Impacts of Vacation Homes and Short-Term Rentals on Housing Affordability in Ketchum, Idaho

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Introduction

Photo credit: City of Ketchum (2014).

High housing prices in the mountain resort community of Ketchum, Idaho threaten to push out permanent residents. Vacation homes and short-term rentals (properties rented for 30 days or less on sites like Vacation Rental By Owner or Airbnb) may contribute to this trend. They raise rents and home prices because they 1) can provide housing for tourists at the expense of permanent residents, 2) take affordable homes off the market, 3) increase competition for investment properties, and 4) provide economic incentives to convert to short-term rentals (Barron et al., 2017; Horn & Merante, 2017; Dayne, 2016). A better understanding of their impacts can help Ketchum enact policies to address housing unaffordability.

Research Questions

- What are the impacts of short-term rentals and vacation homes on the housing market?
- What policies can the City of Ketchum enact to promote housing affordability?

Methods and Data Sources

This research used quantitative, qualitative, and spatial analysis methods.

- Demographic, economic, and housing trends from U.S. Decennial Census (1970 to 2010) and American Community Survey (2011 to 2015) data.
- Manual collection of a representative sample of 333 short-term rentals advertised on Vacation Rental By Owner (VRBO.com—the site with the most listings in Ketchum).
- Computer software to determine the approximate location of all Ketchum short-term rentals advertised on national hosting sites in February 2017.
- Comparison of median housing prices to the Area Median Income to gage affordability.
- Recommendation of affordability policies for Ketchum, given state legislative requirements and findings from semi-structured interviews with housing and tourism experts.

Results

Vacation Homes and Long-Term Trends: 1970 - 2015

Vacation homeowners increased while permanent resident owners and renters declined.

- Vacation homes grew to 50% of all homes in 2015—up from 23% in 1990 (**Figure 1**).
- Full-time homeowners dropped from 39% to 25% of all homes; full-time renters dropped from 31% to 16%.
- Ketchum lost 280 vacant homes for-rent (an annual loss of 11.2 homes).
- The median home value was 8.5 times the median income in 2015, compared to 6 times in 1970 (less than 3.5 times is generally considered affordable).

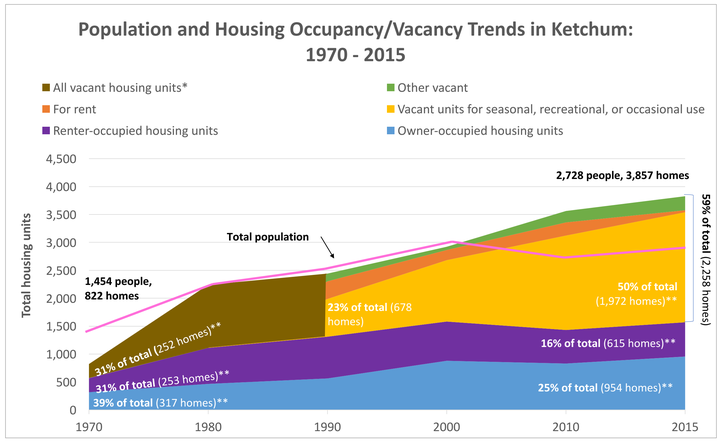

Figure 1: Housing occupancy and vacancy characteristics, and total population, in Ketchum from 1970 – 2015 (U.S. Decennial Census, 1970 – 2010; American Community Survey 2015 5-Year Estimates). *Housing vacancy characteristics are not available pre-1990. **Percent's may not add up to 100 due to rounding.

Short-Terms Rentals and Near-Term Trends: 2012 - 2016

Short-term rentals grew while long-term rentals declined:

- There were 471 known short-term rentals in February 2017; 50% were in prohibited zones (residential neighborhoods) (**Figure 2**).
- 219 new short-term rental hosts joined VRBO.com since 2012 (**Figure 3**).
- During the same period, there were 212 fewer long-term rental newspaper listings (an 86% drop) (**Table 1**).
- There were only 79 long-term rental newspaper listings in all of 2016.
- Most short-term rentals in the representative sample were older, smaller, and more affordable condos or townhomes (76%), with three bedrooms or less (79%), and built in 1989 or earlier (59%).

Short-Term Rentals Compared to Ketchum Zoning Districts

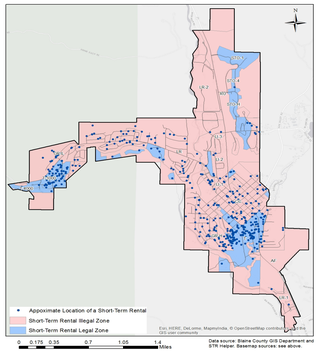

Figure 2: Short-term rentals in Ketchum on 12 national hosting sites on February, 8, 2017, compared to zoning districts (STR Helper, 2017; Blaine County, 2017).

Date Hosts Joined Vacation Rental By Owner: 2004 - 2016

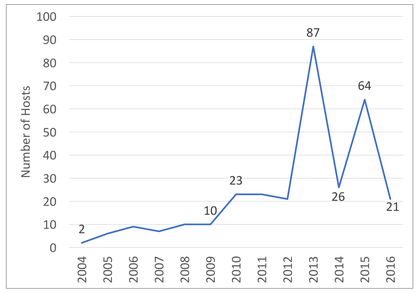

Figure 3: Date Ketchum short-term rental hosts joined Vacation Rental By Owner.com (VRBO.com, 2016).

Annual Long-Term Rental Advertisements in the Local Newspaper: 2012 - 2016

	2012	2013	2014	2015	2016	Total Decrease from 2012 - 2016	Percent Decrease from 2012 - 2016
Studio	38	19	15	10	4	-34	-89%
One-Bedroom	70	47	57	32	12	-58	-83%
Two-Bedroom	124	61	80	44	16	-108	-87%
Three-Bedroom	54	32	40	52	47	-7	-13%
Four+ Bedroom	5	0	0	0	0	-5	-500%
Total Listings	291	159	192	138	79	-212	-73%

Table 1: Annual long-term rental newspaper advertisements in Ketchum (Blaine County Housing Authority, 2012 - 2016).

Impacts on Affordability: Long-Term Rentals

Affordable properties declined for families earning the Area Median Income (AMI) of $78,600.

- In 2016, there were only 38 affordable long-term rental listings (**Figure 4**).
- Median advertised rent grew from $1,000 to $1,413 from 2012 to 2016.
- 80% of homeowners with a mortgage, 24% of homeowners without a mortgage, and 32% of renters spent 30% or more of their annual income on housing in 2015.

Potential reasons behind the rise of short-term rentals and decline of long-term rentals:

- 5x higher median nightly rate offer a higher profit potential for investors (**Figure 5**).
- Revenue helps buyers cover mortgage and maintenance costs.
- Owners have flexibility to use the property when not rented.

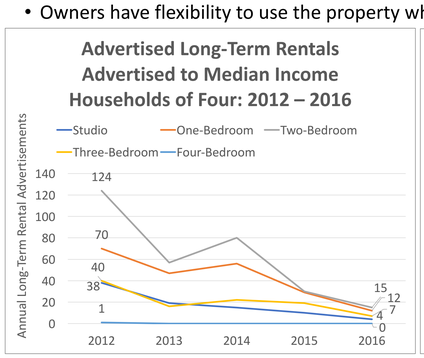

Figure 5: Long-term rental advertisements affordable to families of four earning the median income (Blaine County Housing Authority, 2012 – 2016; U.S. Department of Housing and Urban Development, 2016).

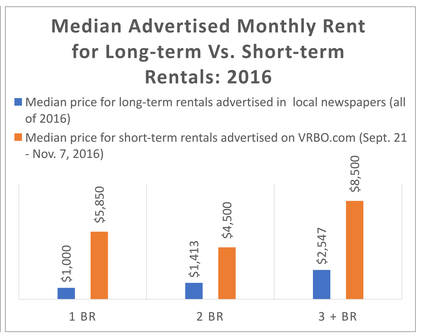

Figure 4: Median price for long-term rentals in local newspapers and short-term rentals on VRBO.com (Blaine County Housing Authority, 2016; VRBO.com, 2016).

Impacts on Affordability: Homeownership

For-sale housing was out of reach for most families in 2016.

- The median single-family home price was $1,075,000, and $350,000 for a condo/townhome.
- Families had to earn $164,240 per year (209% AMI) to afford the median single-family home, and $53,480 per year (68% AMI) to afford the median condo/townhome (**Figure 6**).
- Affordable homes are often too small, with a median size of just 779 square feet.

Annual Income Needed to Afford a Monthly Mortgage Payment* at the Median Home Sales Price in Ketchum Compared to the 2016 Area Median Income (AMI) for a Family of Four

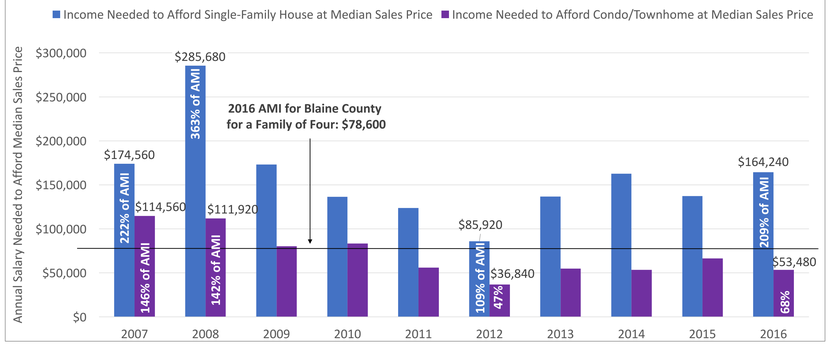

Figure 6: Annual income needed to afford a monthly mortgage payment for the median-priced single-family home and condo/townhome in Ketchum, compared to the Blaine County 2016 Area Median Income of $78,600(Sun Valley Board of Realtors, 2007 – 2016, U.S. Department of Housing and Urban Development, 2016). *Mortgage calculations assume a 30-year, 4% fixed rate mortgage with a 20% down payment, meaning private mortgage insurance fees are not applicable). These calculations do not include property taxes, insurance, HOA fees, or other household costs, so household income needed to afford median prices is likely higher.

Conclusions

There are not enough affordable rental and ownership properties for Ketchum residents.

- Vacation homes and short-term rentals appear to correlate with decreases in housing availability and increases in overall housing prices for permanent residents.
- Factors outside of the research scope, such as the broader housing market and economy, may also contribute to housing unaffordability.
- Policies to address housing unaffordability are limited because Idaho is a pro-property rights state and prevents local regulation of short-term rentals. Property management is also an important part of Ketchum's economy.
- Ketchum can implement several policies to promote housing affordability: 1) make long-term rentals easier to manage and more lucrative, 2) use zoning and regulations to incentivize development of workforce housing, and 3) educate state lawmakers about short-term rental impacts, and problems with pre-empting local control.
- Further research is needed to understand 1) the number of short-term rentals converted from long-term rentals vs. the number that were never available (they were always vacation homes), and 2) how the short-term rental market changes daily and seasonally.

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