



MARKET REPORT – Missoula, MT

December 2012

- Current Real Estate Market Conditions for Single Family Homes
- Trends in Pricing
- Current Levels of Supply and Demand
- New Construction and Land Report (available upon request)

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LOCAL MARKET OVERVIEW - Missoula Area

Single Family Homes

Missoula Market Profile	December 2012	Change from Prior Month
Average Sold Price	\$268,051	↑
Average List-to-Sold Price	95%	↓
Absorption Rate	4.8	↓
Sold	54	↓
Sold - Last 12 Months	835	↔
Sold Year-to-Date	835	↑
% of homes sold under \$350,000 (LTM)	86%	↓
% of homes sold under \$350,000 (1month)	85%	↓
Average DOM	168	↑
# of Homes on Market	336	↓
# Under Contract	101	↓
Change from Same Month Last Year (# Sold)	0%	

Absorption Rate

According to NAR a normal market is 6-months inventory

Single Family Homes

December 2012	4.8
Under \$150,000	2.1
\$150,000 - 250,000	3.4
\$250,000 - 350,000	4.8
\$350,000-500,000	6.6
\$500,000 UP	16.5

Source: Williams & Associates, Missoula MLS

MARKET OVERVIEW

For the sixth straight month in a row, Missoula's year-over-year sales have either matched or trended to a higher level than we have seen in the last five years. December residential home sales were flat compared to December of last year and on an annual basis, 2012 sales outpaced 2011 by more than 31%.

An even more encouraging sign of a rebounding Missoula real estate market can be found in the under contract numbers. Typically, around August and September, we see the number of properties under contract and sales start to decline as the start of the school year approaches and fall/winter is on the horizon. While that did happen this year, under contract figures remained strong and at the end of December there were approximately 101 properties under contract. This represents about 50% to 75% more homes under contract at the end of 2012 than in the last three years.

Buyer Recommendation: Take advantage of low interest rates and home prices this winter to maximize your buying power. Next spring more options will be available, however, if trends continue we would expect the same homes to be selling for a higher price. Be ready to look at the good homes immediately to avoid possible multiple offer situations.

Seller Recommendations: Inventory is so low right now that we recommend putting/keeping your home on the market this winter. Buyers currently have limited options, creating the possibility of getting a better price now than in other times of the year. In our experience, winter buyers tend to come pre-qualified and ready to buy, so they are not wasting your time. While prices could increase a little by spring, there will be increased competition which may hold some homes back from selling.

HIGHLIGHTS:

Supply & Demand:

We have noticed a significant shortage of single-family homes on the market over the last couple of months and anticipate inventory levels to decrease further as we move deeper into the winter months. Under contract numbers remain very strong and December's average sold price increased by more than \$20,000 over November. As stated in previous issues of this report, we anticipate the combination of strong sales and declining inventory to cause average home prices to increase.

While the number of Missoula home sales has gone down each month since August, sales remain strong compared to the last several years. The Missoula market realized 54 residential sales this December, reflecting the same number of sales in December 2011 and more sales than in December of the prior three years. On an annual basis, there was a total of 835 single-family home sales in 2012, the first real increase the market has seen in the last five years. This represents a 31% increase over last year and a 21%, 23% and 13% increase over annual sales in 2010, 2009 and 2008, respectively.

Price Range:

Approximately 20.7% of inventory turned over this month, with the most activity in the \$150,000 to \$350,000 price range. This December, roughly 85% of Missoula's single family homes (with and without acreage) sold for less than \$350,000.

Days on Market (DOM):

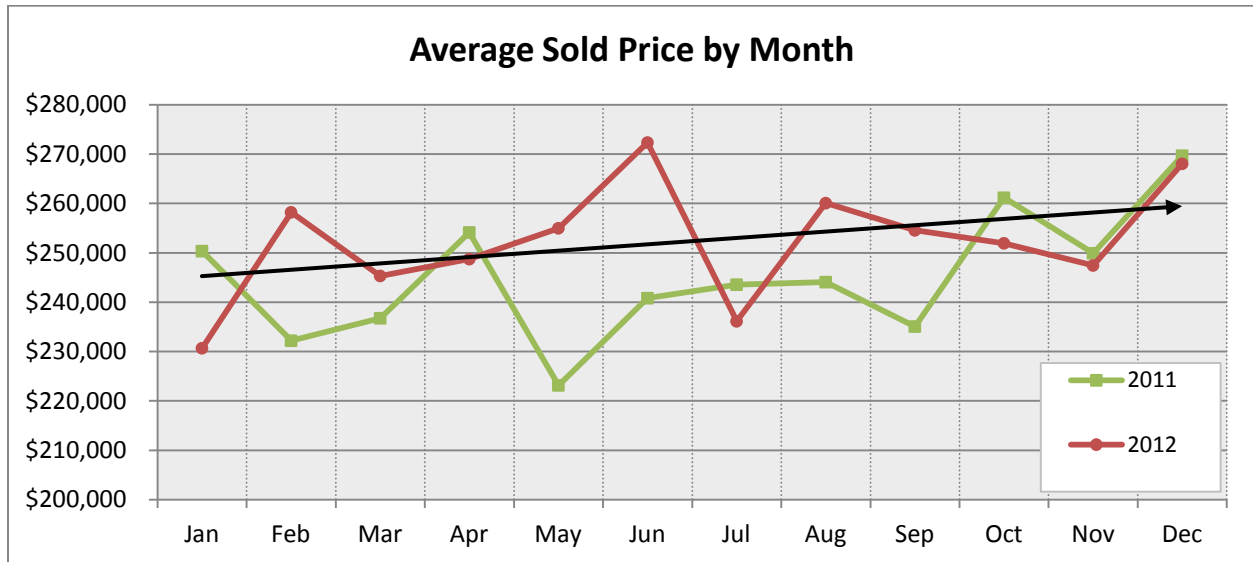
This month there were 336 homes on the market for an average of 168 days, not including relisting. (It is important to note that the average DOM figure is slightly skewed because each time a property is relisted, the DOM resets to zero.)

Foreclosure/Bank Owned (REO):

In the city of Missoula, short sale and REO properties accounted for approximately 9% of the active residential market. As of the date of this report, the MLS is reporting 29 possible short sales and 9 bank-owned properties out of 336 total single-family listings.

Average Sold Price:

While average sold price had been declining slightly each month since August, prices rebounded significantly in December. As expected, with the further decline in listing inventory, average sold prices increased approximately 8% from about \$247,500 in November to approximately \$268,000 in December. When looking at the year as a whole, there were roughly 600 fewer homes listed for sale in 2012 than in 2011 and approximately 31% more homes sold this year than last. The combination of these factors resulted in an average annual sale price of approximately \$244,000, a mere 0.4% lower than the estimated overall average in 2011 of \$245,000.

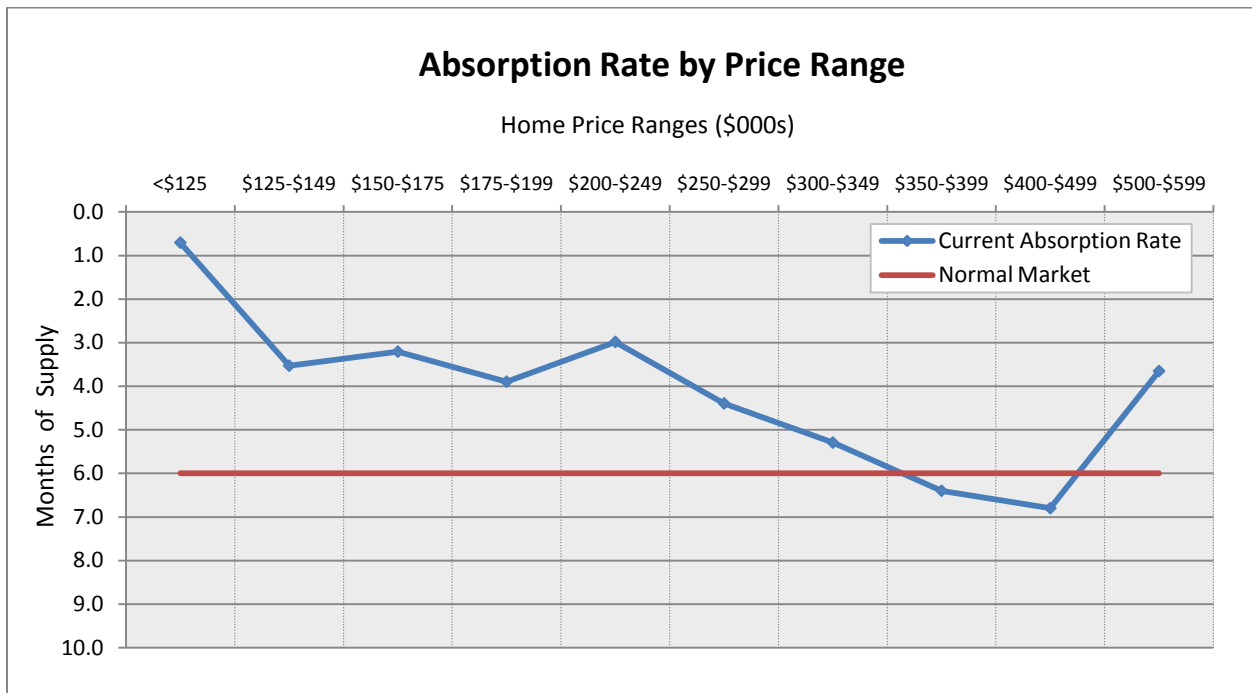


Source: Williams & Associates, Missoula MLS

Absorption Rate:

The health of the Missoula real estate market is 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. Overall, the Missoula market is performing above a normal absorption rate. At an absorption rate of 4.8 months in December, it was one of the strongest we have seen in five years.

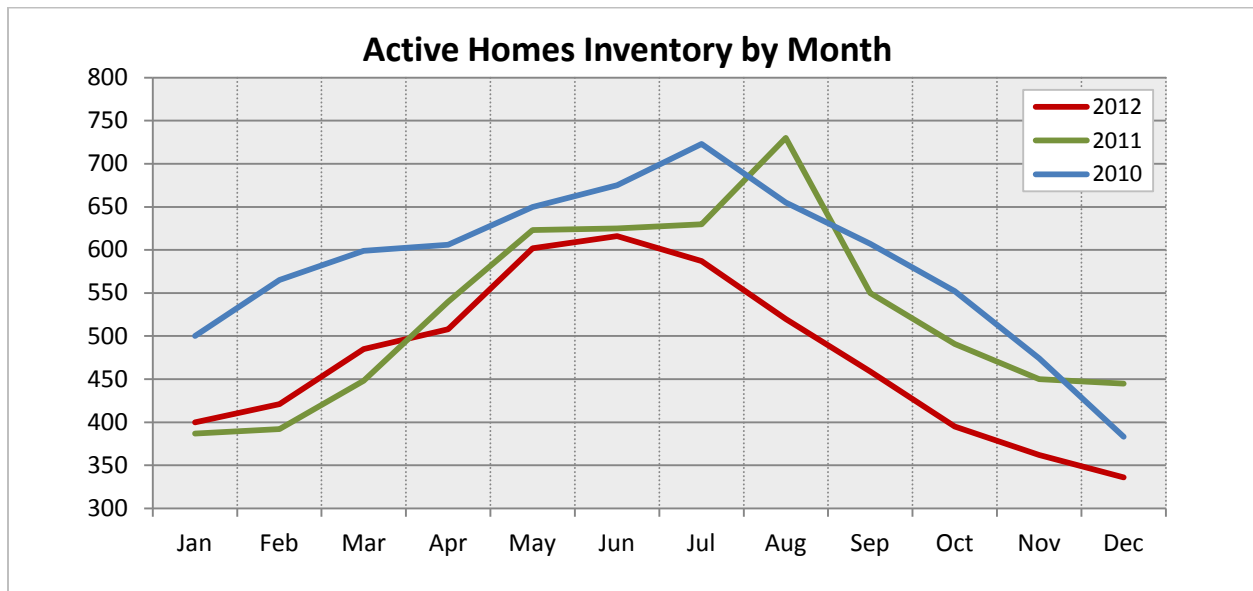
Homes in the price range above the red line in the chart below indicate a seller’s market and homes priced below the red line indicate a buyer’s market. The blue line shows that homes priced below \$350,000 performed at a significantly better rate than a normal market in December, along with homes in the \$500,000 to \$599,000 price range, whereas homes priced between \$350,000 and \$499,000 performed at a slightly slower rate than a normal market. As the market improves, look for consumer confidence in the higher priced homes to increase as a positive indication of overall market health.



Source: Williams & Associates, Missoula MLS

Inventory of Homes Listed for Sale:

Since the month of April, inventory levels have been lower than in the last two years. Lower inventory levels can be one of the first signs of a rebounding market, as it could indicate that more homes are selling than new listings being put on the market. We have noticed a significant shortage of homes on the market over the last couple of months and we expect inventory levels to continue to decline as we move further into the winter months. The following chart presents the total inventory of homes listed for sale at the end of each month since January 2010.

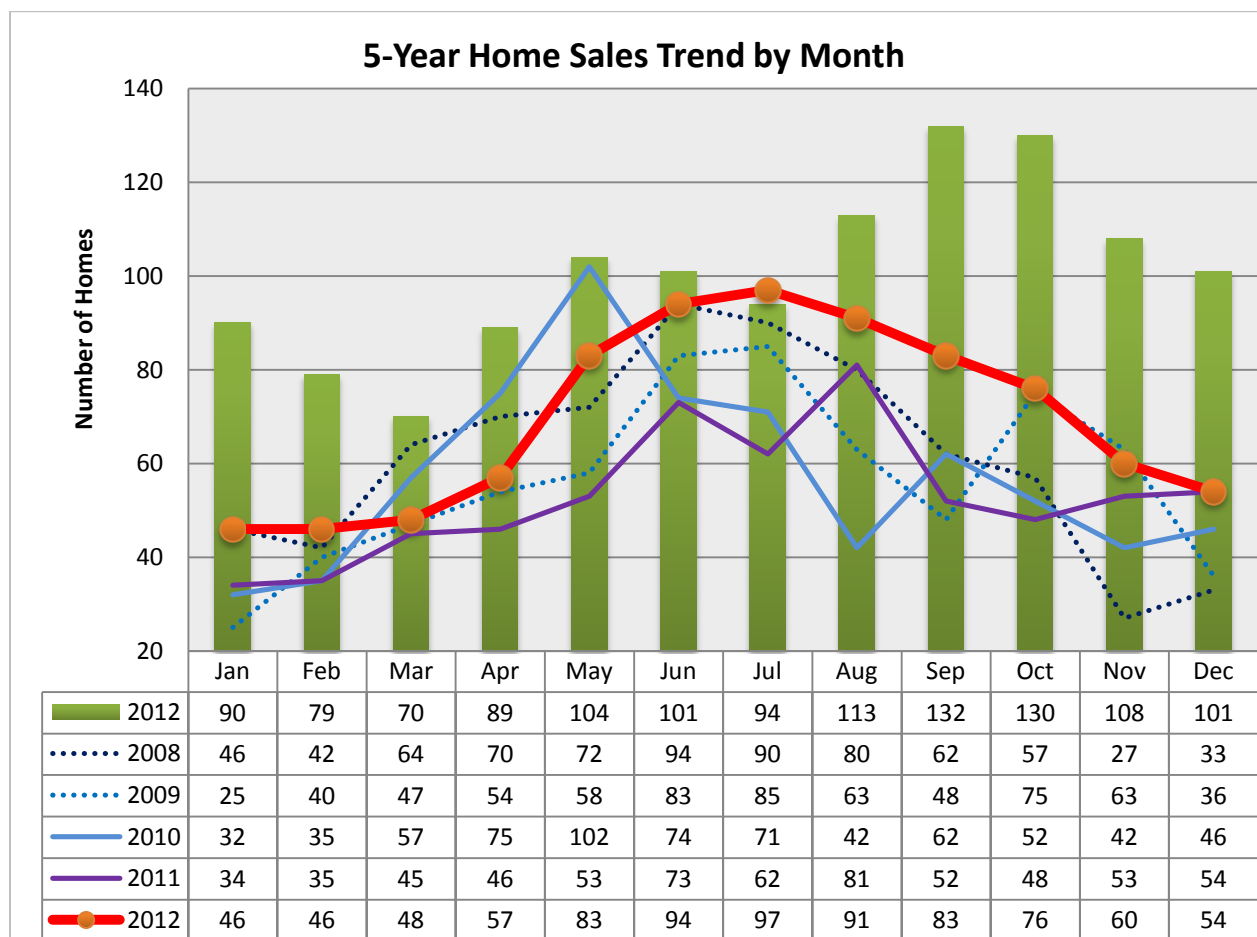


Source: Williams & Associates, Missoula MLS

5-Year Home Sales by Month:

Under Contract volume is still quite high as we close out the year and, although sales have dropped off slightly for the winter season, home sales over the last several months have either matched or outpaced most all of the last five years when compared to the same months in prior years. It is important to note that the Missoula MLS adjusted the way under contract short sales were accounted for midway through 2012. However, this change does not affect the figures significantly. Prior to the change, short sales were considered “Active” listings until the transaction was closed. Now short sales that are in the process of being finalized are counted as “Under Contract” in the MLS.

According to the Missoula MLS, 54 homes were sold in December this year. The following chart provides a monthly snapshot of total homes sold since 2008. (Green columns represent Under Contract properties for the current year.)

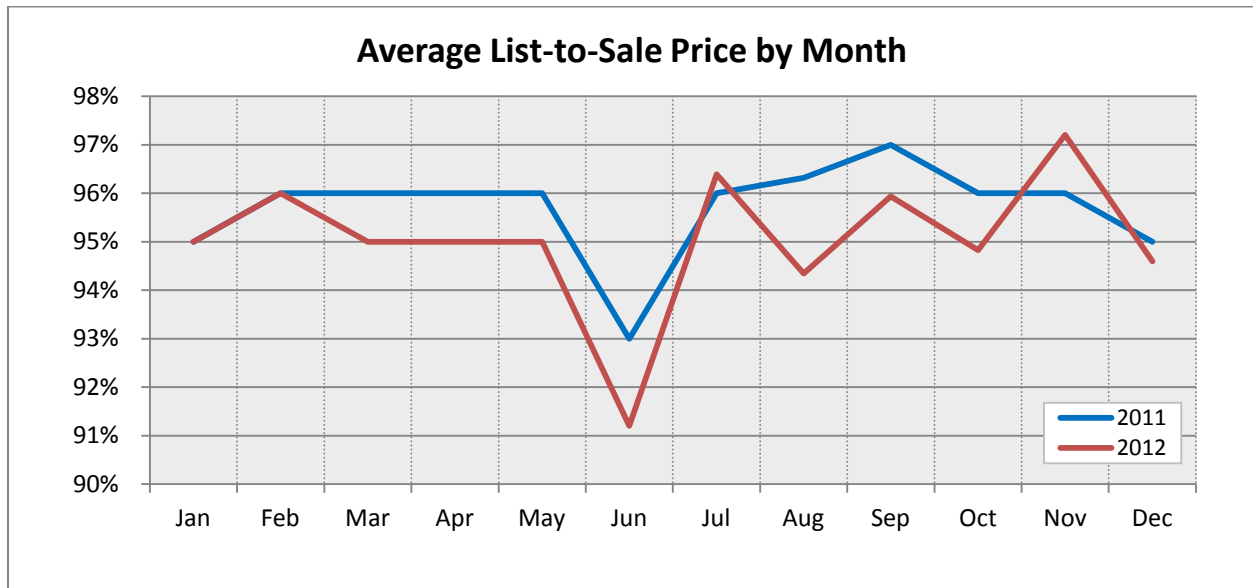


Source: Williams & Associates, Missoula MLS

Average List-to-Sales Price:

List-to-sales price signifies pricing trends in the market. For the last two years homes have generally been selling at 95% to 96% of list price. For example, if you are selling a home for \$100,000, on average sellers are accepting offers of \$95,000 – \$96,000, or between 4% and 5% less than asking price.

Overview: As inventory goes down, look for average List-to-Sales price to increase as an indication of an improving market. A higher List-to-Sales price will also be an indicator of increasing home values.



Source: Williams & Associates, Missoula MLS

KNOW YOUR COMPETITION - REAL ESTATE MARKET in Missoula, MT

	SOLD Last 12 Months	Average per Month	SOLD This Month	Under Contract	Homes on the Market	% Sold Every 30 Days	CURRENT Month's Supply-12 Months
SINGLE FAMILY HOMES							
under \$125,000	34	2.8	1	4	2	141.7%	0.7
\$125,000-\$149,999	51	4.3	3	4	15	28.3%	3.5
\$150,000-\$174,999	101	8.4	11	15	27	31.2%	3.2
\$175,000-\$199,999	117	9.8	6	18	38	25.7%	3.9
\$200,000-\$249,999	197	16.4	11	25	49	33.5%	3.0
\$250,000-\$299,999	101	8.4	8	14	37	22.7%	4.4
\$300,000-\$349,999	68	5.7	2	2	30	18.9%	5.3
\$350,000-\$399,999	30	2.5	2	2	16	15.6%	6.4
\$400,000-\$499,999	30	2.5	4	2	17	14.7%	6.8
\$500,000-\$599,999	23	1.9	0	1	7	27.4%	3.7
\$600,000-\$999,999	9	0.8	1	4	22	3.4%	29.3
\$1,000,000 and over	1	0.1	0	0	9	0.9%	108.0
Total	762	63.5	49	91	269	23.6%	4.2
SINGLE FAMILY HOMES with ACREAGE							
under \$125,000	1	0.1	0	0	0	0.0%	0.0
\$125,000-\$149,999	0	0.0	0	0	0	0.0%	0.0
\$150,000-\$174,999	2	0.2	0	1	1	16.7%	6.0
\$175,000-\$199,999	4	0.3	0	1	1	33.3%	3.0
\$200,000-\$249,999	17	1.4	3	4	6	23.6%	4.2
\$250,000-\$299,999	13	1.1	0	0	5	21.7%	4.6
\$300,000-\$349,999	15	1.3	1	0	2	62.5%	1.6
\$350,000-\$399,999	5	0.4	0	1	7	6.0%	16.8
\$400,000-\$499,999	9	0.8	1	2	10	7.5%	13.3
\$500,000-\$599,999	1	0.1	0	1	6	1.4%	72.0
\$600,000-\$999,999	5	0.4	0	0	13	3.2%	31.2
\$1,000,000 and over	1	0.1	0	0	16	0.5%	192.0
Total	73	6.1	5	10	67	9.1%	11.0
TOTAL SINGLE FAMILY HOMES							
under \$125,000	35	2.9	1	4	2	145.8%	0.7
\$125,000-\$149,999	51	4.3	3	4	15	28.3%	3.5
\$150,000-\$174,999	103	8.6	11	16	28	30.7%	3.3
\$175,000-\$199,999	121	10.1	6	19	39	25.9%	3.9
\$200,000-\$249,999	214	17.8	14	29	55	32.4%	3.1
\$250,000-\$299,999	114	9.5	8	14	42	22.6%	4.4
\$300,000-\$349,999	83	6.9	3	2	32	21.6%	4.6
\$350,000-\$399,999	35	2.9	2	3	23	12.7%	7.9
\$400,000-\$499,999	39	3.3	5	4	27	12.0%	8.3
\$500,000-\$599,999	24	2.0	0	2	13	15.4%	6.5
\$600,000-\$999,999	14	1.2	1	4	35	3.3%	30.0
\$1,000,000 and over	2	0.2	0	0	25	0.7%	150.0
Total	835	69.6	54	101	336	20.7%	4.8

Source: Missoula MLS, Williams & Associates

SOLD HOMES HISTORY

MONTH	Total Homes Sold							Average Sold Price			
	2012	% change (LM)	% change (LY)	2011	2010	2009	2008	2012	% change (LM)	2011	2010
Jan	46	(14.8%)	35.3%	34	32	25	46	\$230,678		\$250,357	\$270,553
Feb	46	0.0%	31.4%	35	35	40	42	\$258,225	11.9%	\$232,201	\$234,250
Mar	48	4.3%	6.7%	45	57	47	64	\$245,331	(5.0%)	\$236,758	\$273,979
Apr	57	18.8%	23.9%	46	75	54	70	\$248,736	1.4%	\$254,136	\$225,546
May	83	45.6%	56.6%	53	102	58	72	\$254,988	2.5%	\$223,152	\$229,629
Jun	94	13.3%	28.8%	73	74	83	94	\$272,360	6.8%	\$240,823	\$246,863
Jul	97	3.2%	56.5%	62	71	85	90	\$236,134	(13.3%)	\$243,565	\$251,276
Aug	91	(6.2%)	12.3%	81	42	63	80	\$260,083	10.1%	\$244,079	\$253,257
Sep	83	(8.8%)	59.6%	52	62	48	62	\$254,560	(2.1%)	\$235,074	\$220,703
Oct	76	(8.4%)	58.3%	48	52	75	57	\$251,947	(1.0%)	\$261,173	\$262,801
Nov	60	(21.1%)	13.2%	53	42	63	27	\$247,451	(1.8%)	\$249,910	\$280,726
Dec	54	(10.0%)	0.0%	54	46	36	33	\$268,051	8.3%	\$269,696	\$236,693
YTD DECEMBER Total/Avg	835			636	690	677	737	\$244,045		\$245,077	\$248,856
YTD Year-Over-Year Growth	31.3%			(7.8%)	1.9%	(8.1%)	(27.3%)	(0.4%)		(1.5%)	

Source: Missoula MLS, Williams & Associates

ACTIVE HOME HISTORY

Month	TOTAL ACTIVE HOMES					
	% change		2011	2010	2009	2008
	2012	(LM)				
Jan	400	5.7%	387	500	497	440
Feb	421	5.3%	392	565	536	484
Mar	485	15.2%	448	599	598	501
Apr	508	4.7%	540	606	567	594
May	602	18.5%	623	650	608	658
Jun	616	2.3%	625	675	610	665
Jul	587	(4.7%)	630	723	628	688
Aug	520	(11.4%)	730	655	627	666
Sep	459	(11.7%)	550	607	614	643
Oct	395	(13.9%)	491	552	600	581
Nov	362	(8.4%)	450	474	556	544
Dec	336	(7.2%)	445	383	464	473

TOTAL UNDER CONTRACT *			
2012	2011	2010	2009
90	74	77	70
79	75	82	91
70	77	152	97
89	75	160	88
104	115	150	105
101	146	110	122
94	158	74	108
113	120	87	97
132	112	71	89
130	98	74	62
108	58	70	60
101	65	62	57

Average DOM / List-to-Sale Price / Rates

Month	Avg DOM		Avg List to Sale		Rates	
	2012	2011	2012	2011	2012	2011
Jan	135	147	95%	95%	4.00%	4.75%
Feb	141	172	96%	96%	4.00%	5.00%
Mar	142	121	95%	96%	4.00%	5.00%
Apr	141	123	95%	96%	4.00%	4.25%
May	107	113	95%	96%	3.75%	4.50%
Jun	114	120	91%	93%	3.75%	4.50%
Jul	118	129	96%	96%	3.50%	4.25%
Aug	116	100	94%	96%	3.50%	3.75%
Sep	122	121	96%	97%	3.50%	3.75%
Oct	130	141	95%	96%	3.50%	3.75%
Nov	112	152	97%	96%	3.00%	3.75%
Dec	168	147	95%	95%	3.00%	3.75%

Short Sale		REO	
2012	2011	2012	2011
27	13	23	20
27	23	22	13
22	26	21	13
12	29	18	15
29	27	13	17
25	28	16	14
25	31	14	11
30	25	13	15
35	20	12	17
36	22	17	20
36	19	10	22
29	17	9	19

Source: Missoula MLS, Williams & Associates

DISCLAIMER

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.

It is important to note that this is a snapshot of information, where how/when various realtors enter information into the system can affect the overall results, albeit only slightly. Other factors which influence the results of this report are primarily related to factors that are unquantifiable and unpredictable – including, but not limited to, economic, governmental, managerial and regulatory changes, and acts of nature – which are qualitative by nature, and cannot be readily used in any quantitative projections. This report is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

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