



THE SKYLINE REPORT

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

Second Half of 2018

February 2018 Highlights

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Commercial Real Estate Market Summary
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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the fortieth 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 Second Half of 2018

- In the second half of 2018, there was 351,272 square feet of positive absorption, while 333,306 new square feet were added, leading to net positive absorption of 17,966 square feet in the Northwest Arkansas market and an overall vacancy rate of 10.9 percent, up from 10.8 percent in the first half of 2018.
- 136,394 new square feet were added in the office submarket, while 201,456 square feet were absorbed, leading to net positive absorption of 65,062 square feet in the second half of 2018. The office vacancy rate decreased to 8.4 percent from 9.1 percent in the first half of 2018.
- Within the retail submarket, there was overall negative absorption of 51,367 square feet, while 28,075 new square feet entered the market, leading to negative net absorption of 79,442 square feet. The retail vacancy rate increased to 11.5 percent in the second half of 2018 from 9.7 percent in the first half of 2018.
- The warehouse submarket had overall negative absorption of 84,388 square feet, while 88,265 new square feet were added in the second half of 2018, leading to a negative net absorption of 172,653 square feet. The Northwest Arkansas warehouse vacancy rate increased from 8.1 percent in the first half of 2018 to 9.9 percent in the second half of 2018.
- In the office/retail submarket, there was net negative absorption of 2,343 square feet, while no new square feet of office/retail space entered the market in the second half of 2018. The vacancy rate decreased from 11.7 percent in the first half of 2018 to 10.9 percent in the second half of 2018.
- From July 1 to December 31, 2018, there were \$169,794,659 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$190,109,255 in permits issued in the first half of 2018.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2017	10.2%	11.8%	4.1%		10.1%	12.0%	5.9%	5.4%	9.1%
1H 2018	10.2%	11.1%	3.9%		8.9%	12.9%	5.4%	5.7%	9.1%
2H 2018	4.4%	11.3%	3.6%	5.4%	3.5%	10.7%	6.1%	8.3%	8.4%

Medical Office

2H 2017	0.0%	5.6%	3.2%		3.9%	4.4%	7.9%	7.6%	4.5%
1H 2018	0.0%	1.4%	2.0%		0.0%	10.4%	7.9%	2.0%	3.6%
2H 2018	0.0%	1.3%	2.3%	0.0%	0.0%	12.4%	7.9%	1.3%	3.8%

Office/Retail

2H 2017	6.5%	10.1%	8.5%		1.5%	10.9%	0.0%	10.3%	8.9%
1H 2018	6.8%	10.8%	9.6%		1.5%	21.7%	7.0%	9.9%	11.7%
2H 2018	12.4%	8.9%	10.9%	5.1%	1.5%	13.4%	15.1%	11.7%	10.9%

Office/Warehouse

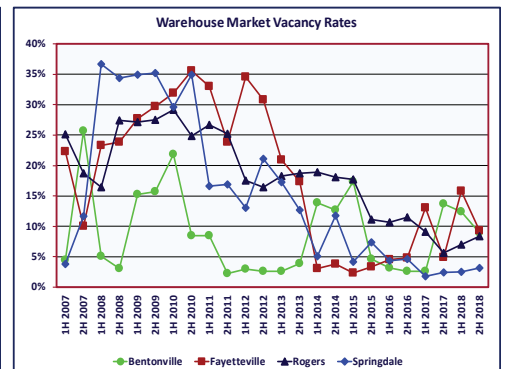
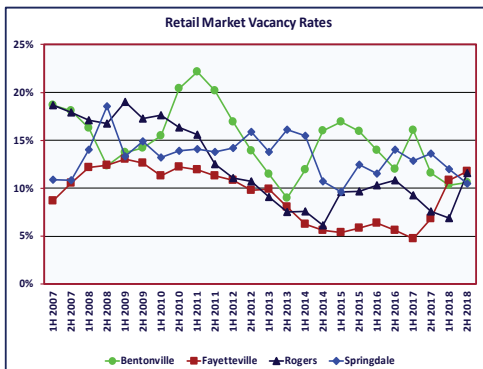
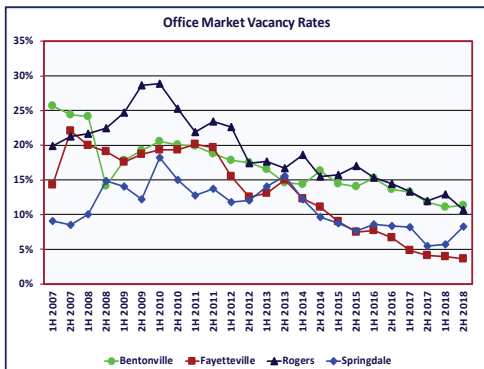
2H 2017		15.2%	1.5%		36.8%	0.9%	3.4%	10.3%	10.5%
1H 2018		10.6%	0.0%		36.8%	13.9%	30.6%	6.4%	10.0%
2H 2018		10.3%	0.0%	0.0%	0.0%	14.4%	60.0%	6.5%	9.7%

Retail

2H 2017	14.1%	11.6%	6.8%		6.2%	7.6%	13.5%	13.6%	8.9%
1H 2018	14.1%	10.3%	10.8%		9.6%	6.9%	11.1%	12.0%	9.7%
2H 2018	14.1%	10.6%	11.8%	0.0%	12.8%	11.6%	14.3%	10.5%	11.5%

Retail/Warehouse

2H 2017		6.9%	6.9%		0.0%	13.6%	24.8%	16.8%	13.3%
1H 2018		1.9%	0.0%		0.0%	12.2%	18.1%	16.1%	10.9%
2H 2018		3.2%	35.3%	0.0%	0.0%	10.9%	12.4%	15.7%	14.0%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2017	7,721	415,409	128,840		34,030	405,425	9,000	51,356	1,051,781
1H 2018	7,721	400,252	135,284		30,100	443,885	9,000	54,593	1,080,835
2H 2018	3,300	427,582	113,552	13,190	11,788	373,847	9,000	87,807	1,040,066

Medical Office

2H 2017	0	17,500	38,702		3,250	18,489	9,000	22,920	109,861
1H 2018	0	4,000	24,110		0	44,379	9,000	5,750	87,239
2H 2018	0	4,000	28,289	0	0	54,748	9,000	3,750	99,787

Office/Retail

2H 2017	19,024	89,703	140,382		1,440	86,568	0	51,309	388,426
1H 2018	20,124	100,959	155,762		1,440	177,059	11,478	50,857	517,679
2H 2018	36,521	82,720	175,499	3,332	1,440	76,015	29,478	64,216	469,221

Office/Warehouse

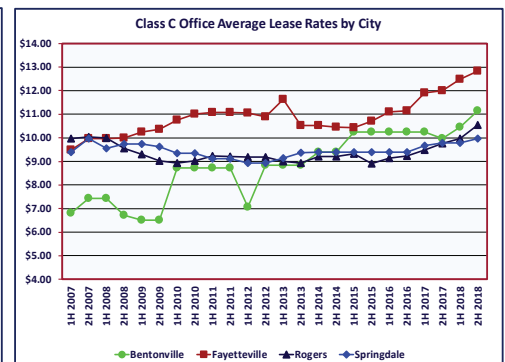
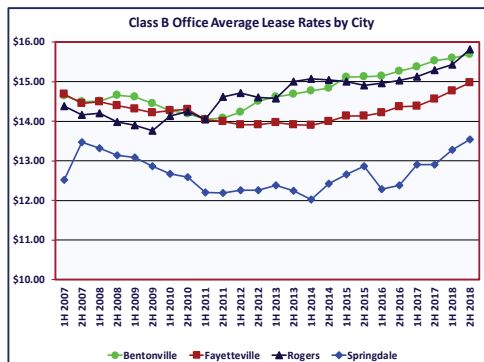
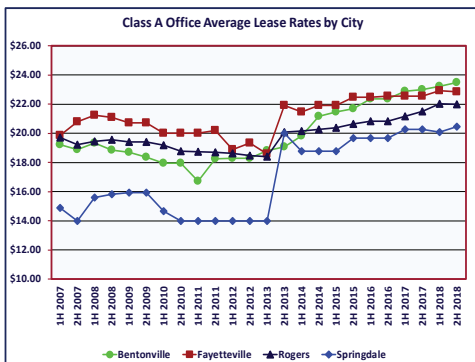
2H 2017		150,235	2,500		39,600	4,300	4,000	176,220	376,855
1H 2018		103,634	0		39,600	77,537	36,573	114,300	371,644
2H 2018		92,484	0	0	0	83,637	71,573	122,882	370,576

Retail

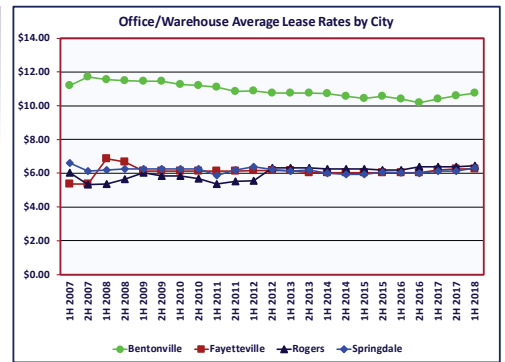
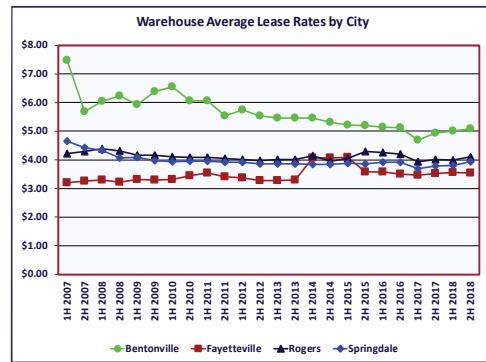
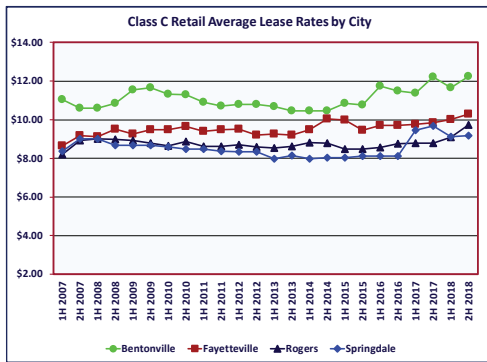
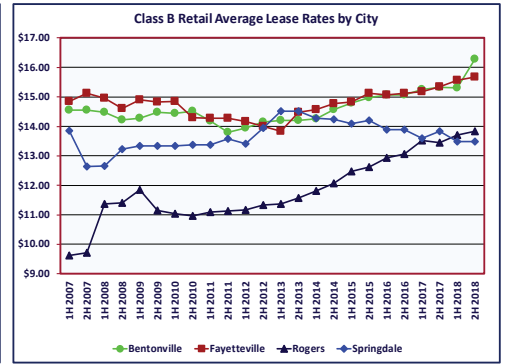
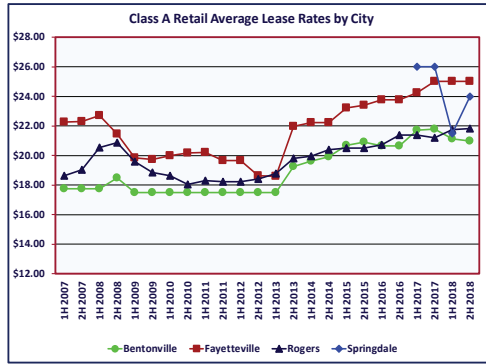
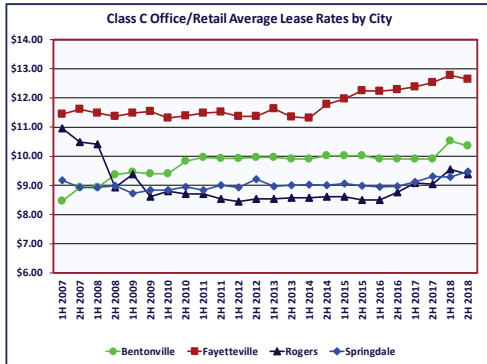
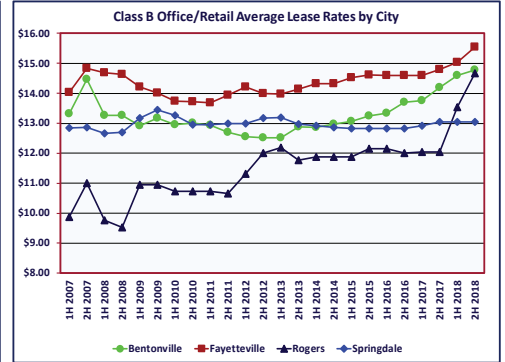
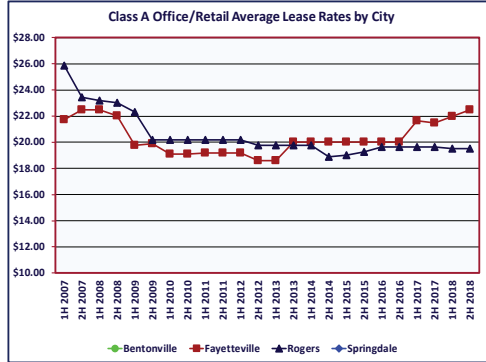
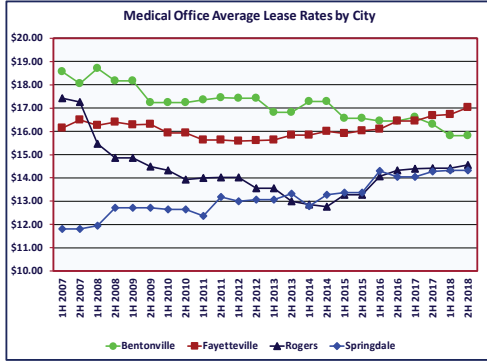
2H 2017	5,320	87,593	253,953		7,820	235,581	56,206	225,234	871,707
1H 2018	5,320	75,868	410,130		7,820	214,986	48,956	197,663	960,743
2H 2018	5,320	79,733	441,881	0	11,125	402,581	63,880	166,997	1,171,517

Warehouse

2H 2017	3,600	154,034	60,000		88,175	161,894	4,900	61,704	534,307
1H 2018	3,600	146,034	194,465		146,770	201,669	4,900	63,454	760,892
2H 2018	3,600	113,034	114,465	0	410,360	241,567	24,040	97,547	1,004,613



Commercial Market Trends



Net Twelve Month Absorption by Submarket 1H 2018 - 2H 2018

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	4,421	-17,497	0	0
Bentonville	20,889	16,794	5,625	41,000
Fayetteville	19,208	-21,178	-173,828	-54,465
Johnson	-5,800	0	0	0
Lowell	16,986	0	1,951	-322,185
Rogers	32,977	-104,393	-40,179	-79,673
Siloam Springs	0	-1,000	-2,274	4,900
Springdale	-4,783	6,443	39,237	27,435
Northwest Arkansas	83,898	-120,831	-169,468	-382,988