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NW ARKANSAS REAL ESTATE BLOG

THIS IS THE PLACE TO GET UPDATES ON THE REAL ESTATE MARKET IN FAYETTEVILLE, BENTONVILLE, AND SURROUNDING COMMUNITIES OF NORTHWEST ARKANSAS. THE AREA IS STILL GROWING AND THE ECONOMY IS STILL STRONG, DESPITE THE NATIONAL ECONOMIC WOES. IT'S A GREAT PLACE TO LIVE AND REGULARLY GETS HIGH RATINGS IN "QUALITY OF LIFE" ANALYSES. NW ARKANSAS REAL ESTATE BLOG GIVES INSIGHTS INTO THE REAL ESTATE MARKET, ECONOMY, GROWTH ISSUES, AND LIFESTYLES OF THE AREA. COPYRIGHT © 2006-2010. ALL RIGHTS RESERVED.

FAYETTEVILLE ARKANSAS, UNIVERSITY OF ARKANSAS--OLD MAIN OVERVIEW



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MONDAY, AUGUST 09, 2010

Q2 Skyline Report a Mixed Bag—the Good, the Bad and the Ugly

I try to attend as many events as possible, sponsored or promoted by the Center for Business and Economic Research of the Sam Walton School of Business at the University of Arkansas. The information given often gives validation to my own anecdotal observations about the economy and the housing market in NW Arkansas.

Last Friday Arvest Bank (for whom the report is prepared) sponsored a breakfast for Realtors® and affiliates in Washington County to outline the contents of the 2nd quarter Skyline Report prepared by the CBER. The Skyline Report looks at Residential, Commercial and Multi-Family real estate in Northwest Arkansas. However, Kathy Deck, Director of the Center, usually puts this information into a larger economic context in her presentations.

According to Deck, the key to the real estate market in NW Arkansas now is employment opportunities. Although our unemployment rate is significantly lower than the national rate, it is still higher than in past years. And without new job creation, new people will not be drawn to the area to buy or rent houses or apartments or to lease or purchase commercial space.



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ABOUT ME



JUDY LUNA

Another factor is that although most national economic measures show a recovery, consumer confidence is still very low. Thus despite the lowest interest rates in years and incentives such as the tax credit, most people are not feeling like the economy has improved and are acting accordingly—saving more and spending less, especially on credit. Plus nationally, large private sector employers are not hiring new people (which one would normally expect in an improved economy), despite increased profitability.

In NW Arkansas, there was a 0% net increase in non-farm employment growth between June of this year and June of 2009. There was increase in education and health services, government, professional and business services, but the other sectors lost jobs. These included the leisure and hospitality sectors, financial activities, trade and transportation, and construction.

In the commercial real estate sector, there were 70,805 square feet of positive absorption in Fayetteville in office and retail space, and there were 127,787 square feet of positive absorption in Springdale, primarily in warehouse space. Nevertheless, in all categories of space, there was more available than one year ago, a dangerous situation since the absorption was weak compared to the amount of space available. There were also anecdotal reports of so-called “aggressive tenant demands” and free rent, greater build-out allowances, delay of scheduled lease rate increases at renewal, and the removal of long-term termination clauses. Commercial vacancy rates in all of the NW Arkansas communities are higher than the national average of 8%.

In the multi-family sector, there are variations between Fayetteville and Springdale, due primarily to the fact that rental units associated with the University of Arkansas comprise a large part of the rental market. However, in Fayetteville the vacancy rate for 1 and 2-bedroom apartments is high, primarily since in the past few years there were a number of large complexes built to accommodate a proposed increase in the number of students at the U of A. Enrollment did increase, but the university also built some new dorms, so with the new apartment complexes this created a glut of rental housing in the university sector in Fayetteville.

The Q2 Skyline Report distinguishes between units newer than 2008

Judy is one of only about 30 e-Pro certified agents in Northwest Arkansas and one of only 200 Cyberstars (TM), a select group of realtors nationwide who effectively use technology and the internet in their real estate business. As such she welcomes buyers or sellers who wish to fully utilize the internet and email to make the home buying/selling process more efficient and less time-consuming. She can help sift through the multitude of informational sites and focus on the important issues in real estate transactions. As a Certified Residential Specialist (CRS) she is an experienced agent in all aspects of residential real estate, and as an Accredited Buyer Representative (ABR), she also has additional training designed to guide buyers through the process of purchasing a home.

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and those which are older. The vacancy rate for the 11,256 older units in Fayetteville was 15.4%, while that for 1885 units constructed in 2008 or later was 31.2%. New apartments have also been constructed in Springdale, where the vacancy rate for 5,732 older units was higher in Q2, 12.9%, while for 312 newer units built after 2008 was 6.7%. In NW Arkansas as a whole the vacancy rate for 25,476 units constructed before 2008 was 14.0% and for units built in 2008 or after was 34.8%. Many of the units constructed in 2008 are still vacant.

With regard to condominiums, Fayetteville has the largest quantity of these. In Q2, there were only 9 sold in Fayetteville with an average sales price of \$120 per square foot. However, one did sell for over \$300 per square foot, 2 more sold for over \$100 per square foot, and the remaining 6 sold for less than \$100 per square foot. From my own experience, the Fayetteville condos are of three different types at different price points—the pricey central Fayetteville units as compared to those elsewhere in the city and the least expensive condos for the university market.

Finally, in the residential sector building permits are back at 2008 levels, a reasonable balance between the net increase in population vs. the number of new houses being built to serve those families. Gone are the days of overbuilding with a huge inventory of new homes. Now the oversupply is in existing housing. Currently there are over 5000 homes listed in the NW Arkansas MLS. Prices are more stable and have declined less in Q2 than in past quarters: 2.9% in Washington County and 2.3% in Benton County.

Altogether, we have to wait and see what will happen with the housing market. Despite incentives in the government stimulus measures passed by Congress, it has not improved markedly, and in NW Arkansas, prices are still generally declining. It's a great time to purchase a home since interest rates are at record lows, but with consumer confidence also low, the task will be to convince potential home buyers to take the plunge. Even though the first-time home buyer credit has ended, the low interest rates--coupled with the large selection of homes on the market at modest prices--make this an ideal time to buy a home.

POSTED BY JUDY LUNA AT 11:08 PM 

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