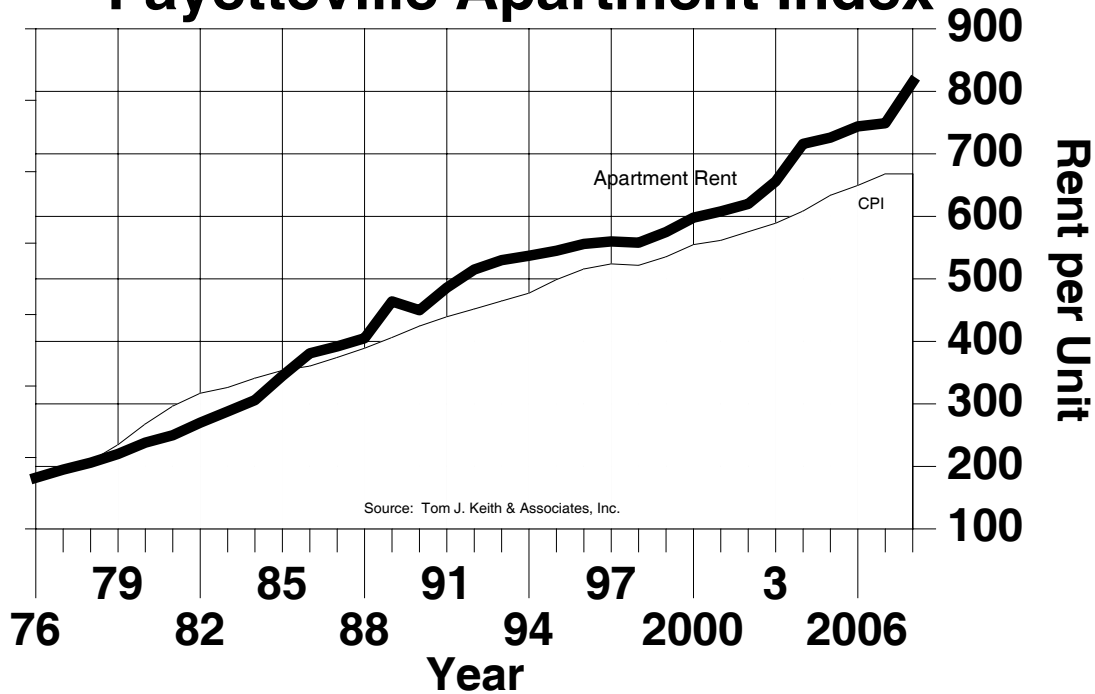


# Fayetteville Apartment Index



The Fayetteville Apartment Index is based on data collected in January after the close of each year by the staff of Tom J. Keith & Associates, Inc. The survey includes two bedroom units less than 20 years old in complexes with over 100 units with all amenities. Some older projects were dropped and replaced with newer complexes.

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

Year	Rent per Month	Vacancy Rate
1994		2.9%
1995		4.0%
1996		4.18%
1997	\$560	5.82%
1998	\$558	2.6%
1999	\$575	6.6%
2000	\$598	5.3%
2001	\$608	2.9%
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%
	Average	4.60%

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 Dessert Storm. Rental Rates in 2007 increased 0.67% over 2006 rates. The 2008 Rental Rates increased 8.81% over the 2007 Rates. Over the last 10 years rental rates have increased 2.95% per year on a compound rate basis. During the past 10 years rental rates have closely tracked the 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 have helped to balance this situation.

The chart and table above shows only the rent and vacancy rate for the two bedroom units less than 20 years old; however, our survey of one bedroom units showed a vacancy rate of 5.82% and 5.03% for the three bedroom units. A total of 10,720 units were surveyed in 2007. 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.

The total vacancy rate for all units over 20 years old was 7.85% with the three bedroom units having the highest vacancy rate at 10.46%.

Staff member Dr. David Duke compiled this year's rental rate survey. Additional analysis of data available on a fee basis.

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