

December 2018 Market Report  
January 14, 2019 by [Breanna Vanstrom](#) ·

## 2018 BROUGHT RECORD HIGH HOME PRICES IN ADA COUNTY — BUT WHY?

### *Key Takeaways:*

- For the year, Ada County's overall median sales price ended at \$314,000 year-to-date (January 1–December 31, 2018), driven by more new homes selling at overall higher prices, primarily due to rising construction costs, and the persistently low inventory of existing/resale homes.
- While new home sales were up 22.4% in 2018 compared to 2017 — the number of existing/resale home sales over the same period was down 4.1%. Closed sales are limited in the existing/resale segment due to the supply of homes for sale dropping year-over-year for 51 consecutive months.

### *Analysis:*

2018 was another year of record low inventory and record high home prices in Ada County. Last year also gave us the first signs that the market may be shifting back towards balance, and many economists expect that to continue throughout 2019.

The overall median sales price (activity for existing/resale and new homes combined) was often reported as the area norm in 2018. However, to better understand our local market dynamics, it's important to identify the factors that are driving prices in both segments and how those trends are affecting the overall median.

Case in point — based on past data, when new construction sales made up more than 24% or 25% of the total sales in a given month, the overall median sales price was 12-14% higher than the previous year, on average.

Since March 2018, every month of the year saw the share of new construction sales at or above that level, which had a major impact on the area's overall median sales price:



Month	Share of Sales that were New Homes	Overall Median Sales Price	YOY % Change
Mar 2018	30.7%	\$308,950	+23.6%
Apr 2018	24.4%	\$295,000	+16.1%
May 2018	28.0%	\$305,000	+16.4%
Jun 2018	26.7%	\$324,647	+18.5%
Jul 2018	25.2%	\$319,000	+18.2%
Aug 2018	26.8%	\$334,400	+20.3%
Sep 2018	29.1%	\$318,990	+16.7%
Oct 2018	27.7%	\$321,398	+19.9%
Nov 2018	28.6%	\$324,250	+20.1%
Dec 2018	35.5%	\$324,950	+18.0%

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In addition, the median sales price for new homes has also been rising steadily, due to increasing costs of land, labor, and construction materials. The 2018 median sales price for new construction in Ada County was \$373,898, an increase of 10.2% compared to 2017. So, how much did this combination of more new homes selling at higher prices push Ada County's overall median sales price up? For the year, the county's overall median sales price ended at \$314,000 year-to-date (January 1–December 31, 2018), an increase of 18.0% over the same period in 2017.

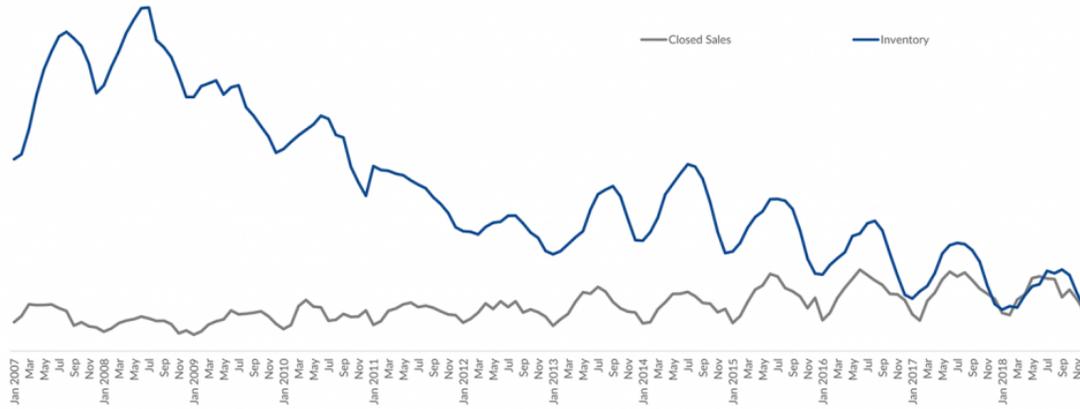
While new home sales were up 22.4% in 2018 compared to 2017 — again, having a significant impact on the new record overall median sales prices we saw in 2018 — the number of existing/resale home sales over the same period was down 4.1%.

Despite the year-over-year slip in existing home sales (more on that in a minute), the median sales price for existing homes in Ada County increased by 17.2% compared to 2017, ending the year at \$290,000. As we've discussed many times throughout the year, this segment's prices are being driven by the historic low levels of homes for sale compared to buyer demand.

December 2018 marked 51 consecutive months of year-over-year falling inventory in the number of existing homes for sale in Ada County. The number of closed sales that are even possible is limited due to the fact we've had fewer and fewer existing homes to sell each month compared to buyer demand. This is the primary reason we're seeing closed sales down year-over-year.

### Historical Monthly Inventory vs. Closed Sales for Ada County

Activity for existing single-family homes between Jan 2007 - Dec 2018. December 2018 marked 51 consecutive months of falling inventory in the number of existing homes for sale in Ada County. The number of closed sales that are even possible is limited due to the fact we've had fewer and fewer existing homes to sell each month compared to buyer demand. This is the primary reason we're seeing closed sales down year-over-year.



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Source: Intermountain MLS as of January 11, 2019.

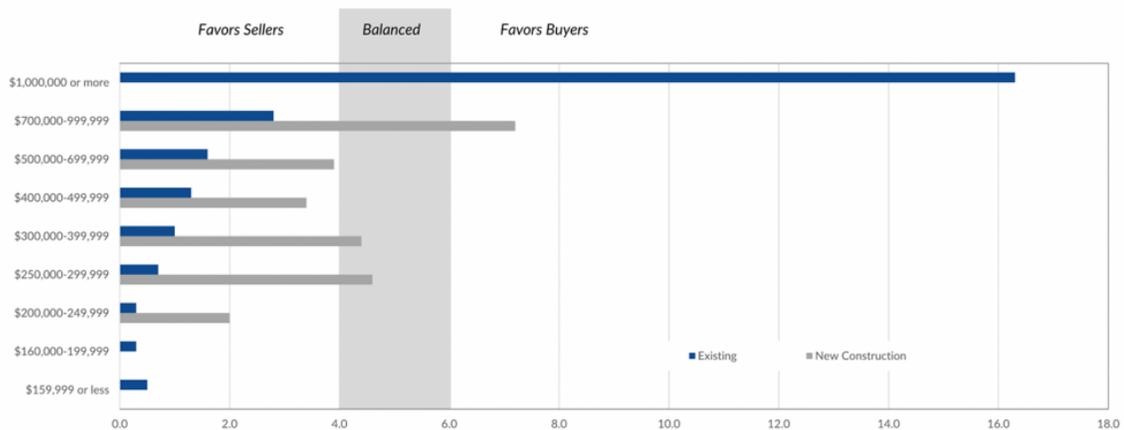
Another way to measure the relationship between inventory and buyer demand is with “Months Supply of Inventory.” This metric takes the number of homes for sale (inventory) divided by the average number of closed sales by month for the preceding twelve months. The resulting number can be described as the number of months it would take to sell through all the available supply assuming no other homes came on the market.

A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. Below four months typically favors sellers and more than six months typically favors buyers.

As of December 2018, the months supply of existing/resale inventory in Ada County was at 0.9 months, for all price points combined. (For comparison, while new construction supply under \$250,000 was at 2.0 months of inventory, the overall segment climbed to 4.0 months (with all price points combined).)

### Months Supply of Inventory in Ada County, Dec 2018

Activity for existing and new single-family homes combined. Months Supply of Inventory (MSI) measures the relationship between inventory and buyer demand. A balanced market – not favoring buyers or sellers – is typically between 4.0 to 6.0 months. Less than 4.0 months tends to favor sellers, and more than 6.0 months tends to favor buyers. Based on current demand, our region needs more existing inventory across all price points, and more new construction below \$250,000.



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Source: Intermountain MLS as of January 11, 2019.

As long as the months supply of inventory for existing homes stays right around 1-2 months, existing home prices should remain higher. This metric is showing us that buyer demand persists, even as there are fewer homes from which they can choose.

In summary, local home prices are being driven by the persistent and historically low inventory of existing homes compared to demand, and more new homes selling at overall higher prices, primarily due to rising construction costs.

We'll dig into additional trends and data in our forthcoming year-end market report to get a better sense of how the market is shifting. Most importantly, we'll look at buyer demand – where it's coming from, what's happening in related markets, and how our local economy and housing market is much different than a decade ago. It will also touch on forecasts from national economists, both for our local market and the U.S. overall. Check back soon!

### **MORE GEM COUNTY HOMES SOLD AT HIGHER PRICES IN 2018**

For 2018, Gem County's overall median sales price ended at \$199,782 year-to-date (January 1 – December 31, 2018), an increase of 7.9% over the same period in 2017. There were 342 home sales in 2018, up 8.2% compared to 2017. 317 of those were existing/resale closed sales, while 25 were new construction sales — a 25% increase in new construction sales from the year before.

New homes typically sell at higher price points, due to increases in costs of land, labor and construction materials, so this larger share of new construction sales has brought up the overall median sales price of homes in Gem County last year. Persistently low inventory compared to buyer demand is the other factor driving up the median sales price.

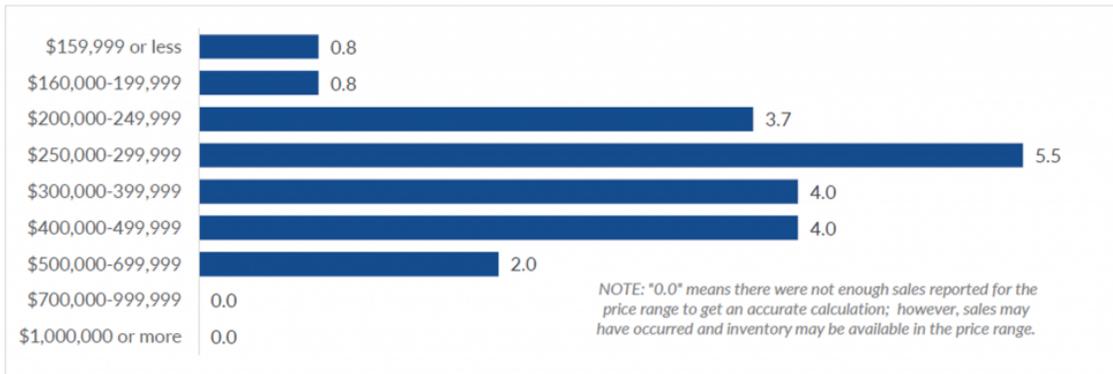
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A balanced market—not favoring buyers or sellers—is typically between 4-6 months of supply. Below four months typically favors sellers and more than six months typically favors buyers.

As of December 2018, the months supply of inventory in Gem County was at 2.5 months, for all price points combined. This is an uptick from the 1.5 months we saw in November, but still not considered a balanced market. As you can see in the chart below, the months supply inventory is at less than a month below \$200,000 price point.



### Months Supply of Inventory by Price Range



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Gem County experienced the same market conditions in 2018 that we've seen elsewhere in the Treasure Valley — higher home prices due to low inventory and more new construction sales. We'll continue to keep an eye on prices, inventory, and months supply of inventory to see if the market is shifting more into balance in 2019.