

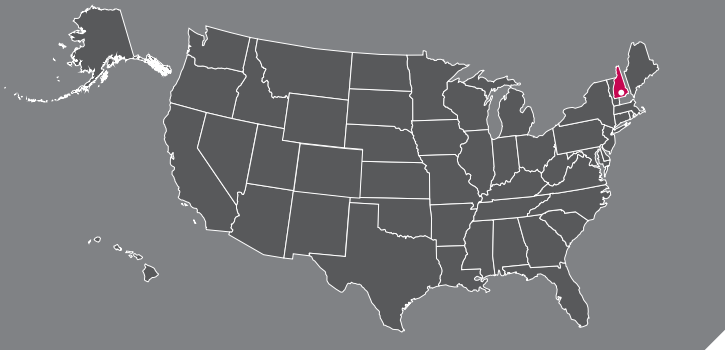
HUD PD&R Housing Market Profiles

Manchester-Nashua, New Hampshire



Quick Facts About Manchester-Nashua

- **Current sales market conditions: balanced.**
- **Current rental market conditions: balanced.**
- **The metropolitan area is home to a number of high-tech and manufacturing companies in a burgeoning high-tech industry, leading to the nickname of “Silicon Millyard” in downtown Manchester, the location of many old textile mills that were converted to offices. In addition, Segway, Inc., the manufacturer of the eponymous personal transportation device, is headquartered in the city of Bedford.**



By Michael T. Flannely | As of October 1, 2017

Overview

The Manchester-Nashua, NH Metropolitan Statistical Area (hereafter, Manchester metropolitan area) is coterminous with Hillsborough County, approximately 60 miles northwest of Boston in southeast New Hampshire. The population of the Manchester metropolitan area accounts for nearly 31 percent of the population in the state of New Hampshire. The metropolitan area lies along the Merrimack River, the location of which contributed to the founding of Manchester and Nashua as two of the oldest and largest textile mill towns in the nation. These cities comprise 27 percent and 22 percent of the population of the metropolitan area, respectively.

- As of October 1, 2017, the population of the Manchester metropolitan area is estimated at 410,400, reflecting an average annual increase of 1,675, or 0.4 percent, since July 2013.
- From July 2006 to July 2013, during a period of weak economic conditions in the metropolitan area, the population increased by an average of 730, or 0.2 percent, annually. The population grew at a faster rate of 0.5 percent, or by 2,150, from July 2001 to July 2006. (Census Bureau population estimates, as of July 1).
- Despite steady job increases since 2011, recent population growth has been slightly below the growth from July 2001 to

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July 2006 because of a sustained slowing of net natural change (resident births minus resident deaths). Since July 2013, net natural change has averaged 950 people a year, well below the average of 2,300 people a year from July 2001 to July 2006 largely because of an aging population.

- Net in-migration to the metropolitan area has occurred since 2013, averaging 700 annually, a reversal of the trend of net out-migration that averaged 625 annually from July 2003 to July 2013.

Economic Conditions

Economic conditions in the Manchester metropolitan area have improved since 2011, following 2 years of job losses. The metropolitan area lost an average of 6,000 jobs, or 2.6 percent, annually during 2009 and 2010. The economy recovered the jobs lost as a result of the recession by 2015, and nonfarm payrolls are currently 5.2 percent higher than the previous peak that occurred in 2008. The metropolitan area has added an average of 3,200 jobs, or 1.4 percent, annually since 2011. By comparison, from 2003 through 2008, nonfarm payrolls increased by an average of 2,300 jobs annually, or 1.0 percent.

During the third quarter of 2017—

- Nonfarm payrolls averaged 242,800, an increase of 6,100, or 2.6 percent, compared with the third quarter of 2016 when nonfarm payrolls increased by 3,400 jobs, or 1.4 percent.

- The education and health services sector, which increased by 2,200, or 5.3 percent, from the same period in 2016, led job growth. The sector accounts for 18 percent of all jobs in the metropolitan area, more than any sector, largely due to the presence of several large hospitals and medical facilities, which have a total economic impact of \$1.2 billion in the metropolitan area and provide more than 18,000 direct and indirect jobs (New Hampshire Hospital Association, 2015).
- Jobs in the professional and business services sector, which comprises nearly 14 percent of jobs in the metropolitan area, increased by 1,800, or 5.7 percent, from the third quarter of 2016. Part of this growth includes an expansion by Retrieve, a maker of mobile video communications platforms, to 70 employees after starting with 7 employees in 2015.

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Nonfarm payrolls increased in 9 of 11 sectors in the Manchester area during the third quarter of 2017, led by the education and health services sector.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	236.7	242.8	6.1	2.6
Goods-producing sectors	38.5	39.0	0.5	1.3
Mining, logging, and construction	10.6	11.2	0.6	5.7
Manufacturing	27.9	27.8	- 0.1	- 0.4
Service-providing sectors	198.2	203.7	5.5	2.8
Wholesale and retail trade	43.8	44.0	0.2	0.5
Transportation and utilities	5.8	6.0	0.2	3.4
Information	5.4	5.3	- 0.1	- 1.9
Financial activities	16.0	16.2	0.2	1.3
Professional and business services	31.5	33.3	1.8	5.7
Education and health services	41.4	43.6	2.2	5.3
Leisure and hospitality	22.3	22.9	0.6	2.7
Other services	10.0	10.2	0.2	2.0
Government	22.0	22.3	0.3	1.4
	(percent)	(percent)		
Unemployment rate	2.9	2.7		

Notes: Numbers may not add to totals because of rounding. Manchester metropolitan area nonfarm payroll jobs data are for the combined Manchester, NH Metropolitan New England City and Town Area (NECTA) and Nashua, NH-MA NECTA Division of the Boston-Cambridge-Quincy, MA-NH Metropolitan NECTA.

Source: U.S. Bureau of Labor Statistics



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- Mining, logging, and construction sector jobs grew by 600, or 5.7 percent, compared with the same period a year ago. Jobs in this sector rose, in part, because of the demolition of the Merrimack Hotel and Conference Center in November 2016 and subsequent construction of WoodSpring Suites, a 123-room hotel that opened in July 2017 on the existing site.
- The unemployment rate was 2.7 percent, down from 2.9 percent a year ago. The unemployment rate in the metropolitan area reached a recent high of 6.5 percent in 2009.

The manufacturing sector, once the leading employment sector in the metropolitan area, declined each year from 2004 through 2013 at an average rate of 2.7 percent. However, since 2013, manufacturing jobs have increased 0.5 percent annually. In December 2016, the Department of Defense awarded \$80 million to the Advanced Regenerative Manufacturing Institute (ARMI) in Manchester as part of a federal biomanufacturing initiative that will create an industry to regenerate human tissue and organs. ARMI expects to employ 100 people by the end of 2017, and the initiative is expected

Largest employers in the Manchester area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fidelity Investments	Financial activities	6,000
Elliot Hospital	Education and health services	3,675
BAE Systems	Manufacturing	3,200

Note: Excludes local school districts.

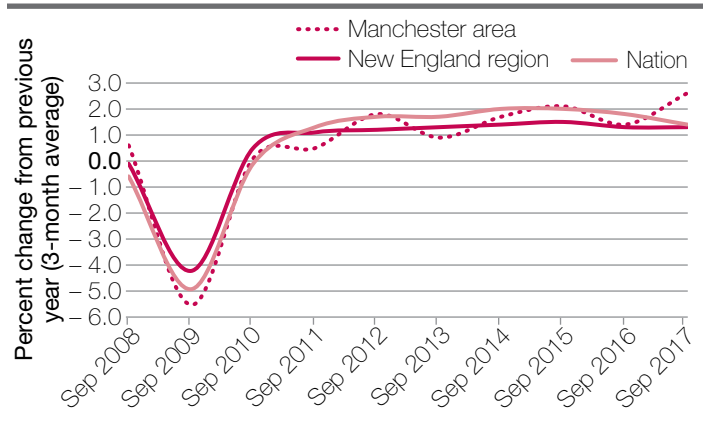
Sources: Economic and Labor Market Information Bureau, NH Employment Security, December 2016; Manchester Economic Development Office, June 2017; City of Nashua, July 2016

Sales Market Conditions

The sales housing market in the Manchester metropolitan area is balanced, with an estimated sales vacancy rate of 1.0 percent, down from 1.5 percent in April 2010. The decline in the vacancy rate reflects an improvement in the sales market, because the economy has strengthened since 2011, and much of the excess inventory has been absorbed. During August 2017, the metropolitan area averaged 2.5 months of supply of new and existing homes available for sale, down from 8.4 months during August 2010 (CoreLogic, Inc.). As of August 2017, 1.3 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 1.7 percent a year earlier. About 1.4 percent of home loans in New Hampshire and 2.2 percent of home loans nationally were seriously delinquent or had transitioned into REO status in August 2017. The percentage of seriously delinquent loans and REO properties in the Manchester metropolitan area reached a high of 5.7 percent in February 2010; the rate in New Hampshire also peaked in February 2010 at 5.8 percent

to create hundreds of jobs in spin-off projects. Despite this job increase, during the third quarter of 2017, the manufacturing sector decreased by 100 jobs, or 0.4 percent, after increasing by 100 jobs, or 0.5 percent, during the third quarter of 2016. The recent job losses can partially be attributed to the closure of a General Dynamics Corporation plant in Nashua during the summer of 2017, which resulted in the loss of about 90 workers.

Nonfarm payroll growth in the Manchester area exceeded both the New England and national growth rates during the third quarter of 2017.



Notes: Nonfarm payroll jobs. Manchester metropolitan area nonfarm payroll jobs data are for the combined Manchester, NH Metropolitan New England City and Town Area (NECTA) and Nashua, NH-MA NECTA Division of the Boston-Cambridge-Quincy, MA-NH Metropolitan NECTA. Source: U.S. Bureau of Labor Statistics

(CoreLogic, Inc.). By comparison, the percentage of seriously delinquent loans and REO properties in the nation peaked at 8.6 percent in February 2010.

During the 12 months ending August 2017—

- New home sales (including single-family homes, townhomes, and condominiums) totaled 450, up 2 percent from 440 during the 12 months ending August 2016 (CoreLogic, Inc.). New home sales have increased an average of 16 percent annually since bottoming out at 200 during 2011. The current level of new home sales is nearly 60 percent lower than the prerecession peak of 1,100 homes sold during 2005.
- The average sales price for a new home was \$342,000, down more than 3 percent from a year ago and 2 percent lower than the prerecession high of \$348,000 during 2006. The decline in new home sales prices during the past 12 months is largely because less expensive condominiums and townhomes accounted for about 54 percent of total new home sales during the period compared with nearly 41 percent the previous year.

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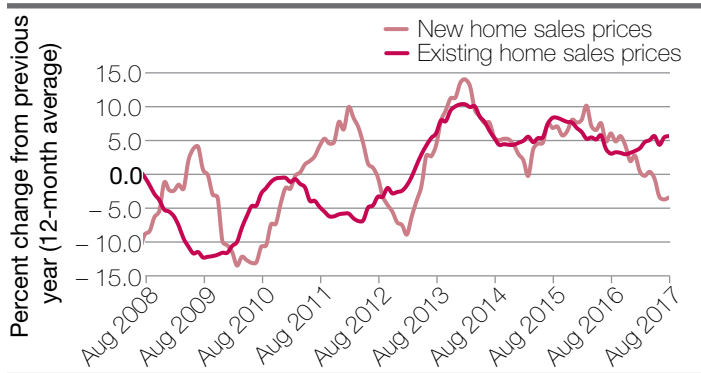


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- Existing home sales totaled 7,150, up 5 percent from the same period a year earlier. Since reaching a low of 4,200 during 2008, existing home sales have increased approximately 7 percent annually and are below the peak of 8,775 during 2004.
- The average sales price for existing homes was \$258,600, a 6-percent year-over-year increase from the previous 12 months. The average price of an existing home is 1 percent above the previous high of \$256,800 during 2007.

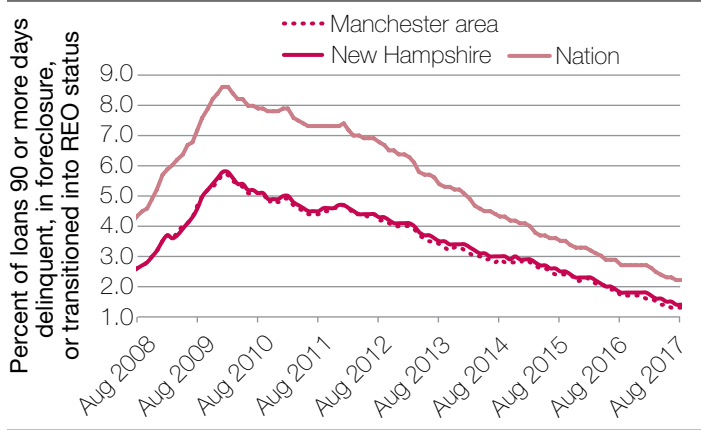
Single-family home construction, as measured by the number of single-family homes permitted, reached a recent low in 2009, when only 320 homes were permitted because of a lack of demand for new homes stemming from job losses and net-out migration. Building activity increased modestly from 2010 through 2016, when an average of 470 single-family homes were permitted annually, rising at an average annual rate of 12 percent.

Average existing home sales prices in the Manchester area have risen since mid-2013. New home sales prices declined in the past year, because condominiums and townhomes accounted for a larger share of sales.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

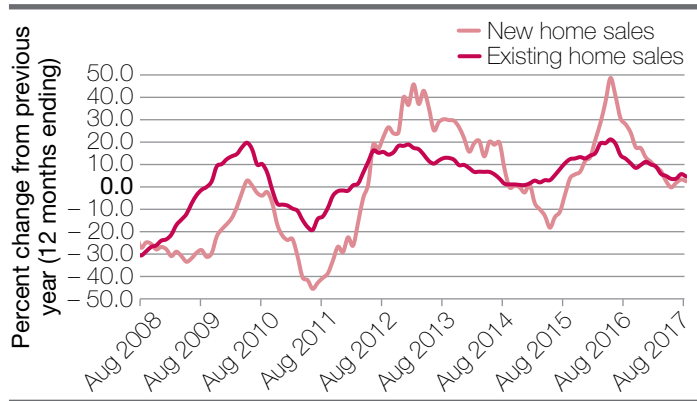
The percentage of seriously delinquent loans and REO properties in the Manchester area has mirrored the New Hampshire average since 2008.



REO = real estate owned. Source: CoreLogic, Inc.

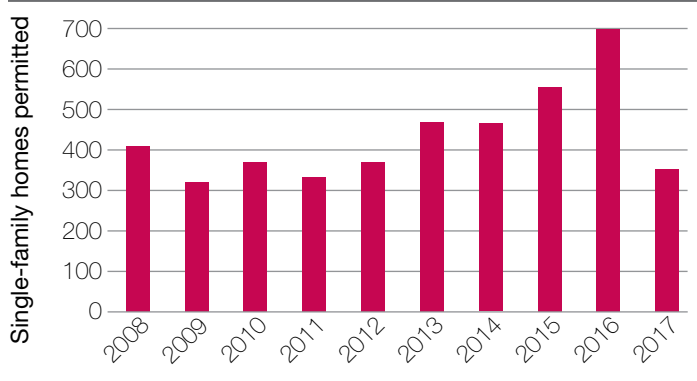
- During the 12 months ending September 2017, approximately 440 single-family homes were permitted, a decrease of about 10 homes, or 3 percent, from the same period in 2016 (preliminary data).
- Since 2009, more than 50 percent of single-family home construction has been concentrated in the cities of Manchester and Nashua and the towns of Hudson and Pelham, which are in the southern portion of the metropolitan area, a relatively short commute to Boston and other Massachusetts municipalities.
- Recent construction activity includes the Brookfield subdivision in the city of Manchester. In the 12 months ending September 2017, 13 three- and four-bedroom homes sold in the subdivision, ranging in price from \$264,000 to \$444,000. More than 80 percent of the 43 planned, single-family homes have been completed since development began in 2015.

New home sales in the Manchester area have increased at a slower rate after a recent peak in the spring of 2016.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

The number of single-family homes permitted in the Manchester area increased by an average of 60, or 13 percent, annually from 2012 through 2016.



Note: Includes preliminary data from January 2017 through September 2017. Source: U.S. Census Bureau, Building Permits Survey



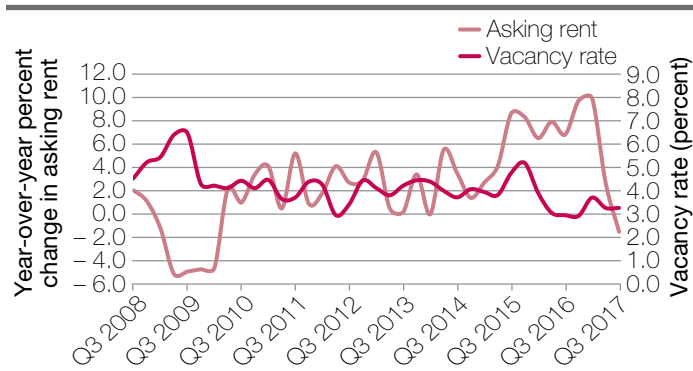
Rental Market Conditions

The overall rental housing market in the Manchester metropolitan area is balanced, with a rental vacancy rate (including apartments, single-family rentals, and mobile homes) estimated at 6.3 percent as of October 1, 2017, down from 7.5 percent in April 2010. Rental housing market conditions in the metropolitan area have improved since previously soft conditions in 2010, when demand for apartments and single-family homes for rent started to increase, because the recession and foreclosure crisis shifted household preferences toward renting.

- The apartment market is slightly tight, with a vacancy rate of 3.3 percent during the third quarter of 2017, up from 3.0 percent a year earlier (Axiometrics, Inc.).
- The average asking rent for apartments decreased \$21, or nearly 2 percent, from \$1,395 in the third quarter of 2016 to \$1,374 in the third quarter of 2017.
- From the third quarter of 2009 to the third quarter of 2016, the average asking rent increased at an average annual rate of 4 percent, because demand for rental housing increased when economic conditions caused people to choose renting over homeownership.
- In contrast, the average asking rent declined at an average annual rate of less than 1 percent from the third quarter of 2002 to the third quarter of 2009 when homeownership was more favorable.

Multifamily construction activity, as measured by the number of units permitted, averaged 320 units annually from 2010 through 2015, with a recent peak of 500 units in 2014. From 2002 through

Vacancy rates in the Manchester area have declined since 2015, and rent growth began to decelerate in the second quarter of 2017.

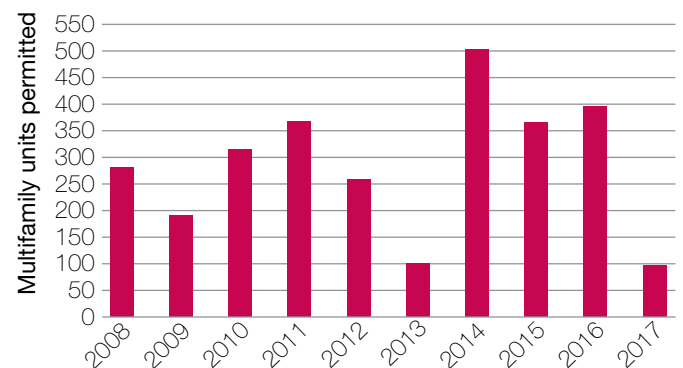


Q3 = third quarter.
Source: Axiometrics, Inc.

2004, when population and employment growth was stronger, multifamily construction averaged 650 units annually, peaking at 820 in 2002. Multifamily construction slowed from 2005 through 2009, decreasing by an average of 9 percent a year and averaging 270 units annually, when the economy contracted.

- During the 12 months ending September 2017, approximately 360 multifamily units were permitted, 75 percent higher than the 90 units permitted during the same period a year earlier (preliminary data).
- Nearly 90 percent of the recent multifamily construction activity in the metropolitan area has been concentrated in the cities of Manchester and Nashua, as well as the town of Bedford, which is outside of Manchester in the northern portion of the metropolitan area.
- Apartments in lease-up include the Residences at Riverwalk, a 150-unit development in the city of Manchester that was completed in 2016. The property consists of studio, one-bedroom, and two-bedroom apartments with rents ranging from \$1,060 to \$1,800.
- Several properties in the cities of Manchester and Nashua have undergone conversion from old mills and manufacturing buildings into residential developments, including approximately 725 units since 2010 (McGraw-Hill Construction Pipeline database, with estimates by the analyst). The conversion of The Lofts at Mill West in Manchester, which opened in 2014 and consists of 450 studio, one-, and two-bedroom apartments, with rents ranging from \$1,200 to \$2,800, is included among these properties.

Multifamily permitting in the Manchester area averaged 420 units annually from 2014 through 2016.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

