

# Flathead valley REAL ESTATE ROUND TABLE

## MONTANA MYSTIC: THE RIGHT PLACE TO BE

As the real estate market picks up across the country, it's obvious that the Flathead Valley is also on a significant recovery trajectory. Sure, it's the scenery and the available amenities that play a significant role in that market uptick, but more importantly, according to leading Flathead Valley real estate agents, it's the community cohesiveness that really sells people on the place. Join Western Home Journal and three of the Valley's top agents as they discuss the state of the market and the things that draw people here.

BY Heather Kaufman / PHOTOS Sonja Burgard



*Western Home Journal* recently met with three of the Flathead Valley's most dynamic and successful real estate agents for our regularly featured, Real Estate Roundtable. **Linda Chauner**, broker for RE/MAX Whitefish, **Rhonda Kohl**, of Trail West Real Estate, Whitefish and **Denise Lang**, Broker for National Parks Realty, Bigfork joined us for a discussion about the state of the market at the Whitefish Lake Lodge Resort. As the real estate climate in the Flathead Valley continues to strengthen and expand, our featured guests agree that this diverse northwest corner of Montana continues to offer one of the most desirable environments for home buyers and sellers alike.

How would you describe the real estate conditions within the Flathead Valley? How have they shifted since this time last year?

**Denise Lang:** Conditions seemed to have stabilized. In years past, we felt like we were in a free fall, and we didn't know where we were going to bottom out. But since January of last year, prices have stabilized. It's the perfect storm with low interest rates and a stable market that has prompted people to finally get off the fence and move forward with a purchase.

**Linda Chauner:** In addition, I think we moved a lot of inventory that had been sitting on the market. There were many bank-owned, short sale properties that weren't move-in ready that people were afraid to move on for awhile. However, in the last year, those properties have moved off the market, leaving us with a cleaner inventory.

**Rhonda Kohl:** Flathead Valley is up \$150 million in sales over 2012. With inventory down, vacant lot sales are up and more new structures are being built. I see the market getting better and better.

**How do the different neighborhood areas and housing types compare as far as desirability to buyers?**

**Chauner:** I would really have to say that there is a buyer for every area and property type in the valley. Different cities attract different buyers. As far as numbers, availability, and price range, there are variances, but there are buyers here for every market.

**Lang:** We have buyers in all areas and for all varieties of property. This is a highly desirable area.

**What would be your ideal listing for an easy sell this winter in terms of size, finishes, amenities, location, and features?**

**Kohl:** Ideally, something here in Whitefish or Big Mountain with high-end finishes somewhere in the half-million dollar range for a second-home owner. Something in Ironhorse would also be highly desirable. Lot sales are also way up. More vacant lots, ideally around water, would be wonderful. We have many out-of-state buyers looking for the perfect Montana setting.

**Lang:** We often joke in our office that we would like to have a whole bundle of houses priced from \$350,000 and up that are either log or log-finish on five acres with a view and a stream running through it. If we had that, we could sell all day long! Buyers have in mind a certain Montana mystic that they are looking for and think that they want. They also want it move-in ready with a modern kitchen complete with the granite and stainless. Buyers want all this and the Montana mystic.

**Chauner:** The buyers want acreage, water running through it, and a view. They want all this for \$350,000 to \$500,000. The problem is—this type of property just doesn't always exist. But we are running out of our spec-home market. The spec-home builders bought all of the bank-owned lots and were able to build and sell homes on them. So for me, if I could have properties somewhere between 1,800- to 2,200- square-feet with three bedrooms, two baths and a den for around \$350,000, I could sell those all day long.



[ Rhonda Kohl, Trails West Real Estate ]



[ Linda Chauner, Elm Group / Remax ]



[ Denise Lang, National Parks Realty ]

**Do you see lending and available financing as a barrier to sales right now? Do you anticipate this to change?**

**Lang:** I moved here from Colorado 14 years ago where I owned a mortgage company. I pay very close attention to the mortgage market. In fact, I just read an article that states that the average credit score for a conforming loan product was 756, which is amazing. The average credit score in the United States currently rests at 720. In addition, the average score for declined loans was 729. So, those numbers have moved considerably from when I was doing loans. At the time, 680 was the benchmark. So, now we are moving around 75 points above that. We are moving into a mortgage market where fewer and fewer people are able to qualify.

We have had some difficulties with higher-end properties. Jumbo loans are getting extraordinarily difficult to obtain, and I think consumers don't necessarily understand that there are two markets the jumbo market and the conforming market. The conforming market is much friendlier, but the jumbo market is a very painful process. I don't think that is going to change anytime soon.

**Kohl:** I don't deal in a lot of mortgages. Few of my clients need mortgages or they come from Canada and already have their financing secured when they arrive. However, interest rates are still good. I have had very few problems with securing financing for buyers.

**Chauner:** I agree with Denise that it is a little bit harder to secure financing. The restrictions on mortgages have been raised. In this last year, I have had the opportunity to work with high- and low-end buyers. For first-time home buyers, it is important that realize that their income to debt ratio is at least 55 income to 45 debt percentage. That has raised 10 points in the last few years. There used to be conventional 3 percent-down loans that are no longer available. Also, the private mortgage interest is now included and has to be paid on top of the initial loan. It is important to have at least 20 percent down, especially for first-time home buyers. It used to be that one could pay their mortgage insurance on the loan until they had 20 percent equity in the property and then that higher interest rate would change. Now, it is necessary to pay the mortgage insurance for the life of the loan. So, interests rates have bumped up a bit, but they are still at record lows. However, the restrictions have gotten greater. I don't really see that as a negative because I think that it is important to have qualified people buying homes.



Last spring's WHJ Real Estate Roundtable indicated that one of the barriers holding the market back was the availability of completed, ready-to-move-in homes that wouldn't require upgrading. Is this still the case?

**Kohl:** I think that there still is a demand. There is so much building going on, but still I have clients in the \$225,000 to \$450,000 price range who would rather buy something built, but they will buy a lot and build instead. I have had two clients already this year who decided to buy lots and build because they were unable to find anything that suited them. It has improved because of all the building that is going on, but it still is an issue.

**Lang:** Build-to-suit properties are up considerably. In Bigfork, we have developments that were bank-owned that developers have purchased and now the banks are advancing the funds for spec-home building. The properties have really nice finishes. There is a formula. Again, we are back to the 3-bedroom, 2-bath, 2,200-square-foot in that \$250,000 to \$400,000 price range with a nice kitchen category. We haven't had spec building in 6 or 7 years. So, it is nice to see again.

I recently had dinner with someone from one of the local banks, and he asked what I was seeing that people wanted to buy. If we were running out of inventory in the \$250,000 to \$350,000 price range and whether he should move forward with loan approvals for spec homes again. My answer to him was absolutely, yes! Most certainly!

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—RHONDA KOHL

**Chauner:** I think that because of all the land and lot sales, coupled with good pricing, we have cleared out inventory. Now we are seeing the next phase. I agree, it is great to see all of the spec-home building and our builders staying busy. One thing that is helping is that quite a few of our builders are willing to build to suit—especially in Kalispell. So, they are willing to take on construction costs, which are hard for a lot of clients to qualify for. In Whitefish, though, I do think we are running out of spec homes.

What other barriers do you see to the market?

**Chauner:** I see that we have sold out of the inexpensive residential lots. The highly desirable areas in the valley that initially offered empty lots for sale are now with occupied with spec homes. What is interesting is that many of these established developments are instigating their second

phase of building. The lots that are available are similar in size and location to what they were when they first came on the market in the 1960s and 1970s, and they are becoming available. We just don't know what to expect on that yet.

I personally see the pricing as a little bit aggressive. But it is interesting because if there is nothing else available, it is going to drive up those prices significantly. This concerns me a little bit, as this will affect our spec-home builders and ultimately, the buyers.

**Kohl:** As far as high-end buildings and lots, Ironhorse has 15 or 16 new builds and lot sales are just phenomenal. The lots for sale range from low-end to high-end. There is not so much spec, but the lots are coming available.

**Lang:** I don't know that I have anything to add to that. I see the same situation in the areas around Bigfork as well.

What role does Montana's strong economic recovery and job growth play in the arrival of new buyers?

**Lang:** What is interesting about this valley, and I remember when we just were in the bubble, just before the crash, reading the front page of a Daily Interlake article about the boom in the construction trade. We had just

surpassed 1 billion dollars in sales that year. So, we were really adversely affected by the crash. That construction was what was really driving the economy in this area. We had, not only an influx from out of state buying houses, we had our trades people buying, too. So, when that market dried up, it was our local people that were most affected. Our workers were the one's who lost their homes and our communities really felt that. In the polar extremes of our valley, the high end buyers weren't really affected. It was the middle class and the poor who suffered.

Now, what I have seen, thankfully, is that I have never sold so much land as what I have since 2012. Now, this year, I am showing people a lot of homes and many end up buying land and building to suit, instead. So, the result is that 12 trades people are back at work again and our whole system of the economy is benefiting. This I see more than industry moving in to the area, but we are seeing that, as well. I recently had a client from out of town I showed properties too that has decided to move their whole company and employees to our area. They see this area as business friendly, compared to other states and that is making a difference.

**Chauner:** I think our state has greatly improved it's economy in the last few years. With the oil boom and some new industry moving into the area, our housing economy is growing again. I think that the Montana West Economic Development organization is doing an awesome job bringing business here. They put on a great annual economic forum in January, which I highly recommend. Every time I drive around the area, I am seeing new companies establishing themselves in the Flathead. This is really exciting to me.

**Kobl:** I see a lot of Canadians coming in buying second homes. There is a very strong drive from Alberta and Calgary. I see this influx helping our local economy, tremendously. Our natural resources, climate and economy keep this a highly desirable area.

**What is your mix of buyers geographically? Full-time/part-time, Flathead Valley residents shifting homes, westerners, elsewhere in the US, international?**

**Lang:** I am seeing a mix of buyers from all spectrums. I am selling everything from land to family homes and vacation homes. Definitely, starting in the early part of last year and into July, I saw many first time home buyers that were able to get amazing RD loans and low interest rates. Then, as the summer progressed, that switched to more Canadians and second home buyers. That trend has continued throughout the rest of 2013 and into this year.

**Kobl:** Most of my buyers are second home buyers. I have had a few first time home buyers that have moved from out of state and have started new companies here or have gotten a job here. The rest are mostly Canadians or from Washington who are here purchasing second homes.



**Chauner:** Last year was an interesting year. In the past, my clients have been equally distributed with listings and buyers. This last year, however, has been skewed with 75% listings to 25% buyers. That tells me a couple of things. One, that the market is stabilizing from those awesome deals of homes being sold below market value. Most of my homes were being sold to people that were not going to be living here. Even if it was acreage, which usually indicated a client that is going to be living here, the land was being sold for second homes. As markets in others states improved, ours stabilized. Even 15 to 20 acre parcels were being purchased as second homes. This comes back to that Montana mystic. When people come here, they want more than an acre. This is what having a home in Montana is all about. So, I would have to say that most of my buyers are coming from other areas. They are relocating here, as much as they are vacationing here.

**What are the attractions that appeal to people locating here? What's important as far as the quality of life, schools, community fabric of non-profits, the resort offerings, trails and open space, accessibility, etc.?**

**Kobl:** I think that having easy accessibility in and out of here through the international airport is a huge draw for my clients. Of course, being in Northwest Montana, a big lure is being near Glacier National Park. There are so many recreational things for people to do. In addition, we have a nice culture of theater, and great hospitals and doctors here. One fellow I recently worked with here from California spoke very highly of our school system. He says our public schools offer an education that is as good or better than anywhere else he has seen. We also have a nice business district here. One more thing that I would add is our elevation. We are at a perfect elevation that hovers around 3,000 feet above sea level and that is a big factor in people's health.

**Lang:** When we moved here, we moved here from Colorado. So, I ask myself constantly what it was that brought us here. Going back to Rhonda's comment about the airport, my husband was working for an ad agency in San Francisco, so it was really important for him to have an airport that was able to consistently get him in and out of the area. What is true about this area is that you can go from Kalispell to anywhere in the world. That is a big plus.

Another huge factor is the water. The battle for the West is going to be about water. So, one of the things we looked at before moving here is what is water like here in the valley. There is an aquifer the size of Los Angeles county under the Flathead. When you pull out a map and look at this area, what you see is water everywhere. So, for a lot of folks coming in from the West, water can become an extraordinarily important factor. Another thing we did before we came, is we bought every book you could buy on the area, from the best art towns to live in to National Geographic best towns in America. We were very methodical and starting checking and cross referencing and we kept coming back to the Flathead Valley as the best answer. We not only wanted to move to an area where there was an airport and water, we wanted to move somewhere that was also steeped in culture. All of that is offered here.

**Chauner:** I, also, moved here from Colorado. I was in Vail. I moved there when I was single and that was way fun. Then I got married and had children. To me, there was no community there for families at that time in the early 90's. So, when we had the opportunity to move here, I was thrilled with the sense of community. This is the same thing I hear from my buyers. They move here because of our community. They are moving here for a more wholesome life and outdoor activities. The recreation offered here is great for families.

Personally, I feel that we have one of the best school systems that there is in America. Our teacher to student ratio is low. Our school levies consistently pass and our teachers are great. One of the unique things I see is that we have more parent involvement in our schools than most public school systems could hope for and that is huge in the amount of support offered to our teachers. Both of my girls are now in college and the tools that they were offered here, along with the AP classes offered, prepared them well for college. They're so thankful for the education they received growing up here.

The other thing I hear from my clients is the amount of culture we have here. We have excellent music and theater and outstanding restaurants. We have painters and sculptors and furniture makers. We basically offer anything one enjoys about living in large city, but we are in the middle of this outstanding scenery and recreation. And although we may not have the best shopping, as far as clothing is concerned, it gives a reason to take a great day trip over to Spokane or Missoula.

### What is being overlooked in the market as far as deals?

**Chauner:** I struggle the most with clients in the \$600,000-up range. That market seems to be in limbo. Most properties that have sold in the \$600,000- to \$1 million-range have been a great value. I don't think you could have built the home for what these properties are selling for. There are few sales happening in this area and when they do, they are happening at a generously discounted price. There's too much inventory in this price range. I see \$4 million dollar properties selling for \$2.5 million. This is a tough area to find buyers right now. I see a whole lot of properties in the middle that aren't being sold, and I would love to see that change.

**Kobl:** In the Whitefish area in particular, the high-end sellers don't have to sell. So, they are willing to sit on that property until the right buyer comes along. They won't budge on their price and are waiting for the market to get better. I don't really see this changing anytime soon.

### Is there an area of town that might be over-valued right now?

**Lang:** No. Buying a home in this area is a great investment. I think our prices have really stabilized at fair market value. Especially compared to other resort communities that seem to be headed back into the bubble.

**Kobl:** I see Montana as an up-and-coming place where any purchase is a good investment at this time. I see the growth and changes in this market happening slowly and methodically, and we have reached very fair pricing of our real estate.

**Chauner:** I would agree. I think we saw a much-needed and healthy correction to this market. I don't think that prices are growing too fast in any segment of this market. I see our growth and changes in this area happening in a stable way.



### What is the best-kept secret about the Flathead Valley home market?

**Kobl:** We have some of the best scenery, some of the best water, some of the best schools, doctors, and culture in the world. From our bike trails to our theaters, we have everything a person could want from a community. We really are the crown jewel of the United States. We're a community of open arms. A lot of my clients say we are the most friendly and down-to-earth people you could meet, and I have to agree with them.

**Lang:** We are an inclusive community. At the grocery store, people hold the door open for you. When you pass them on the street or are driving in the car, people wave and greet you, show concern, and wish you well. Our area is very community driven. The people in the Flathead Valley are not only genuine, they are generous.

**Chauner:** When I lived in Colorado, back in the early 1990s, we had a very wealthy population there. What was difficult for me was that the money that they brought into the area with them went mainly toward the infrastructure that they used. Their gated communities and private schools and clubs. It isn't like that here. All brackets of the economic spectrum here benefit from one another. The wealth in this area is poured back into our public schools and libraries. We see it in our non-profits and outdoor recreation and parks. We see it in our hospitals and our college and our airport. We are blessed because the area draws successful people, but they not only bring their money into the area, they bring their talents. Not just to benefit their own lives, but to benefit the lives of everyone living in this area. Generation by generation, we see the results this has for our children and the pride and well-being of our towns.

So, while people may initially come here for Glacier Park and the amazing scenery and wildlife, they stay because of the strong sense of community.