



# Montana Housing Outlook 2015

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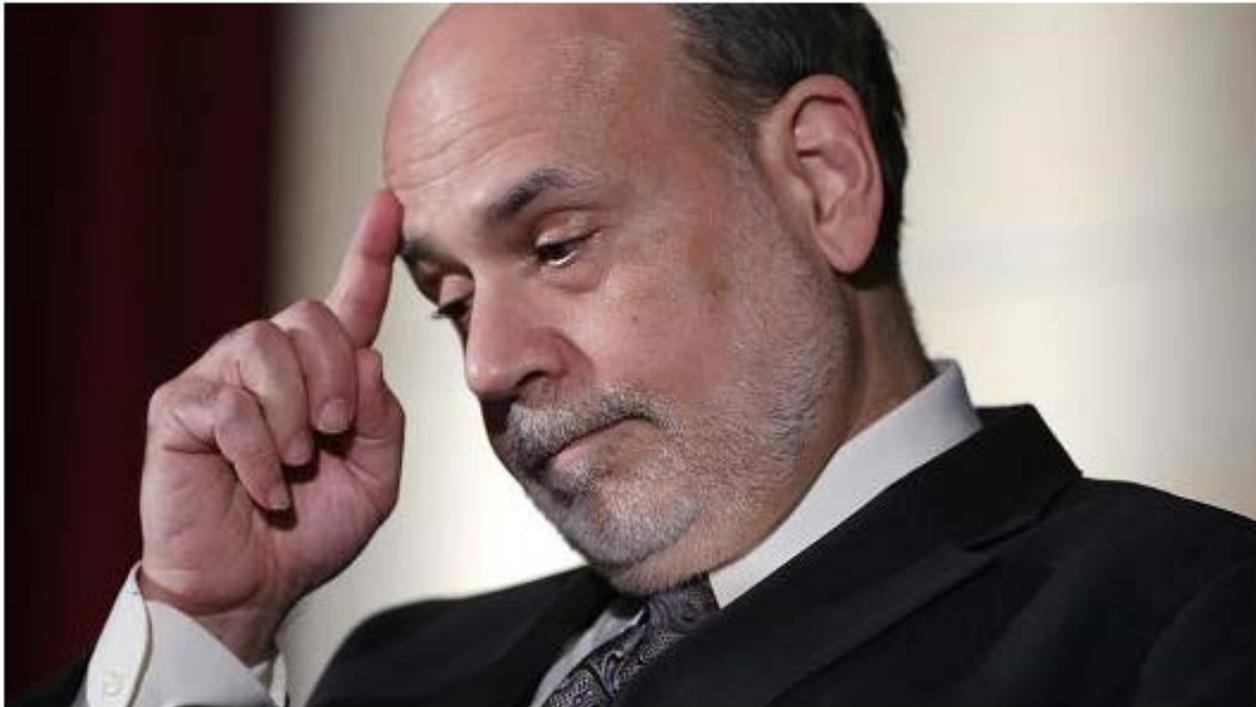
# Housing Outlook

- Home is the most important financial asset for a person
- Real Estate is a key driver of economy
- What is the new normal?
- Credit to the sources –
  - National Association of Realtors
  - Montana Association of Realtors
  - Mortgage Bankers Association
  - Wall Street Journal
  - Federal Housing Finance Agency
  - Demand Institute
  - United States Census Bureau

# Ben Bernanke, I feel your pain!

COMMENTARY

Diana Olick | @diana\_olick  
Friday, 3 Oct 2014 | 12:11 PM ET



Getty Images

Ben Bernanke

<http://www.cnbc.com/id/102057449>

- **Regulation**

Shaping the  
future of the  
industry

# Combined Regulation Affects

## Recent Regulation 2014

- Qualified Mortgage
- Ability to Repay
- New Disclosures

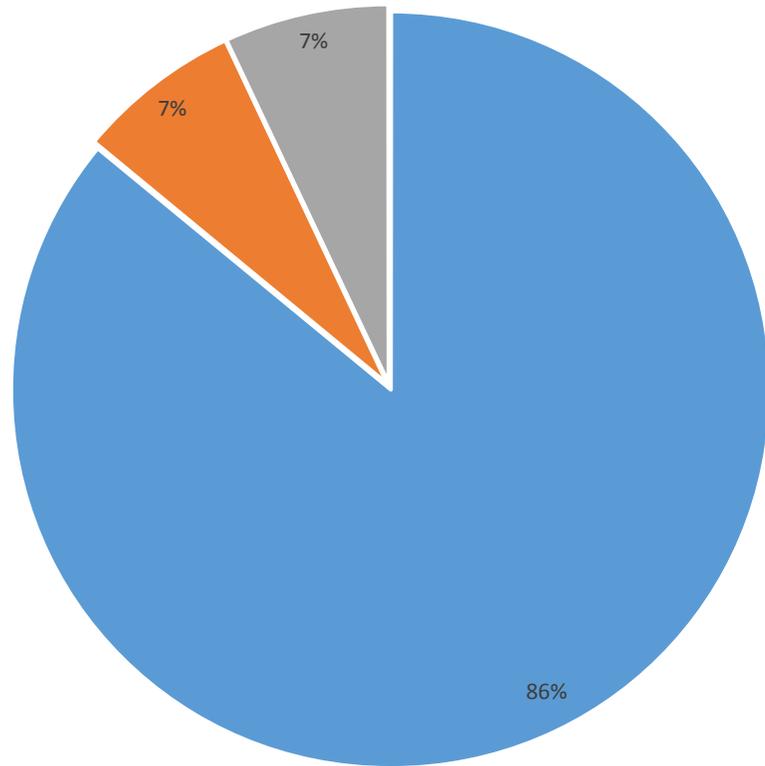
## Future Regulation 2015

- “Know Before You Owe”
- New Loan Estimate
- New Closing Disclosure

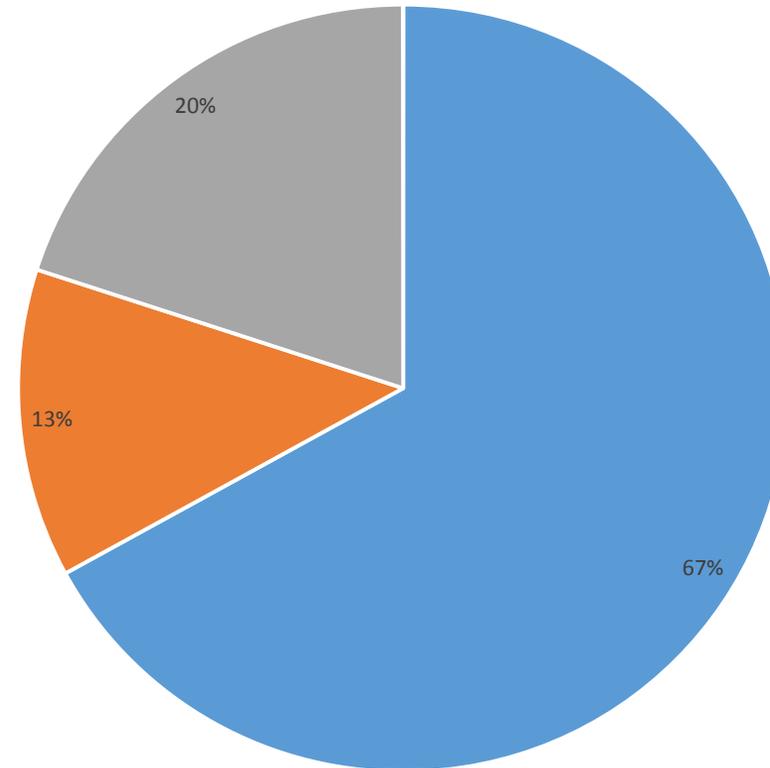
- Availability and cost of credit
- Days to complete transaction
- Underwriting

# Home Sales Share

Montana



National

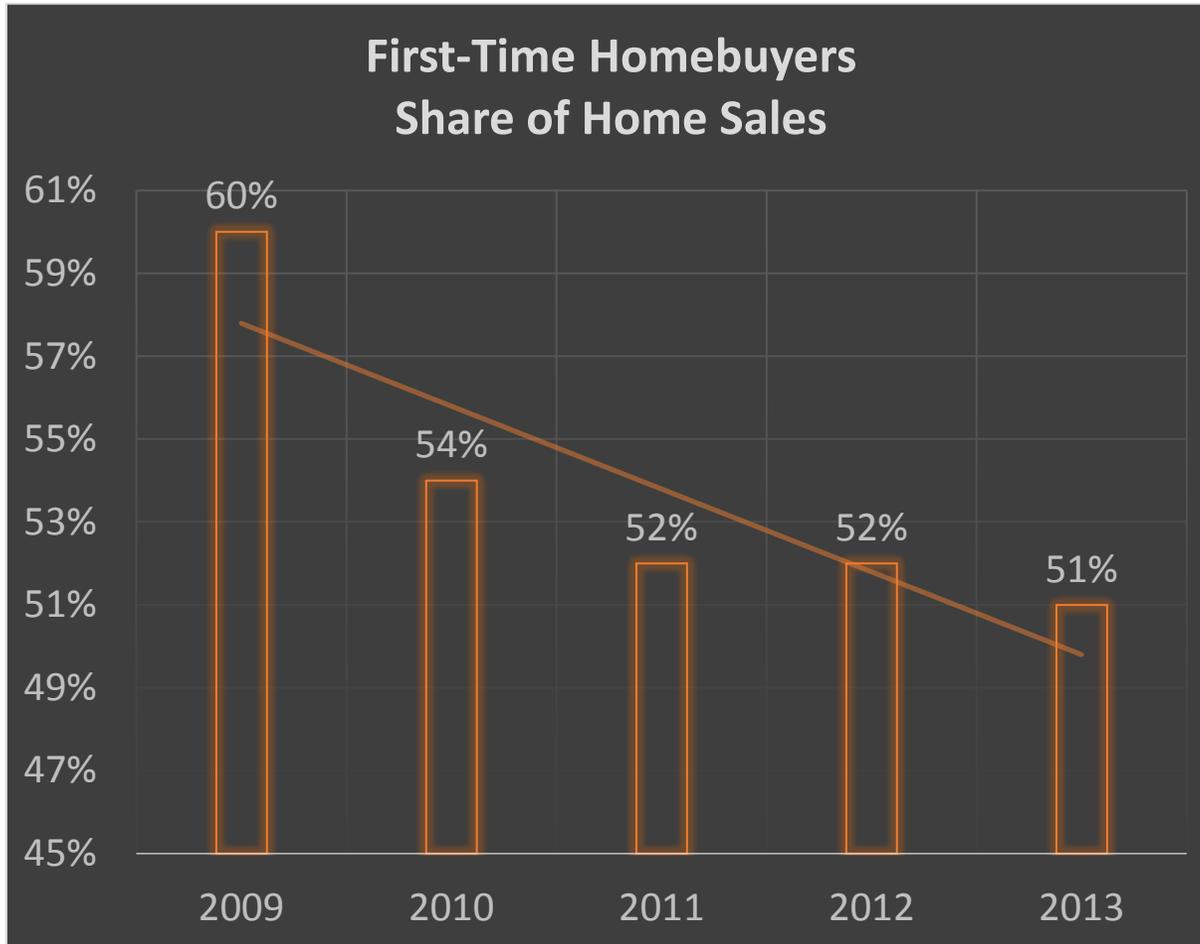


■ Primary Residence

■ Vacation Home

■ Investment

# Where Have the First-Time Home Buyers Gone?

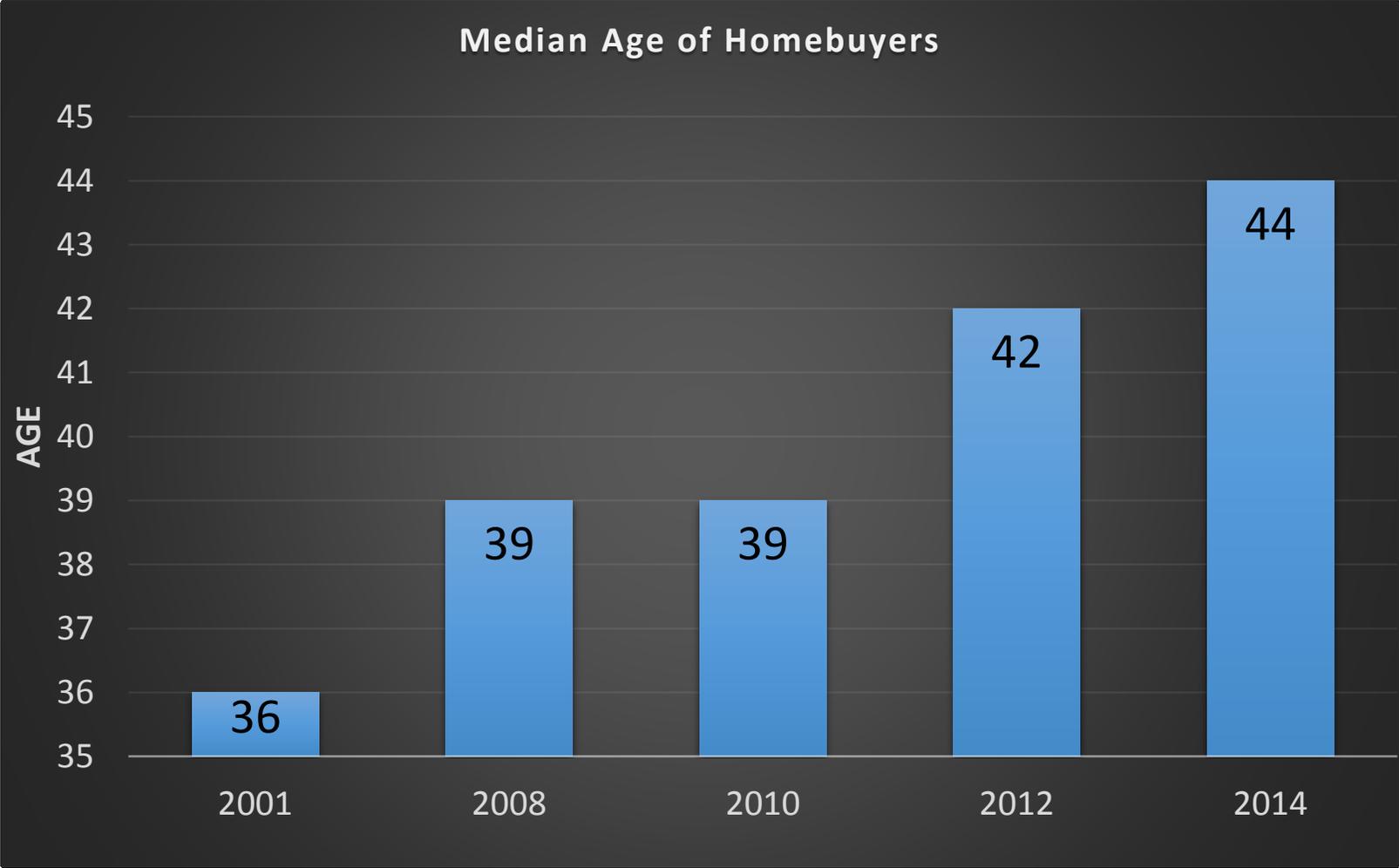


[WSJ First-Time Buyers, Over Time](#)

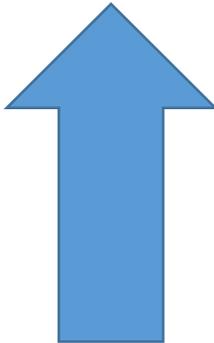
## A Deficit of First-Time Home Buyers Weighs on Housing Market

- Changing demographics in median age
- Low inventory of affordable housing
- Difficulty meeting mortgage underwriting standards
- Down payment requirements

# Changes in Buyer Demographics

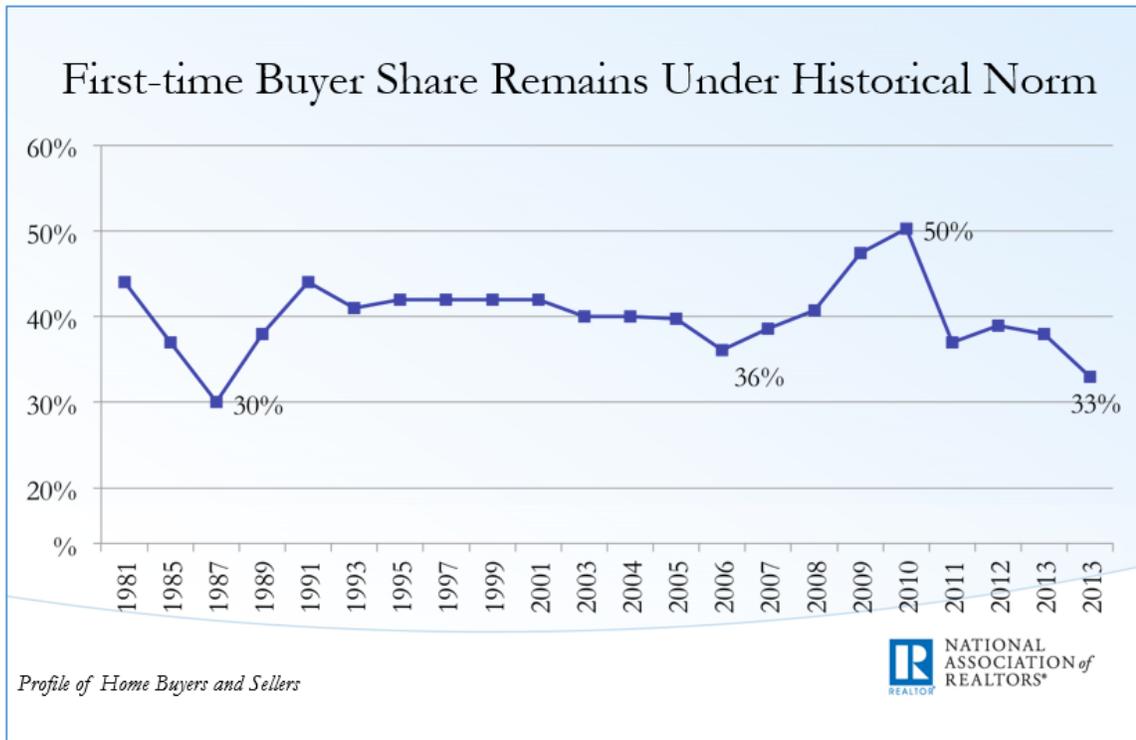


Median Age of Homebuyers Rising

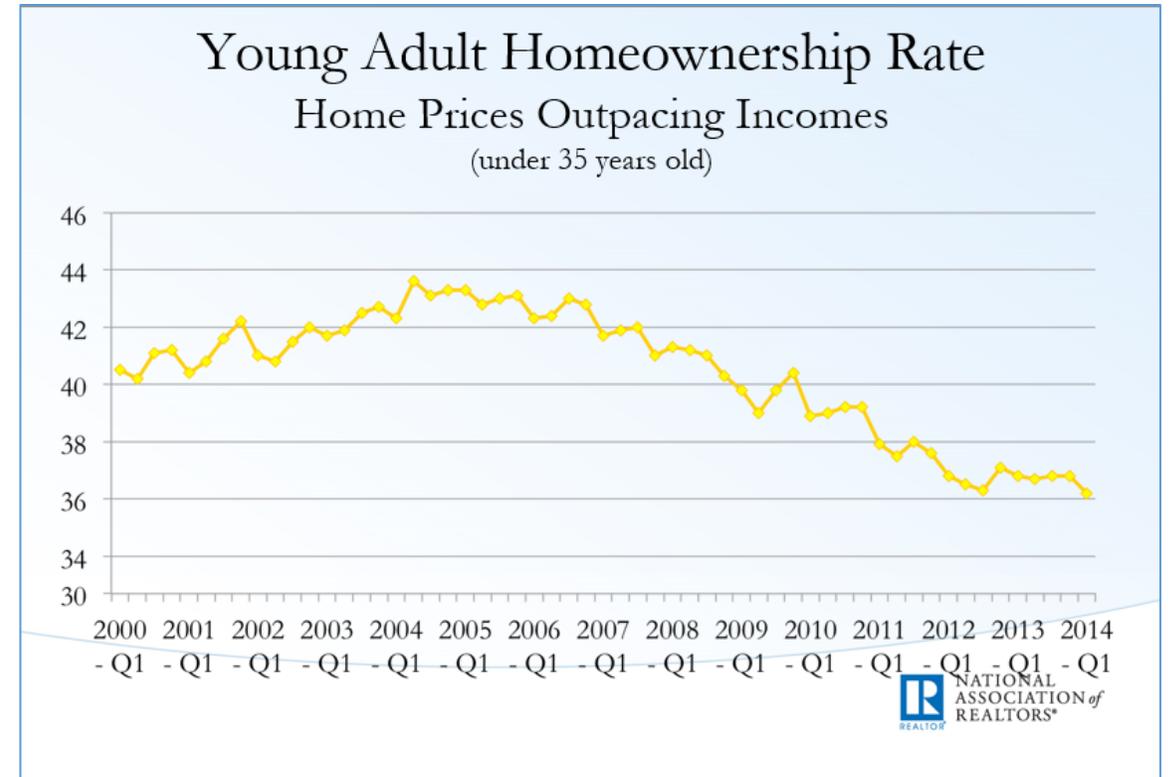


Source: National Association of Realtors

# What is the new normal?



- Changing demographics in median age
- Low inventory of affordable housing



# Aspirations Gap



- **75%** Americans believe home ownership is an important goal
- **65%** Americans own a home
  
- **59%** Young renters (18 to 39) believe owning a home makes more sense
- **73%** Young renters also believe it would be difficult to get a mortgage

# What get's in their way?

## Expenses that Delayed Saving for Downpayment or Saving for Home Purchase

|                                                                         | All Buyers | First-time Buyers | Repeat Buyers |
|-------------------------------------------------------------------------|------------|-------------------|---------------|
| Share Saving for Downpayment was Most Difficult Task in Buying Process: | 12%        | 23%               | 7%            |
| Debt that Delayed Saving:                                               |            |                   |               |
| Credit card debt                                                        | 50%        | 45%               | 58%           |
| Student Loans                                                           | 46         | 57                | 28            |
| Car loan                                                                | 38         | 42                | 32            |
| Child care expenses                                                     | 17         | 13                | 24            |
| Health care costs                                                       | 12         | 8                 | 17            |
| Other                                                                   | 8          | 5                 | 14            |

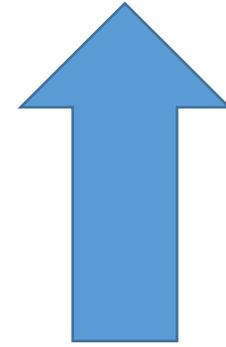


2014 Profile of Home Buyers and Sellers

Source: National Association of Realtors, Convention October 30, 2014

- Barriers to entry for home ownership
- So, where do they live now?

# Multi-Generational Households



Pew Research - Pewsocialtrends.org July 2014

- 57 million Americans or 18.1% of the population live in a multi-generational family household in 2012
  - Double the number who lived in such households in 1980

AARP Public Policy Institute on Multigenerational Households

- 2008 to 2010 the intergenerational households increased
  - 2008 5.3% of all households were multigenerational
  - 2010 6.1% of all households were multigenerational

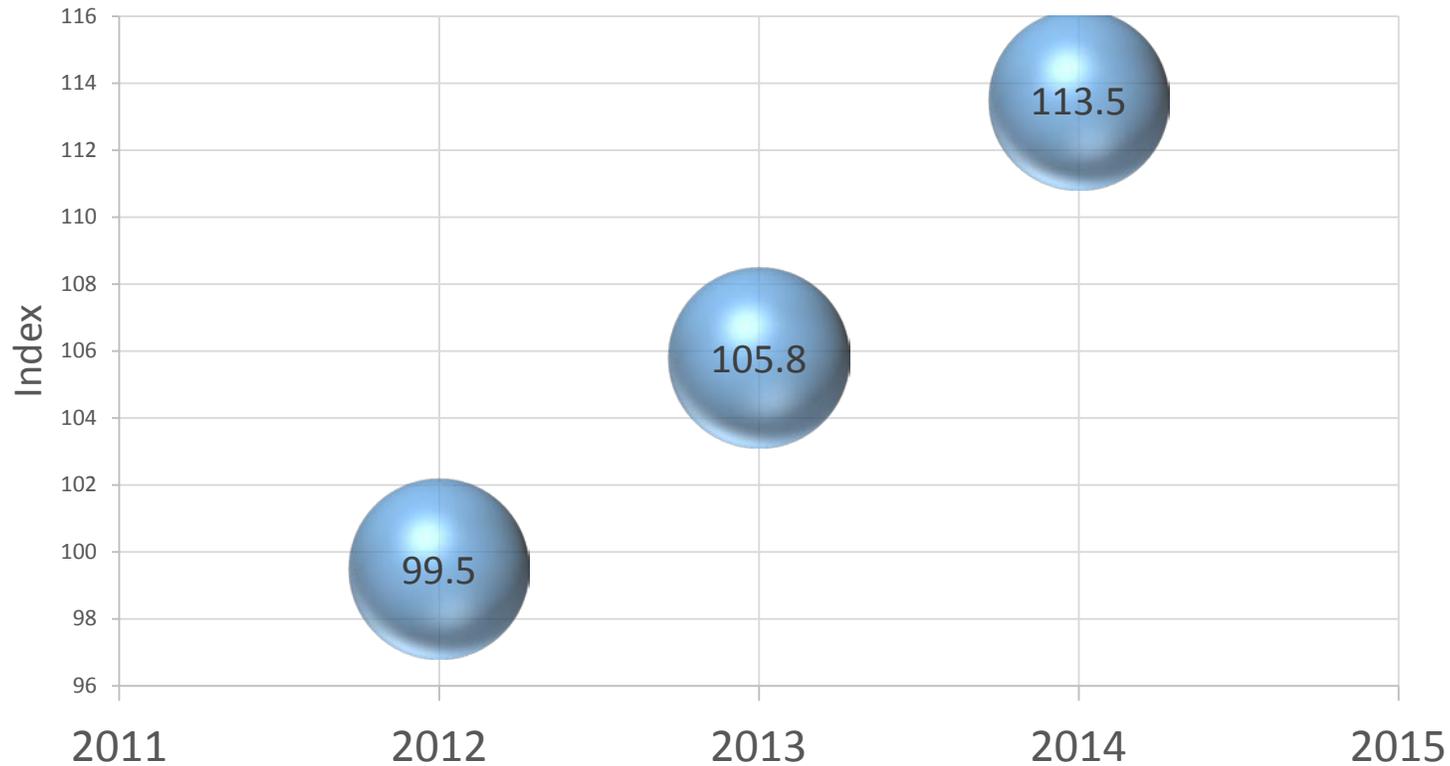
Source: National Association of Realtors, Economists' Outlook Blog; Article November 24, 2014

*Multi-Generational Housing: A Multi-Faceted Issue* by Jessica Lutz, Director, Survey Research and Communications

# New Normal?

## Cost of Building / Tight Inventory = Pent Up Demand

Price Index of New Single-Family Houses  
Under Construction



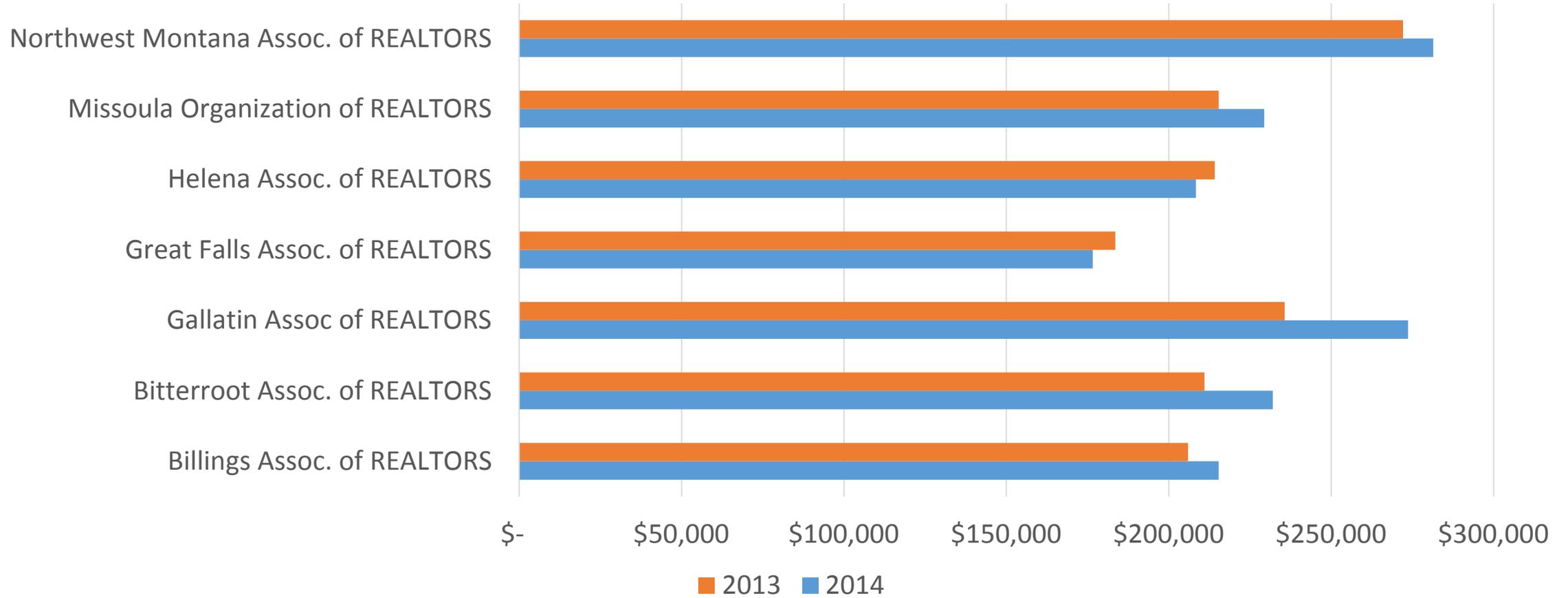
Source: United State Census Bureau  
[Census.gov/construction/cpi/](http://Census.gov/construction/cpi/)  
Laspeyres Price Index (Constant Quality)

# Montana 7 Major Markets - Housing Units Sold



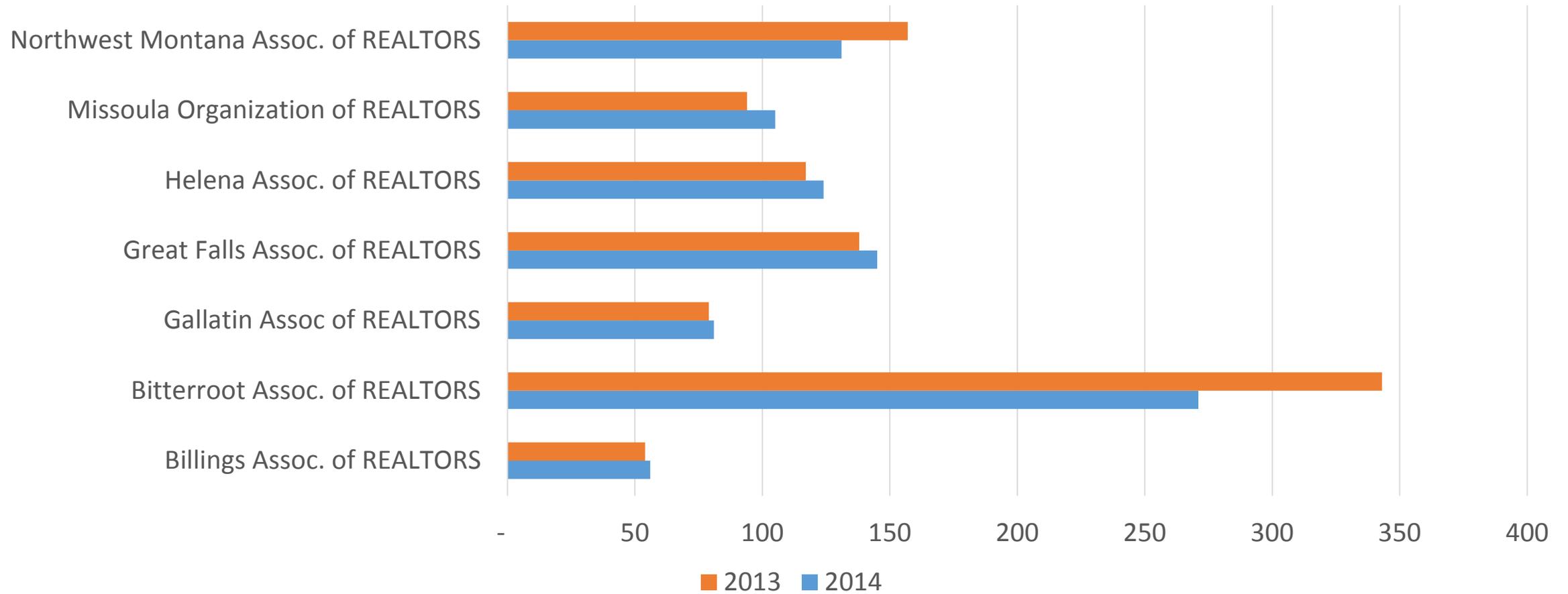
Source: Montana Association of Realtors; 3<sup>rd</sup> Quarter MT Housing Statistics.pdf  
2014 Midyear Housing Statistics July 1 thru September 30 – YTD 2 year comparison

## Montana 7 Major Markets – Average Sales Price



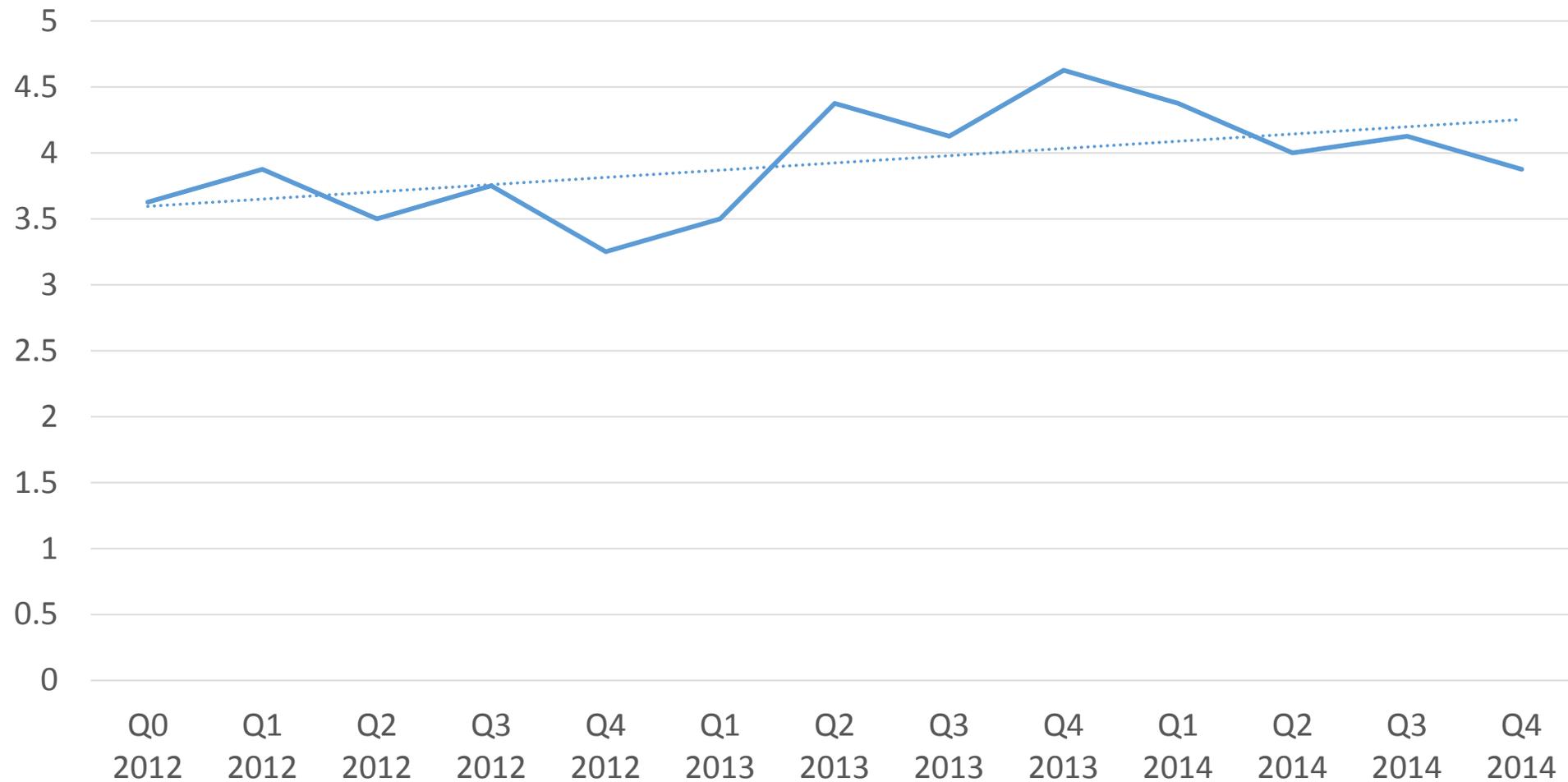
Source: Montana Association of Realtors; 3<sup>rd</sup> Quarter MT Housing Statistics.pdf  
2014 Midyear Housing Statistics July 1 thru September 30 – YTD 2 year comparison

## Montana 7 Major Markets - Average Days on Market



Source: Montana Association of Realtors; 3<sup>rd</sup> Quarter MT Housing Statistics.pdf  
2014 Midyear Housing Statistics July 1 thru September 30 – YTD 2 year comparison

# Mortgage Interest Rates – 30 YR Conventional Fixed



Source: First Interstate Bank

# Living in a new norm?

- Regulations
- Changing Demographics
- Down Payment
- Credit Approval Standards
- Building Costs
- Additional regulatory requirements
- Low Mortgage Interest Rates