

>> MARKET REPORT



LOCAL
REALTY GROUP

Q3 2022

SMOKY MOUNTAINS

Letter from Justin



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Owner/Investor

What goes up, must come down. And it is coming coming down! The biggest takeaway from this quarter's market study is that the list price of properties has held firm, but the sale price has not. It seems that sellers and Realtors have yet to adjust to the shifting market. The average list price is 1.5% lower than the previous quarter, while the average property was sold 8.5% lower than the original list price. Compared to last quarter, where homes were selling on average 2.5% lower than the list price. The market has shifted, and is poised to continue shifting. Prices are falling, but opportunities will be on the rise!

Market Highlights:

OCCUPANCY RATE

79%

YEAR-OVER-YEAR

-5%

NIGHTLY RATE

\$371

.2%

MONTHLY REVENUE

\$5,133

0%

KEY FACTS

60%

of STR's are
1 or 2 bedrooms

8.5%

the amount homes
are selling below
list price

36.5%

fewer homes are on
the market than the
previous quarter

Closed Sales

Q3 closed sales tell a story few are talking about. Q3 2022 was the height of this real estate market! Even in the midst of climbing interest rates, the average price of a property in the Smoky Mountains was 11% to 22% higher than the previous year. Many builders, developers, and realtors are on track to another record breaking year! Proceed with caution, though. For the first time in 12 to 24 months, we see the % of sale-to-list price dropping considerably as buyers gain a little more control of the market. What we see in pending and active sales should have everyone preparing for consistent price decreases for the foreseeable future.

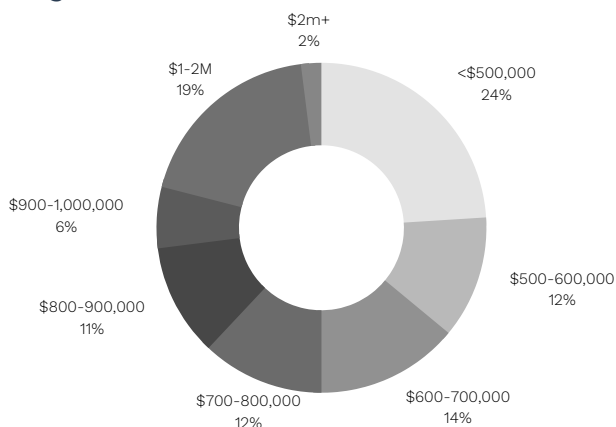
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	16%	39%	27%	9%	5%	4%
% Sale to List	94%	91.5%	93%	95%	97.75%	97%
Average Price	\$480,000	\$638,000	\$827,000	\$1,068,000	1,441,000	\$1,811,000
YoY	11%	22%	13%	15%	19%	16%
Median Price	\$460,000	\$649,000	\$799,000	\$1,036,000	\$1,365,000	\$1,700,000
YoY	6%	23%	16%	13%	25%	16%
Average PPSF	\$549	\$396	\$371	\$389	\$432	\$367
YoY	33%	15%	19%	15%	27%	15%
Average SF	965	1655	2224	2791	3339	4961
YoY	-13%	5%	-9%	-1.5%	-9%	2%

By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	55%	11%	20%	10%	3%	1%
% Sale to List	98%	97%	97%	96%	98%	100%
Average Price	\$801,000	\$787,000	\$866,000	\$893,000	\$603,000	\$348,000
YoY	19%	14%	17%	16%	-6%	-27%
Median Price	\$699,000	\$670,000	\$750,000	\$760,000	\$692,000	\$327,000
YoY	17%	13%	15%	15%	6%	-25%
Average PPSF	\$419	\$426	\$415	\$366	\$392	\$282
YoY	17%	20%	16%	10%	25%	-6%
Average SF	2039	1872	2187	2449	1537	1061
YoY	2.5%	-9%	0%	3%	-40%	-32%

By Price



% Sale to List

Under \$500,000: 96%

\$500,000 to \$600,000: 96.5%

\$600,000 to \$700,000: 97%

\$700,000 to \$800,000: 97.5%

\$800,000 to \$900,000: 98%

\$900,000 to \$1,000,000: 96%

\$1,000,000 and Above: 96%

Pending Sales

Reality check! The effect of the consistent and aggressive interest rate increases is finally showing up in the market. This may sound a little counter intuitive, but this is not necessarily bad news. Yes, prices are decreasing, inventory is rising, and properties are becoming harder to move. Also yes that the rate increases are affecting the real estate market which will help slow inflation, bring an element of predictability to future prices, and this should encourage the FED to slow/stop the aggressive rate increases sometime in 2023.

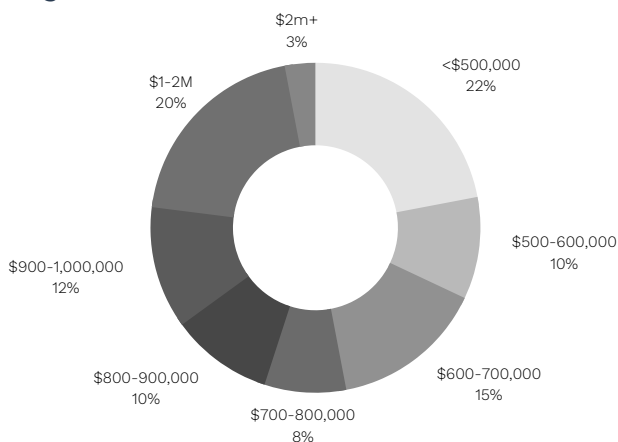
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	14%	32%	24%	22%	7%	1%
% Sale to List	94%	91.5%	93%	95%	97.75%	97%
Average Price	\$508,442	\$608,962	\$838,664	\$1,022,610	\$1,597,300	\$1,762,971
YoY	-3%	-6%	-7%	0%	-4%	-8%
Median Price	\$537,450	\$629,000	\$779,000	\$995,000	\$1,412,450	\$1,789,471
YoY	-2%	-3%	-8%	0%	-10%	-7%
Average PPSF	\$485.51	\$422.07	\$363.21	\$395.03	\$457.96	\$426.49
YoY	-4%	-3%	-6%	0%	-1%	4%
Average SF	1,046	1466	2325	2610	3451	4078
YoY	0%	0%	-1%	0%	-2%	-12%

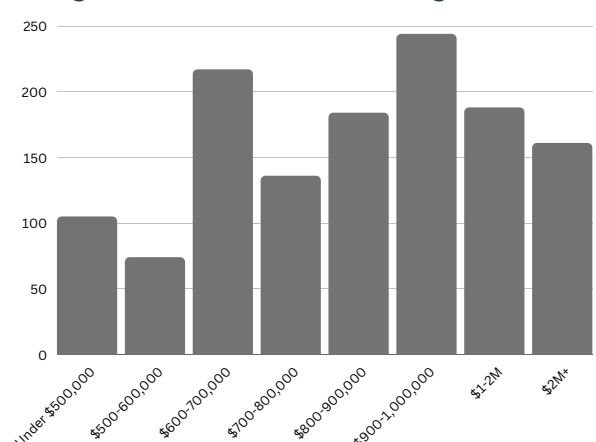
By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	35%	31%	19%	12%	1%	2%
% Sale to List	98%	97%	97%	96%	98%	100%
Average Price	\$819,351	\$931,211	\$831,244	\$1,293,418	\$1,420,000	\$446,100
YoY	-13%	-1%	-9%	4%	6%	-20%
Median Price	\$699,950	\$969,000	\$729,000	\$927,450	\$1,420,000	\$382,250
YoY	-3%	-3%	-14%	5%	10%	-27%
Average PPSF	\$430.02	\$407.31	\$418.34	\$424.72	\$365.23	\$397.53
YoY	-2%	0%	-3%	0%	-15%	5%
Average SF	2026	2286	2116	2960	3888	1191
YoY	-1%	1%	2%	2%	32%	-22%

By Price



Days On Market By Price



Active Sales

Our study on active listings speak to a continuation of what we saw in pending sales. The market is not cooling, it is correcting. For those looking to sell property, you should be expecting your agent to suggest listing prices 3-5% lower than the previous year's prices and as a seller you should expect to accept a contract an additional 3-5% lower than the listing price. Failure of the agent to suggest the correct listing price or a seller to recognize the current state of the market will lead to a property sitting on the market for far too long and selling far too cheap.

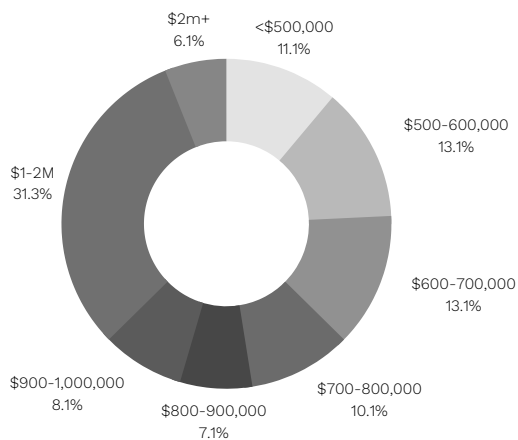
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	11%	29%	32%	17%	10%	1%
% Sale to List	94%	91.5%	93%	95%	97.75%	97%
Average Price	\$597,256	\$676,745	\$886,554	\$1,189,964	\$1,547,893	\$2,083,911
YoY	-8%	-10%	-15%	-7%	-4%	-16%
Median Price	\$555,250	\$659,000	\$859,900	\$1,150,000	\$1,499,999	\$1,909,950
YoY	-3%	-3%	-7%	-4%	0%	-13%
Average PPSF	557.38	\$425.14	\$392.70	\$424.66	446.12	\$478.11
YoY	0%	-1%	-4%	-2%	0%	1%
Average SF	1208	1656	2318	2894	3485	4280
YoY	0%	0%	0%	0%	0%	-16%

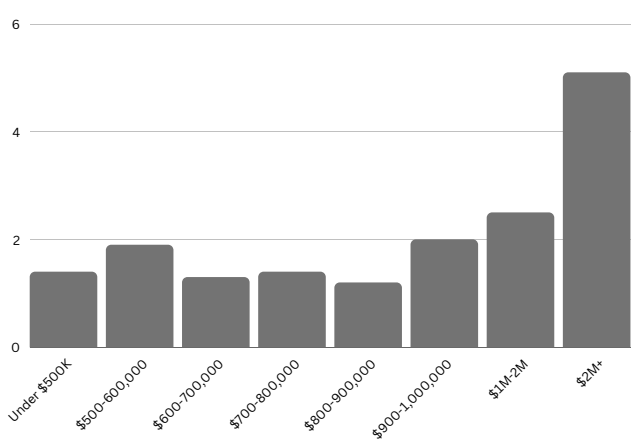
By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	38%	21%	23%	15%	2%	1%
% Sale to List	98%	97%	97%	96%	98%	100%
Average Price	\$1,014,459	\$971,829	\$1,104,448	\$1,172,095	\$1,174,762	\$944,800
YoY	,13%	-11%	-11%	-8%	-1%	0%
Median Price	\$800,000	\$822,500	849,950	\$1,100,000	\$1,190,000	\$899,999
YoY	-16%	-6%	-20%	-8%	1%	5%
Average PPSF	\$436.25	\$439.18	\$473.39	\$423.95	\$398.08	\$447.43
YoY	-3%	1%	2%	-5%	-5%	10%
Average SF	2434	2287	2400	2849	3045	2200
YoY	-1%	0%	-8%	0%	13%	-8%

By Price



Months Of Supply By Price



Smoky Mountain STR Report

Every January and June we release a new STR Market Tracker. The Market Tracker helps us understand how properties are performing at the current market and rental rates. While the real estate market seems to be showing signs of change from the recent rate changes, those changes started having an affect on the rental market in June. As of June 2022, only STR's performing better than 75% of their competitors were producing any cash flow. While prices are dropping, the interest rates that new investors are paying is much higher than those in June. This should serve to keep the returns similar to the chart below.

1 Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	69%	\$186	\$39,268	\$475,000	-\$233	-2.63%	-
75	90%	\$246	\$57,324	\$539,000	\$728	7.18%	8.42%
90	99%	\$439	\$81,216	\$615,000	\$1,968	17.05%	10.59%

2 Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	65%	\$239	\$45,324	\$592,000	-\$450	-4.03%	-
75	87%	\$310	\$66,468	\$723,000	\$372	2.74%	7.28%
90	99%	\$469	\$89,700	\$770,000	\$1,702	11.72%	9.30%

3 Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	61%	\$340	\$65,052	\$700,000	\$215	1.64%	7.25%
75	82%	\$434	\$94,140	\$961,000	\$853	4.79%	7.70%
90	96%	\$664	\$128,508	\$995,000	\$3,043	16.64%	10.29%

4 Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	60%	\$469	\$88,032	\$1,083,000	-\$438	-2.22%	-
75	82%	\$607	\$125,172	\$1,215,000	\$1,454	6.76%	8.03%
90	99%	\$972	\$181,836	\$1,399,000	\$4,436	18.98%	10.41%

5 Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	57%	\$613	\$112,236	\$1,343,393.00	-\$146	-0.60%	-
75	81%	\$760	\$164,424	\$1,389,767.00	\$3,274	13.06%	9.38%
90	96%	\$1,085	\$218,724	\$2,450,000.00	\$1,631	3.71%	7.16%

6+ Bedroom Cabins							
Percentile	Occupancy Rate	Average Nightly Rate	Annual Gross Income	Average Purchase Price	Cash Flow	ROI	Cap Rate
50	57%	\$889	\$112,236	\$1,825,000.00	-\$2,811	-8.58%	-
75	77%	\$1,156	\$165,264	\$1,563,100.00	\$2,048	7.36%	8.32%
90	94%	\$2,107	\$218,604	\$2,055,000.00	\$3,340	9.30%	8.53%

There is one trend found in the above chart that I want to bring attention to. Often times STR's performing better than 90% of the competition were renting with similar numbers to STR's with 1 additional bedroom that were performing better than 75% of the market. As an example, you could purchase a luxury 2 bedroom cabin for \$770,000 that brought in \$89,700 while purchasing a above average 3 bedroom cabin that performed better than 75% of the market would cost you \$961,000 while only bringing in an additional \$4,500 dollars of gross income. If you are purchasing in this market, you need to go where the value is. Depending on your budget, bigger is not always better.

LTR Report

Here is a glance at the LTR markets we follow and suggest. From Sevierville to Knoxville the average LTR is renting between \$1.20 and \$1.30 per square foot. The average door in Sevier & Knox Co. is costing around \$130,000. For the investor looking to purchase a single-family home, those returns are still lagging far behind STR's. For those committed to LTR's, returns begin to improve with multi-family properties of at least 6 units. There are a number of surrounding counties that are bringing similar returns on multi-family units. Jefferson and Blount County are both performing similarly to Knox and Sevier County.



Have a Question?



Market Report by Local Realty Group