FACING THE CHALLENGE OF AFFORDABLE HOUSING
ABOUT THE BUREAU OF BUSINESS AND ECONOMIC RESEARCH

The Bureau of Business and Economic Research is the main research unit of the College of Business at the University of Montana. Established in 1948, its mission is to inform Montanans about the economic climate in which they live and work. In addition to conducting its Economic Outlook Seminar across the state at the beginning of each year, BBER researchers are engaged in a wide range of applied research projects that deal with different aspects of the state economy, including survey research, economic analysis, health care research, forecasting, wood product research and energy research. Contact us at (406) 243-5113 or bbermail@business.umt.edu if we can be of any help to you or your business.

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Helena

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Montana Manufacturing Extension Center
Bozeman

Thomas Schultz
Idaho Forest Group
Boise

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DATES & LOCATIONS

Helena
January 29, 2019
Great Northern Hotel

Billings
February 5, 2019
Doubletree Hotel

Kalispell
February 12, 2019
Hilton Garden Inn

Butte
February 7, 2019
NorthWestern Energy General Office

Sidney
March 12, 2019
USDA Agricultural Research Services

Missoula
February 1, 2019
Hilton Garden Inn

Bozeman
February 6, 2019
The Commons

Miles City
March 13, 2019
Sleep Inn & Suites

Great Falls
January 30, 2019
Hilton Garden Inn

Big Sky
March 14, 2019
Warren Miller Performing Arts Center
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Bureau of Business and Economic Research
University of Montana

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Bureau of Business and Economic Research
University of Montana

AGRICULTURE 60
George Haynes, Professor
Kate Fuller, Assistant Professor
Department of Agricultural Economics & Economics
Montana State University
Local Policies Overlay National and State Policies

- Infrastructure 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 Has Always Been a Public Policy Priority
Federal Policies Supporting Homeownership

- 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

Level of Local Regulation of Housing Varies a Lot

![Level of Local Regulation of Housing Varies a Lot](image)
“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

Median Renter in 41 Percent of Urban Areas Pays More than 30 Percent of Income in Rent

Source: U.S. Census Bureau, American Community Survey.
**Faster Housing Price Growth Has Resumed**

Housing Price Index, All Transactions, Montana and U.S. 1580-2018

Index, 1980=100

- Montana: 4.1% per year
- U.S.: -3.1% per year
- Montana: 6.0% per year
- U.S.: 7.4% per year
- Montana: 1.6% per year

Source: U.S. Federal Home Finance Agency

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**Housing Price Growth Since 2012, With National Rank**

Rank out of 975 sub-state areas nationwide

- Boxeman: Rank 53
- Kalispell: Rank 150
- Missoula: Rank 237
- Billings: Rank 277
- Balance of MT: Rank 311
- Helena: Rank 398
- Butte: Rank 401
- Great Falls: Rank 410

Source: FHFA

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**Ratio of Home Price to Median Household Income**

1998

Source: BDI Calculations from Bureau of Census, National Association of Realtors and FHFA

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**Ratio of Home Price to Median Household Income**

2007

Source: BDI Calculations from Bureau of Census, National Association of Realtors and FHFA
The Market is the Problem

- “Hot” housing markets have high in-migration and high demand
- Land use policies and regulation reflect the “proper” pricing of the spillover effects of new housing
- Solution is to subsidize those who have difficulty paying
- Housing programs vs. poverty programs

What’s the Solution?

It Depends on What You Think is the Problem

The Problem is Regulation and Policy

- Local regulation constrains housing supply, pushing prices up beyond construction costs plus profit
- Federal policies inflate demand for larger, more expensive homes
- No single rule or regulation is the culprit
- Solution is rollback or override of local regulatory power – from the state?
The Problem is Something Else

Why do you think housing costs are high?

1. Go to pollev.com/bber297 to respond
or,

2. Text BBER297 to 22333 once to join
Then text A, B, C, or D to vote

What do you think is the most important reason why housing costs are high in Helena?

High Demand - Its Just the Market

Local Regulation Adds Costs

Federal Policies

Housing Costs Aren't High in Helena
The Economic Outlook for the U.S. and Montana

Patrick M. Barkey, Director
Bureau of Business and Economic Research
University of Montana

The U.S. Economic Expansion: Nine Years and Counting

- Uptick in U.S. Growth Occurs Despite Little Labor Force Slack, Less Growth Abroad
- Stimulus of Lower Taxes, Increased Spending is Producing Higher Deficits but Also Faster Growth
- Inflation Nowhere in Sight
- Trade and Housing are Laggards, Consumer and Business Spending Carrying the Load
- Interest Rates Have Moved Up, the Dollar Remains Strong
- Financial Markets, Commodity Prices Close Out the Year With Increased Volatility

There Was an Acceleration in U.S. Growth Last Year
Real Gross Domestic Product (GDP) Growth, Percent, Actual and Forecast

Advanced Economies Expected to Decelerate as Global Growth Levels Off

Percent Change in Real Gross Domestic Product, Actual and Forecast
Source: International Monetary Fund
Global Growth Has Been Good, But Challenges Emerge
Number of Advanced Economies in Recession, by Year, 1991-2016

Looking for Evidence of a Chinese Slowdown
Guangdong Manufacturing Purchasing Managers Index, New Orders

Mixed Story for Most Important Commodities
Select Commodity Prices
November 2018 vs. 5-Year High and Low

Source: International Monetary Fund

Source: The Economic and Information Commission of Guangdong Province

Source: World Bank, USDA, Random Lengths
Has Faster U.S. Economic Growth Shown Up in Montana?

- Partial data suggest 2018 has seen continued growth
- Labor market continues to tighten
- State revenue off to a good start in FY19
- Global economic environment has worsened
- Higher interest rates another challenge for residential construction
- Recovery for Montana’s agriculture and energy producers has not been smooth
- What explains Montana’s economic malaise in 2016?
General Fund Collections Also Back on Track

Real Nonfarm Earnings Growth, Montana

Real Earnings Growth by Industry, Montana, 2016 ($ millions)

Real Earnings Growth by Industry, Montana, 2017 ($ millions)

Source: U.S. Bureau of Economic Analysis
Real Nonfarm Earnings Growth by County, 2016 ($ millions)

Source: U.S. Bureau of Economic Analysis

Real Nonfarm Earnings Growth by County, 2017 ($ millions)

Source: U.S. Bureau of Economic Analysis

Rebound in 2017 Was Helped by Stronger Business Proprietor Income

Wage and Salaries Share of Total Earnings Growth, Percent

Source: U.S. Bureau of Economic Analysis

Montana Labor Market Still Tightening

Unemployment Insurance Claims, 2014-18

Source: Montana Department of Labor and Industry
**Growth in Population of Prime Age Workers Has Stagnated**

Montana Population by Age-Category, Selected Years

Source: UM Bureau of Business and Economic Research

**Labor Force Growth Hinges on Participation Rates**

Montana Labor Force by Age-Category, Selected Years

Source: UM Bureau of Business and Economic Research

**Montana Growth is Low by Western Standards**

Percent Growth in Real Nonfarm Earnings, 2017

Source: U.S. Bureau of Economic Analysis

**High Tech is Growing – But What is It?**

Industries Classified as High Tech in BBER Study

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>3254</td>
<td>Pharmaceutical and medicine manufacturing</td>
</tr>
<tr>
<td>3341</td>
<td>Computer and peripheral equipment manufacturing</td>
</tr>
<tr>
<td>3342</td>
<td>Communications equipment manufacturing</td>
</tr>
<tr>
<td>3344</td>
<td>Semiconductor and electronic component manufacturing</td>
</tr>
<tr>
<td>3345</td>
<td>Electronic instrument manufacturing</td>
</tr>
<tr>
<td>3364</td>
<td>Aerospace product and parts manufacturing</td>
</tr>
<tr>
<td>5112</td>
<td>Software publishers</td>
</tr>
<tr>
<td>5116</td>
<td>Internet publishing and broadcasting</td>
</tr>
<tr>
<td>517</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>518</td>
<td>Data processing, hosting and related services</td>
</tr>
<tr>
<td>5413</td>
<td>Architectural and engineering services</td>
</tr>
<tr>
<td>5415</td>
<td>Computer systems design and related services</td>
</tr>
<tr>
<td>5417</td>
<td>Scientific research and development services</td>
</tr>
</tbody>
</table>

Source: A Profile of Montana's High Tech Industries (2018).
Gallatin, Yellowstone and Missoula Counties Have Largest High Tech Footprint

Percent of State

- Employment
- Wages
- Establishments

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Growth in High Tech Wages Since 2002

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Medium-term job growth reflects changing demographics

Compound annual growth rate for employment, 2008–17

Source: Wells Fargo

US Regional Economic Outlook / December 2018
Outlook for Montana’s Key Industries

- Tech related businesses and construction remain healthy, especially in western Montana
- Farm bill passage helps farmers
- Uncertainties for energy and natural resource producers
- Real estate and financial institutions set for another good year
- Transportation industries slowly improving
- Tariff and trade challenges ahead?

Growth in Nonfarm Earnings, Montana, 2016-22

Source: BBER and U.S. Bureau of Economic Analysis
Local Outlook: All Cities
By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

Population 2017

<table>
<thead>
<tr>
<th>Area</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Falls Area</td>
<td>81,654</td>
</tr>
<tr>
<td>Kalispell-Whitefish-Big Fork</td>
<td>100,000</td>
</tr>
<tr>
<td>Bozeman-Big Sky</td>
<td>107,810</td>
</tr>
<tr>
<td>Helena Area</td>
<td>67,773</td>
</tr>
<tr>
<td>Missoula Area</td>
<td>117,441</td>
</tr>
<tr>
<td>Hamilton Area</td>
<td>43,463</td>
</tr>
<tr>
<td>Butte Area</td>
<td>34,602</td>
</tr>
<tr>
<td>Billings Area</td>
<td>158,980</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of the Census

Per Capita Income 2017

<table>
<thead>
<tr>
<th>Area</th>
<th>Income</th>
<th>Percent of MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Falls Area</td>
<td>$46,000</td>
<td>101.4</td>
</tr>
<tr>
<td>Kalispell-Whitefish-Big Fork</td>
<td>$45,800</td>
<td>100.9</td>
</tr>
<tr>
<td>Bozeman-Big Sky</td>
<td>$51,800</td>
<td>114.1</td>
</tr>
<tr>
<td>Helena Area</td>
<td>$47,300</td>
<td>104.2</td>
</tr>
<tr>
<td>Missoula Area</td>
<td>$46,800</td>
<td>103.1</td>
</tr>
<tr>
<td>Hamilton Area</td>
<td>$42,100</td>
<td>92.8</td>
</tr>
<tr>
<td>Butte Area</td>
<td>$47,900</td>
<td>105.5</td>
</tr>
<tr>
<td>Billings Area</td>
<td>$50,000</td>
<td>110.2</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis

Inflation Adjusted Wages and Salaries, 2011 Q1 to 2018Q2

Source: U.S. Bureau of Labor Statistics
Local Outlook: Billings Area

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

Billing Area’s Economic Base

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Basic</td>
<td>2%</td>
</tr>
<tr>
<td>Mining</td>
<td>4%</td>
</tr>
<tr>
<td>Nonresident Travel</td>
<td>6%</td>
</tr>
<tr>
<td>Higher Ed. And State Gov’t</td>
<td>7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>12%</td>
</tr>
<tr>
<td>$58 Mil</td>
<td></td>
</tr>
<tr>
<td>Trade Center – Services</td>
<td>12%</td>
</tr>
<tr>
<td>$45 Mil</td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td>11%</td>
</tr>
<tr>
<td>Trade Center – Wholesale, Retail</td>
<td>13%</td>
</tr>
<tr>
<td>$54 Mil</td>
<td></td>
</tr>
<tr>
<td>Trade Center-Health Care</td>
<td>14%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19%</td>
</tr>
<tr>
<td>$73 Mil</td>
<td></td>
</tr>
<tr>
<td>$312 Mil ‘12-‘17 Total Change</td>
<td></td>
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</tbody>
</table>
Major Contributors to ‘15-‘17 Income Growth Billings Area

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health Care</td>
<td>107,200</td>
<td>63.3</td>
</tr>
<tr>
<td>2</td>
<td>Manufacturing</td>
<td>33,100</td>
<td>19.6</td>
</tr>
<tr>
<td>3</td>
<td>Local Gov't</td>
<td>27,800</td>
<td>16.4</td>
</tr>
<tr>
<td>4</td>
<td>Finance &amp; Insurance</td>
<td>24,800</td>
<td>14.7</td>
</tr>
<tr>
<td>5</td>
<td>Federal Civilian</td>
<td>19,400</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Actual and Projected Change in Nonfarm Earnings, Billings Area, 2015-2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>3.6</td>
<td>2.0</td>
</tr>
<tr>
<td>16</td>
<td>-2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>17</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>18</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
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</tr>
<tr>
<td>22</td>
<td></td>
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</tr>
</tbody>
</table>

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017

Local Outlook: Bozeman- Big Sky

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana
Bozeman-Big Sky Economic Base

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Basic</td>
<td>5%</td>
<td>$47 Mil</td>
</tr>
<tr>
<td>Ag. And Related</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Trade Center – Retail</td>
<td>12%</td>
<td>$30</td>
</tr>
<tr>
<td>Federal Government</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Nonresident Travel</td>
<td>15%</td>
<td>$77 Mil</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>15%</td>
<td>$67 Mil</td>
</tr>
<tr>
<td>Trade Center – Prof. Services</td>
<td>16%</td>
<td></td>
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<tr>
<td>MSU and State Government</td>
<td>25%</td>
<td>$35 Mil</td>
</tr>
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</table>

$260 ‘12-‘17 Total Change

Major Contributors to ‘15-‘17 Income Growth Bozeman-Big Sky

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
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<tbody>
<tr>
<td>1</td>
<td>Pro. &amp; Scien. Services</td>
<td>77,700</td>
<td>15.0</td>
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<tr>
<td>2</td>
<td>Construction</td>
<td>77,100</td>
<td>14.8</td>
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<tr>
<td>3</td>
<td>Retail Trade</td>
<td>53,100</td>
<td>10.2</td>
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<tr>
<td>4</td>
<td>Health Care</td>
<td>47,500</td>
<td>9.1</td>
</tr>
<tr>
<td>5</td>
<td>Manufacturing</td>
<td>25,900</td>
<td>5.0</td>
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Actual and Projected Change in Nonfarm Earnings, Bozeman-Big Sky, 2015-2022

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>8.1</td>
<td>4.4</td>
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<tr>
<td>16</td>
<td>4.8</td>
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<tr>
<td>17</td>
<td>5.3</td>
<td>4.0</td>
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<tr>
<td>18</td>
<td>4.5</td>
<td>3.9</td>
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</table>

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017

Percent Change

-3 -2 -1 0 1 2 3 4 5 6 7 8 9 10 11 12 13


Bozeman-Big Sky

Montana
Local Outlook: Butte Area

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

Major Contributors to ‘15-’17 Income Growth
Butte Area

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Retail Trade</td>
<td>49,700</td>
<td>141.6</td>
</tr>
<tr>
<td>2</td>
<td>Accommodations</td>
<td>11,200</td>
<td>32.0</td>
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<tr>
<td>3</td>
<td>State Gov’t</td>
<td>3,700</td>
<td>10.6</td>
</tr>
<tr>
<td>4</td>
<td>Management of Companies</td>
<td>2,500</td>
<td>7.1</td>
</tr>
<tr>
<td>5</td>
<td>Local Gov’t</td>
<td>2,400</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Butte Area’s Economic Base

- Trade Center – Services: 3% of $22 Mil
- Trade Center – Health Care: 10% of $22 Mil
- Manufacturing: 12%
- Federal Government: 8% of -$9 Mil
- Trade Center – Retail and Nonres. Travel: 15% of $63 Mil
- Utility: 20% of $12 Mil
- Montana Tech, State Gov’t: 21%
- Mining: 11% of -$15 Mil

$88 Mil ‘12-’17 Total Change

Actual and Projected Change in Nonfarm Earnings, Butte Area, 2015-2022

Source: IHS Global Insight and BBER
Local Outlook: Great Falls Area

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

Great Falls Area Economic Base

| Category                        | Percent | Change  
|--------------------------------|---------|---------
| Other Basic                    | 5%      |         
| Ag. And Related                | 2%      |         
| Trade Center – Wholesale, Retail, Finance | 7%     | -$4 Mil 
| Manufacturing                  | 10%     | +$13 Mil
| State Gov’t and Higher Ed.     | 8%      |         
| Transportation                 | 6%      |         
| Trade Center – Health Care     | 10%     |         
| Federal Civilian               | 11%     | -$3 mil 
| Malmstrom AFB                  | 41%     | -$12 mil

-$18 mil ‘12-’17 Total Change

Major Contributors to ‘15-’17 Income Growth Great Falls Area

<table>
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<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
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<tbody>
<tr>
<td>1</td>
<td>Health Care</td>
<td>26,600</td>
<td>33.3</td>
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<td>2</td>
<td>Construction</td>
<td>15,300</td>
<td>19.2</td>
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<tr>
<td>3</td>
<td>Finance and Insurance</td>
<td>14,600</td>
<td>18.3</td>
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<tr>
<td>4</td>
<td>Military</td>
<td>11,700</td>
<td>14.6</td>
</tr>
<tr>
<td>5</td>
<td>Federal Civilian</td>
<td>8,300</td>
<td>10.3</td>
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</table>
Actual and Projected Change in Nonfarm Earnings, Great Falls Area, 2015-2022

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Actual</th>
<th>Projected</th>
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<tbody>
<tr>
<td>2015</td>
<td>2.5</td>
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<tr>
<td>2016</td>
<td>-0.8</td>
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<tr>
<td>2017</td>
<td>1.4</td>
<td>1.1</td>
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<tr>
<td>2018</td>
<td>1.0</td>
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<tr>
<td>2019</td>
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<td>2021</td>
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<tr>
<td>2022</td>
<td></td>
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</tbody>
</table>

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017

Helena Area Economic Base

Local Outlook: Helena Area

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ag. And Mining</td>
<td>3%</td>
</tr>
<tr>
<td>Transportation and Information</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4%</td>
</tr>
<tr>
<td>Education, Other</td>
<td>5%</td>
</tr>
<tr>
<td>Trade Center – Insurance</td>
<td>7%</td>
</tr>
<tr>
<td>Trade Center – Prof. and Tech.</td>
<td>6%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>19%</td>
</tr>
<tr>
<td>State Government</td>
<td>54%</td>
</tr>
</tbody>
</table>

$64 mil '12-'17 Total Change
Major Contributors to ‘15-’17 Income Growth Helena Area

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health Care</td>
<td>34,500</td>
<td>28.1</td>
</tr>
<tr>
<td>2</td>
<td>Construction</td>
<td>15,500</td>
<td>12.6</td>
</tr>
<tr>
<td>3</td>
<td>State Gov’t</td>
<td>14,200</td>
<td>11.6</td>
</tr>
<tr>
<td>4</td>
<td>Finance and Insurance</td>
<td>13,700</td>
<td>11.2</td>
</tr>
<tr>
<td>5</td>
<td>Other Services</td>
<td>10,600</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Actual and Projected Change in Nonfarm Earnings, Helena Area, 2015-2022

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017

Local Outlook: Kalispell-Whitefish-Big Fork

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana
Kalispell-Whitefish-Big Fork Economic Base

- Trade Center-Retail: 3% $21 Mil
- Ag. and Other: 3%
- Trade Center-Services: 11%
- Transportation: 8%
- Health Care: 16% $61 Mil
- Other Manufacturing: 15% $15 Mil
- Wood Products: 12%
- Federal Government: 13%
- Nonresident Travel: 19% $29 Mil

$126 Mil ‘12-17 Total Change

Major Contributors to ‘15-‘17 Income Growth Kalispell-Whitefish-Big Fork

<table>
<thead>
<tr>
<th>Rank Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Health Care</td>
<td>105,000</td>
<td>35.5</td>
</tr>
<tr>
<td>2 Construction</td>
<td>45,000</td>
<td>15.2</td>
</tr>
<tr>
<td>3 Pro. &amp; Scien. Services</td>
<td>36,900</td>
<td>12.4</td>
</tr>
<tr>
<td>4 Retail Trade</td>
<td>30,600</td>
<td>10.3</td>
</tr>
<tr>
<td>5 Finance &amp; Insurance</td>
<td>16,300</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Actual and Projected Change in Nonfarm Earnings, Kalispell-Whitefish-Big Fork, 2015-2022

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017
### Projected Annual Percent Change in Nonfarm Earnings (in Constant Dollars) 2019-2012

<table>
<thead>
<tr>
<th>City</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana</td>
<td>1.8</td>
</tr>
<tr>
<td>Kalispell</td>
<td>3.3</td>
</tr>
<tr>
<td>Bozeman</td>
<td>4.2</td>
</tr>
<tr>
<td>Helena</td>
<td>2.1</td>
</tr>
<tr>
<td>Missoula</td>
<td>2.7</td>
</tr>
<tr>
<td>Hamilton</td>
<td>2.3</td>
</tr>
<tr>
<td>Butte</td>
<td>0.7</td>
</tr>
<tr>
<td>Billings</td>
<td>2.1</td>
</tr>
<tr>
<td>Great Falls</td>
<td>0.9</td>
</tr>
</tbody>
</table>

### Local Outlook: Missoula and Hamilton Area

By Paul E. Polzin  
Director Emeritus  
Bureau of Business and Economic Research  
University of Montana

### Missoula Area’s Economic Base

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent</th>
<th>Income ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Manufacturing</td>
<td>8%</td>
<td>$17 Mil</td>
</tr>
<tr>
<td>Trade Center – Retail, Wholesale</td>
<td>4%</td>
<td>$27 Mil</td>
</tr>
<tr>
<td>Wood Products</td>
<td>6%</td>
<td>$21 Mil</td>
</tr>
<tr>
<td>Nonresident Travel</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Trade Center – Other Services</td>
<td>11%</td>
<td>$6 Mil</td>
</tr>
<tr>
<td>Federal Government</td>
<td>13%</td>
<td>$13 Mil</td>
</tr>
<tr>
<td>Trade Center – Medical</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>UM &amp; Other State Gov’t</td>
<td>24%</td>
<td>$17 Mil</td>
</tr>
</tbody>
</table>

**Total Change:** $145 Mil ‘12-’17 Total Change

### Major Contributors to ‘15-’17 Income Growth Missoula Area

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Thous of $</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health Care</td>
<td>57,300</td>
<td>17.7</td>
</tr>
<tr>
<td>2</td>
<td>Retail Trade</td>
<td>39,200</td>
<td>12.1</td>
</tr>
<tr>
<td>3</td>
<td>Construction</td>
<td>35,400</td>
<td>11.0</td>
</tr>
<tr>
<td>4</td>
<td>Professional Services</td>
<td>26,300</td>
<td>8.1</td>
</tr>
<tr>
<td>5</td>
<td>Finance &amp; Insurance</td>
<td>25,000</td>
<td>7.7</td>
</tr>
</tbody>
</table>
Actual and Projected Change in Nonfarm Earnings, Missoula Area, 2015-2022

<table>
<thead>
<tr>
<th>Percent</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.7</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>3.6</td>
<td>2.5</td>
</tr>
<tr>
<td>15</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>16</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>17</td>
<td></td>
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<tr>
<td>18</td>
<td></td>
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<td>19</td>
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<td>20</td>
<td></td>
<td></td>
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<tr>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IHS Global Insight and BBER

Inflation Adjusted Wages and Salaries, 1999 to 2017

Hamilton Area’s Economic Base

Other 4%
Ag and Nonres. Travel 7%
Wood Products 3%
Manufacturing 8% $1 Mil
Federal Government 8%
Medical Research 16% $3 Mil
Commuters 55% $27 Mil

$32 Mil ’12-‘17 Total Change

Actual and Projected Change in Nonfarm Earnings, Hamilton Area, 2015-2022

<table>
<thead>
<tr>
<th>Percent</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>2.2</td>
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<tr>
<td></td>
<td>2.2</td>
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<tr>
<td></td>
<td>2.0</td>
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<td>21</td>
<td></td>
<td></td>
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<tr>
<td>22</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Selected Housing Characteristics

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
University of Montana

Single Family Units as Percent of All Occupied Housing Units, 2017

Occupied in 2010 or Later, as Percent of All Occupied Housing Units, 2017

Source: U.S. Bureau of the Census, ACS

Projected Annual Percent Change in Nonfarm Earnings (in Constant Dollars) 2019-2022

Source: IHS Global Insight and BBER
Housing Units Built in 2000 Or Later, as Percent of All Occupied Housing Units, 2017

Rental Vacancy Rate In Percent, 2017

Source: U.S. Bureau of the Census, ACS
2019 Travel & Recreation Trends and Outlook

Norma P. Nickerson, Director & Jeremy Sage, Economist and Associate Director
Institute for Tourism and Recreation Research
W.A. Franke College of Forestry and Conservation
University of Montana
www.itrr.umt.edu

Overall growth in visitor numbers

Nonresident Visitors to Montana

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonresident Visitors</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>11</td>
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<td>2004</td>
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<td>2005</td>
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<td>2006</td>
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<td>2007</td>
<td>15</td>
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<td>2008</td>
<td>16</td>
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<td>2010</td>
<td>14</td>
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<td>2011</td>
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<tr>
<td>2012</td>
<td>12</td>
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<td>2013</td>
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<td>2016</td>
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<td>2017</td>
<td>7</td>
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</tr>
<tr>
<td>2018</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Montana ranks second in per capita visitor spending in Western states

Travelers spend money in all corners of the state.

$3.36 billion in spending. $4.7 billion in full economic. Supported 53,380 jobs. $1.6 billion in associated labor income.
### Nonresident Spending/County

<table>
<thead>
<tr>
<th>County</th>
<th>Spending ($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gallatin</td>
<td>$660.0</td>
</tr>
<tr>
<td>Flathead</td>
<td>$530.6</td>
</tr>
<tr>
<td>Missoula</td>
<td>$294.9</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>$254.8</td>
</tr>
<tr>
<td>Cascade Park</td>
<td>$197.9</td>
</tr>
<tr>
<td>Lewis&amp;Clark</td>
<td>$144.9</td>
</tr>
<tr>
<td>Silver Bow</td>
<td>$126.5</td>
</tr>
<tr>
<td>Glacier</td>
<td>$95.9</td>
</tr>
<tr>
<td>Beaverhead</td>
<td>$82.4</td>
</tr>
</tbody>
</table>

### 2018 Summer Visitors – local to state visitation

**LOCAL**

- 5.16 nights in Montana
- Group size = 2.41
- Top three residences:
  - 11% Washington
  - 7% Idaho
  - 6% California
- 11% flew into Montana
- 7% hired an outfitter

**STATE**

- $6.4 million in annual spending by trail users (local & nonlocal).
- Important to Helena residents:
  - 80% Nearby outdoor recreation
  - 4% Somewhat important
  - 2% Neutral
  - 20% Important
  - 16% Very important

### Local Entrepreneurs - Outfitting & Guiding

- $76.7 million in revenue for fishing outfitters
- $55.3 million in revenue for hunting outfitters
- $51 million in revenue for rafting/ floating/ canoeing/kayaking outfitters

### Local Impact of trails on communities

- **Helena:** $4.3 million in output from nonresidents on Helena trails.
- **Whitefish:**
  - Why did you move or stay in Whitefish?
  - Importance ratings:
    - Summer recreation: 4.5
    - Community: 4.2
    - Winter recreation: 3.1
    - Job: 3
    - Family: 2.6
    - Friends: 2.6
Glacier NP down 11% in 2018, but…
- May +10%
- Sept. +12%
- Oct. +9%

Yellowstone NP down 6% in 2018, but…
- May +6%
- Sept. +13%
- Oct. +3%

Does Infrastructure Development Help the Economy?

Research before and after development in Gardiner showed:
- Visitor spending increased by $69.48/day.
- Visitors stayed longer – especially to visit Gardiner attractions and for rafting.
- 68% of Gardiner image variables showed positive growth.
Short Term Rentals: Impacts on Affordable Housing in MT

MT Tourism Business Owners % who expect an increase

National Travel Outlook

Thank you!

For more information contact:
Norma Nickerson, norma.Nickerson@umontana.edu
OR
Jeremy Sage, Jeremy.sage@umontana.edu

www.itrr.umt.edu
The Outlook for Health Care in Montana
Robert Sonora, Associate Director
Bureau of Business and Economic Research
University of Montana

Health Care: Growth is Back

- Premiums, deductibles, co-pays all rising rapidly
- Usage, not prices, appears to be the primary cost driver of late
- The uninsured rate has come down dramatically
- Market concentration in health care is rising
- The big story in Montana has been Medicaid Expansion
Active Doctors Per 1,000 Population

ACA Exchange Enrollments More Stable in Montana

Insurer Participation on ACA Marketplaces, 2014-2019

Premium Growth on Exchanges Was Minimal
Monthly Premium Before Tax Credit, 40-year Old Nonsmoker, Billings

Source: Kaiser Family Foundation
The ACA and Medicaid Expansion Have Reduced the Uninsured Population Aged 0-64 Dramatically
Percent of Montana Population Aged 0-64 With No Health Insurance

[Bar chart showing percentage of uninsured population from 2008 to 2017]

Source: Census Bureau American Community Survey

Health Care Contributed More to Growth Than Any Other Industry in 2017
Inflation-Corrected Earnings Growth, 2016-17, Montana, $ Millions

[Bar chart comparing health care and all other industries]

Source: U.S. Bureau of Economic Analysis

Health Care Earnings Growth in Billings and Kalispell Were Strongest in 2017
Growth in Health Care Earnings, 2016-17, $Millions

[Bar chart showing earnings growth by county]

Source: U.S. Bureau of Economic Analysis
Montana Energy
Good News – and Challenges

Dr. Bill Whitsitt
Executive-in-Residence
Bureau of Business and Economic Research

What one thing about energy is most important to you?

1. Go to pollev.com/bber297 to respond
or,
2. Text BBER297 to 22333 once to join
Then text your response.

In your daily life, what one primary source of energy does it seem you most depend on?
The context
America is approaching energy independence

U.S. energy flows
...show production near 90% of consumption

Its an energy revolution...
for consumers

Montana energy
is about:

Abundant, diverse resources
Reliability
Use and costs
Economic contributions
Changing demand dynamics and renewables integration
Shale revolution
*Technology and efficiency are key*

- Big data
- Downhole sensors
- Fiber optic communication
- Remote, centralized, monitoring
- AI
- Immediate adjustments
- Drilling accuracy and rig efficiency
- Fracture improvements
- Better water handling and re-use

= Lower costs

Oil & natural gas in Montana
*Signs of optimism and stability*

Production still down, but with movement

*Increased investment interest*

Including for enhanced recovery…

Communities seeing improvements

**Bakken Breakeven**

<table>
<thead>
<tr>
<th>Estimates – selected counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dunn</td>
</tr>
<tr>
<td>Mckenzie*</td>
</tr>
<tr>
<td>Mountrail</td>
</tr>
<tr>
<td>Burke</td>
</tr>
<tr>
<td>Golden Valley</td>
</tr>
<tr>
<td>ND Statewide</td>
</tr>
</tbody>
</table>

3Q 2018 NDIC DMR 11/16/18
Montana oil & gas (cont’d)...

59 new-well permits by 12/18
35 in all of 2017

Increased investment interest
Montana in top ten E&P places

Communities seeing improvements

Montana coal (cont’d)...

Production up in 2018
On pace for +3-million tons?

Critical future factors: demand & competition, infrastructure, politics

Coal in Montana
Challenges for a key sector

Markets
U.S declines, global increases

U.S. coal consumption (1950-2018)
1,200
1,000
800
600
400
200
0

U.S. thermal coal exports to North Asia
U.S. thermal coal exports to North Asia have increased in recent years.

2019 Economic Outlook Seminar
Renewables in Montana

Exceptional hydro
  Montana 5th in production

Excellent wind potential
  Growth in capacity; questions

Montana renewables (cont’d)…

Solar and biomass niches

Storage, integration, transmission, challenges and opportunities
  Gordon Butte PHS

Montana Energy…
  It’s about meeting the challenges

Thank you

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
UNIVERSITY OF MONTANA
Montana’s Wood Products, National Forests & Affordable Housing

Todd A. Morgan, CF

Montana’s Wood Products Facilities

- ~140 establishments
- ~80 timber users
- 8 larger, 20+ small sawmills
- Plywood, MDF, particleboard
- Log homes, post & pole, chipping
- Pellets, bark, fuels-for-schools

- Mostly small, privately held
- Most don’t own forest land
- Nearly all rely on some timber from public lands

Montana Wood Products Manufacturing

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>350</td>
<td>6,000</td>
</tr>
<tr>
<td>2007</td>
<td>300</td>
<td>5,000</td>
</tr>
<tr>
<td>2009</td>
<td>250</td>
<td>4,000</td>
</tr>
<tr>
<td>2011</td>
<td>200</td>
<td>3,000</td>
</tr>
<tr>
<td>2013</td>
<td>150</td>
<td>2,000</td>
</tr>
<tr>
<td>2015</td>
<td>100</td>
<td>1,000</td>
</tr>
<tr>
<td>2017</td>
<td>50</td>
<td>0</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, Western Wood Products Association, BBER. *2018 Estimated.

Montana Forest Industry (Private Sector)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2010</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers (mills &amp; forest)</td>
<td>10,006</td>
<td>7,030</td>
<td>7,732</td>
</tr>
<tr>
<td>Earnings (millions)</td>
<td>$489</td>
<td>$294</td>
<td>$341</td>
</tr>
<tr>
<td>Primary sales (millions)</td>
<td>$1,518</td>
<td>$497</td>
<td>$569</td>
</tr>
<tr>
<td>Lumber production (MMBF)</td>
<td>985</td>
<td>503</td>
<td>480</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, Western Wood Products Association, BBER.
Montana Timber Capacity & Harvest, 1980-2018

Montana Forests & Timber

25.9 million acres

19.8 million acres of timberland

National Forests
61% of timberland
76% of timber volume
20-25% of annual harvest
60% of burned forest area
80% of insect impact area

County | Forest acres (thousand) | National Forest
--- | --- | ---
Cascade | 332 | 53%
Flathead | 2,794 | 63%
Gallatin | 902 | 66%
Lewis & Clark | 1,391 | 71%
Lincoln | 2,182 | 80%
Missoula | 1,410 | 51%
Ravalli | 1,192 | 88%
Silver Bow & Deer Lodge | 534 | 63%
Yellowstone | 143 | 0%
All counties | 25,912 | 60%

Source: USDA Forest Service, FIA Program

National Forests in Montana
Cut Volume & Allowable Cut

National Forests in Montana
Cut Sold

Source: USDA Forest Service.

2019 Economic Outlook Seminar
Affordable Housing & Wood Products

**The Five Ls** impacting housing supply

- Labor
- Lots
- Lending
- Laws
- Lumber

Source: National Association of Homebuilders.

Example New Single-Family Home Price & Construction Costs, 2017

Sale price: $427,892
2,700 sq ft house; 11,300 sq ft lot

- **Construction cost** 55.6%
- Finished lot cost 21.5%
- Profit 10.7%
- Overhead expenses 5.1%
- Sales commission 4.1%
- Financing cost 1.8%
- Marketing cost 1.2%

Construction cost: $237,760

- Site work 6.7%
- Foundation 10.8%
- Framing 17.3%
- Exterior finishes 13.9%
- Major systems 13.8%
- Interior finishes 28.6%
- Final steps 7.0%
- Other 2.0%

Lumber & other wood materials estimated at $12,000 to $16,000 for 2,700 sq ft home = 5 to 6.5% of construction cost.

Source: National Association of Homebuilders and BBER.
### Percentage Changes of Construction Input Costs

<table>
<thead>
<tr>
<th>Material</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction wages and salaries</td>
<td></td>
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<tr>
<td>Fabricated structural metal</td>
<td></td>
<td></td>
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<tr>
<td>Copper and brass mill shapes</td>
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<tr>
<td>Steel mill products</td>
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<tr>
<td>Lumber and plywood</td>
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<tr>
<td>Insulation materials</td>
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<tr>
<td>Gypsum products</td>
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<tr>
<td>Flat glass</td>
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<tr>
<td>Brick and structural clay tile</td>
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<tr>
<td>Concrete products</td>
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<tr>
<td>Asphalt felts and coverings</td>
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</tbody>
</table>


### Affordable Housing & Wood Products

#### Wood use in construction

- Costs of nearly all inputs to construction have been rising since 2015.
- Two-thirds of lumber & over 85% of structural panels are used in construction.
- Wood is a **renewable** construction material and **stores carbon** long term.

Source: U.S. Forest Products Lab.

### Canadian Lumber

#### Volume & share of US market down in ’17 & ’18

- Tariffs & CAN mills in US are having an impact.
- Bark beetles & fires reduced BC timber & lumber supply.
- Eastern CAN expected to increase lumber as BC declines.

### Montana’s Forest Industry & Wood Products Outlook

#### Issues impacting the industry in 2019

- Broader US economy
- Homebuilding & interest rates
- Softwood lumber & other trade issues
- Good Neighbor Authority (GNA) projects
- Wildfires & weather
- Labor
Thank you!

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The Outlook for Real Estate and Construction

Brandon Bridge
Economist and Director of Forecasting
Bureau of Business and Economic Research
University of Montana

Will the continued growth last?

- Strong volumes
- Steady price increases
- Uptick in construction

- Volumes tapering off
- National economic slowdown?
- Real estate risk growing

Strong Housing Price Growth Since 2011
FHFA Housing Price Index, U.S., 1991=100

Price Growth in Great Falls Region is More Restrained
Percent Growth in Housing Price Index by Zip Code Since 2012

Conrad, 20.3%
Great Falls, 15.3%

Source: Federal Home Finance Agency
Lakeside Pacing Price Growth in Northwest Montana
Percent Growth in Housing Price Index by Zip Code Since 2012

Kalispell, 27.8%
Whitefish, 35.9%
Lakeside, 39.1%
Source: Federal Home Finance Agency

Bozeman Leading the State in Price Appreciation
Percent Growth in Housing Price Index by Zip Code Since 2012

Three Forks, 41.0%
Bozeman, 55.1%
Source: Federal Home Finance Agency

Price Growth More Restrained in Helena
Percent Growth in Housing Price Index by Zip Code Since 2012

Helena, 16.0%
Townsend, 12.1%
Source: Federal Home Finance Agency

Rattlesnake Leading Price Appreciation in Missoula Region
Percent Growth in Housing Price Index by Zip Code Since 2012

Missoula (Rattlesnake), 24.5%
Hamilton, 21.1%
Source: Federal Home Finance Agency
Billings Home Prices Slow and Steady Climb
Percent Growth in Housing Price Index by Zip Code Since 2012

Billings, 19.1%

Livingston, 43.9%

Source: Federal Home Finance Agency

Slight Moderation in Rents

Montana Residential Rent, Inflation Adjusted (2014$)

Source: U.S. Census Bureau

Markets Looking Healthier
Cascade County Market Statistics

Number of Sales

Median Sale Price

Source: Montana Department of Revenue.

Markets Looking Healthier
Flathead County Market Statistics

Number of Sales

Median Sale Price

Days on Market

Source: Montana Regional MLS.
Volumes Taper Slightly in Gallatin County

Gallatin County Market Statistics for Single Family Homes

Number of Sales

Median Sale Price

Source: Montana Department of Revenue.

Sale Price Growth

Lewis and Clark County Market Statistics

Number of Sales

Median Sale Price

Source: Montana Department of Revenue.

Sale Price Growth

Missoula County Market Statistics

Number of Sales

Median Sale Price

Source: Montana Department of Revenue.

Markets Looking Healthier

Ravalli County Market Statistics

Number of Sales

Median Sale Price

Source: Montana Department of Revenue.
New Home Construction is Increasing

Housing Permits, Montana

Housing Prices and Residential Building Permits

Gallatin County, Average Annual Percent Growth

Housing Prices and Residential Building Permits

Lewis and Clark County, Average Annual Percent Growth

Housing Prices and Residential Building Permits

Missoula County, Average Annual Percent Growth

Real Estate and Construction
Looking Ahead to 2019

- Interest Rates Have Been Moving Up
Looking Ahead to 2019

- Interest Rates Have Been Moving Up
- Real estate risk is growing

Real Estate Risk

- Lowering credit scores of purchasers
- Increasing debt-to-income ratios
- Increasing combined loan-to-value ratios
- Increasing 30-year mortgages

Outlook for 2019

- Real estate markets in Montana will remain strong
- Affordability will remain challenging
- Construction will continue to increase to relieve some pressure
- Risk in the markets will continue to grow

Questions?
2019 Montana Agricultural Outlook

Kate Binzen Fuller
Assistant Professor/Extension Specialist

George Haynes
Professor/Extension Specialist
Department of Agricultural Economic & Economics
MSU Extension

Montana Cash Receipts (1995 – 2018F)

Source: USDA ERS Farm Income and Wealth Statistics

Would you say that your farm operation today is better off, worse off or about the same compared to a year ago?

Do you think that a year from now your farm operation will be better off financially, worse off or about the same as now?
Sept. 2018 Drought Map

Drought Intensity, MT % area

Prices: Mixed Bag

CATTLE

Source: NASS Quickstats
Domestic Demand for Beef

FY YOY % Change in Beef Demand Index

1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017
-6% -4% -2% 0% 2% 4% 6% 8% 10%

Source: Kansas State University – AgManager.com

U.S. Average Calf Prices (2018$)

$/Hundred Lbs

0 50 100 150 200 250 300

Source: NASS Quickstats

CROPS

Montana Major Crop Acreage

Acres Planted x Million

0 1 2 3 4 5 6 7

- Wheat - Hay - Barley - Pulses (Lentils, Peas, Beans)

Source: NASS Quickstats, Mercaris

437K organic acres
Domestic Production Conditions: Winter (JFM) Precipitation Forecast

Farm Policy

- Farm Bill
  - Passed/signed on December 20, 2018
  - Impact of Montana producers

- USMCA (revised NAFTA)

- Market Facilitation Program

Questions

Kate.fuller@montana.edu
More than a motto.

It’s giving back to the place we call home. First Interstate Bank has given over $20 million to community causes and organizations throughout the region. Helping our communities thrive—it’s you and us together.

firstinterstate.com
NorthWestern Energy has invested more than $1 billion in providing 60 percent of Montana’s energy through renewable resources like wind and water. This major investment is part of our ongoing commitment to responsibly power our homes and businesses, protect our environment, and keep our state beautiful now and for future generations.

Connect your business to more.

Hosted IP Phone • Integrated Voice & Data
Business Broadband • Ethernet, MPLS & T-1
Managed WAN • Managed Firewall • Hosted Server
Colocation • Cloud Solutions • IT Consulting

Learn more: Blackfoot.com/Business

SAVE THE DATE
JUNE 17 - 19, 2019
Billings, MT

Join us for the premier conference in the state of Montana to discuss issues and trends of affordable housing including public housing, housing choice vouchers, multi-family, single-family, homelessness, the nexus between health and housing, and community revitalization and development.

Check www.nwmt.org or housing.mt.gov in February for ways to register!
Email kbiggs@nwmt.org with any questions.
NorthWestern Energy has invested more than $1 billion in providing 60 percent of Montana’s energy through renewable resources like wind and water. This major investment is part of our ongoing commitment to responsibly power our homes and businesses, protect our environment, and keep our state beautiful now and for future generations.