

2025



GALLATIN VALLEY HOUSING REPORT

TRACKING THE PERFORMANCE OF MONTANA'S MOST VIBRANT HOUSING MARKET



ACKNOWLEDGMENTS

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About this Report

This report is the product of a joint effort of the leaders listed above, including real estate professionals, government officials, lenders, data professionals, and researchers who collaborated on all aspects of this project to bring it to a successful conclusion. The purpose of this report is to give a comprehensive statistical snapshot of the status of the Gallatin Valley's residential real estate markets that can be used as a starting point for productive conversations addressing its opportunities and challenges. The data was compiled and the report was written by the Bureau of Business Research (BBER) at the University of Montana. The BBER is greatly indebted to all those individuals who so graciously supplied the data and insights that you see in this report.

This report is available as a downloadable PDF document on our website.

<https://www.gallatinrealtors.com/gallatin-valley-housing-report>

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The Gallatin Association of REALTORS® is committed to improving access to housing and homeownership for all. Underwriting this report is just one component of our commitment to housing affordability. We are founding members of the Regional Housing Coalition, whose mission is to inform community members, coordinate diverse partners and resources, and catalyze solutions to address housing attainability and affordability needs in Gallatin County.

Our Gallatin REALTORS® Charitable Foundation has pledged to support the HRDC's construction of Homeward Point with a pledge of \$100,000 over five years and has already contributed \$65,000 in the first two years. Our members individually volunteer with hundreds of local non-profits. 66% of REALTORS® volunteer on a monthly basis compared to 23% of the general population.

We maintain the most equitable way to increase homeownership is to increase the creation of new housing units. We support public-private development partnerships. We encourage our policymakers to focus on creating an environment where new construction can occur rather than on restrictions or reallocation of existing housing stock.



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INTRODUCTION

Joanna Harper- Housing Report Committee Chair



This report represents the fourth year in a row that we have compiled an annual review of the Gallatin County and surrounding area's housing market. In this report, we see the impact of both local development policies as well as the adverse impact of higher interest rates on transaction volume and measures of affordability. But are these impacts something more than just transitory? Is our area at risk of losing its identity as "Montana's most vibrant housing market"?

Let's consider first what does vibrant mean. Merriam Webster defines vibrant as pulsating with life, vigor or activity. We have seen the overall transactional activity decrease but is that a reflection of a loss of vigor or enthusiasm or simply a product of the combination of continued relative low availability and affordability. There is evidence of frustration and dissatisfaction from community members struggling to secure affordable housing, recruiting qualified new employees or seeking to change their housing types as their needs change. In addition, there are some long term residents electing to leave our area for more affordable communities.

While these challenges facing the housing marketplace do not have simple answers, we can observe a reassuring resilience. We are benefiting from growth at a slower, maybe more sustainable rate, moderation in rental costs increases and continued wage growth across many industries. It supports the idea that our community continues to offer solid investment opportunities for both individual home owners, developers and businesses alike.

Navigating this market requires a level of humility in the face of the multi factorial hurdles facing new developments, an acceptance that local policies alone do not produce meaningful relief from high costs and a commitment to pursuing strategies that work synergistically across the public and private sector to increase housing supply.

Again this report is a tool to inform strategies, policies, and plans for REALTORS®, policy makers and consumers. Our REALTOR® community is uniquely positioned to provide both content and context for the real estate marketplace. Our Big Sky Country MLS has much of the data needed to compile this report, it simply couldn't be created without the assistance of many helpful people at Gallatin County, the cities of Bozeman and Belgrade, SWMBIA and many more. Our sincere gratitude goes out to all the individuals that provided data and guidance for this report.

Cindi Siggs- Chief Executive Officer of the Gallatin Association of REALTORS®



The report examines key economic and demographic drivers—including strong employment growth, high in-migration, and rising median incomes—that are fueling housing demand, while also highlighting significant challenges in housing affordability and supply. It documents the increasing prevalence of multi-family housing, the strain on affordability for both buyers and renters due to escalating home prices and interest rates, and the mismatch between the number of cost-burdened households and available subsidized housing. By offering a rich set of data and analysis, the report aims to inform policymakers, developers, and community stakeholders and foster data-driven conversations about future housing strategies in the region. Its importance lies in grounding housing policy discussions in clear, objective facts during a time of rapid economic and political change.

OVERVIEW

As the Gallatin Valley housing market moves another year further away from the dramatic events of the pandemic and its immediate aftermath, a new perspective on its growth and evolution is emerging. It has been more than two years since the 30-year conventional mortgage rate pushed up past six percent, setting in motion new changes in markets that are still being felt today. Those changes merit the new assessment of the current state of the area's residential housing market that is presented in this report.

Some of the forces shaping market outcomes continued in 2024 with little change. These included:

- Economic growth in Gallatin County and many of its adjacent neighbors continued to significantly outpace the state in 2024, powered by commercial growth, tech developments, and a strong tourism economy.
- Strong rates of population in-migration from outside of Montana continued, although increasingly offset by outmigration from Gallatin to other Montana counties.
- Interest rates for conventional mortgages remained above 6 percent, rising slightly towards the end of the year. Prospects for significant rate cuts in 2025 have been challenged by the stubborn persistence of inflation above target rates.

Other events and trends have impacted buyers, sellers, and developers in turn. Building materials—with the important exception of softwood lumber—continued to see significant price increases in 2024. Construction labor remains tight. The recent buildout of new housing units, especially multi-family structures, has impacted markets as well. Finally, there are political developments that bear watching as well, most notably the increasing appetite of the state and federal governments to intervene in local marketplace and regulatory issues.

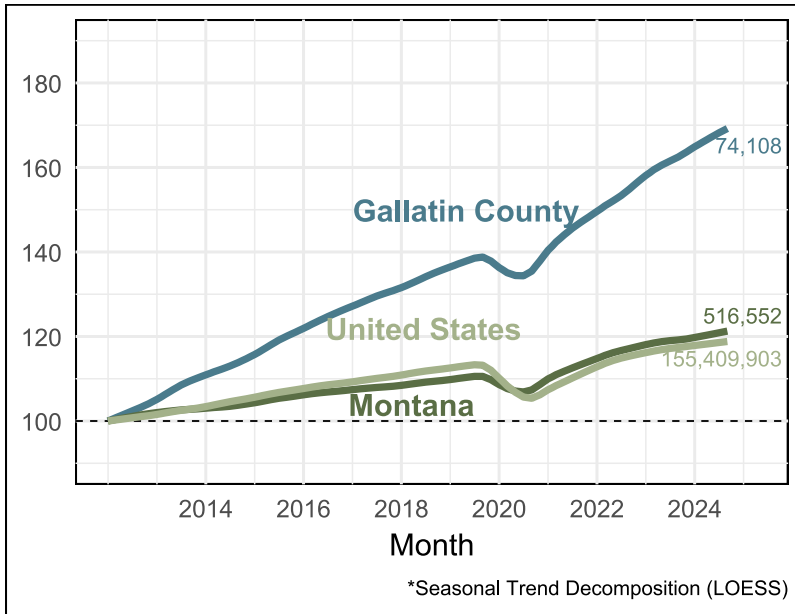
What we present in this report can be thought of as the combined impacts of all of these forces and trends. Those impacts spread beyond the city of Bozeman and even Gallatin County. It is the aim of this report to create and present a detailed account of how the housing markets within this broader geography have evolved, so that conversations – and, ultimately, decisions concerning how housing policies should evolve can start from a common factual base.

The data included in this report are the most up-to-date available. For many categories, the information encompasses housing activity and other relevant activities that are complete through the end of 2024. Economic data and particularly census data are only publicly available after a longer lag. The most recently available Census data in many instances is only available through calendar year 2023.



1. HOUSING DEMAND

Figure 1 - Payroll Employment Index, Seasonally Adjusted
Gallatin County, Montana and the U.S. Index 2012 = 100



Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages

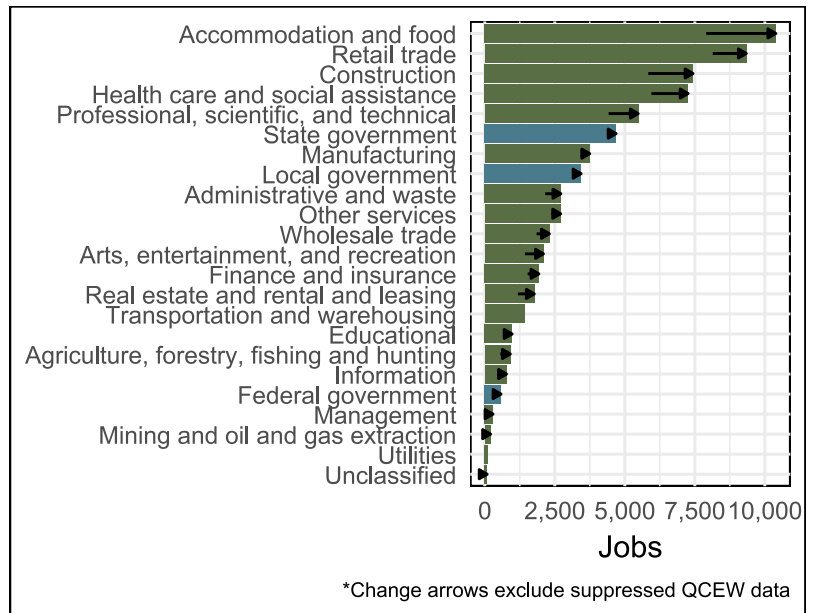
1.1 Economic Trends

Gallatin County is the heart of the economy of the entire region, and its surging growth has continued to be the biggest story in the state in recent years. Before the Covid downturn in 2020 the growth in employment in the County was more than twice that of either Montana or the U.S. as a whole. In the years beyond that dip its growth has been even faster, as shown in Figure 1.

Figure 2: Employment by Industry

Gallatin County
2019 through 2024

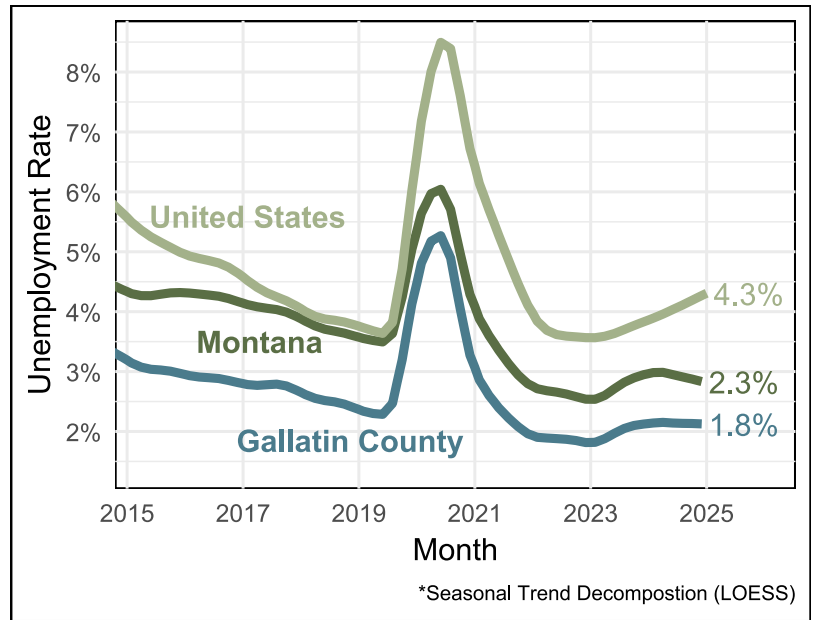
The strong job growth has come from almost every industry. The bars in Figure 2 shows employment by industry in Gallatin County ranked by the number of jobs in each. The height of the bars shows employment levels in 2024, with the growth arrows contained within each bar indicating the change in each job count since 2019. The prominence of the visitor industry, both in size and in growth, is apparent. There has also been strong growth in construction, health care, and professional, scientific, and technical services industries. The latter contains some, but not all, of high-tech related businesses.



Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages

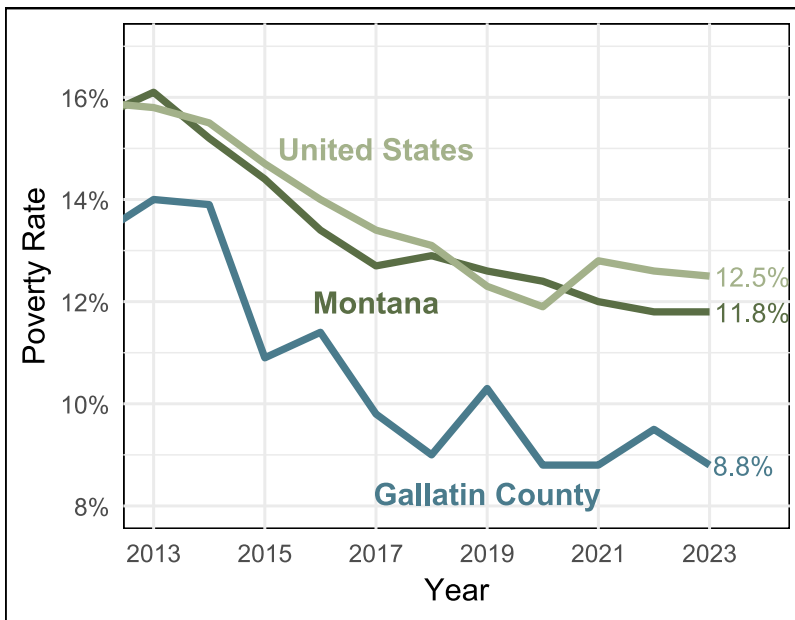
The disruption of the economy in the beginning of 2020 due to COVID caused unemployment rates to rise rapidly, but as shown in Figure 3, those elevated rates were short-lived. By the end of 2021 jobless rates were already below pre-COVID levels across Montana, and in Gallatin County they fell below 2 percent in 2023. Stress in labor markets caused by very low numbers of available workers for job openings continues to be evident across Montana, and especially in Gallatin County.

Figure 3: Unemployment Rates, Seasonally Adjusted
Gallatin County, Montana and the U.S.



Source: U.S. Bureau of Labor Statistics

Figure 4: Poverty Rate
Gallatin County, Montana, and the U.S.

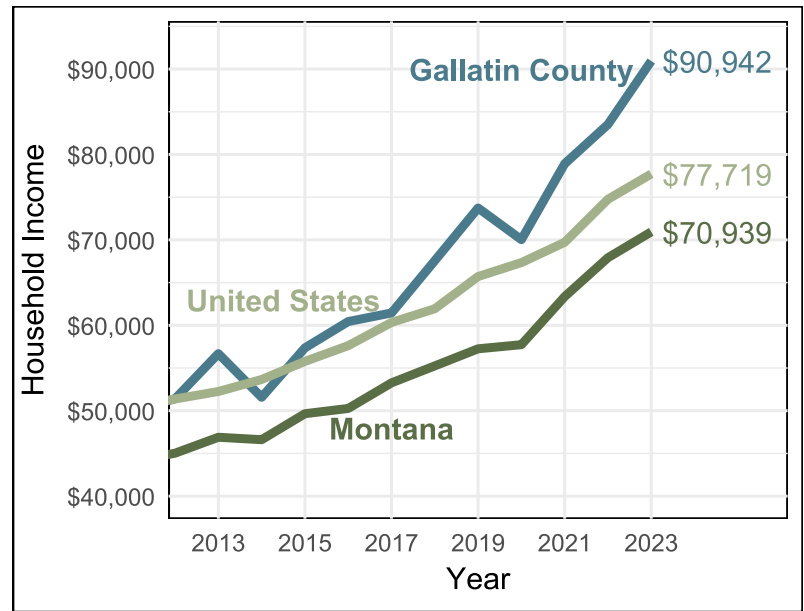


Source: U.S. Census Bureau Small Area Income and Poverty Estimates

Robust economic growth has boosted household income and has improved poverty outcomes as well. While poverty rates in Gallatin County have not changed markedly since 2019, as shown in Figure 4 they are significantly lower than elsewhere in the state as well as the average for the U.S. as a whole.

The continued growth of median household income (MHI), encompassing joint earnings of multi-earning households, shown in Figure 5 is more dramatic. MHI in the County surged past \$90,000 in 2023, the last year for which data was available. Gallatin County has the highest MHI of any county in the state. Growth in income has been boosted by the growth in higher paying jobs, as well as the in-migration of those with jobs outside the area who are reside in the Gallatin Valley.

Figure 5: Median Household Income
Gallatin County, Montana, and the U.S.



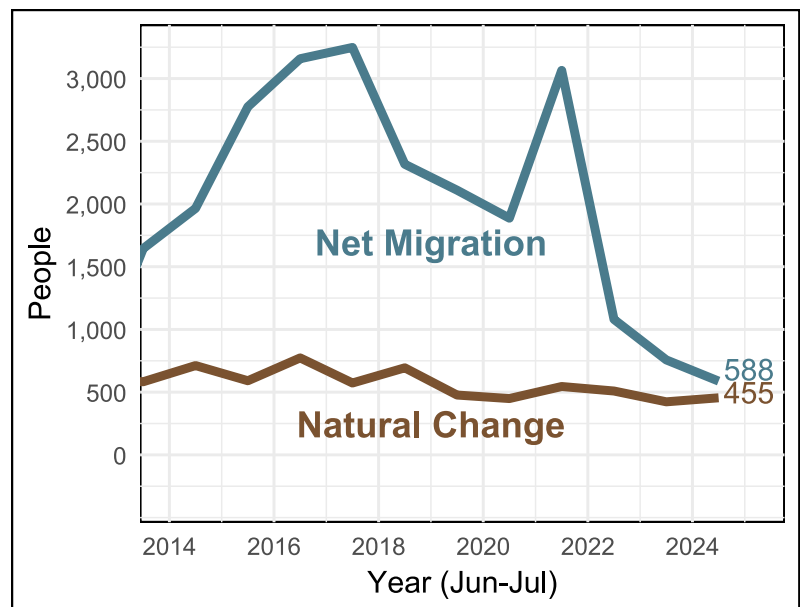
Source: U.S. Census Bureau Small Area Income and Poverty Estimates

1.2 Population and Demographic Trends

Population changes have direct bearing on housing markets, and especially on the real estate business. Gallatin County has always had a high degree of dynamism in its population, due to the rapid growth in its economy as well as the regular turnover of its younger population due to the presence of Montana State University in Bozeman.

There are two components of overall population change, as shown for Gallatin County in Figure 6. Natural change is the annual difference between births and deaths, which has been positive and fairly stable. In a community with a comparatively low median age, with a higher fraction of women of child-bearing age, this component is larger than many other communities. The second component, net in-migration from outside the county has been larger and much more variable in recent years. The fall in in-migration from its high levels of 2021 has reduced pressure on the demand side of the market from relocating households.

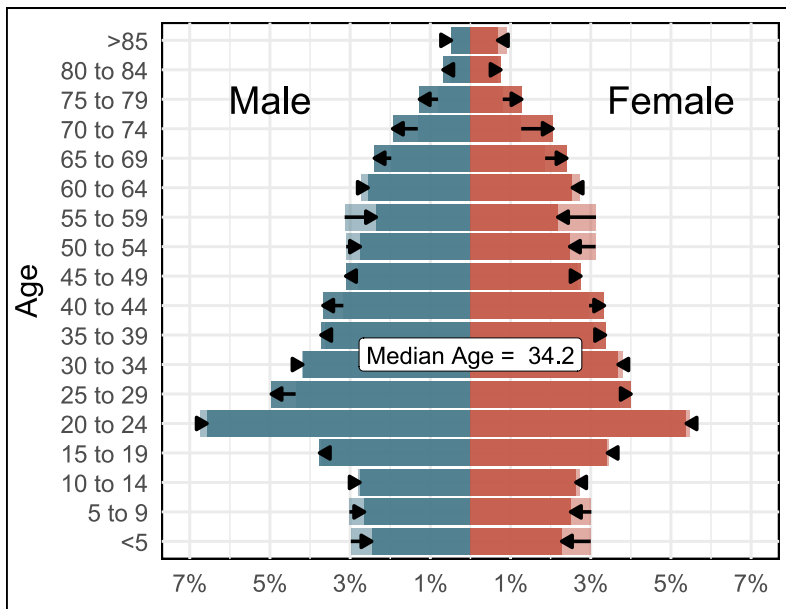
Figure 6: Components of Population Change
Gallatin County
2013-2024



Source: U.S. Census Bureau Population and Housing Unit Estimates Program

Figure 7: Share of Population by Age and Sex

Gallatin County
2013-2023



Source: Census Bureau Population and Housing Unit Estimates Program

The age structure of the population, shown for both women and men in Gallatin County for the year 2023 in Figure 7, impacts housing demand in different ways. First home buyers, households moving up and down the ladder according to their changing housing needs, and the apartment rental demand are influenced by the distribution of the population by age.

The growth arrows in the Figure indicate the change in the share of the total population for each specific age/sex cohort over the last decade. The presence of the MSU student population is apparent, as is the decline in birth rates that have caused the youngest cohorts of children to decline in size. The sizable in-migration over the decade has largely mitigated the progressive aging the population in aggregate that would occur otherwise.

The combinations of people into households – collections of people who occupy a housing unit – is most relevant for housing demand. As Table 1 shows, a little over 40 percent of the households in Gallatin County are nonfamily – many of which are single person households, judging from the lower average household size.

Table 1: Population in Households Summary

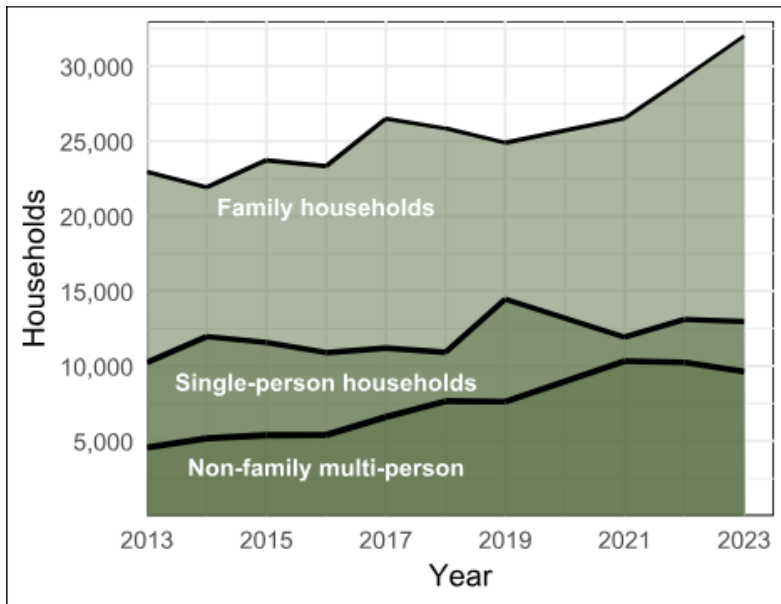
Gallatin County
2023

Household Type	Population	Households	Avg. Household Size
Nonfamily households	32,464	22,602	1.44
Family households	89,444	32,019	2.79
Households	121,908	54,621	2.23

Source: U.S. Census Bureau American Community Survey, 1-year estimates



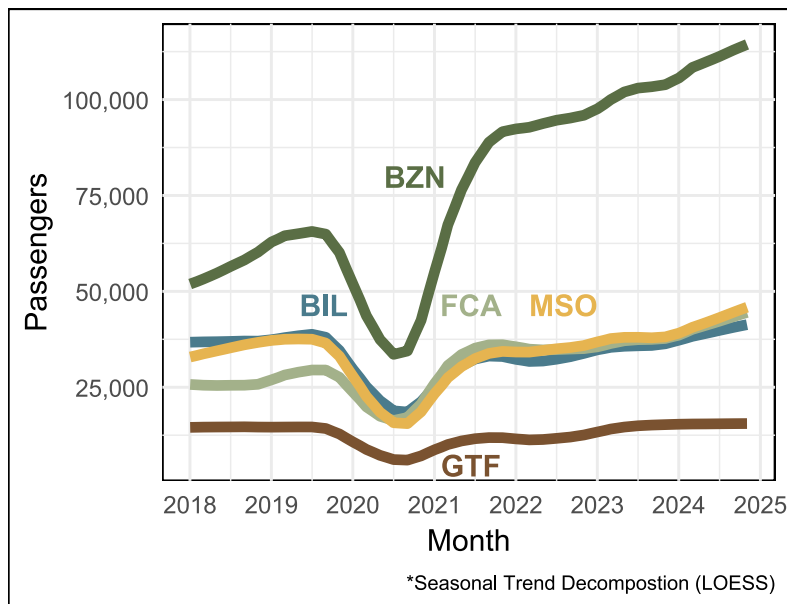
Figure 8: Households by Type
Gallatin County
2013-2023



Source: U.S. Census Bureau American Community Survey 1-Year Estimates

Single-person households in the County have declined in number and as a share of the total number of households over the last decade, as seen in Figure 8. The two types of multi-person households – family and nonfamily – have gained share over the same period. This doubtless has been affected by rapid increases in housing costs over the period shown.

Figure 9: Inbound Passenger Volumes
Selected Montana Airports
2018-2024, Monthly



Source: U.S. Bureau of Transportation Statistics, T-100 Market

1.3 Airport Activity

The importance of visitor spending in the economy is also reflected in the growth of enplanements at Bozeman Yellowstone International Airport (BZN), the state's largest. The much faster trend in passenger volume at BZN shown in Figure 3 is both cause and effect of the region's economic growth. Higher visitor volumes have increased the size of tourism-related infrastructure and employment. They also are a consequence of faster growth in business-related travel associated with gains in the high tech, advanced manufacturing, and other non-visitor related industries. BZN connects to major urban areas across the United States and has introduced seasonal non-stop flights to two additional cities in Southern California—bringing the total to 25 destinations.

2. HOUSING SUPPLY AND OCCUPANCY

2.1 Housing Stock

Newly revised U.S. Census Bureau's estimates for local housing stock put the total number of housing units in Gallatin County at 55,589 in 2023, as shown in Table 2. Approximately 10 percent of that number, or 5,558 units, are vacant or unoccupied. This category includes properties in disrepair, newly constructed homes, properties available for sale or rent, and dwellings used by those whose primary residence is elsewhere (including vacation homes, short-term rentals, and timeshares). The group quarters population (e.g., university dormitories) is also included.

Table 2: Housing Stock Estimates Summary

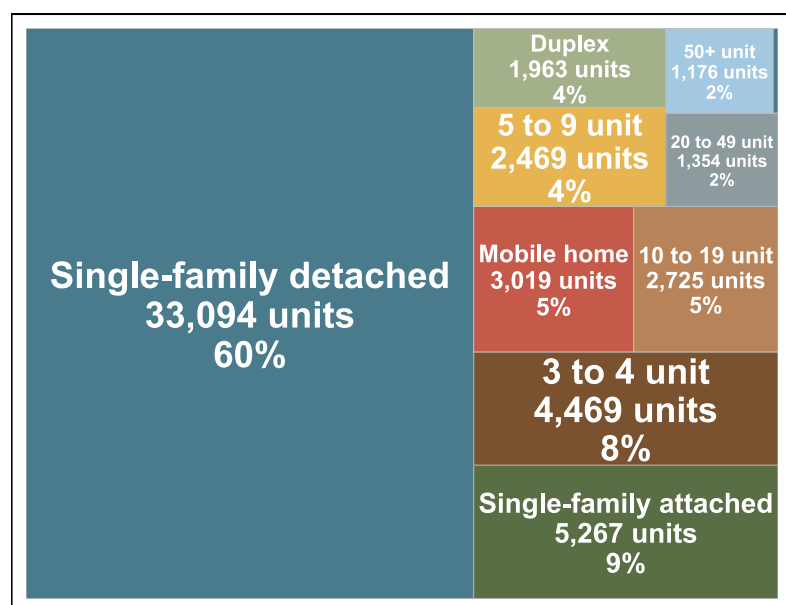
Gallatin County
2019-23 Average

	Belgrade	Bozeman	Gallatin County
Total Housing Units	4,858	24,846	55,589
Occupied Housing Units	4,727	23,131	50,031
Owner-Occupied Units	2,624	10,325	30,780
Renter-Occupied Units	2,103	12,806	19,251
Vacant Housing Units	131	1,715	5,558
Seasonal/Occasional Use	--	468	2,901
For Rent	116	561	1,048
For Sale	--	78	242
Other	15	608	1,367

Source: Census Bureau American Community Survey, 5-Year Estimates

Figure 10: Occupied Housing Units by Type of Structure

Gallatin County
2023



Source: U.S. Census Bureau American Community Survey, 5-Year Estimates

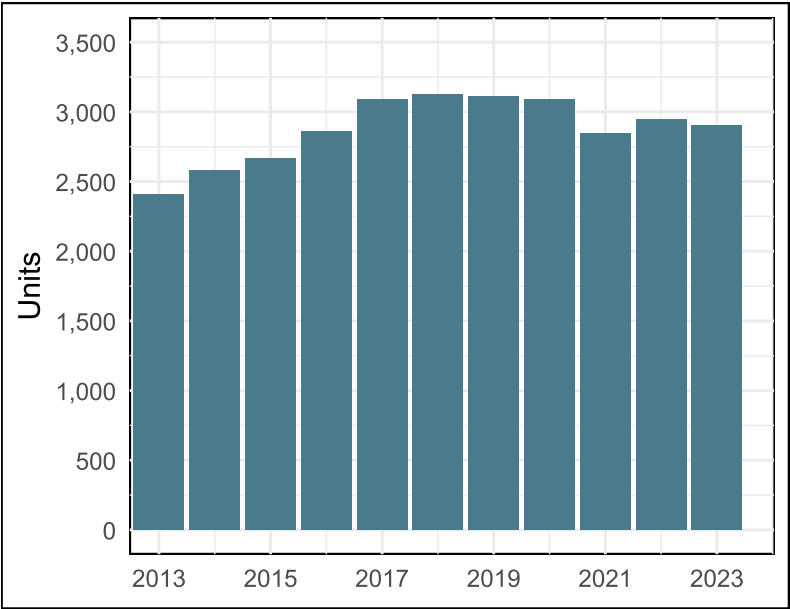
The composition of the housing stock, shown in Figure 10, has remained relatively stable in terms of single-family detached homes, with their share remaining unchanged from 2022 to 2023. However, notable shifts have occurred within the single-family attached and multi-family housing sector.

Much of the growth in multi-family units has been concentrated in duplexes and structures with five to nine units, indicating an increasing trend toward higher-density housing. This shift suggests that while single-family homes continue to be more prevalent, developers and communities are responding to housing demand by increasing the availability of smaller, multi-unit dwellings. This shift reflects a focus on less expensive housing.

In recent years more attention has been paid to mobile homes and the impact that disruptions to their access to land has had on the availability of affordable housing. From Table 3 we can get more information on the exposure of Gallatin County residents of the municipalities shown to this potential threat going forward.

Area	Units
Bozeman	1,016
Belgrade	315
Gallatin Gateway	45
Manhattan	30
Three Forks	15
West Yellowstone	10
Total	1,431

Table 3: Mobile Homes on Leased Property
Selected Municipalities
2024
Source: Gallatin County Mobile Home Park Preservation Program



An important component of the unoccupied housing units is those classified as used for occasion, recreational, or seasonal use. As shown in Figure 11, this number has been relatively stable for the last seven years for which data is available, after growing significantly prior to 2017.

Figure 11: Vacant Housing Units for Occasional, Recreational, or Seasonal Use
Gallatin County
2013 - 2023
Source: Census Bureau American Community Survey, 1-Year Estimates

Another category of housing units that has received a great deal of attention are active short-term rentals, shown in Figure 12. Unfortunately, the geographic definitions used to categorize these units changed significantly in 2024, making data for that year not comparable to previous years. The exception is the data shown in the Figure for Bozeman, which was provided by the city of Bozeman and has a consistent geographical definition.

Figure 12: Active Short-Term Rentals
Selected Areas
2019-2024
Sources: AirDNA, City of Bozeman

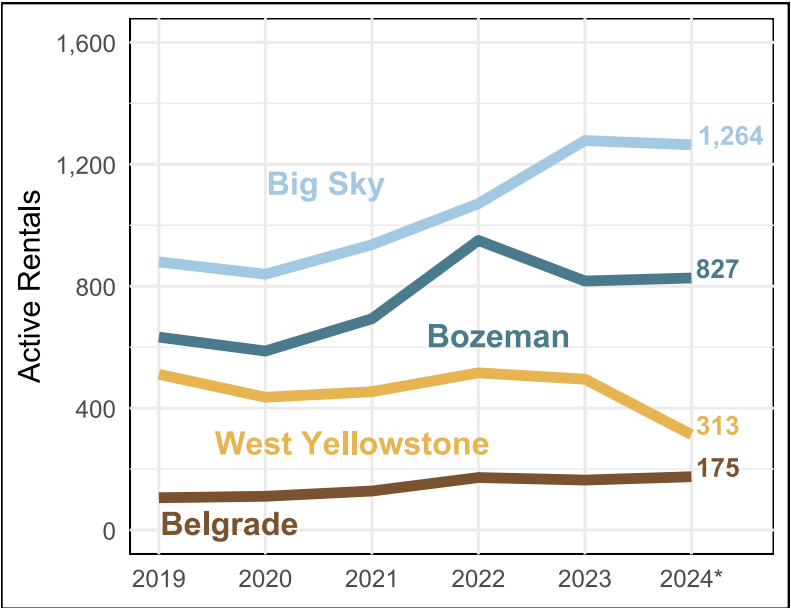
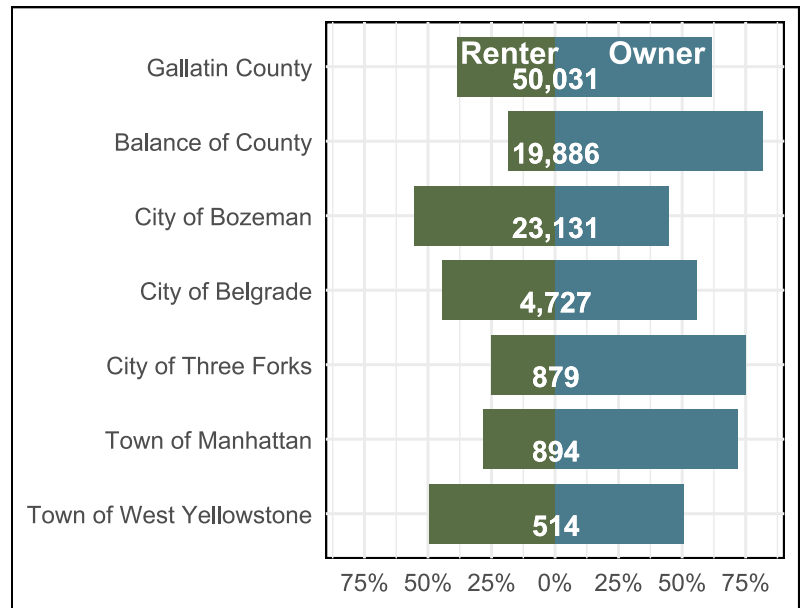


Figure 13: Occupied Housing Units by Tenure and Municipality

Gallatin County

2023

Within Gallatin County the share of housing that is renter-occupied is quite variable, as shown in Figure 13. The city of Bozeman and the town of West Yellowstone have relatively high fractions of renters, while in the unincorporated balance of the county the share of housing units that are owner occupied is the highest.

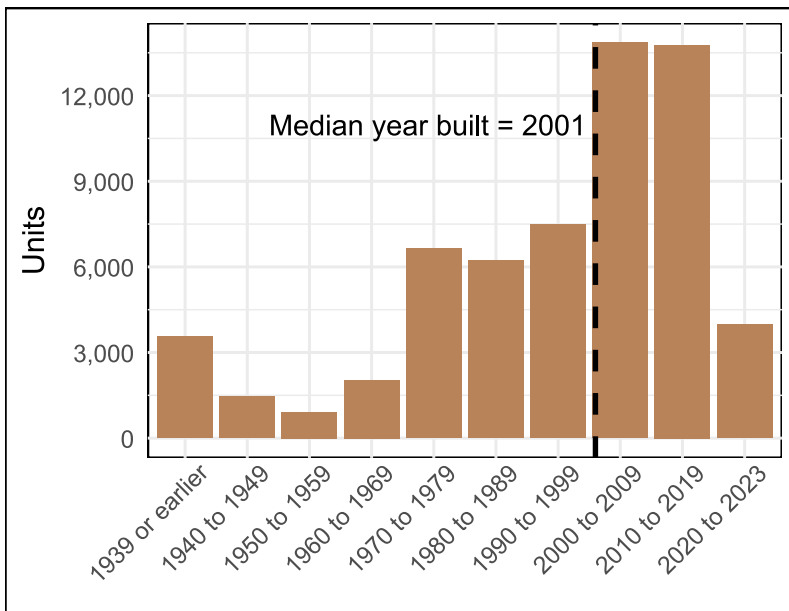


Sources: U.S. Census Bureau American Community Survey, 5-Year Estimates

Figure 14: Occupied Housing Units by Year Built

Gallatin County

2023



Sources: U.S. Census Bureau American Community Survey, 1-Year Estimates

The median year of construction for occupied housing units in the county is 2001, up from 1997 in 2022, indicating that over half are less than 20 years old, and the housing stock is quickly becoming younger (Figure 14).

2.2 Housing Development

Construction in general and residential construction in particular are a robust part of the Gallatin Valley economy. Gallatin County has a higher share of worker earnings in construction than any other county in the state. Given the strong employment and population growth in the region, this is not surprising. But has the production of new housing been adequate to service demand? This data sheds light on this important question.

The total number of new housing units permitted in 2024 was 1,706, as shown in Table 4. For residential construction the issuance of a permit ultimately results in the completion of new units in a relatively short interval of time. Bozeman’s permits were predominantly for larger, multi-family housing units, while Belgrade saw more permits for single-family housing.

Table 4: Housing Units Permitted

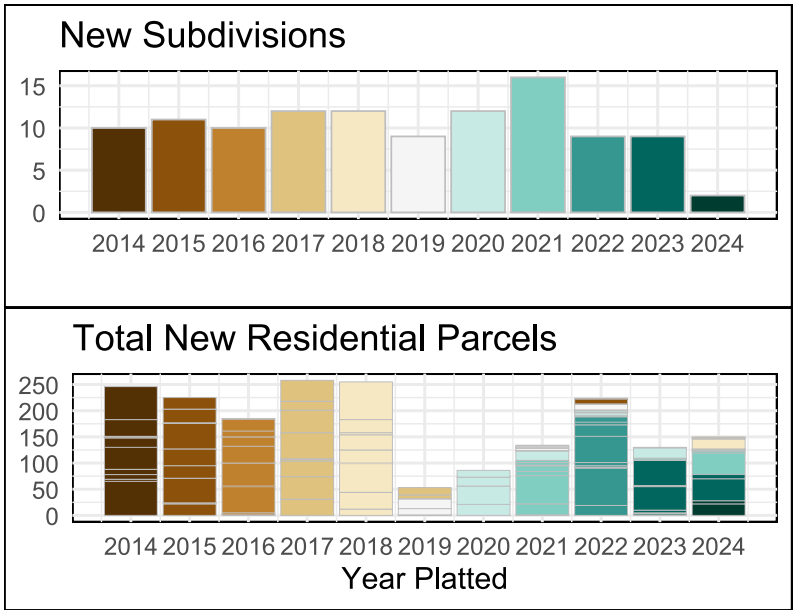
Gallatin County
2024

	Belgrade	Bozeman	Gallatin County
Total Permitted Units	245	867	1,706
Single-family Units	163	286	1,006
Multi-family Units	82	581	700
2 Units	4	64	74
3-4 Units	0	85	93
5+ units	78	432	533

Source: U.S. Census Bureau Building Permits Survey

Figure 15: New Subdivisions and Parcels

City of Bozeman
2014-2024



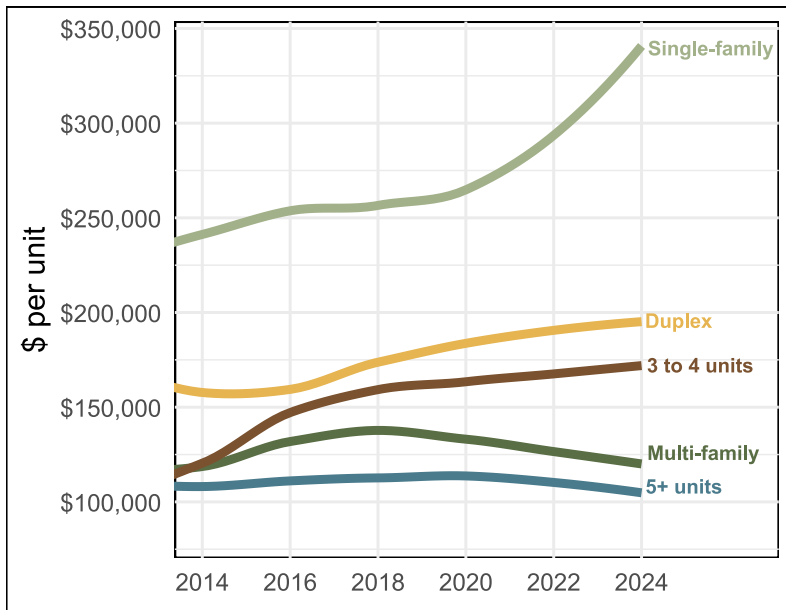
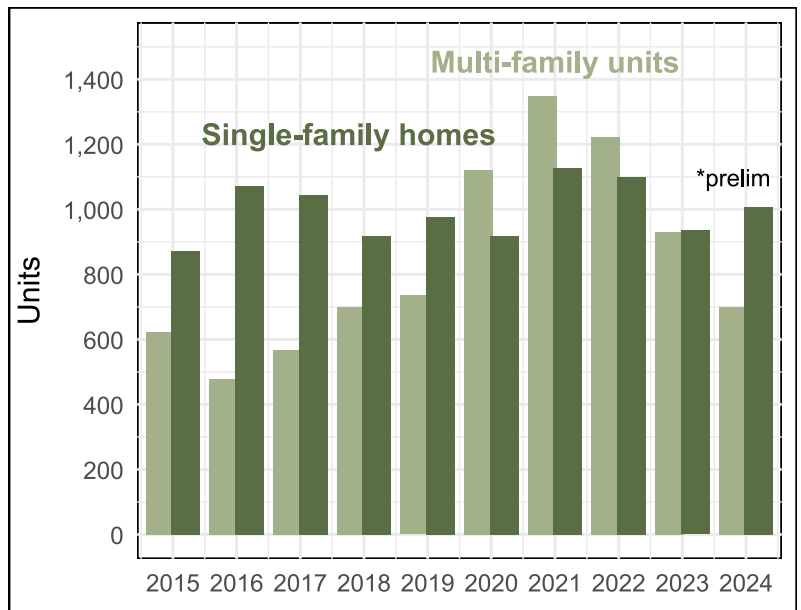
Sources: City of Bozeman

For the city of Bozeman, we have more detailed information on the intermediate stages to new housing production. As seen in the lower panel of Figure 15, there was a very modest increase in the number of residential parcels of land created in 2024, while the two new subdivisions created last year was a marked decrease from previous years.

For the entire county, the response of residential construction to economic and population growth has been strong, particularly for multi-family units, as shown in Figure 16. There was a noticeable decline in building in 2024 as higher interest rates, lower rates of population in-migration, and the impact of high rates of building in preceding years influenced building decisions.

Figure 16: Permitted Housing Units
Gallatin County

Sources: U.S. Census Bureau Building Permits Survey



Costs of construction on a per-unit basis are influenced by materials costs as well as overall project scale. Costs as measured by the dollar value associated with building permits for the most expensive type of housing, single family homes, have risen strongly in recent years in Gallatin County, as seen in Figure 17. For multi-family housing, particularly for structures with more than 5 units, the costs are significantly lower and have exhibited a slight downward trend.

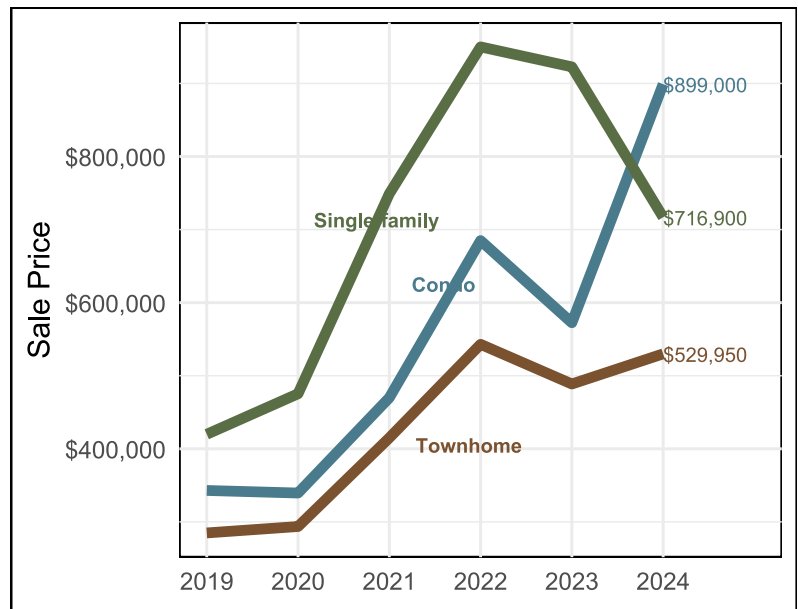
Figure 17: Permitted Value Per Unit
Gallatin County

Sources: U.S. Census Bureau Building Permits Survey



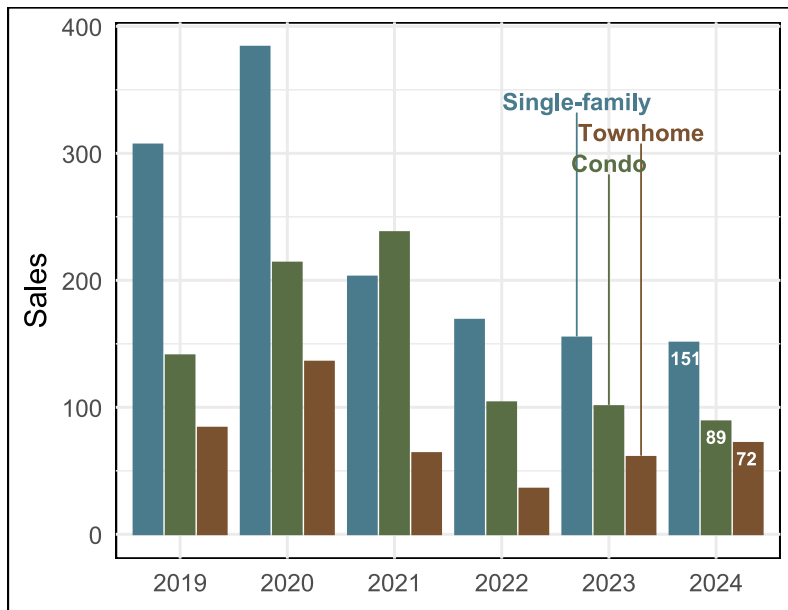
Figure 18: New Construction Median Sale Prices by Structure Type
Gallatin County

Within the newly constructed single-family units there are three main types: single-family detached homes, condominiums, and townhomes. Trends in prices of these types of newly constructed units is dependent of several factors, including demand, location and type of lot or development, and size and characteristics of the unit. The behavior of sales prices in 2024, as shown in Figure 18, shows sizable variation in how prices behaved for these different structure types last year.



Sources: Big Sky Country Multiple Listing Service

Figure 19: New Construction Sales by Structure Type
Gallatin County



Sources: Big Sky Country Multiple Listing Service

In terms of sales volume, the dominance of single-family detached home new construction sales over the other two types of single-family units has eroded significantly since 2020, as shown in Figure 19. Perhaps owing to price concerns, sales volumes of the lowest cost structure type, townhomes, have risen for each of the last two years.

3. OWNER-OCCUPIED HOUSING MARKET TRENDS

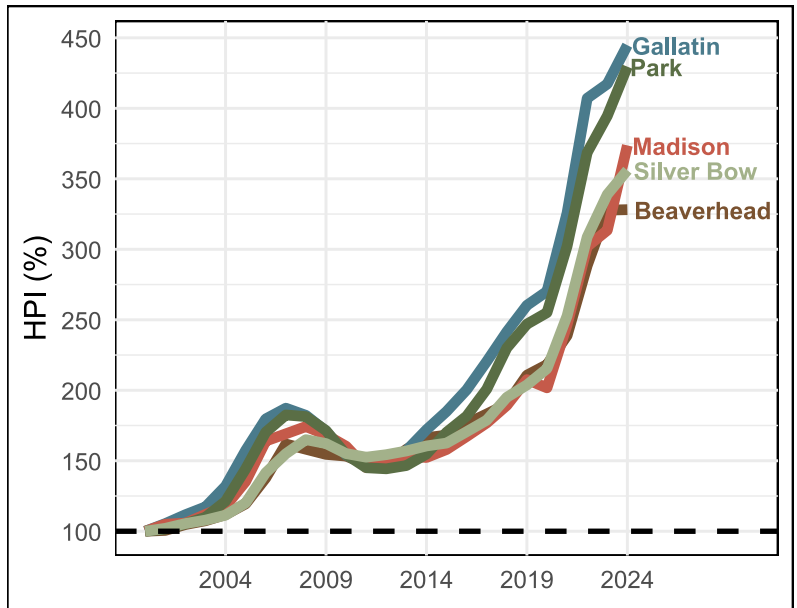
How markets have responded to these difference forces that influence outcomes is the central focus of this report. We begin with the owner-occupied side of the marketplace.

3.1 Sales Price Trends

A useful perspective on price trends for owner-occupied housing comes from the U.S. Federal Home Finance Agency's Housing Price Index (HPI) for Gallatin and nearby counties, shown in Figure 20. The index attempts to assess housing values using repeat sales information for the same homes over time, and is less affected by which end of the market is contributing most to sales at any point in time. As an index, it measures housing prices relative to a specific year, which is the year 2000 in Figure 20.

It is striking how the rapid price growth in Gallatin County is echoed in other southwest Montana counties, especially in Park County. Even those counties considered to be more affordable, such as Butte-Silver Bow, have home prices that are more than three times as high as they were in 2000. Gallatin County's price growth has been strongest, with 2024 prices more than four times higher than 2000 levels.

Figure 20: Housing Price Index
Select Counties
2000 - 2024



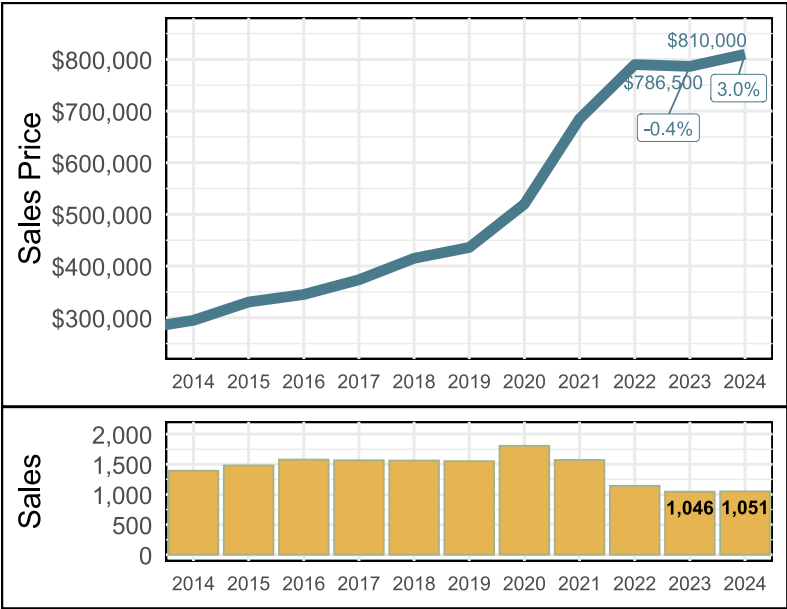
Source: Federal Home Finance Agency County Housing Price Index



Sale price information from the Multiple Listing Service (MLS) summarize the actual sales prices, as well as sales volumes, for REALTOR® assisted sales. The trend in median sales prices for Gallatin County shown in the top panel of Figure 21 show a significant deceleration in price growth. Although the median price of \$810,000 for single-family homes in the County in 2024 is the highest on record, the relatively modest 3 percent growth last year marks a pause in the much more rapid price growth before 2023.

Sales volumes, shown in the bottom panel of the Figure, has remained relatively constant from 2023 to 2024. This reflects the continued constraints on supply, which have been influenced by higher interest rates.

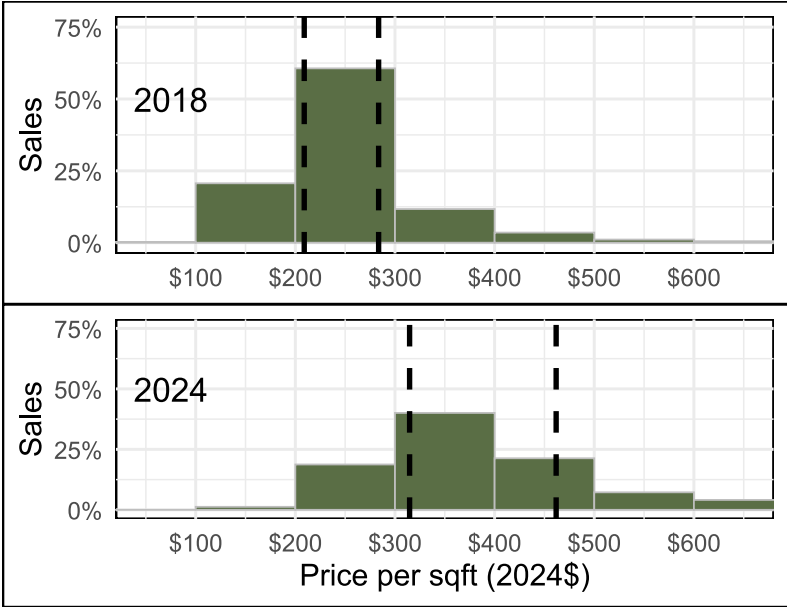
Figure 21: Single-Family Sales and Median Sale Price
Gallatin County



Source: Big Sky Country Multiple Listing Service

Figure 22: Single-Family Sales Per Square Foot
Gallatin County
2018 - 2024

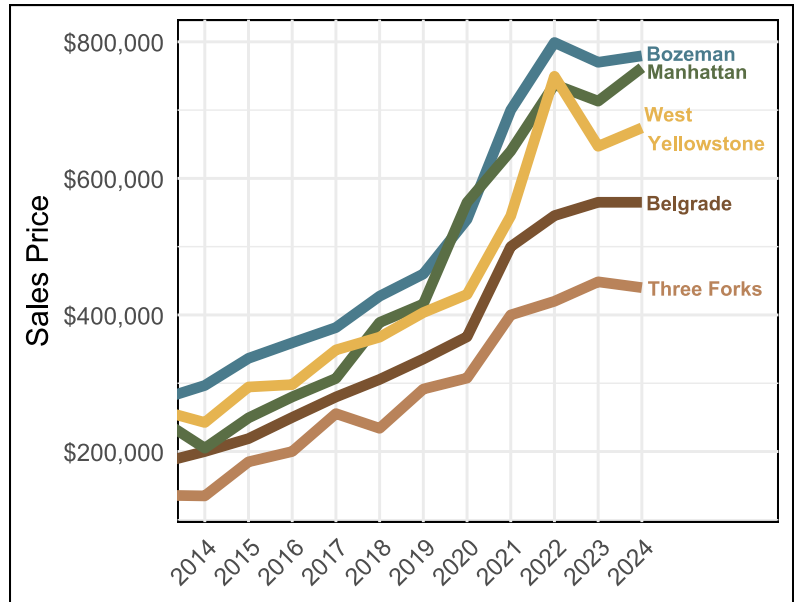
Of course, the segments of the market that are most active, and the characteristics of homes have a bearing on price outcomes. It is useful to consider the price per square foot of each sale as a first attempt to correct for some of these influences. The two panels of Figure 22 show that the ranges of square footage prices that contain half of the homes sold – the area between the vertical dashed lines in each panel – have moved up considerably since 2018. The prices in both panels are expressed in terms of 2024 purchasing power, which correct for changes that are due to overall inflation.



Source: Big Sky Country Multiple Listing Service, BBER Analysis

Figure 23: Single-Family Median Sales Prices
Selected Municipalities
2013 - 2024

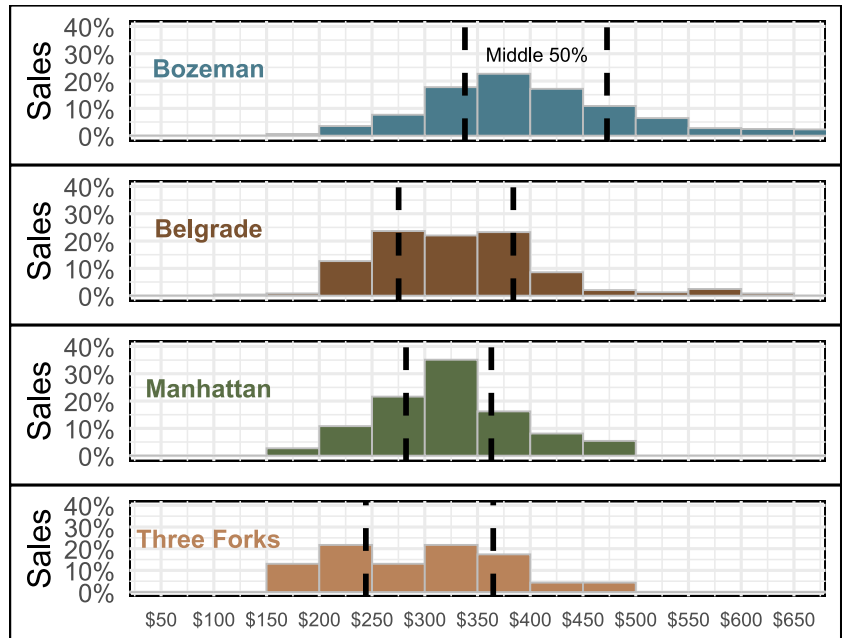
There are some considerable differences in single-family home price trends in the municipalities within Gallatin County, as shown from the MLS data shown in Figure 23. While all prices have registered significant growth over the last 10 years, the spread between the highest (Bozeman) and the lowest (Three Forks) places has widened considerably over this time.



Source: Big Sky Country Multiple Listing Service

Figure 24: Single-Family Sales Price Per Square Foot
Selected Municipalities
2024

The distribution of sales volumes by price per square foot in the four largest municipalities shown in the panels of Figure 24 gives more insights into the price differences between the various geographies. Bozeman in particular has a prominent “tail” in the high side of the distribution, reflecting the number of very high prices homes that changed hands last year. This “tail” likely reflects the small footprint luxury new condo market in downtown Bozeman, which tend to be high quality small residences.



Source: Big Sky Country Multiple Listing Service, BBER Analysis

Table 5: Characteristics of Median Homes Sold for Selected Municipalities

2024

variable	Bozeman	Belgrade	Manhattan	Three Forks
Sale Price	\$799,000	\$565,000	\$762,000	\$448,500
Beds	4	4	4	3
Baths	2.5	3.0	4.0	2.0
Home Size (sqft)	2,050	2,740	2,810	2,330
Lot Size (sqft)	9,580	4,970	15,680	7,000

Source: Big Sky Country Multiple Listing Service, BBER Analysis

The characteristics of homes, not to mention the value of amenities, schools, and physical locations, are important factors in these price outcomes. Some of the characteristics of homes sold in 2024 are shown in Table 5.

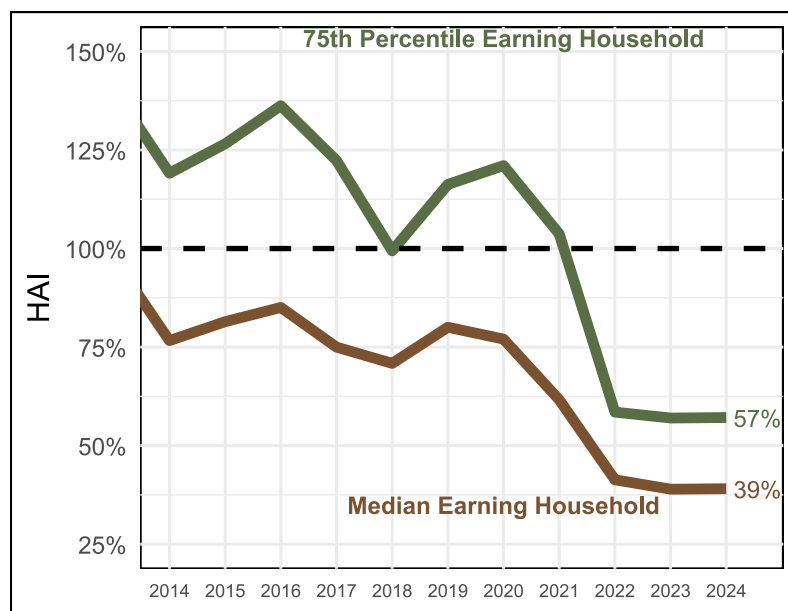
3.2 Home Ownership Affordability

Home affordability in general involves a comparison of home prices and income that is available to support the purchase. Broadly speaking, as defined by the U.S. Department of Housing and Urban Development (HUD), the housing affordability index (HAI) for purchases of single-family homes compares the monthly payment for a median priced home to median household income. A simple interpretation of the index, shown in Figure 25 for Gallatin County, is that it is the percentage of the loan payment a median earning household can make on the median priced home without becoming “housing stressed.” Housing stress is defined as devoting more than an agreed upon fraction of pre-tax income to pay for servicing housing debt, typically 30 percent. A HAI of 100 means that the median house is “just” affordable by this measure.

Thus, the lower line showing affordability index for the median earning household hit a low of 39 percent in 2024 means that median earners fall far short of being able to service a mortgage payment that a median priced Gallatin County home would require. The top line depicting the situation of those earning in the 75th quartile of the income distribution in Gallatin County similarly does not come close to affording a median priced home. Affordability has clearly declined over the last decade, particularly in the years immediately following the pandemic. It remains at very low levels.

Figure 25: Housing Affordability Index by Household Income Quartile

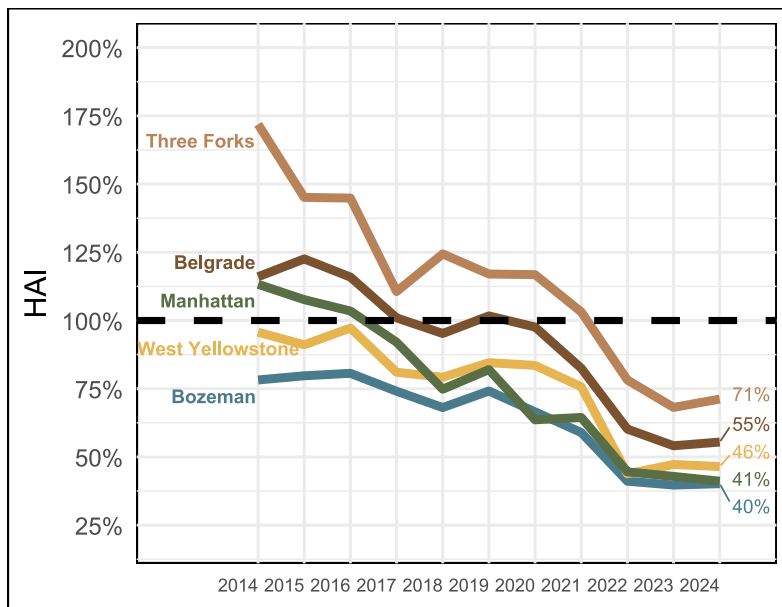
Gallatin County
2014 - 2024



Source: U.S. Census American Community Survey, Big Sky Country Multiple Listing Service, Freddie Mac, BBER Analysis

Figure 26: Housing Affordability for Selected Municipalities

Gallatin County
2014-2024



Source: U.S. Census American Community Survey, Big Sky Country MLS, Freddie Mac, BBER Analysis

This situation has spread across the larger municipalities in Gallatin County, as shown in Figure 26. Communities like Three Forks had been very affordable, has gained higher home values, which means in recent years homes have become unaffordable by HUD's measure.

Declines in affordability are not all due to changes in home prices, although those changes are a big influence. The recent rise in mortgage interest rates has significantly impacted monthly payments, which is reflected in the HAI's shown.

3.3 Housing Finance

The financial community is closely linked to housing markets as buyers seek to finance the home purchase price with a variety of methods. From the data on the share of each financing option used for the 1,051 single-family homes that were purchased through REALTORS® in 2024 shown in Table 6, the impact of higher interest rates is apparent. The 6.5 percentage point decline in the use of conventional mortgages was offset by gains in virtually every other purchase method. The largest gain in share was cash purchases, which were 2.2 percentage points higher in 2024 than three years ago.

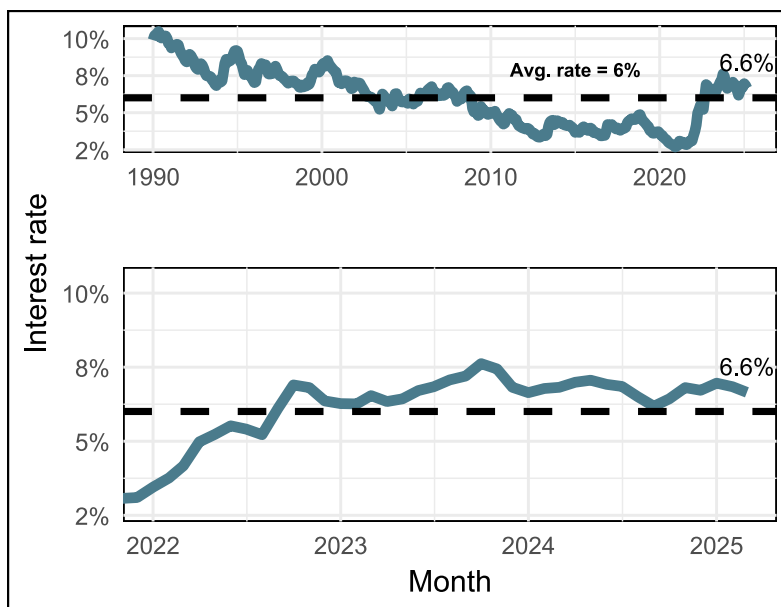
Table 6: Single Family Home Sales by Method of Purchase

Gallatin County
2024

Method of Purchase	Sales	Share of Sales	Share in 2021
Conventional	615	58.5%	65.0%
Cash	302	28.7%	26.5%
VA	40	3.8%	3.9%
FHA	36	3.4%	1.8%
1031 Exchange	30	2.9%	1.6%
Other	14	1.3%	0.6%
Trust Indenture	6	0.6%	0.2%
Contract for Deed	5	0.5%	0.3%
Assumption	3	0.3%	0.0%
Rural Development	0	0.0%	0.1%
Total	1,051	100.0%	

Source: Big Sky Country Multiple Listing Service

Figure 27: Interest Rates on Conventional, 30-Year, Fixed Rate Mortgages



Source: Freddie Mac Primary Mortgage Market Survey

4. RENTAL HOUSING MARKETS

4.1 Trends in Rents and Vacancies

Bozeman is by far the largest rental market in the region. It accounts for two-thirds of the Gallatin County's 22,802 rental units in 2023, as shown in Table 7. Rental vacancy rates in Bozeman are well below the healthy range. On the other hand, the higher vacancy rates in the only resort community shown in the Table, West Yellowstone, reflect the seasonal and more transitory duration of rent contracts.

Table 7: Rental Housing Stock Summary

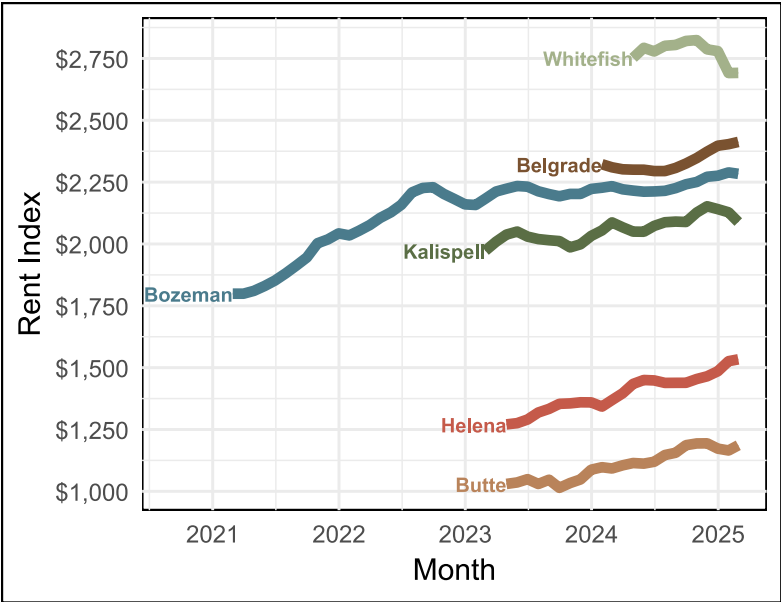
Gallatin County
2023

	Belgrade	Bozeman	Manhattan	Three Forks	West Yellowstone	Gallatin County
Total Rental Units	2,219	13,424	253	219	347	22,802
Vacancy Rate	5.2%	4.2%	--	--	23.6%	4.6%
Median Gross Rent	\$1,582	\$1,611	\$1,700	\$1,263	\$1,035	\$1,790
Renter Occupied Units	2,103	12,806	253	219	255	21,649
Single-family	42.5%	32.2%	58.5%	53.4%	11.8%	36.3%
2 units	3.4%	7.2%	--	12.8%	--	10.5%
3-4 units	36.2%	18.3%	13.4%	--	17.3%	16.5%
5-19 units	12.6%	26.6%	8.3%	--	71.0%	23.2%
20-49 units	0.8%	7.6%	17.8%	--	--	8.2%
50+ units	--	7.1%	2.0%	--	--	2.6%
Mobile home/ Other	4.6%	1.1%	--	33.8%	--	2.8%

Source: U.S. Census American Community Survey 5-Year and 1-Year Estimates, BBER Analysis

Figure 28: Zillow Observed Rent Index
Selected Montana Cities
2020-2025

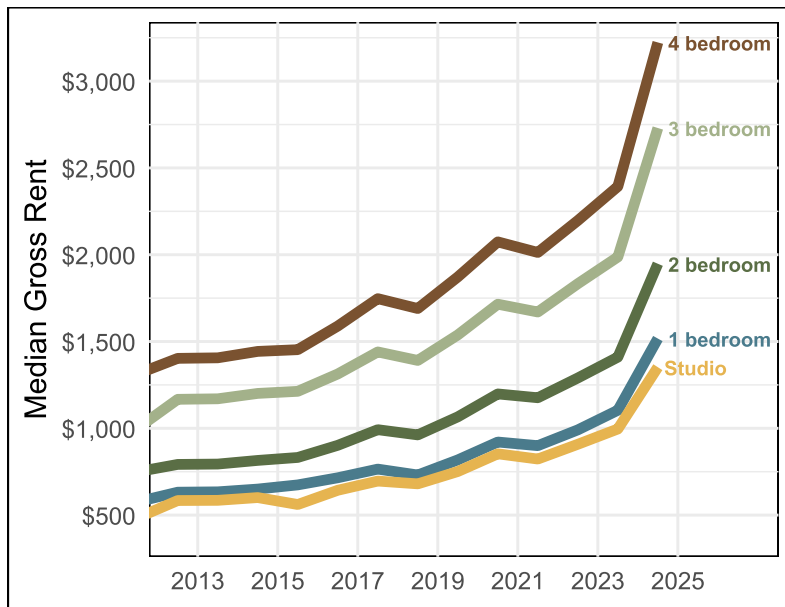
There are two publicly available sources of rental data used in this report. The Zillow Observed Rent Index (ZORI), derived from proprietary data and shown in Figure 28, indicates continued rent growth through 2024, but at a much slower pace than the sharp increases earlier in the decade. This deceleration in rent growth aligns with recent additions to the multi-family housing stock since 2021 and a slowdown in population in-migration



Source: Zillow



Figure 29: Median Rent Estimates by Number of Bedrooms
Gallatin County



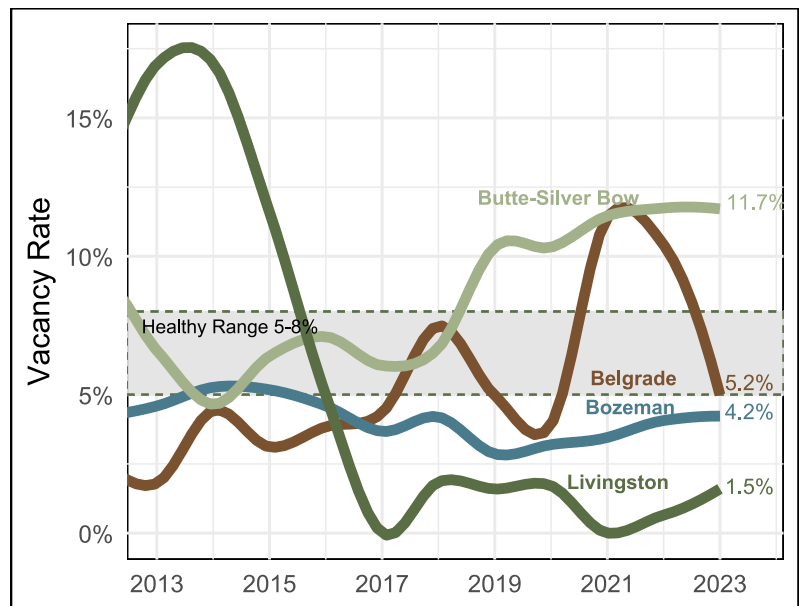
Source: U.S. Department of Housing and Urban Development

By contrast, rental data from the U.S. Department of Housing and Urban Development (HUD), shown in Figure 29, indicate a sharp increase across all unit sizes in 2024. This divergence between the two sources stems from key differences in methodology and timing. Zillow captures real-time rent changes by tracking units that turn over and are re-listed on its platform, whereas HUD's estimates are based on survey data from the previous year, adjusted for inflation. HUD data are more representative of the full rental market—including all property types and both new and existing leases.

Although Zillow captured the surge in rents between 2021 and 2023 in real time, its data also show that rent growth has since leveled off. This suggests that HUD's 2024 estimates may be reflecting the earlier spike in prices. While still likely a bit conservative, HUD's figures now appear more in line with current market conditions.

Figure 30: Rental Vacancy Rate
Selected Cities
2013-2023

Changes in vacancy rates for rental housing units shown in Figure 30 are broadly consistent with the rise in rents. The source of data for the aggregate vacancy rates shown is the Census Bureau's American Community Survey, which is only available up to the year 2023. Generally speaking, they suggest that Bozeman vacancies have remained below 5 percent – the lower limit of the range of rates that produces a healthy balance between demand and supply – since before the pandemic.

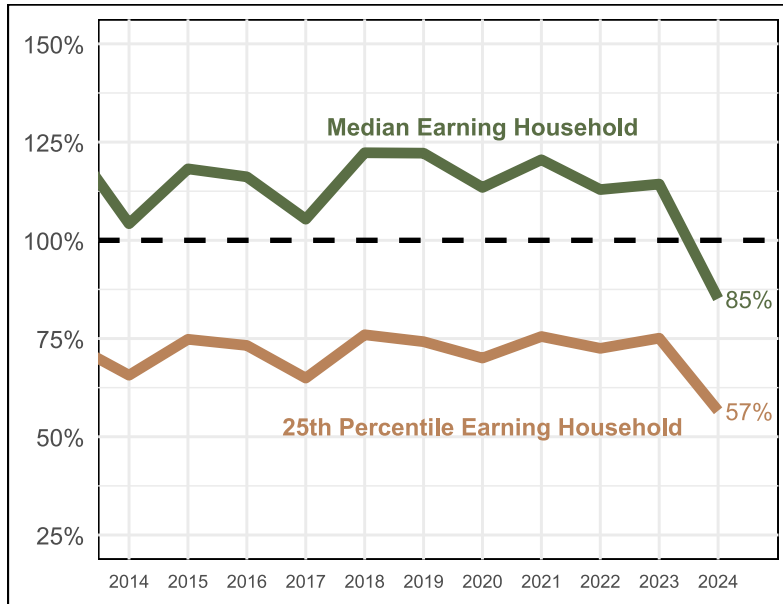


Source: U.S. Census American Community Survey 5-year estimates, Housing Vacancy Survey, BBER Analysis

Figure 31: Rental Affordability Index by Household Income Quartile

Gallatin County

2014-2024



Source: U.S. Census American Community Survey, U.S Department of Housing and Urban Development, BBER Analysis

4.2 Rental Affordability

The rental affordability index shown in Figure 31 is analogous to the home affordability index presented previously - it considers the financial burden that the median rent places on a median income household. The median household income is computed separately for renting households. A similar calculation is carried out for households earning at the 25th percentile of the renter households' income distribution in recognition of the fact that all households at all income levels need housing. Both measures show deterioration in affordability in 2024, with median renters only able to afford 85 percent of the median rental payment without becoming financially stressed by housing costs.

5. AFFORDABLE HOUSING

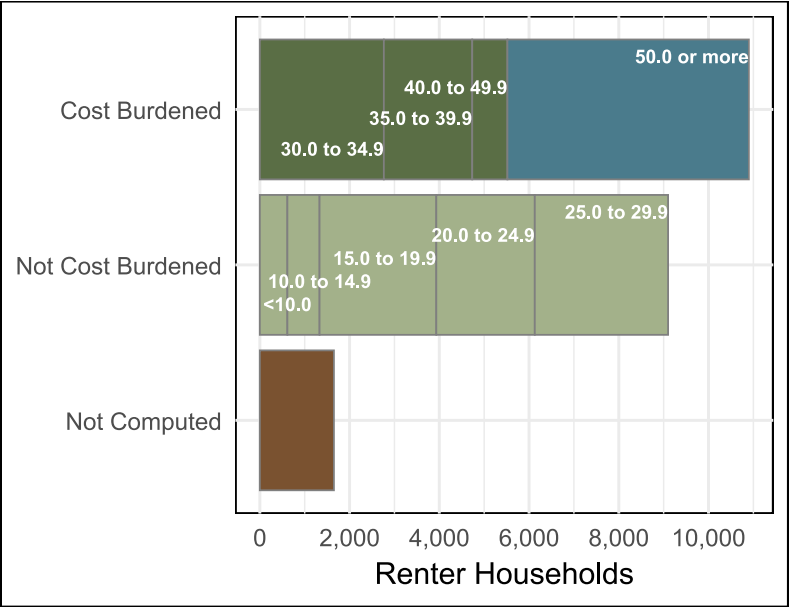
Table 8: Renter Households by Income

Subsidized, or affordable housing programs aim to assist those in need of housing that are challenged by the ability to pay for it. The need for such programs is reinforced by the recognition that behind the overall statistics, there are a considerable number of households with low or extremely low incomes, as shown in Table 8. This income distribution reflects the fact that in aggregate, the income of those who rent is lower than the income of homeowners.

Income Category	Renter Households Less than (or Above Area Median Income)		
	Income Threshold	Households	% Households
Extremely Low Income	≤ \$32,700	5,380	24.9%
Very Low Income	≤ \$54,500	8,909	41.2%
Low Income	≤ \$87,200	13,880	64.1%
Middle Income	≤ \$109,000	16,316	75.4%
Above AMI	> \$109,000	5,333	24.6%
Total	--	21,649	0.0%

Source: U.S. Department of Housing and Urban Development FY 2024 Income Limits, U.S. Census Bureau American Community Survey 1-Year Estimates, U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, BBER Analysis

Figure 32: Share of Household Income Spent on Rent by Percent
Gallatin County
2023



Source: U.S. Census Bureau American Community Survey 1-Year Estimates

Unsurprisingly, there are a considerable number of households in Gallatin County that pay more than 30 percent of their pre-tax income on rent, as shown in Figure 32. Just under 11,000 were considered to be cost burdened by that threshold in 2023, with almost half of that number paying more than 50 percent of their income in rent.



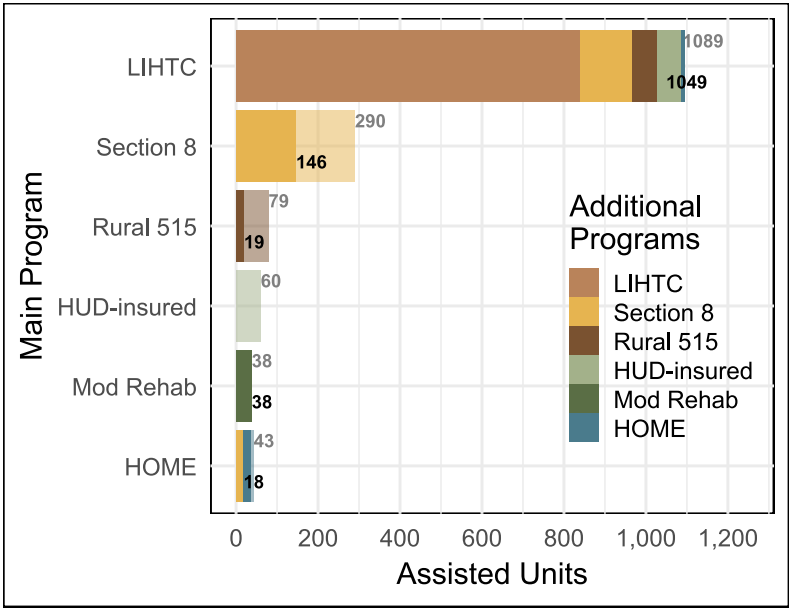
There are a number of programs that are aimed at helping households with housing costs. In Gallatin County, several key federal programs are working to address this issue, including:

- Low-Income Housing Tax Credit (LIHTC): A program designed to encourage the development of affordable rental housing for low-income households by providing tax incentives to private developers.
- Section 8 Housing Choice Vouchers: A subsidy program that helps low-income renters afford rental housing by paying part of their rent directly to the landlord.
- Rural 515 HUD-Insured Loans: A program providing funding for the construction, rehabilitation, and operation of rental housing in rural areas, aimed at increasing the availability of affordable housing for low-income residents.

- Moderate Rehabilitation (Mod Rehab): A program that offers rental assistance for units that are rehabilitated to meet housing quality standards, assisting low-income renters.
- HOME Investment Partnerships Program (HOME): A federal program that provides grants to states and localities to fund affordable housing projects, including the construction and rehabilitation of rental housing for low-income households.

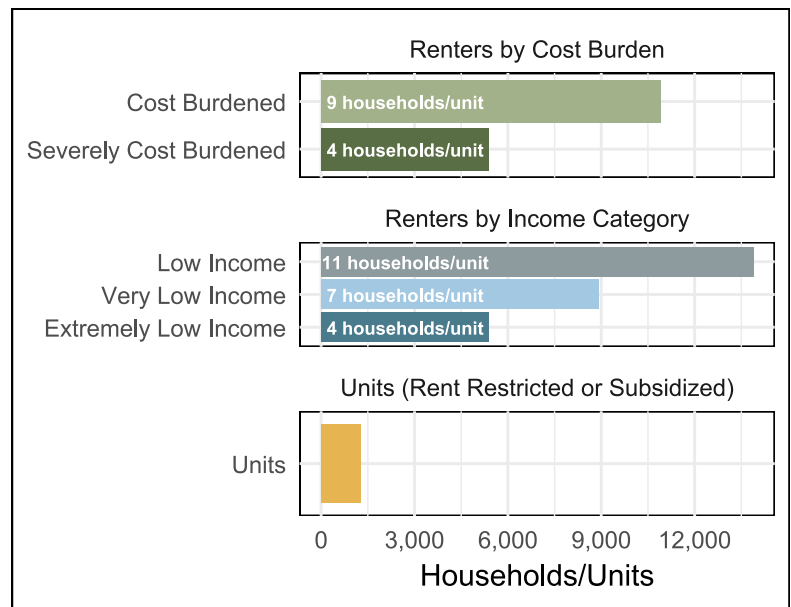
The number of households receiving benefits in Gallatin County are shown in Figure 33. As shown in the Figure, the number of households receiving assistance is much smaller than the number of households that are housing cost burdened (rent exceeding 30 percent of income) or extremely cost burdened (rent exceeding 50 percent of income).

Figure 33: Rent Subsidies or Rent-Restricted Units



Source: National Housing Preservation Database

Figure 34: Number of Renters by Income and Housing Cost Burden Category



Source: National Housing Preservation Database

This imbalance in terms of the need and the availability of housing assistance is shown from the renter's perspective in Figure 34. There are 9 cost burdened households for every subsidized unit available in Gallatin County, with a ratio of 4 to 1 for those severely cost burdened. Looking at the imbalance in terms of income, as shown in the lower panel of the Figure, yields the same conclusion.

6.

CONCLUSION

As the fastest growing economy in Montana reaches the mid-point of what has proven to be an extraordinary decade, the question of whether the challenges to housing markets resemble the proverbial glass half full or half empty remains unanswered. This report illustrates how intractable affordability has been during the years of rapid population growth in our communities.

The forces that shape our housing market are moving towards a new and somewhat frustrating equilibrium. High housing costs have impacted the rate of in-migration and our demographic distribution. Which in a context of higher borrowing costs has had a cooling effect on both appreciation and rental rates but by no means has the nature of our housing market been altered. We have a lower volume and higher cost marketplace that does not generate near enough opportunities for attractively priced homes.

The important reality is that all of us in southwestern Montana are in this marketplace together. Maintaining vibrant, diverse and healthy communities requires us to search for ways for more people to benefit from the opportunity for home ownership and make rental housing more attainable as well.

As we move forward into the new year, we can anticipate another force shaping outcomes: changes in the political landscape. Land use in general and housing in particular have risen to prominence at all levels of government and calls for action are getting louder. As we wrestle with ways to improve outcomes, this annual report can inform the dialogue with objective data and systematic analysis. The Gallatin Association of REALTORS® has invested in this report creation to assist in informing these discussions and improving everyone's understanding of our multifaceted housing market.

PROPERTY TAX ASSISTANCE

Property taxes are rising quickly, creating challenges for many Montana homeowners.



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Montana Property Tax Relief Programs

Each relief program is suited to alleviate the burdens of property taxes for Montanans.

Property Tax
Assistance
Program (PTAP)

Montana Disabled
Veterans Assistance
Program

Land Value
Property Tax
Assistance Program

Elderly
Homeowner/Renter
Credit

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