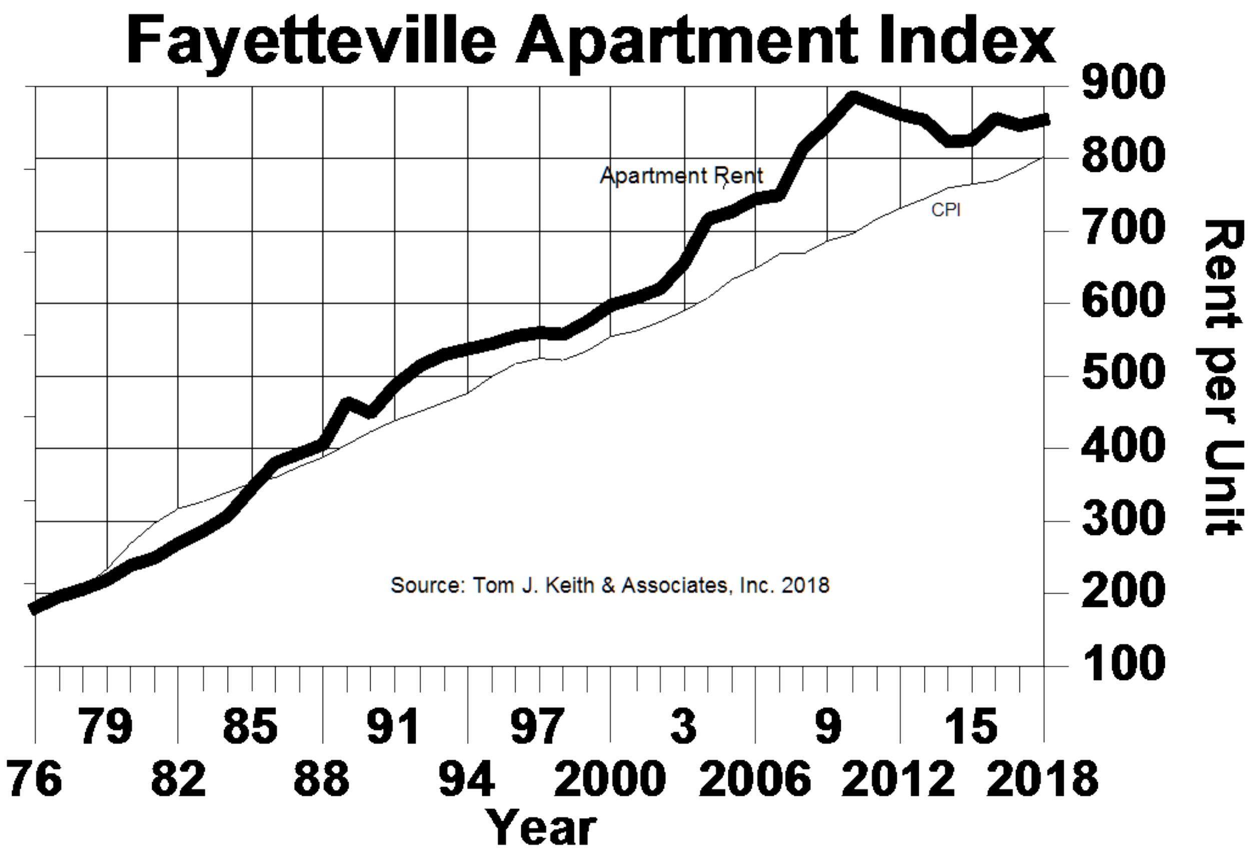

The Fayetteville Apartment Index is based on data collected during the year by the staff of Tom J. Keith & Associates, Inc. The accompanying chart is based on our survey of two bedroom units less than 20 years old and complexes with over 100 units and with all amenities but no furnishings. All of these multifamily facilities were less than 20 years old and included such amenities as clubhouses, tennis courts, swimming pool, meeting and workout rooms. A table of the exact numbers can be found below. Projects over 20 years old are also surveyed but not included in this index.

The table below provides the specific data points used to create the chart above.

Year	Rent per Month	Vacancy Rate
1976	$182	
1977	$195	
1978	$206	
1979	$220	
1980	$238	
1981	$250	
1982	$270	
1983	$288	
1984	$306	
1985	$345	
1986	$381	
1987	$392	
1988	$405	
1989	$464	
1990	$450	
1991	$186	
1992	$515	
1993	$530	

Year	Rent per Month	Vacancy Rate
1994	$537	2.90%
1995	$545	4.00%
1996	$556	4.18%
1997	$560	5.82%
1998	$558	2.60%
1999	$575	6.60%
2000	$598	5.30%
2001	$608	2.90%
2002	$620	3.71%
2003	$656	2.04%
2004	$716	7.08%
2005	$726	1.66%
2006	$744	12.08%
2007	$749	3.26%
2008	$815	4.89%
2009	$846	5.27%
2010	$886	5.34%
2011	$874	8.87%
2012	$860	9.00%
2013	$852	10.42%
2014	$824	7.62%
2015	$826	10.68%
2016	$857	6.57%
2017	$845	6.96%
2018	$852	4.52%

We noticed some interesting observations while in the process of collecting the data. The rental rates increased 9.15% from 2003 to 2004 which is one of the largest increases on record. Rates in 2005 increased 1.4% over 2004. Rates in 2006 increased 2.48% over 2005, which indicates a strong demand with increasing vacancy rates to 12.08%; the largest since 1991 during Desert Storm. The Average Rental Rate in 2007 increased 0.67% over 2006 Rate.

The 2008 Average Rental Rate increased 8.81% over the 2007 Rate. The 2009 Average Rental Rate increased 3.80% over the 2008 Rate. For 2010, the increase was 4.73%. In 2011, the first decrease since 1998 was observed in the average rental rate. The average rental rate dropped 1.35% in 2011.

The average rental rate for 2013 was determined from our survey in October of 2013. The 2012 averages were determined by interpolation. The average vacancy rate in 2013 was determined to be 10.42% or 1.55 percentage points above the 2011 rate. Thirty percent of the apartment managers reported concessions in rent averaging about $100 per month rent. It is not know how many may not have reported concessions. Due to slow down in military spending, we do not expect a significant change in the rental rate and vacancy rate.

Over the last 10 years, the increase in rental rates has been 2.65% per year on a compound rate basis, which has exceeded the 2.38% per year rate of inflation.

Some of the increase in rental rates for 2004 was due to some of the older apartments, over 20 years old being, dropped from the survey. In 2004 many other markets experienced high apartment vacancy rates as a result of tenants finding it more economical to make mortgage payments at the low interest rates than to make rental payments; although, many military occupants are not as likely to buy in this market due to their shorter stay compared to occupants in the non-military markets. The higher mortgage rates of 2005 helped to balance this situation.

In 2008 and 2009 the total vacancy rate for all units over 20 years old was significantly higher, with the average vacancy rate for one-bedroom units at 14.78%, the rate for two-bedroom units at 15.74% and the rate for three-bedroom units was at 15.94%.

In 2010 the surveyed apartment managers were reporting a 5% vacancy rate for complexes over 20 years old. In 2011, the total vacancy rate for all units over 20 years old was again higher, with the average vacancy rate for one-bedroom units at 8.44%, the rate for two-bedroom units at 12.95% and the rate for three bedroom units at 13.61%. At the time of the survey, several of these apartment complexes were offering specials to attract new tenants, either a lower rate or in some instances, several months of free rent.

In 2013, the apartment managers surveyed were reporting an average rental rate of $654 per month and a 9.65% vacancy rate for complexes over 20 years old. The range in vacancy rates for the over 20 years old ranged from 0 to

38%. The vacancy rates for the one and three bedroom units did not vary much.
The chart and table above shows only the rent and vacancy rate for the two bedroom units less than 20 years old. However, our 2011 survey of one bedroom units showed a vacancy rate of 9.93% and 13.93% for the three bedroom units. The range in vacancy rate ranged from 0 to 66%. A total of 13,520 units were surveyed for the 2011 and 10,412 for the 2013 study.

Past studies by our firm have shown that this market can absorb about 600 units per year without creating an over supply. New projects will typically rent up at a rate of about 13 to 18 units per month.

It is also noteworthy that in 2011 there were at least nine additional apartment complexes that were surveyed but were not included in that year's index because they are only partially completed and/or are still in the leasing up period. These complexes represent upwards of 2,000 additional units that are being or will be added to the supply of new apartment units. This may be expected to restrict occupancy and rental rates in the near term in the existing complexes.

Some of the apartment owners and lenders are beginning to report a decrease in absorption rate of units in this market due to a slowdown in military expansion and results of the 2008-2009 recession. Prior to the recession, we were seeing units renting up at a rate of approximately 13 units per month but that has slowed significantly since the recession and the slowdown in defense spending and some overbuilding of units.

The rent has increased less than 1% over our surveyed results in 2017 which is not significant. The decrease in vacancy rate is about 35% lower than in 2017; however, this is not considered very significant. The overall increase in rental rate and decrease in vacancy rate shows a small strengthening of the market; however, this can change drastically from year to year without showing much improvement in the market.

At present, there are very few units being constructed at present and it appears that supply and demand are reaching an equilibrium point.

Staff members Dr. David Duke and Yolanda Lilly compiled the data for 2010 and 2011 rental rate survey. Yolanda Lilly compiled the data for 2013, 2014, and 2015. Beginning in 2016, staff member Richard C. Pitt began compiling the data for survey. Additional analysis of data is available on a fee basis.