



11. Construction & Housing

Construction and housing indicators pointed in the wrong direction during the summer of 2008. Median price and residential permits were down, and days on the market and foreclosures were up. Rental costs also rose, but only slightly.

Numbers for New Hampshire reflected the national headlines: the economy was slowing, and having a drastic effect on construction and housing. While housing prices in all states were declining, New England's declines were not as steep as those in California, Florida, Nevada, Arizona, and the Midwest.¹

Also in the national headlines were the financial difficulties of Fannie Mae and Freddie Mac, which are stockholder-owned corporations chartered as government sponsored enterprises. Both were placed under conservatorship of the Federal Housing Finance

Authority (FHFA) in September 2008. Fannie provides liquidity in mortgage markets, while Freddie Mac buys mortgages on the secondary market and resells them as mortgage-backed securities to investors.

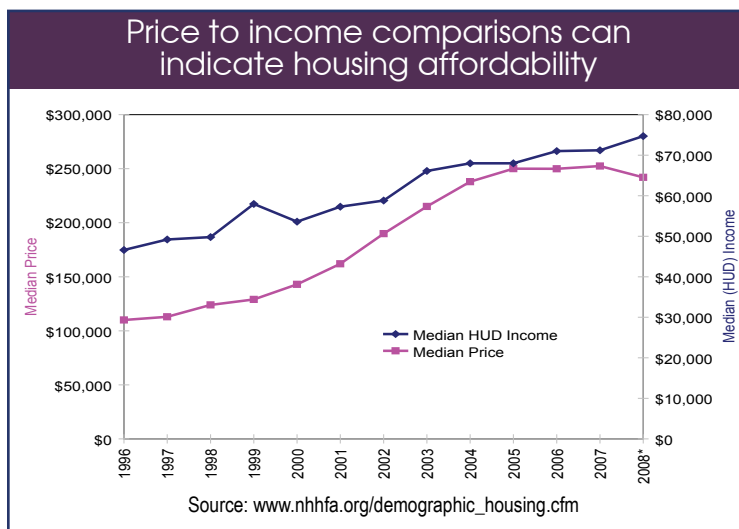
Purchase Price and Sales

The median purchase price of a primary home in New Hampshire in the first eight months of 2008 was \$242,000, a drop of 4.2 percent from 2007, when the median price was \$252,500. Data compiled by the New Hampshire Housing Finance Authority showed it was the first time that the median price had declined year-to-year since 1992.²

According to the National Realtors Association, distressed sales, including foreclosure and short sales (where the lender agrees to accept a discounted payoff), accounted nationally for 35 to 40 percent of transactions during the third quarter of 2008. Because a very large portion of distressed home sales take place at discounted prices, compared to more normal conditions a year ago, they tend to drag down average prices. It then becomes very challenging to assess the difference in valuation between distressed sales and traditional homes in sound condition.³

In a related indicator, the New Hampshire Association of Realtors reported the number of

¹ "Significant Recession Anticipated Across New England; Slow, Weak Recovery to Follow." [Press Releases](#). New England Economic Partnership (NEEP). November 20, 2008. Accessed December 5, 2008. <www.neepecon.org/Press.htm>.



² "Purchase Price Trends." [Housing Characteristics](#). New Hampshire Housing Finance Authority. Accessed December 5, 2008. <www.nhhfa.org/demographic_housing.cfm>. *Primary homes defined as all homes, including existing, new, and condominiums.*

³ Jackson, Paul. "NAR: Home Sales Fall, Despite Increase in Distressed Sales." [HousingWire.com](#). November 19, 2008. Accessed December 22, 2008. <www.housingwire.com/2008/11/19/nar-home-sales-fall-despite-increase-in-distressed-sales/>.

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sales of single-family residential homes fell from 9,457 in the first nine months of 2007 to 7,825 in the first nine months of 2008.⁴

Days on Market

The time it takes between listing a property for sale and when an offer to buy has been accepted by the seller is known as “days on market.” Over a given period of time, an increase in the days on market can indicate a weakening real estate market. The New Hampshire Association of Realtors (NHAR) compiles average days on market data over a nine-month period (January through September) each year.

Days on market for properties in New Hampshire jumped from 82 days in 2005 to 107 days in 2006 to 125 days in 2007. During the first nine months of 2008, the days on market increased further to 132. In the eleven years of data available from NHAR, the longest nine-month average days on market was in 1998 with 151 days, and the shortest was in 2003, with 76 days on market.

Upside Down Mortgages

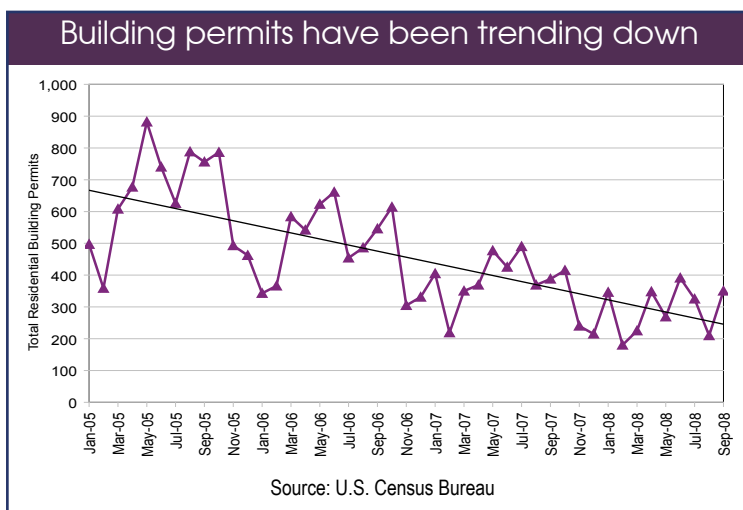
A home is an investment, and many homeowners have used the equity in their homes to pay for renovations, medical bills or a child’s college education. Home equity loans which are secured by the equity value in the borrower’s home, are usually fixed rate, but may have a balloon payment due at the end of the term. Home equity lines of credit are a limited credit line similar to a credit card that is

based on the value of a home. The terms are frequently variable rate interest.

Early in 2008, dropping real estate values combined with increases in variable rate interest caused sharp increases in loan payment amounts for many mortgage holders. In short order, many found themselves owing more than their home was worth. This situation of negative equity is known as an upside down mortgage. When this occurs, homeowners cannot pay off the complete amount owed on the home simply by selling it at its current value. Data on the numbers of New Hampshire residents with upside down mortgages is not available.

Residential Building Permits

Residential building permits are frequently used as an indicator of economic health. Every month, the U.S. Census Bureau releases the number of permits for the construction of new residential housing, which includes single-family and multi-family units. There was a marked difference between 2007 and 2008 in the

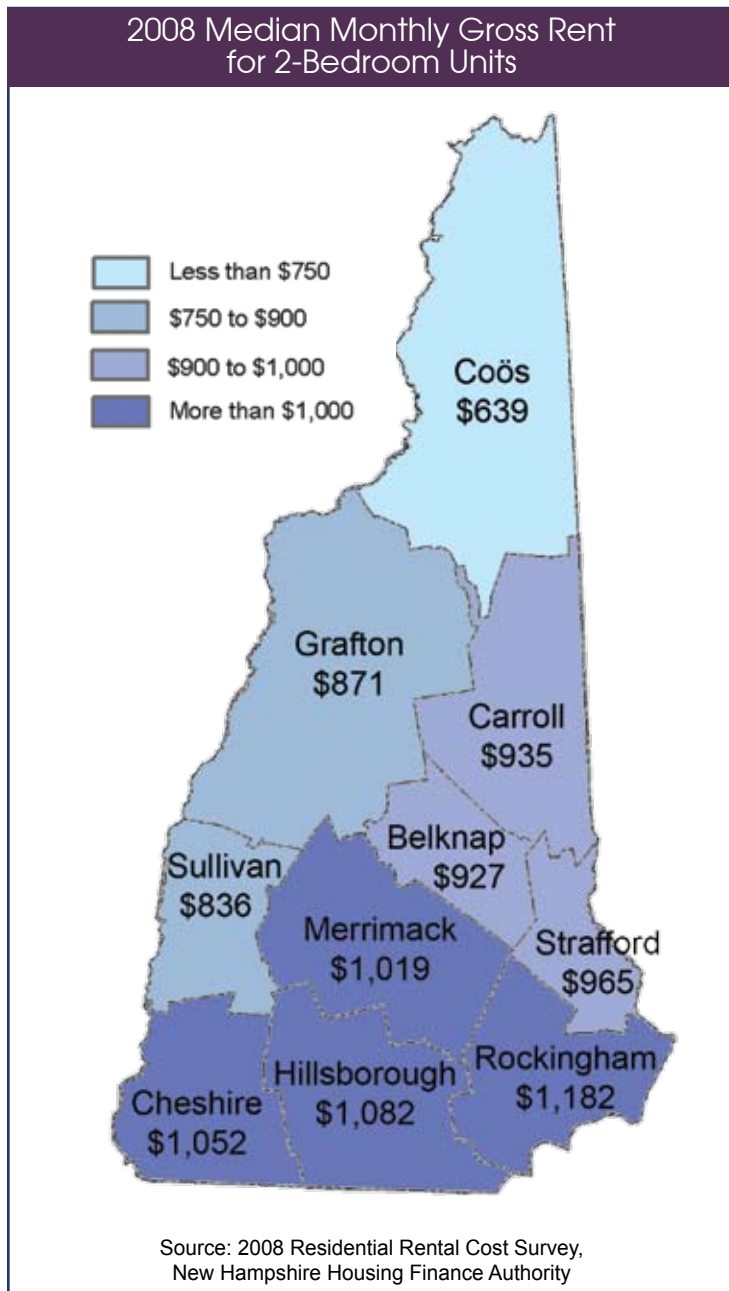


⁴ Nine-month New Hampshire Residential Sales Data. New Hampshire Association of Realtors. Accessed December 5, 2008. <www.nhar.org/3Q08data.htm>.

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number of permits issued. As of November 2008, there were 123 permits issued by New Hampshire municipalities, 70 percent of which were for single-family units. This was more than 60 percent of the 204 permits issued in November

2007. Over the first eleven months of 2008, the number of permits issued dropped nearly 30 percent from the same time in 2007. In comparison, there was a 35 percent decrease in the number of permits issued throughout the nation, and a 33 percent decrease in the number of permits issued in the New England states over the same eleven months.



In addition to building permits, the Census Bureau compiles data on housing starts and completions. These data represent housing units that were actually started, and housing units that were actually completed. Once a permit has been issued, there are several reasons why the status of the proposed building may change, including reclassification of the type of building, abandonment of the construction project, changes in design, or dwellings that were incorrectly classified. Housing starts and completions data is not compiled at the state level.⁵

Residential Rental Costs

While most housing indicators were trending down in New Hampshire through 2008, rents in most counties rose. Based on the Residential Rental Cost Survey published by the New Hampshire Housing Finance Authority, median gross rents rose in eight of the ten counties. Comparative rental costs are for two-bedroom units, including utilities. Carroll County had the largest percentage increase over 2007, as rents climbed from \$815 per month to

⁵ "Relationship between building permits, housing starts, and housing completions," U.S. Census Bureau, Accessed December 29, 2008. <www.census.gov/const/www/nrcdatarelationships.html>.

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\$935. The most expensive rents were in Rockingham County at \$1,182 per month. This was a

6.9 percent increase over 2007. Rental costs declined slightly in Merrimack and Sullivan counties.

Housing Permits Authorized

(not seasonally adjusted)

	2004	2005	2006	2007	Source
Total New Hampshire	8,653	7,586	5,677	4,561	CB
Annual percent change:					
New Hampshire	0.1%	-12.3%	-25.2%	-19.7%	CB/NHES
New England	10.4%	1.5%	-20.4%	-19.8%	CB/NHES
United States	9.6%	4.1%	-14.7%	-24.0%	CB/NHES
Single units	7,002	6,432	4,826	3,772	CB
Annual percent change:					
New Hampshire	6.4%	-8.1%	-25.0%	-21.8%	CB/NHES
New England	10.8%	-4.4%	-20.6%	-21.5%	CB/NHES
United States	10.4%	4.2%	-18.1%	-28.9%	CB/NHES

New Hampshire Housing Stock

	2004	2005	2006	2007	Source
From residential building permit data					
Net change in units (permitted units less demolitions)	9,067	7,697	5,750	4,447	OEP
Total Hillsborough and Rockingham Counties	4,158	3,368	2,304	1,820	OEP
Total multifamily	2,044	1,999	1,631	1,143	OEP

Contract Value Indices (base = 1980)

	2004	2005	2006	2007	Source
Total construction:					
New Hampshire	549.2	576.1	475.9	509.4	FR/NHES
New England	390.9	440.2	406.1	428.3	FR/NHES
United States	399.6	452.4	464.4	426.4	FR/NHES
Non-building construction					
New Hampshire	341.2	364.3	361.9	465.9	FR/NHES
New England	222.0	322.7	284.4	336.7	FR/NHES
United States	295.8	323.0	400.7	419.2	FR/NHES
Nonresidential construction					
New Hampshire	594.7	677.5	562.5	733.0	FR/NHES
New England	395.3	445.7	485.0	504.6	FR/NHES
United States	312.5	347.0	413.1	443.8	FR/NHES
Residential construction					
New Hampshire	613.6	610.5	476.3	401.8	FR/NHES
New England	476.5	497.7	403.8	379.2	FR/NHES
United States	524.2	604.3	539.0	415.7	FR/NHES
Residential construction (seasonally adjusted)					
New Hampshire	609.2	597.3	476.6	397.5	FR/NHES
New England	474.1	483.1	407.2	377.2	FR/NHES
United States	518.3	596.8	532.1	409.3	FR/NHES

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Assisted Rental Housing Funded	2004	2005	2006	2007	Source
Total units (NHHFA only)	370	620	409	388	HFA
For elderly and special needs tenants	110	278	102	260	HFA

Homes Financed by NH Housing Finance Authority	2004	2005	2006	2007	Source
Total	1,560	1,212	1,228	1,380	HFA
Percent new	5.7%	7.0%	5.4%	56.0%	HFA
Percent condo	27.4%	30.7%	29.5%	28.3%	HFA
NHHFA Bond Issues (\$ millions)					
	\$180	\$180	\$210	\$210	HFA

Home Sales	2004	2005	2006	2007	Source
Conventional Mortgage Home Price Index (1987=100), NSA ^a					
New Hampshire	202.7	220.7	223.8	220.3	FR/FM
New England	231.2	253.3	257.3	255.1	FR/FM
United States	245.5	276.5	292.7	293.9	FR/FM
New Hampshire Multiple Listing Service data on Sales of Existing Homes ^b					
Total Sales Volume (millions)	\$5,985.7	\$2,872.7	n/a	n/a	NNEREN
Annual percent change	19.2%	-52.0%	n/a	n/a	NNEREN/NHES
Average sale price	\$253,879	\$264,517	n/a	n/a	NNEREN
Annual percent change	9.9%	4.2%	n/a	n/a	NNEREN/NHES
Total existing home sales seasonally adjusted					
Single family, apt. condos. and coops	23,861	23,476	19,397	17,235	NHAR
Mobile/manufactured	22,475	22,129	18,207	16,181	NHAR
Annual percent change	9.4%	-1.6%	-17.4%	-11.1%	NHAR/NHES

^aData for fourth quarter as published by Federal Reserve Bank Boston from Freddie Mac.

^bData for 2005 represents the first six months of the year. No further data is currently available.

Mortgage Rates and Housing Rentals	2004	2005	2006	2007	Source
30-Year Fixed Mortgage Rates (Annual average)	5.84%	5.87%	6.41%	6.34%	MBA/FHLMC
Housing Unit Rentals					
Median monthly rent (including utilities)	\$896	\$901	\$928	\$946	HFA
Annual percent change	4.9%	0.6%	3.0%	1.9%	HFA/NHES