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

Number of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,000</td>
</tr>
<tr>
<td>2011</td>
<td>1,200</td>
</tr>
<tr>
<td>2012</td>
<td>1,400</td>
</tr>
<tr>
<td>2013</td>
<td>1,600</td>
</tr>
<tr>
<td>2014</td>
<td>1,800</td>
</tr>
<tr>
<td>2015</td>
<td>2,000</td>
</tr>
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</table>

Median Sale Price

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$190,000</td>
</tr>
<tr>
<td>2011</td>
<td>$200,000</td>
</tr>
<tr>
<td>2012</td>
<td>$210,000</td>
</tr>
<tr>
<td>2013</td>
<td>$220,000</td>
</tr>
<tr>
<td>2014</td>
<td>$230,000</td>
</tr>
<tr>
<td>2015</td>
<td>$240,000</td>
</tr>
</tbody>
</table>

Days on Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Days on Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>140</td>
</tr>
<tr>
<td>2011</td>
<td>135</td>
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<tr>
<td>2012</td>
<td>130</td>
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<td>2013</td>
<td>125</td>
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<tr>
<td>2014</td>
<td>120</td>
</tr>
<tr>
<td>2015</td>
<td>115</td>
</tr>
</tbody>
</table>

Source: Missoula Association of Realtors.
Markets Looking Much Healthier

Helena Market Statistics

### Number of Sales

- 2010: $600
- 2011: $700
- 2012: $800
- 2013: $900
- 2014: $1,000
- 2015: $1,100

### Average Sale Price

- 2010: $190,000
- 2011: $200,000
- 2012: $210,000
- 2013: $220,000
- 2014: $230,000
- 2015: $240,000

### Days on Market

- 2010: 2010
- 2011: 2011
- 2012: 2012
- 2013: 2013
- 2014: 2014
- 2015: 2015

Source: Helena Association of Realtors.
Markets Looking Much Healthier

Gallatin County Market Statistics

Number of Sales
- 2010: 800
- 2011: 1,000
- 2012: 1,200
- 2013: 1,400
- 2014: 1,600
- 2015: 1,800

Median Sale Price
- 2010: $70,000
- 2011: $80,000
- 2012: $90,000
- 2013: $100,000
- 2014: $110,000
- 2015: $120,000

Days on Market
- 2010: 120 days
- 2011: 110 days
- 2012: 100 days
- 2013: 90 days
- 2014: 80 days
- 2015: 70 days

Source: Gallatin Association of Realtors.
Markets Looking Much Healthier

Yellowstone County Market Statistics

Number of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$170,000</td>
<td>$180,000</td>
<td>$190,000</td>
<td>$200,000</td>
<td>$210,000</td>
</tr>
</tbody>
</table>

Median Sale Price

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>35</td>
<td>45</td>
<td>55</td>
<td>65</td>
<td>75</td>
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</table>

Days on Market

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days</td>
<td>85</td>
<td>75</td>
<td>65</td>
<td>55</td>
<td>45</td>
</tr>
</tbody>
</table>

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

Number of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>800</td>
<td>600</td>
<td>1,400</td>
<td>1,600</td>
<td>1,800</td>
</tr>
</tbody>
</table>

Median Sale Price

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
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<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$180,000</td>
<td>$190,000</td>
<td>$200,000</td>
<td>$210,000</td>
<td>$220,000</td>
</tr>
</tbody>
</table>

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? \[\rightarrow\] Not Affordable
Housing Affordability Has Declined

Housing Affordability Index, Cascade County

Source: Bureau of Business and Economic Research
Housing Affordability Has Declined

Housing Affordability Index, Flathead County

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Annual Average</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2002-08</td>
</tr>
<tr>
<td>Montana</td>
<td>4,300</td>
</tr>
<tr>
<td>Cascade</td>
<td>-361</td>
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<tr>
<td>Flathead</td>
<td>1,319</td>
</tr>
<tr>
<td>Gallatin</td>
<td>1,218</td>
</tr>
<tr>
<td>Lewis and Clark</td>
<td>416</td>
</tr>
<tr>
<td>Missoula</td>
<td>332</td>
</tr>
<tr>
<td>Ravalli</td>
<td>467</td>
</tr>
<tr>
<td>Silver Bow</td>
<td>-89</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>868</td>
</tr>
</tbody>
</table>

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

Percent

Lewis and Clark
Montana

49 % multi-family

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

Percent

Missoula

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

Housing Starts Index, 2001 = 100
Source: Bureau of Business and Economic Research and U.S. Census Bureau.
Growth in Rents Has Increased since 2011

Source: U.S. Census Bureau.

Montana Residential Rent, Inflation Adjusted (2014$)
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

- 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.

Source: Federal Housing Finance Agency, Institute for College Access and Success.
Montana’s Aging Population

Source: U.S. Census Bureau.

2000 37.2 yrs.
2014 39.7 yrs.
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?