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## **NH CIBOR president's message: key economic data & news from Sept. - by Scott Forte**

November 04, 2022 - Northern New England



Scott Forte

The NAIOP CRE Sentiment Index for September 2022 is 47, down from April's reading of 53. It is at the lowest level since September 2020. This reading suggests that respondents expect conditions for commercial real estate to deteriorate over the next 12 months.

Nationwide - expected home sales were expected to be down -4%. They are actually down -10%. Down -31% annually. N.H. is doing better than the rest of the country with only an annual decline of 14.1%. Census.gov source

NH Housing Affordability Index is lower than it has been since 2005 (the earliest the data is available for). Sept. 2022s Affordability Index is 69 (meaning the median household income is only 69% of what is necessary to qualify for the median-priced home under prevailing interest rates.) A higher number means greater affordability. The average in 2021 was 146, and 174 in 2020.

N.H. median sales price has trended down since May of 2022 with a year-over-year change of still+12.6%. The average price of a home was \$330k in 2020, \$394K in 2021 and in Sept. 2022 is \$440K down from its June 2022 peak of \$460k.

Pension funds in Europe are pulling funds from commercial real estate funds increasing inventory and reducing liquidity in the European commercial real estate market. It is yet to be seen if that will have an impact on the U.S. commercial real estate market or if something similar will happen in the U.S. in the months ahead. - Bloomberg Report

Key Economic Events to watch for:

Nov. 2nd - FED meeting

Nov. 4th - Jobs Data

Nov. 10th - CPI - Consumer Price Index - Inflation Data

Nov. 15th - PPI - Producer Price Index

Nov. 16th - U.S. Import and Export Price Indexes

Calendar of all NOV Economic dates: [https://www.bls.gov/schedule/2022/11\\_sched.htm](https://www.bls.gov/schedule/2022/11_sched.htm)

Key notes from Pulte Homes earnings call (U.S. 3rd largest home builder)

Cancellations in 2021: 10% ... Cancellations in 2022: 24% (240% increase)

They are "aggressively discounting outstanding inventory and price reductions"

Canceled 14% of current lot options 19,000 lots of the 130,000 they have under options.

\$24m loss of deposits.

\$800m of inventory not coming onto the market.

Bought back 9% of stock in 2022. NYSE: PHM

They believe they will see a better return investing in their stock than buying more properties. They see upside in their valuation and feel the market price is low.

3rd quarter sales decrease of 28% from 3rd quarter 2021

“We currently expect that our land spend will drop materially next year”.

## The State of Hard Money: Supply is Shrinking

I asked a local hard money lender, Bryan Joyce of EMCAP, what his thoughts were about the future of hard money finance. This is what he said:

While we're early in the downturn, we have not seen too much stress on our borrowers. We do expect some hiccups in the market going forward, especially when it comes to hard money loans as a whole. Similar to the last market crash where institutional lenders were pooling conventional and subprime loans and selling them off to Wall Street, the hard money business has evolved into a similar model in the last 5-7 years.

Today hard money lenders close loans, package them up, and sell them to Wall Street and other capital sources. If I were to guess, we're going to see those pools implode and foreclosures will come from it. Fortunately, hard money loans only make up a small percentage of the overall lending world, so the impact on the real estate market will be relatively small.

The note aggregators that are buying from these hard money lenders are now stopping all new purchases, which means a lot of hard money lenders are, or will be, out of business because they rely on selling loans. Lenders like EMCAP, who don't sell loans to Wall Street, will not feel the same effect.

Good Sources for Real Estate Number, Data and Market News & Analysis

NAIOP - <https://www.naiop.org/en/Research-and-Publications/News>

Kevin - <https://www.youtube.com/c/MeetKevin>

Peter Schiff - <https://www.youtube.com/c/peterschiff>

Reminder of our social groups

For the latest list of events please visit: <https://www.nhcibor.com/events/>

Connect with us, your peers, and industry partners on Social Media:

Linkedin networking: <https://www.linkedin.com/groups/8826285/>

LinkedIn: <https://www.linkedin.com/company/new-england-commercial-property-exchange/>

Scott's LinkedIn: <https://www.linkedin.com/in/scottforte/>

Facebook:

<https://www.facebook.com/New-England-Commercial-Property-Exchange-345860156430/>

Twitter: <https://twitter.com/NECPE2>

Instagram: <https://www.instagram.com/newenglandcpe/>

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