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A tale of two cities

!"Rogers, Lowell: We will be ready when building resumes.

By Tom Treweek

Posted on September 6, 2009 at 9:17 a.m.

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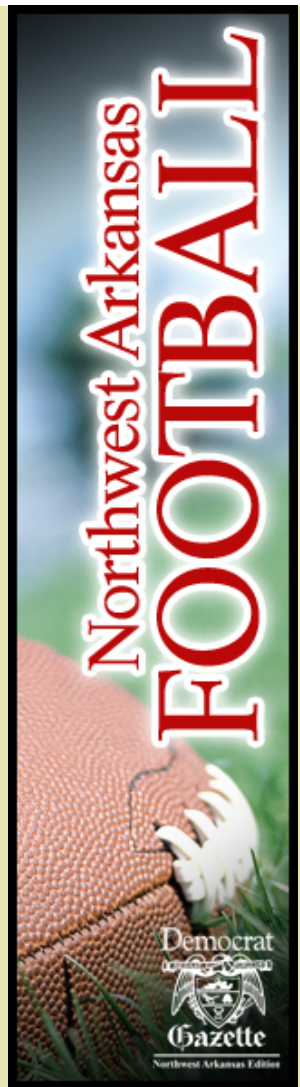
BENTON COUNTY — Coming out of the building bubble - or going into the recession, depending on point of view - Rogers and Lowell found themselves in two different positions. One made itself the example of progressive local government, while the other played catch-up following years of bad financial decisions. Even in the heart of a recession, it's still obvious which is which.

But housing prices in some markets are going up. In other areas, home sales are edging back.

That's not happening here yet. According to the most recent Skyline Report released in August, home sales are down, while prices have fallen 11.6

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percent in Benton County. That report also speculates there is an 84-month supply of homes, based on current absorption rates.

Economists still don't agree on what's happening, but there are now more optimistic reports than there once were.

At what might be the turning point in the recession, Rogers and Lowell now tell the same story. Both are ready to grow once the growth starts.

Rogers

Before the building boom, Rogers started working on infrastructure. The city installed roads and utilities to areas that were just empty fields at the time. Some called the city's leaders names because of what they saw as a wasteful use of money where it wasn't needed.

That area that saw all the infrastructure development is now the Pinnacle Hills and its gem, the Promenade. Mayor Steve Womack has long promoted the city's forward thinking for helping it obtain a destination shopping district.

Those amenities also promoted a migration into Rogers, which prompted builders to work ahead of the need to have homes ready when they are requested.

Then the requests stopped. The bubble burst. Communities around the country already had been reporting the phenomenon, and Rogers had finally arrived in the recession.

According to the August Skyline Report, Rogers had a slight upswing in occupied houses in activesubdivisions in the second quarter of 2009, but it is still below its high marks set between the third quarter of 2007 and the fourth quarter of 2008. Construction in active subdivisions, the report shows, peaked in the summer of 2006, the high point in home construction completions. Empty homes have leveled out in the past two years.

There are some things that have to happen before real growth resumes, Womack said. The city is still flush with vacant housing. Vacant offices are another story. But if Rogers is going to see new residents, it better create some new jobs first.

"I think we're poised to enjoy another growth spurt, but only when the job situation improves," Womack said.

New housing, he suspected, would need to wait until the vacant homes, now owned by banks, were

absorbed.

But Womack isn't ready to usher in that era of recovery yet.

"I'm not ready to blow the all-clear siren," Womack said. "I think we have some choppy water ahead."

Lowell

Right now, Lowell has "very few" vacant homes, Planning Director Mike Solomon said. In a way, however, the city is paying for that luxury.

When the building boom hit, Lowell was way behind its neighbors, especially Rogers. Infrastructure expansion had been overlooked, and Mayor Perry Long has documented the financial difficulties stemming from poor business practices, the reason why there were no funds for infrastructure even after the boom began. There was some growth, but it was severely stunted.

Part of the lack of growth was self-inflicted. The city implemented a moratorium on home building for more than a year while it re-evaluated its economic footing.

Solomon now sees Lowell as the tiny little town that won't be overlooked anymore. The city, he said, is poised for development. It has reasonably priced housing, mostly between \$100,000 and \$150,000; it has a slowly increasing population, evidenced by the large-for-Lowell 32 home starts this year; and it has one thing that is coming at a premium in cities like Rogers: empty space.

Factor in an administration that has been increasingly accommodating to prospective businesses and aggressive in seeking them out. This version of Lowell, now streamlined and ready, even eager, for growth, is looking for the payday it missed as businesses take the path of least resistance to the city in the heart (geographically) of northwest Arkansas. Solomon's high hopes are certainly evidence of that effort.

"I think in this next round, we'll be able to keep up with everybody else," Solomon said. "I think we'll be with everybody else, if not outpacing. We're one of the last places that has land you can build on."

Professional interpretation

It is tempting to look at Rogers and Lowell and see them in terms of a race. Will Rogers' early lead keep it in front or will it show fatigue down the stretch? Is Lowell's underdog status a benefit or a crutch? Which city is going to win when this is over?

Talk like that, however, oversimplifies the situation, as the actual economic picture is much more complex, according to Kathy Deck, research supervisor for the University of Arkansas' Skyline Report.

"It's a mistake to try to talk about development in the abstract and try to compare these communities," Deck said.

Taking each community separately, Deck sees reason for bridled optimism.

Retail development may be over, especially in Rogers, Deck said.

"There was an expectation that northwest Arkansas was significantly under-retailed," Deck said. "That led to developments like Promenade. We are no longer under-retailed, even according to expected growth."

But home construction is a different story, even with all the vacant homes in Rogers.

"One of the things I've argued in the past is, once the recovery begins, we're going to see new developments that become full before the old developments fill out," Deck said.

That is because the former speed of construction prevented a lot of scrutiny, Deck said. They were built in the wrong locations with the wrong price points. New homes will be built in better-suited locations with reasonable pricing, making them more attractive to buyers.

In Lowell, she said, it's possible they will finally get their housing rush. With a good location between the four large cities in northwest Arkansas, with plenty of room for growth along newly installed sewer lines, Deck said Lowell could be an attractive area for a population boom.

Deck was, however, unable to predict what would happen with Rogers' bounty of vacant office space.

"Businesses are certainly going to be careful going forward, especially as it comes to space," Deck said. "It's hard to say whether new or old space would fill up faster."

News, Pages 1, 4 on 09/06/2009

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