

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

December 2021



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# Background and Objectives

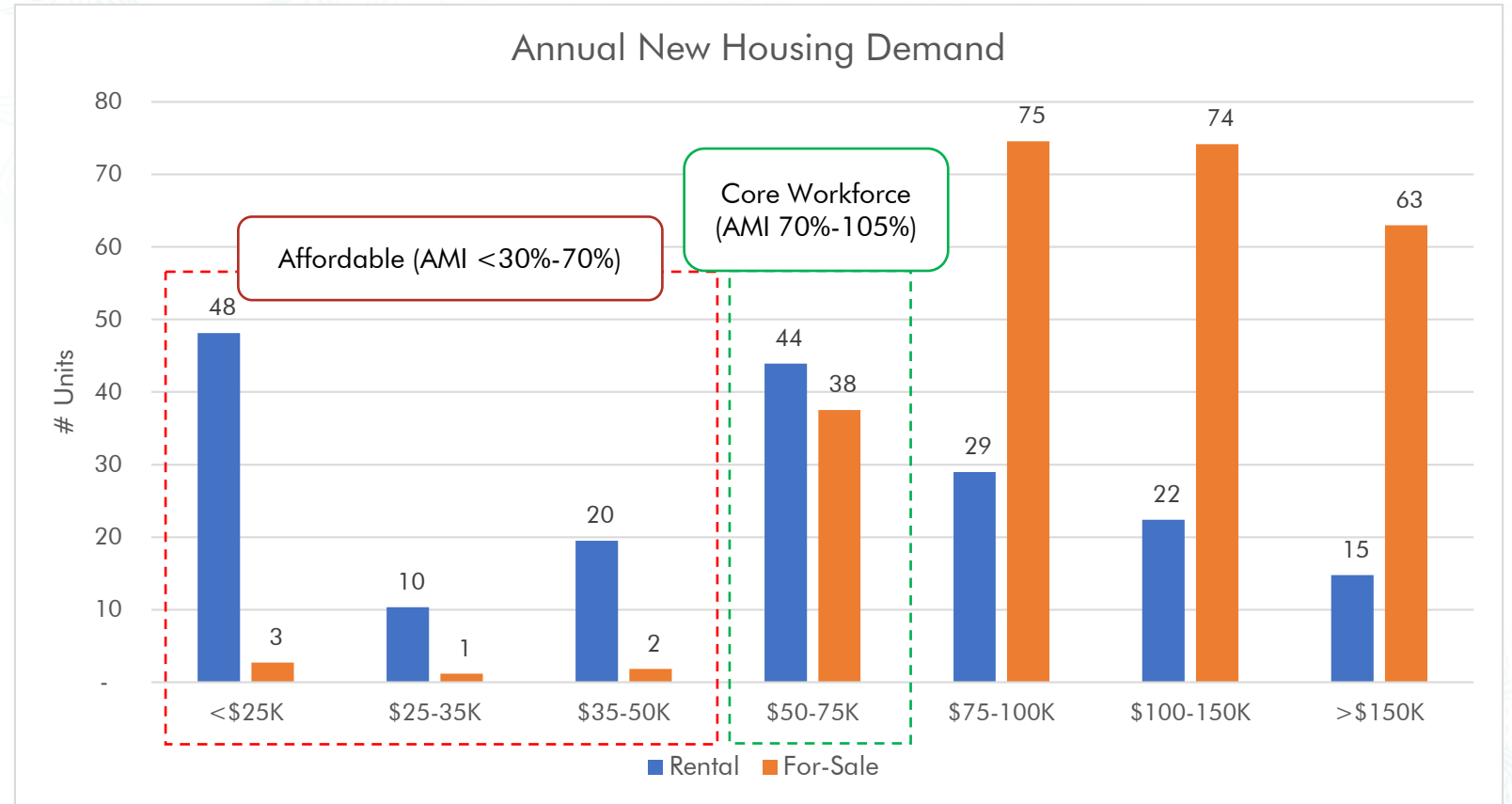
- Responding to a Request for Proposals from the Great Falls Development Authority (in partnership with NeighborWorks Great Falls and the Great Falls Association of Realtors), The Concord Group (“TCG”) completed a housing market demand assessment for the Great Falls Metropolitan Statistical Area (“MSA”) in December 2021.
- 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.
- Our work included an in-person visit to the MSA and meetings with key stakeholders in the public, private, and non-profit sectors.
- Based on the findings of our analyses and meetings, we provided an assessment of the current housing market, projected demand for rental and for-sale housing in the MSA over the next 10 years, and provided a menu of potential product types that would meet the forecasted demand across a range of income levels and housing preferences.
- This presentation summarizes our key findings. Additional detail can be found in the report submitted to the Great Falls Development Authority.



# Key Findings

# Key Findings

- The Concord Group projects demand for +/- 450 new housing units per year in the Great Falls MSA (Cascade County) over the next 10 years
  - Based on expected renter/owner splits, this comes out to demand for approximately 190 new rental units and 250 new for-sale/ownership units per year
- Demand projected across various household income and AMI ranges as seen in graph to the right



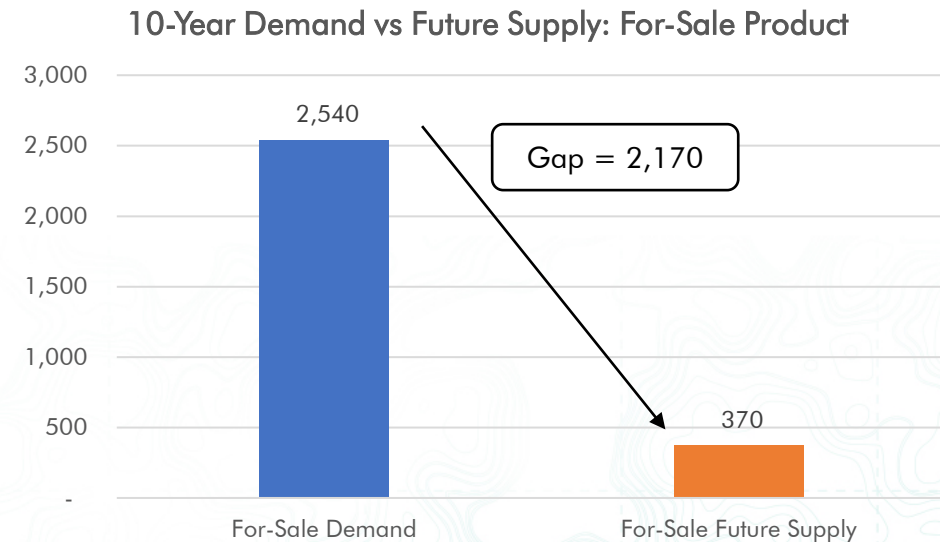
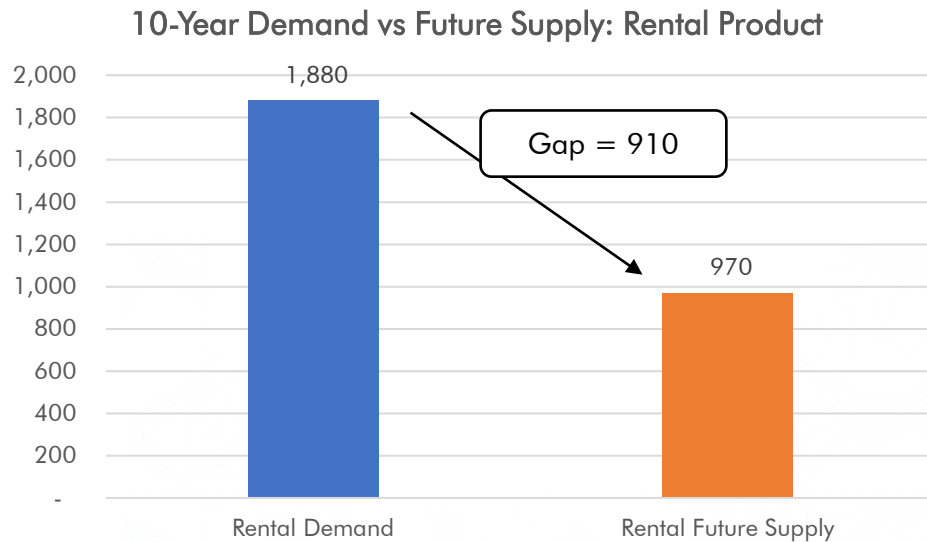
# Key Findings

- Demand for new housing driven primarily by the following factors:
  - Job growth. Moody's projects 2,000 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. 70% of the MSA's housing stock was built before 1980, a higher rate than all other major Montana markets.



# Key Findings

- 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 900 new rental units and 2,200 new for-sale units (assuming all known units get built as planned).



# Key Findings

- Newer housing stock should help to free up housing units for households earning under +/- \$50,000 per year.
- Much of the rental and for-sale housing market in the MSA is priced in a relatively narrow range, and there is a mismatch between prices and household incomes. Many households that could afford to pay more don't have product that meets their needs and "settle" for lower-priced housing, which has the effect of driving up pricing of lower-cost homes and taking out the inventory that income-constrained households can afford.
- Newer housing stock can also help to force rehabilitation and upgrades to the existing housing stock and offerings in order to stay competitive.



# Key Findings

- We anticipate demand for future housing to generally follow historic preferences seen in the market, but also see opportunities for product types not commonly seen in the MSA, such as townhomes, condominium flats, podium product, and purpose-built single-family rentals.
- However, development cost realities will likely limit certain types of housing development in the near-term. With rising construction material and labor costs, and potential soil/foundation issues in places across the MSA, we would expect certain building types, especially higher-density typologies (i.e. podium) to be difficult to develop given current rent and price levels.

# Key Findings

- The following represents rental demand by potential product type and rent range in the MSA over the next 10 years:

Housing Product	Description	Likely Resident Types	Const. Type	Avg. Density DU/AC	Avg. Unit Size Range SF	TCG Pricing Est. Range Base Monthly Rent	10-Year Demand Pool (New)
Affordable	• Different typologies, aimed at those earning 80% or AMI or below.	• Singles and couples, families • <\$55K	Varies	Varies	350 - 1,600	\$373 - \$1,648	590
Walk-Up/Garden Garden Apartments	• Three- to four-story wood-frame construction with detached private parking garages and surface parking. Product type returns modest densities, and lower-cost build vs higher-density products. Common in suburban locations.	• Singles and couples, some young families • \$35K-\$75K	V	25 -30	500 - 1,250	\$950 - \$1,600	640
Single-Family Attached Rental	• One- to two-story, attached, townhome-style units with one- to three- bedroom units and wood-frame construction. Achieves higher density than traditional SFR.	• Families, couples • \$35K-\$100K	V	14-18	800 - 1,350	\$1,100 - \$1,800	140
Podium Apartments	• Four- to five-story of light framing over one to two levels of concrete podium. Podium primarily used for parking, and may include one level below grade. Commonly includes ground floor retail. Typically seen in amenity-rich environments (i.e. downtown, riverfront), and project usually 50+ units.	• Singles and couples, empty nesters • \$35K-\$100K+ • New in-migrants	III over I	60-100	450 - 1,500	\$1,100 - \$2,000	230
Single-Family Detached Rental	• Single- and multi-level, detached, with two-to-four bedroom rental units. Low density community.	• Families, empty nesters • \$50K-\$150K+ • New in-migrants	V	6-12	900 - 1,800	\$1,300 - \$2,500	280
<b>Subtotal Rental Products:</b>							<b>1,880</b>



# Key Findings

- The following represents for-sale demand by potential product type and price range in the MSA over the next 10 years:

Housing Product	Description	Likely Resident Types	Const. Type	Avg. Density	Avg. Unit Size Range	TCG Pricing Est. Range	10-Year Demand Pool (New)
<b>For-Sale Residential</b>						<b>Average Base Price</b>	
Courtyard Condominium	• Two- to three-story detached structure consisting of multiple side-by-side and/or stacked dwelling units oriented around a courtyard. No below grade development required.	• Singles and couples, empty nesters • \$35K-\$75K	V	15-20	800 - 1,600	\$225,000 - \$350,000	240
Townhomes/ Duplexes	• Two- and three-story attached residences built with wood-frame construction (either side-by-side or upstairs and downstairs). Tuck-under parking garages and surface parking.	• Couples and families • \$50K-\$75K	V	12-18	1,300 - 2,000	\$300,000 - \$400,000	480
Single-Family Detached For-Sale (Small)	• One- to two-story detached homes built with wood-frame construction. May include attached parking garages. Two- to-three bedroom units. Includes manufactured/modular.	• Couples and families • \$50K-\$75K	V	6-10	1,500 - 2,200	\$350,000 - \$450,000	230
Single-Family Detached For-Sale (Large)	• One- to two-story detached homes built with wood-frame construction. Commonly includes attached parking garages in each unit. Three- to-five bedroom units.	• Couples and families • \$50K-\$150K • New in-migrants	V	4-6	2,000 - 3,000	\$450,000 - \$750,000	1,590
<b>Subtotal Ownership Products:</b>							<b>2,540</b>

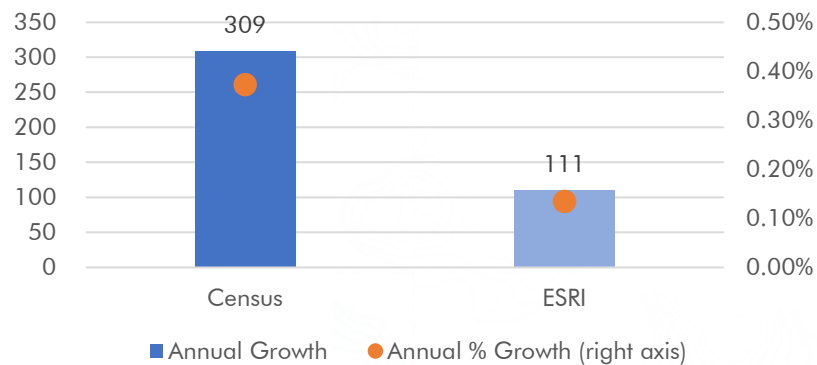


# Relevant Data

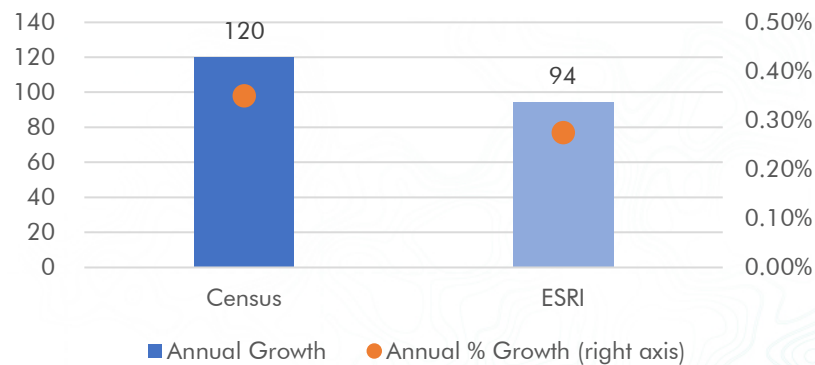
# Historic Growth

- Recent release of Census Decennial data shows growth in the Great Falls MSA between 2010 and 2010, with an increase of nearly 310 people per year in 120 households.
- ESRI, a third-party provider of demographic data, had 2020 estimates that were lower than the recently released Census data.
- Moody's, a third-party provider of economic data, estimates employment growth of 370 jobs per year from 2010 to 2020 (including farm and military jobs).

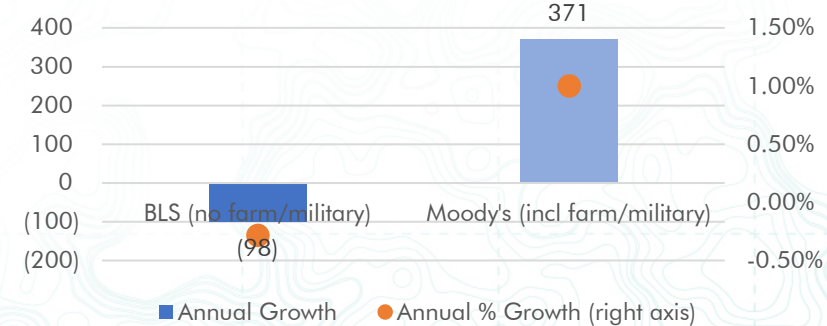
Annual Population Growth 2010-2020



Annual Household Growth 2010-2020



Annual Employment Growth 2010-2020



# Projected Household Growth

- ESRI projects household growth of 0.2% per year through 2026. These estimates are lower compared to the annual growth projected for Montana over the same time period (1.0%) and low relative to projected employment growth.
- Projected growth is notably varied by income range, with losses in lower income ranges and gains in households earning over \$50,000 in annual income:

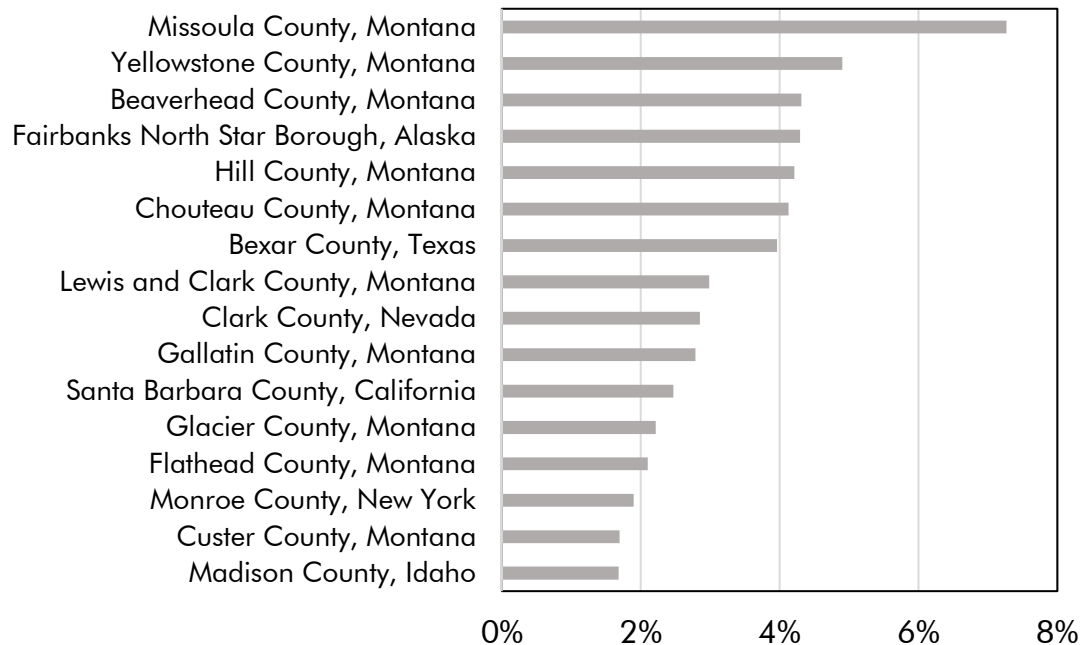
Household Income Range	# of Households		Annual Change
	2021	2026	
\$ - - \$ 25,000	8,704	7,775	-2.2%
\$ 25,000 - \$ 35,000	2,857	2,398	-3.4%
\$ 35,000 - \$ 50,000	5,143	5,075	-0.3%
\$ 50,000 - \$ 75,000	7,006	7,360	1.0%
\$ 75,000 - \$ 100,000	5,006	5,563	2.1%
\$ 100,000 - \$ 150,000	4,259	4,790	2.4%
\$ 150,000 - \$ 200,000	958	1,278	5.9%
\$ 200,000 +	1,012	1,133	2.3%
Total/Average	34,945	35,372	0.2%



# In-Migration

- The vast majority of migration into the Great Falls MSA has been from other Montana market areas, but 2020 saw gains in migration from many higher-cost states such as California and Arizona.

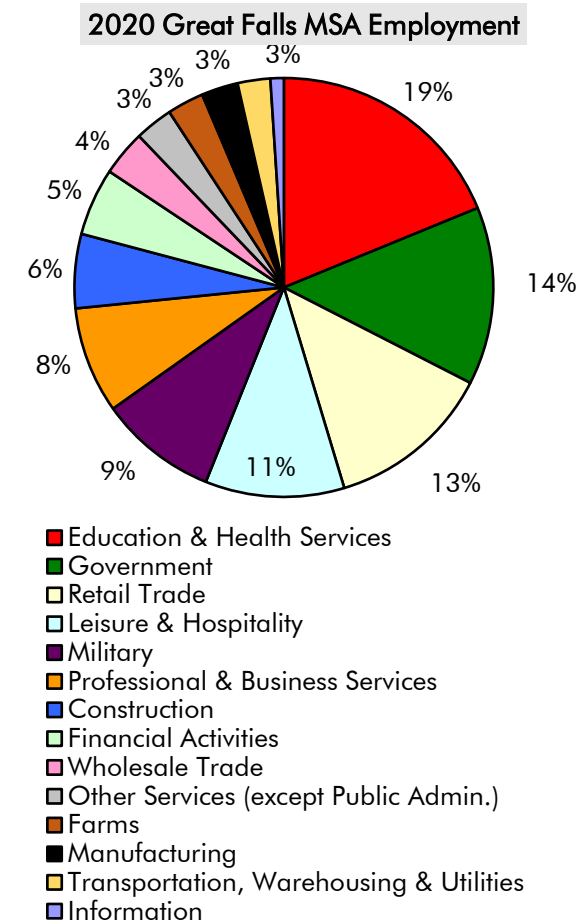
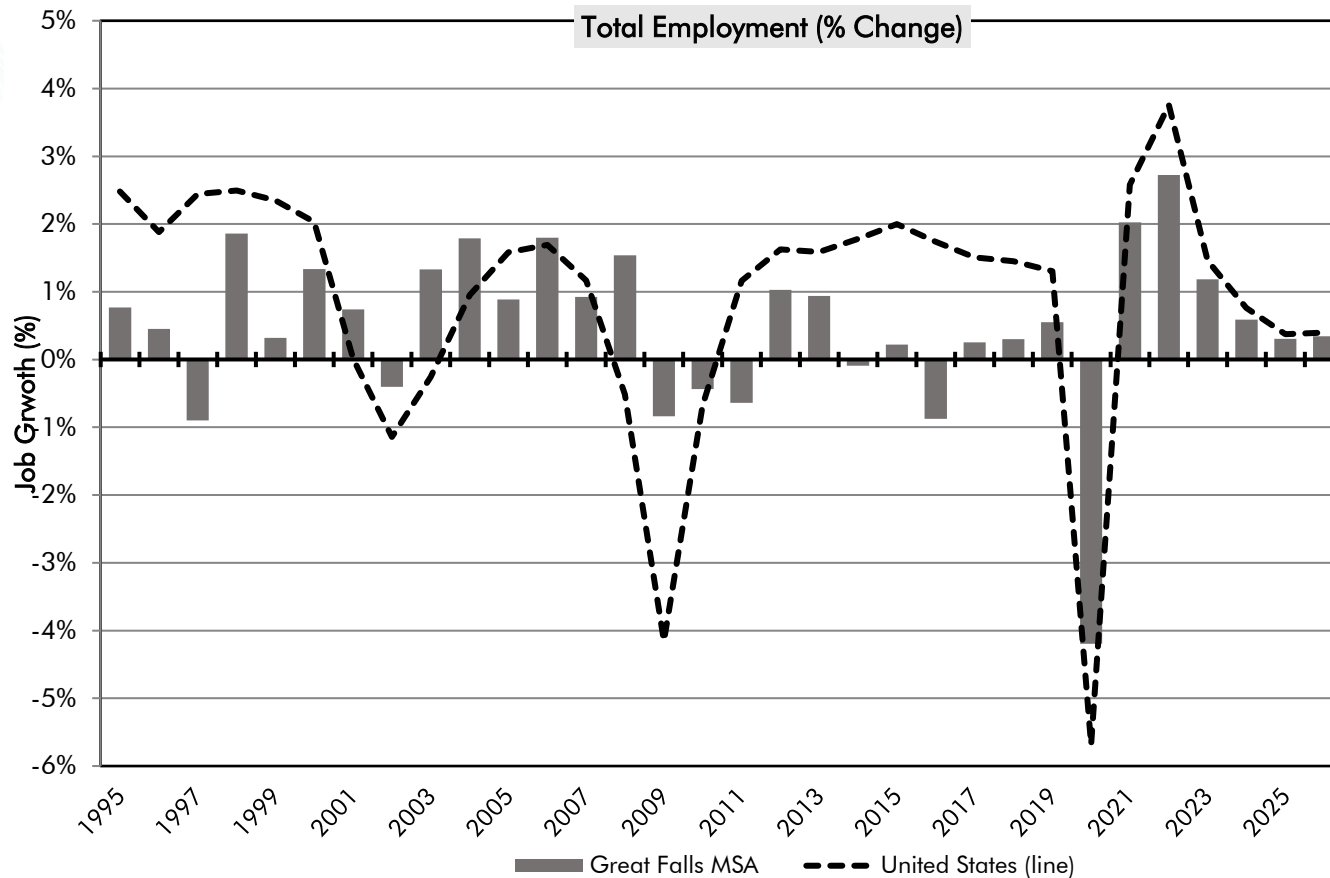
Top 15 Counties - Share of In Migration



Moves To Great Falls, MT MSA					
State Origin	2019		2020		19-'20 % Change
	#	Share	#	Share	
Montana	6,962	89.4%	7,117	89.3%	2.2%
California	172	2.2%	210	2.6%	22.1%
Arizona	125	1.6%	155	1.9%	24.0%
Washington	110	1.4%	119	1.5%	8.2%
Texas	68	0.9%	92	1.2%	35.3%
Colorado	83	1.1%	66	0.8%	-20.5%
Nevada	51	0.7%	41	0.5%	-19.6%
Idaho	27	0.3%	29	0.4%	7.4%
North Dakota	38	0.5%	22	0.3%	-42.1%
Florida	32	0.4%	20	0.3%	-37.5%
Utah	31	0.4%	17	0.2%	-45.2%
Alaska	15	0.2%	17	0.2%	13.3%
Minnesota		0.0%	14	0.2%	---
Wyoming	15	0.2%	12	0.2%	-20.0%
Oklahoma		0.0%	12	0.2%	---
New Mexico	12	0.2%	12	0.2%	0.0%
Oregon	46	0.6%	11	0.1%	-76.1%

# Projected Employment Growth

- Moody's projects strong growth through 2026, with a return to pre-COVID employment levels by 2022 and 2,000 new jobs added from the end of 2021 to 2026.



# Top Employers

- Malmstrom Air Force Base and Benefis (healthcare) accounted for approximately 20% of the MSA's total employment base in 2019.

	<u>Total Company</u>	<u>Industry</u>	<u>Employees</u>	<u>% City</u>
<b>City of Great Falls, MT (2019)</b>				
<b>Top 10</b>				
1	Malmstrom Air Force Base	Military	3,960	11%
2	Benefis Health Care Center	Healthcare	3,203	9%
3	Great Falls Public Schools	Education	1,926	5%
4	Montana Air National Guard	Military	1,012	3%
5	Great Falls Clinic	Healthcare	631	2%
6	Wal-Mart	Retail / Groceries	600	2%
7	City of Great Falls	Government	589	2%
8	Cascade County	Government	523	1%
9	Centene Corporation	Healthcare	319	1%
10	Albertsons	Groceries	285	1%
<b>Total Employees / % of City:</b>			35,265	37%

<b>City of Great Falls, MT (2010)</b>				
<b>Top 10</b>				
1	Malmstrom Air Force Base	Military	4,740	16%
2	Benefis Health Care Center	Healthcare	2,550	8%
3	Great Falls Public Schools	Education	1,550	5%
4	Montana Air National Guard	Military	1,062	3%
5	Great Falls Clinic	Healthcare	583	2%
6	Asurion	Tech Insurance	580	2%
7	City of Great Falls	Government	527	2%
8	Cascade County	Government	527	2%
9	Wal-Mart	Retail / Groceries	487	2%
10	Albertsons	Groceries	261	1%
<b>Total Employees / % of City:</b>			29,923	43%



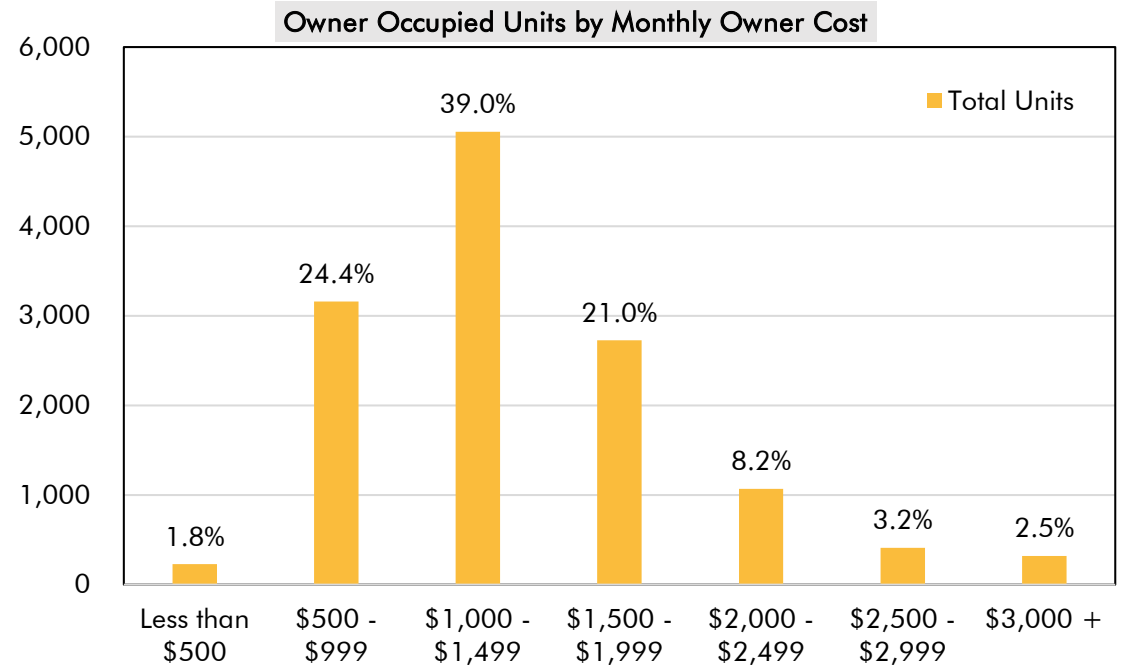
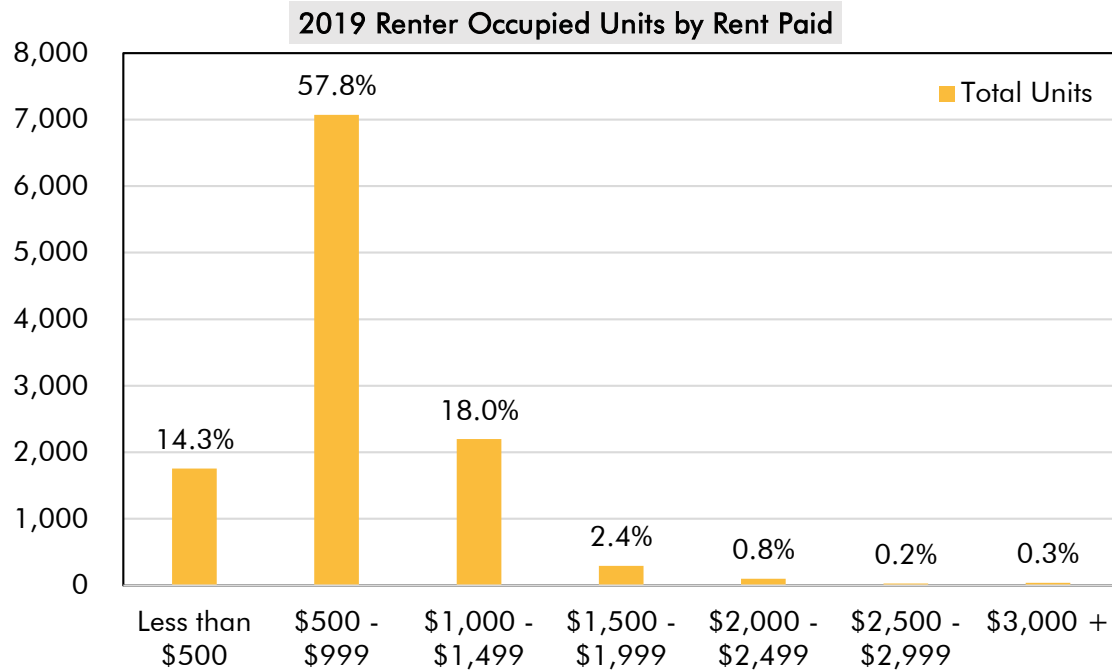
# Commuting Patterns

- 70% of the MSA's residents commute to a job that's within 10 miles of where they live, while 22% commute over 50 miles to work.

Geographies Employed Labor Live In:	City of Great Falls		Great Falls MSA		Commute Shed	
	Num.	Perc.	Num.	Perc.	Num.	Perc.
<b>Jobs/Labor Ratio</b>						
Jobs	28,685		34,704		75,501	
Employed Labor	26,363		34,975		73,036	
Jobs/Labor	1.1		1.0		1.0	
<b>Commute to Work</b>						
<u>Distance to Work</u>						
Under 10-Miles	20,296	77%	24,423	70%	47,566	65%
10-24 Miles	248	1%	2,067	6%	5,251	7%
25-50 Miles	296	1%	890	3%	3,116	4%
Over 50-Miles	5,523	21%	7,595	22%	17,103	23%
<u>Direction of Work</u>						
Northerly	6,515	25%	9,674	28%	17,607	24%
Southerly	11,254	43%	13,825	40%	32,299	44%
Easterly	10,037	38%	13,884	40%	29,018	40%
Westerly	11,620	44%	14,633	42%	28,870	40%
<u>Location of Work</u>						
Great Falls city, MT	17,481	66%	22,352	64%	23,928	33%
Helena city, MT	988	4%	1,347	4%	22,696	31%
Billings city, MT	576	2%	814	2%	1,830	3%
Bozeman city, MT	421	2%	565	2%	1,721	2%
Missoula city, MT	392	1%	565	2%	1,720	2%
Black Eagle CDP, MT	375	1%	527	2%	1,011	1%
Butte-Silver Bow (balance), MT	199	1%	285	1%	578	1%
Havre city, MT	113	0%	178	1%	462	1%
Malmstrom AFB CDP, MT	112	0%	149	0%	427	1%
Kalispell city, MT	110	0%	146	0%	566	1%
Lewistown city, MT	76	0%	146	0%	406	1%
Shelby city, MT	70	0%	119	0%	339	0%
Belgrade city, MT	65	0%	99	0%	207	0%
Cascade town, MT	59	0%	99	0%	572	1%
Columbia Falls city, MT	57	0%	92	0%	226	0%
Conrad city, MT	57	0%	87	0%	272	0%
Chester town, MT	54	0%	75	0%	177	0%
Vaughn CDP, MT	52	0%	75	0%	343	0%
Fort Benton city, MT	46	0%	74	0%	228	0%
Other Cities	5,060	19%	7,181	21%	15,327	21%
<b>Subtotal</b>	<b>26,363</b>	<b>100%</b>	<b>34,975</b>	<b>100%</b>	<b>73,036</b>	<b>100%</b>

# Current Housing Costs

- Per 2019 Census estimates, 72% of renter households paid less than \$1,000 a month, with most rents concentrated between \$500 and \$1,000.
- For homeowners with mortgages, 65% paid less than \$1,500 in monthly costs.



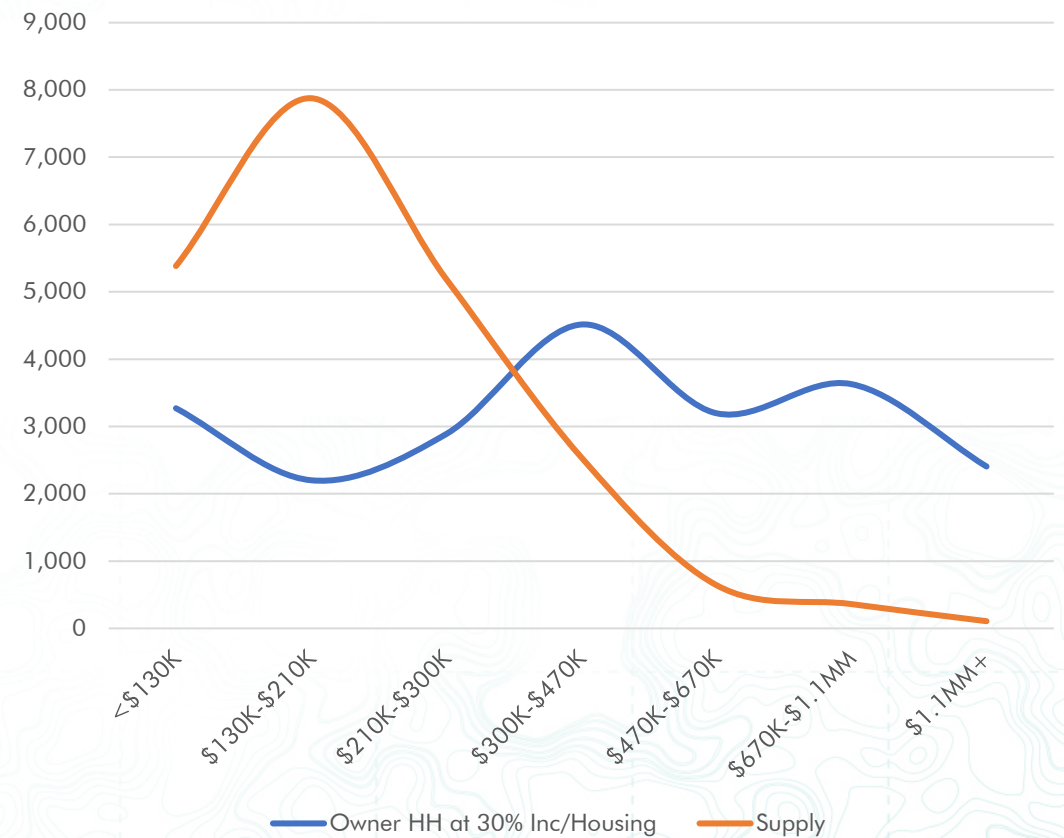
# Housing Costs versus Spending Potential

- Per 2019 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



Current Ownership Supply vs HH Affordability

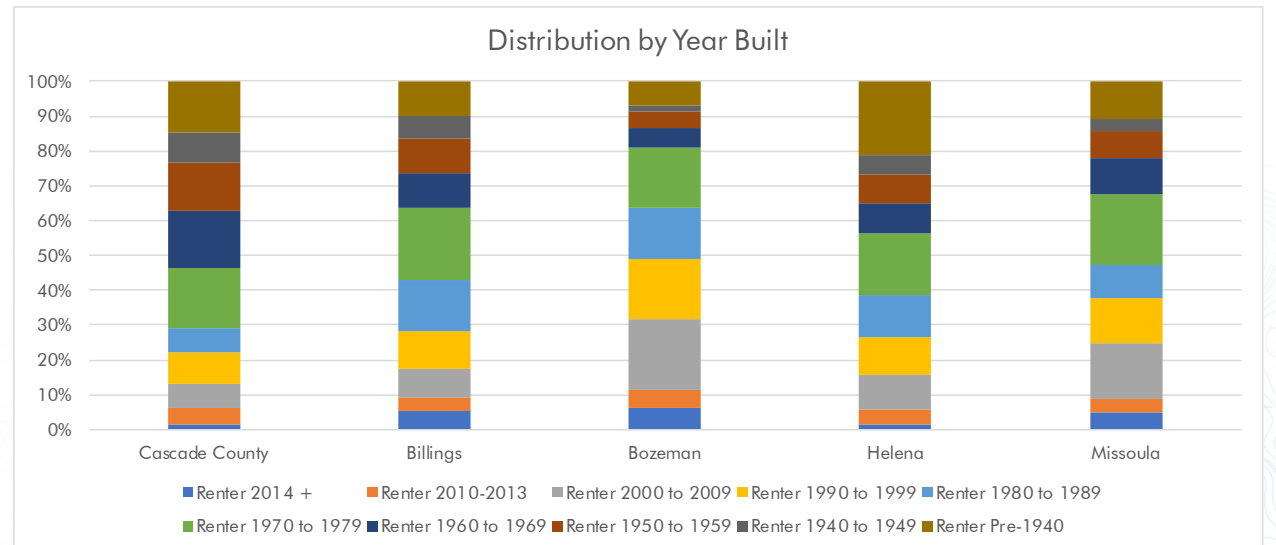




# Age of Rental Housing Stock

- Over 70% of the MSA's rental housing stock was built before 1980, a much higher share versus other Montana metro areas.
- Just over 6% of the rental stock was built after 2010.

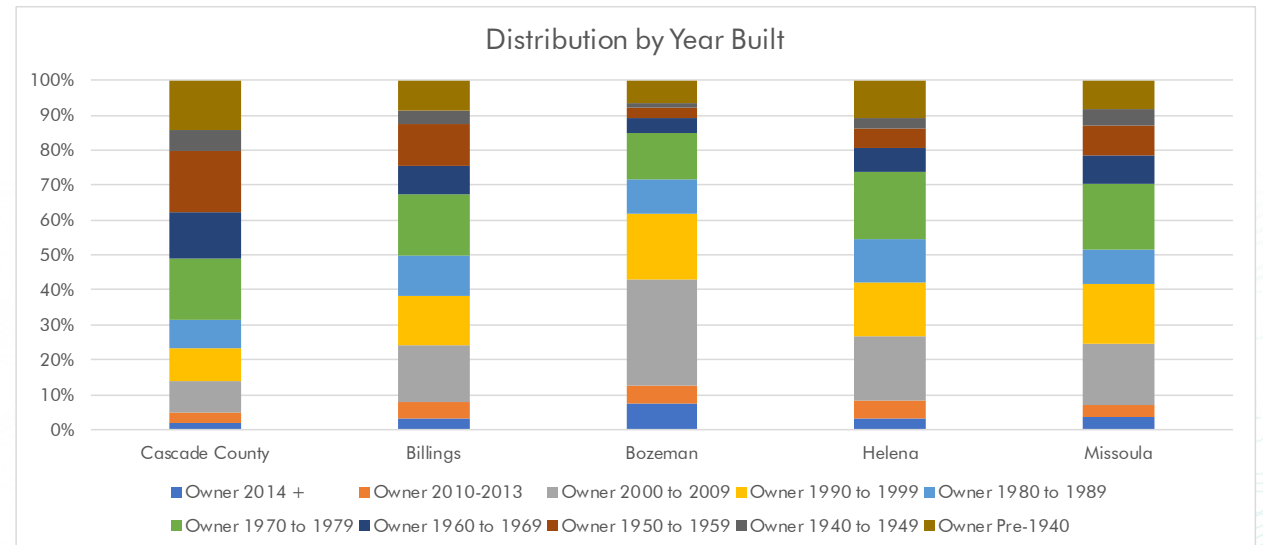
Cascade County			Other Montana Metros			
Total Housing Units By Year Built	Existing Inventory		Billings	Bozeman	Helena	Missoula
	Total	Share				
Built 2014 or Later	188	1.5%	5.4%	6.2%	1.3%	5.1%
Built 2010 to 2013	579	4.7%	4.0%	5.2%	4.7%	3.6%
Built 2000 to 2009	859	7.0%	8.0%	20.5%	9.9%	15.9%
Built 1990 to 1999	1,104	9.0%	11.1%	17.2%	10.8%	13.2%
Built 1980 to 1989	823	6.7%	14.4%	14.7%	12.0%	9.6%
Built 1970 to 1979	2,111	17.3%	20.9%	17.2%	17.7%	20.1%
Built 1960 to 1969	2,020	16.5%	9.9%	5.4%	8.4%	10.5%
Built 1950 to 1959	1,702	13.9%	10.1%	5.0%	8.3%	7.6%
Built 1940 to 1949	1,064	8.7%	6.2%	1.8%	5.5%	3.4%
Built 1939 or Prior	1,780	14.6%	10.1%	6.8%	21.3%	10.9%
	<b>12,230</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>Built 1979 or Prior</i>	<i>8,677</i>	<i>71%</i>	<i>57%</i>	<i>36%</i>	<i>61%</i>	<i>53%</i>



# Age of Owner-Occupied Housing Stock

- Nearly 70% of the MSA's owner-occupied housing stock was built before 1980, a much higher share versus other Montana metro areas.
- Just under 5% of the owner-occupied stock was built after 2010.

Cascade County			Other Montana Metros			
Total Housing Units By Year Built	Existing Inventory		Billings	Bozeman	Helena	Missoula
	Total	Share				
Built 2014 or Later	382	1.7%	3.2%	7.5%	3.3%	3.7%
Built 2010 to 2013	674	3.0%	4.8%	5.1%	5.1%	3.2%
Built 2000 to 2009	2,010	9.1%	16.3%	30.2%	18.4%	17.8%
Built 1990 to 1999	2,080	9.4%	13.8%	19.1%	15.2%	16.8%
Built 1980 to 1989	1,771	8.0%	11.7%	9.8%	12.7%	9.9%
Built 1970 to 1979	3,903	17.7%	17.5%	13.1%	18.9%	18.9%
Built 1960 to 1969	2,940	13.3%	8.3%	4.4%	6.9%	8.1%
Built 1950 to 1959	3,878	17.5%	11.6%	2.8%	5.7%	8.6%
Built 1940 to 1949	1,281	5.8%	3.9%	1.5%	3.0%	4.7%
Built 1939 or Prior	3,180	14.4%	8.9%	6.5%	10.8%	8.3%
	<b>22,099</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>Built 1979 or Prior</i>	<i>15,182</i>	<i>69%</i>	<i>50%</i>	<i>28%</i>	<i>45%</i>	<i>49%</i>



# Company Background



# The Concord Group

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

# The Concord Group

## Clients

- Development/Builders
  - Multifamily (REITs/Dev)
  - Homebuilders (Pub/Pr)
  - Land developers
  - Commercial Owners/Operators
- Public/Non-profit
  - Counties/Cities
  - Authorities
  - Universities
- Finance
  - Private Equity Firms
  - Pension Funds
  - Investment Banks
  - Financial Advisors
  - Commercial Banks

## Services

- Market opportunity analysis
- Project feasibility
- Land use programming, phasing & pricing
- Product program testing & refinement
- Portfolio and single asset valuation
- Repositioning strategies
- Distressed loan/asset underwriting
- Transaction support
- Consumer research & focus groups
- Marketing implementation

## Property Sectors

- Residential
  - For Sale
  - Rental (General & Student)
  - Senior Care & Active Adult
  - SFR/BTR
- Mixed/Multi-Use
  - Master-planned Communities
  - Urban Infill
- Commercial
  - Office/Industrial
  - Retail/Entertainment
- Hospitality & Recreation
  - Hotel
  - Resort
  - Branded

# The Concord Group

- Richard Gollis, Principal and Co-Founder
  - Newport Beach, CA
  - (949) 717-6450
  - [rmg@theconcordgroup.com](mailto:rmg@theconcordgroup.com)
  
- Adam Seidman, Director
  - Portland, OR
  - (617) 460-0372
  - [aes@theconcordgroup.com](mailto:aes@theconcordgroup.com)



# Insights for the Real Estate Industry

[www.theconcordgroup.com](http://www.theconcordgroup.com)

