

COOPER

REAL ESTATE CONSULTING AND VALUATIONS

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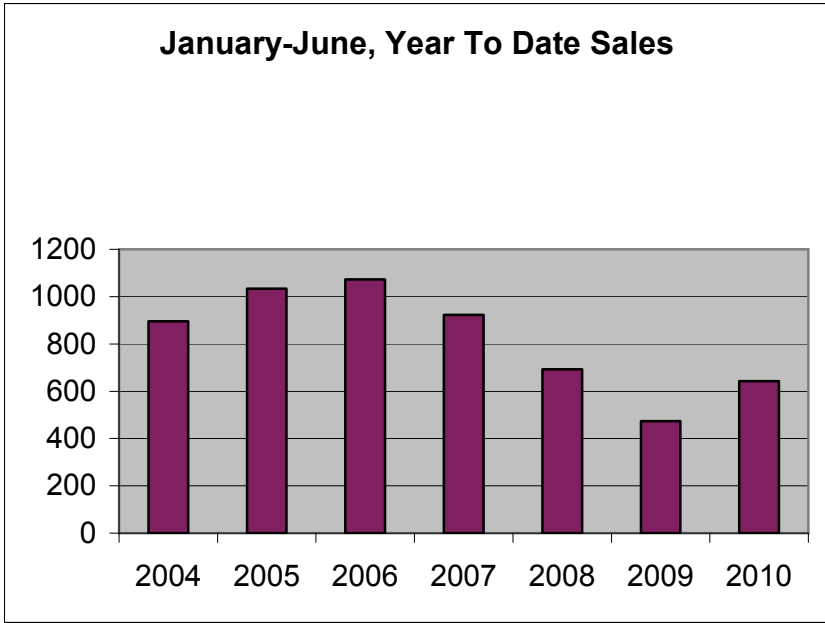
Re: ANALYSIS OF TRI LAKES AREA RECENT HOME SALES AND VALUE TRENDS.

Per your request, we have completed a study of the local real estate market with specific emphasis on the number of home sales and current listings. Additionally, some areas of specific segments of the market are identified in order to assist you in your decisions concerning real estate loans.

	RESIDENTIAL			
	Sales	change	Listings	change
2000	1153		1484	
2001	1152	-0.1%	1654	11.5%
2002	1357	17.8%	1562	-5.6%
2003	1615	19.0%	1349	-13.6%
2004	1982	22.7%	1479	9.6%
2005	2203	11.2%	1353	-8.5%
2006	2126	-3.5%	1887	39.5%
2007	1774	-16.6%	2536	34.4%
2008	1320	-25.6%	2447	-3.5%
2009	1151	-12.8%	2253	-7.9%

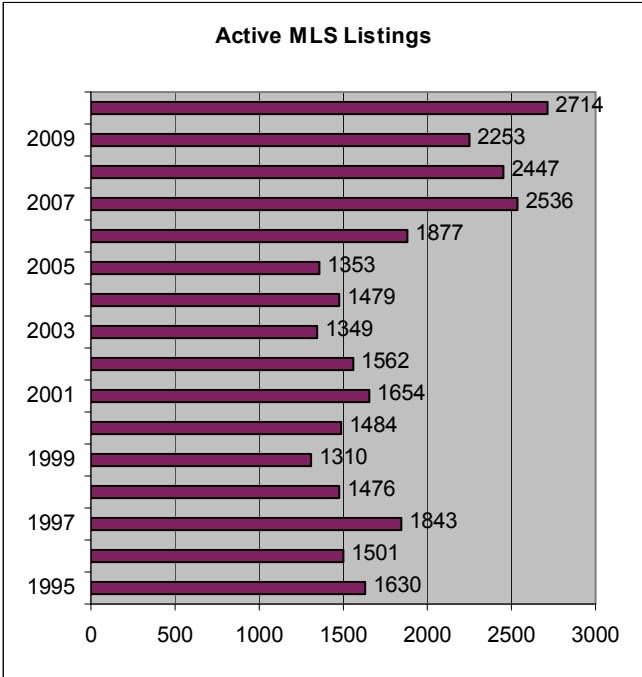
Severe slow downs in other realty markets across the country have impacted the Tri-Lakes market. With a majority of buyers coming from other markets outside Southern Missouri, the inability to sell their home in that market has impacted purchases here. This combined with extensive media coverage of the nationwide housing industry slowdown has significantly reduced home sales in the Branson area. The most recent data from the Tri-Lakes Board of Realtors Multiple Listing Service (MLS) has indicated a changing residential market for the Branson and Tri-Lakes areas that has slowly followed the nationwide market, lagging approximately one year behind.

The chart above indicates a strong growth pattern from 2000 to 2006. 2007 sales dropped slightly with a larger, more severe drop in 2008. 2009 saw an even further drop in the number of homes sold, dropping as low as 2000-2001 numbers. At year end in 2009, the volume of home sales was approximately ½ of the peak selling years. Data from the first half of 2010, however, indicates that sales volume is picking up.



YEAR ytd sales (jan-june)	
2004	896
2005	1033
2006	1073
2007	923
2008	693
2009	474
2010	642

The chart above indicates that for the first half of 2010, home sales have risen slightly above the lows set in 2009. The recent First Time Home Buyer Tax Credit is thought to have had a significant impact upon the sales in this first half of 2010. National Association of Realtors (NAR) data indicates that 46% of buyers in May of 2010 were first time home buyers. Now that this stimulus has expired, many market participants believe that the second half of 2010 will experience sharp decreases in sales volume.



Of additional concern, however, with the sharply dropping number of home sales is the large increase in the supply. The table at left illustrates how the number of houses for sale in the MLS system has risen to more than double what it was in the 2005 time period (when the number of home sales was peaking).

Basic economic principles tell us that when supply increases and demand decreases, prices will be affected. The Tri-Lakes area has seen some segments that have experienced sharp depreciation. Other (more rare) areas appear to be holding values and are considered "stable" in our opinion.

It is our contention that the specific sub-markets that are the most vulnerable are those where speculative investor purchasing was predominant. These are predominantly projects where out of state investors purchased investment property based upon an indication of increases in value or income streams. Sub-markets where out of state investment was predominant include the Stonebridge condominium development, homes in Emory Creek and single family homes in Merriam

Woods and other rental properties have seen definitive evidence of sharply dropping prices. Specific segments like these have experienced higher percentages of home foreclosures (greater than 10%).

Other properties that are predominantly owner occupied like single-family lake residences have held or possibly even increased in value in some rare instances. Obviously, location, pricing and once again location have a lot to do with the individual sub-markets and whether or not there is any depreciation or appreciation.

Certain segments of the market appear to be selling better than others with the average home price still approximately \$144,000 as opposed to the nationwide median price range of \$180,000 (NAR “existing homes” sold). Tourism related wage levels and a large base of imported retirees seem to be keeping this largest segment of the market invigorated while some higher priced categories are experiencing significant over supply issues. In the first half of 2010, homes priced at or near \$100,000 experienced increased demand due in part to the First Time Home Buyer Tax Credit (now expired).

Price Categories: The table below indicates the individual price categories in Stone and Taney County and how they are selling. The table is ranked based upon the number of homes for sale in the price category (listings) versus the number of homes that have sold in the past six months in that price category. As an example, the Taney County under \$75,000 price range is at the top of the ratio list with 37.8% of those listings being sold in the 6 month period. This is very good and is at the top of our “hottest” list. On the other hand, the Taney County over \$500,000 price range has an over supply with only 2 homes sold and 77 listed and a ratio of 2.6%. The more expensive homes generally occupy the lower half of the list with a smaller pool of buyers.

WHAT'S HOT		SOLD VS. LISTING RATIOS				
6 months ending 12-31-2009						% Share of Countywide Market
	Sub-Market	list	sold	Sold/List %	Q409	
HOTTEST	Taney County < \$75k	238	90	37.8%	1	24.73%
2	Stone County \$75k-\$125k	171	59	34.5%	4	26.94%
3	Taney County \$125-\$175k	267	89	33.3%	2	24.45%
4	Stone County < \$75k	105	34	32.4%	8	15.53%
5	Stone County \$125k-\$175k	168	49	29.2%	3	22.37%
6	Taney County \$75k-\$125k	350	100	28.6%	5	27.47%
7	Taney County \$175k-\$225k	161	44	27.3%	6	12.09%
8	Stone County \$175k-\$225k	137	32	23.4%	7	14.61%
9	Stone County \$275k-\$350k	92	19	20.7%	12	8.68%
10	Taney County \$225k-\$275k	136	19	14.0%	9	5.22%
11	Taney County \$275k-\$350k	110	13	11.8%	11	3.57%
12	Stone County \$225k-\$275k	107	11	10.3%	10	5.02%
13	Stone \$350k-\$500k	123	11	8.9%	13	5.02%
14	Taney \$350k-\$500k	116	7	6.0%	14	1.92%
15	Stone > \$500k	77	4	5.2%	15	1.83%
COLDEST	Taney > \$500k	77	2	2.6%	16	0.55%

The “hottest” segments of the market are generally under \$175,000¹ in both Stone and Taney counties. This segment of the market has the highest number of overall sales since it attracts the largest amount of prospective buyers (the base). **65% of the Stone County market** is under \$175,000 while **77% of the Taney County market** is under \$175,000. **Overall, 85% of the entire Tri-Lakes market is under \$225,000.**

¹ 71% of all residential units sold in Stone and Taney County were under \$175,000.

Higher priced homes, particularly in excess of \$350,000, are anticipated to have longer marketing times, often measured in years, not months. With this very competitive higher priced category, many lenders who have foreclosed on more expensive properties may be forced to reduce prices in order to expedite liquidation.

Tri Lakes Home Resale Study: A recent analysis of Tri-Lakes MLS data indicates that some home values are stable or only slightly declining (less than 10%). National media has reported how home prices have dropped drastically as a result of the mortgage crisis with areas like California and Florida being particularly devastated. Home prices in some areas of California have dropped 40-50%.

In order to verify the current status of home prices, Cooper Appraisal, LLC, conducted an extensive analysis of homes that have sold in the September 2008 thru June 2010 time frame. This analysis involved over 370 individual home sales where a recent prior sale was also verified (in MLS)². This “matched paired” analysis indicated that in 2008, a majority of the homes sold at modest appreciation. Only 20% of the homes selling in 2008 sold for less than their previous acquisition price. During this period, we considered many home values to be “stable” since 80% of homes sold for more than their previous purchase price.

In 2009, sales began experiencing a larger percentage of homes selling for less. The first half of 2009 indicated only 38% of homes depreciated in value (62% sold for more, i.e. appreciated). The later half however saw 55% of homes selling for less. Overall, in 2009 at year end, 47% of homes sold for depreciated prices. In 2010, the percentage of homes sold in the first half of the year that depreciated in value has risen to 72%.

Over the past two years the local market has shifted from a point of just a handful of houses depreciating to currently a majority of the homes having lost values. You might say in 2008 we had a couple of bad apples in the bushel, in 2009 it increased to about half, and currently nearly three quarters of the apples are “bruised”, so to speak.

Foreclosure Forecast: It is anticipated that Branson will lag behind the nationwide economy and experience the peak of its foreclosures in 2010 or beyond. National Association of Realtors data indicates that approximately 33% of all home sales are foreclosures nationwide. This is approximately the same percentage experienced in 2009 so the ratio of foreclosures appears to be consistent nationwide.

Locally, Tri Lakes MLS data indicates that 30.5% of the homes sold in the first half of 2010 were bank foreclosures or short sales. This data appears to be consistent with the nationwide trends. This should not be construed as 1/3 of the homes for sale on any given street in the Tri Lakes market are bank owned, however. That is not the case in our local market. Many neighborhoods that we have researched as part of our day-to-day appraisal work have no foreclosures or less than 10%. One example (of many) would be the Schooner Bay Landing project in Kimberling City. There have been no foreclosure sales in the past year and none of the condos listed currently are foreclosures. Many condos have sold in 2010 at very similar prices to what they were selling for in 2006 during the height of real

² Bank REO sales were not included in the trend analysis since these are “distressed” sales. The focus of this analysis was to study what a typical homeowner was selling the home for in comparison to their acquisition cost.

estate market. Foreclosures or speculative buying have not impacted prices in this specific neighborhood. In areas like this, property values have held better.

On the other hand, condominium sales at Stonebridge Village are the opposite side of the spectrum. Two thirds of the condos on Golf Drive that sold in the past year are bank foreclosures. With more foreclosures still on the market, the rapidly declining sales prices may not have stopped yet. Just a few years ago, a 2-bedroom golf front condo was selling for \$160,000 m/l and now there are sales and listings well below \$100,000 for those same units.

As you can see, different segments are reacting differently. Some are stable, some are fluctuating, some are declining and some are plummeting. As always, it is part of our valuation process to track all areas of the real estate market in order to provide accurate information in this ever-changing market. We hope that you find this material both informative and useful. We are always available for valuations or consulting in whatever aspect of the Branson Real Estate market you find yourself.

For more specific data on both the Commercial and Residential markets, you can visit our web site at www.cooperappraisal.net.