Montana Housing Shortage

Key Facts, Trends, And Approaches

Financial Modernization and Risk Analysis Study Committee

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Impacts of housing shortage in Montana

Remote Workers Spur an Affordable Housing Crunch in Montana
Bozeman has become a haven for coastal refugees as the pandemic drags on, intensifying a housing crisis for existing residents of the town.

Billings joins the Montana home rush
The Wall Street Journal recently ranked the state’s largest city as the nation’s top emerging housing market. Locals paint a more complicated picture.

Renters in Missoula see huge price increases, few options
Missoulian
Housing hasn’t kept pace with population growth in Montana

- 7% increase in housing units, 2010 to 2020
- 10% increase in population, 2010 to 2020

0% 2% 4% 6% 8% 10% 12%
A growing population in smaller households fills more homes

Average number of people per household, U.S.

- 1940: 3.7
- 1960: 2.6
- 2000: 2.5
- 2020: 2.5
Households growing again after brief pandemic household merge

Source: Census Bureau Current Population Survey (CPS), accessed using IPUMS
Record low inventory of homes for sale

Note: Months of supply measures how long it would take the number of homes on the market to sell at the current rate, where six months is typically considered a balanced market.
Source: JCHS tabulations of NAR, Existing Home Sales.
Low Housing Supply Reduces Affordability

Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data
Rents rise quickly when supply is short

Median Rent Price in the United States
January 2019 - Present

Source: Apartment List Rent Estimates
Raw Data: apartmentlist.com/research/category/data-rent-estimates
Methodology: apartmentlist.com/research/rent-estimate-methodology

COVID-19 Declared Global Pandemic
Pandemic a natural experiment:
When vacancies rose, rents dropped

Data Notes:
- Vacancy index is calculated as the vacancy rate among a consistent sample of apartments whose vacancy status is continually-observable from January to November 2020.
- Rent changes are calculated as 3-month moving averages using our same-unit, repeat-transaction model described here: apartmentlist.com/research/rent-estimate-methodology
Pandemic a natural experiment: When vacancies dropped, rents rose

![Graphs showing rent changes and vacancy indices in Boise, ID, Chesapeake, VA, Fresno, CA, and Albuquerque, NM.](image)

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Supply and demand dynamics in Montana: Low inventory leads to fast-rising prices

Zillow: For-sale inventory, all homes

Zillow: Typical home value, all homes, seasonally adjusted
Renters facing unprecedented cost burdens

Source: Harvard Joint Center on Housing Studies
Homelessness Rises with Rent-to-Income Ratios

Zillow Economic Research | Source: An analysis by Zillow Research Fellow Chris Glynn of the University of New Hampshire, Thomas Byrne of Boston University and Dennis Culhane of the University of Pennsylvania.
Rents Explain Most Variation in Homelessness

*Median contract rent versus PIT count (per capita)*

Dashed lines indicate a linear regression of per capita PIT counts onto median contract rent between 2007 and 2019 for a sample of U.S. regions.

Source: Gregg Colburn & Clayton Page Aldern
Homelessness is rising in Montana

14th highest homelessness rate, 2020

14.5 in every 10,000 people were experiencing homelessness

4th largest % increase, 2019-2020

13.9% change from 2019

34.3% change from 2007
Growing cities that allow ample housing construction have seen more affordable rents
Small multifamily has most affordable rents, but often prohibited by local zoning

Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Contract rent excludes utilities paid separately. Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 1-Year Estimates.
Research consensus: Strict zoning regulations increase costs, reduce growth

In jurisdictions that heavily regulate their housing supply...

- Large minimum lot sizes
- Single unit per lot limits
- Strict parking and floor-area requirements
- Apartment bans
- Long or conditional permitting process

- Housing costs are higher
- Economic growth is slower
- Fewer homes are built
Private equity investment prospectus:

“We have selected markets that we believe will experience … growth and exhibit constrained levels of new home construction. As a result, we believe our markets have and will continue to outperform the broader U.S. housing and rental market in rent growth and home price appreciation. … We could also be adversely affected by overbuilding or high vacancy rates of homes in our markets, which could result in an excess supply of homes and reduce occupancy and rental rates. Continuing development of apartment buildings and condominium units in many of our markets will increase the supply of housing and exacerbate competition for residents.”

Source: https://www.sec.gov/Archives/edgar/data/1687229/000119312517029042/d260125d424b4.htm
Recent state laws to spur housing

- Nebraska: Jurisdictions must develop approved plans to allow enough housing or choose from menu of options provided by state.
- Oregon: Fourplexes by right in cities, triplexes or duplexes in towns, mostly market-based parking; lot splits by right.
- Utah: Interior ADUs by right plus Nebraska-type menu.
- California: Lot splits by right; Two ADUs by right (no impact fees sub-750 sq, no parking can be required); Duplexes by right.
States & cities have allowed ADUs

Source: AARP
ADUs often affordable around or somewhat below median income

Location, size, lack of amenities = rents that tend to be lower than other new construction

Without subsidies, about 1 in 3 ADUs…

• Are affordable to families making ≤80% AMI in 5 high-cost California counties
• House families making ≤70% AMI in Vancouver, British Columbia
With Enough Supply, Housing Is Affordable for Most Households

- All but low-income households
- Low-income households

New construction

Housing assistance
Key Takeaways on Housing Shortage

- In states where high-demand jurisdictions have restrictive regulations, housing is in short supply.
- Low vacancy rates and low for-sale inventory (tight housing supply) cause rents and home prices to become unaffordable.
- High rents become unaffordable, sharply increasing homelessness.
- Some states have passed new laws to spur jurisdictions to allow more housing and improve housing affordability.
Thank you!

Connect with us at www.pewtrusts.org

Alex Horowitz, principal officer
ahorowitz@pewtrusts.org
202-540-6315