



***New Hampshire's
Changing Economic and
Real Estate Environment:***

NH Legislature Briefing

January 2017

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Applied Economic
Research***

Research Supported By:



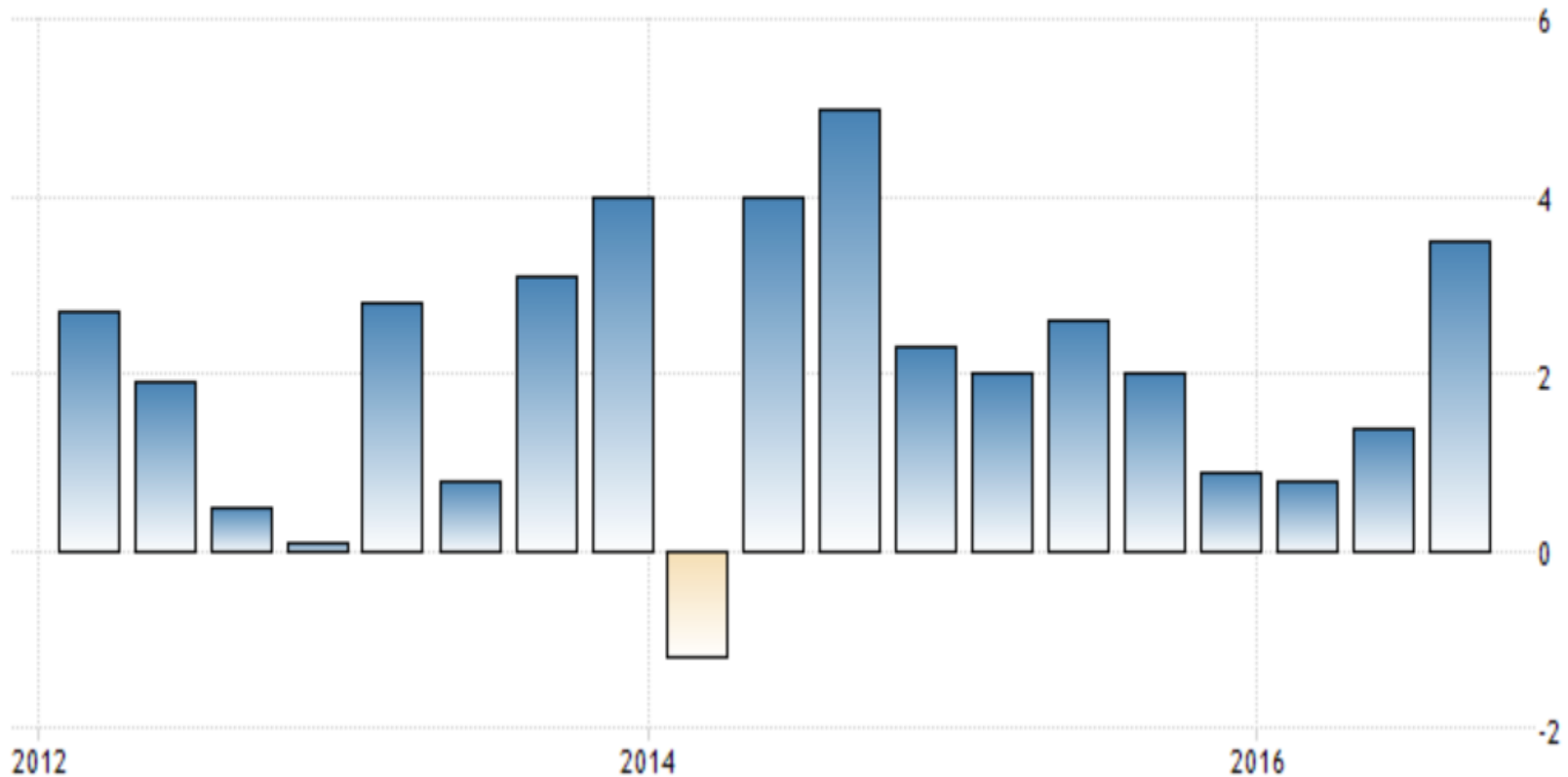
In a Nutshell

- According to ***Most Economists***:
 - US Economy is performing well and is expected to continue to do so for the next couple of years;
 - Rising inflation and interest rates are something new to think about;
 - NH Economy is in a sweet spot but labor shortages could slow growth;
 - Rising interest rates could slow real estate activity;
- But bear in mind
 - Due to possible major policy shifts in Washington (tax rates, immigration, health care, spending) the range of outcomes is wide;
 - AND most importantly— ***Most Economists*** are usually wrong

The US Economy

US Economic Growth Up 3.5% Annual Rate in Third Quarter, Continuing Sustainable Growth

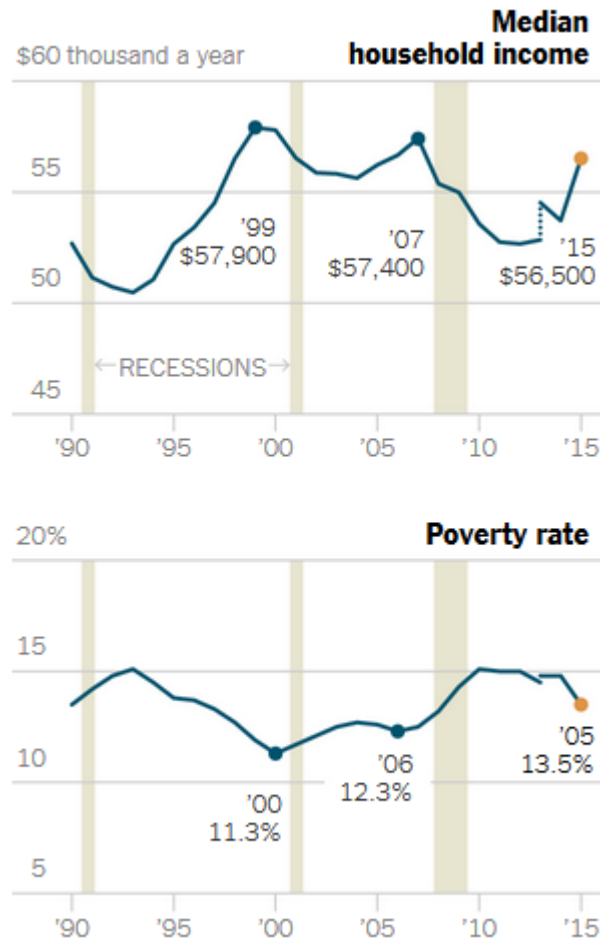
US GDP GROWTH RATE



Job Growth Averages 182,000/Month This Year, Which Is Favorable



US Household Income Shows 5.2% Increase After Inflation, Largest One-Year Increase Since 1967-- Benefitting All Income Groups;
Poverty Rate Drops as Well But Still at 13.5% (One in Seven)



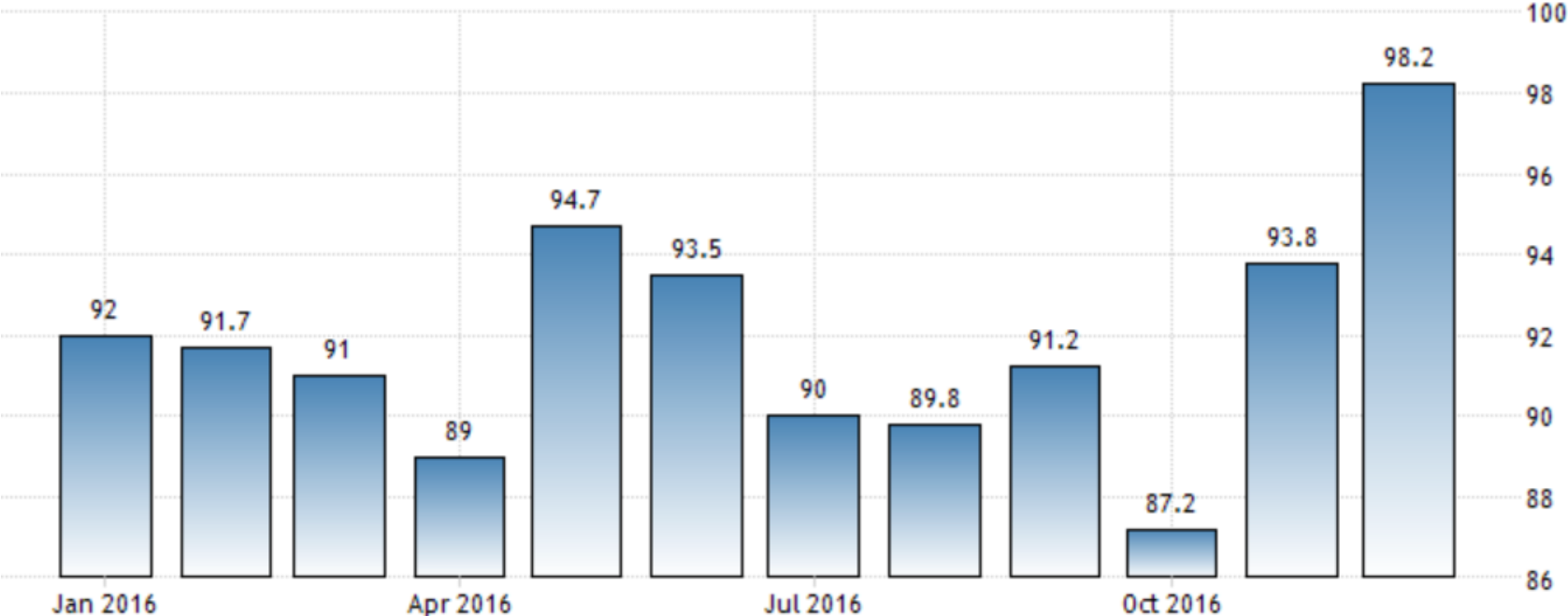
US Unemployment Dips to Full Employment Level, 4.6% In November, Lowest in Nine Years



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Consumers Are Feeling Good (Confident)

US CONSUMER SENTIMENT



Consumers Continue to Spend, Suggesting Continued Healthy GDP Growth



Businesses are Feeling Good, Too



Inflation Ticks Upward as Energy and Import Prices Rise



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

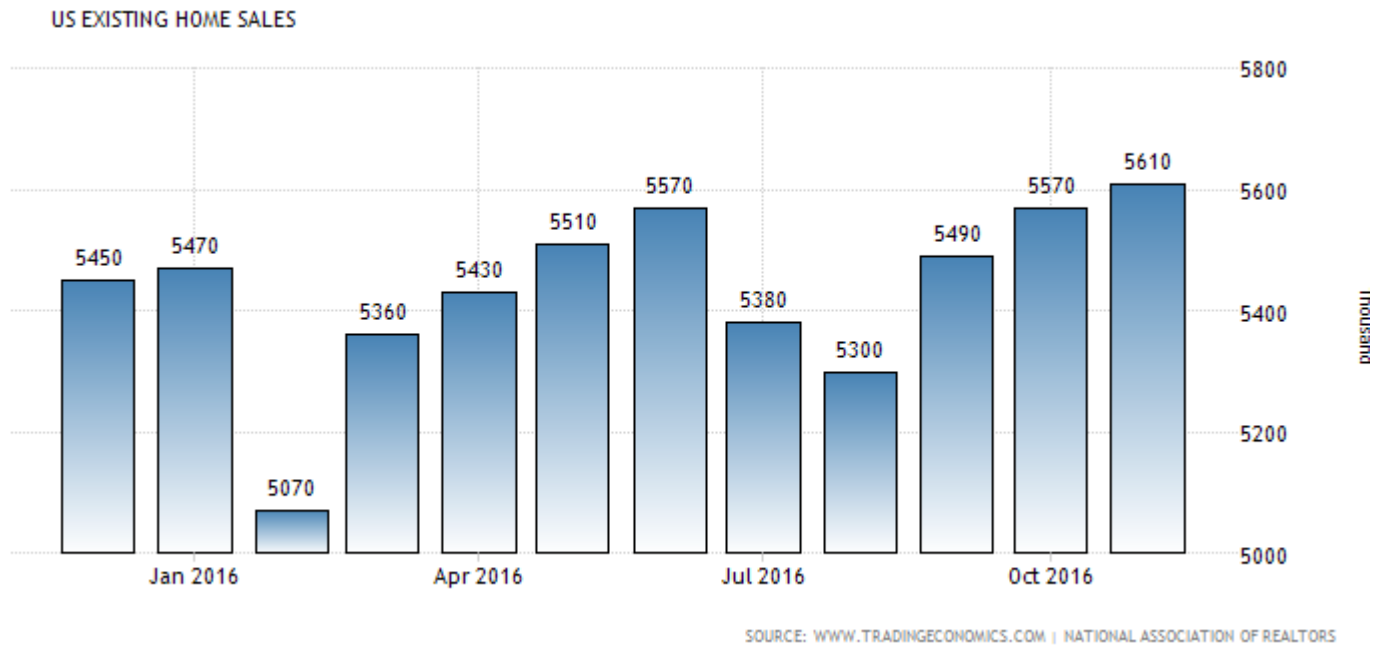
10 Year Treasuries Rise: Trump Effect, Rising Inflation and Fed Increase, But Still Low Historically



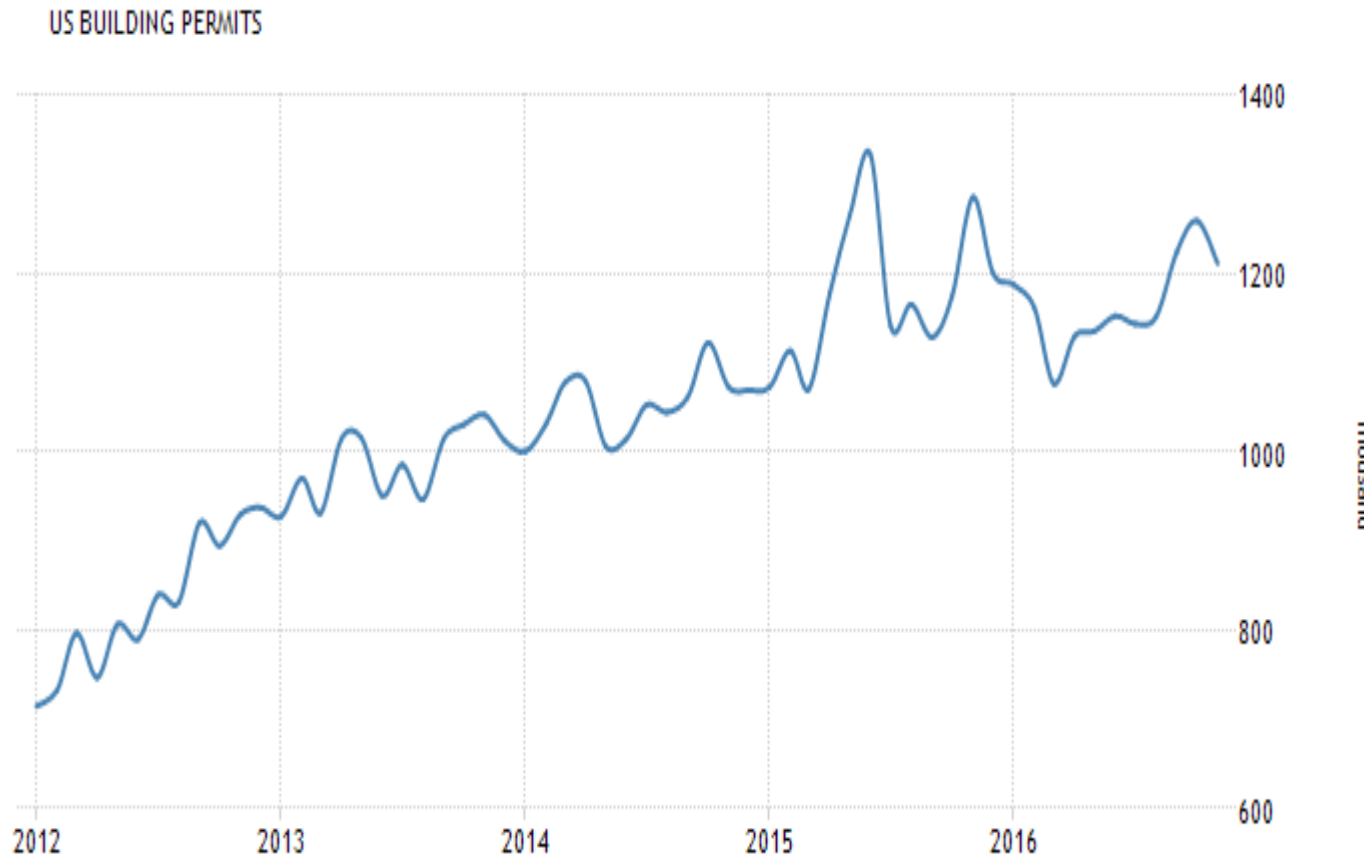
Mortgage Rates Rise From Recent Low Level, But Remain Reasonable: Refinancing Activity Expected To Drop—Will Affordability and Low Inventories Stall Sales?



US Housing Sales Remains Healthy Through November, But May Drop As Rates Rise



New Home Construction Flattens



US Home Prices Rise-- UP 5% YOY



Trumpenomics

- The Upside—Several Policies Are Pro-Growth
 - Lower tax corporate and individual tax rates
 - Increased spending on military and infrastructure
 - Reduced regulations
 - Enhancing and retaining US jobs
- But Some Uncertain Impacts
 - Possible Rising Deficit in Short Term
 - Possible Inflationary Pressure
 - Uncertainty Due to Possible Major Policy Shifts
 - Healthcare
 - Trade tariffs
 - Immigration

The Outlook From the Fed's December Forecast—No Storm Clouds: Moderate Growth, Modestly Rising Rates and Inflation

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median ¹					Central tendency ²					Range ³				
	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run	2016	2017	2018	2019	Longer run
Change in real GDP	1.9	2.1	2.0	1.9	1.8	1.8 - 1.9	1.9 - 2.3	1.8 - 2.2	1.8 - 2.0	1.8 - 2.0	1.8 - 2.0	1.7 - 2.4	1.7 - 2.3	1.5 - 2.2	1.6 - 2.2
September projection	1.8	2.0	2.0	1.8	1.8	1.7 - 1.9	1.9 - 2.2	1.8 - 2.1	1.7 - 2.0	1.7 - 2.0	1.7 - 2.0	1.6 - 2.5	1.5 - 2.3	1.6 - 2.2	1.6 - 2.2
Unemployment rate	4.7	4.5	4.5	4.5	4.8	4.7 - 4.8	4.5 - 4.6	4.3 - 4.7	4.3 - 4.8	4.7 - 5.0	4.7 - 4.8	4.4 - 4.7	4.2 - 4.7	4.1 - 4.8	4.5 - 5.0
September projection	4.8	4.6	4.5	4.6	4.8	4.7 - 4.9	4.5 - 4.7	4.4 - 4.7	4.4 - 4.8	4.7 - 5.0	4.7 - 4.9	4.4 - 4.8	4.3 - 4.9	4.2 - 5.0	4.5 - 5.0
PCE inflation	1.5	1.9	2.0	2.0	2.0	1.5	1.7 - 2.0	1.9 - 2.0	2.0 - 2.1	2.0	1.5 - 1.6	1.7 - 2.0	1.8 - 2.2	1.8 - 2.2	2.0
September projection	1.3	1.9	2.0	2.0	2.0	1.2 - 1.4	1.7 - 1.9	1.8 - 2.0	1.9 - 2.0	2.0	1.1 - 1.7	1.5 - 2.0	1.8 - 2.0	1.8 - 2.1	2.0
Core PCE inflation ⁴	1.7	1.8	2.0	2.0		1.7 - 1.8	1.8 - 1.9	1.9 - 2.0	2.0		1.6 - 1.8	1.7 - 2.0	1.8 - 2.2	1.8 - 2.2	
September projection	1.7	1.8	2.0	2.0		1.6 - 1.8	1.7 - 1.9	1.9 - 2.0	2.0		1.5 - 2.0	1.6 - 2.0	1.8 - 2.0	1.8 - 2.1	
Memo: Projected appropriate policy path															
Federal funds rate	0.6	1.4	2.1	2.9	3.0	0.6	1.1 - 1.6	1.9 - 2.6	2.4 - 3.3	2.8 - 3.0	0.6	0.9 - 2.1	0.9 - 3.4	0.9 - 3.9	2.5 - 3.8
September projection	0.6	1.1	1.9	2.6	2.9	0.6 - 0.9	1.1 - 1.8	1.9 - 2.8	2.4 - 3.0	2.8 - 3.0	0.4 - 1.1	0.6 - 2.1	0.6 - 3.1	0.6 - 3.8	2.5 - 3.8

NH Economy: Long Term Factors To Bear in Mind:

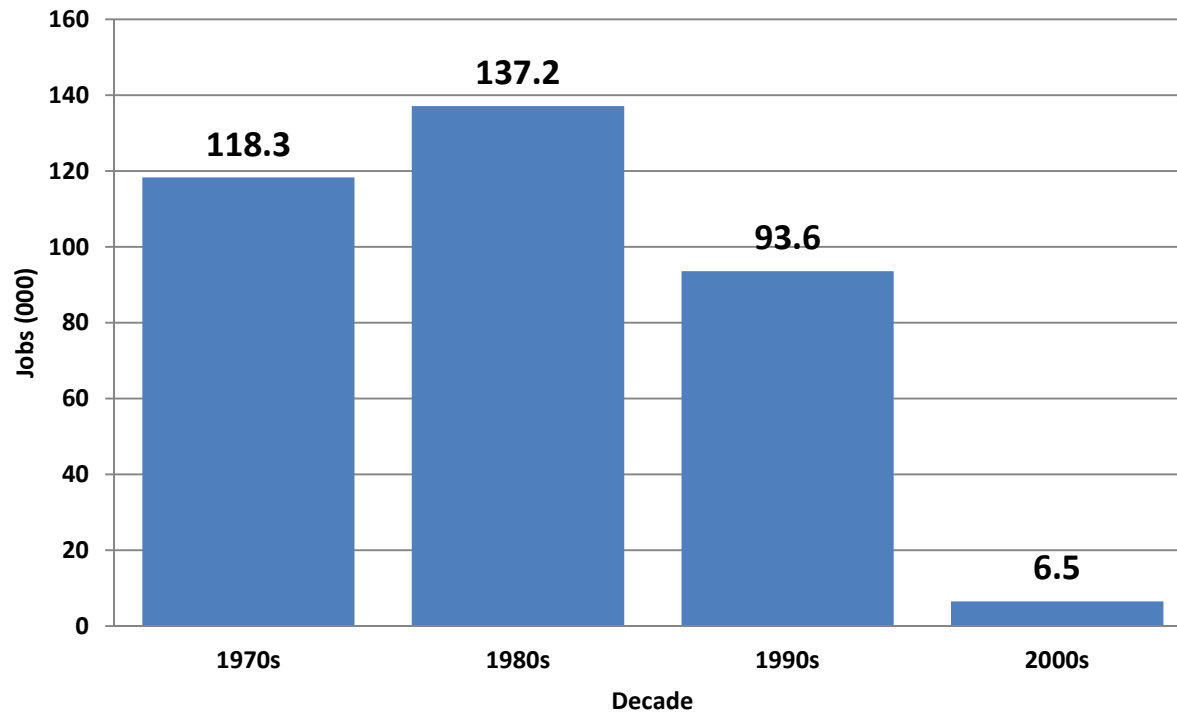
Growth Has Slowed

Growth is More Concentrated

Population is Ageing

Job Growth Slows

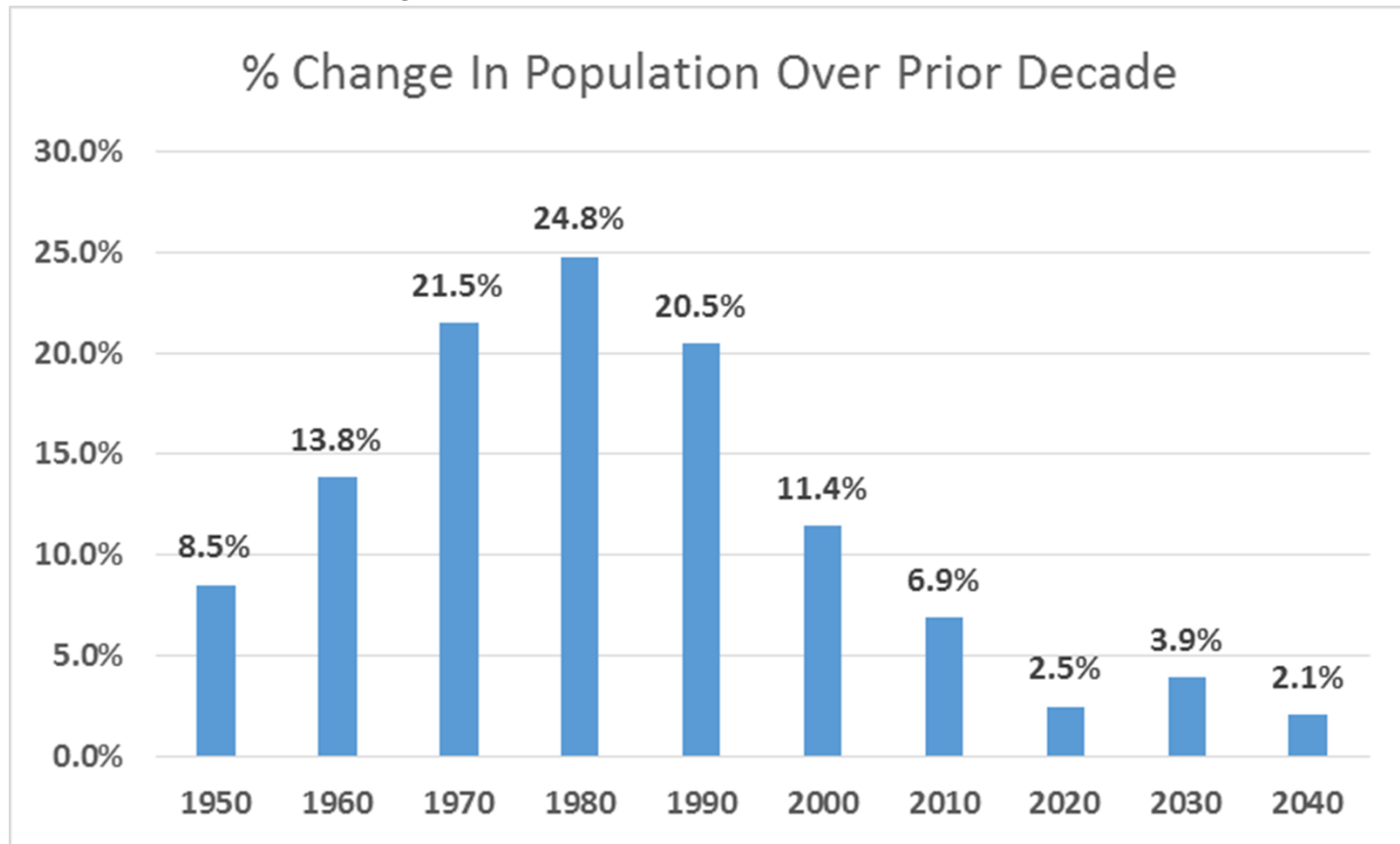
NH Job Gains By Decade



Source: Federal Reserve Bank of Boston, New England Economic Indicators

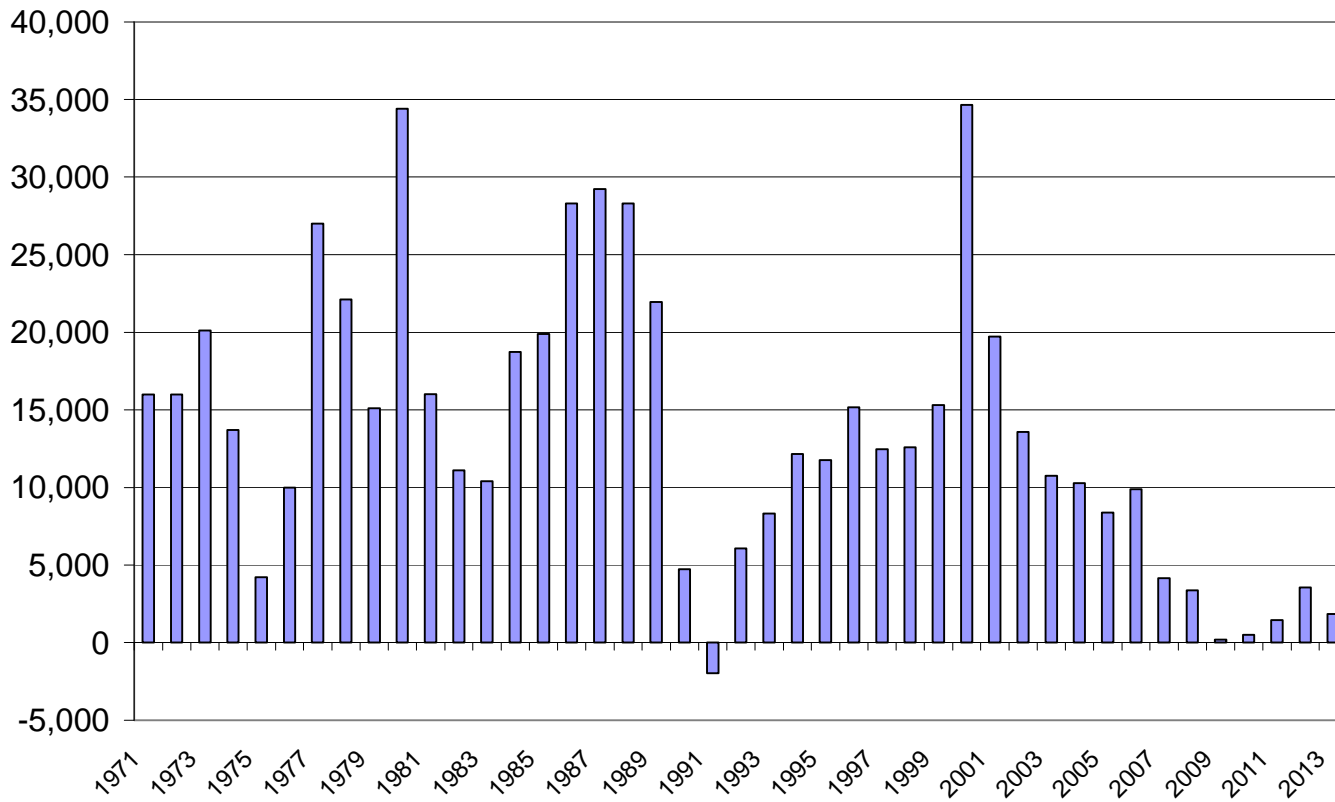
Population Follows Suit

Latest Projection: Continued Slowdown

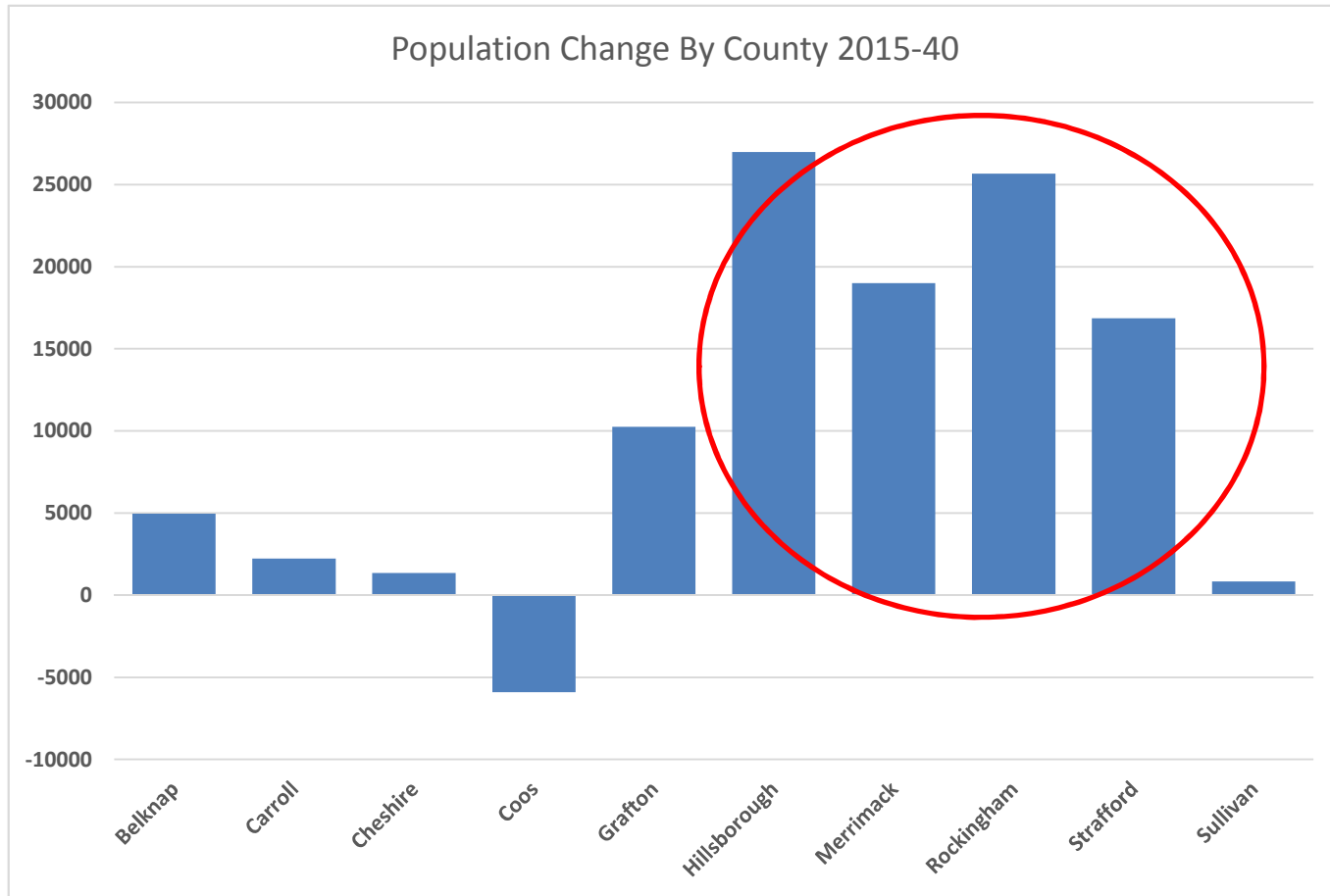


Steady Drop

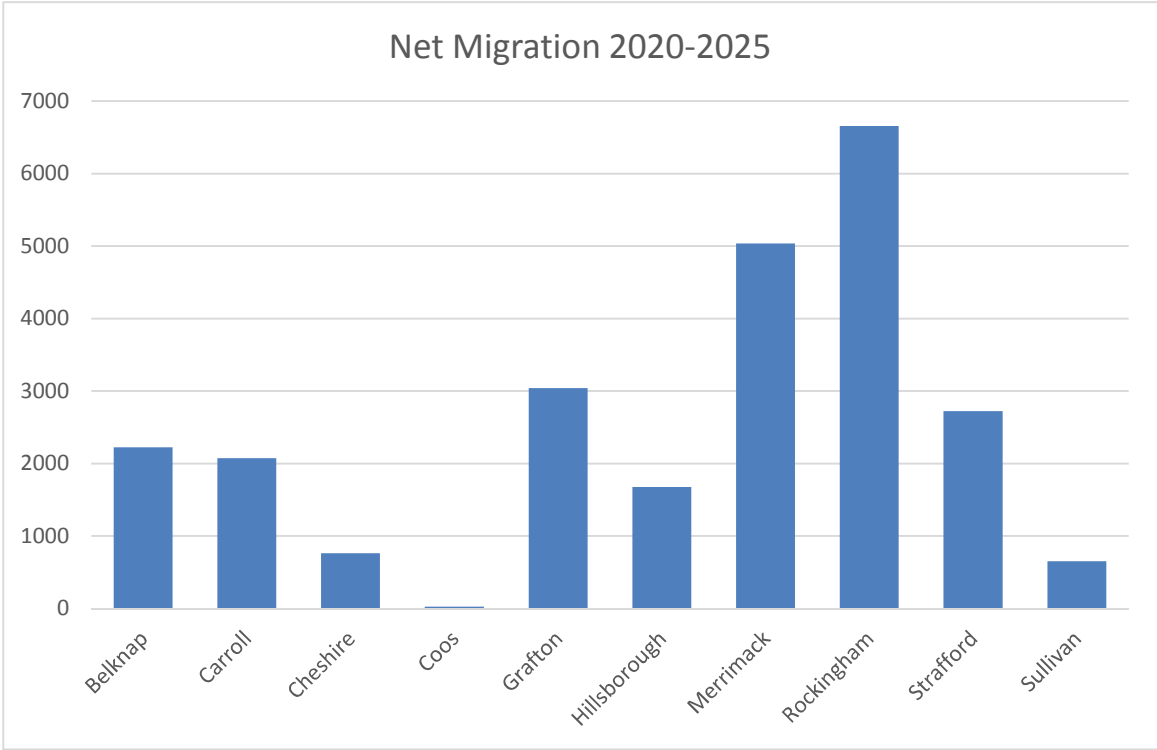
New Hampshire Population Change Over Previous Year



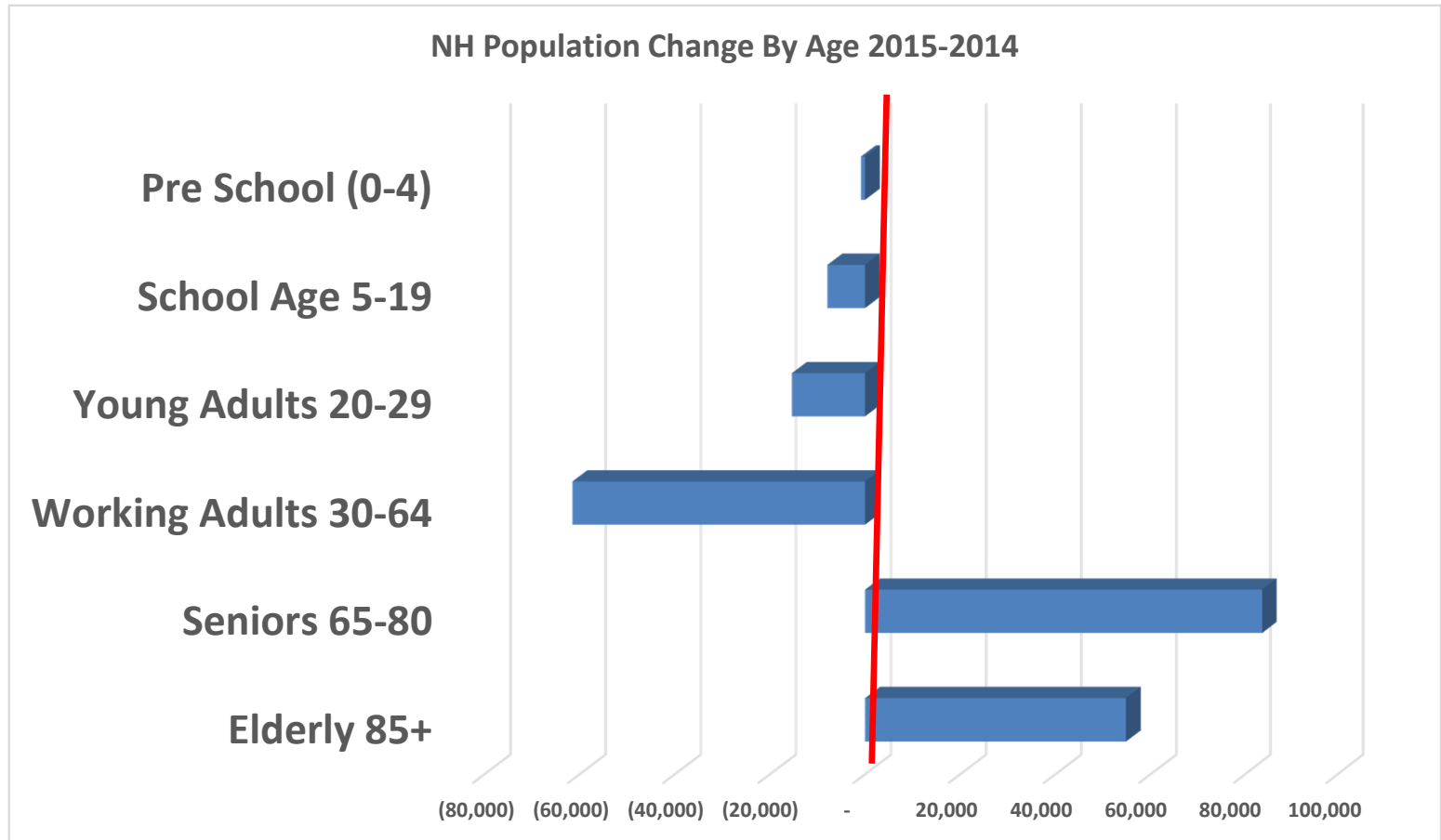
Strong Southern Concentration



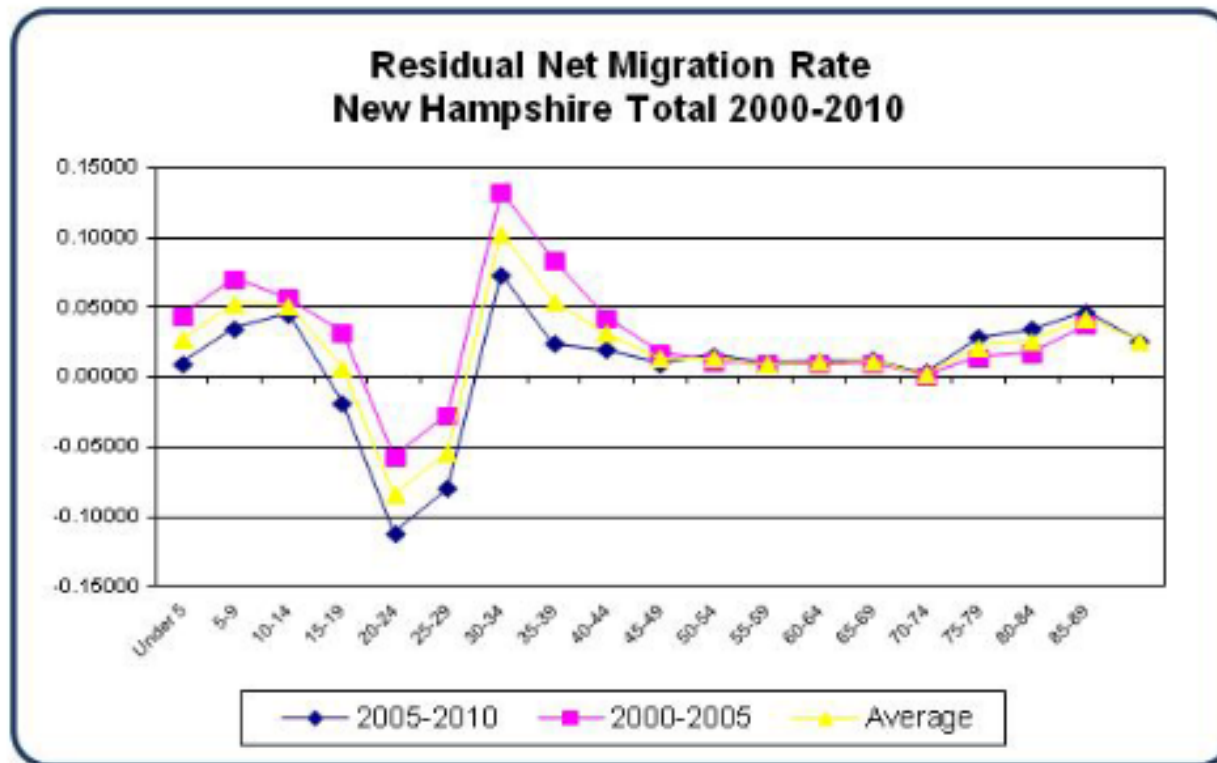
Migration Is Not A Major Factor



Old Friends: Latest Projection: All Growth Over Age 65

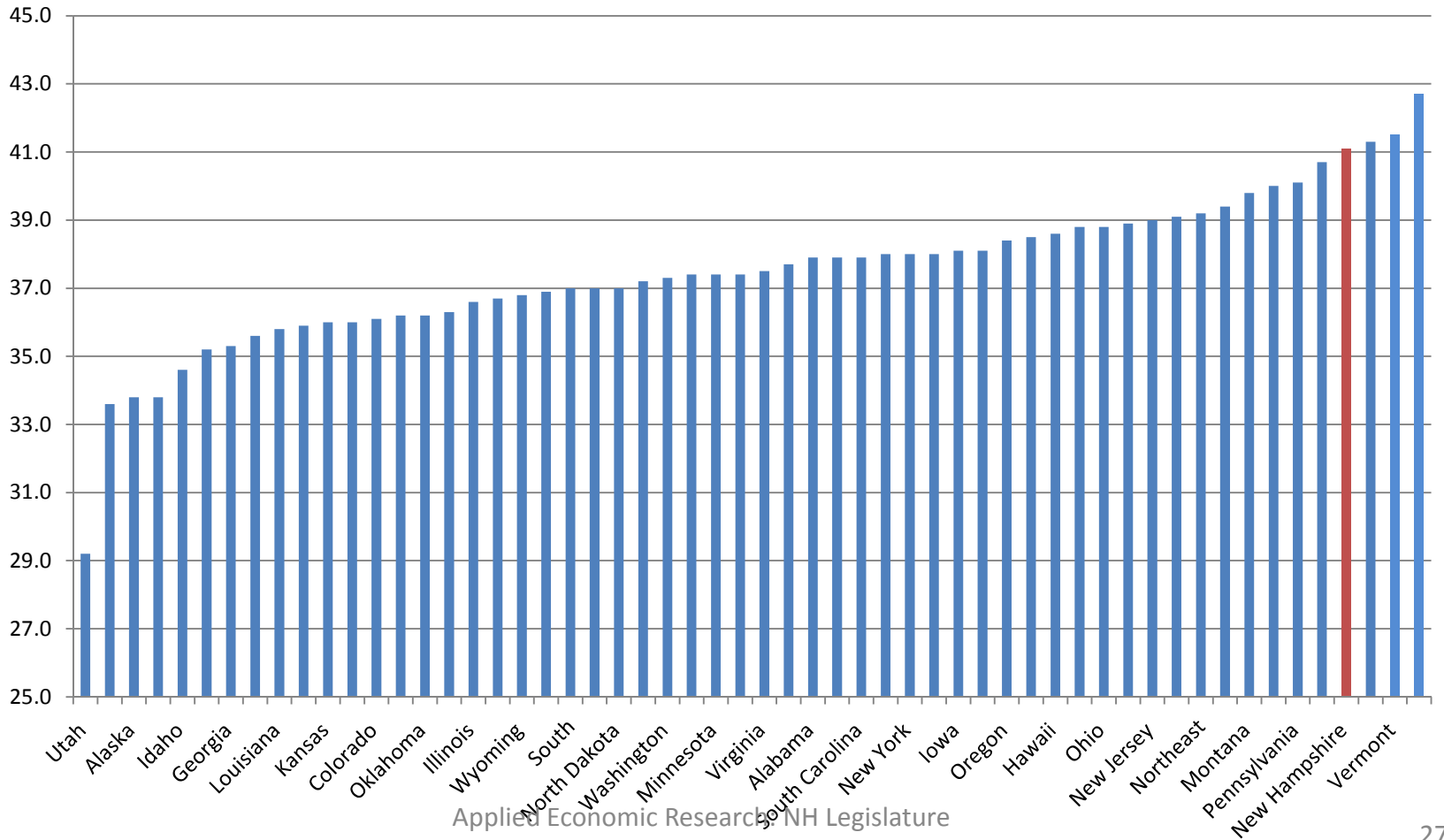


Young Migrate Out, Some Elderly Migrate In



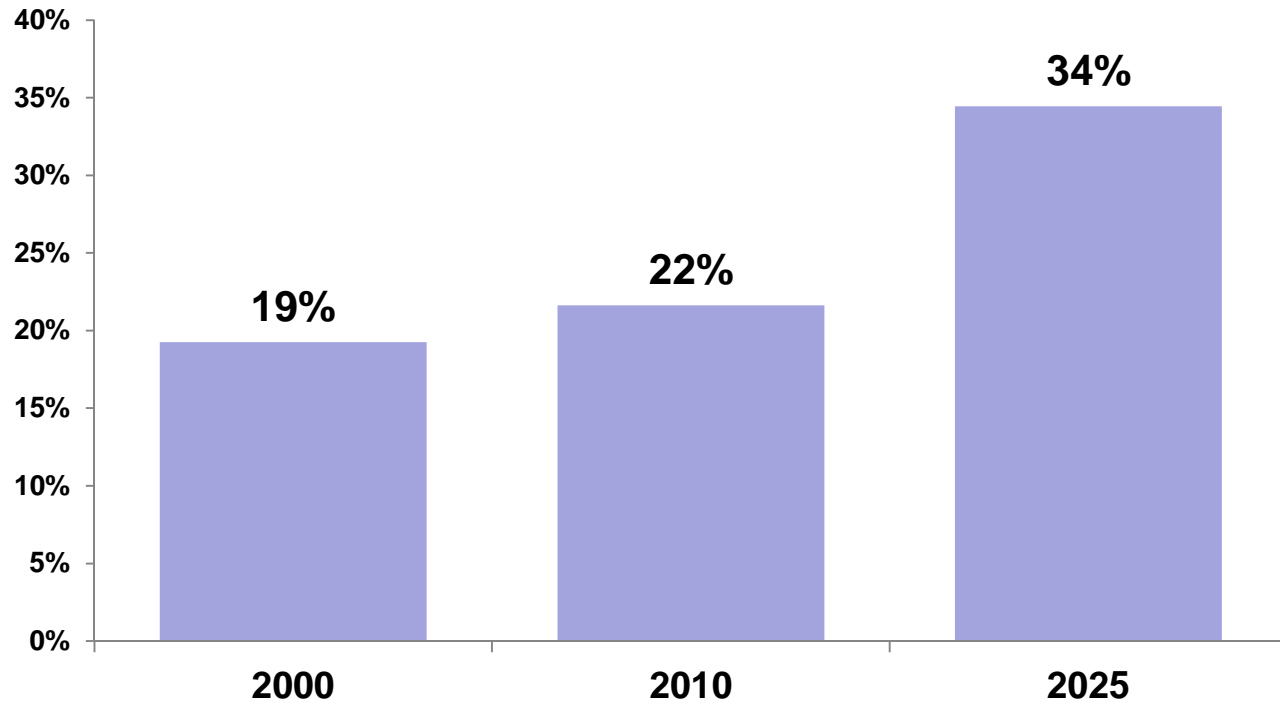
Elderly Are Already Here

Median Age, 2010



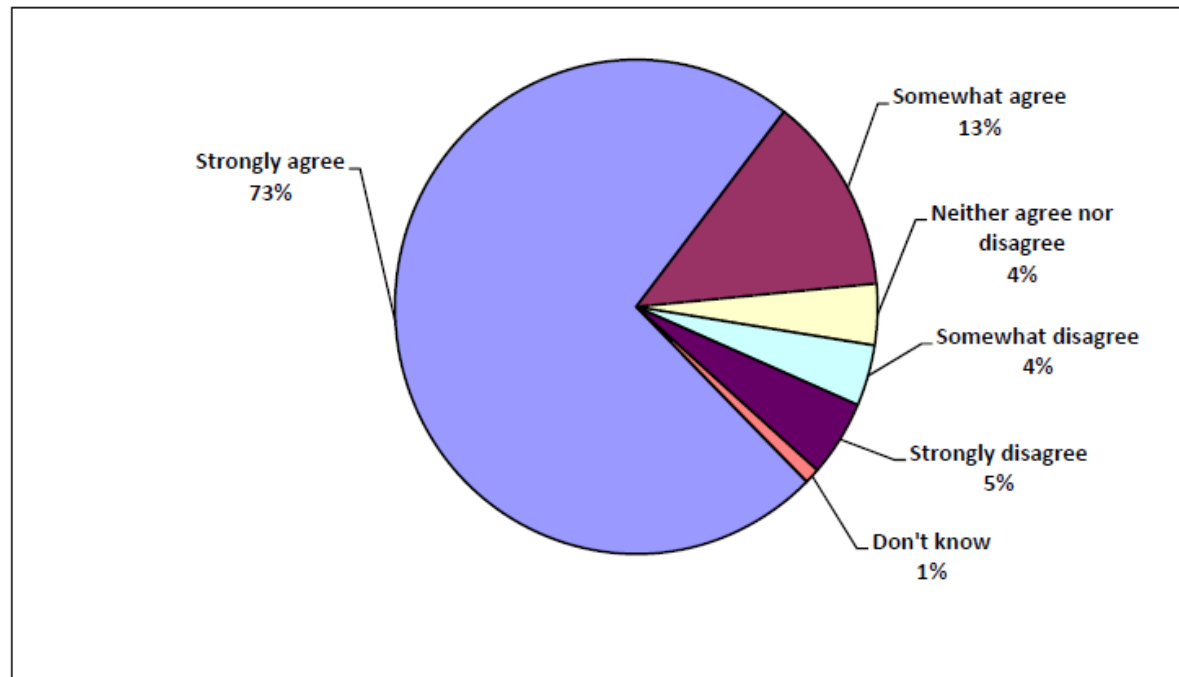
Seniors Will Dominate Housing Inventory

Senior Households as a % of NH Occupied Units



Most Seniors Want to Age in Place

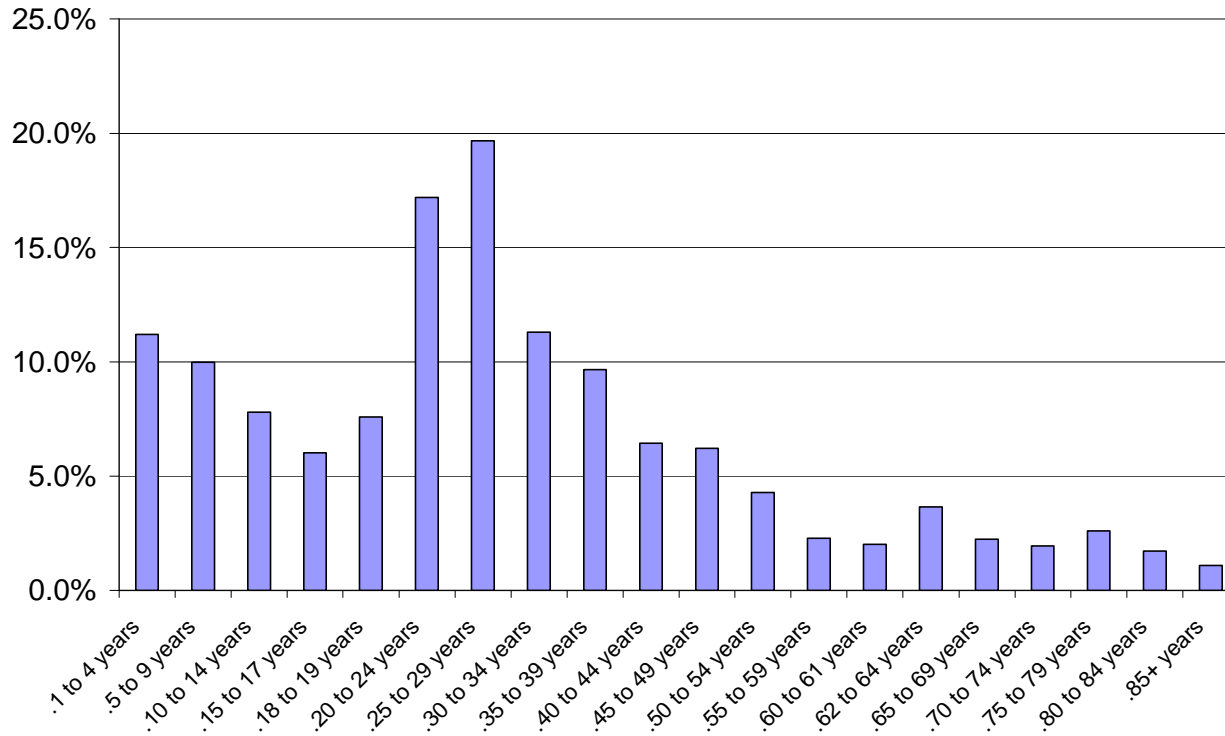
What I'd Really Like to Do is Stay in My Current Residence for as Long as Possible
(n=985)



Source: AARP, 2010

Elderly Stay Put

Northeast US Annual Mobility by Age, 2012 to 2013



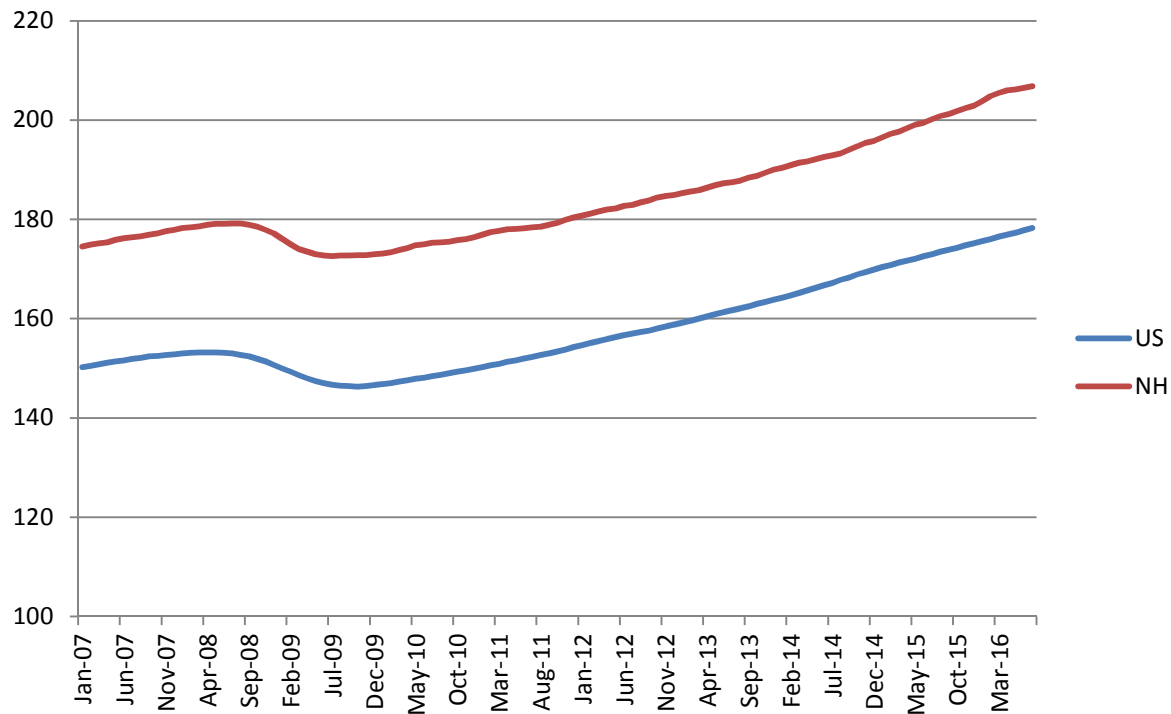
Who Will Buy Our Four Bedroom Colonials?

NH Occupied Housing Units (Households) By Age		
	Change	
Age 65+	2010-25	% Change
Owner	71,279	83%
Renter	19,994	77%
<i>Total Age 65+</i>	91,273	81%
<i>Total Under Age 65</i>	-19,572	-5%
Total Households	71,701	14%

NH Economy: Where the Heck Are We?

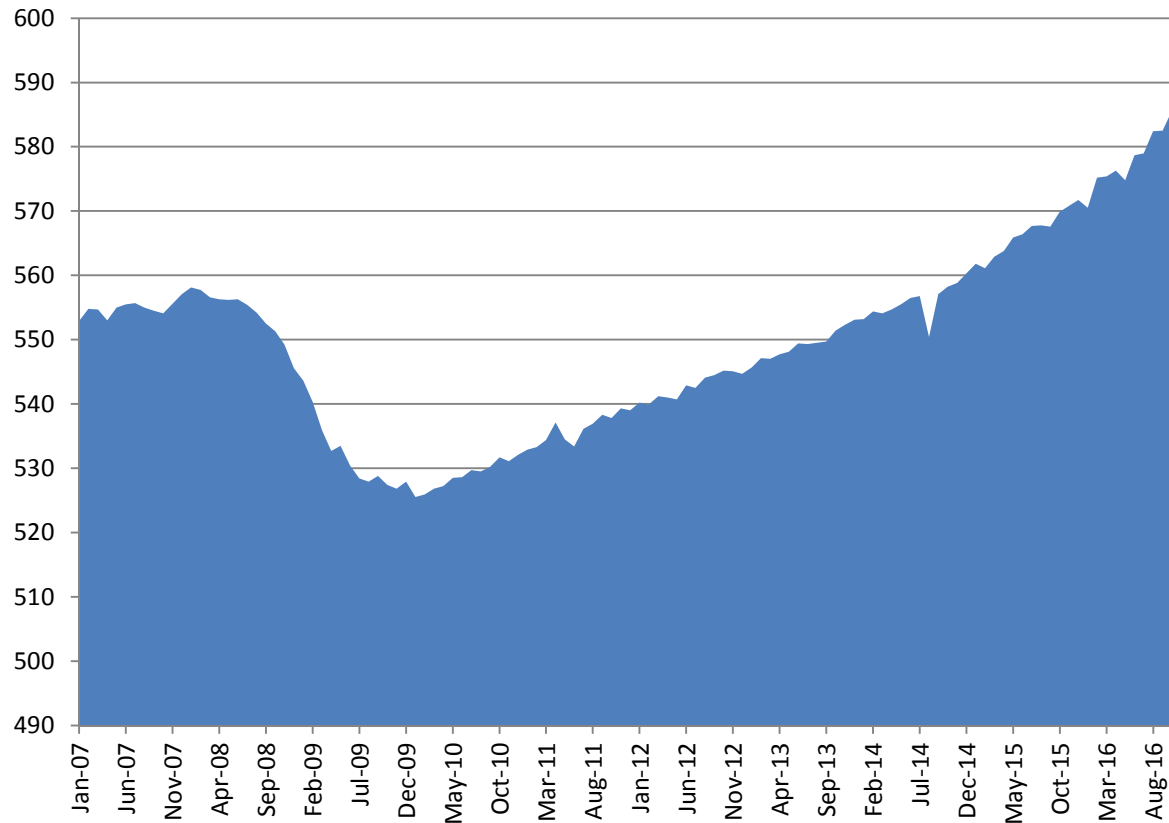
Boston Federal Reserve Economic Activity Index Shows NH Improving in Parallel Mode with US Economy

NH and US Economic Activity



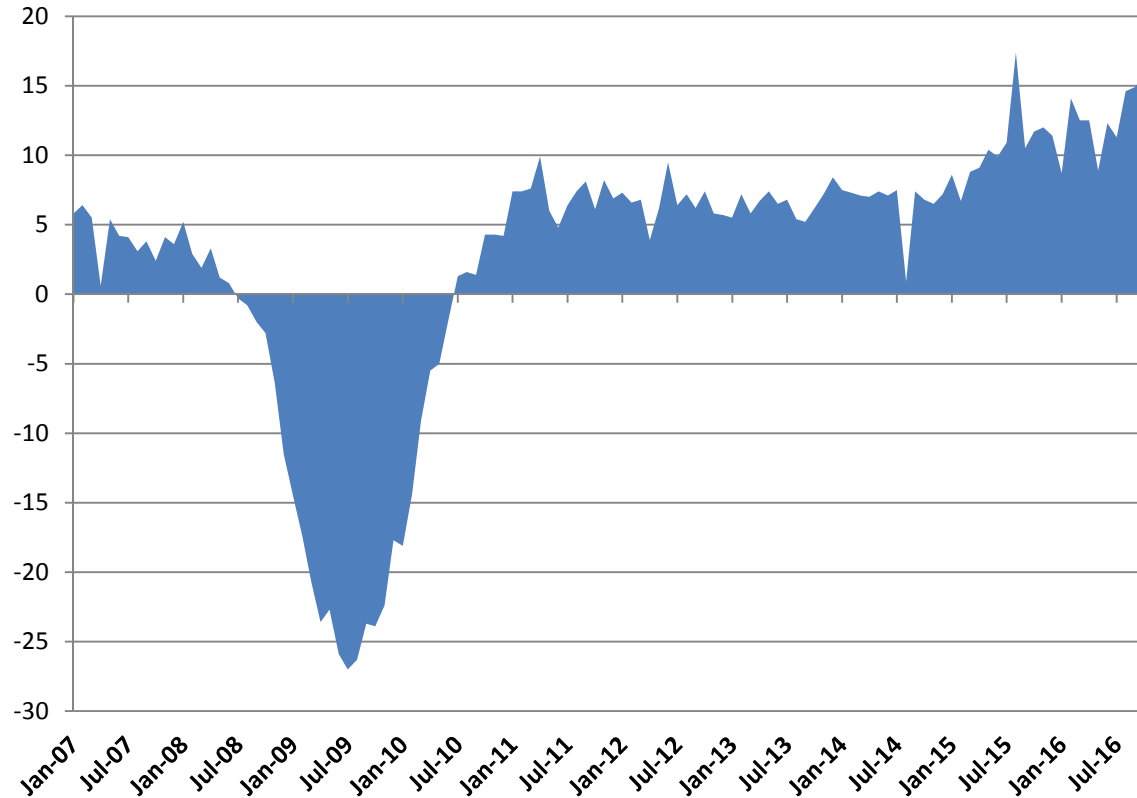
Fully Recovered and Then Some

NH Non-Ag Jobs in Thousands



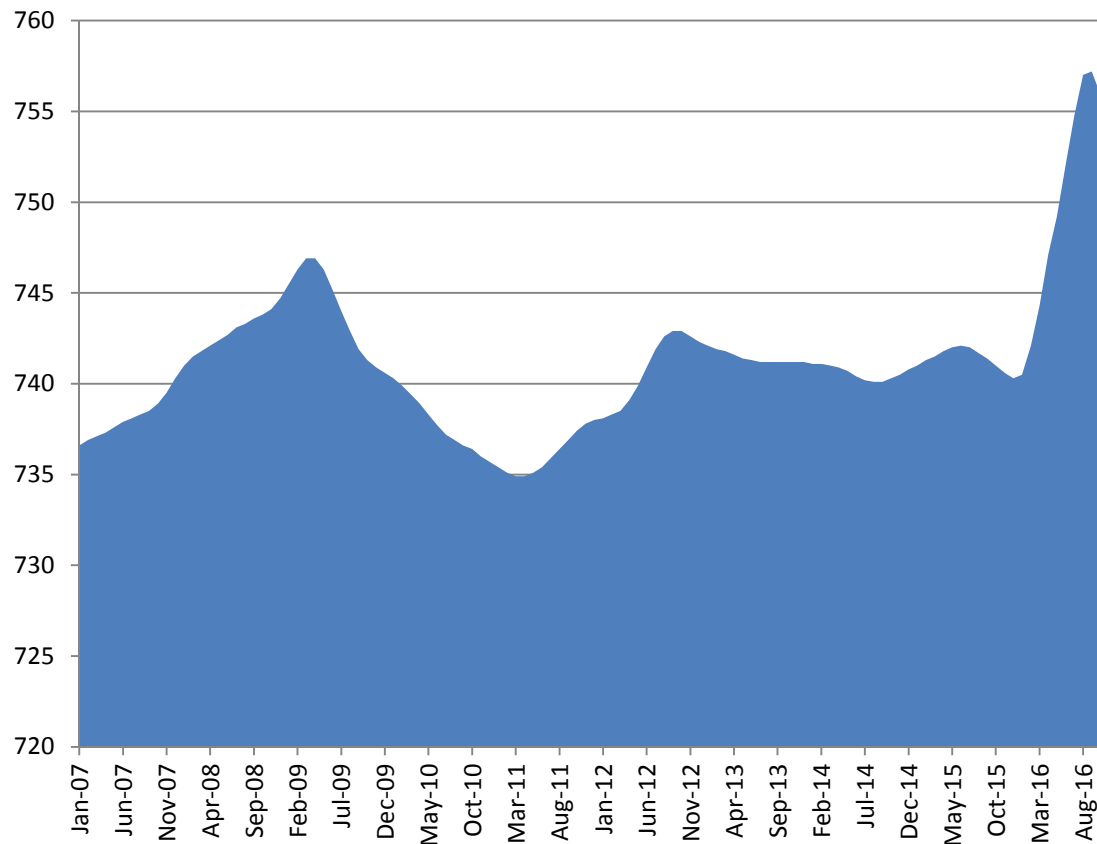
NH Job Growth Picking Up Steam

YOY Change in NH Jobs (Seasonally Adjusted)

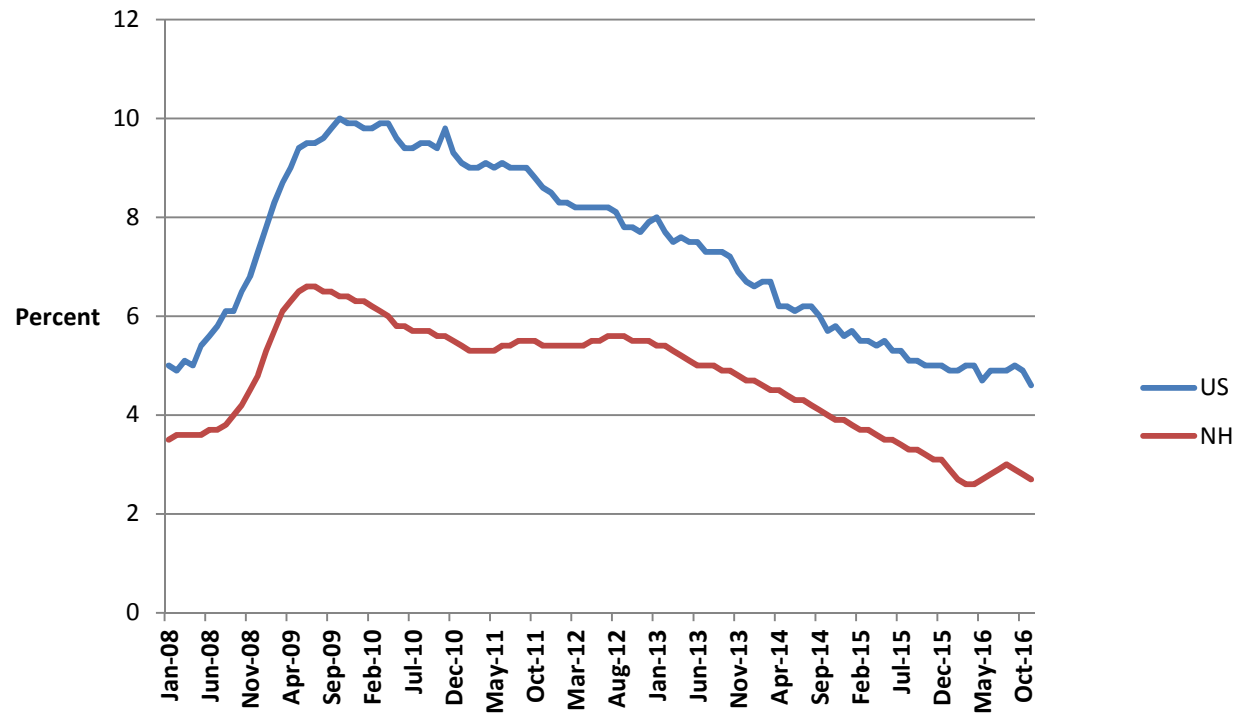


Is the Labor Force Finally Expanding? May Be a Fluke, But It's Encouraging

NH Labor Force (000) Seasonally Adjusted



NH Unemployment Rate (2.7%) Lowest In New England, Tied For Lowest in US



Governing.com Ranks NH as 7th Strongest Economy in US

- 1. Massachusetts**
- 2. Oregon**
- 3. Delaware**
- 4. Colorado**
- 5. California**
- 6. Tennessee**
- 7. New Hampshire**
- 8. Utah**
- 9. Virginia**
- 10. Maryland**

NH Ranks 6th in Median Household Income

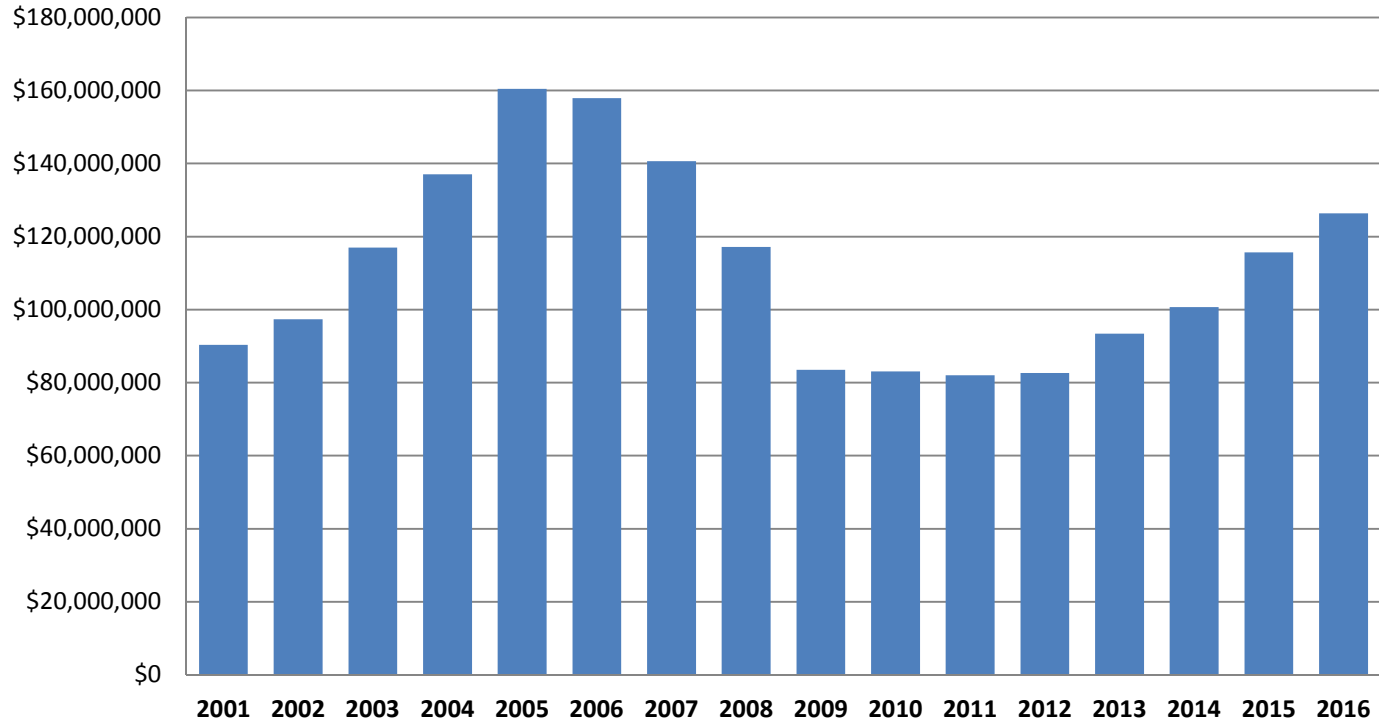
Note: Historic Figures in 2014 Dollars

Rank ↕	State ↕	2014 ↕	2010 ↕	2009 ↕	2007 ↕	2000 ↕
1	Maryland	\$70,004	\$69,272	\$70,545	\$87,080	\$72,372
2	New Jersey	\$69,825	\$68,342	\$70,378	\$84,035	\$70,169
3	California	\$67,458	\$67,034	\$71,595	\$90,967	\$81,972
4	Connecticut	\$65,753	\$66,953	\$68,460	\$81,333	\$67,639
	District of Columbia	\$65,124	\$63,098	\$57,214	\$52,746	\$50,681
5	Massachusetts	\$64,859	\$62,081	\$61,401	\$59,365	\$56,236
6	New Hampshire	\$64,712	\$63,557	\$62,731	\$61,369	\$60,489
7	Virginia	\$62,881	\$61,330	\$58,233	\$59,562	\$55,108
8	Hawaii	\$62,814	\$59,290	\$57,936	\$97,317	[1]
9	Minnesota	\$61,814	\$58,931	\$57,021	\$59,948	\$53,770
10	Alaska	\$60,287	\$69,860	\$79,989	\$95,470	\$90,214
11	Delaware	\$57,954	\$58,548	\$60,078	\$85,591	\$73,439
12	Washington	\$57,835	\$54,616	\$52,288	\$50,082	\$50,011
13	Wyoming	\$56,322	\$55,430	\$56,993	\$55,212	\$54,039
14	Utah	\$55,869	\$55,117	\$56,633	\$55,109	\$55,179
15	Colorado	\$55,387	\$54,659	\$56,033	\$53,514	\$48,201
16	New York	\$55,246	\$54,119	\$55,701	\$53,914	\$52,003
17	Rhode Island	\$53,636	\$53,966	\$56,235	\$54,124	\$49,280
18	Illinois	\$53,234	\$53,341	\$56,361	\$55,062	\$50,819
19	Vermont	\$52,776	\$52,664	\$53,207	\$51,731	\$47,227
20	North Dakota	\$51,704	\$51,618	\$52,104	\$49,907	\$51,622

NH Real Estate

Transfer Receipts Show Solid Improvement But Still Below 2005 Peak

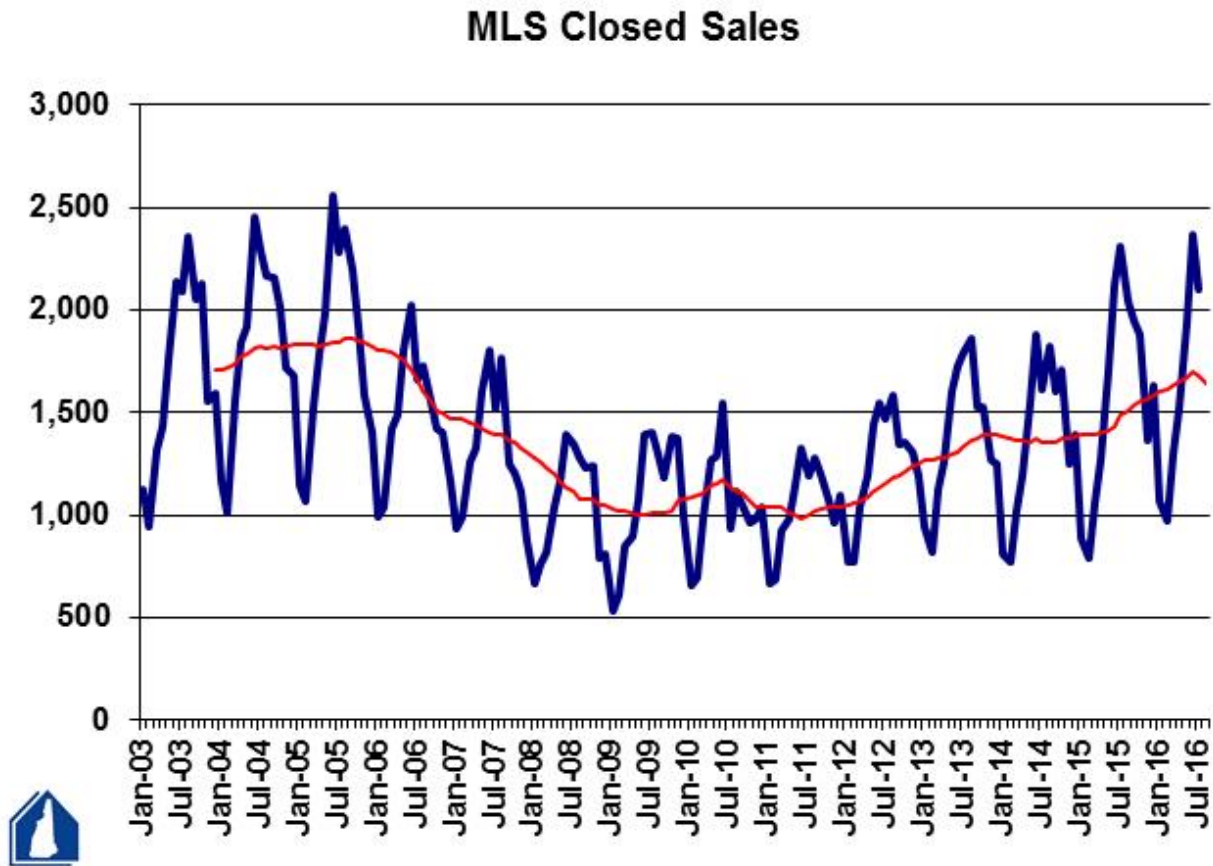
NH Real Estate Transfer Tax Revenues Fiscal Year Ending June



Total MLS Sales Approach Peak, But Prices Have a Way to Go, Yet



Number of Sales Shows Good Growth:

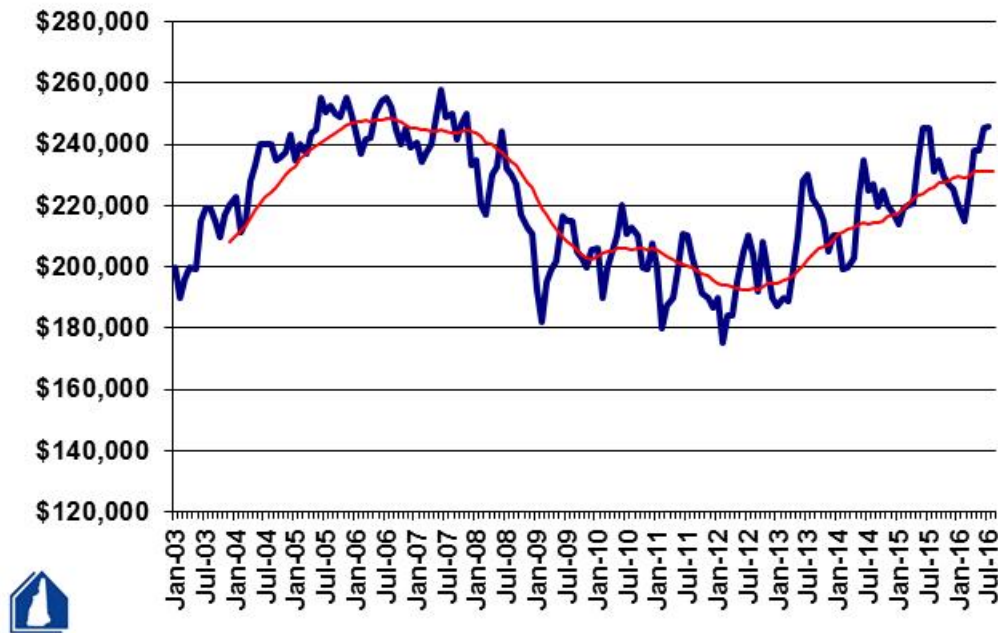


Inventory Drops, Approaching Shortage Level State-Wide

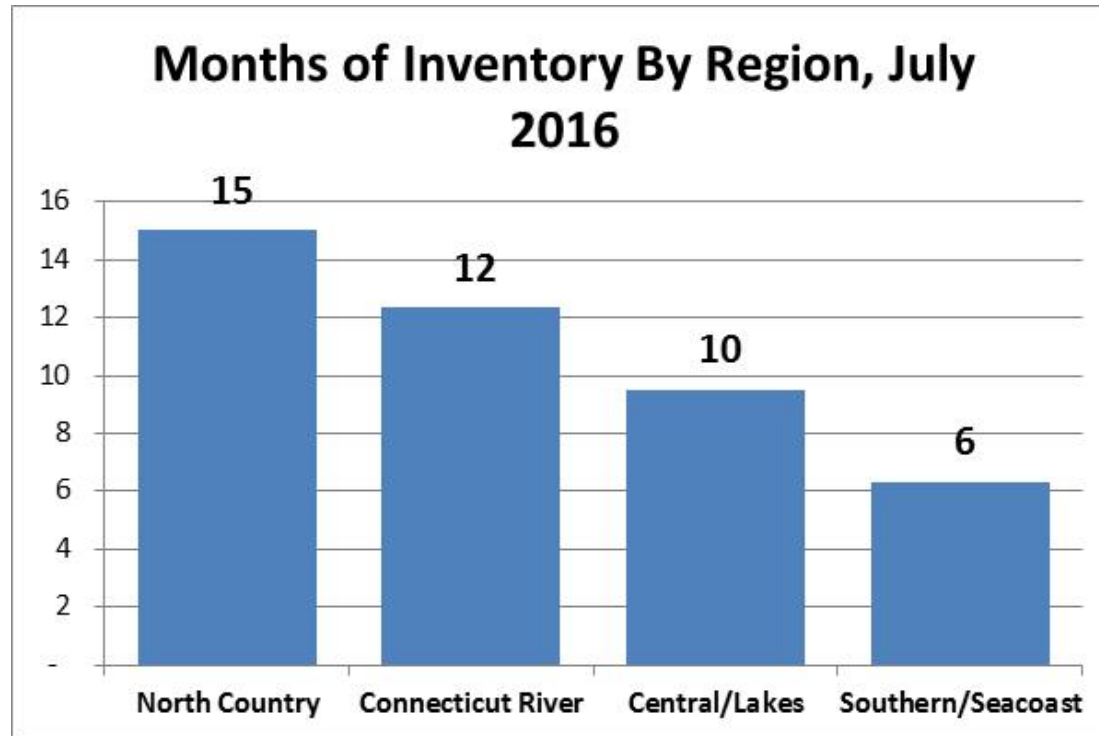


Sale Prices Leveling This Year, Possibly Due to Fairly Stable Interest Rates

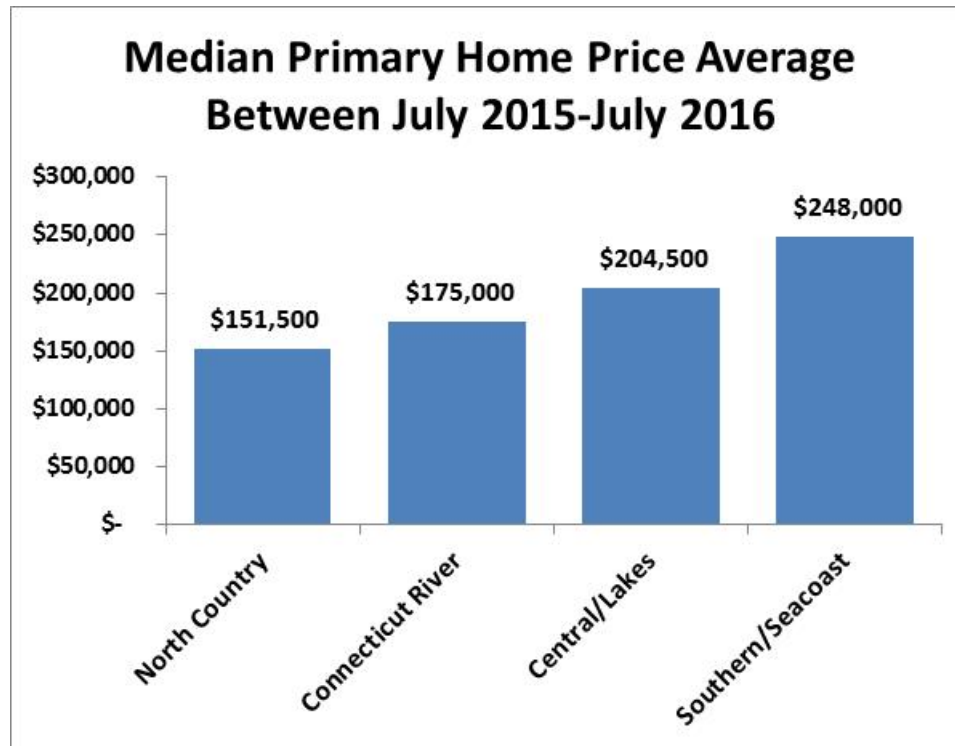
MLS Median Sale Price



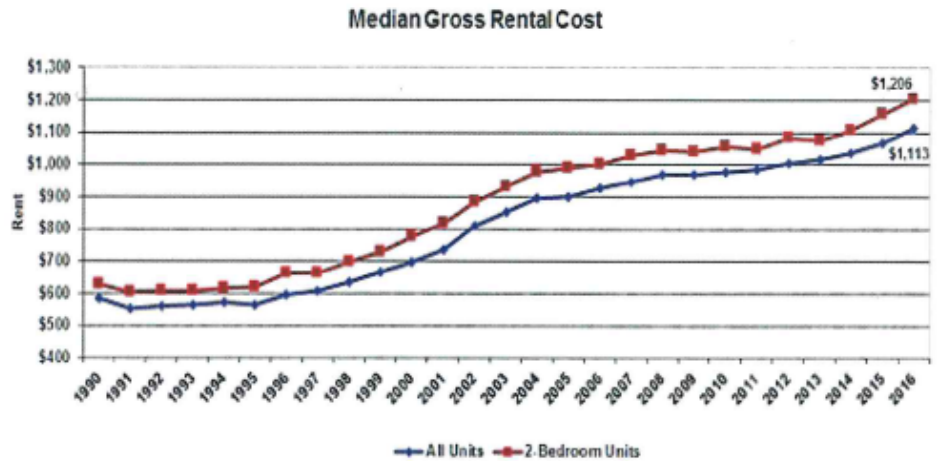
Southern and Seacoast Inventory is in Shortage Range; Continuing Surplus in North Country



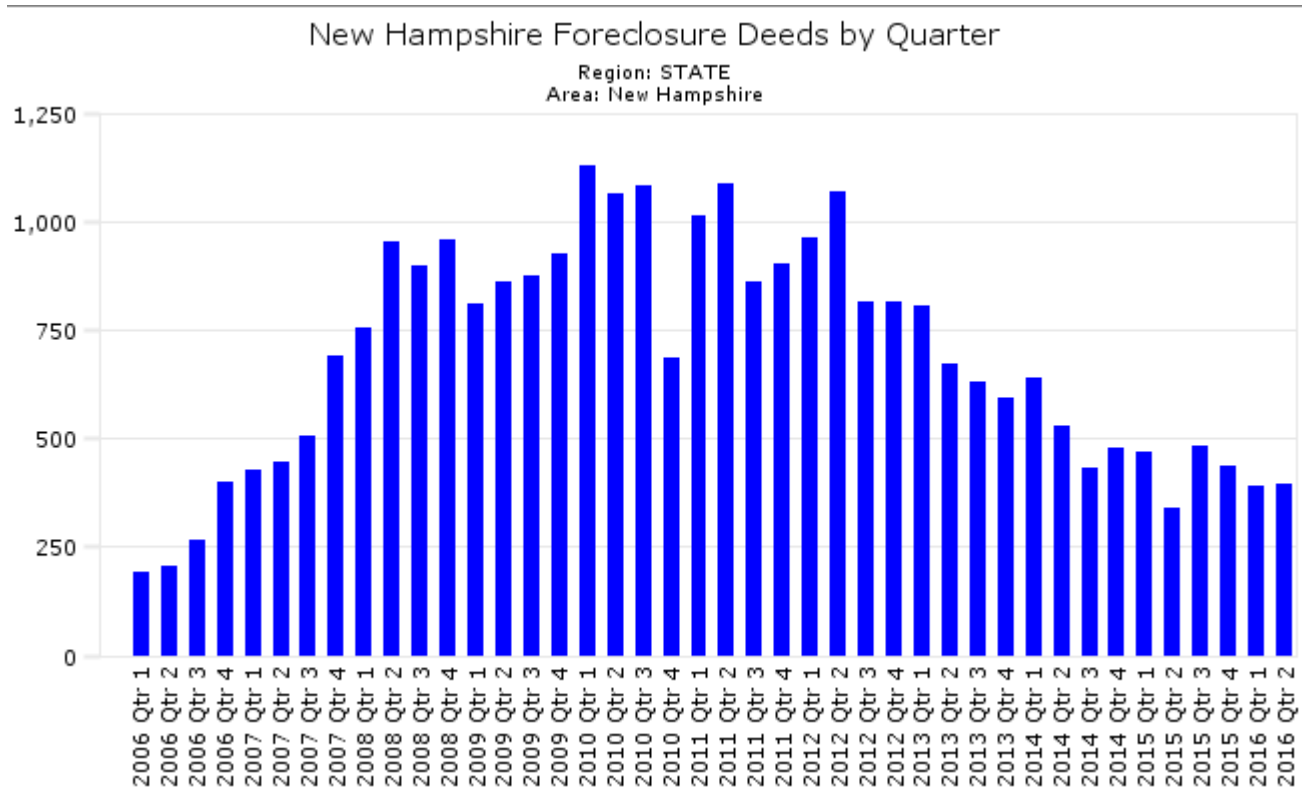
Median Home Price By Region



Rental Market is Strong

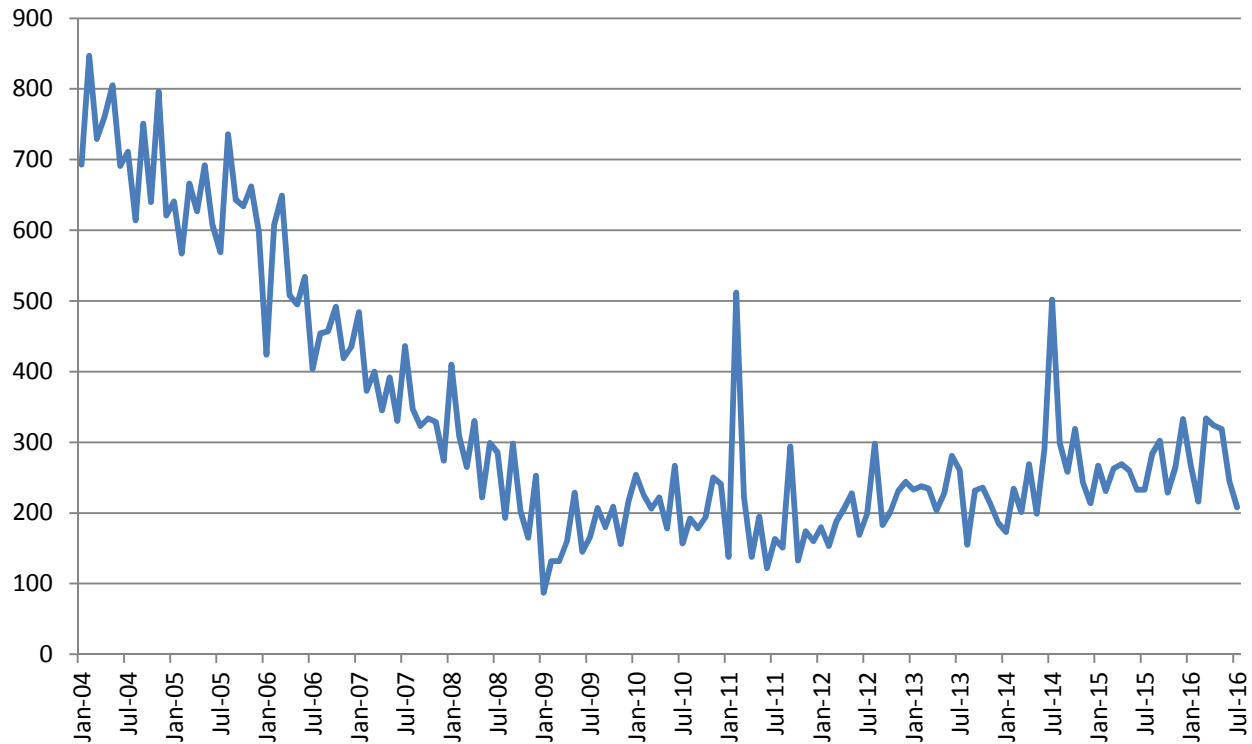


Foreclosure Deeds Stable at Lower Level



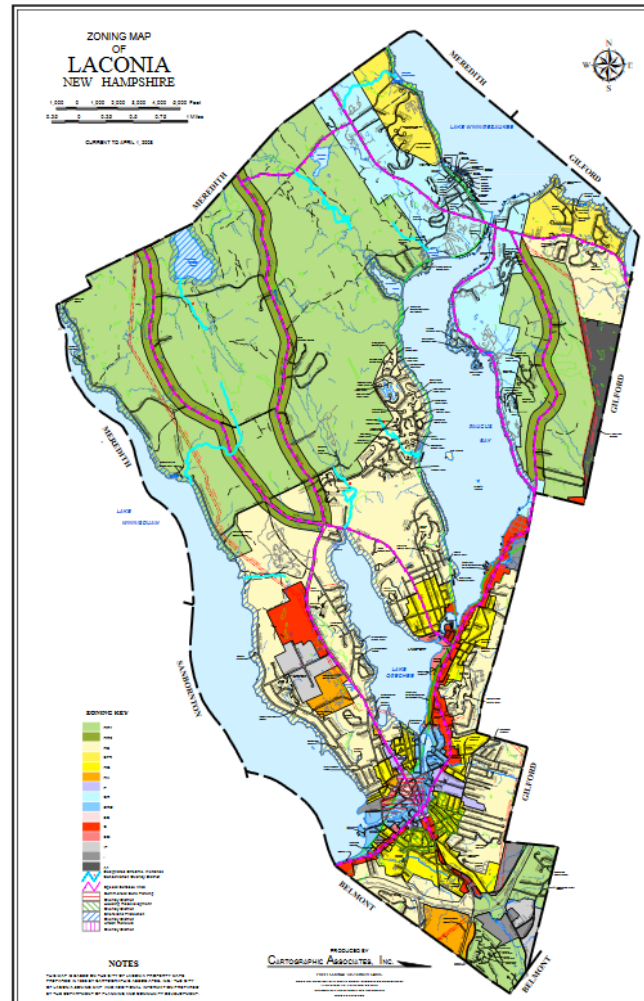
Housing Construction Falls

NH New Housing Units Authorized By Permit

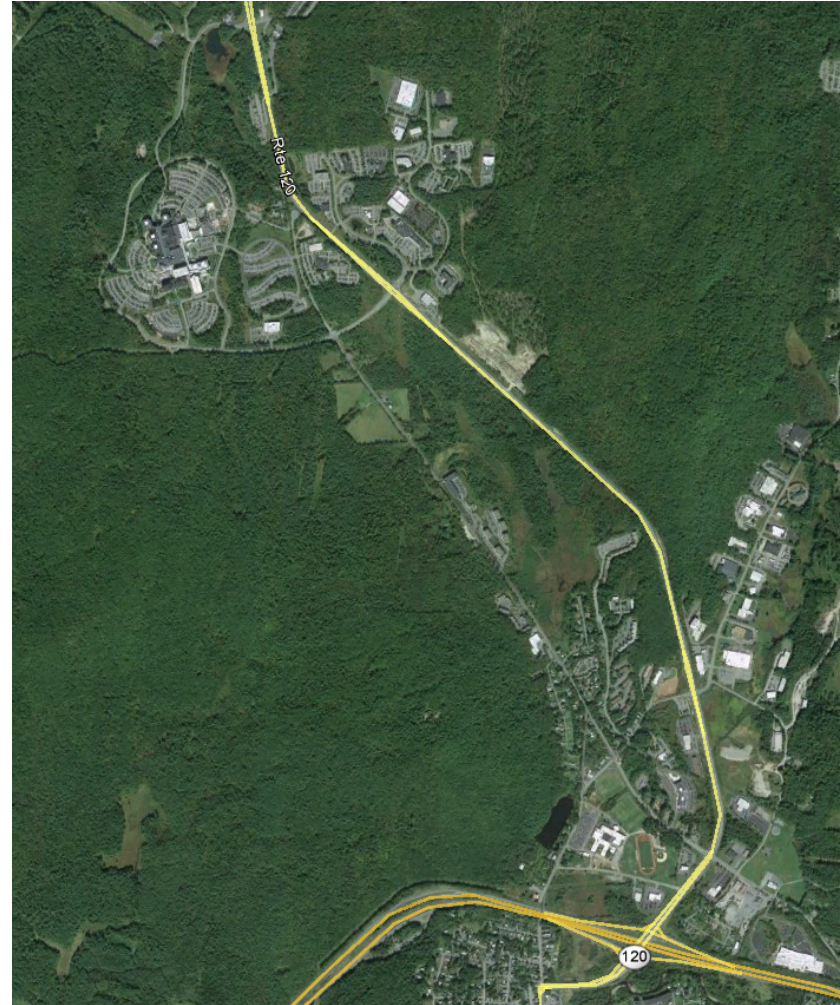


Non Residential Market is Dynamic

Traditional Focus: Control Growth and Segregate Land Uses to Avoid Conflicts



Fosters an Auto Dependent Isolation





180 Apartments Market Rate Garden Apartments



New Hampshire Examples Are Emerging: Rockingham Park Redevelopment



Bedford: Wayfarer/Macy's Site

SQUARE FOOTAGES

USE

CINEMA	58,100 gsf	1,200 seats
RESTAURANT	27,400 gsf	550 seats
RETAIL	115,100 gsf	
OFFICE	43,550 gsf	
MEDICAL OFFICE	51,300 gsf	
HOTEL	68,000 gsf	125 keys

TOTAL SF 363,450 GSF

USE LEGEND

- Retail
- Office
- Cinema
- Restaurant
- Hotel
- Circulation



MOVIE THEATER
@ 2ND Level w/
Access to Garage

WHOLE FOODS MARKET

WHOLE FOODS
STAR TO WFM
SHARED STREETS

RETAIL VILLAGE
w/ Streets and Pocket
Parking Lots

MAIN BOULEVARD
w/ Street Parking

Woodmont Commons Londonderry



Downtown Renaissance

- Especially Market Rate Residential:
 - Portsmouth
 - Nashua
 - Manchester
 - Dover
 - Keene
 - Concord



Real Estate Outlook

- Economic foundation is solid
 - Job growth
 - Income growth
- Low inventory is an issue
- New construction impaired by costs
- Rising interest rates are a risk, although still low at this point
- Look for modest increase in prices
- Modestly lower sales due to affordability