



Idaho Association of REALTORS®

**Presentation to the 2007 Joint Legislative
Economic Outlook and Revenue Assessment
Committee**

prepared by

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The Voice for Real Estate in Idaho

1450 West Bannock, Boise, Idaho 83702
Phone: 208-342-3585 Fax: 208-336-7958

- The Real Estate and Construction Industries remain one of the largest sectors of the Idaho economy, generating tens of millions of dollars in tax revenue for the state through both sales and income taxes.
- Active construction and real estate markets at the local level generate millions for local governments in new property tax revenues.
- In 2006 we experienced a mild correction in the Idaho Real Estate market.

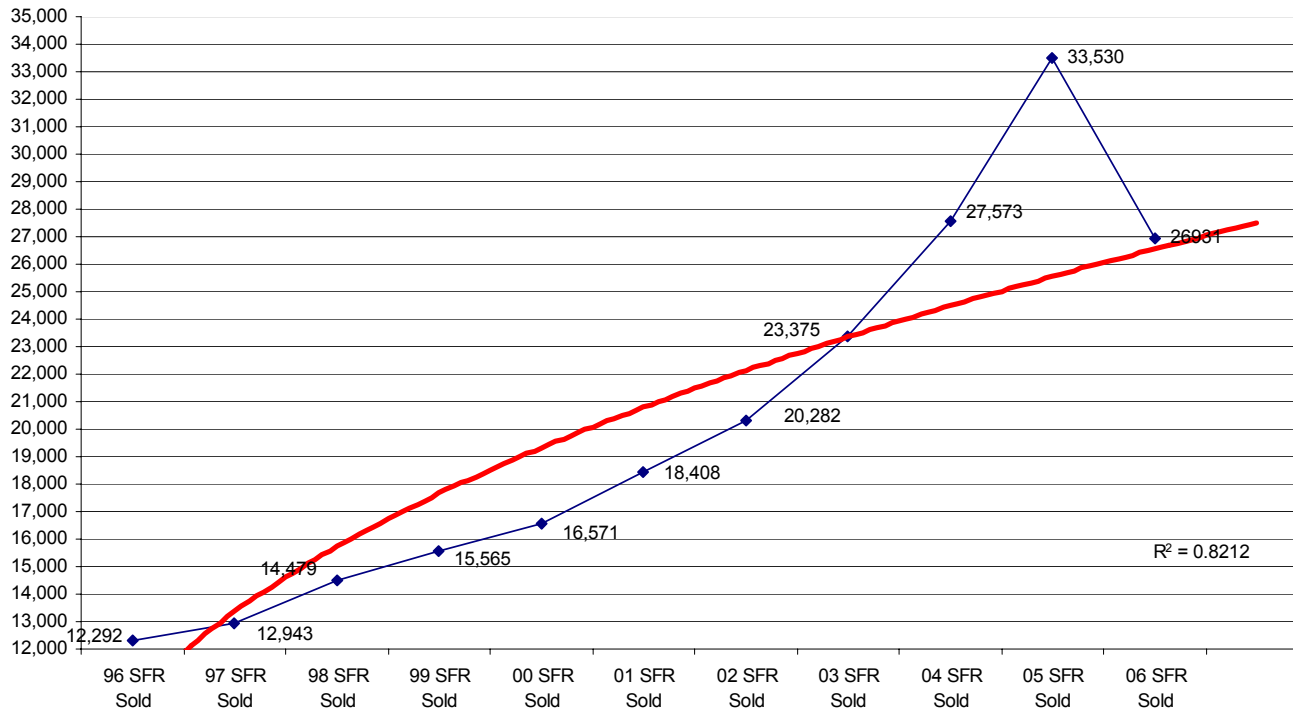


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Tracked Single Family Residential Units Sold Statewide



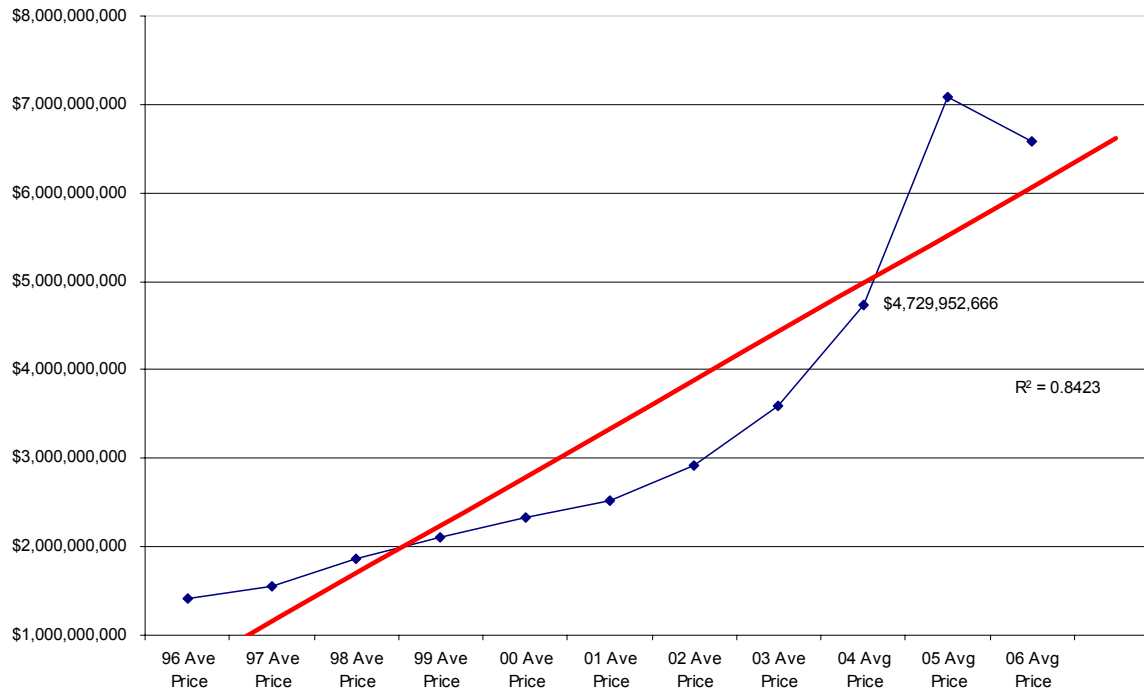


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Total Dollar Volume





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2006 SALES

- More than 26,000 tracked sales of single family residences is still down 20 percent from record year of 2005.
- More than \$6.5 Billion in sales volume is down 7 percent.
- Price appreciation was 15.5 percent.



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CHANGING IDAHO MARKET

- Investor market has dried up due to uncertainty in market.
- Represents up to 25 percent of the market.
- Excess of stock caused slowdown in permit volume.
- There is no bubble in the Idaho real estate market.



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WINDING DOWN TO AN EXPANSION

- 2002-2005 saw unprecedented growth in the market.
- Total dollar volume went from \$3 Billion to \$7 Billion.
- Sales increased from 20,000 to 33,500.
- Successive record years are not sustainable.
- We are experiencing a boom winding down to an expansion.
- Sales will rise at a more measured pace for the rest of the decade.



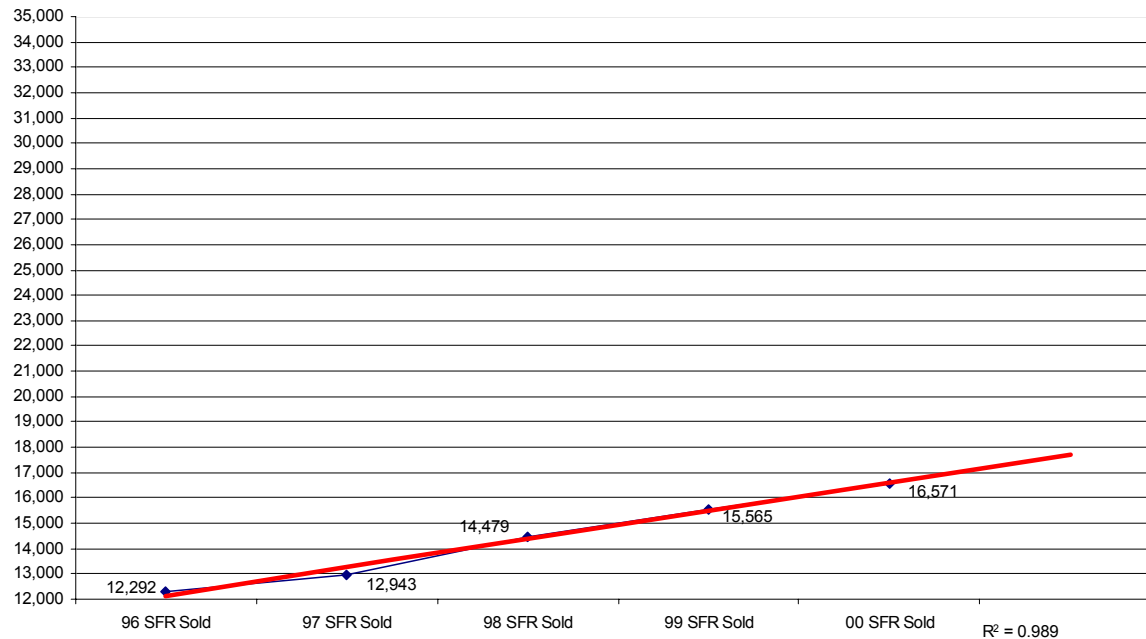
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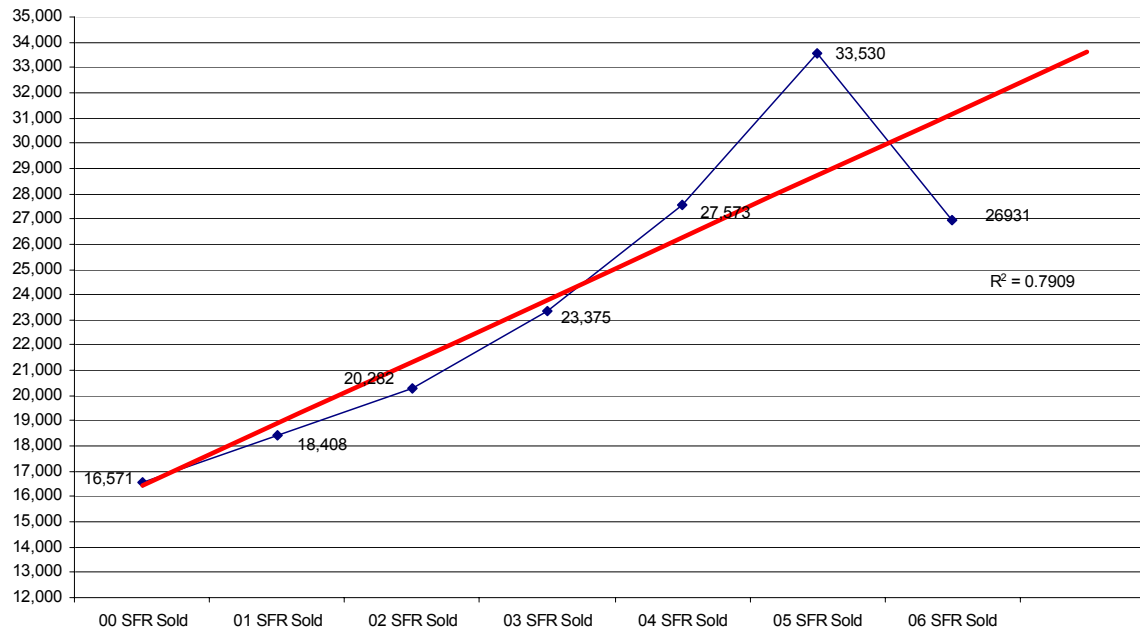
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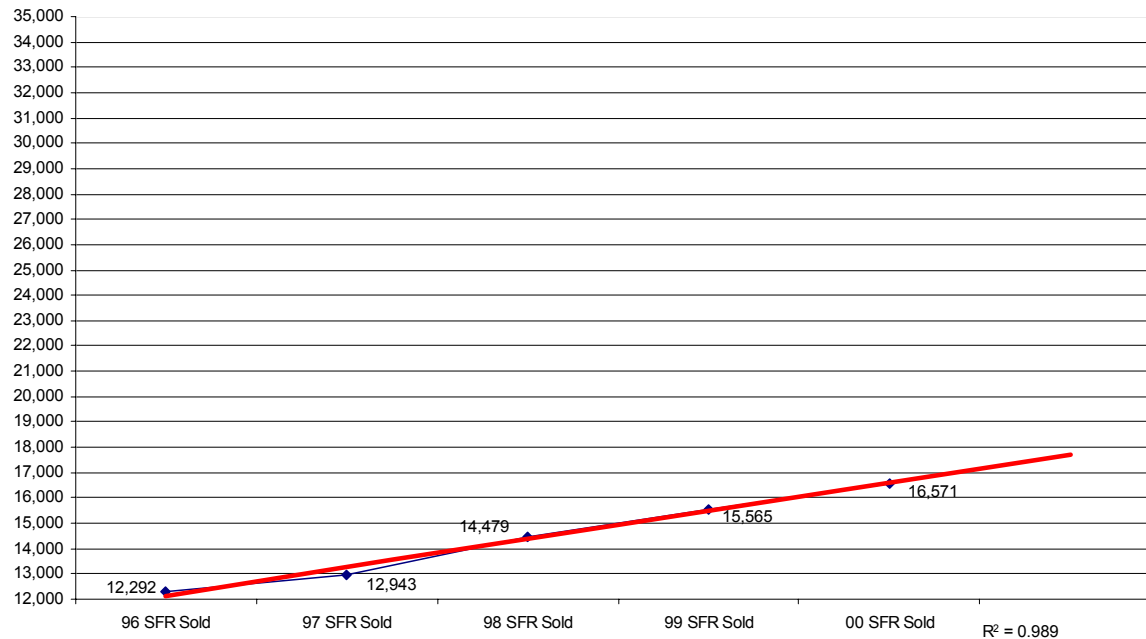
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STRONG ECONOMIC INDICATORS

- Net in-migration
- Low unemployment
- Strong commercial markets
- Healthy consumer spending
- Increased business spending



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NATIONAL MARKET IMPROVING

- NAR reports total home sales rose for the third straight month.
- National Housing Affordability Index rose for the fourth straight month.
- Current HAI is 110.
- Average American has 110% of the median income needed to afford the median priced home.



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ECONOMIC OUTLOOK

“ As the housing market recovers from it’s correction, existing home sales should be rising gradually during 2007 – it looks like we may have reached the low point for the current cycle in September. We’ve entered a more sustainable period of home sales now, and we expect greater support for prices over time as inventory levels are eventually drawn down.”

- David Lereah



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ECONOMIC OUTLOOK

- Idaho is a second tier marketplace.
- We are seeing an influx of large development companies.
- Strong outside interest in Idaho's residential construction industry is a good sign for the future of our economy.



REALTOR®

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Question 1: What is the current state of Idaho's real estate and construction industries? How does this compare to past levels?

- The current state of the industry is positive.
- Idaho is poised to maintain a healthy market for the foreseeable future.



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Question 2: How many are employed in these industries? What is the total payroll?

- There are nearly 10,000 active real estate licensees in the REALTOR® organization in Idaho. 1,100 Brokers.
- 2003 NAR Survey indicates median gross income of a salesperson is \$39,300. Brokers are \$65,300.
- Building 100 homes generates \$11.6 million in local income, \$1.4 million in taxes, and 250 jobs the first year. Ongoing annual impact is \$2.8 Million in income, \$498,000 in taxes and 65 jobs.
- Building 100 multi family homes generates \$5.3 million in local income, \$630,000 in taxes, and 112 jobs. Ongoing annual impact is \$2.2 million in income, \$384,000 in taxes, and 47 jobs.



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Question 3: How are these industries likely to perform over the next 18 months?

- Difficult to predict that far out.
- As long as current patterns stay the same, Idaho's real estate economy should remain strong into the foreseeable future.



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Question 4: How have low interest rates stimulated the construction and real estate industries?

- Low interest rates have helped the industry weather the downturn very well.
- Rates have remained below 7 percent longer than predicted.
- Recently rates have moved back closer to 6 percent.
- *“Were it not for the purchase of U.S. financial assets, long term interest rates could be six percentage points higher. That is, rather than a 6% mortgage rate, homebuyers would be facing a whopping 12% rate.”*
 - NAR Senior Forecast Analyst Lawrence Yun
- Capitol gains tax cuts and net in-migration have also contributed significantly to the continues success of the industry.



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Question 5: There was talk of a real estate “bubble” nationally. Does Idaho have a real estate “bubble” and, if so, what would happen if it popped?

- There is no real estate “bubble” nationally, or in Idaho.
- Demand pushed undervalued prices up.
- We have not seen sustained price declines since the great depression.
- Moving from a boom to an expansion.



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Question 6: What kind of impact do the construction and real estate industries have on state General Fund Revenue?

- Real Estate is 12.1 percent of the Idaho economy.
- Construction represents 6 percent.
- Taken together at 18 percent it is the largest sector of Idaho's economy – bigger than agriculture, manufacturing, health care, and government.
- Directly responsible for most of the surplus revenue for the past few years.



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Question 7: What policies should Idaho follow to promote economic growth and higher wages?

- Changes in policy effect our markets.
- Anti-growth policies do not work and will have a negative effect on our economy.
- IAR Supports responsible development that is good for the state and the consumer.
- Government needs to work with the markets, and not against them in order to succeed.



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THE ROLE OF THE LEGISLATURE

- Actions of the Legislature have a significant impact on our industry.
- Remove the inflator in the Homeowner's Exemption.
- Continued reduction in capital gains tax.
- Increased taxes and fees on a recovering sector of the economy would have a negative impact.



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The Idaho Association of REALTORS® will continue to work to craft policies that enhance and protect the real estate industry and the free transaction of real property.