



THE SKYLINE REPORT

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Center for Business
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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirty-second 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.

Second Half of 2014

February 2015 Highlights

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

- In the second half of 2014, 691,946 total square feet of commercial space were absorbed, while 452,042 new square feet were added, netting positive absorption of 239,904 square feet in the Northwest Arkansas market and an overall vacancy rate of 11.8 percent, up from 11.7 in the first half of 2014.
- In the office submarket there was overall absorption of 172,300 square feet, while 85,772 new square feet were added, leading to net positive absorption of 86,528 square feet in the second half of 2014. The office vacancy rate declined to 13.8 percent from 14.5 percent in the first half of 2014.
- Within the retail submarket, there was overall absorption of 192,351 square feet, while 93,570 new square feet entered the market, leading to net positive absorption of 98,781 square feet in the second half of 2014. Consequently the Northwest Arkansas vacancy rate decreased to 7.3 percent from 8.5 percent in the first half of 2014.
- The warehouse submarket had overall absorption of 233,713 square feet, while 243,050 new square feet were added, leading to net negative absorption of 9,337 square feet in the second half of 2014. This led the Northwest Arkansas warehouse vacancy rate to increase to 16.4 percent from 13.8 percent in the first half of 2014.
- In the office/retail submarket, there was positive net absorption of 40,960 square feet in the second half of 2014. The vacancy rate declined to 11.5 percent from 12.8 percent in the first half of 2014.
- The office/warehouse and retail/warehouse submarkets had 20,384, and 19,388 square feet of net positive absorption, respectively, in the second half of 2014.
- From July 1 to December 31, 2014, \$153.5 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$70.0 million in permits issued in the second half of 2013.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
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%
2H 2014	11.6%	16.3%	11.1%	11.8%	15.5%	14.3%	9.6%	13.8%

Medical Office

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%
2H 2014	0.0%	6.5%	12.9%	7.4%	21.3%	2.3%	16.7%	12.5%

Office/Retail

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%
2H 2014	9.5%	12.5%	8.5%	1.5%	16.0%	3.0%	16.1%	11.5%

Office/Warehouse

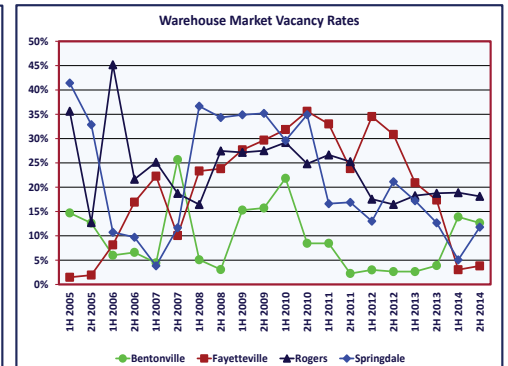
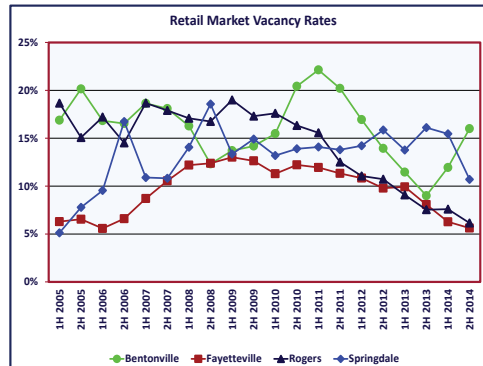
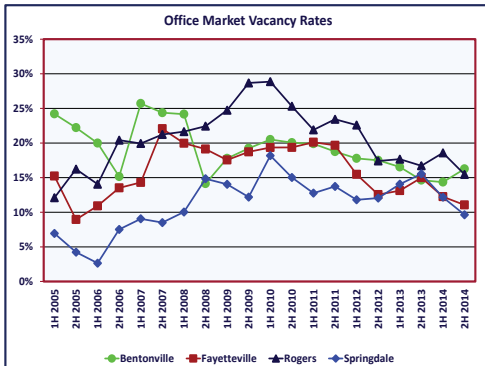
2H 2013	--	6.4%	3.9%	32.4%	26.7%	8.7%	7.7%	10.6%
1H 2014	--	9.9%	3.9%	32.4%	13.4%	0.0%	3.4%	7.5%
2H 2014	--	11.4%	3.9%	26.4%	11.5%	0.0%	4.8%	8.1%

Retail

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%
2H 2014	0.0%	16.0%	5.6%	15.4%	6.1%	4.5%	10.7%	7.3%

Warehouse

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%
2H 2014	0.0%	12.6%	3.8%	43.7%	18.1%	8.3%	11.8%	16.4%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
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
2H 2014	9,442	550,750	320,976	37,849	416,437	17,634	86,172	1,439,260

Medical Office

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
2H 2014	0	17,702	123,519	3,700	58,690	3,300	49,880	256,791

Office/Retail

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
2H 2014	27,164	113,327	128,903	1,000	134,256	4,500	81,997	491,147

Office/Warehouse

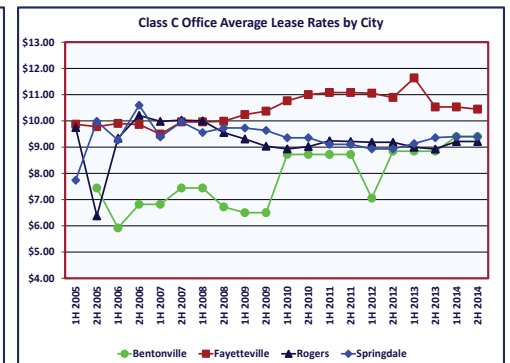
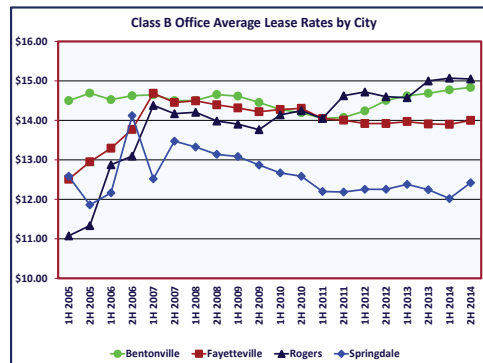
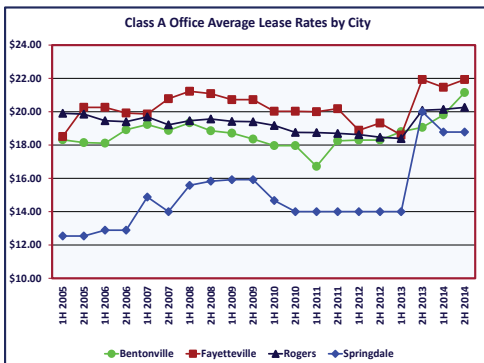
2H 2013	--	82,845	6,000	29,875	150,879	10,000	115,110	394,709
1H 2014	--	100,950	6,000	29,875	63,029	0	50,800	250,654
2H 2014	--	115,781	6,000	24,400	54,189	0	73,435	273,805

Retail

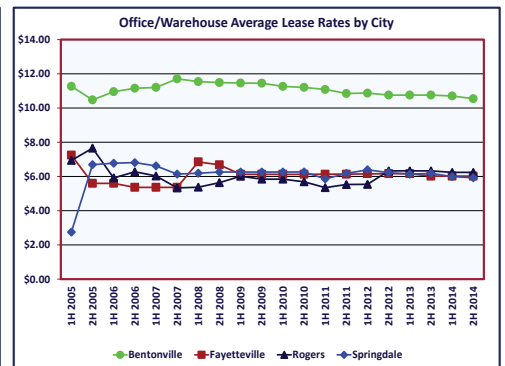
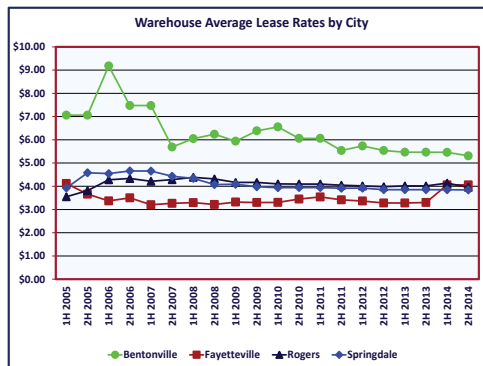
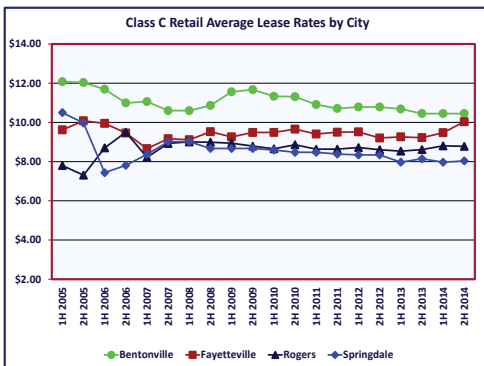
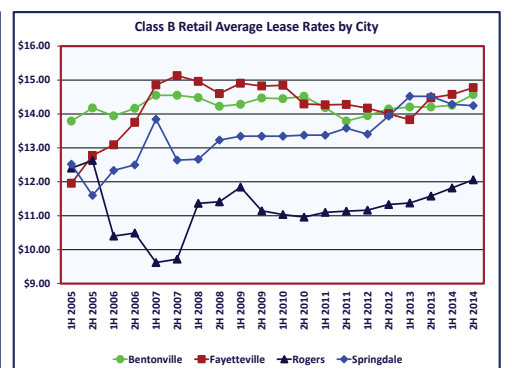
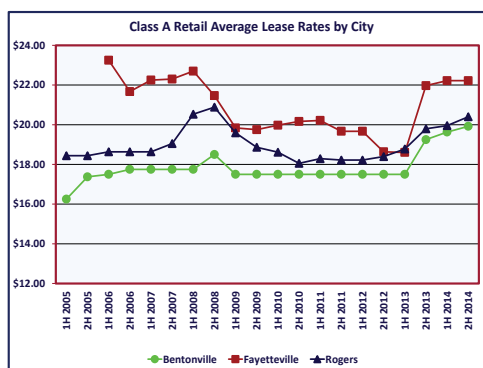
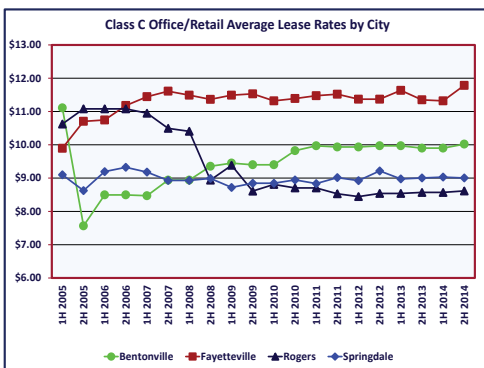
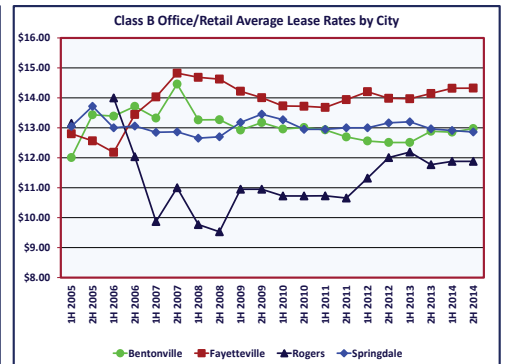
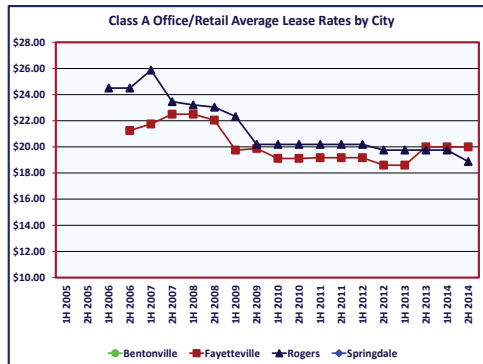
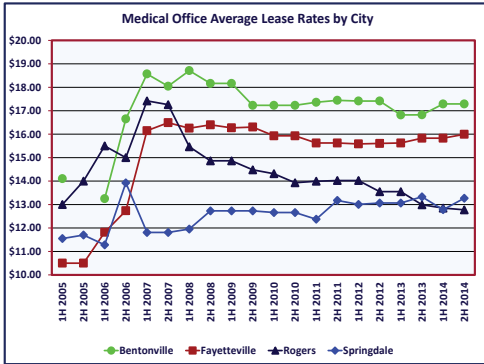
2H 2013	0	46,545	264,426	14,104	198,425	16,284	184,577	724,361
1H 2014	0	63,782	205,500	20,251	201,653	17,124	177,640	685,950
2H 2014	0	93,377	185,936	19,401	165,777	13,924	120,308	598,723

Warehouse

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
2H 2014	0	69,834	38,625	374,355	456,058	27,635	254,404	1,220,911



Commercial Market Trends



Net Twelve Month Absorption by Submarket 2H 2013 - 2H 2014

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	6,750	-2,259	0	0
Bentonville	-35,714	3,586	-42,226	-8,769
Fayetteville	116,606	23,631	95,922	155,948
Lowell	5,862	1,440	-5,297	-195,355
Rogers	63,101	42,834	35,129	75,654
Siloam Springs	0	4,700	-3,400	110,373
Springdale	55,598	7,791	68,909	203,823
Northwest Arkansas	212,203	81,723	149,037	341,674