

## Draft Report

# Bozeman Economic and Market Update

*The Economics of Land Use*



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City of Bozeman, MT  
Economic Development Department

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# 1. City Snapshot and Summary

This report provides an overview of the City of Bozeman and Gallatin County, Montana economy, key growth trends, commercial real estate trends, and the housing market and housing demand. The intended audiences are economic developers, real estate developers and investors, lenders, and policymakers. The purpose is to provide useful information on growth trends by area, economic growth by industry, wages, and housing demand and affordability to help the community track trends, progress, and potential threats.

This report is a follow up to the Demographic and [Real Estate Market Assessment](#) completed by EPS for the Growth Policy Update in 2018.

## City Snapshot

Bozeman has a 2021 population of approximately 53,000 within Gallatin County (pop. 118,960) with a diverse economy, an educated labor force, and high quality of life not often found in this combination in small cities. Montana State University (MSU) is an anchor in the community and a strong research institution with about 16,000 enrolled students and 4,200 faculty and staff. The area has excellent access to year round outdoor recreation activities and uncrowded spaces. The combination of these factors has supported strong job and wage growth and demand for housing. One of the most pressing issues for the City and greater Bozeman is increasing the housing supply as the average home price is now \$779,000 (\$700,000 median).

Bozeman is one of the fastest growing cities in the U.S. Between 2010 and 2020, the City added nearly 17,000 residents, which translates to a growth rate of nearly 1,700 new residents per year or an annual growth rate of 3.9 percent (**Table 1**). The City has also added about 700 housing units annually since 2010, which is just under 60 percent of all housing development in Gallatin County.

Most of the County's population is within the Gallatin Valley, which is the area comprised of Manhattan, Belgrade, Bozeman (I-90 Corridor), and Four Corners and Gallatin Gateway (both unincorporated). The most urbanized area of the County is the "Triangle" area that includes Belgrade, Bozeman, and Four Corners (**Figure 1**).

**Table 1. Population and Housing Units, 2010-2020**

Description	2010	2015	2020	2010-2020		
				Total	Ann. #	Ann. %
<b>Population</b>						
Bozeman	36,440	40,319	53,293	16,853	1,685	3.9%
Belgrade	7,281	7,738	10,460	3,179	318	3.7%
Manhattan	1,396	1,191	2,086	690	69	4.1%
Other/Uninc.	<u>44,541</u>	<u>51,491</u>	<u>53,121</u>	<u>8,580</u>	<u>858</u>	<u>1.8%</u>
Gallatin County	<b>89,658</b>	<b>100,739</b>	<b>118,960</b>	<b>29,302</b>	<b>2,930</b>	<b>2.9%</b>
Bozeman % of County Pop.	<b>41%</b>	<b>40%</b>	<b>45%</b>	<b>58%</b>		
<b>Housing Units</b>						
Bozeman	16,761	18,293	23,535	6,774	677	3.5%
Belgrade	3,154	3,308	4,339	1,185	119	3.2%
Manhattan	574	653	872	298	30	4.3%
Other/Uninc.	<u>20,841</u>	<u>23,715</u>	<u>24,089</u>	<u>3,248</u>	<u>325</u>	<u>1.5%</u>
Gallatin County	<b>41,330</b>	<b>45,969</b>	<b>52,835</b>	<b>11,505</b>	<b>1,151</b>	<b>2.5%</b>
Bozeman % of County Units	<b>41%</b>	<b>40%</b>	<b>45%</b>	<b>59%</b>		

Source: US Census; ESRI; Economic & Planning Systems

**Figure 1. Gallatin Valley Region**



The Bozeman economy has six key segments that distinguish it from other midsized cities and recreation or resort oriented mountain communities.

- **Higher Education** – Montana State University (MSU) has approximately 16,000 students enrolled and 4,200 faculty and staff. MSU is one of [131 R1 research institutions](#) with “very high research activity” within the Carnegie Classification of Institutions of Higher Education (Indiana University).

**Table 2. MSU Enrollment, 2001-2020**

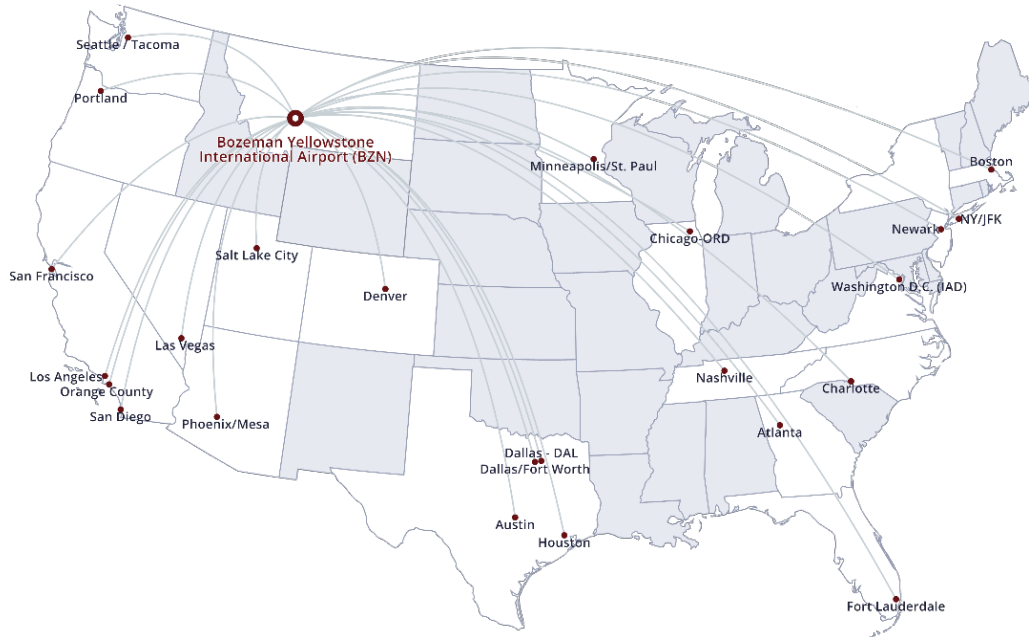
Enrollment Trends	2001	2010	2015	2020	2001-2020	
					Total	Ann. %
Undergraduate	10,538	11,579	13,707	14,240	3,702	1.6%
Graduate	<u>1,208</u>	<u>1,986</u>	<u>1,981</u>	<u>2,009</u>	<u>801</u>	<u>2.7%</u>
<b>Total</b>	<b>11,746</b>	<b>13,565</b>	<b>15,688</b>	<b>16,249</b>	<b>4,503</b>	<b>1.7%</b>

Source: Montana State University; Economic & Planning Systems

- **Tourism and Recreation** – Bozeman is a “gateway community” for world class recreation including the Bridger Bowl and Big Sky ski areas, pristine rivers and streams, and Yellowstone and Glacier National Parks. Thousands of visitors pass through or stay over in Bozeman during their trips to these destinations that draw international visitors. During the busy seasons, one can hear several foreign languages spoken on the streets and in restaurants in Bozeman.
- **Technology** – Bozeman is a hub for technology and research and development companies that have both started in or moved into Montana. Major employers range from companies focusing on software development to photonics R&D and manufacturing. MSU has received numerous grants, including a [\\$20 million grant](#) from the National Science Foundation to accelerate the development of quantum materials and devices. Photonics and optical technology are an important technological cluster, as are technology firms such as Oracle, Workiva, Zoot Enterprises, and numerous startups.
- **Manufacturing** – There are numerous manufacturing firms in Greater Bozeman ranging from outdoor companies (Simms Fishing, Mystery Ranch) to optical technology, materials science, electronics, and aerospace, and even a Gibson Guitar factory.
- **Retail and Hospitality** – Bozeman retailers serve at least a 50-mile radius trade area, making it the premier retail, services, and health care hub in Southwest Montana. Downtown Bozeman is a vibrant main street with independent shops, restaurants, and breweries serving locals and visitors.

## BZN Airport

Bozeman Yellowstone International Airport (BZN) moves about 700,000 passengers per year through Greater Bozeman. The airport is critical to the region's economic development by making the city accessible to larger markets and investor capital. BZN also supports the tourism and recreation economy of the region, supporting numerous guide services and Big Sky and Bridger Bowl ski areas. BZN has direct flights to numerous metropolitan areas.



## Comparison Cities

**Table 3).** Bozeman is a young city with a median age of 27.8. Like Boulder and Fort Collins, Colorado the age is influenced by the presence of a large university. Bozeman is one of the highest income cities in Montana, with an average household income among homeowners of just under \$89,000 compared to \$73,100 in Billings and \$73,400 in Missoula (host of University of Montana). The average household income in communities with a large college or university is often skewed lower by the large student population (often renters).

The mix of jobs in each community is similar with retail trade and health care being among the largest sectors in each community. In addition, sectors that experienced the largest growth since 2015 among the peer communities included health care, professional and technical services, and construction.

In each community, the number of students as a percentage of population is significant. In Bozeman, students equate to almost 35 percent of the population similar to Boulder and Bend. In Fort Collins, the largest of the comparison cities, the student population equates to about 20 percent of the population. The large student population has an impact on the rental housing supply and the City is interested in additional multifamily and student housing.

**Table 3. Peer City Summary**

Description	Bozeman, MT	Billings, MT	Missoula, MT	Fort Collins, CO	Boulder, CO	Bend, OR
<b>Demographics</b>						
Population (2020)	53,293	117,116	73,489	169,810	108,250	99,178
Median Age (2019)	27.8	37.6	34.6	30.6	28.9	39.8
% Renters (2019)	57%	37%	53%	47%	52%	40%
<b>Household Income</b>						
Owner	\$88,983	\$73,100	\$73,396	\$95,423	\$117,808	\$80,785
Renter	\$39,516	\$37,956	\$32,640	\$41,632	\$41,876	\$47,962
All Households	\$55,569	\$59,656	\$47,426	\$65,866	\$69,520	\$65,662
<b>Employment</b>						
# of Jobs (2020)	29,035	53,519	38,938	94,563	59,744	50,225
Top 3 Sectors						
#1	Retail	Health Care	Health Care	Health Care	Prof. & Tech Svcs.	Health Care
#2	Health Care	Retail Trade	Retail Trade	Education	Education	Retail Trade
#3	Hotel/Restaurant	Accom. & Food Svcs.	Accom. & Food Svcs.	Accom. & Food Svcs.	Manufacturing	Accom. & Food Svcs.
Top 3 Growth Sectors ('15-'20)						
#1	Health Care	Health Care	Construction	Health Care	Prof. & Tech Svcs.	Health Care
#2	Prof. & Tech Svcs.	Finance & Insurance	Prof. & Tech Svcs.	Information	Manufacturing	Construction
#3	Construction	Transp. & Ware.	Health Care	Construction	Health Care	Accom. & Food Svcs.
<b>Higher Education</b>						
Major Colleges/Universities	Montana State University	Montana State University	University of Montana	Colorado State University	University of Colorado	Oregon State University
Enrollment (Fall 2020)	16,249	4,000	10,015	32,646	34,975	33,359
% of Total Population	30.5%	3.4%	13.6%	19.2%	32.3%	33.6%

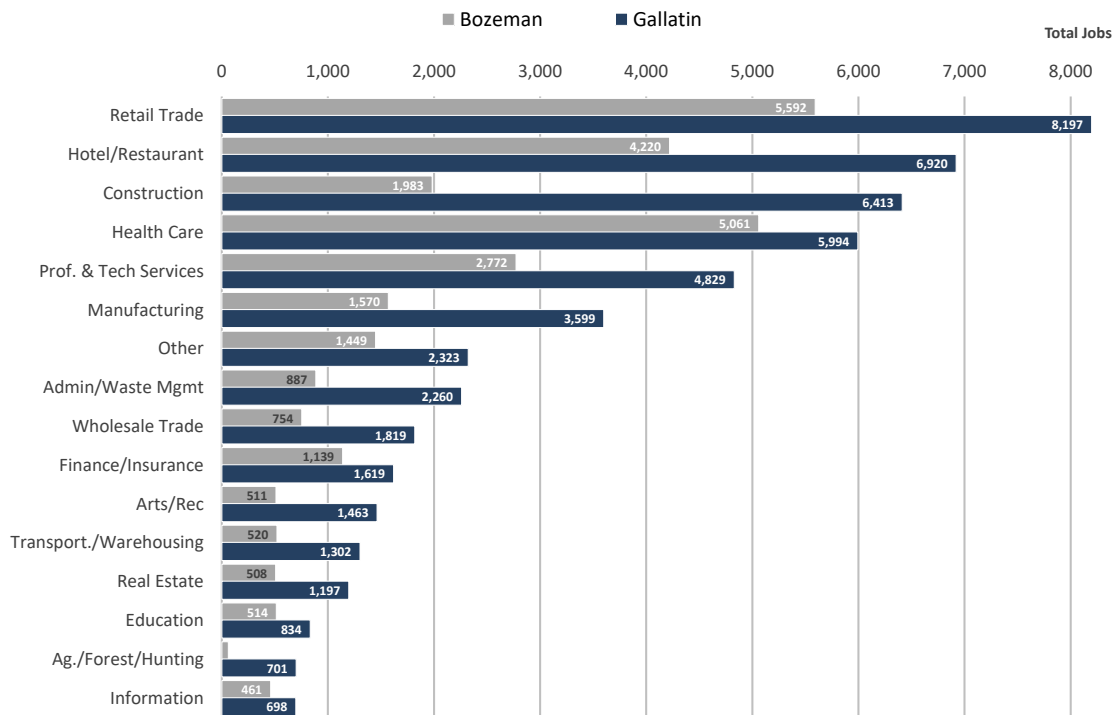
Source: U.S. Census; BLS; ESRI; LEHD; Economic & Planning Systems

## 2. Economy

### Economic Trends

The City of Bozeman has a diverse economy driven by key segments that distinguish it from other midsize cities. While retail trade and hotels and restaurant are large sectors, Bozeman and Gallatin County also have significant numbers of jobs in health care, manufacturing, professional and technical services, finance and insurance, and business services (admin./waste mgt. services) (**Figure 2**). The largest employers in the City, each with over 1,000 employees, include Montana State University and Deaconess Hospital. As of 2020, there were approximately 59,071 private wage and salary jobs in the County and at least 90,000 total jobs including proprietors and government (including MSU). About half of the jobs in the County are within the City of Bozeman.

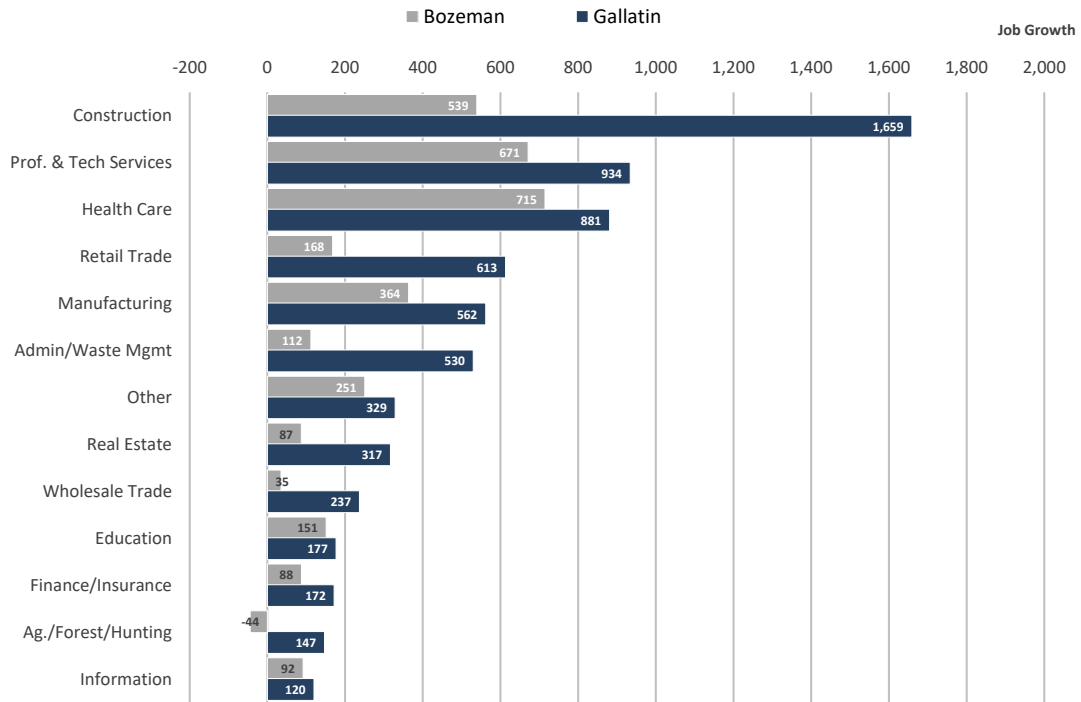
**Figure 2. Private Wage and Salary Employment, Bozeman and Gallatin County, 2020**



Source: Bureau of Labor Statistics; Economic & Planning Systems

Between 2015 and 2020, Gallatin County added 7,012 private wage and salary jobs (2.8 percent per year), with Bozeman capturing approximately 40 percent of the growth. Employment growth was driven by Construction, Professional and Technical Services, and Health Care (**Figure 3**). Construction jobs, which are largely cyclical, experienced the third-highest amount of job growth in the County, and were driven by large-scale projects in Big Sky.

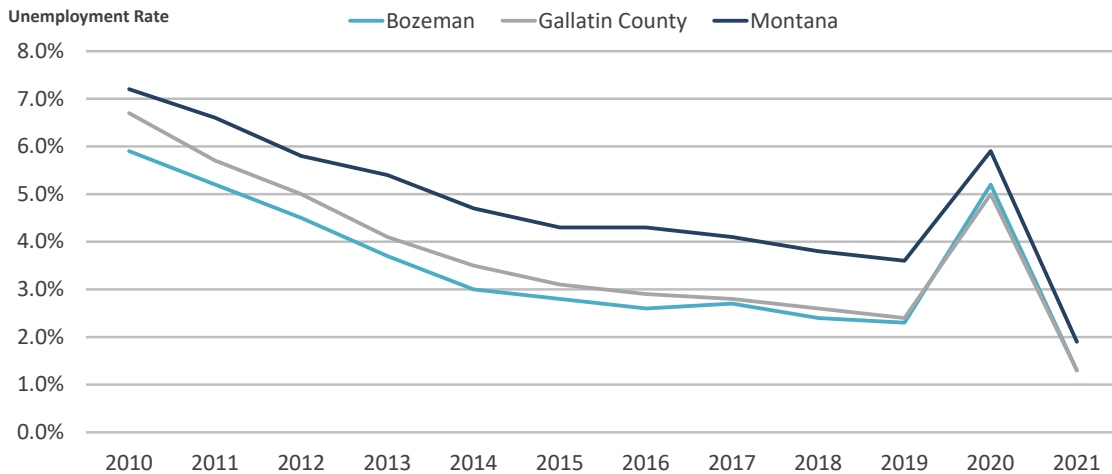
**Figure 3. Employment Growth, Bozeman and Gallatin County, 2015-2020**



Source: Bureau of Labor Statistics; Economic & Planning Systems

Apart from the spike in unemployment due to COVID-19, Bozeman and Gallatin County have seen a steady decline in the unemployment rate mirroring trends seen across Montana (**Figure 4**). In September 2021, Bozeman and Gallatin County both had unemployment rates of 1.3 to 1.9 percent, historic lows.

**Figure 4. Unemployment Rate, 2010-2021 YTD**



Source: BLS LAUS; Economic & Planning Systems

## MAJOR EMPLOYERS

<b>EMPLOYER NAME</b>	<b>INDUSTRY/ EMPLOYMENT TYPE</b>	<b>NUMBER OF EMPLOYEES</b>
Bozeman Deaconess Hospital	Health Care	1,000+
Montana State University	Education	1,000+
Belgrade School District	Education	500-999
Bozeman School District	Education	500-999
Gallatin County	Government	500-999
Oracle	Prof. and Tech Svcs.	500-999
City Of Bozeman	Government	250-499
Kenyon Noble Lumber & Hardware	Retail Trade	250-499
Town Pump Convenience Stores	Retail Trade	250-499
Wal Mart	Retail Trade	250-499
Zoot Enterprises	Prof. and Tech Svcs.	250-499
Albertson's	Retail Trade	100-249
Target	Retail Trade	100-249
Bridger Bowl	Ski Resort	100-249
Community Food Co-Op	Retail Trade	100-249
Costco	Retail Trade	100-249
First Security Bank	Finance/Insurance	100-249
First Student	Education	100-249
Reach Inc.	Health Care	100-249
McDonald's	Acc. and Food Svcs.	100-249
Murdoch's Ranch & Home Supply	Retail Trade	100-249
Ressler Motor	Retail Trade	100-249
Simms Fishing Products	Retail Trade	100-249
Town & Country Foods	Retail Trade	100-249
Williams Plumbing & Heating	Construction	100-249

## Wages

Between 2015 and 2020 Gallatin County had robust wage growth averaging 5.4 percent per year (**Table 4**). Average wages in professional and technical service jobs grew at 5.6 percent per year, increasing from \$67,000 to \$87,000 per year. Growth in technology and professional jobs has been a major factor in the evolution of Bozeman and the surrounding area.

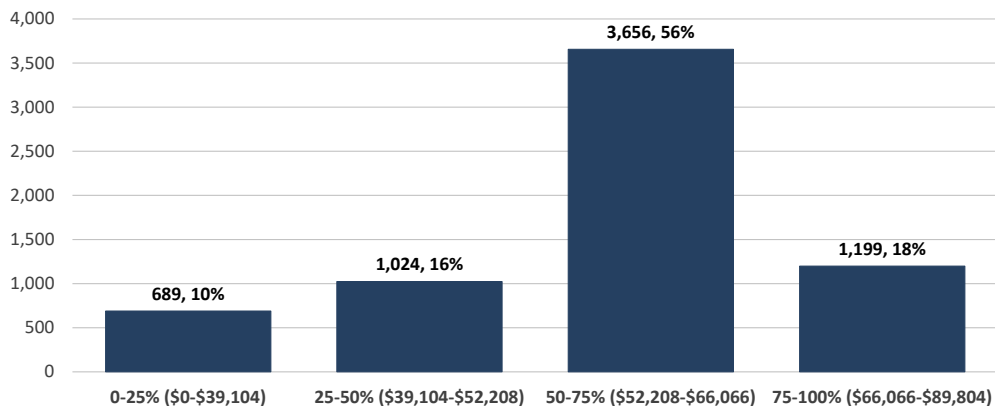
**Table 4. Job and Wage Growth, Top Sectors, Gallatin County**

Description	2015-2020 Job Growth	2015 Avg. Wage	2020 Avg. Wage	Annual Wage Growth
<b>All Jobs/Sectors</b>	<b>6,568</b>	<b>\$38,748</b>	<b>\$50,313</b>	<b>5.4%</b>
Construction	1,659	\$46,904	\$59,904	5.0%
Prof. & Tech Services	934	\$66,664	\$87,464	5.6%
Health Care	881	\$44,876	\$56,056	4.5%
Retail	613	\$29,328	\$37,960	5.3%
Manufacturing	562	\$41,496	\$53,508	5.2%
Admin/Waste Mgmt.	530	\$32,396	\$39,000	3.8%

Source: Bureau of Labor Statistics QCEW; Economic & Planning Systems

An analysis of job growth by wage quartile from 2015 through 2020 shows that 47 percent of new jobs in Gallatin County were in the 50 to 75<sup>th</sup> percentile of wages, at \$52,208 to \$66,066 per year (**Figure 5**). These are good paying jobs at hourly rates of \$25 to \$32 per hour. In addition, 22 percent of jobs added between 2015 and 2020 were between the 75 and 100<sup>th</sup> percentile of wages, at \$66,066 to \$89,804 per year. Large wage drivers include jobs in construction, health care, and professional/technical services.

**Figure 5. Change in Employment by wage quartile, Gallatin County, 2015-2020**



Source: Economic & Planning Systems

## Economic Drivers

The regional workforce is highly skilled and well educated. Approximately 59.8 percent of Bozeman’s workforce has a bachelor’s degree or higher (**Table 5**). The presence of MSU and the high concentration of professional and high skill jobs—such as technology and health care—are drivers of the highly educated local workforce. Places with a high quality of life are also able to attract skilled labor. Highly educated skilled workers have more choices and flexibility in where they choose to work and live.

**Table 5. Educational Attainment, Bozeman, 2021**

Description	Percent of Total Population					
	Bozeman	Billings	Missoula	Fort Collins	Boulder	Bend
High School or Less, No Diploma	1.9%	4.7%	3.2%	3.2%	2.6%	4.0%
High School Grad or Equivalent	12.4%	28.3%	17.9%	15.0%	5.9%	17.0%
Some College, No Degree	19.9%	21.6%	20.1%	16.6%	10.0%	22.9%
Associate's Degree	6.0%	8.4%	8.4%	8.2%	3.7%	10.2%
Bachelor's Degree	38.8%	26.2%	32.0%	32.8%	36.9%	28.0%
Grad/Prof. Degree	<u>21.0%</u>	<u>10.7%</u>	<u>18.4%</u>	<u>24.1%</u>	<u>40.9%</u>	<u>17.8%</u>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Bachelor's Degree or Higher</b>	<b>59.8%</b>	<b>36.9%</b>	<b>50.4%</b>	<b>57.0%</b>	<b>77.8%</b>	<b>45.8%</b>

Source: U.S. Census; ESRI Business Analyst; Economic & Planning Systems

When compared to select peer cities, Bozeman has the highest percentage of its population that has a bachelor’s degree, and the second highest percentage of its population that has a bachelor’s degree or higher, second only Boulder, Colorado.

### 3. Commercial Real Estate

This chapter provides an overview of the commercial real estate trends and conditions in Bozeman and Gallatin County. This analysis includes a summary of the total inventory, rental rates, and vacancy rates. Commercial real estate data comes from CoStar which, in Bozeman, does not include a complete inventory but is useful for general trends and information on market conditions.

#### Office Market Trends

From 2010 to the fourth quarter of 2021, total office space in Gallatin County grew by 657,484 square feet, or an annual average of 59,771 square feet (**Table 6**). The City of Bozeman is the office space center in the County, with over 90 percent of office inventory in 2021. In addition, Bozeman captured nearly 88 percent of new office development since 2010.

Rental rates in Bozeman increased steadily over the past decade by a total of \$9.59 per square foot, and as of the fourth quarter of 2021, reached an average of \$20.94 per square foot. Average vacancy rates for office space in Gallatin County and Bozeman have remained under 4.2 percent over the past decade, as a majority of properties in Bozeman have reached stabilization. As of the fourth quarter of 2021, average vacancy in the County averaged 3.8 percent, while vacancy in the City was slightly higher, at 4.2 percent.

**Table 6. Office Summary**

Description	2010	2015	2020	2021	2010-2021		
					Total	Ann. #	Ann. %
<b>Inventory</b>							
Bozeman	2,490,762	2,561,763	3,046,337	3,067,513	576,751	52,432	1.9%
Gallatin County	2,720,990	2,871,924	3,357,298	3,378,474	657,484	59,771	2.0%
<i>Pct. Of County</i>	91.5%	89.2%	90.7%	90.8%	87.7%		
<b>Avg. Rent</b>							
Bozeman	\$11.35	\$15.29	\$21.09	\$20.94	\$9.59	\$0.87	5.7%
Gallatin County	\$11.39	\$15.00	\$21.06	\$20.90	\$9.51	\$0.86	5.7%
<b>Avg. Vacancy</b>							
Bozeman	3.0%	3.7%	3.6%	4.2%	1.2%	0.1%	3.1%
Gallatin County	3.0%	3.3%	3.4%	3.8%	0.8%	0.1%	2.2%

Source: CoStar; Economic & Planning Systems

Recent office construction in Bozeman has generally been concentrated to the west of the city along Hwy. 191, and to the northeast, along I-90. Notable deliveries since 2018 include the 26,300 square foot AED building (software development) that came online in early 2020 along Hwy. 191. In addition, a 17,305 square foot office building in northeast Bozeman delivered along Hwy. 191 in 2019. The building has strong access to I-90 and is occupied by Payne West Insurance. Other notable projects are detailed below.

**Industry** – Industry is an 87,000 square foot collaborative workspace and incubator building proposed by the developer of Industry in the River North neighborhood in Denver, CO. This is one of the largest proposed office buildings in Bozeman. The project will bolster MSU’s 42-acre Innovation Campus, with goals of providing workplace innovation and creating open collaboration between local and national enterprise in conjunction with MSU.



**Cannery District** – In addition, the Cannery District project is underway with approximately 111,000 square feet of office and retail space available to rent along Oak and Rouse Avenue. The project includes the 52-unit Cannery Flats multifamily project, which delivered in 2020.



## Industrial/Flex Market

From 2010 to the fourth quarter of 2021, industrial space in Gallatin County grew by 437,046 square feet, or an average of 39,731 square feet (**Table 7**). Over the past decade, Bozeman captured just 37.2 percent of industrial growth in the county, as lower land costs outside the city are attractive to some types of heavier industrial uses. There is still a market in Bozeman however for higher value industrial uses and flex/R&D space, especially for companies that want the Bozeman location and City's robust municipal infrastructure and amenities.

**Table 7. Industrial Summary, Gallatin County, 2010-2021**

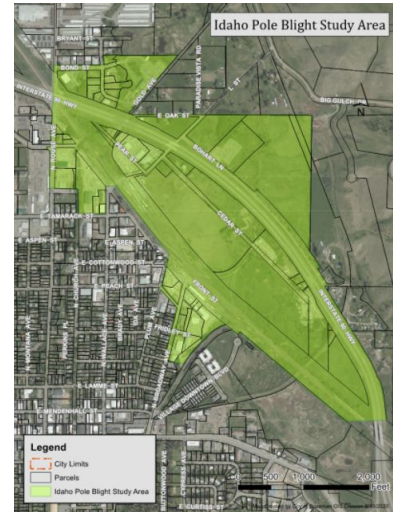
Description	2010	2015	2020	2021	2010-2021		
					Total	Ann. #	Ann. %
<b>Inventory</b>							
Bozeman	1,509,654	1,521,993	1,672,228	1,672,228	162,574	14,779	0.9%
Gallatin County	2,589,125	2,603,264	2,975,171	3,026,171	437,046	39,731	1.4%
<i>Pct. Of County</i>	58.3%	58.5%	56.2%	55.3%	37.2%		
<b>Avg. Rent</b>							
Bozeman	\$9.35	\$6.12	\$10.64	\$10.43	\$1.08	\$0.10	1.0%
Gallatin County	\$6.96	\$5.70	\$10.98	\$11.29	\$4.33	\$0.39	4.5%
<b>Avg. Vacancy</b>							
Bozeman	3.6%	2.5%	0.8%	0.6%	-3.0%	-0.3%	-15.0%
Gallatin County	3.6%	3.7%	0.5%	1.7%	-1.9%	-0.2%	-6.6%

Source: CoStar; Economic & Planning Systems

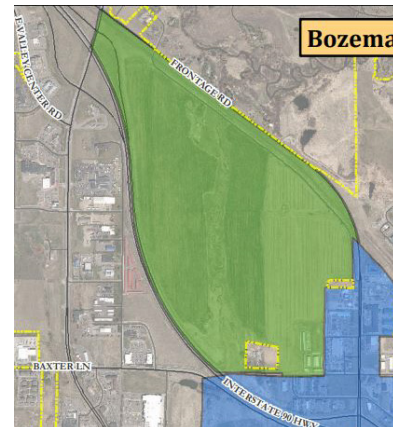
Over the past decade, rents grew by 4.5 percent annually in Gallatin County, while Bozeman experienced modest rental growth of 1.0 percent. As of the fourth quarter of 2021, industrial rents in Bozeman averaged \$10.43 per square foot and \$11.29 in Gallatin County. Vacancy for both the City and County has generally decreased since 2012 and remained under 4.0 percent since 2015.

Notable sites that could drive industrial development include Pole Yard, North Park, and Nelson Meadows, as detailed below:

***Pole Yard Urban Renewal District*** – An 87-acre site located between Interstate 90 corridor and Montana Rail Link right-of-way. Portions of the site include a partially delisted Superfund site owned by the Idaho Pole Company. There are environmental restrictions that limit residential development at the property, and any restrictions must be approved by the EPA and Montana Department of Environmental Quality (DEQ). Nevertheless, the site could still foster commercial development activity in the future.



***North Park Urban Renewal District*** – A 275-acre area in north Bozeman east of I-90 and west of Frontage Road. The site is currently vacant, but previous plans at the site have included 790,000 square feet of light industrial space and nearly 500,000 square feet of flex space.



***Nelson Meadows Business Park*** – A master planned commercial subdivision located in northwest Bozeman at the corner of Nelson Road and Frontage Road. The site is comprised of 27 building lots that vary in size from 0.7 acres to 5.27 acres. The site has direct access to I-90 and is zoned M-1 for Light Manufacturing. As of December 2021, 23 of the 27 lots were under contract or sold.



## Retail Market

The City of Bozeman is the regional trade hub for Gallatin County and a roughly 50 mile radius. The City has over 85 percent of the County's retail inventory as of the fourth quarter of 2021 (**Table 8**). In addition, nearly 93 percent of retail space that delivered in Gallatin County since 2010 was in Bozeman.

**Table 8. Retail Summary, Gallatin County, 2010-2021**

Description	2010	2015	2020	2021	2010-2021		
					Total	Ann. #	Ann. %
<b>Inventory</b>							
Bozeman	4,501,345	4,835,713	5,032,178	5,032,178	530,833	48,258	1.0%
Gallatin County	5,337,650	5,706,258	5,909,458	5,909,458	571,808	51,983	0.9%
<i>Pct. Of County</i>	<i>84.3%</i>	<i>84.7%</i>	<i>85.2%</i>	<i>85.2%</i>	<i>92.8%</i>		
<b>Avg. Rent</b>							
Bozeman	\$15.97	\$13.65	\$21.23	\$22.31	\$6.34	\$0.58	3.1%
Gallatin County	\$15.99	\$13.58	\$21.00	\$22.06	\$6.07	\$0.55	3.0%
<b>Avg. Vacancy</b>							
Bozeman	1.8%	3.3%	1.6%	2.2%	0.4%	0.0%	1.8%
Gallatin County	1.9%	2.9%	1.5%	1.9%	0.0%	0.0%	0.0%

Source: CoStar; Economic & Planning Systems

Average rents for retail space in the City currently average \$22.31 per square foot, slightly higher than rents witnessed in the broader County, which recorded at \$22.06 per square foot. Rents in the City and County have both grown steadily since 2010, growing by 3.1 percent and 3.0 percent respectively. Average vacancy for retail space in Bozeman has been notably low since 2010, and averages 2.2 percent as of the fourth quarter of 2021.

There are a wide variety of national grocery chains, big box retailers, and smaller local stores. There are eight full service supermarkets (including the Walmart Supercenter, and a Whole Foods currently under construction) in Bozeman plus several smaller specialty food stores and independent grocers such as the Community Food Co-op. Recent deliveries include the 75,000 square foot Winco that delivered in early 2021, and a 50,000 square foot Costco expansion.

Bozeman also has several national general merchandise and home improvement anchor retailers including Costco, Target, Home Depot, Lowes, Kohls, and Macy's.

A major retail repositioning project underway is the redevelopment of the Gallatin Valley Mall. Whole Foods will be a new anchor for the redevelopment, plus the existing Macy's, Barnes & Noble, Regal Cinemas, and JoAnn Fabrics. The redevelopment strategy includes an additional 15,000 square feet of retail space, with a general concept of creating public gathering space, a main street feel, and a broad mix of tenants and entertainment.



## BOZEMAN RETAIL INVENTORY

<b>DESCRIPTION</b>	<b>STORE TYPE AVG. SQ.FT.</b>	<b>DESCRIPTION</b>	<b>STORE TYPE AVG. SQ.FT.</b>
<b><u>Supermarkets and Grocery Stores</u></b>		<b><u>Shoppers' Goods</u></b>	
Walmart Supercenter	220,000	Costco Wholesale	150,000
WinCo	85,000	Target	120,000
Town & Country Foods (2 stores)	70,000	Kohls	60,000
Safeway	65,000	Macy's	50,000
Albertsons	65,000	Sportsman's Warehouse	50,000
Smith's	50,000	Wholesale Sports	50,000
Rosauers	50,000	Dollar Spree	50,000
Whole Foods (Under Construction)	30,000	Dollar Tree	50,000
Huckleberry's Natural Market	20,000	REI	25,000
Heebs East Main Grocery	10,000	T.J. Maxx	20,000
Community Food Co-op	10,000	Ross	20,000
<b><u>Other Shopper's Goods</u></b>		Sears	
Gallatin Valley Furniture	35,000	JCPenney	20,000
Barnes and Noble	20,000	Play it Again Sports	20,000
Office Depot	20,000	Gap Outlet	10,000
Staples	20,000	Joann	10,000
Petco Animal Supplies	20,000	White House Black Market	10,000
PetSmart	20,000	<b><u>Building Material and Garden</u></b>	
Mattress King	10,000	The Home Depot	150,000
		Lowe's Home Improvement	150,000
		Kenyon Noble Lumber and Hardware	100,000
		Murdoch's Ranch & Home Supply	50,000

## 4. Housing

This chapter provides an overview of the housing market in Bozeman. It summarizes building permit trends, home prices, the rental market, and key affordability indicators.

### Construction

Between 2014 and 2020, the City of Bozeman issued approximately 5,600 residential building permit units (**Table 9**) which is an average of 800 per year since 2014. 2020 was the highest year with 945 new construction permits issued. Bozeman has a high percentage of multifamily and condominium construction at 62 percent over this time period. This trend is driven by student demand, young workforce demand, and investor and second homeowner demand. Bozeman is popular among affluent people who visit Big Sky frequently or own a home there and wish to have a jumping off point close to the airport and to experience Bozeman city life.

**Table 9. Bozeman Building Permit Unit Trends**

Description	2014	2015	2016	2017	2018	2019	2020	2014-2020		
								Total	Avg.	%
Single Family	252	263	300	350	229	167	150	1,711	244	30.5%
Multifamily/Condo	350	497	356	420	593	546	734	3,496	499	62.4%
Townhome	<u>73</u>	<u>22</u>	<u>73</u>	<u>53</u>	<u>37</u>	<u>78</u>	<u>61</u>	<u>397</u>	<u>57</u>	<u>7.1%</u>
<b>Total</b>	<b>675</b>	<b>782</b>	<b>729</b>	<b>823</b>	<b>859</b>	<b>791</b>	<b>945</b>	<b>5,604</b>	<b>801</b>	<b>100.0%</b>

Source: Economic & Planning Systems

## Housing Prices

Greater Bozeman has seen unprecedented appreciation in home prices. The largest increases occurred between 2020 and 2021 (YTD) with an almost 30 percent increase (**Table 10**). The median home price in the city is now about \$700,000 compared to \$359,500 in 2016. This rapid increase is likely not sustainable as it is related to amenity migration away from large metro areas during the COVID-19 pandemic. However, Bozeman has seen steady and rapid appreciation over the past six years averaging 14.4 percent per year on the average sale price. The surrounding communities and entire county have also experienced similar trends with prices essentially doubling over the past six years.

The increase in prices has serious implications for affordability and workforce attraction and retention and quality of life. From an investor standpoint it indicates robust demand, tight supply, and opportunities to develop in a strong market. The City is interested in ways to increase the housing supply responsibly in a way that maintains community character.

**Table 10. Home Price Trends, 2016-2021**

Description	2016	2017	2018	2019	2020	2021 YTD Oct.	2016-2021	
							Total	Ann. %
<b>Median Sales Price</b>								
Bozeman	\$359,500	\$381,500	\$427,500	\$460,000	\$540,000	\$700,000	\$340,500	14.3%
Belgrade	\$255,000	\$287,250	\$320,000	\$340,950	\$375,000	\$520,000	\$265,000	15.3%
Greater Manhattan	\$280,000	\$307,000	\$389,000	\$416,000	\$564,750	\$620,000	\$340,000	17.2%
Gallatin County	\$310,000	\$331,150	\$374,660	\$397,500	\$439,900	\$675,000	\$365,000	16.8%
<b>Average Sales Price</b>								
Bozeman	\$399,912	\$425,992	\$478,343	\$513,704	\$590,742	\$784,355	\$384,443	14.4%
Belgrade	\$283,624	\$322,039	\$361,505	\$390,600	\$423,023	\$629,816	\$346,192	17.3%
Greater Manhattan	\$338,831	\$373,322	\$426,166	\$463,858	\$667,156	\$777,303	\$438,472	18.1%
Gallatin County	\$391,363	\$435,596	\$493,734	\$536,359	\$672,724	\$972,050	\$580,687	20.0%

Source: Gallatin Association of Realtors; Economic & Planning Systems

## Apartment Market

Apartment and other commercial real estate market information comes from the CoStar database, a national real estate data subscription service. CoStar became more active in the Bozeman market about five years ago and has basic market information but may not capture the full inventory. In addition, CoStar focuses on “investment grade” properties and may exclude smaller and lower value assets.

CoStar reports about 3,600 apartment units (in apartment buildings; does not include all rented housing units) and inventory growth of about 100 units per year on average (**Table 11**). The market has had consistently low vacancy since 2010 when the vacancy rate was under 5.0 percent. In 2021 the vacancy rate is reported at 2.1 percent, which indicates that the market is undersupplied with rental housing. More supply is needed to provide more housing to the labor force and to ease pressure on rising rental rates.

**Table 11. Multifamily Summary, Gallatin County**

Description	2010	2015	2020	2021	2010-2021		
					Total	Ann. #	Ann. %
<b>Inventory</b>							
Bozeman	2,507	2,963	3,620	3,620	1,113	101	3.4%
Gallatin County	3,047	3,516	4,189	4,189	1,142	104	2.9%
<i>Pct. Of County</i>	82.3%	84.3%	86.4%	86.4%	97.5%		
<b>Avg. Rent (per sq.ft.)</b>							
Bozeman	\$1.19	\$1.30	\$1.55	\$1.72	\$0.53	\$0.05	3.4%
Gallatin County	\$1.18	\$1.29	\$1.53	\$1.70	\$0.52	\$0.05	3.4%
<b>Avg. Rent (monthly)</b>							
Bozeman	\$1,079	\$1,175	\$1,400	\$1,557	\$478	\$43	3.4%
Gallatin County	\$1,060	\$1,153	\$1,376	\$1,526	\$466	\$42	3.4%
<b>Avg. Vacancy</b>							
Bozeman	4.4%	5.9%	4.2%	2.2%	-2.2%	-0.2%	-6.1%
Gallatin County	4.2%	5.5%	3.8%	2.1%	-2.1%	-0.2%	-6.1%

Source: CoStar; Economic & Planning Systems

Between 2015 and 2020 approximately 650 units were added to the inventory, most of which are in the five new projects listed below (**Table 12**).

**Table 12. Recent Multifamily Development Summary, Bozeman**

Name	Address	Year Built	Units	Avg. Effective Rent Per Unit
<b>Notable Deliveries</b>				
Icon Apartment Homes	4555 Fallon St	2020	216	\$2,341
Creekside Apartments	3266 N 27th Ave	2020	142	\$1,744
One 11 Lofts	111 W Lamme St	2020	55	\$2,577
Black Olive	110 E Olive St	2019	47	\$2,565
<b>Total/Average</b>			<b>460</b>	<b>\$2,307</b>

Source: CoStar; Economic & Planning Systems

Four luxury projects have come online with rents of approximately \$2,300 to \$2,600 per month which is about \$1,000 above the market average indicating that the Bozeman market can support high end product. The Icon Apartments have large units (2 bedroom ranges from 1,000 to 1,200 sq. ft.) with amenities such as a pool and fitness center. The One 11 Lofts and Black Olive properties are mixed use apartments in Downtown Bozeman. Creekside is a more conventional property located in a retail district near North 19<sup>th</sup> Ave and I-90.



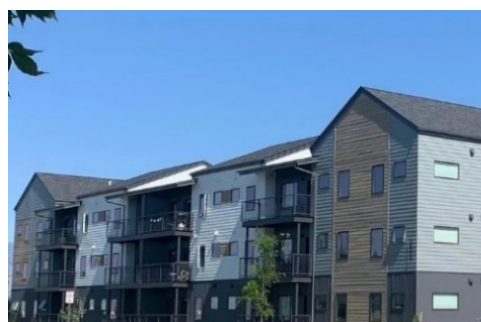
Icon Apartments



One 11 Lofts



Black Olive Apartments



Creekside Apartments

## Affordability

The rapid increases in housing prices has priced many people out of the market. In 2016, a household earning about 120 percent of the HUD area median income (AMI) could afford the median priced home. In 2020, a household needed to earn 171 percent of AMI to afford a median priced home and 219 percent of AMI in 2021. The combination of a shortage of inventory, a spike in construction costs, and pandemic related migration have driven up housing prices sharply. Increasing the supply of housing will be important to addressing the shortage of attainable and affordable housing.

**Table 13. Required Annual Income to Afford Median Home Price, 2016-2021**

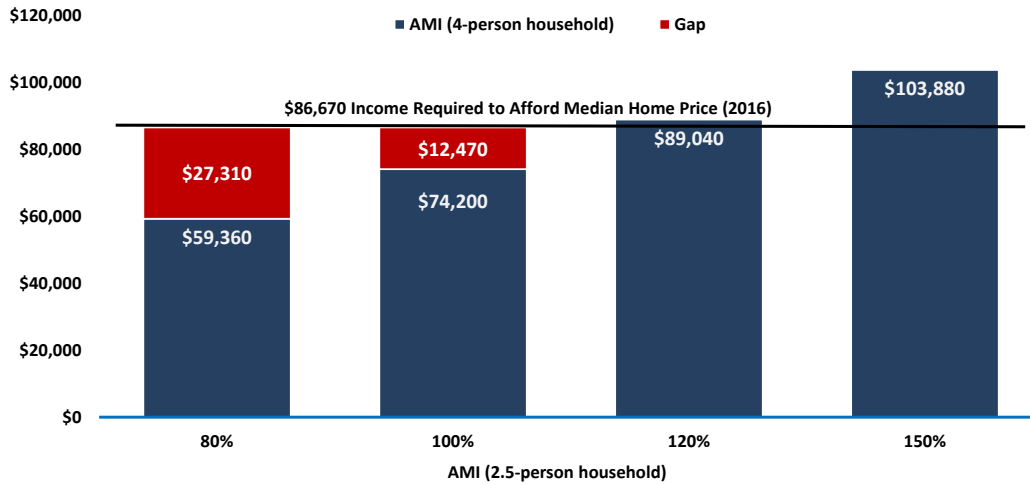
Bozeman	Factor	2016	2017	2018	2019	2020	2021 YTD Oct
<b>Median Home Price</b>		\$359,500	\$381,500	\$427,500	\$460,000	\$540,000	\$700,000
Mortgaged Amount (less: downpayment)	5.0% down pmt	\$341,525	\$362,425	\$406,125	\$437,000	\$513,000	\$665,000
Mortgage Interest Rate	4.5% int.	4.5% int.	4.5% int.	4.5% int.	4.5% int.	4.5% int.	4.5% int.
Loan Term		30-years	30-years	30-years	30-years	30-years	30-years
<b>Monthly Costs</b>							
Mortgage Payment (Monthly)		\$1,730	\$1,836	\$2,058	\$2,214	\$2,599	\$3,369
Less: Insurance	\$1,500 / Year	\$125	\$125	\$125	\$125	\$125	\$125
Less: Property Taxes	0.9%	\$270	\$286	\$321	\$345	\$405	\$525
Less: Miscellaneous	\$500 / Year	\$42	\$42	\$42	\$42	\$42	\$42
<b>Total Monthly Housing Costs</b>		\$2,167	\$2,289	\$2,545	\$2,726	\$3,171	\$4,061
<b>Required Annual Income</b>	30%	<b>\$86,670</b>	<b>\$91,566</b>	<b>\$101,803</b>	<b>\$109,035</b>	<b>\$126,838</b>	<b>\$162,445</b>
<b>AMI for Family of 4</b>		<b>117%</b>	<b>123%</b>	<b>137%</b>	<b>147%</b>	<b>171%</b>	<b>219%</b>

[1] rounded to nearest major AMI category

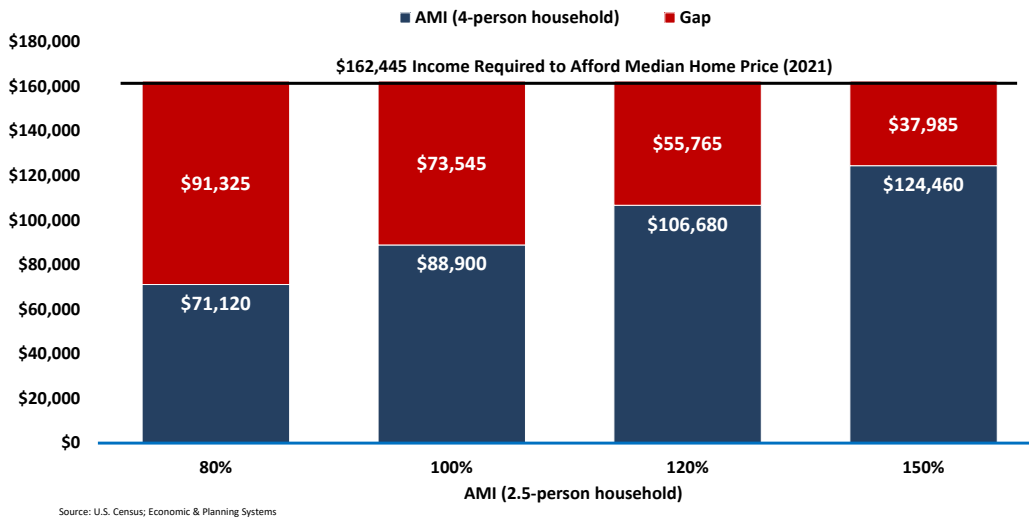
Source: US Census; Economic & Planning Systems

In 2016 the income levels needed to afford the median priced home were at 80 to 100 percent of AMI (**Figure 6**). In 2021 there are income gaps at all AMI levels below about 220 percent of AMI. Households earning 150 percent of AMI (\$103,880) would still need to earn another \$38,000 per year to afford the median priced home (**Figure 7**).

**Figure 6. Income Gap to Afford Median Priced Home, Bozeman, 2016**



**Figure 7. Income Gap to Afford Median Priced Home, Bozeman, 2021**



In housing policy, a household is defined as cost burdened when they are paying more than 30 percent of their income towards rent or mortgage payments. Among renters there is a large amount of cost burdened households – more than half of all renters. About a quarter of Bozeman homeowners are cost burdened and the American Community Survey estimates these households declined slightly from 2010 through 2019. The data mostly reflect people who already own their homes and have not caught up with new buyers in the market at the higher prices noted above.

## Housing Demand

In this section, a housing demand projection is provided to inform the City as well as real estate interests on the growth potential and need in Bozeman. The projection links job growth to housing demand and estimates that the City needs nearly 900 housing units annually (**Table 14**) just to keep up with job growth at 2.0 percent per year (compared to 2.8 percent annual growth over the past five years).

However, there are other strong market demand drivers that need to be accounted for. The degree of price appreciation seen indicates that there are external factors at work that are constraining the supply of housing. These factors are difficult to account for as they are not apparent in the available housing and economic data. First, because Bozeman is becoming more of a destination for second homeowners and part time residents an additional 10 percent is added to the demand estimate. Second, remote worker in-migration is occurring. There is no data available today that tracks remote workers because their paychecks are associated with the physical off location of their job. We have added another 10 percent to the demand projections.

In total, we estimate that the City can support demand for over 1,000 housing units per year (**Table 14**). A potential housing mix based on past construction and goals of supporting small homes and infill construction is suggested as well (**Table 15**).

**Table 14. Bozeman Housing Demand Projection**

Description	Factor	2020	2030	2020-2030	
				Total	Annual
Total Jobs - Gallatin County	2.5%	94,550	121,030	26,480	2,648
Less: Proprietor Jobs Overcount [1]	-10.0%	-9,460	-12,100	-2,640	-264
Employed People	1.10 jobs/empl.	77,355	99,027	21,673	2,167
Employed Households	1.30 jobs/household	59,500	76,170	16,670	1,667
Normal Vacancy Adjustment	5%	3,130	4,010		
<b>Housing Units - Gallatin County</b>		<b>62,630</b>	<b>80,180</b>	<b>17,550</b>	<b>1,755</b>
<b>Baseline Demand - Bozeman</b>					
<b>Bozeman Market Share</b>	50.0%	31,320	40,090	8,770	877
<b>Other Market Influences</b>					
Part Time Residence Adjustment	10%				974
In-migration and remote worker adjustment	10%				1,083

[1] Counting of partnerships and LLCs in Bureau of Economic Analysis data often results in double counting of employees.

Source: Economic & Planning Systems

**Table 15. Bozeman Housing Demand Projection**

Description	Factors	2020-2025	2026-2030	Total	Annual
New Unit Demand in Bozeman	1,083/yr.	5,414	5,414	10,827	1,083
Bozeman Construction Projection					
Single-Family (Detached)	35.0%	1,895	1,895	3,790	379
Townhome/Triplex/Duplex	30.0%	1,624	1,624	3,248	325
Multifamily	<u>35.0%</u>	<u>1,895</u>	<u>1,895</u>	<u>3,790</u>	<u>379</u>
<b>Total</b>	<b>100.0%</b>	<b>5,414</b>	<b>5,414</b>	<b>10,827</b>	<b>1,083</b>

[1] Mobile homes and other miscellaneous housing types are not included  
Source: Economic & Planning Systems