

Residential Real Estate Update

Presented November 8, 2021, to the Boise Metro Chamber Leadership Conference
By Breanna Vanstrom, MBA, RCE, CAE, Boise Regional REALTORS® Chief Executive Officer





Local advocacy, industry events,
and market research



Comprehensive property
database and business tools



Professional development
for real estate licensees



Charitable grants and
community outreach



Federal and state advocacy, contracts, professional standards, and conferences



Real estate license education and enforcement

The housing market has been driven by...

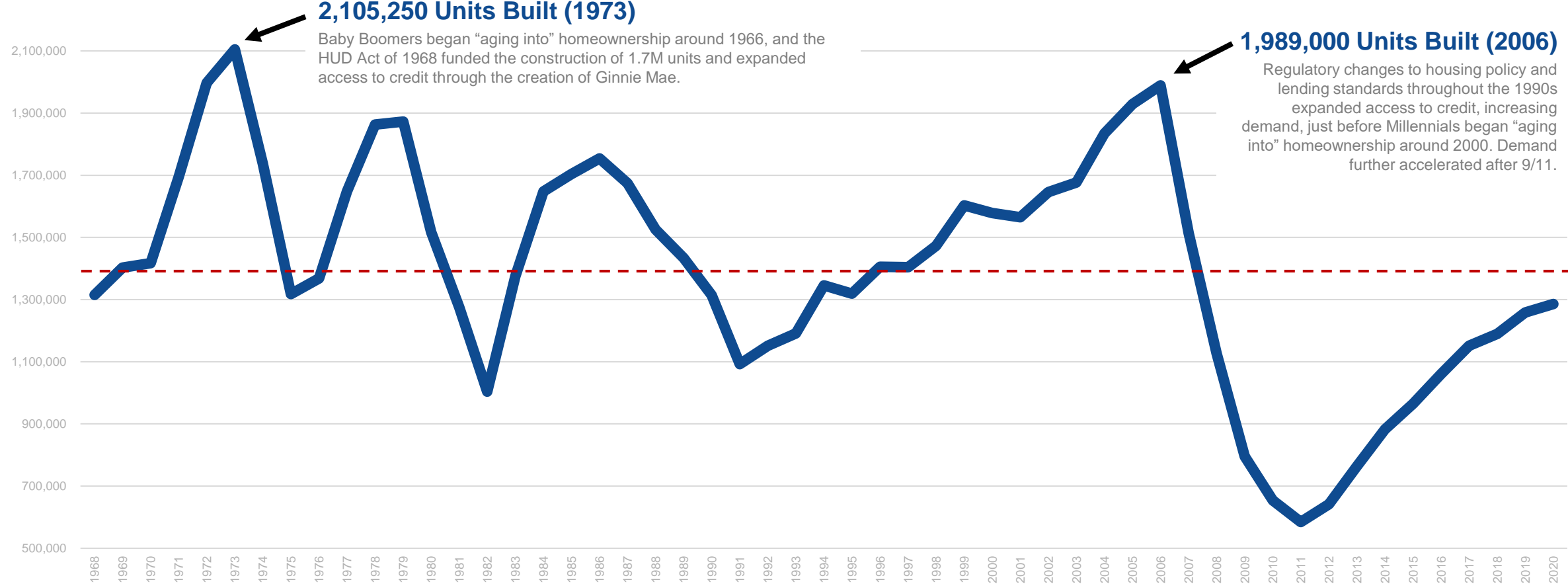
**an insufficient supply of homes compared to demand,
increased purchase power from low mortgage rates,
and since early 2020, people re-thinking where they
live and work as a result of the pandemic...**

***NOT from speculation and risky lending practices
common more than a decade ago.***

Housing Supply Trends and Forecast

New Housing Units Completed in the U.S., 1968-2020

The data are for new housing units within a variety of property types, including single-family homes, condos, townhomes, apartments, and multi-family buildings, but *excluding* manufactured homes. The red line shows the historical average over this time period, nearly 1.4 million completions per year. Between 1996-2007, 2.8 million more units were built than would have been expected based on the historical average. While the drop off in activity allowed the market to absorb the oversupply, since 2008, 5.5 million fewer units were built than would have been expected per the historical average, and because the construction industry was unable to rebound quickly, the country has been significantly below historical levels for more than a decade, all while the population continued to increase.



Some Factors Limiting Supply of *New Construction*

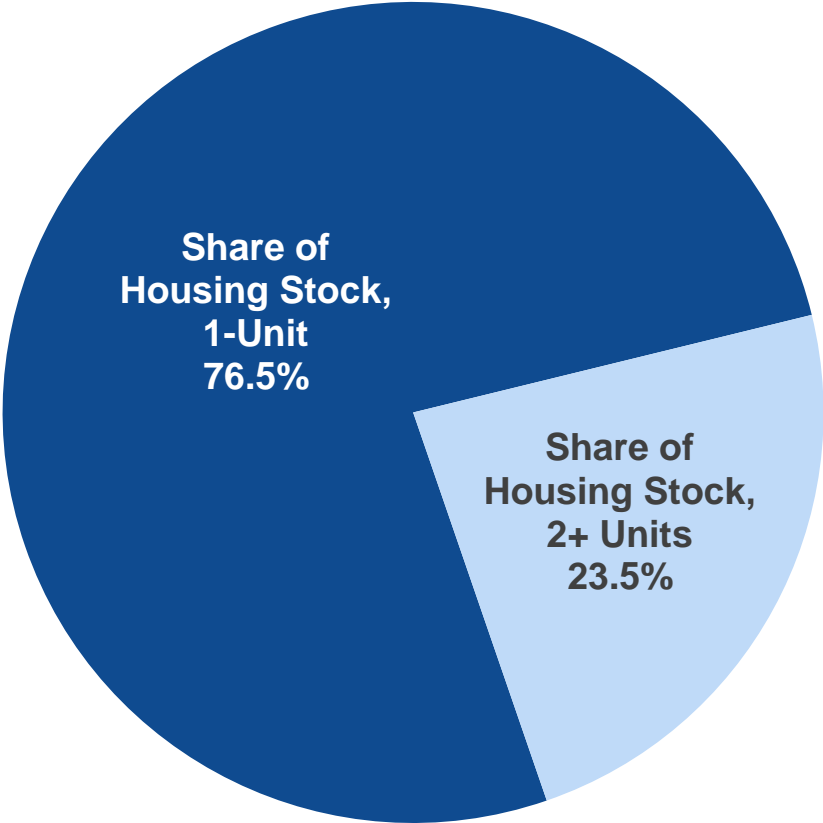
- Builders have been unable to catch up with the rebound in buyer demand since the recession — due in part to limited financing and a scarcity of skilled tradespeople.
- Supply chain issues have slowed delivery times, causing some builders to hold back inventory until they have a better handle on material prices and availability.
- Zoning rules and neighborhood opposition have restricted some developments, especially medium- and higher-density projects, both for purchase and rent.
- Focus on single-family homes (often at higher price points vs. entry-level) to meet consumer preferences and profit margins.

Lack of Density Among Existing Units and Those Being Permitted

Ada County's housing stock is primarily single-family homes ("SFHs") at 76.5%, with the remaining comprised of structures with 2 or more units, including condos, townhomes, apartments. Multi-unit structures, often referred to as multi-family homes ("MFHs") allow for greater density on a parcel, while also generally being more affordable as the land and other construction costs can be spread across the entire project. However, more multi-unit projects are slated for development throughout the county, with 30.1% of all permits approved between January–October 2021 having two units or more.

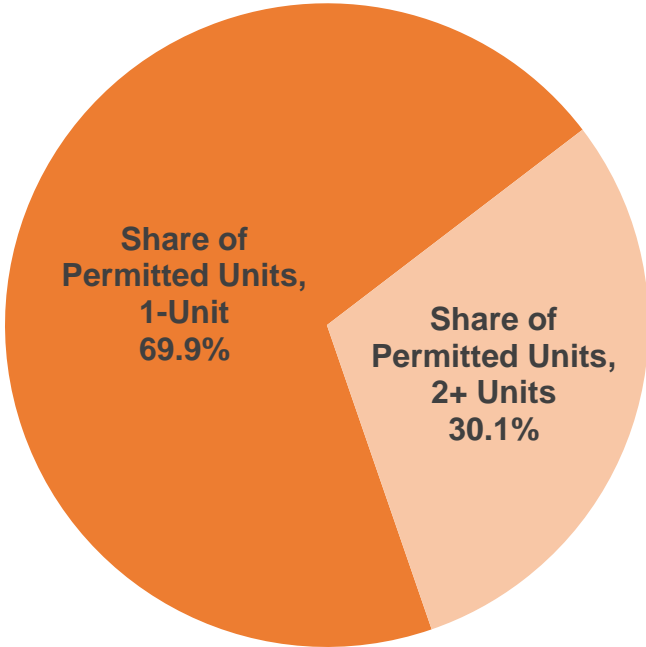
Ada County Housing Stock

2020 estimate; includes 146,396 SFHs and 45,079 MFH units



New Permitted Units in Ada County

2021 YTD thru October; includes 4,613 SFHs and 1,477 MFH units

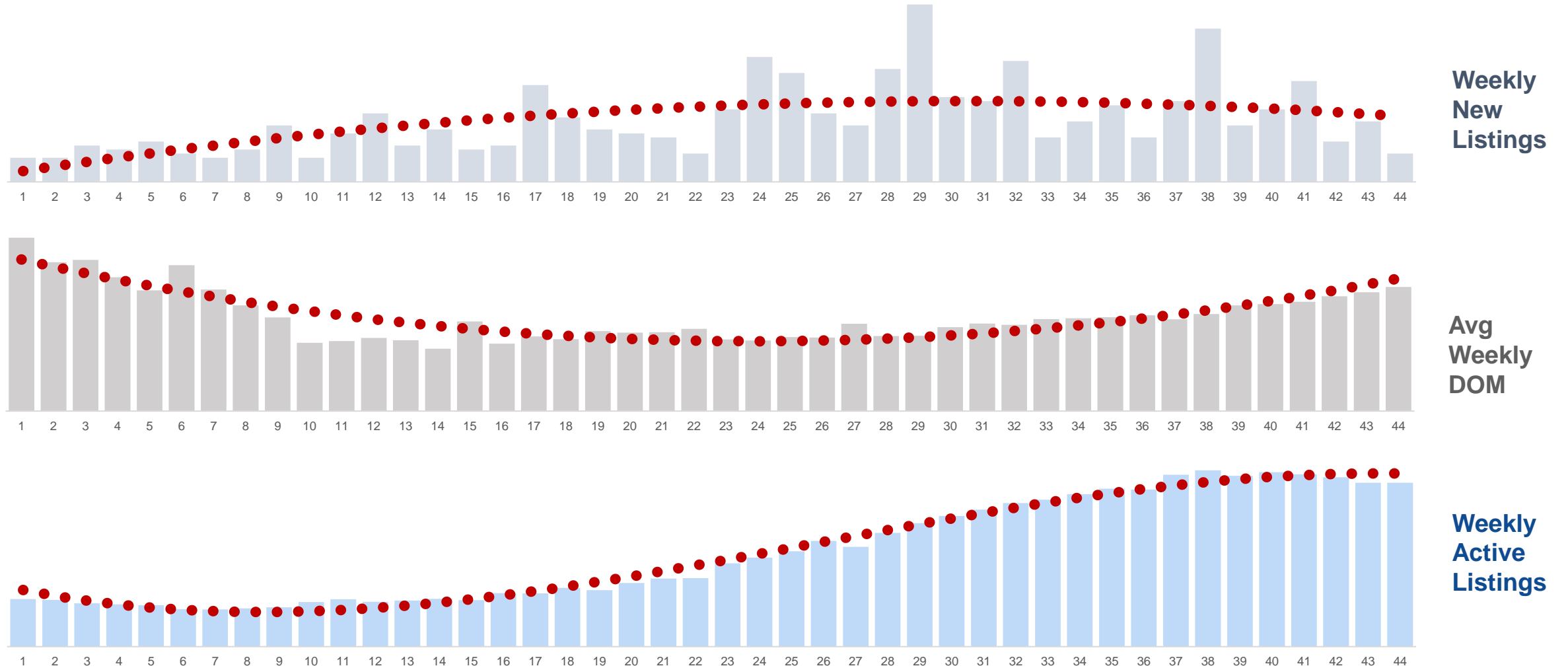


Some Factors Limiting Supply of *Existing/Resale*

- Limited new construction shifted demand to existing homes because they're... *built*.
- COVID-19 kept some homeowners from listing... although that seems to be subsiding.
- People aren't moving as often (avg 13 years in 2018 compared to 10 years in 2015).
 - More people "aging in place" possibly exacerbated by COVID-19 concerns at senior facilities.
 - Surge in refinancing made current mortgage payments more affordable for many.
 - Despite historically high equity and low rates, some feel they cannot "trade up" due to prices.
 - Homeowners delay listing until they find their next home, which takes longer due to limited inventory.
- Investors picked up homes during the Great Recession still holding many as rentals.

Looking Ahead... Housing Supply Should Continue to Rise

The number of homes available for sale in Ada County has been rising steadily each week since February 2021 although we may see a seasonal dip during the winter months. This is the result of more homeowners listing existing properties (likely motivated by rising prices), builders slowly releasing more inventory, and market times rising *slightly*, allowing more unsold properties to be captured in weekly inventory counts. (Horizontal axes show week numbers starting in January 2021.)

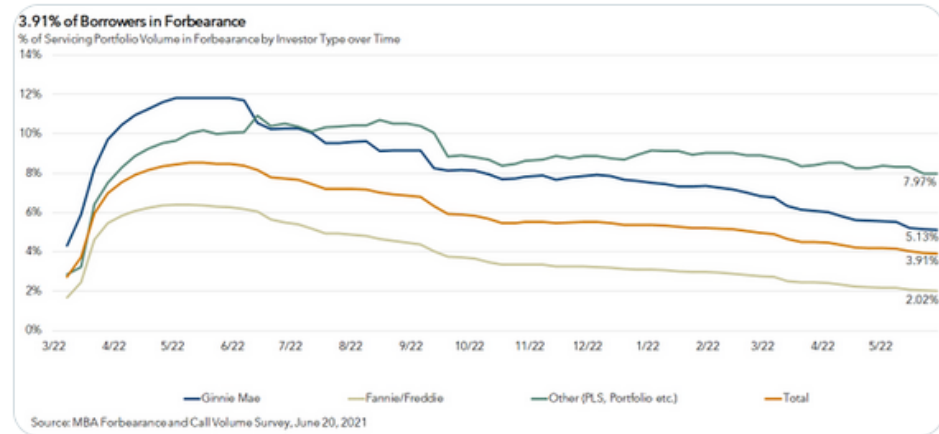


Looking Ahead... Some Distressed Inventory is Expected



Odeta Kushi
@odetakushi

Loans in forbearance fell to 3.91%. Good to see progress. Forbearance is not a permanent solution to housing distress & eventually the emergency protections will expire, but bc so many owners have a considerable equity buffer, we're more likely to see a fcl trickle than a tsunami.



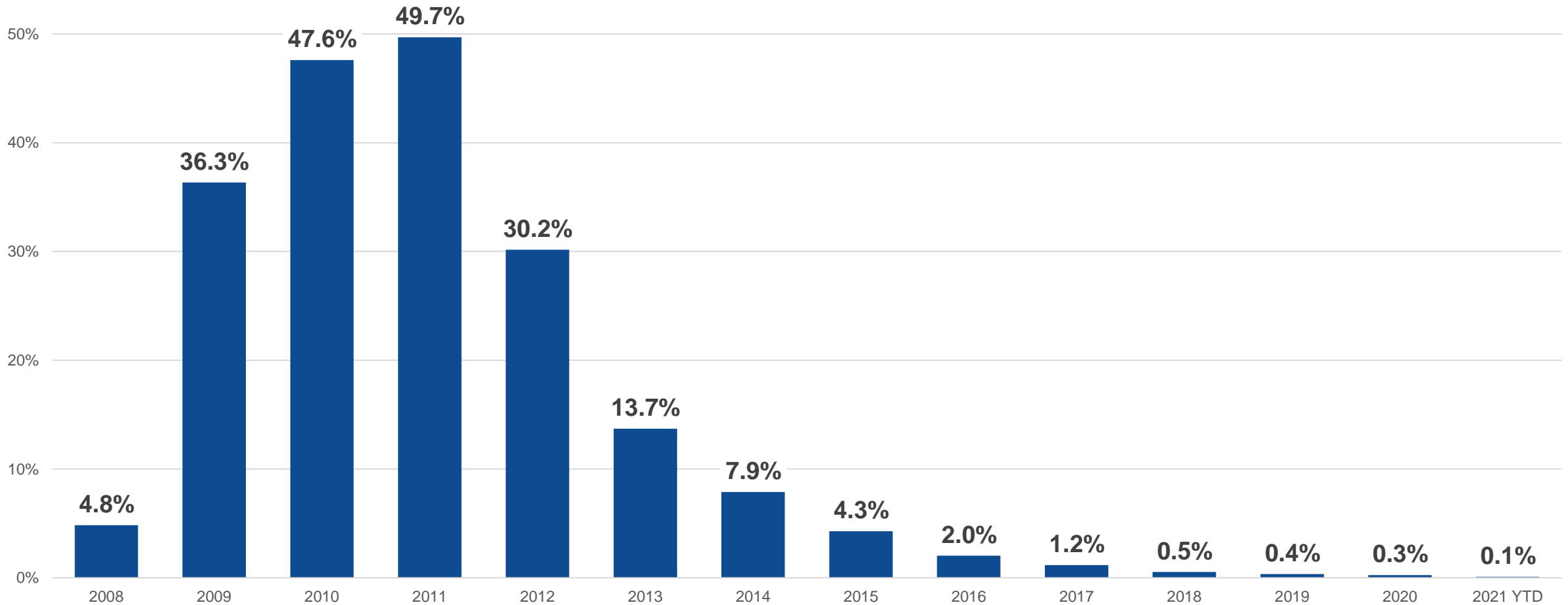
6:53 AM · Jun 29, 2021 · Twitter Web App

Distressed inventory is expected to rise *a bit* as foreclosure moratoria and forbearance programs end; *however*, most economists expect it to remain historically low, and record-high equity should reduce the use of short sales.

As of October 31st, IMLS reported ***just two*** distressed listings in Ada County out of 1,312 total listings.

Share of Closed Sales that were Distressed in Ada County, 2008–2021 YTD

2021 figures based on activity between Jan-Sep while all others are full years. Distressed properties are those listed in IMLS as “HUD Owned,” “In Foreclosure,” “REO/Bank Owned,” or “Potential Short Sale.” Distressed activity peaked in 2011 with 3,247 distressed sales and has been dropping ever since. Through Q3-2021, there were just seven distressed sales. As of October 26, 2021, there were *just two active* distressed listings in IMLS.



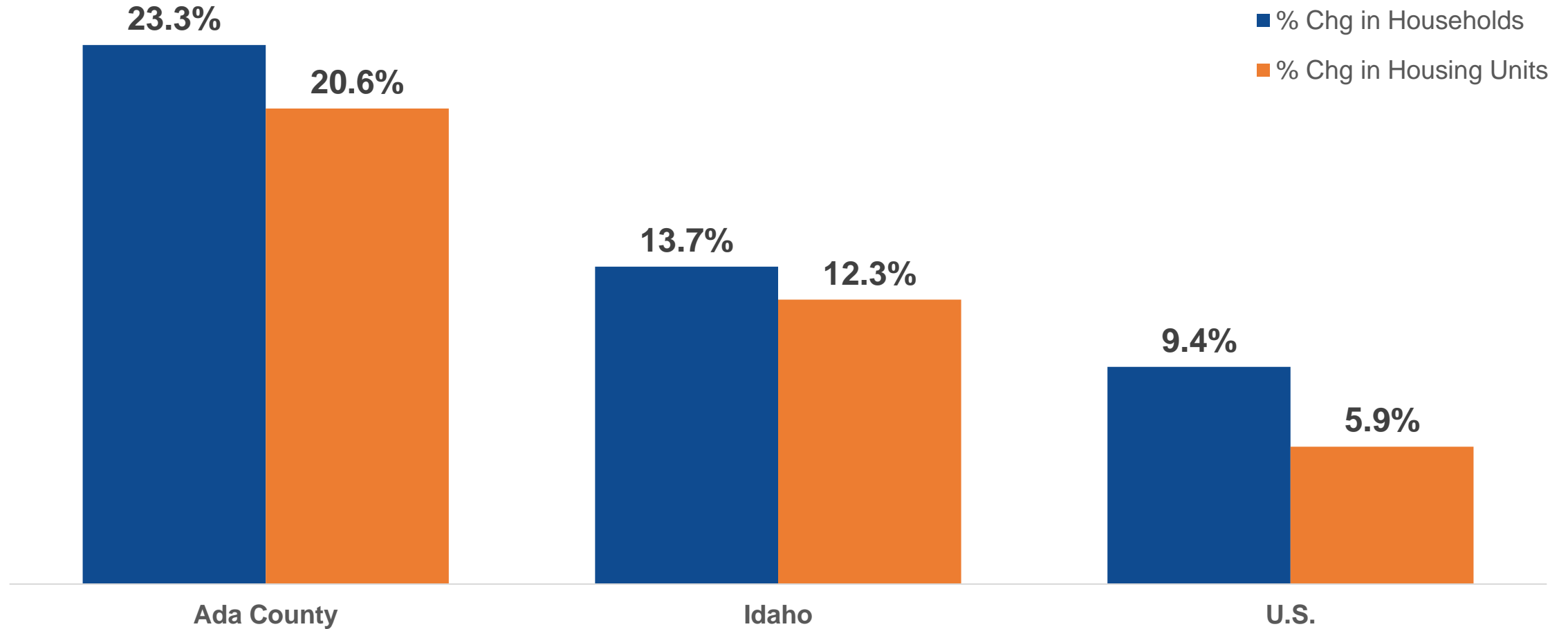
Housing Demand Trends and Forecast

Some Factors Driving *Demand* for Housing

- Millennials “aging into” homeownership and driving the growth in household formation.
- Low mortgage rates and record high equity and savings rates have increased buyers’ purchase power, often allowing for larger down payments and higher and/or cash offers.
- Growth in the economy pre-COVID provided more employment opportunities and higher wages in some sectors, coupled with quick decline in post-COVID UE claims.
- The “Great Resignation” included many early retirements, and the “Great Migration” continues to be fueled by people who can WFH or were able to purchase a vacation home, allowing both groups to move... *anywhere*. And it’s easier than ever to get here, with more direct flights to and from BOI.
- “Fear of missing out” on one of the “hottest” housing markets in the country.

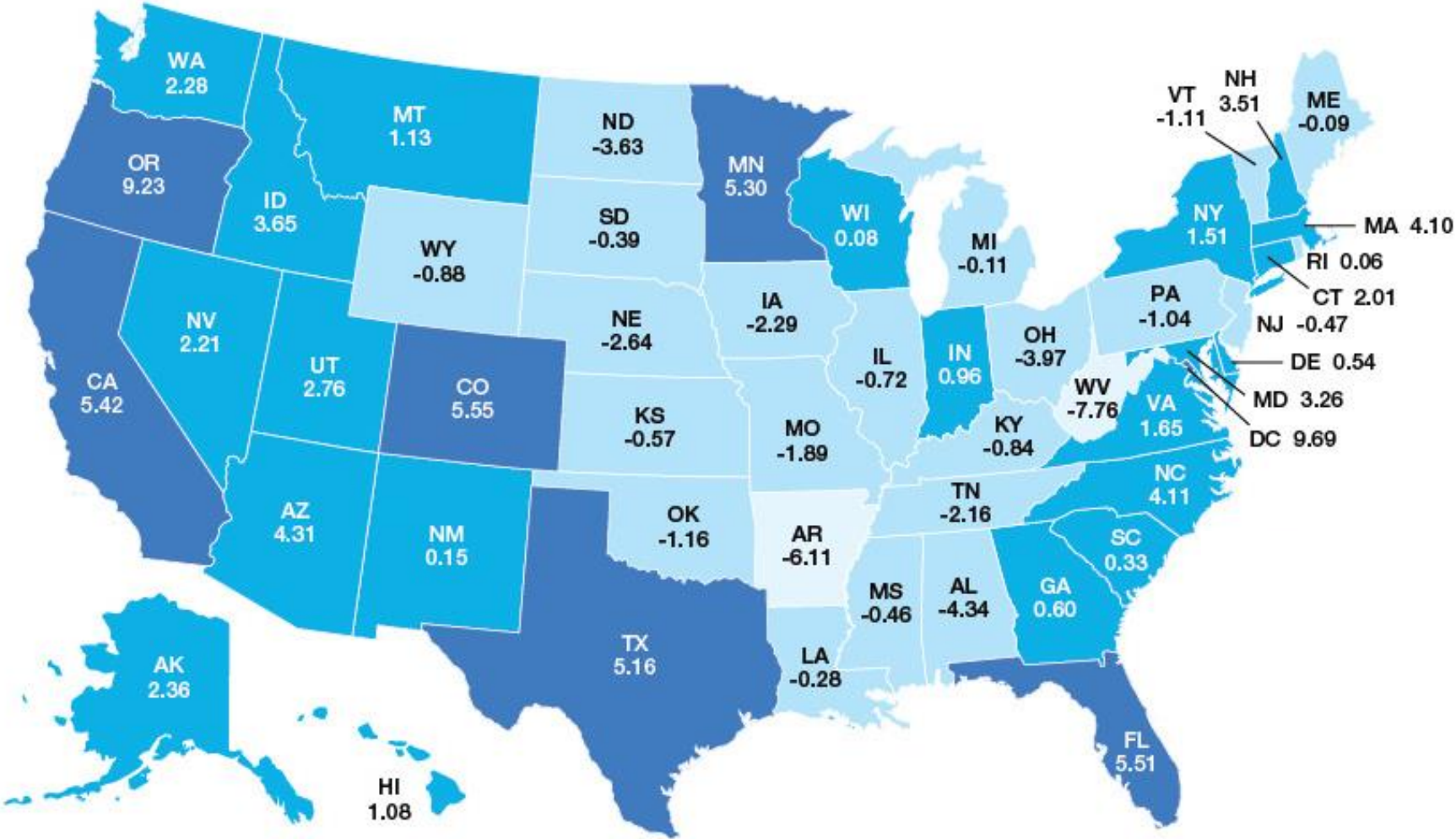
Change in Households and Housing Units, 2010–2019

Per U.S. Census Bureau definitions, a “household” refers to an occupied housing unit, and a “housing unit” includes houses, apartments, or a single room intended to be separate living quarters. While housing units were being added throughout this time period, construction remained historically low. However, household formation grew faster than new units, causing the vacancy rate for to drop, further exacerbating the housing deficit.



Majority of States Faced Housing Deficits, December 2020

Housing units refer to individual single-family homes, apartments, and manufactured homes available for purchase or rent. States shaded dark blue had the largest deficits as of 2020, primarily on the coasts and adjacent states. Those shaded light blue have an oversupply of housing units, based on population, vacancy rates, interstate migration patterns, and existing housing stock. Freddie Mac estimated 29 states had housing deficits in 2020, most notably in OR, CA, CO, TX, MN, and FL, putting added pressure on adjacent states. They estimated the U.S. needs up to 3.3 million more units to accommodate household formations, to replace older existing units, meet any second home demand, and to maintain some level of year-round vacancy. The U.S. Department of Housing and Urban Development (HUD) found similar numbers, estimating 2.7 million units are needed.



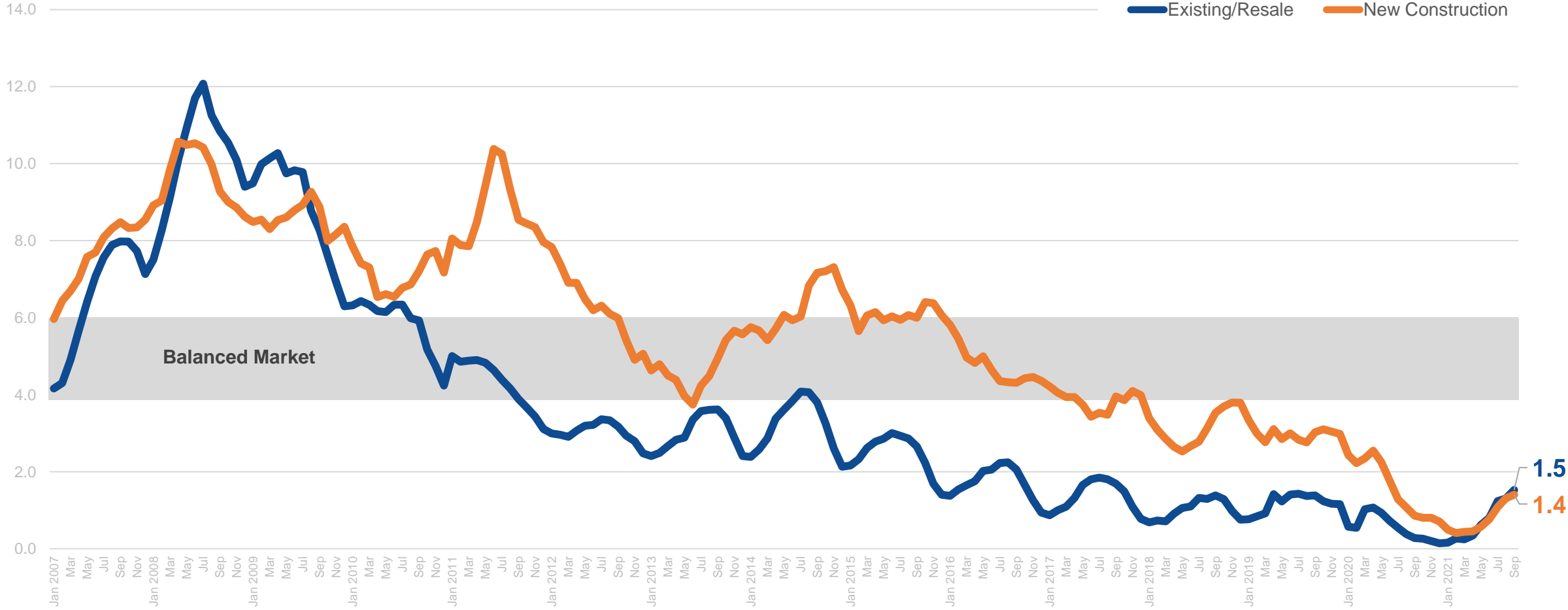
19,425 Additional Housing Units Needed in the Boise MSA by 2023

According to the U.S. Department of Housing and Urban Development (HUD), the Boise Metropolitan Statistical Area (MSA; which includes Ada, Boise, Canyon, Gem, and Owyhee counties) needs 23,950 units of housing by December 2023 to achieve a balanced market. As of this report, there were 4,525 units in process. However, this does not account for need by price point, and much of the new construction is at or above market rate due to the rising cost and scarcity of labor and materials. HUD estimated the MSA's population will reach 822,100 by 2023 but cautions this may slow if home price growth continues, reducing the area's *comparative* affordability.

December 2020–2023	Owner-Occupied	Rental	Total
Total Demand	18,750	5,200	23,950
- Under Construction	3,075	1,450	4,525
= Additional Units Needed	15,675	3,750	19,425

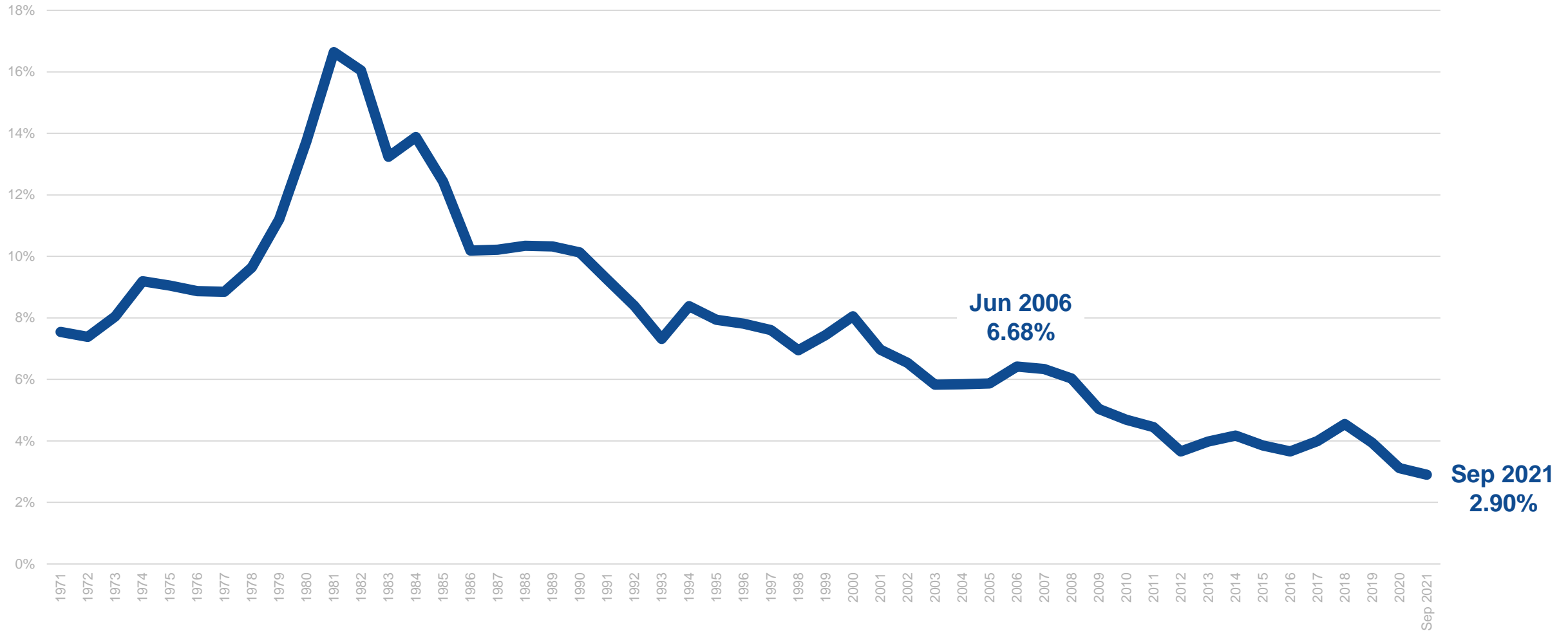
Months Supply of Inventory for Ada County, Jan 2007—Sep 2021

Activity for existing and new single-family homes between Jan 2007—Sep 2021. Months Supply of Inventory (MSI) takes the number of homes for sale divided by the average number of sales by month for the preceding twelve months. A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. As of September 2021, MSI for Ada County was at just 1.5 months for existing homes and 1.4 months for new construction, meaning, if no additional homes were listed starting October 1st, the supply of homes for sale would run out in less than two months. Thankfully, the number of new listings has been increasing weekly.



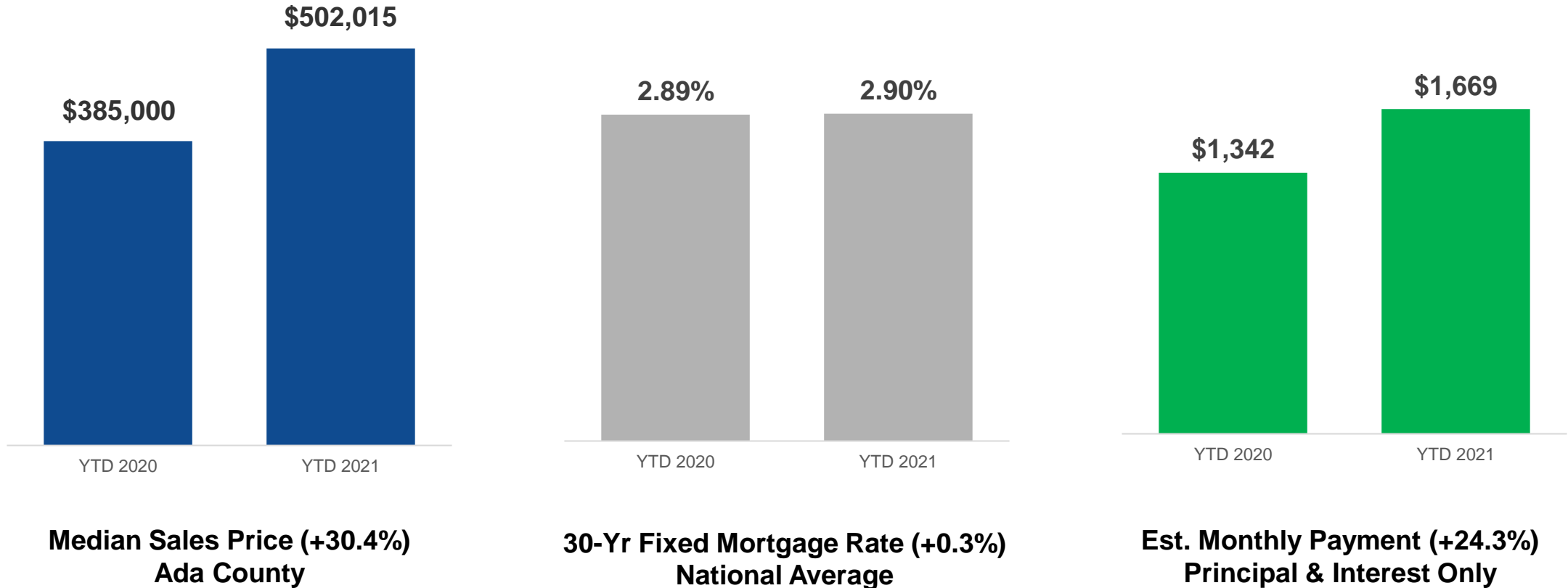
Historical Annual 30-Year Fixed Mortgage Rates for the U.S., 1971-2021

The rate shown for 2021 is as of October. Since today's rates are often compared to those from the 1980s, annual data since 1971 has been included for reference, but 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 June 2006 — down 56% since then — helping some homebuyers purchase despite rising prices, especially for those rolling equity from a recent home sale into their next purchase.



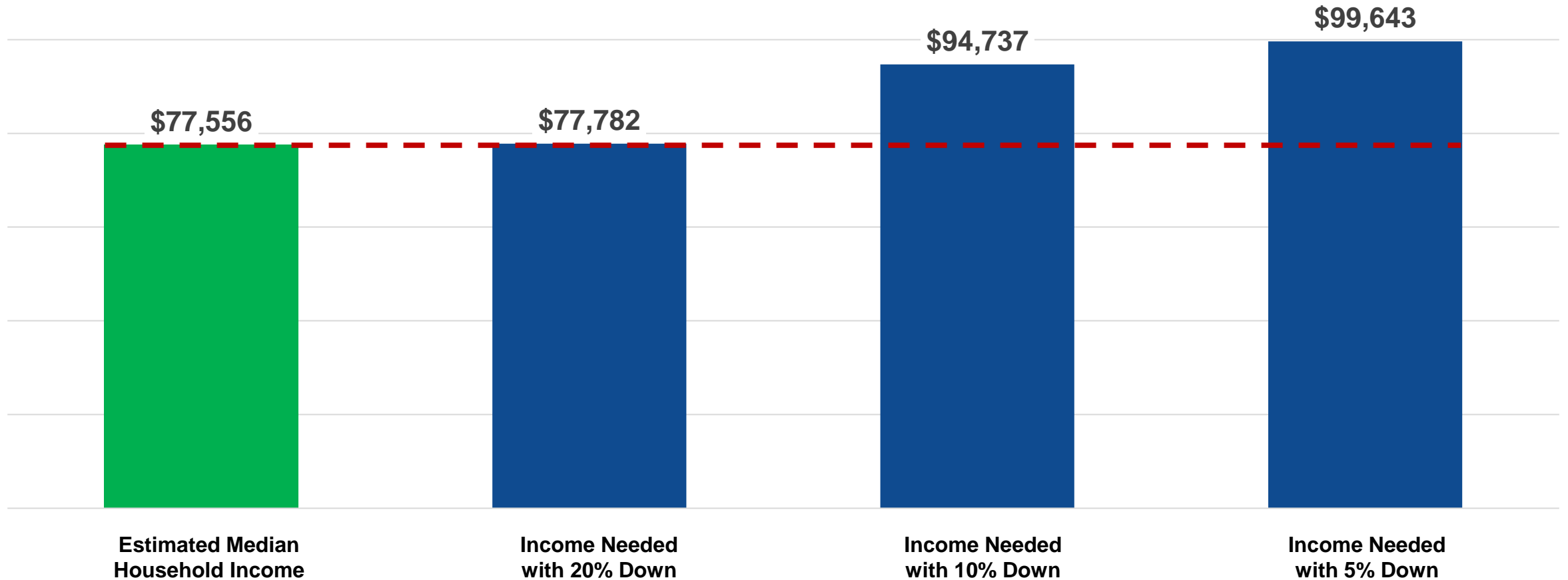
Home Prices Rising Faster than Rates Are Offsetting Monthly Payments

Activity for existing and new construction single-family homes combined, YTD thru September for the years noted. Despite the low rates, the recent increase in prices has increased monthly mortgage payments by \$327, on average, compared to 2020 when it was just \$55 more than 2019. Estimated monthly mortgage payment is based on the median sales price and mortgage rate noted, assumes a 20% down payment, and represents principal and interest payments only. A mortgagee's actual payment will depend on credit, mortgage rate received, down payment, purchase price, etc.



Income Needed to Purchase a Median Priced Home in Ada County

Estimated Median Household Income based on the annual cost of living adjustment (COLA) from the Social Security Administration over 2019 data from the U.S. Census Bureau. Income Needed to Purchase is based on the following assumptions: good to excellent credit, debt-to-income ratio of 28%, typical property taxes and homeowners' insurance. The chart below is based on a median sales price of single-family homes year-to-date through September 2021, which \$502,015 (meaning the price at which half of the homes have sold for more and half have sold for less), and a 30-year fixed mortgage with a rate of 2.9%, also as of September 2021. The actual income needed by a borrower will depend on credit, mortgage rate received, down payment, purchase price, etc.

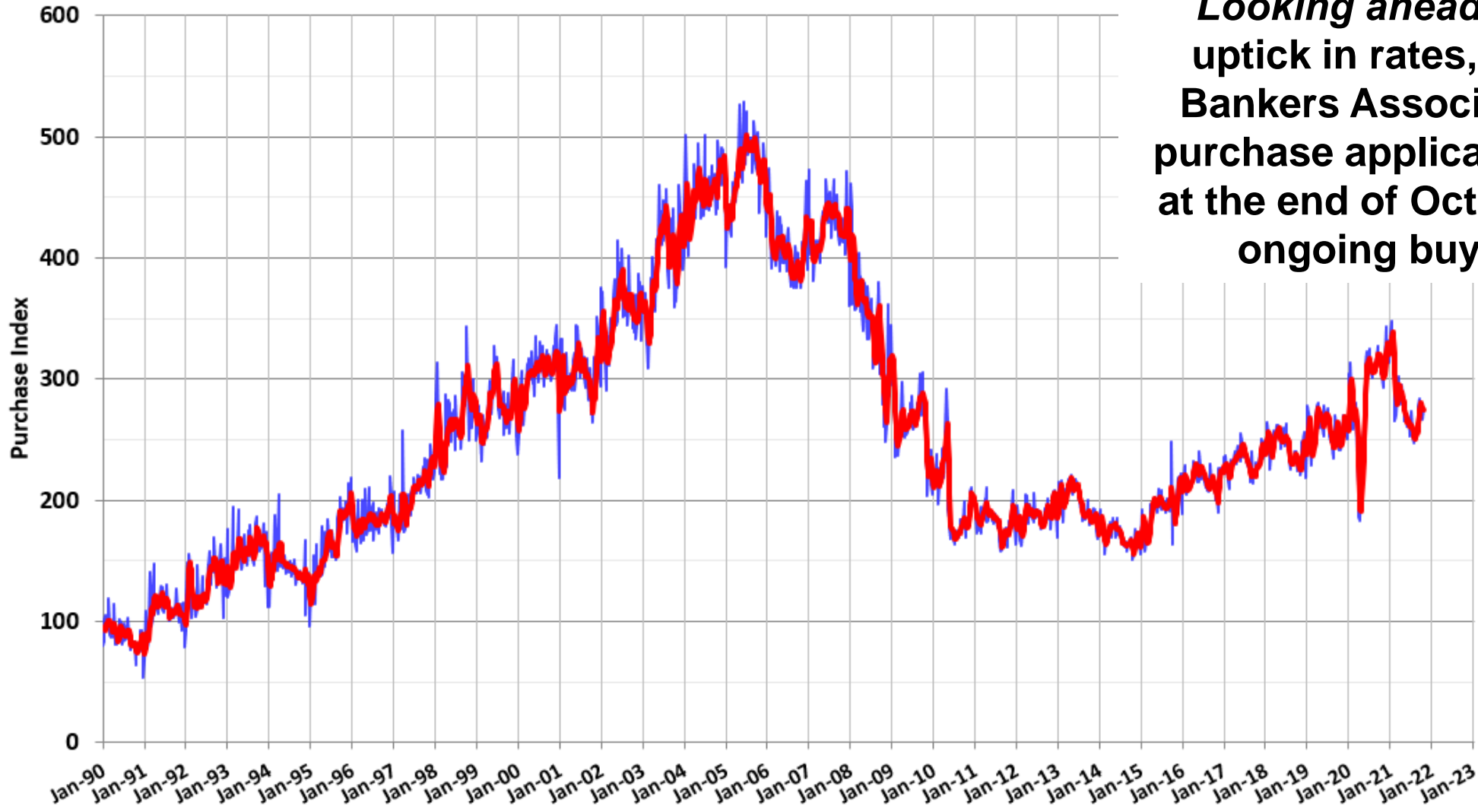


Looking (further) ahead... Economists expect mortgage rates to rise, especially if the Fed tapers its purchase of mortgage-backed securities. If rates rise, it could hold back some buyers and temper price growth; however, they should remain historically low, keeping demand steady.

<i>Avg Rate as of Sep 2021</i>	<i>2.9%</i>
<i>Weekly Rate as of Nov 4th</i>	<i>3.09%</i>
Organization	30-Year Fixed Rate Forecast for 2022
Fannie Mae	3.3%
CoreLogic	3.4%
Realtor.com	3.5%
Freddie Mac	3.7%
Mortgage Bankers Association	4.0%

MBA Purchase Applications Index

— Purchase Index — 4 Week Moving Average



Looking ahead... Despite an uptick in rates, the Mortgage Bankers Association reported purchase applications picked up at the end of October, indicating ongoing buyer demand.

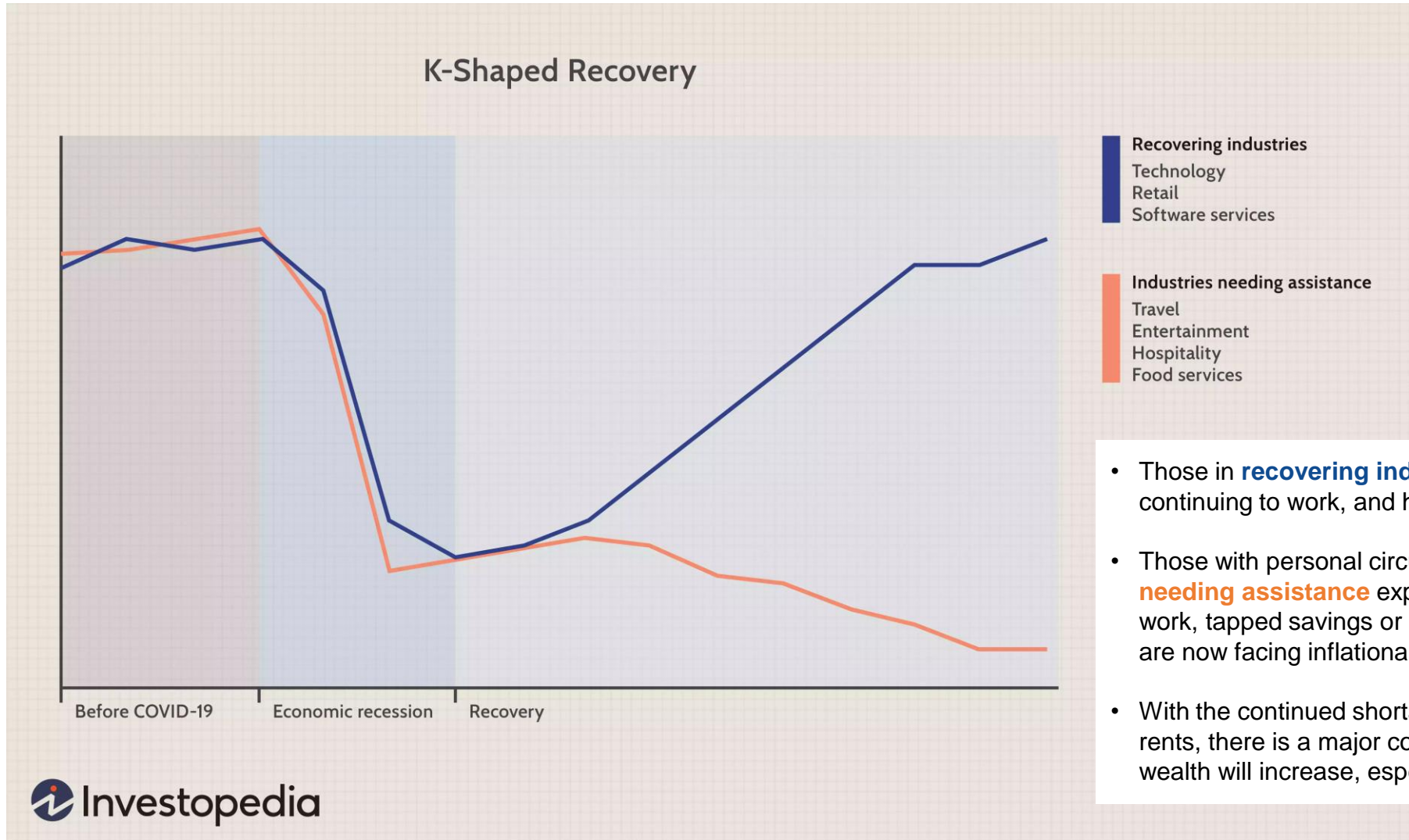
<http://www.calculatedriskblog.com/>

Impact and Ongoing Effects of the Pandemic

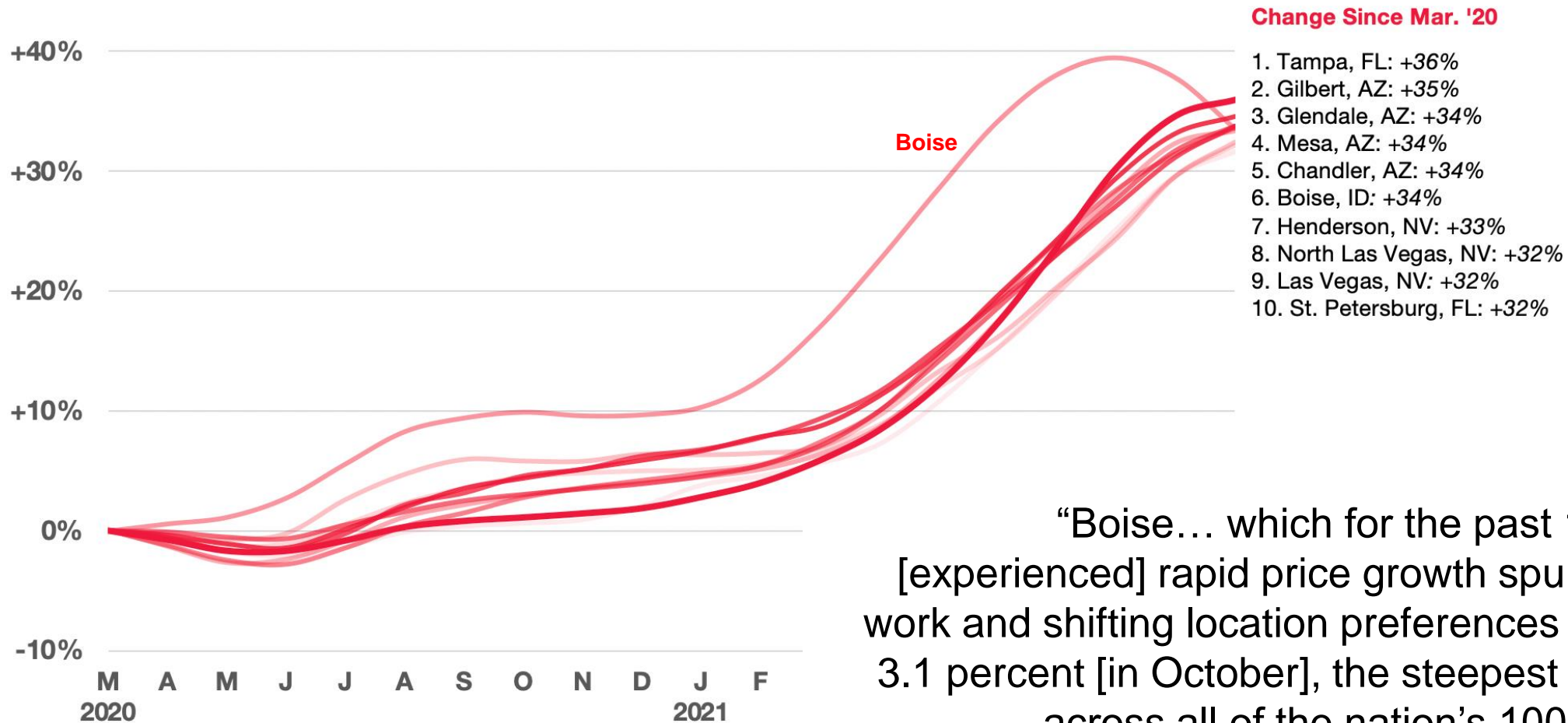
In 2020, we discussed whether we would experience a V- or W-shaped recovery, and cited a few positive trends in place at that time...

- **Low vacancy rates** — so not as many empty houses in place *if* foreclosures would have increased — which have further decreased due to the insufficient supply vs. demand
- **Low mortgage delinquency rates** — which has gone even lower, especially in Idaho
- **Large home equity cushion** — which has further increased, particularly in Idaho
- **Pent-up buyer demand** paired with lower debt payments, higher personal savings rates, and low mortgage rates (3.2% in 2020 vs. 6.4% in 2006)
- **Comparative affordability** vs. nearby markets, plus desire to relocate from dense metros — while relocations have continued, affordability has worsened due to the insufficient supply vs. demand

What we are *actually* experiencing is a K-shaped recovery...



From ApartmentList.com: Rent Change Since March 2020 Among Ten Cities with the Largest Rent Increases



“Boise... which for the past 18 months has [experienced] rapid price growth spurred by remote work and shifting location preferences [saw rents fall] 3.1 percent [in October], the steepest drop observed across all of the nation’s 100 largest cities.”

Financial assistance for property owners and renters...



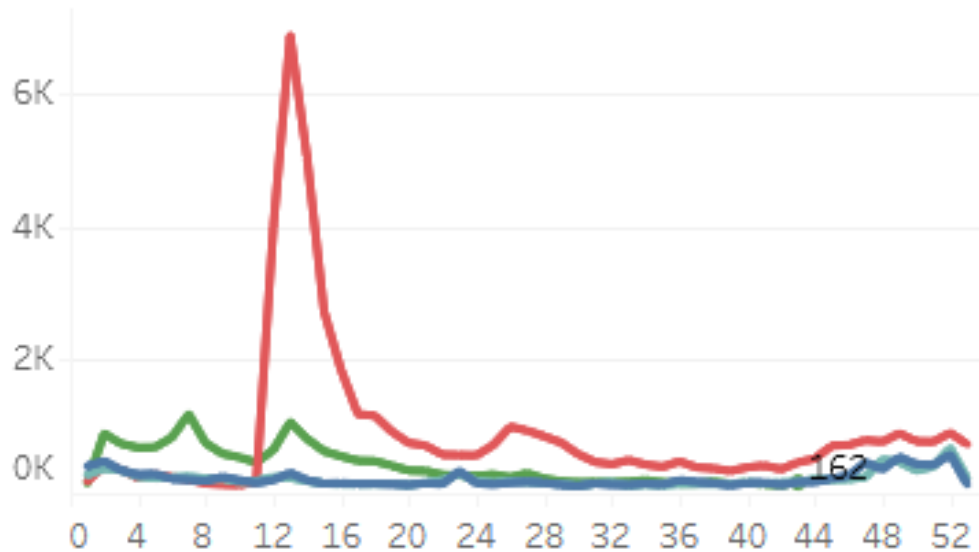
Find local resources at idahohousing.com/covid-19, erap.bcacha.org, jessetreeidaho.org, and eladacap.org, search "Payment Assistance" at boirealtors.com and to access guides from NAR to share with clients in need.

Weekly Unemployment Claims for Ada County, Back to Historical Norms

Week Ending: October 23, 2021
Initial Claims (UI Regular) - Ada County

Historical Initial Claims

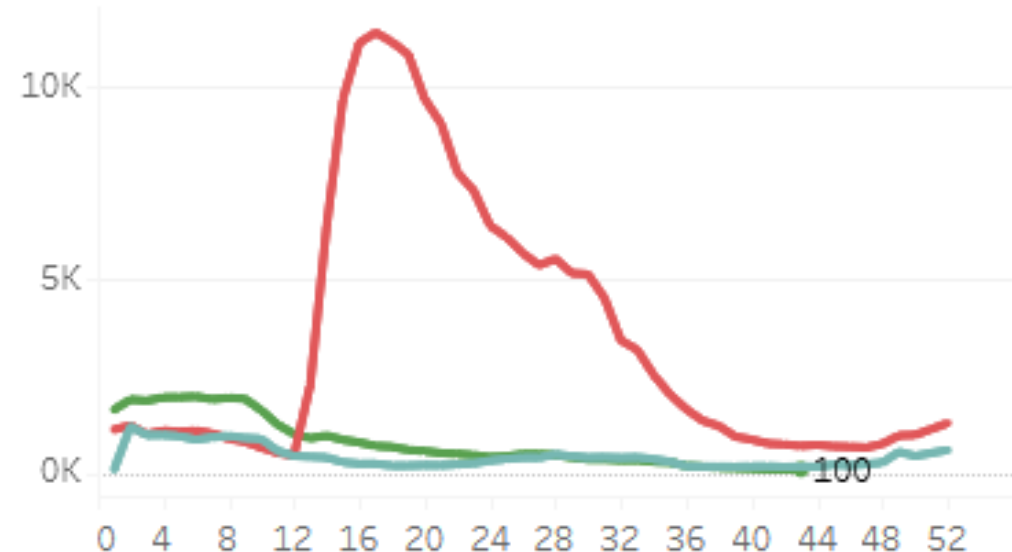
■ 2018 ■ 2019 ■ 2020 ■ 2021



Week Ending: October 23, 2021
Continued Claims (UI Regular) - Ada County

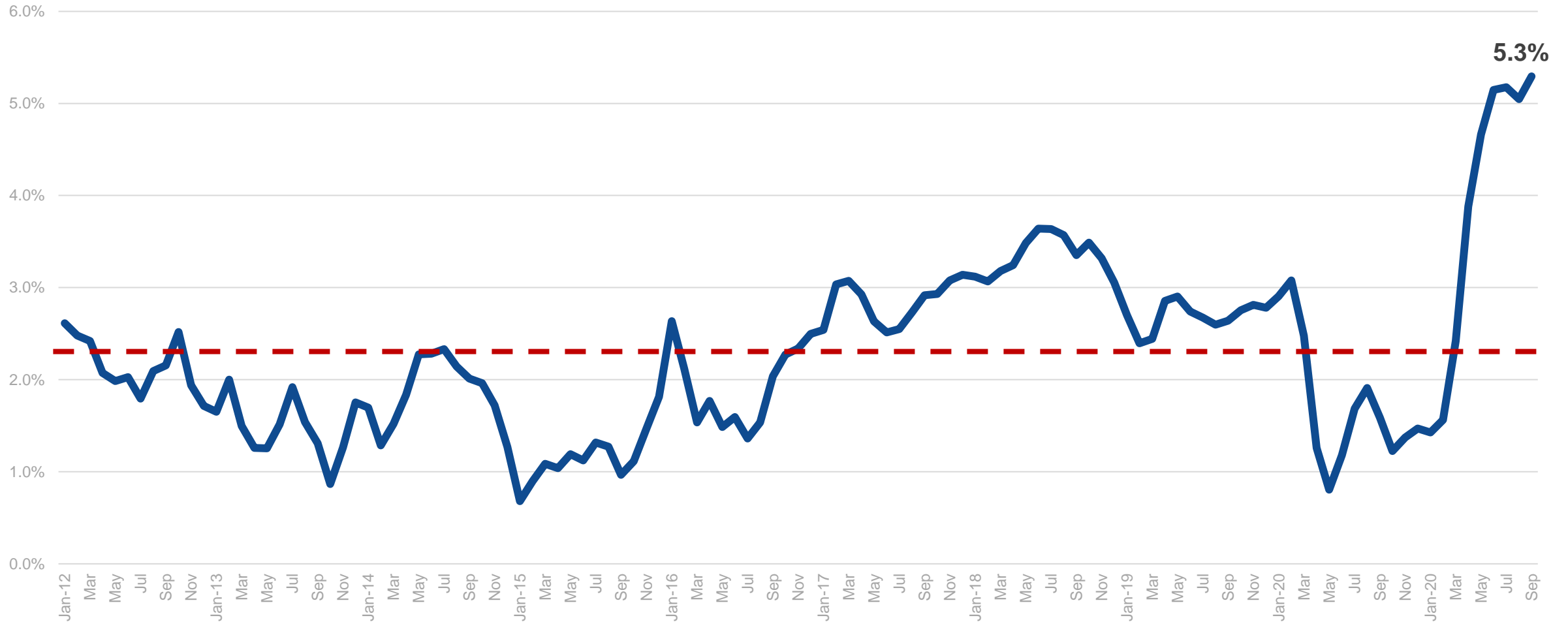
Historical Continued Claims

■ 2019 ■ 2020 ■ 2021



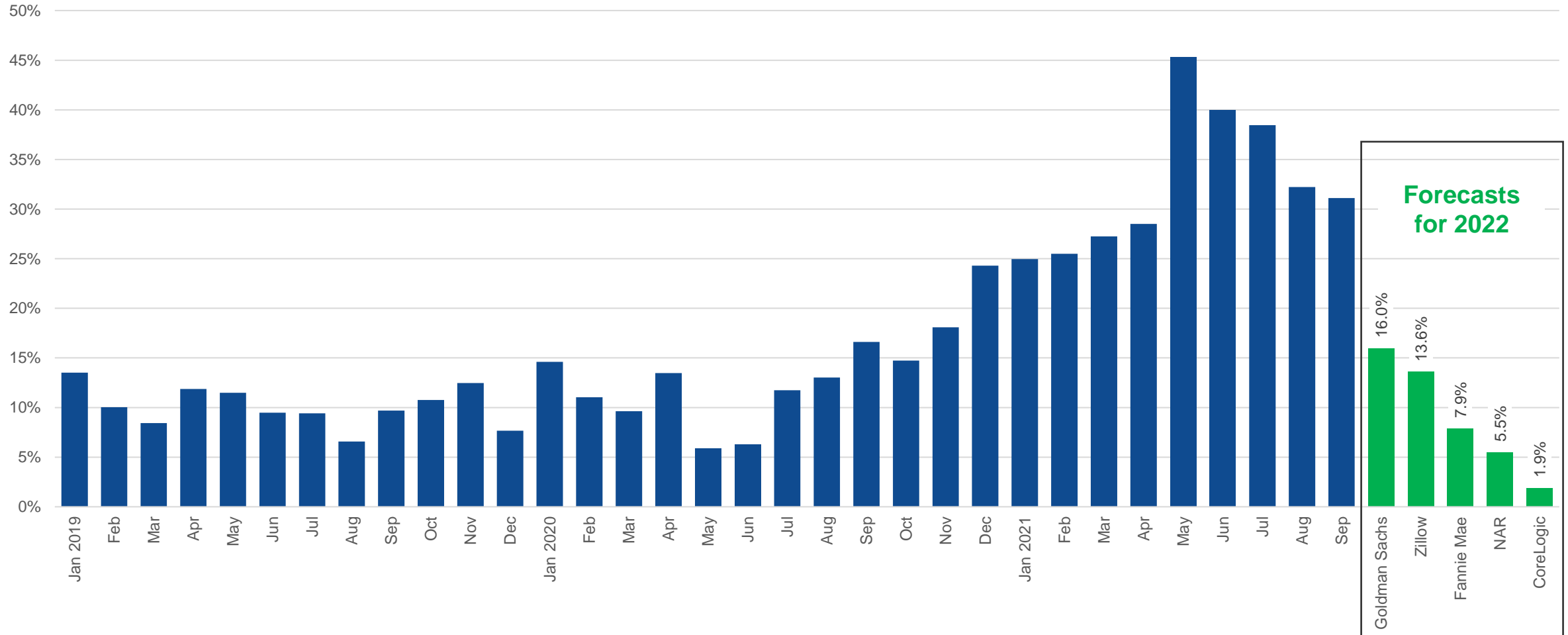
Looking Ahead... Real Estate as a Hedge Against Inflation

Inflation is measured as the year-over-year percent change in the Consumer Price Index (CPI), which reached a record high of 5.3% for the Western U.S. in September 2021. Home price growth has outpaced that in recent years, and while most economists don't expect the same level of price growth to continue, many are forecasting home price growth at rates higher than inflation into 2022 outpace inflation. This could encourage investment in real estate as a hedge against it over the near-term for some, but for others, rising costs make saving for a down payment, for example, more difficult.

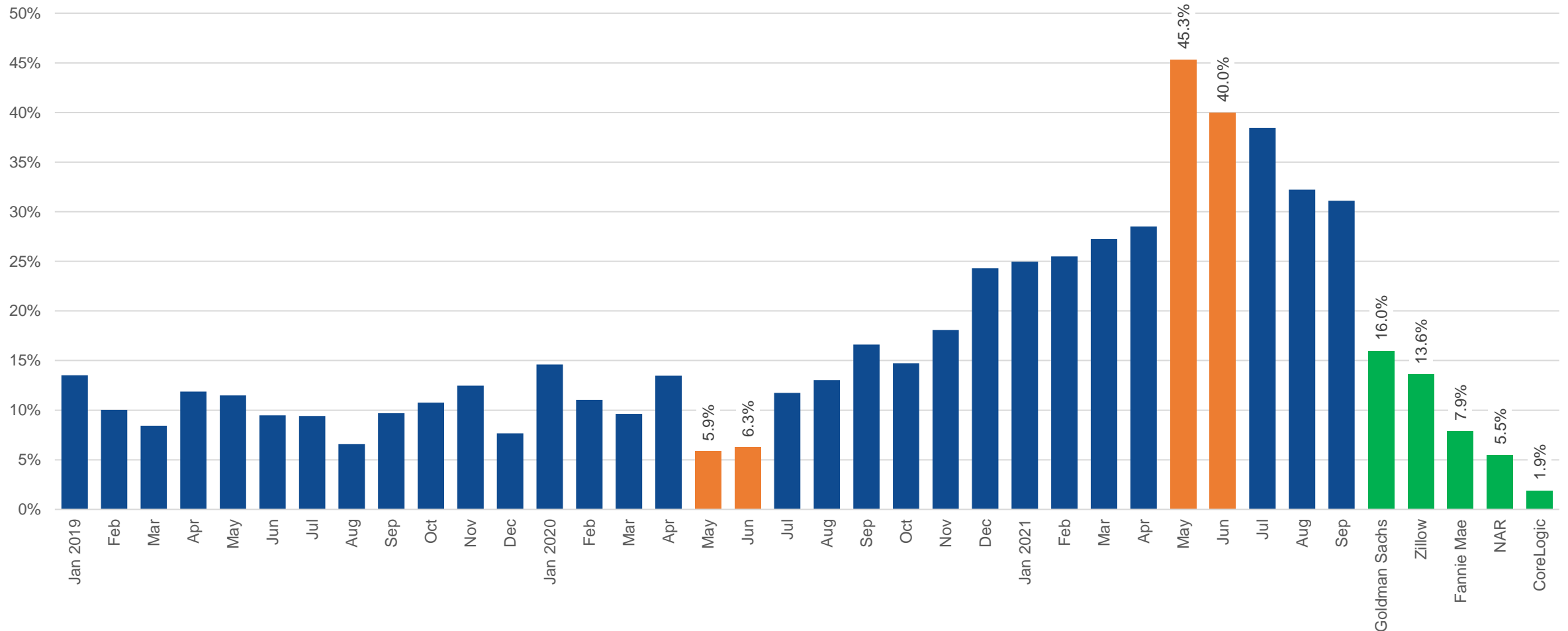


Looking Ahead... Price Growth Expected but at Slower Rate

Year-over-year change in median sales price by month for existing and new construction single-family homes combined in Ada County. Home prices have been rising steadily year-over-year, reaching a record 45.3% increase in May 2021 compared to May 2020. Looking ahead, most economists predict that prices will continue to rise but at a slower pace. While some are more bullish than others on price growth, the differences are based on uncertainties with inflation and its effect on mortgage interest rates.



One more note... Year-over-year comparisons were highly skewed in 2021. May 2020 reflects sales activity from March and April 2020 when things were severely restricted. Then spring 2021 market was very active and competitive, pushing prices up significantly, making May 2021 gains look extreme in comparison.



The Pandemic Spurred Sales of Vacation and Second Homes

The National Association of REALTORS® classifies “a county as a ‘vacation home county’ if the vacant housing for seasonal/occasion/recreational use accounted for at least 20% of the housing stock, [which is approximately] 10.3% of U.S. counties.” While the Boise metro isn’t considered a “vacation county” in this report, we know anecdotally it is considered a second home location by many from nearby metros. However, many of the communities surrounding Boise and around Idaho have seen tremendous growth by people looking to move away from larger cities, seeking mountain getaways for vacation or year-round use.

- In 2020, vacation home sales rose 16.4%, outpacing the growth in total existing-home sales of 5.6%.
- In 2020, the median existing-home sales price typically rose by 14.2% in vacation home counties, compared to 10.1% in non-vacation home counties.
- During January-April 2021, 53% of vacation home sales were all-cash and 77% of vacation home buyers made a down payment of at least 20%.
- The median sales prices in vacation home counties rose at the strongest pace in the Mountain division (AZ, CO, ID, MT, NV, NM, UT, and WY).
- Existing home sales rose by 24.2% on average in vacation home counties, more than double the 11.2% annual pace in non-vacation home counties.
- Bonner County was one of the vacation home counties in the report, that saw the largest domestic net in-migration in 2020, increasing by 1,130 residents.



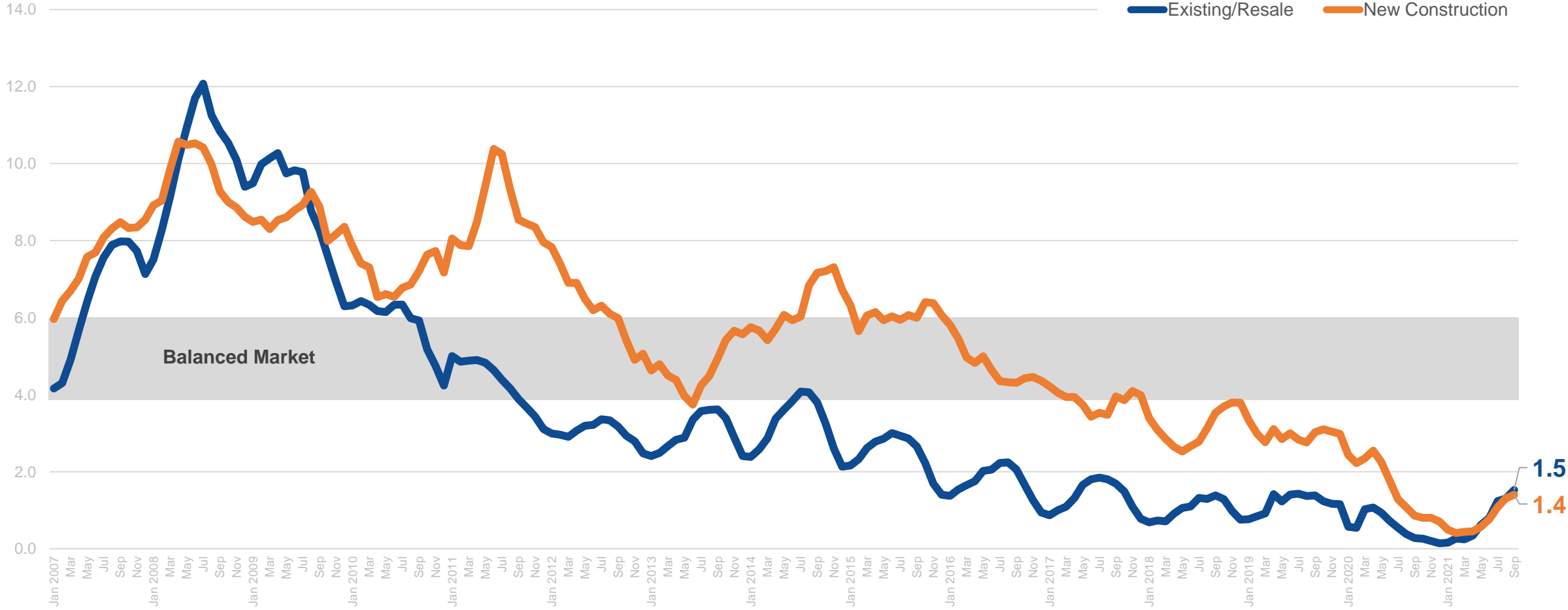
What We're Watching...

What we'll be watching...

- Weekly mortgage rates and purchase application activity for changes in demand.
- Weekly new listing activity and average list price for changes in supply and price.
- Days on market and the number of price reductions for changes in market pace.
- Share of homes that sell over list price and for how much — which has been declining — 60% in May, to 30% in September, and we expect it to be closer to 20% in October.
- REALTOR® sentiment shifting from “this market is **crazy** fast and competitive” to “this market is fast and competitive.”
- Local and national population growth rates for to gauge long-term demand.

Months Supply of Inventory for Ada County, Jan 2007—Sep 2021

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Whether it's up or out, our region needs a more diverse supply of homes.

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

BRR is supportive of 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.



**\$100,000 donated in 2020
and 2021 to local nonprofits,
providing supportive services for
those facing housing insecurity:**



**\$350,000 Donation to LEAP
Housing Trust from BRR and IMLS**



Market Research and Legislative Updates and Coalitions

Register for the monthly advocacy newsletter: boirealtors.com/advocacy-newsletter

Ada County – Single-Family Homes

June 2020 Market Statistics

Key Metrics	Jan 2019	Jun 2020	% Chg	YTD 2019	YTD 2020	% Chg
Closed Sales	1,100	1,147	3.4%	5,073	5,073	-5.1%
Median Sales Price	\$252,851	\$275,000	8.7%	\$337,490	\$368,734	9.1%
Days on Market	21	20	-4.8%	21	21	-17.5%
Pending Sales	1,750	877	-49.4%	1,750	877	-49.4%
Inventory	1.5	1.0	-33.3%	1.5	1.0	-33.3%
Months Supply of Inventory	1.5	1.0	-33.3%	1.5	1.0	-33.3%

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Data from the InterMountain MLS as of July 31, 2020

ADA COUNTY SINGLE-FAMILY HOMES

Boise Regional REALTORS® Market Snapshot: September 2021

\$534,950

Median Sales Price

+31.1% Year-Over-Year

998

Homes Sold

-19.3% Year-Over-Year

19

Days on Market


-26.9% Year-Over-Year

1,249

Inventory

+165.7% Year-Over-Year

Provided by Boise Regional REALTORS® • BOIREALTORS.COM
Data from the InterMountain MLS as of October 10, 2021




BOISE REGIONAL REALTORS®
POLITICAL ACTION COMMITTEE

Friends,

As we move into the middle of summer, we have new advocacy share.

Here are some recent updates from the National Association of REALTORS® (NAR):

- [NAR issues statement on Supreme Court's CDC Eviction Moratorium](#)
- [NAR Congratulates New Acting Director of the FHFA](#)
- [Supreme Court Upholds Private Property Rights](#)
- [Coronavirus: Housing Providers FAQs](#)




CANDIDATE TRAINING ACADEMY

HAVE YOU EVER CONSIDERED RUNNING FOR PUBLIC OFFICE?

Join us for our Candidate Training Academy. You need to run a successful campaign and polling experts from the National Association of REALTORS® and campaign managers and media.

Boise Regional REALTORS® (BRR) and Western Magic Valley REALTORS® are hosting a Candidate Training Class for anyone interested in running for public office. We will be joined by campaign and polling experts from the National Association of REALTORS® and campaign managers and media. This is a step necessary to run a successful campaign. The class is a 3-hour class on Wednesday, August 4, 9:00 a.m. - 5:00 p.m., in person at the Western Magic Valley REALTORS® office and via Zoom for virtual attendance. Cost is \$25 for a REALTOR® and non-REALTOR®. Click the [link to register](#) and email me if you have any questions.




BOISE REGIONAL REALTORS®
POLITICAL ACTION COMMITTEE

Friends,

Happy New Year! As we look to the year ahead, we are hopeful that a sense of normalcy and in person interaction is in the cards at some point this year. Our local market stats show inventory is increasingly limited and we continue to work with local elected officials to manage this and other growth issues. Idaho REALTORS® (IR) and National Association of REALTORS® (NAR) are also hard at work on new proposals.

President Biden and his administration have some big ideas to increase housing affordability and help first time homebuyers. One specific proposal aims to create a \$15,000 first time home buyer tax credit. NAR is excited to support this proposal as a way to help first time home buyers realize the dream of homeownership.



NAR will also advocate for additional tax incentives for homeownership, construction of affordable housing, preserving the critical 1031 like-kind exchange, and more COVID relief to help members.

Below are some additional links provided by NAR that are worth a read:

- [Treasury releases FAQs on emergency rental assistance](#)
- [DOL issues final independent contractor rule](#)
- [NAR housing coalition letter on rental assistance priorities](#)
- [Final drone rules released](#)
- [REALTORS® unveil updated and expanded research on its Fannie, Freddie Utility Proposal](#)
- [Real Estate Forecast Summit featuring Dr. Yun](#)

Thank you!

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