



THE SKYLINE REPORT

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Center for Business
and Economic Research

Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirtieth 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 2013

February 2014 Highlights

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

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Highlights from the Second Half of 2013

- In the second half of 2013, 492,006 total square feet of commercial space were absorbed, while 106,399 new square feet were added, netting positive absorption of 385,607 square feet in the Northwest Arkansas market and an overall vacancy rate of 13.6 percent, down from 14.6 in the first half of 2013.
- In the office submarket there was net positive absorption of 33,471 square feet, while 73,517 new square feet were added in the second half of 2013. The office vacancy rate declined slightly to 15.2 percent from 15.3 percent in the first half of 2013.
- In the office/retail submarket, there was positive net absorption of 813 square feet in the second half of 2013. The vacancy rate declined slightly to 14.2 percent from 14.3 percent in the first half of 2013.
- Within the retail submarket, there was net positive absorption of 140,357 square feet, while 32,882 new square feet entered the market in the second half of 2013. Consequently, the Northwest Arkansas vacancy rate decreased to 9.0 percent from 10.6 percent in the first half of 2013.
- The warehouse submarket had positive absorption of 65,767 square feet in the second half of 2013. The Northwest Arkansas warehouse vacancy rate decreased to 17.3 percent from 17.8 percent in the first half of 2013.
- The industrial, office/warehouse and retail/warehouse submarkets had 33,051, 83,495, and 28,653 square feet of net positive absorption, respectively, in the second half of 2013.
- From July 1 to December 31, 2013, \$62.9 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$41.0 million in permits issued in the second half of 2012.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2012	30.0%	17.5%	12.6%	11.4%	17.4%	3.0%	12.1%	15.3%
1H 2013	16.0%	16.5%	13.1%	11.0%	17.7%	2.9%	14.1%	15.3%
2H 2013	32.7%	14.6%	15.0%	14.3%	16.7%	3.0%	15.5%	15.2%

Medical Office

2H 2012	0.0%	4.4%	11.2%	0.0%	14.2%	2.3%	11.1%	9.9%
1H 2013	0.0%	4.4%	12.0%	7.4%	21.3%	2.3%	16.7%	12.3%
2H 2013	0.0%	6.4%	14.1%	7.4%	21.3%	2.3%	16.7%	12.8%

Office/Retail

2H 2012	7.0%	15.5%	13.7%	3.6%	22.1%	7.8%	18.4%	15.4%
1H 2013	7.4%	14.8%	11.0%	3.7%	24.2%	6.2%	14.9%	14.3%
2H 2013	8.0%	14.0%	10.4%	3.7%	23.2%	6.2%	18.3%	14.2%

Office/Warehouse

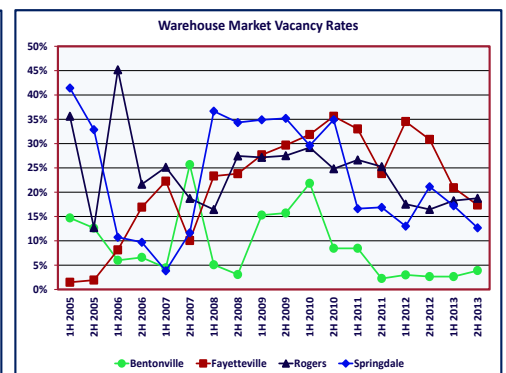
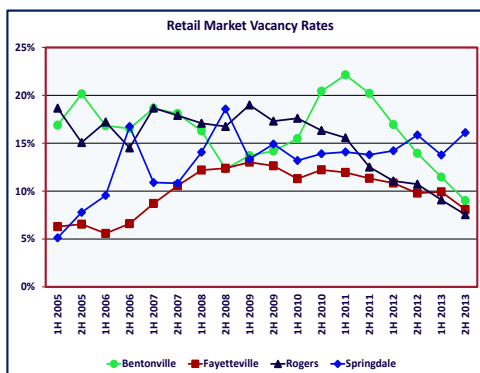
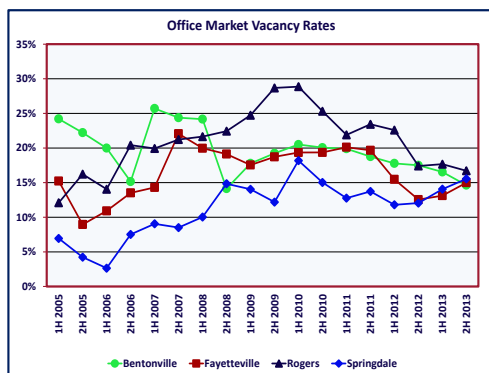
2H 2012	--	13.7%	39.5%	8.1%	31.9%	19.7%	11.7%	16.9%
1H 2013	--	8.2%	3.4%	8.1%	40.2%	19.7%	8.9%	14.5%
2H 2013	--	6.4%	3.9%	32.4%	39.5%	8.7%	7.7%	13.4%

Retail

2H 2012	0.0%	13.9%	9.8%	12.6%	10.7%	15.3%	15.9%	11.4%
1H 2013	0.0%	11.5%	9.9%	14.8%	9.1%	16.7%	13.8%	10.6%
2H 2013	0.0%	9.0%	8.1%	11.2%	7.5%	5.1%	16.1%	9.0%

Warehouse

2H 2012	0.0%	2.6%	30.8%	27.9%	16.5%	4.9%	21.1%	20.2%
1H 2013	0.0%	2.6%	20.9%	27.6%	18.3%	3.0%	17.2%	17.8%
2H 2013	0.0%	3.9%	17.4%	21.4%	18.8%	42.3%	12.7%	17.3%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2012	6,190	583,308	349,442	32,806	419,689	3,000	101,296	1,495,731
1H 2013	3,300	550,711	368,832	33,638	428,137	3,000	116,210	1,503,828
2H 2013	6,750	496,209	433,287	43,711	418,303	3,300	134,015	1,535,575

Medical Office

2H 2012	0	12,137	102,796	0	40,451	2,000	28,935	186,319
1H 2013	0	11,923	109,522	5,407	63,295	2,000	43,655	235,802
2H 2013	0	17,623	131,381	5,407	57,493	3,300	37,306	252,510

Office/Retail

2H 2012	19,205	135,864	213,116	2,340	178,654	11,626	91,900	652,705
1H 2013	20,405	130,699	173,765	2,440	196,578	9,200	75,173	608,260
2H 2013	22,005	116,913	159,288	2,440	195,680	9,200	92,645	598,171

Office/Warehouse

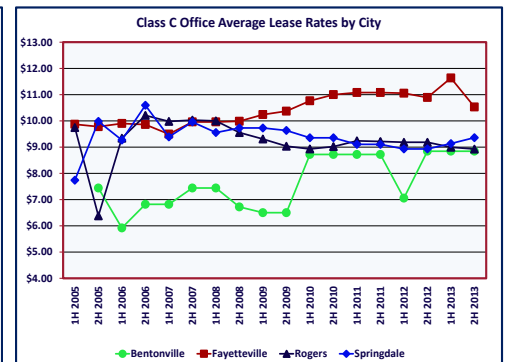
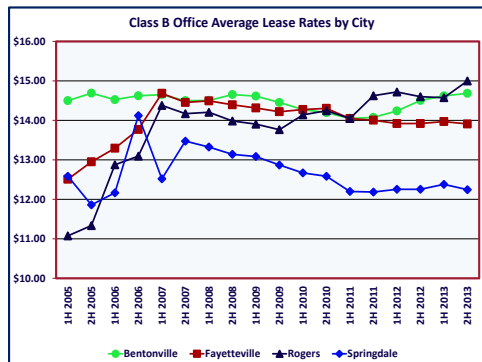
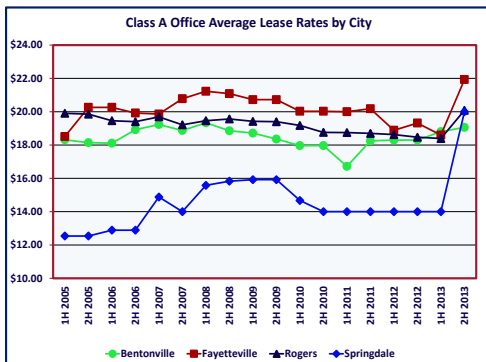
2H 2012	--	174,751	57,722	5,475	180,579	22,500	168,920	609,947
1H 2013	--	104,760	5,000	5,475	275,823	22,500	130,850	544,408
2H 2013	--	82,845	6,000	29,875	270,823	10,000	115,110	514,653

Retail

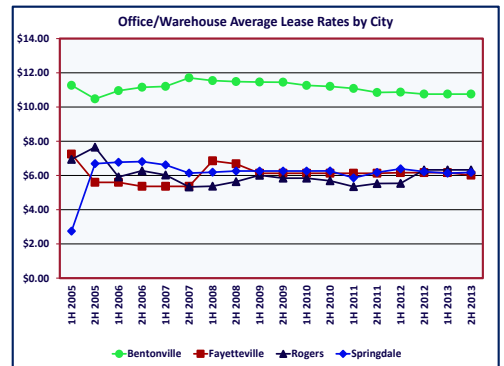
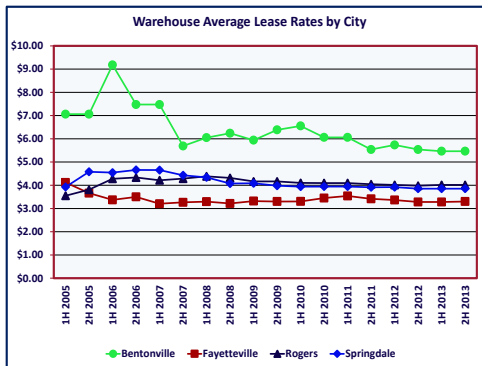
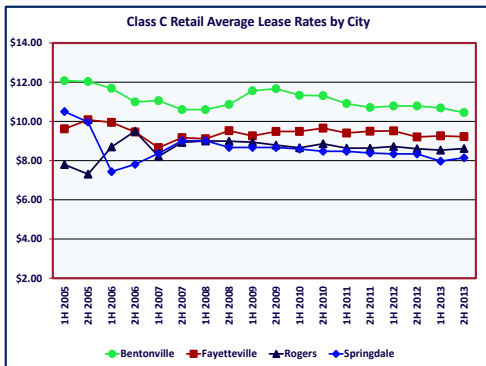
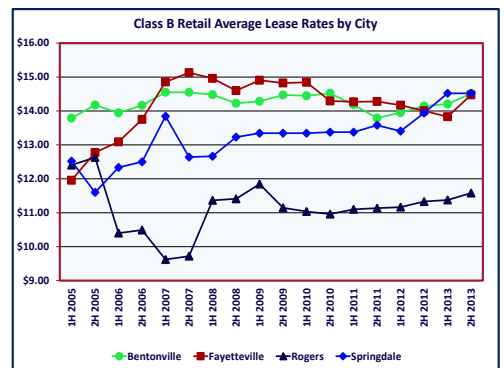
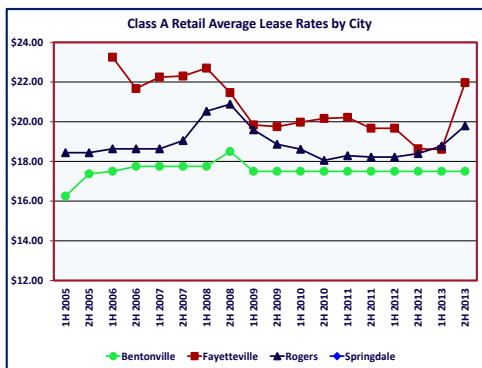
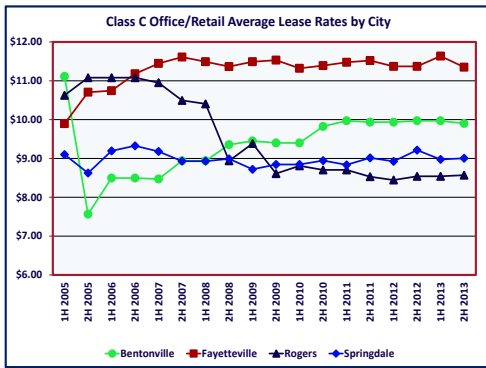
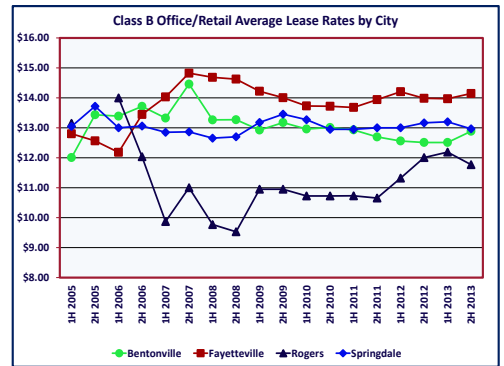
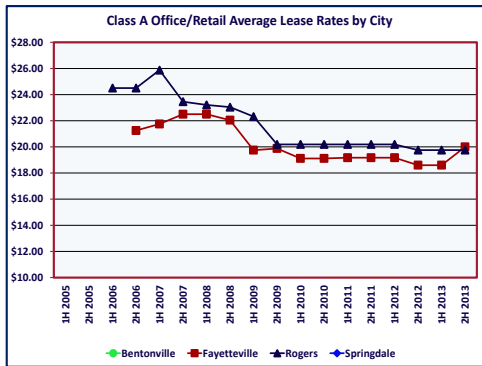
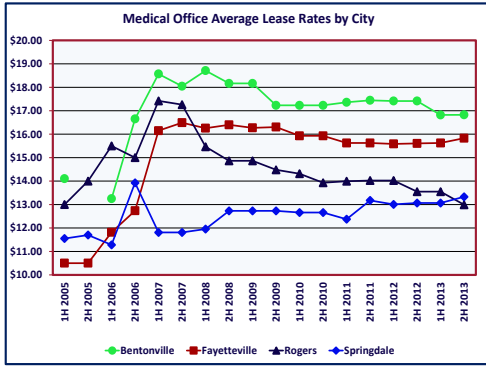
2H 2012	0	67,815	319,988	15,834	276,494	54,684	159,512	894,327
1H 2013	0	55,088	326,287	18,554	237,679	59,564	141,369	838,541
2H 2013	0	46,545	264,426	14,104	198,425	16,284	184,577	724,361

Warehouse

2H 2012	0	11,834	339,138	233,104	380,445	9,375	393,798	1,367,694
1H 2013	0	11,834	229,948	230,604	422,241	9,375	324,923	1,228,925
2H 2013	0	17,334	194,573	179,000	436,241	138,008	241,127	952,142



Commercial Market Trends



Net Twelve Month Absorption by Submarket 2H 2012 - 2H 2013

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-560	-2,800	0	0
Bentonville	110,847	18,951	26,870	-5,500
Fayetteville	-19,528	45,902	39,562	161,190
Lowell	-10,905	-100	1,730	54,104
Rogers	3,137	-14,026	83,677	-41,796
Siloam Springs	-300	2,426	-2,840	-116,133
Springdale	-26,604	505	49,038	176,671
Northwest Arkansas	56,087	50,858	198,037	228,536