

2024 MIDYEAR ECONOMIC UPDATE

CAN HOUSING BE FIXED?

What Could Help Housing Affordability
and What Makes it Worse

presented by



BBER



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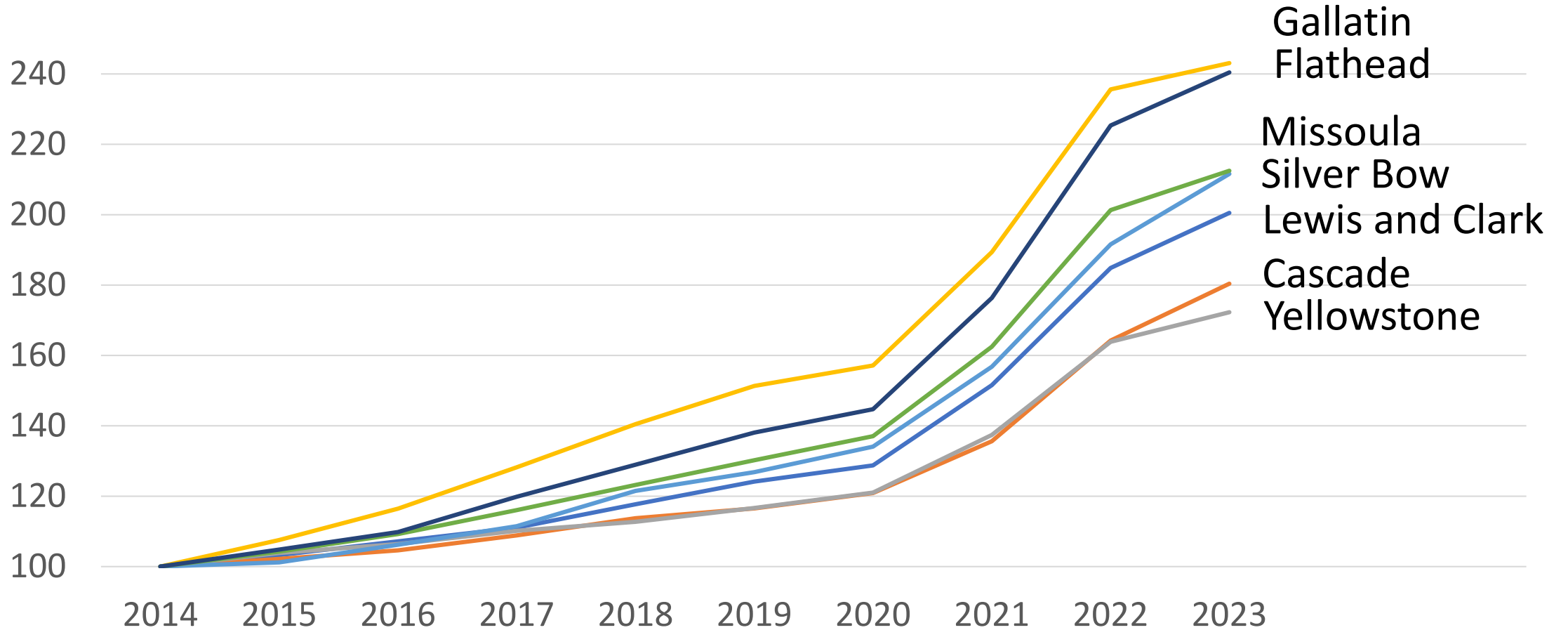
**NorthWestern
Energy**

**Sibanye
Stillwater**

Do you think Montana housing markets need fixing?

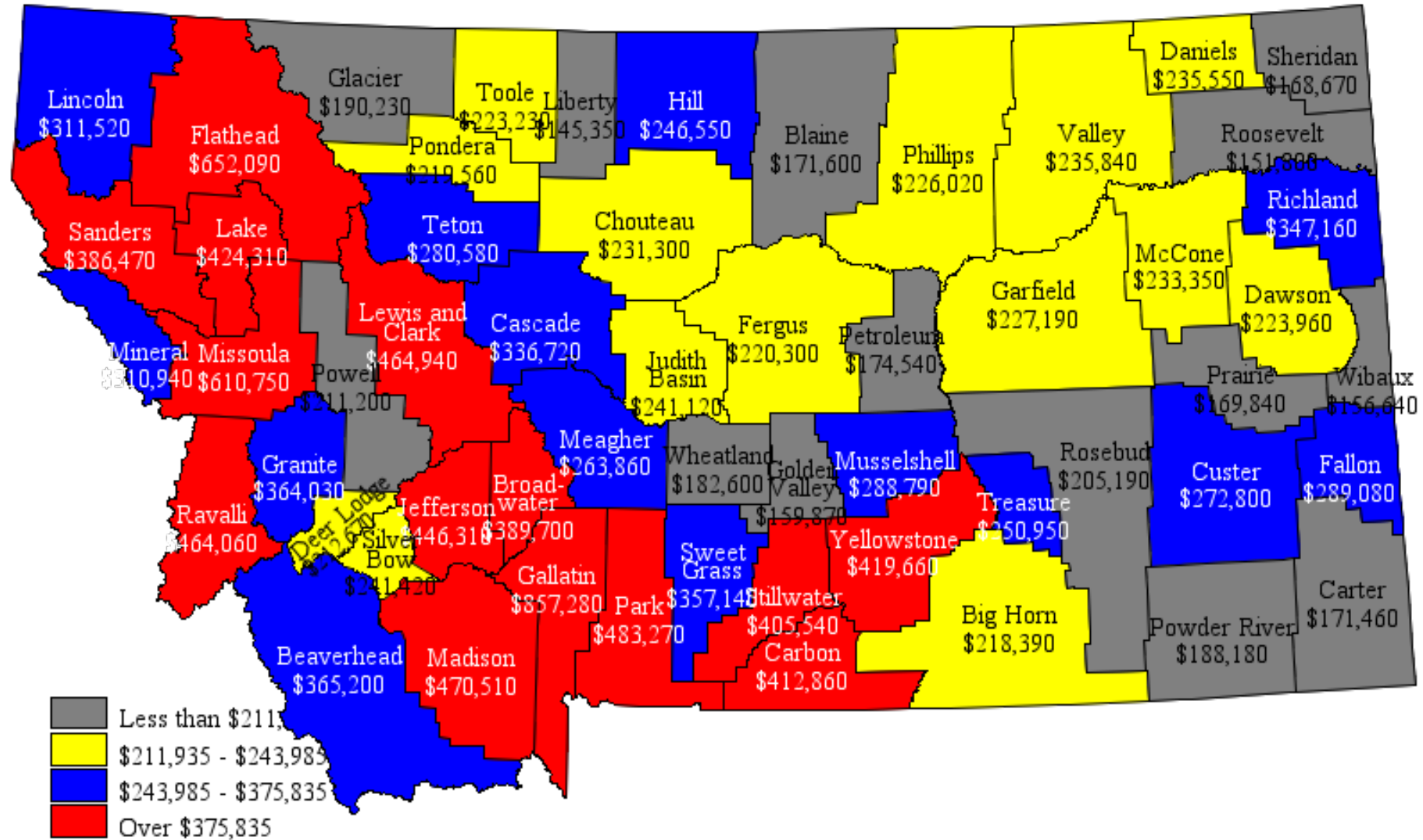
Post-2020 Acceleration in Home Prices Was Widespread

All Transactions House Price Index, 2014=100



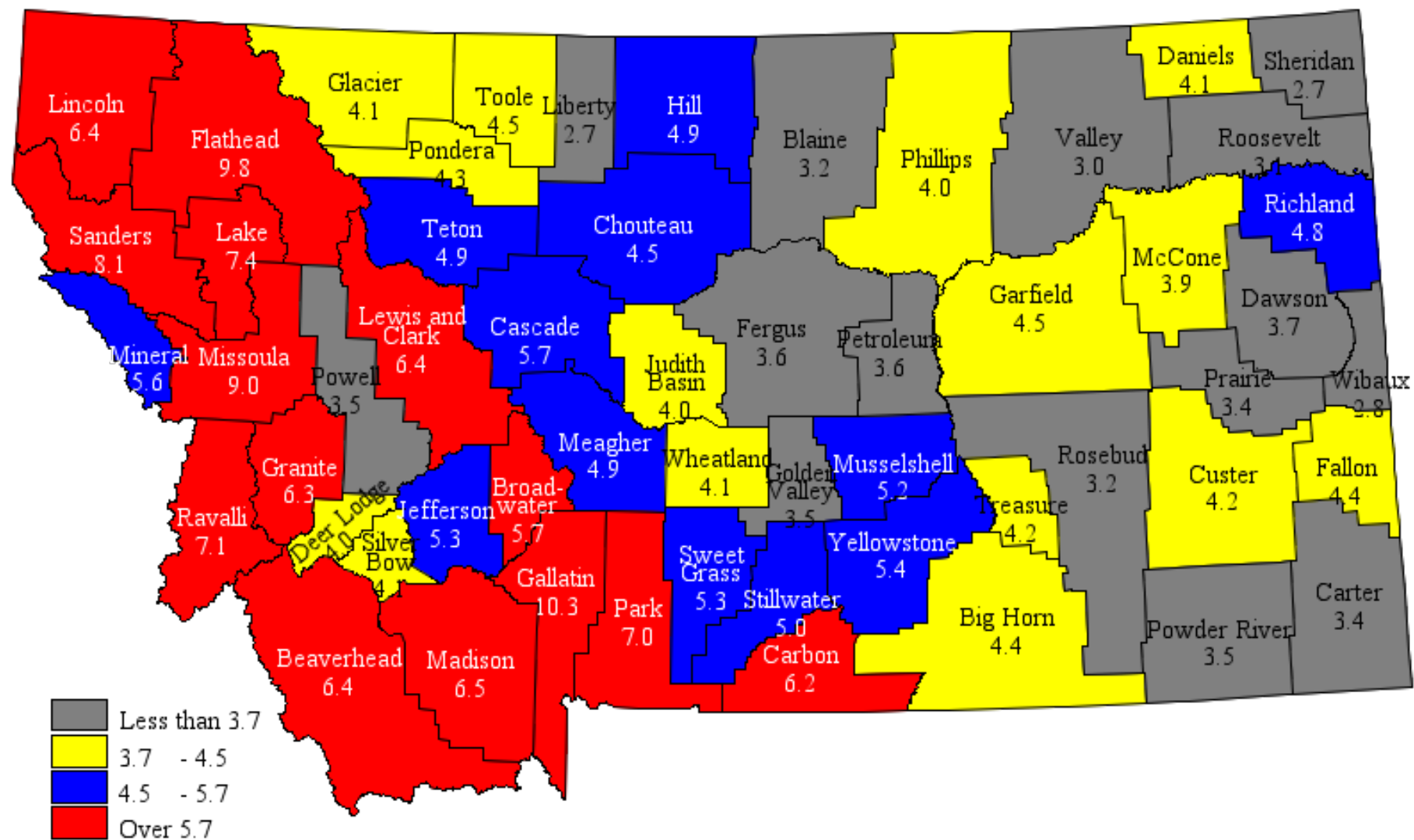
Median Sale Price Single Family Home

2024

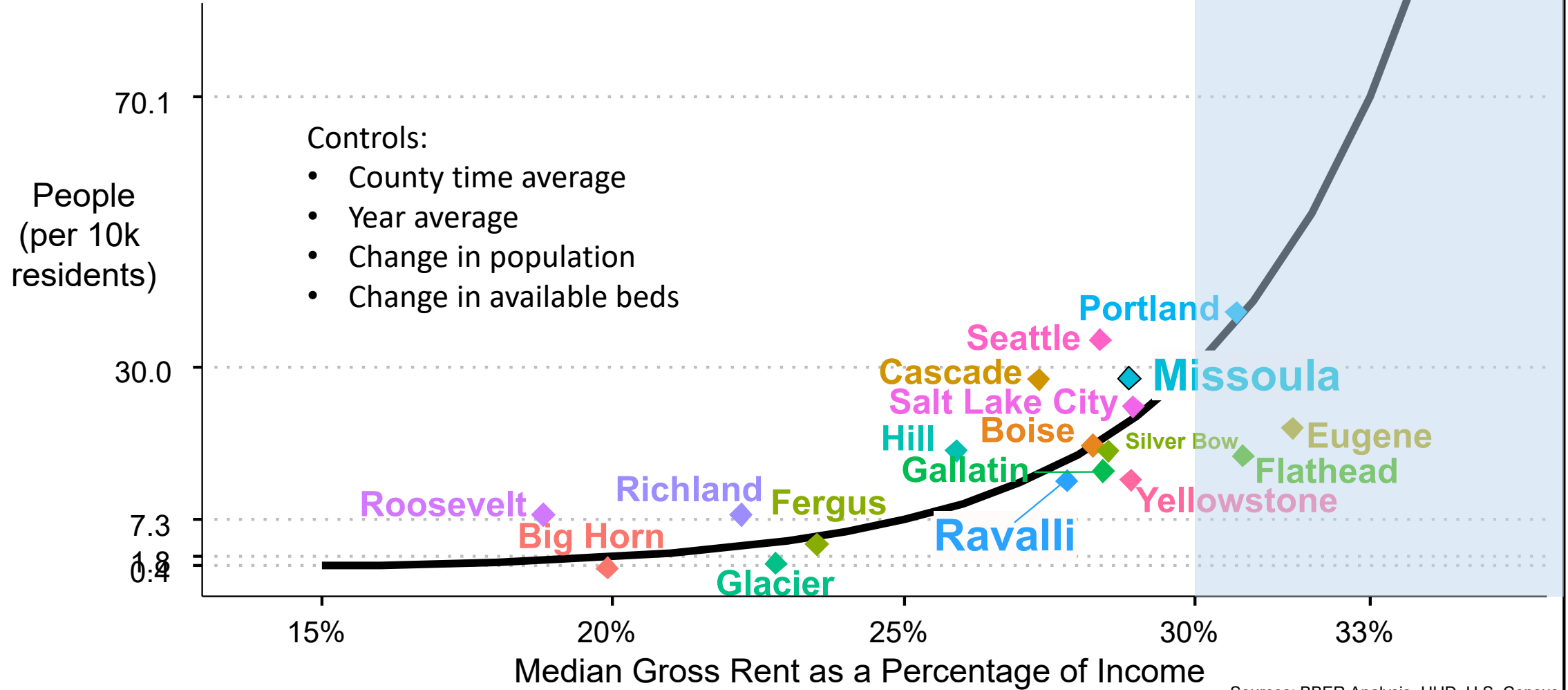


Ratio of Home Price to Median Household Income

2024



Predicted Point-in-time People Experiencing Homeless Estimates



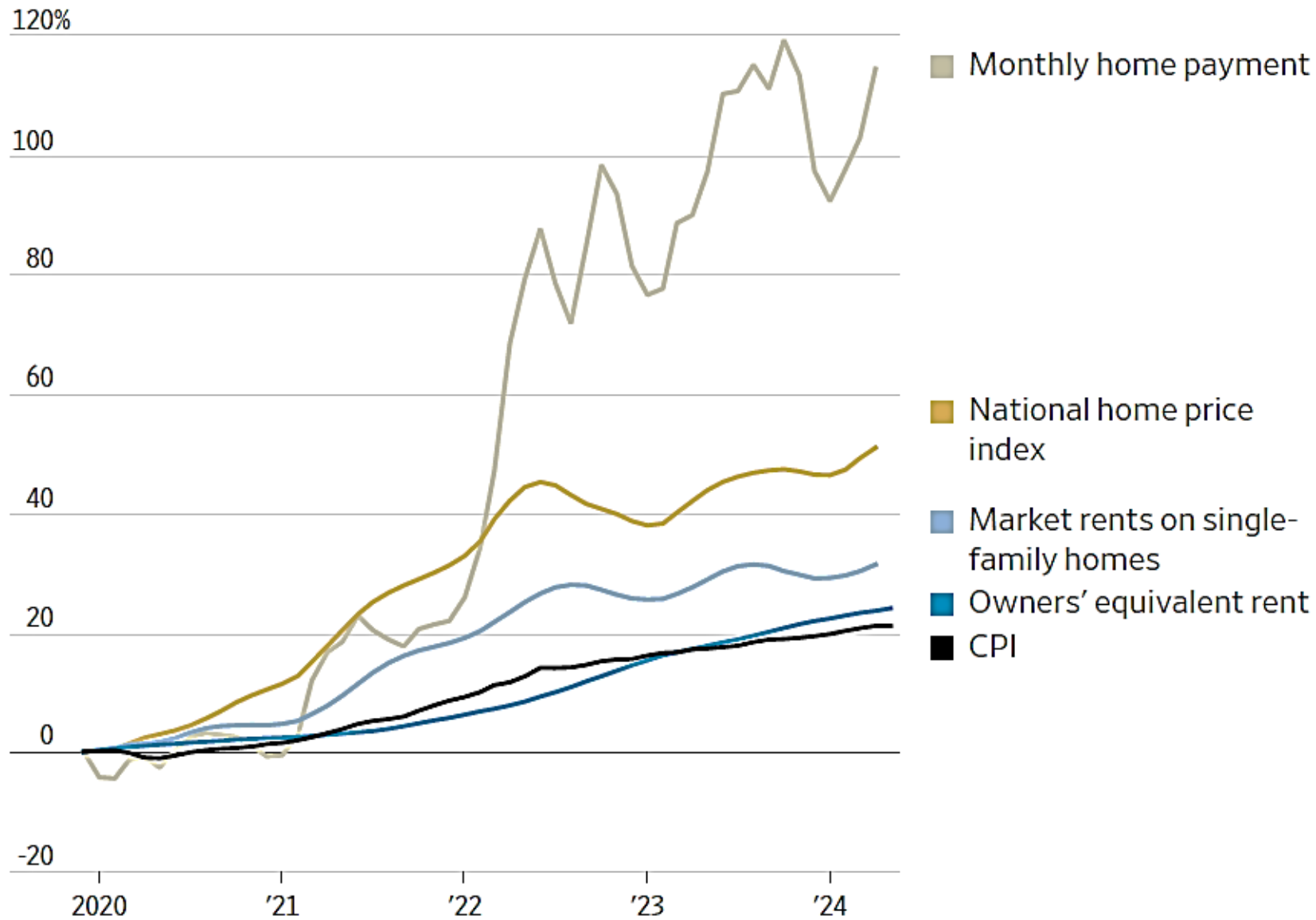
Sources: BBER Analysis, HUD, U.S. Census

Increase in Mortgage Rates Has Frozen Housing Markets

Interest Rates on Conventional, 30-year Fixed Rate Residential Mortgages, Percent



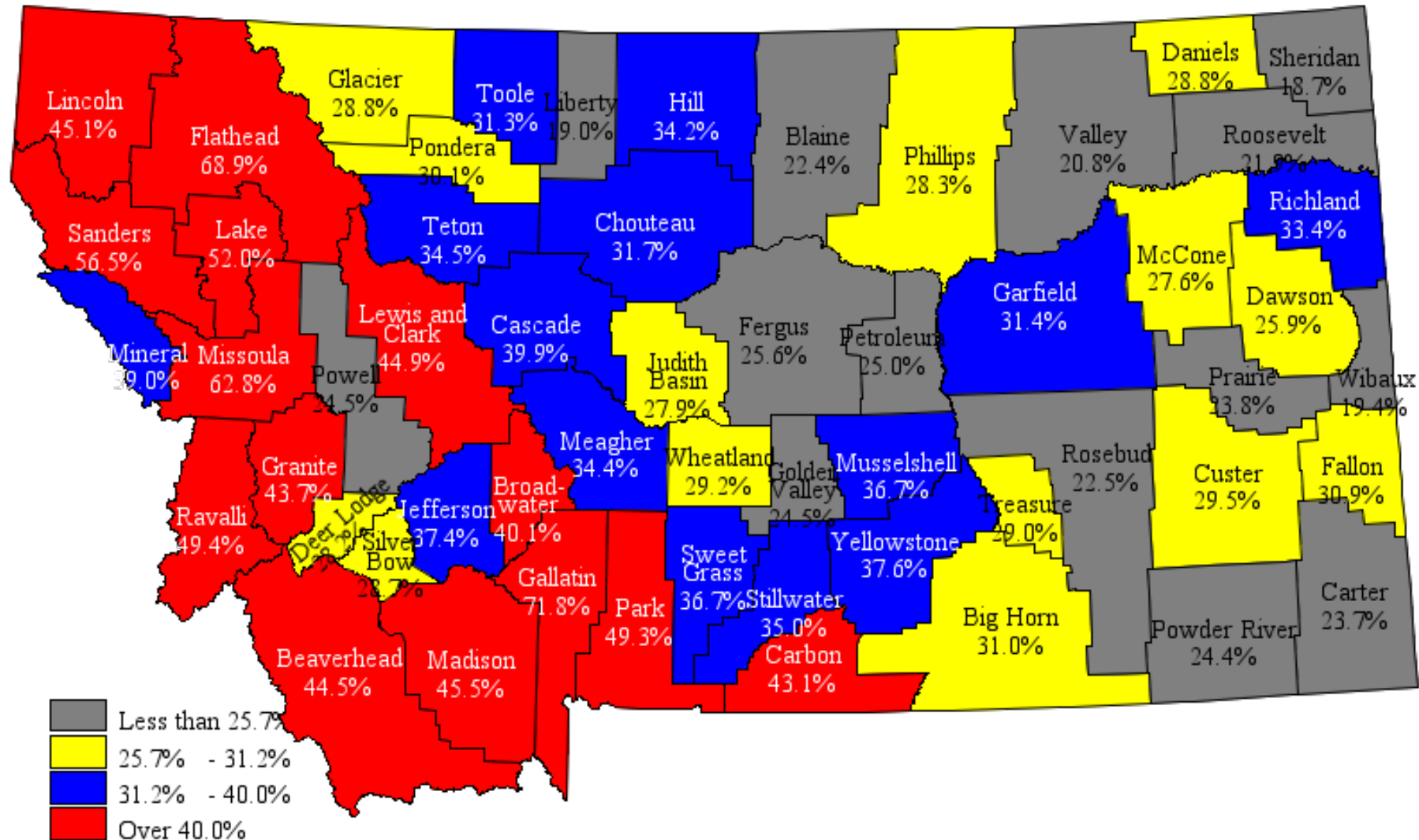
Change since December 2019



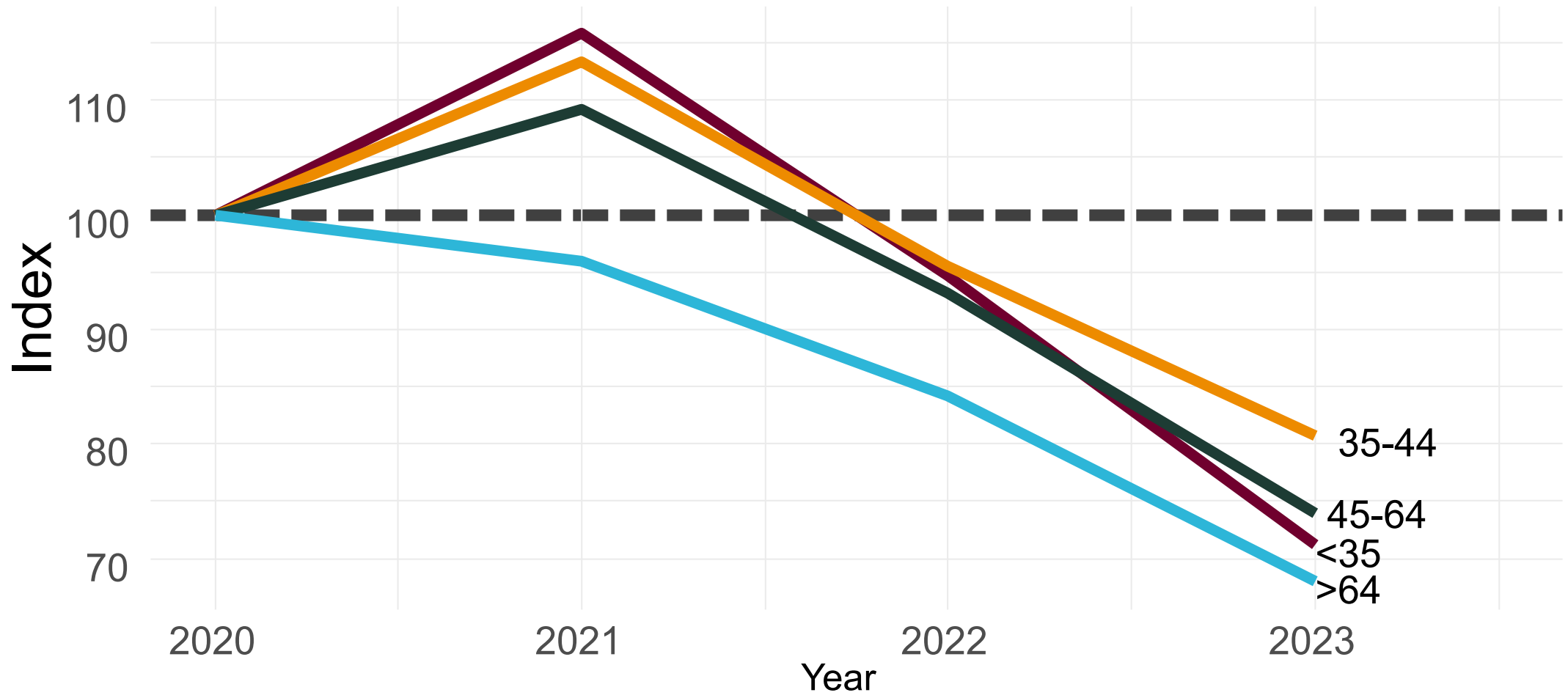
Source: Labor Department (CPI, owners' equivalent rent); CoreLogic (market rents); S&P Dow Jones Indices (home price index); National Association of Realtors (monthly payment)

Ratio of Monthly Payment to Median Household Income

2024

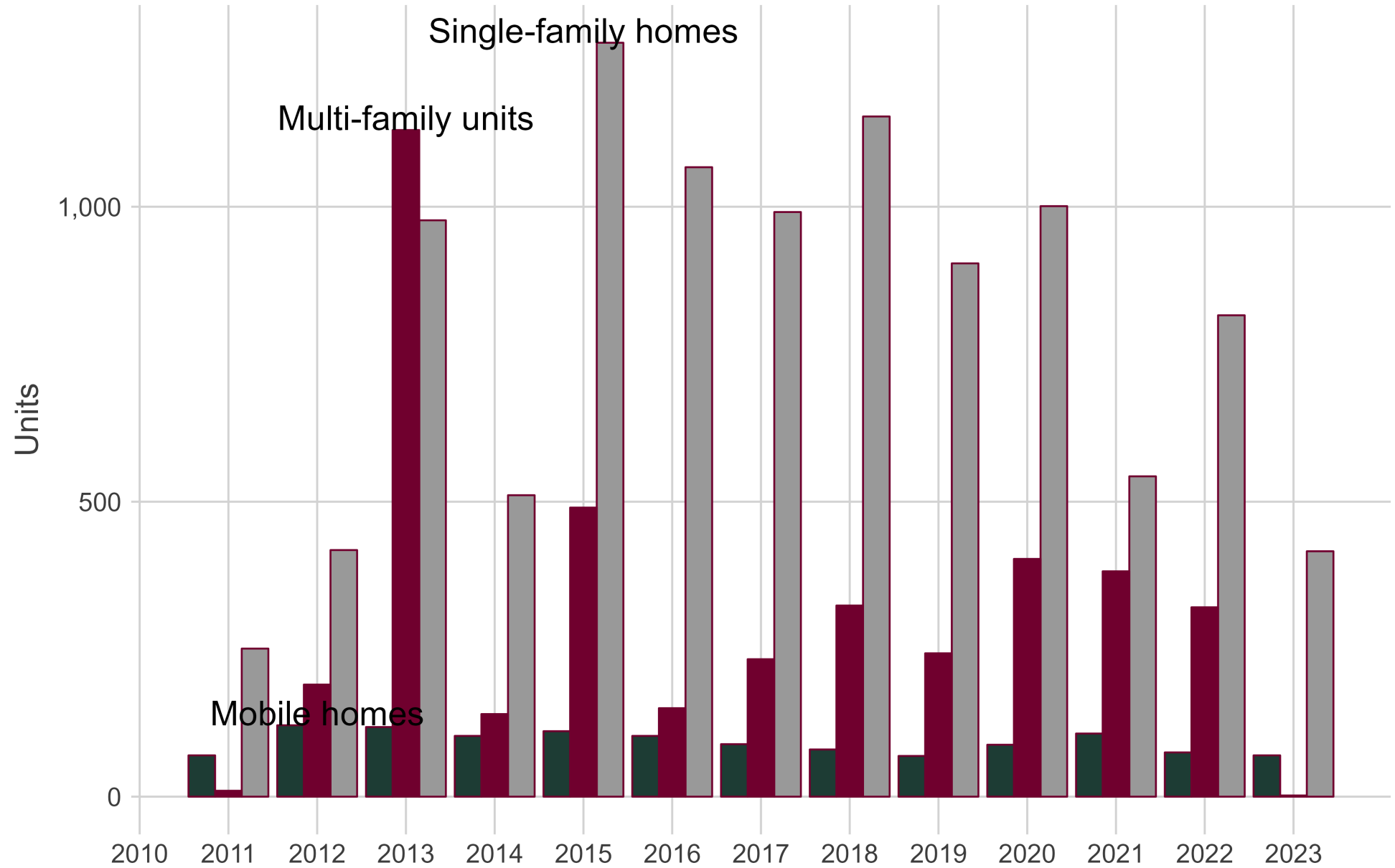


Mortgage Application Index, Missoula and Ravalli Counties (2019 = 100)



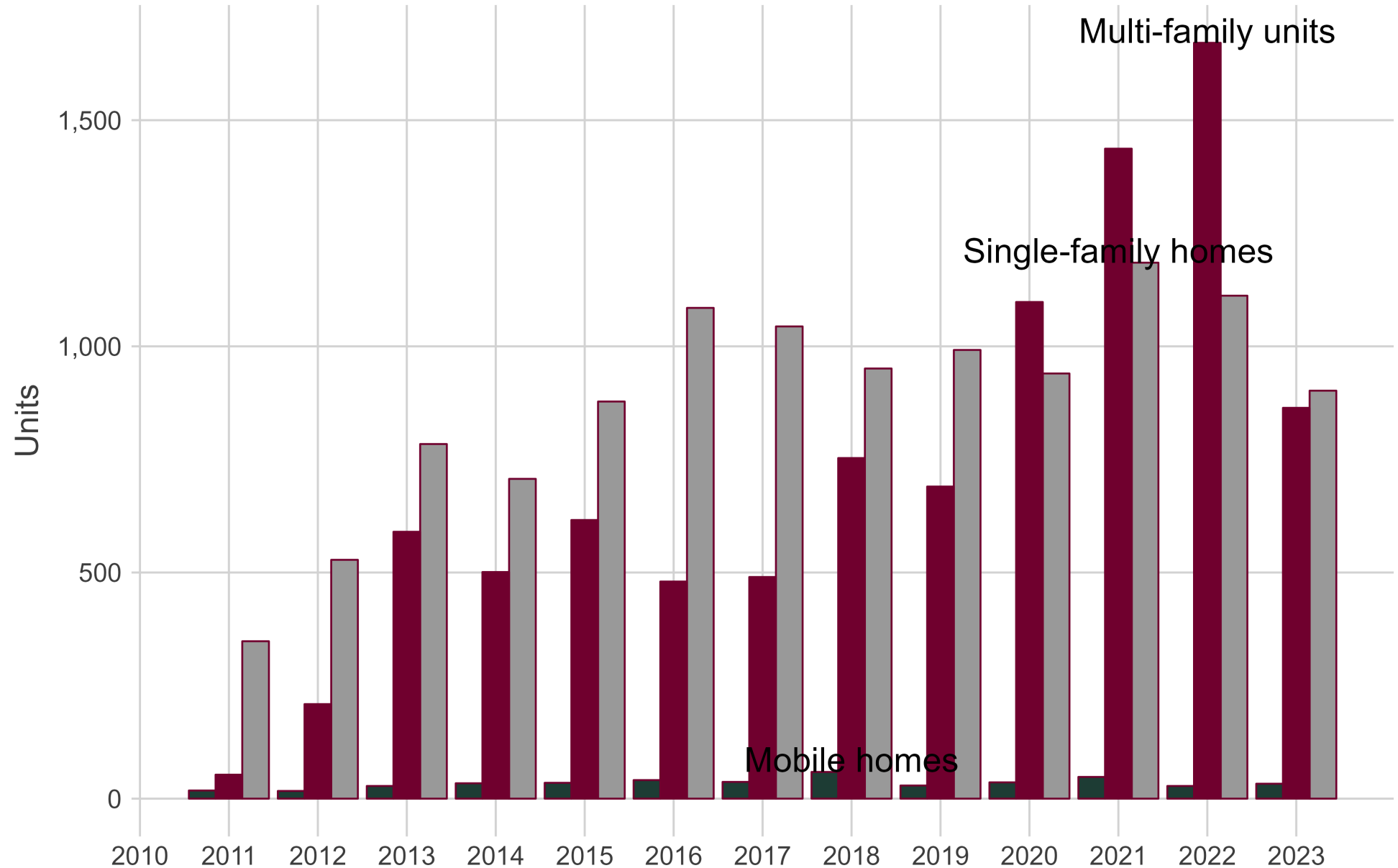
Home Mortgage Disclosure Act (HMDA)

Yellowstone County Housing Starts



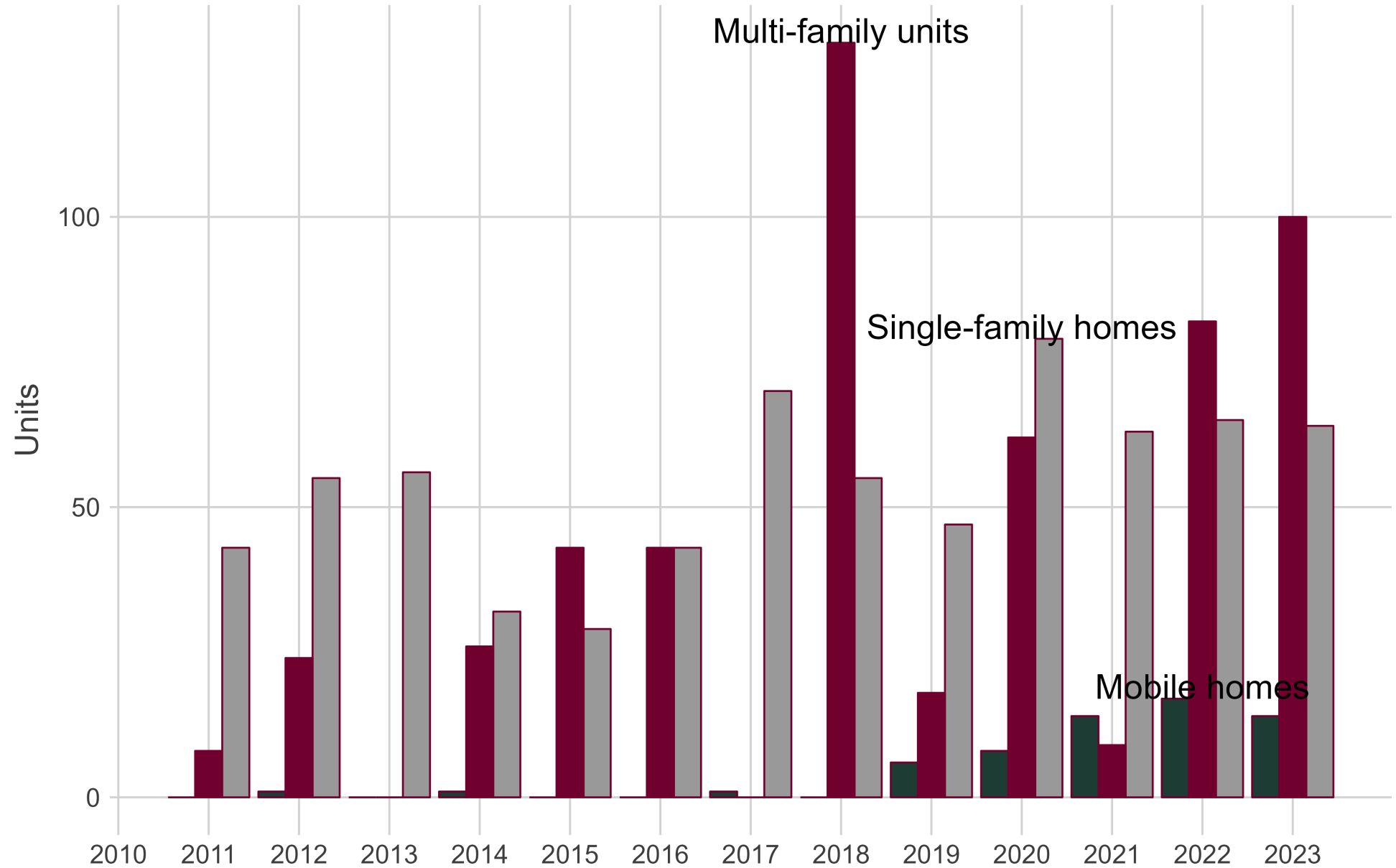
Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Gallatin County Housing Starts



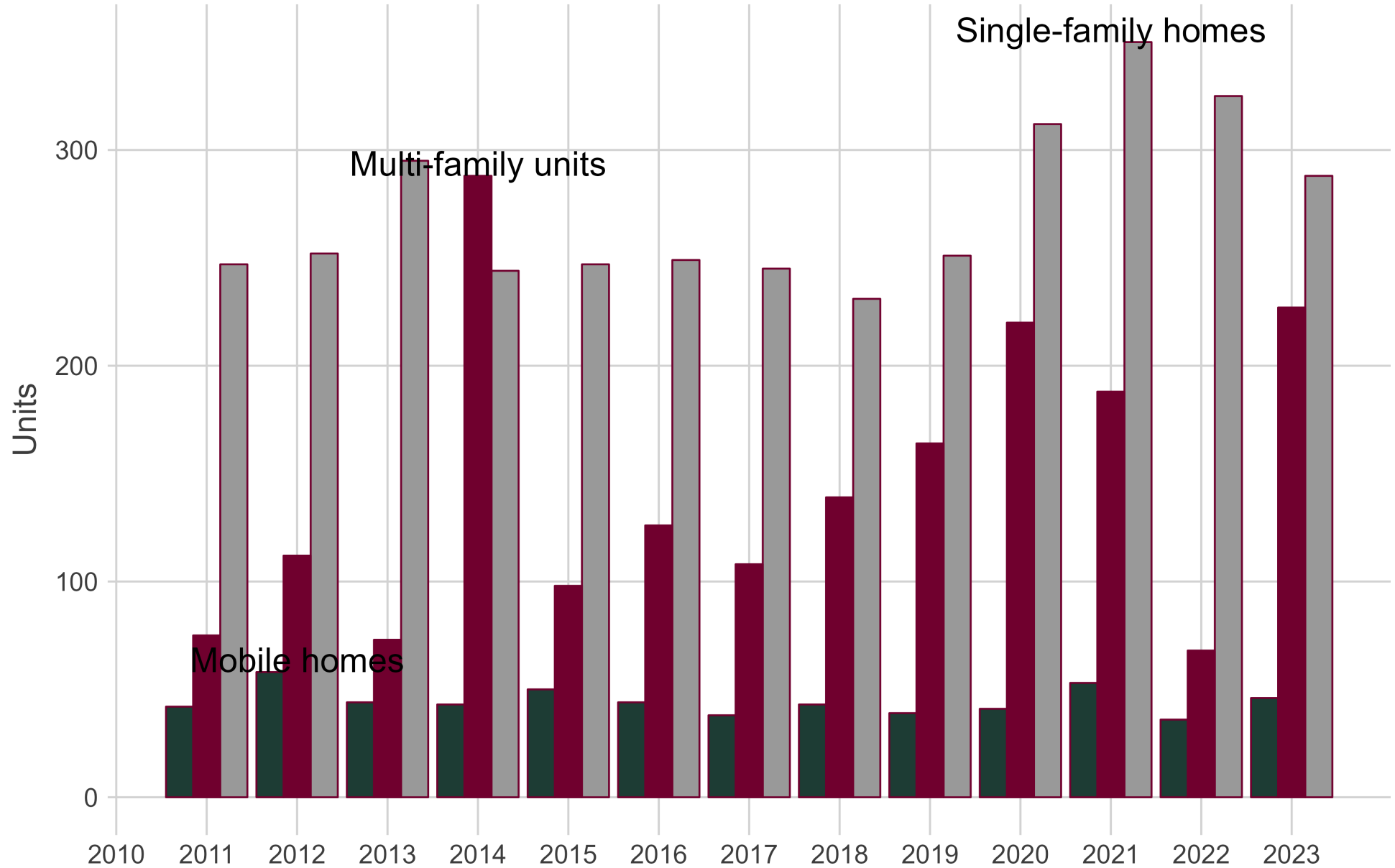
Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Silver Bow County Housing Starts



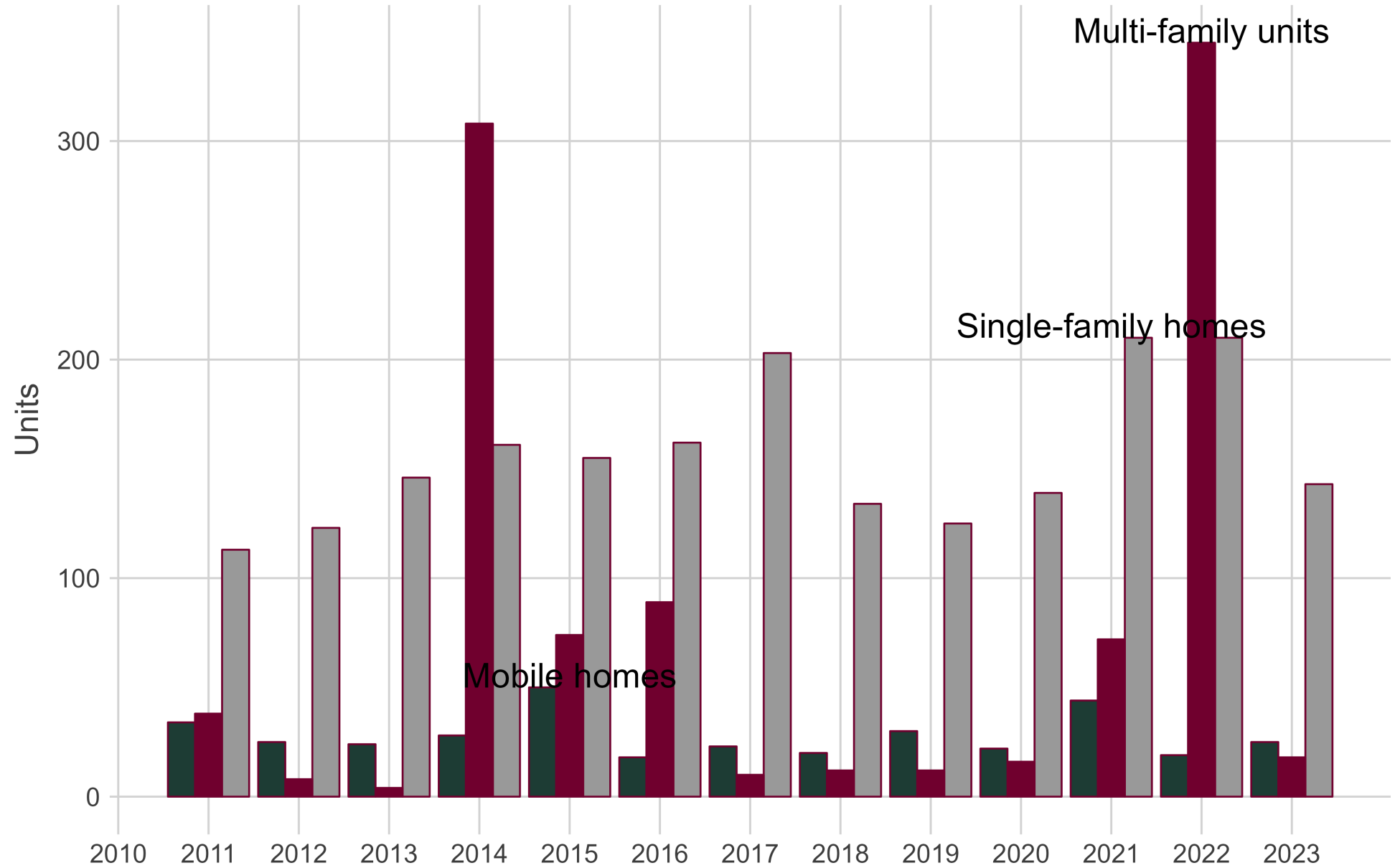
Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Lewis and Clark County Housing Starts



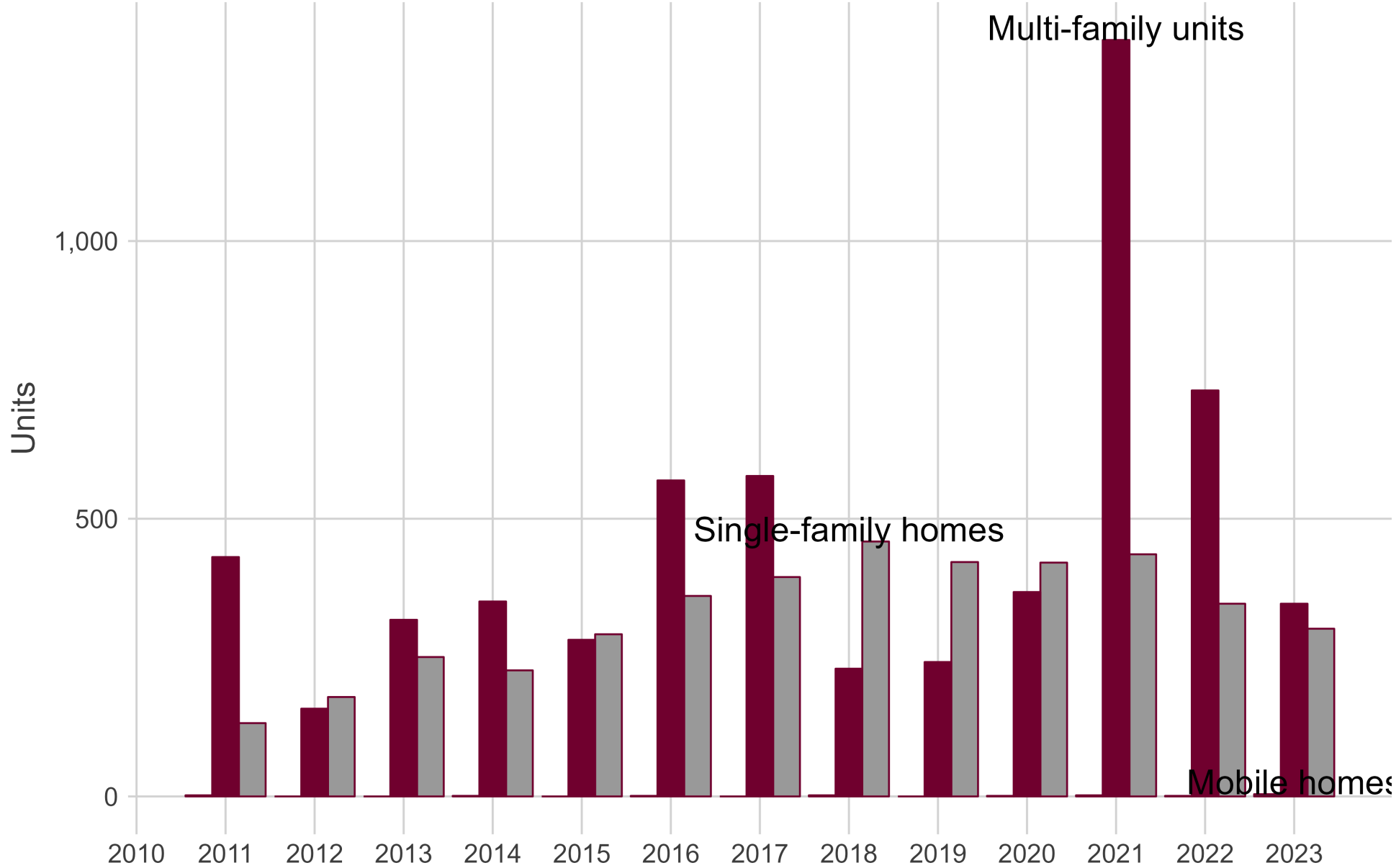
Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Cascade County Housing Starts



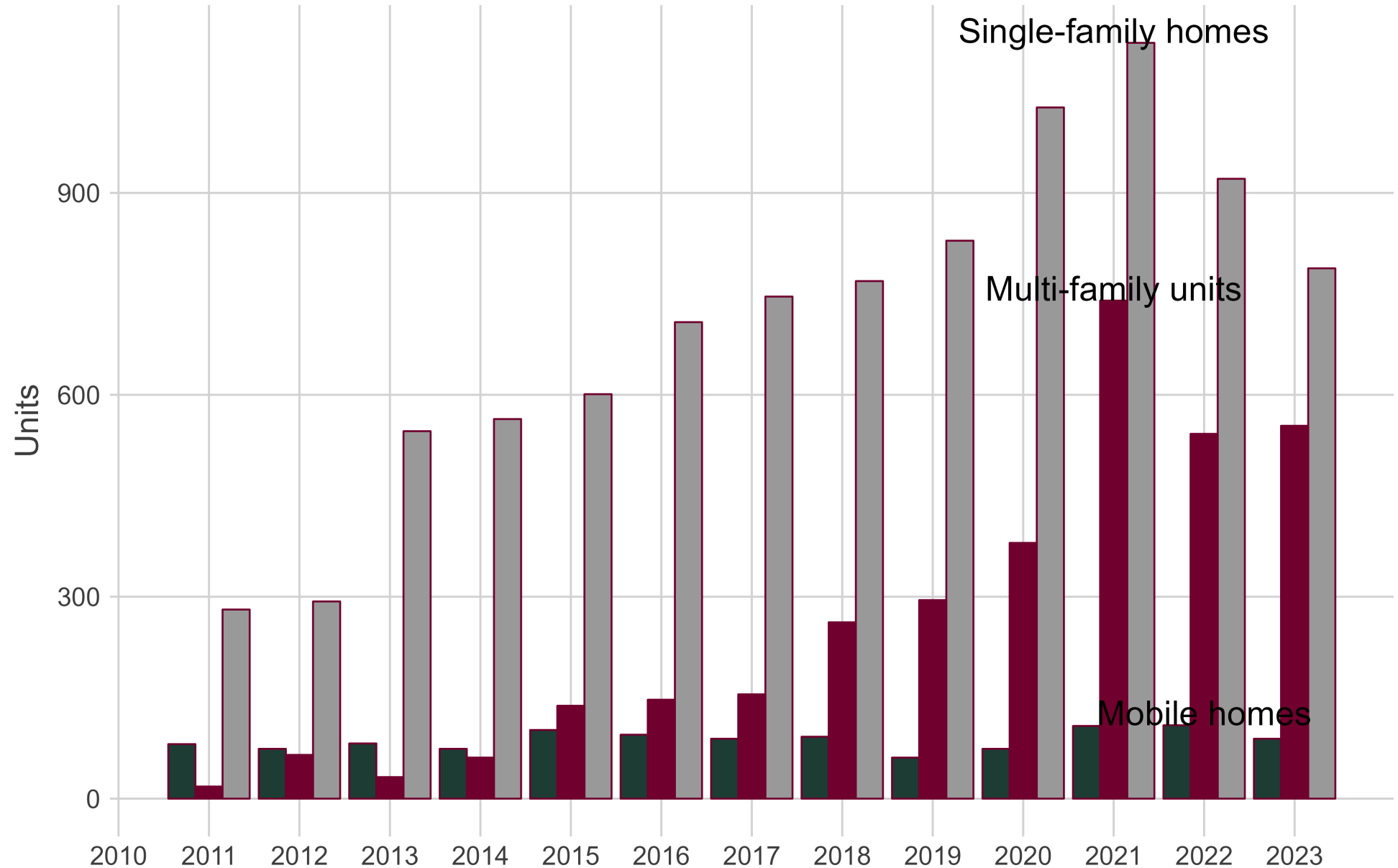
Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Missoula County Housing Starts



Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

Flathead County Housing Starts



Sources: BBER Analysis
U.S. Census's Building Permit Survey, Montana Dept. of Labor and Industry Electrical Permits

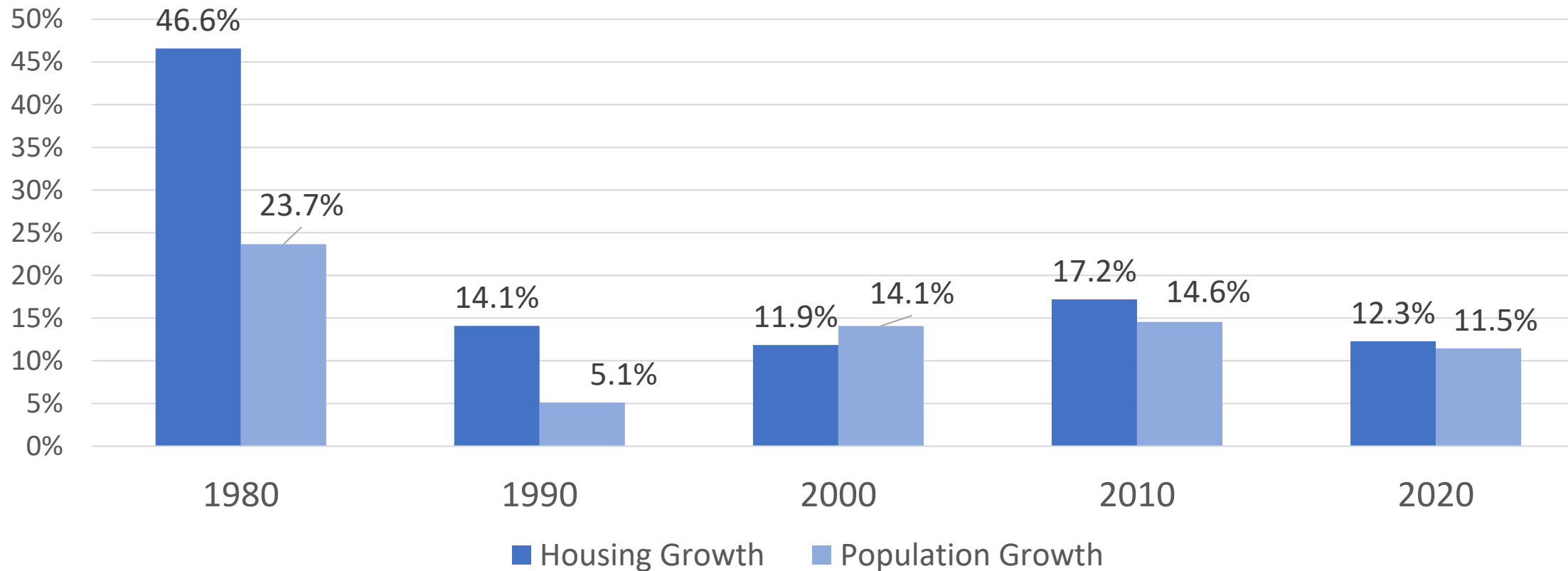
“High” Housing Prices Matter

- “High” prices = prices pushed higher by regulatory constraints or other inefficiencies
- Even if markets were efficient, the price might be too high for many households
- Not enough money left over for other essentials
- Increase sprawl, commuting costs, congestion
- Reduce labor availability for lower and medium paying jobs
- Limit population mobility and economic growth
- Stops the real estate wealth accumulation that has been an equalizing force in the economy

The Crossfire of Housing Policy

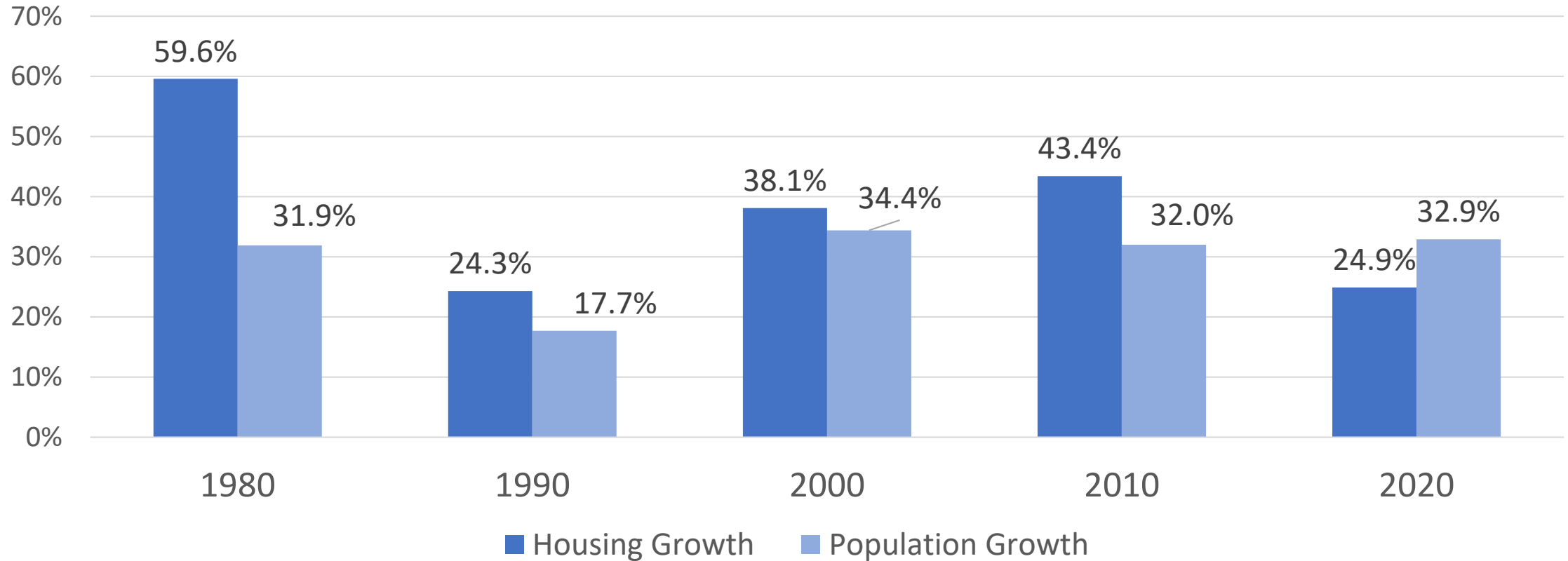
- Mortgage interest deduction
- Mortgage revenue bonds
- Mortgage credit certificates
- Capital gains treatment for sales of primary residences
- Savings and Loan Associations
- FHA insurance
- Fannie Mae and Freddie Mac mortgage guarantees
- Quota for Fannie and Freddie for targeted populations
- Support for institutions like FHLB's
- 30-year fixed rate mortgage with no pre-payment penalty
- FHA and VA loan programs
- HUD Section 502 low-rate mortgages to low-income households
- Infrastructure requirements
- Minimum parking
- Building codes
- Wetlands regulations
- Subdivision requirements
- Exactions
- Height restrictions
- Caps on numbers of units
- Population growth limits
- Urban boundaries or green zones
- Restrictions on rezoning
- Super majority, voter, or multiple jurisdictional approvals
- Minimum lot size requirements
- Delays in local government decision-making

Housing Growth and Population Growth, Yellowstone County, 1980-2020, Percent



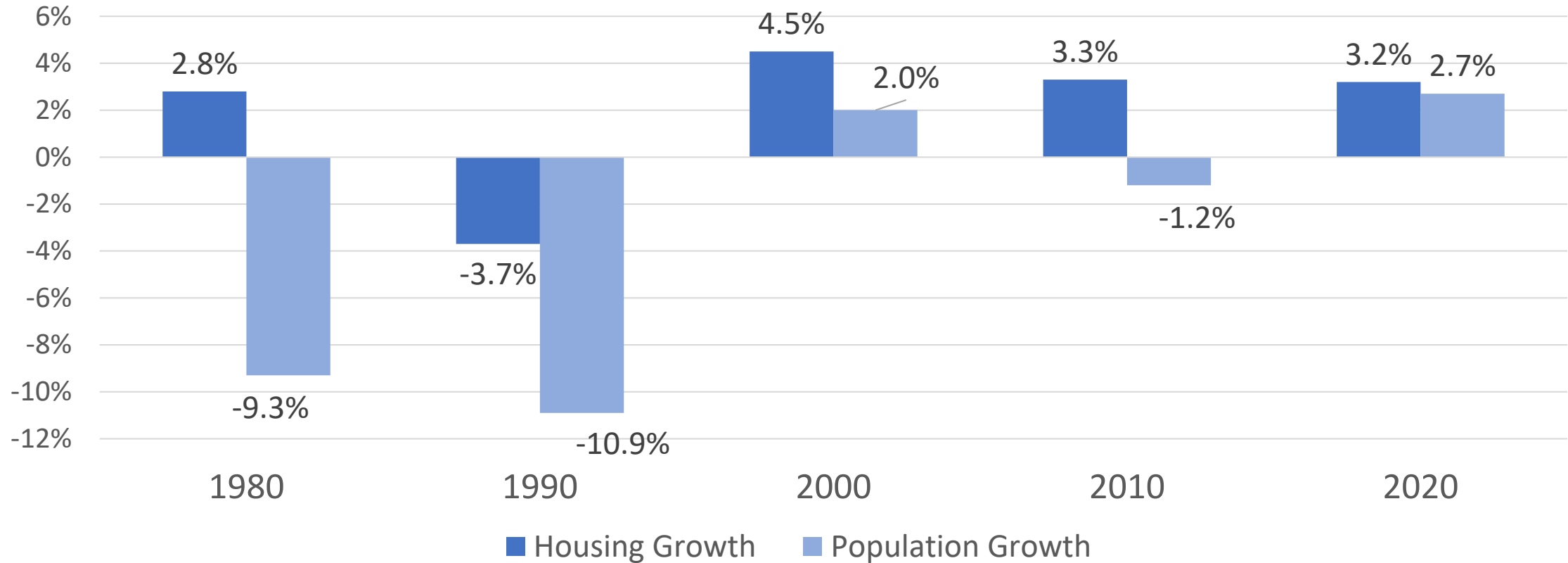
Source: U.S. Decennial Census

Housing Growth and Population Growth, Gallatin County, 1980-2020, Percent



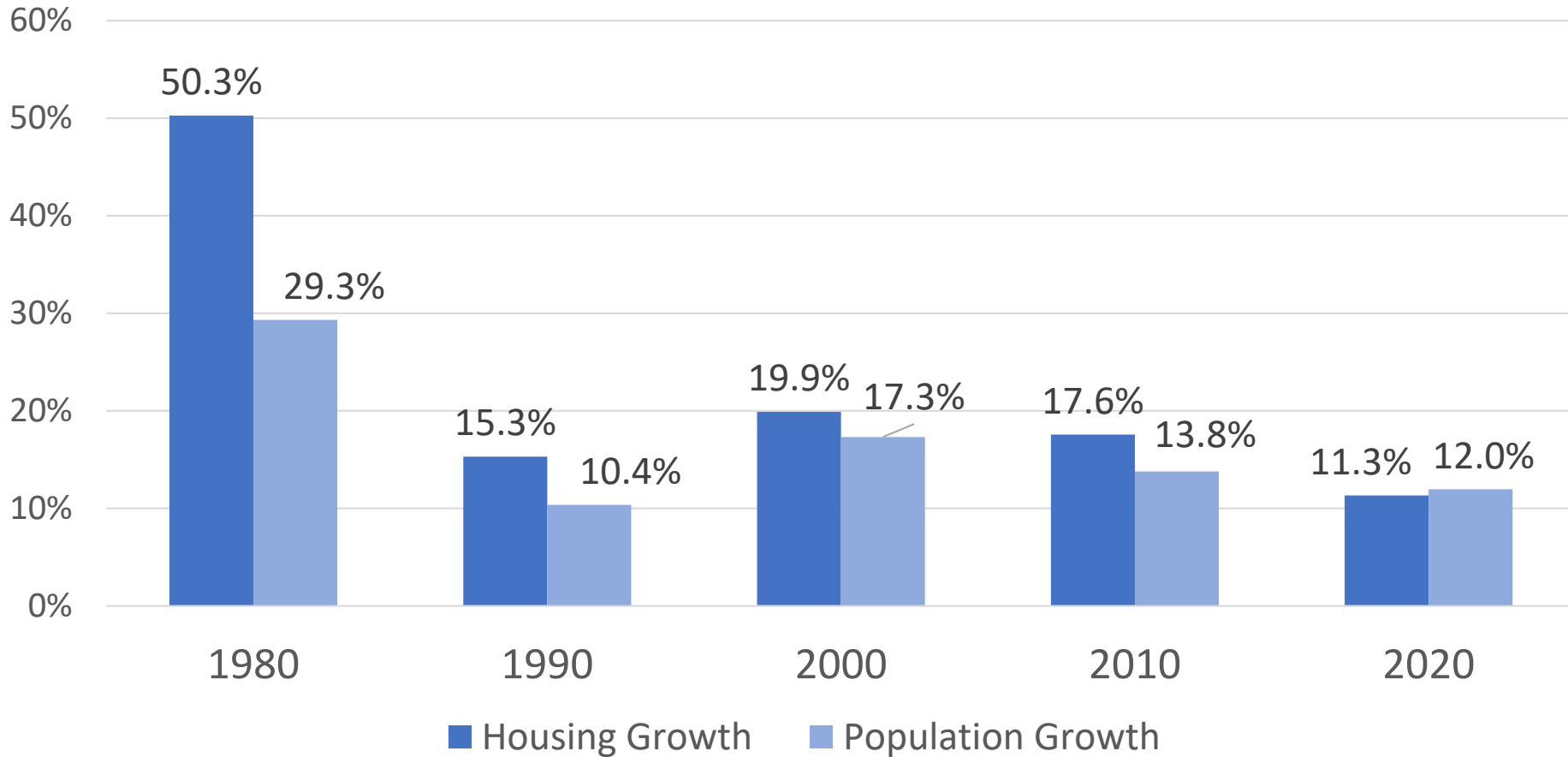
Source: U.S. Decennial Census

Housing Growth and Population Growth, Silver Bow County, 1980-2020, Percent



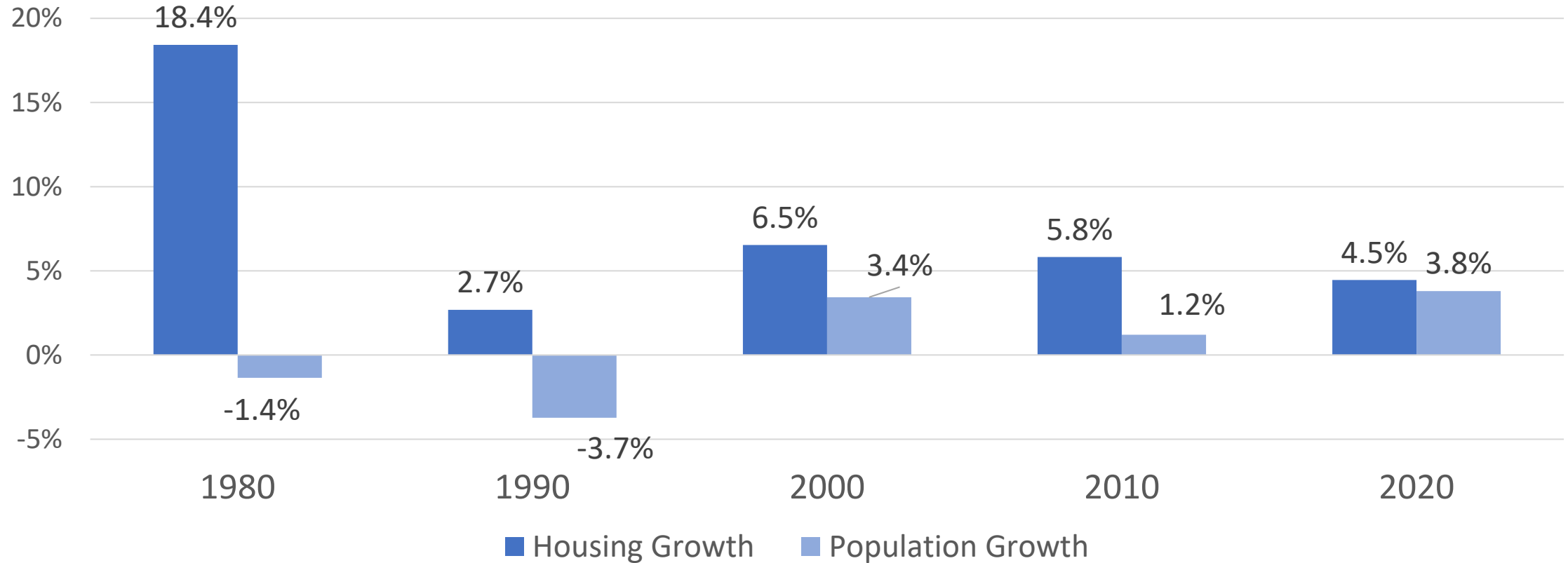
Source: U.S. Decennial Census

Housing Growth and Population Growth, Lewis and Clark County, 1980-2020, Percent



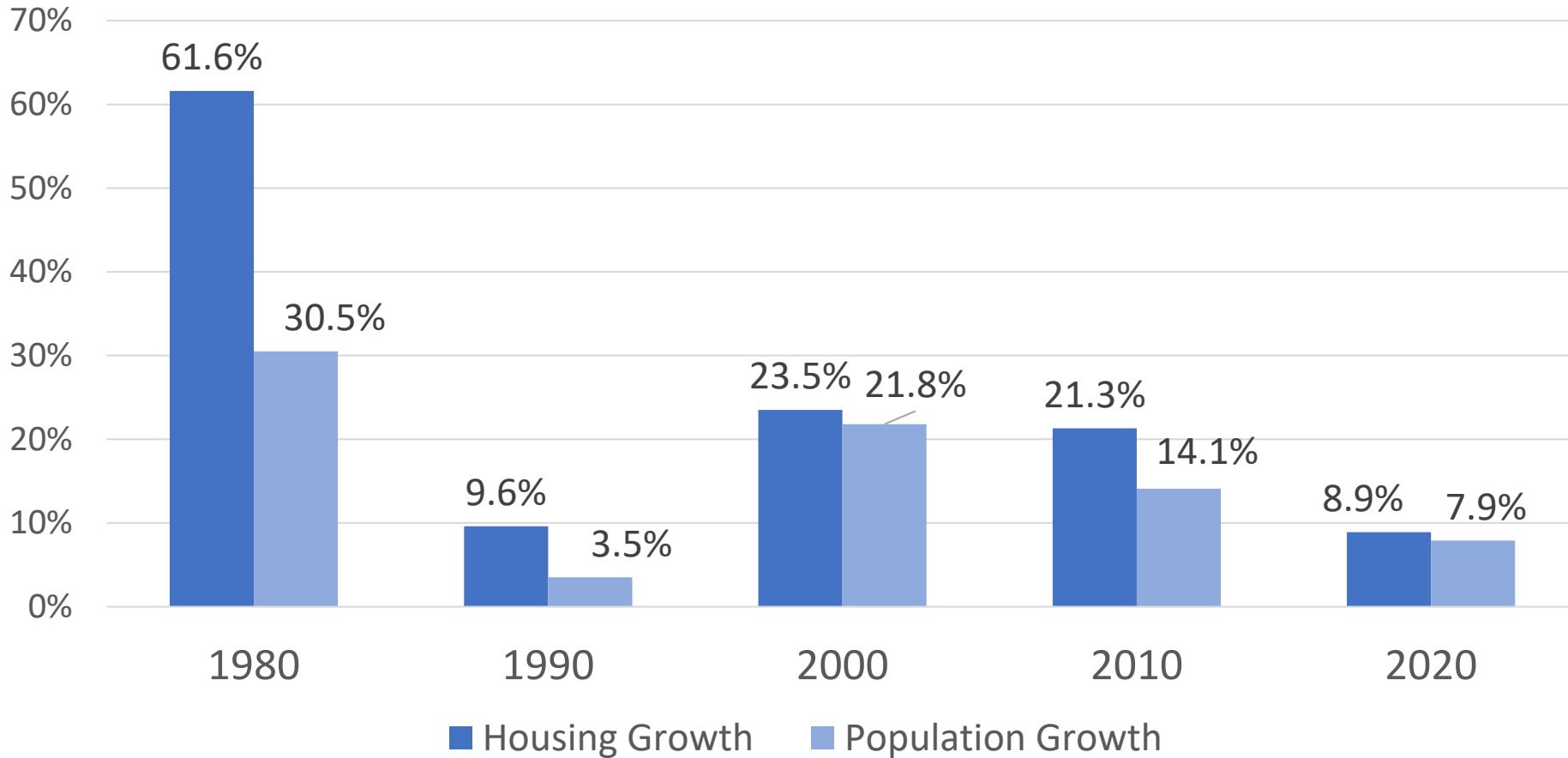
Source: U.S. Decennial Census

Housing Growth and Population Growth, Cascade County, 1980-2020, Percent



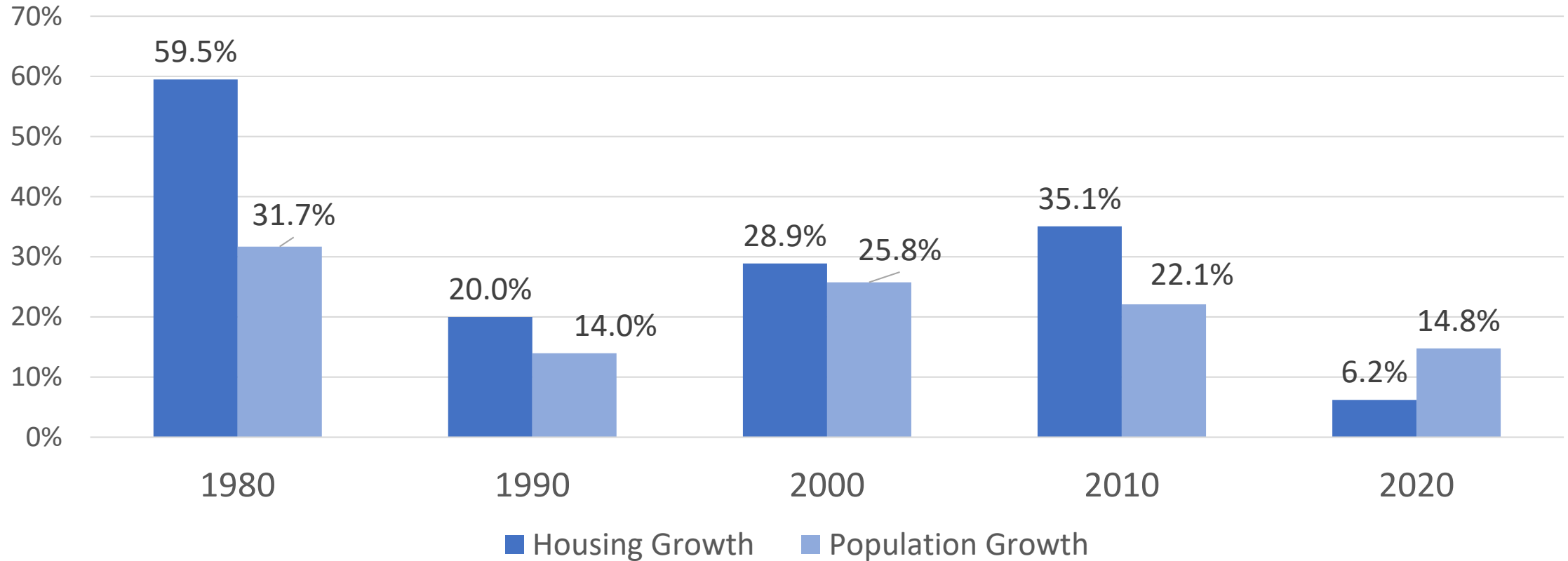
Source: U.S. Decennial Census

Housing Growth and Population Growth, Missoula County, 1980-2020, Percent



Source: U.S. Decennial Census

Housing Growth and Population Growth, Flathead County, 1980-2020, Percent

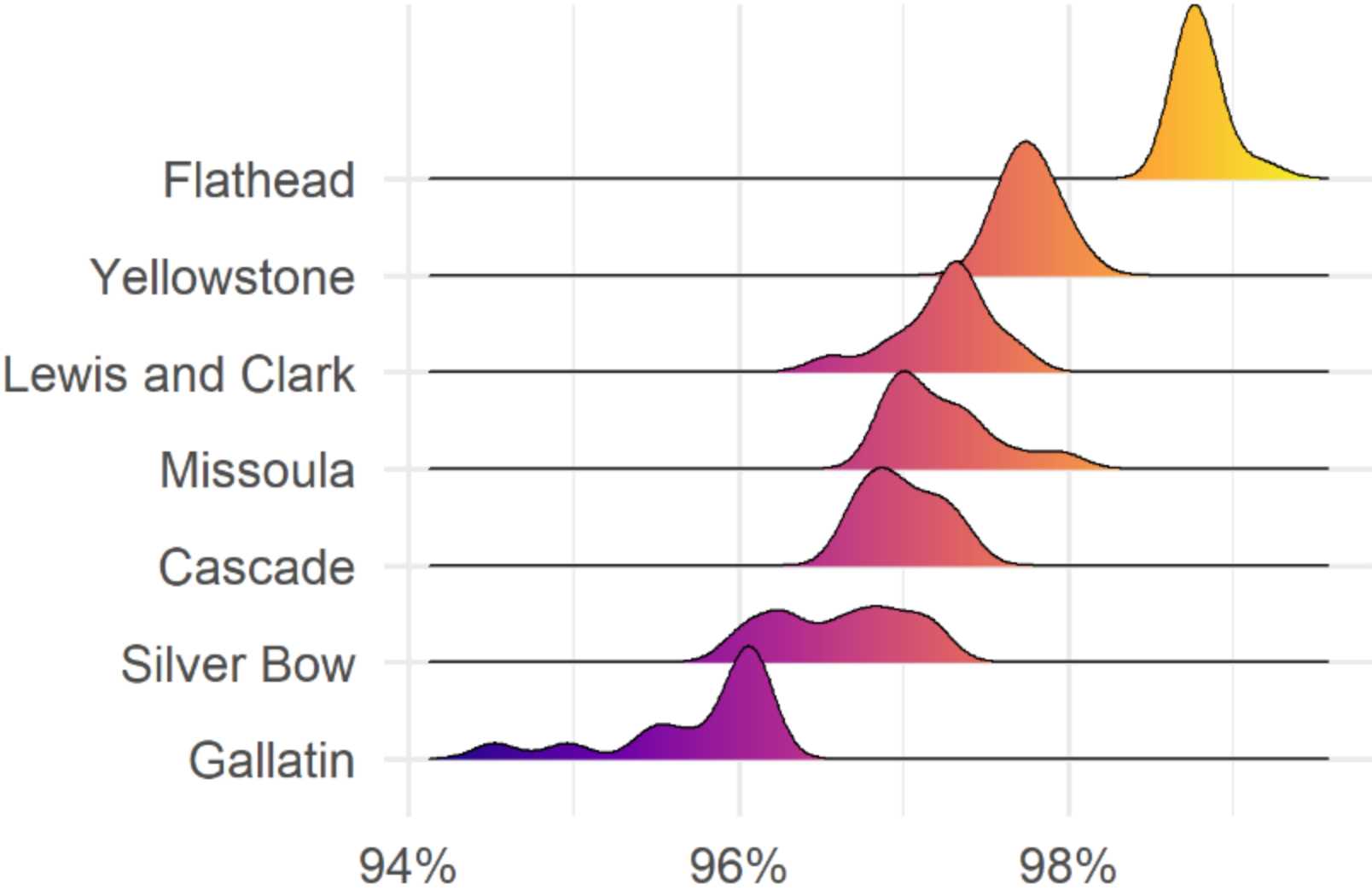


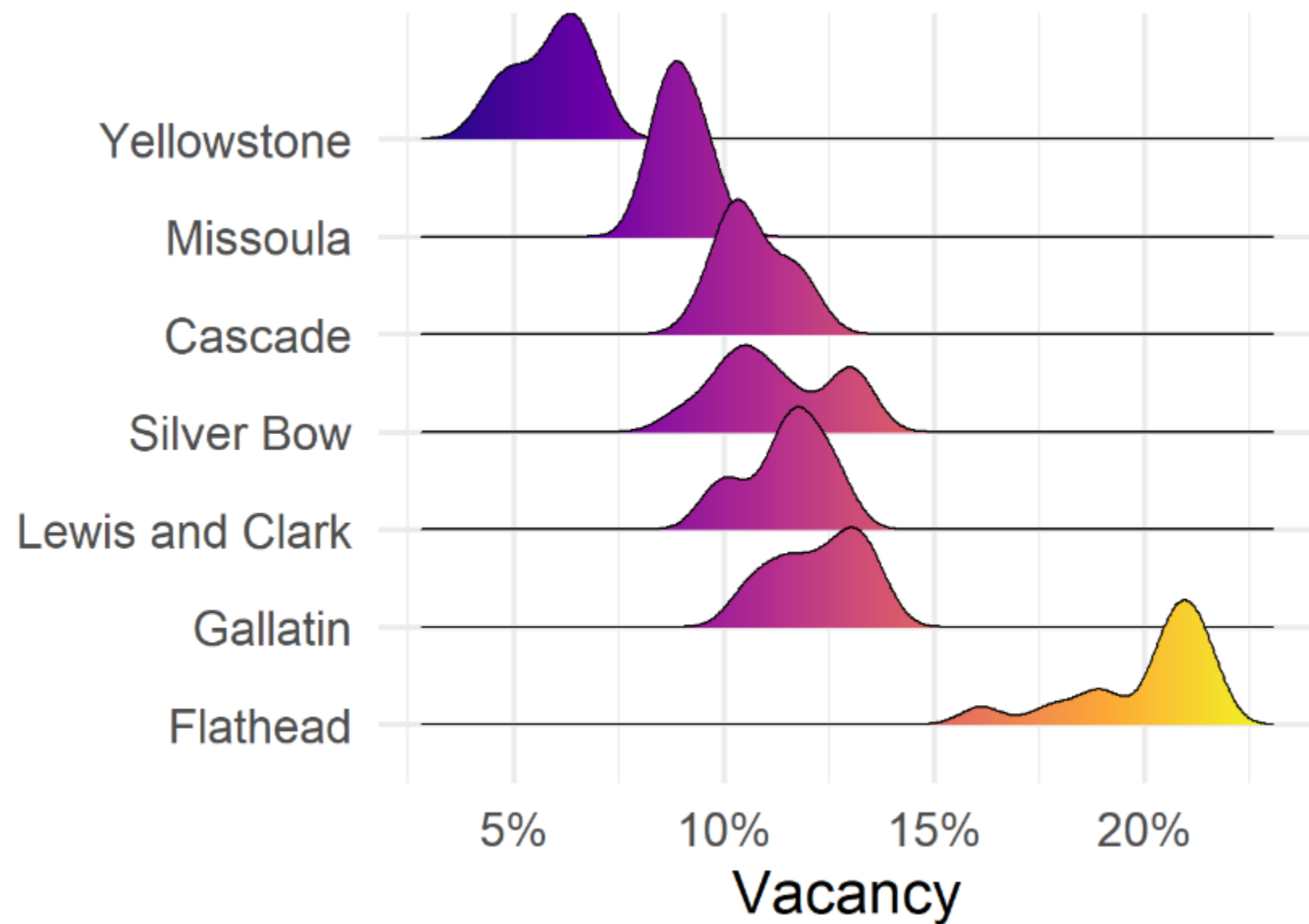
Source: U.S. Decennial Census

King for the Day on Housing Reform

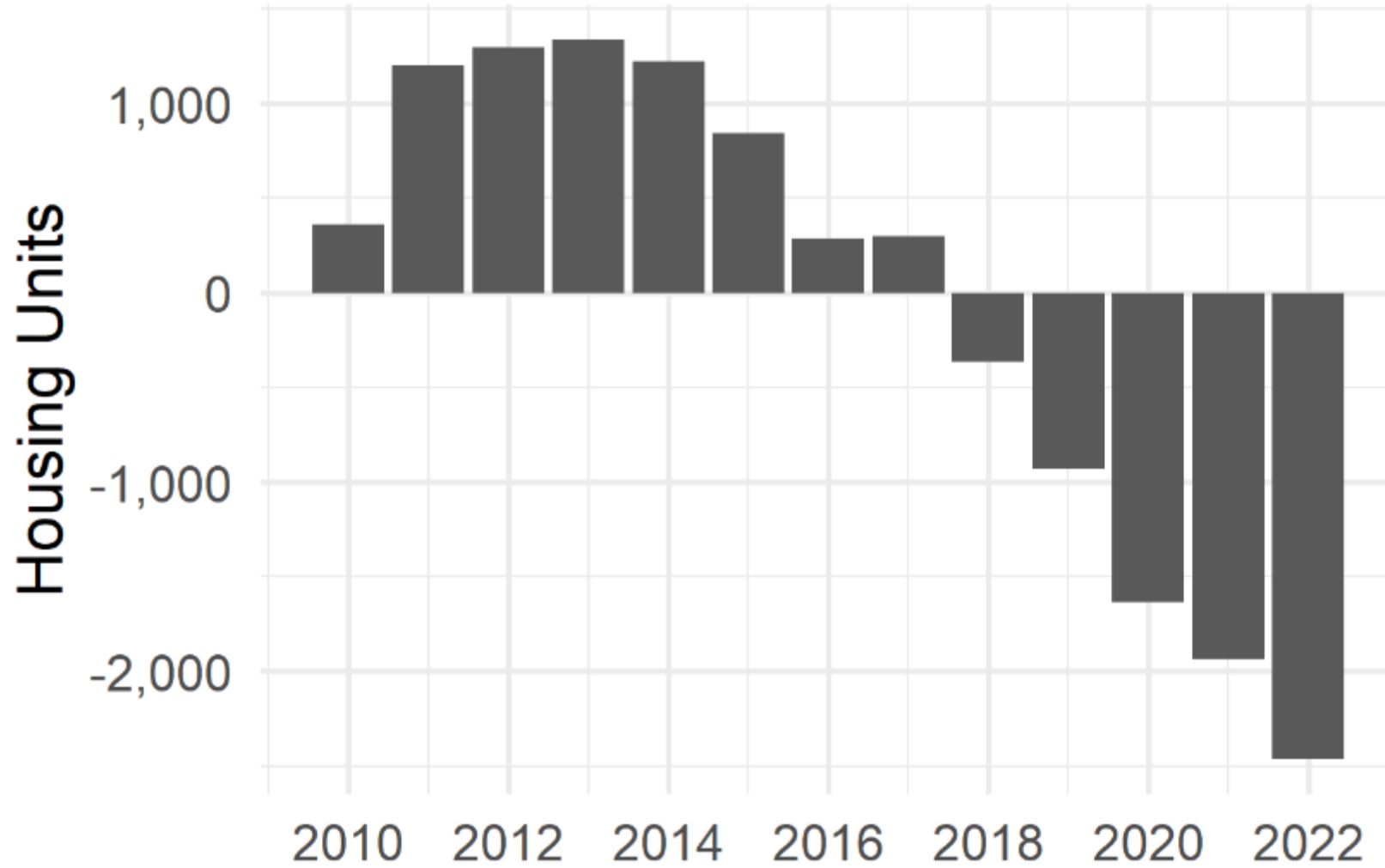
- Don't add more policies!
- Especially don't add more demand support
- Consider ending policies that don't accomplish their stated objectives (e.g., Federal tax deduction for mortgage interest)
- Supply, supply, supply
- Choose a metric for efforts to increase supply and hold local governments accountable for achieving progress
- How much more housing should communities be building?

Percent of Population in Households

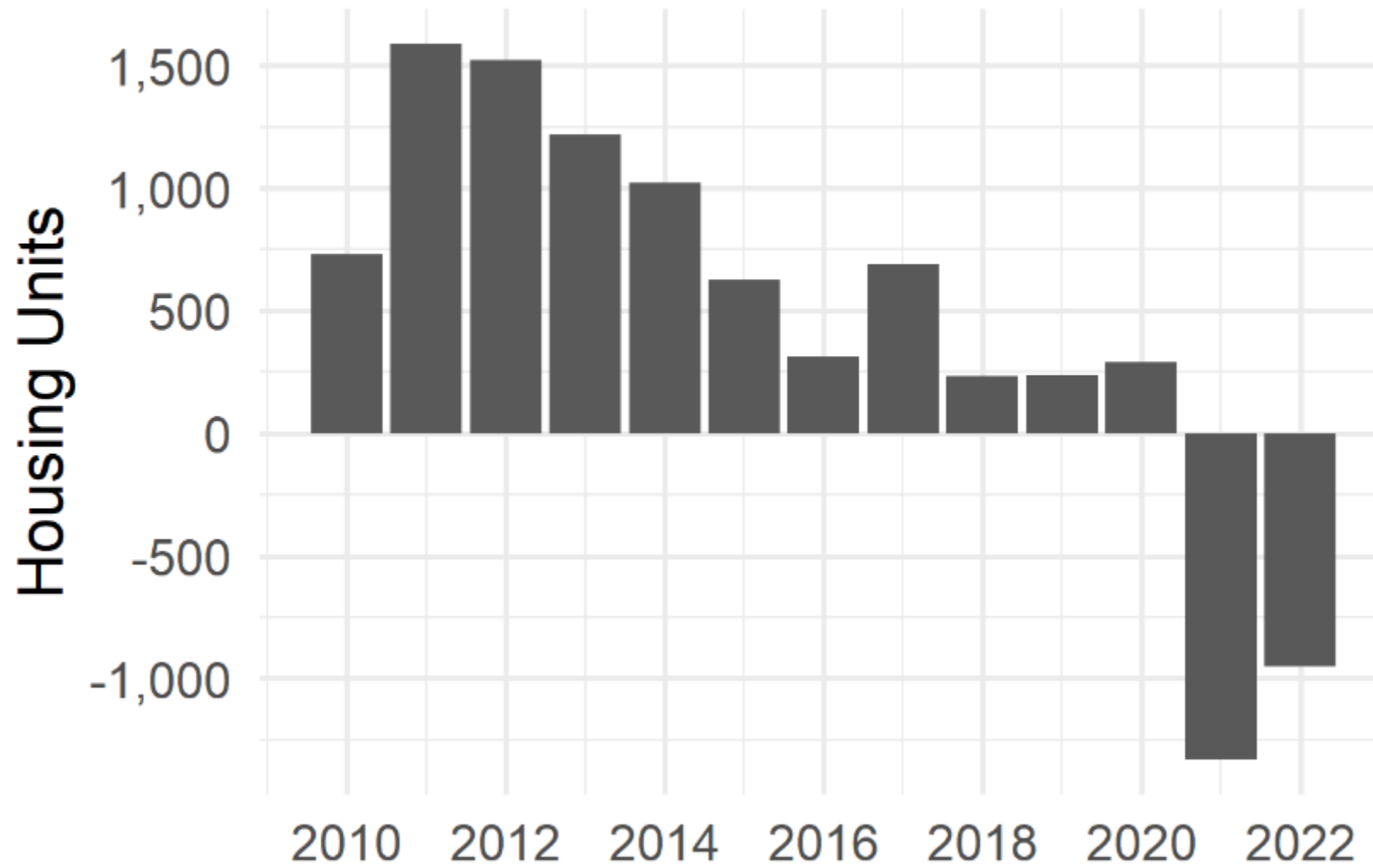




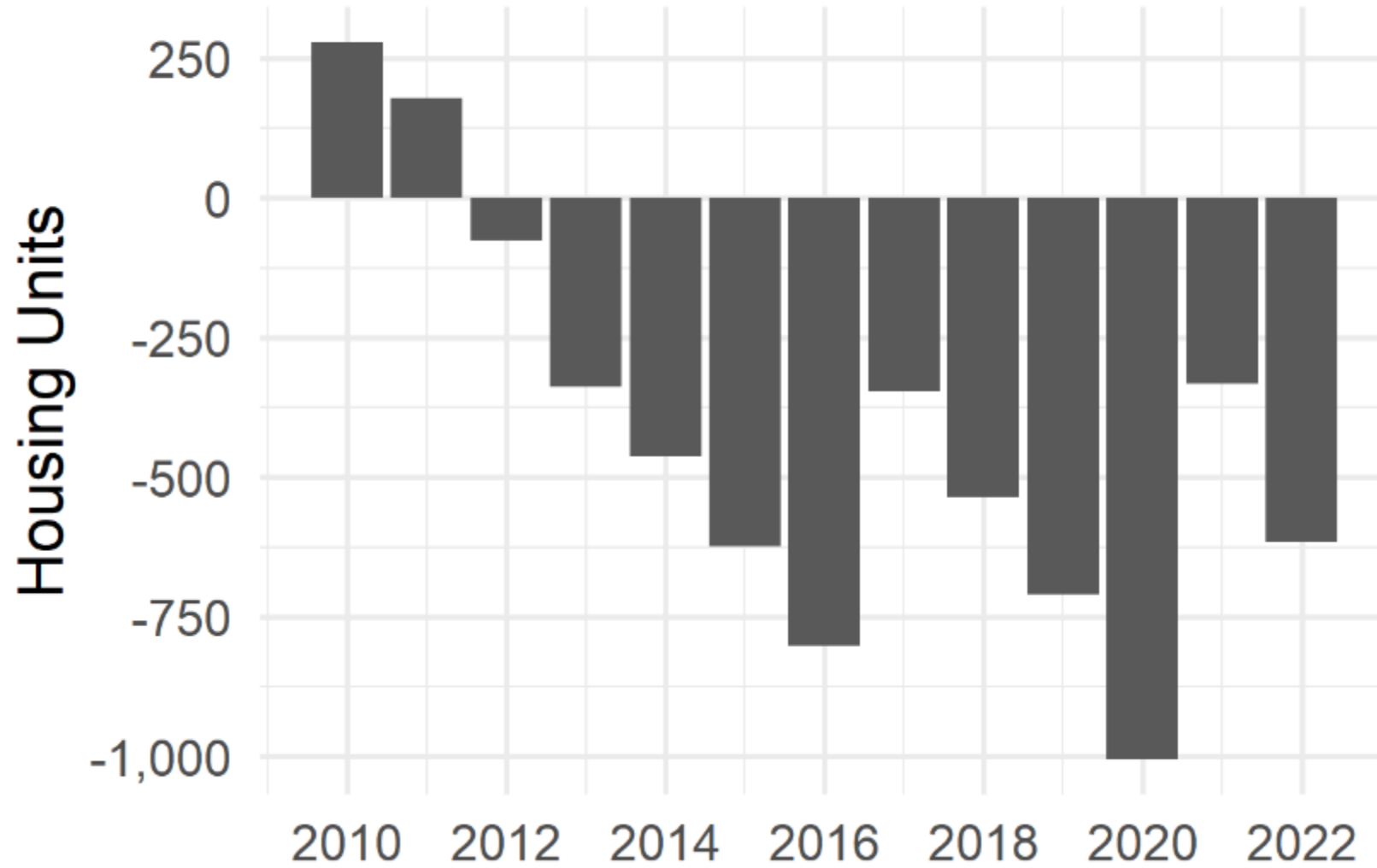
Flathead County Surplus/Shortage



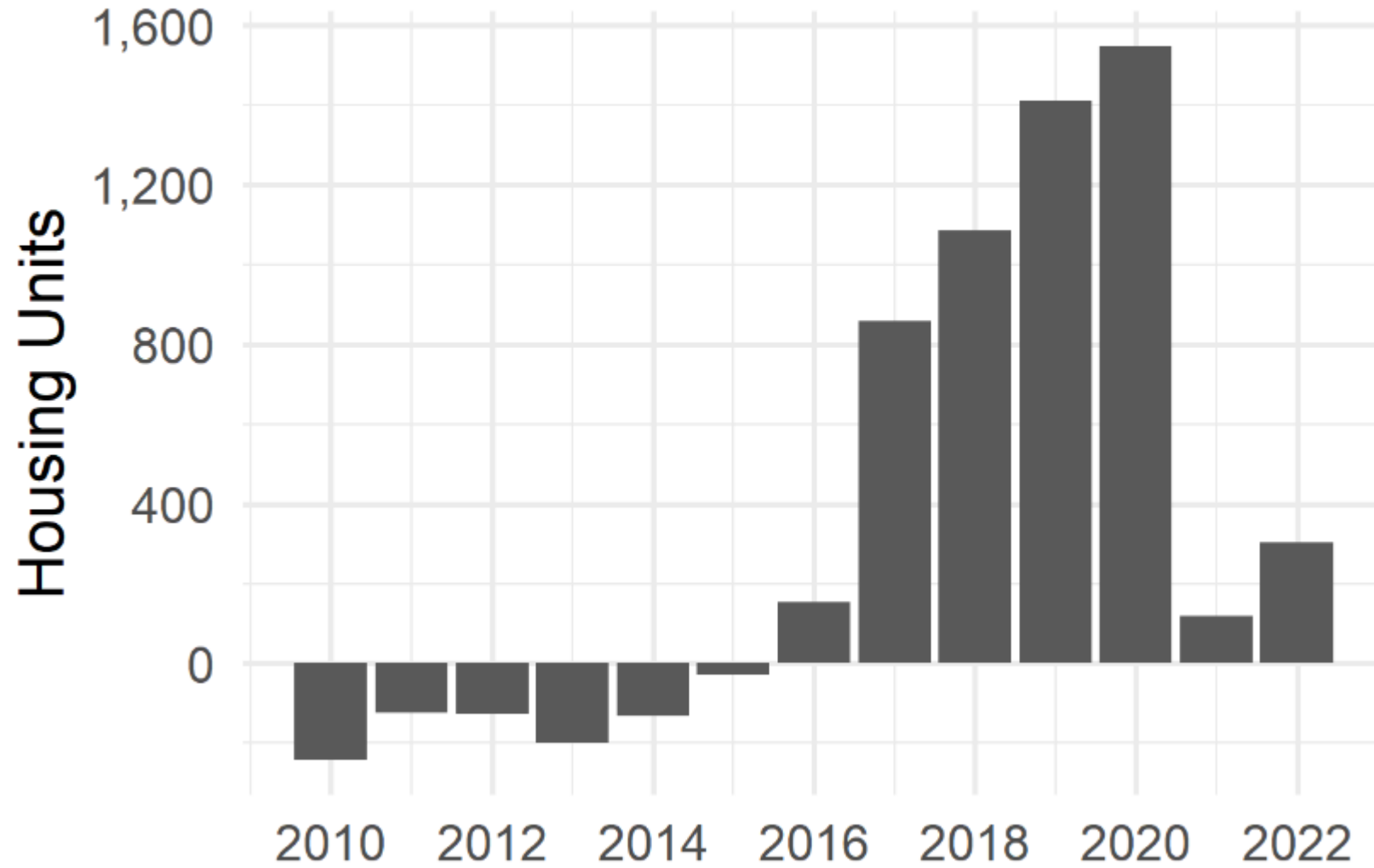
Gallatin County Surplus/Shortage



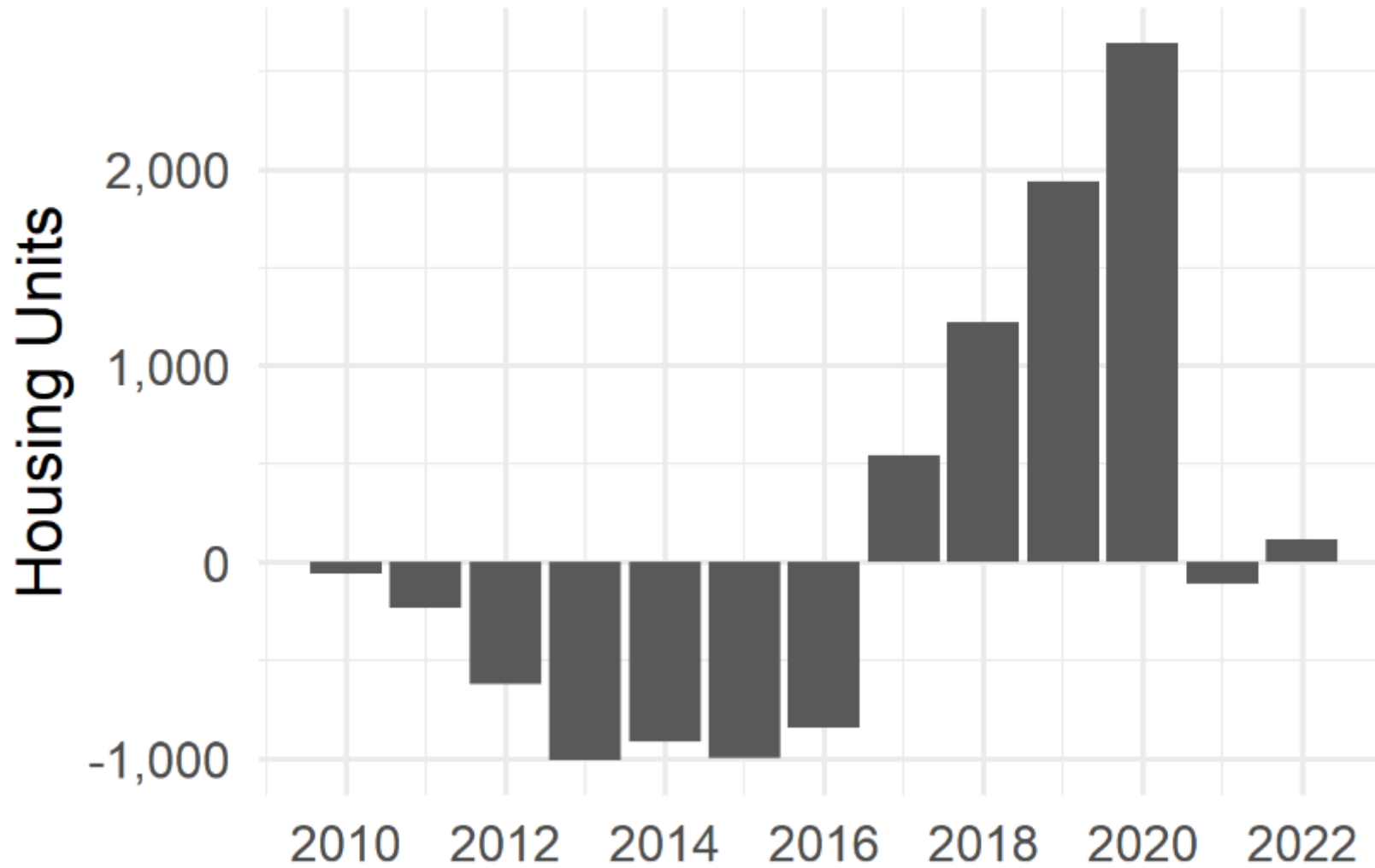
Lewis and Clark County Surplus/Shr



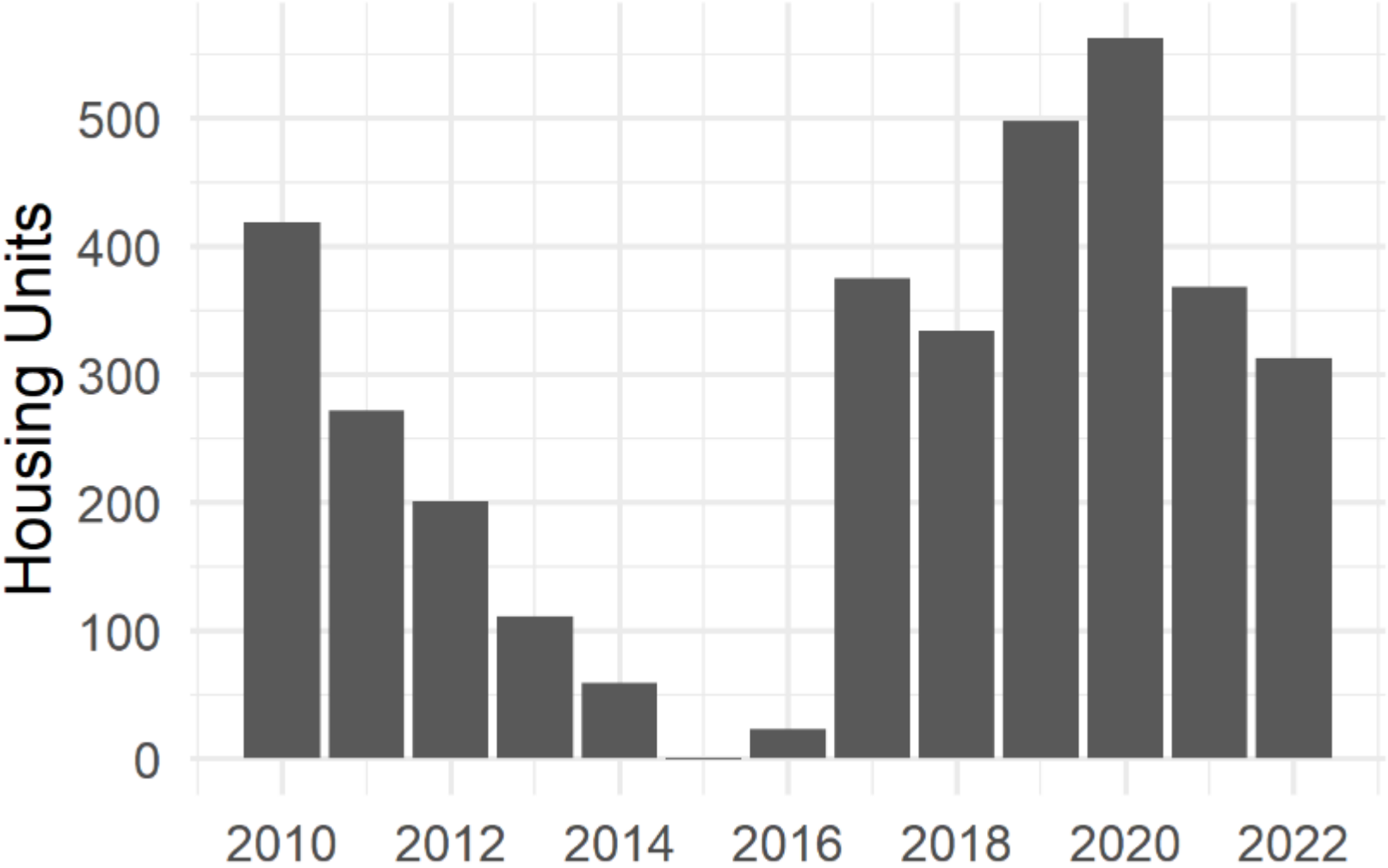
Cascade County Surplus/Shortage



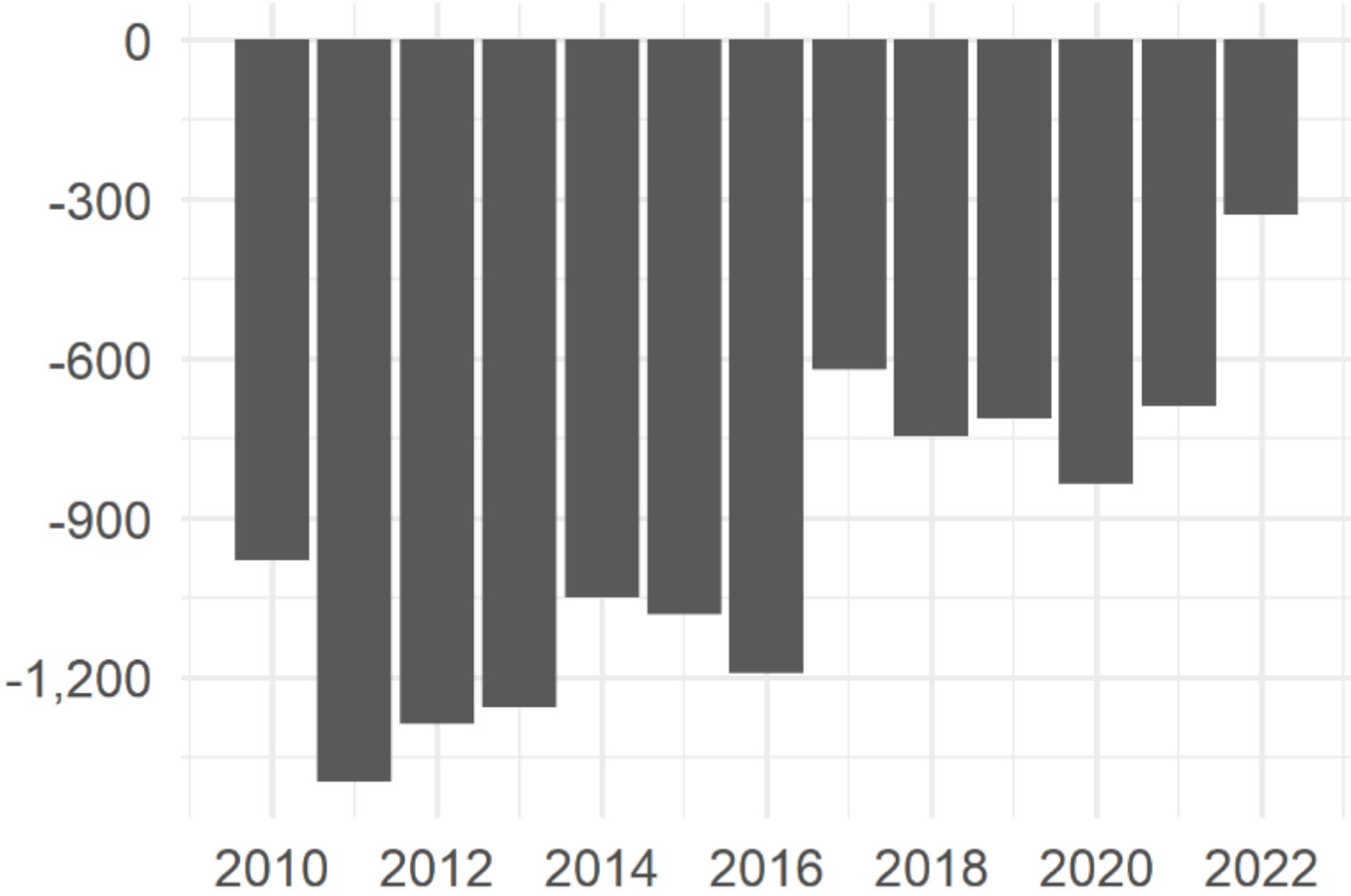
Yellowstone County Surplus/Shortage



Silver Bow County Surplus/Shortage



Missoula County Surplus/Shortage



“Only when the tide goes out do you discover who’s been swimming naked”

- *Warren Buffett*

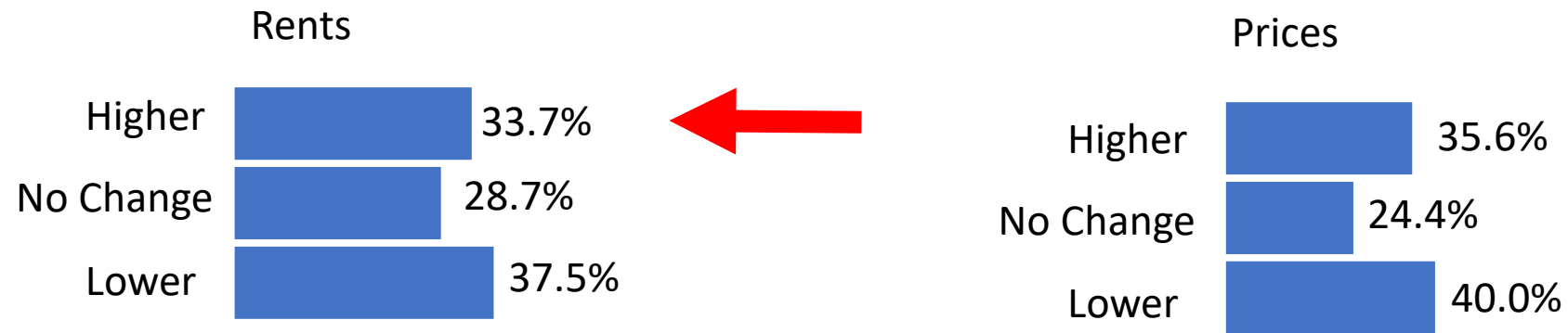
Pandemic surge in demand has exposed the impact of chronic underbuilding in Montana’s fastest growing regions that has been playing out for almost 20 years.

Local regulation of housing exists because it is popular, even if its result is a housing affordability crisis.

The question is: what is the end game for Montana’s housing markets?

“What do you think would happen to prices and rents if there was a 10% increase in housing built in the coming 5 years?”

What Renters Said



What Homeowners Said



Why Are People Skeptical About the Impacts of Housing Supply?

- Demand is also rising

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- Demand is also rising
- Price Impacts of Regulatory Policy
- Denial or failure to recognize interaction of price tiers in housing markets