



**Idaho Association of REALTORS®**

**Presentation to the 2008 Joint Legislative  
Economic Outlook and Revenue Assessment  
Committee**

**prepared by**

**John Eaton, Government Affairs Director**





# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

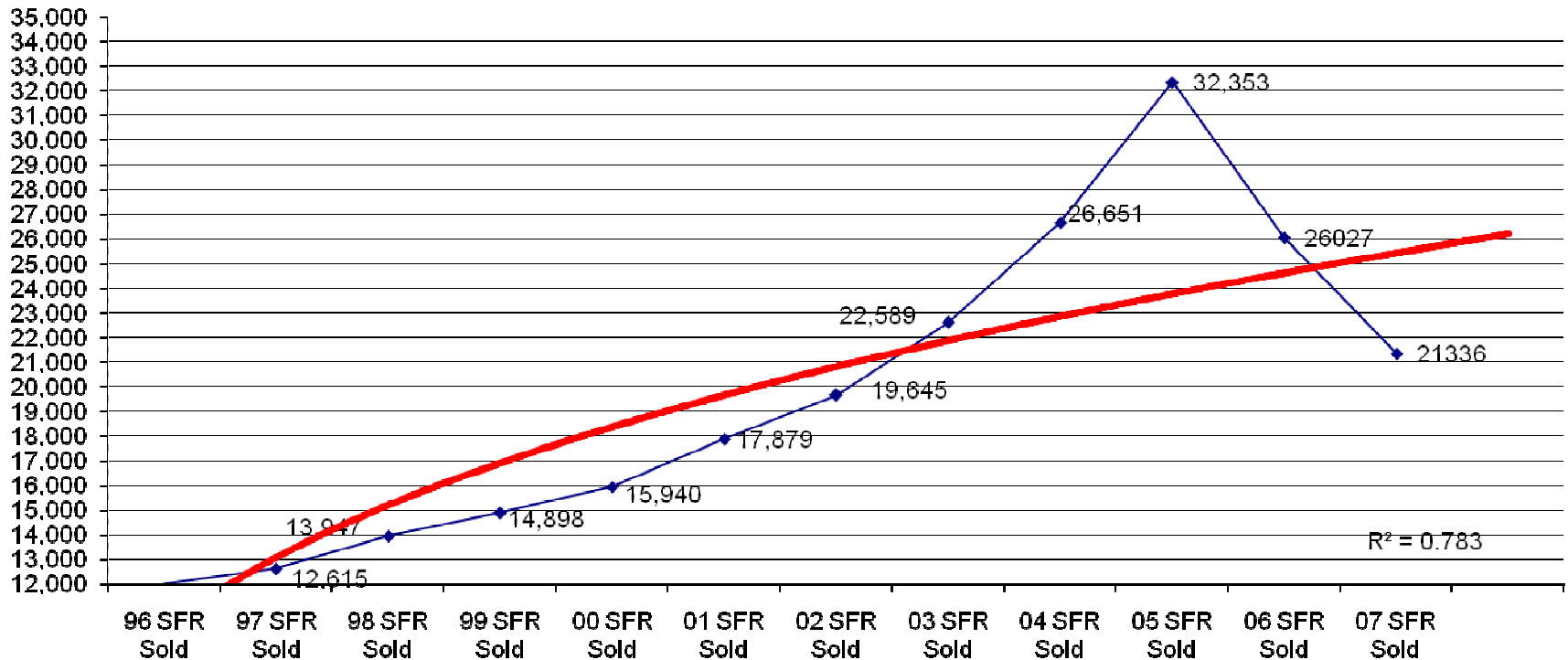
- The Real Estate and Construction Industries remain one of the largest sectors of the Idaho economy, generating tens of millions of dollars in tax revenue for the state through both sales and income taxes.
- Active construction and real estate markets at the local level generate millions for local governments in new property tax revenues.
- In 2007 we continued to experienced a correction in the Idaho Real Estate market.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## Tracked Single Family Residential Units Sold Statewide

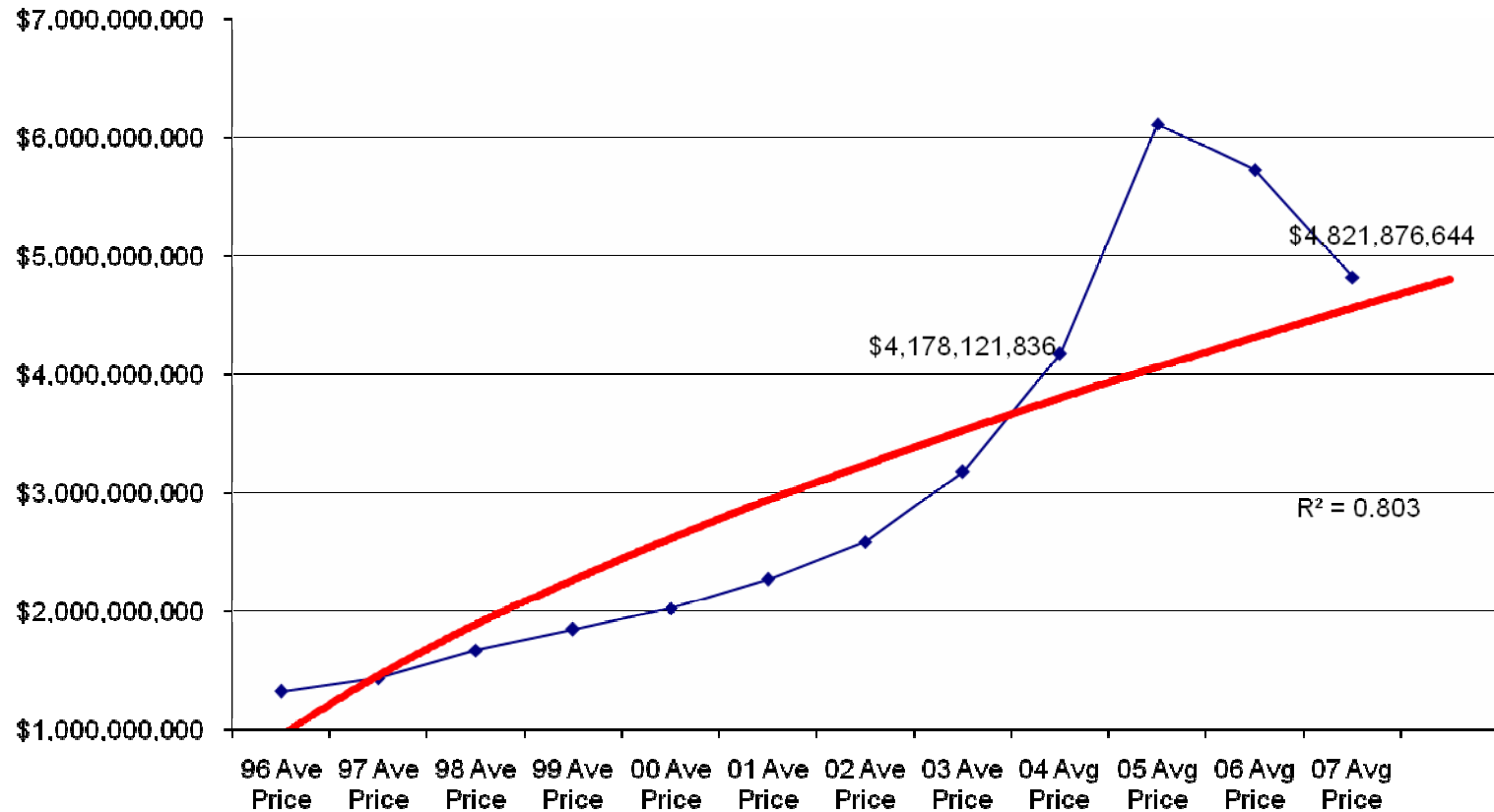




# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## Total Dollar Volume





# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## 2007 SALES

- More than 21,000 tracked sales of single family residences is still down 21 percent from last year.
- More than \$4.8 Billion in sales volume is down 16 percent.
- Price appreciation was 2.7 percent.



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **CHANGING IDAHO MARKET**

- Pullback in investor buying.
- Once up to 25 percent of the market.
- Excess of stock in major markets.
- Non-conventional loans.
- Regionalization of markets.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## MARKET IN CORRECTION

- 2002-2005 saw unprecedented growth in the market.
- Total dollar volume went from \$2.5 Billion to \$6 Billion.
- Sales increased from 20,000 to more than 32,000.
- We are not experiencing decreases in valuation.
- Oversupply has led to longer recovery period than originally anticipated.
- Successive record years are not sustainable.
- Sales will rise at a more measured pace for the rest of the decade.



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **NO RECESSION ON HORIZON**

*“All in all, we will easily escape recession – despite the anticipated headlines of impending doom. The GDP reading for each of the successive quarters in 2008 will be positive.”*

*- Dr. Lawrence Yun*

*NAR Chief Economist*





**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **STRONG ECONOMIC INDICATORS**

- Net in-migration – Ranked 4<sup>th</sup> Nationally
- Low unemployment
- Strong commercial markets
- Healthy consumer spending
- Low interest rates
- Readjusted rates for FHA loans
- Removal of the subprime market



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

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

- The industry is in transition.
- Sound fundamentals.
- Idaho is poised to maintain a healthy market for the foreseeable future.
- Fifth best year of sales, third best dollar volume.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

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

- There are nearly 9,000 active real estate licensees in the REALTOR® organization in Idaho.
- No significant decrease in membership has been seen yet.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## **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.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## **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.
- Capitol gains tax cuts and net in-migration have also contributed significantly to the continues success of the industry.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

**Question 5: Is there a real estate “slump” nationally. To what extent is Idaho in a real estate “slump” and what impact is that having on our economy?**

- Demand pushed undervalued prices up.
- Led to a boom in sales.
- Overbuilding and speculation led to excess inventories in two largest markets.
- It will take time to draw inventory levels down.
- Moving from a boom to a more stable market.
- Housing prices will continue to see long term gains.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

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

- Real Estate is 11.5 percent of the Idaho economy.
- Construction represents 6.7 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.



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **HOUSING AFFORDABILITY IN IDAHO**

- National Affordability Index is 118.8 – up from 110 at this time last year.
- The typical family has 118.8% of the median income necessary to purchase the median priced home.
- Idaho markets vary across the state.
- Boise MSA ranked 32<sup>nd</sup> out of 60 in recent survey.





**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE**

- Local governments in some states are experiencing budgetary problems due to a lack of sales tax.
- Idaho is different.
- No local options sales tax, no transfer taxes.
- The problems outlined in the article demonstrate the wisdom of the Idaho legislature in making the decision not to allow these types of taxes as funding sources for local programs.



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE**

- Examples in Greeley, CO and Kansas City should be a lesson for local governments.
- Growth is financing many parts of government in these cities.
- Should not happen in Idaho, local governments always get their money.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## LA TIMES ARTICLE

- 14% of sales tax collections goes to local governments in Idaho.
- No data on predications for our sales tax collections next year.
- Irresponsible reporting is number one factor dragging down consumer confidence according to REALTORS®
- In Idaho there is no “crisis”.



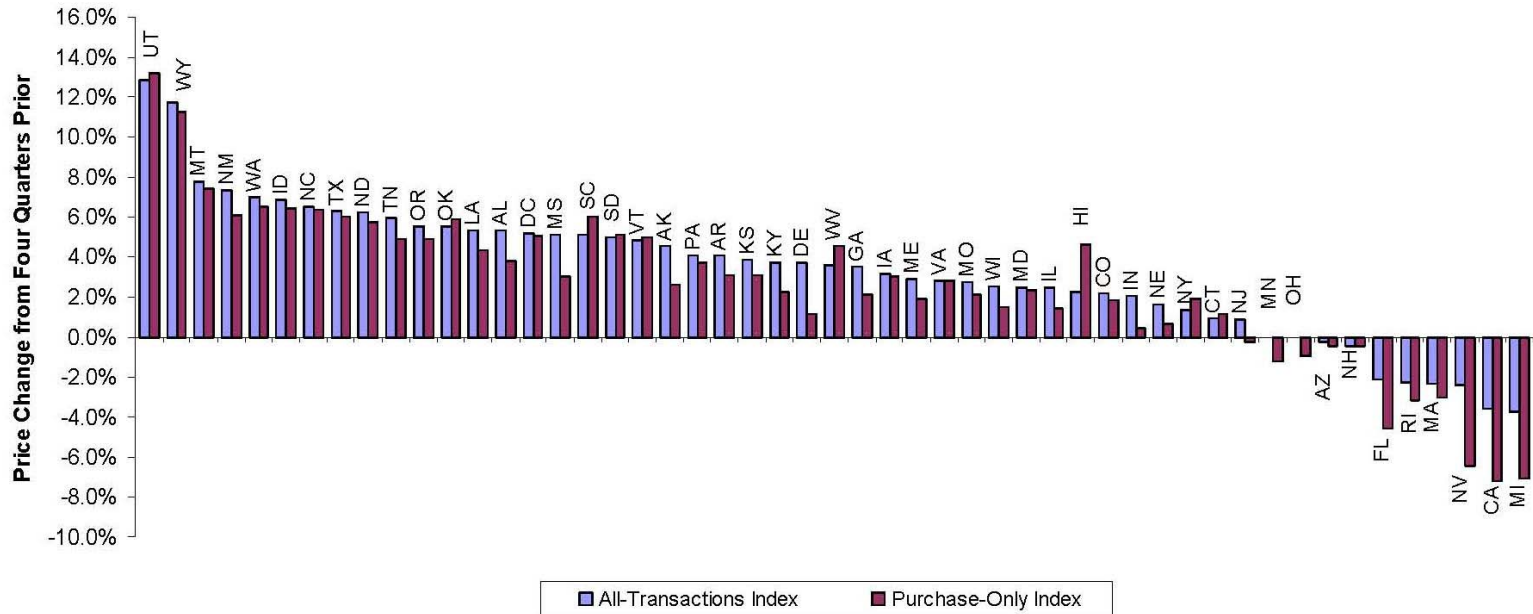
# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## LA TIMES ARTICLE

### Four Quarter Appreciation by State: 2006Q3-2007Q3

All-Transactions vs. Purchase-Only Indexes





**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE**

- The Market is strong in 80% of the country, but you would never know that listening to the media.
- California is experiencing problems because of the failed policies of their government.
- California officials have created an unfriendly environment for economic development.
- Idaho's legislature has always recognized the need for policies that promote economic development.



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE**

*“Jacqueline Byers, director of research for the National Assn. of Counties, said she had taken to wondering, as she drove past yet another vacant house: ‘Does that translate into the library's going to close at 6 p.m. instead of 9? Little things like that are all affected. It's a phenomenal impact.’”*



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE Finally Some Sense**

*Though such cuts may sound dire, fiscal analysts emphasize that for most states, counties and cities, the belt-tightening follows several years of expansion. It pinches, for sure. But in many, if not most, cases, services will still be better-funded than they were during the last fiscal crises, in the late 1990s and after the terrorist attacks of 2001.*

*Many of the cuts are more aptly described as scaling back than slashing: States defer road improvement projects; counties close libraries an hour or two earlier; cities cancel plans to build new schools or modernize recreation centers.*

*"Everyone here understands that we had five incredible years when everything was escalating and revenues were free-flowing," said Amy Baker, who runs Florida's legislative office of economic and demographic research. "We couldn't continue at that pace. This is a correction."*



**Idaho Association of REALTORS®**  
*The Voice for Real Estate™ in Idaho*

## **LA TIMES ARTICLE**

- Horrible piece of reporting, yet typical of national media.
- These type of stories only serve to fuel the fire and confuse the consumer.





# Idaho Association of REALTORS<sup>®</sup>

*The Voice for Real Estate<sup>™</sup> in Idaho*

## **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.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## THE ROLE OF THE LEGISLATURE

- Actions of the Legislature have a significant impact on our industry.
- Continued reduction in capital gains tax.
- Mitigate tax shifts at the local level
- Explore property tax reform with an eye toward new construction allowances for local government budgeting.



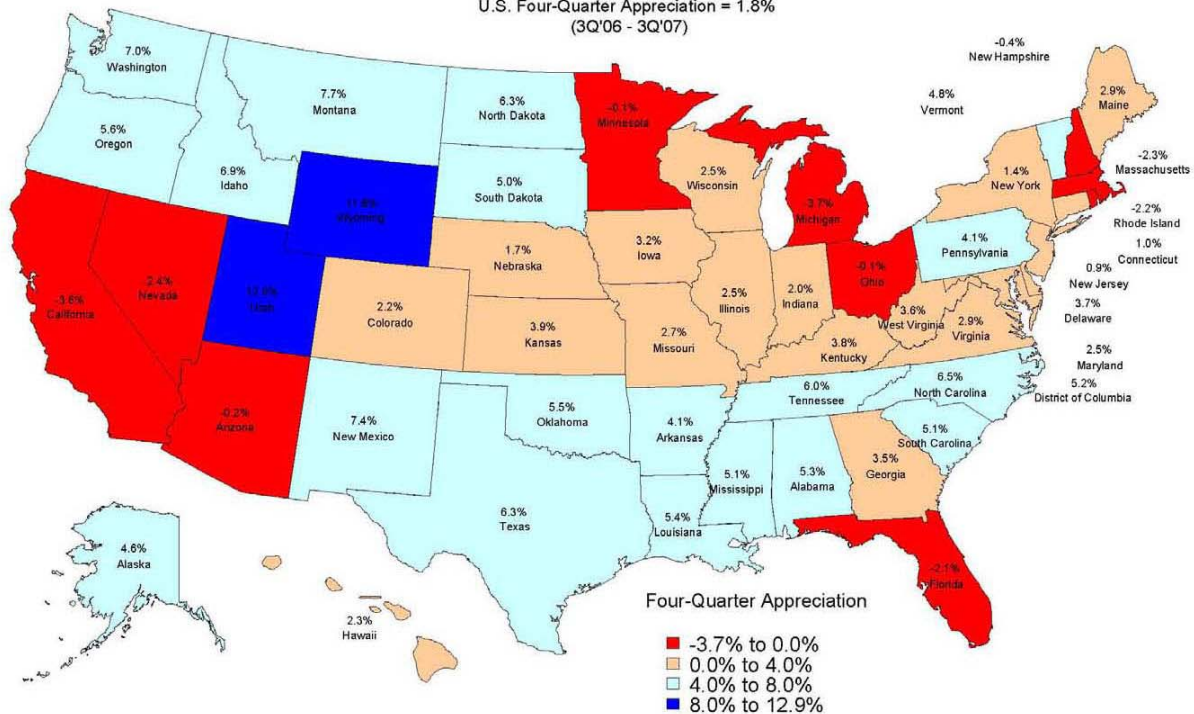
# Idaho Association of REALTORS<sup>®</sup>

*The Voice for Real Estate<sup>™</sup> in Idaho*

## HOUSING PRICE INDEX

### Four-Quarter Appreciation by State OFHEO HPI (Uses Purchase Prices and Appraisal Valuations)

U.S. Four-Quarter Appreciation = 1.8%  
(3Q'06 - 3Q'07)





# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

## THE ROLE OF THE LEGISLATURE

- Cap the Homeowner's Exemption
- Continue to support lender oversight
- Increased activity in our markets by government could have significant negative impacts.



# Idaho Association of REALTORS®

*The Voice for Real Estate™ in Idaho*

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.



**Idaho Association of REALTORS®**

*The Voice for Real Estate™ in Idaho*

END