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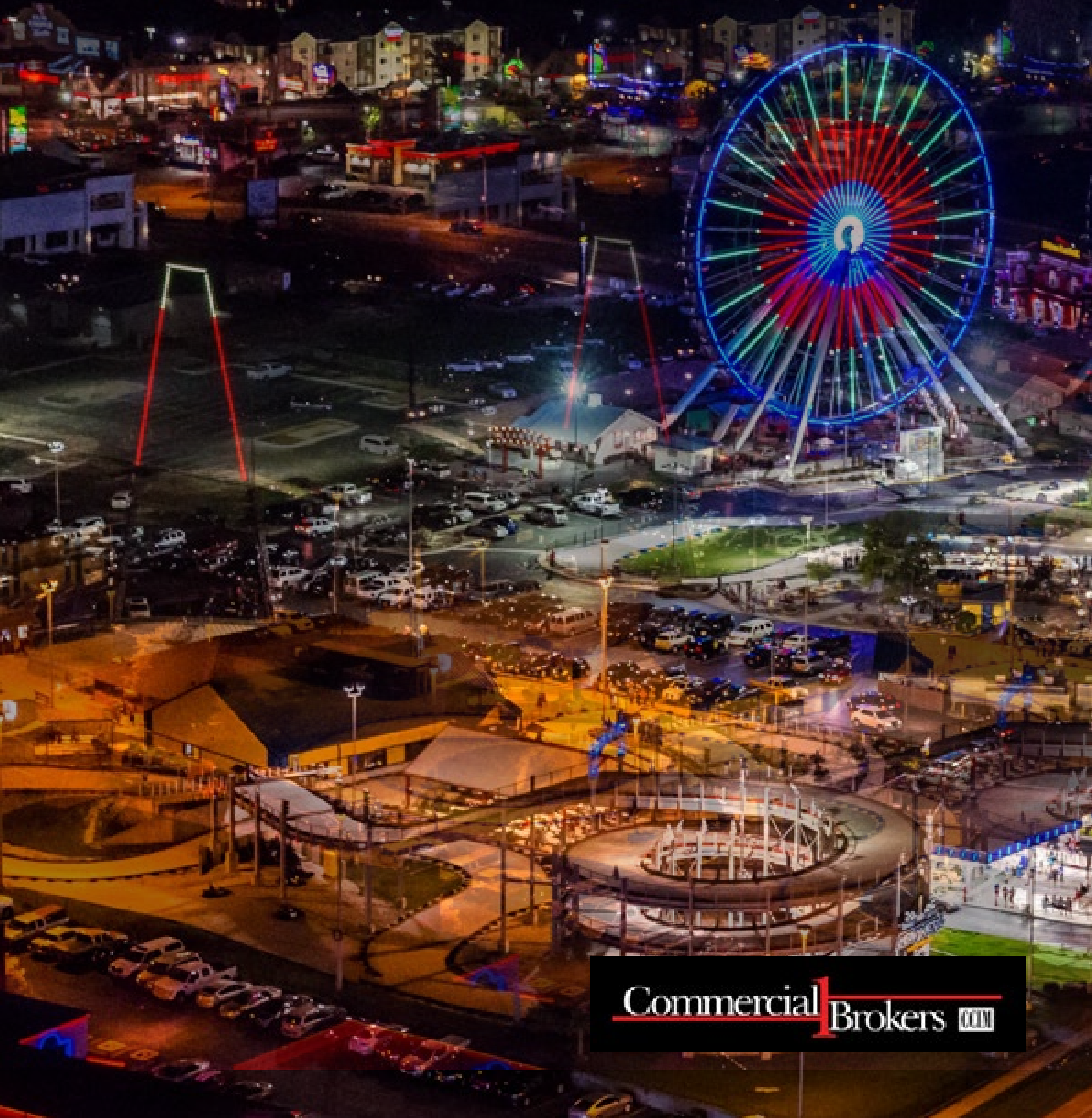
COMMERCIAL

REAL ESTATE FORECAST

2018



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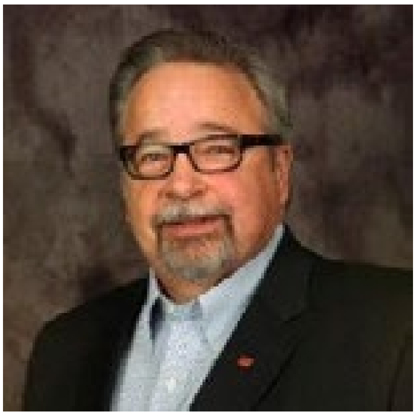

Introduction

After four years of record growth, it appears that Branson took a pause in 2017. The 2016 season saw record visitation, tax collections, motel/hotel occupancy levels and sales. The 2017 season began with widespread flooding (over 100 surrounding counties were designated national disaster areas), not to mention flooding in the Houston area. Texas is a very big feeder market for Branson visitation. Summer visitation remained soft as an exceptional heat wave gripped the area for several weeks. The Fall and Christmas seasons performed very well and made up for the early part of the season. In fact, after the slow start, Silver Dollar City set a 58 year attendance record with over 2.1 million visitors. It was reported that the Christmas season set a record, contributing over 500,000 visitors during that period.

We remain bullish for the upcoming 2018 season as the national economy continues to improve with increasing family income and employment. Each year Silver Dollar City introduces a new ride, the local market enjoys increased visitation. SDC will introduce its biggest attraction in its history with the 2018 opening of The Time Traveler.

The overall commercial market is at the top of the Recovery Phase as occupancy rates are nearly in balance with demand and no new construction has been announced. The only issue causing most commercial segments not to move into the Expansion Phase are market rents that remain flat across the retail, office, and industrial sectors. Market rents have not increased to a level sufficient to justify increasing construction and development costs.

Only one segment of the market continues to expand. A half dozen multi-million dollar family attractions have been added to the market over the last two years. In addition, recent restaurant expansions have occurred with the addition of Chick-Fil- A, Longhorn Steakhouse, Saltgrass Steakhouse and a very successful local restaurant group, Gettin' Basted, are about to open a third concept.

We continue to believe the lodging market is nearly able to justify the addition of one or two new properties which would certainly capture market share from the twenty year old properties as the ADR's have risen to nearly $100.

Our retail property database expanded this year as we added 58 individual properties located in Historic Downtown Branson. Our database now contains 89 properties for a total of 2,629,000 sq. ft. of retail space. We continue to track all multi-tenant buildings of at least 5000 sq. ft. in Branson and select areas of Hollister.

Commercial One Brokers excelled in 2017 with record sales and leasing activity, and we look forward to our 12 th year in business.

Sincerely,

Stephen N. Critchfield, CCIM
Broker/Partner

Robert Huels, CCIM
Broker/Partner

INDUSTRIAL CONTINUES TO SLOWLY IMPROVE

Nationally, the industrial sector remains the prime beneficiary of the E-commerce growth. Locally, the market continues its slow climb out of the 2008 recession.

Occupancy rates remain in the low 80% range and rents have been stuck at the $4.70 to $5.60 PSF modified gross basis. The demand remains for smaller (less than 4000 sq. ft.) office warehouse facilities with docks as the key missing amenity.

Options are limited to non-existent for companies requiring more modern facilities that support today's user requirements of higher ceilings, more efficient lighting, mechanical systems, and more accommodating dock configurations, truck court depths and turning radiuses.

The areas of industrial market influence remains in The Hollister Industrial Park and on the North of Branson at Rinehart Rd., near F Hwy and Hwy 65. Thanks to the growth created by the Hollister interchange, the addition of Menards and available speculative inventory, the Hollister industrial park continues to see greatest leasing activity and demand.

Even though rental rates have stabilized, they remain below a level that supports new construction. Most new construction will be driven by owner occupied properties in 2018.

Industrial Market Trends

- Industrial demand doesn't currently fit the available industrial inventories
- Great demand exists for buildings with docks and dock-high doors and office/warehouse space
- A Well located office/warehouse development could be successful
- Larger users will built to suite a facility for their business vs. trying to find something to lease.

OFFICE MARKET BOUNCING BACK

It was a very good 2017 for the area office market. After several years of sub-par occupancy levels, the market began to gradually improve in late 2016. Leasing continued to build momentum in 2017 with the greatest activity occurring in the last quarter of the year. Overall occupancy levels ended 2016 at 83% and improved to 87% by the start of 2018. This was after enduring occupancy levels in the mid to upper 70's for the prior three years. Total net absorption increased for the year by 51,053 square feet. That was more than 8x's 2016 absorption. These results occurred even with several larger office user moving out of the rental market into their owner occupied space.

The best performer was the Class A space that was in significant trouble in 2016. The 2017 market began with just 80% total occupancy for this segment. This category is now enjoying nearly 94% occupancy rates. It is highly likely that these properties will see rent increases over the next couple years, which will help offset the lower rates witnessed in the past three to four years. Triple net rates fell all the way from $15 PSF in 2006 to just under $10.00 in 2013.

Class B space also was active with average asking rents now at $10.47 NNN. Class B space recorded a much improved occupancy rate to start the year. Class B space attracted the biggest share of the net absorption for the market. This is primarily due to the lower operating costs and pass through costs for this classification when compared to the requirements of Class A space. Of the space presently available in the market a decent portion is not finished space. More office tenants prefer to try and make a finished space accommodate their needs or do a small rehab rather than doing the full infill themselves.

The asking rents for the Class C segment reflected a broad spectrum of asking prices. Most asking rents were gross rates and the estimated operating costs were deducted for each property. The Class C segment reported the worst occupancy rate and had the largest number of properties and square footage in the market. . Many of these buildings were at one time predominately retail in nature and have now converted to back room or support business offices.

Our records indicate that there will be a substantial number of lease renewals this year. Some will renew based on set option rates while others will see a push for slightly higher rents due to shrinking inventory. Even with some pricing pressure, we see little future new office construction. Market rents need to increase further before new construction can be justified. Therefore, we don't anticipate any new inventory being added to the market this year.

There appears to be a shift for some typical office users whose business is very consumer focused, such as a mortgage company. These tenants are now considering higher traffic retail locations rather than the more traditional office locations. They may not sell soft goods, but they are interested in attracting the same consumers. We have noticed this trend in larger markets and has definitely just begun in the Branson market as well.

We are optimistic about the 2018 Office market as we anticipate increased employment in the office use sectors. . As occupancy rates continue to improve, pricing pressure will follow and small rent increases will occur with well-designed and well placed office locations.

OFFICE MARKET BOUNCING BACK

The hybrid Office/warehouse segment will show the first real market growth we have witnessed since 2006. This market along with small office spaces ranging from 750 to 1,000 square feet with front door access and lower common area maintenance costs are also being requested more often.
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Commercial One, recently began a test of a shared office environment in the Castle Rock Office Park property on Highway 248. A 2100 square foot open space area with two conference rooms and both traditional desktop seating as well as less formal seating with couches or bar stool high work tables. The space comes with a printer, coffee bar, internet and utilities included for just $150.00 per month. It is being targeted to small entrepreneurs, sales associates or those with their primary office outside of Branson, who need a place to work when in Branson. The experiment has just started and increased marketing efforts will begin in the first quarter. We also continue to get requests for small private office that can be added to the mix. We will not have a complete result to determine validity of this concept until later in the year, but larger markets have demonstrated success for this concept. Our goal would be to help bring visiting office users as well as those working at home into a collaborative environment and help see those small entrepreneurs grow into full-fledged office tenants in town and not have to do business in Panera or the nearest restaurant.

Office Market Trends

- Demand will continue to be for the 1000 to 2000 sq. ft. spaces
- Higher Common Area and Occupancy costs for Class A space will continue to increase and will drive demand for quality, well located Class B offices.
- Overall demand and current rental rates do not support the construction of replacement properties in 2018.
- As the economy improves and office user jobs increase, the office market will continue to stabilize.

Office Market Overview

CLASS	OCCUPANCY RATE	ASKING RENT
Class A	94%	$11.00
Class B	86%	$10.47
Class C	81%	$8.06

Note: 17 Properties and 350,031 sq. ft. in database. Rents are NNN
Overall: 87% Occupancy with Avg. Rent of $9.40 PSF

Forecast:

Absorption → **Vacancy Rate** → **Asking Rent** ↑

RETAIL IS THE STABLE PERFORMER

The press likes to report that retail is dying. Yes, e-commerce is growing at a much faster rate, but revenues in most physical stores remain positive. Even with dramatic e-commerce growth, only 13 to 15 percent of total retail sales are being captured over the internet. It is anticipated that growth in the e-commerce sector will grow to perhaps 20 percent of total sales within five years. In fact, several brands who were built on-line are now adding physical stores in major markets.

The predominance of national merchants are found in basically three locations in the Branson market. They are Branson Landing, Branson Hills and Tanger Outlet. Both the Landing and Branson Hills were hit with national store closings in 2016 and 2017 as well as a major remixing effort for the Landing in 2017. Both The Landing and Branson Hills are at the end of many 10 year leases that are now expiring.

The majority of Branson retailers are small “Mom and Pop” merchants who if they can provide either a unique product and or experience have no problems with Amazon and can cohabitate with the national merchants. Shopping is always the number one activity in all tourist destinations and Branson is no exception. After four straight years of record setting retail sales,
the 2017 market stalled and was flat to down about 2 percent.

Overall occupancy rates improved for the market, although rents remained flat. In addition to properties located both on and off the strip, plus the Branson Landing district we added just over 450,000 sq. ft. of historic downtown retail space to our data base this year.

Determining asking rents for those properties is very difficult and most properties are self-managed with most leased as gross leases that range along a very big spectrum. Because the Landlords do not know the market, many have either leased their property at prices well below the market and or in some cases well above the market.

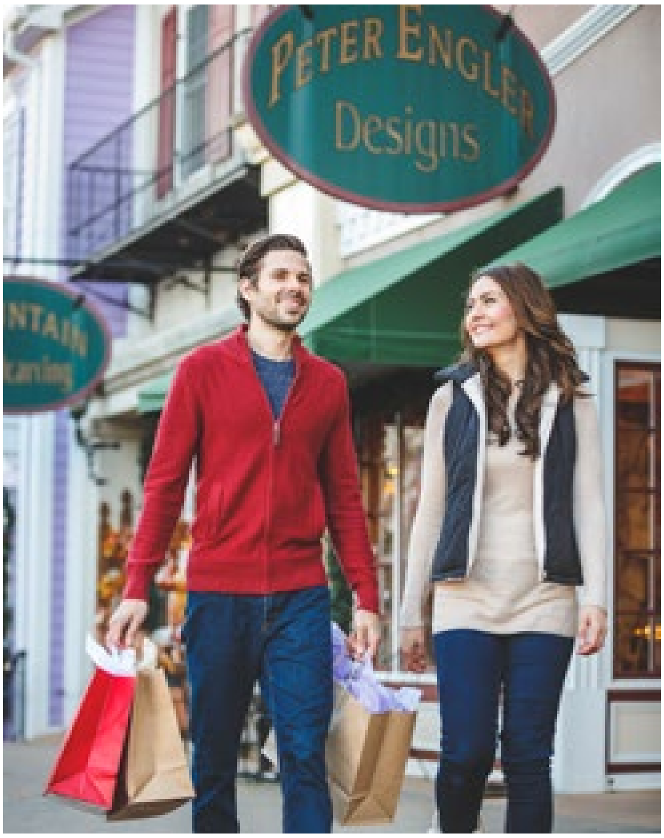
Retail occupancies located on Hwy. 76 improved slightly to 89% levels from the prior year. Those properties located off of Hwy. 76 also improved to 91% rates. The biggest increase occurred in the Branson Landing district that is now, once again 94% occupied

The remixing is complete with announcements of H&M, an Arcade and Andy B’s bowling alley and pub. As with many leading shopping centers nationally, entertainment is being added to both food and other retail offerings in many other cities in order to attract and hold visitors to the center. The Branson retail market is enjoying a 91% overall occupancy level for the year.

The restaurant segment continues to evolve. Several national chains have and are closing locations while others are back filling and expanding. Creative concepts are being added in the fast casual categories such as burgers and pizza and new innovations in farm fresh and grab n' go offerings. Many of these new concepts have yet to expand distribution to this part of Missouri. When you have millions of yearly visitors who eat out at least twice a day, many national chains have found a good home in Branson, like Longhorn Steakhouse that came to Branson in 2017. The sales tax collections for the restaurant segment remained flat after hitting record collections in 2016. We don't believe rents are sufficient to justify a large addition of retail at this time, unless a small amount could be added to the strip area at a special location. Therefor we expect absorption to improve slightly along with occupancy rates and a small increase in rents overall with the largest percentage increases occurring in the off Hwy 76 category. The on Hwy 76 rents will be flat to perhaps slightly down with asking rents continue to range from the teens to the mid-twenties. Of course the final 2018 performance will depend greatly on visitation and local job creation.

Retail Market Trends

- Demand for locations off of Hwy. 76 will drive up the asking rents by as much as a $1 PSF in 2018.
- Hwy 76 rents will remain flat for the balance of the year.
- The top 10 performing restaurants, based on tax collections averaged nearly $4 million in sales with the fast food segments averaging nearly $2.1M in total sales per unit.



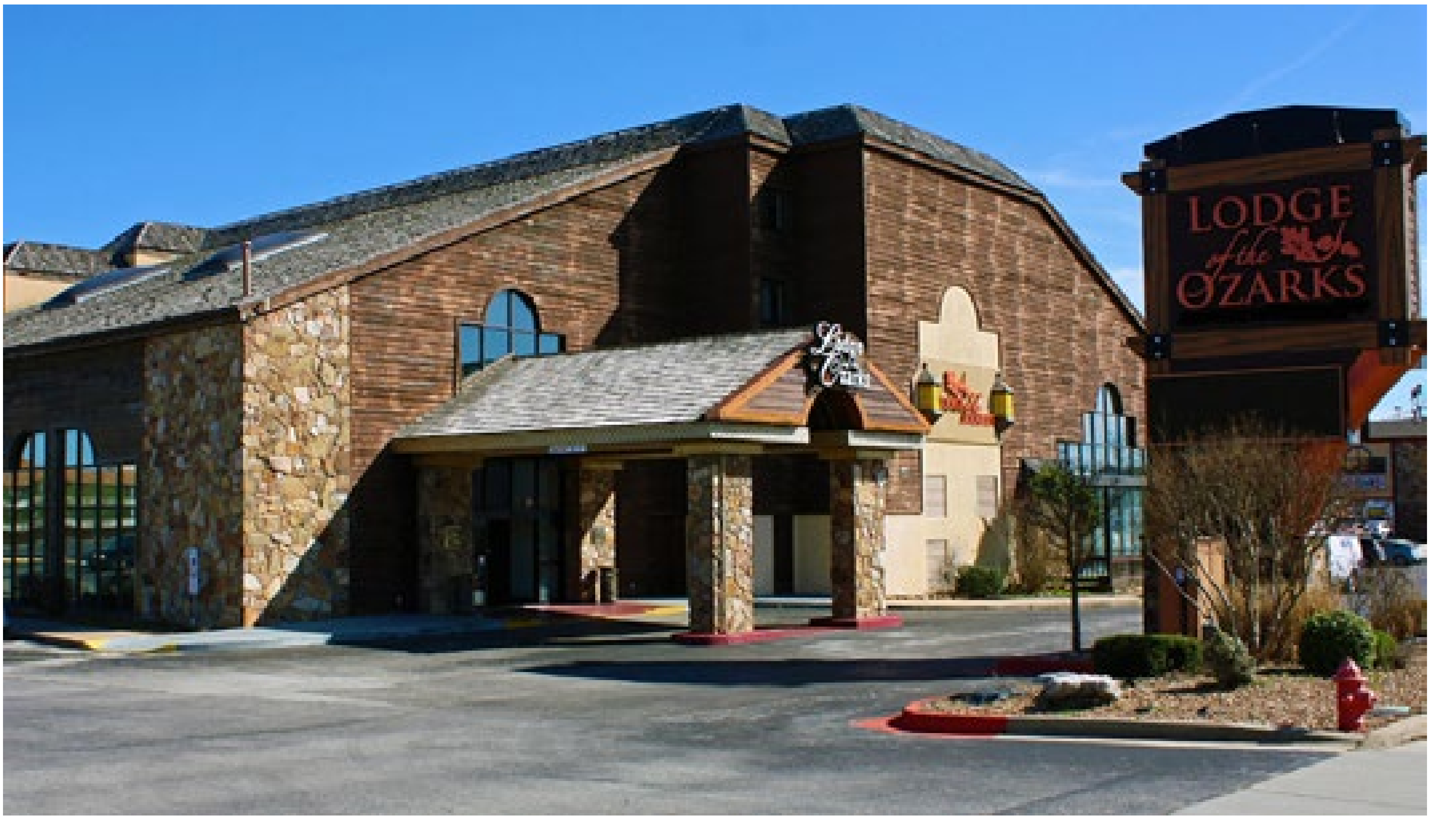
Retail Market Trends

Location	OCCUPANCY RATE	ASKING RENT
On Hwy. 76	89%	$16-$25 PSF
Off Hwy. 76	91%	$10-$12 PSF Branson Hills $25 PSF
The Landing District	94%	Percentage Leases
Historic Downtown	92%	Unknown

Note: 89 properties and 2,630,000 total sq. ft.

Forecast:

Absorption → **Vacancy Rate** → **Asking Rent** ↑



IF YOU OWNED A HOTEL... 2017 WAS A VERY GOOD YEAR TO SELL

On the heels of four straight years of steady occupancy and ADR growth fueled by record attendance, the lodging market witnessed one of its most active transaction years.

We've identified at least 14 properties that sold during the year and there could have been more. The increased activity is beginning to put upward price pressure on quality, well located indoor properties with good room sales. Virtually an equal number of exterior and interior corridor properties sold during the year, even though interior rooms are in most demand.

The Spring floods had a negative impact on 2017 visitation and the softness even extended into the early part of the summer. The Fall numbers made up for some of the early softness, but overall lodging performance for the year suffered when compared to 2016 performance.

Occupancy levels were generally down for the year, even though Average Daily Rates continued to increase, which helped Revenue Per Available Room to remain almost flat for the year.

We expect the average daily rates will remain flat in 2018 but both occupancies and the average revenue per room will improve due to anticipated improved visitation and yield management. Demand will remain strong for properties for sale.

LODGING MARKET TRENDS

- Branson is ready for at least one new property to be built. Except for the 2 Hiltons built in 2006 and the Branson Hills Hampton built in 2007, the inventory of rooms are 20 years old and older. Today's leisure travelers seek experience vs. a commodity. Hwy 76 rents will remain flat for the balance of the year.

- Leisure travel is projected to grow faster than business and group/convention travel in 2018.

- The area's newest property, The La Quinta Inn and Suites built at the Hollister and Hwy 65 interchange opened mid-2016 and is greatly outperforming the market. This property is delivering over 80% occupancy levels and mid $90's ADR's. It is reported that this property is #1 in the region and near the top in the nation.

- Older lodging inventory will continue to be rehabilitated into apartments needed for workforce housing. There still remains a large number of undemolished and economic obsolescent properties.

- New developments that will feature large multi-room residential looking properties will enter the market this year. These projects are expanding nationwide and are marketed in the AIRB&B category.

RESIDENTIAL MARKET SETS A RECORD

Residential property sales in the Tri-Lakes market area demonstrated a record year with the largest number of transactions since we began collecting the data in the year 2000. Sales have been brisk and selling agents have been reporting short supplies that may be limiting sales in the market. On the date of this report, there was about a 5.6 month supply of residential property actively listed for sale in the market. Most market analysts consider a market with a 6 month supply to be in balance. Total sales in the market in 2017 reached 2,195 units across all categories, including condominiums, single family residential, manufactured and attached dwelling units. The median sales price for homes in the market reached $133,500 with the average sale price totaling $159,358 involving sale prices between $6,500 and $1,400,000.

Values in the market have been increasing slowly over the past 4 years. Long term analysis of the data indicates unit prices for residential housing between 1,000 and 1,500 square feet (which tends to be the largest segment of the market) reached a high in 2007 of $96.17 per square foot. Values gradually declined between 2008 and 2013 reaching a low of $62.00 per square foot in 2014. Values have risen since 2014 between 8.2% and 9.8% per year to the current level of just under $80 per square foot.

Increases in sales should be resulting in decreased supply and we are observing more new construction in the market. However, the cost of new construction is substantially higher than existing units with new costs in the $80 to $100 per square foot for similarly sized properties in the low to mid quality ranges. Builders report sales are brisk with most new construction selling prior to completion. The uptick in construction is also causing an increase in vacant lot sales that were up about 30% in 2017.

Apartment occupancies are currently high with many complexes reporting waiting lists for available units. We are aware of several complexes that have plans to construct new units, but rents in the market are not sufficiently high to support new construction. There are some theories that most tenants cannot afford rents higher than about $800 per month because of the limited number of middle income jobs in the market. It is probable that the limited supply of residential housing for sale is causing higher than normal apartment occupancies.

This brief report was prepared by J. Jeschke Appraisal using data provided by the TriLakes Board of Realtors. J. Jeschke Appraisal provides valuation and consulting services in Stone and Taney Counties for all property types including residential, commercial and vacant land.

MISCELLANEOUS THOUGHTS AND OPINIONS

- Is 2018 going to be the year that Branson Airport gets affordable daily air service? We think so. This fact will provide the market a major boost for visitation, lodging occupancy rates and overall employment.

- The Taney County Partnership and Chamber are actively recruiting workers to the area to fill the big demand for qualified workers. Several creative workforce housing projects will be added to the market in order to provide quality, affordable housing for the added workforce.

- The Landing has completed a major "remixing" of the tenants and will focus more on entertainment and restaurant concepts.

- Increased construction cost and labor shortages will put pressure on users who need to build new attractions, restaurants, retail and those properties that can be retrofitted are in short supply.

- Branson has been included in several national publications that are exposing the market to new visitors and new markets. Thanks to the CVB's multi-year commitment to recruiting travel and golf writers to visit Branson and experience what the area has to offer.

- A major new project has been proposed for the Hwy 376 corridor west of Hwy 76. This project is conditioned on TIF financing and could connect the Landing and SDC traffic to the west end of the strip and generate new development in this large area of developable land.

- Johnny Morris continues to invest heavily in the Branson Creek and Big Cedar areas that will add development activity to Hollister and the Hollister and Hwy 65 interchange area.

- If the economy of middle America and worker salaries continue to improve, Branson could experience record breaking visitation again in 2018 and beyond.

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