

Real Estate and Construction

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Three Economic Periods

1. The before times...

2017-2019

4% mortgage rates

- Ambient second home market
- “Normal” strong migration
- Steady appreciation

Interest(ing) times...

2020-2022

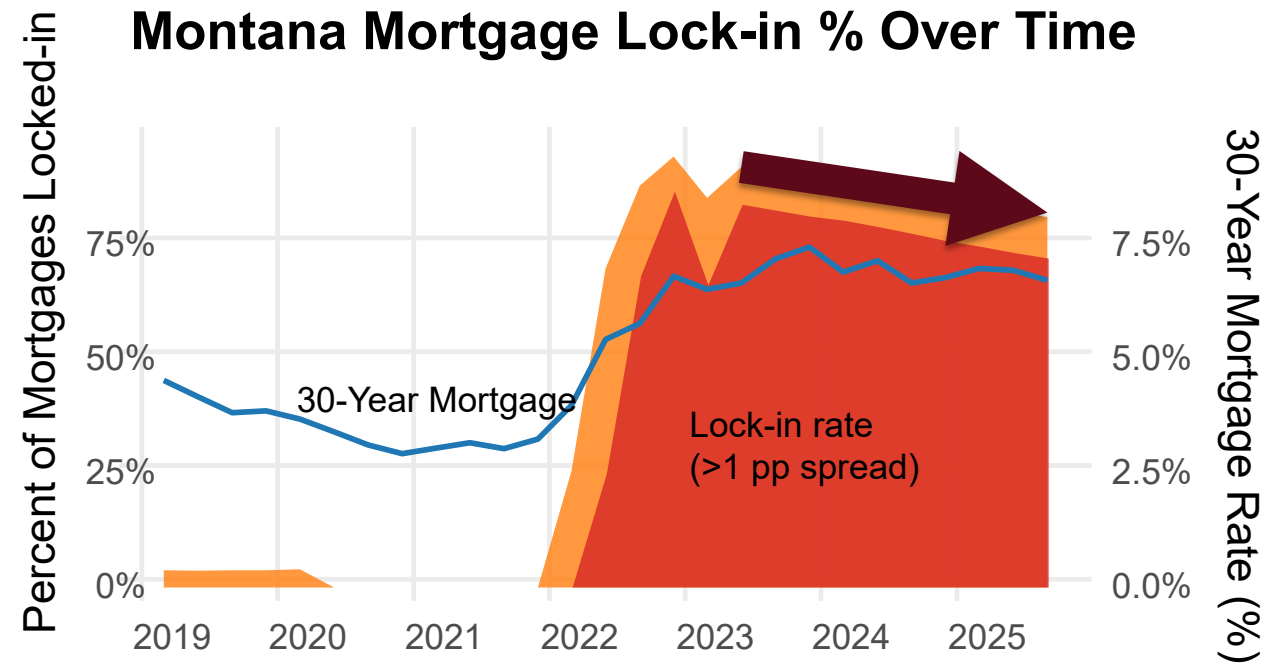
- < 3% mortgage rate
- Cash buyers
- Strong second home demand
- **Historic** domestic in-migration
- **Historic** housing cost appreciation
- **Historic** global pandemic

Which brings us to the most recent period...

2023-2025

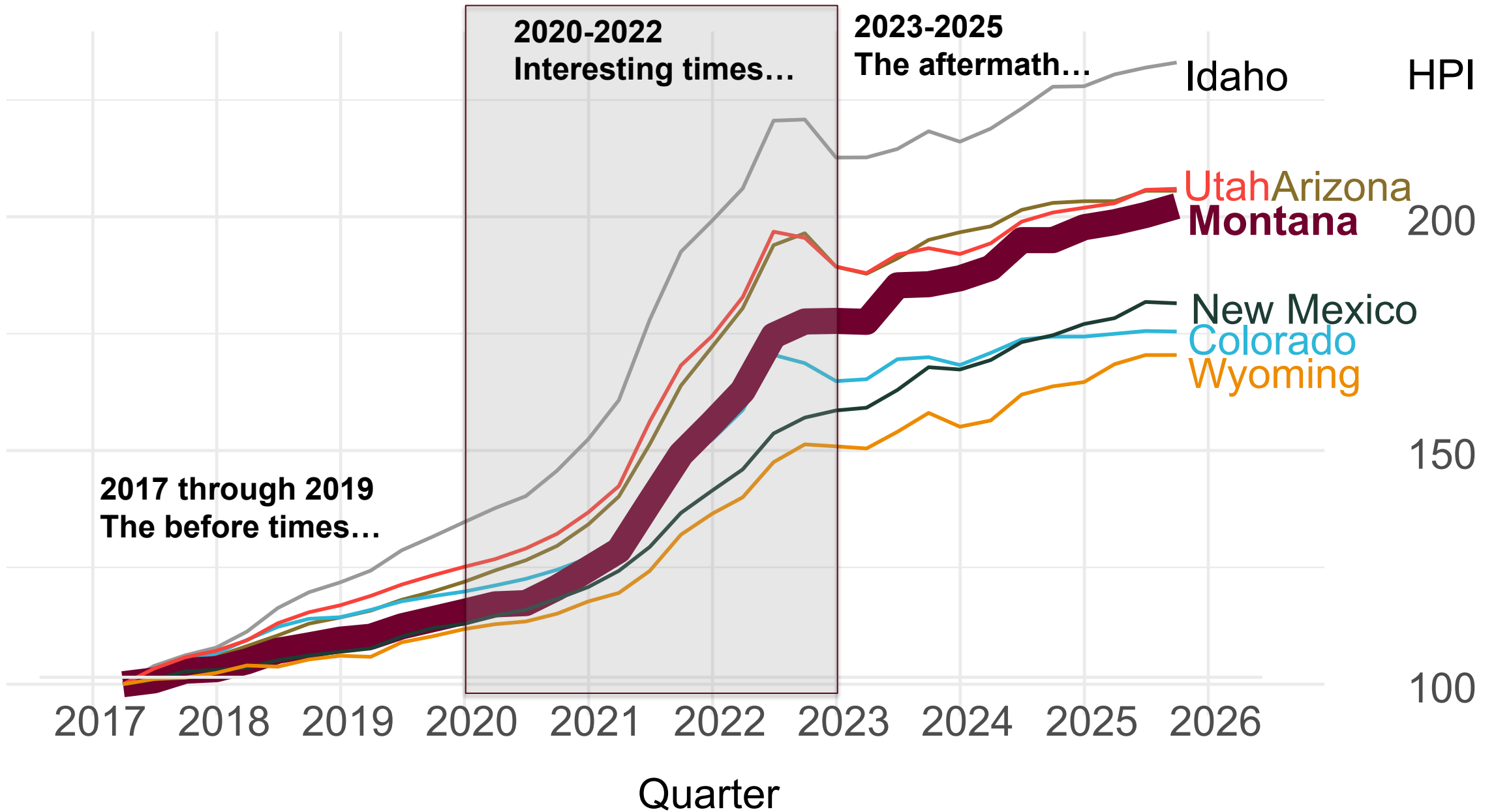
The aftermath...

- Normal in-migration
- Higher prices
- > 6% mortgage rates
 - Rate lock fades slowly



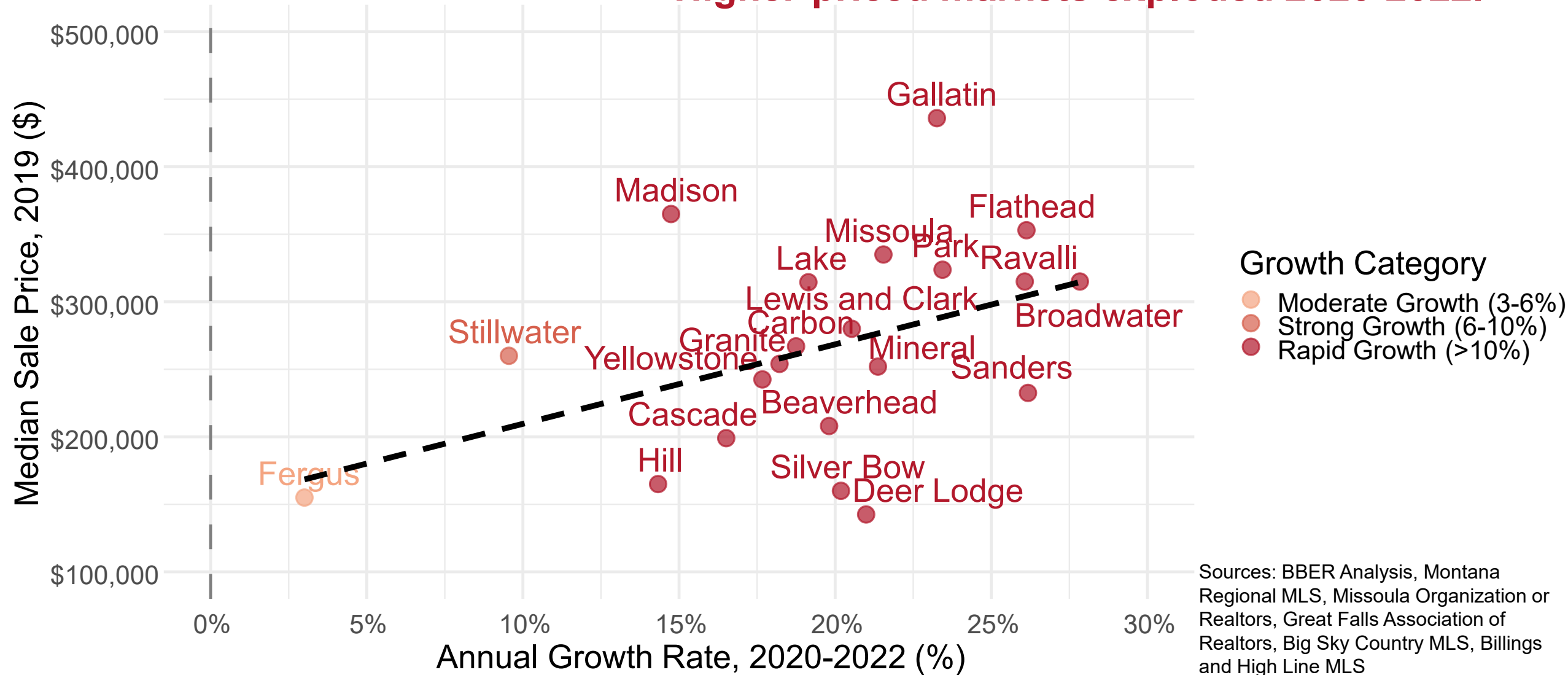
Note: Lock-in percentage is measured as the percentage of mortgages at least 1 percentage point lower than average 30-year market rate

Sources: BBER Analysis,
FHFA National Mortgage Database, Freddie Mac PMMS



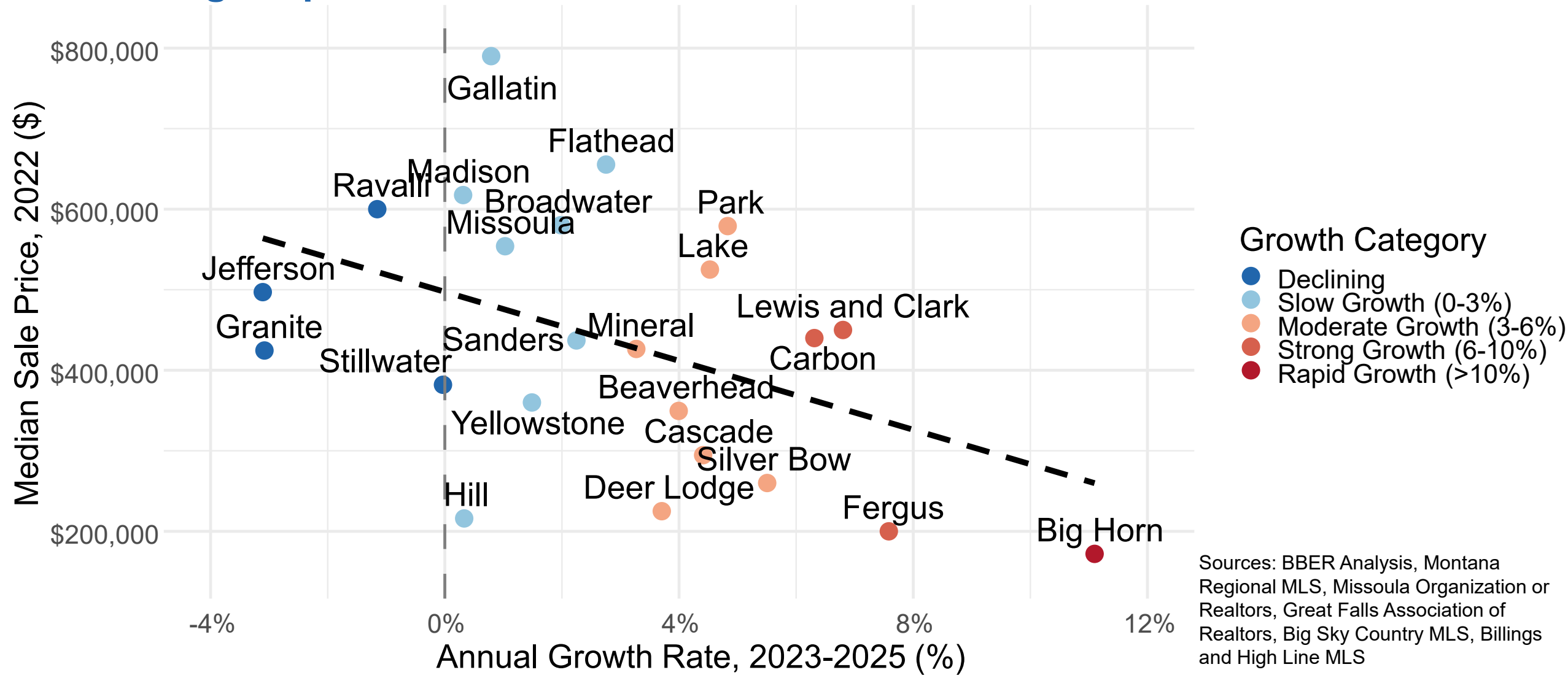
Interesting times, 2019 Price Levels vs. Peak Growth Period

Higher-priced markets exploded 2020-2022.



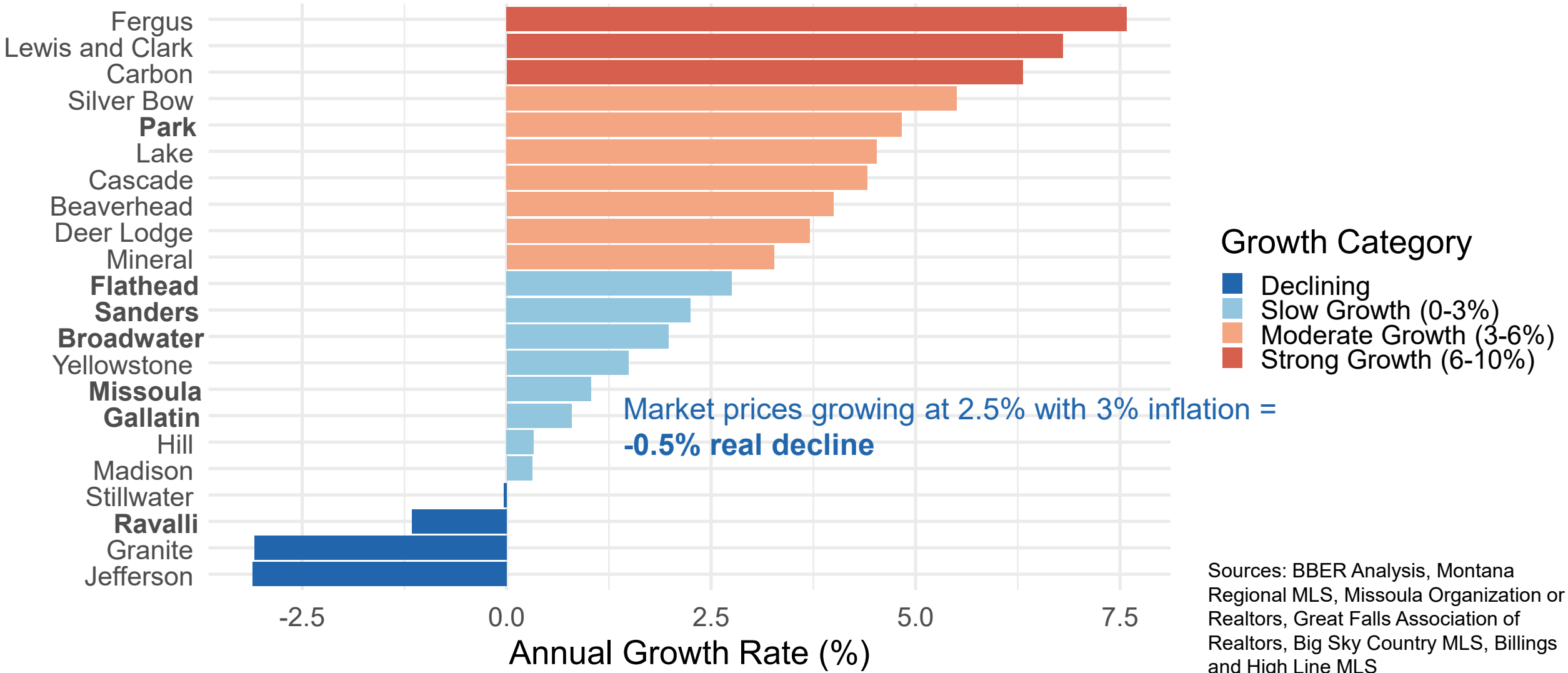
The aftermath, 2023 Price Levels vs. Recent Growth

Higher-priced markets cooled 2023-2025.



The aftermath, 2023-2025

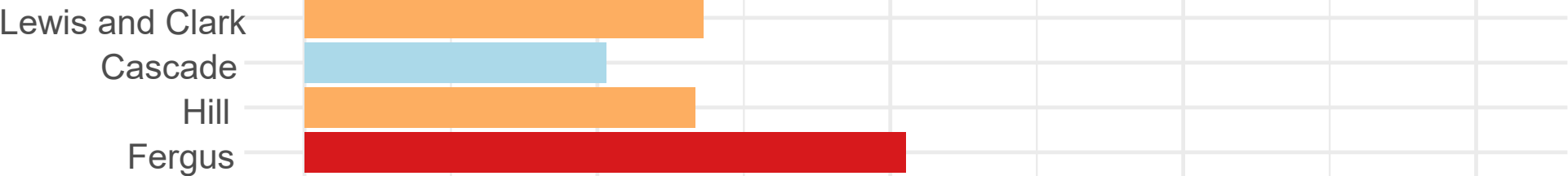
Annualized median sale price growth



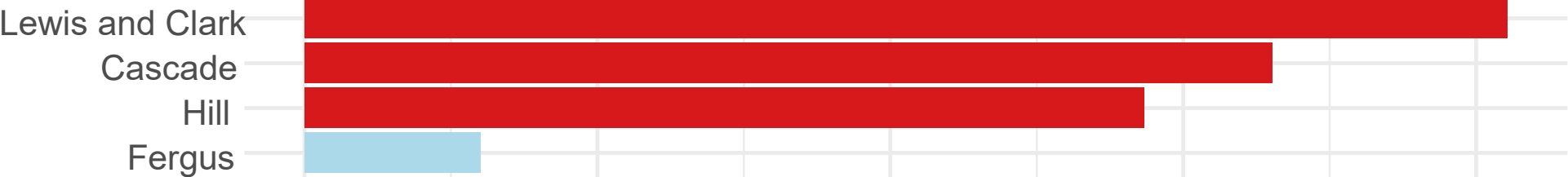
County-Level Price Growth Across Three Economic Periods

Annualized median sale price growth

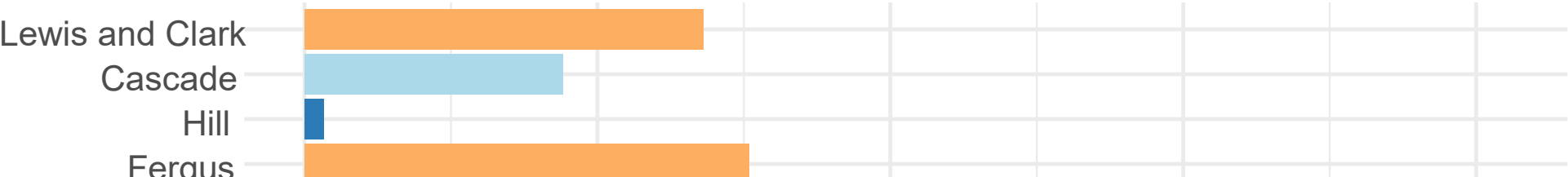
The before times... 2017-2019



Interesting times... 2020-2022



The aftermath... 2023-2025



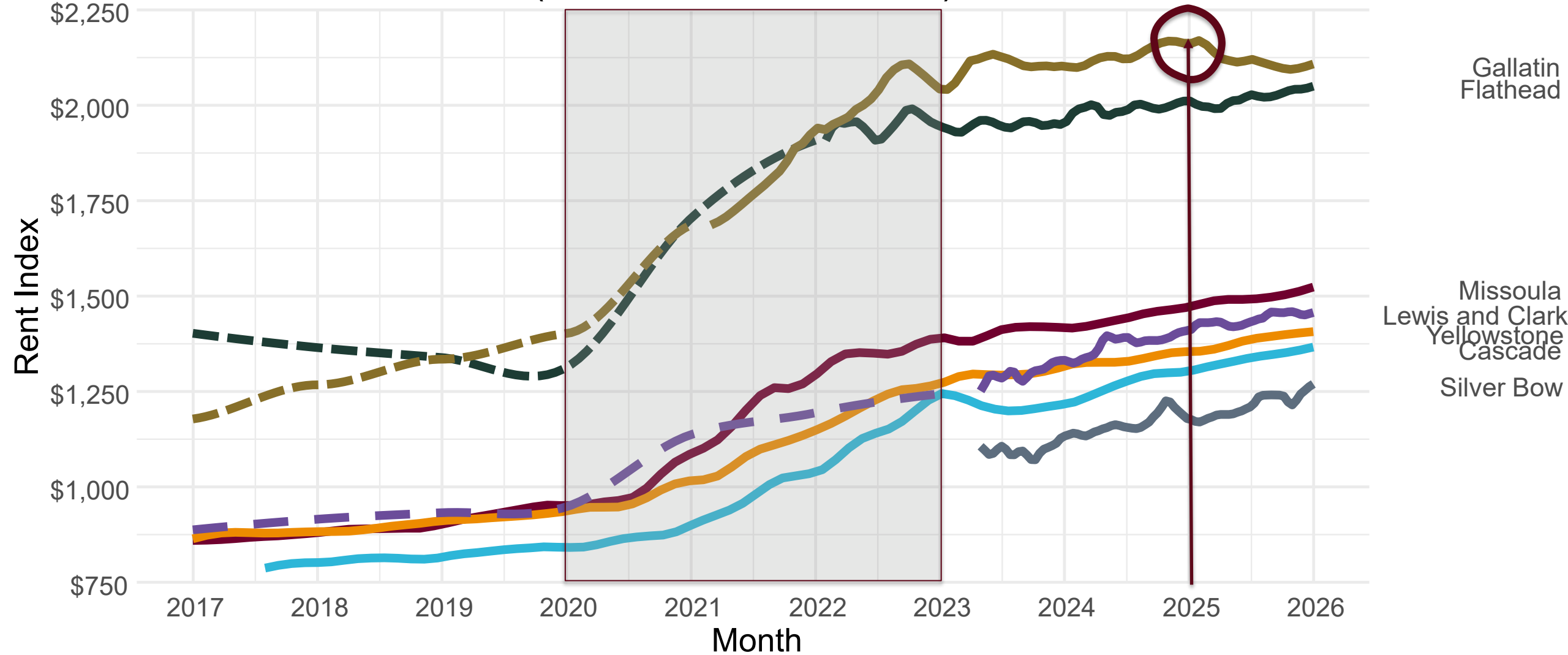
Growth Category

- Slow Growth (0-3%)
- Moderate Growth (3-6%)
- Strong Growth (6-10%)
- Rapid Growth (>10%)

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Annual Growth Rate (%)

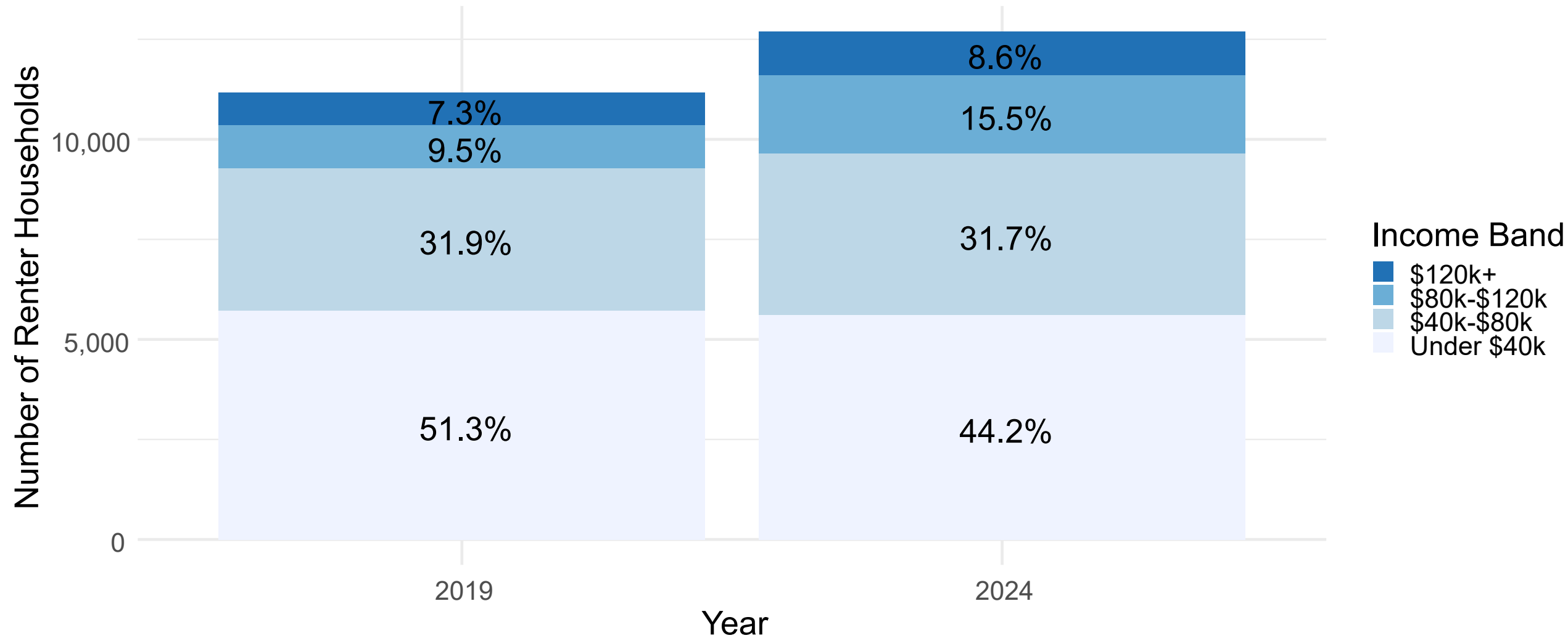
Montana Rental Index (ACS Historical + Zillow)



Sources: BBER Analysis, U.S. Census ACS Table B25113 (dotted, back casted), Zillow Research ZORI (solid),

Cascade County Renter Households by Income Band

Total households grew, but composition shifted dramatically



Source: ACS 1-year estimates, 2019 adjusted to 2024 dollars using CPI-U

Renter Market Summary

Rents still rising across most counties

- Exceptions: Bozeman, Kalispell, Whitefish are seeing stabilization

Demand increases as household composition shifts

- More renter households across most of the state
- Renters tend to have higher incomes than before
 - Strong wage growth for lower-earning households
- Many are prospective first-time buyers waiting for better affordability

Multi-family construction response

Past wave delivering now:

- **Permitting peaked 2020-2022**
- Supply translating into occupancy 2023-2025
- Multi-family supply moderating rent growth in some markets

Next wave building:

- **Multi-family permitting picking back up**
- Bodes well for continued rental affordability improvements

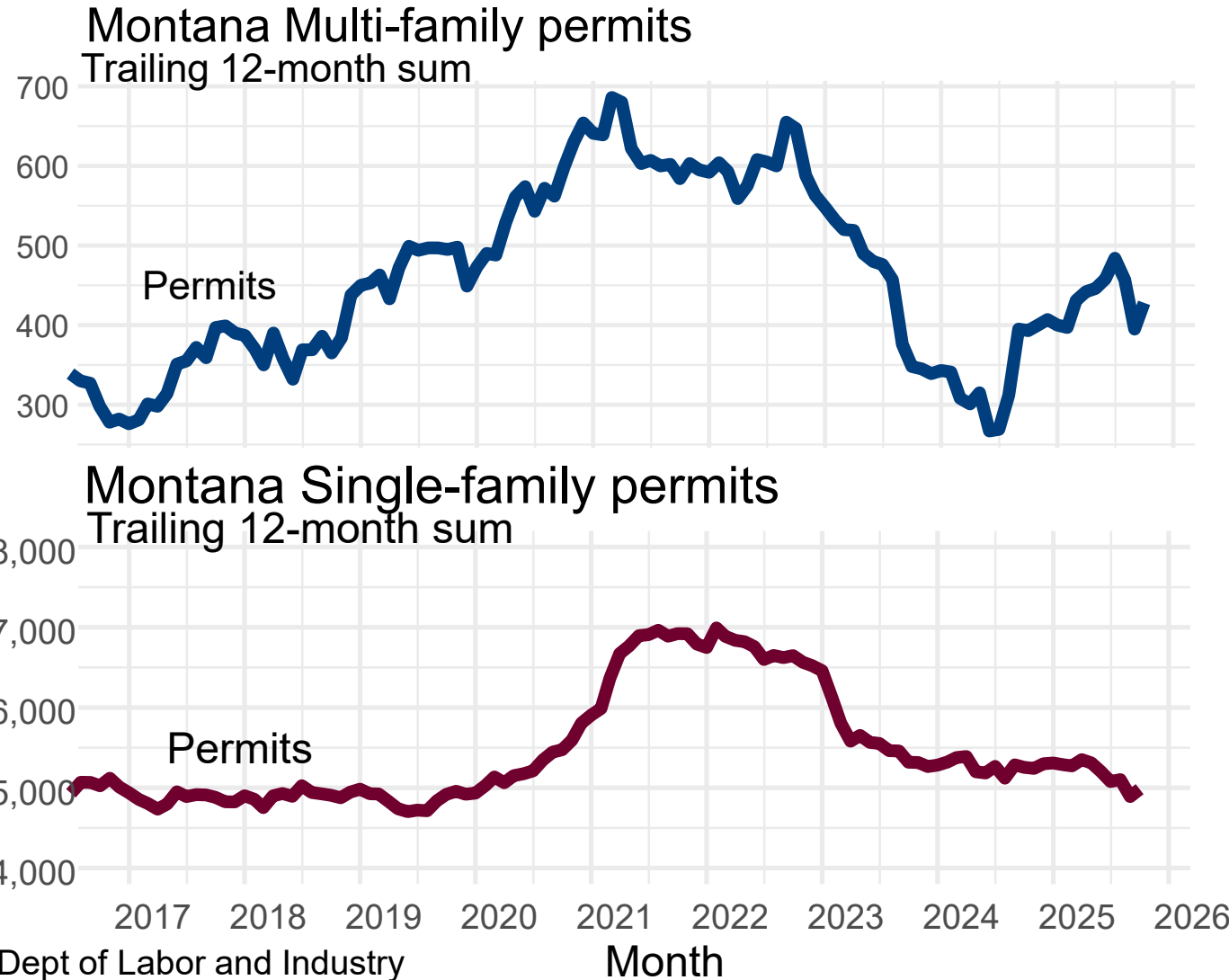
Building Construction (2026...)

Multi-family

- Permitting rebounded to ~400 permits (trailing 12 months)
- These will translate into new rental supply over the next 1-2 years
- Should support continued rental affordability gains

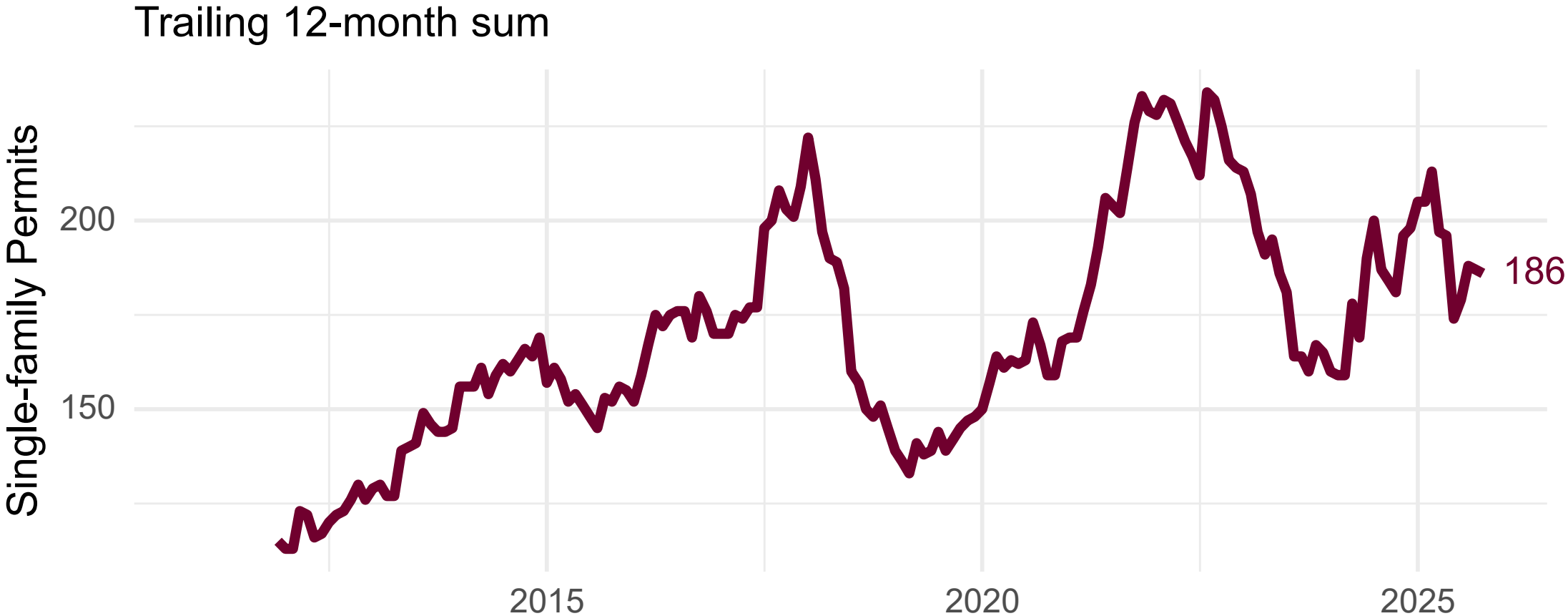
Single-family

- Permits stabilized at ~5,000 (trailing 12 months)
- Pipeline of units to be completed 2026-2028



Sources: BBER Analysis, U.S. Census Building Permits Survey, MT Dept of Labor and Industry

Cascade - Single-family Permits



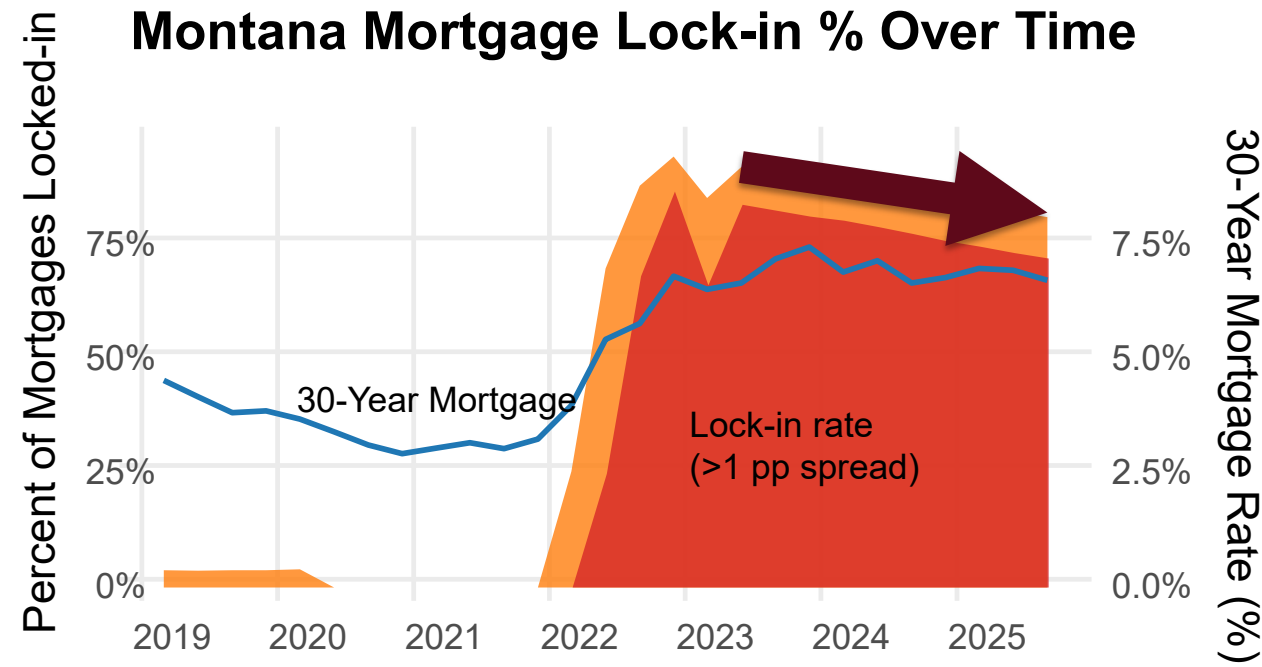
Cascade - Multi-family Permits



Three-Year Outlook (2026-2028)

Other supply shifts:

- “Locked-in” owners will eventually sell
 - New jobs, divorce
 - Babies
- Demographics
 - Baby boomers will be 64 to 82...



Note: Lock-in percentage is measured as the percentage of mortgages at least 1 percentage point lower than average 30-year market rate

Sources: BBER Analysis,
FHFA National Mortgage Database, Freddie Mac PMMS

Three-Year Outlook (2026-2028)

Domestic Migration Changes

- Sharp pullback from peak migration

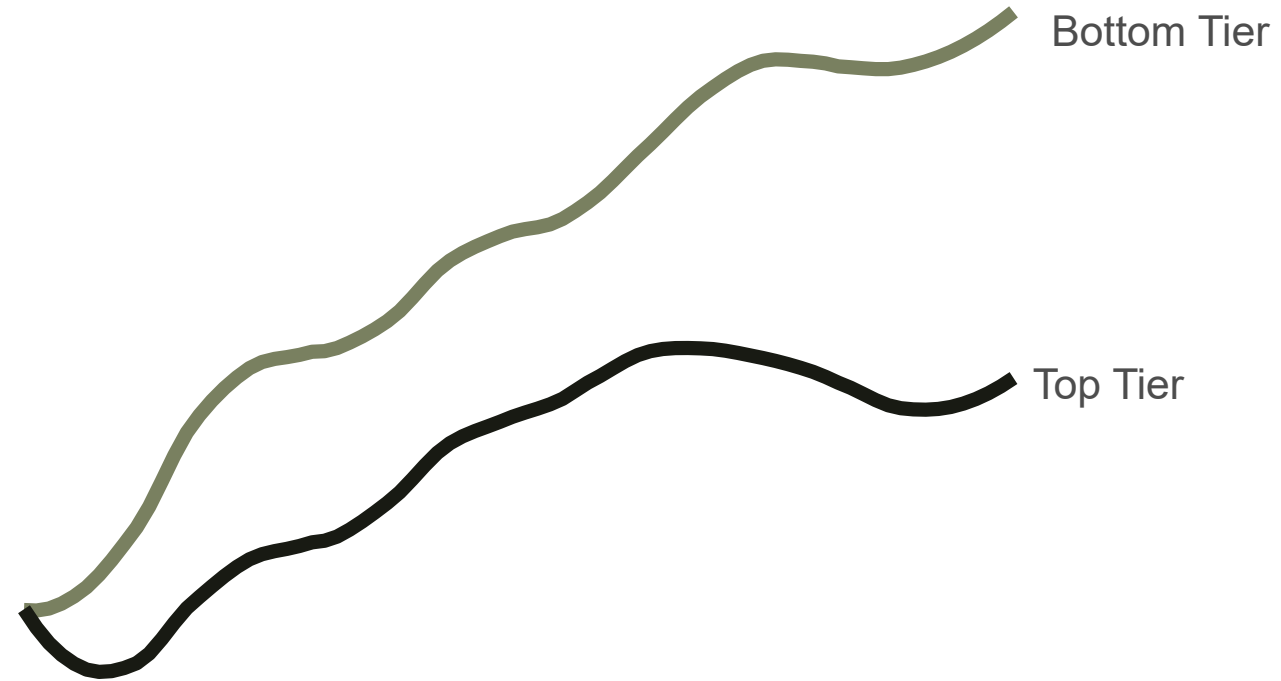
Expectation: Migration stabilizes at elevated levels

- Continues to put some upward pressure on housing costs
- Regional variation intensifies
 - “Location, Location, Location”

Three-Year Outlook (2026-2028)

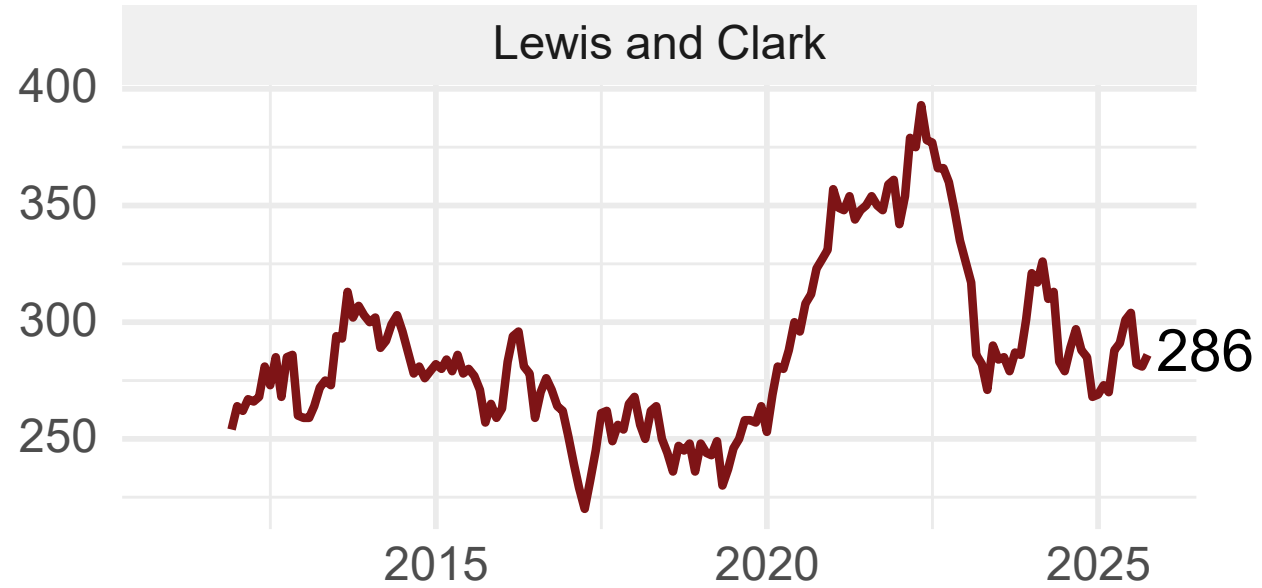
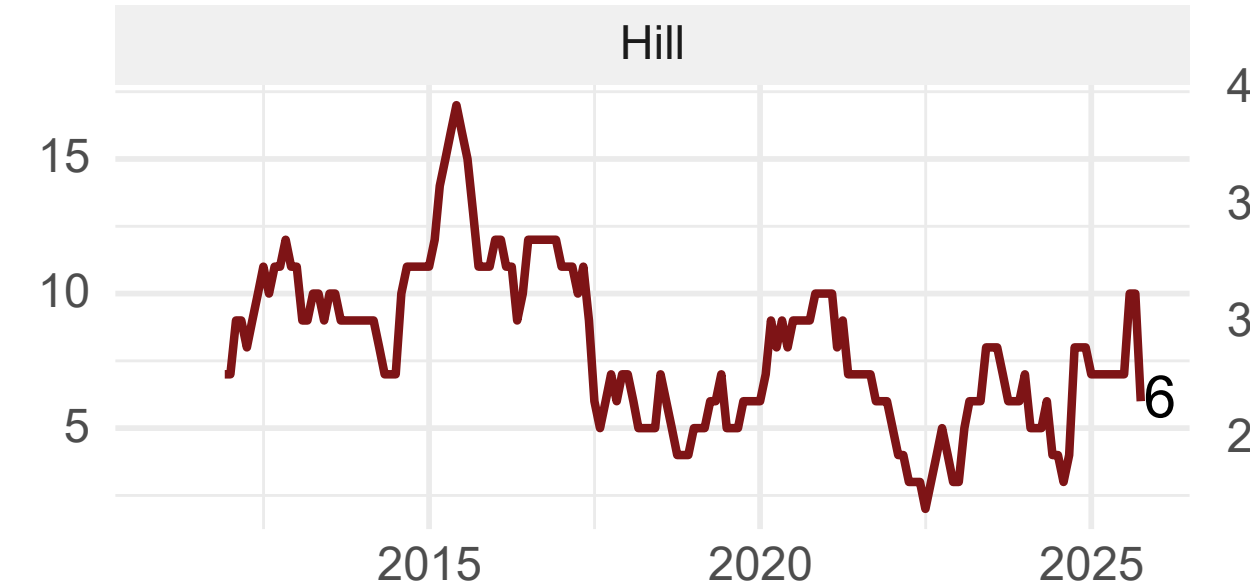
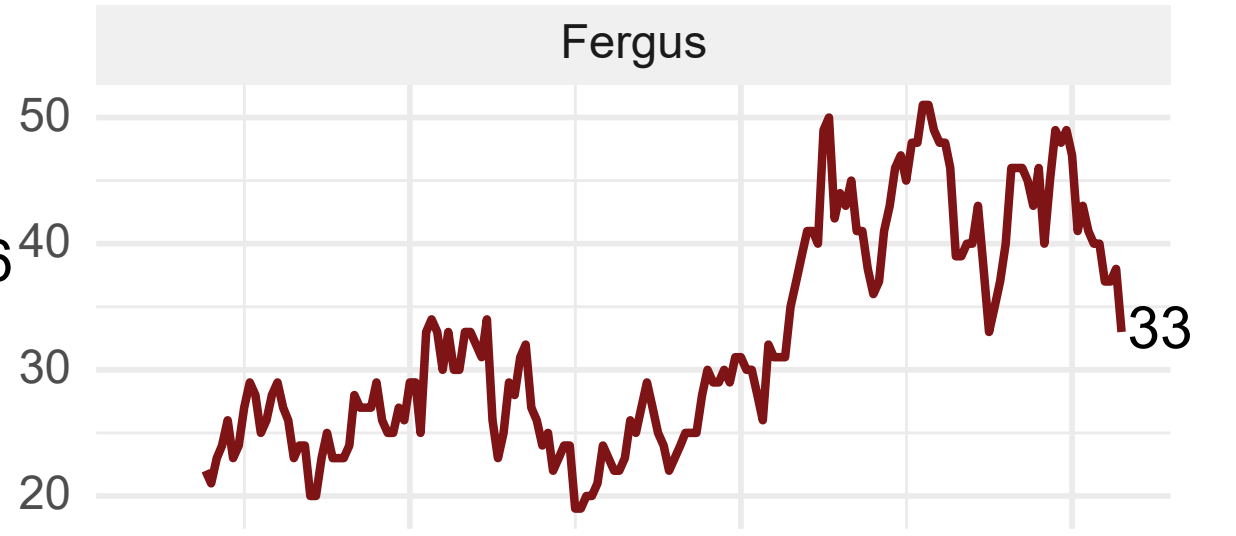
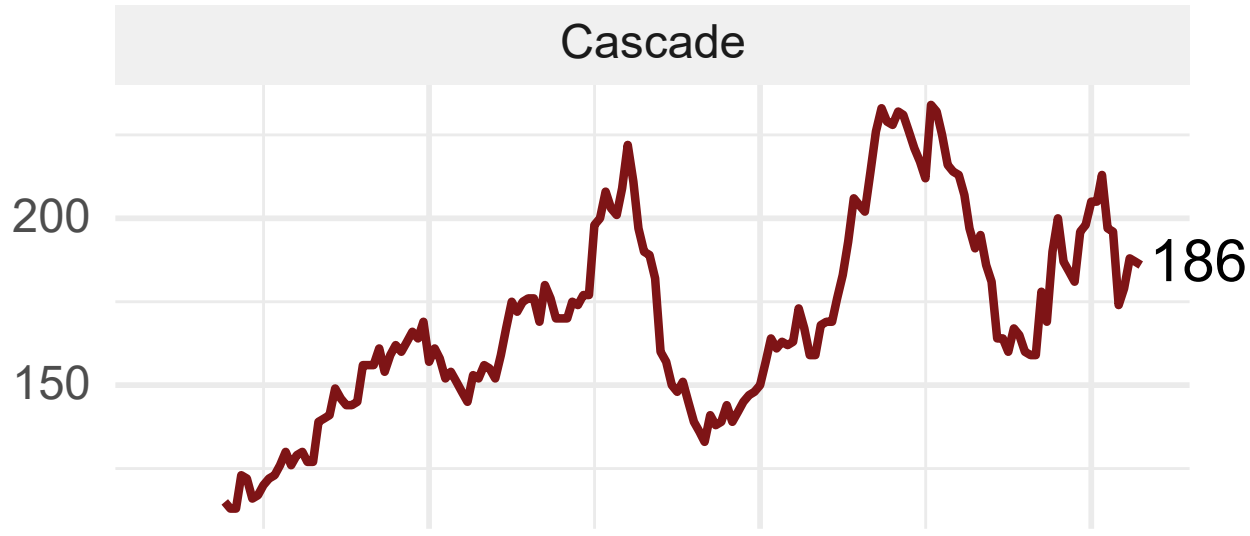
Housing costs trajectory:

- Higher cost markets become slower growth markets
- Affordability: Challenges ahead, but improving



Trailing 12-month sum

Single-family Permits

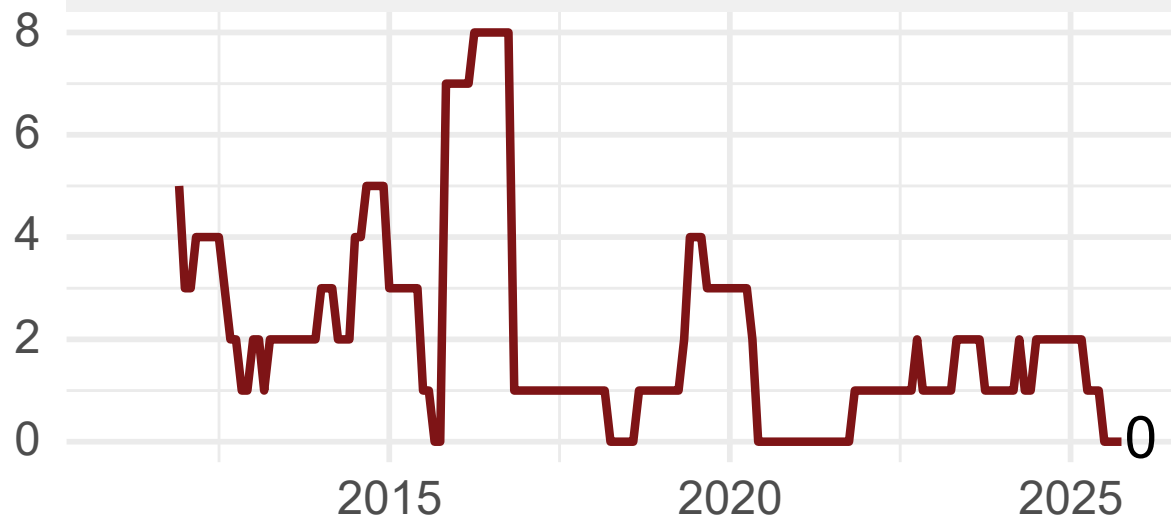


Trailing 12-month sum

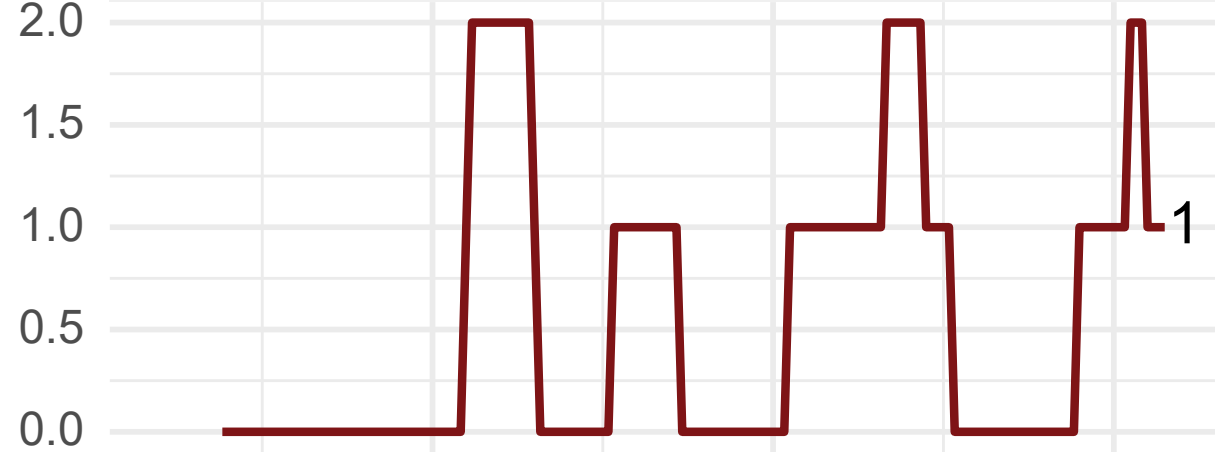
Cascade



Hill



Fergus



Lewis and Clark

