

# 2021 FIVE VALLEYS HOUSING REPORT

current knowledge, common wisdom:  
growing a missoula we treasure



Released 2021  
A community service provided by the  
Missoula Organization of REALTORS®

# A Message from the Coordinating Committee

MOR has transitioned our [Annual Housing Report to a website with interactive data visualizations](#). All the data our community has come to expect is still in the Annual Housing Report, except it's now interactive and includes several additional data points. We plan to continually refresh the data within the report to keep it as near real-time as possible.

We pride ourselves on high-quality data and being the consolidator of many sources. As we look towards the future of more real-time data, we are also presented with the chance to shine a light on a few opportunities and challenges facing our community that we believe is derived from the data.

The mission of this report is to provide a more complete picture of our community's housing data, use this data to bring a voice to attainability challenges, uncover changes in demographics, and reveal issues that require the community's attention.

This is the sixteenth Annual Housing Report in the Five Valleys (which includes the City of Missoula and Missoula County), and the content has evolved based on trends, available information, and feedback from readers like you.

Please let us know your thoughts on this report and how we might improve it.

For questions please contact: [comments@missoularealestate.com](mailto:comments@missoularealestate.com)



## Coordinating Committee

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# Sx<sup>w</sup>tpqyen Master Plan

In 2019, Missoula County secured a \$13 million [BUILD Grant](#) from the US Department of Transportation to develop the infrastructure of the growing Mullan neighborhoods. Alongside the BUILD Grant, Missoula County, the City of Missoula, and community members worked together to establish a new vision for the development named after the area's traditional Salish name, Sx<sup>w</sup>tpqyen (pronounced S-wh-tip-KAYN), which means "A Place Where Something Is Cut Off and Comes to a Point."



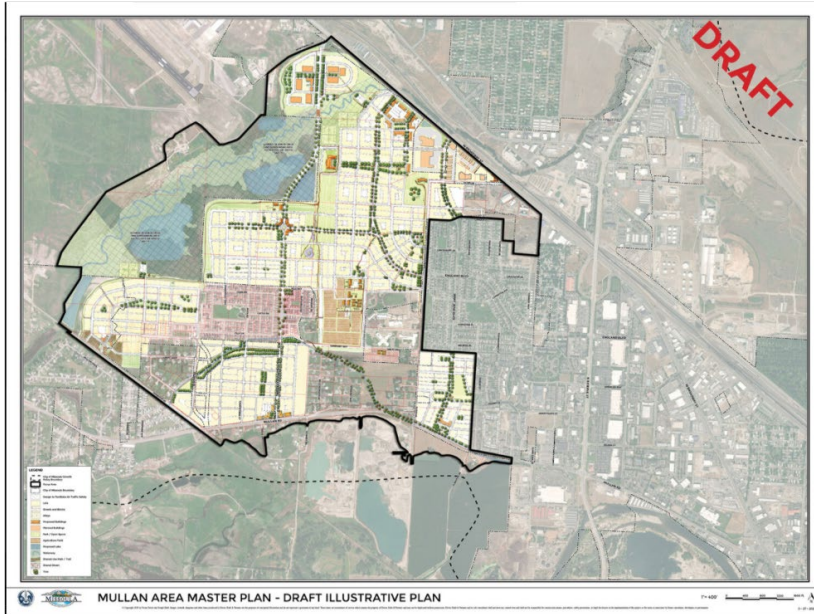
*A Collaborative Effort and Potential Community Model for Neighborhoods of the Future. (Aerial Rendering)*

Missoula Community Planning, Development & Innovation staff and Missoula County Development Services staff worked closely with Dover, Kohl & Partners to develop a single master plan that aligns both city and county growth, land use, and zoning policies to facilitate the community's vision for the area. The resulting Sx<sup>w</sup>tpqyen Master Plan proposes an exciting direction for growth in the area that recognizes its agricultural heritage, capitalizes on the natural characteristics of the land, and establishes an innovative style of development guidelines.

Adopted by the City of Missoula and Missoula County in the winter of 2020, the Sx<sup>w</sup>tpqyen Master Plan (formerly Mullan Area Plan) proposes a modernized vision for growth in the roughly 1,800-acre [Mullan Area](#). The Sx<sup>w</sup>tpqyen Master Plan builds on the success of prior local planning policies through the combined efforts of the City of Missoula and Missoula County.

The Missoula Organization of Realtors (MOR) is proud to have played a role in the development of the Sx<sup>w</sup>tpqyen Master Plan. CEO of MOR, Jim Bachand, was a member of the Build steering committee while MOR members provided lobbying connections and worked with community leaders to secure support from our members of Congress for the \$13 million BUILD Grant.

Combining the significant financial support from the BUILD Grant with a novel and collaborative planning approach provided substantial momentum to the project. The timing of the BUILD Grant award ensures that the Sx<sup>w</sup>tpqyen Master Plan synthesizes all components and coordinates all efforts in a way that maximizes the value of the resources dedicated to the project. Specifically, BUILD Grant funds will allow improvements to be installed ahead of development, which means that the costs of infrastructure are not fully passed on to developers or the eventual residents.



*The Mullan area lies between Mullan Road and West Broadway, west of Reserve Street and east of the Missoula International Airport.*

<https://www.missoulacounty.us/home/showpublisheddocument/72784/637443122249030000>

“The Sx<sup>w</sup>tpqyen Master Plan truly has been a community-wide effort. Combining the resources of the city and county, while incorporating so many private sector community leaders in this effort is particularly important to the future model for reasonable and sustainable growth in the valley,” says Jim Bachand, CEO of MOR.

While the COVID-19 pandemic complicated public engagement and outreach for so many initiatives, the planning process of the Sx<sup>w</sup>tpqyen Master Plan embraced the “new normal” and engaged stakeholders in virtual charrettes, presentations, surveys, and socially distanced open house events. Navigating the necessary safety precautions, the Sx<sup>w</sup>tpqyen Master Plan’s public engagement process provided valuable community perspective, establishing guiding principles for the plan, securing buy-in from stakeholders through meaningful dialogues, and creating innovative engagement methods which were accessible to all. These creative methods of community engagement employed by the planning team gained national attention as a model for future planning efforts, even when not in the midst of a global pandemic.

## ***An Innovative Approach***

Without the Sx<sup>w</sup>tpqyen Master Plan, planning staff estimates that the Sx<sup>w</sup>tpqyen area could expect to see 300 single-family homes built. With the implementation of the Plan’s new form-based code, staff estimates up to 6,000 new housing units are possible, accommodating 20,000 residents spread across varying degrees of density and neighborhood styles.

*“The master plan is an opportunity to align our land use planning to our values and recognize our constraints” - Sx<sup>w</sup>tpqyen Master Plan*

The Sx<sup>w</sup>tpqyen Master Plan builds on the “One Community” and “Missing Middle” approaches of prior planning elements to apply a form-based code to the 685 acres within the Sx<sup>w</sup>tpqyen area, split between four neighborhood designations. Each neighborhood designation suits a particular area and community need. As growth occurs within these neighborhood areas, development proposals must include certain proportions of eight “transect zones” ranging from Rural to Mixed-Use Center to Workplace. The goal of this novel requirement for varying densities, structures, and uses is to promote a range of housing and economic opportunity for residents while increasing the sense of community throughout the Sx<sup>w</sup>tpqyen area.

## ***What’s Next***

The BUILD project located in the Sx<sup>w</sup>tpqyen (Mullan) area plays a pivotal role in how our community chooses to grow. The project team, led by local engineering firm, DJ&A, is now to the stage where plans have been developed. With the completion of this 100 percent design, the Mullan BUILD team can focus on completing elements that have been prioritized to move to construction this summer.

Prioritized elements of the project, including portions of Mary Jane Boulevard South, Mary Jane Boulevard North, George Elmer South, and England Boulevard, will go into construction scheduled to begin this summer. This initial construction phase will take place throughout 2021 and 2022. However, the timeframe is subject to change based on weather and contractor availability.



# The Pandemic's Impact on Migration and the Missoula Real Estate Market

For a number of years, the Annual Housing Report produced by The Missoula Organization of REALTORS® (MOR) has leveraged the Internal Revenue Service's (IRS) data, specifically county-to-county inflows via income tax returns, to find answers about the impact of migration on Missoula. However, this IRS data, while highly accurate and useful, lags behind other potentially useful sources of migration data as the IRS only releases this data 18-24 months after tax returns have been filed.

In 2020, more than any other year, the availability of migration data was a matter of great interest for the Missoula community as many community members felt anecdotal impacts of increased migration to the area. To provide answers to our community, MOR decided to investigate other sources of quality migration data in addition to forthcoming IRS data.

One of the most prominent real estate speculations in 2020 was the belief that the COVID-19 pandemic would fuel a dramatic increase in home purchases within the Missoula urban area by out-of-state buyers.

To evaluate the accuracy of this narrative, MOR asked a specific question: Did the rate of out-of-state homebuyers meaningfully change from the last full pre-pandemic year, 2019, to the first year of the pandemic, 2020?

There is no single source of comprehensive data on homebuyer state of origin, so MOR used a sample set of data provided by several Missoula regional mortgage lenders. This approach does not lead to precise conclusions, but it does offer a meaningful indication of the direction and magnitude of Missoula migration trends.

One mortgage lender, which we'll refer to as "Lender A," originated 14.9 percent of all home purchases in the Missoula urban area in 2019 and 16.2 percent of all home purchases in the Missoula urban area in 2020. Table 1 shows the information provided by Lender A's sample set of data.

*Table 1 – Montana vs. Out-of-State Buyers Serviced by Lender A*

<b>Year</b>	<b>Total Purchases</b>	<b>Out-of-State Buyers</b>	<b>% Out-of-State</b>
2019	224	29	12.95%
2020	272	51	18.75%

Table 1 shows a small increase in out-of-state buyers from 2019 to 2020. However, given the incompleteness of the data, it is not a firm conclusion of an overall trend.

Anecdotally, local REALTORS® report that relocating employees in a few industries, mostly in the tech sector and the film industry, account for a significant portion of these new out-of-state purchases.

According to the mortgage lender data, California and Washington were the two states that sent the highest number of out-of-state purchasers in 2019 and 2020. Figure 1 (for 2019) and Figure 2 (for 2020) show the states from which non-Montana buyers originated. Line thickness indicates the proportion of out-of-state purchases from that year.

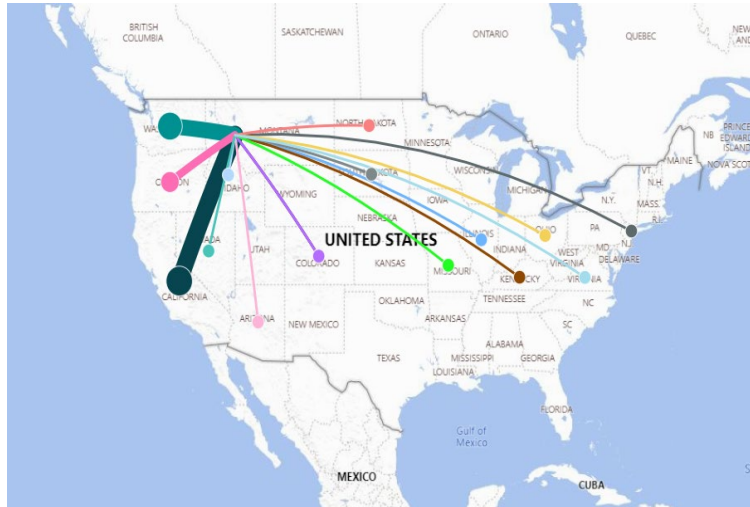


Figure 1 – Sending States for Out-of-State Purchasers Served by One Missoula-Area Lender (2019)

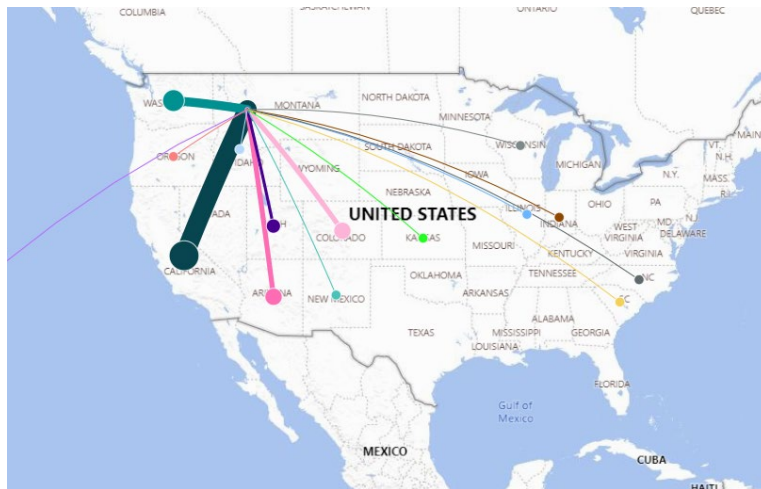


Figure 2 – Sending States for Out-of-State Purchasers Served by One Missoula-Area Lender (2020)

Regardless of the reasons, the Missoula area continues to be an attractive location for out-of-state buyers considering relocation. Figure 3 shows where [www.realtor.com](http://www.realtor.com) users searching homes in Missoula County were located in the first quarter of 2021.

58.2 percent of users searching for homes in Missoula County were outside of Montana, and the top four locations for searches were from the areas around Seattle, Salt Lake City, New York City, and Los Angeles.

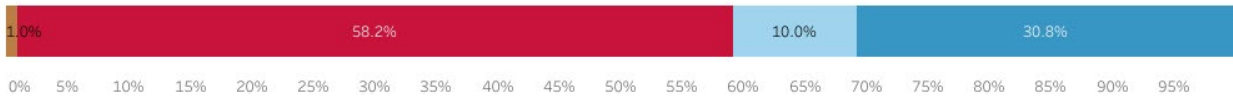
# 2021 Q1 Cross-Market Demand

## Where is a Metro's Housing Demand Coming From?



Select a Metro  
Missoula, MT

Missoula, MT



International Views Views from Other States Views within State Views within Metro



### Top Viewing Metros

Select Geographic Filter:  
All

1	Seattle-Tacoma-Bellevue, WA	6.9%
2	Salt Lake City, UT	6.1%
3	New York-Newark-Jersey City, NY-NJ-PA	5.5%
4	Los Angeles-Long Beach-Anaheim, CA	4.1%
5	Dallas-Fort Worth-Arlington, TX	3.7%
6	Denver-Aurora-Lakewood, CO	2.9%
7	Portland-Vancouver-Hillsboro, OR-WA	2.9%
8	San Francisco-Oakland-Hayward, CA	2.3%
9	Sacramento-Roseville-Arden-Arcade, CA	2.2%
10	Bozeman, MT	2.1%

0% 2% 4% 6% 8%  
% of Total view\_count

Source: 2021 Q1 Realtor.com search data

Note: The view share is calculated as a total of views after the geographic filter is applied and excludes international views and within metro views from the total.

Figure 3 – Summary of Search Origins from [www.realtor.com](http://www.realtor.com) (Q1 of 2021)



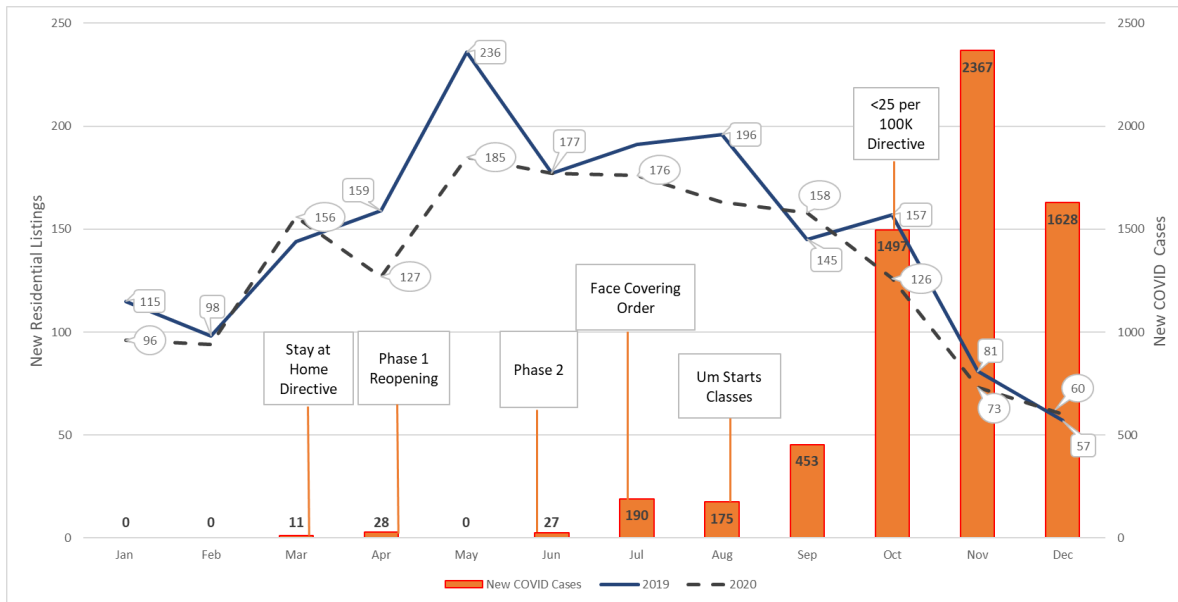
As the trend of out-of-state originated Missoula area migration continues, MOR intends to keep gathering data. Point-to-point change-of-address data from the United States Postal Service (USPS) would have allowed MOR to make a determination about whether there was a relationship between the severity of COVID-19 in a county and the likelihood that they sent migrants to Missoula County. Unfortunately, the USPS denied the request for that data.

MOR is committed to the continued refinement of the data around migration to Missoula and exploring other data sources to ensure all stakeholders gain a complete understanding of the possible impacts these shifts might have in the coming years around the pricing and demand of housing as well as the culture of our community.

# Conclusion & Outlook

2020 what a ride! In early 2020, as the pandemic started, we thought it might be interesting to track the relationship between COVID-19 cases and the number of homes listed for sale (see chart below).

Then, about eight months into this global pandemic, the results were economic disruption, a month-long stay-at-home order across the state of Montana, and a spike to 13.8 percent unemployment. Conventional wisdom tells us that these events would lead to a shaky real estate market. Yet in 2020, Missoula saw the most homes sold in more than two decades.



In keeping with the theme of change and migrations in 2020, MOR has transitioned our Annual Housing Report to web-based interactive data visualizations. All of the data our community has come to expect is still here, only now it's interactive and includes a few new metrics. It is our plan to continue to refresh information periodically throughout the year as trends emerge.

The pandemic placed pressure on supply chains across all sectors, and the building industry was no exception. The tightening supply of homes for purchase and homes for rent resulted in rising costs across the board. While median household incomes increased for both renters and homeowners, those incomes did not keep pace with increasing housing costs.

Here are some key highlights and data points from 2020, as well as a few current numbers from Q1 2021:

#### Sales:

- Median home prices increased 11.1 percent to \$350,000 in the Missoula Urban Area.
- 2020 saw the highest number of homes sold in over 20 years (1,674), an 11.3 percent increase from 2019.
- Rolling forward into 2021, by the end of Q1, the median home price was up by 20% to \$420,000.

#### Supply:

- Homes listed for sale decreased 9.1% in 2020.
- The absorption rate finished 2020 at a new all-time low of 0.68, which roughly equates to a three-week supply of homes for sale.
- The percentage of original list price paid at final sale was 100 percent in 2020, indicating some sales were closing over the original asking price and some below.
- As of the end of Q1 2021, the absorption rate is 0.72.

#### Rental:

- Rental vacancy rates hovered between 1 percent and 3.1 percent in 2020.
- Average rents increased by 6.7 percent in 2020.

#### Social:

- In 2019 (census data lag), total household median income increased 1.3 percent, household income for renters increased 1.7 percent, and household income for homeowners decreased 4.3 percent.
- The percentage of cost-burdened homeowners (those paying 30% or more of their income on housing) increased 1 percent in 2019 (census data lag) to reach a total of 24 percent.
- The 2020 Housing Affordability Index (HAI, at 5% down payment) is 90, indicating that local residents with a median family income (\$84,279) are unable to afford a median price home.

*Please note the HAI has a value of 100 when the family median-income has sufficient income to purchase a median-priced home and assumes borrowers make a 20% down payment and that the maximum mortgage payment is 25% of gross monthly income for the household. Down payments and maximum payments percentages vary greatly for any given borrower.*

There has been much speculation around what drives increased housing prices. MOR has historically always published the housing report as ‘just the facts.’ We share the numbers, add context that we’re aware of, and don’t use it specifically to steer decisions. In light of the last 12 months of global changes and the urgent need to address supply, MOR as an organization of REALTORS® is uniquely aware of the importance of leaning in and co-leading community action.

One of the additions to our reporting this year is the ability to look at the [cycle time from Preliminary Plat approval to Final Plat Approval](#). While there are several steps before and after this milestone, it is our hope that we have created a starting point in which all stakeholders — the City of Missoula, Missoula County, builders, developers, lenders, and, of course, home and commercial buyers and sellers — can work together to identify, debate, and implement solutions to remove barriers and increase efficiency in the homebuying process.

Our goal: To help track progress towards achieving a healthy supply of attainable housing at all price points.

Step one: Report the data. That starts now.

Step two: Work with all of our public and private partners to perform the ongoing work of identifying, debating, and implementing solutions. Here are a few key efforts underway specific to streamlining the process of completing housing and getting it to market.

- Missoula County and the City of Missoula are partnering to create a single record of all ongoing development work (current data is as of 2018), dating back to the 1970s.
- The Interactive Subdivision Approval Monitor (iSam) by Missoula County will become a resource for all subdivision efforts and will have the ability to report at the lot level.
- Enhanced data reporting capabilities, along with sales data will present the opportunity to project future supply.
- Continued dialog between all stakeholders will ensure transparency around the issues and barriers faced during the development process.

There are several other efforts underway to address our communities supply constraints:

- MOR collaboration with Missoula Economic Partnership on Community Economic Development Strategy (CEDS).
- The Attainable Housing Committee seeking creative ideas and championing those ideas throughout the community.
- Over 20 REALTORS® actively participating on both City of Missoula and Missoula County boards as well as neighborhood councils.

We remain optimistic that together will find creative ways to meet the needs of a growing five valleys community.

The Sx<sup>w</sup>tpqyen (pronounced S-wh-tip-KAYN) Master Plan is an example of community creativity applied to neighborhood development. Through the Sx<sup>w</sup>tpqyen planning process, the stakeholders worked together to develop a framework for a diverse “One Community” model. Combined with BUILD Grant funds, which will allow for the installation of infrastructure ahead of development, the community was able to coordinate the City of Missoula and Missoula County zoning to facilitate a unique, nationally recognized vision for the area.

## Acknowledgements

Many of the pieces are in place to improve our housing market. It is our hope that our new Five Valleys Housing Report is a useful tool to track our community's progress.

We recognize this year's Housing Report took more time to produce than previous Annual Housing Reports and we would like to thank the Missoula community for its patience. The result is an interactive, up-to-date, robust source of housing data the community can leverage and explore throughout the coming year.

MOR would like to acknowledge the efforts of and send our sincere gratitude to Andrew Connor and his advisors from The University of Montana Master of Science in Business Analytics Program. Their assistance and insights in modernizing this year's report were indispensable.