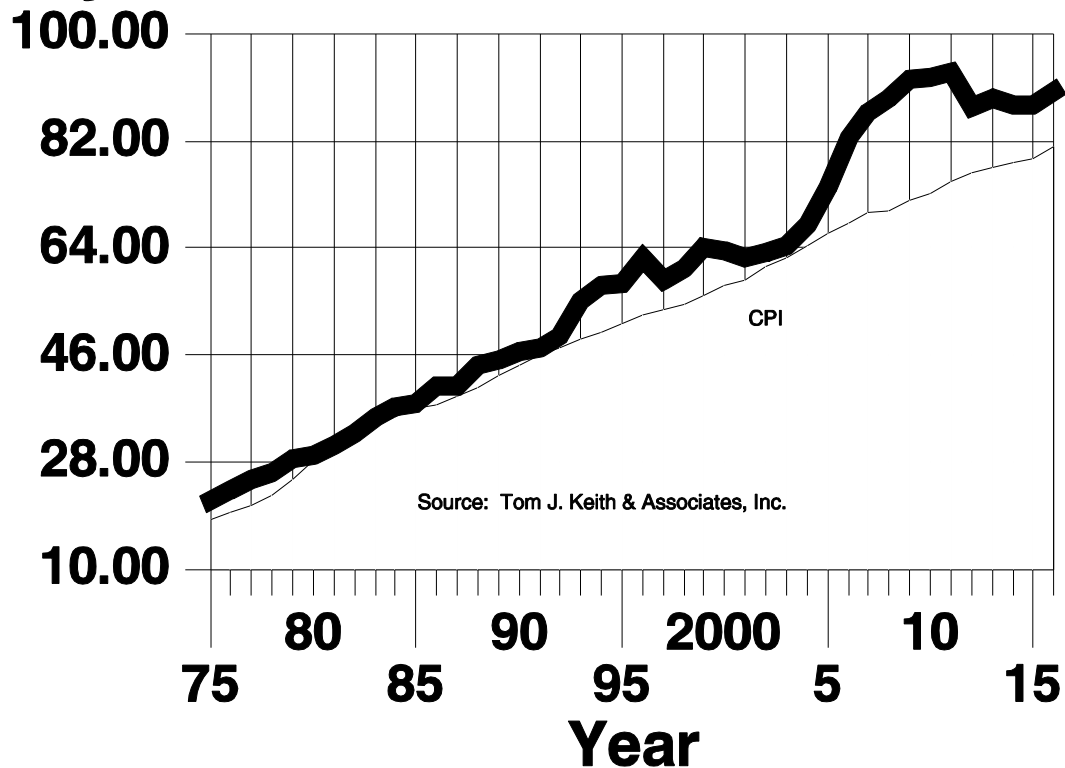


Fayetteville Residential Index



The Fayetteville Area Residential Price Index is based on data collected in January after the close of each year by the staff of Tom J. Keith & Associates. The survey includes the average per square foot price for dwellings ranging in value from \$100,000 to \$350,000 as of December 31, 2016 which are less than 20 years old and situated on sites contributing about 18% of the total selling price. The averages were calculated by selecting an equal number of transactions in each age group from one (1) to 20 years old. This eliminated the heavy weighting, due to the high volume of transactions, of the most recent sales and increased activity of the higher priced sales of 2013 thru 2016.

The table on the next page provides the specific data points used to create the chart on the previous page (Existing \$/SF) as well as the average price per SF for new homes & the volume of sales transactions for existing & new homes.

Avg Price Paid for New & Existing Homes

Year	Existing \$/SF	Sales Volume	New \$/SF	Sales Volume
1975	\$21.65			
1976	\$23.36			
1977	\$25.11			
1978	\$26.32			
1979	\$28.71			
1980	\$29.08			
1981	\$31.02			
1982	\$33.09			
1983	\$35.62			
1984	\$37.23			
1985	\$37.90			
1986	\$40.71			
1987	\$40.93			
1988	\$44.28			
1989	\$45.16			
1990	\$46.62			
1991	\$47.16			
1992	\$49.20			
1993	\$55.06			
1994	\$57.81			
1995	\$57.90			
1996	\$62.44			
1997	\$58.63			
1998	\$60.55			
1999	\$64.11			
2000	\$63.56			
2001	\$62.53			
2002	\$63.38			
2003	\$64.44			
2004	\$67.81			
2005	\$74.46		\$83.22	
2006	\$82.41		\$95.30	
2007	\$86.88	3,140	\$100.89	2,139
2008	\$89.18	2,853	\$98.43	2,088
2009	\$92.37	2,003	\$99.19	2,190
2010	\$92.68	1,754	\$93.83	2,168
2011	\$93.66	1,732	\$89.37	2,030
2012	\$87.68	1,497	\$83.59	1,979
2013	\$89.13	2,501	\$94.52	1,817
2014	\$88.02	3,250	\$90.74	1,573
2015	\$88.61	3,925	\$92.06	1,362
2016	\$90.40	2,637	\$100.53	1,286

Growth in residential home prices tracked fairly closely to the growth in the Consumer Price Index (CPI) from 1975 to approximately 1993. A building boom in 1993, after the recession and saving and loan crisis of the late 1980s and early 1990s ended, brought about a 12% increase in the price of existing homes in 1993 compared to 1992. After that, prices again tracked fairly closely with the growth in CPI, seeing a small spike in 1996 and dip in 1997.

Prices stagnated after 1999 and did not keep up with the growth in the CPI/inflation for several years. Until, in 2005 the Pentagon released the proposed list of military base closures from the Base Realignment and Closure Commission (BRAC) which indicated an increase in the number of soldiers to be stationed in the Fayetteville/Fort Bragg region. This led to an almost 10% increase in prices in 2005 compared to 2004. The all-time activity record, set in 1995, was broken in 2004, 2005 and 2006 according to the Fayetteville Regional Association of Realtors, mainly due to increased activity attributed to BRAC speculation. Although the national housing market fell into disarray around 2007/2008, sparking the Great Recession and dramatic declines in home prices nationally, the Fayetteville/Fort Bragg market was shielded by BRAC and other defense spending. The per SF prices for existing homes in the Fayetteville/Fort Bragg market remained stable or slightly increasing and resumed tracking with the growth in CPI from 2008 to 2011 although the total volume of sales began dropping in 2007 & was down 20% by 2009 mainly due to the drop in existing home sales.

It is important to note in 2010 existing homes were selling for only 1% less than new homes and 2011 is the first year since the survey began tracking new home prices that new home prices were actually lower than existing home prices, on a per square foot basis. This began a trend of new homes aggressively competing with existing homes and many existing homes being converted to rental property as the sales volume for existing homes fell more than 50% from 2007 to 2012 although prices held fairly stable. A healthier residential market existed prior to 2007 when the differential between new & existing home prices was approximately \$10 per SF. This trend is largely due to national companies moving into the local market which increased competition among builders and lowered new home prices when looked at on a per SF basis.

In 2012 the national market began to recover while the Fayetteville/Fort Bragg market experienced its first drop in per SF prices in 10 years. Prices were down approximately 6% in 2012 compared to 2011 and the volume of sales reached a post-recession low. 2013 saw a rebound in new home prices, however, the volume of new home sales continued trending downward. Existing home prices rose slightly and the volume of existing home sales rose significantly compared to the previous year (67%). In 2014 existing home prices declined by approximately 1.25%, on a square foot basis, while the CPI grew by less than

1%, but the volume of existing home sales continued to rise, increasing 30% from the year before. New home prices continue to aggressively compete with existing homes, but increased the price difference increased to \$4 per SF which has allowed existing homes sales volume to increase as their pricing becomes more attractive. Market prices remained soft due to proposed troop reductions at Fort Bragg that were not yet finalized; overall volume continued to increase from 2013 due to existing home sales, but the volume of new homes sales dropped by the largest amount since 2007, over 13%. In 2015 home prices remained fairly stable with slight increases in both existing (0.7%) and new home prices (1.5%). The reduction in troop levels was finalized and had minimal effects on the market and the volume of sales finally returned to pre-Great Recession levels. However, new home sales volume hit a post-recession low as the new home sales dropped another 13%. This will make it hard to increase prices & return to a more normal \$10 per SF difference between new & existing home prices like was seen before 2010. The market appears to be in a period of stagnate pricing similar to what was seen in the 1999-2005 period.

Avg SF Price Paid for New Homes			
Year	\$/SF	Total Price	Sales Volume
2005	\$ 83.22	\$176,191	
2006	\$ 95.30	\$193,900	
2007	\$100.89	\$174,750	2,139
2008	\$ 98.43	\$170,658	2,088
2009	\$ 99.19	\$192,234	2,190
2010	\$ 93.83	\$196,023	2,168
2011	\$ 89.37	\$198,018	2,030
2012	\$ 83.59	\$242,977	1,979
2013	\$ 94.52	\$187,569	1,817
2014	\$ 90.74	\$207,392	1,573
2015	\$ 92.06	\$208,534	1,362
2016	\$100.53	\$225,301	1,286

The table above illustrates the average, per square foot and total, prices for new homes in the Fayetteville/Fort Bragg market, but it is not relevant to the graph at the top of the first page. Per square foot, new home prices peaked in 2007 and remained stable at approximately \$100 per SF until 2009.

The per SF price trended downward from 2009 thru 2012 as national home builders/development companies entered the local market after Fayetteville was named one of the “Best-Performing Cities” in America in 2008 and 2009 by the Milken Institute; bucking the national trends during the Great Recession. Per SF prices were driven down as the national builders leveraged their supply chains. This did not, however, lower the overall prices of new homes as the

overall prices of new homes increased from 2009 to 2012 again basically tracking with the growth in CPI. During this time

New home prices fluctuated in 2013 with per SF prices increasing drastically and total prices dropping drastically. 2014 and 2015 saw a continued overall trend of slightly increasing prices, roughly tracking with the growth in CPI since 2009. The most recent data indicates a return to the per SF highs of the 2007-2009 period while the average total sales price is also at one of the highest points in the survey.

It is important to note that the volume of new home sales has been trending significantly downward since 2012 & the new home sales market has ceded much of its market share to the existing home sales market. Since 2012 new homes sales volume is down approximately 30% while the volume of existing home sales is up approximately 76%. During this period new construction had to compete aggressively with existing home sales on a price per SF basis. However, the market has returned to a more stable price difference between existing homes and new construction. This price difference and the almost 10% increase in average price per SF and average total price of new construction homes indicates new construction sales volume may have reached a bottom.

The 2016 residential data was compiled by staff member Brandon Wills.

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