



Policy Development & Research

Analysis of the Boise, Idaho Housing Market

As of July 1, 2004



ECONOMIC RESEARCH

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions also may be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis follows the guidelines developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the "as-of" date from local and national sources. As such, any findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis (Current date), and from the Current date to a Forecast date. The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, Current date, and Forecast date. For purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Thomas E. Aston, the Division's Field Economist in the Portland, Oregon Field Office, based on fieldwork conducted in May 2004. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Aston at 503-326-2556 and at Tom_Aston@hud.gov.

Housing Market Area

The Boise Housing Market Area (HMA) is defined as Ada and Canyon Counties and is coterminous with the Boise, Idaho metropolitan statistical area. For the purposes of this report, the HMA has been divided into three submarkets: the city of Boise in Ada County; the remainder of Ada County, referred to in this report as Ada County; and Canyon County. The HMA is the economic hub of southwestern Idaho and northeastern Oregon.

Summary

Renewed economic growth, affordable living conditions, and other quality of life factors in the Boise HMA can be credited with the continued rapid net in-migration between 2000 and the Current date. Population growth during this period averaged 3.5 percent annually and is expected to remain strong during the 2-year forecast period. During 2003, modest job growth recovery started, led by the health care and business services industry sectors, after 2 stagnant years.

With steady population growth and historically low interest rates, sales for new and existing houses are on track to set records in 2004. The homeownership rate increased from 68 percent in 2000 to an estimated 74 percent as of the Current date. In recent months, prices have increased significantly due to strong demand and rising material costs.

As of the Current date, the rental market is entering the third year of intense competition due to the ongoing movement of renters to homeownership and the large volume of apartment construction since 2001. In response to the softer market, no building permit activity for large apartment developments occurred in the first half of 2004, and none is in the planning pipeline. Continued population growth, a recovering economy, and a significant reduction in new inventory are expected to result in a return to balanced rental market conditions by July 2006.

The volume of housing production during the 2-year forecast period ending July 1, 2006, that will satisfy anticipated demand and result in balanced market conditions is estimated to be 11,575 units of sales housing and 800 units of rental housing.

Economy of the Area

The annual rate of nonfarm employment growth increased to 1.4 percent for the 12-month period ending June 2004 compared with 0.5 percent during the previous 12-month period. The unemployment rate for the same period was 4.6 percent, down 0.6 percentage point from a year earlier. As of the Current date, job growth is strongest in the service sector industries. Retail trade, health care, employment services, administrative support services, and financial activities account for most new hires. Tables 1 and 2 present employment and labor force trends from 1994 through 2003.

The goods-producing sector remains weak. Job losses have continued over the past 12 months led by high technology industry groups.

According to HUD's Market Analysis Division, the estimated median family income rose to \$55,700 in the Boise HMA between the 2000 Census and April 2004, a 2-percent average annual increase. As the labor market recovery gains momentum through 2004 and 2005, income growth is projected to accelerate.

Over the forecast period, nonfarm employment is anticipated to increase by an average of 1.5 percent each year. Starting in 2004, as firms upgrade computer systems, increased investment among high-technology firms is expected to stimulate recovery in this employment sector. Continued service-sector growth is also expected during the forecast period. Strong population growth will promote steady job growth in education and health services. High-technology sector recovery is also expected to lead to job gains in professional and information services.

Population

As of the Current date, the population for the Boise HMA was estimated to be 501,800. From 2000 to the Current date, the population increased an average of 16,350 people annually, or by 3.4 percent each year. The Ada County submarket was the fastest growing area in the HMA during this period with an average annual rate of 6 percent, or 6,475 people. In the same period, the Canyon County submarket grew at an average annual rate of 4.6 percent, or 6,450 people annually. The Boise city submarket population grew by 3,400 people a year, or 2 percent. Table 3 presents population and household trends from 1990 to the Forecast date for the HMA and its three submarkets.

The pattern of population growth between 2000 and the Current date reflects a continuation of the shift in population growth toward western Ada County and Canyon County that began in the 1990s. In Ada County, the communities of Kuna and Meridian grew by 80 percent and 48 percent, respectively. In Canyon County, the cities of Nampa and Caldwell each grew by 28 percent over the period from April 2000 to July 2004. According to the Community Planning Association of Southwestern Idaho, net migration patterns in the HMA indicate that nearly all people migrating to Canyon County come from within Idaho. Net in-migration from areas outside Idaho occurs at a much higher rate in the Ada County and Boise city submarkets.

The household population in the HMA totaled 422,227 in 2000. The nonhousehold population of people living in college dormitories, nursing homes, hospitals, prisons, and other institutions in 2000 was 10,058 persons. As of the Current date, the household population was estimated at 488,150 and the nonhousehold population at 10,170. As of July 2006, the household population is forecast to reach 520,300, and the nonhousehold population will increase to 11,550 due to Boise State University's 475 units of student housing under construction and the addition of 300 beds to the Ada County jail.

The population of the HMA is forecast to increase by 17,250 a year for an estimated total population of 536,325 by July 2006. Annual net migration of approximately 12,000 is

expected during the 2-year forecast period compared with 16,350 people a year from April 2000 to July 2004. An improving labor market in the HMA plus quality of life factors suggest that strong population growth will continue through the forecast period.

Households

As of the 2000 Census, the number of households in the HMA totaled 158,426. Between 2000 and the Current date, the number of households increased an average of 6,125 each year, or 3.6 percent annually. This rate of growth is only slightly below the rate during the 1990s. As of the Current date, an estimated 184,525 households were in the HMA. By January 1, 2006, the total number of households is expected to reach 198,000, a 3.5-percent annual growth rate.

Housing Inventory

As of the 2000 Census, the housing inventory in the Boise HMA totaled 166,481 units. Construction activity since the 2000 Census added 28,100 units to the inventory. Sales housing accounted for 87 percent of the total activity. As of the Current date, the average annual inventory growth during the period since 2000 was 6,600 units, 25 percent higher than the average annual increase of 5,320 units during the 1990s.

According to building permit data, recent single-family new construction activity was strongest in Ada County, where permits were issued for 3,316 homes in the 12 months ending June 2004, compared with 2,502 homes during the previous 12 months. In the Canyon County submarket, single-family permits totaled 2,287, down 4.5 percent from a year earlier. In the Boise city submarket, single-family permit activity has been relatively steady, with 692 permits issued from June 2003 to June 2004, compared to 727 permits issued during the previous 12 months.

Between 2000 and 2002, multifamily development consisted mainly of large complexes, but recent multifamily activity has been dominated by duplex, triplex, and quadruplex developments targeted for the rental market. Multifamily construction activity in the Ada and Canyon County submarkets has been strong over the past 12 months. In Ada County, 313 multifamily units were authorized from June 2003 to June 2004 compared with only 51 units for the previous 12-month period. Slightly more than half of these units were in triplex and quadruplex structures, and 25 percent were duplexes. Multifamily permit activity in the Canyon County submarket increased to 370 units in the most recent 12-month period compared with 246 units from June 2002 to June 2003. In Canyon County, 90 percent of multifamily construction has occurred in the city of Nampa. Projects with a maximum of four units accounted for nearly half of the recent multifamily construction in Canyon County.

In the Boise city submarket, multifamily building permits were issued for 136 units for the 12 months ending June 2004 compared with 841 units during the previous 12-month period. Duplexes, triplexes, and quadruplexes accounted for 75 percent of multifamily construction during the 12 months before the Current date.

Condominiums represent only 1 percent of the homeownership market in the HMA. Recently, North Boise neighborhood gentrification has stimulated interest in conversions to condominiums as well as new condominium development. Approximately 100 condominium units will be offered for sale during the first year of the forecast. Most new condominiums are expected to sell for between \$150,000 and \$225,000.

Sales Market Conditions

Historically low interest rates and strong population growth are generating robust sales in the Boise HMA. Sales reached record levels in Ada County. For the 12-month period ending June 2004, sales of new and existing homes in Ada County totaled 8,025, according to the Ada County Association of REALTORS[®], 11 percent above the record pace set in the previous 12 months. The median price of all homes sold in Ada County was \$154,000, up 6 percent compared with a year earlier. New home sales for the 12 months ending June 2004 totaled 2,830, a 16-percent increase. The median price of a new house in Ada County was \$177,000, up 11 percent compared with a year ago. In Canyon County, 3,680 new and existing homes were sold for the 12-month period ending June 2004, a 9-percent increase from the previous 12 months. The median price of all homes sold was \$102,475, 5 percent higher than a year ago. New homes sales totaled 1,575 for the 12-month period ending July 2004, off 1.6 percent from the previous year. The median price of a new home in Canyon County was \$112,500, up 12 percent compared with a year ago.

Realtors noted that sales for homes with prices exceeding \$350,000 started to improve early in 2004. They also observed that buyers from out of town are a significant source of demand across all price ranges, and that the range of buyers is equally distributed among young families, retirees, and mature families.

Rising prices for land and lumber have influenced the increase in new house prices. Higher prices, however, did not dissuade homebuyers during the first half of 2004, with local builders citing record sales in March and April. New home sales are most active in the \$120,000 to \$160,000 price range in Ada County and the \$100,000 to \$119,000 price category in Canyon County. The minimum price of a newly constructed house in the Boise HMA is \$70,000. Builders commented that an additional factor behind the rise in prices is the preference among first-time homebuyers for larger homes than were being offered as recently as a year ago.

Rental Market Conditions

The rental market in the Boise HMA remains somewhat soft and very competitive in certain segments. As of the Current date, the estimated rental vacancy rate in the HMA is 8.2 percent. The apartment vacancy rate, however, is much higher. According to Ada Real Estate's quarterly survey of 12,500 units in the HMA, the apartment market vacancy rate in the first quarter of 2004 was 10.6 percent, down from 12.2 percent a year earlier. The average apartment rent has declined approximately 2.5 percent during the 12-month period.

The softer market is the result of the weaker local economy, apartment construction activity, and continued movement of renter households to homeownership. The monthly mortgage payment for a \$110,000 new home with typical financing terms is approximately \$600; the average rent for an 800-square-foot apartment is \$625. With builders of entry-level homes in the \$90,000 to \$100,000 range successfully promoting their homes to renters, competitive conditions and high vacancy rates continue throughout the rental market.

Multifamily permit activity averaged 1,000 units annually from 2001 through 2003, despite a 10-percent average apartment vacancy rate. With 360 units authorized for construction in the first 6 months of 2004, the apartment vacancy rate is expected to remain near 10 percent for the remainder of the year. Recent absorption rates in new apartment developments average fewer than 10 units monthly compared with 20 units a month just 2 years ago. Depending on the concessions offered, new one-bedroom apartments are typically available for monthly rents of \$550 to \$600, two-bedroom apartments for \$650 to \$725, and three-bedroom units for \$850 to \$925. Average apartment rents for all apartments are \$375 for a studio, \$460 for a one-bedroom unit, \$550 for a two-bedroom unit, and \$700 for a three-bedroom unit. Special offers of one or two months' free rent, depending on the length of the lease, and substantially reduced move-in fees are frequently advertised.

The "federally assisted" rental market is tight, and most apartment complexes offering rental assistance to tenants have a waiting list. As of the Current date, apartment complexes financed through the Low-Income Housing Tax Credit Program that offer below-market rents are operating at around 90-percent occupancy levels.

Forecast Housing Demand

Net in-migration based on quality of life and the economic recovery will continue to fuel strong household growth in the HMA. During the 2-year forecast period, additional housing production will be needed to meet new demand and replace housing units expected to be lost to demolitions, conversions, and other changes. Approximately 12,500 additional households are forecast for the Boise HMA from July 2004 to July 2006.

Taking into account sales and rental housing units under construction, as well as the continued tenure shift toward homeownership, production of 11,575 new houses or condominiums for sale and 800 new rental houses or apartments will best achieve an acceptable housing demand-supply relationship at the end of the forecast period.

Sales housing demand will be met mostly through single-family new construction or manufactured housing, although condominium construction is expected to be more active than in recent years. For example, Realtors observed that there is a strong market for single story condominiums among retirees interested in downsizing from single-family homes. To the extent that interest rates remain low, the strength of the sales market will

be in newly constructed and existing housing in the \$110,000 to \$160,000 price range. Table 7 describes the demand for sales housing by price class.

Declining multifamily construction activity combined with steady net in-migration will lead to slow recovery in the rental market. By the end of the forecast period, the HMA rental housing vacancy rate will be in the 6- to 7-percent range. The distribution of forecast demand for market rate rental units by bedroom size was based on the distribution of rental households by size, the distribution of the rental inventory as of the 2000 Census, the trends in production since the Census, the current pipeline, and market conditions. Table 6 describes the distribution of annual rental demand for new housing by rent range. Annual demand is estimated at 160 one-bedroom units, 200 two-bedroom units, and 40 three-bedroom units.

Table 1
Labor Force and Total Employment
Boise HMA
1992 to July 1, 2004

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Previous 12 Mos.	Current 12 Mos.
Labor Force	168,900	176,700	192,200	197,800	208,000	216,550	226,800	229,300	238,100	259,300	250,900	249,300	248,300
Employment	160,600	168,400	184,300	189,800	199,950	208,250	218,500	220,900	230,100	249,440	238,300	236,400	236,850
Unemployment	8,375	8,350	7,900	8,100	8,050	8,300	8,250	8,450	8,000	9,400	12,650	12,925	11,425
Rate (%)	5.0	4.7	4.1	4.1	3.9	3.8	3.6	3.7	3.4	3.8	5.0	5.2	4.6

Note: Data before 1992 not comparable.

Sources: U.S. Department of Labor, Bureau of Labor Statistics
 Idaho Department of Labor

Table 2
Nonfarm Employment by Industry
Boise HMA
1994 to 2003

Employment Sector	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Nonfarm Employment	170,300	179,000	185,800	193,800	202,700	211,200	225,800	229,700	228,400	229,100
Goods-Producing	40,200	42,600	44,500	46,100	48,000	48,900	51,800	50,600	47,100	45,300
Nat. Res. & Mining	12,000	12,900	13,000	13,500	13,900	15,300	16,600	16,700	15,600	15,600
Manufacturing	28,200	29,700	31,500	32,600	34,100	33,600	35,100	33,900	31,500	29,800
Durable Goods	20,400	21,700	23,700	25,100	26,300	26,700	27,800	26,700	24,500	22,700
Comp. & Elect.	11,900	12,600	14,400	15,700	17,000	16,400	17,700	17,700	16,100	14,600
Nondurable	7,700	7,900	7,800	7,500	7,300	7,200	7,300	7,100	7,000	4,100
Food Manufacturing	5,300	5,300	5,200	5,200	5,400	5,400	5,400	5,300	5,200	5,400
Service Producing	130,100	136,300	141,300	147,600	154,700	162,200	174,000	179,100	181,300	183,800
Wholesale	7,300	7,800	8,000	8,300	8,500	8,900	9,600	10,200	10,200	9,900
Retail	19,700	20,600	21,600	22,400	23,200	24,600	27,100	27,300	27,300	27,100
Trans. & Utilities	6,200	5,900	5,700	5,800	6,100	6,400	6,500	7,200	7,100	7,000
Information	3,200	3,300	3,100	3,100	3,400	3,700	4,000	3,900	3,800	3,900
Financial Activities	9,600	9,800	10,300	11,200	10,900	10,900	11,600	11,500	12,000	12,400
Prof. & Bus.	20,600	22,400	23,600	24,300	25,500	28,000	30,500	31,600	31,500	32,000
Tech. & Other Prof.	7,100	7,300	7,400	7,400	7,600	8,500	9,700	10,200	10,000	10,100
Educ. & Health.	16,000	17,000	18,500	20,100	21,800	22,200	24,400	25,500	27,000	28,500
Leisure & Hosp.	14,300	15,000	15,400	16,000	17,000	17,600	19,300	19,800	19,800	20,200
Government	27,000	28,100	28,500	29,500	31,100	32,300	33,000	37,700	35,900	36,000
Federal	4,900	4,900	4,700	4,700	4,800	4,900	5,100	5,100	5,300	5,500
State	3,400	3,400	3,400	3,500	3,800	3,800	3,800	4,000	4,200	3,900
Local	11,600	12,500	13,200	13,900	14,600	15,400	15,900	16,600	17,300	17,100

Notes: Data before 1994 not available by North American Industrial Categories (NAIC) classification.
Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—NAICS

Table 3
Population and Household Trends
Boise HMA
April 1, 1990 to July 1, 2006

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
Population										
Boise HMA	295,851	432,335	501,800	536,325	13,650	3.9	16,350	4.1	17,250	3.4
Boise city submarket	125,738	185,787	200,200	208,100	6,000	4.0	3,400	2.0	3,950	2.0
Ada County submarket	80,037	115,137	142,700	155,800	3,500	3.7	6,475	5.9	6,550	4.5
Canyon County submarket	90,076	131,411	158,900	172,425	4,150	3.8	6,450	4.6	6,750	4.2
Households										
Boise HMA	108,759	158,426	184,525	198,000	4,975	3.8	6,125	3.6	6,750	3.5
Boise city submarket	50,852	74,501	80,850	84,650	2,375	3.9	1,500	1.9	1,900	2.3
Ada County submarket	26,619	38,907	48,800	53,750	1,225	3.9	2,325	5.5	2,475	4.9
Canyon County submarket	31,288	45,018	54,875	59,600	1,375	3.7	2,325	4.8	2,375	4.2

Notes: Rate of change calculated on a compound basis.
 Annual averages may not add to totals due to rounding.
 Source: 1990 and 2000, U.S. Census Bureau

Table 4
Housing Inventory Tenure and Vacancy
Boise HMA
1990 to July 1, 2004

	Boise HMA			Boise City Submarket			Ada County Submarket			Canyon County Submarket		
	1990	2000	Current	1990	2000	Current	1990	2000	Current	1990	2000	Current
Total Housing Inventory	113,989	166,481	195,500	53,271	77,950	84,400	27,578	40,566	52,400	33,137	47,995	58,700
Occupied Units	108,759	158,426	184,975	50,852	74,501	79,700	26,619	38,907	49,950	31,288	45,018	55,350
Owners	75,031	113,140	137,500	32,104	47,643	51,615	21,434	32,492	43,050	21,493	33,005	42,850
%	69.0	71.4	74.3	63	64	64.8	81	84	86	69	73	77.5
Renters	33,728	45,226	47,475	18,748	26,858	28,075	5,185	6,415	6,925	9,795	12,013	12,500
%	31.0	28.6	25.7	37	36	35.2	19	16	14	31	27	22.5
Vacant Units	5,227	8,055	10,500	2,419	3,449	4,679	959	1,659	2,431	1,849	2,947	3,370
Available Units	3,200	5,431	7,574	1,666	2,434	3,562	547	1,157	1,883	987	1,840	2,138
For Sale	1,204	2,545	3,079	531	817	786	271	804	1,240	402	924	1,084
Rate (%)	1.6	2.2	2.2	2	2	1.5	1	2	2.8	2	3	08
For Rent	1,996	2,666	4,495	1,135	1,617	2,776	276	353	643	585	916	1,054
Rate (%)	6	6	8.2	6	6	9.0	5	5	8.5	6	7	2.8
Other Vacant	2,027	2,264	2,925	753	1,015	1,117	412	502	548	862	1,107	1,232

Sources: 1990 and 2000, U.S. Census Bureau
 Current and Forecast: Estimates by analyst

Table 5
Residential Building Permit Activity
Boise HMA
1993 to 2003

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Boise HMA											
Total	6,103	6,543	4,675	4,538	5,174	6,240	6,597	6,042	6,517	6,143	6,143
Single-family	4,531	4,241	3,752	4,237	4,538	5,545	5,794	5,794	5,364	5,268	5,268
Multifamily	1,572	2,303	923	301	636	695	803	803	1,153	875	875
Boise city submarket											
Total	2,768	3,119	1,231	1,099	1,432	1,283	1,391	1,288	1,792	1,393	1,713
Single-family	1,480	1,130	776	923	985	1,103	992	988	797	718	1,280
Multifamily	1,288	1,989	455	173	453	180	399	300	995	675	433
Ada County submarket											
Total	2,172	2,147	2,229	2,052	2,147	2,820	3,089	2,711	2,448	2,151	2,977
Single-family	2,076	2,009	1,953	2,020	2,091	2,596	2,774	2,637	2,364	2,121	2,626
Multifamily	96	138	276	35	56	224	315	74	64	30	351
Canyon County submarket											
Total	1,163	1,277	1,215	1,387	1,589	2,137	2,117	2,043	2,277	2,599	2,656
Single-family	975	1,102	1,023	1,294	1,462	1,846	2,028	1,895	2,183	2,429	2,362
Multifamily	188	175	192	93	127	291	89	148	94	170	294

Source: U.S. Census Bureau, C40 Construction Series

Table 6
Estimated Qualitative Annual Demand for New Market-Rate Rental Housing
Boise HMA
July 1, 2004 to July 1, 2006

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
600	160	725	200	950	40
650	140	775	165	1,000	35
700	125	825	150	1,050	30
750	100	875	125	1,100	25
800	95	925	105	1,150	25
850	75	975	85	1,200	20
900	60	1,025	65	1,250	20
1,000	45	1,125	50	1,350	15
1,100	35	1,225	40	1,450	15
1,200	25	1,325	30	1,550	10
1,300	20	1,425	25	1,650	0
1,400	15	1,525	0	1,750	0
1,500	10	1,625	0	1,850	0

Notes: Distribution above is noncumulative.
Demand of fewer than 10 units is shown as 0.

Source: Estimates by analyst

Table 7
Estimated Qualitative Annual Demand for New Sales Housing
Boise HMA
July 1, 2004 to July 1, 2006

Sales Price (\$)	Units of Demand
100,000	700
120,000	1,625
160,000	1,550
200,000	750
250,000	810
300,000	225
400,000	110

Source: Estimates by analyst