



Valuation Issues

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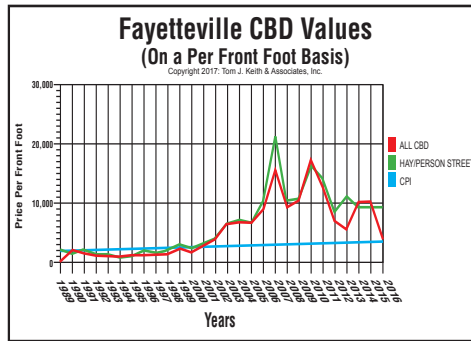
FAYETTEVILLE CENTRAL BUSINESS DISTRICT VALUES

By: Matthew K. Adams

The accompanying chart shows the price per front foot of the commercial buildings in the Central Business District for the City of Fayetteville.

You will note that values increased rapidly in 2007 when the economy was booming but have declined since then.

You will note that the long term trend has been exceeding the Consumer Price Index (CPI); therefore, properties on Hay and Person Streets show the values are significantly above those of the CPI. You will note that in 1990, the values started declining and declined until about 1994. This was due to code enforcement of the downtown building owners in order to get the owners, to improve their properties to make them more attractive to benefit all.



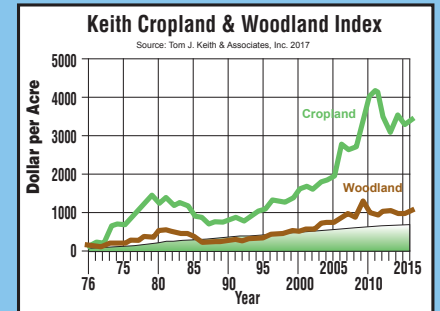
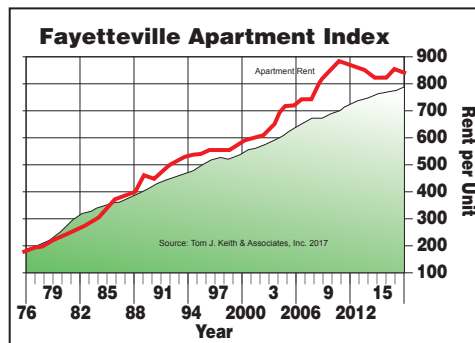
FAYETTEVILLE APARTMENT INDEX

By: Richard C. Pitt and Yolanda D. Lilly



The accompanying chart is based on our survey of two bedroom units less than 20 years old in complexes with over 100 units and with all amenities. All of these multifamily facilities were less than 20 years old and included such amenities as clubhouse, tennis courts, swimming pool, and meeting & workout rooms. A table of the exact numbers can also be found on our website under Real Estate Research.

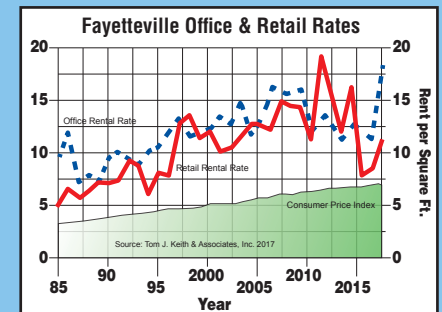
Some of the apartment owners and lenders are beginning to report a decrease in the absorption rate of units in this market due to a slowdown in military expansion and the 2008-2009 recession. Prior to the recession we were seeing units renting at a rate of approximately 13 units per month but that has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



The Cropland & Woodland Index is an average of extracted cropland and woodland prices of farm and woodland comparable sales from 27 southeastern North Carolina Counties collected by our staff. The average per acre price of cropland and woodland for each of the last 46 years is shown in the table below.

Cropland prices have remained flat over the last 8 years due to very little change in commodity prices. Woodland prices have remained flat over the last 7 years due to the soft and oversupply in the timber market. All woodland sales ranged in size from approximately 50 acres to 1000 acres. An increasing number of sales purchased for development, residential estates, and other none agricultural uses were noted but not used in the survey.

Compiled by Alex T. Keith.



The Fayetteville Office & Retail Rates chart above graphically shows what rental rates have been since 1985. The data to create the chart comes from Tom J. Keith & Associates, Inc. database. The dotted line shows the office rental rates and the solid line is the retail rental rates. The extreme changes from one year to the next may be due to limited data during certain years.

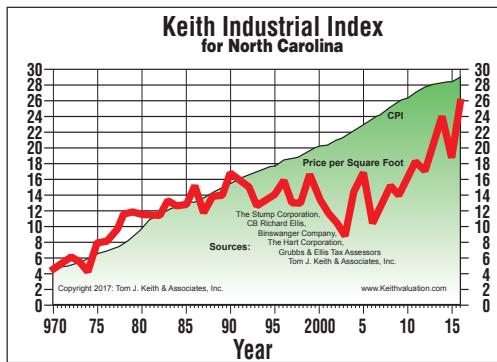
Compiled by Matthew K. Adams.

INDUSTRIAL INDEX

By: Alex T. Keith



Beginning in 1970, Tom Keith & Associates, Inc. began surveying the industrial market in North Carolina buildings over 40,000 square feet which puts them into a national market category. Typically buildings smaller than 40,000 square feet tend to be acquired by local buyers and therefore their price is determined more by the local market than a national market. You will note that in 2003 values reached a low point at about \$8.63 per square foot and they have increased since then to \$25.61 per square foot overall including the land. This chart represents what has happened in the industrial market and serves as a proxy for the industrial expansion in North Carolina and most of the southeast US. You will note that the dollar price per square foot for industrial buildings has almost reached the Consumer Price Index line and indicates that the industrial market may be recovering from its low point in 2003 when NAFTA went into full effect.



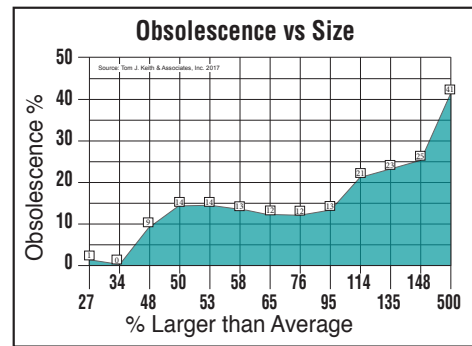
OVERBUILT DWELLINGS

By Paula L. Mitchell



This chart shows the ratio between obsolescence and size of a dwelling in the market place where the horizontal axis shows the percent larger than average and the vertical axis shows the percentage of external obsolescence above normal. This chart has been updated with an additional property which is about 500% larger than the typical in the market and shows that the external obsolescence is 41% above the average for the neighborhood.

This clearly shows that dwellings which are over improvements suffer in value and possibility at the expense of the smaller homes. You will notice that a dwelling can be roughly 40% larger than what is typical without suffering significantly in the market. However, obsolescence from over improvement tends to be very certain at percentages larger than about 40%.



HUNTING LEASES AND TERMS



Over the last 45 years, the demand for hunting and other recreational uses of the land has increased significantly. This may be due in part to increased population and increased popularity of the sport on a fixed supply of land. As of August 2009, lease rates ranged from \$5.00 to \$50.00 per acre per year depending on where the property is located, the size of the tract, length of lease, the rights included, type of hunting allowed, road network, and the type of environment.

Compiled by Anne B. Keith and Jamie M. Keith

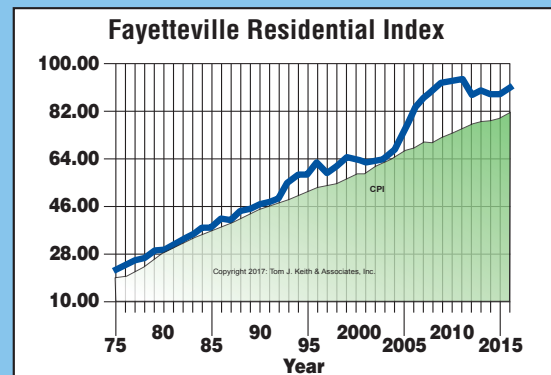
Lease Date	Location	Acres	Term	Rent/AC
2017	Doss Brown White Oak Tract, Bladen County	622	1 Year	\$15.00
2017	River Road Tract, Bladen County	188	1 Year	\$16.00
2017	Airport Tract, Cumberland County	293.81	1 Year	\$10.00
2017	West of Hwy 87, Cumberland County	17.48	1 Year	\$10.00
2017	Wilmington Road Tract, Cumberland County	23.19	1 Year	\$12.10
2017	SR 1821 near Hwy 13, Cumberland County	122	1 Year	\$12.00
2017	East Mountain Drive Tract, Cumberland County	123.76	1 Year	\$10.00
2017	Rich Walker Road Tract, Cumberland County	230	1 Year	\$10.22
2017	Hawkins Rd Tract Linden, Cumberland County	91	1 Year	\$12.00
2017	Edwards Tract, Linden, Cumberland County	90	1 Year	\$10.00
2017	Tom Starling Road Tract, Cumberland County	50	1 Year	\$10.00
2017	Bethel Church Road Tract, Pender County	475	1 Year	\$8.80
2017	Hwy 210 & Colly Swamp Tract, Pender County	7	1 Year	\$3.15
2017	Buckle Canal Tract, Pender County	29.55	1 Year	\$15.00

RESIDENTIAL INDEX

The Fayetteville Residential Index has been compiled by our firm since 1975 and shows some interesting trends for residential properties in the Fayetteville market area.

Until 2010, the price per square foot of newly constructed houses exceeded that of existing homes. From 2010 to 2013 newly constructed homes were actually lower than existing homes which resulted in an almost 50% reduction in the number of new homes sold. In 2013, the price of new homes exceeded those of existing homes and this trend has continued to the present with prices of new homes at \$100.53/SF and existing homes at \$90.40/SF. The number of new and existing homes sold has declined about 50% during the last 8 years. This \$10.13 spread in price should create a more normal residential market.

Compiled by Brandon Wills





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P/E Ratio of a Private Versus Public Company

By: Tom J. Keith

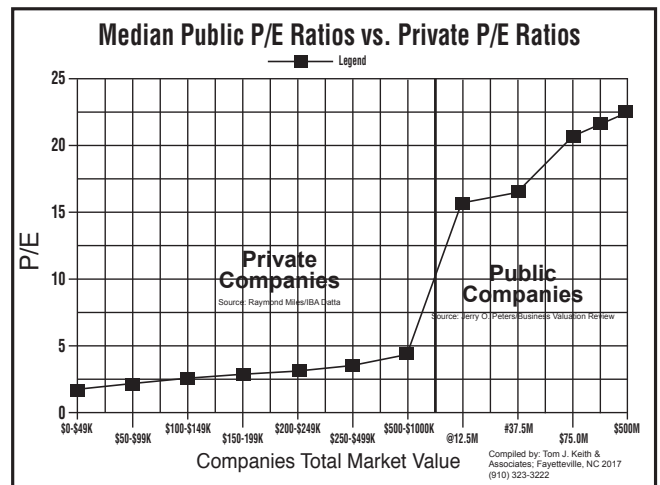


Have you ever wondered if the Price to Earnings ratio (P/E) differed for private companies versus that of public companies listed on the New York Stock Exchange? The accompanying

chart illustrates this point. The price to earnings ratio is a measure of profitability and is widely used in the industry. A company with a low P/E means that it is earning more per dollar of investment than a company with a high P/E ratio. This applies in both privately-held companies as well as public companies traded on the NYSE.

You will note that the P/E ratio for private companies platted on the accompanying chart typically range from about 2 to 5; whereas, the public companies P/E ratio ranges from 15 to 22. One reason for the higher P/E ratio in public companies is due to the size of the company, the depth of management, the marketing power of the public stock exchanges, the ability of a

public company to control a market and become somewhat of a monopoly, the growth potential of the company and the resulting stock, the ability for a public company to attract more talent and not be subject to the ability of one key person to operate the company, and the ability to attract greater sources of capital.



Compiled by: Tom J. Keith & Associates, Fayetteville, NC 2017
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