

Skyline Report: Commercial Slow to Fill in Northwest Arkansas

By Scott Shackelford - 3/12/2010 4:23:49 PM

If you're thinking about starting a business or family in Northwest Arkansas anytime soon, don't worry: space won't be an issue.

Commercial building permits issued in Northwest Arkansas continued their steady decline in 2009's third and fourth quarters, with little to indicate more space being built anytime soon - this according to Friday's release of the fourth quarter commercial and multi-family Skyline Report.

From June to November 2009, about \$17.7 million in commercial building permits were issued. Of that, \$9.2 million was for a single skilled nursing facility. By comparison, during the same period in 2008, \$35.6 million in permits were reported.

Permits issued in last year's third quarter (totaling \$6.1 million) was the lowest recorded valuation since the Center for Business and Economic Research began gathering data for the Skyline Report in 2004.

Kathy Deck, lead researcher for the Skyline Report and director of the Center for Business and Economic Research at the Walton College of Business, said in a prepared statement that decreasing "the amount of new space coming online is essential in order for the existing space to be absorbed into the market. In the office submarket, the space availability is closely related to the employment trends in the region. When job creation numbers start to pick up, I think we'll see absorption in the office submarket increase as well."

The Skyline Report is commissioned by Arvest Bank Group Inc. of Fayetteville and conducted by the CBER. The brief is a quarterly analysis of the latest commercial, single-family and multifamily residential property markets in Benton and Washington counties.

During the last two quarters, the office submarket vacancy rate increased to 20.6 percent, up more than 3 percent in comparison to 2008's closing figures.

As for the retail submarket, a positive net absorption between 2009's second and fourth quarters is reported. But a 12-month comparison suggests a negative net absorption for the market, with a total of 1.05 million SF of available space in the region this quarter. That's an increase from 1.02 million SF reported during the same period a year earlier.

No new space was added to the warehouse submarket in the fourth quarter of 2009. Though vacancy rates declined to 27.3 percent region-wide, the report states this can be attributed to an increase in total reported space and changes in ownership.

Commercial Properties

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- The area's office market witnesses a negative net absorption of 141,333 SF, pushing the vacancy rate towards a 20.6 percent increase.
- Retail space was added in Bentonville and Fayetteville - 79,337-SF becoming occupied in Northwest Arkansas - creating a positive absorption of 57,717 SF. Meanwhile, the retail vacancy rate declined to 14.2 percent in the fourth quarter.
- Skyline says the warehouse submarket experienced a negative absorption of 21,428 SF, while no new space was added. Interesting, ownership changes means the warehouse vacancy rate actually declined to 27.3 percent in the fourth quarter.

Multifamily Properties

- Vacancy rates for multifamily properties in Northwest Arkansas increased from their second quarter level of 14.2 percent to 15.6 percent in 2009's fourth quarter. That represents a 1.4 percent increase from a year prior.
- Siloam Springs had the lowest aggregate vacancy rate at 11.5 percent this quarter. Fayetteville had the highest aggregate vacancy rate at 18.4 percent. Bentonville and Rogers' rose by less than 1 percent, while Springdale saw a slight decline (0.3 percent) of its fourth quarter vacancy rate.
- On a price per SF basis, researchers report multifamily units continued to be least expensive on average in Siloam Springs (at 55 cents per square foot) and most expensive on average in Fayetteville (at 67 cents per square foot).