

# THE SKYLINE REPORT

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## Commercial Highlights Second Half 2022

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## Commercial Real Estate Summary For Benton, Madison and Washington Counties

*This report is the forty-seventh 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 2022

The overall vacancy rate for commercial property decreased to 5.6 percent in the second half of 2022, driven by strong leasing in the office and office/retail submarkets.

The office vacancy rate dropped to 8.4 percent in the second half of 2022 from 9.1 in the first half of 2022. There was strong leasing activity in both Class A and medical office submarkets. 274,414 square feet of new office space was added in the second half of 2022.

In the retail submarket, the vacancy rate remained 7.9 percent in the second half of 2022 as 47,845 square feet of new space, all Class A, entered the market.

The office/retail vacancy rate decreased from 7.3 percent in the first half of 2022 to 5.0 percent in the second half of 2022 with strong leasing in the Class B office/retail submarket. 11,198 square feet of new Class B office/retail space entered the market.

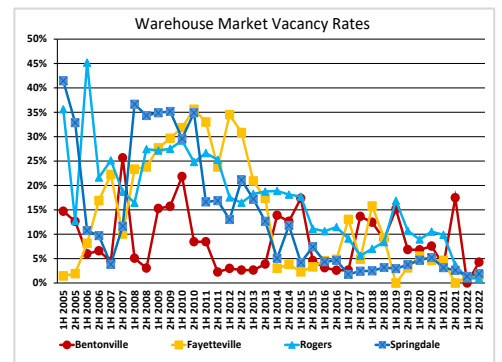
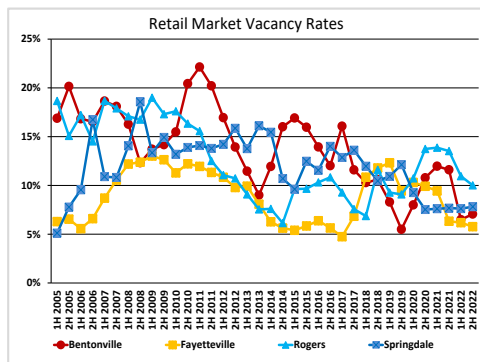
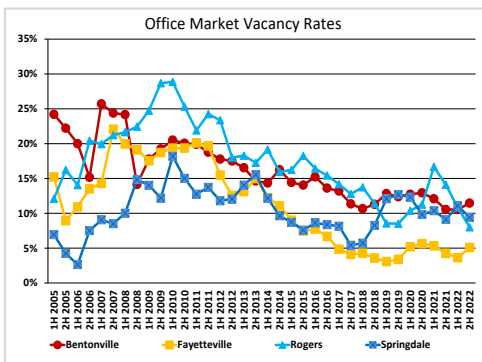
The warehouse vacancy rate increased from 0.8 percent in the first half of 2022 to 1.6 percent in the second half of 2022 due to one vacancy. 50,171 square feet of new office/warehouse space was added as respondents continued to report increasing demand for new warehouse and flex warehouse space.

\$240.9 million in commercial building permits were issued in the second half of 2022. The \$218.0 million without Walmart's permits is the highest non-Walmart total since the second half of 2005. In comparison there were \$293.7 million in commercial building permits issued in the first half of 2022.

# Commercial Market Trends

## Vacancy Rates by Submarket

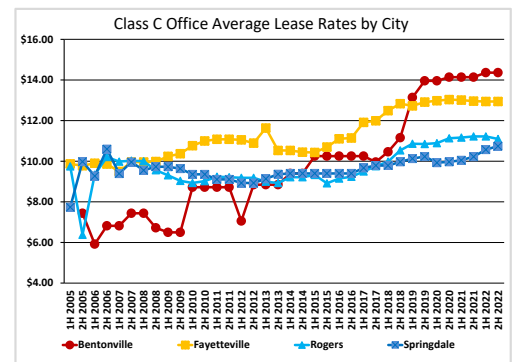
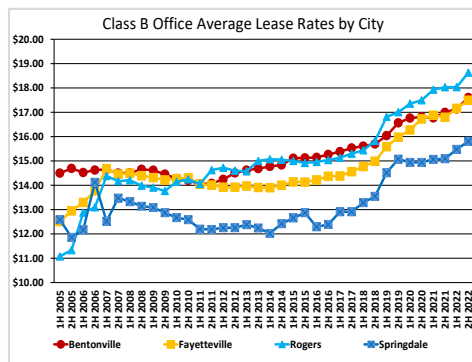
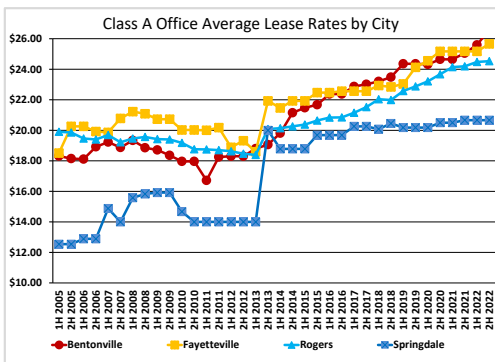
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
<b>Office</b>	2H 2021	16.1%	10.6%	4.3%	6.3%	21.2%	14.1%	13.3%	9.1%	10.0%
	1H 2022	18.1%	10.6%	3.6%	8.4%	18.5%	10.9%	8.3%	11.1%	9.1%
	2H 2022	18.1%	11.5%	5.1%	8.3%	1.2%	8.0%	6.2%	9.4%	8.4%
<b>Medical Office</b>	2H 2021	0.0%	5.5%	3.1%	5.3%	48.4%	1.8%	13.3%	11.2%	6.4%
	1H 2022	5.1%	5.5%	2.3%	9.7%	45.3%	4.2%	10.8%	11.8%	6.6%
	2H 2022	5.1%	3.2%	2.3%	9.4%	2.0%	5.9%	8.0%	11.0%	5.1%
<b>Office/Retail</b>	2H 2021	8.5%	11.3%	9.9%	2.7%	0.0%	8.5%	5.2%	4.3%	8.7%
	1H 2022	8.8%	9.7%	8.9%	0.0%	9.4%	7.1%	1.5%	1.1%	7.3%
	2H 2022	2.2%	6.2%	4.8%	0.0%	7.4%	10.1%	1.5%	1.6%	5.0%
<b>Office/Warehouse</b>	2H 2021		7.1%	0.0%	0.0%	6.4%	0.9%	83.6%	3.7%	6.0%
	1H 2022		6.9%	0.0%	0.0%	0.0%	0.9%	52.2%	3.7%	4.8%
	2H 2022		4.2%	0.0%	0.0%	0.0%	9.5%	52.2%	5.2%	6.3%
<b>Retail</b>	2H 2021	6.8%	11.6%	6.3%	0.0%	1.7%	13.5%	7.5%	7.7%	9.5%
	1H 2022	8.3%	6.5%	6.2%	0.0%	1.7%	10.9%	4.1%	7.6%	7.9%
	2H 2022	1.6%	7.1%	5.8%	0.0%	0.0%	10.0%	13.7%	7.8%	7.9%
<b>Retail/Warehouse</b>	2H 2021		1.2%	13.3%	53.4%	31.6%	4.1%	0.0%	0.7%	3.5%
	1H 2022		1.2%	16.8%	53.4%	31.6%	3.3%	0.0%	1.4%	4.0%
	2H 2022		1.2%	13.7%	0.0%	31.6%	3.2%	0.0%	3.3%	3.9%
<b>Warehouse</b>	2H 2021	0.0%	17.5%	0.0%	0.0%	6.7%	3.7%	0.0%	2.6%	5.3%
	1H 2022	0.0%	0.0%	1.2%	0.0%	0.0%	1.0%	0.0%	1.4%	0.8%
	2H 2022	0.0%	4.3%	1.6%	0.0%	0.0%	1.0%	0.0%	1.9%	1.6%



# Commercial Market Trends

## Available Space and Lease Rates by Submarket

Available Space by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
<b>Office</b>	2H 2021	19,296	430,058	148,243	19,124	69,397	538,863	22,841	114,694	1,362,516
	1H 2022	22,296	431,984	127,720	25,734	62,267	433,610	14,351	132,022	1,249,984
	2H 2022	22,296	493,314	181,019	25,269	4,120	322,108	10,590	114,387	1,173,103
<b>Medical Office</b>	2H 2021	0	19,577	39,814	9,524	40,000	8,510	22,841	59,078	199,344
	1H 2022	3,000	19,577	29,883	17,399	41,870	20,614	14,351	60,927	207,621
	2H 2022	3,000	11,552	30,361	16,934	1,870	31,600	10,590	56,866	162,773
<b>Office/Retail</b>	2H 2021	22,910	119,971	173,392	2,000	0	51,698	9,586	30,142	409,699
	1H 2022	20,846	103,199	157,669	0	8,209	41,040	2,781	7,490	341,234
	2H 2022	5,336	66,546	85,367	0	6,487	58,331	2,781	11,607	236,455
<b>Office/Warehouse</b>	2H 2021		64,900	0	0	10,400	5,900	92,274	75,534	249,008
	1H 2022		65,200	0	0	0	5,900	57,667	75,534	204,301
	2H 2022		40,200	0	0	0	67,867	57,667	111,738	277,472
<b>Retail</b>	2H 2021	3,299	104,393	229,364	0	1,875	501,612	35,173	133,315	1,009,031
	1H 2022	7,455	56,412	228,219	0	1,875	405,409	19,477	133,968	852,815
	2H 2022	1,440	65,391	215,314	0	0	372,992	64,232	137,520	856,889
<b>Retail/Warehouse</b>	2H 2021		2,928	14,974	9,630	9,800	11,333	0	5,200	53,865
	1H 2022		2,928	19,774	9,630	9,800	8,933	0	9,956	61,021
	2H 2022		2,928	16,104	0	9,800	8,933	0	24,956	62,721
<b>Warehouse</b>	2H 2021	0	325,000	0	0	92,000	114,750	0	84,454	616,204
	1H 2022	0	0	15,600	0	0	29,750	0	44,454	89,804
	2H 2022	0	79,500	21,000	0	0	29,750	0	61,329	191,579



# Commercial Market Trends

## Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-3,000	14,310	1,859	0
Bentonville	-69,383	53,425	23,628	245,500
Fayetteville	-18,436	89,115	21,279	-5,400
Johnson	-6,145	2,000	0	0
Lowell	65,277	-6,487	1,875	92,000
Rogers	201,439	-6,633	128,620	85,000
Siloam Springs	12,251	6,805	-29,059	0
Springdale	25,827	21,152	-4,205	23,125
<b>Northwest Arkansas</b>	<b>207,831</b>	<b>173,687</b>	<b>143,997</b>	<b>440,225</b>

