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# Long Term Uncertain, but Short Term More Positive

By Peter Francese

Every once in awhile, it helps to remember this fundamental fact: a home is both a place of your own to live in and, if you take care of it, a fine long-term investment. If there is any doubt about that, please take a moment to look at Chart I below.

It shows the 10-year trend in number of owned homes from the Census Bureau and the inflation-adjusted selling price trends for each county. Note that home prices increased at a rate that exceeded inflation from 2000 to 2010 in every county in our state, and rose by double-digits in nine out of 10 counties.



On average, a New Hampshire home purchased in 2000 increased 50 percent in nominal dollars and 19 percent in real inflation-adjusted dollars by 2010. That occurred despite the unprecedented decline in home values during the last half of that decade.

The national and worldwide economic turmoil now rocking global stock markets, combined with the actions of S&P, is distressing to say the least. The fear and uncertainty created by those events is understandably making ordinary consumers way more cautious about buying any expensive things, such as a home or car.

But there can be no doubt about this fundamental point: a dwelling purchased in New Hampshire in 2010 or 2011 will both provide the buyer with a home and increase in value over the next decade, just as it did in the last decade. Count on it.

Throughout history, there have been many periods of economic turmoil, and several times of industrial transformation. They have always been followed by periods of economic recovery. We are in the midst of one of those transformational periods, so this recovery may take a little longer and be somewhat uneven, but it will happen.

The recovery will be driven by the next generation of tech savvy young people we call Millennials. Nationwide, there are 85 million of them, and they are more numerous than the 80 million post-war Baby Boomers. As has been the case in the past, long term home prices and the pace of sales will be demographically driven.

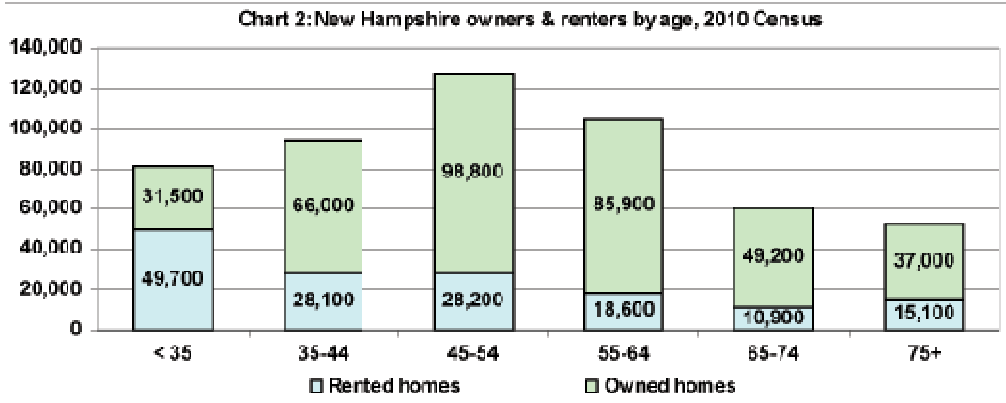
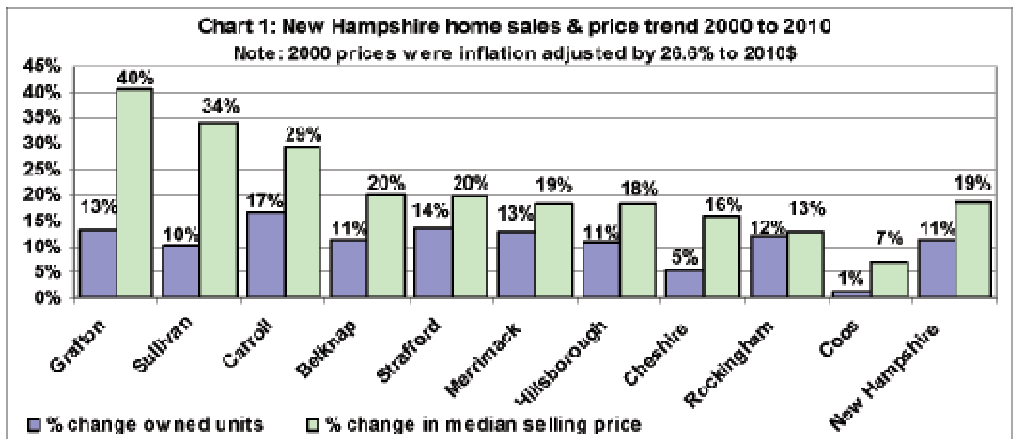
If household formations increase over the next few years and more of those young Millennials choose to stay in New Hampshire, or move here for work, home sales and prices will both rise. The fact that all indicators of economic activity in our state are much better than nearly all other states suggests that we have solid reasons to be optimistic.

Chart 2 shows the number of owners and renters by age. It shows that there are over 81,000 young adult households under age 35 in New Hampshire, only 39 percent of whom are homeowners. That's down from the 41 percent found in the 2000 Census.

In total, there are 368,000 homeowners in our state, up 11 percent since 2000. Over 100,000 of those homeowners (27.5 percent) have no mortgage. In addition there are about 150,000 renters, up 5 percent since 2000.

Every year, between 10,000 and 15,000 young adults will graduate from one of our state's 30 colleges and universities. Those who decide to stay here will mostly be today's renters, but tomorrow's first time homebuyers. At the same time, the fast-growing ages 55 to 64 homeowners will be in the prime time to buy their second home, or their retirement home.

Make no mistake, it is very hard to look past the violent stock market gyrations and the economic uncertainty they create. But if the underlying economic fundamentals of our state are good, which they most certainly are, then perhaps we should start preparing for the coming period of housing market recovery.



**Source: Census Bureau and New Hampshire Housing Finance Authority (Chart 1); Census Bureau (Chart 2).**

