

## Missoula Residential Real Estate - LOCAL MARKET OVERVIEW

Single Family Homes	DECEMBER 2014	Better/Worse than:		Absorption Rate
		Prior Month	Prior Year	
# of Homes on Market	312	↓	↔	According to NAR a normal market is 6-months of inventory
# Under Contract	101	↑	↓	
Homes Sold	76	↑	↑	<b>DECEMBER 2014</b>
Average Sold Price	\$275,200	↑	↑	<b>Months of Inventory: 4.2</b>
Average DOM	121	↓	↑	\$0 - \$149,999 2.6
Average List-to-Sold Price	96%	↓	↓	\$150,000 - \$249,999 2.1
3-Month Absorption Rate	4.2			\$250,000 - \$349,999 3.6
% Homes Sold under \$350,000	79%			\$350,000-\$499,999 7.0
% Homes Sold under \$350,000 - Last 12 Months	82%			\$500,000 and up 9.4
Homes Sold - Last 12 Months	927			
Homes Sold - Year-to-Date	927			

### MARKET OVERVIEW

The Missoula real estate market has been on the rise for some time now, leading us to speculate for about a year now that Missoula is trending toward a more stable market. While there has been the normal 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. 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 December with a total of 76 sales, with about 79 per cent of the homes sold priced under \$350,000. The overall average sold price was \$275,200 and homes that closed in December were on the market for approximately 121 days before the sale was finalized. At the end of the month there were 101 homes under contract and 312 homes actively listed for sale.

**Buyer Recommendation:** Despite the slight decrease in homes on the market, there are buyers out in the market looking to buy 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 96-98 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 346 at the end of November to 312 at the end of December and there were 76 homes sold throughout the month; at the end of December there were approximately 101 homes under contract. Despite the fact that active listings at the end of December were lower than in November, sales figures remained relatively consistent between November and December. This indicates to us that there are still plenty of buyers in the market despite the usual seasonal decrease in activity. December sales were up by about 4 sales from last month and up by 45 per cent (25 sales) from the same month last year.

Despite the seasonal decrease in active listings, there is still plenty of buyer demand and sellers garnered about 96 per cent of asking price in December.

Overall, the year ended with 927 sales, 44 fewer sales than in 2013 – however, this was about 91 more sales (10.9 per cent) than were realized in 2012.

### **Price Range**

Approximately 23.9 per cent of inventory turned over in December, with most of the sales activity (roughly 79 per cent) in the under \$350,000 price range.

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

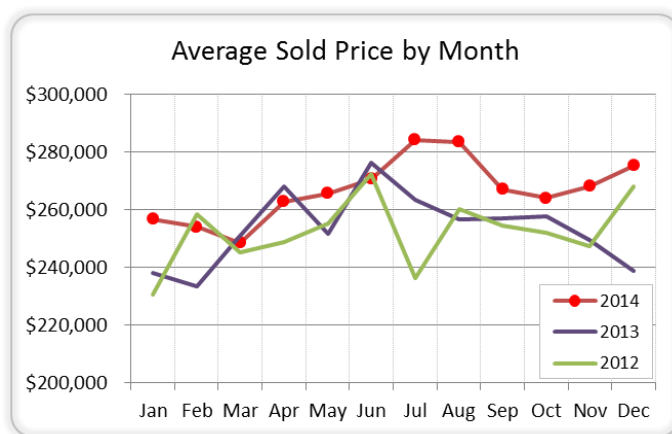
DOM remained relatively flat from last month; homes sold in December were on the market for an average of 121 days compared to 119 days in November. Homes were on the market for about two weeks fewer this December than they were in December of last year.

### **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 December, the MLS was reporting 3 active short sales and 3 bank-owned properties out of a total of 312 single-family listings.

### **Average Sold Price**

Average sold price in December was \$275,200, up 2.7 per cent from last month and up approximately 15.2 per cent from the same month last year. The following graph shows average sold price trends since January 2012.



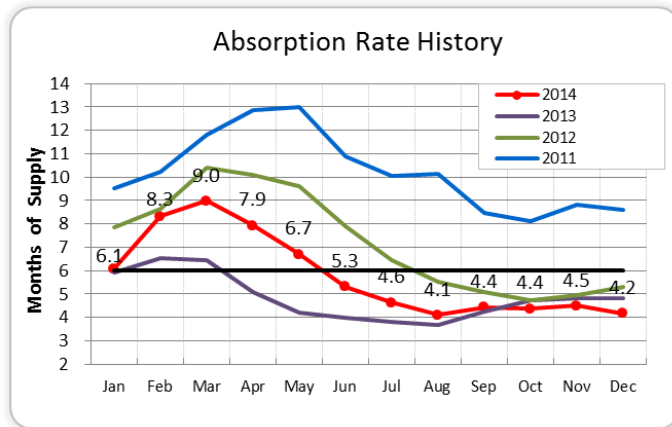
Source: Williams & Associates, Missoula MLS

### **Absorption Rate**

The Missoula market continued to perform at a slightly faster pace than a normal market, producing an overall absorption rate of 4.2 months in December, compared to 4.5 months in November. 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.

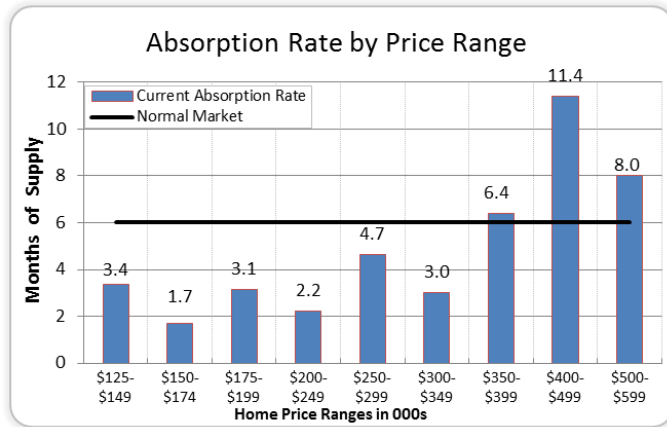
The following table calculates absorption rate by price range, based on the last three months of sales.

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	200.0%	1	1	1	0.5
\$125,000-\$149,999	8	2.7	29.6%	2	2	9	3.4
\$150,000-\$174,999	25	8.3	59.5%	10	13	14	1.7
\$175,000-\$199,999	23	7.7	31.9%	8	9	24	3.1
\$200,000-\$249,999	60	20.0	45.5%	20	29	44	2.2
\$250,000-\$299,999	29	9.7	21.5%	8	14	45	4.7
\$300,000-\$349,999	35	11.7	33.3%	11	11	35	3.0
\$350,000-\$399,999	16	5.3	15.7%	8	10	34	6.4
\$400,000-\$499,999	10	3.3	8.8%	3	4	38	11.4
\$500,000-\$599,999	6	2.0	12.5%	3	4	16	8.0
\$600,000-\$999,999	6	2.0	6.5%	2	4	31	15.5
\$1,000,000 and over	0	0.0	0.0%	0	0	21	0.0
<b>Total</b>	<b>224</b>	<b>74.7</b>	<b>23.9%</b>	<b>76</b>	<b>101</b>	<b>312</b>	<b>4.2</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.

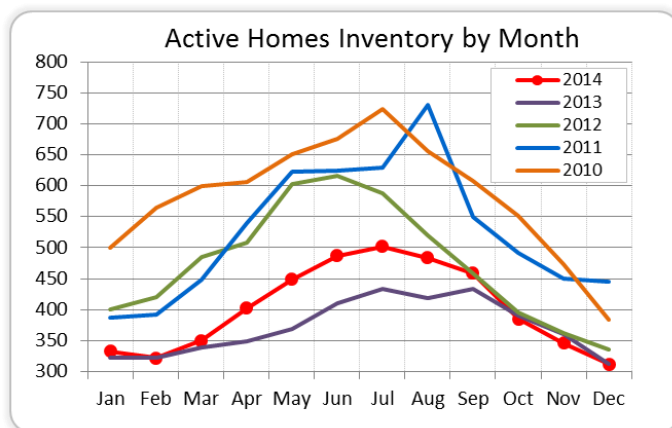
With absorption rates ranging between 1.7 and 4.7 months, on average, homes in Missoula priced at or below \$350,000 are being absorbed at a much faster rate than 6 months.



Source: Williams & Associates, Missoula MLS

### Inventory of Homes Listed for Sale

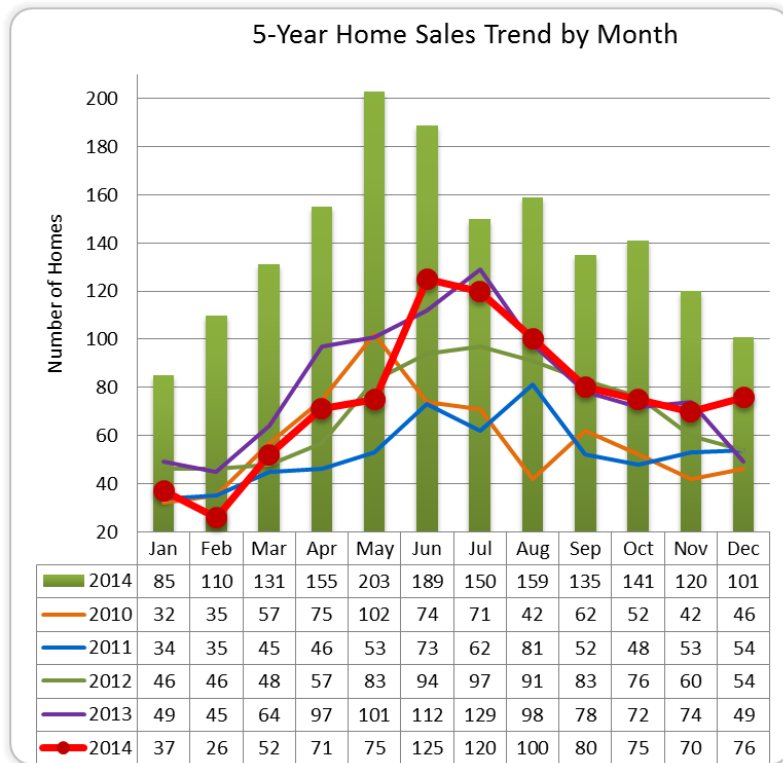
Over the last year and a half, Missoula has been experiencing a shortage of homes on the market. Over this last summer inventory began picking up, peaking in July with 502 homes listed for sale. Now that we have moved into the winter months we are beginning to see the typical seasonal decline and at the end of December there were 312 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 current levels.



Source: Williams & Associates, Missoula MLS

### 5-Year Home Sales by Month

The number of home sales in Missoula increased slightly this month to a total of 76 and under contract volume decreased from 120 properties at the end of November to 101 properties under contract at the end of December. The following chart provides a monthly snapshot of total homes sold since January 2010. (Green columns represent Under Contract properties for the current year.)



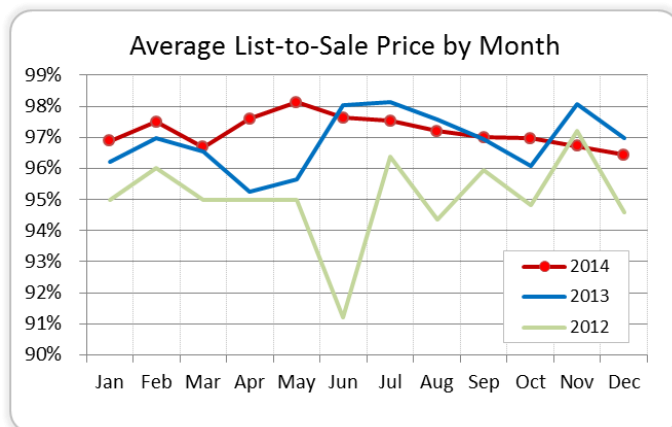
Source: Williams & Associates, Missoula MLS

### 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 December averaged about 96 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 realizing 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.

Qualified buyers that are prepared to buy are looking to purchase a reasonably priced home. Sellers whose homes are competitively priced continue to entertain 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 96/97 per cent of asking price.

## SOLD HOMES HISTORY

MONTH	Total Homes Sold				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	38	(25.5%)	(23.9%)	49	46
Feb	27	(28.9%)	(50.0%)	45	36
Mar	52	92.6%	(23.5%)	64	51
Apr	73	40.4%	(41.4%)	97	58
May	76	4.1%	(32.1%)	102	81
Jun	126	65.8%	14.6%	112	96
Jul	123	(2.4%)	(4.9%)	128	102
Aug	105	(14.6%)	7.7%	98	91
Sep	83	(21.0%)	7.2%	77	83
Oct	76	(8.4%)	3.8%	73	78
Nov	72	(5.3%)	(5.1%)	75	59
Dec	76	5.6%	45.5%	51	55
<b>YTD Total/Avg</b>	<b>927</b>			<b>971</b>	<b>836</b>

% change from prior year -4.5%

16.1%

MONTH	Average Sold Price				
	2014	% change (LM)	% change (LY)	2013	2012
Jan	\$256,709	7.5%	7.8%	\$238,159	\$230,678
Feb	\$253,947	(1.1%)	8.8%	\$233,446	\$258,225
Mar	\$248,472	(2.2%)	(1.0%)	\$251,041	\$245,331
Apr	\$262,784	5.8%	(2.0%)	\$268,104	\$248,736
May	\$265,661	1.1%	5.6%	\$251,576	\$254,988
Jun	\$270,691	1.9%	(2.0%)	\$276,308	\$272,360
Jul	\$284,167	5.0%	7.9%	\$263,468	\$236,134
Aug	\$283,454	(0.3%)	10.5%	\$256,588	\$260,083
Sep	\$267,078	(5.8%)	3.9%	\$257,124	\$254,560
Oct	\$264,011	(1.1%)	2.4%	\$257,750	\$251,947
Nov	\$268,050	1.5%	7.4%	\$249,569	\$247,451
Dec	\$275,200	2.7%	15.2%	\$238,880	\$268,051
<b>YTD Total/Avg</b>	<b>\$270,392</b>			<b>\$256,683</b>	<b>\$253,017</b>

5.3%

1.4%

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	121	146	109

Month	Avg List to Sale		
	2014	2013	2012
Jan	97%	96%	95%
Feb	97%	97%	96%
Mar	97%	97%	95%
Apr	98%	95%	95%
May	98%	96%	95%
Jun	98%	98%	91%
Jul	98%	98%	96%
Aug	97%	98%	94%
Sep	97%	97%	96%
Oct	97%	96%	95%
Nov	97%	98%	97%
Dec	96%	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	346	(10.1%)	(3.9%)	360	362	120	84	108
Dec	312	(9.8%)	(0.3%)	313	336	101	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	3	8	29	3	6	9	2%	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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