

# The Outlook for Real Estate and Residential Construction

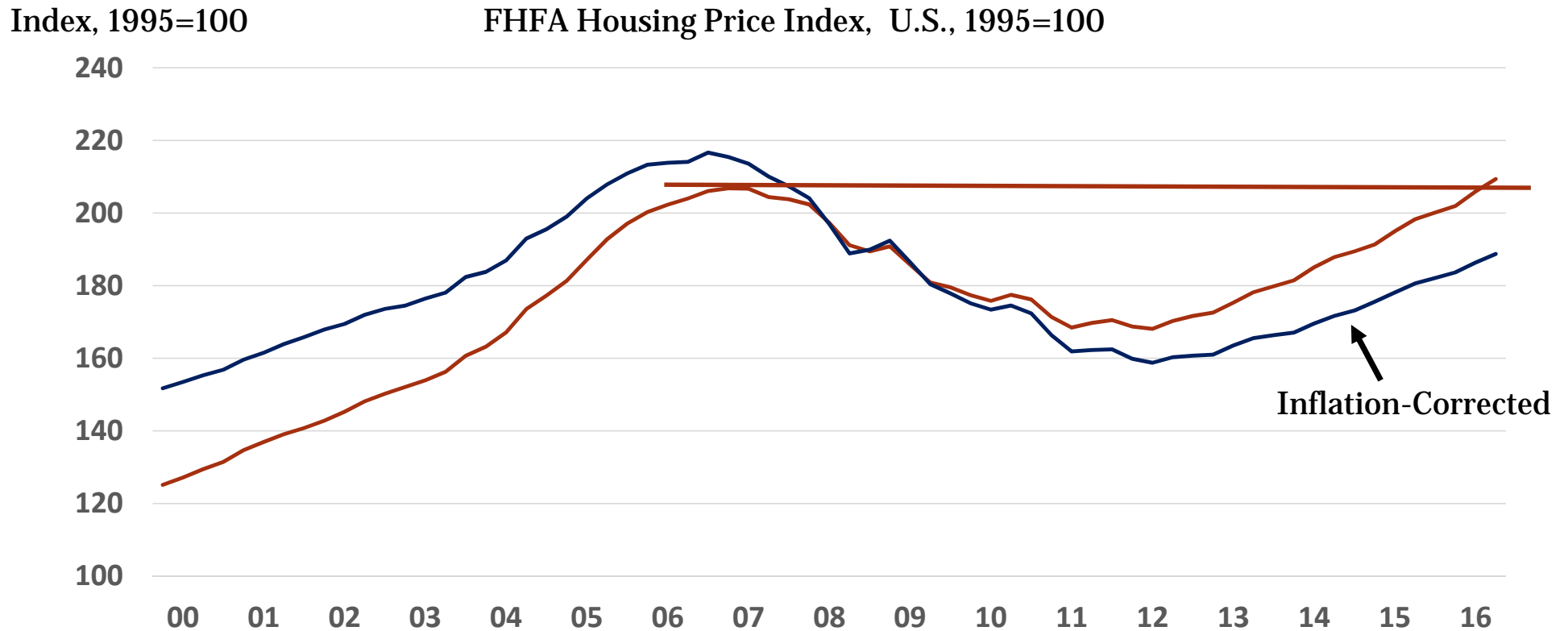
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Bureau of Business and Economic Research  
University of Montana



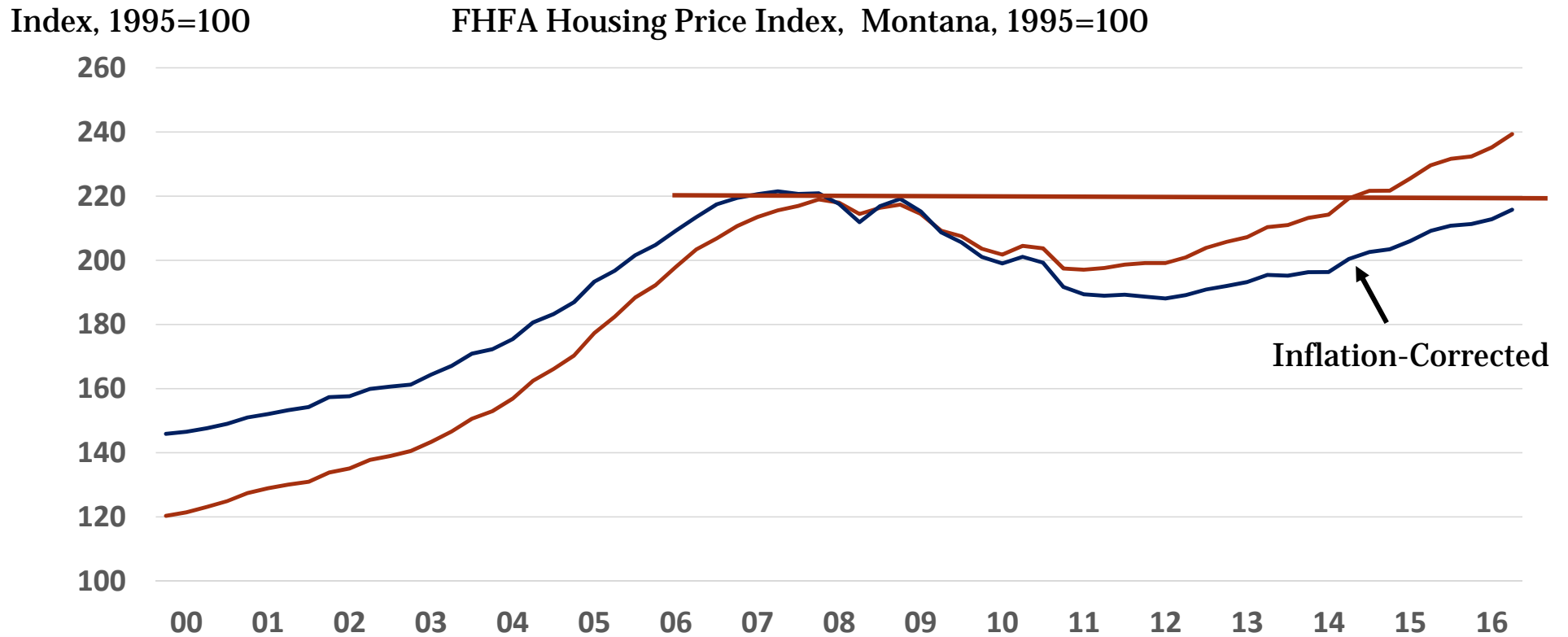
# Montana's Real Estate Performance: Getting Back to Boom Times?

- Housing prices exceeded their pre-recession peaks two years ago
- Homeownership becoming more attractive
- Credit standards continue to ease
- New home construction still not strong
- Speculative behavior not apparent in Montana

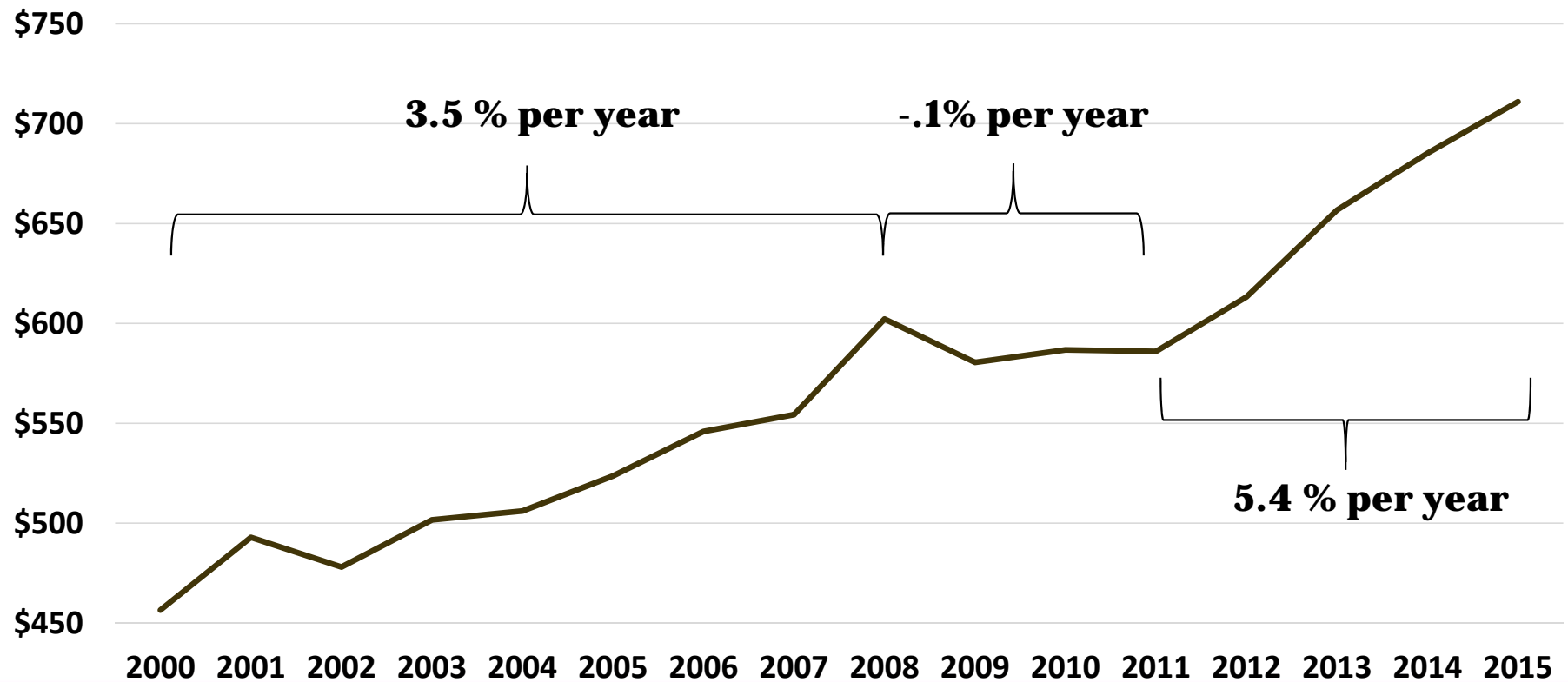
# U.S. Housing Prices Have Recovered to Their Pre-Recession Peak



# Montana's Housing Price Recovery Occurred Two Years Ago

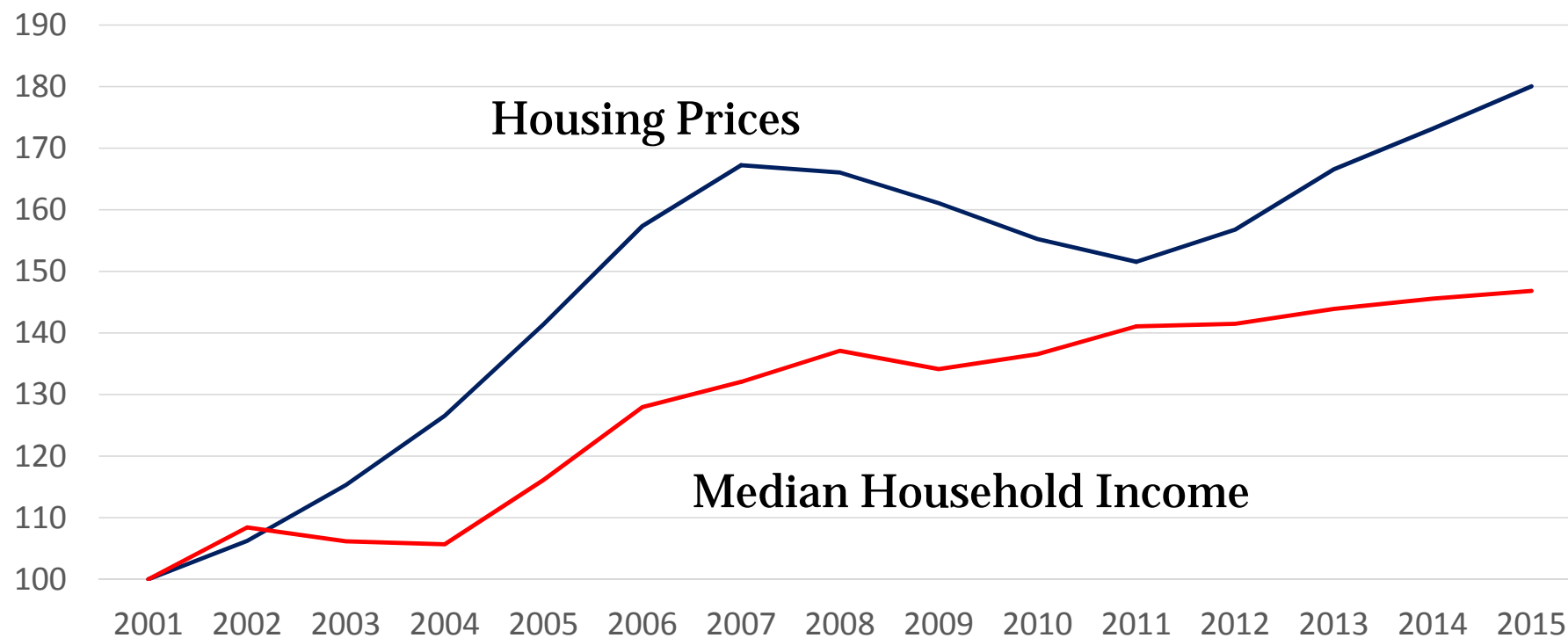


# Growth in Rents Has Increased Since 2011



# Boom, Bust, and Recovery of Montana Real Estate

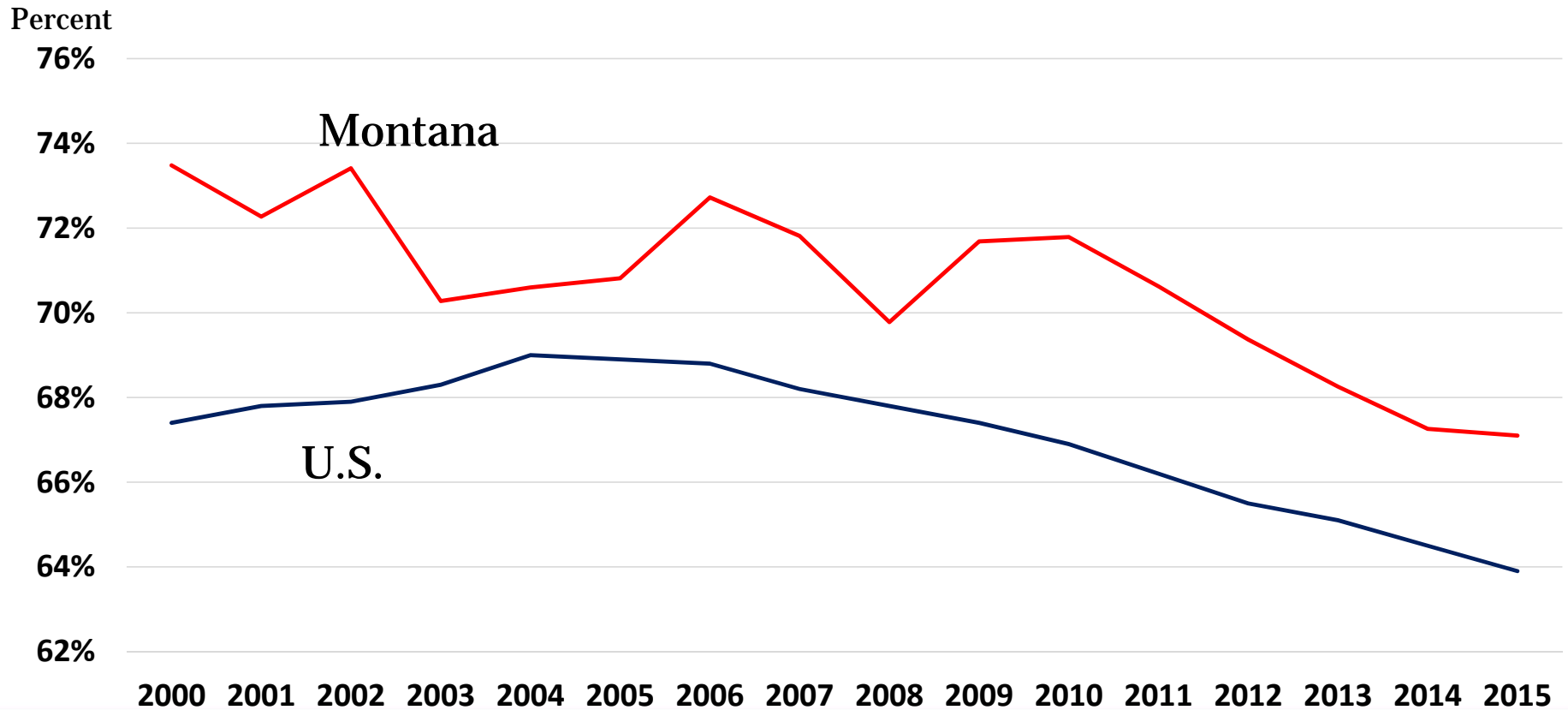
Percent



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

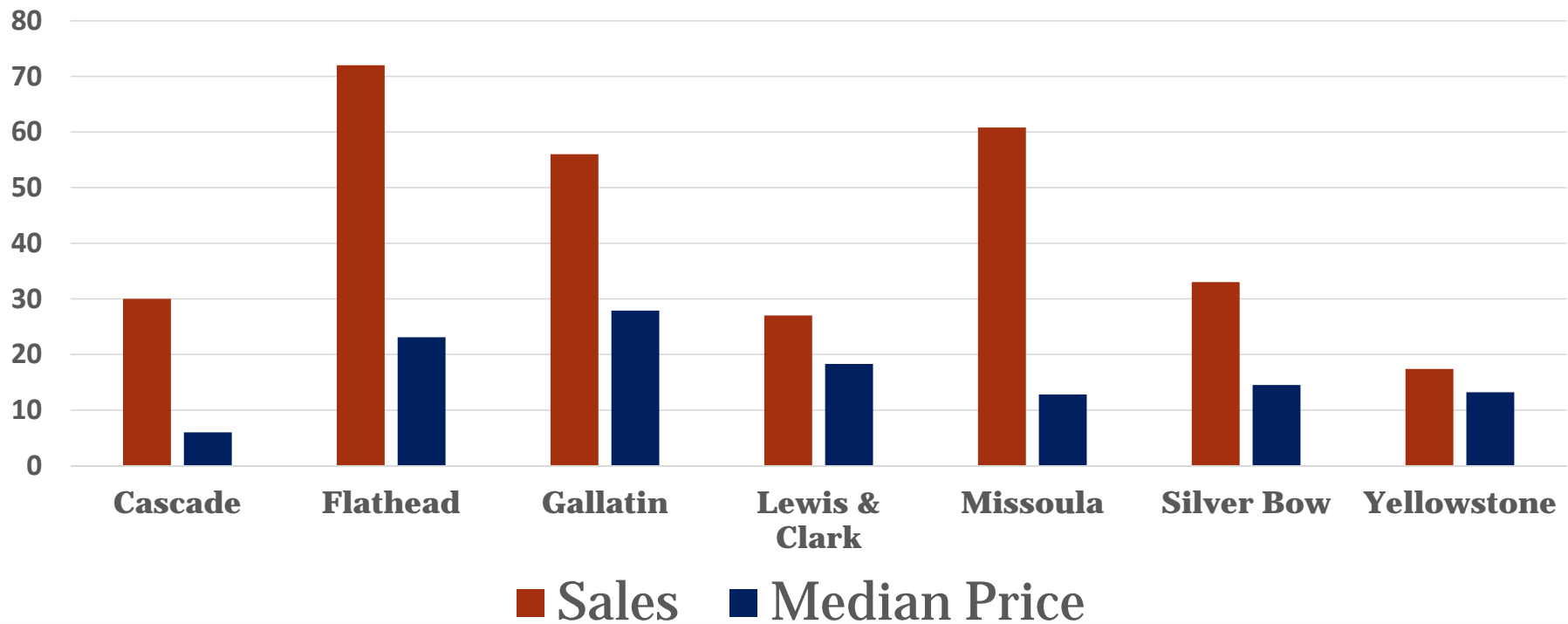
Source: U.S. Federal Housing Finance Agency and Census Bureau.

# Will the Erosion of Homeownership Rates Continue?



# Sales Volumes and Median Prices Up Strongly Since 2012

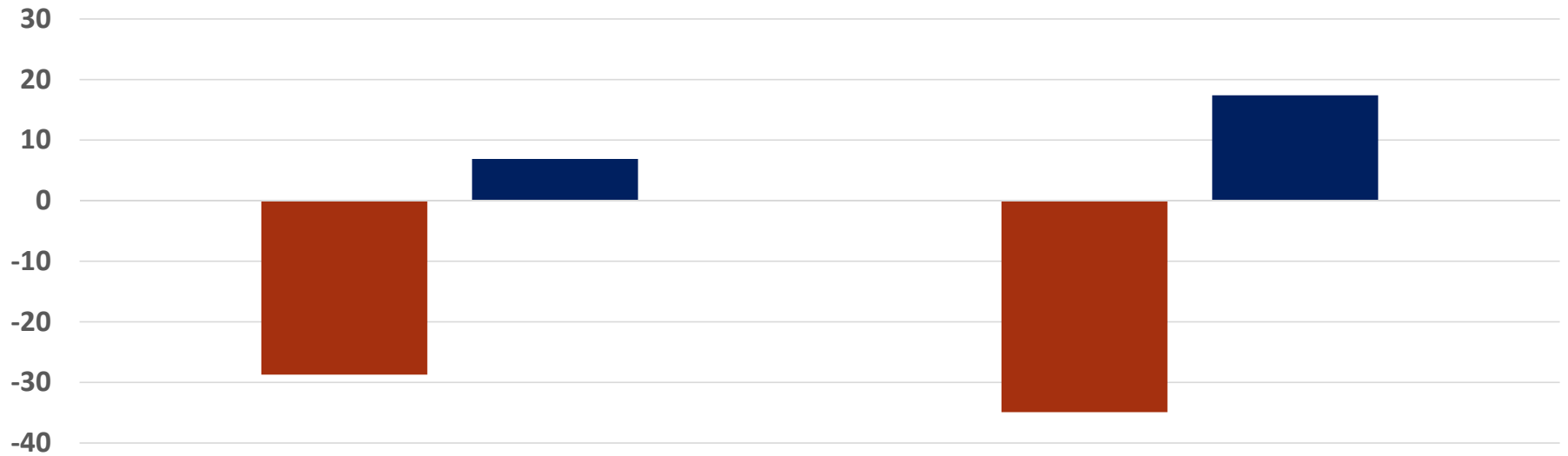
Percent





# Sales Volumes Plunge Since 2012 Reflect Oil Bust in East

Percent



**Custer**

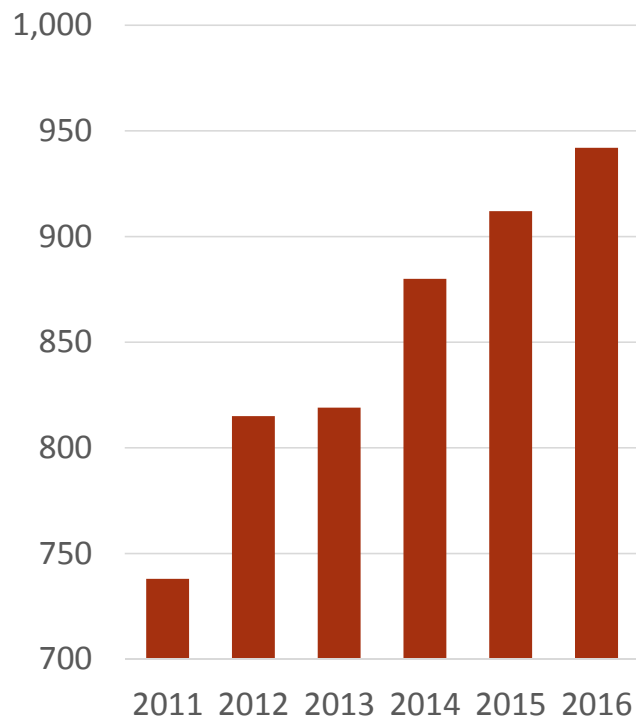
**Richland**

■ Sales ■ Median Price

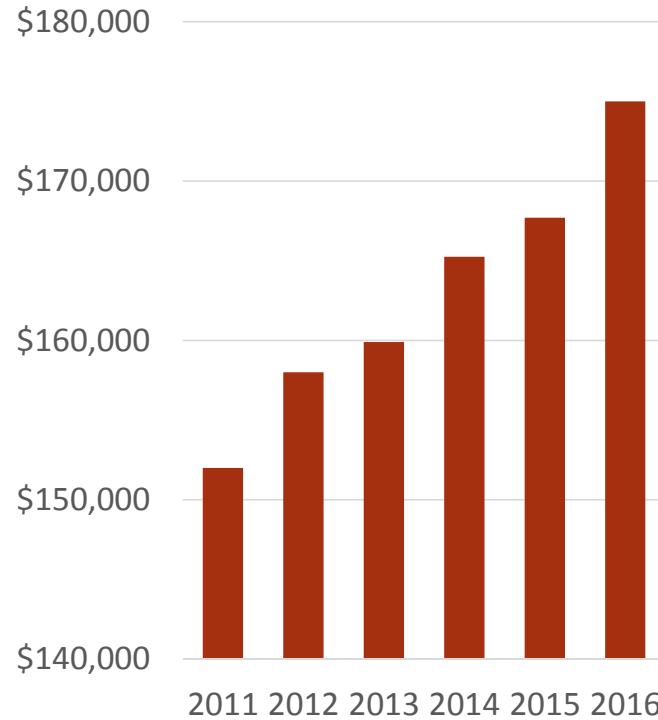
# Markets Looking Much Healthier

## Cascade County Market Statistics

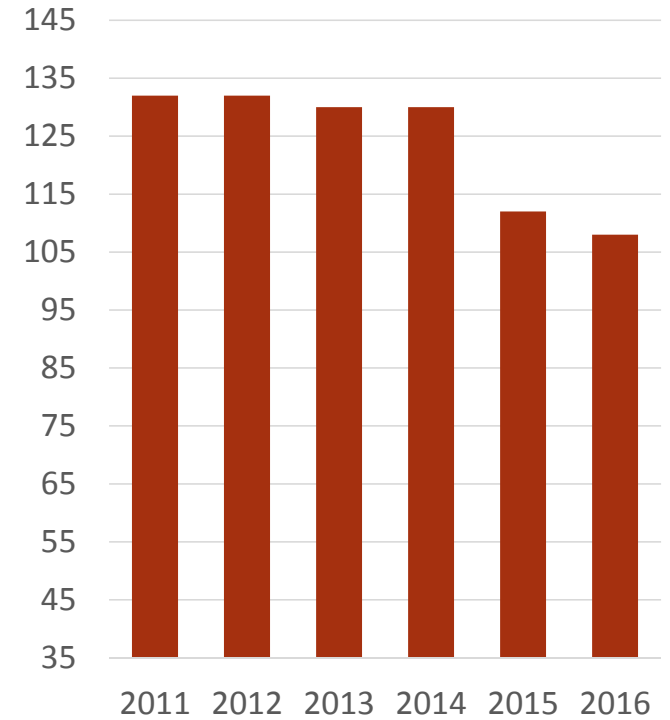
Number of Sales



Median Sale Price

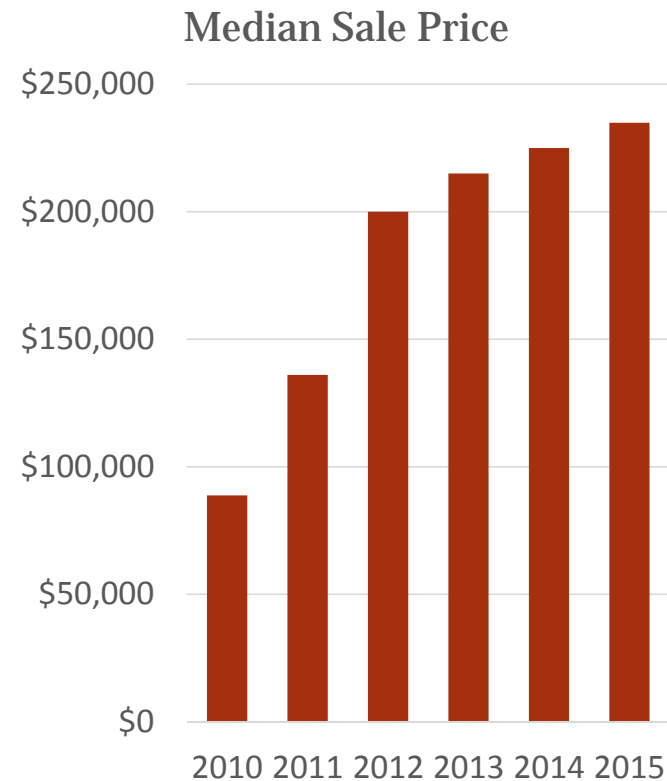
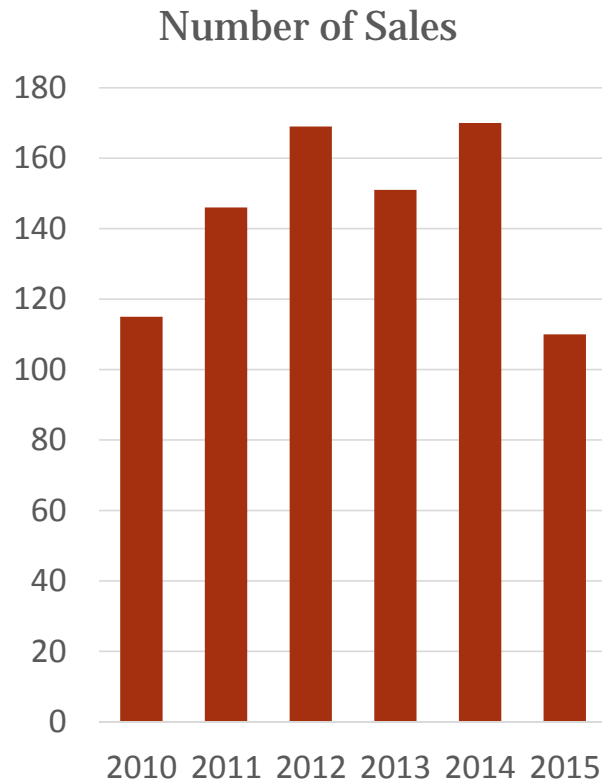


Days on Market



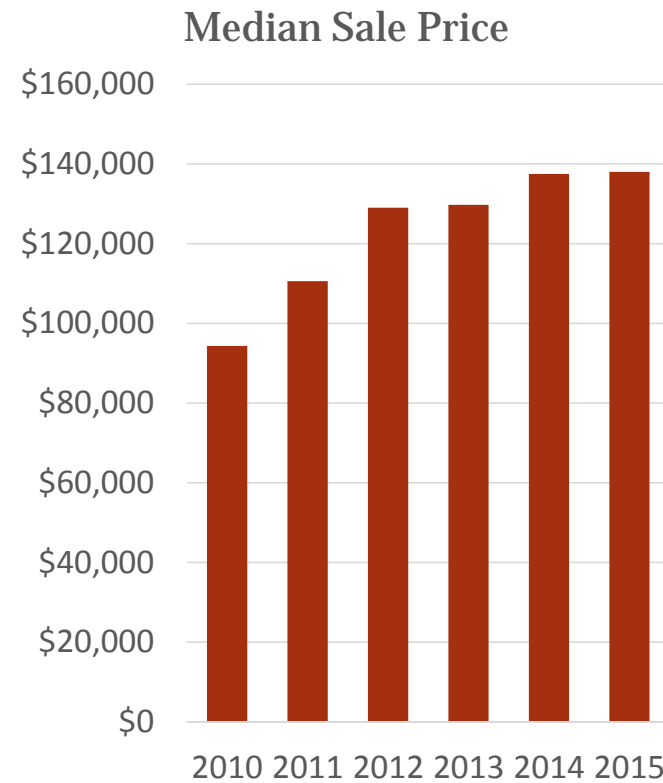
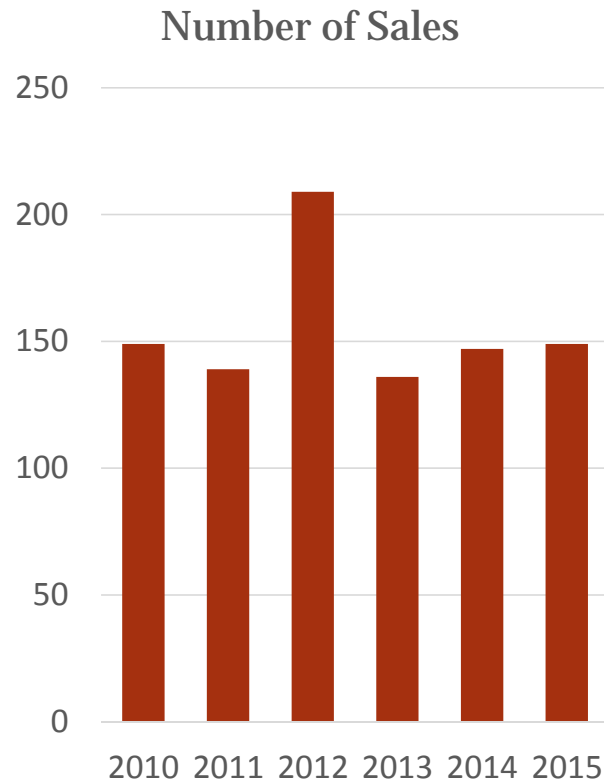
# Market Has Been Transformed Since 2010

## Richland County Market Statistics



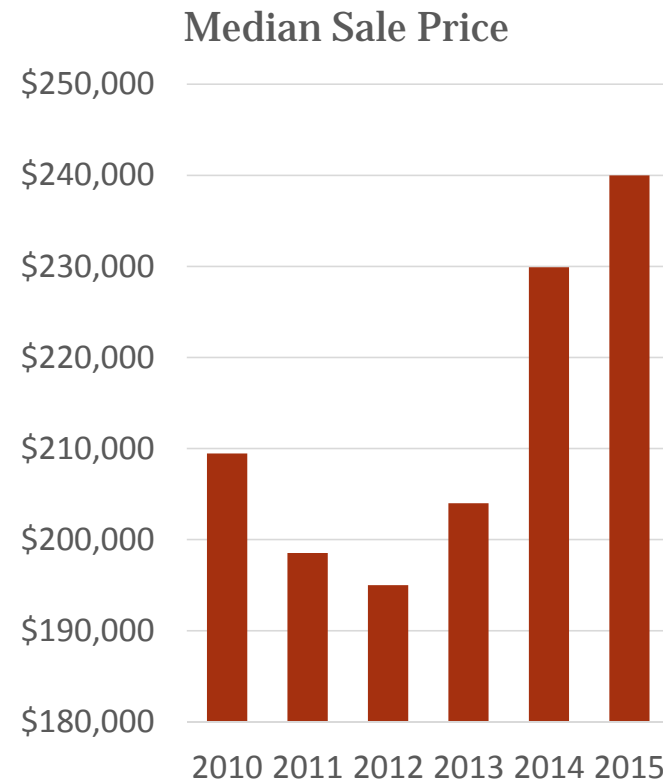
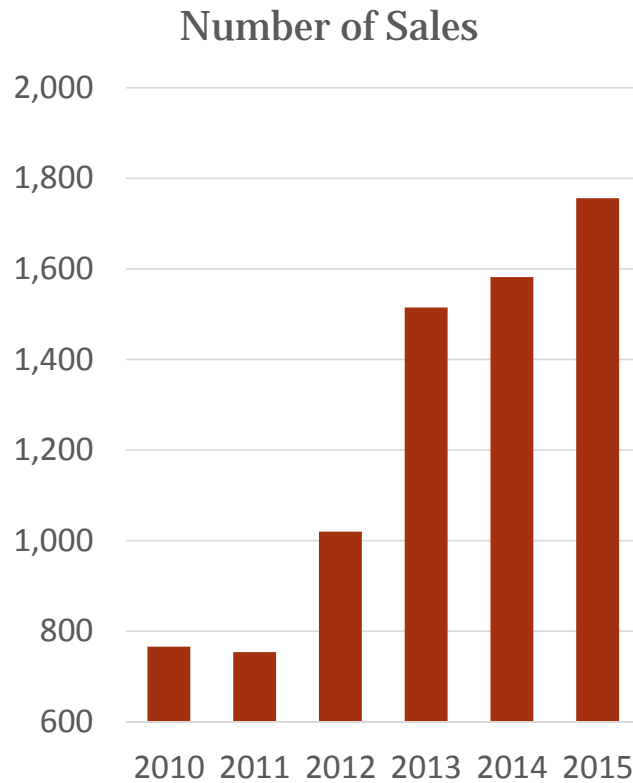
# Little Change in Market Activity

## Custer County Market Statistics



# Markets Looking Much Healthier

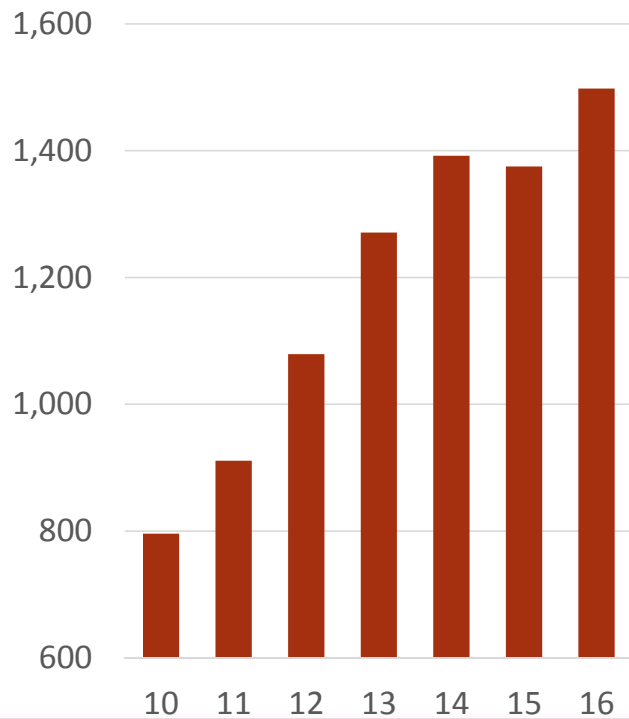
## Flathead County Market Statistics



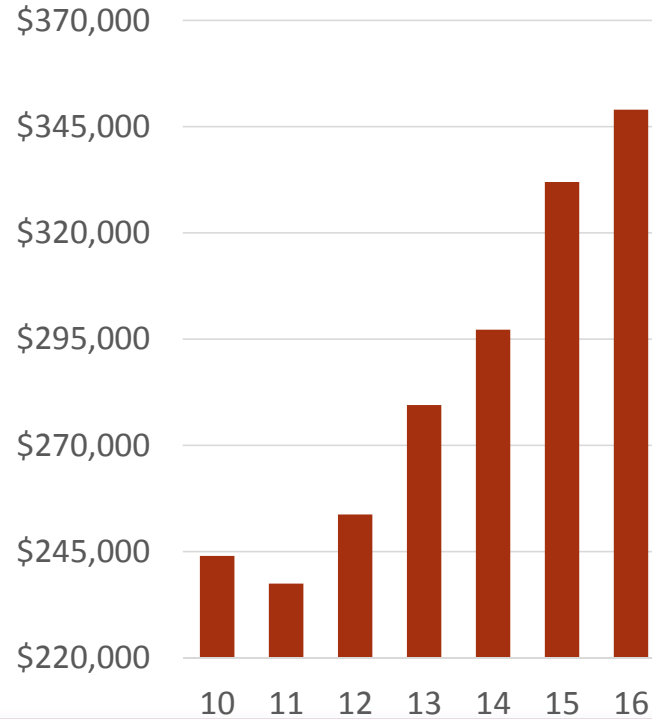
# Market Continues to Heat Up

Gallatin County Market Statistics for Single Family Homes

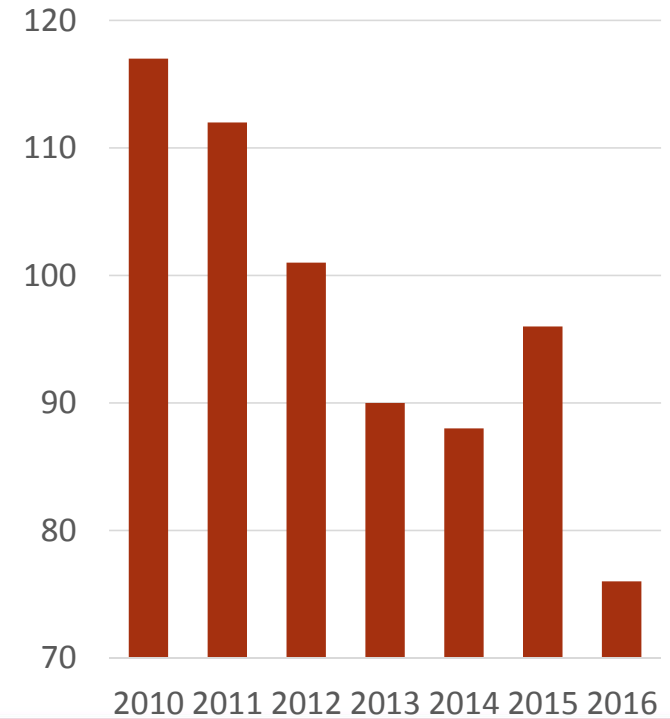
Number of Sales



Median Sale Price

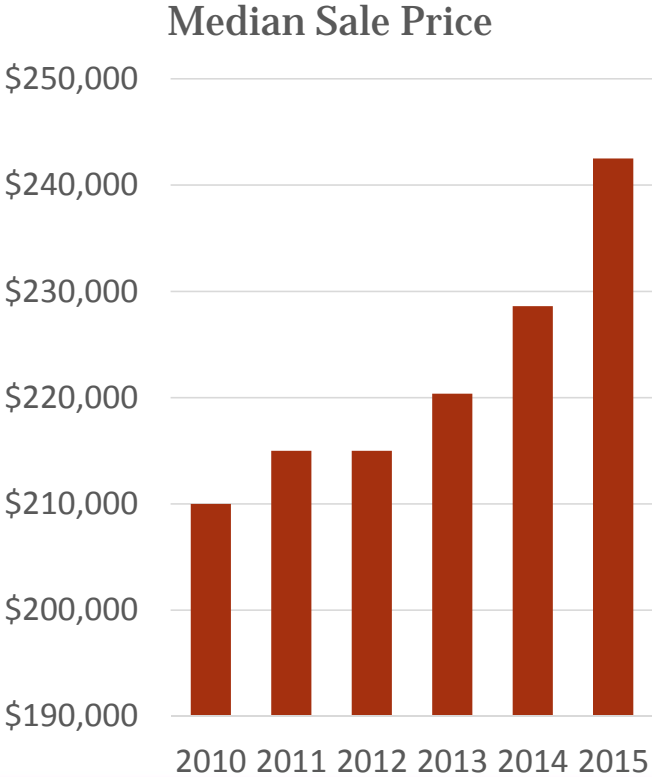
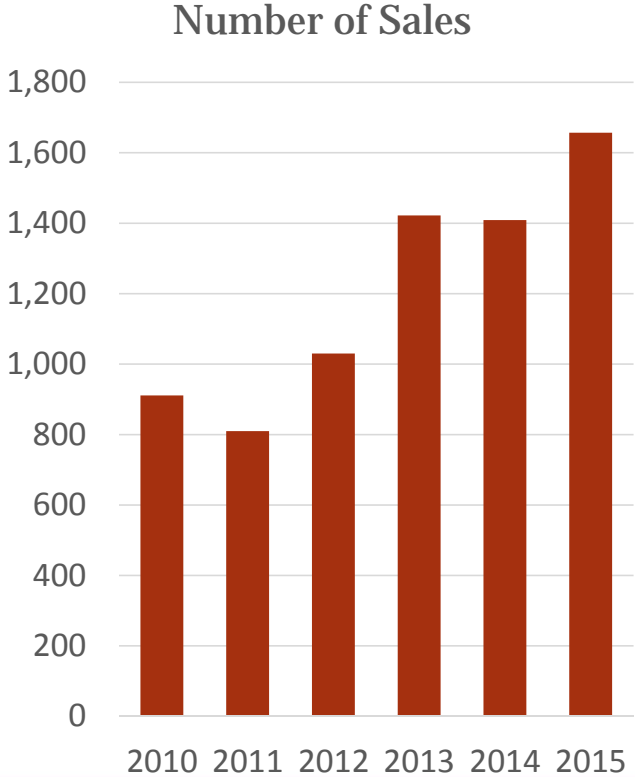


Days on Market



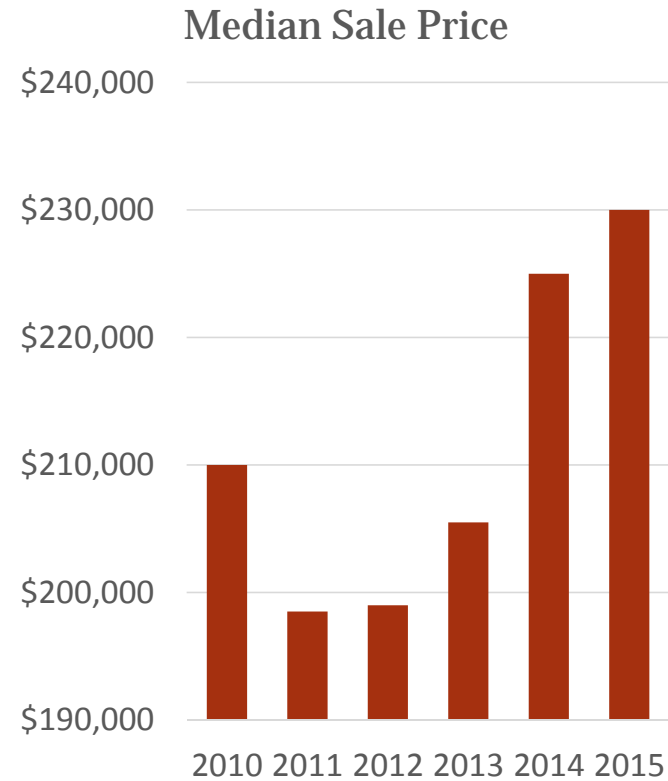
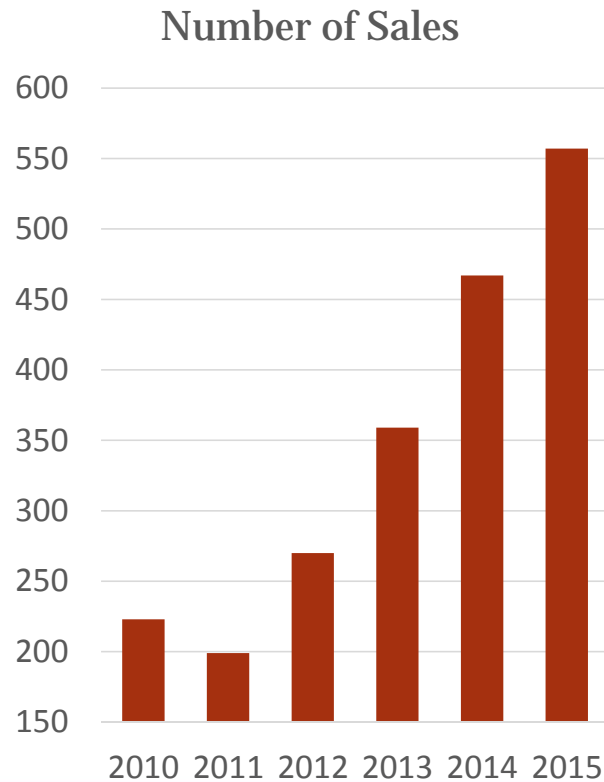
# Sale Price Growth

## Missoula County Market Statistics



# Markets Looking Much Healthier

## Ravalli County Market Statistics

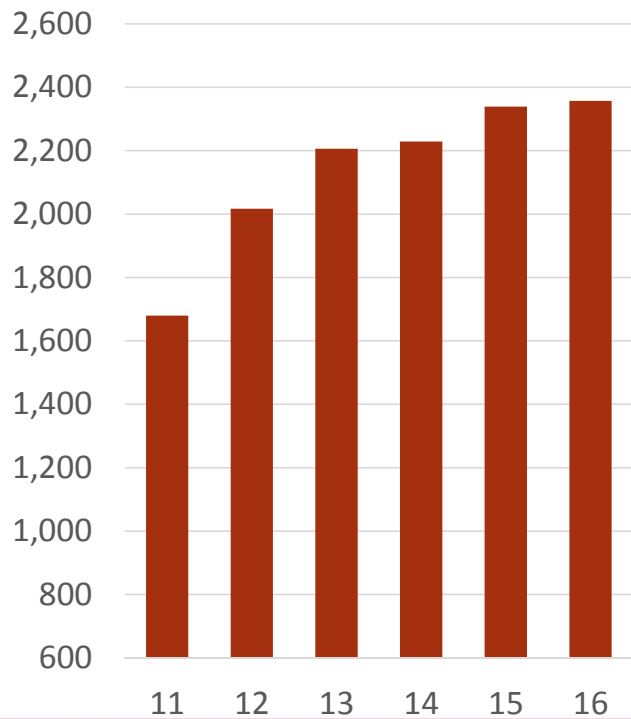




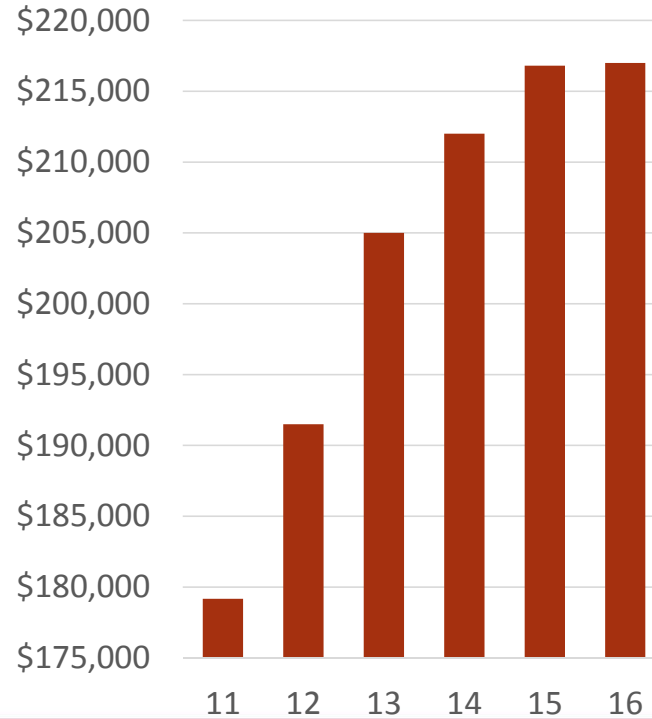
# Markets Cooled Slightly in 2016

## Yellowstone County Market Statistics for Single Family Homes

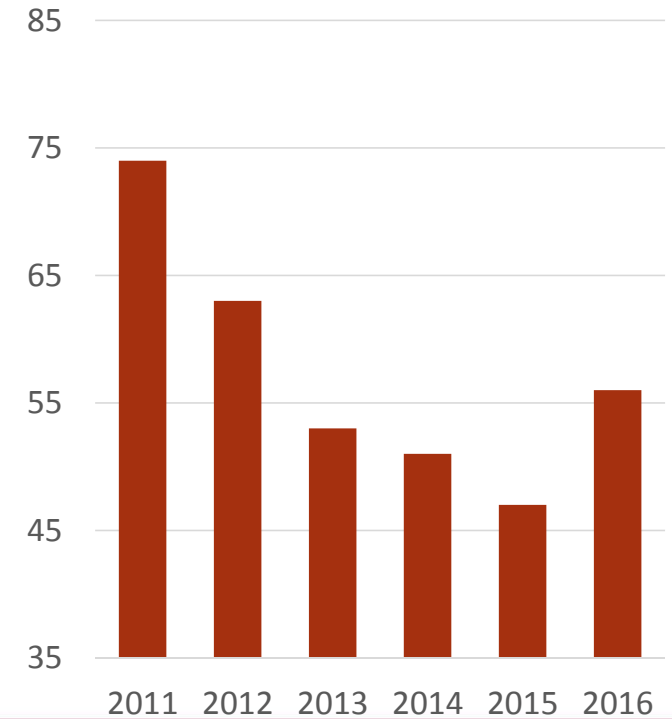
### Number of Sales



### Median Sale Price



### Days on Market



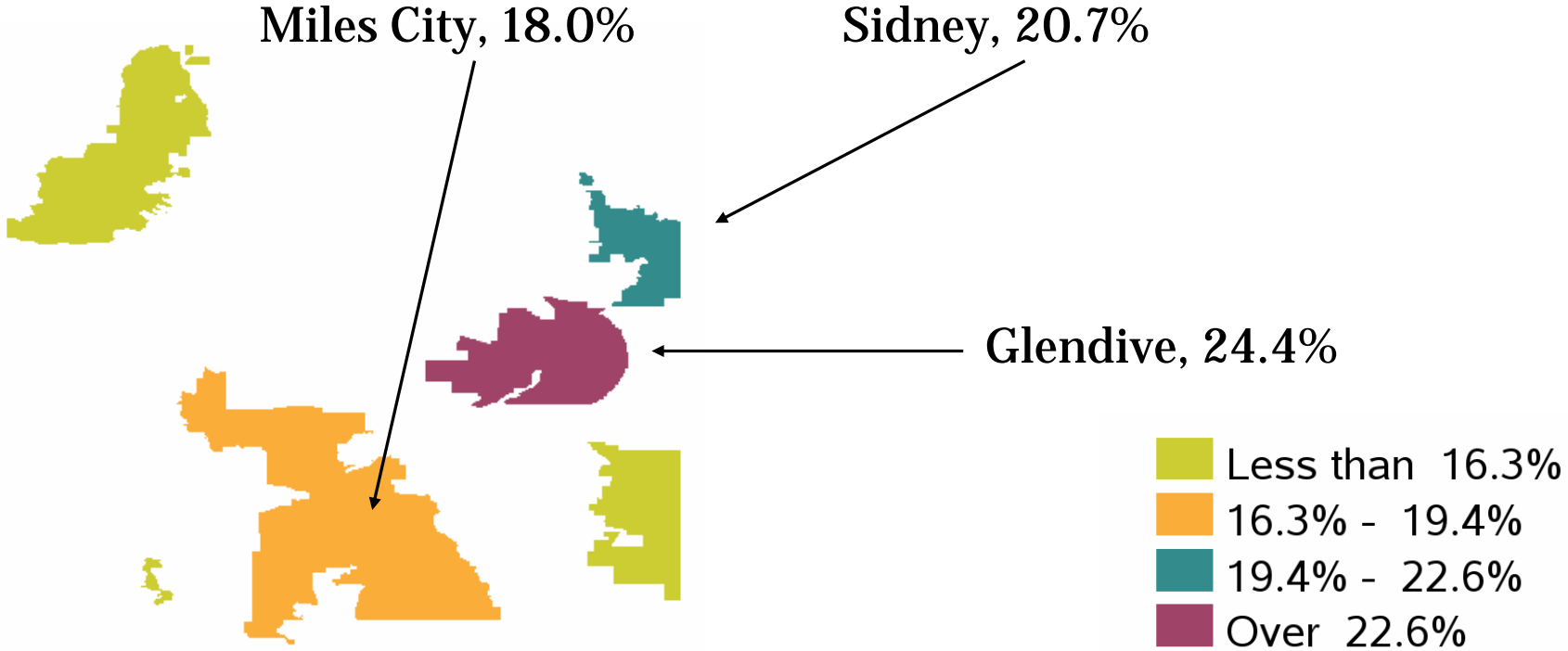
# Housing Price Increases Since 2000 Closely Track Economic Growth

Housing Price Index by Zip Code, 2015 – Index, 2000 = 100



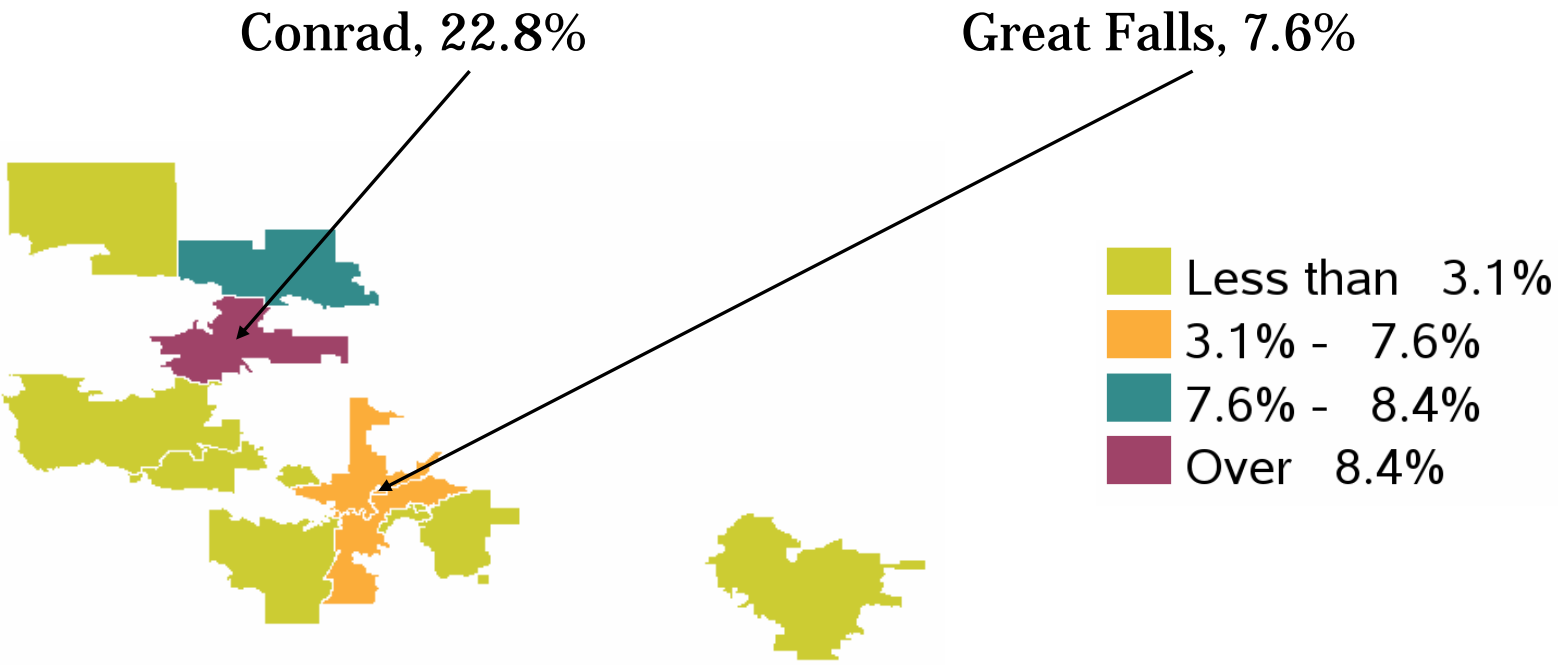
# Strong Housing Price Growth Over the Last Four Years

Percent Growth in Housing Price Index by Zip Code Since 2012



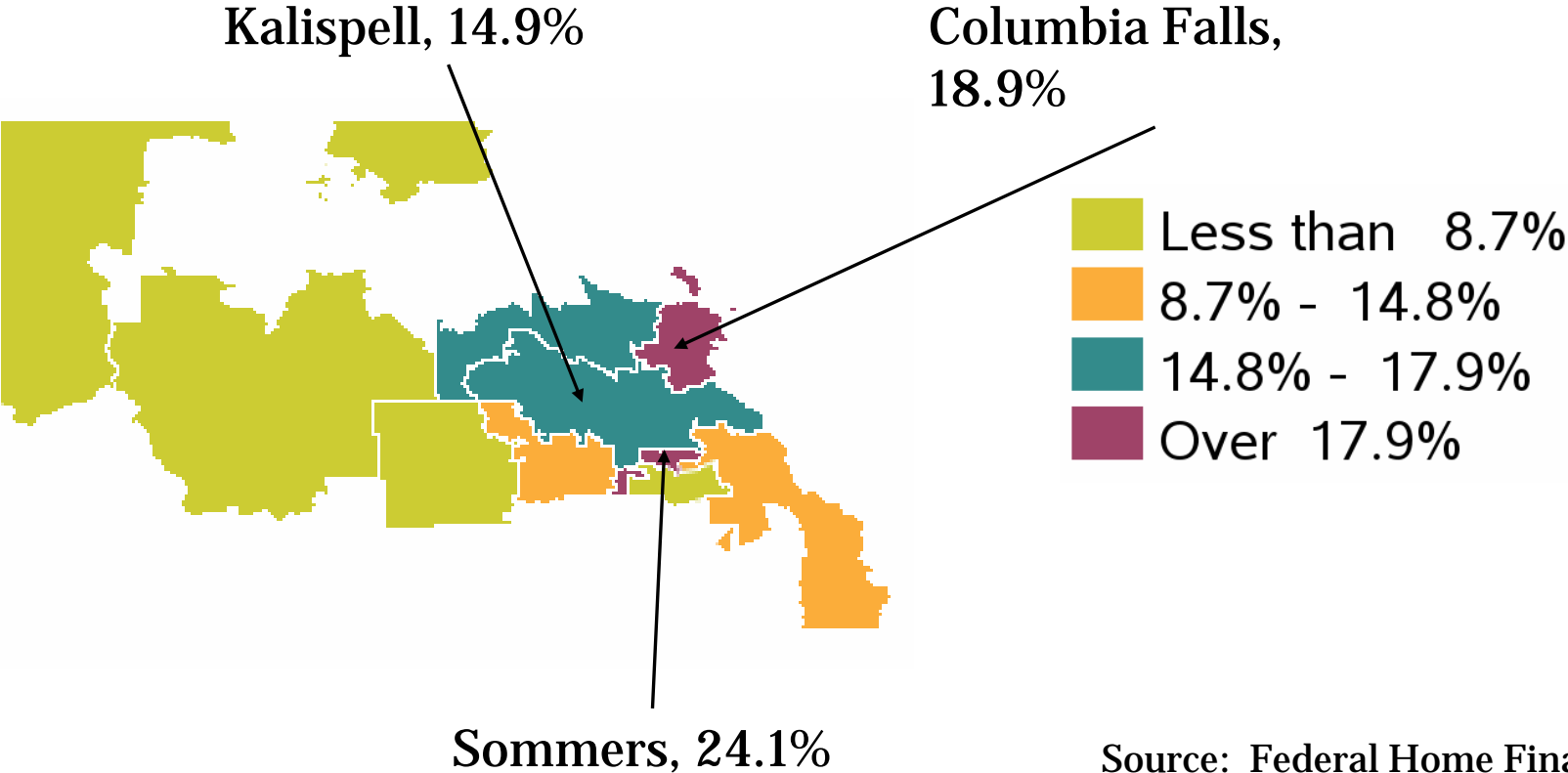
# Strongest Price Growth in North Central Montana is in Conrad

## Percent Growth in Housing Price Index by Zip Code Since 2012



# Strongest Price Growth in Northwestern Montana is in Sommers

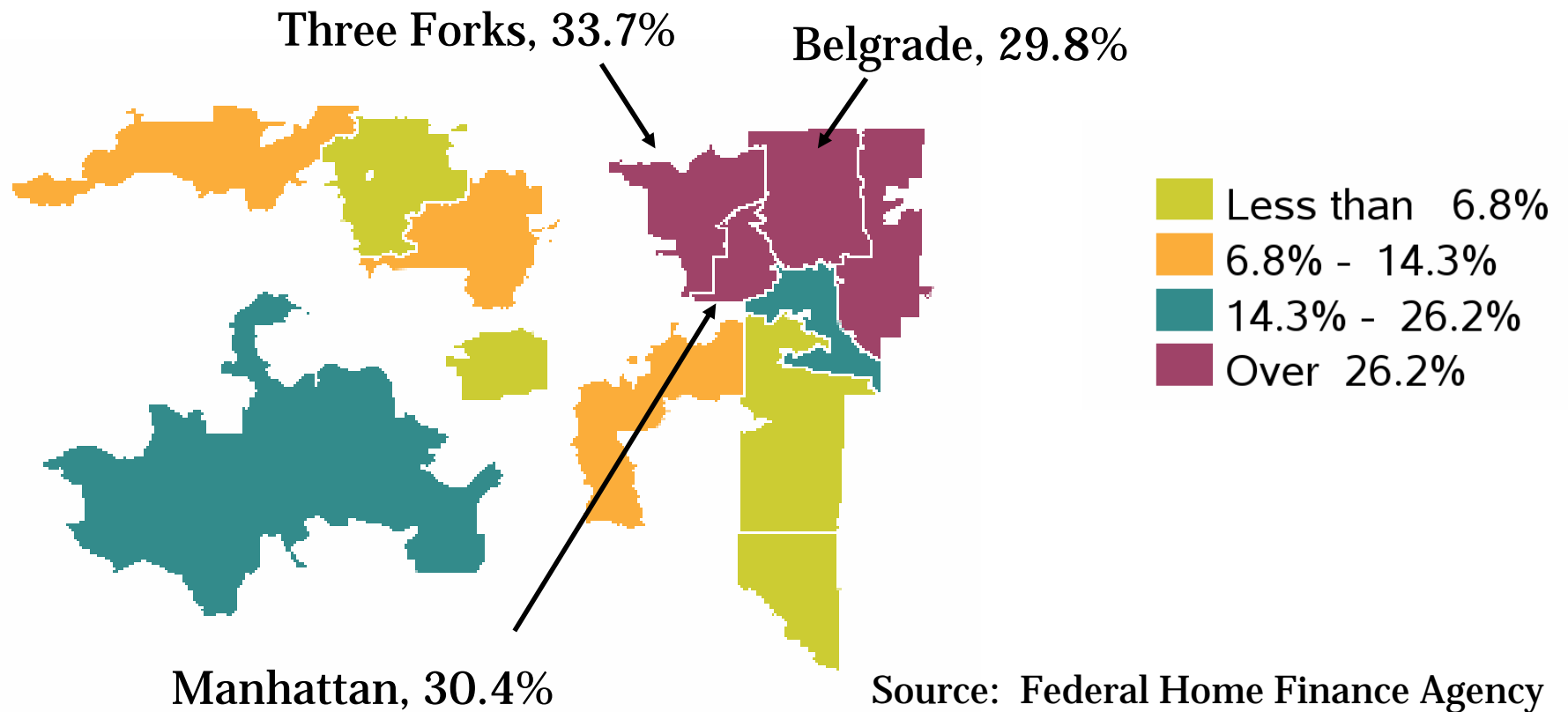
## Percent Growth in Housing Price Index by Zip Code Since 2012



Source: Federal Home Finance Agency

# Strongest Price Growth in Bozeman is West of City

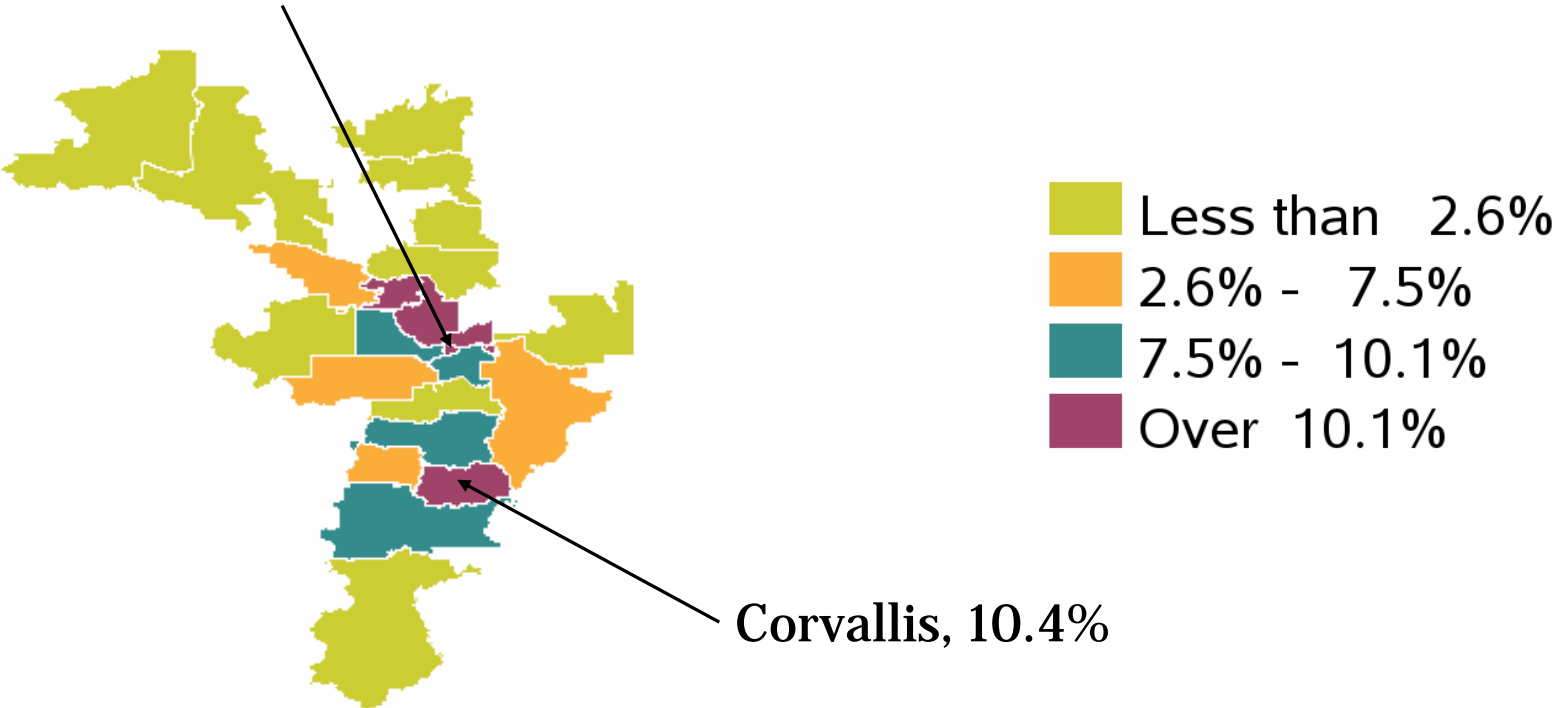
Percent Growth in Housing Price Index by Zip Code Since 2012



# Strongest Price Growth in the Missoula area is in the City

## Percent Growth in Housing Price Index by Zip Code Since 2012

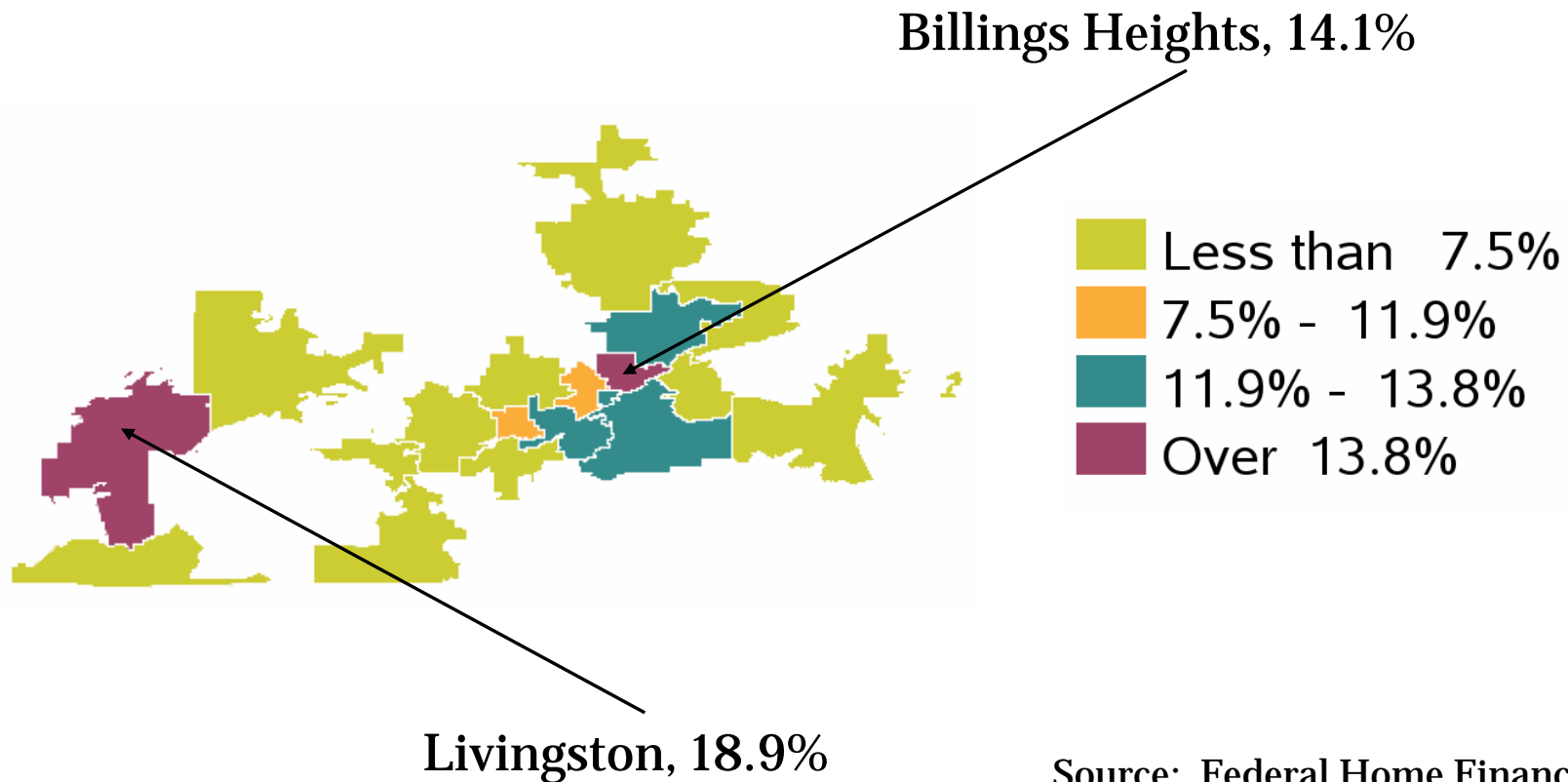
Missoula 59801, 11.9%



Source: Federal Home Finance Agency

# Strongest Price Growth in the Billings area is in Billings Heights

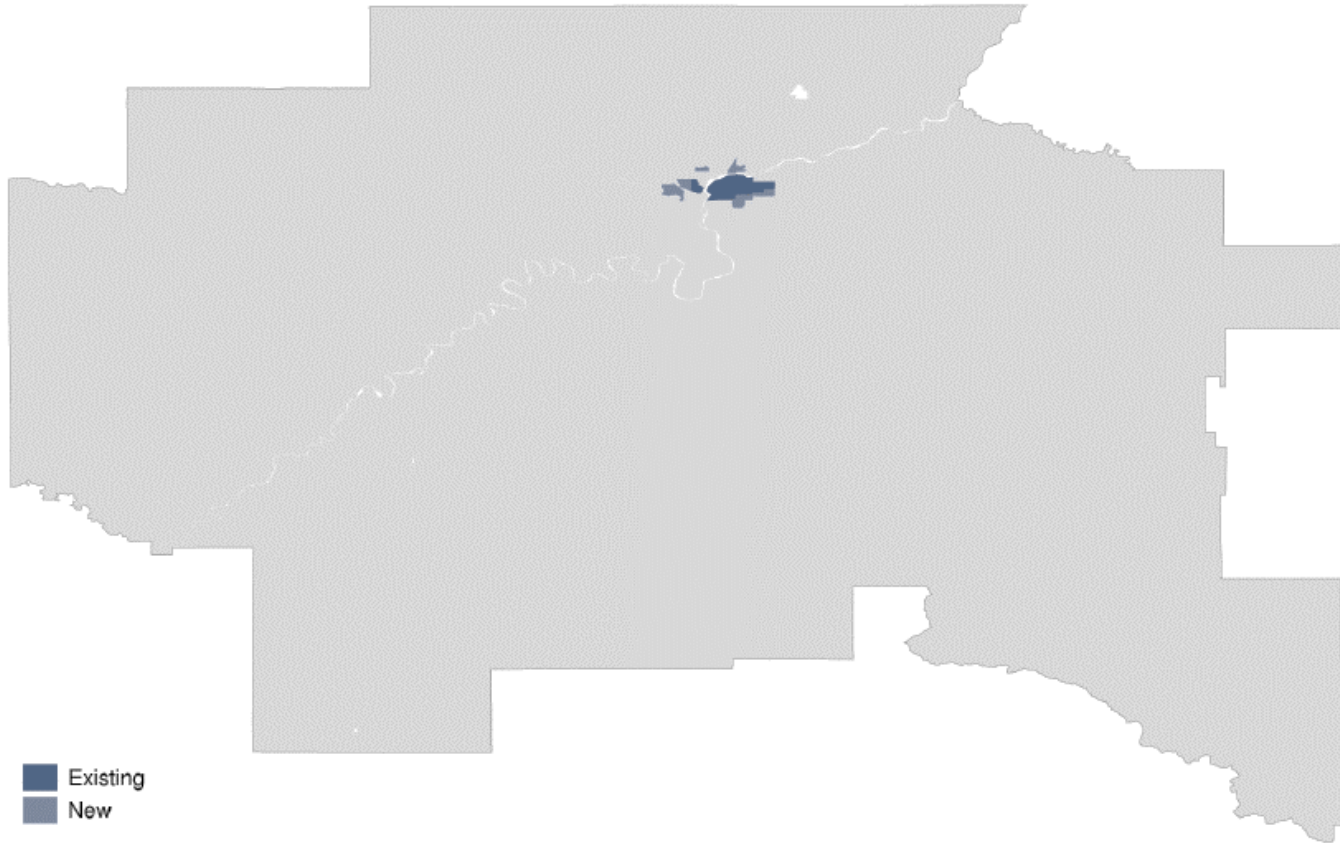
## Percent Growth in Housing Price Index by Zip Code Since 2012



Source: Federal Home Finance Agency



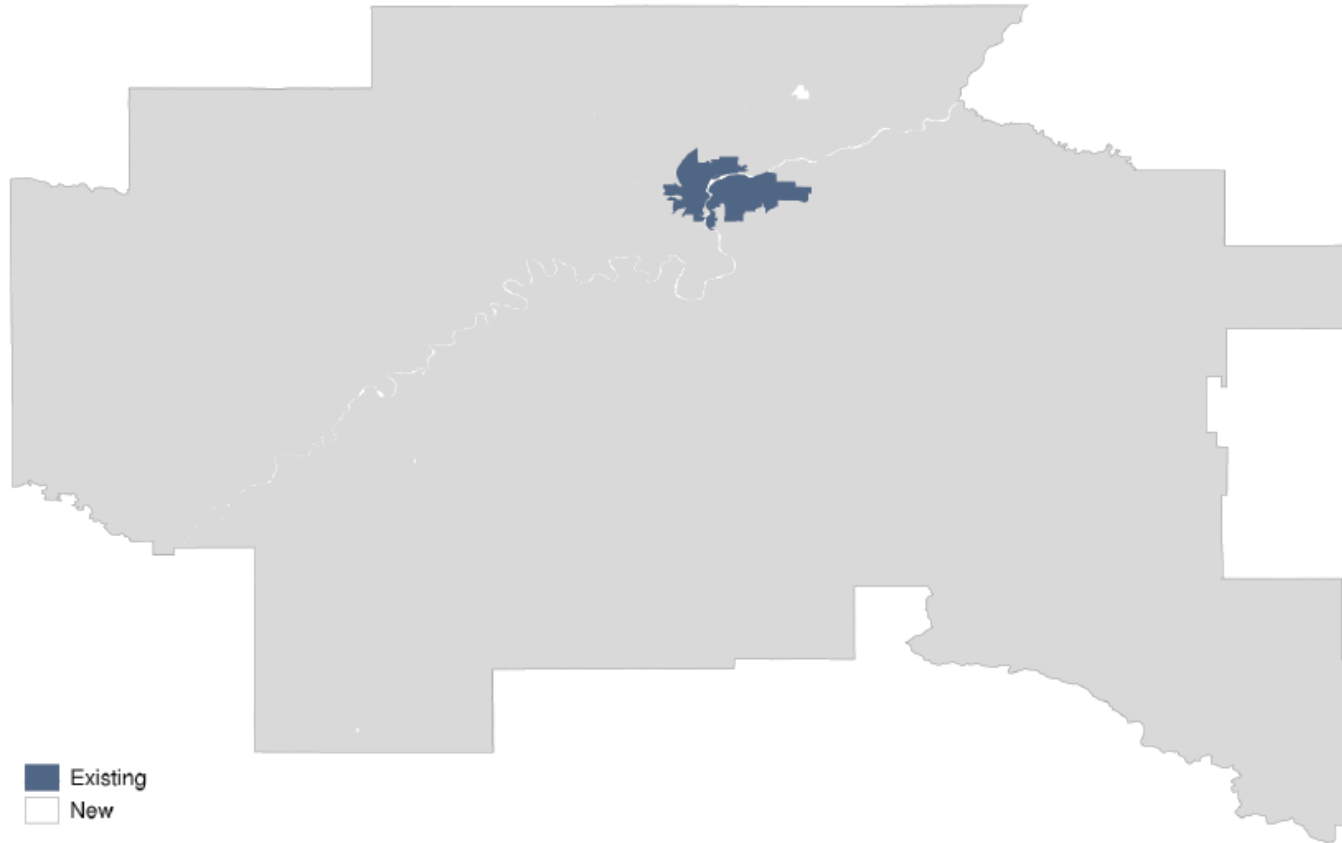
# Great Falls, MT Metro Area 1940s



Source: BuildZoom

Notes: areas considered developed when they first exceed  
200 currently existing homes per square mile.

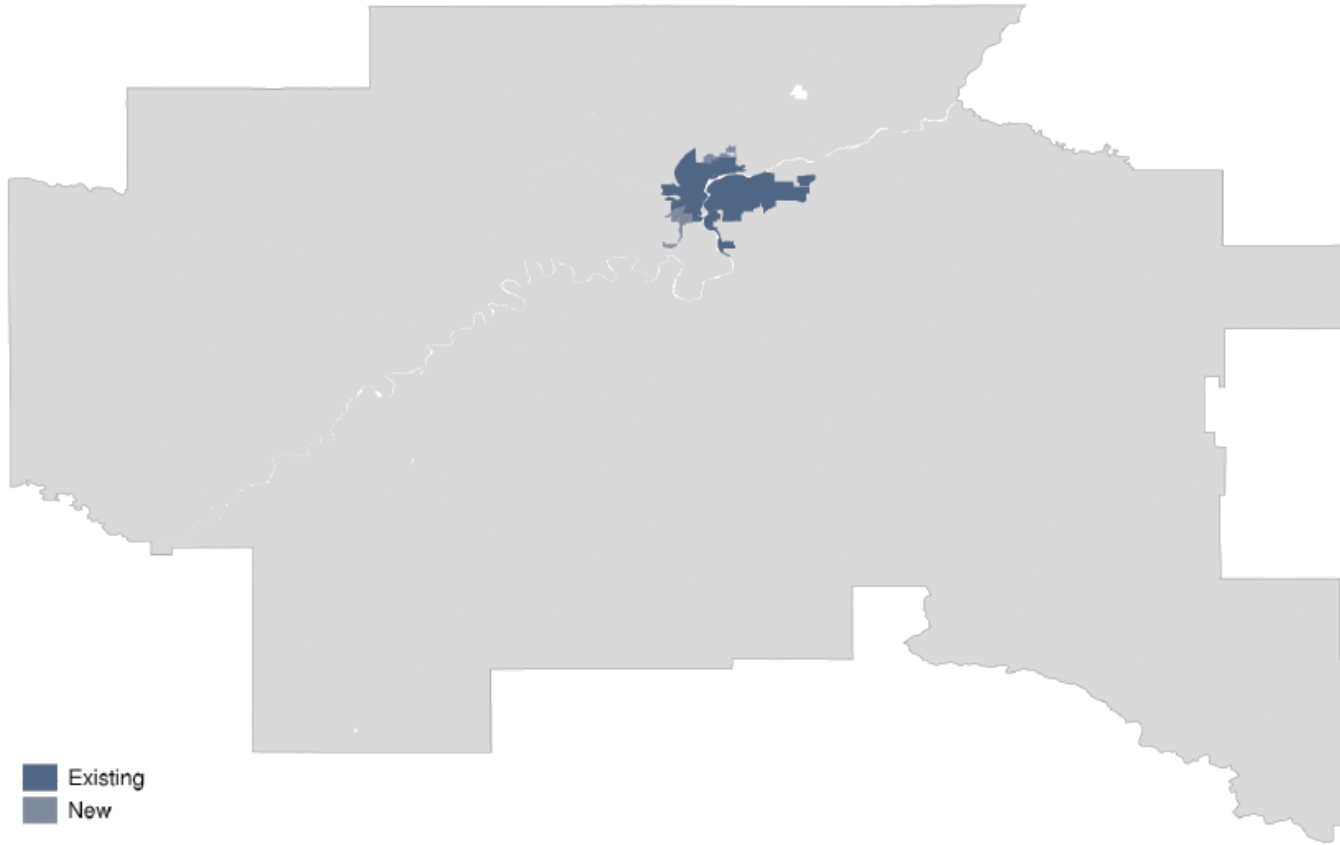
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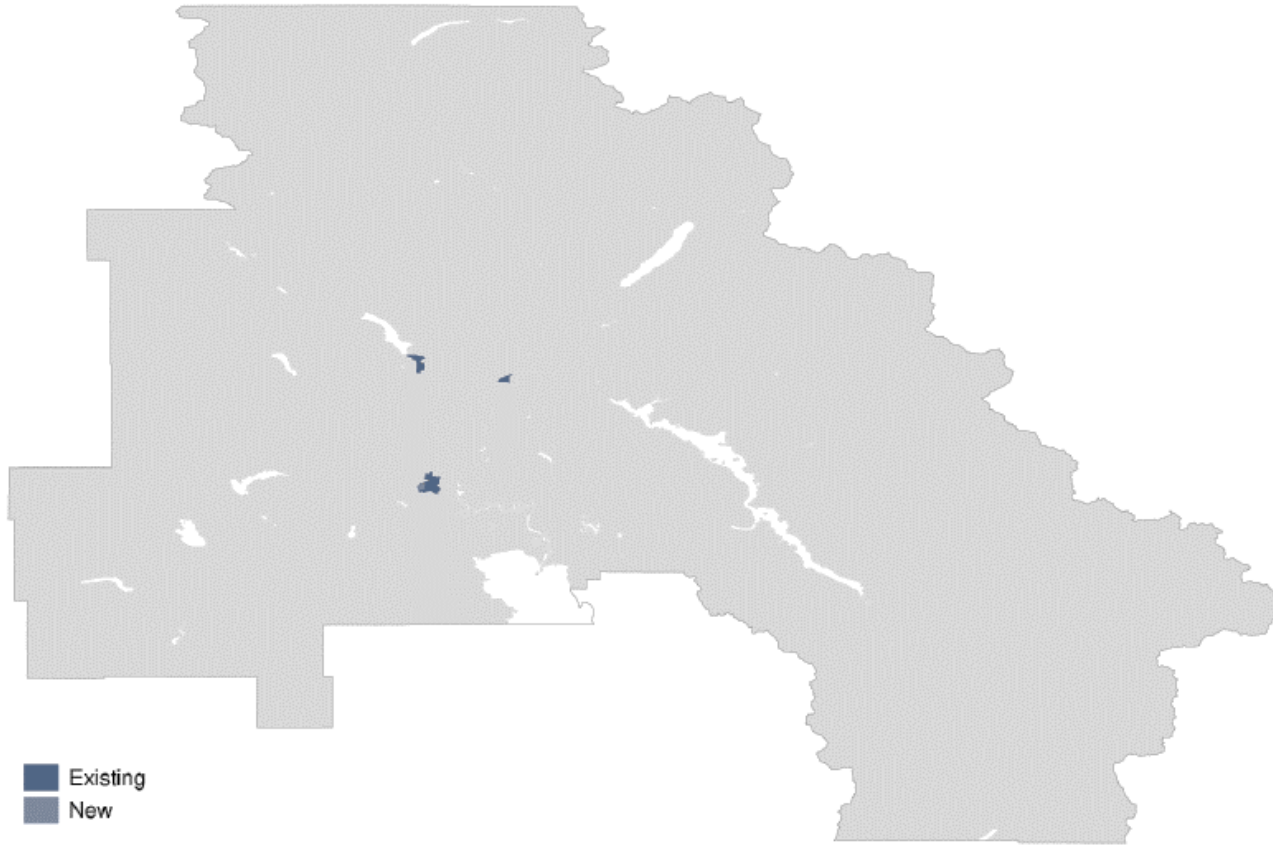
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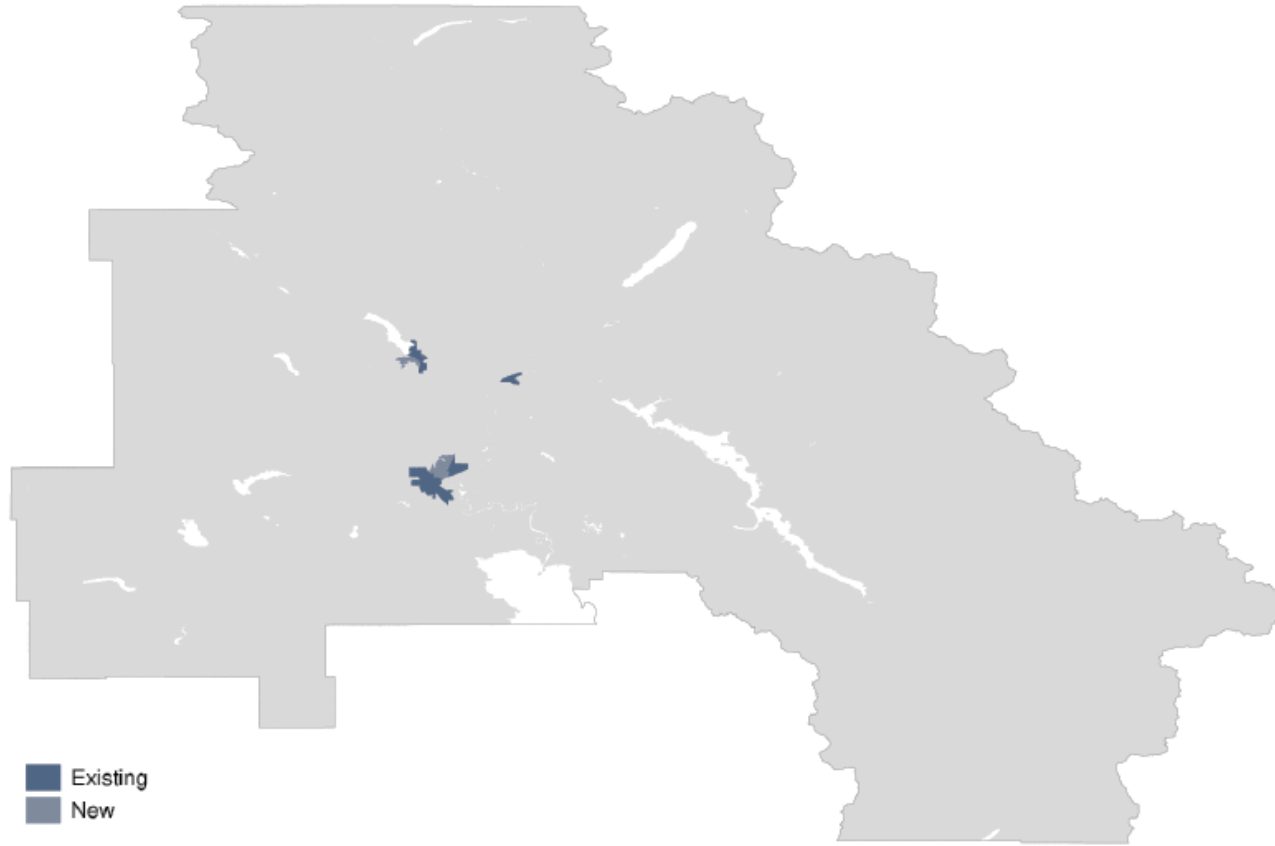
# Kalispell, MT Micro Area 1940s



Source: BuildZoom

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200 currently existing homes per square mile.

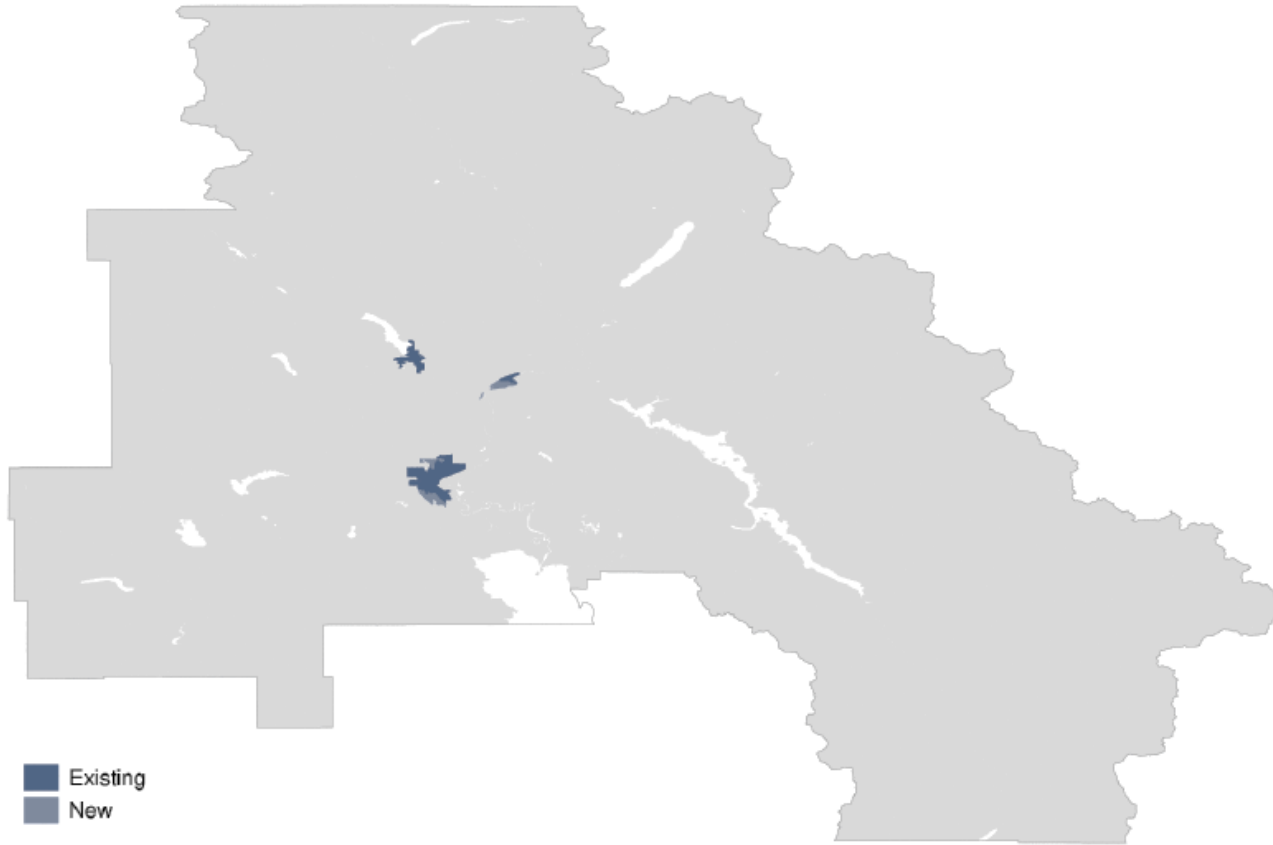
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Source: BuildZoom

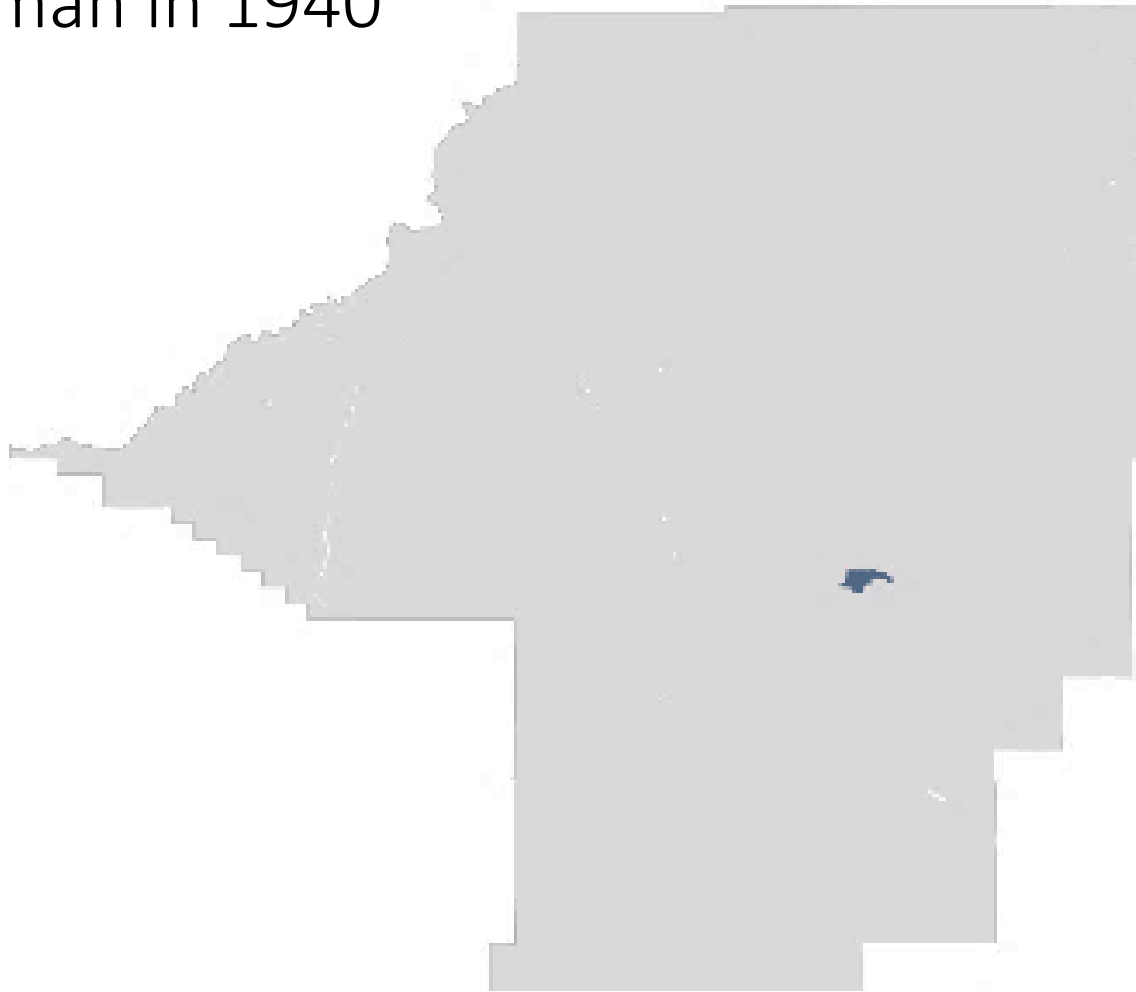
Notes: areas considered developed when they first exceed  
200 currently existing homes per square mile.

# Kalispell, MT Micro Area 2000s

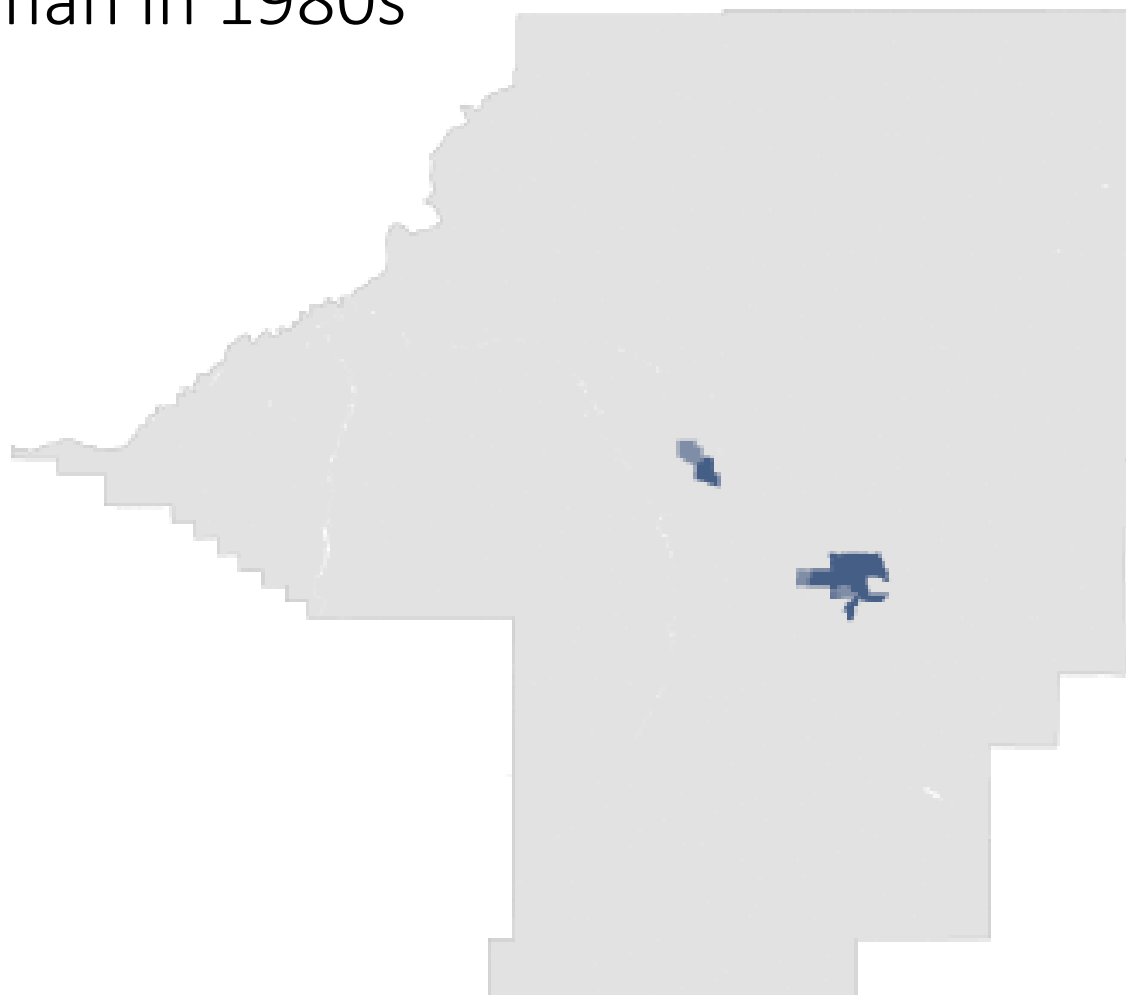


Source: BuildZoom  
Notes: areas considered developed when they first exceed  
200 currently existing homes per square mile.

Bozeman in 1940

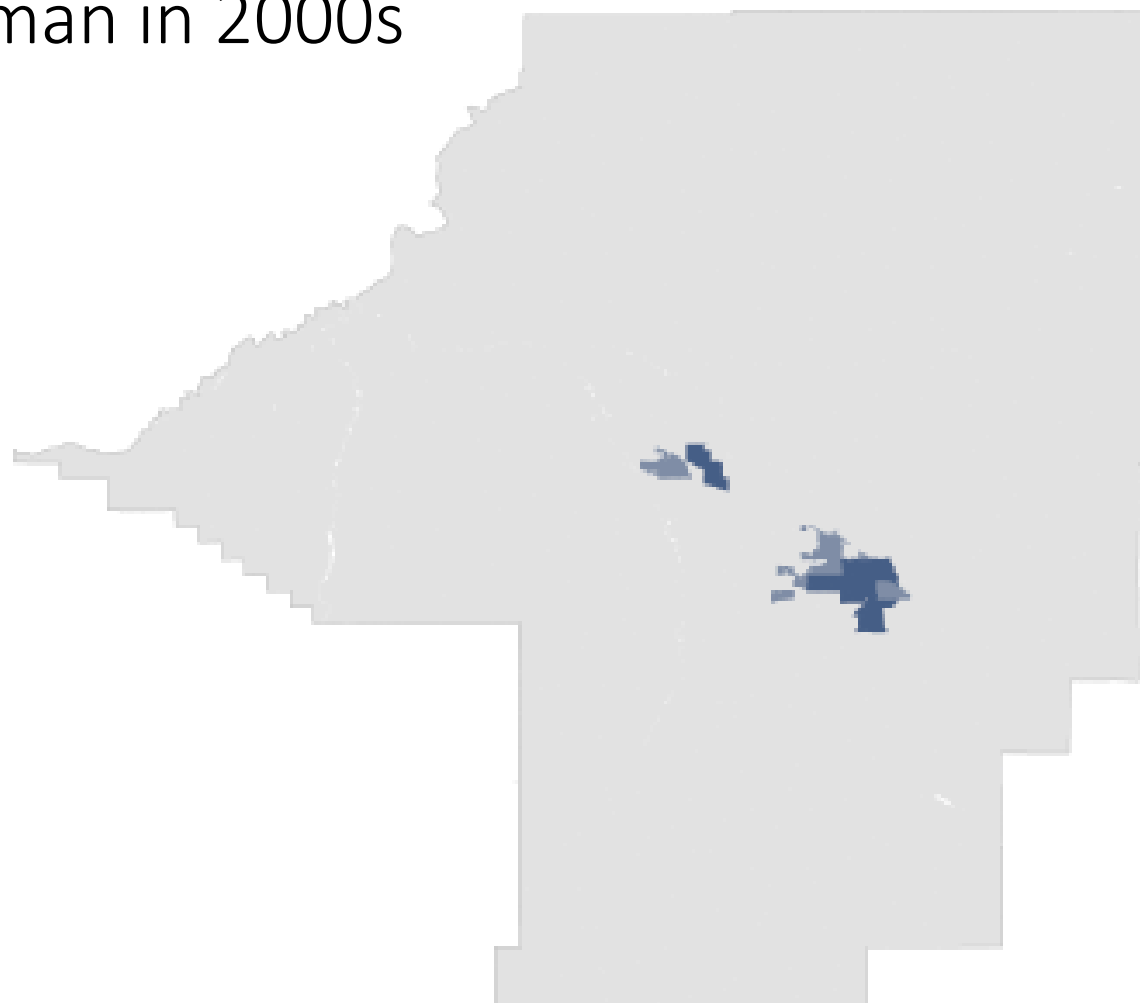


Bozeman in 1980s

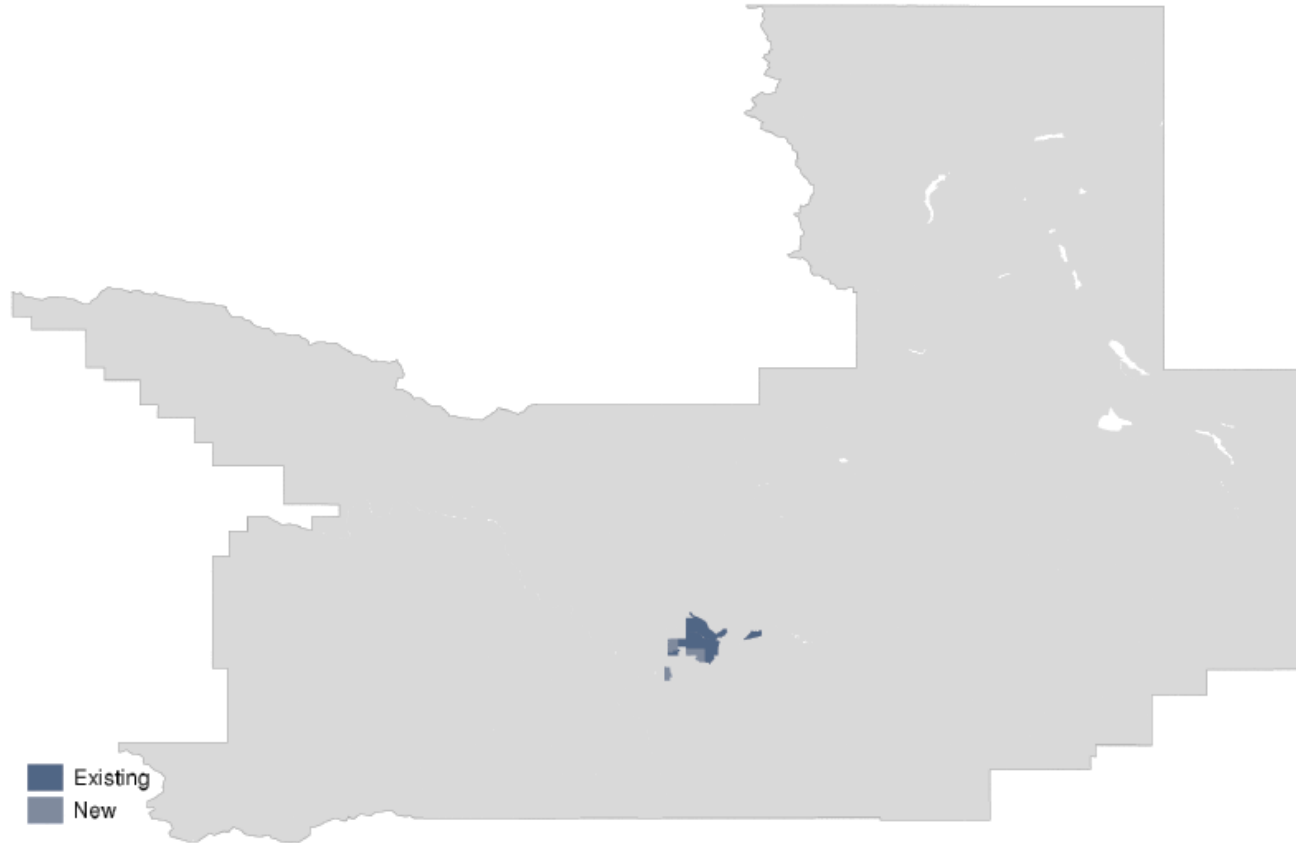




Bozeman in 2000s



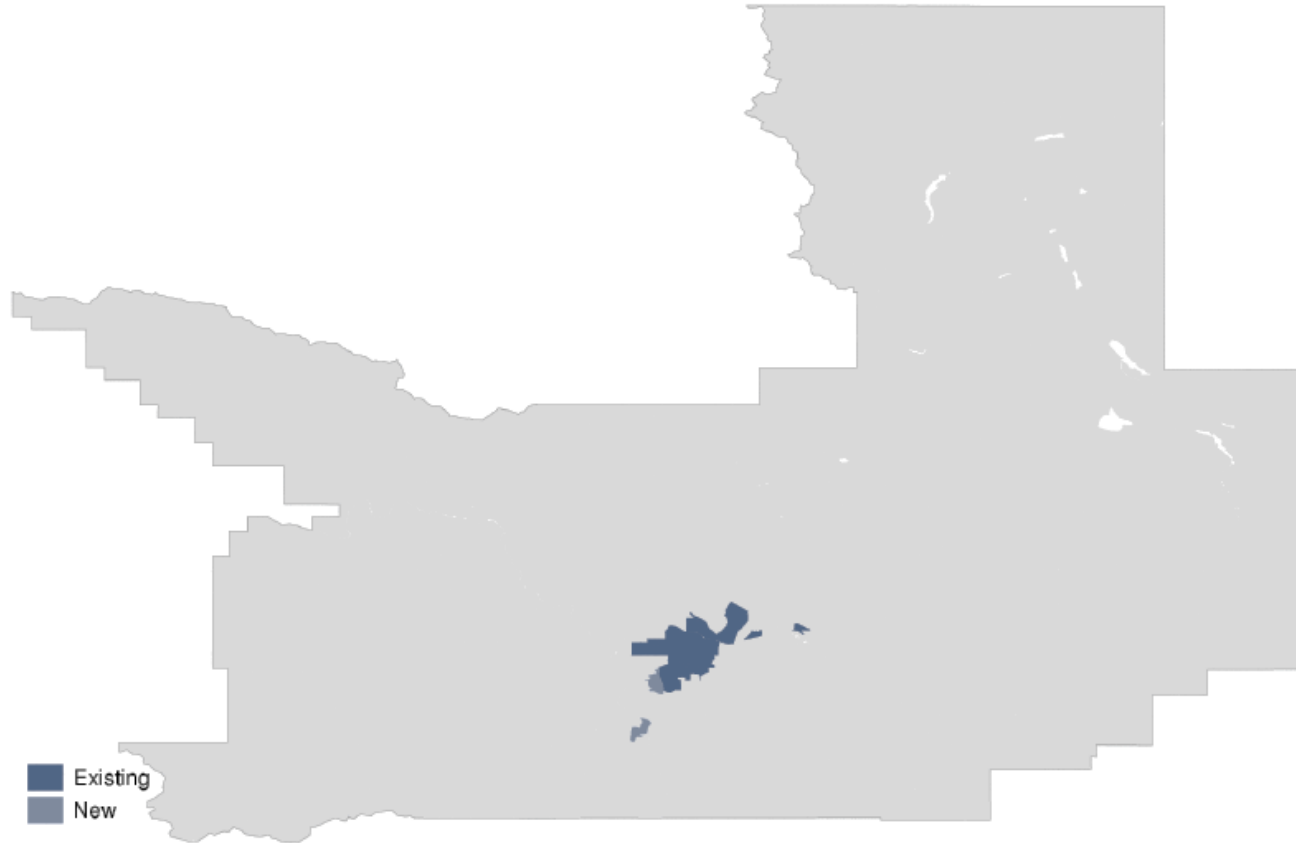
# Missoula, MT Metro Area 1940s



Source: BuildZoom

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200 currently existing homes per square mile.

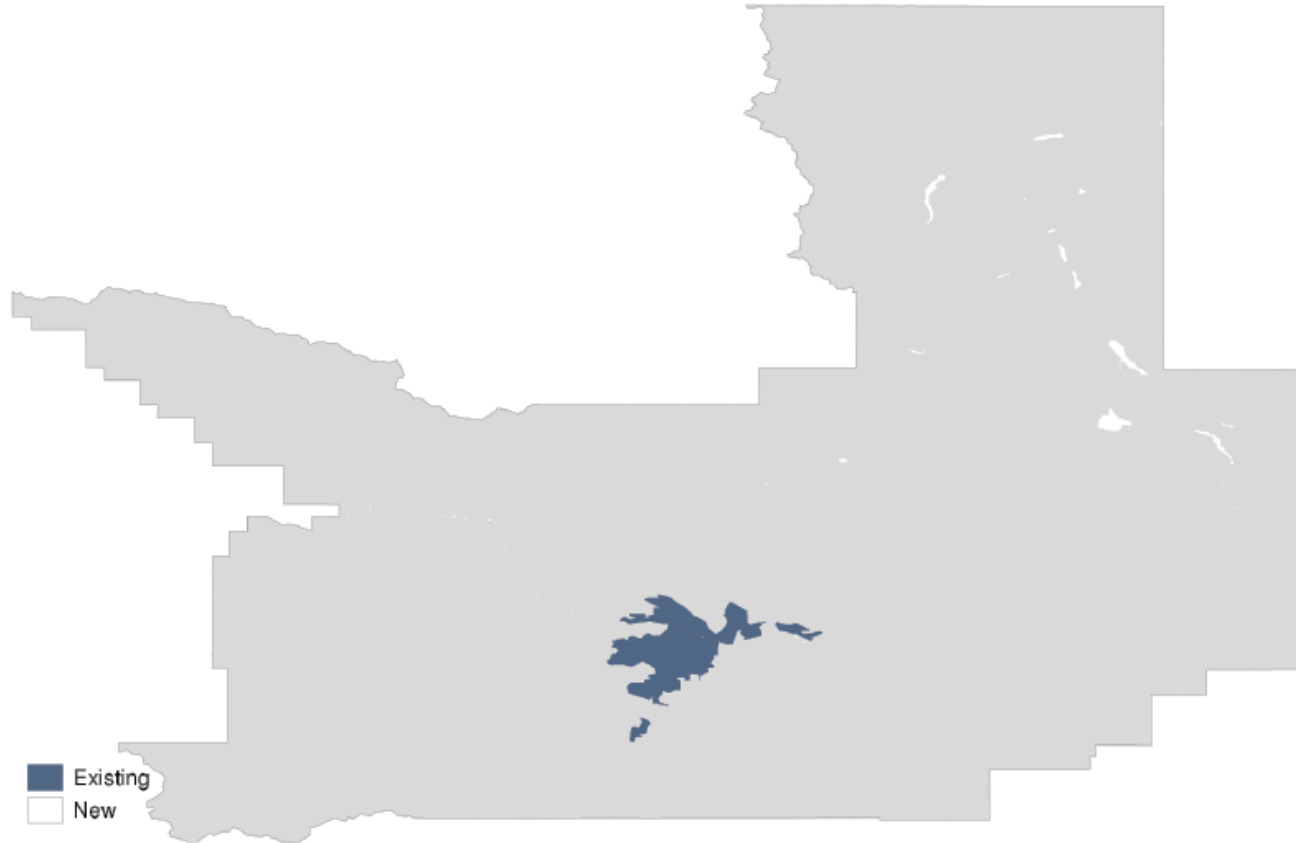
# Missoula, MT Metro Area 1980s



Source: BuildZoom

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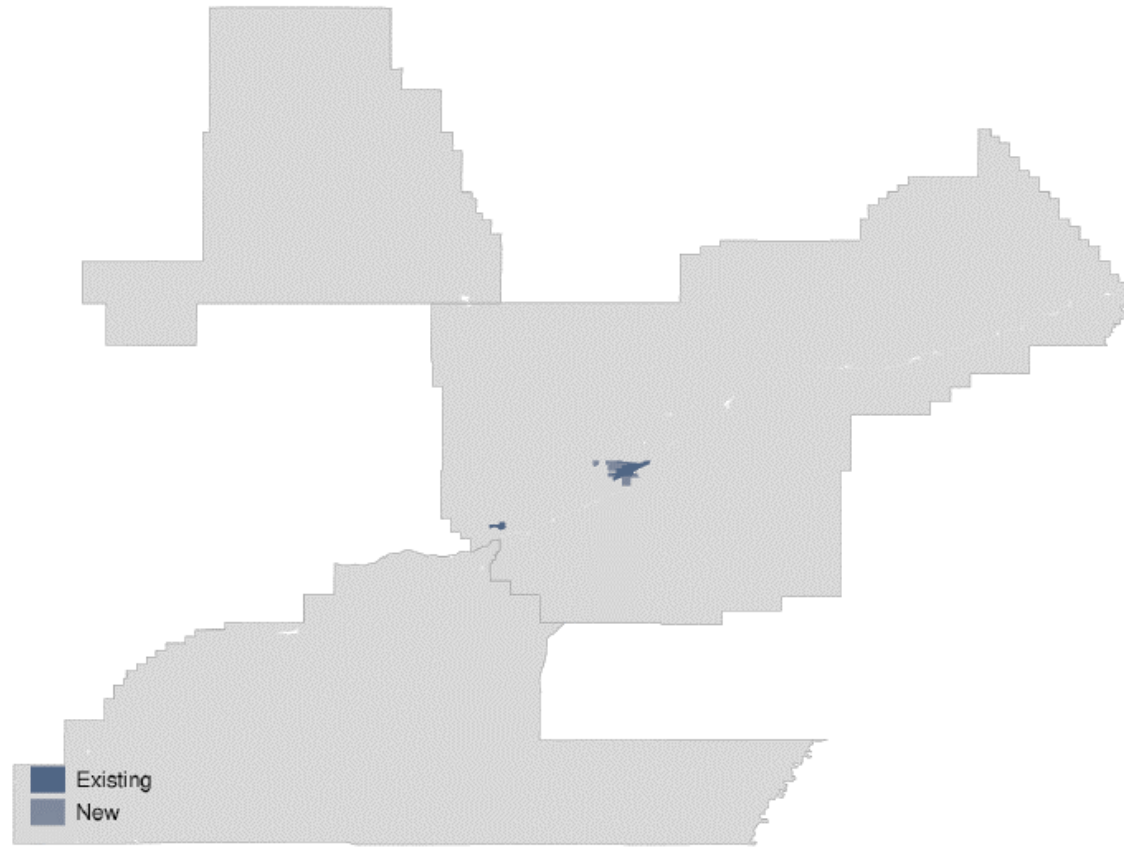
# Missoula, MT Metro Area 2000s



Source: BuildZoom

Notes: areas considered developed when they first exceed 200 currently existing homes per square mile.

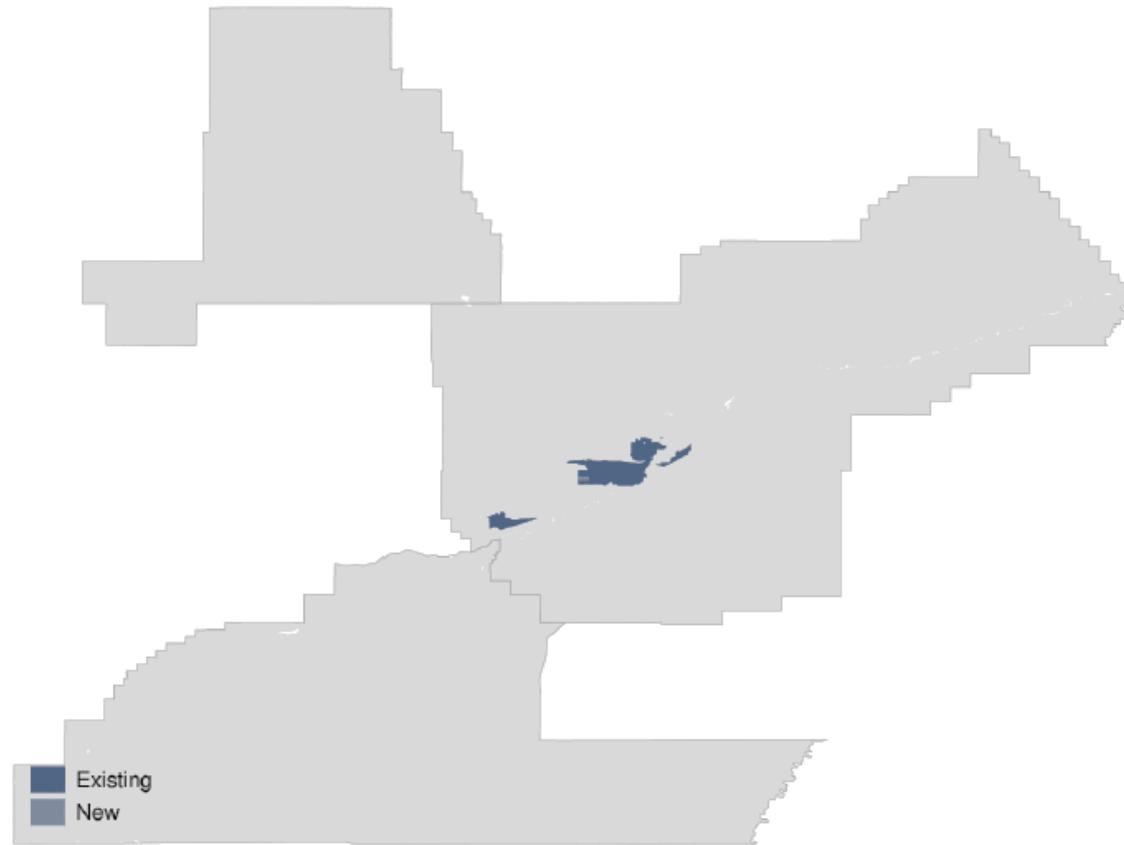
# Billings, MT Metro Area 1940s



Source: BuildZoom

Notes: areas considered developed when they first exceed  
200 currently existing homes per square mile.

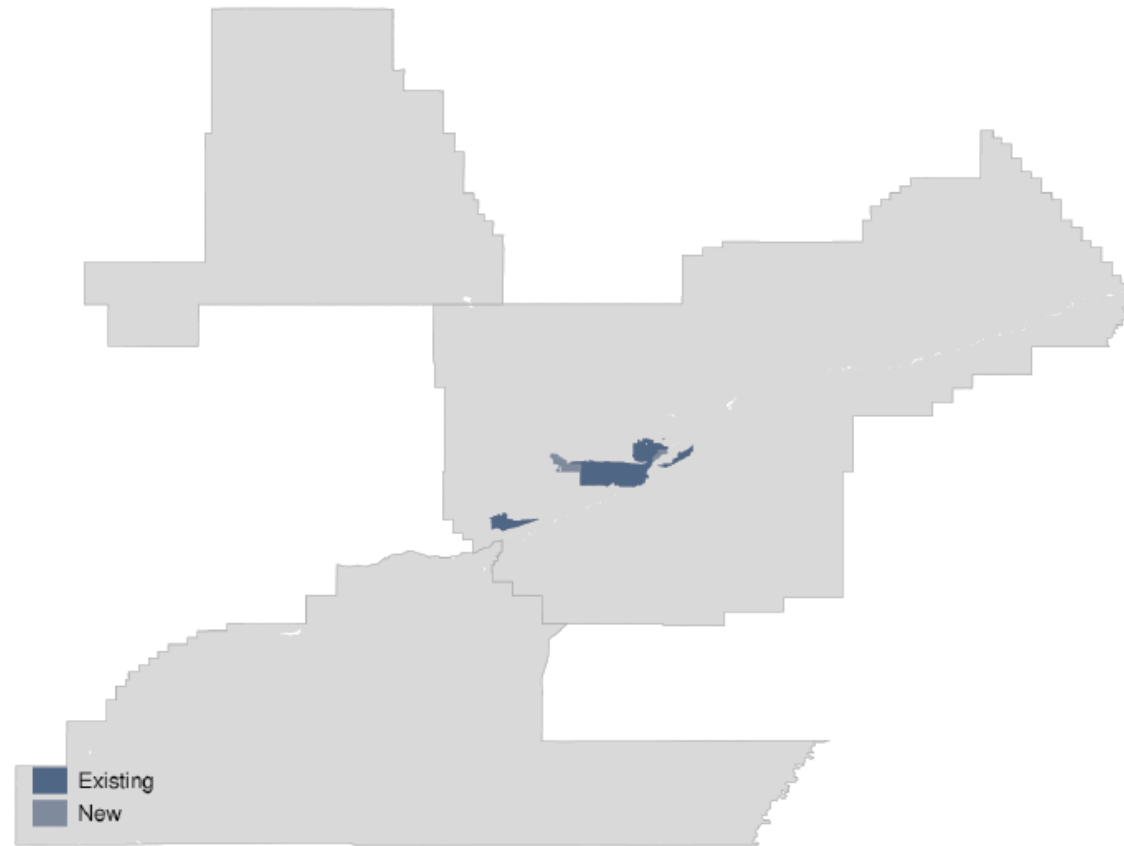
# Billings, MT Metro Area 1980s



Source: BuildZoom

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## Billings, MT Metro Area 2000s

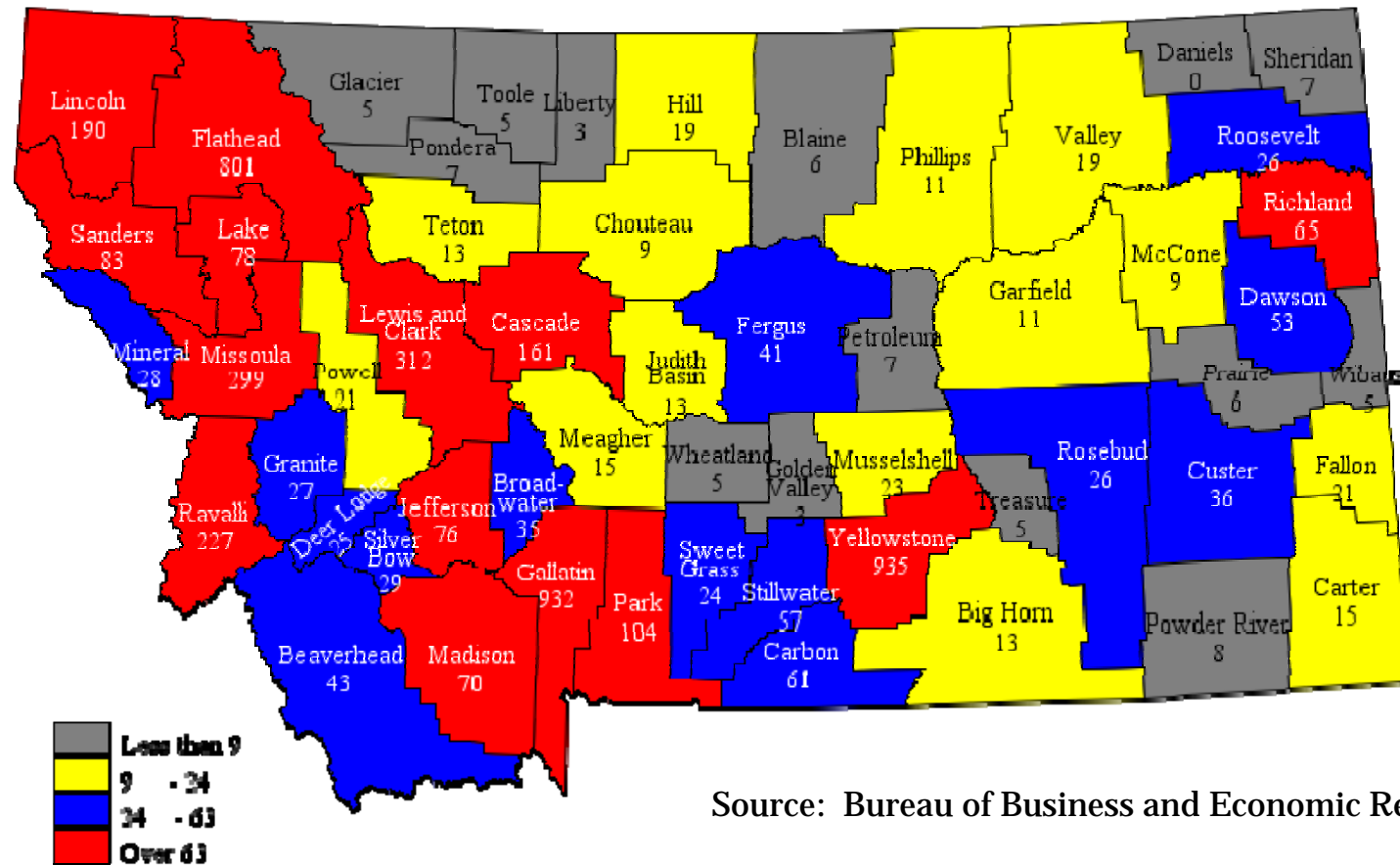


Source: BuildZoom

Notes: areas considered developed when they first exceed  
200 currently existing homes per square mile.

# Residential Building Activity Shifts West

## Single Family Housing Starts, 2015

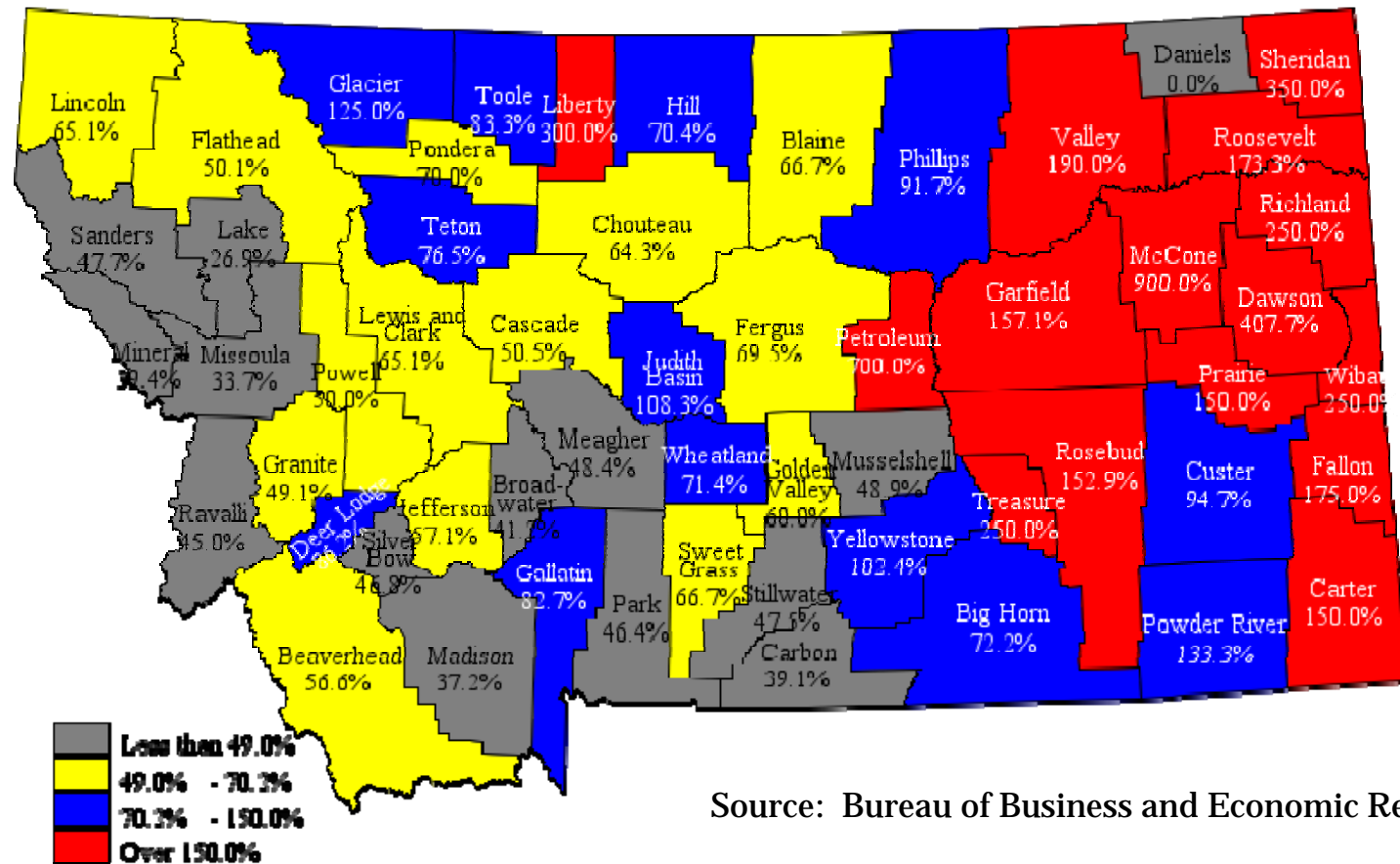


Source: Bureau of Business and Economic Research



# Home Building Far Off Peak Levels of 2005 in West

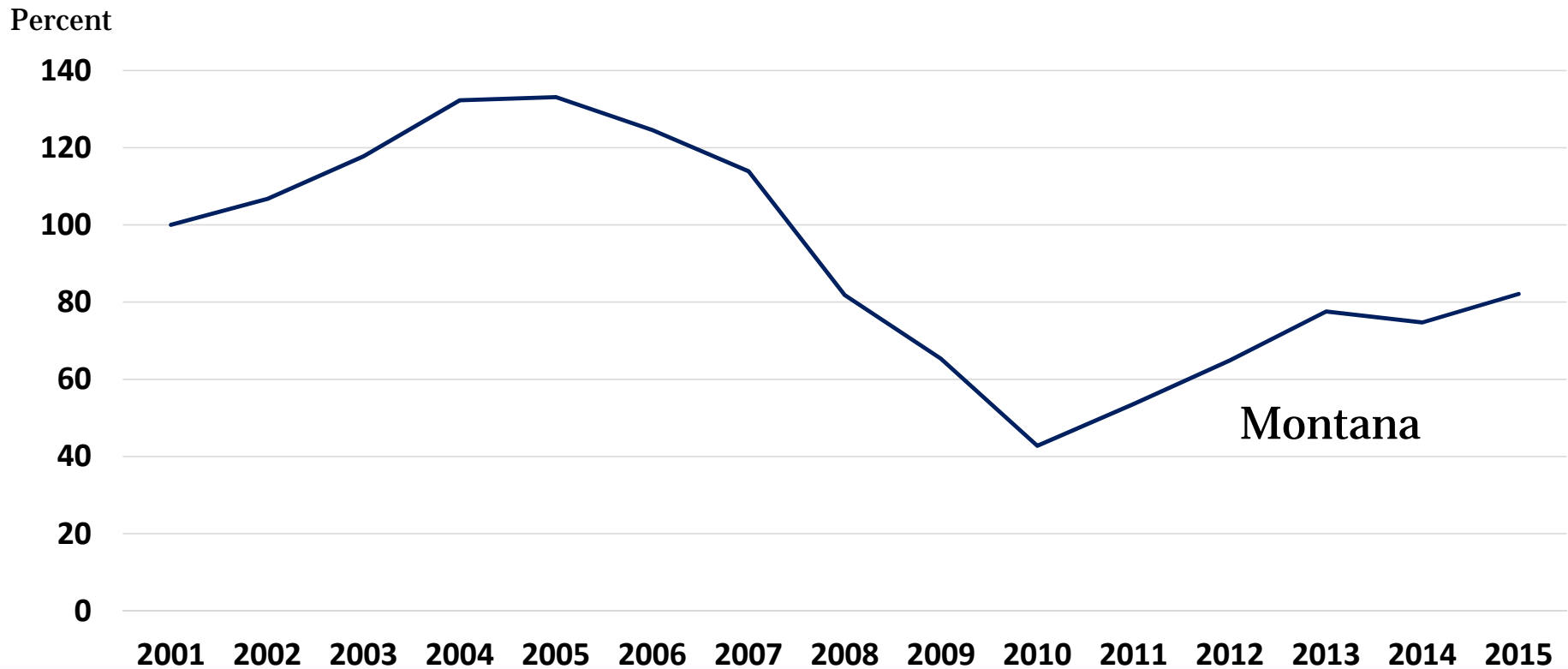
## Single Family Housing Starts in 2015 as a Percent of 2005



Source: Bureau of Business and Economic Research

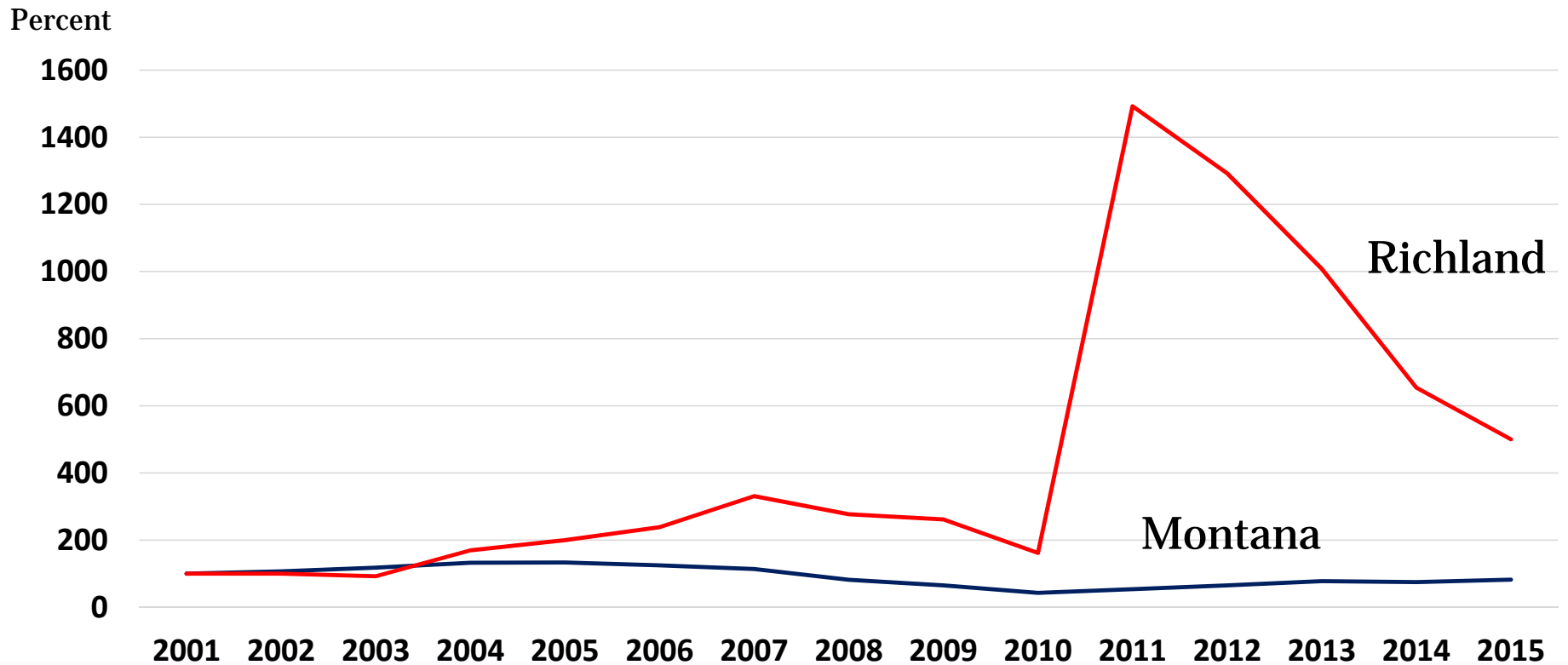
# Single Family Housing Starts, Richland County vs. Montana

Index, 2001 = 100



# Single Family Housing Starts, Richland County vs. Montana

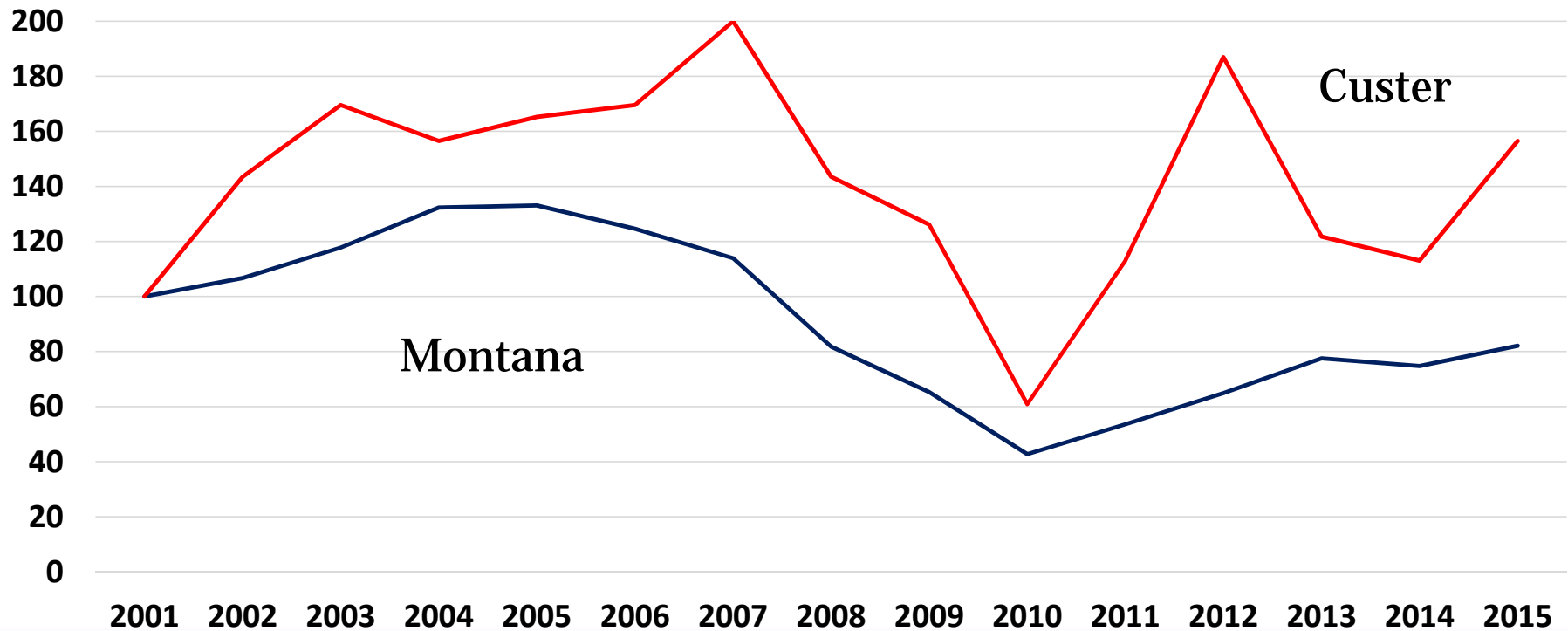
Index, 2001 = 100



# Single Family Housing Starts, Custer County vs. Montana

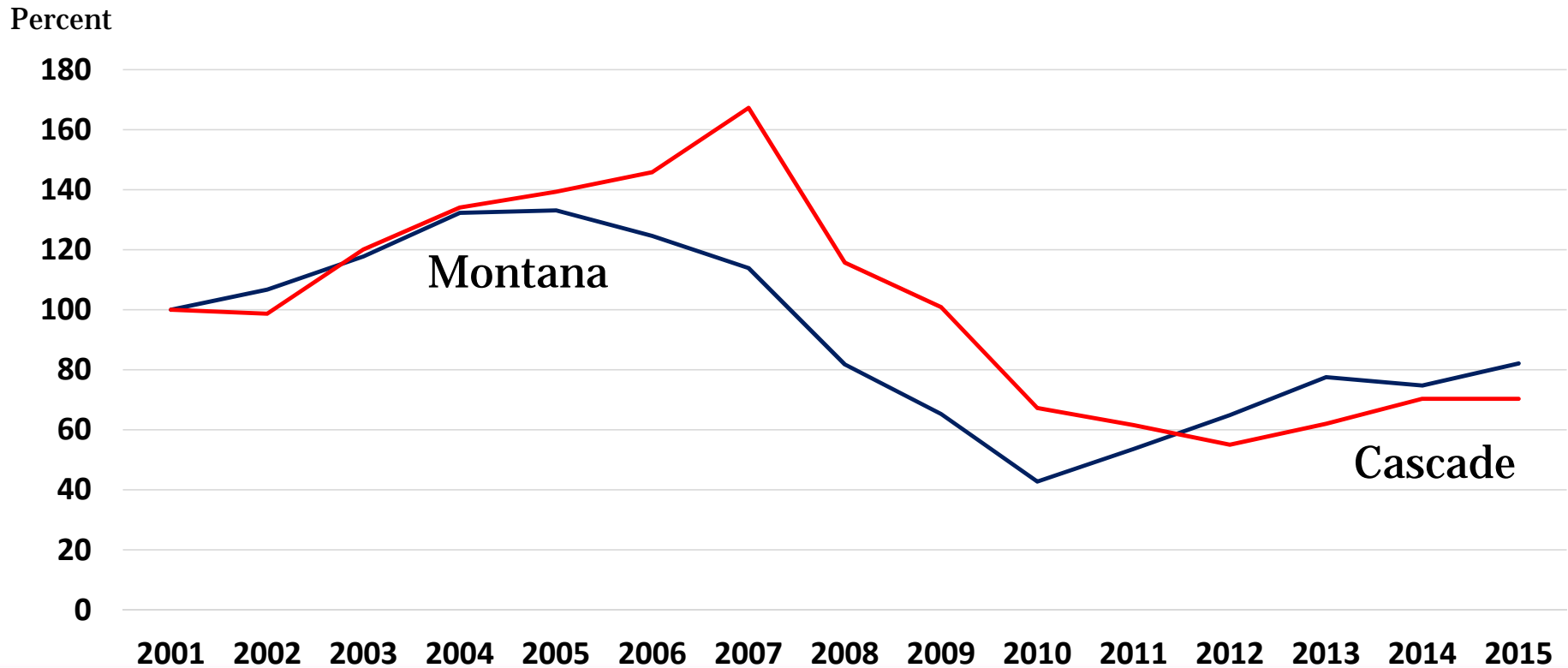
Index, 2001 = 100

Percent



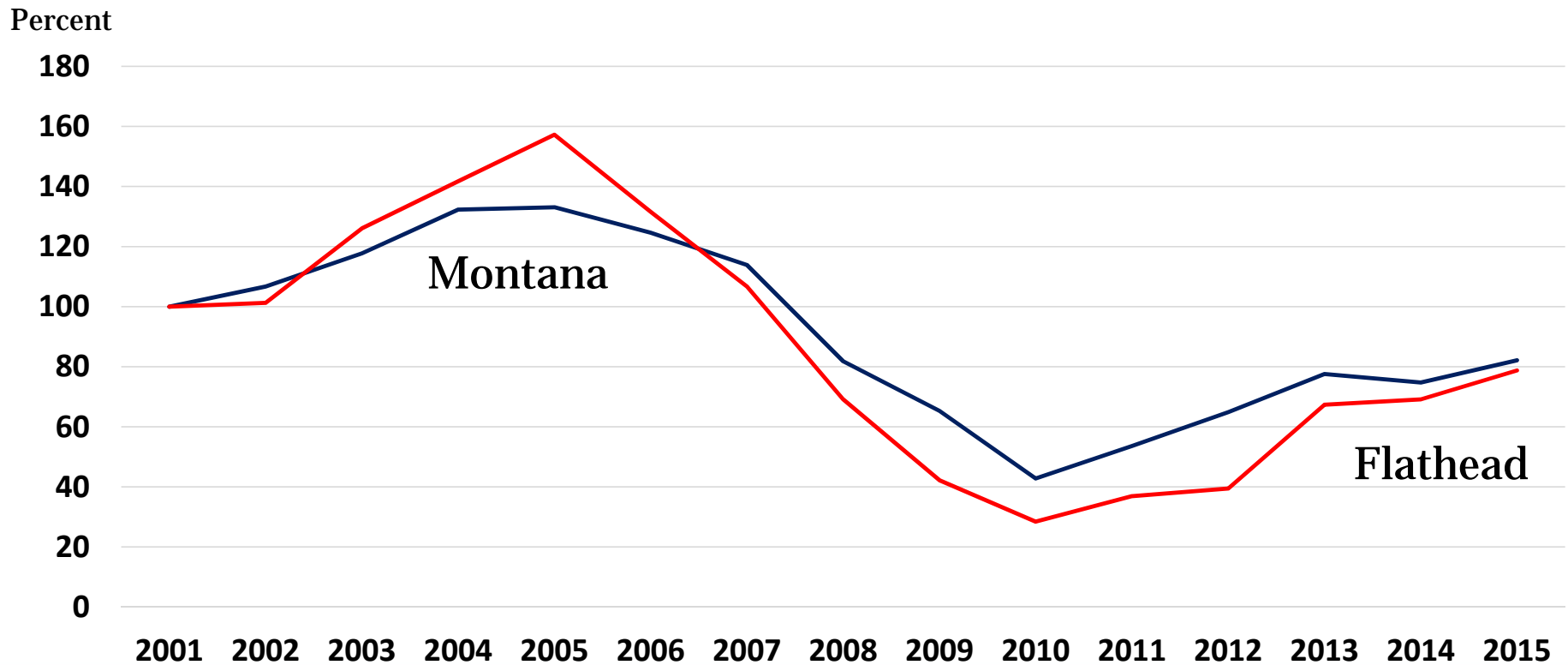
# Single Family Housing Starts, Cascade County vs. Montana

Index, 2001 = 100



# Single Family Housing Starts, Flathead County vs. Montana

Index, 2001 = 100



# Single Family Housing Starts, Gallatin County vs. Montana

Index, 2001 = 100

Percent

160

140

120

100

80

60

40

20

0

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

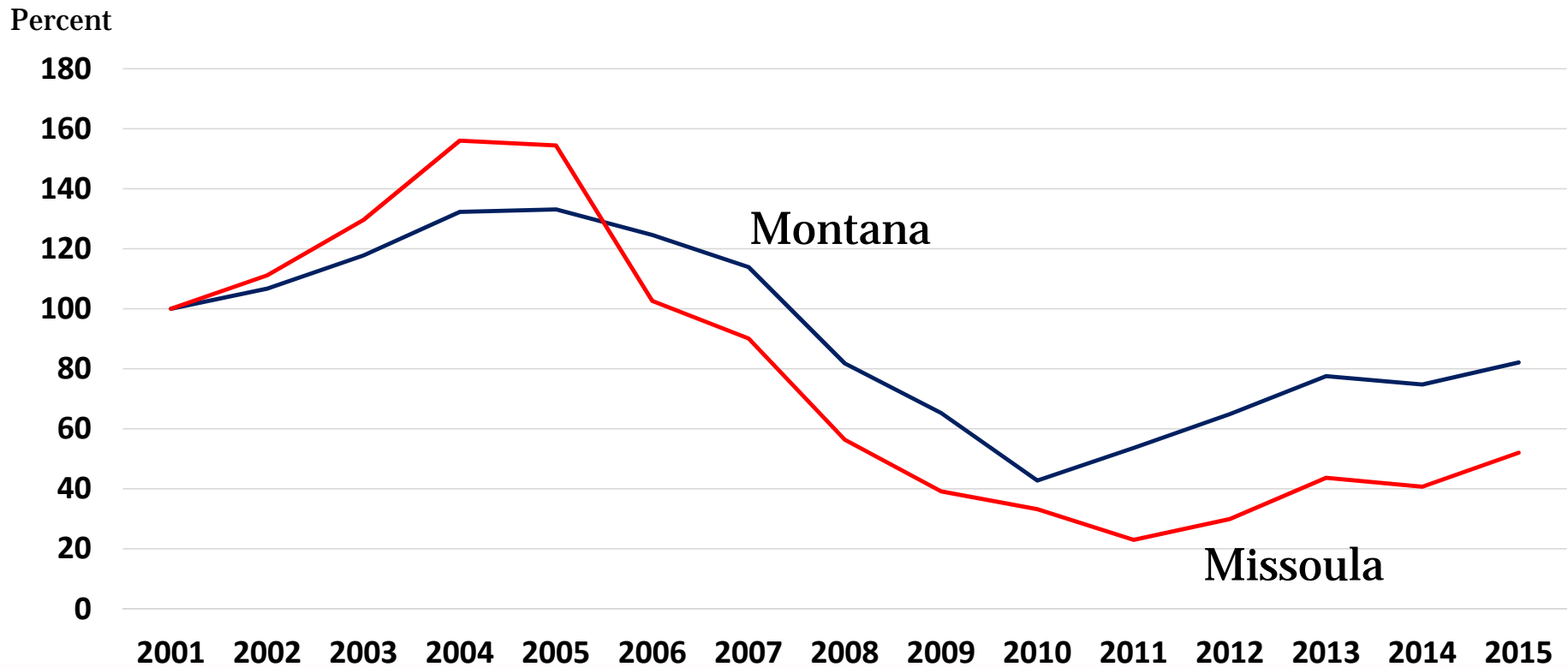
2015

Montana

Gallatin

# Single Family Housing Starts, Missoula County vs. Montana

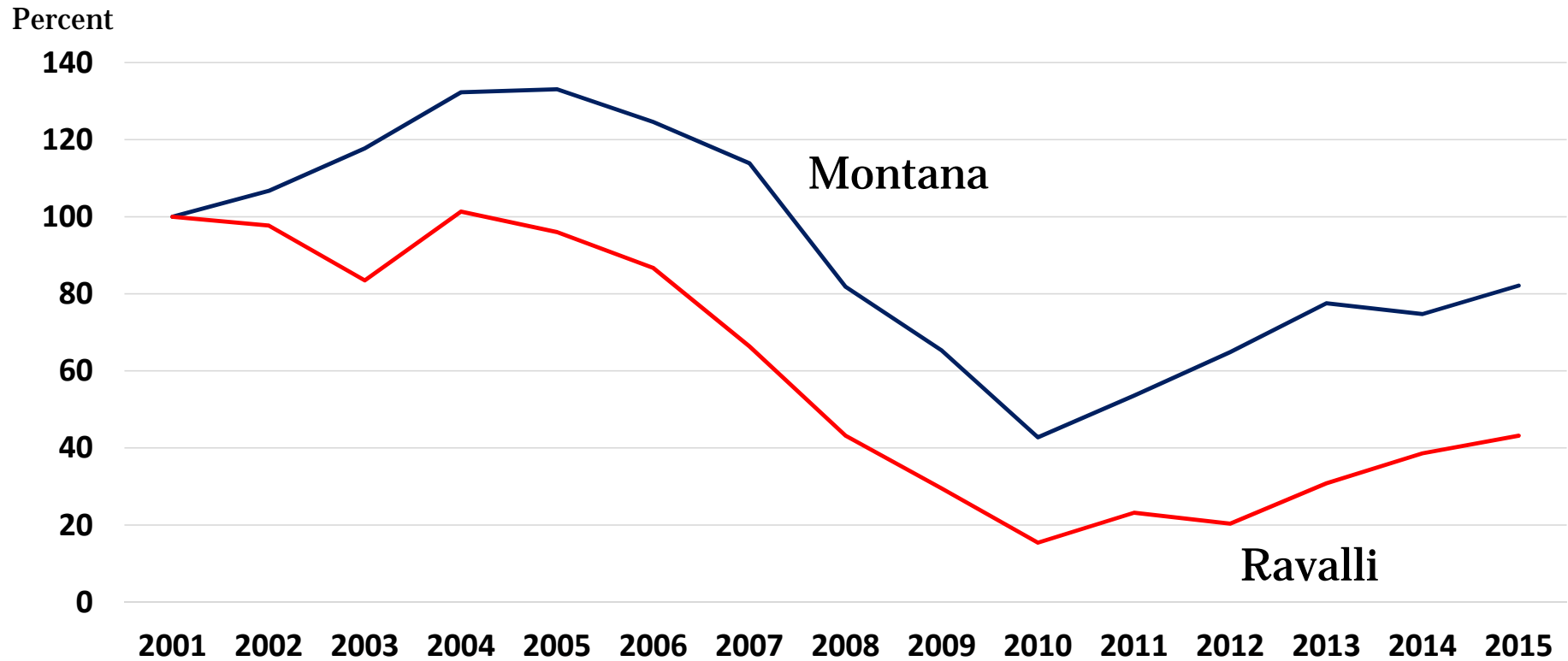
Index, 2001 = 100





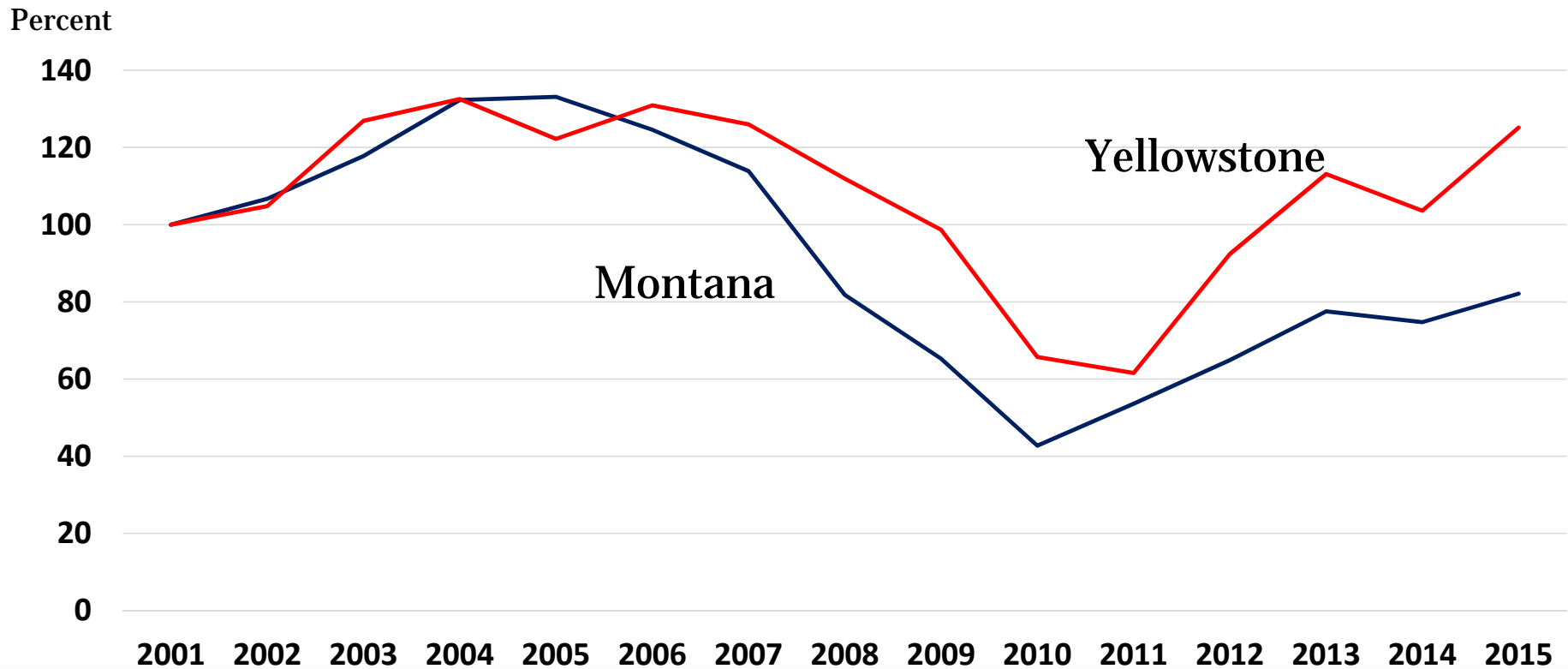
# Single Family Housing Starts, Ravalli County vs. Montana

Index, 2001 = 100



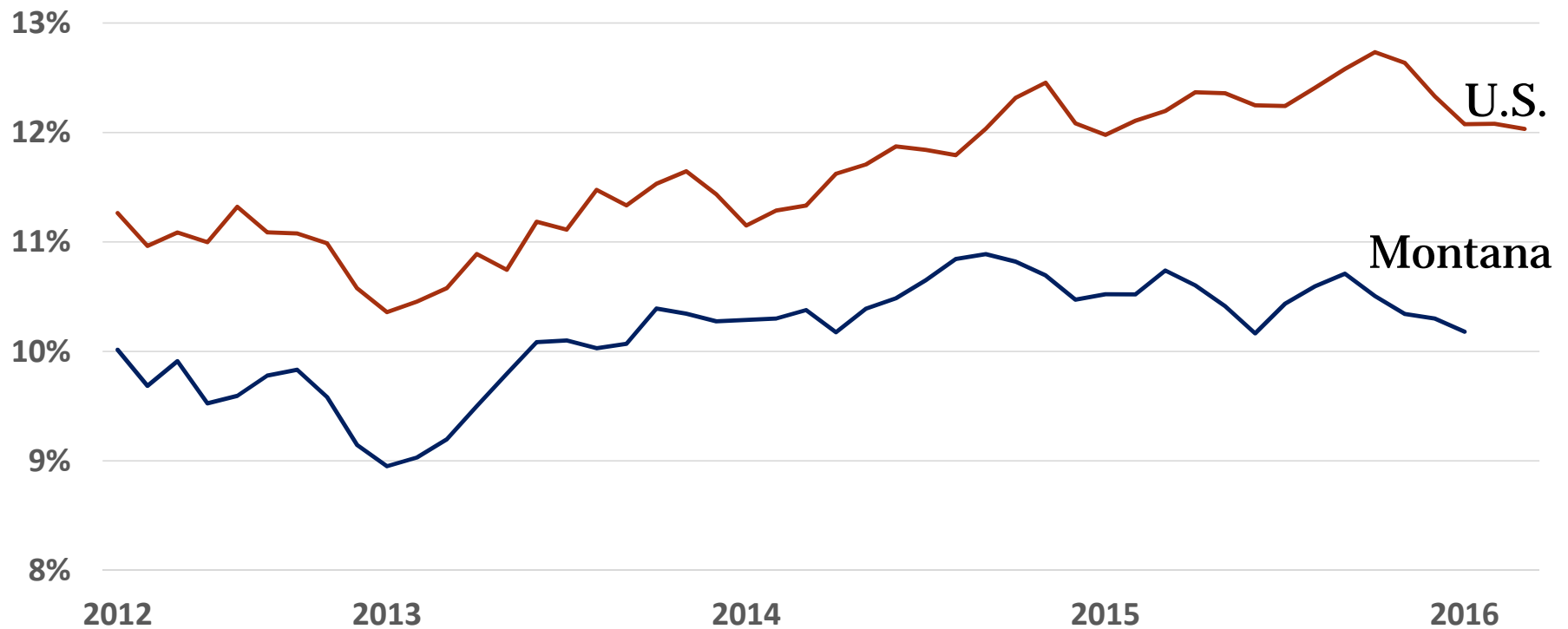
# Single Family Housing Starts, Yellowstone County vs. Montana

Index, 2001 = 100



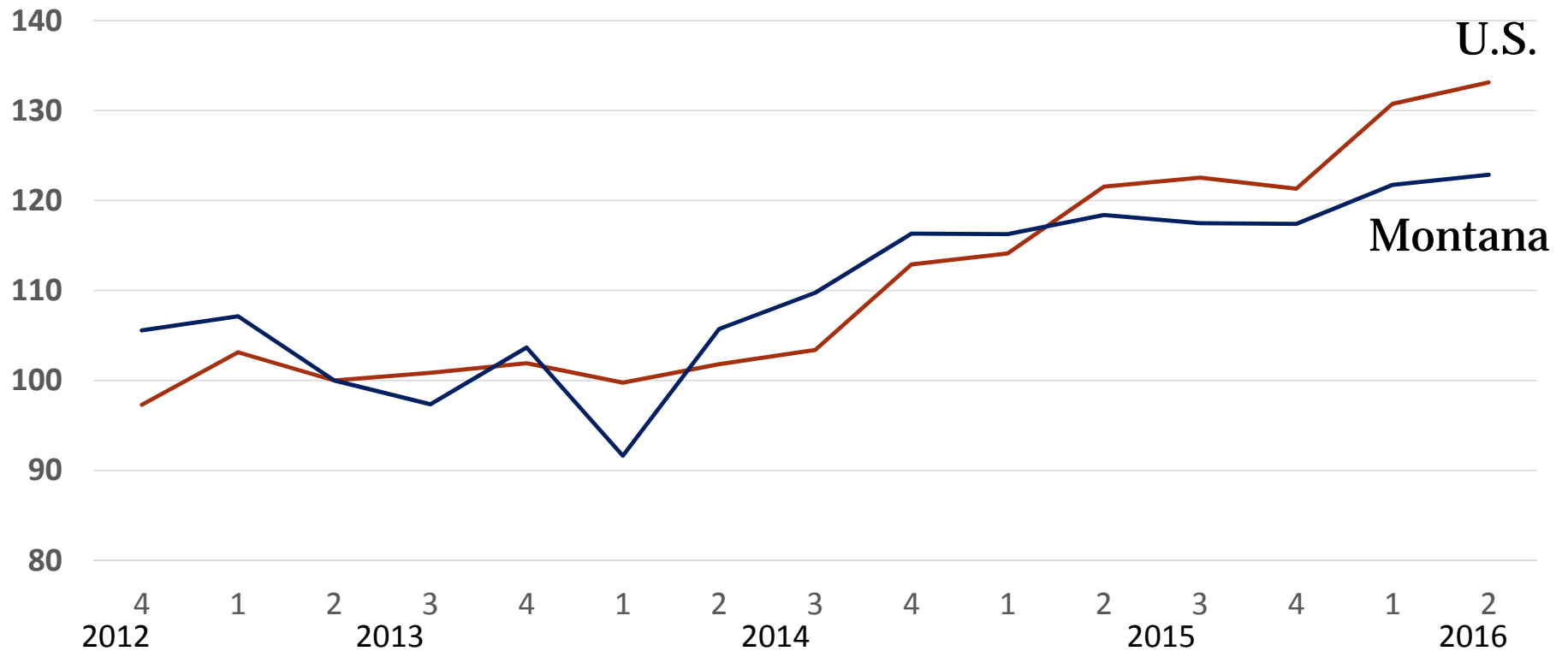
# Mortgage Risk Has Risen Since 2013, Especially in the U.S.

AEI Mortgage Risk Index



# Mortgage Originations Not Growing as Fast as U.S. Average

## New Mortgages, U.S. and Montana, Index 2013Q2 = 100



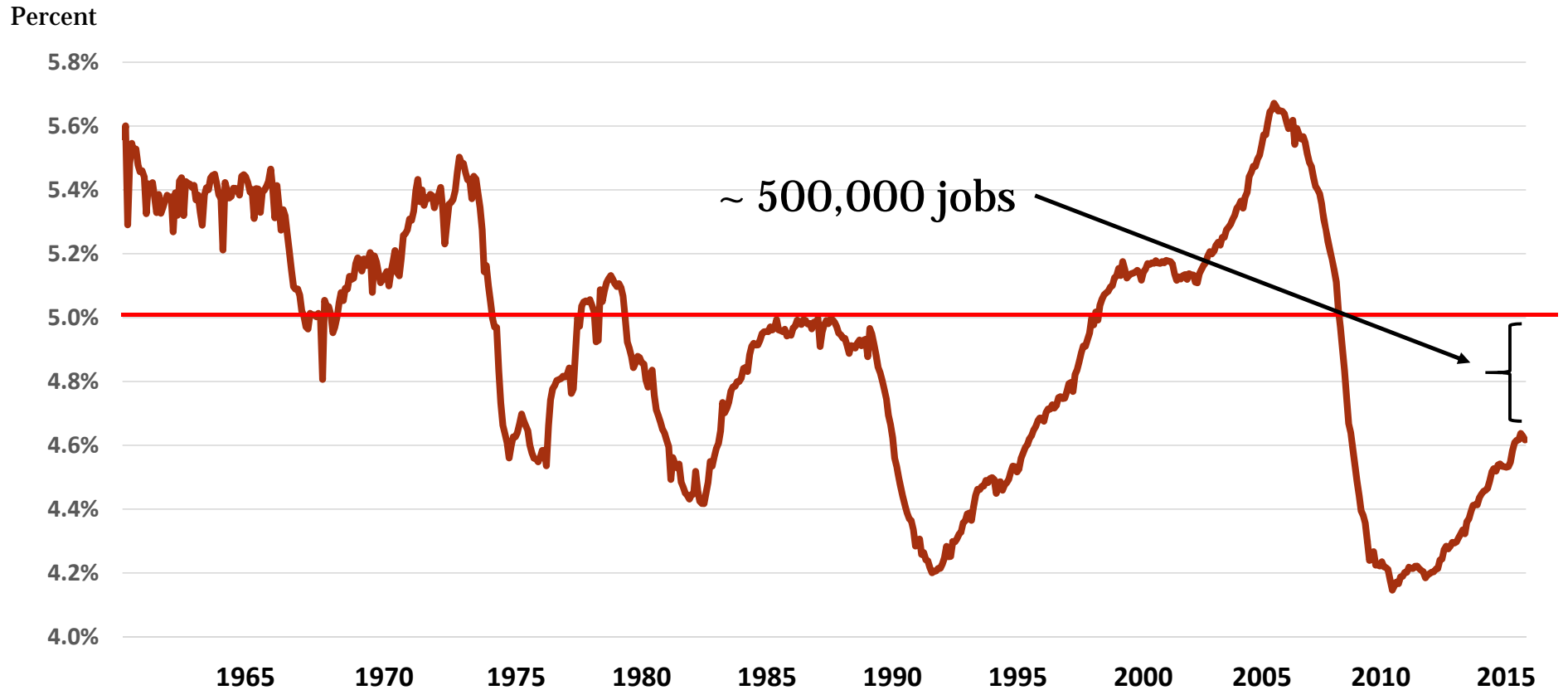
# Markets in 2017 and Beyond

- Federal support of homeownership remains as strong as ever
- Impact of late 2016 increases in mortgage rates already being felt
- Stage set for another strong performance in Montana markets
- Development patterns, low construction rates will fuel more price growth
- Demographic trends, low rates of home building support medium term forecast of construction breakout

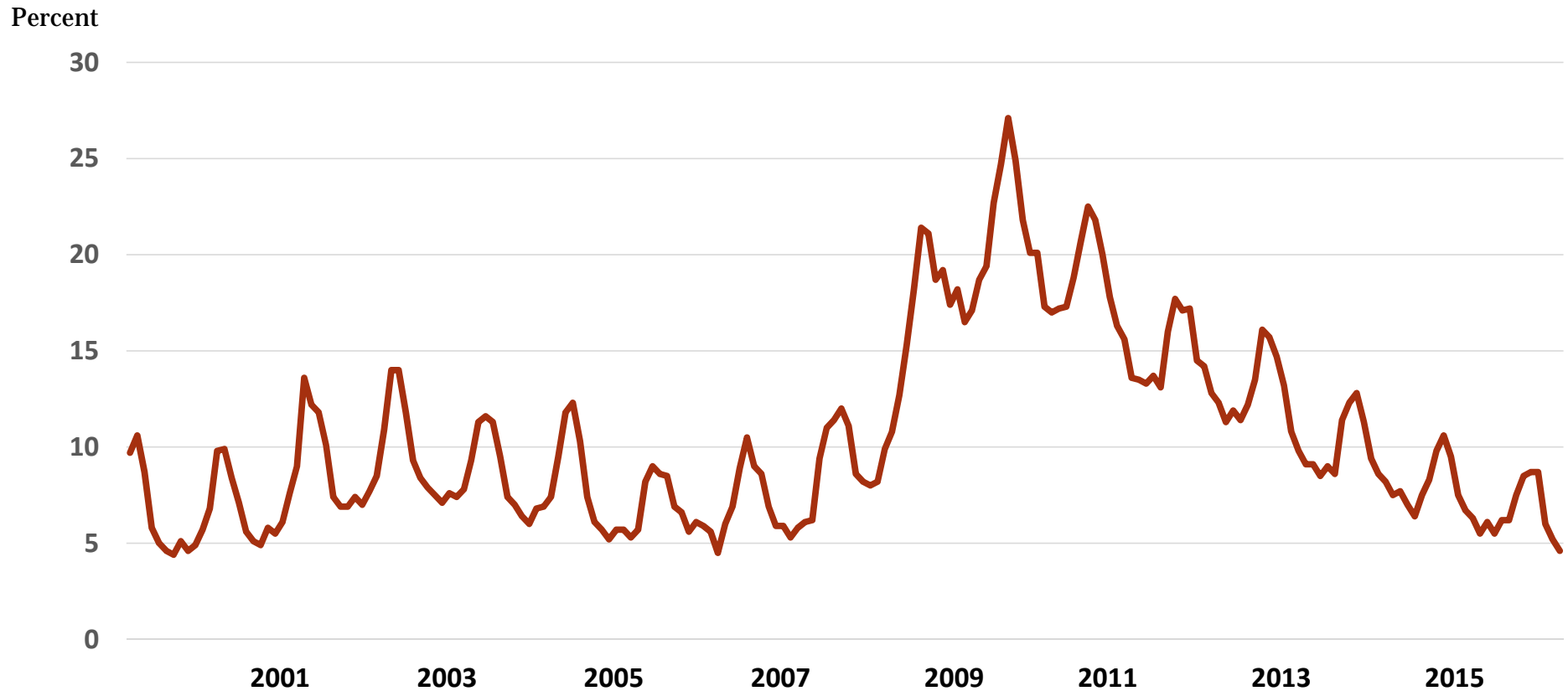
# Is Montana Running Out of Workers?

- Talent is always in short supply
- Construction and Health Care are two pressure points
- “Straight line” forecasts are misleading
- Migration, technology and wage adjustments will be part of the solution

# U.S. Construction Employment Share is Low in Comparison With History

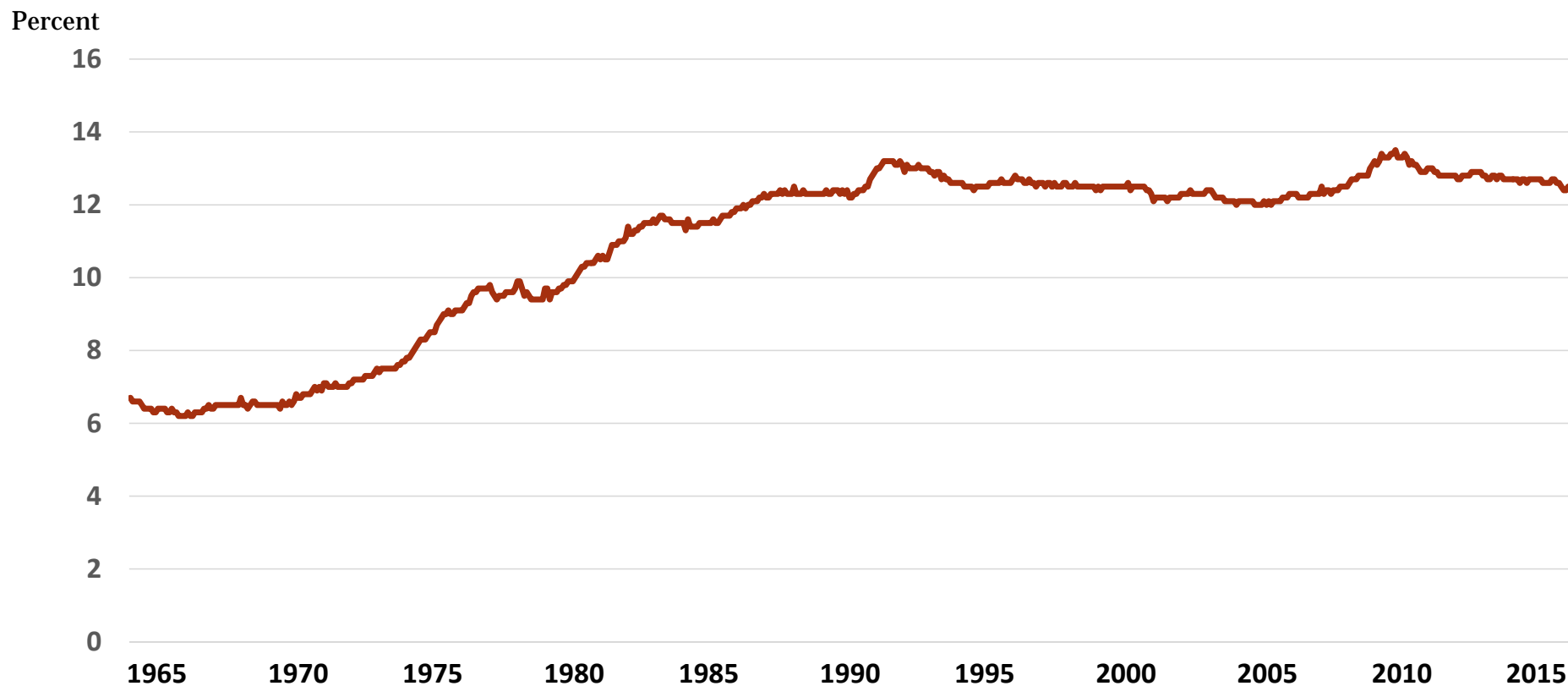


# Construction Unemployment Rates Near an All Time Low

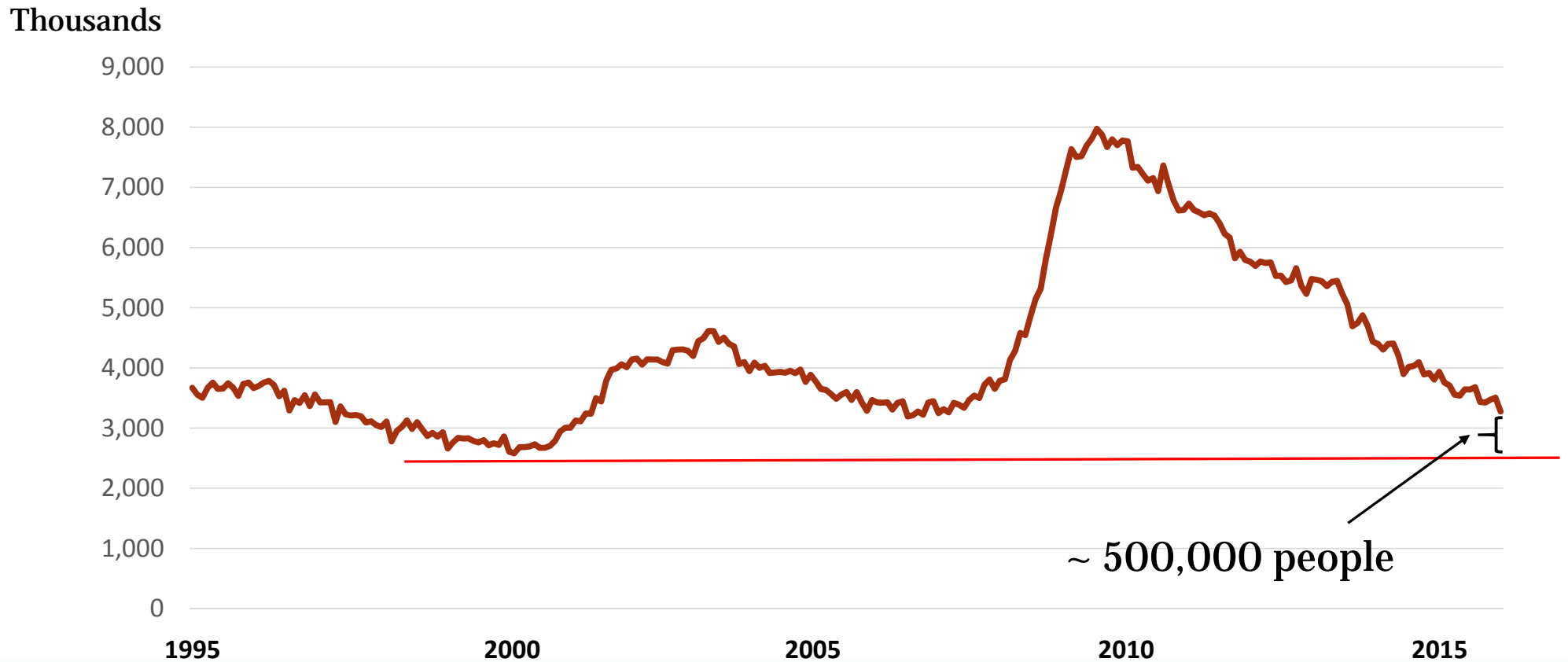




# Construction Workforce Remains Male Dominated



# Pool of Unemployed Men Aged 55 and Under is Shrinking



# Connecting the Dots

- Slack does not exist to add 500,000 more construction jobs
- All of the available male workforce 55 and under would have to go into construction (an impossible outcome) for this to occur
- Construction employers will bid away workers from other industries over time (e.g., manufacturing, agriculture)
- Workers will migrate from slower growing regions to the south and west
- Foreign immigration has historically been important (28 percent of construction workers are Hispanic)
- Rising construction costs may choke off some growth

# Questions?



BUREAU OF BUSINESS AND  
ECONOMIC RESEARCH  
UNIVERSITY OF MONTANA