

>> MARKET REPORT



LOCAL
REALTY GROUP

Q4 2022

SMOKY MOUNTAINS

Letter from Justin



Justin Beasley

Owner/Investor

Let's face it, every now and then it is healthy to put in the hard work and shed a few pounds. The real estate market of 2021 and 2022 reminded me of being at family Thanksgiving talking about how much weight we have gained while going back for round three of turkey and dressing. We all know we needed to lose some weight and post the holidays it is time to get to work! The good news is that the real estate market has plenty of weight to lose. While there has been a 10-15% drop in property value, inflation for the time being is under control, interest rates are sitting between 6 to 6.5%, and STRs in the Smokies are still producing good returns.

Market Highlights:

OCCUPANCY RATE

73%

NIGHTLY RATE

\$303

MONTHLY REVENUE

\$5,737

YEAR-OVER-YEAR

-8%

-1%

-4%

KEY FACTS

82%

of SOLD Cabins
were 1-3 Bedrooms

10%

the amount homes
are selling below
original list price

200

fewer homes are on
the market than the
previous quarter

Closed Sales

82%! 82% of all STRs recently SOLD in the Smoky Mountains were between 1 and 3 bedrooms. This is the theme of this quarter's report. As the market began to correct, fewer people could afford large loans and more of the buyer pool was pushed to limit their searches below \$1,000,000. Our expectation in 2023 is right in line with this information. We will soon see more 4 bedroom properties priced around \$1,000,000 as that is simply what it is going to take for many of them to sell in the current market. One note, it is increasingly difficult to find a 5+ bedroom STR in the Smokies and the rarity of a property that size should help to hold their value above \$1 million.

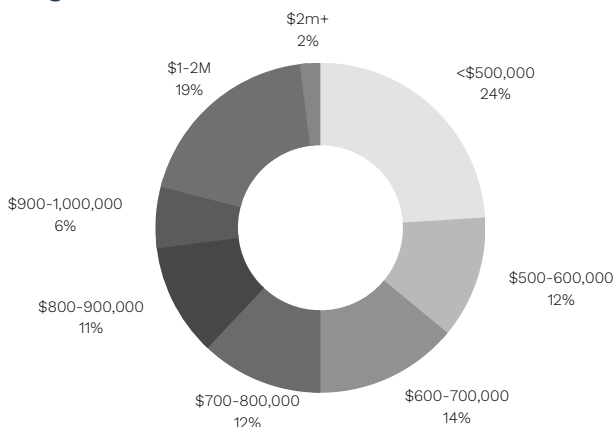
By Bed

| | 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% |

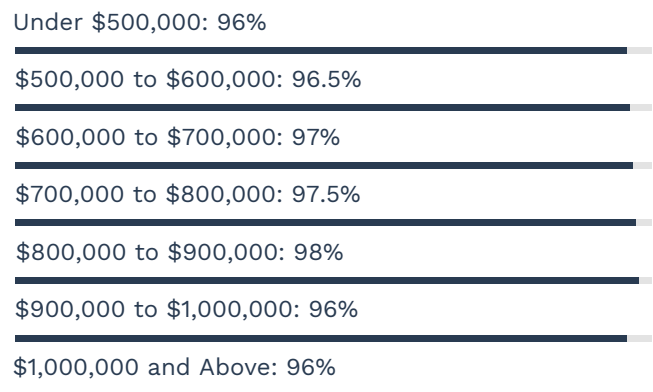
By Location

| | 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



% of Sales to Listings



Pending Sales

For those considering selling, there is some valuable information in the charts below. 82% of sales were 1-3 bedrooms and you can see there are two obvious price ranges going under contract faster than others: below \$600,000 and between \$700,000 and \$900,000. If you want to move your property in 2023, then you need to price where the activity is. The majority of buyers are looking for 1-2 bedroom cabins below \$600,000 or 3-4 bedroom cabins below \$900,000. In office, all of our recent 4 bedroom sales have been north of \$1,050,000 but they are trending more towards the \$1,000,000 mark at this point.

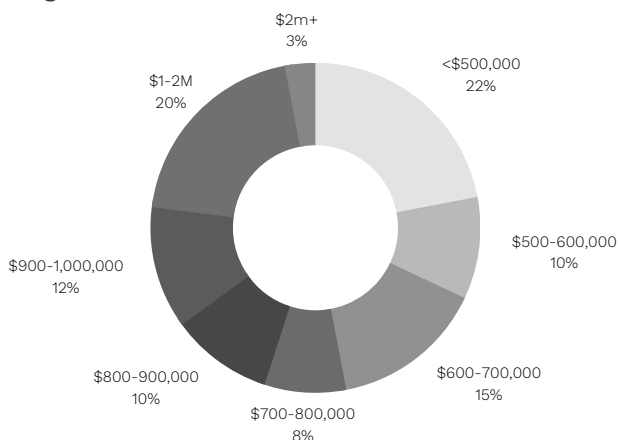
By Bed

| | 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% |

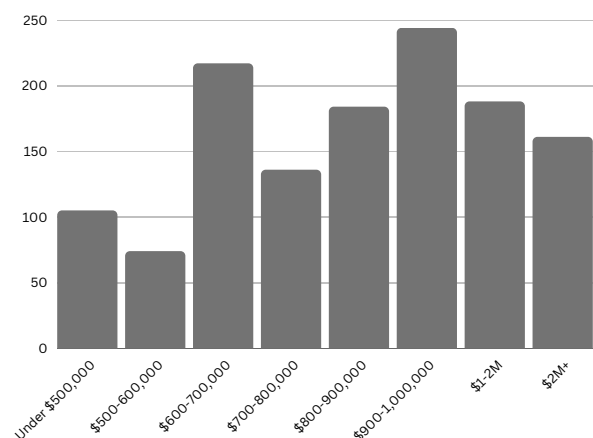
By Location

| | 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

There is an important trend here that is a little hidden in the report below. As of January 2023, there are actually 200 fewer STRs for sale than there were in October 2022. This is important because it is a niche trend that is different from what you will see reported in other markets. Here is what you need to know. STR inventory in the Smokies currently has two sides: the inventory of properties priced below \$800,000 substantially decreased in the past two months while inventory of properties priced above \$900,000 substantially increased. If you own a property worth less than \$900,000 and are motivated to sell it at all, then you will sell it. Not with multiple offers but with multiple showings.

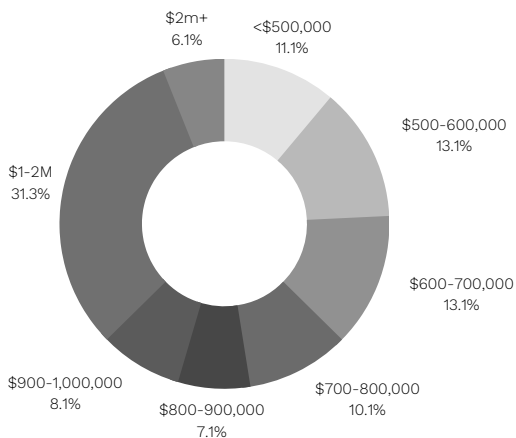
By Bed

| | 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% |

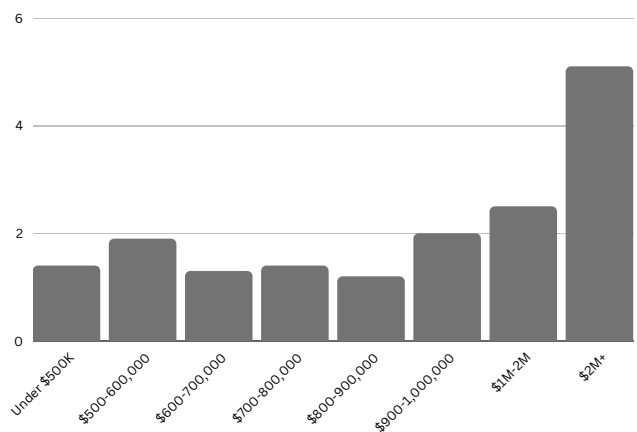
By Location

| | 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

The market has corrected. The question is, how long will it continue to drop? In my opinion, the current real estate sales and rental markets are in a healthy position. The aggressive rate changes in 2022 served to bring housing costs under control and with the current trends surrounding inflation, the FED should have little reason to continue to raise interest rates. As you see below, at the current interest rates most investors are still able to achieve their desired returns. While the FED has proven hard to predict, we have good reason to believe that the current market should settle around its current position. The risk is simple....you just never know what the FED is going to do.

Bedrooms

| | <u>Occ. Rate</u> | <u>Nightly Rate</u> | <u>Gross Income</u> | <u>Purchase Price</u> | <u>Cash Flow</u> | <u>ROI</u> |
|---|------------------|---------------------|---------------------|-----------------------|------------------|------------|
| 1 | 75% | \$219 | \$62,000 | \$480,000 | \$1,006 | 11.19% |
| 2 | 71% | \$271 | \$74,000 | \$638,000 | \$1,015 | 8.46% |
| 3 | 68% | \$369 | \$99,000 | \$827,000 | \$1,632 | 10.47% |
| 4 | 66% | \$495 | \$135,000 | \$1,068,000 | \$2,699 | 13.43% |
| 5 | 64% | \$677 | \$159,000 | \$1,441,000 | \$2,480 | 9.33% |
| 6 | 64% | \$893 | \$225,000 | \$1,811,000 | \$5,101 | 14.79% |

Q3 Report vs Q4 Report

Bedrooms

| | <u>Occ. Rate</u> | <u>Nightly Rate</u> | <u>Gross Income</u> | <u>Purchase Price</u> |
|---|------------------|---------------------|---------------------|-----------------------|
| 1 | -15% | -11% | -13% | -11% |
| 2 | -16% | -13% | -14% | -12% |
| 3 | -14% | -15% | -14% | -14% |
| 4 | -16% | -18% | -17% | -12% |
| 5 | -17% | -11% | -13% | 3.7% |
| 6 | -13% | -23% | -15% | 15% |

Booking Lead Time

42 to 72 Days

Avg. Length of Stay

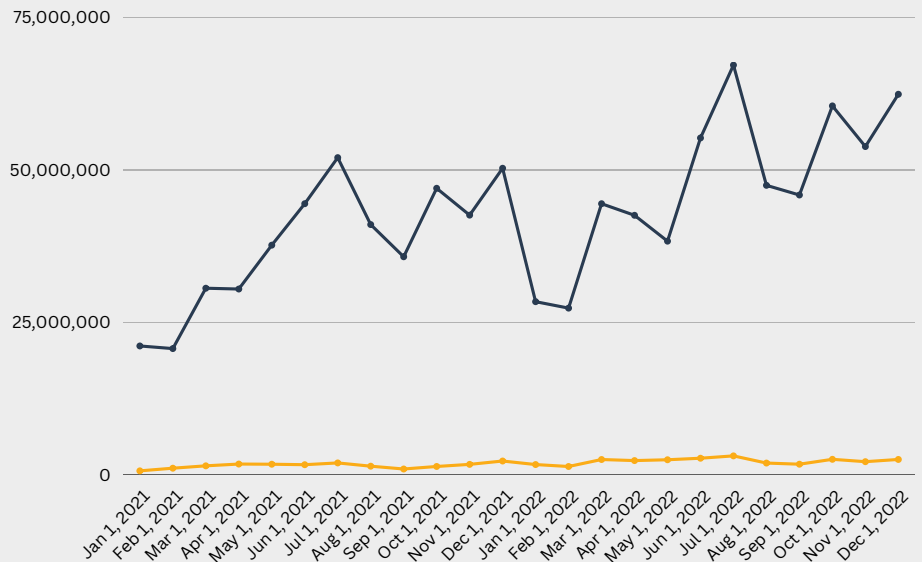
3 Days

Minimum Stay

- 1 Night
- 2 Nights
- 3 Nights
- 4-6 Nights
- 7+ Nights



Total Market Revenue



Smoky Mountain Condo Report

Since the increase in prices during 2021 and 2022, we have fielded a lot of questions regarding condos as an investment in the Smoky Mountains. Condos have always been a good entry-level investment in the Smokies, but they also present their own challenges. To be successful with condos you need to have a decent understanding of the market, the importance of a strong HOA, and how potential assessments could impact your profit margins. The number of condos sold in Q4 was well below average and having a limited number of data points can affect accuracy. Use the below report as a starting point but every report is different and should require a lot of due diligence.

Bedrooms

| | <u>Occ. Rate</u> | <u>Nightly Rate</u> | <u>Gross Income</u> | <u>Purchase Price</u> | <u>Cash Flow</u> | <u>ROI</u> |
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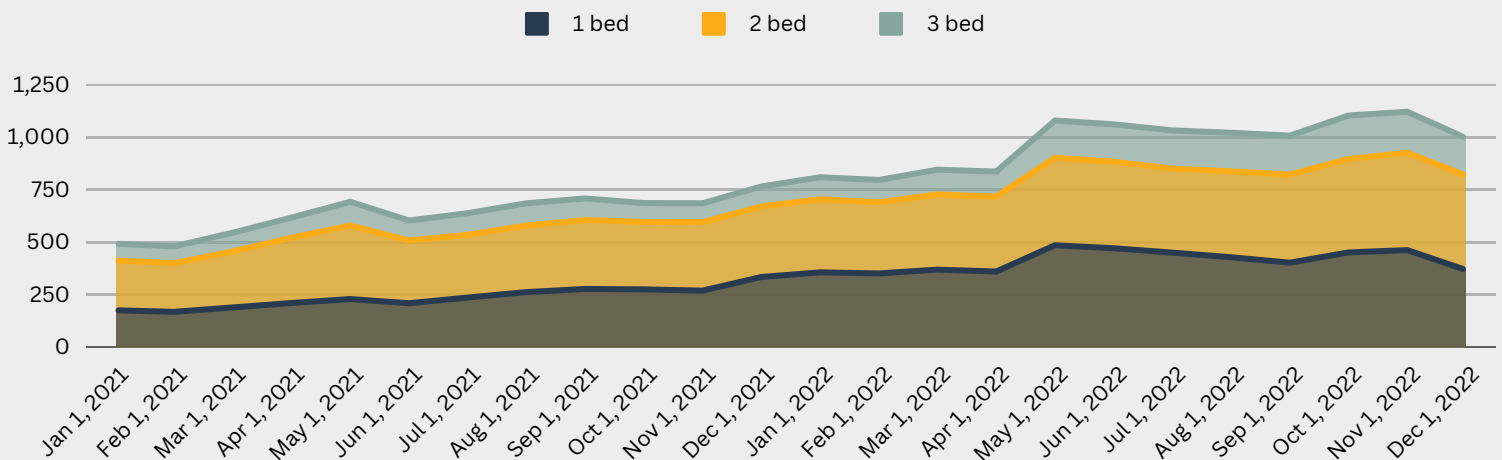
Q4 Sales

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| YoY | -3% | -3% | -7% |
| Average PPSF | 557.38 | \$425.14 | \$392.70 |
| YoY | 0% | -1% | -4% |
| Average SF | 1208 | 1656 | 2318 |
| YoY | 0% | 0% | 0% |

See Recent Condo Sales



Total Active Condo Rental Listings



Have a Question?



Market Report by Local Realty Group