

# The Impact of Housing on Maine's Economy

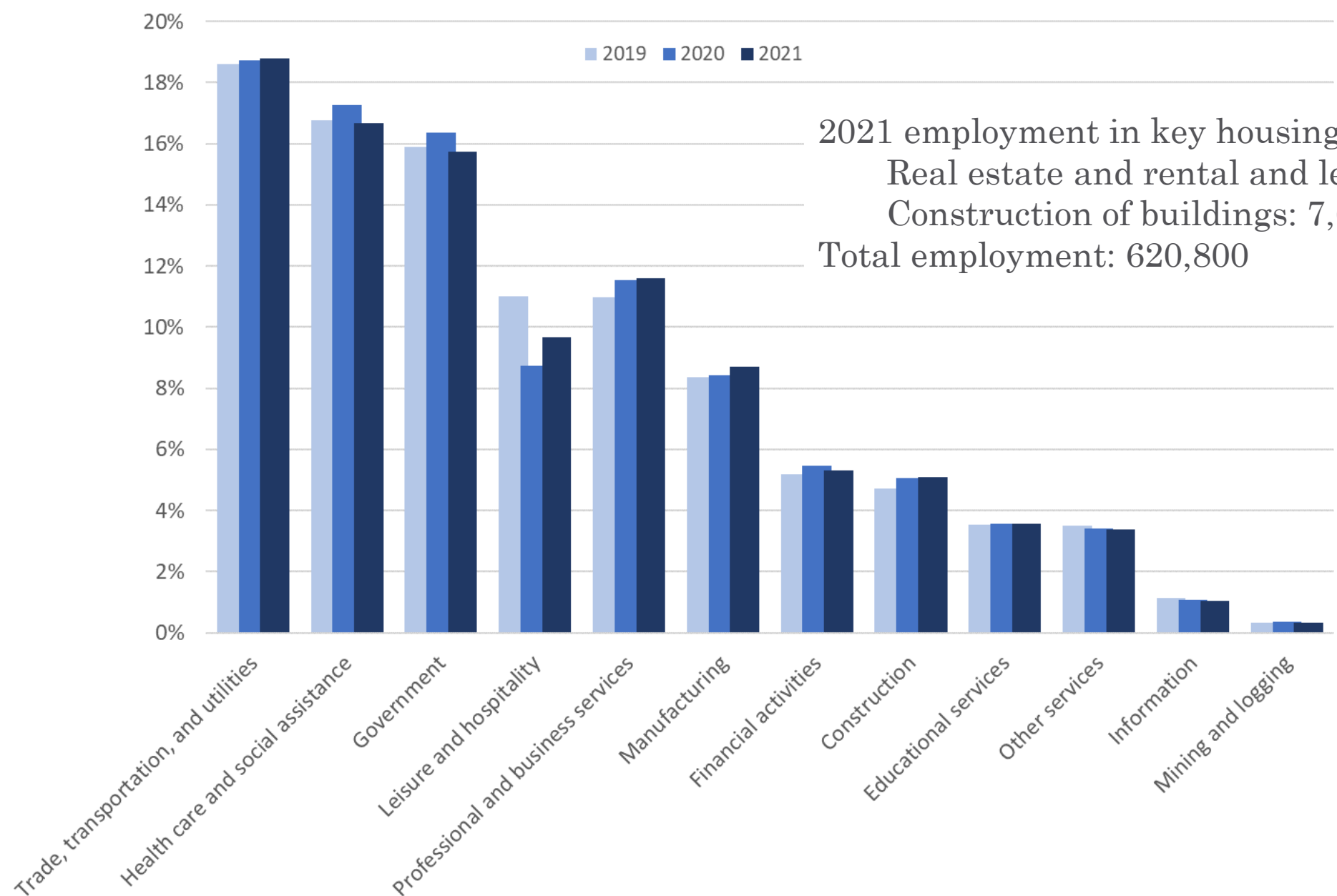
Maine Affordable Housing Coalition  
Housing Policy Conference

November 17, 2022

Amanda Rector  
Maine State Economist

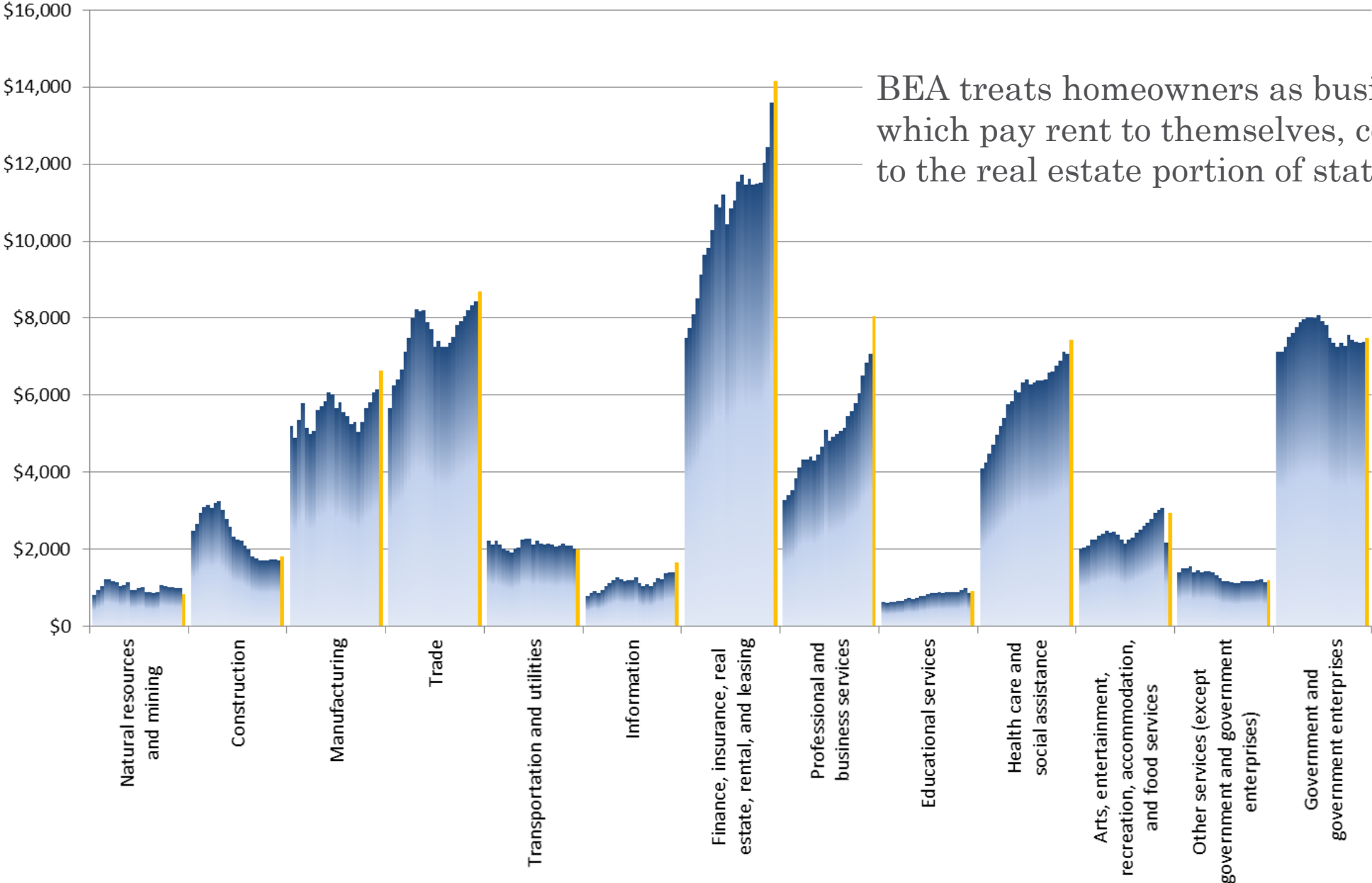
# Employment

# Share of Maine Nonfarm Employment by Industry



# State GDP

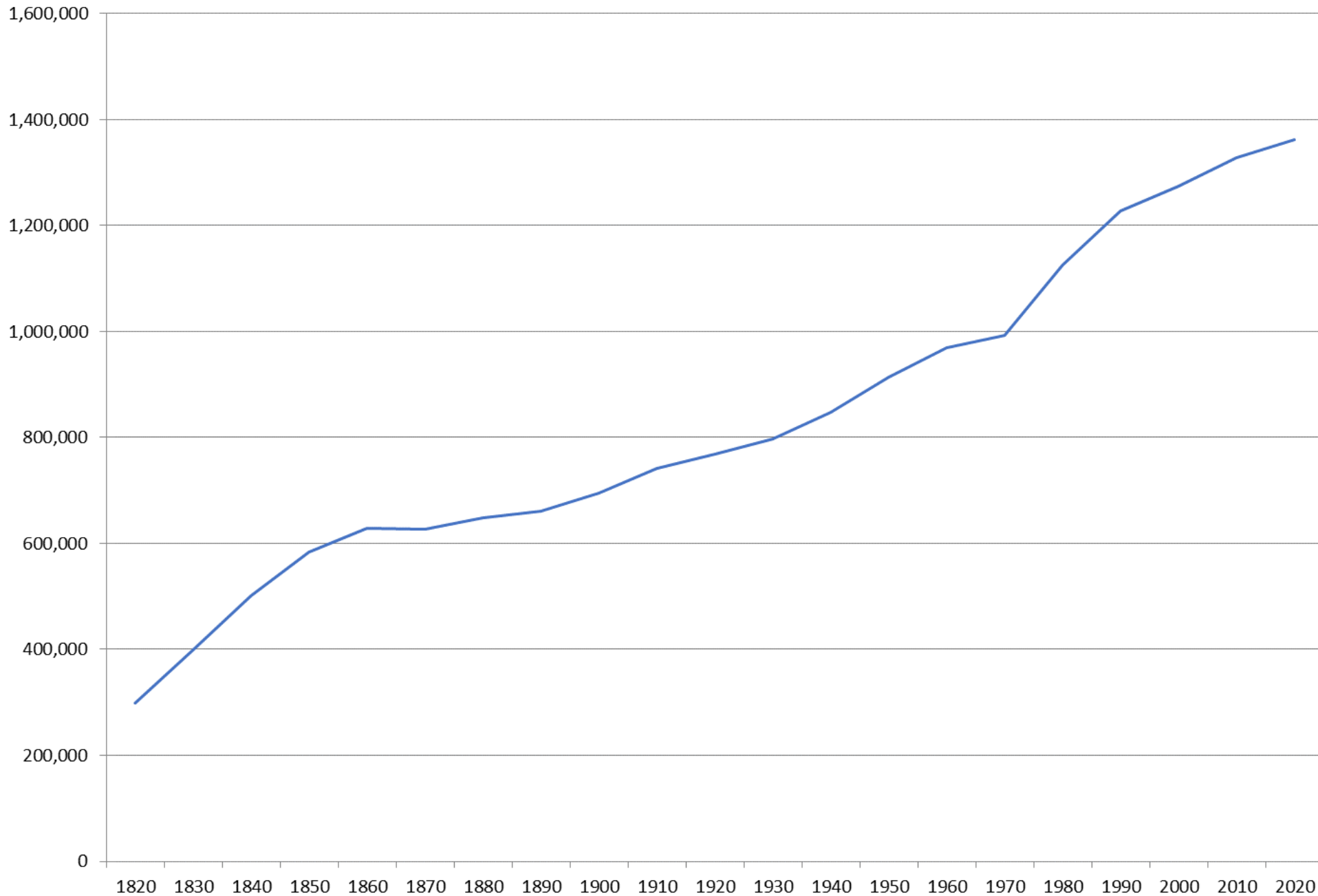
Maine Real GDP by Industry, 1997-2021  
(in millions of chained 2012 dollars)



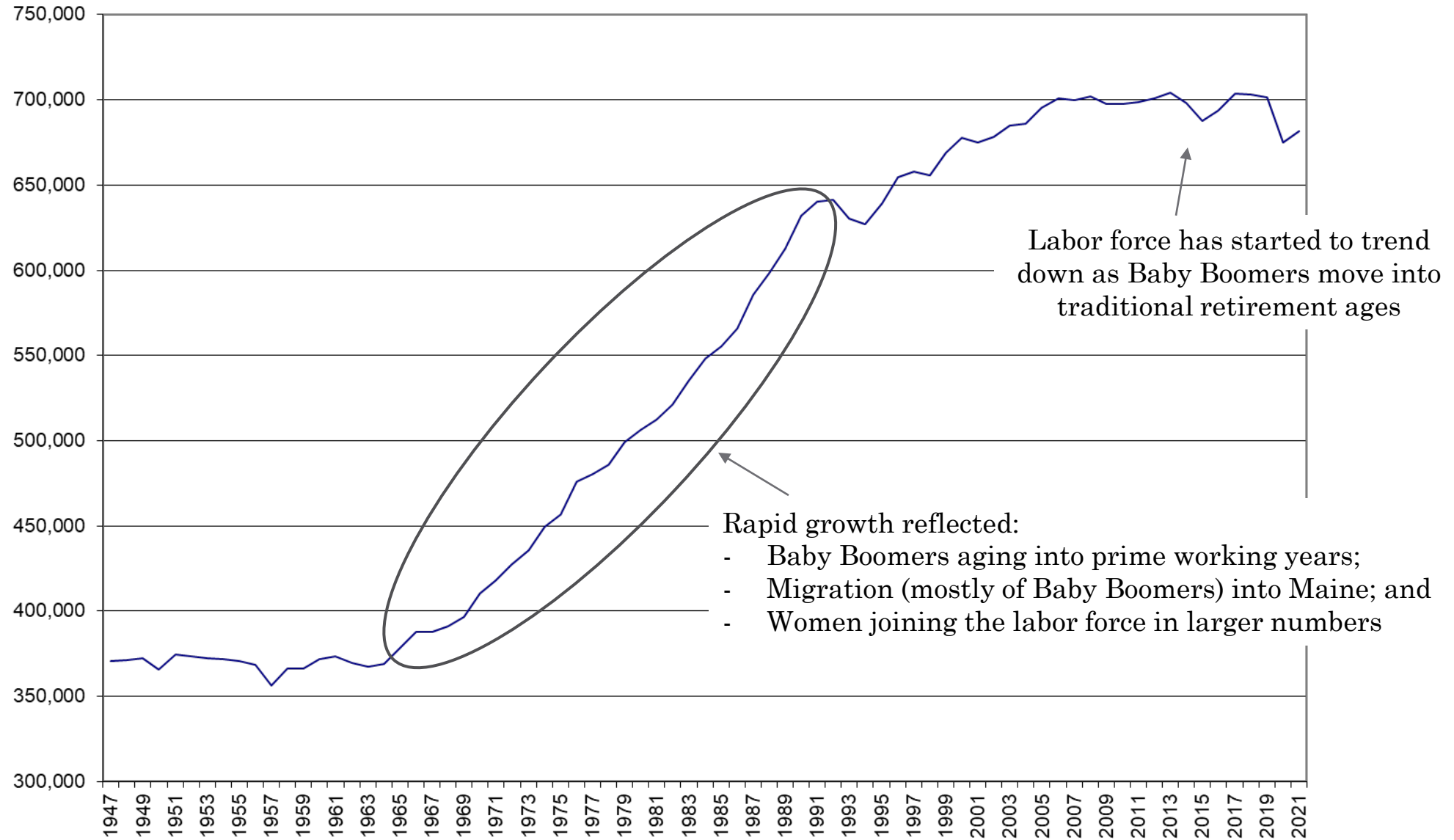
BEA treats homeowners as businesses, which pay rent to themselves, contributing to the real estate portion of state GDP

But that isn't why  
housing really matters

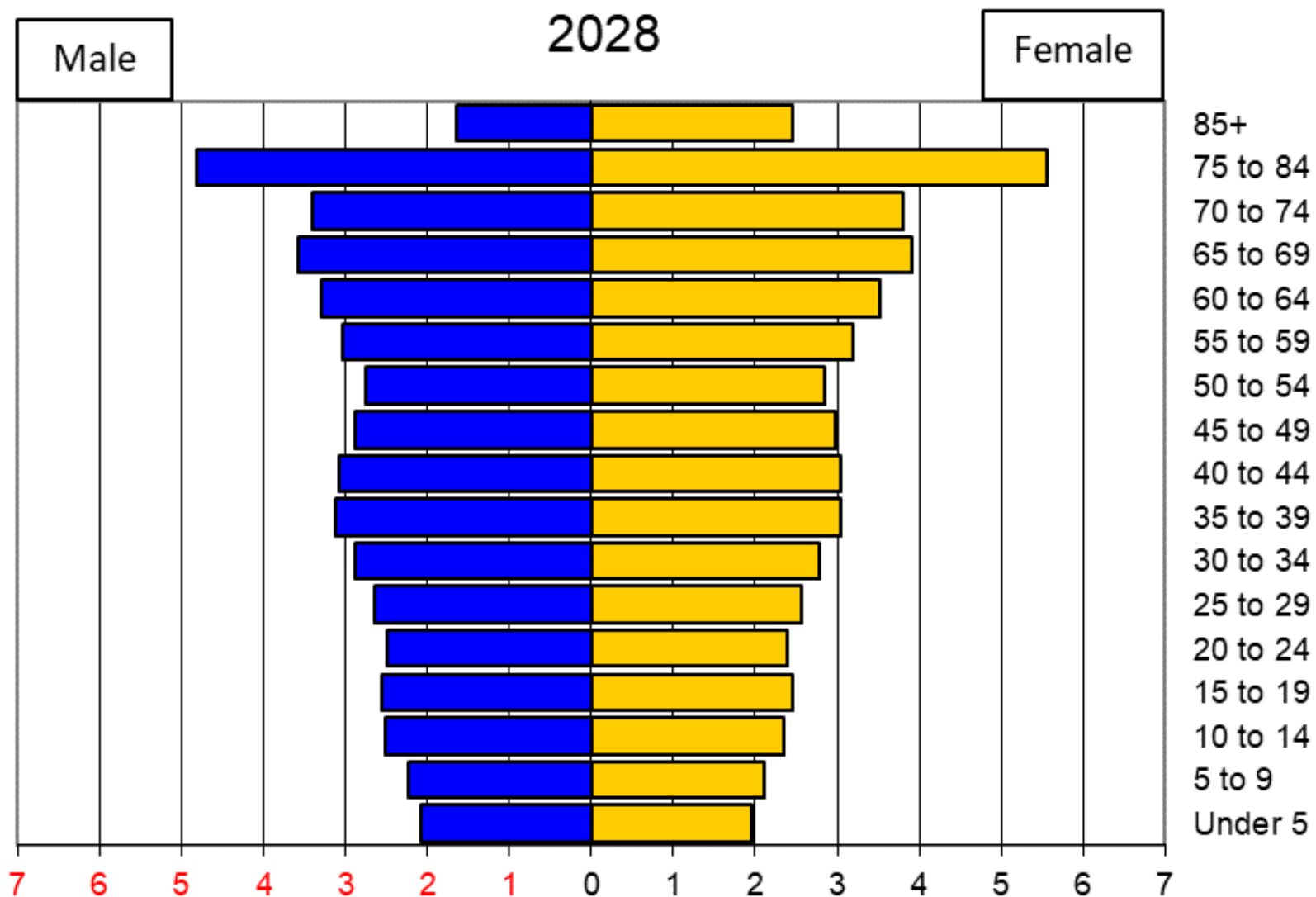
# Total Population, Maine



## Maine Civilian Labor Force







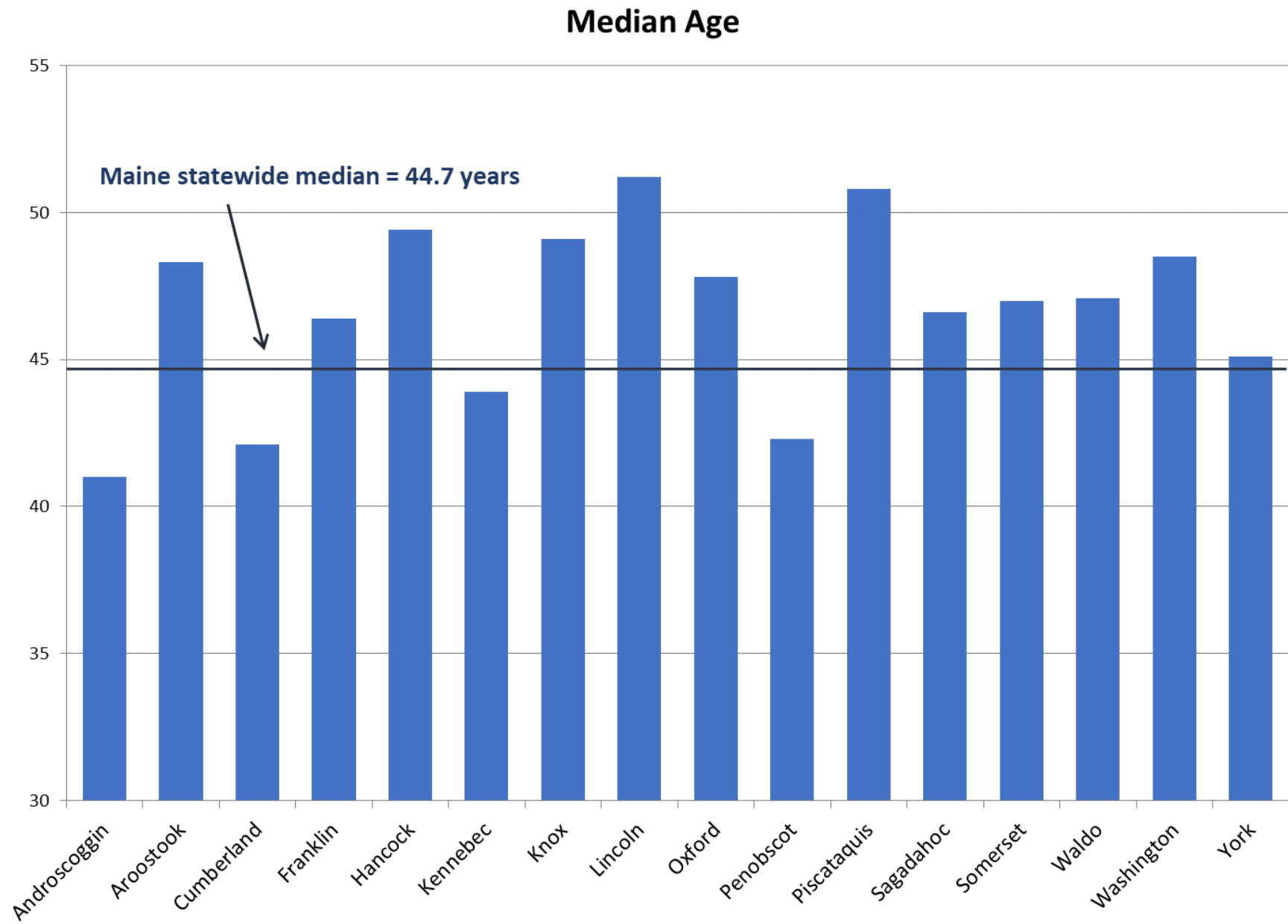
Baby Boom  
generation in  
2021: age 57-75

Baby Boom  
generation in  
2028: age 64-82

Maine has the oldest population...  
...by median age  
(44.7 years)  
...and by % of population  
age 65+ (21.7%)

**BUT!**

Maine was the **ONLY**  
state in the U.S. to see a  
decrease in median age  
from 2020 to 2021



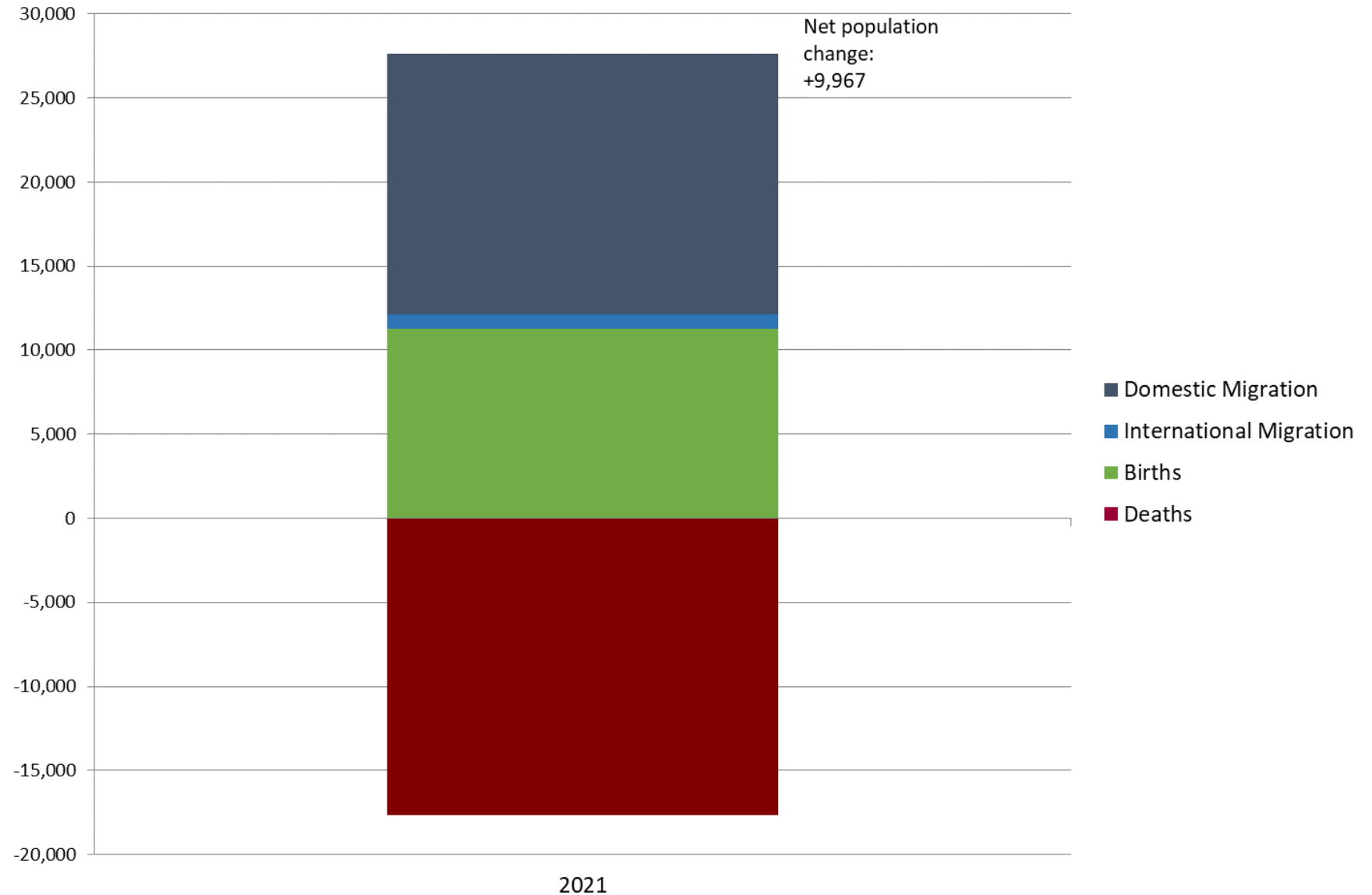
## Components of Population Change, Maine

2020 Decennial  
Population = 1,362,359  
(42<sup>nd</sup> in U.S.)

Population increase of  
2.6% from 2010-2020  
(42<sup>nd</sup> in U.S.)

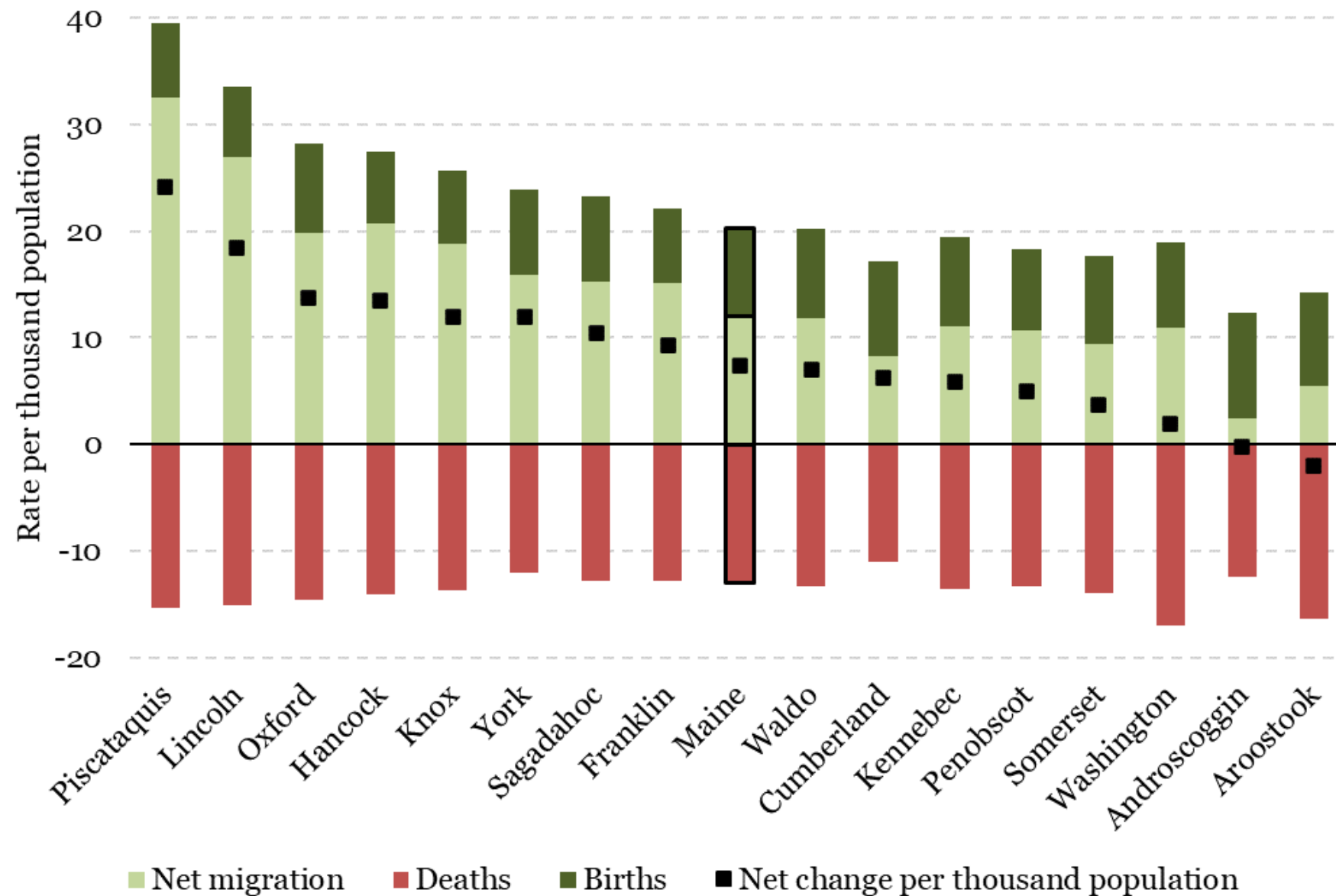
Population increase of  
0.7% from 2020-2021  
(14<sup>th</sup> in U.S.)

Net migration = 12.0 per  
thousand (7<sup>th</sup> in U.S.)

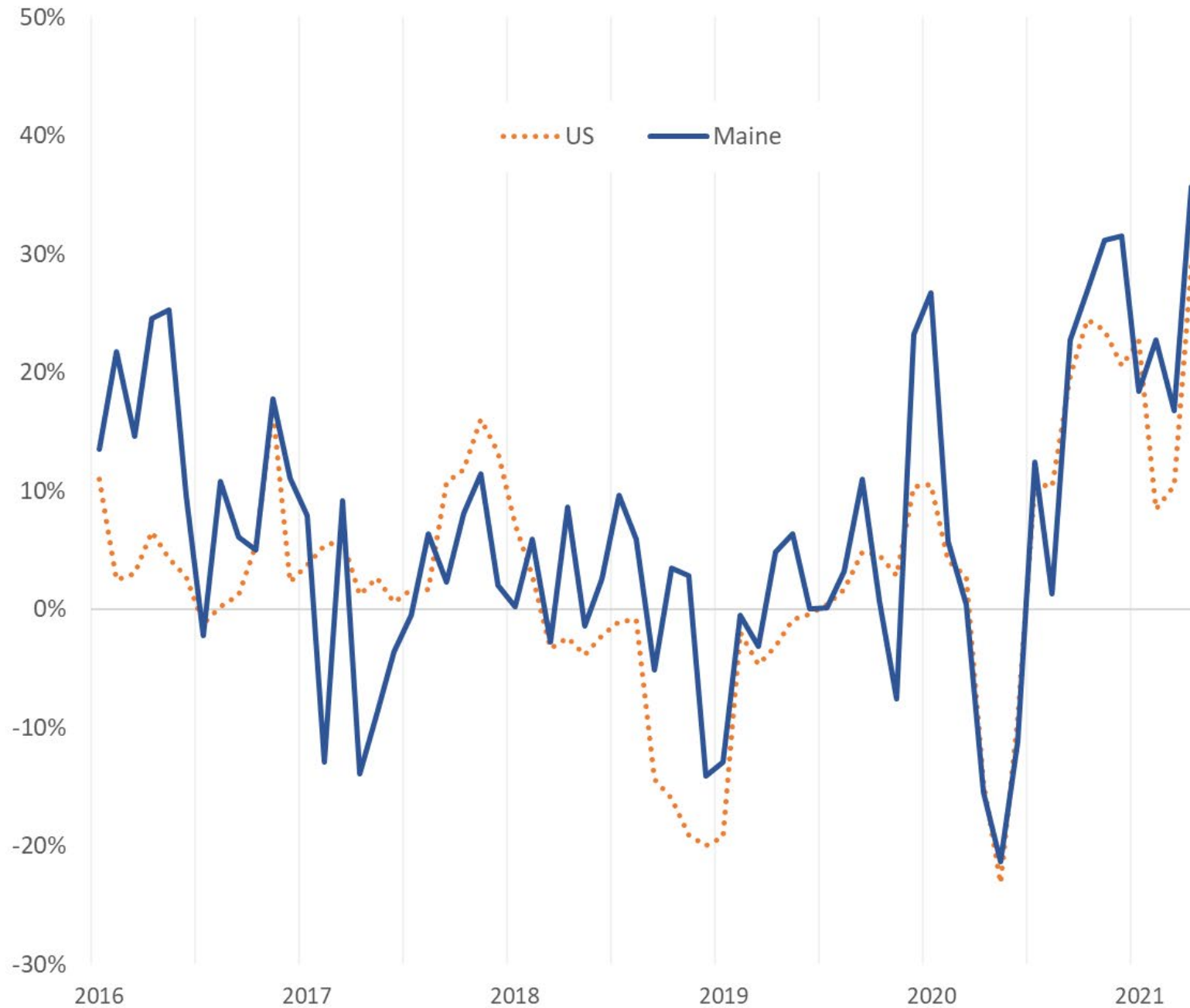


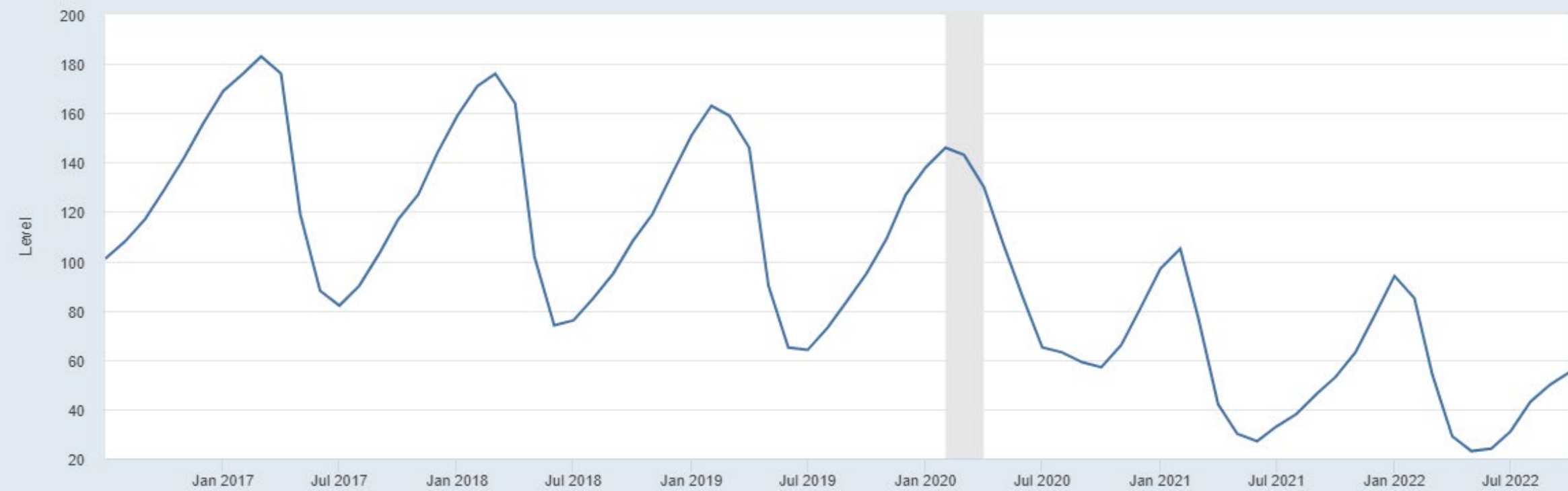
## Components of Population Change in Maine, 2021

### Rate per thousand population



## Year-over-year Percent Change in Single Family Existing-Home Sales





Shaded areas indicate U.S. recessions.

Source: Realtor.com

[fred.stlouisfed.org](https://fred.stlouisfed.org)



Housing Inventory: Active Listing Count in Maine

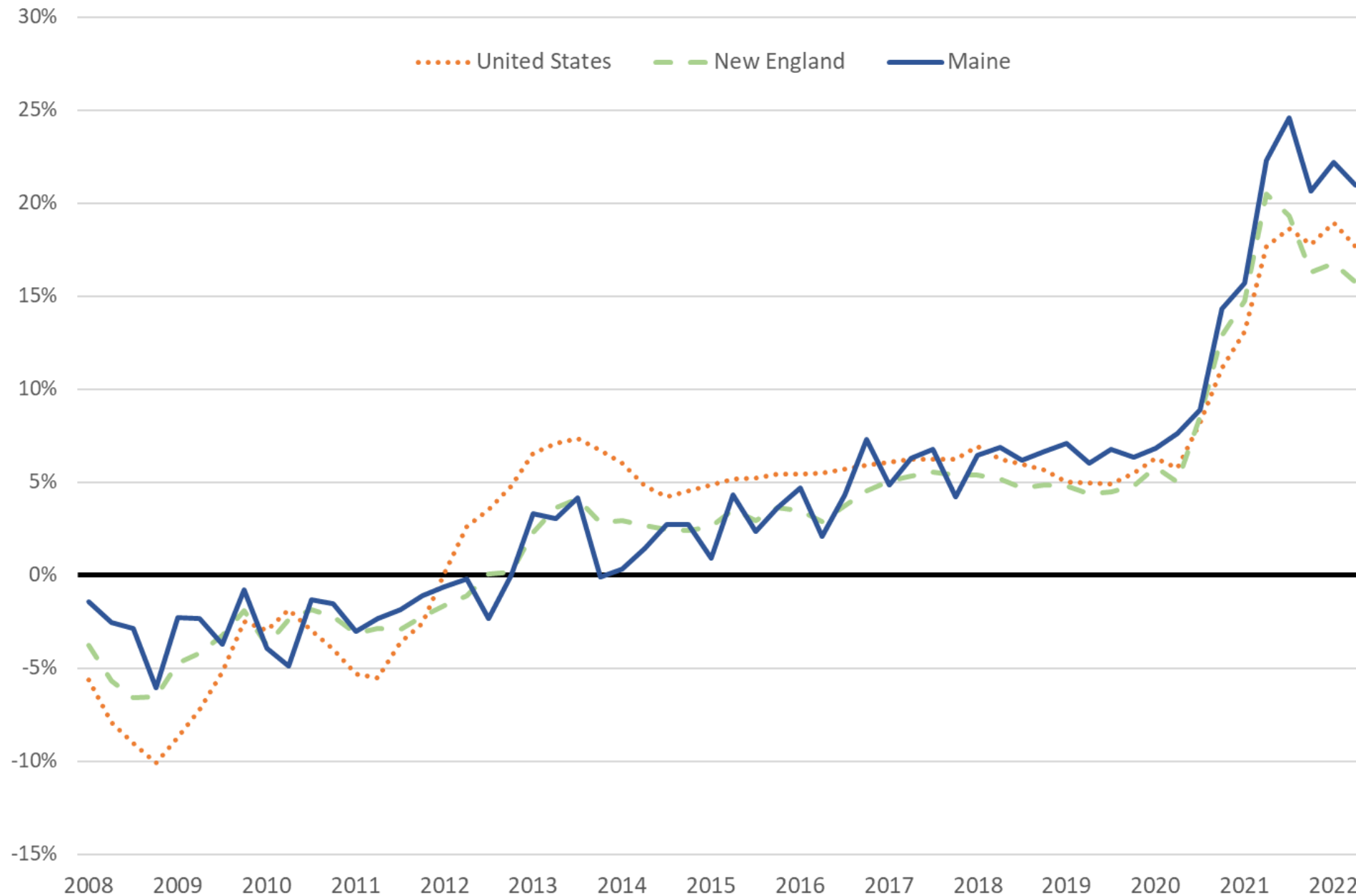


Shaded areas indicate U.S. recessions.

Source: Realtor.com

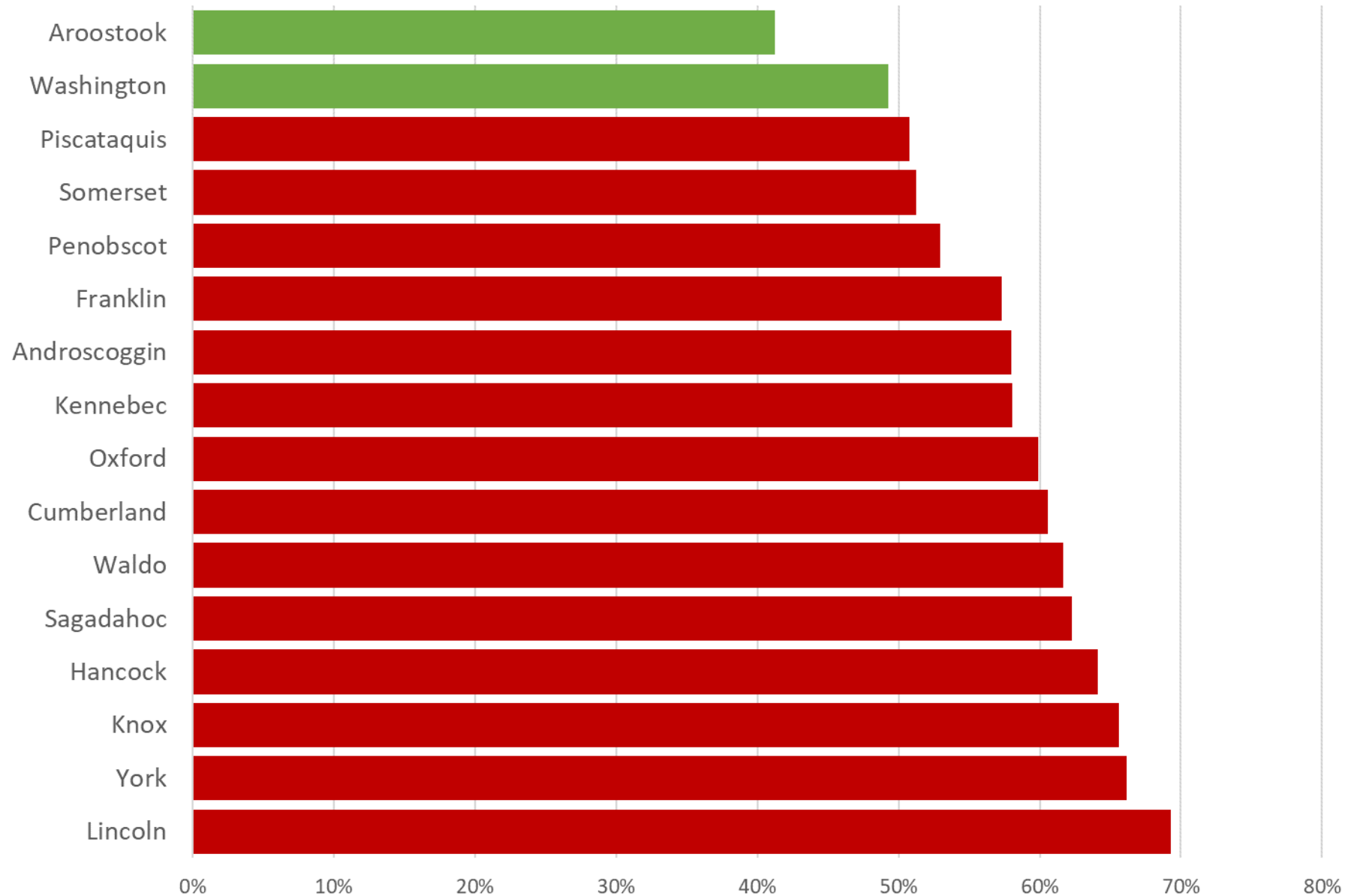
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## Year-over-year Percent Change in FHFA House Price Index (not seasonally adjusted)

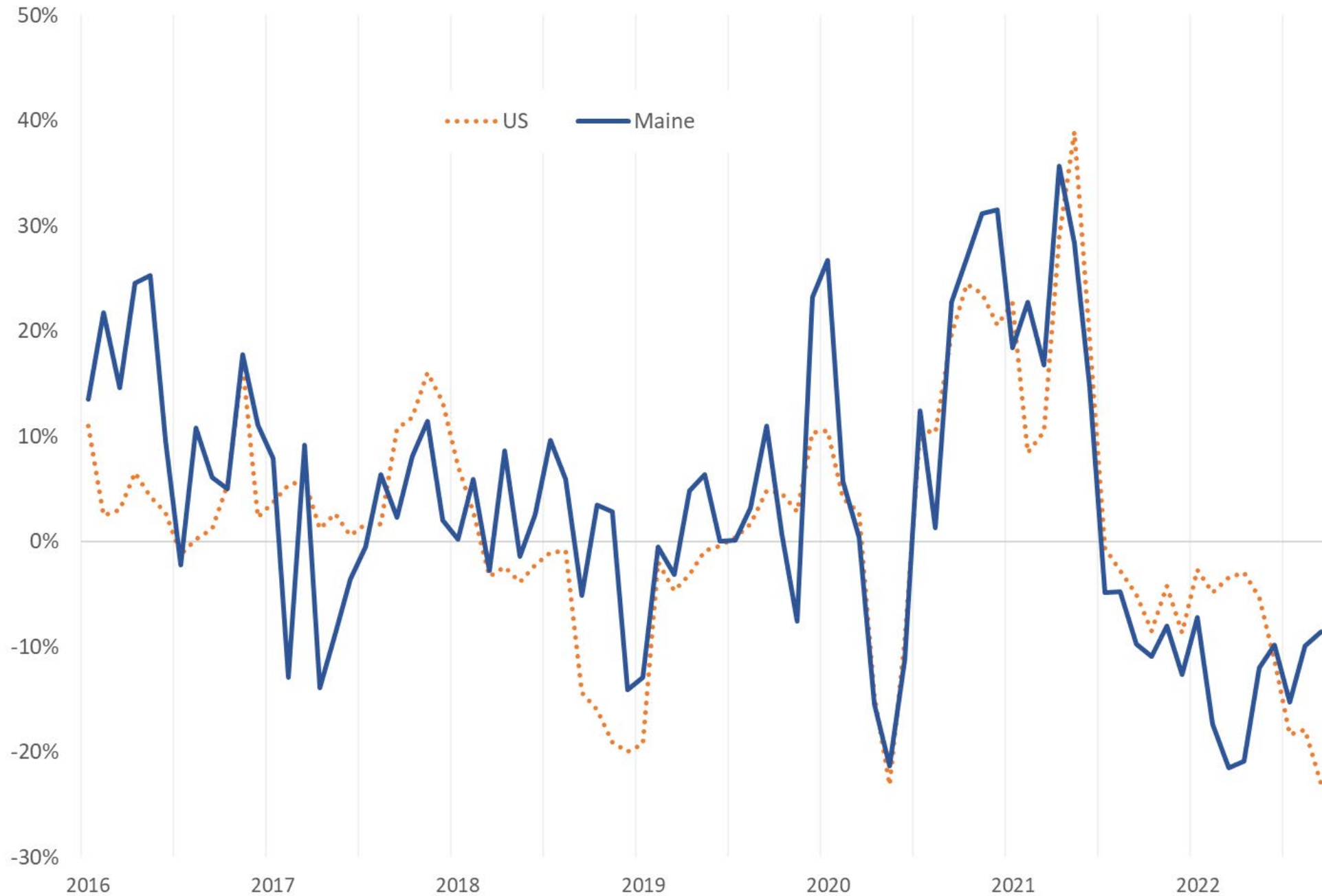




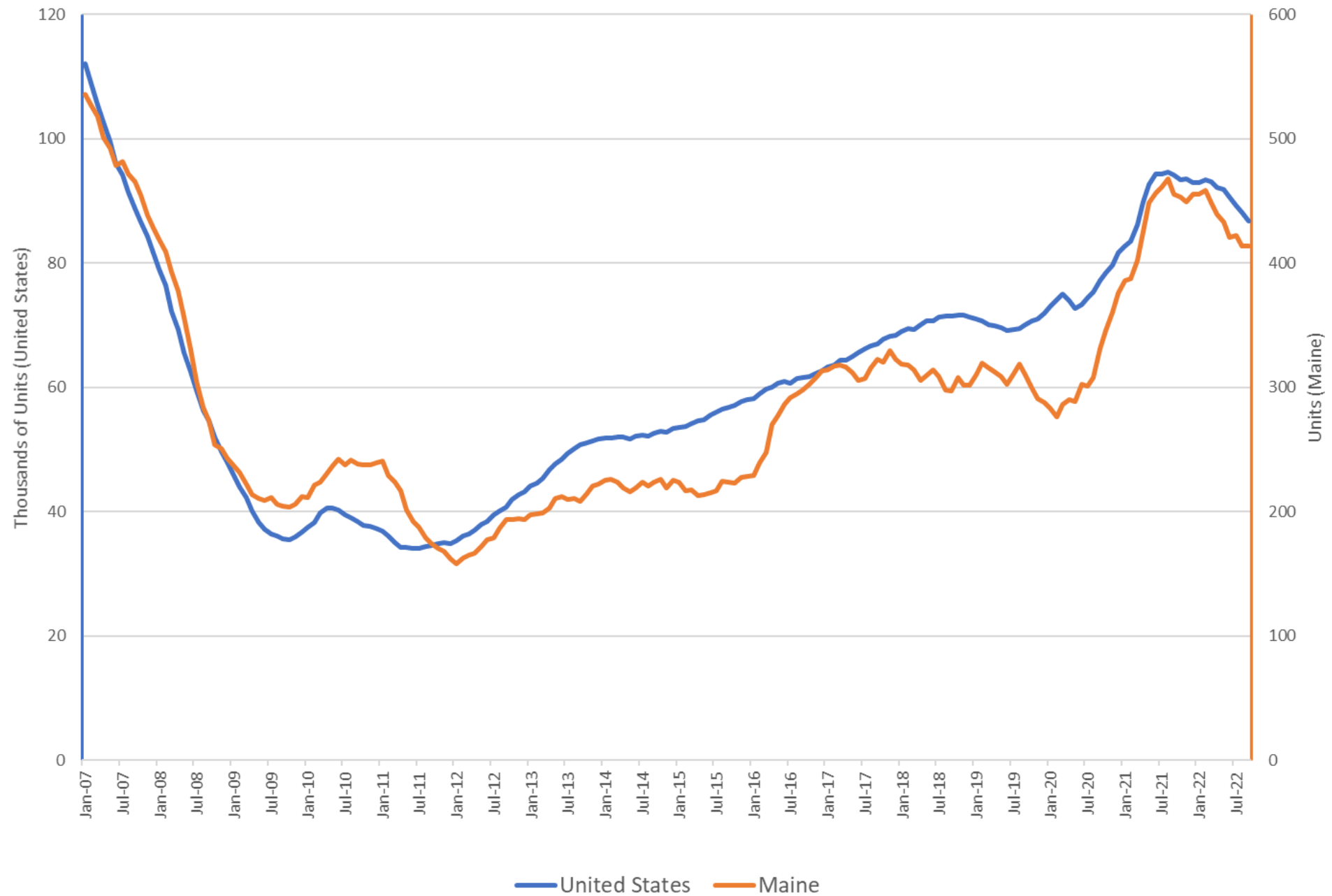
## Percent of Households Unable to Afford Median Home, 2021



## Year-over-year Percent Change in Single Family Existing-Home Sales



## New Private Single-Unit Housing Permits, 12-month average

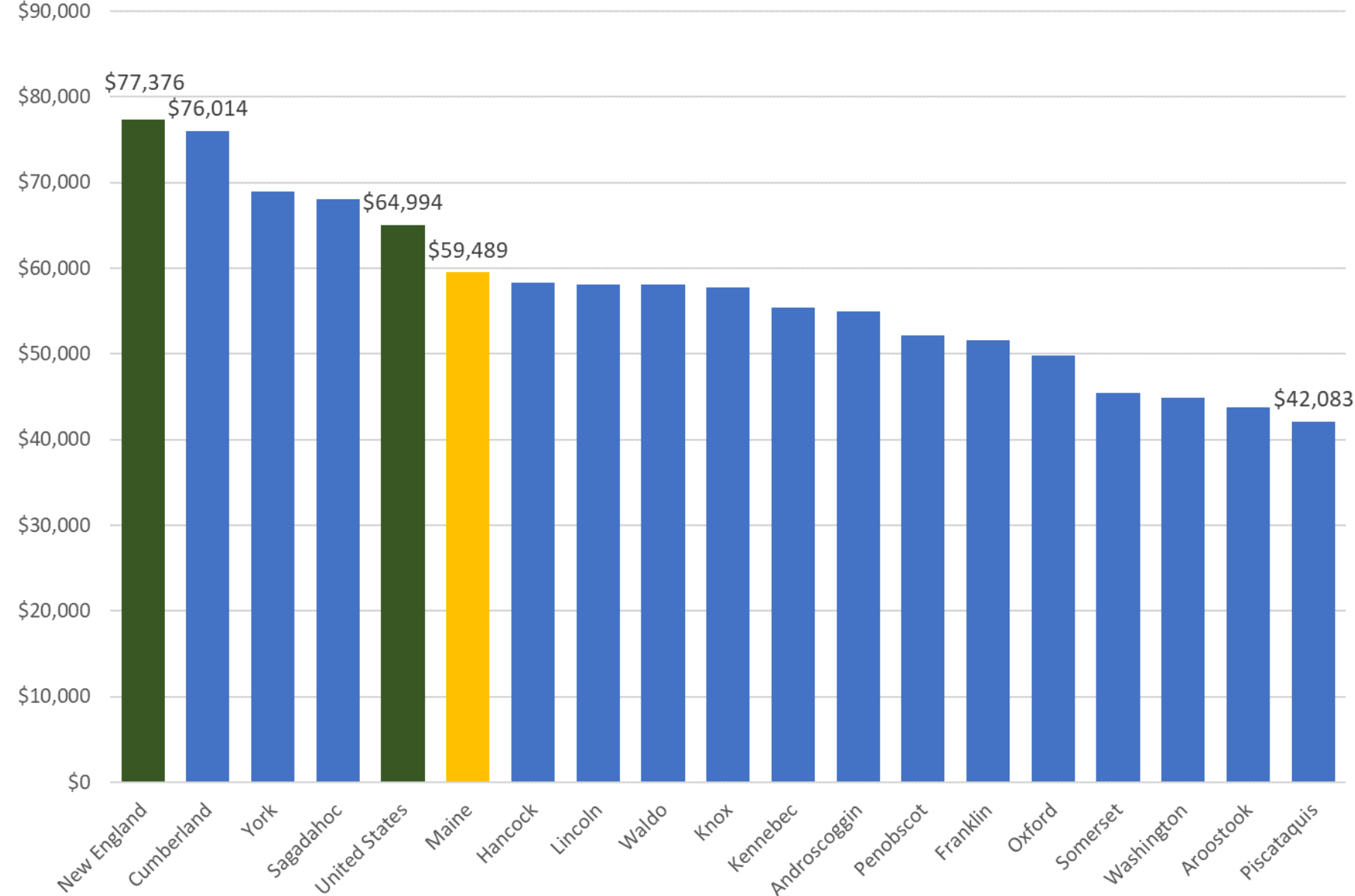


# September 2022 Home Sales by County

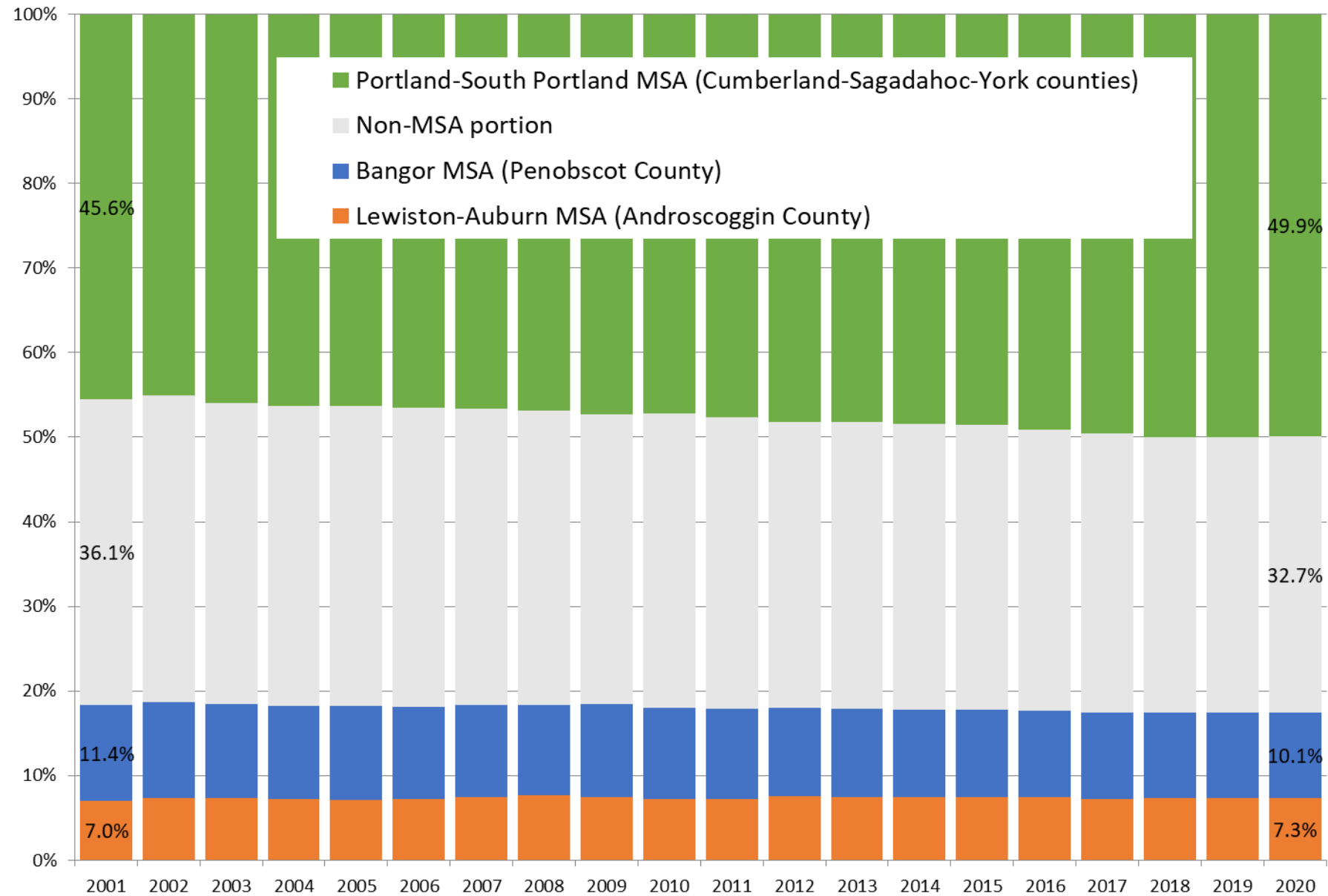
Geography	No. of Units Sold	One Year Change (units)	Median Sale Price	One Year Change (Price)
Androscoggin	120	-4.0%	\$273,000	3.0%
Aroostook	95	-9.5%	\$150,000	25.0%
Cumberland	365	-14.1%	\$505,000	14.8%
Franklin	62	34.8%	\$250,000	17.3%
Hancock	86	-24.6%	\$317,500	-14.2%
Kennebec	196	-4.9%	\$267,500	5.3%
Knox	57	-26.9%	\$375,000	0.0%
Lincoln	61	5.2%	\$425,000	17.2%
Oxford	109	23.9%	\$294,000	21.2%
Penobscot	183	3.4%	\$233,000	13.7%
Piscataquis	37	12.1%	\$197,000	-1.0%
Sagadahoc	46	4.6%	\$355,000	4.6%
Somerset	74	-3.9%	\$203,000	7.1%
Waldo	89	-19.2%	\$269,900	-17.0%
Washington	62	8.8%	\$238,750	54.0%
York	278	-23.0%	\$485,000	17.4%
Maine	1,890	-8.6%	\$330,000	3.1%

What does this mean  
for Maine's economy?

Median Household Income



## Share of Maine Real GDP by Metropolitan Area



County Rates (not seasonally adjusted)

September, 2022

● Table

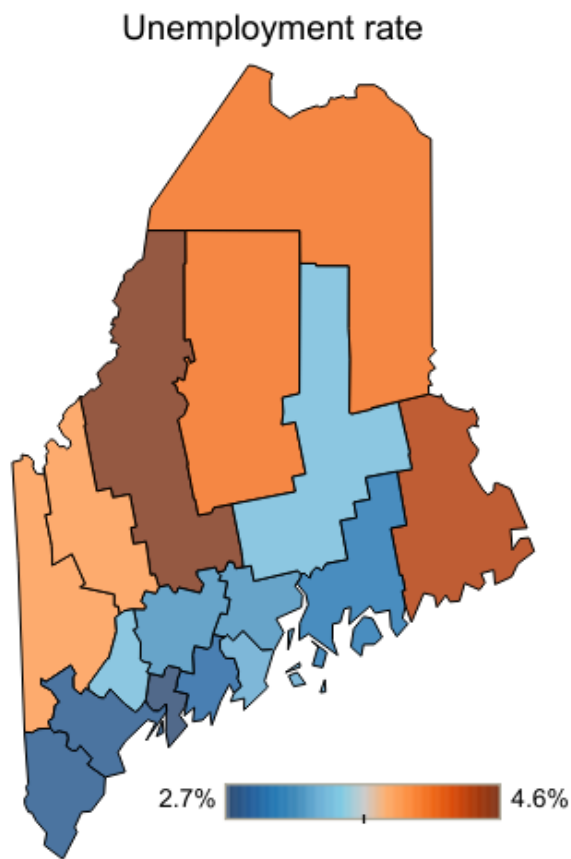
○ Graph

● Map/Graph Display

● Unemployment rate

○ One-year change

County	Rate	Year ago	One-yr change	
Maine	3.2%	3.8%	-0.6	↓
Androscoggin	3.4%	4.4%	-1.0	↓
Aroostook	4.1%	5.0%	-0.9	↓
Cumberland	2.8%	3.3%	-0.5	↓
Franklin	3.9%	4.2%	-0.3	↓
Hancock	3.0%	3.6%	-0.6	↓
Kennebec	3.2%	3.7%	-0.5	↓
Knox	3.3%	3.7%	-0.4	↓
Lincoln	2.9%	3.5%	-0.6	↓
Oxford	3.9%	4.6%	-0.7	↓
Penobscot	3.4%	3.9%	-0.5	↓
Piscataquis	4.1%	4.1%	0.0	—
Sagadahoc	2.7%	2.9%	-0.2	↓
Somerset	4.6%	5.5%	-0.9	↓
Waldo	3.2%	3.9%	-0.7	↓
Washington	4.4%	5.9%	-1.5	↓
York	2.8%	3.4%	-0.6	↓

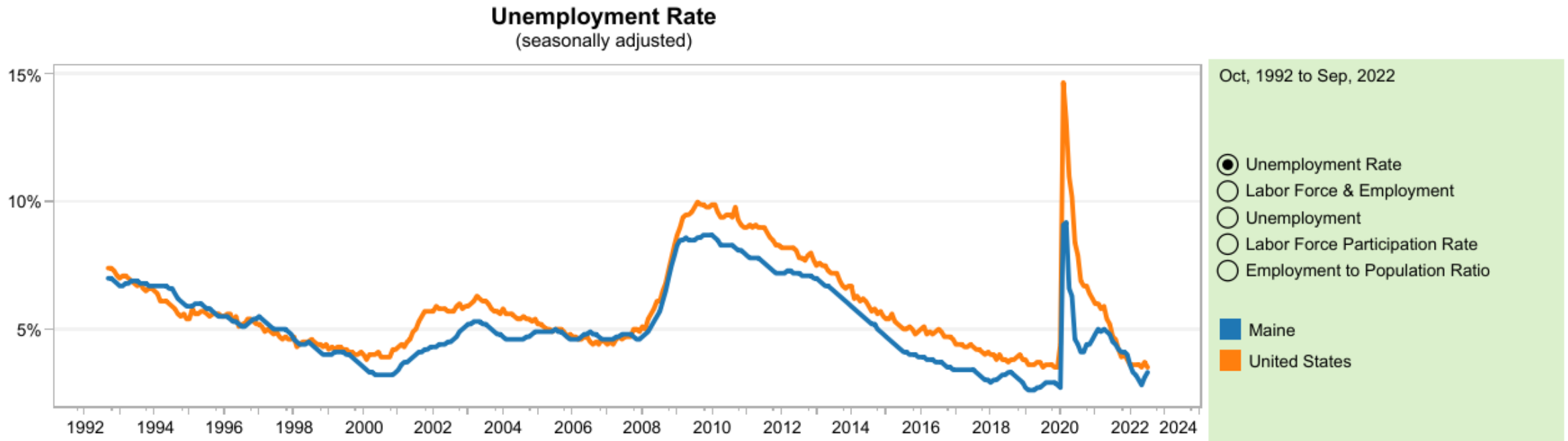


Maine Department of Labor, Center for Workforce Research and Information

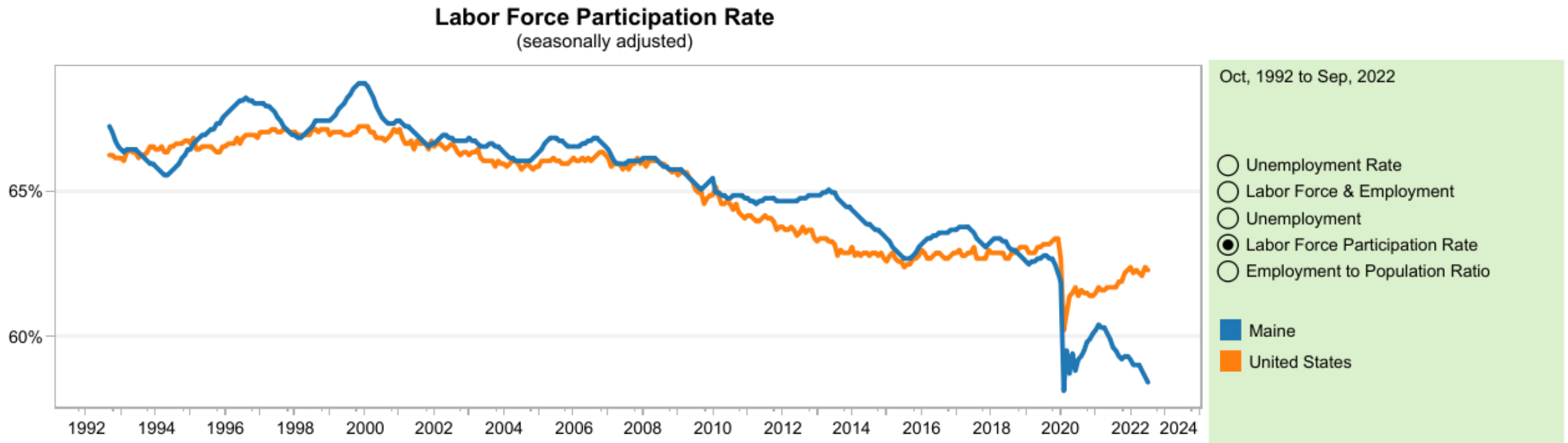
Source: Maine Department of Labor



# Maine's unemployment rate in September 2022 is just above pre-pandemic levels and well below the long-run average unemployment

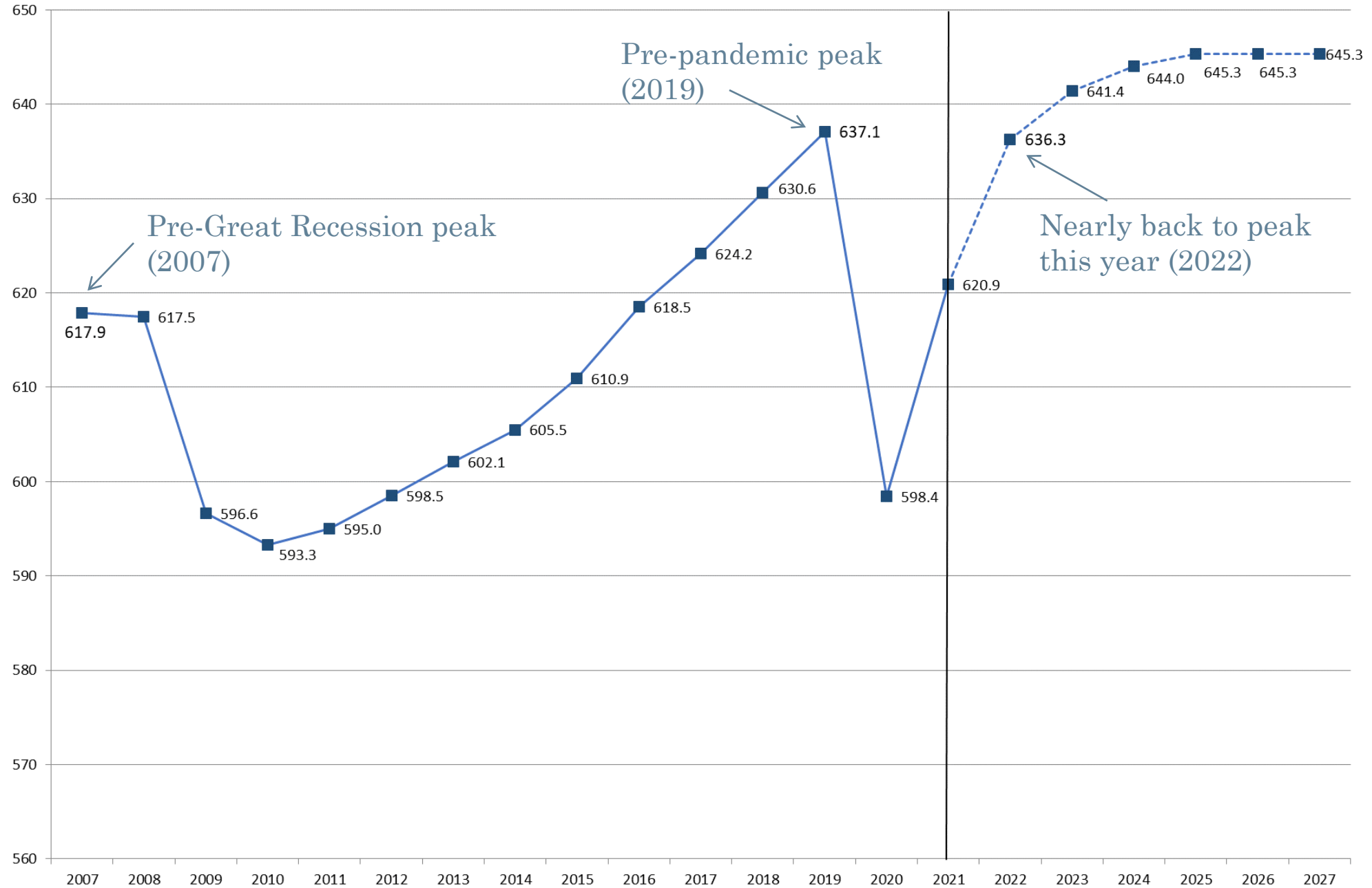


The Maine Department of Labor finds that, “(...) the persistently lower rates through the summer of 2022 are mostly caused by aging and retirement decisions that may have been accelerated during the pandemic and not by lower participation among people between the ages of 20-54”

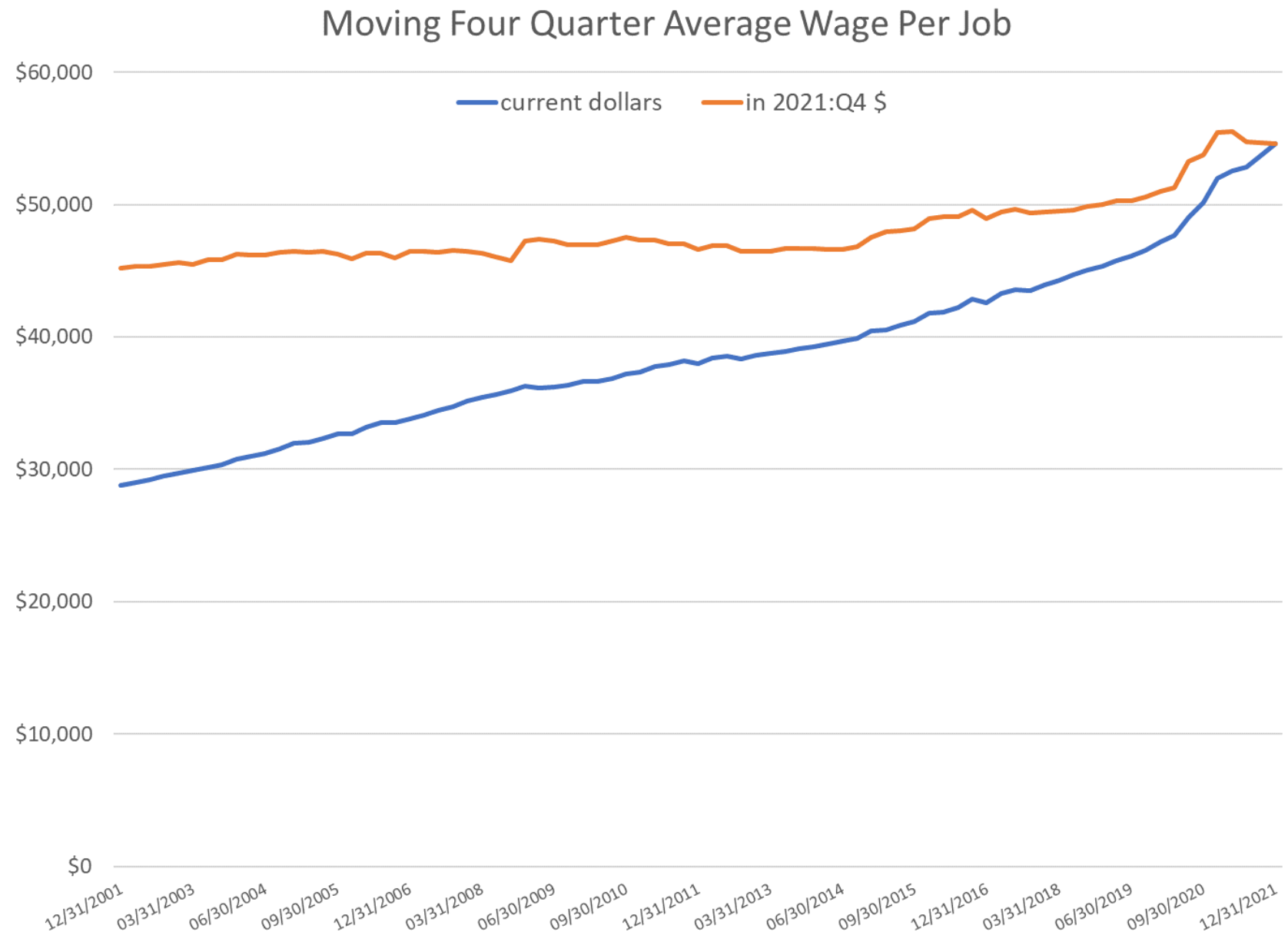


Note: it is likely that the household survey is underestimating available labor supply and estimates from the past year will be revised up, although remaining below pre-pandemic levels

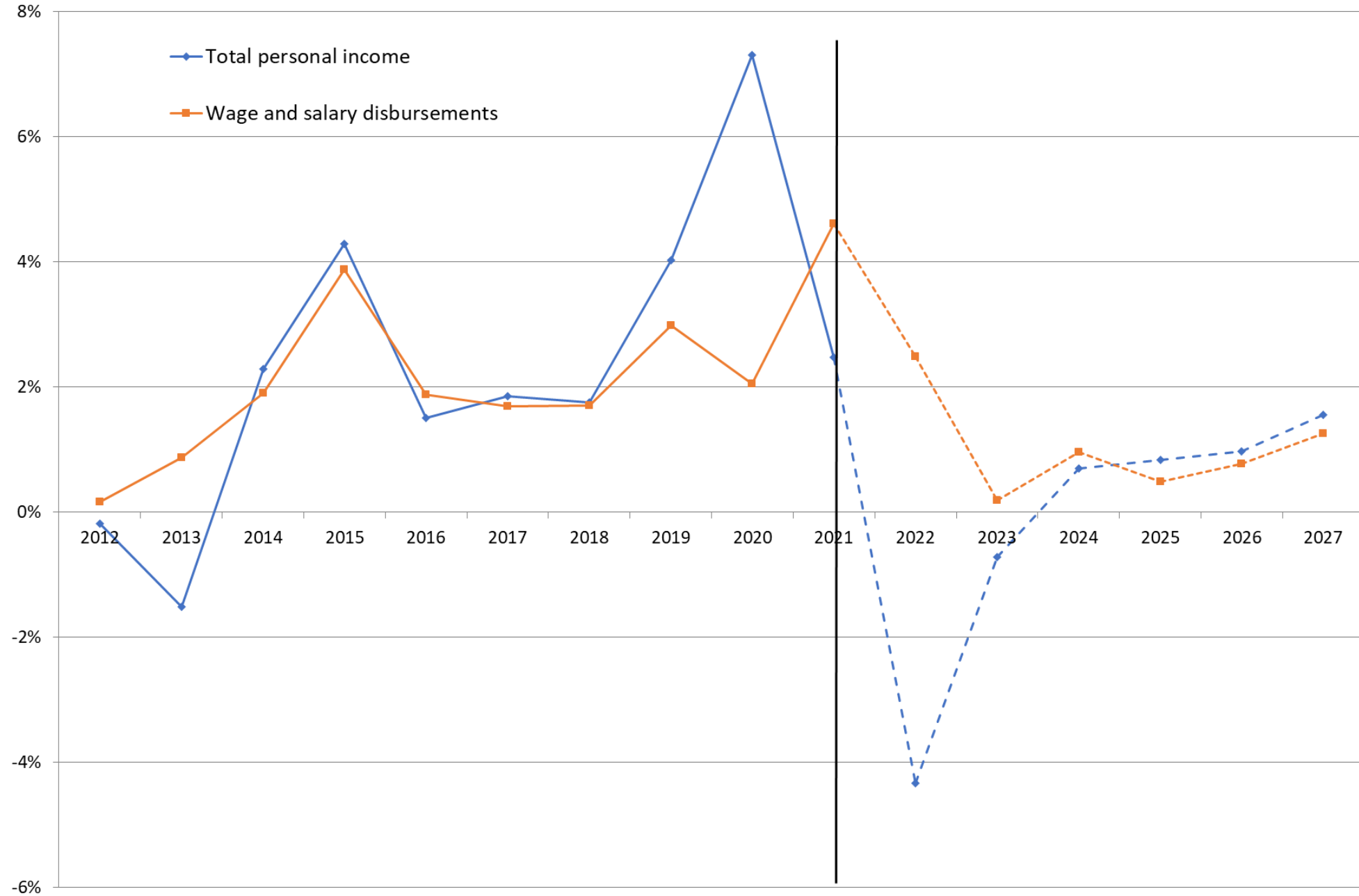
## Total Nonfarm Employment (in thousands) History and CEFC forecast



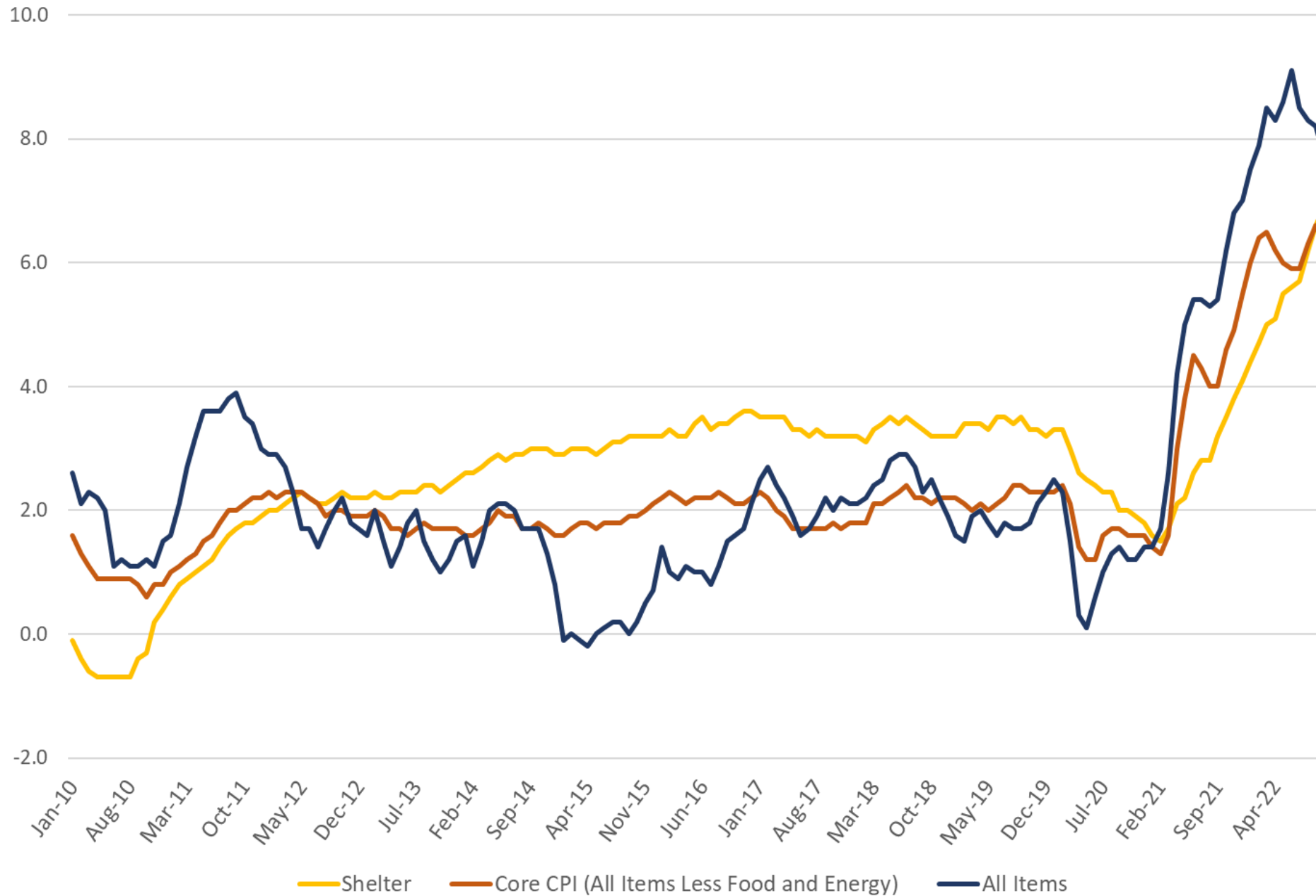
Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era, but inflation is making those gains less meaningful



# Percent Change in Real Personal Income, Maine 2012-2021 and forecast to 2027

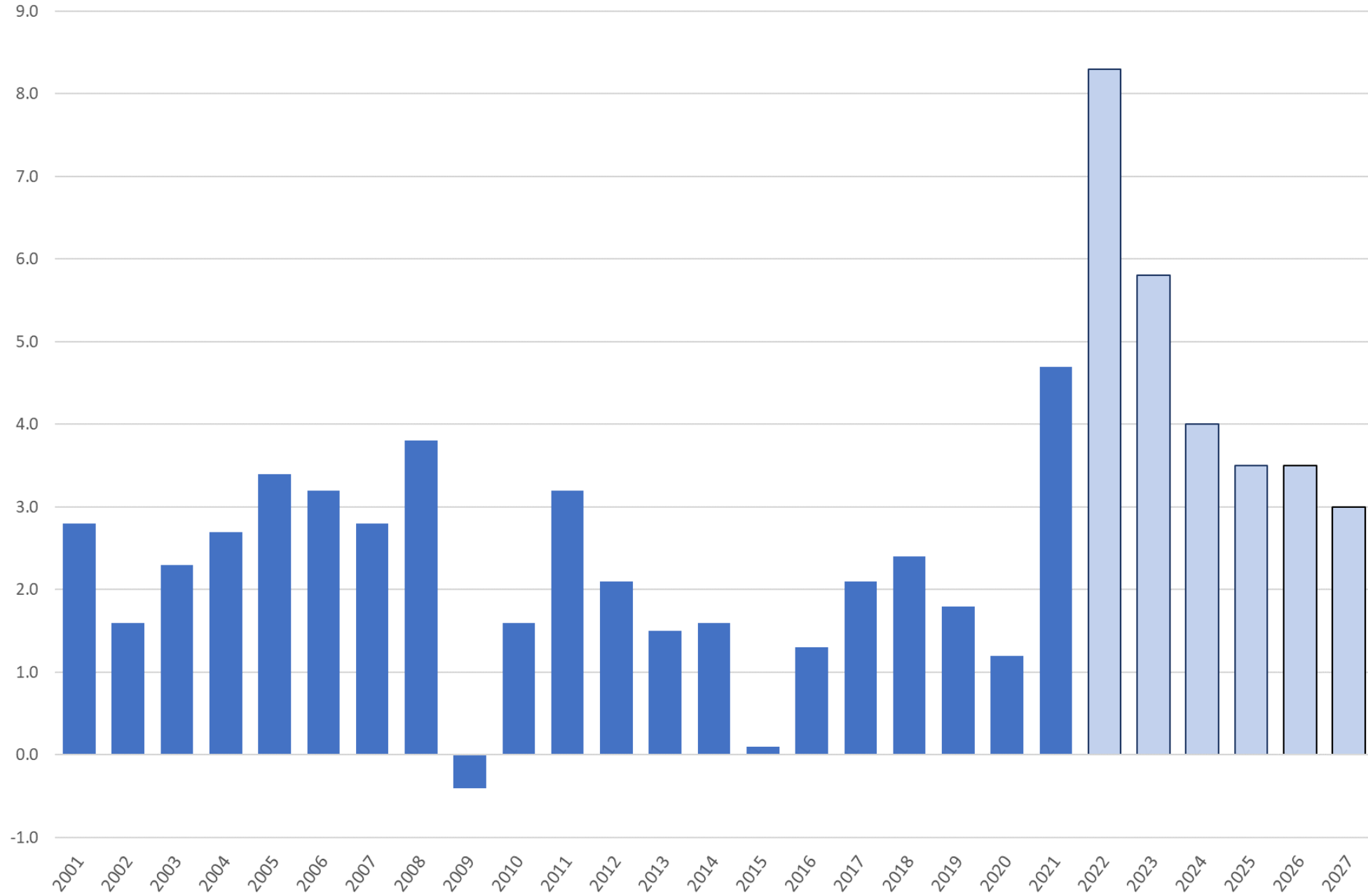


## Year-over-year percent change in Consumer Price Index



Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

## Year-over-year percent change in Consumer Price Index; 2001-2021 historical and 2022-2027 forecast



Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted);  
CEFC report, November 1, 2022

# What does this mean for interest rates?

Current target range: 3.75% to 4%

“The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the pace of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.”

- Excerpt from November 2, 2022, Federal Open Market Committee statement

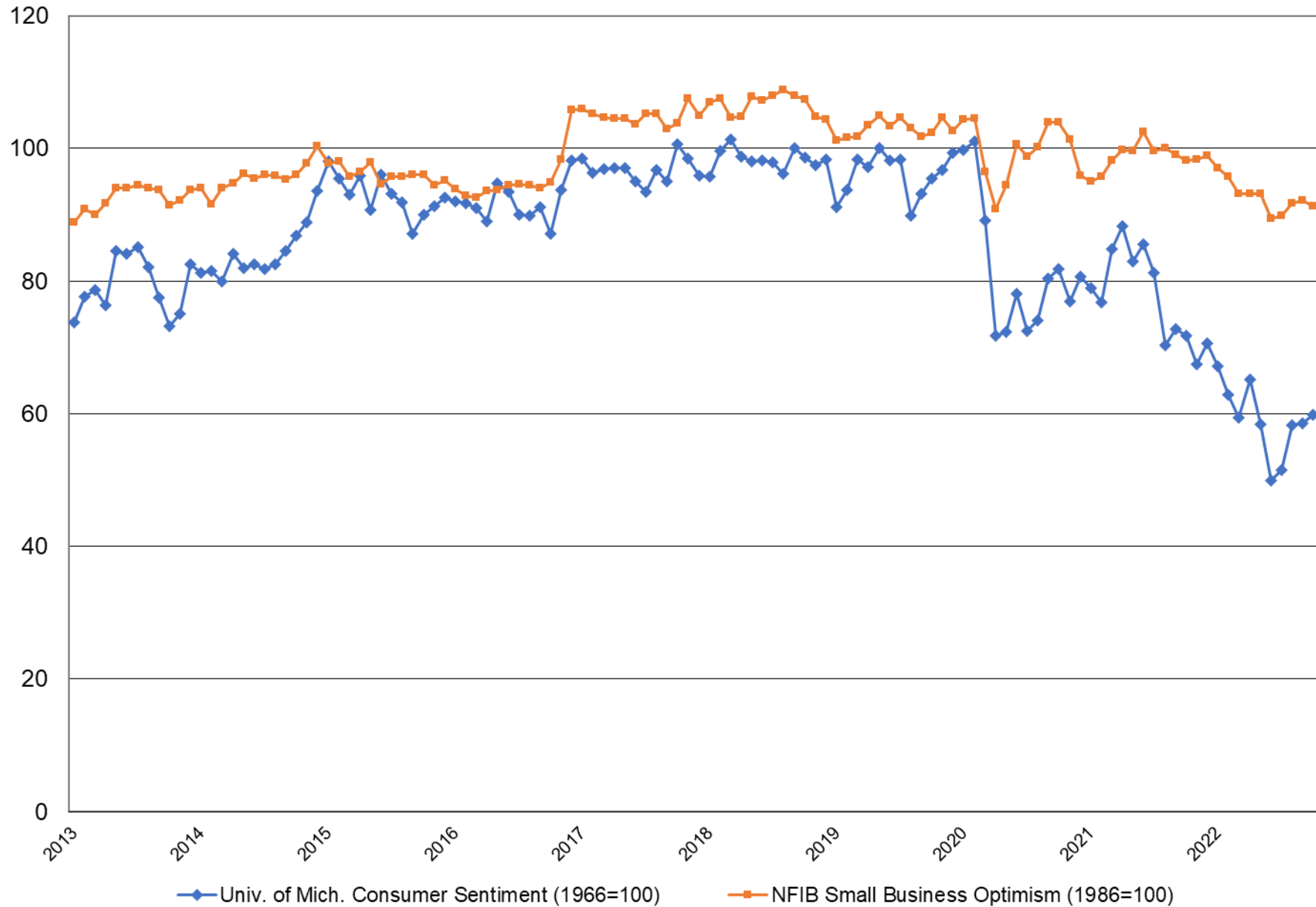
- Range of September FOMC projections for federal funds rate for 2022 was 3.9-4.6 percent and for 2023 was 3.9-4.9 percent
- This implied increases of 0.5 to 0.75 percentage points at next 2-3 meetings (could be fewer but higher or more but lower); 0.75 percentage point increase made in November
- Increases are expected into early next year



The increase in mortgage rates since the beginning of the year translates to an increase of around \$700 (or 50%) in monthly principal and interest payments for a house at the median sales price



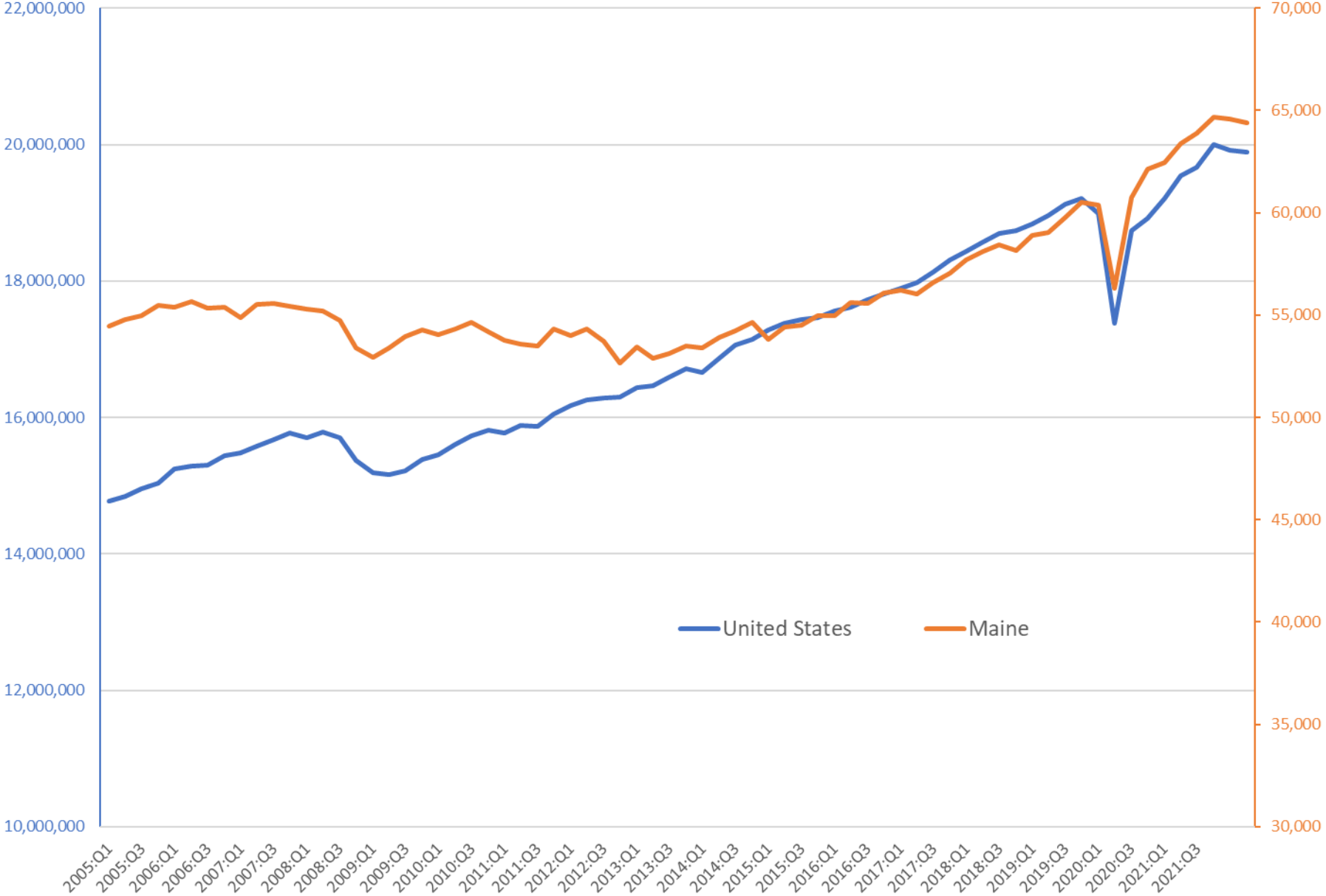
Consumer Sentiment and Small Business Optimism Indexes



Inflation has been a major contributor to the downward trend in small business and consumer sentiment over the past year

Lower gas prices in July/August helped improve current sentiment, but gains have slowed and uncertainty about future economic trajectory persists

Quarterly Real GDP (in millions of chained 2012 dollars)



# What is a recession, anyway?

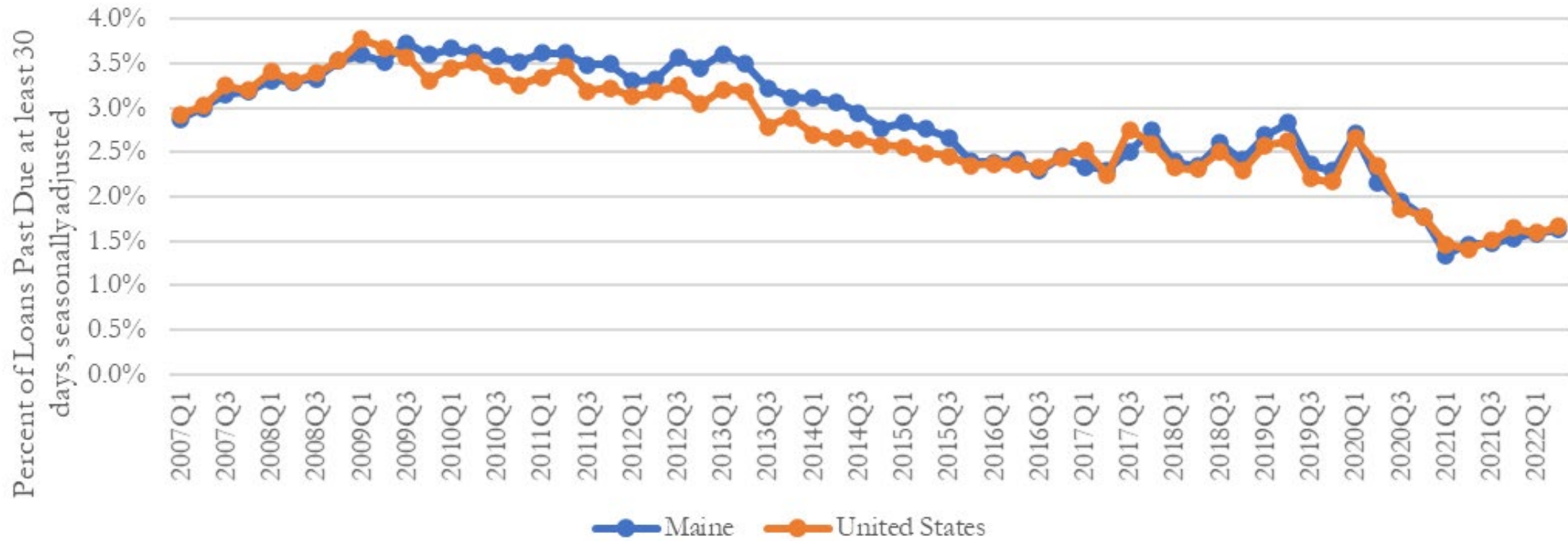
National real GDP declined at an estimated annual rate of 1.6% in the first quarter of 2022 and 0.6% in the second quarter of 2022

In the U.S., recessions are officially declared by the National Bureau of Economic Research:

“a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months”

The advance estimate of GDP for the third quarter of 2022 is growth of 2.6%

## MBA Mortgage Delinquencies



# Key assumptions from November 2022 CEFC report

- Economic conditions are highly uncertain, with the potential for a slowdown in 2023.
- High inflation, high interest rates, low consumer sentiment, housing affordability/availability, and the correction in the stock market combine to create a challenging macroeconomic environment.
- There is a risk of continued higher inflation into 2023, with higher energy prices posing a particular concern for consumers in Maine where heating oil and gasoline are heavily relied on. Heating oil prices have started the heating season high and are expected to remain elevated, with the potential for even larger costs to households and businesses if there is a colder than usual winter. Inflation risks are likely to take several years to fully ease.
- Rising interest rates are slowing effective demand for real estate, although variation in regional economies exists. Higher home prices have contributed to higher rental prices. Affordability is of particular concern as interest rates have spiked, causing more potential buyers to be priced out of the market.
- There is an opportunity for Maine to see continued increased in-migration in the coming years due to telework and people looking for locations that allow for work-life balance and access to outdoor recreation, but housing and childcare/school availability for those with children are potential limiting factors.

# Things to keep in mind:

- We need migration into Maine to provide current and future workforce
- Housing costs have increased sharply as demand far outstripped supply and then interest rate hikes made mortgages more expensive – this limits availability for ongoing migration and workforce expansion
- Wages have increased, but so has inflation – real gains aren't as robust
- Growth in prices is starting to cool off, but affordability and availability are still a concern, especially given the potential for an economic slowdown
- Maine needs additional housing units to better match supply to demand and increase affordability

# Contact Information

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