

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

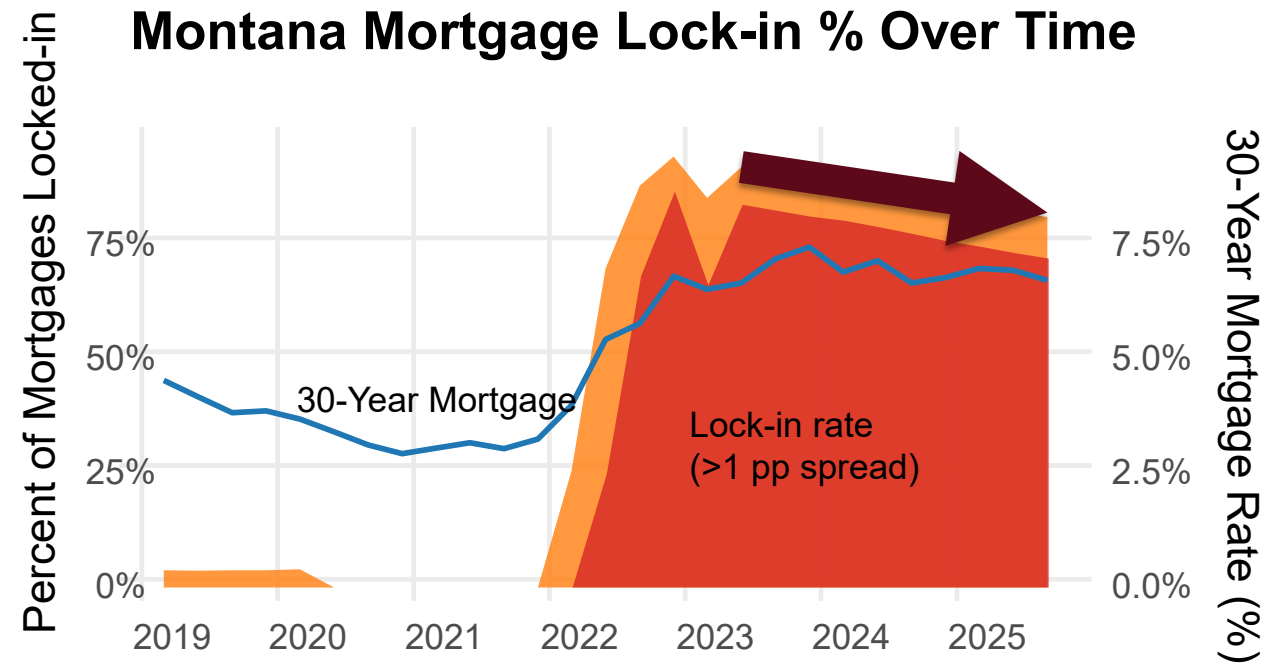
- < 3% mortgage rate
- Cash buyers
- Strong second home demand
- **Historic** domestic in-migration
- **Historic** housing cost appreciation
- **Historic** global pandemic

Which brings us to the most recent period...

2023-2025

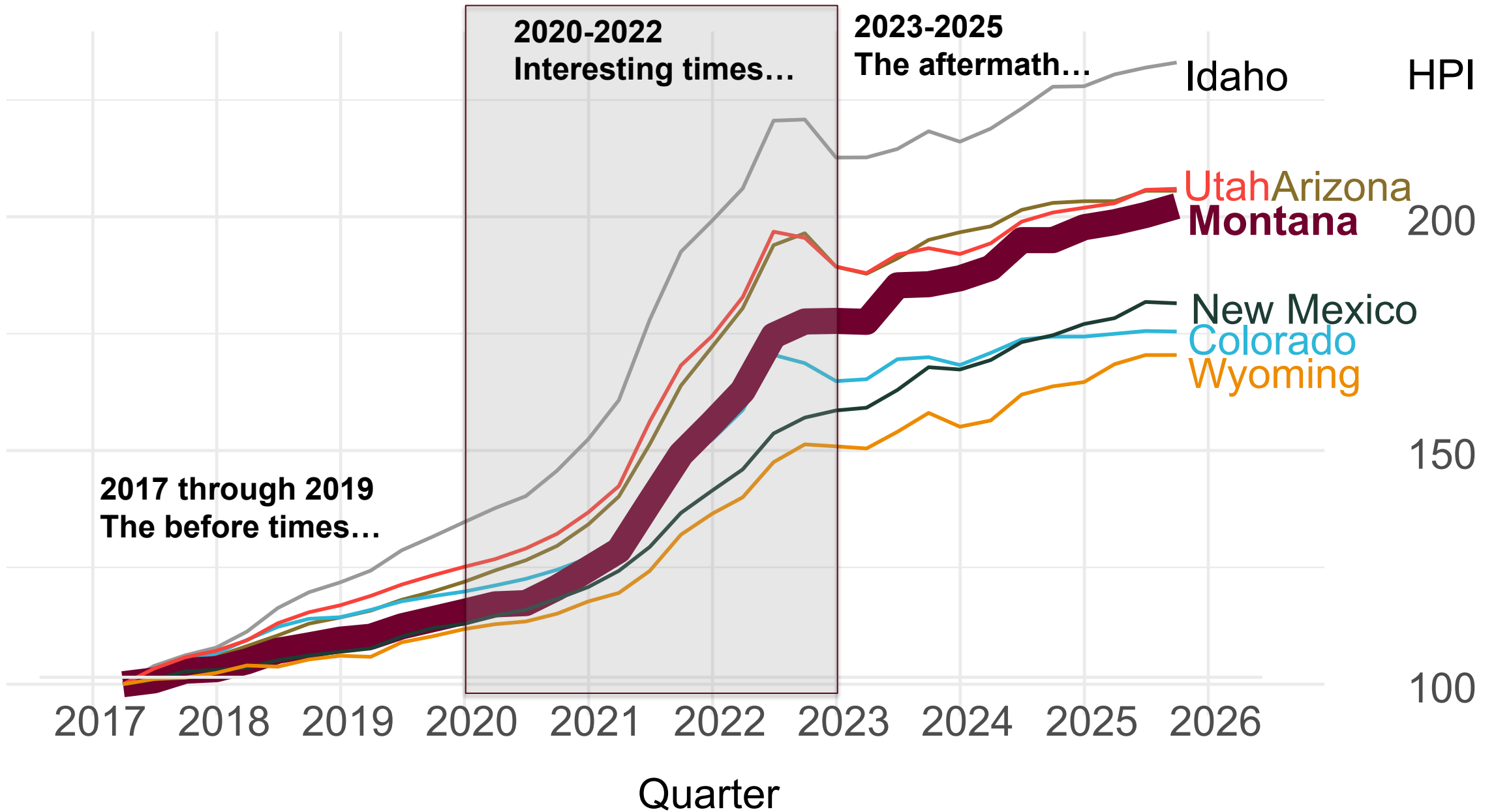
The aftermath...

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



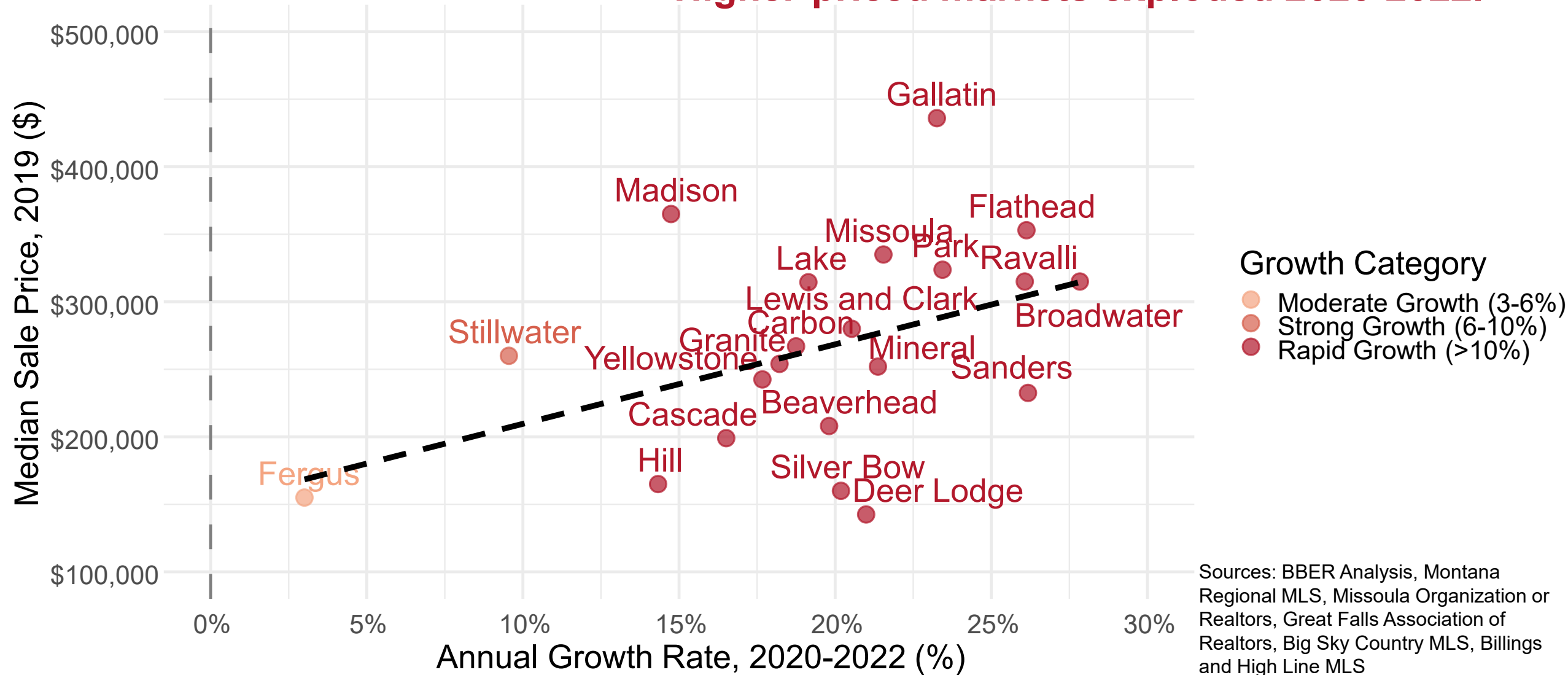
Note: Lock-in percentage is measured as the percentage of mortgages at least 1 percentage point lower than average 30-year market rate

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



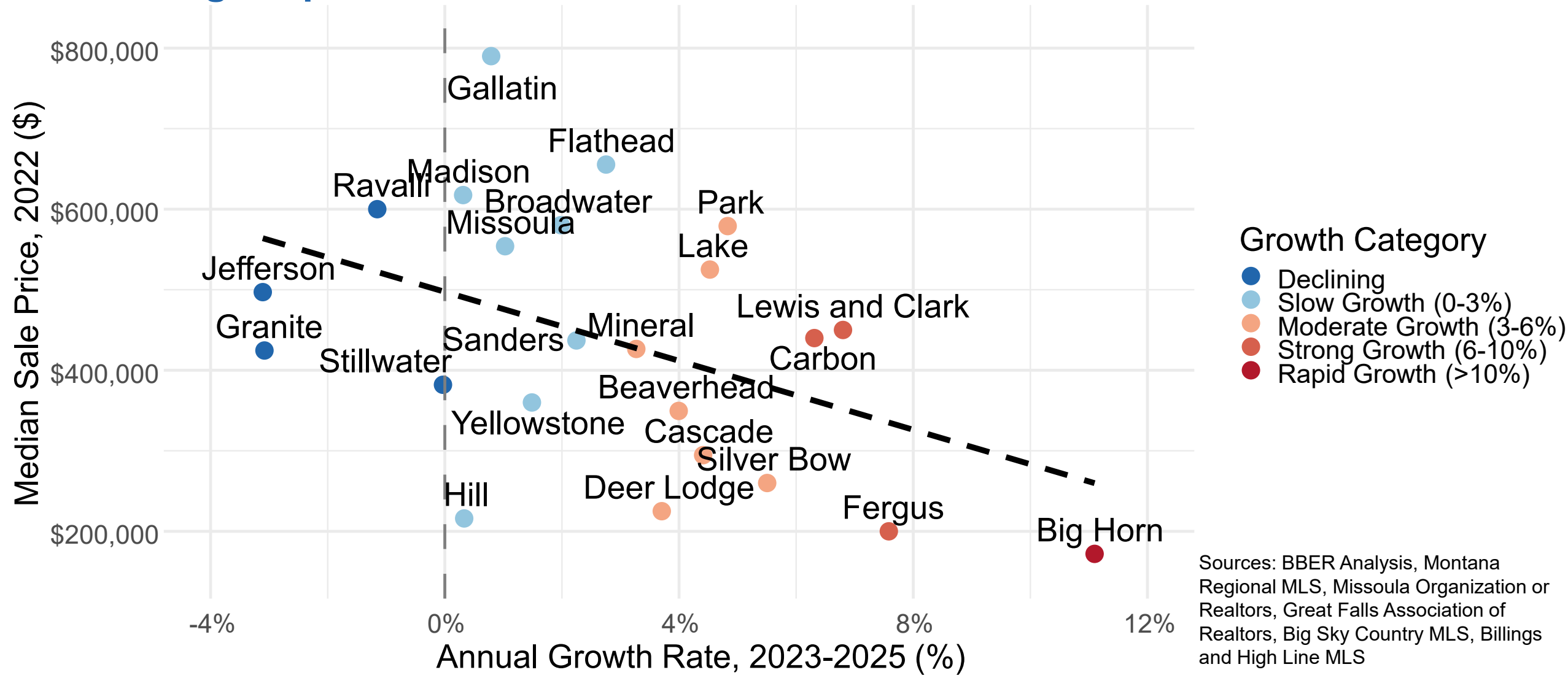
Interesting times, 2019 Price Levels vs. Peak Growth Period

Higher-priced markets exploded 2020-2022.



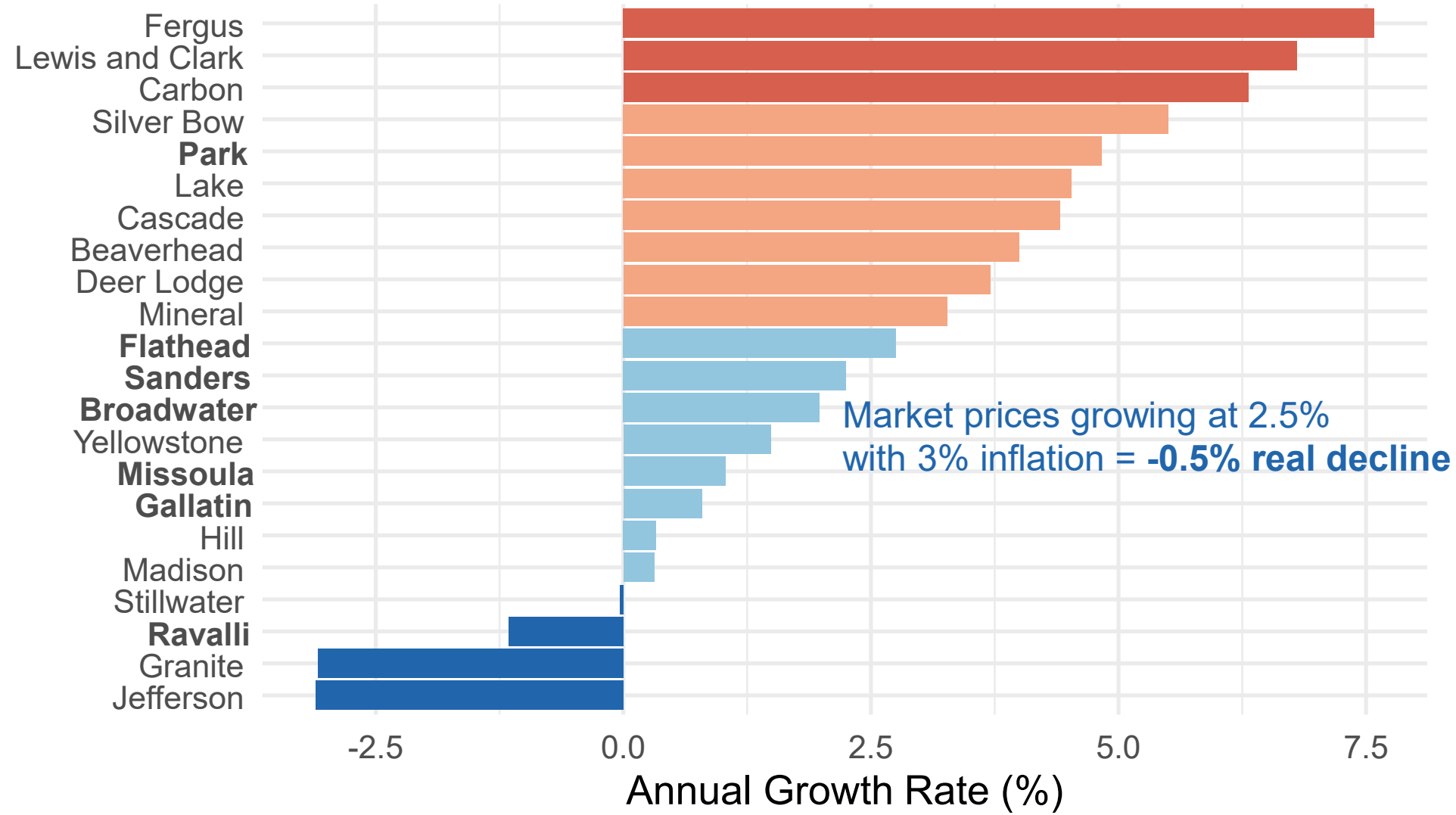
The aftermath, 2023 Price Levels vs. Recent Growth

Higher-priced markets cooled 2023-2025.



The aftermath, 2023-2025

Annualized median sale price growth



Growth Category

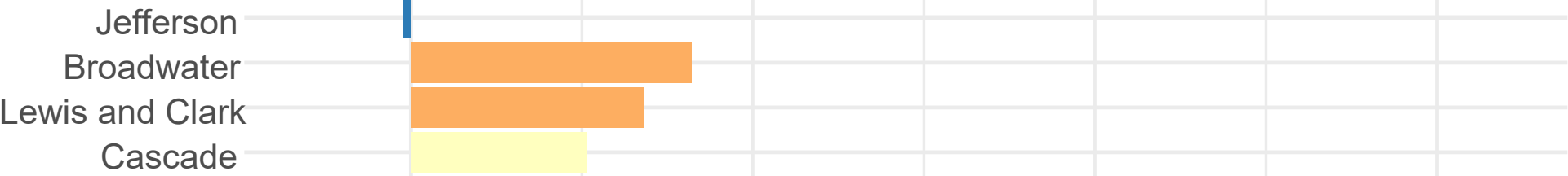
- Declining
- Slow Growth (0-3%)
- Moderate Growth (3-6%)
- Strong Growth (6-10%)

Sources: BBER Analysis, Montana Regional MLS, Missoula Organization of Realtors, Great Falls Association of Realtors, Big Sky Country MLS, Billings and High Line MLS

County-Level Price Growth Across Three Economic Periods

Annualized median sale price growth

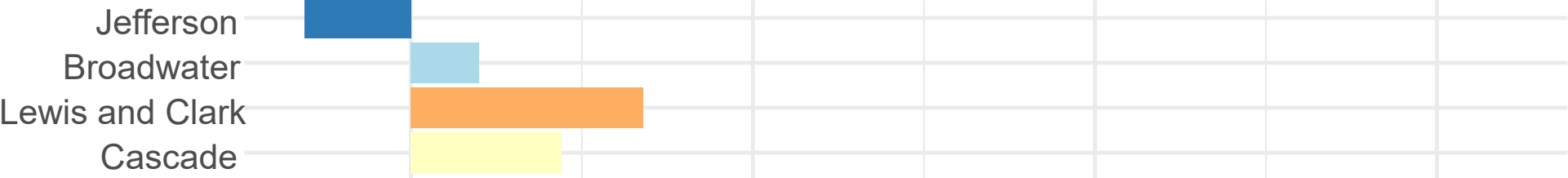
The before times... 2017-2019



Interesting times... 2020-2022



The aftermath... 2023-2025



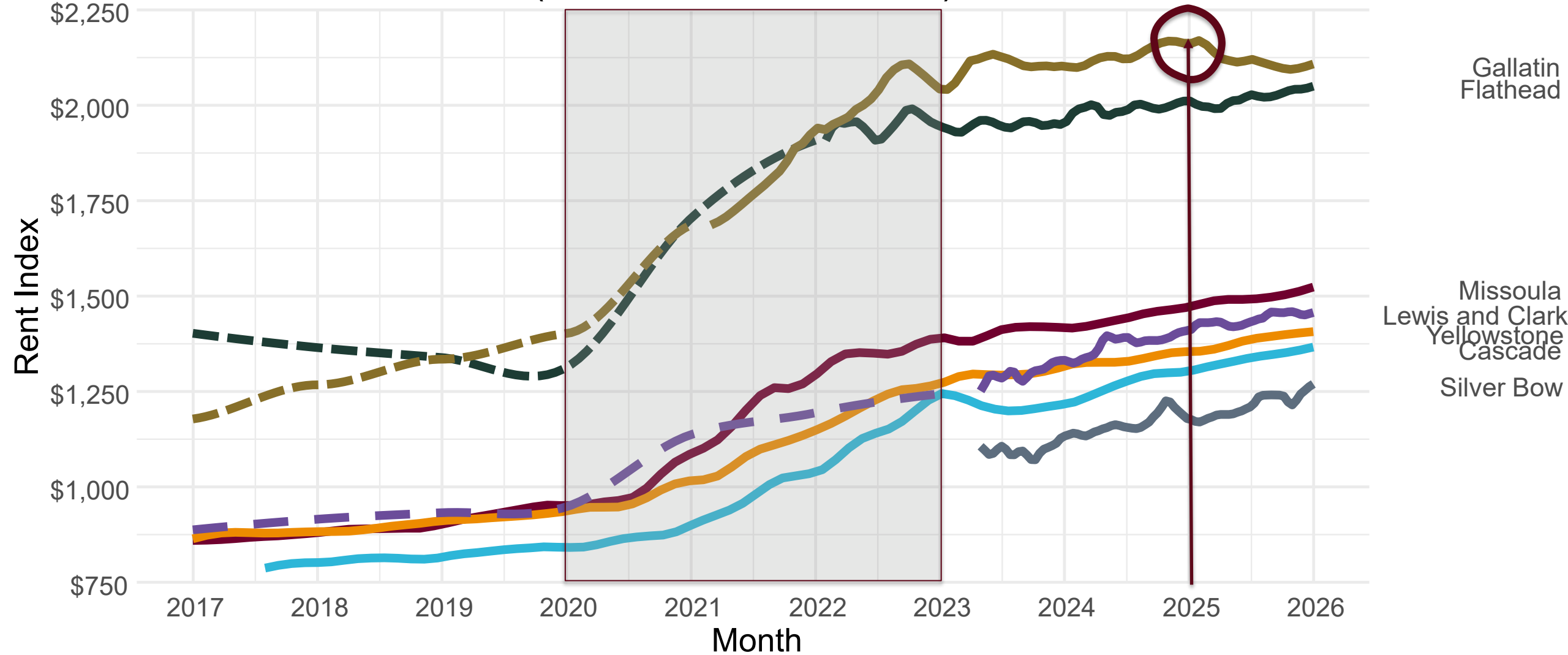
Growth Category

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

Annual Growth Rate (%)

Sources: BBER Analysis, Montana Regional MLS, Missoula Organization of Realtors, Great Falls Association of Realtors, Big Sky Country MLS, Billings and High Line MLS

Montana Rental Index (ACS Historical + Zillow)



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

Lewis and Clark County Renter Households by Income Band

Total households grew, but composition shifted dramatically

The aftermath...

Number of Renter Households

The before times...

7,500

5,000

2,500

0

2019

Year

2024

Income Band

- \$120k+
- \$80k-\$120k
- \$40k-\$80k
- Under \$40k

10.8%

13.2%

29.9%

46.1%

17.4%

12%

35.4%

35.2%

Sources: BBER Analysis, 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

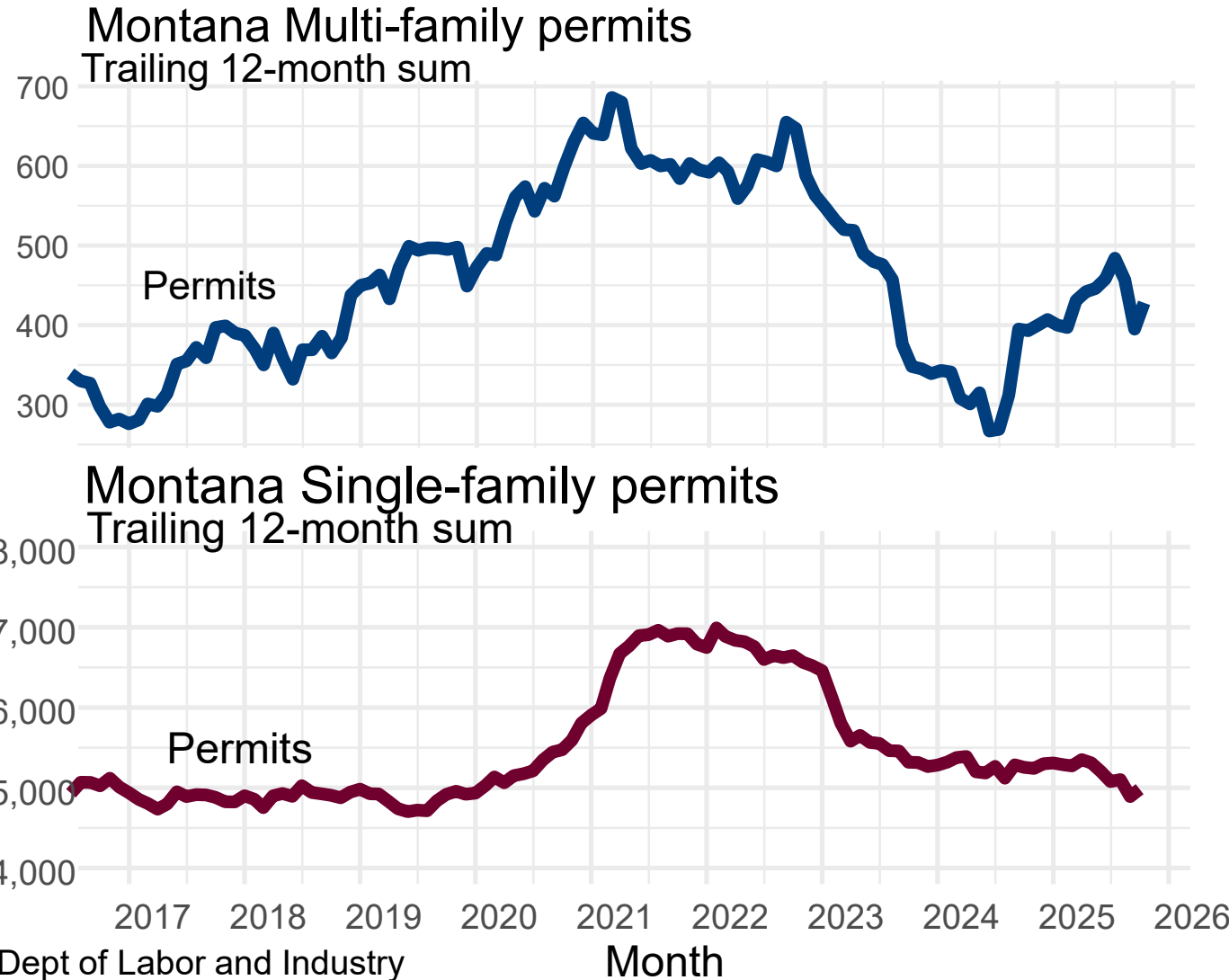
Building Construction (2026...)

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

Lewis and Clark - Single-family Permits



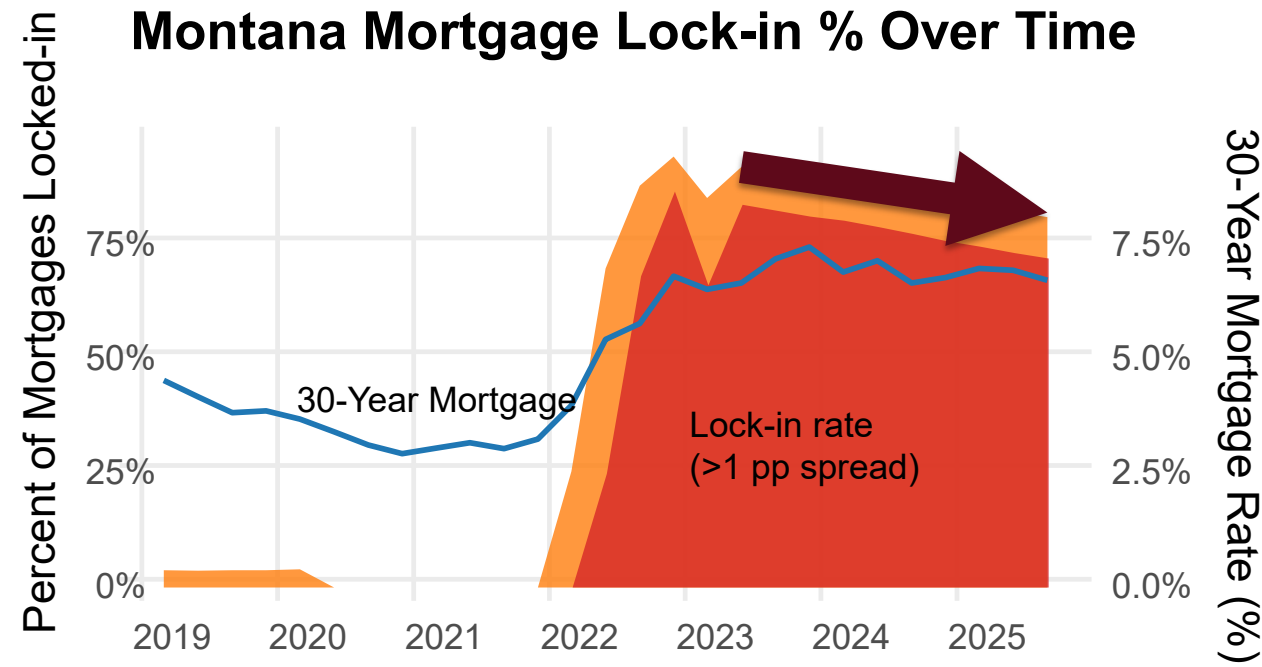
Lewis and Clark - Multi-family Permits



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

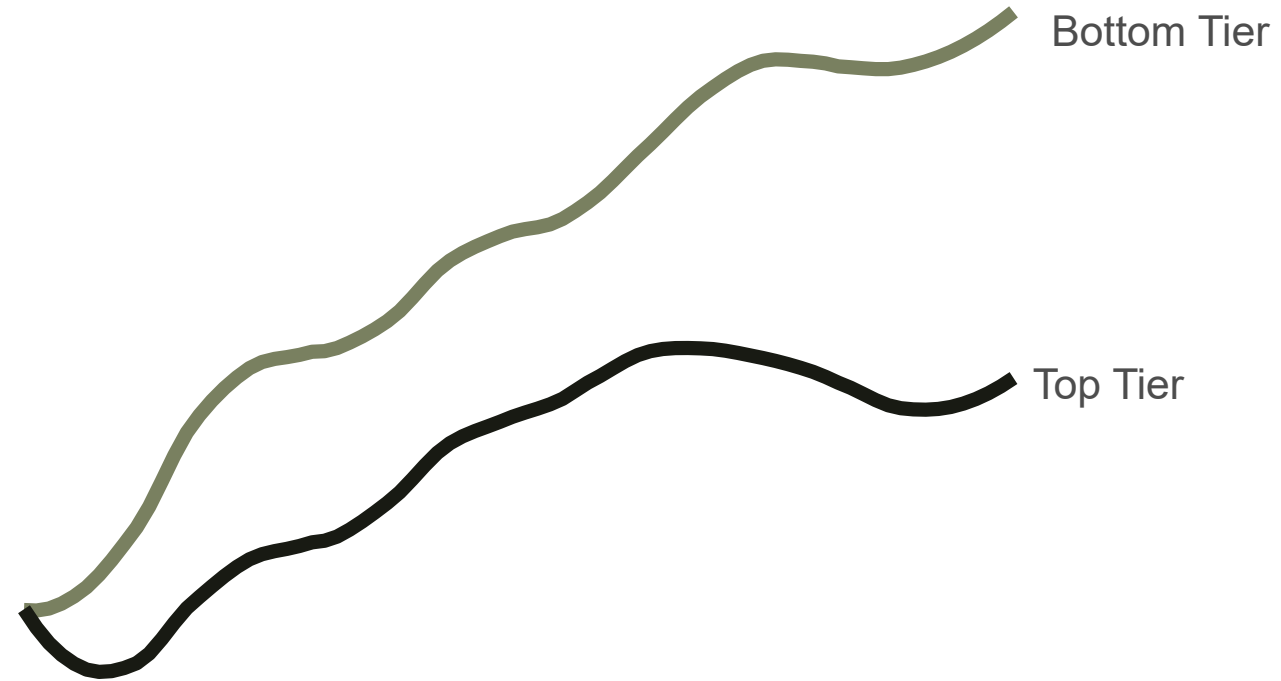
Expectation: Migration stabilizes at elevated levels

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

Three-Year Outlook (2026-2028)

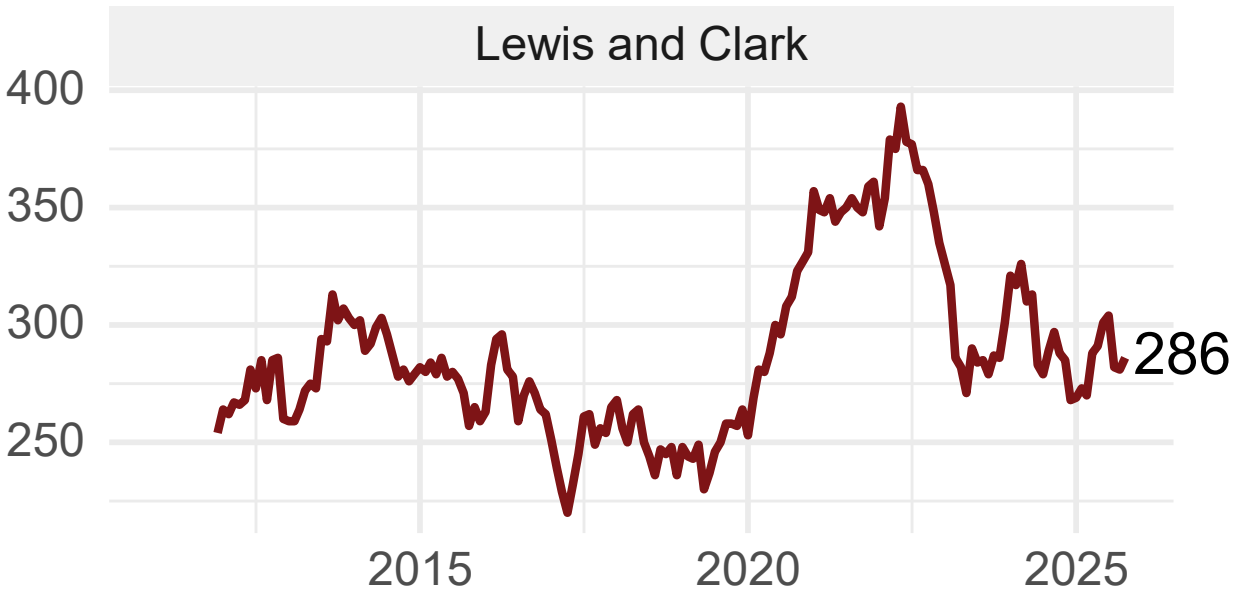
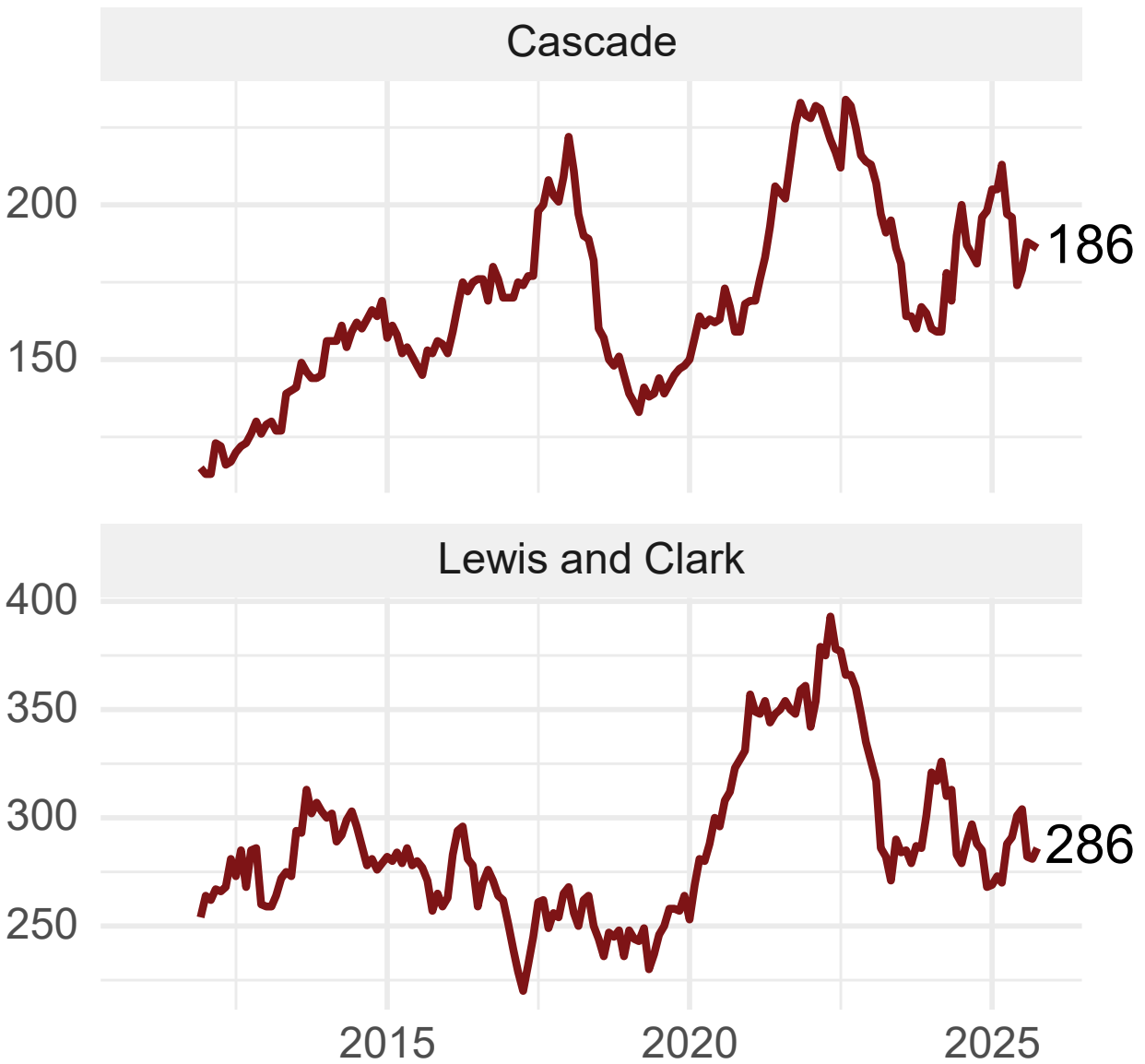
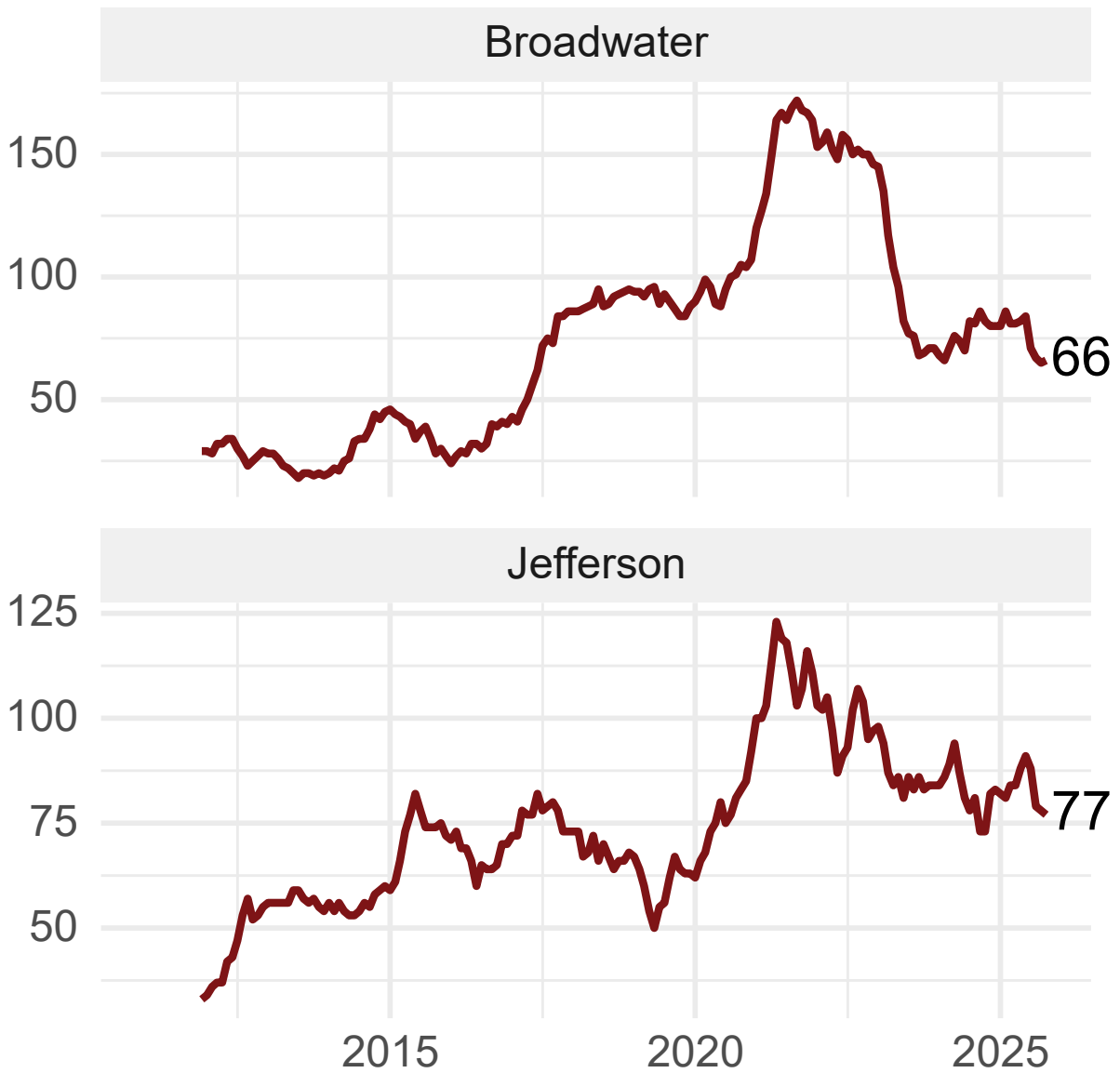
Housing costs trajectory:

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



Trailing 12-month sum

Single-family Permits



Trailing 12-month sum

Multi-family Permits

