



THE SKYLINE REPORT

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Center for Business
and Economic Research

Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirty-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.

First Half of 2014

July 2014 Highlights

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Commercial Real Estate Market Summary
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Highlights from the First Half of 2014

- In the first half of 2014, 713,186 total square feet of commercial space were absorbed, while 56,663 new square feet were added, netting positive absorption of 656,523 square feet in the Northwest Arkansas market and an overall vacancy rate of 11.7 percent, down from 13.6 in the second half of 2013.
- In the office submarket there was net positive absorption of 125,675 square feet, while 14,294 new square feet were added in the first half of 2014. The office vacancy rate declined to 14.5 percent from 15.2 percent in the second half of 2013.
- In the office/retail submarket, there was positive net absorption of 40,763 square feet in the first half of 2014. The vacancy rate declined to 12.8 percent from 14.2 percent in the second half of 2013.
- Within the retail submarket, there was net positive absorption of 50,256 square feet, while 36,369 new square feet square feet entered the market in the first half of 2014. Consequently the Northwest Arkansas vacancy rate decreased to 8.5 percent from 9.0 percent in the second half of 2013.
- The warehouse submarket had net positive absorption of 351,011 square feet in the first half of 2014. The Northwest Arkansas warehouse vacancy rate decreased to 13.8 percent from 17.3 percent in the second half of 2013.
- The industrial, office/warehouse and retail/warehouse submarkets had 38,422, 35,755, and 19,865 square feet of net positive absorption, respectively, in the first half of 2014.
- From January 1 to June 30, 2014, \$78.2 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$35.3 million in permits issued in the first half of 2013.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2013	16.0%	16.5%	13.1%	11.0%	17.7%	2.9%	14.1%	15.3%
2H 2013	32.7%	14.6%	15.0%	14.3%	16.7%	3.0%	15.5%	15.2%
1H 2014	12.2%	14.4%	12.2%	12.0%	18.6%	3.0%	12.2%	14.5%

Medical Office

1H 2013	0.0%	4.4%	12.0%	7.4%	21.3%	2.3%	16.7%	12.3%
2H 2013	0.0%	6.4%	14.1%	7.4%	21.3%	2.3%	16.7%	12.8%
1H 2014	0.0%	7.5%	14.1%	7.4%	21.3%	2.3%	16.7%	13.5%

Office/Retail

1H 2013	7.4%	14.8%	11.0%	3.7%	24.2%	6.2%	14.9%	14.3%
2H 2013	8.0%	14.0%	10.4%	3.7%	23.2%	6.2%	18.3%	14.2%
1H 2014	6.5%	13.1%	10.6%	2.9%	19.1%	8.8%	14.3%	12.8%

Office/Warehouse

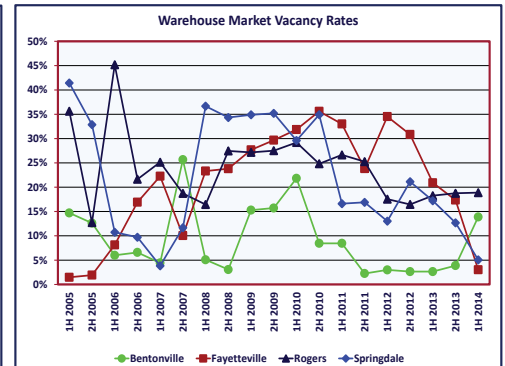
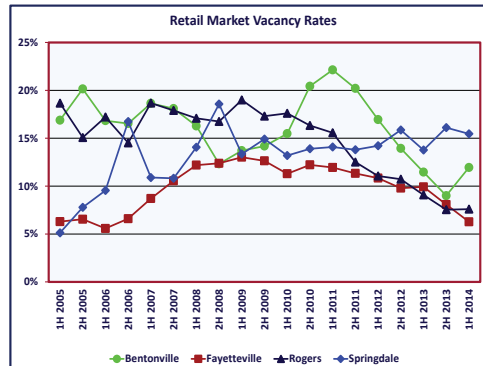
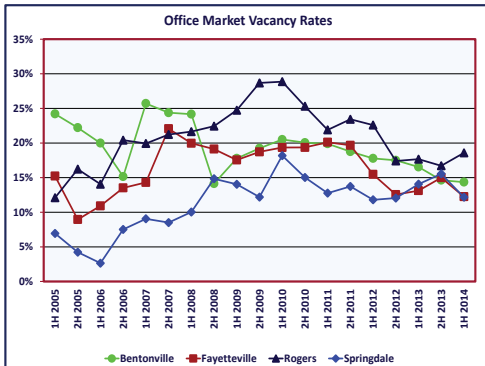
1H 2013	--	8.2%	3.4%	8.1%	27.6%	19.7%	8.9%	11.6%
2H 2013	--	6.4%	3.9%	32.4%	26.7%	8.7%	7.7%	10.6%
1H 2014	--	9.9%	3.9%	32.4%	13.4%	0.0%	3.4%	7.5%

Retail

1H 2013	0.0%	11.5%	9.9%	14.8%	9.1%	16.7%	13.8%	10.6%
2H 2013	0.0%	9.0%	8.1%	11.2%	7.5%	5.1%	16.1%	9.0%
1H 2014	0.0%	11.9%	6.3%	16.1%	7.6%	5.5%	15.5%	8.5%

Warehouse

1H 2013	0.0%	2.6%	20.9%	27.6%	18.3%	3.0%	17.2%	17.8%
2H 2013	0.0%	3.9%	17.4%	21.4%	18.8%	42.3%	12.7%	17.3%
1H 2014	0.0%	13.9%	3.0%	21.4%	18.9%	43.3%	5.1%	13.8%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2013	3,300	550,711	368,832	33,638	428,137	3,000	116,210	1,503,828
2H 2013	6,750	496,209	433,287	43,711	418,303	3,300	134,015	1,535,575
1H 2014	9,514	478,966	353,668	36,709	496,116	3,300	105,752	1,484,025

Medical Office

1H 2013	0	11,923	109,522	5,407	63,295	2,000	43,655	235,802
2H 2013	0	17,623	131,381	5,407	57,493	3,300	37,306	252,510
1H 2014	0	20,552	133,087	3,700	59,496	3,300	49,207	269,342

Office/Retail

1H 2013	20,405	130,699	173,765	2,440	196,578	9,200	75,173	608,260
2H 2013	22,005	116,913	159,288	2,440	195,680	9,200	92,645	598,171
1H 2014	18,736	115,102	163,040	1,900	158,682	13,200	74,820	545,480

Office/Warehouse

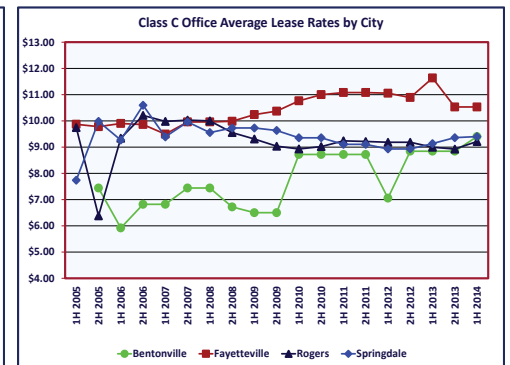
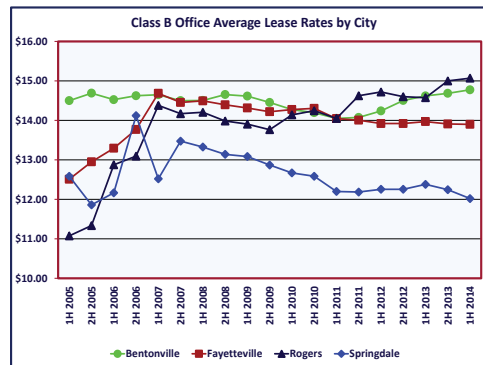
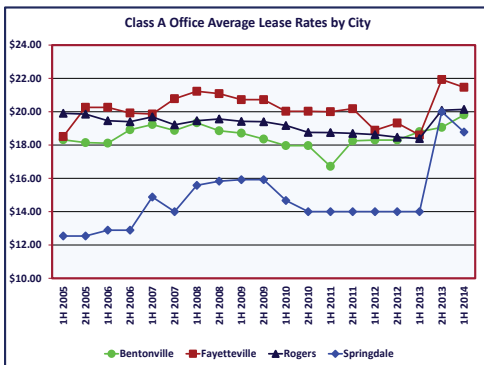
1H 2013	--	104,760	5,000	5,475	155,879	22,500	130,850	424,464
2H 2013	--	82,845	6,000	29,875	150,879	10,000	115,110	394,709
1H 2014	--	100,950	6,000	29,875	63,029	0	50,800	250,654

Retail

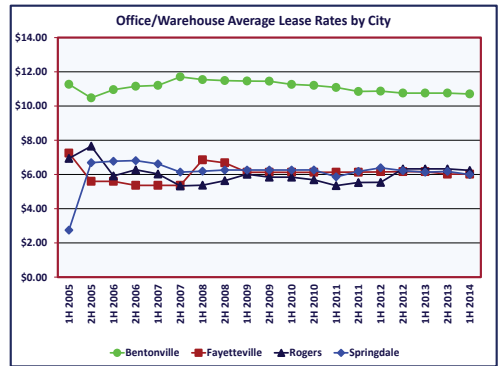
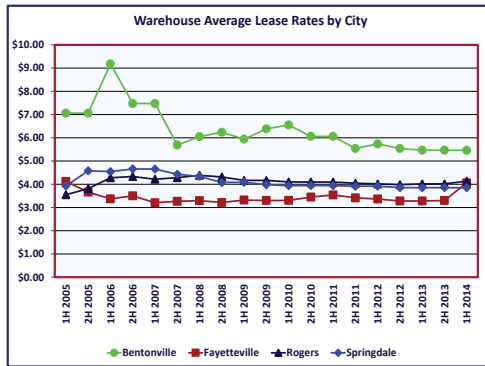
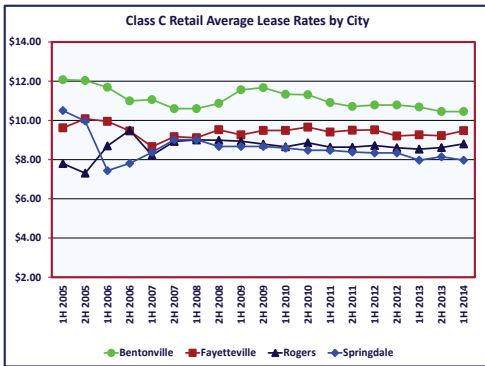
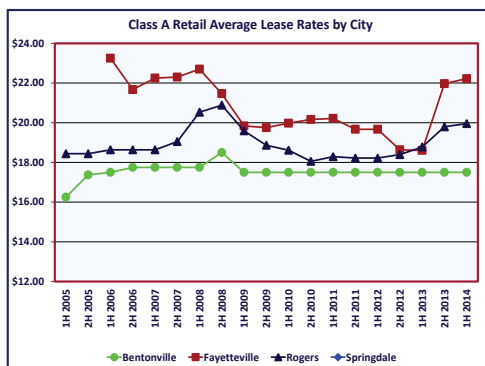
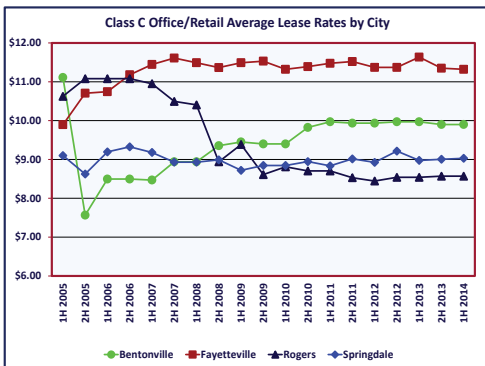
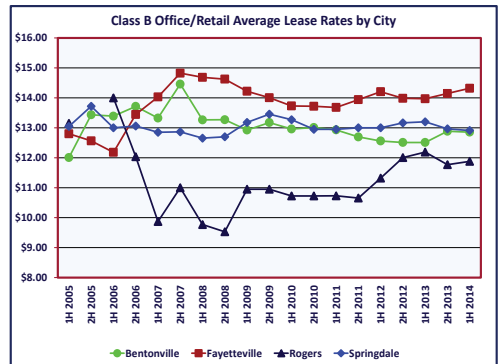
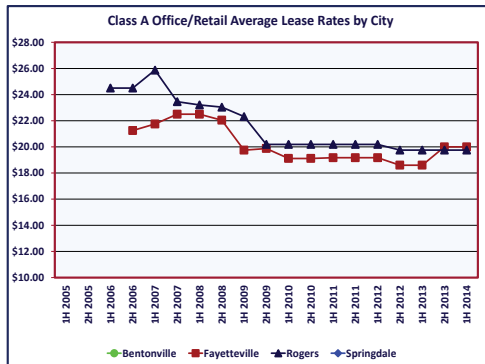
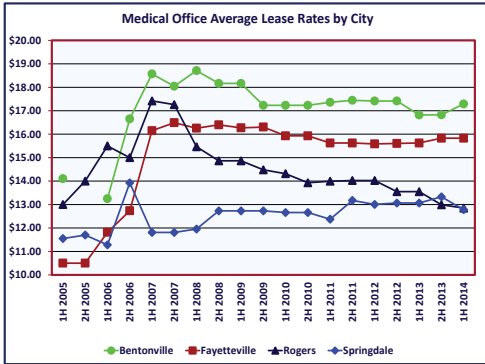
1H 2013	0	55,088	326,287	18,554	237,679	59,564	141,369	838,541
2H 2013	0	46,545	264,426	14,104	198,425	16,284	184,577	724,361
1H 2014	0	63,782	205,500	20,251	201,653	17,124	177,640	685,950

Warehouse

1H 2013	0	11,834	229,948	230,604	422,241	9,375	324,923	1,228,925
2H 2013	0	17,334	194,573	179,000	436,241	138,008	241,127	1,206,283
1H 2014	0	56,834	30,625	179,000	457,312	143,768	99,304	966,843



Commercial Market Trends



Net Twelve Month Absorption by Submarket 1H 2013 - 1H 2014

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	2,890	3,369	0	0
Bentonville	132,842	20,762	14,239	-45,000
Fayetteville	64,386	48,769	97,166	325,138
Lowell	-3,903	440	-4,417	54,104
Rogers	-13,441	4,382	81,430	32,604
Siloam Springs	-300	-1,574	-9,440	-121,893
Springdale	-712	15,473	69,315	334,594
Northwest Arkansas	181,762	91,621	248,293	579,547