

THE SKYLINE REPORT

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Commercial Highlights Second Half 2020

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



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

Real Estate Summary For Benton and Washington Counties

This report is the forty-third 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 2020

In the second half of 2020, there were 444,103 square feet of positive absorption, while 495,676 new square feet were added, leading to net negative absorption of 51,573 square feet in the Northwest Arkansas market. The overall vacancy rate was 10.8 percent, the same as the first half of 2020.

325,188 new square feet were added in the office submarket, while 312,494 square feet were absorbed, leading to net negative absorption of 12,694 square feet in the second half of 2020. The office vacancy rate increased to 10.0 percent from 9.8 percent in the first half of 2020.

Within the retail submarket, there was overall positive absorption of 40,068 square feet, while 87,735 new square feet entered the market, leading to net negative absorption of 47,667 square feet. The retail vacancy rate increased to 11.4 percent in the second half of 2020 from 10.6 percent in the first half of 2020.

The warehouse submarket had overall negative absorption of 126,895 square feet, while no new square feet were added in the second half of 2020. The Northwest Arkansas warehouse vacancy rate increased from 8.3 percent in the first half of 2020 to 9.3 percent in the second half of 2020.

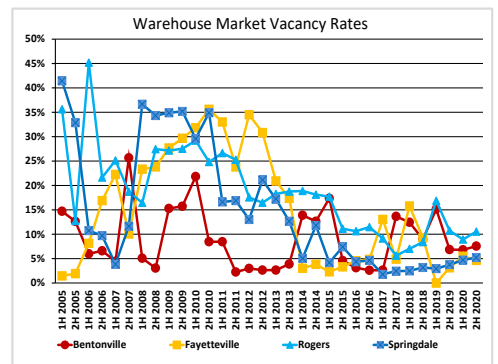
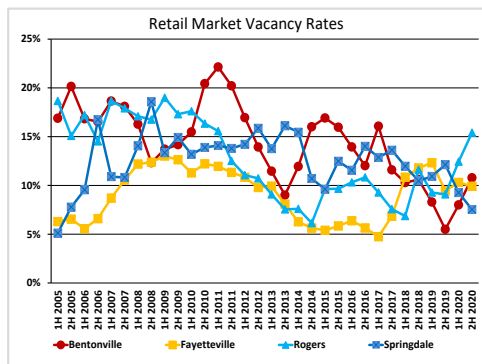
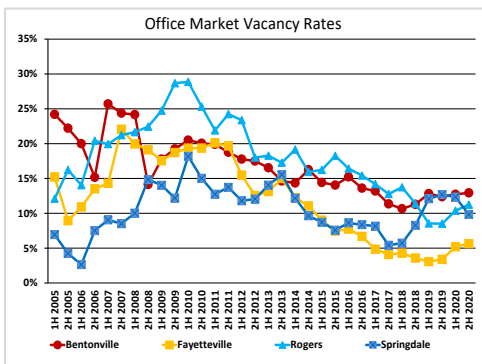
In the office/retail submarket, there was positive absorption of 24,760 square feet, while 24,288 new square feet of office/retail space entered the market in the second half of 2020, leading to net positive absorption of 472 square feet. The vacancy rate decreased from 11.6 percent in the first half of 2020 to 10.9 percent in the second half of 2020.

From July 1 to December 31, 2020, there were \$188,810,166 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$196,171,877 in permits issued in the first half of 2020.

Commercial Market Trends

Vacancy Rates by Submarket

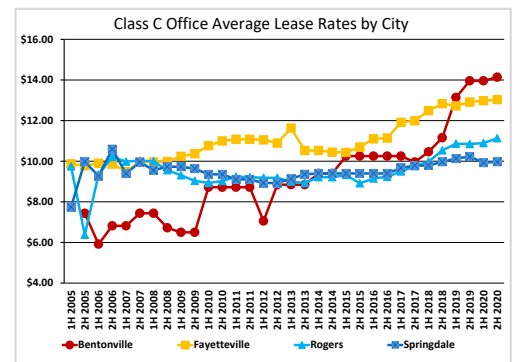
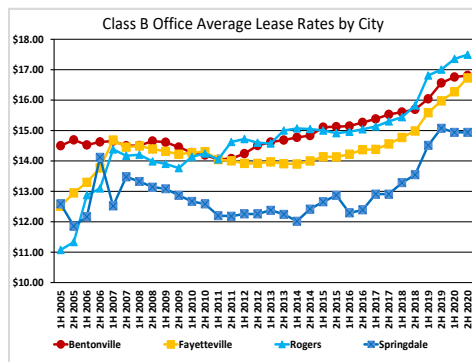
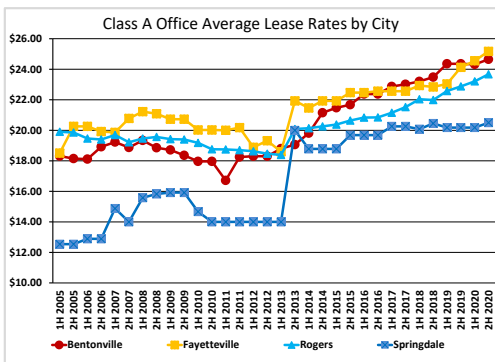
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	2H 2019	4.4%	12.4%	3.4%	5.9%	6.8%	8.5%	5.4%	12.7%	8.5%
	1H 2020	24.3%	12.7%	5.2%	5.3%	7.1%	10.4%	8.6%	12.3%	9.8%
	2H 2020	20.7%	12.9%	5.6%	6.8%	6.6%	11.2%	10.3%	9.8%	10.0%
Medical Office	2H 2019	0.0%	6.8%	2.5%	6.0%	0.0%	1.2%	5.3%	14.3%	4.3%
	1H 2020	13.0%	6.5%	2.4%	6.0%	0.0%	2.8%	3.3%	13.7%	4.5%
	2H 2020	13.0%	6.5%	2.3%	6.8%	0.0%	1.9%	6.1%	9.7%	4.4%
Office/Retail	2H 2019	11.0%	11.6%	12.0%	4.6%	3.0%	13.4%	11.5%	11.5%	11.7%
	1H 2020	13.0%	11.5%	11.2%	4.6%	4.0%	12.3%	2.8%	10.5%	10.9%
	2H 2020	13.5%	13.2%	11.3%	6.7%	2.2%	9.0%	13.2%	7.5%	10.9%
Office/Warehouse	2H 2019		13.2%	0.0%	0.0%	0.0%	11.0%	84.8%	5.5%	10.2%
	1H 2020		13.0%	1.6%	0.0%	16.2%	11.0%	52.2%	4.3%	9.0%
	2H 2020		9.3%	0.6%	0.0%	16.2%	9.7%	83.6%	4.1%	8.6%
Retail	2H 2019	0.0%	5.5%	9.5%	0.0%	4.9%	9.1%	9.8%	12.1%	9.4%
	1H 2020	7.0%	8.0%	10.3%	0.0%	23.9%	12.4%	6.9%	9.3%	10.6%
	2H 2020	7.0%	10.8%	9.9%	0.0%	18.3%	15.4%	8.2%	7.5%	11.4%
Retail/Warehouse	2H 2019		3.6%	21.5%	0.0%	0.0%	5.2%	1.1%	16.4%	11.1%
	1H 2020		1.8%	22.1%	0.0%	13.1%	14.9%	31.9%	15.4%	14.8%
	2H 2020		1.2%	6.1%	53.4%	13.1%	10.8%	7.4%	12.6%	9.9%
Warehouse	2H 2019	19.5%	6.9%	3.1%	0.0%	24.4%	10.7%	22.3%	3.8%	9.4%
	1H 2020	19.5%	6.8%	5.5%	0.0%	17.3%	8.9%	12.8%	4.7%	8.3%
	2H 2020	19.5%	7.6%	4.6%	0.0%	22.4%	10.5%	9.0%	5.2%	9.3%



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 2019	3,300	483,343	113,053	17,375	22,938	292,595	8,250	137,391	1,078,245
	1H 2020	22,000	488,005	176,057	15,555	23,608	371,008	13,261	134,746	1,244,240
	2H 2020	18,700	520,649	197,281	20,558	21,760	402,026	15,827	121,236	1,318,037
Medical Office	2H 2019	0	20,777	31,789	10,436	0	5,074	6,100	41,492	115,668
	1H 2020	3,000	20,777	30,832	10,436	0	13,188	3,761	41,492	123,486
	2H 2020	3,000	20,777	29,112	20,558	0	8,114	7,027	41,492	130,080
Office/Retail	2H 2019	32,651	107,882	199,260	3,000	2,880	78,181	22,610	63,158	509,622
	1H 2020	38,587	122,394	189,892	3,000	2,880	73,935	5,177	65,412	501,277
	2H 2020	36,337	142,481	194,463	5,000	1,600	55,535	24,212	44,402	504,030
Office/Warehouse	2H 2019		134,382	0	0	0	63,400	101,234	109,085	408,101
	1H 2020		135,660	3,100	0	25,000	64,400	57,667	86,325	372,152
	2H 2020		81,900	1,200	0	25,000	61,400	92,274	81,936	343,710
Retail	2H 2019	0	41,651	342,710	0	4,300	316,392	43,753	206,098	954,904
	1H 2020	3,400	61,238	375,729	0	26,910	436,739	31,493	159,566	1,095,075
	2H 2020	3,400	90,937	360,603	0	20,610	552,349	37,793	130,819	1,196,511
Retail/Warehouse	2H 2019		8,854	31,000	0	0	13,400	1,000	100,414	154,668
	1H 2020		4,248	30,000	0	4,900	41,022	34,970	102,124	217,264
	2H 2020		2,928	8,700	9,630	4,900	30,469	9,860	82,712	149,199
Warehouse	2H 2019	3,600	97,834	36,000	0	342,500	305,904	72,790	120,187	978,815
	1H 2020	3,600	94,000	64,745	0	245,900	256,018	72,790	149,674	886,727
	2H 2020	3,600	104,583	54,745	0	316,708	295,328	48,750	165,868	989,582



Commercial Market Trends

Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-15,400	-5,936	-3,400	0
Bentonville	22,572	-27,702	-32,366	-18,583
Fayetteville	-62,804	13,338	12,101	-18,745
Johnson	-1,411	-2,000	0	0
Lowell	1,178	1,280	9,300	25,792
Rogers	-108,835	26,612	-180,954	10,576
Siloam Springs	-7,577	-4,752	10,501	0
Springdale	20,155	25,718	81,966	-30,219
Northwest Arkansas	-152,122	26,558	-102,852	-31,179

