

HOUSING MARKET REPORT

July 2019



NEW HAMPSHIRE
HOUSING

PERSPECTIVE ON HOUSING, CONSTRUCTION & SCHOOL ENROLLMENT

Dean J. Christon
Executive Director
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Authority

NHHFA compiles a *Housing Market Report* three times a year to analyze trends in and influences on the homeownership and rental housing markets. We also present essays on various facets of the state’s housing market and its impact and importance on New Hampshire’s economic prosperity.

As economist Russ Thibeault points out in his article here, one often-presented argument against building new housing in a community centers on the myth that it will over-burden local schools. Thibeault explains why this is not true, and in fact why our communities should embrace growth and new housing development, based on our demographics and economic needs.

WHERE HAVE ALL THE CHILDREN GONE?

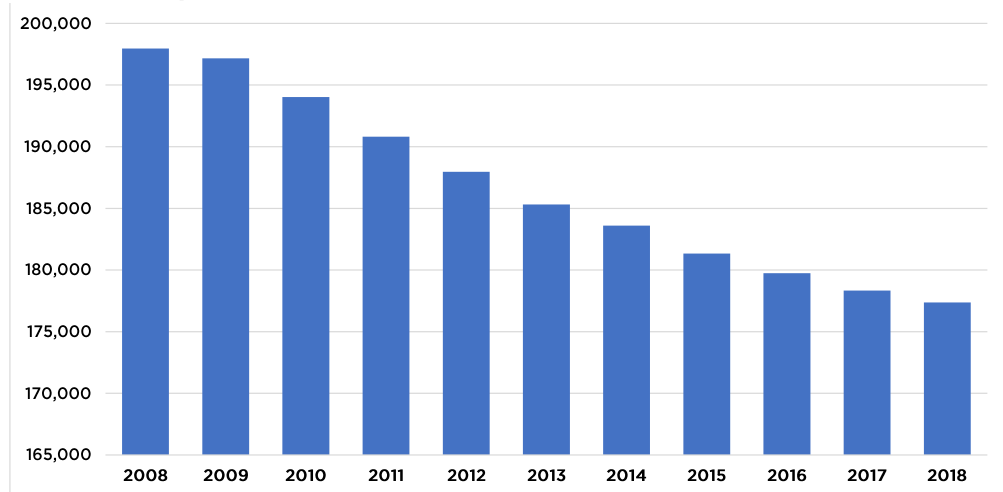
Russ Thibeault is president of Applied Economic Research, an economic and real estate consulting firm he founded in the Lakes Region in 1996.
AERNH.com



One of the most, if not the very most, pervasive and inaccurate myths I encounter in my work around the state is the false belief that every new housing unit will generate “at least” two public school students. You could say that this is one of the anthems of the NIMBY subculture. This red flag is often hoisted up the flagpole at planning board and zoning board meetings across the state....and it has been so for several decades. The inaccurate fear is that local schools will be inundated with new students who overcrowd classrooms, drain local tax coffers, and generate sharply rising tax rates.

One of the occupational hazards of being an economic consultant and advisor to local governments is that there never seems to be enough data to convincingly move from the shaky realm of speculation to the solid ground of reality. But this is not the case with school enrollment. The NH Department of Education does an excellent job of tracking enrollment trends at the state and local levels. This hard data shows unmistakably that enrollment in New Hampshire’s public schools is consistently falling, a trend that began to surface about 20 years ago and is continuing through today.

New Hampshire Public School Fall Enrollment - Pre-School to Grade 12



During the past decade, pre-school to grade 12 enrollment in the state’s public schools has fallen by 20,000 students—a 10% drop. This is in sharp contrast to the 1990s when enrollment rose by over 35,000, because the children of Baby Boomers were in the school-age population group, and the state’s total population was rising rapidly.

Beginning around the year 2000, enrollment began to drop, primarily as a result of (1) the Baby Boomers’ children moving on to college age, (2) slower overall population growth, and (3) declining birth rates.

The math of it all is quite transparent. Even an economist can figure out that if enrollment is declining while we are adding new units...then...the enrollment per occupied unit must be declining. And it is.

Since 2000, we've added 68,200 new occupied housing units, but enrollment fell by over 31,000. An occupied housing unit in New Hampshire now generates an average of 0.33 students.

	Total Enrollment Pre-K - Grade 12	Occupied Housing Units	Enrollment per Occupied Unit
1990	172,800	411,200	0.42
2000	208,450	474,600	0.44
2010	194,000	519,000	0.37
2018	177,350	542,800	0.33
Change 2000-2018	(31,100)	68,200	

Still not convinced? Ok, think of it this way. If, as some continue to believe, every occupied housing unit in the state generated two children, enrollment in the state's public schools would be 1,085,000 (2 X 542,800 occupied units) as compared to actual enrollment of only 177,350.

AER's 2012 study for NHHFA found the following enrollment figures by unit type and bedroom count (www.nhhfa.org/assets/pdf/2012schoolenrollment.pdf), as show in the table below.

Unit Type	Students per Unit
Single-Family Detached	0.48
Multi-Family (5+ Units)	0.17
Manufactured Homes	0.26
Bedroom Count - new units	
1 Bedroom or less	0.08
2 Bedrooms	0.11
3 bedrooms	0.48
4 or More Bedrooms	0.82

Given a 5% overall enrollment decline between 2012 and 2018, current figures are probably a bit lower, other things being equal.

In New Hampshire's current environment of slow growth, an aging population and very low birth rates, many communities would be well-advised to encourage more housing construction, else they face the unpalatable option of closing neighborhood and local community schools because of unsustainably low enrollment.

An inaccurate understanding of the relationship between new housing and school enrollment engenders and perpetuates inappropriate growth policies that stymie new construction at a time when we need more housing and...in many districts... more students. Fear of rising enrollment is passé for nearly every school district in the state. It is a legacy concern, dating back to the last period of rising enrollment, nearly 30 years ago.

If you want to research enrollment trends in your community, check out: www.education.nh.gov/data/attendance.htm

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

HOUSING MARKET REPORT ■ JULY 2019

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Front cover: A resident of Chandler Place Apartments in Plaistow enjoys sitting on her front porch; Claremont's Goodard Block Apartments renovation is funded through NHHFA and the Low Income Housing Tax Credit program; the Neal family's home in Rochester was financed by NHHFA, and includes a Homebuyer Tax Credit and downpayment assistance.

ECONOMIC INDICATORS

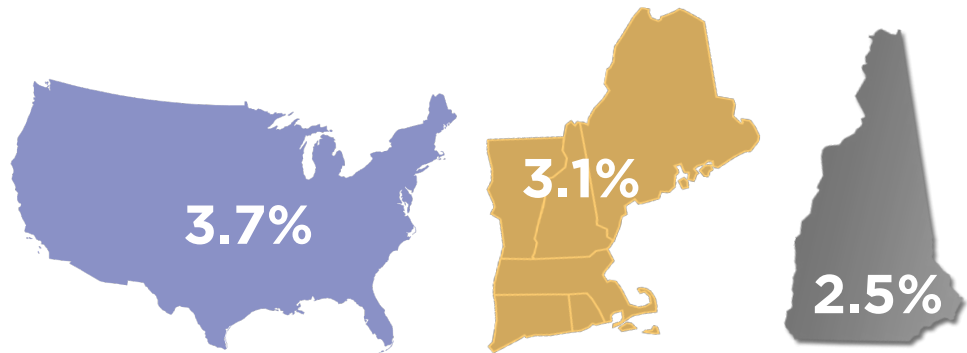
Economic indicators continue to reflect that New Hampshire has a strong economy, with job opportunities around the state. They also show that household income has increased over the past five years.

UNEMPLOYMENT RATE (US, NEW ENGLAND, NEW HAMPSHIRE)

Seasonally adjusted

Source: U.S. Bureau of Labor Statistics

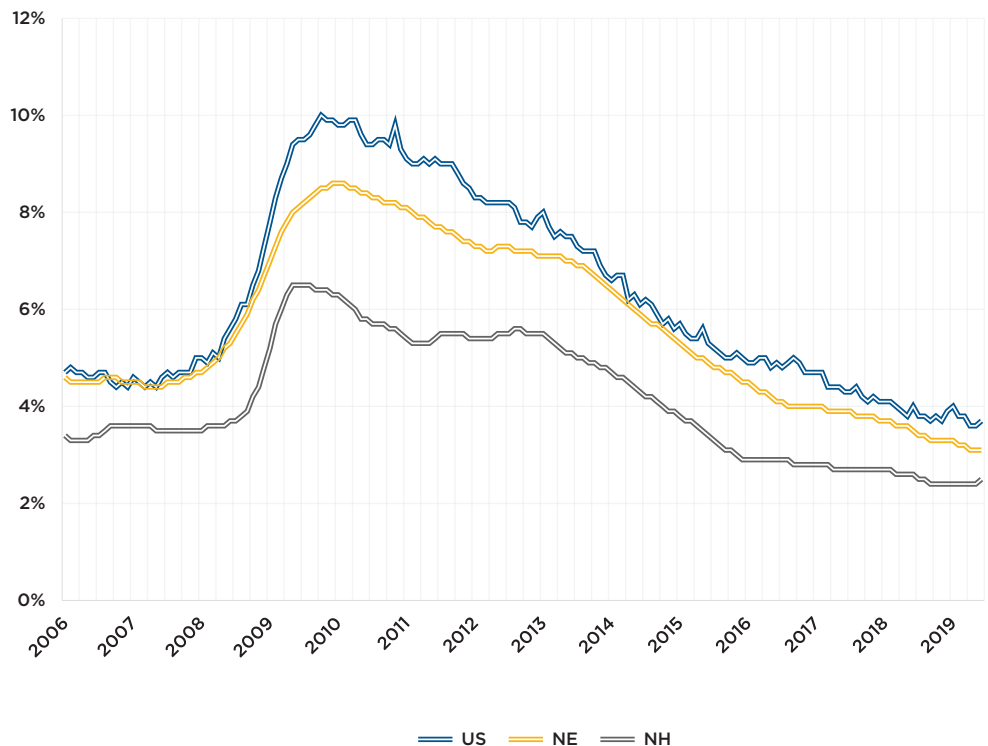
New Hampshire's seasonally adjusted unemployment rate for June has increased slightly to 2.5%. The Granite State has the nation's fourth lowest unemployment rate behind Iowa, North Dakota, and Vermont. New Hampshire's unemployment rate has been below 3% for 43 straight months; an unemployment rate of 3% or less is typically considered full employment.



UNEMPLOYMENT PERCENTAGES, BY YEAR (US, NEW ENGLAND, NEW HAMPSHIRE)

Seasonally adjusted

Source: U.S. Bureau of Labor Statistics

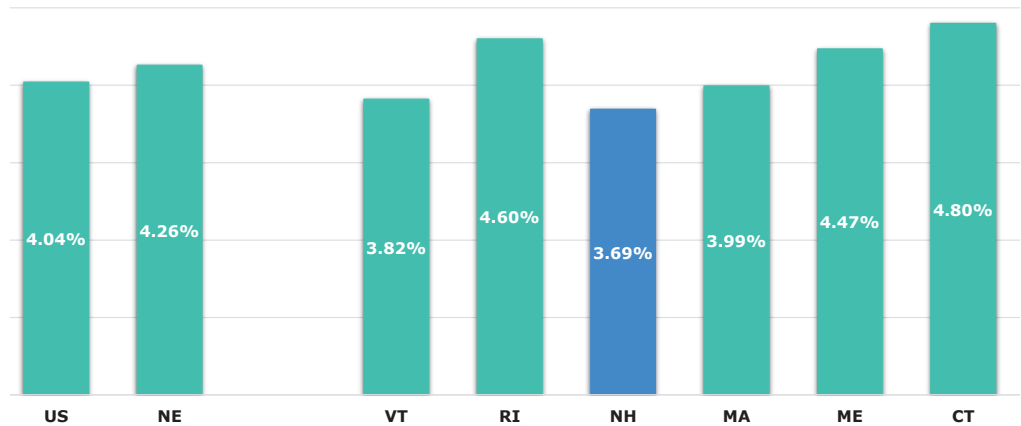


ECONOMIC INDICATORS

MORTGAGE DELINQUENCIES IN NEW ENGLAND Q1, 2019

Source: National Delinquency Survey, Mortgage Bankers Association; prepared by NHHFA

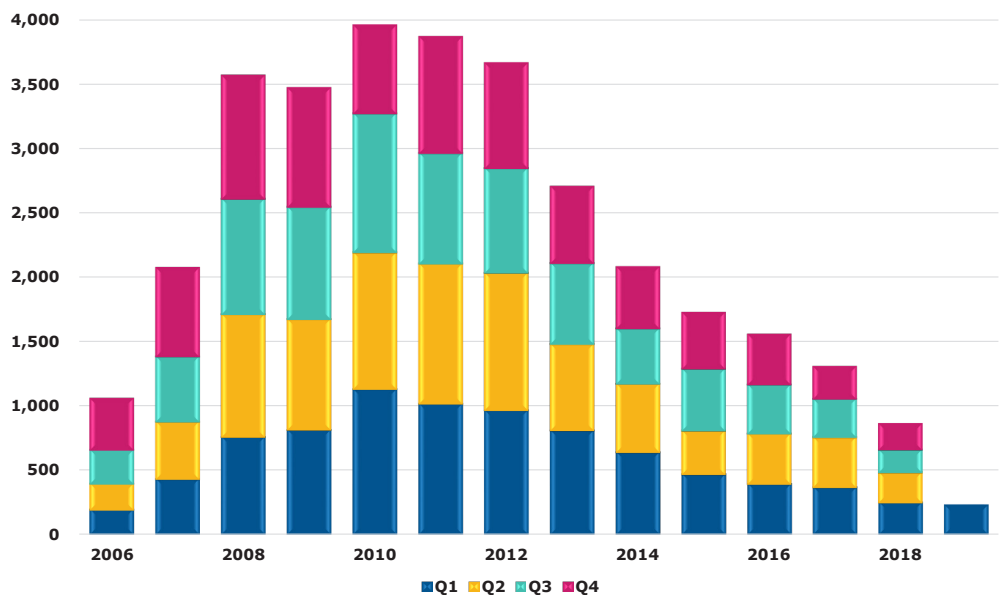
Mortgage delinquencies in New Hampshire dropped slightly in Q1 2019 from last quarter. Currently, 3.7% of all loans in New Hampshire have at least one payment past due, which is lower than other New England states. During the Great Recession, mortgages that were past due reached upwards of 9% in New Hampshire.



FORECLOSURE DEEDS IN NEW HAMPSHIRE By quarter

Source: The Warren Group, compiled by NHHFA

Foreclosures dropped 9% in Q1 2019 from the same period in 2018; the trend indicates that foreclosures could drop even lower in 2019. Cumulatively, there were 860 foreclosures in 2018. The continued increase in median sales price, and lack of inventory within the state provides borrowers who cannot make their mortgage payments with a favorable market to sell their home, and thus avoid foreclosure.

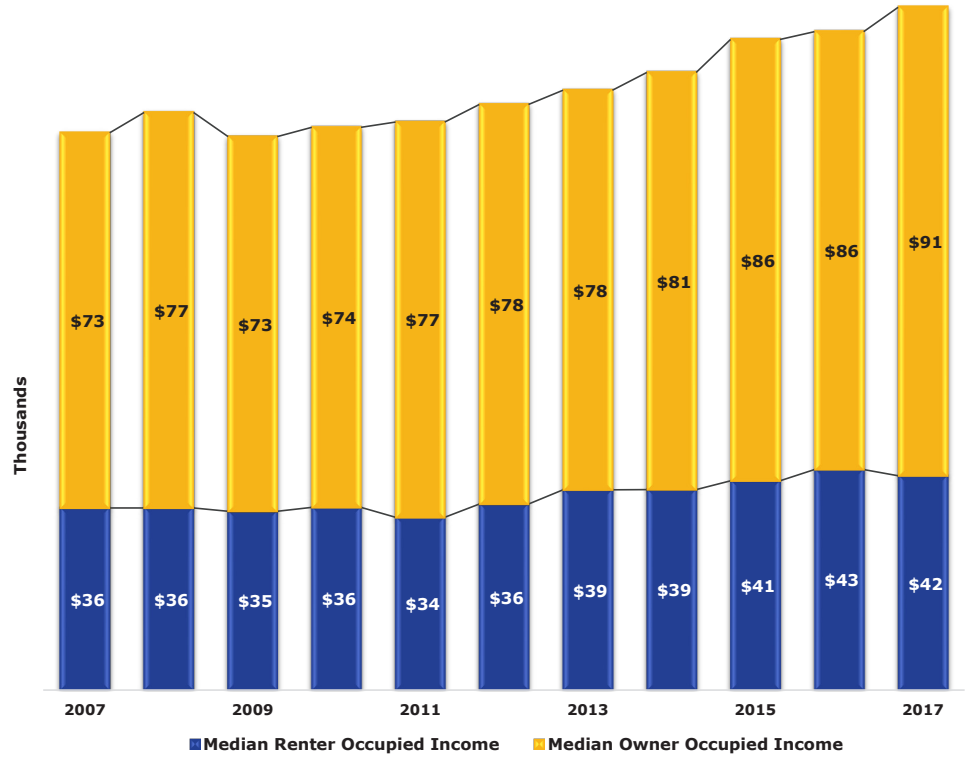


ECONOMIC INDICATORS

Household income has been increasing since 2009. Renter income began to increase in 2012, at a much slower pace than other income. Potential buyers are staying in rentals longer due to a lack of available units to move into, as well as student debt and difficulty in saving for a downpayment.

OWNER AND RENTER MEDIAN HOUSEHOLD INCOME

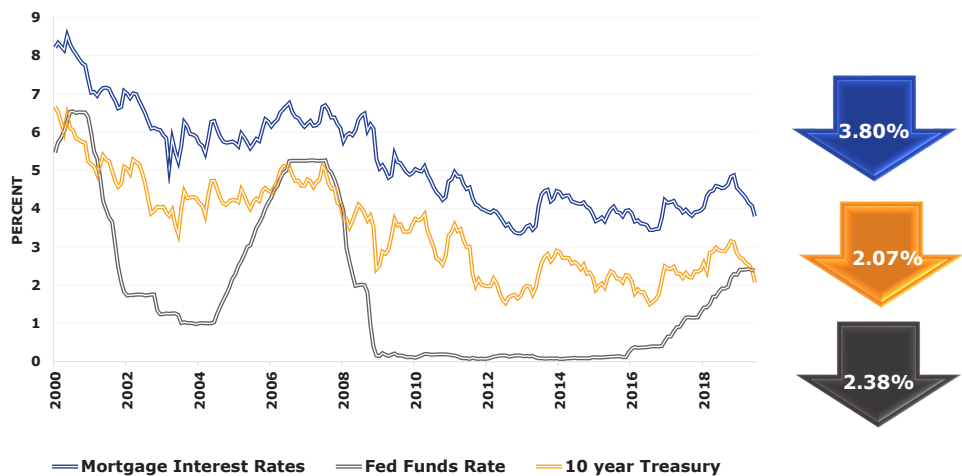
Source: U.S. Census Bureau, American Community Survey, 2007-2017. One Year Estimated Median Household Income by Tenure.



COMPARISON OF INTEREST RATES

Source: Freddie Mac Primary Mortgage Market Survey; US Federal Reserve Selected Interest Rate H.15.

Mortgage interest rates haven't been this low since the end of 2016. It is anticipated that the Federal Reserve will drop rates further at the end of the month.



HOME PRICES, INVENTORY & PERMITS

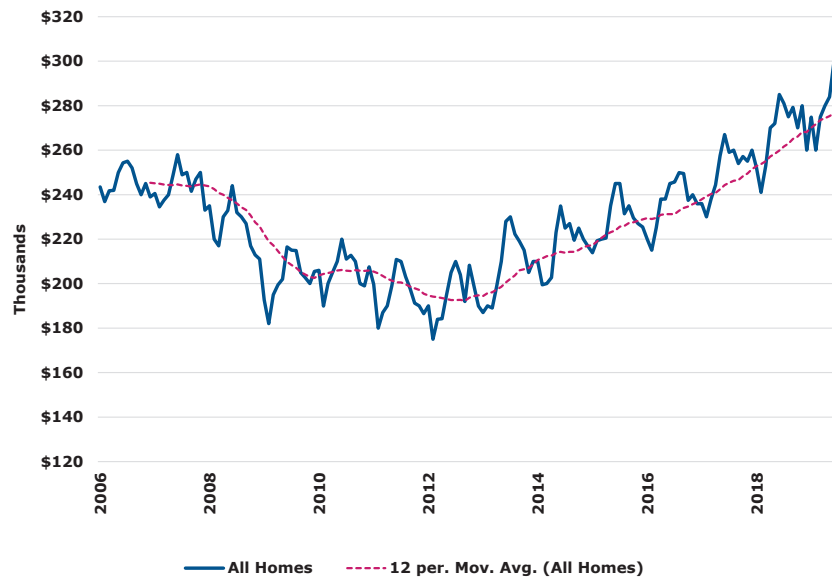
New Hampshire home prices continue to rise, making homeownership more challenging, especially for first-time buyers. The increase in prices reflects the lack of supply as well as the strength of the economy.

MLS MEDIAN SALES PRICE

Source: The Warren Group; filtered and analyzed by NHHFA.



June's listings have decreased 11% from last year. There is a 5% increase in the sales price for June 2019 compared to June 2018. In June, sales hit a median of \$300,000, which is the highest we have seen.

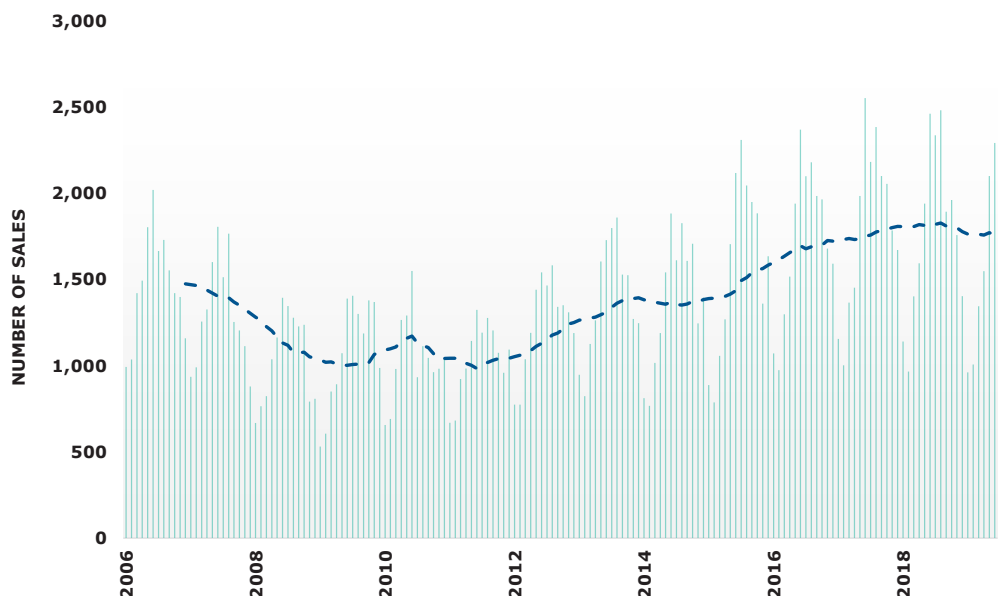


MLS CLOSED SALES

Dotted line reflects the six-month moving average

Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.

So far, 2019 closed sales are 3% less than the same period in the prior year. New home sales represent just 6% of all home sales. With low home starts and limited inventory, sales may be slowing.



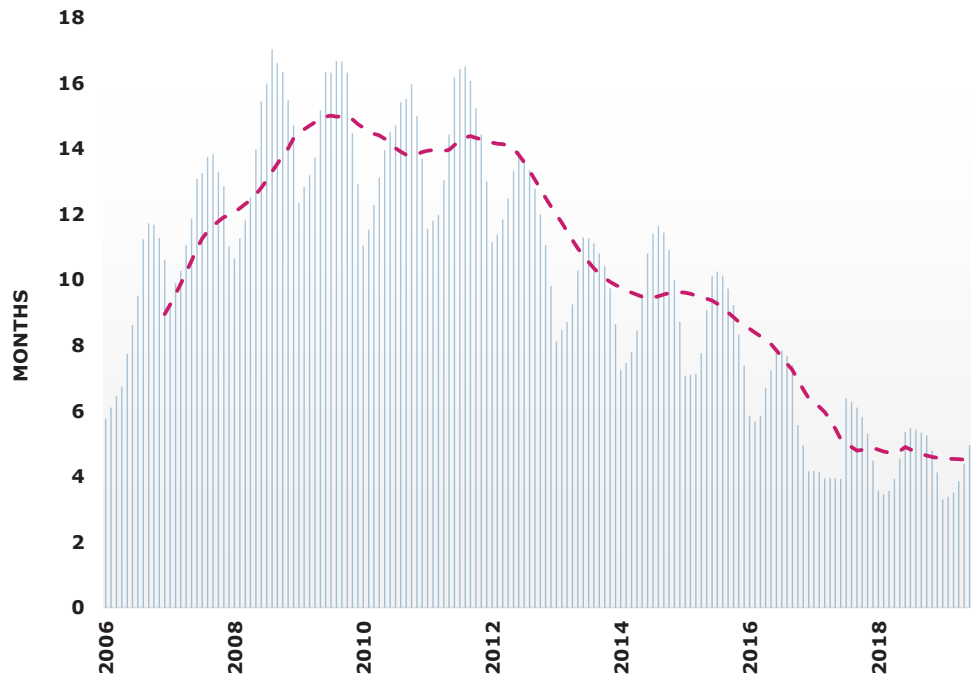
HOME PRICES, INVENTORY & PERMITS

The housing inventory in the state continues to favor sellers. Homebuyers face an extremely competitive market due to low inventory at most pricing levels. Smaller homes of interest to first-time homebuyers and those downsizing from a larger home sell particularly quickly.

MLS HOUSING INVENTORY

The supply of homes may be leveling as higher prices attract more sellers and/or sales volume slows. Hightened activity during the summer may also be reflected.

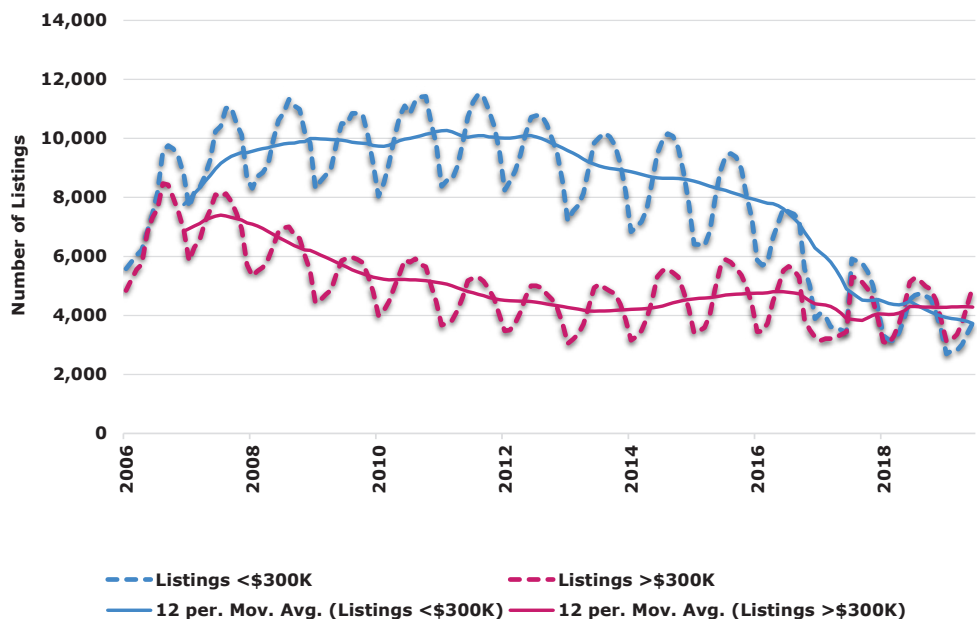
Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.



MLS CURRENT LISTINGS

There are currently more homes listed in New Hampshire over \$300,000 than under; only 43% of the listings are under that amount. The increase in home prices, along with the shrinking inventory, creates a challenging environment, especially for first-time homebuyers.

Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.



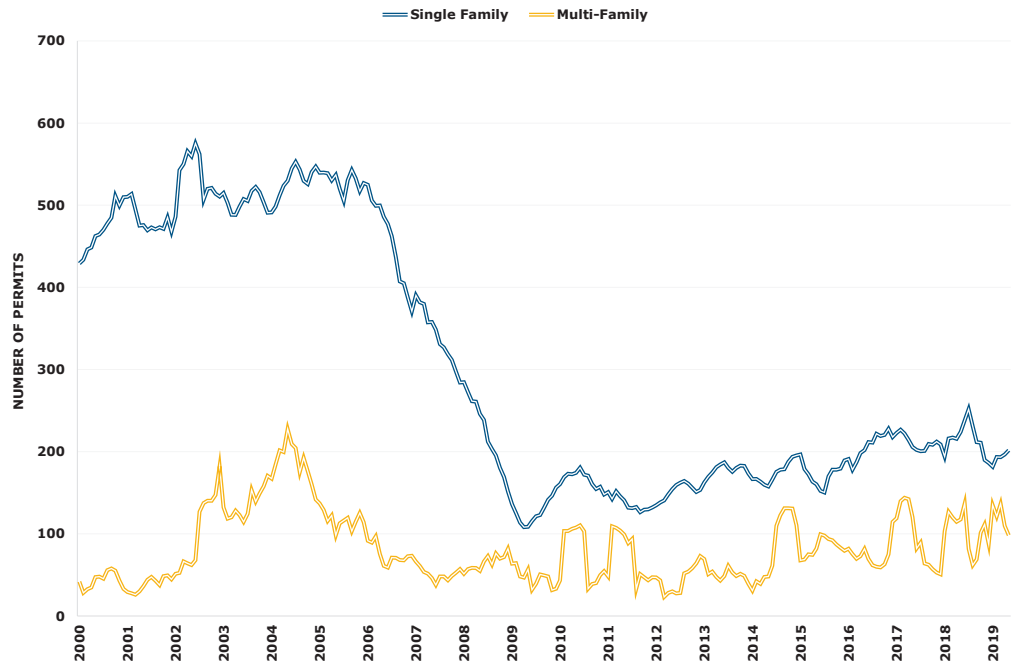
HOME PRICES, INVENTORY & PERMITS

NH HOUSING PERMITS (SINGLE-FAMILY AND MULTI-FAMILY)

Seasonally adjusted, 6-month moving average, through May 2019

Source: U.S. Department of Commerce, Construction Statistics Division

Single-family permits have dropped 20% in the first five months of 2019, when compared to the same period in 2018. However, they show a small improvement from January, after hitting the lowest point seen in the past three years. Multi-family permits have increased by 3.3%.

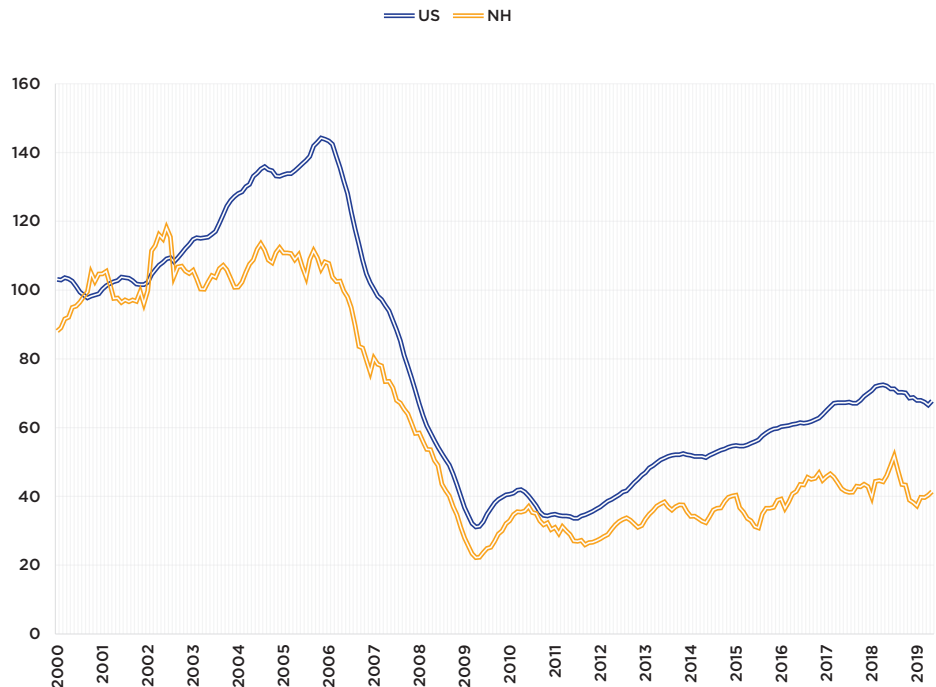


INDEX OF NH & US SINGLE-UNIT HOUSING PERMITS ISSUED

Seasonally adjusted, 6-month moving average, indexed, through May 2019. Index 2000 = 100

Source: U.S. Department of Commerce, Construction Statistics Division

Overall, New Hampshire has seen a 36% increase in permit issuance since the low experienced in 2009. Despite this improvement, the number of single-family housing permits issued in the state still falls behind the national average.



HOME PRICES, INVENTORY & PERMITS

REAL ESTATE LISTINGS BY NH COUNTY

Available listings as of 7/1/19.

Based on information from the Northern New England Real Estate Network and compiled by NHHFA. Excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.

Real Estate Listings by County				
	Total Listings	Median List Price	Listings at or Below \$ 300,000	Listings at or Above \$ 300,000
Belknap County	634	\$ 322,450	300	334
Carroll County	700	\$ 319,000	331	369
Cheshire County	475	\$ 259,900	309	166
Coos County	361	\$ 169,000	299	62
Grafton County	894	\$ 284,900	499	395
Hillsborough County	1,905	\$ 342,700	743	1,162
Merrimack County	922	\$ 299,900	470	452
Rockingham County	2,072	\$ 429,900	387	1,685
Strafford County	696	\$ 319,900	319	377
Sullivan County	364	\$ 266,500	215	149
New Hampshire	9,023		3,872	5,151

MULTI-FAMILY HOUSING UNITS BY COUNTY

Source: U.S. Census Bureau, American Community Survey, 2013-2017 (5-year estimates)

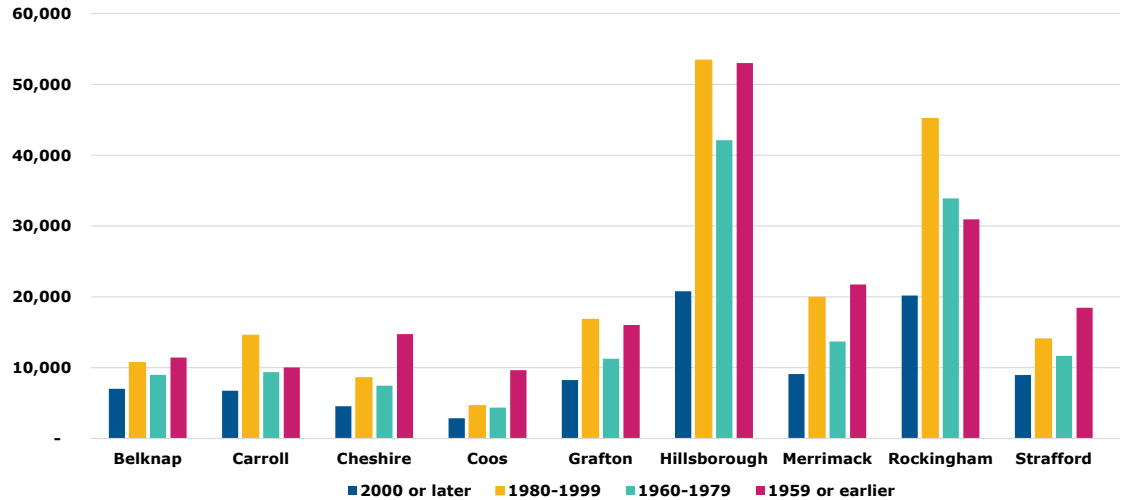
In New Hampshire, 75% of all multi-family units are in Hillsborough, Rockingham, Merrimack, and Strafford counties. Coos County has the oldest housing stock in the state; 45% of the housing units were built prior to 1960.



HOME PRICES, INVENTORY & PERMITS

NUMBER OF UNITS BUILT IN NH, BY COUNTY

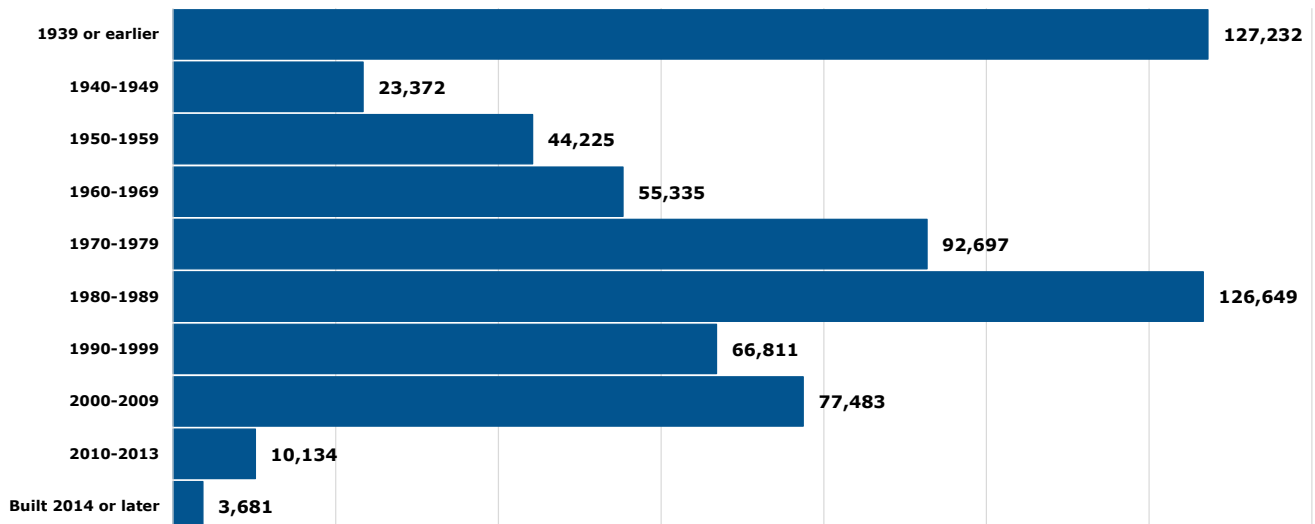
Source: U.S. Census Bureau,
American Community Survey,
2013-2017 (5-year estimates)



NUMBER OF UNITS BUILT IN NH, BY YEAR

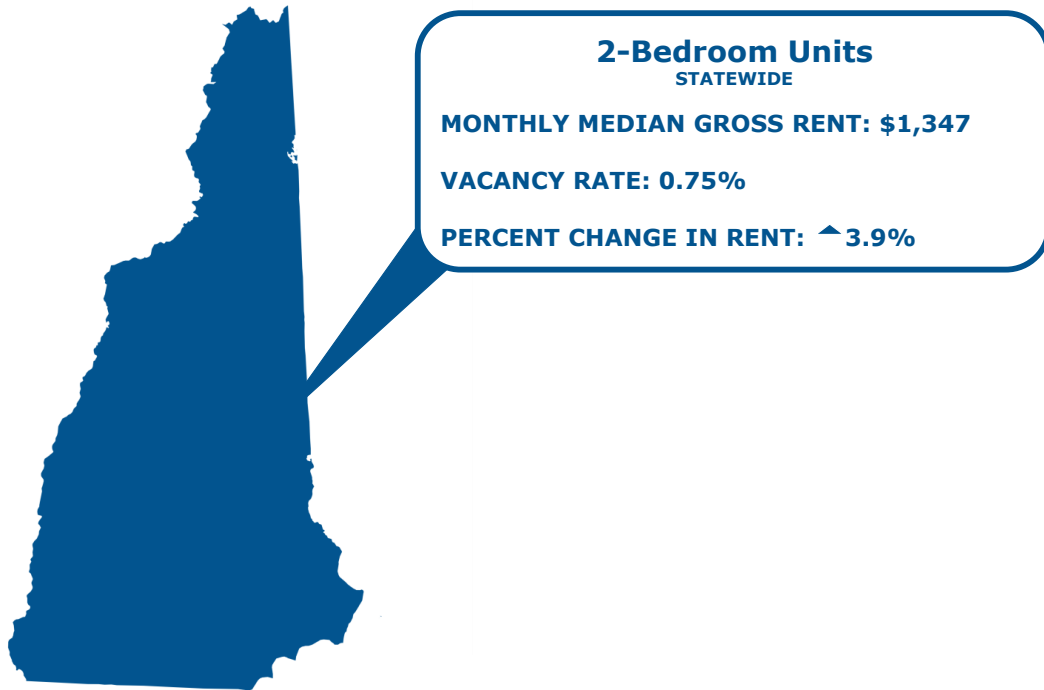
Source: U.S. Census Bureau,
American Community Survey,
2013-2017 (5-year estimates)

Forty percent of the housing units in New Hampshire were built prior to 1969. About 20% were built prior to 1939, and 20% were built between 1980 and 1989. Only 15% of the units were built in 2000 or later, and less than 1% were built after 2014. About 57% of all housing units in New Hampshire have 3 or more bedrooms.



NEW HAMPSHIRE'S RENTAL MARKET

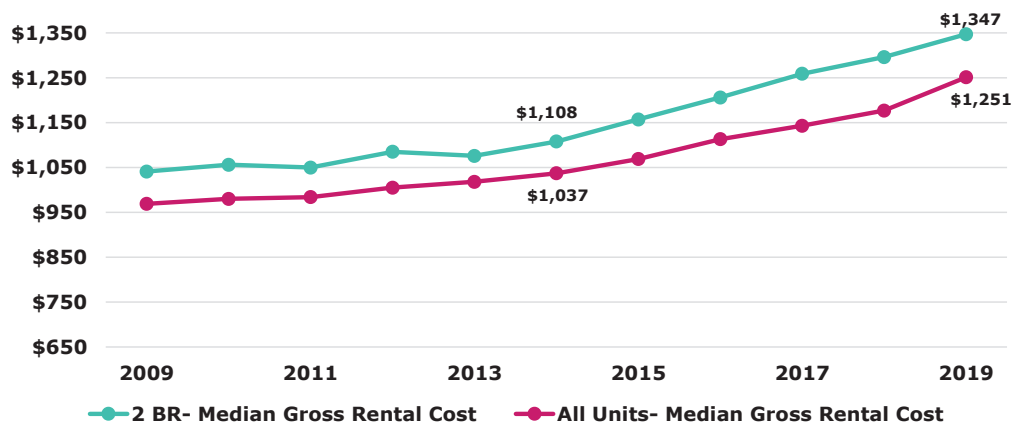
A tight rental market and a strong, growing economy continues in the state, according to the NHHFA 2019 Residential Rental Cost Survey. The report, which was published in June and is available at NHHFA.org/news, reflects a high demand for apartments and low vacancy rates.



MONTHLY MEDIAN GROSS RENT, 2-BEDROOM & ALL UNITS (STATEWIDE)

Includes utilities

The statewide median gross rent (including utilities) for a 2-bedroom unit has increased over 20% in the past 5 years.

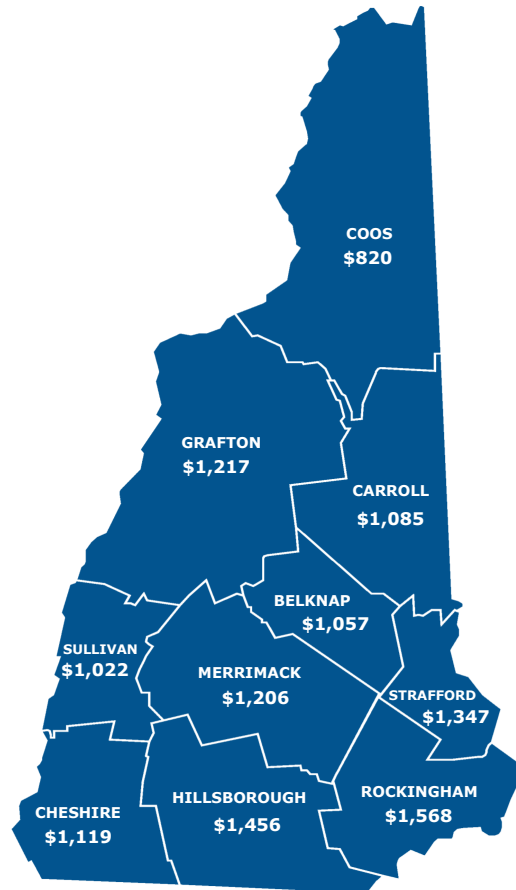


NEW HAMPSHIRE'S RENTAL MARKET

Source: NHHFA 2019 Residential Rental Cost Survey Report; download at NHHFA.org/news.

MEDIAN MONTHLY GROSS RENTAL COST FOR 2-BEDROOM UNITS (BY COUNTY)

The statewide median gross rent for a 2-bedroom unit in 2019 was \$1,347; 78% of the rental units surveyed are in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties) and they have the highest median gross rents. The rental costs seen here in Grafton County are driven by the market in the Hanover/Lebanon area.



UTILITY COSTS OF TENANTS

The more bedrooms and rooms in an apartment, the higher the utility costs are likely to be. Older, less energy-efficient rental housing stock and the colder climate in northern New Hampshire also reflect higher utility costs.

	Bedroom Type					
	0	1	2	3	4+	All Units
Belknap County	\$ 166.71	\$ 180.31	\$ 253.50	\$ 314.28	\$ 424.71	\$ 259.97
Carroll County	\$ 187.50	\$ 201.41	\$ 279.32	\$ 365.68	\$ 434.25	\$ 277.51
Cheshire County	\$ 139.38	\$ 188.32	\$ 243.05	\$ 298.96	\$ 363.73	\$ 230.10
Coos County	\$ -	\$ 241.25	\$ 299.33	\$ 364.50	\$ 485.50	\$ 304.52
Grafton County	\$ 155.96	\$ 198.69	\$ 280.72	\$ 394.25	\$ 388.29	\$ 257.35
Hillsborough County	\$ 128.19	\$ 157.64	\$ 198.60	\$ 228.75	\$ 282.62	\$ 191.75
Merrimack County	\$ 138.59	\$ 176.25	\$ 229.67	\$ 273.11	\$ 337.67	\$ 214.75
Rockingham County	\$ 123.28	\$ 161.85	\$ 216.01	\$ 277.86	\$ 276.00	\$ 208.03
Strafford County	\$ 108.50	\$ 166.69	\$ 240.72	\$ 301.32	\$ 332.06	\$ 237.64
Sullivan County	\$ -	\$ 266.50	\$ 334.11	\$ 363.62	\$ 395.00	\$ 340.67
State of New Hampshire	\$ 136.38	\$ 167.29	\$ 219.03	\$ 266.93	\$ 319.23	\$ 211.05

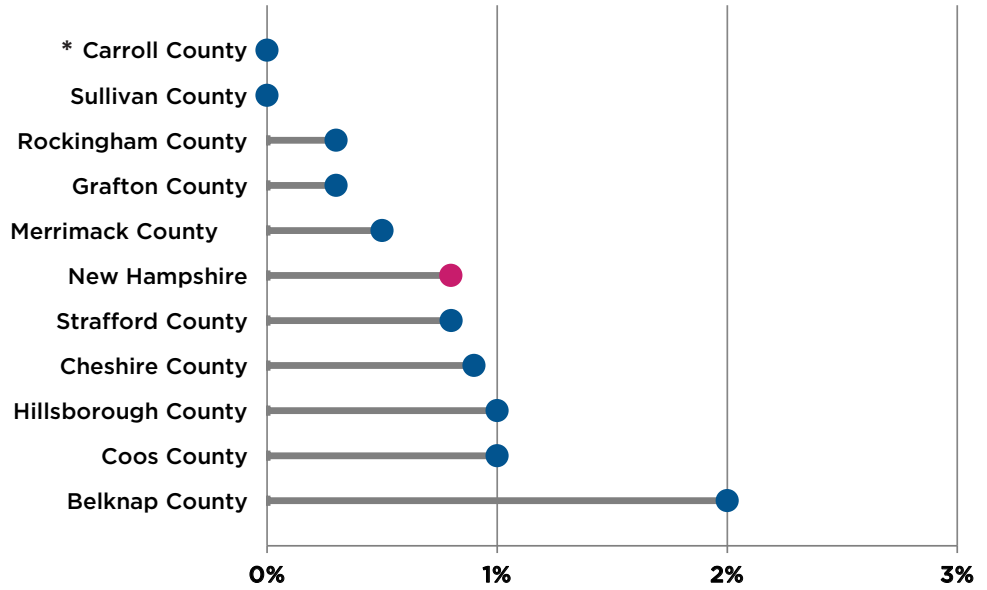
NEW HAMPSHIRE'S RENTAL MARKET

Source: NHHFA 2019 Residential Rental Cost Survey Report; download at NHHFA.org/news.

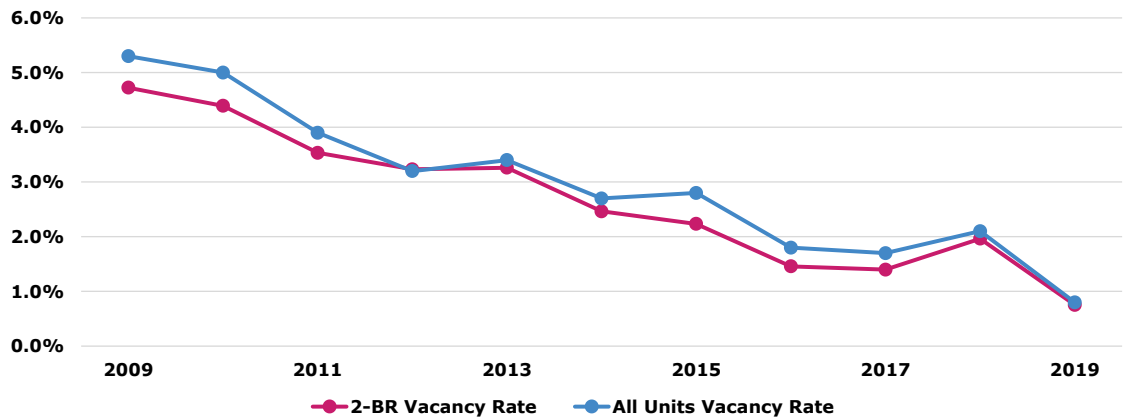
VACANCIES BY COUNTY (PERCENT OF 2-BEDROOM UNITS)

Every county in New Hampshire is well below 3% vacancy. Anything below 3% is typically considered turnover.

** Calculations based on smaller sample sizes are viewed as providing highly volatile results and are not typically released.*



STATEWIDE VACANCY RATE, 2-BEDROOM & ALL UNITS, 2009 - 2019



NHHFA HOUSING RESEARCH, PUBLICATIONS AND RESOURCES

NHHFA's Policy, Planning and Communications Group focuses on researching, surveying and identifying the state's housing needs and conditions. It also provides technical assistance and information to local governments and the public on housing-related matters. Additionally, it administers grant programs to support non-profits engaged in affordable housing activities.



HOUSING-RELATED STUDIES AND REPORTS

NHHFA published *A New Hampshire Homeowner's Guide to Accessory Dwelling Units* in 2018 and an ADU guide for local officials in 2017. These guides provide assistance in implementing the Accessory Dwelling Units statute (RSA 674:71-73). The intent of that law is to expand affordable housing options in New Hampshire communities by encouraging the efficient use of existing housing stock and infrastructure.

HOUSING ADVOCACY AND GRANTS

Given the importance of this work, NHHFA has increased the funds available to support local housing advocacy and public education activities. NHHFA also is focusing on engaging partners such as local and regional chambers of commerce and economic development organizations. The state's network of workforce housing coalitions, along with Housing Action NH, are key to raising awareness about the need for a diverse and affordable range of housing in our communities. NHHFA provides grants to support the efforts of these coalitions: Vital Communities (Upper Valley); the Workforce Housing Coalition of the Greater Seacoast; and the Mt. Washington Valley Housing Coalition.

MUNICIPAL TECHNICAL ASSISTANCE GRANT PROGRAM

To provide towns and cities with assistance to address locally identified planning needs, NHHFA partners with Plan NH to administer the Municipal Technical Assistance Grant Program. Municipalities may apply for grants of up to \$20,000. A cash match of 25% of the grant amount is required to participate in the program. Additionally, NHHFA staff provide direct technical assistance to municipalities upon request.

HOUSING CONFERENCE SERIES

NHHFA hosts a series of conferences each year for the financial, real estate, lending, development, nonprofit, and other housing-related sectors, as well as public officials and business leaders. These events encourage discussion about ways to address the Granite State's affordable housing and economic development needs. In 2019, NHHFA will present the Homeownership Conference (March 19), Multi-Family Rental Housing Development Conference (June 6), and Housing and the Economy Conference (October 10).

ANNUAL PUBLICATIONS

- Annual Report
- Financial Statements and Independent Auditor's Report
- Strategic / Program Plan
- Residential Rental Cost Survey (and Utility Allowance Survey)
- HUD Required Consolidated Plan / Action Plan
- State Biennial Housing Plan (every 2 years)
- Housing Market Report (Spring - Summer - Fall)

STUDIES AND GUIDES

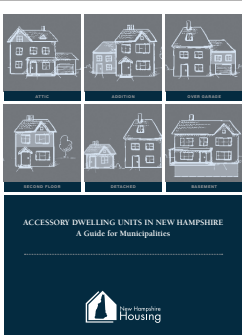
- New Hampshire's Housing Challenge and Projected Housing Needs: Dimensions and Policy Options (to be published in 2019)
- A New Hampshire Homeowner's Guide to Accessory Dwelling Units (2018)
- Accessory Dwelling Units in New Hampshire: A Guide for Municipalities (2017)
- Affordable Rental Housing Developments: Characteristics of Residents of New Hampshire Low Income Housing Tax Credit Apartments (2017)
- Analysis of Impediments to Fair Housing (2004 & 2015)
- Housing Needs in NH (NH Center for Public Policy Studies) (2014)
- Housing Solutions Handbook (2004 & 2014)
- Community Planning Grant Case Studies (2014)
- Information Briefs: A Planning Resource for Municipalities (2014)
- Fair Housing for Regional and Municipal Planners (2014)
- New Hampshire Employer Survey (2005, 2008 & 2014)

2019 NEW HAMPSHIRE RESIDENTIAL RENTAL COST SURVEY



A NEW HAMPSHIRE HOMEOWNER'S GUIDE TO

ACCESSORY DWELLING UNITS





NEW HAMPSHIRE
HOUSING

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*As a self-supporting public corporation created by the state legislature,
New Hampshire Housing Finance Authority promotes, finances,
and supports affordable housing.*

New Hampshire housing market, economic and demographic
data are available at NHHFA.org/data-resources-planning.

