



THE SKYLINE REPORT

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UNIVERSITY OF ARKANSAS

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-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.

Second Half of 2017

February 2018 Highlights

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Commercial Real Estate Market Summary
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Highlights from the Second Half of 2017

- In the second half of 2017, 990,860 square feet of commercial space were absorbed, while 718,282 new square feet were added, netting positive absorption of 272,578 square feet in the Northwest Arkansas market and an overall vacancy rate of 9.7 percent, down from 10.0 percent in the first half of 2017.
- 55,527 new square feet were added in the office submarket, while 197,649 square feet were absorbed, leading to net positive absorption of 142,122 square feet in the second half of 2017. The office vacancy rate decreased to 9.1 percent from 10.4 percent in the first half of 2017.
- Within the retail submarket, there was overall positive absorption of 32,135 square feet, while 45,055 new square feet entered the market, leading to negative net absorption of 12,920 square feet. The retail vacancy rate increased to 8.9 percent in the second half of 2017 from 8.7 percent in the first half of 2017.
- The warehouse submarket had overall absorption of 713,092 square feet, while 599,600 new square feet were added in the second half of 2017, leading to positive net absorption of 113,492 square feet. The Northwest Arkansas warehouse vacancy rate decreased from 7.6 percent in the first half of 2017 to 5.8 percent in the second half of 2017.
- In the office/retail submarket, there was overall absorption of 62,556 square feet, while 18,100 new square feet of office/retail space entered the market in the second half of 2017, leading to positive net absorption of 44,456 square feet. The vacancy rate decreased from 10.0 percent in the first half of 2017 to 8.9 percent in the second half of 2017.
- From July 1 to December 31, 2017, there were \$204,111,701 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$137,247,167 in permits issued in the second half of 2016.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2016	14.6%	13.6%	6.7%	13.3%	14.4%	6.8%	8.4%	11.4%
1H 2017	14.6%	13.2%	4.9%	10.1%	13.3%	5.3%	8.2%	10.4%
2H 2017	10.2%	11.8%	4.1%	10.1%	12.0%	5.9%	5.4%	9.1%

Medical Office

2H 2016	0.0%	6.0%	9.4%	3.9%	17.4%	8.7%	14.7%	10.8%
1H 2017	0.0%	2.5%	4.3%	3.9%	15.4%	5.7%	12.8%	7.1%
2H 2017	0.0%	5.6%	3.2%	3.9%	4.4%	7.9%	7.6%	4.5%

Office/Retail

2H 2016	6.0%	16.1%	9.4%	0.0%	12.6%	5.8%	11.0%	11.0%
1H 2017	5.6%	12.0%	9.2%	0.0%	13.8%	3.4%	8.9%	10.0%
2H 2017	6.5%	10.1%	8.5%	1.5%	10.9%	0.0%	10.3%	8.9%

Office/Warehouse

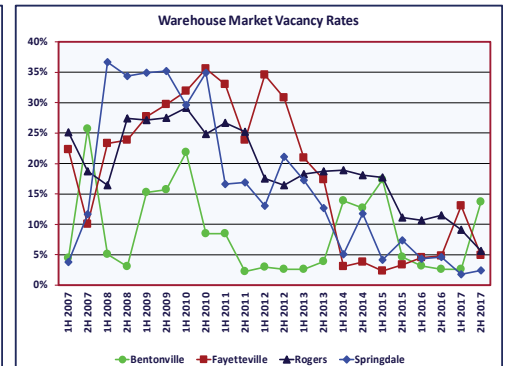
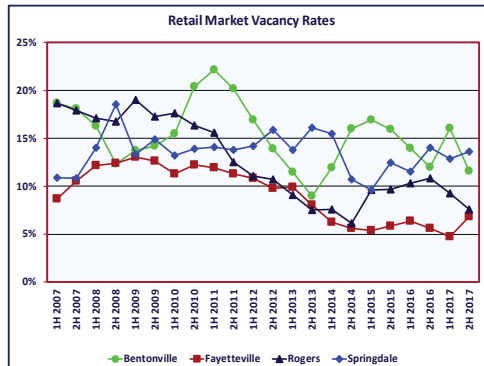
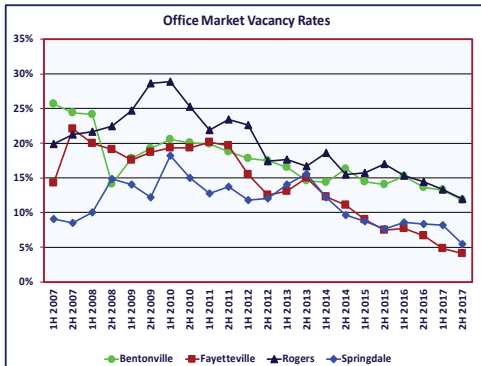
2H 2016		13.2%	0.0%	22.7%	7.6%	1.7%	6.6%	8.7%
1H 2017		10.2%	5.3%	22.7%	2.9%	3.4%	3.8%	6.2%
2H 2017		15.2%	1.5%	36.8%	0.9%	3.4%	10.3%	10.5%

Retail

2H 2016	14.1%	12.0%	5.6%	9.2%	10.8%	9.7%	14.0%	9.4%
1H 2017	14.1%	16.1%	4.8%	9.2%	9.3%	10.1%	12.9%	8.7%
2H 2017	14.1%	11.6%	6.8%	6.2%	7.6%	13.5%	13.6%	8.9%

Warehouse

2H 2016	35.1%	2.6%	4.8%	17.5%	11.5%	4.2%	4.6%	8.1%
1H 2017	35.1%	2.6%	13.0%	17.8%	9.1%	4.1%	1.8%	7.6%
2H 2017	19.5%	13.6%	4.9%	9.6%	5.6%	1.6%	2.4%	5.8%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
2H 2016	10,981	480,098	209,537	44,051	469,256	10,000	77,107	1,301,030
1H 2017	10,981	484,885	150,856	33,574	446,996	8,000	77,262	1,212,554
2H 2017	7,721	433,409	128,840	34,030	405,425	9,000	51,356	1,069,781

Medical Office

2H 2016	0	18,462	110,580	3,250	75,016	10,000	44,946	262,254
1H 2017	0	8,000	51,562	3,250	65,628	6,500	39,146	174,086
2H 2017	0	17,500	38,702	3,250	18,489	9,000	22,920	109,861

Office/Retail

2H 2016	17,614	137,731	154,044	0	100,513	8,650	54,940	473,492
1H 2017	16,447	105,514	151,273	0	108,642	5,100	44,456	431,432
2H 2017	19,024	89,703	140,382	1,440	86,568	0	51,309	388,426

Office/Warehouse

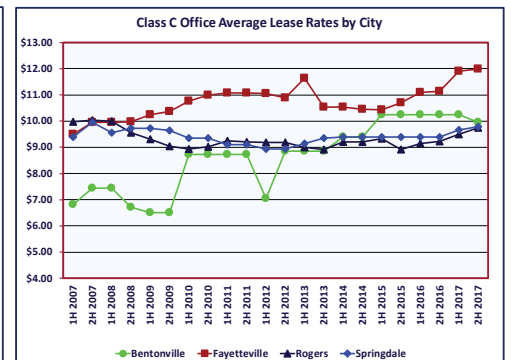
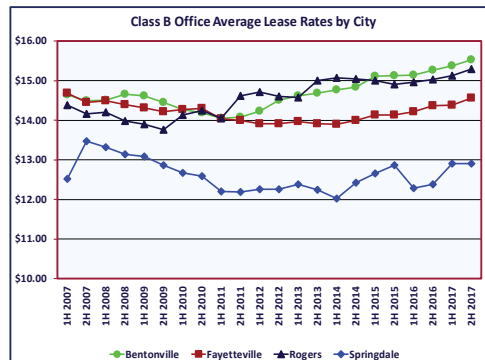
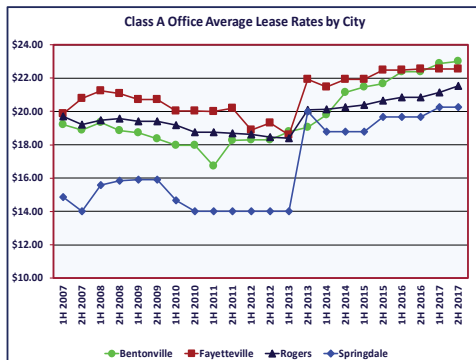
2H 2016		132,220	0	24,400	36,539	2,000	102,775	297,934
1H 2017		102,493	8,900	24,400	13,822	4,000	59,575	213,190
2H 2017		150,235	2,500	39,600	4,300	4,000	176,220	376,855

Retail

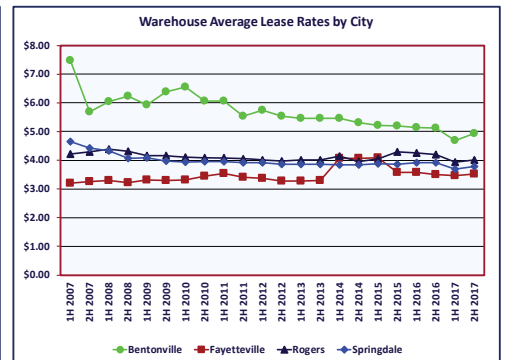
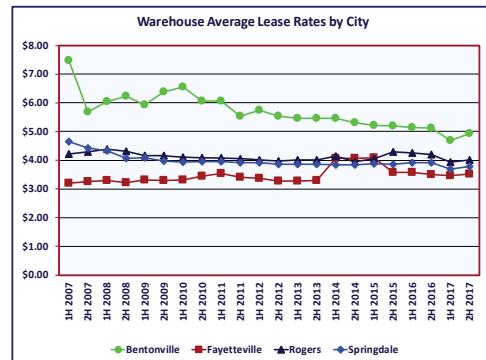
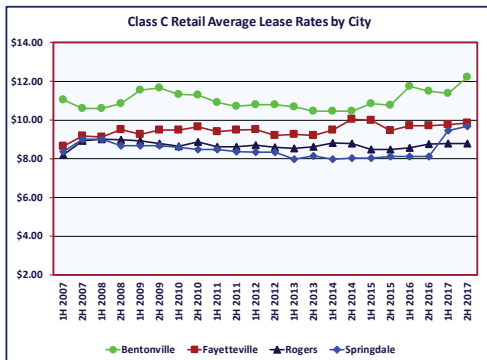
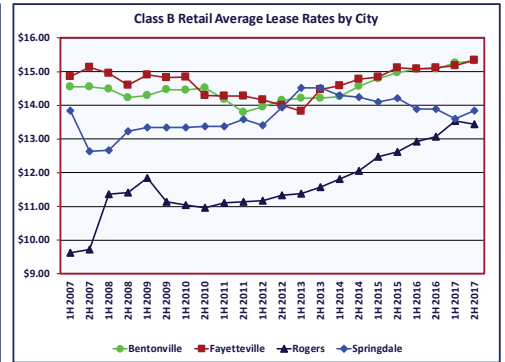
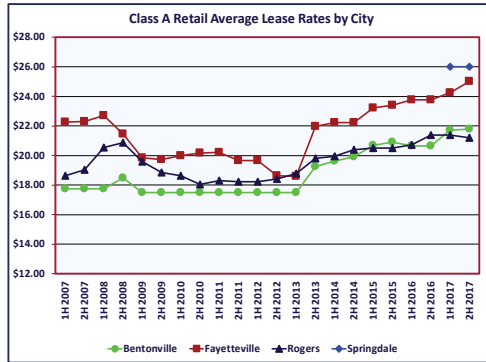
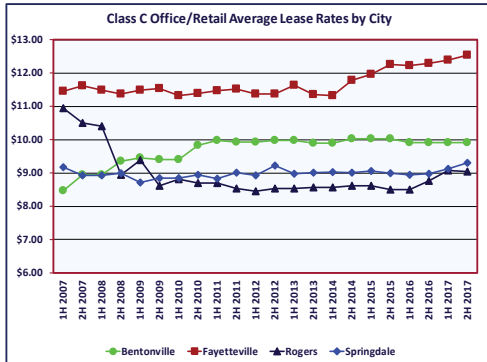
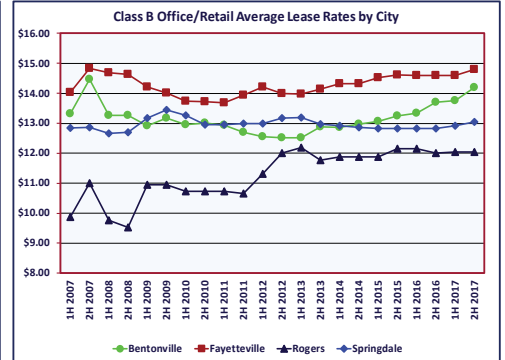
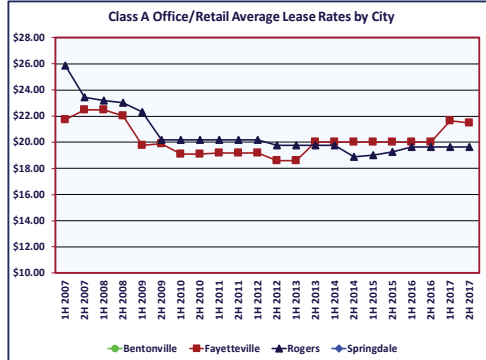
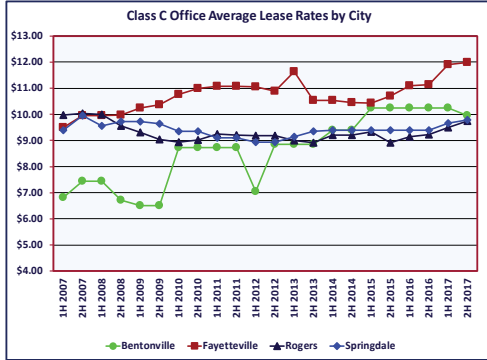
2H 2016	5,320	77,467	203,230	11,570	333,906	39,600	221,340	892,433
1H 2017	5,320	123,515	175,027	11,570	286,242	41,750	207,223	850,647
2H 2017	5,320	87,593	253,953	7,820	235,581	56,206	225,234	871,707

Warehouse

2H 2016	6,480	21,034	50,400	160,230	311,889	14,275	120,004	684,312
1H 2017	6,480	21,034	136,730	163,230	261,346	14,275	44,704	647,799
2H 2017	3,600	154,034	60,000	88,175	161,894	4,900	61,704	534,307



Commercial Market Trends



Net Twelve Month Absorption by Submarket 2H 2016 - 2H 2017

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	3,260	-1,410	0	2,880
Bentonville	57,386	41,528	11,374	-133,000
Fayetteville	91,547	19,532	-44,181	-16,000
Lowell	15,277	-1,440	3,750	72,055
Rogers	70,081	14,145	98,325	277,880
Siloam Springs	1,500	8,650	-16,606	9,375
Springdale	23,001	3,631	246	58,300
Northwest Arkansas	262,052	84,636	52,908	271,490