

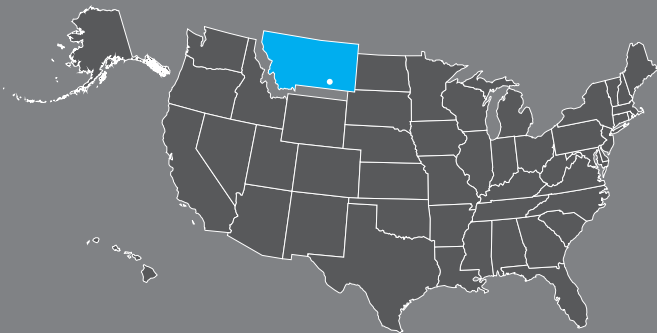
# HUD PD&R Housing Market Profiles

## Billings, Montana



### Quick Facts About Billings

- Current sales market conditions: slightly tight.
- Current rental market conditions: tight.
- Because the metropolitan area is less than 300 miles from the Bakken Oil Shale Formation, labor shortages, particularly in construction employment, persist as workers seek higher wage opportunities in eastern Montana and western North Dakota.



By Katharine Auchter | As of October 1, 2014

### Overview

The Billings metropolitan area comprises Carbon and Yellowstone Counties in south-central Montana. The metropolitan area, the largest in the state, is a regional hub for healthcare services. The education and health services sector is one of the largest employment sectors, accounting for more than 17 percent of covered employment in the metropolitan area. The two largest employers are Billings Clinic and St. Vincent Healthcare, with more than 3,000 and 1,900 employees, respectively.

- As of October 1, 2014, the estimated population of the metropolitan area was 167,600.
- From 2004 to 2009, the population increased by an average of 2,250, or 1.5 percent, annually.
- Population growth slowed to an average annual rate of 1.2 percent from 2009 through 2011, when employment decreased during the national recession. As jobs have increased, population growth has recovered, averaging 1.5 percent annually since 2012. Net in-migration has accounted for 71 percent of growth since 2012.



Payroll gains in the service-providing sectors in the Billings area offset losses in the construction subsector caused by labor shortages.

	3 Months Ending		Year-Over-Year Change	
	March 2013 (thousands)	March 2014 (thousands)	Absolute (thousands)	Percent
Covered employment	78.6	79.0	0.4	0.5
Goods-producing sectors	9.0	8.7	-0.3	-3.3
Mining, logging, and construction	5.6	5.2	-0.4	-7.1
Manufacturing	3.3	3.5	0.2	6.1
Service-providing sectors	60.3	61.1	0.8	1.3
Trade, transportation, and utilities	19.6	19.7	0.1	0.5
Information	1.0	1.4	0.4	40.0
Financial activities	3.9	3.8	-0.1	-2.6
Professional and business services	8.4	8.4	0.0	0.0
Education and health services	13.5	13.6	0.1	0.7
Leisure and hospitality	10.6	10.7	0.1	0.9
Other services	3.3	3.4	0.1	3.0
Government	9.4	9.2	-0.2	-2.1
	September 2013 (percent)	September 2014 (percent)		
Unemployment rate	4.2	3.4		

Notes: Numbers may not add to totals because of rounding. Most recent data available for individual sectors.  
Source: U.S. Bureau of Labor Statistics

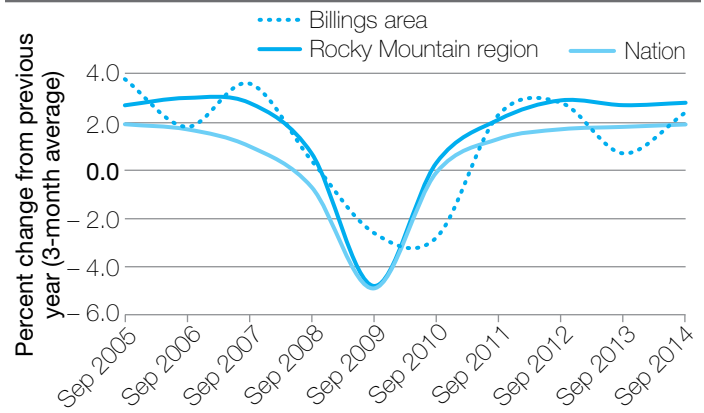
## Economic Conditions

Nonfarm payrolls in the Billings metropolitan area fully recovered to prerecession levels during the past 4 years. Nonfarm payrolls declined by an average of 2,000 jobs, or 2.4 percent, annually in 2009 and 2010.

- During the third quarter of 2014, nonfarm payrolls in the metropolitan area averaged 83,700, up by approximately 2,000 jobs, or 2.4 percent, from the same period a year earlier.
- The manufacturing sector increased by 200 jobs, or 6.1 percent, during the first quarter of 2014 (the most recent data available for most individual sectors) compared with employment in the sector during the first quarter of 2013. Franz Family Bakery reopened in May 2013 with 100 employees, adding jobs in the manufacturing sector.
- The attractiveness of high wages in energy employment in the Bakken Oil Shale Formation led to a shortage of construction workers in the metropolitan area. Mining, logging, and construction sector employment averaged 5,200 jobs during the first quarter of 2014, down 400 jobs, or 7.1 percent, from the same quarter a year earlier, and all the net losses occurred in the construction subsector.

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### Covered payroll growth in the Billings area accelerated in the past year after a decrease in the payroll growth rate in 2013.



Note: Nonfarm payroll jobs.  
Source: U.S. Bureau of Labor Statistics

### Largest private employers in the Billings area

Name of Employer	Covered Payroll Sector	Number of Employees
Billings Clinic	Education and health services	3,000+
St. Vincent Healthcare	Education and health services	1,900+
Wal-Mart Stores, Inc.	Wholesale and retail trade	1,000+

Note: As of November 2011.  
Source: Big Sky Economic Development



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- The unemployment rate in the metropolitan area averaged 3.4 percent during the third quarter of 2014, down from 4.2 percent a year earlier and well below the 6.2-percent national

unemployment rate. The decline in the unemployment rate resulted from resident employment growth outpacing gains in the labor force.

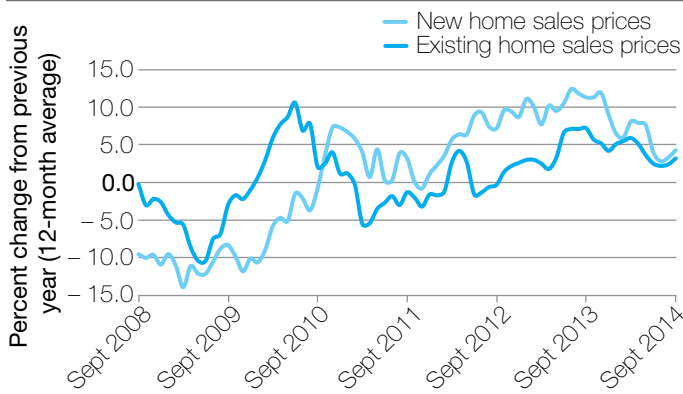
## Sales Market Conditions

Sales housing market conditions in the Billings metropolitan area are slightly tight, with an estimated 1.2-percent vacancy rate, down from 1.5 percent in April 2010. The number of loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status did not significantly increase in the metropolitan area during the national housing crisis, peaking at only 2.9 percent of home loans in February 2010. During September 2014, distressed loans and REO properties accounted for 1.8 percent of loans, down from 2.0 percent a year earlier (Black Knight Financial Services, Inc.).

During the 12 months ending September 2014—

- The average existing home sales price (including single-family homes, townhomes, and condominiums) increased 3 percent from the previous 12 months, to \$224,800 (Metrostudy, A Hanley Wood Company, and adjustments by the analyst). During the same period, existing home sales remained essentially unchanged, decreasing less than 1 percent, to 3,225 homes sold.
- Approximately 320 new homes (including single-family homes, townhomes, and condominiums) sold, down 5 percent from the previous 12 months, but the average sales price increased 4 percent, to \$279,300.

### Growth in new home sales prices has outpaced existing sales price growth since December 2010 in the Billings area.



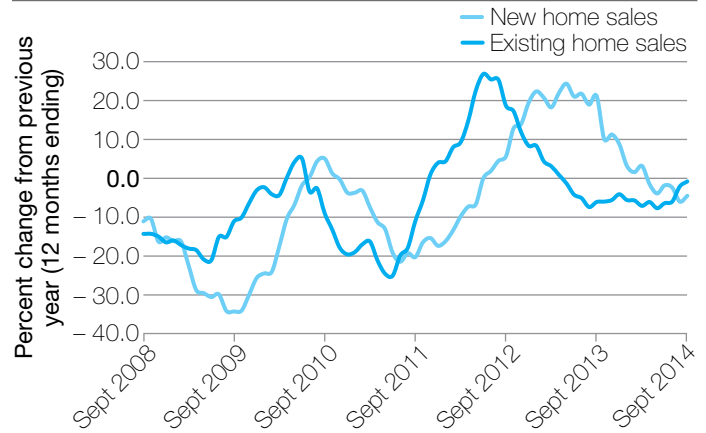
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- REO sales accounted for less than 5 percent of existing home sales, nearly unchanged from the 12 months ending September 2013. REO sales peaked at 7 percent of existing sales in 2011 (Metrostudy, A Hanley Wood Company).
- In September 2014, the inventory of unsold homes comprised a 4.7-month supply, down slightly from a 5.0-month supply in September 2013 (Billings Association of REALTORS®).

Labor shortages in the construction subsector during the past year contributed to a decrease in single-family home construction activity.

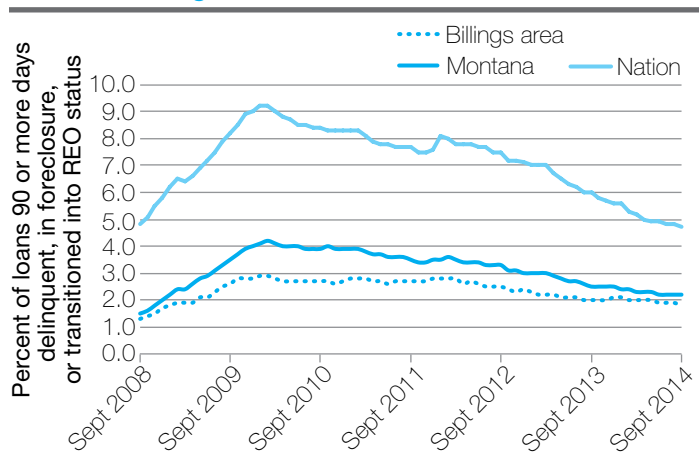
- During the 12 months ending September 2014, single-family home construction, as measured by the number of single-family homes permitted, decreased 13 percent, to 440 homes, compared with permitting during the previous 12-month period (preliminary data).
- From 2005 through 2008, an average of nearly 620 homes were permitted annually, but construction activity decreased to an average of 360 homes permitted annually from 2009 through 2012.
- The 45-lot second phase of the Trails West subdivision, west of the city of Billings, is under construction. Prices for the 15 homes sold so far in 2014 started at \$203,800.

### Existing home sales remained unchanged in the past year, but new home sales decreased about 5 percent in the Billings area.



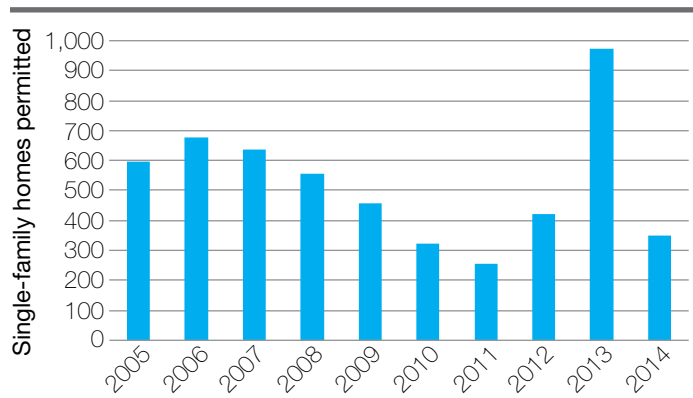
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of distressed loans and REO properties in the Billings area remained below the state and national averages.



REO = Real Estate Owned.  
Source: Black Knight Financial Services, Inc.

During 2013, single-family homebuilding activity in the Billings area surged to the highest level in recent years, but the construction activity was not sustained in 2014.



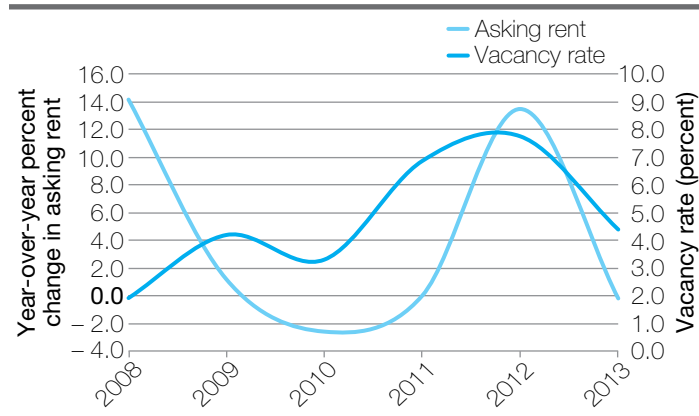
Note: Includes preliminary data from January 2014 through September 2014.  
Source: U.S. Census Bureau, Building Permits Survey

## Rental Market Conditions

The rental housing market in the Billings metropolitan area is tight, with low apartment vacancy rates as demand for new apartments remains strong. The median contract rent was approximately \$650 in 2013 (the most recent data available), unchanged from 2012 but up 13 percent compared with rents in 2011 (American Community Survey 1-year estimates).

- The estimated rental vacancy rate in September 2014 was 3.8 percent compared with 6.3 percent in April 2010 (analyst estimates).

The rental vacancy rate in the Billings area declined in 2013 as demand for rental housing increased, but the completion of new units slowed rent growth.

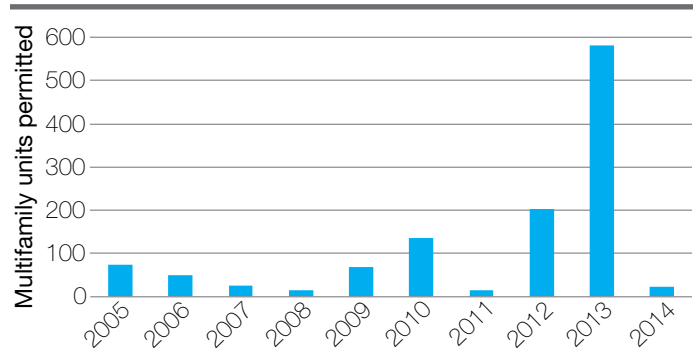


Source: American Community Survey 1-year estimates

- The increased population growth since 2012, in part, has led to an increase in demand for rental housing, outpacing the construction of new units and contributing to the decrease in the rental vacancy rate since 2010.
- The relative proximity to the Bakken Oil Shale Formation led to an increased demand for apartments by energy industry workers who were on periods of leave from work in the oil fields, typically of about 2 weeks each month.

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The large volume of multifamily units under construction since 2013 in the Billings area may help ease the tight apartment market when construction is complete.



Note: Includes preliminary data from January 2014 through September 2014.  
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst



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- The apartment vacancy rate in September 2014 was estimated at approximately 2.0 percent, up slightly from nearly 1.5 percent in 2013 (analyst estimates).

Construction labor shortages also affected multifamily building activity during the past year, but new units currently nearing completion may help ease the tight rental conditions.

- During the 12 months ending September 2014, 180 multifamily units were permitted, down from 400 units during the same period a year earlier (preliminary data).
- From 2005 through 2009, an average of 50 units were permitted annually, but that figure increased to an average of 120 units annually from 2010 through 2012.

- The Sunset Beach Apartments, on the western edge of the city of Billings, opened in May 2014. Rents for the 168 two-bedroom units range from \$795 to \$950 a month.
- The 160-unit InterPointe Apartments, also on the western edge of the city of Billings, is expected to begin preleasing in November 2014. Rents are expected to start at \$740 for studio units, \$960 for one-bedroom units, \$1,130 for two-bedroom units, and \$1,360 for three-bedroom units. Construction is anticipated to be complete by the end of 2014.
- In October 2014, construction will begin on the 83-unit Wyndstone Continuing Care Retirement Community on the north side of the city of Billings. The age-restricted development, which will include independent living, assisted living, and memory care, is expected to be complete in 2016.

