

New Hampshire Rental Housing Market Update

New Hampshire Housing
Policy, Planning and Communications Group

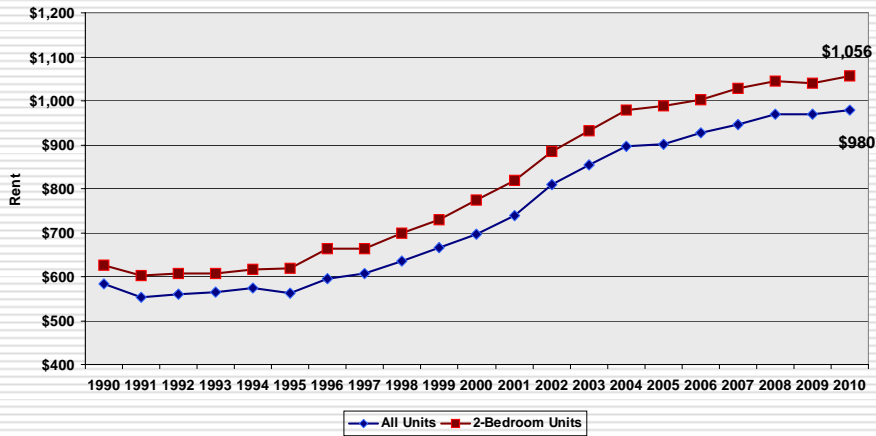


Measuring the Rental Housing Market

- ❑ Annually New Hampshire Housing Finance Authority conducts a residential rental cost survey.
 - ❑ The survey is a telephone survey carried out by the UNH Survey Center and poles the owners and managers of 31,300 rental housing units, about 23% of the rental units in the state.
 - ❑ The sample is adjusted to account for over representation of units in larger projects.
 - ❑ Contract rent data is gathered for each unit and then adjusted to a gross rent basis by adding standardized cost estimates for tenant paid utilities.
 - ❑ The standardized survey methodology allows reasonable comparison between the state's separate housing markets and over time.
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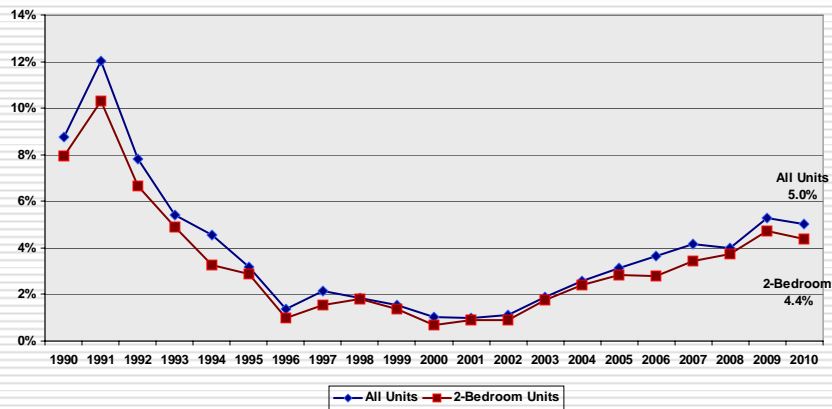
New Hampshire Statewide Median Gross Rental Cost



The Statewide Median Gross Rent (includes utilities) for two bedroom units as measured in the 2010 survey has increased less than 2% since 2009 and less than 7% since 2005. At \$1,056 it remains above the one thousand dollar mark for the fifth year in a row.



New Hampshire Rental Housing Vacancy Rate

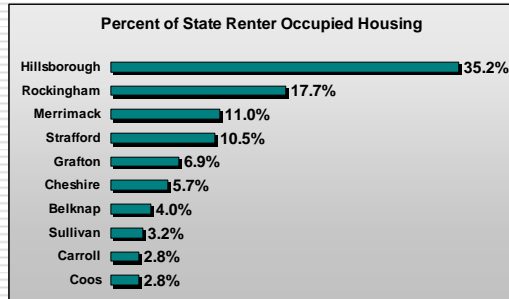


The vacancy rate, an indicator of supply in the rental market, which increased steadily between 2002 and 2009, has this year declined very slightly. For the early part of the decade, the increasing ownership rate was a significant contributor to the vacancy increase. While the recent recession has slowed new household formation, decreasing demand for rental housing; the high number of foreclosures have forced former owner households back into the ranks of renters, increasing rental housing demand.



2010 Residential Rental Cost Survey

Statewide Median Gross Rent for 2-Bedroom Units
\$1,056

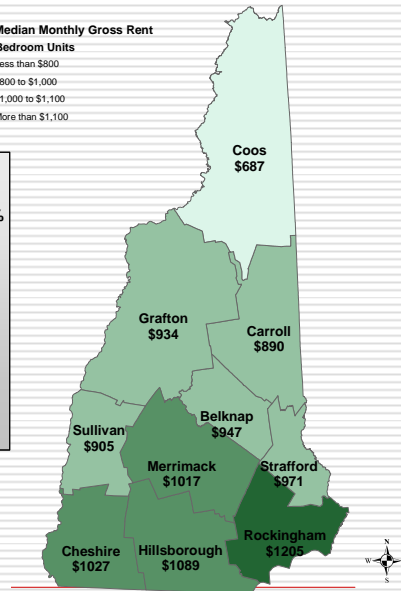


Rents are highest in the Southern Counties of the state, closest to the Boston labor market. Most of the rental units in the state (74%) are located in Hillsborough, Rockingham, Merrimack and Strafford Counties.

Monthly Median Gross Rental Cost

2010 Median Monthly Gross Rent For 2-Bedroom Units

- Less than \$800
- \$800 to \$1,000
- \$1,000 to \$1,100
- More than \$1,100

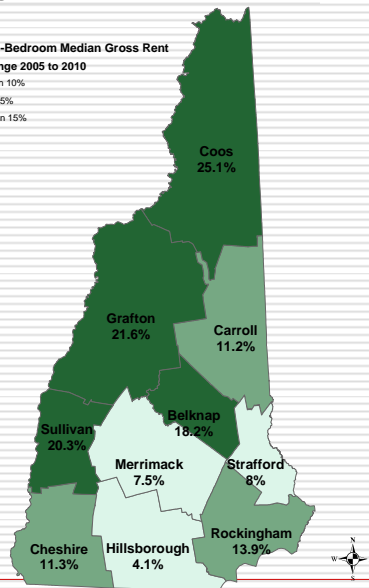


Change in Median Rental Costs

Over the past five years, the rate of increase in median gross rents has been greatest in NH counties furthest from the Boston labor market. These counties have fewer renter households and household incomes are comparatively lower.

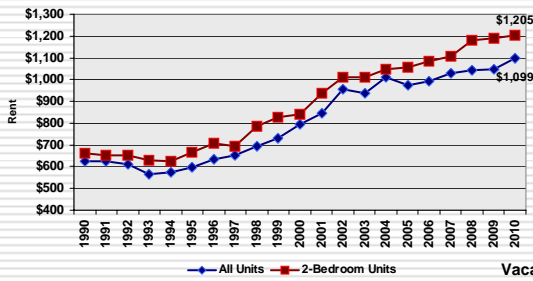
Change in 2-Bedroom Median Gross Rent Percent Change 2005 to 2010

- Less than 10%
- 10% to 15%
- More than 15%



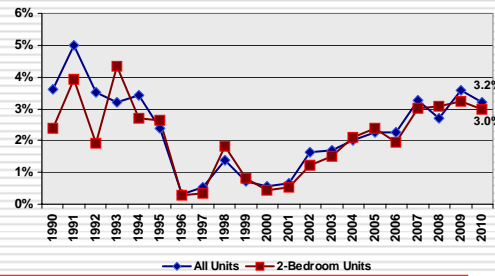
Rockingham County

Median Gross Rental Cost



The 2-Bedroom median gross rent is the highest in the state, it reached \$1,200 for the first time ever and has been above \$1000 for the past 9 years. It has increased 43% since 2000, 14% since 2005 and 9% in the past 3 years.

Vacancy Rate of Rental Housing Units

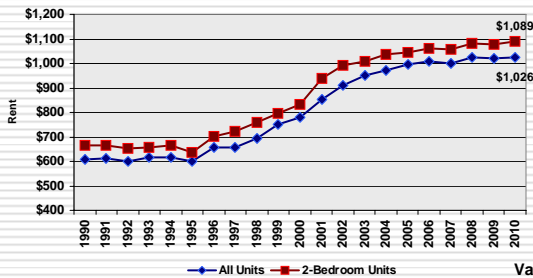


The vacancy rate for 2-bedroom units declined slightly after three years of increase, and is 1.4 percentage points below the statewide rate.



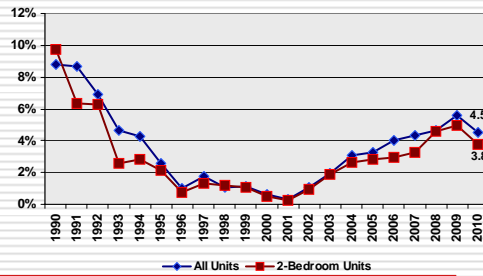
Hillsborough County

Median Gross Rental Cost



The 2-Bedroom median gross rent is second highest in the state and has been above \$1000 for the past 8 years. But it has increased only about 4% since 2005 and 31% since 2000.

Vacancy Rate of Rental Housing Units

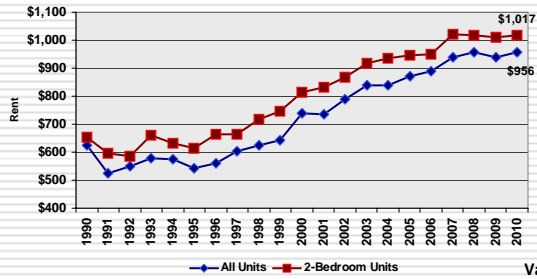


The vacancy rate for 2-bedroom units declined for the first time since 2001, but is only 0.6 percentage points below the statewide rate.



Merrimack County

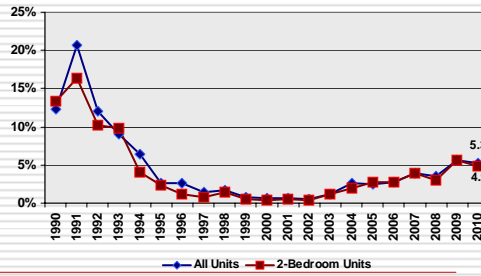
Median Gross Rental Cost



The 2-Bedroom median gross rent has been above \$1000 for the past 4 years, but is essentially unchanged during that time. It has increased 25% since 2000, and 7.5% since 2005.

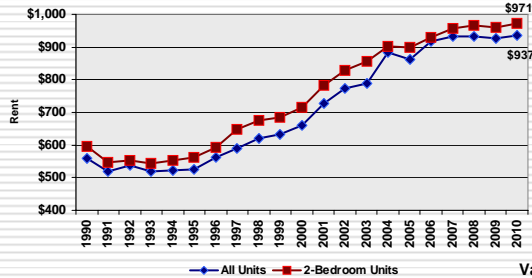
Vacancy Rate of Rental Housing Units

The vacancy rate for 2-bedroom units declined slightly from last year, and is only slightly above the statewide rate.



Strafford County

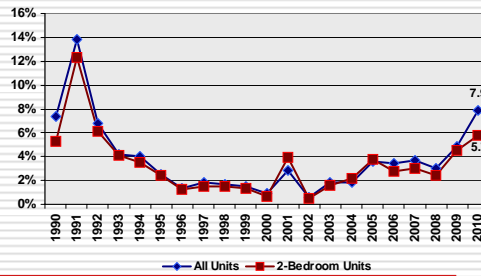
Median Gross Rental Cost



The 2-Bedroom median gross rent has been above \$950 for the past 4 years, but is nearly unchanged during that time. It has increased 36% since 2000, and 8% since 2005.

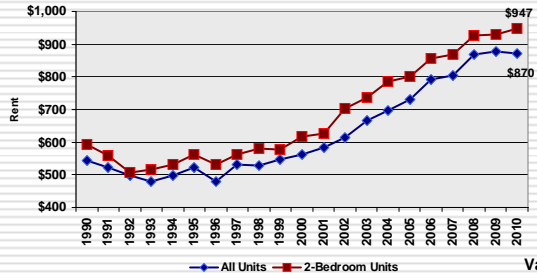
Vacancy Rate of Rental Housing Units

The vacancy rate for 2-bedroom units increased 1.2 percentage points since last year, 3.3 percentage points since 2008 and is now 1.3 percentage points above the statewide rate.



Belknap County

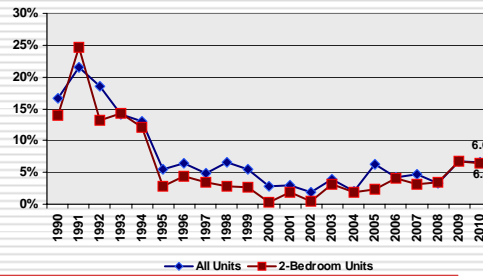
Median Gross Rental Cost



The 2-Bedroom median gross rent has been above \$900 for the past 3 years. It has increased almost 54% since 2000, and 18% since 2005.

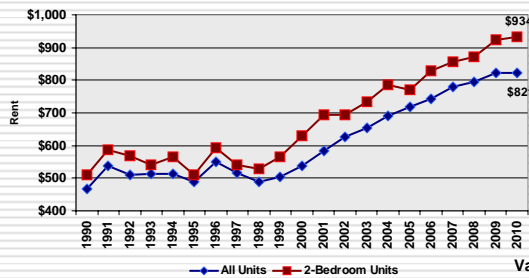
Vacancy Rate of Rental Housing Units

The vacancy rate for 2-bedroom units decreased very slightly since last year, but is nearly 3 percentage points above the rate in 2008 and is now 2 percentage points above the statewide rate.



Grafton County

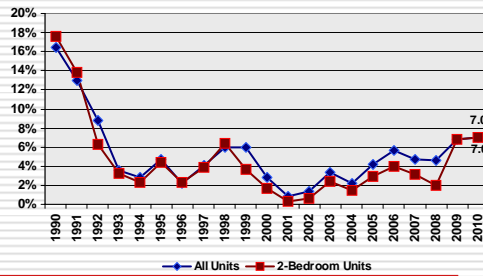
Median Gross Rental Cost



The 2-Bedroom median gross rent has been above \$900 for only the past 2 years. It has increased almost 48% since 2000, and 22% since 2005.

Vacancy Rate of Rental Housing Units

The vacancy rate for 2-bedroom units is essentially unchanged since last year, but is 5 percentage points above the rate in 2008, 3 percentage points above the rate in 2006 and is now 2.6 percentage points above the statewide rate.



That's great, But hold on a minute!

Didn't we just go through a recession?

Every thing else went down, what about rents?

Rents haven't gone down (yet), not so much despite the recession but because of it.

The net movement out of rental housing and into ownership has slowed.

Job losses and slow job growth have stalled many renter households in place.

New tighter credit and higher down-payment requirements have frozen others out.

Still others are waiting to be sure their jobs are secure and the market has reached its bottom.

Home foreclosures have forced some former owners back into the rental market.

There were about 7,000 foreclosures over the past two years, forcing many of those households to seek rental housing.

The rental housing inventory was not overbuilt over the past decade.

In fact we have lost rental housing inventory statewide due to condo conversions and other forms of attrition.

Demand has not significantly declined and vacancy rates have not increased.

The result is there is little pressure to lower rents to attract and keep tenants.

Finally, there are the typically strong financial incentives not to lower rents.

Operating costs such as taxes and utilities have not declined and may have increased more than rents over the past decade.

Lower NOI may not support debt service and profit expectations as currently structured.



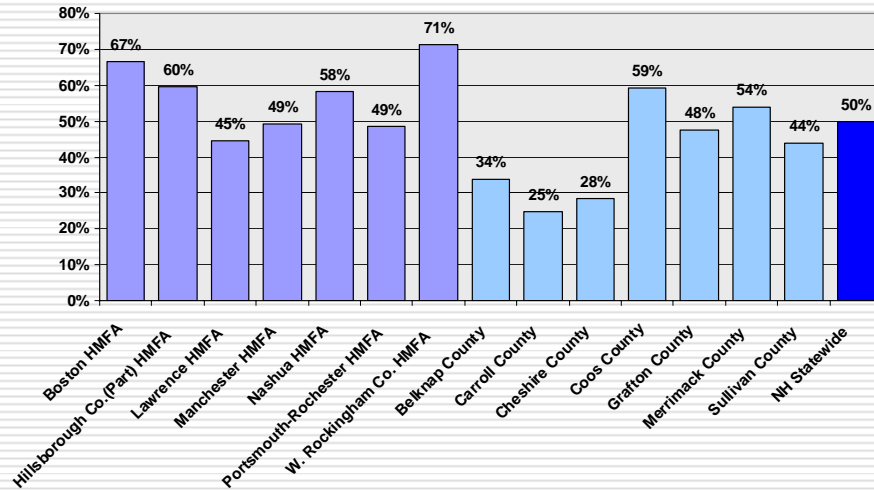
Renter Affordability

Percent of 2-Bedroom Units in the 2010 Residential Rental Cost Survey Affordable to a 3-Person Household Earning 60% of the Median Income

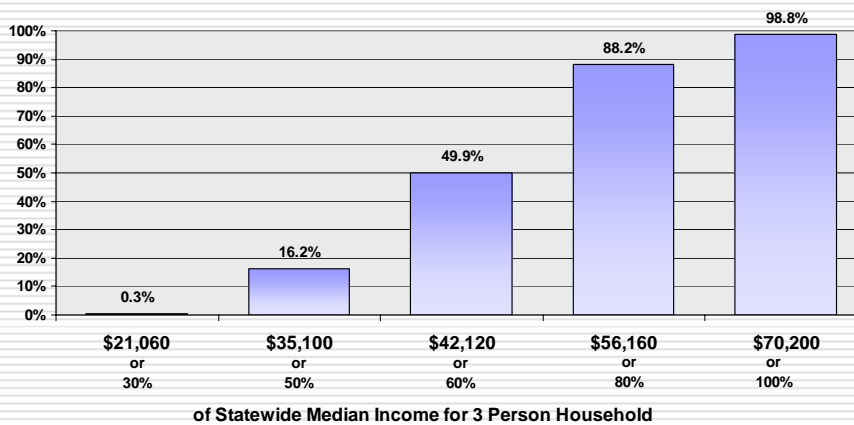
	2010 HUD Median Family Income	60% HUD Median Family Inc., Adjusted for a Family of 3	Estimated Affordable Monthly Rent ¹	2-Bedroom Units in 2010 Rental Cost Survey Below Affordable Rent	Total 2- Bedroom Units In Survey	Percent of Units in 2010 Survey Below Affordable Rent
HUD Metropolitan Fair Market Rent Areas						
Boston-Cambridge-Quincy MA-NH	\$91,800	\$49,570	\$1,240	78	117	67%
Hillsborough Co. NH (Part)	\$77,500	\$41,850	\$1,050	62	104	60%
Lawrence, MA-NH	\$85,300	\$46,060	\$1,150	147	330	45%
Manchester, NH	\$75,600	\$40,820	\$1,020	665	1,356	49%
Nashua, NH	\$90,500	\$48,870	\$1,220	801	1,374	58%
Portsmouth-Rochester, NH	\$81,600	\$44,060	\$1,100	619	1,275	49%
Western Rockingham Co, NH	\$96,100	\$51,890	\$1,300	55	77	71%
County Fair Market Rent Areas						
Belknap County	\$67,400	\$36,400	\$910	69	204	34%
Carroll County	\$62,600	\$33,800	\$850	32	129	25%
Cheshire County	\$67,100	\$36,230	\$910	99	349	28%
Coos County	\$54,900	\$29,650	\$740	93	157	59%
Grafton County	\$68,000	\$36,720	\$920	192	403	48%
Merrimack County	\$76,700	\$41,420	\$1,040	475	881	54%
Sullivan County	\$64,900	\$35,050	\$880	73	166	44%
New Hampshire Statewide						
New Hampshire Metro Areas	\$78,000	\$42,120	\$1,050	3,453	6,922	50%
New Hampshire Metro Areas	\$84,600	\$45,680	\$1,140	2,693	4,633	58%
New Hampshire NonMetro Areas	\$69,100	\$37,310	\$930	942	2,289	41%

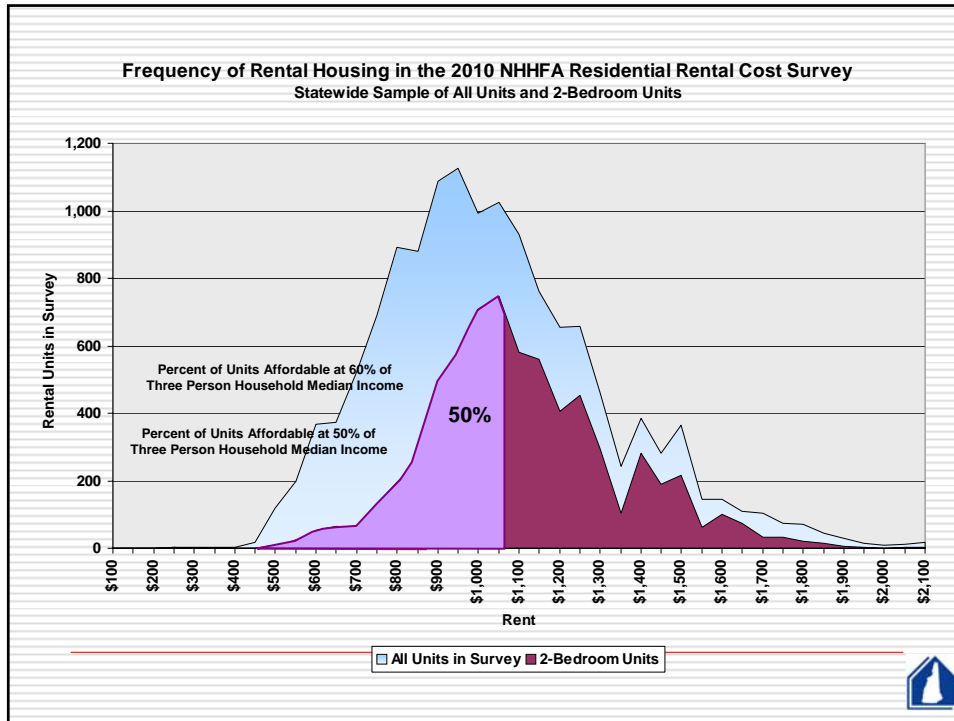


**Percent of 2-Bedroom Units In Rental Cost Survey
Affordable to 3-Person Household Earning 60% of Median Income**



**Percent of 2-Bedroom Units in 2010 Rental Cost Survey
Affordable at Selected Household Incomes**





Market Summary

- The Statewide Median Gross Rent (includes utilities) has increased less than 2% in the past year and less than 7% since 2005. At \$1,056 for a 2-bedroom unit it remains above the one thousand dollar mark for the fifth year in a row.
- The vacancy rate increased steadily between 2002 and 2009, has this year declined very slightly. While the recent recession has slowed new household formation, decreasing demand for rental housing; the high number of foreclosures have forced former owner households back into the ranks of renters, increasing rental housing demand.
- Rents are highest in the Southern Counties of the state, closest to the Boston labor market. Most of the rental units in the state (75%) are located in Hillsborough, Rockingham, Merrimack and Strafford Counties.
- Rents haven't declined not despite the weak economy, but because of it.
- Affordability continues to be an issue for renter households earning 50% or less of the Median Family Income.
- Looking forward, rents in 2011 may move slightly higher, but not by much. Vacancy rates should remain stable at 4% to 5%. Renter household income has declined, and relatively few renter households are able to save enough to move into ownership housing, despite low interest rates and a supply of discounted property.



New Hampshire Housing

www.nhhfa.org
