



Economics of Idaho's Homebuilding Industry

Joint Legislative Economic Outlook
and Revenue Assessment Committee

January 7, 2021



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Idaho Building Contractors Association

New, Single-Family Home Builders

- Over 1,100 Member Companies
 - General Contractor Homebuilding Companies
 - Associated Sub-contractor Companies/Individuals

“Dedicated to the American Dream of Homeownership”



State of Homebuilding Industry -- 2020

Extremely busy -- trying to meet demand and level off prices

- Population Growth
- Low Mortgage Rates
- Little Existing Inventory
- Skyrocketing Prices
- Construction as “Essential Service”
 - Major employment base during pandemic
 - Significant driver of economy during pandemic



Idaho Single-Family Building Permits

Jan – Nov 2020	Jan – Nov 2019	% Change (1 year)	Jan – Dec 2015	% Change (5 year)
12,264	11,495	6.7%	7,784	57.5%

Source: National Association of Homebuilders



Factors Limiting Single-Family Permit Growth

Challenge in keeping up with demand

- Availability of lots/land
- Gov't infrastructure (water, sewer, streets)
- Plan review/permitting processes
- Labor
- Anti-growth sentiment



Economic Impact of Residential Construction

Initial Impact – 100 Single-family homes

- One-year impacts, including income earned during construction and ripple effect when that income is spent
 - \$28 million in local income
 - \$3.6 million in taxes, other revenue to local governments
 - 394 local jobs

Source: NAHB: “Local Impact of Homebuilding Numbers” April, 2015



Economic Impact of Residential Construction Idaho Jan – Nov 2020

Total of 12,264 permits

- One-year impacts, including income earned during construction and ripple effect when that income is spent
 - \$3.4 billion in local income
 - \$441.5 million in taxes, other revenue to local governments
 - 48,320 local jobs

Source: NAHB: “Local Impact of Homebuilding Numbers” April, 2015



Economic Impact of Residential Construction

Ongoing Impact – 100 Single-family homes

- Annual, ongoing impact resulting from home being occupied and occupants participating in local economy.
 - \$4.1 million in local income
 - \$1.0 million in taxes, other revenue to local governments
 - 69 local jobs

Source: NAHB: “Local Impact of Homebuilding Numbers” April, 2015



Effect of the Pandemic, 2020

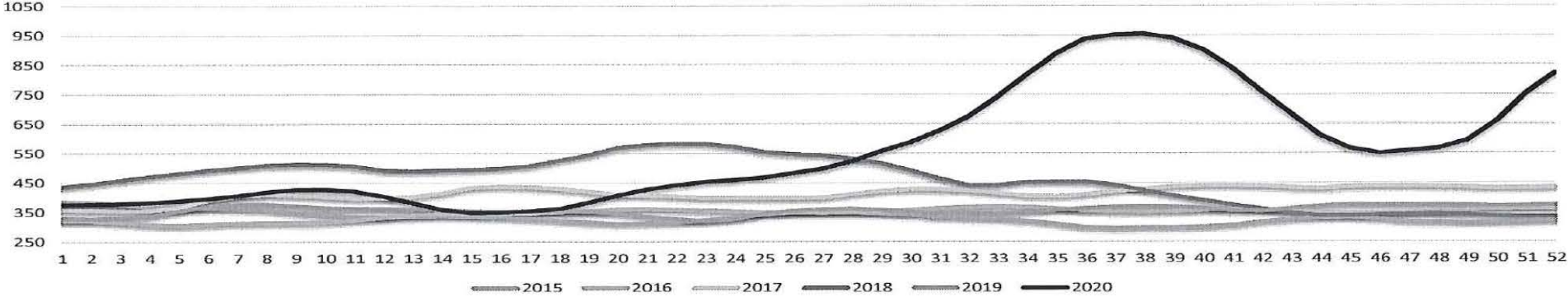
- Product supply chain interruptions
 - Gypsum drywall
 - Windows
 - Doors
- Lumber price increases
 - 180% increase between April and August, 2020
- Plot/plan review by local governments
 - Public hearings delayed
 - Reviews taking longer



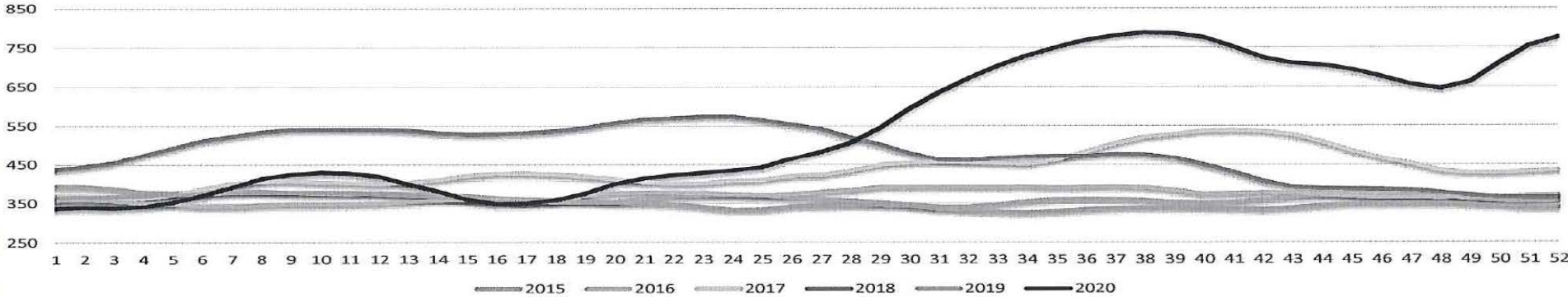
BUILDERS FIRST SOURCE

Composite Charts - 5 Years

Lumber Composite



Panel Composite



Idaho Construction Employment Growth and Wage Trends

- The Idaho construction industry continues to be one of the leading industries in terms of annualized percentage employment growth and percentage wage growth.*
- Expect this trend to continue.

*Source: Idaho Department of Labor, 2020



New Home Construction Forecast, 2021

More of the same as experienced in 2020

- High demand and price pressure
- Inventory remains a challenge
- Continued growth in permits, construction, and sales.
- Continued moderate growth in construction employment and wages
- Sales better second half of year



New Home Construction Forecast, 2021

2021 Wild Cards:

- Interest Rates
- Inventories (Homes and Lots)
- Inflation: Building Costs, Land & Lot Prices
- Labor Shortages
- Government Regulations – Local, State, and National



Cost of Regulation

Cost of regulations imposed by government at all levels account for **24%** of the price of a new home

- Three-fifths (14.6%) is cost of regulation imposed during lot development.
- Two-fifths (9.7%) is cost incurred by builder after purchasing the lot.
 - Zoning, plan approval processes, permits, hook-up fees, impact fees, building codes, stormwater permits, etc.

Source: NAHB "Government Regulation in the Price of a New Home" May, 2016



Affordability

For every **\$1,000 increase** in the cost of a new home **737** Idahoans are priced out of the market.

- Calculation based on the median price of a new home against the income needed to qualify for mortgage.

Source: NAHB “New Home Prices and Households Priced out of Market by \$1,000 Price Increase, 2020”.





QUESTIONS??

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Idaho Building Permits by MSA

	Single Family			Multi Family		
	YTD Oct 20	YTD Oct 19	% CHG	YTD Oct 20	YTD Oct 19	%CHG
Boise	6,646	6,372	4%	2,957	3,721	-21%
Coeur d'Alene	1,091	1,263	-14%	998	695	44%
Idaho Falls	887	913	-3%	24	58	-59%
Lewiston	1	3	-67%	72	13	454%
Pocatello	228	212	8%	174	30	480%
Twin Falls	594	423	40%	142	188	-24%

Source: National Association of Homebuilders

