



## HOME SALES ARE UP 12% IN 2012

There have been many cases of local area real estate professionals claiming how the market has bottomed out and we are on the way up. Some Branson area appraisers and some agents have been making these claims in 2012. Unfortunately, the data indicates that in most segments of the local economy, prices are still declining in 2012 even though the number of sales is at a five year high.

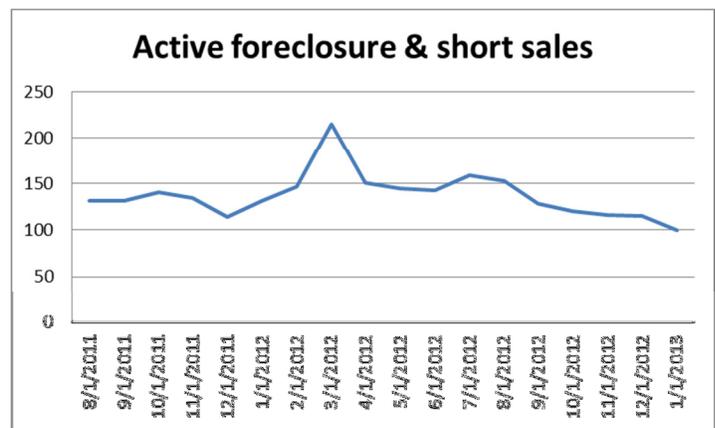
Many area agents and/or appraisers have been looking at the average sold price from the Tri Lakes MLS system to make these claims. For the first half of 2011, the average home price of all the homes sold was \$147,762 per the market report. In the first half of 2012, the market report indicates that the average home price was \$156,045. Looking at these two numbers, some agents and/or appraisers are claiming that property values are up 6% market wide. Unfortunately, this data includes too wide a variety of types of property to be an accurate indicator of market wide trends. It includes mobile homes (sometimes without land), inexpensive Branson investment condos, entry level (starter) homes, lake retirement homes and a large supply of 4,000 square foot "McMansions" built after 2003. Each of these individual segments has different trends and if in one year, there are more \$300,000 homes sold (like this year), it will skew the data up to make the average sales price rise. Just because there were more \$300,000 lake homes sold in 2012 has no impact on the property values in Savannah Place, Schooner Bay or Pointe Royale for that matter. One has to look at the individual data, not just the average MIs sold price.

In summary, there are less foreclosure listings available today than there were a year ago, the number of homes that have sold and then resold (matched paired analysis) is down significantly, home sales volume is up 12% and interest rates are at record lows. All of these are positive indications leading us to believe that we are near the bottom of our pricing decline period.

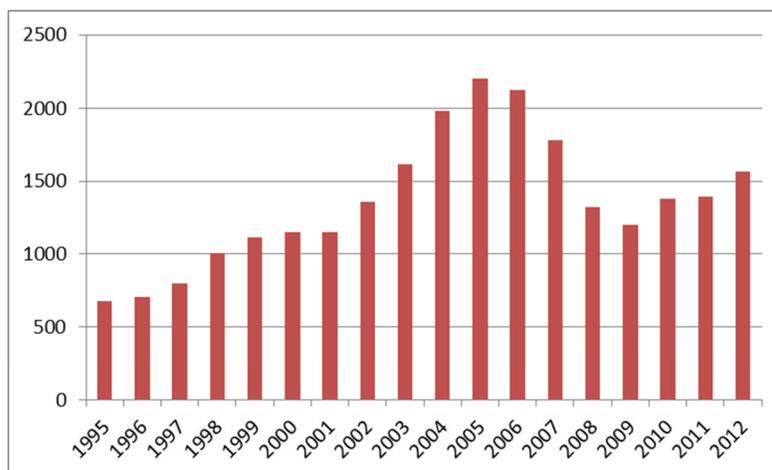
Since 2008, Cooper Appraisal has been conducting an extensive study of every home sold in the local MIs system. Any prior sales of every home sold in the MIs are recorded, processed and analyzed in order to determine if the market is in decline, stable or maybe soon, appreciating in value. Our analysis indicates that, in general, the market was relatively stable in 2008 and 2009 while most other markets were in free fall. Our matched paired study indicates that approximately 67% of all 2012 MIs sales (where a prior sale was discovered) depreciated in value and resold for less than their original acquisition cost. In 2009 it was only 52% that sold at a loss which means that

nearly half of the MLs sales had sold for more (i.e. appreciated) when other sections of the national market were at their worst. In 2010, the ratio rose to 73% and in 2011 approximately 81% of the MLs sales sold at a loss in comparison to their prior MLs sale. This means that in 2012, with 67%, it was a decreasing amount of homes selling at a loss. This is a positive indication that some homes have been able to sell for more. Next we must look at the supply of bank foreclosed properties on the market today in comparison to previous years.

When the nationwide market was experiencing its worst flood of foreclosures (2008-2009), Branson was somewhat "insulated". At the end of 2008, there were maybe 20 bank repos on the market at any given time in the Tri Lakes MLs system. We later caught up with the national market, we were just delayed. The number of foreclosures skyrocketed to 215 in March of 2012. It has taken the past six months to flush many of these bank repos out of the inventory. Currently, as of January 1, 2013, there were only 100 active listings on REO properties in the Tri Lakes MLS system. As a comparison on January 1, 2012, there were 132 active REO properties. We can see that today, there are half of the number of bank repos that there were in March of 2012 so there has been some good progress towards eliminating this supply of negatively influencing inventory.



Yes, home sales are up in 2012. The most recent data from the Tri-Lakes Board of Realtors Multiple Listing Service (MLS) indicates that the year end 2012 numbers have sales strongly up (12%) from last year. **See table below.**



Housing sales peaked in 2005-06 but took some very serious declines in 2009. The First Time Home Buyer Tax Credit saw a surge of sales in early 2010. This year's local numbers appear to be swiftly higher and are the highest since 2007. This makes many agents believe things are heating back up, and they are....for volume.

Recently released National Association of Realtors data indicates that 2012 home sales were up over 9% from 2011 to a five year high across the United States. NAR also reports that inventories nationally are the lowest since 2001. The increased volume of sales is thought to be a direct result of the record low home mortgage interest rates at or near 3%. NAR does go on to say that even with this increased volume, the real estate market is still not “healthy” on a national level.

NAR also reports that distressed homes - foreclosures and short sales sold at deep discounts - accounted for 25 percent of 2012 sales (15 percent were foreclosures and 10 percent were short sales), down from 31 percent in May 2011. Foreclosures sold for an average discount of 19 percent below market value, while short sales were discounted 14 percent.

Locally, in 2012, the first half of the year saw 30% of all MIs sales being short sales or distressed sales. In the second half (July-Dec) of 2012 this ratio dropped to 25%. This still means that one out of every four homes sold is a bank distress sale, but the ratio is dropping sharply as the inventory of bank foreclosure listings drops.

**Home Prices:** Values have taken a deeper decline in 2011 and 2012 than they have in previous years. In 2008 and 2009 we saw many sub-markets experiencing only slight declines or “waffling” of prices. In 2010 it became more common for most segments to have significant price drops. In the last 18 months, however, we have experienced the most significant price declines so far in most neighborhoods, even those that seemed to be relatively “immune” to price drops in previous years.

Every segment is different, the worst segments involved several contributing factors to push prices lower and lower. For example, the Emory Creek development had issues with how the homes were sold in the beginning. The creative financing at this project on its own became the catalyst. This resulted in a very quick surge of foreclosures long before they became common throughout the market. Many houses sat unfinished in the 2008 thru 2010 time frame with unkempt lawns and some tenant occupancy contributing to the lower values.

Pt Royale 1-bd condos			
349635	Dec-12	\$	26,500
350452	Dec-12	\$	28,000
347497	Nov-12	\$	28,000
347008	Nov-12	\$	39,900
335530	Nov-12	\$	26,500
349204	Nov-12	\$	41,000
345805	Oct-12	\$	31,000
347991	Aug-12	\$	34,000
341313	Jul-12	\$	33,500
345556	Jun-12	\$	34,000
346726	May-12	\$	22,000
345163	May-12	\$	30,500
346445	May-12	\$	41,000
343460	Sep-11	\$	33,000
342101	Sep-11	\$	42,000
341984	Sep-11	\$	28,600
333696	Aug-10	\$	50,000

Current Active Lisitngs		
347803	\$27,900	
347500	\$29,900	
349949	\$31,500	pending

Pointe Royale had some issues with respect to large increases in assessments and dues which, when combined with the market slow down, created an evacuation of people attempting to leave this previously highly desired community. Pointe Royale has had a sharply declining past 18 months, much more than in the 2009-2010 time period. The prices for 1-bedroom condos (see table at left) were generally in the \$50,000 range in 2010, dropping to the \$40s in 2011. The most recent sales have been below \$30,000. The active listings really illustrate how prices are still dropping. So prices have dropped from the \$40s to the \$20s in the

past 24 months. The past two years have seen the most dramatic drops in value, much more than in the 2008 to 2010 time period. This data does not show that prices have begun to rise or even stabilized yet.

The Thousand Hills condos have varying prices. These comps at right are all from the Greens phase located on Green Mountain Drive. The seven year history illustrates the levels that the prices have dropped. Up through 2008, these units were selling at or near \$100,000. The most recent sales have been near \$50,000. The current active listings at \$74,900 (Mls 350678) and \$84,900 (Mls 347072) may very well sell for close to their listing price but we won't be able to say the market has stabilized until we see these closed sales in the \$80,000 price range. The 2012 closed sales just indicate prices much lower than in 2011.

It seems that the segments of the market that have fared the best are those subdivisions where panic selling or foreclosures are much less of a factor. Neighborhoods with a larger retiree population and/or lake properties have generally been affected to a less severe extent.

We try to explain to home owners that lake properties have held their values better. Projects like Schooner Bay that are mostly (if not all) owner occupied and very often retiree occupied, have not had large foreclosure ratios. They have not had the panic selling associated with 3 bank repos on the same street. This isn't to say that everything in Kimberling is just fine, because it is not. What we generally see is that prices are still in a slide. In fact, the slide in 2011-2012 was much worse than it was in 2010. The declines in 2009 and 2008 were very minor in comparison to the recent declines in value. We are hoping that with the decrease in the number of foreclosure listings, the increases in the volume of sales combined with the low interest rates will be enough market factors to begin stabilizing our residential prices in the near future.

The Greens, Thousand Hills 2-bd condos		
MLS#	Close Price	Close Date
302990	\$ 92,500	5/12/2006
301694	\$ 96,000	5/12/2006
302902	\$ 89,900	5/18/2006
304436	\$ 97,000	6/30/2006
202576	\$ 89,500	7/7/2006
202567	\$ 88,500	7/14/2006
304716	\$ 92,500	8/4/2006
305749	\$ 90,000	8/18/2006
304719	\$ 95,000	12/5/2006
300255	\$ 96,000	2/21/2007
308968	\$ 105,900	2/28/2007
310253	\$ 87,900	4/25/2007
311903	\$ 97,000	5/3/2007
319063	\$ 112,000	4/22/2008
320230	\$ 87,000	8/15/2008
324155	\$ 112,000	10/23/2008
323601	\$ 107,000	3/10/2009
325254	\$ 85,000	6/12/2009
332008	\$ 93,000	12/14/2009
323745	\$ 92,500	2/26/2010
331660	\$ 87,000	3/22/2010
335974	\$ 90,000	8/26/2010
337563	\$ 82,500	12/2/2010
341090	\$ 82,000	4/29/2011
343605	\$ 67,700	10/20/2011
343716	\$ 62,000	10/26/2011
344217	\$ 80,000	12/14/2011
343069	\$ 49,000	7/6/2012
345155	\$ 57,000	10/15/2012

Which houses are selling better ?					
SOLD VS. LISTING RATIOS					
6 months ending 12/31/2012					
	Sub-Market	list	sold	Sold/List %	6 mos ending 06/30/2012
HOTTEST	Taney County < \$75k	209	180	86.12%	HOTTEST
2	Taney County \$75k-\$125k	231	140	60.61%	6
3	Stone County \$175k-\$225k	79	37	46.84%	8
4	Taney County \$175k-\$225k	86	39	45.35%	11
5	Stone County < \$75k	88	39	44.32%	2
6	Stone County \$225k-\$275k	61	27	44.26%	12
7	Taney County \$125-\$175k	161	70	43.48%	5
8	Stone County \$75k-\$125k	128	54	42.19%	3
9	Stone County \$125k-\$175k	137	56	40.88%	4
10	Taney County \$225k-\$275k	75	25	33.33%	13
11	Taney County \$275k-\$350k	58	18	31.03%	10
12	Stone County \$275k-\$350k	94	24	25.53%	7
13	Stone \$350k-\$500k	62	13	20.97%	9
14	Taney \$350k-\$500k	58	11	18.97%	14
15	Stone > \$500k	49	6	12.24%	COLDEST
COLDEST	Taney > \$500k	52	3	5.77%	15

The Tri-Lakes market is not unique in that the bulk of homes sales are for the largest “base” of the potential buyers. As can be seen in the table, the under \$225,000 price categories for both Stone and Taney Counties have the highest demand as well as the most reasonable list to sold ratios. Over 82% of all homes sold in the Tri Lakes MLS system are under \$225,000, a fact ignored by many speculation builders who constructed \$350,000 +/- homes in the 2005-2008 time period. These more affordable home categories have the best sold/list ratios meaning the demand is much better for them (compared to the supply).

What we have seen a change in recently is the \$175,000 to \$225,000 price category in both counties. Our most recent data indicates that the 175-225 price categories placed 8<sup>th</sup> and 11<sup>th</sup> in the first half of 2012. The sales of homes in this category have risen to 3<sup>rd</sup> and 4<sup>th</sup> positions in the July-December time frame. This \$175,000 to \$225,000 price category has had a spike of activity in the past six months unprecedented in recent years. The supply of these homes for sale also dropped at the same time, creating a better situation for home sellers in this specific category.

Overall, the data appears to be very clear that home prices are still declining in 2012. Some subdivisions that were “resistant” to declines are also teetering a little bit with respect to their own values. Even with a 12% increase in the number of homes sold in 2012, the large ratio of distress bank sales (1 out of every 4 homes sold currently), we have not seen market wide prices on the rise. We are projecting that when new home construction is on the rise and the foreclosure supply is half of what it is now, we might be able to say the worst is behind us.

**Rental Properties:** There are some pros and cons for the long-term rental segment of the market. Interviews with various property management firms indicate that there is a very strong demand for rentals in the Branson area. An influx of former owners who are now renters combined with a work force turn over have kept the demand for rental

housing strong. There has been a large increase in the number of available newly constructed properties over the past five years, however. Much of the new construction has been targeted at the “working poor” section of the community with government subsidized housing being constructed at several locations. The need for this specific type of housing has been identified since the Branson Boom of 1992-93 and desperately called for. The increased supply of this specific category has positive impacts on the community as a whole but has changed some demands for non-government subsidized housing. The tenants of a 3-bedroom home formerly paying \$700 per month may now be eligible for \$400/month government subsidized housing. The shift of this income level of tenants has slightly dropped rental rates in comparison to typical rents just 2-3 years ago. Three bedroom 4-plex units formerly renting just two years ago for \$750 are not struggling to get \$600 per month.

New construction of multi-family buildings has only been economically feasible with the tax incentives associated with subsidized housing. Other multi-family construction (condos or apartments) is not currently economically feasible with the current market rents in the Branson area. Multi-family construction has been the most recent “boom” across the nation as a flood of people are now looking for a place to live after having been foreclosed upon. Unfortunately, Branson’s typical annual household incomes are well below other more metropolitan markets. It is extremely difficult to fill units at \$1,000 per month rent when the average household income in Stone and Taney counties is approximately \$40,000 per year.

Commercial: Many business owners have called us wanting to know how much their commercial property has dropped in value. We immediately ask them “how are your revenues”. Many people tell us that they have had to drop commercial lease rates to entice tenants in this poor economic environment. The Leap Day tornado of 2012 decreased the amount of space for lease which improved occupancies for retail and more affordable motel lodging. Today, as we finally see much of the tornado debris being hauled away, we have not seen any positive indications for commercial sales prices.

**Commercial Land:** In the past 2-3 years we had been seeing many commercial land sales at or near previous (stable) levels. Recently, however, we have seen many list prices being severely dropped to liquidation prices. A case in point is the Highway 13 corridor between Kimberling City and Reeds Spring. Demand has always been relatively low with only a hand full of sales in recent years. List prices for much of the frontage along this corridor have recently been significantly dropped with some very recent closed sales representing 50% or less of previous values. The realignment of Highway 13 in the Stoneridge area has been a source of much of the change in pricing. It is unknown if the new bypassed area will experience the history of the downtown Reeds Spring market...when bypassed, demand effectively went to near zero and in turn property values plummeted. The downtown area of Reeds Spring has not recovered to the level of the early 1990s. The bypass of the Branson West area did not have this same impact, however, as the traffic counts were not essentially eliminated (as in Reeds Spring).

Subdivisions, on the other end of the spectrum have dropped dramatically in value. A recent client (from outside the area) was shocked to find that the residential subdivision

they had a loan against had dropped 50% in less than 3 years. With the case of residential developments, there are several factors, which have affected subdivision values. First, home buyers are just not buying new homes like they used to. Second, home builders are not building new homes on “speculation” that they will find a buyer about the time they put the carpeting in. Third, many lending institutions don’t want to loan money to a builder to construct a “spec” because of #1 and #2 above.

Then you factor in the flood of residential lots that have been thrown into the market over the past 2 years. Banks have repossessed entire developments and are trying to liquidate these lots. In 2010, there were no builders to buy these lots because there were minimal amounts of home buyers for the finished product. The prices on these lots (individually) become dramatically affected (50%). In 2011, however, we saw a few entry-level builders purchasing drastically reduced single-family lots in Emory Creek, Holiday Haven and Keeter Heights. These builders have illustrated that there still is demand for the \$120,000 +/- new home. Admittedly, there is still a flood of bank repos for these \$120,000 buyers to look at, but the lure of brand new construction can be a defining factor for some buyers.

In the case of residential subdivisions, time is money. Historically developers could sell out a 50-lot project in 2-3 years, however, with the hesitant buyers-builders-bankers triangle, this may very well extend out 10 or more years now. This seriously drops the value of that 50-lot project when you look at 2 years versus 15 years to sell all your lots.

Many economists and real estate professionals are concerned that the projections for the future are ultimately the same market conditions we have now. The “good old days” of property values rising 5% or more every year may very well be a thing of the past for the current generations. Large surges of real estate appreciation associated with a booming economy, very flexible lending practices and a general “safe” feeling about real estate as an investment may become unheard of to new generations entering the home buying phase of their lives. Real estate as a wealth building tool might not be an avenue for entry into the middle or upper middle class as one experienced between 1950 to 2000. Real estate as a gamble or speculative investment with little or no long term appreciation may become the norm for the next 10 year time frame or longer. This is the “new normal”.

Our real estate market is constantly changing, some might say evolving. We are hearing many people refer to “the new normal”. We are all starting new in a sense. Properties once purchased as nightly rental investments have “reset” to price levels enabling long-term rental. With an increase in the number of foreclosures, prices have dropped but a larger pool of long-term tenants has been created, increasing demand for both single and multi-family rental property. With some prices as low as 50% off from just 5 years ago, many real estate opportunities are looking more enticing. From a seller’s perspective, the tougher market has increased marketing times and opened incentive doors such as owner financing or seller concessions (i.e. down payment assistance). From a buyer’s perspective, the purchasing power of their dollar has been increased opening up many more opportunities to purchase homes that may have previously been out of reach.

Our recommendations for sellers are now to be patient with respect to longer marketing

times or financing incentives. For buyer's, maybe its time to become a home owner for the first time now that prices are so low.