

Why the 'incredibly strong' demand in Ada County's housing market?



Ada County's housing market broke records this year.

Inventory hit the lowest point and prices hit the highest point on record since at least 2004, according to Boise Regional Realtors.

In July, there was less than a two-month supply of new and existing homes for sale in Ada County, similar to Canyon County. That means the inventory would dry up after two months without additional listings. A balanced market has four to six months of supply.

Homebuilder David Turnbull, owner and CEO of Brighton Corporation, said in his 27 years in construction, he can't remember seeing such low inventory rates.

Inventory of existing homes in Ada and Canyon counties has been down year-over-year for 34 consecutive months, starting October 2014, according to Boise Regional Realtors.

"That's caused an increased demand in the new home market," Turnbull said. "If people aren't putting their existing homes on the market for sale, then it steers people toward new homes."

The lack of supply also contributed to record-high prices in Ada and Canyon counties in June. Ada County's median price reached \$273,950, a year-over-year increase of 8.7 percent, according to Boise Regional Realtors, and Canyon County's reached \$184,000, an increase of 12.4 percent.

Many factors are at play here, said Phil Mount, a Realtor with Front Street Brokers and Boise Regional Realtors vice present.

Those factors include:

1) POPULATION GROWTH

Meridian gains nine to 10 residents a day, on average. That's double the rate of five per day in 2012. The city is expected to hit — or to have already hit — 100,000 people this year, said demographics specialist Carl Miller with the Community Planning Association of Southwest Idaho.

Demand for new houses is "incredibly strong," Turnbull said.

Roughly 500 new houses are built in Brighton communities each year, such as Paramount, Bainbridge and Century Farm.

Another prominent homebuilder, CBH Homes, expects to close on 1,000 to 1,100 houses in the Treasure Valley this year, an increase from last year, President Corey Barton said. That's up from roughly 350 homes sold during the low point in 2011, he said.

Meridian issued 2,457 new single-family building permits in 2015 and 2016 — almost double what Boise issued and more than triple what Nampa issued, according to Meridian records.

The city is seeing such growth in part because it has more green space for new homes than Boise, Mount said. Meridian attracts out-of-state homebuyers who want to live in Ada County and find an affordable home, he added.

Mount estimates that half of his clients are from out of state. This year he's worked with homebuyers from California, Oregon, Washington and Kansas. He recently sold a house to a couple from Kansas who moved to Meridian for jobs at a high school.

"They couldn't believe how beautiful the house was, the quality of the neighborhood," Mount said. "And of course (they) fell in love with Idaho."

2) LABOR SHORTAGE

Eighty-six percent of construction firms in the United States can't find enough qualified craft workers, according to the Associated General Contractors of America.

Idaho lost construction workers during the recession, Mount said.

"They set up new careers and new lives and decided not to come back into the construction trade," he said.

The shortage drives up wages and delays projects.

"This is painfully taking us longer than ever," Barton said.

Normally a house takes five to six months to build, he said, but labor shortages, along with the extreme winter last year, have caused one- to two-month delays.

The Idaho Associated General Contractors partnered with the Idaho Department of Labor and the Department of Professional Technical Education in recent years to seek solutions. They launched a construction career portal — a tool for educators, career counselors and job-seekers — called webuildidaho.org.

Additionally, local school districts are expanding options for high school students wanting to learn a trade.

3) STAYING PUT

In January, only 1,425 new and existing houses were for sale in Ada County — the lowest since at least 2004, according to Boise Regional Realtors.

"Our inventory shortages are similar to what they're seeing in the rest of the country," Mount said. "That's not a local phenomenon. That's a national phenomenon."

Nationwide, people are selling their house every 12 years on average — down from every seven years in the past, Mount said.

"Here in Boise, we're having problems getting listings because fewer people ... want to change houses," he said.

January's inventory was especially low because of the harsh winter.

"No one was moving out of their houses away from their fireplaces," Mount said.

It's not just weather that's motivating people to stay put. People who refinanced for low interest rates after the recession might hesitate to buy a new home at a higher rate, Mount said.

4) PENT-UP DEMAND

Mount said he's starting to see more Millennials — those in their 20s and early 30s — shop for a house.

The homeownership rate hit a 50-year low last year across age groups, and today's young adults are buying homes at a lower rate than previous generations, PolitiFact California reported on May 22.

According to a Harvard University study cited by PolitiFact, the homeownership rate for Americans under age 35 was 39 percent in 1995, 43 percent in 2005 and 31 percent in 2015.

Mount said he's seeing increased interest from Millennials looking to buy their first home, adding to the demand in the housing market.

"People are getting a handle on student debt — which frankly is still an issue for our industry," he said.

FUTURE HOUSING GROWTH

Meridian issued 1,401 single-family building permits in 2016, a 55 percent increase from 2013.

"I expect continued high demand," Turnbull with Brighton said. "Whether it will be at the same pace we're at right now or not, it's hard to tell."

Kuna, Meridian's neighbor to the south, is also seeing strong housing growth. The city of almost 18,000 people issued 537 single-family building permits in 2015 and 2016. By comparison, Nampa, a city five times the size of Kuna, issued 658 permits, according to Meridian building department records.

Barton and Mount said they're not concerned about another bubble and a crash at this point.

The crash a decade ago had more to do with lenient lending practices, Barton said, and the amount of speculative homebuilding, Mount said — meaning the houses were built without a committed buyer.

Barton said 65 percent of CBH Homes before the recession were speculative, compared with 50 percent today. He expects to see a slowdown in the housing market possibly next year, he said, as part of the natural cycle.

"I wouldn't say a bubble, but I would definitely say that we should all be expecting some sort of a correction," Barton said.

HOUSING MARKET SNAPSHOT, JULY 2017

Ada County:

- Median sales price: \$271,000, up 11.4 percent year over year
- Average days on market: 30 days, down 9.1 percent year over year
- Number of homes sold in July: 1,055, down 1.4 percent year over year
- Available inventory: 1.7 months, down 15 percent year over year

Canyon County:

- Median home price: \$185,750, up 9.6 percent year over year
- Average days on market: 33 days, down 8.3 percent year over year
- Number of homes sold in July: 426, up 9 percent year over year
- Available inventory: 2 months, down 13 percent year over year

Source: Boise Regional Realtors

COMPARISONS

New single-family home permits by calendar year:

2015:

- Meridian: 1,056 permits
- Boise: 679 permits
- Eagle: 452 permits
- Nampa: 359 permits
- Kuna: 204 permits
- Star: 208 permits

2016:

- Meridian: 1,401 permits
- Boise: 736 permits
- Eagle: 494 permits
- Kuna: 333 permits
- Nampa: 299 permits
- Star: 177 permits

Source: City of Meridian

Why move to Meridian?

We asked our readers on Facebook what brought them to Meridian. Here are a few of the responses:

Robin Gokei: "We are owners of a family-run printing company, DreamGig Printing Innovations on Main Street. In addition to the booming business climate and local support for small business growth, we found the people to be welcoming and genuine. The Incredible value in housing (square footage and yard size) and access to outdoor family activities is just a bonus! Many subdivisions are connected by pathways and close to private as well as city parks. We'd been looking to re-locate our business for more than a year and researched many cities in a few states. WE LOVE MERIDIAN!"