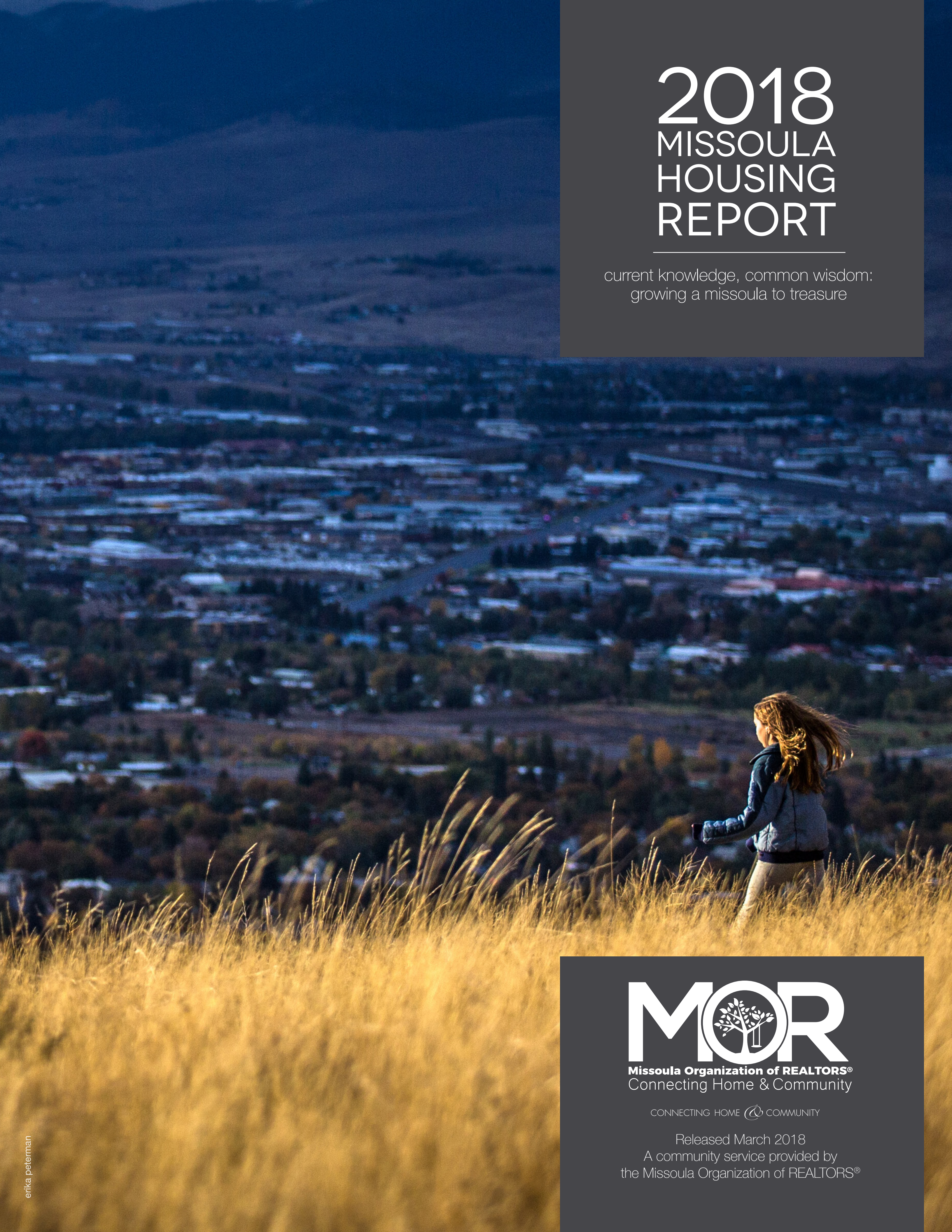
2018 MISSOULA HOUSING REPORT

current knowledge, common wisdom:
growing a missoula to treasure


erika peterman

Missoula Organization of REALTORS®
Connecting Home & Community

CONNECTING HOME & COMMUNITY

Released March 2018
A community service provided by
the Missoula Organization of REALTORS®

NOTES FOR READING THE REPORT

1 As in past reports, all data sources are publicly available and statistically valid. Our interpretation of the data may lead to judgments that we believe are sound but with which you may disagree. If so, we invite your comments (comments@missoularealestate.com) so that we can continue to improve this annual report.

2 Unless otherwise noted, data presented in the text and figures are for the Missoula Urban Area, which includes the City of Missoula, its neighborhoods, and its surrounding urbanized area, defined as: Rattlesnake, Downtown, University, Fairviews, South Hills, Pattee Canyon, Lewis and Clark, Miller Creek, Blue Mountain, Big Flat, Orchard Homes, Mullan Road, Grant Creek, Lolo, Bonner, East Missoula, and Clinton. Data representing all of Missoula County or only the city are noted as such.

3 All data is the most recent available at the time we compiled the report. For calendar-year data, that is 2017 in most cases, but 2016 or even 2015 when more recent figures are not yet available.

4 “Median” is a term used often in this report. A median is the amount at which exactly half of the values or numbers being reported are lower and half are higher. A median can be more or less than an “average,” which is the amount derived by adding all values being reported and dividing by the number of individual values. So a median home price, for example, is the price of the one home, among all prices being considered, where half of the other homes are less in price and half are more in price. In many instances, including reports of home prices, a median can be a more accurate representation than an average because the sale prices of a very few extraordinarily expensive houses will significantly raise the average but have little effect on the median.

5 Data from the American Community Survey has a margin of error. This margin of error reflects uncertainty involved in the process of creating estimates from a representative sample of the population. In other words, although estimates from the survey data may appear different, the difference sometimes falls within the margin of error and therefore cannot be considered to be statistically significant. The charts with American Community Survey data portray the data in ranges with a lower and upper bound. The mean is the midpoint of the range. Statistical differences are visually apparent when the ranges do not overlap.

6 Research for this report was conducted principally by the Missoula Organization of REALTORS® (MOR). The University of Montana Bureau of Business and Economic Research also contributed to the report and served as a source of this report's data and information. Other sources were the U.S. Census Bureau, U.S. Department of Housing and Urban Development (HUD), U.S. Office of Federal Housing Finance Agency (OFHFA), Montana Department of Labor and Industry, Western Montana Chapter of the National Association of Residential Property Managers (NARPM), Missoula Housing Authority (MHA), Homeword, and Montana Regional MLS® (see next note).

7 MLS® refers to the Multiple Listing Service®. In 2016, the Missoula Organization of REALTORS (MOR) switched from the MOR MLS to the Montana Regional MLS. It is a member-based service – administered, operated, and paid for by the REALTOR® members of a local real estate board – that indicates the cooperation among REALTORS® to share information about homes and real estate for sale or rent. Due to the switch, wherever we use Montana Regional MLS data in this year's report, the numbers may differ slightly from reports from 2016 and earlier.

TABLE OF CONTENTS

m sheldon | cc flickr

MESSAGE FROM COORDINATING COMMITTEE

We are pleased to present the "**2018 MISSOULA HOUSING REPORT**." Our intention is to provide a comprehensive, credible, and neutral picture of Missoula housing that can be used as a tool by community members, businesses, nonprofits, and policy makers as they seek to serve Missoula's needs.

We think these pages reveal a number of opportunities and challenges for our community. When read comprehensively, we hope the data come together to provide a more complete picture of our community, from affordability challenges to demographics, improvements over the years, and the issues that will require our attention in the years to come.

The is the thirteenth annual report on housing in the city and county of Missoula, 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.

If, after reading this report, you are interested in getting involved in meeting the housing needs of our community, please contact any of the public or private agencies engaged in local housing mentioned in this report. Additional housing resources are listed on the Missoula Organization of REALTORS® website at www.MissoulaRealEstate.com.

Coordinating Committee

Brint Wahlberg	Windermere Real Estate
Jim McGrath	Missoula Housing Authority
Paul Burow	Professional Property Management
Karissa Drye	Homeword
Paul Forsting	Territorial Landworks, Inc.
Vicki Corwin	Stewart Title
Lynn Stenerson	Stockman Bank
Brandon Bridge	University of Montana Bureau of Business & Economic Research
Ruth Hackney	Missoula Organization of REALTORS®
Sam Sill	Missoula Organization of REALTORS®

m sheldon | cc flickr

EXECUTIVE SUMMARY

Housing Development & Occupancy

Missoula's growing population, along with a tight rental market and tight real estate supply, spurred an increase in construction in 2017. Residential lot sales rang in with 169 lots being sold in 2017, marking the third year in a row of high lot sales. The median price of those lots increased 8.1 percent in 2017, to $92,500.

Building permits within the City of Missoula remained high for the second year in a row, with a total of 758 units permitted. At the county level, single-family building permits increased by 25 percent in 2017 and multi-family units increased by 162 percent over the previous year. However, county-wide growth in the housing stock did not keep up with household growth between 2010 and 2016. Also, new single-family housing is not being produced at as great of a rate in recent years as it has in past years. Production of new multi-family units, on the other hand, is occurring at a significantly greater rate in recent years than in past years.

The number of Townhome Exemption Development units permitted also increased in the city. In addition, after three years of relative inactivity, Missoula saw a substantial increase in the number of preliminary plat approvals for subdivisions.

In the City of Missoula, about 46 percent of housing units are occupied by their owners; in Missoula County, owners occupy about 57 percent of the units.

Population and Income

Missoula County reached a population of 116,130 in 2016, a 1.7 percent increase from the previous year. Net migration has driven this recent growth, increasing 86 percent from 2015 to 2016, indicating that a much higher proportion of people are moving to Missoula than are moving away. This has placed increasing pressure on the housing supply.

While Missoula boasts a relatively low unemployment rate, the median income in Missoula County in 2016 was $46,550, which is below the Montana and U.S. median income. However, Missoula homeowners had a median income of $64,612 while Missoula renters came in at less than half of that, with a median income of $31,146. Such numbers highlight the difficulty that many residents have in affording both rental and real estate prices.

The percentage of Missoulians living in poverty continues to hover around 16 percent. The number of homeless individuals identified by a single point-in-time survey in January 2017 was 344, which was down slightly from 2016; however, the Missoula County Public Schools estimate that 438 children were homeless or in unstable housing during the 2016-2017 school year.

prizak | cc flickr

Rental Housing

Missoula continued to encounter low vacancy rates for rentals in 2017, with an average vacancy rate of just 3.0 percent. Certain types of rentals experienced rent increases of up to 5 and 6 percent for three- and four-bedroom units, while other rents increased by less than 2 percent.

The Missoula Housing Authority was able to support all 774 of its Section 8 vouchers, which subsidize rent, but the demand for this rental assistance greatly exceeds the supply. They still had 1,637 households on a waitlist for Section 8 vouchers in 2017.

Housing Sales & Prices

In 2017 Missoula experienced its most active year of home sales in a decade, with 1,543 homes sold. Of those, 39 percent were priced between \$200,000 and \$275,000—a price range that was considered in under supply according to the market absorption rates.

With a tight supply and competition among buyers, the median price of a home in Missoula increased 5.2 percent to \$268,250 in 2017. Sales of homes under \$200,000 declined by 26 percent, indicating a shrinking availability of more affordable homes. Meanwhile, sales of condominiums and townhouses, which often provide a more affordable option for buyers, increased by 29 percent in 2017.

New construction sales also hit a high in 2017, with 191 units sold, a 59 percent increase from 2017.

Housing Finance

Mortgage rates remained affordable in 2017, with a year-end interest rate of 4.0 percent. However, student loan debt has been a hurdle for many borrowers. While conventional loan programs have changed the way they calculate this debt, the FHA and USDA Rural Development loans have not. Approximately 69 percent of 2017 buyers used a conventional loan.

When it comes to down payments, Missoula homebuyers have access to a number of down payment assistance programs, as well as homebuyer and financial education. The good news is that home mortgage foreclosures dropped to a 10-year low, with just 24 properties reaching foreclosure in 2017.

Housing Affordability

Housing affordability remains an issue for both renters and prospective homebuyers. The Missoula Housing Affordability Index increased slightly in 2017, after several years of decline. But it still remains that a household would need a median income of \$84,038 to afford a median-priced home with a 5-percent down payment in 2017. With a 20 percent down payment, one would need a household income of \$65,949.

In both 2015 and 2016 (which have the most recent available data), approximately 47 percent of Missoula renters spent more than 30 percent of their income on housing, which put them in the “cost burdened” category of being likely to have a hard time meeting other financial obligations. Comparatively, Missoula homeowners appear to be less cost burdened, with 25 percent of homeowners spending more than 30 percent of their income on housing costs in 2016.

Lot Development

The trend of more buyers opting to build homes continues. Missoula area lot sales decreased a mere 3.6 percent in 2017 and still significantly outpaced those of 2010 through 2014 (**TABLE 1, FIGURE 1**). After three exceptionally stable years, the median price of those lots rose 8.1 percent, to $92,500, a historical high (**FIGURE 2**). .

TABLE 1: Six fewer residential lots were sold in 2017 than the previous year, but the median price of those lots rose 8.1 percent.

FIGURE 1: Residential lot sales remained high in 2017.

FIGURE 2: The median price of a residential lot in Missoula increased to $92,500 in 2017.

Residential Lot Sales

Year	Lot Sales	% Change	Median Price	% Change
2010	33	-8.3%	$86,000	21.0%
2011	33	0.0%	$92,000	6.5%
2012	47	29.8%	$55,000	-67.3%
2013	83	43.4%	$75,000	26.7%
2014	89	6.7%	$85,000	11.8%
2015	133	33.1%	$85,500	0.6%
2016	175	24.0%	$85,000	-0.6%
2017	169	-3.6%	$92,500	8.1%

TABLE 1

Source: Montana Regional MLS

Number of Residential Lots Sold

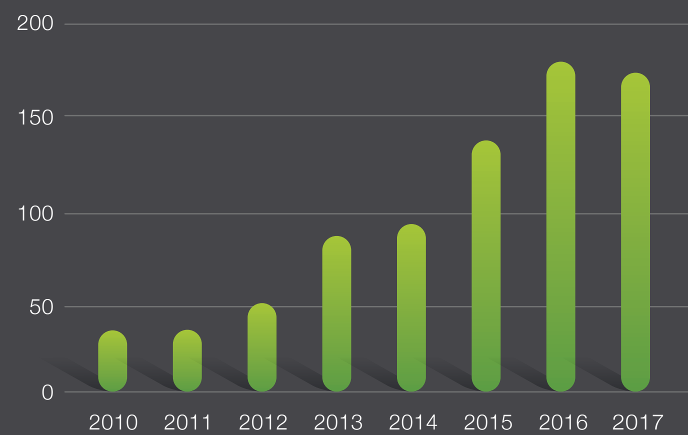


FIGURE 1

Source: Montana Regional MLS

Median Price of Residential Lots Sold

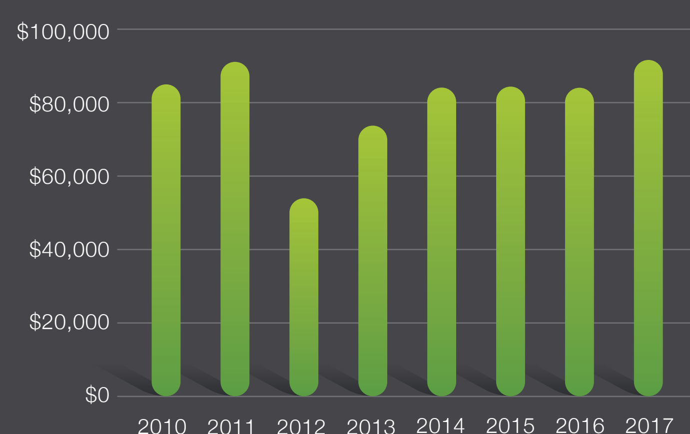


FIGURE 2

Source: Montana Regional MLS

City of Missoula Building Permits

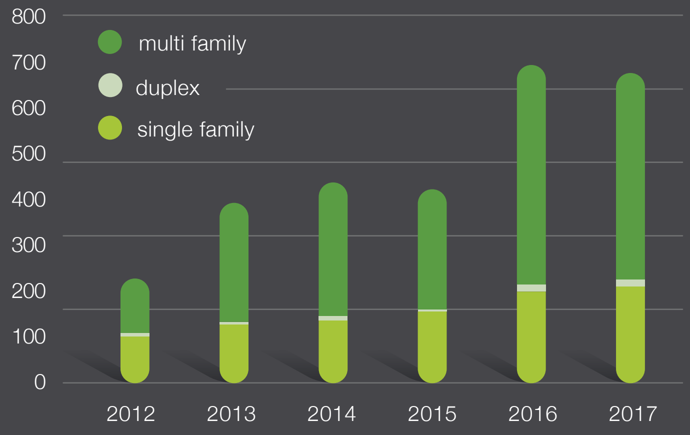


FIGURE 3

Source: City of Missoula Development Services

Missoula County Building Permits

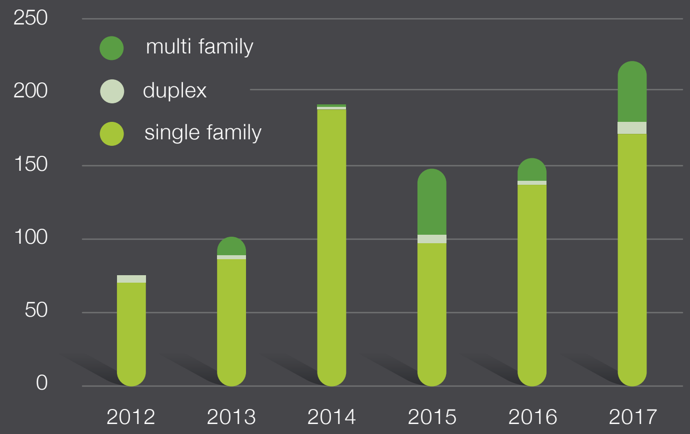


FIGURE 4

Source: Missoula County Public Works - Building Division

Townhome Exemption Development Units Permitted

	2014	2015	2016	2017
City of Missoula	33	165	60	99

TABLE 2

Source: City of Missoula Development Services

Pace of Development

Both Missoula County and the City of Missoula experienced increased numbers of building permits. The city issued building permits for 236 single-family units in 2017, along with building permits for 505 multi-family units, which includes both apartments and condominiums (**FIGURE 3**). Building permits at the county level increased 25 percent for single-family units and 162 percent for multi-family units (**FIGURE 4**).

In the last several years, we had seen infill within the city shift away from subdivision development and towards townhouses and multi-family units. But 2017 brought change. Multi-family permits still remained high, and those for townhome units increased in 2017 by 65 percent (**TABLE 2**). Simultaneously, subdivisions took an upward swing, from just eight residential lots

FIGURE 3: Total building permits in 2017 in the City of Missoula remained close to 2016's record levels.

FIGURE 4: Missoula County experienced a sharp increase in all building permit categories in 2017.

TABLE 2: The number of townhome units developed under exemption increased 65 percent in 2017.

preliminarily approved in 2016 to 95 in 2017 (TABLE 3). Preliminary plat approval is the first step in creating new lots through the subdivision process, and numbers for this stage had been stalled since 2014. Once a subdivision achieves final plat approval, the lots may be utilized for new homes. The numbers of final plat approvals have seen less fluctuation in the last few years, and 2017 remained similar to the previous year (TABLE 4).

Due to increasing housing costs, low rental vacancy rates, and low inventories of for-sale housing, a question often asked is if enough housing is being built in Missoula County relative to demand. US Census data estimates that between 2010 and 2016, Missoula County added 2,848 households through population growth. The US Census Annual Housing Estimate indicates only an additional 2,215 units of housing over this same time, a shortfall of 633 units.

It is worth noting that household growth alone does not take into account potential demand from people who work in Missoula County but reside in a different county. According to the US Census, in 2015 there were 58,440 workers in Missoula County. Of these workers, 15,034, or nearly 26%, were living outside of Missoula County. Empirical data as to why more than one-fourth of the workforce chooses to reside in a

TABLE 3: After three years of little activity, 2017 produced higher numbers of preliminary plat approvals for subdivisions. .

TABLE 4: Final plat approvals of subdivision lots remained steady in 2017.

TABLE 5: Multi-family units represented a significantly greater share of all residential units permitted during 2015-2017 than 2005-2007.

Subdivision Preliminary Plat Approvals

	2014	2015	2016	2017
County Subdivisions	1	1	1	5
County Residential Lots Approved	3	1	6	61
City Subdivisions	0	0	1	3
City Residential Lots Approved	0	0	2	34
Total Residential Lots	3	1	8	95

TABLE 3

Source: Missoula County and City of Missoula

Subdivision Final Plat Approvals

	2014	2015	2016	2017
County Final Plat Residential Lots	31	1	38	35
City Final Plat Residential Lots	99	200	75	75
Total Final Plat Residential Lots	130	201	113	110

TABLE 4

Source: Missoula County and City of Missoula

Building Permits, City and County

	2005-2007	2015-2017
Single Family	1,407	1,034
Duplex	82	55
Multi-Family	334	1,434
TOTAL	1,823	2,523

TABLE 5

Source: US Census Bureau Building Permit Survey, City of Missoula, Missoula County

Average Building Permits Per Year, City and County

	2000-20097	2010-2017
Single Family	374	261
Duplex	42	15
Multi-Family	208	629
TOTAL	624	906

TABLE 6

Source: US Census Bureau Building Permit Survey, City of Missoula, Missoula County

Age of Residential Structures | 2016 Missoula County

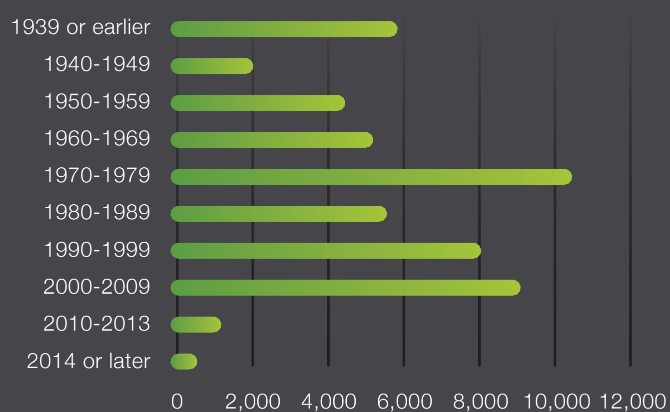


FIGURE 5

Source: U.S. Census Bureau, American Community Survey

Occupied Housing Units by Tenure | 2016

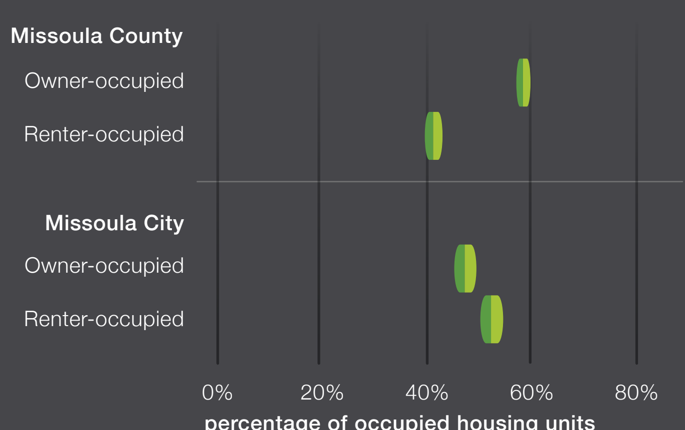


FIGURE 6

Source: U.S. Census Bureau, American Community Survey, 2016 5 year data.

different county is unavailable. However, it seems likely that Missoula's high cost of housing plays a role, and that some proportion of these workers might prefer living in Missoula County if it were financially feasible.

A comparison of past and recent building permitting information sheds some interesting light on this subject. The data indicates that more units of housing across all types are being permitted in recent years compared to past years. However, new single-family housing is not being produced at as great of a rate in recent years as it has in past years. Production of new multi-family units, on the other hand, is occurring at a significantly greater rate in recent years than in past years (TABLES 5 AND 6).

As residential construction increases in Missoula, it's worth taking into account the age of Missoula's homes. More than half of Missoula County's housing stock was built prior to 1980, and approximately 2 percent was built after 2010 (FIGURE 5).

TABLE 6: On average, fewer single-family units were permitted per year of the current decade than the previous decade.

FIGURE 5: The majority of structures in Missoula County were built in 1979 or earlier.

Occupancy rates in Missoula

About 51 percent of housing units in the city were occupied by renters and about 46 percent by owners in 2016, which is similar to prior years and typical for a university community. County wide though, around 57 percent of units are owner occupied (FIGURE 6).

FIGURE 6: In Missoula County, the majority of housing units are owner-occupied, while in the city, approximately 51 percent are renter-occupied.

HOUSING DEMAND: POPULATION & INCOME

Age Distribution

Residents ages 20 to 24 remain the largest age demographic in Missoula County (**FIGURE 7**), according to the most recent American Community Survey data. With few statistically significant changes from the previous year, the age distribution remains similar to 2015.

Keep in mind that data from the American Community Survey is from 2016 and is a year behind some of our other figures on home sales and rentals.

FIGURE 7: University-age students dominate the population pyramid in Missoula County.

Population Pyramid | Missoula County 2016

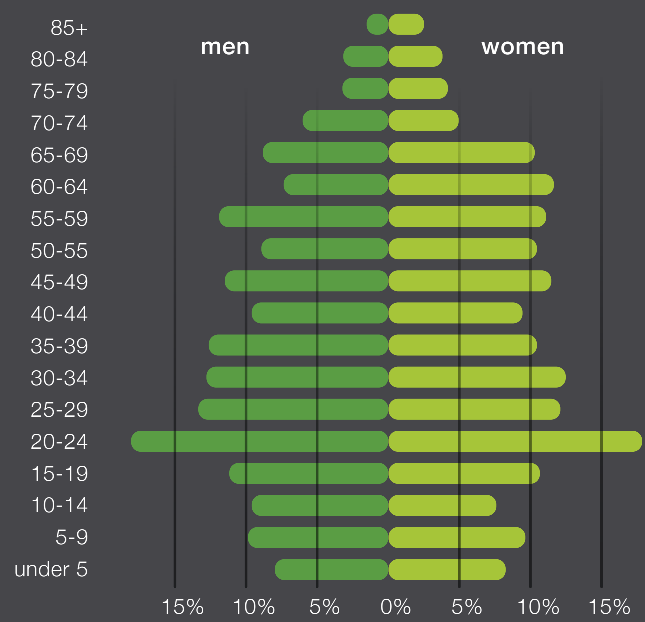


FIGURE 7

Source: U.S. Census Bureau, American Community Survey

Population Dynamics

The total population of Missoula County increased 1.7 percent from 2015 to 2016 and reached a total population of 116,130 (**FIGURE 8**). Taking a longer look, from 2007 to 2016, the total population increased by 10,020 people, or 9.4 percent, a number that makes a significant impact on the Missoula housing situation. The majority of that growth has occurred within the City of Missoula, which added 7,776 people during that period. Unincorporated Missoula County increased by 2,244 people (or 5.4 percent) in the last decade.

FIGURE 8: Missoula County's population continues to increase by less than 2 percent each year. In 2016, the population grew by 1,949.

Population | Missoula County

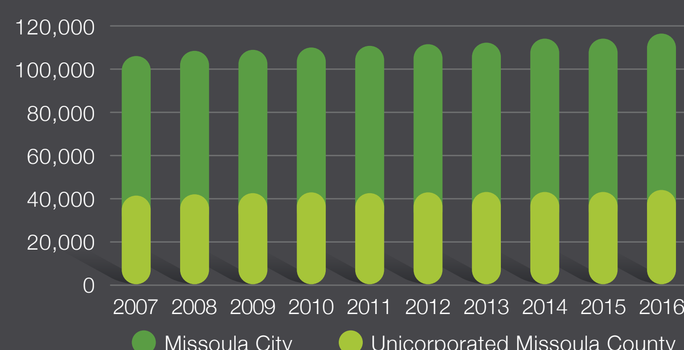


FIGURE 8

Source: U.S. Census Bureau,UM Bureau of Business and Economic Research

Components Of Population Change | Missoula County

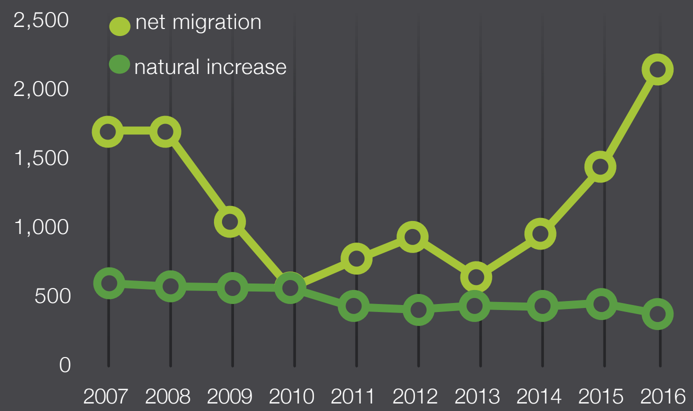


FIGURE 9

Source: U.S. Census Bureau,UM Bureau of Business and Economic Research

In-Migration to Missoula County | 2016

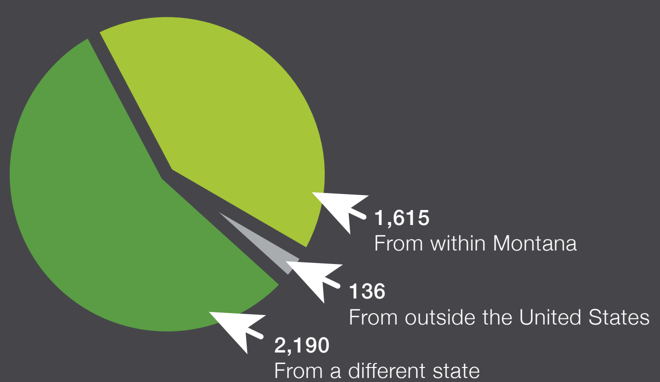


FIGURE 10

Source: Internal Revenue Service

In-Migration to Missoula County by Region of United States | 2016

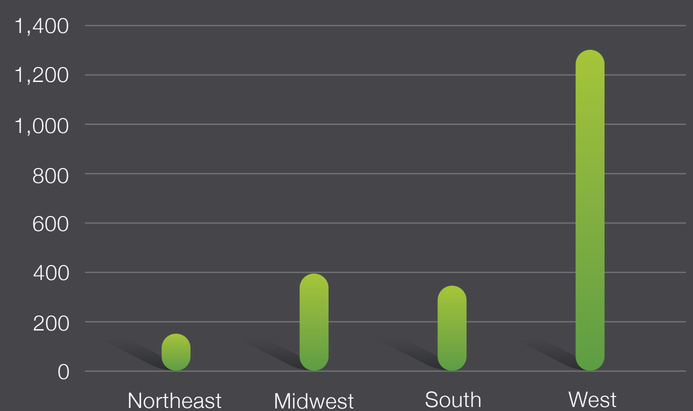


FIGURE 11

Source: Internal Revenue Service

Migration

Three factors influence population change: birth, death, and net migration. Net migration factors in the number of individuals moving to the area, as well as those leaving. Typically, more people move to Missoula than move away, giving it a positive net migration. Net migration in Missoula County increased for the third year in a row in 2016, and more notably, the net number of people migrating in Missoula County grew significantly (**FIGURE 9**). In 2015, the net migration was 943 people; and that increased by 86 percent, to 1,758, in 2016. The natural increase (of births versus deaths) added 378 individuals in 2016.

Where do people migrating into Missoula come from? The best data available comes from an analysis of tax returns. While tax returns are not a perfect surrogate for number of households or persons, they nevertheless shed light on the relative proportions of where people come from when they move to Missoula County. These data indicate that in 2016, the majority of people moving into Missoula County came from outside of Montana while 41 percent came from within Montana (**FIGURE 10**). More migrants to Missoula County from out of state came from the western U.S. than from all other regions combined (**FIGURE 11**).

FIGURE 9: The net migration in Missoula County increased by 86 percent from 2015 to 2016.

FIGURE 10: The majority of people moving to Missoula County came from outside of Montana in 2016.

FIGURE 11: More migrants to Missoula County from out of state came from the western U.S. than from all other regions combined.

Income Trends

The estimated median income for all households in Missoula County in 2016 was $46,550 (FIGURE 12). As has been the case for several years, Missoula's median income falls below that of U.S. households ($57,617). Missoula's median income sat slightly below that of all Montana households, which was $50,027 in 2016.

However, when looking at the housing market, assessing median income of homeowners versus renters gives us more useful information. While Missoula homeowners had a median income of $64,612 in 2016, Missoula renters came in at less than half of that, with a median income of $31,146.

Note that there can be a large margin of error in this aggregated data, represented by the blocks of color in FIGURE 12. For a detailed picture of how median income is related to household size and housing affordability, see the Housing Affordability Index (FIGURE 38).

FIGURE 12: The median income of Missoula County homeowners is more than double that of Missoula County renters.

Median Income | 2016

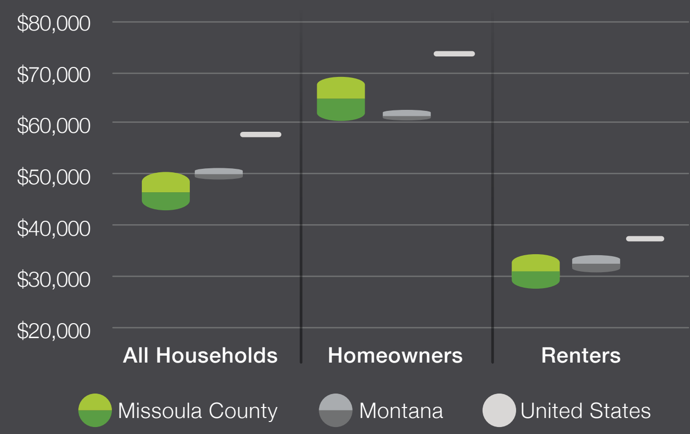


FIGURE 12

Source: U.S. Census Bureau, American Community Survey

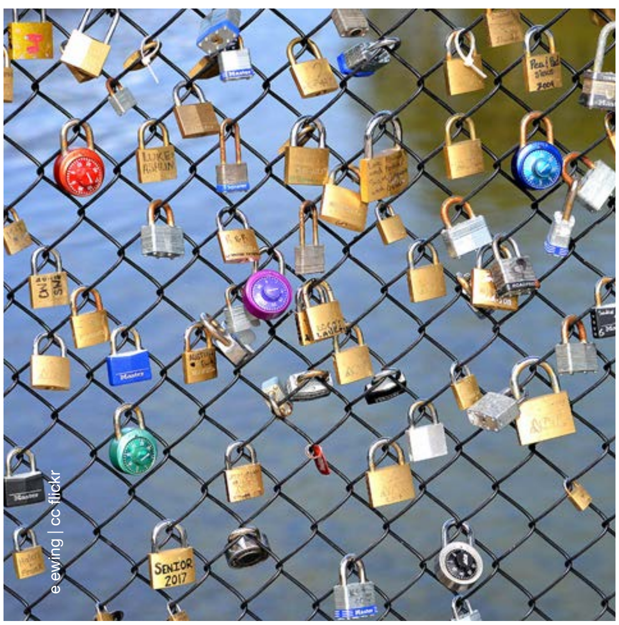
m sheldon | cc flickr

Rental Occupancy

Missoula has encountered several years of low vacancy rates, and 2017 was no exception, with the annual vacancy rate at 3.0 percent (**FIGURE 14**). As is typical in a university town, vacancy rates fluctuate by season, going from a low of 1.2 percent in the first quarter of 2017 to a high of 4.8 percent in the third quarter, when summer turnover often occurs (**FIGURE 13**).

FIGURE 13: Rental vacancy rates in Missoula were at their highest during the third quarter of 2017.

FIGURE 14: The overall annual rental vacancy rate was 3.0 percent for 2017.



Rental Vacancy Rates by Quarter

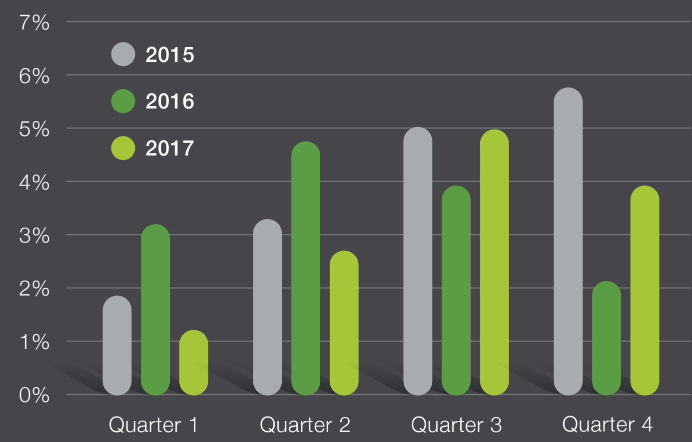


FIGURE 13

Source: Western Montana Chapter of NARPM

Annual Rental Vacancy Rates

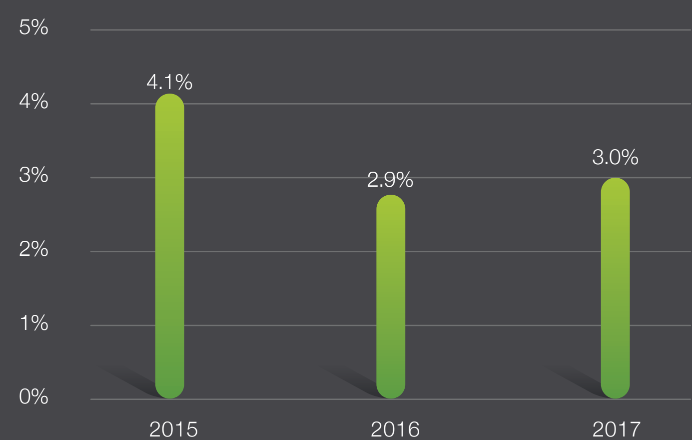


FIGURE 14

Source: Western Montana Chapter of NARPM

Multiplex Vacancy Rate by Type

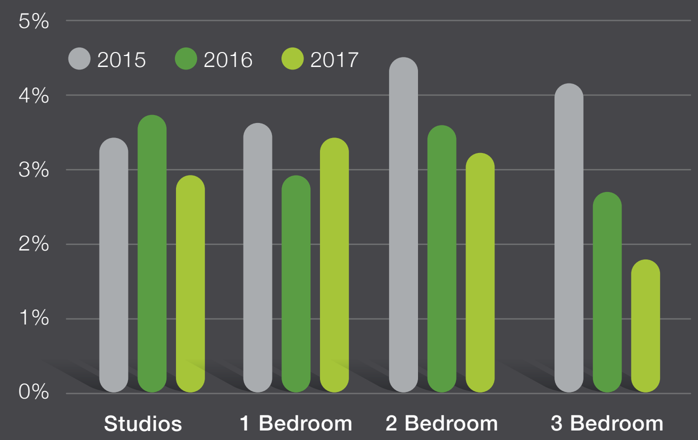


FIGURE 15

Source: Western Montana Chapter of NARPM

Rental Vacancy Rates by Month Two-Bedroom Multiplexes

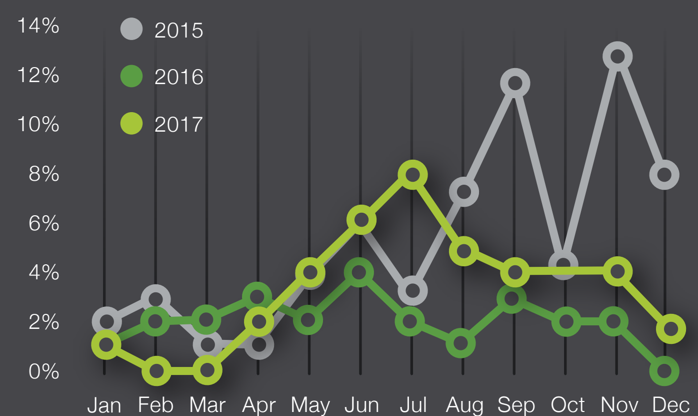


FIGURE 16

Source: Western Montana Chapter of NARPM

FIGURE 15: Among multiplex rentals, one-bedroom units were the only type to have an increase in vacancy rates in 2017. All others declined compared to previous years.

FIGURE 16: The vacancy rates of two-bedroom multiplexes reached 0 percent in February and March of 2017. Availability increased through July, up to 8 percent, before ending the year at 2 percent vacancy.

betherann | cc flickr

Rental Prices

After 2016's unexpected decrease in rental prices (despite a tight rental supply), rental prices in Missoula increased in 2017 in nearly every category (**FIGURE 17**). However, less than half of those categories had average rents that exceeded their 2015 level. Three- and four-bedroom units saw the largest increases, of 5 to 6 percent, while one- and two-bedroom units increased by less than 2 percent.

The average rent for a one-bedroom apartment in a multiplex in 2017 was $632 while the average rent for a 3-bedroom house was $1,130.

The most recent data available for comparing the average Missoula rent to the average Montana rent comes from 2016. In recent years, the difference between the two has lessened. In 2016, Missoula's average rent of $778 was $46 more than the Montana average of $732 (**FIGURE 18**).

It should be noted that reporting practices do not account for incentives, such as move-in bonuses or other marketing methods that may be used to attract renters.

FIGURE 17: The average cost of rent in Missoula increased in nearly every category in 2017, but in many cases it did not exceed 2015 levels.

FIGURE 18: In the last three years of available data, the average Montana rent has increased at a higher rate than Missoula rents.

Average Cost of Rent

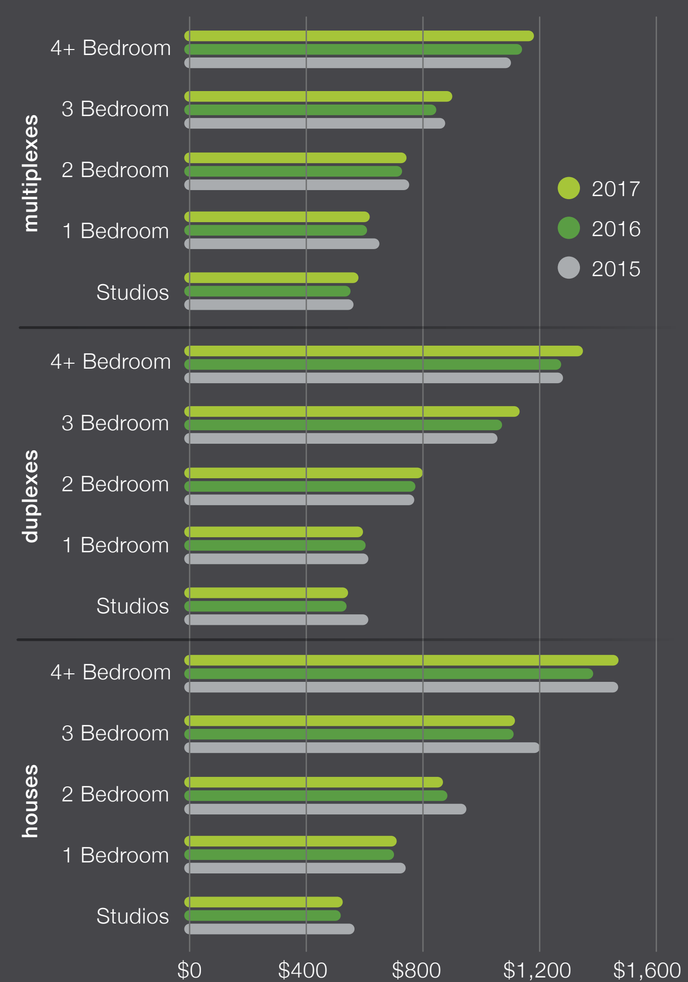


FIGURE 17

Source: Western Montana Chapter of NARPM

Change in Rent

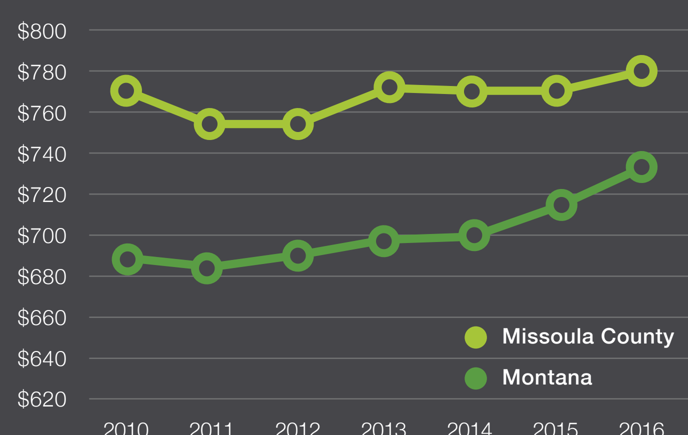


FIGURE 18

Source: U.S. Census Bureau, American Community Survey

Rental Assistance Programs

Housing choice vouchers make private-market housing affordable for low-income families and individuals by paying a portion of the family's rent. The Missoula Housing Authority (MHA) has 774 available Section 8 vouchers that subsidize rent to private landlords for eligible participants, helping to make private-market housing affordable for low-income families and individuals. The Montana Department of Commerce provides another 262 vouchers. Federal funding remained sufficient in 2017 to support all available Section 8 vouchers. However, 2018 may be different; the budget is not finalized but as is currently proposed, it is too low to support all the vouchers.

Nevertheless, the demand for this type of rental assistance remains high. In September 2017, 1,637 households were on the Section 8 waiting list, nearly the same as 2016 (**TABLE 7**).

MHA also provides permanent supportive housing vouchers for disabled homeless families. While the program was initially able to serve as many as 135 households, a series of funding issues in 2016 left the program with an ongoing 19-percent reduction in funding. MHA is actively involved in the new community effort, called the Missoula Coordinated Entry System, to address the hardest-to-serve homeless (see "Homelessness"). This made slow progress in 2017 but should ultimately make Missoula's limited resources more effective.

In 2017, Homeword built 27 new units of affordable housing, and MHA built an additional 6 units. In total, in the last ten years, 301 units of new affordable housing have been built in Missoula County (**TABLE 8**). At an average of roughly 30 units per year, it seriously falls short of needed production.

The big news in 2017 was the preservation of 257 units of affordable housing through Homeword's purchase of Creekside Apartments and MHA's purchase of Wildflower Apartments. Both projects otherwise would have been purchased by private market owners who would have raised the rents to market levels. The loss of that many units of below-market, rent-restricted housing stock would have effectively erased nearly a decade of development efforts in a single year. Instead the apartments will continue to be kept affordable under this local, non-profit ownership.

Looking forward, efforts to add affordable housing may be hampered by the recent tax bill, which significantly weakened the low-income housing tax credit. This credit has been the main tool for creating federal subsidies for building and rehabilitating affordable housing. The value of those credits has fallen because of a lower corporate tax rate.

TABLE 7: The waitlist in Missoula for Section 8 vouchers, which subsidize rent, continued to remain high in 2017, with 1,637 families waiting for assistance.

TABLE 8: In the last ten years, 301 affordable housing units have been built in Missoula County.

MHA WaitLists

Waiting Lists	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MHA Sec 8 Voucher	994	1,395	1,393	1,666	1,555	1,751	1,595	1,725	1,654	1,637

TABLE 7

Source: Missoula Housing Authority

Affordable Housing Units Built in Missoula County

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
35	37	5	34	115	0	36	6	0	33	301

TABLE 8

Source: Montana Board of Housing

Home Sales in 2017

The Missoula real estate market experienced another year of increased activity in 2017, where rising prices and home sales were juxtaposed with a dwindling supply at more affordable price points.

The median price of a home increased 5.2 percent to $268,250 in 2017 (**TABLE 9** and **FIGURE 20**). In the last ten years, the median price of a home has increased by 24.7 percent. However, it's worth noting that since 2014, the annual increase has closely mirrored the national average (**FIGURE 19**).

Home sales in 2017 were higher than any other year in the last decade, with a total of 1,543 homes sold (**FIGURE 21**). Sales for each quarter were also up over the previous year, with the highest activity during the third quarter's extremely smoky fire season (**FIGURE 22**).

TABLE 9: The median sales price of a Missoula home in 2017 was $268,250.

FIGURE 19: The percent increase in the median sales price of a home in Missoula was nearly equal to that national average in 2017.

Median Price of Homes Sold

Year	Annual Number of Sales	Median Price	% Change in Median Price
2008	996	$215,000	-2.1%
2009	1,033	$208,775	-2.9%
2010	903	$200,500	-4.0%
2011	878	$205,000	2.2%
2012	1,068	$209,700	2.3%
2013	1,322	$215,000	2.5%
2014	1,265	$225,000	4.7%
2015	1,390	$238,700	6.1%
2016	1,392	$255,000	6.8%
2017	1,543	$268,250	5.2%

TABLE 9

Source: Montana Regional MLS

Percent Change in Median Sales Price

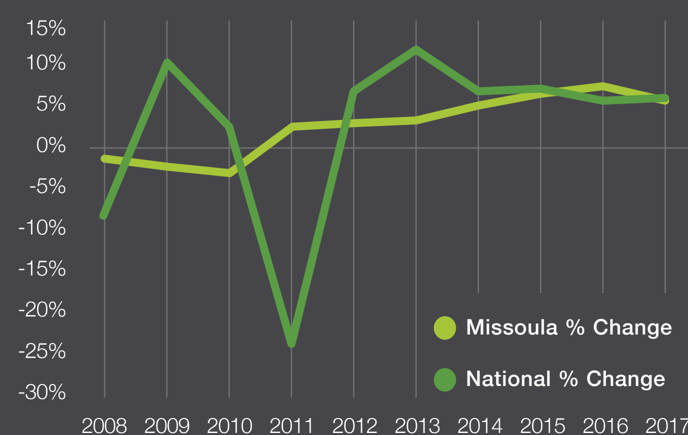


FIGURE 19

Source: Montana Regional MLS, National Association of REALTORS

Median Sales Price of Homes Sold

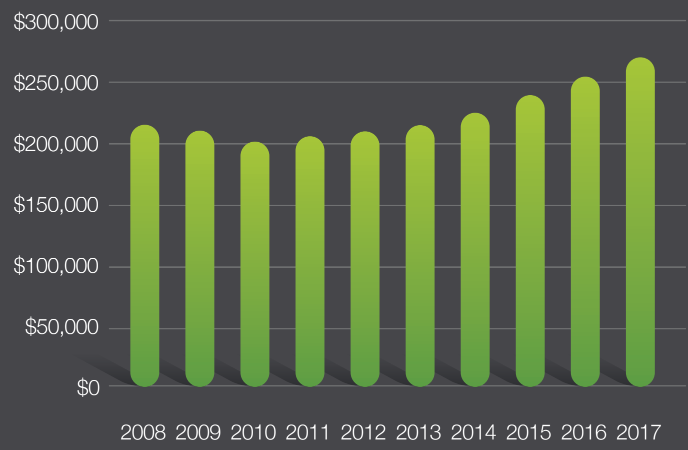


FIGURE 20

Source: Montana Regional MLS

Number of Homes Sold

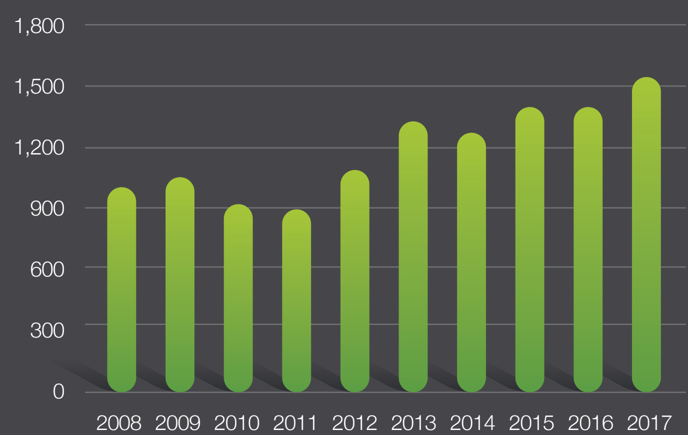


FIGURE 21

Source: Montana Regional MLS

Number of Sales by Quarter

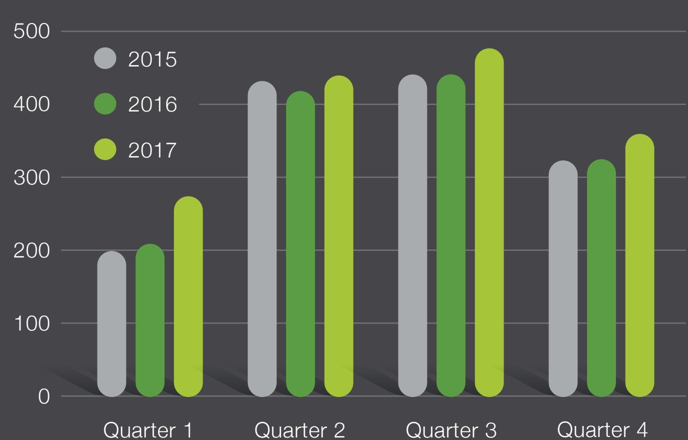


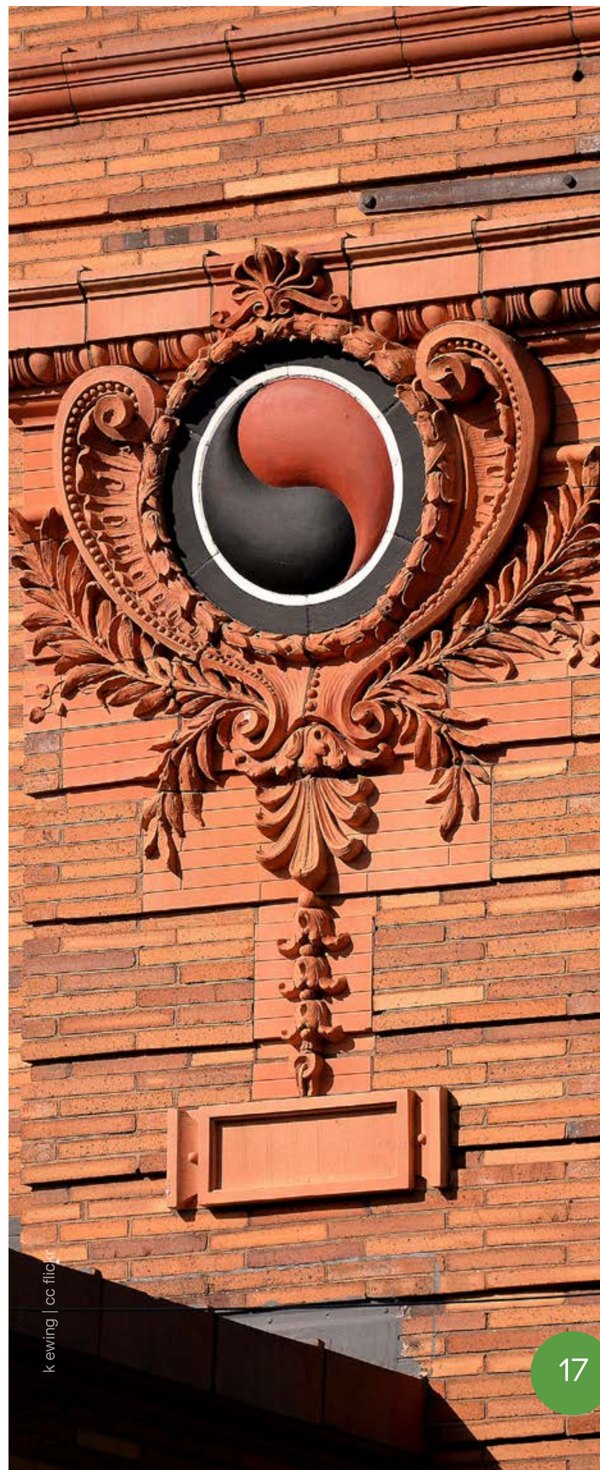
FIGURE 22

Source: Montana Regional MLS

FIGURE 20: Since 2011, the median sales price of Missoula homes has steadily increased.

FIGURE 21: Home sales in 2017 outpaced all other years, with 1,543 homes being sold.

FIGURE 22: Sales increased in every quarter of 2017.



HOUSING SALES & PRICES

A tight supply in the Missoula area, especially among the more affordable price points, means that buyers often compete for the same property and drive up the sales price. In 2017, homes sold at an average of 98.7 percent of their sales price (**FIGURE 23**). Buyers paying cash have a competitive advantage over buyers using other methods of purchase, particularly Federal Housing Administration (FHA), Veterans' Affairs (VA), and Rural Development loans, as these loans typically take longer to process. In 2017, 1,057 home sales involved conventional loans, while 260 (or 17 percent) were cash (**FIGURE 26**).

Original List to Final Sales Price

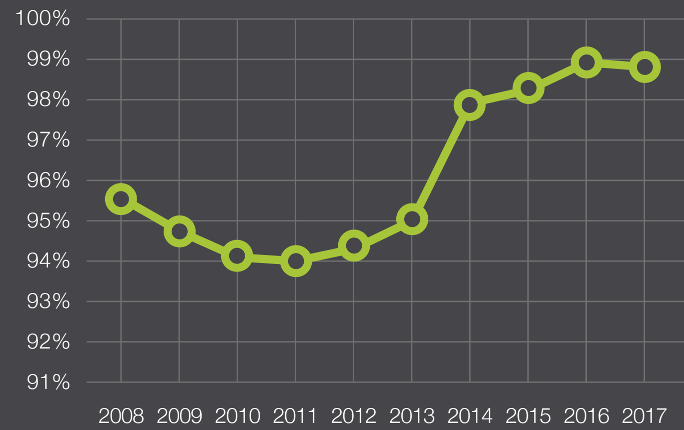


FIGURE 23

Source: Montana Regional MLS

Number of Sales According to Price Point

PRICE RANGE	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
$0-$150,000	121	126	131	174	188	196	156	145	110	82
$150,000-$200,000	301	358	323	251	295	387	317	276	232	172
$200,000-$275,000	297	327	247	258	304	406	414	513	470	604
$275,0001-$350,000	166	125	120	112	160	186	196	244	300	328
$350,000-$425,000	47	48	42	49	57	79	89	104	148	178
$425,000 -$500,00	64	49	40	33	64	68	93	108	132	80
$500,000+	30	23	21	20	38	34	44	47	61	99
TOTAL	996	1,033	903	877	1,068	1,322	1,265	1,390	1,392	99

TABLE 10

Source: Montana Regional MLS

FIGURE 23: In 2017, homes sold at an average of 98.7 percent of their list price.

TABLE 10: Sales in the $200,00-$275,000 range showed the largest increase in 2017, climbing 29 percent to 604 homes sold.

Number of Sales Price Range Breakout

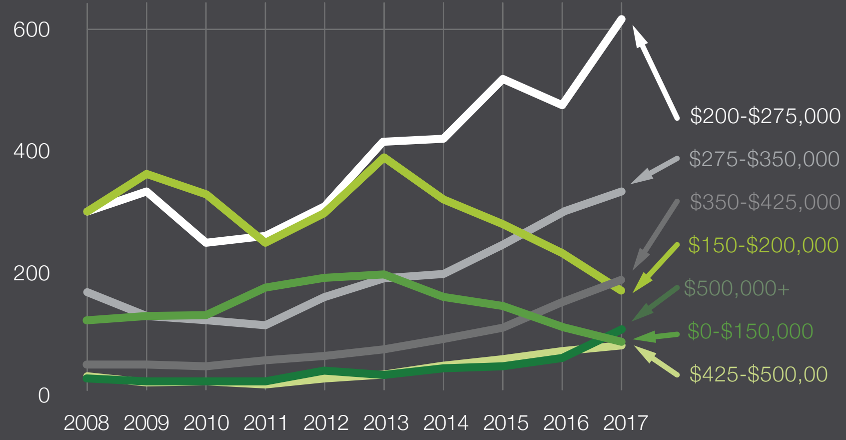


FIGURE 24 Source: Montana Regional MLS

Sales Price Distribution of Homes Sold

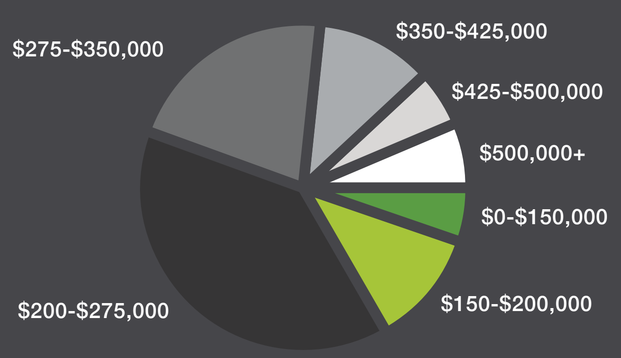


FIGURE 25 Source: Montana Regional MLS

Number of Sales by Method of Purchase | 2017

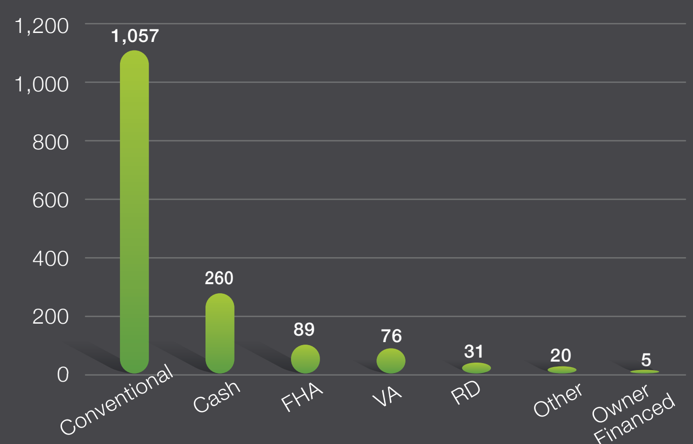


FIGURE 26 Source: Montana Regional MLS

We also reviewed seller concessions for this year's report. These occur when a seller credits the buyer a certain amount of money off the sale price, usually closing costs. Of the 1,543 homes sold in 2017, 613 reported seller concessions with a median value of $3,000.

While the supply of more affordable homes is dwindling, more expensive price points are on the rise. Sales of homes under $200,000 declined by 26 percent from 2016 to 2017. Meanwhile, homes sales increased at every price point above $200,000 (FIGURE 24 and TABLE 10). Thirty-nine percent of all home sales in 2017 were between $200,000 and $275,000 (FIGURE 25). Home sales over $500,000, while still a relatively small share of the Missoula market, increased by 62 percent.

FIGURE 24: The number of sales at the two lowest price points declined in 2017, while sales of more expensive homes, above $200,000, grew.

FIGURE 25: Homes between $200,000 and $275,000 made up the largest proportion (39 percent) of homes sales in 2017.

FIGURE 26: In 2017, most buyers bought their homes through conventional mortgages, while 17 percent had the advantage of buying with cash.

Condominiums & Townhouses

Sales of condominiums and townhouses increased by 29 percent in 2017 (FIGURE 27). Most of that surge came from units priced above $200,000. In the last two years, condos and townhouses have increased in popularity among buyers partly due to their costs often being lower than a starter house. Also, the market is providing a new supply of such units, with 50 newly constructed condos and 54 new townhomes being sold in 2017. The median price of a new condominium in 2017 was actually lower than it was in 2016 (TABLE 11). However, units priced below $100,000 have completely disappeared from the market.

FIGURE 27: Sales of condominiums and townhouses increased by 29 percent in 2017.

Condominium & Townhouse Sales

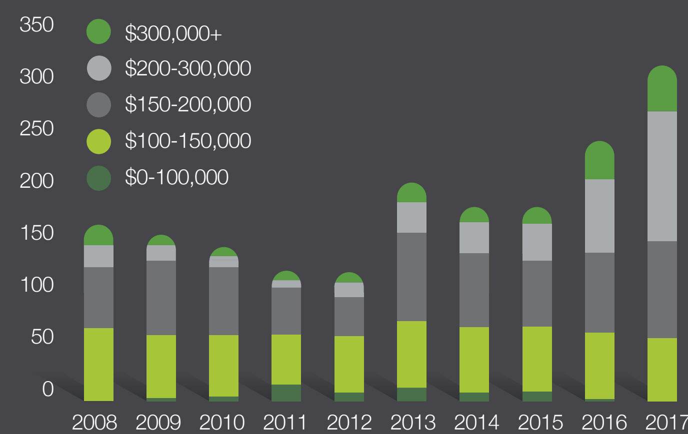


FIGURE 27

Source: Montana Regional MLS

New Construction Sales

New construction sales hit a historic high of 191 units sold in 2017, a 59 percent increase from 2016 (FIGURE 28). This exceeds the 2006 level of 157 units, during the housing boom. The median price of a newly constructed single-family home was $305,140 in 2017, down slightly from the previous year (TABLE11).

TABLE 11: New construction sales were up considerably in 2017, but the median prices of those units remained relatively unchanged.

FIGURE 28: Sales of new construction units increased to 191 sold in 2017.

New Construction Sales

	2016		2017		median % change
	units	median	units	median	
Condos	40	$207,900	50	$205,600	-1.1%
Townhomes	14	$235,000	54	$236,000	0.4%
Single Family	66	$310,688	87	$305,140	-1.8%

TABLE 11

Source: Montana Regional MLS

New Construction Sales

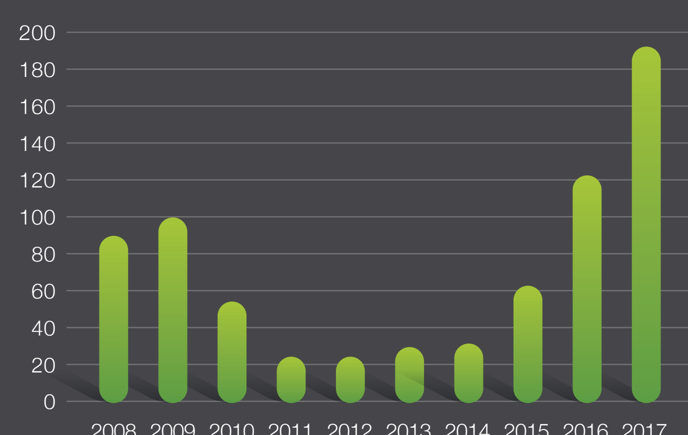


FIGURE 28

Source: Montana Regional MLS

Sales Trends in Neighborhoods

In the 2017, the Missoula neighborhoods with lower median sales prices (**FIGURE 30**) experienced the highest number of sales (**FIGURE 29**). The areas of Mullan Road/Expressway, Central Missoula, Lewis and Clark, and Downtown/Northside were the top-selling areas.

The largest jump in sales activity in 2017 occurred in the Downtown/Northside area, where sales increased by 45 percent. This neighborhood had a median sales price of $208,000, which was the lowest of all neighborhoods and was the only median price to decline (by 1.9 percent) in 2017. Grant Creek, Miller Creek, and the Rattlesnake neighborhoods had the highest median prices.

FIGURE 29: Eight of Missoula's neighborhoods saw increased home sales in 2017 while four had declining numbers.

FIGURE 30: In 2017, the median price increased in all but one neighborhood, Downtown/Northside Missoula.

Home Sales by Neighborhood

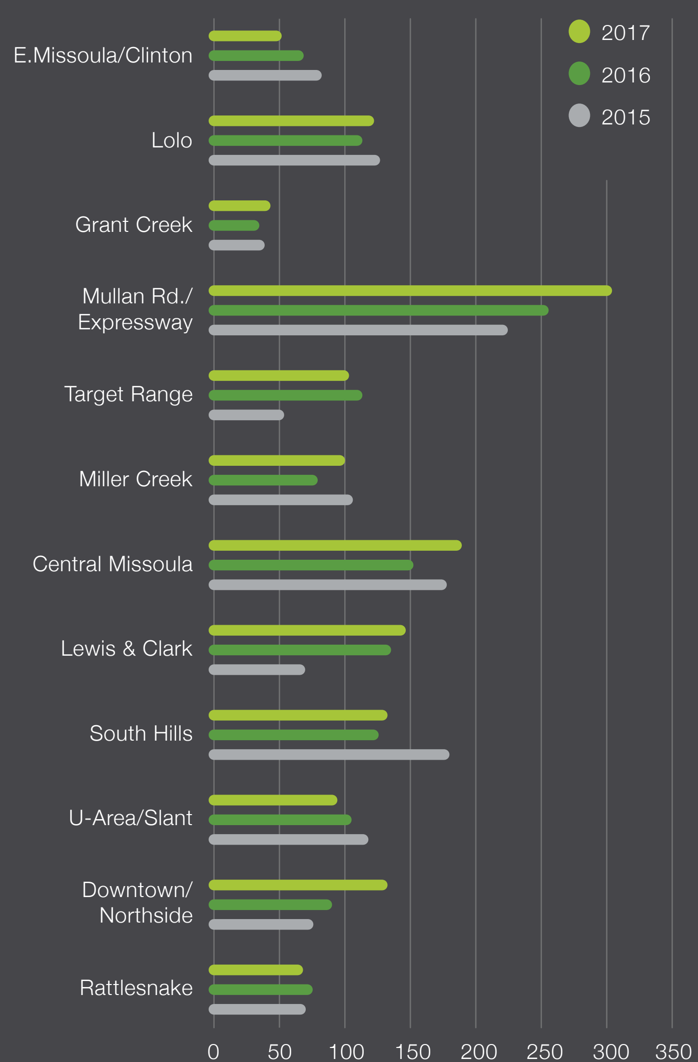


FIGURE 29

Source: Montana Regional MLS

Median Sales Price by Neighborhood

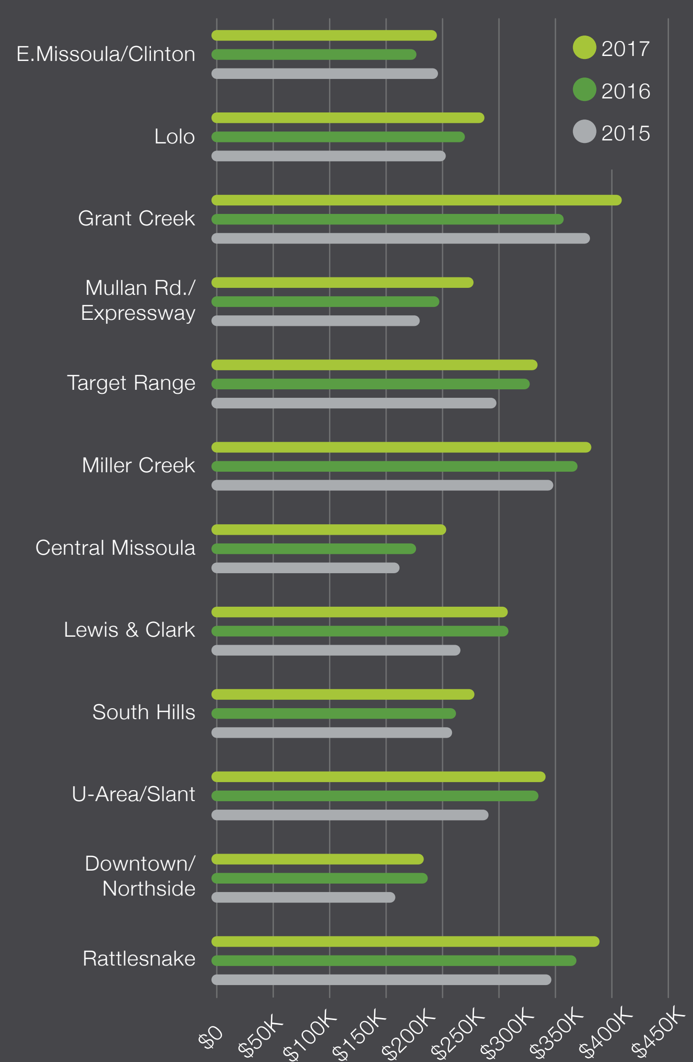


FIGURE 30

Source: Montana Regional MLS

Comparative Trends in Home Prices

The Housing Price Index (HPI) helps us measure appreciation by looking at changes in single-family home prices. The Federal Housing Finance Agency (FHFA) obtains the data by reviewing repeat mortgage transactions on properties purchased or securitized by Fannie Mae and Freddie Mac. When a home is sold, the price is compared to previous sale prices for the same home; the same goes for refinancing. An index value of 100 equals the value in January 1995.

Repeat sales in Missoula in 2017 continued to be higher than other state and national markets, as has been the trend for several years. For the third quarter of 2017, Missoula had an HPI of 263.89, which was 7 percent higher than the third quarter of 2016 (**FIGURE 31**).

While Bozeman would be an interesting addition to the index, FHFA does not include the City of Bozeman in this dataset because it doesn't meet their minimum population threshold.

FIGURE 31: The Housing Price Index for Missoula homes increased throughout 2016 and 2017, indicating a continued strong appreciation of single-family homes.

Housing Price Index 1st QTR 2008 - 3rd QTR 2017

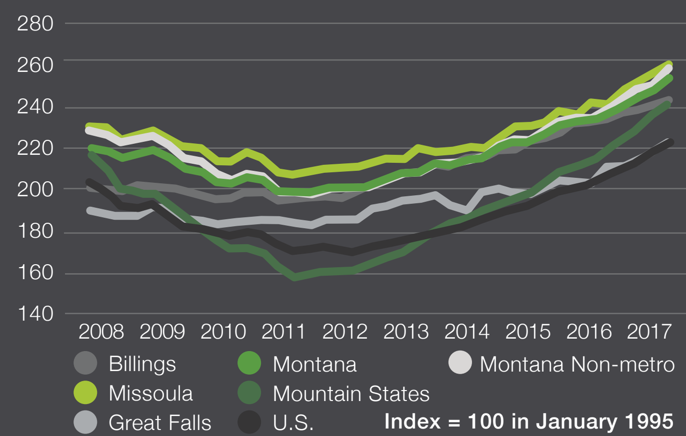


FIGURE 31

Source: Federal Housing Finance Agency

Pace of Home Sales

The absorption rate is one of the best ways to measure the pace of home sales, as it takes into account both the days a house is on the market and the number of available homes for sale. It is calculated by dividing the total number of available homes on the market by the number of homes sold in the prior month. The resulting absorption rate indicates how many months worth of inventory are listed for sale.

For example, if an area had 20 listings and five sales in the last 30 days, the absorption rate would be four, meaning that, based on the market's prior activity, it would take four months to sell the supply of current inventory.

Total Market Absorption Rates

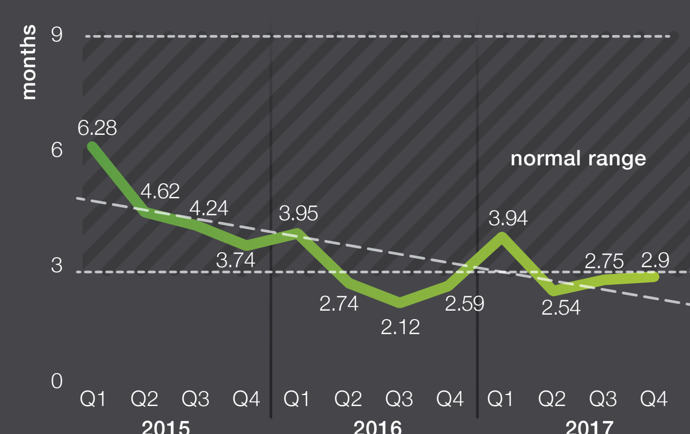


FIGURE 32

Source: Montana Regional MLS

Supply by Quarter | 2017

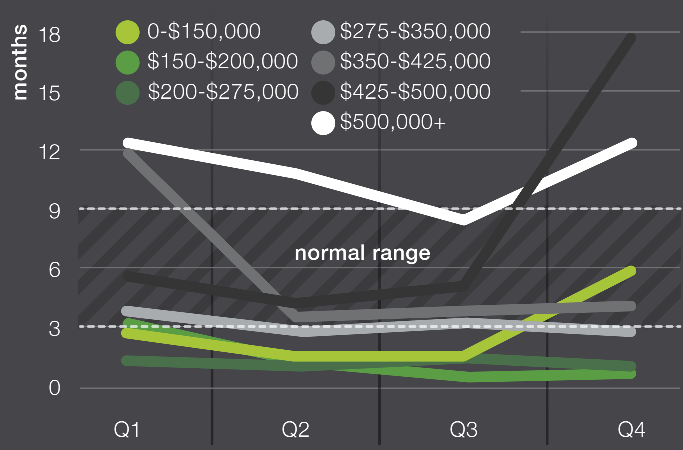


FIGURE 33

Source: Montana Regional MLS

Absorption Rates by Price Point

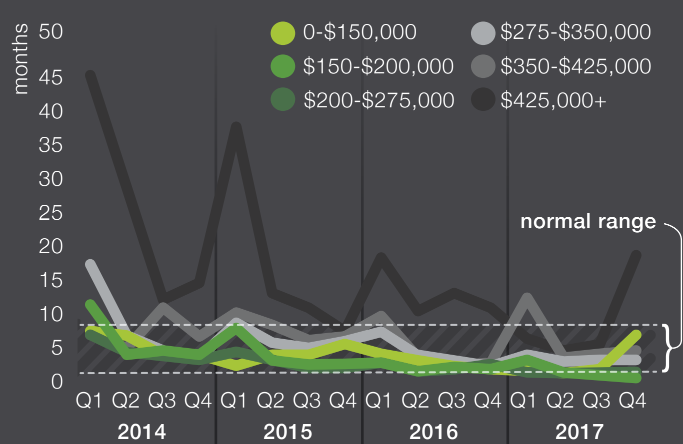


FIGURE 34

Source: Montana Regional MLS

Year-end Supply by Neighborhood | 2017

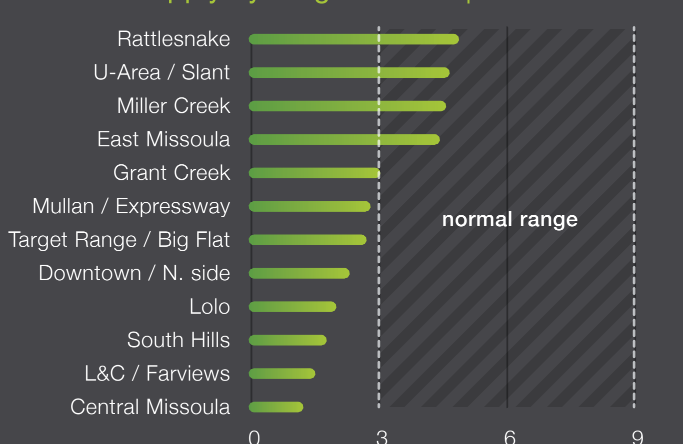


FIGURE 35

Source: Montana Regional MLS

As a general rule, the absorption rate defines various market conditions:

- ▷ **Under three months is an under-supply**
- ▷ **Three to nine months is a normal market.**
- ▷ **Nine to 12 months is an over-supply.**
- ▷ **More than 12 months is an overloaded market.**

Missoula's overall market officially entered an under-supply in the second quarter of 2016, briefly emerged into a "normal market" rate in the first quarter of 2017, and then spent the rest of 2017 with an absorption rate below three (FIGURE 32).

However, when you look at the absorption rate by price point, several price ranges have a longer history of being in under-supply, and 2017 saw those supplies continuing to decline (FIGURE 33). The absorption rates for homes between $200,000 and $275,000 have been under three since the second quarter of 2015 (FIGURE 34). More expensive price points typically have higher absorption rates. In 2017, as more homes sold above $425,000, that price point saw some of its lowest absorption rates, with the supply staying in the four- to six-month range for the first three quarters.

The higher-priced neighborhoods of Grant Creek, Miller Creek, the Rattlesnake and the University/Slant area had a three-plus month supply at the end of 2017 (FIGURE 35). Nearly all other neighborhoods, many of them with lower median prices, exhibited an under-supply.

FIGURE 32: The total market absorption rates for Missoula homes dipped below the 3-month mark in 2017, indicating an under-supply.

FIGURE 33: For homes under $275,000, there was a short supply during 2017, with the absorption rate remaining under three months for most of that time.

FIGURE 34: IIn 2017, the supplies of most price points continued to decline.

FIGURE 35: At the end of 2017, eight of Missoula's neighborhoods had an absorption rate of less than 3 months, indicating a short supply.

Mortgage Loans

While 2017 ended with mortgage interest rates at 4 percent for a 30-year fixed rate (**FIGURE 36**), the story of interest rates remained complex and varied throughout the year.

Mortgage rates and the interest rates set by the Federal Reserve System (often referred to as the Fed) are not directly tied to each other. Mortgage rates can move every single day (sometimes several times in a day) while the Fed Funds Rate (the only rate the Fed sets) is typically only adjusted at Fed meetings eight times a year. Mortgages and other parts of the interest rate world are constantly adjusting to economic and monetary realities while waiting for the Fed to officially anchor the shortest end of the rate spectrum. Mortgage rates will also move in anticipation of a certain Fed outcome. But as the 2017 rates illustrated, the Fed raising their rates can sometimes lower the mortgage rates.

At the end of 2016, interest rates had begun to climb, only to decline in early 2017. But by mid March, in anticipation of the Fed's announcement of another interest rate hike, the mortgage interest rates reached their highest percentage in nearly three years at 4.375 percent. Financial markets figured the Fed would ramp up the rate hike outlook aggressively based on comments made in late February.

But the Fed's median outlook didn't change at all for 2017 and 2018. They even went a step further and had begun to account for a faster pace of future rate hikes. Mortgage rates improved after the Fed rate hike announcement.

While the Fed did indeed hike the short-term rate three times in 2017, the hikes were widely expected and had already been accounted for in longer-term bond markets (like those that dictate mortgage rates).

By summer of 2017, mortgage interest rates were back down to the 4-percent range, and they hit the lowest levels of the year in early September at 3.75 percent. These lower rates were initially motivated by headlines of North Korea launching a missile that flew over Japan, which is the type of news that tends to cause stocks and rates to fall.

In addition, 2018 started with the Conventional Loan Limit being increased to $453,100, which is the largest increase in the loan limit since 2006.

Borrowers faced both new opportunities and challenges. In mid-2017 Fannie Mae expanded the number of borrowers that could get approval with a debt-to-income ratio of 45 to 50 percent of their gross monthly income. This expanded approval is for borrowers that are considered a good credit risk. (The standard debt-to-income ratio is generally 43 to 45 percent of gross monthly income.)


m sheldon | cc flickr

Year-end Interest Rates

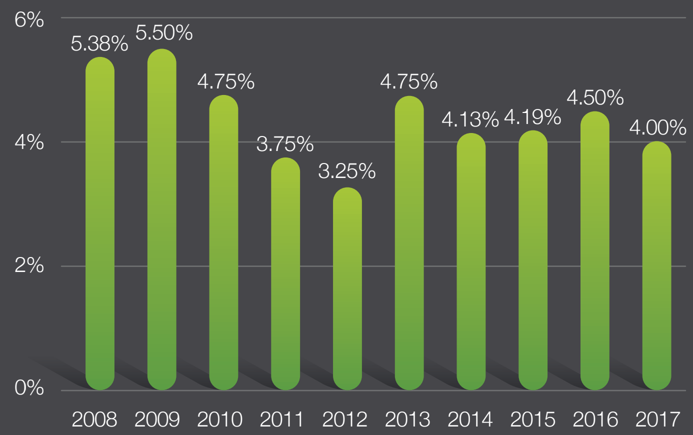


FIGURE 36

Source: Stockman Bank

j yardley | cc

Student loan debt continues to be a hurdle for borrowers trying to qualify for a home loan because of debt calculations, which vary by loan program. Conventional loan programs are now allowing lenders to use the monthly payment amount provided on credit reports for qualifying an applicant for a home loan instead of the previously required 1 percent of the outstanding loan balance for a monthly payment. If the credit report does not reflect a monthly payment, borrowers can provide documentation to lenders to support the stated monthly payment even if the amount is zero on an income-driven repayment plan.

Government-backed FHA and USDA Rural Development loans still require lenders to use the 1 percent of the outstanding student loan balance for qualification. The VA will calculate the monthly repayment by taking 5 percent of the outstanding loan balance and dividing it by 12.

FIGURE 36: Year-end mortgage interest rates hit a five-year low at the end of 2017.

Impacts of Mortgage Insurance

Private mortgage insurance (PMI) is a policy, paid for by the homeowner, that protects the lender in the event that the homeowner defaults on payments.

While not all loans require PMI, it is required on conventional loans when the first mortgage is greater than 80 percent of the property value/purchase price. Federal Housing Administration (FHA) and Rural Development loans also require mortgage insurance.

Thus, low down payments generally translate to the additional cost of PMI for homeowners. For 2017 taxes, you can still deduct the PMI if your income is under \$100,000 and it adjusts for incomes between \$100,000 and \$110,000.

Down Payments

For many potential homebuyers, there are down payment assistance programs. For those borrowers who make 80 percent or less of the area median income, there are down payment assistance program options. These additional assistance programs are available through Neighbor Works of Great Falls and the Federal Home Loan Bank/HomeStart Grant. Additionally, qualified applicants can use the Human Resource Council's down-payment assistance program for their gap financing.

Down payment programs are also available for those who make up to 115 percent of the area median income, with the Montana Board of Housing and Neighbor Works of Great Falls both offering second mortgage options.

All of the above programs require that applicants for down payment assistance programs complete a certified first-time homebuyer class and show that they have the ability to save some of their own down payment funds.

The Montana & Idaho Community Development Corporation's HomeNow Down Payment Gift Program, available through participating lenders, funds up to 100 percent of a borrower's cash requirements to close. The gift does not need to be repaid and can be used for down payment, closing costs, and related mortgage loan expenses. However, buyers who use this program will also pay higher interest rates on their mortgage loan.

Lower down payment option financing is still available for borrowers with as little as 3 percent down for a conventional loan, 3.5 percent for FHA financing, and no down payments for USDA Rural Development and VA financing. Income limits are applicable for USDA Rural Development financing.

Potential borrowers should contact their local mortgage lenders to help find the best program(s) for financing a home purchase.

Foreclosures

Home mortgage delinquencies and foreclosures dropped to a 10-year low, with only 102 properties being given a notice of sale and just 24 reaching foreclosure in 2017 (TABLE 12 and FIGURE 37). In addition to a strong economy, those numbers may be due to homebuyer education programs, financial fitness classes, foreclosure prevention, and more conservative underwriting standards.

TABLE 12: Fewer properties are experiencing home mortgage delinquencies (notices of sale) and foreclosures in Missoula.

FIGURE 37: Foreclosures on homes in Missoula dropped to just 24 in 2017.

Foreclosures

Year	Notice of Sale	Cancellation of Sale	Net Foreclosures
2008	313	186	127
2009	565	303	262
2010	719	486	233
2011	493	351	142
2012	431	280	151
2013	270	162	108
2014	206	144	62
2015	248	196	52
2016	137	93	44
2017	102	78	24

TABLE 12

Source: Stewart Title

Home Ownership Programs

Homeword is a statewide nonprofit that develops homes that Montanans can afford and is a HUD-approved Housing Counseling Agency. They have one of only three Regional HomeOwnership Centers® in the state of Montana. Homeword provides a full continuum of services including financial literacy education and counseling, rental education and counseling, homebuyer education and housing counseling, and foreclosure prevention counseling.

Homeword predominantly serves people earning low-to-moderate incomes. As a nonprofit, all services are provided at no cost with the exception of the homebuyer education class, which is $25 per person (or $40 per household).

In 2013, a study by NeighborWorks America found that homebuyer education and pre-purchase housing counseling are key to successful homeownership. In fact, homeowners who receive pre-purchase housing counseling and education are about one-third less likely to become seriously delinquent on their mortgage payments within the first two years of owning their home as compared to those who don't receive such services.

Most of Homeword's housing counseling clients plan to use a conventional loan through Fannie Mae (having good credit and 5 percent down) or a federally insured loan (Rural Development, FHA or VA) with Montana Board of Housing (MBOH) through an approved MBOH lender of their choice.

A 2017 report by the Housing Finance Policy Center reported that over 50 percent of renters stated that down payments were a barrier to owning a home, which highlights the need for financial education to prepare for homeownership. At Homeword, this trend was apparent as an increasing numbers of clients participated in financial education or coaching options. In 2016, 164 people accessed financial education and/or financial coaching; in 2017 that grew 114 percent to 351 people. Of those 2017 participants, 84 percent were women and 45 percent were living on 50 percent or less of the area median income ($21,407).

A Certified Housing Counselor is available by phone to answer questions the public may have about foreclosure.

TABLE 13: A growing number of people are accessing Homeword's financial counseling and financial workshops.

Bank Foreclosures | Missoula County

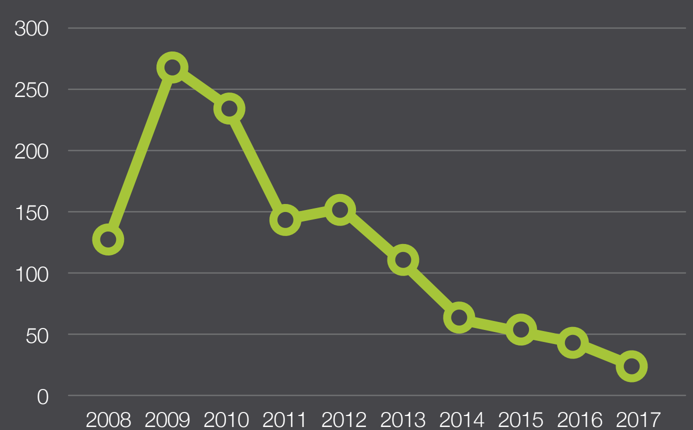


FIGURE 37

Source: Stewart Title

HomeWord

	FY15	FY16	FY17
Served by Homeownership Center	939	930	1,150
Attended homebuyer ed & pre-purchase counseling	627	660	655
Accessed financial ed classes & workshops	97	123	228
Accessed financial counseling	26	28	161

TABLE 13

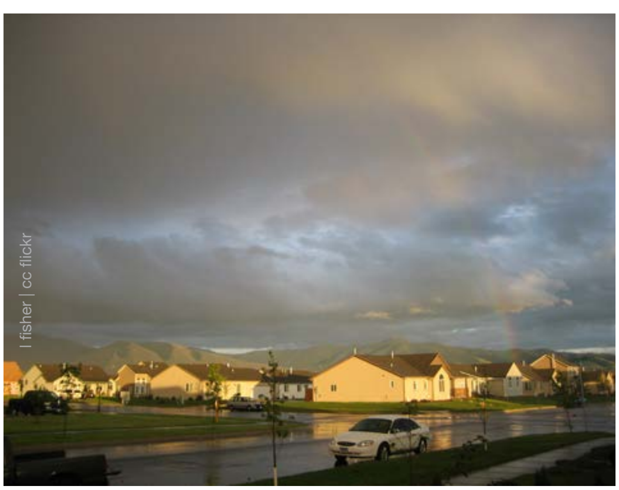
Source: HomeWord

The Housing Affordability Index

The Housing Affordability Index (HAI) measures the ability of a family earning a median income to purchase a median-priced home. An index value of 100 means that a household with a median income has exactly enough income to spend 25 percent of their income on a mortgage for a median-priced home. A value higher than 100 indicates that family has more than enough income to qualify for a mortgage on a median-priced home. Conversely if the HAI is below 100 (as it is in Missoula), it indicates that a median-priced home would not be as affordable for that household.

While the HAI Index for Missoula registered well below 100 when assuming a 5-percent down payment, it did not decline in 2017 (FIGURE 38). Under that down payment, the HAI ranged from 55 to 78 in 2017, depending on family size. That indicates that a family with a median income would have a difficult, if not impossible, time qualifying for a mortgage on a median-priced home.

In determining this year's HAI, we show data for two different scenarios: one assuming a 5-percent down payment, which is reflected in FIGURE 37, and one assuming a 20-percent down payment, which is how the national HAI is calculated. Comparing the two shows how a lower 5-percent down payment, plus the necessary mortgage insurance, significantly lowers the overall affordability (TABLE 14).



The HAI model in this year's report was reconfigured to more accurately reflect current market conditions. In the past, we used a 4-percent down payment; this year, we changed it to a more common 5-percent down payment. We also decreased mortgage insurance payment amounts; we found that previous year's calculations were higher than actuals. We increased the property tax payment for 2017 to reflect higher property tax rates.

The 20-percent down payment does not include mortgage insurance. Both scenarios figure in property taxes and homeowner insurance. Mortgage insurance rates assume a 700 credit score.

At the bottom of TABLE 14, you can see the effect a down payment has on affordability. If a family tried to purchase a median-priced home that cost $268,250 in Missoula in 2017 with a 5-percent down payment, they would have needed a median family income of $84,038. However, if that same family had a larger 20-percent down payment, they only would need a median income of $65,949. The reality, however, is that few people have 20 percent down unless they are bringing proceeds from a previous real estate sale to the table.

FIGURE 38: The Housing Affordability Index (HAI) leveled out in 2017 but still indicated that a median-income household would have a difficult time affording a median-priced home.

TABLE 14: A household would need a median income of $84,038 to afford a median-priced home with a 5-percent down payment in 2017. However, they would only need a median income of $62,892 to purchase that same home with a 20-percent down payment.

Housing Affordablilty Index

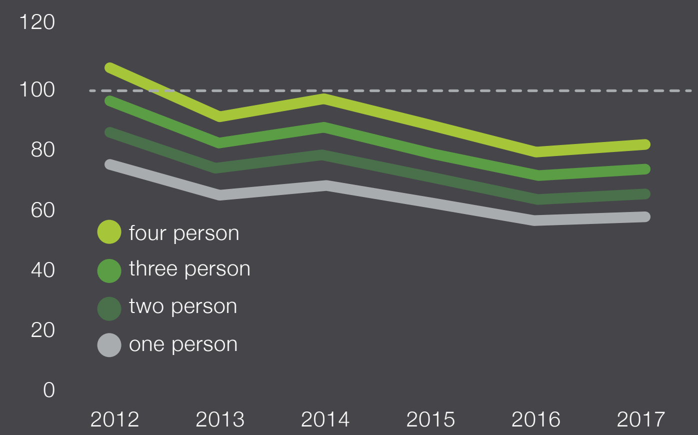
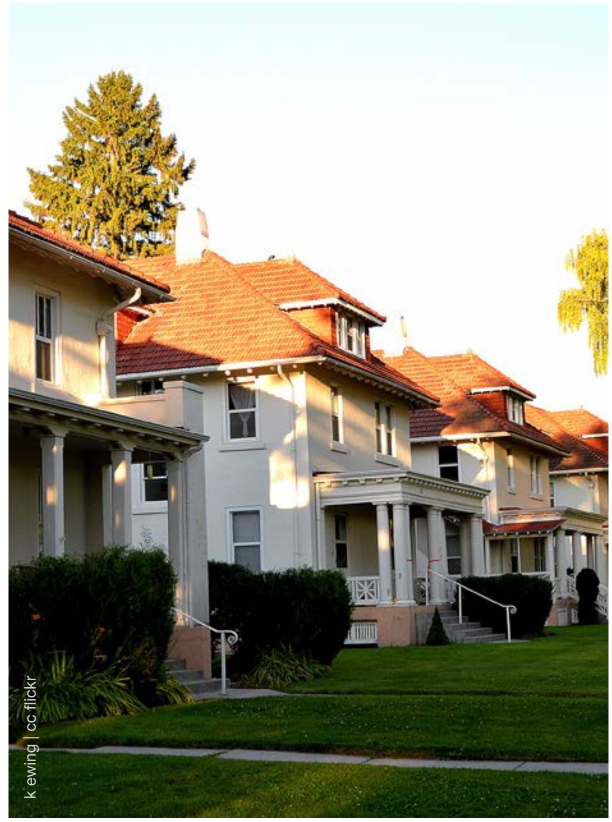


FIGURE 38

Source: Montana Regional MLS, HUD



Missoula Housing Affordablity Index | 2015-2017

2015	2016	2017	YEAR	2015	2016	2017
$238,700	$255,000	$268,250	Median Home Price (MOR)	$238,700	$255,000	$268,250
5%	5%	5%	Downpayment	20%	20%	20%
4.19%	4.50%	4.00%	Interest Rate	4.19%	4.50%	4.00%
$164	$176	$185	Mortgage Insurance	$0	$0	$0
			MEDIAN FAMILY INCOME			
$43,560	$43,200	$46,125	1 person	$45,400	$43,560	$43,200
$49,800	$49,300	$52,750	2 person	$51,900	$49,800	$49,300
$56,040	$55,500	$59,313	3 person	$58,400	$56,040	$55,500
$62,220	$61,600	$65,875	4 person	$64,800	$61,200	$61,600
			HOUSING AFFORDABILITY INDEX*			
59	53	55	1 person	76	69	70
67	61	63	2 person	87	78	80
76	68	71	3 person	98	88	90
84	76	78	4 person	107	98	100
			MEDIAN FAMILY INCOME NEEDED TO PURCHASE MEDIAN PRICED HOME			
$74,106	$82,210	$84,038	Income	$57,196	$62,892	$65,949

TABLE 14

*KEY: *Includes taxes and homeowners insurance on a 30 year fixed loan*

Source: Montana Regional MLS, HUD

Share of Income Spent on Housing

It is generally accepted that no more than 30 percent (and, more safely, 25 percent) of a household's gross monthly income should be spent on housing. Households that must spend a large portion of income on housing have a difficult time meeting other obligations and are considered "cost burdened."

Historically, a worrisome proportion of Missoula residents spend 30 percent or more of their income on housing. In both 2015 and 2016, approximately 47 percent of Missoula renters spent more than 30 percent of their income on housing. Comparatively, approximately 25 percent of Missoula homeowners spent more than 30 percent of their income on housing costs in 2016 (**FIGURE 39**).

FIGURE 39: In both 2015 and 2016, approximately 47 percent of Missoula renters spent more than 30 percent of their income on housing. (The colored blocks represent the range in the margin for error with this data.)

Missoula County Households that Spend 30% or More on Housing

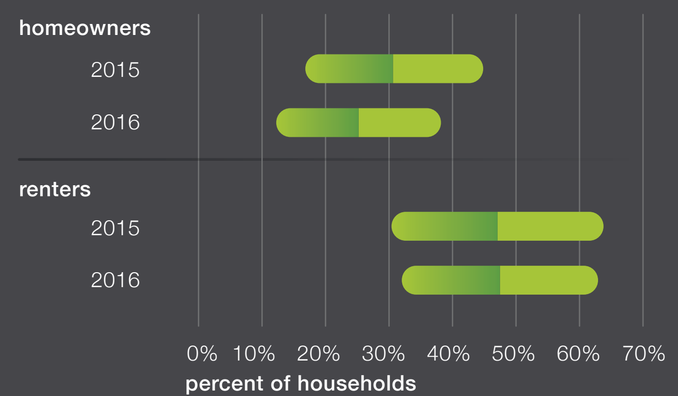


FIGURE 39

Source: U.S. Census Bureau, American Community Survey

Unemployment

The unemployment rate is the percentage of the total labor force that is unemployed but still able to work and actively seeking employment. Missoula's unemployment rate remained relatively low at 4.2 percent in 2016, the most recent year of data available (**FIGURE 40**). According to the U.S. Department of Labor, the national unemployment rate was 4.7 percent in December 2016.

FIGURE 40: Missoula County had an unemployment rate of 4.2 percent in 2016.

Unemployment Rate | Missoula County

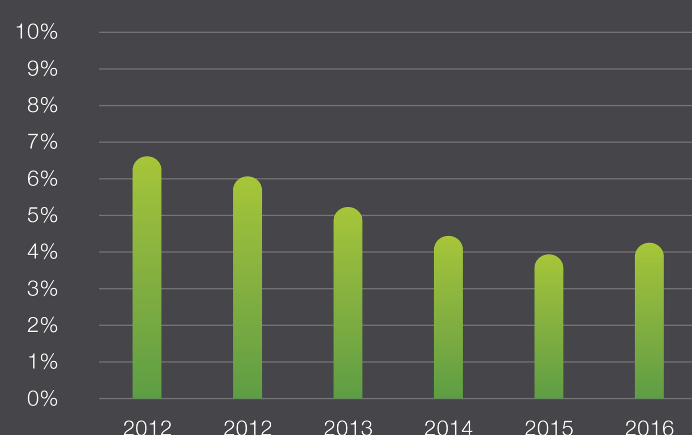


FIGURE 40

Source: Montana Department of Labor and Industry

Poverty Level | Missoula County

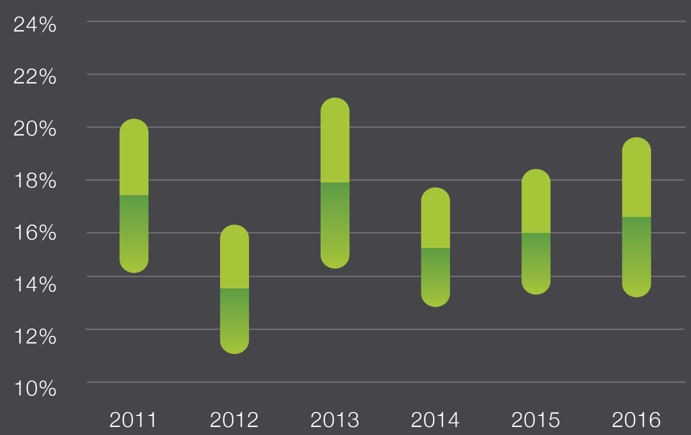


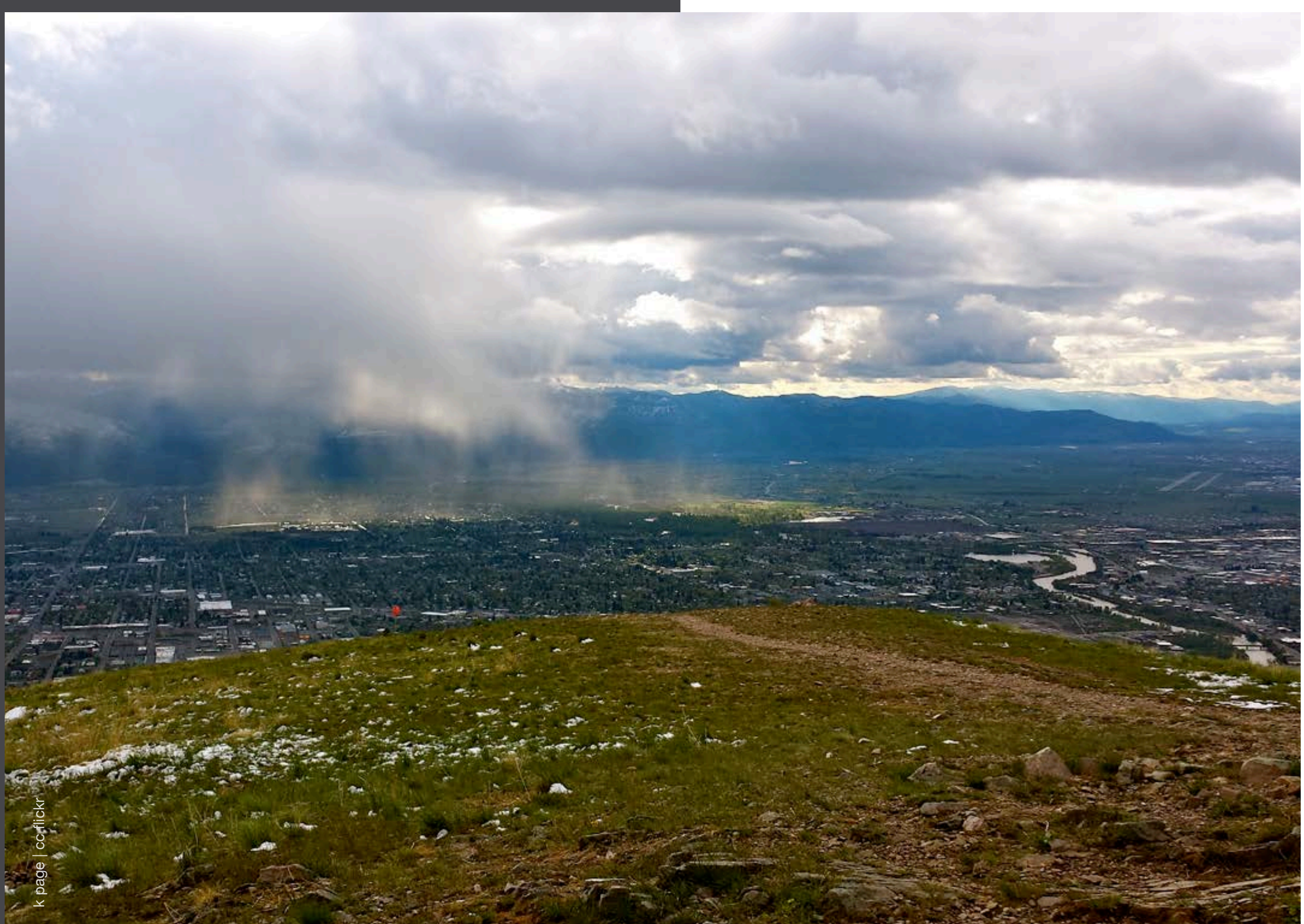
FIGURE 41

Source: U.S.Census Bureau, American Community Survey

Poverty

To determine who is in poverty, the U.S. Census Bureau sets an income threshold under which an individual or family is deemed to be living in poverty. This threshold varies based on family size, living situation, and age. In 2016, approximately 16 percent of Missoula County was considered be to living in poverty (**FIGURE 41**).

FIGURE 41: The number of Missoula residents living in poverty has remained around 16 percent for the last several years. (The bars of color represent the margin of error for this data.)



k page | cc flickr

Homelessness

In June 2017, members of the Missoula At-Risk Housing Coalition implemented new strategies in the Coordinated Entry System in alignment with Missoula's 10-Year Plan to End Homelessness, the U.S. Interagency Council on Homelessness, and the U.S. Department of Housing and Urban Development. Coordinated Entry Systems (CES), in general, reduce the burden on people experiencing homelessness by providing clear access points and a coordinated effort to provide assistance. Missoula's CES creates a standardized process for coordinating assessments and referrals for homeless housing assistance.

This newly designed system is being implemented in several phases (as well as statewide). It aims to prevent and divert households from entering the homeless system, streamline and reduce duplication of homeless housing and service provider efforts, and provide system-level data that assists with strategic planning and decision making. The end result is an intentional process of targeting and prioritizing limited housing resources for people who are experiencing homelessness and are identified as being the most vulnerable. This not only saves lives but it saves our community money as well.

Missoula's CES re-design will take some time to fully implement and demonstrate positive outcomes for people experiencing homelessness in our community, but it is on track thanks to the motivation and commitment of the At-Risk Housing Coalition as well as key community and statewide stakeholders.

Missoula's current homeless data is trending down. According to our 2017 point-in-time data, there were 344 homeless individuals in January 2017, a 12.9 percent decrease from the 395 in January 2016 (FIGURE 42). The point-in-time survey is a nationally coordinated and simultaneous effort to identify the number of persons experiencing homelessness on a single night during the last week in January. This number is only a snapshot in time, but it's the best estimate we have until our CES builds a foundation and the Montana Continuum of Care provides the software and technology to record, store, and track characteristics and service needs of people experiencing homelessness.

Missoula's total homeless population comprises 22.56 percent of the statewide homeless population, second to Billings (28.2 percent). Montana saw an overall 2.89 percent increase in homelessness between 2016 and 2017, which is slightly higher than the national findings presented in the 2017 Annual Homeless Assessment Report to Congress. The report also concluded that Montana is one of five states to have the highest rates of unsheltered people in families with children (the other four are North Dakota, Oregon, Wyoming and Florida).

Missoula and other communities in Montana are working harder and smarter to rapidly respond to people experiencing homelessness who have significant housing barriers and service needs. We are dedicated to reaching functional zero for all populations, including families with children. (Functional zero means the number of individuals experiencing homelessness is no greater than the average monthly housing placement rate.)

j yardley | cc

Total Homeless Individuals
on a Single Night in January

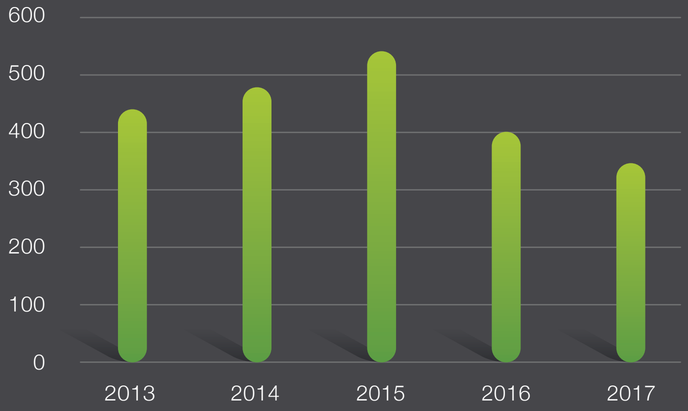


FIGURE 42

Source: Montana Continuum of Care

Homeless Children

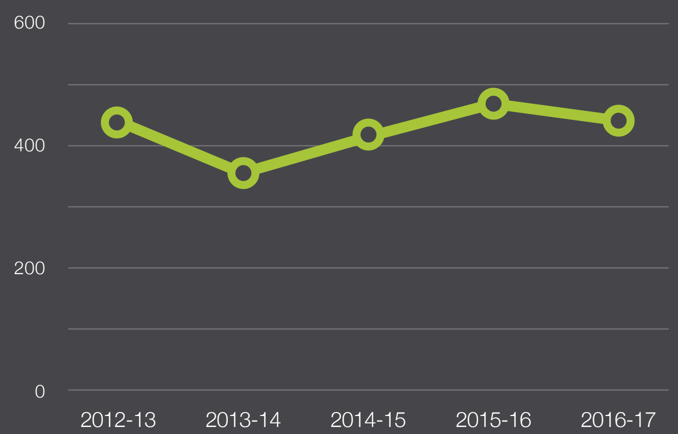


FIGURE 43

Source: Missoula County Public Schools

The number of homeless children in the Missoula County Public Schools (MCPS) was estimated at 438 during the 2016-2017 school year (FIGURE 43). This figure represents the number of unstably housed children identified throughout the school year. Unstable housing varies, from periods of brief, literal homelessness to a pattern of frequent moves and other situations. This is one of the better ways to identify the size of this at-risk group, as families with children in school often do everything they can to avoid living on the street or in shelters if they don't have permanent housing.

The additional components of Missoula's CES will not immediately create housing solutions for everyone experiencing homelessness in our community, but we remain hopeful that with continued system-wide collaboration and improved data collection, we will see financial savings that can be targeted for more housing interventions in the future.

FIGURE 42: During a single point-in-time survey, 344 individuals and families were identified as experiencing homelessness in Missoula, the lowest number in the last seven years.

FIGURE 43: The number of homeless children in the Missoula County Public Schools was estimated at 438 during the 2016-2017 school year.

CONCLUSION & OUTLOOK

Missoula's housing situation contains the classic triangle of a growing population, a short supply of both homes for sale and rentals, and prices that don't always prove affordable. With growth in several areas, the data reveal a number of challenges for buyers and renters.

Rental housing recorded a vacancy rate of just 3 percent, and the real estate market had a tight supply, on average, throughout most of 2017.

With a growing population straining the housing supply, construction is on the rise. Missoula was host to an increase in lot sales and building permits in 2017, as well as renewed activity in preliminary plat approvals for subdivisions. This may provide some relief as the Missoula population continues to add residents each year. In 2016, the population increased 1.7 percent, to 116,130. However, county-wide growth in the housing stock did not keep up with household growth between 2010 and 2016. Also, new single-family housing is not being produced at as great of a rate in recent years as it has in past years. Production of new multi-family units, on the other hand, is occurring at a significantly greater rate in recent years than in past years.

With a decidedly sellers' market, real estate sales hit a 10-year high in 2017. The median sales price of a Missoula home also reached a new high, of $268,250. But homes at more affordable price points were starting to disappear from the market, and there was less than a three-month supply of homes under $275,000 in 2017. Many buyers turned to townhomes and condominiums to find more affordable options.

The median income of Missoula residents increased to $46,550 in 2016, although this still remains below the median incomes for Montana and the U.S. The income increase has not matched increases in home prices, but 2017 did mark a year in which the Housing Affordability Index did not decline in Missoula, in part thanks to the median income.

Renters in Missoula, however, have a much lower median income of $31,146, and the impact this has had on affordability played out in several data points this year. Approximately 47 percent of Missoula renters spend more than 30 percent of their income on housing costs—a percentage that makes it difficult to meet other financial obligations. This trend is further illustrated in the demand for Section 8 housing vouchers; some 1,637 households remain on a waitlist for just 774 vouchers. Homeword and the Missoula Housing Authority were able to add 33 new affordable units in 2017, as well as preserve 257 units that were at risk of being sold, but the demand for these units exceeds actual production.

j yardley | cc

In addition, Missoula—and Montana in general—faces challenges with the number of homeless individuals. A point-in-time survey identified 344 homeless individuals on a single night in 2017, while the Missoula County Public Schools estimated that 438 children were unstably housed throughout the 2016-2017 school year. With a newly designed Coordinated Entry System to help provide better assistance to the homeless and those at risk of being homeless, Missoula is hopeful that in years to come this population will decrease.

In January of 2018, the Missoula Organization of REALTORS® and partners including the City of Missoula, Missoula County, and a number of other organizations released Making Missoula Home: A Path to Attainable Housing. This study provides strategies for local governments, the private sector, and non-profits to improve housing affordability through regulatory reform, incentives for developing housing in affordable price ranges, capacity building, and advocacy. MOR will continue to work with our partners and utilize Making Missoula Home's findings to address housing affordability.

As we watch Missoula grow and attempt to adapt to its growth, both the challenges and opportunities are numerous. Affordability and supply continue to strain the housing situation, but at the same time, the area is experiencing growth and an improved economy. Most importantly, as a community, Missoula remains devoted to addressing issues of affordability, homelessness, and quality of life so that this remains a viable home for all.

Report Available Online:
www.MissoulaRealEstate.com
Under "Market Trends"

724 Burlington Ave
Missoula, Mt 59801
P: 406-728-0560
Comments@ MissoulaRealEstate.com

design + illustration = joanna yardley | my-design.net