

COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

**Analysis of the  
Manchester-Nashua,  
New Hampshire  
Housing Market**

**As of July 1, 2004**



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to July 1, 2004, the as-of date of the analysis (Current date), and from the Current date to July 1, 2007 (Forecast date). The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis, the forecast period is 36 months.

The prospective demand expressed in this analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Michael Pelone, the Division's Field Economist in HUD's Buffalo Field Office, based on fieldwork conducted in June 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Pelone at 716-551-5755, Ext. 5002, or at [michael\\_s.\\_pelone@hud.gov](mailto:michael_s._pelone@hud.gov).

## **Housing Market Area**

The Manchester-Nashua, New Hampshire Housing Market Area (HMA) is defined as Hillsborough County, New Hampshire. Hillsborough County, located in the southeastern portion of New Hampshire, is a rapidly growing area of the state. This area has historically benefited from close proximity to Boston, Massachusetts, 45 miles to the south. For purposes of this report, the city of Manchester, the city of Nashua, and the remainder of Hillsborough County outside the cities (hereafter called the Remainder of the HMA) have been designated submarket areas, each with its own current and forecast estimates of population and households.

## **Summary**

The economic base of the HMA is quite diverse with high technology, electronics, defense contractors, financial services, and health-related employers plus expanding service and tourism sectors. The lack of significant growth that occurred from 2000 to 2002 has ended, and resident employment has registered substantial gains during the past 24 months. A large proportion of the local work force commutes to the greater Boston area to the south. Resident employment gains are expected to continue during the forecast period but at a rate below the 1.7 percent rate that occurred from 2000 to the Current date.

Expanding service sectors, such as financial services, education and health services, and government employment is expected to account for most future net employment growth. Construction employment will also remain steady with the increased demand for new homes and apartments.

Economic gains and population growth have created a strong demand for housing. Currently, conditions in the sales and rental markets are tight and are expected to remain so during the 3-year forecast period, as demand continues to exceed the annual rate of residential construction.

During the 3-year forecast period, the number of households is expected to increase by 2,000 a year. To satisfy demand from this anticipated household growth and create a reasonably balanced demand-supply condition, annual housing production during the forecast period will need to total approximately 1,575 units of sales housing and 630 units of rental housing.

## **Economy of the Area**

Manchester, the largest city in New Hampshire, is rapidly developing as a financial and business center. The University of New Hampshire also has a campus at Manchester, with an enrollment of approximately 1,500 students.

The unemployment rate for the 12 months ending June 2004 was 4.6 percent, an improvement over the 5.1 percent reported for the comparable period 1 year earlier.

Trends in labor force, employment, and unemployment from 1994 through the current period are presented in Table 1.

Service-providing employment now accounts for two-thirds of all nonagricultural jobs. The largest concentration of these jobs is in the financial services and health-related and education sectors. Other important contributors to the economy include professional and business services and the trade, transportation, and utilities sectors.

Commercial industrial employment continues to expand along the Interstate 93 and Route 3 highway corridors that connect Manchester and Nashua with Massachusetts. Total employment in the HMA is expected to increase by 3,125 jobs annually during the forecast period, compared with growth of 3,475 jobs annually between 2000 and the Current date. Most new jobs have been concentrated in financial, professional, and business services. Employment gains also have been consistently reported by the wholesale and retail trade sectors.

Manufacturing payrolls declined sharply between 2000 and 2003, but technology and electronics firms in the area are showing signs of recovery. Trends in nonfarm employment for the Manchester-Nashua HMA from 1993 to the most recent 12-month period are presented in Table 2.

Total employment between 1990 and 2000 grew by 2,100 jobs a year. Employment remained essentially unchanged in 2001 and declined by approximately 2,900 jobs during 2002. Employment increased dramatically in 2003 by approximately 9,600 jobs. During the 12 months ending June 2004, average employment in the HMA increased by more than 5,740 jobs over the average for the previous 12 months. During the forecast period, employment is expected to increase by 3,125 jobs annually, slightly below the estimated annual gain of 3,490 since 2000.

## **Household Incomes**

HUD's Office of Policy Development and Research estimates the median family income for the Manchester-Nashua HMA to have been \$67,000 in 2004, a 1.7 percent average annual increase since the 2000 Census. This rate of change is significantly less than the 3 percent annual rate of increase recorded between 1990 and 2000. The lower rate is consistent with the loss of high-paying manufacturing and technology jobs that occurred from 2001 through 2003.

## **Population**

Since 1990, the Manchester-Nashua HMA has registered a relatively slow but steady rate of population growth. Total population in the HMA increased by an average of 4,480 annually, or 1.3 percent, from 336,073 in 1990 to 380,841 in 2000. The rates of growth in the cities of Manchester and Nashua have consistently remained relatively low during the past 14 years. As of 2000, these two urban centers combined contained more than 50

percent of the total county population. The Remainder of the HMA, however, has been the location of the greatest share of the population gains in the HMA, with more than two-thirds of the total population gain since 1990.

As of the Current date, July 1, 2004, the population of the Manchester-Nashua HMA was estimated to be 397,100, an average annual gain of 3,825 people, or 1.0 percent, since 2000. Table 3 presents the population trends from 1990 through the Forecast date for the HMA and the submarkets.

Based on annual data from the New Hampshire Department of Health and Human Services, the increase in population from 1990 to 2000 from net natural change (resident births minus resident deaths) averaged 2,600 people annually. Net in-migration contributes the remainder of the gains. From 2000 to the Current date, net natural increase slowed to approximately 2,280 annually and the volume of net in-migration declined to an estimated 1,550 people a year due to the weak economy between 2001 and 2003.

Population growth during the forecast period is expected to average 3,800 people a year. As of the Forecast date, total population of the HMA is expected to be an estimated 408,500. The increase in the rate of population growth is predicated on an increase in net in-migration during the next 36 months due to a stronger regional economy.

## **Households**

Between 1990 and 2000, total households in the Manchester-Nashua HMA increased by 1,990 annually, or 1.5 percent. An estimated 152,000 households resided in the HMA as of the Current date, an average annual increase of 1,775 households since 2000. The increase has been particularly strong in the Remainder of the HMA, averaging more than 2 percent annually. Table 3 presents trends in household growth from 1990 through the Forecast date for the HMA and its submarkets.

Based on the rate of population growth, forecast resident employment gains, and continued in-migration during the next 36 months, annual household growth will be higher than the average between 2000 and the Current date, but comparable to the annual increase recorded between 1990 and 2000. During the 3-year forecast period, the number of households in the HMA is expected to increase by 2,000 annually, to 158,000 households as of July 1, 2007.

## **Housing Inventory**

Reflecting the increased demand for new houses and apartments from the growing number of households moving to the area, the housing inventory in the Manchester-Nashua HMA increased by an estimated 1,800 units annually from 2000 to the Current date compared with an average of 1,430 units annually from 1990 to 2000. As of the Current date, it is estimated that the HMA has a total of 157,600 housing units. Approximately 85 percent of the change in the housing inventory since 2000 has been in owner housing, predominantly single-family homes located in the Remainder of the

HMA. The counts of housing inventory, occupancy, and vacancy by tenure for 1990, 2000, and the Current date are presented in Table 4. Trends in building permit activity from 1994 through the Current date for single-family and multifamily housing in the HMA and its submarkets are presented in Table 5.

Since 2000, single-family construction activity has been concentrated in the municipalities of Bedford, Hudson, Merrimack, Goffstown, and Litchfield, all located in the southeastern portion of the county. The continued in-migration of households from the Boston metropolitan area seeking relatively affordable homes has been a major factor in the strong demand for homes in the southern and eastern segments of the HMA.

Apartment construction in the Manchester-Nashua HMA has historically been at a low volume. During the 1990s, multifamily building permit activity averaged approximately 170 units a year. Multifamily permit activity increased to more than 450 units annually between 2000 and the Current date. Since 2000, a large portion of the multifamily permit activity is located in the Remainder of the HMA, particularly in towns adjacent to Interstate 93 and Route 3, areas readily accessible by commuters to the Boston metropolitan area.

## **Housing Vacancy**

Vacancy rates for sales and rental units fell sharply between 1990 and 2000. The owner vacancy rate declined from 2.2 percent in 1990 to 0.5 percent in 2000. Similarly, the rental vacancy rates declined from 11.1 percent in 1990 to 2.5 percent in 2000. These rapid declines were the result of a strong economy with substantial growth in the demand for housing and limited housing production to meet the demand. As of the Current date, the owner and renter vacancy rates have remained essentially unchanged since 2000. Table 4 presents the housing inventory, occupancy, and vacancy characteristics for the HMA from 1990 to the Current date.

## **Sales Market Conditions**

Favorable market conditions continue to be reported throughout the HMA. A significant factor has been the consistently low interest rates and relatively affordable prices, compared with market areas to the south. Towns in the southeastern portion of the HMA adjacent to Interstate 93 and Route 3 have evolved into “bedroom communities” for people employed in Massachusetts.

Since 2000, the sales market has consistently strengthened. Market conditions are currently strong in all price ranges. According to the New Hampshire Housing Finance Agency, the median sales price of homes in the HMA increased an average of 14 percent annually since 2000 to approximately \$225,000 in 2003. For 2003, the annual sales volume totaled 6,170 homes, 5 percent higher than in 2002. Single-family detached homes continue to dominate the sales market in the Remainder of the HMA. The median price of a new home is close to \$275,000, compared with a median price of \$216,000 for an existing home. The median price of a condominium unit during 2003 was \$170,000. In

response to sustained demand for sales housing units, several apartment properties have recently converted to condominiums.

Sustained price increases are related to the strong demand, fueled by low mortgage rates, recovering regional employment, and a limited supply of new homes. Overall, home prices in the HMA are rising but remain well below comparable housing in the Boston metropolitan area.

## **Rental Market Conditions**

Currently, the rental market in the Manchester-Nashua HMA is very tight. A stronger job market, restrictions on multifamily development, and the conversion of 400 apartment units to owner-occupied condominiums have contributed to a tighter rental market. Permits have been issued for more than 2,000 units of multifamily housing since 2000, and the rental vacancy rate has fallen to 2.6 percent as of the Current date. Despite the relatively low volume of demand for new rentals, new multifamily construction is more difficult than normal in the HMA. Limited development sites, an extensive permit review process and environmental impact concerns, and construction costs have slowed multifamily development activity.

The tight market conditions are not evident across the board. Several new high-rent “luxury” apartment projects have reported more competitive market conditions as young renter households moved out to purchase single-family housing units. Very few properties, however, were advertising rental concessions or offering marketing promotions as of July 2004. In older rental developments, rent concessions are nonexistent. Rent surveys published by the New Hampshire Housing Finance Agency have consistently documented rent increases during the past 5 years. The average monthly rent for a two-bedroom unit in the HMA as of the Current date is estimated to be \$1,036, an increase of approximately 3 percent from 1 year earlier.

The supply of assisted rental housing in the HMA for low- and very-low-income households is limited. Several townships in the central and western parts of the HMA have no assisted rental units. Occupancy rates of 98 to 100 percent with waiting lists have been reported by local public housing agencies operating in the cities of Manchester and Nashua. The housing voucher rental assistance programs in both locations report extensive waiting lists. The combined housing choice voucher programs in both cities total 2,570 units. These housing choice voucher units typically are fully leased with documented waiting lists. During the forecast period, more than 50 senior apartment rental units are expected to be completed under the HUD Section 202 housing program.

## **Forecast Housing Demand**

The primary component of future housing demand is household growth. Based on anticipated household growth and current market conditions, a demand for approximately 4,700 new sales units and 1,900 rental units is estimated during the 3-year forecast period ending June 2007. This level of construction will accommodate the growth in households, allow for the replacement of units expected to be lost from the inventory, and contribute

to balanced market conditions. Given current market conditions and recent construction trends, much of the future demand for new rental housing is anticipated to occur in the Remainder of the HMA.

Housing production is expected to remain below the forecast level of demand, however, and market conditions are expected to tighten further. The distribution of forecast demand for market-rate rental units by bedroom size is based on the distribution of renter households by size, distribution of the rental inventory as of the 2000 Census, trends in housing production since the last census survey, current pipeline activity, and overall market conditions. A summary of estimated qualitative annual demand for new market-rate rental housing in the HMA is presented in Table 6.



**Table 1**  
**Labor Force and Total Employment**  
**Manchester-Nashua HMA**  
**1994 to June 30, 2004**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Previous 12 Mos.	Current 12 Mos.
Labor Force	189,196	193,427	191,548	200,556	202,632	206,415	212,217	214,926	215,527	224,213	221,130	225,961
Employment	179,808	185,320	184,008	194,984	197,177	200,786	206,593	206,754	203,878	213,468	209,865	215,606
Unemployment	9,388	8,107	7,540	5,572	5,455	5,629	5,624	8,172	11,649	10,745	11,274	10,356
Rate (%)	5.0	4.2	3.9	2.8	2.7	2.7	2.7	3.8	5.4	4.8	5.1	4.6

Source: U.S. Department of Labor, Bureau of Labor Statistics

**Table 2**  
**Nonfarm Employment by Industry**  
**Manchester-Nashua HMA**  
**1993 to June 30, 2004**

<b>Employment Sector</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003<sup>a</sup></b>	<b>Previous 12 Mos.</b>	<b>Current 12 Mos.</b>
Total Covered Employment	158,125	162,672	167,959	173,637	179,130	183,920	188,022	193,265	192,842	188,573	191,240	189,403	189,214
Goods-Producing	42,172	42,855	43,833	45,194	46,694	47,906	47,553	48,765	47,169	42,086	41,071	43,900	41,377
Agri., Forestry, & Fishing	228	220	232	216	218	197	199	208	211	212	222	207	215
Mining	104	109	116	61	70	61	59	59	55	46	45	49	44
Construction	4,435	4,753	5,336	5,668	5,973	6,408	6,680	7,003	7,570	7,880	8,333	7,651	8,127
Manufacturing	37,404	37,773	38,149	39,249	40,434	41,240	40,615	41,495	39,333	33,949	32,447	35,994	32,991
Service-Producing	99,950	103,524	107,527	111,177	114,795	117,975	122,146	126,113	125,834	126,078	129,400	125,336	127,222
Trade, Trans., & Utilities	32,946	33,753	35,033	35,219	36,070	37,562	39,758	41,249	40,198	40,448	40,438	39,620	40,023
Information	3,814	3,980	4,590	4,589	4,898	5,361	5,487	5,934	5,774	5,301	5,219	5,500	5,205
Finance and Insurance	6,633	6,854	7,233	8,099	8,866	9,411	9,519	9,932	10,368	10,586	10,974	10,429	10,848
Prof. & Bus. Svcs.	19,147	20,098	20,367	21,422	22,316	22,067	22,892	23,334	22,502	21,652	23,143	21,698	22,377
Edu. & Health Svcs.	19,842	20,439	21,219	22,399	22,864	23,281	23,373	24,233	25,179	25,732	26,317	25,529	25,986
Leisure & Hospitality	12,199	12,632	13,381	13,706	13,909	14,277	14,915	15,107	15,321	15,844	15,659	15,427	15,735
Other Svcs. & Unclass.	5,369	5,767	5,706	5,743	5,872	6,015	6,202	6,322	6,492	6,690	6,890	6,400	6,291
Government	16,003	16,293	16,600	17,266	17,640	18,039	18,323	18,387	19,838	20,409	20,831	20,167	20,615
Federal	3,501	3,515	3,659	3,948	3,969	3,957	3,843	3,724	4,137	4,054	4,004	4,067	4,065
State	1,540	1,438	1,374	1,392	1,460	1,466	1,543	1,560	1,615	1,648	1,691	1,660	1,665
Local	10,962	11,339	11,567	11,926	12,211	12,616	12,937	13,104	14,087	14,707	15,136	14,441	14,884

<sup>a</sup> Preliminary estimate by New Hampshire Department of Labor.

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

**Table 3**  
**Population and Household Trends**  
**Manchester-Nashua HMA**  
**April 1, 1990 to July 1, 2007**

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
<b>Population</b>										
Manchester-Nashua HMA	336,073	380,841	397,100	408,500	4,480	1.3	3,825	1.0	3,800	0.9
City of Manchester Submarket	99,567	107,006	110,000	112,200	745	0.7	700	0.7	730	0.7
City of Nashua Submarket	79,662	86,605	89,000	90,700	695	0.8	560	0.6	570	0.6
Remainder of the HMA Submarket	156,844	187,230	197,900	205,600	3,040	1.8	2,500	1.3	2,575	1.3
<b>Households</b>										
Manchester-Nashua HMA	124,567	144,455	152,000	158,000	1,990	1.5	1,775	1.2	2,000	1.3
City of Manchester Submarket	40,338	44,247	45,700	47,100	390	0.9	340	0.8	470	1.0
City of Nashua Submarket	31,051	34,614	35,600	36,600	355	1.1	230	0.7	330	0.9
Remainder of the HMA Submarket	53,178	65,594	74,300	74,300	1,245	2.1	1,200	1.8	1,200	1.7

Note: Rate of change calculated on a compound basis.

Sources: 1990 and 2000—U.S. Census Bureau

Current and Forecast—Estimates by analyst

**Table 4**  
**Housing Inventory, Tenure, and Vacancy**  
**Manchester-Nashua HMA**  
**April 1, 1990 to July 1, 2004**

	Manchester-Nashua HMA			City of Manchester Submarket			City of Nashua Submarket			Remainder of the HMA Submarket		
	1990	2000	Current	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	135,622	149,961	157,600	44,361	45,892	47,450	33,383	35,387	36,050	57,878	68,682	74,150
Occupied Units	124,567	144,455	152,000	40,338	44,247	45,700	31,051	34,614	35,750	53,178	65,594	70,750
Owners	79,363	93,748	100,300	18,571	20,367	21,050	17,920	19,703	20,350	42,872	53,678	58,900
%	63.7	64.9	66.0	46.0	46.0	46.1	57.7	56.9	56.9	80.6	81.8	83.3
Renters	45,204	50,707	51,700	21,767	23,880	24,650	13,131	14,911	15,400	10,306	11,916	11,850
%	36.3	35.1	34.0	54.0	54.0	53.9	42.3	43.1	43.1	19.4	18.2	16.7
Vacant Units	11,055	5,506	5,625	4,023	1,645	1,750	2,332	773	300	4,700	3,088	3,400
Available Units	7,456	1,804	1,825	3,355	861	935	1,944	317	210	2,157	626	670
For Sale	1,807	480	450	360	97	95	390	81	60	1,057	302	330
Rate (%)	2.2	0.5	0.5	1.9	0.5	0.5	2.1	0.4	0.3	2.4	0.6	0.9
For Rent	5,649	1,324	1,375	2,995	764	840	1,554	236	150	1,100	324	340
Rate (%)	11.1	2.5	2.6	12.1	3.1	3.3	10.6	1.6	1.0	9.6	2.7	3.0
Other Vacant	3,599	3,702	3,800	668	784	800	388	456	250	2,543	2,462	2,725

Source: 1990 and 2000: U.S. Census Bureau

**Table 5**  
**Residential Building Permit Activity**  
**Manchester-Nashua HMA**  
**1994 to July 1, 2004**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 <sup>a</sup>
<b>Manchester-Nashua HMA</b>											
Total	1,427	1,331	1,708	1,752	1,675	1,798	1,843	1,708	2,391	2,052	1,039
Single-family	1,342	1,190	1,290	1,353	1,573	1,566	1,592	1,495	1,648	1,588	700
Multifamily	85	141	4189	399	102	232	251	213	743	464	339
<b>City of Manchester Submarket</b>											
Total	235	244	283	454	167	183	240	276	720	361	327
Single-family	214	235	234	147	151	165	168	114	193	177	86
Multifamily	21	9	49	307	16	18	72	162	527	184	241
<b>City of Nashua Submarket</b>											
Total	166	156	264	128	167	160	159	155	176	177	99
Single-family	165	103	134	126	138	137	127	115	121	113	60
Multifamily	1	53	130	2	29	23	32	40	55	64	39
<b>Remainder of the HMA Submarket</b>											
Total	1,026	931	1,161	1,170	1,341	1,455	1,444	1,277	1,495	1,514	613
Single-family	963	852	922	1,080	1,284	1,264	1,297	1,266	1,334	1,298	554
Multifamily	63	79	239	90	57	191	147	11	161	216	59

<sup>a</sup> Partial building activity through June 2004.

Sources: U.S. Census Bureau, C40 Series Construction Reports  
U.S. Census Bureau, Building Permits Survey

**Table 6**  
**Estimated Qualitative Annual Demand for New Market-Rate Rental Housing**  
**Manchester-Nashua HMA**  
**July 1, 2004 to July 1, 2007**

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900	570	1,100	1,150	1,300	190
950	490	1,150	950	1,350	160
1,000	450	1,200	850	1,400	140
1,050	400	1,250	730	1,450	130
1,100	330	1,300	600	1,500	110
1,150	270	1,350	480	1,550	100
1,200	210	1,400	380	1,600	90
1,300	160	1,500	300	1,700	70
1,400	130	1,600	230	1,800	60
1,500	100	1,700	180	1,900	40
1,600	70	1,800	140	2,000	20
1,700	50	1,900	30	2,100	20
1,800	40	2,000	10	2,200	10
1,900 or more	10	2,100 or more	10	2,300 or more	10

Note: Distribution above is noncumulative.

Source: Estimates by analyst