

# HOUSING MARKET UPDATE

November 2017



New Hampshire  
Housing

## EXECUTIVE SUMMARY

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### HOUSING REMAINS ESSENTIAL TO NEW HAMPSHIRE'S ECONOMIC GROWTH

Dean J. Christon  
*Executive Director*

New Hampshire is faced with an inadequate supply of housing. This need for a range of single and multi-family housing suited to and desired by younger workers, families and older residents is reflected in the current housing and economic data for the state. The data show:

- Low vacancy rates and a shortage of units in rental housing in most regions of the state
- A relatively low inventory of homes for sale, particularly under \$300,000
- Renters and homeowners who wish to move – whether to larger or smaller quarters – but who have limited options due to the low turnover of housing and a competitive market
- Close to full employment in the state
- Businesses in the state seeking workers – and housing for those workers

In particular, this data points to a great demand for additional housing that will meet the needs of an expanding workforce as well as our older residents.

Increasing the supply of housing in our state is essential to our economic growth and development. It is equally important to ensure that all of New Hampshire's citizens have access to housing that meets their needs.

A significant impediment to achieving the goal of an adequate and balanced supply of housing is public regulatory and other policies that limit the ability of the development community to respond to market demands for housing in a timely and efficient way.

In acknowledging these barriers, we can work together to identify and eliminate policies, practices and attitudes that discourage and impede public and private developers from building the type of housing needed. We recognize that true success in this endeavor depends on broad public engagement and the efforts of the individuals and organizations that contribute to our housing economy.

New Hampshire Housing continues to do its part to address the housing needs of our state. We have targeted resources to encourage multi-family, mixed-income housing development. We helped finance more than 600 new rental units and preserve 300 others statewide in the last year.

On the homeownership side, we helped nearly 2,000 households purchase a home last year; this accounted for about 10% of all home purchases in the state. And we are working to expand access to affordable homeownership. In September, we launched the nation's first low downpayment, conventional fixed-rate financing loan program for manufactured housing in resident-owned communities, in partnership with Fannie Mae.

New Hampshire Housing remains committed to collaborating with public and private partners to meet the housing needs of our state's residents and businesses, as we all work to ensure New Hampshire's economic vitality.

# HOUSING MARKET UPDATE - NOVEMBER 2017

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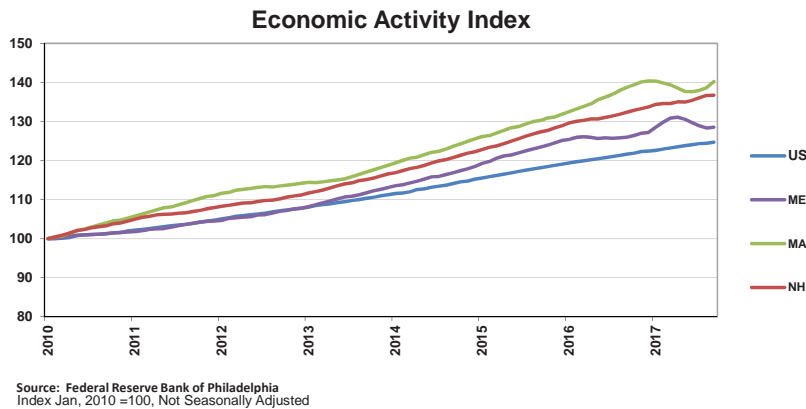
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# ECONOMY AND JOBS: STILL STRONG

Despite a slight flattening in economic growth in the past month, New Hampshire's economy has been steadily growing since 2010. This strong growth is clearly demonstrated in the state's employment numbers and impressively low unemployment rate. With nearly full employment, new workers will be needed to keep fueling the economic engines.

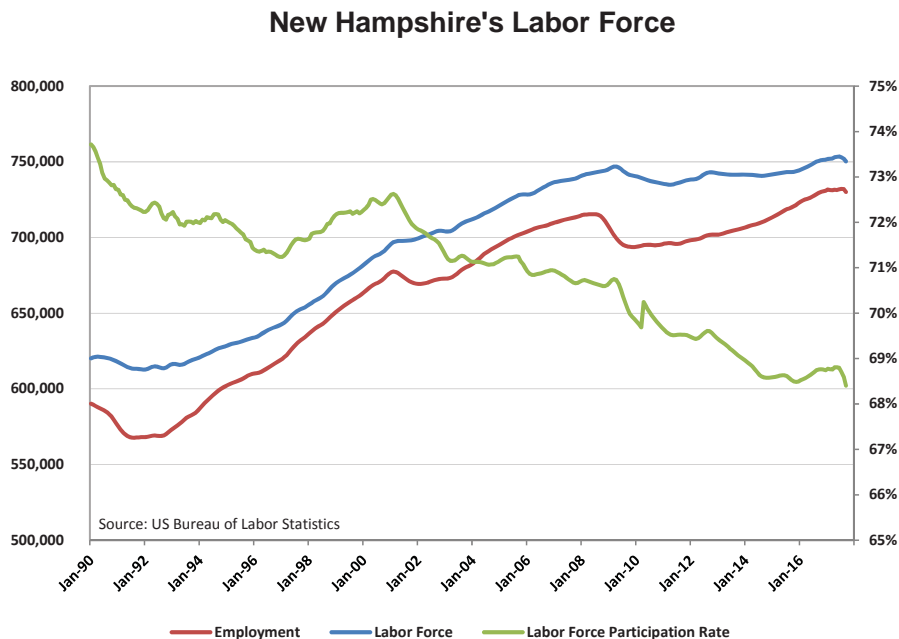
## STATE'S ECONOMIC ACTIVITY LEVELING?

Over the past seven years, New Hampshire's economic activity has mirrored the economic growth of the United States. The Granite State's rate shows some leveling in the last month after steadily increasing for most of the year. Massachusetts' economic activity level is increasing at a slightly faster pace, but has shown some fluctuation in the past year.



## LOW UNEMPLOYMENT AND A DECLINING LABOR PARTICIPATION RATE

The state's labor force sits at just over 750,000 and employment at 730,000, making for an impressive unemployment rate of less than 3%. The labor force participation rate, however, is trending downward, as the percentage of the population in the labor force decreases. This decrease can be attributed to New Hampshire's aging population.



# ECONOMY AND JOBS: STILL STRONG

## EMPLOYMENT GROWTH LED BY SERVICE INDUSTRIES

Since the Great Recession (2007-2009), New Hampshire has continued its transition from a manufacturing to a service-oriented economy. The bulk of New Hampshire's labor force (86%) is employed in the service sector. Manufacturing, Construction, and Retail Trade sectors declined in employment through 2016. The largest increase in employment occurred in the Health Care and Social Assistance sector, which gained over 10,000 jobs since 2007 – one third of the total Service Sector job growth for that period. The average weekly wage for most industry sectors showed little growth when adjusted for inflation.

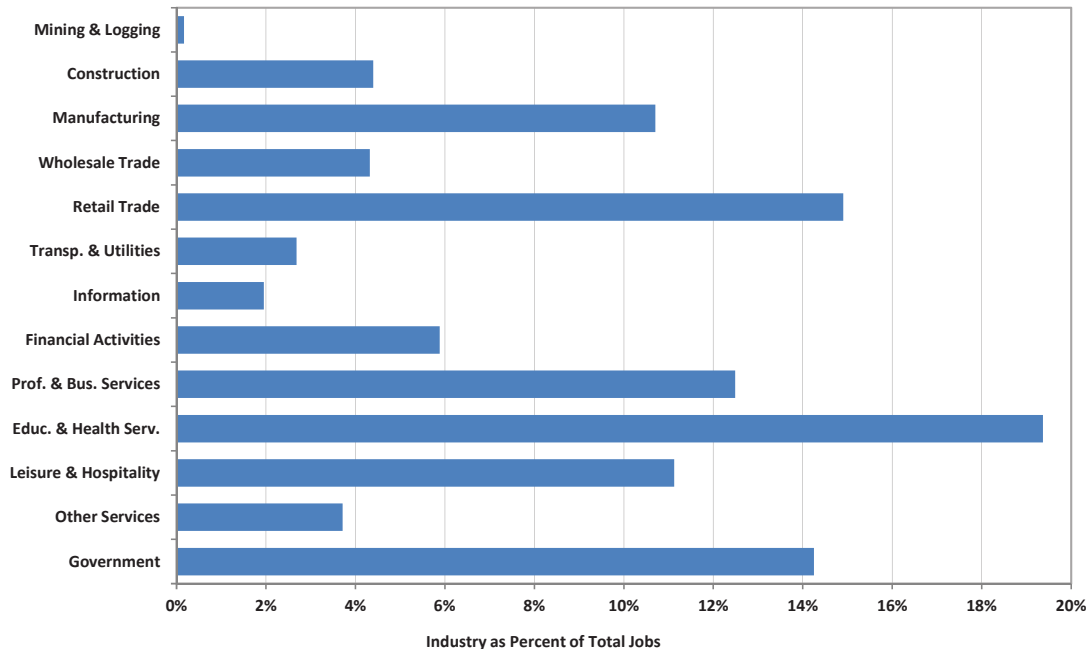
### Employment By Industry With Wages

	2016		2007			Change In	
	Average Annual Employment	Average Weekly Wage	Average Annual Employment	Average Weekly Wage 2007 Dollars	Average Weekly Wage 2007 (in 2016 Dollars)	Annual Employment	Average Weekly Wage Adjusted for Inflation
Total, Private plus Government	647,375	\$1,030.04	630,171	\$843.46	\$978.41	17,204	\$51.63
Total Private	562,836	\$1,042.63	543,800	\$852.45	\$988.84	19,036	\$53.79
<b>Goods-Producing Industries</b>	<b>96,138</b>	<b>\$1,251.03</b>	<b>107,673</b>	<b>\$1,054.16</b>	<b>\$1,222.83</b>	<b>(11,535)</b>	<b>\$28.20</b>
Construction	25,460	\$1,132.24	27,478	\$930.27	\$1,079.11	(2,018)	\$53.13
Manufacturing	68,098	\$1,313.49	77,762	\$1,109.42	\$1,286.93	(9,664)	\$26.56
<b>Service-Providing Industries</b>	<b>466,699</b>	<b>\$999.70</b>	<b>436,127</b>	<b>\$802.65</b>	<b>\$931.07</b>	<b>30,572</b>	<b>\$68.63</b>
Wholesale Trade	27,783	\$1,729.38	28,324	\$1,372.61	\$1,592.23	(541)	\$137.15
<b>Retail Trade</b>	<b>95,919</b>	<b>\$595.82</b>	<b>97,697</b>	<b>\$508.49</b>	<b>\$589.85</b>	<b>(1,778)</b>	<b>\$5.97</b>
Transportation and Warehousing	14,026	\$818.73	12,711	\$680.85	\$789.79	1,315	\$28.94
Information	12,510	\$1,640.50	12,243	\$1,278.06	\$1,482.55	267	\$157.95
Finance and Insurance	29,405	\$1,941.23	28,222	\$1,371.25	\$1,590.65	1,183	\$350.58
Professional and Technical Service	33,912	\$1,706.52	30,033	\$1,329.86	\$1,542.64	3,879	\$163.88
<b>Educational Services</b>	<b>19,783</b>	<b>\$1,039.76</b>	<b>17,502</b>	<b>\$813.65</b>	<b>\$943.83</b>	<b>2,281</b>	<b>\$95.93</b>
<b>Health Care and Social Assistance</b>	<b>89,807</b>	<b>\$1,022.24</b>	<b>79,152</b>	<b>\$819.83</b>	<b>\$951.00</b>	<b>10,655</b>	<b>\$71.24</b>
Accommodation and Food Services	58,138	\$387.44	53,124	\$312.94	\$363.01	5,014	\$24.43

Source: New Hampshire Employment Security Covered Employment & Wages Annual data

### Percent of NH Employment by Industry

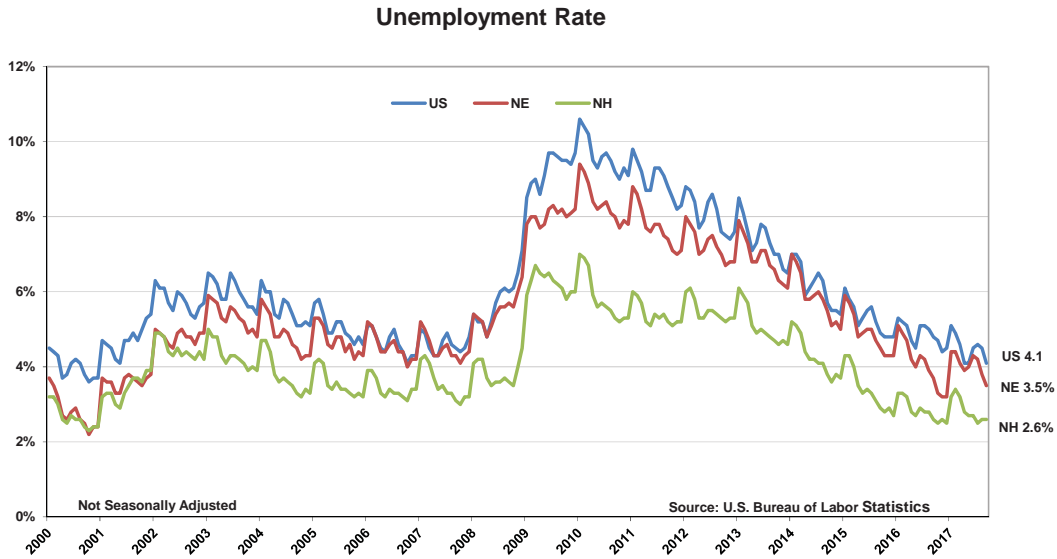
September 2017



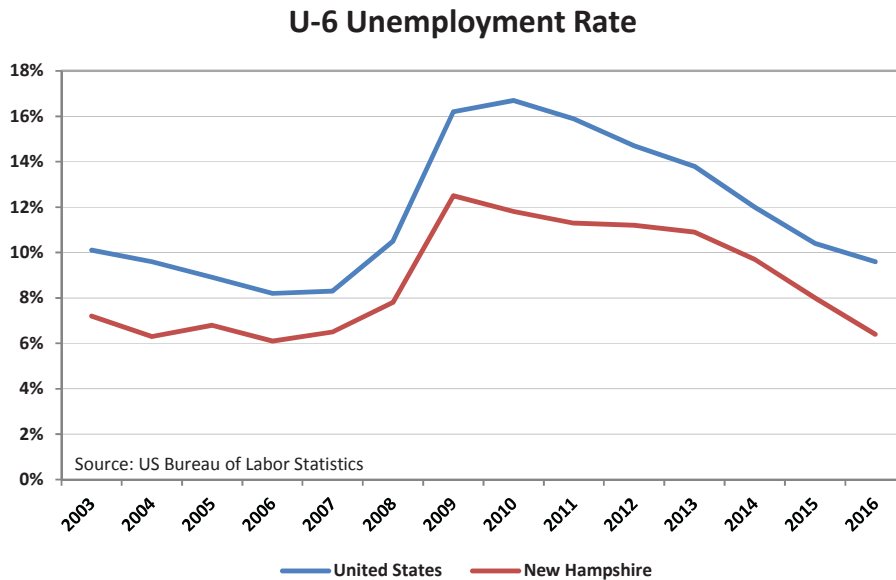
# ECONOMY AND JOBS: STILL STRONG

## UNEMPLOYMENT REMAINS LOW

The seasonally adjusted unemployment rate for New Hampshire is 2.7% for September and is unchanged from August's revised level. New Hampshire has the lowest unemployment rate in New England and the fourth lowest unemployment rate in the nation.



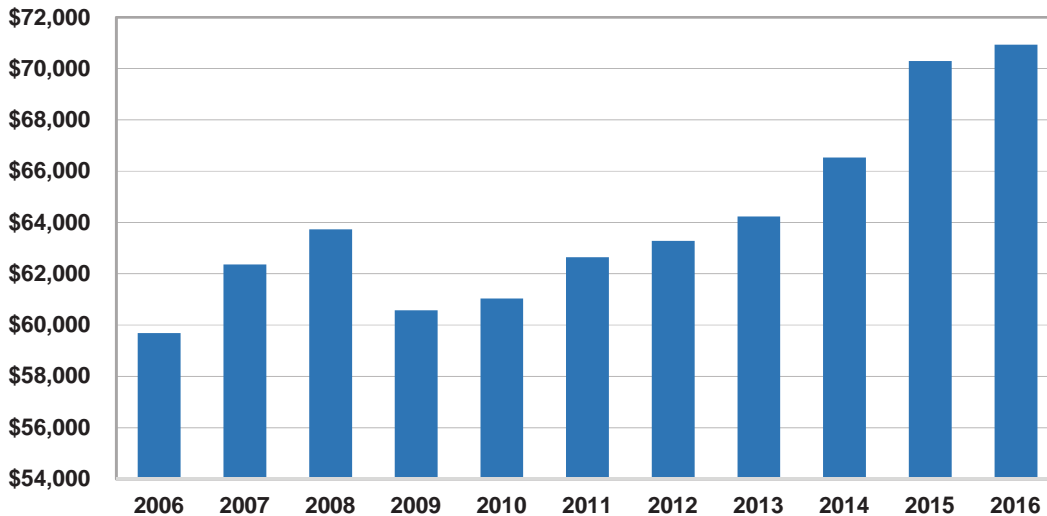
The U-6 Unemployment Rate measures not only the percentage of the civilian labor force that is unemployed, but also marginally employed or employed part-time workers. New Hampshire's U-6 Unemployment Rate has been declining since 2009 and is currently 6.3%. This is a level New Hampshire hasn't seen since 2006, and one that is significantly better than nationally (over 9%).



## HOUSEHOLD INCOMES

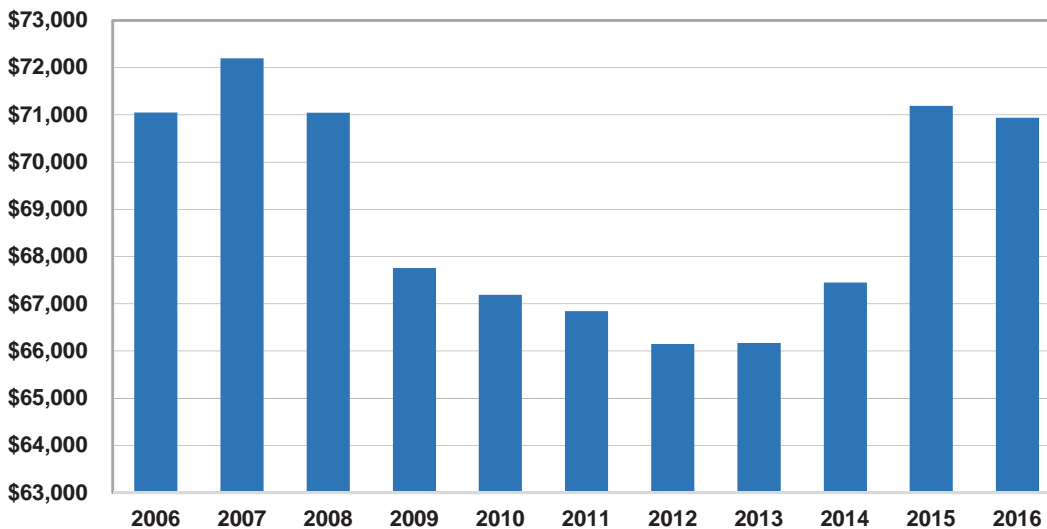
The median household income for 2016 is \$70,936, a 1% increase over 2015. Median household incomes have been increasing since 2009.

### NH Median Household Income



The low wage growth in most employment sectors is more readily apparent when these incomes are adjusted for inflation. The median household income for New Hampshire is unchanged from 2015 and is \$1,200 less than the median family income before the Great Recession. The “quit rate” in the Northeast (1.7%) is relatively low. This unwillingness to quit a job may be a contributing factor in holding back wage growth despite very low unemployment.

### NH Median Household Income in 2016 Dollars



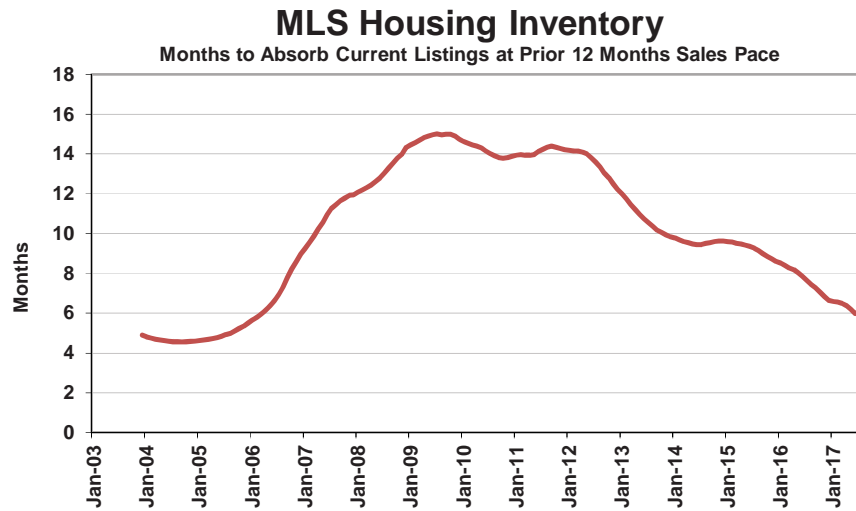
Source: US Census Bureau, American Community Survey (2006-2016)  
B25119. Median Household Income the Past 12 Months (in 2016 Inflation-Adjusted Dollars) by Tenure  
Bureau of Labor Statistics Consumer Price Index Annual Adjustment Factor  
Compiled by New Hampshire Housing Finance Authority

# HOME SALES SLOWING, HOME INVENTORY DOWN

The inventory of homes for sale remains low, particularly in the more populous southern tier of the state. This reduces the number of potential home sales. Thus, the number of closed sales is down from this point last year although the demand for homes is still high. A high demand and a diminished supply leads to an increase in prices, and this is seen in many areas of the state.

## HOUSING INVENTORY REMAINS LOW

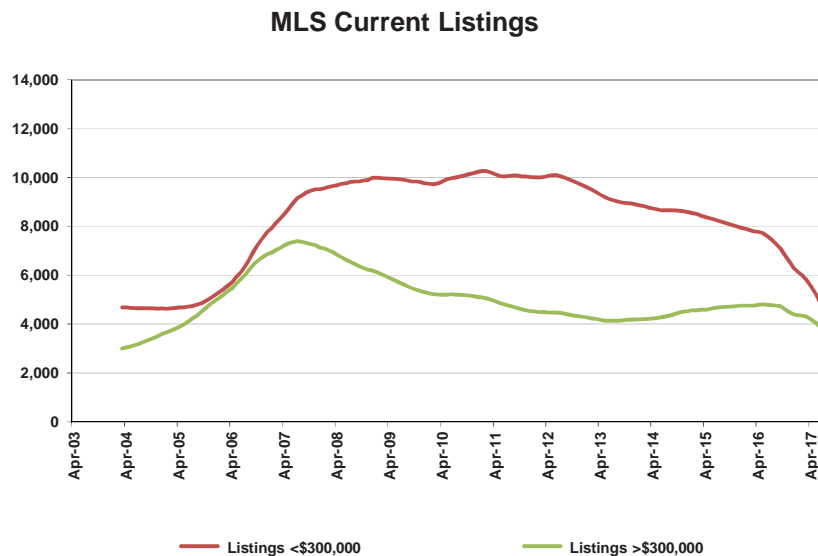
The inventory of available housing shows the number of months that would be required to sell all the homes listed for sale in the MLS system. A trend line (12-month moving average) is shown to even out the monthly and seasonal variations. The trend line shows the reduction in inventory since the end of the recession. An inventory of less than 6 months indicates a sellers' market. The chart below shows the statewide trend in inventory, but does not reflect the trend rates of 4 to 5 months in the more active southern markets.



Those housing markets benefit from a much more robust recovery and proximity to the Boston labor market area. The low inventories put upward pressure on prices in those markets and may be slowing the sales pace.

## HOUSING SUPPLY

On a statewide basis, the number of units being offered for sale has been declining. The number of homes for sale under \$300,000 (typically desired by first-time homebuyers) has been declining more rapidly than those above \$300,000. With far fewer choices available in the under \$300,000 range, many buyers may be shut out of the market.

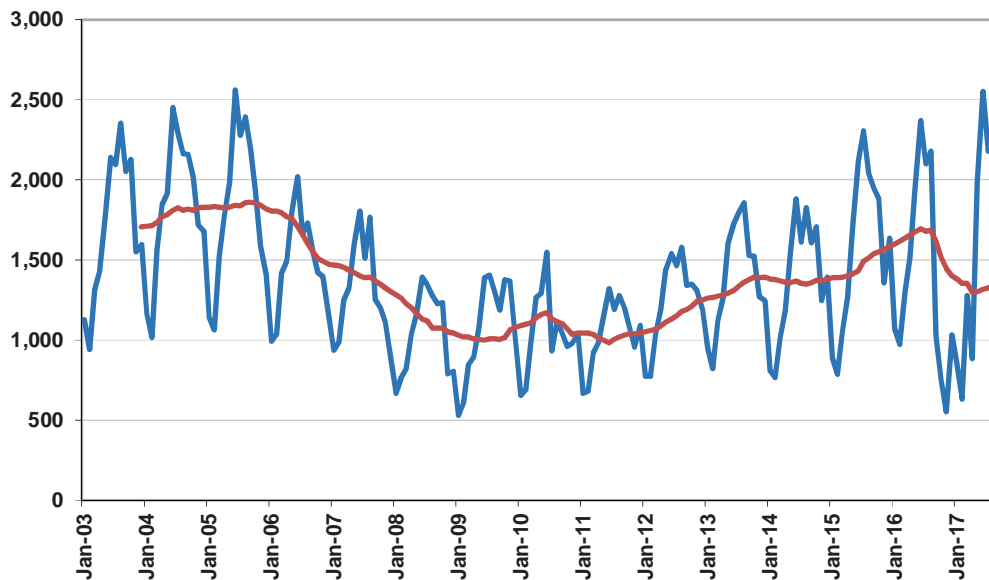




## DESPITE SOME UPTICK, HOME SALES ARE SLOWING

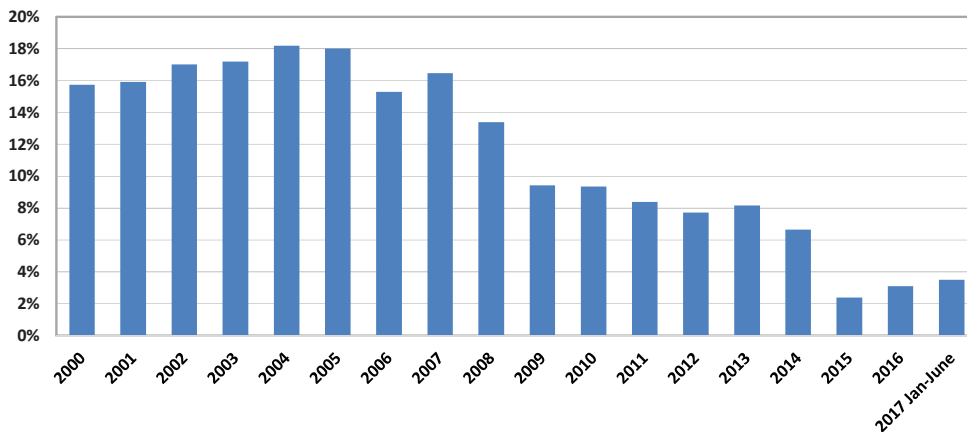
These monthly numbers typically exhibit significant seasonal fluctuation, with peaks in June, July or August, and troughs in January and February. Closed sales in June 2017 set a recent high of 2,550, an increase of more than 8% from June 2016. August 2017 was 9% above August sales (2,383) in the prior year. However, cumulative sales for the first eight months of 2017 are 5% below sales volume for the same period in 2016.

### MLS Closed Sales



New homes are still only a small part of the market (3.5% of sales). In contrast, they were as high as 18% of the market in 2004 and 2005, prior to the housing market collapse. However, the number of new homes as a percentage of all home sales has been increasing over the last several years, due in part to rising demand and a growing economy. The slow rise may be partially attributable to the high cost of new construction. The purchase price of new housing is 55% higher than that of existing housing.

### New Homes Sales as a Percent of All Sales

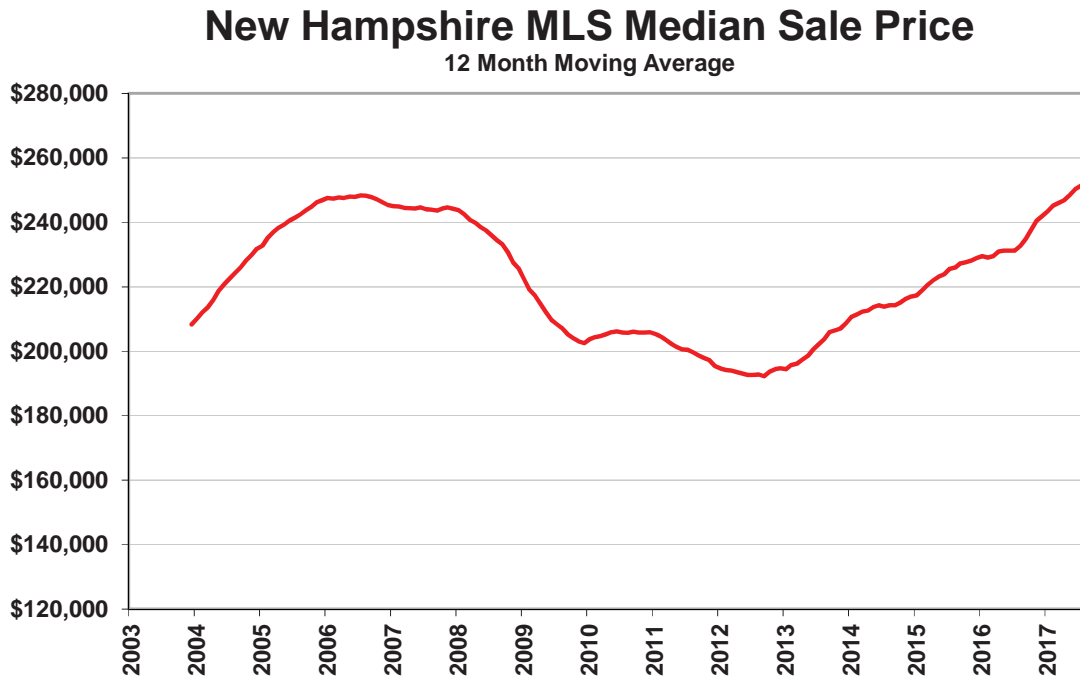


# HOME PRICES ARE RISING

A lack of inventory, as well as low interest rates, are keeping the demand for homes up and forcing prices to rise. While mortgage interest rates have begun to increase, it is not enough to put a damper on demand.

## CONTINUED INCREASES IN HOME SALES PRICES

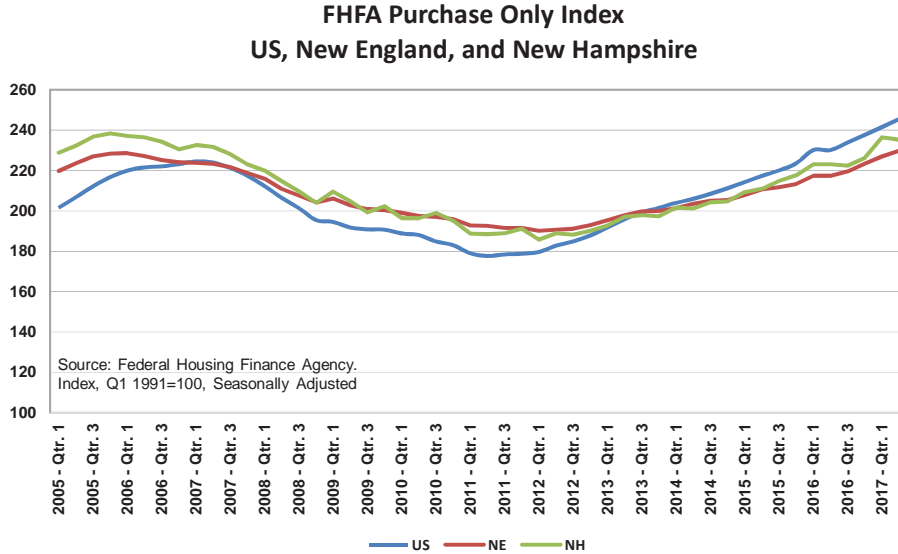
Based on MLS sales in New Hampshire, purchase prices have rebounded past the pre-recession highs. The trend line below shows the increase, with a seasonal peak of \$260,000 in August 2017. In 23 of the past 24 months, prices have shown an increase when compared with the same month in the prior year. Median prices now match or exceed the peaks of the early 2000s.



All MLS statistics used in this analysis are based on information from NNEREN for the period January 2003 through September 2017 for all towns in New Hampshire. All analysis and commentary related to the statistics here was done by NHHFA. This analysis excludes land, interval ownership, seasonal camps/cottages, multi-family property, mobile/manufactured homes and commercial/industrial property.

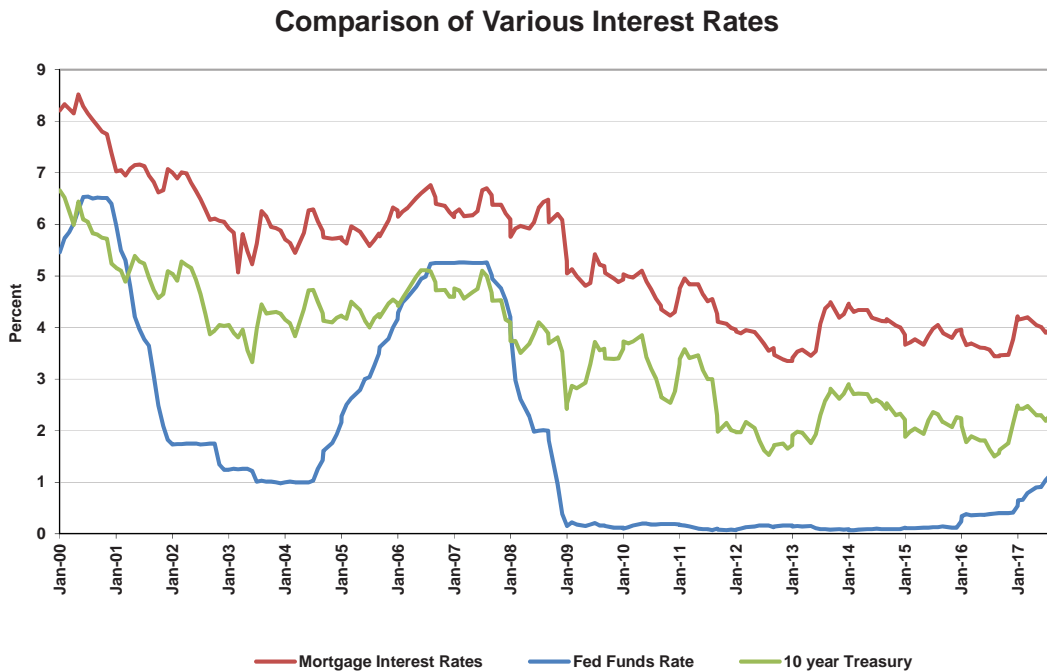
## HOME PRICE INDEX SHOWS REGIONAL IMPROVEMENT

Home prices in New Hampshire increased by 9.6% over the past year, recovering nearly all of the 21.8% decline from their most recent peak in 2005 to their trough in 2012. Throughout much of this century, New Hampshire and New England outperformed the U.S. as a whole. Since the end of the recession, New Hampshire and New England have under-performed the nation.



## MORTGAGE INTEREST RATES

The average interest rate for a 30-year mortgage declined in September to 3.81% from the high of 3.97% in July. Mortgage interest rates have declined throughout the year (with the exception of July) despite increases in short-term interest rates.

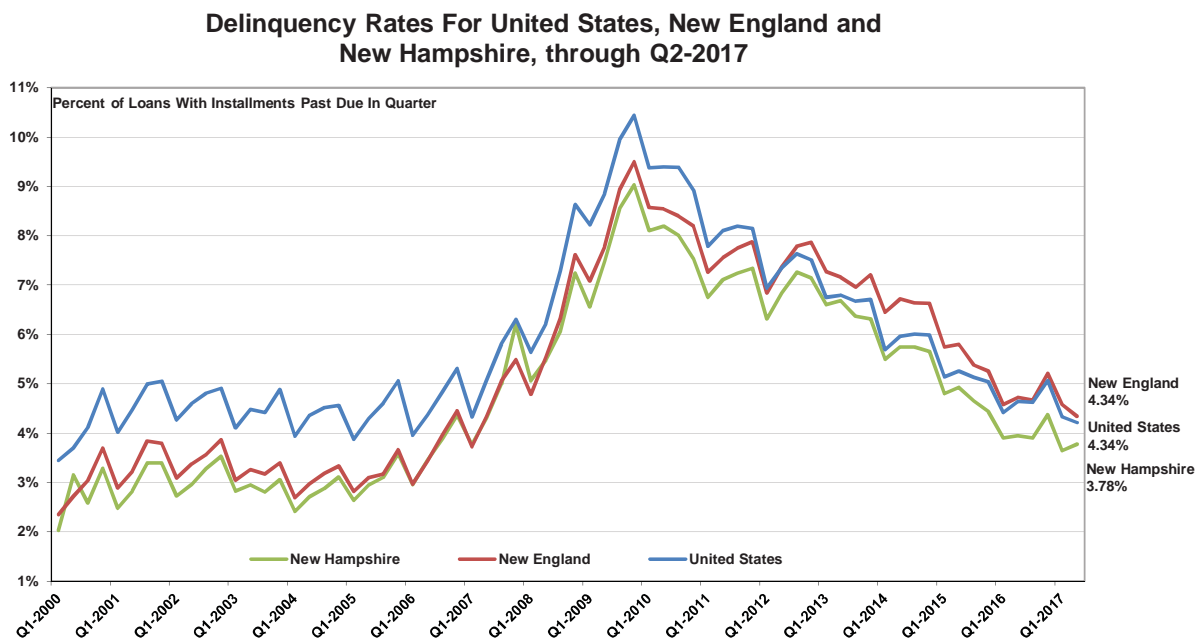


## COMING DOWN: MORTGAGE DELINQUENCIES AND FORECLOSURES

Mortgage delinquencies are down, as is unemployment; there is a linkage. With delinquencies down, foreclosure auction notices are also down and there are fewer homes potentially going to foreclosure. Additionally, the foreclosure rate is reduced because those having difficulty paying their mortgage are able to sell their home through a short sale or a market sale, thus avoiding foreclosure.

### MORTGAGE DELINQUENCY RATES MAY BE LEVELING

New Hampshire's delinquency rate continued to decline in 2017. The percent of delinquent loans are the lowest they have been since 2006. New Hampshire's rate is lower than both the New England and the national rates, but not by much.

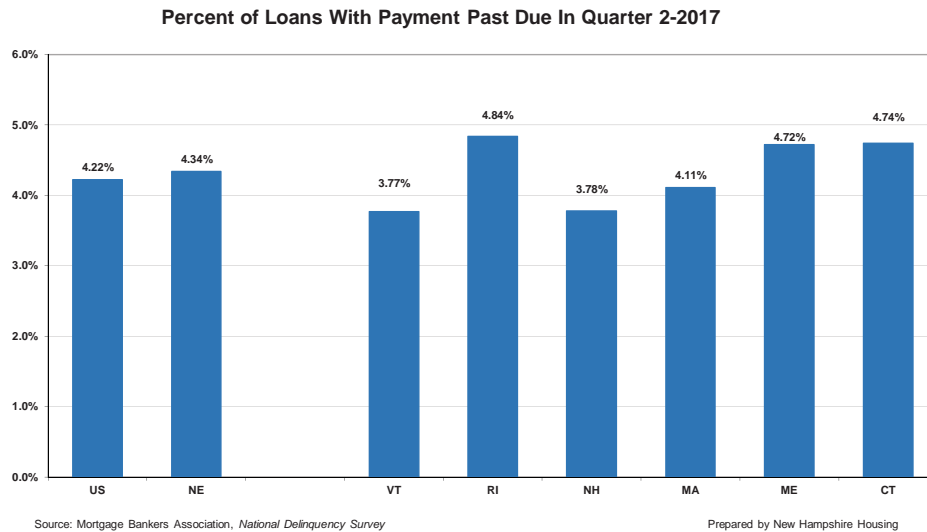


Source: Mortgage Bankers Association, *National Delinquency Survey*

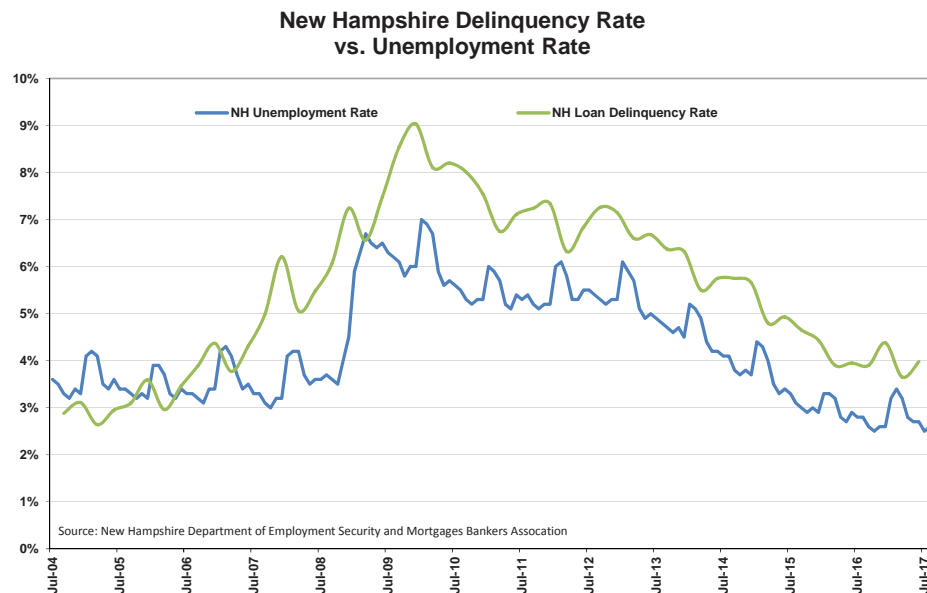
Prepared by New Hampshire Housing

# COMING DOWN: MORTGAGE DELINQUENCIES AND FORECLOSURES

New Hampshire falls right behind Vermont, which leads New England and the U.S. with the lowest percent of loans past due in the second quarter of 2017 (3.77%). Rhode Island has the highest percent of loans past due in the last quarter (4.84%).



Steady reductions in the unemployment rate in New Hampshire since the end of the Great Recession have contributed to improvements in the mortgage delinquency rate. The apparent correlation of seasonal peaks and troughs seems counter intuitive as the lowest delinquencies roughly coincide with the highest unemployment rate. However, the data sets fluctuate for different reasons. Unemployment varies seasonally due to climate and tourism. Delinquency varies in part because federal tax refunds are used to bring loans current.

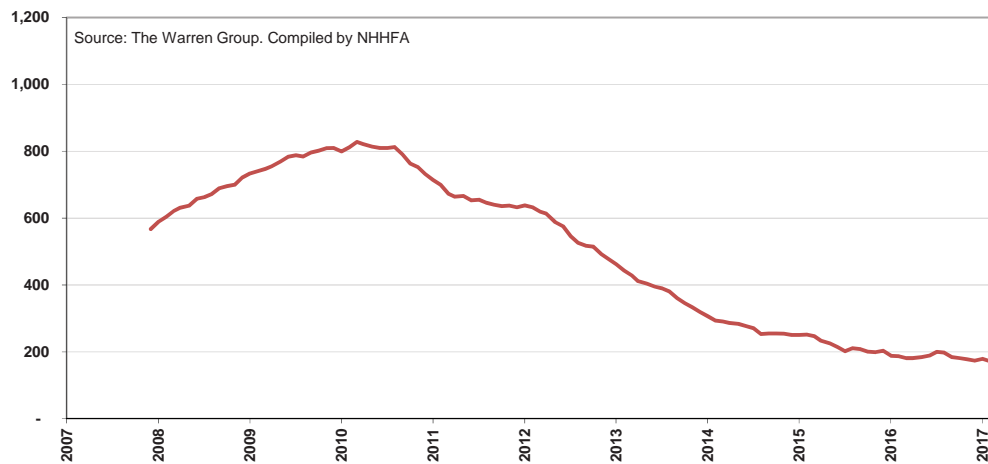


# COMING DOWN: MORTGAGE DELINQUENCIES AND FORECLOSURES

## CONTINUED DECLINE IN FORECLOSURE AUCTION NOTICES

Foreclosure auction notices have declined to under 200 per month. The 1,496 foreclosure auction notices issued in the first nine months of 2017 is 13% lower than the number of notices issued during the same period in 2016.

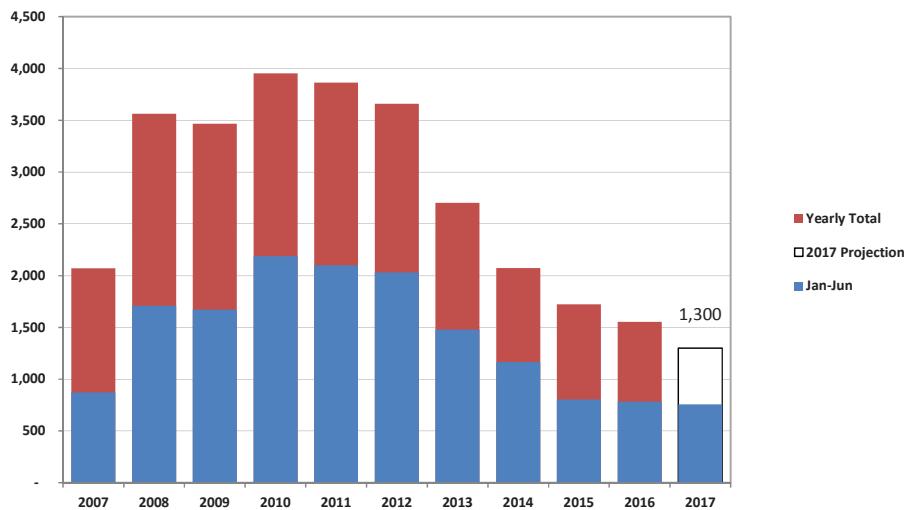
**Foreclosure Auctions Publicly Noticed**  
12 Month Moving Average



## IMPROVEMENT IN FORECLOSURE NUMBERS

The cumulative total number of foreclosures for 2016 was 15.5% below the total for 2015, and a lower annual total than any year since 2006. Foreclosures are anticipated to decline again, with the first two quarters of 2017 decreasing by 3% from the first two quarters of 2016.

**Foreclosure Deeds in New Hampshire**



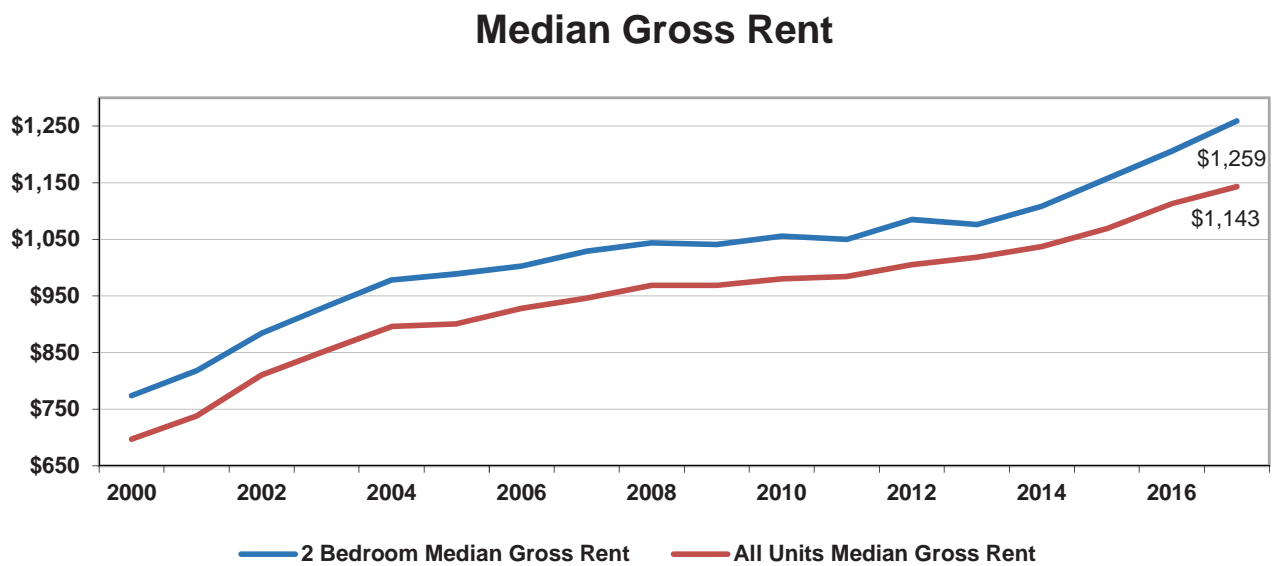
Source: The Warren Group, Compiled by New Hampshire Housing

## RENTAL MARKET: TIGHT SUPPLY

With low vacancy rates and rising rents around the state, a tight rental market trend continues, and affordability remains an issue. All 10 of the state's counties saw an increase in median gross rent, with rents highest in the southern counties near the state's largest cities and close to employers, as well as the Boston job market. New units being constructed tend to be on the higher-end of the rental market, further challenging the availability of affordable housing, particularly in the southern tier of the state.

### RENTAL COSTS ARE UP

The statewide median gross rent (including utilities) for two-bedroom units increased by 4.4% to \$1,259 from \$1,206 in the prior year. The two-bedroom median gross rent has increased for the fourth year in a row.

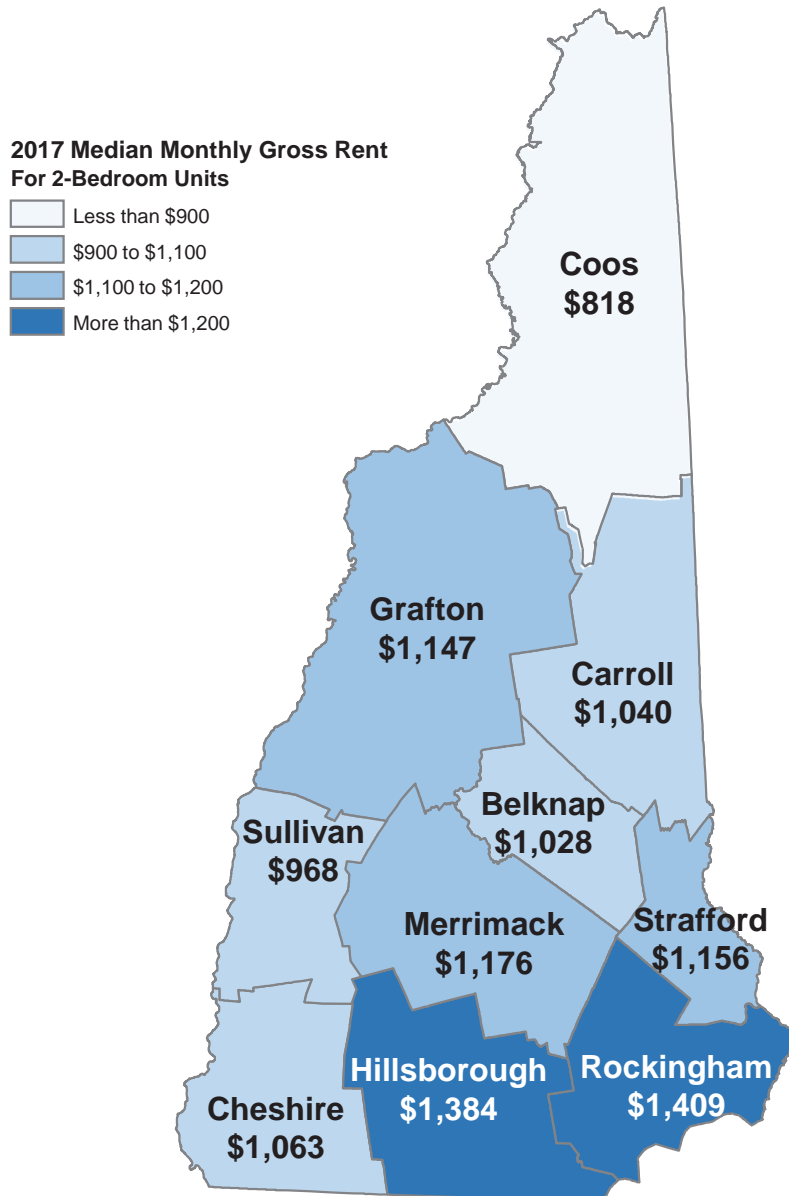


## RENTAL MARKET: TIGHT SUPPLY

Most of the rental units in the state (approximately 79%) are located in Hillsborough, Rockingham, Merrimack, and Strafford counties.

As expected, the highest median gross rents in the state are in the southern counties, near the state's largest cities and close to employers as well as the Boston job market. The high median rental costs in Grafton County are driven by the robust market in the Hanover/Lebanon area, which also represents the largest percent of rental units in the county.

### Monthly Median Gross Rental Cost



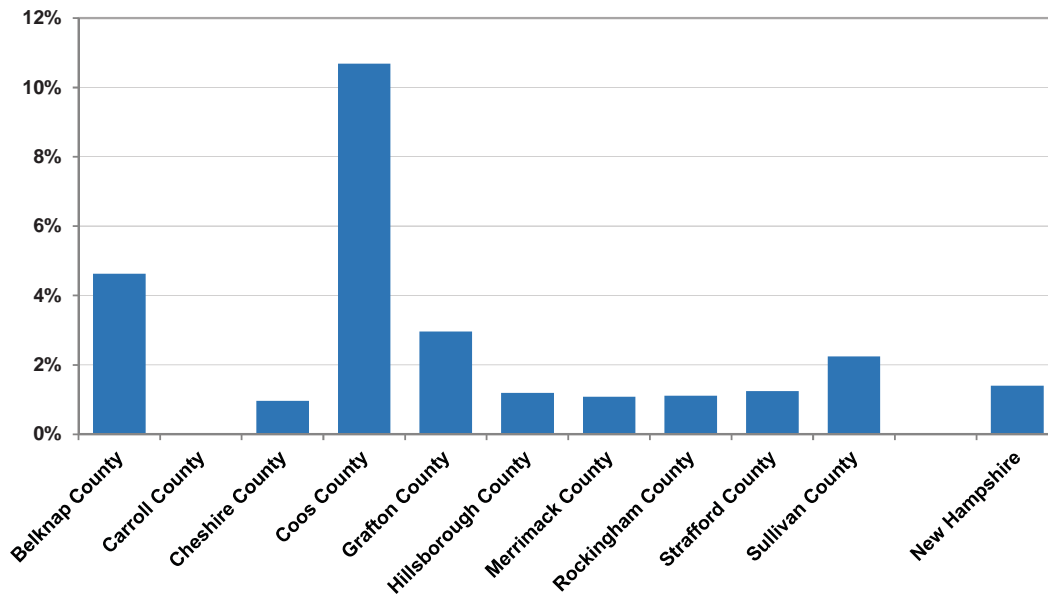


## RENTAL MARKET: TIGHT SUPPLY

### VACANCIES

The rental housing vacancy rate continues to decline. Low starter home inventory and an increase in housing costs have slowed the movement of renter households into homeownership. The resulting increase in for-rent housing has caused a decline in the vacancy rate. New Hampshire's vacancy rate of 1.7% for all units is significantly below that of the U.S. (7.3%) and the Northeast (5.2%).

2017 Vacancy Rate By County



## RENTAL MARKET: TIGHT SUPPLY

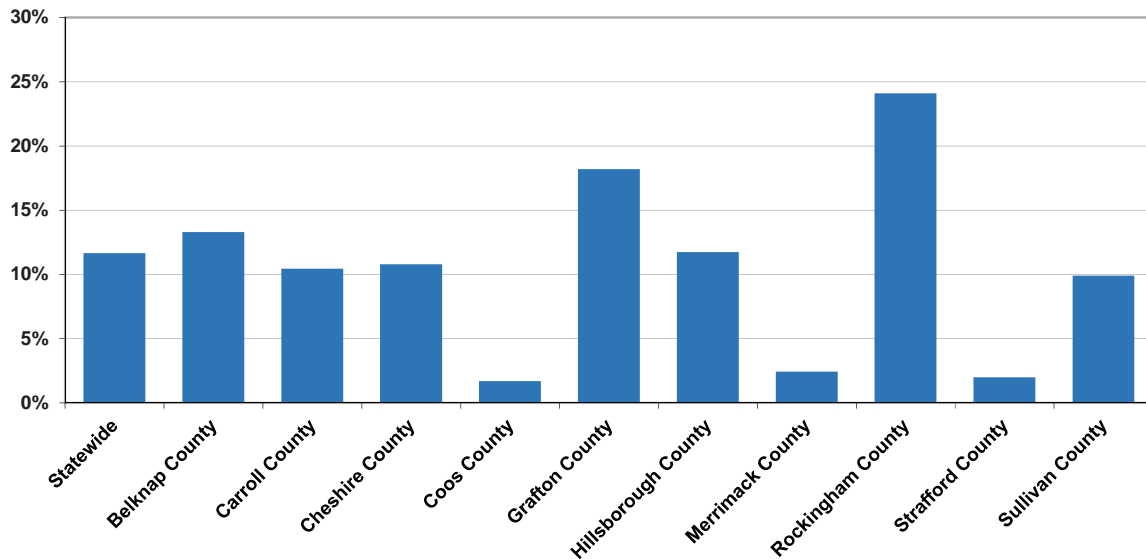
### RENTAL AFFORDABILITY

Affordability (paying no more than 30% of income toward housing costs) for renter households remains a problem in most areas of the state. Statewide, rental housing affordability is limited to less than 15% of the housing units surveyed. Only in certain counties with the highest median income (Grafton and Rockingham) are 15% or more of the surveyed units affordable.

**Household Income Required to Afford  
2017 Median 2-Bedroom Rent**

	Median 2-Bedroom Rent	Household Income Required to Support Rent	Percent of Est. 2017 Renter Household Median Income
<b>Statewide</b>	\$1,259	\$50,400	131%
<b>Belknap County</b>	\$1,028	\$41,100	110%
<b>Carroll County</b>	\$1,040	\$41,600	117%
<b>Cheshire County</b>	\$1,063	\$42,500	137%
<b>Coos County</b>	\$818	\$32,700	148%
<b>Grafton County</b>	\$1,147	\$45,900	126%
<b>Hillsborough County</b>	\$1,384	\$55,400	136%
<b>Merrimack County</b>	\$1,176	\$47,000	137%
<b>Rockingham County</b>	\$1,409	\$56,400	122%
<b>Strafford County</b>	\$1,156	\$46,200	133%
<b>Sullivan County</b>	\$968	\$38,700	122%

**Percent of 2-Bedroom Units In Rental Cost Survey  
Affordable to the Median Income Renter Household**

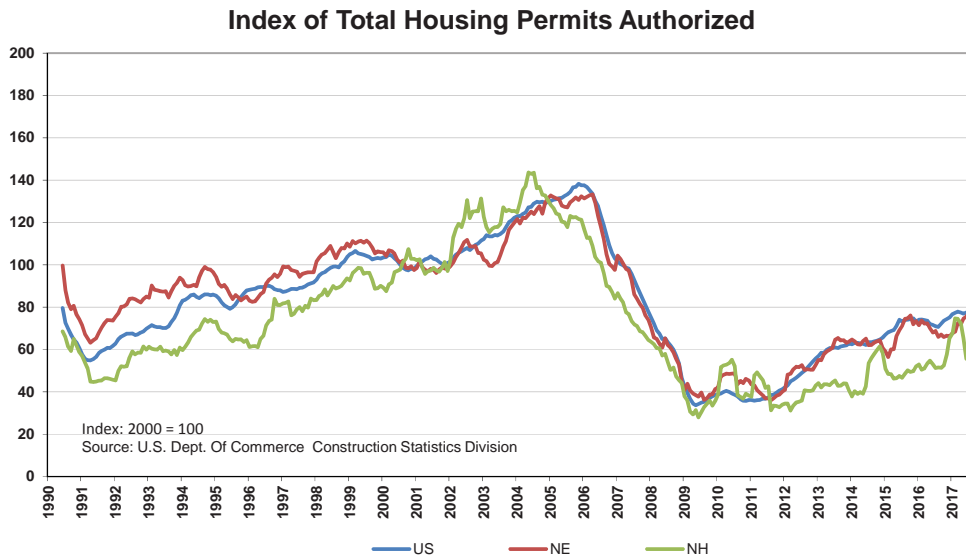


## HOUSING PERMITS UP

The number of housing permits issued for single and multi-family dwellings is slowly trending upward. Newly constructed homes contribute to the inventory needed to satisfy housing demand. Without sufficient inventory of both rental housing and homes for purchase, rents and home prices will continue to rise, and more New Hampshire residents will be challenged to find affordable homes.

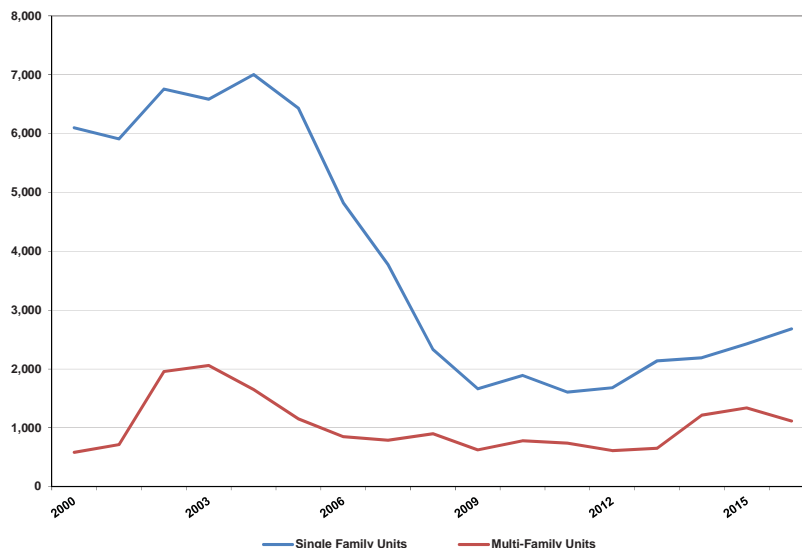
### HOUSING PERMIT ACTIVITY

Permit activity has shown signs of improvement over the past year. Multi-family permits have increased in the highest cost markets (southern tier and seacoast). Single family permits have increased as well. However, costs to build both single and multi-family units forces them to be sold or rented at the high end of the market. Construction activity remains at only half of the level just prior to the Great Recession, and New Hampshire continues to lag behind the U.S. on average.



Although not nearly sufficient to keep up with the current demand for rental housing, multi-family permits represent a much greater portion of housing production than was the case prior to the Great Recession. This illustrates the lack of single family construction throughout the recovery.

**New Housing Units Authorized By Building Permit  
in New Hampshire**





## New Hampshire Housing

P.O. Box 5087 | Manchester, NH 03108  
603-472-8623 | 800-640-7239 | TDD: 603-472-2089  
NHHFA.org | [comments@nhhfa.org](mailto:comments@nhhfa.org)

*As a self-supporting public benefit corporation created by the New Hampshire 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](http://NHHFA.org/data-resources-planning).