**PERSPECTIVES ON THE FUTURE OF HOUSING**

Dean J. Christon  
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This is the third of our 2019 *Housing Market Report* series that analyzes trends and influences on the state’s homeownership and rental housing markets. We also present commentaries on various facets of the state’s housing market and its importance to New Hampshire’s economic well-being. This edition coincides with the release of Governor Sununu’s housing task force recommendations in late October.

The task force released a plan to address New Hampshire’s housing shortage. The plan acknowledges that housing and economic development go hand in hand, and that the state urgently needs a broader range of housing for our citizens. Recommendations are identified for both legislative and executive action.

The plan has three main objectives to stimulate the development of affordable housing in New Hampshire: (1) enhance local control by giving communities the tools they need to plan for the development of affordable housing; (2) provide process predictability for all development, including workforce housing; and (3) accelerate investment in affordable housing through tax restructuring and other incentives.

In the end, the task force found that the two biggest barriers to development of housing are local regulatory restrictions and a lack of incentives for investment. It recommended streamlining regulatory processes; enabling and incentivizing municipalities to adopt more housing-friendly ordinances; and increasing financial incentives for private investment in workforce housing.

With the support of the Governor and legislature, these measures will foster a more inviting environment for housing development and the creation of more homes that meet the needs of New Hampshire’s residents.

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In October, futurist John Martin spoke at NHHFA’s 2019 Housing & the Economy Conference in Manchester. Below is a summary of his key message points.

In our five decades of research at SIR, we’ve found that the best way to understand the impact of the myriad demographic, cultural and technological trends around us is to first understand the generations, the people, driving these changes. For New Hampshire, these people are increasingly older, single adults who have widely different views on how and where they want to live.

For the baby boomers, nearing or entering retirement, they’re looking for “ageless” homes, where they can maintain their physical, mental, social and spiritual vitality. Meanwhile, millennials, the largest cohort in America, are looking to live in “15-minute livable communities” but are saddled with mountains of college debt, stagnant wages and surging home prices. Winning communities will need to find ways to embrace the influx of older Americans, while competing with others to recruit and retain the proportionally fewer younger Americans.

In a state where population growth over the coming years is projected to be majority 65 and older, New Hampshire’s leaders will need to embrace a new model of economic development to be competitive. To attract the right workforce, New Hampshire will need to be a more attractive place than other regions.

At SIR, we have identified 10 key traits that define a winning place and unsurprisingly, many of them relate to affordable housing availability and access. Perhaps the most important trait for New Hampshire to strive for is becoming a “Big Tent,” a pluralistic community where everyone feels they belong. New Hampshire’s demographic and economic future may depend on it.

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**WHERE WILL WE LIVE? THE FUTURIST’S PERSPECTIVE**

John W. Martin is president & CEO of SIR and SIR’s Institute for Tomorrow, a strategic management consultancy that researches and delivers insights on demographic and cultural trends shaping the future. **These views are his, and not necessarily those of NHHFA. SIRHQ.com**
MENDING WALLS

As I write this, I am thinking of my son. He's 37 years old, married with two children, making too much for subsidized housing and not enough to buy a home in his metropolitan Boston market.

It appears he's part of the “new normal” — millennials for whom the dream of owning your own home has become a distant dream. A recent article in the Wall Street Journal highlighted young households earning $100,000+ a year, but still priced out of ownership in our booming, high-priced, metropolitan markets.

As futurist John Martin notes in this Housing Market Report, millennials (now age 16-34) are our nation’s most prolific demographic group. It is surprising to learn there’s more of them than there are of boomers. Correlate that with a recent study by Federal Reserve economists that found today’s millennials are the first American generation in decades whose economic prospects are worse than their parents’.

Hmmmm.....“Houston, we have a problem.” That’s a lot of young households with limited affordable housing prospects.

Millennials are saddled with an unthinkable level of student debt. They’ve spent most of their adult years in the grip of a recession and its ensuing weak recovery. Most millennials have gotten the short end of the stick in our increasingly bipolar distribution of income and wealth. They face a housing market of limited choice, in which rents and home prices are often climbing faster than their incomes.

Census data bears out that New Hampshire’s young households are less likely to own today than at the start of the last decade.

NHHFA housing data accurately depicts a New Hampshire housing market with rising prices and climbing rents, alarmingly low vacancy rates and a persistent drop in availability of “affordable” homes—priced under $300,000. These are daunting trends for New Hampshire’s young households, of which we desperately need more.

New Hampshire isn’t ignoring this problem. Our business leaders see the link between affordable housing and having enough labor to fuel our growing economy. State government has stepped up as well, authorizing a housing appeals board that can speed appeals from arbitrary local zoning decisions as well as funding an Affordable Housing Fund to the tune of $5 million a year. Additional housing initiatives are on the drawing board. Moreover, NHHFA’s single-family home programs address the needs of the first-time homebuyer market.

But in a market that may be short as many as 15,000-20,000 new units to satisfy demand, there are slim pickings for young households in both the ownership and rental markets, particularly if you are saddled with student debt and a second-rate job.

So, where to look for relief? There is no one solution, but rather paths to progress. To some observers, restrictive zoning and local development controls are part of the problem, slowing new home construction and thwarting housing innovation and housing choice. These efforts often result in expensive, large, single-family homes on large lots priced out of the reach our young adults—our children and their peers. It would, of course, be unwise to abandon development controls, but maybe it is time to review and tweak them in light of the challenging New Hampshire housing market young households are facing.

As New Hampshire’s own Robert Frost wrote in his lovely granite-tinged poem “Mending Wall”:

Something there is that doesn’t love a wall....
Before I built a wall I’d ask to know
What I was walling in or walling out..

We need to ask....who are we walling out? The young households we need to balance our communities? Our own children and their young families?
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Front cover: Evelyn scoots around her neighborhood in Rochester in front of her home that was financed through NHHFA (Robert Jenkins Photography); Marshall Street Apartments (152 new units) in Nashua, funded through NHHFA and the Low Income Housing Tax Credit program, opened this year; residents of Chandler Place Apartments in Plaistow enjoy a warm day on their front porch; a renovated house at Sunrise Farm in Enfield, which was funded through NHHFA, is home to adults with disabilities (Rob Strong Photography).
ECONOMIC INDICATORS

Economic indicators continue to reflect a strong economy in New Hampshire, with job opportunities throughout the state. They also show household income has increased over the past five years but may be starting to slow.

UNEMPLOYMENT RATE (US, NEW ENGLAND, NEW HAMPSHIRE)

Seasonally adjusted

New Hampshire’s seasonally adjusted unemployment rate for October is 2.6%. It is the nation’s fourth lowest unemployment rate behind Vermont, North Dakota and Utah. An unemployment rate of 4% or less is typically considered full employment. New Hampshire’s unemployment rate has been below 4% for the past five years.

Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE, BY YEAR (US, NEW ENGLAND, NEW HAMPSHIRE)

Seasonally adjusted

Source: U.S. Bureau of Labor Statistics
ECONOMIC INDICATORS

Two signs of a solid state economy: New Hampshire’s rate of mortgage delinquencies is lower than that of the regional and national rates. Additionally, foreclosures in the state continue to decline.

MORTGAGE DELINQUENCIES IN NEW ENGLAND Q3, 2019

Mortgage delinquencies in New Hampshire have increased marginally in the third quarter. Currently, 3.8% of all loans in New Hampshire have at least one payment past due, which is equal to Vermont and lower than other New England states, but slightly lower than nationally. During the Great Recession, mortgages that were past due reached upwards of 9% in New Hampshire.

Foreclosures dropped 12% in Q3 2019 from the same period in 2018; the trend indicates that annual foreclosures in 2019 will be far lower than in 2018, when there were 860 foreclosures statewide. With the increase in median sales price and lack of inventory in the state, borrowers who cannot make their mortgage payments still have a favorable market to sell their homes, and thus avoid foreclosure.

FORECLOSURE DEEDS IN NEW HAMPSHIRE By quarter

Source: The Warren Group, compiled by NHHFA
When adjusted for inflation, median household income growth slowed in 2018 relative to previous years. Median household incomes rose 0.2% in 2018 compared to 1.3% in 2017.

**ECONOMIC INDICATORS**

**OWNER & RENTER MEDIAN HOUSEHOLD INCOME**


Although mortgage interest rates remain low, they increased slightly in October. Overall, mortgage rates have declined month over month this past year. The last time rates increased was in November 2018.

**COMPARISON OF INTEREST RATES**

High student loan debt is often cited as a barrier to millennials being able to afford to purchase a home. This is true of New Hampshire’s college graduates.

New Hampshire has the highest percentage of college graduates with student debt (76%) of any state, and is also one of three states where students have the highest amount of debt upon graduating ($36,776).

Based on these projections, the population of New Hampshire residents ages 15-59 will decrease by 3% in the next 20 years, and the number of individuals age 60 and older is expected to grow 29%.
New Hampshire home prices make homeownership challenging, especially for first-time buyers. The housing inventory in the state continues to favor sellers. Homebuyers face an extremely competitive market due to low inventory at most prices.

The median sales price reached a new peak in June 2019 of $300,000. This was 5.3% greater than the previous peak in June 2018. In September 2019, the median sales price was $287,500, which is 3% higher than September 2018.

The 2019 closed sales through September are 1% less than the same period in the prior year. September saw an 8% increase in homes sold when compared to homes sold in September 2018. New home sales represent less than 1% of all sales.
HOME PRICES, INVENTORY & PERMITS

MLS HOUSING INVENTORY

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 supply of homes may be leveling as higher prices attract more sellers and/or sales volume slows, perhaps due to limited options at lower prices.

There are currently more homes listed in New Hampshire over $300,000 than under; only 44% of the listings are under that amount. In the past five years, overall listings have dropped 41%. Listings priced over $300,000 have dropped only 8% while listings under the $300,000 mark have dropped 60%.

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.

Homeowners now stay in their homes for about 13 years, up from 8 years as recently as 2010. Thus, the inventory of for-sale homes has plummeted from 3 per 100 households in December 2007 to just 1.25 per 100 households in September 2019, a decline of 58% and the lowest level since at least 1985. (WSJ, 11/3/19, Kusisto)
Single-family permits have dropped 12% cumulatively in 2019 through September, when compared to the same period in 2018. Multi-family permits have increased by 12%.

New Hampshire has seen a 35% increase in permit issuance since the low experienced in 2009, but a 1% decrease in 2019 through September when compared to the same period in 2018. The number of single-family housing permits issued in the state comparative to the national rate historically is much lower.
REAL ESTATE LISTINGS
BY NH COUNTY

Available listings as of 10/1/19.

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.

FHFA HOUSING PRICE INDEX, BY PURCHASES

Q2, 2019
The FHFA HPI is a broad measure of the movement of single-family house prices, measuring the average price changes in repeat sales or refinancing on the same properties, based on mortgages purchased or securitized by Fannie Mae or Freddie Mac since 1/1975.

New Hampshire home prices grew 6.4% in Q2 2019 compared to Q2 2018. House prices have risen for 13 consecutive quarters in New Hampshire and 32 consecutive quarters across the U.S. The state has one of the largest changes in 1-year HPI values when compared to the rest of the county, and is ranked #9.

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New Hampshire 262.66 246.94 6.4% 9 237.83 185.05 -22.2% 10.4% 41.9% Maine 261.95 248.66 5.3% 22 220.49 193.29 -12.3% 18.8% 35.5% Vermont 243.20 233.9 4.0% 36 218.88 199.75 -8.7% 11.1% 21.8% Massachusetts 295.68 284.8 3.8% 38 252.28 207.42 -17.8% 17.2% 42.6% Rhode Island 240.32 232.84 3.2% 43 237.75 171.42 -27.9% 1.1% 40.2% Connecticut 177.71 172.57 3.0% 45 197.70 159.31 -19.4% -10.1% 11.5% New England 249.35 239.59 4.1% 228.33 189.14 -17.2% 9.2% 31.8% US 271.55 258.65 5.0% 224.20 176.99 -21.1% 21.1% 53.4%
A tight rental market along with a strong economy continues in the state, according to the NHHFA 2019 Residential Rental Cost Survey. The report, which was published in June, reflects a high demand for apartments as well as very low vacancy rates. Download the report at NHHFA.org.

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

The statewide median gross rent (including utilities) for a 2-bedroom unit has increased over 20% in the past 5 years.
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 overall. The rental costs seen here in Grafton County are driven by the market in the Hanover/Lebanon area.

The more bedrooms and rooms in an apartment, the higher the utility costs are likely to be. Higher utility costs in northern New Hampshire also reflect older, less energy-efficient rental housing stock and the colder climate there.
Every county in New Hampshire is well below a 3% vacancy rate. Anything below 3% is typically considered turnover, which indicates that a unit is re-rented and is not ever actually vacant for any length of time.

* Calculations based on smaller sample sizes are viewed as providing highly volatile results and are not typically released.
New Hampshire Housing’s annual Residential Rental Cost Survey will get underway in January. The survey is conducted on our behalf by the University of New Hampshire’s Survey Center online and by telephone.

Each year we ask the owners or managers of residential rental property to take this brief survey to assist New Hampshire Housing in tracking rental housing costs and to provide important housing data to the public. All information provided to us in the survey is aggregated and kept confidential.

If you own or manage one or more units of rental housing, please contact us and take the survey. Because we appreciate that it takes time to complete the survey, after you have completed it online or via phone, you may elect to be entered into a drawing to win one of thirty $100 VISA gift cards.


To participate in the survey, please contact Kathleen Moran, Housing Research Analyst, at kmoran@nhhfa.org.
HOUSING ADVOCACY AND GRANTS
NHHFA provides funding to support local housing advocacy and public education activities. NHHFA also focuses 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 housing coalitions such as 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.

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 Unit 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 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 2020, NHHFA will present the Homeownership Conference (March 3), Multi-Family Rental Housing Development Conference (May 29), and Housing and the Economy Conference (October 15).

HOUSING-RELATED STUDIES, GUIDES AND REPORTS
- New Hampshire’s Housing Challenge and Projected Housing Needs: Dimensions and Policy Options (to be published in 2020)
- Housing Solutions Handbook (updated 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)

OTHER NHHFA 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)
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.