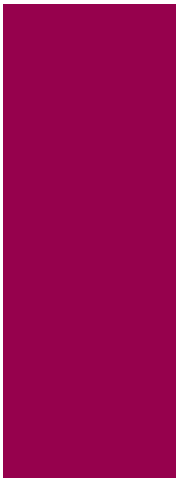
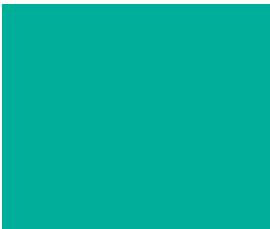


HOUSING MARKET REPORT

JUNE 2018





PERSPECTIVES ON NEW HAMPSHIRE'S RENTAL MARKET

Three times a year, we compile a housing report to analyze trends and influences in the homeownership and rental housing markets. Housing continues to be identified as an important component of New Hampshire's economic development efforts by the state's Department of Business and Economic Affairs, surveys (StayWorkPlay), businesses, local governments, and the media. The impact of our tight homebuyer and rental market is seen as a potential constraint on growing our labor force and growing our economy. Meanwhile, a positive force in the state is the fact that we continue to see our statewide median income grow.

Dean J. Christon
Executive Director
New Hampshire
Housing Finance
Authority

For this edition of our *Housing Market Report*, we asked a nonprofit housing developer, a housing investor and economist Russ Thibeault to share their perspectives on the multi-family rental market in the state.

COOPERATION AND CREATIVE THINKING NEEDED

Working on the front line in the affordable housing sector, we see all too closely how real estate market conditions affect first-time home buyers and low-income renters. The current climate for both of these housing consumers in New Hampshire is one of the most challenging they've experienced. The lack of "for sale" inventory creates great opportunities for sellers, but puts enormous pressure on first-time home buyers who can be at a severe disadvantage when trying to compete for what little affordable inventory is available. Sellers are often receiving multiple offers that are higher than the listing price. It is critical in times like these that consumers are armed with quality homebuyer education and counseling in order to have a clear understanding of their personal buying power. Despite the challenging real estate market, attendance at our home buyer education seminars consistently remains strong as individuals and families seek to educate themselves and prepare for the challenges of buying and owning a home.

It is similarly challenging for those who are seeking to rent an apartment today as rental vacancies in our region are at an all-time low. Although ideal for landlords, this situation is not so great for households that can't find an affordable place to live. Another downside to a market when vacancy rates are hovering at 1% is the quality of existing housing stock in some areas can actually decline. In some parts of the state, shiny new apartments are coming online at prices that can exceed the cost of owning a home. In other areas of the state, however, there is little incentive for owners to make improvements to their properties as they have no problem finding renters because with demand so high, you can pretty much rent any property in any condition, for as much as you want.

Robert Tourigny is
executive director of
NeighborWorks
Southern New Hampshire.
NWSNH.org



There are great challenges ahead, but we also recognize opportunity as we work together to address the housing needs in New Hampshire. In such an evolving and ever-changing landscape it is difficult to keep up with market conditions, financial regulatory reform, and new tax laws as all of these factors impact our work. What is the solution? In addition to state and local cooperation regarding land use, it's going to take innovative thinking and creative partnerships to adequately address New Hampshire's housing needs.

LEARNING FROM OUR SUCCESS TO CREATE NEW HOUSING

Bill Shanahan is
president of Northern
New England Housing
Investment Fund.
NNEHIF.org



No one disputes how important housing is to everyone's health and safety. Whether owning or renting, people need to feel secure in their homes. Yet it's a struggle for many to find housing. These are relatively good economic times with low unemployment and low inflation but housing production is lagging behind the demand for housing. The result is people are paying increasingly more for housing, making tradeoffs and sacrificing other necessary household expenses. In New Hampshire, the housing supply and demand equilibrium is further distorted by changes in demographics and slow-to-evolve housing stock. For instance, the state's housing stock contains a disproportionate number of larger single-family homes at a time when many need starter homes or are looking to downsize.

This is a complicated issue and one that needs local and national attention. Things like more favorable land use regulation and, to a limited extent, funding, can be addressed locally. At the national level, the mortgage interest deduction for homeowners is by far the largest housing subsidy available. The federal Low Income Housing Tax Credit Program is the most successful rental housing production program ever created.

Starting with the premise that housing is fundamental to individuals, families and communities, and the fact we have had some success addressing housing issues through local initiatives and federal support, I'd like to think we could continue our efforts and learn from our success. This will take some creative thinking and a commitment from policy makers, local officials, legislators and the development community.

HOUSING CONSTRUCTION LAGS IN MEETING MARKET NEEDS

Russ Thibeault is
president of Applied
Economic Research,
an economic and real
estate consulting firm.
AERH.com



You can hardly walk into a Chamber of Commerce meeting in the state, or the offices of a large employer, without hearing complaints about New Hampshire's shortage of workers. Indeed, since 2009 when the recovery from the Great Recession began here, our employers have added almost 60,000 new jobs, but our labor force has grown by a measly 5,000.

Similarly, you can hardly walk into any real estate sales office without someone complaining about the lack of inventory to sell or rent.

So...what underlies the lack of available labor and available housing? In part, it's that we are not building enough new housing units to accommodate job/labor force growth and to provide a reasonable supply of housing.

How sizable is the shortage of new units? New Hampshire Housing's *2014 Housing Needs Analysis* estimated we need 6,700 new units a year to meet projected demand. At that rate we should have built nearly 55,000 new units since the recovery began. Another rule of thumb is that for every 1,000 jobs added, we should build about 700 new units. At that rate, we should have added almost 45,000 new units since the recovery began.

So, how many units have we added since the recovery began? About 25,000, meaning we have a deficit of 20,000-30,000 new units. A sizable chunk by any measure, when we've only been adding about 3,000 new units a year.

Why is housing construction so out of whack with the state's economy and housing needs? There are several contributing factors.

- The price/cost-to-build of new housing is substantially higher than that of existing units, narrowing the range of households that can afford new construction;
- Many builders and workers withdrew from the industry during the downturn;
- Many communities continue to discourage new housing construction, based on the often-misplaced concern that new housing will increase local tax rates.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

HOUSING MARKET REPORT ■ JUNE 2018

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Front cover: (from top) Roger Bruneau and Cosmo, Goffstown; bikes of children living at Kensington Woods, Bedford; The Meadows, Hampton Falls. Back cover: Kuhn family, Manchester (Cheryl Senter Photography)

ECONOMIC INDICATORS

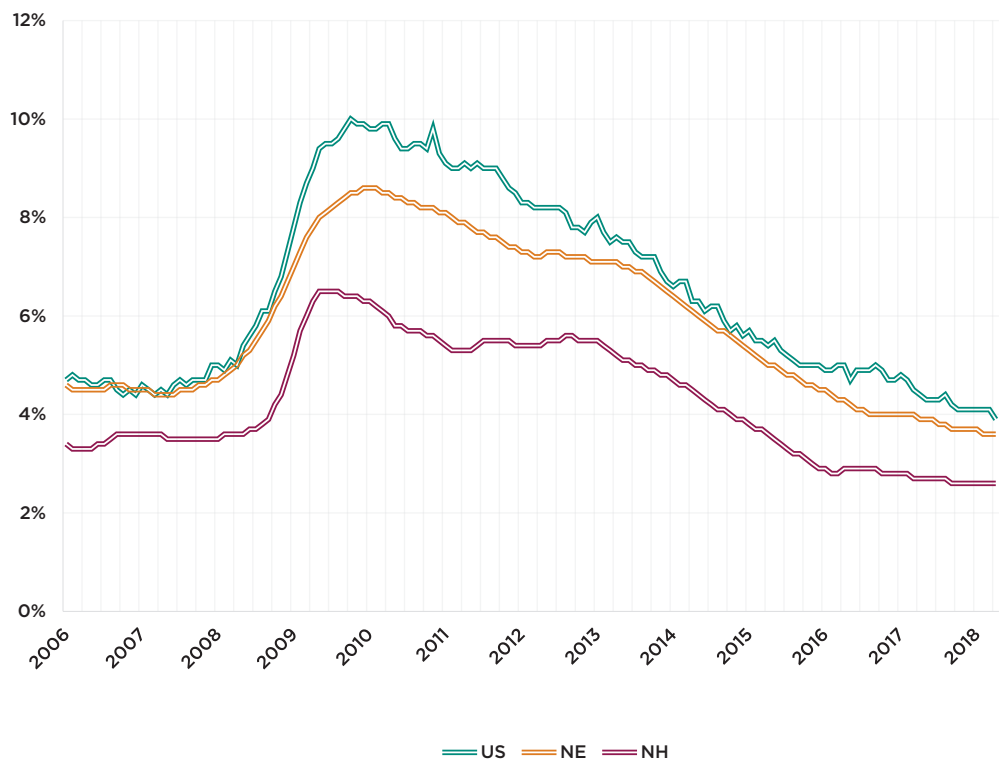
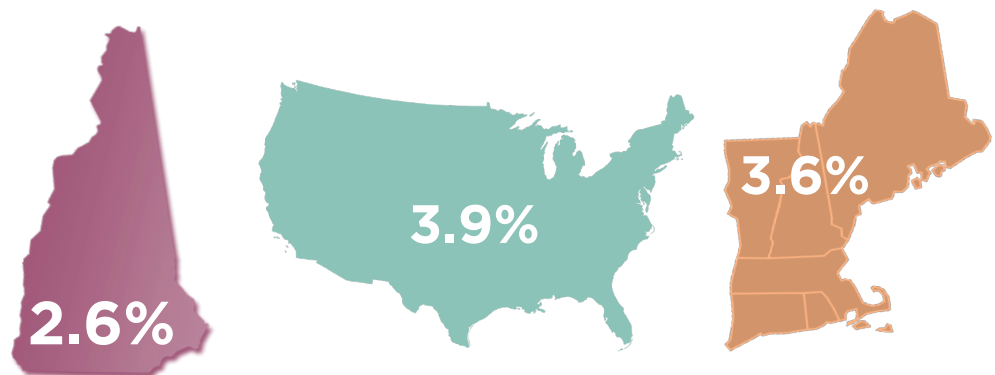
In order to afford to make a rent or mortgage payment each month, steady, full-time employment and sufficient income from that job is key. New Hampshire job opportunities appear plentiful, and household income has increased over the past five years.

UNEMPLOYMENT RATE (US, NEW ENGLAND, NEW HAMPSHIRE)

Seasonally adjusted

*Source: U.S. Bureau of Labor
Statistics*

With an unemployment rate below 3% for over two years, New Hampshire continues its streak of what is essentially “full employment.” Our seasonally adjusted unemployment rate for April is 2.6%, the lowest rate in the U.S., behind Hawaii and tied with North Dakota (3% or less is considered full employment). The state’s unemployment rate has been below 3% for 29 straight months.



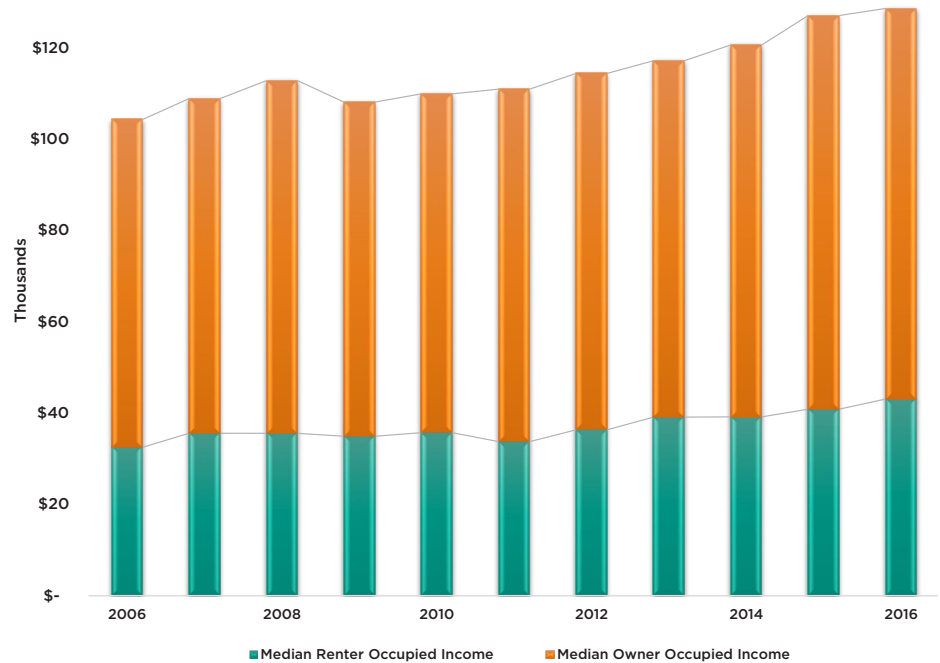
ECONOMIC INDICATORS

Affordability and income. While household income has been increasing since 2012, people are staying in rental units longer due to low vacancy rates and a lack of availability of units to move into. New construction of multi-family rental units has slightly increased in the state.

OWNER AND RENTER MEDIAN HOUSEHOLD INCOME

Source: U.S. Census Bureau, American Community Survey (2005-2016), 1 Year Estimates B25119. Median Household Income the Past 12 Months

The median renter-occupied household income has increased year over year for the past five years. This may be due to full employment in the state as well as because higher income households are remaining renters, rather than becoming owners, due to the tight market.



HOUSEHOLD INCOME REQUIRED TO AFFORD A 2-BEDROOM APARTMENT

Source: 2018 NHHFA Residential Rental Cost Survey

In New Hampshire, 43% 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.

	Median 2-BR Rent	Household Income Required	% of Est. 2018 Renter Household Median Income
Statewide	\$1,177	\$47,100	117%
Belknap County	\$1,071	\$42,800	126%
Carroll County	\$1,077	\$43,100	116%
Cheshire County	\$1,068	\$42,700	133%
Coos County	\$861	\$34,400	143%
Grafton County	\$1,146	\$45,800	125%
Hillsborough County	\$1,368	\$54,700	129%
Merrimack County	\$1,160	\$46,400	129%
Rockingham County	\$1,456	\$58,200	124%
Strafford County	\$1,174	\$47,000	123%
Sullivan County	\$971	\$38,800	110%

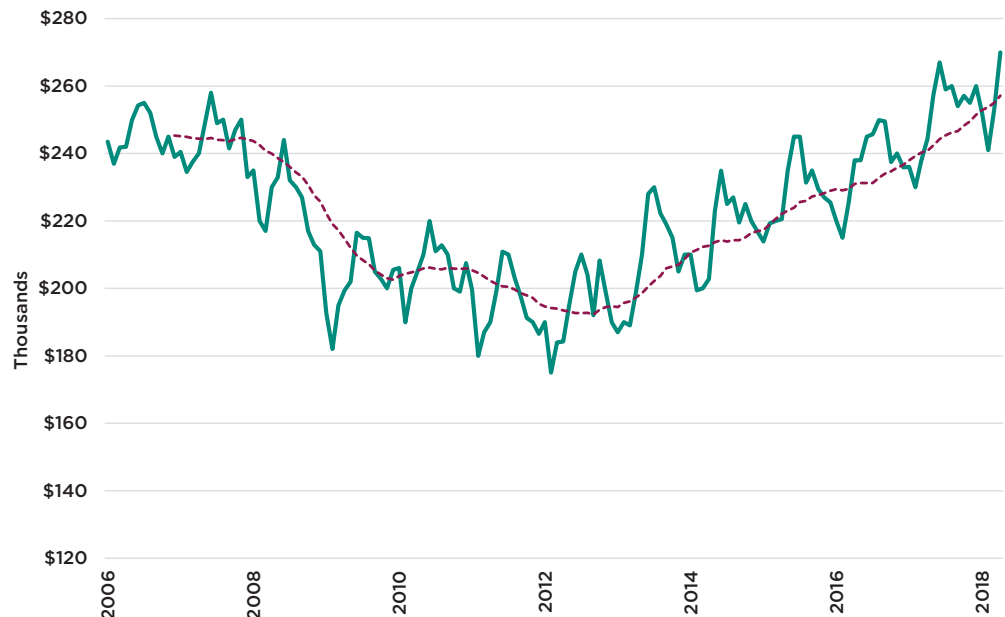
HOME PRICES

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. Increasing mortgage rates may also pose a challenge for first-time buyers.

MLS MEDIAN SALES PRICE

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.

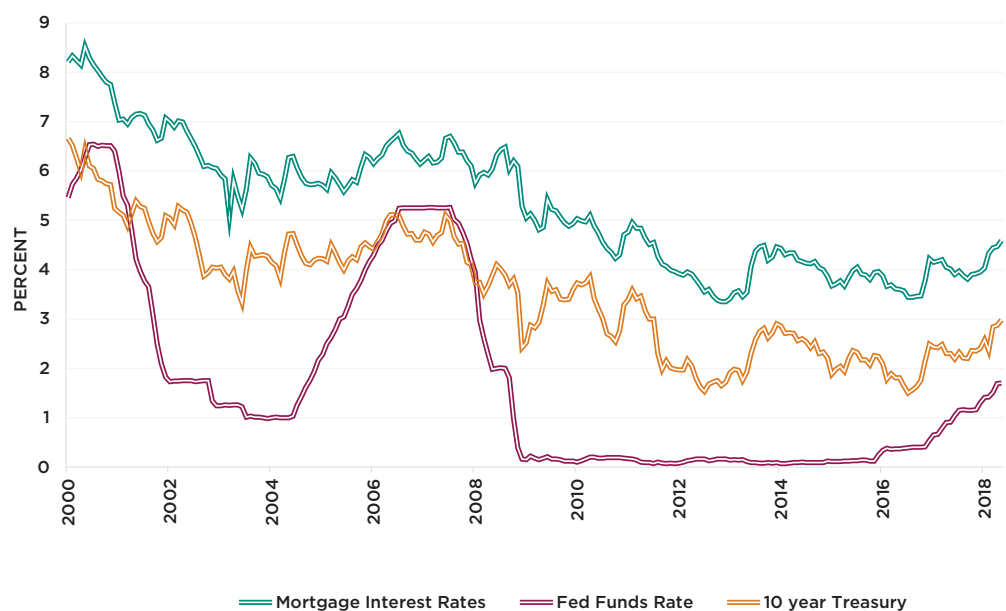
New Hampshire home prices continue to rise, even as 20% more homes were listed this May versus last May. That's still about 35% less inventory than prior years. The state's healthy economy has increased the demand for and pace of home sales.



COMPARISON OF INTEREST RATES

Source: Freddie Mac Primary Mortgage Market Survey; US Federal Reserve Selected Interest Rate H.15.

Mortgage interest rates continue to climb and have reached the highest level since September 2013. The Fed has signaled that beyond its June rate increase, it is likely to increase rates again this year.

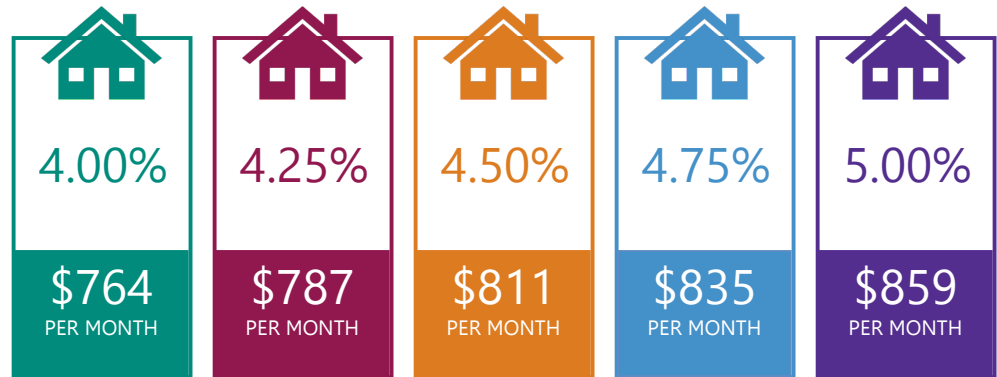


HOME PRICES

IMPACT OF INTEREST RATES ON MORTGAGE PAYMENT

Now that interest rates have begun to rise and are expected to continue in that direction, a one point difference in rates will increase a homeowner's monthly payment by nearly \$100, as reflected in the chart example below.

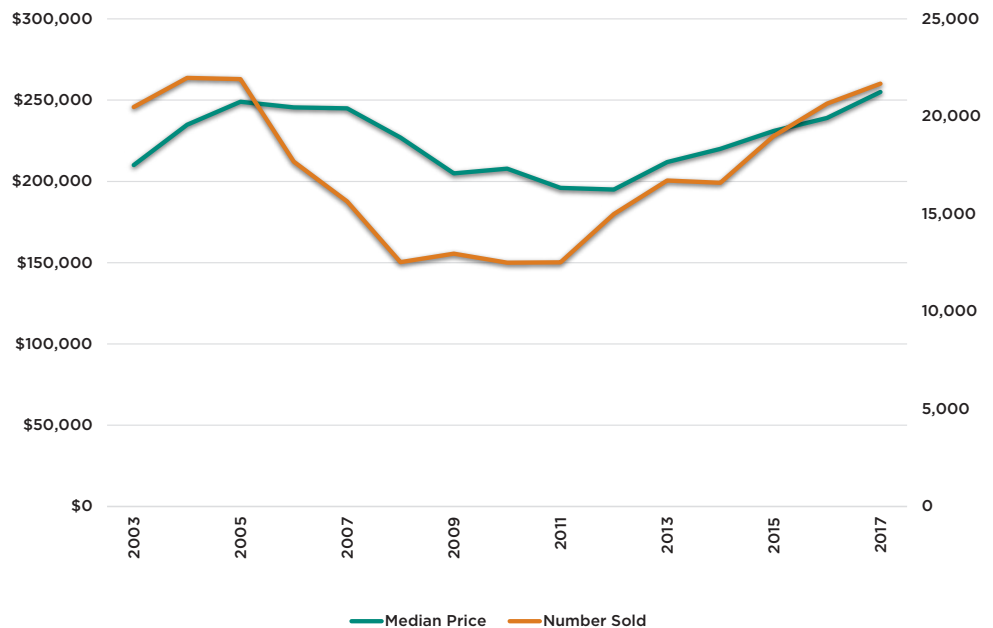
\$200,000 HOME LOAN 30 YEAR MORTGAGE WITH 20% DOWN



NEW HAMPSHIRE MLS RESIDENTIAL PROPERTY SALES BY YEAR

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 same number of houses are being sold now as there were prior to the Great Recession. Prices are at the highest point that they've been in the past 15 years.



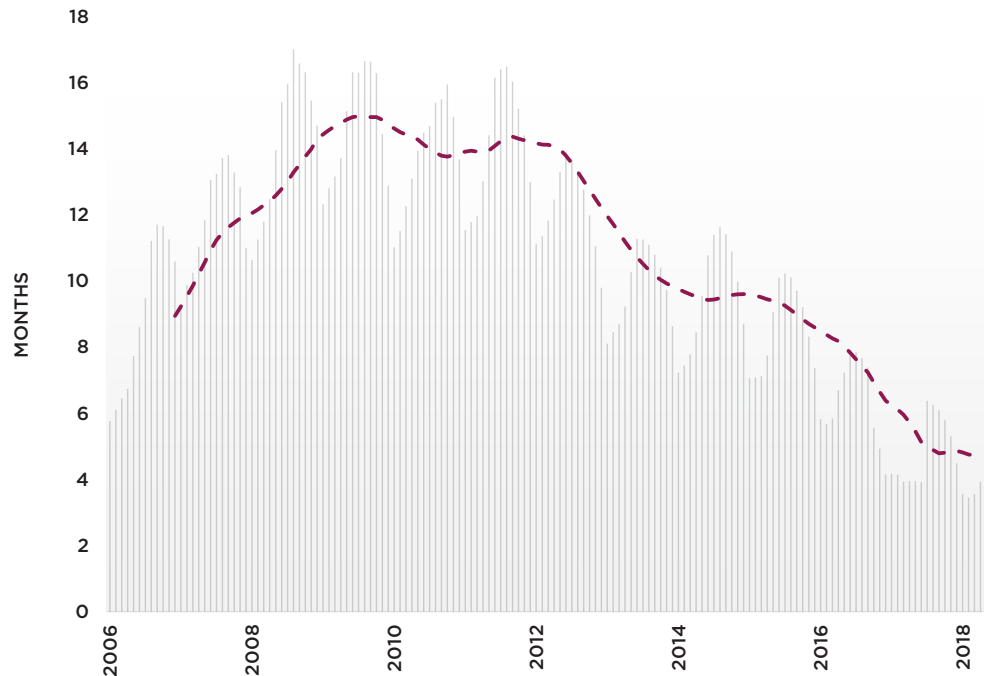
HOME SALES AND INVENTORY

The housing market in the state continues to favor sellers, not buyers. Homebuyers confront an extremely competitive market due to low inventory at most pricing levels. Smaller homes of interest to first-time homebuyers and those who wish to downsize from a larger home sell particularly quickly.

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.

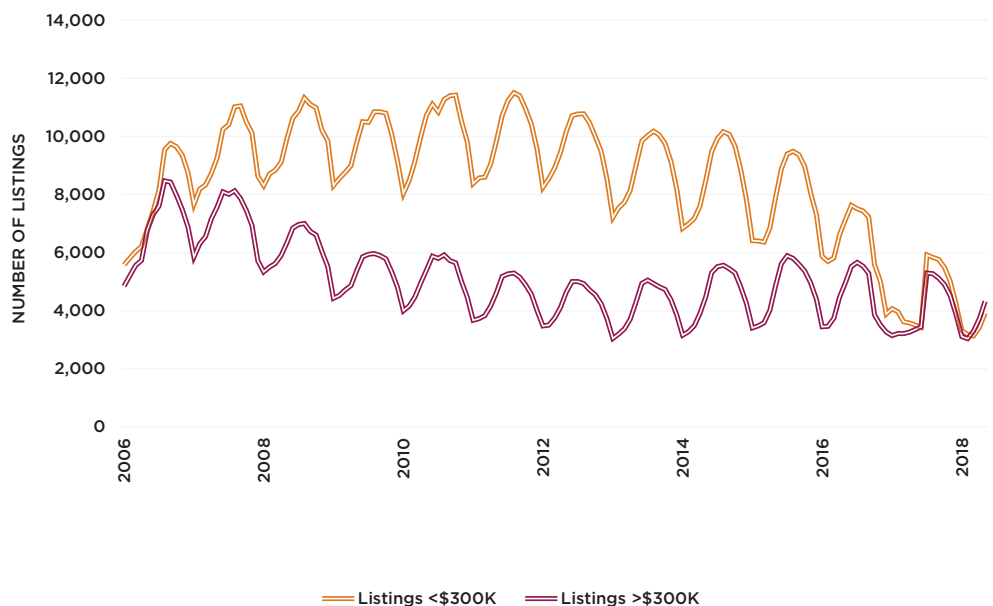
The supply of homes continues to decline, especially in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties).



MLS CURRENT LISTINGS

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.

Between 2010 and 2018, listings for homes less than \$300,000 have dropped over 63% while listings of homes above \$300,000 have decreased by less than 13%. Homes under \$300,000 are typically in the price range desired by those looking for their first home.

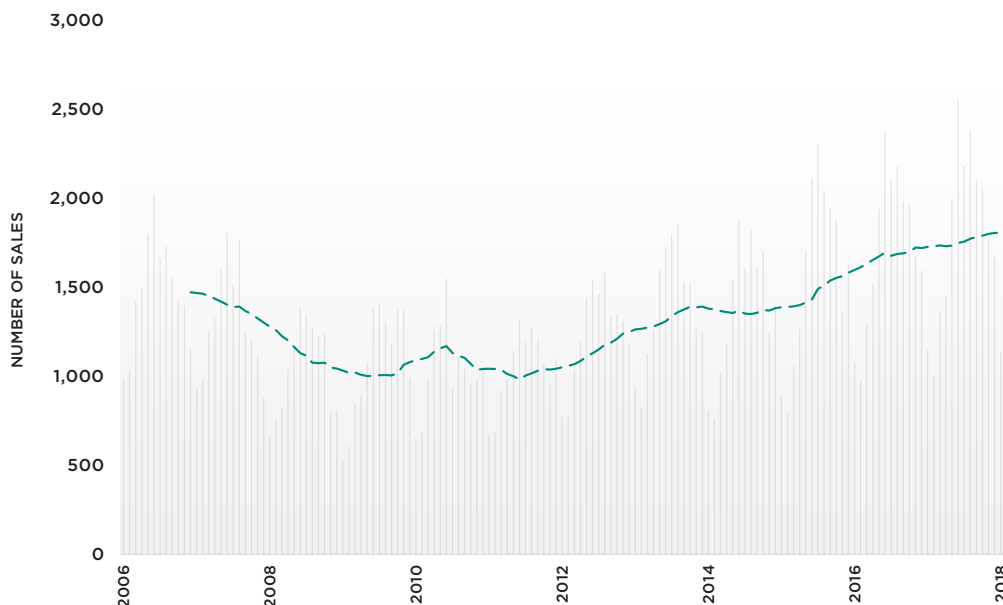


HOME SALES AND INVENTORY

MLS CLOSED SALES

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.

Spring and summer tend to be the peak of the homebuying season. April 2018 home sales were up 8.1% from last year. Home sales have the potential to climb higher due to demand. However with low home starts and limited inventory, growth is confined.

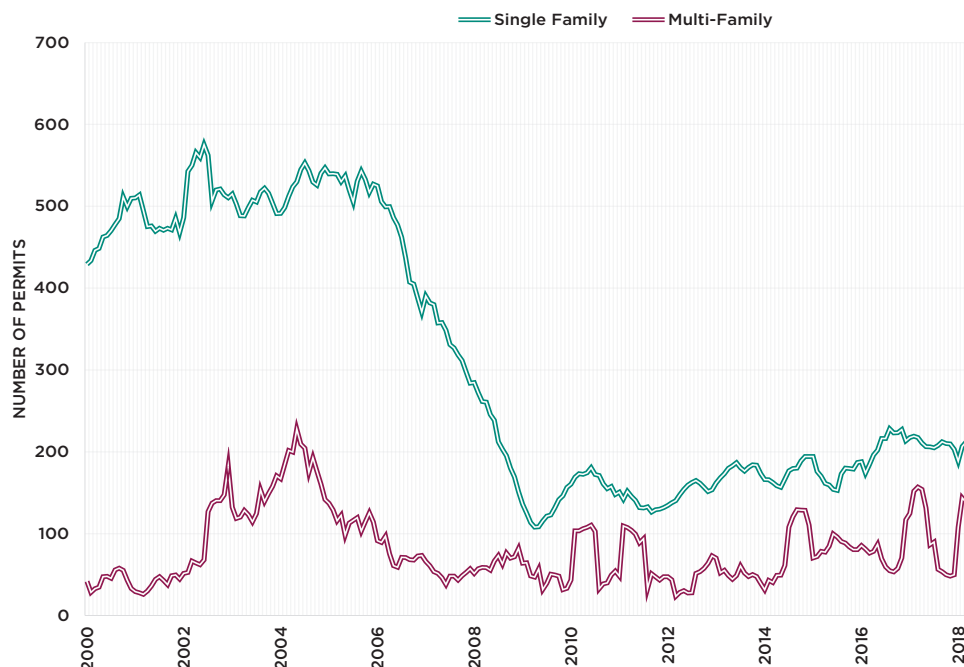


HOUSING PERMITS (SINGLE-FAMILY AND MULTI-FAMILY)

6-month moving averages, seasonally adjusted

Source: U.S. Census Bureau

While New Hampshire has shown an increase in the number of housing permits issued in the last 5 years, the gap between New Hampshire and the rest of the country has grown since 2011. While multi-family permits have increased in the highest cost markets (Southern tier and Seacoast), the cost to build new single- and multi-family units means they tend to be at the high end of the market.



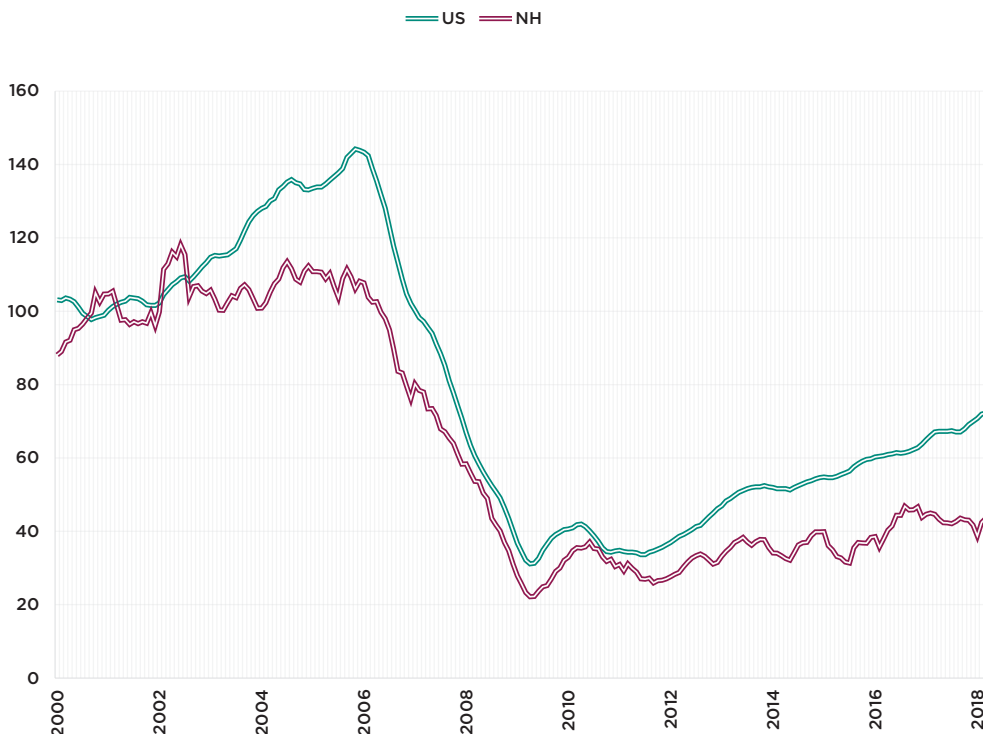
HOME SALES AND INVENTORY

INDEX OF NH & US SINGLE-UNIT HOUSING PERMITS AUTHORIZED

Seasonally adjusted,
6-month moving average,
indexed

Source: Index 2000 = 100
U.S. Census Bureau

The state has seen a small increase in single-unit housing permit activity since 2009. While this is an improvement, the gap in the number of permits authorized in New Hampshire compared to the rest of the country continues to grow. The cost to build a new home in the state is likely an impediment to new home starts.

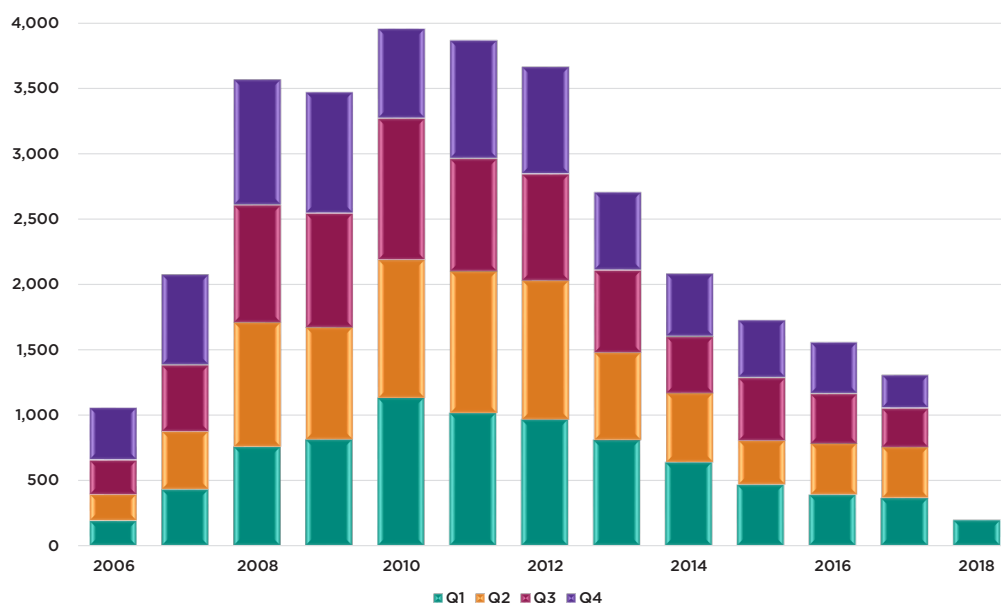


FORECLOSURE DEEDS IN NEW HAMPSHIRE

By quarter

Source: The Warren Group,
compiled by NHHFA

The rate of foreclosures continues to decline from the peak in 2010 during the Great Recession. It is anticipated that this decline will continue in 2018, as Q1 was 47% less than Q1 of 2017.



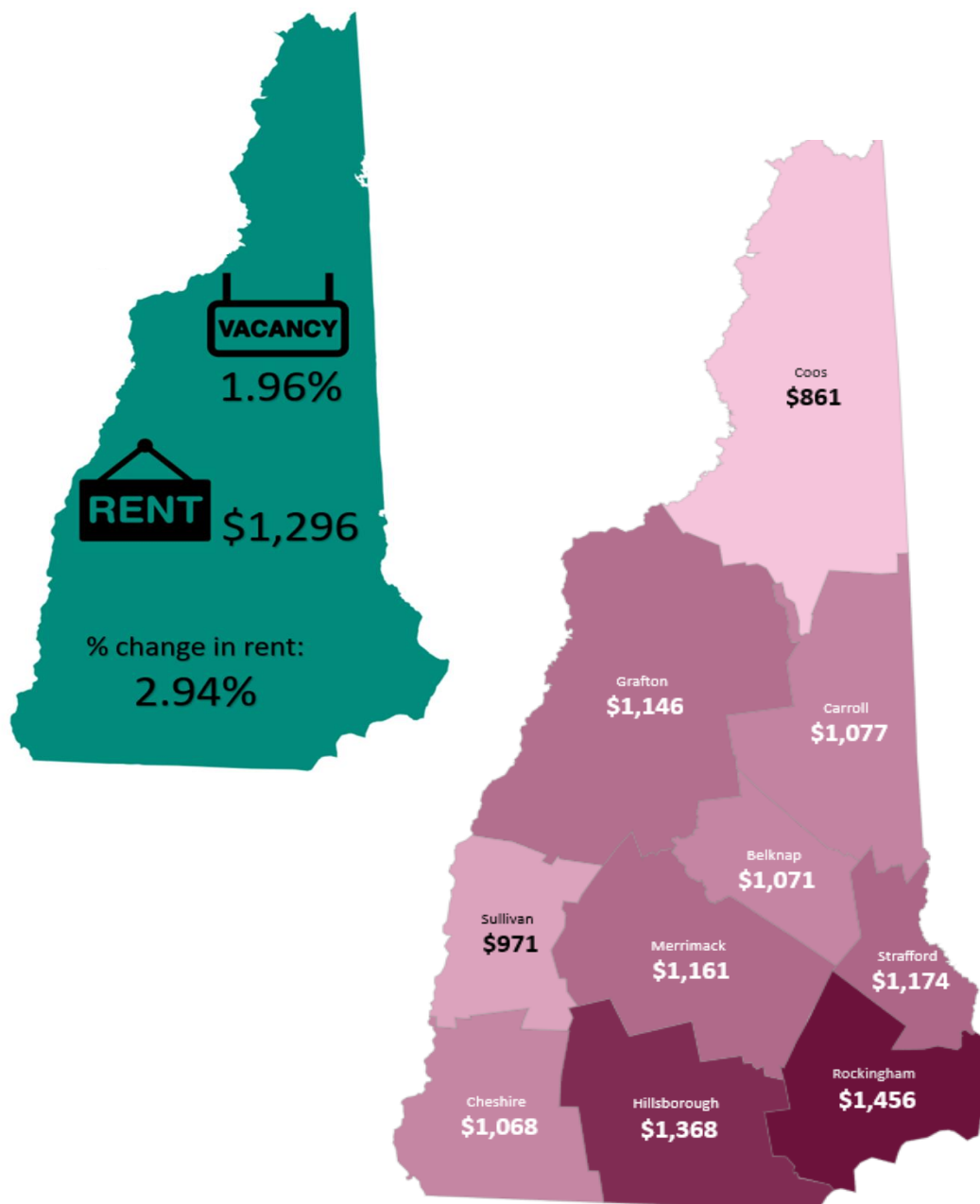
NEW HAMPSHIRE'S RENTAL MARKET

A tight rental market with low vacancy rates and rising rents continues to be the trend in most of New Hampshire, as reported in NHHFA's *2018 Residential Rental Cost Survey*. This strong demand makes it challenging for households to find affordable places to live.

MONTHLY MEDIAN GROSS RENTAL COST IN NH FOR 2-BEDROOM UNITS

Source: 2018 NHHFA
Residential Rental Cost Survey

Our *2018 Residential Rental Cost Survey* found that the statewide median gross rent for a two-bedroom unit in 2018 was \$1,296, noting that 81% of the rental units are in the southern tier (Hillsborough, Rockingham, Merrimack, and Strafford counties) and they 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, which represents the largest percent of rental units in the county.

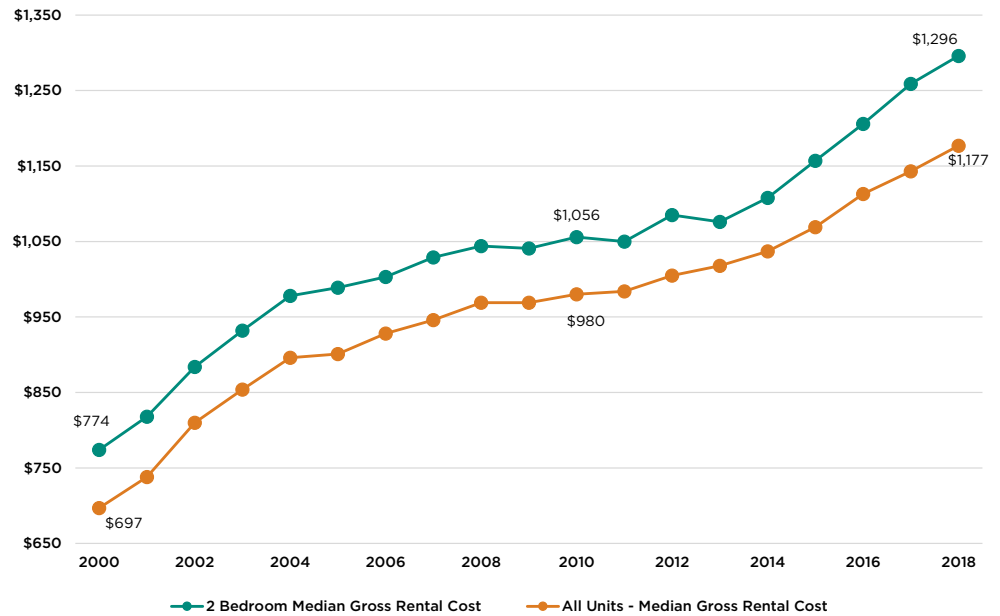


NEW HAMPSHIRE'S RENTAL MARKET

2018 MEDIAN GROSS RENT FOR ALL UNITS

Includes utilities

*Source: 2018 NHHFA
Residential Rental Cost
Survey*

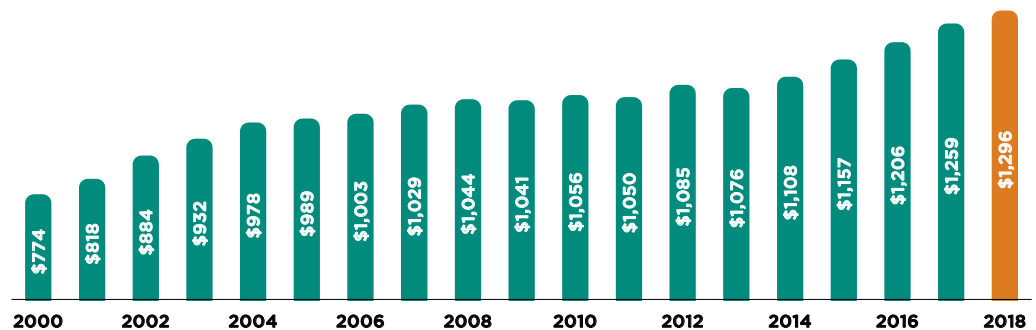


The statewide median gross rent (including utilities) for a two-bedroom unit has increased almost 15% in the past 5 years.

2018 MEDIAN GROSS RENT FOR 2-BEDROOM UNITS

Includes utilities

*Source: 2018 NHHFA
Residential Rental Cost
Survey*

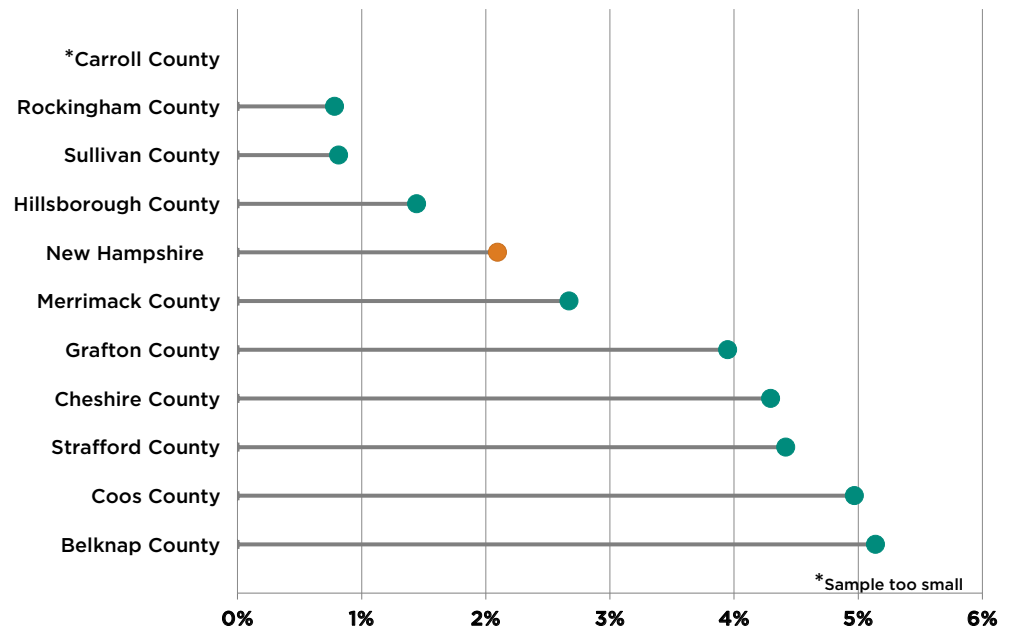


NEW HAMPSHIRE'S RENTAL MARKET

2018 VACANCY RATE BY COUNTY FOR 2-BEDROOM UNITS

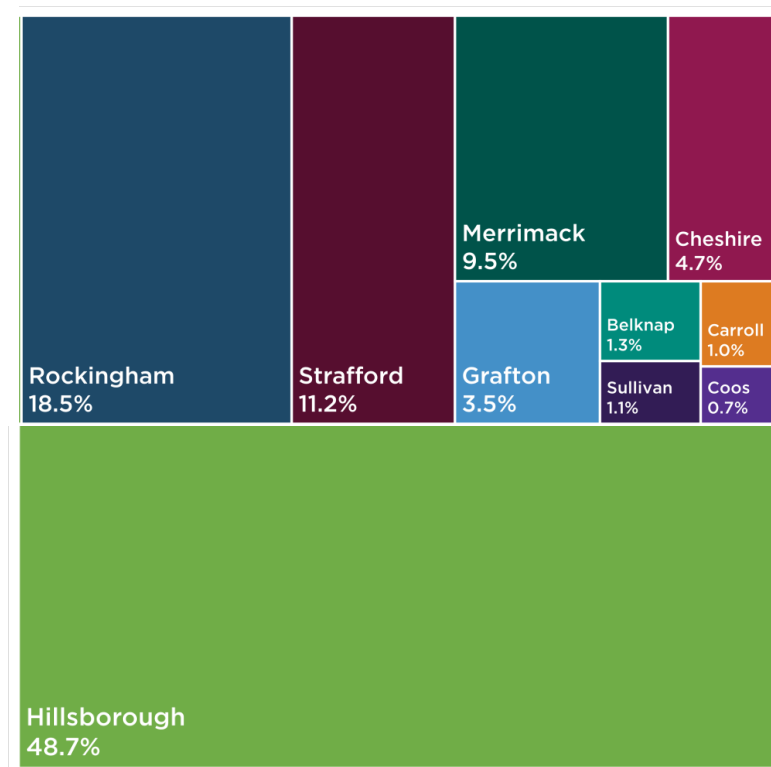
Source: 2018 NHHFA Residential Rental Cost Survey

The rental housing vacancy rate has increased slightly to 2.1% for all units and 1.96% for 2-bedroom units. New Hampshire's vacancy rate is still below that of the U.S., which is 7% and the Northeast region which is 5.1%. (A balanced rental market is between 4 - 5% vacancy rate.)

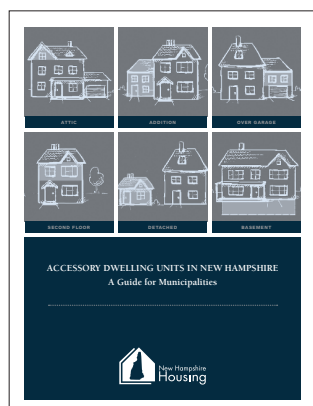
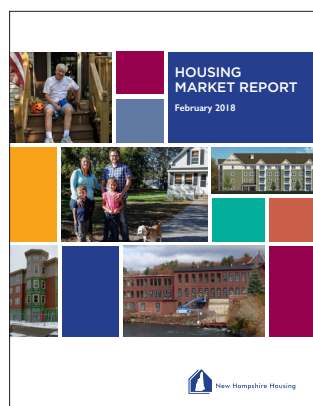


2018 RENTAL SURVEY SAMPLE SIZE BY COUNTY

Source: 2018 NHHFA Residential Rental Cost Survey



NHHFA HOUSING RESEARCH, PUBLICATIONS AND RESOURCES



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 public officials, municipalities, and the public on housing-related matters. Additionally, it administers several grant programs to support initiatives by non-profits engaged in affordable housing activities.

As the leading source of key housing data in the state, NHHFA researches and produces regular and special reports, publications, and planning tools such as housing market reports (see Tab 7 for the February 2018 Housing Market Report), an annual survey of the state's rental market, workforce housing report, and more.

HOUSING RELATED STUDIES AND REPORTS

NHHFA recently published Accessory Dwelling Units in New Hampshire: A Guide for Municipalities (a guide for homeowners will come out in July 2018). The publication provides assistance to municipal officials in implementing the Accessory Dwelling Units statute (RSA 674:71-73) that became law in June 2017. The intent of the law is to expand the supply of housing in New Hampshire communities without further land development, as well as to encourage efficient use of existing housing stock and infrastructure, and provide an affordable housing option in communities.

A study commissioned by NHHFA of households living in in the state's affordable rental housing developments (apartment units funded through the Low Income Housing Tax Credit (LIHTC) program) was published in fall 2017. Download it at NHHFA.org/data-resources-planning.

HOUSING ADVOCACY AND GRANTS

Given the increased importance of this work, in 2018 NHHFA increased the funds available to support local housing advocacy and public education activities. It is also focusing on engaging partners such as local and regional chambers of commerce and economic development organizations in these efforts.

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. New Hampshire Housing provides grants to support their efforts, and NHHFA staff provide direct technical assistance to municipalities upon request.

MUNICIPAL TECHNICAL ASSISTANCE GRANTS 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. In the past two years, grants totaling \$50,000 were awarded to Boscawen, Peterborough, Franconia, Hinsdale, Candia and Rochester. Boscawen, for example, used its grant to establish a zoning district with standards to promote mixed-use development (multi-family, single family and businesses).

EMERGING OPPORTUNITIES GRANT PROGRAM

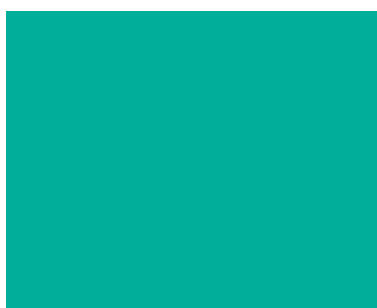
This grant program supports initiatives focused on developing and operating affordable housing programs that serve very low- to moderate-income households.

HOUSING CONFERENCE SERIES

NHHFA hosts and supports 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.



New Hampshire Housing



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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.

