

ECONOMIC OPPORTUNITY: Apartment Affordability

DEFINITION

This indicator measures apartment affordability by the ratio of median annual gross rent for a two-bedroom residential rental unit to median household income. Gross monthly rent for 2010 is reported separately as is 2009 median household income.

Gross monthly rent is the contract rent the landlord charges the tenant, plus an estimate of any utility costs not included in the contract rent which the tenant is responsible to pay. *Median rent* is the rent in the middle of the distribution when sample rents are ordered from lowest to highest (NHHFA 2010).

CONTEXT

While house prices have plummeted in New Hampshire, median gross rental costs in the state have increased, though a growing number of rental units are vacant. In a departure from the past, higher vacancy rates are not linked to an increase in home ownership (NHES and ELMIB, 2010).

A recent study on housing in New England declared, "New England's rental affordability continues to be a bright spot in the region's housing market." In 2008 median rental costs in New England as a percentage of household income were lower than in other regions of the country and more affordable. In general, gross rent is considered affordable if it is 30 percent or less of median household income. The study measured affordability as the ratio of median household income to minimum household income required to afford the median monthly rental costs, and found rents in New England and New Hampshire were significantly more affordable than in the nation as a whole (Clifford, 2010).

Apartment Affordability By County, 2009-2010

	2009 Median Household Income	Income Rank	Median Monthly Rent, 2 Bedroom Apt	Apt. Rent Rank	Apt Rent/ Family Income Ratio	Affordability Rank
STATE TOTAL	\$60,734		\$1,056		20.9%	
Belknap County	\$52,987	5	\$947	6	21.4%	6
Carroll County	\$49,066	8	\$890	9	21.8%	8
Cheshire County	\$51,256	7	\$1,027	3	24.0%	10
Coos County	\$40,835	10	\$687	10	20.2%	2
Grafton County	\$52,081	6	\$934	7	21.5%	7
Hillsborough County	\$64,455	2	\$1,089	2	20.3%	3
Merrimack County	\$61,439	3	\$1,017	4	19.9%	1
Rockingham County	\$70,196	1	\$1,205	1	20.6%	4
Strafford County	\$55,415	4	\$971	5	21.0%	5
Sullivan County	\$48,042	9	\$905	8	22.6%	9



NEW HAMPSHIRE FINDINGS

The statewide median monthly gross rent for two-bedroom units in 2010 was \$1,056. The cost to tenants who pay for heat averages \$201 which is also reflected in the gross rent. The average monthly gross rent for two-bedroom units increased 6.3 percent from April 2005 to April 2010. Price fluctuations in the gross rental cost can reflect changes in the rental unit itself and/or changes in utility prices. On average, utility costs for all rental units (zero to four or more bedrooms) increased 23.5 percent from 2005 to 2010 with an average yearly increase of 3.4 percent. Over the same five-year period median gross rental cost for all rental units increased 8.1 percent with an average yearly increase of 1.7 percent (NHHFA 2010).

There is a wide range in median monthly rental costs, lowest in northern counties, generally increasing from north to south. Rents were lowest in Coos County in the North Country where median monthly rentals were \$687, just over 65 percent of the state median. In the southeast corner of the state, Rockingham County had the highest median monthly rental cost, 15 percent higher than the state median, at \$1,205. (see table on previous page)

Median annual rental cost was divided by median household income to obtain a measure of relative apartment affordability for New Hampshire counties. This is an inexact measure of apartment affordability because individual families and apartments were not matched. However, this measure can provide a reasonable basis for comparison of apartment affordability among New Hampshire counties.

Despite Rockingham County having the highest median monthly rental cost, it ranked fourth in apartment affordability because median household income was very high. Coos County rents were the lowest and the county ranked second in apartment affordability.

SOURCE OF DATA FOR ILLUSTRATION/METHODOLOGY

New Hampshire Housing Finance Authority (NHHFA). 2010. *Residential Rental Cost Survey*. www.nhhfa.org/ri_docs/housingdata/rental_survey/2010rentsurvey_county.pdf

Gross median monthly rent estimates come from an annual telephone survey of rental property owners and managers conducted by the New Hampshire Housing Finance Authority each April. The 2010 survey report determined median rents based on a sample of 14,701 rental units.

REFERENCES

Clifford, Robert. 2010. *The Housing Bust and Housing Affordability in New England: An Update of Housing Affordability Measures*. New England Public Policy Center; Discussion Paper 10-1. June. www.bos.frb.org

New Hampshire Employment Security and Economic and Labor Market Information Bureau (NHES and ELMIB). 2010. *Vital Signs: Economic & Social Indicators for New Hampshire 2005-2008*. March. www.nh.gov