

The Outlook for Montana Real Estate

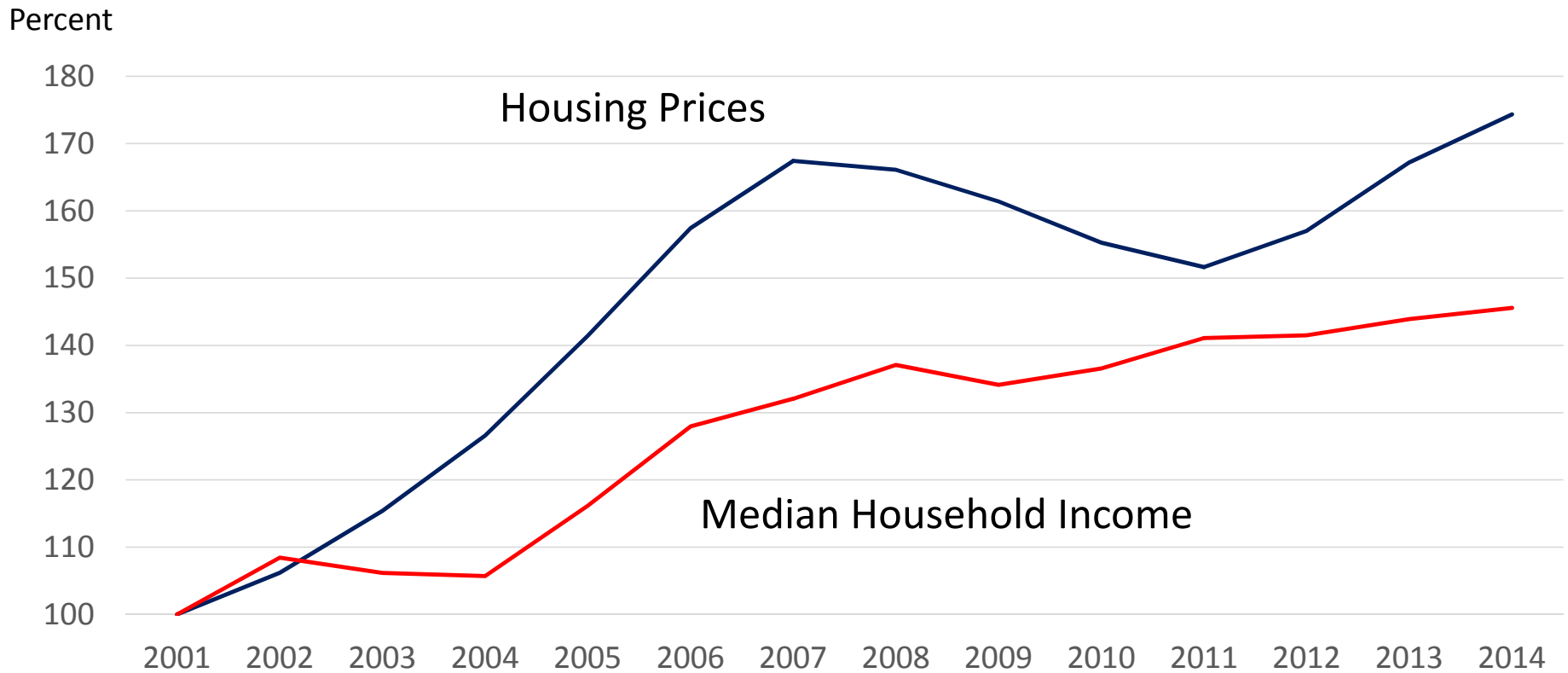
Can Montanans Afford the Future?

Kyle Morrill, director of forecasting, BBER
Patrick Barkey, director, BBER

Montana Real Estate's Recovery: Approaching Normal?

- Housing prices recovering across all markets
- Sales up, inventories down
- New home construction activity more mixed
- Multi-family construction showing particular strength
- Interest rates – going up?
- Is housing affordability becoming an issue again?

Boom, Bust, and Recovery of Montana Real Estate

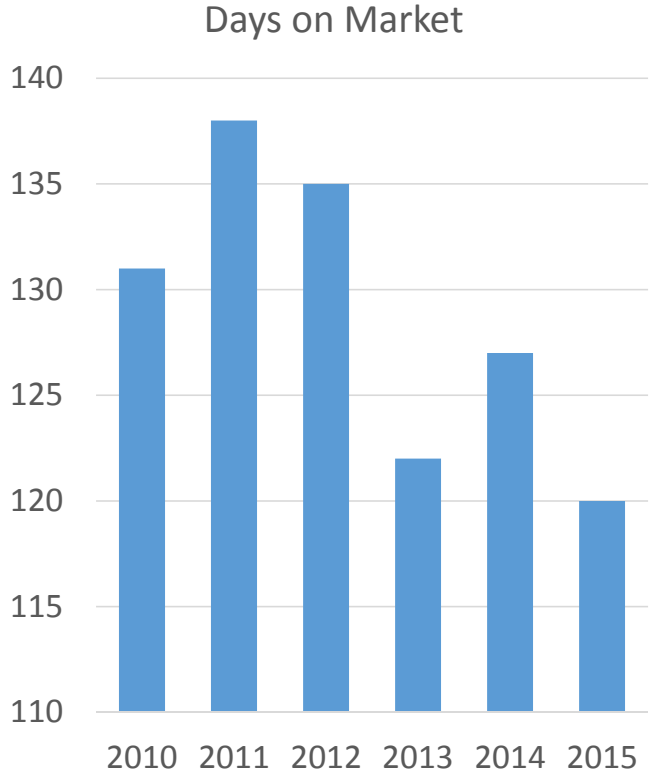
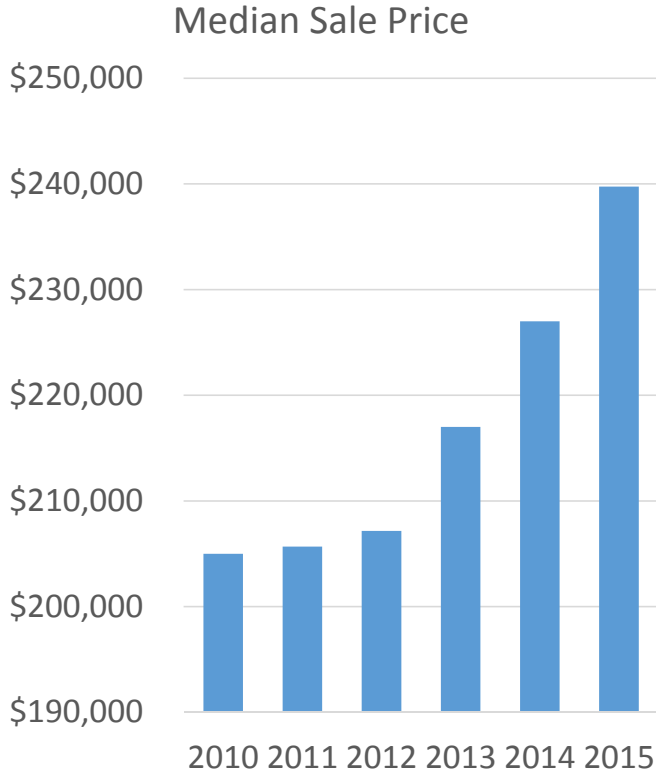
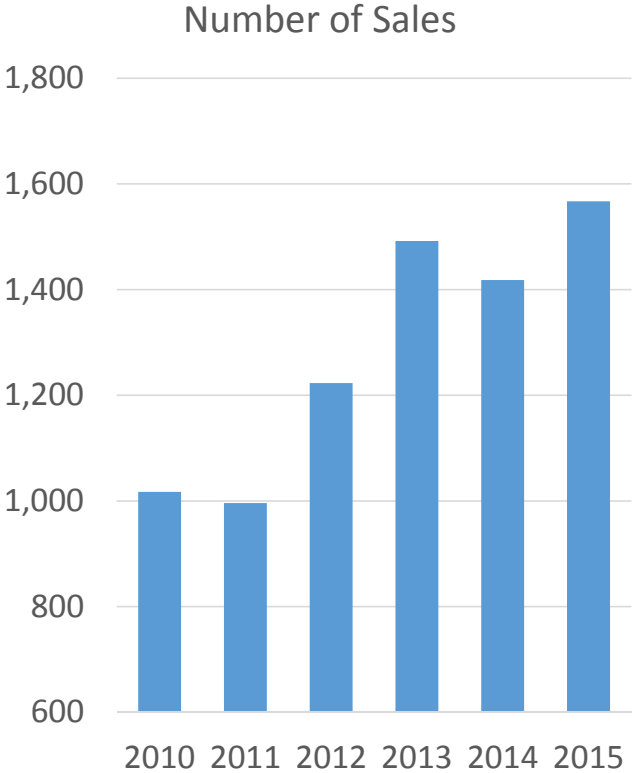


Montana Housing Price Index and Montana Median Household Income Index, 2001 = 100

Source: U.S. Federal Housing Finance Agency and Census Bureau.

Markets Looking Much Healthier

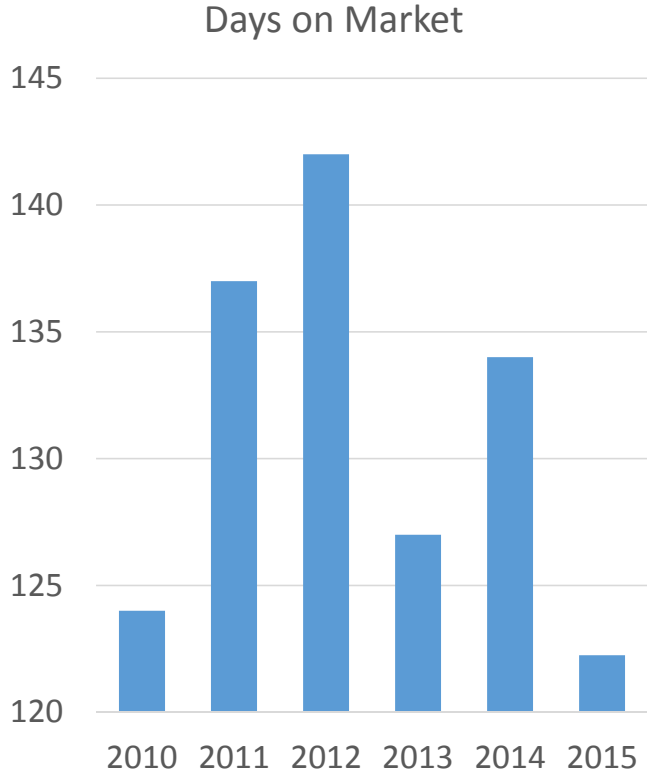
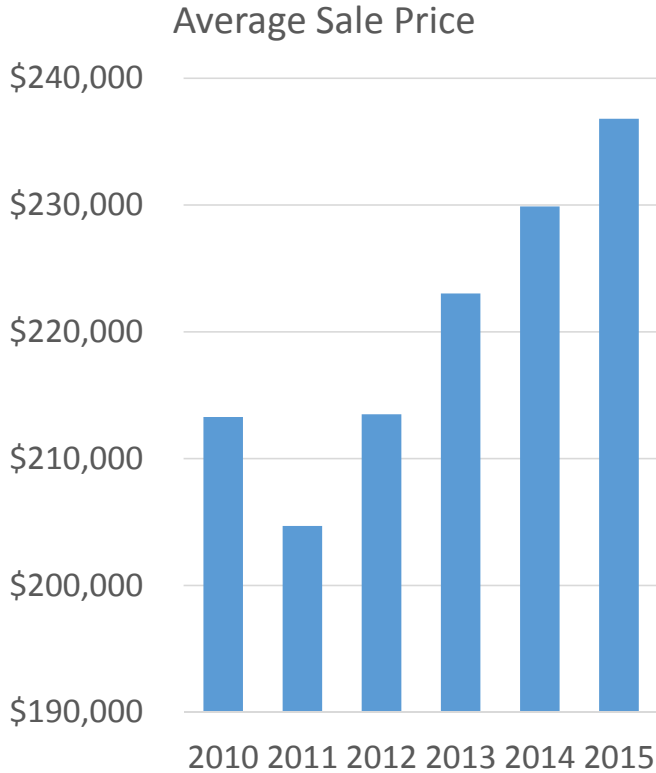
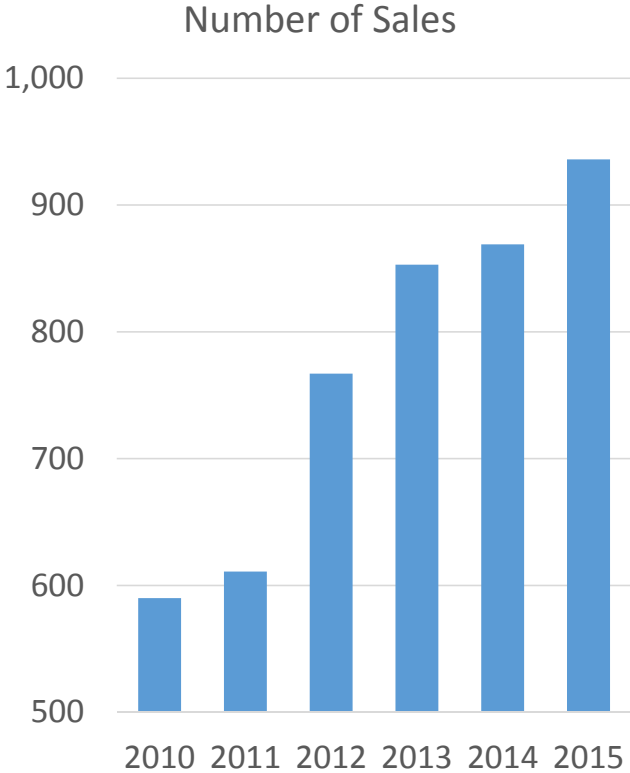
Missoula County Market Statistics



Source: Missoula Association of Realtors.

Markets Looking Much Healthier

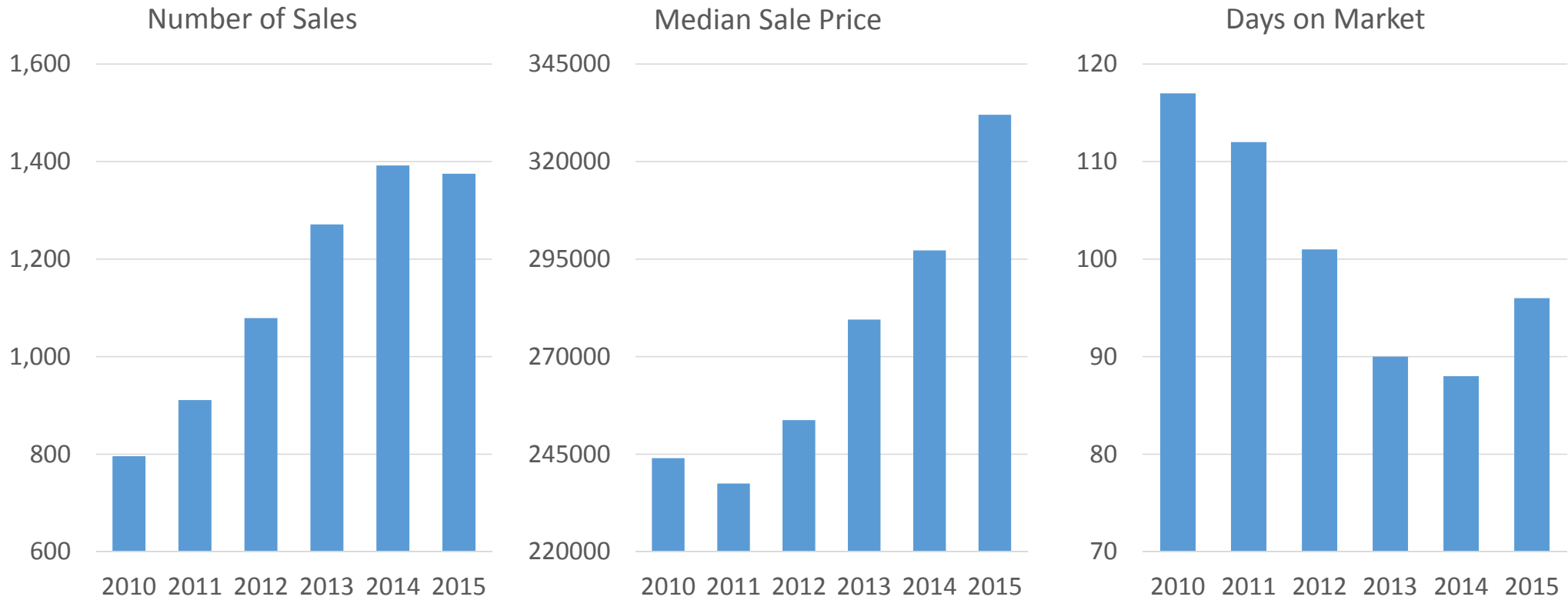
Helena Market Statistics



Source: Helena Association of Realtors.

Markets Looking Much Healthier

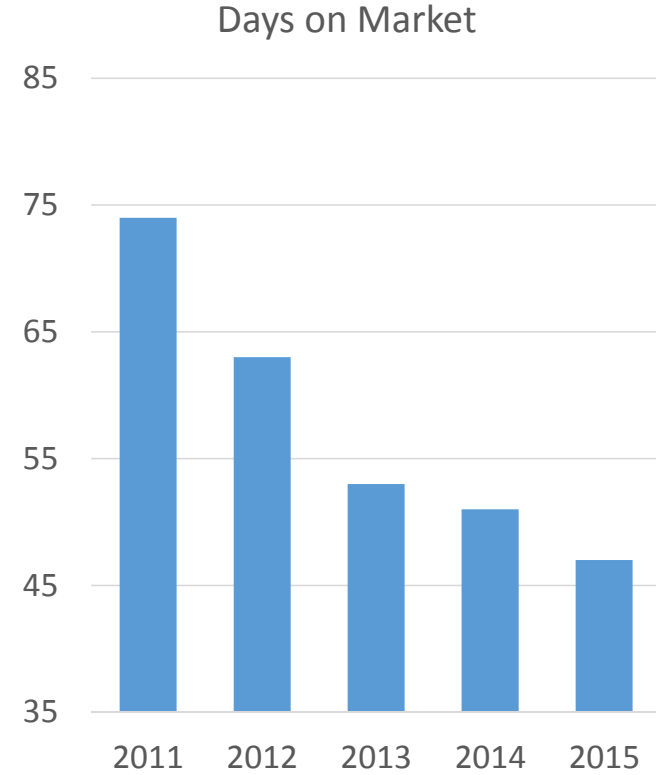
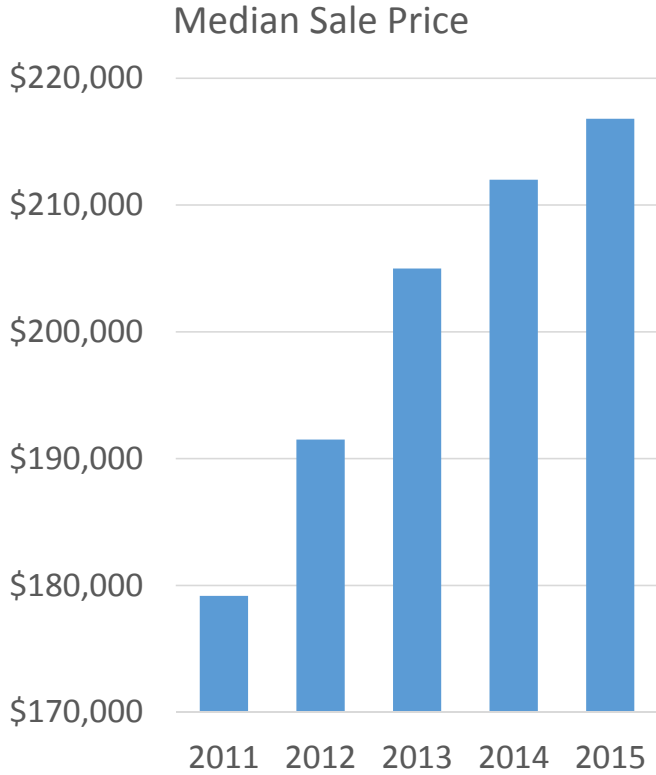
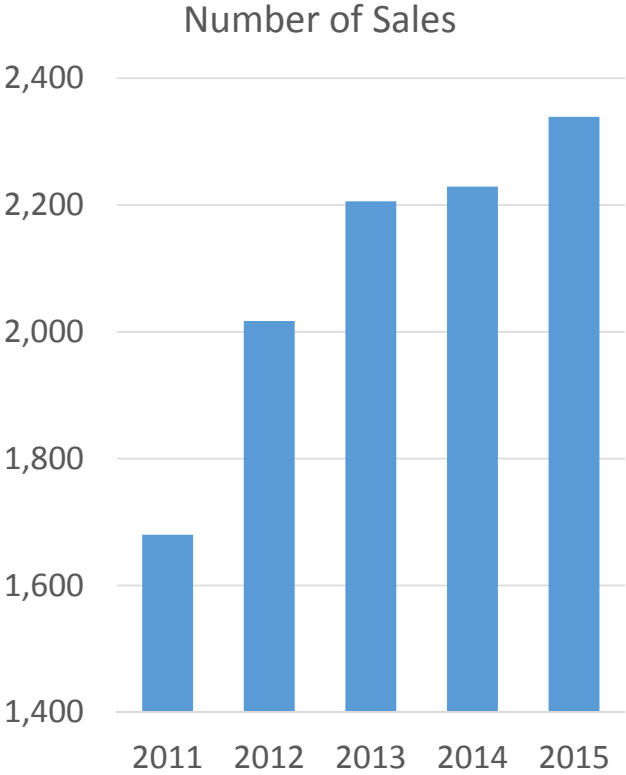
Gallatin County Market Statistics



Source: Gallatin Association of Realtors.

Markets Looking Much Healthier

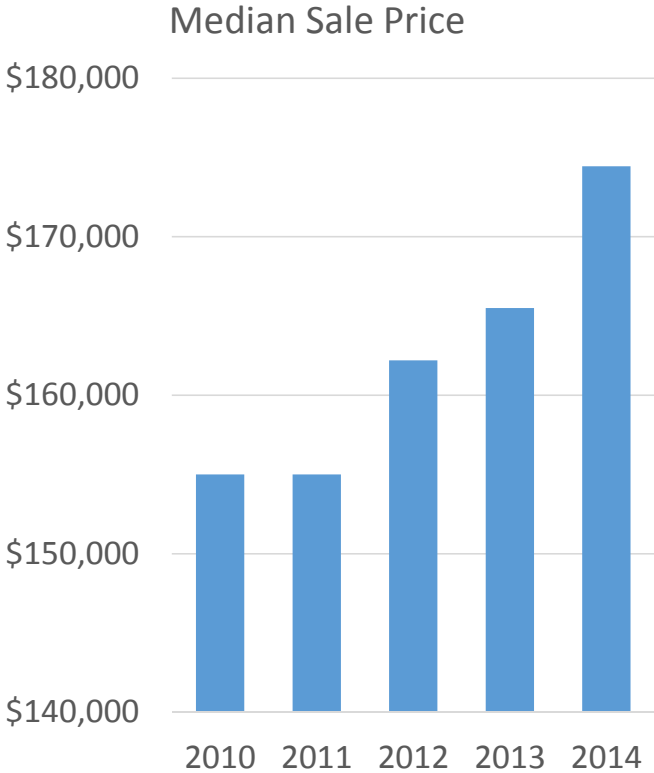
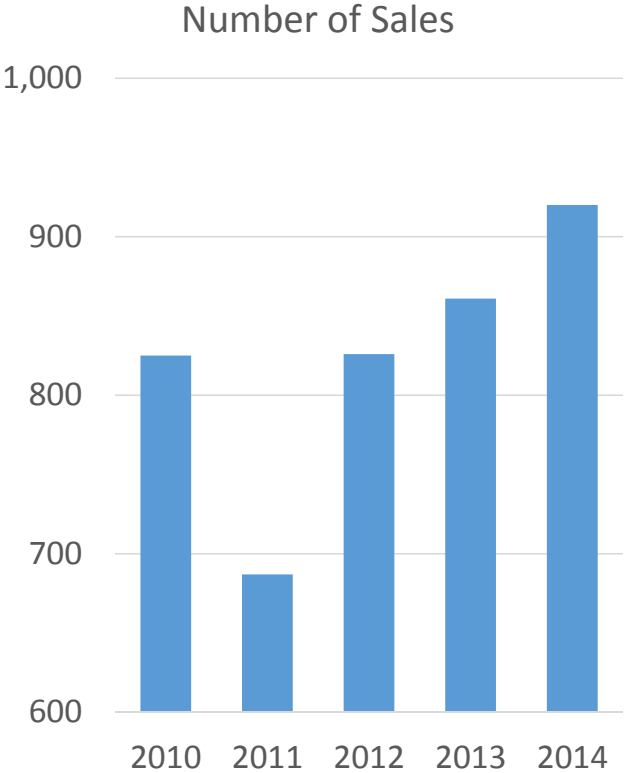
Yellowstone County Market Statistics



Source: Billings Association of Realtors.

Markets Looking Much Healthier

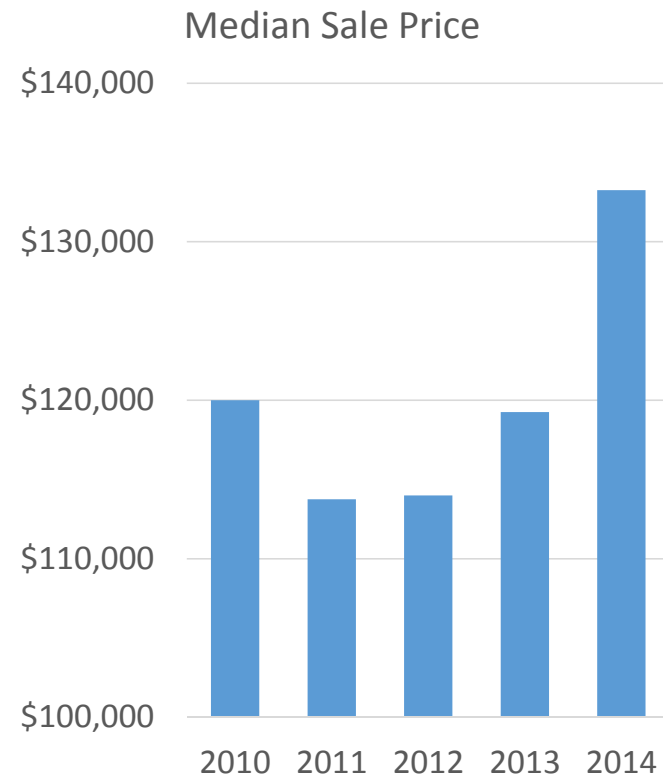
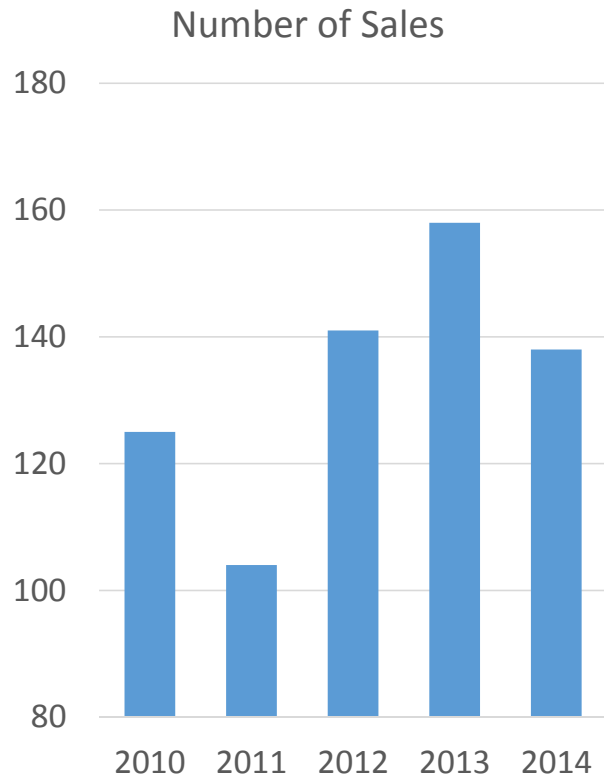
Cascade County Market Statistics



Source: Montana Department of Revenue.

Sale Price Growth

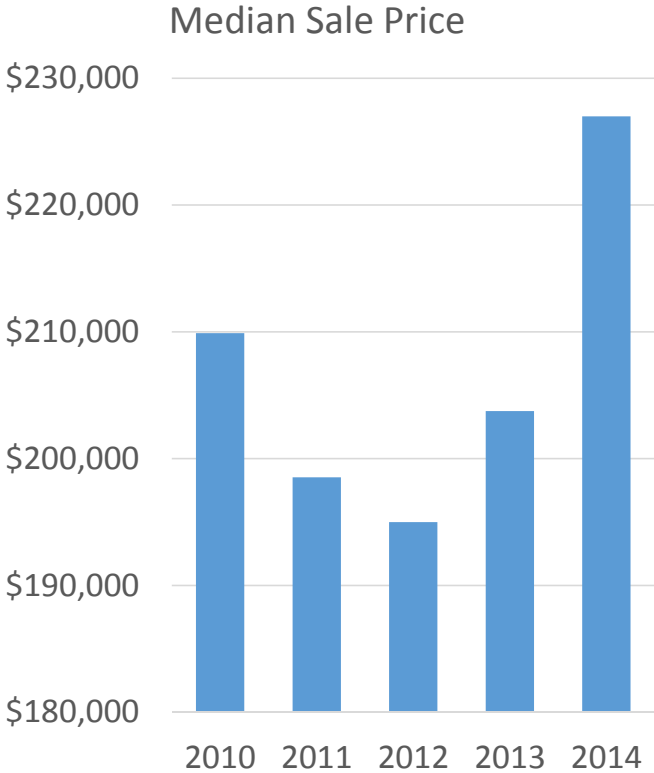
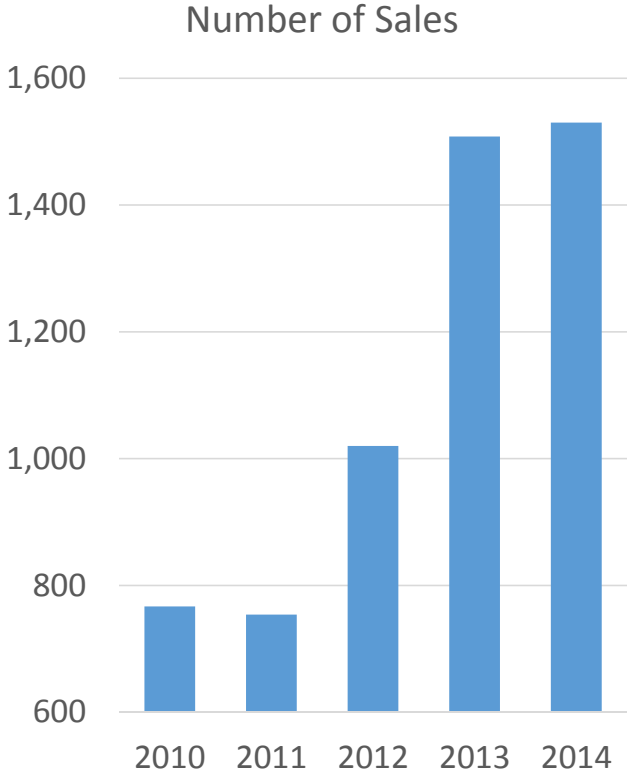
Fergus County Market Statistics



Source: Montana Department of Revenue.

Markets Looking Much Healthier

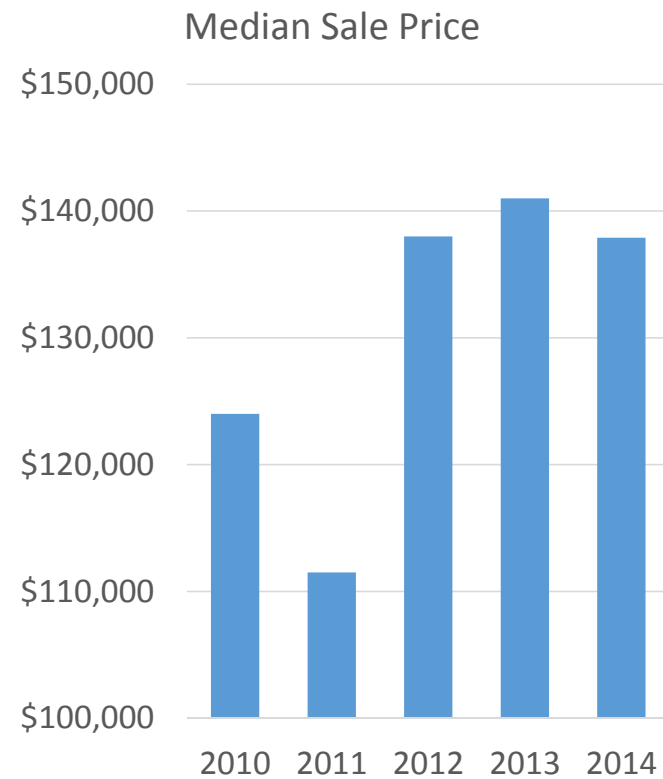
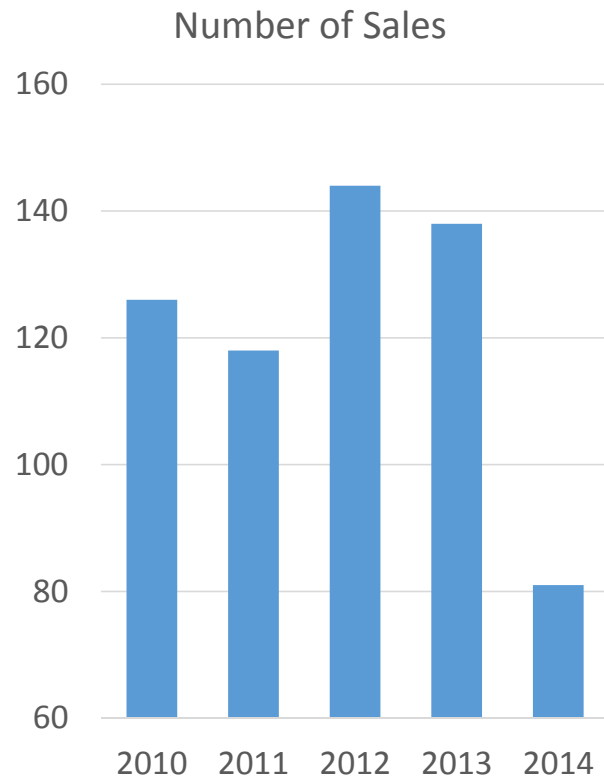
Flathead County Market Statistics



Source: Montana Department of Revenue.

Prices Have Recovered

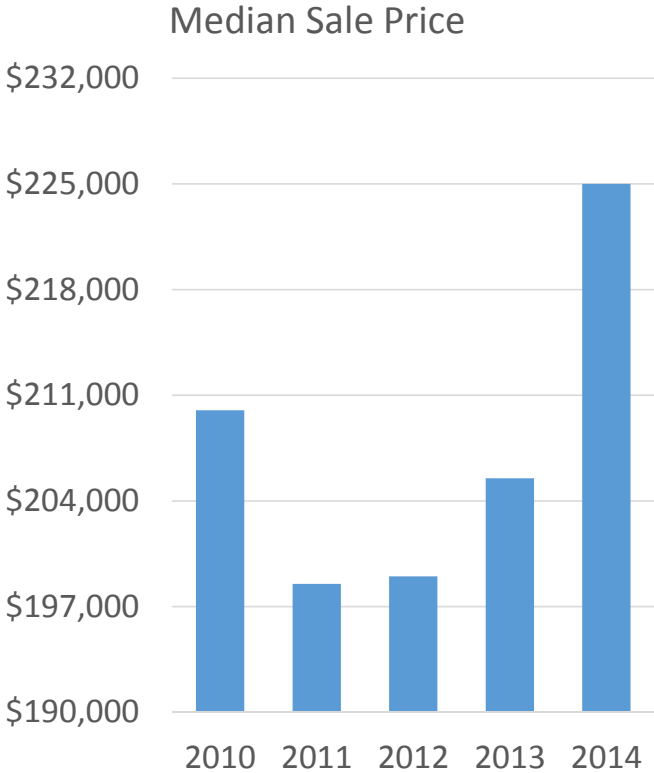
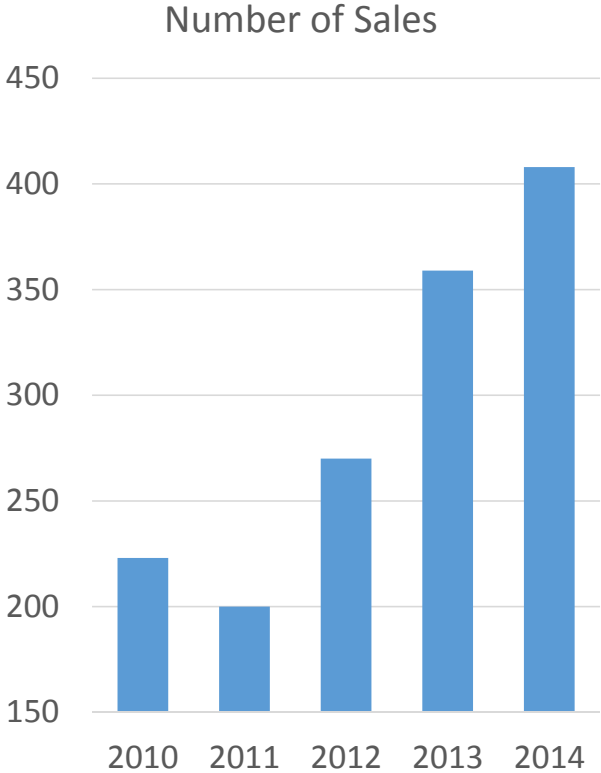
Hill County Market Statistics



Source: Montana Department of Revenue.

Markets Looking Much Healthier

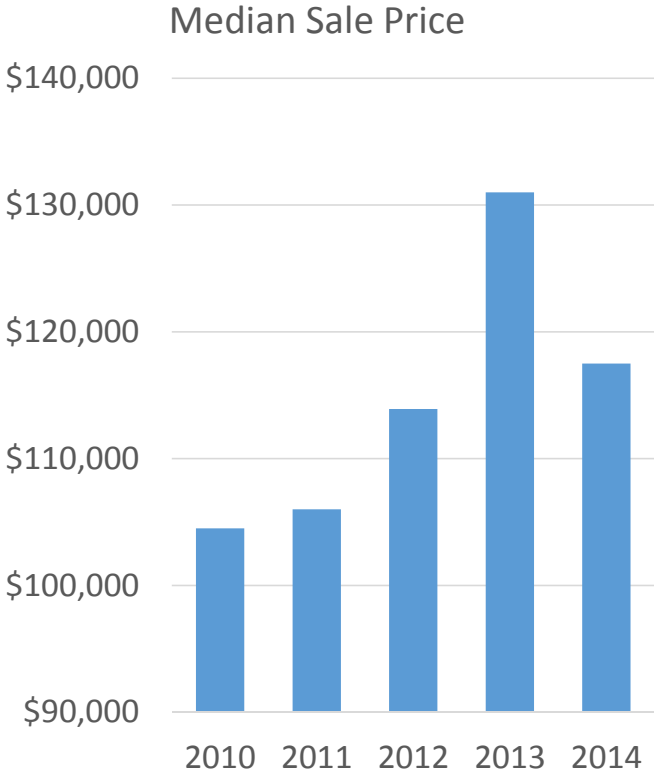
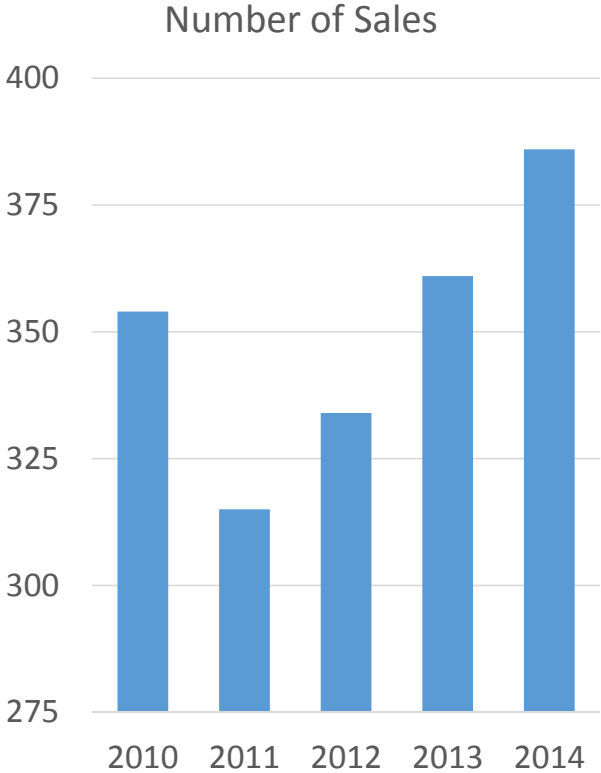
Ravalli County Market Statistics



Source: Montana Department of Revenue.

Markets Looking Much Healthier

Silver Bow County Market Statistics



Source: Montana Department of Revenue.

How Much Housing Can Families Afford?

HUD definition:

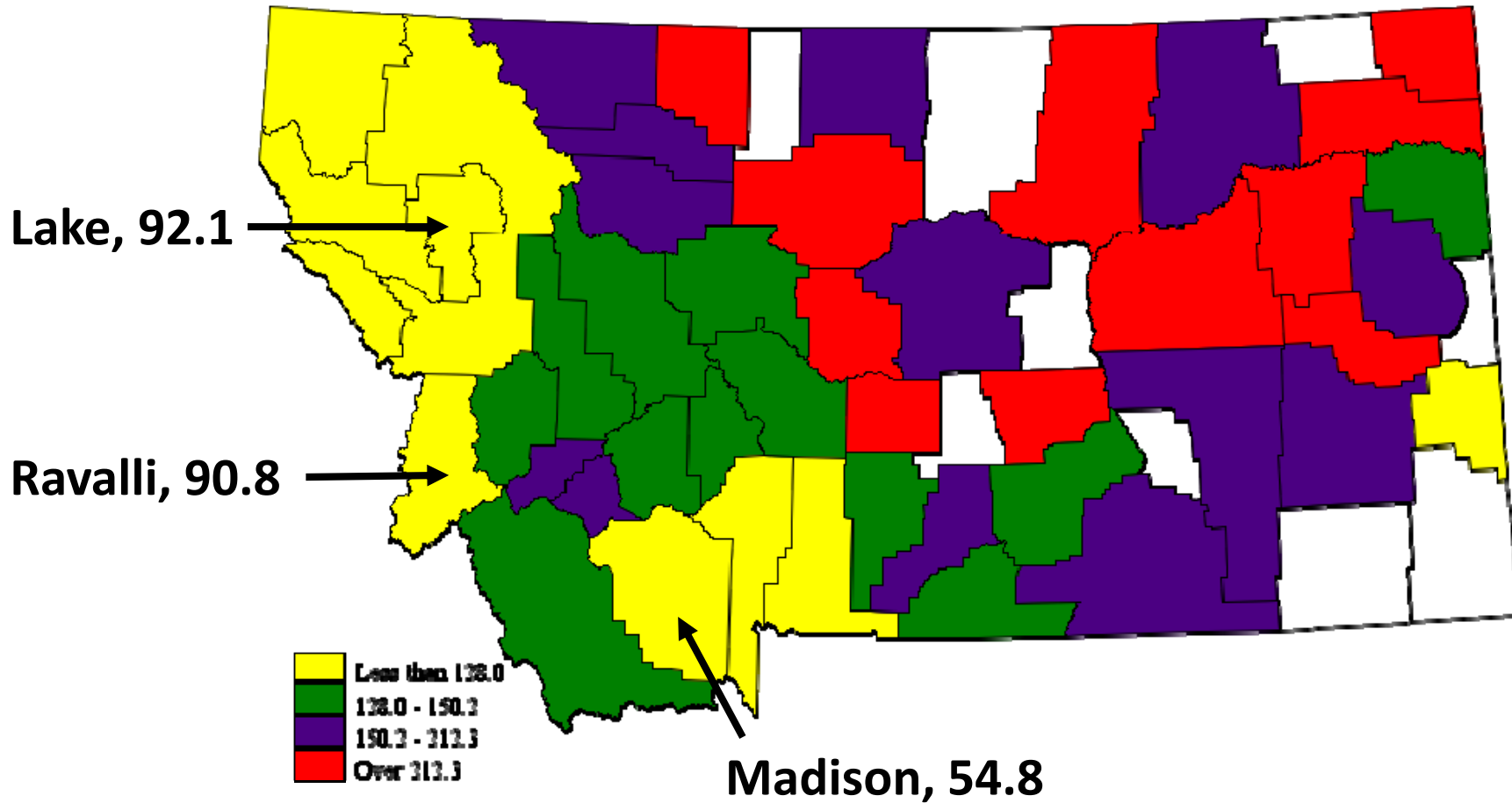
$$\text{Housing Affordability} = \frac{30 \% \text{ of Median Family Income}}{\text{Monthly Payment on Median Priced Home}}$$

Less than 100?



Not Affordable

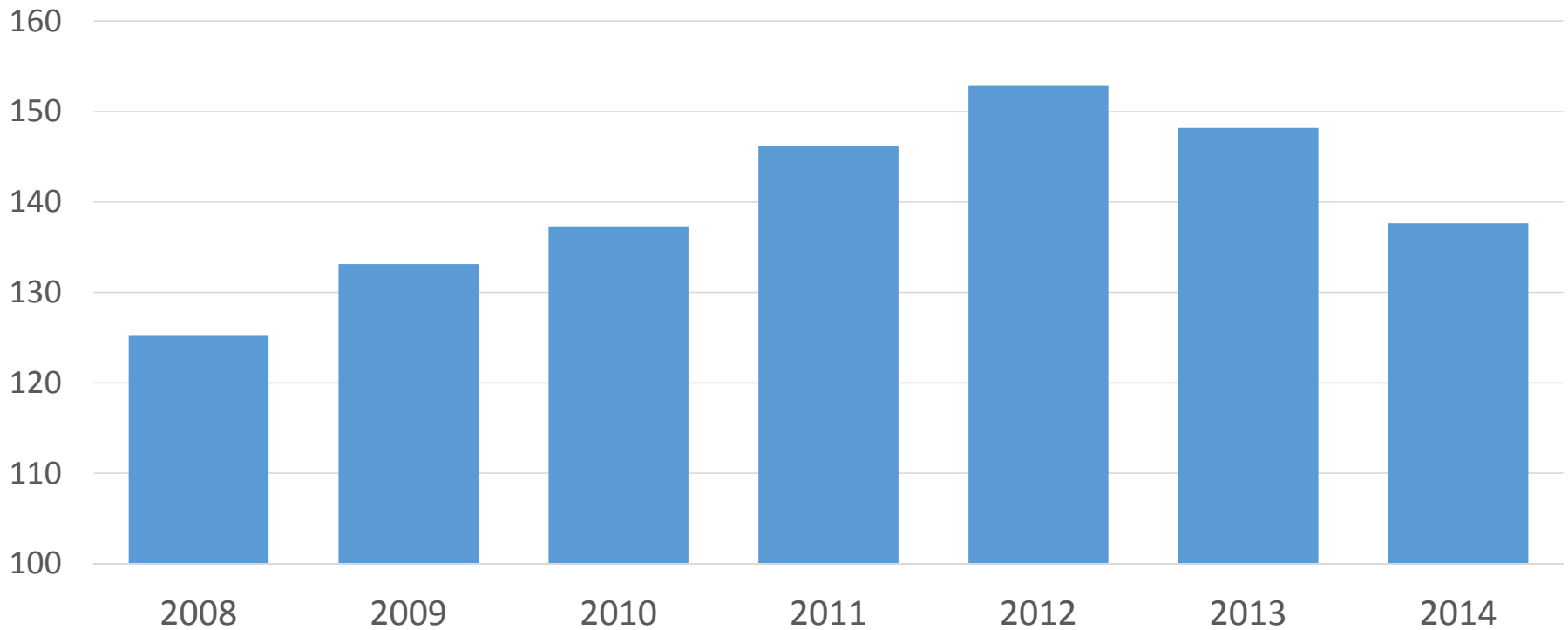
Housing Affordability Index by County, 2014



Housing Affordability Has Declined

Housing Affordability Index, Cascade County

Percent

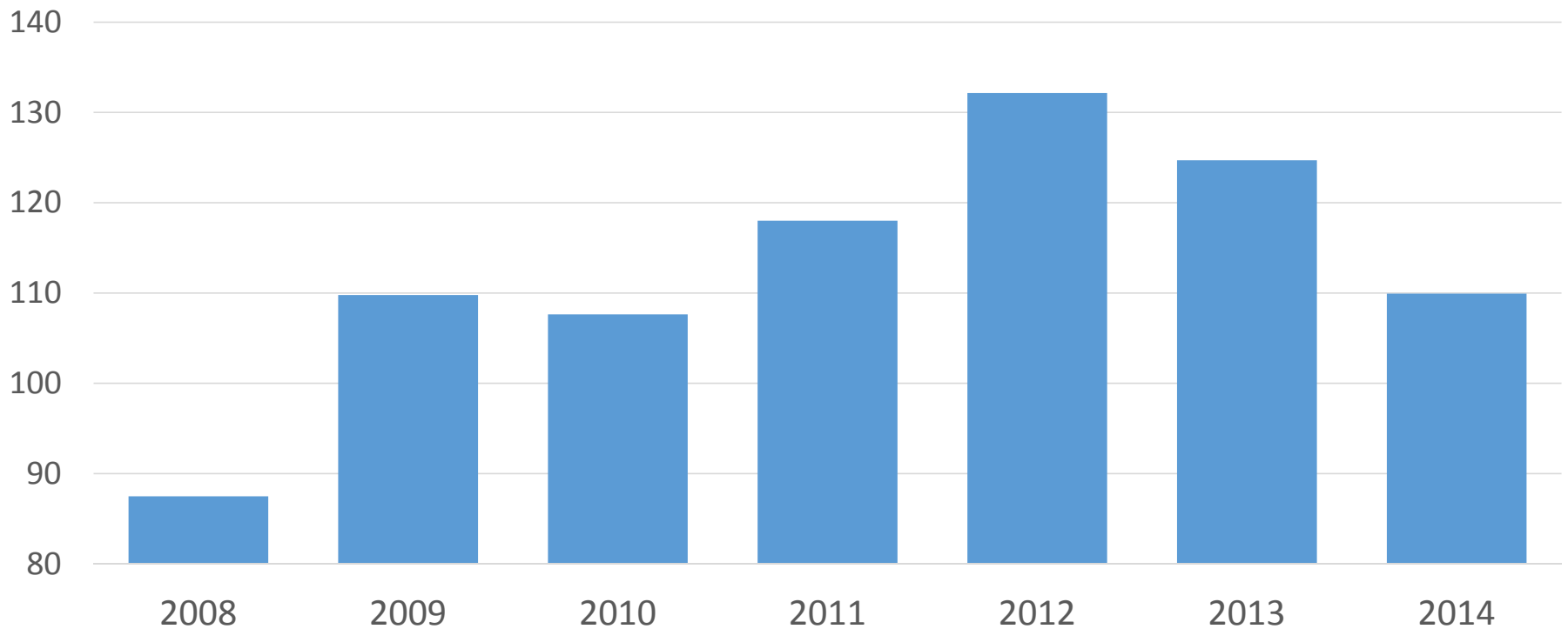


Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Flathead County

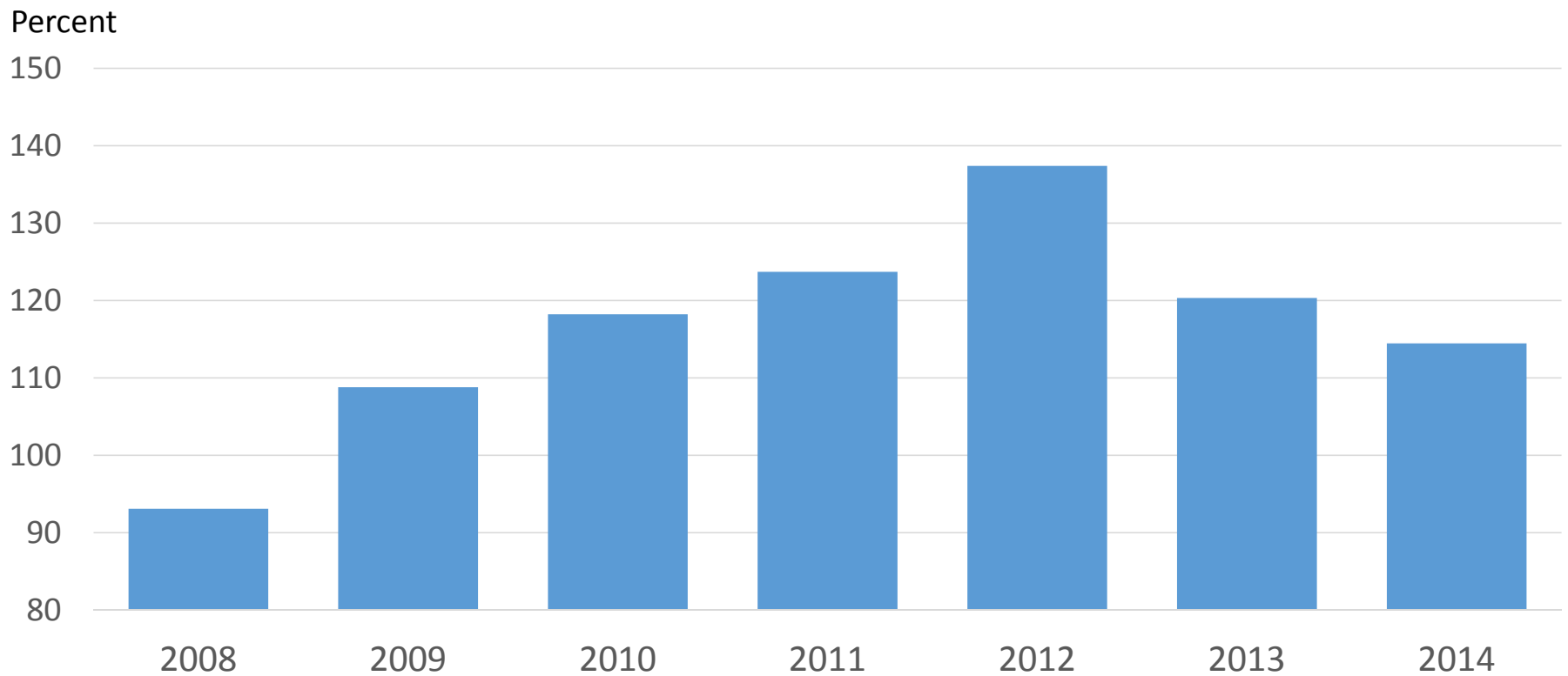
Percent



Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

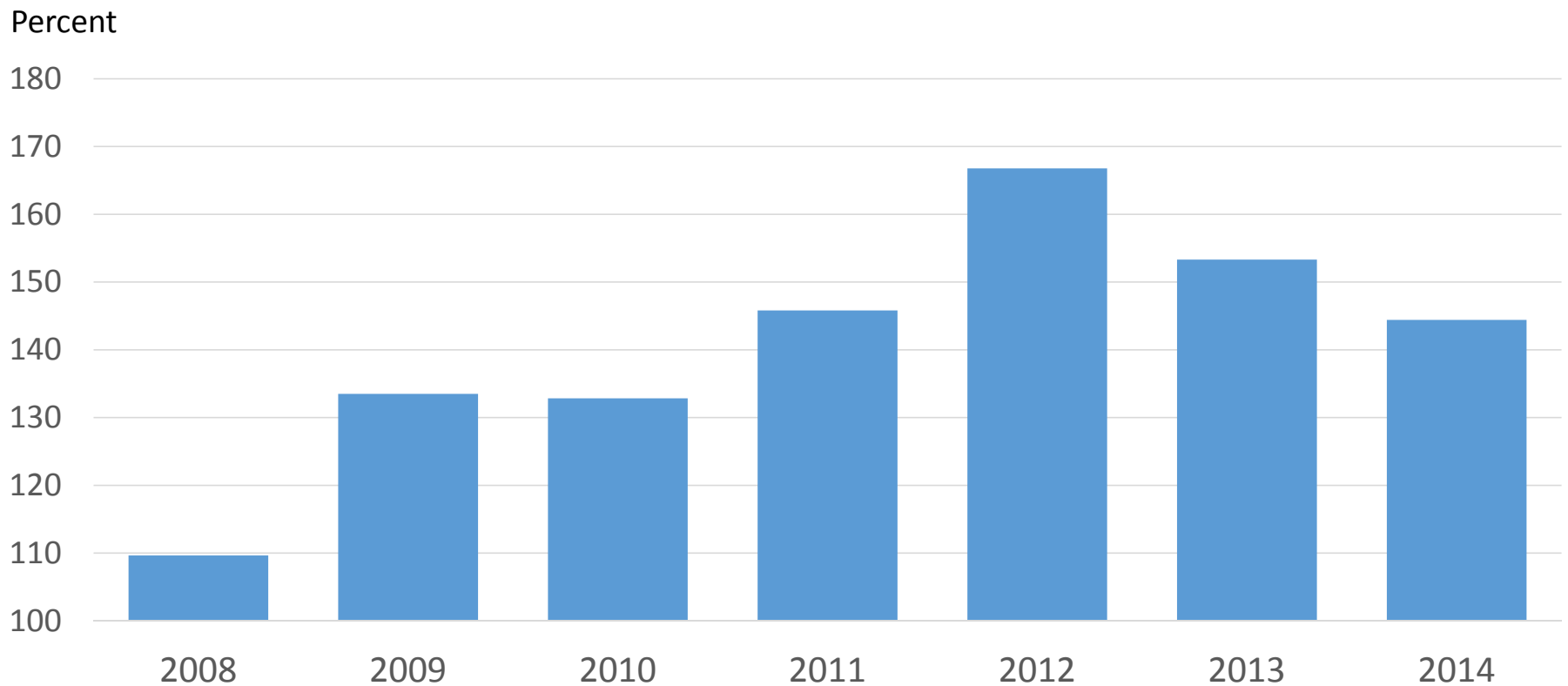
Housing Affordability Index, Gallatin County



Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Lewis and Clark County

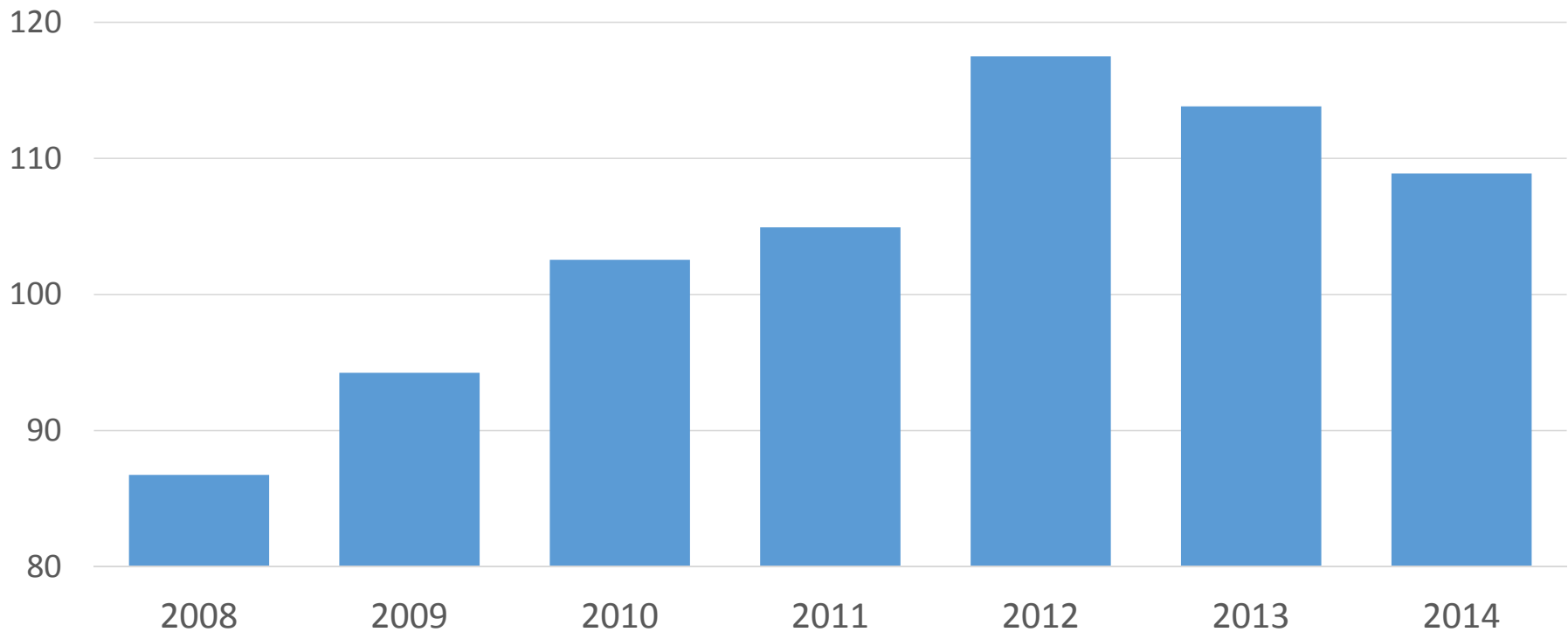


Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Missoula County

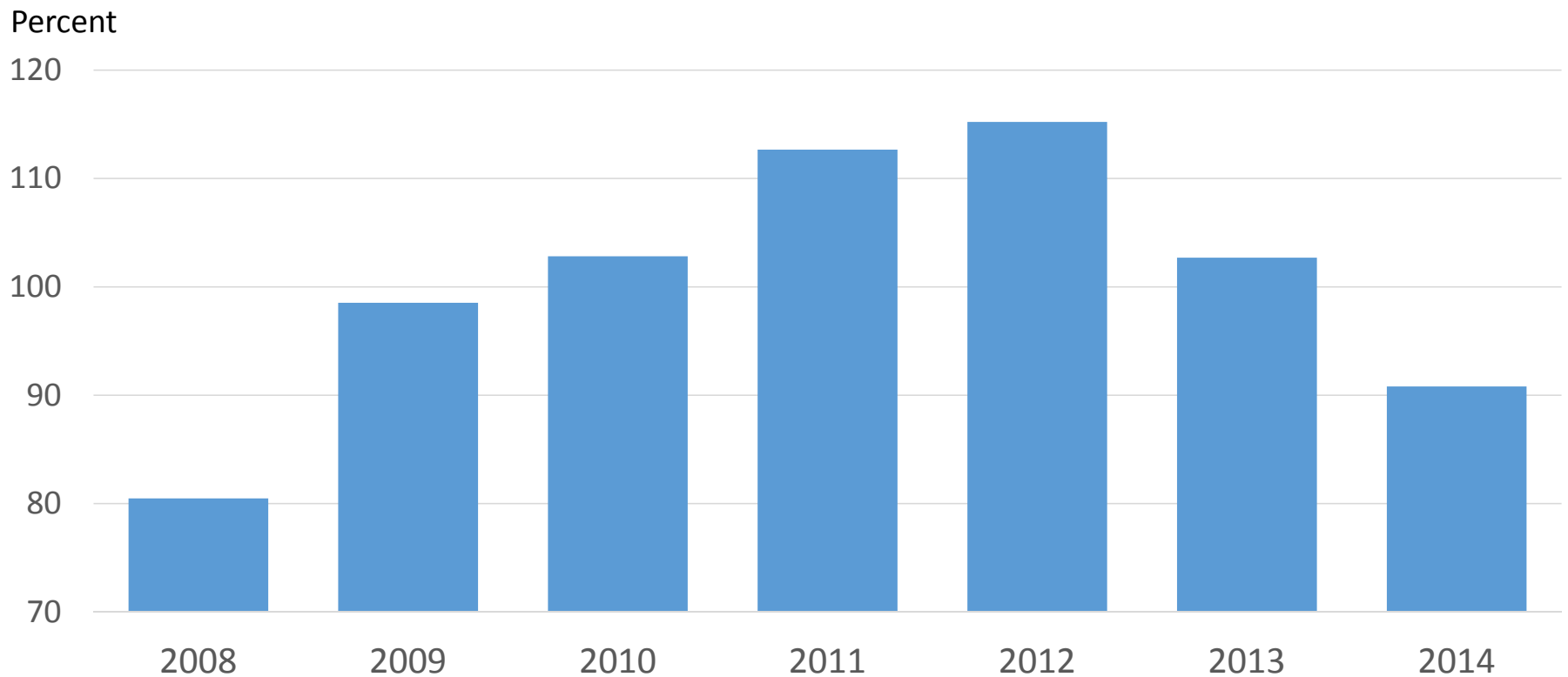
Percent



Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Ravalli County

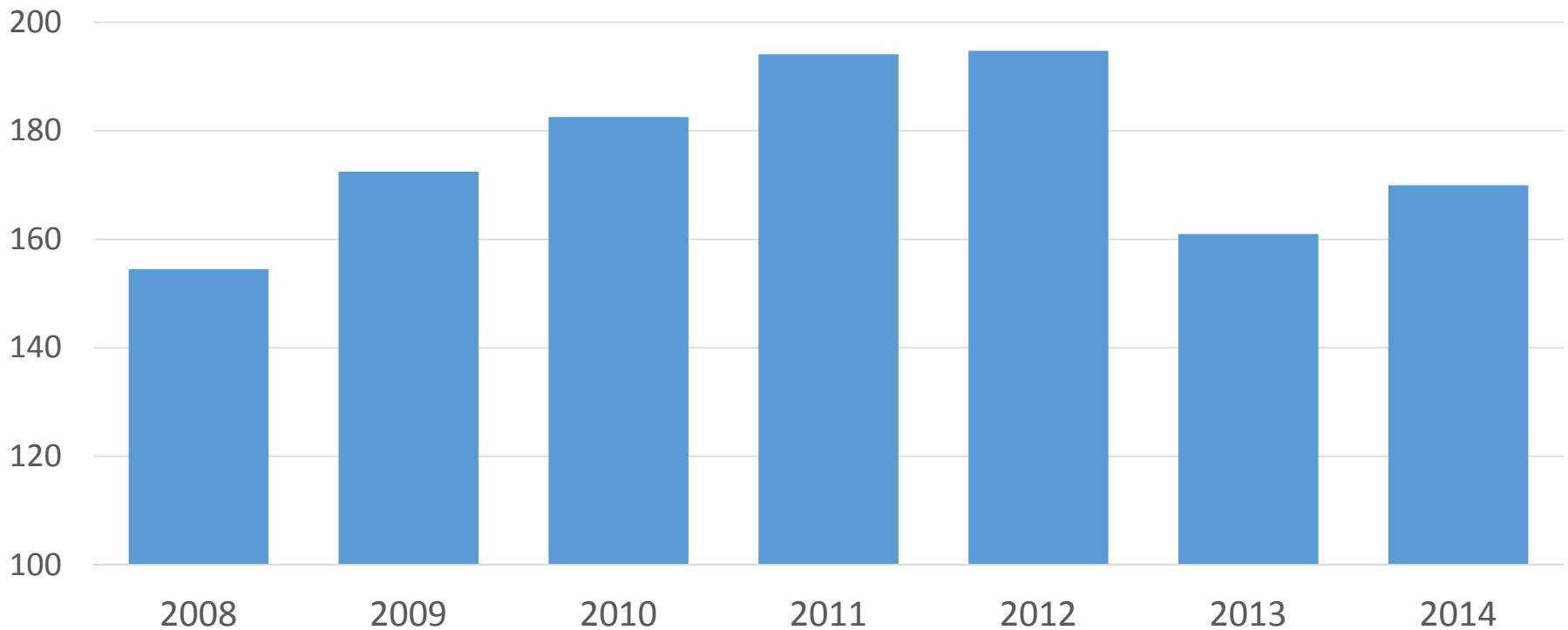


Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Silver Bow County

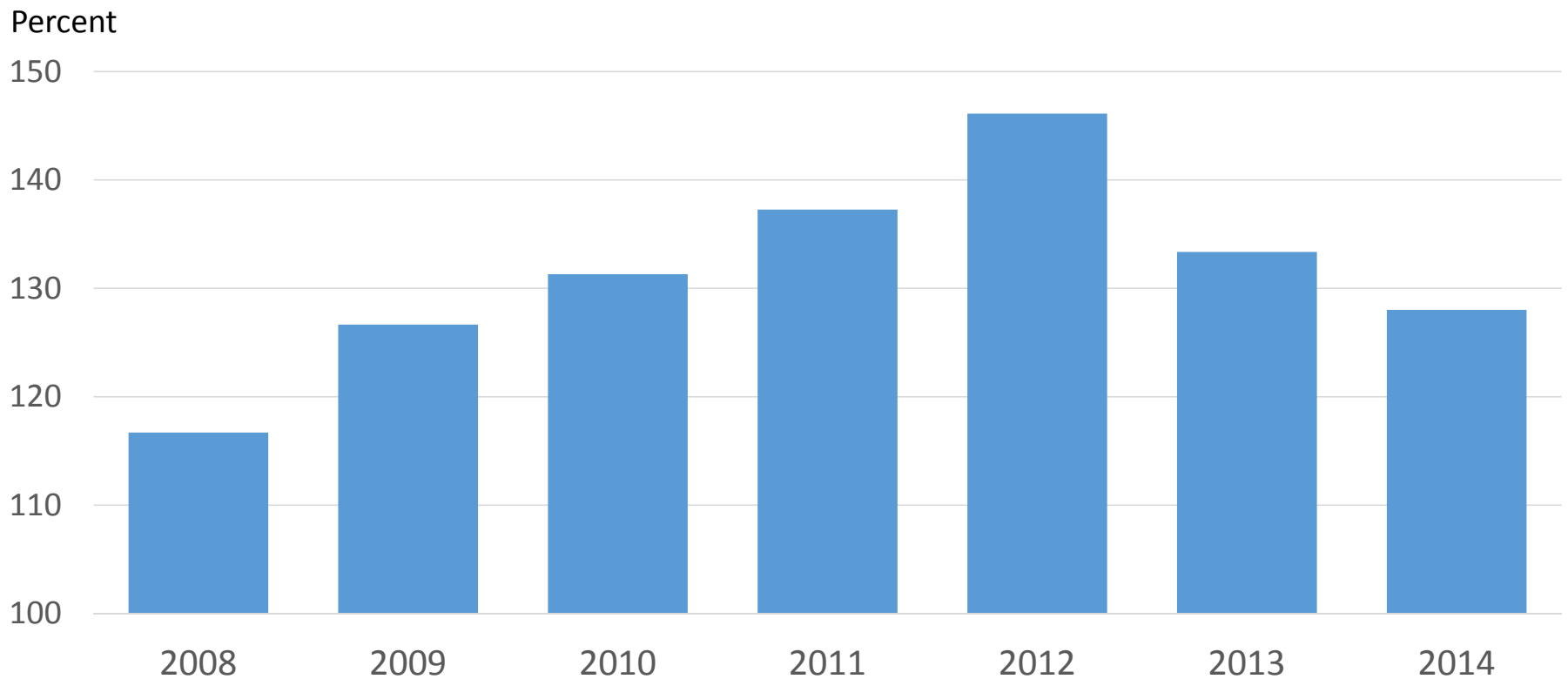
Percent



Source: Bureau of Business and Economic Research

Housing Affordability Has Declined

Housing Affordability Index, Yellowstone County

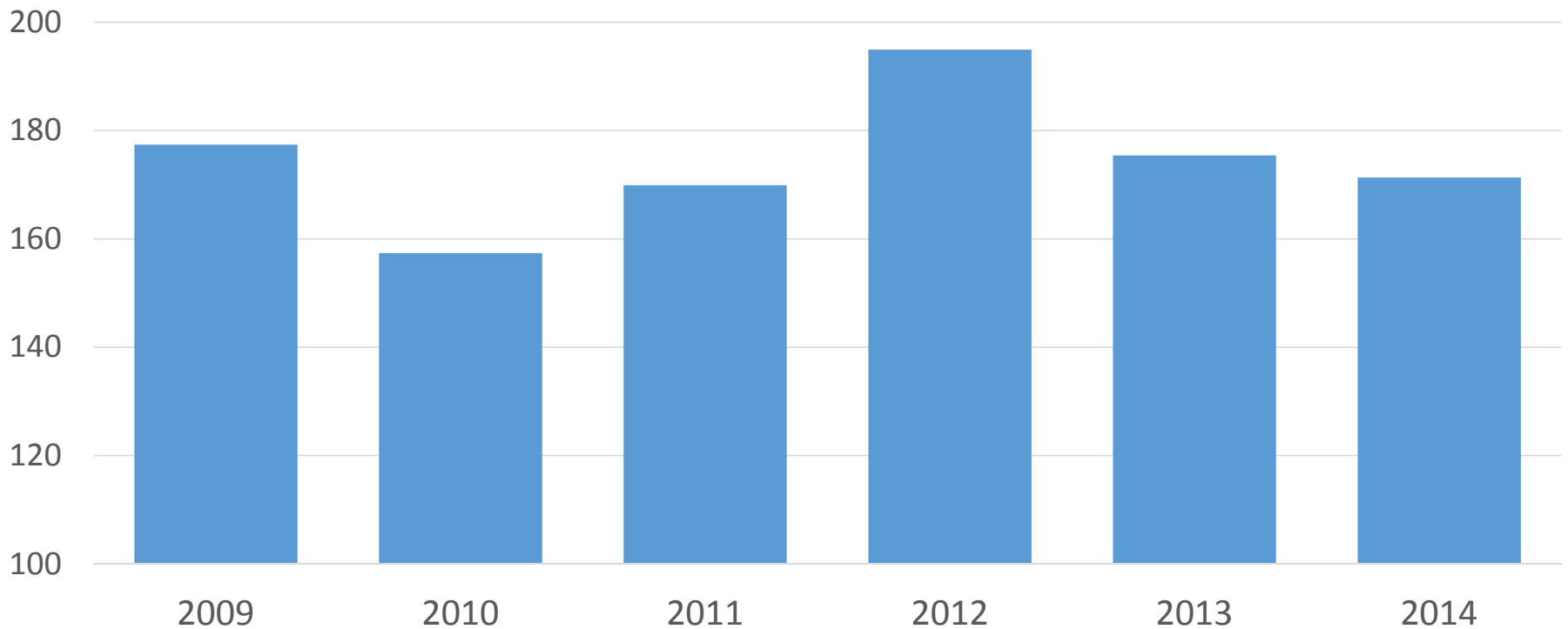


Source: Bureau of Business and Economic Research

Housing Affordability in Fergus County

Housing Affordability Index, Fergus County

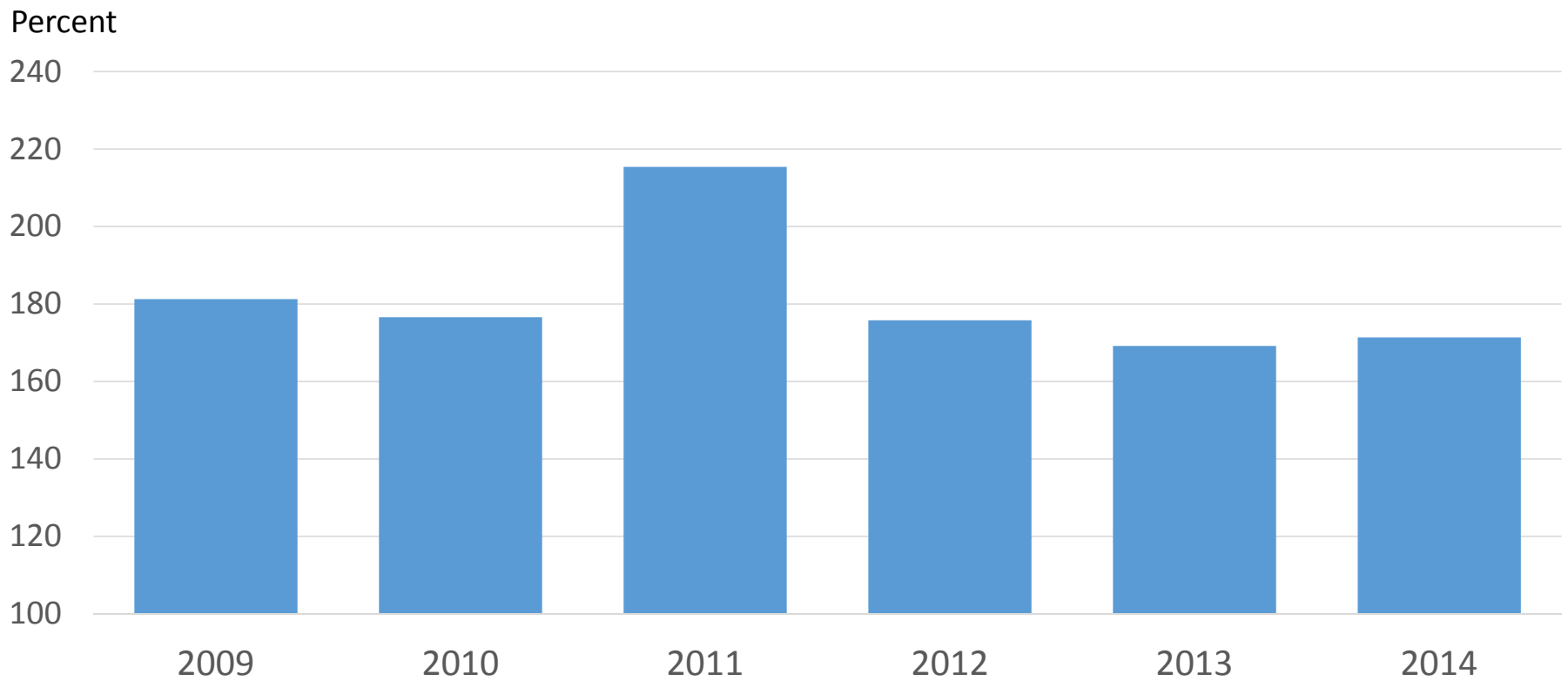
Percent



Source: Bureau of Business and Economic Research

Housing Affordability in Hill County

Housing Affordability Index, Hill County



Source: Bureau of Business and Economic Research

Forces Moving the Marketplace

Supply Factors

- Inventories of unsold homes
- New home construction

Demand Factors

- Economic growth
- Credit availability
- Ability and willingness to borrow
- Population growth and migration

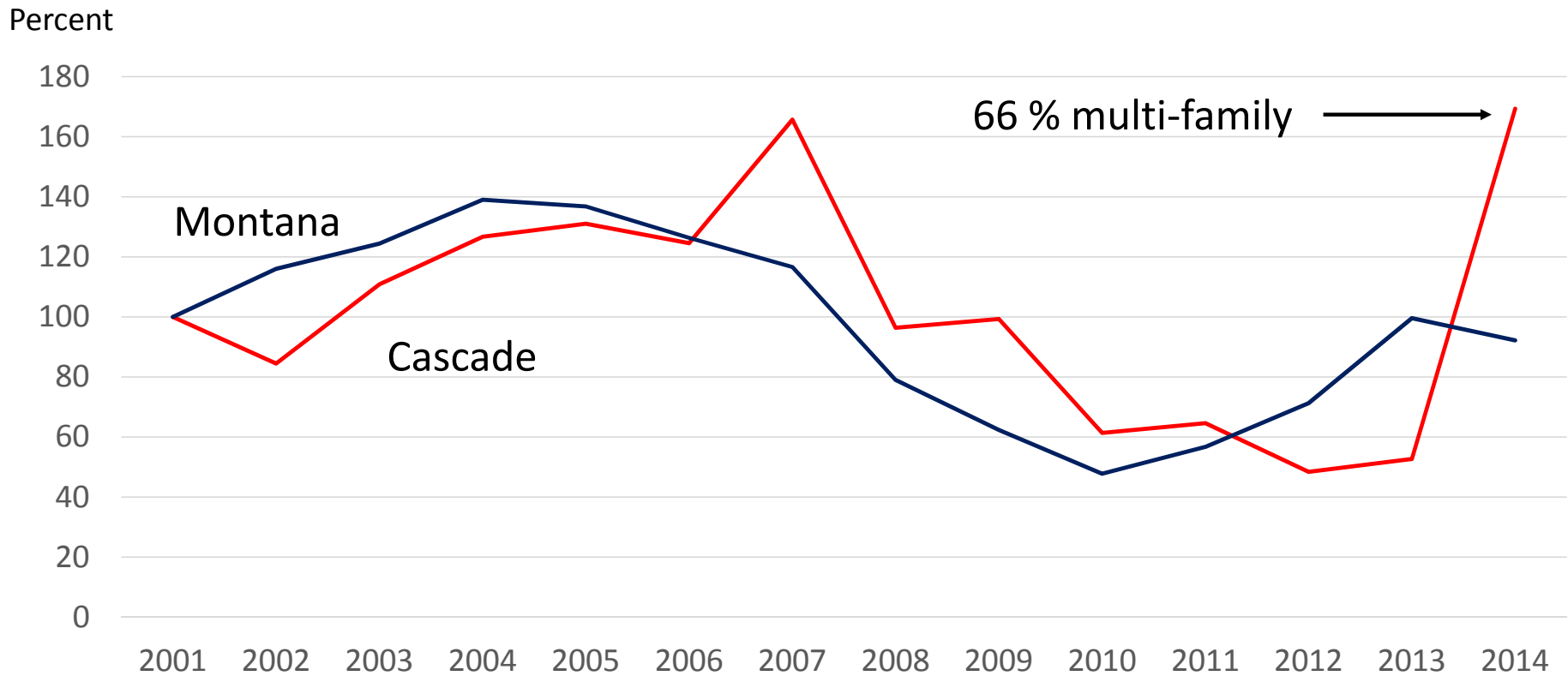
The Great Recession's Impact on Population Movements

Net Migration, Montana and Selected Counties

	Annual Average		
	2002-08	2009-11	2012-13
Montana	4,300	1,652	3,946
Cascade	-361	-74	-672
Flathead	1,319	-223	1,084
Gallatin	1,218	-225	623
Lewis and Clark	416	485	323
Missoula	332	-146	-287
Ravalli	467	142	332
Silver Bow	-89	95	37
Yellowstone	868	734	1,037

Source: U.S. Internal Revenue Service

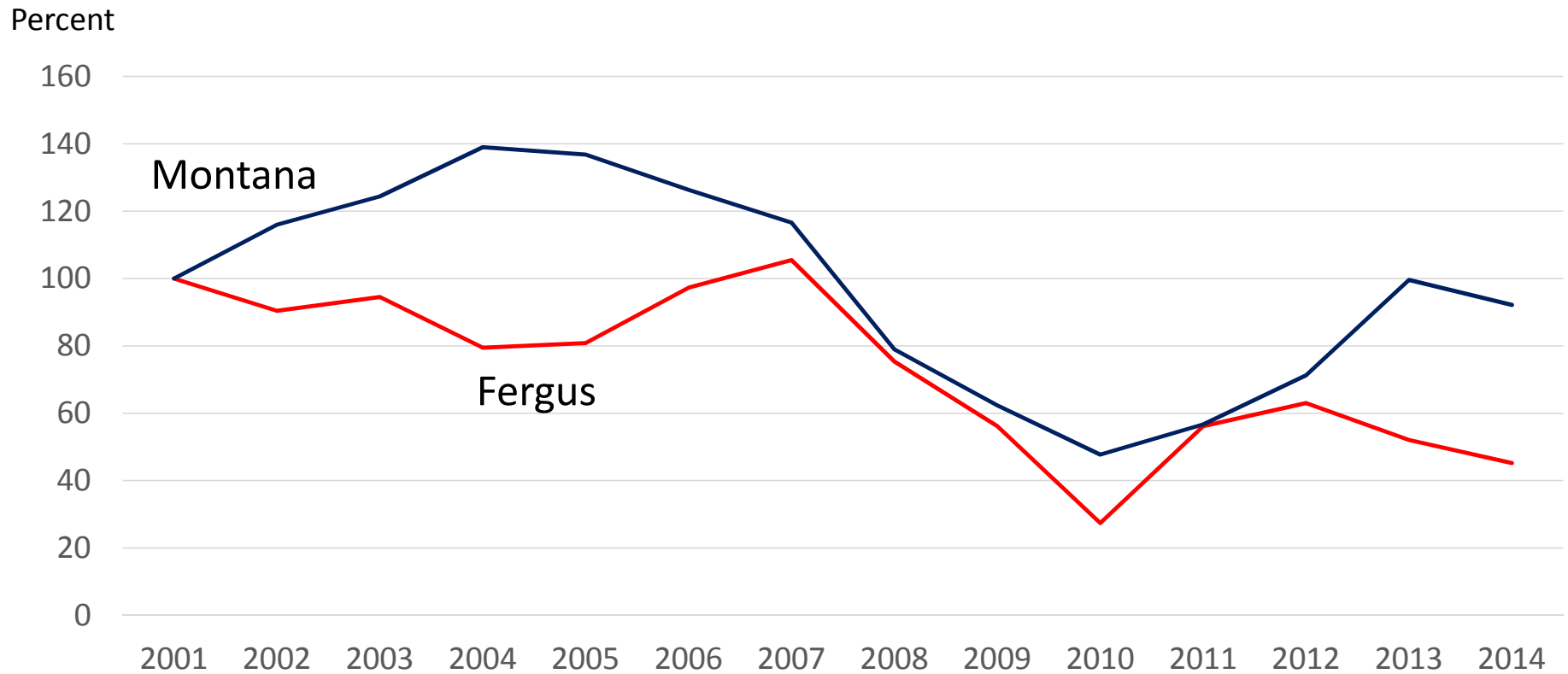
Housing Starts, Cascade County vs. Montana



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

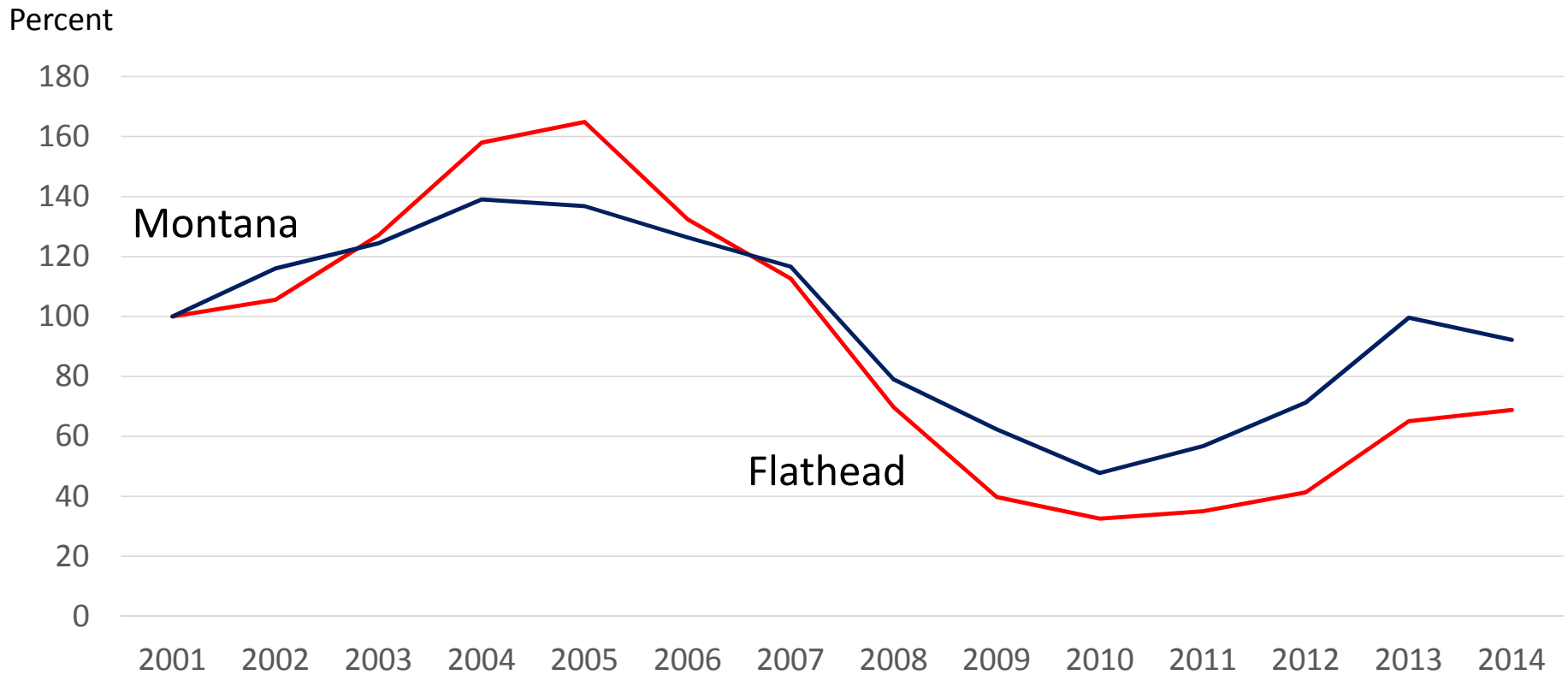
Housing Starts, Fergus County vs. Montana



Housing Starts Index, 2001 = 100

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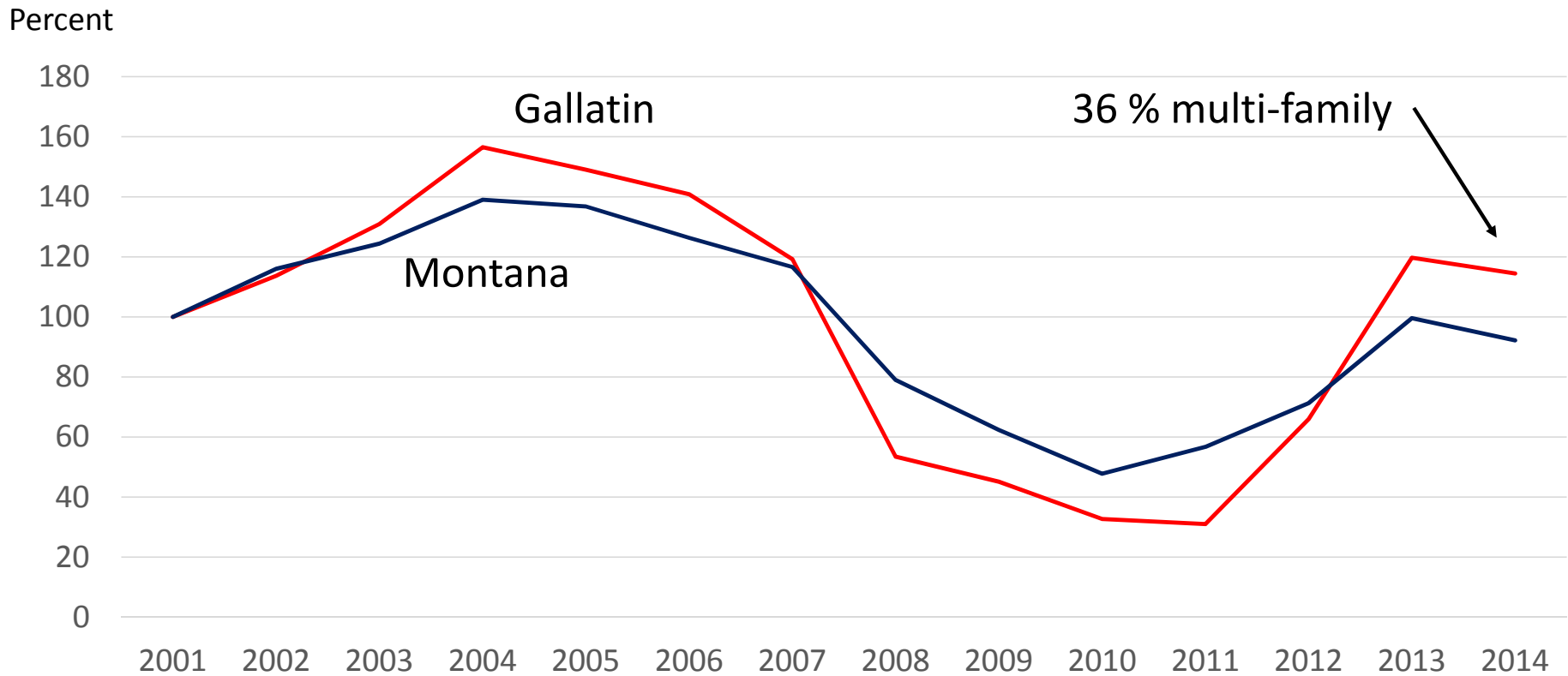
Housing Starts, Flathead County vs. Montana



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

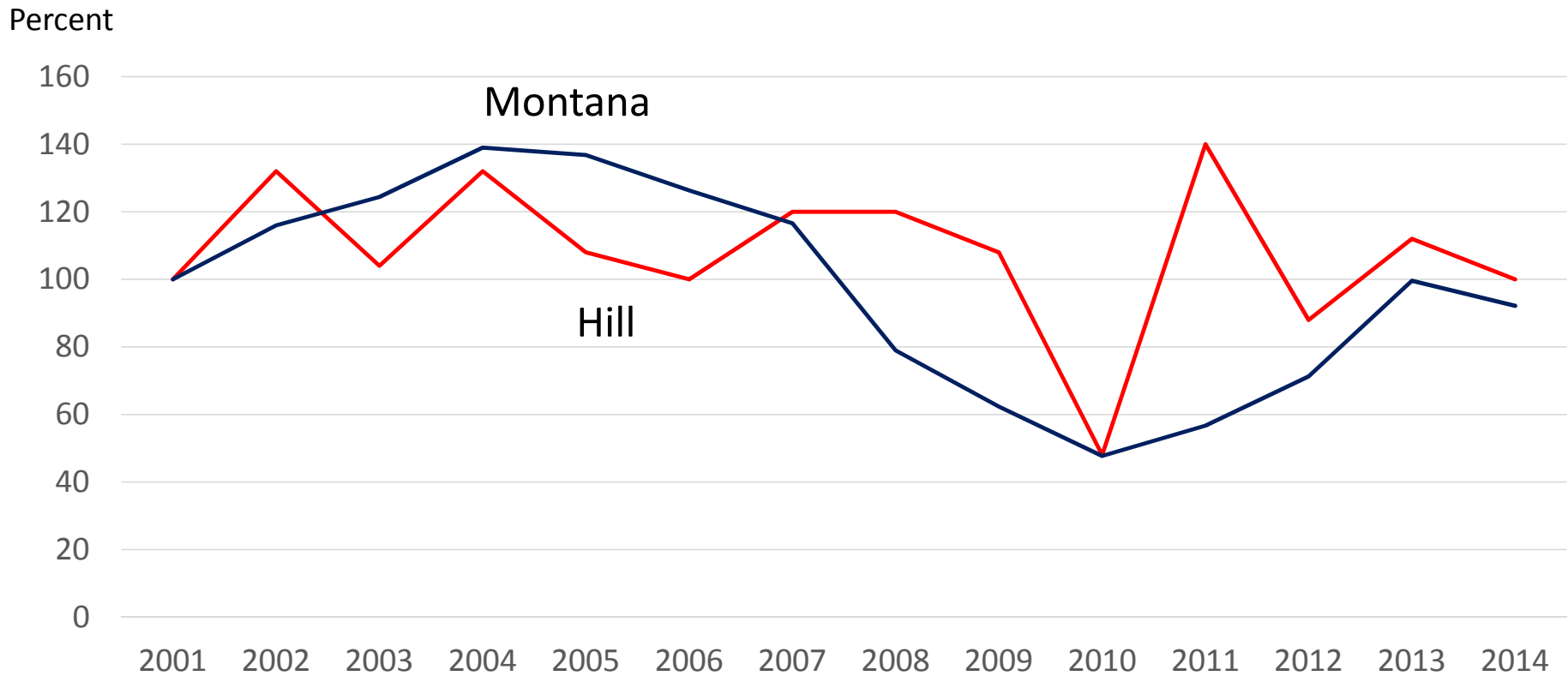
Housing Starts, Gallatin County vs. Montana



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

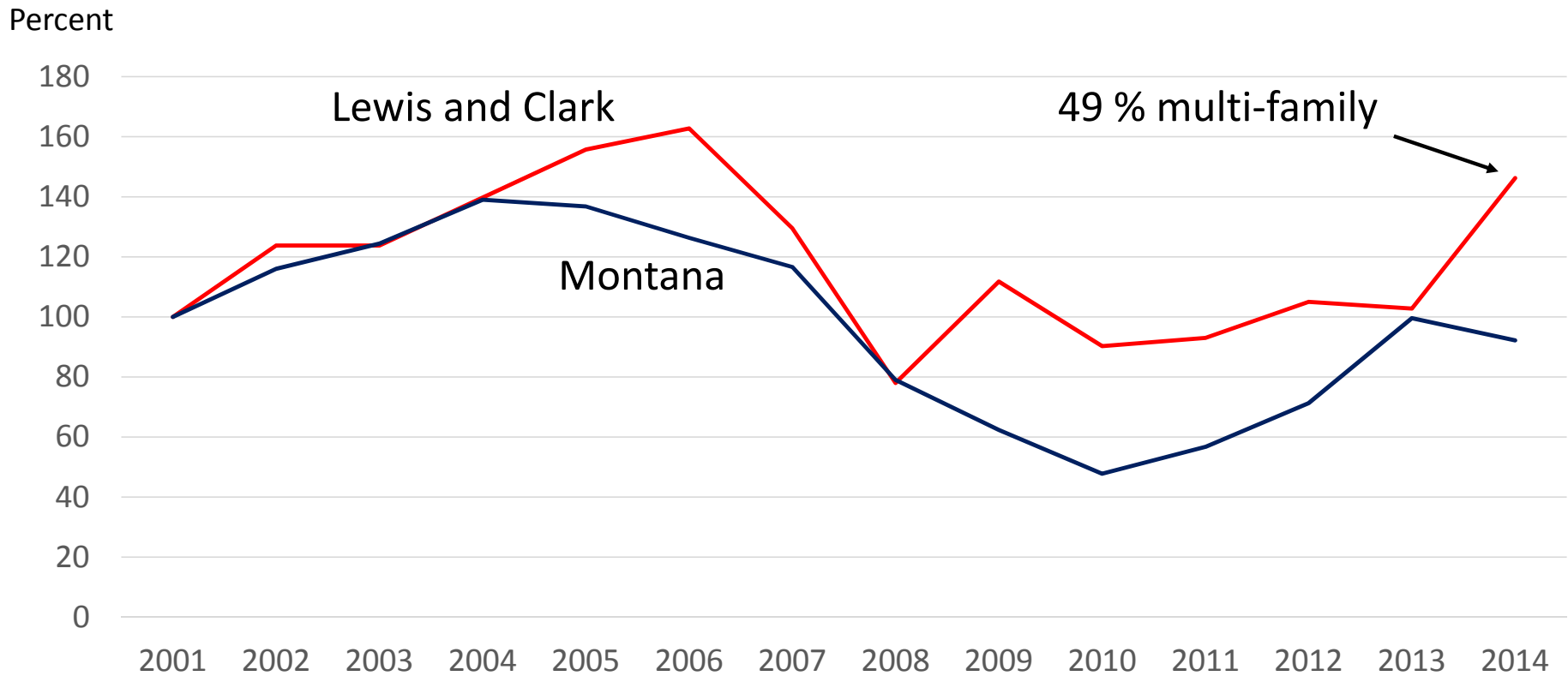
Housing Starts, Hill County vs. Montana



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

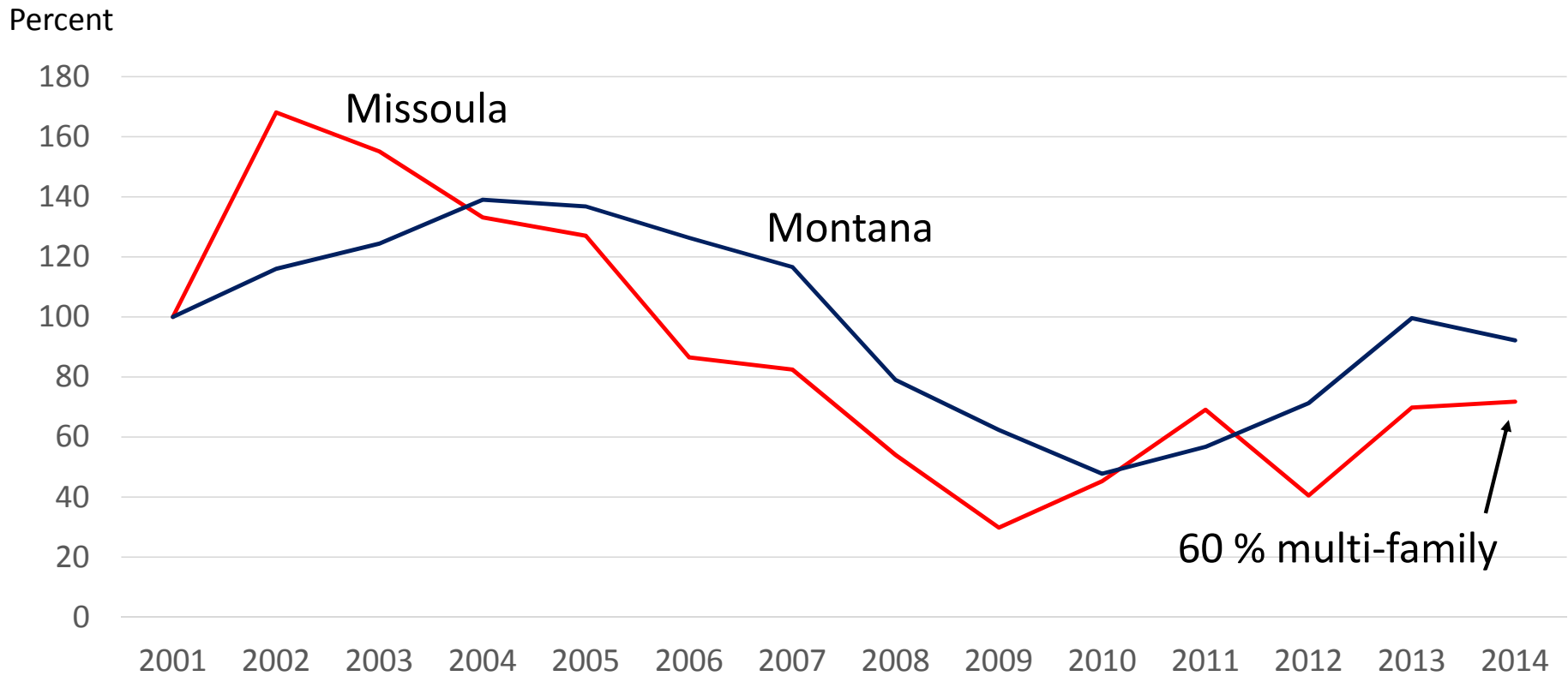
Housing Starts, Lewis and Clark County vs. Montana



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

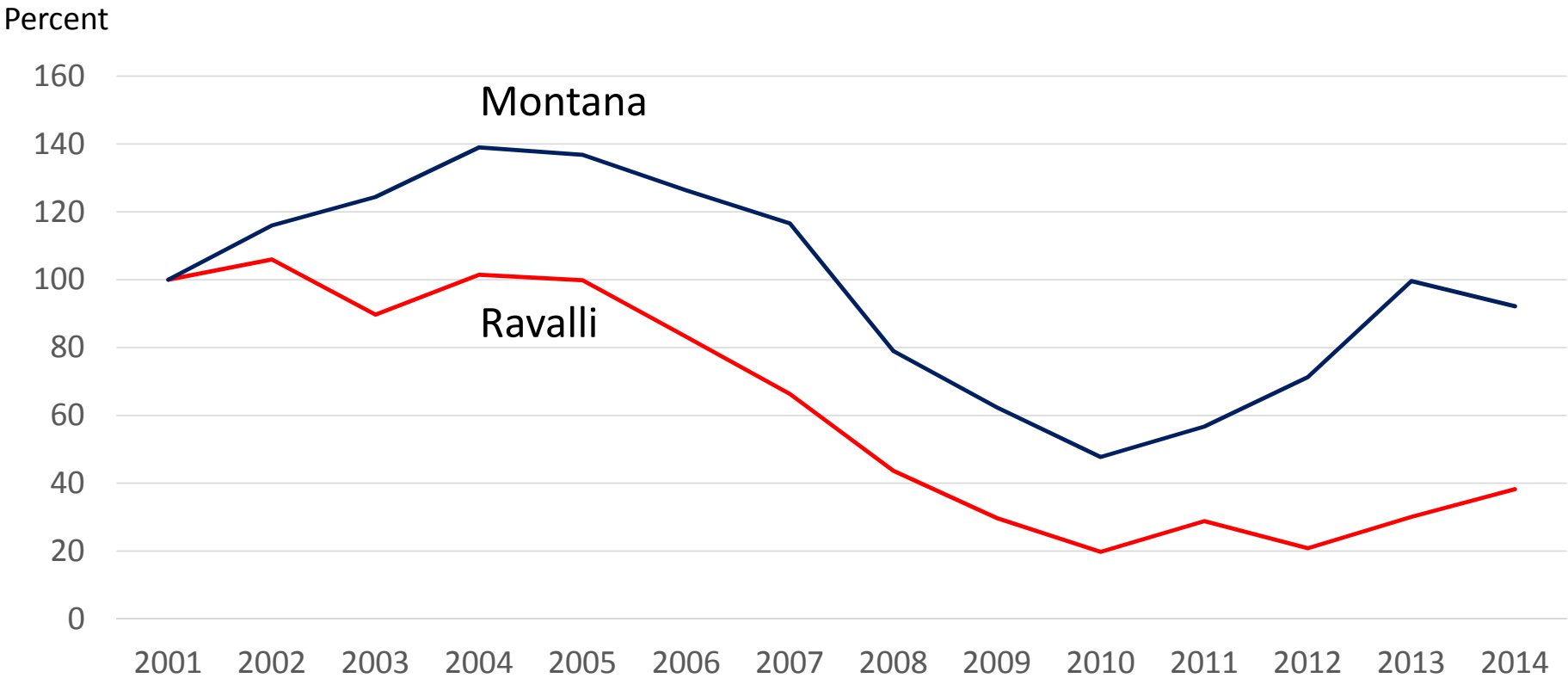
Housing Starts, Missoula County vs. Montana



Housing Starts Index, 2001 = 100

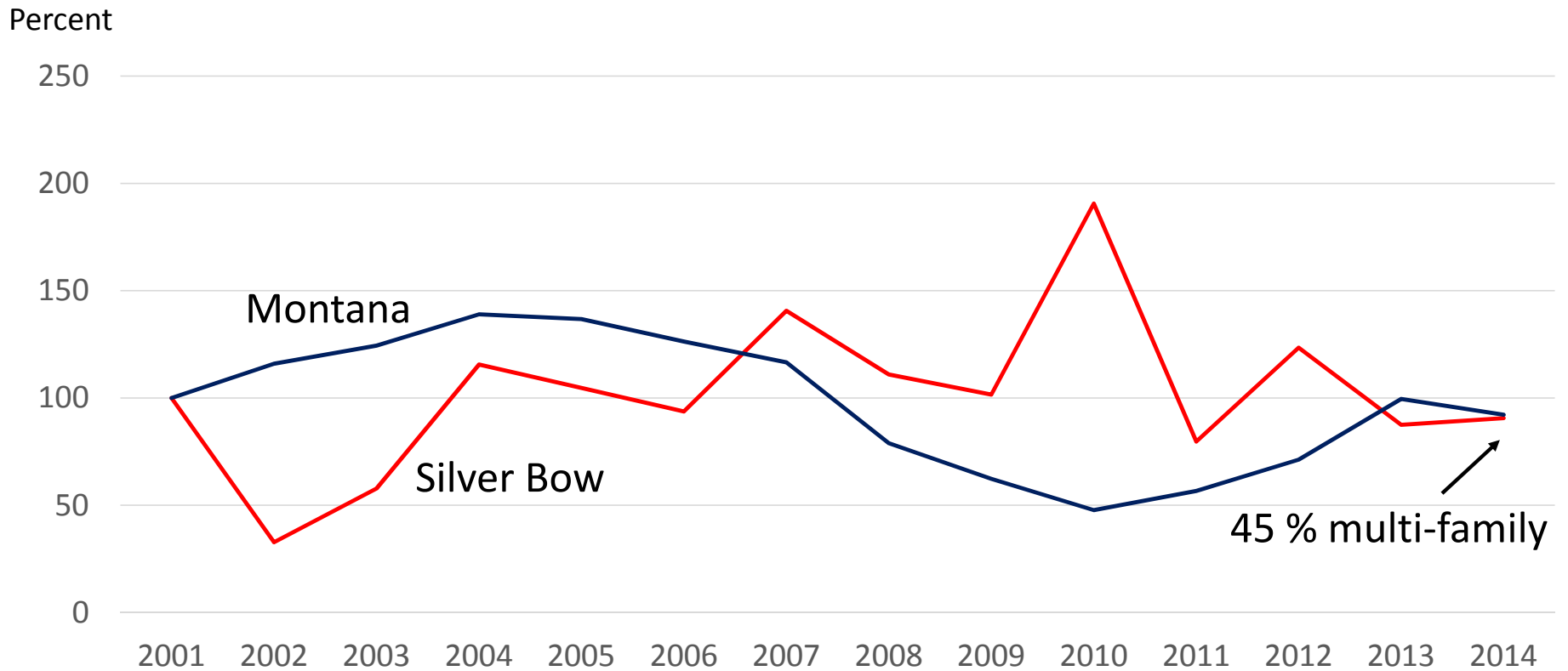
Source: Bureau of Business and Economic Research and U.S. Census Bureau.

Housing Starts, Ravalli County vs. Montana



Housing Starts Index, 2001 = 100
Source: Bureau of Business and Economic Research and U.S. Census Bureau.

Housing Starts, Silver Bow County vs. Montana

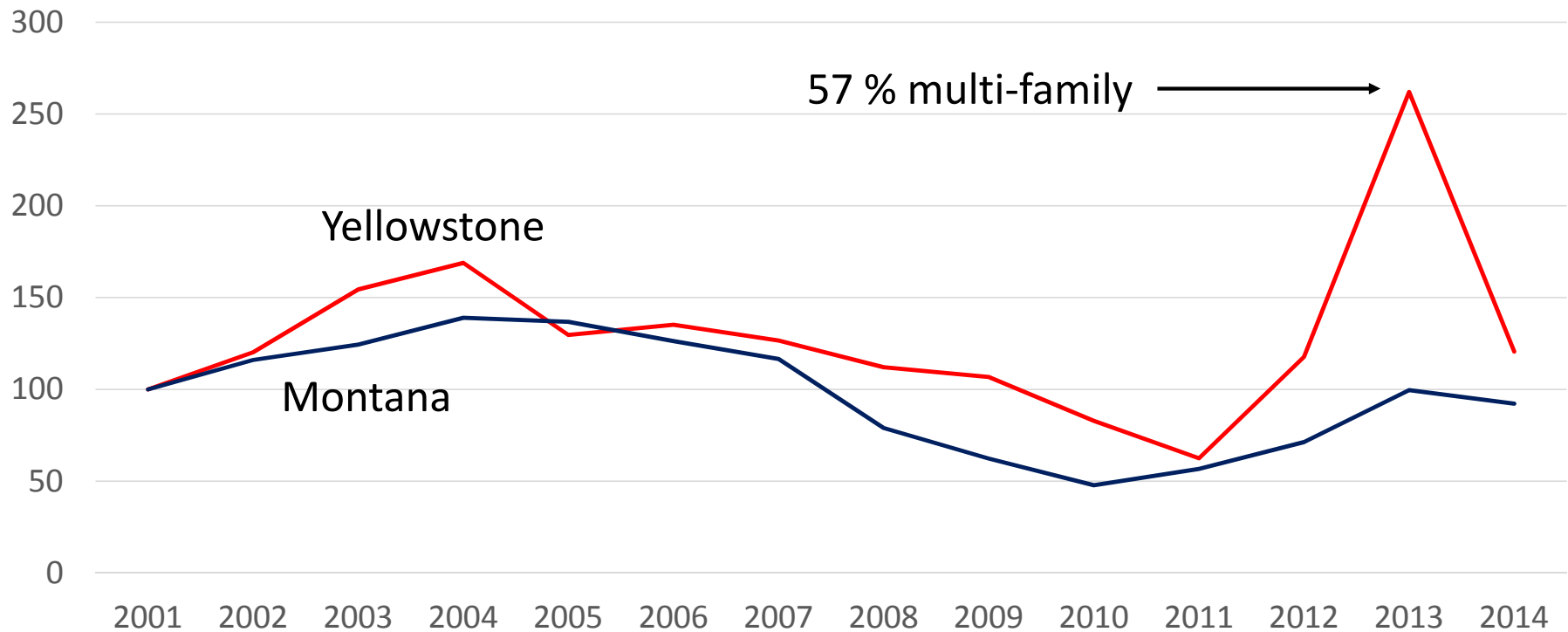


Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

Housing Starts, Yellowstone County vs. Montana

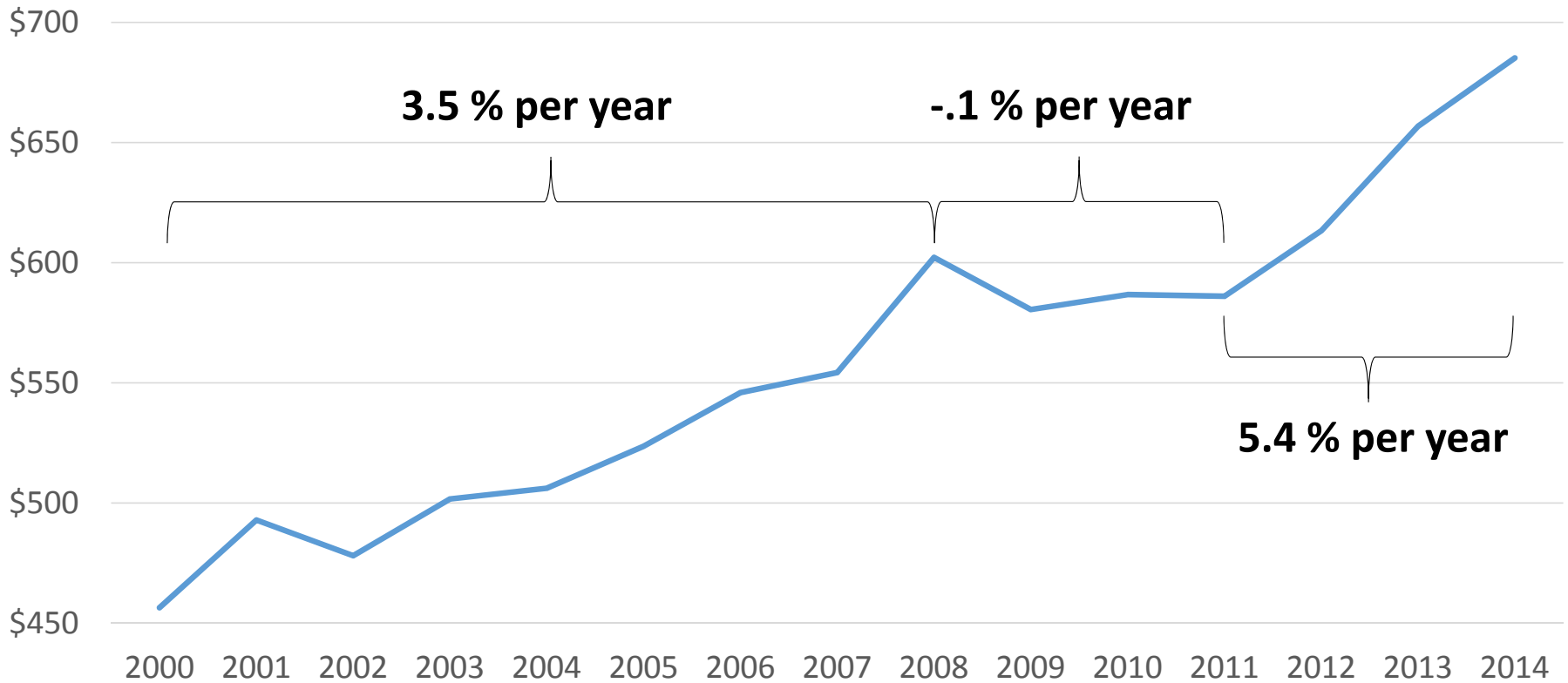
Percent



Housing Starts Index, 2001 = 100

Source: Bureau of Business and Economic Research and U.S. Census Bureau.

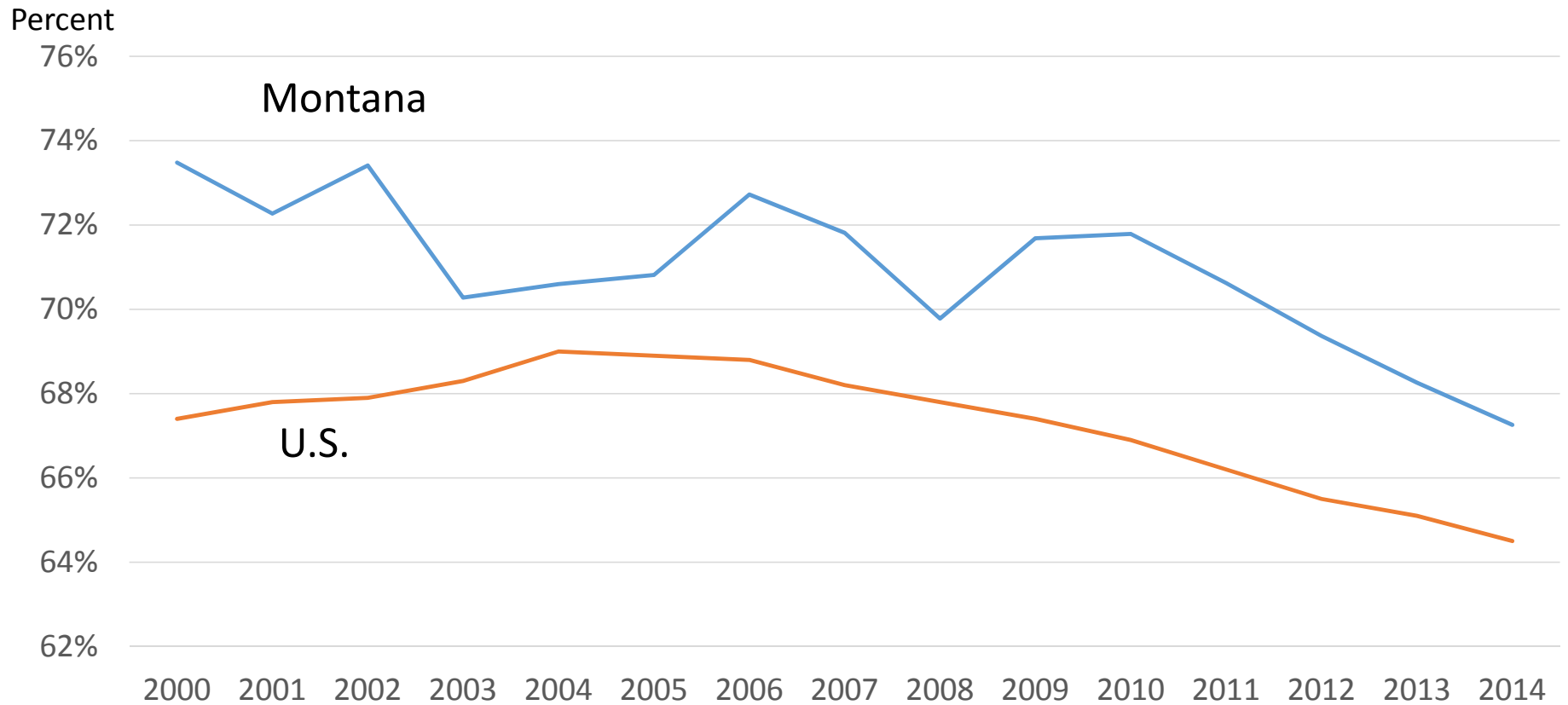
Growth in Rents Has Increased since 2011



Montana Residential Rent, Inflation Adjusted (2014\$)

Source: U.S. Census Bureau.

Homeownership Rates Decline

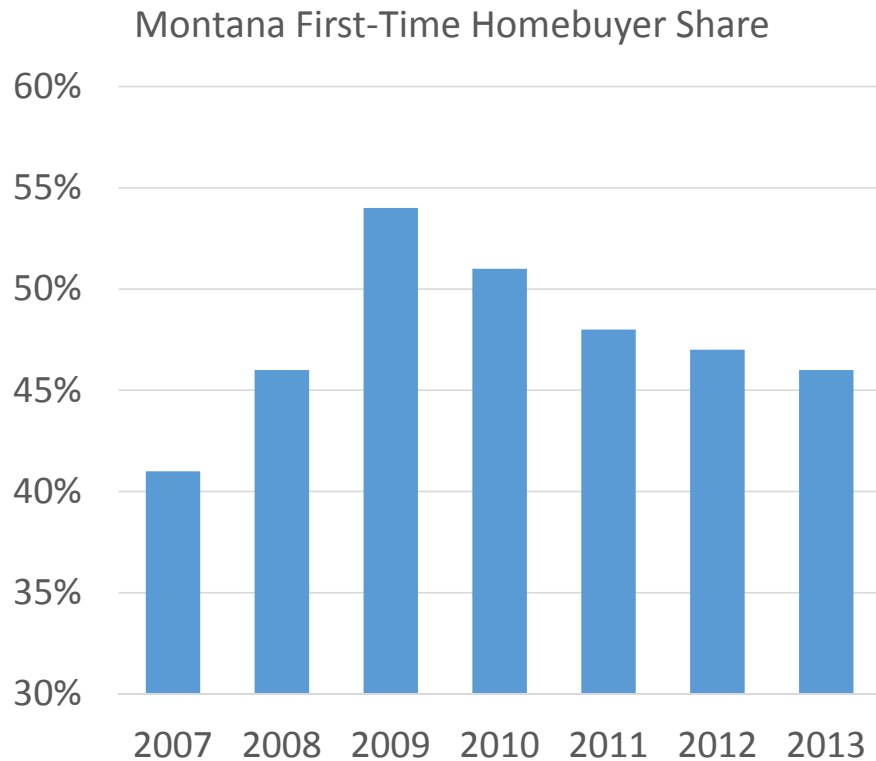


Source: U.S. Census Bureau.

What's Behind These Trends?

- Wages among 18-34 year old Montanans virtually unchanged since 2000.
- Increasing student loan debt and rental rates lower ability to save for down payment on home.
- Individuals are staying in school longer, getting married and having children later.
- Urbanization

Changes Affecting Sales

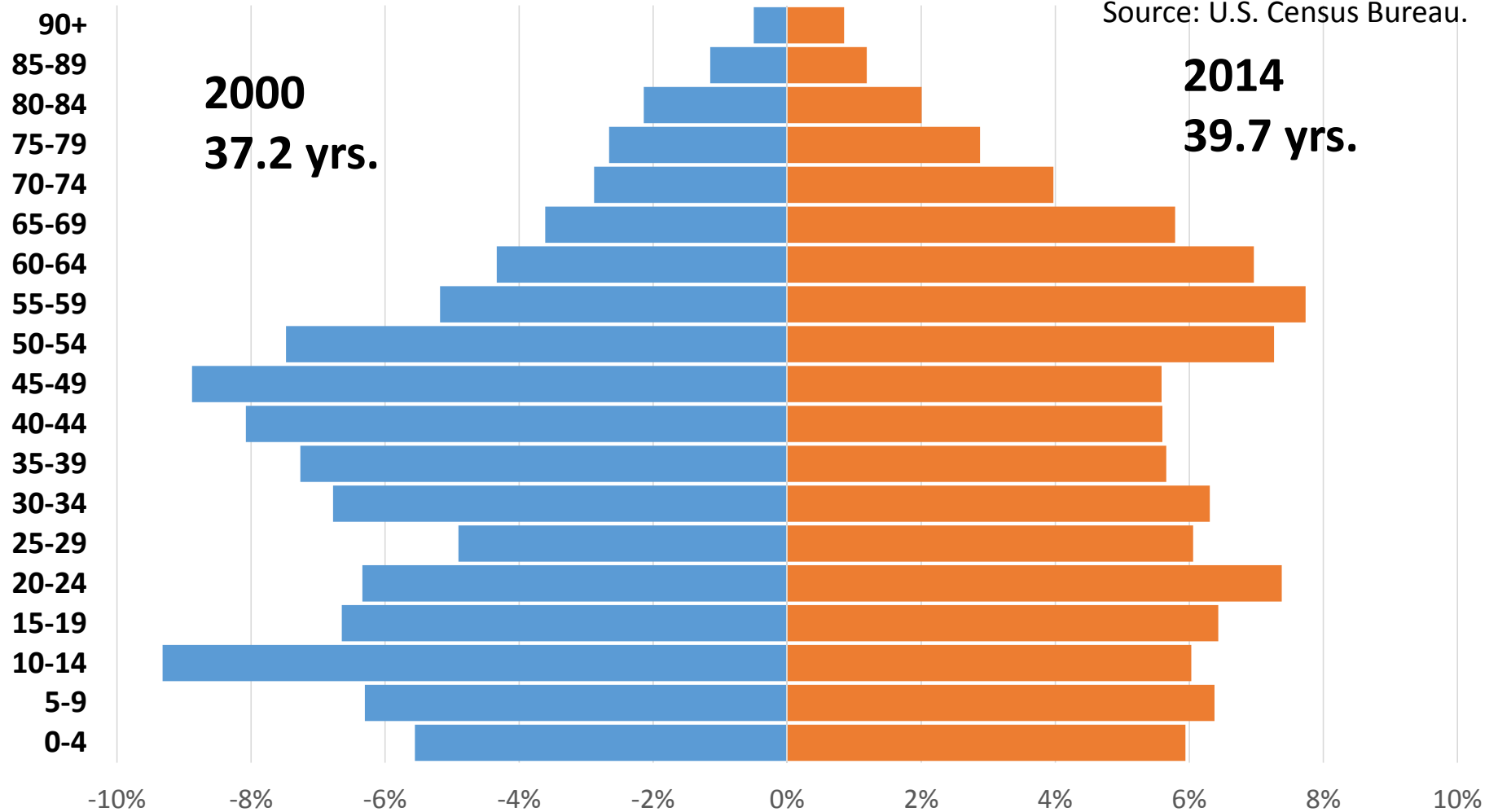


Source: Federal Housing Finance Agency, Institute for College Access and Success.

- The median age of homebuyers is increasing.
 - Nationally up to 44 years from 39 in 2008.
- Individuals are renting longer before deciding to purchase.
- Low inventory of affordable housing.
- Aging population.
- Student loan debt.
 - 67% of students attending Montana universities graduate with some debt.
 - Average student debt is \$26,946.

Montana's Aging Population

Source: U.S. Census Bureau.



What's Ahead for Housing Markets?

- Interest rates: liftoff has arrived, what's next?
- Are credit standards loosening?
- Fannie and Freddie – immortal?
- Shortage of buildable lots
- Dodd Frank rules still being digested
- Canadian dollar

Questions?