

## Overview

After years of not building homes fast enough to keep up with demand, the Treasure Valley has slowed to a more reasonable demand schedule. Inventory control is the key issue in the market. Prior to the second quarter 2006 the valley has consistently had more homes under construction than in finished unoccupied inventory.

Since mid 2006, we have consistently had more homes in finished unoccupied inventory than homes under construction. This shift has resulted in a nine month supply of finished unoccupied inventory. Developers and builders, faced with ever increasing land and development costs, raised price points to a level that required finished home prices to rise significantly during the same period.

## Development

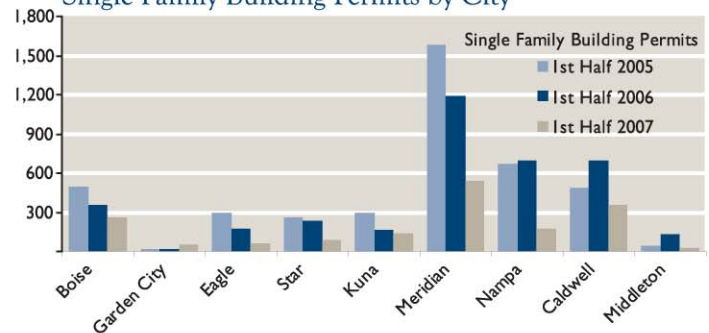
Land transactions have fallen to low levels. Many developers landed on lower quality property over the last two years. Lower quality properties include those that are away from city services, too expensive, or carry difficult deal terms. Developers, builders, speculators and investors changed their minds about many land contracts executed in 2006 and ended up walking away from commitments and non-refundable earnest money. Long-term contracts that looked anemic on their price as the 2005 and 2006 land rush drove prices higher, now look good to both buyers and sellers.

Two or three years ago, driving around the Treasure Valley you would not come across more than a half dozen large, development grade tracts of land for sale. Now, a drive around Ada and Canyon Counties will reveal dozens of properties for sale on every major roadway. Landowners have not adjusted their pricing to reflect the new realities of the market and absorption, and speculators who paid too much for land in the last couple of years are faced with extended time frames to realize their expected values.

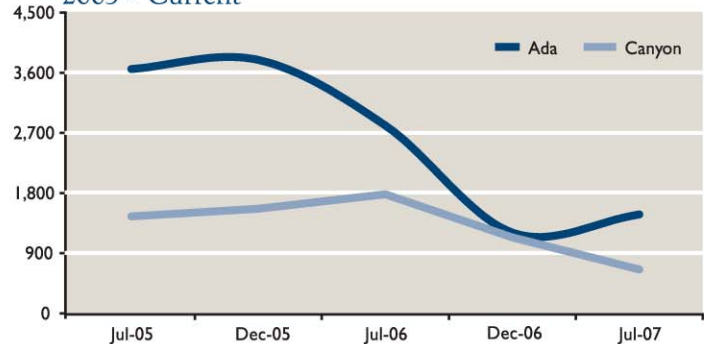
## Outlook

The rest of this year and into 2008 will be dominated by substantial inventory of vacant building lots and continued price adjustments. Lower priced home building opportunities within the reach of the median income buyer will continue to move forward; but, a trend of pushback by developers will continue in the face of slow residential absorption. More landowners will be seen adjusting their prices back to reality which will help residential development move forward; that is, meeting price expectations of home buyers.

Single Family Building Permits by City



Single Family Home Building Permits By County 2005 - Current



## Median Home Price by Selected Cities

	Ada County						Canyon County		
	Boise	Garden City	Eagle	Star	Kuna	Meridian	Nampa	Caldwell	Middleton
Q1 2005	\$166,419	\$159,448	\$344,950	\$179,900	\$124,500	\$193,198	\$115,691	\$100,065	\$132,652
Q1 2006	\$210,181	\$208,276	\$335,585	\$254,750	\$178,549	\$248,011	\$151,793	\$137,011	\$176,669
Q1 2007	\$218,446	\$210,900	\$340,000	\$260,000	\$177,500	\$262,984	\$170,589	\$151,839	\$185,420

Source: Intermountain MLS

## New Single Home Building Permits By City, First Half of Year 2004-2007

	Boise	Garden City	Eagle	Star	Kuna	Meridian	Nampa	Caldwell	Middleton
Ist Half 2004	314	32	218	59	95	1,082	593	313	39
Ist Half 2005	492	17	296	261	293	1,581	673	488	40
Ist Half 2006	357	19	172	236	162	1,194	698	693	133
Ist Half 2007	265	52	63	87	142	537	174	360	22

Source: Construction Monitor