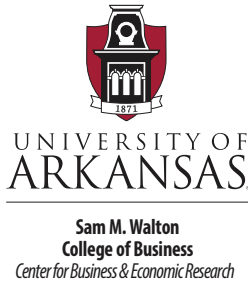




THE SKYLINE REPORT

SPONSORED BY ARVEST BANK



Second Half of 2017

February 2018 Highlights

Contents

Highlights.....	1
Commercial Market Trends	2

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

Center for Business and Economic Research
Sam M. Walton College of Business
University of Arkansas
Fayetteville, AR 72701
Telephone: 479.575.4151
<http://cber.uark.edu/>

The information contained herein has been obtained from reasonably reliable sources. The Center for Business and Economic Research makes no guarantee, either expressed or implied, as to the accuracy of such information. All data contained herein is subject to errors, omissions, and changes. Reproduction in whole or in part without prior written consent is prohibited.

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.

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

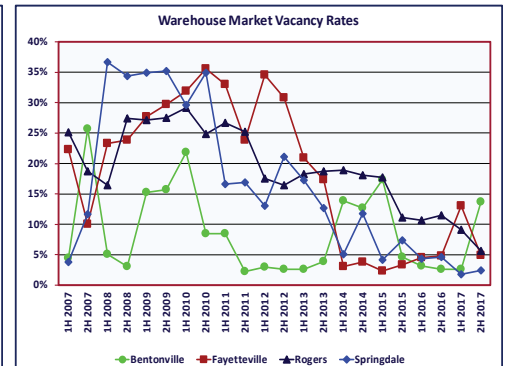
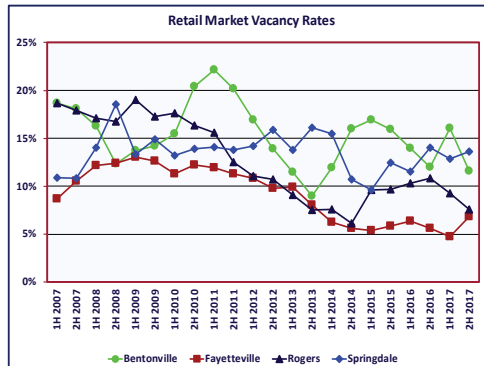
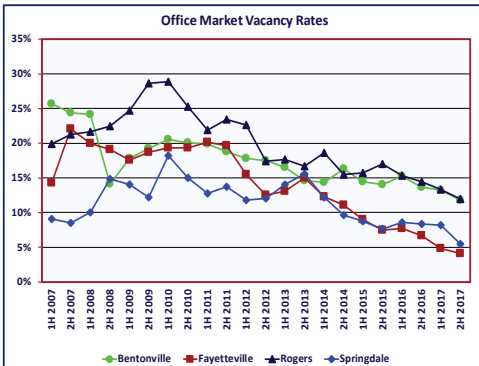
2H 2016		13.2%	0.0%	22.7%	7.6%	1.7%	6.6%	8.7%
1H 2017		10.2%	5.3%	22.7%	2.9%	3.4%	3.8%	6.2%
2H 2017		15.2%	1.5%	36.8%	0.9%	3.4%	10.3%	10.5%

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	75,389	3,526,226	3,131,727	331,479	3,254,478	147,859	922,043	11,389,201
1H 2017	75,389	3,671,970	3,109,379	331,479	3,361,958	152,259	945,472	11,647,906
2H 2017	75,389	3,677,646	3,139,423	336,735	3,386,224	152,259	946,202	11,713,878

Medical Office

2H 2016	8,104	306,018	1,179,214	82,599	431,398	114,504	304,943	2,426,780
1H 2017	8,104	315,088	1,195,514	82,599	426,903	114,504	304,943	2,447,655
2H 2017	8,104	315,088	1,214,424	82,599	420,899	114,504	299,729	2,455,347

Office/Retail

2H 2016	294,928	855,924	1,633,804	65,470	799,488	149,285	497,585	4,296,484
1H 2017	294,928	879,084	1,637,645	65,470	785,329	149,285	497,585	4,309,326
2H 2017	294,928	884,357	1,649,695	94,446	793,129	149,285	497,585	4,363,425

Office/Warehouse

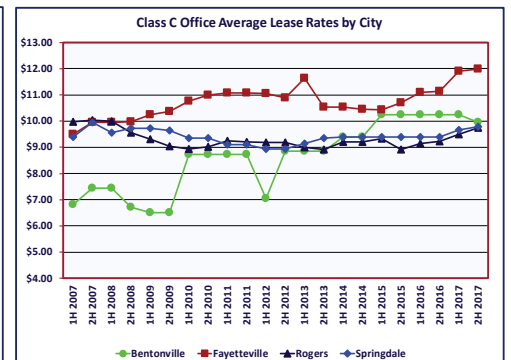
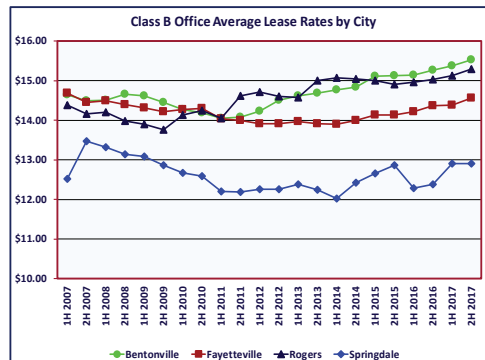
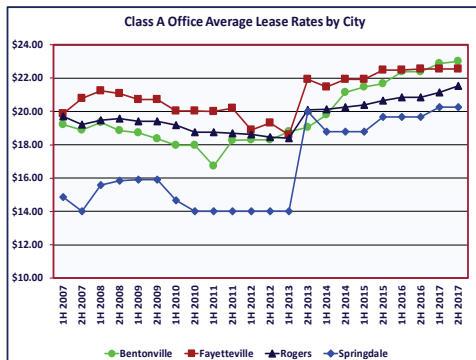
2H 2016	--	1,000,128	152,072	107,498	480,562	118,495	1,554,259	3,413,014
1H 2017	--	1,000,295	169,072	107,498	483,402	118,495	1,571,684	3,450,446
2H 2017	--	986,807	169,072	107,498	483,402	118,495	1,709,411	3,574,685

Retail

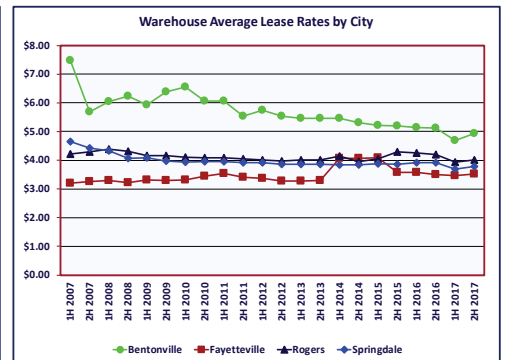
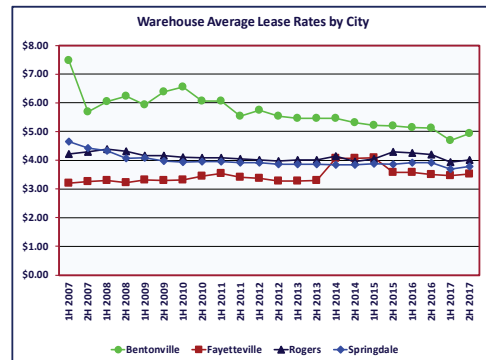
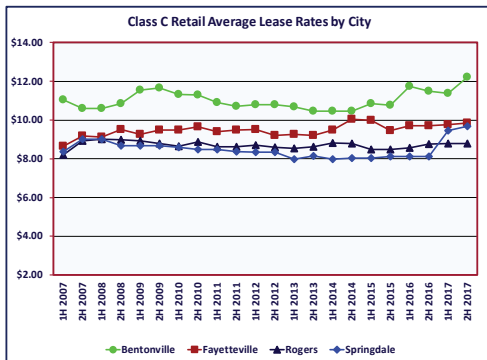
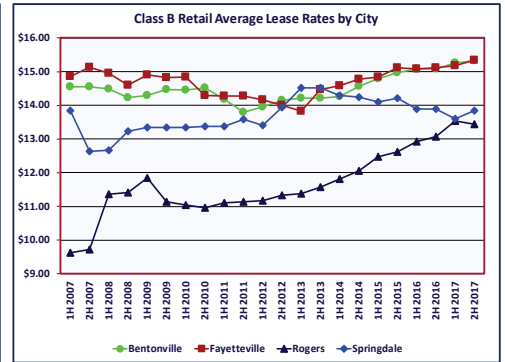
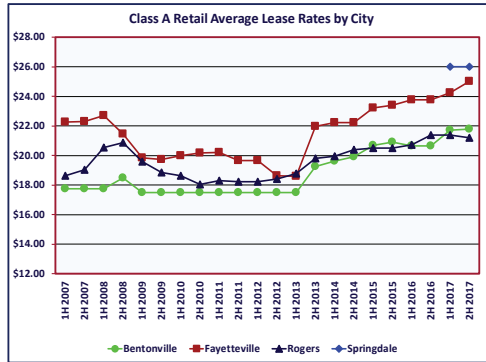
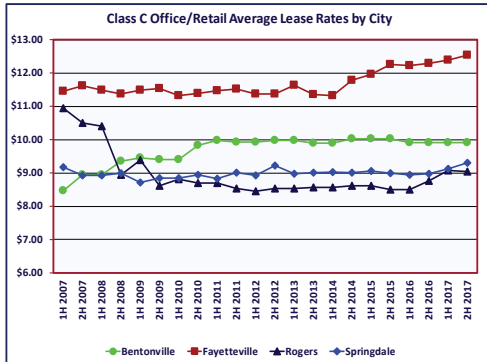
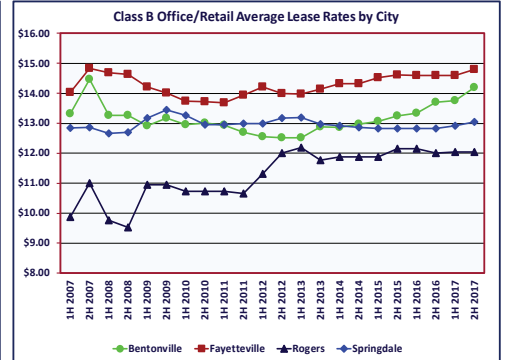
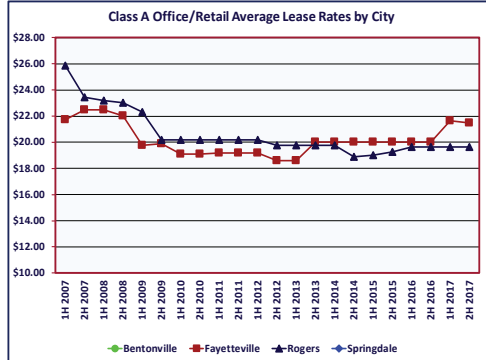
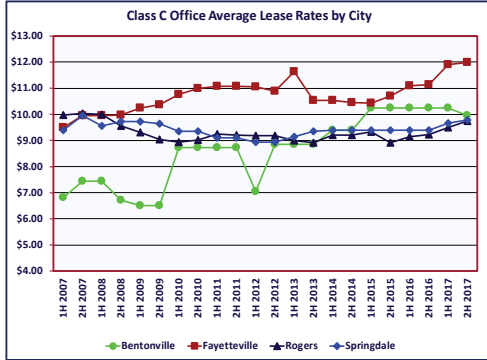
2H 2016	37,820	644,434	3,601,864	125,762	3,082,430	406,926	1,579,428	9,478,664
1H 2017	37,820	768,401	3,683,376	125,762	3,084,590	413,546	1,609,842	9,723,337
2H 2017	37,820	755,414	3,710,724	125,762	3,111,697	417,566	1,654,026	9,813,009

Warehouse

2H 2016	18,486	808,557	1,040,921	917,393	2,720,109	338,496	2,589,158	8,433,120
1H 2017	18,486	798,617	1,048,218	917,393	2,867,279	349,014	2,504,452	8,503,459
2H 2017	18,486	1,128,617	1,225,764	917,393	2,879,675	307,014	2,522,452	8,999,401



Commercial Market Trends



Net Twelve Month Absorption by Submarket 1H 2017 - 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