



# Housing Affordability and Montana's Real Estate Markets

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**Montana Association of Realtors  
Montana Building Industry Association**

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Finally, we are most grateful to the Multiple Listing Services and builders that provided data for this report.

# Housing Affordability and Montana's Real Estate Markets

## Executive Summary

The Bureau of Business and Economic Research (BBER) at The University of Montana was contracted by the Montana Association of Realtors (MAR) and the Montana Building Industry Association (MBIA) to produce an assessment of housing affordability and factors affecting the cost of housing for the major real estate markets within Montana. With the generous cooperation of MAR members throughout the state, researchers at the BBER were able to put together a comprehensive snapshot of the status of real estate and real estate affordability throughout the state in a single report.

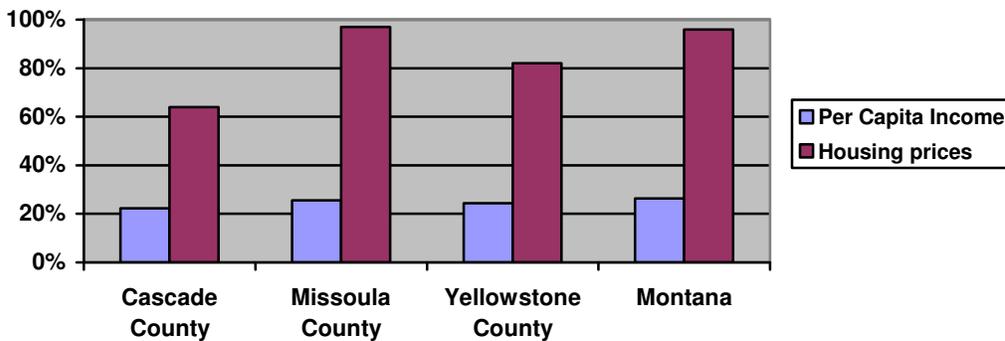
During the second half of 2008 it became apparent that Montana's real estate markets – like other sectors of the state economy – were feeling the impact of the national housing downturn and the recession that figures so prominently in economic headlines today. As shown in this report, the turn in the economy has sharply curtailed new home construction, impacted sales of existing homes, and has largely stopped – or in a few cases reversed – the strong growth in housing prices experienced for most of this decade.

But even though price pressures are likely to ease in Montana real estate markets in the coming months, the starting point for these changes is the product of 7 or 8 years of strong growth. That is especially true in the fastest growing markets. Thus the affordability and cost of housing remains an issue that is worthy of attention.

### Motivation for this study

In recent years the issue of housing affordability in Montana has received considerable attention. It's not hard to understand why. Housing prices in the last twenty years have surged ahead much faster than the income used to pay them. Since 1988 the median price for a Montana home grew by 96 percent, the per capita income of Montanans only rose by about a quarter as much, or 26 percent. The experience of the state's three Metropolitan Statistical Areas, as shown below, is substantially the same.

**Growth in Home Prices vs. Income Since 1998**



Sources: Bureau of Economic Analysis and Office of Federal Housing Enterprise Oversight.

## Executive Summary

The effects of these trends have been profound. Buyers of housing, particularly in the last five years, have been put under considerable stress by the high price of housing relative to their ability to pay. In some markets, this has caused them to rent or purchase less housing, to locate in more affordable markets and commute longer distances, or even to forgo relocating entirely. Renters have also been placed under considerable stress, forced to devote a much higher proportion of their household budgets to housing costs.

### Primary Findings

There is considerable variability in the growth, composition, and affordability of housing among the major real estate markets in Montana. Different communities have differences in their economic composition and growth, geography, and intensity of regulation. But several general conclusions can nonetheless be made.

We find that:

- there are four markets in Montana with housing affordability indexes – as defined by the National Association of Realtors – in the “unaffordable” range: Flathead, Gallatin, Missoula and Ravalli Counties. Our analysis shows that in these markets the median income household must devote more than 30 percent of their income towards housing for the median priced home;
- 39 percent of renters pay more than 30 percent of their income towards rent. In Missoula county, half of all renters face rent payment in excess of 30 percent of income;
- regulatory fees, including building permit fees, impact fees, and subdivision fees, make a significant contribution to the cost of new housing in some Montana markets, most notably Gallatin and Flathead Counties;
- there have been significant declines in residential construction activity in all Montana markets in 2008 as measured by residential building permits. The steepest declines have been in Bozeman, and the smallest have been in Billings;
- sales of existing homes have suffered significant declines in all of Montana’s major real estate markets in 2008;
- there has been some cooling in population in-migration in some of the state’s fastest growing areas in recent years;
- after 7 years of rapid growth, housing prices have leveled off and declined slightly in Montana, as measured by the Office of Federal Housing Enterprise Oversight’s housing price index. Of the state’s three metropolitan statistical areas, Missoula has seen the biggest swing in prices in 2008;

The findings of this report underscore the fact that while real estate markets in Montana are local, they are influenced by national trends. Even as the correction in housing arrives in Montana markets, prices in some corners of the state place considerable burdens and pressures on their residents.

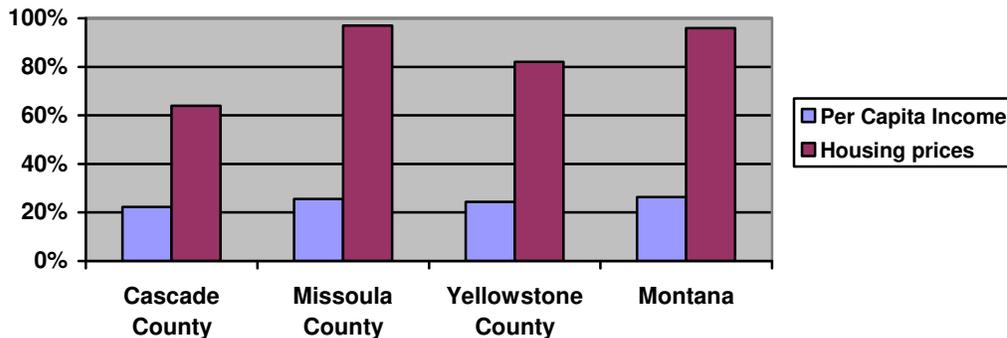
# Montana's Real Estate Markets

## Introduction

As public policy issues, housing and housing affordability have always figured prominently in the public debate. In the national economy, housing and housing-related expenditures (including utilities, furniture, supplies and maintenance) accounted for 42.4 percent of consumers' budgets in 2007, dwarfing every other category of expenditure. And perhaps as a result, the involvement of federal, state and local governments with housing markets – through tax policies, regulation, subsidies and the courts – has been and continues to be substantial.

In recent years the issue of housing affordability in Montana has received considerable attention. It's not hard to understand why. As shown in Figure 1, housing prices in the last twenty years have surged ahead much faster than the income used to pay them. Over the span of time that the median price for a Montana home grew by 96 percent, the per capita income of Montanans only rose by about a quarter as much, or 26 percent. The experience of the state's three Metropolitan Statistical Areas, as shown below, is substantially the same.

**Figure 1**  
**Growth in Home Prices vs. Income Since 1998**



Sources: Bureau of Economic Analysis and Office of Federal Housing Enterprise Oversight.

This study presents information and findings for factors driving these price changes. We examine the current state of major housing markets across the state, and present an assessment of housing affordability for seven major markets in Montana: Billings, Missoula, Great Falls, Bozeman, Helena, Kalispell, and Ravalli County (Hamilton). We include information for each community. on current and past trends in:

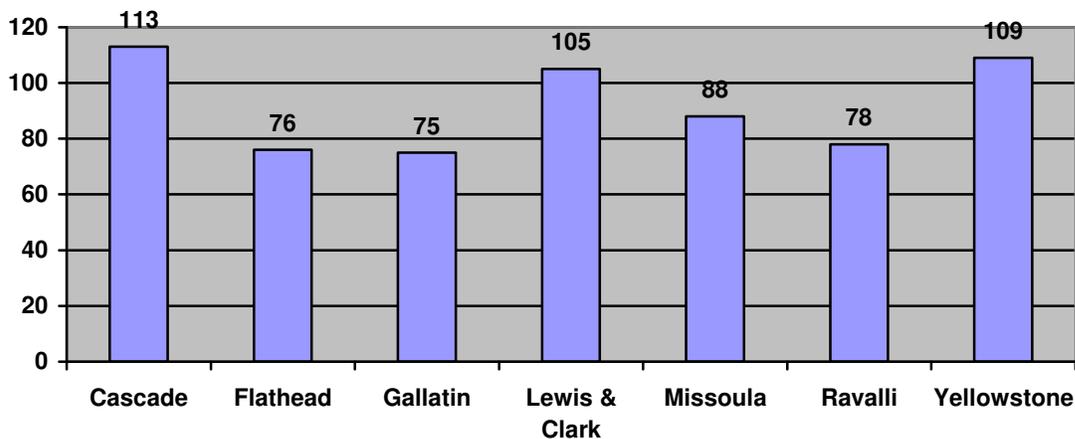
- population growth
- income
- construction activity
- home sales and median prices
- foreclosures
- regulatory costs

## Montana's Real Estate Market

These results are organized with each real estate market's results in a separate subsection. Additionally, we summarize the results for all markets collectively in the remainder of this section.

Our basic finding is that there are a number of markets in Montana in which housing prices and rents are putting serious strains on consumer's budgets. By the standards and procedures set forth by the National Association of Realtors, four markets in Montana fail the housing affordability criterion: Kalispell, Bozeman, Missoula and Hamilton. This means that the median income household in each these communities could not afford the payment on the median priced home in 2007 without devoting a high proportion of their income to housing.

**Figure 2**  
**Housing Affordability Index in Montana's Major Real Estate Markets, 2007**

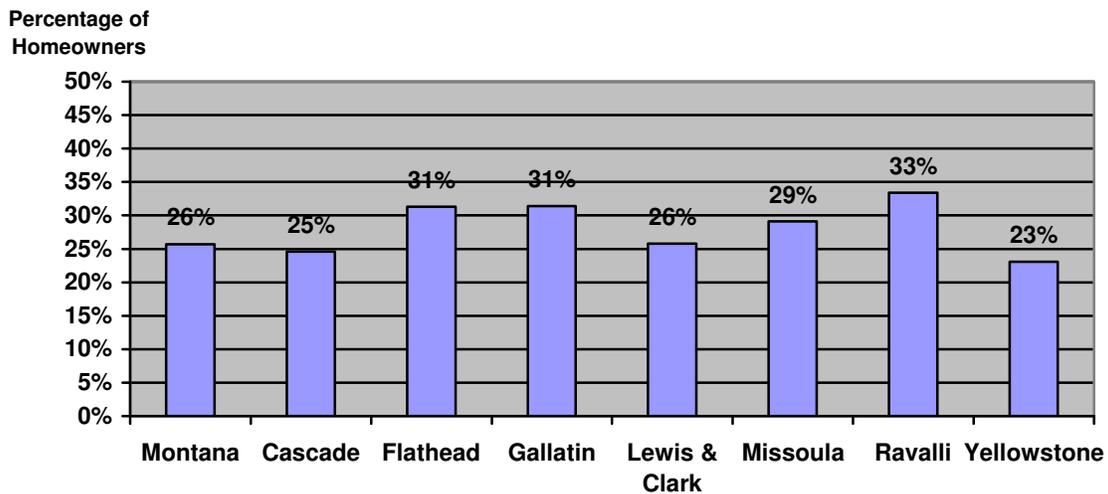


Source: Bureau of Business and Economic Research.

The Housing Affordability Index (HAI) measures whether a family earning the median income for an area qualifies for a typical loan on a median priced home. An index value over 100 means the typical family qualifies for a loan on a typical home. Conversely, an index value under 100 indicates the typical family will not qualify for a loan. Values for the computation come from MLS, Federal Housing Finance Board and the U.S. Census Bureau.

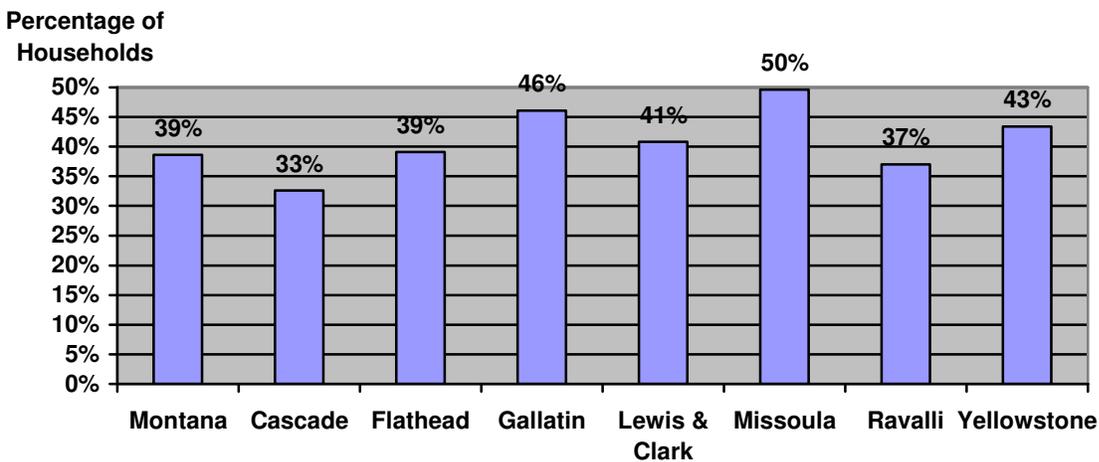
Further evidence of housing cost pushing the limits of Montanans' pocket books can be seen in the data from the US Census Bureau's American Community Survey. Substantial numbers of Montana households pay more than 30 percent of their income towards housing. The problem is especially acute in Flathead, Gallatin, Missoula and Ravalli Counties.

**Figure 3**  
**Percentage of Homeowners Paying More Than 30 Percent of Income Towards Housing, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 4**  
**Percentage of Renters Paying More Than 30 Percent of Income Towards Housing, 2007**



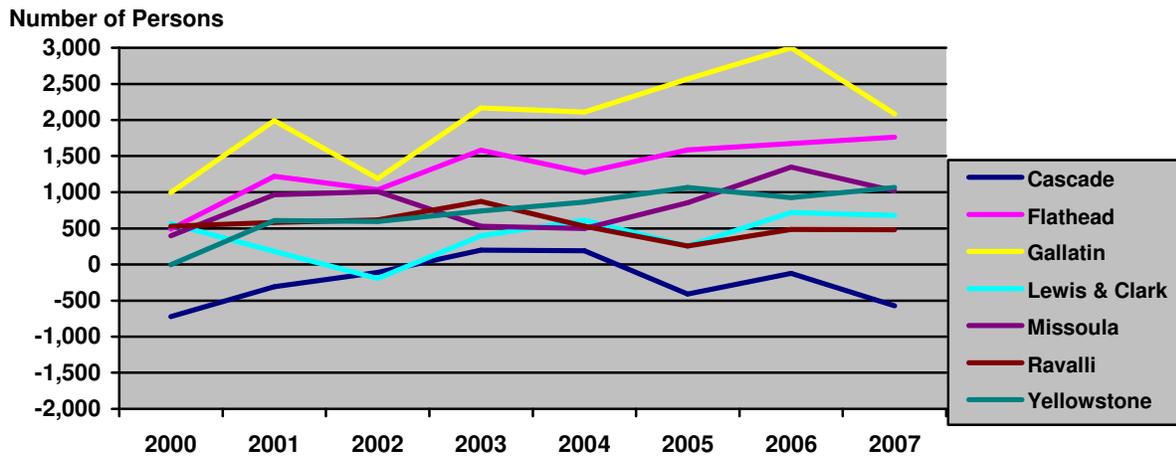
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

We also find that most Montana housing markets have seen the impacts of the national housing slump. Sales, prices, and housing starts have fallen – in some cases dramatically – from their levels of recent years on most markets, and inventories in the Bozeman and Kalispell markets in particular are at high levels. These events suggest that some repair in housing affordability may occur naturally in some parts of the state, as price declines undo at least part of the price pressures that have stressed new buyers' budgets in recent years.

**Factors Driving Demand for Housing in Montana**

Growth in the number of households and growth in income are the primary drivers of the demand for housing. Population growth moderated in 2007 in some of Montana's major markets, as shown in Figure 5. Fewer people are moving to Montana, particularly Gallatin and Missoula Counties. Cascade County continues to experience net out-migration.

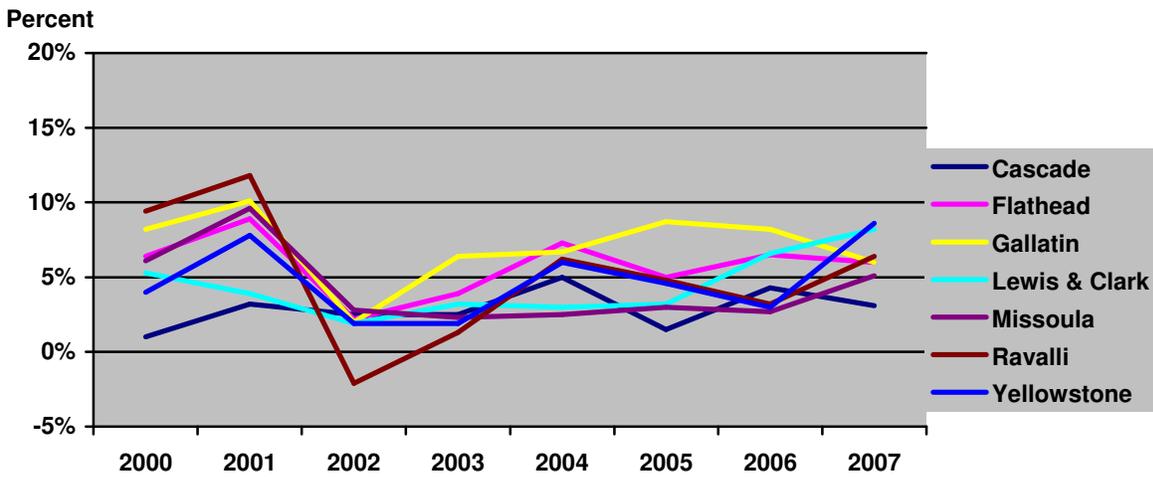
**Figure 5  
Net Migration, Selected Montana Counties, 2000-2007**



Source: US Census Bureau.

Economic conditions can influence housing markets directly, in addition to affecting housing demand through population growth. Changes in nonfarm labor income indicate a growing or declining economy. Nonfarm labor income continues to grow in Montana's major real estate markets. The most recent data on income at the county level – currently through the year 2007 – do not register the dramatic economic declines found in other parts of the country. Early indications of a slowdown are starting to appear in selected industries such as construction.

**Figure 6**  
**Change in Real Nonfarm Labor Income, Selected Montana Counties, 2000-2007**



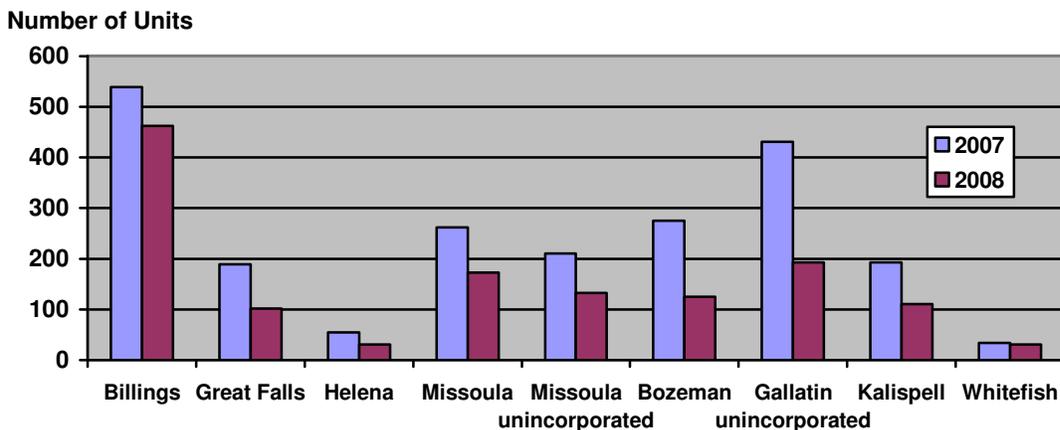
Source: Bureau of Economic Analysis.

### Supply of Housing

New construction affects the supply of housing. Construction statistics in Montana, like many other states, have several shortcomings. The traditional measure of construction activity for housing is residential building permits. These are incomplete, since a substantial amount of building in Montana occurs in areas that do not require permits. But data on permits remain the most valuable gauge of construction activity available.

A look at permits issued shows a substantial decline in residential construction activity across the state in 2008. This decline mirrors the national trend, although declines arrived in Montana later than in other areas of the country. Average value construction value also decreased indicating a different mix of housing type.

**Figure 7**  
**Building Permits for Selected Permit Issuing Areas Single Family, Jan-Oct 2007 and Jan-Oct 2008**



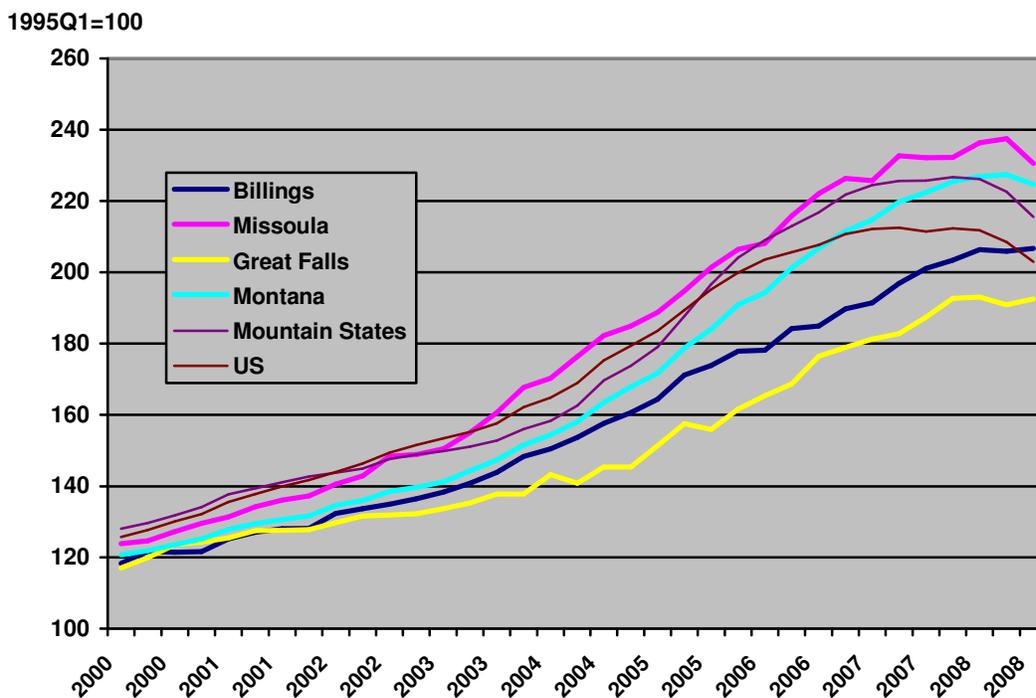
Source: US Census Bureau, Construction Statistics

### Current State of Montana's Housing Markets

The Office of Federal Housing Enterprise Oversight Housing Price Index measures the average price changes in repeat sales or refinancing of single family properties through Fannie Mae or Freddie Mac. These data are reported for states and Metropolitan Statistical Areas (MSA's) only. The data show a flattening of housing prices in Billings and in Great Falls in 2008. Housing prices for the Missoula market have actually declined, as measure by the OFHEO index. The index also indicates a slight decline in Montana housing prices overall, although less pronounced than either the U.S. or western states average.

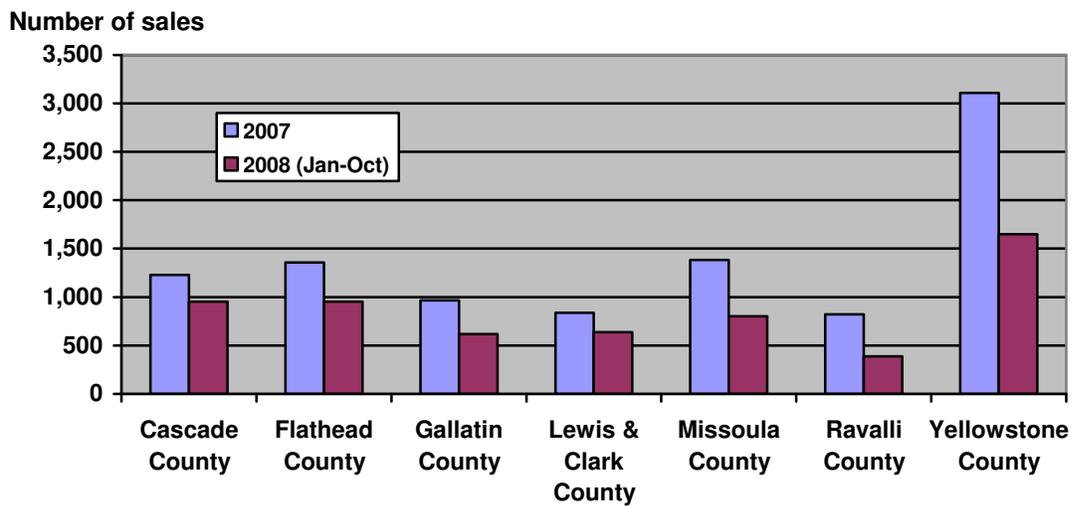
The softness in markets is also reflected in the data derived from realtor Multiple Listing Service records for Montana's major markets. All areas show a decline in the number of homes sold over the last year. In some markets the declines were substantial. Yellowstone and Cascade Counties show a very slight increase in the median sales price, while Gallatin and Ravalli Counties show declines while prices have held steady for the other counties.

**Figure 8**  
**Housing Price Index, 2000Q1-2008Q3**



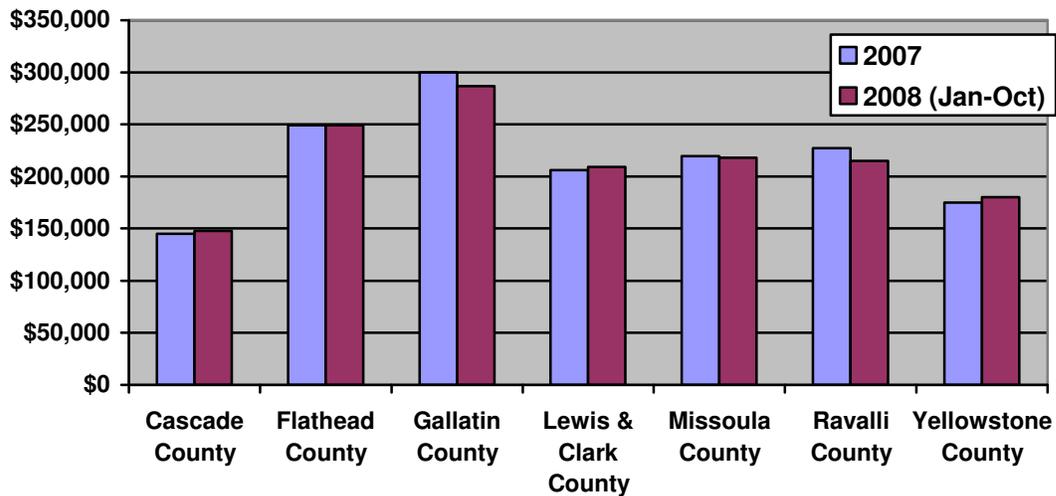
Source: Office of Federal Housing Enterprise Oversight

**Figure 9**  
**Number of Residential Sales, 2007-2008 Jan-Oct**



Source: Selected Multiple Listing Services.

**Figure 10**  
**Median Price of Residential Sales, 2007-2008 Jan-Oct**



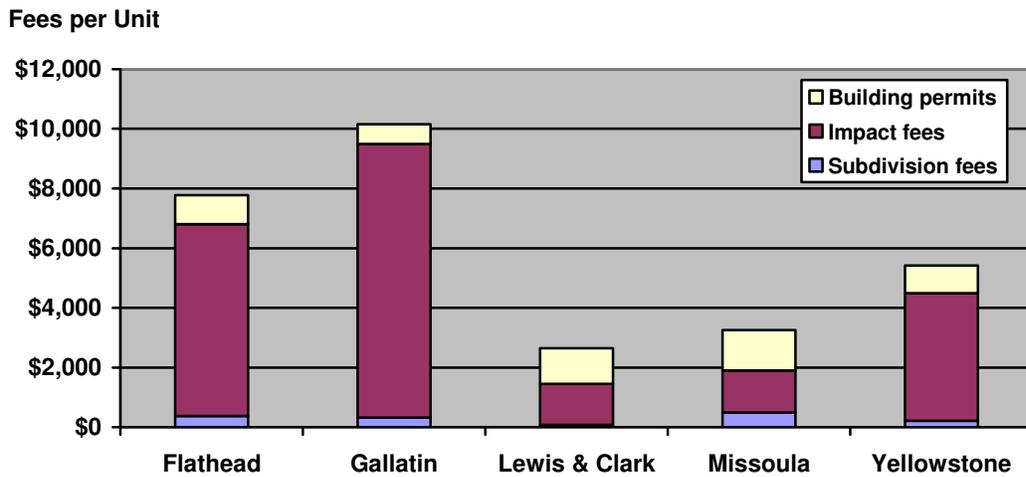
Source: Selected Multiple Listing Services.

### Construction and Regulatory Costs

As the economy grew through the early part of the decade, construction costs increased dramatically. These costs were influenced by many factors, including the lack of skilled construction labor in some fast growing communities. The recent downturn in the economy may alleviate some of these problems.

Several Montana counties have implemented impact fees to address concerns over growing infrastructure needs. These impact fees increase the cost of a dwelling unit by up to \$9000. These fees have implications for providing affordable housing.

**Figure 11**  
**Regulatory Fees per Dwelling Unit, Selected Montana Cities**



Sources: Compilation from City-County building web sites and Montana Building Industry Association.

## Montana's Real Estate Market

### Foreclosures

Another indicator of the health of housing markets is the number of real estate loans in foreclosure. Not only are foreclosures an indicator of economic stress, but they also exert a direct impact on housing markets through their contribution to the supply of unsold homes.

Comprehensive data on foreclosures are very hard to find. The Federal Reserve Bank of Minneapolis even wrote a paper on this data shortcoming. Foreclosure.com, a real estate company specializing in foreclosed properties, tracks foreclosures on a daily basis. As of early December 2008, Flathead County accounted for nearly a quarter of the foreclosures in Montana. Cascade County accounted for another 20 percent.

**Table 1**  
**Foreclosures, Selected Montana Counties**

	Pre-foreclosure	Foreclosures
Montana	534	342
Cascade County	58	71
Flathead County	121	84
Gallatin County	91	42
Lewis & Clark County	10	2
Missoula County	78	29
Ravalli County	29	16
Yellowstone County	89	49

Source: Foreclosure.com, December 9, 2008.

### Summary

The status of Montana's real estate markets continues to change before our eyes. While the impact of the national housing downturn and the recession are beginning to be reflected in real estate activity and housing prices, the starting point for those changes is itself the product of an eight year long period of robust growth. As this report is written there are four major markets within Montana that do not meet the HUD standard for affordable owner-occupied housing: Flathead, Missoula, Gallatin, and Ravalli Counties. There is considerable evidence that renters are feeling budget pressure from rents as well.

The remainder of this report explores the factors affecting demand and supply for individual markets in Montana in greater detail.

## Montana's Real Estate Market

### **Organization of Market Data**

Data are provided for each major real estate market. Information is organized in the same manner for each area, although some differences occur in that some data are unavailable or incomplete. A brief discussion of the data sources and their interpretation is provided here.

#### *Total population and components of population change*

The US Census Bureau makes annual estimates of county population. These estimates are derived from administrative records benchmarked to the decennial Census. Births and deaths are added and subtracted to the latest census count. An estimate of net migration is made by matching individual tax return addresses on a yearly basis. Migration in the United States is not tracked by government agencies.

#### *Number of personal exemptions*

These charts are derived from compiling annual estimates of total tax exemptions by change of residence. These data indicate where households are moving to and from. If people are moving to Montana counties from another state in proportionately larger numbers, local real estate markets may be dependent on economic conditions in other regions. If more people are moving to an adjacent county (i.e. Missoula to Ravalli) real estate markets may be more blurred.

#### *Per capita income*

The Bureau of Economic Analysis publishes annual estimates of per capita income. Per capita income is the average income of all individuals and is a generally accepted measure of relative economic prosperity.

#### *Nonfarm labor income*

Nonfarm labor income measures how an economy is doing. The charts show annual percent growth in real terms. Growth rates in negative territory show an economy in decline. Positive growth shows a healthy economy. Real estate markets in growing economies are generally better than those in decline.

#### *Supply of housing*

The supply of housing in this report is measured by the number of lots sold through multiple listing services and building permit activity in permit issuing areas. In Montana, building permits account for only reach a fraction of new construction, but they do indicate how healthy residential construction is in a real estate market.

#### *Current state of housing market*

The current state of a local housing market is measured by the number of single family home sales in a given year. Also included is the median price for sold homes and the number of days on market (DOM).

## Montana's Real Estate Market

### *Median household income*

Median household income is measured by the US Census Bureau American Community Survey (ACS). It is the threshold income where half of households have incomes above and half below. Median household income is a key component of the housing affordability index calculated in the state summary.

### *Income distribution*

Income distribution is measured the US Census Bureau American Community Survey. Income distributions show how family and household incomes are clustered. Skewed distributions may distort markets.

### *Income as a ratio of poverty level*

The Census Bureau establishes a Federal Poverty Level each year based on household size and income. The American Community Survey reports household income as a ratio of income to the poverty level. This ratio indicates how well-off an area is. Households with high ratios are better off. A large household may have a median income but be below to the Federal Poverty Level.

### *Percentage of households spending more than 30 percent of income on housing*

HUD sets 30 percent of income as a lending threshold. Areas with large proportions of households paying more than 30 percent of income for housing generally have low affordability indexes.

### *Regulatory costs*

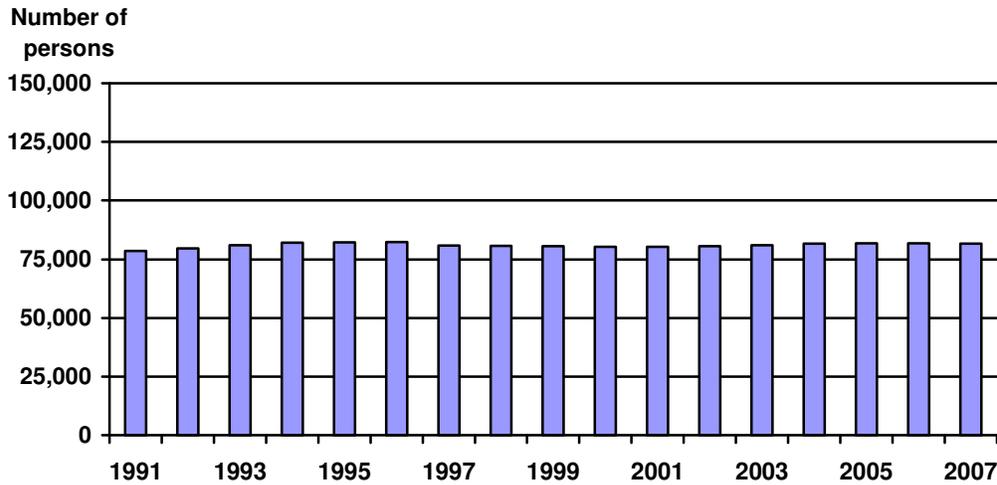
Several Montana counties implemented impact fees to pay for additional infrastructure caused by growth. These regulatory costs are then passed on to homeowners. Regulatory fees can impact the feasibility of "affordable housing" projects. For this report, tables were sent to Montana Building Industry Association members for completion. The assumptions were a 25 lot subdivision of "affordable housing" with several subdivision modifications. Online fee schedules were used to fill out missing data where possible. These fees should be used to illustrate the magnitude of regulatory fees only.

**Cascade County  
Real Estate**

## Factors Driving Demand for Housing in Cascade County

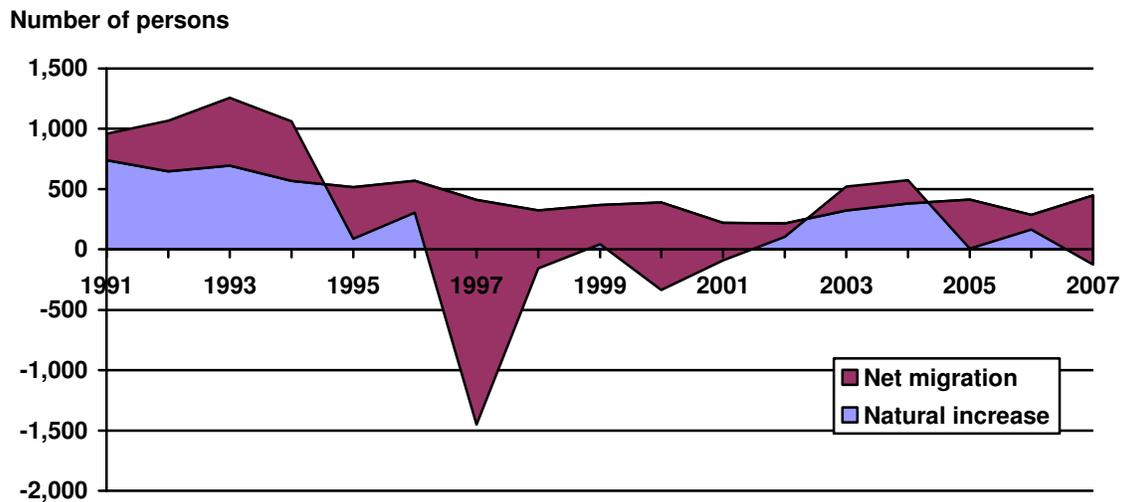
Population in Cascade County has not changed much over the last decade. Cascade County continues to experience net out-migration. About 4,500 persons move out and 4,000 move in annually. A large portion of migrants to and from Cascade County are inter-state migrants tied to personnel changes at Malmstrom Air Force Base.

**Figure 1.1: Total Population, Cascade County; 1991-2007**



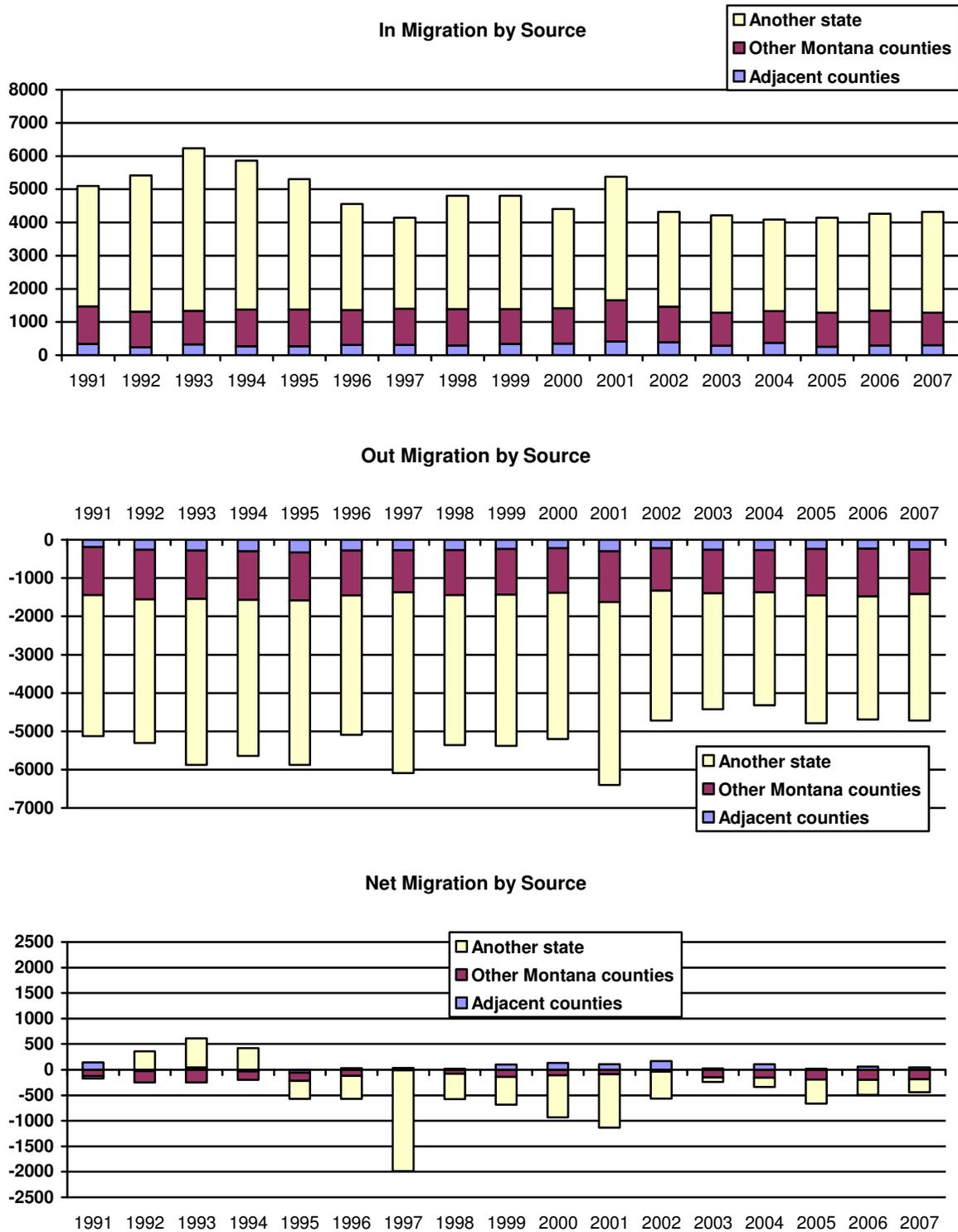
Source: US Census Bureau.

**Figure 1.2: Components of Population Change, Cascade County, 1991-2007**



Source: US Census Bureau.

**Figure 1.3: Number of Personal Exemptions, Cascade County, 1991-2007**

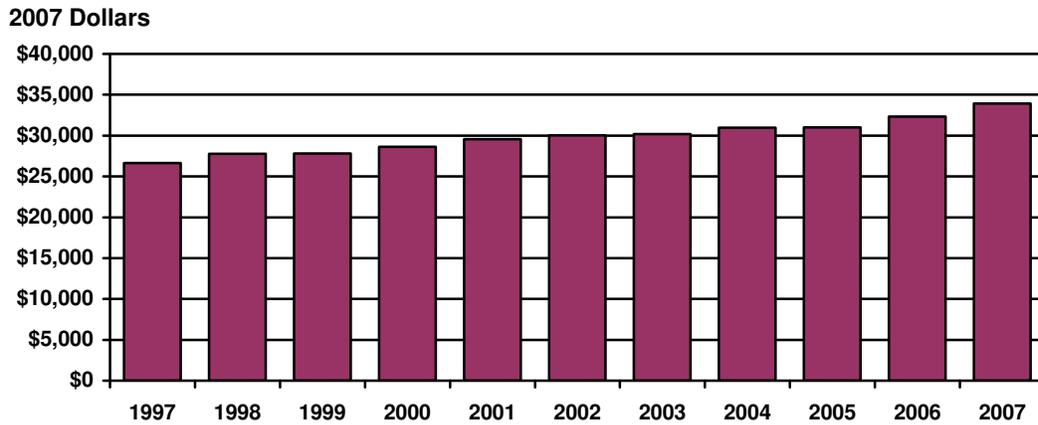


Source: Internal Revenue Service.

## Cascade County Real Estate

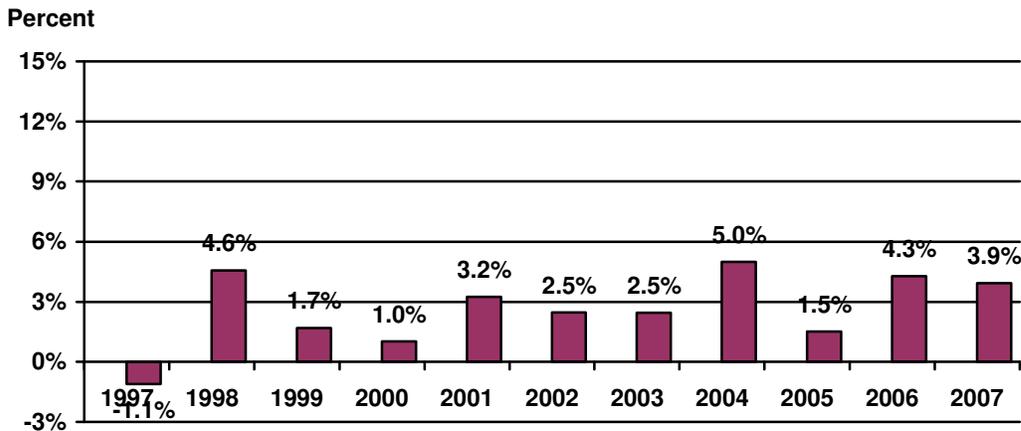
Per capita income is the average income for every person in an area. It increased 18 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Nonfarm income has grown slowly since 2003; between 1.5 percent and 5 percent per year.

**Figure 1.4: Per Capita Income, Cascade County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 1.5: Change in Nonfarm Labor Income, Cascade County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Cascade County

Lot prices in Cascade County are low, reflecting the small number of sales occurring when compared to other urban areas of Montana. Sales peaked in 2005 but declined in years following. Prices have changed very little.

**Table 1.1: Residential Lot Sales, Cascade County**

Year	Lot sales	Median Price	DOM
2002	21	\$24,900	
2003	20	\$17,100	
2004	29	\$25,000	
2005	60	\$32,000	
2006	37	\$25,250	
2007	44	\$28,000	
2008 (Jan-Oct)	32	\$26,500	109

Source: Great Falls Association of REALTORS.

Building permit activity in Great Falls increased between 2001 and 2007. Average cost per unit grew continuously, increasing from \$120,079 in 2001 to \$145,200 in 2006. Building permits for 2008 are roughly half of 2007, but average construction value increased to \$176,700. Permit activity in the unincorporated areas peaked in 2006.

**Table 1.2: Building Permits, Cascade County Permitting Areas**

### City of Great Falls Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	113	0	48	161	\$151,034		\$47,208	\$120,079
2002	112	0	8	120	157,341		39,000	149,451
2003	142	0	32	174	142,101		52,723	125,663
2004	148	2	42	192	141,609	\$62,286	43,333	119,285
2005	185	16	28	229	146,017	70,959	89,777	133,896
2006	188	4	7	199	148,096	56,471	119,269	145,240
2007	210	0	76	286	164,074		44,737	132,362
2008(Jan-Oct)	102	2		104	178,886	66,277		176,720

### Unincorporated Areas of Cascade County Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2003	27	0	0	27	\$166,038			\$166,038
2004	32	0	0	32	163,714			163,714
2005	87	0	0	87	173,676			173,676
2006	121	0	0	121	186,318			186,318
2007	30	0	0	30	150,000			150,000

Source: US Census Bureau, Construction Statistics

## Current State of Cascade County's Housing Market

Cascade County remains the most affordable urban county in Montana to purchase a new home. Median price for a single family home was only \$147,500 in 2008. Sales remained constant at around 1,100-1,300 per year. It appears that sales activity slowed as Jan-Oct 2008 sales were 955 with only a 1.7 percent increase in median price over 2007.

**Table 1.3: Residential Home Sales, Cascade County**

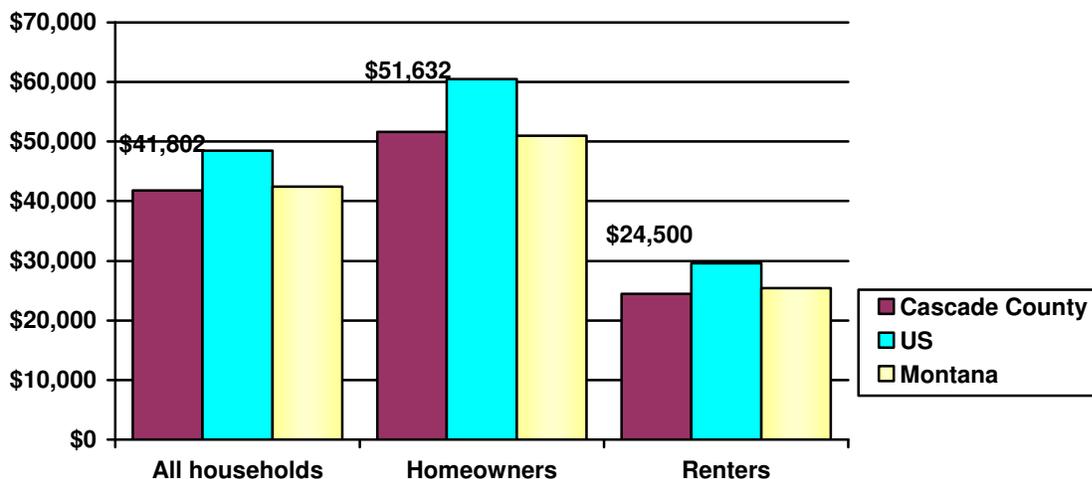
Year	Residential Sales	Median Price	Percent Change	DOM
2002	1,090	\$94,500		81
2003	1,228	109,900	16.3%	72
2004	1,164	108,000	-1.7%	68
2005	1,185	125,000	15.7%	57
2006	1,305	135,680	8.5%	59
2007	1,229	145,000	6.9%	58
2008 (Jan-Oct)	955	147,500	1.7%	96

Source: Great Falls Association of REALTORS.

## Housing Affordability Scorecard

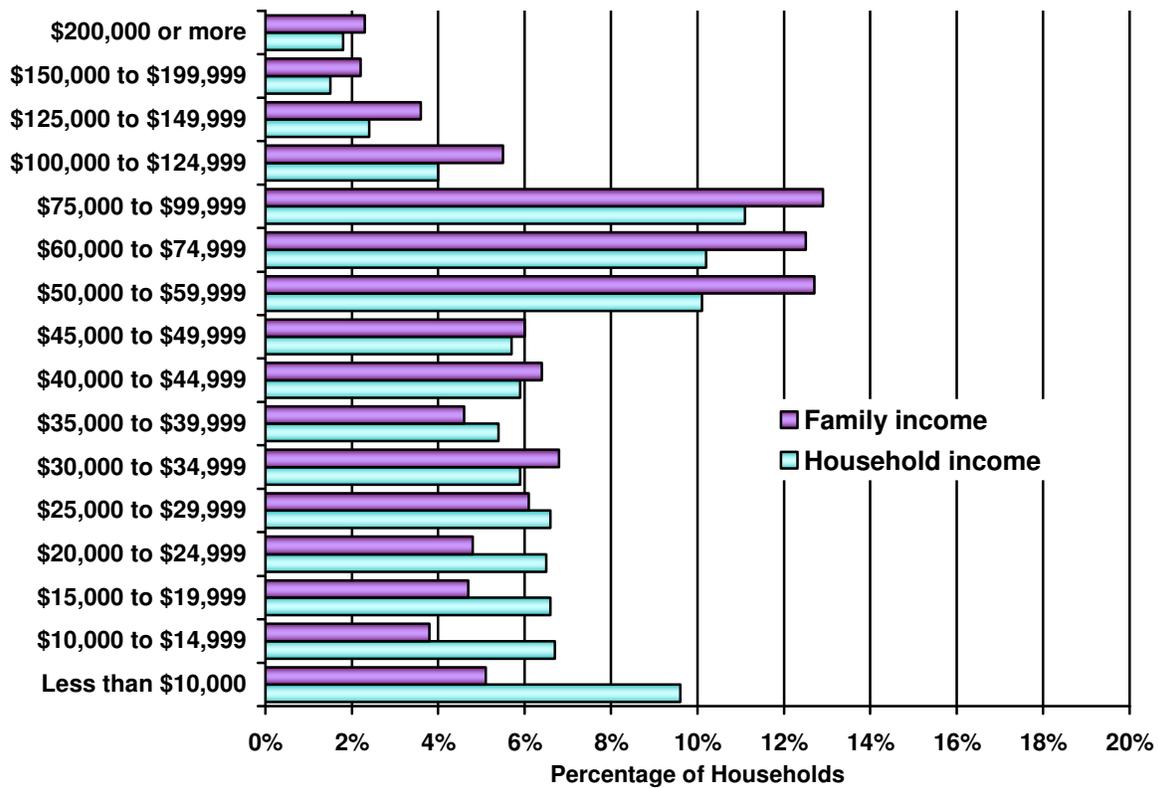
Median income for Cascade County households is comparable to the Montana median. About 40 percent of Cascade County families have incomes between 50 and 100 thousand dollars. Less than 10 percent of families have incomes over \$100,000. The poverty rate for Cascade County is 12.9 percent.

**Figure 1.6: Median Household Income, Cascade County, 2007**



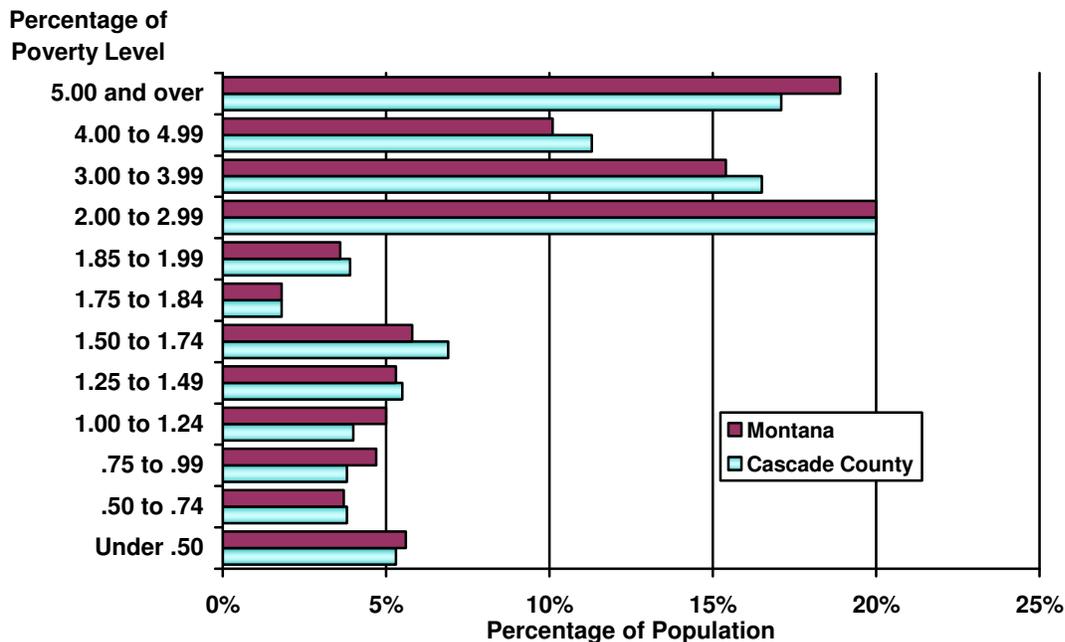
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 1.7: Income Distribution, Cascade County, 2007**



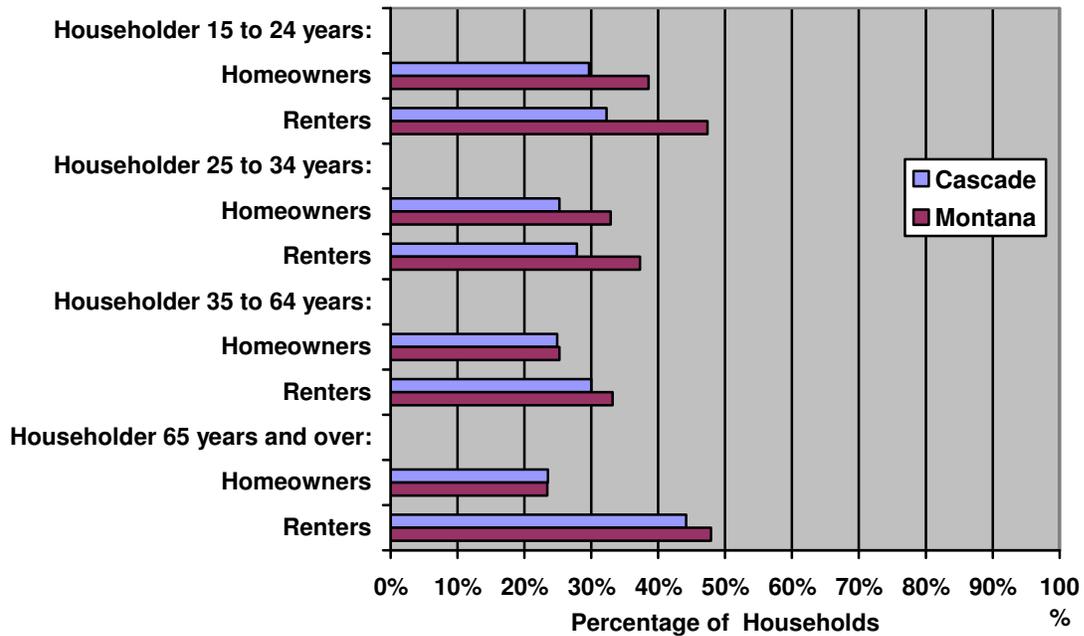
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 1.8: Income as a Ratio of Poverty Level, Cascade County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 1.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Cascade County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

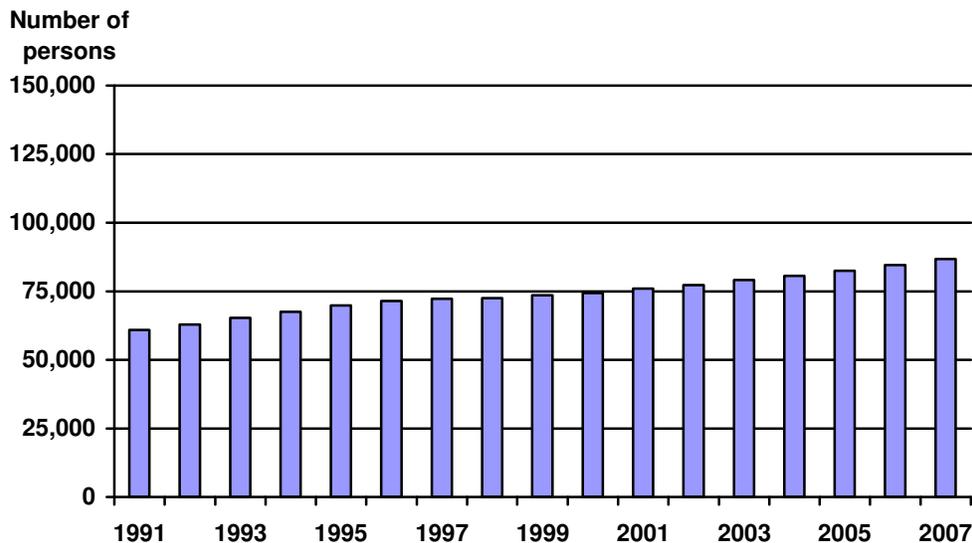
Housing is very affordable in Cascade County when compared to other areas of Montana. Households in Cascade County pay more than 30 percent of their incomes for housing in proportions less than all Montana.

# **Flathead County Real Estate**

## Factors Driving Demand for Housing in Montana

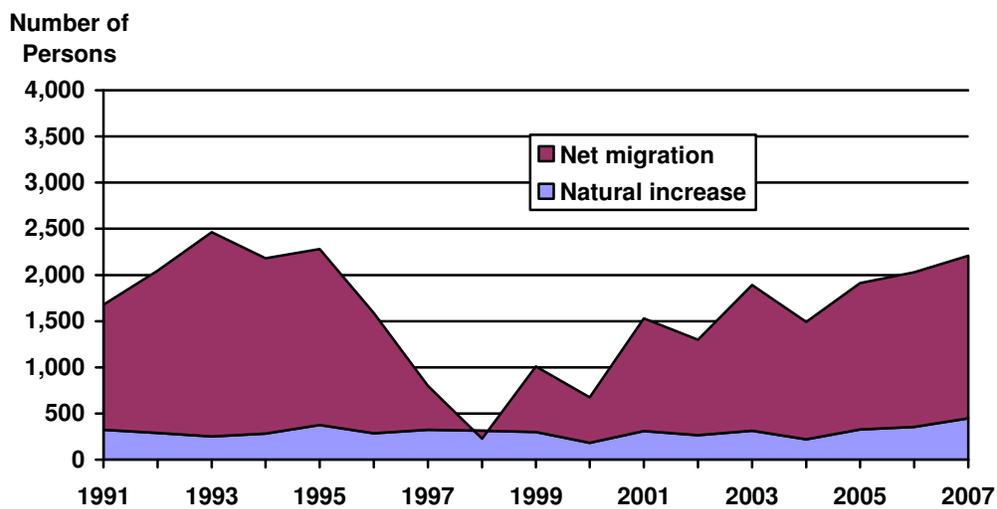
Population in Flathead County continues to grow. It passed 80,000 persons in 2003. Growth is driven by about 1,000 more persons moving into Flathead County than move out. About 5,000 persons move out and 6,000 move in annually. Most migrants to Flathead County come from other states. Changes in inter-state migration drive population change in Flathead County.

**Figure 2.1: Total Population, Flathead County; 1991-2007**



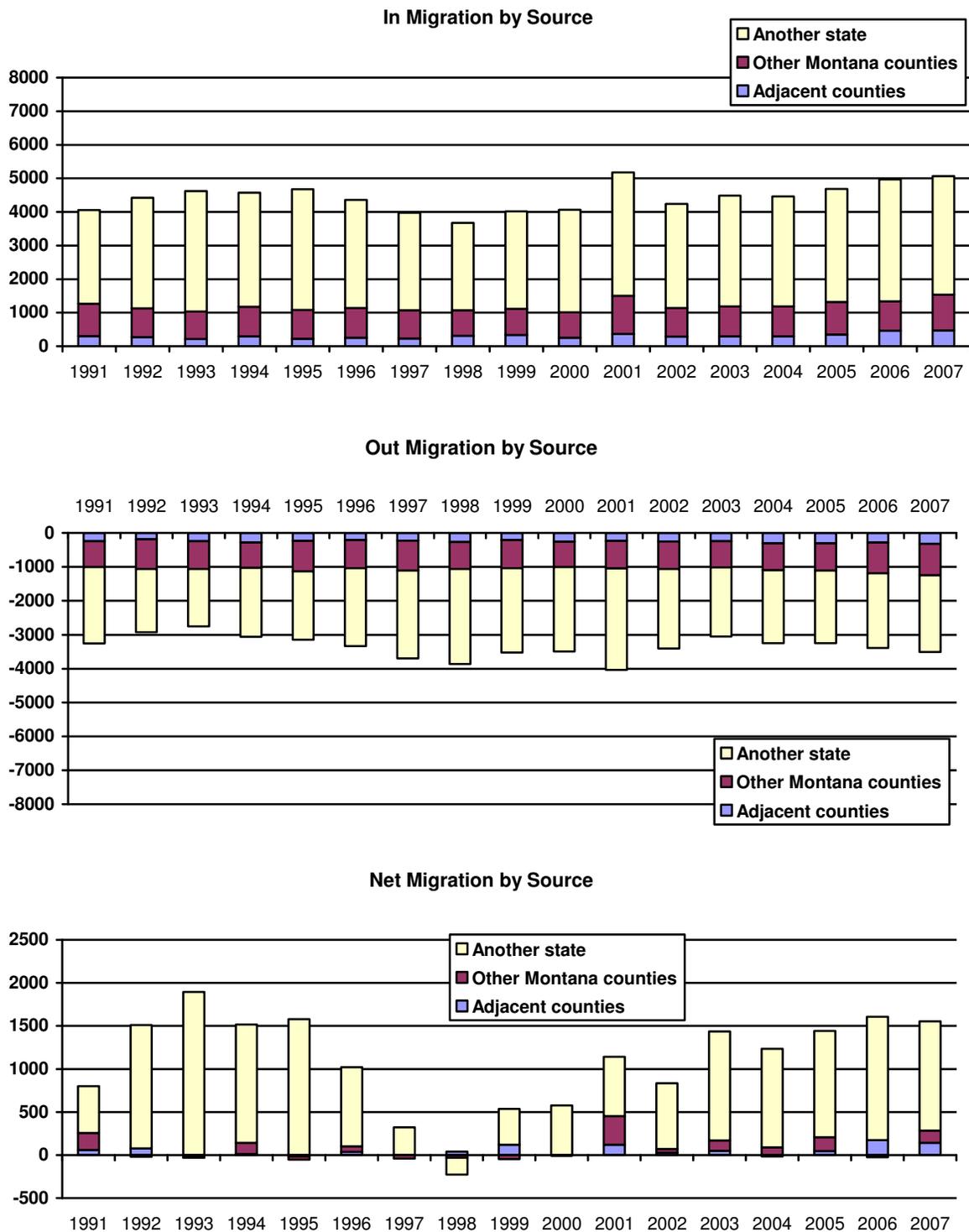
Source: US Census Bureau.

**Figure 2.2: Components of Population Change, Flathead County, 1991-2007**



Source: US Census Bureau.

**Figure 2.3: Number of Personal Exemptions, Flathead County, 1991-2007**

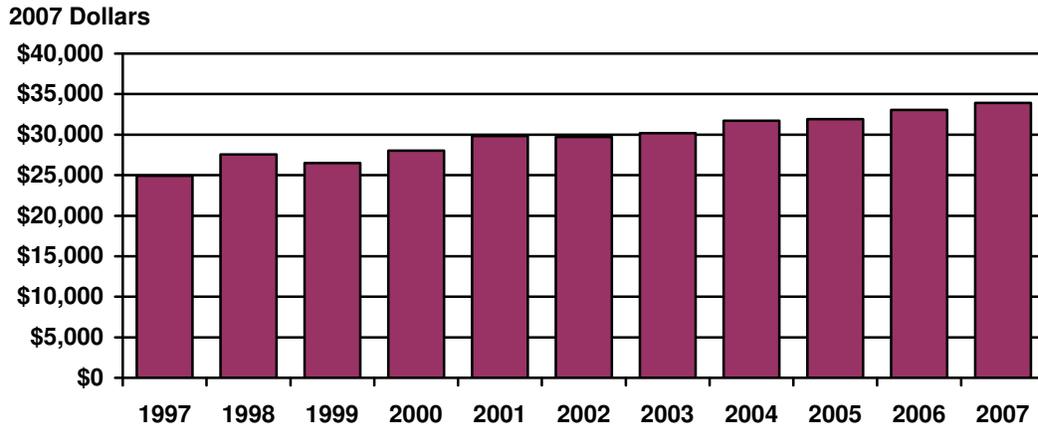


Source: Internal Revenue Service.

## Flathead County Real Estate

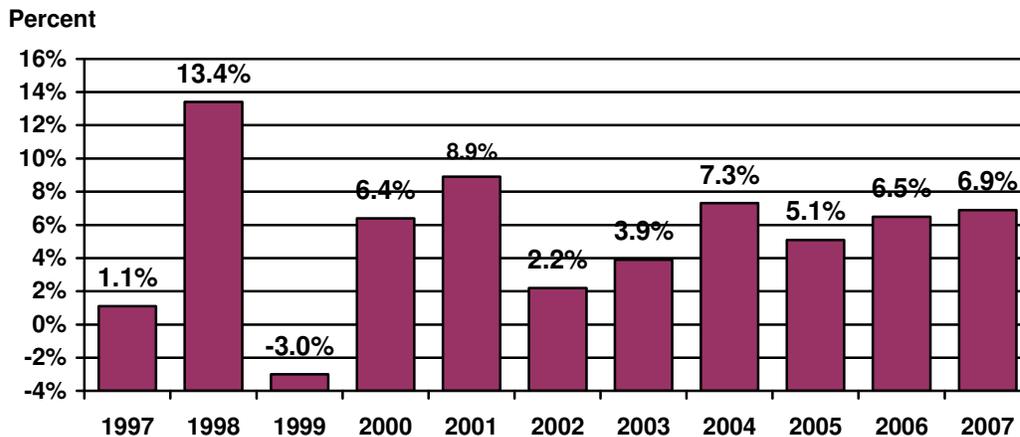
Per capita income is the average income for every person in an area. It increased 21 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Nonfarm income grew rapidly since 2003; over 6 percent per year.

**Figure 2.4: Per Capita Income, Flathead County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 2.5: Change in Nonfarm Labor Income, Flathead County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Flathead County

Sales of residential lots peaked in 2005. In 2007, lot sales were about half of those sold in 2006. They declined another 50 percent in 2008. Median residential lot prices rose rapidly during the decade to about \$120,000 in 2007. They declined slightly to about \$115,000 so far during 2008.

**Table 2.1: Residential Lot Sales, Flathead County**

<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>
2001	660	\$48,900
2002	778	55,000
2003	881	62,000
2004	953	69,000
2005	1,149	92,000
2006	816	116,750
2007	490	120,000
2008 (Jan-Jun)	172	115,000

Source: Northwest Montana Association of Realtors.

Building permits for the permit issuing areas of Flathead County were robust during the early part of the decade, but have declined precipitously in 2008. Whitefish has some of the higher valuations for permitted construction in Montana, but average value declined sharply during 2008.

**Table 2.2: Building Permits, Flathead County Permitting Areas****City of Kalispell Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multi-family	Total	Single family	Duplex	Multifamily	Total
2001	119	44	6	169	\$110,441	\$88,821	\$92,931	\$104,191
2002	174	24	88	286	101,046	88,842	56,981	86,463
2003	151	40	23	217	113,666	99,906	81,122	107,596
2004	249	64	119	432	109,140	82,622	71,879	94,947
2005	318	22	14	354	117,932	84,736	86,451	114,624
2006	286	16	28	330	148,583	89,267	92,269	140,929
2007	217	12	91	320	140,194	100,045	63,326	116,829
2008(Jan-Oct)	111	28	33	172	150,840	71,921	96,010	127,473

**Town of Columbia Falls Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	17	0	0	17	\$123,167			\$123,167
2002	28	0	0	28	155,390			150,390
2003	66	0	8	74	143,354		\$150,000	144,072
2004	40	6	48	94	182,662	\$54,197	72,360	118,137
2005	57	8	16	81	195,491	148,719	97,612	171,537
2006	35	24	18	77	225,636	140,391	126,565	175,907
2007	25	12	0	37	226,301	182,383		212,057

**Town of Whitefish Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	76	0	30	106	\$351,285		\$78,133	\$273,978
2002	87	12	4	103	277,383	134,477	91,150	253,502
2003	103	12	32	147	307,220	108,146	83,807	242,335
2004	85	0	58	143	336,788		147,669	260,082
2005	136	0	153	289	340,709		156,354	243,109
2006	101	8	23	132	462,745	284,243	188,018	404,057
2007	36	6	32	74	403,149	237,900	221,702	311,287
2008(Jan-Oct)	31	4		35	286,671	116,331		267,204

Source: US Census Bureau, Construction Statistics

## Current State of Flathead County’s Housing Market

Residential real estate sales were vibrant until 2005. Median prices were growing in the double digits. The number of annual sales approached 2,000. In 2007, the number of sales dropped to 2001 levels although the median price was 6 percent higher than 2006. So far in 2008 residential real estate sales are about 40 percent of 2007 levels and prices declined nearly 10 percent. Days on the market increased to 170 days.

**Table 2.3: Residential Home Sales, Flathead County**

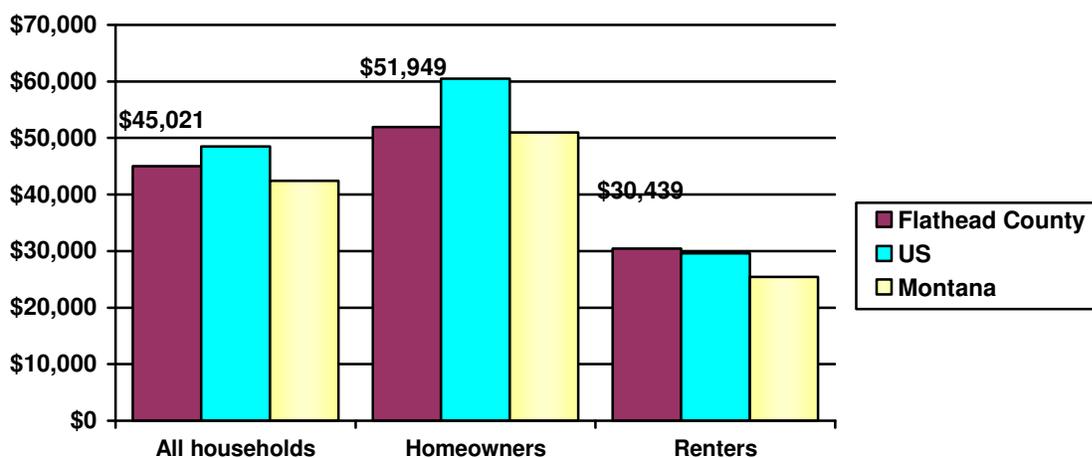
Year	Residential sales	Median Price	Percent Change	DOM
2001	1,389	\$128,500		175
2002	1,517	136,000	5.8%	168
2003	1,573	157,100	15.5%	151
2004	1,724	178,500	13.6%	142
2005	1,761	215,000	20.4%	149
2006	1,802	234,900	9.3%	155
2007	1,358	249,000	6.0%	153
2008 (Jan-Oct)	544	225,000	-9.6%	170

Source: Northwest Montana Association of Realtors.

## Housing Affordability Scorecard

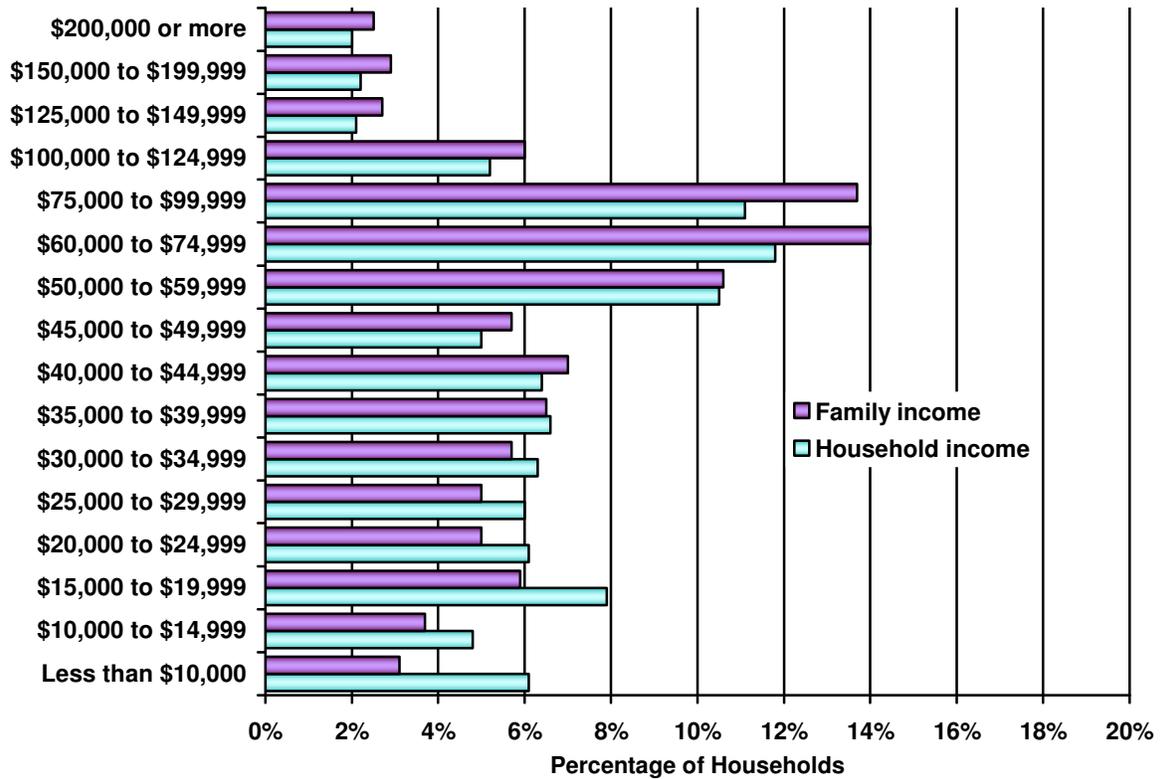
Flathead median household income was slightly higher than Montana but below the national median. Almost eleven percent of Flathead County households have incomes below the Federal Poverty Level.

**Figure 2.6: Median Household Income, Flathead County, 2007**



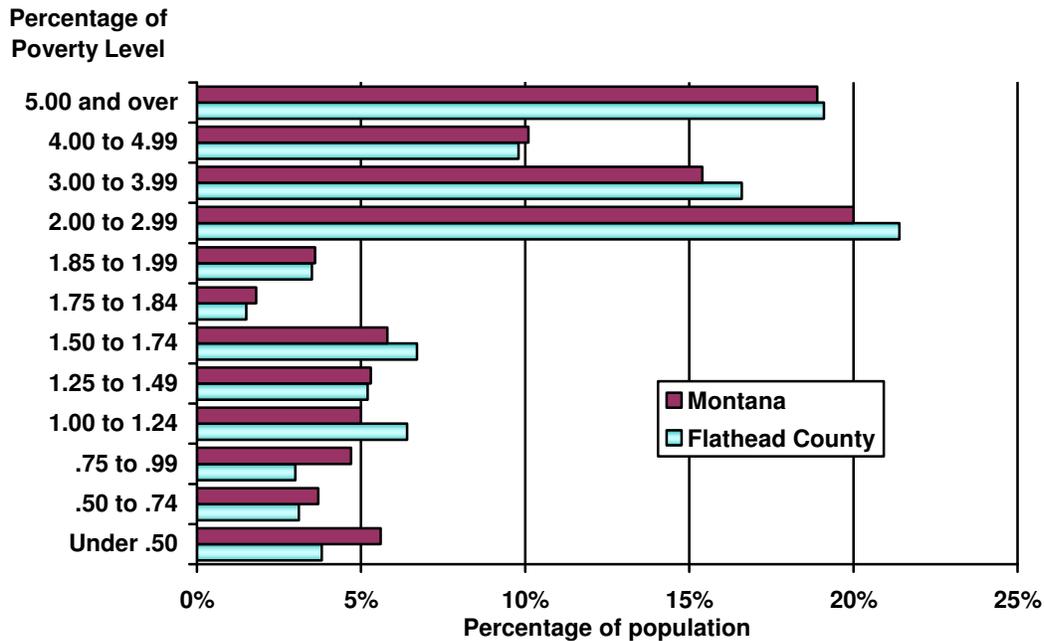
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 2.7: Income Distribution, Flathead County, 2007**



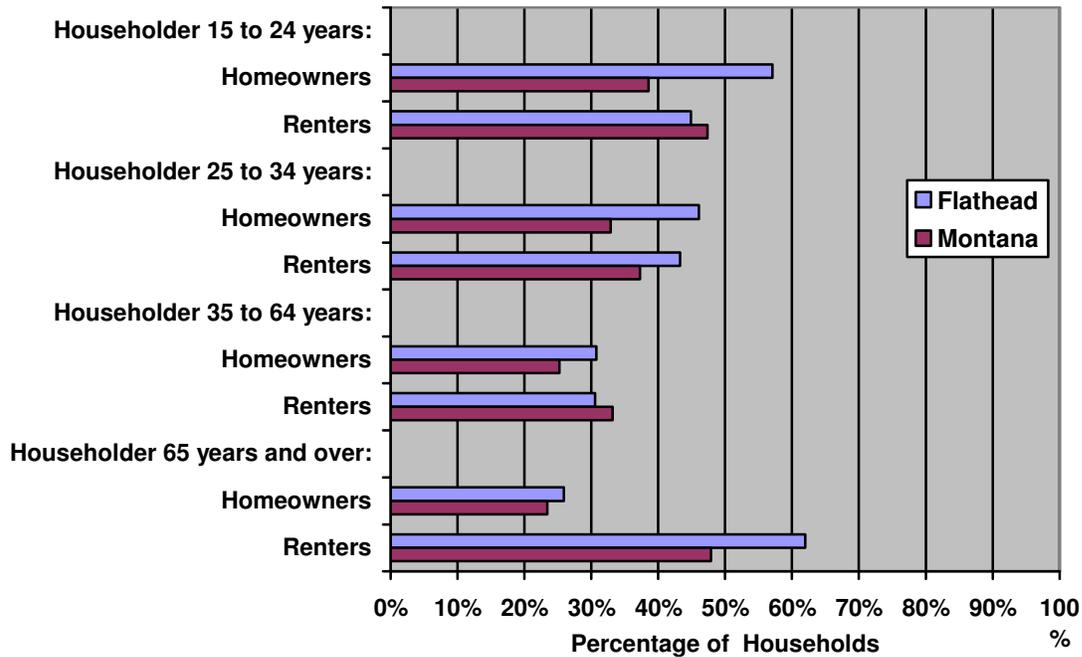
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 2.8: Income as a Ratio of Poverty Level, Flathead County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 2.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Flathead County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

Elderly renters and younger homeowners are large groups of householders paying more than 30 percent of their income for housing in proportions substantially higher than Montana as a whole. Over sixty percent of elderly renters pay over 30 percent of their income towards housing.

## Kalispell Regulatory Fees

Impact fees are noticeable part of building a subdivision of affordable housing in Flathead County, over \$8,000 per unit.

**Table 2.4 Kalispell Regulatory Fees**

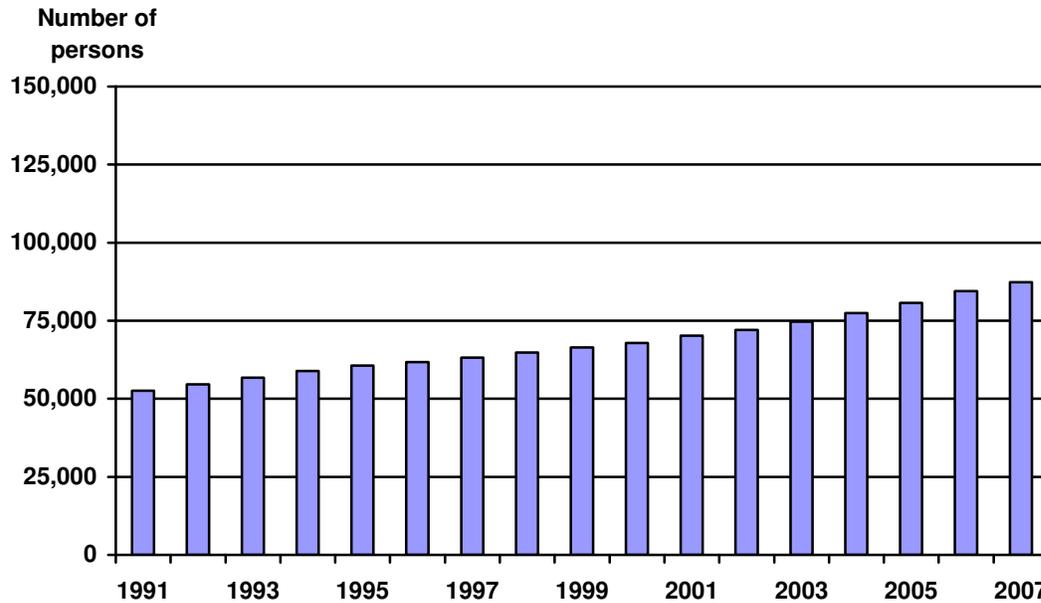
	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$8,108
Zoning fees	\$990	40
Zone map amendment	590	
Zone text amendment	400	
Subdivision fees	8,300	332
Pre-application review	50	
Preliminary Plat 25 lots	4,125	
Final Plat Filing Review	3,925	
Variance from subdivision standards	200	
Impact fees		6,424
Street		
Fire		547
Water		2,213
Police		44
Stormwater		1,121
Sewer		2,499
Permits		980
Building		920
Plan review		50
Mechanical		
Electrical (state)		
Plumbing (state)		
Stormwater		10

# **Gallatin County Real Estate**

## Factors Driving Demand for Housing in Gallatin County

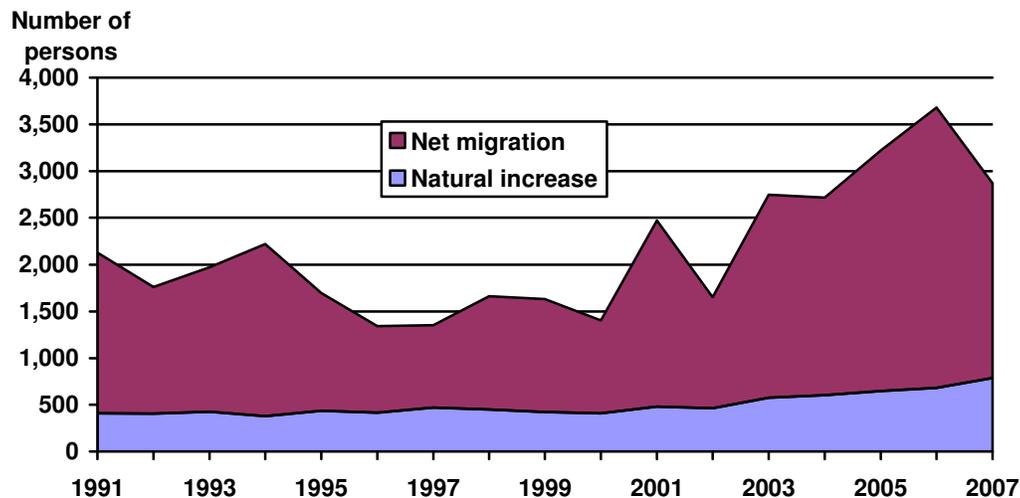
Population in Gallatin County continues to grow. It passed 75,000 persons in 2004. Growth is driven by about 1,000 more persons moving into Gallatin County than move out. About 5,000 persons move out and 6,000 move in annually. A large portion of migrants to Gallatin County come from other states. Changes in inter-state migration drive population change in Gallatin County.

**Figure 3.1: Total Population, Gallatin County; 1991-2007**



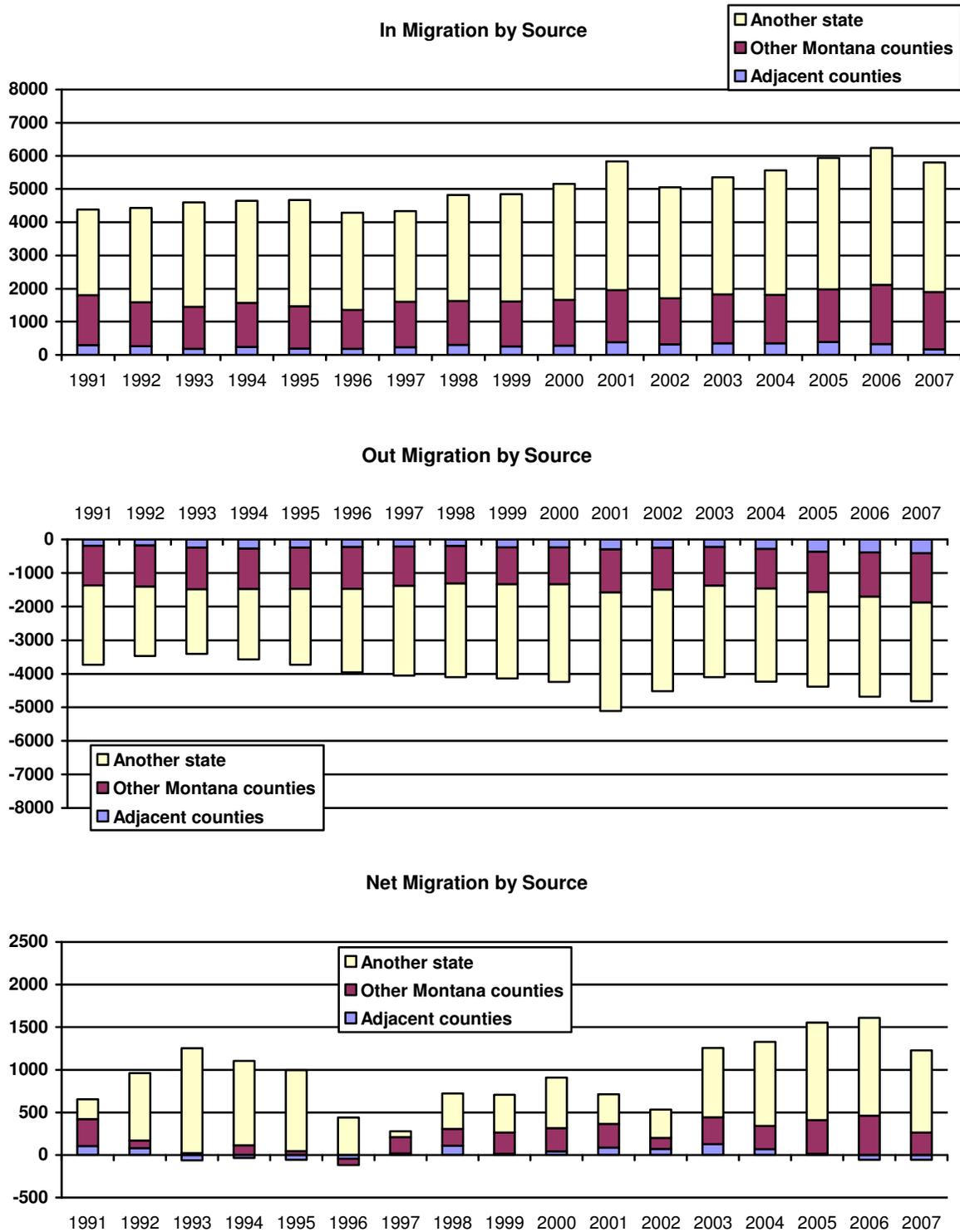
Source: US Census Bureau.

**Figure 3.2: Components of Population Change, Gallatin County, 1991-2007**



Source: US Census Bureau.

**Figure 3.3: Number of Personal Exemptions, Gallatin County, 1991-2007**

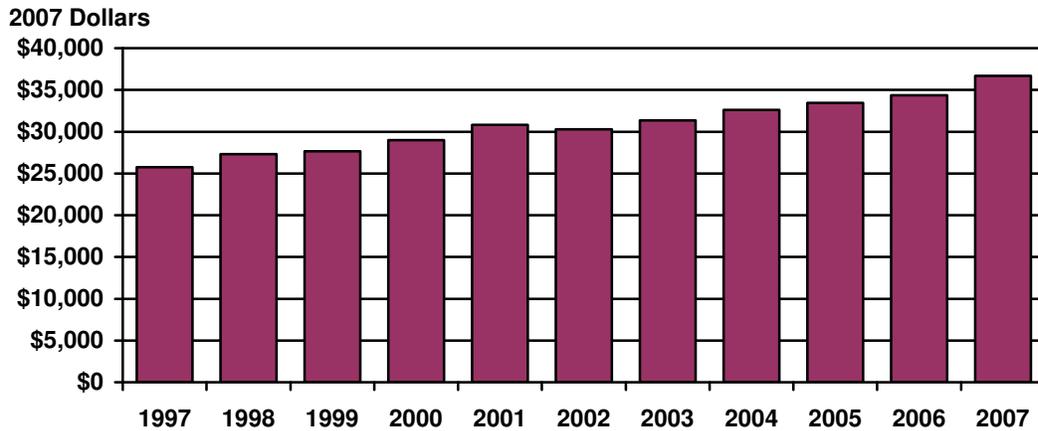


Source: Internal Revenue Service.

## Gallatin County Real Estate

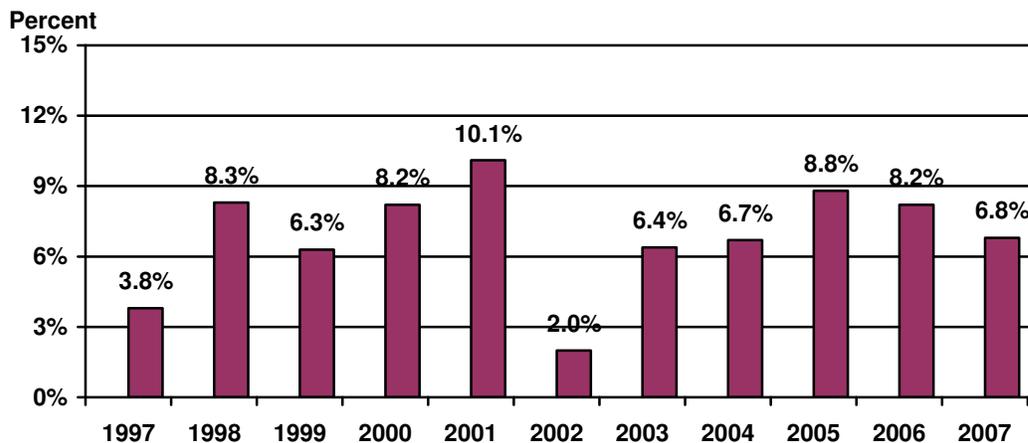
Per capita income is the average income for every person in an area. It increased 26 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Nonfarm income grew rapidly since 2003; over 6 percent per year.

**Figure 3.4: Per Capita Income, Gallatin County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 3.5: Change in Nonfarm Labor Income, Gallatin County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Land costs in Gallatin County have been relatively stable since 2005, however are showing signs of increasing in the areas outside of Bozeman. Number of sales peaked in 2006 while price peaked in 2007 at a median price of \$97,900 per lot. The number of lot sales so far in 2008 is about half of the corresponding numbers for 2007.

**Table 3.1: Residential Lot Sales, Gallatin County**

<b>County Totals</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	642	\$46,500	165
2004	763	56,500	176
2005	474	88,500	149
2006	626	79,900	68
2007	277	97,900	191
2008 (Jan-Oct)	160	87,600	183

<b>Bozeman and Surrounding Area</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	326	\$62,700	165
2004	290	69,750	235
2005	345	95,000	159
2006	448	77,950	76
2007	215	99,000	209
2008 (Jan-Oct)	117	82,000	184

<b>Belgrade and Surrounding Area</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	278	\$34,550	224
2004	400	38,900	121
2005	78	67,200	133
2006	132	79,900	43
2007	39	70,000	96
2008 (Jan-Oct)	9	103,500	108

<b>Manhattan and Surrounding Area</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	9	\$54,000	144
2004	4	69,575	203
2005	24	66,250	44
2006	8	89,000	59
2007	3	270,000	18
2008 (Jan-Oct)	16	70,350	248

<b>Three Forks and Surrounding Area</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	14	\$36,000	227
2004	13	45,000	64
2005	38	65,950	88
2006	64	58,000	128
2007	38	52,450	204
2008 (Jan-Oct)	11	45,200	140

<b>Gallatin Canyon/Big Sky/West Yellowstone Areas</b>			
<b>Year</b>	<b>Lot sales</b>	<b>Median Price</b>	<b>DOM</b>
2003	15	\$95,000	375
2004	67	136,000	258
2005	26	192,500	159
2006	29	299,000	70
2007	16	159,500	180
2008 (Jan-Oct)	17	275,000	151

Source: Gallatin Association of REALTORS.

## Gallatin County Real Estate

Building permits in Gallatin County remained fairly stable throughout the decade. So far in 2008, permit levels for Bozeman and the unincorporated portion of Gallatin County are about half 2007 numbers. The average value of construction is up slightly.

**Table 3.2: Building Permits, Gallatin County Permitting Areas**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single	Duplex	Multifamily	Total
					family			
2001	260	50	92	402	\$116,910	\$90,404	\$69,712	\$102,811
2002	289	52	161	502	126,981	99,940	65,774	104,550
2003	344	90	172	606	152,536	112,304	80,608	126,146
2004	328	118	397	843	169,612	128,627	88,477	125,666
2005	337	128	430	895	182,964	144,743	108,378	141,663
2006	303	66	282	651	212,971	179,435	126,263	172,011
2007	287	80	383	750	199,516	165,330	104,118	147,153
2008(Jan-Oct)	125	28	93	249	202,622	163,346	125,752	168,569

Source: US Census Bureau, Construction Statistics

Gallatin County Real Estate

**Town of Belgrade Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	28	14	78	120	\$39,947	\$64,429	\$36,175	\$40,352
2002	13	22	34	69	55,369	42,289	50,873	48,983
2003	18	12	28	58	73,086	32,939	39,416	48,525
2004	16	10	28	54	106,363	72,634	38,692	65,028
2005	69	8	39	116	132,141	88,620	66,913	107,209
2006	93	10	88	191	161,067	92,462	77,045	118,764
2007	43	16	15	74	168,762	159,967	144,891	162,022

**Town of Three Forks Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	9	0	0	9	\$152,694			\$152,694
2002	10	4	0	14	151,370	\$97,559		135,995
2003	13	4	0	17	157,774	95,996		143,238
2004	6	0	0	6	163,714			163,714
2005	10	0	0	10	135,000			135,000
2006	7	0	0	7	186,318			186,318
2007	9	2	0	11	202,573	126,652		188,769

**Unincorporated Gallatin County Building Permits**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	34	0	36	70	\$51,000		\$102,944	\$77,714
2002	66	4	18	88	72,803	\$195,000	155,833	95,341
2003	0	14	55	69		113,393	76,318	83,841
2004	954	0	56	1,010	172,634		93,749	168,260
2005	617	2	6	625	171,335	96,946	99,340	170,406
2006	653	50	78	781	182,930	107,082	104,453	170,236
2007	468	0	8	476	197,641		115,067	196,253
2008(Jan-Oct)	193	8	24	225	215,262	140,454	123,255	202,788

Source: US Census Bureau, Construction Statistics

## Current State of Gallatin County's Housing Markets

Residential sales declined sharply over the last year, especially in the outlying areas where sales are about half of last year. Median prices declined throughout the county. Days on the market also increased from 89 in 2007 to 117 in 2008.

The Gallatin Canyon and Big Sky experienced price declines of more than 25 percent per year over the last two years. In 2008, the median price was \$795,000 down from \$1.1 million in 2007. In the Gallatin Canyon-Big Sky areas days on market increased from 80 in 2006 to 309 so far in 2008.

**Table 3.3: Residential Home Sales, Gallatin County**

<b>Gallatin County Totals</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	1,017	\$189,900		74
2004	1,131	230,000	21.1%	74
2005	1,233	271,500	18.0%	65
2006	1,081	310,000	14.2%	65
2007	968	300,000	-3.2%	89
2008 (Jan-Oct)	618	286,700	-4.4%	117

<b>Bozeman</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	703	\$217,000		69
2004	728	258,250	19.0%	65
2005	815	300,000	16.2%	62
2006	652	340,851	13.6%	63
2007	552	326,550	-4.2%	83
2008 (Jan-Oct)	422	308,850	-5.4%	106

<b>Belgrade</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	214	\$147,950		70
2004	280	169,900	14.8%	68
2005	282	210,075	23.6%	52
2006	284	236,950	12.8%	65
2007	269	239,400	1.0%	79
2008 (Jan-Oct)	130	227,650	-4.9%	111

<b>Manhattan</b>				
<b>Year</b>	<b>Residential Sales</b>	<b>Median Price</b>	<b>Percent Change</b>	<b>DOM</b>
2003	32	\$151,750		80
2004	37	172,000	13.3%	80
2005	43	199,500	16.0%	48
2006	55	295,000	47.9%	79
2007	49	245,000	-16.9%	78
2008 (Jan-Oct)	20	209,950	-14.3%	114

## Gallatin County Real Estate

Year	Three Forks		Percent Change	DOM
	Residential Sales	Median Price		
2003	42	\$115,250		110
2004	42	139,900	21.4%	119
2005	46	149,450	6.8%	55
2006	37	195,000	30.5%	52
2007	31	212,000	8.7%	105
2008 (Jan-Oct)	18	204,950	-3.3%	77

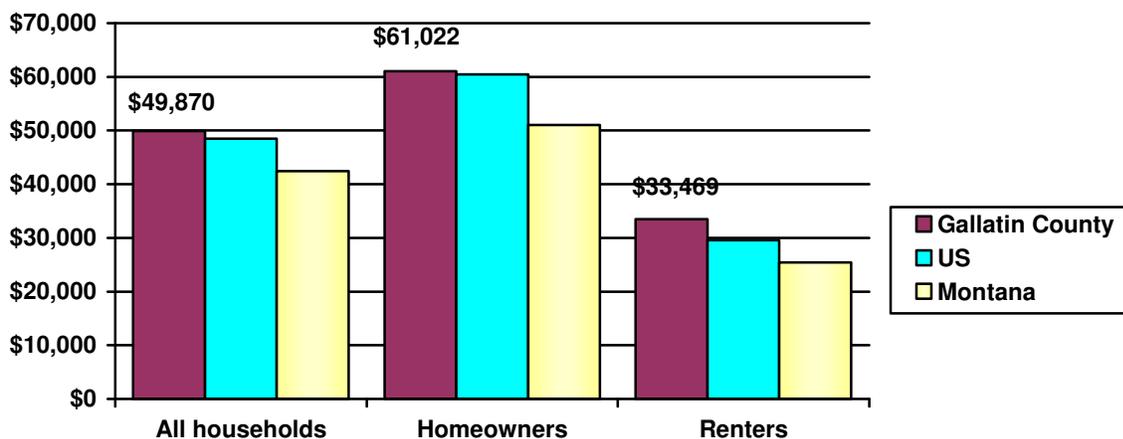
Year	Gallatin Canyon/Big Sky/West Yellowstone		Percent Change	DOM
	Residential Sales	Median Price		
2003	26	\$322,500		183
2004	44	425,000	31.8%	205
2005	47	520,000	22.4%	207
2006	53	1,550,000	198.1%	80
2007	66	1,102,500	-28.9%	179
2008 (Jan-Oct)	31	795,000	-27.9%	309

Source: Gallatin Association of REALTORS

## Housing Affordability Scorecard

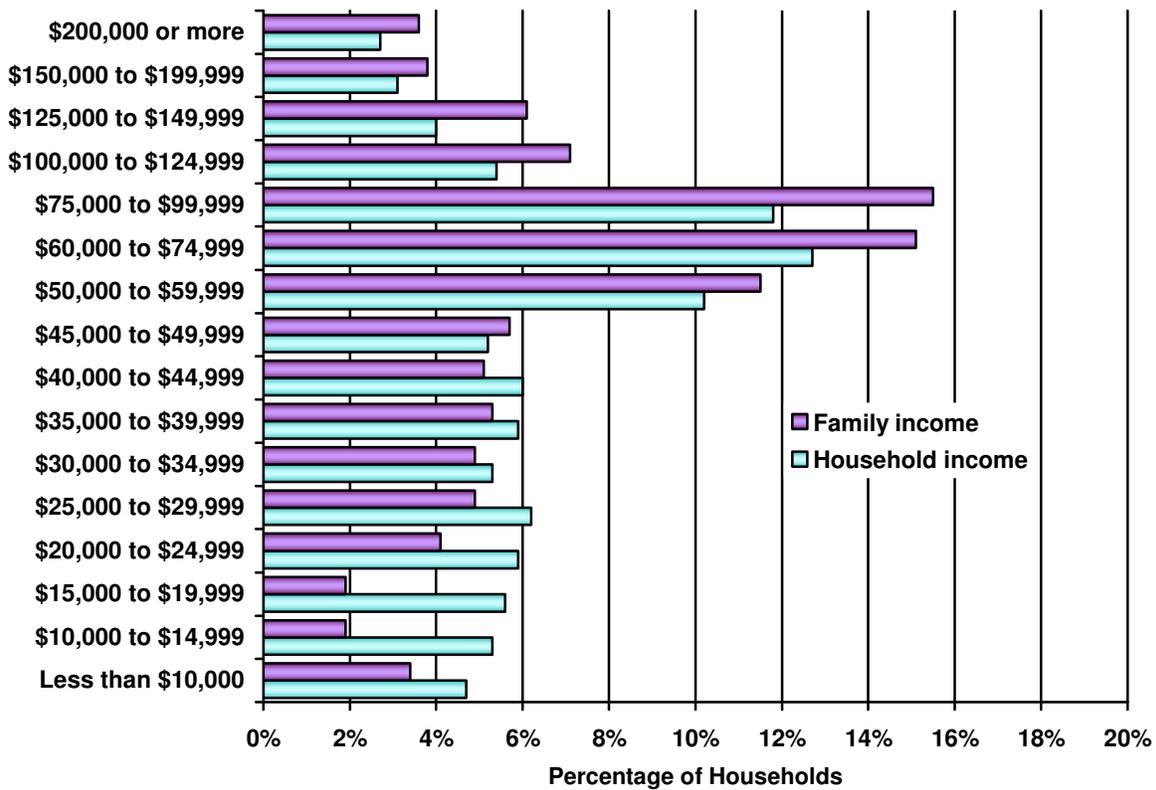
Median incomes in Gallatin County are higher than both Montana and the US. About a quarter of Gallatin County household incomes are over 5 times the Federal Poverty Level. About half of Gallatin County households have income 3 times the Federal Poverty Level. Just over 12 percent of Gallatin households are under the Federal Poverty Level.

**Figure 3.6: Median Household Income, Gallatin County, 2007**



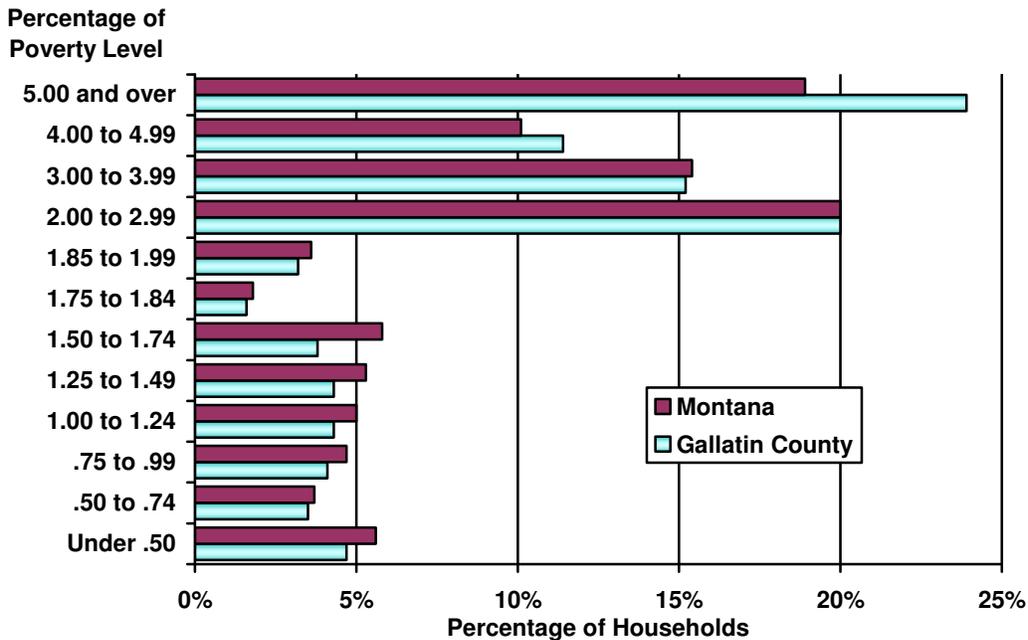
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 3.7: Income Distribution, Gallatin County, 2007**



Source: US Census Bureau, American Community Survey, 2005-2007.

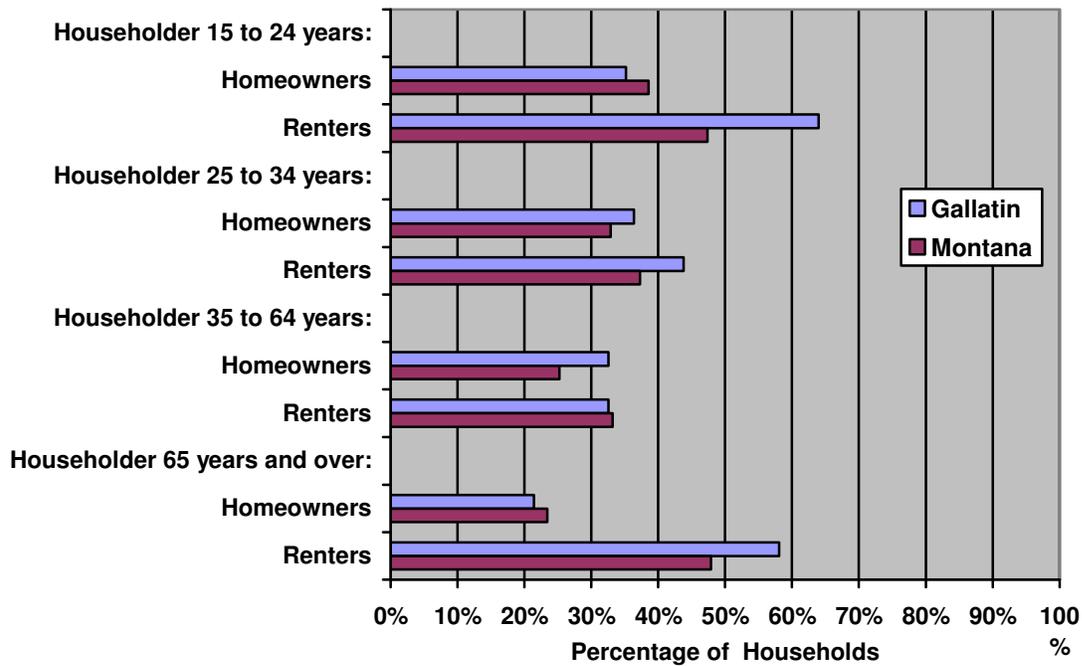
**Figure 3.8: Income as a Ratio of Poverty Level, Gallatin County, 2007**



Source: US Census Bureau, American Community Survey, 2005-2007.

Homeowners paying over 30 percent of their income to housing are about the state average. On the other hand, a majority of renters pay more than 30 percent of their income towards housing.

**Figure 3.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Gallatin County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

## Bozeman Regulatory Costs

Regulatory fees for a 25 lot subdivision of affordable housing in Bozeman are the highest among Montana communities; about \$10,350 per unit. Bozeman impact fees are adjusted for affordability, higher value housing pays more.

**Table 2.4 Bozeman Regulatory Fees**

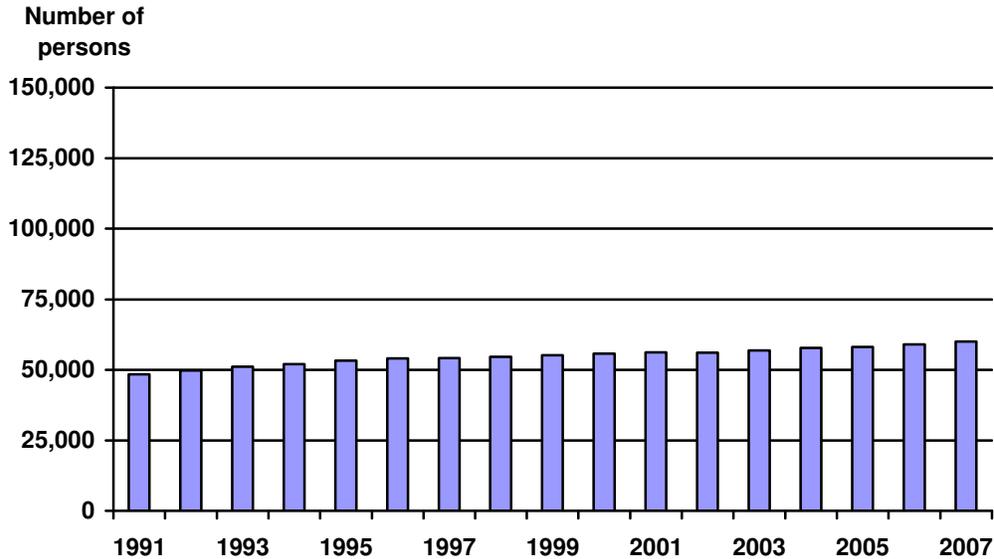
	Cost	
	Total	Per lot
Total		\$10,351
Zoning fees	\$1,970	79
Land use permit	250	
Site plan review	250	
Zone map amendment	820	
Zone text amendment	650	
Subdivision fees	5,420	217
Pre-application review	250	
Preliminary Plat 25 lots	1,875	
Final Plat Filing Review	700	
Variance from subdivision standards	700	
Vacation of recorded plats	175	
Plat extension	120	
Improvements agreement	600	
Plat amendments	400	
Condition amendments	600	
Floodplain Determination	500	20
Fire protection review fees	1,580	63
Pre-application review	100	
Preliminary Plat 25 lots	750	
Final Plat Filing Review	150	
Change of preliminary plat conditions	250	
Fire protection water supply testing	330	
Fire sprinkler system plan review and testing		200
Impact fees		9,175
Street		1,888
Fire		780
Water		3,438
Sewer		3,069
Permits		597
Building		362
Plan review		235
Mechanical		
Electrical (state)		
Plumbing (state)		

**Lewis & Clark County  
Real Estate**

## Factors Driving Demand for Housing in Montana

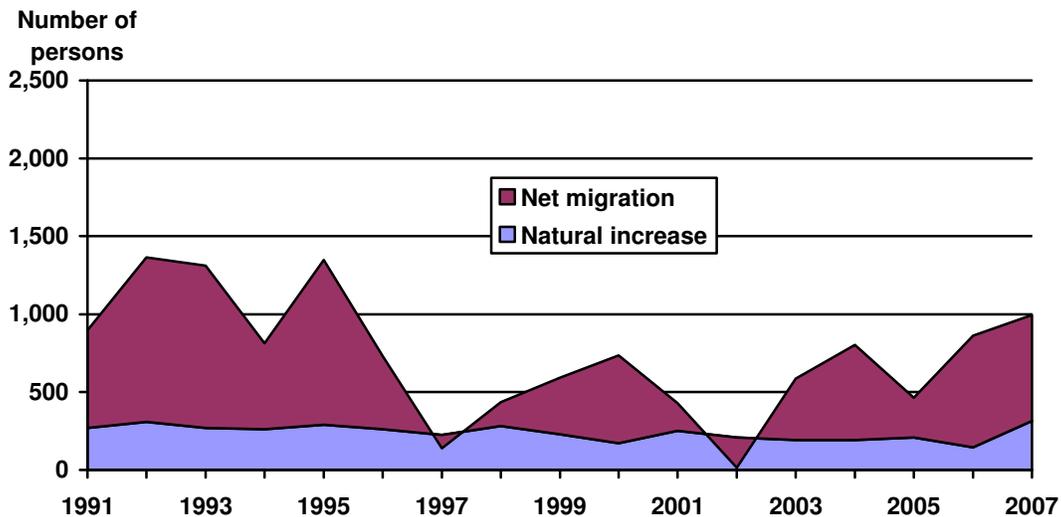
Lewis & Clark County's population continues to grow. Growth is driven by about 750 more persons moving into Lewis & Clark County than move out. Most migrants come from out of state. Broadwater County gets some of the out-migrants so they have not really left the area.

**Figure 4.1: Total Population, Lewis & Clark County, 1991-2007**



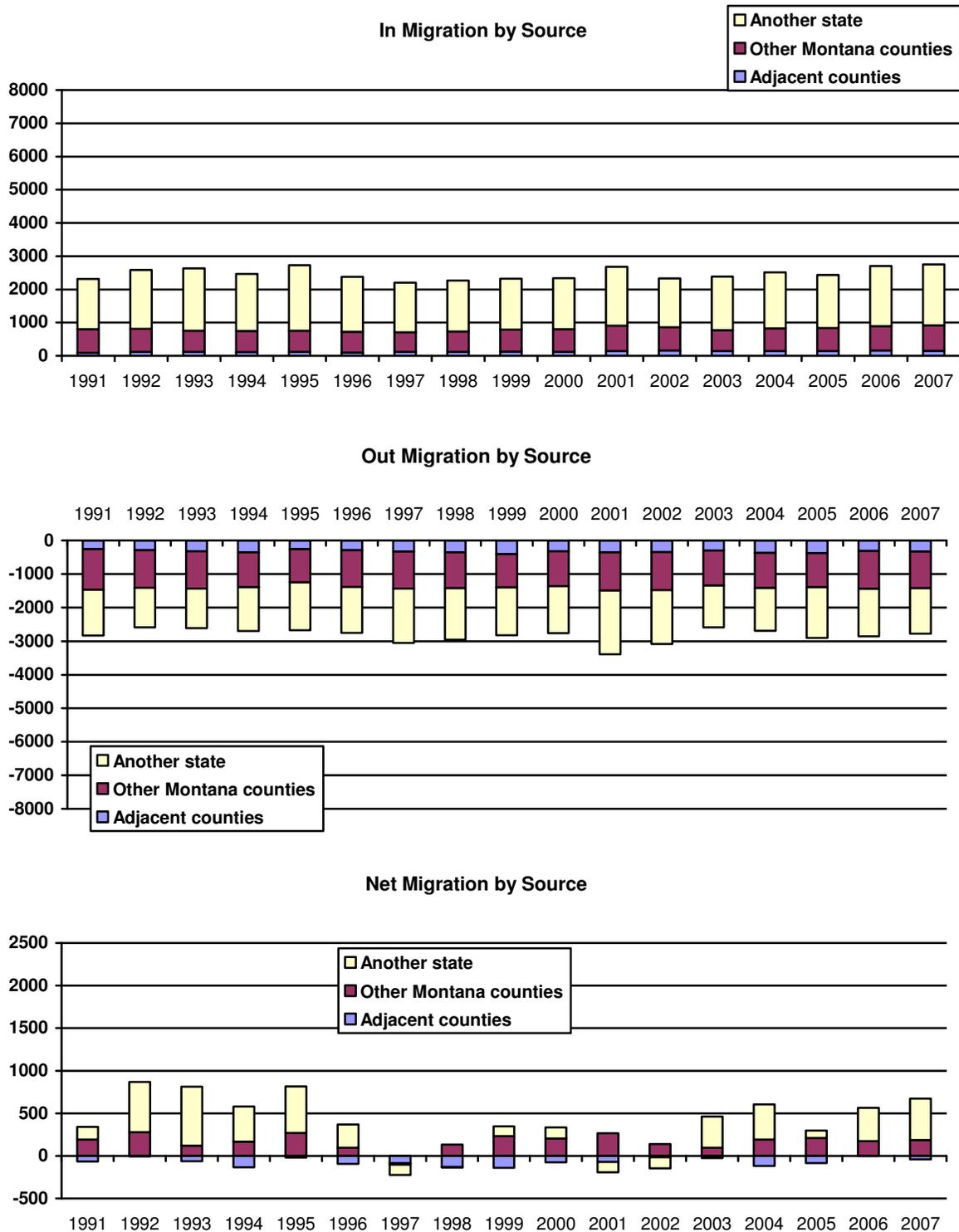
Source: US Census Bureau.

**Figure 4.2: Components of Population Change, Lewis & Clark County, 1991-2007**



Source: US Census Bureau.

**Figure 4.3: Number of Personal Exemptions, Lewis & Clark County, 1991-2007**

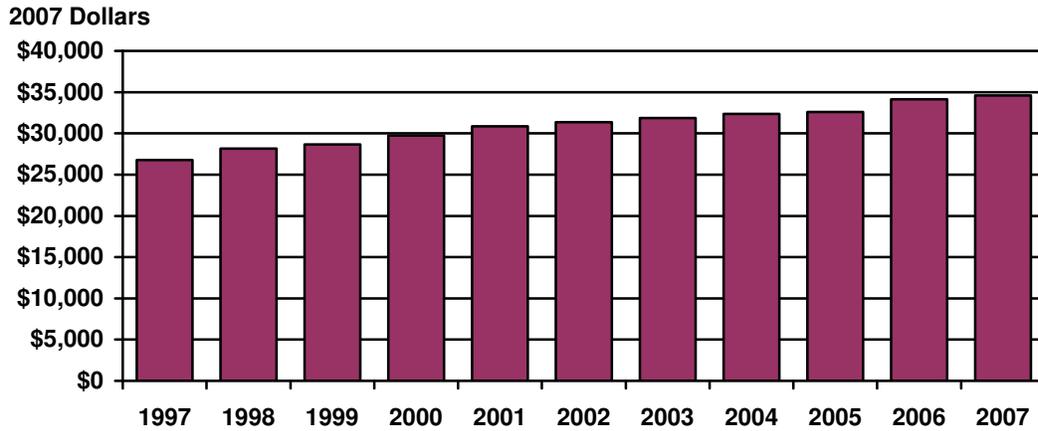


Source: Internal Revenue Service.

## Lewis & Clark County Real Estate

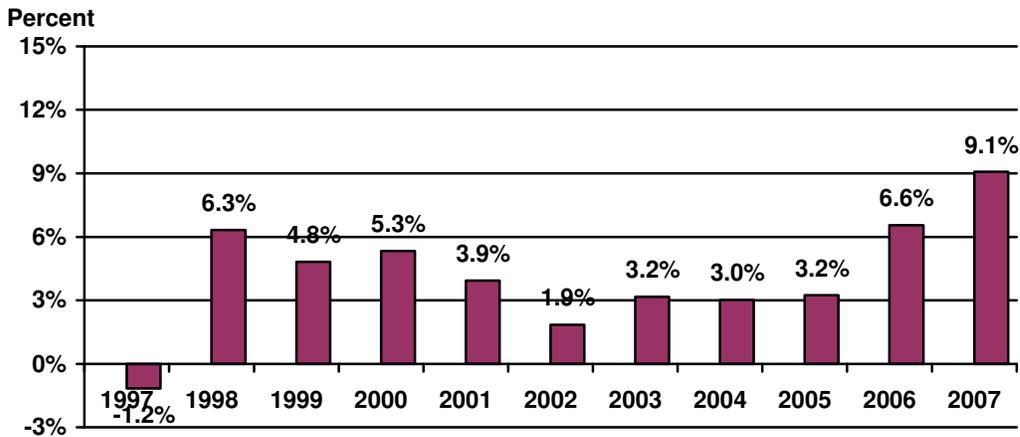
Per capita income of Lewis & Clark County residents increased 16 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Nonfarm income growth accelerated since 2003; from 3 percent in 2003 to 9 percent in 2007.

**Figure 4.4: Per Capita Income, Lewis & Clark County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 4.5: Change in Nonfarm Labor Income, Lewis & Clark County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Lewis & Clark County

Building activity in Helena as measured by building permits increased rapidly in 2004-2007, but dropped back to near historical levels in 2008. Construction costs rose over the period and have not shown the same decline. East Helena construction values are substantially less than those of Helena.

**Table 4.2: Building Permits, Lewis & Clark County Permitting Areas**

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single	Duplex	Multifamily	Total
					family			
2001	56	4	0	60	\$134,268	\$95,217		\$131,664
2002	51	6	46	103	138,175	110,106	\$59,445	101,379
2003	56	6	24	86	150,695	88,499	70,220	123,898
2004	99	4	18	121	157,416	143,028	81,670	145,673
2005	103	6	58	167	185,323	125,987	83,969	147,990
2006	101	14	58	173	228,760	137,857	124,868	186,573
2007	60	20	71	151	268,965	148,158	133,787	189,403
2008(Jan-Oct)	31	16	16	63	245,125	173,775	130,222	197,823

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single	Duplex	Multifamily	Total
					family			
2001	1	0	0	1	\$50,000			\$50,000
2002	11	0	0	11	62,686			62,686
2003	17	0	24	41	82,860		\$54,407	66,205
2004	12	0	12	24	107,751		51,368	79,559
2005	5	0	80	85	99,100		55,913	58,454
2006	1	0	4	5	100,104		67,061	73,669
2007	0	2	0	2		\$117,825		117,825

Source: US Census Bureau, Construction Statistics

## Current State of Lewis & Clark County's Housing Market

Prices of residential properties in Lewis and Clark County rose at double digit rates through 2006 as the number of sales increased. In 2007, sales declined but median price increased over 5 percent. Real estate activity was not quite so good through October 2008 as both prices and sales declined from 2007.

**Table 4.3: Residential Home Sales, Lewis & Clark County**

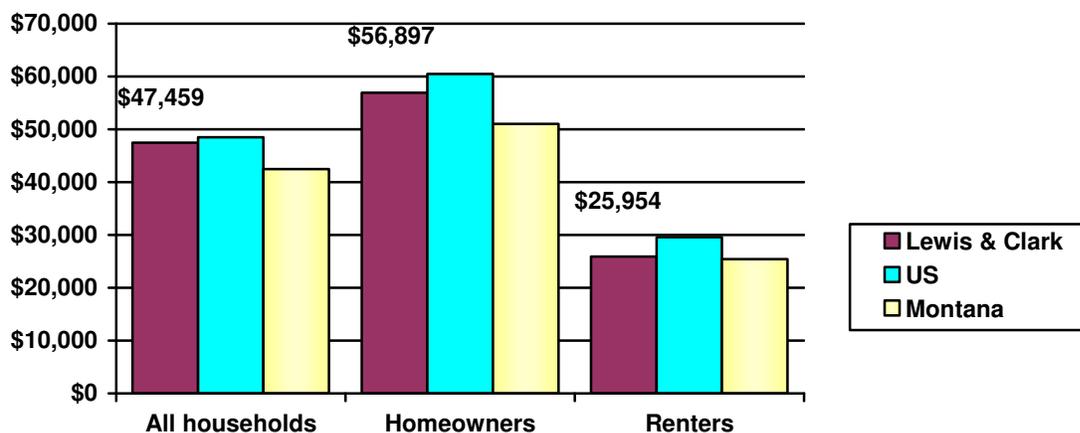
Year	County Totals			DOM
	Residential Sales	Median Price	Percent Change	
2004	650	\$137,500		86
2005	964	161,200	17.2%	94
2006	923	195,000	21.0%	95
2007	839	205,900	5.6%	96
2008 (Jan-Oct)	637	203,900	-1.0%	123

Source: Helena Multiple Listing Service.

## Housing Affordability Scorecard

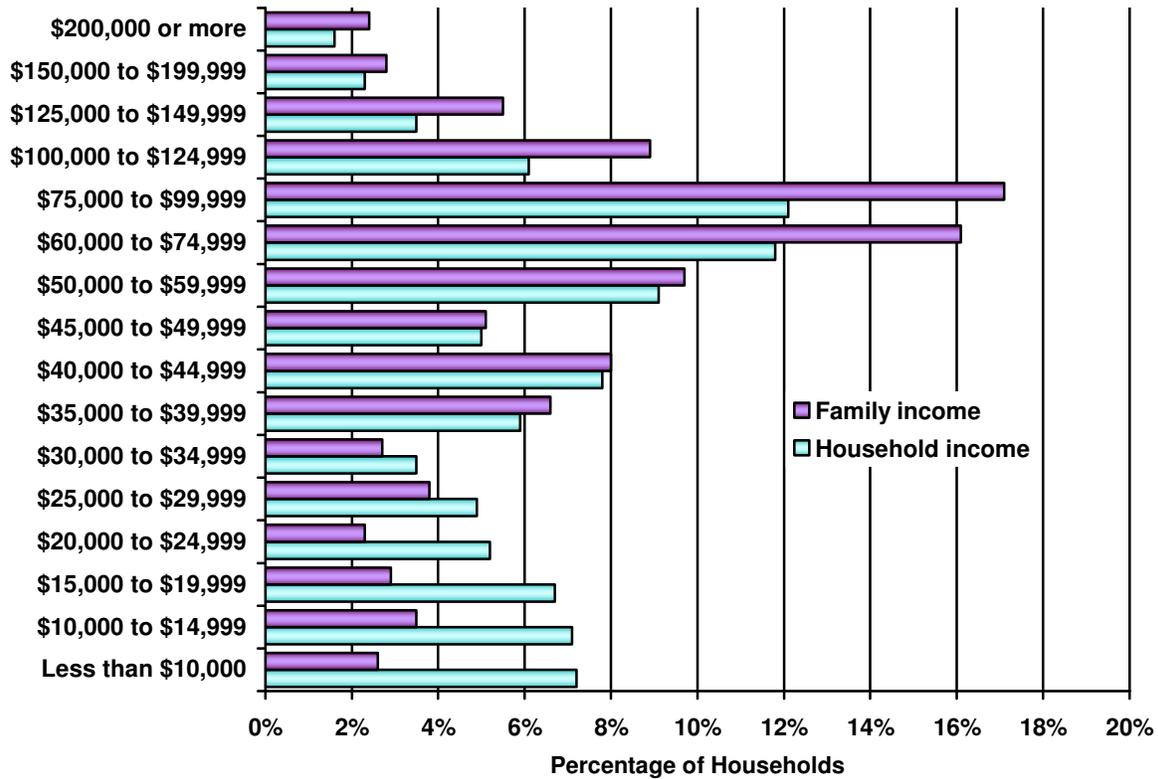
Median household income for Lewis & Clark County households is above the state median income, but below the national figure. Nearly 1 in 4 households have income 5 or more times the Federal Poverty Level. Only 10.8 percent of households live below the poverty level compared to the state poverty level of 14 percent.

**Figure 4.6: Median Household Income, Lewis & Clark County, 2007**



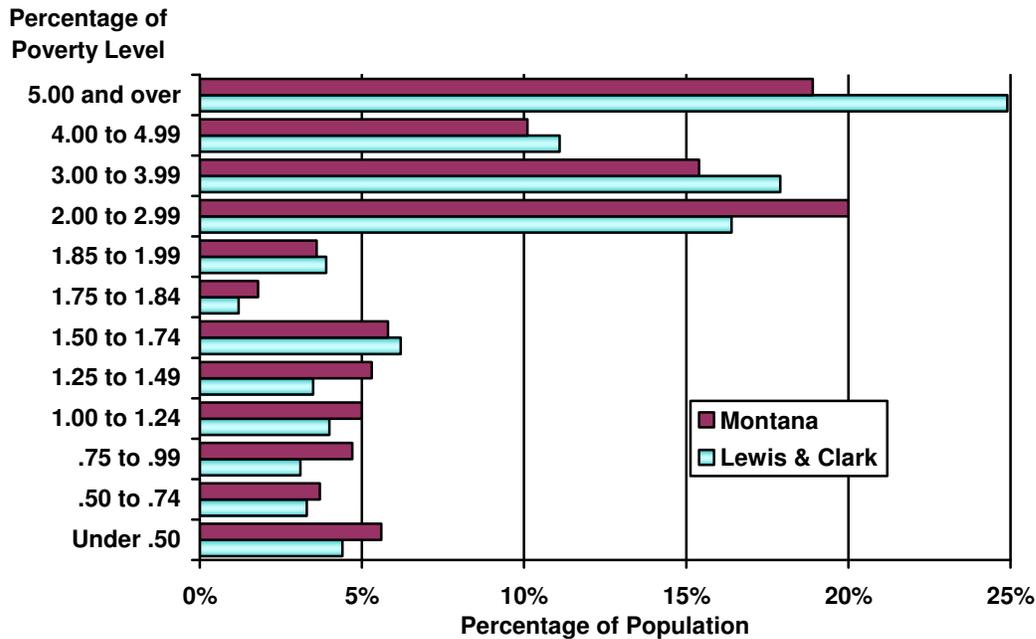
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 4.7: Income Distribution, Lewis & Clark County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

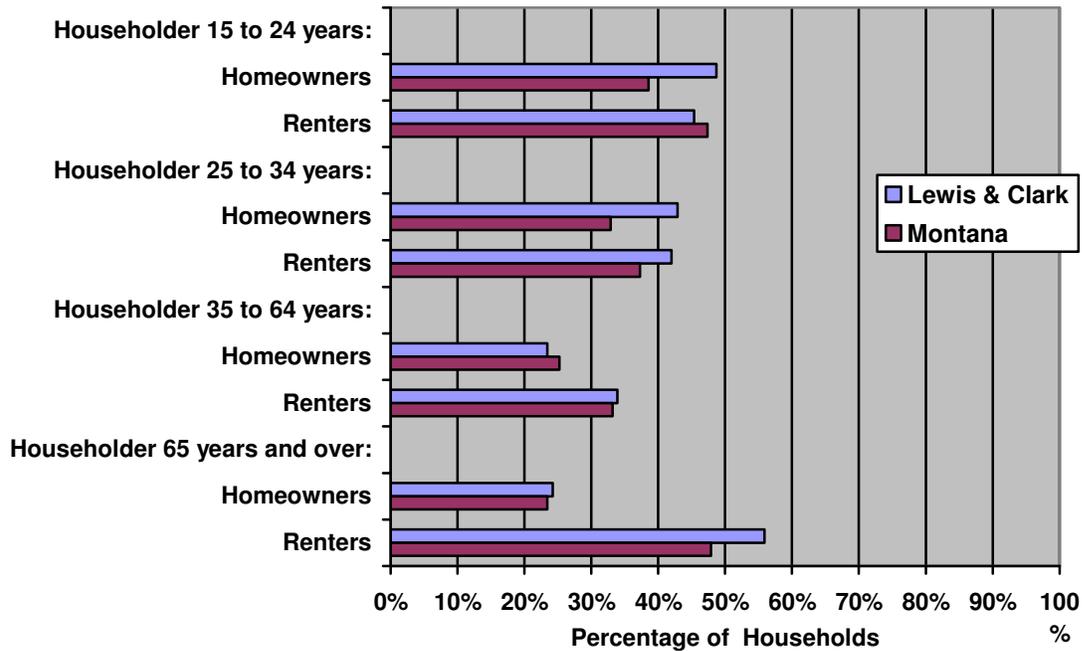
**Figure 4.8: Income as a Ratio of Poverty Level, Lewis & Clark County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

Lewis & Clark County households pay more than 30 percent of their income towards housing at rates near the Montana rate.

**Figure 4.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Lewis & Clark County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

## Helena Regulatory Fees

Helena charges about \$2,650 per unit for regulatory fees. A good portion of this is for development and planning of water and sewer systems. Building permits cost about \$1,200.

**Table 4.4 Helena Regulatory Fees**

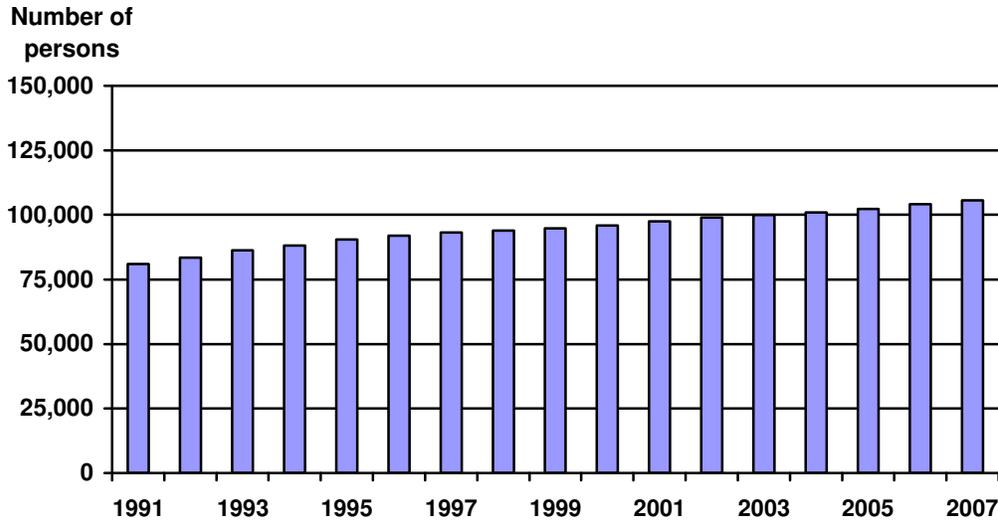
	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		2,652
Zoning fees	760	30
Zone map amendment	410	
Zone text amendment	350	
Subdivision fees	1,175	47
Pre-application review	0	
Preliminary Plat 25 lots	825	
Final Plat Filing Review	100	
Variance from subdivision standards	100	
Vacation of recorded plats	150	
Plat extension	0	
Improvements agreement	0	
Plat amendments	0	
Condition amendments	0	
Floodplain Determination	55	2
Impact fees		1,370
Street		
Fire		
Water (system development fees and hookup fees)		620
Sewer (system development fees and hookup fees)		750
Permits		1,202
Building		623
Plan review		405
Mechanical		
Electrical		175
Plumbing		
Curbs and sidewalks		

**Missoula County  
Real Estate**

## Factors Driving Demand for Housing in Montana

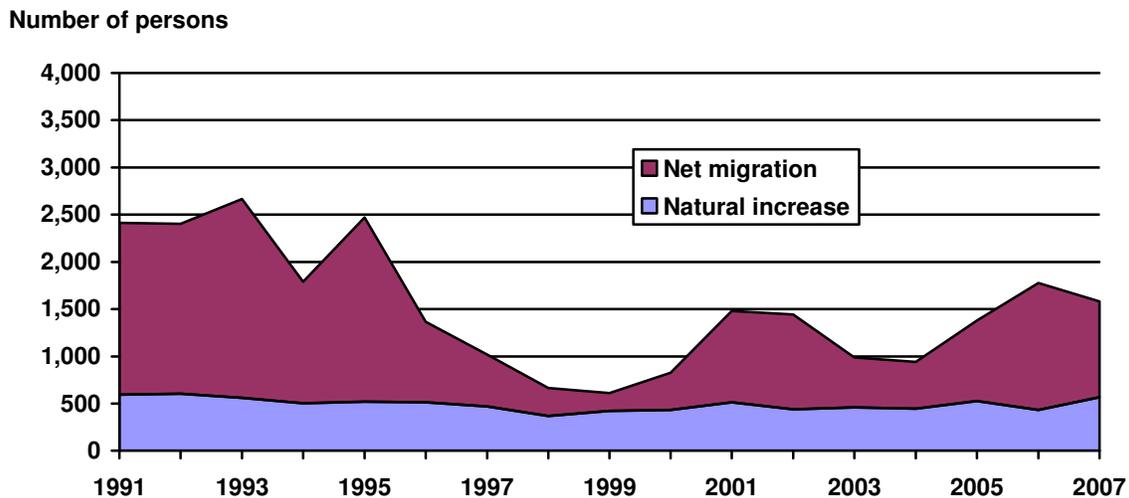
Population in Missoula County continues to grow. It passed 100,000 persons in 2004. Growth is driven by about 500 more persons moving into Missoula County than move out. About 5,500 persons move out and 6,000 move in annually. A change in migration trends occurred in 2007. More people moved to Missoula County from Ravalli County than the other direction for the first time in 2 decades.

**Figure 5.1: Total Population, Missoula County; 1991-2007**



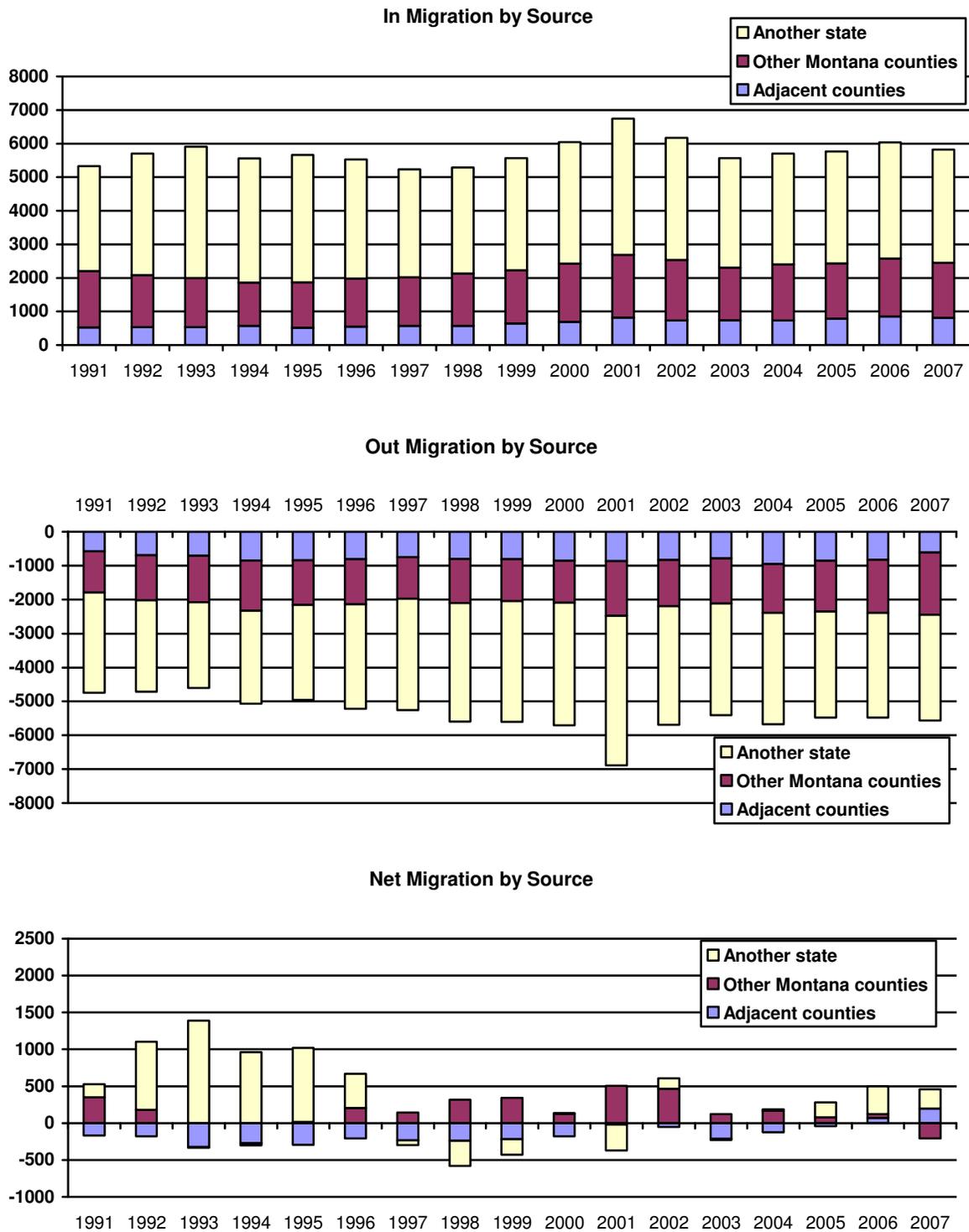
Source: US Census Bureau.

**Figure 5.2: Components of Population Change, Missoula County, 1991-2007**



Source: US Census Bureau.

**Figure 5.3: Number of Personal Exemptions, Missoula County, 1991-2007**

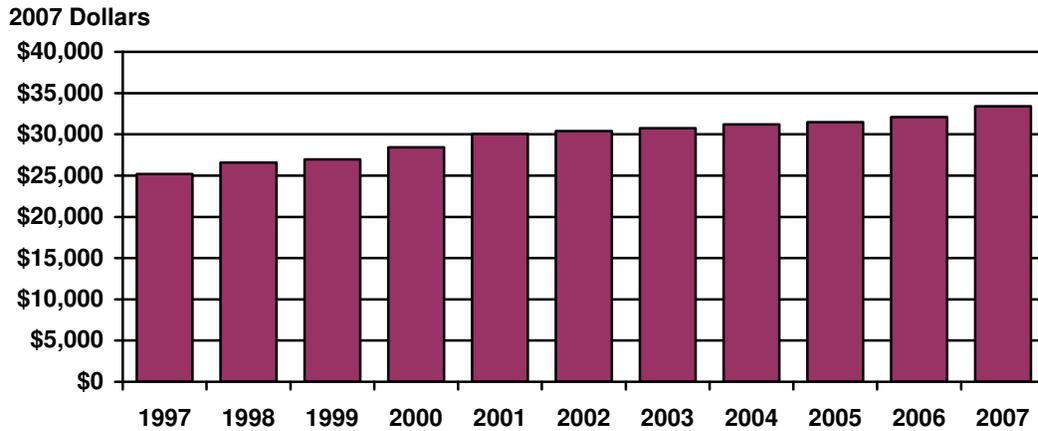


Source: US Internal Revenue Service.

## Missoula County Real Estate

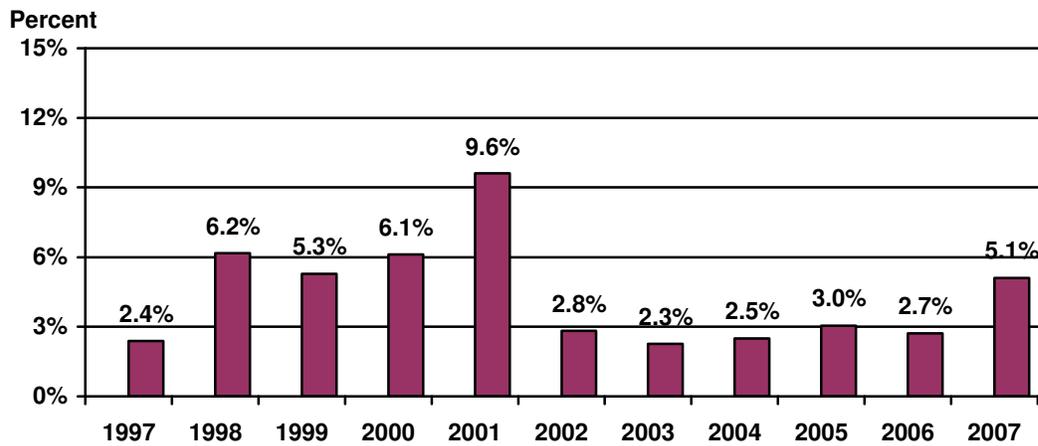
Per capita income is the average income for every person in an area. It increased 11.2 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Growth in real non-farm labor income has remained positive in Missoula County since 2000. It has tended to hover around 2.5 percent until 2007 when a large increase occurred due to the opening of Direct TV.

**Figure 5.4: Per Capita Income, Missoula County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 5.5: Change in Nonfarm Labor Income, Missoula County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Land is at a premium in Missoula County, steadily increasing in price through 2006. Number sales peaked in 2007, while price peaked in 2005 at a median price of \$117,750 per lot. Number of lot sales and median price per lot so far in 2008 are about a third of the corresponding numbers for 2007. Building permits in Missoula County remained fairly stable throughout the decade. So far in 2008 permit levels are about two-thirds 2007 numbers. The average value of construction is up slightly.

**Table 5.1: Residential Lot Sales, Missoula County**

	<b>Lot sales</b>	<b>Median Price</b>
2001	28	\$43,450
2002	74	79,900
2003	58	75,900
2004	65	89,500
2005	104	117,750
2006	111	115,000
2007	172	72,000
2008 (Jan-Oct)	64	59,950

Source: Missoula Organization of Realtors.

**Table 5.2: Building Permits, Missoula County Permitting Areas**

### City of Missoula Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	280	20	220	520	\$93,542	\$60,250	\$43,647	\$71,152
2002	396	98	633	1127	98,942	44,809	40,351	63,004
2003	428	110	409	947	94,756	52,903	37,647	65,230
2004	396	30	158	584	80,221	58,549	41,809	68,715
2005	451	28	87	566	93,018	54,683	41,529	83,207
2006	310	38	75	423	103,414	68,801	42,550	89,513
2007	293	14	128	435	94,789	66,517	59,513	83,499
2008(Jan-Oct)	173	20	94	287	119,837	70,638	48,500	93,044

### Unincorporated Areas of Missoula County Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2005	40	0	32	72	\$171,961		\$77,553	\$130,002
2006	93	2	0	95	187,831	\$117,592		186,352
2007	220	0	12	232	197,550		103,353	192,678
2008(Jan-Oct)	133	2	0	135	207,501	116,331		206,151

Source: US Census Bureau, Construction Statistics

## Current State of Missoula County’s Housing Market

Sales of single family residences are down sharply from a year ago. Median sales declined for the first time since 2001. Prices rose between 6 and 10 percent each year until 2007. Current median price of a recently sold home in Missoula County is down 6 percent from 2008.

**Table 5.3: Residential Home Sales, Missoula County**

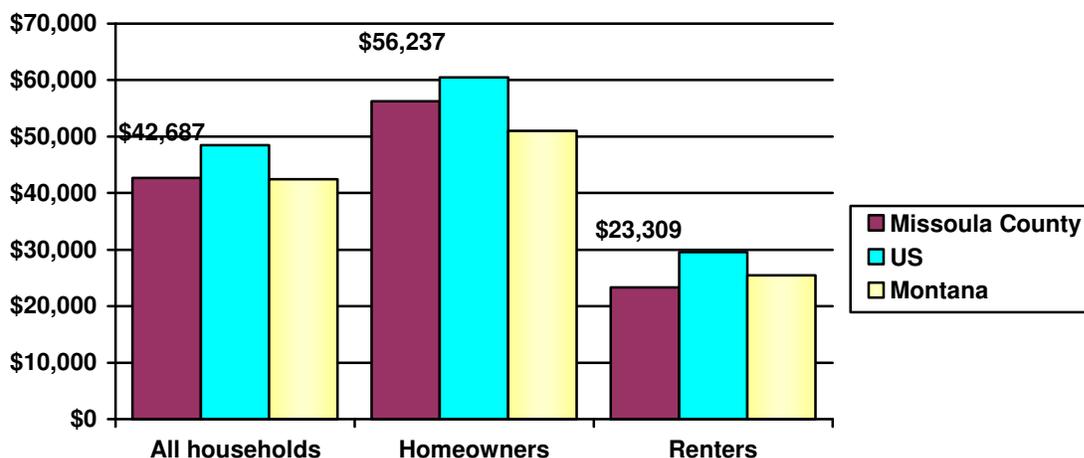
Year	Residential Sales	Median Price	Percent Change	DOM
2001	1,211	\$138,000		107
2002	1,119	149,500	8.3%	93
2003	1,150	163,000	9.0%	104
2004	1,290	179,000	9.8%	102
2005	1,536	192,000	7.3%	109
2006	1,586	206,850	7.7%	110
2007	1,385	219,550	6.1%	116
2008 (Jan-Oct)	802	218,000	-6.0%	118

Source: Missoula Organization of Realtors

## Housing Affordability Scorecard

Median household income in Missoula County is about the same level as the state number. Median income of Missoula county households that live in there own home is higher than Montana but renters median income is lower reflecting the substantial college population in Missoula County.

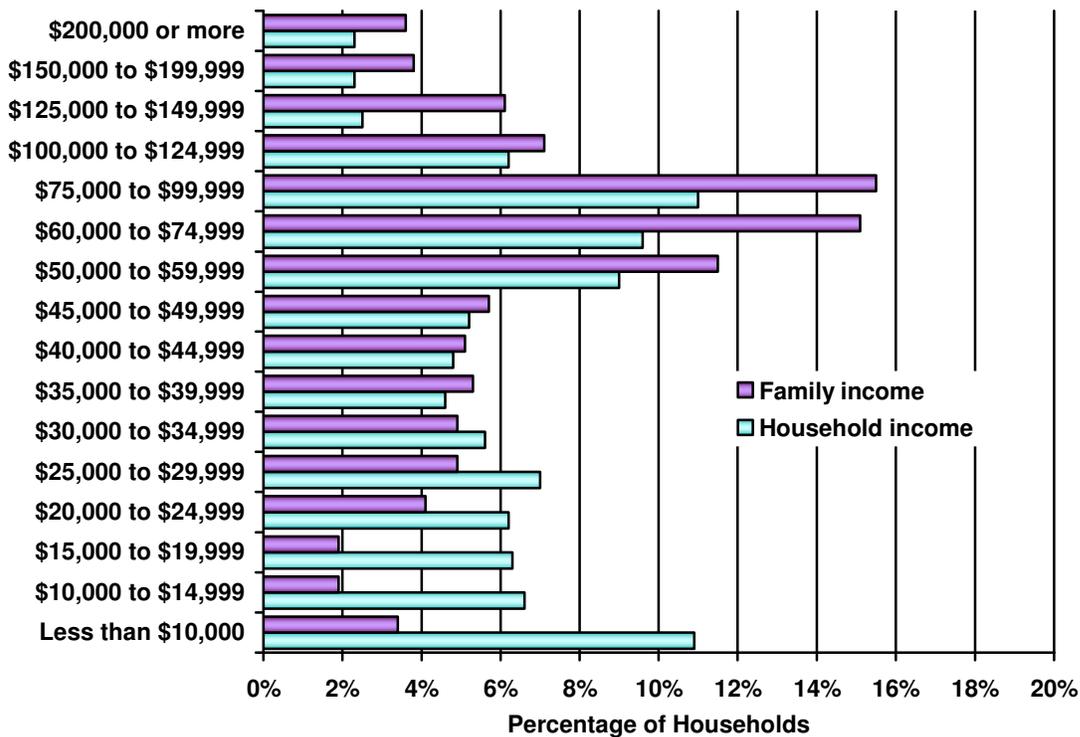
**Figure 5.6: Median Household Income, Missoula County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

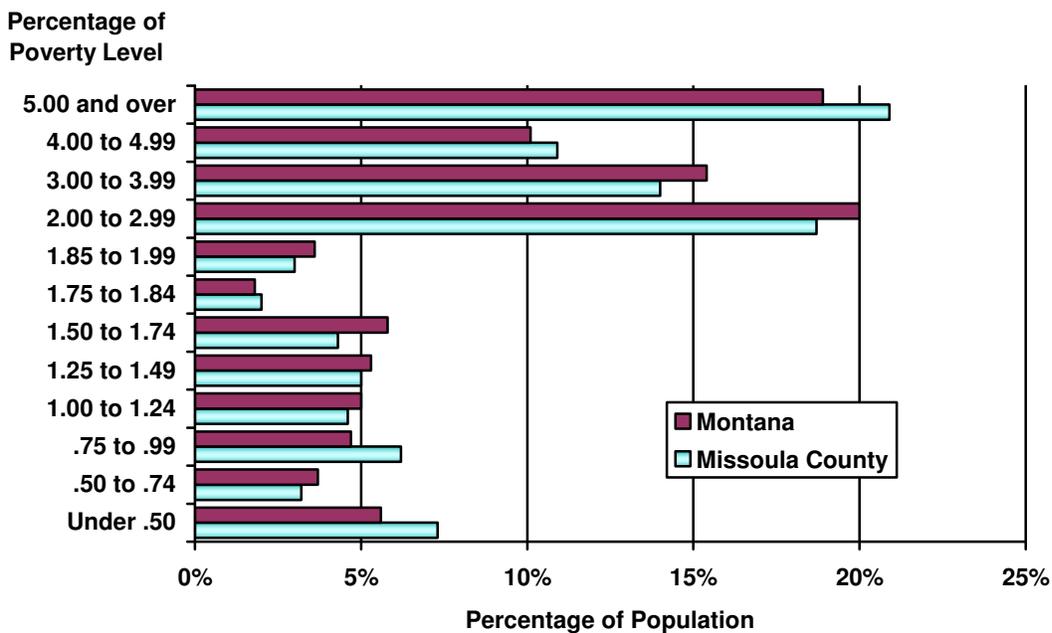
Household income in Missoula County has a bi-modal pattern, a large percentage in the lower incomes reflecting the University student population and another peak at \$75,000-\$99,999. Over 16 percent of Missoula County households live under the Federal Poverty Level compared to 14 percent of Montana households.

**Figure 5.7: Income Distribution, Missoula County, 2007**



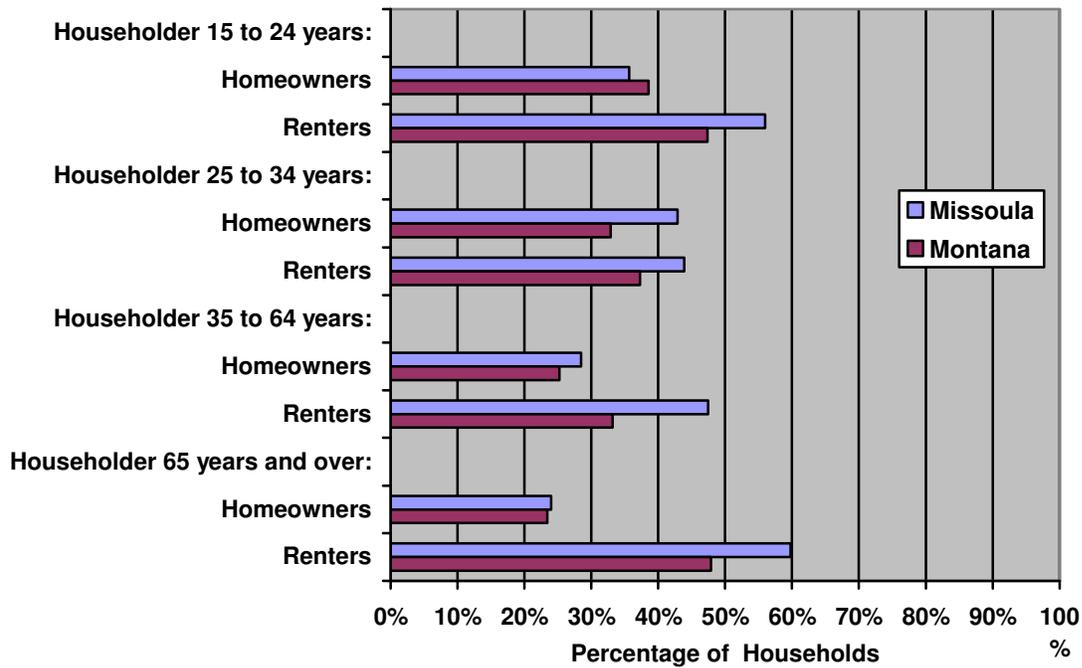
Source: US Census Bureau, American Community Survey, 2005-2007.

**Figure 5.8: Income as a Ratio of Poverty Level, Missoula County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 5.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Missoula County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

A large portion of Missoula County households pay more than 30 percent of their income for housing. The problem is especially acute for renter households of all ages.

## Missoula Regulatory Fees

Regulatory fees for a 25 lot subdivision of affordable housing come to about \$4,600 per unit. Unlike other Montana communities with impact fees, Missoula City permitting fees make up a substantial part of the regulatory fees.

**Table 5.4: Missoula Regulatory Fees**

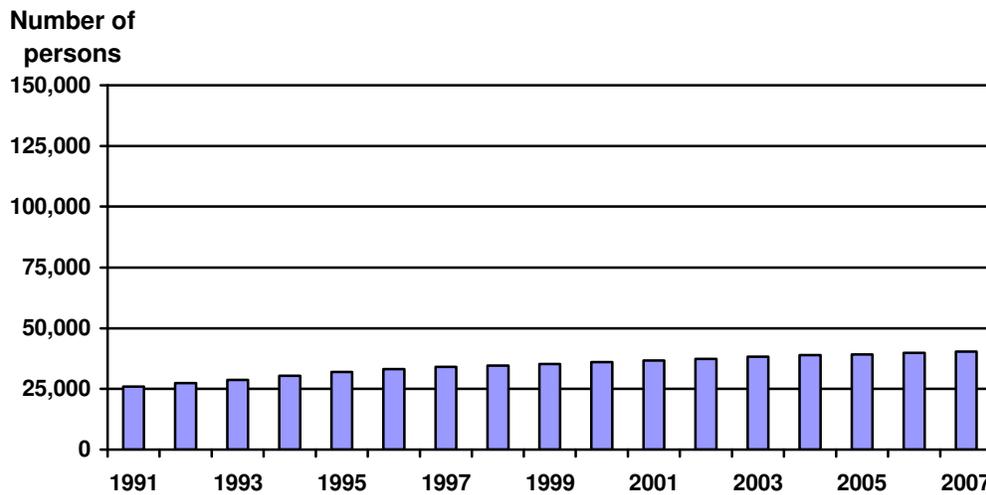
	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$4,607
Subdivision fees		468
Preliminary Plat 25 lots	\$8,500	
Final Plat Filing Review	364	
Variance from subdivision standards	500	
Vacation of recorded plats	608	
Plat extension	216	
Amended phasing plan	274	
Plat amendments	624	
Condition amendments	624	
Engineering Review Fees	568	23
Floodplain Determination	33	1
Impact fees		1,405
Permits		1,355
Building		714
Plan review		143
Mechanical		109
Electrical		260
Plumbing		129

**Ravalli County  
Real Estate**

## Factors Driving Demand for Housing in Ravalli County

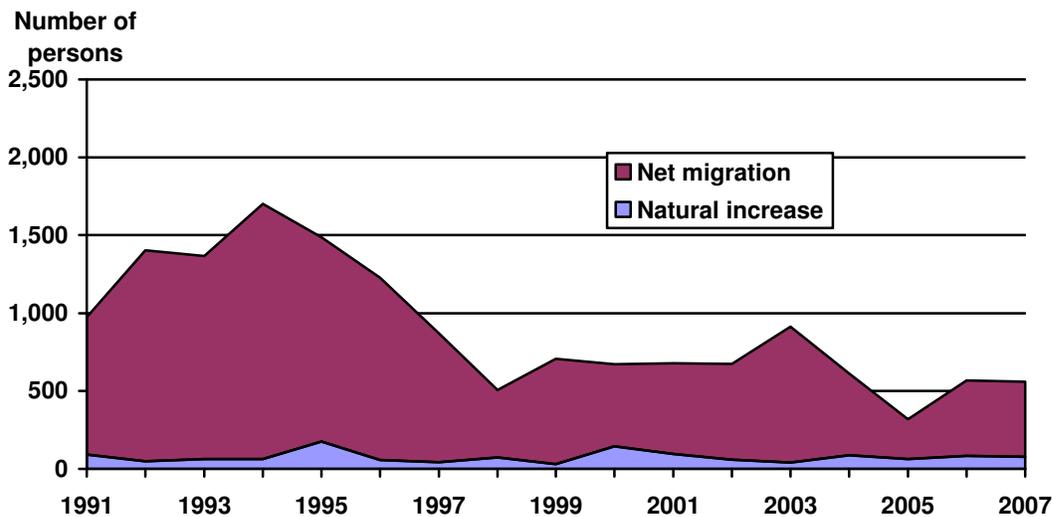
Ravalli County has been one of the fastest growing counties in Montana. Population growth is driven by about 500 more persons moving into Ravalli County than move out. Until recently, about a third of migrants to Ravalli County came from Missoula County. Now, nearly all migrants in Ravalli County come from other states.

**Figure 6.1: Total Population, Ravalli County; 1991-2007**



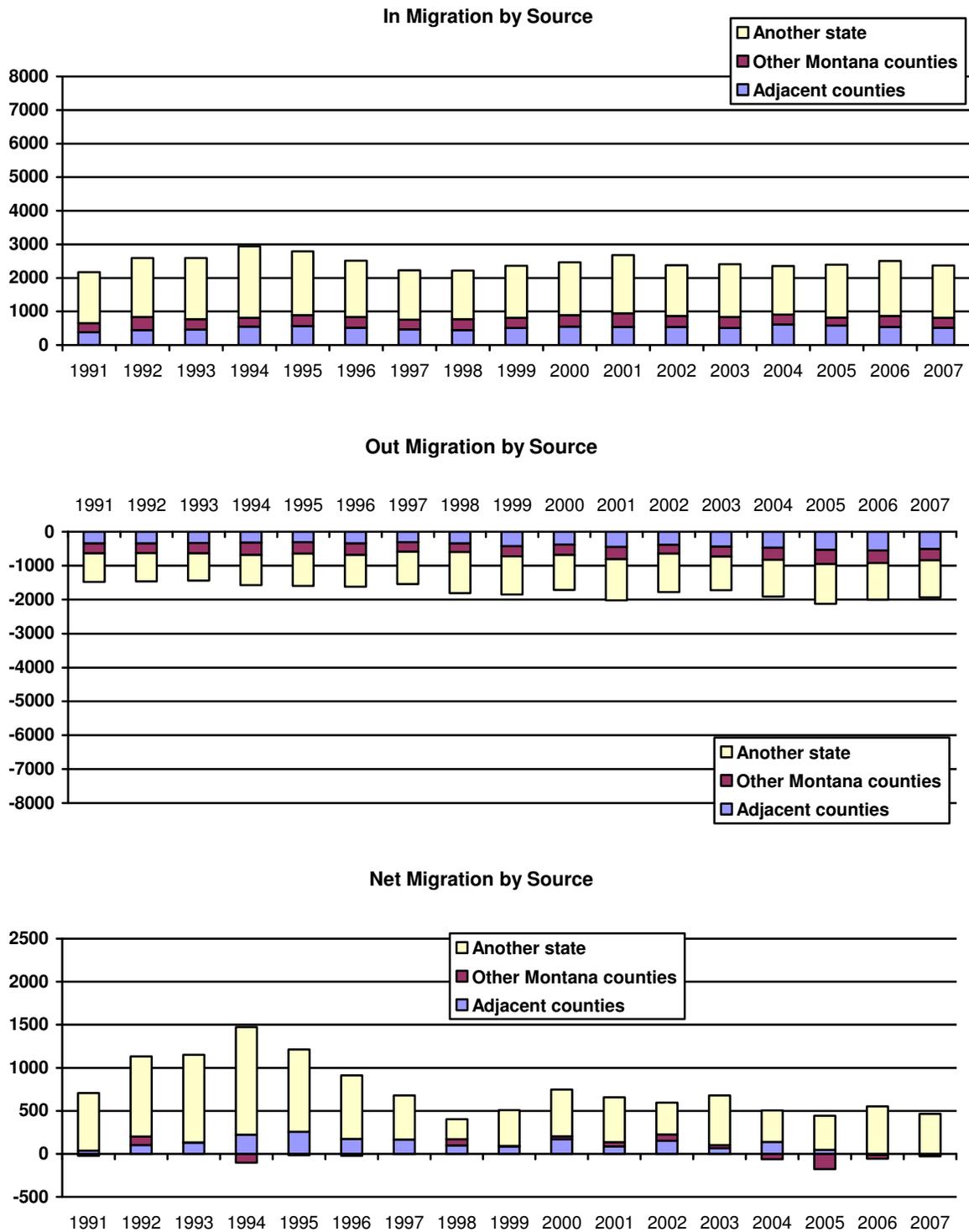
Source: US Census Bureau.

**Figure 6.2: Components of Population Change, Ravalli County, 1991-2007**



Source: US Census Bureau.

**Figure 6.3: Number of Personal Exemptions, Ravalli County, 1991-2007**

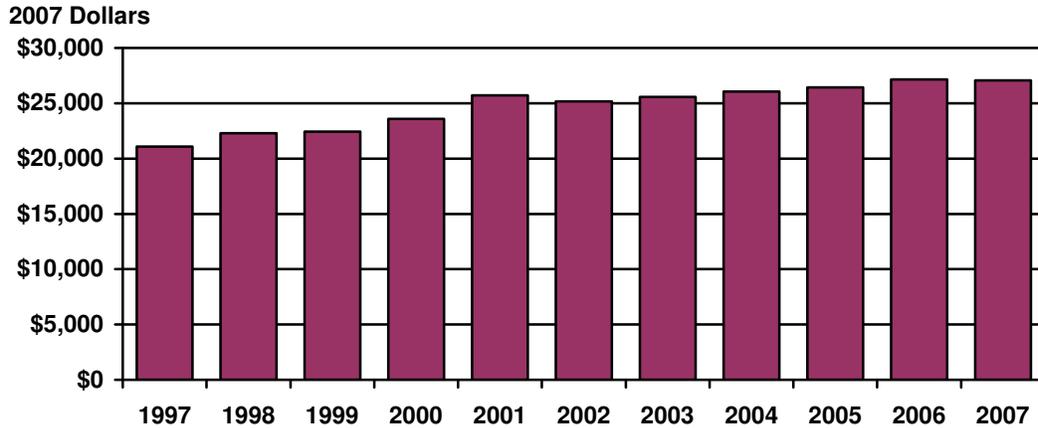


Source: Internal Revenue Service.

## Ravalli County Real Estate

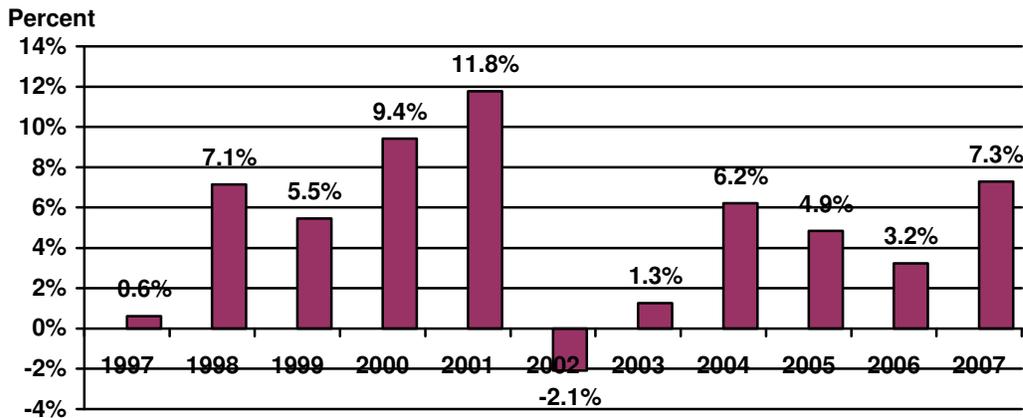
Per capita income in Ravalli County increased 15 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Growth in nonfarm income has fluctuated since 2003.

**Figure 6.4: Per Capita Income, Cascade County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 6.5: Change in Nonfarm Labor Income, Ravalli County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing in Ravalli County

Until recently Ravalli County experienced rapid growth in bare residential lots. Sales peaked in 2005 at 322 lots. Prices appear to have peaked in 2007. They declined 17 percent between 2007 and 2008. The number of lot sales also dropped by over 50 percent. Most building in Ravalli County occurs in non-permit areas.

**Table 6.1: Residential Lot Sales, Ravalli County**

Year	Lot sales	Median Price	DOM
2001	245	\$45,000	392
2002	306	52,750	306
2003	269	65,000	317
2004	319	90,000	211
2005	322	104,750	200
2006	285	136,000	212
2007	171	139,900	236
2008 (Jan-Oct 15)	80	116,000	272

Source: Bitterroot Valley Board of Realtors.

**Table 6.2: Building Permits, Ravalli County Permitting Areas**

### Town of Hamilton Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single			
					family	Duplex	Multifamily	Total
2001	22	2	4	28	\$104,285	\$72,000	\$57,500	\$95,295
2002	21	6	49	76	65,853	78,667	68,511	68,575
2003	20	8	32	60	80,564	80,410	43,797	60,934
2004	29	4	12	45	89,166	139,893	52,635	83,933
2005	41	10	28	79	98,993	148,500	102,691	106,571
2006	45	0	0	45	99,720			99,720
2007	35	4	13	52	68,017	122,395	75,168	73,987

### Town of Stevensville Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single			
					family	Duplex	Multifamily	Total
2001	9	4	16	29	\$62,485	\$35,000	\$25,400	\$38,233
2002	5	0	8	13	70,613		42,350	53,220
2003	7	0	0	7	118,892			118,892
2004	6	0	3	9	112,804		42,350	89,319
2005	9	0	8	17	108,276		61,848	86,428
2006	28	0	3	31	74,438		169,000	83,589
2007	4	0	0	4	285,000			285,000

Source: US Census Bureau, Construction Statistics

## Current State of Ravalli County’s Housing Market

Residential home sales in Ravalli County peaked in 2005 at over 1,000 units. Prices peaked in 2007. Residential sales are down by over 50 percent and median price declined 5.3 percent in 2008.

**Table 6.3: Residential Home Sales, Ravalli County**

Year	Residential Sales	Median Price	Percent Change	DOM
2001	584	\$142,750		223
2002	717	138,000	-3.3%	208
2003	757	157,000	13.8%	197
2004	865	168,000	7.0%	161
2005	1,010	189,000	12.5%	145
2006	872	215,000	13.8%	137
2007	821	227,000	5.6%	167
2008 (Jan-Oct)	387	215,000	-5.3%	188

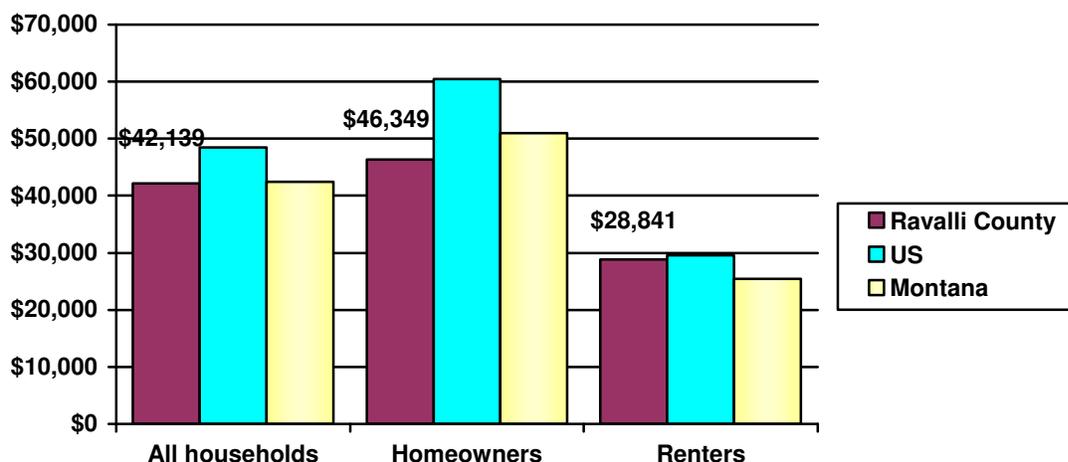
Source: Bitterroot Valley Board of Realtors.

## Housing Affordability Scorecard

Median household income for all households is right on the state median, but well below the national median income. Homeowner households have median incomes well below state householders.

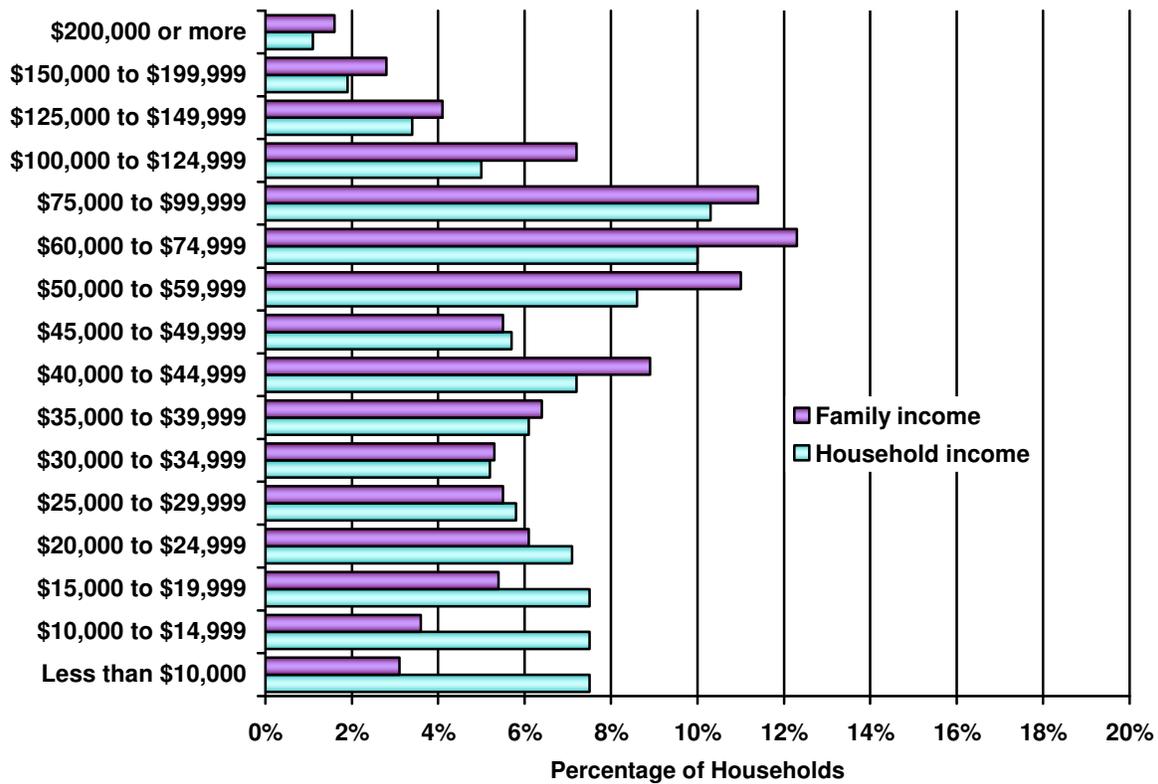
About 13.2 percent of Ravalli County households live below the Federal Poverty Level.

**Figure 6.6: Median Household Income, Ravalli County, 2007**



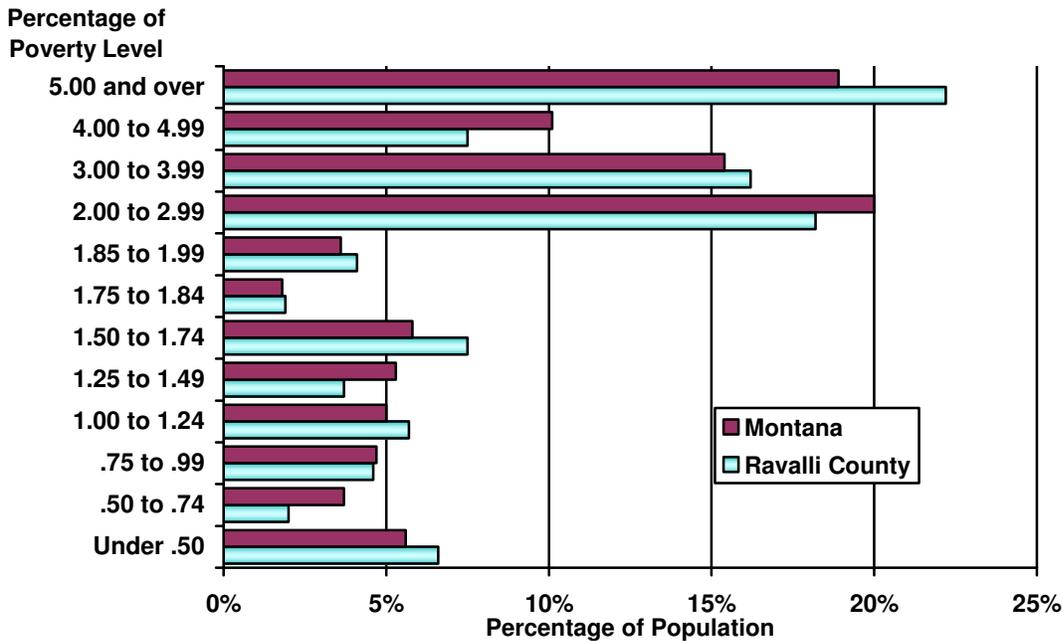
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 6.7: Income Distribution, Ravalli County, 2007**



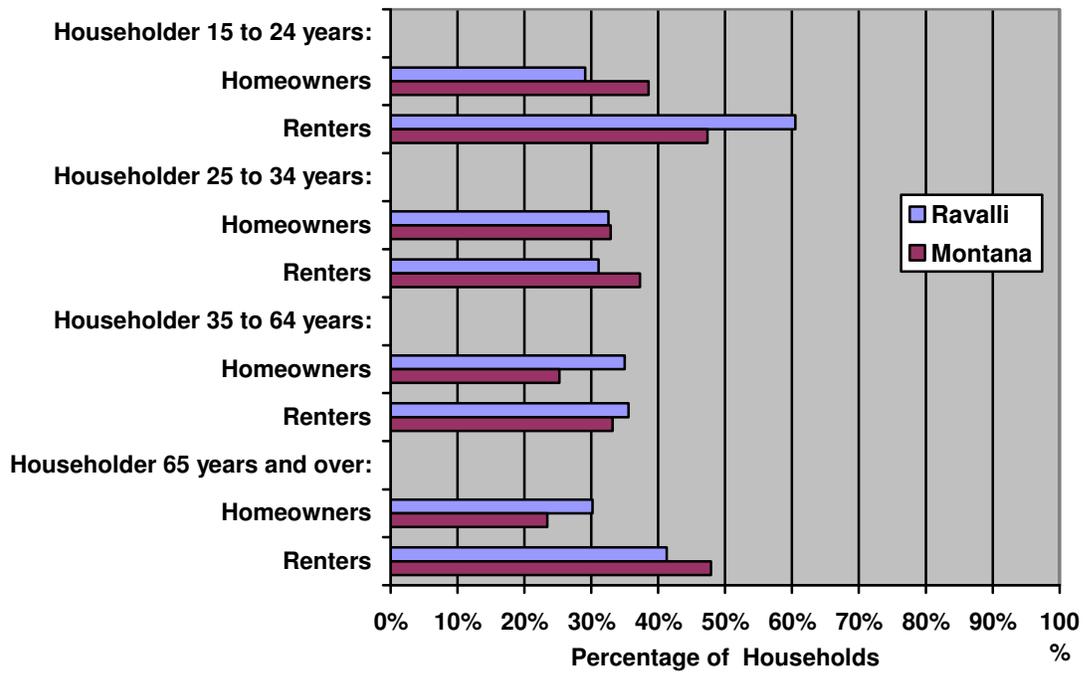
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 6.8: Income as a Ratio of Poverty Level, Ravalli County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 6.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Ravalli County, 2007**



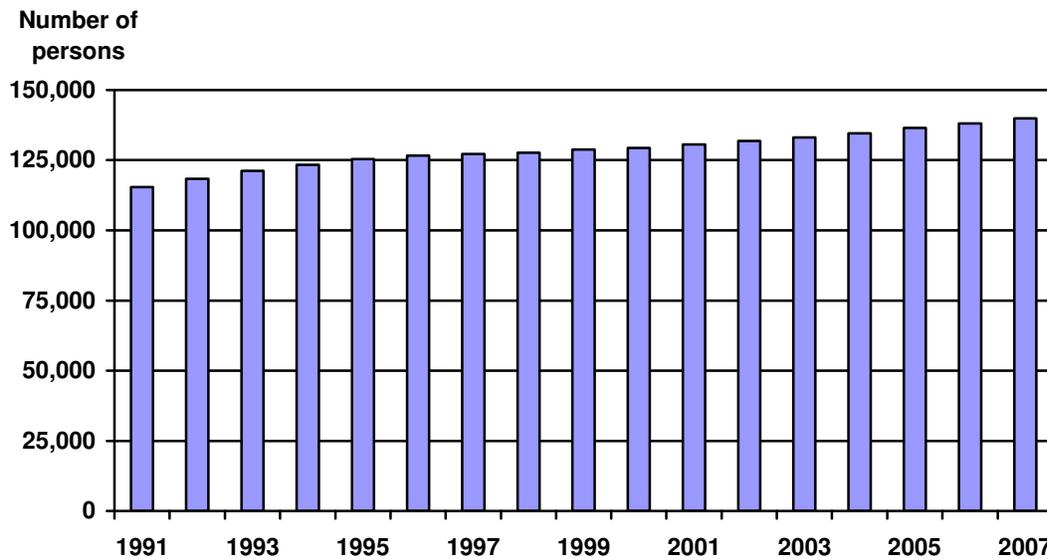
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

# **Yellowstone County Real Estate**

## Factors Driving Demand for Housing in Yellowstone County

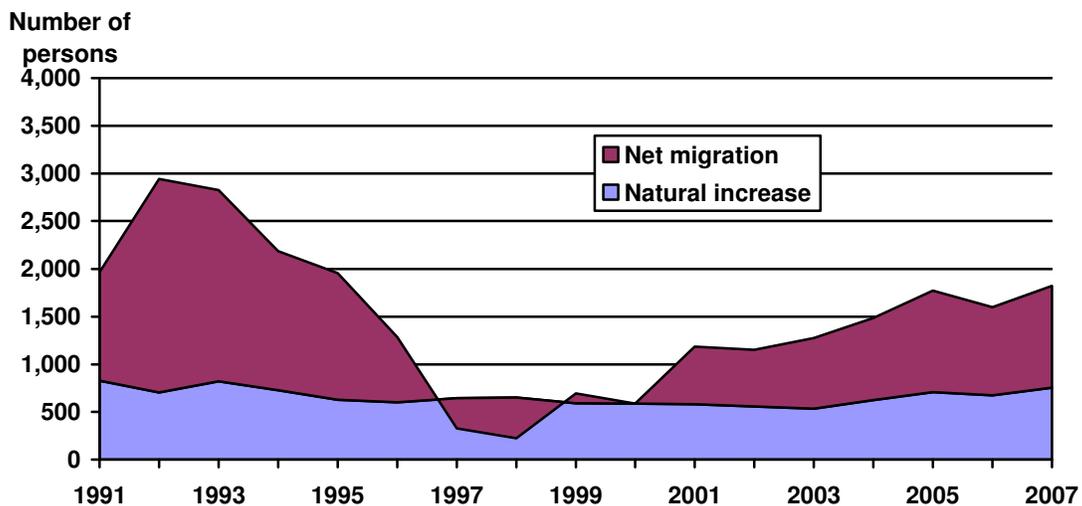
Yellowstone County continues to grow in population. Growth is driven by about 1,000 more persons moving into Yellowstone County than move out. About 5,500 persons move out and 6,500 move in annually. Most net migrants to Yellowstone County come from other Montana counties.

**Figure 7.1: Total Population, Yellowstone County; 1991-2007**



Source: US Census Bureau.

**Figure 7.2: Components of Population Change, Yellowstone County, 1991-2007**



Source: US Census Bureau.

**Figure 7.3: Number of Personal Exemptions, Yellowstone County, 1991-2007**

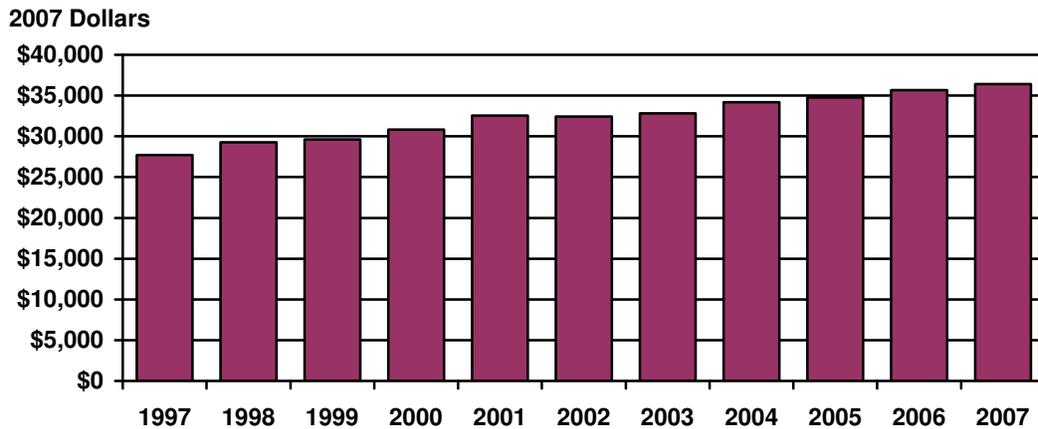


Source: Internal Revenue Service.

## Yellowstone County Real Estate

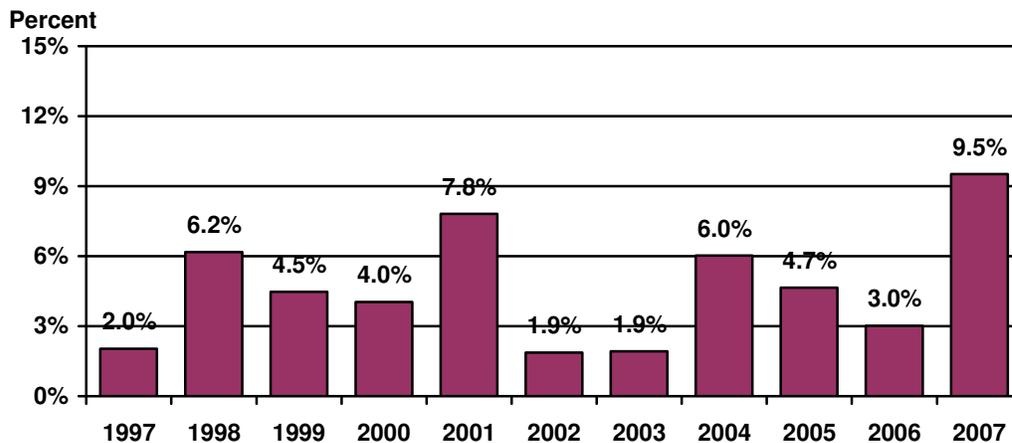
Per capita income is the average income for every person in an area. It increased 18 percent between 2000 and 2007. Nonfarm labor income measures how an economy is doing. Growth in nonfarm income has fluctuated since 2003; from 3 percent in 2006 to a robust 9.5 percent in 2007.

**Figure 7.4: Per Capita Income, Yellowstone County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

**Figure 7.5: Change in Nonfarm Labor Income, Yellowstone County, 1997-2007**



Sources: US Bureau of Economic Analysis and Bureau of Business and Economic Research.

## Supply of Housing

Lot sales in Yellowstone County were relatively slow between 2002 and 2005, picking up in 2006 and 2007. Median prices increased dramatically, from \$44,700 per lot in 2002 to nearly \$101,000 in 2007.

Building permits for Billings peaked in 2003 with over half of residential construction devoted to multi-family units. Average value per unit remains relative low when compared to the other fast growing urban counties.

**Table 7.1: Residential Lot Sales, Yellowstone County**

Year	Lot sales	Average Price
2002	515	\$44,707
2003	497	50,037
2004	525	72,786
2005	648	84,900
2006	1,062	96,296
2007	1,150	100,973
2008 (Jan-Jun)	648	76,283

Source: Billings Association of REALTORS.

**Table 7.2: Building Permits, Yellowstone County Permitting Areas**

### City of Billings Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	530	0	4	534	\$119,393		\$55,000	\$118,911
2002	568	8	110	686	125,988	54,943	55,502	113,857
2003	646	6	198	850	146,151	66,171	55,058	124,367
2004	587	0	282	869	164,977		69,392	133,959
2005	516	0	57	573	180,843		86,733	171,481
2006	603	6	32	641	162,041	124,094	123,255	159,750
2007	604	0	0	604	146,890			146,890
2008(Jan-Oct)	462			462	137,816			137,816

### Town of Laurel Building Permits

	Number of Units				Cost of Construction per Unit			
	Single family	Duplex	Multifamily	Total	Single family	Duplex	Multifamily	Total
2001	4	2	0	6	\$101,900	\$75,000		\$92,933
2002	8	4	0	12	98,834	68,209		88,625
2003	3	2	9	14	83,477	48,500	\$61,111	64,102
2004	7	0	0	7	83,143			83,143
2005	25	2	4	31	129,014	95,500	4,570	116,102
2006	32	2	0	34	146,181	102,389		143,605
2007	15	8	4	27	169,332	130,926	103,536	148,205

Source: US Census Bureau, Construction Statistics

## Current State of Yellowstone County's Housing Market

The number of sales of residential properties in Yellowstone County are about half what they were in 2007. Prices are also softening.

**Table 7.3: Residential Home Sales, Yellowstone County**

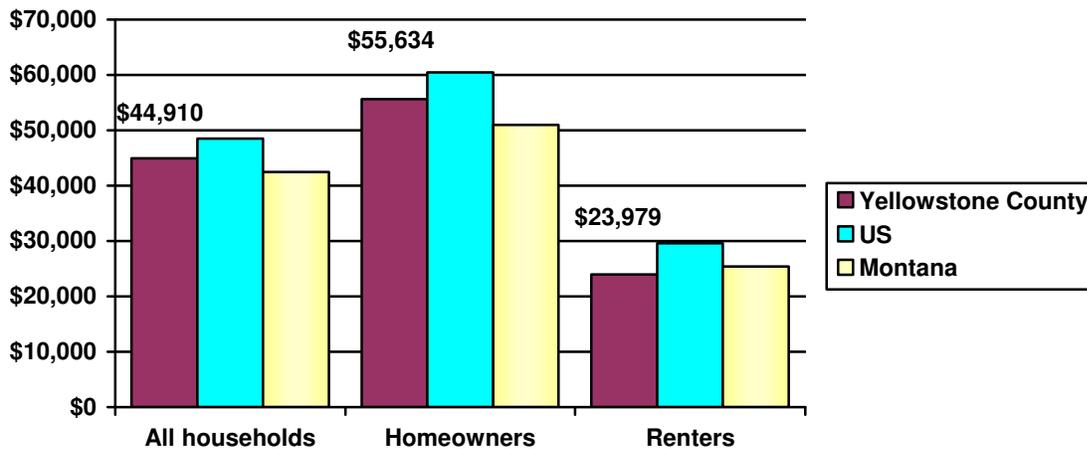
Year	Residential Sales	Median Price	Percent Change	DOM
2001	2,367			
2002	2,274			
2003	2,576	\$127,725		59
2004	2,637	138,000	8.0%	53
2005	3,080	155,000	12.3%	57
2006	3,213	164,000	5.8%	56
2007	3,109	175,000	6.7%	60
2008 (Jan-Oct)	1,648	179,900	2.8%	60

Source: Billings Association of REALTORS.

## Housing Affordability Scorecard

The median income for Yellowstone County household is slightly higher than the statewide number but below the national median household median income.

**Figure 7.6: Median Household Income, Yellowstone County, 2007**

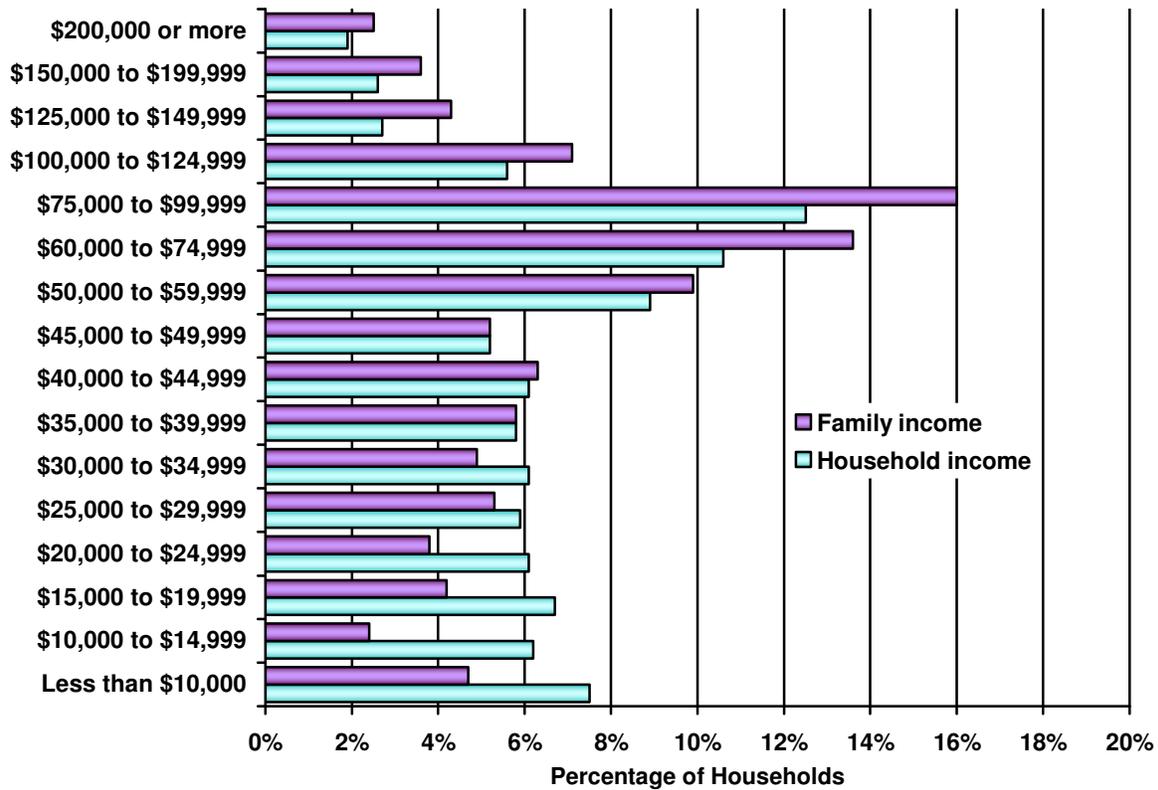


Source: U.S. Census Bureau, American Community Survey, 2005-2007.

Household and family incomes are distributed in an orderly manner with about 16 percent of households having an income of \$75,000-\$99,999.

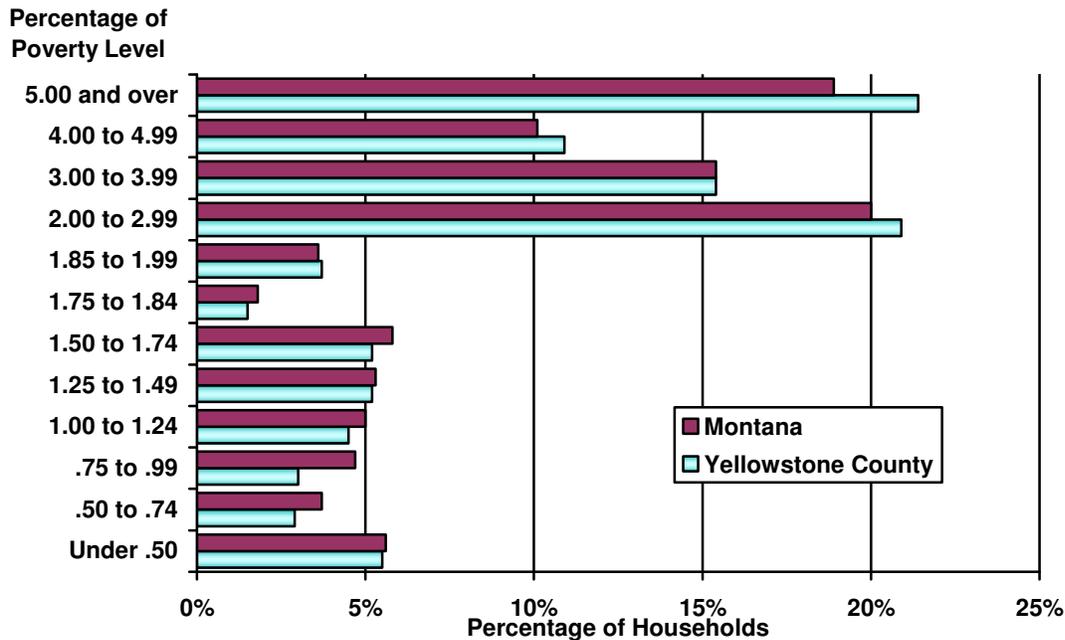
Just over 11 percent of Yellowstone County households have an income below the poverty level. A majority of county households have incomes more than two times the Federal Poverty Level.

**Figure 7.7: Income Distribution, Cascade County, 2007**



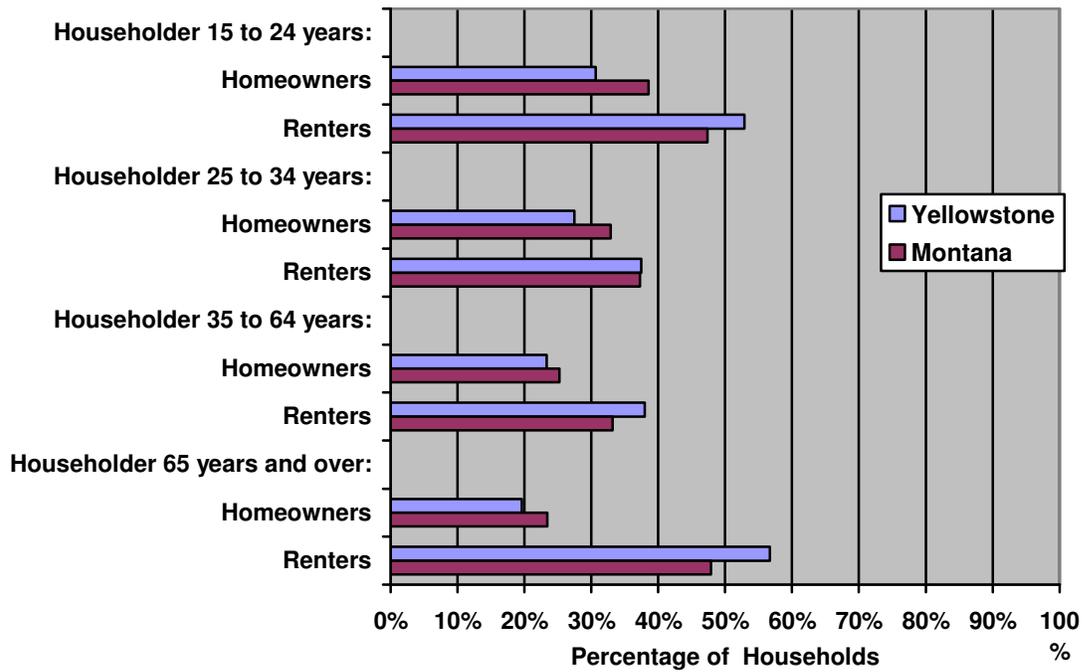
Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 7.8: Income as a Ratio of Poverty Level, Yellowstone County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

**Figure 7.9: Percentage of Households Spending More than 30 Percent of Income on Housing, Yellowstone County, 2007**



Source: U.S. Census Bureau, American Community Survey, 2005-2007.

Most Yellowstone households spend less than 30 percent of their income on housing. About 55 percent of elderly households that rent spend more than 30 percent of their income on housing.

## Billings Regulatory Fees

Regulatory fees for a new 25 lot subdivision of affordable housing cost about \$5,400 per unit. Nearly \$4,300 is impact fees for water and sewer.

**Table 7.4: Billings Regulatory Fees**

	Cost	
	<u>Total</u>	<u>Per lot</u>
Total		\$5,397
Zoning fees	\$1,320	53
Zone map amendment		
Zone text amendment		
Subdivision fees	2,868	115
Pre-application review	200	
Preliminary Plat 25 lots	1,650	
Final Plat Filing Review	440	
Variance from subdivision standards	358	
Vacation of recorded plats	220	
Plat extension	0	
Improvements agreement		
Plat amendments	1,100	
Impact fees		4,282
Street		
Fire		
Water		2,504
Sewer		1,778
Permits		947
Building		639
Plan review		
Mechanical		33
Electrical		130
Plumbing		125