# Summary of Housing Market Demand Assessment for Great Falls, Montana

Great Falls Housing Production Summit

April 17, 2024

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# The Concord Group

- Real estate advisory firm founded in 1995 focusing on market, financial and valuation analyses across sectors.
  - Offices in Portland, Newport Beach, San Francisco, Austin, Atlanta
  - Deep experience across U.S. Metro Markets
  - 800+ projects per year
  - Senior team comprised of recognized industry thought leaders
  - 40+ full time staff and access to contract teams nationwide

- Diverse client/relationship base across real estate sectors
  - Developers (Multi-family REITs/Land)
  - Homebuilders (Public/Private)
  - Public Sector
  - Private Equity
  - Financial Institutions

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# Background and Objectives

- Responding to a Request for Proposals from the Great Falls Development Alliance (in partnership with NeighborWorks Great Falls and the Great Falls Association of Realtors), The Concord Group ("TCG") completed a housing market demand assessment for the Great Falls Metropolitan Statistical Area ("MSA") in December 2021

- In April 2024, TCG completed an **update to the housing market assessment**

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# Background and Objectives

- TCG's scope of work included an assessment of key housing trends and demand drivers (including employment and demographic trends) for the MSA as well as for the broader 13-County region

- Based on the findings of our analyses, we:
  - **Assessed the current housing market**
  - **Projected demand** for rental and for-sale housing in the MSA over the next 10 years
  - Provided a **menu of potential product types** that would meet the forecasted demand across a range of income levels and housing preferences

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# Key Findings –
# Market Dynamics

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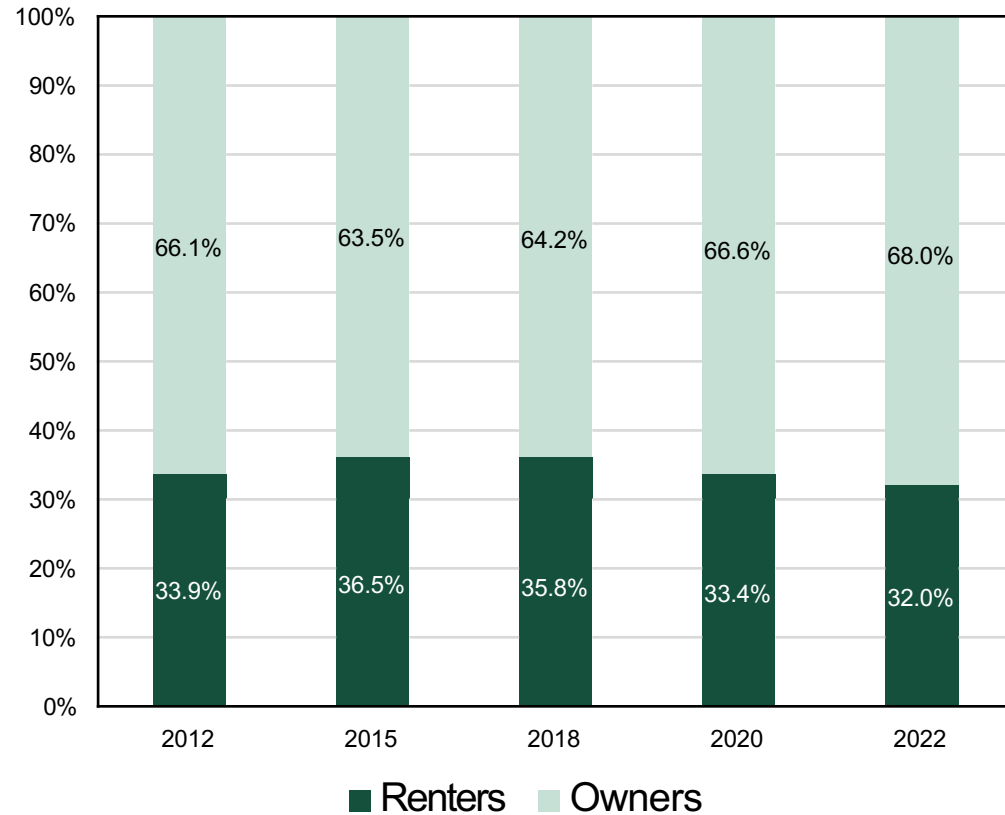
# Market Trends Last 3 Years

- Notable trends since our 2021 housing assessment include:

  - **Positive population and household growth**

  - **Strong job growth of 2,800 jobs, above prior projections**

  - **Household income growth of nearly 3.5%/year, above many peer markets**

  - **Delivery of over 500 new apartment units in 3 projects, strong demand**

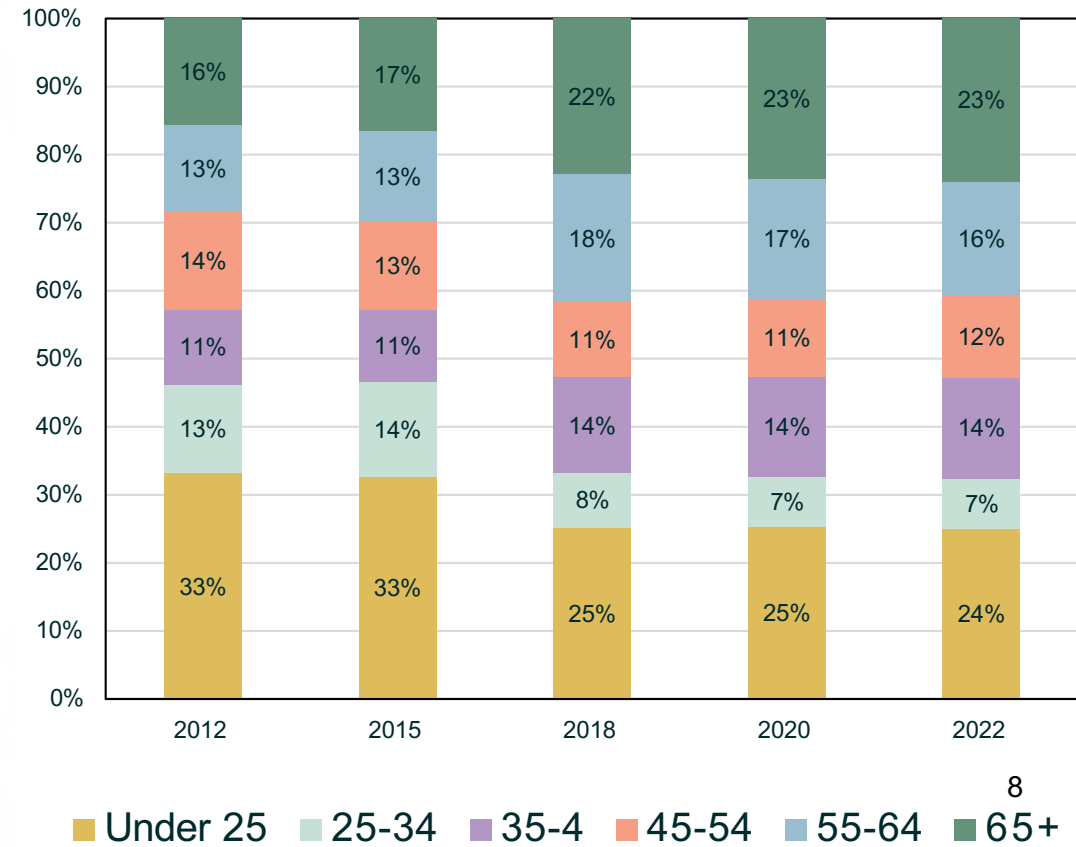  - **Nearly 11% annual home price appreciation**

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# Projected Household Growth

| Household Income Range | | # of Households | | | Projected Annual Chg 23-28 |
|---|---|---|---|---|---|
| | **2021** | **2023** | **2028** | |
| $ - - $ 25,000 | 8,704 | 7,369 | 6,325 | -3.0% |
| $ 25,000 - $ 35,000 | 2,857 | 2,271 | 1,798 | -4.6% |
| $ 35,000 - $ 50,000 | 5,143 | 5,752 | 5,004 | -2.7% |
| $ 50,000 - $ 75,000 | 7,006 | 6,482 | 6,477 | 0.0% |
| $ 75,000 - $ 100,000 | 5,006 | 4,526 | 4,910 | 1.6% |
| $ 100,000 - $ 150,000 | 4,259 | 5,545 | 6,675 | 3.8% |
| $ 150,000 - $ 200,000 | 958 | 2,230 | 3,151 | 7.2% |
| $ 200,000 + | 1,012 | 1,386 | 1,762 | 4.9% |
| Total/Average | 34,945 | 35,561 | 36,102 | 0.3% |

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# Demographic Snapshot

## Households by Tenure



| Year | Renters | Owners |
|------|---------|--------|
| 2012 | 33.9% | 66.1% |
| 2015 | 36.5% | 63.5% |
| 2018 | 35.8% | 64.2% |
| 2020 | 33.4% | 66.6% |
| 2022 | 32.0% | 68.0% |

Legend: ■ Renters  ■ Owners

## Population by Age



| Year | Under 25 | 25-34 | 35-4 | 45-54 | 55-64 | 65+ |
|------|----------|-------|------|-------|-------|-----|
| 2012 | 33% | 13% | 11% | 14% | 13% | 16% |
| 2015 | 33% | 14% | 11% | 13% | 13% | 17% |
| 2018 | 25% | 8% | 14% | 11% | 18% | 22% |
| 2020 | 25% | 7% | 14% | 11% | 17% | 23% |
| 2022 | 24% | 7% | 14% | 12% | 16% | 23% |

Legend: ■ Under 25  ■ 25-34  ■ 35-4  ■ 45-54  ■ 55-64  ■ 65+

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# Demographic Snapshot



Households by Income

| | 2012 | 2015 | 2018 | 2020 | 2022 |
|---|---|---|---|---|---|
| $150K+ | 4% | 5% | 7% | 8% | 12% |
| $100K-$150K | 10% | 11% | 12% | 13% | 15% |
| $75K-$100K | 11% | 10% | 10% | 12% | 14% |
| $50K - $75K | 20% | 20% | 19% | 20% | 20% |
| $35K - $50K | 16% | 16% | 15% | 14% | 13% |
| $25K - $35K | 13% | 12% | 13% | 11% | 9% |
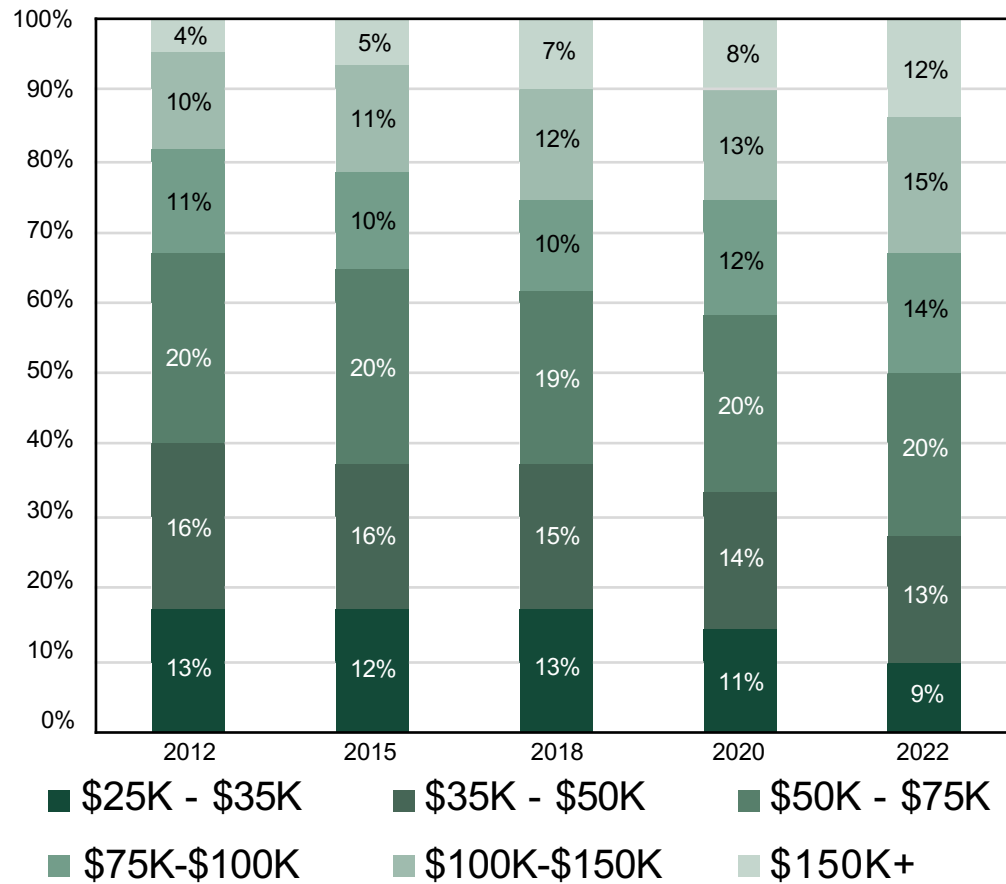
Households by Product Type

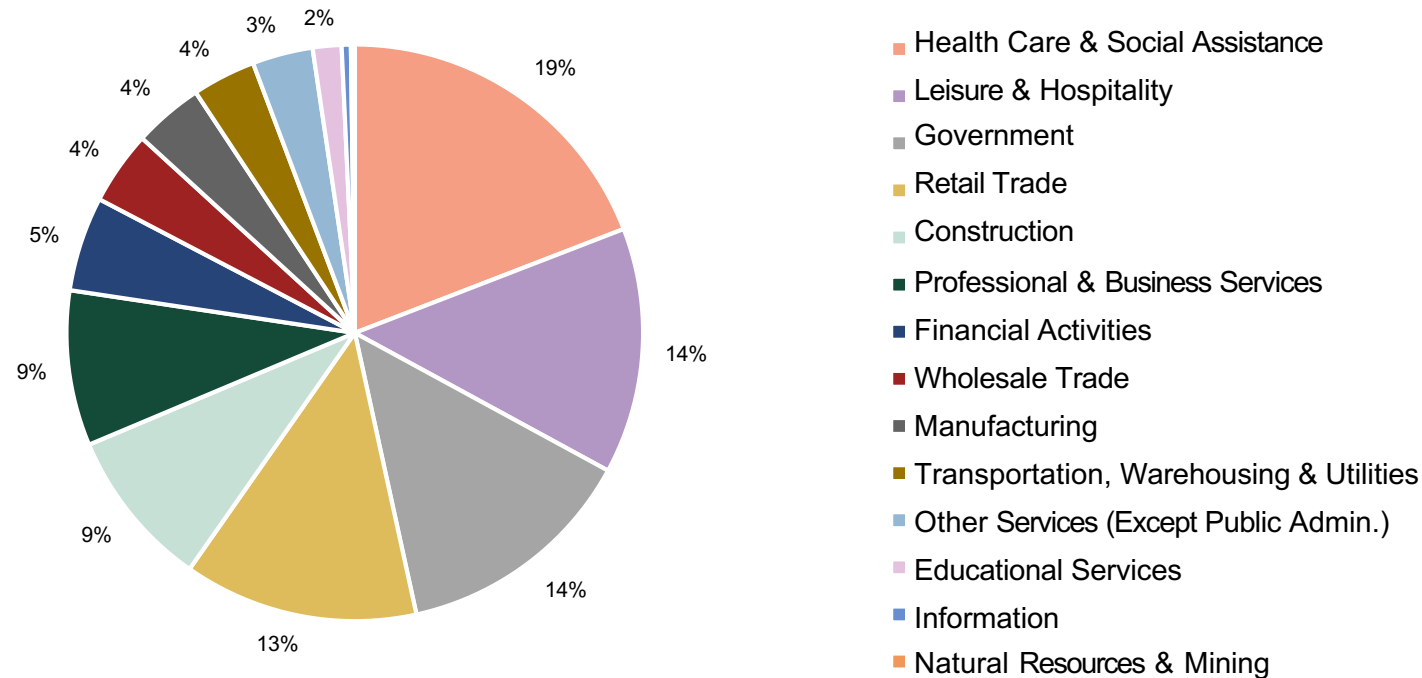| | 2012 | 2015 | 2018 | 2020 | 2022 |
|---|---|---|---|---|---|
| Mobile Home | 9% | 10% | 10% | 8% | 8% |
| 20+ Units Attached | 6% | 5% | 6% | 7% | 7% |
| 10-20 Units Attached | 4% | 4% | 4% | 4% | 4% |
| 5-9 Units Attached | 4% | 4% | 3% | 2% | |
| 1-4 Units Attached | 14% | 12% | 11% | 12% | 13% |
| SFD | 64% | 65% | 66% | 67% | 66% |

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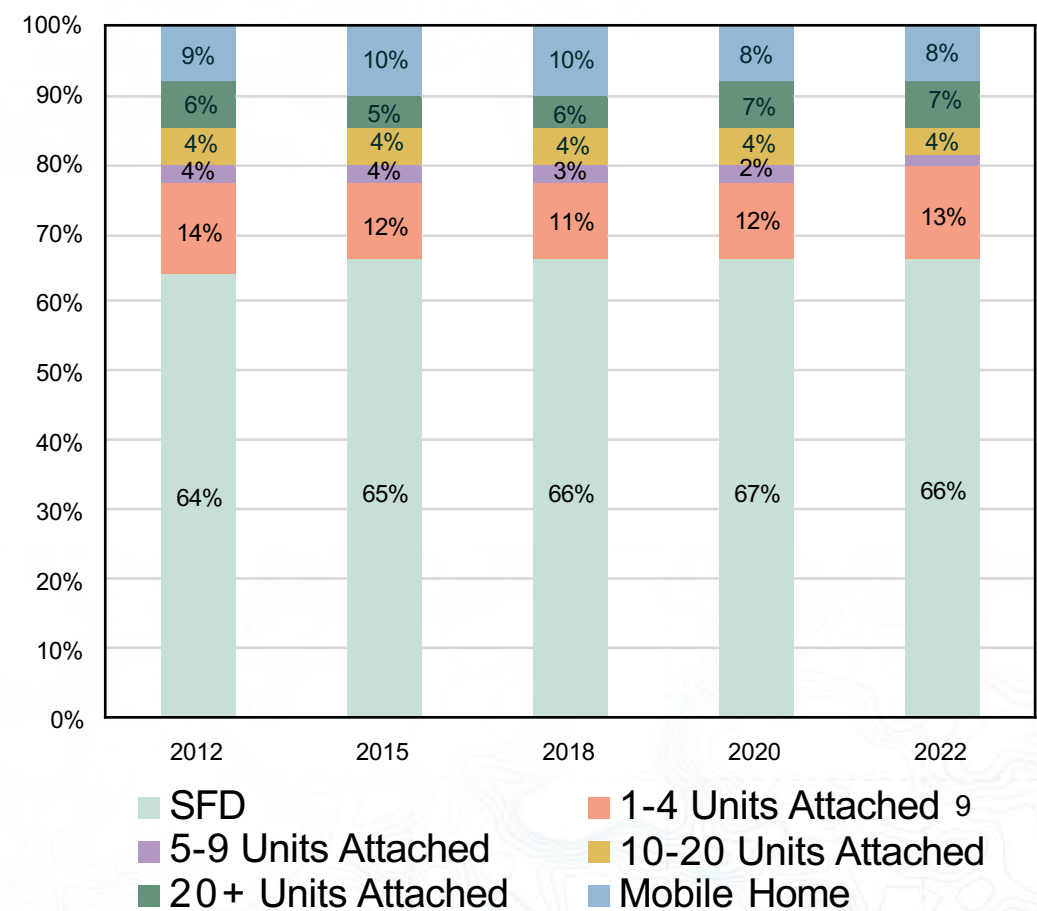
# Employment

- The MSA has added 2,800 jobs since 2020, more than making up for losses during COVID

- Near-term projections are for 500 additional jobs through 2026

- Doesn't include impact from planned construction work at Malmstrom

**2023 Great Falls MSA Employment Composition**

Legend:
- Health Care & Social Assistance
- Leisure & Hospitality
- Government
- Retail Trade
- Construction
- Professional & Business Services
- Financial Activities
- Wholesale Trade
- Manufacturing
- Transportation, Warehousing & Utilities
- Other Services (Except Public Admin.)
- Educational Services
- Information
- Natural Resources & Mining

Pie chart values: 19%, 14%, 14%, 13%, 9%, 9%, 5%, 4%, 4%, 4%, 3%, 2%

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# Market Comparison

| | | Montana Markets | | | | |
|---|---|---|---|---|---|---|
| | **Great Falls** | **Billings** | **Missoula** | **Helena** | **Bozeman** | **Kalispell** |
| Total Population | 85,231 | 190,386 | 121,626 | 86,217 | 128,966 | 111,927 |
| Total Households | 35,561 | 78,916 | 52,457 | 36,633 | 51,397 | 45,178 |
| % 65+ | 21% | 20% | 17% | 21% | 15% | 21% |
| % 3+ person | 30% | 33% | 31% | 31% | 33% | 30% |
| Projected HH Growth ($75K+), # | 2,811 | 7,083 | 4,842 | 1,997 | 4,438 | 2,603 |
| Annual Rate | 3.8% | 3.5% | 3.8% | 2.2% | 3.0% | 2.5% |
| 2023 Total Employment (000s) | 37,133 | 89,217 | 66,592 | 41,567 | 70,520 | 49,765 |
| Biggest Emp. Industry | Education & Health Services | Education & Health Services | Education & Health Services | Education & Health Services | Leisure & Hospitality | Education & Health Services |
| 2023 Median HH Income | 57,045 | 71,788 | 66,082 | 67,993 | 83,096 | 66,278 |
| 2023 Average HH Income | 80,051 | 95,115 | 101,227 | 96,950 | 126,261 | 99,397 |
| Income Growth L5Y | 3.4% | 4.0% | 5.2% | 1.6% | 6.2% | 4.6% |
| Projected Income Growth | 3.3% | 2.3% | 3.7% | 1.8% | 2.9% | 1.3% |
| % Rent SFD to 4-Unit Bldgs | 61% | 57% | 53% | 66% | 62% | 62% |
| % Own SFD to 4-Unit Bldgs | 89% | 89% | 87% | 90% | 90% | 89% |
| Median Rent ($) | 1,059 | 1,331 | 1,282 | 1,404 | 1,896 | 1,268 |
| Rent-to-Income Ratio | 22% | 22% | 23% | 25% | 27% | 23% |
| Median Home Price ($) | 227,203 | 345,696 | 378,965 | 348,938 | 532,035 | 493,679 |
| Price-to-Income Ratio | 3.98 | 4.82 | 5.73 | 5.13 | 6.40 | 7.45 |

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# Market Comparison

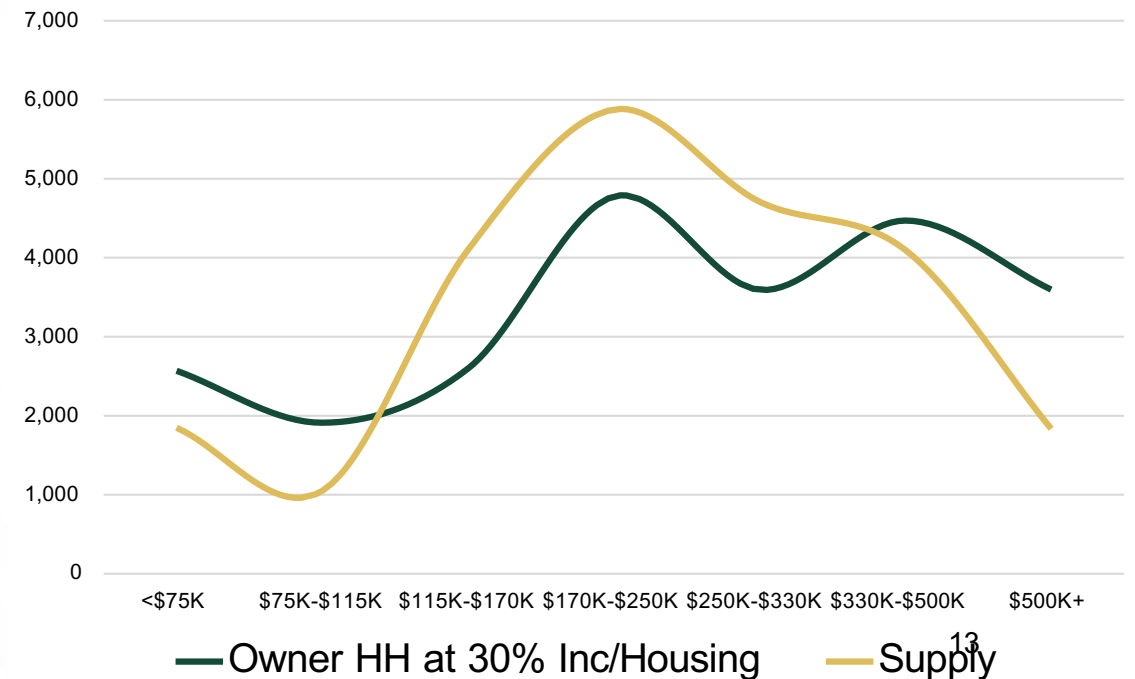| | Regional Markets | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Great Falls** | **Fargo** | **Bismarck** | **Rapid City** | **Idaho Falls** | **Boise** | **Spokane** |
| Total Population | 85,231 | 260,196 | 138,188 | 143,837 | 167,241 | 829,136 | 606,351 |
| Total Households | 35,561 | 108,473 | 56,566 | 58,378 | 56,852 | 304,955 | 241,457 |
| %65+ | 21% | 14% | 19% | 18% | 14% | 15% | 19% |
| %3+ person | 30% | 32% | 34% | 31% | 44% | 40% | 35% |
| | | | | | | | |
| Projected HH Growth ($75K+), # | 2,811 | 8,566 | 4,236 | 4,673 | 6,312 | 37,269 | 22,438 |
| Annual Rate | 3.8% | 3.2% | 2.9% | 3.5% | 4.2% | 4.3% | 3.8% |
| | | | | | | | |
| 2023 Total Employment (000s) | 37,133 | 149,867 | 73,250 | 74,525 | 81,508 | 396,292 | 271,042 |
| Biggest Emp. Industry | Education & Health Services | Education & Health Services | Government | Education & Health Services | Professional & Business Services | Professional & Business Services | Education & Health Services |
| | | | | | | | |
| 2023 Median HH Income | 57,045 | 67,501 | 71,829 | 64,379 | 73,529 | 77,756 | 66,143 |
| 2023 Average HH Income | 80,051 | 99,351 | 93,318 | 88,380 | 102,888 | 105,317 | 93,331 |
| Income Growth L5Y | 3.4% | 1.4% | 1.0% | 2.9% | 5.2% | 6.4% | 4.1% |
| Projected Income Growth | 3.3% | 2.8% | 2.3% | 3.0% | 2.7% | 2.7% | 3.4% |
| | | | | | | | |
| % Rent SFD to 4-Unit Bldgs | 61% | 24% | 34% | 46% | 66% | 66% | 45% |
| % Own SFD to 4-Unit Bldgs | 89% | 94% | 89% | 88% | 95% | 94% | 91% |
| | | | | | | | |
| Median Rent ($) | 1,059 | 1,004 | 1,107 | 1,208 | 1,225 | 1,484 | 1,299 |
| Rent-to-Income Ratio | 22% | 18% | 18% | 23% | 20% | 23% | 24% |
| Median Home Price ($) | 227,203 | 283,159 | 283,493 | 273,652 | 332,991 | 431,283 | 365,241 |
| Price-to-Income Ratio | 3.98 | 4.19 | 3.95 | 4.25 | 4.53 | 5.55 | 5.52 |

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# Housing Costs versus Spending Potential

- Per Census estimates, there is a mismatch between housing supply and potential demand given household incomes. Broadly speaking, there is a lack of supply at higher rent and sales price points versus what households in the MSA can theoretically afford.

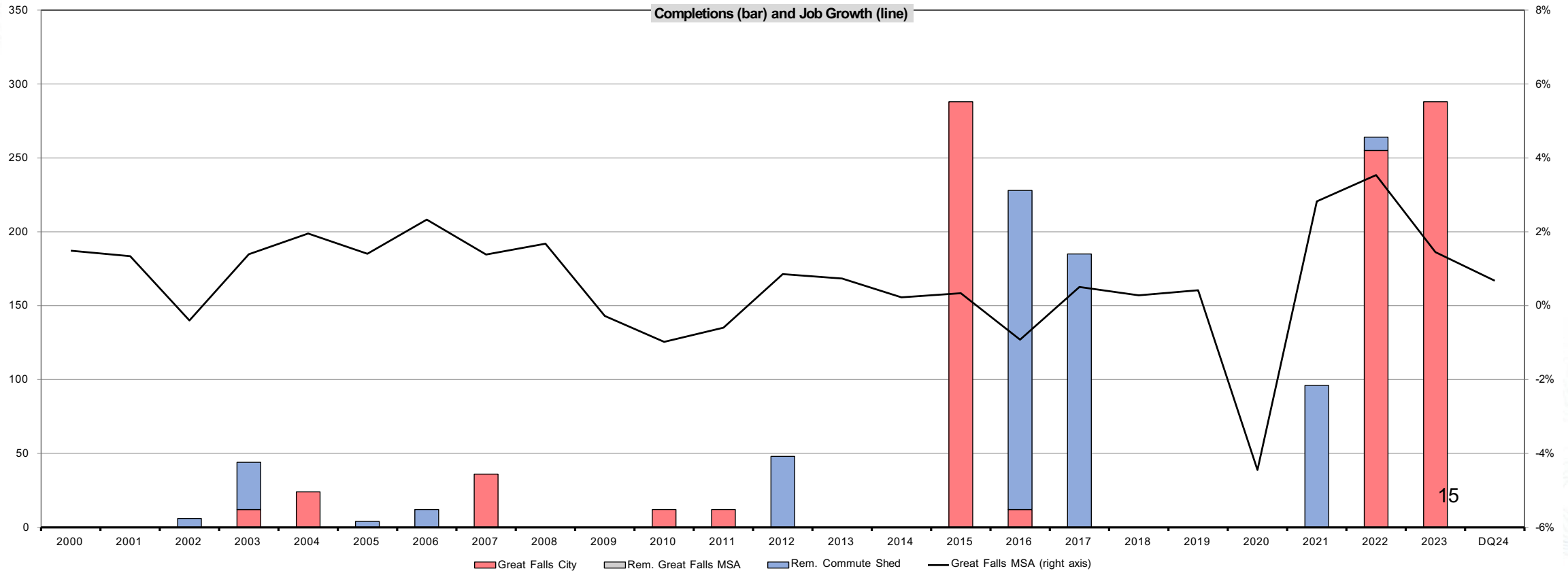

Current Rental Supply vs HH Affordability

— Renter HH at 30% Inc/Housing — Supply
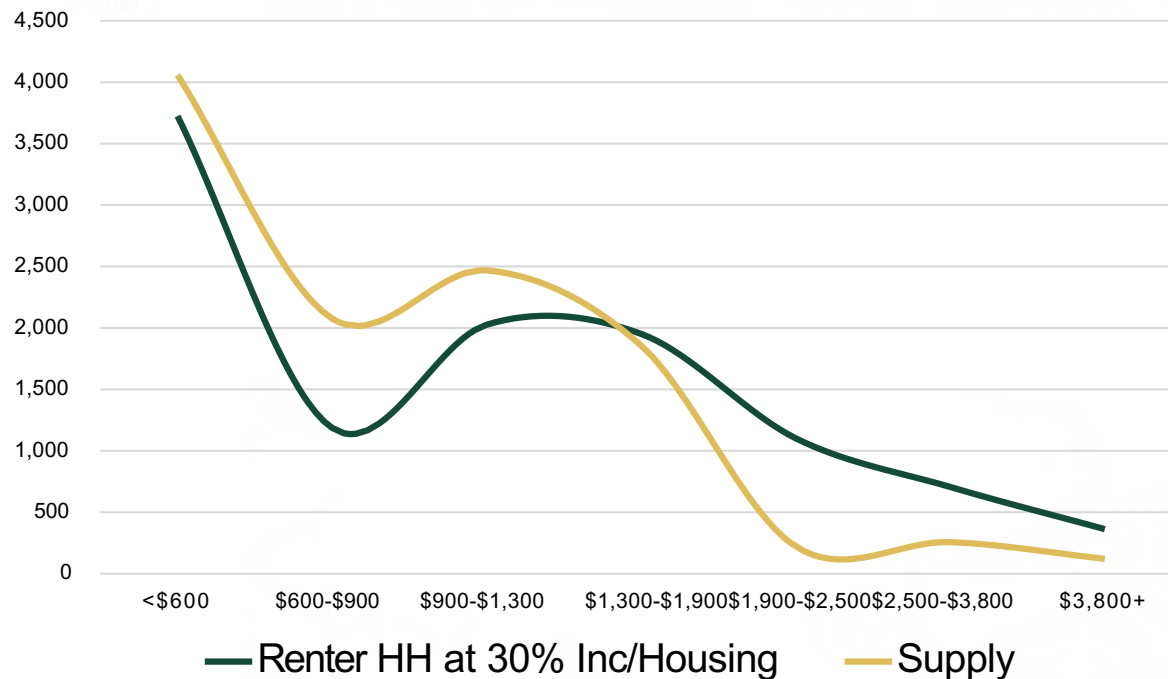


Current Ownership Supply vs HH Affordability

— Owner HH at 30% Inc/Housing — Supply

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Source: Census

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# Housing Obsolescence

- Great Falls housing stock is relatively old, with higher likelihood of functional obsolescence and substandard quality

| Cascade County | | | Other Montana Metros | | | |
|---|---|---|---|---|---|---|
| **Total Housing Units By Year Built** | **Existing Inventory** Total | Share | Billings | Bozeman | Helena | Missoula |
| Built 2020 or Later | 46 | 0.4% | 1.7% | 0.0% | 0.7% | 0.3% |
| Built 2010 to 2019 | 729 | 6.6% | 16.1% | 27.6% | 13.5% | 16.4% |
| Built 2000 to 2009 | 941 | 8.5% | 8.8% | 14.0% | 7.3% | 14.5% |
| Built 1990 to 1999 | 853 | 7.7% | 9.7% | 14.0% | 11.8% | 10.4% |
| Built 1980 to 1989 | 983 | 8.9% | 11.8% | 9.6% | 8.4% | 10.0% |
| Built 1970 to 1979 | 1,811 | 16.4% | 18.6% | 15.6% | 16.9% | 16.6% |
| Built 1960 to 1969 | 2,095 | 18.9% | 8.1% | 5.1% | 7.2% | 11.3% |
| Built 1950 to 1959 | 1,308 | 11.8% | 10.3% | 5.4% | 7.4% | 5.7% |
| Built 1940 to 1949 | 683 | 6.2% | 6.1% | 1.0% | 3.6% | 2.7% |
| Built 1939 or Prior | 1,611 | 14.6% | 8.9% | 7.7% | 23.2% | 12.1% |
| | 11,060 | 100% | 100% | 100% | 100% | 100% |
| *Built 1979 or Prior* | 7,508 | 68% | 52% | 35% | 58% | 48% |

# Rental Housing Market

- The MSA has added 250-300 new apartment units per year the past two years, and has had strong absorption of units
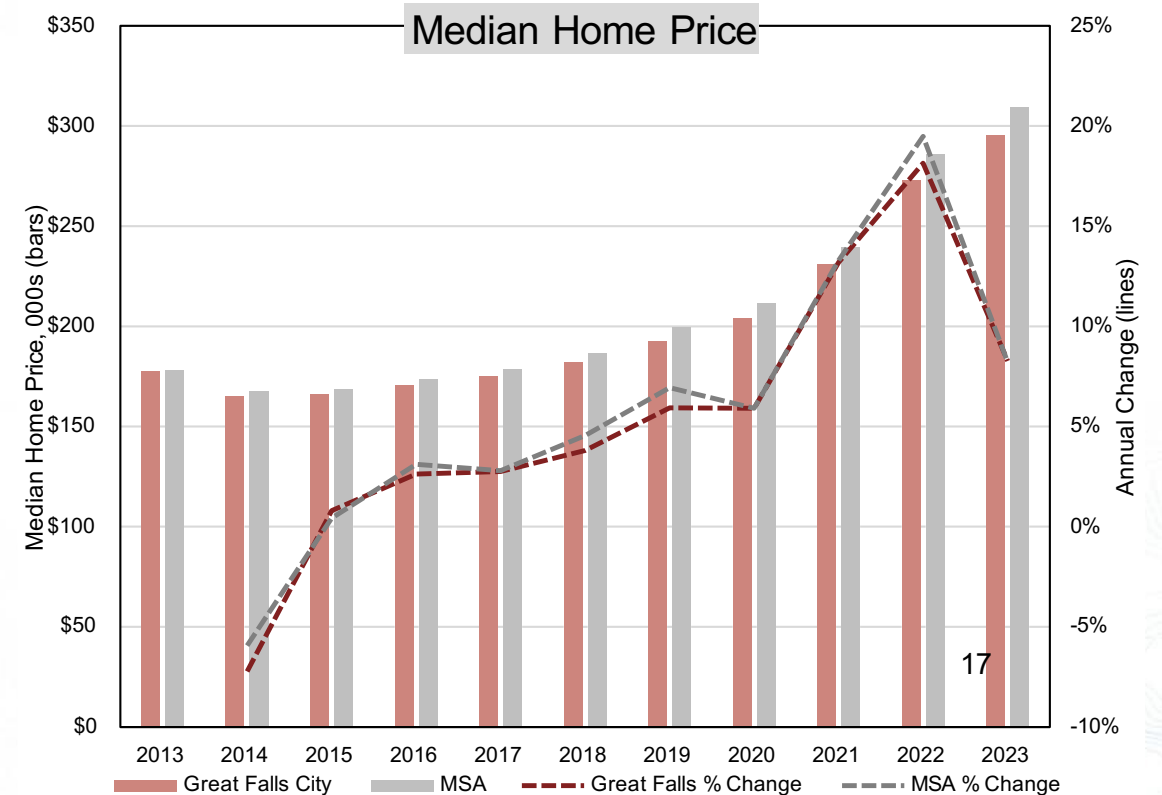


**Completions (bar) and Job Growth (line)**

Legend: Great Falls City | Rem. Great Falls MSA | Rem. Commute Shed | Great Falls MSA (right axis)

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# Rental Housing Market

- The MSA has added 250-300 new apartment units per year the past two years, and has had strong absorption of units

**Unit Lease-Up Rate per Month**
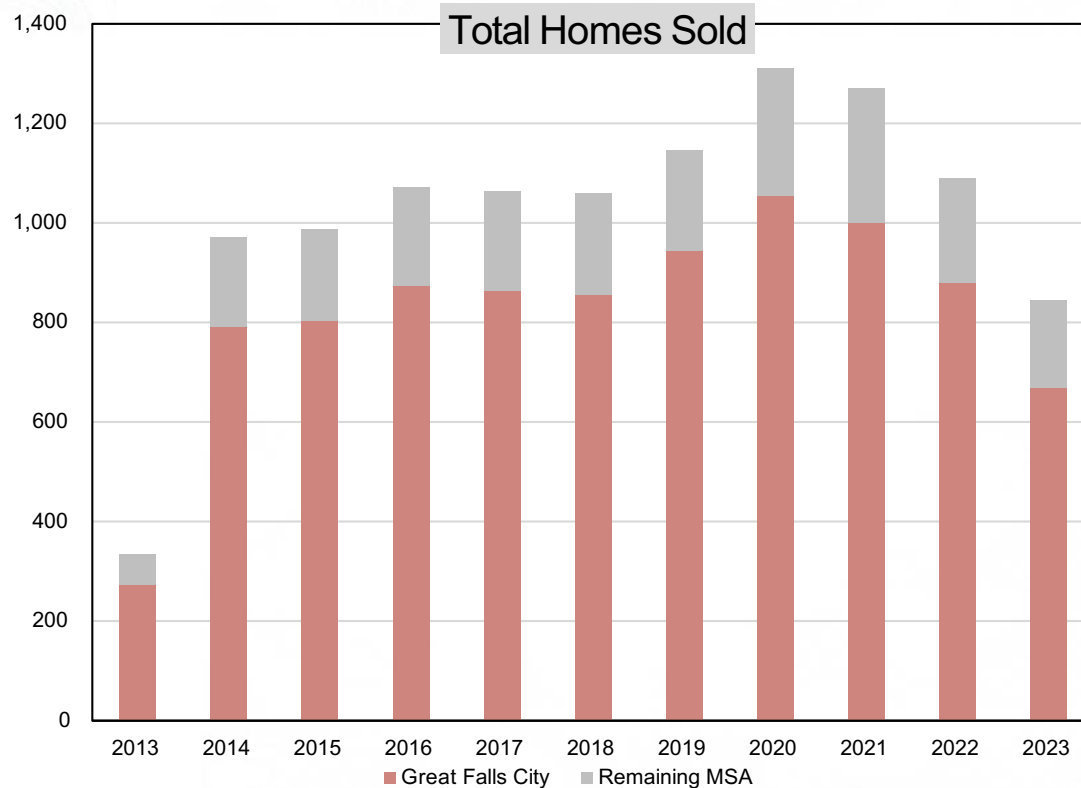
| Station Lofts | Aurora | Arc |
|---|---|---|
| 23.8 | 32.5 | 13.7 |
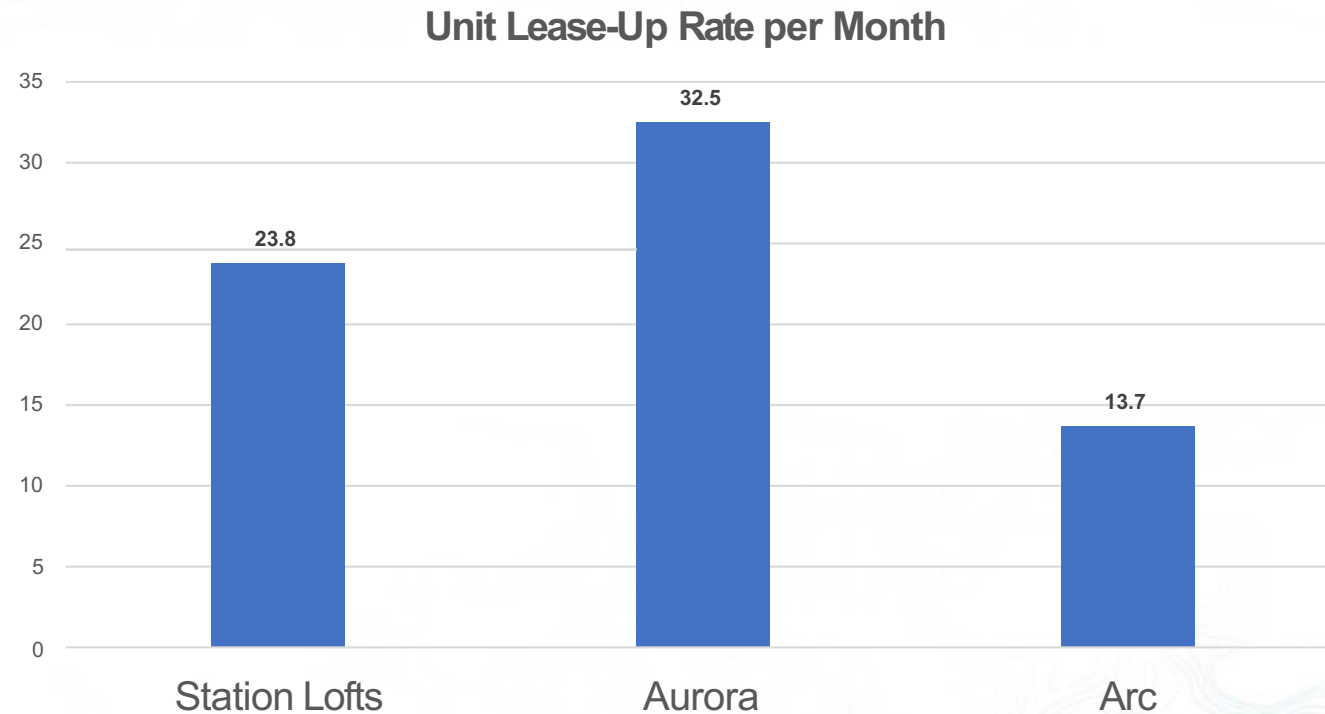
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# For-Sale Housing Market

- Home sales volume has declined since 2020 peak, home prices continue to climb and have seen nearly 11% annual appreciation



Total Homes Sold — Great Falls City / Remaining MSA (2013–2023)



Median Home Price — Great Falls City / MSA / Great Falls % Change / MSA % Change (2013–2023)

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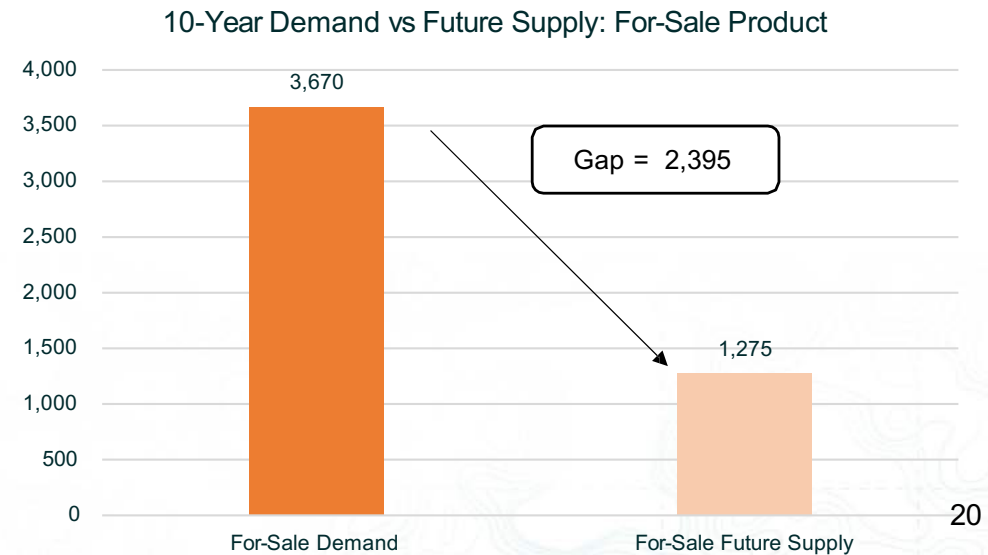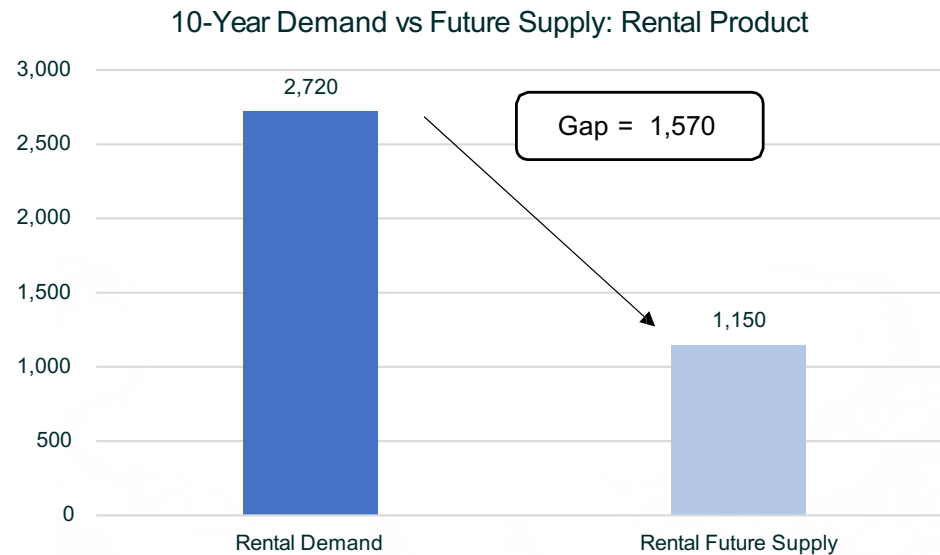# Key Findings – Housing Demand

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# Demand

- The Concord Group projects **demand for +/- 650 new housing units per year** in the Great Falls MSA (Cascade County) over the next 10 years
  - 270 new rental units per year
  - 370 new for-sale/ownership units per year

**10-Year New Housing Demand**



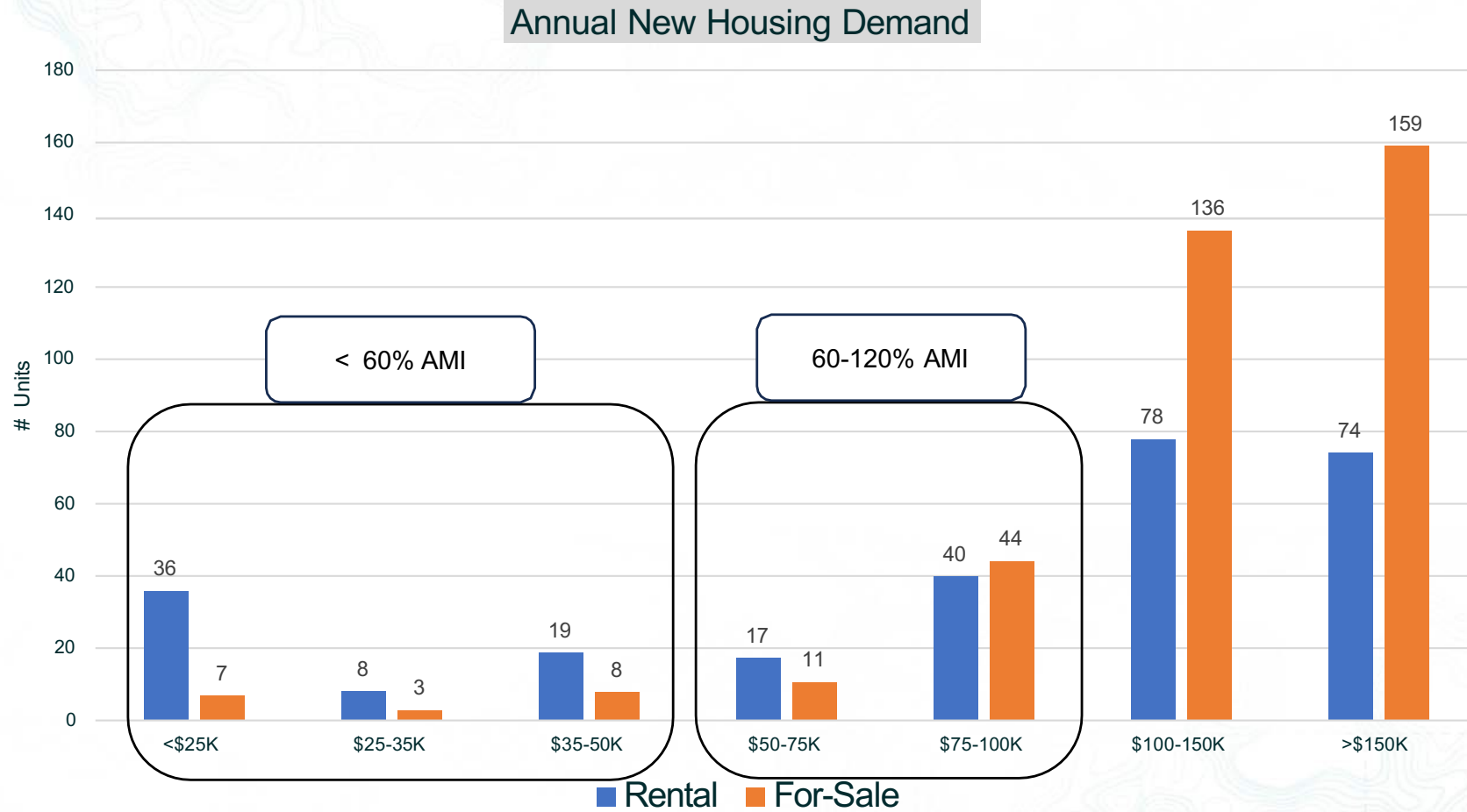| | Rental Demand | For-Sale Demand |
|---|---|---|
| | 2,720 | 3,670 |

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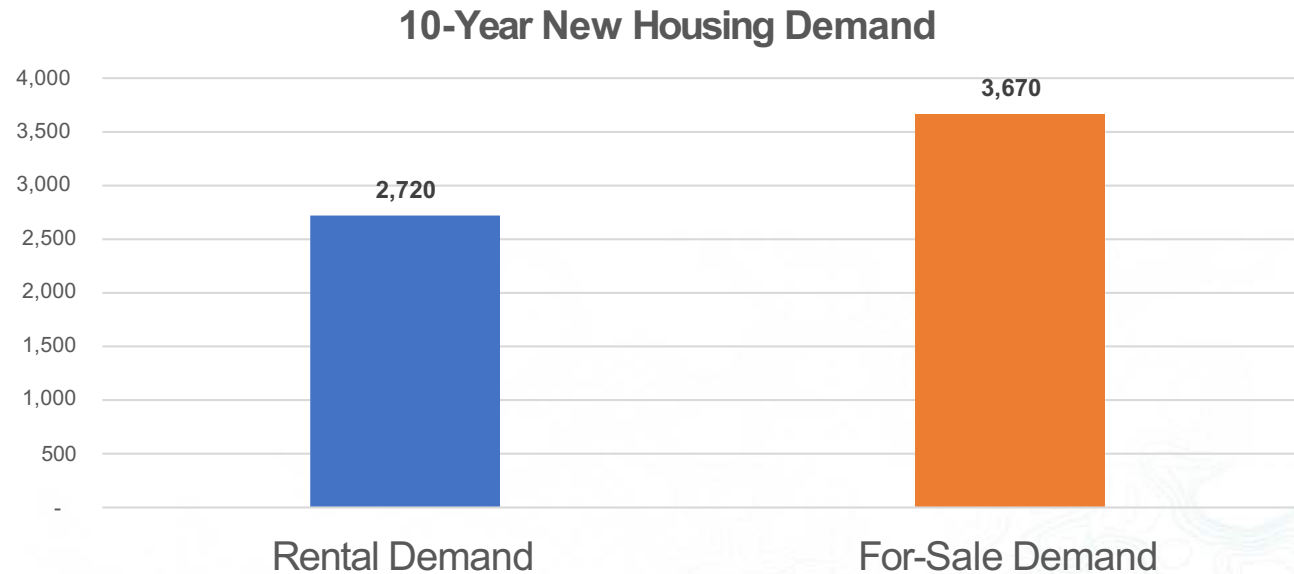
# Future Supply vs Demand

- **Significant under-supply of housing** forecasted over the next 10 years.

- Comparing our demand projections with known projects under construction or in earlier planning stages suggests **under-supply of 1,600 new rental units and 2,400 new for-sale units** (assuming all known units get built as planned).

### 10-Year Demand vs Future Supply: Rental Product

Rental Demand: 2,720
Rental Future Supply: 1,150
Gap = 1,570

### 10-Year Demand vs Future Supply: For-Sale Product

For-Sale Demand: 3,670
For-Sale Future Supply: 1,275
Gap = 2,395

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# Demand by Income Range

Annual New Housing Demand

< 60% AMI

60-120% AMI

■ Rental  ■ For-Sale

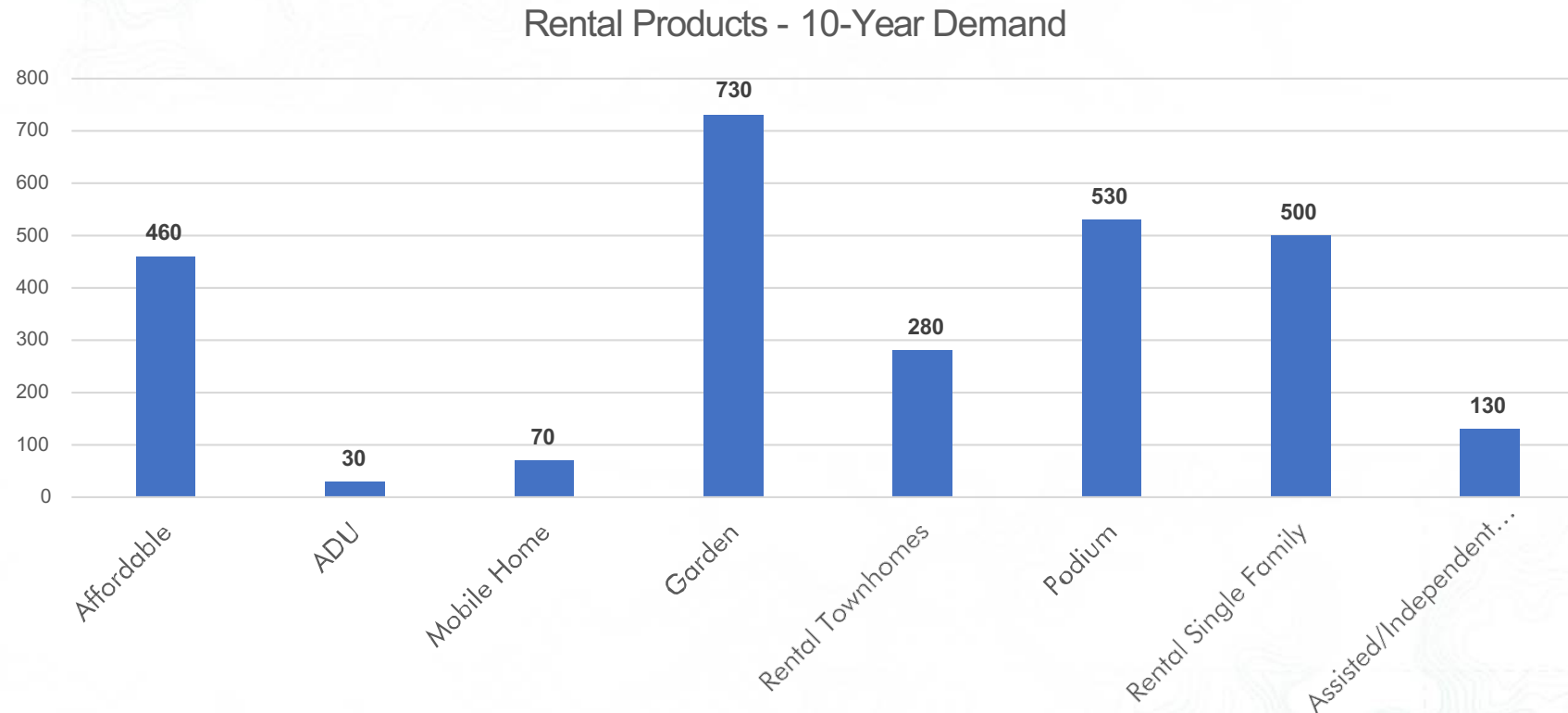THE CONCORD GROUP

# Demand by Rental Product Type

- Rental demand by potential product type in the MSA over the next 10 years:



Rental Products - 10-Year Demand

| Product | Demand |
|---|---|
| Affordable | 460 |
| ADU | 30 |
| Mobile Home | 70 |
| Garden | 730 |
| Rental Townhomes | 280 |
| Podium | 530 |
| Rental Single Family | 500 |
| Assisted/Independent… | 130 |

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# Demand by For-Sale Product Type

- For-sale demand by potential product type in the MSA over the next 10 years:



For-Sale Products - 10-Year Demand

| Product Type | Demand |
|---|---|
| Mobile Home | 90 |
| Courtyard Condos | 290 |
| Townhome/Duplex | 630 |
| Single Family (Small) | 200 |
| Single Family (Large) | 2470 |

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# Housing Demand Drivers

- Demand for new housing driven primarily by the following factors:

  - **Job growth.** The market added 2,800 jobs between 2021 and 2023 and is above pre-COVID levels by over 1,100 total jobs over. Oxford Economics projects an additional 500 new jobs in the MSA by the end of 2026.

  - **In-migration.** The MSA's relatively low cost of living and continued work-from-anywhere trends make the metro an attractive area for relocation of Montanans and out-of-staters.

  - **Old housing stock.** Nearly 70% of the MSA's housing stock was built before 1980, a higher rate than all other major Montana markets.

  - **Lifestyle choices.** Desirability of living near services and cultural offerings, in communities with significant amenities, and in new product types opens up demand opportunities.

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# Thank You!

- Adam Seidman, Principal

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