

## Report: Commercial Real Estate Still Slumping

### Vacancy Rates Rise, Building Permits Remain Low

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**BENTONVILLE, Ark.** -- The latest numbers show the local commercial real estate market still stuck in a slump, but some business owners don't need the numbers to see there's a problem.

The new Skyline Report shows the conditions getting worse instead of better. The report looks at the situation in office and retail space during the second quarter of 2009. To sum it up, there are more empty storefronts, and few people applying to build new ones.

"We're looking at over one million square feet of retail space out there, a million square feet of office space and another almost million square feet of office-retail space," said Kathy Deck, an economist with the University of Arkansas.

The new numbers show the empty buildings and "For Lease" signs throughout northwest Arkansas aren't going anywhere. According to the report, 18 percent of office space, 23 percent of office-retail space, and 14.6 percent of retail space sat vacant during the second quarter of 2009. All of those numbers were up from the first quarter.

"Commercial has always been a little bit later in the timeline of this boom than the residential market. We say things like, 'Retail follows rooftops,'" Deck said.

So even as the housing market shows signs of turning around, the business side is staying the same gloomy course.

"I don't remember a business even being in there. I don't think a business has ever been in there," said Mike Trexler, a manager at Fuse Family Fitness in Bentonville.

Trexler has been watching the empty storefronts next to its Bentonville location for so long, it just might move in.

"We looked at the space over here the past 18 months, and it's becoming more and more affordable," Trexler said.

As the price falls, buying up the empty space gets more attractive. But Deck said there's only one sure way to reverse the vacancies.

"It all comes back to employment. We've got to see job opportunities for the folks in northwest Arkansas," Deck said.

That's because once the jobs come, businesses need more space, and those vacancy rates start coming down. That creates a demand for more space, and building permits start increasing again.

The question is: when does that process start up again? Economists are hopeful that will happen this year.

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