

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

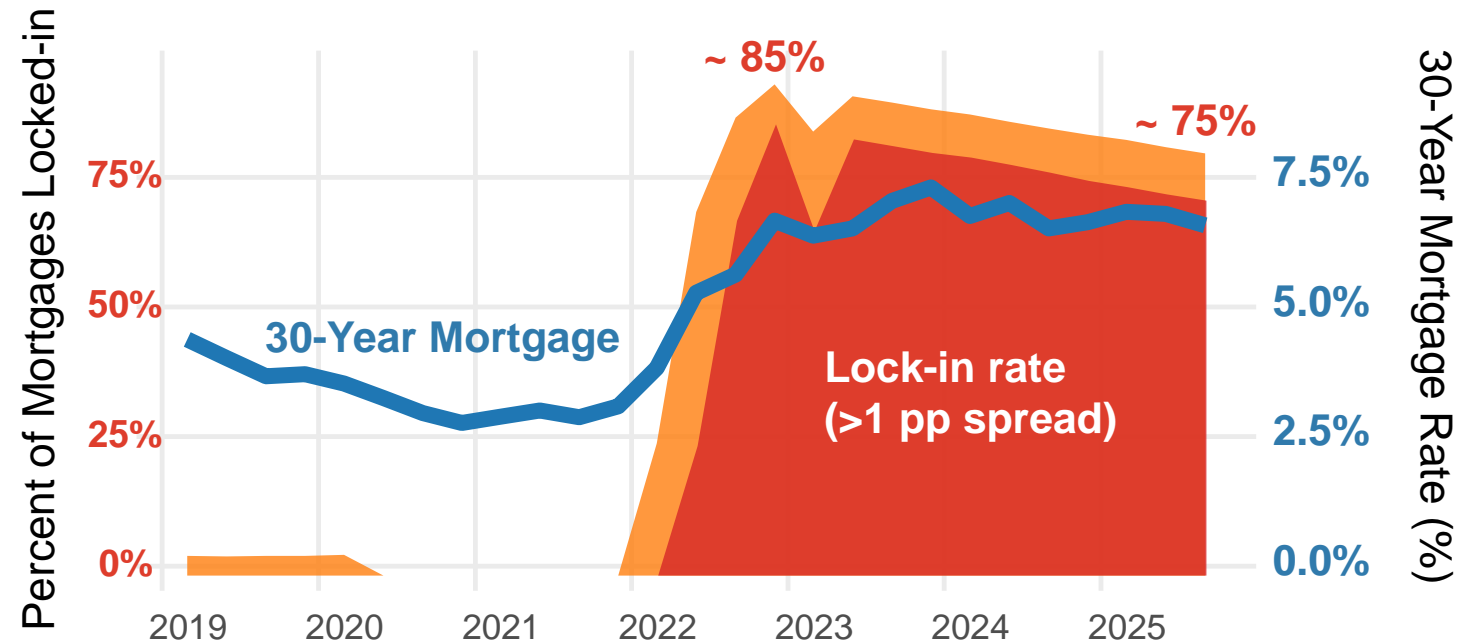
Which brings us to the most recent period...

3. The aftermath...

2023-2025

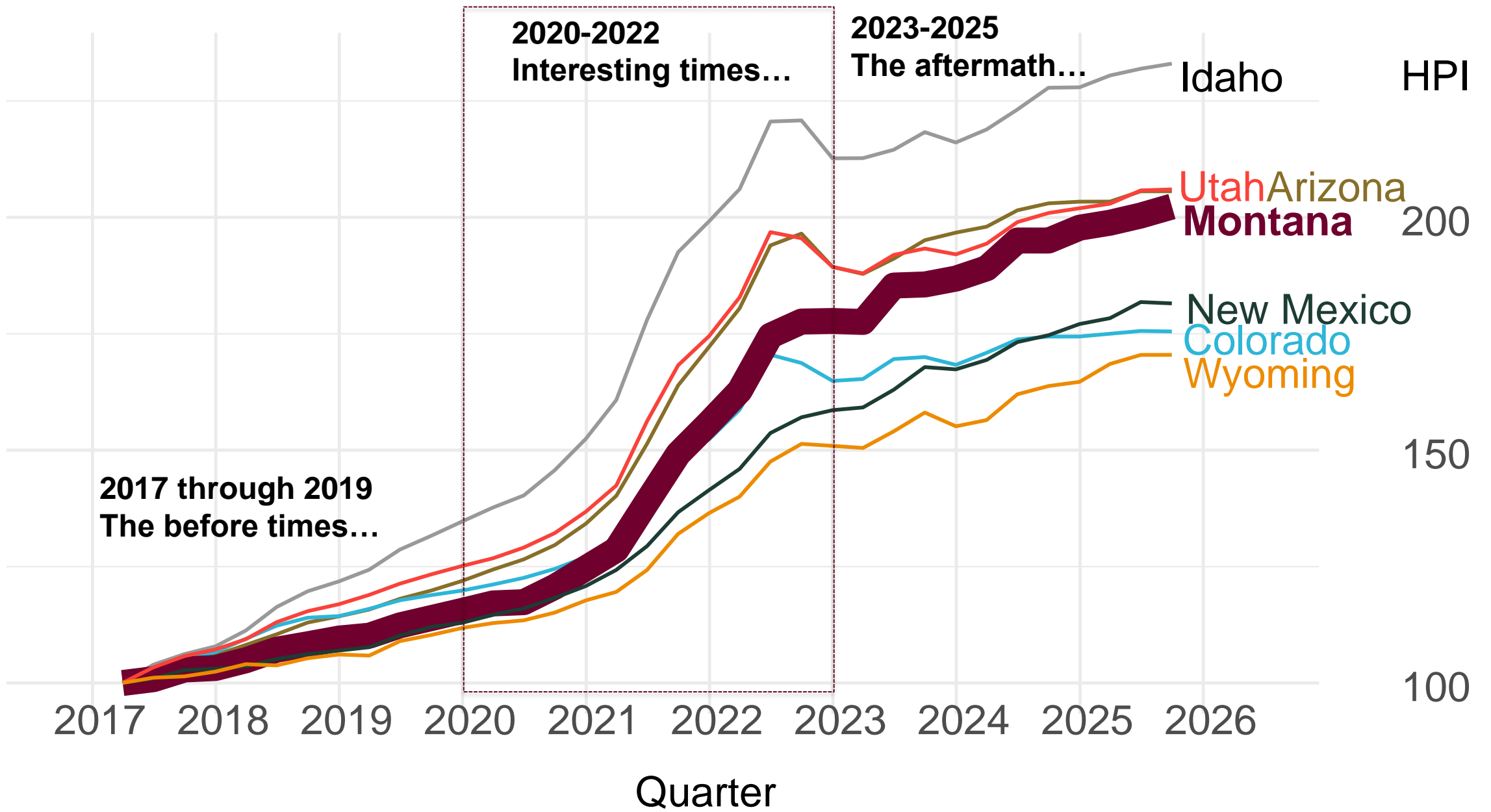
- Normal in-migration
- Higher prices
- > 6% mortgage rates
 - Rate lock fades slowly

Montana Mortgage Lock-in % Over Time



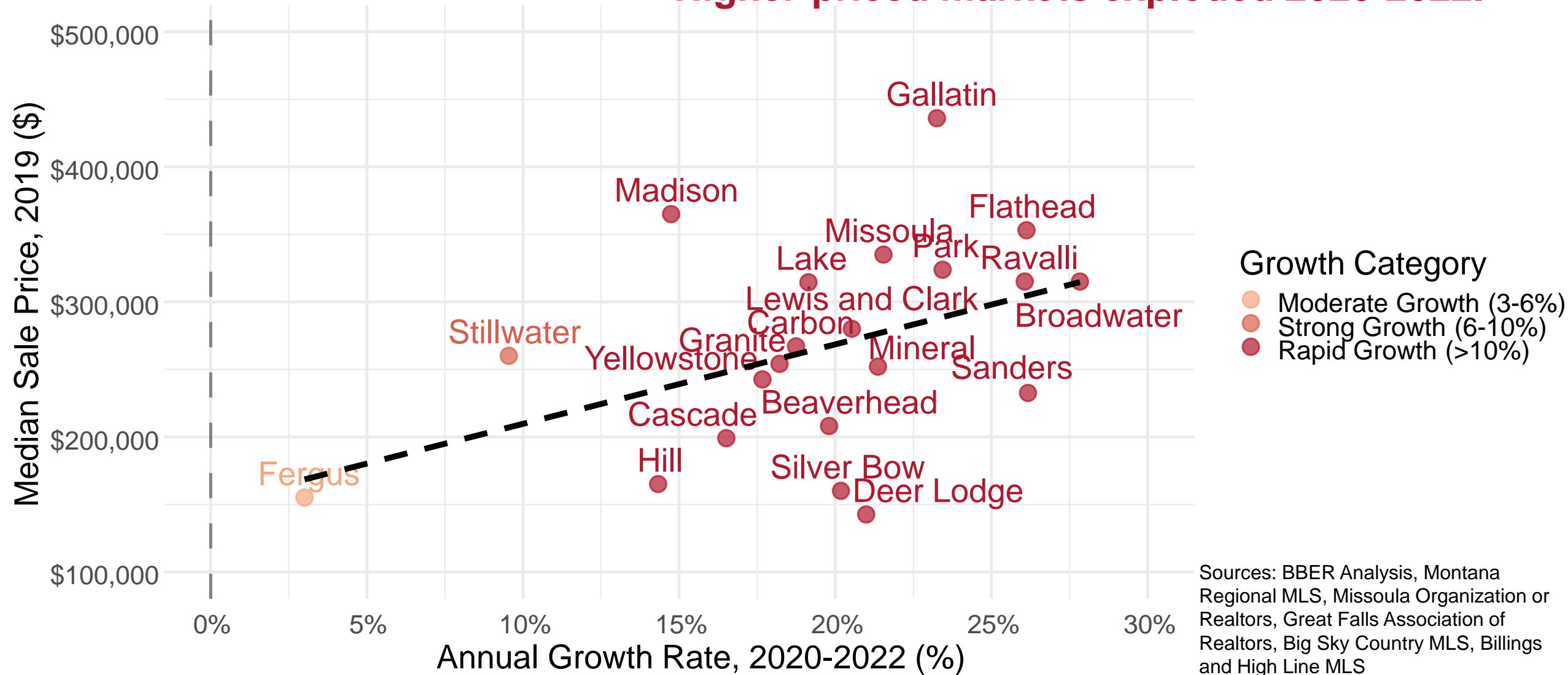
Note: Lock-in percentage is measured as the percentage of mortgages at least 1 percentage point lower than average 30-year market rate

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



Interesting times, 2019 Price Levels vs. Peak Growth Period

Higher-priced markets exploded 2020-2022.



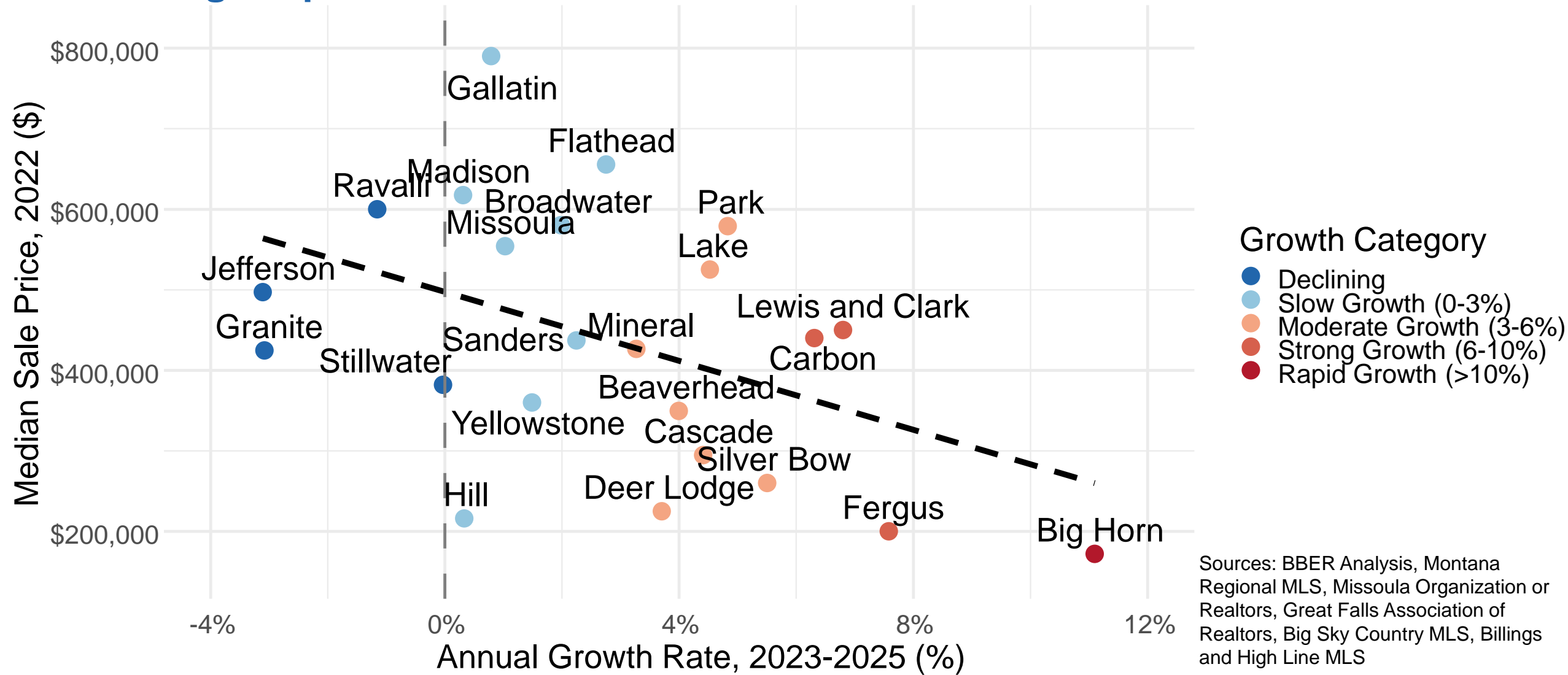
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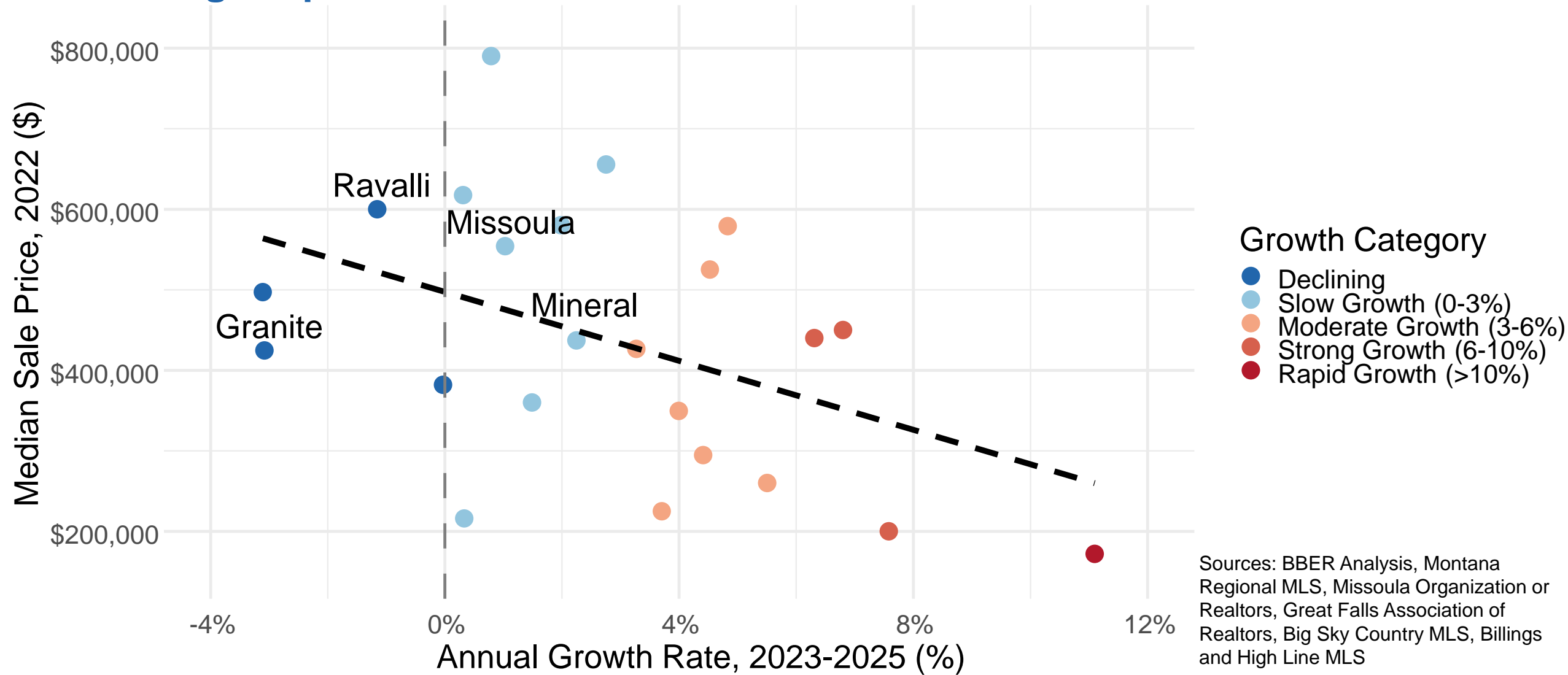
The aftermath, 2023 Price Levels vs. Recent Growth

Higher-priced markets cooled 2023-2025.



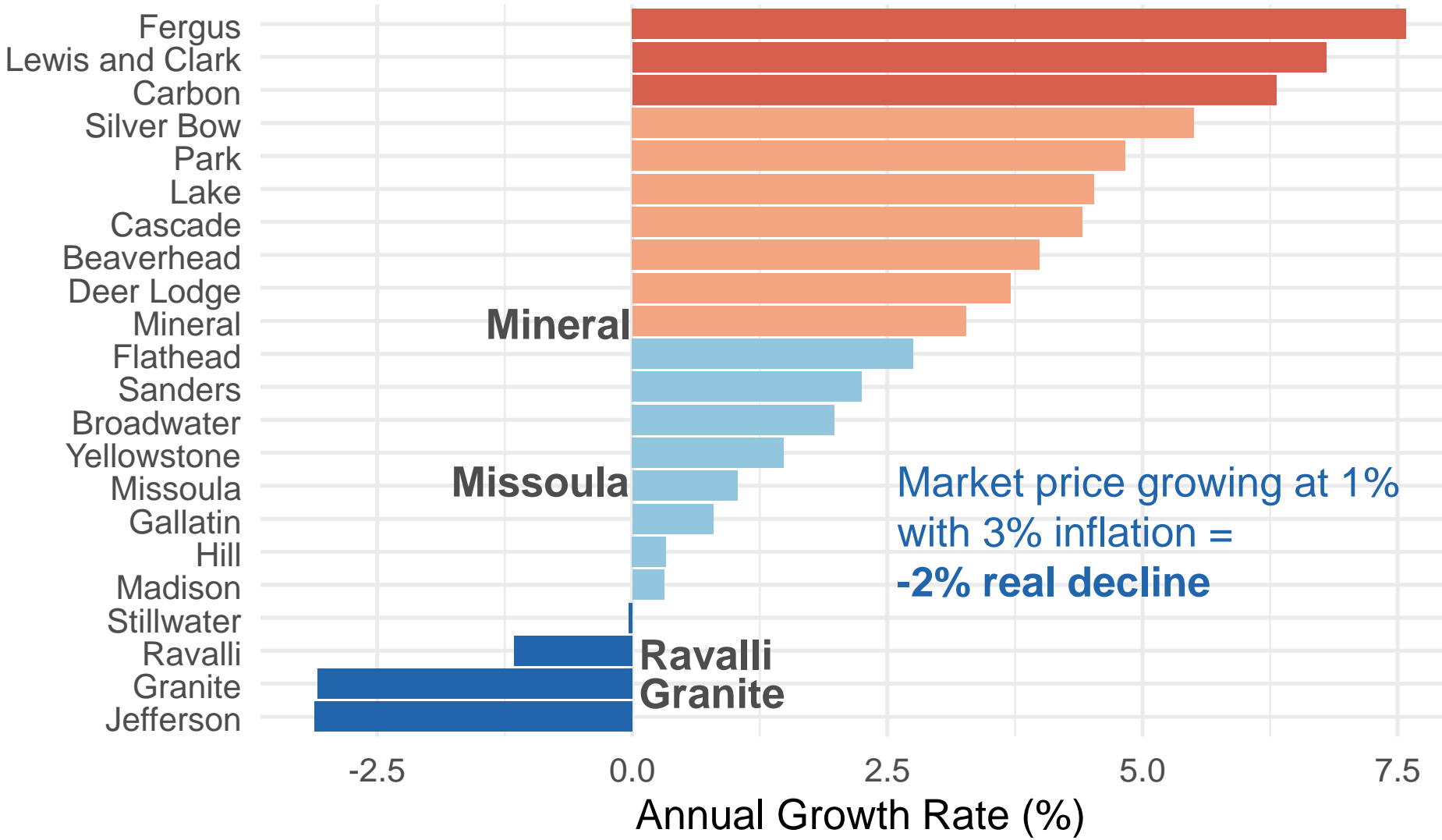
The aftermath, 2023 Price Levels vs. Recent Growth

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%)

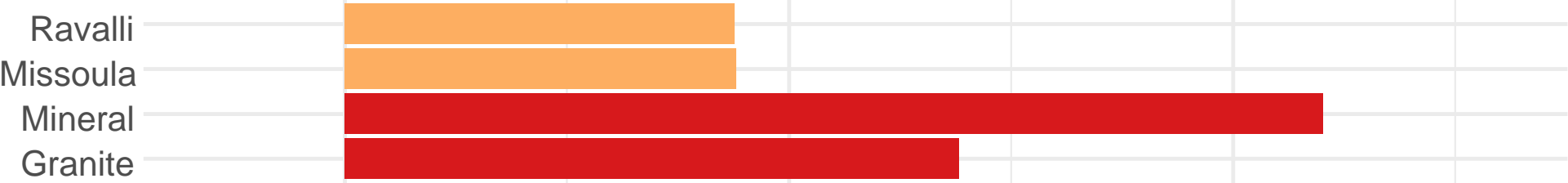
Market price growing at 1%
with 3% inflation =
-2% real decline

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

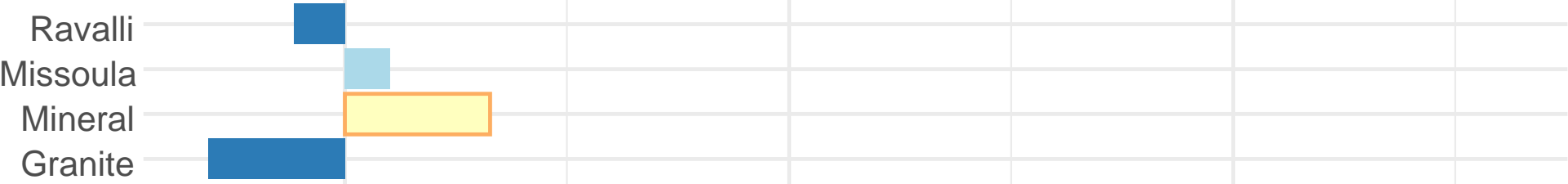
The before times... 2017-2019



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 (%)

Missoula County Renter Households by Income Band

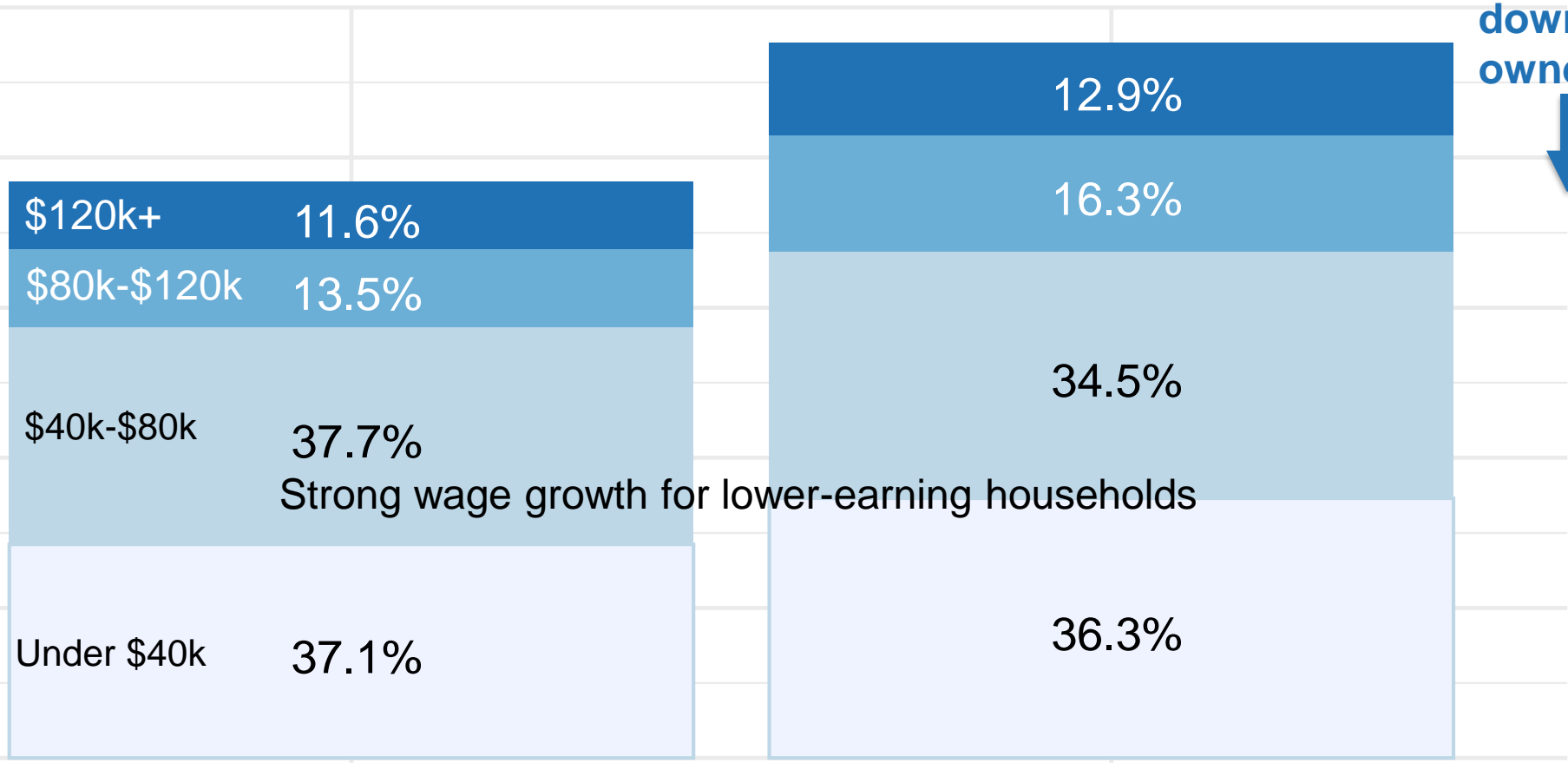
Total households grew, and composition shifted dramatically

Higher-earning renters filtering down from ownership market



Number of Renter Households

25,000
20,000
15,000
10,000
5,000
0



2019

2024

Year

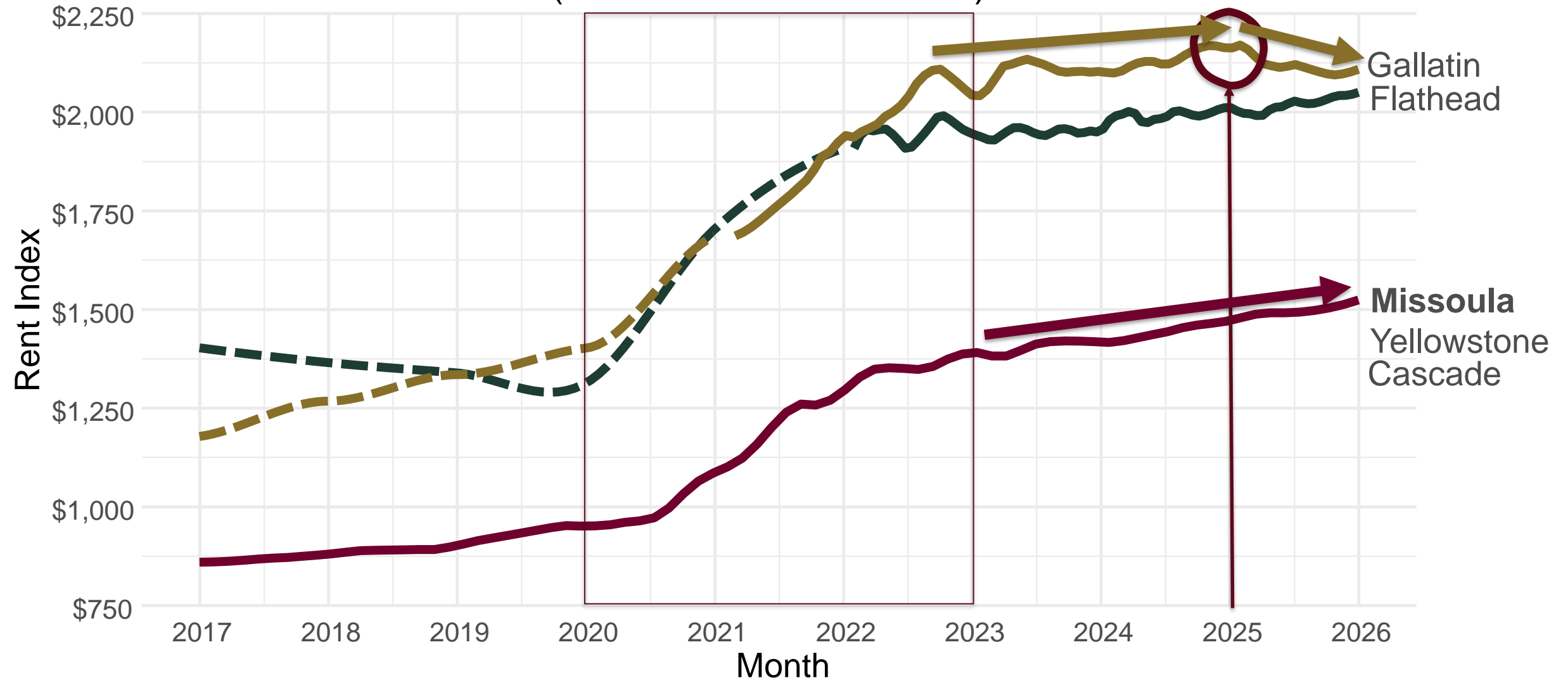
Income Band

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

Strong wage growth for lower-earning households

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

Montana Rental Index (ACS Historical + Zillow)



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

Composite survey of local landlords

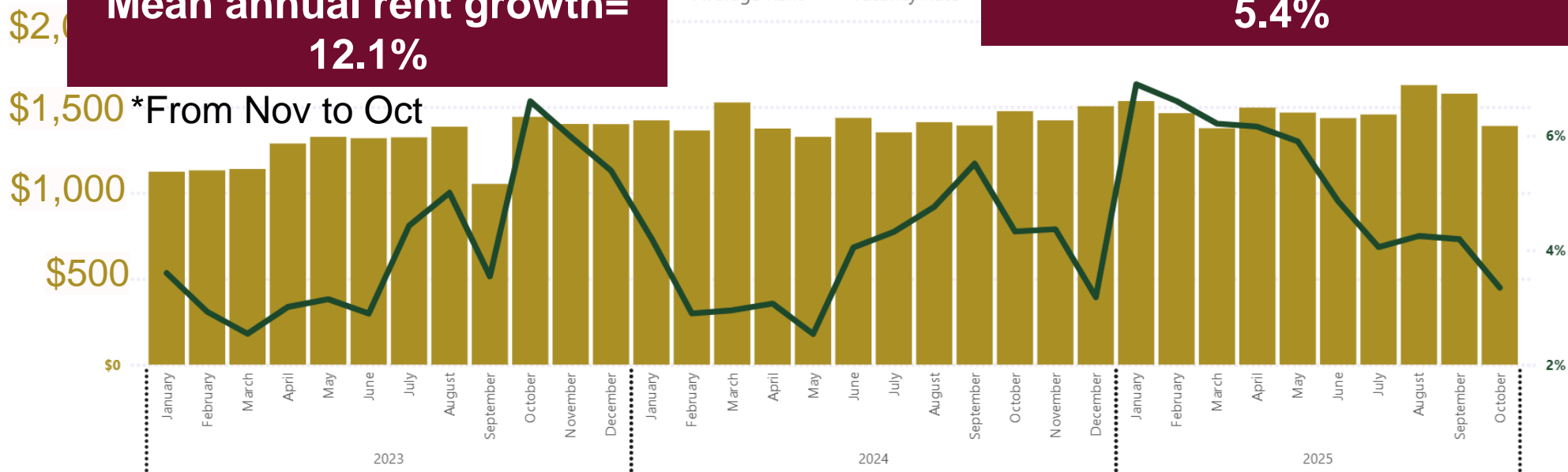
Missoula Organization of REALTORS®

Average Rent 2 bedroom:

Vacancy Rate & Average Rent by Unit Type & Size - City of Missoula

Mean annual rent growth= 12.1%
*From Nov to Oct

Mean annual rent growth= 5.4%



- 2 bedrooms is the median rental unit size in Missoula County

Source: U.S. Census Bureau, American Community Survey (ACS) 1-year estimates, 2024

Size

- Studio
- 1 Bedroom
- 2 Bedroom
- 3 Bedroom
- 4+ Bedroom
- Total

Type

- House
- Duplex
- Multiplex
- All Unit Types

Use this slider to adjust the date range

1/1/2023 10/1/2025

A healthy rental market has vacancy rates between 5%-8%.

<https://www.missoularealestate.com/rental-data/>

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 building multi-family units 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

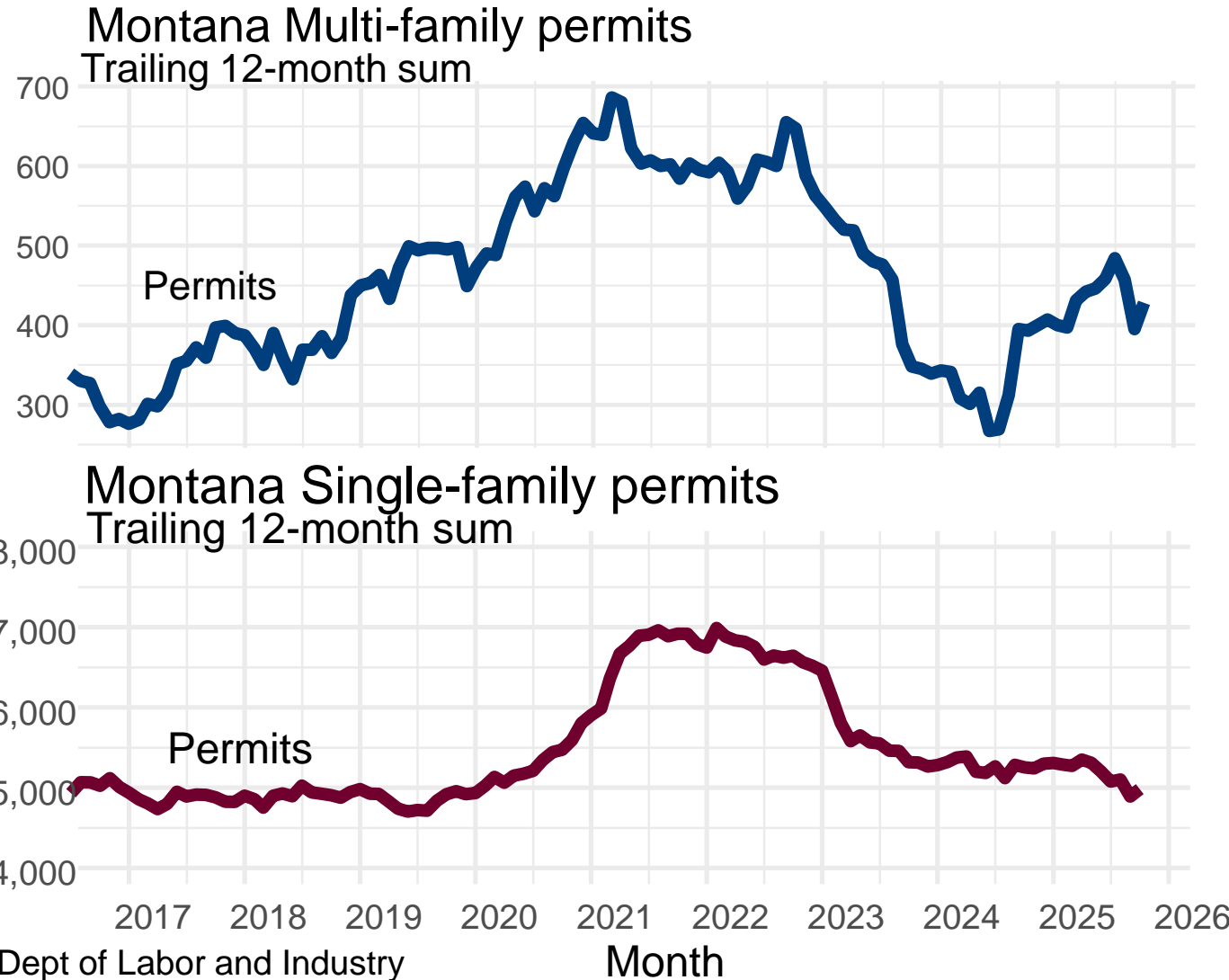
Building Construction (2026...)

Multi-family

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

Single-family

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

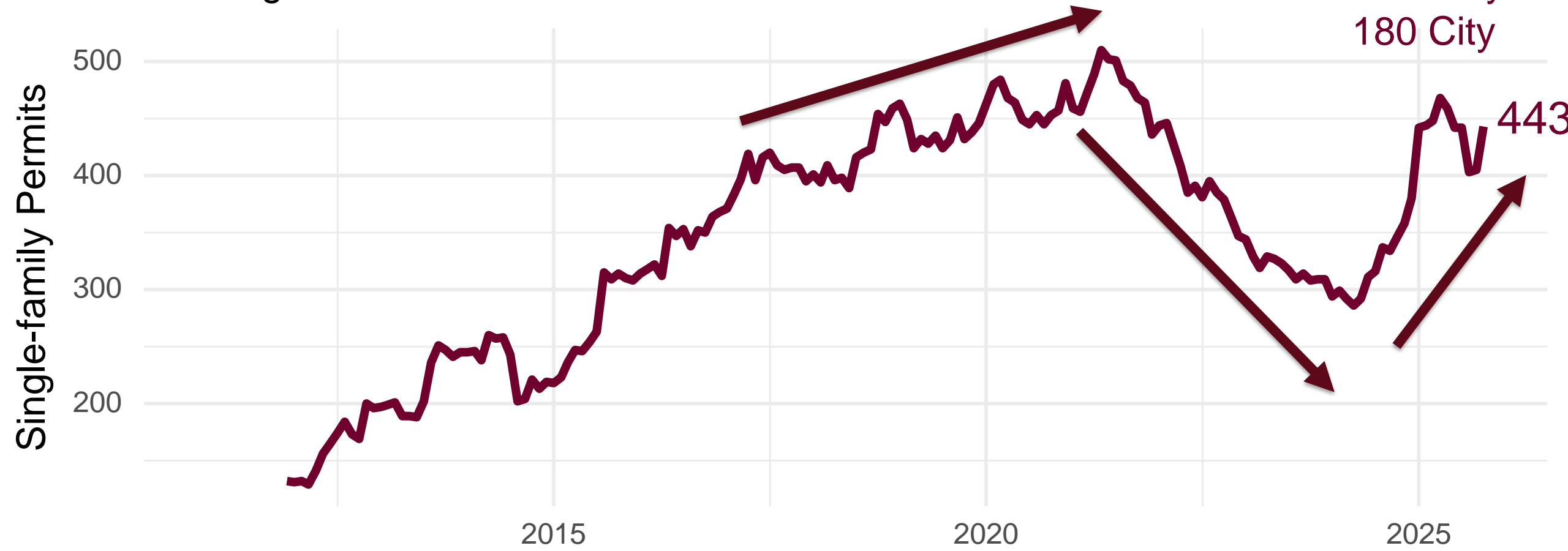


Sources: BBER Analysis, U.S. Census Building Permits Survey, MT Dept of Labor and Industry

Missoula - Single-family Permits

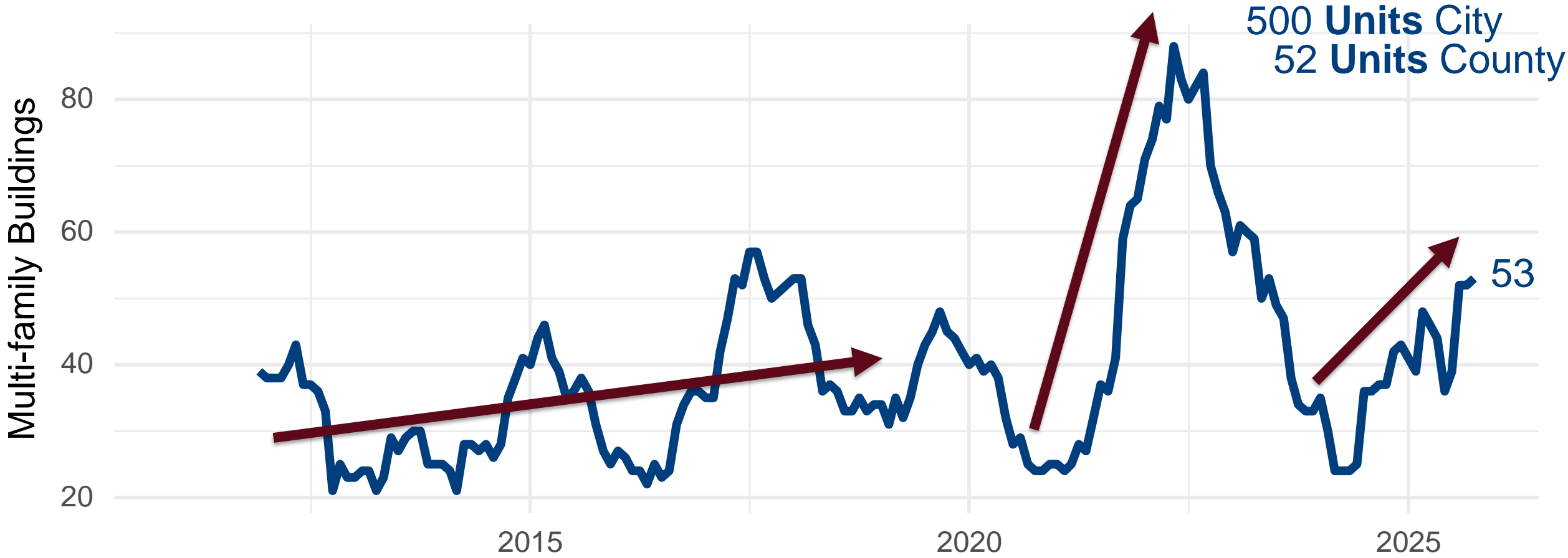
Trailing 12-month sum

263 County
180 City



Missoula - Multi-family Permits

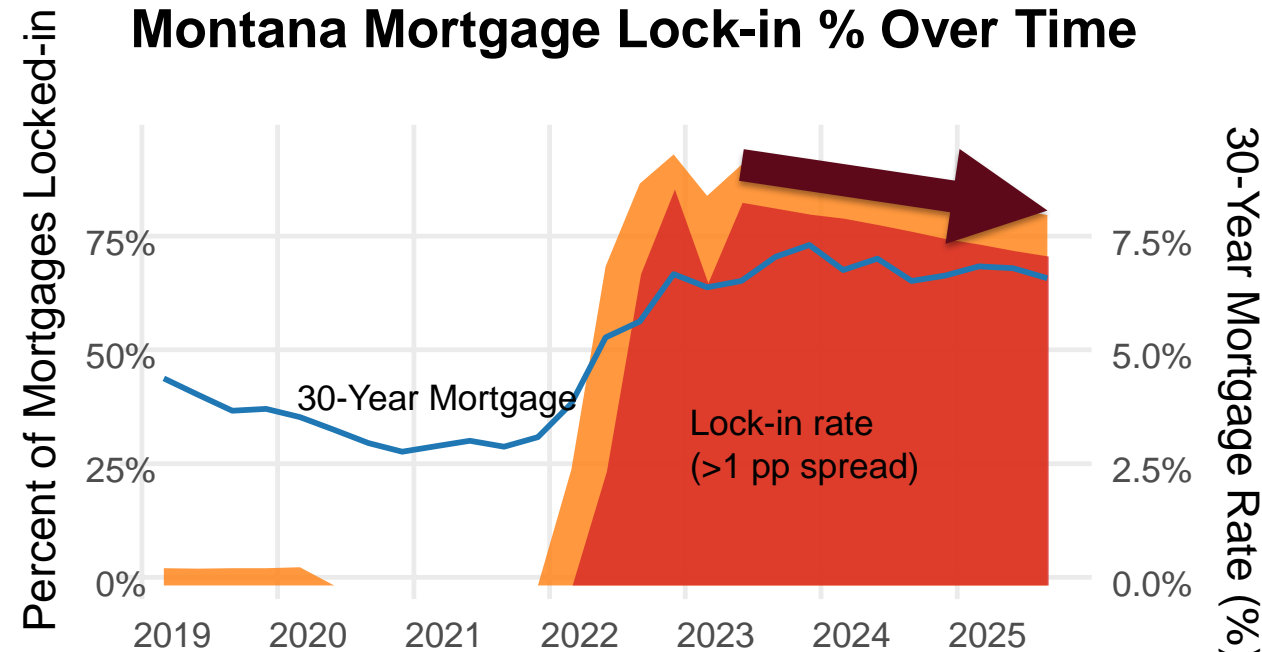
Trailing 12-month sum



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

Missoula County
Births – Deaths = 568

Driven by another year of
strong birth rates

Utah

Missoula County +7.92

Alaska

Montana

-0.1

Vermont

Maine

West Virginia

Natural Decrease

2011 2013 2015 2017 2019 2021 2023 2025

Three-Year Outlook (2026-2028)

Domestic Migration Changes

- Sharp pullback from peak migration

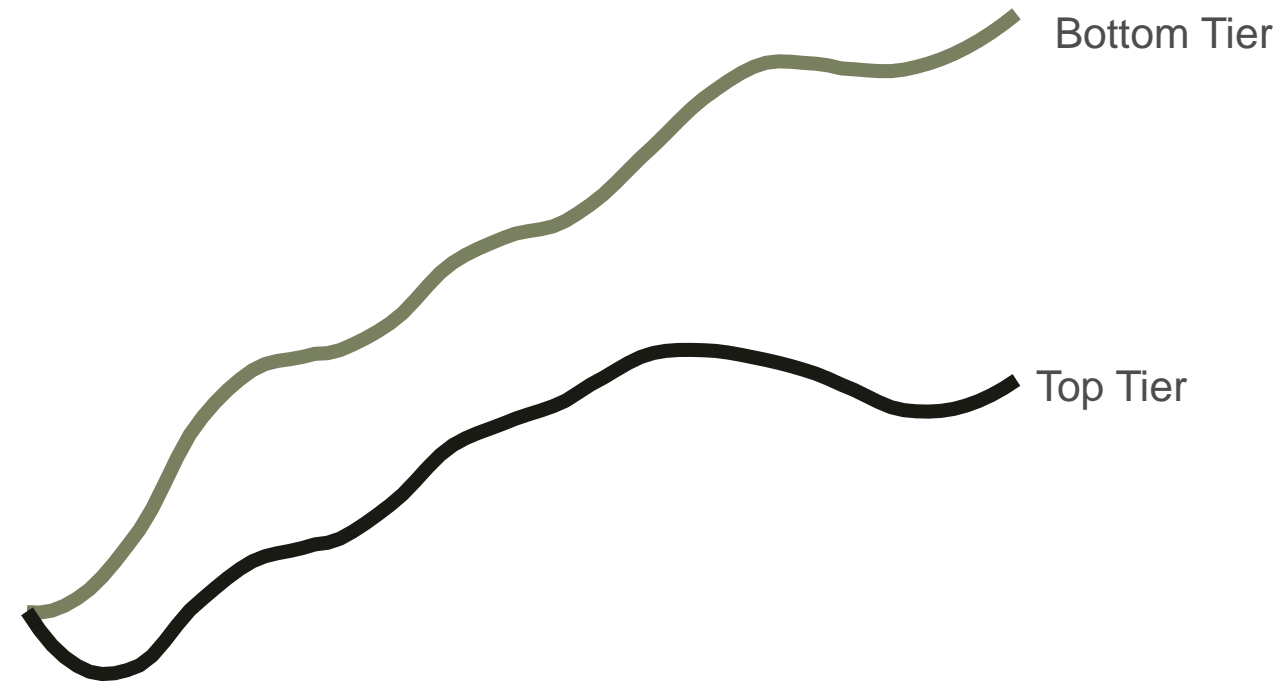
Expectation: Migration stabilizes at elevated levels

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

Three-Year Outlook (2026-2028)

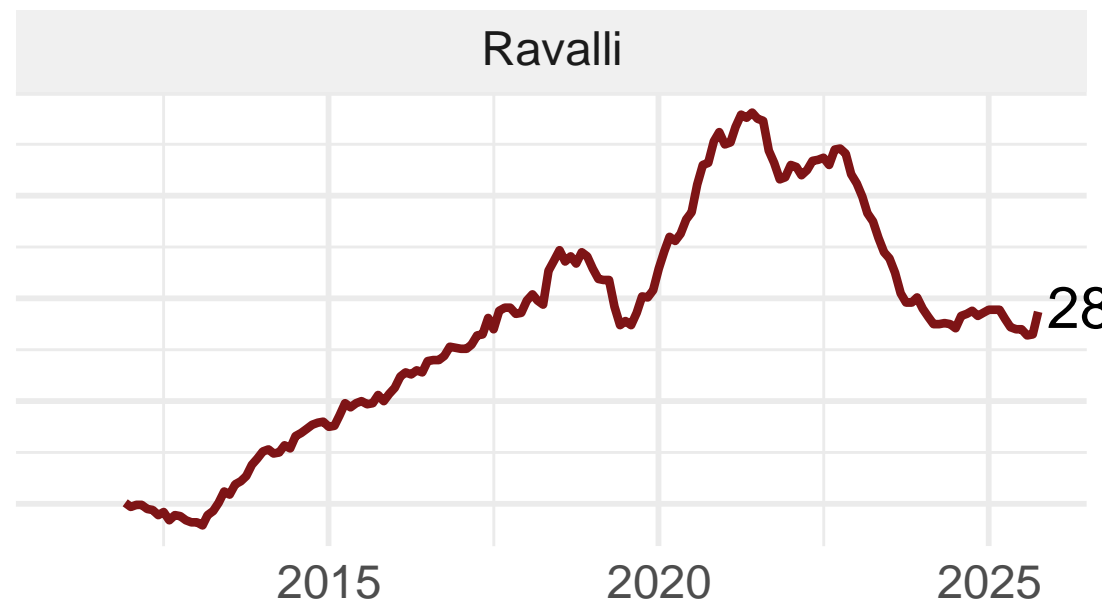
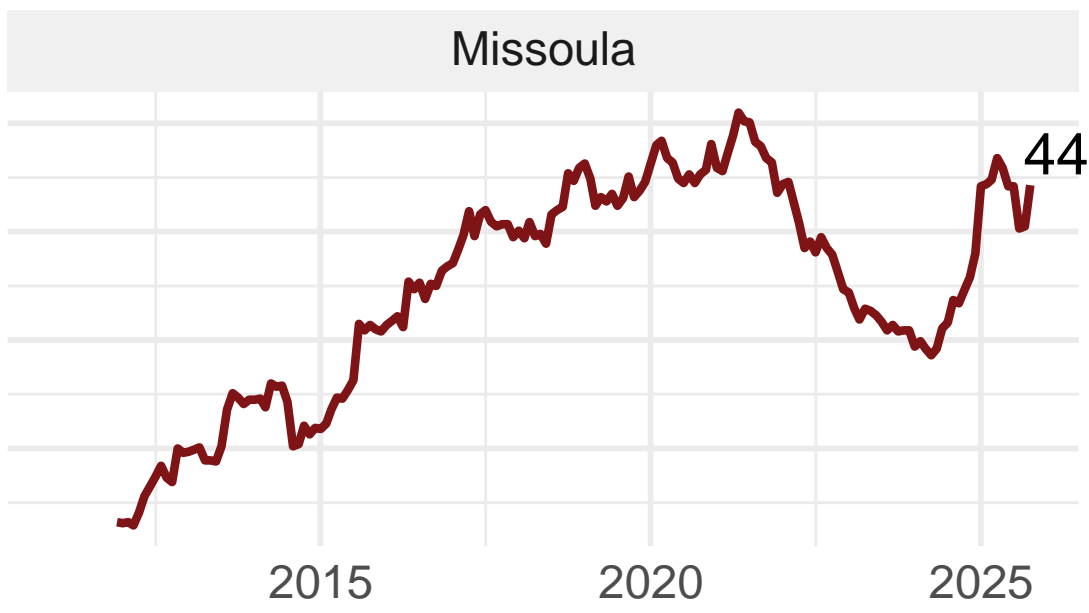
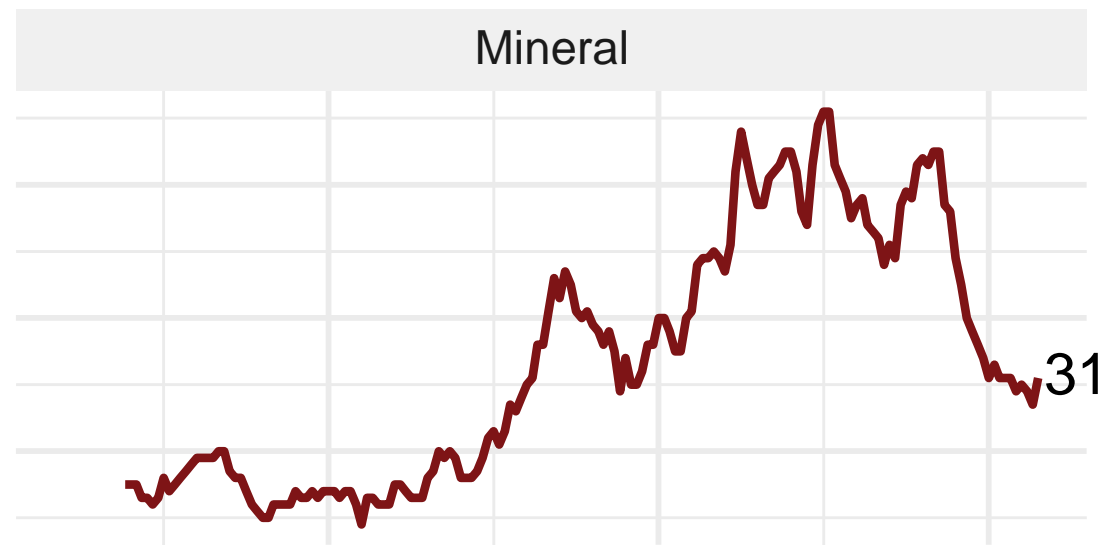
Housing costs trajectory:

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



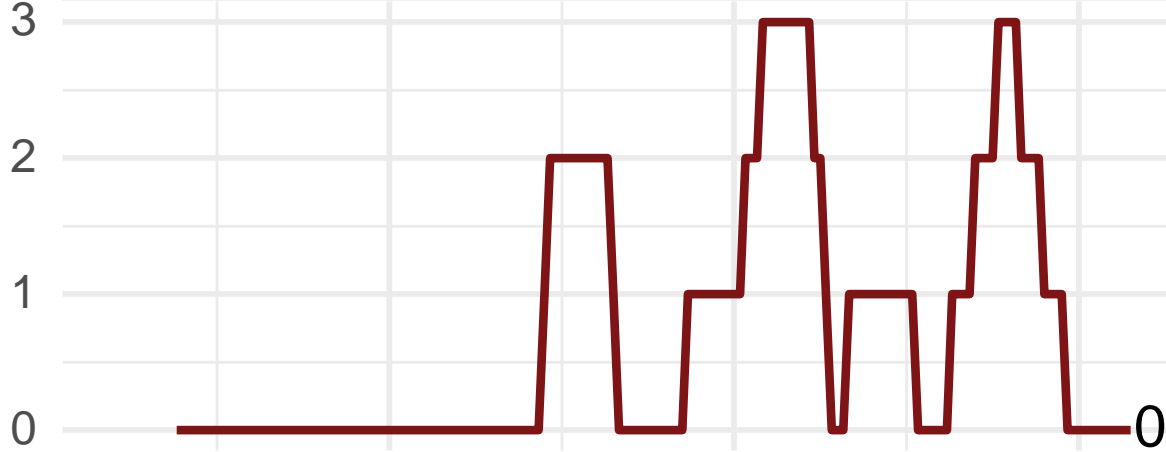
Trailing 12-month sum

Single-family Permits

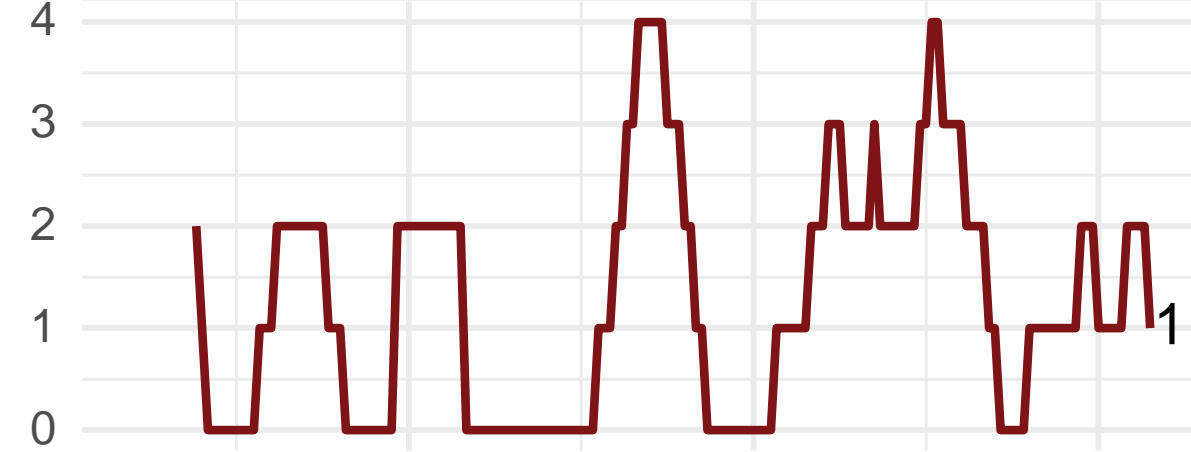


Trailing 12-month sum

Granite



Mineral



Missoula



Ravalli

