

Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes		<i>Better/Worse than:</i>		<u>Absorption Rate</u>
		Prior Month	Prior Year	
OCTOBER 2014				According to NAR a normal market is 6-months of inventory
# of Homes on Market	385	↓	↓	OCTOBER 2014
# Under Contract	141	↑	↑	Months of Inventory: 4.4
Homes Sold	75	↓	↑	\$0 - \$149,999 2.7
Average Sold Price	\$264,011	↓	↑	\$150,000 - \$249,999 2.9
Average DOM	113	↓	↓	\$250,000 - \$349,999 4.2
Average List-to-Sold Price	97%	↔	↑	\$350,000-\$499,999 9.4
3-Month Absorption Rate	4.4			\$500,000 and up 32.3
% Homes Sold under \$350,000	84%			
% Homes Sold under \$350,000 - Last 12 Months	83%			
Homes Sold - Last 12 Months	884			
Homes Sold - Year-to-Date	761			

MARKET OVERVIEW

The Missoula real estate market has been on the rise over the last several months, providing significant clues that Missoula has been trending toward a more stable market. While there has been a seasonal decline the number of homes actively listed and homes sold over the last few months, the market is performing better this year than in the same months of the last couple of years. With a steady stream of buyers actively looking for homes to purchase, homes are staying on the market an average of 3.5 months before being sold. Though sales will continue the seasonal decline, we believe if additional homes become available there are still buyers out there to absorb them.

The Missoula residential real estate market closed out the month of October with a total of 75 sales, with about 84 per cent of the homes sold priced under \$350,000. The overall average sold price was \$264,011 and homes that closed in October were on the market for approximately 113 days before the sale was finalized. At the end of the month there were 141 homes under contract and 385 homes actively listed for sale.

Buyer Recommendation: Despite the slight decrease in homes on the market, there are buyers out in the market looking and sellers whose homes are competitively priced continue to entertain multiple offers and are selling 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 per cent of asking price, on average.

Seller Recommendation: With inventory starting to decrease a bit we recommend putting/keeping your home on the market, especially since there are currently plenty of buyers in the market to absorb any increase in inventory. 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 from last month to 385 at the end of October and there were 75 homes sold throughout the month; at the end of the month there were approximately 141 homes under contract. Despite the fact that active listings at the end of October were lower than in September, sales and under contract figures remained relatively consistent between September and October. This indicates to us that there are still plenty of buyers in the market to absorb inventory, despite the usual seasonal decrease in listing activity. October sales were down by about 5 sales from last month and comparable to the same month last year.

Though the number of homes actively listed on the market has yet to 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 prior twelve months; despite the increased competition, sellers continue to garner between 97 and 98 per cent of asking price.

Price Range

Approximately 22.6 per cent of inventory turned over this month, with most of the sales activity (roughly 84 per cent) in the under \$350,000 price range.

Days on Market (DOM)

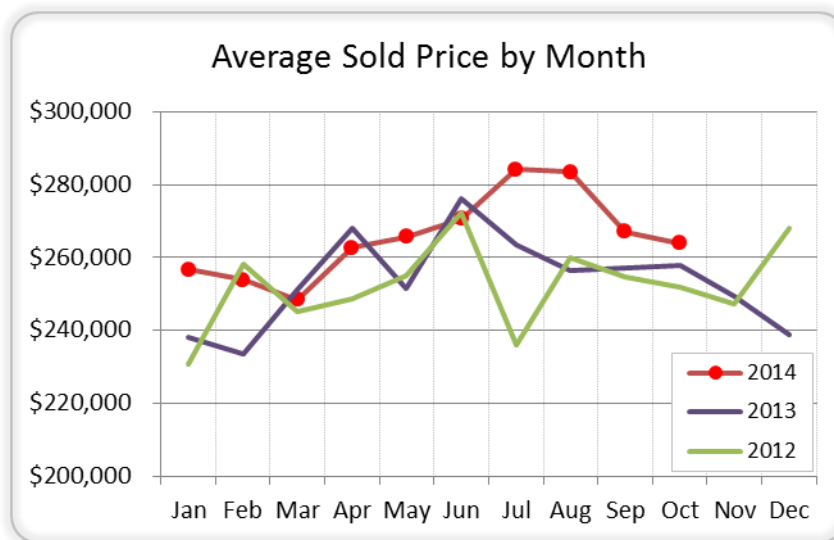
DOM increased slightly from last month; homes that sold in October were on the market for an average of 113 days, compared to 99 days in September.

Foreclosure/Bank Owned (REO)

Short sale and REO properties accounted for only about 2 per cent of the active residential listings this month. At the end of October, the MLS was reporting 4 active short sales and 3 bank-owned properties out of a total of 385 single-family listings.

Average Sold Price

Average sold price in September was \$264,011, down 1.1 per cent from last month but up approximately 2.4 per cent from the same month last year. The following graph shows average sold price trends since January 2012.

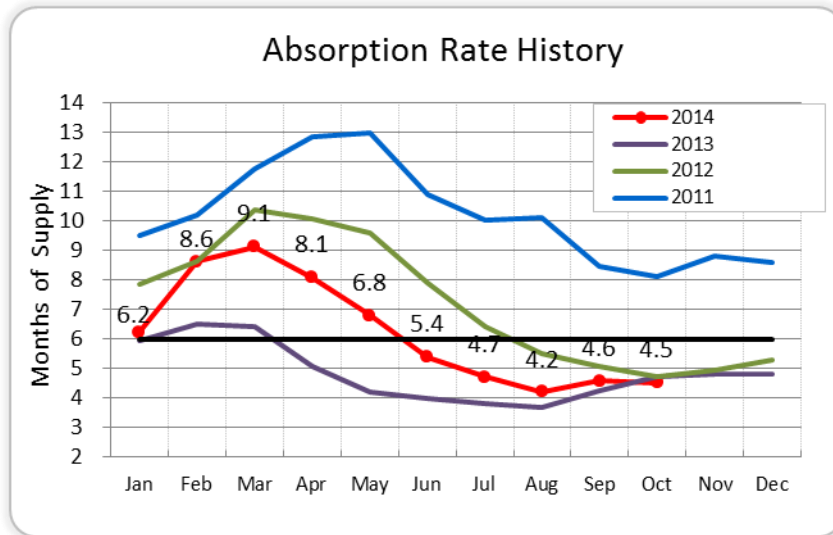


Source: Williams & Associates, Missoula MLS

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 – 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.

The Missoula market continued to perform at a slightly faster pace than a normal market, producing an overall absorption rate of 4.5 months in October, compared to 4.6 months in September. While sales have slowed since August, homes are still selling 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.

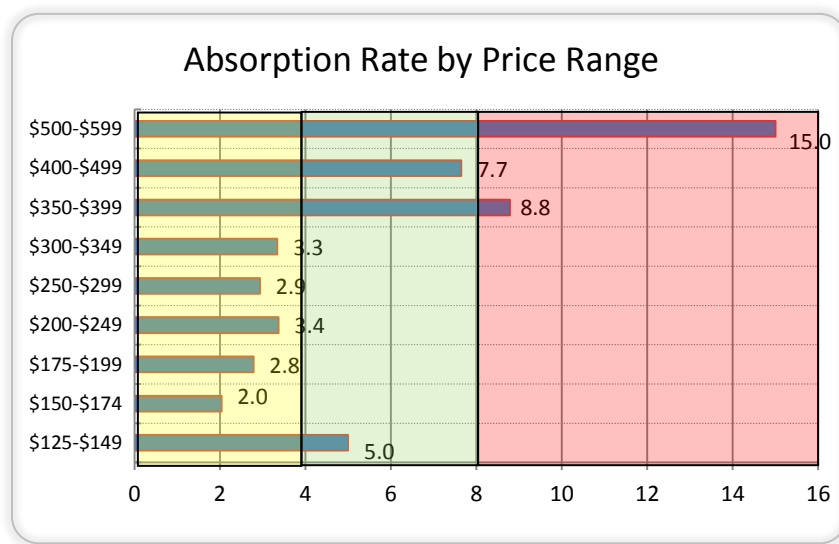
The following table calculates absorption rate by price range, based on the last three months of sales.

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	6	2.0	200.0%	1	3	1	0.5
\$125,000-\$149,999	6	2.0	20.0%	4	2	10	5.0
\$150,000-\$174,999	28	9.3	49.1%	11	14	19	2.0
\$175,000-\$199,999	28	9.3	35.9%	9	19	26	2.8
\$200,000-\$249,999	65	21.7	29.7%	19	30	73	3.4
\$250,000-\$299,999	47	15.7	34.1%	9	25	46	2.9
\$300,000-\$349,999	35	11.7	29.9%	10	19	39	3.3
\$350,000-\$399,999	14	4.7	11.4%	4	9	41	8.8
\$400,000-\$499,999	20	6.7	13.1%	5	8	51	7.7
\$500,000-\$599,999	4	1.3	6.7%	0	5	20	15.0
\$600,000-\$999,999	8	2.7	7.2%	2	5	37	13.9
\$1,000,000 and over	0	0.0	0.0%	1	2	22	0.0
Total	261	87.0	22.6%	75	141	385	4.4

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.

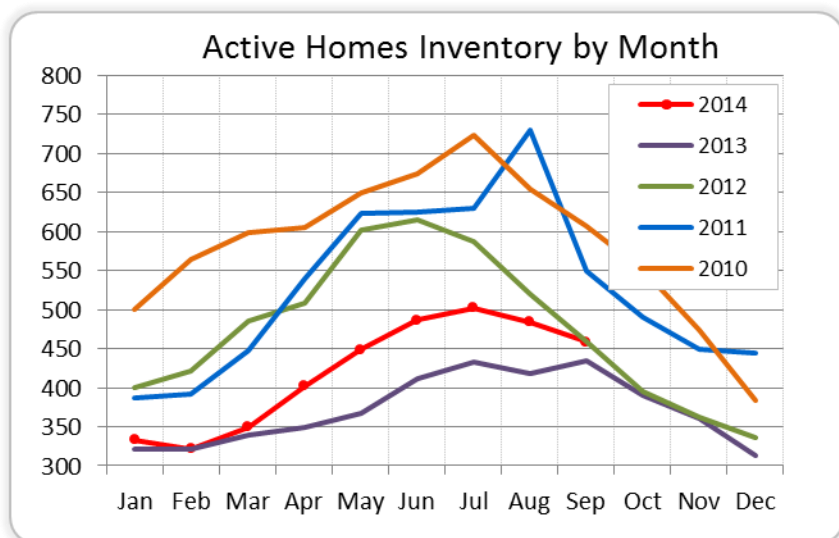
With absorption rates ranging between 2.0 and 5.0 months, on average, homes in Missoula priced at or below \$350,000 are being absorbed at a much faster rate than 6 months.



Source: Williams & Associates, Missoula MLS

Inventory of Homes Listed for Sale

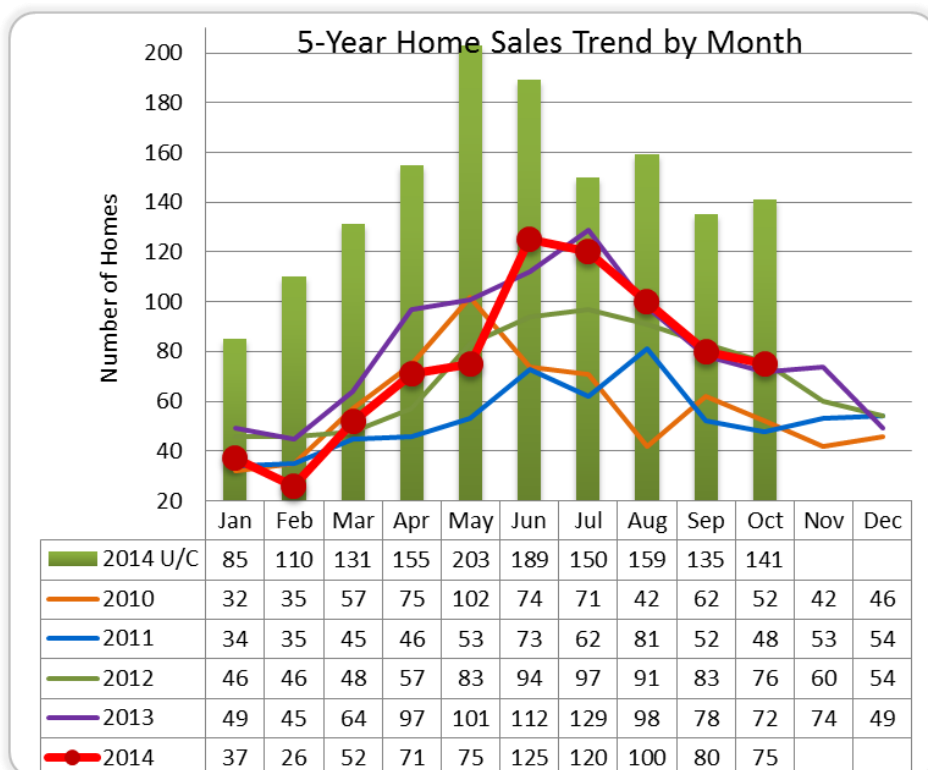
Over the last year and a half, Missoula has been experiencing a shortage of homes on the market. Over this last summer inventory began picking up, peaking in July with 502 homes listed for sale. Now that we have moved into the fall months (kids are back in school and the weather is cooling down) we are beginning to see the typical seasonal decline and at the end of October there were 385 homes actively listed for sale. Inventory levels are still behind the levels of 2010 and 2011; however, based on our evaluation of the absorption rate and the continued interest we are seeing from buyers in the market, we believe the Missoula residential market is normalizing at these levels.



Source: Williams & Associates, Missoula MLS

5-Year Home Sales by Month

The number of home sales in Missoula decreased slightly this month to a total of 75 and under contract volume increased slightly from 135 properties at the end of September to 141 properties under contract at the end of October. The following chart provides a monthly snapshot of total homes sold since January 2010. (Green columns represent Under Contract properties for the current year.)



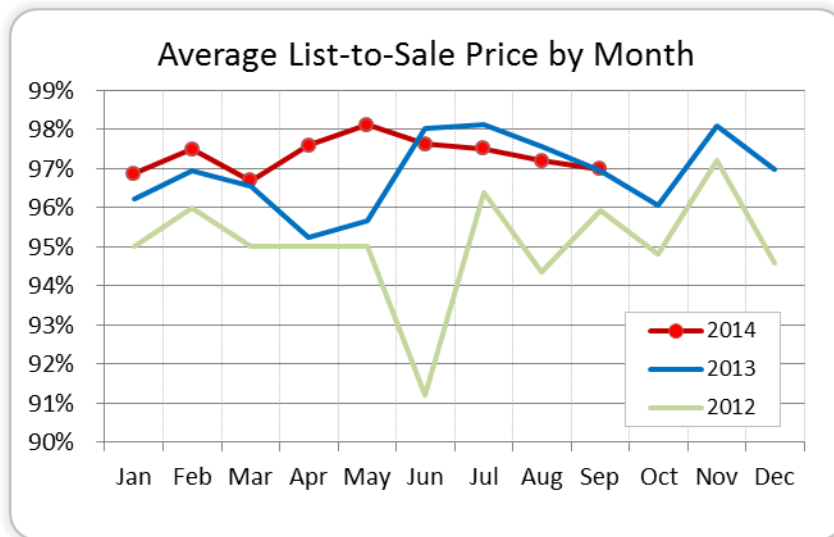
Source: Williams & Associates, Missoula MLS

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 per cent 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 per cent. The lowest list-to-sales ratio in the last year was in May 2013, when sellers averaged 96 per cent of asking price. In the summer months following, the percentage moved up to 98 per cent and has remained relatively consistent. List-to-sale price this October averaged 97 per cent.

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 buyers actively looking for homes to purchase. Based on inventory levels, sales, absorption rates, and our own experiences, we believe we have been experiencing a normalizing market in Missoula.

With low inventory in the beginning of the year buyers had little to choose from, so when a good home that was priced well was listed, sellers were entertaining multiple offers and signing contracts with buyers at near asking price. Over the summer inventory increased and, despite the typical seasonal decrease in homes for sale, remains healthy as fall settles in. Based on the absorption rates it is clear there are plenty of buyers in the market and homes are selling quickly and sellers are still getting very close to asking price. That being said, 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 97 per cent 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	80	(20.0%)	2.4%	78	83
Oct	75	(6.3%)	3.9%	72	76
Nov				74	60
Dec				49	54
YTD Total/Avg	761			845	721

% change from prior year
-9.9%

17.2%

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
\$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
\$267,078	(5.8%)	3.9%	\$257,124	\$254,560
\$264,011	(1.1%)	2.4%	\$257,750	\$251,947
			\$249,569	\$247,451
			\$238,880	\$268,051
\$269,451			\$258,402	\$252,508

4.3%

2.3%

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	104	90	114
Jul	86	98	118
Aug	101	85	116
Sep	99	92	122
Oct	113	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%	97%	96%
97%	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	459	(5.2%)	5.4%	434	459	135	128	132
Oct	385	(16.1%)	(1.5%)	391	395	141	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	4	9	35	4	5	12	2%	3%	10%
Oct	4	9	36	3	3	17	2%	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.

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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