

Investor interest in Valley homes slows

Some industry leaders fear investors may flood market with homes for sale, undermining construction boom

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Out-of-state investors have driven Treasure Valley single-family home sales to record levels. Soon they could be the market's undoing, some local housing-industry leaders say — although a rental-property manager says that's unlikely.

Since 2004, California investors have poured millions into homes here, lured by affordable prices and annual double-digit home-appreciation rates. Their plan: rent out the properties until prices were high enough to resell the homes at a profit.

There are no definitive statistics indicating exactly how many area homes are owned by investors, according to the Idaho Home Mortgage Association. But Ada County Assessor Bob McQuade offers a clue.

A home not occupied by the owner is ineligible for the state's property-tax exemption, he said. Statistics compiled by McQuade's office show that 28 percent of 128,388 homes in Ada County, or 35,948 single-family units, did not qualify for the homeowner's exemption this year. That's up from 22 percent, or 25,375 out of 115,345 homes, in 2004. That's an increase of more than 10,500 ineligible homes in two years, more than 40 percent.

"All we can do is assume then that a large portion — maybe in excess of 90 or 95 percent — of the non-occupied residential properties are investor-owned," McQuade said. George Tallabas, a veteran real-estate agent with ReMax Advantage in Nampa, said, "We had people from California coming here, buying up entire blocks of homes, and writing checks for \$2 million or \$3 million."

That's not happening any more, he said.

Higher home prices, rising interest rates and stagnant wage growth are making it difficult for investors to get the rents needed to cover their loans, housing-industry leaders say. And that could cause thousands of single-family homes to be dumped on the market, lowering housing prices and undermining a building boom that has been propping up the Treasure Valley economy.

"Those things have all the makings to cause investors to sell out and take their money someplace else," said Don Hubble, owner of Meridian-based Hubble Homes, and one of the first builders in the Valley to stop selling to investors.

Tallabas said: "We had some very brash investors come in here thinking that it (the boom) would last for another five years. They scare me now, because they could begin dumping all those homes." What may prevent a huge sell off by investors is the fact that housing prices have reached a point where people who cannot afford a new home are being driven into the rental market, said J.J. Switter, whose company, Apex Property Management Solutions, manages rental properties for investors.

"Right now, the rental market is tightening as more and more people can't buy homes," Switter said.

A recent survey of 1,237 investor-owned single-family rental homes managed by 51 local members of the National Association of Residential Property Managers found that that 11 percent of the units were vacant. Switter predicts the next survey will show a noticeable decline in the vacancy rate as more Treasure Valley residents are forced into the rental market. "And that will prevent a massive sell off by investors," she said.

Nonetheless, the signs of a national slowdown are adding to local concerns. The National Association of Realtors this week predicted that U.S. housing sales will be off 7 percent this year.

"I attended a recent real estate class where one of the instructors said there are currently 35,000 single-family homes for sale in Phoenix," Tallabas said. "And a third of those are owned by Californians."

Meanwhile, runaway home appreciation rates in the Treasure Valley are already reaching a point of diminishing returns for investors, said Tony Drost, owner of First Rate Management, a Boise-based firm that handles single-family rentals for investors.

With home prices up 27.50 percent statewide last year alone, and the median price of a home now about \$222,000 in Ada County, the area is not going to lure as much outside investment capital. The result: "Investor interest is slowing," Drost said.

For investors who have been bankrolling their investments in Idaho by selling homes in other states, a slowing U.S. market is creating problems that are already affecting Idaho, said Rob Rose, a California investor with multiple properties in the area. "All the people that I'm associated with that purchased (investment housing) in Idaho are doing well with their investments, although, none of us are interested in purchasing anything else at this time," Rose said.