

Idaho Association of REALTORS®
Presentation to the 2016 Joint Legislative
Economic Outlook and Revenue Assessment
Committee

prepared by

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The Voice for Real Estate™ in Idaho

What Percentage of the Gross State Product does our industry contribute?

- 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.
- Real Estate and Construction accounted for 17.8% percent of the Idaho Gross State Product in 2014.
- Which puts us closer to historical norms of 18%.
- Real Estate, Rental, and Leasing is higher accounting for 13.5% (typically closer to 12%).



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How many people are employed by our industry?

- Number of REALTORS® is approaching 2006 numbers.
- We have seen a steady climb since Spring 2013 (5700 members).
- Current levels are at 7400 members.
- 93% of all active licenses are REALTOR® Members.
- 2014 NAR Survey indicates median gross income of a salesperson nationally is \$33,900 and a broker is \$65,300.
- Building 100 homes generates \$28.7 million in local income, \$3.6 million in taxes, and 394 local jobs
- Building 100 multi family homes generates \$11.7 million in local income, \$2.2 million in taxes, and 161 jobs.



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Impact of Building 100 Single-Family Homes in a Typical Local Area Phase I—Direct and Indirect Impact of Construction Activity

A. Local Income and Jobs by Industry

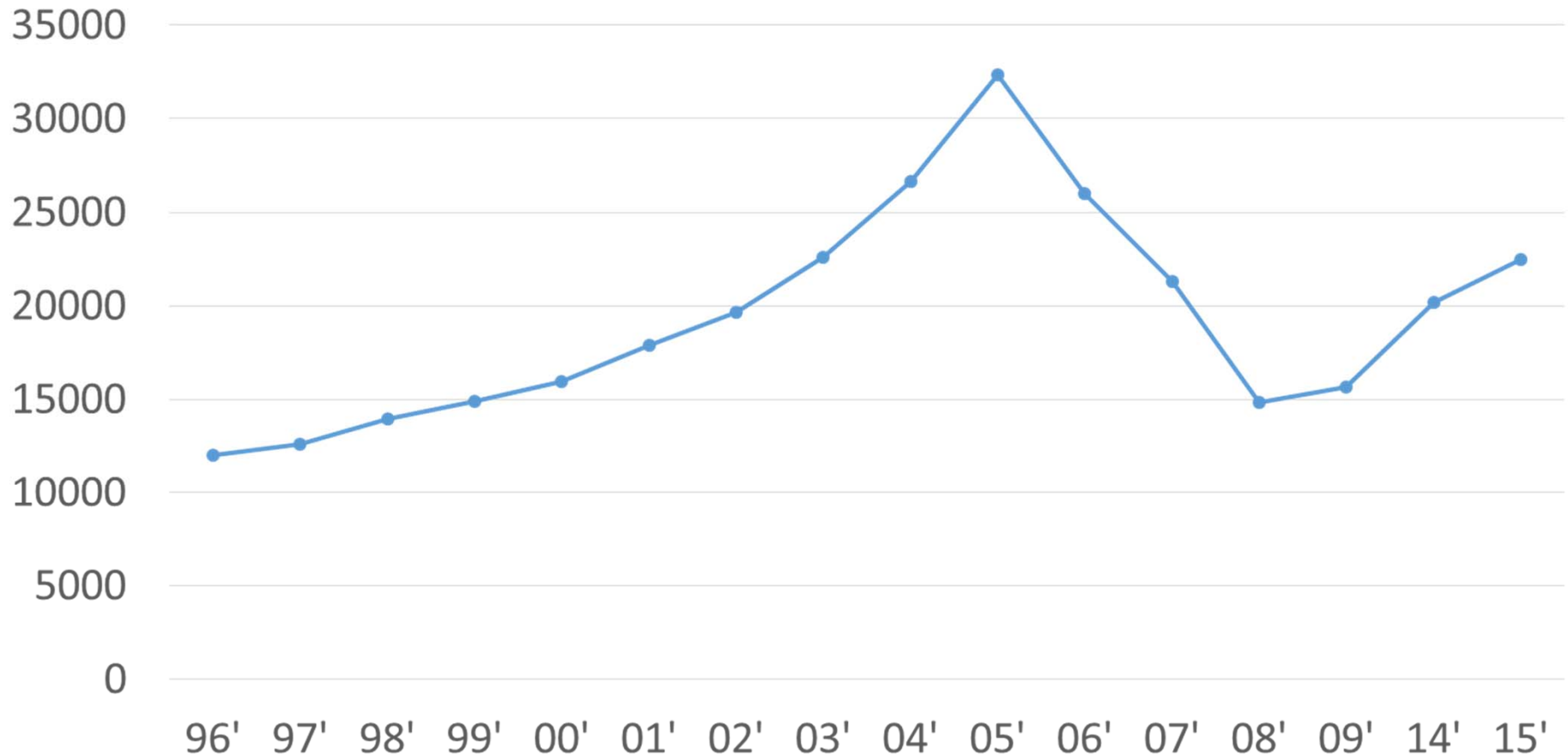
Industry	Local Income	Local Business Owners' Income	Local Wages and Salaries	Wages & Salaries per Full-time Job	Number of Local Jobs Supported
Construction	\$14,804,600	\$5,048,300	\$9,756,300	\$55,000	176
Manufacturing	\$1,500	\$100	\$1,500	\$54,000	0
Transportation	\$800	\$400	\$400	\$29,000	0
Communications	\$123,700	\$43,200	\$80,500	\$78,000	1
Utilities	\$27,300	\$5,900	\$21,400	\$97,000	0
Wholesale and Retail Trade	\$1,535,500	\$338,600	\$1,196,900	\$35,000	34
Finance and Insurance	\$276,900	\$10,400	\$266,500	\$120,000	2
Real Estate	\$760,400	\$654,700	\$105,600	\$55,000	2
Personal & Repair Services	\$76,000	\$18,100	\$57,900	\$40,000	1
Services to Dwellings / Buildings	\$52,100	\$20,100	\$32,000	\$37,000	1
Business & Professional Services	\$1,217,500	\$283,300	\$934,300	\$66,000	14
Eating and Drinking Places	\$43,800	\$7,200	\$36,600	\$29,000	1
Automobile Repair & Service	\$16,200	\$4,900	\$11,300	\$40,000	0
Entertainment Services	\$9,500	\$900	\$8,600	\$33,000	0
Health, Educ. & Social Services	\$1,700	\$100	\$1,700	\$51,000	0
Local Government	\$63,700	\$0	\$63,700	\$74,000	1
Other	\$192,900	\$90,600	\$102,200	\$48,000	2
Total	\$19,204,100	\$6,526,800	\$12,677,400	\$53,000	237



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Idaho Single Family Sold Homes 1996-2015

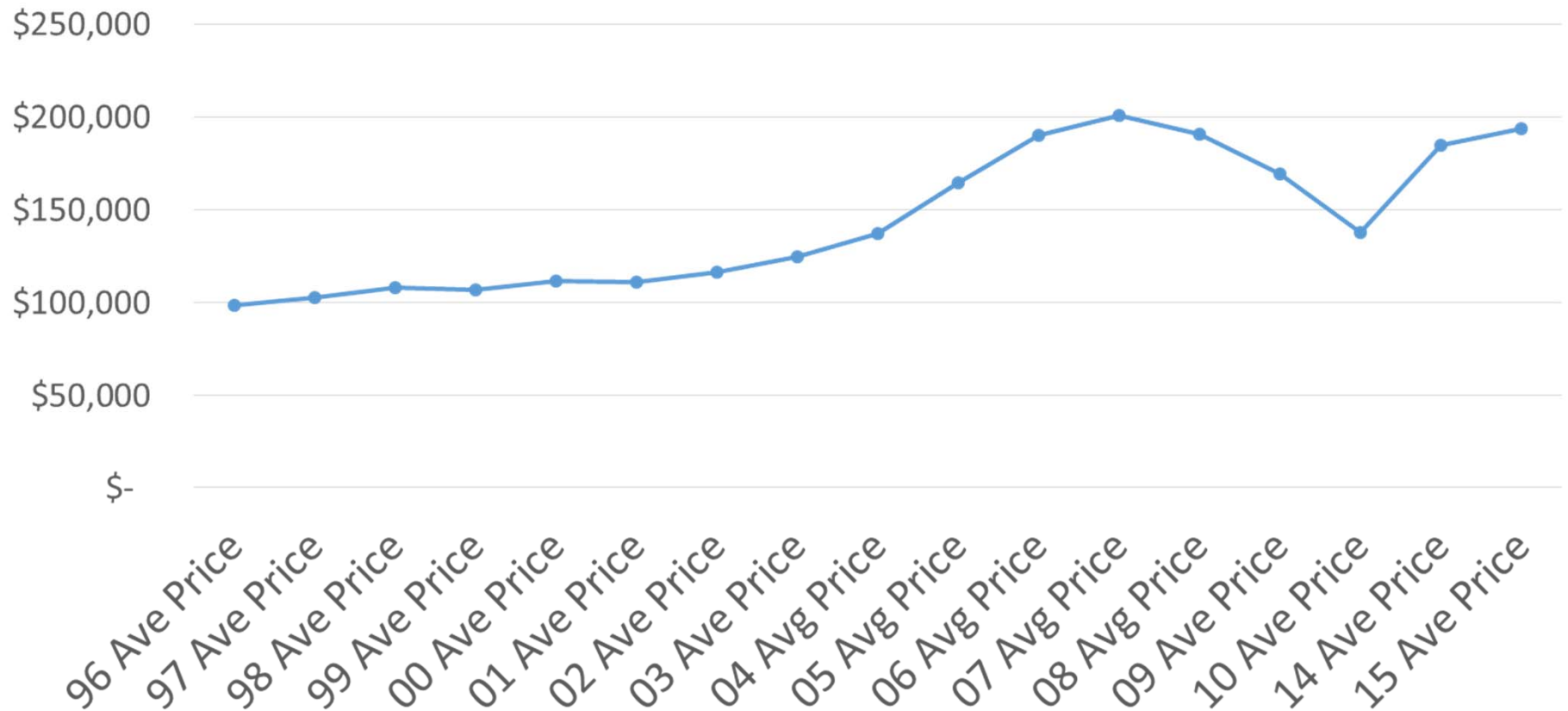




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Idaho Average Sales Price 1996-2015

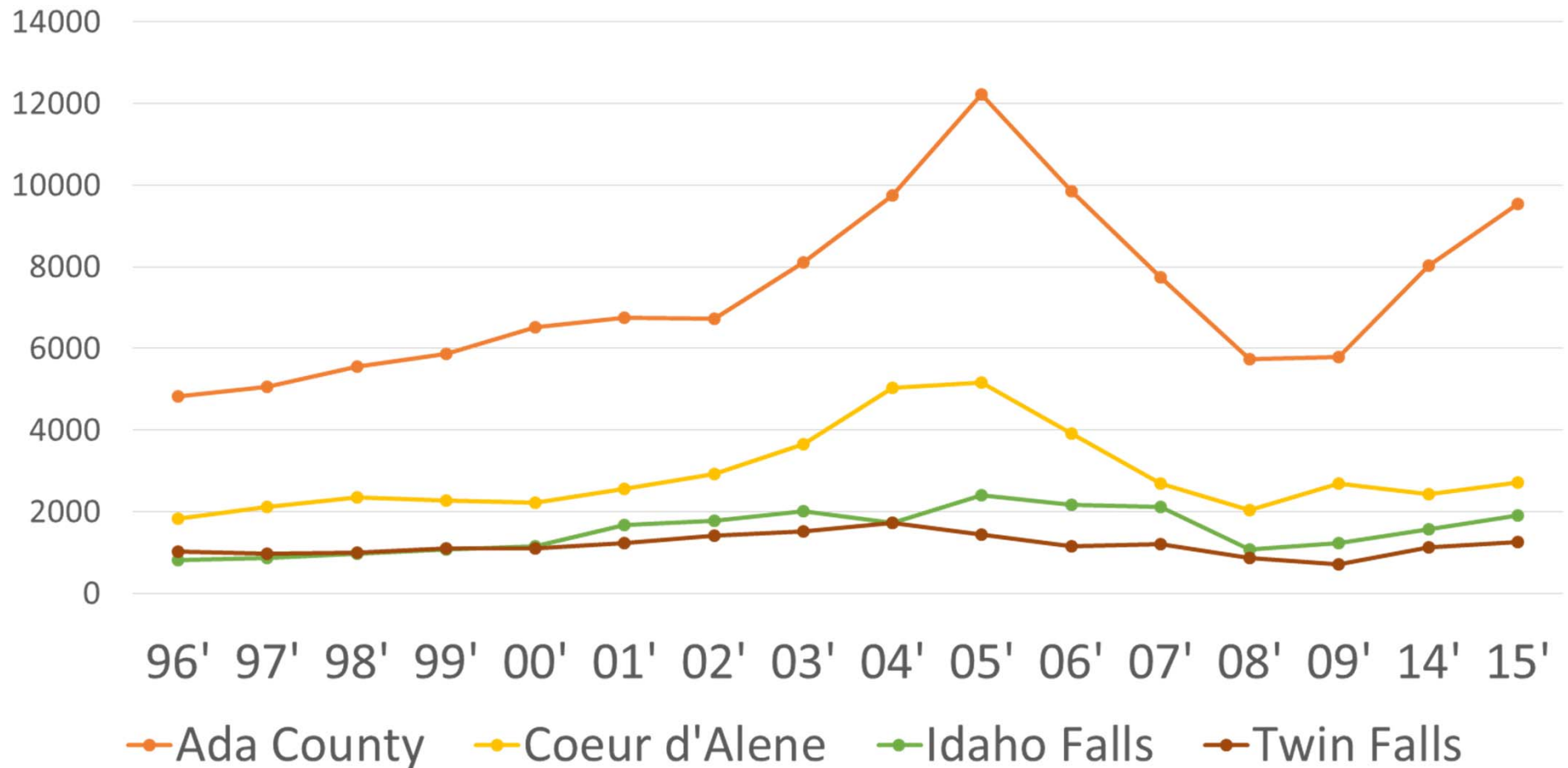




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Idaho Total Home Sales Snapshot 1996-2015

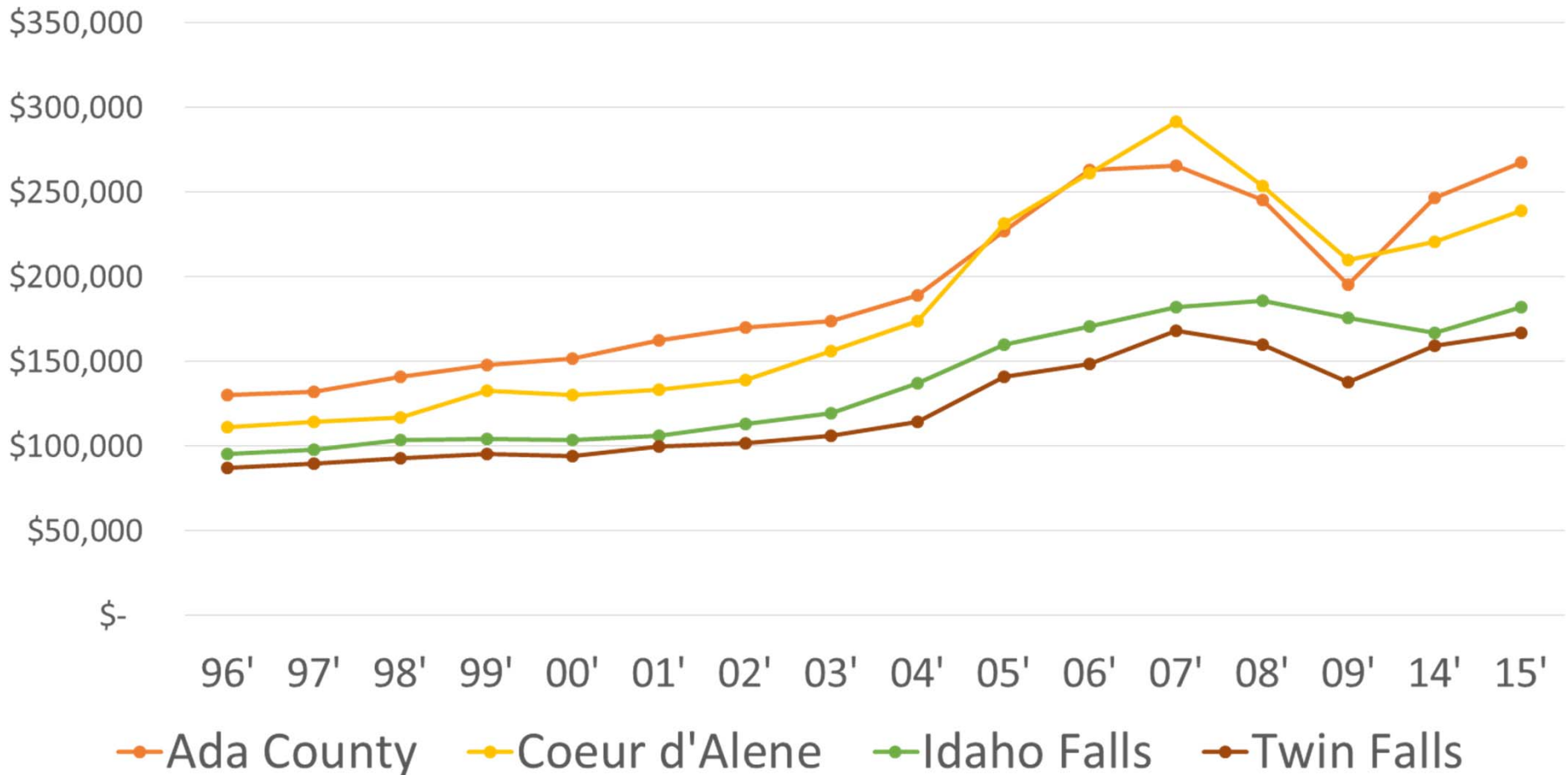




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Idaho Average Home Price Snapshot 1996-2015





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ECONOMIC AND HOUSING OUTLOOK NATIONAL ASSOCIATION OF REALTORS

- Lifetime wealth is at an all time high
- Dow Jones remain high
- Median house hold income overall has not fully recovered
- GDP growth is inconsistent with 2.2% average since 2014



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- Sluggish growth following the recession.
- Gap has formed between the 3% growth rate and the current 2.2% growth level.
- Every American has lost roughly \$5,000 in purchasing power.
- Average family of 4 would have an additional \$20,000 of purchasing power with a normal 3% growth in the GDP without the recession.



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- GDP component of residential construction and sales is more consistent at 6.6%.
- Homeownership rates are at a 50 year low.
- Lower ownership rate for young people under 35.
- Fewer first time buyers
- Difficulties for first time buyers
 - Student loan debt (41%, typical amount is about \$25,000)
 - No affordable inventory
 - Competition from investors



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- Desire to own a home remains stronger than ever
 - 87% of Americans believe homeownership is part of their personal American dream
 - 91% for 18-24 year olds
- Reasons for desire
 - Want to raise a family
 - Good investment
 - Cheaper than renting



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- Housing forecast from previous year was right on and looking good for 2016.
- Decrease in momentum of pending sales could be attributed to changes in rate increases.
- Federal rate hike was one component of the rising interest rates, but it was not the only component.
- Bond Yields are one more determinate.
 - Foreign capital flow
 - U.S. budget deficit
 - Printing of money



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ECONOMIC AND HOUSING OUTLOOK NATIONAL ASSOCIATION OF REALTORS

- Factors affecting home sales
 - Positive factors
 - Housing Equity for pent-up sellers
 - Return buyers
 - Steadily increased supply
 - Job creation
 - Negative factors
 - Rising mortgage rates
 - Rising prices



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NATIONAL CASH SALES

- Cash home sales were 32.5% of all transactions in September, down from 35.9% 12 months ago.
- Cash sales peaked in January 2011 at 46.6% and have historically averaged 25% of sales.
- At the current rate of improvement, cash transactions should return to 25% by mid to late 2017. Cash sales were 58.3% of REO sales, 32% of resales, 29.1% of short sales and 15.9% of new home sales.



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GAINING EQUITY

- Nationally About 256,000 U.S. homes regained equity in the third quarter of this year. Nationally about 92 percent of all mortgaged homes have regained equity.
- The number of residential properties in negative equity dropped to 8.1 percent, down from about 9% this time last year.
- Home prices are expected to rise at least 5 percent in 2016.



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CHARACTERISTICS OF NATIONAL BUYERS

- Higher share of married couples 67 percent (up from 65 percent last year)
- First-time buyers and Single Female buyers down. single female buyers decreased from 16 percent to 15 percent and male buyers remained flat at 9 percent.
- The median age of first–time buyers was 31 and the median income was \$69,400. The typical first–time buyer purchased a 1,620–square–foot home costing \$170,000, while the typical repeat buyer was 53 years old and earned \$98,700. Repeat buyers purchased a median 2,020–square–foot home costing \$246,400.



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CHARACTERISTICS OF NATIONAL SELLERS

- 89 percent of sellers sold their home with an agent. Only 8 percent were for–sale–by–owner sales, which is down from 9 percent.
- A combined 66 percent of sellers found a real estate agent through a referral by a friend, neighbor or relative, or used their agent from a previous transaction.
- The median time on the market for recently sold homes remained at four weeks for the second year in a row.



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CHARACTERISTICS OF NATIONAL SELLERS

- Sellers moved a median distance of 20 miles (70 percent stayed in the same state) and the top reason given for selling their home was it being too small (16 percent).
- the typical seller over the past year was 54 years old, was married (77 percent), had a household income of \$104,100, and was in the home for 9 years before selling.



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IDAHO HOUSING BASELINE

- REALTORS® are active and working.
- Prices are up, sales are leveling.
- Inventory levels continue to remain low.
- Many properties are receiving multiple offers.
- New construction levels remain positive.
- In-migration is on the rise again.
- Expect a small improvement for budgeting purposes if no harm is done to the industry.



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IDAHO REAL ESTATE ECONOMY: IT'S ALL ABOUT A STABLE ENVIRONMENT

- New jobs equal more demand for housing, more consumer confidence and more mobility.
- Some of the solutions are beyond our control, but there are areas we can focus on to give Idaho an advantage in the job market.
- The Legislature can play a key roll by empowering state government to take advantage of Idaho's good economic health to attract new businesses, and by maintaining a stable tax policy that does not harm the housing sector.



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SUMMARY

- The real estate economy is improving.
- First time homebuyers and young people are struggling to enter the market.
- The Idaho Legislature can help by incentivizing job creation, growth, and retention. As well as maintaining a stable economic environment.
- 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.



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