



THE SKYLINE REPORT

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Real Estate Market Summary Prepared Exclusively under Contract Agreement for ARVEST BANK

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Real Estate Market Summary for Benton and Washington Counties from the First Half of 2017

The overall vacancy rate for commercial property was 10.5 percent in the first half of 2017, the lowest since this report began in 2004.

- The low vacancy rate in the commercial market was in spite of the addition of over 300,000 square feet of new commercial space in the first half of 2017.
- The retail vacancy rate dropped below nine percent for the first time since 2015, driven by service sector demand.
- Office space vacancy in Northwest Arkansas dropped to 10.4 percent, due to strong absorption in Class B office space in Bentonville and medical office space in Fayetteville.
- Over 200,000 square feet of mostly Class A office space was added during this time.
- No new warehouse was added in the first half of 2017, dropping the vacancy rate to 7.6 percent, but significant additional space is expected in the second of 2017.
- Average lease rates climbed for Class A retail space in Bentonville and Fayetteville and for office space across Northwest Arkansas.
- An additional \$116.2 million in building permits were issued in the first half of 2017, indicating continuing growth in new commercial properties throughout the region.

The completion of new units continued to increase multifamily vacancy rates, while there remained a large number of announced projects consistent with tightness in the market.

- The increase in regional vacancy rates from 3.2 percent in the second half of 2016 to 4.2 percent in the first half of 2017 was primarily due to new complexes in Fayetteville and Rogers.
- There were an additional 6,500 units either under construction or announced throughout the region.
- Average lease rates continued to climb during the first half of 2017 and were 5.5 percent higher than in 2016 and 19.4 percent higher than in 2012.
- Springdale continued to have the lowest vacancy rates in the region and the fewest announced projects. Rogers replaced Fayetteville with the highest vacancy rates in Northwest Arkansas in the first half of 2017.

The number of lots showing construction activity is at the highest level since 2007 while the number of empty lots is at its lowest level since 2005.

- At 29.1 months, the supply of remaining lots in active subdivisions in Northwest Arkansas continued to fall in the first half of 2017.
- 1,532 new houses in 379 active subdivisions became occupied.
- There were 1,708 building permits issued in Benton and Washington counties, the highest since 2006.
- Home sales in the region remained steady, up 0.3 percent from the first half of 2016.
- 23.3 percent of homes sold were new construction, the highest such level since 2009.
- The average prices for sold houses also increased in both Benton and Washington counties, reaching record highs and reflecting the substantial activity in the region.