



2018 Mid-Year Residential Real Estate Update

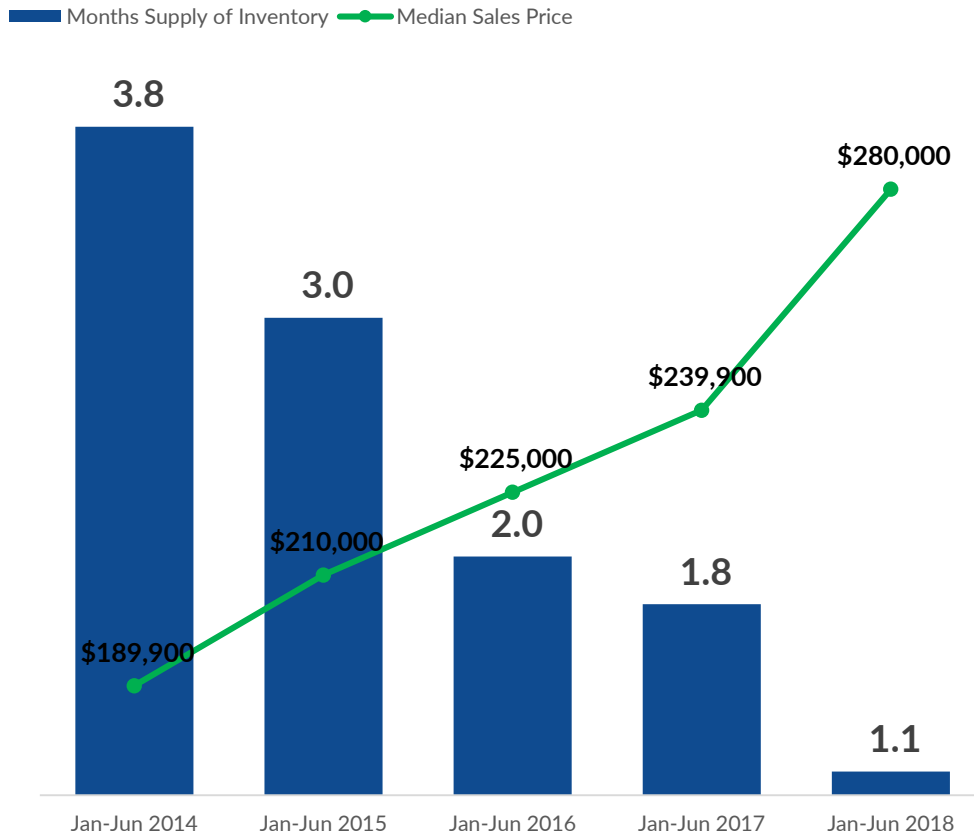
Presented by Breanna Vanstrom, MBA, RCE
Boise Regional REALTORS® Chief Executive Officer

Our home prices are being driven by...

Historically low inventory of *existing* homes compared to demand, and more *new* homes selling at overall higher prices due to rising construction costs.

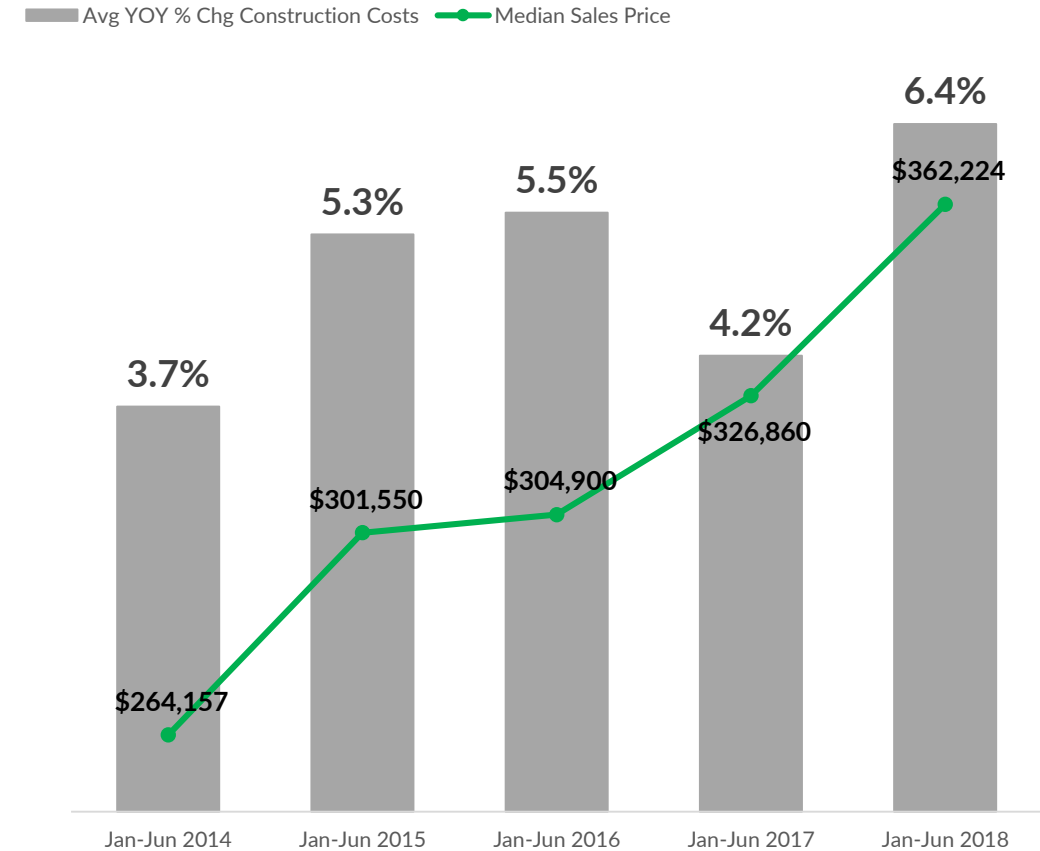
Existing Median Sales Price vs. Months Supply of Inventory for Ada County, 2014-2018 YTD through June

Activity for existing single-family homes only. As Months Supply of Inventory has decreased year-after-year, indicating increasing demand vs. supply, the median sales price has increased.



New Median Sales Price for Ada County vs. YOY % Change in Avg U.S. Construction Costs, 2014-2018 YTD through June

Activity for new single-family homes only. Average costs comprised of Construction Materials Price Index, Construction Employment Cost Index, and U.S. Land Prices, actual and estimates.



2018 Year-to-Date Market Statistics for Ada County

The overall median sales price, for existing and new homes combined, was up 17.7% from the same period last year. This increase was driven by very low inventory versus buyer demand for existing homes, as well as more new homes selling at overall higher prices due to rising costs of land, labor, and materials.

All Properties	YTD 2017	YTD 2018	YOY % Change
Closed Sales	4,934	5,341	8.2%
Median Sales Price	\$259,000	\$304,900	17.7%
Days on Market	41	36	-12.2%
Total Dollar Volume Sold	\$1.46B	\$1.86B	27.1%
Inventory as of June 30 th	1,913	1,412	-26.2%

Existing/Resale	YTD 2017	YTD 2018	YOY % Change
Closed Sales	3,737	3,816	2.1%
Median Sales Price	\$239,900	\$280,000	16.7%
Days on Market	29	25	-13.8%
Total Dollar Volume Sold	\$1.05B	\$1.26B	20.2%
Inventory as of June 30 th	1,212	765	-36.9%

New Construction	YTD 2017	YTD 2018	YOY % Change
Closed Sales	1,197	1,525	27.4%
Median Sales Price	\$326,860	\$362,224	10.8%
Days on Market	77	63	-18.2%
Total Dollar Volume Sold	\$412M	\$596M	44.7%
Inventory as of June 30 th	701	647	-7.7%

2018 Year-to-Date Market Statistics for Canyon County

The overall median sales price, for existing and new homes combined, was up 18.6% from the same period last year. This increase was driven by very low inventory versus buyer demand for existing homes, as well as more new homes selling at overall higher prices due to rising costs of land, labor, and materials.

All Properties	YTD 2017	YTD 2018	YOY % Change
Closed Sales	2,091	2,391	+14.3%
Median Sales Price	\$176,990	\$209,900	+18.6%
Days on Market	42	39	-7.1%
Total Dollar Volume Sold	\$417.8M	\$560.6M	+34.2%
Inventory as of June 30 th	859	566	-34.1%

Existing/Resale	YTD 2017	YTD 2018	YOY % Change
Closed Sales	1,682	1,860	+10.6%
Median Sales Price	\$167,750	\$195,950	+16.8%
Days on Market	33	30	-9.1%
Total Dollar Volume Sold	\$321.9M	\$419.5M	+30.3%
Inventory as of June 30 th	534	366	-31.5%

New Construction	YTD 2017	YTD 2018	YOY % Change
Closed Sales	409	531	+29.8%
Median Sales Price	\$228,128	\$248,990	+9.1%
Days on Market	82	72	-12.2%
Total Dollar Volume Sold	\$95.9M	\$141.1M	+47.1%
Inventory as of June 30 th	325	200	-38.5%

2018 Year-to-Date Market Statistics for Gem County

The overall median sales price in Gem County, for existing and new homes combined, was up 7.4% over the same period last year.

All Properties	YTD 2017	YTD 2018	YOY % Change
Closed Sales	160	152	-5.0%
Median Sales Price	\$173,475	\$186,250	+7.4%
Days on Market	53	45	-15.1%
Total Dollar Volume Sold	\$31.8M	\$35.4M	+11.4%
Inventory as of June 30 th	78	73	-6.4%

Existing/Resale	YTD 2017	YTD 2018	YOY % Change
Closed Sales	151	143	-5.3%
Median Sales Price	\$172,450	\$183,500	+6.4%
Days on Market	51	46	-9.8%
Total Dollar Volume Sold	\$30.1M	\$33.3M	+10.6%
Inventory as of June 30 th	75	68	-9.3%

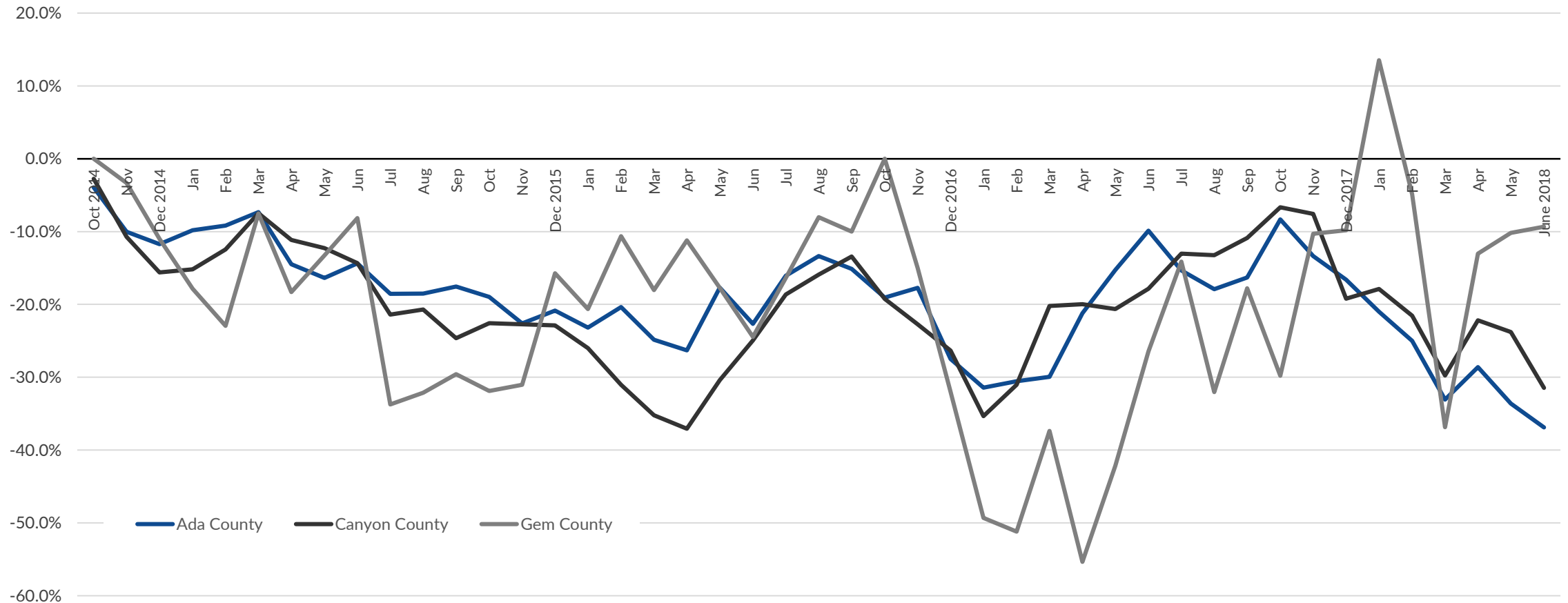
New Construction	YTD 2017	YTD 2018	YOY % Change
Closed Sales	9	9	0.0%
Median Sales Price	\$177,230	\$221,433	+24.9%
Days on Market	88	27	-69.3%
Total Dollar Volume Sold	\$1.6M	\$2.0M	+26.2%
Inventory as of June 30 th	3	5	+66.7%

What are the factors limiting supply and what is driving the demand for housing?

Let's start with supply...

June 2018 marked **45 consecutive months** of year-over-year declines in the number of **existing** homes for sale, in Ada, Canyon, and Gem counties.

Activity for existing single-family homes only. Gem County was included despite a one month uptick in January 2018, representing just 5 additional homes for sale compared to January 2017.

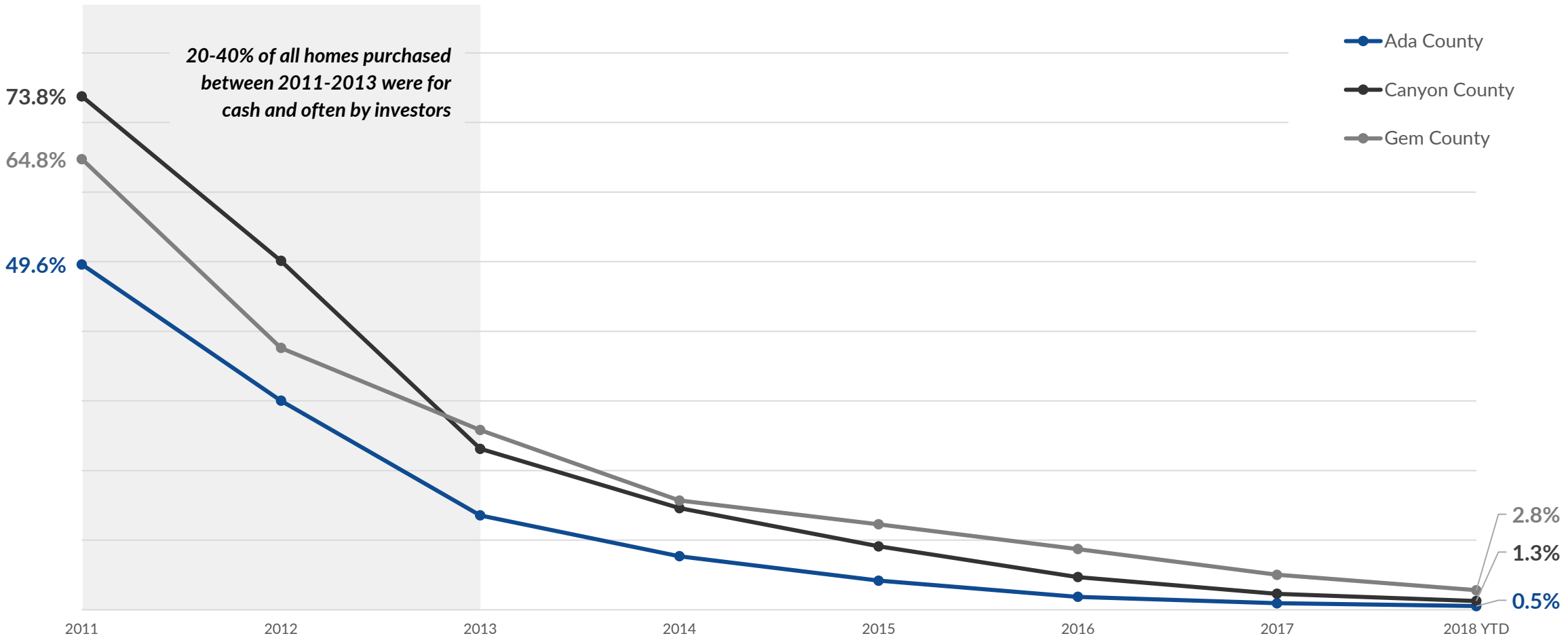


Primary Factors Limiting *Existing* Housing Supply

- Investors keeping single-family properties as rentals
- More seniors are choosing to “age in place” instead of selling
- Despite equity, homeowners are “locked in” due to limited inventory and rising prices compared to local wages

Share of Closed Sales that were Distressed, 2011-2018 YTD

Activity for existing and new single-family homes combined between Jan 2004–Jun 2018. Limited numbers of distressed properties – noted as foreclosures, short sales, REO, HUD, etc. — means fewer “bargains” compared to previous years, and also, that overall prices aren’t being pulled down as much as they were in 2011 and 2012. Distressed sales are nearly non-existent in Ada County, compared to being nearly half of all closings in 2011. Canyon County’s share of distressed sales fell by 98.3% and they fell by 95.7% in Gem County.



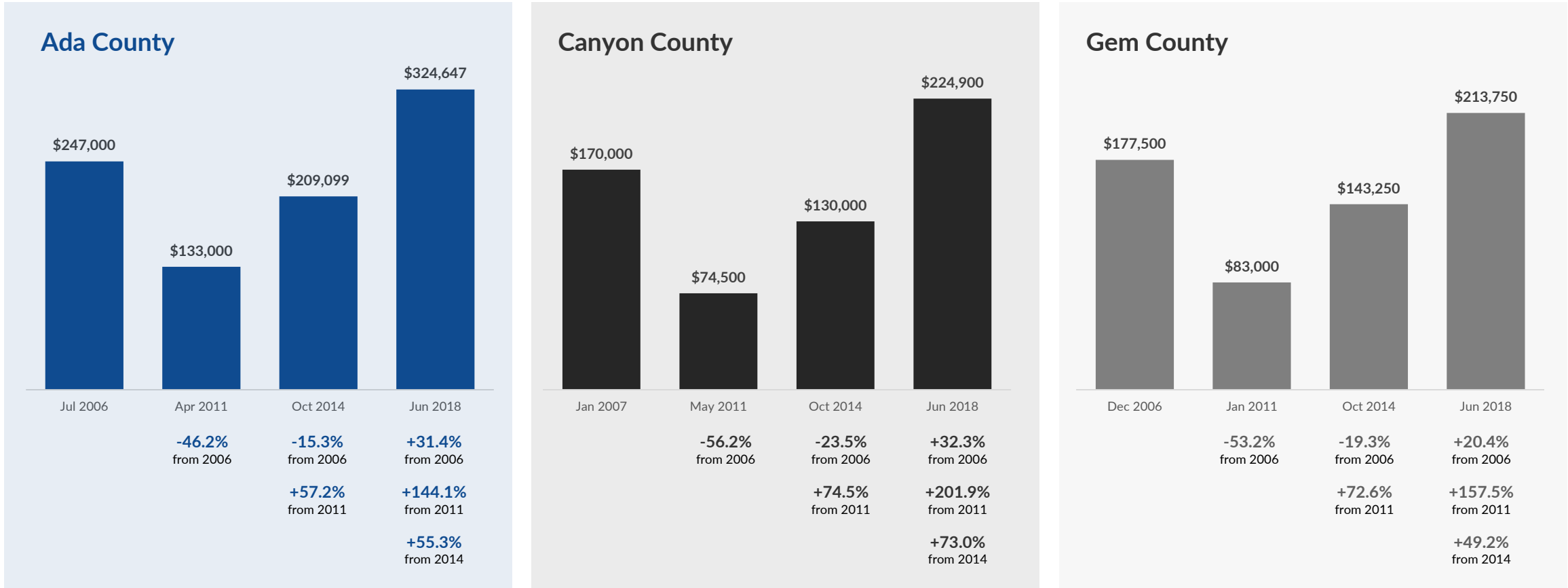
Average Population Growth by Age Group, 2010 to 2017

Between 2010 and 2017, the share of the region's population that grew the most was adults age 55-79 years old, especially adults aged 65 to 74 years old in Ada and Canyon counties. This pulled up the median age in each county over the time period. Ada County's median age increased 6.0% from 2010 to 37 years old. Canyon County's median age was at 34 years old in 2017, up 6.6% from 2010, and Gem County's median age was at 44 years old, up 1.9%. Anecdotally, we know a good portion of the growth among older adults is from out-of-state buyers purchasing retirement homes that they'll hold long-term.

County	Gen Z 20 Years and Younger	Millennial 21 to 36 Years Old	Gen X 37 to 51 Years Old	Baby Boomers 52 to 70 Years Old	Greatest Generation 71 Years and Older
Ada	7.3%	12.8%	10.1%	30.5%	44.4%
Canyon	6.3%	12.0%	12.7%	27.0%	38.2%
Gem	-0.4%	10.2%	-14.3%	11.7%	17.7%

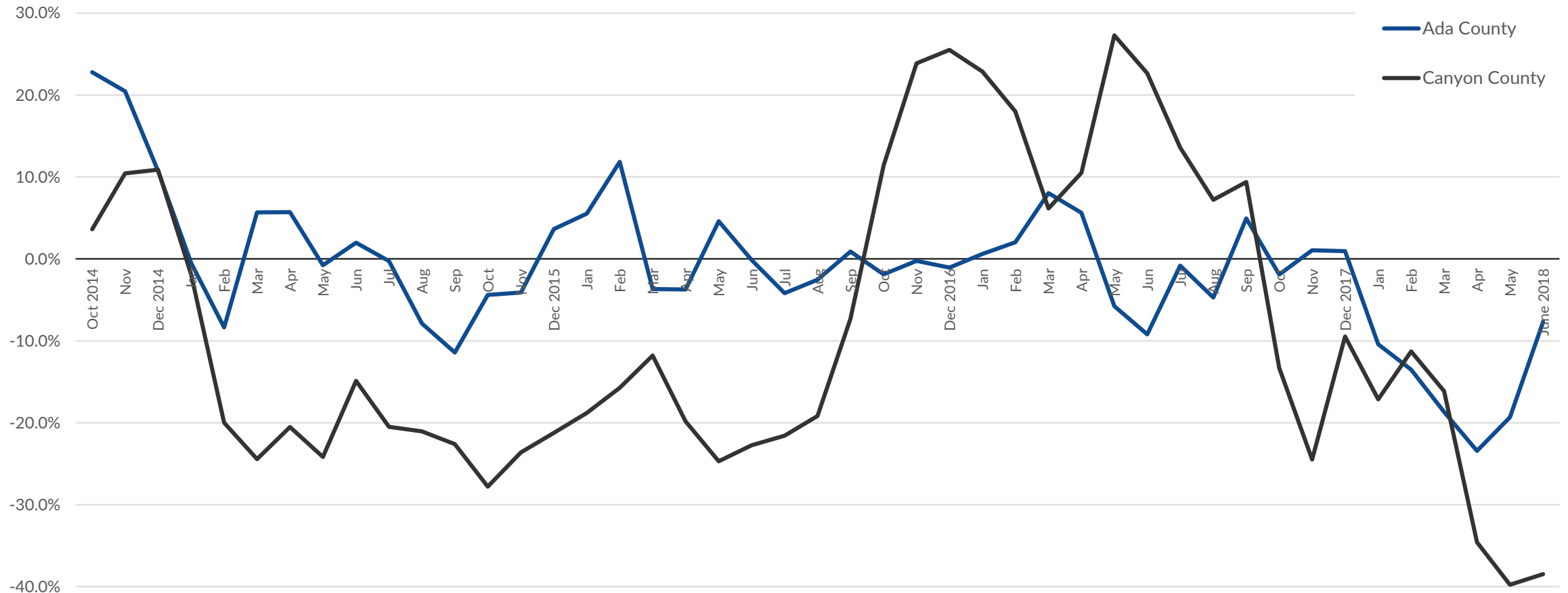
Changes in the Median Sales Price from the Previous Peak (2006) through the Recession Low (2011), Local Recovery (2012-2014), and Current Expansion

Activity for existing and new single-family homes combined. Many who purchased in 2006 were unable to sell in later years, as prices fell 45-56% through 2011 across the three counties. More than a decade later, they are finally seeing their equity return, but are hesitant to list due to the lack of available inventory to move to. Those who purchased in 2011 may have significant equity to roll into another home, but today's prices are up 144-201% since then, making them potentially out of reach for some, especially when looking at income changes over that period. The median family income in Ada County grew 7.2% between 2011 and 2017, but fell 4.5% for Canyon County and 8.9% for Gem County.



The number of *new* homes for sale in Ada and Canyon counties has been down 27 and 30 months, respectively, over the past 45 months.

Activity for new single-family homes only. Gem County was not included due to the very low number of new home inventory reported to IMLS.

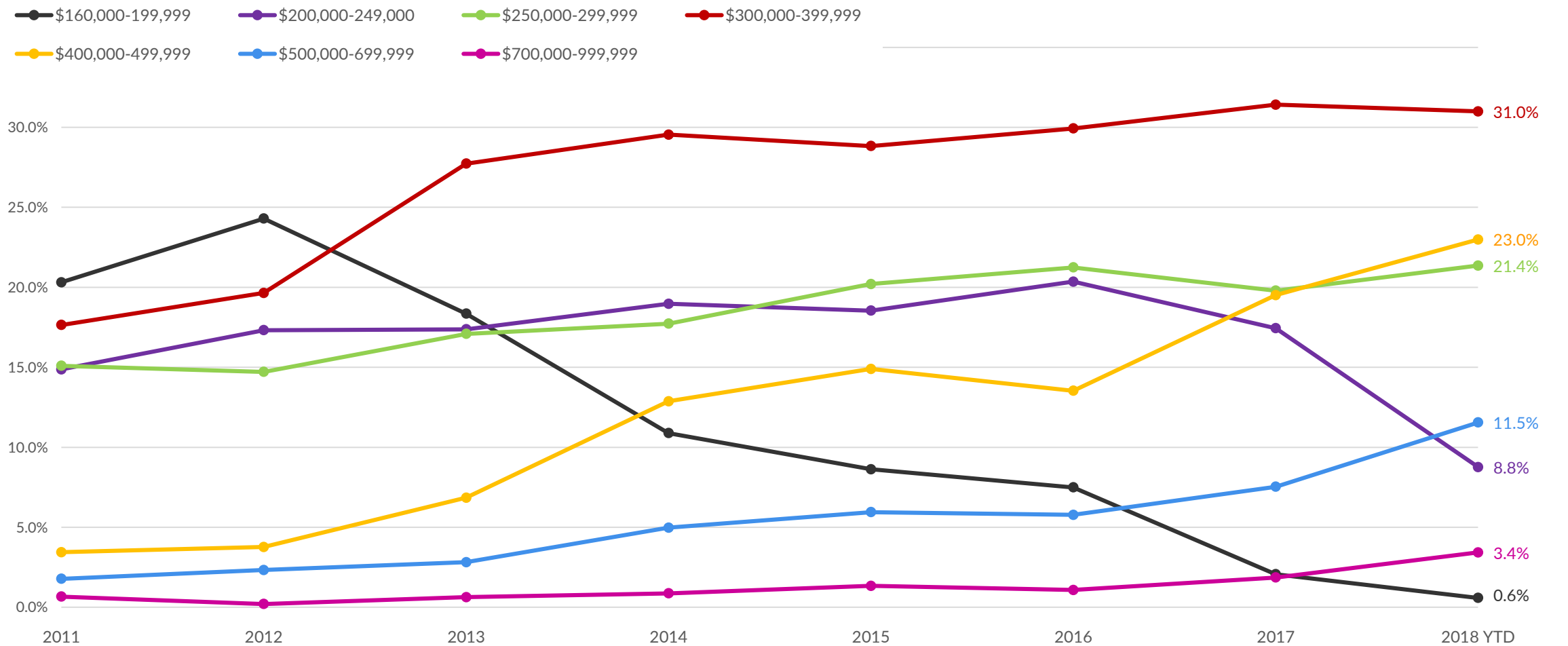


Primary Factors Limiting *New* Housing Supply

- Builders haven't been able to catch up with the rebound in buyer demand and population growth since the recession — due in part to limited financing and a scarcity of skilled tradespeople
- Zoning rules and neighborhood opposition restricting development, especially medium- to higher-density projects
- Focus on higher-end homes and amenities vs. entry-level projects to meet profit margins and consumer preferences

Share of New Home Sales by Price Range in Ada County, 2011-2018 YTD

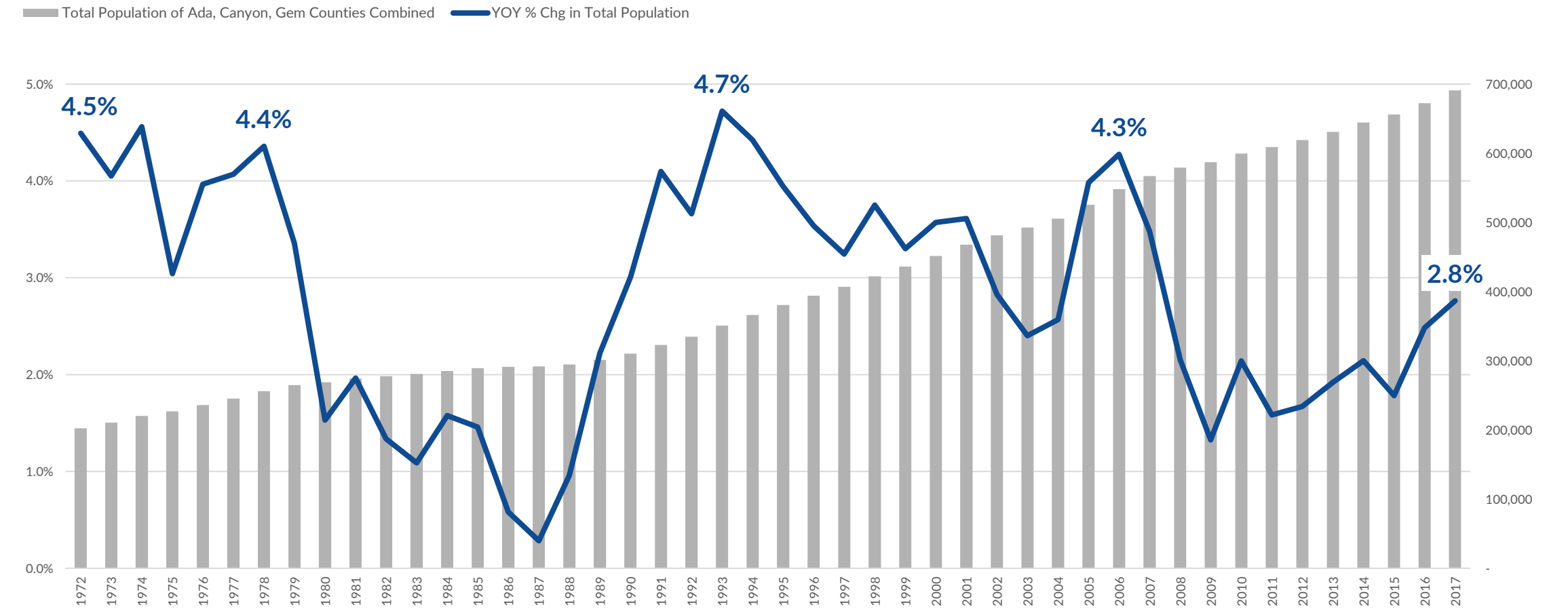
Activity for new single-family homes only between Jan 2011–Jun 2018. New home sales priced between \$250,000-499,999 grew the most since the recession. Trendlines for new homes priced under \$159,999 and above \$1 million not included due small sample sizes in IMLS. While new homes priced below \$199,999 were around 20% of the sales in 2011, that was at the market bottom, and those prices represent how many builders were essentially liquidating the oversupply of inventory by reducing prices, more than they were building homes at lower price points.



What is driving the demand for housing?

Historical Annual Population Counts Compared to Year-Over-Year Growth for Ada, Canyon, and Gem Counties Combined, 1972-2017

The population of Idaho and the Boise metro grew the most in the nation in 2017, at 2.2% and 2.8%, respectively. For the metro, this was a relatively low rate of growth when compared to the period between 1990-2007, when local population grew by 3.6% per year, on average.



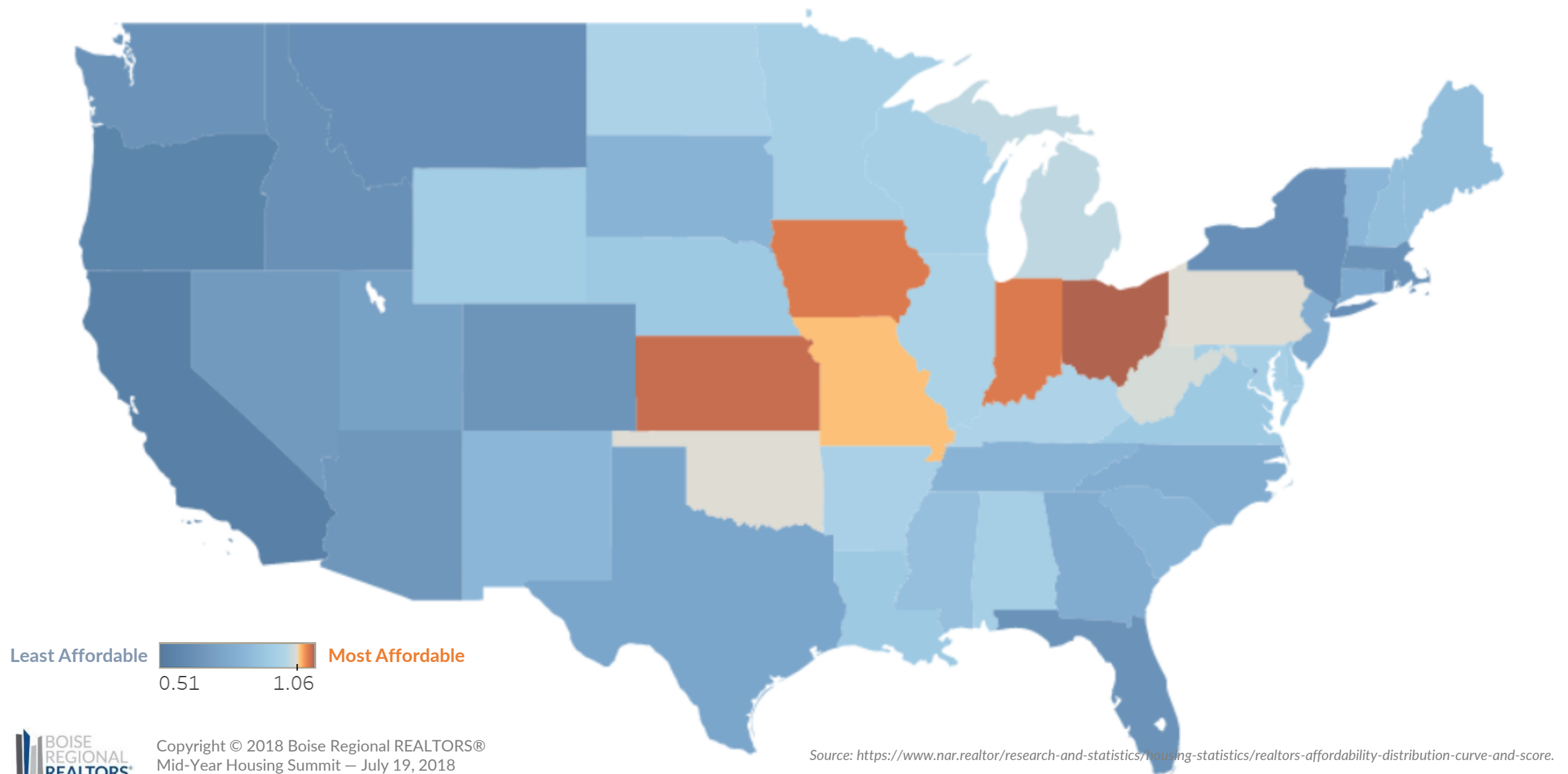
Primary Factors Driving Demand for Housing

- Strong economy providing more employment opportunities and (incrementally) higher wages, boosting consumer confidence and interest in purchasing
- Rising rents make buying a home more attractive for those who are able
- People moving here to retire
- “Boomerang Buyers” coming back to purchase
- Millennial “aging into” homeownership
- In-migration from higher-priced metros due to our comparative affordability

Because these types of buyers don't usually have a home to sell first, the traditional “trade-up” inventory is not being created

Affordability Heatmap from NAR, June 2018

Based on the National Association of REALTORS® Affordability Distribution Scores, which considers affordability for all income percentiles based on the number of homes for sale. The most affordable states were Ohio, Kansas, Indiana, Iowa, and Missouri, and the least affordable were Hawaii, California, Oregon, D.C., and Montana.



Idaho's State-to-State Migration Trends, 2006 vs. 2016

2006 was the most recent high point for year-over-year population growth for Ada, Canyon, and Gem counties combined, up 4.3% from 2005. That year, Idaho was the third fastest growing state, up 2.6% behind Arizona and Utah. California and Washington were the top states from which new residents came to Idaho in 2006 and in 2016 – the year before Idaho became the fastest growing state in the country. California in-migration to Idaho increased 32.4% over the decade, while it decreased by 19.2% from Washington. Interestingly, Washington was the top state to which Idahoans moved, followed by Utah, in 2006 and 2016.

Top States for In-Migration to Idaho

2006		2016	
Moved <i>from</i>	Share of Total In-Migration	Moved <i>from</i>	Share of Total In-Migration
California	17.9%	California	23.7%
Washington	16.1%	Washington	13.0%
Oregon	9.4%	Utah	10.3%
Utah	7.8%	Arizona	6.0%
Texas	6.6%	Nevada	4.6%

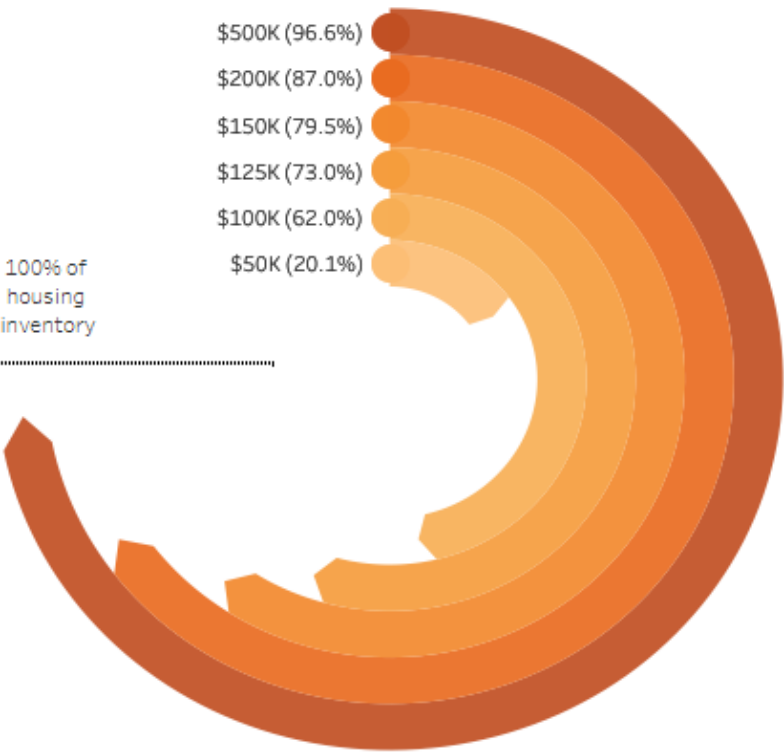
Top States for Out-Migration *from* Idaho

2006		2016	
Moved <i>to</i>	Share of Total Out-Migration	Moved <i>to</i>	Share of Total Out-Migration
Washington	19.2%	Washington	20.8%
Utah	15.4%	Utah	17.0%
California	11.0%	Oregon	8.2%
Arizona	7.9%	California	6.4%
Oregon	7.1%	Arizona	4.9%

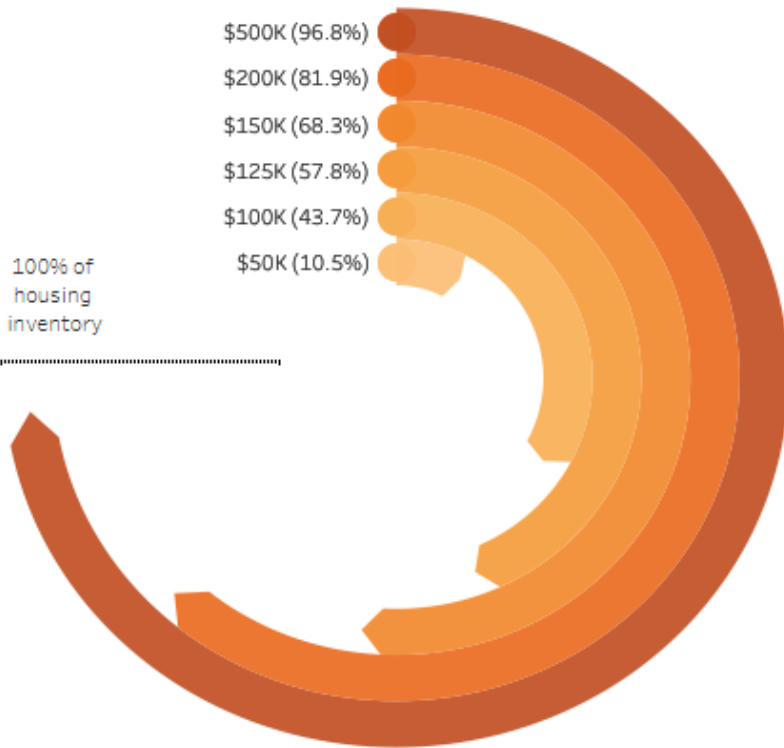
Affordability Distribution Curve Comparisons by State, June 2018

National Association of REALTORS® Affordability Distribution Curve, which shows the percentage of homes for sale that households at different income levels can afford.

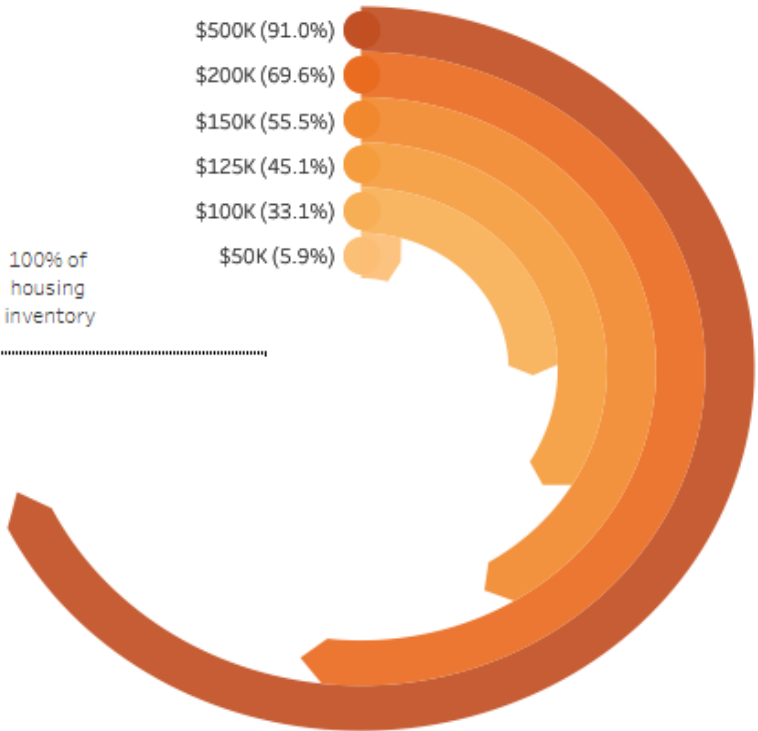
Idaho



Washington



California



“Our research shows many California residents may have reached their breaking point,” said Danielle Hale, Chief Economist for REALTOR.com[®], in a statement.

“Affordability is pricing them out of the California home market, and many are searching for more affordable options in other areas.

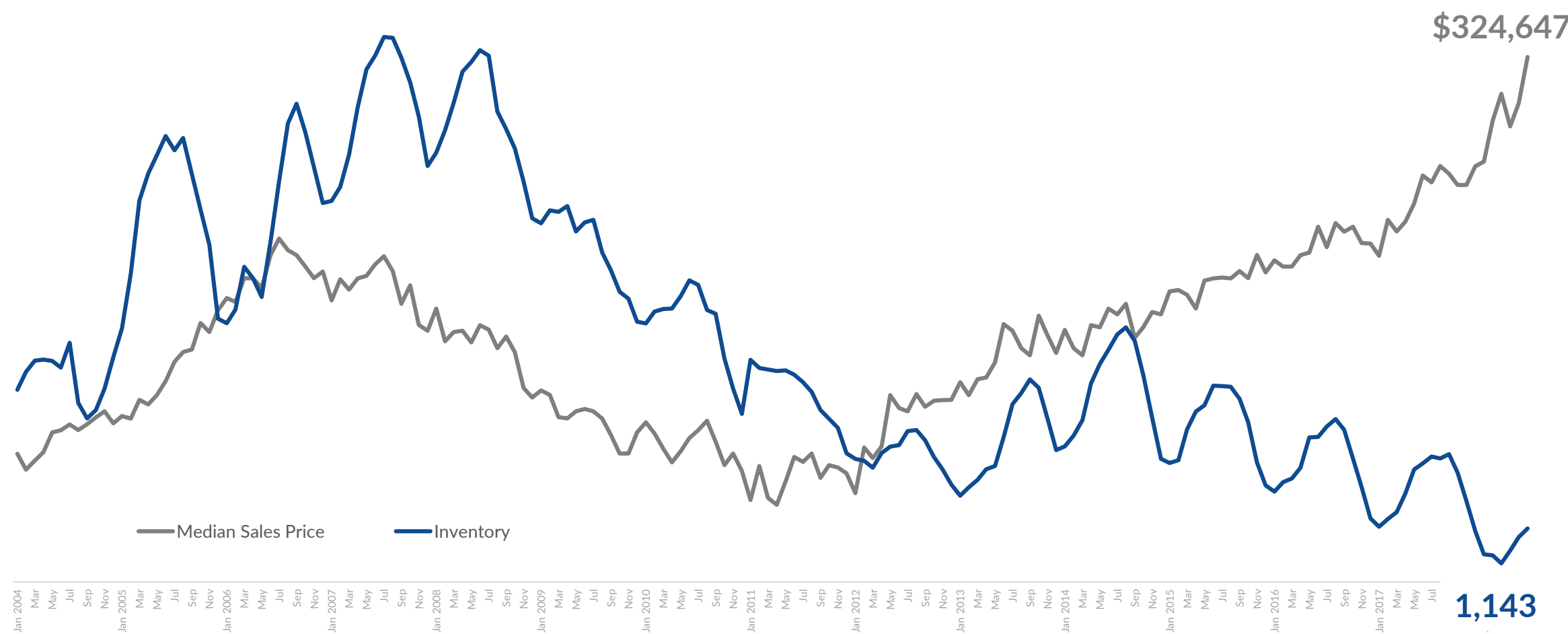
*“This exodus could help slow price appreciation in California... **but it could also potentially heat up prices and reduce inventory in surrounding markets.**”*



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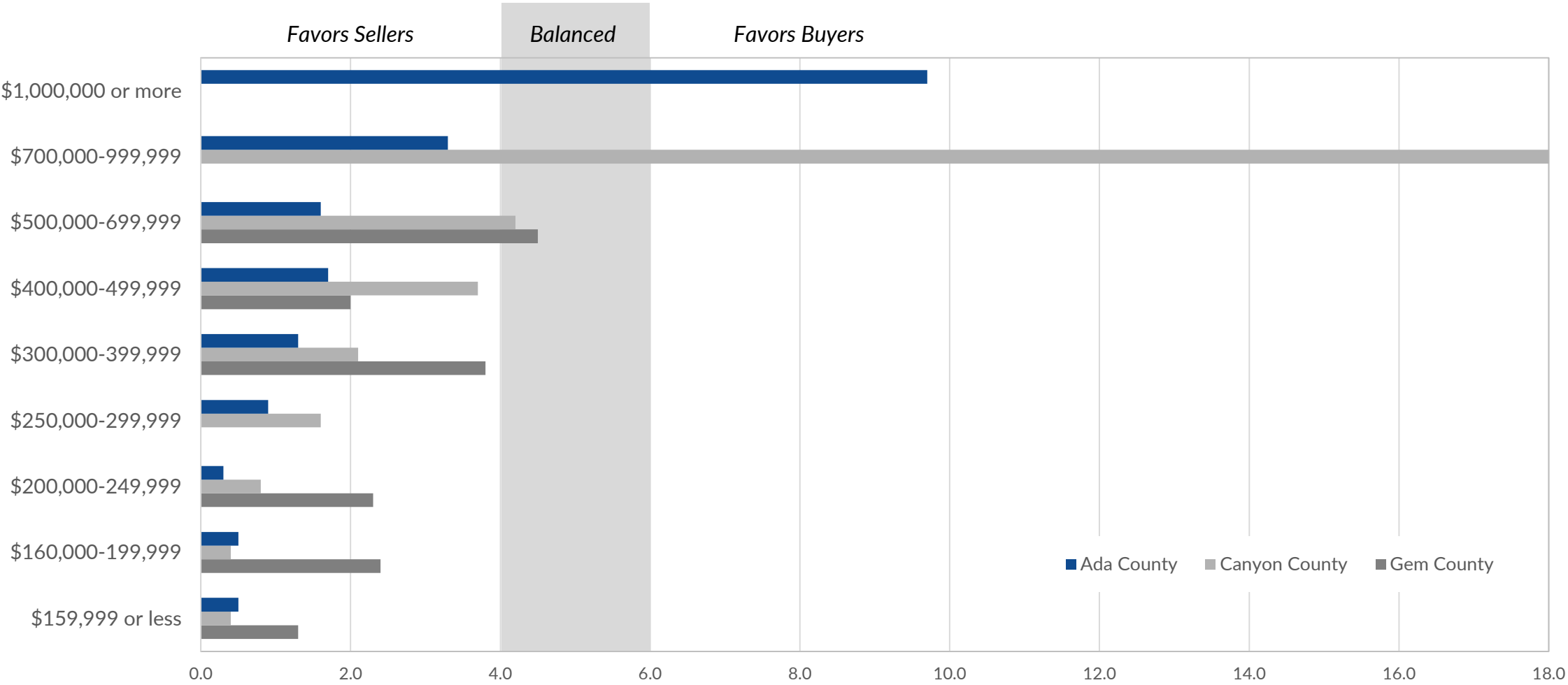
Historical Monthly Inventory vs. Median Sales Price for Ada County

Activity for existing and new single-family homes combined between Jan 2004–Jun 2018. Inventory and median sales price rose together through Jul 2007 and fell together through Jan 2012. Since then, inventory has not kept up with demand, pushing the median sales price up 135.3% since Jan 2012. In June 2018, Ada County hit a new record high median sales price of \$324,647 – representing many of the homes that went under contract in April and May – following a record low inventory of just 1,143 active listings in early April.



Months Supply of Inventory in Ada, Canyon, and Gem Counties, June 2018

Activity for existing and new single-family homes combined. Months Supply of Inventory (MSI) measures the relationship between inventory and buyer demand. A balanced market — not favoring buyers or sellers — is typically between 4.0 to 6.0 months. Less than 4.0 months tends to favor sellers, and more than 6.0 months tends to favor buyers. Based on current demand, our region needs more inventory across all price points.



With new home prices being driven by rising construction costs, and historically low supply vs. very high demand pushing existing home prices up to record highs, whether it's up or out, our region needs more supply to bring the market back into balance.

**But “*more supply*” doesn’t mean more rooftops
anywhere and everywhere.**

Boise Regional REALTORS® is committed to supporting comprehensive, regional planned growth to provide purchase and rental options in all price points, while preserving our quality of life and improving market stability going forward.

Fatigue, opposition, and uncertainty...

- Public fatigue around “growth,” “affordability,” “housing,” etc., could set in if ongoing discussions are based on anger, fear, and divisive language, instead of being focused on solutions and collaborations.
- Even as housing is approved, the time needed to build means we won’t see the impact of more supply on the market for a while — which also means things could get worse before they get better, further intensifying concerns about home prices and opposition to growth.
- While we may not be at risk of overbuilding based on current demand, we must be mindful of changes in the national and local economy, national and international politics, and the decrease in our area’s comparative affordability, and how they could impact future housing demand.

Fatigue, opposition, and uncertainty... *cont.*

- Economists are debating the reliability of past recession indicators (yield curves, mortgage interest rates, inflation, and consumer/builder confidence indices, etc.) creating more uncertainty around real estate markets, and causing some to speculate on bubbles and crashes, while others say “this time is different.”
- But we know market cycles happen. While we can’t say for sure things are going, we can do things today that position our clients for more stability in the future...

Serving clients in today's market

- **Share resources about future growth plans.** Tell buyers where they can do their own research on potential developments, school boundaries, road construction, etc., noting things could always change. Don't promise them their new neighborhood will never change.
- **Play nice with fellow REALTORS® and don't play into the market hype.** We're in an extreme market, making an already emotional decision by clients even more so. You are your client's advocate, helping them make informed decisions based on your experience, insights, and professional connections.

Serving clients in today's market *cont.*

- **Educate clients about the pros and cons of various offer strategies** – higher prices, fewer contingencies, delayed move-in dates, etc. – to determine which work for them and which don't. The market is moving faster than ever, but that doesn't mean buyers should go over budget or give away important protections “just to win.”
- **Talk to homeowners about preserving their equity.** Many have positive equity for the first time in years, and, we're seeing more owner-occupant, cash buyers. Both are good trends for our market's long-term stability — if that equity isn't pulled out of the home for use elsewhere.

Strategies for today's market

Who can sell but *does not* need to buy locally?

- Relocations for retirement, work, etc.
- Investors with single-family properties
- “Default” landlords

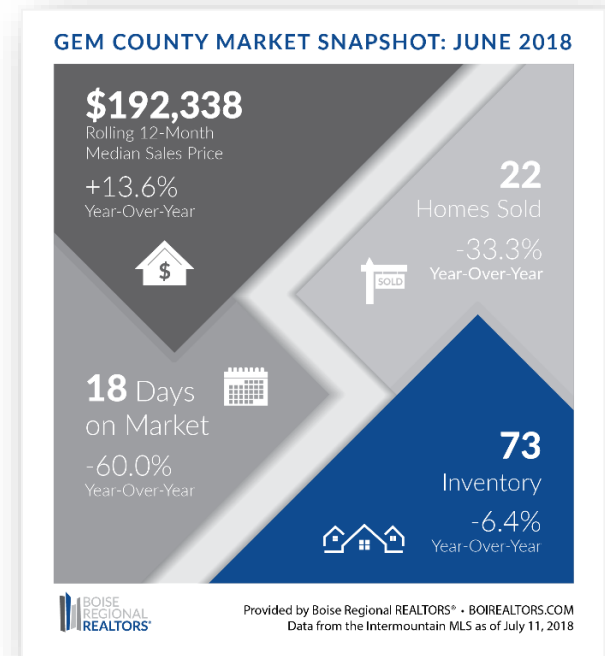
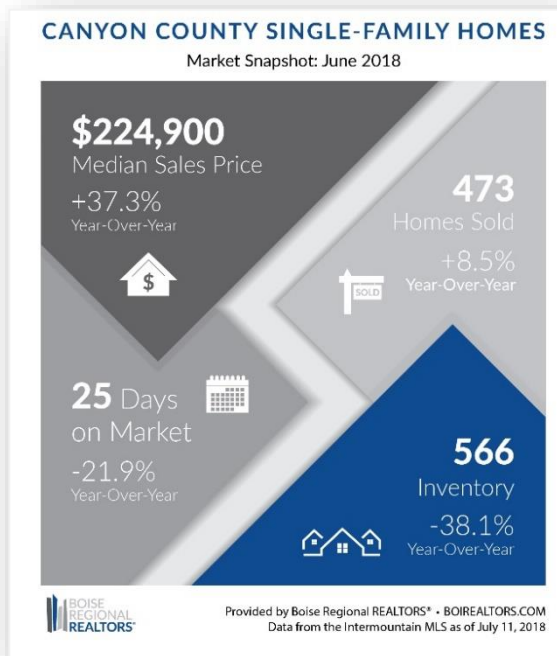
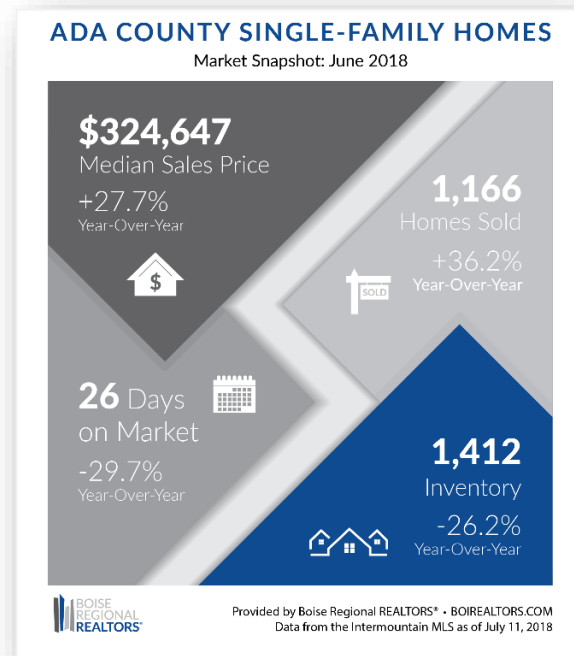
Strategies for today's market *cont.*

Set expectations and educate, educate, educate.

- Know your market stats specific to your listings — it's not a seller's market for everyone.
- What *should* sellers fix from the inspection report, instead of moving on to another buyer? And what minor items can buyers handle later to avoid losing out over an inexpensive repair?
- Be mindful that not every buyer can (or should) make up a difference between an offer and appraisal with cash.
- Share resources from trusted lenders to break the "20% down" perception. NAR reports there are people qualified to purchase and able to afford a mortgage, but don't think they have the down payment necessary to do so. Nationally, the average down payment is around 7%.

Where to find more information...

Visit boirealtors.com/market-statistics for our latest reports and analysis, released on or after the 12th calendar day of each month. Feel free to share!



Sources and Methodologies

The information included in this report is based primarily on the data available through Intermountain MLS (IMLS), a wholly-owned subsidiary of Boise Regional REALTORS® (BRR). IMLS data is based upon information secured by the agent from the owner or their representative. The accuracy of this information, while deemed reliable, has not been verified and is not guaranteed. These statistics are not intended to represent the total number of properties sold in the counties noted during the specified time periods. IMLS and BRR provide these statistics for purposes of general market analysis but make no representations as to past or future performance.

Historical data from IMLS has not been adjusted for seasonality or inflation. Data was also secured from the following sources, some of which may have been seasonally adjusted: US. Bureau of Labor Statistics; Federal Reserve Bank of St. Louis; Lincoln Institute of Land Policy; U.S. Census Bureau; Southwest Idaho National Association of Property Managers, the National Association of REALTORS®; and, REALTOR.com®.

Comparisons between sources were made using the most similar time periods available for each data set. While done infrequently, some averages were taken or data was estimated for time periods in which data was unavailable.

For questions or clarifications, please contact BRR's Chief Executive Officer, Breanna Vanstrom, at 208-376-0363.