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Builders Pick Up The Pace

LAST UPDATED FRIDAY, JULY 17, 2009 6:29 PM CDT IN NEWS

By [Kim Souza](#)
THE MORNING NEWS

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SPRINGDALE — Bentonville was the place to build in the second quarter, according to approved construction permits filed with the city.

Two multimillion dollar projects — Crystal Bridges Museum and Jim Lindsey's Bentonville Links apartment complex — added more than \$61 million to the city's building permit values between April 1 and June 30.

The region's four largest cities reported mixed results in the second quarter as some builders picked up their hammers and others remained on the sidelines. The overall new construction permit values totaled \$141.87 million in the recent quarter, down 6.4 percent from a year ago.

The two large Bentonville projects accounted for about 72 percent of that city's new construction permits, which were valued at \$85.3 million in the second quarter.

Elsewhere in the region, the commercial real estate sector continued to grapple with excess space that should keep new projects at bay for another year or two, said Kathy Deck, director of the Center for Business and Economic Research at the University of Arkansas.

Excluding Crystal Bridges in the recent quarter, commercial building permits in Fayetteville, Springdale, Rogers and Bentonville declined by 75 percent or \$36.8 million from a year ago.

"We should continue to see a few end-use projects being built by companies that are taking this opportunity to expand while labor and material costs are lower. But many companies are not hiring, nor expanding. Our commercial space is more than ample for the near term as the region slogs through the excesses already in the marketplace," Deck said.

The residential building sector reversed the trend from the year-ago quarter when Fayetteville was reeling with new projects, while the other cities sat out.

More recently it is Fayetteville that has pulled back on new, single housing family projects, posting permits value declines of 41 percent from a year ago. Fayetteville reported 80 new home permits in the recent quarter, compared to 132 projects recorded a year ago.

Rogers builders also kept their feet on the brakes in the second quarter with 20 fewer residential permits issued. Permit values dipped 1.29 percent in the period.

Both Springdale and Bentonville recorded more new home projects in the recent quarter, up 71 percent and 65 percent, respectively.

Deck said the large year-over-year percentage increases in permit values should not be cause for alarm when considering how few projects these cities reported a year earlier.

Sean Morris, contractor with ARC Construction in Centerton, said their crews were busy in both Fayetteville and Bentonville. But the pace has slowed from two or three years ago.

He said lot prices were cheaper in Benton County — as much as \$20,000 per lot — which has prompted some builders to get back into game.

"We pulled out of Benton County about four years ago when we saw too many projects going up around us. But more recently we have come

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Building Permit Values	
Second quarter 2009 with the same period in 2008.	
Bentonville	2009: \$85.36 million 2008: \$13.42 million Change: 536%
Springdale	2009: \$12.55 million 2008: \$4.52 million Change: 177%
Fayetteville	2009: \$21.09 million 2008: \$75.17 million Change: 72%
Rogers	2009: \$2287 million 2008: \$4015 million Change: 43%

back into Bentonville to work in the Windwood Subdivision that we started several years ago. We already own the land and so far the new homes are selling pretty well," Morris said.

Phase 4 of the Windwood Subdivision has about 25 lots on which ARC plans to build during the balance of this year.

Springdale home building heated up in June after slow months in both April and May. In the quarter, the city issued 42 new permits valued at \$11.9 million, compared to 35 permits worth \$7.02 million from a year ago.

Multifamily projects were started in both Fayetteville and Bentonville during the quarter, despite the weakest occupancy rates the region has seen in recent history.

Tom Reed, market analyst and partner with Streetsmart Data Services in Fayetteville, recently said one major concern for industry watchers is the Fayetteville apartment community. The city is facing multifamily vacancy rates of 14 percent with 2,000 more units in the pipeline.

Although 800 of those units have been placed on hold for the time being, he said the city council is considering another developer request for a new apartment complex.

Campus Crest, a Charlotte, N.C.-based developer, has a contract to buy the Washington County Livestock Sale Barn property and transform the site into 192 student apartments, if the council approves the rezoning request.

Reed said the newer properties would likely have to rob students and tenants from existing properties because there isn't enough demand to fill the space.

Lindsey has moved full steam ahead with its Bentonville Links apartment community after halting it last year when vacancy rates ranged from 15 to 26 percent in two- and three-bedroom units. In the first quarter, Bentonville reported multifamily vacancy rates of 12 percent, but there are 800 new units in the pipeline.

Deck said companies building apartments when the region is facing a 15 percent overall vacancy rate must be prepared to wait well beyond this year and next before there will be adequate demand to fill the space.

In the meantime, she said there will be downward pressure on rents as those owners carrying financing typically need to keep a 95 percent occupancy rate to cover the debt.

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pgjohnw wrote on *Jul 18, 2009 11:26 AM*:

" My town has whole subdivisions sitting empty. Cant we just let demand catch up with supply for a while? Seems like every week there is a contractor filing for bankruptcy. Yet they keep building and building. Crazy!! "

lifer66 wrote on *Jul 18, 2009 2:45 PM*:

" pgjohnw- I agree with you completely. Unfortunately,no town around here has the testicular fortitude to say "no" to developers. "

willybill wrote on *Jul 18, 2009 8:42 PM*:

" Could it be possible some of these builders are so deep in debt that the bank can't refuse them or they will go under. "

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