



2019 Mid-Year Residential Real Estate Update for Gem County

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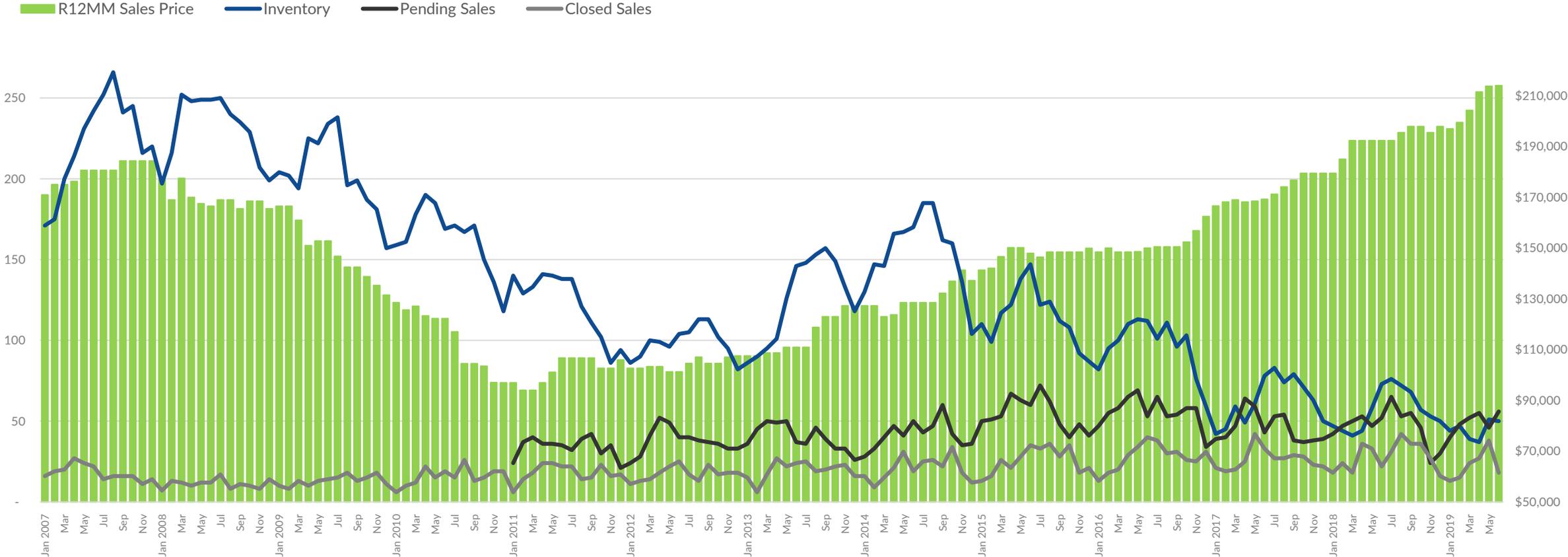
Gem County's home prices have been driven by...

A shrinking supply of inventory compared to demand, as well as, increased purchase power due to *low mortgage rates...*

***not from speculation* as was common more than a decade ago.**

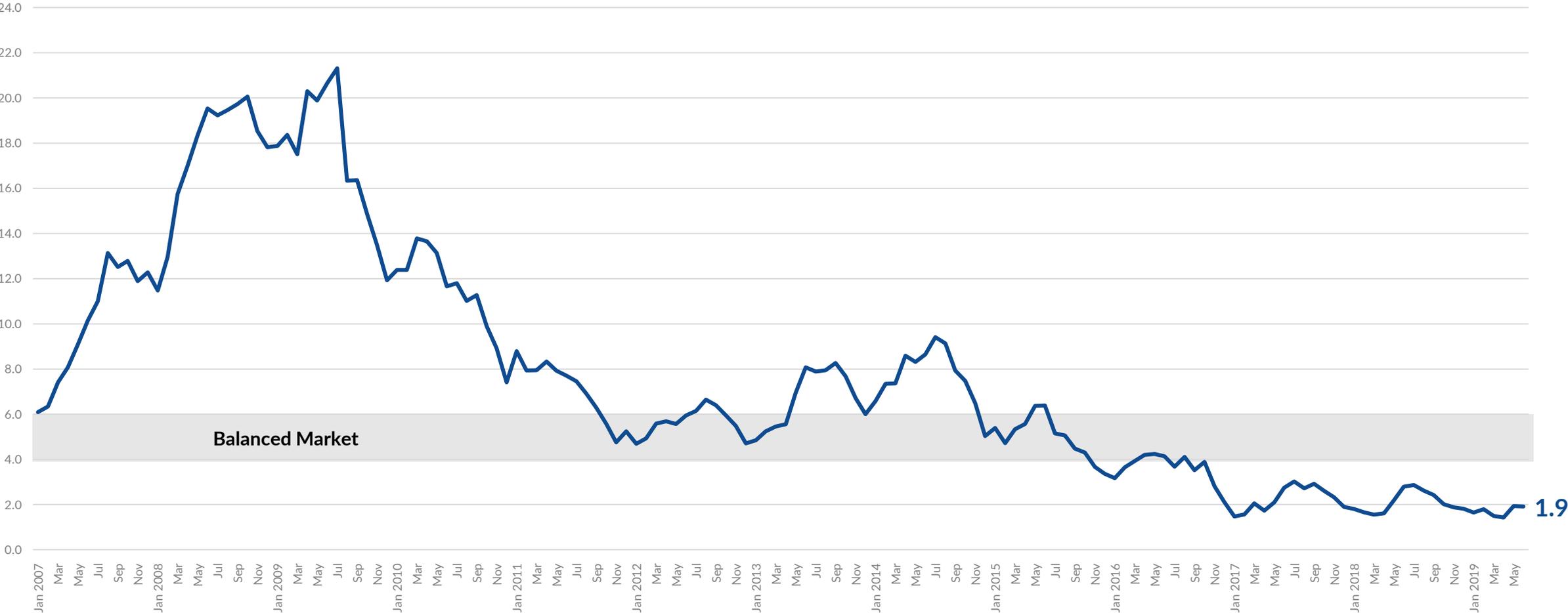
Historical Rolling 12-Month Median Sales Price vs. Monthly Inventory, Pending and Closed Sales for Gem County, Jan 2007–Jun 2019

Activity for existing and new single-family homes combined between Jan 2007–Jun 2019. Sales price based on a rolling 12-month median to smooth out potential month-over-month swings due to seasonality, a very high or low number of transactions in one month, very high or low sales prices that may occur one month but are not common, or other activity that may not be representative of the overall price trends. Inventory and median sales fell together through 2007 and 2008. There was a slight recovery through mid-2014 before inventory started trending down, causing prices to trend upward. From a report by Urban Institute, 2005–2007 national home prices were “driven mostly by speculative buying [whereas current prices are] driven mostly by families wanting to buy homes to live in” compared to available inventory — and this also holds true for Gem County.



Historical Months Supply of Inventory for Gem County, Jan 2007–Jun 2019

Activity for existing and new single-family homes combined between Jan 2007–Jun 2019. Months Supply of Inventory (or “MSI”) 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. Through Oct 2011 and then again between May 2013–Nov 2014, there was more supply than demand. There were two brief periods of balance between Oct 2011–Apr 2013 and Dec 2014–Oct 2015, after which supply has been less than demand. As of June 2019, MSI for Gem County was at 1.9 months, meaning, if no additional homes were listed starting July 1st, the supply of homes for sale would run out in less than two months.

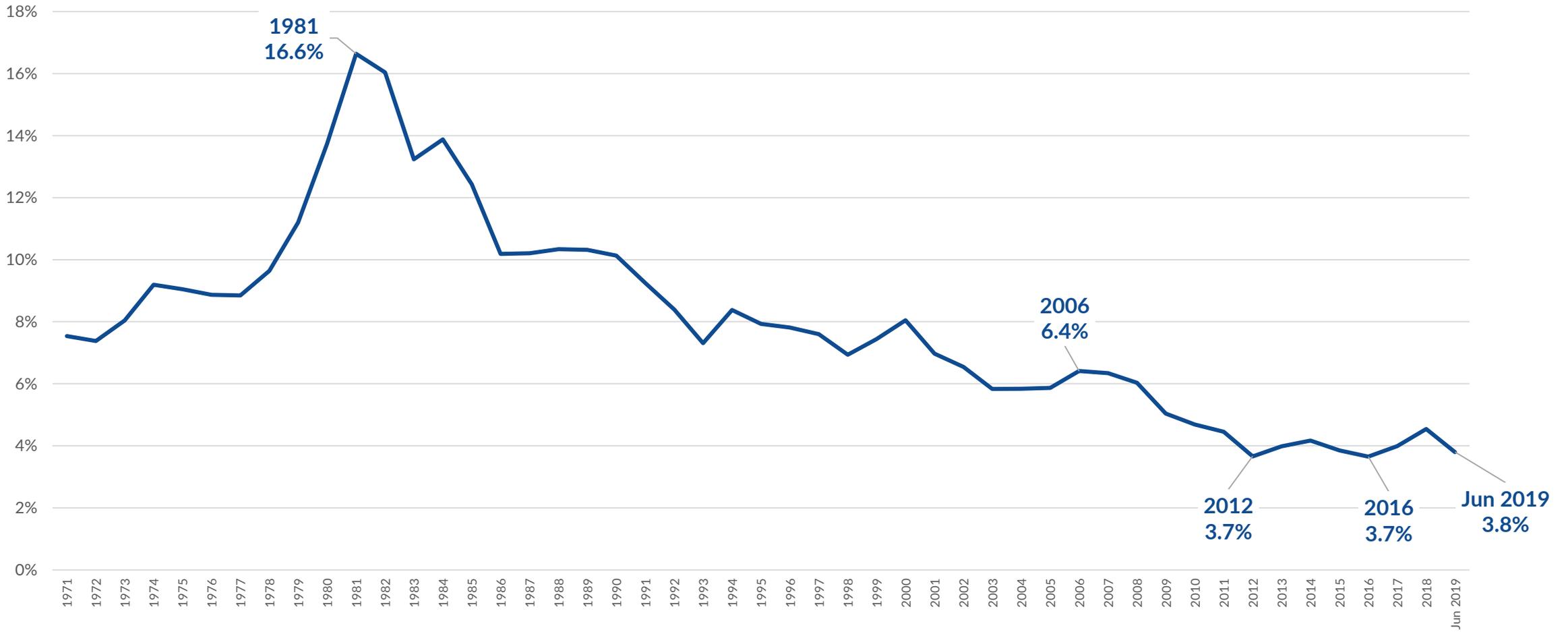


Primary Factors Limiting Housing Supply

- Low level of new home activity in Gem County, as new homes represented just 16.0% of monthly inventory and only 5.3% of sales, on average, since 2017
- More seniors choosing to “age in place” instead of selling their primary residences
- Homeowners may delay listing until they find their next home, which then takes longer due to already limited inventory
- Despite equity, some homeowners may still hold off listing if their existing mortgage rate or monthly payment is affordable, especially compared to current home prices

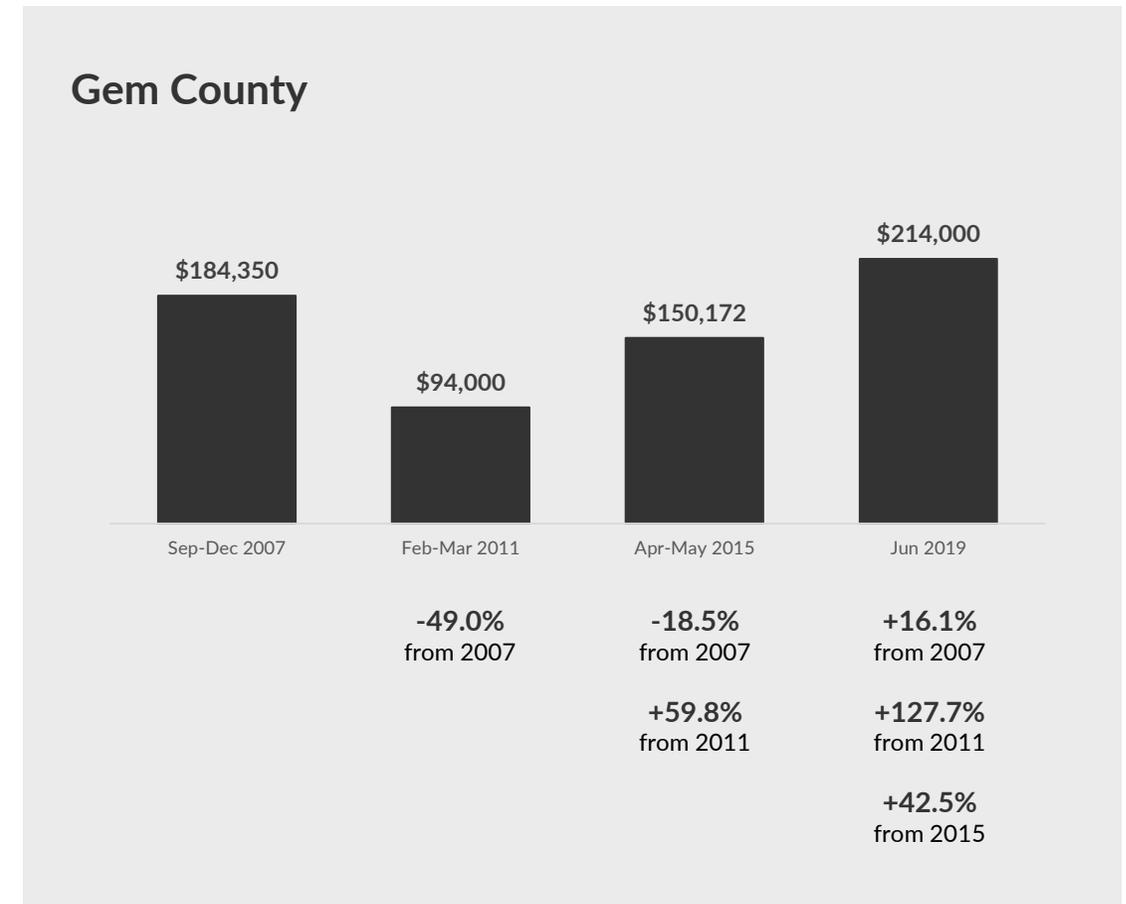
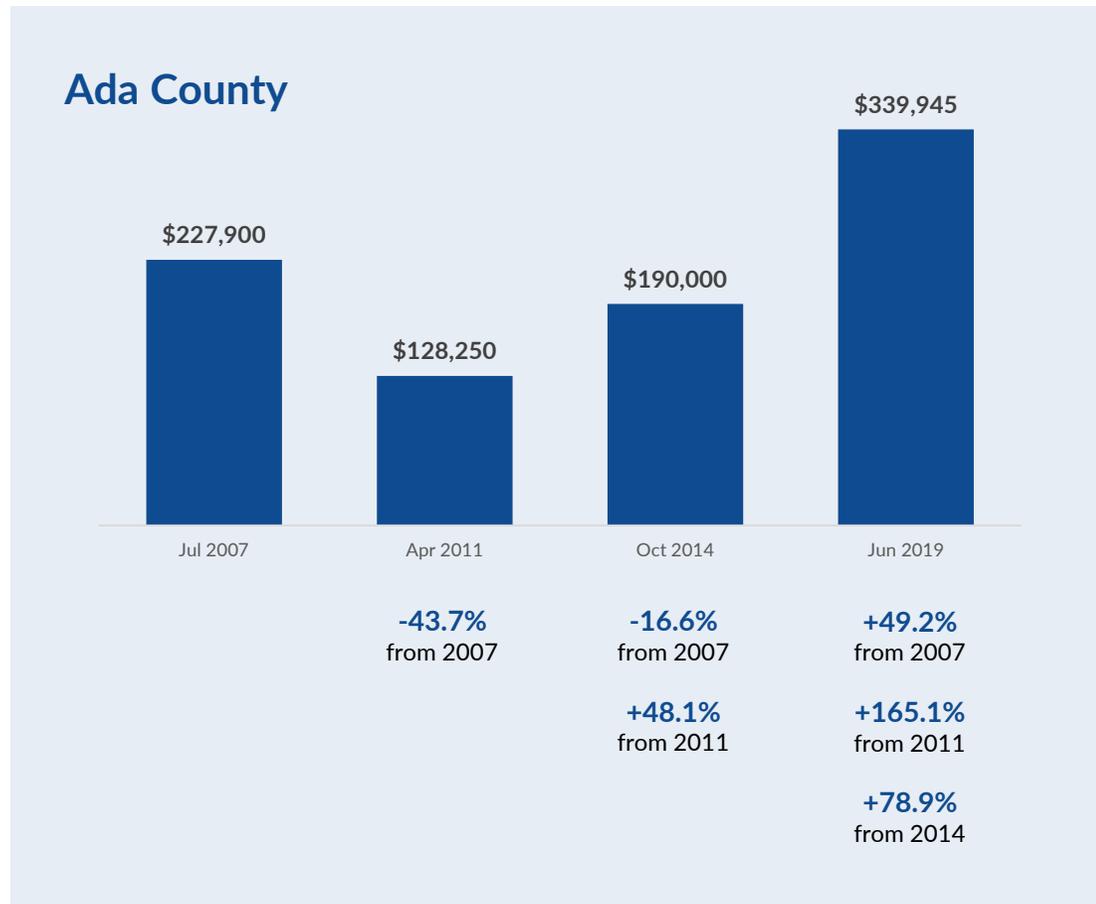
Historical Annual 30-Year Fixed Mortgage Rates for the U.S., 1971-2018

Since today's rates are often compared to those from the 1980s, the annual data between 1971 and June 2019 is shown for reference; however, past rates have no meaningful impact on today's buyers. What has had an impact is the increased purchase power today compared to the previous market peak in 2006, as lower rates are allowing people to pay higher prices. Interestingly, the low rates since 2011 may also play a part in our low existing inventory levels. Anecdotally, we hear from homeowners who do not want to "give up" the low rate or they are taking advantage of low refinancing rates to make improvements to stay in their home.



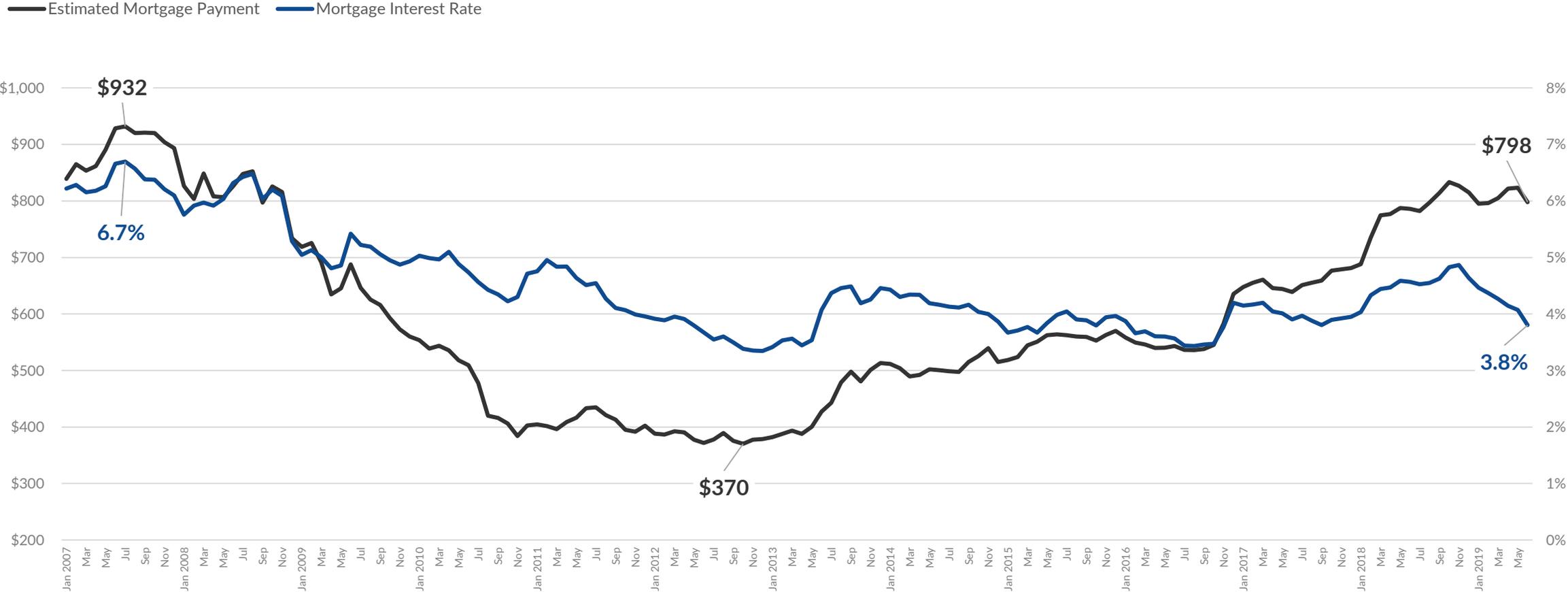
Changes in the Existing Median Sales Price at the Previous Peak (2007), through the Recession Low (2011), Local Recovery (2014-2015), and Current Expansion

Activity for existing single-family homes in Ada and Gem Counties. Many who purchased in 2006 and 2007 were unable to sell in later years, as prices fell 40-50% through 2011. More than a decade later, they are finally seeing their equity return, but many 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 125-165% since then, making a new home potentially out of reach for many; although lower mortgage rates are helping some, especially compared to 2007 prices.



Estimated Monthly Mortgage Payment for a Median Priced Home in Gem County, January 2007–June 2019

Despite the median home price increasing more than \$43,000 since 2007, the estimated mortgage payment has dropped by nearly \$134 per month today (not adjusting for inflation) from the peak rate of 6.7% in August 2007. This is due to a drop in the 30-year fixed mortgage rate of over 43% since then. However, for those who were able to get into a home in 2011-2012 when prices were at their lowest point and rates were lower than they are today, the estimated mortgage payment is up by more than \$425 per month. Estimated monthly mortgage payment includes the principal and interest only and assumes a 20% down payment.



Primary Factors Driving *Demand* for Housing

Idaho has been the fastest growing state for the past two years. While most of that growth is happening in Ada and Canyon Counties, Gem County has also been impacted. Here are a few of the reasons why demand for housing is growing throughout the region...

- Growth in the metro economy providing more employment opportunities
- People moving here to retire
- Millennials – the largest population group – are “aging into” homeownership
- In-migration from higher-priced metros due to our comparative affordability

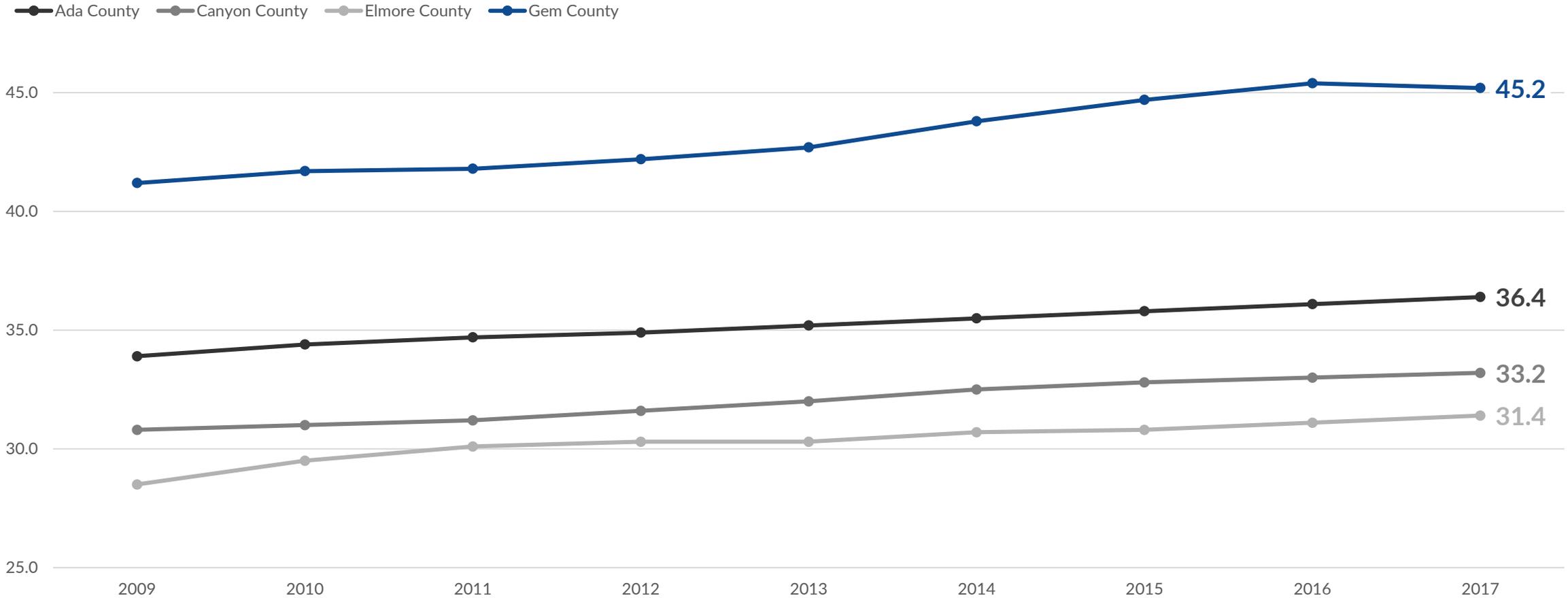
Percentage Growth in Population by Age Group, 2010 to 2017

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 36 years old. Canyon County's median age was at 33 years old in 2017, up 6.6% from 2010, and Gem County's median age was at 45 years old, up 1.9%. Anecdotally, we know a good portion of the growth among older adults (at least in Ada County) has come from out-of-state buyers purchasing retirement homes that they'll hold long-term. Elmore County's median age increased from 29 to 31 years old, but it tends to be lower than the other counties due to the number of servicemen and women stationed at the Mountain Home Air Force Base.

County	Gen Z 19 Years and Younger	Millennial 20 to 34 Years Old	Gen X 35 to 54 Years Old	Baby Boomers 55 to 74 Years Old	Greatest Generation 75 Years and Older
Ada	+6.7%	+9.2%	+7.9%	+44.4%	+23.5%
Canyon	+6.6%	+7.4%	+11.2%	+38.3%	+19.4%
Elmore	-11.1%	+3.7%	-13.0%	+22.2%	+25.0%
Gem	-0.4%	+3.5%	-13.6%	+22.5%	+7.0%

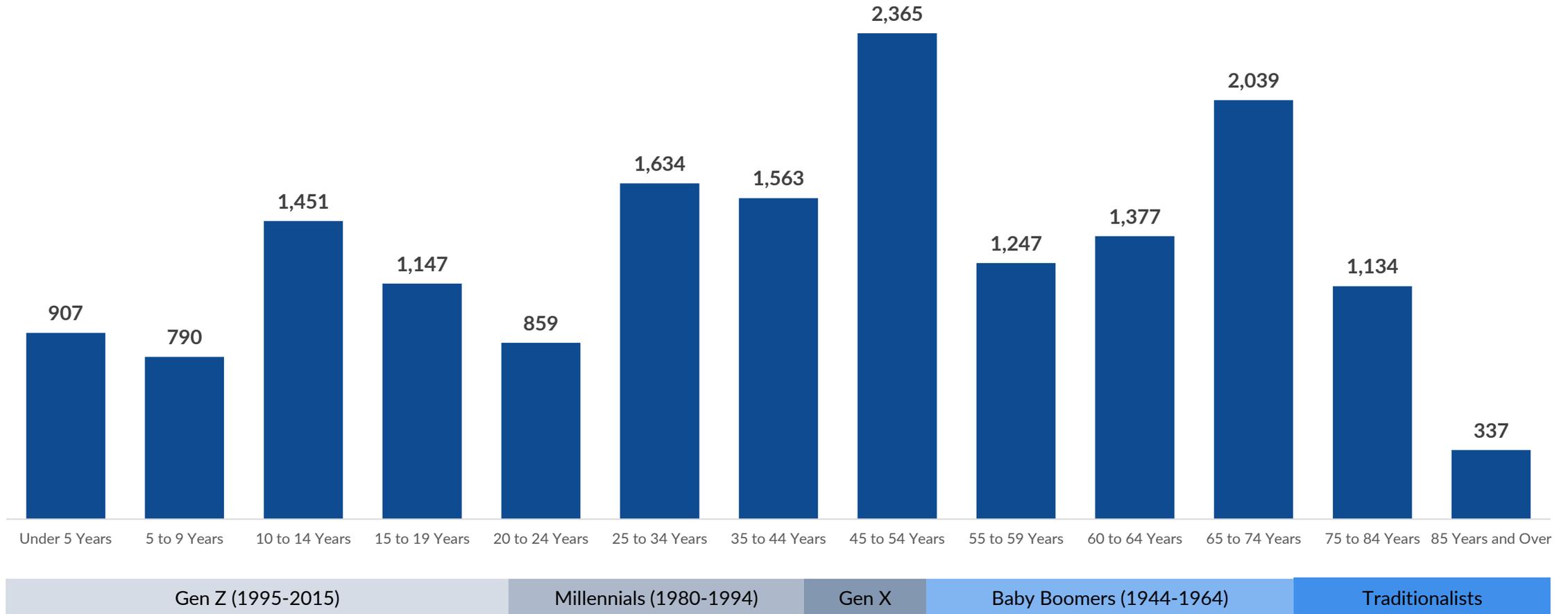
Median Age by County, 2009 to 2017

Between 2009 and 2017, the share of the region's population that grew the most was adults older than 55 years old. This pulled up the median age in each county over the time period. Gem County's median age has generally been higher than the others but changed the most during this time period, increasing by four years. Ada County's median age increased by 2.5 years, Canyon County was up 2.4 years, and Elmore County was up 2.9 years. Anecdotally, we know a good portion of the growth among older adults (at least in Ada County) came from out-of-state buyers purchasing retirement homes that they'll hold long-term. Elmore County's median age has tended to trend lower than the other counties due to the number of servicemen and women stationed at the Mountain Home Air Force Base.

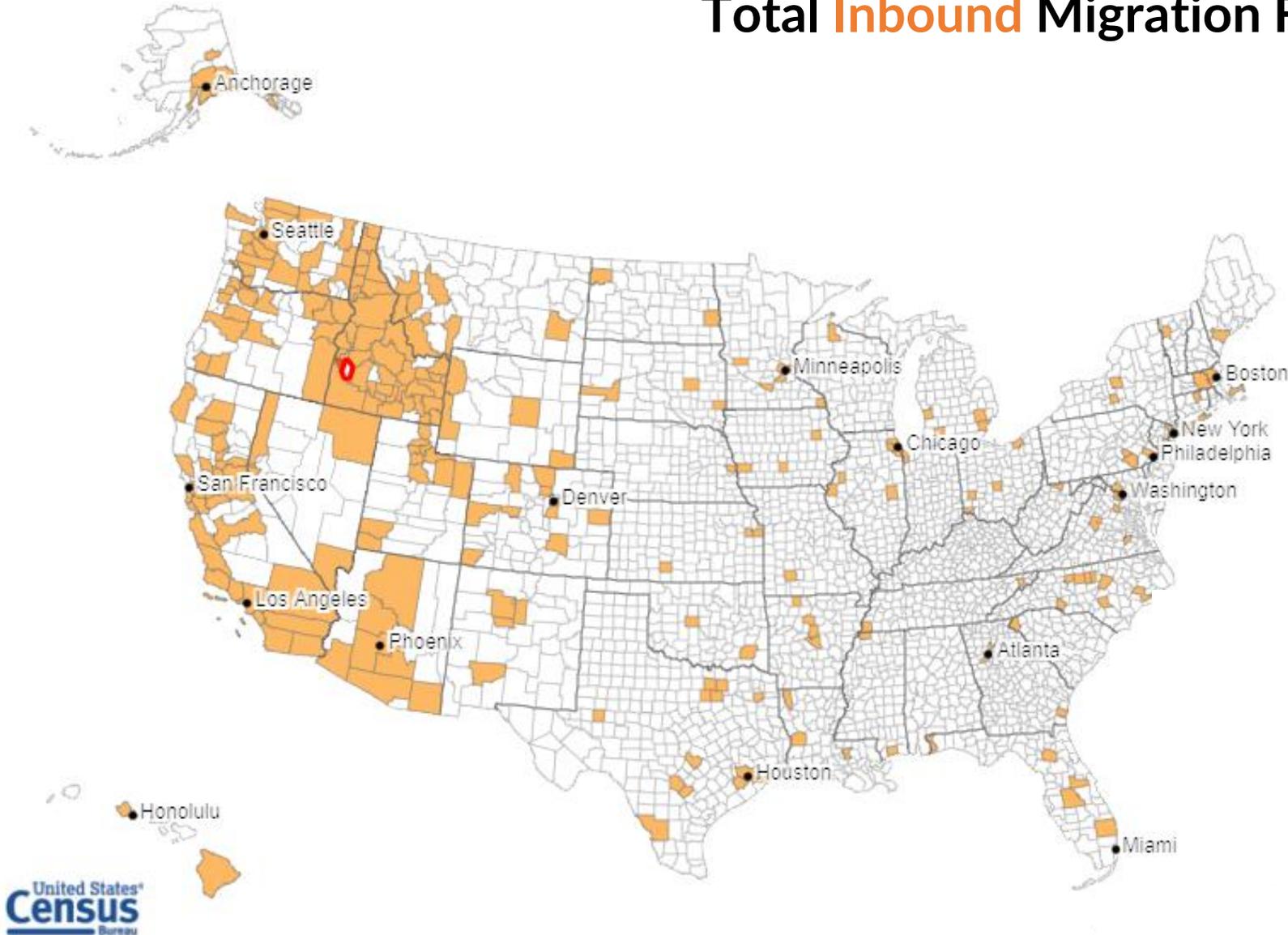


Population by Age Group for Gem County, 2017

Millennials are the largest population group in the country, born between 1980–1994. By 2017, Millennials were between the ages of 23–37 and considered to be “aging into” the time that previous generations typically became homeowners. Although Millennials have become homeowners a bit later than previous generations, the sheer number of people in this cohort and the demand they have for housing is coming at a time when inventory levels are at their lowest points ever. Millennials are having an impact on Gem County’s population, although Baby Boomers still outnumber them by at least 500 people.



Total **Inbound** Migration Flows for Ada County, 2016



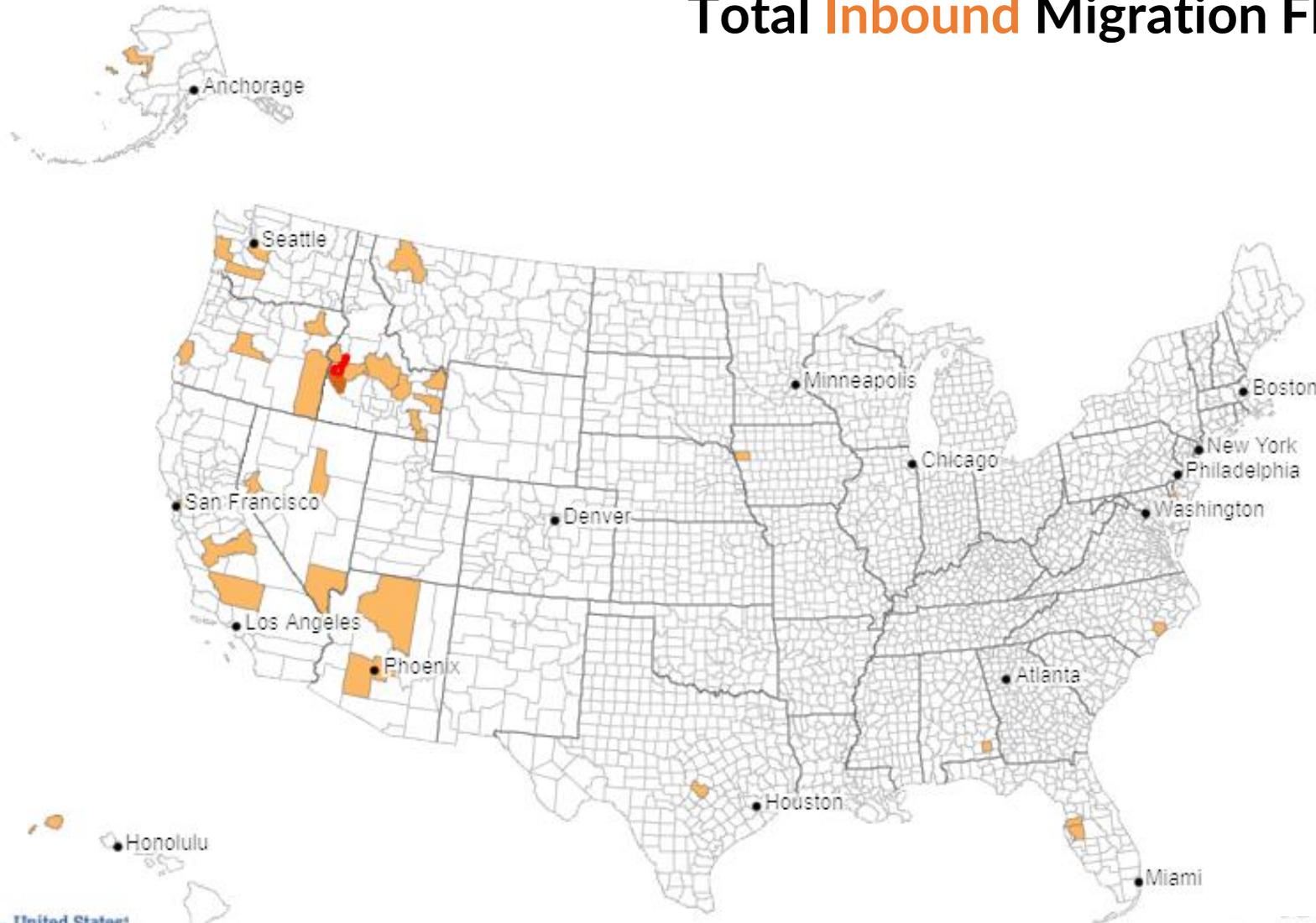
Top 10+ U.S. Counties from which new residents moved into Ada County, by Share of Total In-Migration:

1. Canyon County (3,407; 12.8%)
2. Twin Falls County (901; 3.4%)
3. Utah County, UT (896; 3.4%)
4. Riverside and San Bernardino Counties, CA (850; 3.2%)
5. Bannock County (741; 2.8%)
6. Orange County, CA (655; 2.5%)
7. Latah County (593; 2.2%)
8. Bonneville County (540; 2.0%)
9. Maricopa County, AZ (453; 1.7%)
10. **Gem County** (431; 1.6%)

During this period, 82.9% of residents **did not** move.

Of the 17.1% who did, 60.1% were within Ada County, 23.2% were from another state, and 13.8% were from other Idaho counties. Separately, 2.9% were from abroad.

Total **Inbound** Migration Flows for Gem County, 2016



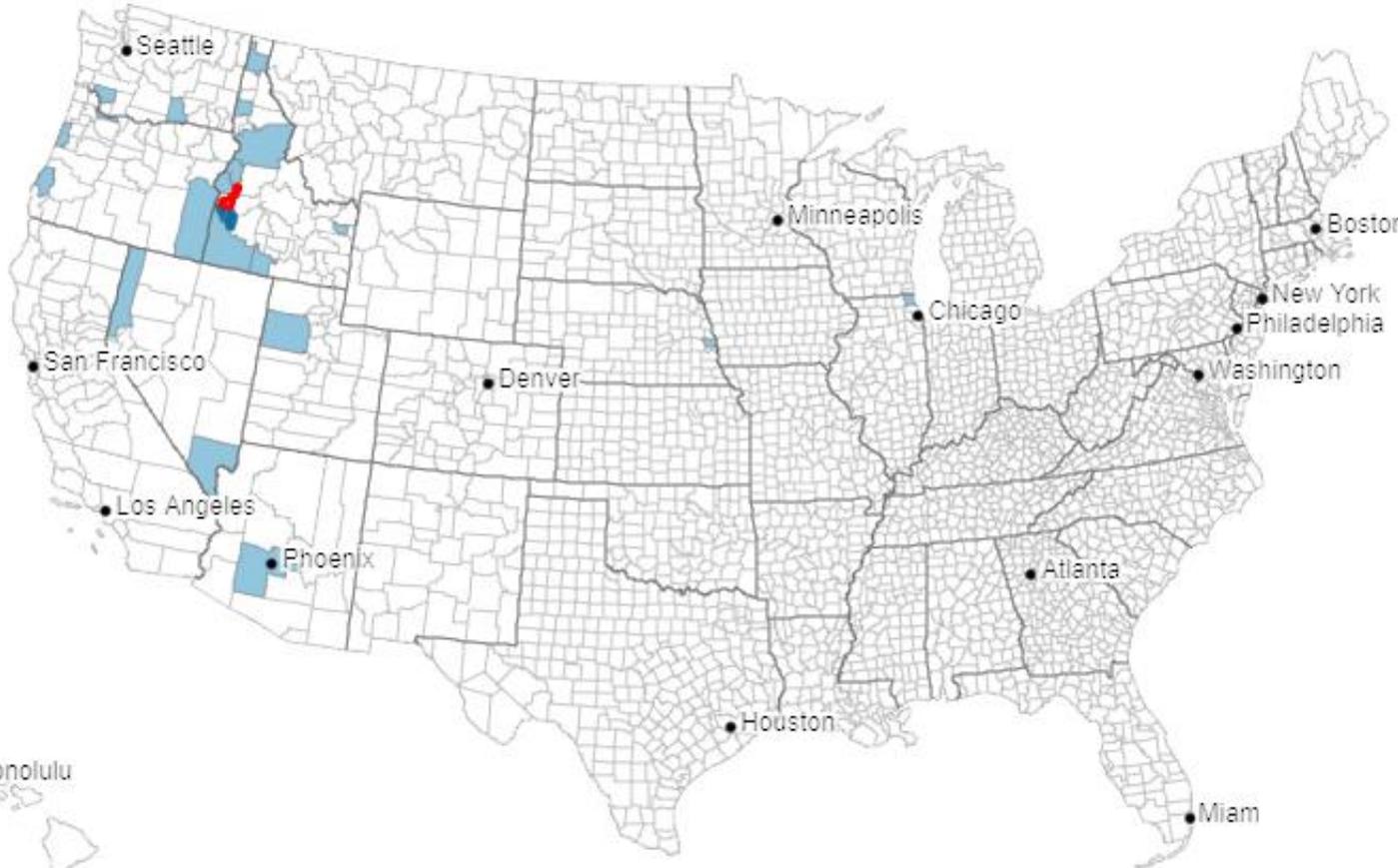
Top 10 U.S. Counties from which new residents moved into Gem County, by Share of Total In-Migration:

1. Ada County (210; 9.7%)
2. Canyon County (168; 7.8%)
3. Grays Harbor County, WA (97; 4.5%)
4. Kings County, WA (76; 3.5%)
5. Dale County, AL (65; 3.0%)
6. Washington County (58; 2.7%)
7. Payette County (51; 2.4%)
8. Franklin County (45; 2.1%)
9. Kern County, CA (44; 2.0%)
10. Kent County, DE (44; 2.0%)

During this period, 87.1% of residents **did not** move.

Of the 12.9% who did move, 40.6% moved within Gem County, 30.9% came from another state, 27.7% came from other Idaho counties, and 0.8% came from abroad.

Total Outbound Migration Flows for Gem County, 2016



Top 10 U.S. Counties to which Gem County residents move to, by Share of Total Out-Migration:

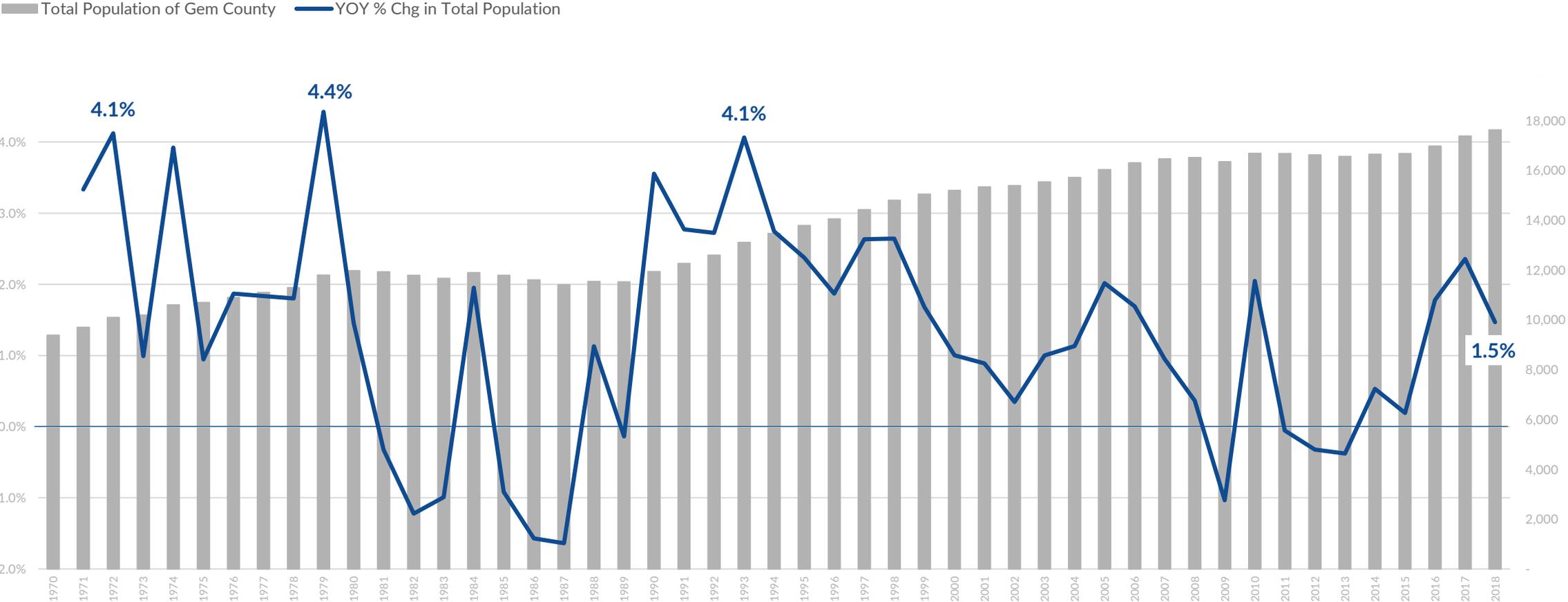
1. Canyon County (453; 21.1%)
2. Ada County (431; 20.1%)
3. Lincoln County, OR (68; 3.2%)
4. Madison County (46; 1.6%)
5. Cowlitz County, WA (35; 1.6%)
6. Benton County, WA (31; 1.4%)
7. Washington County (28; 1.6%)
8. Washoe County, NV (26; 1.2%)
9. Tooele County, UT (23; 1.1%)
10. Clark County, NV (19; 0.9%)

During this period, 87.1% of residents *did not* move.

Of the 12.9% who did move, 40.8% did so within Gem County, 46.9% moved to other Idaho counties (mostly Ada and Canyon Counties) and 12.2% moved to another state.

Historical Annual Population Counts and Year-Over-Year Growth for Gem County, 1970-2018

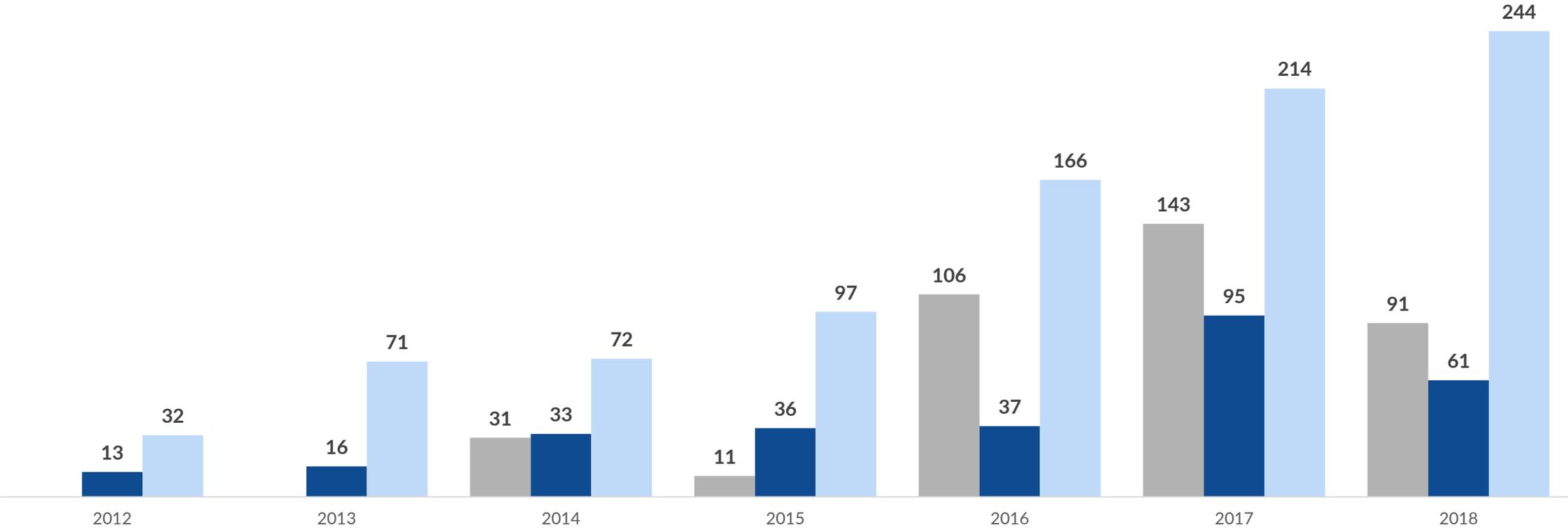
Per the U.S. Census, Idaho has been the fastest growing state for the past two years. Boise remained at the top of some lists as the fastest growing metro for the second year straight, but digging deeper, that growth is attributed mostly to Meridian, which was 10th in the country in 2017, rising to 5th place in 2018. Gem County's population grew by 1.5% between 2017 and 2018, to 17,634. This was the highest count ever recorded and represented 1.0% of the state's population. For comparison, nearly Ada and Canyon Counties combined account for nearly 40% of the state's population and grew by 3.0% between 2017 and 2018.



Owner-Occupied and Rental Housing Units Needed to Meet Demand for Gem County, Cumulative Deficit for 2012-2018

The total number of housing units in Gem County for purchase or rent has not kept up with the area’s population growth. Some economists estimate the need as one new unit of housing for every 1.5 additional persons. Due to the larger average household sizes in our area, we’re conservatively estimating the local need to be one new unit for every 2.8 additional persons. Between 2012-2018, we needed approximately 244 more new units that were never built. However, there was a population decline between 2011-2012 and 2012-2013, so the number of new units needed was technically negative but shown as zero here.

■ New Units Needed ■ New Units Added ■ Deficit (Cumulative)



Based on population trends and to steady home prices,
Gem County would benefit from more housing supply.

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

Boise Regional REALTORS® is committed to supporting comprehensive,
regional planned growth, that offers adequate purchase and rental options
in all price points – not only to stabilize the market but to preserve and
improve the quality of life for all residents.

- 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 will 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, changes in our population over time, and further decreases in our market's comparative affordability, and how each could have a major impact on future housing demand.
- Economists continue to debate the reliability of past recession indicators creating more uncertainty around real estate markets. Some speculate there will be another bubble, while others say the underlying market fundamentals are good and any uncertainty is simply due to assumptions that this record long expansion “has to end eventually.”

Serving Clients in Today's Market

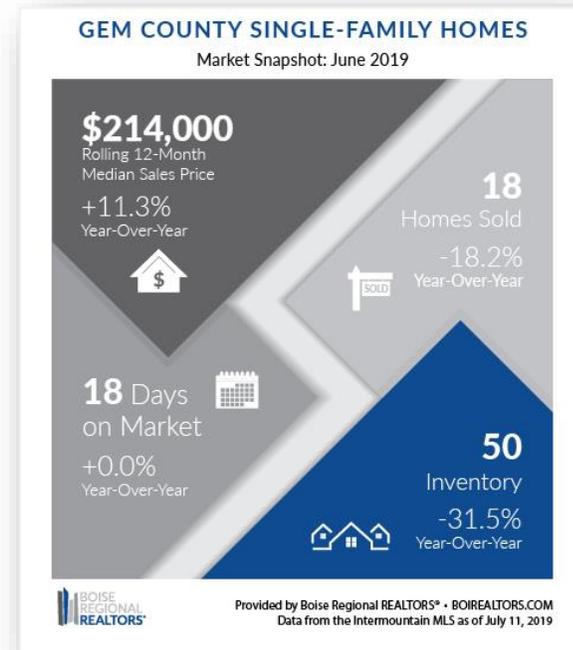
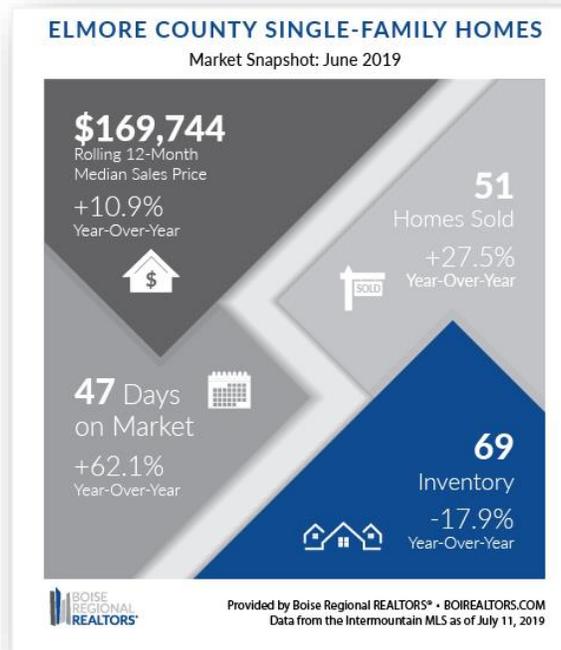
- **Educate clients about the pros and cons of various offer strategies** – higher prices, fewer contingencies, delayed move-in dates, etc. Determine which work for *their situation* and which don't. A competitive market doesn't mean buyers should go over budget, sign contracts without reading them, 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 REALTORS®

- **Who can sell but *does not need to buy locally*?** Reach out to clients considering relocations for retirement or work, investors with single-family properties, or “default” landlords who may be ready to cash-out or invest in commercial... especially those who purchased in 2010-2012.
- **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.

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, unless noted. Data was also secured from the following sources, some of which may or may not have been seasonally adjusted or adjusted for inflation: realtor.com®, Urban Institute, Freddie Mac, Federal Reserve Bank of St. Louis, U.S. Census Bureau, and, the National Association of REALTORS®.

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, clarifications, or corrections, please contact BRR Chief Executive Officer, Breanna Vanstrom, at 208-376-0363.