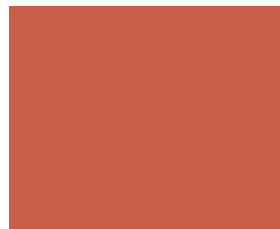
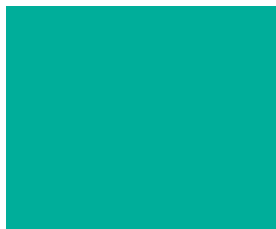




# HOUSING MARKET REPORT

February 2018



New Hampshire Housing

**Dean J. Christon**  
Executive Director  
New Hampshire Housing  
Finance Authority

NEW HAMPSHIRE'S  
HOUSING MARKET  
SAW CONTINUED  
GROWTH IN 2017

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Realtors Association. NHAR.org



Three times a year, we compile a housing report to analyze trends and influences in the homeownership and rental housing markets. This edition reflects the status of the state's housing market at the start of 2018. Attention to housing as an important component of the Granite State's economic development plan has been recently noted by the Governor's Millennial Advisory Council, businesses, local officials, and in newspaper editorials. New Hampshire continues to experience a very tight housing market for homebuyers and renters – actual and potential homes for our labor force. On a positive note, we have seen the statewide median income go up as a result of a strong economy.

For this edition of our *Housing Market Report*, we asked three state organizations to share their perspective on New Hampshire's housing market and the economy. I invite you to read the perspectives below from the N.H. Association of Realtors, N.H. Department of Employment Security, and economist Russ Thibeault of Applied Economic Research.

The 2017 New Hampshire housing market continued a multi-year trend of growth that saw more homes sold than any year in the state's history. It also was within a few thousand dollars of an historically high median price.

The number of single family homes sold in the state was 17,733, a 0.6% increase from last year's previous high. Those homes sold for a median price of \$266,000, the second highest in New Hampshire history, 6.5% ahead of 2016, and just \$4,000 off the historical high of \$270,000 (in 2005, prior to the downturn). But unlike the run-up to 2005, in which questionable loan practices led to foolhardy homeownership (and a 112% median price increase from 2008-2005), the current market appears to be built on steadier, more sustainable growth and not the "bubble" qualities of that perilous stretch into the mid-2000s.

Meanwhile, average days on the market continued to drop throughout 2017, and it remained a decidedly seller-friendly market, with low inventory continuing to push prices upward. Months' supply (the amount of time it would take to sell off the current inventory at the average pace of sales, if nothing else came on the market) at the end of December was a shade under three months, a 26 percent drop from the prior year. For context: a balanced market is typically considered to be 6 or 7 months' supply, and New Hampshire has seen as high as an 18 months' supply as recently as 2009.

Unemployment rates have remained low throughout 2017, and wages have shown improvement, though not always to levels that match home price increases. Yet housing demand remained incredibly strong in 2017, even in the face of higher mortgage rates that are likely to increase further in 2018. Home building and selling professionals are both cautiously optimistic for the year ahead. Housing and economic indicators give reason for this optimism, with or without new federal tax legislation.

THE NEW HAMPSHIRE  
LABOR MARKET

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Employment Security's  
Economic and Labor Market  
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HOUSING AND THE  
ECONOMY: WHERE  
THE HECK ARE WE?

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Research, an economic and  
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New Hampshire continues to experience one of the lowest unemployment rates in the nation. The state's 2017 preliminary unemployment rate, subject to revision, was 2.7%. This was little changed from the 2.8% unemployment rate in 2016.

Strong employment gains in health care and social assistance, as well as in accommodation and food services and construction continued in 2017. Altogether, total private employment in New Hampshire gained about 7,200 jobs from second quarter 2016 to second quarter 2017.

However, there is increasing concern that job growth in New Hampshire is slowing. From second quarter 2015 to second quarter 2016, private employment covered by unemployment insurance at firms in New Hampshire gained 10,700 jobs, an over-the-year job growth of 1.9%. From second quarter 2016 to second quarter 2017, the latest data available, private employment grew by only 1.3%.

New Hampshire's potential job growth could be limited by a declining number of available workers, even though population growth has been spurred by positive net domestic migration over the past several years. The increase in population due to domestic migration was primarily among persons age 25 - 54. In counterpoint, labor force participation, which measures the share of population that is either employed or actively searching for work, has been slowly dropping. New Hampshire's aging population seems to be both a driver of job growth in health care and social assistance as well as a drag on job growth due to the limitations of the size of the state's labor force.

I've been pondering the relationship between housing and the economy for about as many years as it took the Philadelphia Eagles to win the Super Bowl.

I've learned it's an unstable relationship. Sometimes we've had too much housing relative to the NH economy's needs...as in the 1989 - 91 housing crash and again in the face of the 2007 - 12 recession wherein prices dropped by about 20%. These crunches are often followed by the converse—not enough housing to meet the economy's needs, wherein housing affordability and availability loom as problems.

The point is that NH's housing market and economy seldom move in lockstep. It's a relationship more akin to a see-saw than the Queen Mary cruising a calm sea.

So, where are we now, in February 2018? Housing availability is lagging the economy's needs. Rental vacancy rates are hovering around 1%, and the inventory of for-sale housing is under six months. Prices and rents are outstripping wage growth. NH's economy needs additional young worker households, but it's not too far a stretch to say that in some parts of the state, we have no place to put them.

Without enough housing, we can't attract enough new workers. As noted above in Annette Nielsen's labor market comments, the state's labor shortage may now be constraining job growth.

It looks like our housing tail is wagging our economy's dog.



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Front cover: (from top) Roger Bruneau and Cosmo, Goffstown; Kuhn family, Manchester (Cheryl Senter Photography); rendering of Marshall Street Apartments, Nashua (Anagnost Companies); Franklin Mill Apartments, Franklin; Westmill Senior Apartments, Keene; Back cover: Newfound River Apartments, Bristol

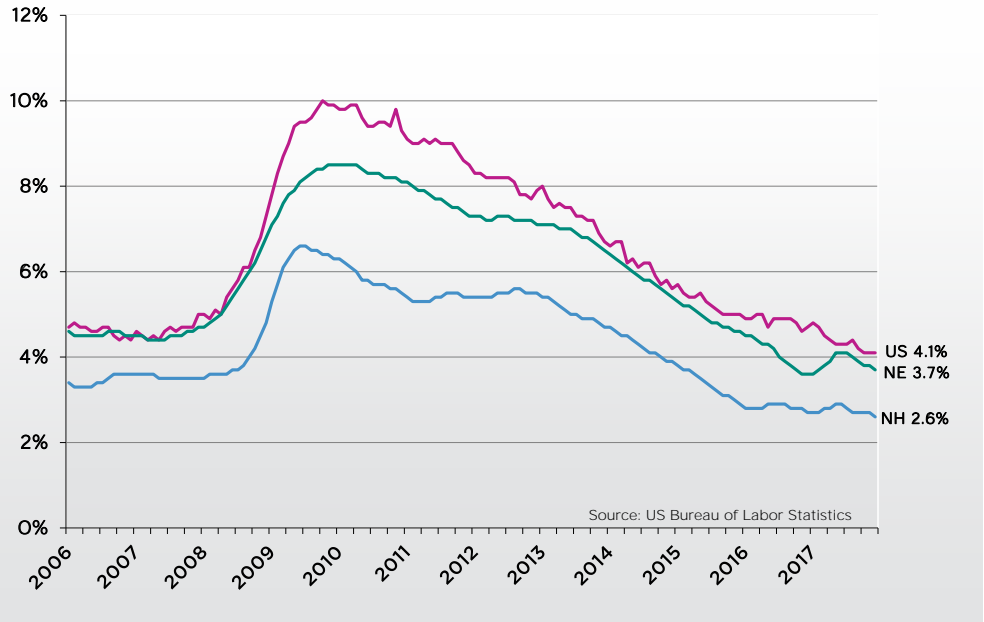
EMPLOYMENT  
DATA

With New Hampshire’s unemployment rate at below 3% for 25 straight months, it reflects what is essentially full employment in the state for over two years.

UNEMPLOYMENT RATE  
(US, NEW ENGLAND,  
NEW HAMPSHIRE)

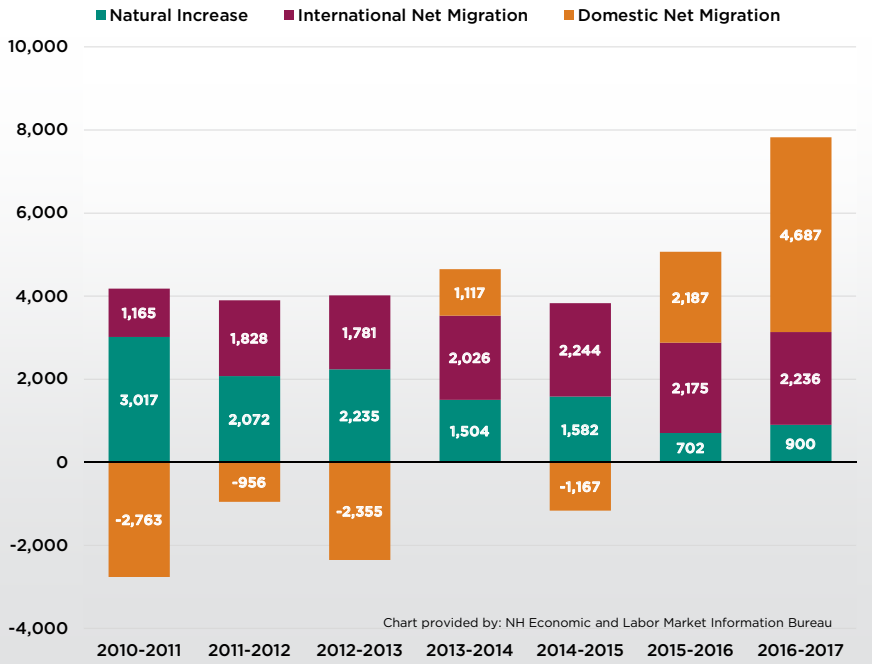
Seasonally adjusted

New Hampshire’s unemployment rate is one of the lowest in the US. With an aging population and declining birth rates, the state is depending on inbound migration to fill jobs. However, a lack of available and affordable housing hampers that migration.



NET DOMESTIC  
MIGRATION IN  
NEW HAMPSHIRE

Net domestic migration has been the largest component of the population change in the state for the past two years. The rate of natural increase has declined (meaning there are fewer births than deaths); the increase in deaths reflects the aging of our population. Migration patterns also are sensitive to economic conditions. With a strong economy comes employment opportunities that can draw migration to the state.

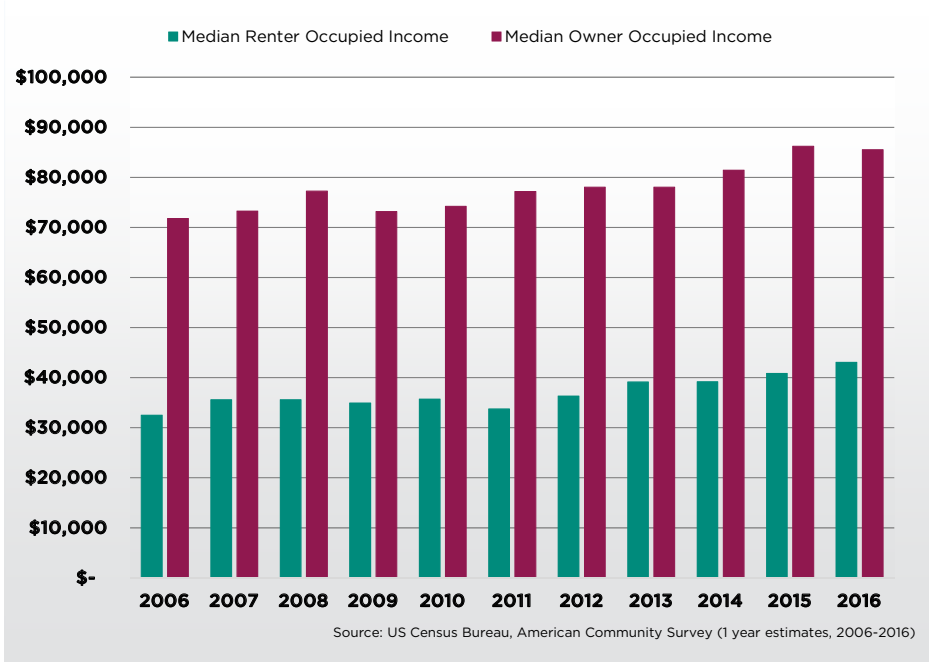


INCOME OF HOMEOWNERS AND RENTERS

Households are staying in rental units longer and vacancy rates have been declining, driving up the demand for apartments. This creates an upsurge in rental cost, and makes affordability a continuing issue across the state.

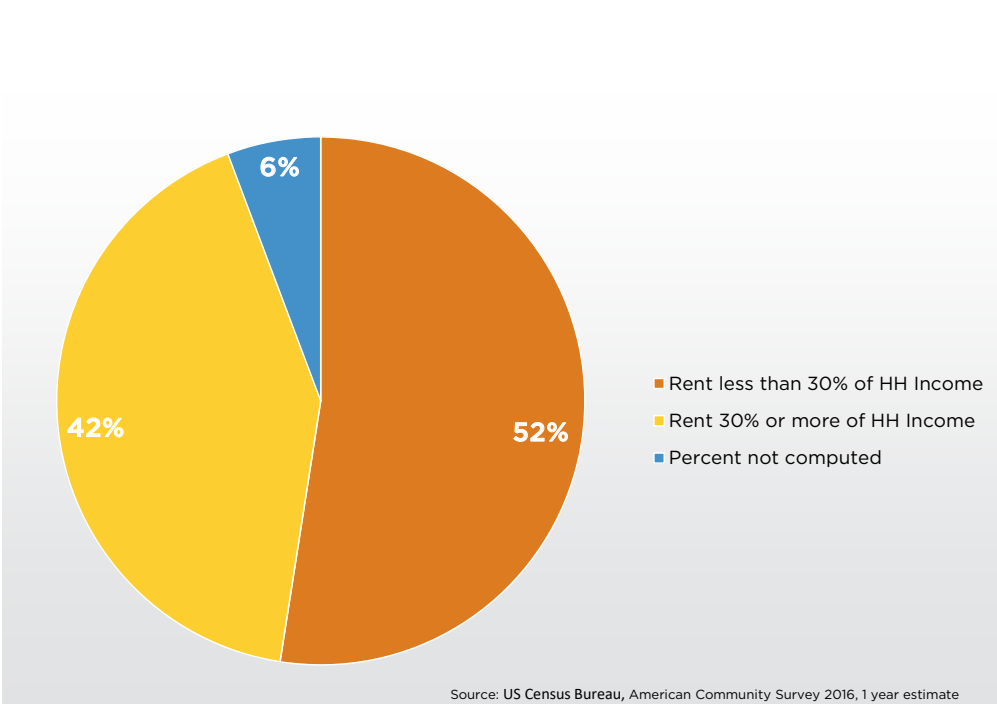
OWNER AND RENTER MEDIAN INCOME

The median renter-occupied income has increased each year for the past five years. Households are staying in rental units longer due to the tight housing market and the scarcity of affordable homes to buy. Younger households are delaying purchasing homes, while older households are downsizing.



AFFORDABILITY

In NH, 42% of rental households are paying 30% or more of their household income on rent. Lower-income families are likely to be paying an even higher percentage of their household income towards rent.

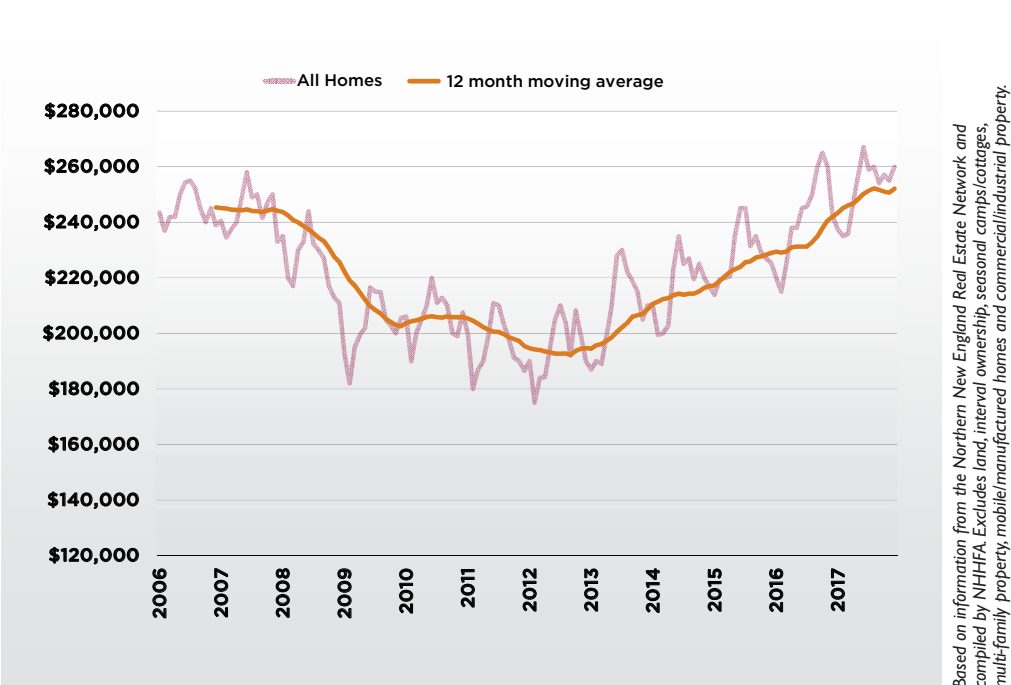


HOME PRICES

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

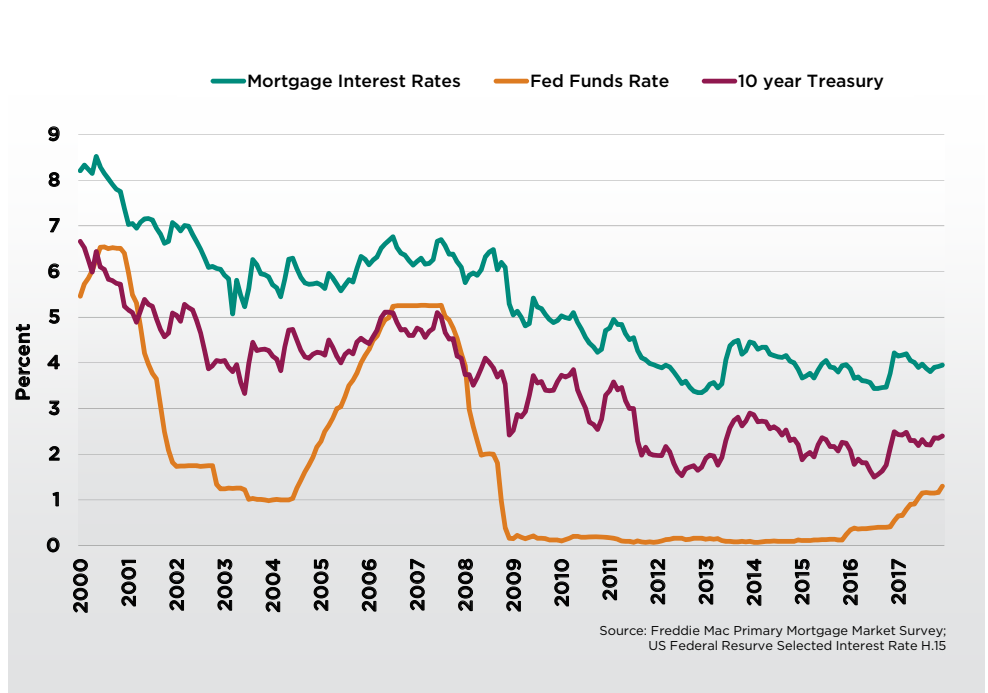
MLS MEDIAN SALE PRICE

MLS sales in NH reflect purchase prices rebounding to pre-recession highs. At the end of 2017, the median sale price was \$260,000, 7.3% higher than December 2016 (\$242,200). However, when adjusted for inflation, prices have yet to reach the levels seen in 2006.



COMPARISON OF INTEREST RATES

Mortgage interest rates held at below 4% for the second half of 2017, closing the year at 3.95%. Interest rates are expected to increase in 2018, as seen in the first few weeks of this year.



HOME SALES  
AND INVENTORY

It's a seller's market in New Hampshire: home buying is extremely competitive due to low inventory. First-time homebuyers and empty-nesters who want to downsize are competing for the same type of homes.

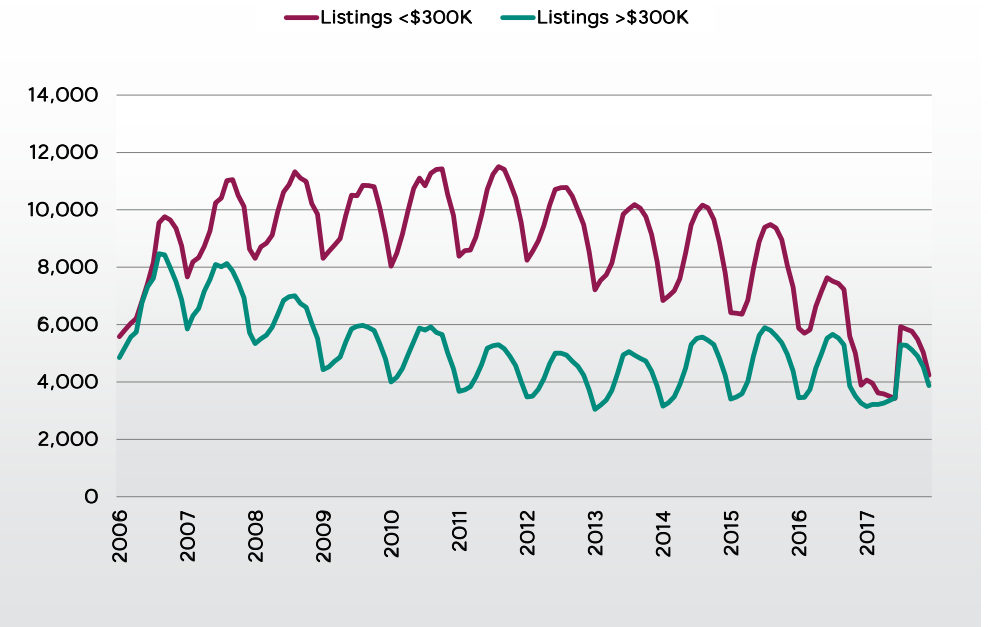
MLS HOUSING  
INVENTORY

The supply of homes continues to decline, especially in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties) of the state where housing inventory is at a five-month supply. Overall, 2017 had fewer active listings than 2016; however, more sales were closed in 2017. The chart below reflects a statewide 12-month moving average.



MLS CURRENT  
LISTINGS

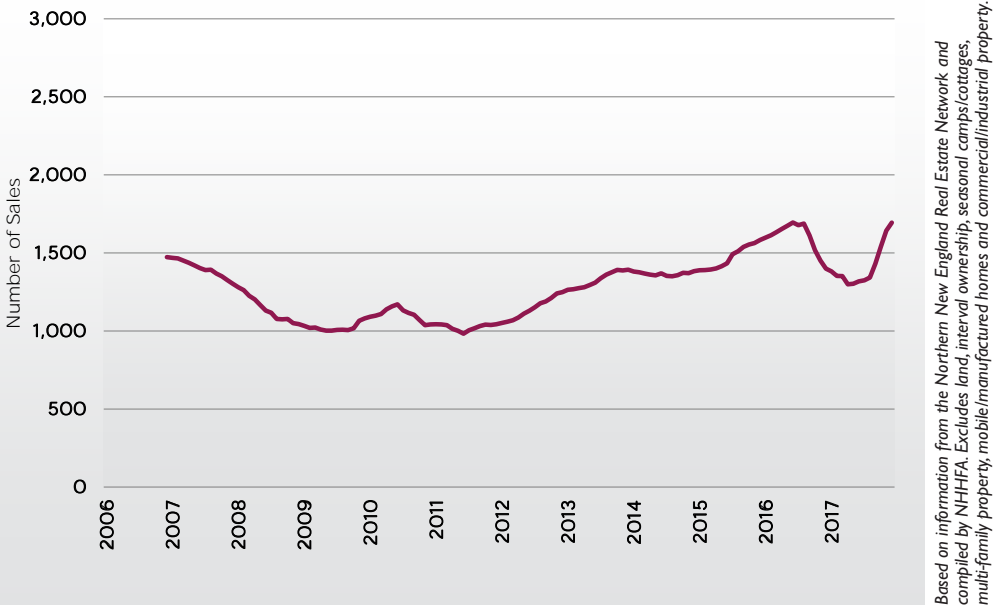
Between 2010 and 2017, the number of homes listed at less than \$300,000 dropped over 50% while homes above \$300,000 decreased by less than 10%. Homes under \$300,000 are typically in the price range desired by those looking for their first home. The scarcity of these entry level homes in areas of high demand presents challenges to first-time buyers.



HOME SALES  
AND INVENTORY

MLS CLOSED SALES

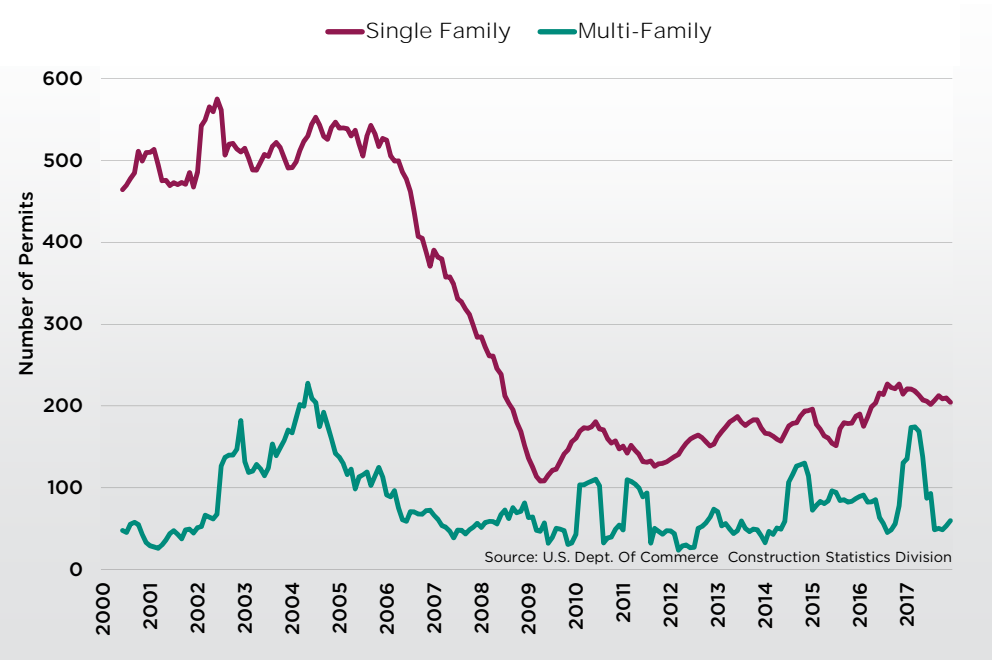
Cumulatively, more homes were sold in 2017 than in each of the last 10 years. The 2017 sales were higher than 2016 annual sales, and 7.2% of all housing units sold were new homes. This is slightly higher than 2016, when new home sales were 6.8% of homes sales.



NH HOUSING PERMITS  
(SINGLE FAMILY  
AND MULTI-FAMILY)

6-month moving averages,  
seasonally adjusted

Multi-family permits have increased in the highest cost markets (southern tier and Seacoast). However, higher building costs of single and multi-family units results in them being sold or rented at the high end of the market. Construction activity remains at only half of the level just prior to when the Great Recession began at the end of 2007.

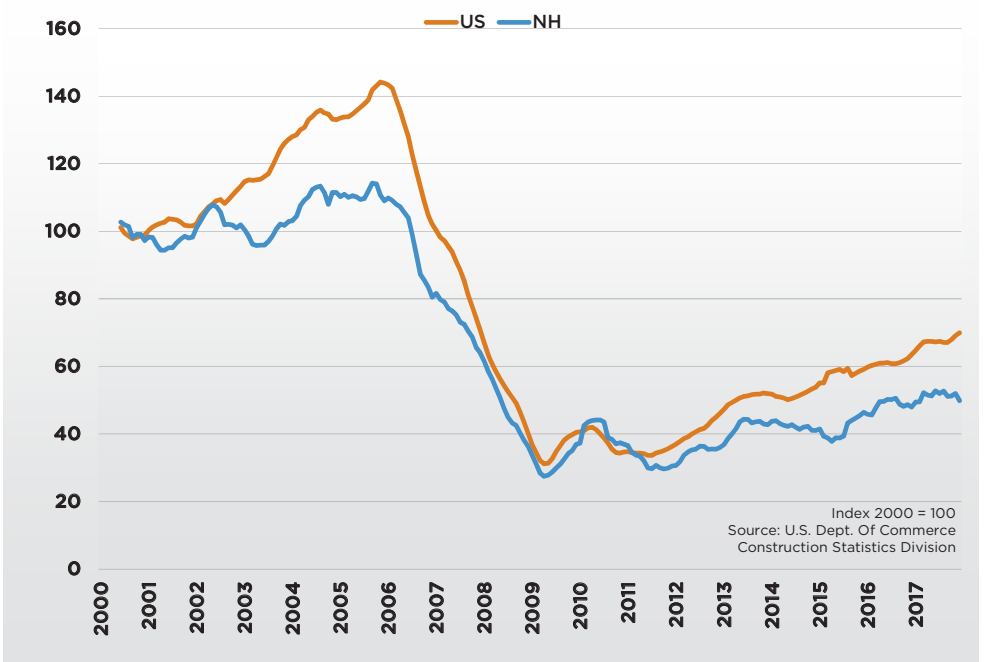


HOME SALES  
AND INVENTORY

INDEX OF NH & US  
SINGLE UNIT  
HOUSING PERMITS  
AUTHORIZED

Seasonally adjusted,  
6-month moving average,  
indexed

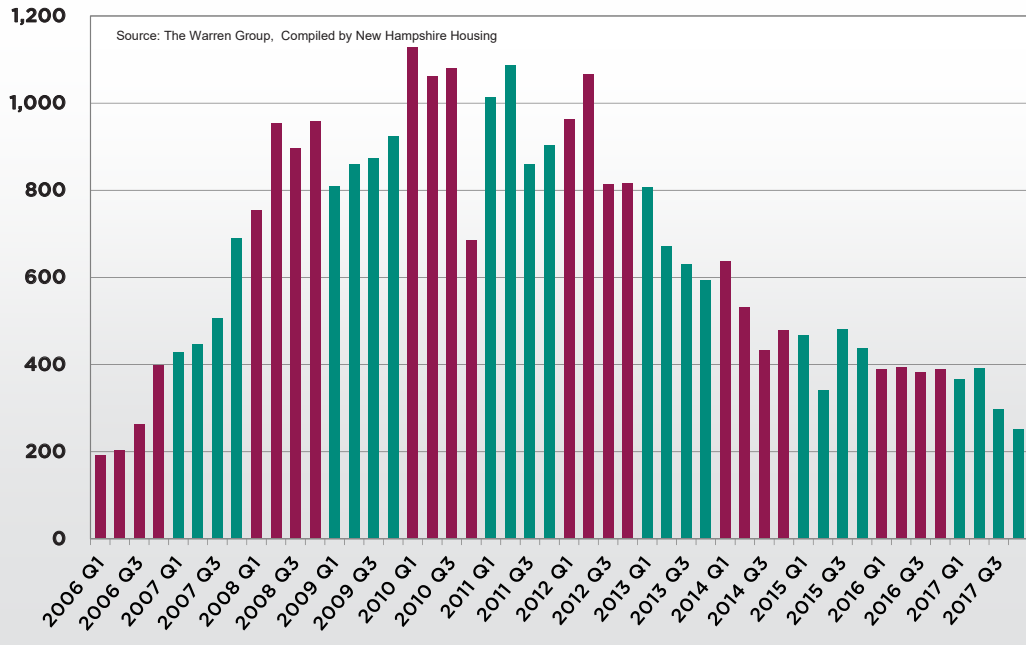
The number of housing permits in New Hampshire has consistently lagged behind the national rate on average with single-unit housing permit activity. While NH has shown improvement in the last five years, the gap between NH and the US has grown since 2011.



FORECLOSURE DEEDS  
IN NEW HAMPSHIRE

By quarter

Foreclosures continued to decrease annually in 2017, with a 16.1% decrease from 2016 and a 67% decrease from the peak in 2010.

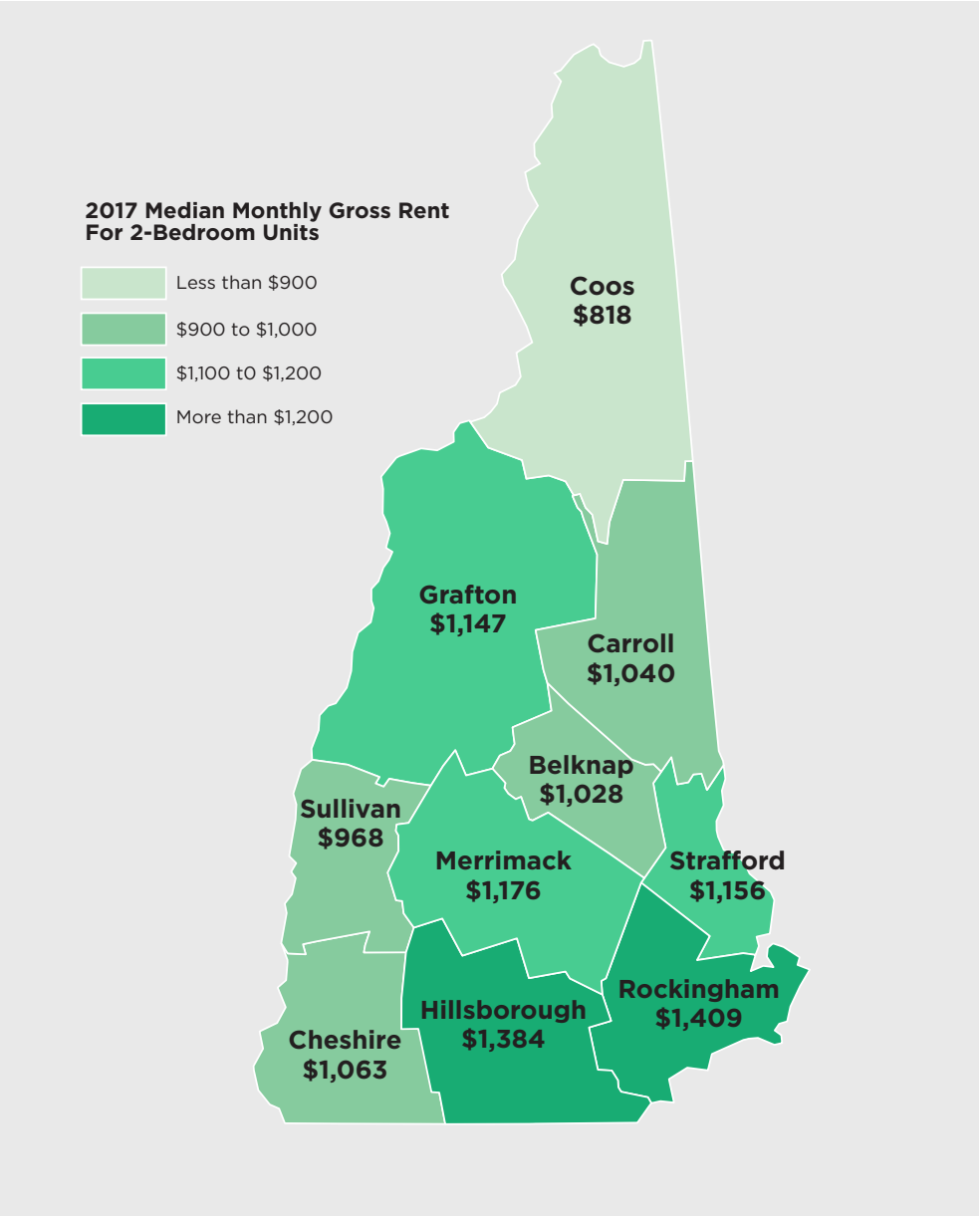


RENTAL MARKET

A tight rental market with low vacancy rates and rising rents exists around the state, as reported in NHHFA's 2017 Residential Rental Cost Survey. The dearth of affordable rental housing continues to challenge renters.

MONTHLY MEDIAN  
GROSS RENTAL COST

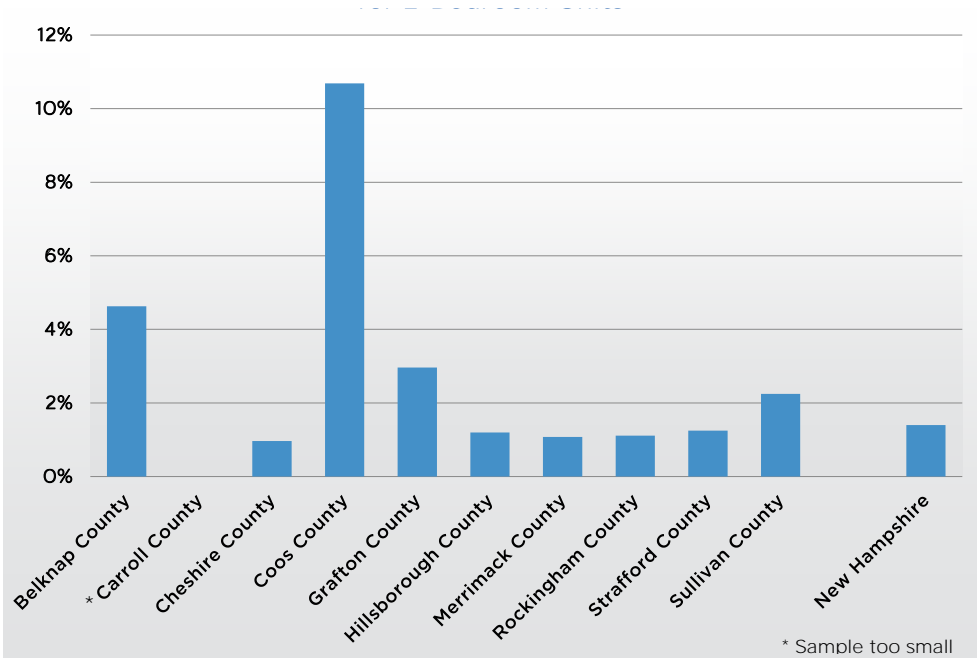
The statewide median gross rent (including utilities) for a 2-bedroom unit has increased almost 14% in the past five years. Our annual survey found the statewide median gross rent for a 2-bedroom unit in 2017 was \$1,259. About 79% of the rental units are located in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties) and have the highest median gross rents. The high median rental costs in Grafton County are driven by the robust market in the Hanover/Lebanon area.



RENTAL MARKET

2017 VACANCY  
RATE BY COUNTY

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 demand has caused a decline in the vacancy rate. New Hampshire’s vacancy rate 1.7% for all units is significantly below that of the US (7.3%) and the Northeast (5.2%).



HOUSEHOLD INCOME  
REQUIRED TO  
AFFORD A 2-BEDROOM  
APARTMENT

2017 median rent

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

	Median 2-Bedroom Rent	Household Income Required to Support Rent	Percent of Est. 2017 Renter Household Median Income
Statewide	\$1,259	\$50,400	131%
Belknap County	\$1,028	\$41,100	110%
Carroll County	\$1,040	\$41,600	117%
Cheshire County	\$1,063	\$42,500	137%
Coos County	\$ 818	\$32,700	148%
Grafton County	\$1,147	\$45,900	126%
Hillsborough County	\$1,384	\$55,400	136%
Merrimack County	\$1,174	\$47,000	137%
Rockingham County	\$1,409	\$56,400	122%
Strafford County	\$1,156	\$46,200	133%
Sullivan County	\$ 968	\$38,700	122%



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*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).

