

Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes	AUGUST 2014	<i>Better/Worse than:</i>		Absorption Rate
		Prior Month	Prior Year	
# of Homes on Market	484	↓	↑	According to NAR a normal market is 6-months of inventory
# Under Contract	159	↑	↑	
Homes Sold	100	↓	↑	AUGUST 2014
Average Sold Price	\$283,454	↓	↑	Months of Inventory: 4.2
Average DOM	101	↓	↓	\$0 - \$149,999 2.9
Average List-to-Sold Price	97%	↓	↓	\$150,000 - \$249,999 3.9
3-Month Absorption Rate	4.2			\$250,000 - \$349,999 5.8
% Homes Sold under \$350,000	80%			\$350,000-\$499,999 11.1
% Homes Sold under \$350,000 - Last 12 Months	84%			\$500,000 and up 21.0
Homes Sold - Last 12 Months	887			
Homes Sold - Year-to-Date	606			

MARKET OVERVIEW

Missoula real estate activity has been on the rise over the summer, giving the appearance of trending toward a more stable 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 additional homes become available over the next month, there are buyers out there to absorb them.

The Missoula residential real estate market closed out the month of August with a total of 100 sales, with about 80 percent of the homes sold priced under \$350,000. The overall average sold price was \$283,454 and homes that closed in August were on the market for approximately 101 days before the sale was finalized. At the end of the month there were 159 homes under contract and 484 homes actively listed for sale.

Buyer Recommendation: Despite the increase in homes on the market, with buyers out looking, sellers whose homes are competitively priced have been and still are 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 it is still a seller's market and average sold prices could 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 decreased slightly from last month to 484 at the end of August and there were 100 homes sold throughout the month; at the end of the month there were approximately 159 homes under contract. Sales were down slightly from last month and only about two sales more than the same month last year when 98 homes were sold.

Though the number of homes actively listed on the market did not reach the levels experienced in the summer of 2012, the Missoula market recovered over this summer from the severe lack of inventory experienced 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 in the market over the summer months, this could be an indication that sellers are dropping their prices slightly and becoming more aligned with the buyers right now.

Price Range

Approximately 23.8 per cent of inventory turned over this month, with most of the sales activity (roughly 80 per cent) occurred in the under \$350,000 price range.

Days on Market (DOM)

DOM increased a little bit from last month; homes that sold in August were on the market for an average of 101 days, compared to 86 days in July.

Foreclosure/Bank Owned (REO)

Short sale and REO properties accounted for only about 4 percent of the active residential listings this month. At the end of August, the MLS was reporting 11 active short sales and 9 bank-owned properties out of a total of 484 single-family listings.

Average Sold Price

Average sold price in August to \$283,454, down slightly from last month but up approximately 10.5 per cent from the same month last year, which reflected the highest average sold price we had seen in the last several years. The following graph shows average sold price trends since January 2012.

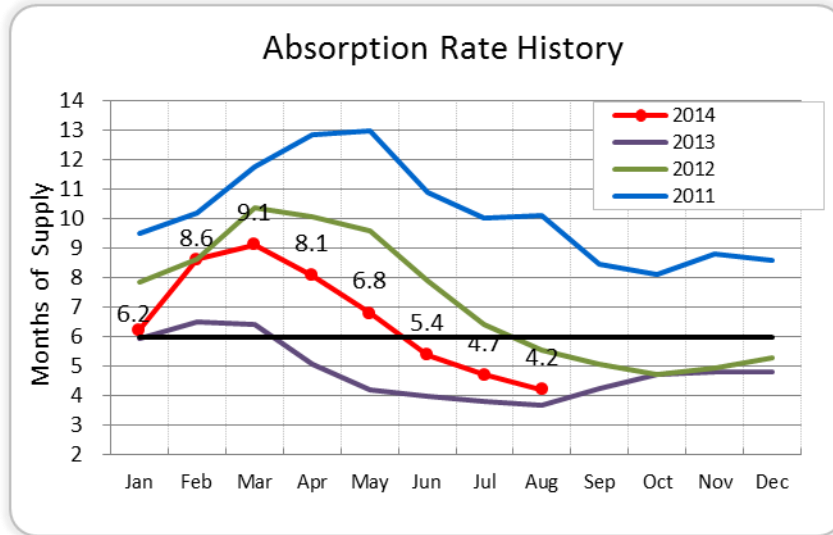


Source: Williams & Associates, Missoula MLS

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 – whereas anything over 6 months indicates a buyer’s market and anything under 6 months indicates a seller’s market. For the purposes of this discussion we are utilizing a 3-month average for sales.

Overall, the Missoula market performed at a slightly faster pace than a normal market, producing an overall absorption rate of 4.2 months in August, compared to 4.7 months in July. This means homes sold faster than in a normal market where it takes approximately 6 months to sell a home. Overall absorption rate history for the last four years is presented in the following graph.



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.

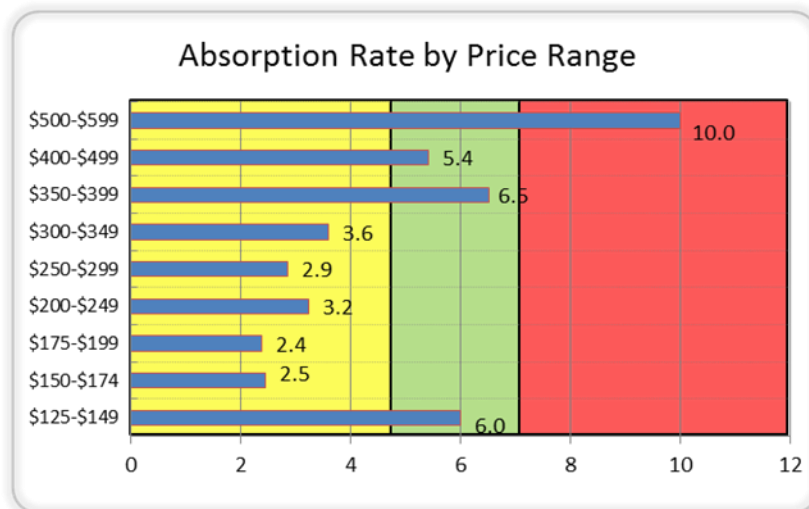
The following table calculates absorption rate by price range, based on the last three months of sales.

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	5	1.7	83.3%	2	2	2	1.2
\$125,000-\$149,999	5	1.7	16.7%	2	7	10	6.0
\$150,000-\$174,999	33	11.0	40.7%	7	14	27	2.5
\$175,000-\$199,999	38	12.7	42.2%	10	21	30	2.4
\$200,000-\$249,999	88	29.3	30.9%	25	38	95	3.2
\$250,000-\$299,999	63	21.0	35.0%	18	30	60	2.9
\$300,000-\$349,999	46	15.3	27.9%	16	17	55	3.6
\$350,000-\$399,999	23	7.7	15.3%	7	8	50	6.5
\$400,000-\$499,999	30	10.0	18.5%	9	12	54	5.4
\$500,000-\$599,999	9	3.0	10.0%	3	2	30	10.0
\$600,000-\$999,999	5	1.7	3.3%	1	7	50	30.0
\$1,000,000 and over	0	0.0	0.0%	0	1	21	0.0
Total	345	115.0	23.8%	100	159	484	4.2

Source: Missoula MLS, Williams & Associates

A low absorption rate in your price range may indicate an opportunity to list your home 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.

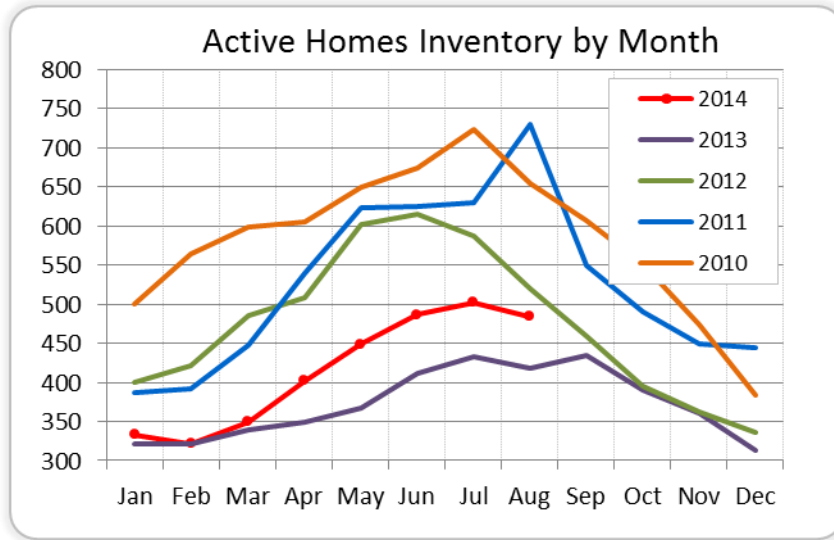
Absorption rates in the yellow range show which homes are selling faster than a normal 6-month market and rates in the red range are selling slower. Absorption rates falling within the green range show homes that are selling very near the “normal” 6-month timeframe.



Source: Williams & Associates, Missoula MLS

Inventory of Homes Listed for Sale

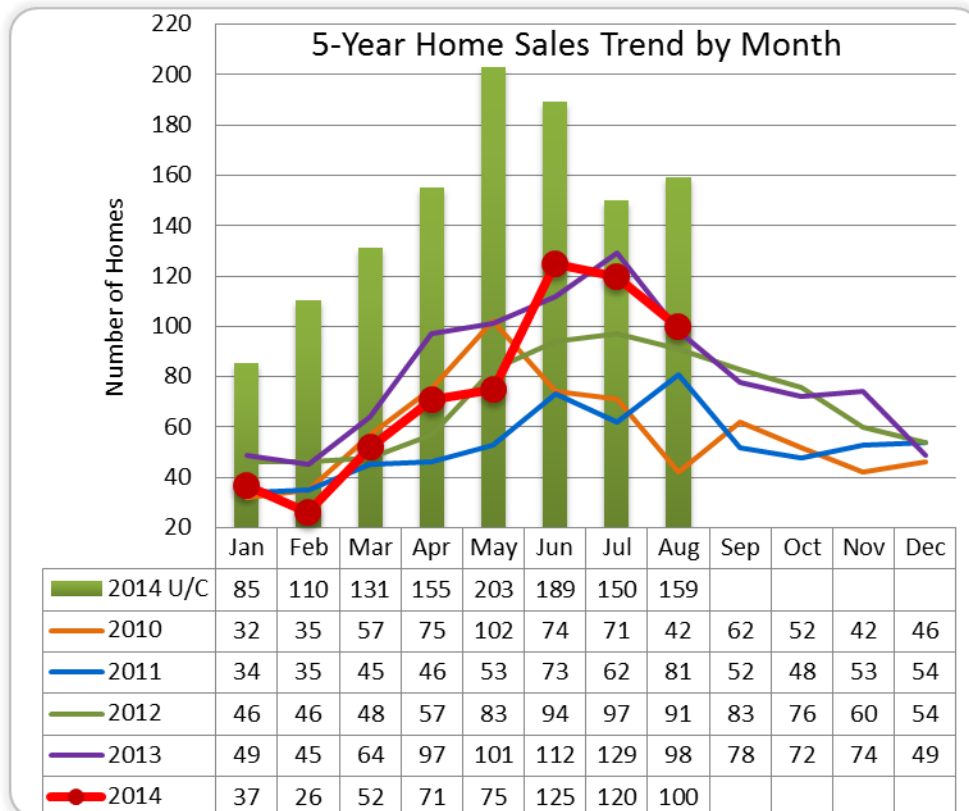
Over the last year Missoula had been experiencing a significant shortage of homes on the market, however, in the last few months, inventory picked up significantly through late spring and throughout the summer. At the end of August, there were 484 homes actively listed for sale. Inventory levels are still behind the levels of 2010, 2011 and 2012, however, based on our evaluation of the absorption rate we believe Missoula has been moving more toward a normal market.



Source: Williams & Associates, Missoula MLS

5-Year Home Sales by Month

Missoula home sales decreased slightly this month to a total of 100 and under contract volume increased slightly from 150 properties at the end of July to 159 properties under contract in August. The following chart provides a monthly snapshot of total homes sold since January 2010. (Green columns represent Under Contract properties for the current year.)



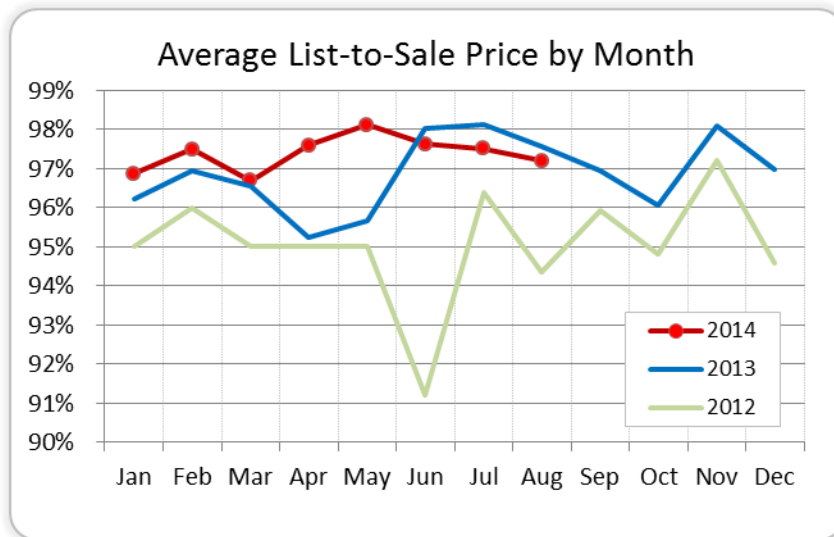
Source: Williams & Associates, Missoula MLS

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 year, 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 May 2013, when sellers averaged 96 percent of asking price. In the summer months following, the percentage moved up to 98 percent and has remained relatively consistent. List-to-sale price this August averaged 97 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 remaining steadily high, it is evident there are currently buyers actively looking for homes to purchase and we believe we have been experiencing a normalizing market.

With low inventory 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 few months inventory has begun to increase. Now that Sellers have put more homes on the market in the last two months and since there are currently 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.

Qualified buyers that are prepared to buy are 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	125	66.7%	13.8%	112	94
Jul	120	(4.0%)	(9.3%)	129	97
Aug	100	(16.7%)	2.2%	98	91
Sep				78	83
Oct				72	76
Nov				74	60
Dec				49	54
YTD Total/Avg	606			695	562

% change from prior year -12.8%

23.7%

	Average Sold Price			
	2014	% change (LM)	% change (LY)	2013
\$256,709	7.5%	7.8%	\$238,159	\$230,678
\$253,947	(1.1%)	8.8%	\$233,446	\$258,225
\$248,472	(2.2%)	(1.0%)	\$251,041	\$245,331
\$262,784	5.8%	(2.0%)	\$268,104	\$248,736
\$265,661	1.1%	5.6%	\$251,576	\$254,988
\$270,691	1.9%	(2.0%)	\$276,308	\$272,360
\$284,167	5.0%	7.9%	\$263,468	\$236,134
\$283,454	(0.3%)	10.5%	\$256,588	\$260,083
			\$257,124	\$254,560
			\$257,750	\$251,947
			\$249,569	\$247,451
			\$238,880	\$268,051
\$270,438			\$258,613	\$252,281

4.6%

2.5%

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	104	90	114
Jul	86	98	118
Aug	101	85	116
Sep		92	122
Oct		108	130
Nov		110	112
Dec		146	109

Avg List to Sale		
2014	2013	2012
97%	96%	95%
97%	97%	96%
97%	97%	95%
98%	95%	95%
98%	96%	95%
98%	98%	91%
98%	98%	96%
97%	98%	94%
	97%	96%
	96%	95%
	98%	97%
	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	487	8.5%	12.3%	411	616	189	195	101
Jul	502	3.1%	11.8%	433	587	150	155	94
Aug	484	(3.6%)	12.7%	418	520	159	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	6	7	25	5	8	16	2%	4%	7%
Jul	10	10	25	8	7	14	4%	4%	7%
Aug	11	15	30	9	6	13	4%	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, , W of N Reserve, 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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