

2023 NEW HAMPSHIRE STATEWIDE HOUSING NEEDS ASSESSMENT

MARCH 2023

PREPARED BY
ROOT POLICY RESEARCH
FOR NEW HAMPSHIRE HOUSING



**NEW HAMPSHIRE
HOUSING**

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NH Housing is a self-supporting public corporation whose mission is to promote, finance, and support housing solutions for the people of the New Hampshire.

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EXECUTIVE SUMMARY

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INTRODUCTION

For the past three decades, economists have noted that New Hampshire has a housing mismatch in what is needed and desired — and what is available. This is evidenced by the ongoing stresses on the state’s rental and for-sale housing market due to insufficient supply. The pandemic also placed additional pressure on the housing market. Communities, businesses, and policymakers widely acknowledge that the state’s economic well-being is inextricably linked to attracting and retaining a workforce and having a sufficient supply of housing for the workforce and all of the state’s people.

As part of its statutory responsibilities, New Hampshire Housing regularly conducts an assessment of the state’s housing market and housing needs. This 2023 assessment is intended to guide decisions affecting housing production and choice by providing regional and statewide data on supply and production, affordability challenges, housing needs, and projected housing demand.

The **2023 New Hampshire Statewide Housing Needs Assessment**, which was conducted by Root Policy Research on behalf of New Hampshire Housing, found that the state needs 60,000 more housing units between 2020 and 2030, and nearly 90,000 units between 2020 and 2040. The report offers suggestions for addressing the problems that have led to the housing shortage as quantified in the report, and ways to add different types of housing to meet the needs of New Hampshire’s people, regardless of their income or age or where they live in the state.

This Executive Summary presents the primary findings from the 2023 New Hampshire Statewide Housing Needs Assessment. In addition to the rigorous data analysis detailed in Sections I - IV of the assessment, virtual focus groups were conducted with 30 stakeholders from across New Hampshire’s housing sectors and industries (Section V). **Please see the full report for details on these findings.**

KEY FINDINGS

HOW MUCH HOUSING DOES NH NEED?

Based on estimated population growth, almost 60,000 units are needed between 2020 and 2030; nearly 90,000 units are needed between 2020 and 2040.

This includes the state’s current housing shortage of over 23,500 units needed to stabilize the housing supply.

HOMEOWNERSHIP CHALLENGES

From 2019 to 2022, the median home price in NH rose by 50%. As a result, middle to high income renter households are less likely to become homeowners.

RENTAL CHALLENGES

The state’s extremely low vacancy rate favors higher-income renters, as demand pushes rents beyond affordability levels for others, especially lower-income renters.

HOUSING AFFORDABILITY

Rent and home price increases outpaced wage growth. Between 2000 and 2020, New Hampshire’s home sales prices rose 111% and rents increased 94%, while household median income increased only 73%.

DEMOGRAPHICS

Population growth will continue to slow through 2040, and NH’s population will become older, with fewer children per household. The desire to “age in place” will continue to limit the supply of homes available to purchase.

HOW MANY HOUSING UNITS DOES NH NEED IN THE NEXT TWO DECADES?

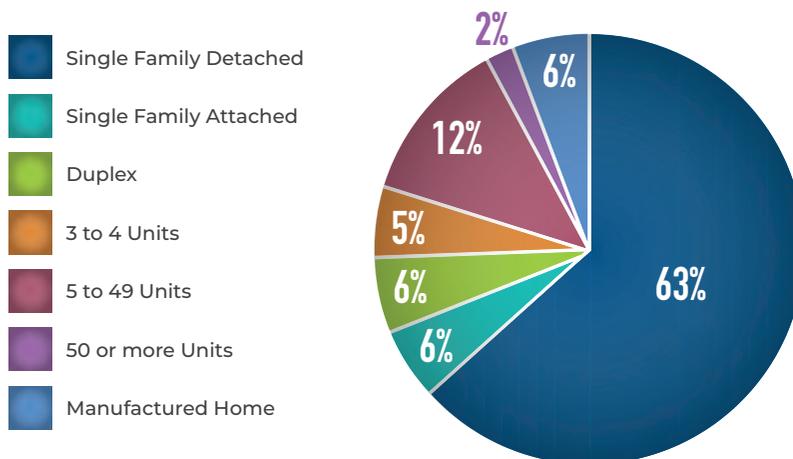
The breakdown shown in the illustration on this page provides an estimate of housing needed based on population growth and to stabilize the market:

- **Almost 60,000 units between 2020 and 2030**
- **Nearly 90,000 units between 2020 and 2040**

This includes the state's current housing shortage of over 23,500 units needed to stabilize the housing supply.

These totals do not account for the demand for seasonal residences and second homes. To plan for this demand, the state would need an additional 13,800 to 23,300 units by 2040.

HOUSING UNITS IN NH, BY STRUCTURE (2020)



Source: ACS 5-year estimates, and Root Policy Research

ESTIMATED NUMBER OF HOUSING UNITS NEEDED

Based on Population Growth

2020-2030	BY HOUSEHOLD TYPE	
TOTAL HOUSEHOLDS ADDED	OWNER HOUSEHOLDS ADDED	RENTER HOUSEHOLDS ADDED
52,501	37,380	15,121
TOTAL UNITS NEEDED	UNITS NEEDED	UNITS NEEDED
59,934	40,319	19,615

2020-2040	BY HOUSEHOLD TYPE	
TOTAL HOUSEHOLDS ADDED	OWNER HOUSEHOLDS ADDED	RENTER HOUSEHOLDS ADDED
74,437	52,998	21,440
TOTAL UNITS NEEDED	UNITS NEEDED	UNITS NEEDED
88,395	58,432	29,963

Note: Assumes the statewide ownership rate of 71%, a rental vacancy rate of 5%, and an owner vacancy rate of 2%.
Source: RLS Demographics, 2020 5-year ACS estimates, NH Housing Residential Rental Cost Survey, and Root Policy Research.

DEMOGRAPHIC TRENDS

Between 2010 and 2020, New Hampshire’s housing market was affected by several major demographic changes.

Household incomes rose by 25% partly due to an influx of high income households, and a decline in households with incomes of \$50,000 and less. This has occurred in all of New Hampshire’s counties and competition with higher-wage households has made it more difficult for existing lower-income households to afford a place to live.

The number of working-age households — ages 25 to 64 — declined. This occurred while the number of jobs increased, making it more challenging for employers to find workers.

Working-age households are now increasingly likely to rent rather than own, a trend that is related to the rising costs of homeownership, which in turn is caused partly by insufficient supply.

Fewer households are made up of families with children, continuing the decline in numbers of schoolchildren in the state.

HOUSING MARKET TRENDS

There was almost no change from 2010 to 2020 in the types of housing units in the state. Lower-density housing types with 4 or fewer units in a single structure still account for 80% of the state’s housing units.

An increasing share of housing units are reserved for seasonal and vacation use, and fewer are available to rent or buy. Between 2010 and 2020, units vacant for seasonal and recreational use increased by 8,400 units. Meanwhile, the number of units vacant to rent or to buy dropped by more than 2,000.

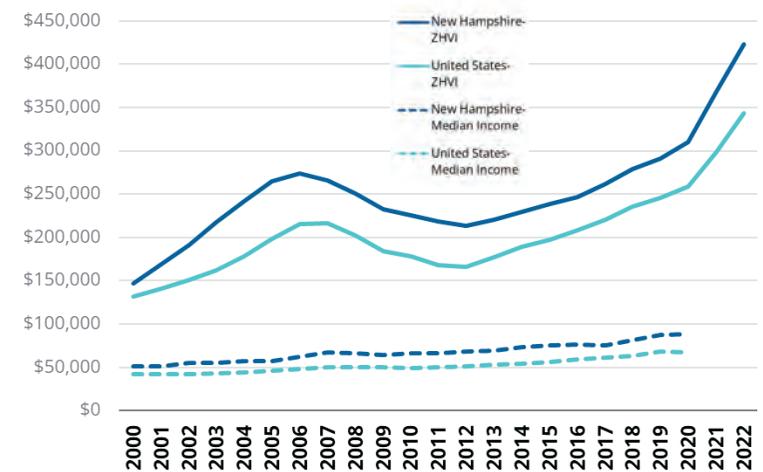
New Hampshire’s housing market is costlier than that of the U.S. overall — and the difference has widened since 2000. Also, income growth has failed to keep pace with housing cost increases in both New Hampshire and the U.S.

NEW HAMPSHIRE DEMOGRAPHIC SHIFTS OWNER AND RENTER HOUSEHOLDS (2010-2020)

	OWNERS	RENTERS
Income <\$50k	↓ 25,000	↓ 9,000
Income >\$75k	↑ 50,000	↑ 19,000
Age 25-64	↓ 27,000	↑ 10,000
Families with children	↓ 20,000	↓ 1,000
Households without children	↑ 31,000	↑ 15,500

Source: 2010 & 2020 American Community Survey 5-year estimates, and Root Policy Research

ZILLOW HOME VALUE INDEX & MEDIAN INCOME, NEW HAMPSHIRE AND U.S. (JAN. 2000 – JULY 2022)



Note: Data for 2022 represent January - July. Nominal dollars (not adjusted for inflation). Income data are only available through 2020. Source: Zillow, U.S. Census median household income, retrieved from FRED, & Root Policy Research.

RENTAL CHALLENGES

New Hampshire Housing's 2022 Residential Rental Cost Survey reported an overall rental vacancy rate of 0.5% — far too low to support a functional market. This means that if 10% of the state's lower-income renters wanted to move—about 7,400 renters—they would have about 350 units from which to choose without overpaying. **These renters would have about a 5% chance of finding an affordable, vacant unit.**

Prices for the state's rental units are concentrated between \$1,000 and \$2,000 per month, much higher than what lower-income renters can afford. As shown by the illustration on this page, many of these units are also occupied by higher-income renters who “rent down” because higher-end rental units and homes to buy are in short supply. These households may be more competitive in the very tight rental market, further limiting lower-income renters' options.

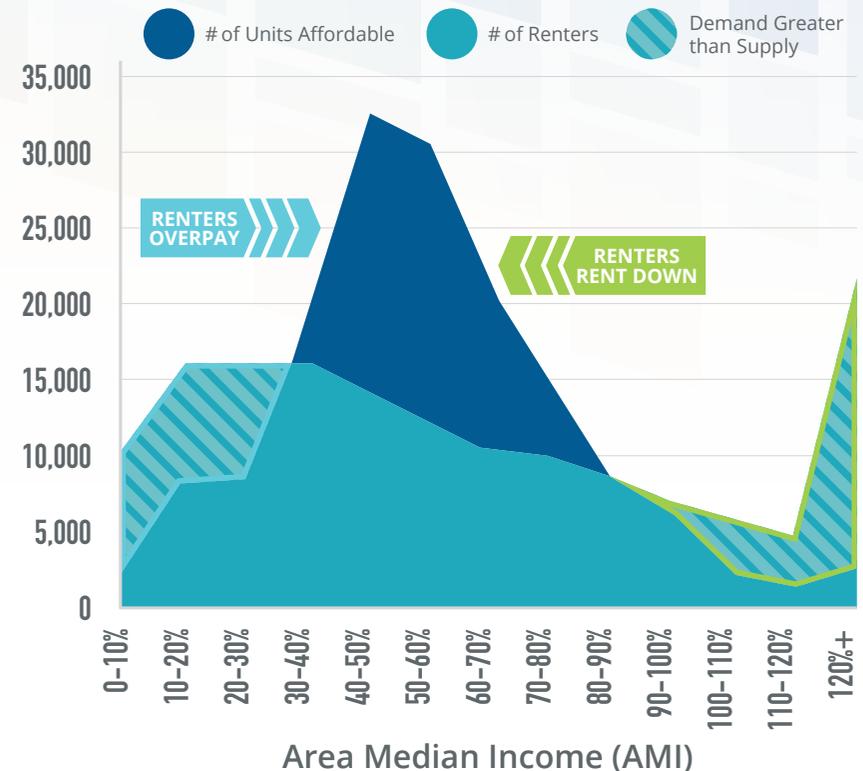
A comparison between what renters can afford and what they are paying in rent shows a mismatch of 23,000 affordable rental units. That is, **there are 23,000 renters in the state paying a higher rent than what is affordable for their income level.**

Most housing that is affordable for its occupants is subject to changes—sometimes rapid—in market conditions, particularly rental housing. A small proportion of the state's rental housing has a contract with or is managed by an entity that ensures its affordability. Among rental housing with U.S. Department of Housing and Urban Development funding, the average tenant income is under \$18,000. Public resources have historically been inadequate to meet needs.

Rental assistance, such as Housing Choice Vouchers, helps address the affordability gap and constitutes a large share of housing assistance programs in the state. **Vouchers are less effective, however, in tight rental markets, when property owners can raise rents above subsidy levels, or simply choose not to rent to voucher holders.** Unlike all of the other New England states, New Hampshire does not have a law prohibiting discrimination based on source of income.

More than 4,400 people in New Hampshire experienced homelessness in FY2021, according to state data. Black and Hispanic residents are overrepresented in this population; they have less income on average, and therefore are more susceptible to housing instability.

NUMBER OF RENTERS VS. NUMBER OF UNITS AFFORDABLE PER AMI LEVEL (2020)



Note: Area Median Income (AMI) or Median Family Income (MFI) is the median income for households and varies depending on household size and geographic area. This statistical measure—literally the income of the household in the exact middle of all households when distributed from lowest to highest—is a better measure than the average, which can be skewed by very low or very high incomes. The U.S. Department of Housing and Urban Development (HUD) establishes the AMI each year.

Source: Root Policy Research

HOMEOWNERSHIP CHALLENGES

The increasingly unaffordable home purchase market keeps households renting longer and exacerbates price pressures in the rental market.

The state’s for-sale inventory started to decline in 2008 and has rapidly decreased since 2019. During the peak homebuying season in 2019, around 9,000 homes were listed for sale each month, compared to about 4,500 monthly during the 2022 peak season.

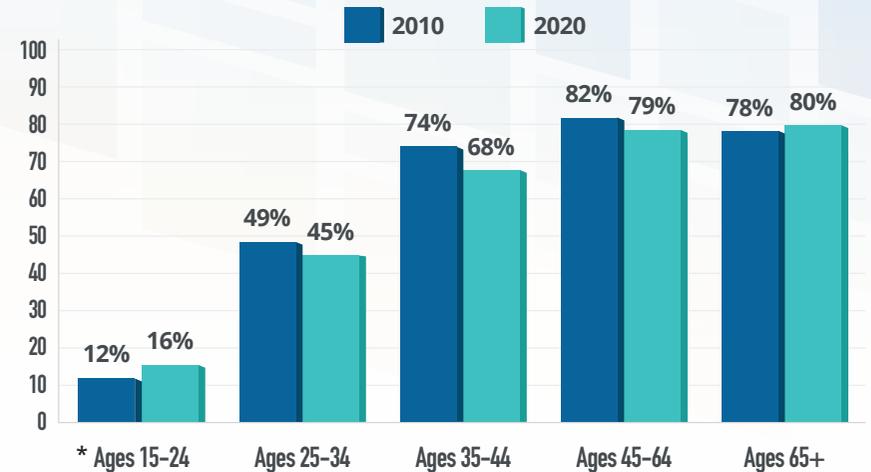
Between 2019 and 2022, the share of homes that sold for less than \$350,000 dropped from 67% to 31%, while the share of homes sold for over \$600,000 increased from 7% to 24%.

The statewide median price of a home sold in the first three quarters of 2022 was \$430,000, up from \$285,975 in 2019. **In just three years, the median price rose by 50%.**

Homeownership dropped among working-age adults, particularly for those aged 25 to 44 years, and across income ranges, with the biggest decline for households with incomes of \$75,000 to \$100,000, falling from 84% to 75%. The state’s homeownership rate overall decreased from 73% to 71% between 2010 and 2020. **Middle to higher-income households are less likely to become homeowners.**

If 10% of the state’s renters with incomes of 61 to 100% AMI were looking to buy—about 3,700 renters—they would have about 550 units from which to choose without overpaying. **They would have about a 15% chance of finding an affordable home to purchase.**

HOMEOWNERSHIP BY AGE, IN NEW HAMPSHIRE (2010 AND 2020)



Source: 2010 ACS 5-year estimates, 2020 ACS 5-year estimates, and Root Policy Research.
* Ages 15-24 have a small sample size and a large margin of error.

HOME SALES PRICE BY COUNTY JANUARY 2019 – SEPTEMBER 2022

	2019	2022	CHANGE	%CHANGE
New Hampshire	\$285,975	\$430,000	\$144,025	50%
Belknap	\$425,000	\$425,000	\$167,000	65%
Carroll	\$258,000	\$425,000	\$165,000	63%
Cheshire	\$216,000	\$320,000	\$104,000	48%
Coos	\$134,000	\$225,000	\$91,000	68%
Grafton	\$225,000	\$375,000	\$150,000	67%
Hillsborough	\$290,000	\$430,000	\$140,000	48%
Merrimack	\$259,900	\$400,000	\$140,100	54%
Rockingham	\$365,000	\$545,000	\$280,000	49%
Strafford	\$275,000	\$396,500	\$212,500	44%
Sullivan	\$195,000	\$320,000	\$125,000	64%

Note: 2022 includes sales from January to September.
Source: MLS data provided by New Hampshire Housing, and Root Policy Research.

WHAT'S AHEAD?

New Hampshire's population growth has been slowing since 1980. The state's growth rate was the highest between 1970 and 1980, when population rose by 25%. Between 2010 and 2020, the population grew by only 5%.

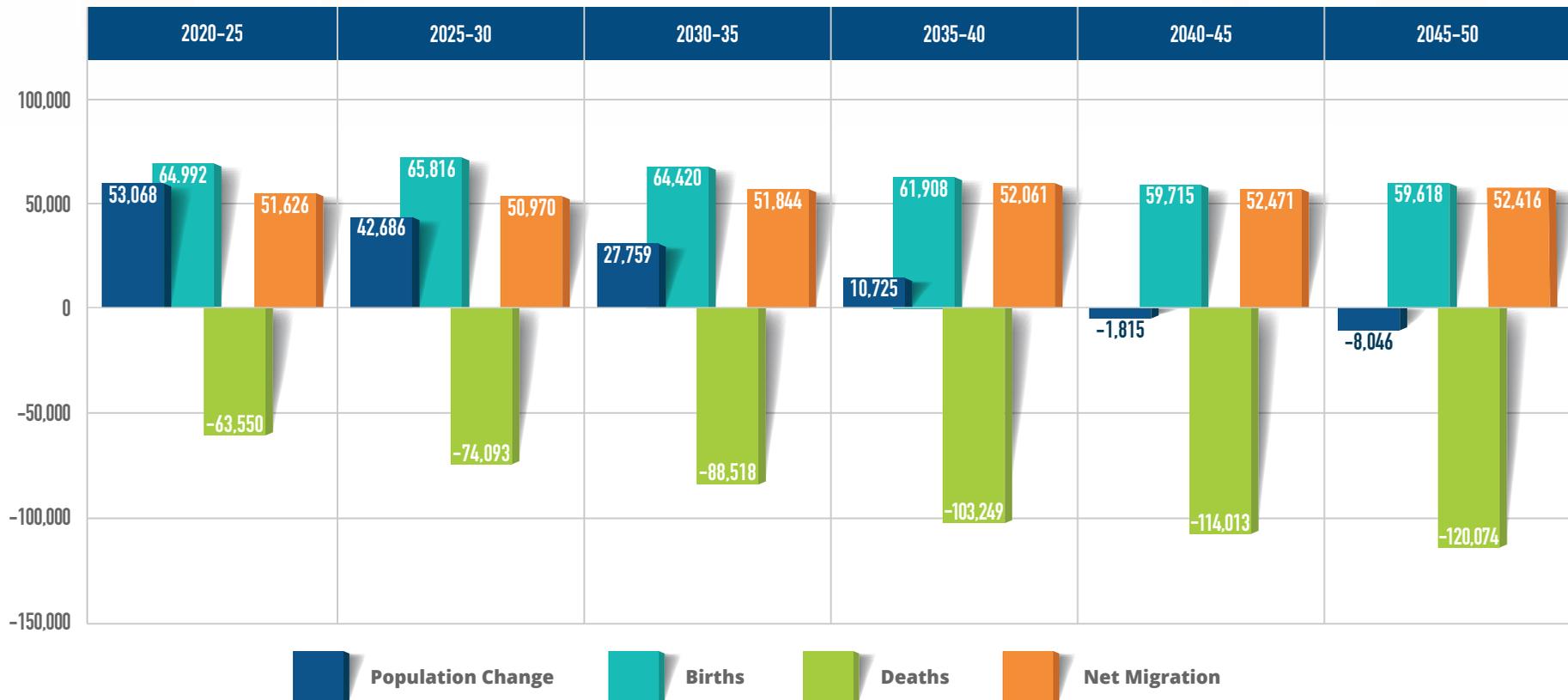
Projections show that the state's population will continue to grow, but at a slower rate, through 2040. After 2040, New Hampshire's population is projected to decline as the annual number of deaths will be larger than the combination of births and net migration.

This estimate of population growth, coupled with reduced rates of household formation across age cohorts, indicates that over 74,400

new households will be added between 2020 and 2040. Yet people are living longer and are choosing to "age in place," occupying homes that historically would have been made available sooner to younger generations.

Slower population growth is related, in part, to the lack of available housing. No county in New Hampshire has a rental vacancy rate higher than 3% (generally, 5% is considered the standard for a functional rental housing market). And the inventory of homes is at historic lows (a 2% owner vacancy rate is considered the standard for a functional housing market).

PROJECTED POPULATION CHANGE AND COMPONENTS OF CHANGE



Source: RLS Demographics

CHANGING COURSE

Low production volume and the increasing seasonal and recreational use of housing have created a housing market that is not adequately responding to people's changing needs—moving from rental to homeownership, downsizing for retirement—or job growth. **The state has little capacity to accommodate projected population and employment growth without an increase in housing production.**

The recent boost in federal funding for housing and updated regional housing needs assessments by the state's nine Regional Planning Commissions create an ideal opportunity to increase workforce housing development.

As of 2022, **to stabilize the housing market and restore it to functional vacancy rates**—5% for rental units and 2% for ownership units—10,905 additional rental units are needed and 12,764 ownership units are needed. **A total of 23,670 housing units are needed today. This is New Hampshire's current housing shortage.**

To make up for the current deficit of housing units and return the state to a healthy housing market, **88,400 new housing units will be needed by 2040.** To maintain the state's homeownership rate of 71%, **58,000 of these units should create homeownership opportunities and 30,000 should be rental units.**

The current housing shortage and the need to accommodate future population growth calls for levels of housing production similar to what the state experienced 20 years ago. From 2017 to 2021, building permits for new housing unit construction in New Hampshire averaged about 4,000 per year. **To meet production needs, building permit activity must increase by 36% statewide through 2030. The only plausible way that this could be achieved is through a combination of local and state action.**

In the past, housing was considered a more isolated social issue for low-income families. Now it is an economic issue. Our economy is growing but not our population. We can't keep up.

Regional Stakeholder

Early career individuals are unable to launch into any stable housing. They are lacking a housing pathway and it's impacting their employment paths.

Community Development Stakeholder

People are very proud of the outdoors and the rural character here, but we need to integrate values of making room for housing people can afford.

Regional Stakeholder

HOW CAN WE MEET NEW HAMPSHIRE'S HOUSING NEEDS?

Knowing that the state needs about 60,000 more units of housing by 2030 — including an immediate need of 23,500 units — how do we accelerate the creation of new housing units in New Hampshire? It will take many tools and a steady collaboration between the public and private sectors. There is no one solution that will resolve the state's housing crisis, but there are two essential pieces.

Additional funding and financing tools to support the development of single-family and multifamily housing are key. In recent years, more state and federal funding sources have been allocated to support housing development, but more is needed.

While adequate and thoughtful targeted funding is key, its value will be constrained without state and local regulatory policies that unequivocally encourage housing development. **Through planning and zoning changes in our communities, we will be able to add different types of housing to meet the needs of New Hampshire's people, regardless of their income or age or where they live in the state.**

Making progress towards the resolution of the state's housing unit shortfall requires cooperation among state government, municipal leaders, the state's businesses, and perhaps most importantly — the people who live in the Granite State's communities. To accomplish this, it is important to provide accurate information that will allay concerns and misconceptions that hinder housing development needed by and suited for communities.

These local and state policies have been demonstrated to increase the amount of housing stock, including:

- Incentivize higher density development.
- Increase use of funding programs for preservation and health improvements to older housing stock in established town centers and neighborhoods.

- Develop model ordinances and technical assistance for a variety of local housing regulations that produce desirable, locally relevant, housing development and reinvestment.
- Support inclusionary zoning requirements in communities with stronger markets for new housing construction.
- Support expanded manufactured housing development and conversion of manufactured home parks to cooperative ownership to maintain their availability as an affordable housing option.
- Support local land use allowances for smaller houses, particularly those with co-op ownership models, to provide more efficient use of land and infrastructure.
- Allow development of housing without special zoning permits such as duplexes, as well as increased allowances for “missing middle” housing types such as cottage courts, triplex/quadplexes, and mixed-use development.
- Increase opportunity for detached accessory dwelling units, including the removal of permitting barriers.
- Encourage conversion of commercial and office real estate and properties to residential use through streamlined permitting and tax incentives.

Housing is misaligned and unguided. [Current policy] is not doing a good job at guiding the development community or removing impediments for builders.

Business Community Stakeholder

Reference: North Country Housing Needs Analysis (2021), New Hampshire's Workforce Housing Law: A 10-Year Retrospective on the Law's Impact (2021), Section 4 (New Hampshire Housing).



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