

# CONSTRUCTION & HOUSING

## Current Conditions

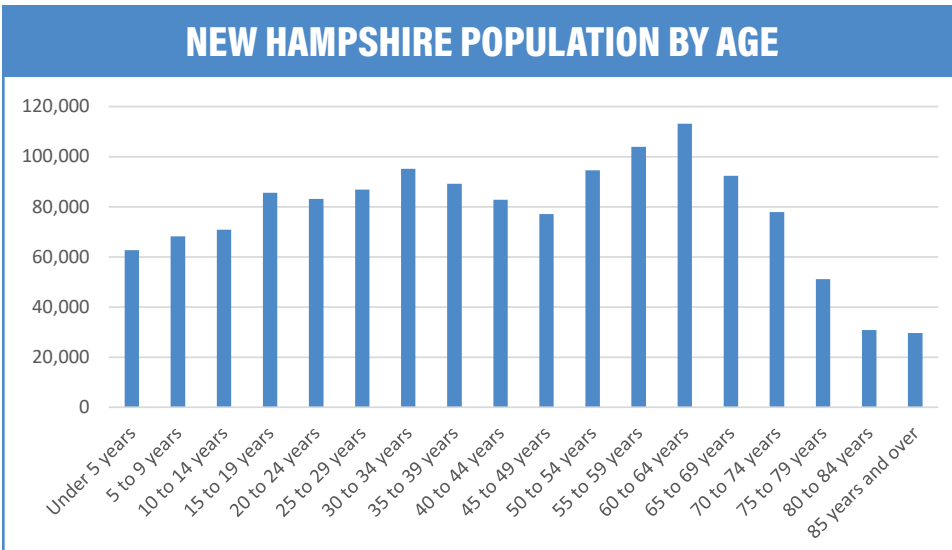
Since the onset of the coronavirus pandemic, New Hampshire’s tight housing market has prompted a growing volume of commentary from observers and warnings from affordable housing advocates. Accordingly, housing emerged as the preeminent state and local issue in 2023, as evidenced by the wave of new housing-related bills set to be considered during New Hampshire’s 2024 legislative session. The low supply and high price of real estate threatens to stem the pandemic-era flow of transplants seeking to capitalize on the state’s reputation for natural beauty and comparatively low tax burden.

Aside from a small pandemic-era increase, New Hampshire’s population growth has been slowing for decades, and future growth is dependent on continued positive migration trends. According to the New Hampshire Housing Finance Authority’s (NHHFA) 2023 Statewide Housing Needs Assessment, the state’s population is projected to begin declining in 2040 if current trends hold.<sup>1</sup> As of the 2022, New Hampshire had

the second highest median age in the country at 43.3 years,<sup>2</sup> with 28.3 percent of the state’s population over the age of 60.<sup>3</sup> As New Hampshire’s largest population cohorts approach retirement age, the robustness of its workforce depends upon not just retaining working-age residents but attracting new ones. Governor Sununu addressed the state’s continued need to bolster its workforce in an April 2023 press release, commenting that “... the number one barrier is housing.”<sup>4</sup>

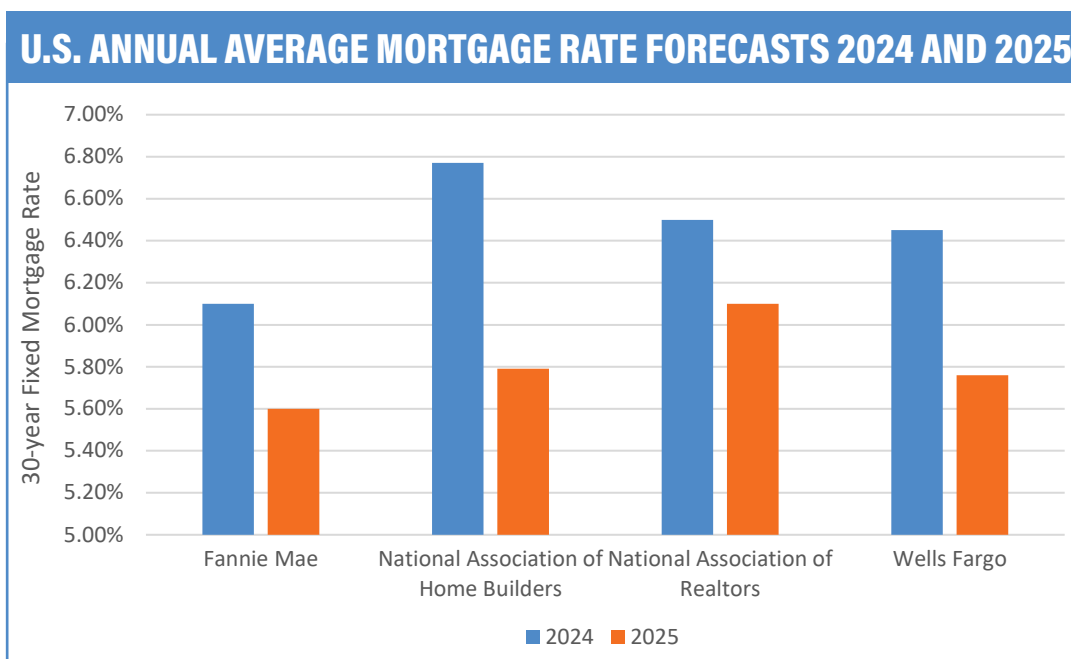
The situation is familiar. The supply of housing inventory has increased slightly to 1.4 months for single-family homes and 1.6 months for condominiums, up from 1.3 months for both at the end of 2022. However, this increase is due to declining sales volume, not an increase in inventory. After making steady year-over-year gains throughout late 2022 and early 2023, the percentage increase in the supply of housing inventory began to plateau – leaving supply still well under the five to six-month range generally considered a balanced housing market.<sup>5</sup>

Consequently, buyers have faced higher prices, with the median sale price continuing to climb statewide. The average monthly inventory of single-family homes for sale decreased 7.5 percent in 2023. The number of closed sales in 2023 fell 19.1 percent compared to 2022, driven by a combination of high prices and high mortgage rates. The process is a vicious cycle: in addition to



Source: U.S. Census Bureau, American Community Survey 2022 1-Year Estimates

1 Root Policy Research, “New Hampshire Statewide Housing Needs Assessment,” New Hampshire Housing Finance Authority. <https://www.nhhfa.org/wp-content/uploads/2023/04/2023-NH-Statewide-Housing-Needs-Assessment.pdf>.  
 2 U.S. Census Bureau. Press Releases, “America Is Getting Older,” June 22, 2023. <https://www.census.gov/newsroom/press-releases/2023/population-estimates-characteristics.html>.  
 3 U.S. Census Bureau. 2023. “American Community Survey 2022 1-Year Estimates.” <https://data.census.gov/table/ACSST1Y2022.S0101?q=age%20in%20new%20hampshire>.  
 4 Office of the Governor. 2022. “Governor Chris Sununu, State Officials, Business Owners Hold Press Conference to Promote InvestNH Housing Fund.” News and Media. Concord: State of New Hampshire, April 13, 2022. <https://www.governor.nh.gov/news-and-media/governor-chris-sununu-state-officials-business-owners-investnh>.  
 5 New Hampshire Association of Realtors. 2024. “Monthly Indicators: December.” New Hampshire Association of Realtors. January 5. Accessed January 23, 2024. <https://nhar-public.stats.showingtime.com/docs/mmi/2023-12/x/report?src=page>.



Source: U.S. News & World Report

making it more expensive for buyers to finance a home, high interest rates also incentivize potential sellers – many of whom locked in cheaper rates before recent hikes – to wait, further decreasing the supply of homes for sale. With many forecasters predicting rate cuts later in 2024, home sales may see an increase if rates for a conventional 30-year fixed rate mortgage fall into the low-6 percent range as predicted.<sup>6</sup>

The New Hampshire Association of Realtors (NHAR) and the Northern New England Real Estate Network report an Affordability Index figure on a monthly basis. This figure depicts median household income as a percentage of the necessary funds “to qualify for the median-priced home under prevailing interest rates.”<sup>7</sup> Thus, a higher index score indicates more affordable housing. The average affordability index for a single-family home in 2023 was 65, down 13.9 percent from 2022’s average. The annual average for condominiums was 77, down 23 percent from 2022. While these changes are driven by increases in the median sales price and mortgage rates rather than decreases in median household income, they illustrate how the

prospect of homeownership is becoming out-of-reach even for those who could afford it a little more than a decade ago. In the aftermath of the Great Recession, an enlarged housing stock from the early-2000s building boom combined with exceptionally low mortgage rates lifted the index to historic highs. Throughout 2012, for example, the Affordability Index for a single-family home hovered around 200.<sup>8</sup>

According to preliminary annual estimates from the U.S. Census Bureau’s Monthly Building Permit Survey, a total of 4,512 new privately owned housing units were authorized in 2023, down from 4,783 in 2022. One-unit structures made up 66 percent of permits issued, the same proportion as the previous year. Multi-unit structures of five-plus units comprised 26 percent of authorizations, a one percent increase from 2022. The 1,187 permits issued for units in five-plus unit structures were spread between 53 different structures, making the average volume about 22 units per structure. Interestingly, this is a one unit increase from 2022, and a two unit increase from 2021. Though it is far from conclusive, this could suggest that developers are being incentivized to build larger multi-unit

<sup>6</sup> Erika Giovanetti, “2024 Mortgage Forecast: When Will Rates Go Down?” U.S. News Money, January 8, 2024, <https://money.usnews.com/loans/mortgages/mortgage-rate-forecast>.

<sup>7</sup> New Hampshire Association of Realtors. “Monthly Indicators: December” <https://nhar-public.stats.showingtime.com/docs/mmi/2023-12/x/report?src=page>.

<sup>8</sup> Ibid.

developments, or a greater number of large multi-unit projects. Relatedly, 2022 Census Bureau data on the composition of New Hampshire's housing stock shows a steady increase in the number of 20-plus unit structures starting around 2018.<sup>9</sup> Even so, the preliminary numbers show a 5.7 percent decrease in permitted new housing construction following a decrease of 2.2 percent in 2022. This sets the state back in adding the estimated 60,000 units needed between 2020 and 2030 to stabilize the housing market. Based on current demographic trends, approximately a third of those 60,000 projected by New Hampshire Housing need to be available as rental units.<sup>10</sup>

Ensuring that supply across unit and ownership types is commensurate to state demographics is crucial for price stability as housing needs often track with life cycles. A four-bedroom detached may not be right for an aging retiree just as a two-bedroom apartment may not be ideal for a growing family. Mismatches in availability can cause undesirable effects in the market. A scarcity of "starter homes" – smaller, inexpensive houses for newer homeowners looking to build equity – may cause high-earning renters to delay buying, thus decreasing the available stock of rental housing. According to New Hampshire Housing's 2022 Rental Cost Report, the statewide vacancy rate for all rentals was 0.5 percent in 2022.<sup>11</sup>

## Outlook

The ascendance of housing as a driving issue for policymakers comes with no clear prescription. Potential fixes range from fiscal measures, such as tax incentives or grants for affordable multifamily developments, to policy changes that would alter zoning ordinances and streamline arbitration between boards and property owners. Critics of the former tactics have expressed concern that a multifamily development bonanza does not do

enough to address the supply of single-family homes, while critics of land use reform worry that new buildings constructed under updated requirements would – among other things – mar the historic character of New Hampshire's towns. While expanding the housing stock is vital to maintaining affordability, some policy advocates argue that increased oversight of existing housing is also necessary. On the margins, some have proposed regulating the market to shield renters from dramatic rent increases when units change hands. During the state legislature's 2023 session, House Bill 95 sought to establish the right of municipalities to enact rent control – which may help lower-income renters avoid being priced out of an area but does not affect the physical supply of rental properties. The bill was defeated in the House.<sup>12</sup>

The causes of New Hampshire's housing shortage are many, and the means of addressing them lie in the purviews of all three branches of state government insofar as they can be addressed by government at all. Action to fix this crisis will likely take the shape of a loose partnership between public agencies, nonprofits, and for-profit developers that, while buoyed by federal pandemic stimulus funding, may take a considerable amount of time as it moves through a network of competing municipal and regional interests. Unifying these disparate groups and rallying public support could prove a difficult endeavor, one whose outcome is certain to change New Hampshire considerably. Critics and proponents alike have cited a constellation of fears about the effects of wider development ranging from affordability concerns to heavier burdens on municipal resources: scarce parking, crowded schools, heavier tolls on already-anemic infrastructure, and higher demand for public safety and sanitation services.

– Jack Becker

9 U.S. Census Bureau. 2022. "2022 American Community Survey 1-Year Estimates." <https://data.census.gov/table/ACSDP1Y2022.DP04?q=units%20in%20structure&g=040XX00US33>.

10 Root Policy Research, op. cit.

11 New Hampshire Housing Finance Authority. "NH Housing 2022 Rental Cost Report." <https://www.nhhfa.org/wp-content/uploads/2022/08/NHHousing-2022-Rental-Cost-Report.pdf>.

12 Dewitt, Ethan. 2023. "New Hampshire House rejects bill enabling rent controls." *New Hampshire Bulletin*, February 2, 2023. <https://newhampshirebulletin.com/briefs/new-hampshire-house-rejects-bill-enabling-rent-controls/>.

<b>CONTRACT VALUE INDICES (base = 1980) December (not seasonally adjusted)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total construction					
New Hampshire	317.0	282.5	377.8	355.6	545.8
New England	447.6	482.5	463.9	527.1	825.3
United States	415.2	497.2	537.2	583.8	763.7
Nonbuilding construction					
New Hampshire	207.3	290.2	572.0	578.4	256.7
New England	426.2	311.8	238.0	502.6	1,403.2
United States	434.5	477.9	549.9	510.9	823.1
Nonresidential construction					
New Hampshire	680.2	359.1	214.8	225.9	493.1
New England	588.2	670.6	692.5	552.8	847.2
United States	431.2	525.5	465.3	544.5	1,020.1
Residential construction					
New Hampshire	159.2	235.8	385.8	332.3	701.1
New England	340.2	414.0	390.5	518.4	501.1
United States	392.2	485.2	590.2	653.1	521.6
Residential construction (seasonally adjusted)					
New Hampshire	227.1	329.0	514.6	416.8	855.8
New England	350.8	447.5	406.8	538.3	485.1
United States	440.3	538.5	645.0	704.3	558.7

Source: Federal Reserve Bank of Boston, ELMI Analysis. Last Update 9/27/2023

<b>HOUSING PERMITS AUTHORIZED (not seasonally adjusted)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total New Hampshire	4,445	4,743	4,320	4,892	4,783
Annual percent change	22.6%	6.7%	-8.9%	13.2%	-2.2%
Total New England	34,375	35,923	35,571	39,637	38,905
Annual percent change	3.7%	4.5%	-1.0%	11.4%	-1.8%
Total United States	1,328,827	1,386,048	1,471,141	1,736,982	1,665,088
Annual percent change	3.7%	4.3%	6.1%	18.1%	-4.1%

Single Family Units, New Hampshire	2,710	2,746	3,033	3,426	3,129
Annual percent change	0.0%	1.3%	10.5%	13.0%	-8.7%
Single Family Units, New England	18,159	16,883	18,609	21,230	18,968
Annual percent change	0.8%	-7.0%	10.2%	14.1%	-10.7%
Single Family Units, United States	855,332	862,084	979,360	1,115,360	975,584
Annual percent change	3.7%	4.3%	6.1%	18.1%	-4.1%

Source: US Census Bureau, ELMI Analysis. Last Update 9/27/2023

<b>HOME SALES</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Freddie Mac House Price Index (December 2000 = 100), NSA					
New Hampshire	167.90	178.00	203.11	240.25	257.19
United States	186.98	195.06	217.13	255.95	267.94

Mortgage Rates and Housing Rentals					
30-Year Fixed Mortgage Rates (Annual average)	4.54%	3.94%	3.11%	2.96%	5.34%

Source: Freddie Mac. Last Update 9/27/2023

UNITS IN STRUCTURE	2018	2019	2020	2021	2022
Total housing units	638,112	642,298	646,849	643,979	648,571
1-unit, detached	403,645	400,650	448,840*	412,356	415,725
1-unit, attached	33,543	31,288		36,696	34,044
2 units	34,508	34,554	36,125	34,575	31,539
3 or 4 units	35,243	34,732	31,354	33,431	31,505
5 to 9 units	29,293	34,088	24,822	29,585	33,485
10 to 19 units	18,634	22,681	67,889*	19,143	20,110
20 or more units	44,019	47,881		48,129	50,391
Mobile home	39,053	36,269	37,819*	29,780	31,258
Boat, RV, van, etc.	174	155		284	514

Source: 1-year American Community Survey, US Census Bureau. Last Update 9/27/2023

\*Due to data collection issues, the 2020 1-year ACS data were released as experimental data. Experimental tables contained fewer categories than standard ACS tables.

HOMES FINANCED BY NH HOUSING FINANCE AUTHORITY	2018	2019	2020	2021	2022
Total	1,428	1,238	1,105	1,336	740
Percent new construction	0.8%	0.7%	0.8%	0.6%	1.2%
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NHHFA Bond Issues (\$ millions)	11.4	10.6	21.0	29.4	58.8
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Assisted Rental Housing Funded					
Total units (NHHFA only)	335	278	254	718	766
For elderly and supportive housing tenants	218	36	71	55	357

Housing Unit Rentals					
Median gross monthly rent, (including utilities), all units	\$1,177	\$1,251	\$1,283	\$1,373	\$1,510
Annual percent change	3.0%	6.3%	2.6%	7.0%	10.0%
Rental Unit Vacancy Rate, all units	2.1%	0.8%	1.8%	0.9%	0.5%

Source: New Hampshire Housing Finance Authority. Last Update 2/1/2024

NEW HAMPSHIRE MULTIPLE LISTING SERVICE DATA ON SALES OF EXISTING HOMES <sup>a</sup>	2018	2019	2020	2021	2022
Regional Sales and Price Activity - December to December					
Median sale price					
Single Family - residential	\$283,000	\$300,000	\$335,000	\$395,000	\$440,000
Condominium	\$205,000	\$215,000	\$250,000	\$289,000	\$345,000
Percent change in Price from Prior Year					
Single Family - residential	6.4%	6.0%	11.7%	17.9%	11.4%
Condominium	6.8%	4.9%	16.3%	15.6%	19.4%
Total Units Sold - 12-Month Average					
Single Family - residential	1,463	1,468	1,537	1,455	1,205
Condominium	406	404	421	442	379

<sup>a</sup> Copyright 2012 Northern New England Real Estate Network, Inc. The reproduction of these statistics is done with the permission of NNEREN. The statistics referenced herein are based solely upon listings submitted to the multiple listing service database of NNEREN and do not include all properties sold and marketed for sale. ALL INFORMATION DEEMED RELIABLE BUT NOT GUARANTEED. Any analysis or commentary related to these statistics is that of the commentator, and not that of NNEREN.

Source: Northern New England Real Estate Network. Last Update 9/27/2023

Prepared by: New Hampshire Employment Security, Economic and Labor Market Information Bureau

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