Housing Needs in New Hampshire
Summary of Three Reports
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In the decades before the Great Recession, New Hampshire's housing market was a major driver in the state's expanding economy. But with recent shifts in the state's demographic and economic trends, New Hampshire's current housing infrastructure could end up becoming a drag on future economic growth and stability.

The reasons are multiple: an aging population, shifts in housing preferences among younger generations, a misalignment between housing supply and future demand, and changes in traditional financing paths for homeownership. In the 1970s, 1980s, and 1990s, housing demand was driven by the Baby Boomers moving to New Hampshire. But as we have seen in many policy areas, much of New Hampshire's housing industry (builders, planners, public officials, etc.) have yet to fully transition away from the mindset of the past, in which consistent rates of high population growth (especially among young families) was the norm. Instead, they need to prepare for a housing model defined by less growth overall, more senior households, fewer young households, financially strained first-time buyers, and changing lending standards.

Using updated population forecasts, the report projects New Hampshire's future housing needs, by age group and by type of housing. In addition, numerous focus groups were consulted, representing a broad swath of the state's people and businesses: builders, lenders, realtors, young professionals, senior groups, regional planners, workforce housing groups, and others. Finally, as a way of assessing the potential impact of New Hampshire's aging population on the housing market, national analyses of housing needs and preferences among senior populations were reviewed.

Among the major findings from this work:

Overall homeownership demand in New Hampshire is declining. The reasons for this include the weak economy, lower rates of in-migration, and difficulties in obtaining financing. Among older homeowners, low levels of liquidity continue to pose problems, while high levels of student debt and mediocre wage growth limit home-buying options for younger generations. In the more rural parts of the state this decline in demand has been particularly apparent in communities that are more than two towns removed from major transportation networks. Real estate professionals, in particular, noted significant differences in demand geographically. Moreover, growth in low-wage service jobs and housing costs are described as creating a growing affordability problem, particularly north of Concord.

New Hampshire's current housing supply is poorly aligned with evolving preferences among different age groups. This mismatch exists both for aging Baby Boomers and younger workers. Older residents are likely to seek to "down-size" to smaller living arrangements, yet housing units of 3+ bedrooms far outnumber one- and two-bedroom units in the state. Given the relatively small number of young households in the state, it's unclear whether the larger units built for Boomers during their child-rearing years will draw sufficient interest from buyers in future years.

In addition, younger age groups are, in general, less likely to be homeowners compared to previous generations. In fact, each new group of young people is increasingly less likely to be homeowners. Moreover, financial pressures cause younger generations to gravitate toward more non-conventional housing solutions, including co-ownership and "doubling up," and a preference for the flexibility associated with renting.

Affordability and the New Hampshire advantage. These factors have an impact on the affordability of housing in New Hampshire, something which may have been a big part of New Hampshire's attraction to new migrants from higher-priced states over the past four decades. While the median price of homes is more affordable than just a few years ago, this is not necessarily true for first-time buyers, who have traditionally provided important liquidity to the housing market. The home purchases of first-time buyers enabled those who were selling their homes to "move up" or "down-size." But younger residents now face inferior job prospects and high levels of student debt, and they are delaying marriage, and are unsure of the benefits of homeownership—including the ability to easily resell at a later date.

In addition, the state's rental market has grown less affordable in recent years. NHHFA's 2013 rental housing survey indicated that since 2006, the median monthly gross rent rose by 4 percent (in contrast to the 40 percent drop in the monthly mortgage cost) and vacancy rates decreased, meaning renters were paying more, with fewer options to choose from. This reflects a national pattern for a growing percentage of households in rental housing.

Seniors Will Occupy a Growing Proportion of the State's Housing Units. New Hampshire's senior population is expected to nearly double between 2010 and 2015, from 178,000 to 323,000 people, a change that is not matched among younger age groups. As a result, seniors will occupy a growing proportion of the state's housing units, filling one in three units by 2025. The number of senior households in the state, both owners and renters, will nearly double by 2025.

While seniors generally want to age in place, this desire is complicated by several factors, including high rates of disability, lower median income and savings, declining caregiver population and other factors. The median income of the state's senior homeowners is barely half that of the state median, and their home equity has been significantly reduced by the state's housing downturn.

New construction will likely be limited in a projected era of slower population growth. The rehabilitation of the existing housing stock may become more needed, yet much of New Hampshire's housing regulations, including local planning and zoning ordinances, are not currently geared towards this segment of the market.