

# Real Estate and Construction

Derek Sheehan

Bureau of Business and Economic Research  
University of Montana

# Three Economic Periods

## 1. The before times...

2017-2019

- 4% mortgage rates
- Ambient second home market
- “Normal” strong migration
- Steady appreciation

## 2. Interest (ing) times...

2020-2022

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

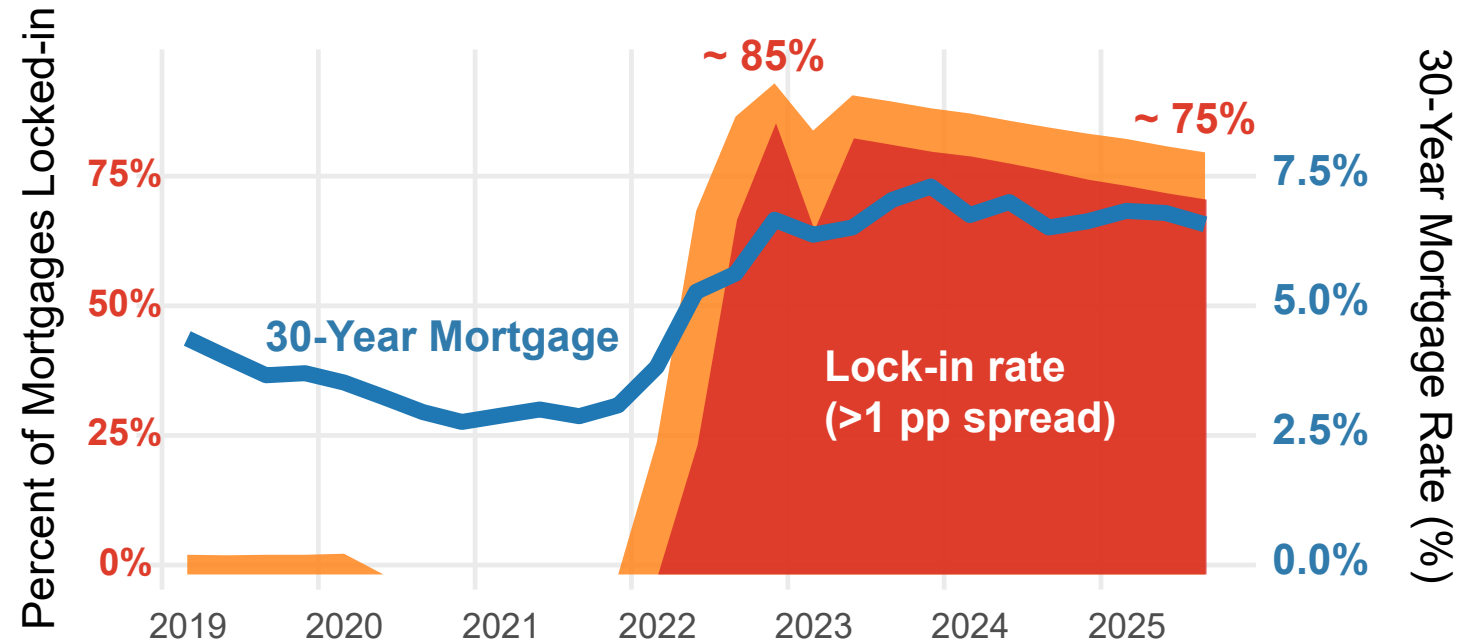
# Which brings us to the most recent period...

## 3. The aftermath...

2023-2025

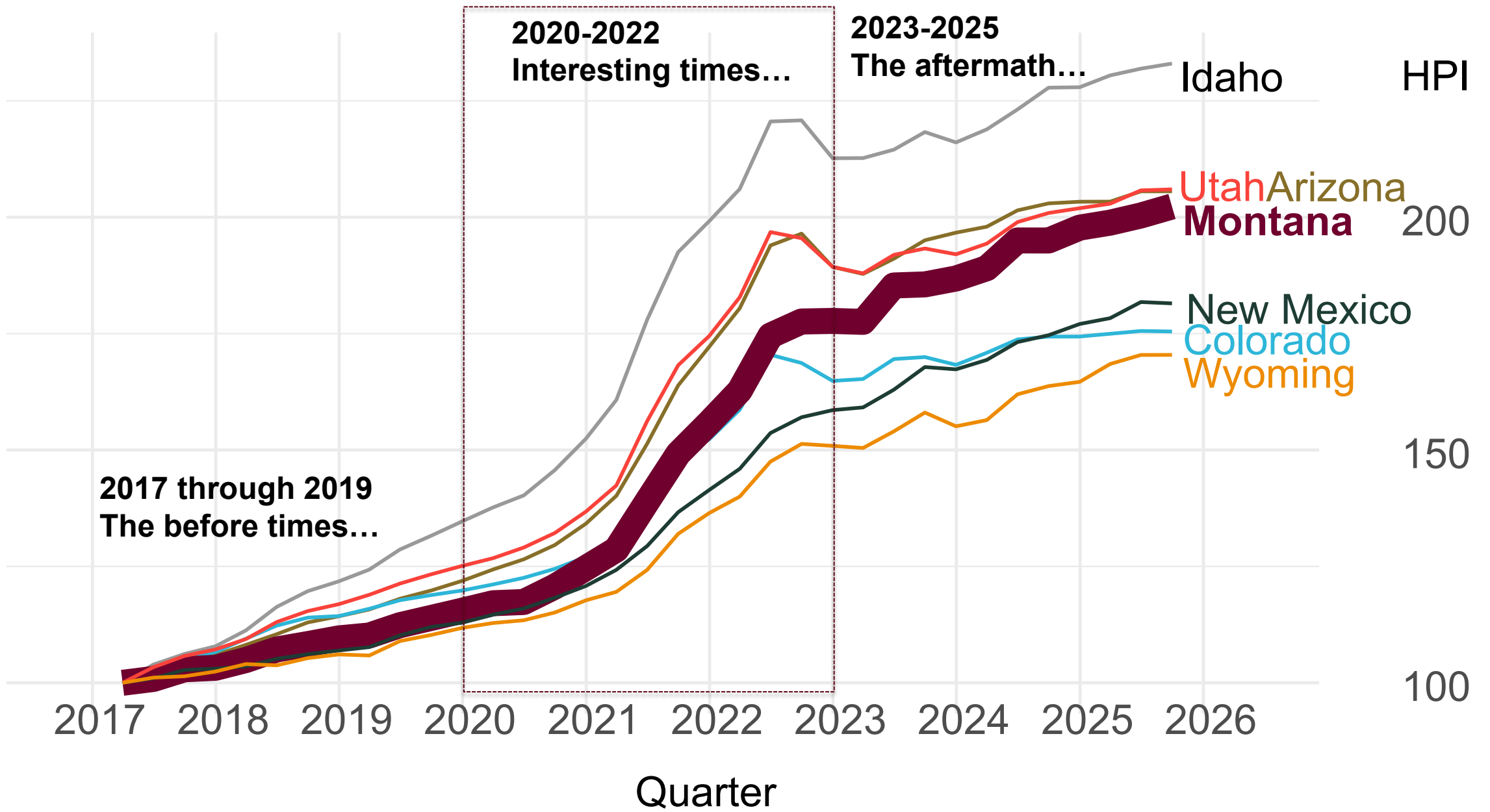
- Normal in-migration
- Higher prices
- > 6% mortgage rates
  - Rate lock fades slowly

### Montana Mortgage Lock-in % Over Time



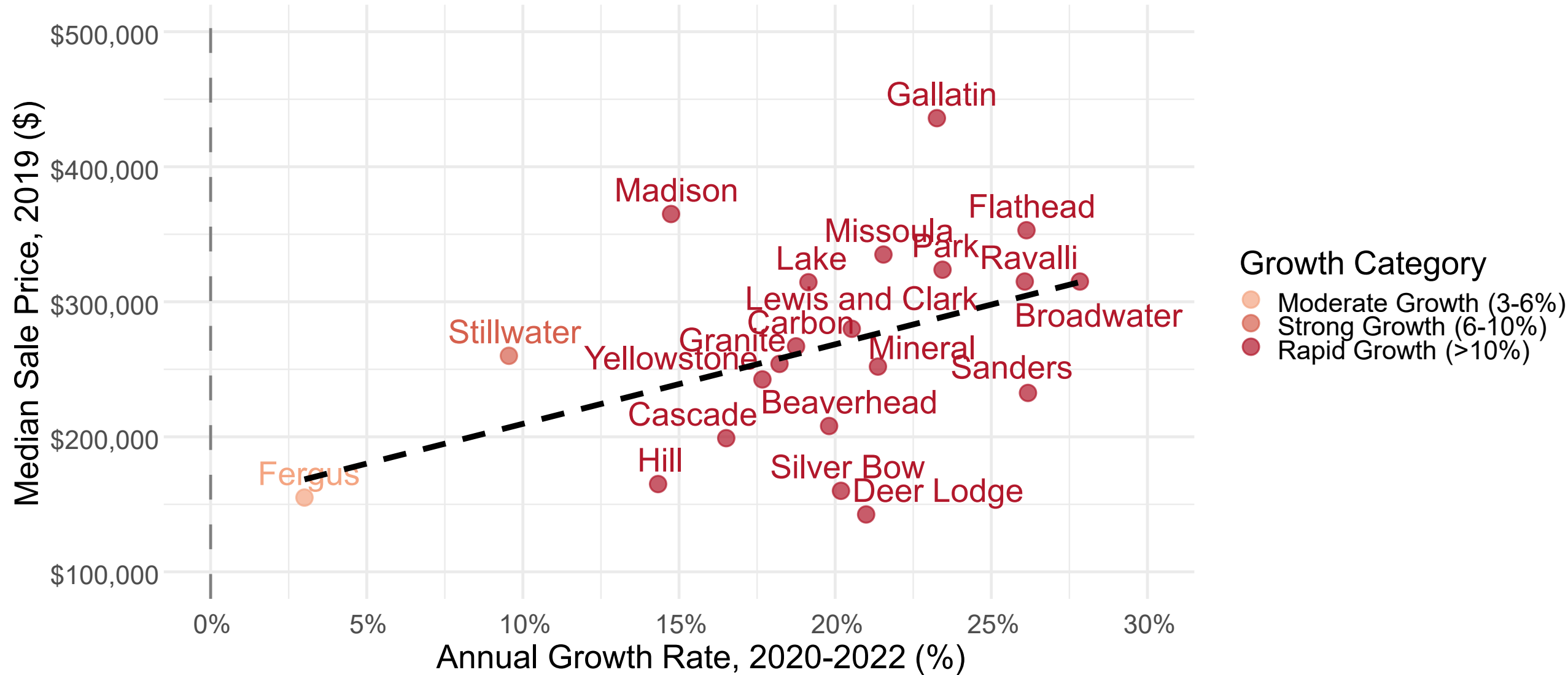
Note: Lock-in percentage is measured as the percentage of mortgages at least 1 percentage point lower than average 30-year market rate

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



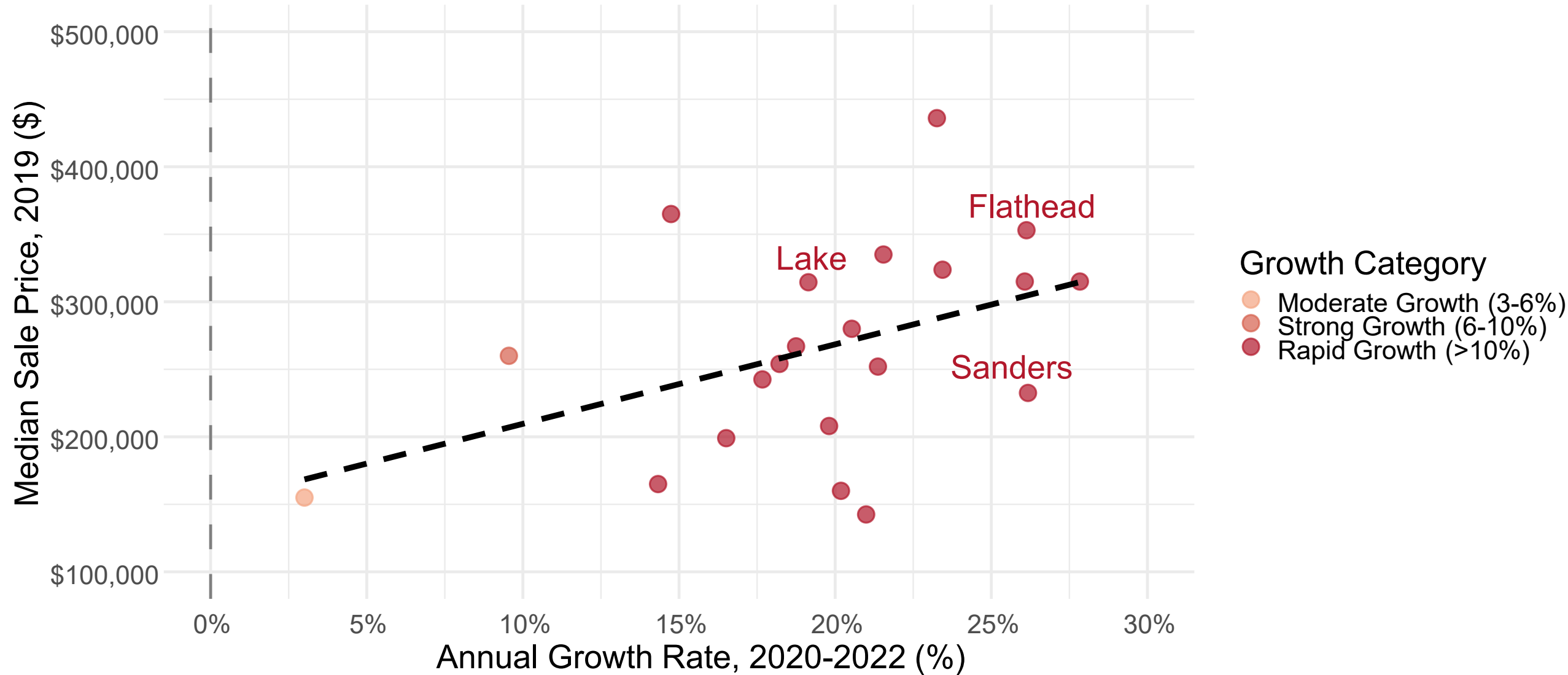
# Montana Housing Market Dynamics: 2019 Price Levels vs. Recent Growth

Did higher-priced markets heat up in 2020-2022?



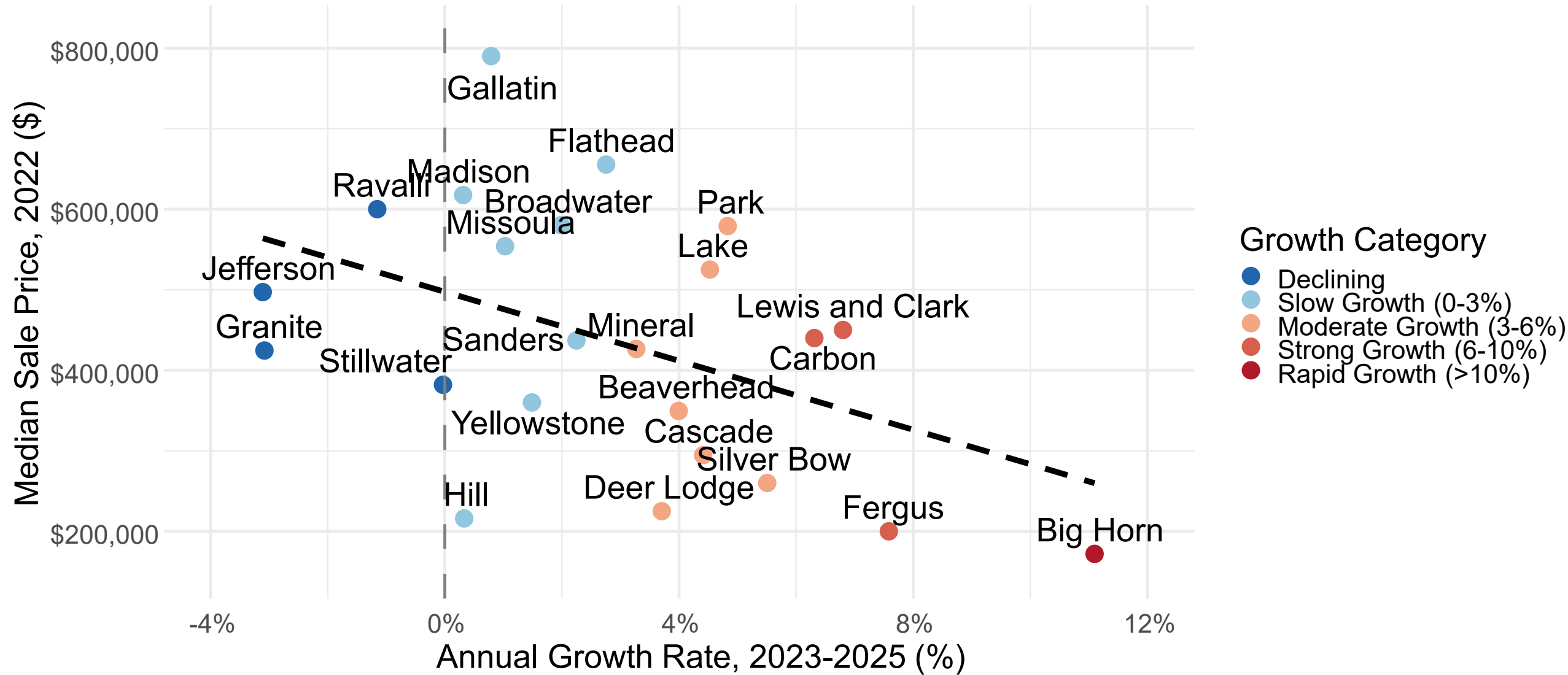
# Montana Housing Market Dynamics: 2019 Price Levels vs. Recent Growth

Did higher-priced markets heat up in 2020-2022?



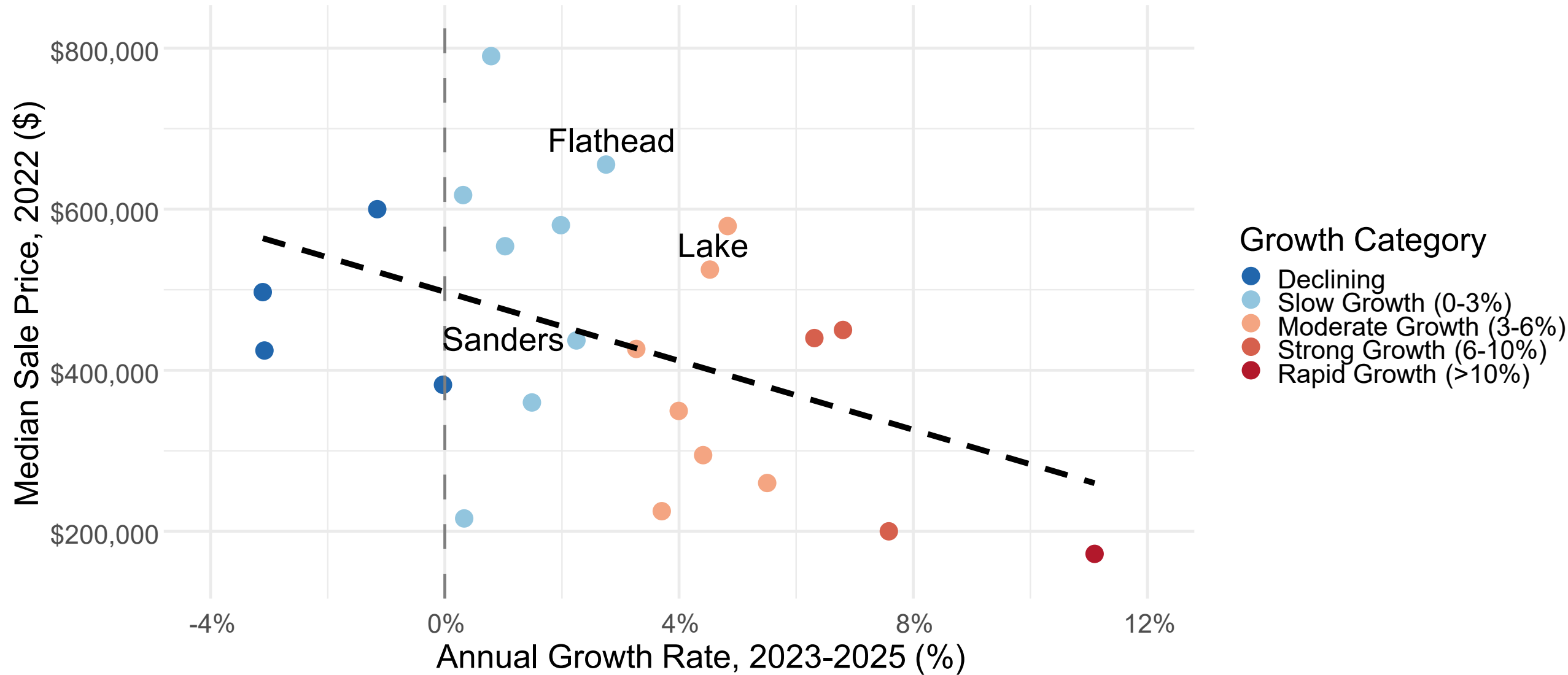
# Montana Housing Market Dynamics: 2023 Price Levels vs. Recent Growth

Did higher-priced markets cool faster in 2023-2025?



# Montana Housing Market Dynamics: 2023 Price Levels vs. Recent Growth

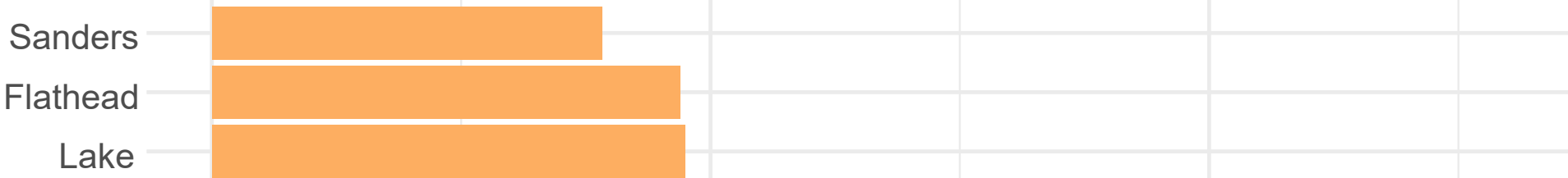
Did higher-priced markets cool faster in 2023-2025?



# County-Level Price Growth Across Three Economic Periods

Annualized median sale price growth

2017-2019



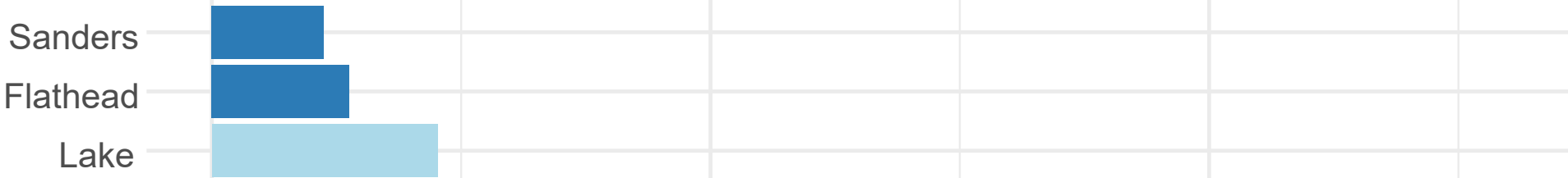
2020-2022



Growth Category

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

2023-2025

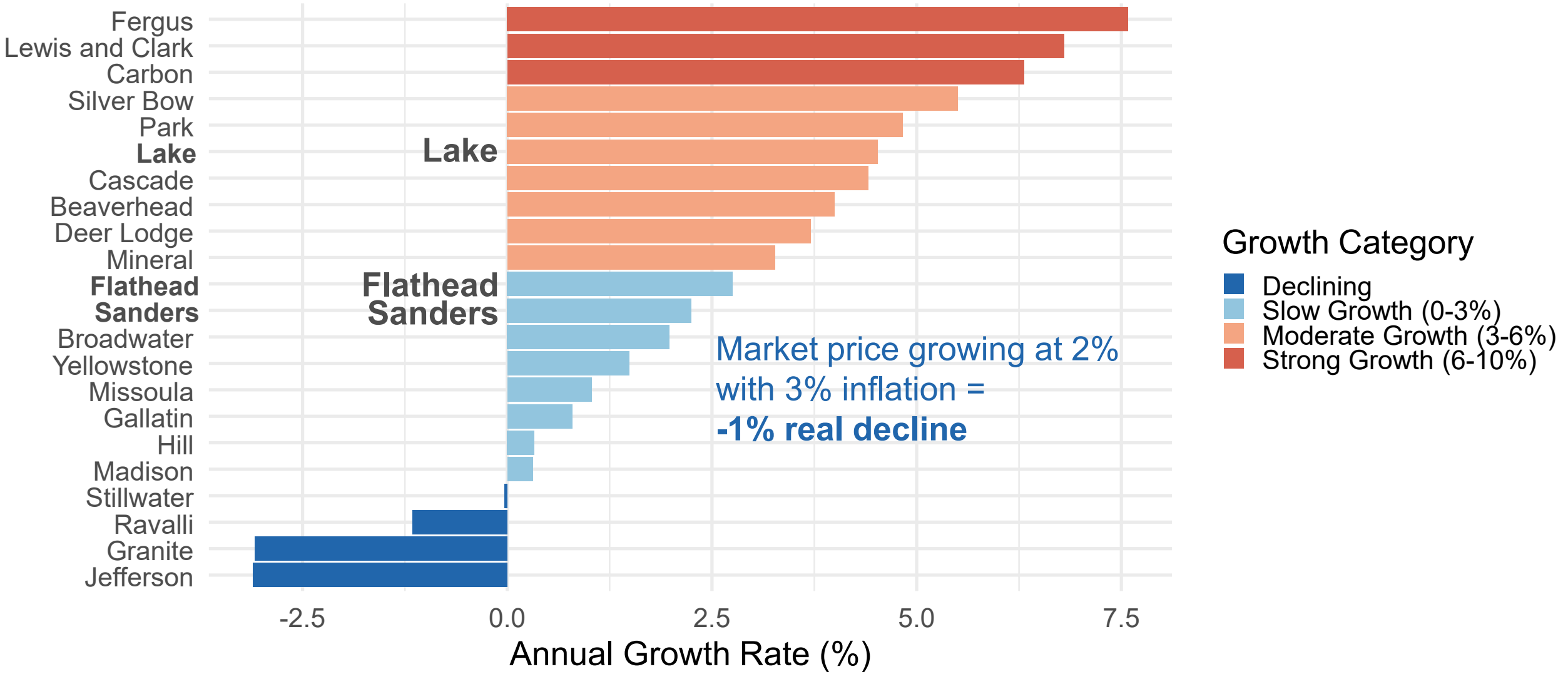


0 10 20

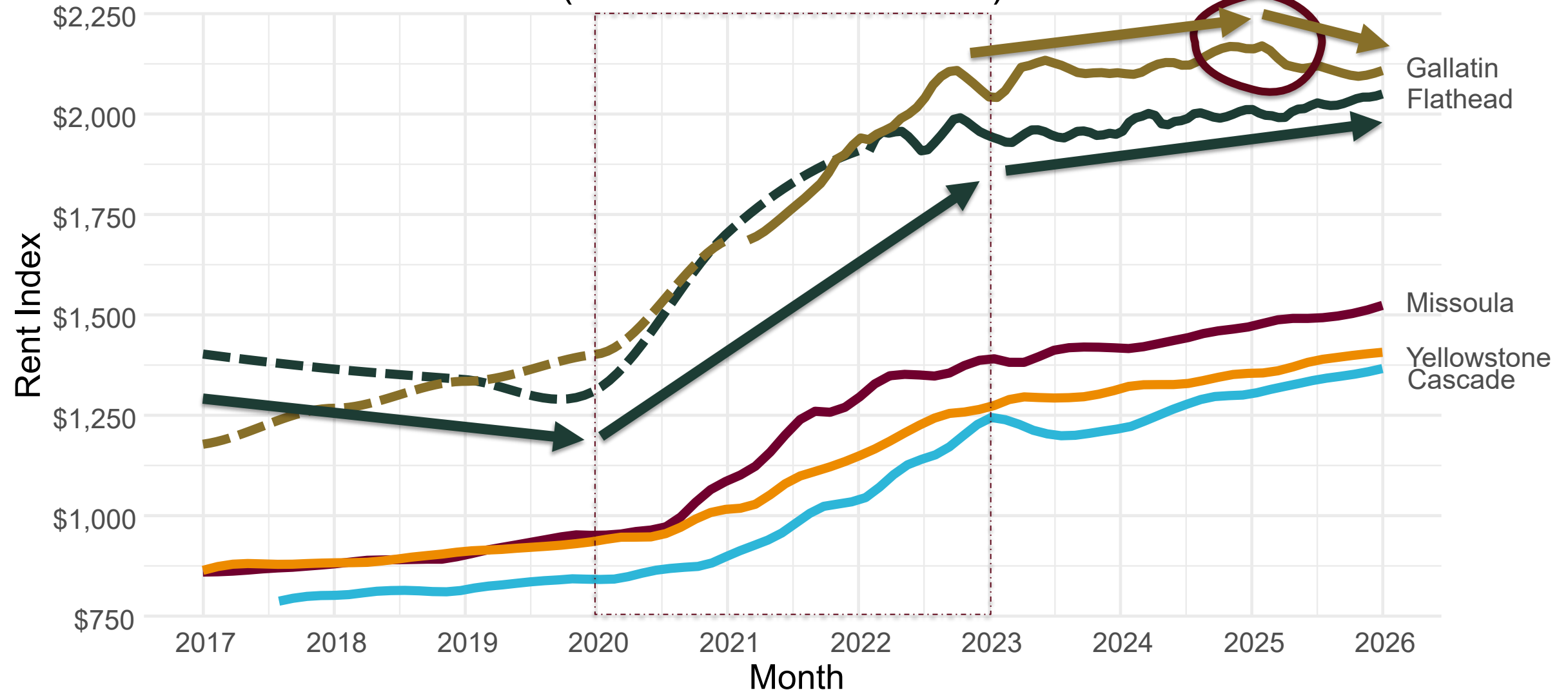
Annual Growth Rate (%)

# Montana County Housing Price Growth, 2023-2025

Annualized median sale price growth



# Montana Rental Index (ACS Historical + Zillow)

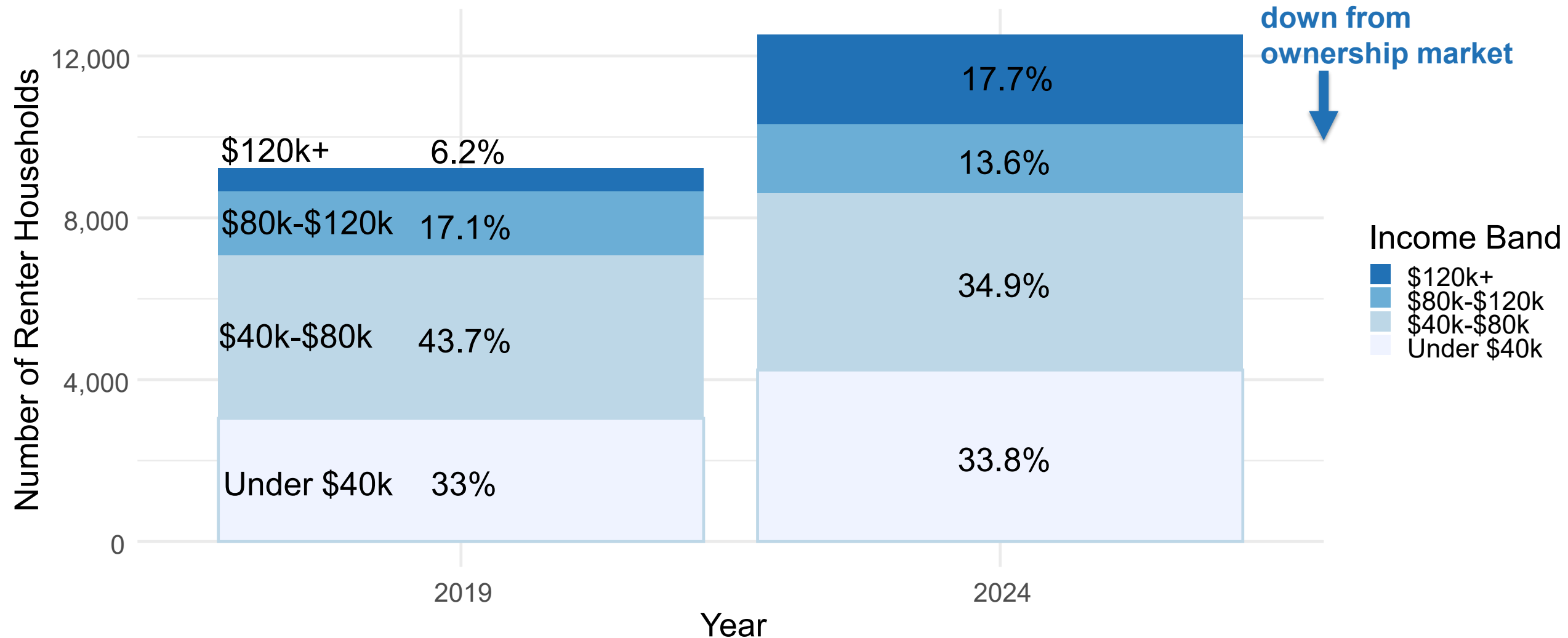


Sources: BBER Analysis, U.S. Census ACS Table B25113 (dotted, back casted), Zillow Research ZORI (solid),

# Flathead County Renter Households by Income Band

Total households grew, and composition shifted dramatically

Higher-earning renters filtering down from ownership market



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

Why do rents continue to climb despite “flatter” home prices?

- Would-be buyers remain renters, competing in rental market
- Prevents multi-family construction from putting downward pressure rents in the short term

# Multi-family construction response

## Past Wave (2020-2023)

- Permitting peaked 2020-2022
  - Supply translated into occupancy 2023-2025
- Some signs of slowing rent growth

## Next Wave (Current)

- Multi-family permitting rebounding
- Bodes well for future rental affordability
- However, Near-term gap persists for first-time buyers

# Building Construction (2026...)

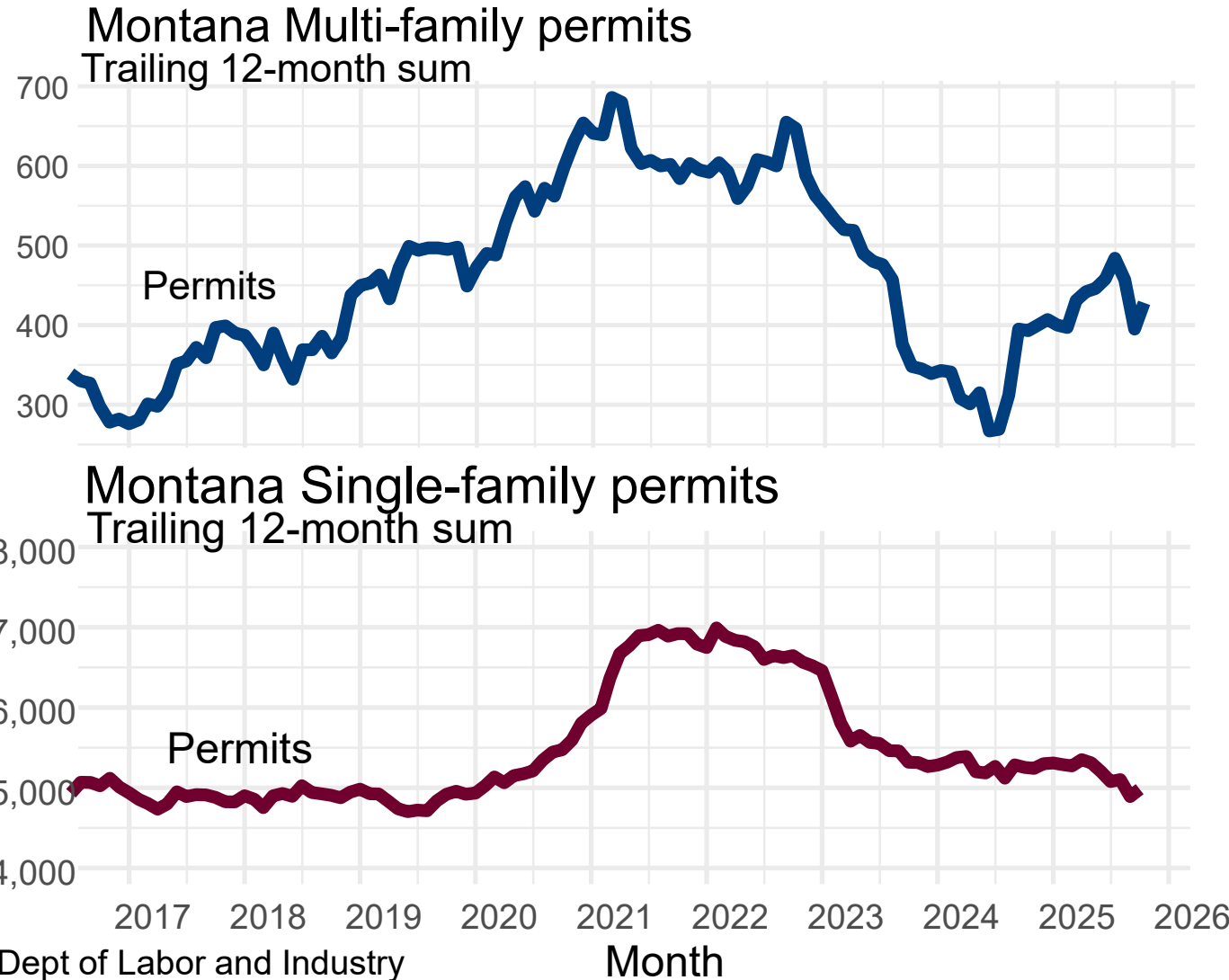
## Multi-family

- Permitting rebounded to ~400 permits (trailing 12 months)

## Single-family

- Permits stabilized at ~5,000 (trailing 12 months )

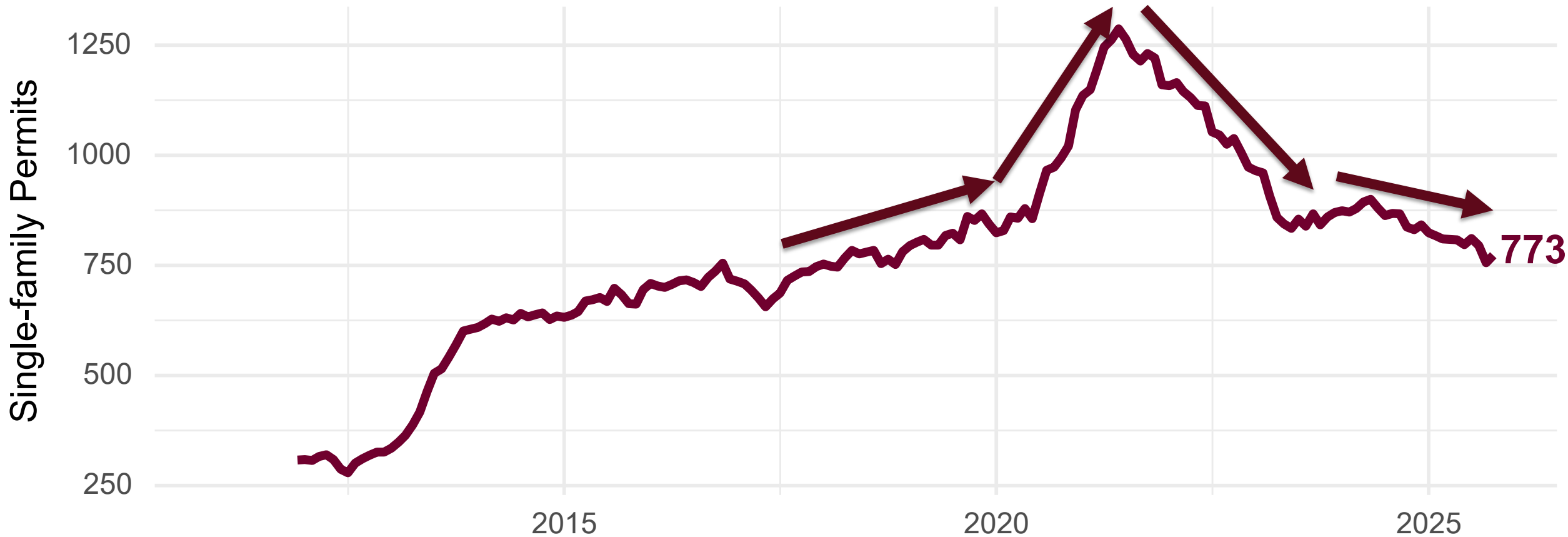
Decent pipeline of units to be completed over the next few years



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

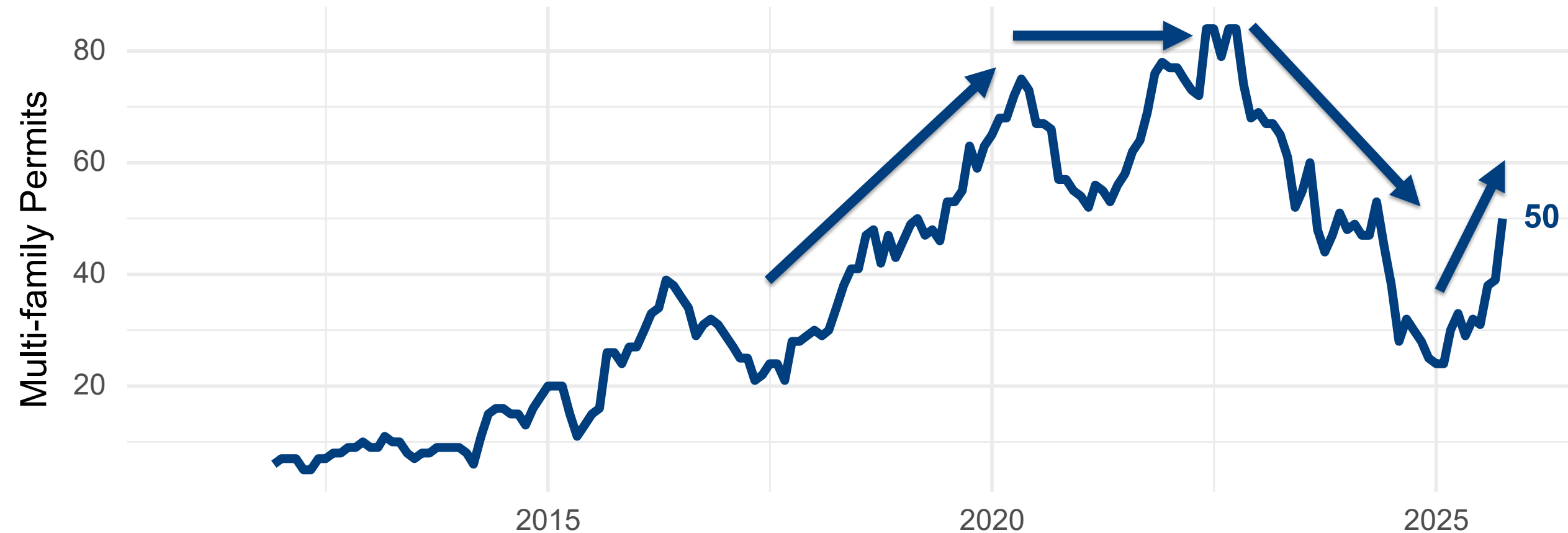
# Flathead - Single-family Permits

Trailing 12-month sum



# Flathead - Multi-family Permits

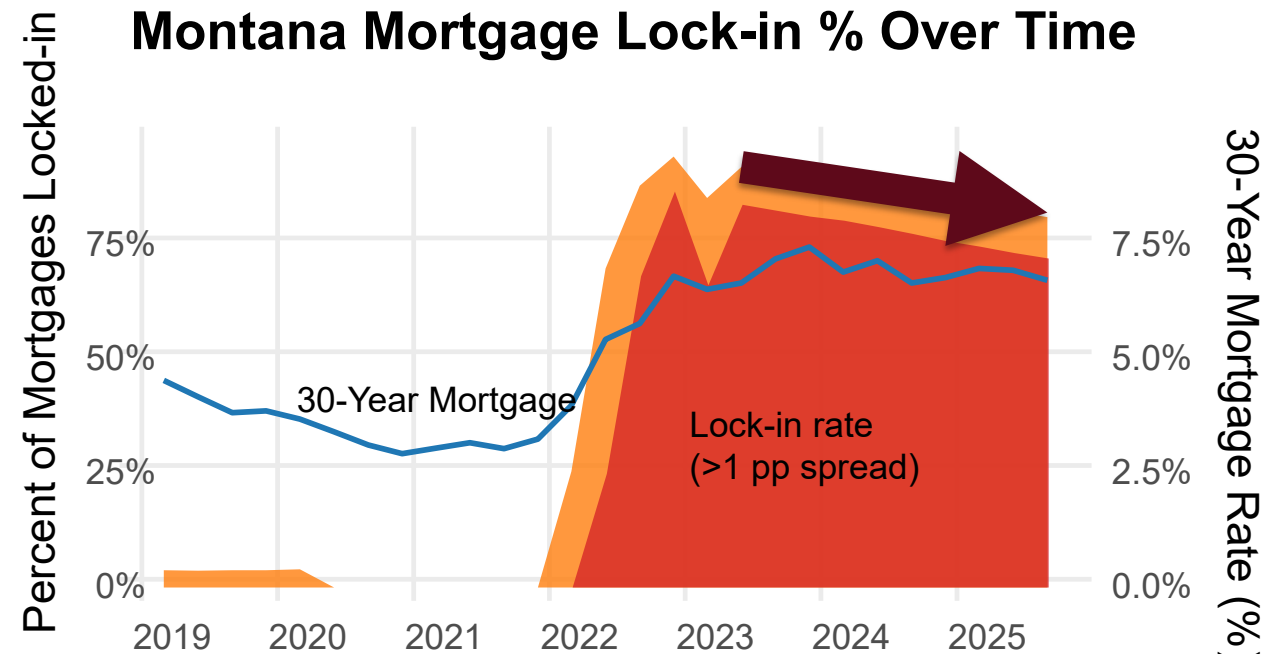
Trailing 12-month sum



# Three-Year Outlook (2026-2028)

## Slow 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

(per 1,000 residents)

Natural Change Rate

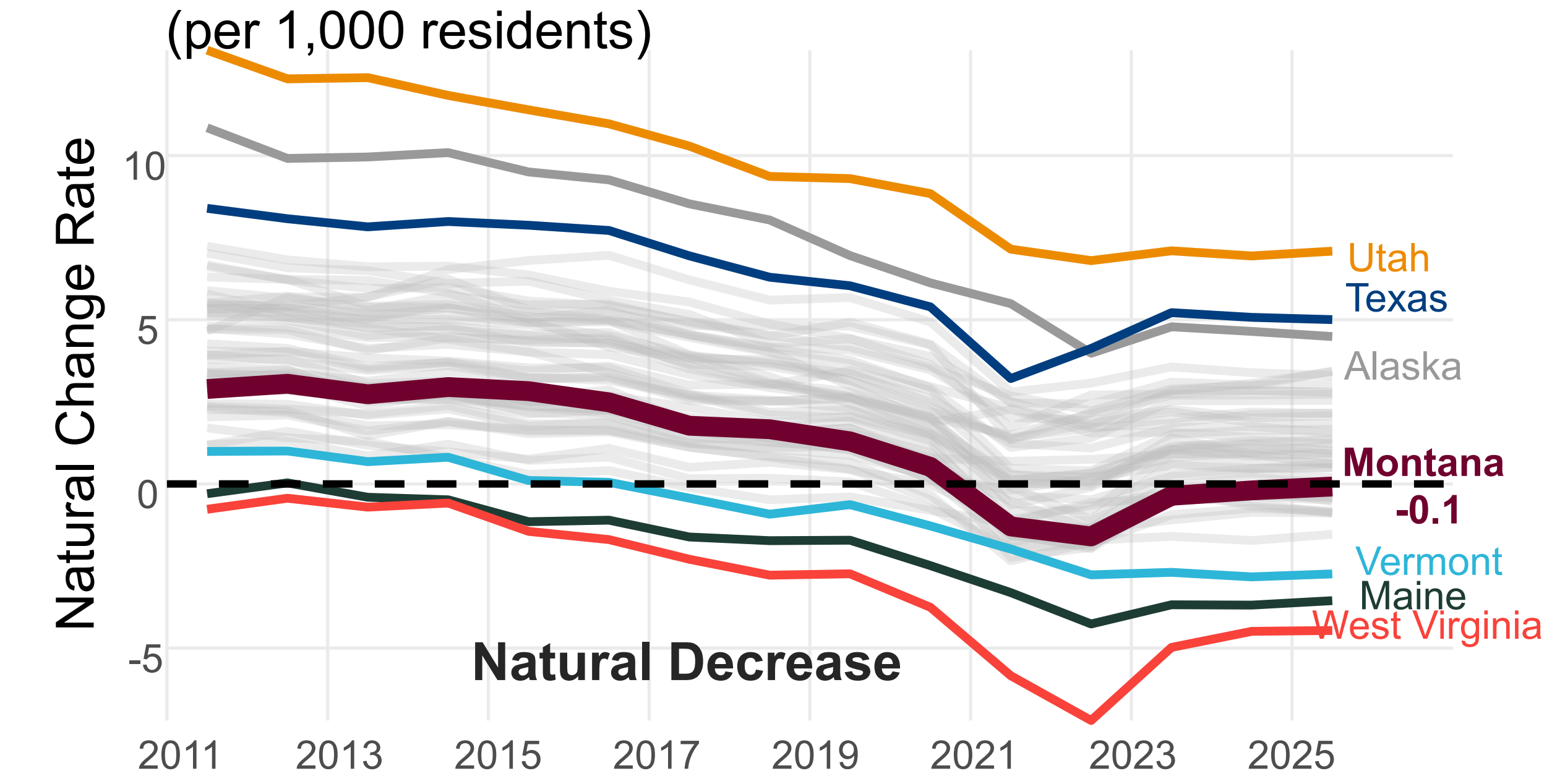
10  
5  
0  
-5

Natural Decrease

2011 2013 2015 2017 2019 2021 2023 2025

Utah  
Texas  
Alaska  
Montana  
Vermont  
Maine  
West Virginia

-0.1



(per 1,000 residents)

Flathead County  
Births – Deaths = 193

Natural Change Rate

10

5

0

-5

Natural Decrease

2011

2013

2015

2017

2019

2021

2023

2025

Flathead ≈ 1

Montana  
-0.1

Lake ≈ -3

Lincoln &  
Sanders  
≈ -7 to -8

# Three-Year Outlook (2026-2028)

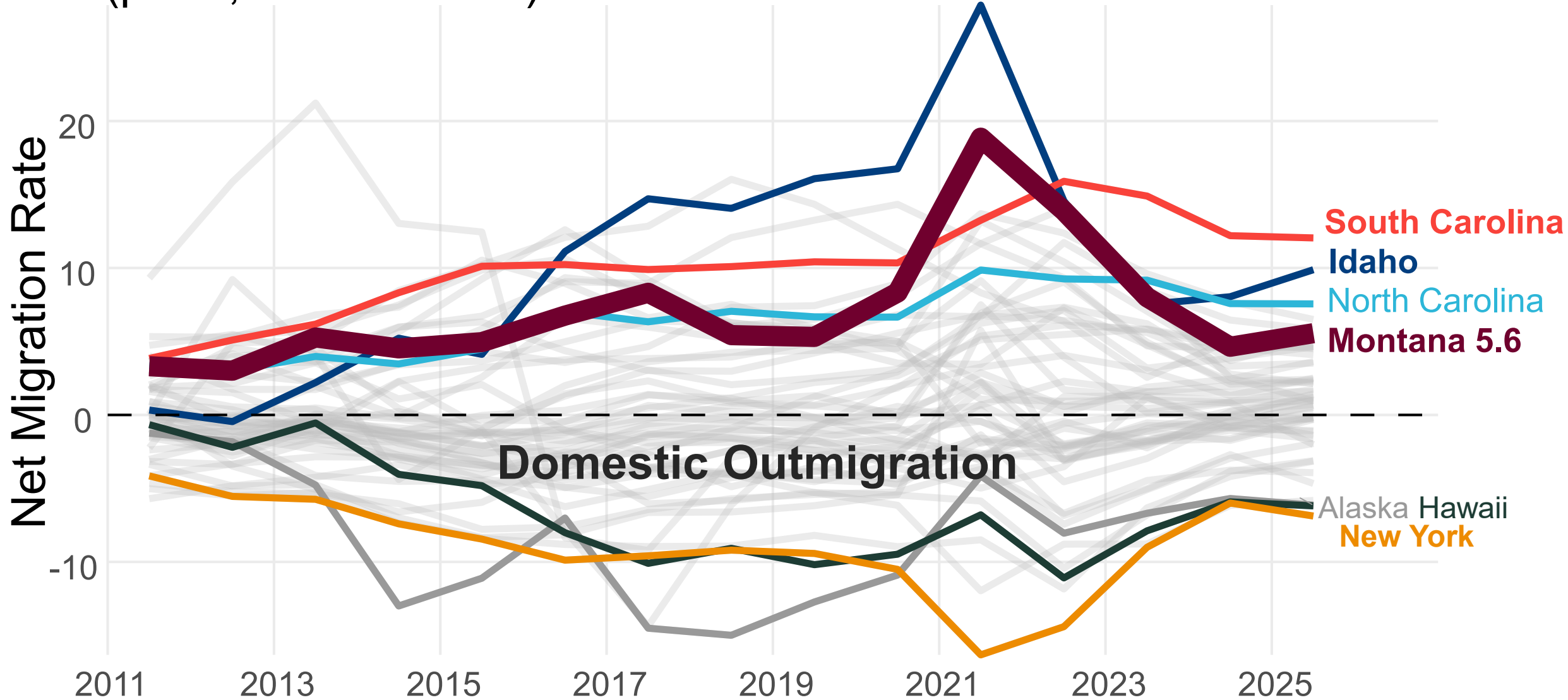
## Domestic Migration Changes

- Sharp pullback from peak migration

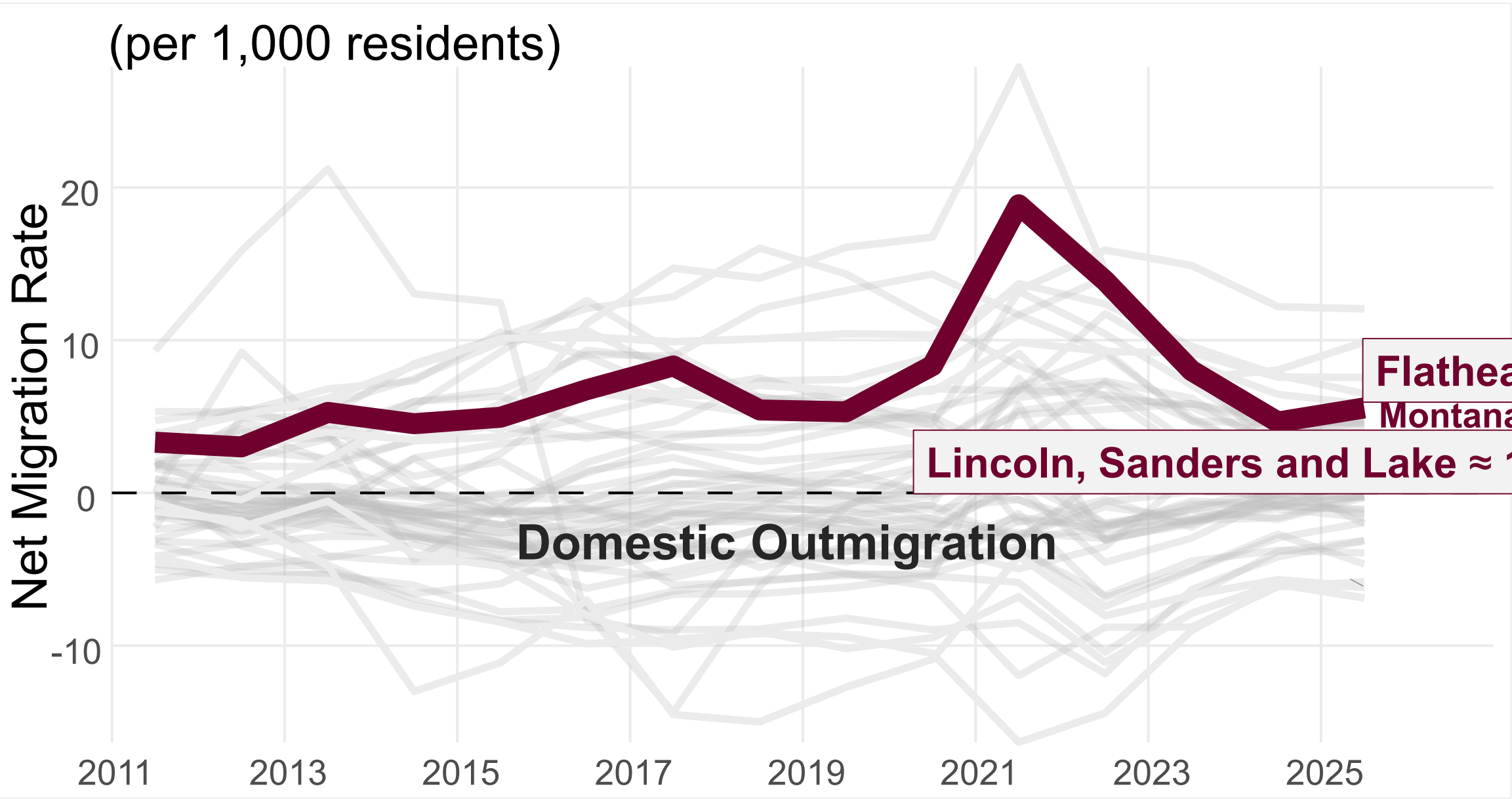
## **Expectation:** Migration stabilizes at elevated levels

- People move where they have family, friends, job connections
  - Larger populations with out of state connections (family, friends, work) usually means higher inflows
- Continues to put some upward pressure on housing costs
- Regional variation intensifies

(per 1,000 residents)



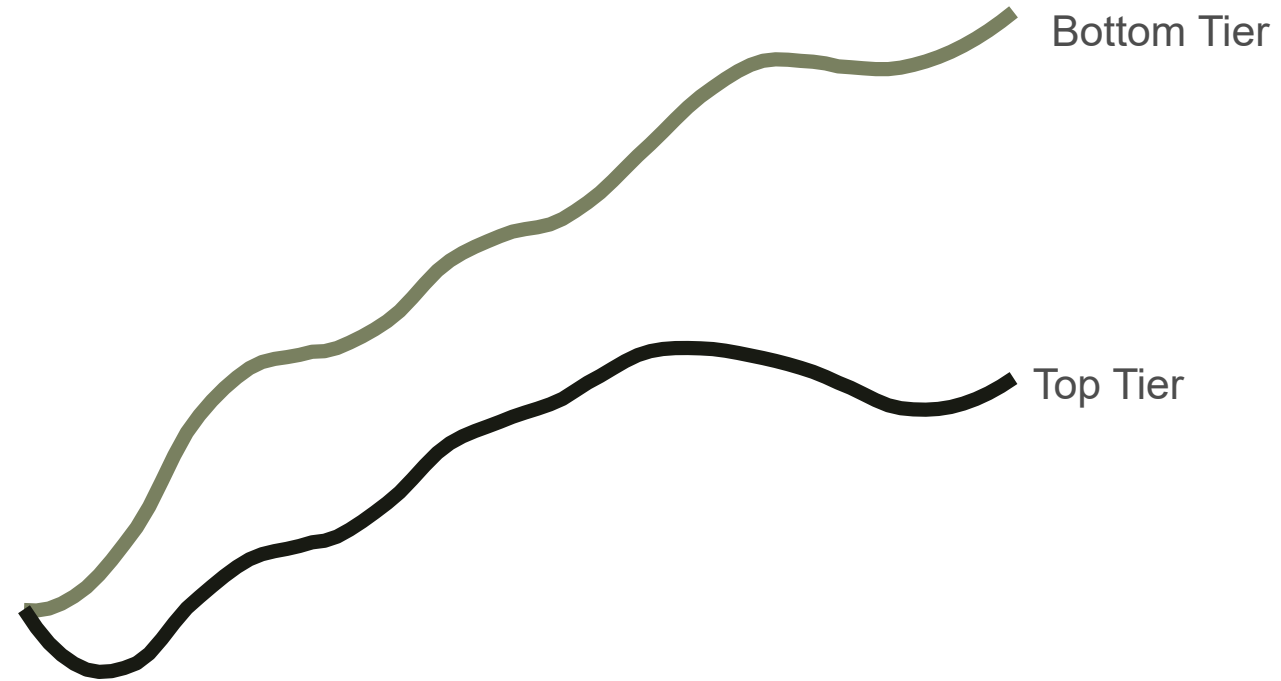
(per 1,000 residents)



# Three-Year Outlook (2026-2028)

## Housing costs trajectory:

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



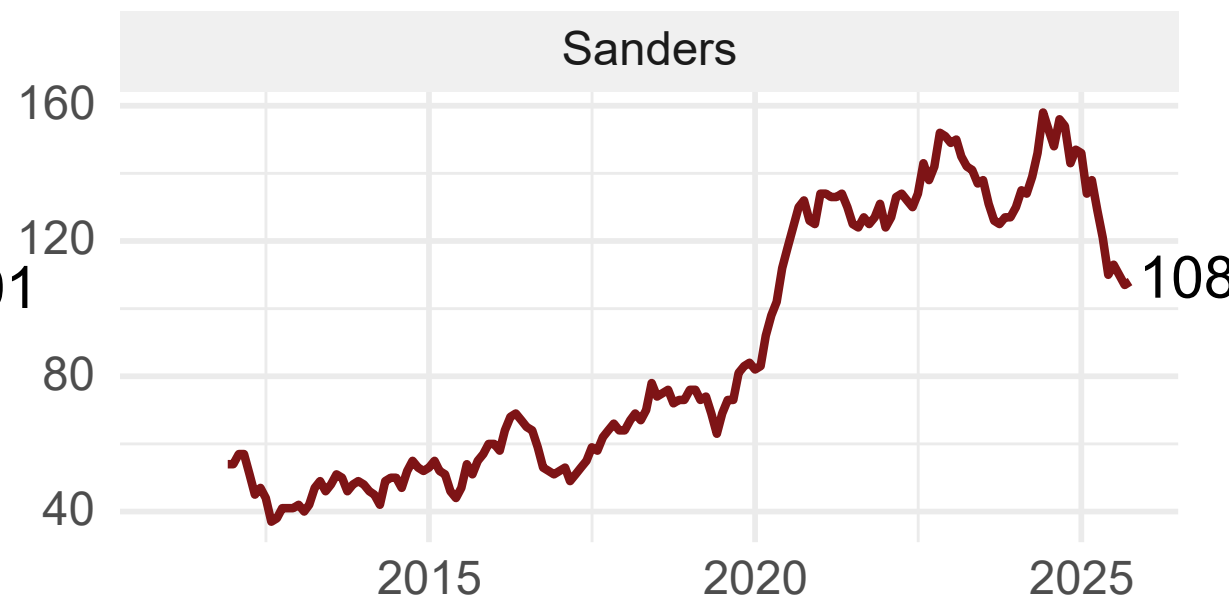
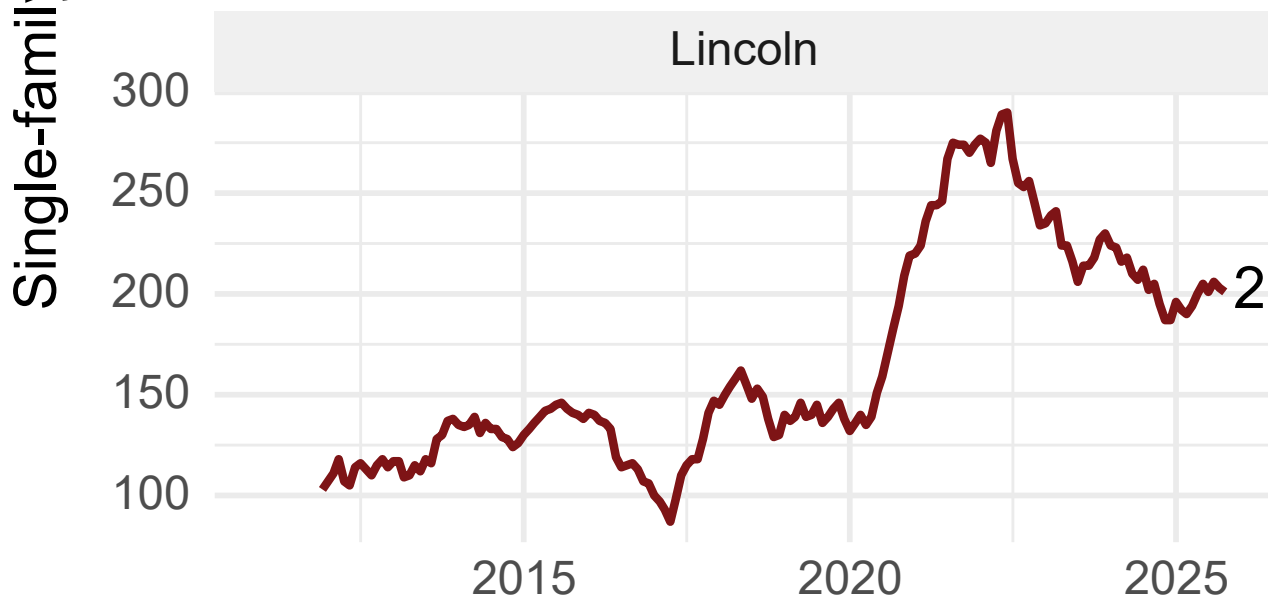
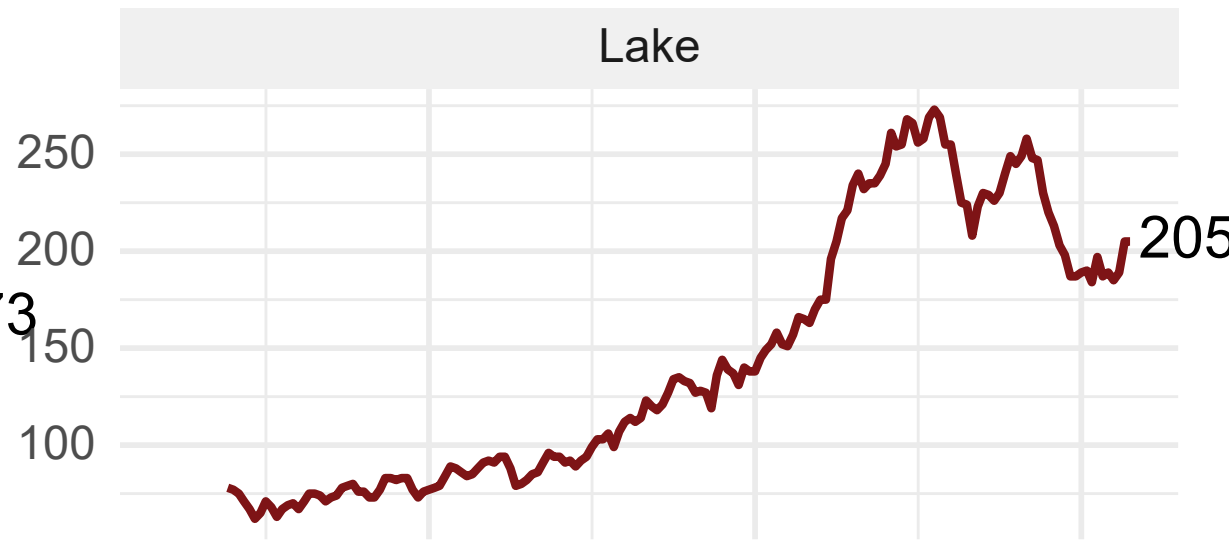
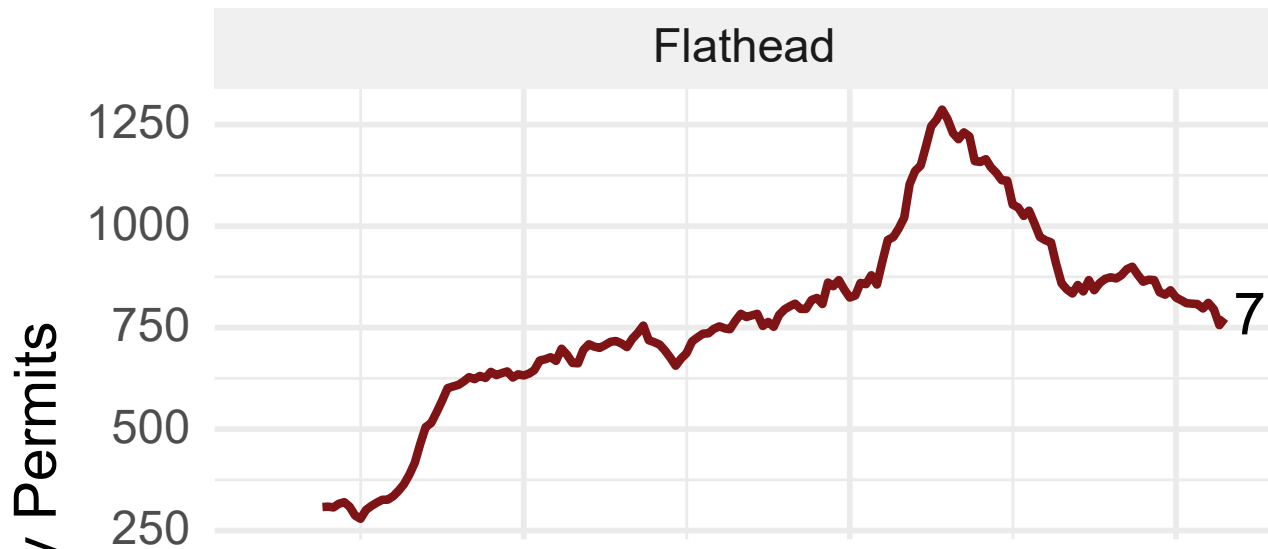
# Thank You!

I'm happy to answer any questions or react to comments during the Q&A session.

"Economics is definitive. Reality is frequently inaccurate."

— Adapted from Douglas Adams

# Trailing 12-month sum



# Trailing 12-month sum

Multi-family Permits

