

Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes	MAY 2014	<i>Better/Worse than:</i>		Absorption Rate	
		Prior Month	Prior Year		
# of Homes on Market	449	↑	↑	According to NAR a normal market is 6-months of inventory	
# Under Contract	203	↑	↓		
Homes Sold	75	↑	↓	MAY 2014	
Average Sold Price	\$265,661	↑	↑	Months of Inventory:	6.7
Average DOM	102	↑	↑	\$0 - \$149,999	1.6
Average List-to-Sold Price	98%	↔	↑	\$150,000 - \$249,999	3.6
3-Month Absorption Rate	6.7			\$250,000 - \$349,999	6.0
% Homes Sold under \$350,000	81%			\$350,000-\$499,999	11.4
% Homes Sold under \$350,000 - Last 12 Months	85%			\$500,000 and up	93.3
Homes Sold - Last 12 Months	878				
Homes Sold - Year-to-Date	261				

MARKET OVERVIEW

Over the last two months, real estate activity has been on the rise after having been incredibly slow over the winter months. We are feeling more confident that we are beginning to see a stabilization of the Missoula market. Active listings, under contract numbers, and sales are all on the rise. With a steady stream of buyers actively looking for homes to purchase, we believe if more homes become available as we move into summer, there are buyers out there to absorb them.

The Missoula residential real estate market closed out the month of May with a total of 75 sales, with about 81 percent of the homes sold priced under \$350,000. The overall average sold price was \$265,661 and homes that closed in May were on the market for approximately 102 days before the sale was finalized. At the end of the month there were 203 homes under contract and 449 homes actively listed for sale.

Buyer Recommendation: Despite the increase in homes on the market, with buyers out looking, those sellers whose homes are competitively priced have been entertaining multiple offers and getting very close to asking price. Prior to beginning or resuming your search, we recommend that you be prepared with a loan pre-approval letter and ready to look at and make an offer on the good homes immediately to avoid possible multiple offer situations. Average lender rates for mortgages have been increasing steadily and, if rates continue to rise, we anticipate a downward pull on affordability for buyers in the market for a new home. Be prepared to pay 97-98 percent of asking price, on average.

Seller Recommendation: With inventory increasing over the last couple of months, and despite the increase in buyer activity, we still recommend putting/keeping your home on the market, especially since there are currently more buyers in the market than we have seen in the last several months. However, while it seems average sold prices should increase a little during this time, it is still very important to list your home with a reasonable and competitive price.

HIGHLIGHTS

Supply & Demand

The inventory of homes listed for sale in Missoula increased to 449 at the end of May, coupled with an increase in the number of homes under contract to 203. There were a total of 75 residential sales for the month. While this is about 26 fewer homes than were sold last year in May, this is highest number of homes sold in a month so far this year.

The Missoula market has recovered from the severe lack of inventory during the winter/spring months. Despite the increased competition, sellers are still garnering between 97 and 98 percent of asking price. With an increase in buyers, this could be an indication that sellers are dropping their prices slightly and are more aligned with the buyers right now.

Price Range

Approximately 14.8 percent of inventory turned over this month, with most of the sales activity (roughly 81 percent) occurred in the under \$350,000 price range.

Days on Market (DOM)

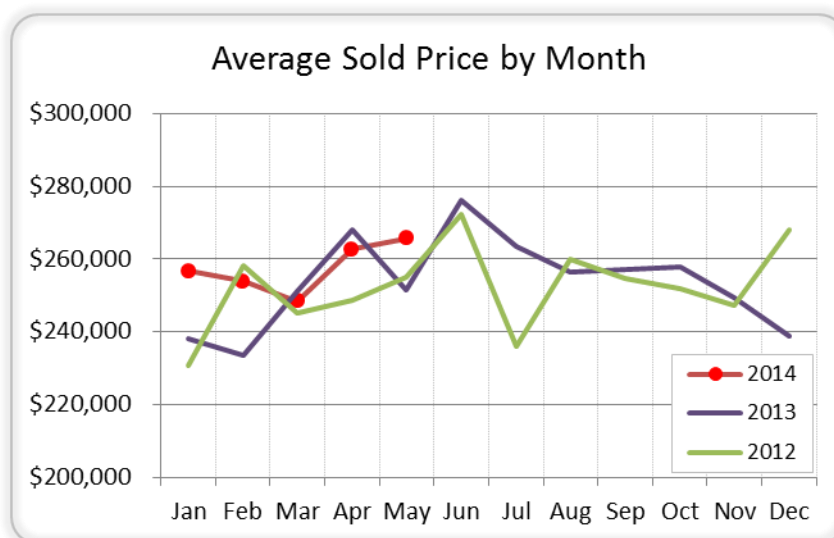
There was a significant decline in the number of days-on-market for homes sold in May compared to DOM for homes sold in April. Homes that sold in May were on the market for an average of 102 days, compared to 150 days in April.

Foreclosure/Bank Owned (REO)

Short sale and REO properties accounted for only about 2 percent of the active residential listings this month. At the end of May, the MLS was reporting 5 active short sales and 5 bank-owned properties out of a total of 449 single-family listings.

Average Sold Price

Average sold price in May was \$265,661, up from last month and from the same month last year. The following graph shows average sold price trends since January 2012.

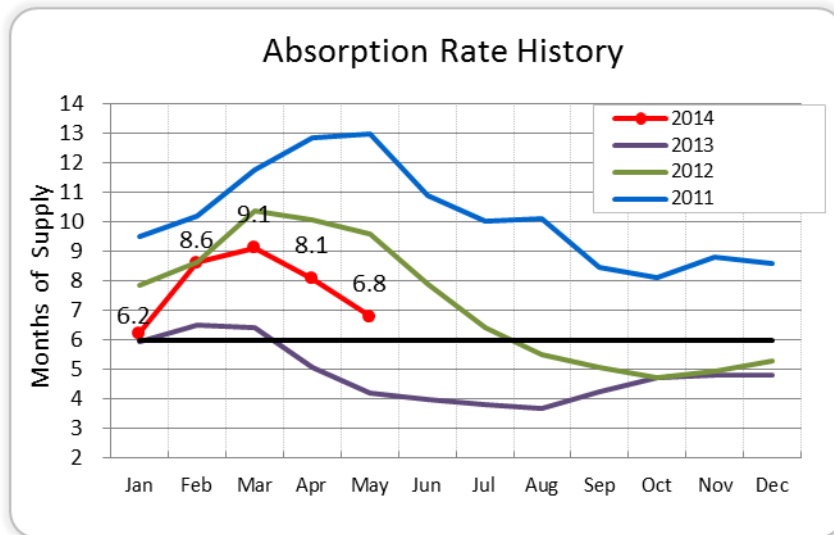


Source: Williams & Associates, Missoula MLS

Absorption Rate

The health of any real estate market can be recorded by absorption rates, which is the correlation between the number of active homes on the market and the number that sell per month, on average. According to the National Association of Realtors, a normal market is six months of inventory. For the purposes of this discussion we are utilizing a 3-month average for sales.

Overall, the Missoula market performed at a normal market level this month, producing an overall absorption rate of 6.8 months in May, compared to 8.1 months in April. Under contract figures increased a bit from April, indicating that some of the homes that were under contract in the last two months have not yet closed.



Source: Williams & Associates, Missoula MLS

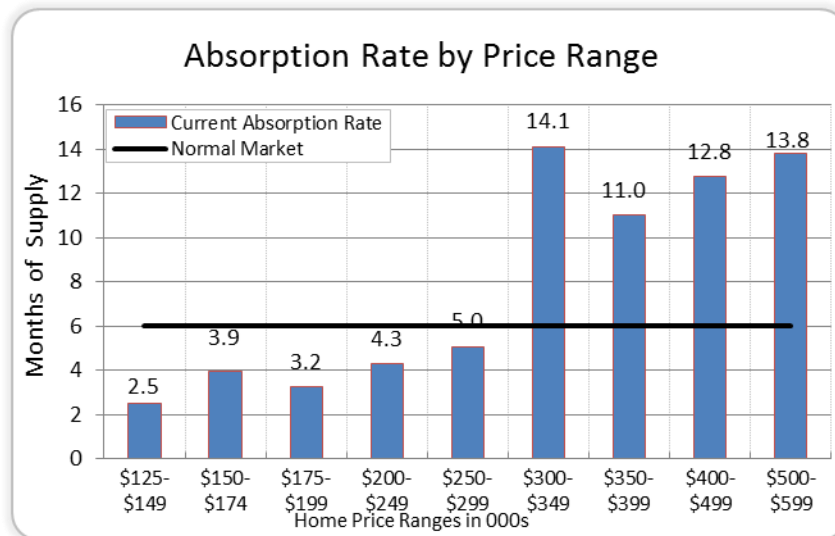
Inventory and absorption rates are an indicator for how fast our market is recovering. If the number of homes coming on the market is proportional to the number sold, our market will continue to strengthen. If there is a substantial increase in homes that are not absorbed by the number of buyers in the market, expect our market to soften until they are absorbed by the buyers.

The following table calculates absorption rate by price range, based on the last three months of sales.

TOTAL SINGLE FAMILY HOMES	SOLD Last 3 Months	Average SOLD per Month	% SOLD Every 30 Days	SOLD This Month	UNDER CONTRACT	ACTIVE Homes	CURRENT SUPPLY # of months
under \$125,000	2	0.7	33.3%	0	1	2	3.0
\$125,000-\$149,999	6	2.0	40.0%	3	2	5	2.5
\$150,000-\$174,999	19	6.3	25.3%	10	14	25	3.9
\$175,000-\$199,999	37	12.3	30.8%	11	30	40	3.2
\$200,000-\$249,999	52	17.3	23.4%	18	59	74	4.3
\$250,000-\$299,999	41	13.7	19.8%	14	35	69	5.0
\$300,000-\$349,999	10	3.3	7.1%	5	27	47	14.1
\$350,000-\$399,999	12	4.0	9.1%	4	9	44	11.0
\$400,000-\$499,999	12	4.0	7.8%	7	16	51	12.8
\$500,000-\$599,999	5	1.7	7.2%	2	4	23	13.8
\$600,000-\$999,999	4	1.3	2.6%	1	6	51	38.3
\$1,000,000 and over	0	0.0	0.0%	0	0	18	0.0
Total	200	66.7	14.8%	75	203	449	6.7

Source: Missoula MLS, Williams & Associates

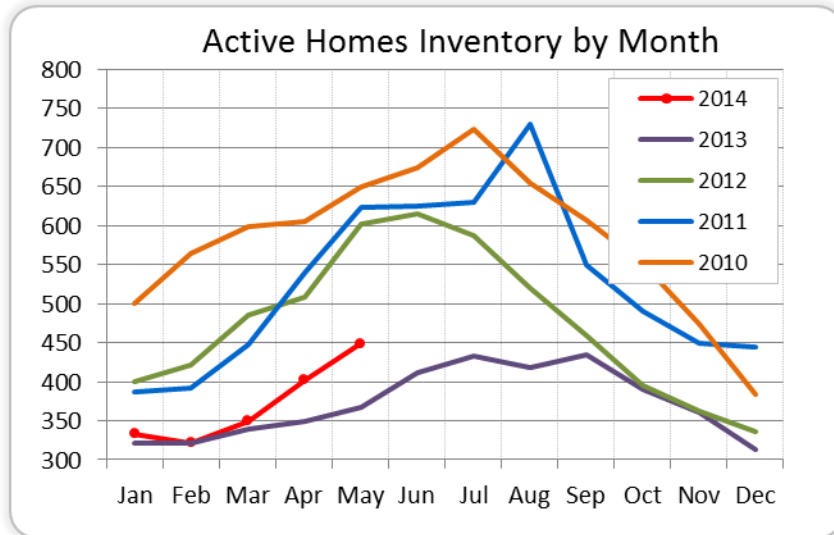
A low absorption rate in your price range may indicate an opportunity to list at a higher price and, conversely, a higher absorption rate in your price range may put downward pressure on your market value. The following graph demonstrates absorption rate by price range. This month, absorption rates generally increased at each price-change increase – with one exception – homes priced from \$300,000 to \$349,000. It is our belief that this price-range could be skewed a bit due to homes which are actively listed but not yet built.



Source: Williams & Associates, Missoula MLS

Inventory of Homes Listed for Sale

Over the last year Missoula has had a significant shortage of homes on the market and, even with seasonal increases in inventory, inventory levels were constantly running behind prior year levels. However, in the last two months, inventory has picked up significantly and at the end of May, there were 449 homes actively listed for sale. Inventory levels are still behind the levels of 2010, 2011, and 2012, however, based on our evaluation of the absorption rate, we believe that we may be witnessing Missoula's ascent toward a more normal market.

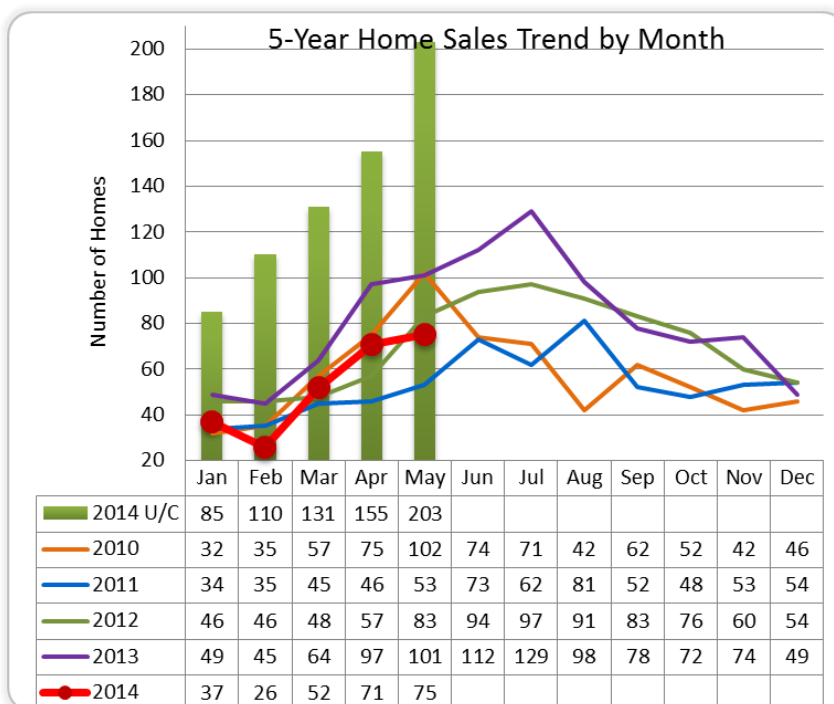


Source: Williams & Associates, Missoula MLS

5-Year Home Sales by Month

Missoula home sales increased this month to a total of 75 and under contract volume increased from 155 properties at the end of April to 203 properties under contract in May. Based on the low number of sales in the first quarter of the year, we believe there may have been some properties that were under contract at the end of March that did not end up closing until April or May.

The following chart provides a monthly snapshot of total homes sold since January 2010. (Green columns represent Under Contract properties for the current year.)



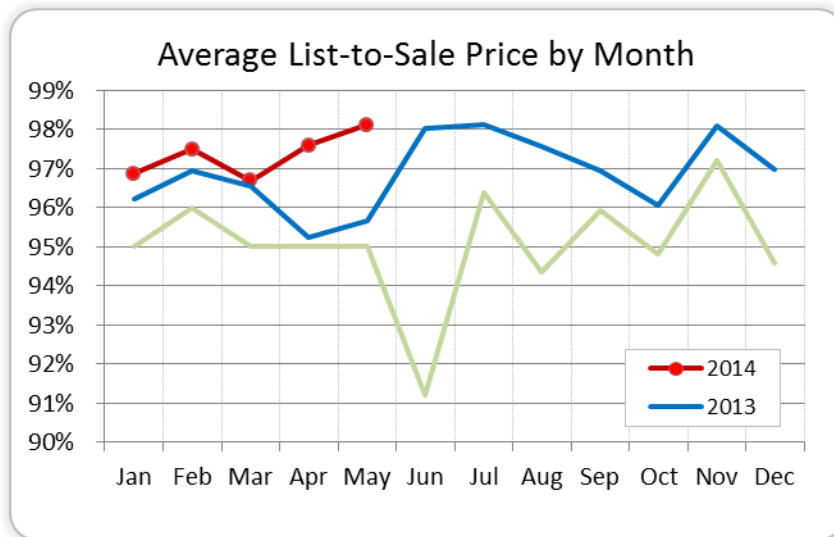
Source: Williams & Associates, Missoula MLS

Average List-to-Sale Price

List-to-sales price, the ratio of the price at which a home sells to the price at which it was listed, signifies pricing trends in the market. (For example, if you sold a home for \$100,000, sellers are, on average, accepting offers of \$96,000 – \$98,000, or between 2 and 4 percent less than asking price.) When inventory increases, average list-to-sales prices generally decrease due to added competition in the market. When lower list to sales prices are seen, usually in the summer months, it can be attributed to high absorption rates, primarily because during these months there are more homes on the market, meaning more competition. In that scenario, motivated sellers might have to take less for their home in order to beat out the competition.

For the last couple of years homes have been selling at 95 percent to 96 percent of list price and, for the last several months, list-to-sales price has been better than in prior years - hovering between 97 and 98 percent. The lowest list-to-sales ratio in the last year was in March 2013, when sellers averaged 95 percent of asking price. In the summer months following, this percentage moved up to 98 percent. List-to-sale price this May averaged 98 percent.

The following graph provides the average list-to-sale price, by month, for the last three years:



Source: Williams & Associates, Missoula MLS

Overall Short-Term Market Outlook

With more active listings on the market and under contract numbers on the rise, there are currently buyers actively looking for homes to purchase and we believe we have been experiencing a normalizing market.

Since inventory was so low in the beginning of the year, buyers had little to choose from, so when a good home that was priced well would be listed, sellers were entertaining multiple offers and garnering near asking price. Over the last two months inventory has begun to increase. Sellers have put more homes on the market in the last two months and since there are currently plenty more buyers in the market than we have seen in the last several months, sellers are still getting very close to asking price. Buyers still have limited options compared to years past, thus creating the possibility of a seller getting an offer close to asking price.

While it seems average sold prices could continue to increase over the coming months, qualified buyers that are prepared to buy are also looking to purchase a reasonably priced home. Sellers whose homes are competitively priced continue to entertaining multiple offers and are getting very close to asking price or more than asking price. Sellers are currently closing the sale at an average of 98 percent of asking price.

SOLD HOMES HISTORY

MONTH	Total Homes Sold				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	37	(24.5%)	(24.5%)	49	46
Feb	26	(29.7%)	(41.3%)	45	46
Mar	52	100.0%	(25.0%)	64	48
Apr	71	36.5%	(45.6%)	97	57
May	75	5.6%	(31.3%)	101	83
Jun				112	94
Jul				129	97
Aug				98	91
Sep				78	83
Oct				72	76
Nov				74	60
Dec				49	54
YTD Total/Avg	261			356	280

% change from prior year -26.7%

27.1%

MONTH	Average Sold Price				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	\$256,709	7.5%	7.8%	\$238,159	\$230,678
Feb	\$253,947	(1.1%)	8.8%	\$233,446	\$258,225
Mar	\$248,472	(2.2%)	(1.0%)	\$251,041	\$245,331
Apr	\$262,784	5.8%	(2.0%)	\$268,104	\$248,736
May	\$265,661	1.1%	5.6%	\$251,576	\$254,988
Jun				\$276,308	\$272,360
Jul				\$263,468	\$236,134
Aug				\$256,588	\$260,083
Sep				\$257,124	\$254,560
Oct				\$257,750	\$251,947
Nov				\$249,569	\$247,451
Dec				\$238,880	\$268,051
YTD Total/Avg	\$259,018			\$251,845	\$248,598

2.8%

1.3%

Month	Avg DOM - Sold		
	2014	2013	2012
Jan	113	121	135
Feb	192	132	141
Mar	98	145	142
Apr	150	119	116
May	102	106	107
Jun		90	114
Jul		98	118
Aug		85	116
Sep		92	122
Oct		108	130
Nov		110	112
Dec		146	109

Month	Avg List to Sale		
	2014	2013	2012
Jan	97%	96%	95%
Feb	97%	97%	96%
Mar	97%	97%	95%
Apr	98%	95%	95%
May	98%	96%	95%
Jun		98%	91%
Jul		98%	96%
Aug		98%	94%
Sep		97%	96%
Oct		96%	95%
Nov		98%	97%
Dec		97%	95%

Source: Missoula MLS, Williams & Associates

ACTIVE and UNDER CONTRACT HOME HISTORY

Month	TOTAL ACTIVE HOMES				TOTAL UNDER CONTRACT			
	2014	% change (LM)	% change (LY)	2013	2012	2014	2013	2012
Jan	333	6.4%	2.8%	322	400	85	128	90
Feb	322	(3.3%)	0.0%	322	421	110	133	79
Mar	350	8.7%	2.3%	339	485	131	178	70
Apr	402	14.9%	10.4%	349	508	155	208	89
May	449	11.7%	13.5%	368	602	203	228	104
Jun				411	616		195	101
Jul				433	587		155	94
Aug				418	520		134	113
Sep				434	459		128	132
Oct				391	395		116	130
Nov				360	362		84	108
Dec				313	336		76	101

Month	ACTIVE SHORT SALE			ACTIVE REO			% of Active Homes		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Jan	15	15	27	9	8	23	7%	7%	13%
Feb	12	14	27	6	8	22	6%	7%	12%
Mar	6	29	22	2	8	21	2%	11%	9%
Apr	5	28	12	4	6	18	2%	10%	6%
May	5	6	29	5	7	13	2%	4%	7%
Jun		7	25		8	16		4%	7%
Jul		10	25		7	14		4%	7%
Aug		15	30		6	13		5%	8%
Sep		9	35		5	12		3%	10%
Oct		9	36		3	17		3%	13%
Nov		7	36		5	10		3%	13%
Dec		8	29		6	9		4%	11%

Source: Missoula MLS, Williams & Associates

DISCLAIMER

For the purposes of this report, the Missoula market area is comprised of the following MLS areas: Downtown Missoula, North Missoula, Lewis & Clark/Russell, Pattee Canyon/Farviews, East Missoula/West Riverside, South Hills, Linda Vista, Upper Miller Creek, Target Range/Orchard, Big Flat, Blue Mountain, Mullan Road West, Central Missoula, University District, McCormick Park Area, Rose Park/Slant Street, Lower Rattlesnake, Upper Rattlesnake, Bonner/Turah/Clinton, Grant Creek, and Expressway N of I-90/S of Broadway.

This report was prepared based on information obtained from the Missoula MLS, combined with assumptions and other information developed by Williams & Associates from its independent research effort and general knowledge of the Missoula real estate market. We make no guarantee to the accuracy of the MLS data and shall not be responsible for any anomalies or inaccuracies in any data source used in the preparation of this report. Williams & Associates has made every reasonable effort to ensure that the data and information contained in this report reflect the most accurate and timely information possible.

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