

The Outlook for Real Estate and Construction

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Reasons for Optimism?



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- Strong volumes nationally



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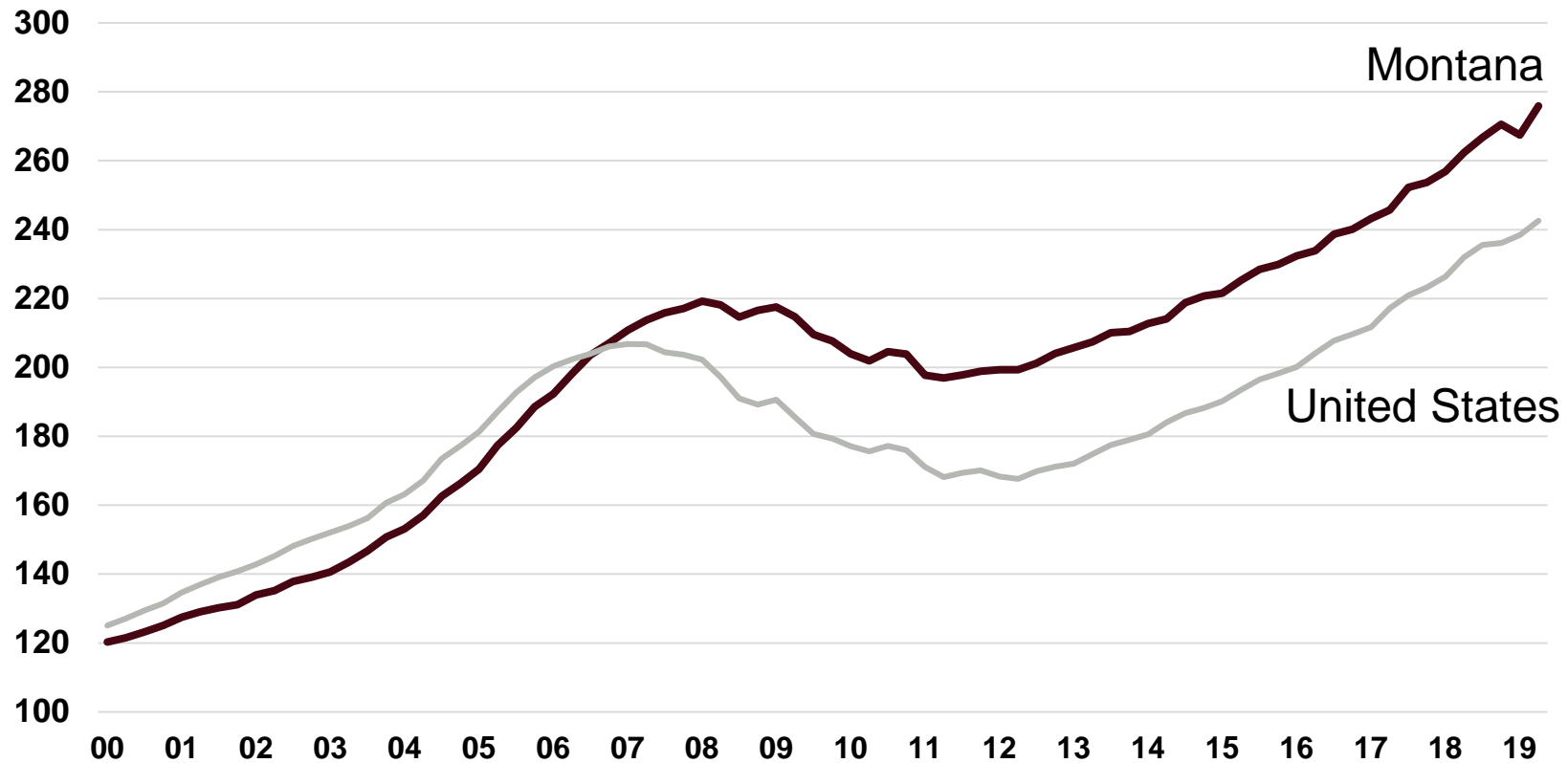
Reasons for Optimism?

- Strong volumes nationally
- Steady price increases
- Mortgage risk subsiding
- Positive industry sentiment
- 2018 volumes down
- 2019 volumes looking stronger
- Bifurcated market
- Affordability getting worse
- Tight inventories



Strong Housing Price Growth Since 2011

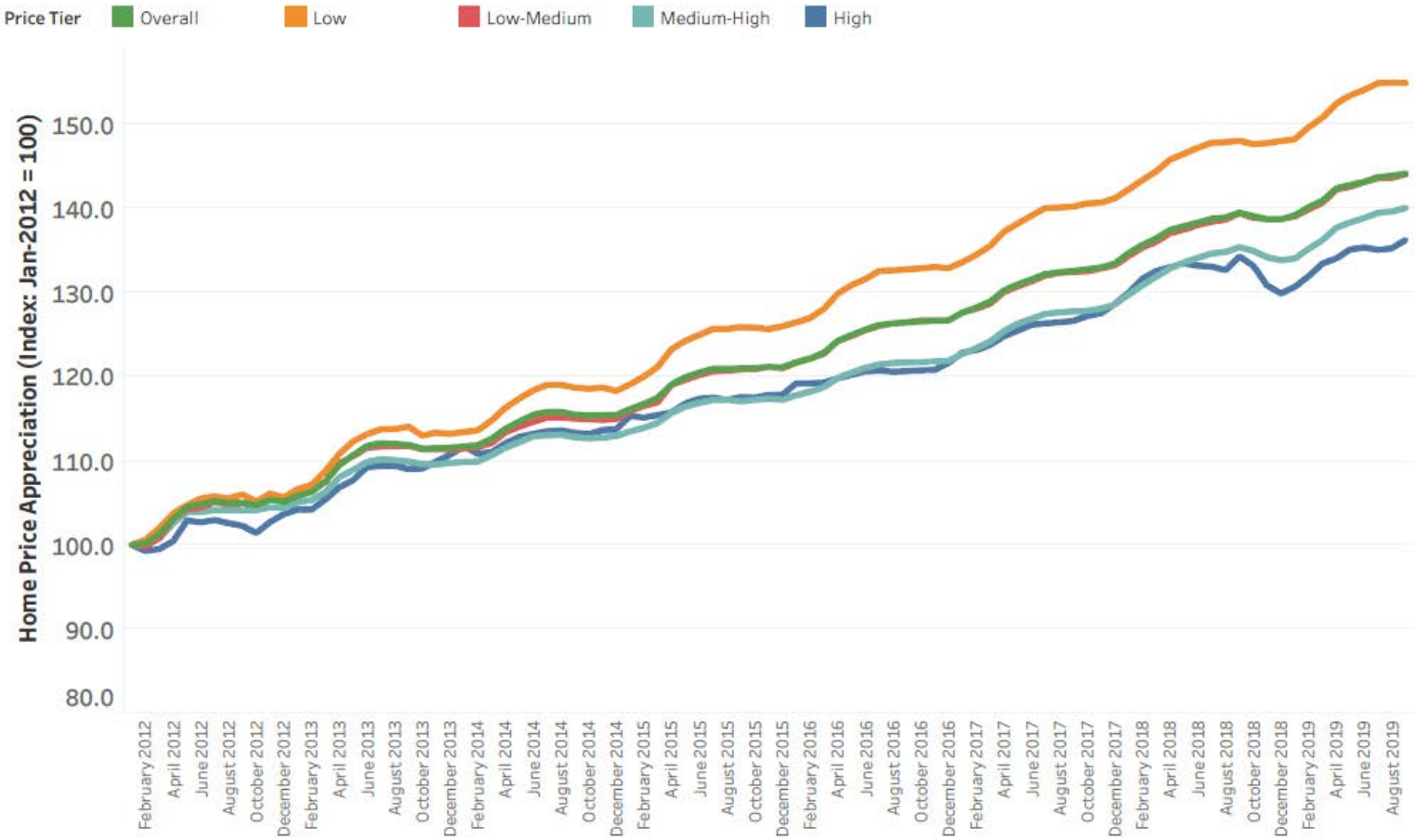
FHFA Housing Price Index, U.S., 1995=100



Source: Federal Housing Finance Agency



National Price Growth Not Evenly Distributed Across Price Tiers

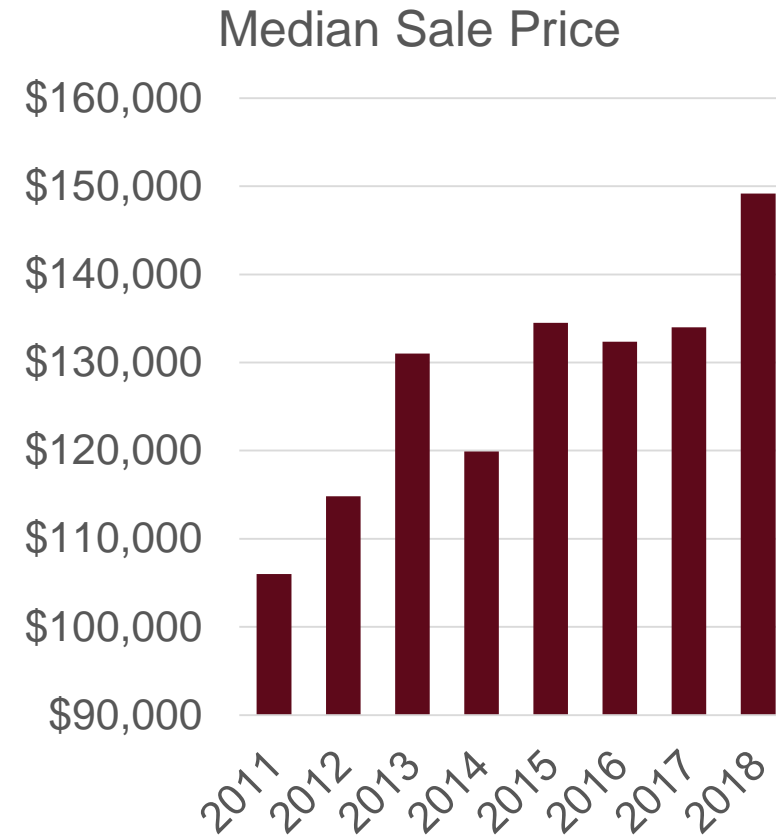
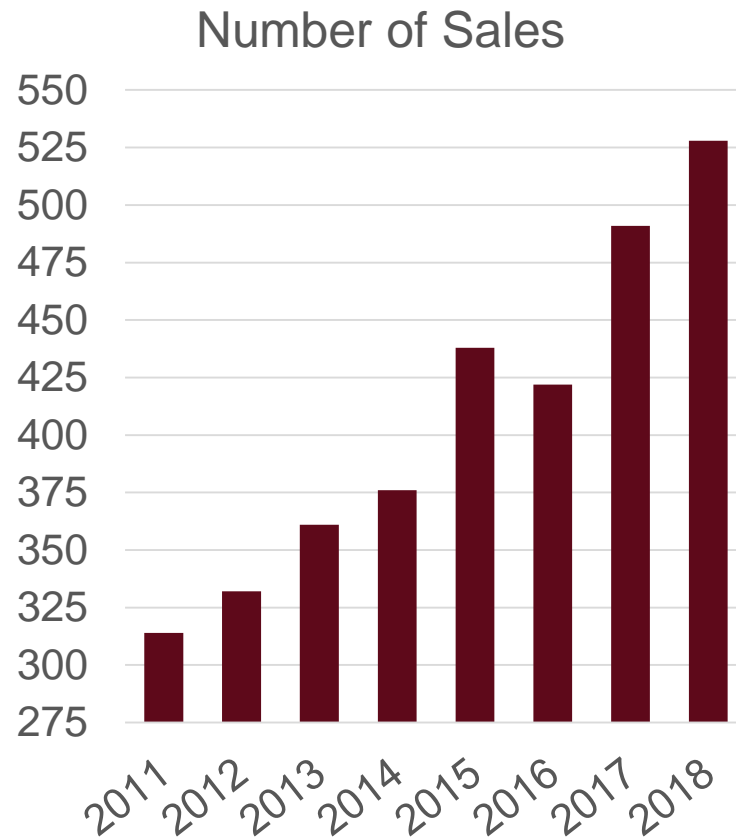


Source: AEI Center on Housing Markets and Finance



Markets Looking Healthier

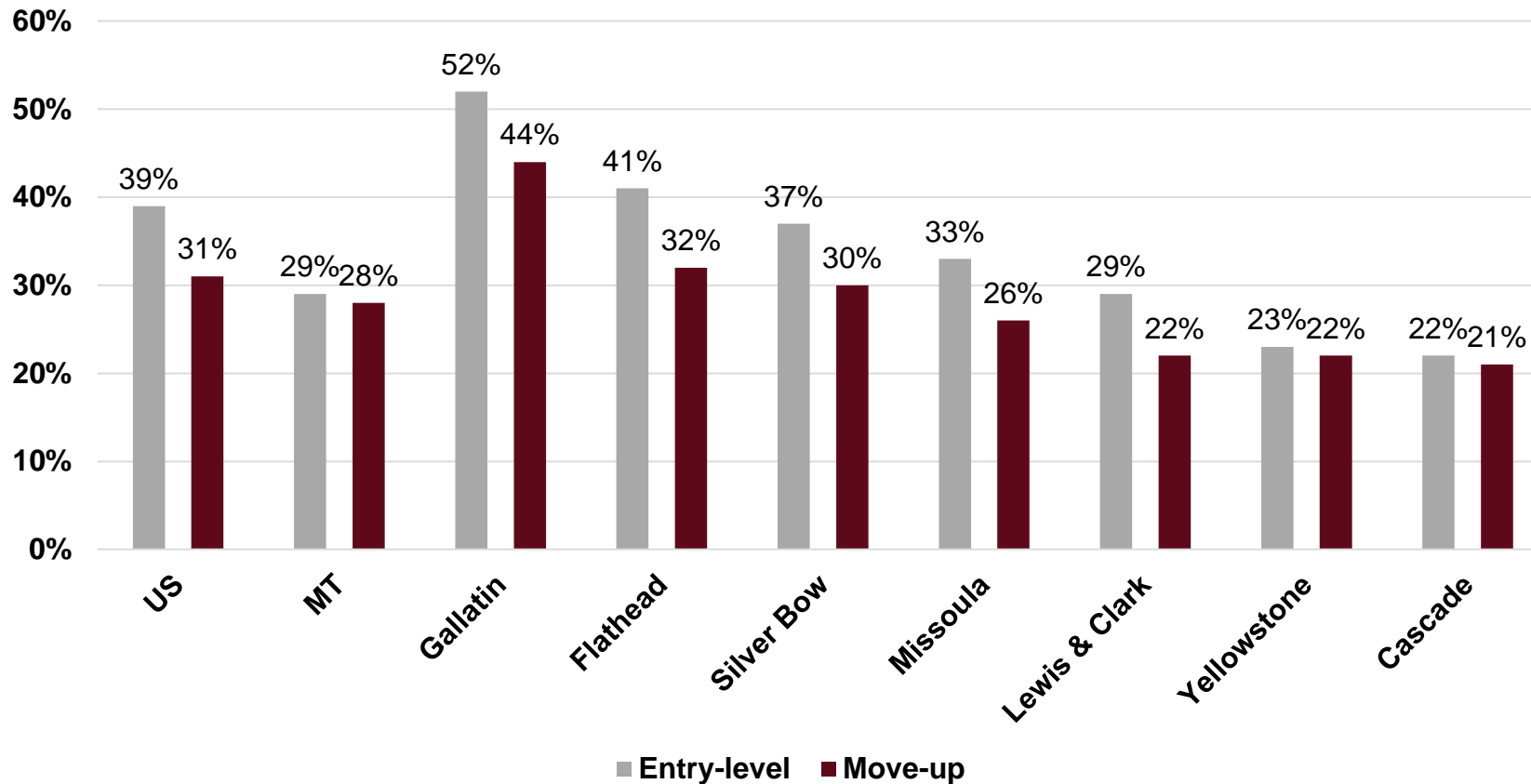
Silver Bow County Market Statistics



Source: Montana Department of Revenue.



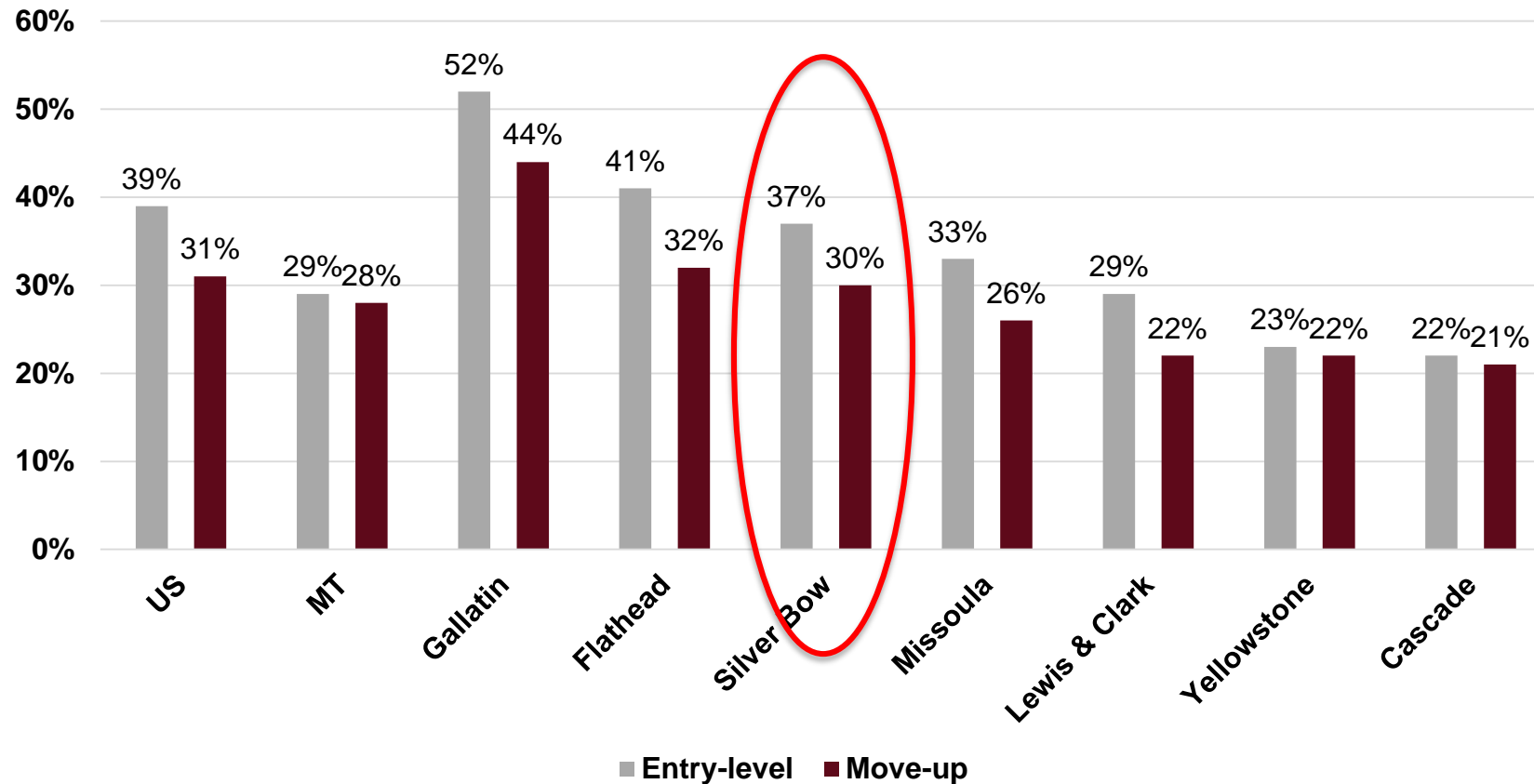
Home Price Appreciation Since 2012 by Market Segment



Source: American Enterprise Institute



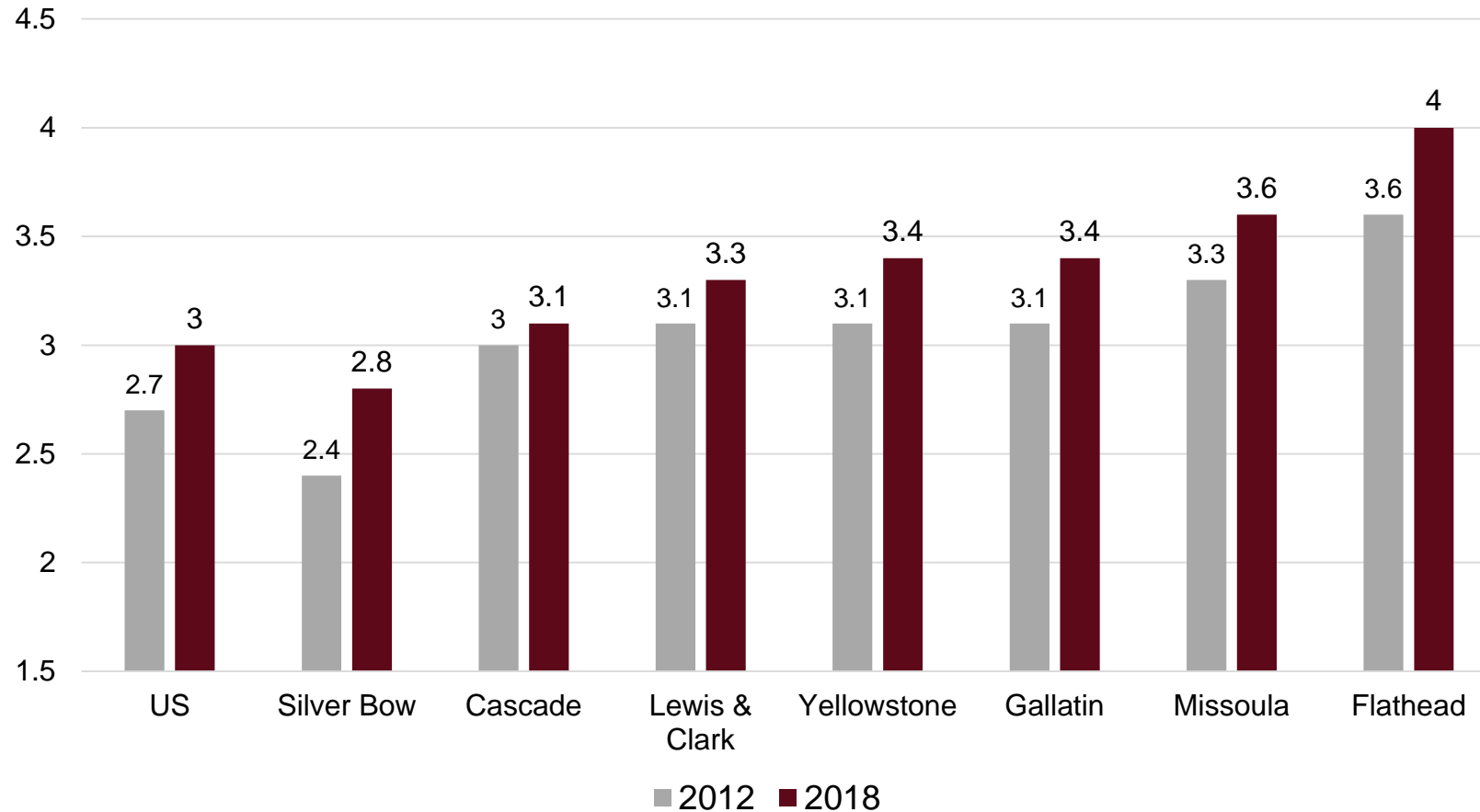
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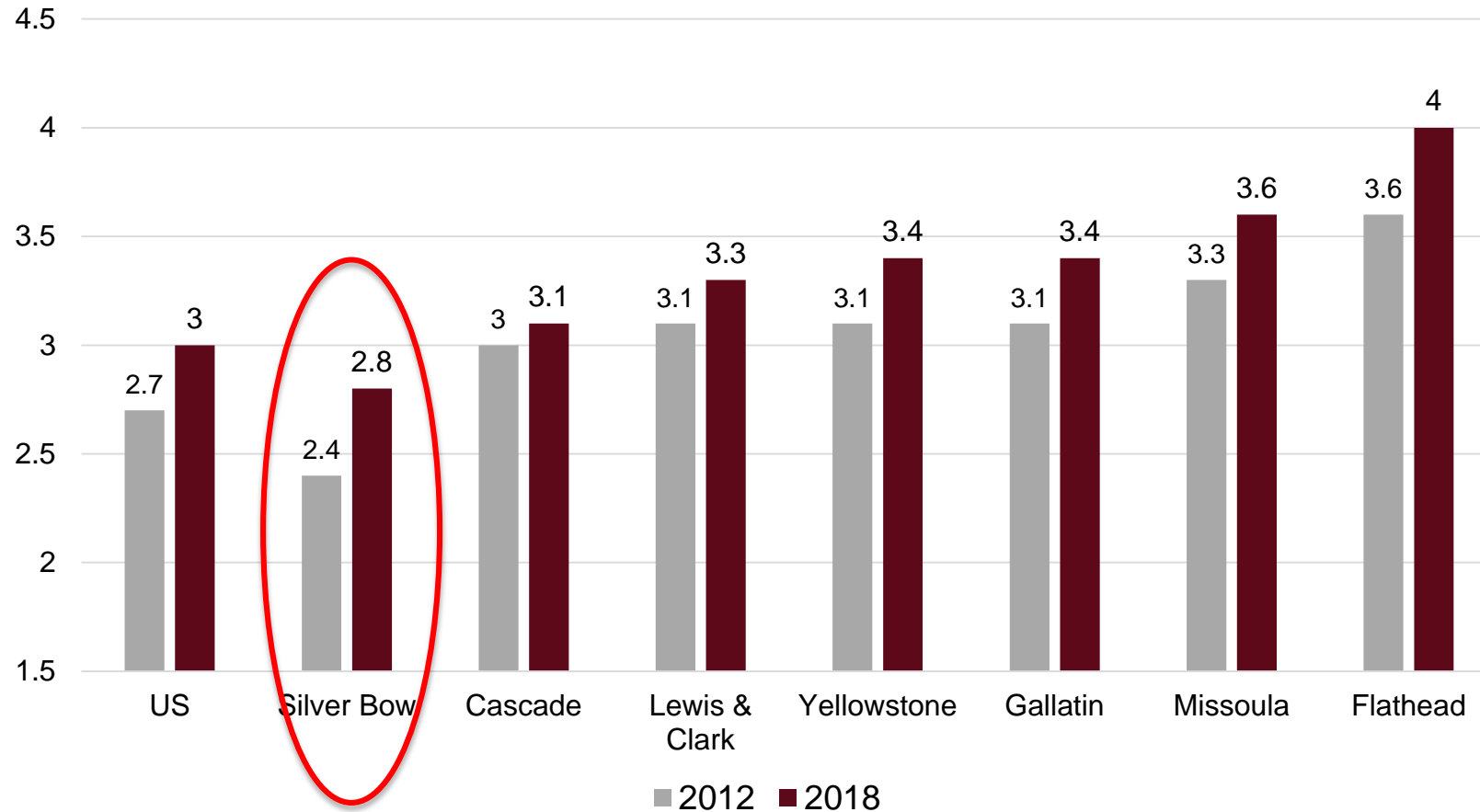
Median Price-to-Income Ratio for Entry-Level Homes



Source: American Enterprise Institute



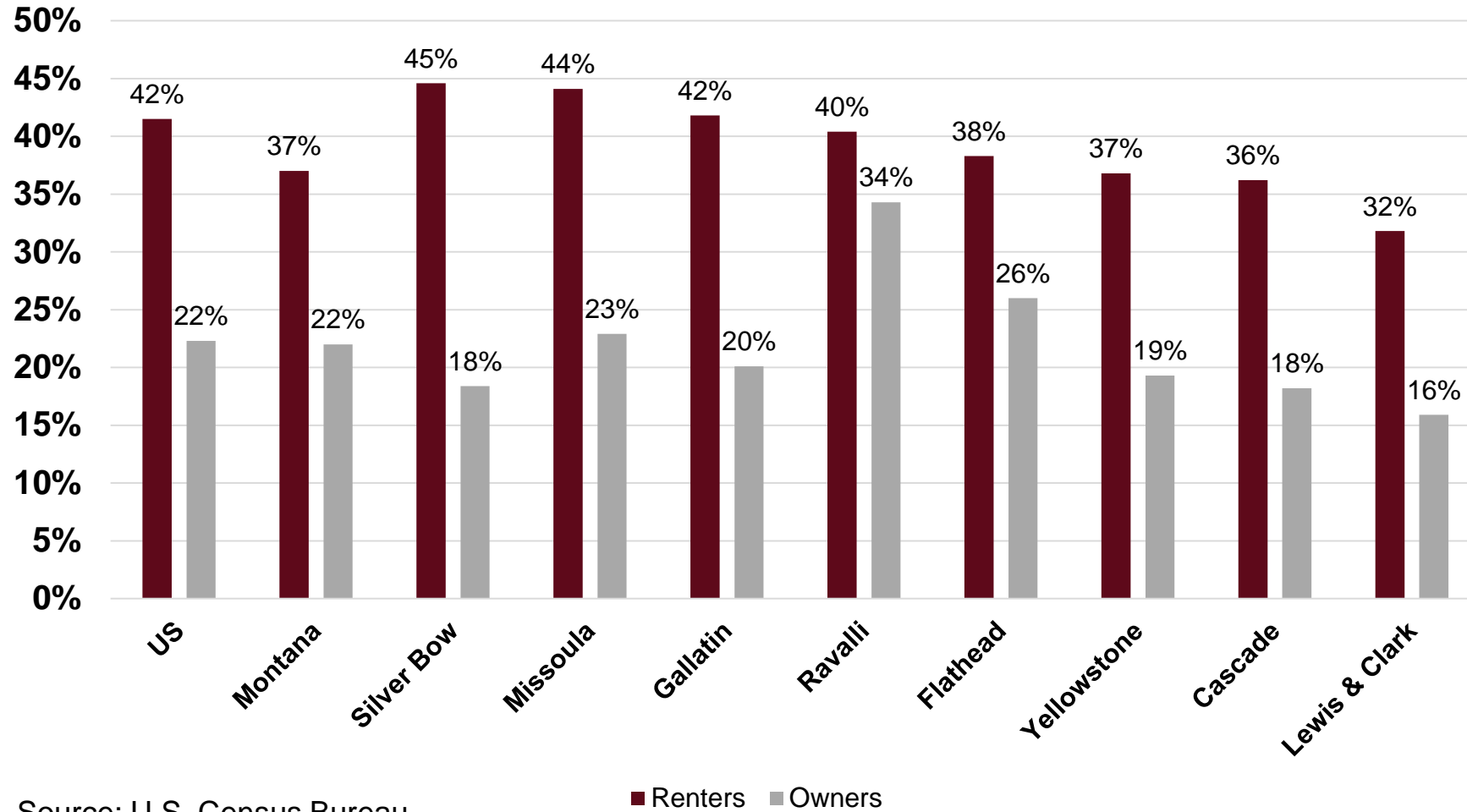
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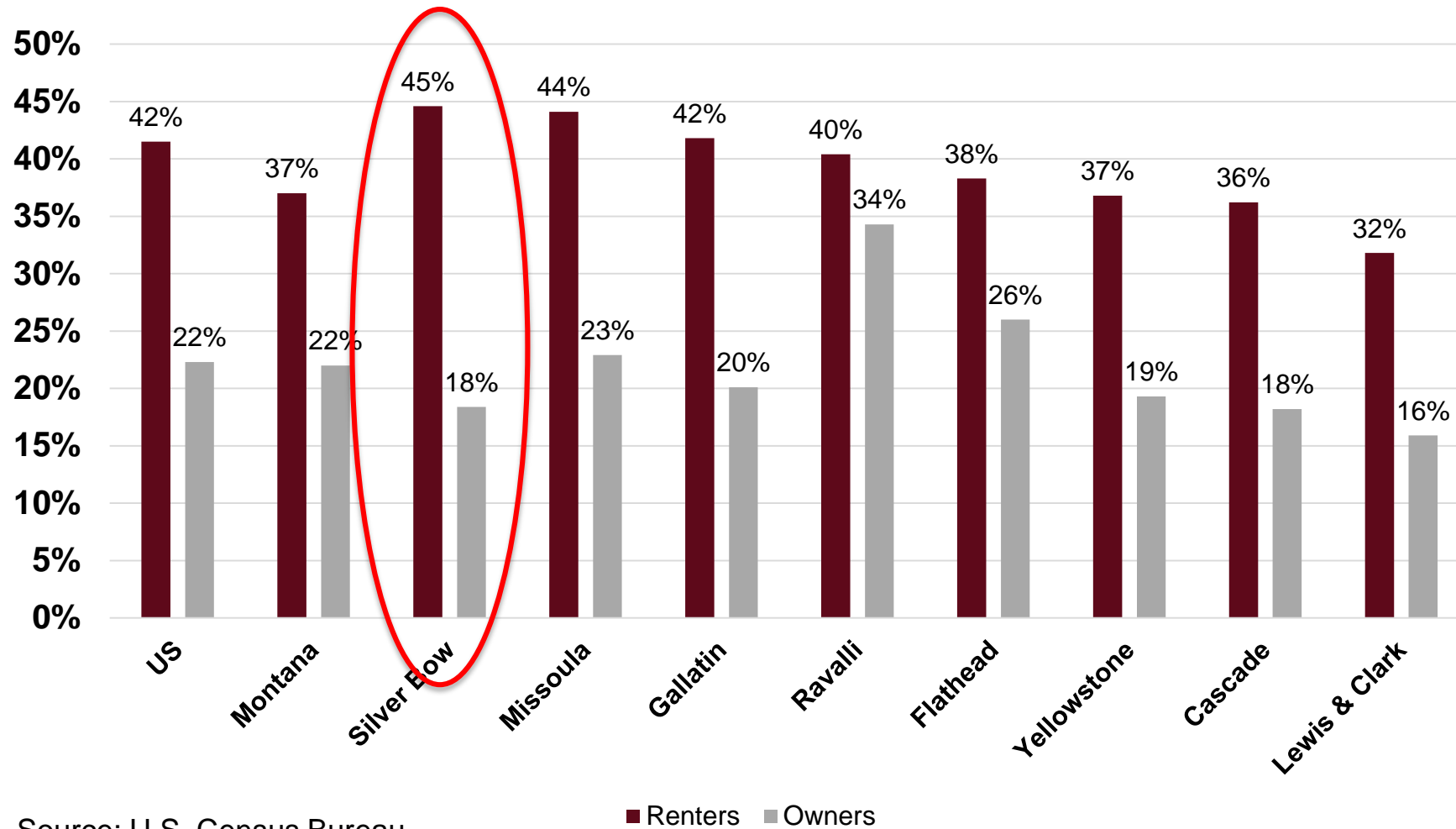
Percent of Households That Are Cost Burdened



Source: U.S. Census Bureau.



Percent of Households That Are Cost Burdened

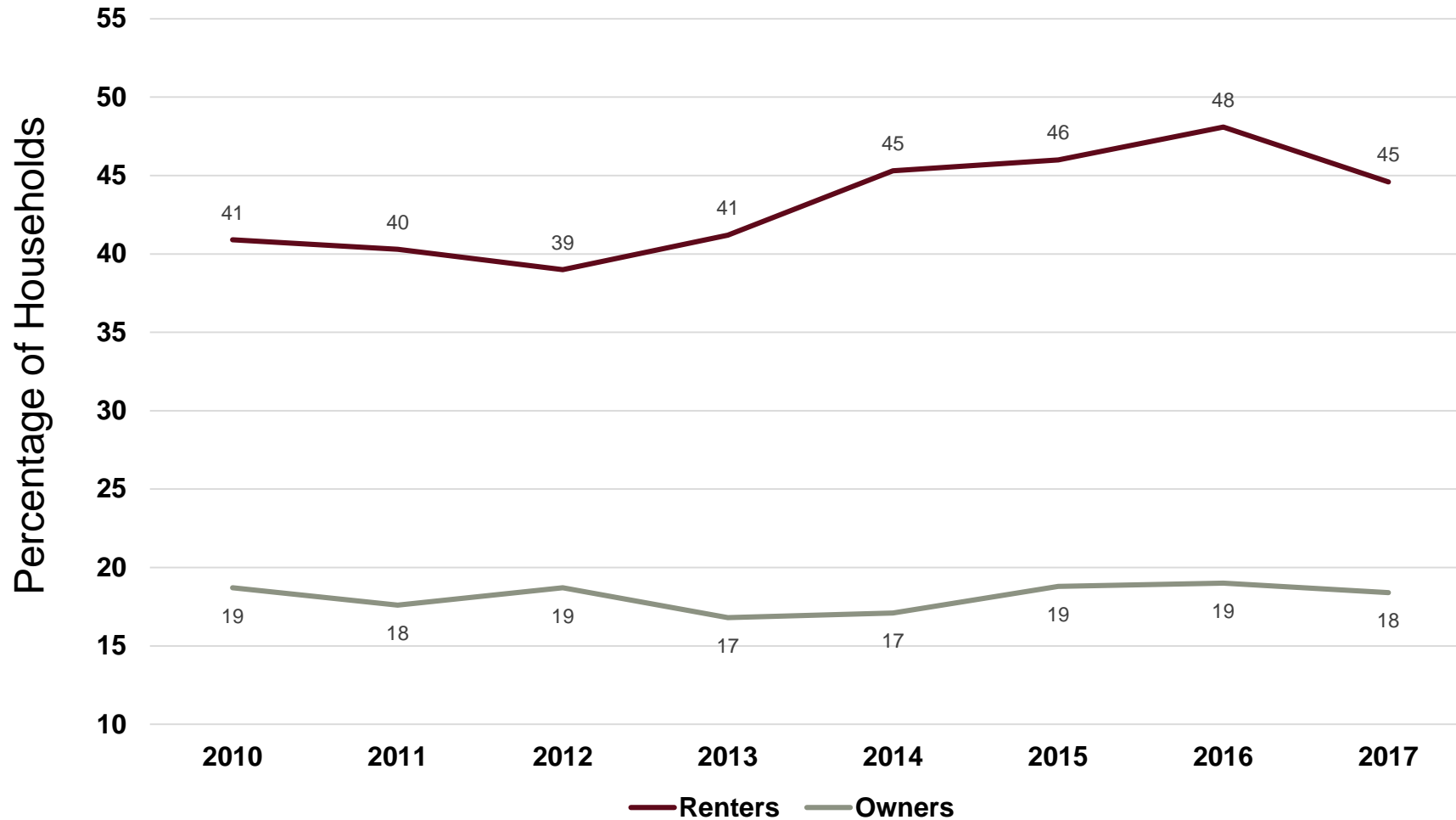


Source: U.S. Census Bureau.

■ Renters ■ Owners



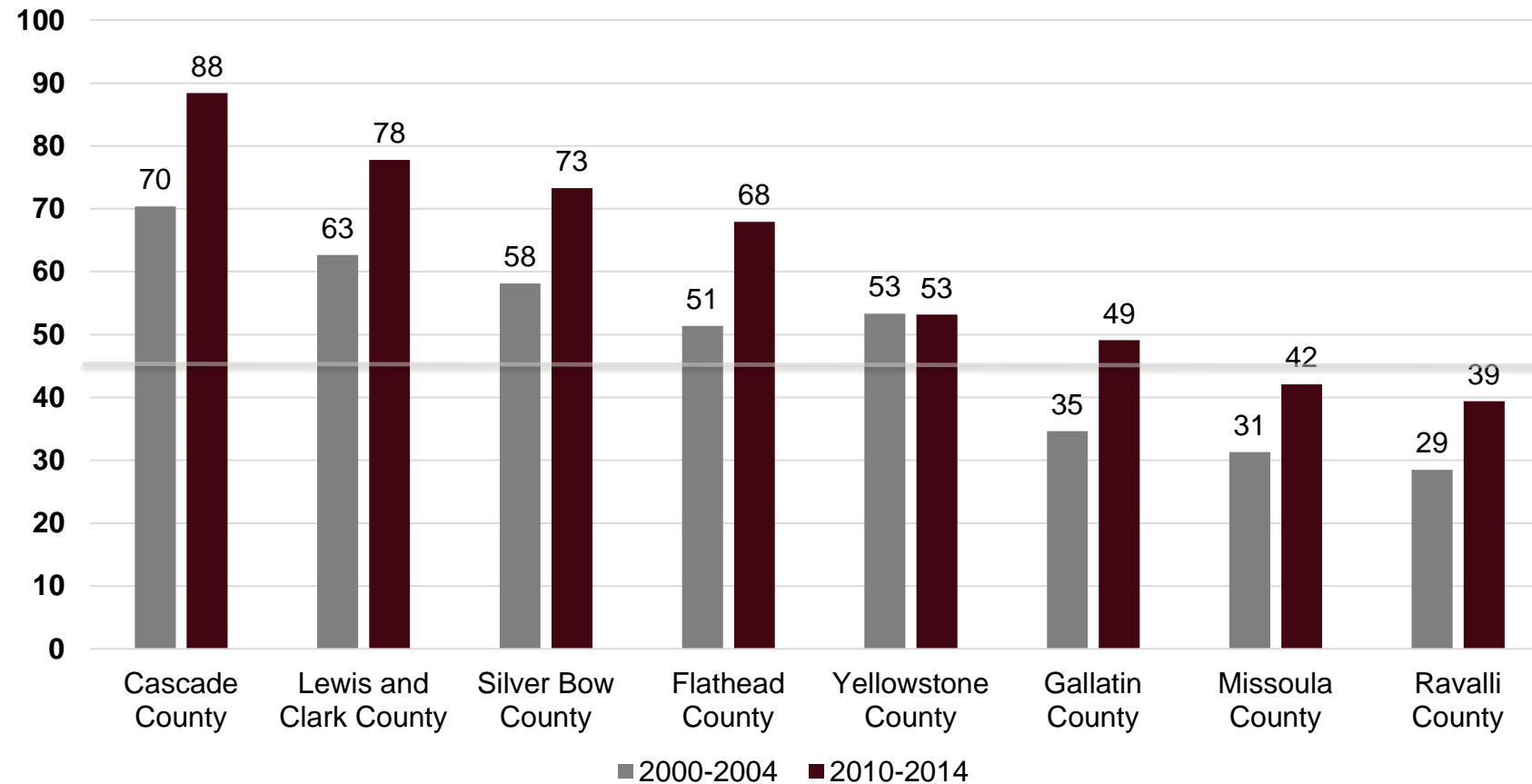
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Source: U.S. Census Bureau.



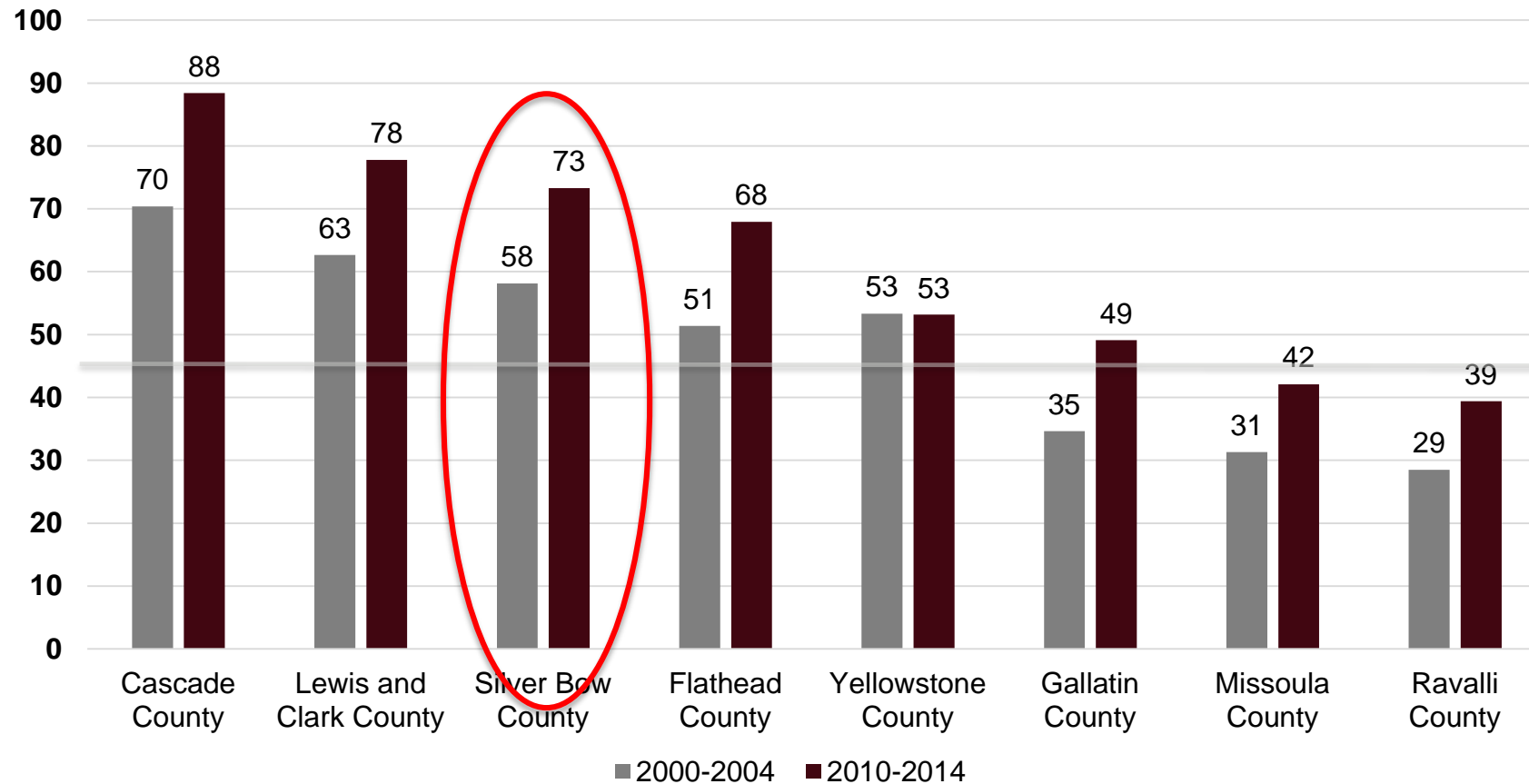
Affordable Housing Units Per 100 Extreme Low Income Households



Source: The Urban Institute



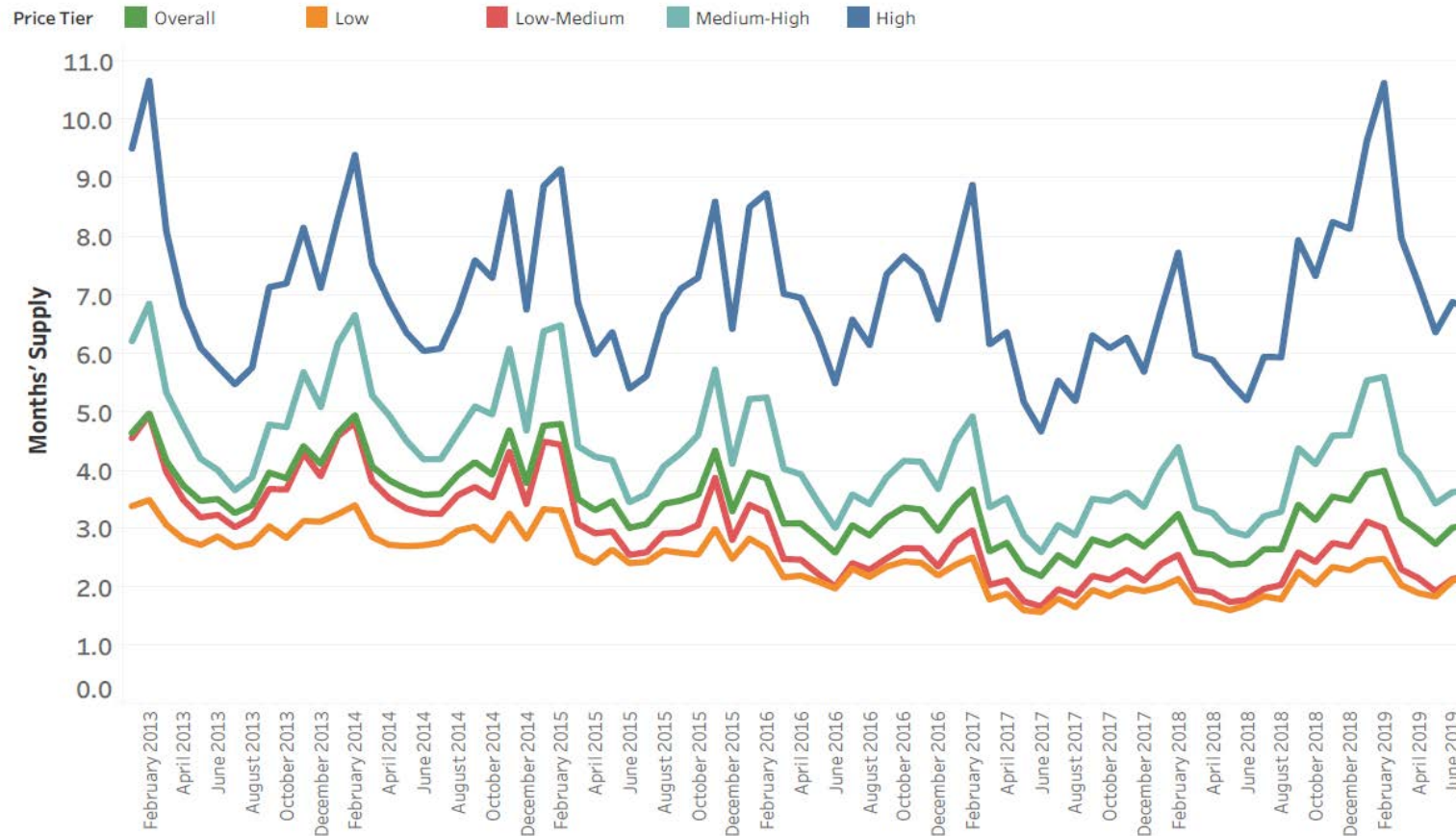
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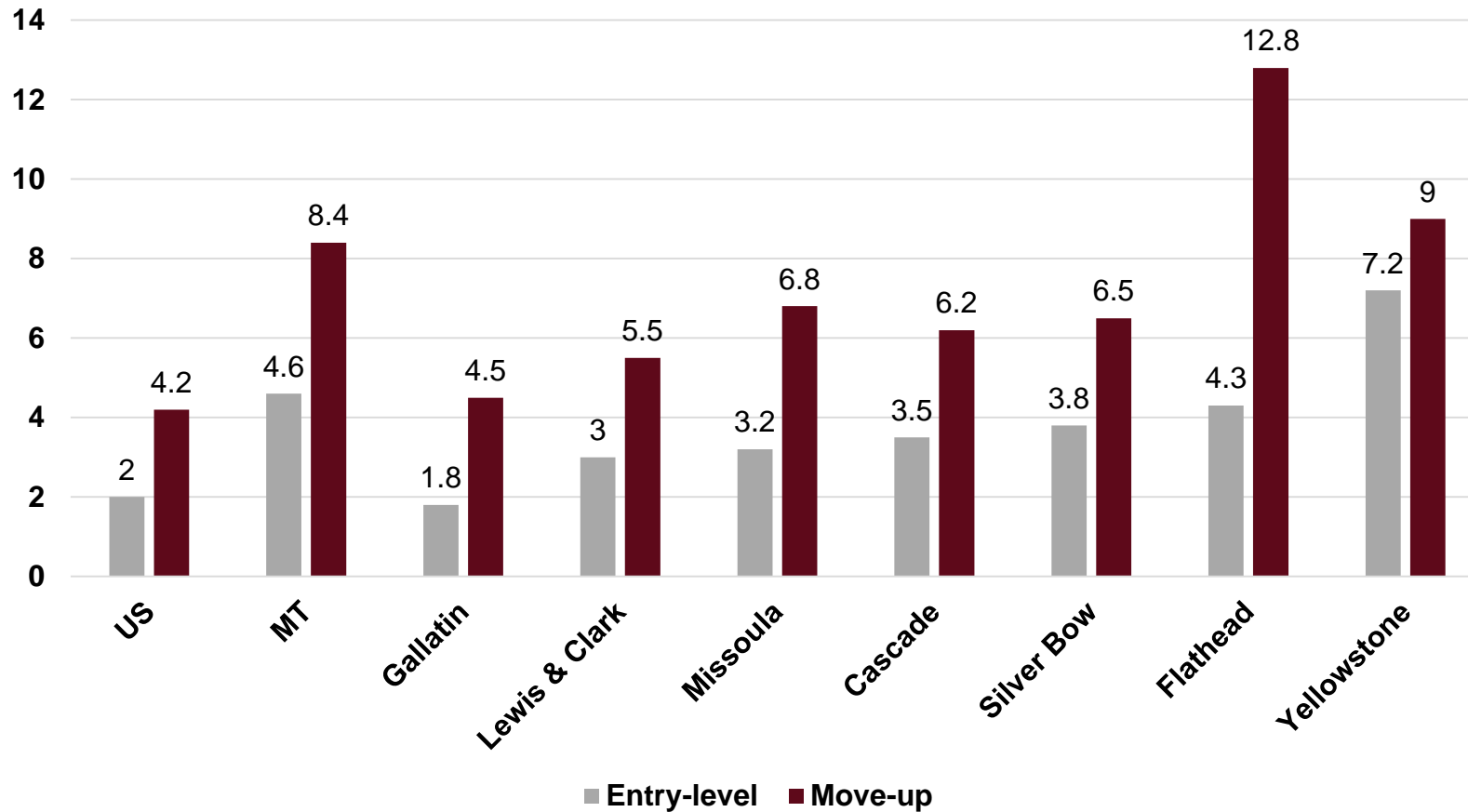
Months Supply of Homes by Market Segment: US Time Series



Source: AEI Center on Housing Markets and Finance



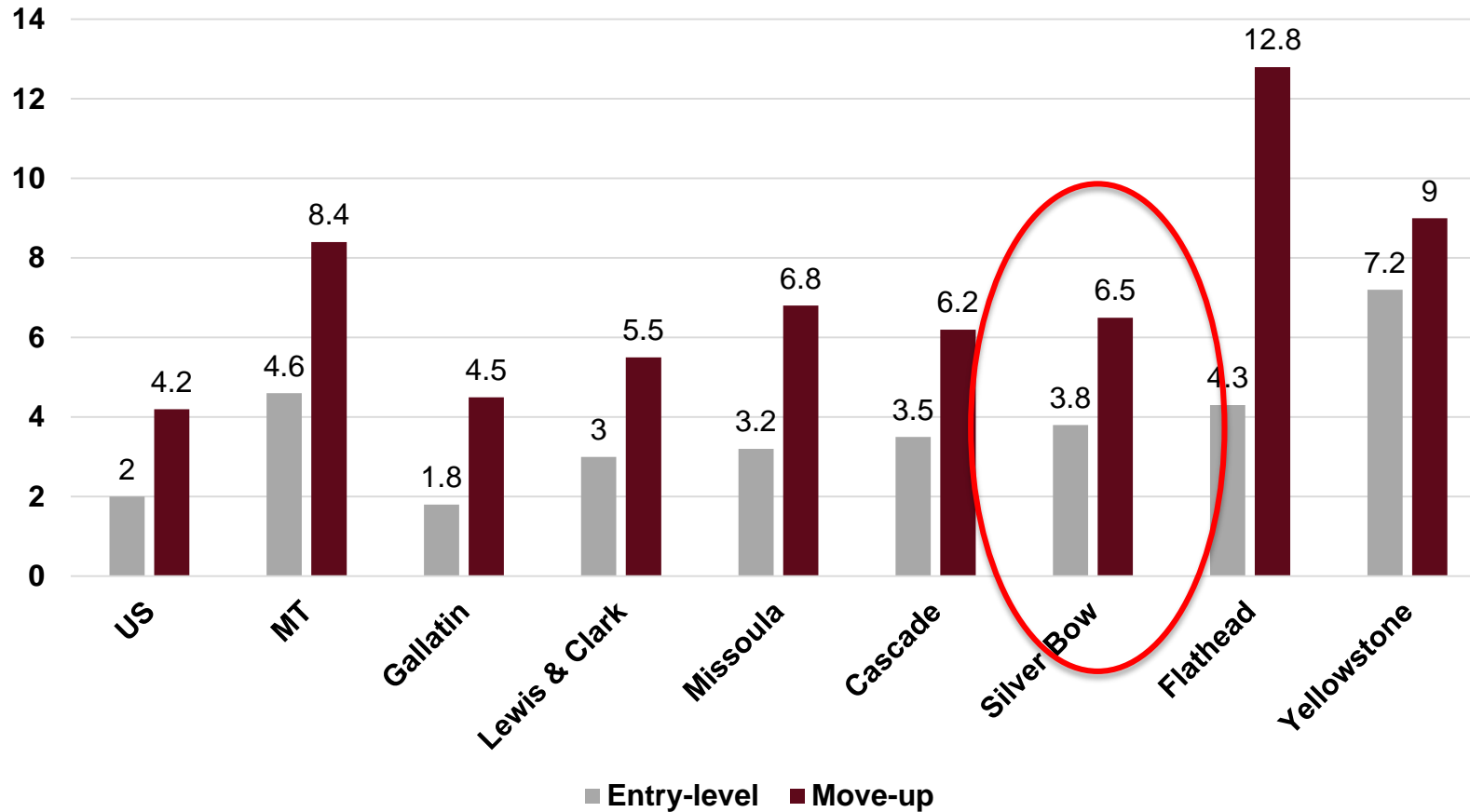
Months Supply of Homes by Market Segment



Source: American Enterprise Institute



Months Supply of Homes by Market Segment

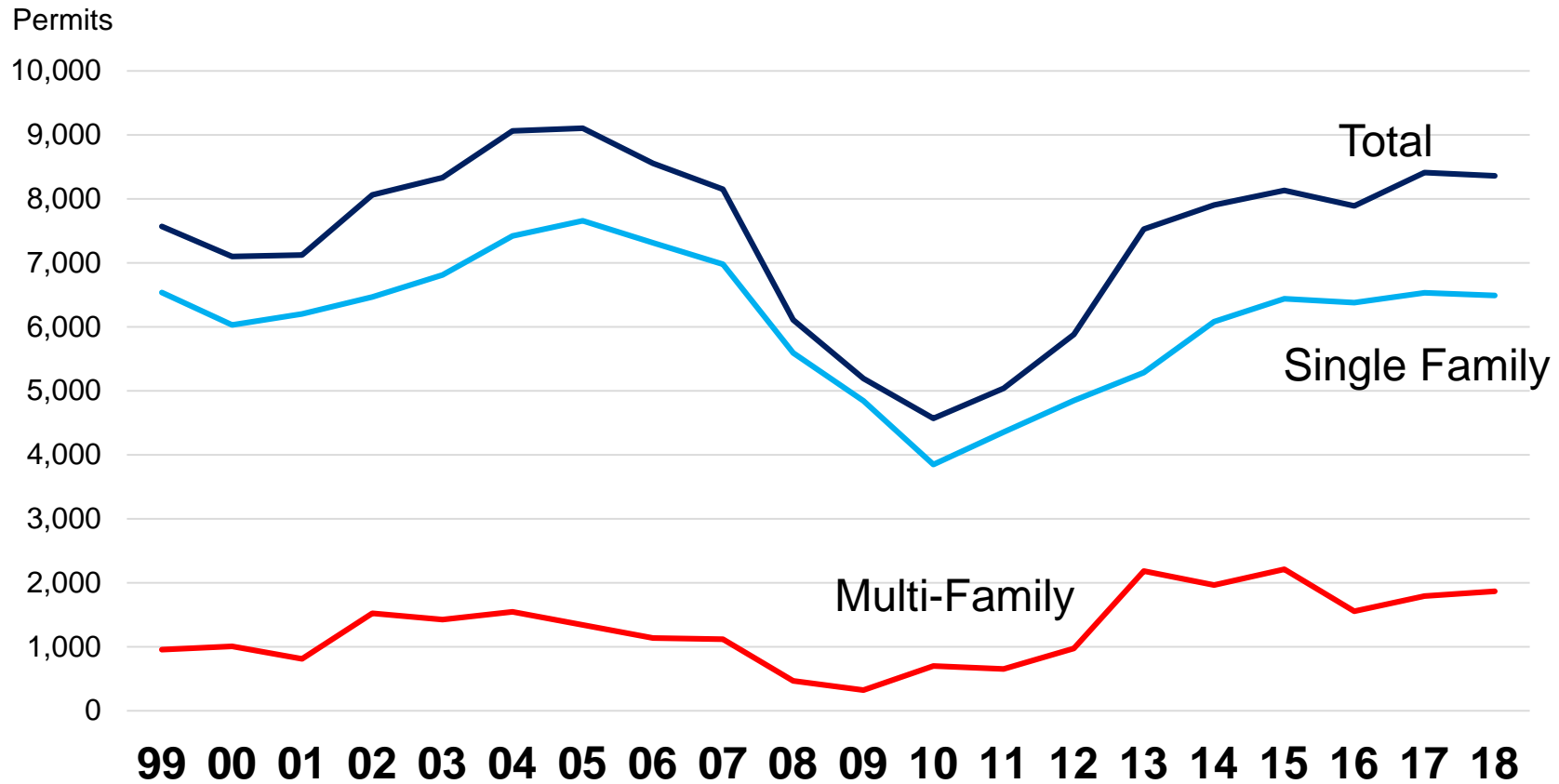


Source: American Enterprise Institute



New Home Construction Leveling Off

Housing Permits, Montana

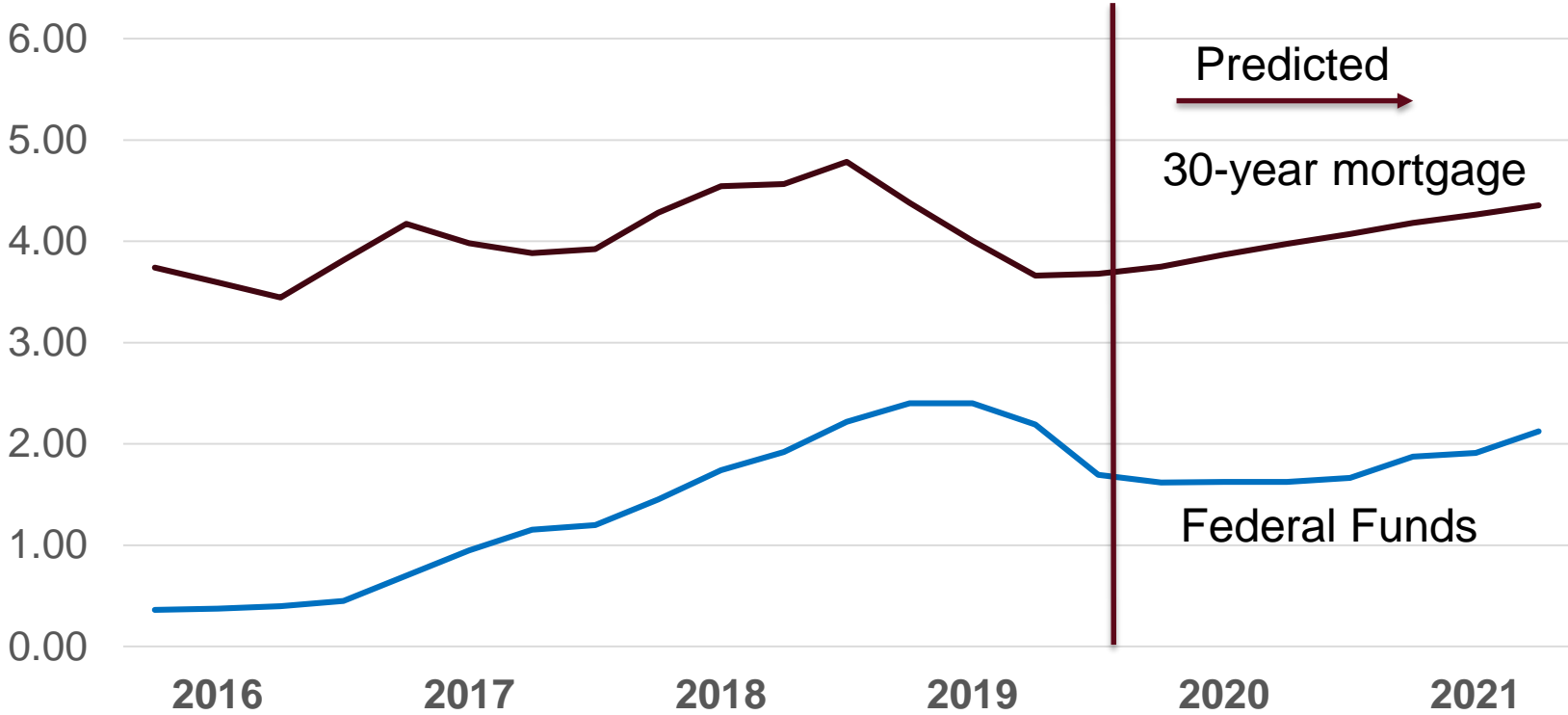


Looking Ahead to 2020

- Interest Rates Likely to Remain Low



Mortgage Rates Looking to Bottom Out



Source: IHS Markit



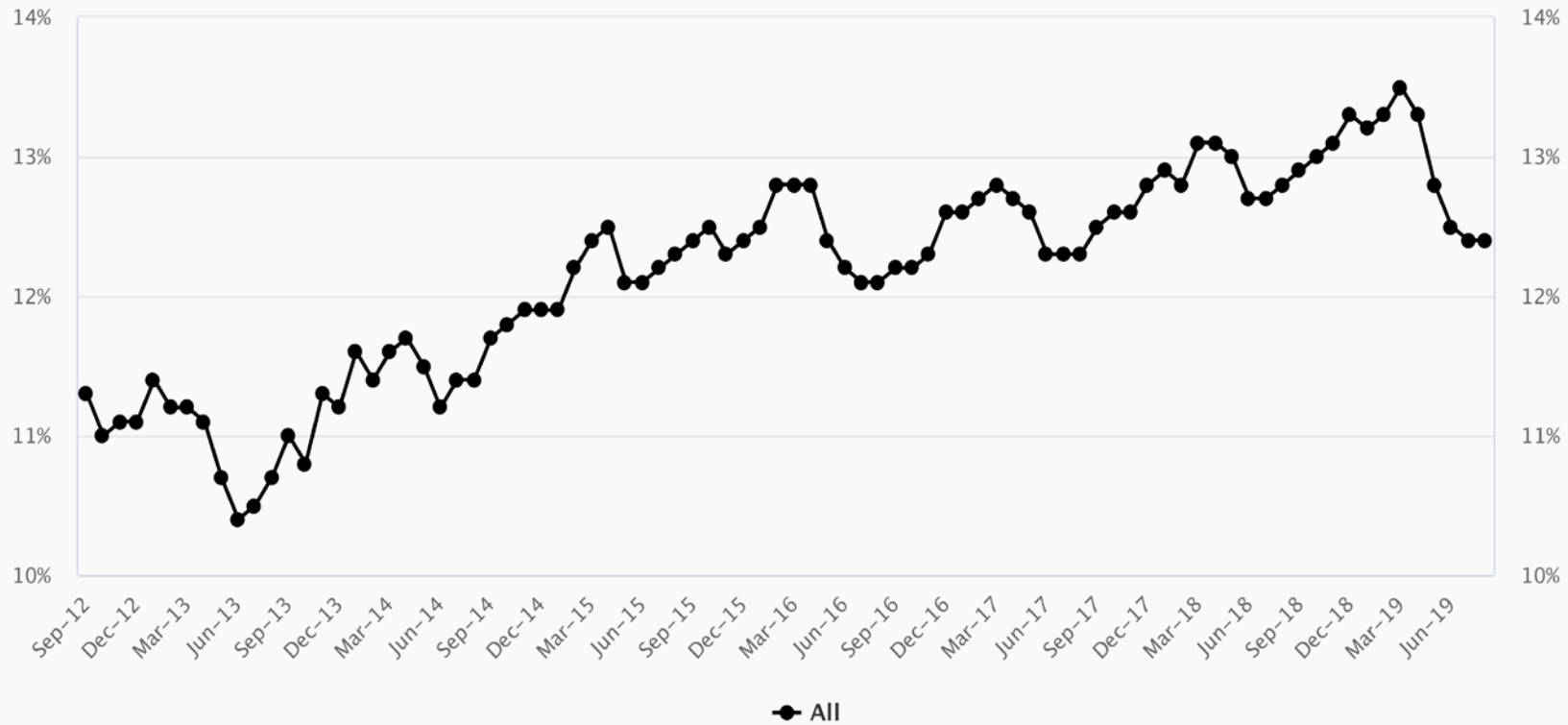
Looking Ahead to 2020

- Interest rates likely to remain low
- Real estate risk may be subsiding



NMRI, Purchase Loans

Source: AEI Center on Housing Markets and Finance



The National Mortgage Risk Index (NMRI) measures how the loans originated in a given month would perform if subjected to the same stress as in the financial crisis that began in 2007. It measures the default risk of newly originated mortgages by assigning every loan a predicted default rate based on its credit score, CLTV, DTI, Loan Term, ARM status, and Agency. See NMRI methodology for details.

Highcharts.com



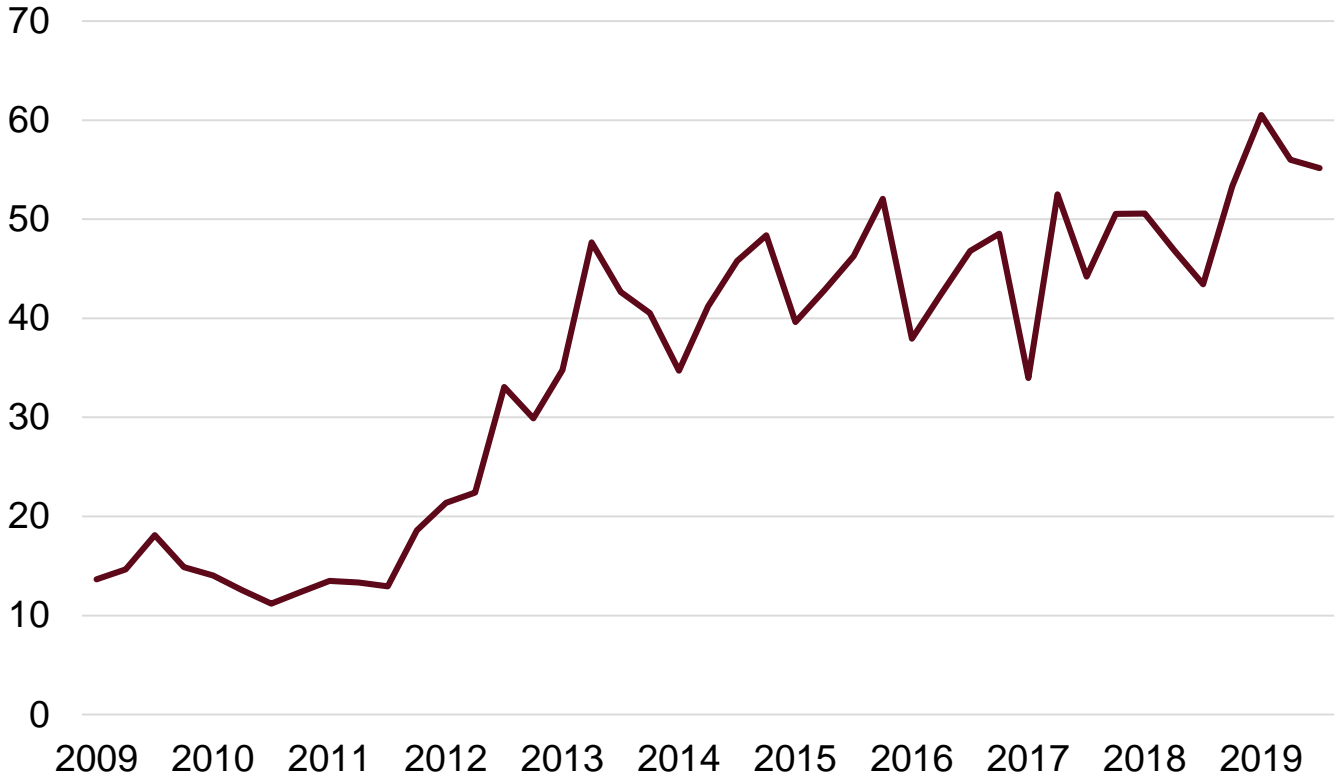
Looking Ahead to 2020

- Interest rates likely to remain low
- Real estate risk may be subsiding
- Home builder sentiment indicates positive outlook



Positive Builder Sentiment

NAHB Home Builder Traffic of Prospective Buyers



Source: National Association of Home Builders



Outlook for 2020

- Real estate markets in Montana will remain strong
- Low interest rates will continue to drive demand
- Affordability will get worse, particularly for entry-level homes
- Lowered market risk will boost optimism



Questions?

