

THE SKYLINE REPORT

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Commercial Highlights Second Half 2019

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Real Estate Summary For Benton and Washington Counties

This report is the forty-first 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 2019

In the second half of 2019, there was 850,247 square feet of positive absorption, while 555,747 new square feet were added, leading to net positive absorption of 294,500 square feet in the Northwest Arkansas market and an overall vacancy rate of 10.0 percent, down from 11.0 percent in the first half of 2019.

180,382 new square feet were added in the office submarket, while 248,891 square feet were absorbed, leading to net positive absorption of 68,509 square feet in the second half of 2019. The office vacancy rate decreased to 8.5 percent from 8.6 percent in the first half of 2019.

Within the retail submarket, there was overall positive absorption of 48,169 square feet, while 19,960 new square feet entered the market, leading to positive net absorption of 28,209 square feet. The retail vacancy rate decreased to 9.4 percent in the second half of 2019 from 10.8 percent in the first half of 2019.

The warehouse submarket had overall positive absorption of 292,732 square feet, while 355,405 new square feet were added in the second half of 2019, leading to a negative net absorption of 62,673 square feet. The Northwest Arkansas warehouse vacancy rate decreased from 10.3 percent in the first half of 2019 to 9.4 percent in the second half of 2019.

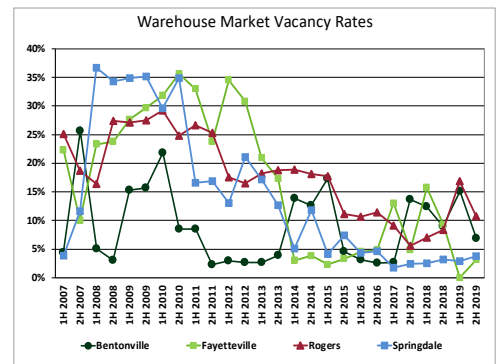
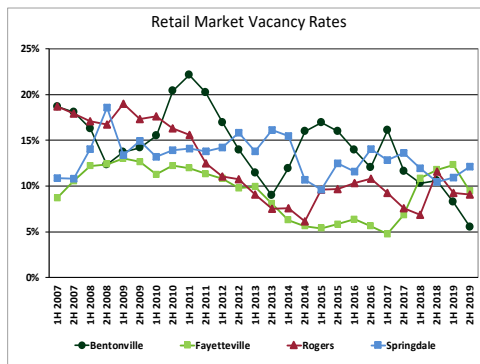
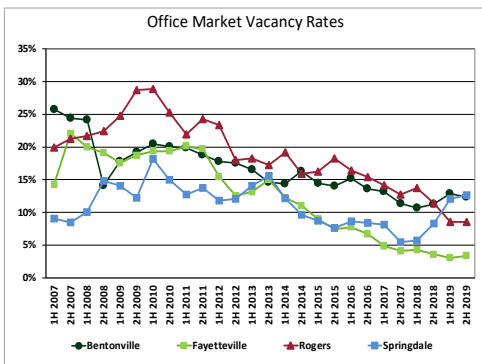
In the office/retail submarket, there was net positive absorption of 37,869 square feet, while no new square feet of office/retail space entered the market in the second half of 2019. The vacancy rate increased from 10.9 percent in the first half of 2019 to 11.7 percent in the second half of 2019.

From July 1 to December 31, 2019, there were \$197,510,689 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$166,399,515 in permits issued in the first half of 2019.

Commercial Market Trends

Vacancy Rates by Submarket

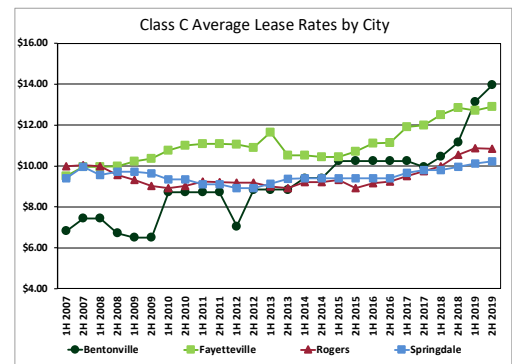
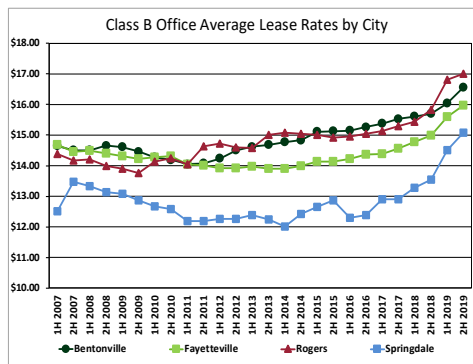
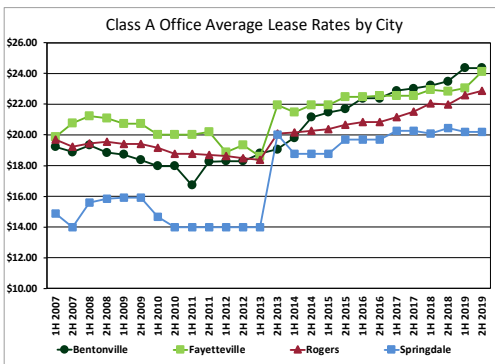
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	2H 2018	4.4%	11.3%	3.6%		3.5%	11.4%	6.1%	8.3%	8.6%
	1H 2019	4.4%	12.8%	3.1%	6.6%	7.0%	8.5%	7.0%	12.1%	8.6%
	2H 2019	4.4%	12.4%	3.4%	5.9%	6.8%	8.5%	5.4%	12.7%	8.5%
Medical Office	2H 2018	0.0%	1.3%	2.3%	0.0%	0.0%	12.4%	7.9%	1.3%	3.8%
	1H 2019	0.0%	1.7%	1.9%	4.3%	2.1%	0.0%	7.9%	4.8%	2.3%
	2H 2019	0.0%	6.8%	2.5%	6.0%	0.0%	1.2%	5.3%	14.3%	4.3%
Office/Retail	2H 2018	12.4%	8.9%	10.9%	5.1%	1.5%	13.4%	15.1%	11.7%	10.9%
	1H 2019	12.4%	9.4%	8.6%	5.1%	3.0%	16.3%	16.1%	13.9%	10.9%
	2H 2019	11.0%	11.6%	12.0%	4.6%	3.0%	13.4%	11.5%	11.5%	11.7%
Office/Warehouse	2H 2018		10.3%	0.0%	0.0%	0.0%	14.4%	60.0%	6.5%	9.7%
	1H 2019		12.4%	0.0%	0.0%	0.0%	14.5%	51.5%	10.3%	11.8%
	2H 2019		13.2%	0.0%	0.0%	0.0%	11.0%	84.8%	5.5%	10.2%
Retail	2H 2018	14.1%	10.6%	11.8%	0.0%	12.8%	11.6%	14.3%	10.5%	11.5%
	1H 2019	14.1%	8.3%	12.3%	4.5%	12.8%	9.3%	13.1%	10.9%	10.8%
	2H 2019	0.0%	5.5%	9.5%	0.0%	4.9%	9.1%	9.8%	12.1%	9.4%
Retail/Warehouse	2H 2018		3.2%	35.3%	0.0%	0.0%	10.9%	12.4%	15.7%	14.0%
	1H 2019		3.2%	18.9%	0.0%	0.0%	12.7%	13.1%	12.0%	11.0%
	2H 2019		3.6%	21.5%	0.0%	0.0%	5.2%	1.1%	16.4%	11.1%
Warehouse	2H 2018	19.5%	9.0%	9.3%	0.0%	32.0%	8.4%	7.3%	3.2%	9.9%
	1H 2019	19.5%	15.1%	0.0%	0.0%	20.0%	16.9%	7.4%	2.9%	10.3%
	2H 2019	19.5%	6.9%	3.1%	0.0%	24.4%	10.7%	22.3%	3.8%	9.4%



Commercial Market Trends

Available Space by Submarket

Available Space by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	2H 2018	3,300	427,582	113,552	13,190	11,788	373,847	9,000	87,807	1,040,066
	1H 2019	3,300	482,211	98,764	19,497	23,645	291,115	10,650	127,940	1,057,122
	2H 2019	3,300	483,343	113,053	17,375	22,938	292,595	8,250	137,391	1,078,245
Medical Office	2H 2018	0	4,000	28,289	0	0	54,748	9,000	3,750	99,787
	1H 2019	0	5,200	24,500	7,519	1,707	0	9,000	13,500	61,426
	2H 2019	0	20,777	31,789	10,436	0	5,074	6,100	41,492	115,668
Office/Retail	2H 2018	36,521	82,720	175,499	3,332	1,440	76,015	29,478	64,216	469,221
	1H 2019	36,521	86,864	140,081	3,332	2,880	95,475	31,746	78,217	475,116
	2H 2019	32,651	107,882	199,260	3,000	2,880	78,181	22,610	63,158	509,622
Office/Warehouse	2H 2018		92,484	0	0	0	83,637	71,573	122,882	370,576
	1H 2019		123,697	0	0	0	83,959	61,493	203,349	472,498
	2H 2019		134,382	0	0	0	63,400	101,234	109,085	408,101
Retail	2H 2018	5,320	79,733	441,881	0	11,125	402,581	63,880	166,997	1,171,517
	1H 2019	5,320	63,097	463,380	2,400	11,125	322,647	59,281	184,469	1,111,719
	2H 2019	0	41,651	342,710	0	4,300	316,392	43,753	206,098	954,904
Retail/Warehouse	2H 2018		7,768	51,000	0	0	27,400	10,860	94,002	191,030
	1H 2019		7,816	27,304	0	0	32,692	11,960	75,604	155,376
	2H 2019		8,854	31,000	0	0	13,400	1,000	100,414	154,668
Warehouse	2H 2018	3,600	113,034	114,465	0	410,360	241,567	24,040	97,547	1,004,613
	1H 2019	3,600	161,834	0	0	263,345	482,622	24,040	92,019	1,027,460
	2H 2019	3,600	97,834	36,000	0	342,500	305,904	72,790	120,187	978,815



Commercial Market Trends

Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	3,870	5,320	0
Bentonville	-36,773	-21,326	40,363	15,200
Fayetteville	70,260	56,378	-15,688	78,465
Johnson	-4,185	332	2,400	0
Lowell	-11,150	-1,440	6,825	67,860
Rogers	93,347	14,267	94,053	-175,655
Siloam Springs	2,000	8,068	10,117	-48,750
Springdale	-42,138	4,690	-16,551	-22,640
Northwest Arkansas	71,361	64,839	126,839	-85,520

