

>> MARKET REPORT



LOCAL
REALTY GROUP

Q3 2023

SMOKY MOUNTAINS

Something has to give...and it will give.

The real estate market is currently at a critical juncture as the Federal Reserve's rate hike and the market's resilience face a showdown. While per unit revenue has been significantly impacted in 2023, property values have only experienced a slight decline, thanks to the adaptability of investors and property market indicators showing growth in pending and active numbers.



Justin Beasley
Owner/Investor

However, this apparent good news is overshadowed by the broader impact of the Federal Reserve's aggressive campaign, which has affected the overall economy and rental revenue. As a result, the Federal Reserve is likely to take action to align the housing market with the rest of the economy, potentially through continued rate hikes, new lending restrictions, or both.

Eventually, property values will need to fall in line with rental revenue, considering current loan rates. Currently, cabins in the Smokies are priced 25-33% higher than necessary in order to generate monthly cash flow of \$1,000-\$2,000.

It is no longer a question of whether the market will correct, it is a matter of when. The resilience of the market, while remarkable, presents both positive and negative aspects in this report. Historically, the housing market has shown an ability to withstand negative market conditions and bounce back strongly.

So, I guess the best way I could say it is like this, "Something has to give. It will give, and it will bounce back. Just make sure you are around to bounce back with it."

Market Highlights:

OCCUPANCY RATE

68%

NIGHTLY RATE

\$289

MONTHLY REVENUE

\$5,373

YEAR-OVER-YEAR

-7%

-5%

-6%

Closed Sales

The real estate market for closed sales in the first and second quarters of 2023 showed some notable trends. After a period of relative stability, the numbers finally budged a little, indicating a shift in the market. This shift brought about a decline in year-over-year values for the first time in three years, signaling a departure from the previous growth trend. While this decline may have been anticipated, it is unlikely to be sufficient to please the Federal Reserve (FED). The FED may have been hoping for more significant decreases to address concerns related to inflation or other economic factors.



Gracie Mayfield
Realtor

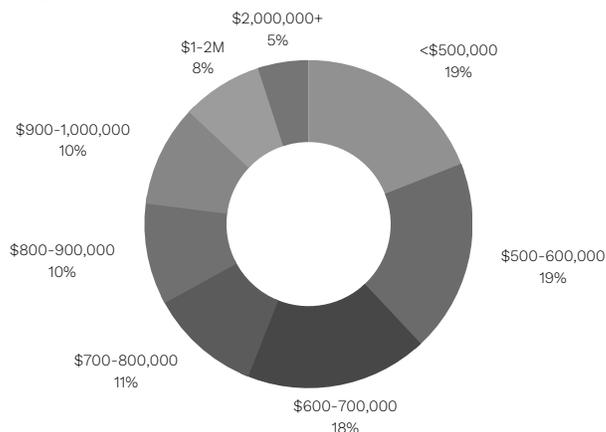
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	16%	33%	28%	13%	5%	5%
% Sale to List	95%	95%	95%	94%	95%	95%
Average Price	\$509,439	\$619,713	\$829,635	\$1,039,000	1,217,619	\$1,633,179
YoY	-2%	-8%	-7%	-9%	-8%	-6%
Median Price	\$499,900	\$600,000	\$807,000	\$1,039,000	\$1,100,000	\$1,625,000
YoY	4%	-12%	-6%	-13%	-15%	-4%
Average PPSF	\$502	\$438	\$378	\$381	\$378	\$358
YoY	-6.70%	-1%	-8%	-7%	-7%	2.25%
Average SF	1,110	1,482	2,230	2,882	3,262	4,542
YoY	1%	-6%	1%	-1%	-0.79%	-13%

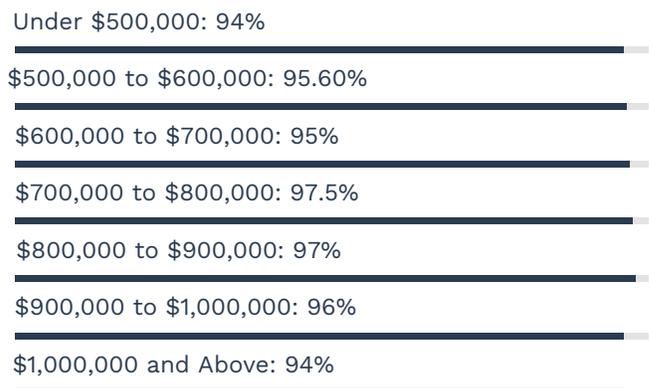
By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	36%	18%	25%	17%	2.40%	2.60%
% Sale to List	96%	97%	96%	97%	94%	97%
Average Price	\$780,071	\$723,803	\$822,256	\$901,970	\$979,770	\$754,355
YoY	-1.00%	-16%	3.78%	-2%	8%	-1%
Median Price	\$675,000	\$685,000	\$744,950	\$751,575	\$838,500	\$740,000
YoY	-2%	-9%	2.70%	-3%	4%	39%
Average PPSF	\$410	\$408	\$428	\$447	\$369	\$349
YoY	-9%	-10.60%	-2.50%	2%	-14%	-10%
Average SF	2,050	1,865	2,049	2,181	2,675	2,131
YoY	7%	-8.60%	4.84%	-1%	22%	-20%

By Price



% of Sales to Listings



Pending Sales

Pending cabin prices were higher than closed prices during the same timeframe. This indicates a potential upward trend in cabin values, as buyers were willing to pay more for pending transactions compared to completed sales.

Despite the presence of higher interest rates, which initially had an impact on cabin values, the real estate market has displayed resilience to the actions of the Federal Reserve (FED). This resilience indicates that the market has adapted and adjusted to the changing interest rate environment. This is a good ole fashioned stand off. A game of chicken. Who will give first? The FED or the housing market? I do not believe the FED can....at some point the market will have to.



Rachel Beasley
Managing Broker

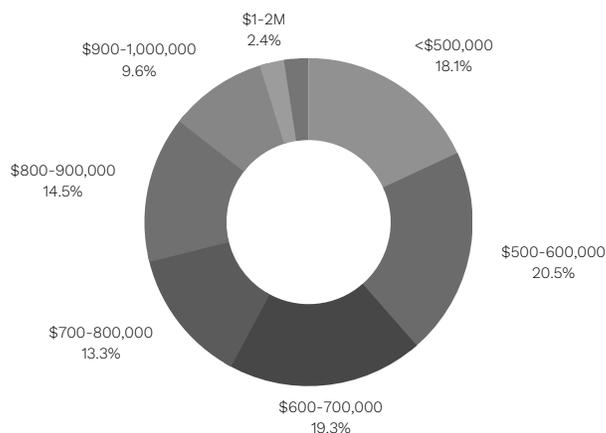
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	17%	33%	26%	13%	6%	5%
Average Price	\$528,596	\$659,709	\$897,670	\$1,167,736	\$1,374,506	\$1,687,901
YoY	-2%	-7%	3%	-2%	-16%	-5%
Median Price	\$519,900	\$639,900	\$875,000	\$1,174,450	\$1,195,000	\$1,710,000
YoY	-2%	-7%	-3%	-11%	-9%	-20%
Average PPSF	\$512.00	\$434.00	\$392.00	\$387.07	\$404.61	\$359.80
YoY	-6%	-4%	-3%	-11%	-9%	-20%
Average SF	1,126	1,534	2,280	2,938	3,928	4,522
YoY	6%	-4%	-1%	1%	15%	7%

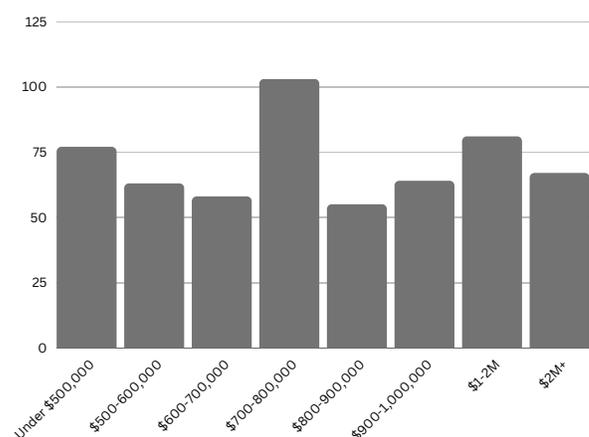
By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	38%	16%	22%	19%	2%	1.60%
Average Price	\$833,944	\$798,931	\$931,176	\$862,181	\$1,232,960	\$678,363
YoY	6%	-9%	13%	-25%	33%	-14%
Median Price	\$700,000	\$735,000	\$831,500	\$759,000	\$1,087,852	\$490,450
YoY	4%	-3%	14%	-17%	40%	10%
Average PPSF	\$420.49	\$432.75	\$434.23	\$438.58	\$368.38	\$323.84
YoY	-8%	-6%	-5%	-2%	-17%	-20%
Average SF	2,072	1,896	2,188	2,093	3,197	1,946
YoY	13%	-8%	13%	-21%	46%	-23%

By Price



Days On Market By Price



Active Sales

Current listing prices are well above closed comps. The prices at which properties are being listed may not be in line with market demand or they're not sustainable for potential buyers. Another significant trend is the consistent increase in inventory. In particular, the inventory for cabins priced above \$1 million has experienced a drastic surge, reaching an alarming 19 months. This indicates an oversupply of high-priced cabins, which may result in longer selling times and potential price reductions to attract buyers. Furthermore, the current listing prices, on average, are approximately 30% higher than what an investor would typically require to achieve desirable returns. This suggests that properties may be overpriced compared to their potential income-generating potential, making them less attractive to potential investors. Overall, the real estate market for active listings in Q1 and Q2 of 2023 exhibited several concerning trends. Unsustainable market rates, increasing inventory levels, particularly in higher-priced cabins, and average listing prices surpassing investor expectations raise questions about the overall health and balance of the market.

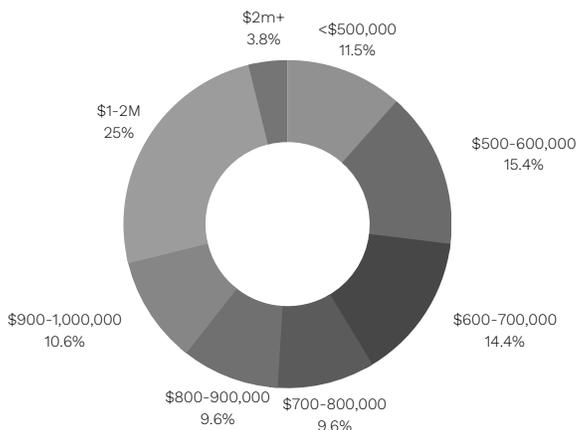
By Bed

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6+ Bed
% Units	15%	29%	30%	13%	8%	5%
Average Price	\$555,141	\$1,003,368	\$1,007,716	\$1,240,365	\$1,475,662	\$2,455,859
YoY	3%	33%	-2%	-4%	-4%	-2%
Median Price	\$559,000	\$669,900	\$939,999	\$1,200,000	\$1,494,500	\$2,028,690
YoY	3%	-4%	2%	-4%	0%	2%
Average PPSF	\$538.79	\$454.51	\$416.60	\$417.92	\$424.83	\$423.70
YoY	27%	2%	-1%	-3%	-5%	-4%
Average SF	1,092	1,557	2,229	2,927	3,400	5,517
YoY	0%	-7%	0%	-7%	10%	0%

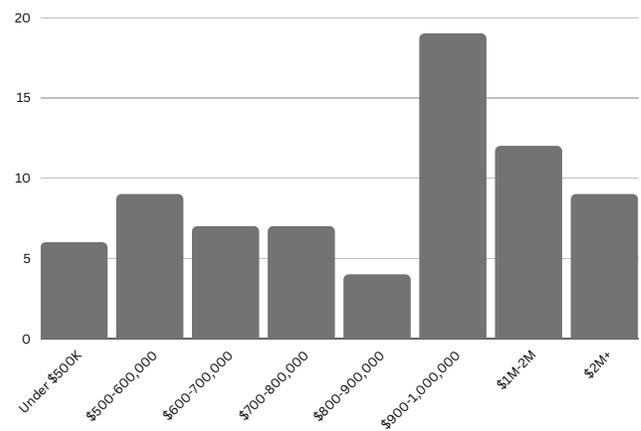
By Location

	Sev.	PF.	Gat.	WV.	PC.	JC.
% Units	39%	16%	23%	19%	2%	0.07%
Average Price	\$1,114,586	\$968,864	\$1,085,140	\$1,095,761	\$1,100,922	\$851,000
YoY	,19%	-3%	13%	-11%	14%	5%
Median Price	\$750,000	\$799,999	\$865,000	\$850,000	\$1,050,000	\$899,000
YoY	5%	-3%	9%	-14%	34%	29%
Average PPSF	\$440.35	\$450.84	\$453.60	\$451.64	\$443.85	\$380.50
YoY	-4%	-2%	0%	2%	-2%	-2%
Average SF	2,116	2,177	2,298	2,456	2,547	2,115
YoY	6%	5%	8%	-10%	18%	-1%

By Price



Months Of Supply By Price



Smoky Mountain STR Report

Not a bust...the short-term rental market in Q1 and Q2 of 2023 experienced a return to normalcy. On a per unit basis, revenue generated has dropped 25% to 30% from 2022. Although not explicitly mentioned in the report, it is worth noting that the revenue per unit in the short-term rental market remained 20% higher compared to 2019. This suggests that the current revenue numbers could be the "new normal".

The overall condition of the Short Term Rental market in the Smoky Mountains is healthy. Those who purchased from 2019 through 2021 are still experiencing great returns. With the price discrepancy between active listings and rental revenue, new buyers will need to work hard and be patient. When you buy, make sure you buy right. Nice, clean, well located cabins with the right amenities are still performing well.

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	73%	\$183	\$48,760	\$509,439	-\$615	-12.49%
2	65%	\$227	\$53,856	\$619,713	-\$1,057	-17.55%
3	60%	\$294	\$64,386	\$829,635	-\$1,699	-21.16%
4	60%	\$405	\$88,695	\$1,039,000	-\$1,474	-14.58%
5	59%	\$524	\$112,843	\$1,217,619	-\$1,054	-8.94%
6	58%	\$817	\$172,959	\$1,633,179	\$332	2.04%

Q3 Report vs Q4 Report

Bedrooms

	<u>Occ. Rate</u>	<u>Nightly Rate</u>	<u>Gross Income</u>	<u>Purchase Price</u>
1	-2%	-16%	-21%	6%
2	-6%	-16%	-27%	-3%
3	-8%	-20%	-32%	0%
4	-6%	-18%	-35%	-3%
5	-5%	-23%	-27%	-16%
6	-6%	-9%	-23%	-10%

Booking Lead Time

65 to 68 Days

Avg. Length of Stay

4 Days

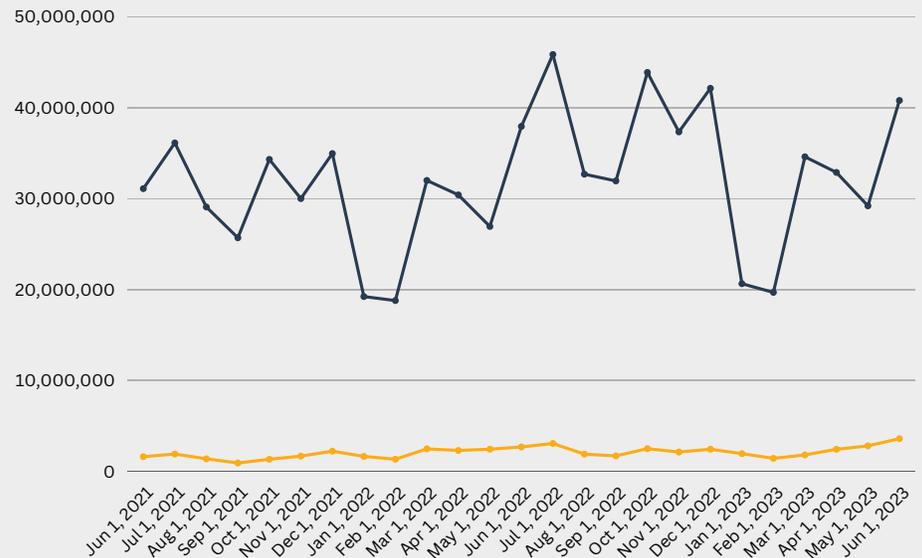
Minimum Stay

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



Total Market Revenue

(Sevierville)



Smoky Mountain Condo Report

Don't get too excited here! Changes and shifts in the Condo market typically lag behind the Cabin market around 6 months. This means market conditions can take 6 months longer to manifest. The current numbers for condos closely resemble the numbers observed for cabins six months ago. Looking ahead, it is anticipated that the next market report will show condos starting to respond to market conditions in a manner similar to cabins in the present report. As cabin prices are likely to decline, this will put pressure on condos priced above \$350,000 as they will begin to compete with studio/1 bedroom cabins.

Bedrooms

	Occ. Rate	Nightly Rate	Gross Income	Purchase Price	Cash Flow	ROI
1	68%	\$174	\$43,187	\$254,213	\$731	30.29%
2	55%	\$204	\$40,953	\$404,753	-\$384	-5%
3	53%	\$282	\$54,953	\$537,114	-\$22	-0.049%

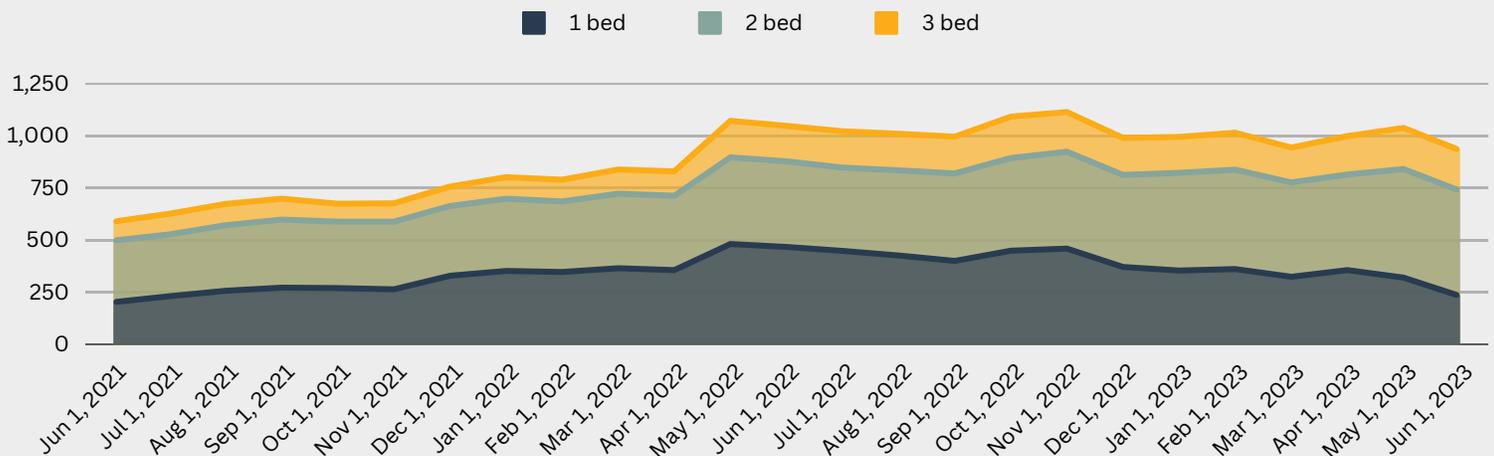
Q4 Sales

	1 Bed	2 Bed	3 Bed
% Units	34%	53%	13%
% Sale to List	95%	95%	93%
Average Price	\$242,106	\$387,317	\$469,567
YoY	11%	9%	4%
Median Price	\$252,500	\$365,000	\$402,500
YoY	16%	4%	-13%
Average PPSF	\$391	\$382	\$336
YoY	6%	6%	4.5%
Average SF	649	1024	1405
YoY	5%	4.5%	-1%

See Recent Condo Sales



Total Active Condo Rental Listings



Have questions? Send
your question in for
Market Talk on July 25th!

