

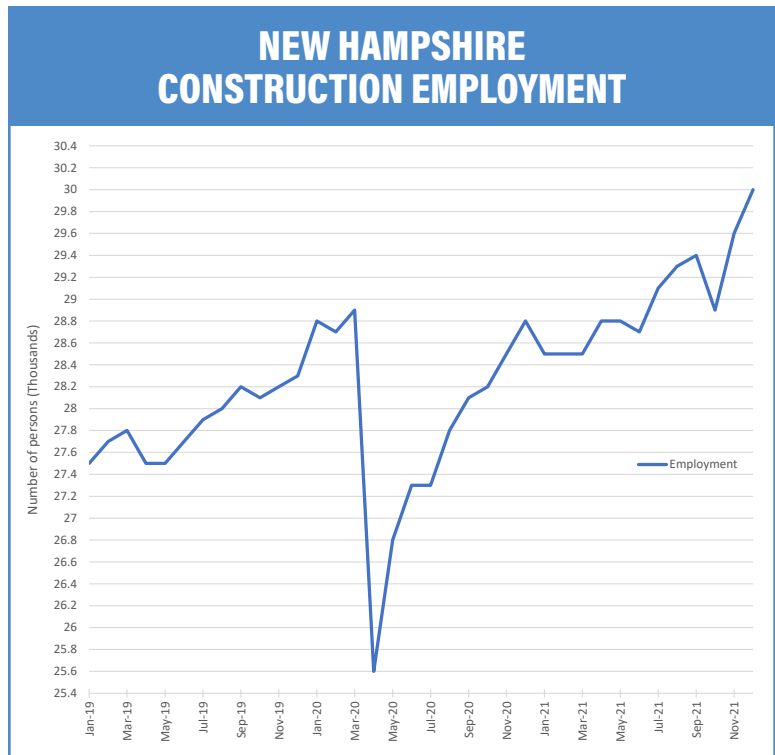
CONSTRUCTION & HOUSING

The Rising Price of Housing in New Hampshire

The coronavirus pandemic has led to a disruption in the normal way of life and created significant changes in many aspects of the world. During this time, the value of residential real estate increased dramatically. Median single family home prices went from \$300,000 in 2019 to \$335,000 in 2020, representing an 11.7 percent increase, nearly twice the prior year's growth, while the total units sold increased 4.7 percent.¹ The combination of a higher price with increased sales volume is reflective of market volatility. To understand why the volatility exists is basic economics: supply and demand.

Change in Supply

Supply is a measurement of the amount of product available, in this case housing, given market conditions. The supply of housing available for sale in 2020 was lower than seen in previous years. The New Hampshire Housing Finance Authority noted that at the end of 2019, the number of houses listed for sale represented 2.4 months of supply in the housing market, but by the end of 2020, inventory was down to 0.9 months.² This was echoed in a New Hampshire Business Review article citing a local real estate agency's finding of one month's inventory within the Lakes Region during May 2021. The same agency noted that a healthy real estate market had a four-month inventory.³ By the beginning of 2022, housing supply remained at a one-month inventory, while the supply of more affordable homes was even lower. Houses listed for less than \$300,000 had only a 0.7-month inventory.⁴ The simplest way to increase the inventory of houses listed for sale would be the



Source: New Hampshire Employment Security, Current Employment Statistics

creation of more inventory. Unfortunately, there have been difficulties with building new homes.

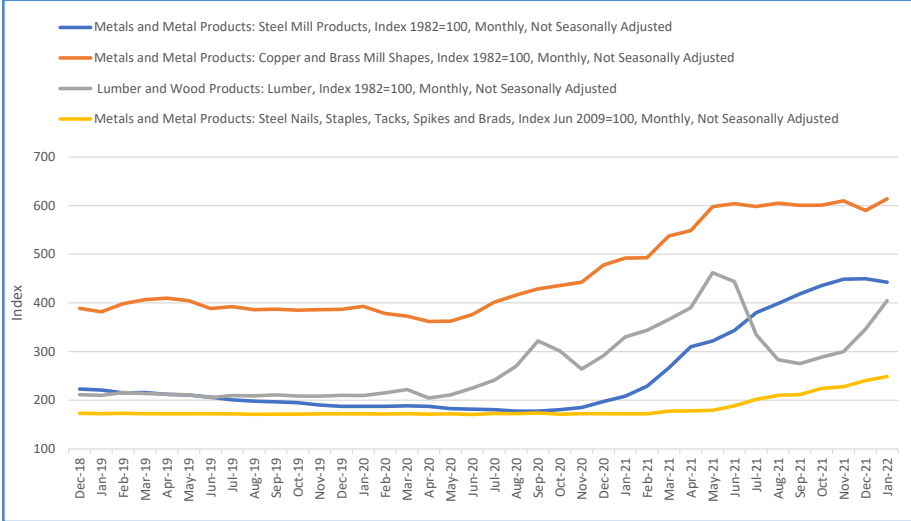
Employment in the New Hampshire construction sector is subject to seasonality, as winter weather can create significant issues for construction crews. Although construction was not negatively affected by the pandemic as much as most sectors, construction employment was severely affected by the pandemic in 2020 and, to a lesser extent, 2021.

Seasonally adjusted employment dropped by 3,000 employees from March 2020 to April 2020. Recovery took place quickly, but did not reach pre-pandemic levels until June 2021, more than a year later.⁵

Another issue affecting the supply of new housing is materials cost. Housing industry magazine YieldPRO

1 New Hampshire Association of Realtors, Year-Over-Year Market Data. https://www.nhar.org/assets/pdf/marketdata/yearoveryear/98-21_statewide_only.pdf.
 2 New Hampshire Housing Finance Authority, November-December 2020 Housing Market Snapshot, <https://www.nhhfa.org/wp-content/uploads/2020/12/HMS-November-December-2020.pdf>.
 3 Mortensen, M. "Cash is king as New Hampshire's real estate market keeps soaring" New Hampshire Business Review, 5/5/2021. <https://www.nhbr.com/cash-is-king-as-new-hampshires-real-estate-market-keeps-soaring/>.
 4 New Hampshire Housing Finance Authority, "December 2021 Housing Market Snapshot", <https://www.nhhfa.org/wp-content/uploads/2021/12/HMS-Winter-2021.pdf>.
 5 New Hampshire Employment Security, Current Employment Statistics

PRODUCER PRICE INDEX BY COMMODITY



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

copper, and steel mill products show significant volatility starting from initial impact of the pandemic; they have yet to settle. The fluctuations are quick and, in some cases, have doubled the expected costs.⁷ Chris Wilde, chief operating officer for New England Investment and Retirement Group, noted that the price of 1,000 feet of board in May 2021 was around \$1,500, far greater than the typical \$300 to \$400 per 1,000 feet. The difference adds up on home prices, with an estimated \$25,000 increase per home.⁸ The pandemic

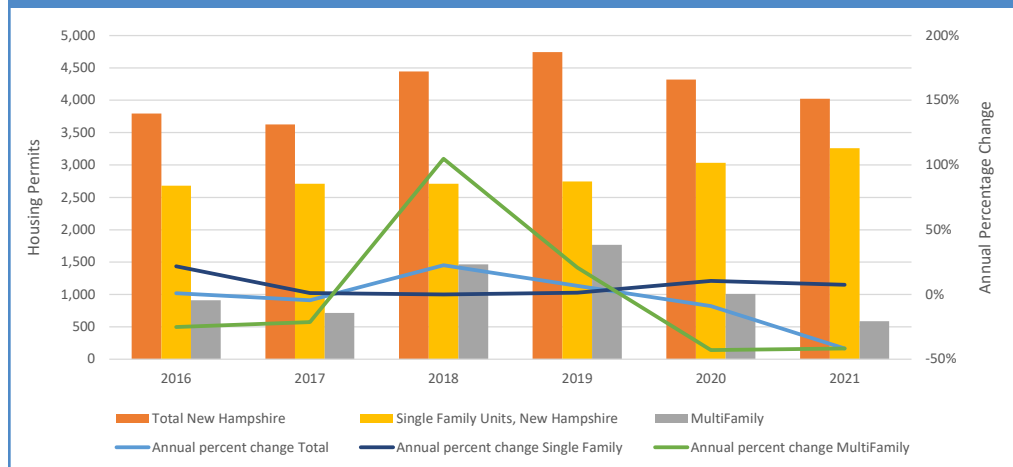
conducted an analysis of price changes for standard construction commodities. The analysis used an average price derived from the first three months of 2020 to define pre-COVID prices. That average was compared to the price in August of 2021 of the same goods. The comparison showed large percentage changes for every good. (See Table 1 on page 62).

The increases are significant across all products. Of note are lumber price changes of 24.4 percent for softwood and 45.2 percent for hardwood, nails at 19.7 percent, power wire and cable at 42.2 percent, and soft plywood products at 210.8 percent.⁶ These increases affect pricing for a new construction home.

The producer price indices for lumber,

has also caused delays in receiving materials. The 2021 U.S. Census Small Business Pulse survey noted 36 percent of small businesses reported delays with domestic suppliers, with delays concentrated in manufacturing, construction, and trade sectors.⁹ All these factors combined made constructing new properties more difficult, as reflected in building permit requests from 2020.

HOUSING PERMITS AUTHORIZED



Source: U.S. Census Bureau, Building Permits Survey. Note that authorized permits do not equate to completed structures.

6 Rudy, Michael (September 10, 2021) "Construction materials prices up despite lumber price declines" Yield Pro magazine; <https://yieldpro.com/2021/09/construction-materials-prices-up-despite-lumber-price-declines/>
 7 U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Metals and Metal Products retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPU1017>, February 16, 2022.
 8 Schinella, T, "Lumber Prices Put Sting On Already Tight NH Housing Market," Patch News, 5/5/2021. <https://patch.com/new-hampshire/windham/lumber-prices-put-sting-already-tight-nh-housing-market>.
 9 Helper, S. and Soltas, E. "Why the Pandemic Has Disrupted Supply Chains" The White House. <https://www.whitehouse.gov/cea/written-materials/2021/06/17/why-the-pandemic-has-disrupted-supply-chains/>

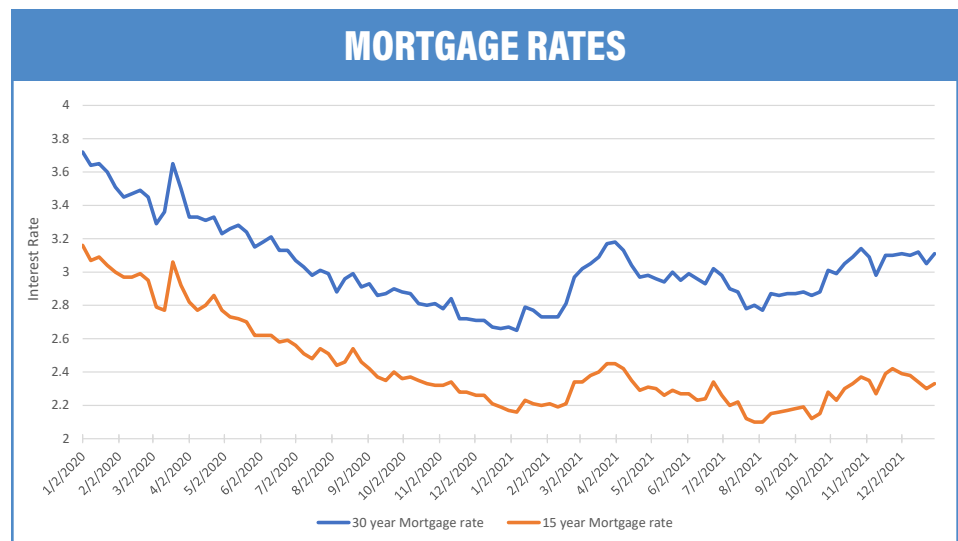
Total building permit requests have been decreasing since 2019, but permits for single-unit structures, the largest portion of permits in New Hampshire, have been increasing. The total number of housing permits issued rose moderately from 2014 to 2019, then decreased slightly in 2020 and 2021. More significantly, the number of permits issued for multi-unit structures — the primary source of more affordable housing — dropped by 35 percent from 2019 to 2020 and dropped another 41 percent from 2020 to 2021. The lack of growth in housing supply is concerning as the New Hampshire Housing Finance Authority’s 2021 Housing Rental Survey noted a need for at least 20,000 new housing units to meet current demand. The report notes “to sustain New Hampshire’s economy, additional housing is needed to support our workforce, as well as those who cannot work because of age or disability.”¹⁰

Change in Demand

During 2020, many factors contributed to an increase in the demand for housing. Mortgage rates were low, and many workers were enjoying new freedom from offices due to shutdowns and/or work from home opportunities.

After peaking at 4.94 in November 2018, Freddie Mac 30-year fixed mortgage rates trended downward, dropping to 2.67 at the end of 2020.¹¹ The decline in rates can be attributed to market forces and Federal Reserve policies, aimed at keeping the U.S. economy in its longest period of expansion. Low interest rates are a boon for first-time home buyers. Low rates help younger buyers, such as millennials, afford a home,

even with higher purchase prices.¹² This increased opportunity came at a time when the choice of where to live was less constrained by employment. Activity for purchasing property, particularly in more scenic areas of New Hampshire, increased, including greater interest from out-of-state buyers. Buyers came from neighboring states, such as Connecticut, Maine, Massachusetts, and Rhode Island, as well as further out in New York, New Jersey, and California. The circumstances of the pandemic, being on lockdown and working from home, encouraged many residents of urban areas to investigate finding a new home in a rural, scenic area. The largest focus of this buying was in the northern counties of the state, where tourism takes place throughout the year.¹³ With a lower population density, New Hampshire was seen as a “safe” place to live compared to a crowded urban setting. Realty firms noted that typical out-of-state buyers accounted for approximately ten percent of buyers prior to the pandemic but jumped to about 35 percent during 2020. The primary reason cited was the capability of working from home and not needing to commute to an office. This meant that where a person lives could be based on where they wanted to live, rather than where they had to.¹⁴ Frank



Source: Freddie Mac’s Economic & Housing Research group

10 NH Housing Rental Survey Report, 2021, New Hampshire Housing Finance Authority, <https://www.nhhfa.org/wp-content/uploads/2021/07/NH-Housing-Rental-Survey-Report-2021.pdf>
 11 Freddie Mac, Economic & Housing Research Group, Primary Mortgage Market Survey. <https://www.freddiemac.com/pmms>.
 12 Williams, D. “Low Mortgage Rates benefit Home buyers But Not without Housing Market Repercussions” Forbes. <https://www.forbes.com/sites/dimawilliams/2020/05/22/low-mortgage-rates-benefit-home-buyers-but-not-without-housing-market-repercussions/?sh=261f14d41511>
 13 Urquhard, A “Affluent out-of-state homebuyers look to New Hampshire for escape” Concord Monitor. <https://www.concordmonitor.com/Affluent-Out-of-State-Homebuyers-Look-To-New-Hampshire-For-Escape-37182927>
 14 Hershberger, A “With more people working remotely, northern NH sees boom in out-of-state homebuyers” WMUR. <https://www.wmur.com/article/with-more-people-working-remotely-northern-nh-sees-boom-in-out-of-state-homebuyers/35983779>

Roche, owner of Roche Realty Group, said “COVID has pushed people’s envelope to a shorter timeframe. They’ve learned life can be short and that quality of life is important.”¹⁵

This demand for homes can be seen in how the real estate markets for New Hampshire’s metropolitan areas were ranked nationally. Realtor.com ranked the Manchester-Nashua and Concord metropolitan areas as seventh and sixth, respectively, in the top 20 emerging markets in July of 2020. The 2021 rankings decreased to 17 and 18, respectively, through the inclusion of estimated effective tax rate to the model but remain a strong indicator of increased demand.¹⁷

It is not just families and individuals that look for homes, but investor groups as well. As interest rates declined, the cost of owning a home became more affordable. Institutional investors saw this change as an incentive to buy single-family homes and turn them into rentals. Large institutions typically pay in cash, but low rates combined with appreciating rent rates made financing a viable option.¹⁸ These interested parties add to the demand of consumers and significantly change how much people were willing to pay for a home.

The Effect on Price

In December 2019, housing experts were concerned because the median home price in New Hampshire

rose to \$299,999, and the housing supply was 2.4 months. The price increase coincided with a 30 percent increase in new listings, however it was not enough to keep up with demand. By December 2020, the median price rose by nearly \$50,000 and the housing supply dropped to 0.9 months.¹⁹

New England Real Estate Network and New Hampshire Association of Realtors data show large jumps in year-end median price from 2017 to 2021 and decreasing days on market from 2019 through 2021. 2021’s year-end median price landed at the all-time high of \$395,000. This price represents an 18 percent jump over 2020 and nearly double the 2011 median price of \$201,700.²⁰

An increase in median home price can represent more than just a more expensive housing market, but also how the growth will end. As prices rise and the costs of owning a home increase, sellers may find themselves better off holding on to what they have. This reduces the number of properties for sale, decreasing mobility within the market. Unless more properties are constructed, low market mobility could turn into a housing crisis.²¹ As long as interest rates remain low, the opportunity to buy will remain and prices could continue to rise. However, should the costs of home ownership price buyers out of the market, the chances of a correction increase.

– Marek Rivero

YEAR	UNITS SOLD	% CHANGE	MEDIAN PRICE	% CHANGE	DAYS ON MARKET (DOM)	% CHANGE
2017	17,783	0.9%	\$266,000	6.5%	68	-18.0%
2018	17,555	-1.3%	\$283,000	6.0%	61	-10.0%
2019	17,639	0.5%	\$300,000	6.0%	56	-8.0%
2020	18,474	4.7%	\$335,000	11.7%	47	-16.0%
2021	17,465	-5.5%	\$395,000	17.9%	23	-45.0%

Source: New England Real Estate Network / New Hampshire Association of Realtors

15 Hershberger, A “With more people working remotely, northern NH sees boom in out-of-state homebuyers” WMUR. <https://www.wmur.com/article/with-more-people-working-remotely-northern-nh-sees-boom-in-out-of-state-homebuyers/35983779>
 16 Mortensen, M., op. cit.
 17 Hale, D. “July 2021 Wall Street Journal/Realtor.com Emerging Housing Markets Index” Realtor.com <https://www.realtor.com/research/july-2021-wsj-rdc-emerging-housing-markets-index/>
 18 Williams, D., op. cit.
 19 New Hampshire Housing Finance Authority, November-December 2020 Housing Market Snapshot, <https://www.nhffa.org/wp-content/uploads/2020/12/HMS-November-December-2020.pdf>.
 20 New Hampshire Realtors. “Market Data” Market Data | New Hampshire REALTORS (nhar.org)
 21 Williams, D., op. cit.

Table 1 - Construction Commodity Pricing

Methodology: “YieldPRO compiled the BLS reported price changes for their standard list of construction commodities as of August 2021. These are commodities whose prices directly impact the cost of constructing an apartment building. The two right hand columns of the table provide the percent change in the price of the commodity from August 2020 (12 Mo PC Change) and the percent change in price from July 2021 (1 Mo PC Change). If no price data is available for a given commodity, the change is listed as N/A.

For this report, a new column, labeled Pre-COVID Change, was added to the table. This column lists the change in the current construction materials prices relative to the average prices in the first three months (January, February, March) of 2020, before the pandemic impacted the economy.”

– Michael Rudy, YieldPRO

COMMODITY	12 MO PC CHANGE	1 MO PC CHANGE	PRE-COVID CHANGE
Softwood lumber	-9.8	-27.3	24.4
Hardwood lumber	44.3	-0.3	45.2
General millworks	9.6	0.5	11.1
Soft plywood products	87.3	-16.3	210.8
Hot rolled steel bars, plates and structural shapes	49.0	2.4	44.3
Copper wire and cable	31.4	1.9	36.3
Power wire and cable	39.8	3.0	42.2
Builder's hardware	11.7	1.6	11.5
Plumbing fixtures and fittings	4.1	1.0	4.9
Enameled iron and metal sanitary ware	6.4	0.7	3.9
Furnaces and heaters	6.2	-0.7	8.9
Sheet metal products	25.7	1.9	25.1
Electrical Lighting fixtures	6.0	1.9	5.4
Nails	19.3	-1.3	19.7
Major appliances	3.5	1.5	7.6
Flat glass	12.6	0.2	12.6
Ready mix concrete	5.1	1.6	5.5
Asphalt roofing and siding	15.8	3.5	16.5
Gypsum products	22.9	0.5	19.9
Mineral wool insulation	21.9	5.8	19.6

Source: Michael Rudy, Yield Pro, "Construction materials prices up despite lumber price declines."

CONTRACT VALUE INDICES (base = 1980) December (not seasonally adjusted)	2016	2017	2018	2019	2020
Total construction					
New Hampshire	253.0	350.0	317.0	282.5	362.5
New England	427.5	423.3	447.6	492.5	477.5
United States	387.8	444.4	414.4	497.5	527.1

CONTRACT VALUE INDICES (base = 1980) December (not seasonally adjusted) (continued)	2016	2017	2018	2019	2020
Nonbuilding construction					
New Hampshire	74.1	450.1	207.3	290.2	501.3
New England	362.9	533.0	426.2	306.7	219.9
United States	239.9	555.4	434.4	479.2	526.9
Nonresidential construction					
New Hampshire	319.7	536.1	680.2	359.1	214.8
New England	390.1	454.2	588.2	671.5	740.5
United States	431.5	413.0	429.0	522.5	444.3
Residential construction					
New Hampshire	292.9	201.3	159.2	235.8	385.8
New England	493.2	339.2	340.2	439.7	391.5
United States	426.3	414.3	392.2	485.9	595.7
Residential construction (seasonally adjusted)					
New Hampshire	385.7	287.7	241.6	366.3	604.1
New England	545.4	369.2	356.6	476.1	424.7
United States	483.6	475.3	453.5	564.4	693.8

Source: Federal Reserve Bank of Boston, ELMI Analysis. Last Update 9/28/2021

HOUSING PERMITS AUTHORIZED (not seasonally adjusted)	2016	2017	2018	2019	2020
Total New Hampshire	3,796	3,625	4,445	4,743	4,320
Annual percent change	0.9%	-4.5%	22.6%	6.7%	-8.9%
Total New England	32,595	33,160	34,375	35,923	35,571
Annual percent change	-1.6%	1.7%	3.7%	4.5%	-1.0%
Total United States	1,206,642	1,281,977	1,328,827	1,386,048	1,471,141
Annual percent change	2.4%	6.2%	3.7%	4.3%	6.1%

Single Family Units, New Hampshire	2,680	2,711	2,710	2,746	3,033
Annual percent change	21.8%	1.2%	0.0%	1.3%	10.5%
Single Family Units, New England	17,935	18,016	18,159	16,883	18,609
Annual percent change	9.9%	0.5%	0.8%	-7.0%	10.2%
Single Family Units, United States	750,796	819,976	855,332	862,084	979,360
Annual percent change	2.4%	6.2%	3.7%	4.3%	6.1%

Source: US Census Bureau, ELMI Analysis. Last Update 9/28/2021

HOME SALES	2016	2017	2018	2019	2020
Freddie Mac House Price Index (December 2000 = 100), NSA					
New Hampshire	149.88	159.06	167.87	177.93	203.70
United States	167.14	178.45	187.40	195.31	217.53

Mortgage Rates and Housing Rentals					
30-Year Fixed Mortgage Rates (Annual average)	3.65%	3.99%	4.54%	3.94%	3.11%

Source: Freddie Mac. Last Update 9/28/2021

UNITS IN STRUCTURE	2016	2017	2018	2019	2020
Total housing units	625,337	634,689	638,112	642,298	646,849
1-unit, detached	399,831	407,329	403,645	400,650	448,840*
1-unit, attached	34,548	35,476	33,543	31,288	
2 units	33,346	33,034	34,508	34,554	36,125
3 or 4 units	34,866	36,650	35,243	34,732	31,354
5 to 9 units	29,595	28,110	29,293	34,088	24,822
10 to 19 units	19,012	17,695	18,634	22,681	67,889*
20 or more units	38,848	44,853	44,019	47,881	
Mobile home	34,897	31,123	39,053	36,269	37,819*
Boat, RV, van, etc.	394	419	174	155	

Source: 1-year American Community Survey, US Census Bureau. Last Update 12/14/2021

*Due to data collection issues, the 2020 1-year ACS data were released as experimental data. Experimental tables contained fewer categories than standard ACS tables.

HOMES FINANCED BY NH HOUSING FINANCE AUTHORITY	2016	2017	2018	2019	2020
Total	1,421	1,418	1,428	1,238	1,105
Percent new construction	0.7%	0.6%	0.8%	0.7%	0.8%
Percent condo	13.5%	13.5%	14.6%	13.7%	12.2%

NHHFA Bond Issues (\$ millions)	0.0	15.6	11.4	10.6	21.0
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Assisted Rental Housing Funded					
Total units (NHHFA only)	200	792	335	278	254
For elderly and supportive housing tenants	85	178	218	36	71

Housing Unit Rentals					
Median gross monthly rent, (including utilities), all units	\$1,113	\$1,143	\$1,177	\$1,251	\$1,283
Annual percent change	4.1%	2.7%	3.0%	6.3%	2.6%
Rental Unit Vacancy Rate, all units	1.8%	1.7%	2.1%	0.8%	1.8%

Source: New Hampshire Housing Finance Authority. Last Update 1/4/2022

NEW HAMPSHIRE MULTIPLE LISTING SERVICE DATA ON SALES OF EXISTING HOMES ^a	2016	2017	2018	2019	2020
Regional Sales and Price Activity - December to December					
Median sale price					
Single Family - residential	\$249,800	\$266,000	\$283,000	\$300,000	\$335,000
Condominium	\$185,000	\$192,000	\$205,000	\$215,000	\$250,000
Percent change in Price from Prior Year					
Single Family - residential	3.4%	6.5%	6.4%	6.0%	11.7%
Condominium	6.7%	3.8%	6.8%	4.9%	16.3%
Total Units Sold - 12-Month Average					
Single Family - residential	1,464	1,482	1,463	1,468	1,537
Condominium	369	405	406	404	421

^a Copyright 2012 Northern New England Real Estate Network, Inc. The reproduction of these statistics is done with the permission of NNEREN. The statistics referenced herein are based solely upon listings submitted to the multiple listing service database of NNEREN and do not include all properties sold and marketed for sale. ALL INFORMATION DEEMED RELIABLE BUT NOT GUARANTEED. Any analysis or commentary related to these statistics is that of the commentator, and not that of NNEREN.

Source: Northern New England Real Estate Network. Last Update 9/28/2021

Prepared by: New Hampshire Employment Security, Economic and Labor Market Information Bureau

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