

THE SKYLINE REPORT

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

Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirty-sixth 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.

Second Half of 2016

February 2017 Highlights

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Commercial Real Estate Market Summary
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Highlights from the Second Half of 2016

- In the second half of 2016, 1,005,502 square feet of commercial space were absorbed, while 541,561 new square feet were added, netting positive absorption of 463,941 square feet in the Northwest Arkansas market and an overall vacancy rate of 11.7 percent, down from 12.7 percent in the first half of 2016.
- 155,933 new square feet were added in the office submarket, while 271,396 square feet were absorbed, leading to net positive absorption of 115,463 square feet in the second half of 2016. The office vacancy rate decreased to 11.4 percent from 12.7 percent in the first half of 2016.
- Within the retail submarket, there was overall positive absorption of 200,814 square feet, while 135,628 new square feet entered the market, leading to positive net absorption of 65,186 square feet. The retail vacancy rate increased to 9.4 percent in the second half of 2016 from 9.3 percent in the first half of 2016.
- The warehouse submarket had positive absorption of 249,238 square feet, while 250,000 new square feet were added in the second half of 2016, leading to net negative absorption of 762 square feet. The Northwest Arkansas warehouse vacancy rate increased from 8.0 percent in the first half of 2016 to 8.1 percent in the second half of 2016.
- In the office/retail submarket, there was positive absorption of 63,857 square feet, while no new square feet of office/retail space entered the market in the second half of 2016. The vacancy rate decreased from 13.2 percent in the first half of 2016 to 11.0 percent in the second half of 2016.
- From July 1 to December 31, 2016, there were \$137,247,167 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$112,800,074 in permits issued in the second half of 2015.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
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%
2H 2016	14.6%	13.6%	6.7%	13.3%	14.4%	6.8%	8.4%	11.4%

Medical Office

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%
2H 2016	0.0%	6.0%	9.4%	3.9%	17.4%	8.7%	14.7%	10.8%

Office/Retail

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%
2H 2016	6.0%	16.1%	9.4%	0.0%	12.6%	5.8%	11.0%	11.0%

Office/Warehouse

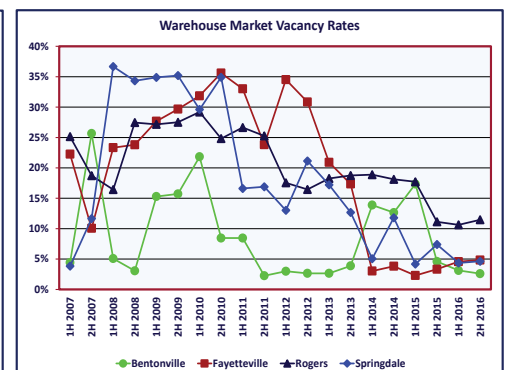
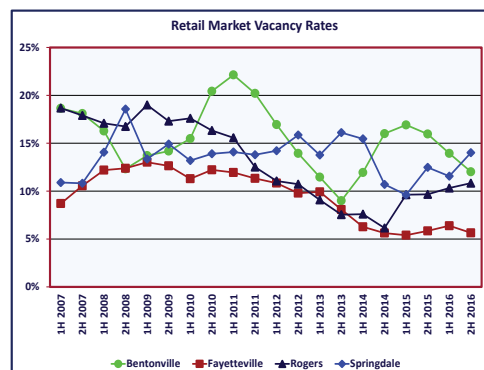
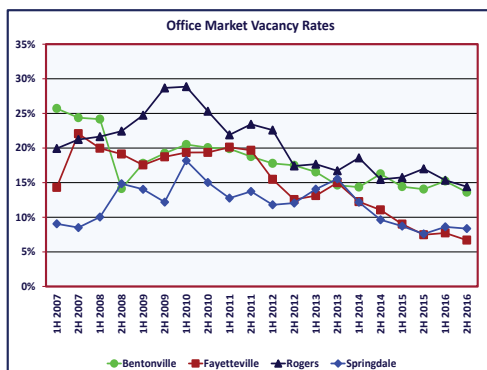
2H 2015	--	7.2%	0.0%	36.8%	7.8%	31.2%	6.5%	8.4%
1H 2016	--	7.8%	0.0%	36.8%	7.8%	1.7%	7.1%	7.8%
2H 2016	--	13.2%	0.0%	22.7%	7.6%	1.7%	6.6%	8.7%

Retail

2H 2015	20.2%	16.0%	5.8%	57.0%	9.7%	9.1%	12.5%	9.8%
1H 2016	20.2%	13.9%	6.4%	9.8%	10.3%	9.1%	11.6%	9.2%
2H 2016	14.1%	12.0%	5.6%	9.2%	10.8%	9.7%	14.0%	9.4%

Warehouse

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%
2H 2016	35.1%	2.6%	4.8%	17.5%	11.5%	4.2%	4.6%	8.1%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
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
2H 2016	10,981	480,098	209,537	44,051	469,256	10,000	77,107	1,301,030

Medical Office

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
2H 2016	0	18,462	110,580	3,250	75,016	10,000	44,946	262,254

Office/Retail

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
2H 2016	17,614	137,731	154,044	0	100,513	8,650	54,940	473,492

Office/Warehouse

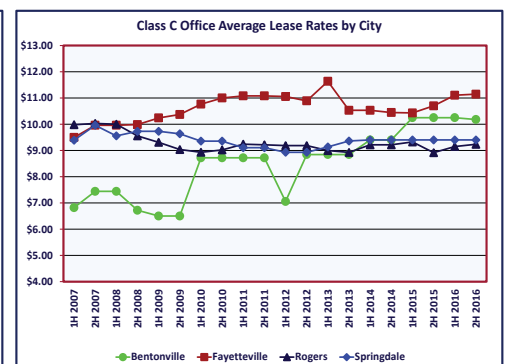
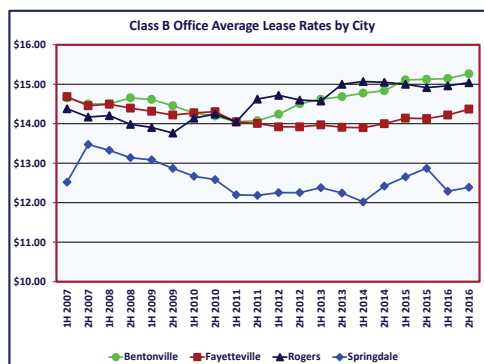
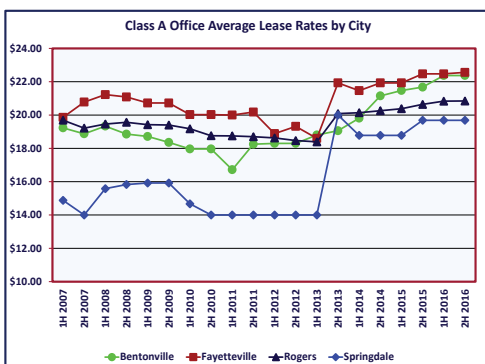
2H 2015	--	75,720	0	39,600	36,539	37,007	99,679	288,545
1H 2016	--	79,720	0	39,600	36,539	2,000	110,325	268,184
2H 2016	--	132,220	0	24,400	36,539	2,000	102,775	297,934

Retail

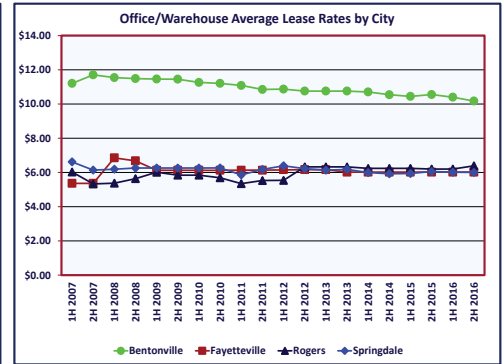
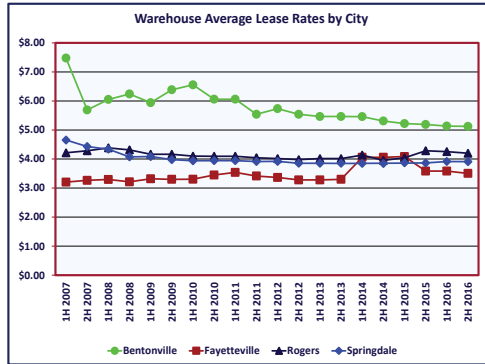
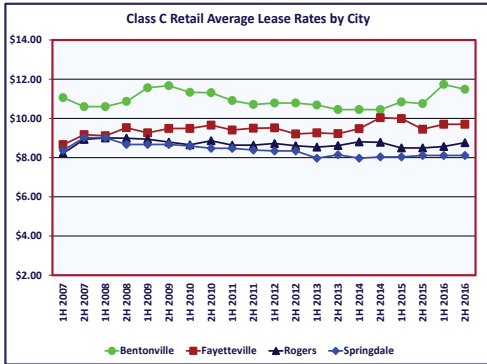
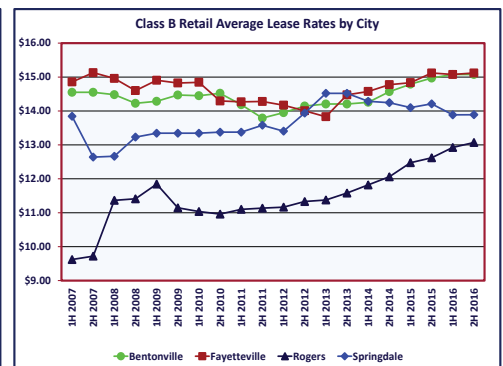
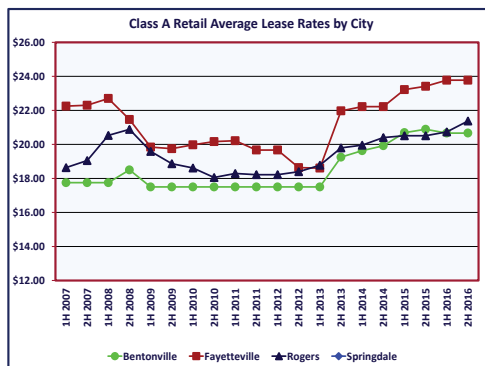
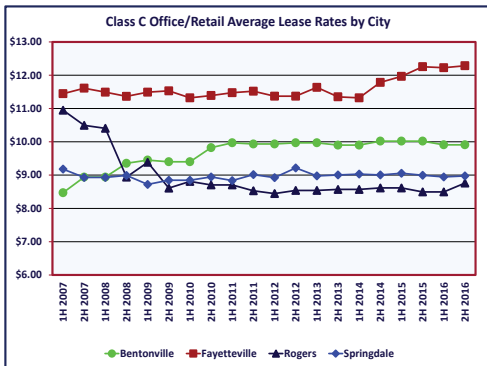
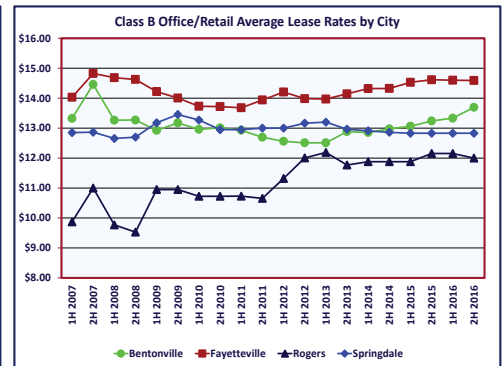
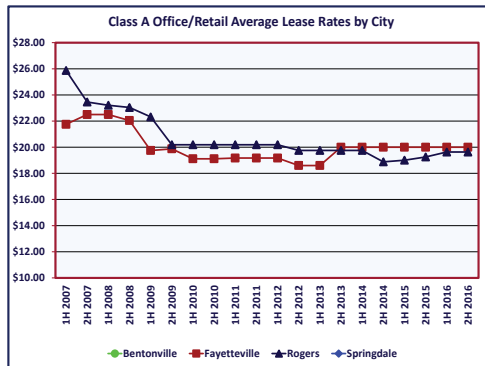
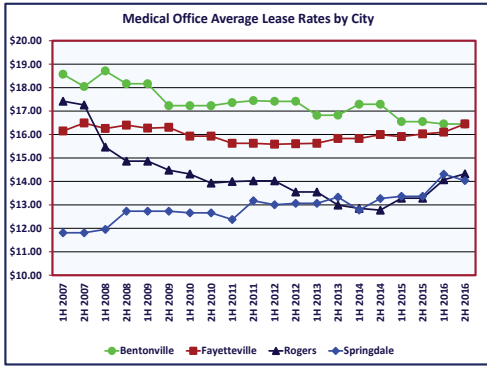
2H 2015	5,320	104,220	197,013	71,626	272,604	31,000	162,604	844,387
1H 2016	5,320	88,818	221,765	12,370	297,324	31,000	167,170	823,767
2H 2016	5,320	77,467	203,230	11,570	333,906	39,600	221,340	892,433

Warehouse

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
2H 2016	6,480	21,034	50,400	160,230	311,889	14,275	120,004	684,312



Commercial Market Trends



Net Twelve Month Absorption by Submarket 2H 2015 - 2H 2016

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	1,793	14,197	11,500	0
Bentonville	4,109	-4,085	22,753	23,800
Fayetteville	8,208	19,060	1,007	-18,400
Lowell	5,508	0	60,056	198,791
Rogers	54,580	26,845	-33,392	-27,162
Siloam Springs	5,634	-2,050	-8,600	13,360
Springdale	5,294	-10,629	42,605	92,250
Northwest Arkansas	85,126	43,338	95,929	282,639