



THE SKYLINE REPORT

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

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Real Estate Market Summary for Benton and Washington Counties from the Second Half of 2016

Despite the addition of more than 500,000 square feet of commercial space, strong absorption led to a decline in vacancy rates in Northwest Arkansas.

- The overall vacancy rate for commercial property was 11.7 percent in the second half of 2016, down from 12.7 in the first half of 2016.
- Strong absorption of Class A office space in Rogers, Class A and B office space in Bentonville, and medical office space in Fayetteville led to a drop in office vacancy to 11.4 percent.
- While new retail space in Rogers is getting absorbed almost as soon as it enters the market, second and third-generation properties showed some softness.
- Warehouse vacancy rates ticked up to 8.1 percent despite strong demand for modern, well-located space.
- Average lease rates remained fairly steady across class and formats of commercial space in the second half of 2016.
- An additional \$137.2 million in building permits were issued in the second half of 2016, indicating continuing growth in new commercial properties throughout the region.

The completion of new units led to a slight increase in multifamily vacancy rates, while the large number of announced projects is consistent with continued tightness in the market.

- The increase in regional vacancy rates from 2.4 percent in the first half of 2016 to 3.2 percent in the second half of 2016 was primarily due to an increase in by-the-bed vacancy in Fayetteville.
- Extremely low vacancy remained in the 36,159 units tracked in the second half of 2016 Skyline Report, but there were an additional 6,800 units either under construction or announced throughout the region.
- Average lease rates continued to climb during the second half of 2016 and were 4.3 percent higher than in 2015 and 17.4 percent higher than in 2011.
- Springdale continued to have the lowest vacancy rates in the region and the fewest announced projects. Fayetteville had the highest vacancy rates in Northwest Arkansas in the second half of 2016.

Significant absorption and building activity led to the lowest level of remaining months of unbuilt lot inventory since the inception of the Skyline Report in 2004.

- At 35.1 months, the supply of remaining lots in active subdivisions in Northwest Arkansas continued to fall in the second half of 2016.
- However, there were an additional 6,666 lots that had received either preliminary or final approval in Northwest Arkansas.
- There were 1,638 building permits issued in Benton and Washington counties, while 1,574 new houses in 379 active subdivisions became occupied.
- The level of building permits was at a ten year high, while absorption was as strong as it has been since the end of 2008.
- Home sales in the region grew briskly, up 12.1 percent from the same period in 2015.
- The average prices for sold houses also increased in both Benton and Washington counties, reaching record highs and reflecting the substantial activity in the region.