



2016 RESIDENTIAL REAL ESTATE MARKET REPORT

Published January 20, 2017

Copyright © 2017 Boise Regional REALTORS®

**In 2015, Ada County
surpassed \$2 billion in
total dollar volume sold.**

The first year since 2006.

In 2016, the total dollar volume sold in Ada County was \$2.95 billion.

Up 20.2% from 2015 as more homes sold at overall higher prices.

**In June 2016, Ada County's
median sale price reached
\$253,000.**

2% higher than the previous peak
in July 2006.

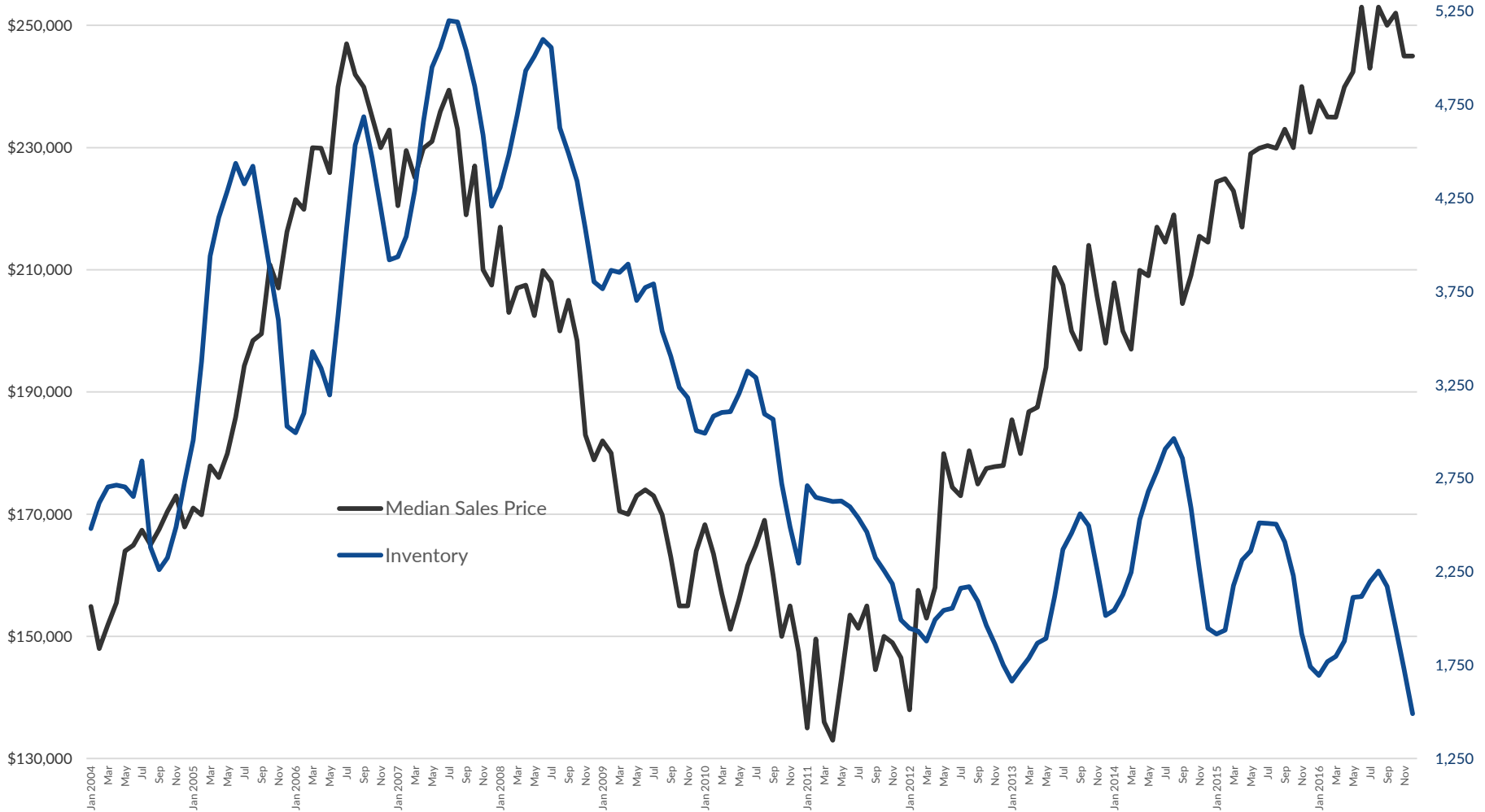
**Looking at 2016 overall,
the median sale price for
Ada County landed at \$244,900
— up 6.9% from 2015.**

**In Canyon County, the 2016
median sale price was \$160,000
– up 11.2% from 2015.**

Home prices in both counties rose because of consumer demand versus limited supply – *not* speculation as was the case a decade ago.

Historical Monthly Median Sales Price vs. Inventory for Ada County

Activity for existing and new single-family homes combined between Jan 2004–Dec 2016. The median sales price and inventory rose and fell together between Jan 2004 and Sep 2012. Since then, inventory has not kept up with demand, down 28.8% from Sep 2012, pushing the median sales price up 40.0% since Sep 2012. Inventory is down 10.5% from the previous record low of 1,664 in Jan 2013. Median sales price is up 84.2% from its previous record low of \$133,000 in Apr 2013, and was 3.2% lower than the previous record of \$253,000 from Jun/Aug 2016.

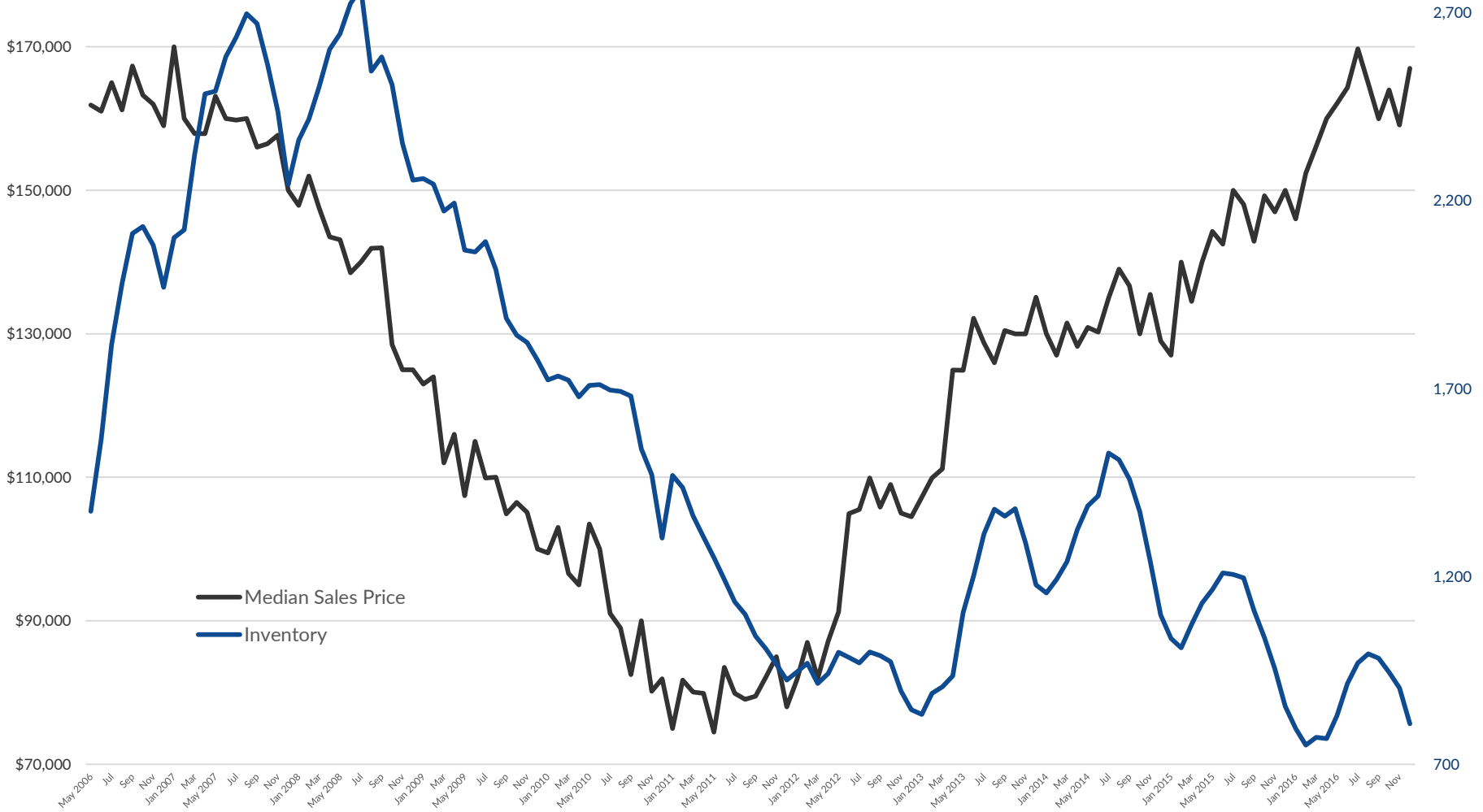


Ada County prices and inventory rose and fell together between 2004 and September 2012.

Since then, inventory has not kept up with demand, down 28.8% from September 2012, which pushed the median sales price up 40.0%.

Historical Monthly Median Sales Price vs. Inventory for Canyon County

Activity for existing and new single-family homes combined between May 2006–Dec 2016. The median sales price and inventory rose and fell together between May 2006 and Mar 2012. Since then, inventory has not kept up with demand, down 11.5%. This low inventory plus more higher-priced new construction pushed the median sales price up 103.7% since Mar 2012. Inventory was 7.6% higher than the previous record low of 751 in Feb 2016, and the median sales price was 2.9% lower than the record high of \$170,000 from Jan 2007.



Canyon County prices and inventory rose and fell together between 2006 and March 2012.

Since then, inventory has not kept up with demand, down 11.5%. Low inventory plus more higher-priced new construction, pushed the median sales price up 103.7% since March 2012.

Why is there so much demand for housing?

1. Economic Development

2. Inventory Pressures

3. People

Economic Development Trends

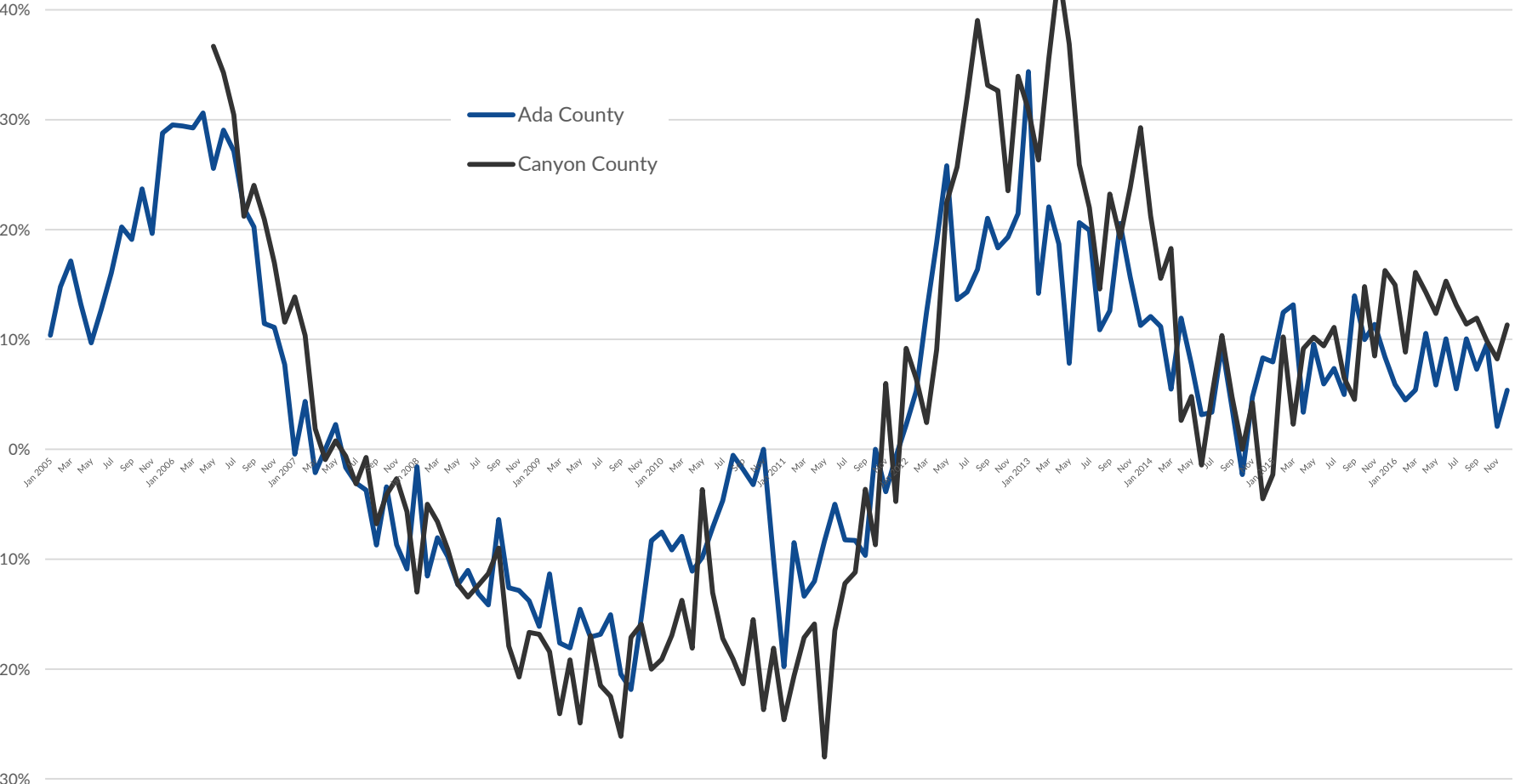
- Huge wins in local and statewide economic development thanks to groups like the Boise Valley Economic Partnership (BVEP) and Idaho Commerce.
- Gaining residents from higher-priced, markets in the like Denver, Salt Lake City, Los Angeles, Seattle, and Portland.
- Increasing consumer interest in our city and lifestyle through the efforts of Visit Idaho and local convention and visitors bureaus.

Inventory Pressures

- Some homeowners are choosing to stay in their homes longer, or, are hoping to buy *before* they list.
- Some homeowners may have regained enough equity since the recession to “break-even” if they sold, but not enough for a down payment to buy their next home.
- Not enough lower-priced new construction to keep up with demand, or, to make up for restricted supply of existing homes.

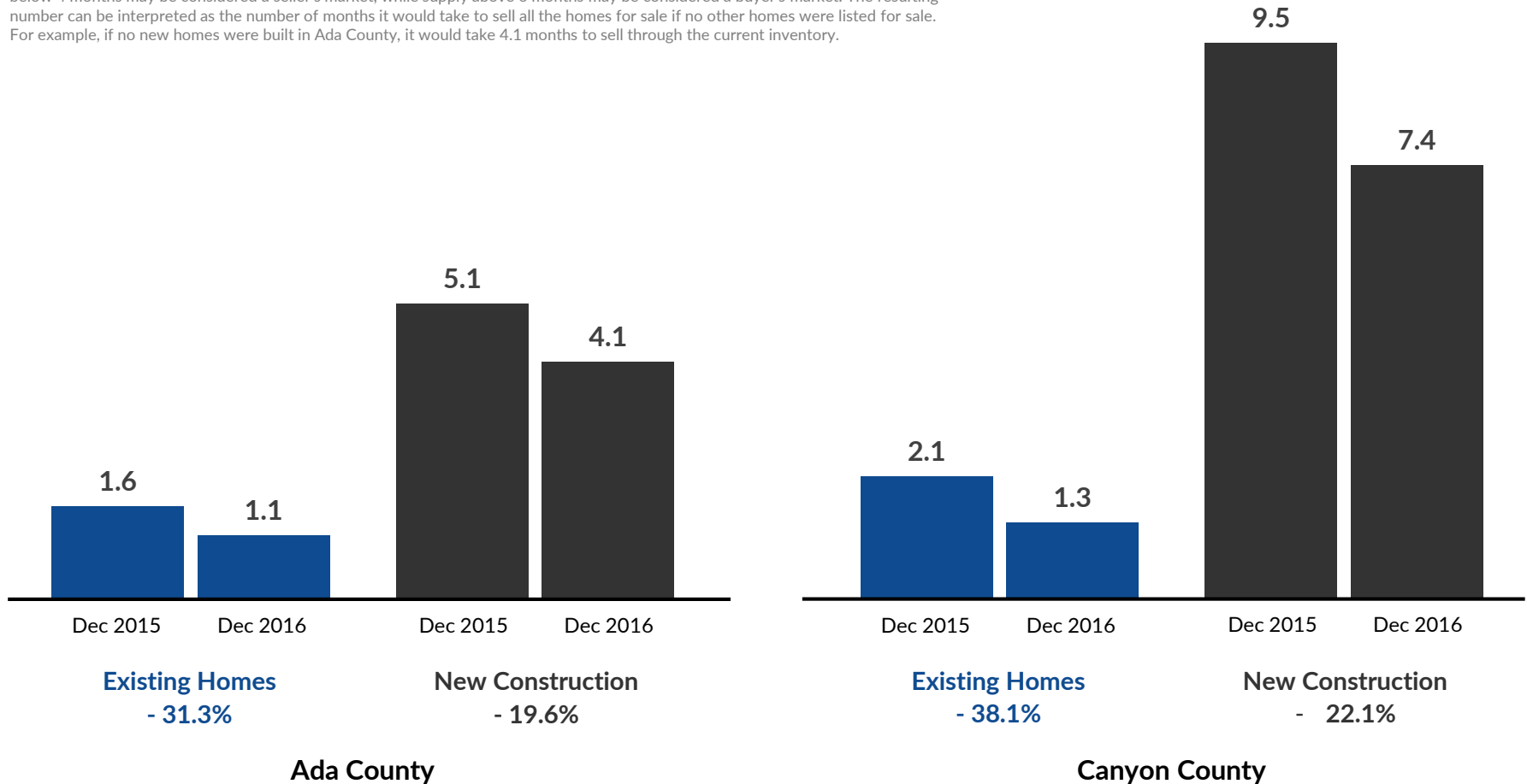
Historical Year-Over-Year Percent Change in Median Sales Price between 2006–2016 for Ada and Canyon Counties

Median Sales Price is the price at which half the homes sold for more and half sold for less, existing and new construction combined. This chart shows the year-over-year percent change by month in Median Sales Price over the past 10 years (past 9 years for Canyon County). Year-over-year price gains began falling in mid-2006 through the end of 2009, with fluctuations through 2011. Year-over-year price gains grew consistently through 2012, led by low mortgage rates and more sales at higher price points. And while the actual median sales price continues to trend upwards, the *rate* at which it does so is falling, as illustrated by the downward trend that started in January 2015.



Months Supply of Inventory in Ada and Canyon Counties – December 2015 compared to December 2016

Months Supply of Inventory takes the number of homes for sale divided by the average number of closed sales by month for the preceding twelve months. A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. Supply below 4 months may be considered a seller's market, while supply above 6 months may be considered a buyer's market. The resulting number can be interpreted as the number of months it would take to sell all the homes for sale if no other homes were listed for sale. For example, if no new homes were built in Ada County, it would take 4.1 months to sell through the current inventory.

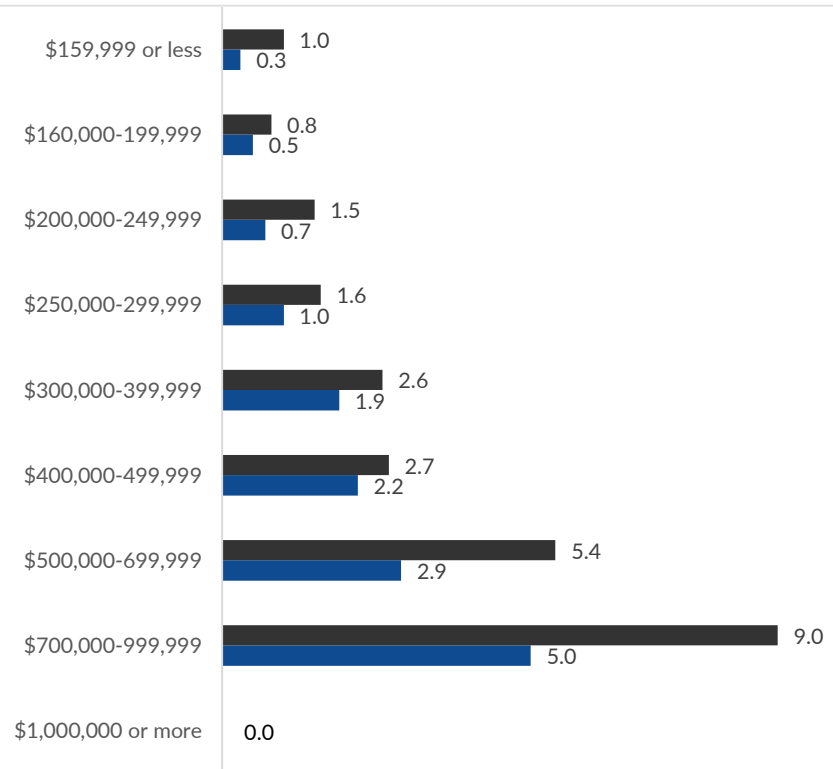


Months Supply of Inventory by Price Point for Ada County – December 2015 vs. December 2016

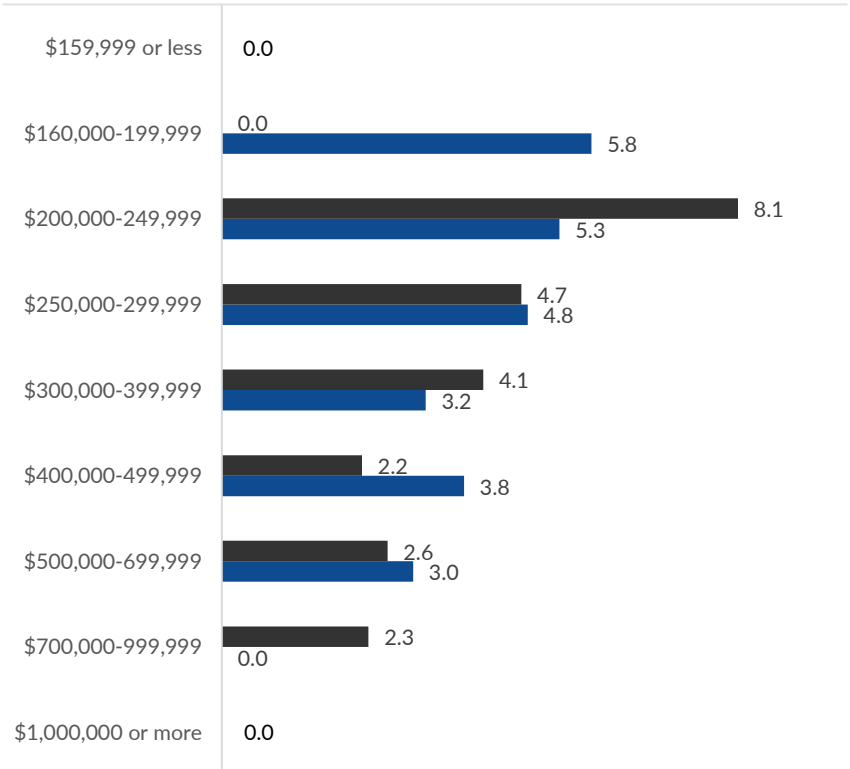
Months Supply of Inventory takes the number of homes for sale divided by the average number of closed sales by month for the preceding twelve months. A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. Supply below 4 months may be considered a seller's market, while supply above 6 months may be considered a buyer's market. || NOTE: "0.0" means there were not enough sufficient data reported for the price range to get an accurate calculation; however, sales may have occurred and inventory may be available in the price range.

■ Dec 2015 ■ Dec 2016

Months Supply of Existing Homes



Months Supply of New Construction

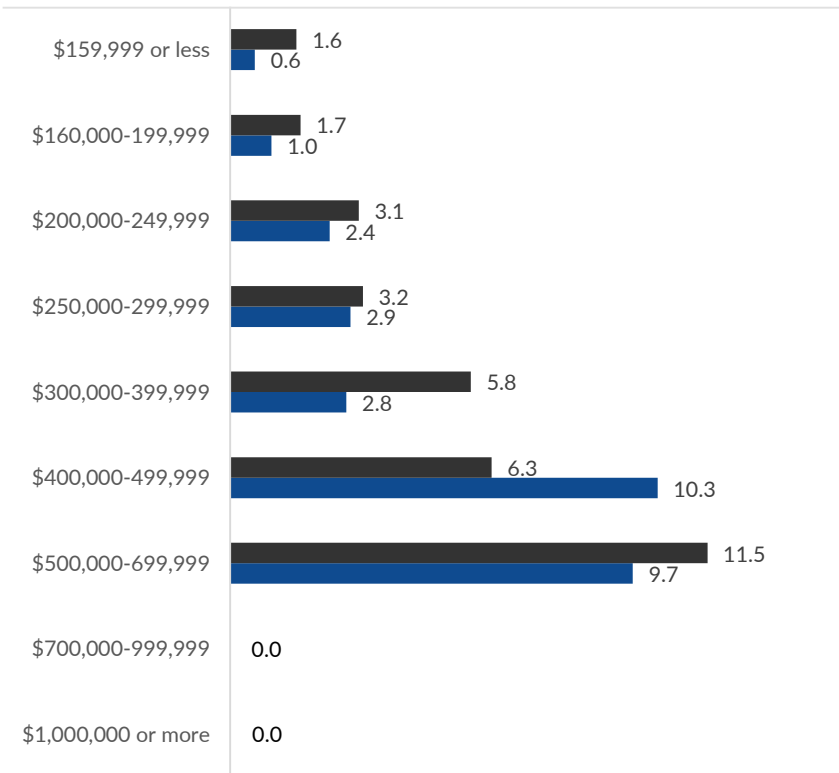


Months Supply of Inventory by Price Point for Canyon County – December 2015 vs. December 2016

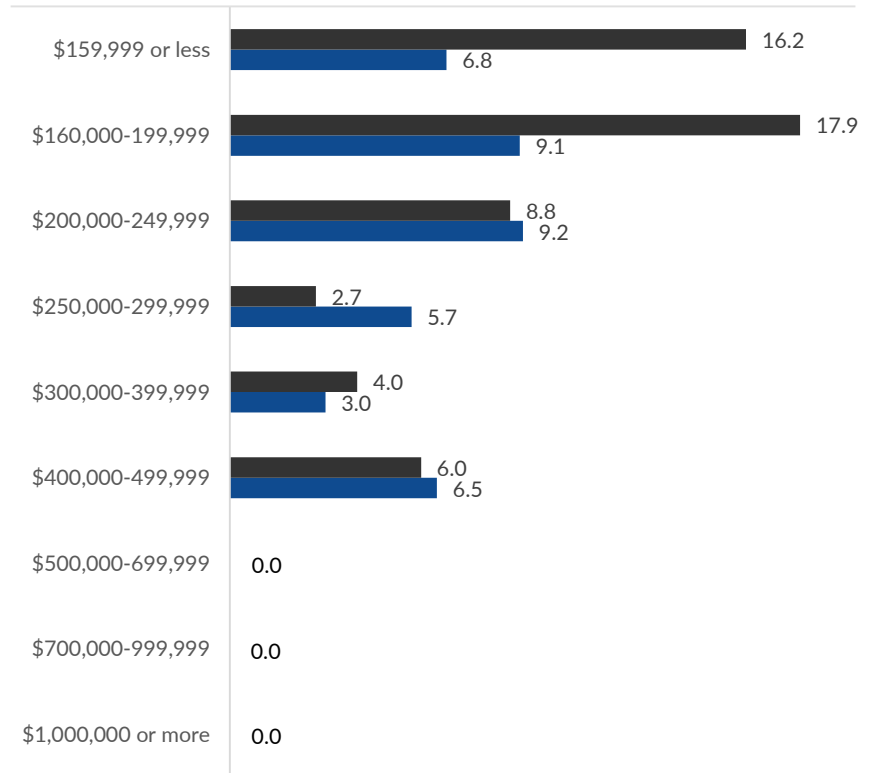
Months Supply of Inventory takes the number of homes for sale divided by the average number of closed sales by month for the preceding twelve months. A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. Supply below 4 months may be considered a seller's market, while supply above 6 months may be considered a buyer's market. || NOTE: "0.0" means there were not enough sufficient data reported for the price range to get an accurate calculation; however, sales may have occurred and inventory may be available in the price range.

■ Dec 2015 ■ Dec 2016

Months Supply of Existing Homes



Months Supply of New Construction

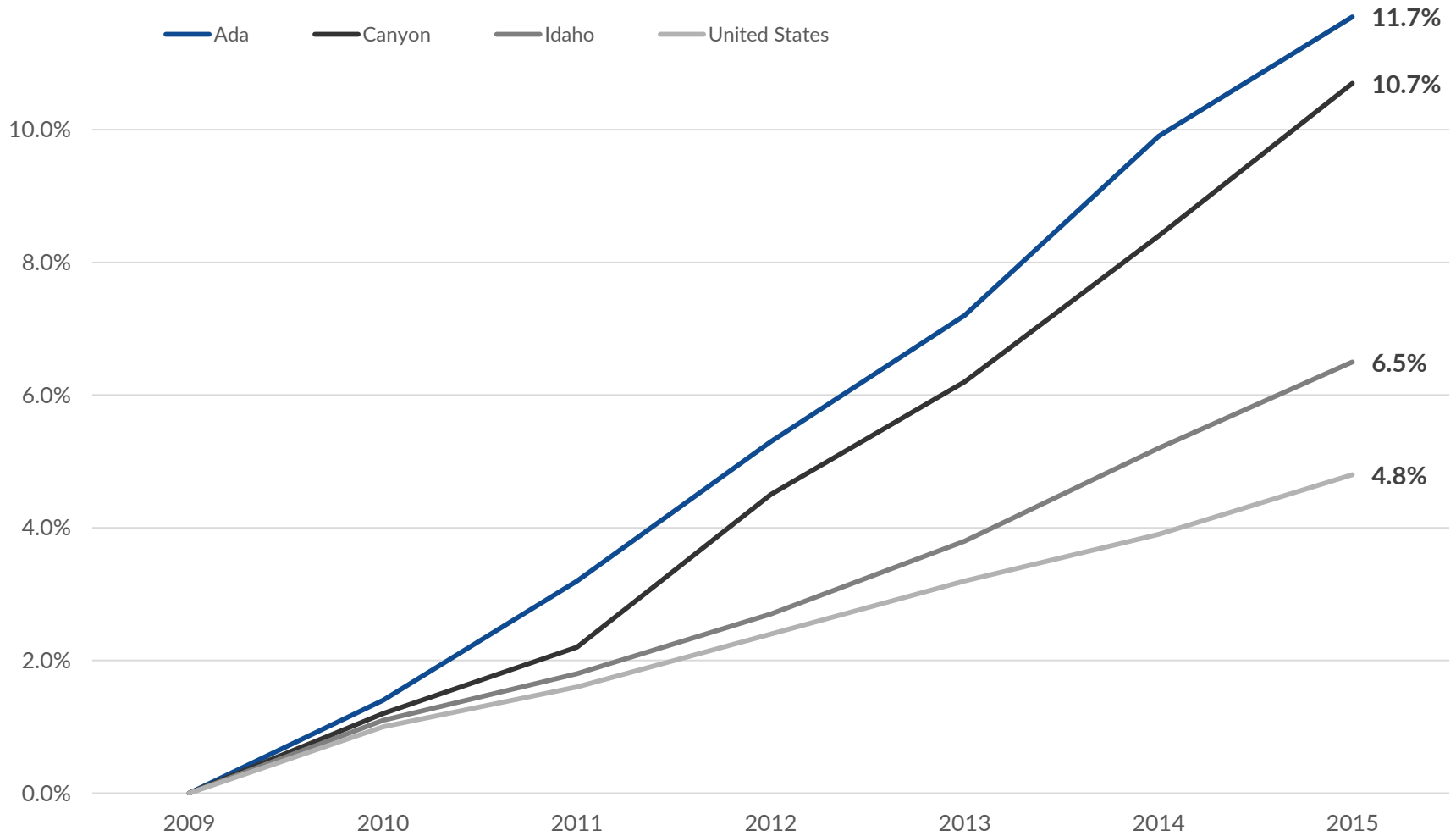


People Trends

- Nationwide, millennials are the largest generation and are “aging-into” homeownership.
- Strong 10-year employment outlook for Idaho should provide income stability, helping consumers feel confident about purchasing a home.
- Boise Metro’s population is expected to grow 30% by 2020, to 850,000 people.

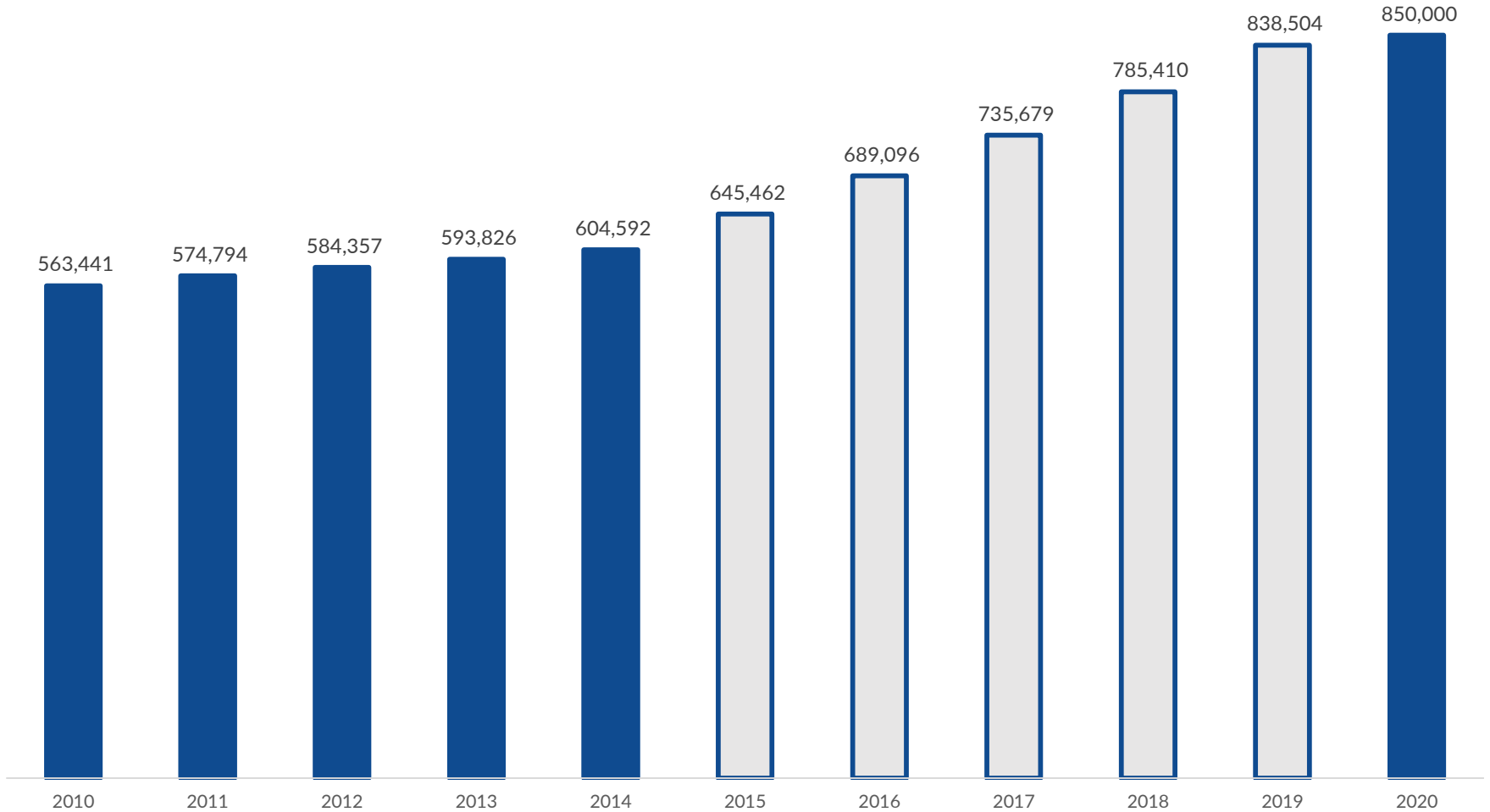
Year-Over-Year Employment Gains, 2009-2015

Comparing Ada and Canyon Counties, both of which outpaced employment gains in Idaho and the United States



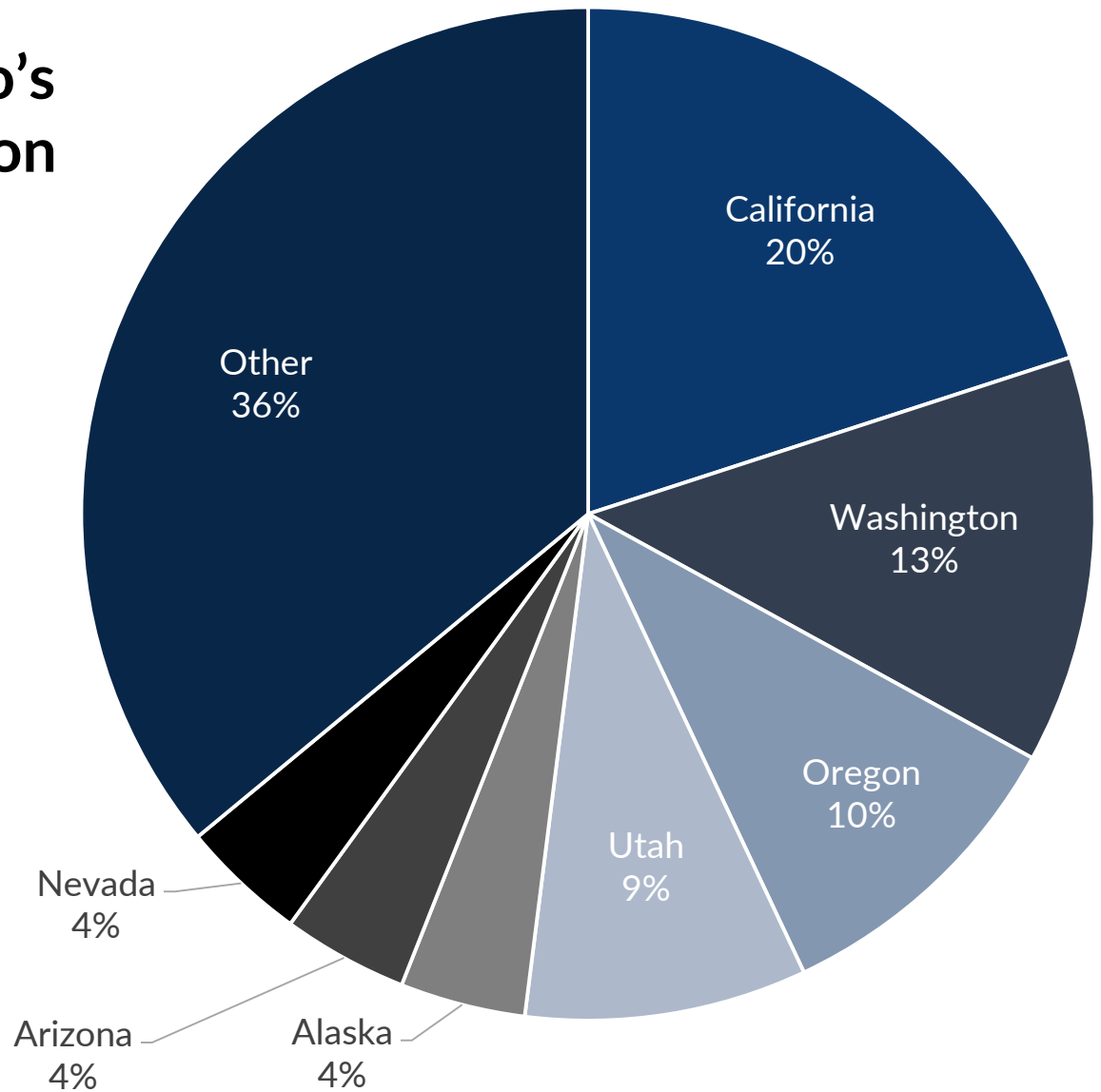
Boise Metro Population Trends and Estimated Growth

Ada and Canyon Counties combined; Actual population for 2010-2014 from U.S. Census Bureau; Estimated population for 2015-2019 based on an even distribution of growth each year until 2020; Estimated population for 2020 from the Boise Valley Economic Partnership (BVEP).



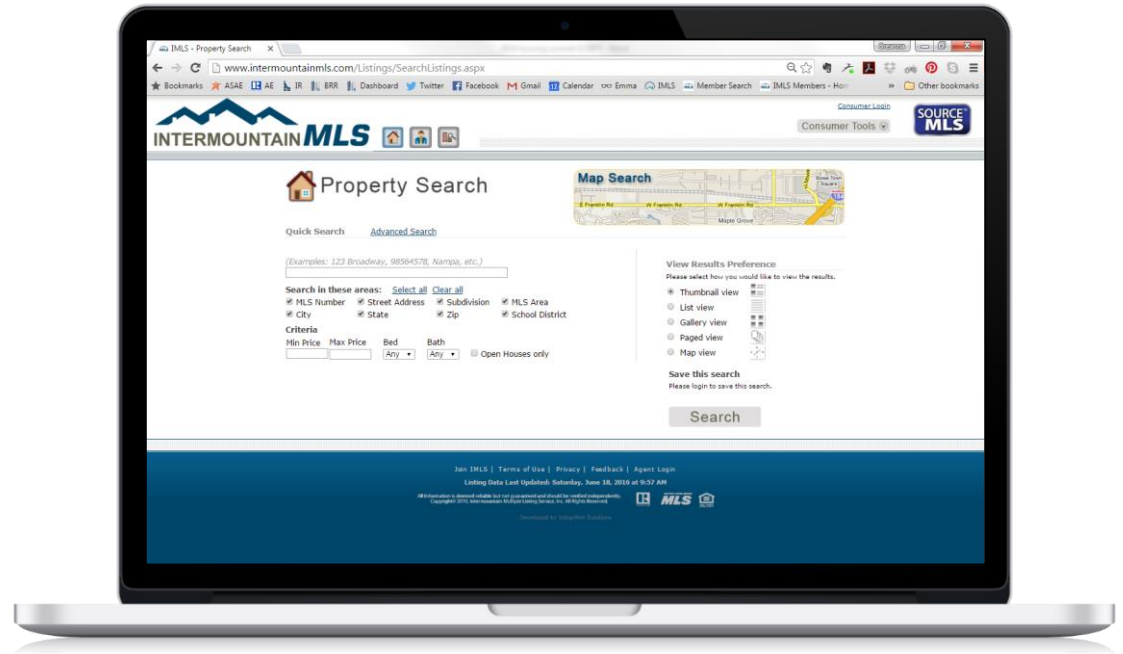
Top Sources of Idaho's Domestic In-Migration

Based on U.S. Census Data from 2015



Top Sources of Consumer Traffic on IMLS Property Search in 2016

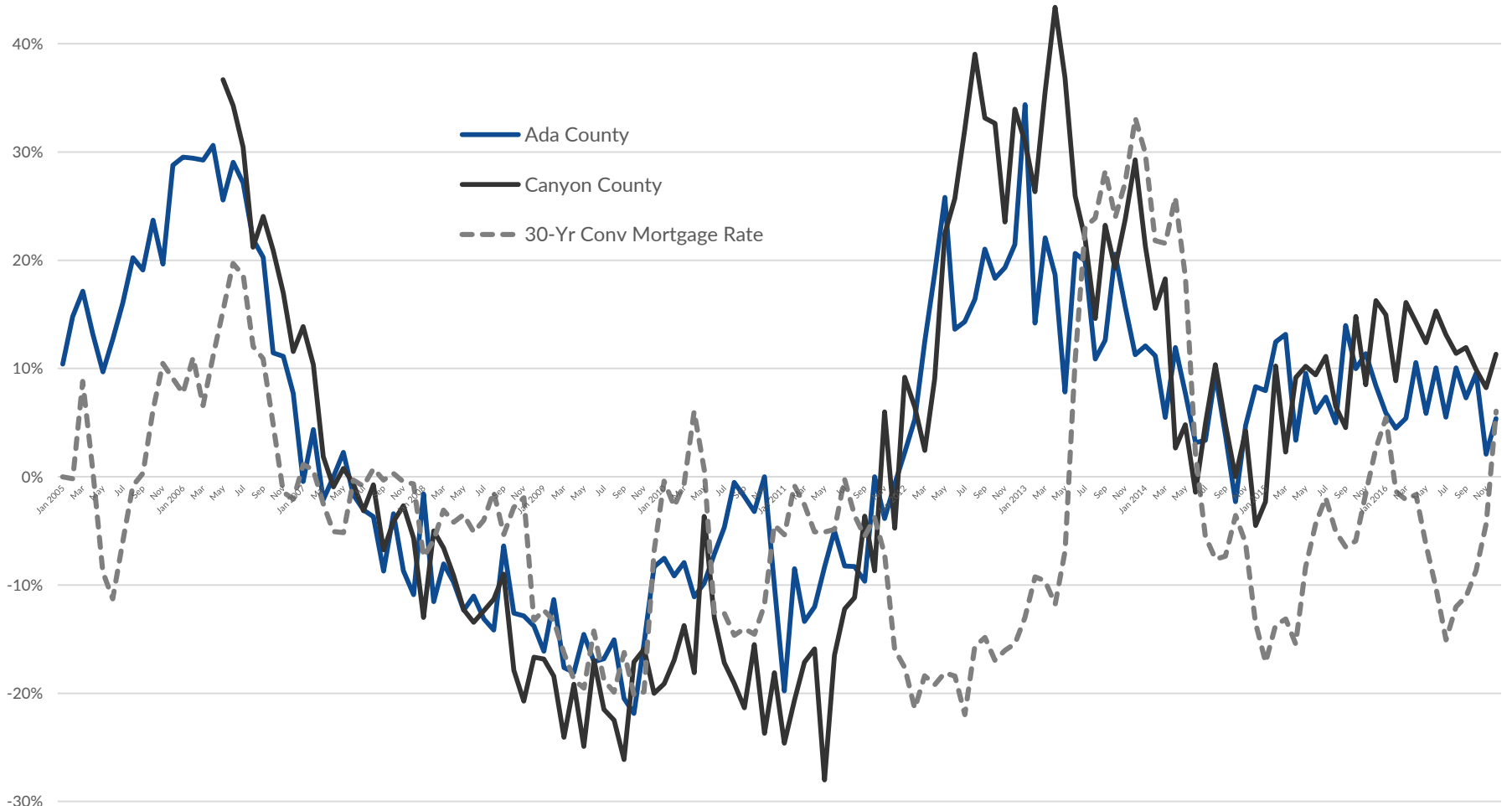
1. Boise, ID
2. Meridian, ID
3. Salt Lake City, UT
4. Nampa, ID
5. Twin Falls, ID
6. Eagle, ID
7. Los Angeles, CA
8. Caldwell, ID
9. Seattle, WA – *new!*
10. Provo, UT – *new!*



Impact of Mortgage Rates and Student Loan Debt on Potential Homebuyers

Historical Year-Over-Year Percent Change in Median Sales Price and Mortgage Rates between 2006–2016 for Ada and Canyon Counties

Year-over-year changes in the median sales price, existing and new construction combined, generally followed changes in monthly 30-year fixed conventional mortgage rate, except between 2012-2013 when rates dropped, helping to drive more home sales at higher price points. While actual mortgage rates continue to hover near historic lows, they have started trending up. While this may not affect affordability for all buyers, it may limit purchasing power for some, especially at lower price points.



Student Loan Debt and Housing

- Economists at the Cleveland Fed say despite student loan debt rising, “the average student debt burdens are more than offset by students’ average financial gain in the long-term.”
- However, NAR research suggests 71% of renters (first-time homebuyers) and 31% of move-up buyers (current homeowners) surveyed may be delaying a home purchase by 1-3 years due to their student loan debt.

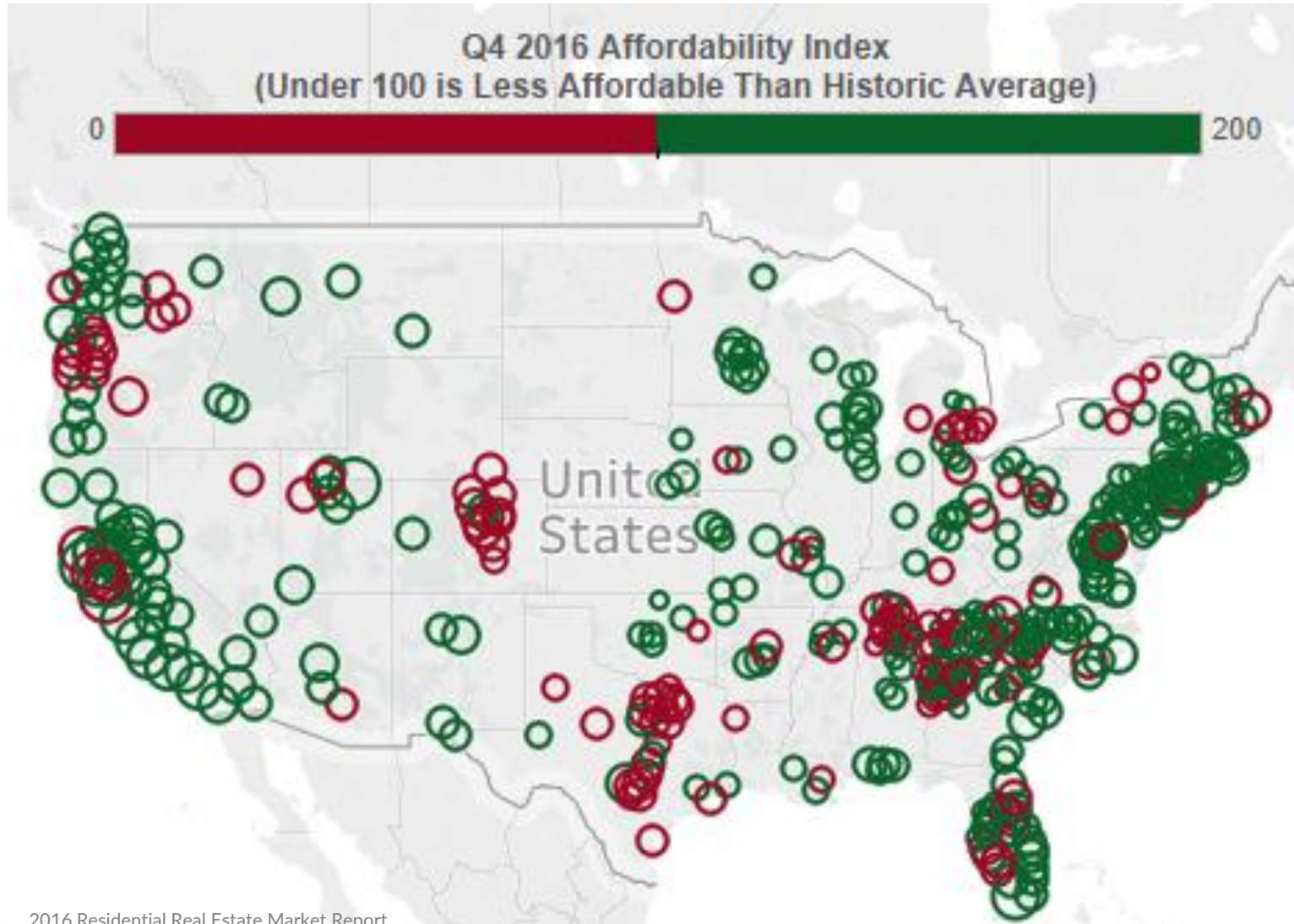
Student Loan Debt and Housing

- NAR estimates that those trade-up buyers who are delaying a move may be holding back 107,000 to 130,000 entry-level properties nationwide.
- If those moves had not been delayed, using national figures from 2015, annual home sales could have grown by 2%, and in turn, increased total inventory by 6-7%.
- While this isn't a large share of the market, it is likely impacting first-time homebuyers desperately seeking inventory.

**So... how does all of this
impact affordability?**

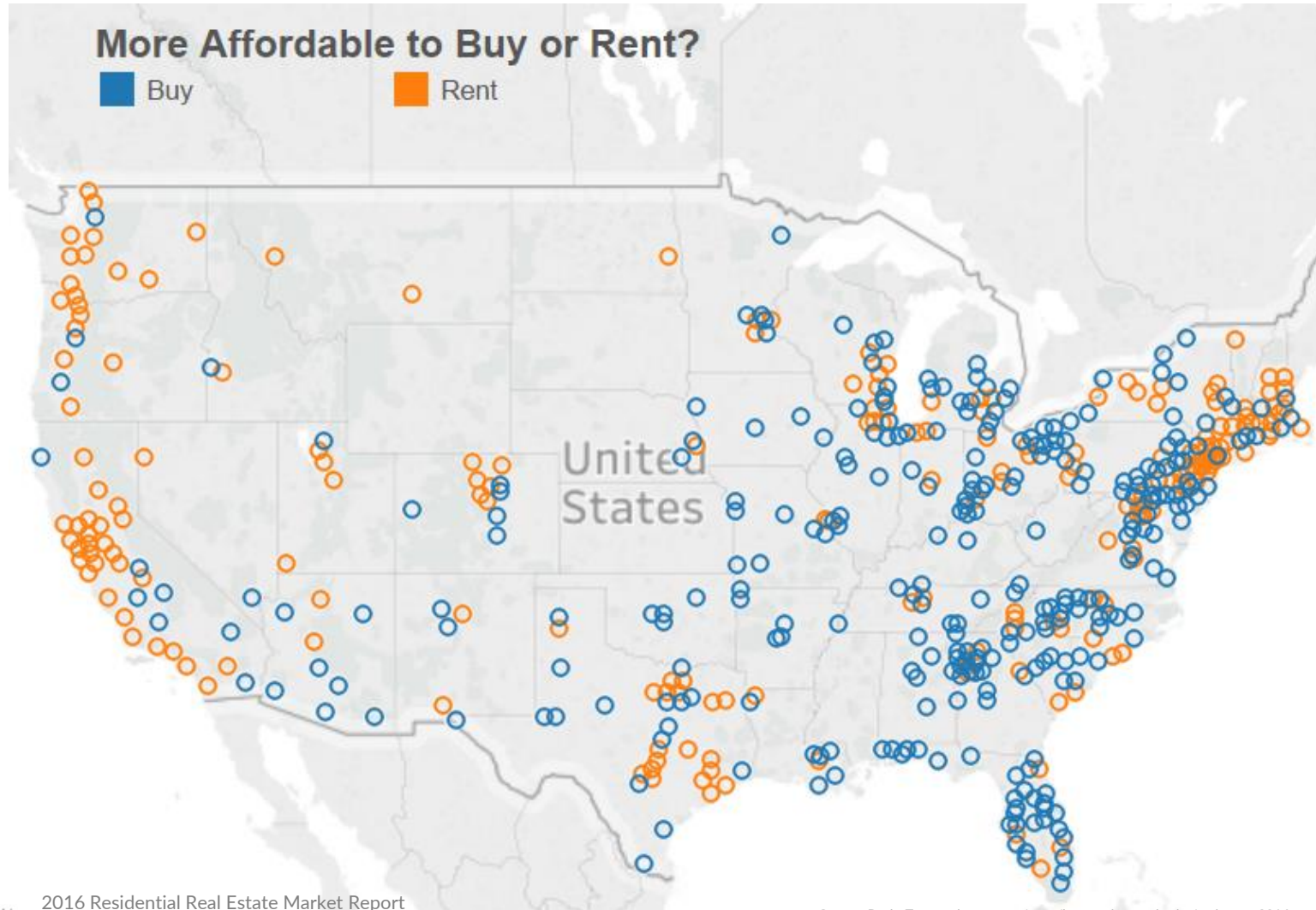
U.S. Home Affordability Index, Q4-2016

The Boise Region remains affordable for most, especially compared to the U.S. in total. Ada County's Index was at 101 and Canyon County's Index was at 102. (Under 100 is less affordable, higher than 100 is more affordable, based on historic norms for the U.S.) The percent of wages needed to purchase a home in Ada County was 40.4% in Q4-2016, nearly even with a year ago. For Canyon County, the percent of wages needed to buy a home was 37.2% in Q4-2016, up 6.5% from last year. Many economists and analysts calculate the amount of home one can afford based on 28-36% of wages, so while affordable compared to the nation, most households will have to allocate more of their income to housing, based on the growth in home prices.



U.S. Rental Affordability, 2016

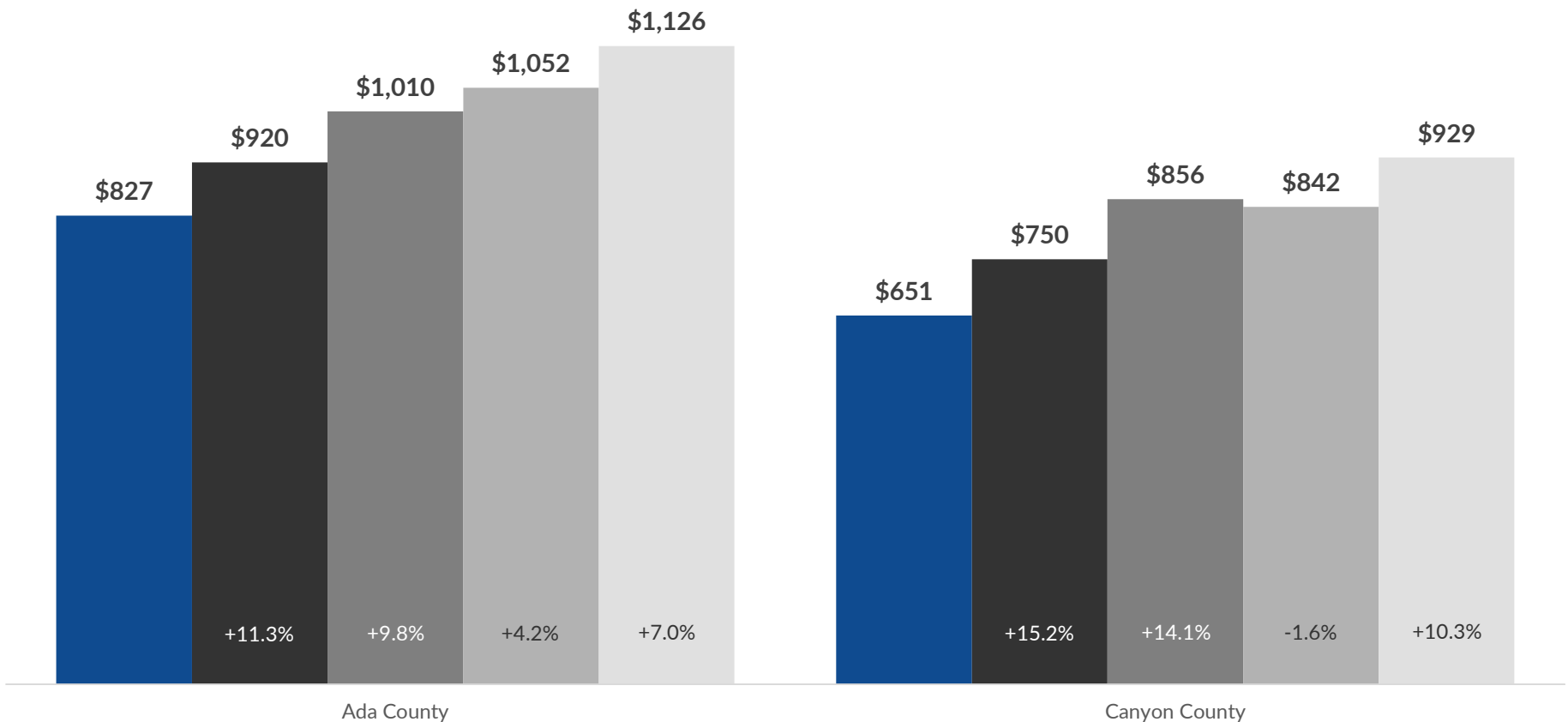
RealtyTrac estimates rental affordability, in comparison to housing affordability, based on the percent of wages needed to rent vs. buy. They estimate that it is cheaper for most to rent in Ada County than to buy, as the percent of wages going to rent was 33.4% compared to the 40.4% needed to purchase. They estimate that it is cheaper for most to buy in Canyon County than to rent, as the percent of wages going to rent was 43.4% compared to the 37.2% needed to purchase. Rent vs. buy comparisons are important to understand housing affordability in the short-term, but over the long-term, those that are able and interested in doing so, owning a home will provide a greater financial return than renting. This is due to the tax benefit of deducting mortgage interest, payment predictability vs. rent increases, appreciating home values, and equity for those that pay down or payoff their mortgage.



Year-Over-Year Change in Monthly Average Rental Rates for Ada and Canyon Counties, 2012-2016

The median home sale price for Ada and Canyon County, using comparable year-to-date figures, grew at a similar pace to the average rental rate. Ada County's 2016 median sales price was up 6.9% from the same period the year before, while the average rental rate was up 7.0%. Canyon County's 2016 median sales price was up 11.2% over 2015, while the average rental rate was up 10.3%. Vacancy rates were also down year-over-year. Ada County's rental vacancy was estimated to be 2.6% in 2016, down 18.5% from 2015, and in Canyon County, the rental vacancy rate was estimated at 2.7%, down 28.9%. The shortage in rental options is pushing up rates, just as with home purchases. The result, though, for those renters planning to purchase, means that as more of their monthly income goes towards rent, it's potentially less they can save towards a down payment, further delaying a purchase.

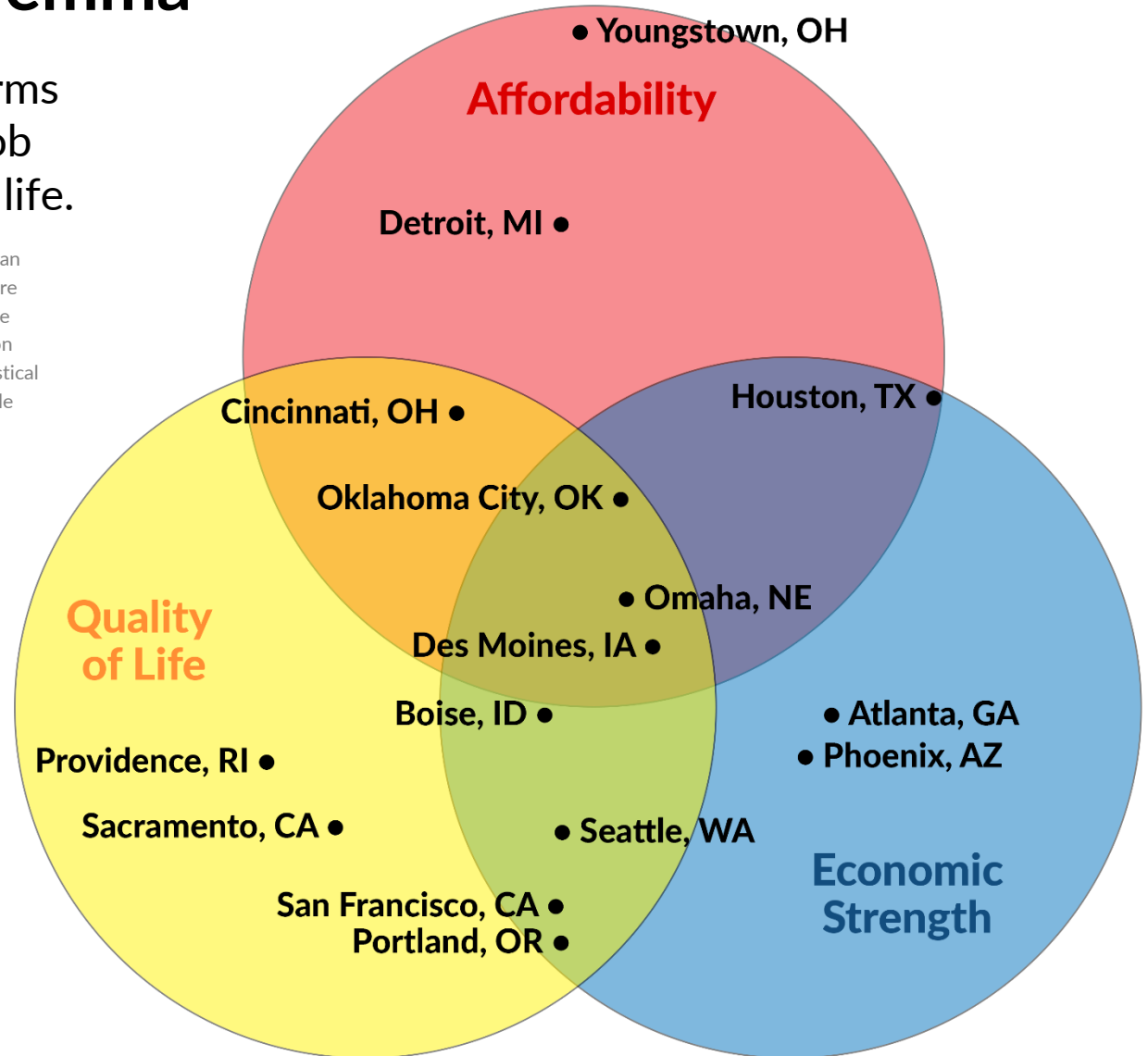
■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 (excl Q4)



The Housing Trilemma

Cities face tradeoffs in terms of housing affordability, job availability, and quality of life.

Affordability is based on 2014 U.S. Census, including median home values compared to median household incomes, share of rental households spending 30% or more of their income on rent, and vacancy rates, excluding seasonal or recreation use properties. This chart shows select Metropolitan Statistical Areas (MSAs), and information on additional MSAs available through the sourced article.



The Housing Trilemma Explained

“As people flock to cities [with] economic opportunities and a high quality of life, the increased demand for housing makes rents and property prices spike.”

To meet demand and help with affordability, more housing options and rental/purchase assistance programs are needed, especially for young and first-time renters and buyers, to “offset the premium required to live in a popular place.”



So... what's on tap for 2017?

What's on tap for 2017?

- *REALTOR.com*® anticipates U.S. home prices will grow 3.9%* with slowing price appreciation in most markets.

** No promises. Past performance is not an indicator of future success. ☺*

- This means that even though the actual median sales price should continue to trend upwards, the rate at which it does will slow down.
- Of course, if mortgage rates tick up more than what's expected, that could affect price predictions.

What's on tap for 2017? (cont.)

- Higher home prices paired with potential mortgage rate increases could affect affordability for some, but shouldn't make housing unattainable for most – especially if year-over-year price gains continue to even out or slow down.
- Again – slowing price gains **do not** mean actual prices will decline.
- Our market should be able to support the estimated price gains as the local labor market improves, and as more people move in from nearby, higher-priced markets.

What's on tap for 2017? (cont.)

- Inventory is needed in all price points in all communities, especially among homes priced below \$250,000 – *don't wait for spring!*
- While the lack of inventory is the primary factor delaying many FTHBs, for some it may be student loan debt and/or rising rents. Down payment assistance or grant programs may help offset this.
- Buyers and builders may begin looking for options at the edges of Ada County, throughout Canyon County, and beyond, however, this may begin to affect commute times in and around the Valley.

What's on tap for 2017? (cont.)

- Should any major, national economic changes occur that impact residential real estate, they will likely affect large metro areas first, giving us time to prepare, *however...*
- A market “shift” may not be a swing back to a recession, but to a balanced market. The key — *more inventory*.
- Throughout 2017, we should continue to enjoy a strong and growing real estate market across the Boise Region, but we will continue to keep our eyes on affordability and inventory.

Want more stats?

Visit boirealtors.com/category/market-info for our market reports, released on or after the 12th calendar day of each month. And feel free to share!

Have Questions?

Contact Boise Regional REALTORS®
Chief Executive Officer, Breanna Vanstrom,
at 208-947-7228 or breanna@boirealtors.com.

