

Home Under the Big Sky:

The Montana Housing Market

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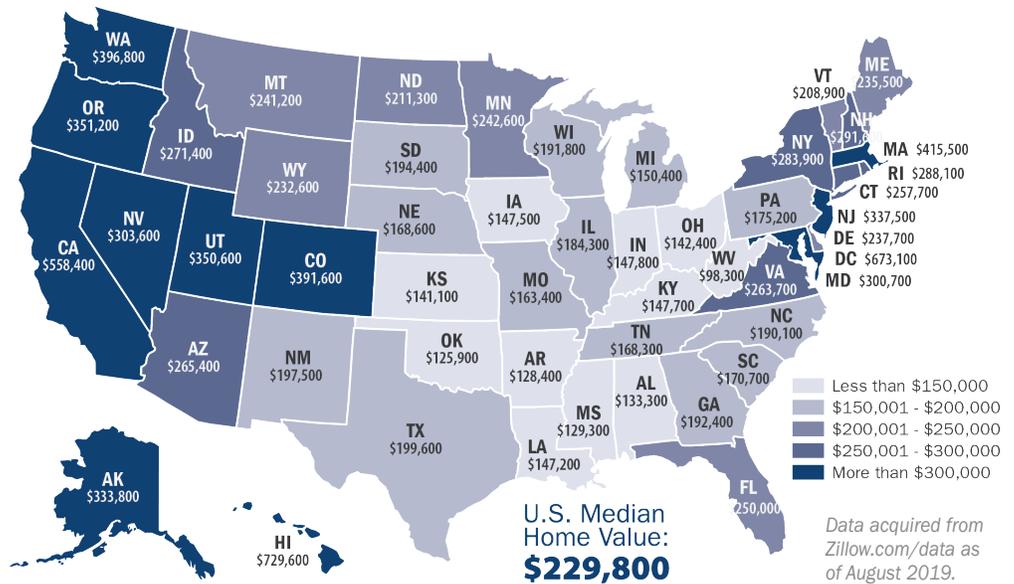


Home ownership has long been regarded as a significant milestone on the road to economic stability and independence. A home is the largest single purchase most people make in their lifetime – valuable both as shelter and as an investment in the local housing market. Ensuring that Montanans have access to affordable safe housing, while also making sure existing homeowners can profit from their investment, is a critical element of a growing economy. The housing market can have a widespread impact on the economy, as evidenced by the Great Recession of 2008. Therefore, monitoring the housing market is valuable not just for current homeowners and those looking to purchase a home, but also can be used as a general indicator of a healthy economy.

Statewide Home Values and Appreciation

The median home value in Montana is \$241,000, up 5% from the same month last year and up 25% since 2014. **Figure 1** shows how Montana’s median home value compares to other states. Some of the most expensive housing markets are located along the coasts – with Hawaii, D.C., and California having the highest median home values all above \$500,000. Montana home values fall in the middle of the nation, ranking 22nd highest in the nation, which is similar to neighboring states.

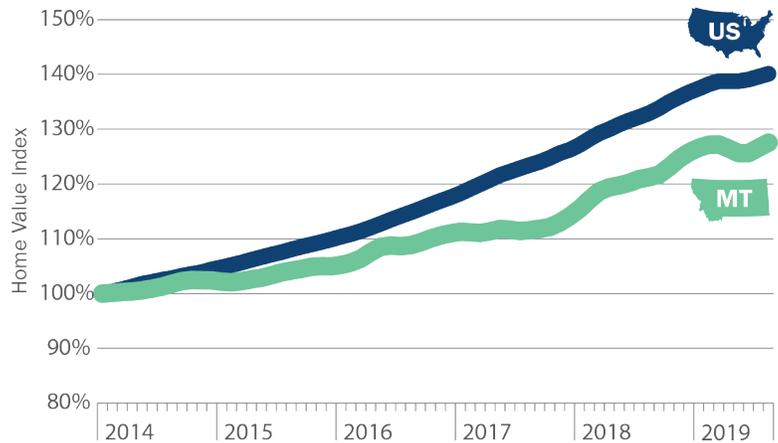
FIGURE 1
Median Home Values for Single Family Homes by State



Montana's median home value is slightly higher than the U.S. median, which was \$229,800 in August. However, home values have appreciated more slowly in Montana than the U.S. over the last five years. **Figure 2** shows how the median home value in Montana and the U.S. have risen relative to their values at the beginning of 2014. Montana home values have risen by 25% over the last five years ending in August, compared to 36% across the United States.¹

Changes in the supply and demand for housing determine how home values change overtime. The supply of homes in Montana is influenced by a number of factors – including the availability of land, the price of lumber or other materials, permitting expenses, and other regulatory costs. Housing demand is determined by the number of people looking to purchase a home, their confidence in the economy, their income levels, their access to capital, and their preferences. Over the longer run Montana home values have risen more slowly than the national average, suggesting that these factors have not disproportionately impacted the Montana housing market compared to the nation.

FIGURE 2
Indexed Median Home Value in Montana and U.S.

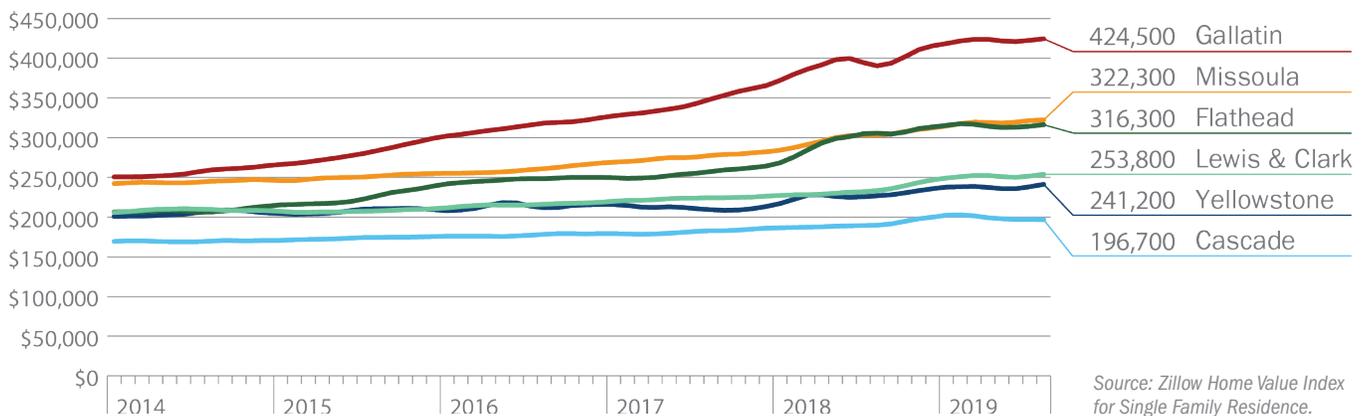


Source: Zillow Monthly Median Home Value for Single-Family Residence, indexed to Jan. 2014.

Local Area Home Values

Figure 3 shows how median home values rose over the last five years for some of Montana's more populated counties. While all six counties have seen growth in home values over the last five years, some counties have experienced much faster appreciation than others. Gallatin County has a median home value of \$424,500 as of August, which is \$100,000 more than the next highest county. Yellowstone and Cascade counties are the only two counties in **Figure 3** with median home values at or below the statewide level.

FIGURE 3
Median Home Value Over Time for Select Counties



Source: Zillow Home Value Index for Single Family Residence.

Gallatin County

Median home values in Gallatin County were \$259,500 in August of 2014 and grew by 64% over the next five years to over \$400,000. The housing market in Gallatin County is largely driven by the town of Bozeman, which is a popular tourist destination and is the location of Montana State University. There are several hiking, biking, and skiing trails in the mountain ranges surrounding Bozeman, and the town is within a day's drive of Yellowstone National Park.

¹ Growth in Zillow Median Home Value for Single-Family Residence from August 2014 to August 2019.

Perhaps because of the university and Bozeman’s popularity as a tourist destination, Gallatin County is the most common place people move to from out-of-state.² Positive net in-migration increases demand for housing, therefore pushing home prices higher when housing supply is not increased at the same rate. Movers who come from areas with higher home values or faster home appreciation may bring with them more equity and purchasing power relative to existing buyers in the housing market. These buyers may also have a higher willingness to pay due to perceived differences in value from their experiences in a higher priced housing market. Both of these factors can further increase prices. About 70% of the people moving to Gallatin County from out-of-state between 2013 and 2017 moved from states with higher median home values than Montana – with Washington, Colorado, California, and Idaho providing the most in-migrants.³ High net in-migration to Gallatin County raising demand for homes, and partially explains the rapid appreciation of home values in the county.

While home values in Gallatin County have appreciated the fastest of any county in Montana, the median household income in the county is one of the highest in the state, which helps support rising home values.⁴ Additionally, home values in Gallatin County are aligned with similar counties in other states. Both Deschutes County, OR and Morgan County, UT have experienced similar appreciation rates over the last five years and have median home values between \$400,000 and \$450,000.

Bend, OR in Deschutes County has cultivated a similar culture to Bozeman. Bend is a popular tourist destination for outdoor enthusiasts due to its proximity to biking, fishing, skiing, and hiking trails. The Cascades Campus of Oregon State University is also located in Bend, drawing a large population of young adults to the area. Ogden, UT by Morgan County is similar to Bend and Bozeman in its outdoor lifestyle, serving as a gateway to many popular Utah ski resorts. Weber State University is also located in Ogden. While Gallatin County’s home values have been growing significantly faster than any other county in Montana, its growth is on pace with other medium sized western counties that have higher in-migration rates resulting from universities and their popularity as a tourist destination.

Comparable Median Home Values to:
Gallatin County

| | |
|------------------------|-----------|
| Median Home Value: | \$424,500 |
| Appreciation (5-year): | 64% |
| Population (2018): | 111,876 |

Deschutes County (Bend, OR)

| | |
|------------------------|-----------|
| Median Home Value: | \$407,000 |
| Appreciation (5-year): | 56% |
| Population (2018): | 191,996 |

Morgan County (by Ogden, UT)

| | |
|------------------------|-----------|
| Median Home Value: | \$450,200 |
| Appreciation (5-year): | 63% |
| Population (2018): | 12,045 |

Flathead & Missoula Counties

Comparable Median Home Values to:
Flathead County

| | |
|------------------------|-----------|
| Median Home Value: | \$316,300 |
| Appreciation (5-year): | 53% |
| Population (2018): | 102,106 |

Ada County (Boise, ID)

| | |
|------------------------|-----------|
| Median Home Value: | \$318,400 |
| Appreciation (5-year): | 62% |
| Population (2018): | 469,966 |

Clallam County (Port Angeles, WA)

| | |
|------------------------|-----------|
| Median Home Value: | \$301,800 |
| Appreciation (5-year): | 50% |
| Population (2018): | 76,737 |

Flathead and Missoula counties have the next highest median home values after Gallatin County. Both counties have median home values between \$300,000 and \$325,000, as shown in **Figure 2**. Flathead County’s housing market is driven primarily by the city of Kalispell as well as the popular tourist destination of Whitefish, which draws tourists year-round due to its proximity to Glacier National Park and Whitefish Ski Resort. Missoula County’s housing market is driven by the city of Missoula. The University of Montana is in Missoula, which is the state’s other flagship university that draws students from around the country. Both Flathead and Missoula counties are some of the most common destinations for people moving to Montana, likely due to the university and the popularity of the areas as tourist destinations.⁵ Higher in-migration increases the number of people available to purchase homes in the area, thus raising housing demand.

² Bradley, Christopher. "Destination Montana: Migration Patterns To, From, and Within Montana." *Montana Economy at a Glance*, September 2019. Montana Department of Labor & Industry.
³ County-to-county migration flows 2013-2017 American Community Survey, U.S. Census Bureau.
⁴ Median household income reported by 2013-2017 American Community Survey, U.S. Census Bureau.
⁵ Bradley, Christopher. Destination Montana, October 2019. <http://lmi.mt.gov/Portals/193/Publications/LMI-Pubs/Labor%20Market%20Publications/EAG-0919.pdf>

Flathead County median home values have grown by 53% over the last five years, second only to the Gallatin County growth rate. Looking beyond Montana, the Flathead County housing market is similar to the market in Ada County, Idaho. Ada County is home to the city of Boise, which is the largest city in Idaho. For a city as large as Boise, home values have grown at a rapid pace. Much of this growth is due to expanding employment opportunities in the manufacturing and healthcare industries, as well as lower home values compared to other large metropolitan areas in the west making it an attractive destination for out-of-state movers.⁶

Clallam County, WA also shares similar home values and appreciation rates to Flathead County. Port Angeles is the largest city in Clallam

County, which is located on the Olympic peninsula. While the county is one of the rainiest places in the country, it shares similarities with Flathead county due to the proximity of Olympic National Park and the variety of outdoor activities surrounding it. Home values in Clallam County have grown by 50% over the last five years, and currently sit just above \$300,000.

Missoula County home values are just above those in Flathead County; however, homes have appreciated at a slower rate. Home values rose by 31% over the last five years in Missoula County to their current value of \$322,000. Other counties in the U.S. experiencing a similar housing market are Cumberland County (home to Portland, ME), and Comal County which is a suburb of San Antonio, TX.

Lewis and Clark, Yellowstone, & Cascade Counties

Lewis and Clark County and Yellowstone County have the next highest median home values of the counties shown in **Figure 2**, with home values between \$240,000 and \$260,000. Both counties have seen slower home value appreciation over the last five years compared to Gallatin, Missoula, and Flathead counties.

Lewis and Clark County is home to the state capitol, and therefore the housing market is impacted by state government employment. State government wages have grown slower than private sector wages in Montana over the last couple years, which limits appreciation rates for homes in the county.⁷ Since 2014 home values in Lewis and Clark County have risen by 21% to their current value of \$253,800. Outside of Montana, the housing market in St. Paul, MN is similar to that of Lewis and Clark County.



Comparable Median Home Values to: Missoula County

| | |
|------------------------|-----------|
| Median Home Value: | \$322,300 |
| Appreciation (5-year): | 31% |
| Population (2018): | 118,791 |

Cumberland County (Portland, ME)

| | |
|------------------------|-----------|
| Median Home Value: | \$311,400 |
| Appreciation (5-year): | 30% |
| Population (2018): | 293,557 |

Comal County (by San Antonio, TX)

| | |
|------------------------|-----------|
| Median Home Value: | \$321,900 |
| Appreciation (5-year): | 37% |
| Population (2018): | 148,373 |



Comparable Median Home Values to:

Lewis & Clark

| | |
|------------------------|-----------|
| Median Home Value: | \$253,800 |
| Appreciation (5-year): | 21% |
| Population (2018): | 68,700 |

Ramsey County (St. Paul, MN)

| | |
|------------------------|-----------|
| Median Home Value: | \$251,300 |
| Appreciation (5-year): | 29% |
| Population (2018): | 550,210 |

Yellowstone

| | |
|------------------------|-----------|
| Median Home Value: | \$241,200 |
| Appreciation (5-year): | 16% |
| Population (2018): | 160,137 |

Sheridan County (Sheridan, WY)

| | |
|------------------------|-----------|
| Median Home Value: | \$250,500 |
| Appreciation (5-year): | 17% |
| Population (2018): | 30,233 |

Cascade

| | |
|------------------------|-----------|
| Median Home Value: | \$196,700 |
| Appreciation (5-year): | 16% |
| Population (2018): | 81,643 |

Grand Forks County (Grand Forks, ND)

| | |
|------------------------|-----------|
| Median Home Value: | \$197,700 |
| Appreciation (5-year): | 19% |
| Population (2018): | 70,770 |

⁶ Idaho Department of Labor Southwest region summary. <https://lmi.idaho.gov/region>
⁷ QCEW annual average wage growth in 2017 and 2018.

Yellowstone County is the largest county in the state, with its economy driven largely by the city of Billings. Billings serves as a retail and commerce hub for much of the energy development centers in the eastern portion of the state. Employment growth in the Billings area has slowed in recent years due to a slowdown in mining related activity and the stabilizing of coal prices.⁸ Median home values in Yellowstone County are currently \$241,200, which is equal to the statewide average. However, home values have been appreciating more slowly than other populated counties in the state, growing by 16% over the last five years. Although the Yellowstone County housing market is not growing as quickly as its counterparts in the western portion of the state, it is on pace with housing markets in similar counties in other states. The housing market in Sheridan, WY is similar to Yellowstone County. Sheridan is located south of Billings just across the Wyoming border, and has experienced a slowdown in natural resource and mining employment in recent years. The median home value in Sheridan is just above \$250,000 and has grown by 17% over the last five years, which is just 1% faster than Yellowstone County.

Cascade County, home to the city of Great Falls and the Malmstrom Airforce Base, is the only county in **Figure 3** with median home prices below \$200,000. Employment growth in the area has been relatively flat over the last five years, impacted by losses in the agriculture industry. However, wage growth in the county has remained

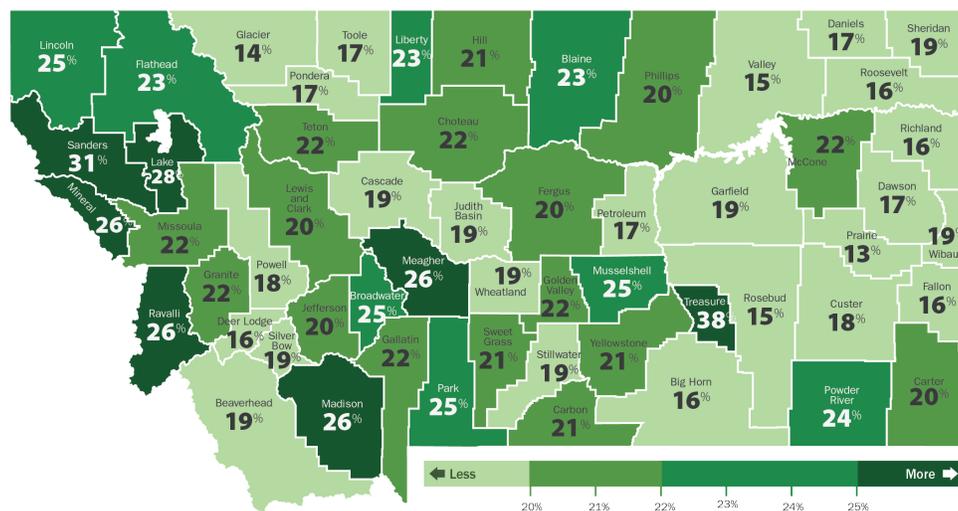
competitive with other areas of the state, which has helped drive up home values.⁹ Over the last five years the median home value in Cascade County have risen by 15% to their current level of \$196,700. While this is below the statewide average, Cascade County has similar home values and appreciation to Grand Forks County in the neighboring state of North Dakota.

Grand Forks is the 3rd largest city in North Dakota, located on the state's border with Minnesota. Similar to the Missouri River's path through Great Falls, the Red River runs along the border of Grand Forks, providing a system of waterfront parks and trails. Grand Forks is also the location of Grand Forks Airforce Base and the University of North Dakota, providing military and education employment to the area just as the Malmstrom Airforce Base, Great Falls College, and the University of Great Falls provide employment to the Great Falls community. The median home value in Grand Forks is \$197,700 and has appreciated 19% of the last five years.

Affordability

Home price appreciation is a positive thing for the housing market, providing positive returns to home ownership and encouraging additional investment in the housing market. However, if home prices rise faster than income, then many first-time homebuyers may have a difficult time affording the cost of a home. Affordability is a key element of a healthy housing market, ensuring that Montanans continue

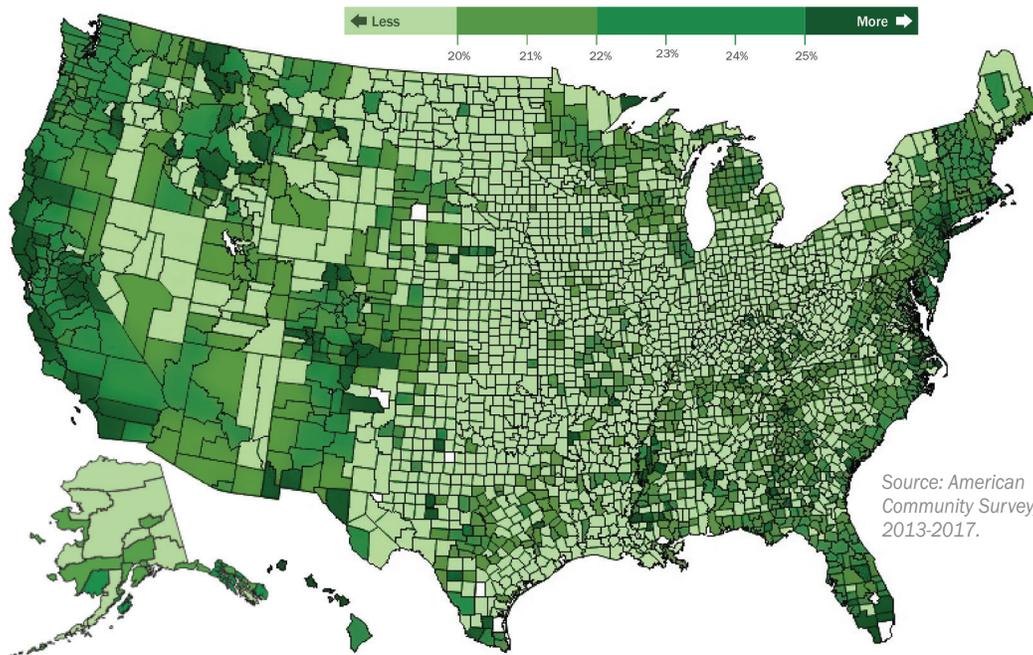
FIGURE 4
Housing Costs as a Percent of Household Income by Montana County



⁸ Labor Day Report, 2019. <http://lmi.mt.gov/Publications/labor-day-report-montana-2019>
⁹ Labor Day Report, 2019. <http://lmi.mt.gov/Publications/labor-day-report-montana-2019>

Source: American Community Survey, 2013-2017.

FIGURE 5
Housing Costs as a Percent of Household Income by U.S. County



to achieve the milestone of homeownership and that the cost of homeownership and renting remains a reasonable portion of a household’s income and does not suppress other consumption.

On average Montana housing costs make up 22% of household income.¹⁰ According to the U.S. Department of Housing and Urban Development (HUD), families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording other necessities. Housing costs less than 30% of household income are considered affordable by U.S. HUD. **Figure 4** shows how housing costs vary by county relative to household income in Montana. While housing costs are considered affordable in most counties, the eastern region of the state offers the most affordable housing relative to the western portion of the state. Housing costs in the far northwest corner of the state are the highest as a percent of household income, along with housing costs in the popular Bitterroot Valley and Big Sky area.

While home values have appreciated most rapidly in Gallatin County, income in the county has risen as well, keeping the affordability of homes on par with the statewide average. The counties surrounding Gallatin; however, have more expensive housing relative to income. Of the counties

highlighted in **Figure 3**, Flathead county has the highest housing costs as a percent of income followed closely behind by Missoula and Gallatin Counties. Lewis and Clark, Cascade, and Yellowstone counties have more affordable housing than the statewide average.

Figure 5 shows housing affordability by county on a nationwide scale. Geographic patterns emerge like those found in the home values map displayed in **Figure 1**. The central portion of the country offers the most affordable housing, with the most expensive housing found along the coastlines. The housing market in western Montana more closely mirrors the market along the Pacific coastline, while housing in Montana’s eastern counties is similar to housing in the central part of the U.S.

Conclusion

The housing market in Montana is diverse, reflecting the diversity of Montana’s economy. Throughout the state home values have been growing, thus generating value for existing homeowners while also maintaining affordability for those looking to become first-time homebuyers. Homeownership is a milestone many Montanans pursue, making an affordable and stable housing market critical to a healthy economy.

¹⁰ Housing costs measured by the 2013-2017 American Community Survey. Includes mortgage payments, rent payments, condominium and other fees, real estate taxes, and premiums for home owners insurance. Also, for mobile homes, installment loan payments, site rent, license and registration fees, and personal property taxes.