



University of Idaho

College of Business
and Economics

THE HOUSING AVAILABILITY AND AFFORDABILITY STUDY FOR KOOTENAI COUNTY

**A LOOK AT HOUSING
CONSTRAINTS,
POPULATION AND
DEMOGRAPHIC CHANGES
AND BUSINESS ACTIVITY**

MARCH 29, 2023

SPONSORS

**COEUR D'ALENE AREA ECONOMIC DEVELOPMENT
CORPORATION (CDA EDC OR JOBS PLUS)**

PANHANDLE AFFORDABLE HOUSING ALLIANCE

AVISTA FOUNDATION

**UNIVERSITY OF IDAHO'S COLLEGE OF BUSINESS AND
ECONOMICS, VANDAL IMPACT CENTER**

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STUDY PURPOSE



THIS IS A STUDY OF THE HOUSING MARKET IN KOOTENAI COUNTY WITH IMPLICATION TO IDAHO AND THE U.S.

THE FOCUS IS ON WORKFORCE HOUSING.

ITS PURPOSE IS TO ANALYZE THE SIGNIFICANT HOUSING CHALLENGES IN THE FACE OF A LIMITED SUPPLY AND SHARPLY INCREASING DEMAND.

AN UPDATED STUDY FROM THE SPONSORS OF THIS STUDY FOCUSING ON “NEXT STEPS” WILL BE OUT EARLY THIS SUMMER.

CAUSES OF REAL ESTATE PRICE INCREASES (SUPPLY FACTORS)

- Lack of new residential unit construction during the last decade originating from the 2007-2009 recession.
- World-wide supply chain disruptions affecting lumber, steel, and a wide variety of housing products and goods.
- Skilled labor shortages.
- Skyrocketing land values.
- Excessive planning and zoning.

CAUSES OF REAL ESTATE PRICE INCREASES (DEMAND FACTORS)

- Workers telecommuting from home because of COVID-19 and needing bigger space for a home office.
- Shutdown of recreational activities, travel and entertainment due to COVID-19, creating greater home-related preferences and activities.
- Continued low mortgage interest rates making home price increases more affordable.
- U.S. government approximate \$6 trillion stimulus and relief packages, increasing consumer spending power.
- Interstate and intrastate migration to Idaho's cities and counties like Kootenai County.

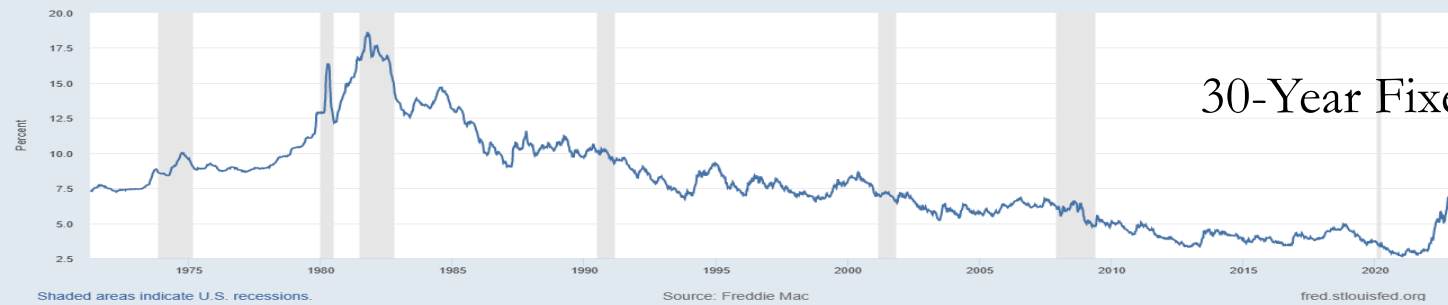
PROBLEM SOLVED!

CHANGES SINCE THE REPORT

Local, State, and National Housing Market Factors



FRED — 30-Year Fixed Rate Mortgage Average in the United States



30-Year Fixed Mortgage Rate

July 2021 2.65%

Feb 2023 6.42%

FRED — Federal Funds Effective Rate

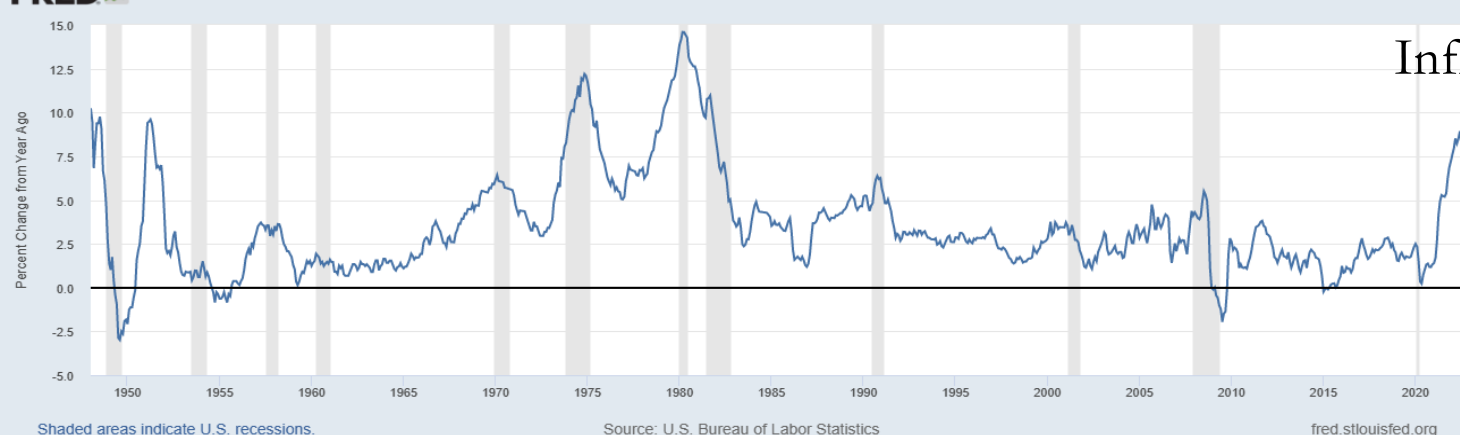


Federal Funds Rate

June 2021 0.08%

Feb 2023 4.57%

FRED — Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



Inflation Annualized

June 2020 0.7%

June 2022 8.9%

Feb 2023 5.99%

National Housing Market Factors



U.S. Housing Starts 1994-2021 and Estimated Deficit

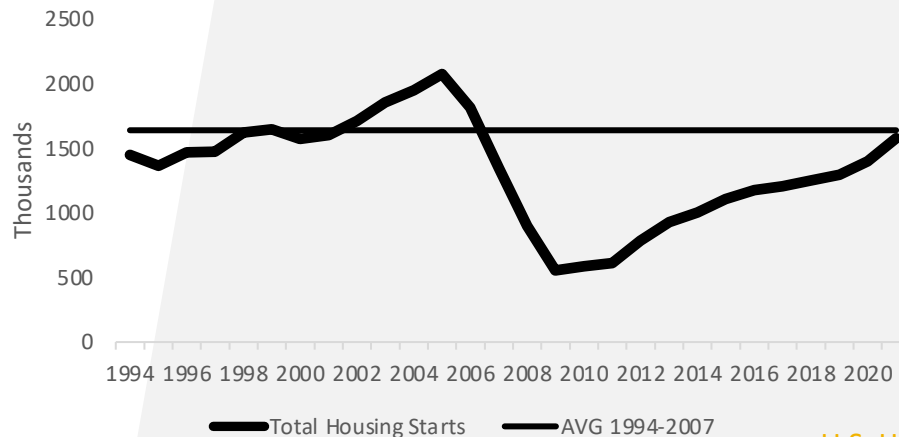
Year	Actual	Average (1994-2007)	Deficit
2008	900,000	1,638,095	(738,095)
2009	554,000	1,638,095	(1,084,095)
2010	585,500	1,638,095	(1,052,595)
2011	611,917	1,638,095	(1,026,179)
2012	783,750	1,638,095	(854,345)
2013	928,167	1,638,095	(709,929)
2014	1,000,250	1,638,095	(637,845)
2015	1,106,750	1,638,095	(531,345)
2016	1,177,083	1,638,095	(461,012)
2017	1,205,000	1,638,095	(433,095)
2018	1,247,333	1,638,095	(390,762)
2019	1,292,167	1,638,095	(345,929)
2020	1,396,583	1,638,095	(241,512)
2021	1,573,889	1,638,095	(64,206)
Totals	14,362,389	22,933,333	(8,570,944)

U.S. Census / FRED and Authors' Calculations

**U.S. HOUSING
DEFICIT
RANGE... FROM
3.8 MILLION
UNITS TO 8.6
MILLION UNITS**

**5.5 MILLION DEFICIT
UNITS ESTIMATED BY THE
NATIONAL ASSOCIATION
OF REALTORS**

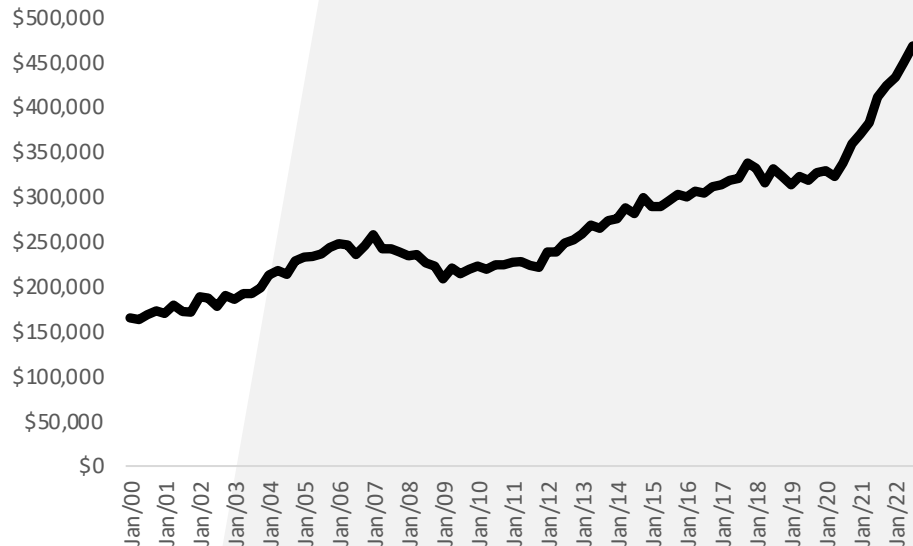
6/16/21



National Housing Market Factors



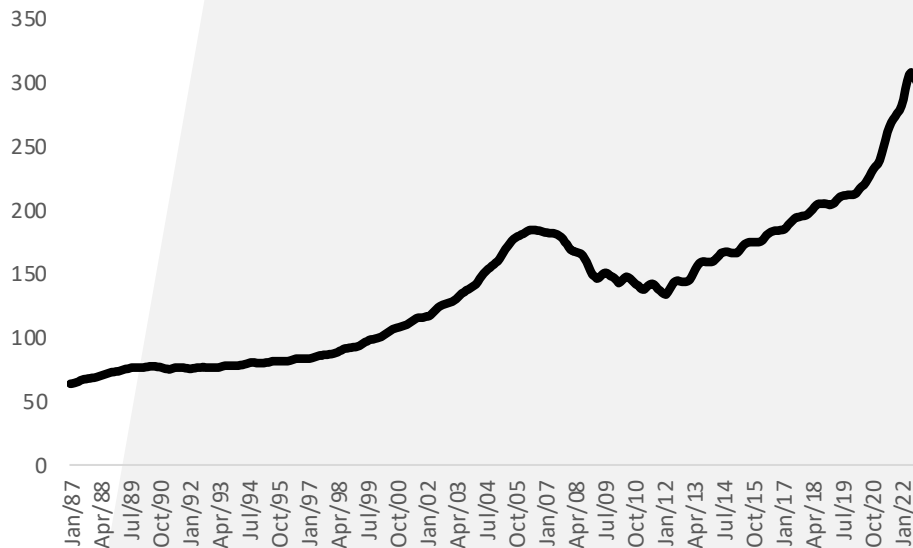
Median U.S. Housing Prices Sold in the U.S. 2000 Q1 (\$165,300) to 2022 Q4 (\$467,700)



**FROM JULY 2018 TO JUNE
2022, U.S. HOME PRICES
INCREASED 50%.**

**IN THAT MONTH, U.S.
HOUSING PRICES WERE 67%
HIGHER THAN THE
PREVIOUS PEAK IN
JULY/2006 (C-S).**

Case-Shiller U.S. Housing Price Index – January 1987 to Nov 2021



**FROM JUNE 2022 TO
DECEMBER 2022, PRICES
FELL BY 4.4%**

National Housing Market Factors



2021 (Q2) Highest and Lowest Realtor Rankings of Median Housing Prices

RK.	County	State	Median		RK.	County	State	Median
1	New York	New York	\$1,227,108		1	Cottle	Texas	\$52,794
2	Nantucket	Mass.	\$1,218,781		2	Foard	Texas	\$52,568
3	San Mateo	California	\$1,195,275		3	Knox	Texas	\$50,982
4	Santa Clara	California	\$1,187,214		4	Hardeman	Texas	\$48,829
5	San Francisco	California	\$1,179,676		5	Cochran	Texas	\$43,957
6	Marin	California	\$1,045,285		6	King	Texas	\$41,578
7	Teton	Wyoming	\$961,683		7	Kent	Texas	\$39,652
8	Santa Cruz	California	\$925,173		8	McDowell	W. Virginia	\$37,684
9	Falls Church	Virginia	\$886,630		9	Mellette	S. Dakota	\$35,675
10	Kings	New York	\$863,098		10	Todd	S. Dakota	\$28,896

Top Fifteen U.S. Counties with the Largest Increase in Housing Prices (8-31-18 to 8-31-21)

Rank	State	County	%
1	ID	Canyon County	94.7%
2	ID	Ada County	80.6%
3	ID	Kootenai County	68.5%
4	ID	Twin Falls County	65.4%
5	WA	Grays Harbor County	62.2%
6	TX	Travis County	61.8%
7	WA	Mason County	61.2%
8	AZ	Pinal County	61.0%
9	TN	Sevier County	61.0%
10	TX	Williamson County	60.9%
11	MT	Flathead County	60.8%
12	WA	Spokane County	58.9%
13	UT	Weber County	58.6%
14	PA	Monroe County	56.8%
15	MT	Missoula County	54.7%

Source: Zillow

Zillow: House Prices Recent Change

State	6/30/2022	2/28/2023	% Change
Washington	\$ 601,136	\$ 564,221	-6.1%
Idaho	\$ 471,348	\$ 430,830	-8.6%
U.S.	\$ 329,544	\$ 327,390	-0.7%

Source: Zillow

STATE AND LOCAL POPULATION TRENDS



RAPID POPULATION GROWTH

- ❖ Idaho experienced a 17.3% growth in population over the past decade (2010-2020), making it the 2nd fastest growing state in the nation.
- ❖ Kootenai County's population grew 23.7% over that time, making it the 3rd fastest growing county in Idaho.
- ❖ Idaho was 2nd place 2021-2022 in population growth (1.8%) behind only Florida (1.9%). From 2020 to 2021, Idaho was first in the nation (2.9%) (U.S. Census).
- ❖ The fastest growing city in Kootenai County was Post Falls with a 39.6% increase in population, followed by population growths of 34.9% for Rathdrum and 23.8% for Coeur d'Alene.

IDAHO: THE FASTEST GROWING REAL ESTATE PRICES IN THE COUNTRY

- I Idaho ranked 10th place in overall “typical” housing prices at \$430,830 Zillow (2/28/23).
- I From August 2018 to February 2023, Idaho had the fastest growing single-family housing prices in the U.S., increasing 77%
- I These statistics are confirmed by CoreLogic, who found from October 2020 to October 2021, Idaho was virtually tied with Arizona as having the fastest growing house prices in the nation.

NO.1 Growth in Housing Prices (8/18 to 2/23)

Rank	State	%
1	Idaho	77%
2	Montana	73%
3	Tennessee	70%
4	Georgia	70%
5	North Carolina	66%
6	Arizona	65%
7	Florida	65%
8	Maine	64%
9	Utah	60%
10	Kansas	59%

NO.3 Growth in Rents

Rank	State	%
1	Arizona	41%
2	Nevada	36%
3	Idaho	35%

National Housing Market Factors



Idaho had the Fastest Growing Housing Prices Over the Last 5 years

5 Year Rank	State/District	1-Year Rank	1-Year Growth	5-Year Growth	Growth Since Q1 1991
1	Idaho	5	25.50%	121.60%	509.20%
2	Utah	3	26.80%	99.60%	599.20%
3	Arizona	2	27.50%	91.40%	433.60%
4	Washington	13	21.80%	83.10%	466.40%
5	Nevada	7	25.00%	83.10%	293.80%
6	Florida	1	29.80%	81.50%	389.10%
7	Tennessee	4	25.80%	79.70%	316.60%
8	Montana	6	25.20%	77.10%	532.50%
9	North Carolina	8	23.40%	72.80%	268.40%
10	Maine	12	22.00%	71.50%	287.50%

Source: Mapped: The Growth in U.S. House Prices by State (visualcapitalist.com)

Idaho Housing Market Factors



Cumulative Increase in Housing Prices

2010 TO 2022

Canyon County 384%

Ada County 265%

Kootenai County 218%

Year	Ada County	%	Canyon County	%	Kootenai	%
2010	\$155,000		\$91,000		\$ 165,591	
2011	\$147,000	-5.2%	\$79,500	-12.6%	\$ 155,000	-6.4%
2012	\$170,000	15.6%	\$98,000	23.3%	\$ 167,000	7.7%
2013	\$198,000	16.5%	\$125,000	27.6%	\$ 180,000	7.8%
2014	\$210,000	6.1%	\$132,000	5.6%	\$ 194,000	7.8%
2015	\$229,000	9.0%	\$143,500	8.7%	\$ 209,117	7.8%
2016	\$244,900	6.9%	\$160,000	11.5%	\$ 227,000	8.6%
2017	\$265,914	8.6%	\$180,000	12.5%	\$ 253,000	11.5%
2018	\$314,000	18.1%	\$216,900	20.5%	\$ 286,886	13.4%
2019	\$345,000	9.9%	\$247,900	14.3%	\$ 316,629	10.4%
2020	\$392,133	13.7%	\$295,990	19.4%	\$ 316,629	0.0%
2021	\$510,987	30.3%	\$405,000	36.8%	\$ 529,903	67.4%
2022	\$566,000	10.8%	\$440,000	8.6%	\$ 526,000	-0.7%
2023*	\$492,115	-13.1%	\$389,945	-11.4%	\$ 525,000	-0.2%

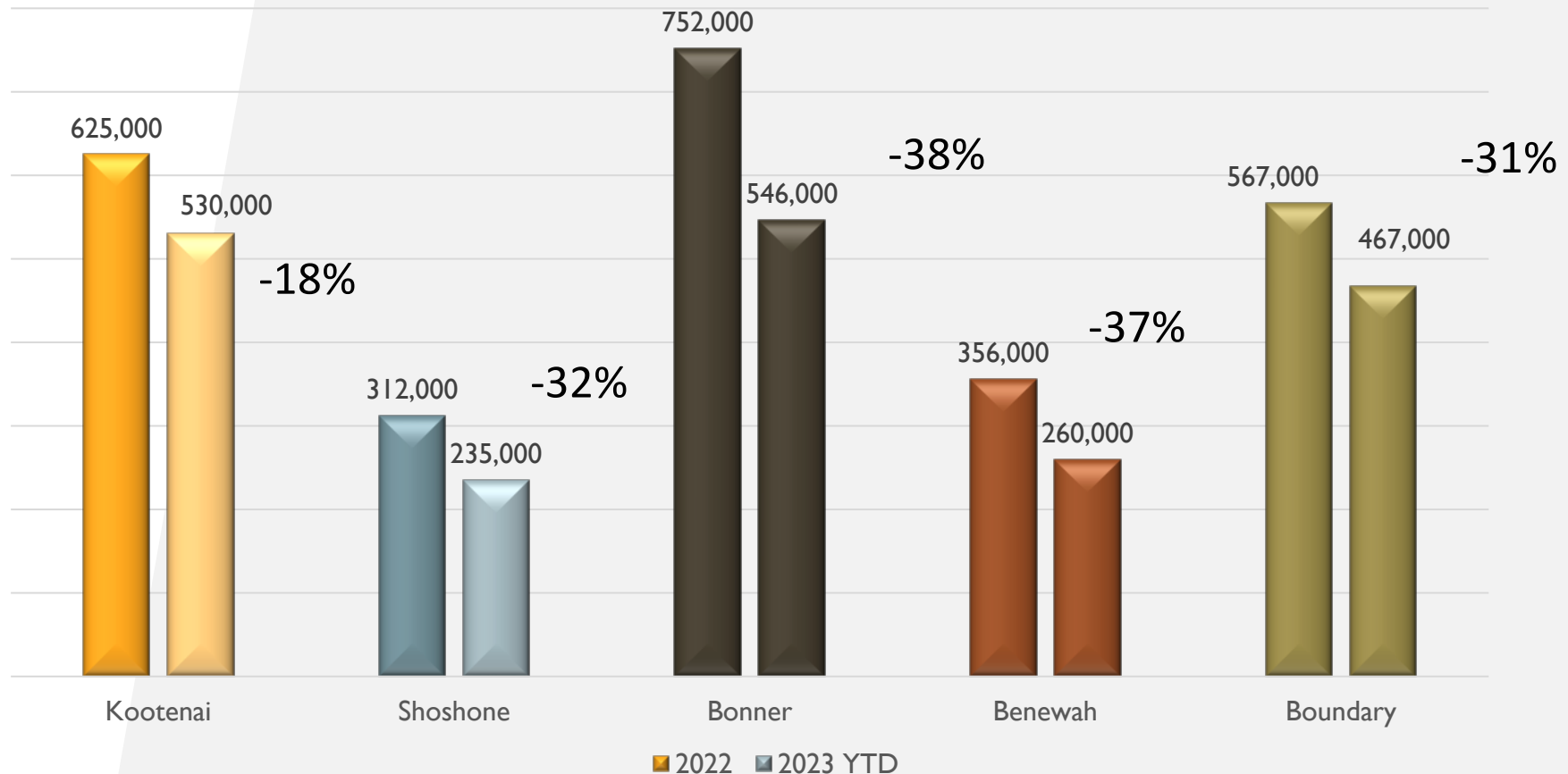
Sources:
Intermountain
MLS, and Various



MEDIAN SOLD VALUES BY COUNTY

SINCE PEAK IN APRIL 2022 SINGLE FAMILY

Note: Because there was a price surge after our study's release, the new prices are about where they were at the time of our analysis.



Source: Windermere Coeur d'Alene Realty

IN 2022, NEARLY 75% OF HOUSEHOLDS CANNOT AFFORD A HOME IN THE CURRENT MARKET

Income Range	Percentage	Affordability
\$0 to \$74,999	62%	Unaffordable
\$75,000 to \$99,999	14%	Marginally Affordable
\$100,000 or greater	24%	Affordable

A REVERSAL OF FIVE YEARS AGO

AT 2016 HOUSING PRICES (JUST FIVE YEARS AGO), ABOUT 75% OF KOOTENAI COUNTY HOUSEHOLDS WOULD BE ABLE TO AFFORD A MEDIAN PRICED HOUSE.

CRE Spokane Study: In 2016 [in Spokane], or just 5 years ago, 70% of local employees could afford a \$250,000 median-priced home; by 2021, only about 15% of employees could afford what is now a more than \$450,000 median-priced home (p.19).

WALL STREET JOURNAL

MARCH 27, 2023



A TALE OF TWO HOUSING MARKETS:

PRICES FALL IN THE WEST WHILE THE EAST BOOMS

**IN AN UNUSUAL PATTERN, THE 12 MAJOR HOUSING
MARKETS WEST OF TEXAS, PLUS AUSTIN, SAW HOME
PRICES FALL IN JANUARY,**

**WHILE THE OPPOSITE HAPPENED IN THE REST OF
THE COUNTRY**

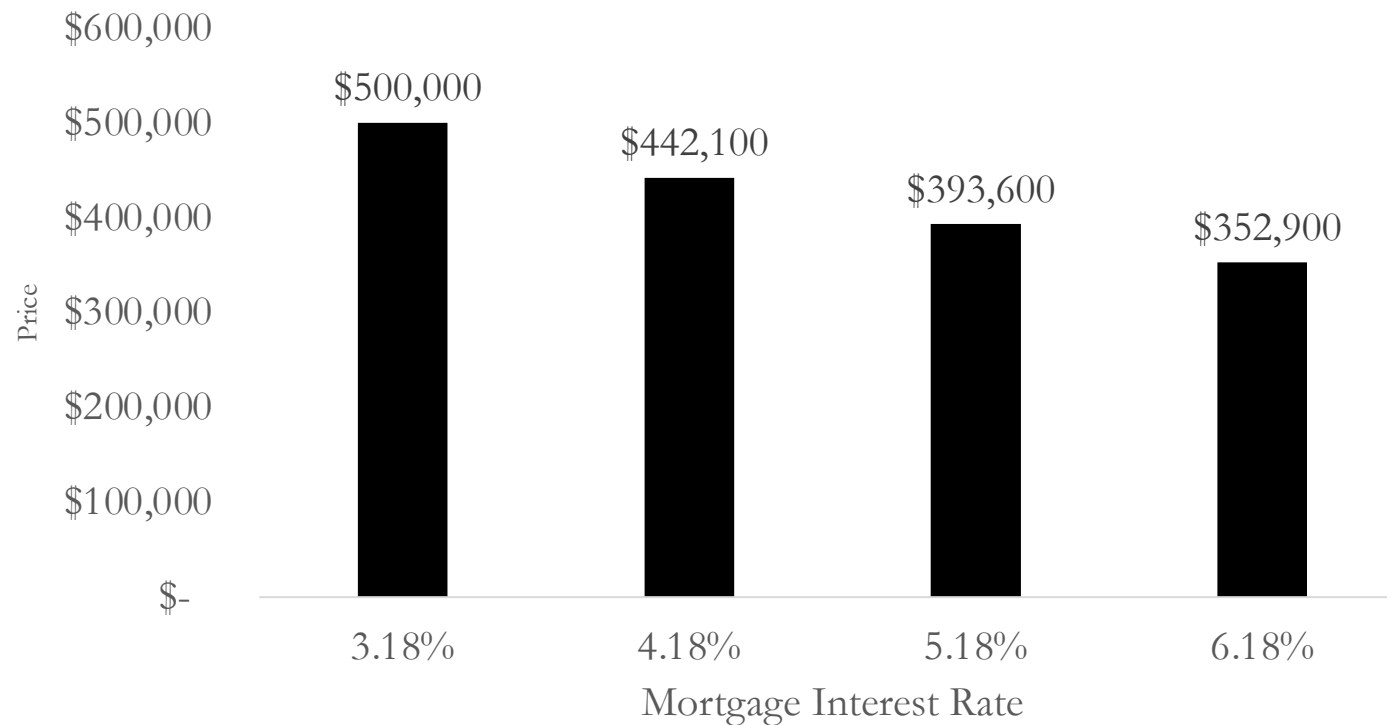
AMERICA'S HOUSING MARKETS: HOME PRICES FALL IN THE WEST AND RISE IN THE EAST – WSJ

WSJ: *Boise's Housing Market Boomed Early in the Pandemic. Now It Is Cooling Fast.*

'Zoomtowns' that drew remote workers are now expecting prices to fall as interest rates rise and companies call employees back to the office. Boise's Housing Market Boomed Early in the Pandemic. Now It Is Cooling Fast. – WSJ

July 27, 2022

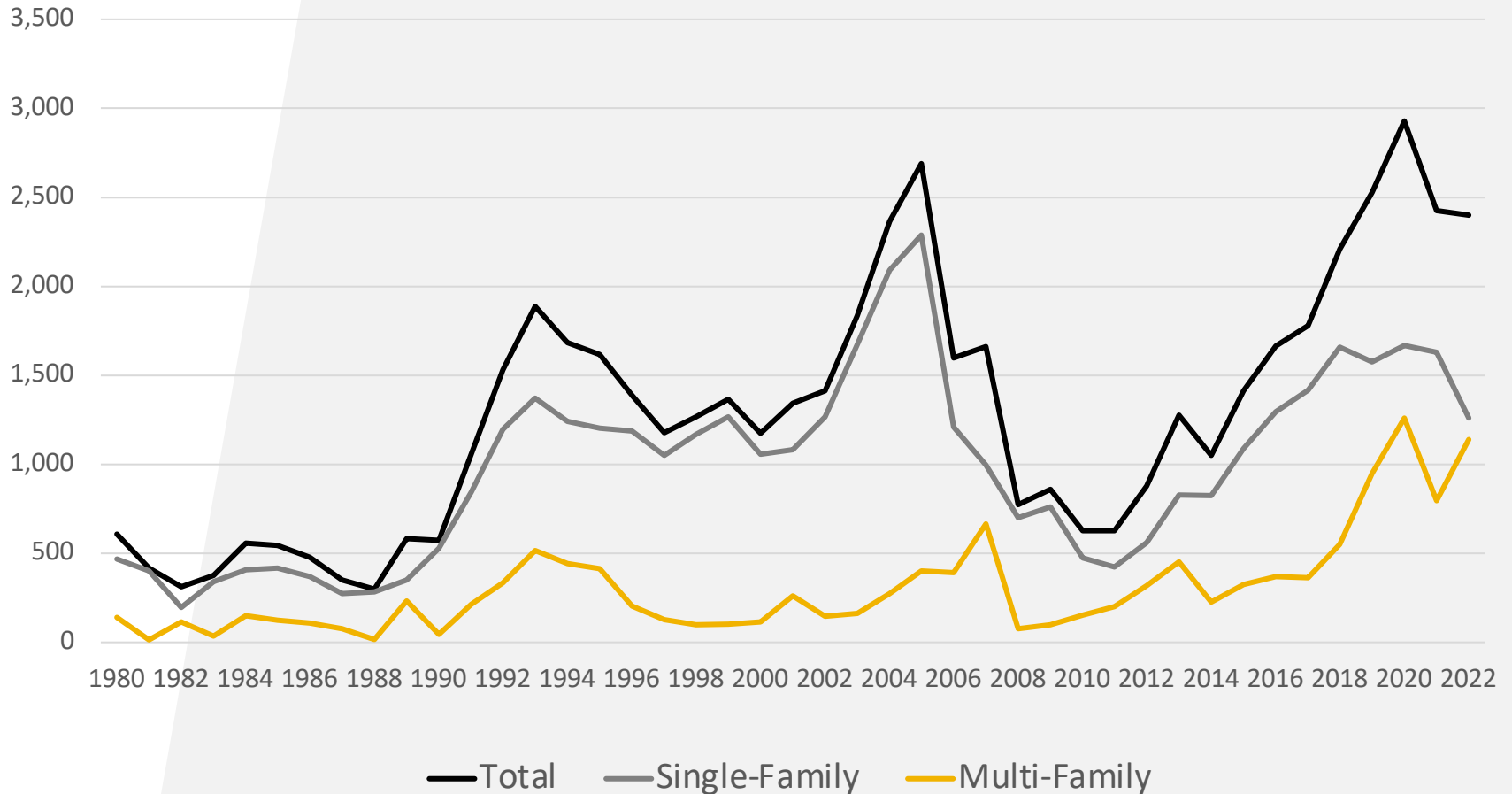
EFFECT OF INCREASES IN MORTGAGE RATES ON HOUSING AFFORDABILITY



Kootenai County Housing Market Factors



BUILDING PERMITS KOOTENAI COUNTY



Kootenai County Housing Market Factors



**THE HOUSING PROJECTIONS FOR YEARS 2030, 2035, AND 2040 ARE
COMPARED AGAINST THE BASE YEAR 2020**

City/County	Population 2030	Effective Persons Per Unit	Total 2030 Units Needed	Actual 2020 Units	Net Over 2020 Needed
Cities	160,694	2.33	68,821	52,747	16,074
Rural Kootenai County	52,602	1.93	27,312	21,989	5,323
Total County	213,296	2.22	96,132	74,736	21,397

Year	Population	Units	Net New Units	Avg New Units/ Year	Type
1990	69,795	31,964	-	-	Actual
2000	108,685	46,607	14,643	1,464	Actual
2010	138,494	63,177	16,570	1,657	Actual
2020	171,362	74,736	11,559	1,156	Actual
2030	213,296	96,132	21,396	2,140	Predicted
2035*	264,675	117,224	42,488	2,833	Predicted
2040*	307,183	135,031	60,295	3,015	Predicted

*KMPO, Kootenai Metropolitan Planning Organization Population Forecasts

UNIQUE FACTORS CONTRIBUTING TO KOOTENAI COUNTY HOUSING CRISIS

Term Rentals
(i.e., Air B&B)

Tele-Commuters

Non-Resident
Purchase of
Second /
Vacation
Homes

Rapid
Population
Growth

Recreation and
Tourism
Community

DEMAND FACTORS

**MARKET DRIVEN - ALMOST ENTIRELY
BY INDEPENDENT MARKET FORCES**

*MYTH: YOU CAN LIMIT THE DEMAND FOR HOUSING
BY RESTRICTING SUPPLY.*

IF WE QUIT BUILDING HOMES....

NONLOCAL MIGRANTS WILL GO AWAY

- Cities and counties have little control over the migration of people relocating to their communities.
- For Kootenai County, nonresident home buyers will likely have the resources to outbid residents if housing supply is constrained.

SUPPLY FACTORS - HEAVILY INFLUENCED BY LOCAL GOVERNMENTS AND REGULATIONS

- City and county regulations have influence in the market only on the supply side.
- The National Association of Home Builders estimates that the cumulative regulatory burden per house (at all levels of government) in Kootenai County is \$93,870 or about 19% of the total cost of a median priced home.

A TRADE-OFF OF BENEFITS VERSUS COSTS

The Market Can Alleviate the Housing Crisis if Allowed

The U.S. has a robust and vibrant competitive construction and real estate industry (including Kootenai County). In the absence of impediments, the industry will provide adequate and affordable housing for the majority of households. *It is not a market problem...it is a government problem.*

The Character of Communities can be Preserved while Providing Affordable Housing

Mixed-residential housing can include single-family detached housing, cluster housing, duplexes, and triplexes, that increase housing availability while preserving the character of communities.

We have Met the Enemy and they are US!

Most housing regulatory overburden occurs not at the federal or state level, but at the local level. We are the problem! We are also the solution!

SINGLE-FAMILY DETACHED HOUSING ZONING (I.E., R1 ZONING) REDUCES HOUSING DENSITY AND INCREASES LAND CONSUMPTION

Percent	City
94%	San Jose, California
81%	Seattle
79%	Chicago
77%	Portland, Oregon
75%	Los Angeles, California

California's Free-Market Housing Fix

A new state law allows landowners to build four units on most lots zoned currently for one unit.

Wall Street Journal 2/3/22. [California's Free-Market Housing Fix - WSJ](#)

But ... Not So Fast

A wealthy Silicon Valley town has blocked new affordable-housing projects by declaring itself a mountain-lion habitat.

[California Town Declares Itself a Mountain-Lion Habitat to Block Affordable Housing \(insider.com\)](#)

HOUSTON TEXAS VERSUS SAN JOSE CALIFORNIA: A TALE OF TWO CITIES' ZONING REGULATIONS (2001-2020)

- Houston MSA Population grew 50% (4.8 million to 7.3 million people).
- Population San Jose MSA grew 13% (1.7 million to 2 million people).
- Price of a home in the Houston MSA rose \$52,011 in real terms (30% price growth) (Zillow Average Price Home was \$258,055 as of 3/28/23).
- Price of a home in San Jose increased \$453,774 (59% price growth) (Zillow Average Price Home was \$1,273,535 as of 3/28/23).

Housing permits	2020
Kootenai County	2,929
San Francisco County	1,983*
5 times the population of KC	

ECONOMIC IMPACTS: THE HOUSING CONSTRAINT IS REDUCING EMPLOYMENT AND OUTPUT IN KOOTENAI COUNTY

	Employment	Sales	GRP	Income
Economic Impacts	-2,749	-\$446,974,814	-\$220,311,945	-\$158,883,710
	Property	Sales/Excise	Income	Total
Fiscal Impacts	-\$4,391,513	-\$7,021,685	-\$4,677,571	-\$16,090,769

THE WORKFORCE ANALYSIS FOUND A DIRECT JOB LOSS OF 1,589 EMPLOYEES. THIS IS A CONSERVATIVE METRIC.

SURVEYS OF KOOTENAI COUNTY STAKEHOLDERS

- Focus groups and individual meetings: Over 50 regional stakeholders were interviewed.
- Three different surveys were sent to respective stakeholders and organizations within Kootenai County: Employers, employees, and Realtors.
- In total, the CDA EDC received 2,697 responses from all the surveys. The surveys were conducted from July 2021 through September 2021.

EMPLOYEE SURVEYS

Key Findings

- The majority of renters (68%) have seen an increase in rent within the last six months with an average increase of about 29%.
- The average new rent was \$1,443 a month, up from \$1,122 six months earlier.

Leading indicator for overall housing (i.e., renters') affordability:

- 21% pay more than 50% of their income for rent.
- 54% of renters spent 30%-50% income to pay rent.
- 24% of the renters spend 30% or less of their income for housing.

EMPLOYER SURVEYS

Approximately 75% of the firms had difficulty in finding employees and face a labor shortage. The most important reasons cited were the inability to find affordable housing and salary price points

Reason	%
Inability to find affordable housing and salary	44%
Lack of specific skill/technical expertise	32%
Lack of interest/applications	12%
Career changes	4%
Unemployment benefits	3%
COVID related	3%
Daycare	1%
Total Responses Given	100%

REALTOR SURVEYS

Key Findings

- Approximately 46% of homebuyers are local. The realtors (on average) believe that only 22% of all home sales are coming from residents wanting to change homes.
 - New residents wanting to purchase a home are about 12% of homebuyers.
 - Telecommuters compose about 12% of the homebuyers.
- Approximately 54% of homebuyers are nonlocal: Nonresident purchases include retirees from outside the region (25%),
 - Second home buyers (15%),
 - Investors for rental properties and resales (14%).
- Multi-family sales: About 70% of multifamily housing sales are to nonlocal investors.



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ANY QUESTIONS?