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Missoula,  
Mont.  
1970

*Analysis of the*  
**MISSOULA, MONTANA**  
**HOUSING MARKET**

**as of July 1, 1970**

**DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT**

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION  
WASHINGTON, D. C. 20411**

**December 1970**

**FHA Housing Market Analysis**  
Missoula, Montana, as of July 1, 1970

**Foreword**

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Division as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development  
Federal Housing Administration  
Economic and Market Analysis Division  
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - MISSOULA, MONTANA  
AS OF JULY 1, 1970

The Missoula, Montana, Housing Market Area (HMA) is defined as Missoula County, Montana. The HMA, located in Western Montana, has a current population estimated at 58,500. The University of Montana and the wood products industry are the main employers in the HMA. While there have been significant increases in jobs in each since 1960, the wood products industry has had some difficulty recently as the result of a general decline in demand for their products.

Government employment, primarily at the University of Montana, has been a major factor in the growth of the local economy since 1965. Increased student enrollment has stimulated trade, services, and the rental housing market, while new administrative and faculty positions at the university have had an impact on the sales housing market.

Anticipated Housing Demand

Demand for privately-financed nonsubsidized housing during the July 1, 1970 to July 1, 1972 forecast period is estimated at 375 units annually, 250 single-family houses and 125 units in multifamily structures. There is an additional estimated demand for 100 mobile homes annually. The estimated demand has been adjusted for anticipated demolitions, shifts in tenure of occupancy, and for units under construction. Qualitative distributions of the estimated annual demand for single-family homes and multifamily units are presented in table I.

The present demand estimates are not intended to be predictions of short-term construction volume, but rather suggestive of levels of construction which would provide stability in the housing market based on long-term trends evident in the area.

### Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through a number of different programs administered by FHA: monthly rent supplements in rental projects financed under Section 221(d)(3); partial payment of interest on home mortgages insured under Section 235; partial interest payment on project mortgages insured under Section 236; and federal assistance to local housing authorities for low-rent public housing.

The estimated occupancy potentials for subsidized housing are designed to determine, for each program, (1) the number of families and individuals who can be served under the program and (2) the proportion of these households that can reasonably be expected to seek new subsidized housing during the forecast period. Household eligibility for the Section 235 and Section 236 programs is determined primarily by evidence that household or family income is below established limits but sufficient to pay the minimum achievable rent or monthly payment for the specified program. Insofar as the income requirement is concerned, all families and individuals with income below the income limits are assumed to be eligible for public housing and rent supplement; there may be other requirements for eligibility, particularly the requirement that current living quarters be substandard for families to be eligible for rent supplements. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The total occupancy potential for federally assisted housing approximates the sum of the potentials for public housing and Section 236 housing. For the Missoula HMA, the total occupancy potential is estimated to be 210 units annually. Future approvals under each program should take into account any intervening approvals under other programs which serve the same families and individuals.

The annual occupancy potentials<sup>1/</sup> for subsidized housing discussed below are based upon 1970 incomes, the occupancy of substandard housing, estimates of the elderly population, income limits in effect on July 1, 1970, and on available market experience.<sup>2/</sup>

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<sup>1/</sup> The occupancy potentials referred to in this analysis have been calculated to reflect the strength of the market in view of existing vacancy. The successful attainment of the calculated potentials for subsidized housing may well depend upon construction in suitably accessible locations, as well as distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

<sup>2/</sup> Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under some of the subsidized housing programs and absorption rates remain to be tested.

Sales Housing Under Section 235. Sales housing can be provided for low- to moderate-income families under the provisions of Section 235. Based on exception income limits, about 75 houses a year could be absorbed in the HMA during the two-year forecast period of this report; using regular income limits, the potential would be reduced to about 35 units a year. Fund reservations have been approved for 28 houses; there are 35 remaining reservations under this program. The remaining reservations should satisfy about half of the potential for the first year of the forecast period.

Rental Housing Under the Public Housing and Rent-Supplement Programs. These two programs serve essentially the same low-income households. The principal differences arise from the manner in which net income is computed for each program and from other eligibility requirements. For the Missoula HMA, the annual occupancy potential for public housing is estimated at 70 units for families and 50 units for the elderly. Although none of the families is eligible for Section 236 housing, about 30 percent of the elderly are eligible under Section 236 (see table II). In the case of the somewhat more restrictive rent-supplement program, the potential for families would be about two-thirds of the figure shown above, but the market among the elderly would be unchanged.

There is no public housing authority in the HMA; however, there are 75 units of rent-supplement housing under construction and scheduled for completion in late August or early September, equivalent to about the potential for one year. Although the rent-supplement project is not designated specifically for the elderly, it includes 33 one-bedroom units.

Rental Housing under Section 236<sup>1/</sup>. Moderately priced rental units can be provided under Section 236. With exception income limits, there is an annual occupancy potential for 105 units of Section 236 housing, including 75 units for families and 30 units for elderly. Based on regular income limits, these potentials would be reduced to 30 units for families and 15 units for the elderly. Although none of the families eligible under this section is eligible for public housing, about 50 percent of the elderly households would qualify for public housing. It should also be noted that in terms of eligibility, the Section 236 potential for families and the Section 235 potential draw from essentially the same population and are, therefore, not additive. Construction was scheduled to begin in July 1970 on 60 units of Section 236 housing, the first in the HMA.

### Sales Market

The market for sales housing in the Missoula HMA has strengthened moderately since 1960, as indicated by a decrease in the homeowner vacancy rate. The improvement in the sales market is attributable to a slight reduction in the volume of single-family construction since 1965, expansion of the University of Montana, and a generally prosperous economy.

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<sup>1/</sup> Interest reduction payments may also be made for cooperative housing projects. Occupancy requirements under Section 236 are identical for tenants and cooperative owner-occupants.

Rising construction and financing costs have pushed prices into higher price ranges. Few new houses now are priced for less than \$20,000 and most are being offered at prices over \$25,000. The market for existing property is sound in all price ranges. Prices for existing homes, for the most part, range from \$14,000 to \$18,000, but available homes have been increasingly difficult to find in the past 24 months.

Subdivision activity has remained fairly stable since 1965 (about 80 homes each year), but has been considerably below levels attained in 1963 (about 160) and 1964 (approximately 180 new homes). Building is concentrated at the northeastern and southern fringes of the city. There also has been some single-family construction in Lolo, a small town three miles south of Missoula. An unsold inventory survey conducted by the FHA insuring office reported that a total of 60 units were completed in the Missoula area during 1969 in eight subdivisions with five or more completions each. About 75 percent of the homes (48) were built on a speculative basis, of which ten remained unsold on January 1, 1970. Only one completed house had been unsold for more than 6 months.

### Rental Market

The soft rental market conditions in 1960 have improved considerably: the rental vacancy rate has declined sharply. The decrease in renter vacancies reflects, to a great extent, the increase in the number of students at the University of Montana. Approximately 5,900 students are from outside the Missoula area and only 2,900 students live in housing on the campus; thus about 3,000 students must find housing elsewhere in the community. There are currently 394 housing units for married students at the University; all are filled. Monthly rentals (including utilities) for these units range from \$76 for an efficiency to \$109 for a four-bedroom unit; however, a five percent increase in rents is scheduled for September 1971.

Monthly rentals in the newer units off campus average \$140 (including utilities) for a one-bedroom unit and \$160 (including utilities) for a two-bedroom unit; there are very few vacancies in these units. Rents in older multifamily structures and single-family houses for rent average \$20 to \$30 less per month.

### Economic, Demographic, and Housing Factors

Employment. Employment data for the 1960-1969 period are available only by fiscal year averages for industries covered by the Montana Unemployment Compensation Law (covered employment).<sup>1/</sup> Interstate railroad employees; local, state, and federal government workers; domestics and self-employed persons; and agricultural workers are excluded. In the industries covered by the Unemployment Compensation Law, employment increased by an average

<sup>1/</sup> The Montana fiscal year extends from July 1 through June 30.

of about 360 (4.5 percent) jobs annually from fiscal year 1960 through fiscal year 1969. Employment increased every year except 1967, when the copper miners' strike was felt throughout the economy of Montana. Gains in covered employment over the shorter period from fiscal year 1964 through fiscal year 1969 averaged almost 400 employees annually (see table III).

Increases in covered manufacturing employment since 1964 have averaged only about 25 jobs annually, compared to an average of almost 225 additional jobs annually between 1960 and 1964. A large portion of the increases in covered manufacturing employment occurred in wood products and related industries which, in 1969, accounted for about 85 percent of all covered manufacturing employment. Employment in the wood products industry has not increased significantly in the past four years and layoff periods have often been extended because of the slowdown in housing construction throughout the country.

In the covered nonmanufacturing sector, annual gains between 1964 and 1969 averaged almost 370 jobs per year compared to the smaller annual average increment of 100 jobs between 1960 and 1964. Since 1960, increases in trade (about 900 jobs) and services (about 800 jobs) accounted for most of the total gain of approximately 2,250 jobs in covered nonmanufacturing employment.

Estimates available from the Montana State Employment Commission indicate that there was an average of 5,720 persons employed in government (not included in covered employment) during calendar year 1969, of whom 4,580 were employed by state and local government and 1,140 by the federal government. The government employment total for 1969 represents an increase of about 2,450 jobs since 1960, not including a gain of about 300 resulting from a change in reporting method between 1968 and 1969. Almost 50 percent of the actual increase in government employment occurred at the University of Montana, which reported a gain in employment of over 1,000 persons between 1965 (1,502 employees) and 1969 (2,540 employees).

Based on covered employment gains and increases in government employment over the 1964-1969 period, the planned opening of a new firm in October 1970, and on the expansion of an existing firm, it is estimated that there will be an annual gain in covered and government employment of approximately 700 jobs during the next two years. It is judged that covered manufacturing employment will gain about 100 jobs annually, covered nonmanufacturing will gain 350 jobs per year, and increases in government will average about 250 jobs a year during the two-year forecast period ending July 1, 1972.

Income. The 1970 median income of all families in the Missoula HMA is estimated at \$8,300, and the median income of renter households of two or more persons is estimated at \$7,050, after deduction of federal income tax. Detailed distributions of all families and of renter households by after-tax income in 1959 and 1970 are presented in table IV.

Population and Households. The population of the Missoula HMA is estimated at 58,500 as of July 1, 1970 reflecting an average annual population increase of 1,350 persons (2.6 percent) since April 1960.<sup>1/</sup> The population of the city of Missoula is currently estimated at 29,800, an average increase of 260 (1.0 percent) annually over the 1960 total of 27,090. Most of the gain in population occurred in the areas outside the city of Missoula in which growth averaged about 1,090 (4.8 percent) persons per year between April 1960 and July 1970. The population of the HMA is expected to grow by 1,400 persons annually during the next two years to a July 1972 total of 61,300.

Student enrollment at the University of Montana is expected to total about 8,300 full- and part-time students for the 1970 fall term, compared to 3,883 students for the 1960 fall term, reflecting an average annual increase of 440 students. Approximately 2,900 students reside in campus housing and, thus, are classified as in the nonhousehold population. The remaining 5,400 students either live in the married student housing, with parents, or in private rooms and apartments.

There are an estimated 17,750 households in the Missoula HMA as of July 1, 1970, for an average annual gain of 410 (2.7 percent) since 1960. The number of households in the city has increased from 8,658 in April 1960 to approximately 9,500 in July 1970, an average gain of 80 households per year. The remainder of the HMA is currently estimated to have 8,250 households, representing an average gain of 330 households annually. During the two-year forecast period, the number of households in the HMA is expected to increase by 450 annually.

Residential Construction and the Housing Inventory. Residential construction in the HMA increased each year from 1960 (265 housing units) through 1964 (about 455 units) except in 1962 when a total of about 260 units were either authorized by permits or started in non-permit issuing areas (see table VI). The number of units authorized by permits issued by the city of Missoula and the number started outside Missoula totaled only about 375 in 1965 and 241 units in 1966. Since 1966, construction activity in the HMA has increased each year and totaled approximately 350 units in 1969. Between January 1970 and June 1970, there have been about 305 units authorized by permits or started in non-permit issuing areas, including 75 units of rent-supplement housing.

Approximately 67 percent of the residential construction in the HMA has been in areas outside the city of Missoula, most of it single-family houses. Estimates obtained from the Bureau of Business and Economic Research at the University of Montana indicate that, generally, units started outside Missoula increased from 1960 (about 220 units) to 1964 (about 310 units); then declined to approximately 245 in 1965 and to 170 units in 1969.

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<sup>1/</sup> Locally reported preliminary population and household counts from the 1970 Census may not be consistent with the demographic estimates in this analysis. Final official census population and household data will be made available by the Census Bureau in the next several months.



Permits issued in Missoula for multifamily units increased from no permits issued in 1960 to 94 units permitted in 1965; dropped to 36 units in 1966 and only 12 units in 1967; then rose to 74 units in 1968 and 150 units in 1969. Total multifamily units permits issued between January 1970 and June 1970 (156) have already surpassed the total for 1969, due mainly to units subsidized under the National Housing Act.

As of July 1, 1970, there were an estimated 18,800 housing units in the Missoula HMA, reflecting a net increment of 3,575 units since 1960. The net increase results from the construction of 3,300 units, the addition of 1,275 mobile homes, and the demolition of 1,000 units. Approximately 200 units were under construction on July 1, 1970--125 single-family homes and 75 multifamily units.

Vacancy. There were an estimated 1,050 vacant housing units in the Missoula HMA as of July 1, 1970 (see table VII). Included were 150 available sales units, 200 available rental units, and 700 vacant units that were not available because they were seasonal, dilapidated, or being held off the market. Also, an estimated 175 units were vacant on July 1, 1970 but are occupied each year from September until June by students at the University of Montana; for the purposes of this analysis they are classified as renter-occupied units.

The available vacant sales and rental units represent vacancy rates of 1.2 percent and 3.3 percent, respectively. By comparison, the homeowner and renter vacancy rates in 1960 were 1.4 percent and 11.4 percent, respectively. A significant factor in the tightening of the rental market since 1960 is the large increase in the number of students at the University of Montana, a large portion of whom rent units off-campus.

Table I

Estimated Annual Demand for Nonsubsidized Housing  
Missoula, Montana, Housing Market Area  
July 1, 1970 to July 1, 1972

(A) Single-Family Houses

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$20,000	35	14
\$20,000 - 22,499	50	20
22,500 - 24,999	55	22
25,000 - 29,999	50	20
30,000 - 34,999	35	14
35,000 and over	<u>25</u>	<u>10</u>
Total	250	100

(B) Multifamily Units

<u>Gross monthly rental<sup>a/</sup></u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three or more bedrooms</u>
Under \$150	5	15	-	-
150 - 169	-	25	25	-
170 - 189	-	10	25	-
190 and over	-	-	<u>10</u>	<u>10</u>
Total	<u>5</u>	<u>50</u>	<u>60</u>	<u>10</u>

a/ Gross rent is shelter rent plus the cost of utilities.

Table II

Estimated Annual Occupancy Potential for Subsidized Rental Housing  
Missoula, Montana, Housing Market Area  
July 1, 1970 to July 1, 1972

A. Families

	<u>Section 236 exclusively<sup>a/</sup></u>	<u>Eligible for both programs</u>	<u>Public housing exclusively</u>	<u>Total for both programs</u>
1 bedroom	10	0	10	20
2 bedrooms	30	0	30	60
3 bedrooms	25	0	20	45
4+ bedrooms	<u>10</u>	<u>0</u>	<u>10</u>	<u>20</u>
Total	75	0	<u>70<sup>c/</sup></u>	145

B. Elderly

Efficiency	10	10	35	55
1 bedroom	<u>5</u>	<u>5</u>	<u>0</u>	<u>10</u>
Total	<u>15<sup>b/</sup></u>	<u>15<sup>d/</sup></u>	<u>35<sup>d/</sup></u>	65

a/ Estimates are based upon exception income limits.

b/ Applications and commitments under Section 202 are being converted to Section 236.

c/ Approximately 80 percent of these families also are eligible under the rent supplement program.

d/ All of the elderly couples and individuals also are eligible for rent supplement payments.

Table III

Workers Covered Under Montana Unemployment  
Compensation Law By Industrial Group  
Missoula, Montana, Housing Market Area  
1960-1969  
Fiscal Year Averages<sup>a/</sup>

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Total covered employment	<u>7,957</u>	<u>8,306</u>	<u>8,397</u>	<u>8,642</u>	<u>9,257</u>	<u>9,779</u>	<u>10,369</u>	<u>10,203</u>	<u>10,771</u>	<u>11,220</u>
Manufacturing	2,480	2,779	2,976	3,126	3,372	3,377	3,366	3,220	3,427	3,491
Nonmanufacturing	<u>5,477</u>	<u>5,527</u>	<u>5,421</u>	<u>5,516</u>	<u>5,885</u>	<u>6,402</u>	<u>7,003</u>	<u>6,983</u>	<u>7,344</u>	<u>7,729</u>
Mining & construction	758	731	606	568	721	802	964	724	702	819
Trans., comm., & pub. util.	398	416	382	407	430	467	527	570	644	652
Wholesale & retail trade	2,796	2,713	2,748	2,794	2,931	3,186	3,355	3,460	3,584	3,703
Fin., ins., & real estate	403	448	452	457	499	562	601	582	590	618
Service & miscellaneous	1,122	1,219	1,233	1,290	1,304	1,385	1,556	1,647	1,824	1,937

<sup>a/</sup> The Montana fiscal year extends from July 1 through June 30.

Source: Montana State Employment Commission.

Table IV

Estimated Percentage Distribution of All Families  
and Renter Households by Income  
After Deduction of Federal Income Tax  
Missoula, Montana, Housing Market Area  
1959 and 1970

<u>Income</u>	<u>1959</u>		<u>1970</u>	
	<u>All families</u>	<u>Renter households<sup>a/</sup></u>	<u>All families</u>	<u>Renter households<sup>a/</sup></u>
Under \$2,000	8	11	3	5
\$ 2,000 - 2,999	8	12	4	5
3,000 - 3,999	12	15	5	7
4,000 - 4,999	15	19	7	9
5,000 - 5,999	18	16	8	11
6,000 - 6,999	12	10	9	12
7,000 - 7,999	9	7	11	11
8,000 - 8,999	6	3	10	11
9,000 - 9,999	4	3	8	7
10,000 - 12,499	6	2	16	12
12,500 - 14,999	1	1	9	6
15,000 and over	<u>1</u>	<u>1</u>	<u>10</u>	<u>4</u>
Total	100	100	100	100
Median	\$5,350	\$4,550	\$8,300	\$7,050

<sup>a/</sup> Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends  
Missoula, Montana, Housing Market Area  
April 1960-July 1972

<u>Component</u>	<u>April 1960</u>	<u>July 1970</u>	<u>July 1972</u>	<u>Average annual change</u>			
				<u>1960-1970</u>	<u>Rate<sup>a/</sup></u>	<u>1970-1972</u>	<u>Rate<sup>a/</sup></u>
				<u>Number</u>		<u>Number</u>	<u>Rate<sup>a/</sup></u>
<u>Population</u>							
HMA total	<u>44,663</u>	<u>58,500</u>	<u>61,300</u>	1,350	2.6	1,400	2.4
Missoula	<u>27,090</u>	<u>29,800</u>	<u>30,200</u>	260	1.0	200	0.7
Remainder of HMA	<u>17,573</u>	<u>28,700</u>	<u>31,100</u>	1,090	4.8	1,200	4.0
<u>Households</u>							
HMA total	<u>13,505</u>	<u>17,750</u>	<u>18,650</u>	410	2.7	450	2.5
Missoula	<u>8,658</u>	<u>9,500</u>	<u>9,650</u>	80	0.9	75	0.8
Remainder of HMA	<u>4,847</u>	<u>8,250</u>	<u>9,000</u>	330	5.2	375	4.3

a/ Derived through the use of a formula designed to calculate the percentage rate of change on a compound basis.

Sources: 1960 Censuses of Population and Housing.  
1970 and 1972 estimated by Housing Market Analyst.

Table VI

Residential Construction Trends  
Missoula, Montana, Housing Market Area  
1960-1970

<u>Year</u>	<u>Permits issued by City of Missoula</u>		<u>Remainder of HMA</u>	<u>HMA total</u>
	<u>Single-family</u>	<u>Multi-family</u>	<u>Estimated total units started<sup>a/</sup></u>	
1960	47	-	220	267
1961	30	14	270	314
1962	34	10	215	259
1963	40	59	280	379
1964	60	86	310	456
1965	37	94	245	376
1966	25	36	180	241
1967	54	12	200	266
1968	43	74	170	287
1969	30	150	170	350
1970 (thru June)	60	156	90	306

<sup>a/</sup> Derived from monthly estimates of total units started in Missoula County compiled by the University of Montana, Bureau of Business and Economic Research; virtually all of these units are single-family dwellings.

Sources: U.S. Bureau of the Census; University of Montana, Bureau of Business and Economic Research; local building inspectors; and estimates by Housing Market Analyst.

Table VII

Tenure and Vacancy of the Housing Supply  
Missoula, Montana, Housing Market Area  
April 1960-July 1970

<u>Tenure and vacancy</u>	<u>April 1960</u>	<u>July 1970</u>
Total housing supply	<u>15,232</u>	<u>18,800</u>
Occupied housing units	<u>13,505</u>	<u>17,750</u>
Owner-occupied	8,743	11,900
Percent owner-occupied	64.7	67.0
Renter-occupied	4,762	5,850 <sup>b/</sup>
Percent renter-occupied	35.3	33.0
Vacant housing units	<u>1,727</u>	<u>1,050</u>
Available vacant	<u>737</u>	<u>350</u>
For sale	127	150
Homeowner vacancy rate	1.4%	1.2%
For rent	510	200
Renter vacancy rate	11.4%	3.3%
Other <sup>a/</sup>	990	700

<sup>a/</sup> Includes vacant seasonal units, dilapidated units, units rented or sold awaiting occupancy, and units held off the market.

<sup>b/</sup> Includes an estimated 175 units that are occupied from September to June by students at the University of Montana, but were vacant on July 1, 1970.

Sources: 1960 Census of Housing.  
 Estimates by Housing Market Analyst.



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