

## Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes		<u>Better/Worse than:</u>		<u>Absorption Rate</u>
		Prior Month	Prior Year	
<b>NOVEMBER 2014</b>				According to NAR a normal market is 6-months of inventory
# of Homes on Market	346	↓	↓	<b>NOVEMBER 2014</b> <b>Months of Inventory: 4.6</b> \$0 - \$149,999      3.0 \$150,000 - \$249,999      2.6 \$250,000 - \$349,999      3.8 \$350,000-\$499,999      8.4 \$500,000 and up      11.4
# Under Contract	120	↓	↑	
Homes Sold	70	↓	↓	
Average Sold Price	\$268,050	↑	↑	
Average DOM	119	↓	↓	
Average List-to-Sold Price	97%	↔	↓	
3-Month Absorption Rate	4.6			
% Homes Sold under \$350,000	86%			
% Homes Sold under \$350,000 - Last 12 Months	83%			
Homes Sold - Last 12 Months	880			
Homes Sold - Year-to-Date	831			

### MARKET OVERVIEW

The Missoula real estate market has been on the rise for several months now, providing significant clues that Missoula is 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 than it did in the same months of the last couple of years; homes are currently staying on the market an average of nearly 4.0 months before being sold. Though sales will continue the seasonal decline we believe there are still plenty of active buyers in the market to absorb any additional homes that may come on the market in the coming months.

The Missoula residential real estate market closed out the month of November with a total of 70 sales, with about 86 per cent of the homes sold priced under \$350,000. The overall average sold price was \$268,050 and homes that closed in November were on the market for approximately 119 days before the sale was finalized. At the end of the month there were 120 homes under contract and 346 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 fluctuating over the last six months; if rates rise too high or too quickly, 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 remains 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 385 at the end of October to 346 at the end of November and there were 70 homes sold throughout the month; at the end of November there were approximately 120 homes under contract. Despite the fact that active listings at the end of November were lower than in October, sales figures remained relatively consistent between October and November. This indicates to us that there are still plenty of buyers in the market despite the usual seasonal decrease in activity. October sales were down by about 5 sales from last month and from the same month last year.

Despite the seasonal decrease in active listings, there is still plenty of buyer demand and sellers continue to garner between 97 and 98 per cent of asking price.

### **Price Range**

Approximately 22 per cent of inventory turned over this month, with most of the sales activity (roughly 86 per cent) in the under \$350,000 price range.

### **Days on Market (DOM)**

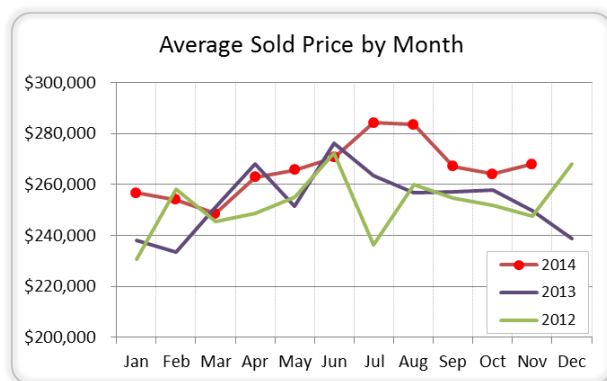
DOM has increased slightly; homes sold in November were on the market for an average of 119 days in November compared to 113 days in October and compared to 110 days in the November of last year.

### **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 November, the MLS was reporting 4 active short sales and 3 bank-owned properties out of a total of 346 single-family listings. We anticipate seeing more of these homes coming on the market in the next few months.

### **Average Sold Price**

Average sold price in November was \$268,050, up 1.5 per cent from last month and was up approximately 7.4 per cent from the same month last year. The following graph shows average sold price trends since January 2012.



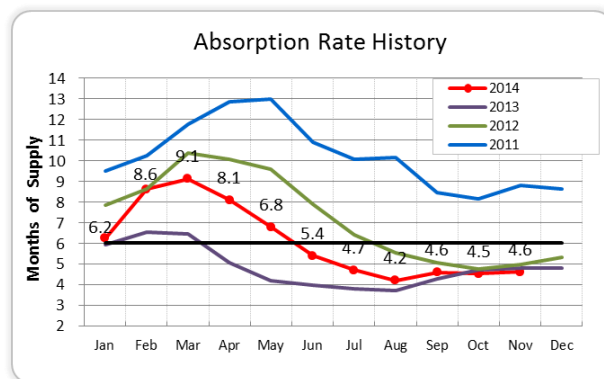
Source: Williams & Associates, Missoula MLS

### Absorption Rate

The Missoula market continued to perform at a slightly faster pace than a normal market, producing an overall absorption rate of 4.6 months in November, compared to 4.5 months in October. While sales have slowed over the last couple of months, homes are still selling faster than in a normal market where it takes approximately 6 months to sell a home.

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.

Missoula's overall absorption rate history for the last four years is presented in the following graph.



Source: Williams & Associates, Missoula MLS

### Absorption Rate by Price Range

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.

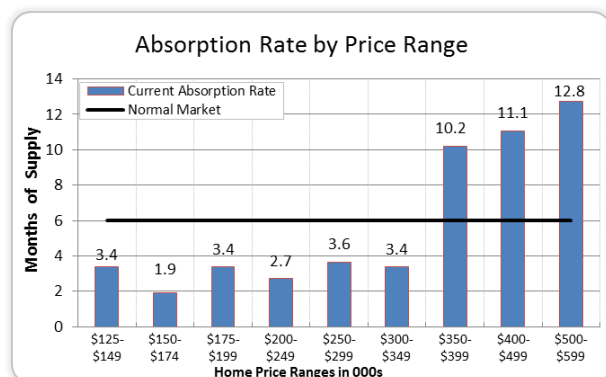
The following table calculates absorption rate by price range, based on the last three months of sales.

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	100.0%	4	2	2	1.0
\$125,000-\$149,999	8	2.7	29.6%	2	2	9	3.4
\$150,000-\$174,999	25	8.3	52.1%	4	14	16	1.9
\$175,000-\$199,999	24	8.0	29.6%	6	18	27	3.4
\$200,000-\$249,999	62	20.7	36.9%	21	27	56	2.7
\$250,000-\$299,999	37	12.3	27.4%	9	18	45	3.6
\$300,000-\$349,999	32	10.7	29.6%	14	11	36	3.4
\$350,000-\$399,999	10	3.3	9.8%	4	8	34	10.2
\$400,000-\$499,999	13	4.3	9.0%	2	9	48	11.1
\$500,000-\$599,999	4	1.3	7.8%	3	4	17	12.8
\$600,000-\$999,999	7	2.3	6.7%	1	5	35	15.0
\$1,000,000 and over	0	0.0	0.0%	0	2	21	0.0
<b>Total</b>	<b>228</b>	<b>76.0</b>	<b>22.0%</b>	<b>70</b>	<b>120</b>	<b>346</b>	<b>4.6</b>

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 below the 6-month line show which homes are selling faster than a normal 6-month market and rates above the 6-month line are selling slower.

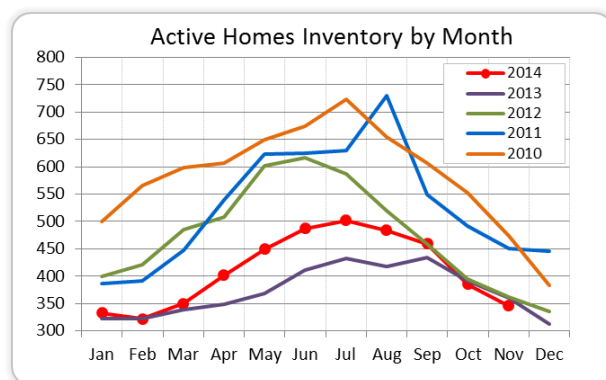
With absorption rates ranging between 1.9 and 3.6 months, on average, homes in Missoula priced at or below \$350,000 are being absorbed at a much faster rate than 6 months.



Source: Williams & Associates, Missoula MLS

### **Inventory of Homes Listed for Sale**

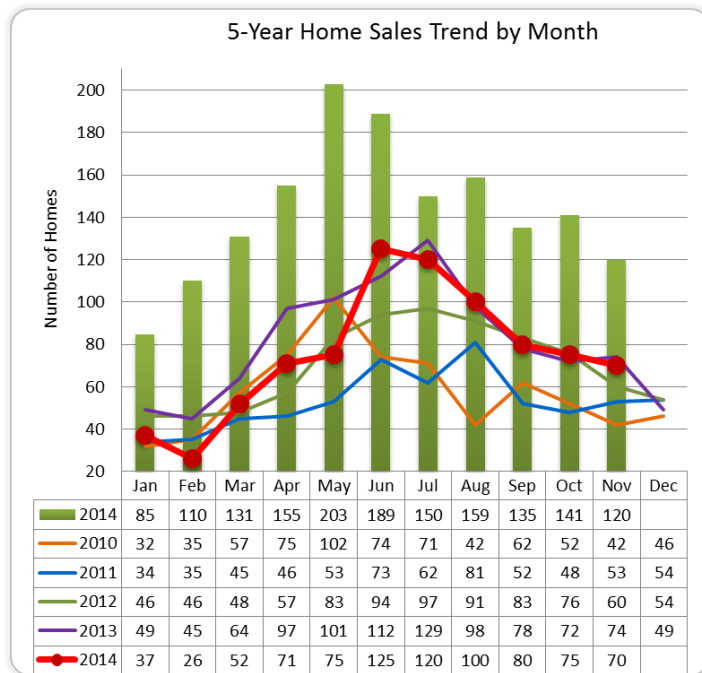
Over the last year and a half, Missoula has been experiencing a shortage of homes on the market. Over this last summer inventory began picking up, peaking in July with 502 homes listed for sale. Now that we have moved into the fall months (kids are back in school and the weather is cooling down) we are beginning to see the typical seasonal decline and at the end of November there were 346 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 70 and under contract volume decreased from 141 properties at the end of October to 120 properties under contract at the end of November. The following chart provides a monthly snapshot of total homes sold since January 2010. (Green columns represent Under Contract properties for the current year.)



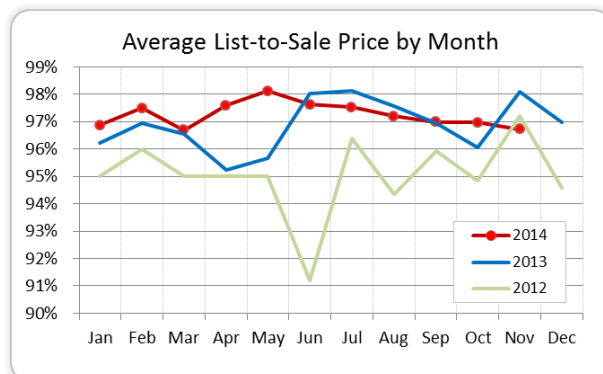
Source: Williams & Associates, Missoula MLS

### 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. 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. List-to-sale price this November averaged about 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**

Based on inventory levels, sales, absorption rates and our own experiences, we believe we have been experiencing a normalizing market in Missoula over the last year or more.

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, remained healthy as fall settled in. Inventory has decreased a bit further since fall, however, 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%)	(26.1%)	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	70	(6.7%)	(6.7%)	74	60
Dec				49	54
<b>YTD Total/Avg</b>	<b>831</b>			<b>919</b>	<b>781</b>

% change from prior year

-9.6%

17.7%

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
\$268,050	1.5%	7.4%	\$249,569	\$247,451
			\$238,880	\$268,051
<b>\$269,333</b>			<b>\$257,691</b>	<b>\$252,119</b>

4.5%

2.2%

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	119	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%
97%	98%	97%
	97%	95%

Source: Missoula MLS, Williams & Associates

## ACTIVE and UNDER CONTRACT HOME HISTORY

Month	TOTAL ACTIVE HOMES				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	333	6.4%	2.8%	322	400
Feb	322	(3.3%)	0.0%	322	421
Mar	350	8.7%	2.3%	339	485
Apr	402	14.9%	10.4%	349	508
May	449	11.7%	13.5%	368	602
Jun	487	8.5%	12.3%	411	616
Jul	502	3.1%	11.8%	433	587
Aug	484	(3.6%)	12.7%	418	520
Sep	459	(5.2%)	5.4%	434	459
Oct	385	(16.1%)	(1.5%)	391	395
Nov	346	(10.1%)	(3.9%)	360	362
Dec				313	336

TOTAL UNDER CONTRACT		
2014	2013	2012
85	128	90
110	133	79
131	178	70
155	208	89
203	228	104
189	195	101
150	155	94
159	134	113
135	128	132
141	116	130
120	84	108
	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	4	7	36	3	5	10	2%	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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