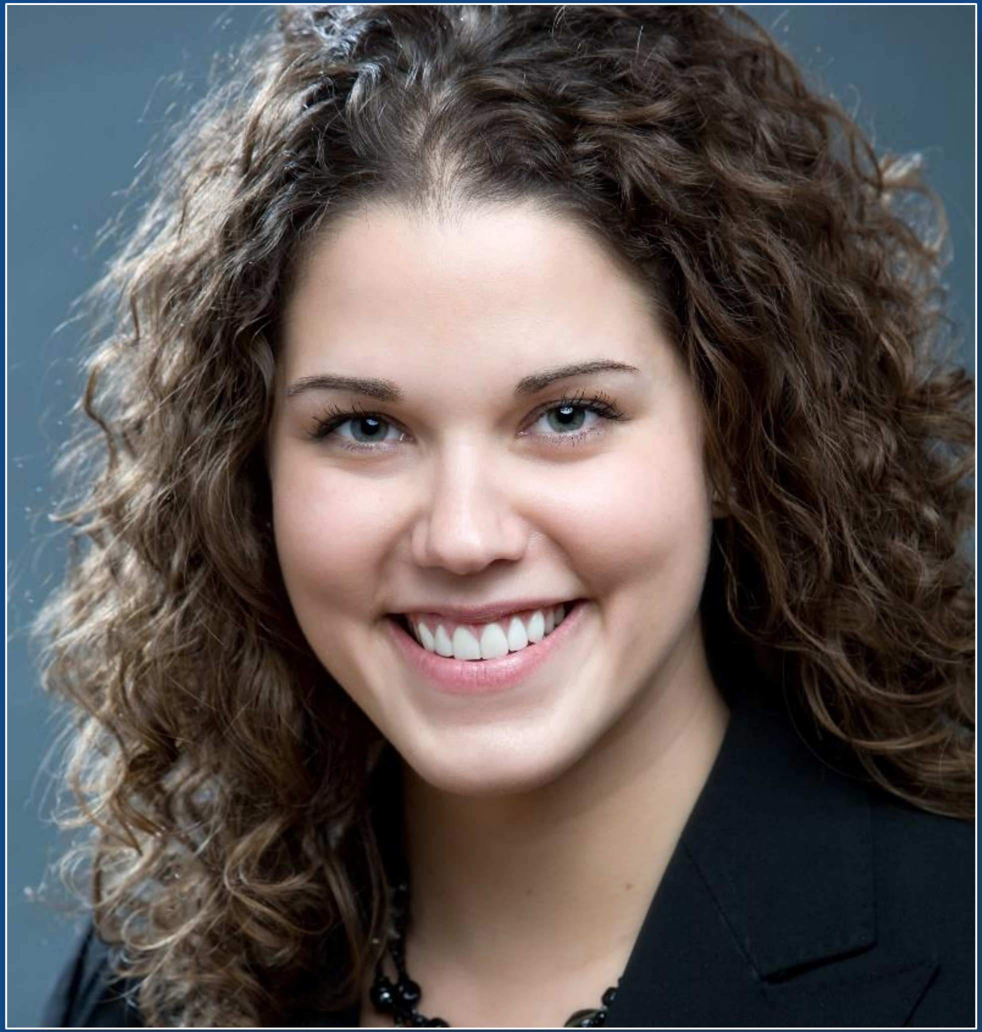

2019 Mid-Year Residential Real Estate Update for Ada County

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

Released July 18, 2019
Updated August 5, 2019

Our home prices have been driven by…

More *new* homes selling at overall higher prices, shrinking supply of lower-priced *existing* homes, as well as, increased purchase power due to *low mortgage rates*…

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

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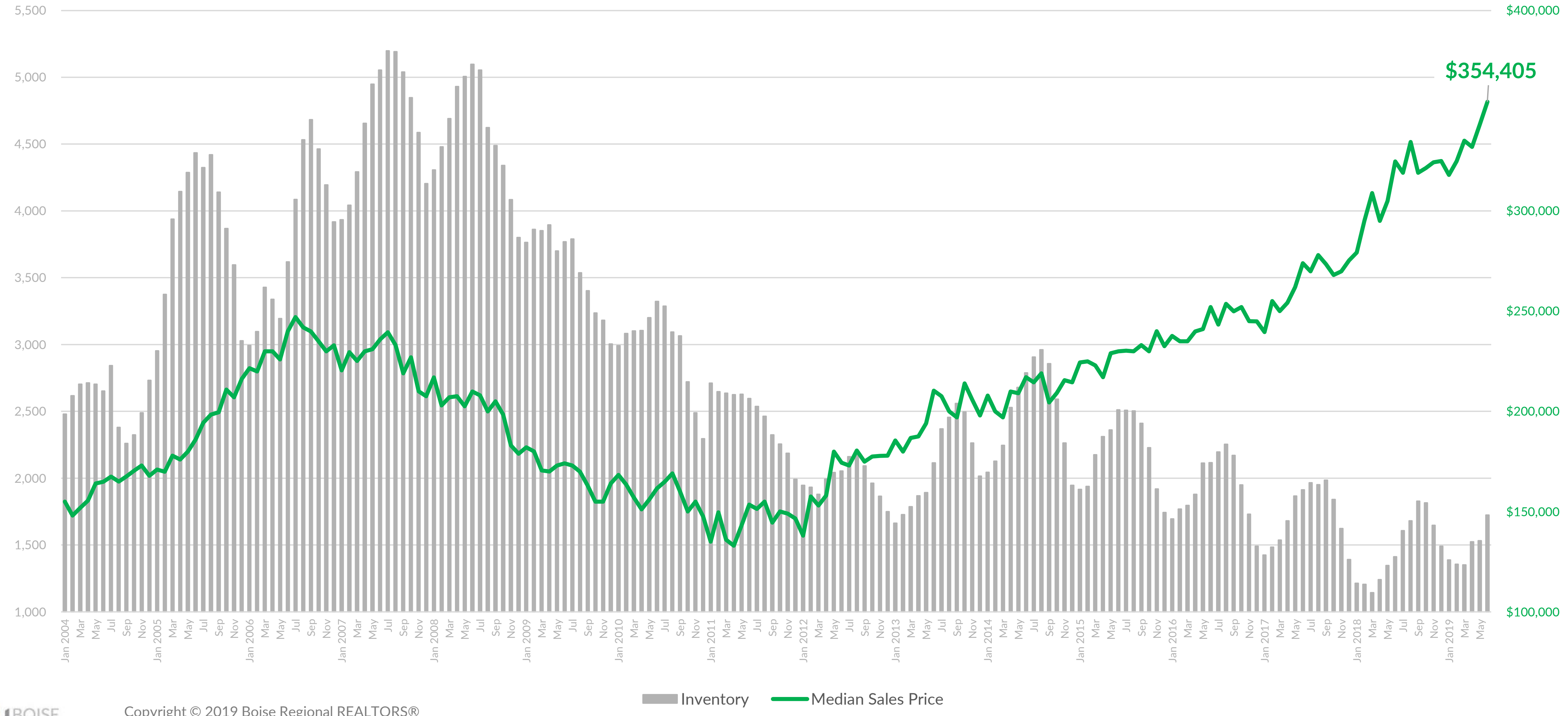
Historical Monthly Inventory vs. Median Sales Price for Ada County

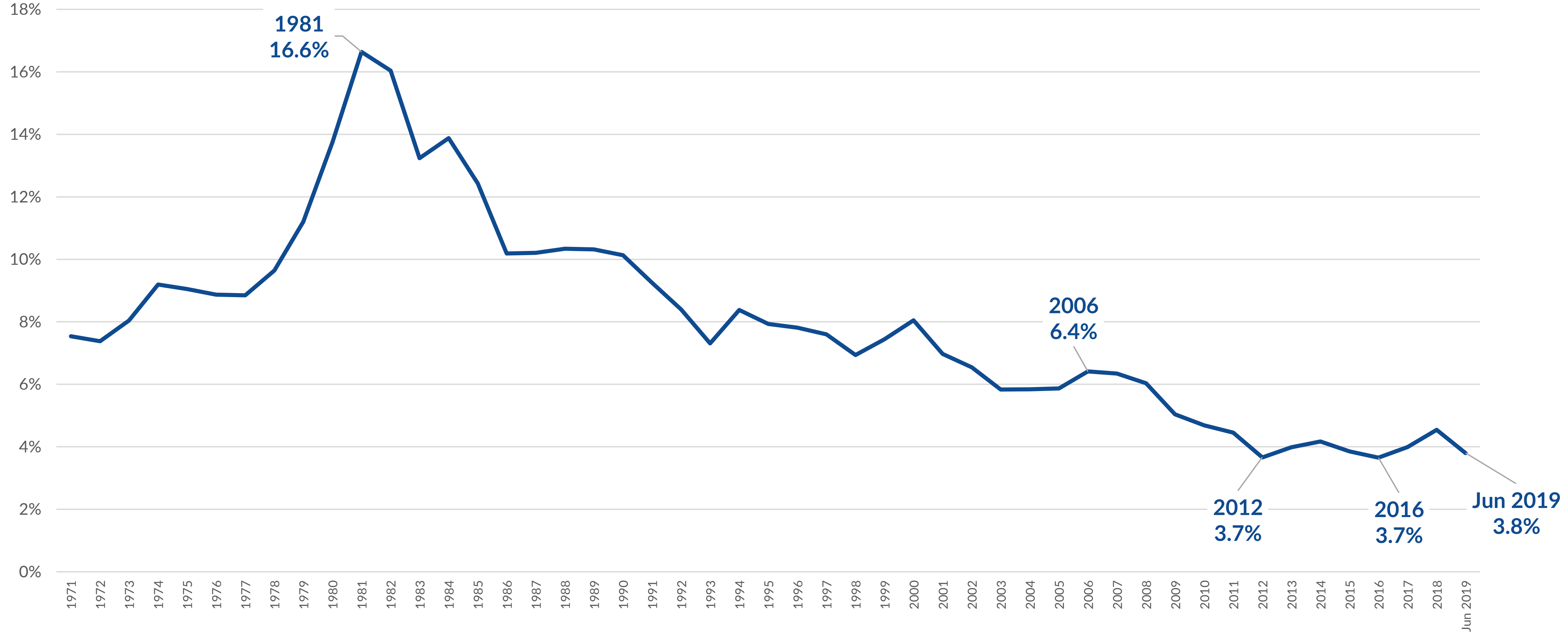
Activity for existing and new single-family homes combined between Jan 2004–Jun 2019. Inventory and median sales price rose together through Jul 2006 and 2007, and then fell together through Jan 2012. There was a slight recovery through mid-2014 before inventory started trending down, causing prices 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 Ada County.



Sources: urban.org/urban-wire/newest-housing-data-indicate-we-likely-arent-housing-bubble; and, Intermountain MLS as of July 11, 2019.

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

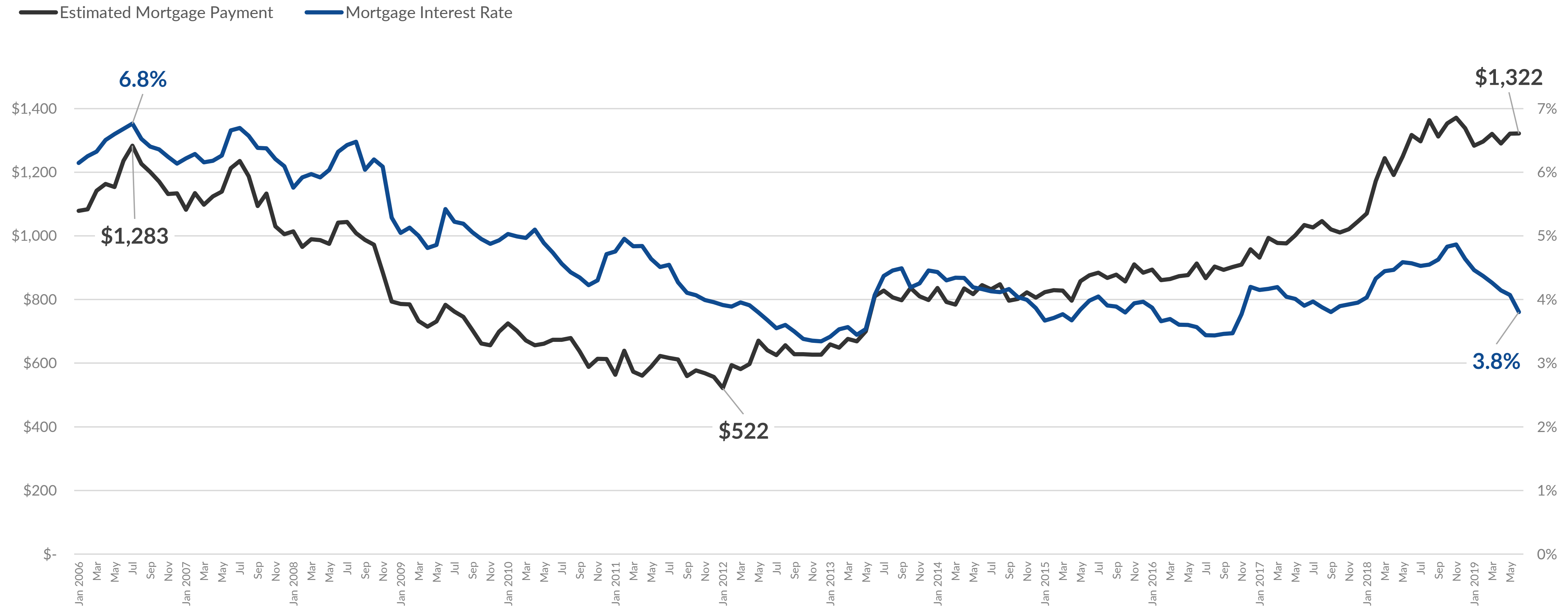
Since today's rates are often compared to those from the 1980s, the annual data between 1971 and June 2019 is shown for reference; however, past rates have no meaningful impact on today's buyers. What has had an impact is the increased purchase power today compared to the previous market peak in 2006, 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.



Sources: Freddie Mac, 30-Year Fixed Rate Mortgage Average, retrieved from FRED, Federal Reserve Bank of St. Louis, July 11, 2019.

Estimated Monthly Mortgage Payment for a Median Priced Home in Ada County, January 2006—June 2019

Despite the median home price increasing more than $100,000 since 2006, the estimated mortgage payment is just $39 more per month today (not adjusting for inflation). This is due to a drop in the 30-year fixed mortgage rate of over 44% since 2006, when the market was at its previous peak. 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 $800 per month. Estimated monthly mortgage payment includes the principal and interest only and assumes a 20% down payment.



Sources: Federal Reserve Bank of St. Louis and Intermountain MLS as of July 11, 2019.

Share of Total Home Sales that were New Construction Compared to the Overall Average Sales Price in Ada County, 2016–2019 YTD

As new construction sales made up an increasingly larger share of total home sales, the overall sales price grew year-over-year. This is due to new home prices being, on average 32.2% more than existing homes (during this time period), because of higher land, labor, and materials costs. So as more new, higher-priced homes sold, it brought up the overall median sales price for the county. Then as the median sales price for *existing* homes rose (due to the lack of lower-priced inventory for the segment) the new home premium has decreased. 2019 figures are for Jan-Jun only compared to full years' worth of data for 2016–2018.

Year	Share of Sales that were New Homes	Overall Median Sales Price New and Existing Combined	Average New Home Price Premium over Existing Homes
Jan-Dec 2016	22.4%	$244,069	38.4%
Jan-Dec 2017	24.1%	$268,950	37.6%
Jan-Dec 2018	28.9%	$318,995	30.0%
Jan-Jun 2019	35.2%	$333,495	22.9%

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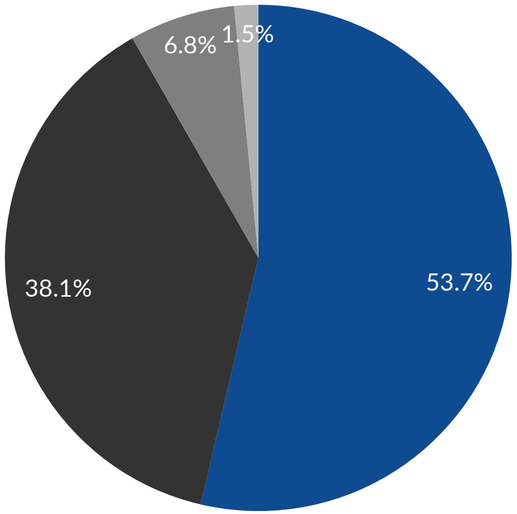
Source: Intermountain MLS as of July 11, 2019.

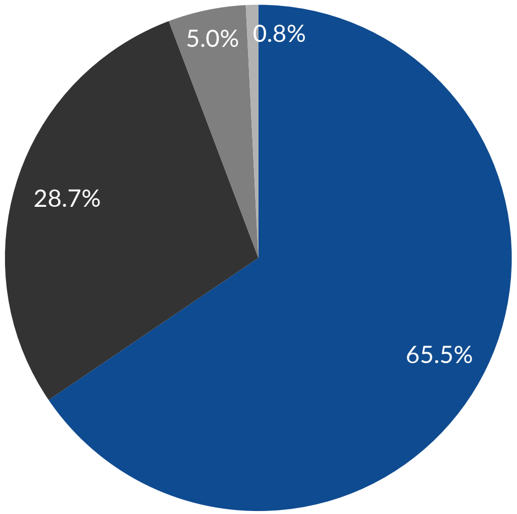
Share of Existing Home Sales by Price Range in Ada County, 2004-2019 YTD

The share of existing homes in Ada County priced below $199,999 was at 53.7% during the previous market expansion. That share increased to 65.5% through the Great Recession and then settled at 59.9% through August 2014. But as lower-priced existing inventory has been held back from the market, the share of total existing home sales priced under $200,000 has dropped to just 26.3%, causing the median sales price for the segment to rise over time. This, combined with more new construction sales selling at a premium, has pushed the overall median sales price for Ada County to new record highs — reaching $354,405 in Jun 2019.

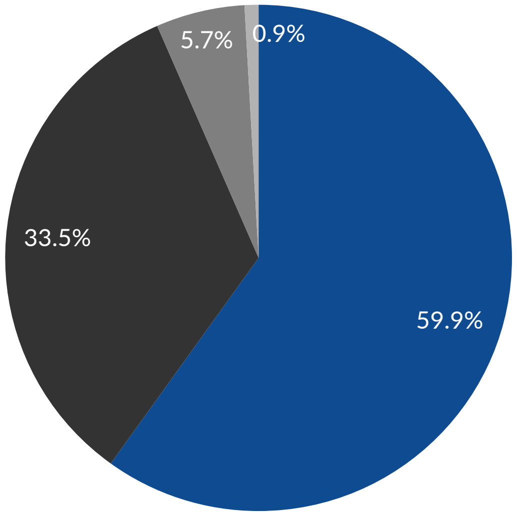
Previous Peak
Jan 2004 thru Jul 2007
Share of Sales Below $200k: 53.7%
Median Sales Price: $232,583



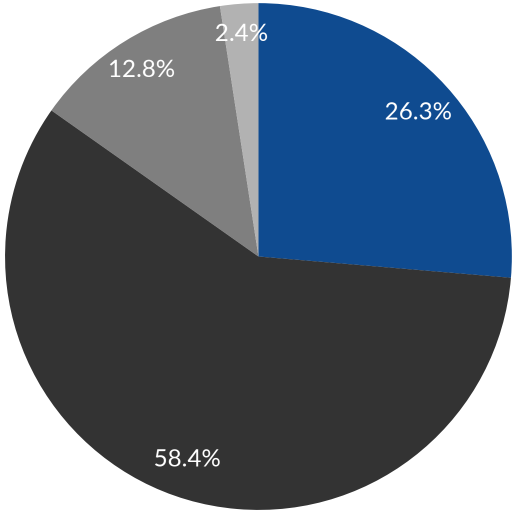
Great Recession
Aug 2007 thru Jan 2012
Share of Sales Below $200k: 65.5%
Median Sales Price: $196,655



Recovery Period
Feb 2012 thru Aug 2014
Share of Sales Below $200k: 59.9%
Median Sales Price: $212,632



Current Expansion
Since Sep 2014
Share of Sales Below $200k: **26.3%**
Median Sales Price: $291,850

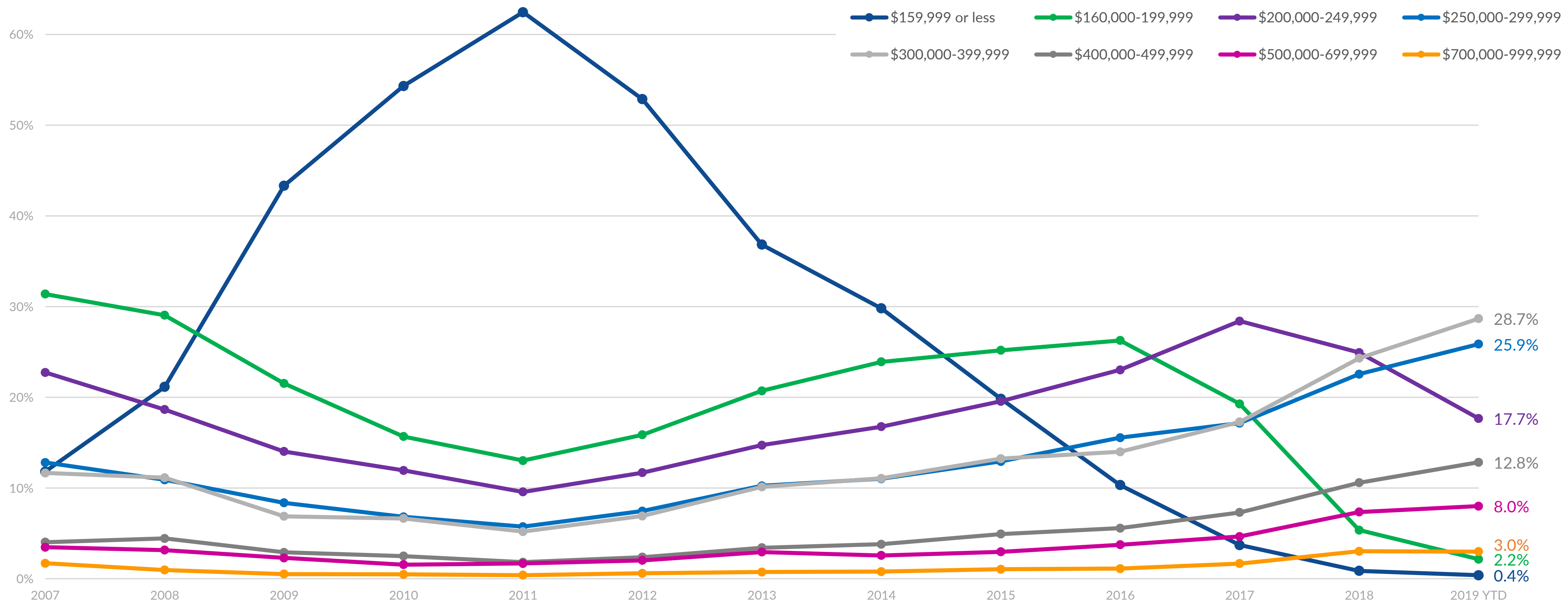


$199,999 or less | $200,000-399,999 | $400,000-699,999 | $700,000 or more

Source: Intermountain MLS as of July 11, 2019.

Share of Existing Home Sales by Price Range in Ada County, 2007-2019 YTD

Activity for existing single-family homes only, between Jan 2007–Jun 2019. Existing homes priced between $250,000-499,999 grew the most since the recession — as reflected in our most recent median sales price record of $339,945 in June 2019. Trendlines for homes priced above $1 million not included due small sample sizes in IMLS. The surge of lower-priced sales between 2009-2013 represented distressed activity (foreclosures, short sales, etc.). While not shown, a similar trend was present during this time in new construction, as many builders were liquidating the oversupply of inventory that was caused by earlier speculation. For a more apples-to-apples comparison, homes priced below $159,999 in 2007 made up 11.7% of sales, compared to just 0.4% in 2019.



Source: Intermountain MLS as of July 11, 2019.

Primary Factors Limiting *Existing* Housing Supply

- More seniors choosing to “age in place” instead of selling their primary residences, or any second homes or vacation properties they may own

- Investors may be keeping single-family properties as rentals longer

- Homeowners may delay listing until they find their next home, which then takes longer due to already limited inventory

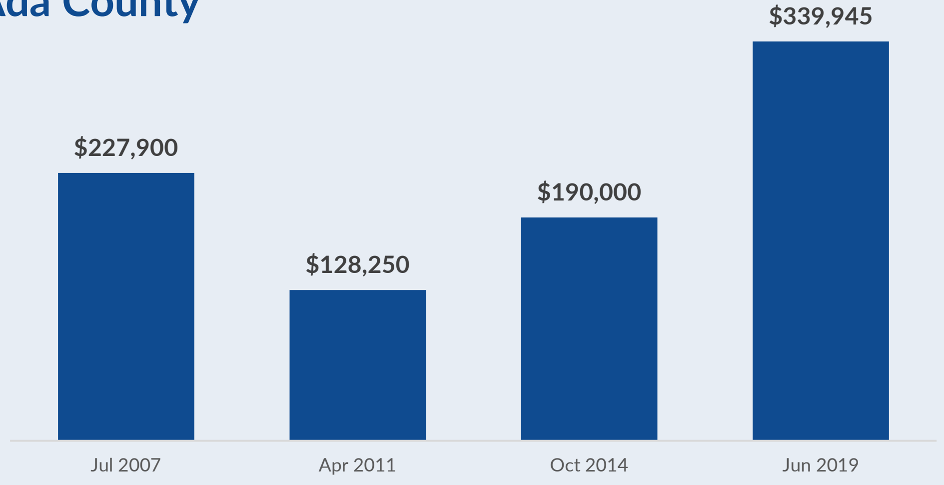
- Despite equity, some homeowners may still hold off listing if their existing mortgage rate or monthly payment is affordable, especially compared to current home prices

- Increase in the share of homes sold “off-market”

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

Activity for existing single-family homes in Ada and Canyon Counties. Many who purchased in 2006 and 2007 were unable to sell in later years, as prices fell 40-60% through 2011. 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 130-190% since then, making a new existing home potentially out of reach for many, although lower mortgage rates are helping some.

Ada County



Apr 2011	Oct 2014	Jun 2019
-43.7% from 2007	-16.6% from 2007	+49.2% from 2007
	+48.1% from 2011	+165.1% from 2011
		+78.9% from 2014

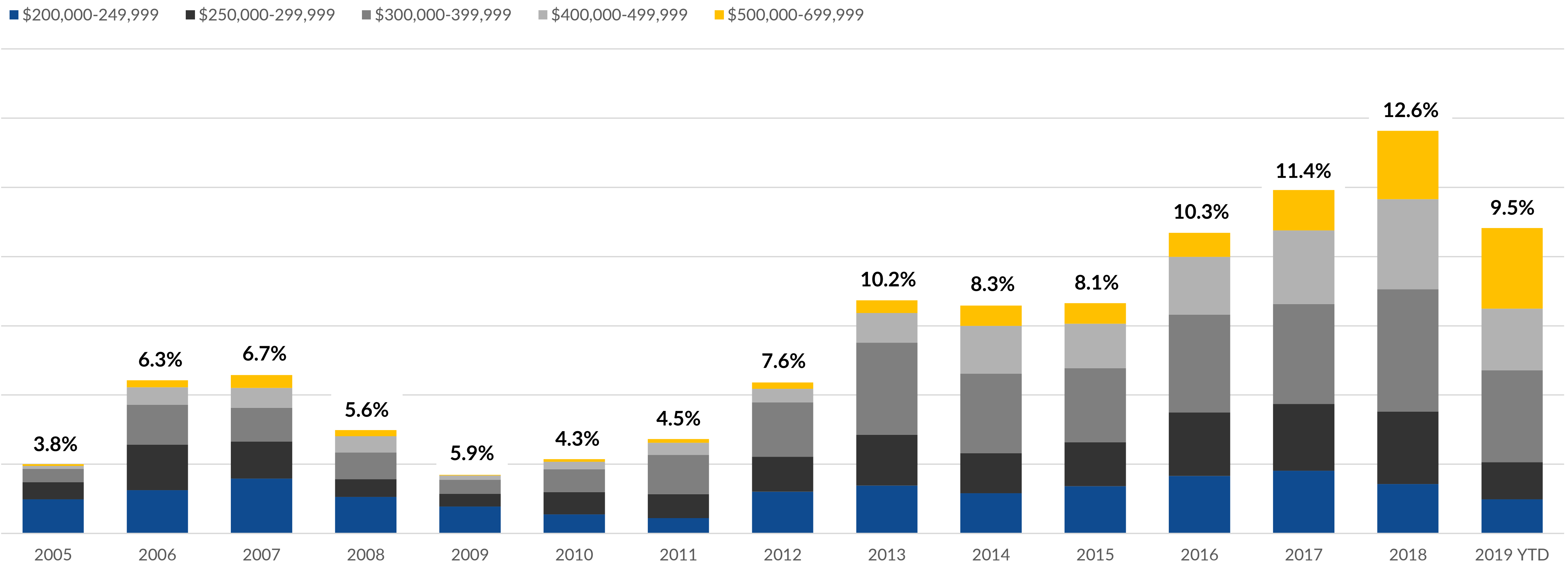
Canyon County

May 2011	Oct 2014	Jun 2019
-53.4% from 2006	-20.6% from 2006	+52.1% from 2006
	+70.2% from 2011	+226.2% from 2011
		+91.6% from 2014

Source: Intermountain MLS as of July 11, 2019.

Annual Share of Off-Market Existing Home Sales by Price Range in Ada County, 2005-2019 YTD

Activity for existing single-family homes between Jan 2011–Jun 2019. For this analysis, we are considering a sale as “off-market” if it was reported as an “Unpublished Sold” or if it sold with zero cumulative days on market (CDOM=0) as reported to the multiple listing service. Off-market activity for homes priced below $199,999 and above $700,000 were not included due to small sample sizes. As buyer demand has increased compared to limited supply of inventory, it’s common for agents to find properties for their buyers through peer-to-peer networking before a home goes into an active status. Some agents who use this practice as a marketing tool, trying to secure both the listing and the buyer. While we cannot determine which off-market sales are due to the former versus the latter scenario, but we do know the increase in off-market sales over the past few years has likely skewed the monthly inventory data. The data point shown is the total number of homes sold off-market during the year, which is then separated visually by price range.



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Source: Intermountain MLS as of July 11, 2019.

Primary Factors Driving *Demand* for Housing

Idaho has been the fastest growing state for the past two years, with most of the growth happening in Ada and Canyon Counties. Here are a few reasons why…

- Growth in the local economy providing more employment opportunities
- Demand from those stationed at Mountain Home AFB
- 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 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 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%

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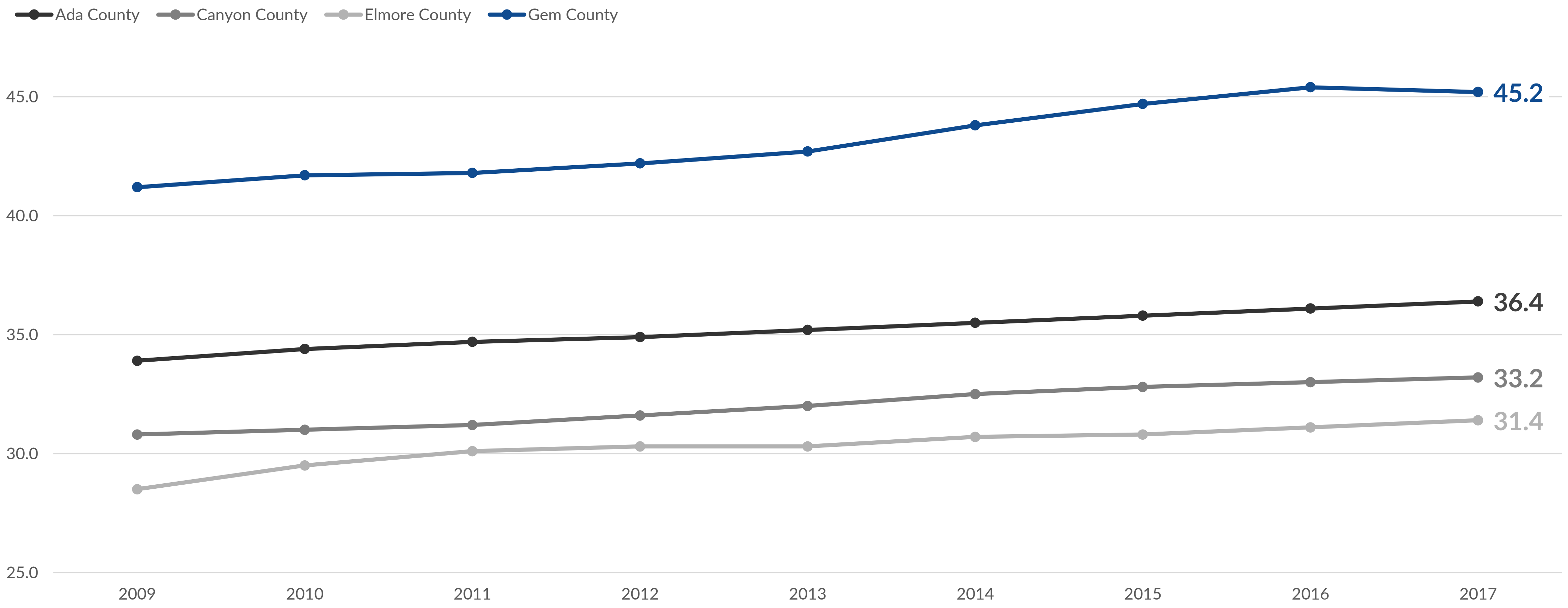
UPDATED August 5, 2019

Source: 2017 Population Estimates; U.S. Census Bureau, factfinder.census.gov.

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. 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. Gem County's median age has generally been higher than the others but changed the most during this time period, increasing by four 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.

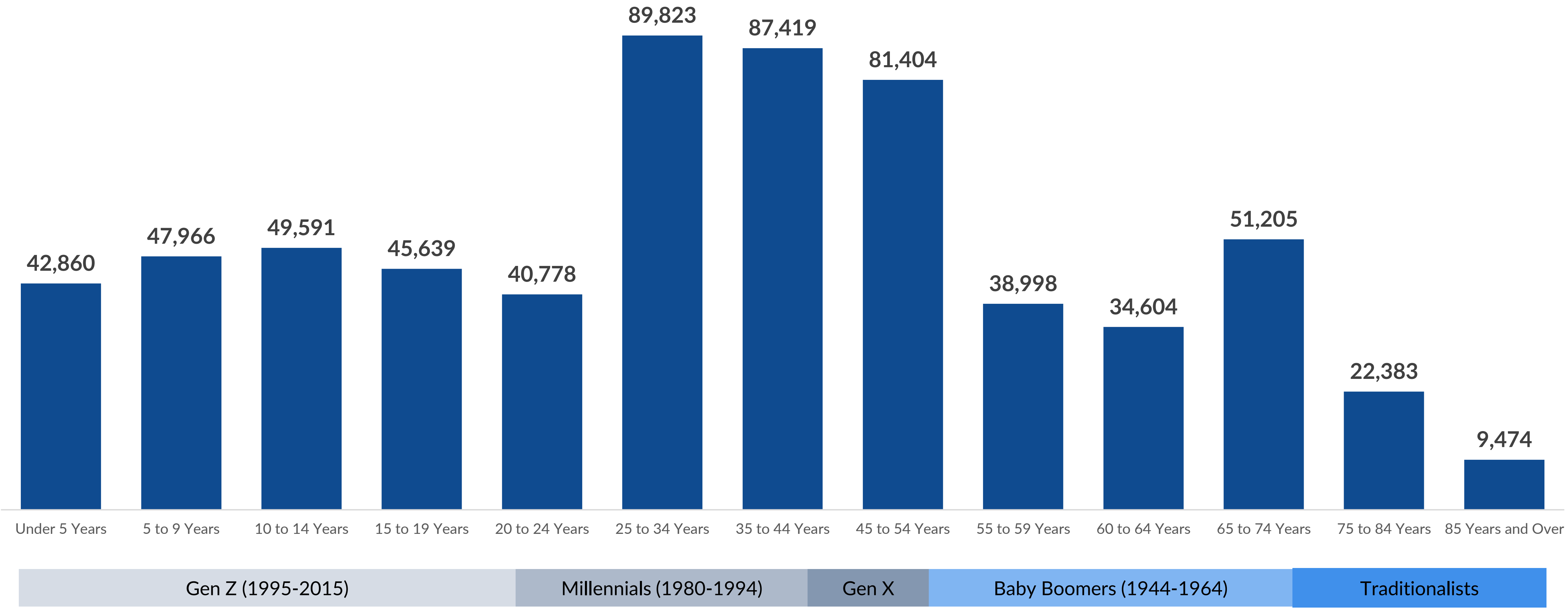


Ada County Housing Summit — July 18, 2019;
UPDATED August 5, 2019

Source: 2017 Population Estimates; U.S. Census Bureau, factfinder.census.gov.

Population by Age Group for Ada and Canyon Counties Combined, 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.



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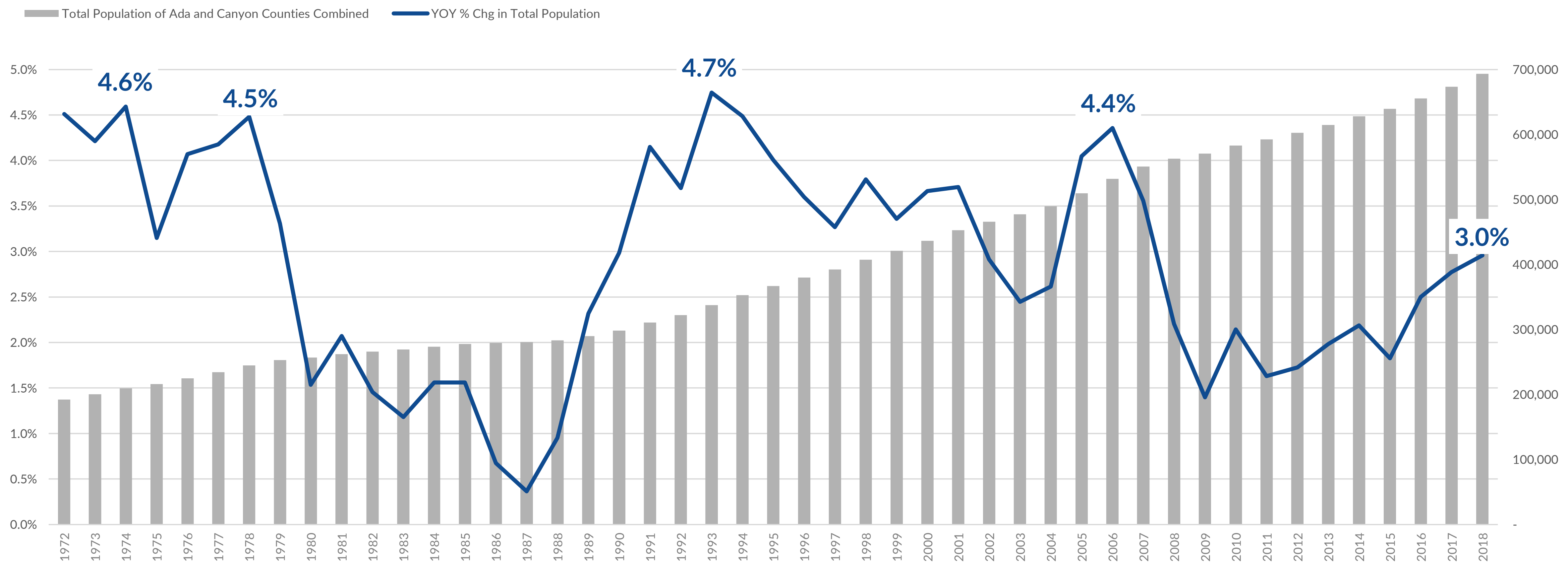
UPDATED August 5, 2019

Source: 2017 Population Estimates; U.S. Census Bureau, factfinder.census.gov.

Historical Annual Population Counts Compared to Year-Over-Year Growth for Ada and Canyon Counties Combined, 1972-2018

Per the U.S. Census, Idaho and Nevada were the nation's fastest-growing between 2017 and 2018, as both states' populations increased by 2.1%. This was the second year that Idaho was in the top spot, when the 2016 to 2017 growth was at 2.2%. 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. Looking at the populations of Ada and Canyon Counties combined (which accounts for nearly 40% of the entire state), the year-over-year growth was at 3.0% in 2018. Comparing this to previous years, this was a relatively low rate of growth.



Source: U.S. Bureau of the Census, retrieved from the Federal Reserve Bank of St. Louis, July 14, 2019.

“Affordability is pricing [residents] out of the California home market, and many are searching for more affordable options in other areas,” said Danielle Hale, Chief Economist for REALTOR.com®, in a statement.

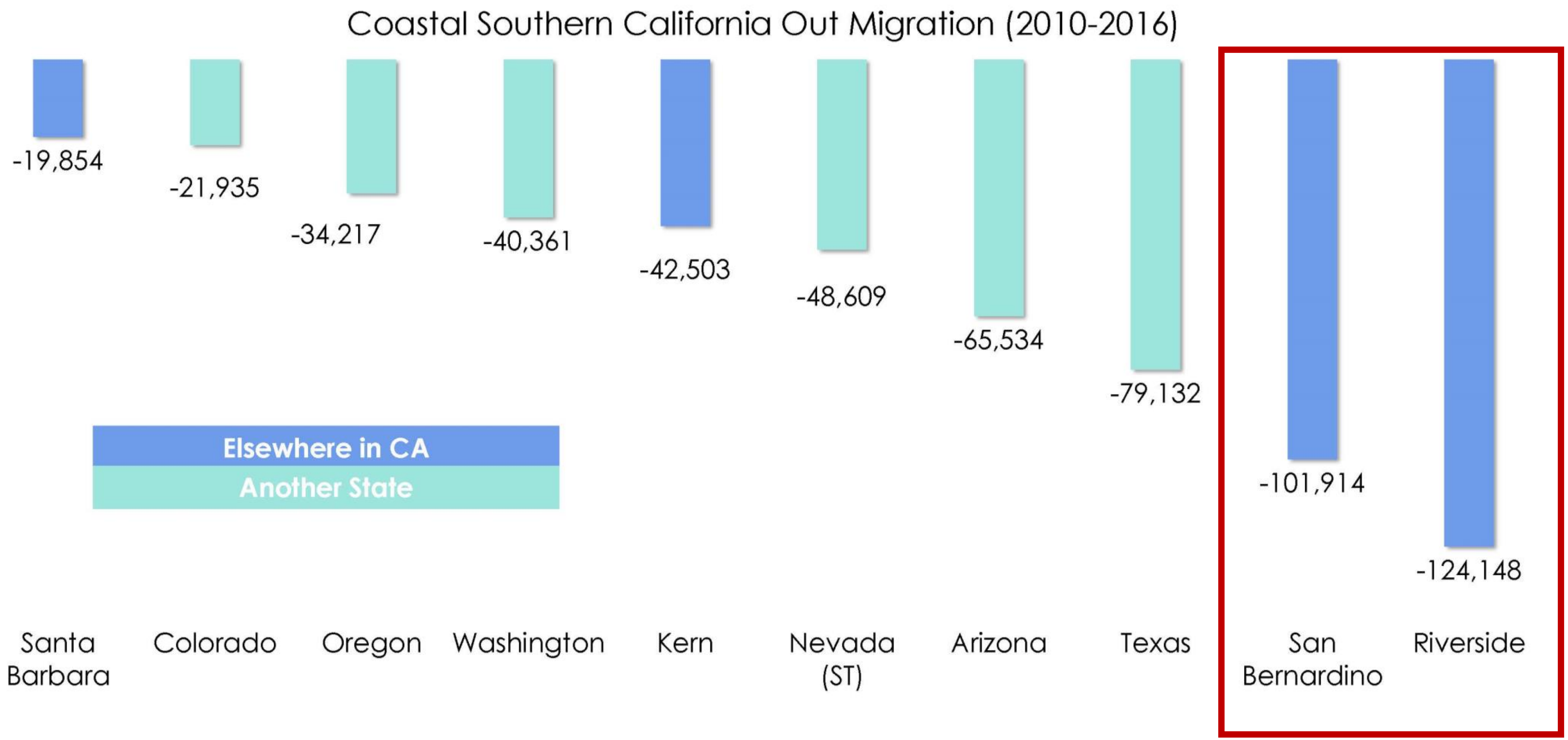
*“This exodus could help slow price appreciation in California… **but it could also potentially heat up prices and reduce inventory in surrounding markets**.”*

Based on data from the California Association of REALTORS®, between 2010 and 2017, ***the state lost 750,000 residents to out-migration***.

realtor.com®

Sources: news.move.com/2018-05-31-Looking-Elsewhere-External-Searches-in-Californias-Hottest-Markets-More-than-Double-the-U-S-Average; and, car.org/en/marketdata/marketforecast.

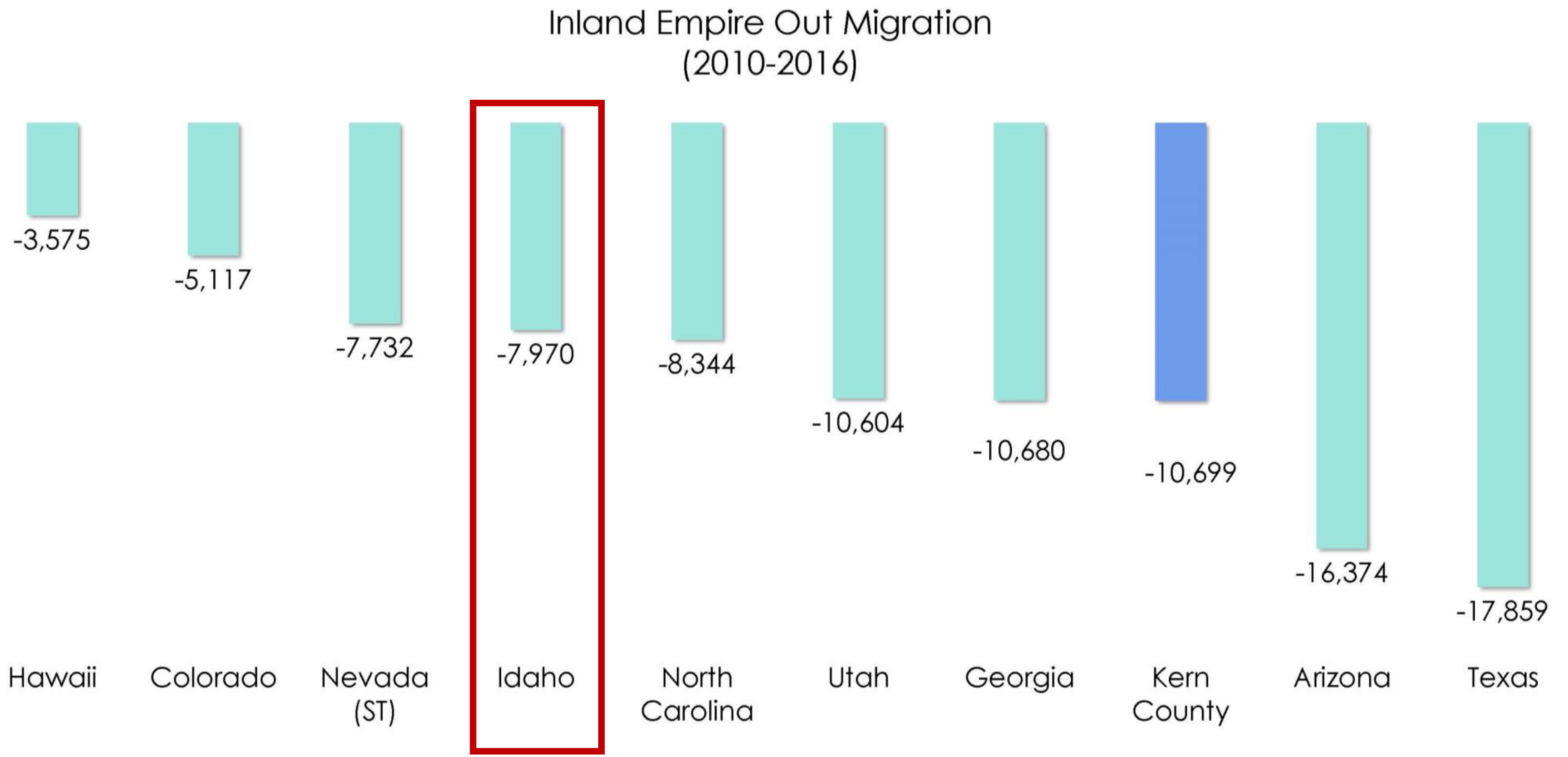
Step 1: SoCal coastal to cheaper markets



Source: car.org/en/marketdata/marketforecast.

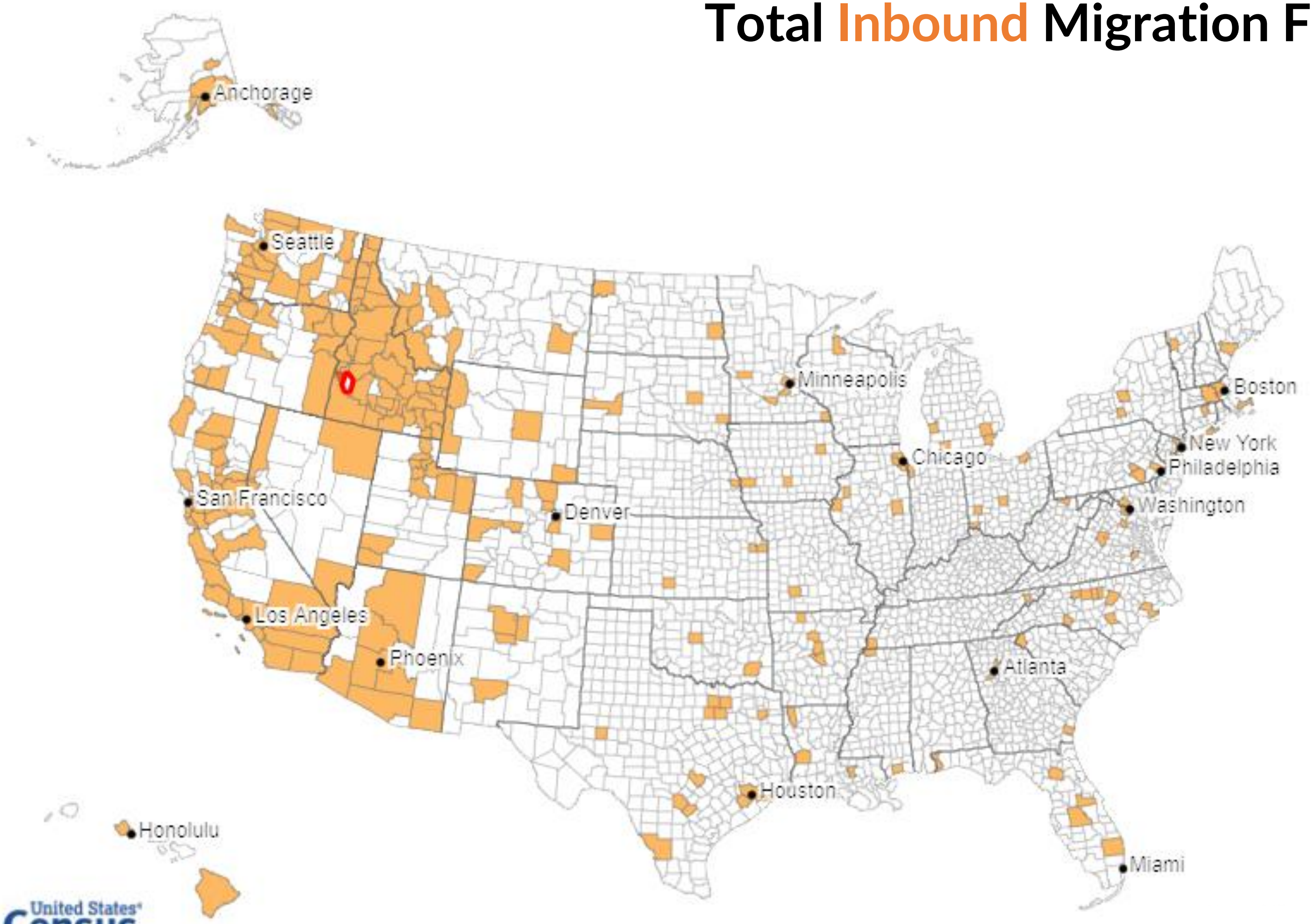
Step 2: pricing prior residents out of state

CALIFORNIA ASSOCIATION OF REALTORS®



Source: car.org/en/marketdata/marketforecast.

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%)

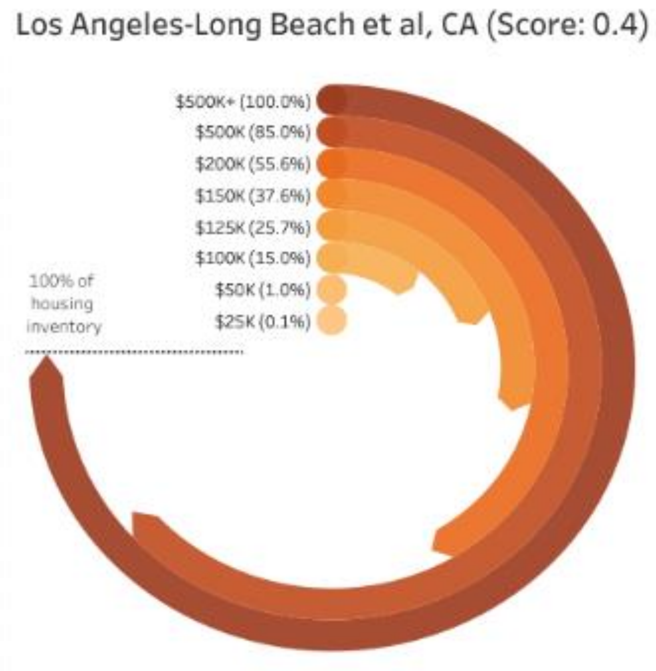
During this period, 82.9% of residents ***did not*** move.

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.

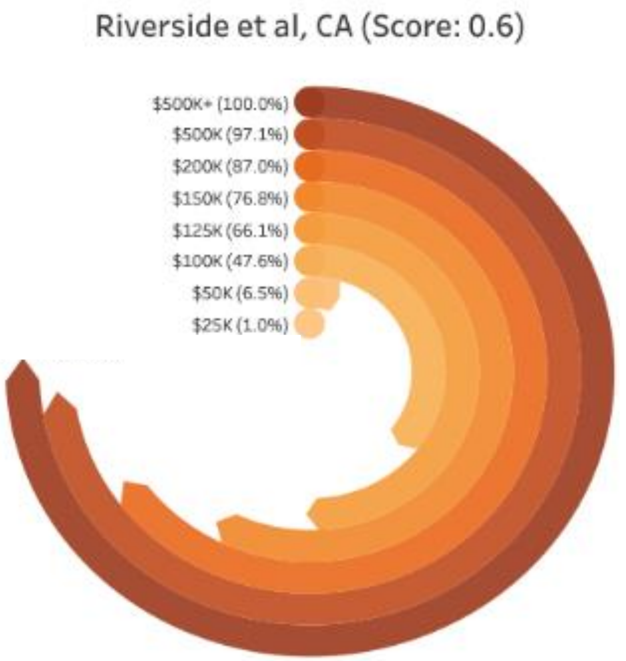
Source: U.S. Census Bureau Census Flow Mapper and the 2012-2016 5-year American Community Survey.

Affordability Distribution Curve Comparisons by Metro

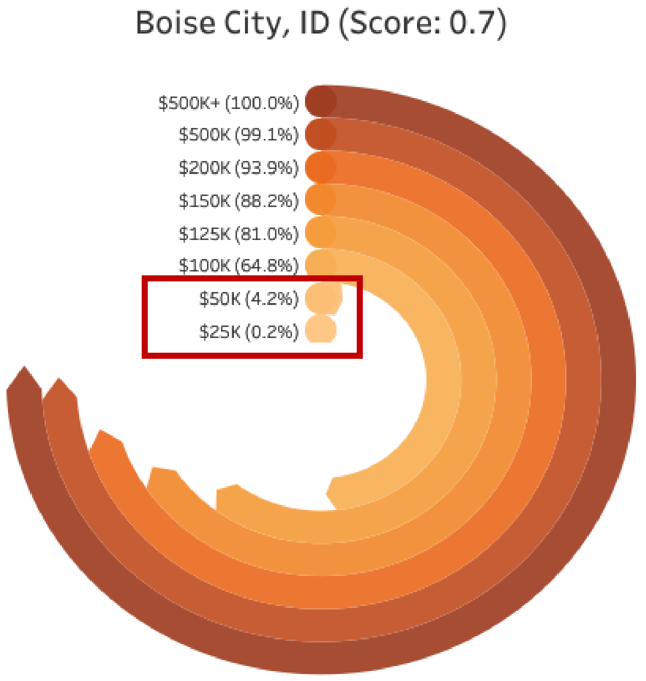
National Association of REALTORS® (NAR) Affordability Distribution Curves show the percentage of homes for sale that households at different income levels can afford; provided by NAR in collaboration with realtor.com. Median sales price and closed sales metrics are for existing/resale and new construction combined, as of May 2019 for the California metros and June 2019 for the Boise City MSA (Ada County only).



$845,000 MSP (+0.8% YOY)
1,691 Sales (-2.0% YOY)
Orange County



$420,000 MSP (+2.0% YOY)
2,328 Sales (+1.5% YOY)

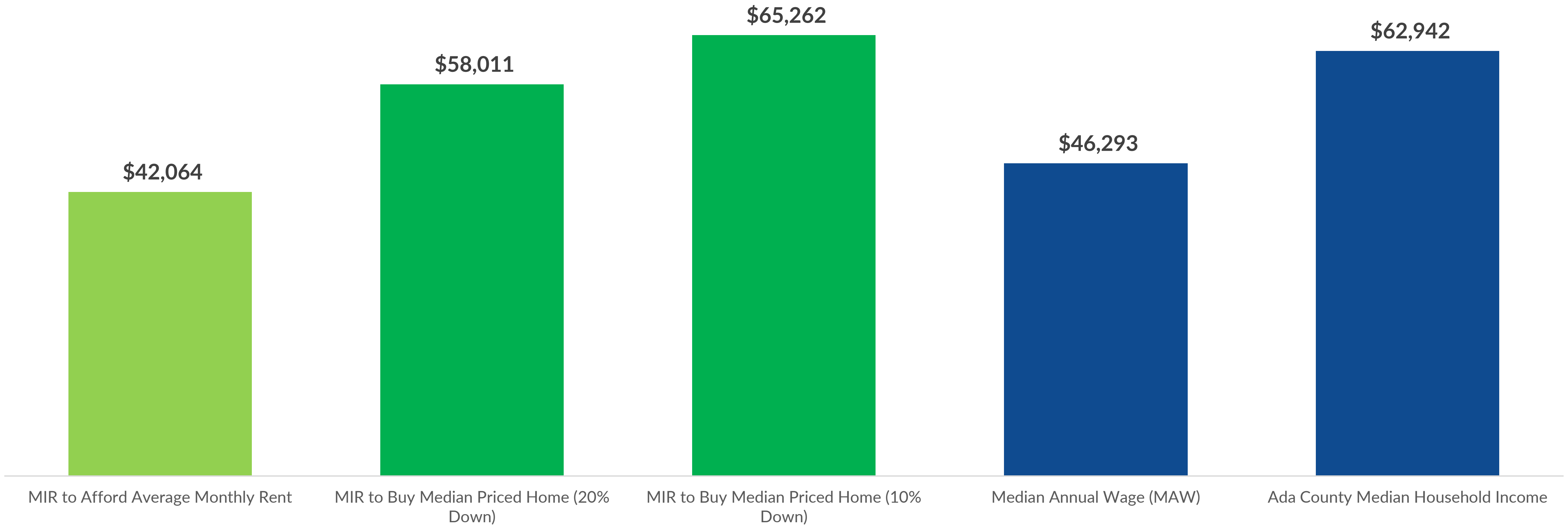


$354,405 MSP (+10.0% YOY)
1,091 Sales (-9.4% YOY)

Sources: nar.realtor/research-and-statistics/housing-statistics/realtors-affordability-distribution-curve-and-score; car.org/en/marketdata/marketforecast; and, Intermountain MLS as of July 11, 2019.

Minimum Incomes Required to Afford Average Rent in Boise City or Purchase Median Priced Home in Ada County, June 2019

The minimum income required (MIR) for a rental assumes annual income is 40x higher than the average monthly rent, which was at $1,050 in Boise City as of June 2019. To purchase a median priced home in Ada County, at $354,405 in June 2019, the MIR assumes a 30-year fixed mortgage of 3.8% including PITI with a down payment of 10%–20% and spending no more than 28% of monthly gross income on a payment. For comparison, the median annual wage (MAW) for individuals in the Boise City Metropolitan Statistical Area (which includes Ada, Canyon, Gem, Boise, and Owyhee counties) is shown alongside the median household income for Ada County from 2018, adjusted to today's dollars.



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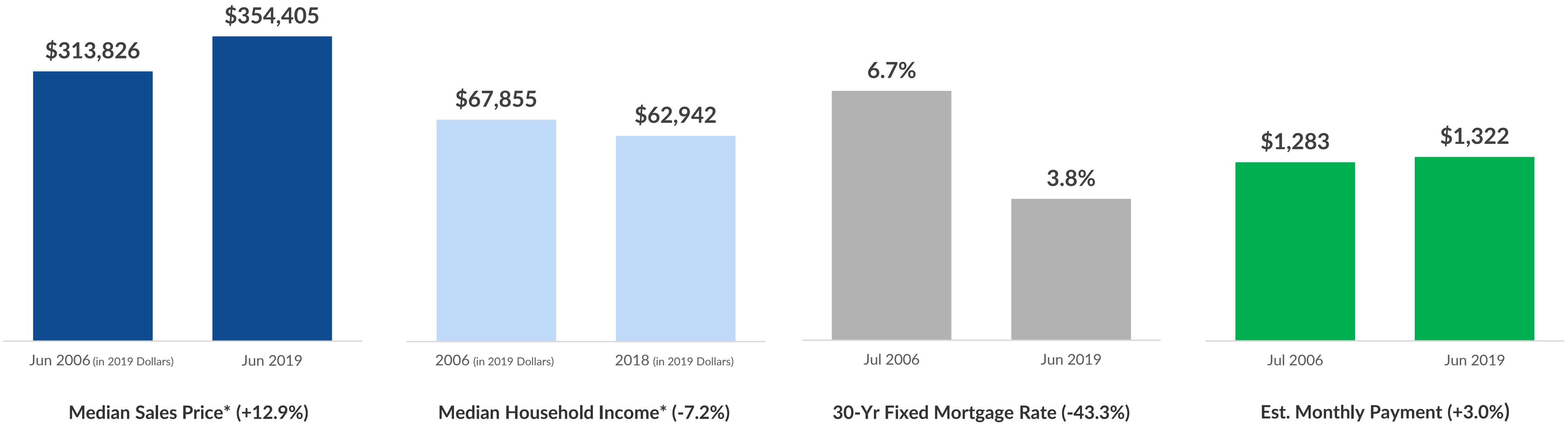
Sources: U.S. Bureau of Labor Statistics for Boise City, ID MSA Area Occupational Employment and Wage Estimates; U.S. Census Bureau; dollartimes.com Mortgage Affordability Calculator; Apartment List.com Rental Data, apartmentlist.com, accessed June 2019; and, Intermountain MLS as of July 11, 2019.

Low Mortgage Rates Have Increased Homebuyers' Purchase Power

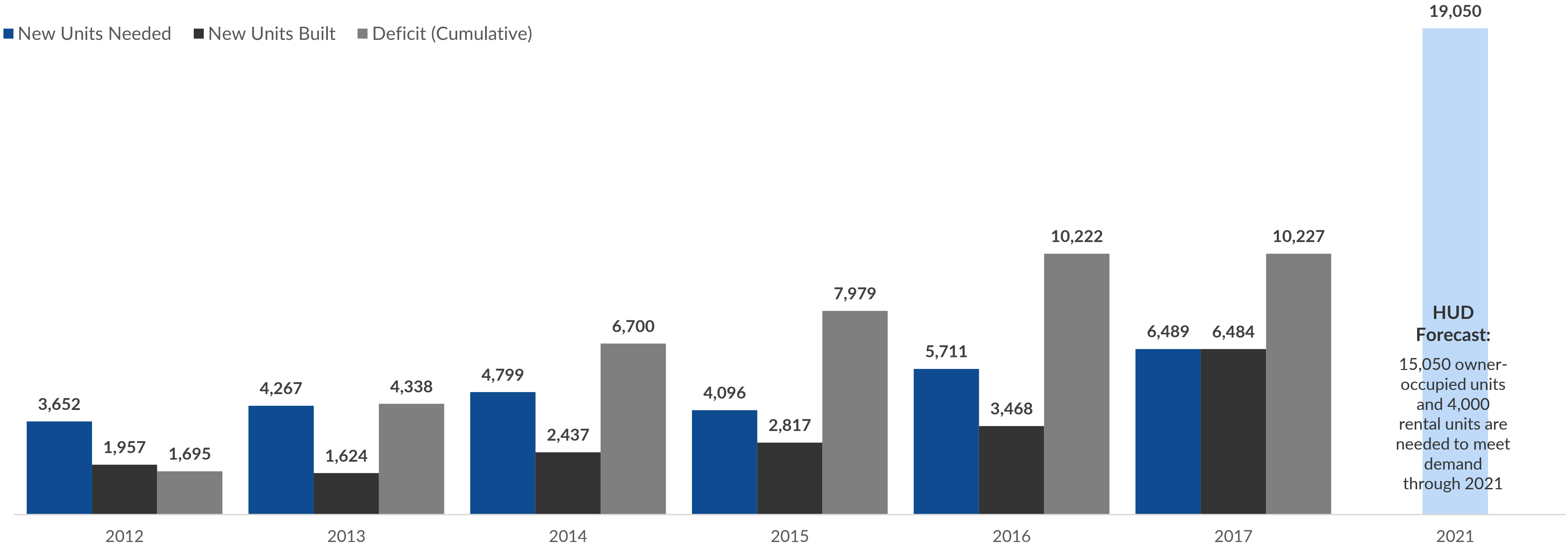
Despite the median home price increasing more than $100,000 since 2006 (or $40,579 when adjusting for inflation), the estimated mortgage payment is just $39 more per month today. This is due to a drop in the 30-year fixed mortgage rate of over 44% since then, when the market was at its previous peak. Estimated monthly mortgage payment includes the principal and interest only and assumes a 20% down payment. This is one reason why those earning the minimum required income can purchase the median priced home in Ada County despite a reduction in median household income when adjusted for inflation.



* *Adjusted for Inflation; Sources: U.S. Census Bureau; Freddie Mac; NerdWallet.com; and, Intermountain MLS as of July 11, 2019.*

Owner-Occupied and Rental Housing Units Needed to Meet Demand, for Ada and Canyon Counties Combined, 2011-2017 and through 2021

The total number of housing units in Ada and Canyon Counties combined, for either purchase or rent, have not kept up with population growth. Some economists estimate the need as one new unit of housing for every 1.5 additional person. 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 2012-2017, we needed approximately 10,000 more new units that were never built — and the deficit has only gotten worse. According to a 2018 report by the U.S. Department of Housing and Urban Development, the Boise City Metropolitan Statistical Area (including Ada, Canyon, Gem, Boise, and Owyhee counties) will need an additional 15,050 homes and 4,000 more rental units through 2021 to meet forecasted population growth.



Sources: U.S. Bureau of the Census, retrieved from the Federal Reserve Bank of St. Louis, July 14, 2019; and, U.S. Department of Housing and Urban Development Boise City, Idaho Comprehensive Housing Market Analysis, February 1, 2018.

Whether it's up or out, our region needs more 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

- **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.

- **Know your market stats specific to your listings** — it's not a seller's market for everyone.

- **Prepare clients for the inspection report.** 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?

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. 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.

- **Use Off-Market Statuses as Intended.** While there may be legitimate reasons a home sells off-market, it’s the spirit and intent with which this is used that matters *(see Code of Ethics Standard of Practice 3-8: “REALTORS® shall not misrepresent the availability of access to show or inspect a listed property.”)*

- **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, California Association of REALTORS®, U.S. Census Bureau, U.S. Bureau of Labor Statistics, dollartimes.com, apartmentlist.com, U.S. Department of Housing and Urban Development, 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.