



Downtown BID Annual Meeting

CRE SWOT Analysis

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Market Overview

Missoula's commercial real estate market is defying national trends, showcasing resilience and growth across various sectors.



Industrial



Growth

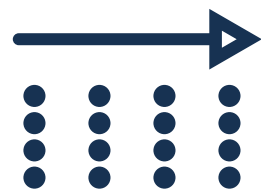
Our industrial sector is expanding, bolstered by Missoula's strategic location.



Vacancy

With low vacancy rates and significant development in the pipeline, this sector continues to thrive.

Office



Vacancy Stability

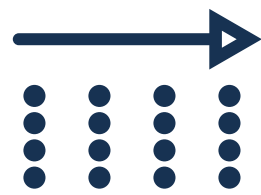
Our office vacancy rates remain stable at around 5-7%, significantly lower than the national average of 20%.



Market Dynamics

There is limited new construction, and the return to office is occurring by choice rather than employer mandates.

Multifamily



Vacancy

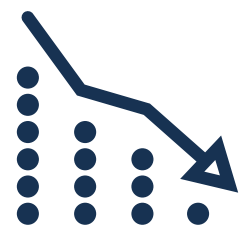
Vacancy rates saw an increase last year, providing relief for renters as rents have stabilized.



Future Outlook

With more construction projects in the pipeline, vacancy rates are expected to remain healthy, offering more options for renters.

Retail



Vacancy

Retail vacancy rates are exceptionally low and are expected to remain so for the foreseeable future.



Retail Performance

Retailers are performing well despite challenges like inflation and wage pressures.

Market Summary

Missoula benefits from low vacancy rates across all asset classes, making it an attractive location for living, working, and investing.

Contrary to national headlines, our retail sector is thriving, our offices are occupied, the industrial sector is growing, and apartment renters now have more breathing room.



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CRE Strengths



Location

Missoula's geographic constraints promote density, making our land valuable and fostering a vibrant, diverse community.

Our density of around 2,500 people per square mile is significantly higher than similarly sized U.S. cities, reducing infrastructure burdens and enhancing community accessibility.



CRE Strengths



Demographics

We have a diverse demographic base requiring various goods and services, from different types of housing to retail and medical needs.

Unlike areas with high concentrations of specific age groups, Missoula's demographic diversity supports a broad spectrum of commercial real estate assets

ACCOLADES

#1 Most Fun City for Young People

Smart Assets

#2 Best Places to Live in the American West

Sunset Magazine

Top 10 Medium Cities for the Arts

2023 Southern Methodist University

#4 Best Small Cities in America to Start a Business

Verizon Wireless

#10 Best Small Metros to Launch a Business

CNN Money

#6 Best Cities for Fishing

Rent.com

#1 City for Yoga

Apartment Guide

Top 10 Cities for Beer Drinkers

2015, 2016, 2017, 2019, 2022

International Public Library of 2022

The International Federation of Library Associations World Congress

PEOPLE

12.5% Population Growth - 2012-2022

Missoula ranks among highest net migration cities in US

Median Age 34 Years Old

The median age in the US is 39

58.8% Degreed

Associates degree or higher, 18.7% have a graduate level degree

24.7% High Income Households

Incomes over \$100,000 a year

53.4% Renters

Top 5 Occupations

Office & Admin Support, Food Service, Sales, Transportation

ACCESS

16 Minutes

Average Commute Time

15.6% Multimodal Commuters

Walk or bike to work

81 Hours Saved

81 hours saved in commute yearly over national average

14 Non-Stop Air Destinations

With a recently upgraded terminal at the Missoula International Airport

62 Miles

Of bike lanes with a Gold rating from the League of American Bicyclists

12 Routes

Provided by a bus network across the City of Missoula

11 EV Charge Stations

Available to the public across Missoula

ECONOMY

Designated as a Tech Hub

Western Montana was one of 30 applicants out of 200 designated as a Tech Hub by the federal government and now eligible for millions of dollars in funding for research in smart, autonomous and remote sensing technologies.

Diversity Among Top Employers

University of Montana (education), Providence Health Services/St. Patrick's Hospital (medical), Community Medical Center (medical), Montana Rail Link (transportation), Neptune Aviation (aviation services)

High Labor Participation

Missoula consistently offers one of the highest labor force participation rates in the country.

Expanding Industries

Missoula has seen major growth in construction, professional, scientific, and manufacturing businesses over the past decade.

Growing Number of Technology Companies

Cognizant, onX, Submittable, and Lumenad are some leading tech firms in Missoula

CRE Strengths



Jobs

Missoula boasts a diverse employment base, from industrial to medical and tech sectors.

This diversity makes our local economy resilient to economic fluctuations and attracts a wide range of investors and occupiers.

CRE Weaknesses



Location

Our geographic constraints make land expensive, and development costs are high, presenting a barrier to new businesses.

Comparatively higher home prices in Missoula can challenge employers in recruiting talent and exert pressure on wages.

CRE Weaknesses



Vacancy

Low vacancy rates can hinder business expansion, limit the range of available properties, and make it difficult for new businesses to enter the market.

Rapid rent increases can price out many businesses.

CRE Weaknesses



Infrastructure

High construction, labor, and borrowing costs make development challenging.

Inadequate infrastructure, such as roads, water, sewer, and transportation, can stymie growth, keeping vacancy rates low and rents high.

CRE Opportunities

Slow and Steady Growth

- The unpredictability of the economy underscores the importance of measured growth.
- Gradual market entry allows for targeted development, preventing overbuilding and promoting thoughtful urban planning.
- Proactive community planning can address zoning reforms, parking mandates, and public transportation needs, avoiding the pitfalls of hasty decisions driven by a booming market.



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CRE Threats

Consumer Debt

- Rising consumer debt could negatively impact retail performance.

High Lease Rates

- Elevated lease rates may push out businesses, affecting market stability.

Interest Rates

- Higher interest rates continue to challenge the commercial real estate industry.

Competition

- Other cities may offer more growth and development opportunities, drawing investment away from Missoula.



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Conclusion

Missoula's commercial real estate market presents a mix of opportunities and challenges.

By leveraging our strengths and addressing our weaknesses, we can foster sustainable growth.

Our commitment to proactive, thoughtful development will ensure that Missoula remains a desirable place to live, work, and invest.



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Make Decisions with Confidence

Sterling Commercial Real Estate is the proven leader in **data-driven insights** and **strategic marketing**, backed by a **seasoned sales team** known for their expertise, ambition, and **results**.

We guide you to make well-informed decisions and maximize the value of your commercial real estate transactions.

Thank You

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