



THE PEW CHARITABLE TRUSTS

Montana Housing Shortage

Key Facts, Trends, And Approaches

Financial Modernization and Risk Analysis Study Committee

November 29, 2021

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.

CITYLAB

HOUSING

Billings joins the Montana home rush

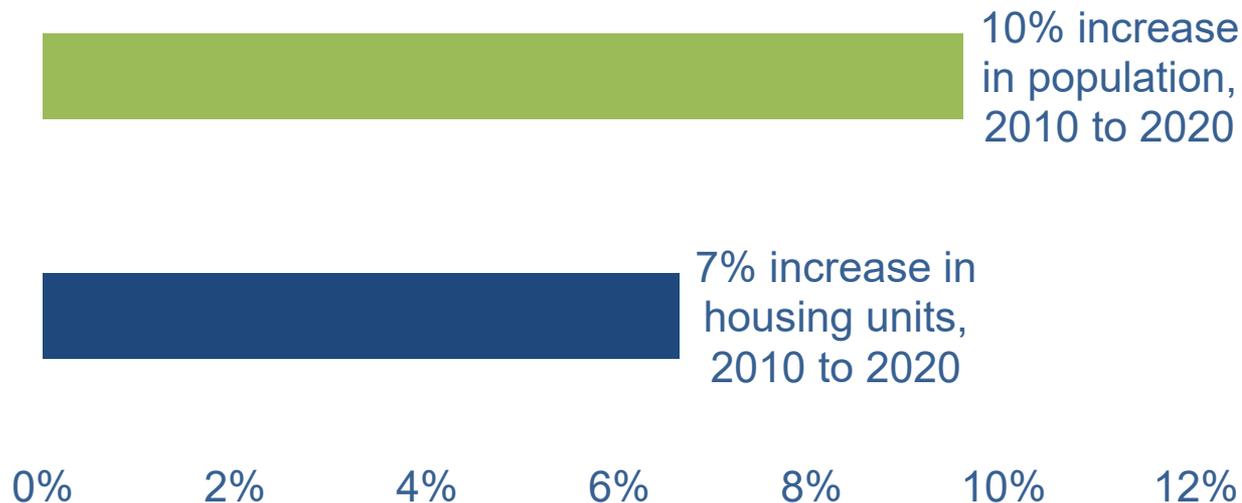
The Wall Street Journal recently ranked the state's largest city as the nation's top emerging housing market. Locals paint a more complicated picture.

MONTANA **MTEP** FREE PRESS

Renters in Missoula see huge price increases, few options

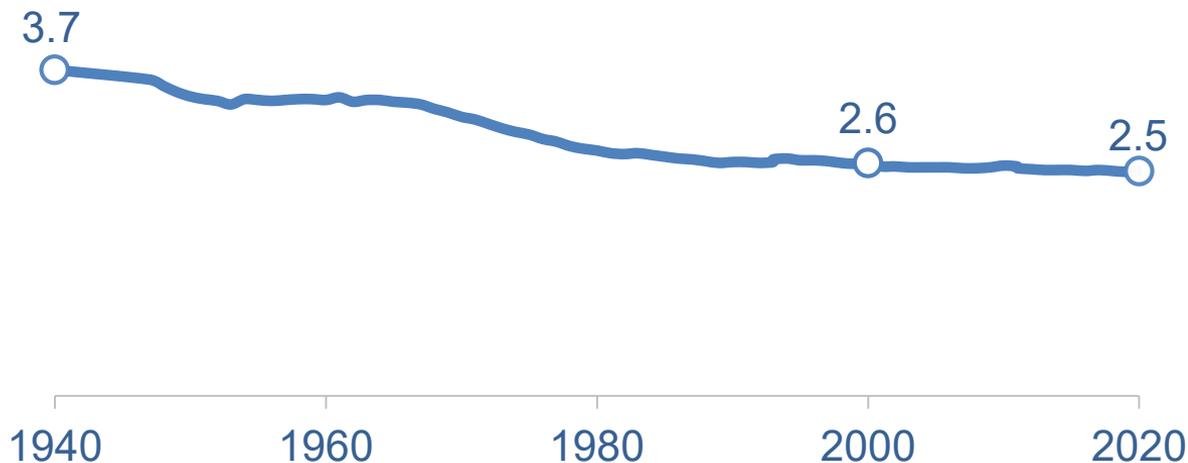
Missoulian

Housing hasn't kept pace with population growth in Montana

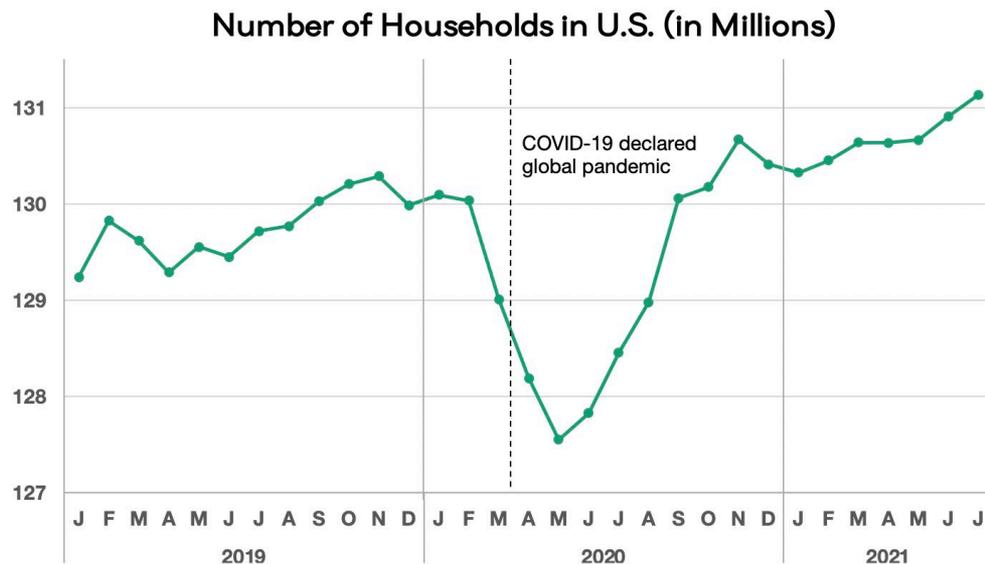


A growing population in smaller households fills more homes

Average number of people per household, U.S.



Households growing again after brief pandemic household merge



Source: Census Bureau Current Population Survey (CPS), accessed using IPUMS

Apartment  List

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

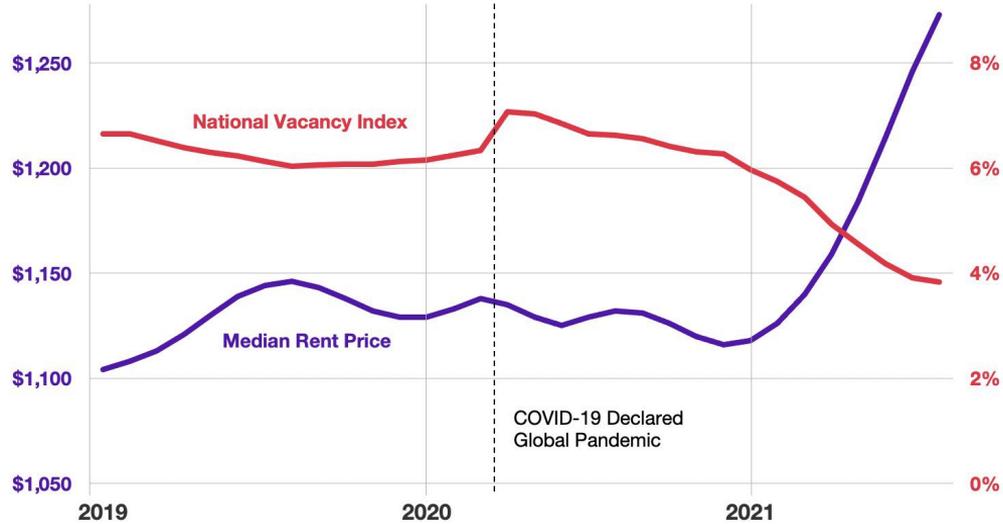


Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

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

Apartment  List

Pandemic a natural experiment: When vacancies rose, rents dropped



— Vacancy Index — Rent Change Since Jan 2020

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](https://www.apartmentlist.com/research/rent-estimate-methodology)

Pandemic a natural experiment: When vacancies dropped, rents rose



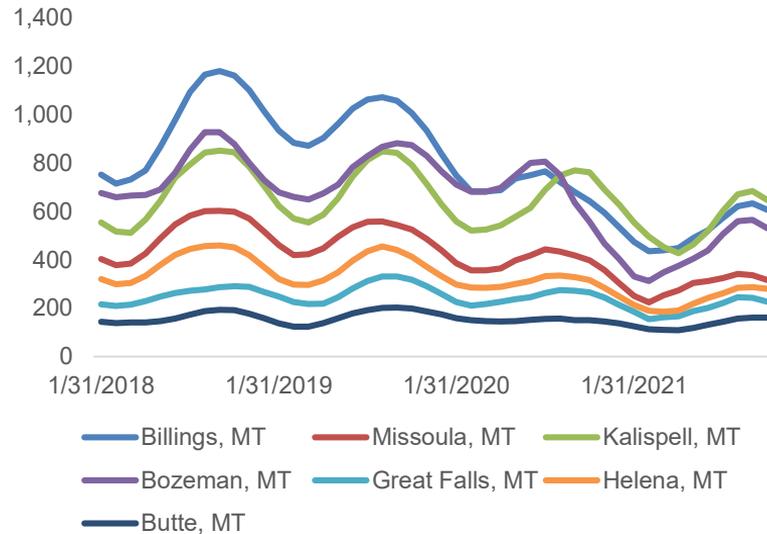
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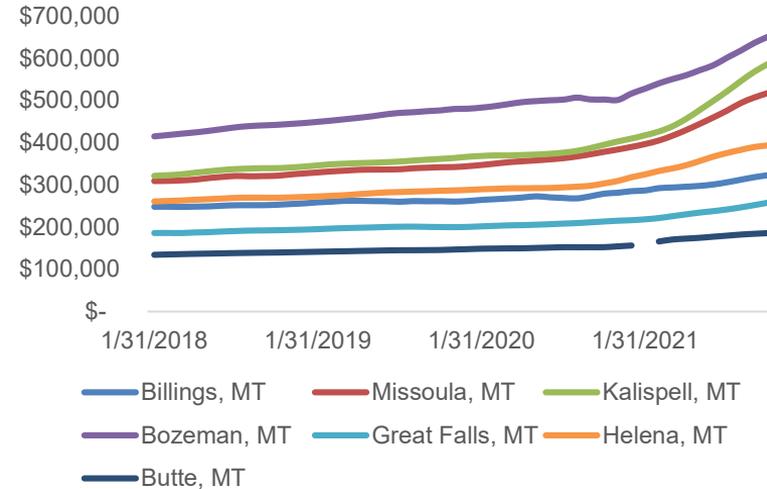
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Supply and demand dynamics in Montana: Low inventory leads to fast-rising prices

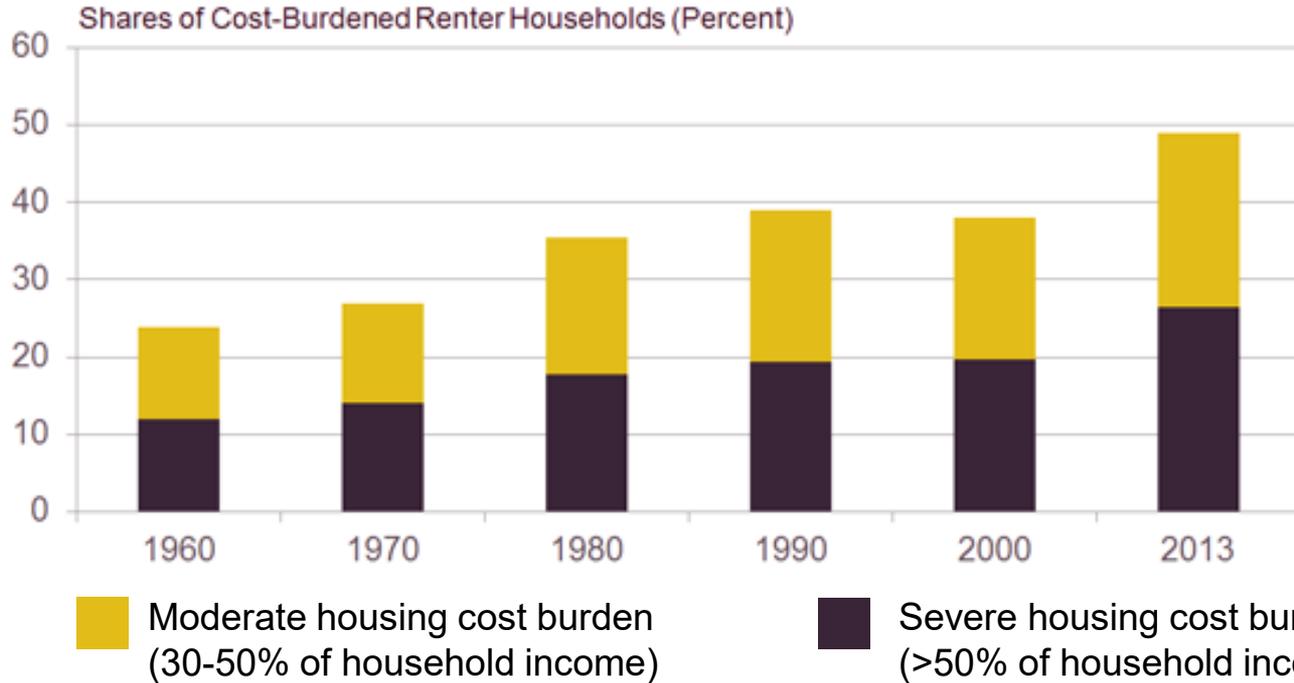
Zillow: For-sale inventory, all homes



Zillow: Typical home value, all homes, seasonally adjusted

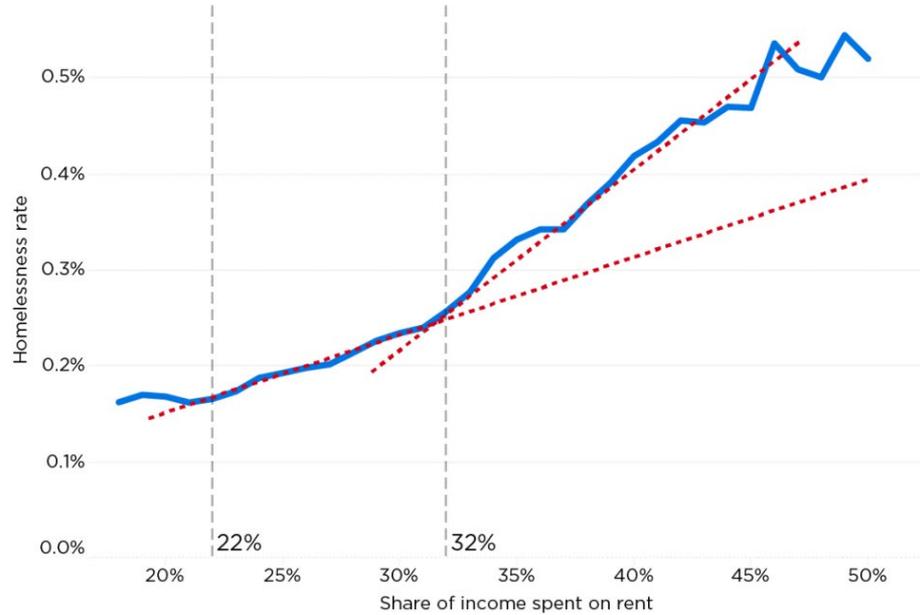


Renters facing unprecedented cost burdens



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)

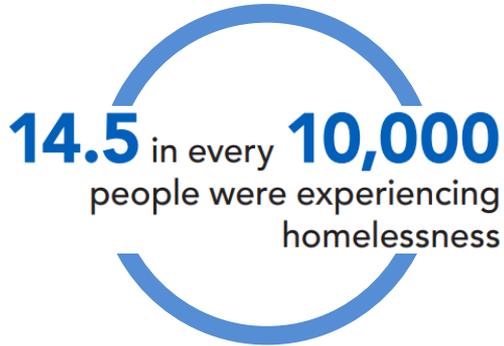
Dashed lines indicate a linear regression of per capita PIT counts onto median contract rent between 2007 and 2019 for a sample of U.S. regions.



Source: Gregg Colburn
& Clayton Page Aldern

Homelessness is rising in Montana

14th highest homelessness rate, 2020



4th largest % increase, 2019-2020



Growing cities that allow ample housing construction have seen more affordable rents



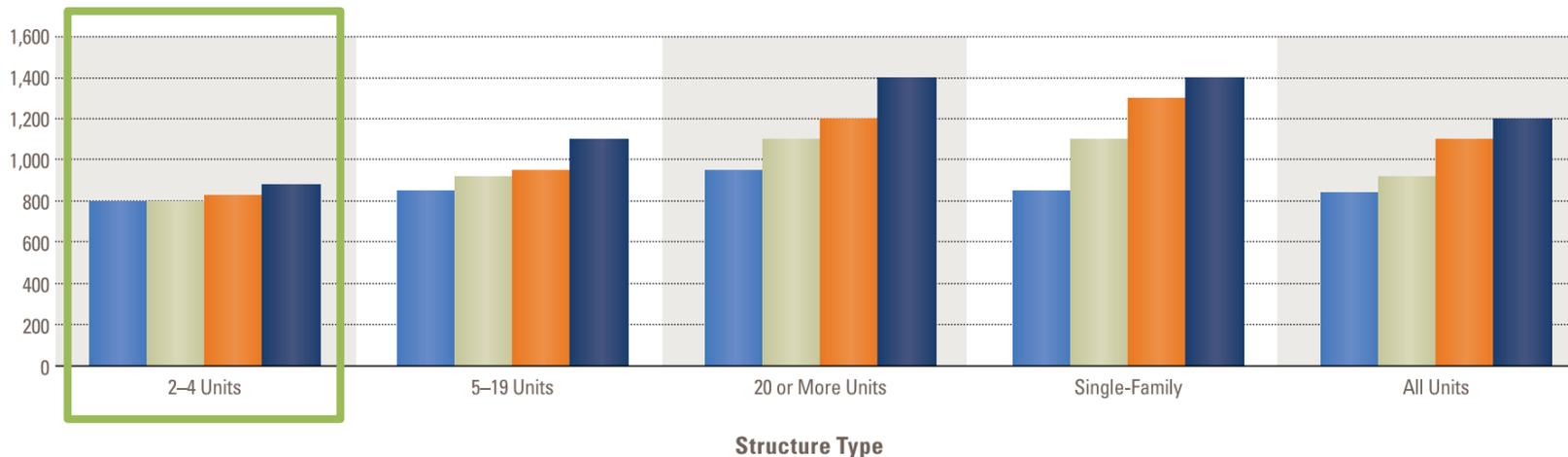
Houston, Texas



Tokyo, Japan

Small multifamily has most affordable rents, but often prohibited by local zoning

Median Contract Rent (Dollars)



Year Built ■ Before 1990 ■ 1990-1999 ■ 2000-2009 ■ 2010-2018

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:

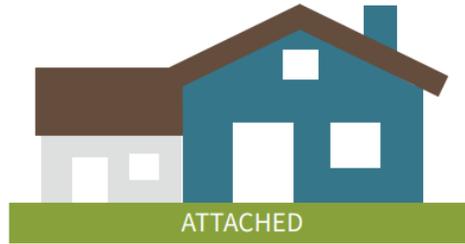
“We have selected markets that we believe will experience ... growth and exhibit **constrained levels of new home construction**. As a result, we believe our markets have and will continue to outperform the broader U.S. housing and rental market in **rent growth and home price appreciation**. ... We 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



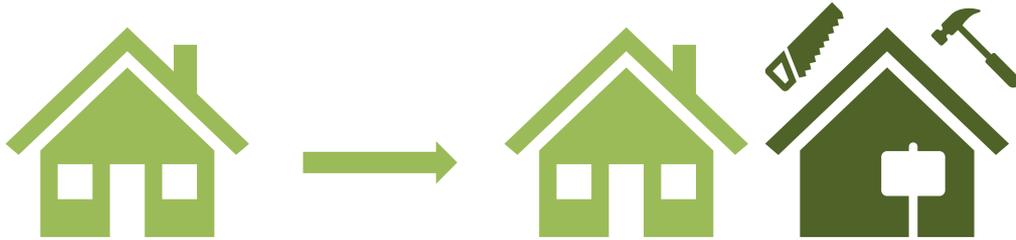
Location, size, lack of amenities = rents that tend to be lower than other new construction

Without subsidies, about **1 in 3** ADUs...

- Are affordable to families making $\leq 80\%$ AMI in 5 high-cost California counties
- House families making $\leq 70\%$ AMI in Vancouver, British Columbia

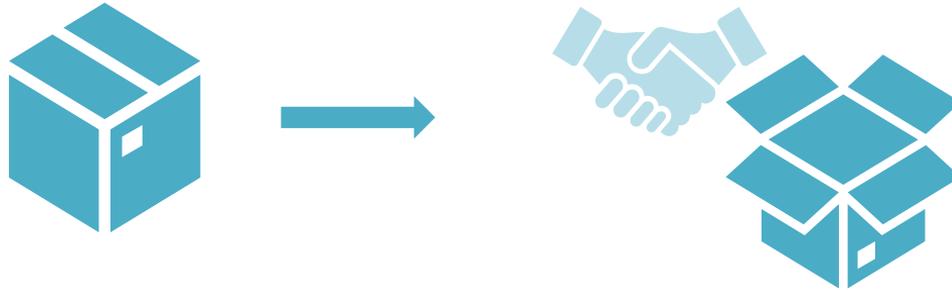
With Enough Supply, Housing Is Affordable for Most Households

All but low-income households



New construction

Low-income households



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

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