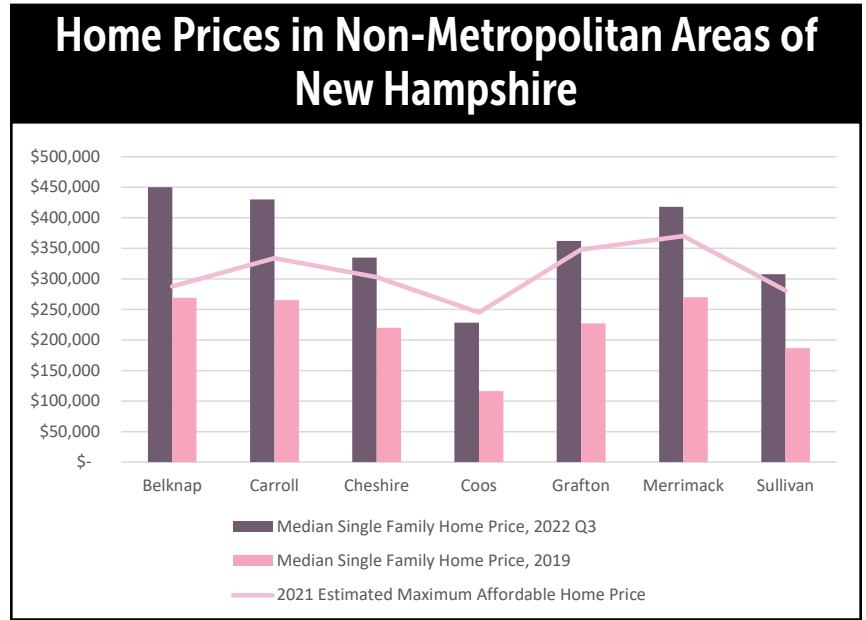
Hillsborough, Rockingham and Strafford Counties, within the Boston metropolitan area, are divided into six HUD Fair Market Rent Areas (HMFAs). Maximum affordable purchase price within these HMFAs ranged between \$285,500 and \$372,500 in 2021. Median home sale prices of \$405,000 in Strafford County, \$464,950 in Hillsborough County, and \$570,000 in Rockingham County are all well above the maximum affordable purchase price.

New Home Building and Policy Changes

The construction of new homes, as estimated by the residential building permits issued, slowed slightly in 2022. After the number of permits issued declined in 2020, 4,892 permits were issued in 2021, more than any year since 2006, the peak of the housing bubble leading into the Great Recession. Through October, 3,747 permits had been issued in 2022, seven percent fewer than had been issued through the first ten months of 2021.

Rising interest rates also affect home builders who rely on loans to finance construction. Although home sale prices increased since the pandemic began, labor and material costs increased as well. Although wage increases in the construction sector have not been as large as in other industries, average wages increased 16 percent between the second quarter of 2019 and the second quarter of 2022.

According to the U.S. Bureau of Labor Statistics' Producer Price Index (PPI), which measures the average change over time in prices received by domestic producers of goods and services, lumber prices more than doubled between March 2019 and March 2022.⁶ The price of copper wire increased 35 percent over that time period, while the price of steel nails, staples, tacks, spikes and brads peaked in July 2022,



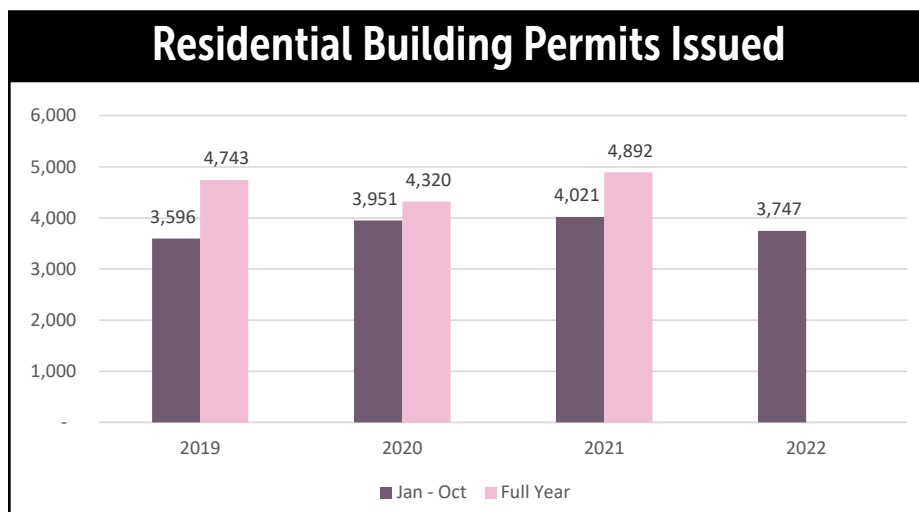
Source: New Hampshire Housing, New Hampshire Realtors

54 percent higher than in July 2019. Although the cost of these materials has trended downwards since the spring of 2022, they remain well above pre-pandemic levels.

With housing both expensive and in short supply, increasing the housing supply and improving the balance between housing supply and demand is a priority for New Hampshire policy makers. New Hampshire state government made several changes to housing policy in recent years to encourage the development of affordable housing. In 2020, the state legislature created the Housing Appeals Board, intended to provide a quicker, cheaper way to appeal local rulings affecting housing developments.⁷ In April 2022, the Governor announced the \$100 million InvestNH Housing Fund, that will incentivize both

municipalities and real estate developers to build more housing units.⁸ Municipalities are eligible to receive grants for allowing new housing units to be built, as well as grants to update zoning laws, and demolish vacant or dilapidated buildings. Developers can apply for grants to assist with the cost of building multifamily housing.

– Greg David, Economist

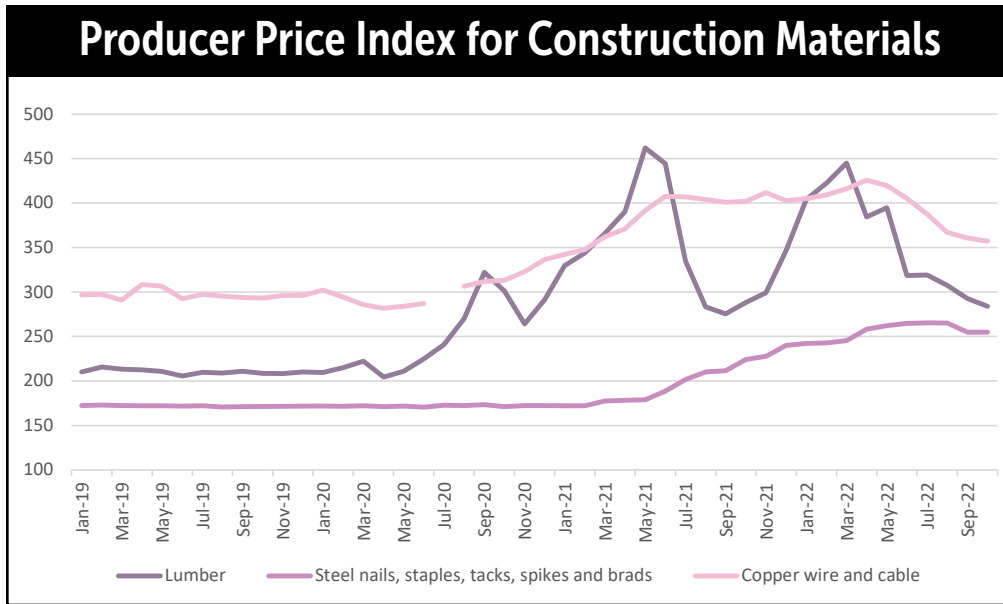


Source: U.S. Census Bureau, Building Permits Survey

⁶ PPI data are not seasonally adjusted and should be compared year-over-year.

⁷ David Brooks, "A look Inside New Hampshire's New Housing Appeals Board," New Hampshire Business Review, April 6, 2022. <https://www.nhbr.com/a-look-inside-new-hampshires-new-housing-appeals-board/>.

⁸ Office of the Governor of New Hampshire, "Governor Chris Sununu's Transformative \$100 Million Housing Fund Approved," <https://www.governor.nh.gov/news-and-media/governor-chris-sununu-transformative-100-million-housing-fund-approved>.



Source: U.S. Bureau of Labor Statistics, Producer Price Index