State of the Flathead

Local economy poised for strong growth in 2005

By LYNNETTE HINTZE
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One word sums up the forecast for the Flathead Valley's economy this year — positive.

And local economic number crunchers had the statistics to back up their predictions at the third annual Flathead Valley economic outlook forum last week in Kalispell.

Beams

Glacier Bank Executive Vice President Dennis Beams put things in perspective when he noted that in 2003, $1.149 billion worth of mortgages were recorded in Flathead County.

"It was an unbelievable year because interest rates hit an all-time low," Beams said.

A total of 312 lenders were involved in the 7,789 transactions that led to the $1.149 billion figure.

Interest rates stayed just as low in 2004, but the dollar value of mortgages recorded likely won't match 2003, Beams said. Through the end of November 2004, 5,160 loans had closed with 292 lenders, for a total of $848.9 million, according to information compiled by Real Estate Solutions.

Interest rates for 30-year fixed-rate mortgages could rise to nearly 7 percent by the end of 2005, but it probably won't be enough to stymie the lending momentum, Beams predicted. If interest rates move from 5.6 to 6.8 percent, that's an increase of about $92 a month in a homeowner's mortgage payment.

"That's not enough to stop people from buying homes," he said. "I don't see interest rates shutting off the spigot. There's general optimism and momentum."

Glacier Bank forecasts a total of $280 million in loans for 2005 for banking that's managed out of the main Kalispell office, which doesn't include Glacier Bank of Whitefish. Of the anticipated loans, the bank estimates about $140 million in commercial lending, $70 million in real-estate loans and $70 million in consumer loans.

Beams further illustrated 2003's economic boom by pointing to the bank's $57.8 million in real-estate loans in 2002. A year later the real-estate total roughly doubled, to $114.5 million.

In 2004, Glacier Bank recorded $137 million in commercial loans, $65 million in real-estate and $68 million in consumer loans for a total of $270 million.

"Given the history of 2003 and 2004, I'm optimistic going into 2005," Beams said.

Exponential growth in new subdivisions has been clearly driving the local economy, he added.

"When I came here in 1990, [some] subdivisions took 12 years to sell and that wasn't unusual," he said.

> "Given the history of 2003 and 2004, I'm optimistic going into 2005."
>
> —*Dennis Beams*

Now, he knows of subdivisions selling out in 72 hours, or being largely pre-sold; "that pace can't continue," he added.

But for now, that pace is the reality. Within Flathead Valley's cities, the new inventory of subdivisions coming on line is neck and neck with new homes being built. Last year, 510 lots were created in Kalispell, and new residential units totaled 480, noted real-estate appraiser Jim Kelley in his report at the economic forum.

Beams said there has been some overbuilding of office and medical buildings, but residential growth is on track to continue at a brisk pace.

"I don't see lakefront property slowing," he said. "Outsiders think the Flathead Valley is cheap, that it's an incredible value."

While lakefront property on Flathead Lake is selling for $8,000 a front foot, it's selling for $45,000 a front foot in the Seattle area.

Beams estimated real-estate prices

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Median home price$186,500 last year in Flathead

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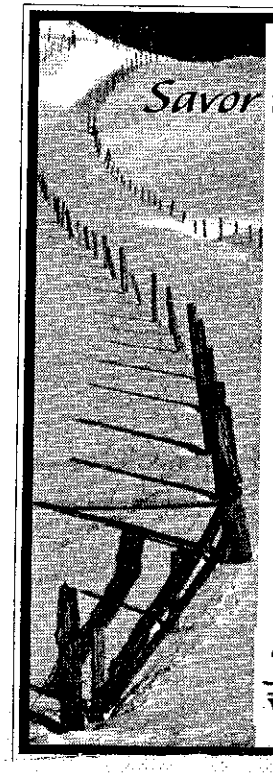
will rise at a somewhat slower pace this year, about 3 to 6 percent. Price is still a key factor in the ability to buy a home, along with interest rates and wages.

Homes sold for a median price of $186,500 last year, up 16.6 percent over 2003, Kelly noted. That's roughly double the $93,700 median a decade ago.

In 2004, 1,759 homes were sold in Flathead County, the most expensive of which sold for $13.5 million.

Trophy homes are garnering a bigger share of the real-estate market. Last year, 104 homes sold for more than $500,000, while 42 sold for more than $1 million. Ten years ago, 30 sold for more than $500,000 and only three were more than $1 million.



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