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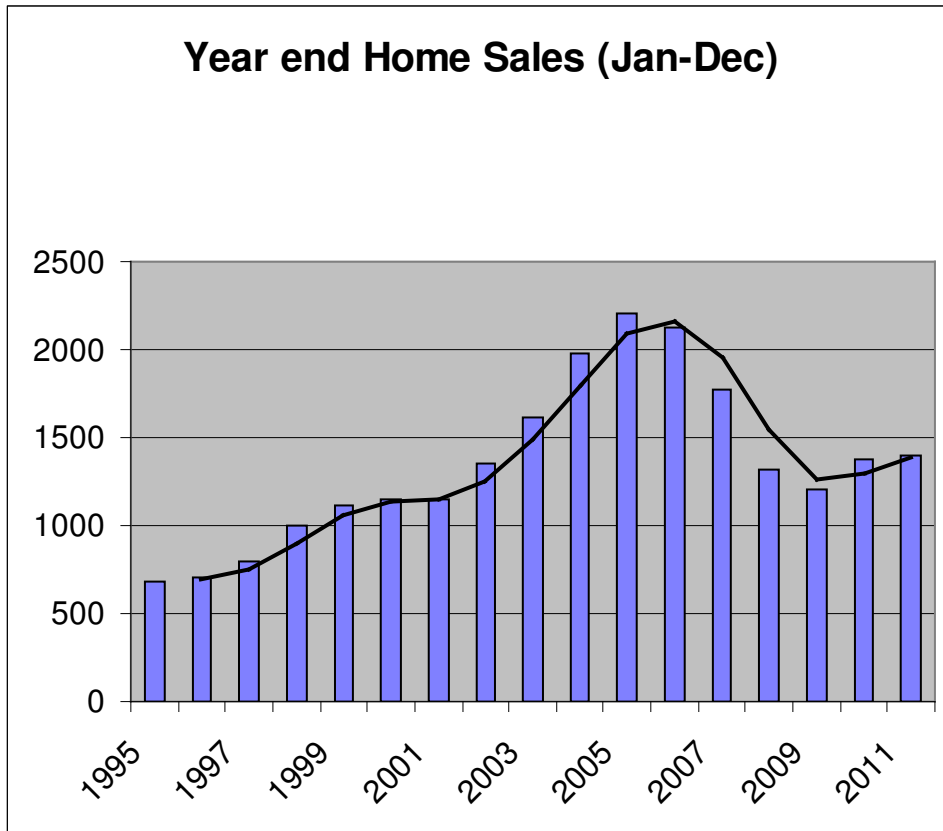
REAL ESTATE CONSULTING AND VALUATIONS

118 Notch Lane, Suite B (Phone) 417-338-8859
P.O. BOX 1097 (Fax) 417-338-8943
Branson West, MO 65737
www.cooperappraisal.net appraiser@cooperappraisal.net

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

2011 has come and gone and now its time to see how all the numbers came in. The volume of sales in the Tri Lakes area was up slightly in 2011. With 1396 residential sales, we are at about the same level as in 2002. The number of active listings has also come down closer to a level that was normal prior to the recession/depression.



The most recent data from the Tri-Lakes Board of Realtors Multiple Listing Service (MLS) indicates that the first half of the year has sales slightly up (2%) from last year. Housing sales peaked in 2005-06 but took some very serious declines in 2009 and 2010 even with the First Time Home Buyer Tax Credit in early 2010. Looking at the last four years as a whole, the sales appear to be pretty stable between 1200 to 1400 units.

On a national level, existing homes sales rose 1.7 percent in 2011 over 2010. NAR chief economist Lawrence Yun, said these are early signs of what may be a sustained recovery. "The pattern of home sales in recent months demonstrates a market in recovery," he said. "Record low mortgage interest rates, job growth and bargain home prices are giving more consumers the confidence they need to enter the market."

Contract failures were reported by 33 percent of NAR members in December, unchanged from November; they were 9 percent in December 2010. Although closed sales are holding up better than this finding would suggest, contract cancellations are caused largely by declined mortgage applications and failures in loan underwriting from appraised values coming in below the negotiated price.

Home Prices: Values are still continuing to decline locally. In 2008 and 2009 we saw many sub-markets experiencing slight declines or "waffling" of prices. In 2010 it became more common for most segments to have significant price drops. Last year, however, we have experienced the most significant price declines so far.

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.

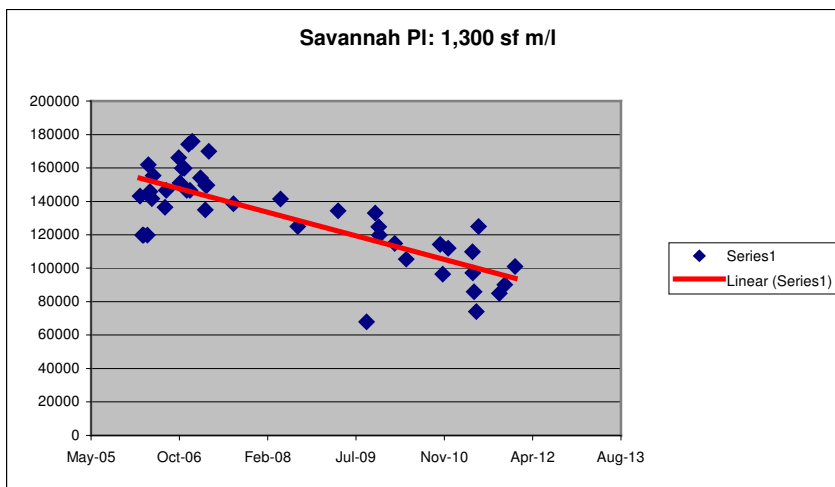
Pointe Royale had some issues with respect to large increases in assessments and dues which, when combined with the market slow down, created an evacuation of people attempting to leave this previously highly desired community.

The nightly rental phases of Stonebridge Village had revenue problems from the start, which created many desperate condo owners long before the Branson area started experiencing heavy foreclosures or price declines on a market wide scale. Throw on slow market conditions, higher foreclosure rates, financing difficulties and an overall uncertainty of the market and some condo values at Stonebridge Village have dropped to half of what they were selling for just a few short years ago.

Newly constructed single family homes in Merriam Woods were marketed predominantly to investor buyers who were led to believe the rental rates would cover the cost of ownership. These predominantly out of state investor buyers quickly learned the properties would not cash flow and began a liquidation that has led to 3-bedroom houses available for around \$50,000 or close to half the former prices. This identical situation occurred in many 3-bedroom 4-plex buildings around town (Sycamore Ridge & Vinyards)

With respect to improved residential properties, these are some of the worst examples. Developer/association issues on top of the normal market pressures affected them. We have seen significant price declines in typical neighborhoods, however, that did not have specific or unique contributing factors. We believe that these more clearly illustrate the level of depreciation in single-family residences.

Savannah Place is an entry-level development in close proximity to Branson's employment base, shopping and entertainment. A typical 3-bedroom ranch style home sold at the peak of the market for somewhere between \$150,000 to \$160,000 with some as high as \$175,000. Today in Savannah Place the norm seems to be under or near \$100,000 with homes selling as low as \$74,000 recently. Half of

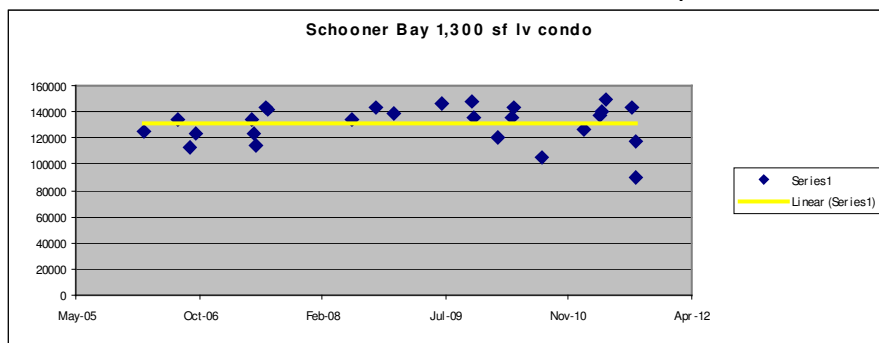


of the homes sold in Savannah Place over the past 12 months have been bank owned foreclosures. These foreclosures are thought to be very commonly owner occupied properties where the economy combined with ballooning mortgage payments are the primary forces instigating the evictions (unlike the developer/association issues illustrated above). As mortgage interest rates climb, many owner occupied home owners have discovered that they have lost any and all equity in their homes. Many of these upside down home owners look at their \$90,000 home that has a \$140,000 mortgage and choose to walk away rather than endure through the 10 years it may take to regain equity.

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.

Schooner Bay is a development in Kimberling City which illustrates the more calmer effects of the current economy. A typical lake view 2-bedroom condo at or around 1,300 square feet has generally held their values better with only some slight declines in the past months. The graph below illustrates how the price trend in this largely retiree occupied community has actually increased with just a few minor exceptions. During the peak of the market in 2006, these units were selling anywhere from \$120,000 - \$140,000. With few exceptions, this is still the norm today.

It has been our experience that many lake properties have declined in value, but have remained more stable in comparison to the other examples above.



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 \$175,000 price categories for both Stone and Taney Counties have the highest demand as well as the most reasonable list to sold ratios. Local MLS data indicates that 79% of all homes sold are less than \$225,000. Houses over \$350,000 have a glut of listings on the market with very few actually selling in this category. This data has remained consistent with data from even the peak selling years prior to 2008.

| Which houses are selling better ? | | | | |
|--|----------------------------|-------------|-------------|--------------------|
| SOLD VS. LISTING RATIOS | | | | |
| 6 months ending 12/31/2011 | | | | |
| | Sub-Market | list | sold | Sold/List % |
| HOTTEST | Taney County < \$75k | 213 | 154 | 72.30% |
| 2 | Taney County \$125-\$175k | 159 | 95 | 59.75% |
| 3 | Stone County < \$75k | 85 | 47 | 55.29% |
| 4 | Taney County \$75k-\$125k | 234 | 103 | 44.02% |
| 5 | Stone County \$125k-\$175k | 137 | 53 | 38.69% |
| 6 | Stone County \$175k-\$225k | 76 | 26 | 34.21% |
| 7 | Taney County \$175k-\$225k | 107 | 35 | 32.71% |
| 8 | Stone County \$75k-\$125k | 144 | 46 | 31.94% |
| 9 | Stone County \$225k-\$275k | 52 | 16 | 30.77% |
| 10 | Taney County \$225k-\$275k | 75 | 22 | 29.33% |
| 11 | Taney County \$275k-\$350k | 70 | 19 | 27.14% |
| 12 | Stone County \$275k-\$350k | 94 | 21 | 22.34% |
| 13 | Stone > \$500k | 51 | 9 | 17.65% |
| 14 | Taney > \$500k | 59 | 9 | 15.25% |
| 15 | Stone \$350k-\$500k | 76 | 10 | 13.16% |
| COLDEST | Taney \$350k-\$500k | 70 | 6 | 8.57% |

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.

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. Correspondingly, values on lease properties

would reflect this drop in value. The overall risk associated with real estate ownership, however, has also changed the multipliers that are derived from the more recent sales in many instances, not for the better.

Recent interviews with hospitality owners indicate that 2011 nightly rental revenues are severely impacted by the spring floods and a tighter budget for Branson visitors. Initial data indicates that per room revenues are down approximately 3-5% at year end. This could very well be a current illustration of retail sales and other tourism related revenues for 2011.

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 has 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 have seen 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.

| TLBOR as of Residences | 7/28/2011 | 9/1/2011 | 10/1/2011 | 11/1/2011 | 12/1/2011 | 1/1/2012 |
|--|-----------|----------|-----------|-----------|-----------|----------|
| Total Active Listings in TLBOR | 2441 | | 2152 | | | 1832 |
| Current # of active foreclosure properties | 132 | 132 | 141 | 135 | 114 | 132 |
| # new foreclosures listed in last 6 months | 245 | 230 | 229 | 236 | 240 | 254 |
| # foreclosures sold in last 6 months | 229 | 209 | 214 | 214 | 212 | 205 |

Foreclosure ratio and declining values: It would seem that the property values are most significantly affected market wide by the level of foreclosures in any specific segment of the community. Watching foreclosure and eviction rates is another method of projecting future trends. It appears that locally, we have not yet reached the bottom as foreclosure rates are still climbing. Per MLS data, 27.3% of all homes sold in the first half of 2010 were identified as foreclosures. This rate has increased to 33.5% in 2011 (year end). This 23% increase corresponds very closely with the property values declining at deeper levels than those in 2010. Most market participants concur that until these foreclosures are flushed out of the system, property values will not stabilize. The buyers of these foreclosures appear to be a mixed pool of investors as well as occupants. Obviously with approximately half of the foreclosure buyers being investors, these market participants believe we are at or near the bottom of the market (i.e. time to buy). Many local Realtors profess that we are at or near the bottom of the market. From a statistics point of view, however, it would appear that the market would not truly stabilize until foreclosures are between 5-10% (or less) of the total sales. We appear to be a long way from those levels at the present time.

It should be noted that our research of the local sales and resales of individual homes (to determine matched pairs) has discovered several foreclosures of foreclosures. In recent months we have discovered some single family residences which were foreclosed on in the early part of the recession, purchased by a buyer, foreclosed on again and then sold to a second buyer. In other words, these specific homes have cycled through the foreclosure process twice in the past five years. This gives the phrase "double dip" a new reference point and more credence.

Foreclosure forecast: Bloomberg/Business Week recently reported that foreclosure inventory may increase by about 25% nationwide in the coming year 2012. The backlog of foreclosure paperwork has delayed many homes from being seized in 2010 and 2011. RealtyTrac reports that there were "strong signs in the second half of 2011 that lenders are finally beginning to push through some of the delayed foreclosures in select local markets". Per RealtyTrac there were 804,000 homes repossessed in 2011. That number is anticipated to climb over 1,000,000 units in 2012.

With respect to filings (the beginning of the foreclosure process), about 1.89 million properties received notices of default, auction or repossession in 2011, down 34% from 2010 and the lowest number since 2007 per RealtyTrac. One in 69 U.S. households received a filing. In summary, there are less filings but there is still a flood of new foreclosure listings anticipated to hit the market.

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 the tales of old to tell to your grandchildren around the fireplace. 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.

Our real estate market is constantly changing, some might say evolving. 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 3-4 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.

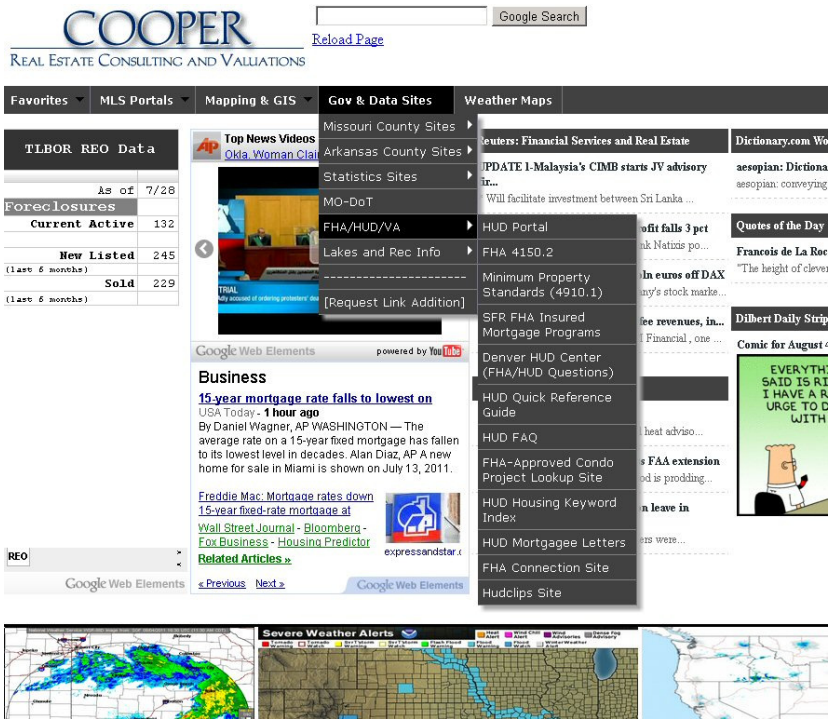
Our recommendations for sellers are now to be patient with respect to longer marketing times or financing incentives. For buyer’s, maybe its time to become a home owner for the first time now that prices are so low.

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.

We would like to announce the grand opening of our newly revised real estate website. It has been designed to be a data source and portal for real estate professionals and lenders. The website includes links to many area MLS boards, County and City GIS sites as well as current real estate trends. We are keeping a daily tally of the number of foreclosure active listings so that we will know when these have been flushed out of the local market. Our recently created real estate blog will offer the latest data and trends which we hope many Realtors, lenders and market participants will find informative and helpful.

You can visit our brand new web site at

www.cooperappraisal.net



Be sure to set your home page to our new web portal pictured above with useful links and up-to-date topical information targeted at local real estate and financial industry professionals.

<http://www.cooperappraisal.net/portal.html>

Our new portal features links to all major county/government sites, local weather maps, mapping and GIS pages, MLS Portals, FHA/HUD/VA links, breaking real estate & financial news.

If you have a useful or informative link that we don't list be sure to contact us via the [Request Link Addition] button on the menu, and we will be happy to add it so everyone can benefit. Our goal is to tailor this page to everyone's needs and create something simple, useful and efficient and become your home page on the web for everything that makes all of your jobs easier.