PERSPECTIVE ON HOUSING, CONSTRUCTION & SCHOOL ENROLLMENT

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.

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.

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Students per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Detached</td>
<td>0.48</td>
</tr>
<tr>
<td>Multi-Family (5+ Units)</td>
<td>0.17</td>
</tr>
<tr>
<td>Manufactured Homes</td>
<td>0.26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bedroom Count - new units</th>
<th>Students per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom or less</td>
<td>0.08</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>0.11</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>0.48</td>
</tr>
<tr>
<td>4 or More Bedrooms</td>
<td>0.82</td>
</tr>
</tbody>
</table>

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
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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

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.

Source: U.S. Bureau of Labor Statistics

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

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.

![Mortgage Delinquencies Chart](chart.png)

**FORECLOSURE DEEDS IN NEW HAMPSHIRE**  
By quarter

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.

![Foreclosure Deeds Chart](chart.png)
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.

**ECONOMIC INDICATORS**

**OWNER AND RENTER MEDIAN HOUSEHOLD INCOME**


**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.

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.

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.
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.

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

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.
**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.
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.

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

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)

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.

2-Bedroom Units
STATEWIDE
MONTHLY MEDIAN GROSS RENT: $1,347
VACANCY RATE: 0.75%
PERCENT CHANGE IN RENT: ↑ 3.9%

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

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.
NEW HAMPSHIRE'S RENTAL MARKET

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

Source: NHHFA 2019 Residential Rental Cost Survey Report; download at NHHFA.org/news.
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)
- 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)
- Community Planning Grant Case Studies (2014)
- Fair Housing for Regional and Municipal Planners (2014)
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.