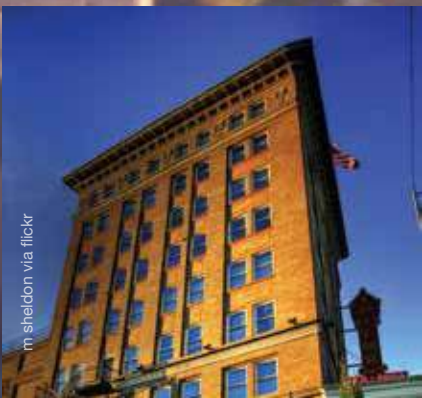




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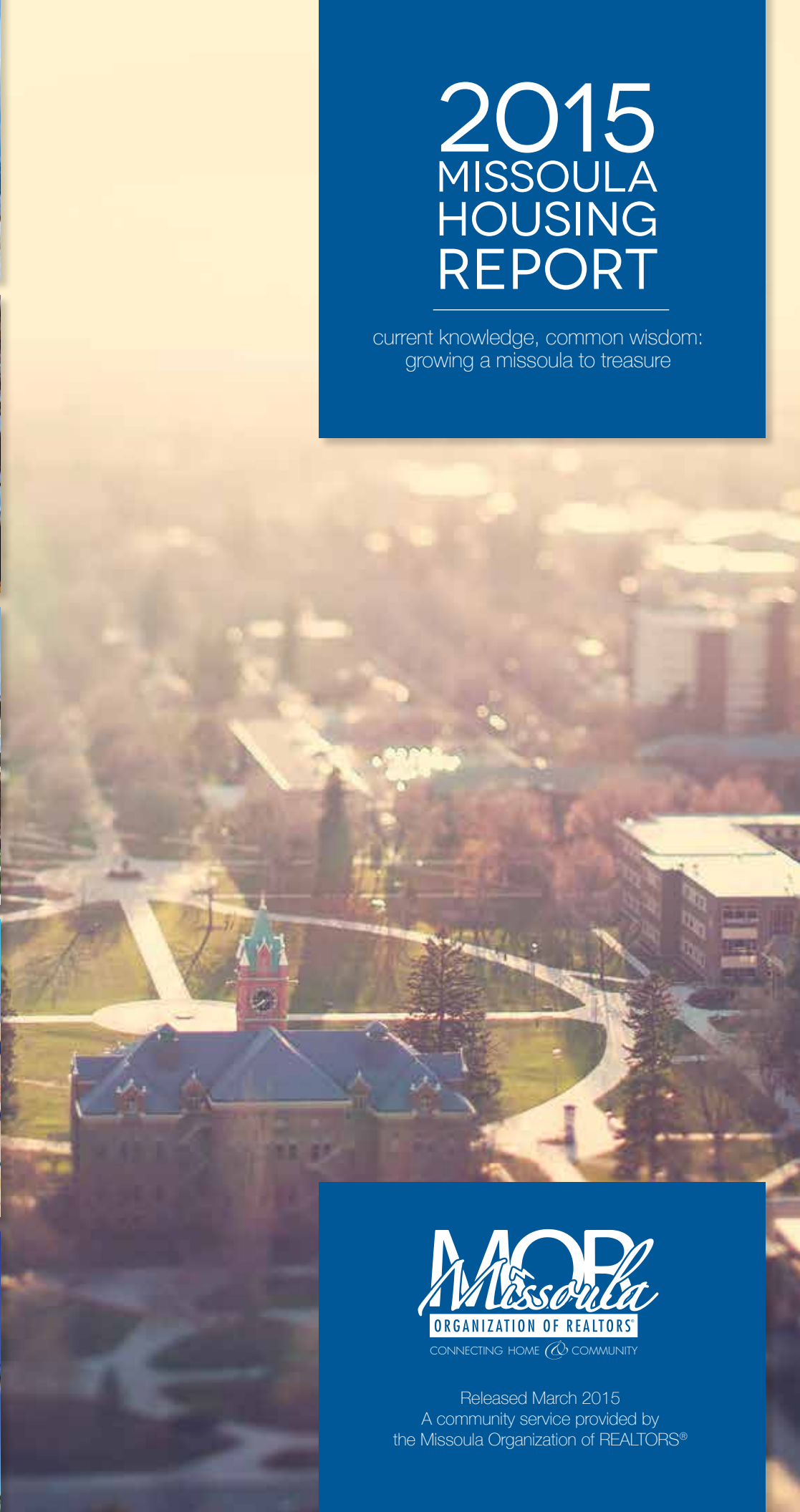


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# 2015 MISSOULA HOUSING REPORT

current knowledge, common wisdom:  
growing a missoula to treasure



**MOP**  
*Missoula*  
ORGANIZATION OF REALTORS®  
CONNECTING HOME & COMMUNITY

Released March 2015  
A community service provided by  
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# NOTES FOR READING THE REPORT

1 As in past reports, most data sources are publicly available and all are 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 welcome your comments (email [comments@missoulaestate.com](mailto:comments@missoulaestate.com)) so that we can continue to improve this annual report.

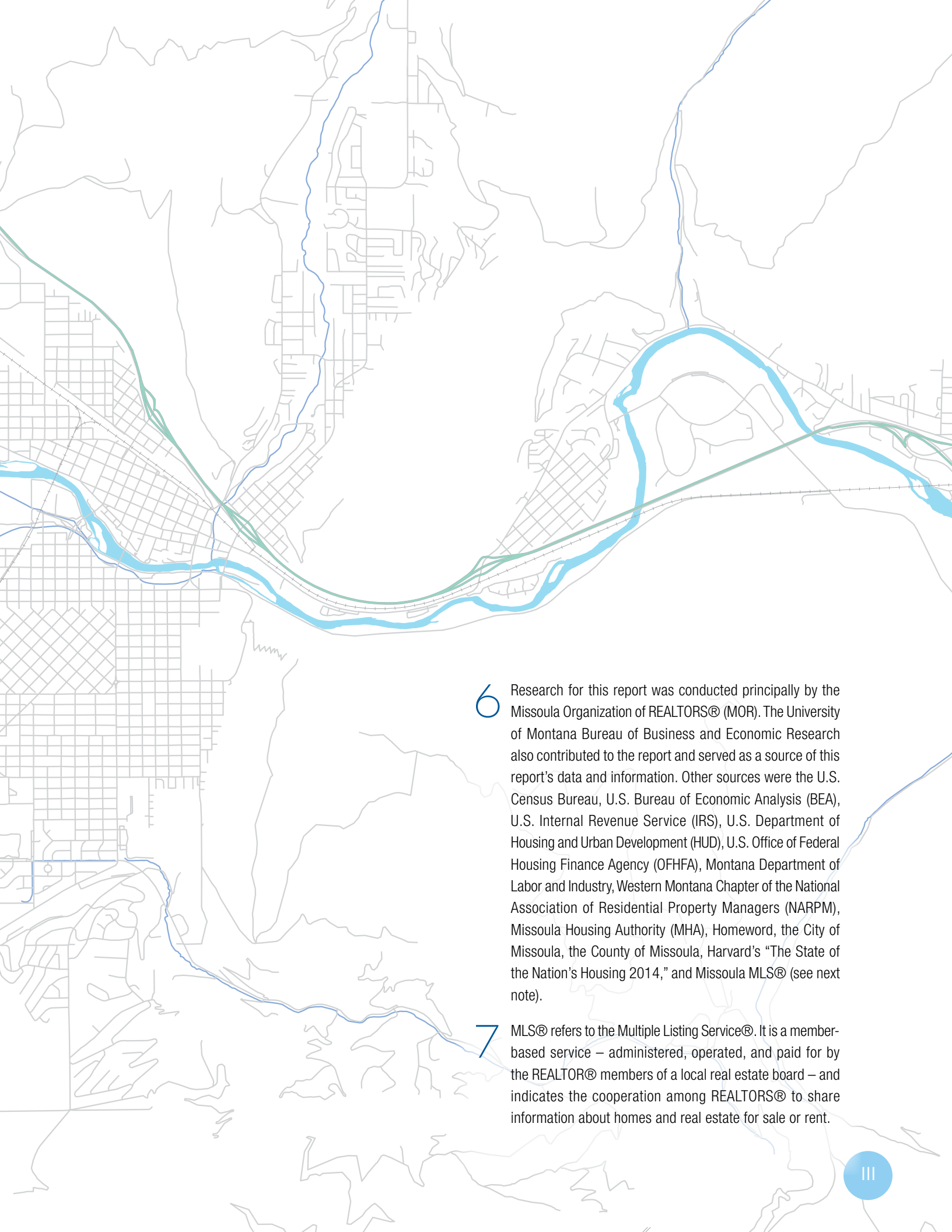
2 Unless otherwise noted, data presented in the text and figures are for the Missoula Urban Area, which includes the City of Missoula, its neighborhoods, and its surrounding urbanized area, defined as: Rattlesnake, Downtown, University, Farviews, South Hills, Pattee Canyon, Lewis and Clark, Miller Creek, 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 2014 in most cases but 2013 or even 2012 when more recent figures are not available.

4 “Median” is a term often used in this report and is important to understand. 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 the total of all values being reported and dividing by the number of individual values. 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 for the estimates and therefore cannot be considered 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. Bureau of Economic Analysis (BEA), U.S. Internal Revenue Service (IRS), 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, the City of Missoula, the County of Missoula, Harvard's "The State of the Nation's Housing 2014," and Missoula MLS® (see next note).

7 MLS® refers to the Multiple Listing Service®. It is a member-based service – administered, operated, and paid for by the REALTOR® members of a local real estate board – and indicates the cooperation among REALTORS® to share information about homes and real estate for sale or rent.

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# MESSAGE FROM COORDINATING COMMITTEE

We are pleased to present the “2015 Missoula Housing Report.” This is the tenth annual report on housing in the city and county of Missoula, and the content has evolved based on current trends, available information, and feedback from readers like you.

Always, our objective 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.

When read comprehensively, we hope the data come together to provide a more complete picture of this community, from affordability issues to neighborhood prices, homelessness issues, mortgage lending, and the demographics of the area. We think these pages reveal a number of opportunities and challenges requiring our attention. Additionally, this report highlights improvements over the years, of which the Missoula community should be proud.

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

After reading this report, if 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](http://www.MissoulaRealEstate.com).

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## Coordinating Committee

Brint Wahlberg	Windermere Real Estate
Jim McGrath	Missoula Housing Authority
Michael Moore	United Way
Tom Chapman	Professional Property Management
Kellie Battaglia	Homeward
Andy Short	Territorial Landworks, Inc.
Vicki Corwin	Stewart Title
Colleen Cebula	First Interstate Bank
Ruth Link	Missoula Organization of REALTORS®
Pat Barkey	UM Bureau of Business & Economic Research

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**THANK YOU** to the following businesses for supporting the printing of The Missoula Housing Report.

Territorial Landworks  
First Interstate Bank





# EXECUTIVE SUMMARY

## Housing Supply: Development & Occupancy

Missoula residential lot sales, as well as the median price of those lots, increased in 2014. In addition, Missoula experienced an overall increase in building permits in 2014, both at the city and county levels. Multi-family development made up the majority of new development in the City of Missoula, with 325 new permits being issued in 2014.

However, the pace of subdivision projects remained stalled, with only one subdivision being processed by the county in 2014. The total number of “entitled” lots dropped from 99 in 2013 to just three in 2014.

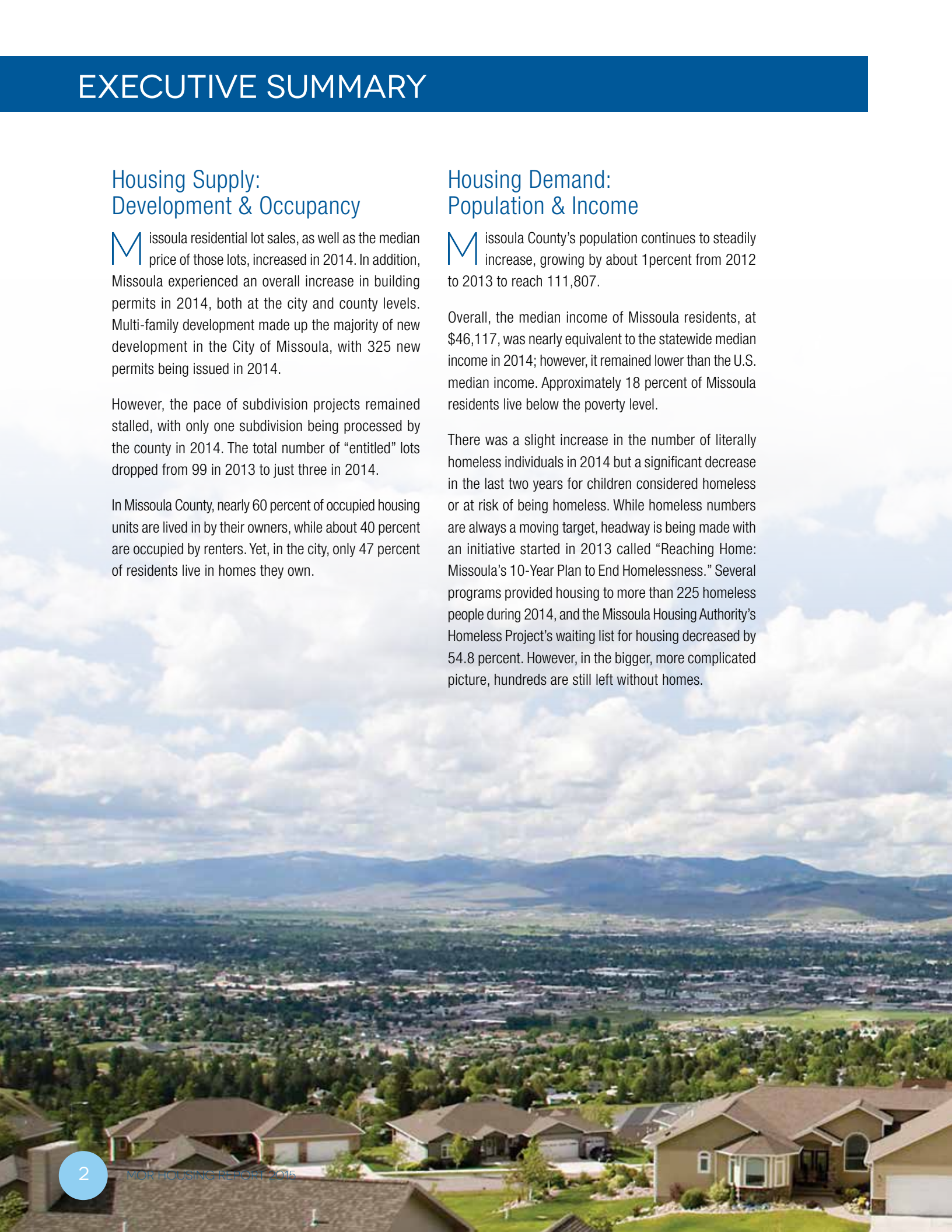
In Missoula County, nearly 60 percent of occupied housing units are lived in by their owners, while about 40 percent are occupied by renters. Yet, in the city, only 47 percent of residents live in homes they own.

## Housing Demand: Population & Income

Missoula County’s population continues to steadily increase, growing by about 1 percent from 2012 to 2013 to reach 111,807.

Overall, the median income of Missoula residents, at \$46,117, was nearly equivalent to the statewide median income in 2014; however, it remained lower than the U.S. median income. Approximately 18 percent of Missoula residents live below the poverty level.

There was a slight increase in the number of literally homeless individuals in 2014 but a significant decrease in the last two years for children considered homeless or at risk of being homeless. While homeless numbers are always a moving target, headway is being made with an initiative started in 2013 called “Reaching Home: Missoula’s 10-Year Plan to End Homelessness.” Several programs provided housing to more than 225 homeless people during 2014, and the Missoula Housing Authority’s Homeless Project’s waiting list for housing decreased by 54.8 percent. However, in the bigger, more complicated picture, hundreds are still left without homes.





## Rental Housing

Vacancy rates in the rental market were lower in 2014 than in 2013, remaining well below the national average.

The average cost of rent increased in almost every category in 2014. For those using Section 8 Housing Choice Vouchers, the average cost of rent also climbed higher.

Missoula Housing Authority was able to increase the number of vouchers served in 2014, thanks to an increase in federal funding. However, the Section 8 waitlist remains high, with 1,595 names in 2014.

## Housing Sales & Prices

The overall number of homes sold declined slightly in 2014, in part to due a slow start in the first two quarters of the year. The median price, however, increased for the fourth year in a row, reaching an all-time high of \$225,000. The largest number of sales occurred in the \$200,001 to \$275,000 price point. Condo and townhouse sales remained fairly strong, with those priced under \$200,000 exhibiting the strongest sales.

Single-family homes in Missoula continue to appreciate well. With absorption rates (based on real estate inventory and months on the market) dropping throughout 2014, Missoula had a normal market. Homes more than \$350,000 had the highest absorption rates while less expensive homes had lower absorption rates.

## Housing Finance

In 2014, homebuyers found that mortgage lenders required more documentation and adhered to stricter standards. However, interest rates remained low, ending at 4.13 percent.

The Missoula market exhibited a renewed strength as both short sales and foreclosures declined significantly in 2014. Bank foreclosures decreased by 42.5 percent.

Many residents are utilizing homeownership programs, such as Homeward's homebuyer education, financial education and foreclosure counseling. These programs appear to be having a positive influence, as housing stability has increased.

## Housing Affordability

Missoula's Housing Affordability Index showed a very slight increase in the affordability of Missoula homes in 2014, after a significant drop in 2013, due to a slight decrease in interest rates and increase in salary.

It is generally accepted that no more than 30 percent of a household's gross monthly income should be spent on housing. The percentage of Missoula households spending more than 30 percent of their income on housing has dropped since 2008. In 2013, about 28 percent of homeowners spent more than 35 percent of their income on housing and 8 percent spent 30 to 34.9 percent. Rental housing affordability presents a different picture: approximately 47 percent of Missoula renters spent more than 35 percent of their income on housing costs, while 11 percent spent 30 to 34.9 percent of their income on housing in 2013.



# HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

## Lot Development

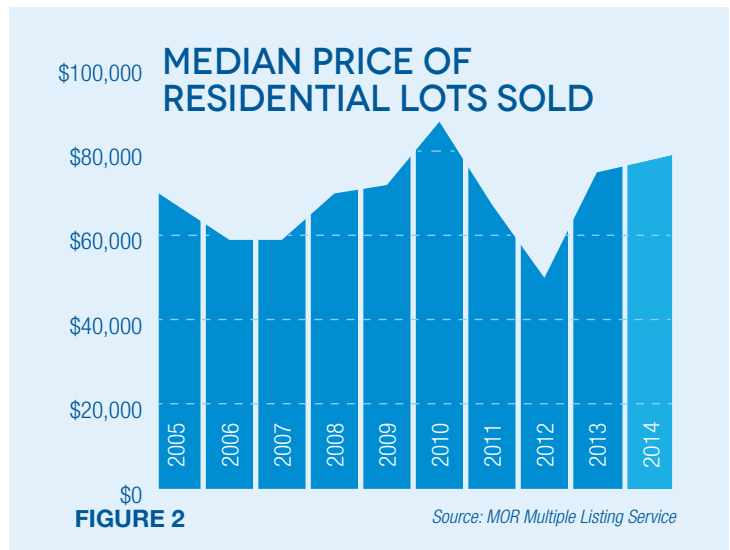
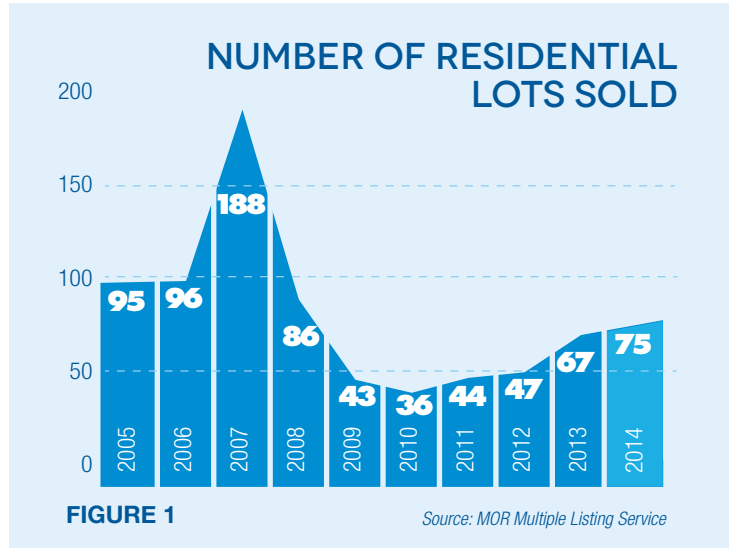
The number of residential lots sold in the Missoula urban area (FIGURE 1), as well as the median price of those lots, increased once again in 2014. The median price of a lot sale rose to \$79,000, up 5.3 percent from 2013 (FIGURE 2).

There are fewer foreclosed lots on the market dragging the median price down. Additionally, with a decrease in the existing available housing supply (market absorption rates declined through most of 2014), more buyers are opting to build.

FIGURE 1: The number of lots sold increased for the fourth year in a row.

FIGURE 2: The median price of a residential lot increased for the second year in a row.

TABLE 1: Residential lot sales and their median price continue to rise.



## RESIDENTIAL LOT SALES MISSOULA URBAN AREA

Year	Lot Sales	% Change	Median Price	% Change
2014	75	11.9%	\$79,000	5.3%
2013	67	42.6%	\$75,000	50.0%
2012	47	6.8%	\$50,000	-25.8%
2011	44	22.2%	\$67,400	-22.5%
2010	36	-16.3%	\$87,000	20.8%
2009	43	-50.0%	\$72,000	2.9%
2008	86	-54.3%	\$70,000	18.6%
2007	188	95.8%	\$59,000	0.0%
2006	96	1.1%	\$59,000	-15.7%
2005	95	46.2%	\$70,000	32.7%

TABLE 1

Source: MOR Multiple Listing Service



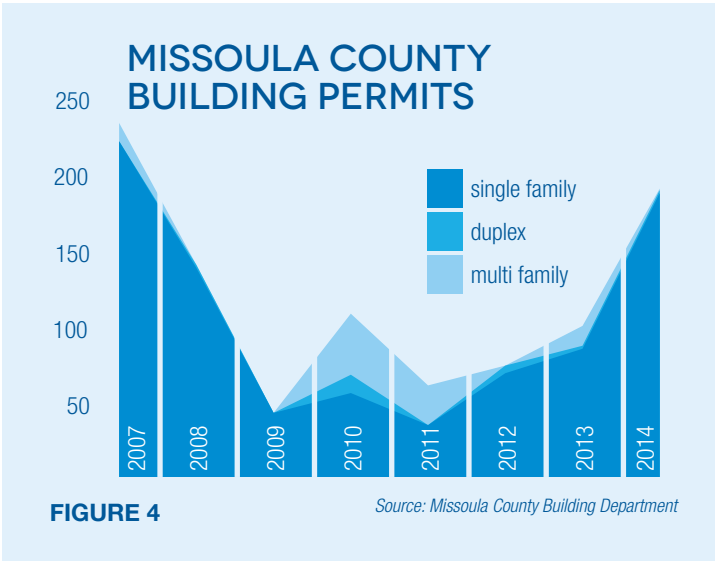
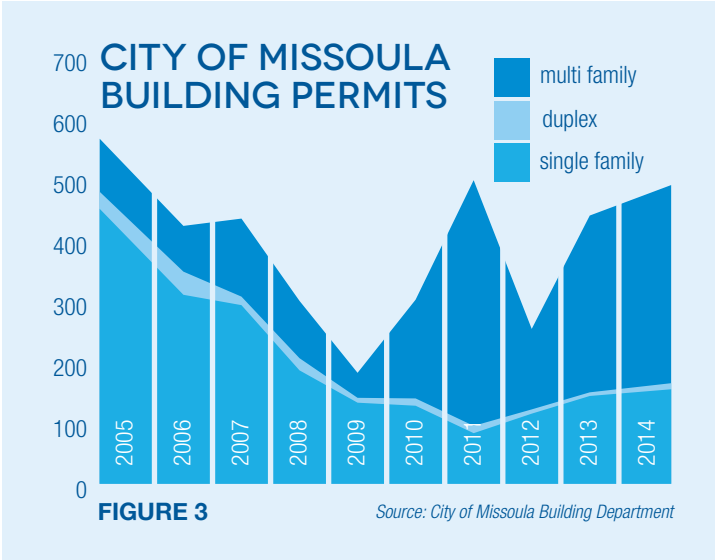


FIGURE 3: In the City of Missoula, single-family and multi-family building permits both increased.

FIGURE 4: In Missoula County, single-family building permits increased in 2014.

### Pace of Development

The simplest way to evaluate the pace of development is by examining the number of building permits issued. This year, however, we expanded the window to include the measurement of entitled lots.

The Housing Report Committee began collecting data on entitled lots because we wanted to gain more insight into land development metrics in Missoula. This data will give us a baseline for understanding how land development metrics play a role in the housing climate in Missoula. Entitlement and development of real estate entails extensive approval processes involving multiple regulatory jurisdictions. It is common for a project to require multiple approvals, permits, and consents from federal, state, and local governing and regulatory bodies. It is assumed the Housing Report Committee will be tracking this data in the future, allowing a better understanding of Missoula’s development trends.

For the second year running, multi-family development makes up the majority of new development in the City of Missoula, with 325 new units being permitted in 2014, compared to 290 in 2013. Single-family permits increased slightly, while duplexes remained under 12 units permitted for the fifth year a row (FIGURE 3).

However, percentage-wise, the biggest jump in building permits in 2014 came from county-issued permits. At 188 permits, this was the highest it had been since 2008 (FIGURE 4).

# HOUSING SUPPLY: DEVELOPMENT & OCCUPANCY

The total number of residential lots approved for development was 99 in 2013 and three in 2014 (TABLE 2). Since this is new data, we will need to build a larger data set to detect trends and draw a conclusion about entitled lots and how they relate to Missoula's development.

The pace of subdivision projects remained stalled, with only one subdivision being processed by the County in 2014. The total number of residential lots approved in the County dropped from 95 in 2013 to just three in 2014. The City of Missoula had no subdivisions approved in 2014 (TABLE 2).

As described above, the pace of subdivision projects continues to slow. However, a change in Montana Code in 2011 allowed for the use of a "townhome" exemption within incorporated cities and towns on zoned lands, and this new exemption seems to be a workable solution for developers. The exemption creates "units" instead of lots. Thirty-three "units" were created within the City of Missoula in 2014 and it appears that lenders are willing to finance these units similar to subdivision lots.

The long-term growth of Missoula is an important issue. The City of Missoula is currently conducting a public process called Our Missoula in order to update the city's Growth Policy. Along with the newly revised 2014 – 2018 Consolidated Plan, it will guide the future social, physical, environmental, and economic growth and development of the city. City staff members hope to have a draft plan by summer 2015, at which point it will be discussed in public hearings, by the planning board, and the City Council.

## DEVELOPMENT PROJECTS

	FY13	FY14
County Subdivisions	6	1
County Residential Lots Approved	95	3
City Subdivisions	2	0
City Residential Lots Approved	4	0
Total Residential Lots	99	3

TABLE 2

Source: Missoula County & City of Missoula

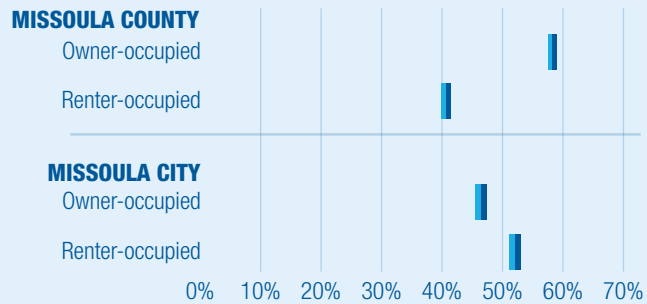
TABLE 2: The total number of residential development projects dropped from 99 in 2013 to three in 2014.

## Homeowner & Renter Occupancy

For occupied housing rates, we worked with the most recent data available, which is from the 2013 American Community Survey. The City of Missoula has a large number of rented units. Fifty-two percent of all occupied units were filled by renters in the City of Missoula while 47 percent were owner occupied. In Missoula County, nearly 60 percent of all occupied housing units were occupied by their owners, while the remaining 40 percent were occupied by renters (FIGURE 5). The national average was 64 percent owner occupied and 36 percent renter occupied. Missoula's higher renter population compared to the national average is partly due to the student population at the University of Montana.

In terms of the number of units occupied, both owner- and renter-occupied units had a slight decrease from 2012 to 2013 (FIGURE 6).

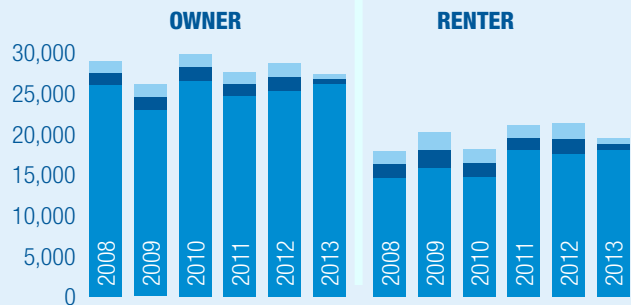
## OCCUPIED HOUSING UNITS BY TENURE



**FIGURE 5**

Source: US Census Bureau, American Community Survey, 2013, 3 year data.

## OCCUPIED HOUSING UNITS | MISSOULA COUNTY

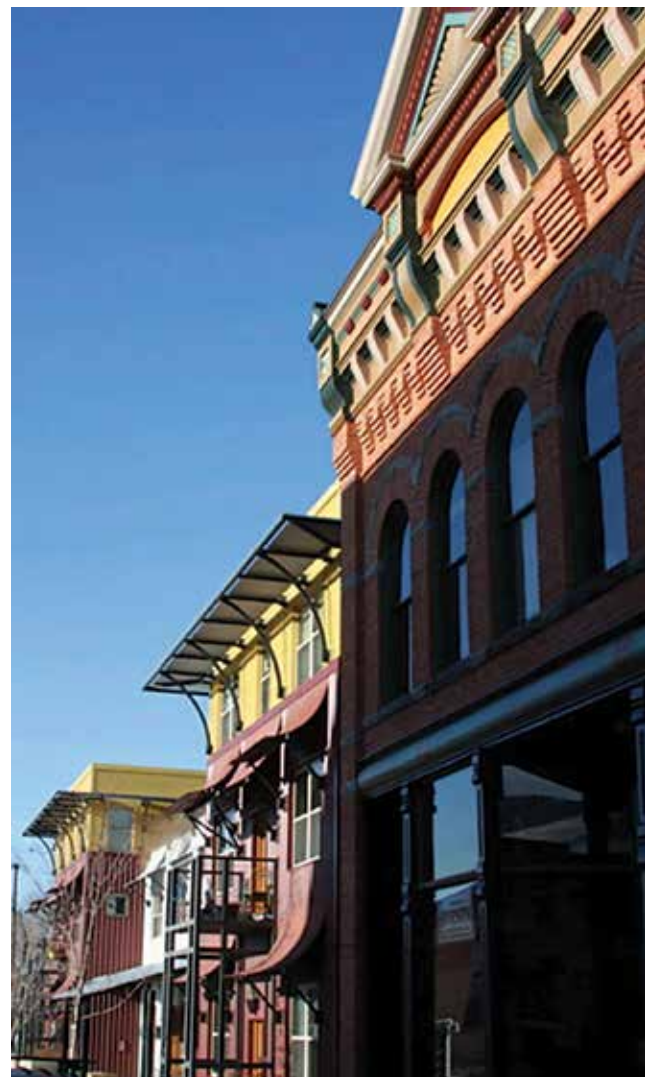


**FIGURE 6**

Source: US Census Bureau, American Community Survey, 2013, 3 year data.

FIGURE 5: Owners occupied about 60 percent of occupied housing units in Missoula County, while the City of Missoula had a higher renter rate of 52 percent.

FIGURE 6: After two years of growth, the number of renter-occupied housing units fell slightly in 2013.





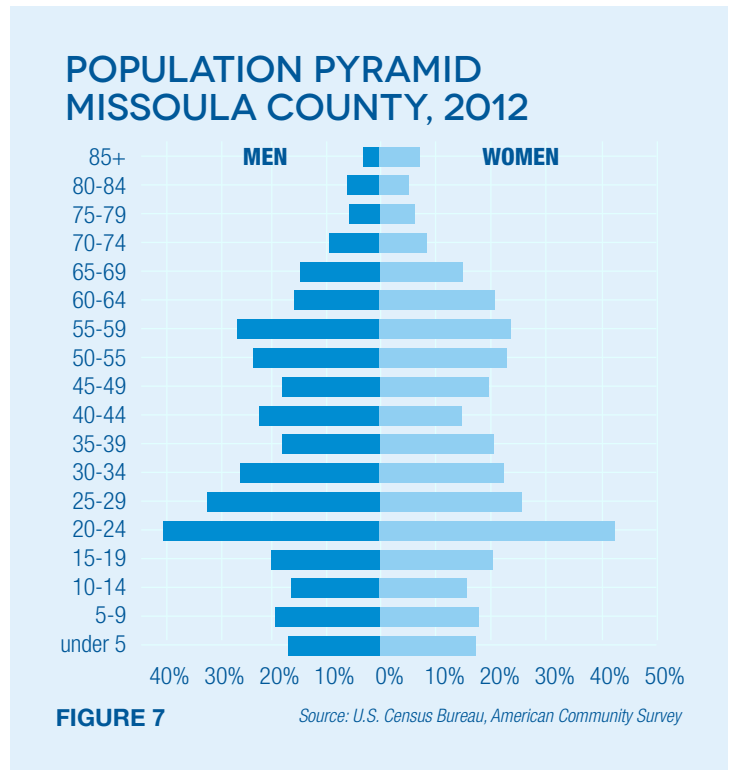
# HOUSING DEMAND: POPULATION & INCOME

## Age Distribution

As one would expect in a university town, residents ages 20 to 24 account for the largest age demographic in Missoula County (FIGURE 7).

Approximately one-third of the population is now made of up Millennials (approximately ages 18-34). Baby Boomers (ages 50-69) are about a quarter of the Missoula County population. Meanwhile, sitting between the two, Generation X holds a smaller portion of the pie, at about 17 percent.

FIGURE 7: Two dominant age ranges, 20-34 and 45-64, impact Missoula's population.

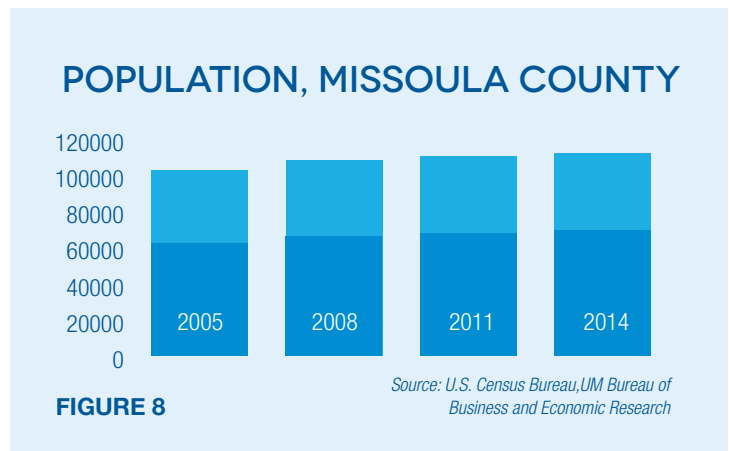


## Population Dynamics

The population of Missoula County grew 17 percent between 2000 and 2013. During that same time period, the population within the City of Missoula grew 19 percent. From 2012 to 2013, county-wide growth was about 0.9 percent (FIGURE 8). Since the recession in 2011, Missoula County's population has grown from 110,114 to 111,807 in 2013.

Missoula's population growth has a large influence on housing demand. Likewise, the number of available housing units determines the community's ability accommodate growth.

FIGURE 8: Missoula County's population continues to increase.



## COMPONENTS OF POPULATION CHANGE

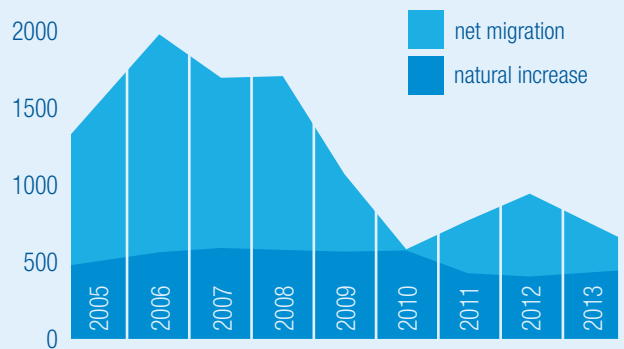


FIGURE 9

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

## Migration

Three factors influence population growth: birth, death, and net migration. While birth and death are considered natural factors, individuals moving to and from the area constitute the net migration.

In Missoula County, natural factors only slightly increased the population from 2012 to 2013, while net migration figures dropped by several hundred residents in that same time frame. (FIGURE 9).

FIGURE 9: Net migration dropped in 2013.



U.S. Department of Agriculture via Flickr

## MEDIAN INCOME | 2013

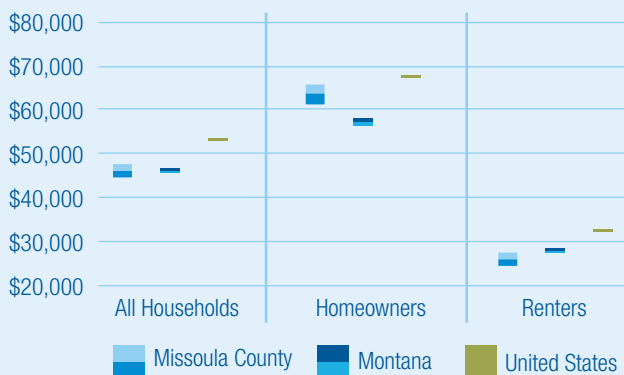


FIGURE 10

Source: US Census Bureau, American Community Survey

## Income Trends

Keeping in line with a long trend, the median income of all Missoula County households (\$46,117) stayed well below that of the U.S. median income but on par with Montana households (FIGURE 10).

However, the real differences are found when looking at homeowners versus renters. The median income of homeowners in Missoula County is significantly higher than that of Montana homeowners and nearly double that of renters in Missoula. Missoula renters have a slightly lower median income than the statewide median.

FIGURE 10: The median household income for Missoula homeowners was about double that of renters in 2013.

## Rental Occupancy

The rental market had a lower rate of vacancy (3.9 percent) in 2014 than it did in 2013 (4.6 percent), when we saw an increase in vacancy rates (FIGURE 12). Keep in mind that in 2013, many new units came into the marketplace, increasing the overall vacancy rates for that year. A number of new multiplex units opened in 2014. Looking forward, more multiplex rentals are being built but have not yet opened.

With all of the multi-family housing development in recent years, the vacancy rates of types of units, particularly two-bedroom units, is of interest. The greatest drop in vacancy rates in 2014 actually occurred in studio and one-bedroom units (FIGURE 13). The two-bedroom vacancies for 2014 (4.3 percent) remained nearly the same as in 2013 (4.5 percent).

Nationwide, the national rental vacancy rate in 2013 dropped to 8.3 percent, its lowest point since 2000, according to Harvard's "The State of the Nation's Housing 2014" (based on 2013 data). Low rental vacancy rates are common in college towns due to the pressure exerted by the student population. Missoula's low rental vacancy rate is in line with other college towns, such as Bozeman and Fort Collins, Colo.

FIGURE 11: With the exception of the first quarter, rental vacancy rates decreased in 2014.

FIGURE 12: The annual average vacancy rate for 2014 was 3.9 percent, down slightly from 2013.

FIGURE 13: The 2014 rental vacancy rate declined for all unit types except four-plus bedrooms, which remained the same.

### RENTAL VACANCY RATES QUARTERLY

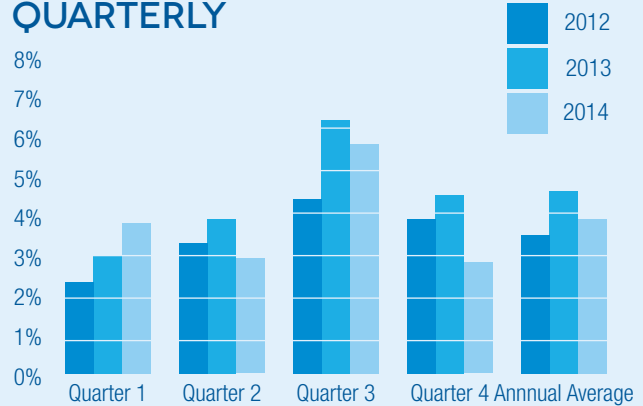


FIGURE 11

Source: Western Montana Chapter of NARPM

### ANNUAL VACANCY RATES

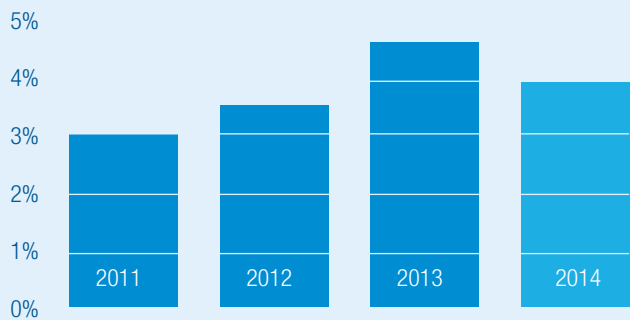


FIGURE 12

Source: Western Montana Chapter of NARPM

### RENTAL VACANCY RATE BY TYPE

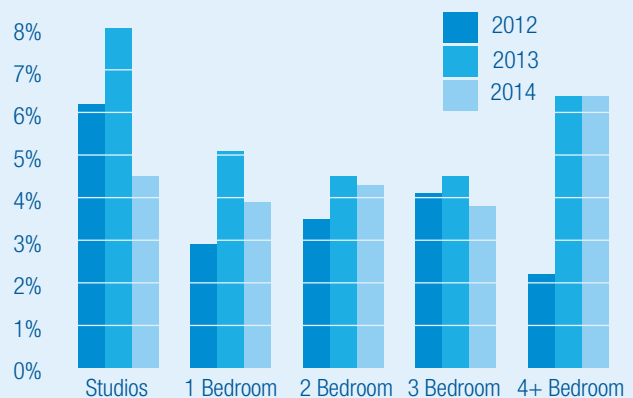


FIGURE 13

Source: Western Montana Chapter of NARPM



## AVERAGE COST OF RENT

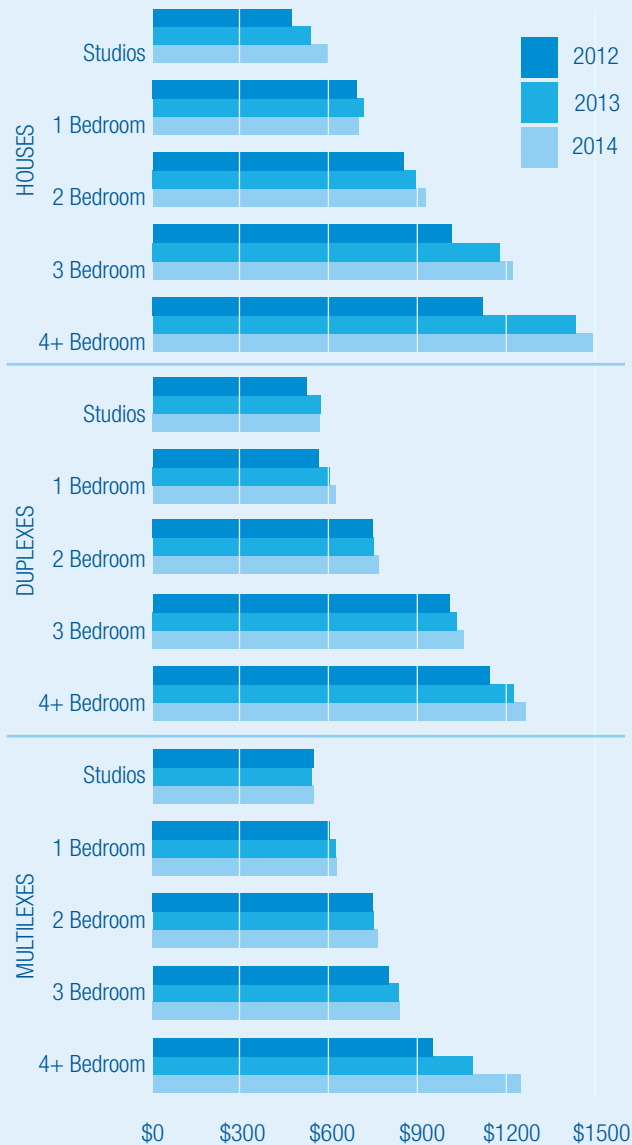


FIGURE 14

Source: Western Montana Chapter of NARPM

## Rental Prices

The average cost of rent increased in almost every category in 2014 (FIGURE 14). Two-bedroom multiplexes increased by \$14 in that same period. However, reporting practices do not account for incentives or tenant negotiations, such as move-in bonuses or other marketing methods used to attract renters.

FIGURE 14: Rent cost increased in nearly every category in 2014, with the largest increases coming from four-plus bedroom units.



## Rental Assistance Programs

Section 8 Housing Choice Vouchers make private-market housing affordable for low-income families and individuals by paying a portion of the family's rent. The average rent being charged for these families continued to climb, in line with the market rate increases, with the exception of studio apartments (FIGURE 15).

The Missoula Housing Authority (MHA) has 774 available Section 8 vouchers. Another 262 vouchers are provided in Missoula by the Montana Department of Commerce.

Varying federal funding means that not all of those vouchers can be deployed every year. For example, severe budget cuts in 2013 meant that MHA could only support 733 vouchers, a loss of 40 families being served. In fact, MHA did not issue vouchers to new families for most of that year. More funding was available during 2014, but it took months to regain footing. In January 2014, MHA leased 727 units; by January 2015, MHA leased 771—nearly the full 774 allowed. The last time MHA served all their vouchers was February 2013.

In September 2014, the number of households on the Section 8 waiting list was 1,595, down from 1,751 the year before, thanks to active efforts to lease more vouchers (TABLE 3). The previous year—during which no vouchers were issued—the waiting list climbed from 1,555 to 1,751. In 2008, there were 994 families waiting for a voucher.

MHA also received additional funding for its permanent supportive housing vouchers for the homeless. As a result, the waiting list shrank from 82 in 2013 to 37 in 2014. That waiting list peaked in 2010 at 151 and has been declining ever since.

In June 2013, one of MHA's public housing complexes burned down, taking 41 units off line. However, none of the tenants were displaced as MHA relocated them. Rebuilding is underway. MHA and other nonprofits, such as the Western Montana Mental Health Center and Homeward, continue to develop new affordable housing in very modest increments. For example, to serve their clients, the mental health center built eight units, which became available early this year. Even with these additional units, affordable housing continues to be in high demand as demonstrated by the waiting list numbers.

TABLE 3: In 2014, the waiting lists for MHA Section 8 Vouchers decreased by 8.9 percent, and the number of families on the MHA Homeless Project waiting list decreased by 54.8 percent.

MHA WAIT LISTS								
Waiting Lists	2007	2008	2009	2010	2011	2012	2013	2014
MHA Sec 8 Voucher	953	994	1395	1393	1666	1555	1751	1595
MHA Homeless Project	67	102	134	151	123	42	82	37

TABLE 3

Source: Missoula Housing Authority

## AVERAGE CONTRACT FOR VOUCHER HOLDERS

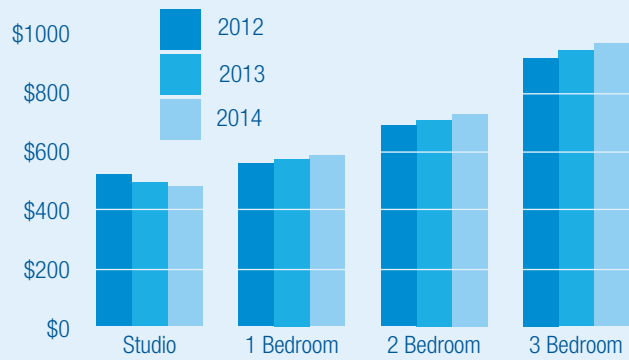


FIGURE 15

Source: Missoula Housing Authority

FIGURE 15: While the average contracted rent for a studio for voucher holders decreased again in 2014, all other rental units for voucher holders continued to see price increases.



f dibona via flickr



# HOUSING SALES & PRICES

## Home Sales in 2014

After the number of homes sold in Missoula increased 23 percent in 2013, the market slowed in 2014 (FIGURE 16). Lower overall inventory, as well as poor conditions in early 2014, played a role in the slightly lower overall number of sales. In 2014, a total of 1,265 homes sold, compared to 1,322 in 2013 (TABLE 4).

First quarter sales were slowed by unusually bad weather in Missoula in the winter of 2014 as well interest rates that were about 1 percent higher in that time period, compared to the previous year's first-quarter interest rates. The first increase in sales occurred in third quarter, and fourth quarter sales were stronger than the fourth quarters in the previous two years (FIGURE 17).

The median price increased for the fourth year in a row, reaching an all-time high of \$225,000, a 4.7 percent increase from 2013 (FIGURE 18).

Home sales were strongest in the \$200,001 to \$275,000 category (FIGURE 19). Still, 59 percent of all home sales in Missoula were in the \$100,000 to \$250,000 range, well above the national average of 44 percent (FIGURE 20). Sales of homes more than \$275,001 increased slightly, with seven sales in the \$750,000 to \$1 million range in Missoula in 2014 (compared to zero in 2013).

### NUMBER OF THE HOMES SOLD IN THE MISSOULA URBAN AREA

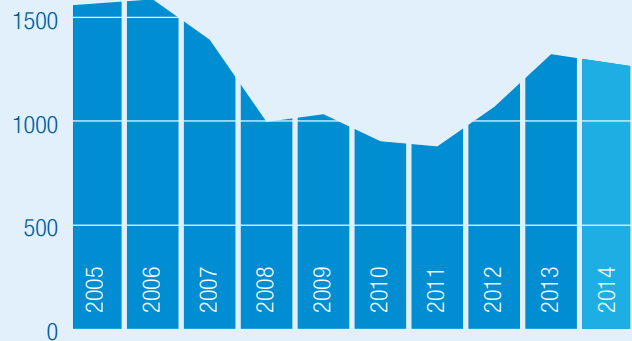


FIGURE 16

Source: MOR Multiple Listing Service

### MISSOULA NUMBER OF SALES BY QUARTER

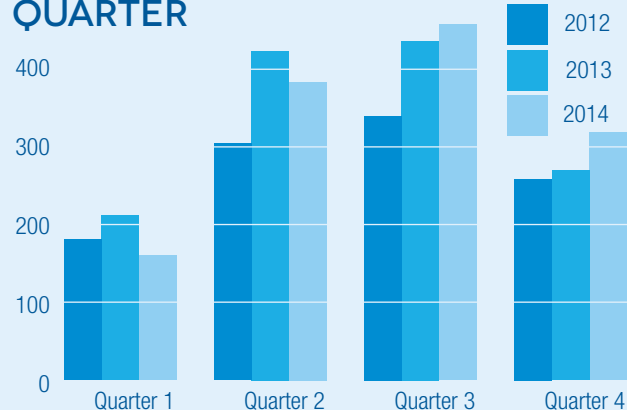


FIGURE 17

Source: MOR Multiple Listing Service

FIGURE 16: The number of homes sold in the Missoula urban area decreased slightly in 2014.

FIGURE 17: Home sales had a slow start in 2014 but took off in the third and fourth quarters.

TABLE 4: Missoula home sales recorded the highest median price in 10 years, but the number of sales decreased in 2014.

### SALES ACTIVITY IN MISSOULA URBAN AREA

Year	Annual Number of Sales	Median Price	% Change in Median Price
2014	1265	\$225,000	4.7%
2013	1322	\$215,000	2.5%
2012	1068	\$209,700	2.3%
2011	878	\$205,000	2.2%
2010	903	\$200,500	-4.0%
2009	1033	\$208,775	-2.9%
2008	996	\$215,000	-2.1%
2007	1392	\$219,500	6.2%
2006	1586	\$206,600	7.7%
2005	1558	\$191,900	7.2%

TABLE 4

Source: MOR Multiple Listing Service

## MEDIAN PRICE OF HOUSES SOLD IN THE MISSOULA URBAN AREA

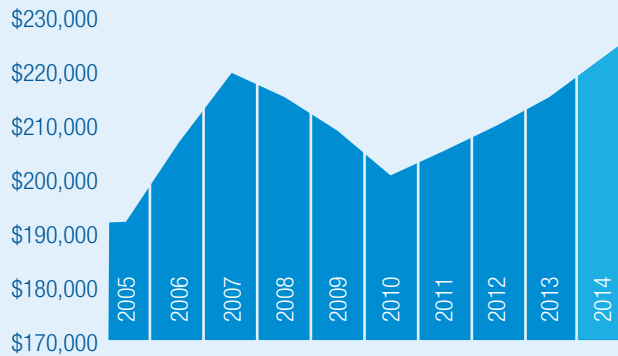


FIGURE 18

Source: MOR Multiple Listing Service

## NUMBER OF SALES PRICE RANGE BREAKOUT MISSOULA

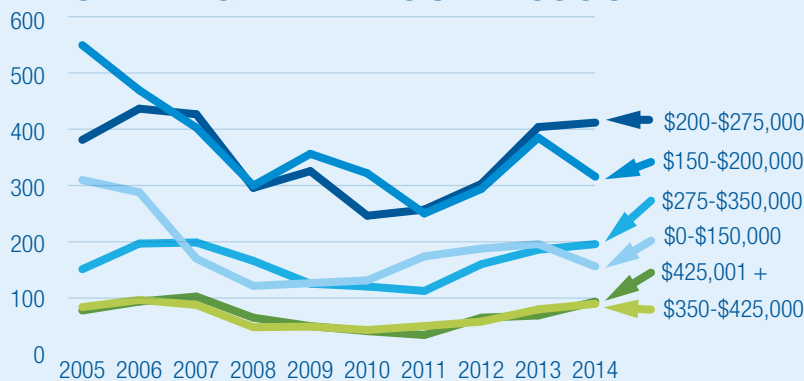


FIGURE 19

Source: MOR Multiple Listing Service

FIGURE 18: For the fourth year in a row, the median sales price of a home in Missoula increased, reaching the highest point in 10 years.

FIGURE 19: Home sales were strongest in the \$200,001 to \$275,000 price range.

FIGURE 20: In Missoula, 59 percent of all home sales fell in the \$100,000 to \$250,000 range, above the national average of 44 percent.

FIGURE 21: The change in Missoula's median sale price was nearly equal (and remained steady in comparison) to the national average.

## SALES PRICE DISTRIBUTION, U.S. VS. MISSOULA

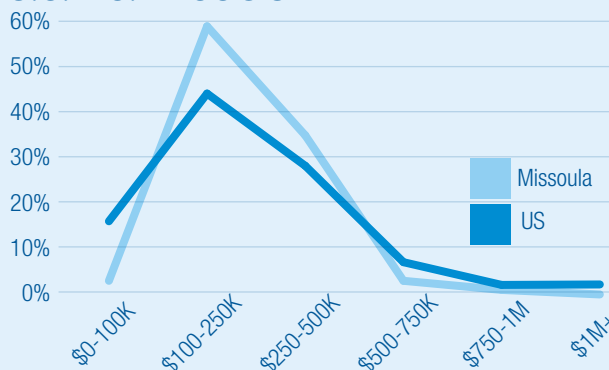


FIGURE 20

Source: MOR Multiple Listing Service, National Association of REALTORS

## PERCENT CHANGE IN MEDIAN SALES PRICE

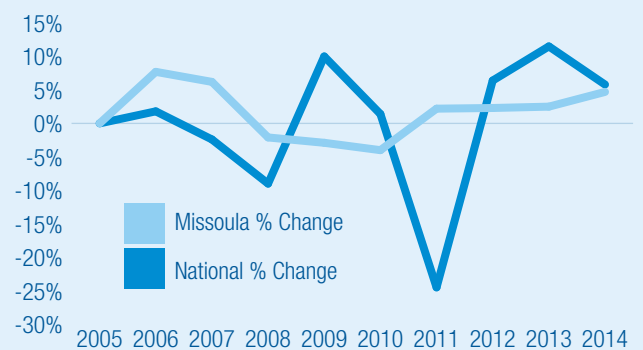


FIGURE 21

Source: MOR Multiple Listing Service, National Association of REALTORS

# HOUSING SALES & PRICES

## Condominiums & Townhouses

Condominium and townhouse sales took a slight dip in 2014 but still remained well above sale levels from 2008 to 2012 (FIGURE 22). Finance restrictions for condos have eased slightly in the last few years.

Condos and townhomes priced under \$200,000 continue to have the strongest sales. These units tend to have stronger perceived benefits (better finish grades and attractiveness) when compared to single-family homes in the same price range.

FIGURE 22: Condominium and townhouse sales in Missoula remained strong for a second year in a row, though slightly below 2013 sales.

## CONDOMINIUM & TOWNHOUSE SALES IN MISSOULA URBAN AREA

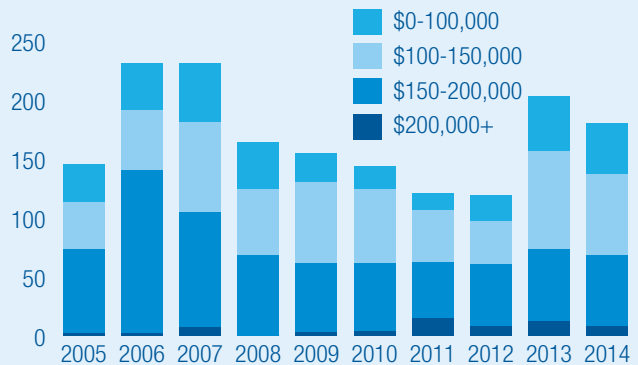


FIGURE 22 Source: MOR Multiple Listing Service

## Sales Trends in Neighborhoods

Following an uptick in sales in many neighborhoods in 2012 and 2013, sales in most Missoula neighborhoods slowed in 2014 (FIGURE 23), corresponding with the slight decline in overall sales in Missoula County. Lolo and Grant Creek were the only neighborhoods to record an increase in sales. Additionally, the Lolo neighborhood median house price declined in 2014, dropping from \$225,000 to \$220,000 (FIGURE 24). The increase in sales and slight decrease in median sales price for the Lolo area could be attributed to its appeal for entry-level and low to no down payment buyers. The entire Lolo community is in an area that qualifies for Rural Development loans, which do not require a down payment.

Grant Creek has the highest median price (\$346,000) of any neighborhood. The lowest median price for a neighborhood was \$175,000 in both Downtown/Northside and Central Missoula.

The sales trends data include 2011 comparative data because 2011 was the floor of the Missoula housing market.

FIGURE 23: Lolo and Grant Creek were the only neighborhoods with an increase in home sales in 2014.

## HOME SALES BY NEIGHBORHOOD

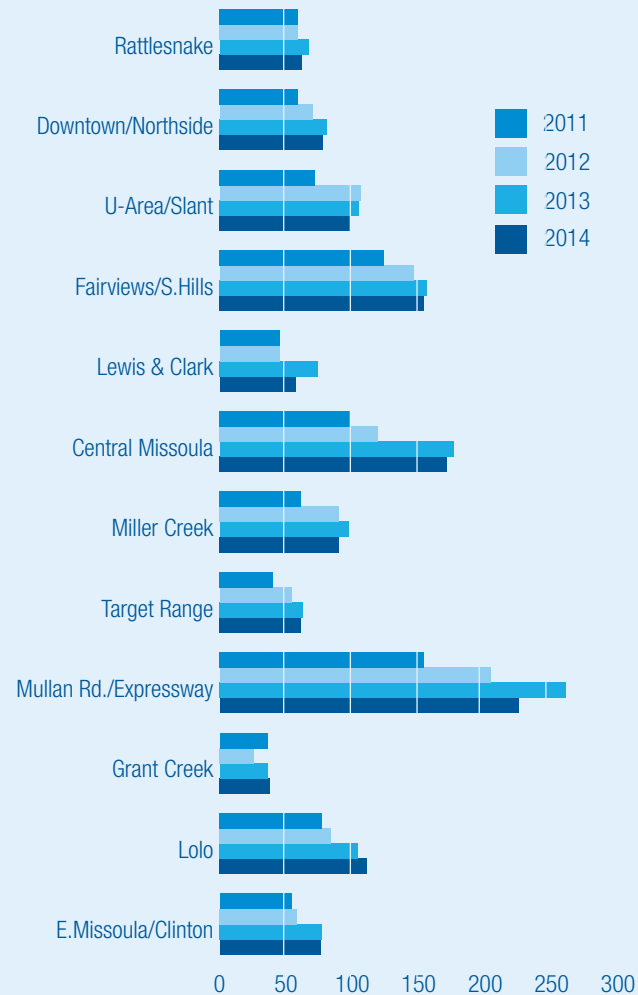
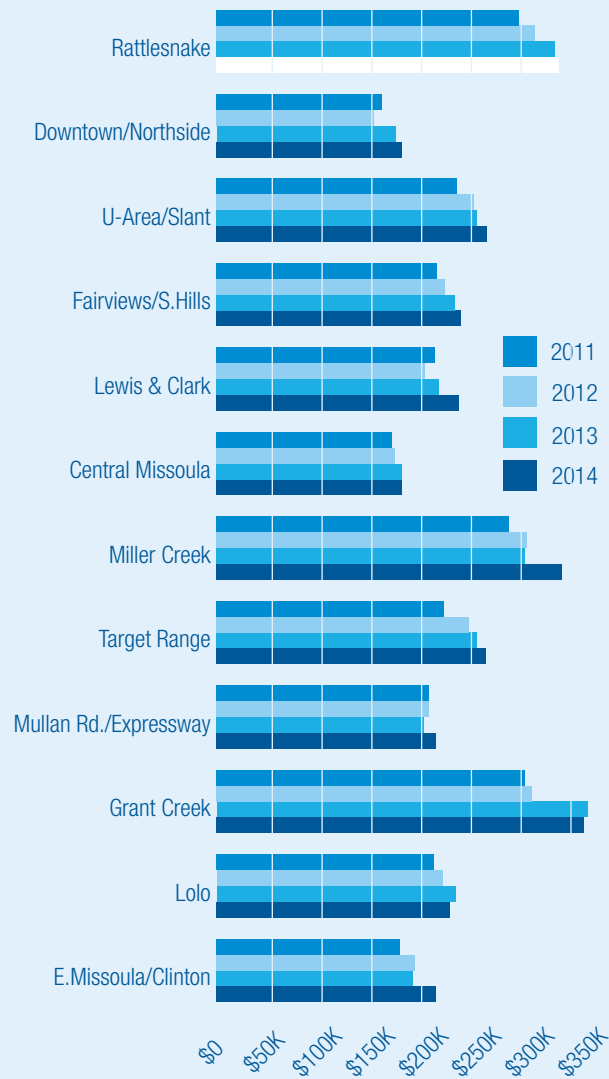


FIGURE 23 Source: MOR Multiple Listing Service

## MEDIAN SALES PRICE BY NEIGHBORHOOD



**FIGURE 24**

Source: MOR Multiple Listing Service

FIGURE 24: The median sales price increased or stayed the same in nearly every neighborhood except Lolo and Grant Creek.





# HOUSING SALES & PRICES

## Comparative Trends in Home Prices

The Housing Price Index (HPI) is a broad measure of the movement of single-family home prices. The information is obtained 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 data is compiled quarterly. For reference, an index value of 100 equals the value in January 1991.

Missoula typically has had higher repeat home prices than other Montana markets and the U.S. national average, and that trend continued in 2014 (FIGURE 25). This indicates that single-family homes in Missoula appreciate well.



FIGURE 25: In 2014, the Housing Price Index for Missoula homes continued to increase.

### FHFA HOUSING PRICE INDEX | 1<sup>ST</sup> QTR 2005 – 3<sup>RD</sup> QTR 2014

Index = 100 in January 1991

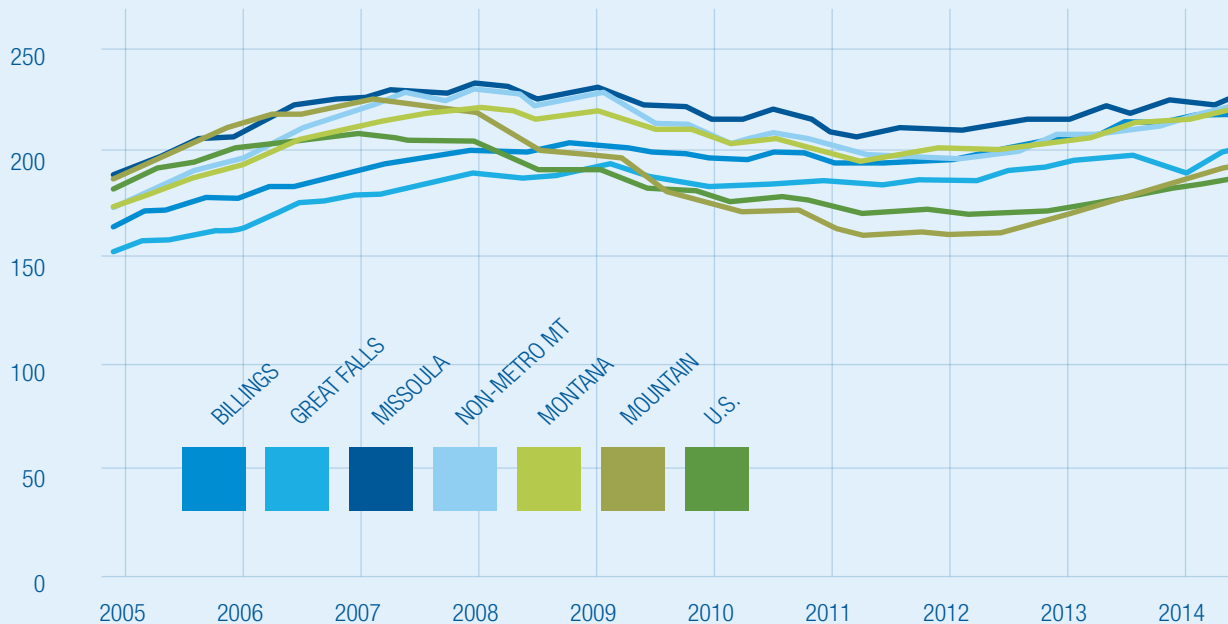


FIGURE 25

Source: Federal Housing Finance Agency

## TOTAL MARKET ABSORPTION RATES

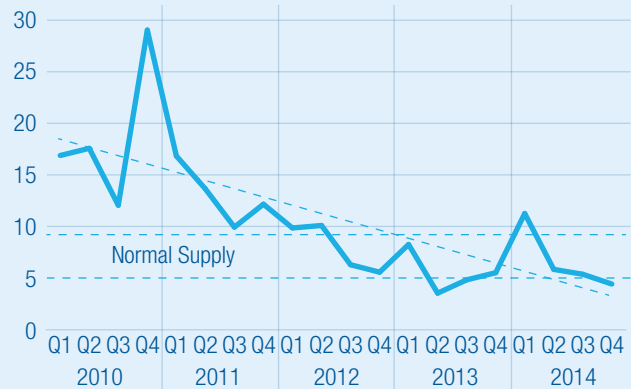


FIGURE 26

Source: MOR Multiple Listing Service

## ABSORPTION RATES BY PRICE POINT

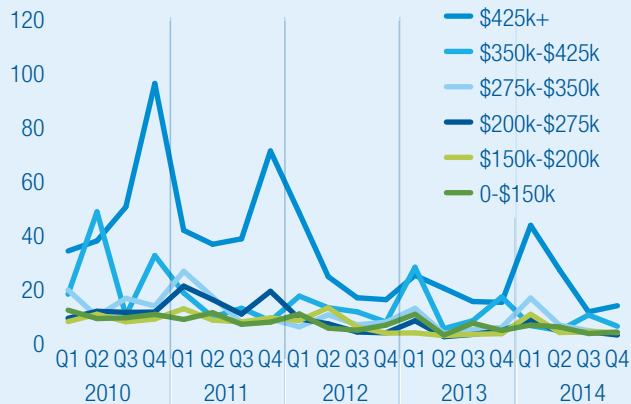


FIGURE 27

Source: MOR Multiple Listing Service

## 6 MONTH ABSORPTION RATES 7/29/14 TO 1/29/15

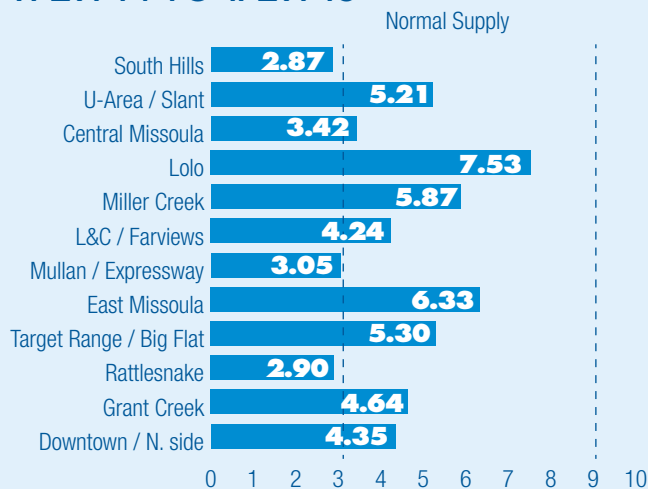


FIGURE 28

Source: MOR Multiple Listing Service

## 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 average number of sales in a month. The resulting absorption rate shows 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, which means that, based on the market's prior activity, it would take four months to exhaust the supply of current inventory.

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

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

The Missoula Organization of REALTORS® keeps track of segmented data at certain price points, allowing for a better illustration of which price ranges are showing better overall market health.

Missoula experienced a spike in its overall absorption rate in 2010, with most housing entering the "normal" market range by the end of 2012 (FIGURE 26).

Market absorption rates rose across the board in the first quarter of 2014 (FIGURES 26 + 27). This makes sense, given the corresponding fewer number of sales in the first part of the year, due in part to higher interest rates and bad weather in Missoula. Total market absorption rates fell back into the normal range and continued to decline throughout the rest of the year. The last six months of absorption rates for Missoula neighborhoods shows the Rattlesnake neighborhood having the lowest rate, while Lolo has the highest (FIGURE 28).

FIGURE 26: After rising to 11.2 in the first quarter of January 2014, total market absorption rates fell back into the normal range and continued to decline throughout the rest of the year.

FIGURE 27: Absorption rates remained the highest for the more expensive properties.

FIGURE 28: The last six months of absorption rates for Missoula neighborhoods all fall within a normal market range, with the Rattlesnake having the lowest rate and Lolo the highest.

## Mortgage Loans

The Dodd-Frank Act began in earnest in 2014. New terms grew throughout the mortgage industry, including Ability to Repay (ATR), High Priced Mortgage Loans (HPML), and Collateral Underwriting. Many mortgage consumers found that lenders required more documentation, even to the minutest detail. Appraisers found they were now being asked to justify and quantify their appraisal reports and their final evaluations.

On a positive front, mortgage interest rates remained very steady and low throughout 2014 (FIGURE 29). Long-term 30-year rates ranged from a high of 4.5 percent to a low of 4.125 percent while shorter-term 15-year financing ranged from 4 percent to 3.375 percent. First-time homebuyer down payment assistance programs for qualified borrowers provided interest-free or debt-forgiven down payment assistance funds. The Montana Board of Housing offered 30-year interest rates ranging from 3.875 percent to 3.5 percent. And Neighbor Works Montana in Great Falls assisted many qualified borrowers with a 20 percent second mortgage at a low interest rate.

While interest rates remained very low in 2014, lenders were required to hold to very strict “debt to income” guidelines. Borrowers with total debt to gross income more than 45 percent may be unable to get financing. This conservative approach to determining a borrower’s qualification for a home mortgage attempts to alleviate future payment shock and the borrower’s Ability to Repay. Ideally a consumer should not spend more than 28 to 30 percent of their gross monthly income on housing and no more than 43 to 45 percent on total debt repayment.

It takes approximately \$4,000 of gross monthly income to qualify for a \$200,000 home mortgage loan at 4.25 percent. An estimated payment of principal, interest, property taxes, and homeowners insurance would be approximately \$1,226.

Lenders throughout the Missoula area have found that prospective borrowers are better educated on the types of loan programs they want, what their comfort levels are for a house payment, and how to position themselves financially to become home owners. The new-age homebuyer doesn’t want to be house poor but is also thoughtful about the home they want to invest in. More prospective buyers look at a home purchase with the thought of that home being a longer-term, rather than short-term, investment. Location, quality, affordability, and the ability to expand are what many prospective home purchasers are looking for.

### YEAR END INTEREST RATES



FIGURE 29

Source: First Security Bank, First Interstate Bank, Missoula, MT

FIGURE 29: Interest rates remained steady and low in 2014.

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## Impacts of Mortgage Insurance

Mortgage insurance is a policy paid for by the homeowner that protects the lender in the event that the homeowner defaults on payments. Mortgage insurance is not required on all loans, but it is required on conventional loans when the first mortgage is greater than 80 percent of the property value. Federal Housing Administration (FHA) and Rural Development loans also require mortgage insurance.

Mortgage insurance continued to be tax deductible in 2014 on a qualified personal residence. Once adjusted gross income (AGI) exceeds \$100,000 (\$54,500 if married filing separately), the deduction begins to phase out, completely disappearing once AGI reaches \$109,000 (\$54,500 if married filing separately).

---

## Down Payments

Down payment requirements for most loan program types, including FHA and conventional loan products remain virtually the same. FHA continues to require a minimum of 3.5 percent down while some conventional products are being offered between 3 percent and 5 percent. A typical down payment on a conventional loan would be 5 percent or more. (See also: The Housing Affordability Index.)





## Foreclosure Resales & Short Sales

Distressed property usually sells far below market value. Distressed sales include both real estate owned (REO) foreclosures and short sales. A foreclosure resale occurs when a bank sells a property after a foreclosure has been finalized. A short sale allows homeowners to sell properties for less than the mortgage balance with lender approval. This process lets homeowners pay lenders and avoid foreclosure, reducing additional costs for both creditors and borrowers.

The number of bank foreclosures in Missoula declined 42.5 percent in 2014 (FIGURE 30), with the lowest number of foreclosures since 2006 (TABLE 5). Short sales also declined significantly. Combined, distressed sales in 2014 were significantly lower than they had been in the last several years (FIGURE 31), and as such, they made up a smaller portion of the total market sales—3.4 percent in 2014 (FIGURE 32). Such significant decreases are an encouraging change for the Missoula market.

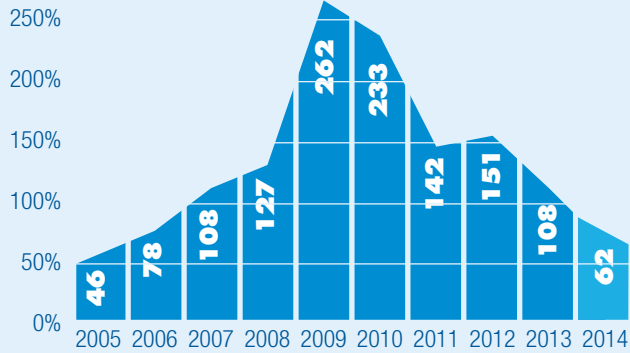
TABLE 5: Net foreclosures dropped to the lowest level since 2006.

FORECLOSURES			
YEAR	NOTICE OF SALE	CANCELLATION OF SALE	NET FORECLOSURES
2014	206	144	62
2013	270	162	108
2012	431	280	151
2011	493	351	142
2010	719	486	233
2009	565	303	262
2008	313	186	127
2007	247	139	108
2006	215	142	73
2005	176	130	46

TABLE 5

Source: First Security Bank, Stewart Title

## BANK FORECLOSURES MISSOULA COUNTY



**FIGURE 30**

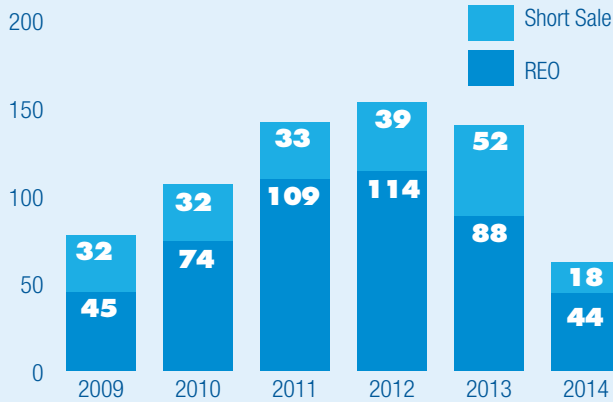
Source: First Security Bank, Stewart Title, Missoula, MT

FIGURE 30: Bank foreclosures declined by 42.5 percent in Missoula County in 2014.

FIGURE 31: Both short sales and foreclosures decreased significantly in Missoula in 2014.

FIGURE 32: Distressed sales made up a smaller portion of the total sales in 2014.

## DISTRESSED SALES MAKEUP



**FIGURE 31**

Source: Multiple Listing Service

## DISTRESSED SALES AS COMPARED TO TOTAL MARKET VOLUME



**FIGURE 32**

Source: MOR Multiple Listing Service



## Home Ownership Programs

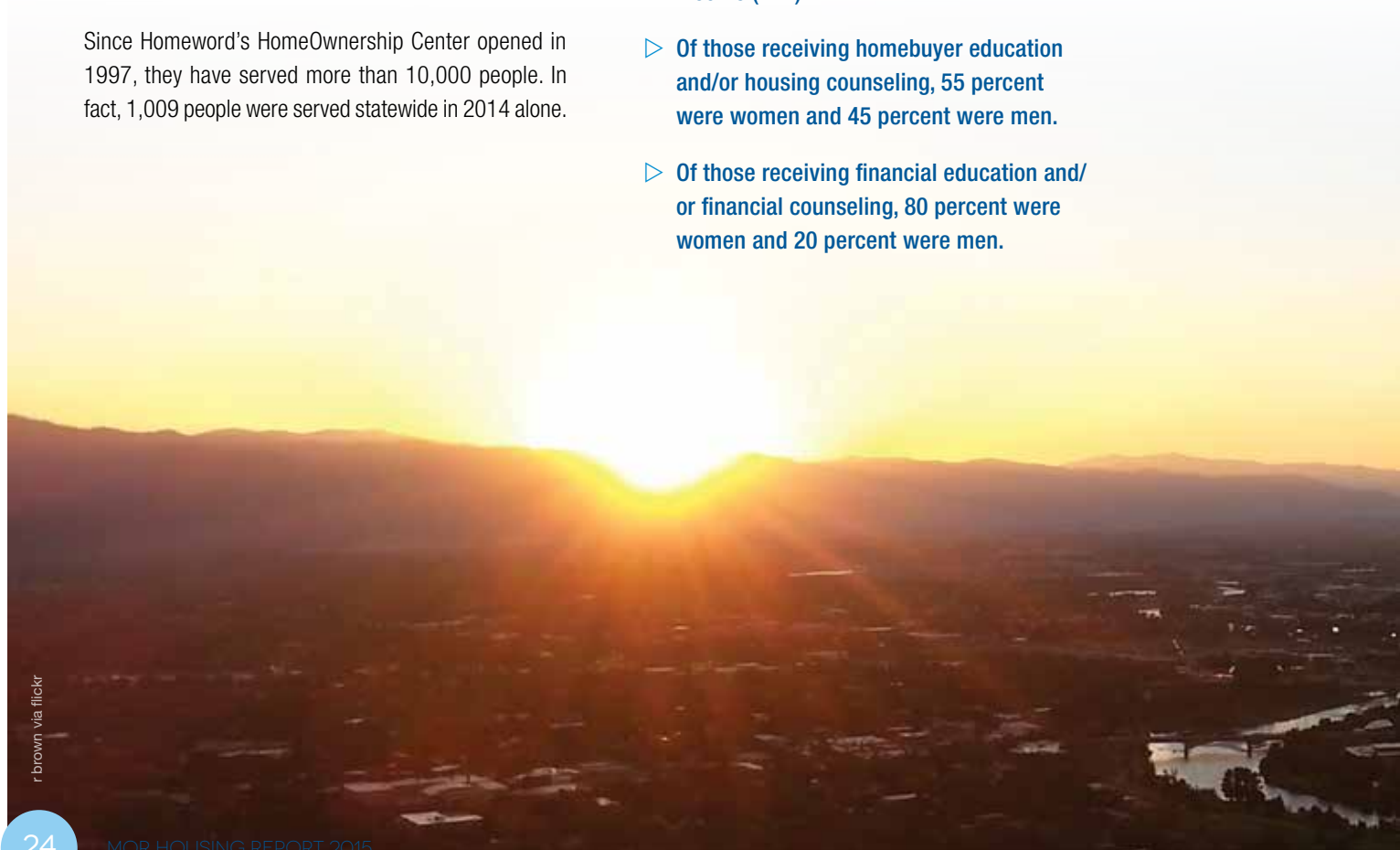
A 2013 study by NeighborWorks America found that homebuyer education and pre-purchase housing counseling are key to successful homeownership. In fact, homeowners who receive pre-purchase housing counseling and education are about one-third less likely to become seriously delinquent on their mortgage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

Homeward is a statewide nonprofit affordable housing developer and HUD-approved Housing Counseling Agency. They are one of only three Regional HomeOwnership Centers® in the state of Montana. Homeward provides a full continuum of services, including financial literacy education and counseling, homebuyer education and housing counseling, foreclosure intervention counseling, and post-purchase education and counseling. As a nonprofit, all services are provided at no cost with the exception of the homebuyer education class, which is \$25 per person (or \$35 per household).

Since Homeward's HomeOwnership Center opened in 1997, they have served more than 10,000 people. In fact, 1,009 people were served statewide in 2014 alone.

### 2014 HOMEWORD HOMEOWNERSHIP PROGRAM FACTS:

- ▶ 701 people accessed the HomeOwnership Programs in Missoula.
- ▶ 421 people accessed homebuyer education in Missoula.
- ▶ 61 percent self-reported they were ready to purchase a home.
- ▶ 39 percent self-reported they were just interested in learning more about homeownership.
- ▶ 150 people accessed free pre-purchase housing counseling in Missoula.
- ▶ 74 percent of Homeward clients earned below 80 percent of the Area Median Income (AMI).
- ▶ Of those receiving homebuyer education and/or housing counseling, 55 percent were women and 45 percent were men.
- ▶ Of those receiving financial education and/or financial counseling, 80 percent were women and 20 percent were men.



Generally speaking, pre-purchase housing counseling clients had credit scores in the mid-high 600s and 50-60 percent were seriously shopping for both a home and lender. Most housing counseling clients planned on doing a conventional loan through Fannie Mae (having good credit and 5 percent down), or a federally insured loan (Rural Development, FHA or VA) with the Montana Board of Housing (MBOH) through an approved MBOH lender. Clients took advantage of the 80/20 loan mortgage product that NeighborWorks Montana offers, which serves up to 120 percent of the AMI. Additionally, qualified clients used the Human Resource Council's down-payment assistance program for their gap financing.

It is important to note that homeowners facing foreclosure do not need to pay for foreclosure counseling services. There are approved HUD Housing Counseling Agencies, such as Homeward, that are effective and provide these services for free.

A 2013 study by HUD found that nearly 70 percent of homeowners who sought counseling from a HUD Housing Counseling Agency prior to falling behind on their mortgage payments remained in their homes and in current status some 18 months later. In contrast, only 30 percent of homeowners counseled six months or more after falling behind on their mortgage reached the same level of housing stability during that timeframe. The study illustrates the importance of seeking foreclosure counseling services at the first sign of financial distress. Distressed homeowners are also nearly twice as likely to receive a modification on their mortgage if they work with a certified foreclosure counselor.

## 2014 HOMEWORD FORECLOSURE COUNSELING FACTS

- ▶ **More than 80 people received phone foreclosure counseling with the average phone call taking 30 minutes in 2014.**
- ▶ **24 households received in-depth foreclosure counseling in Missoula in 2014 (down from 45 households in 2013).**
- ▶ **Of the households that received some type of foreclosure relief (i.e. modification, sold the home, bankruptcy, etc.) only one household was foreclosed upon.**

A 2014 study released by the Urban Institute indicates housing counseling is having its intended effect of helping homeowners. It showed that counseled homeowners were more likely to cure a serious delinquency or foreclosure with a modification or other type of cure, stay current after obtaining a cure, and for clients who cured a serious delinquency, avoid foreclosure altogether.

David Berenbaum, CEO of the Homeownership Preservation Foundation, said, "Housing counseling that is provided by HUD-certified housing counseling groups is a win-win for homeowners, mortgage servicers, investors, and regulators."



## 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. A 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 above 100 indicates they have more than enough income to qualify for a mortgage on a median-priced home. The National HAI calculation assumes a 20 percent down payment, and it also assumes that no more than 25 percent of the household’s monthly income goes toward the mortgage payment (principle and interest).

In the 2012 report, The Missoula Organization of REALTORS® received feedback about the influence of mortgage insurance on housing affordability. Before this, mortgage insurance was not included in HAI calculations. Now, it is. Although mortgage insurance is primarily for the benefit of the lender, to protect them in the event of a default, it does allow homebuyers to purchase a home with a low down payment. This report assumes an average cost of 1 percent of the principle on the loan.

The new numbers now show how a lower down payment with mortgage insurance affects overall affordability (TABLE 6). In 2014, the overall HAI in Missoula increased by four to six points for all households when factoring in mortgage insurance, and it increased by seven to nine points with 20 percent down and no mortgage insurance.



In Table 6, you can see the effect a down payment has on affordability. With mortgage insurance and a 4.13 percent down payment, the median family income needed to purchase a median-priced home in Missoula in 2014 would have been \$76,319. However, with a larger 20 percent down payment and no mortgage insurance, that median income only needed to be \$52,949. Thus, for the 4.13 percent down payment, the 2014 HAI values fall a striking 27 to 37 points below those of the household that made a 20-percent down payment had a lower principal and interest rate payment. Few people have 20 percent down.

While all HAI values showed a minimal increase in 2014, overall values are still well below 2010-2012 values, and many of the HAI values fall below the 100 “qualifying”

### HOUSING AFFORDABILITY INDEX

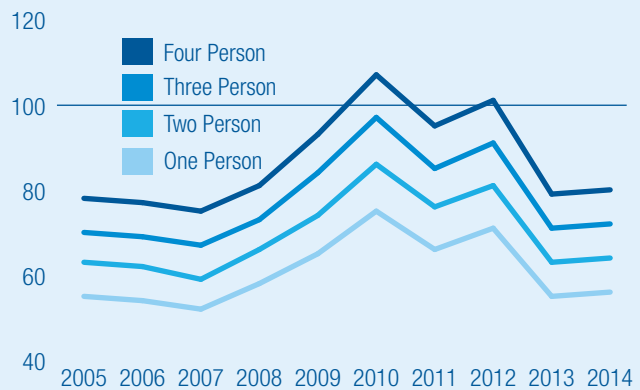


FIGURE 33

Source: MOR Multiple Listing Service, HUD

line (FIGURE 33).

FIGURE 33: While all Housing Affordability Index (HAI) values showed a minimal increase in 2014, overall values are still well below 2010-2012 values.

## MISSOULA HOUSING AFFORDABILITY INDEX | 2012–2014

2012	2013	2014	YEAR	2012	2013	2014
\$209,700	\$215,000	\$225,000	Median Home Price (MOR)	\$209,700	\$215,000	\$225,000
4%	4%	4%	Downpayment	20%	20%	20%
3.5%	4.75%	4.13%	Interest Rate	3.5%	4.75%	4.13%
\$168	\$301	\$315	Mortgage Insurance	0	0	0

### MEDIAN FAMILY INCOME

\$44,000	\$42,900	\$45,400	1 person	\$44,000	\$42,900	\$45,400
\$50,300	\$49,000	\$51,900	2 person	\$50,300	\$49,000	\$51,900
\$56,600	\$55,100	\$58,400	3 person	\$56,600	\$55,100	\$58,400
\$62,800	\$61,200	\$64,800	4 person	\$62,800	\$61,200	\$64,800

### HOUSING AFFORDABILITY INDEX

71	55	59	1 person	93	79	86
81	63	68	2 person	107	90	98
91	71	77	3 person	120	102	110
101	79	85	4 person	133	113	122

### MEDIAN FAMILY INCOME NEEDED TO PURCHASE MEDIAN PRICED HOME

\$62,349	\$77,309	\$76,319	Income	\$47,064	\$54,247	\$52,949
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KEY: \*Includes taxes and homeowners insurance on a 30 year fixed loan  
Source: MOR Multiple Listing Service, HUD

TABLE 6

TABLE 6: A low down payment coupled with mortgage insurance drastically decreases affordability and increases the median family income needed to purchase a median-priced home in Missoula in 2014.

## 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.

Missoula has, in the past, had a problem with housing expenses as a percentage of monthly income. Missoula homeowners are doing better in this regard. In 2013, about 28 percent of homeowners were spending more than 35 percent of their income on housing, which was nearly 5 percent lower than it was in 2008. About 8 percent of homeowners were spending 30 to 34.9 percent of their income on housing costs (FIGURE 34).

Affordability, however, continues to be an issue for Missoula renters. In 2013, approximately 47 percent of renters spent more than 35 percent of their income on housing costs, while 11 percent spent 30 to 34.9 percent.

According to Harvard's "The State of the Nation's Housing 2014," the share of these cost-burdened households in the U.S. in 2012 was 35.3 percent.

## HOUSING COSTS AS A PERCENT OF INCOME MISSOULA COUNTY 2013

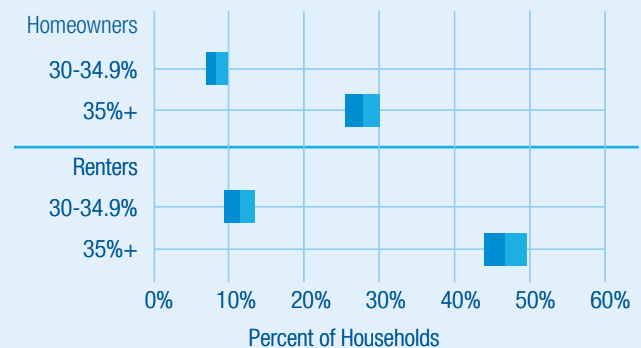


FIGURE 34

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

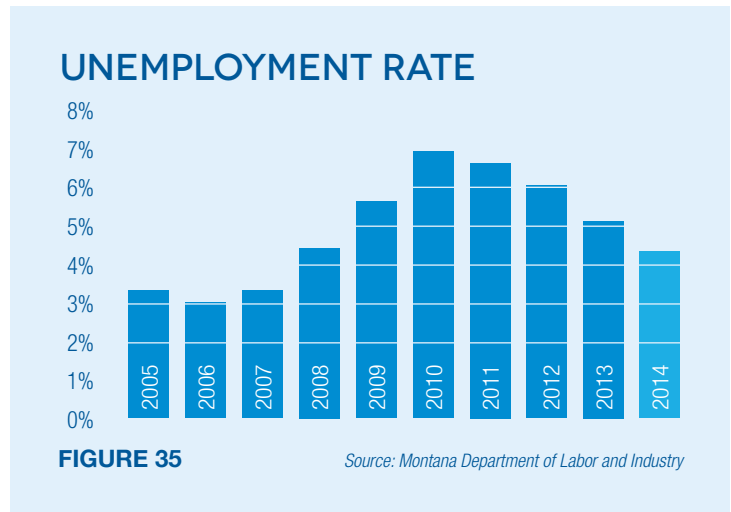
FIGURE 34: Approximately 47 percent of Missoula renters spent more than 35 percent of their income on housing costs in 2013.

# HOUSING AFFORDABILITY

## Unemployment

The unemployment rate is the percentage of the total labor force that is unemployed but able to work and actively seeking employment. Missoula County's unemployment rate peaked at 7 percent in 2010 and had declined to 4.39 percent by 2014. (FIGURE 35). While Missoula had lower unemployment rates than the national average during the economic downturn, the rate still remains above the pre-crisis days of 3 percent.

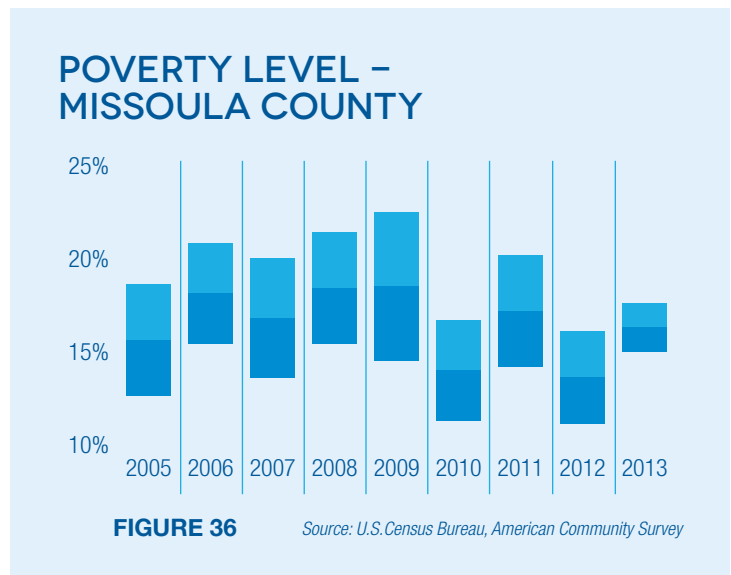
FIGURE 35: The unemployment rate in Missoula County dropped to 4.39 percent in 2014.



## 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 2013, Missoula's poverty rate increased to nearly 18 percent (FIGURE 36).

FIGURE 36: Missoula's poverty rate increased in 2013.



r polei via flickr

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## Homelessness

The population of literally homeless individuals increased from 165 in 2013 to 184 in 2014 (FIGURE 37). “Literally homeless” refers to a one-time count of people who are living in places not meant for habitation (in homeless centers, cars, tents, boxes, under bridges, etc.), and it’s a number that changes and is only one part of a bigger picture. In addition to literally homeless, there are people who are at risk of being homeless—people who are behind in rent, who couch surf, live in motels, or have other unstable situations. In January 2014, about 585 people were documented as homeless or at risk of being homeless during the annual homeless counting Missoula. That count is done as part of a federal effort to document the national rate of homelessness. Larger yet, is a population of people who require services we generally think of as “services for the homeless,” including stable housing and services.

Missoula agencies and churches involved in housing the homeless served a tremendous number of people in 2014, but many people remain without a permanent residence. Several factors contributed to this, including housing programs targeted toward people in need in short- and medium-term rental assistance. Those programs—run by WORD, the Human Resource Council, the YWCA, and local government—placed more than 150 people in rental housing as part of the federal government’s Rapid Re-Housing grant program.

Another 75 or so individuals were housed through programs run by the Missoula Interfaith Collaborative; Family Promise; and Reaching Home, Missoula’s 10-Year Plan to End Homelessness.

The following, taken from Missoula’s annual survey count, provides a glimpse into the diversity of the homeless population, making it clear that the homeless stereotype of a lone, long-haired man outside a downtown business is misguided:

- ▷ **46 percent were Missoulians, with another 30 percent from other communities in Montana.**
- ▷ **57 percent were men and 43 percent were women.**
- ▷ **72 percent were White/Caucasian and 15 percent Native American.**
- ▷ **48 percent had a high school diploma or GED, with an additional 23 percent having attended some college.**
- ▷ **The average age was 39.**
- ▷ **52 percent were alone, with the remaining respondents accompanied by children, other family members, non-relative adults, or a combination.**
- ▷ **A total of more than 1,100 persons were homeless or at risk of being homeless.**
- ▷ **66 percent had been living in Missoula for one or more years.**
- ▷ **45 percent of the respondents had been without a permanent residence for less than six months.**
- ▷ **For 28 percent of the persons surveyed, this was the first time they had experienced being homeless.**
- ▷ **On the other end of the continuum, 26 percent had been without permanent housing four or more times.**



# HOUSING AFFORDABILITY

## LITERALLY HOMELESS INDIVIDUALS

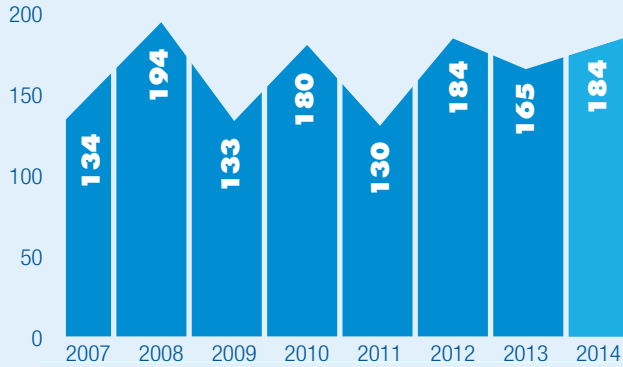


FIGURE 37

Source: Montana Continuum of Care

2014 represented the first full year of work by Reaching Home, Missoula’s 10-Year Plan to End Homelessness. The numbers referenced above show that more than 225 homeless people were housed during the year, but that still leaves hundreds without homes. Missoula’s high housing costs continue to be a barrier to those people, including those who have jobs. Missoula’s rental assistance programs have helped bridge cost gaps for some, but the community needs additional resources to house those with jobs, and significantly more resources will be needed to deal with the problems faced by those currently without work, including those suffering from addictions and mental illness.

FIGURE 37: The population of literally homeless individuals rose to 184 in 2014.

## NUMBER OF HOMELESS & AT-RISK CHILDREN | MCPS

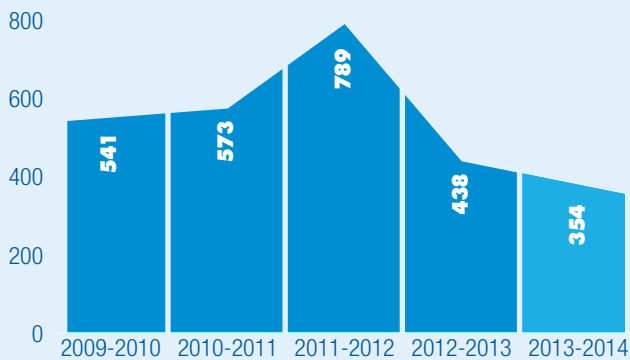


FIGURE 38

Source: Missoula County Public Schools

## Homeless Children

The number of homeless and at-risk children in the Missoula County Public Schools took an alarming jump in 2011-2012. However, by the 2013-2014 school year, that number had fallen 55 percent, to its lowest level in the last five years (FIGURE 38). Yet, the problem still remains significant, as there were 354 children considered homeless or at risk in the 2013-2014 school year.

These figures represent 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.

FIGURE 38: From 2013 to 2014, the number of homeless and at-risk children declined by 19 percent.



r brown via flickr

# CONCLUSION & OUTLOOK

Missoula's housing market has entered a more stable and encouraging phase. Based on the data in this report, we continued to gain more confidence in the Missoula housing market in 2014. Current homeowners sit in a positive position, with homes continuing to appreciate while inventory numbers, lot sales, building permits, and home sales were all in a healthy range. Coupled with a large drop in distressed sales, it presents a positive picture.

Residential lot sales, as well as their median sales price, increased in 2014. Building permits also increased, with the greatest number of new permits being issued for multi-family development, which will help in addressing Missoula's growing population and the demand for rental units.

While the total number of home sales decreased slightly in 2014, sales began to outpace previous years by the third and fourth quarters. Condominium and townhouse sales also remained fairly strong. The median price of a Missoula home reached an all-time high of \$225,000. Affordable homes saw the highest demand, with 59 percent of all home sales falling in the \$100,000 to \$250,000 range. Based on the inventory of homes on the market and the length of time they remained on the market, Missoula was solidly in a "normal" market again, after what equated to an oversupply in the market until 2012. In addition, the sharp drop in foreclosures and short sales meant fewer below-market-value sales. Potential homebuyers may see a further increase in competition for affordable homes, and sellers may see less downward pressure on prices.

The challenge moving forward for housing is the lack of available supply in some areas. While the higher price ranges and some areas have a normal amount of listed supply, some other neighborhoods and Missoula's more affordable price ranges are getting tighter and tighter on listed inventory. Lower-listed inventories can cause rapid bidding up in prices, which is good for homeowners but can be challenging for buyers who may be forced to pay higher prices or may get pushed beyond a comfortable purchase price. Low inventories also lead to slower market sales volume; if there aren't enough listed homes on the market to meet the current demand, sales activity will lag.

While homebuyers now face more stringent lending standards, interest rates have remained low, and Missoula

residents appear to be entering the homeownership process more financially informed than in previous years.

The demand for rentals in Missoula kept rental vacancy rates below the national average once again, and the cost of rent continued to increase in 2014. However, the growth in multi-family construction and permitting appears to be recognizing this demand.

Missoula still faces several challenges, especially in meeting the needs of those who seek financial housing assistance and those who are homeless or at risk of being homeless.

The data on the affordability of rental housing shows that a high percentage of renters in Missoula still spend more than 30 percent of their income on housing. Coupled with a poverty rate of 18 percent, these facts offer evidence of a significant population that struggles to find affordable housing.

The Missoula Housing Authority was able to increase the number of Section 8 vouchers to assist with rental costs in 2014, but the demand for such assistance remains high, with more than 1,500 names on the waiting list.

Missoula began to make headway with the "Reaching Home: Missoula's 10-Year Plan to End Homelessness." While the number of literally homeless individuals did not decline in 2014, a large number of homeless people gained housing through various programs. The number of homeless or at-risk children, which had been extraordinarily high and worrisome in previous years, declined significantly, though the problem has not disappeared.

The City of Missoula is currently updating its Growth Policy to guide the future social, physical, environmental and economic growth and development of the city.

Rental prices continue to be high for renters in Missoula.

Overall, Missoula's housing market exhibits strong statistics for 2014, though the data still reveal a number of challenges for buyers, sellers, and renters. It is clear that the economy is rebounding, the market is stronger, and Missoula is working hard to make this community a viable home for all.



Report Available Online:  
[www.MissoulaRealEstate.com](http://www.MissoulaRealEstate.com)  
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