

# THE SKYLINE REPORT

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## Commercial Highlights First Half 2023

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**Sam M. Walton College of Business**  
**University of Arkansas**  
**Fayetteville, AR 72701**  
**Telephone: 479.575.4151**  
**<http://cber.uark.edu>**



UNIVERSITY OF  
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Sam M. Walton  
College of Business  
Center for Business & Economic Research

## Commercial Real Estate Summary For Benton, Madison and Washington Counties

*This report is the forty-eighth 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 2023

The overall vacancy rate for commercial property increased to 6.4 percent in the first half of 2023 from 5.6 percent in the second half of 2022, driven by 528,940 new square feet of commercial space.

The office vacancy rate increased to 8.8 percent in the first half of 2023 from 8.4 in the second half of 2022 as 73,413 square feet of new office space was added to the market. There was solid leasing activity in the Class B office submarket.

In the retail submarket, the vacancy rate remained 7.9 percent in the first half of 2023 as 59,000 square feet of new space entered the market. There was strong leasing activity in the Class B retail submarket.

The office/retail vacancy rate increased from 5.0 percent in the second half of 2022 to 5.8 percent in the first half of 2023 primarily due to net negative absorption the the Class B submarket.

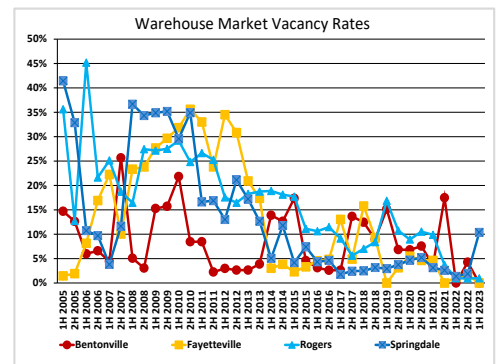
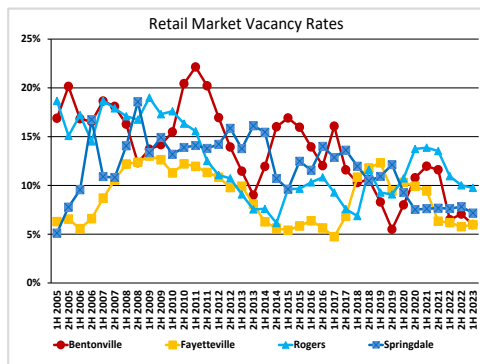
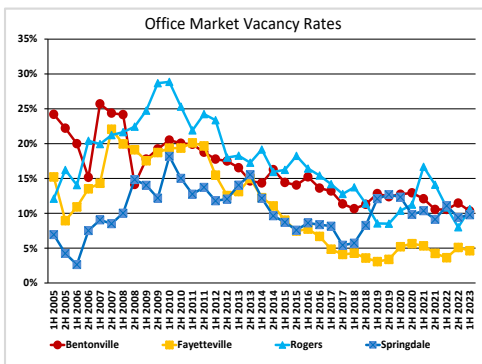
The warehouse vacancy rate increased from 1.6 percent in the second half of 2022 to 3.6 percent in the first half of 2023 due 311,760 new square feet of space being added to the market. 72,767 square feet of new office/warehouse space and 12,000 square feet of new retail/warehouse space was added as respondents continued to report increasing demand for new warehouse and flex warehouse space.

\$193.9 million in commercial building permits were issued in the first half of 2023. \$168.5 million were non-Walmart building permits. In comparison there were \$240.9 million, \$218.0 non-Walmart, in commercial building permits issued in the second half of 2022.

# Commercial Market Trends

## Vacancy Rates by Submarket

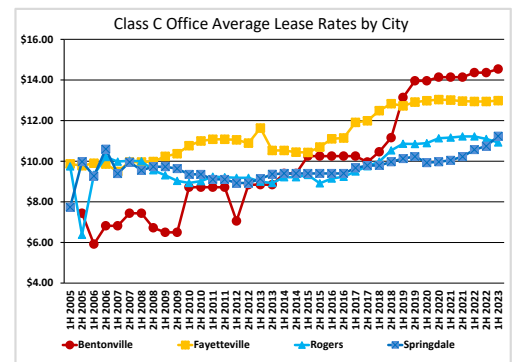
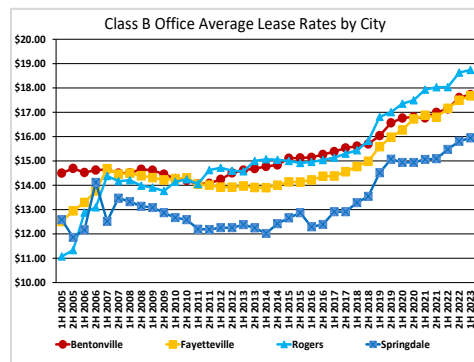
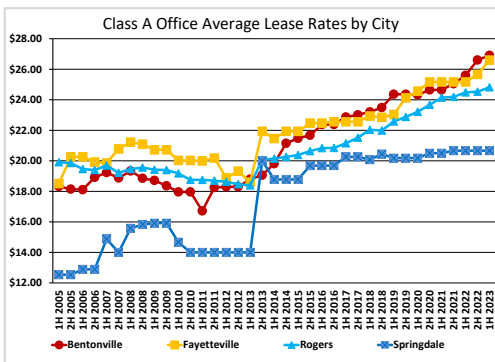
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
<b>Office</b>	1H 2022	18.1%	10.6%	3.6%	8.4%	18.5%	10.9%	8.3%	11.1%	9.1%
	2H 2022	18.1%	11.5%	5.1%	8.3%	1.2%	8.0%	6.2%	9.4%	8.4%
	1H 2023	18.1%	10.3%	4.6%	7.2%	3.2%	10.6%	9.9%	9.8%	8.8%
<b>Medical Office</b>	1H 2022	5.1%	5.5%	2.3%	9.7%	45.3%	4.2%	10.8%	11.8%	6.6%
	2H 2022	5.1%	3.2%	2.3%	9.4%	2.0%	5.9%	8.0%	11.0%	5.1%
	1H 2023	5.1%	3.2%	1.6%	9.7%	2.0%	9.5%	12.8%	11.0%	5.7%
<b>Office/Retail</b>	1H 2022	8.8%	9.7%	8.9%	0.0%	9.4%	7.1%	1.5%	1.1%	7.3%
	2H 2022	2.2%	6.2%	4.8%	0.0%	7.4%	10.1%	1.5%	1.6%	5.0%
	1H 2023	3.3%	7.8%	5.4%	0.0%	5.3%	10.4%	5.8%	1.3%	5.8%
<b>Office/Warehouse</b>	1H 2022		6.9%	0.0%	0.0%	0.0%	0.9%	52.2%	3.7%	4.8%
	2H 2022		4.2%	0.0%	0.0%	0.0%	9.5%	52.2%	5.2%	6.3%
	1H 2023		4.9%	0.0%	0.0%	15.2%	0.8%	53.3%	6.1%	6.4%
<b>Retail</b>	1H 2022	8.3%	6.5%	6.2%	0.0%	1.7%	10.9%	4.1%	7.6%	7.9%
	2H 2022	1.6%	7.1%	5.8%	0.0%	0.0%	10.0%	13.7%	7.8%	7.9%
	1H 2023	7.2%	6.0%	6.0%	7.2%	7.2%	9.8%	14.4%	7.2%	7.9%
<b>Retail/Warehouse</b>	1H 2022		1.2%	16.8%	53.4%	31.6%	3.3%	0.0%	1.4%	4.0%
	2H 2022		1.2%	13.7%	0.0%	31.6%	3.2%	0.0%	3.3%	3.9%
	1H 2023		6.3%	16.2%	0.0%	22.8%	10.7%	0.0%	3.5%	6.3%
<b>Warehouse</b>	1H 2022	0.0%	0.0%	1.2%	0.0%	0.0%	1.0%	0.0%	1.4%	0.8%
	2H 2022	0.0%	4.3%	1.6%	0.0%	0.0%	1.0%	0.0%	1.9%	1.6%
	1H 2023	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	6.6%	10.4%	3.6%



# Commercial Market Trends

## Available Space and Lease Rates by Submarket

Available Space by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
<b>Office</b>	1H 2022	22,296	431,984	127,720	25,734	62,267	433,610	14,351	132,022	1,249,984
	2H 2022	22,296	493,314	181,019	25,269	4,120	322,108	10,590	114,387	1,173,103
	1H 2023	22,296	447,449	167,061	23,386	7,120	426,206	17,207	119,499	1,230,224
<b>Medical Office</b>	1H 2022	3,000	19,577	29,883	17,399	41,870	20,614	14,351	60,927	207,621
	2H 2022	3,000	11,552	30,361	16,934	1,870	31,600	10,590	56,866	162,773
	1H 2023	3,000	11,552	21,531	19,358	1,870	51,613	17,207	56,866	182,997
<b>Office/Retail</b>	1H 2022	20,846	103,199	157,669	0	8,209	41,040	2,781	7,490	341,234
	2H 2022	5,336	66,546	85,367	0	6,487	58,331	2,781	11,607	236,455
	1H 2023	7,956	84,010	96,709	0	4,675	60,367	10,833	9,479	274,029
<b>Office/Warehouse</b>	1H 2022		65,200	0	0	0	5,900	57,667	75,534	204,301
	2H 2022		40,200	0	0	0	67,867	57,667	111,738	277,472
	1H 2023		47,050	0	0	48,340	5,900	57,667	134,191	293,148
<b>Retail</b>	1H 2022	7,455	56,412	228,219	0	1,875	405,409	19,477	133,968	852,815
	2H 2022	1,440	65,391	215,314	0	0	372,992	64,232	137,520	856,889
	1H 2023	6,475	55,590	223,953	3,860	9,256	360,408	67,835	127,257	854,634
<b>Retail/Warehouse</b>	1H 2022		2,928	19,774	9,630	9,800	8,933	0	9,956	61,021
	2H 2022		2,928	16,104	0	9,800	8,933	0	24,956	62,721
	1H 2023		15,892	20,559	0	9,800	31,382	0	27,381	105,014
<b>Warehouse</b>	1H 2022	0	0	15,600	0	0	29,750	0	44,454	89,804
	2H 2022	0	79,500	21,000	0	0	29,750	0	61,329	191,579
	1H 2023	0	0	0	0	0	29,750	48,750	362,557	441,057



# Commercial Market Trends

## Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	12,890	980	0
Bentonville	-40,810	19,189	822	29,145
Fayetteville	-21,301	62,050	-6,205	15,600
Johnson	2,348	0	-3,860	0
Lowell	55,147	3,534	675	0
Rogers	-19,448	-19,327	45,001	0
Siloam Springs	-1,629	-5,700	-46,755	-48,750
Springdale	44,247	628	3,717	-298,824
<b>Northwest Arkansas</b>	<b>18,554</b>	<b>73,264</b>	<b>-5,625</b>	<b>-302,829</b>

