

Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes	FEBRUARY 2014	<i>Better/Worse than:</i>		Absorption Rate
		Prior Month	Prior Year	
# of Homes on Market	322	↓	↔	According to NAR a normal market is 6-months of inventory
# Under Contract	110	↑	↓	
Homes Sold	26	↓	↓	FEBRUARY 2014
Average Sold Price	\$253,947	↓	↑	Months of Inventory: 8.8
Average DOM	192	↓	↓	\$0 - \$149,999 0.4
Average List-to-Sold Price	97%	↔	↔	\$150,000 - \$249,999 2.6
3-Month Absorption Rate	8.8	↓	↓	\$250,000 - \$349,999 4.4
% Homes Sold under \$350,000	73%			\$350,000-\$499,999 7.2
% Homes Sold under \$350,000 - Last 12 Months	86%			\$500,000 and up 33.7
Homes Sold - Last 12 Months	935			
Homes Sold - Year-to-Date	61			

MARKET OVERVIEW

The first two months of the year have resulted in a slow start to the year in Missoula residential real estate, causing us to consider whether this is simply a seasonal slowdown or the beginning of a stabilizing market for Missoula. However, with under contract numbers on the rise and a recent influx of buyers actively looking for homes to purchase, we believe we are experiencing a winter market rather than a stabilizing market. We believe if more homes become available as we move into spring, there are buyers out there to absorb it.

The Missoula residential real estate market closed out the second month of 2014 with a total of 26 sales, with nearly three-quarters of the homes sold priced under \$350,000. The overall average sold price was \$253,947 and homes that closed in February were on the market for approximately 192 days before the sale was finalized. At the end of the month there were 110 homes under contract and 322 homes actively listed for sale.

Buyer Recommendation: With continued low inventory and more buyers out looking, sellers whose homes are competitively priced have been entertaining multiple offers and getting very close to asking price or more. 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 at such low levels for the last several months, we 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. Until more homes are listed for sale buyers will have increasingly limited options, thus creating the possibility of a seller getting an offer close to asking price because supply is not quite meeting demand. While it seems average sold prices could increase a little during this time, it is still very important to price your home reasonably and competitively.

HIGHLIGHTS

Supply & Demand

The inventory of homes listed for sale in Missoula decreased to 322 at the end of February, coupled with 110 homes under contract. There were a total of 26 residential sales for the month, continuing the trend of the lowest number of sales in any given month since January 2011.

The Missoula market is still suffering from a lack of inventory and decreased again in February. Despite the gradual rise in mortgage rates, the lack of inventory is helping sellers garner between 97 and 98 percent of asking price.

Price Range

Approximately 11.4 percent of inventory turned over this month, compared to 15.8 percent last month and 20.8 percent in December. Most of the activity (roughly 73 percent) occurred in the under \$350,000 price range.

Days on Market (DOM)

Homes sold in February were on the market for an average of 192 days, compared to 113 days last month and 132 days in February of last year.

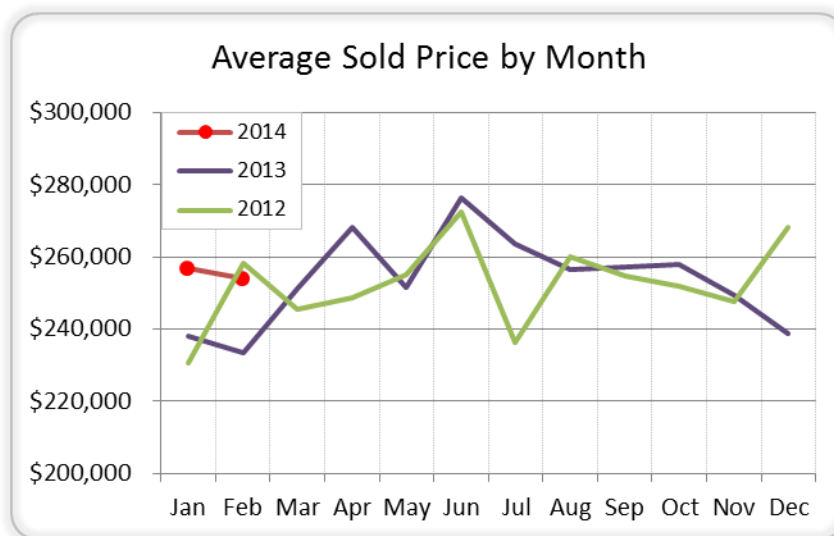
Foreclosure/Bank Owned (REO)

Short sale and REO properties accounted for approximately 6 percent of the active residential listings this month. At the end of February, the MLS was reporting 12 active short sales and 6 bank-owned properties out of a total of 322 single-family listings.

Average Sold Price

Average sold price in February was \$253,947, down approximately \$3,200 from last month which had the highest average sold price for the month of January for the last couple of years. Prior to January, average sold price had been declining for several months. We believe this increase to be partially attributable to low inventory.. However, after a year of increasing average sale prices we do anticipate a levelling out over the next several months as the fed releases its control on the interest rates interest rates begin to rise/fluctuate on their own.

The following graph shows average sold price trends since January 2012.



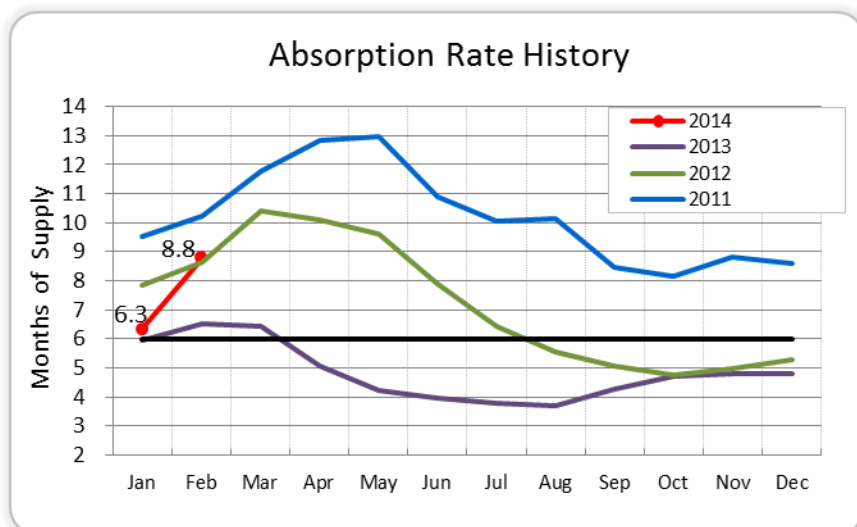
Source: Williams & Associates, Missoula MLS

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 just below a normal market this month, producing an overall absorption rate of 8.8 months in February, compared to 6.3 months in January. Under contract figures increased significantly from January, some of which may be homes that were under contract in January but did not actually close in January. The area experienced extreme weather in February which, we know in some cases, caused some closings to be delayed.

The increase in the number of under contract properties, reduced number of sales in February, and a slight decrease in inventory likely nudged up the absorption rate. We have been speculating that low inventory over the last several months could be an indication of the Missoula market's new "normal". We have also considered that buyers are likely doing one of three things: cancelling transactions because they unable to lock in an affordable rate before it rises; holding off buying and staying in their current homes; or, they waiting for more homes to come on the market (more choices). Whatever it is they are doing, it is clear there are not many home purchases being made. With warmer weather just around the corner, we have noticed buyers beginning showing interest in looking at homes again however, if inventory levels remain low, the absorption rate should not increase much further unless there is a continued decline in sales.



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.

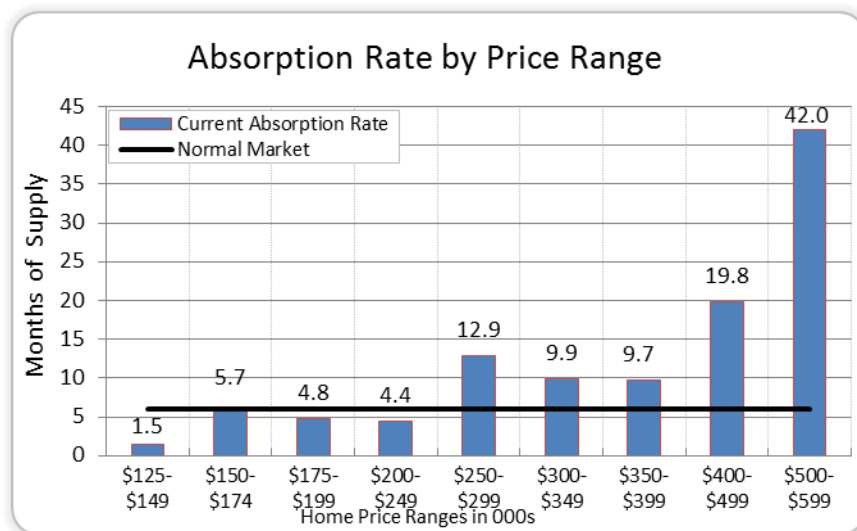
Inventory and absorption rates are an indicator for how fast our market is recovering. If the number of homes coming on the market is proportional to the number sold, our market will continue to strengthen. If there is a substantial increase in homes that are not absorbed by the number of buyers in the 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	1	0.3	16.7%	1	2	2	6.0
\$125,000-\$149,999	6	2.0	66.7%	3	3	3	1.5
\$150,000-\$174,999	11	3.7	17.5%	2	3	21	5.7
\$175,000-\$199,999	22	7.3	21.0%	3	25	35	4.8
\$200,000-\$249,999	30	10.0	22.7%	8	28	44	4.4
\$250,000-\$299,999	14	4.7	7.8%	1	23	60	12.9
\$300,000-\$349,999	10	3.3	10.1%	1	5	33	9.9
\$350,000-\$399,999	9	3.0	10.3%	4	7	29	9.7
\$400,000-\$499,999	5	1.7	5.1%	3	6	33	19.8
\$500,000-\$599,999	1	0.3	2.4%	0	3	14	42.0
\$600,000-\$999,999	1	0.3	1.0%	0	5	33	99.0
\$1,000,000 and over	0	0.0	0.0%	0	0	15	0.0
Total	110	36.7	11.4%	26	110	322	8.8

Source: Missoula MLS, Williams & Associates

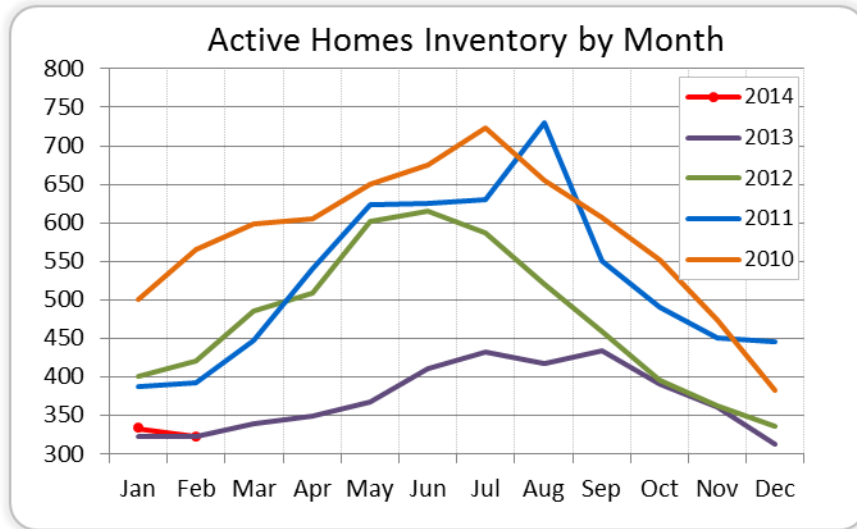
The following graph demonstrates absorption rate by price range. As can be expected, absorption rates rise at each price-change increase – with one exception – homes priced from \$250,000 to \$299,000. It is our belief that this price-range is skewed a bit due to homes which are actively listed but not 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. Even with seasonal increases in inventory, inventory levels have remained below that of the last few years. At the end of February there were 322 homes listed for sale.

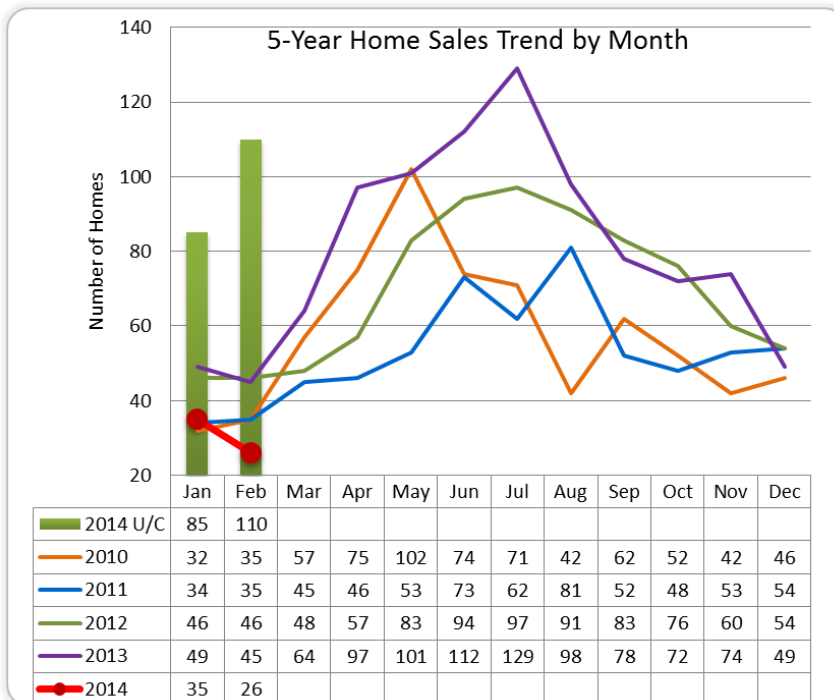


Source: Williams & Associates, Missoula MLS

5-Year Home Sales by Month

Missoula home sales decreased to a total of 26 for the month of February, the lowest number of sales in three years. Under Contract volume increased from 85 properties at the end of January to 110 properties under contract in February. Based on the low number of sales in February, we believe there may have been some properties that were under contract at the end of January that did not end up closing in February.

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



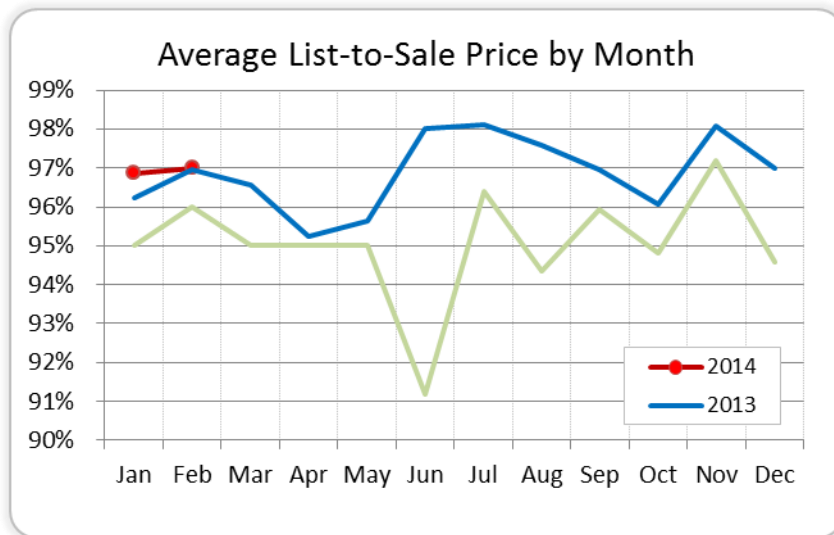
Source: Williams & Associates, Missoula MLS

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 February 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 under contract numbers on the rise and a recent influx of buyers actively looking for homes to purchase, we believe we have been experiencing a winter market rather than a stabilizing market.

However, with inventory at such low levels we need to see sellers putting/keeping their homes on the market. Since there are currently more buyers in the market than we have seen in the last several months, buyers have limited options, thus creating the possibility of a seller getting an offer close to asking price. While it seems average sold prices could 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 have been entertaining multiple offers and getting very close to asking price or more than asking price. Sellers are currently closing the sale at an average of 97 to 98 percent of asking price.

SOLD HOMES HISTORY

MONTH	Total Homes Sold				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	35	(28.6%)	(28.6%)	49	46
Feb	26	(25.7%)	(41.3%)	45	46
Mar				64	48
Apr				97	57
May				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	61			94	92

% change from prior year -35.1%

2.2%

Average Sold Price				
2014	% change (LM)	% change (LY)	2013	2012
\$256,709	7.5%	7.8%	\$238,159	\$230,678
\$253,947	(1.1%)	8.8%	\$233,446	\$258,225
			\$251,041	\$245,331
			\$268,104	\$248,736
			\$251,576	\$254,988
			\$276,308	\$272,360
			\$263,468	\$236,134
			\$256,588	\$260,083
			\$257,124	\$254,560
			\$257,750	\$251,947
			\$249,569	\$247,451
			\$238,880	\$268,051
\$255,532			\$235,903	\$244,452

8.3%

-3.5%

Month	Avg DOM - Sold		
	2014	2013	2012
Jan	113	121	135
Feb	192	132	141
Mar		145	142
Apr		119	116
May		106	107
Jun		90	114
Jul		98	118
Aug		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%	95%
	95%	95%
	96%	95%
	98%	91%
	98%	96%
	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				339	485		178	70
Apr				349	508		208	89
May				368	602		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		29	22		8	21		11%	9%
Apr		28	12		6	18		10%	6%
May		6	29		7	13		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.

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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