

# Home Affordability

## DEFINITION

This indicator measures home affordability by the ratio of median home purchase price to median household income. Median home purchase price for 2010 is reported separately as is 2009 median household income.

## CONTEXT

Median household income is an important measure of economic well being. Using median household income together with median home purchase price provides one indicator of housing affordability. (See Apartment Affordability for another measure of housing affordability.)

New Hampshire has traditionally been a high income state. At the same time, New Hampshire, along with the rest of New England, has long had high costs of homeownership relative to the rest of the United States. In 2009, the average price of single-family homes in metropolitan New Hampshire was 23 percent higher than the U.S. metropolitan average, but lower than all New England states except Connecticut (Federal Reserve Bank of Boston 2010, 31).

Measuring housing affordability requires computing the costs of mortgage principal and interest payments, real estate taxes and homeowners' insurance premiums. A recent study based on 2008 data which assumed that households should spend no more than 28 percent of their annual income to pay housing costs, found New Hampshire households needed an annual income of at least \$65,174 to purchase a \$231,900 home, the 2008 median home price (Clifford 2010). That study also found that although falling home prices resulting from the economic downturn led to greater home affordability in New England in recent years, homes in New England were on average less affordable than in the rest of the country.

The Great Recession has led to a record number of home foreclosures across the United States, another important measure of housing affordability. Foreclosure deeds in New Hampshire increased dramatically from 2005 through 2008 then fell slightly from 2008 to 2009. As of October 2010 the number of cumulative foreclosures for 2010 exceeded the total number for 2009 (NHHFA 2010). But among U.S. states, New Hampshire's foreclosure rate has been low (36th in the country) with Nevada the state with the highest foreclosure rate in the country, and Rhode Island, ranking 25th, having the highest foreclosure rate in New England (Kaiser Family Foundation).

## Home Affordability By County, 2009-2010

	2009 Median Household Income	Income Rank	Jan-Jun 2010 Median purchase price, all homes	Home Price Rank	Home Price/ Household Income Ratio	Affordability Rank
<b>STATE TOTAL</b>	<b>\$60,734</b>		<b>\$199,900</b>		<b>3.29</b>	
Belknap County	\$52,987	5	\$173,500	6	3.27	7
Carroll County	\$49,066	8	\$176,000	5	3.59	10
Cheshire County	\$51,256	7	\$160,000	8	3.12	4
Coos County	\$40,835	10	\$91,000	10	2.23	1
Grafton County	\$52,081	6	\$165,330	7	3.17	5
Hillsborough County	\$64,455	2	\$207,000	2	3.21	6
Merrimack County	\$61,439	3	\$185,000	4	3.01	2
Rockingham County	\$70,196	1	\$242,000	1	3.45	9
Strafford County	\$55,415	4	\$187,000	3	3.37	8
Sullivan County	\$48,042	9	\$147,000	9	3.06	3



## NEW HAMPSHIRE FINDINGS

For 2009, median household income was highest in the southern New Hampshire counties of Rockingham and Hillsborough, and lowest in Sullivan and Coos Counties. Median household income in Rockingham County was 72 percent higher than in Coos County.

In 2010, home prices were highest in Hillsborough and Rockingham Counties, but lowest in Coos and Sullivan Counties.

**The ratio of median home price to median household income, our indicator of relative home affordability, did not vary by much for most New Hampshire counties. Carroll County rated lowest in home affordability and Coos County rated highest in home affordability. (see table on previous page)**

## SOURCE OF DATA FOR ILLUSTRATION/METHODOLOGY

U.S. Census, American Community Survey.

U.S. Department of Agriculture. Economic Research Services. Data Sets. County-Level Unemployment and Median Household Income for New Hampshire. [www.ers.usda.gov/data](http://www.ers.usda.gov/data)

## REFERENCES

Clifford, Robert. 2010. *The Housing Bust and Housing Affordability in New England: An Update of Housing Affordability Measures*. New England Public Policy Center; Federal Reserve Bank of Boston.

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