

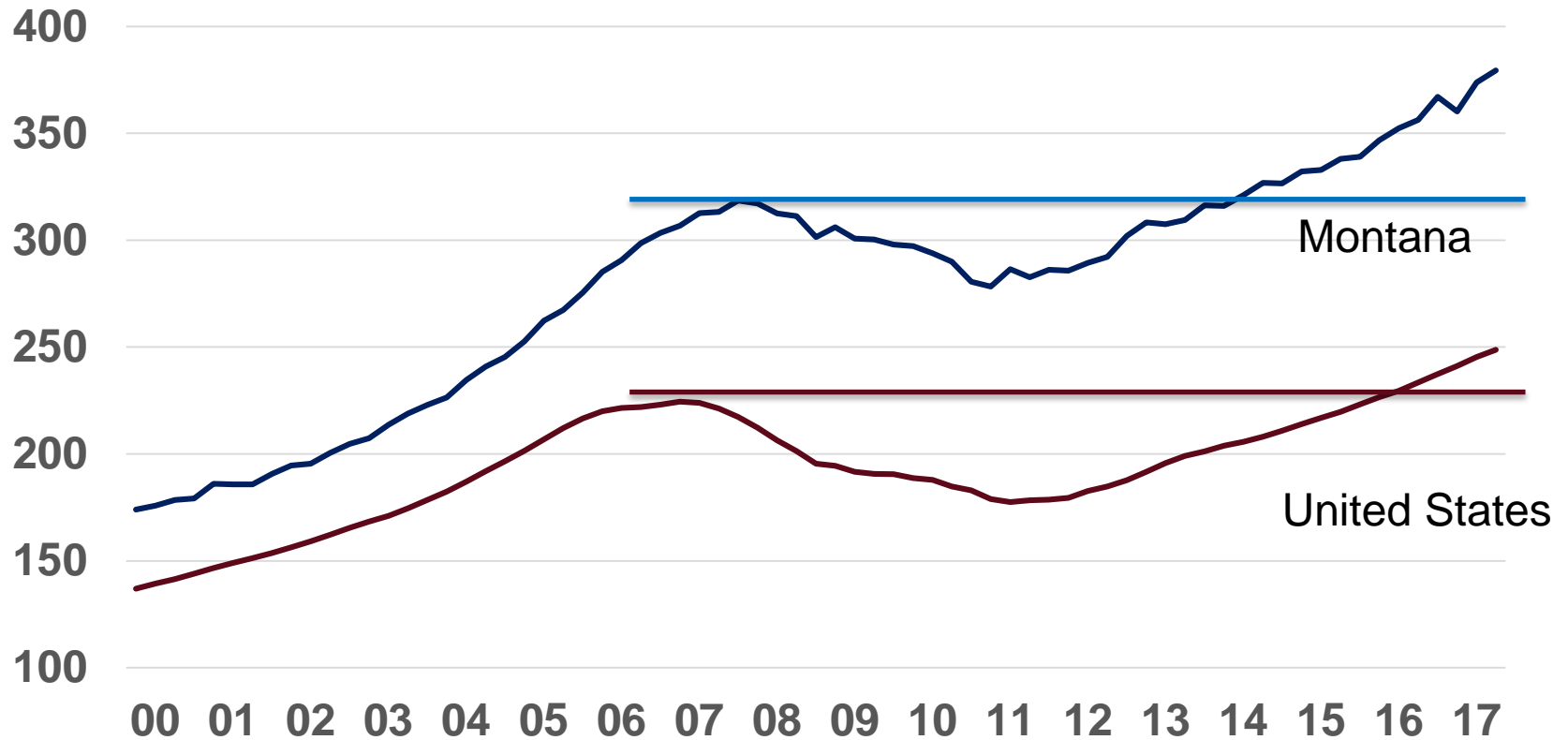
# Are Real Estate Markets Finally Normal?

- Distress sales, foreclosures, & delinquencies are behind us
- Many Montana markets are booming
- Price appreciation, sales volumes roaring back
- Low inventories in high demand areas creating sellers market
- Single family home construction is restrained
- Underwater mortgages still exist



# Strong Housing Price Growth Since 2011

FHFA Housing Price Index, U.S., 1991=100



Source: Federal Housing Finance Agency,

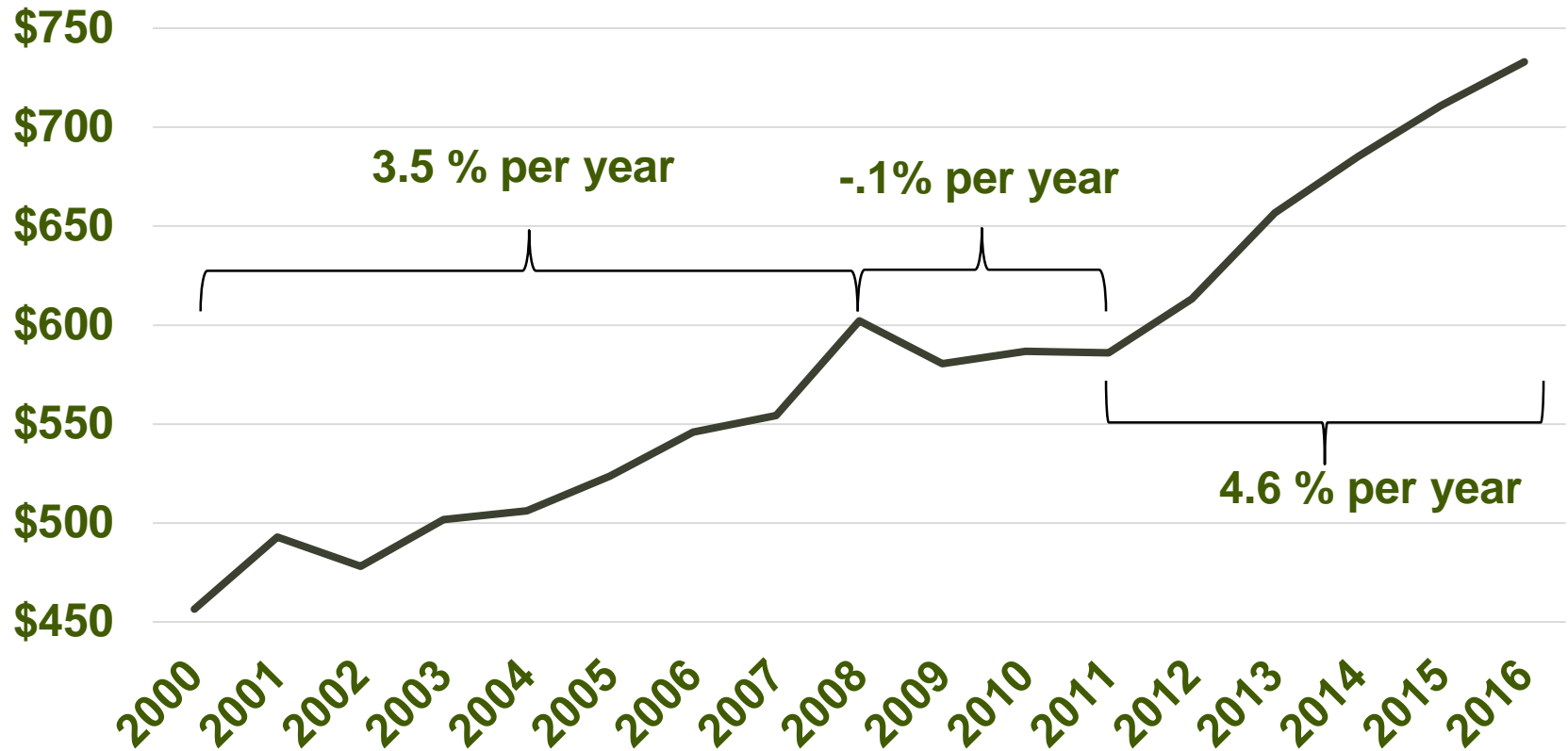


# Housing Price Increases Since 2000 Closely Track Economic Growth

Percent Change, Housing Price Index, 2016 vs. 2000



# No Sign of Moderation in Rents

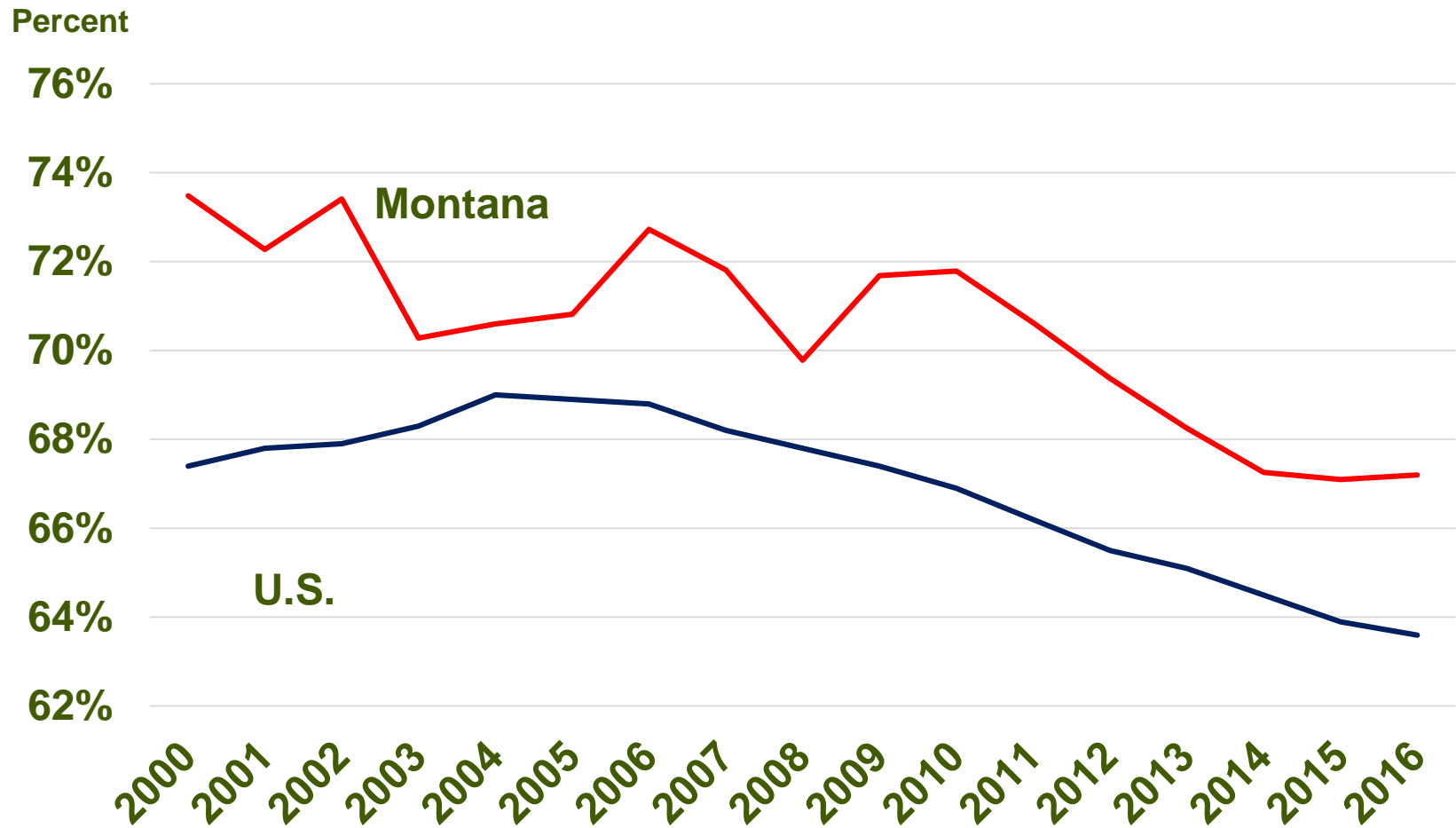


Montana Residential Rent, Inflation Adjusted (2014\$)

Source: U.S. Census Bureau.



# Will the Erosion of Homeownership Rates Continue?



Source: U.S. Census Bureau.

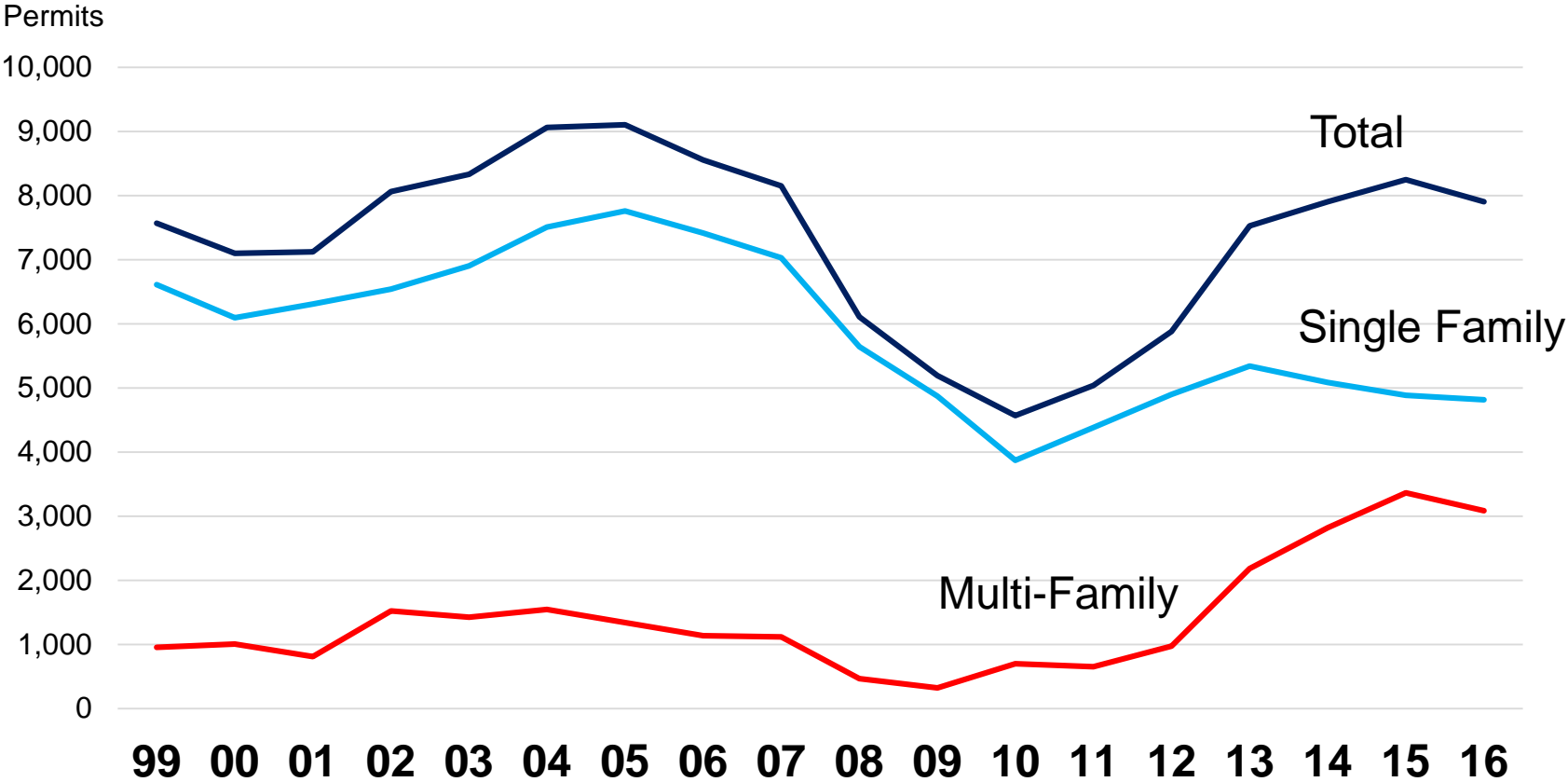


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# New Home Construction is Restrained

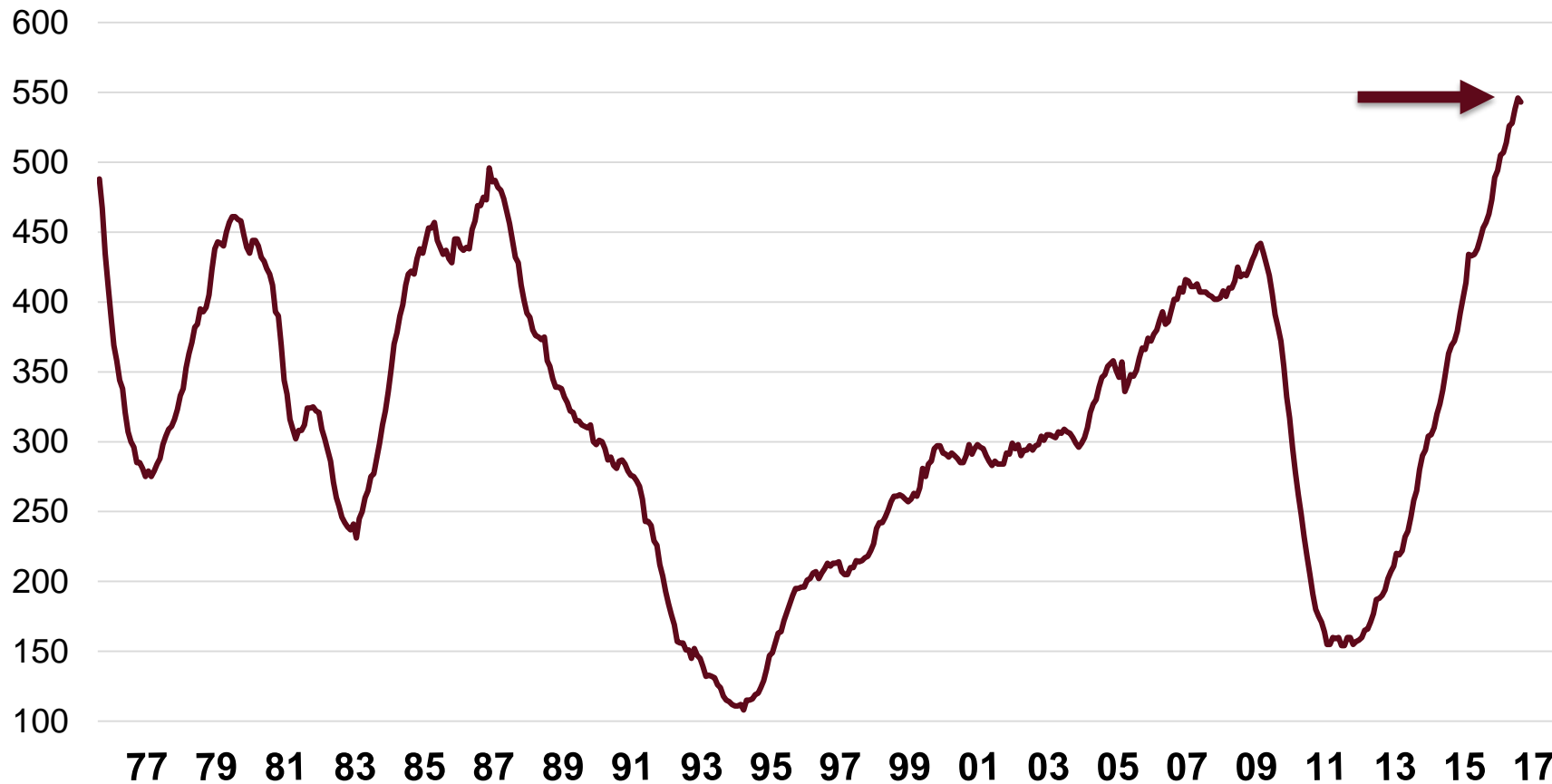
## Housing Permits, Montana



# Surge in Multi-Family Structures

New Privately Owned Housing Units Under Construction, 5-Units or More, U.S.

Thousands



Source: U.S. Census Bureau

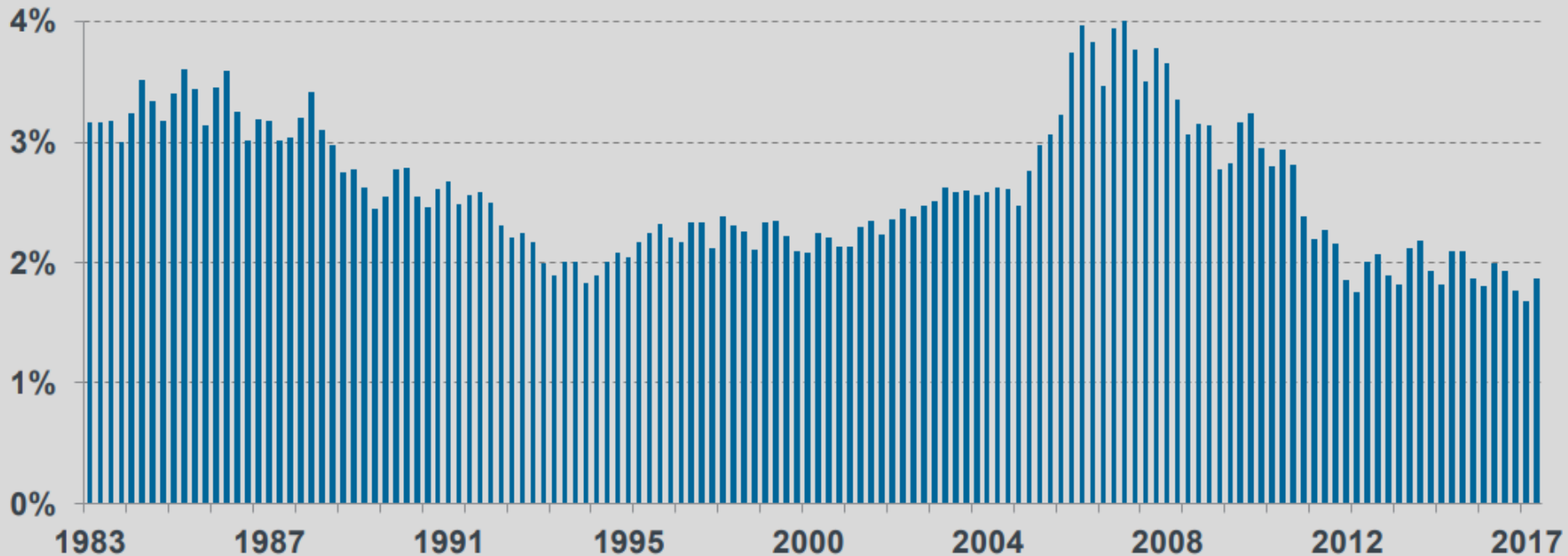


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# Home Inventories Lowest in 25 Years

Homes for Sale as Percent of Households, U.S.



Source: NAR and U.S. Census Bureau

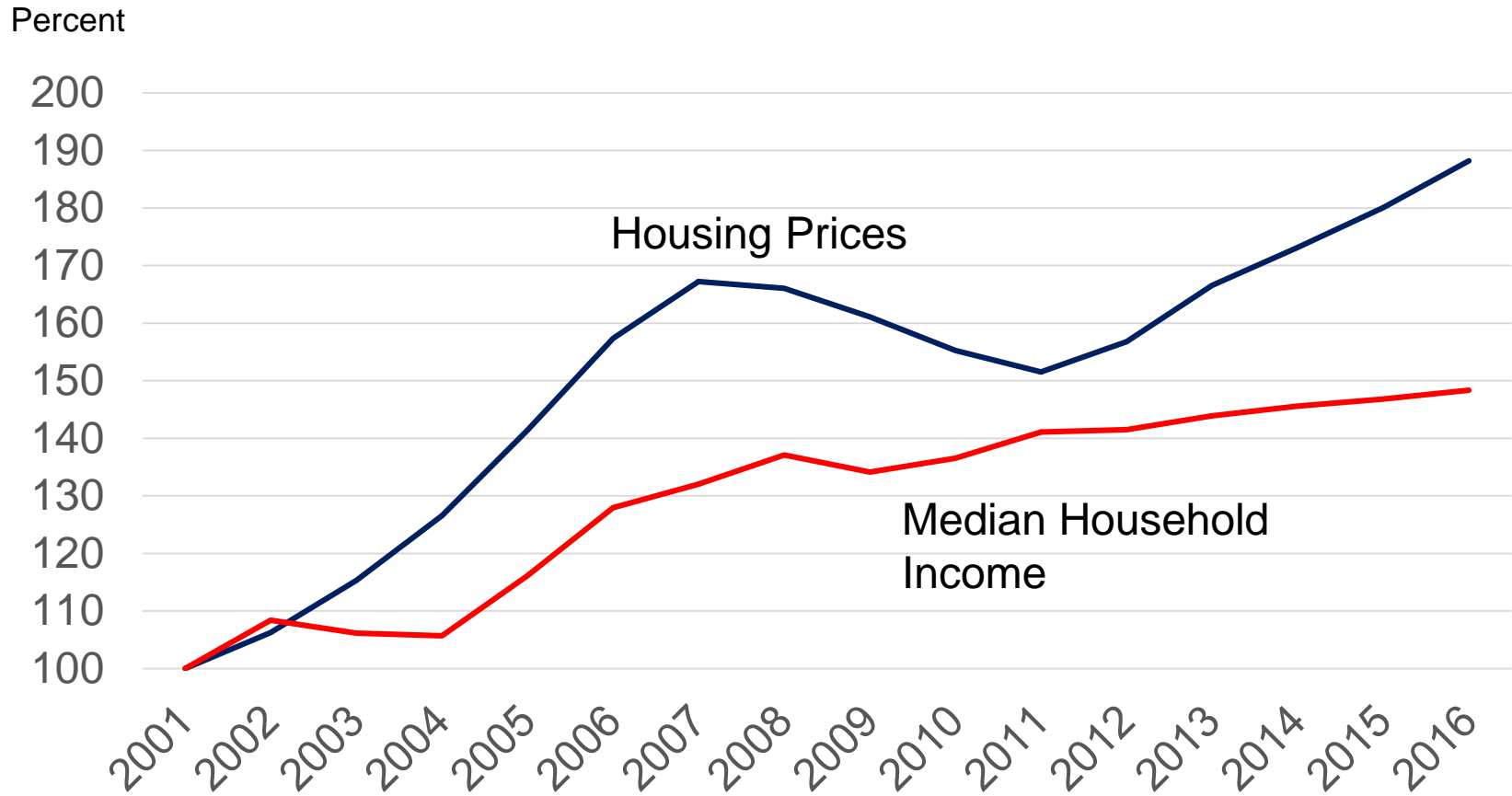


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# Housing Affordability Not Easily Solved



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

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



# Assessing Housing Risk

- Price growth is challenging loan quality
- Median down payment of home buyer in 2017 was 10%
- 1.36 million mortgages underwater in 2017 is still twice the pre-crash level
- Other forms of debt (especially student debt) have risen significantly



# Outlook for 2018

- Real estate markets in Montana will remain strong
- Affordability will get worse
- Residential construction will continue to underperform
- The boom in multifamily construction is over
- Risk is growing, but still not a concern

