

# Housing in Idaho

IDAHO  
DEPT. OF LABOR

## The composition of new private housing permits authorized in Idaho



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**IDAHO**  
DEPARTMENT OF LABOR  
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# The composition of new private housing permits authorized in Idaho



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*Housing developers face a choice of whether to build new housing units in a given area, and what kind of housing to build. This decision reflects a number of factors from household preferences and incomes, geographic constraints, as well as government policies such as taxes/subsidies and regulations. Publicly available data on authorized permits for new privately owned housing units helps to visualize this decision, mainly by organizing permits into size classes (e.g., single- vs multi-unit structures) and average permit valuation per unit. Developers in Idaho, like the nation overall, are biased towards building higher-valued, single-unit structures, though lower-valued, multi-unit structures have been growing in share. With the recent debates around housing affordability, local and state leaders may want to consider the ways in which new housing developments are biased in one direction versus others.*

## **Introduction**

As an area's population grows, so does the demand for housing, which means rising prices and growing incentive for developers to build.

Though sharing a housing unit with roommates can cut down on individual expenses, many people prefer more privacy and space. In addition, municipal building and fire codes typically place occupancy limits on structures. At some point each of the roommates most likely will seek new housing.

Although the old real estate adage says it's all about "location, location, location," space, privacy and amenities can be just as important. With those characteristics in mind, among other elements, developers face the choice of which kind of housing to build – single family or multi-unit structures.

Some factors considered in the decision include area household incomes, geographic constraints on the developer — like the cost and availability of land — as well as regulations and taxes/subsidies that could bias the decision one direction or another.

To visualize this variation in new housing permits, take the number of housing units within the approved structure and the estimated valuation of the structure per housing unit.

Though new housing permits across the United States and Idaho are generally biased towards higher-valued, single-unit structures, variations across Idaho's metro areas and over time highlight the changing composition in planned housing starts. *A permit allows building to begin. A start is when ground has been broken on the project.*

## **New private housing authorized by building size**

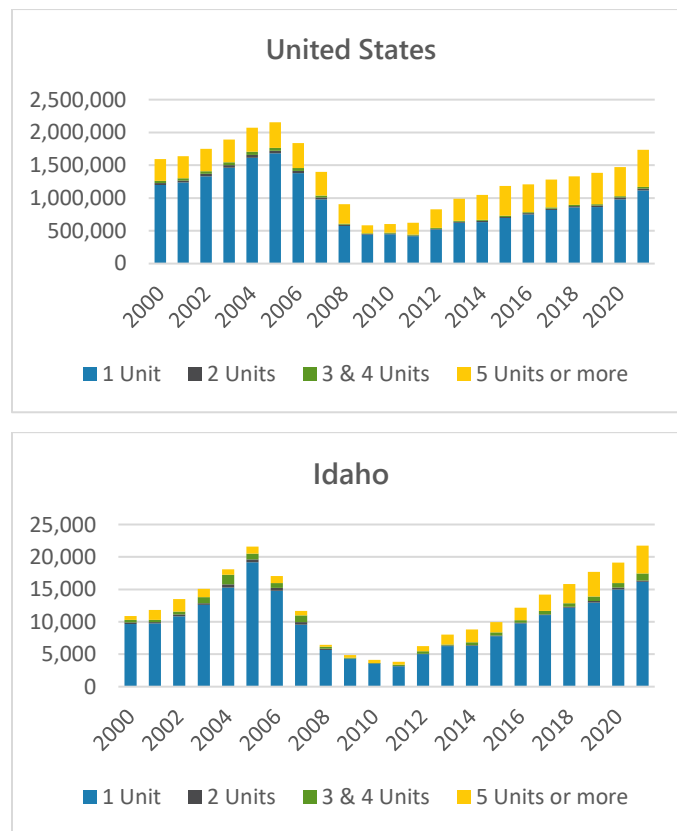
People old enough to remember the first decade of this millennium can recall the historic housing bubble of that period, and the collapse that triggered a global financial crisis, the Great Recession of 2007-2009. During the housing boom of the early 2000s, housing construction ramped up as high prices signaled developers to bring more units onto the market with potential profitability. Figure 1 illustrates the ramp-up of housing permit authorizations for both the nation and state between 2000 and 2005. However, what few people realized at the time was housing prices were largely due to overly exuberant expectations of future price appreciation — particularly for single-family homes — and not underlying market fundamentals. Once this speculative bubble popped and housing prices plummeted, developers became much more pessimistic, and housing permits fell over several years before beginning to recover.

Also shown by the colored bars in Figure 1 is the composition of housing permits by size class for both Idaho and the nation. Planned new private housing as measured by authorized permits remain biased towards single-unit structures. Between 2000 and 2009, about 75% of new housing unit permits issued nationally were for single-unit homes, while for Idaho it was about 85%. Between 2010 and 2019, these shares fell slightly to 64% and 78%, respectively.

This bias towards single-unit structures in new housing permits reflects several factors: household preferences for space and privacy as well as their willingness to pay for these amenities; the cost and availability of land; and government policies that might encourage standalone homes such as building or zoning laws and mortgages’ preferential tax treatment. Given Idaho’s smaller population density, the relative abundance of land is likely a major factor for the greater bias towards single unit structures than seen nationally.

With multi-unit structures, developers are largely biased towards the highest density developments of five units or more per structure. Between 2000 and 2009, this size class comprised about 22% of new private housing permits issued nationally and about 8% in Idaho. Between 2010 and 2019, they comprised about 34% for the nation and 17% in Idaho. While single-unit structures remain most of the new housing permits, it appears the share of new housing structures with several units are growing.

**Figure 1: New privately owned housing units authorized, United States and Idaho**



Source: Building Permits Survey, U.S. Census Bureau

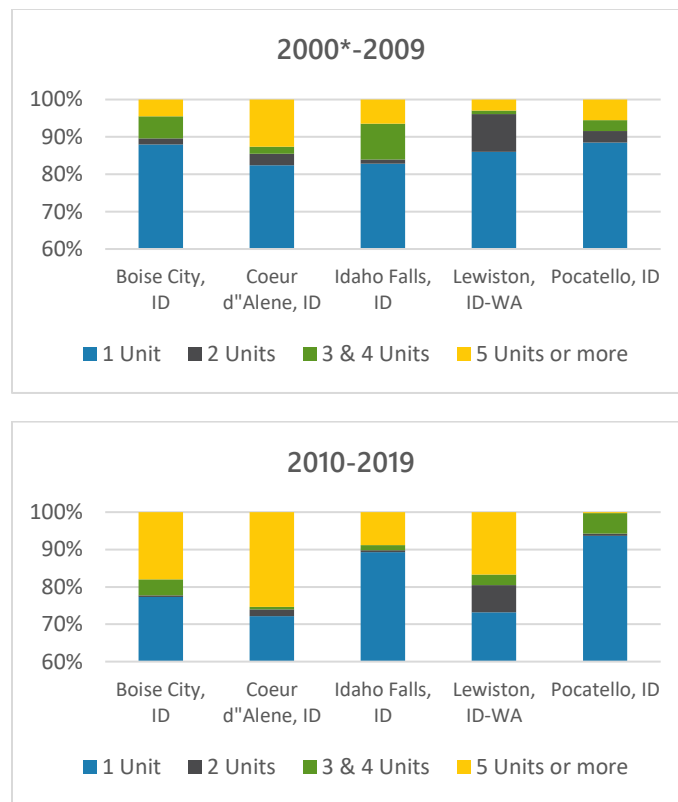
This pattern in the composition of housing permits can also be related back to the housing crash. Given the overly optimistic expectations and lax lending conditions during the bubble, developments centered around single-family homes were considered a worthwhile investment.

However, with the large surplus of homes after the bust, battered household finances and the slow economic recovery, developers responded by building comparatively fewer of these housing units the following decade and shifted towards higher density, more affordable housing.

Within Idaho, similar patterns have appeared for each of Idaho’s metropolitan statistical areas. The Census Bureau only began to include the Twin Falls MSA starting in 2019 so it is not included in this instance.

Figure 2 provides a breakdown of permits issued by MSA for the 10-year periods of 2000-2009 and 2010-2019.

**Figure 2: New privately owned housing units authorized, Idaho metro areas**



Source: Building Permits Survey, U.S. Census Bureau

Note: \*Permits for Coeur d’Alene, Idaho Falls, and Lewiston MSAs were only measured for 2003 onward.

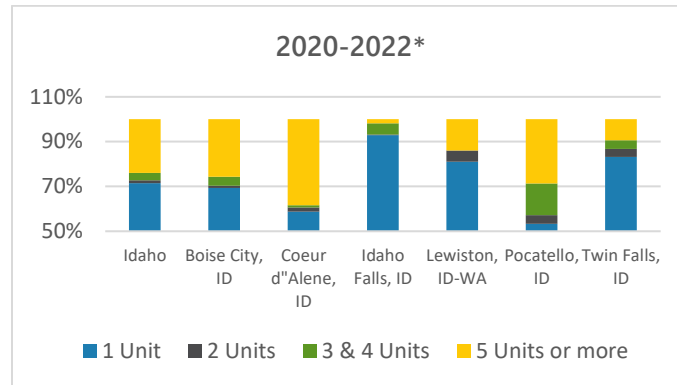
Idaho’s metro areas appeared to be experiencing a bias in new private housing starts towards single-unit structures. In the first decade of this millennium, Boise and Pocatello exhibited the most bias towards these developments while in the second decade it was Idaho Falls and again Pocatello.

Boise, Coeur d’Alene and Lewiston metro areas saw a decline in their shares of single-unit authorized permits, whereas Idaho Falls and Pocatello moved in the opposite direction.

During the pandemic years, single-unit permits fell from 78% to about 71%. Boise, Coeur d’Alene and Pocatello MSAs saw this share decline while Idaho Falls and Lewiston saw an increase. Twin Falls, recently added as an MSA, had just over 8-in-10 permits going to single-unit structures. New multi-unit

housing structures in the state are largely made up of five units or more. The Idaho Falls area is one notable exception where three and fourplexes are the more common form of higher-density housing receiving permits.

**Figure 3: New privately owned housing units authorized, Idaho and its metro areas**



Source: Building Permits Survey, U.S. Census Bureau

Note: \*2022 is year-to-date through the month of November.

## Average permit valuation by building class size

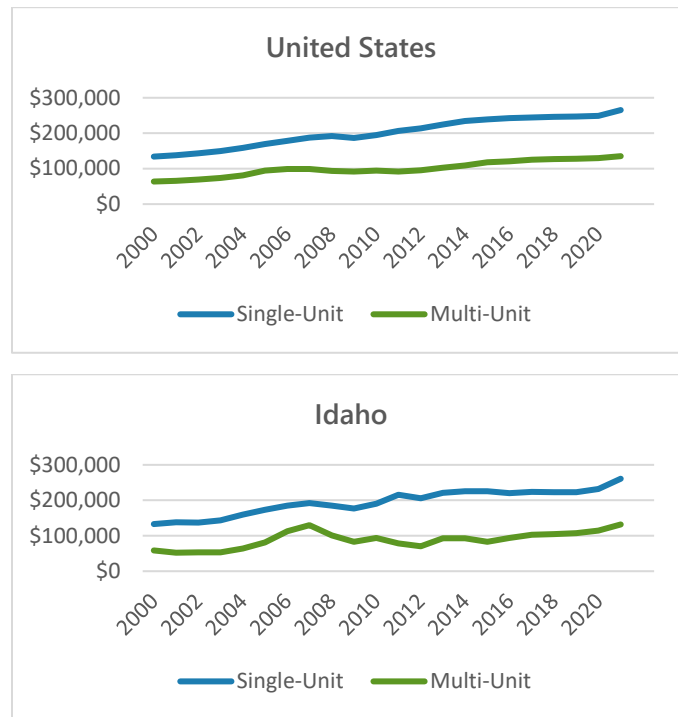
Until now it appeared higher density housing developments with multi-unit structures were generally a lower value per unit than single-unit structures. Of course, there are situations where this is not the case, like premium condominiums.

The U.S. Housing Permits Survey data shows total permit valuations by each size class. When divided by the number of authorized units, an average valuation per unit can be determined for each size class. This is a simplistic measure as valuation methods might differ across jurisdictions, but the difference in valuations per unit between size classes is large and pervasive enough to indicate higher housing density typically has a lower value per unit.

Nationally, single-unit structures are given a valuation per unit about twice that of each unit in a multi-unit structure, as shown in Figure 4. At the popping of the housing bubble in 2007, single units authorized in Idaho were valued at about 50% more than multi-unit structures. By 2012, standalone units were valued at three times that of individual units in multi-unit structures. By 2019, single-unit housing units permitted in Idaho were valued at about twice that of units in multi-unit structures.

Housing and rental prices most likely correlate to valuation — the higher the valuation at the time of permitting, the more expensive it will be to own or rent the unit. While this suggests planned new housing as being generally biased towards more expensive, single-unit homes both nationally and statewide, the share of less expensive, higher density homes among all permitted units has been growing the past two decades.

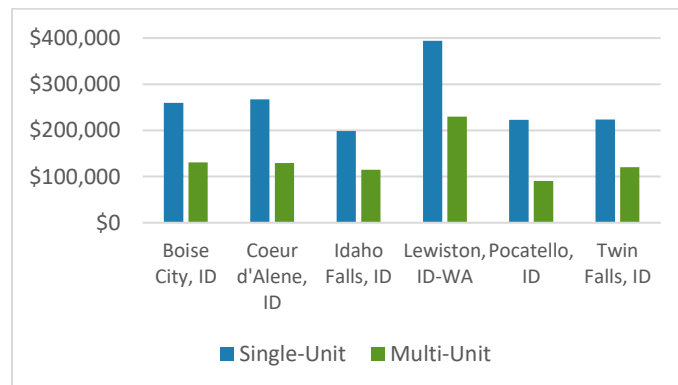
**Figure 4: Valuation per unit for new privately owned housing units authorized, United States and Idaho**



Source: Building Permits Survey, U.S. Census Bureau

Figure 5 plots permit valuations per unit by size class for each of the six Idaho MSAs for 2021. The single-unit premium appears again, though it varies by metro area. At one end of the spectrum, a single-unit home permitted in the Pocatello area was valued about 145% above those in a multi-unit structure; in Lewiston, this premium was about 71%.

**Figure 5: Valuation per unit for new privately owned housing units authorized in 2021, Idaho Metro Areas**



Source: Building Permits Survey, U.S. Census Bureau

Metro areas with the largest relative difference in permit valuations between single- and multi-unit structures in 2021 appear to have seen fewer single-unit permits authorized since 2020. This can be seen in Table 1. A higher single-unit premium is associated with a smaller share of permits issued for single-unit structures. One possible explanation is that developers are moving away from building

budget single-family starter homes in favor of apartments and condominiums, leaving the market for new single-unit homes smaller and perhaps skewed towards larger homes with more amenities.

**Table 1: Single-unit premium vs. share of single-unit housing permits, Idaho and its metro areas**

Location	Single-Unit Value / Multi-Unit Value 2021	Share of Single- Unit Permits 2020-2022*
<b>Idaho</b>	<b>1.98</b>	<b>71.4%</b>
<b>MSAs</b>		
Boise City, ID	1.99	69.4%
Coeur d'Alene, ID	2.07	58.8%
Idaho Falls, ID	1.73	92.8%
Lewiston, ID-WA	1.71	81.0%
Pocatello, ID	2.45	53.4%
Twin Falls, ID	1.86	83.2%

Source: Building Permits Survey, U.S. Census Bureau

Note: Average permit valuations are expressed on a per unit basis.

\*2022 is year-to-date through the month of November.

## The composition of new housing and the affordability question

Among the growing challenges facing Idahoans the past few years has been the availability of affordable housing. Older Idahoans are finding themselves priced out of their own communities while younger Idahoans are postponing or giving up any prospect of homeownership, all while employers struggle to attract outside talent to the state. Beneath all these stories has been one of a housing stock not keeping pace with a growing population, a story most Idahoans seem to understand.

One remedy is to build more housing, but again, what kind? Disagreements arise and consensus is sometimes hard to reach.

Looking at the composition of new private housing permits across time and metro areas reveals both common trends as well as divergences. Yes, new homes remain skewed towards higher-valued, single-unit structures, but the dominance of the "white picket fence home" is waning for several reasons. These include household preferences and incomes, the cost and availability of land, and changing regulations in some areas. Additionally, it would seem higher-density, less-expensive housing developments popping up in certain areas is indicative of a move away from the traditional budget starter home for many households.

Local and state leaders concerned about the housing issue will want to examine what factors and policies shape the types of housing built in their area, whether it is the kind of housing that will best serve the needs of their community, and how they might influence future housing development.



## Data source

Since 1995 the U.S. Census Bureau has conducted its Building Permits Survey (BPS), surveying permit-issuing jurisdictions to measure new privately owned residential construction across the country.

The data as well as accompanying technical documentation for the survey can be found at <https://www.census.gov/construction/bps/>. An updated map of the U.S. Office of Management and Budget's core-based statistical areas can be found at <https://www.census.gov/geographies/reference-maps/2020/geo/cbsa.html>.