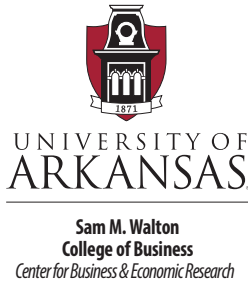




THE SKYLINE REPORT

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First Half of 2016

August 2016 Highlights

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Commercial Real Estate Market Summary
Prepared Exclusively under
Contract Agreement for ARVEST BANK

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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirty-fifth edition of the Skyline Report for Benton and Washington Counties—Commercial Real Estate Market Analysis. Researchers at the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas commercial real estate market. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. The Northwest Arkansas commercial real estate market is fragmented with many local and national commercial real estate professionals competing to serve the needs of a burgeoning business community. Having current information and analysis provides a competitive advantage over those who make decisions without the benefit of hard data.

Highlights from the First Half of 2016

- In the first half of 2016, 474,410 square feet of commercial space were absorbed, while 462,563 new square feet were added, netting positive absorption of 11,847 square feet in the Northwest Arkansas market and an overall vacancy rate of 12.7 percent, up from 12.4 in the second half of 2015.
- In the office submarket 209,664 new square feet were added, leading to net negative absorption of 30,337 square feet in the first half of 2016. The office vacancy rate increased to 12.7 percent from 12.6 percent in the second half of 2015.
- Within the retail submarket, there was overall positive absorption of 275,542 square feet, while 244,799 new square feet entered the market, leading to positive net absorption of 30,743 square feet. The retail vacancy rate decreased to 9.3 percent in the first half of 2016 from 9.8 percent in the second half of 2015.
- The warehouse submarket had net positive absorption of 283,401 square feet, while no new square feet was added in the first half of 2016. The Northwest Arkansas warehouse vacancy rate declined from 11.5 percent in the second half of 2015 to 8.0 percent in the first half of 2016.
- In the office/retail submarket, there was negative absorption of 12,419 square feet, while 8,100 new square feet of office/retail space entered the market, yielding negative net absorption of 20,519 square feet in the first half of 2016. The vacancy rate increased from 13.0 percent in the second half of 2015 to 13.2 percent in the first half of 2016.
- From January 1 to June 30, 2016, \$206,485,385 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$75,204,016 million in permits issued in the first half of 2015.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2015	26.2%	14.4%	9.0%	11.4%	15.8%	11.1%	8.7%	12.7%
2H 2015	26.2%	14.1%	7.5%	13.6%	17.0%	10.6%	7.6%	12.6%
1H 2016	27.9%	15.2%	7.7%	11.9%	15.3%	10.6%	8.6%	12.7%

Medical Office

1H 2015	0.0%	2.5%	10.9%	0.0%	15.1%	1.2%	16.0%	10.3%
2H 2015	0.0%	5.2%	11.3%	3.9%	16.0%	1.1%	12.2%	10.5%
1H 2016	0.0%	9.3%	10.6%	3.9%	13.9%	1.1%	12.3%	10.5%

Office/Retail

1H 2015	11.6%	11.7%	9.4%	0.0%	17.1%	3.7%	14.1%	11.8%
2H 2015	10.8%	18.4%	10.4%	0.0%	16.0%	4.4%	12.3%	13.0%
1H 2016	9.7%	20.3%	9.9%	0.0%	14.7%	5.8%	14.5%	13.2%

Office/Warehouse

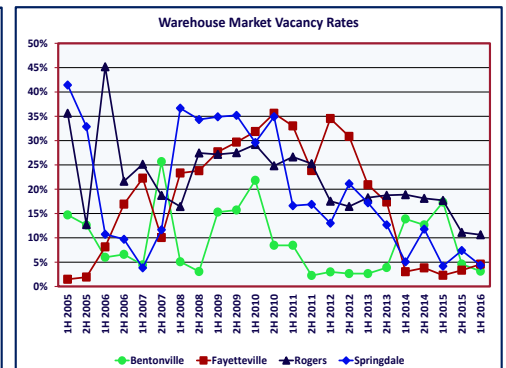
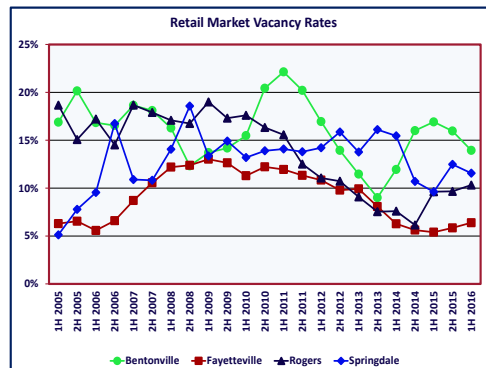
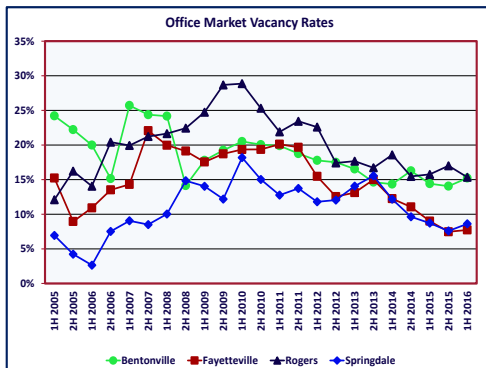
1H 2015	--	9.4%	0.0%	26.4%	10.3%	0.0%	7.2%	8.2%
2H 2015	--	7.2%	0.0%	36.8%	7.8%	31.2%	6.5%	8.4%
1H 2016	--	7.8%	0.0%	36.8%	7.8%	1.7%	7.1%	7.8%

Retail

1H 2015	0.0%	16.9%	5.4%	55.2%	9.6%	6.5%	9.6%	9.0%
2H 2015	20.2%	16.0%	5.8%	57.0%	9.7%	9.1%	12.5%	9.8%
1H 2016	20.2%	13.9%	6.5%	9.8%	10.3%	9.1%	11.6%	9.2%

Warehouse

1H 2015	0.0%	17.3%	2.3%	32.8%	17.7%	8.2%	4.2%	13.1%
2H 2015	35.1%	4.6%	3.3%	39.1%	11.1%	8.2%	7.4%	11.5%
1H 2016	35.1%	3.1%	4.6%	20.2%	10.6%	4.2%	4.4%	8.0%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2015	24,274	500,348	269,375	36,359	429,834	15,634	79,016	1,354,840
2H 2015	24,274	491,707	220,603	43,559	525,794	15,634	71,407	1,392,978
1H 2016	24,274	542,394	231,275	38,051	494,527	15,634	79,796	1,425,951

Medical Office

1H 2015	0	6,768	108,693	0	51,993	1,300	48,296	217,050
2H 2015	0	14,230	113,594	3,250	55,414	1,300	37,046	224,834
1H 2016	0	28,417	110,822	3,250	55,414	1,300	37,736	236,939

Office/Retail

1H 2015	33,179	105,595	142,813	0	143,682	5,500	71,886	502,655
2H 2015	31,811	167,787	166,804	0	133,012	6,600	63,502	569,516
1H 2016	28,736	185,269	159,413	0	120,814	8,675	72,101	575,008

Office/Warehouse

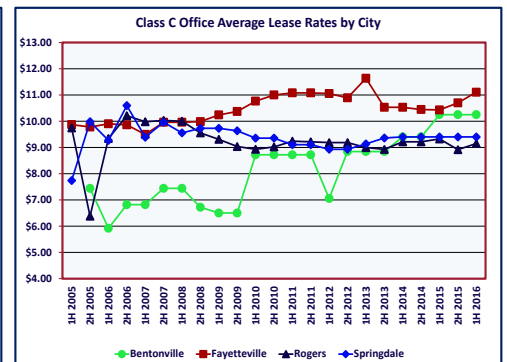
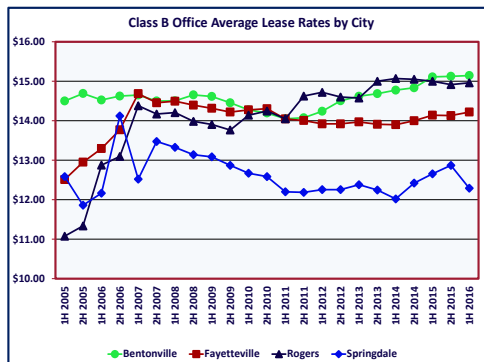
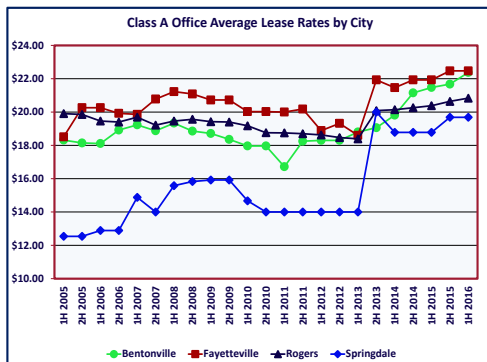
1H 2015	--	97,713	0	24,400	48,689	0	110,679	281,481
2H 2015	--	75,720	0	39,600	36,539	37,007	99,679	288,545
1H 2016	--	79,720	0	39,600	36,539	2,000	110,325	268,184

Retail

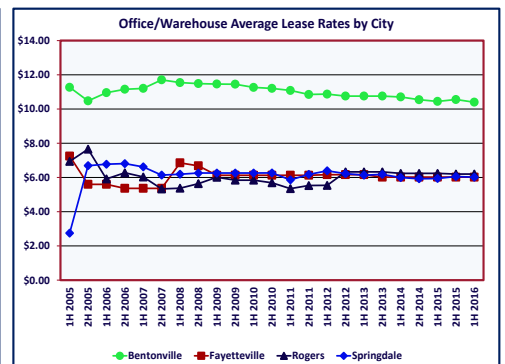
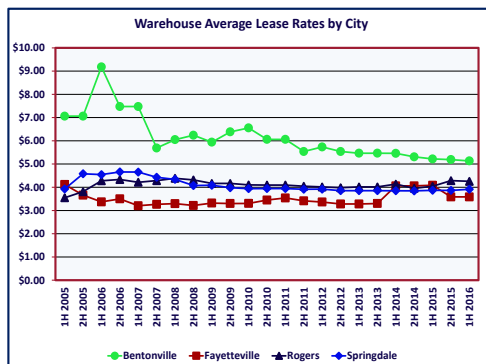
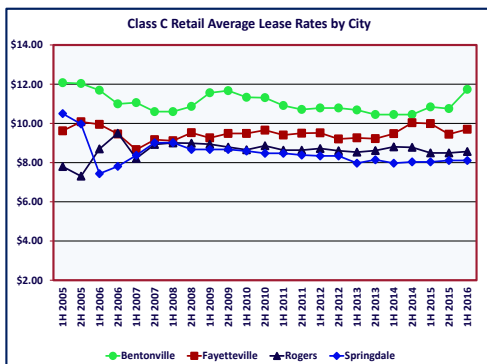
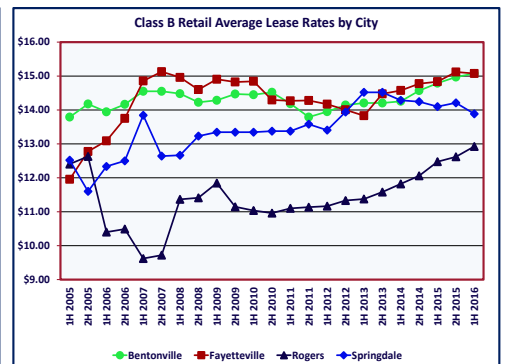
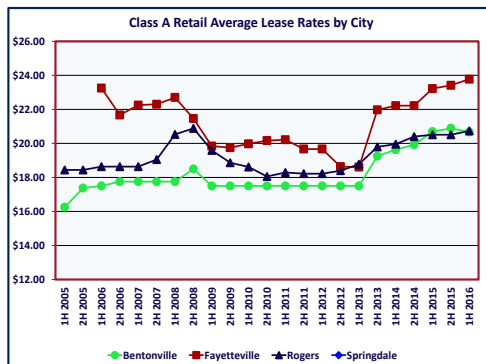
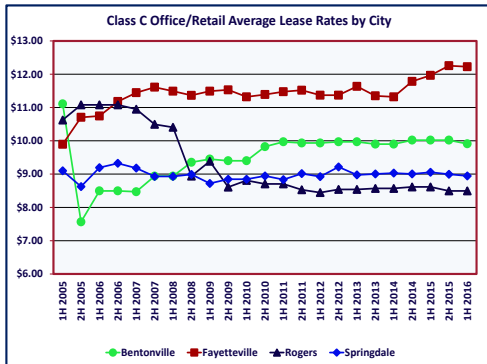
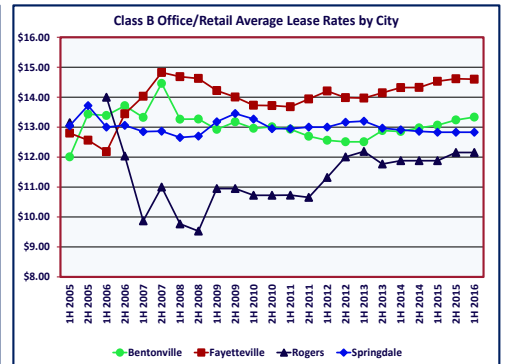
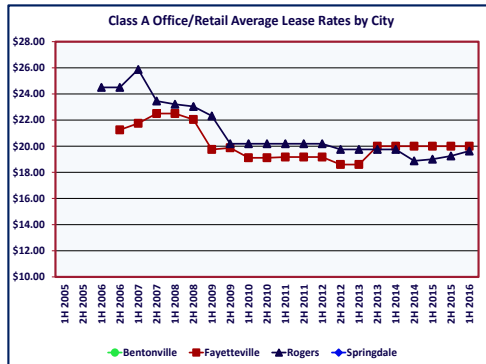
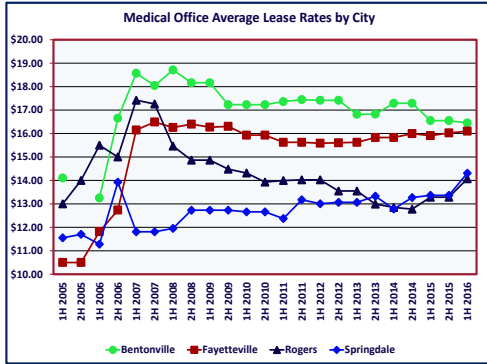
1H 2015	0	106,295	178,985	69,401	264,112	21,322	108,638	748,753
2H 2015	5,320	104,220	197,013	71,626	272,604	31,000	162,604	844,387
1H 2016	5,320	88,818	221,765	12,370	297,324	31,000	167,170	823,767

Warehouse

1H 2015	0	121,834	22,000	280,955	445,537	27,635	91,175	989,136
2H 2015	6,480	36,834	32,000	359,021	280,887	27,635	193,281	936,138
1H 2016	6,480	25,034	44,000	185,230	263,847	14,275	114,140	653,006



Commercial Market Trends



Net Twelve Month Absorption by Submarket 1H 2015 - 1H 2016

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	363	0	-6,480
Bentonville	-34,557	-79,674	19,703	96,800
Fayetteville	25,359	17,917	-26,270	-22,000
Lowell	-1,692	0	57,031	95,725
Rogers	-65,253	15,032	-33,212	146,503
Siloam Springs	0	-3,175	-4,800	13,360
Springdale	6,814	-15,674	41,548	90,575
Northwest Arkansas	-69,329	-65,211	54,000	414,483