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## Surprising housing trends in NH - by Stephen Bergeron

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The pandemic has led to a variety of unforeseen trends in consumer behavior, such as a spike in demand for random items like pressure treated wood and real Christmas trees. Reading through the October 2020 Housing Market Report published by New Hampshire Housing Finance Authority (NHHFA), I found a number of surprising housing trends that I couldn't have predicted at the beginning of 2020. Some of my original expectations for the economy back in March 2020 did not play out as expected, and it will be interesting to see where we go in 2021.

Early in the year, I expected that the pandemic would result in a steep rise in apartment vacancies, specifically in more affordable units. Thanks to stimulus funds and a moratorium on evictions, that has not yet occurred. Although apartment vacancies in many Boston neighborhoods have risen considerably, demand for units in suburban locations like N.H. have remained strong, with rents in the Granite State actually rising 2.6% over 2019. The 2020 statewide apartment vacancy rate reported by NHHFA is only 1.8%, a 100-basis point increase over 2019. By comparison, according to the U.S. Census, the national vacancy rate is currently at 6.4%. The strength of the N.H. apartment market during the pandemic is due to relative affordability, as well as a desire for more space and the ability to work remotely. There remains uncertainty as to where apartment vacancies (and homelessness) will go in 2021, when the national moratorium on evictions expires. Some studies estimate that 1 in 6 renters were behind in their payments as of September.

Another notable trend highlighted in the report, is N.H.'s reliance on migration from other states. Of the state's 12,022 homes that were purchased during the first eight months of 2020, roughly 1 in 3 were from out of state, with a majority of the out of state buyers (1,924) from Massachusetts. Recent research on the state's migration trends by the University of N.H.'s Carsey School of Public Policy suggest that the top reasons that new residents cited for relocating to N.H. include proximity to family, employment, natural environment, and quality of life. Since only 33% of the state's residents 25 and older were born in the N.H., the state relies on migration for population and employment growth. The average age of new residents migrating into the Granite State is below the state's existing average, and also have a higher than average level of education. This is a welcome trend

for N.H., following years of an aging population and brain drain. While it is still too early to identify a longer trend in migration into the state, brokers have related stories of out of state buyers lured by the rural character and relative affordability of N.H..

Local real estate professionals have also cited a spike in demand for vacation homes in the Seacoast, Lakes, and White Mountain Regions. Whereas, in the southern portion of the state, demand is fueled by buyer's ability to work remotely and the relative affordability of a larger suburban home located further from Boston. It will be interesting to see if these new suburban residents and second homeowners remain, once the pandemic is behind us.

Sales activity for larger apartment investments slowed considerably during 2020. According to the Housing Report, multi-family construction permits also decreased 61%, compared to 2019 in N.H. In 2020, our appraisal firm did notice a high volume of smaller (< 48 unit) apartment property sales at unprecedented unit prices. The strong demand for these smaller apartment investments was fueled by record low mortgage rates, available capital, and a bullish attitude about rising rents. It will be interesting to see if rents and occupancy levels remain strong or soften, should there be a wave of evictions in 2021. If a softening does occur in the rental market, it could hurt small investors that recently acquired apartment properties at all time high prices.

Overall, it has been a surprising year, with a variety of real estate trends that could not have been foreseen. It will be interesting to see where we go in 2021. Will new apartment construction resume? Will unit prices for apartments continue to rise, or will there be a rise in vacancies due to a wave of evictions? After a vaccine is widely distributed, it is likely that high vacancies and more attractive rents will entice a percentage of tenants to return to urban markets such as Greater Boston.

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