

Missoula, Montana Housing Market Profile

(U.S. Housing Market Conditions Report – 4th quarter 2010)

The Missoula metropolitan area consists of Missoula County in western Montana. As of January 1, 2011, the population of the metropolitan area was estimated to be 110,000, which reflected an annual increase of about 900, or 0.8 percent, for the past 2 years. From 2004 to 2008, population growth averaged about 1,700 a year, or 1.7 percent annually, but growth has slowed in the past 2 years because of slower in-migration. From 2004 to 2008, net in-migration to the metropolitan area averaged nearly 1,200 a year, but in the past 2 years the rate declined to about 400 a year due to slower job growth. The largest employer in the metropolitan area is the University of Montana (UMT), with approximately 2,400 full-and part-time employees. With a fall 2010 enrollment of nearly 16,000 students, the university's estimated statewide economic impact is more than \$1 billion a year, based on a 2010 UMT study. Other leading employers include St. Patrick Hospital and Health Sciences Center and the Community Medical Center, with about 1,600 and 1,100 employees, respectively.

Economic conditions in the Missoula metropolitan region improved during the 12 months ending November 2010, ending a 2-year period of job losses. For the 12 months ending November 2010, nonfarm payrolls averaged about 56,300, an increase of about 600 jobs, or 1.1 percent, from the previous 12 months. In late 2007, nonfarm payrolls peaked at 57,500 jobs but fell an average of 1.1 percent a year in 2008 and 2009 because of the national recession and falling demand for furniture and manufactured wood products, which accounted for about one-third of manufacturing employment before the recession. The job losses in 2008 and 2009 were largest in the construction and manufacturing sectors, which declined by about 650 and 400 jobs, or 20 and 16 percent, respectively. Nonfarm payrolls began to expand again at a moderate pace in early 2010. Much of the growth in the 12 months ending November 2010 was in the education and health services and the professional and business services sectors, which increased by 200 and 100 jobs, or 2.2 and 1.6 percent, respectively, from a year earlier. For the 12 months ending November 2010, the unemployment rate averaged 6.9 percent, up from 5.7 percent a year earlier.

The home sales market in the Missoula metropolitan area is currently somewhat soft, partly because of tight lending standards, but prices are beginning to stabilize. According to Hanley Wood, LLC, in the 12 months ending November 2010, sales of single-family homes were down 15 percent from the previous 12 months, to about 1,200 homes sold. Single-family home sales peaked in 2005 and 2006, when an average of 2,100 homes a year were sold. For the 12 months ending November 2010, the average sales price for existing single-family homes was about \$236,900, up 1 percent from \$234,700 in the previous 12 months. Single-family home prices are down 12 percent from the peak of \$277,000 in 2007. The fall in prices since 2007 is partly because of an increase in the number of home foreclosures. Based on data from Hanley Wood, LLC, sales of foreclosed and REO (Real Estate Owned) properties currently account for 19 percent of single-family home sales in the area, up from 2 percent in 2007.

As a result of the soft home sales market, construction of single-family homes, as measured by the number of building permits issued, has declined. According to preliminary data, during the

12 months ending November 2010, about 180 single-family homes were permitted, down 12 percent from the 210 permitted during the previous 12 months. By contrast, from 2003 through 2007, single-family home construction in the area averaged about 450 homes a year. According to Hanley Wood, LLC, during the 12 months ending November 2010, the average sales price for a new home was about \$183,500, down approximately 1 percent from a year earlier.

The rental market in the Missoula metropolitan area is currently tight, with an estimated 3.3-percent vacancy rate. The market has tightened gradually during the past 6 years because of population growth and a lack of new construction. Monthly rents currently average from about \$600 for one-bedroom units to \$750 for two-bedroom units and \$1,000 for three-bedroom units. Rents have increased by nearly 4 percent a year for the past 2 years. Contributing to the tight rental market are the large and growing presence of UMT students, who represent more than 30 percent of renter households, and a relatively large population of young professionals, who tend to rent. Apartment construction has also lagged behind demand in recent years, based on the number of building permits issued, exacerbating the tight market conditions. Multifamily construction peaked in 2002 and 2003, when an average of 600 units a year were permitted, many of which were off-campus student housing. From 2004 through 2008, multifamily construction slowed to an average of 150 units a year and then, in 2009, fell sharply to fewer than 20 multifamily units permitted. In the past 12 months, however, building activity has rebounded. Based on preliminary data, about 180 multifamily units were permitted in the 12 months ending November 2010. Silvertip Apartments, a 115-unit complex targeted to low- and moderate-income households, is expected to break ground in 2011. Rents for the one- and two-bedroom units are expected to range from \$455 to \$840 a month.