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Positive Commercial Absorption But Vacancy Rates Still High in Northwest Arkansas

By Worth Sparkman - 9/13/2010 3:07:03 PM

More commercial space was leased than became available in northwest Arkansas during the second quarter - leading to a positive trend in absorption rates - but researchers of the Skyline Report urge developers to exercise caution.

About 4,450 SF of office space was absorbed during the first two quarters of the year; about 70,400 SF of retail space was absorbed.

However, the total office vacancy rate for Benton and Washington counties is 21.1 percent, up from 18.6 percent for the same period a year ago, according to the data released Monday. Retail space fared better with a 13.6 percent vacancy rate at the end of the second quarter, versus nearly 15 percent a year earlier.

Warehouse space had a positive absorption rate through the second quarter, but still had an area-wide vacancy rate of 27.4 percent.

Arvest Bank Group Inc. commissions the Center for Economic Business Research at the University of Arkansas to gather data on residential, multi-family and commercial property for the report. The bank makes much of the data public.

The report said building permit values have increased each quarter for the last four quarters. About \$23.85 million in permit values were issued during the second quarter, up from \$12.58 million for the first quarter.

"While these are fairly low numbers in comparison to the record highs we saw in late 2005/early 2006 when more than \$100,000,000 in permits were issued for three consecutive quarters, this indicates that there is a small increase in the amount of development activity in the region," Arvest said in its news release.

The bank also released data on the multifamily market.

The second quarter multifamily vacancy rate was the highest since the Skyline Report was begun in 2004 - 16.1 percent.

Bentonville had the highest aggregate vacancy rate, just more than 20 percent, up from 13 percent at the end of the fourth quarter. Siloam Springs had the lowest vacancy rate at 7.3 percent.

Fayetteville's vacancy rate was 17.7 percent, Rogers' rate was 14.9 percent and Springdale's was 12.6 percent.

The average lease price was \$526 per month, the report said, and the average size of for a multifamily unit increased to 840 SF.

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