



# 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

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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 slightly 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.

# Report Structure

The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive leasing market. These excluded properties include owner-occupied buildings and other dedicated spaces. Additionally, commercial properties that do not meet certain minimum size criteria (detailed on page 49) are also filtered from the base of commercial properties considered. As a second source of data, building permit information is collected from the relevant divisions in Northwest Arkansas city governments. Finally, availability, lease rates, and other characteristics of competitive commercial properties are obtained from a panel of the largest commercial property owners and managers in Northwest Arkansas. Each of the three types of information that is collected gives a unique but critical perspective of the local commercial property market. Without understanding what the universe of commercial properties looks like at the beginning of a period, the scale of available space for lease is meaningless. Likewise, the data that come from building permits paint a picture of what market additions are imminent. Only after setting the stage with these two perspectives do vacancy rates and market absorption numbers have real value.

In order to provide yet another level of perspective on the Northwest Arkansas commercial property market, the Skyline Report contains an overview of national and regional macroeconomic conditions. Ultimately, the real estate market is subject to the same fundamental forces that shape the rest of the economy, so having a broader view of current issues provides insights into potential challenges and opportunities for commercial property development.

To this end, the Skyline Report begins with an economic overview. First, national output and employment issues are discussed,

followed by the discussion of short-term and long-term interest rate prospects. Then, recent regional economic statistics, focusing on regional employment trends, are presented. After the economic overview, the results of some focus group discussions with commercial property developers and managers are summarized in order to supplement the hard data with anecdotal evidence from market participants about regional trends.

After the summary of local perceptions, the first half of 2014 numbers for total commercial property square feet and building permit data are presented. Within the total square feet table, a breakdown of property type by city is provided. Also, the square footage of competitive commercial property for which the 236 panelists provide information is broken down by city and the percentage of coverage of the competitive market is calculated. A table containing publicly announced new commercial real estate projects is presented after the summary of building permit data. This table is meant to provide an indication of the future direction of the Northwest Arkansas commercial property market. As many of these projects are still in the conceptual phase, hard data are incomplete and subject to change. This period, the announced data was examined particularly closely. Project locations were checked and developers were contacted regarding the projects from the previous Skyline report.

Following the tables of announced commercial projects, hotels, and restaurants is a trend summary that includes information about vacancy rate and available space trends. There are also three tables summarizing the results from the most recent time periods. The first table presents vacancy rates by submarket for the first half of 2013, the second half of 2013, and the first half of 2014. The second



table presents net absorption by submarket and the third table presents available square footage by submarket for the same time periods. These tables are the foundation for the performing trend analysis and for separating the seasonal effects from real effects. The results in the tables are referred to throughout the remainder of the Skyline Report.

The next four sections present analyses of Northwest Arkansas submarkets by type of space. The office submarket is examined first, followed by the office/retail, retail, warehouse, office/warehouse, and retail/warehouse submarkets. Following these sections are commercial property summary statistics by city. There are sections for Bella Vista, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale.

Finally, a section on how to interpret the numbers contained in the report and a description of the commercial property classification system are offered.

By aggregating and analyzing data from a variety of sources, the Skyline Report is unique in its perspective on the Northwest Arkansas commercial property market. The information should be useful to anyone with an interest in the current workings and projected course of commercial real estate in Benton and Washington Counties.

# Economic Overview

It is helpful to look at some key macroeconomic statistics in order to get a sense of the Northwest Arkansas commercial real estate market. The rate of activity in the Northwest Arkansas commercial real estate market is dependent upon two general factors: those that are specific to the region and those that are national in nature. The following discussion highlights some of the statistics that indicate the direction of the macro economy.

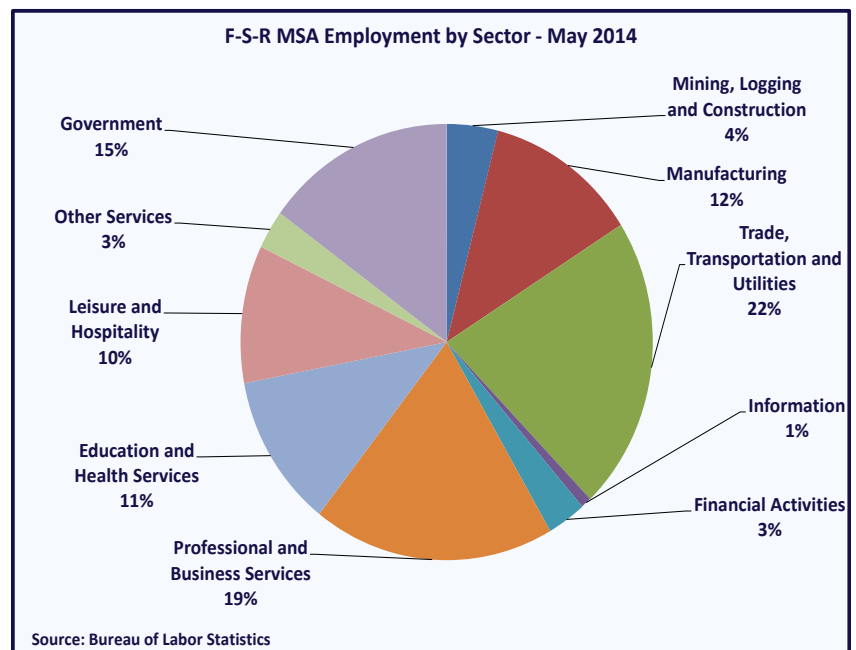
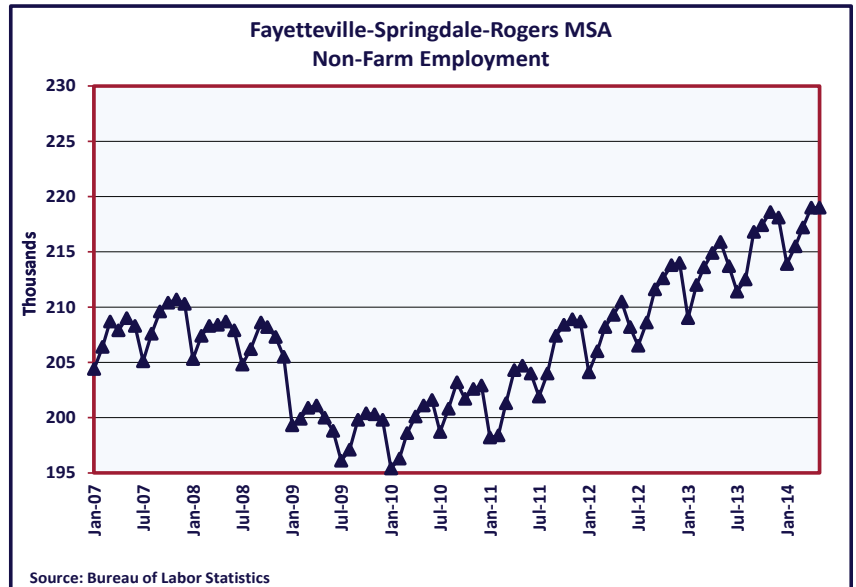
## Gross Domestic Product

In the first quarter of 2014, real GDP fell by 2.9 percent according to estimates released by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). In the fourth quarter of 2013, real GDP increased by 2.6 percent. The decline in economic activity was unexpectedly large, and reflected a downturn in exports, a decrease in inventory investment, and a decline in consumer spending, perhaps due to particularly cold weather. In the remainder of 2014, GDP is expected to rise at a modest pace.

## Employment

The Northwest Arkansas employment situation is extremely important to the health of the real estate market. The most recent data show that employment in the Northwest Arkansas region was at a seasonal low of 213,900 in January of 2014 before climbing in May 2014 to 219,000. According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate in Northwest Arkansas was at a preliminary unadjusted level of 4.9 percent in May 2014. This is down from the May 2013 rate of 5.8 percent and was the second month in a row that the unemployment rate was under 5 percent. The unemployment rate in Northwest Arkansas continues to be lower than both the state (6.3 percent) and nation (6.1) unadjusted rates.

With the purpose of exploring more closely the composition of job growth in



Northwest Arkansas, two additional figures are provided. The first shows the May 2014 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, trade, transportation, and utilities had the largest share of employment (22 percent) in Northwest Arkansas followed by professional and business services (19 percent), government (15 percent), manufacturing (12 percent), education and health

services (11 percent), and leisure and hospitality (10 percent). The other figure (on the previous page) shows the annual percentage change in the metro area's employment by sector from May 2013 to May 2014. Total nonfarm employment increased by 1.7 percent during that time. Employment in mining, logging and construction, leisure and hospitality, financial activities, education and health services, and government sectors grew

# Economic Overview

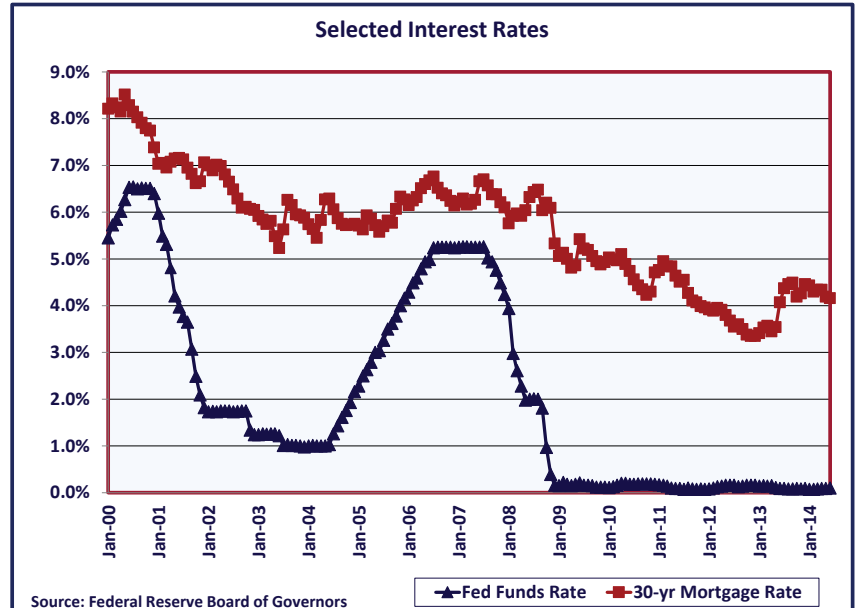
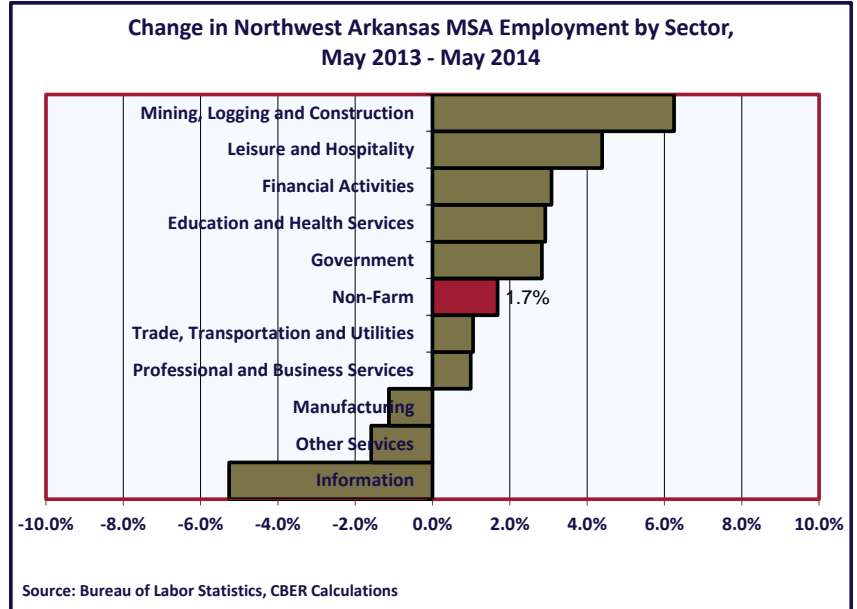
more quickly than 1.7 percent, while trade, transportation, and utilities and professional and business services grew more slowly. Employment in the manufacturing, other services, and information sectors declined year-over-year.

## Interest Rates

The Federal Funds rate averaged 0.1 percent in June 2014. This was the highest rate since May 2013, but still well below a neutral rate. The ten year constant maturity Treasury bill had an interest rate of 2.6 percent in June 2014, down from its most recent high of 2.9 percent in December 2013. Near zero short-term rates continue to cause the positive spread between the ten year rate and the fed rate. The Federal Reserve Open Market Committee has not indicated any changes in the current easy money policy of keeping interest rates low, but it has announced the end date for the quantitative easing program and has been engaging in a gradual taper of that policy. The accompanying figure shows the Federal funds rate and the ten year Treasury bill rate since January 2000.

## Consumer Sentiment

The University of Michigan produces the Consumer Sentiment Index. The Index of Consumer Sentiment increased to 82.5 in June of 2014, up from 81.9 in May 2014, but down from its most recent high of 84.1 in April.





# Local Perceptions

## **Local Perceptions of the Northwest Arkansas Commercial Property Market**

For each reporting period, Center for Business and Economic Research staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. Respondents have moved from a sense of cautious optimism to a more controlled optimism, but were not exuberantly optimistic in their outlooks. The developers look forward to further improvement in the Northwest Arkansas commercial real estate market in the second half of 2014 and beyond. This sense of optimism is being fueled by several factors: strong demand for new commercial space in specific sectors and locations; the onset of substantial amounts of new construction with the hope that this will lead to even more new construction; a strong local job market; the rapid expansion of various models of Walmart stores in Northwest Arkansas (one respondent mentioned 28 additional stores in the next couple of years); Walmart's push for domestic manufacturing; and anticipation of additional growth at the University of Arkansas.

To gauge respondents' assessment of the strength of demand for commercial space, they were asked to consider the issue of pricing power between tenants and landlords. The consensus is that there is a clear rebalancing toward landlords having the upperhand with respect to Class A and Class B office, office/retail, and retail space in Bentonville and Rogers. With respect to other cities including Fayetteville and Springdale, respondents felt that while the situation had stabilized, with both less free rent and less TI, there was also less ability to raise prices like in Rogers and Bentonville. Additionally, as the warehouse market has tightened up (strong demand coupled with demolition of substantial warehouse

space in Fayetteville) and new warehouses are under construction, respondents anticipate higher lease rates in this submarket as well.

Continued net positive absorption has been an important story for respondents. This clear sign of demand for commercial space has many anticipating even more new projects being announced and then constructed. The demand is coming from multiple sources: movement from Class B to expanded Class A office space by tenants currently in the market, new tenants coming into the market, and a potential new trend of tenants constructing and owning their own space due to accounting provisions regarding how leases and mortgages are dealt with on balance sheets and for tax purposes. Also, respondents have reported an increase in the sale of existing commercial space, often to end users. However, several respondents cautioned that the trend must be examined submarket by submarket and location by location. It is not accurate to lump the entire Northwest Arkansas market together.

The office market has garnered a lot media attention lately, but respondents said that demand for large office space (over 50,000 square feet) is not as strong as media have made it out to be. There is demand, some churning, some expansion, some due to new firms entering the market, but with the 220,000 square foot tower under construction in Pinnacle, it is not clear that there are enough potential tenants for all the possible office buildings being discussed. Respondents do feel that another two or three large scale office buildings might be announced in the next year, but not all the potential projects that have been discussed. Also, there is a very strong consensus among respondents that no large scale office building will break ground without a significant prelease signed. However, respondents do feel that there is strong demand for small (under 10,000 square feet) office spaces, and there might be some successful speculating in that submarket.

The retail market is seeing significant new construction, mostly in very desirable locations: Downtown Bentonville, Pinnacle Promenade, and Pleasant Crossing. Panelists report continued interest from new businesses, as well as expansion to new locations for existing businesses. In these locations, retail lease rates are improving and tenant demands are weakening. Respondents believe there will continue to be opportunities in these areas for more development as population continues to increase and there are further synergies between entertainment, retail, and office space. Panelists feel that there are other potential areas for new retail growth including: downtown Rogers as the master plan is pushed; downtown Springdale with the investments being made by Tyson and the Walton family; West Springdale with the completion of the Don Tyson parkway and exchange; and the Uptown area in Fayetteville with the completion of the flyover, which some respondents said directly influenced Whole Foods. Additionally, the rapid expansion of Walmart stores across Northwest Arkansas has respondents very optimistic, as they feel a new Walmart of any model, will lead to further opportunities adjacent to it, and an expanded job force that will stimulate demand even further.

The warehouse submarket is showing strong demand translated into new construction that is purely or partially speculative buildings. The Walmart domestic manufacturing initiative and strong local job growth are credited with this development. Also, respondents have pointed out that much of the vacant warehouse space is not up to current standards and is much less competitive than in the past. Several respondents feel there will continue to be strong warehouse demand as tenants upgrade out of older buildings as they expand and try to obtain more efficiencies in production. This also was mentioned as having positive effects on the job market and the added demand that will come as a result of additional job growth.

# Local Perceptions

The year over year growth of the University of Arkansas remains a strong positive for respondents, even if they are not directly involved in the multifamily housing market. Panelists see additional students supporting Fayetteville retail, and growth in faculty and staff supporting small services as well, which respondents are hopeful will translate in commercial building opportunities.

The major negative factor discussed by respondents was working with local governments, particularly Fayetteville, but Rogers was also mentioned during this report period. The issue with Fayetteville according to respondents is inconsistency in implementing building standards, and lack of helpfulness towards developers trying to understand the standards. With respect to Rogers some panelists asserted an issue with how connected to the political structure the developers are.

Nonetheless, the overwhelming feeling among respondents is that the second half of 2014 will be even better than the first half and 2015 will be even better than 2014, as long as there is no global or national crisis to negatively shock the economy. The growth of jobs due to increased local manufacturing, increased presence of Walmart, increased expansion by vendor firms are all important according to the panelists. Additionally, respon-

dents mentioned the fundamental drivers of Northwest Arkansas: Walmart and the Walton Family, the University of Arkansas and the education sector, J.B. Hunt, Hunt Ventures, and the transportation sector, and Tyson Foods and the food industry sector provide respondents a strong sense of stability for the region. Looking into the future respondents were very excited about continued growth of Crystal Bridges and the coming Amazeum leading to even more tourism, the growth of the trail system connecting Northwest Arkansas, and stimulating tourism as well; and the continued growth of the medical sector.

## Positive Factors:

1. Strong demand for Class A office space, and multiple developers willing to build.
2. Strong demand for retail space in several 'hot' locations.
3. Potential opportunity for speculative warehouse space.
4. Continuing creation of amenities in Northwest Arkansas.
5. Continued attention to the MSA by national retailers and investors.
6. Further media coverage of Northwest Arkansas as a good place to work and live.

7. Job creation in Northwest Arkansas.
8. Strong multifamily housing market around the University of Arkansas, but also with potential in Bentonville and Rogers for expansion.

## Negative Factors:

1. Overhang of existing Class B office.
2. Overhang of existing retail space.
3. Perceived tight lending environment
4. Poor quality of existing available warehouse space.
5. Perceived difficulties of developing in Fayetteville, as compared to other cities in Northwest Arkansas.



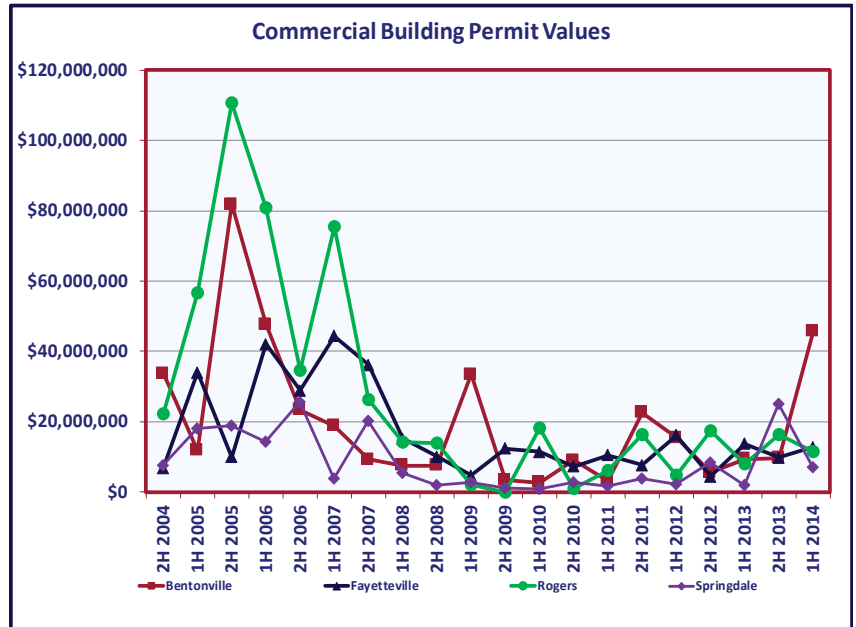
# Inventory and Building Permits

## Categories of Commercial Properties

The Northwest Arkansas commercial market is divided into eight major categories of space:

1. Lab—a workplace for conducting scientific research;
2. Industrial—space that is appropriate for the manufacturing of goods;
3. Office—space where business professionals work;
4. Office/Retail—space that can be configured as either office or retail space or both;
5. Office/Warehouse—space that can be configured as either office or warehouse space or both;
6. Retail—space where goods and services can be offered and sold to the public;
7. Retail/Warehouse—space where goods and services can be offered, sold, and stored;
8. Warehouse—space where goods can be stored until distributed.

Further, analysts at the Center for Business and Economic Research have classified individual office, office/retail, and retail buildings into three categories: Class A, Class B, and Class C. A description of the methodology used to classify buildings is included at the end of this report. In the second half of 2013 a significant amount of office, office/retail, and retail space was reclassified from Class A down to Class B. Class A space is the highest quality space available in the Northwest Arkansas market. Class B properties encompass a wide range of spaces, which have lease rates that cluster around the market average. Finally, Class C space describes properties that have sub-average lease rates and amenities.



## Local Commercial Property Inventory and Building Permit Data

The table on the following page presents the total competitive commercial property inventory in Northwest Arkansas that meets minimum square footage requirements (a complete list of these criteria is included on page 49) as of June 2014. For the first half of 2014, the Skyline Report covered 96.0 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had more complete coverage than others.

Next, building permit data from the past thirty-nine quarters is presented for six major cities in Northwest Arkansas. Building permit data is seasonal in nature and shows large fluctuations in square footage and value from quarter to quarter. Moreover, any particularly large project can skew the numbers immensely. Building permit data are also city-specific. Only the cities of Bentonville, Fayetteville, and Siloam Springs present square footage data, while only Bentonville and Fayetteville break out the different types of commercial property. A standardization of building permit applications in the region would provide superior data for comparison purposes.

From January 1 to June 30, 2014, there were just under \$78.2 million in commercial building permits issued in six major cities in Northwest Arkansas, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. In the first quarter of 2014, just over \$40.7 million in commercial building permits were issued. In the second quarter, over \$37.4 million in building permits were issued. In the first half of 2014, Bentonville, Fayetteville and Rogers, accounted for 58.8, 16.4, and 14.8 percent, respectively.

The table of announcements of new commercial projects is included as an indication of the future direction of the Northwest Arkansas commercial market. The list is not exhaustive, but represents an effort to gather data at a step before the official permitting process. The managers and owners of many of these properties have provided the Center for Business and Economic Research with information about these buildings, but until construction is complete, they do not appear in the aggregated total square footage and available square footage calculations. Some of the properties listed are actually under construction, while others are only in the concept phase. The Center researchers examined the announced data closely this reporting period. Project locations were



# Inventory

checked and developers were contacted regarding the projects from the last Skyline report. The conceptual category means that the developer still feels the project is viable, but there are many uncertainties regarding funding, leasing, timing, etc, so there is no established timeline.

Following the announced properties table is a list of the existing hotel properties in

Northwest Arkansas, detailed by city. In the first half of 2014, there were 6,329 standard rooms and 2,133 suites in Northwest Arkansas. Bentonville had the most standard rooms with 1,761 while Rogers had the most suites with 963. Additionally, graphs that describe the development of hotels in Northwest Arkansas over time are provided below the hotels list. Announced new hotel

properties are detailed in a table following the existing hotel properties. Finally, lists of announced new and closed restaurant properties follow the hotel information.

## Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial <sup>1</sup>	Office <sup>1</sup>	Retail <sup>1</sup>	Warehouse <sup>1</sup>	Total <sup>1</sup>	Panel Total Square Feet <sup>2</sup>	Panel Coverage <sup>2</sup>
Bella Vista	--	129,924	239,100	90,964	459,988	404,264	87.9%
Bentonville	31,300	3,935,142	1,055,855	1,364,552	6,386,849	6,412,701	100.4%
Fayetteville	775,079	3,341,236	4,163,705	1,778,270	10,058,290	9,737,858	96.8%
Lowell	101,970	315,837	172,208	949,348	1,539,363	1,524,292	99.0%
Rogers	439,006	2,529,973	4,225,917	2,587,073	9,781,969	9,662,789	98.8%
Siloam Springs	329,942	195,261	645,029	340,615	1,510,847	1,323,623	87.6%
Springdale	1,419,426	1,468,161	2,225,795	2,617,114	7,730,496	6,912,813	89.4%
Northwest Arkansas Total	3,096,723	11,915,534	12,727,609	9,727,936	37,467,802	35,978,340	96.0%

<sup>1</sup>Source: Benton and Washington County offices of the Assessor. The total square feet represent the population of competitive commercial properties that meet the baseline criteria set out on page 55 of this report.

<sup>2</sup>Source: Panel of 236 large Northwest Arkansas commercial property owners and managers.





# Building Permits

## Commercial Building Permit Data by City

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
April - June 2014	\$14,880,491	\$6,352,097	\$299,768	\$8,944,856	\$700,000	\$6,286,894	\$37,464,106
Jan. - March 2014	\$30,816,399	\$6,462,060	\$0	\$2,620,482	\$0	\$807,905	\$40,706,846
Oct - Dec. 2013	\$5,614,108	\$5,227,632	\$1,662,604	\$4,322,282	\$0	\$18,725,840	\$35,552,466
July - Sept 2013	\$4,147,738	\$4,642,389	\$0	\$12,137,965	\$0	\$6,472,554	\$27,400,646
April - June 2013	\$9,413,479	\$3,035,704	\$0	\$3,930,130	\$2,165,090	\$1,572,774	\$20,117,177
Jan. -March 2013	\$0	\$10,686,133	\$0	\$4,122,942	\$0	\$359,328	\$15,168,403
Oct - Dec. 2012	\$4,327,940	\$3,953,149	\$0	\$8,474,647	\$1,795,000	\$5,378,894	\$23,929,630
July - Sept 2012	\$1,221,000	\$537,447	\$0	\$9,026,238	\$2,083,115	\$3,121,673	\$15,989,473
April - June 2012	\$13,126,525	\$15,157,427	\$0	\$3,702,000	\$0	\$0	\$31,985,952
Jan. -March 2012	\$2,386,772	\$1,015,056	\$709,949	\$1,027,000	\$0	\$2,373,879	\$7,512,656
Sept. - Dec. 2011	\$21,094,402	\$5,907,082	\$0	\$16,450,594	\$0	\$1,455,757	\$44,907,875
June - August 2011	\$1,445,222	\$1,763,872	\$404,493	\$0	\$500,000	\$2,328,979	\$6,442,566
March 2011 - May 2011	\$1,773,228	\$9,552,146	\$150,000	\$1,614,000	\$0	\$0	\$13,089,374
Dec. 2010 - Feb. 2011	\$1,469,162	\$915,280	\$438,289	\$4,616,536	\$22,997,000	\$1,803,778	\$32,240,045
Sept. - Nov. 2010	\$7,214,903	\$2,623,509	\$941,017	\$958,000	\$6,005,000	\$1,898,944	\$19,641,373
June - August 2010	\$1,846,518	\$4,679,537	\$0	\$0	\$0	\$892,252	\$7,418,307
March - May 2010	\$2,661,860	\$11,450,334	\$100,000	\$6,055,000	\$1,296,000	\$798,774	\$22,361,968
Dec. 2009 - Feb. 2010	\$105,030	\$0	\$255,505	\$12,224,147	\$0	\$0	\$12,584,682
Sept. - Nov. 2009	\$0	\$10,005,337	\$330,803	\$7,000	\$379,711	\$1,139,928	\$11,862,779
June - August 2009	\$3,336,498	\$2,403,905	\$0	\$70,000	\$215,000	\$37,460	\$6,062,863
March - May 2009	\$33,171,420	\$1,368,907	\$50,112	\$1,500,000	\$400,000	\$1,194,175	\$37,684,614
Dec. 2008 - Feb. 2009	\$344,325	\$3,403,704	\$1,766,386	\$545,000	\$0	\$1,596,349	\$7,655,764
Sept. - Nov. 2008	\$3,908,853	\$3,588,389	\$0	\$6,411,775	\$0	\$0	\$13,909,017
June - August 2008	\$3,689,476	\$6,548,894	\$1,019,000	\$7,579,500	\$1,006,596	\$1,861,390	\$21,704,856
March - May 2008	\$153,000	\$3,152,132	\$4,075,075	\$4,179,000	\$0	\$1,395,524	\$12,954,731
Dec. 2007 - Feb. 2008	\$7,400,153	\$12,125,756	\$0	\$9,995,030	\$3,200,000	\$3,970,299	\$36,691,238
Sept. - Nov. 2007	\$8,075,766	\$27,923,695	\$4,455,275	\$533,200	\$0	\$0	\$40,987,936
June - August 2007	\$1,194,440	\$8,309,014	\$48,927	\$25,668,347	\$2,575,178	\$20,375,131	\$58,171,037
March - May 2007	\$10,082,817	\$20,962,887	\$8,277,328	\$15,727,729	\$3,019,500	\$3,960,747	\$62,031,008
Dec. 2006 - Feb. 2007	\$8,725,598	\$23,406,927	\$4,709,086	\$59,642,734	\$25,000	\$0	\$96,509,345
Sept. - Nov. 2006	\$2,404,840	\$22,721,389	\$1,840,722	\$11,146,805	\$538,000	\$0	\$38,651,756
June - August 2006	\$21,014,259	\$6,147,723	\$462,712	\$23,479,198	\$5,890,000	\$25,663,800	\$82,657,692
March - May 2006	\$10,575,639	\$21,780,317	\$10,924,435	\$36,046,864	\$3,650,000	\$12,322,984	\$95,300,239
Dec. 2005 - Feb. 2006	\$37,121,720	\$20,330,697	\$2,359,019	\$44,672,800	\$165,000	\$2,151,476	\$106,800,712
Sept. - Nov. 2005	\$9,674,394	\$3,519,150	\$3,275,717	\$85,896,765	\$150,000	\$15,999,816	\$118,515,842
June - August 2005	\$72,205,699	\$6,434,833	\$1,666,851	\$24,782,039	\$200,000	\$2,982,618	\$108,272,040
March - May 2005	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Dec. 2004 - Feb. 2005	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524	\$56,744,954
Sept. - Nov. 2004	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
June - August 2004	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
March - May 2004	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473



# New Commercial Projects

## Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
American Legion Post	Bella Vista	American Legion	Office	4,600	
CVS	Bella Vista	CVS	Retail	13,000	Conceptual
Morey's Auto Body	Bella Vista	Bob and Jim Morey	Commercial	7,840	July 2014
Sisters of Mercy Multispeciality Clinic	Bella Vista	Sisters Of Mercy Health Systems	Medical		Conceptual
Walmart Supercenter	Bella Vista	Wal-Mart Stores Inc	Retail		Conceptual
Amazeum	Bentonville	Walton Family Foundation	Museum	44,500	2015
American Flats	Bentonville	May Adventures	Commercial		Conceptual
Archer Business Park Building 4	Bentonville	Wayne and Victoria Martin	Commercial	11,800	Fall 2014
Archer Business Park Building 5	Bentonville	Wayne and Victoria Martin	Commercial	8,250	Fall 2014
Bentonville Commercial Building	Bentonville	Dean Eisma	Commercial	50,000	Conceptual
Bentonville Landing I	Bentonville	Sam Mathias	Retail	12,500	Done
Bentonville Landing II	Bentonville	Sam Mathias	Retail	3,500	Done
Bentonville Plaza	Bentonville	FBE Limited LLC	Commercial	150,000	Conceptual
Big O Tires	Bentonville		Commercial		Conceptual
Campbells Office Building	Bentonville		Office	20,000	Conceptual
Centre at Fountain Plaza	Bentonville	John Boen	Retail	26,640	Fall 2014
Convenience Store 14th and S Walton	Bentonville		Retail	5,200	Conceptual
Crossmark Center	Bentonville	Crossmark	Office	18,500	Done
Gateway Industrial Park	Bentonville	Cross Mar and Glass Investments	Warehouse	150,000-1,000,000	Conceptual
Gateway Industrial Park I	Bentonville	Cross Mar and Glass Investments	Warehouse	150,000	October 2014
Gateway Park Building I	Bentonville	Cross Mar and Glass Investments	Warehouse	150,000	Late 2014
Guess Who?	Bentonville	Roger Gildehaus	Retail		Done
J Street Office Building	Bentonville	Bill Keating	Office	4,000	Conceptual
J Street Warehouse I	Bentonville	Crossland & Bill McClard	Warehouse	143,000	Fall 2014
J Street Warehouse II	Bentonville	Crossland & Bill McClard	Office/Warehouse	20,000	Fall 2014
J Street Warehouse III	Bentonville	Crossland & Bill McClard	Warehouse	60,000	Conceptual
Jarden Office Building	Bentonville	Josh Kyles	Office	45,000	2015
Lakeside Center North	Bentonville	Bob Hopmann	Office	67,000	Conceptual
Med Express	Bentonville	Med Express	Medical	5,000	Summer 2014
Midtown Center	Bentonville	Wal-Mart Stores Inc	Office/Retail	60,000	2015
Midtown Neighborhood Walmart	Bentonville	Wal-Mart Stores Inc	Retail	31,000	Fall 2014
Moberly Auto Dealership	Bentonville	Alan Cole	Retail	45,880	Late 2014
Moberly Technology Park 4	Bentonville	Sage Partners	Office	20,000	Fall 2014
Norwalk Juicers	Bentonville		Commercial	30,000	
NWA Courier Building	Bentonville		Office/Warehouse	6,000	Fall 2014
Octopus Messaging Building	Bentonville	Heather Wegner	Commercial		
Planet Fitness	Bentonville	Buck Ortega	Retail	19,689	Dec 2014
Rainbow Curve Junction	Bentonville	American Taekwondo Association	Retail	30,000	Fall 2014
Retail Building on Hwy 12	Bentonville	Josh Kyles	Retail	5,000	Conceptual
Retail Building on Walton	Bentonville	Larry Rose	Retail	2,000	Summer 2014
Roth Granite Shop	Bentonville	Roth Family	Office/Warehouse	16,000	Done
Sam's Club Layout Center	Bentonville	Ivan Crossland	Office	220,000	Conceptual
SDI Realty Retail Development	Bentonville	SDI Realty	Retail	6,500	Conceptual
Simpson Office building	Bentonville	Chance Simpson	Office	21,000	Conceptual
SW Elm Tree Road Development	Bentonville				Conceptual
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		Conceptual
Thrive	Bentonville	ERC Companies	Mixed Use	44,000	Late 2014
Uptown Village	Bentonville	Wal-Mart Stores Inc	Retail		Conceptual
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000	Conceptual
Walgreens	Bentonville	Walgreens	Retail	14,820	Summer 2014
Walmart Depot	Bentonville	Wal-Mart Stores Inc	Retail	15,000	Fall 2014
Walmart to Go	Bentonville	Wal-Mart Stores Inc	Retail	5,200	Done
Walmart Neighborhood Mkt. on Central	Bentonville	Wal-Mart Stores Inc	Retail	41,983	Late 2014

# New Commercial Projects

## Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Casey's General Store	Fayetteville	Casey's Marketing Co	Retail	3,400	Done
Clarity Pointe	Fayetteville	Clarity Pointe LLC	Medical	42,638	Done
College Market Place	Fayetteville	S.J. Collins	Retail	26,670	Fall 2015
Crain Hyundai	Fayetteville	Crain Hyundai	Retail	28,000	Dec 2014
Culpepper Memory Center	Fayetteville		Medical	64,000	Conceptual
CVS	Fayetteville	CVS	Retail	13,000	Summer 2014
First Security Bank	Fayetteville	First Security Bank	Bank		Done
Forest Hills Commercial Building	Fayetteville	John Alford	Office/Retail	6,000	Done
Forest Hills Development	Fayetteville	John Alford	Commercial		Conceptual
Health South Expansion	Fayetteville	HealthSouth	Medical	9,250	Spring 2015
Indoor Climbing and Fitness Center	Fayetteville	Dennis Nelms	Retail		Conceptual
Kum and Go	Fayetteville	Kum and Go	Retail		Conceptual
Kum and Go	Fayetteville	Kum and Go	Retail		Conceptual
Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	Conceptual
Northwest Medical Clinic	Fayetteville	Northwest Medical System	Medical	13,477	Summer 2014
O'Reilly Auto Parts	Fayetteville	O'Reilly Auto Parts	Retail	7,500	Conceptual
Pacific Vet Group Industrial	Fayetteville	Pacific Vet Group	Manufacturing		Conceptual
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	Conceptual
Shoppes at the Bluffs	Fayetteville	Mathias Properties	Retail	46,519	Conceptual
Van Asche Clinic	Fayetteville	Lance Osborne	Medical	8,198	Late 2014
Victory Commons	Fayetteville	Tracy Hoskins and Allied Bank	Commercial		Conceptual
Walgreens	Fayetteville	Walgreens	Retail		Done
Walton Arts Center Expansion	Fayetteville	Walton Art's Center	Commercial	30,000	2015
Whole Foods Market	Fayetteville	S.J. Collins	Retail	35,000	Fall 2015
Central Research Inc	Lowell	Johnny and Scott Dillard	Office		
Firebird 2	Lowell	Bill McClard	Warehouse	21,300	Fall 2014
Midpoint Exchange Business Park	Lowell	Sage Partners	Commercial		Conceptual
Monroe Medical Building	Lowell	John Stucky	Medical	7,200	Summer 2014
NWA Board of Realtors Office	Lowell	NWA Board of Realtors	Office	8,500	Dec 2014
Casey's General Store	Rogers	Casey's Marketing Co	Retail		
Cavenders	Rogers	Whisenvest	Retail		Conceptual
Centre Point	Rogers	CRE	Retail	18,285	Delayed
Collective Bias Building	Rogers	Hunt Ventures	Office	14,409	Done
Commercial Development	Rogers	HBH Holdings	Commercial		
Core Development Office Building	Rogers	Tim Graham jr	Office	11,814	Summer 2014
Country Club Plaza Office	Rogers	LaFrance Family	Office	12,000	Conceptual
Country Club Plaza Retail	Rogers	LaFrance Family	Retail	22,000	Conceptual
Country Club Plaza Tower	Rogers	LaFrance Family	Office	88,000	Conceptual
Creekside on Promenade	Rogers	Jason Pullman	Retail	15,500	Late 2014
Downtown Mercy Clinic	Rogers	Mathias Properties	Medical	7,382	Summer 2014
Gateway Plaza	Rogers	Flake-Kelley	Commercial	39,600	Conceptual
Harp's	Rogers	Harp's	Retail	32,000	Conceptual
HBA Holdings Warehouse	Rogers	HBA Holdings	Warehouse		
Kindergrove Daycare	Rogers	Lauren Treptow	Commercial	9,600	Late 2014
Legacy National Bank	Rogers	Legacy Bank	Bank	6,500	Fall 2014
Mars Office Building	Rogers	Chad Hatfield	Office	40,000	Conceptual
Mathias Warehouse on Hudson	Rogers	Mathias Properties	Warehouse	78,800	Late 2014
Metropark Office Building	Rogers	Hunter Haynes & Sage Partners	Office	60,000	Conceptual
MetroPark Retail Building	Rogers	Hunter Haynes & Sage Partners	Retail	31,808	Conceptual
Nolan Caddell Reynolds Office	Rogers	Nolan Caddell Reynolds	Office		Conceptual
Nursing Facility	Rogers	Emeritus Co.	Medical		Conceptual
NWA Collision on Hudson	Rogers	NWA Collision	Commercial	9,000	Conceptual
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	Conceptual

# New Commercial Projects

## Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Pinnacle Heights II	Rogers	Hunt Ventures	Office	211,738	2016
Pinnacle Heights Retail I	Rogers	Hunt Ventures	Retail	18,800	Late 2014
Pinnacle Hills Daycare	Rogers	Whisenvest	Retail	20,000	Conceptual
Pinnacle Hills I	Rogers	Whisenvest	Office	8,000	Conceptual
Pinnacle Hills II	Rogers	Whisenvest	Office	5,000	Conceptual
Pinnacle Hills III	Rogers	Whisenvest	Office/Retail	6,000	Conceptual
Pinnacle Hills IV	Rogers	Whisenvest	Retail	5,000	Conceptual
Pinnacle Hills V	Rogers	Whisenvest	Office	15,000	Conceptual
Pinnacle Promenade Point III	Rogers	Hunt Ventures	Office	40,000	Conceptual
Pinnacle PUD	Rogers	Whisenvest	Commercial	9,000	Conceptual
Pinnacle Summit Park	Rogers		Commercial	50,000	Conceptual
Pleasant Crossing Retail Building	Rogers	Whisenvest	Retail	10,000	Conceptual
Pleasant Crossing Shoppes	Rogers	Whisenvest	Retail	20,500	Summer 2014
Prairie Creek Center	Rogers	Mathias Properties	Retail	51,279	Conceptual
Rick Mooney PUD	Rogers	Rick Mooney	Commercial		Conceptual
Ryzabuv	Rogers	Case Lawrence	Retail	30,000	Conceptual
Scottsdale Center, Phase VI, Bld 2	Rogers	Tom Hopper	Retail	48,041	Conceptual
Scottsdale Center, Phase VI, Bld 3	Rogers	Tom Hopper	Retail	21,965	Conceptual
Shoppes at Center Point	Rogers		Commercial		Conceptual
Sisters of Mercy Primary Care Office	Rogers	Sisters Of Mercy Health Systems	Medical		Conceptual
Violin Studio and Repair Shop	Rogers	SMEK LLC	Retail		Conceptual
Walmart AMP	Rogers	Walton Art's Center	Amphitheater		Done
Walmart Neighborhood Mkt. Downtown	Rogers	Wal-Mart Stores Inc	Retail		Conceptual
Walmart Neighborhood Mkt. on Walnut	Rogers	Wal-Mart Stores Inc	Retail		Conceptual
Walnut Crossing	Rogers	Greg House	Commercial	50,000	Conceptual
Wilson-Coker Office Building	Rogers	Wilson-Coker Wealth Management	Office		Conceptual
Crye-Leike Office	Siloam Spr.	Crye-Leike Realtors	Office	6,500	Conceptual
Holly Street Crossing	Siloam Spr.	Ted Viala	Commercial		Conceptual
Progress Plaza Phase II	Siloam Spr.	Brown Cow LLC	Medical Office	11,250	Conceptual
Walmart Neighborhood Market	Siloam Spr.	Wal-Mart Stores Inc	Retail	35,000	Late 2014
American Tubing Expansion	Springdale	American Tubing	Manufacturing	20,000	Done
Bleaux Warehouse	Springdale	Mathias Properties	Warehouse	9,600	Fall 2014
Casey's General Store	Springdale	Bill Matthews	Retail	4,400	Done
CVS	Springdale	CVS	Retail	1,352	Conceptual
Edwards Warehouse I	Springdale	Joe Edwards	Warehouse	40,000	Conceptual
Edwards Warehouse II	Springdale	Joe Edwards	Warehouse	21,000	Conceptual
First State Bank	Springdale	First State Bank	Bank		Conceptual
Geels Paint	Springdale	Geels Paint	Commercial		
Health and Speech Clinic	Springdale		Medical		Conceptual
Kum and Go	Springdale	Kum and Go	Retail		
Love's Travel Center	Springdale	Love's	Retail		Conceptual
Memco	Springdale	Middleton Group LLC	Warehouse	60,000	Late 2014
NanoMech Facility Expansion	Springdale	NanoMech	Manufacturing	25,000	Summer 2014
Northwest Medical Plaza East	Springdale	Hunt Ventures	Medical	15,640	Summer 2014
Northwest Technical Institute	Springdale	NTI	School	31,000	Conceptual
NWACC	Springdale	NWACC	School		Conceptual
O'Reilly Auto Parts	Springdale	O'Reilly Auto Parts	Retail	5,000	Summer 2014
Owen's Optometry	Springdale		Medical		
Walmart Neighborhood Mkt. Don Tyson	Springdale	Wal-Mart Stores Inc	Retail	41,000	Fall 2015
Walmart Supercenter	Springdale	Wal-Mart Stores Inc	Retail	186,000	August 2014



# Hotels

## Existing Hotels

Property Name	City	Number of Standard Rooms	Number of Suites
21C Hotel	Bentonville	98	6
Best Western Bentonville Inn	Bentonville	55	0
Best Western Castle Rock Suites	Bentonville	84	0
Comfort Suites	Bentonville	120	0
Comfort Inn	Bentonville	64	0
Courtyard Bentonville	Bentonville	90	0
Days Inn & Suites	Bentonville	63	0
DoubleTree Guest Suites	Bentonville	0	140
Hartland Motel of Bentonville	Bentonville	31	0
Hilton Garden Inn	Bentonville	133	0
Holiday Inn Express Hotel & Suites	Bentonville	84	0
La Quinta Inn & Suites	Bentonville	107	0
Merchant Flats on 8th	Bentonville	10	0
Microtel	Bentonville	78	0
Motel 6	Bentonville	103	0
Pines Motel	Bentonville	9	0
Simmons Suites	Bentonville	115	0
South Walton Suites	Bentonville	56	0
Springhill Suites By Marriott	Bentonville	67	0
Suburban Extended Stay	Bentonville	0	118
Super 8 Motel-Bentonville/Rogers	Bentonville	52	0
Towneplace Suites by Marriott	Bentonville	78	0
The Links at Bentonville Apts.	Bentonville	41	0
Value Place Extended Stay	Bentonville	121	0
Wingate Inn Bentonville	Bentonville	102	0
Best Western Windsor Suites	Fayetteville	66	0
Candlewood Suites	Fayetteville	0	78
The Chancellor Hotel	Fayetteville	191	17
Chief Motel	Fayetteville	31	1
Comfort Inn-Fayetteville	Fayetteville	60	0
Country Inn & Suites By Carlson	Fayetteville	40	25
Courtyard by Marriot	Fayetteville	110	4
Dickson Street Inn	Fayetteville	8	2
Fairfield Inn Fayetteville	Fayetteville	61	0
Hampton Inn	Fayetteville	87	8
Hi-Way Inn Motel	Fayetteville	24	0
Homewood Suites	Fayetteville	0	96
Holiday Inn Express	Fayetteville	77	33
Inn at Carnall Hall	Fayetteville	49	0
Magnuson Grand Hotel	Fayetteville	197	10
Motel 6	Fayetteville	98	0
Pratt Place Inn	Fayetteville	0	7
Quality Inn	Fayetteville	48	10
Red Roof Inns	Fayetteville	104	1
Regency 7 Motel	Fayetteville	29	3
Sleep Inn of Fayetteville	Fayetteville	62	0
Staybridge Suites	Fayetteville	0	109
Stay Inn Style	Fayetteville	6	0
Super 8 Motel	Fayetteville	83	0
Value Place Hotel	Fayetteville	121	0
Inn At the Mill	Johnson	38	8
Marriot Townplace	Johnson	0	94
Ramada Inn Lowell	Lowell	51	0

# Hotels

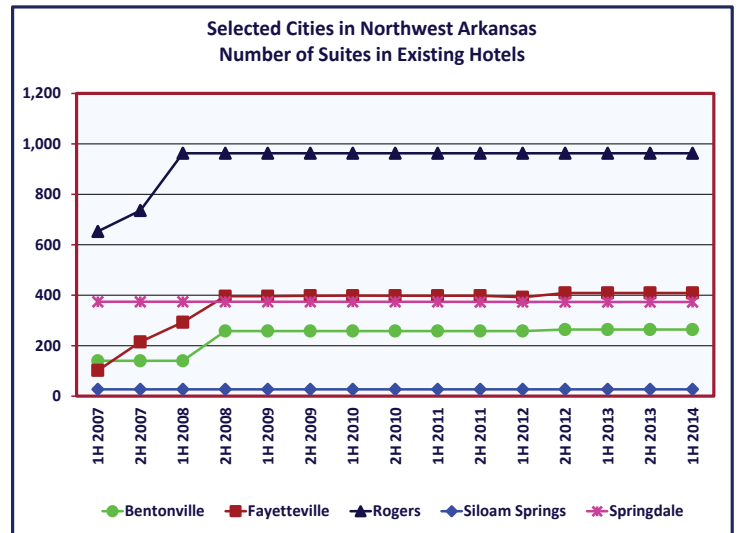
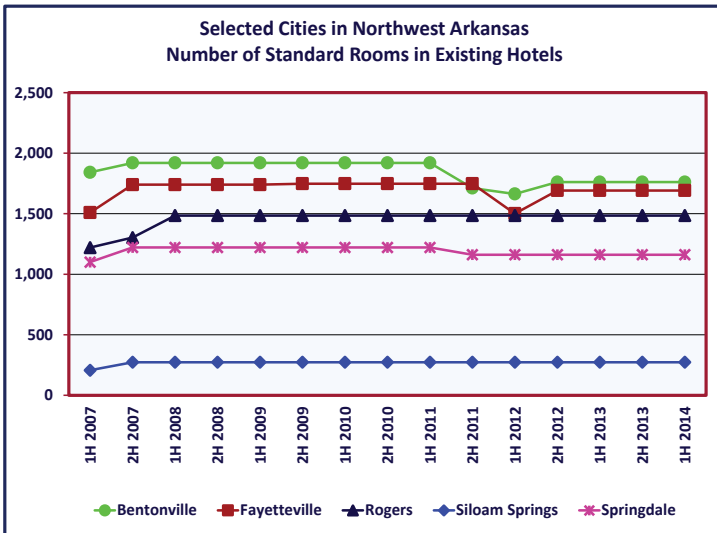
## Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Colonial Motel	Prairie Grove	8	0
Aloft	Rogers	130	1
Best Value Inn & Suites	Rogers	127	0
Candlewood Suites	Rogers	118	12
Country Inn & Suites	Rogers	68	42
Embassy Suites	Rogers	0	400
Fairfield Inn Rogers	Rogers	99	0
Guest Inn	Rogers	42	0
Hampton Inn	Rogers	122	0
Hartland Lodge	Rogers	28	0
Holiday Inn	Rogers	0	127
Homewood Suites	Rogers	126	83
Hyatt Place	Rogers	104	0
Mainstay Suites	Rogers	0	99
Microtel	Rogers	52	0
Ranch-O-Tel Motel	Rogers	21	0
Regency 7 Motel	Rogers	31	0
Residence Inn by Marriott	Rogers	88	0
Rocky Branch Resort	Rogers	14	0
Simmons Suites	Rogers	0	115
Staybridge Suites	Rogers	83	83
Super 8 Motel	Rogers	34	0
Tanglewood Lodge	Rogers	30	0
Town & Country Inn	Rogers	86	1
Travelers Inn	Rogers	82	0
Best Value	Siloam Springs	19	26
Hampton Inn	Siloam Springs	66	0
Hereford Motel	Siloam Springs	10	0
Holiday Inn Express	Siloam Springs	59	1
Stone Inn's	Siloam Springs	43	0
Super 7 Inn	Siloam Springs	46	0
Super 8 Motel	Siloam Springs	30	0
Best Rest	Springdale	100	17
Comfort Suites Springdale	Springdale	0	69
DoubleTree Club Hotel of Springdale	Springdale	74	11
Executive Inn	Springdale	90	0
Extended Stayamerica	Springdale	101	0
Fairfield Inn and Suites	Springdale	40	34
Hampton Inn & Suites	Springdale	67	35
Hartland Lodge	Springdale	29	0
Hartland Motel	Springdale	29	0
Hill Top Inn	Springdale	30	0
Holiday Inn	Springdale	180	26
Journey's Inn	Springdale	30	0
Laquinta Inn & Suites	Springdale	88	12
Magnolia Gardens Inn (B&B)	Springdale	10	0
Motel 8	Springdale	30	0
Residence Inn	Springdale	0	72
Scottish Inns	Springdale	33	24
Sleep Inn & Suites	Springdale	0	72
Springdale Inn	Springdale	50	0
Super 8 Motel	Springdale	59	1
Value Place Hotel	Springdale	121	0

# Hotels

## Existing Hotels Summary

City	Number of Standard Rooms	Number of Suites
Bentonville	1,761	264
Fayetteville	1,552	404
Johnson	38	102
Lowell	51	0
Prairie Grove	8	0
Rogers	1,485	963
Siloam Springs	273	27
Springdale	1,161	373
Northwest Arkansas	6,329	2,133



# Hotels

## Announced Coming Hotels

Property Name	City	Owner	Number of Rooms	Expected Completion
Four Points by Sheraton	Bentonville	Sree Akshar and Kunal Mody	105	Summer 2014
Sheraton Bentonville Plaza	Bentonville	Starwood Hotels & Resorts Worldwide	234	Delayed
Hilton Gardens Inn	Fayetteville	Krushiker Hospitality Group	115	Fall 2014
Walton College Hotel	Fayetteville		125-150	Conceptual
Evelyn Hotel	Rogers	MCE Enterprises`	6	Conceptual
Microtel	Springdale	--		Delayed





# Restaurants

## Announced Coming Restaurants

Property Name	Location (City)	Owner	Expected Completion
Coffee Shop and Ice Cream Parlor	Bella Vista	Roger Gildehaus	--
Angus Jack	Benton County	Ian and Jean Cairns	Conceptual
Jason's Deli	Benton County	Bourke Harvey	--
Bike Rack Brewing	Bentonville	Steve Outain	2014
Billy Sims Barbecue	Bentonville	Billy Sims	Done
Bone Heads Restaurant	Bentonville		Conceptual
Catfish Hole	Bentonville	Pat Gazzola	Delayed
Chipotle Grill	Bentonville		Done
Cracker Barrel	Bentonville	Cracker Barrel	Done
Dickey's Barbecue Pit	Bentonville	Jared Thompson	2015
Flavors Indian Cuisine	Bentonville		Done
Joe's Italian Restaurant	Bentonville	Kunal Mody	Summer 2014
Marcitos Mexican Restaurant	Bentonville		Done
Rose Properties Restaurant	Bentonville	Larry Rose	
McDonald's	Elkins	Bill and Walter Matthews	July 2014
Olde Tyme Donuts	Farmington	Edwards Properties	2014
Abacus	Fayetteville	Scott Bowman	Summer 2014
Arsagas	Fayetteville	Cary Arsaga	Summer 2015
Best Frickin' Chicken	Fayetteville	Jeanette Beltram and Clayton Scott	Done
Bobo's Ribbon Ice	Fayetteville		Done
Chuy's	Fayetteville	Mike Young and John Zapp	Conceptual
Citizen, The	Fayetteville	Lane Coleman, Knox McCorquodale, Wilson Wood	Delayed
City Pizzeria & Salad	Fayetteville	Scott Bowman	Done
College Marketplace - Unnamed	Fayetteville		Conceptual
Dickey's Barbecue Pit	Fayetteville	Jared Thompson	Done
Dunkin Donuts	Fayetteville	JAB QSR Inc.; Jolene Baker	Summer 2014
El Jabali	Fayetteville	Juan Barcenias	Done
El Paso Cantina	Fayetteville		Done
Farmer's Table	Fayetteville	Adrienne and Rob Shaunfield	Done
Firehouse Subs	Fayetteville	Forest Hills Development	--
Freddy's Frozen Custard and Steakburgers	Fayetteville		Late 2014
Fuzzy's Taco Shop	Fayetteville	Fuzzy's Taco Shops	Delayed
Garage, The	Fayetteville	Hal Smith Restaurant Group	Done
Ginger Rice and Noodle Bar	Fayetteville	John Park	Done
Honey Baked Ham Co and Café	Fayetteville		Done
Krystal Burger	Fayetteville	Krystal Burger	--
Los Bobos Taqueria	Fayetteville	Zac Wooden	Summer 2014
Marley's Chicago Style Pizza	Fayetteville	Elizabeth Rapp	October 2014
Mayflower Restaurant	Fayetteville	Ethan Altom, William McCormick, Christopher Sky	Done
Mr. O's Nutrition Smoothie Bar	Fayetteville		Summer 2014
Packard on Block	Fayetteville		Summer 2014
Papa John's	Fayetteville		
Pastry Shop, The	Fayetteville	Robyn Bowen	Done
Rolando's Nuevo Latino Restaurante	Fayetteville		Summer 2014
Roma	Fayetteville	Scott Bowman	2014
San Miguel Mexican Bar and Grill	Fayetteville	Jose and Maria Rodriguez	Summer 2014
Shulertown Food Court	Fayetteville	Zac Wooden	Done
Slim Chickens	Fayetteville	Tom Gordon and Gary Smart	Done
Whataburger Joyce	Fayetteville	Whataburger Inc.	Conceptual
Whataburger MLK	Fayetteville	Whataburger Inc.	Fall 2014
Wood Stone Craft Pizza	Fayetteville	Jeremy Gawthrop and Clayton Suttle	Summer 2014
Chennai Café	Rogers		Done
Foster's Pint and Plate	Rogers	Chris Moore	Conceptual
Freddy's Frozen Custard and Steakburgers	Rogers		Done

# Restaurants

Krystal Burger	Rogers	Smitco Eateries	Delayed
Longhorn Steakhouse	Rogers	Darden Restaurants	Done
Taqueria El Bajo	Rogers		Done
Taqueria Real Jacona	Rogers		Done
Thailand Restaurant	Rogers		Done
Twin Peaks	Rogers	Twin Peaks Inc.	Summer 2014
Unnamed Pinnacle Heights Restaurant	Rogers	Hunt Ventures	Late 2014
Unnamed Pizza Place-Pleasant Crossing	Rogers	Whisinvest	Fall 2014
Unnamed Restaurant-Pleasant Crossing	Rogers	Whisinvest	Fall 2014
Victoria's Bistro	Rogers		Done
Angelino's Italian Restaurant	Siloam Springs		Done
Ana Marie's Bakery	Springdale		--
Dickey's Barbecue Pit	Springdale	Randon Arney	Delayed
Jim's Razorback Pizza	Springdale		2014
Popeyes Chicken	Springdale		Summer 2014
Slim Chicken	Springdale		Delayed
Taqueria Guanajuato	Springdale	Morales Family	Done
Casalini Court Restaurant	Tontitown	Brett Hash	Delayed
Mama Fu's	Unkn. Location	Murphy Adams Restaurant Group	--
Dunkin Donuts	Unkn. Locations	JAB QSR Inc	--

# Restaurants

## Closed Restaurants

Property Name	City	Date Closed
Geno's Pizza	Fayetteville	August 2013
Hooter's	Fayetteville	August 2013
Momma Dean's	Fayetteville	August 2013
TCBY Frozen Yogurt	Fayetteville	August 2013
Brick House Kitchen	Fayetteville	September 2013
Union Kitchen	Fayetteville	October 2013
Chutney's	Rogers	October 2013
Maid-Rite	Bentonville	November 2013
Sumo Sushi	Fayetteville	November 2013
Dixie Café	Fayetteville	December 2013
Feltner Brothers	Fayetteville	December 2013
HuHot	Fayetteville	December 2013
Phoenix, The	Fayetteville	December 2013
Spring Rolls Vietnamese Bistro	Fayetteville	December 2013
Salty Dog	Fayetteville	December 2013
Twin Kitchen	Fayetteville	December 2013
Quizno	Springdale	December 2013
Jim's Razorback Pizza	Springdale	December 2013
Crazy Coconut	Tontitown	December 2013
Louie's Bar and Grill	Fayetteville	January 2014
Celi's/Oseguera's	Fayetteville	January 2014
Nibbles	Fayetteville	April 2014
Steamboat Annies	Rogers	April 2014
Aqua Fire	Fayetteville	May 2014
Charlies Chicken	Fayetteville	June 2014
Basil's	Rogers	June 2014
Number One Buffet	Rogers	June 2014
Pizza Hut	Rogers	June 2014

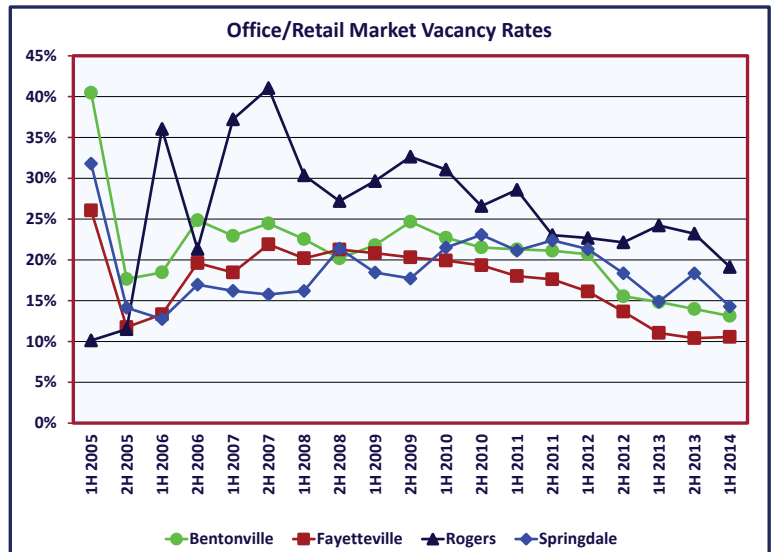
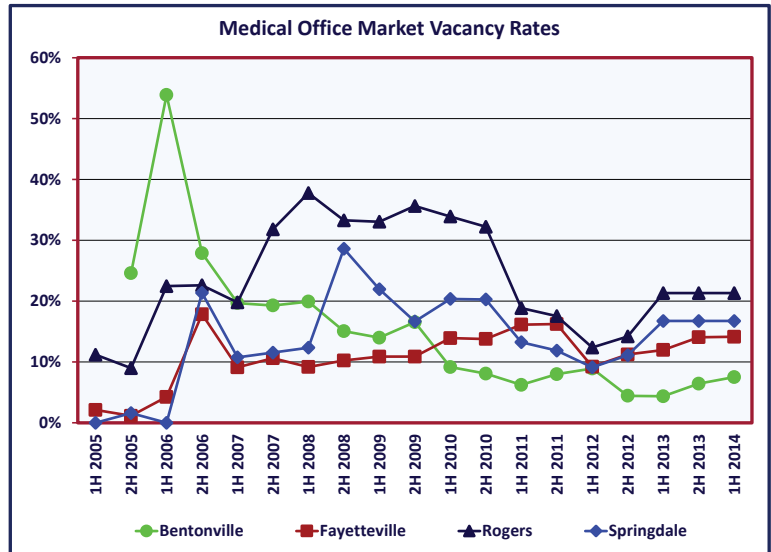
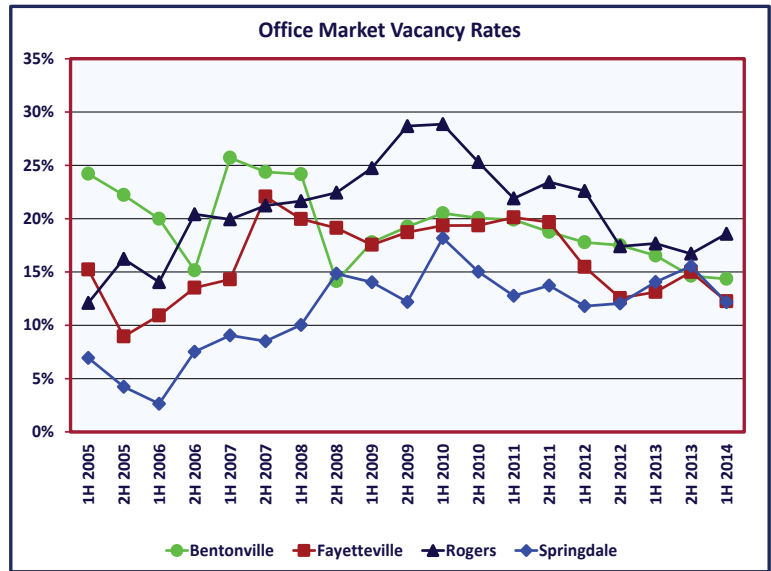
# Commercial Market Trends

This version of the Commercial Skyline Report presents data that have been collected since 2004. Annual comparisons are made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past ten years. Also, a table presents the total absorption over the past year by city and submarket. The following three pages have tables with more detailed information about vacancy rates, net absorption, and available space.

Available office square footage in Northwest Arkansas decreased from 1,503,828 square feet in the first half of 2013 to 1,484,025 square feet in the first half of 2014. In the past year, 87,811 new square feet of office space were added and there was net positive absorption of 181,762 square feet. Bentonville accounted for 73.1 percent of the net positive absorption (132,842 square feet), and Fayetteville (64,386 square feet) accounted for 35.4 percent. Lowell, Rogers, Siloam Springs, and Springdale each had negative net absorption during the past year. The overall Northwest Arkansas office vacancy rate decreased 0.8 percentage points from 15.3 percent in the first half of 2013 to 14.5 percent in the first half of 2014.

The office/retail market experienced positive net absorption of 91,621 square feet in the past year. Fayetteville accounted for 53.2 percent of the positive absorption from the first half of 2013 to the first half of 2014. New office/retail space of 6,000 square feet was added within the past year. In Northwest Arkansas 545,480 square feet of office/retail space were available, down from 608,260 square feet in last year's first half. This space was located in each of the largest cities: Fayetteville, Rogers, Bentonville, and Springdale.

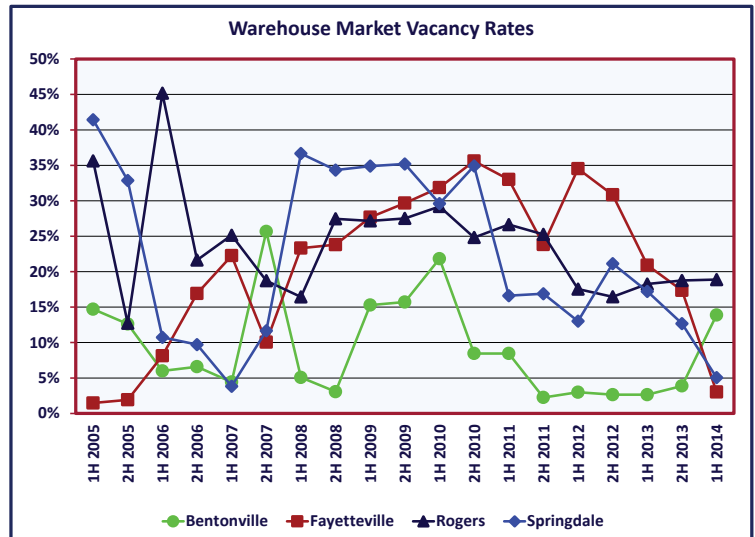
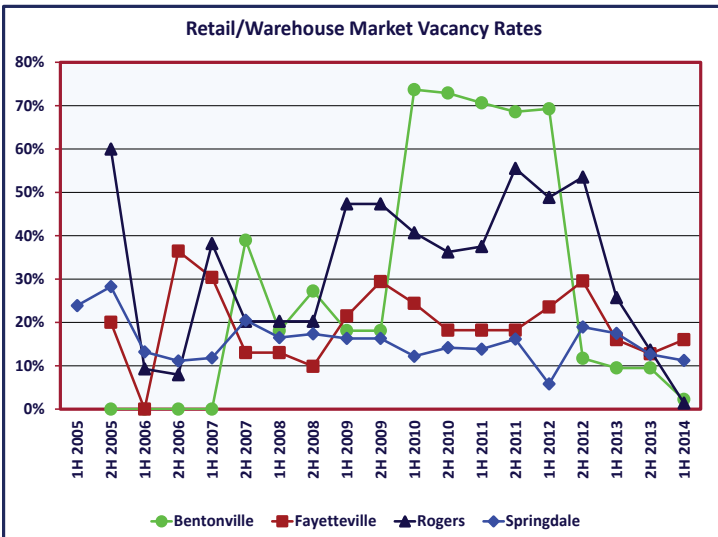
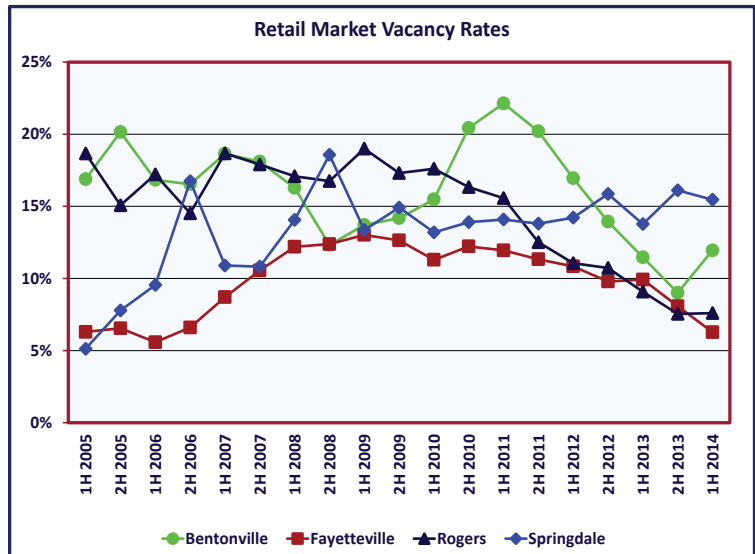
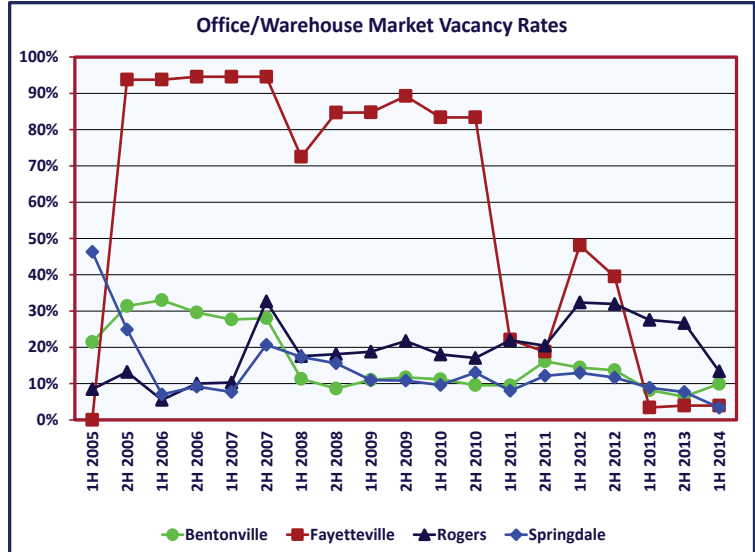
The retail market had positive net absorption of 248,293 square feet in the past twelve months. Fayetteville accounted for 39.1 percent, Rogers accounted for 32.8 percent, and Springdale accounted for another 27.9 percent of the net absorption. Only Siloam Springs and Lowell had a negative net absorption in retail space for the past twelve months. There were 69,251 new square feet of retail space added to the Northwest Arkansas market during that time. In the first half of 2014, a total of 685,950 square feet of space were available in Northwest Arkansas, down from 838,541 square feet in the first half of 2013.





# Commercial Market Trends

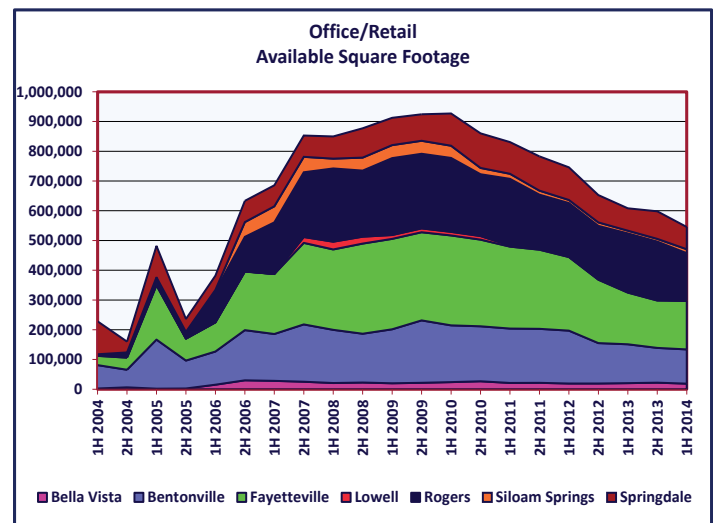
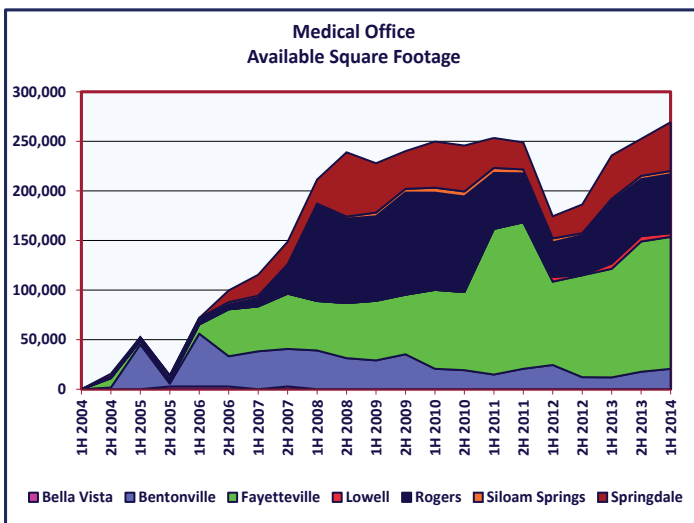
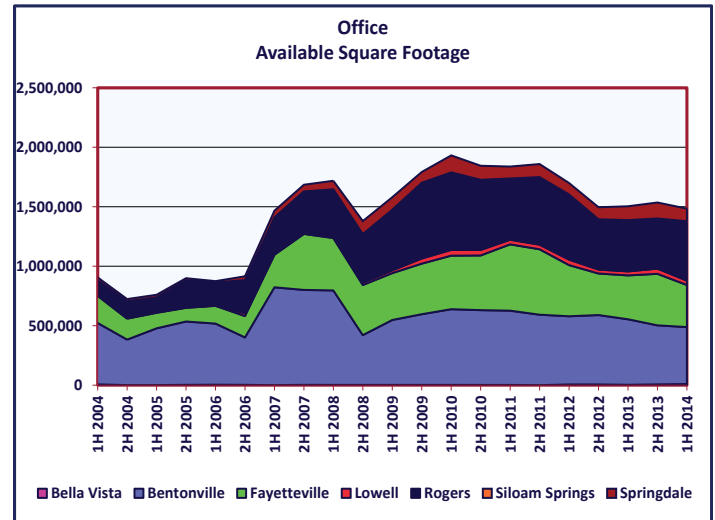
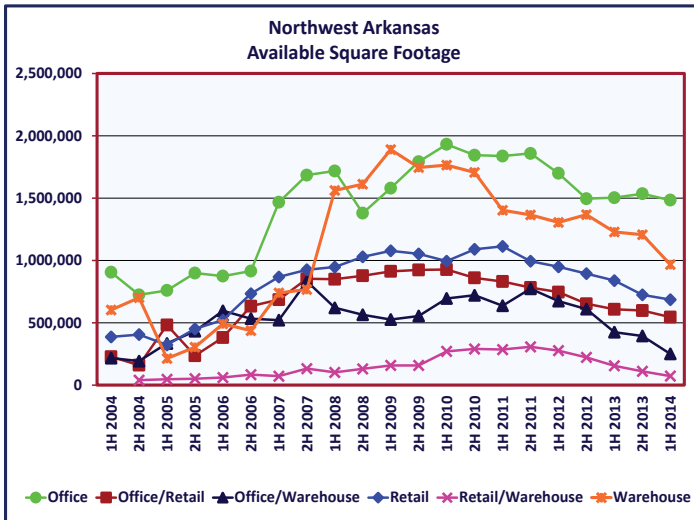
The Northwest Arkansas warehouse market also experienced positive net absorption of 579,547 square feet during the past year. The number of available square feet decreased from 1,228,925 in the first half of 2013 to 966,843 in the first half of 2014, while vacancy rates declined from 17.8 percent to 13.8 percent. Significant amounts of warehouse space left the market by entering the owner-occupied category, moderating the decline in warehouse vacancy rates during this time. Springdale accounted for 334,594 square feet of the positive net warehouse absorption in the past year, Fayetteville accounted for another 325,138 square feet, while Lowell and Rogers had net positive absorption as well. Siloam Springs and Bentonville both experienced negative net absorption in the last year in the warehouse market. No new warehouse space was added to the Northwest Arkansas market during the past year.



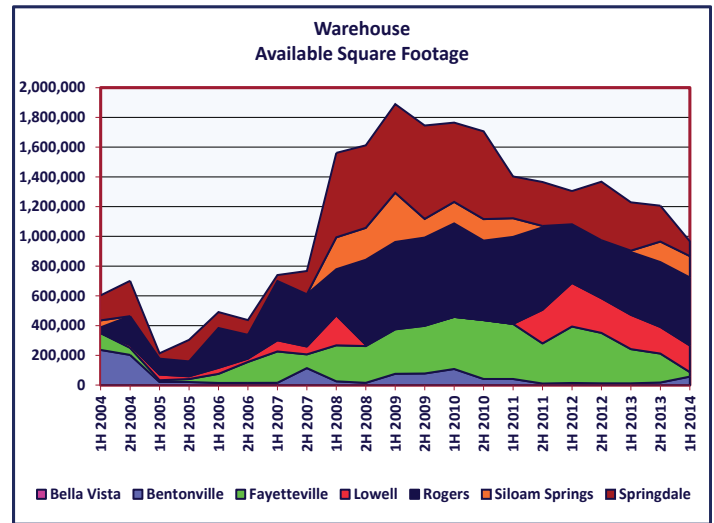
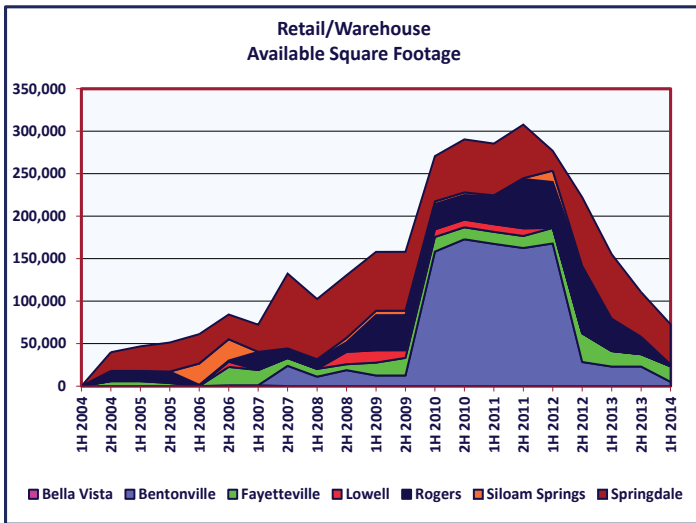
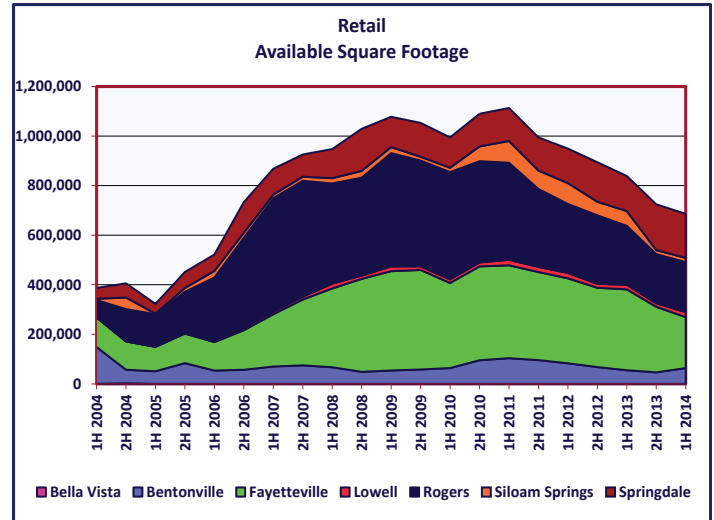
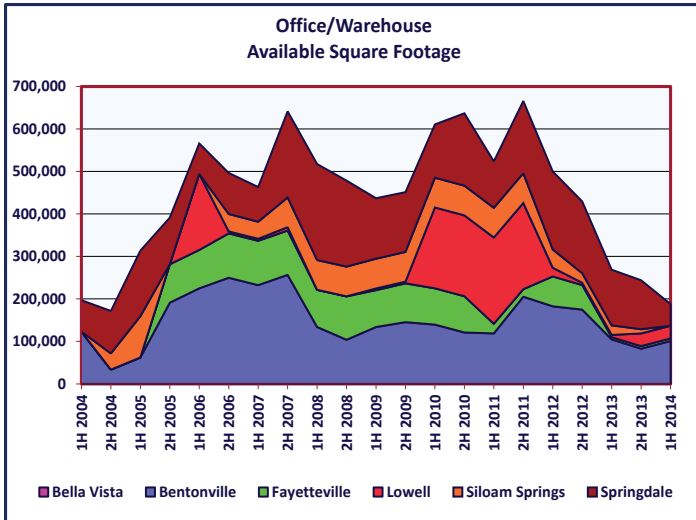
# Commercial Market Trends

## 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
<b>Northwest Arkansas</b>	<b>181,762</b>	<b>91,621</b>	<b>248,293</b>	<b>579,547</b>



# Commercial Market Trends



# 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%

### Retail/Warehouse

1H 2013	--	9.5%	16.0%	0.0%	25.7%	0.0%	17.5%	15.0%
2H 2013	--	9.5%	12.8%	0.0%	13.6%	0.0%	12.6%	10.9%
1H 2014	--	2.2%	16.0%	0.0%	1.4%	0.0%	11.2%	7.2%

### 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

## Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2013	2,890	36,141	7,513	-832	-5,297	0	-17,799	22,616
2H 2013	-3,450	74,706	-27,041	-10,073	8,434	-300	-8,805	33,471
1H 2014	3,450	21,995	83,914	7,002	-16,578	0	25,892	125,675

### Medical Office

1H 2013	0	214	-6,726	-5,407	-19,484	0	-14,720	-46,123
2H 2013	0	-5,700	-11,319	0	5,802	-1,300	6,349	-6,168
1H 2014	0	-2,929	4,761	1,707	5,010	0	-5,010	3,539

### Office/Retail

1H 2013	-1,200	5,165	44,951	-100	-17,924	2,426	16,727	50,045
2H 2013	-1,600	13,786	951	0	3,898	0	-16,222	813
1H 2014	6,169	1,811	2,867	540	18,408	-4,000	14,968	40,763

### Office/Warehouse

1H 2013	--	69,991	52,722	0	-95,244	0	38,070	65,539
2H 2013	--	30,315	5,000	0	5,000	12,500	30,680	83,495
1H 2014	--	-18,105	0	0	-7,000	10,000	50,860	35,755

### Retail

1H 2013	0	12,727	-12,299	-2,720	40,315	-4,880	24,537	57,680
2H 2013	0	14,143	51,861	4,450	43,362	2,040	24,501	140,357
1H 2014	0	-12,631	57,604	-6,147	-2,247	-6,600	20,277	50,256

### Retail/Warehouse

1H 2013	--	5,380	15,500	0	41,108	0	5,000	66,988
2H 2013	--	0	3,711	0	19,742	0	5,200	28,653
1h 2014	--	0	-3,711	0	18,316	0	5,260	19,865

### Warehouse

1H 2013	0	0	109,190	2,500	-41,796	0	92,875	162,769
2H 2013	0	-5,500	52,000	51,604	0	-116,133	83,796	65,767
1H 2014	0	-39,500	163,948	0	74,400	-5,760	157,923	351,011

# 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

### Retail/Warehouse

1H 2013	--	22,998	18,312	0	38,058	0	75,900	155,268
2H 2013	--	22,998	14,601	0	20,416	0	52,560	110,575
1H 2014	--	5,000	18,312	0	2,100	0	47,300	72,712

### 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

# Office

In the first half of 2014, the office properties included in the Skyline Report panel had a vacancy rate of 14.5 percent, a slight decrease from the 15.2 percent in the second half of 2013. Of the 10,255,714 square feet of Northwest Arkansas properties examined, just under 1,484,025 square feet were available. From the second half of 2013 to the first half of 2014, 14,294 square feet of new space entered the market, while 139,969 square feet became occupied, netting positive absorption of 125,675 square feet for the market.

Rogers had the most available office space at 496,116 square feet of which 51.7 percent was in the Class A submarket. The Rogers office market had net negative absorption of 16,578 square feet in the first half of 2014, with 805 square feet of Class C and 5,010 square feet of medical office becoming occupied, while there was net negative absorption of 2,526 square feet of Class A and 19,867 square feet of Class B.

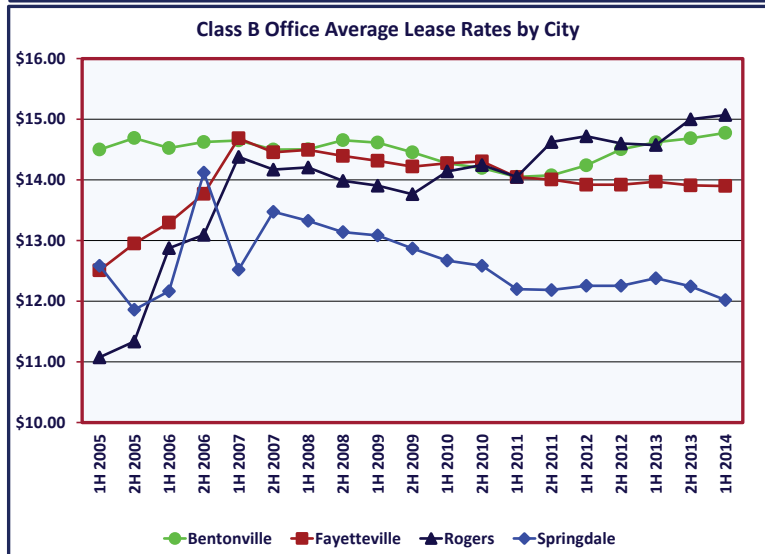
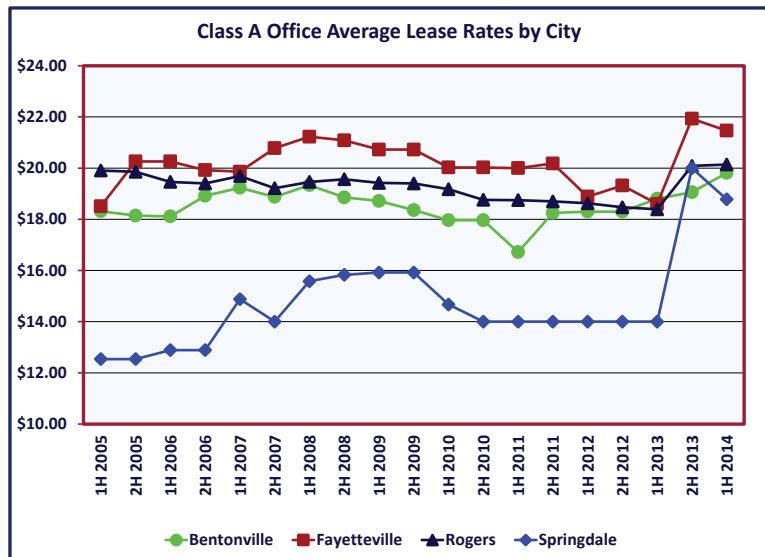
Fayetteville had 353,668 square feet of available office space in the first half of 2014, of which 49.1 percent was in the Class B submarket. From the second half of 2013 to the first half of 2014, the Fayetteville office market had net positive absorption of 83,914 square feet. During the first half of 2014, Class A, Class B, Class C, and medical office space experienced net positive absorption of 26,749, 39,787, 12,617, and 4,761 square feet, respectively.

Bentonville had 478,966 square feet available in the first half of 2014, of which 83.1 percent was Class B office space. The Bentonville office market had net positive absorption of 21,995 square feet. No new office space was added to Bentonville in the first half of 2014. Net positive absorption occurred in the Class B and Class C submarkets of 37,608 square feet and 7,700 square feet, respectively, while Class A office space had net negative absorption of 20,384 square feet and medical office space had negative net absorption of 2,929 square feet. The Springdale office market had 105,752

## Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$19.56 - \$20.06	\$14.49 - \$15.06	\$9.30 - \$9.50	\$16.55 - \$18.03
Fayetteville	\$19.39 - \$23.54	\$13.67 - \$14.13	\$10.37 - \$10.69	\$15.02 - \$16.64
Rogers	\$19.13 - \$21.15	\$14.79 - \$15.35	\$8.94 - \$9.49	\$12.77 - \$12.93
Springdale <sup>1</sup>	\$18.28 - \$19.28	\$11.63 - \$12.41	\$9.27 - \$9.53	\$12.39 - \$13.17

<sup>1</sup>There was a significant reclassification of space in 1H 2014, only affecting Class A and Class B space in Springdale. Caution should be used in interpreting changes at that point.

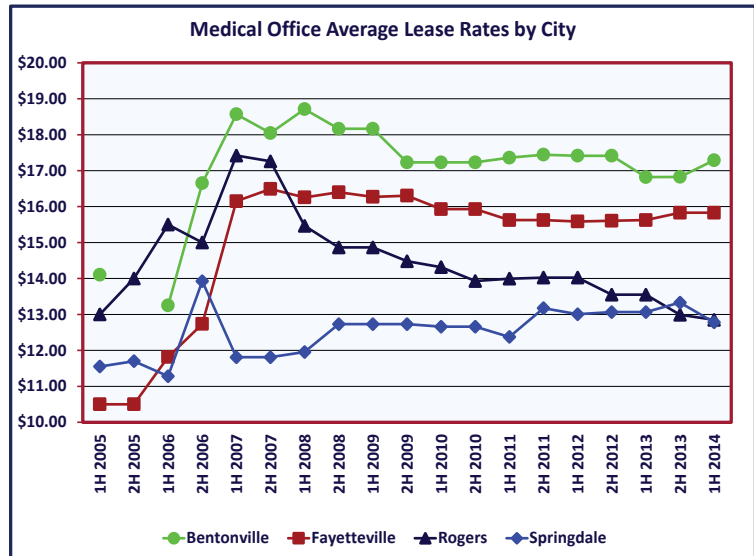
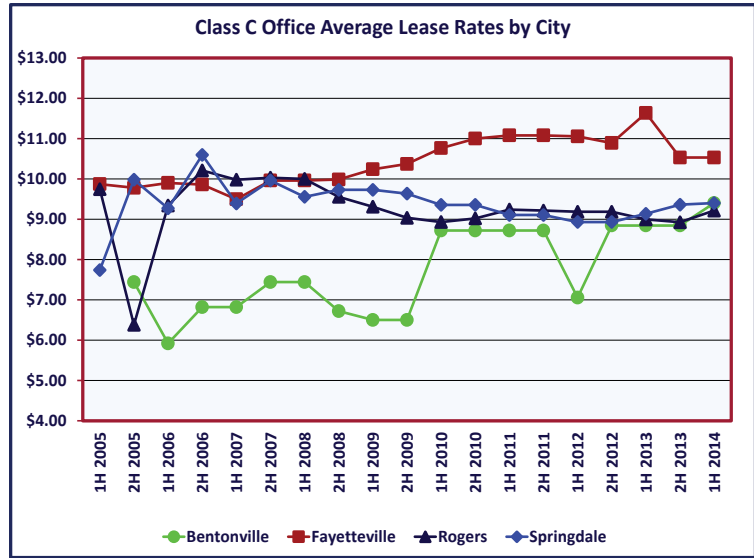


square feet of available space in the first half of 2014, of which 46.5 percent was medical office space. 1,478 square feet became occupied in the Class B submarket, in addition to 29,784 square feet of net positive absorp-

tion in the Class C submarket, while the Class A and medical office submarkets had negative net absorption of 360 square feet and 5,010 square feet, respectively, leading to a total positive net absorption of 25,892 square feet.

# Office

In the first half of 2014, average reported lease rates for Class A office space were highest in Fayetteville at \$21.47. Rogers was at \$20.14, Bentonville was at \$19.81, and Springdale (with very limited Class A space) was at \$18.78. Average reported lease rates for Class B office space were highest in Rogers at \$15.07. Bentonville was at \$14.78, Fayetteville was at \$13.90, and Springdale had the lowest reported average lease rates at \$12.02. Reported average lease rates for Class C office were highest in Fayetteville, which experienced no significant change from \$10.53 from the second half of 2013. Springdale was at \$9.40, Bentonville was at \$9.40, and Rogers was the lowest at \$9.22. Reported average medical office space lease rates increased in Bentonville to \$17.29, while decreasing by \$0.14 in Rogers to \$12.85, and by \$0.55 in Springdale to \$12.78. In Fayetteville there was no change and average lease rates remained at \$15.83.



# Office

## Office Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	338,010	24,468	7.2%	-20,384	0	-20,384	130.7
Fayetteville	403,896	31,440	7.8%	26,749	0	26,749	25.3
Rogers	1,389,633	256,733	18.5%	11,768	14,294	-2,526	7.1
Springdale <sup>3</sup>	65,501	360	0.5%	-360	0	-360	--
<b>Class B</b>							
Bentonville	2,648,318	398,222	15.0%	37,608	0	37,608	63.5
Fayetteville	1,292,137	173,509	13.4%	39,787	0	39,787	26.2
Rogers	726,517	107,487	14.8%	-19,867	0	-19,867	--
Springdale <sup>3</sup>	382,781	33,325	8.7%	1,478	0	1,478	135.3
<b>Class C</b>							
Bentonville	76,866	35,724	46.5%	7,700	0	7,700	27.8
Fayetteville	250,558	15,632	6.2%	12,617	0	12,617	7.4
Rogers	210,772	72,400	34.3%	805	0	805	539.6
Springdale	143,895	22,860	15.9%	29,784	0	29,784	4.6
<b>Medical</b>							
Bentonville	274,018	20,552	7.5%	-2,929	0	-2,929	--
Fayetteville	941,275	133,087	14.1%	4,761	0	4,761	167.7
Rogers	343,329	59,496	17.3%	5,010	0	5,010	71.3
Springdale	276,867	49,207	17.8%	-5,010	0	-5,010	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

<sup>3</sup>There was a significant reclassification of space in 1H 2014 only affecting Class A and Class B space in Springdale. Caution should be used in interpreting changes at that point.





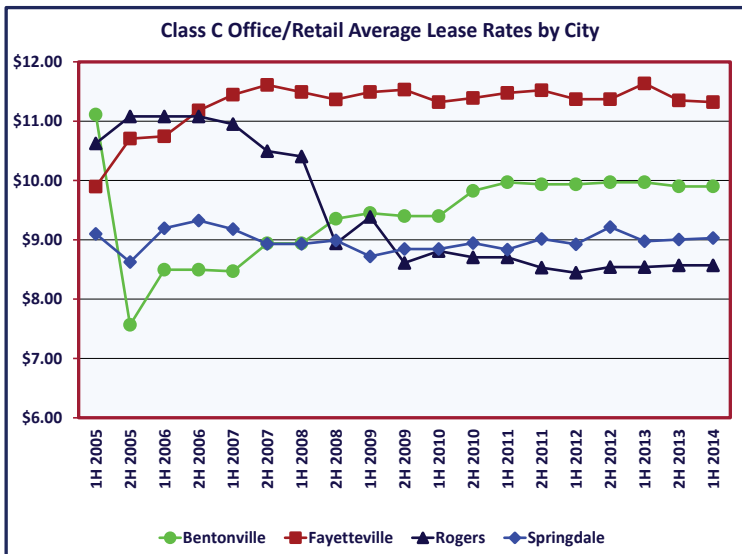
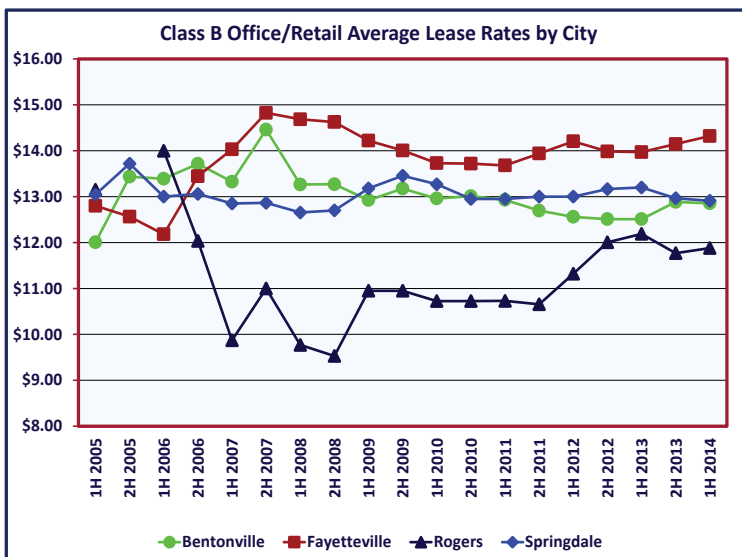
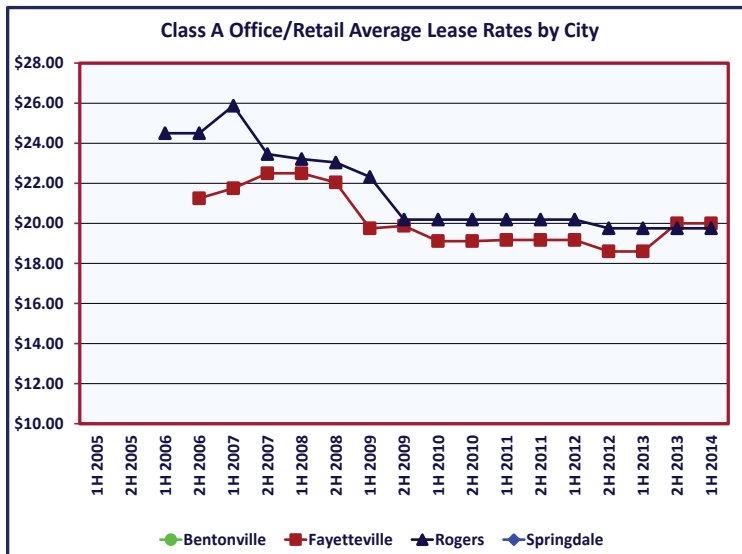
# Office/Retail

In the first half of 2014, the office/retail properties included in the Skyline Report sample had a vacancy rate of 12.8 percent, a decrease from 14.2 percent in the second half of 2013. Of the over 4.2 million square feet of Northwest Arkansas properties examined, 545,480 square feet were available.

From the second half of 2013 to the first half of 2014, 6,000 square feet of office/retail space was added in Northwest Arkansas. The number of square feet becoming occupied was larger than the number of square feet becoming available in the office/retail submarket, causing positive net absorption of 6,000 square feet in the first half of 2014. Rogers had the most net positive absorption with 18,408 square feet. Bentonville, Fayetteville, Springdale, and Bella Vista also had net positive absorption of 1,811, 2,867, 14,968, and 6,169 square feet, respectively.

Fayetteville had the largest amount of available square feet in the office/retail submarket with 163,040 square feet available. Rogers, Bentonville, and Springdale had 158,682, 115,102 and 74,820 square feet available, respectively. Dividing those by the total square feet of office/retail space, this translated to vacancy rates of 19.1 percent for Rogers, 10.6 percent for Fayetteville, 13.1 percent for Bentonville, and 14.3 percent for Springdale in the first half of 2014.

The office/retail space average reported lease rates in the first half of 2014 were highest in the Fayetteville Class A submarket at \$20.00. The average lease rate in Rogers was \$19.76. In the Class B submarket, Fayetteville was the most expensive at \$15.13, followed by Springdale at \$13.61, Bentonville at \$13.44, and Rogers at \$12.40. In the Class C submarket the average lease rate in Fayetteville was \$11.88, in Bentonville was \$10.40, in Springdale was \$9.53, and Rogers was the least expensive at \$9.44.



# Office/Retail

## Office/Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	--	\$12.27 - \$13.44	\$9.40 - \$10.40
Fayetteville	\$20.00 - \$20.00	\$13.51 - \$15.13	\$10.76- \$11.88
Rogers	\$18.88- \$20.63	\$11.36 - \$12.40	\$7.70 - \$9.44
Springdale	--	\$12.21 - \$13.61	\$8.55 - \$9.51



## Office/Retail Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	--	--	--	--	--	--	--
Fayetteville	69,307	10,478	15.1%	0	0	0	--
Rogers	133,982	18,335	13.7%	21,690	0	21,690	5.1
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	791,275	110,986	0	251	0	251	2,653.1
Fayetteville	1,114,257	126,943	0	8,539	6,000	2,539	300.0
Rogers	384,486	90,359	0	9,036	0	9,036	60.0
Springdale	243,647	26,665	0	1,943	0	1,943	82.3
<b>Class C</b>							
Bentonville	84,800	4,116	4.9%	1,560	0	1,560	15.8
Fayetteville	360,551	25,619	7.1%	328	0	328	468.6
Rogers	310,699	49,988	16.1%	-12,318	0	-12,318	--
Springdale	280,175	48,155	17.2%	13,025	0	13,025	22.2

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Retail

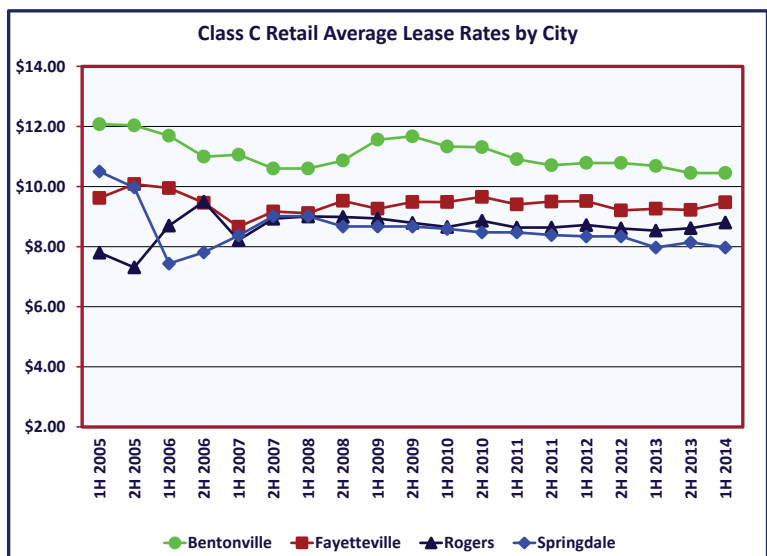
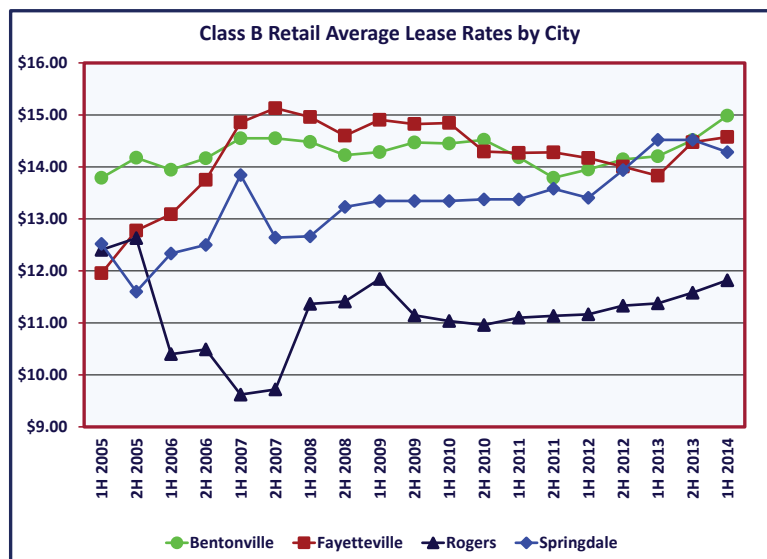
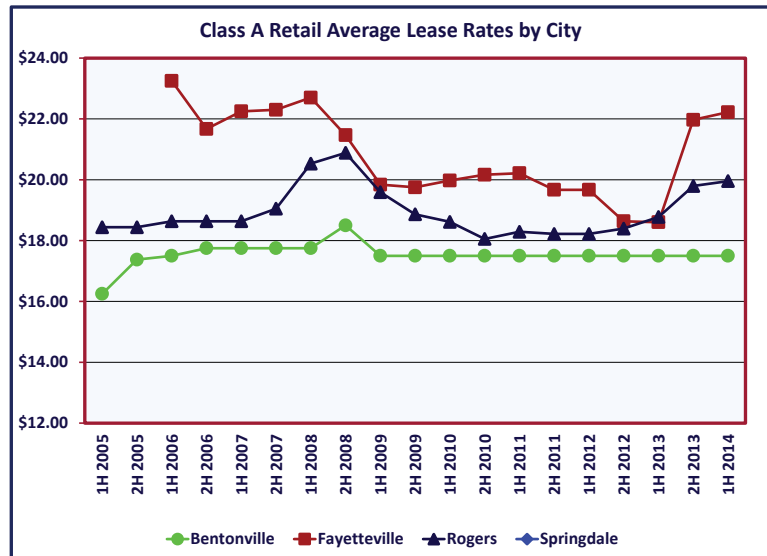
In the first half of 2014, the retail properties included in the Skyline Report panel had a vacancy rate of 8.5 percent, down from 9.0 percent in the second half of 2013. Of more than 8 million square feet of Northwest Arkansas retail properties examined, 685,950 square feet were available. From the second half of 2013 to the first half of 2014, 36,369 square feet of new retail space were added in Northwest Arkansas, leading to net absorption of 50,256 square feet.

Bentonville had 533,952 total square feet and 63,782 available square feet of retail space in the first half of 2014, resulting in a vacancy rate of 11.9 percent. This represented an increase from the rate of 9.0 percent in the second half of 2013. 16,353 square feet of new retail space were added to the market. The increased vacancy rate resulted from negative net absorption of 12,631 square feet.

In the first half of 2014, Fayetteville had a retail vacancy rate of 6.3 percent, down from 8.1 percent in the second half of 2013, with 205,500 available square feet out of a total of 3,274,171. 6,000 square feet were added and there was reported net positive absorption of 57,604 square feet in the Fayetteville retail market.

The Rogers market had 201,653 square feet of available retail space out of a total of 2,654,655 square feet for a vacancy rate of 7.6 percent in the first half of 2014. This was an increase from the 7.5 rate in the second half of 2013. From the second half of 2013 to the first half of 2014, 14,016 square feet of new retail space were added in Rogers, leading to net negative absorption of 2,247 square feet.

There were 177,640 square feet of available retail space out of a total of 1,148,980 square feet in Springdale in the first half of 2014. This implied a vacancy rate of 15.5 percent, down from 16.1 percent in the second half of 2013. No new retail space was added during the first half of 2014 but there was net positive absorption of 20,277 square feet.



# Retail

In the Class A retail submarket, Fayetteville had the highest average reported lease rates at \$22.22. The average rate in Rogers was \$19.96, and Bentonville remained at \$17.50. Class B retail average lease rates were highest in Bentonville at \$14.99, while Fayetteville was at \$14.58, Springdale was at \$14.29, and Rogers was the lowest at \$11.82. Class C average reported lease rates remained the highest in Bentonville at \$10.45. Fayetteville was at \$9.48, Rogers was at \$8.81, and Springdale was at \$7.97.

## Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.50 - \$19.50	\$14.21 - \$14.82	\$10.33 - \$10.57
Fayetteville	\$20.94 - \$23.00	\$14.01 - \$14.94	\$8.97 - \$9.47
Rogers	\$18.88 - \$20.71	\$11.08 - \$12.08	\$8.35 - \$8.88
Springdale	--	\$14.16 - \$14.88	\$7.72 - \$8.57



## Retail Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	39,534	3,000	7.6%	0	0	0	--
Fayetteville	1,845,632	64,769	3.5%	-22,280	0	-22,280	--
Rogers	1,612,290	130,863	8.1%	2,933	8,016	-5,083	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	362,920	48,486	13.4%	7,922	16,353	-8,431	--
Fayetteville	1,080,472	89,889	8.3%	85,762	6,000	79,762	6.8
Rogers	624,664	11,100	1.8%	11,601	6,000	5,601	11.9
Springdale	742,214	150,546	20.3%	-32,225	0	-32,225	--
<b>Class C</b>							
Bentonville	131,498	12,296	9.4%	-4,200	0	-4,200	--
Fayetteville	348,067	50,842	14.6%	122	0	122	2,500
Rogers	417,701	59,690	14.3%	-2,765	0	-2,765	--
Springdale	406,766	27,094	6.7%	52,502	0	52,502	3.1

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Other Categories

## Warehouse

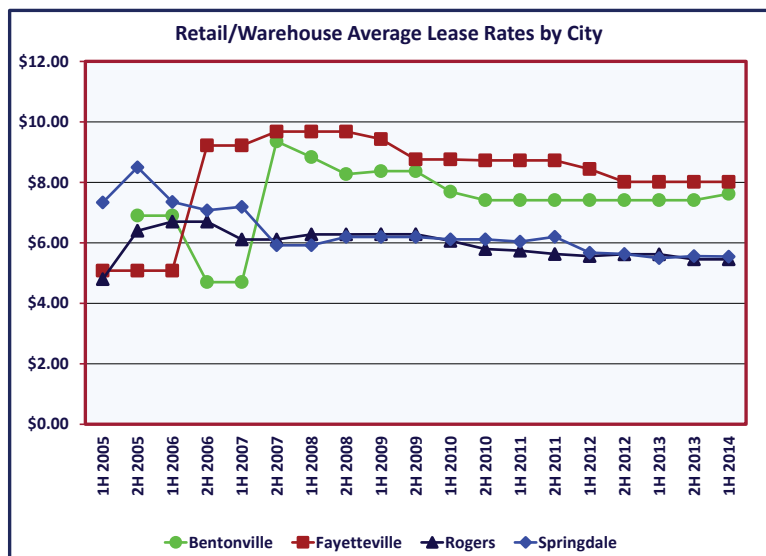
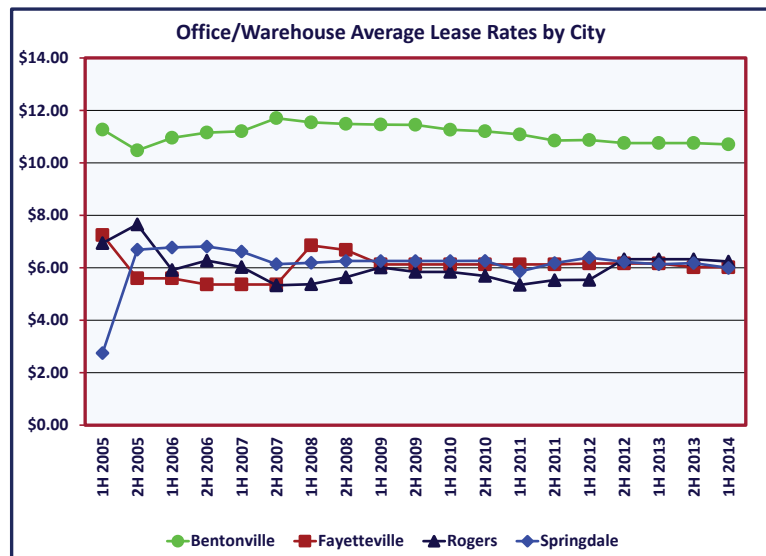
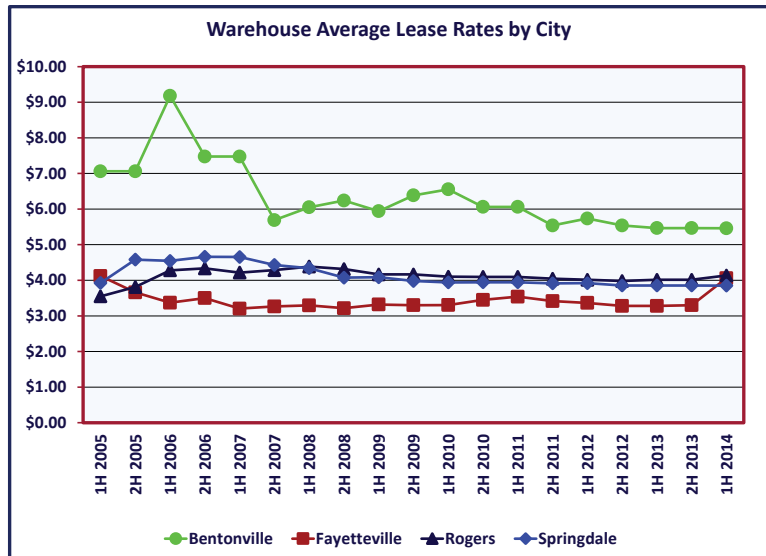
In the first half of 2014, the warehouse properties included in the Skyline Report panel had a vacancy rate of 13.8 percent, down from 17.3 percent in the second half of 2013. Of 6,990,429 square feet of warehouse space examined, 966,843 square feet were available in the first half of 2014.

The majority of available warehouse space was split between Rogers (457,312 square feet), Lowell (179,000 square feet), Siloam Springs (143,768 square feet), and Springdale (99,304 square feet). Bentonville and Fayetteville had 56,832 and 30,625 square feet of available warehouse space, respectively. There was no new space added to the warehouse market in the first half of 2014. Existing warehouse space became occupied in Springdale (157,923 square feet), Fayetteville (163,948 square feet), and Rogers (74,400 square feet), whereas Siloam Springs and Bentonville experienced 5,760 and 39,500 square feet of negative absorption, respectively. As a result, there was a positive net absorption of 351,011 square feet in Northwest Arkansas. Reported warehouse vacancy rates declined in Fayetteville and Springdale, and increased in Rogers, Siloam Springs, and Bentonville, where the vacancy rate was impacted by significant warehouse space entering the owner occupied category, during the first half of 2014.

The average reported warehouse lease rates increased significantly in Fayetteville by 76 cents. The rate was impacted by the demolition of warehouse space in South Fayetteville. Rates increased slightly in Rogers, while Springdale and Bentonville experienced no change. Bentonville continued to have the highest reported lease rate at \$5.46 in the first half of 2014.

## Office/Warehouse

The Skyline Report panelists reported on 3,341,876 square feet of office/warehouse space, with 250,654 total square feet available in the first half of 2014. The vacancy rate in the office/warehouse submarket decreased from 13.4 percent





# Other Categories

in the first half of 2013 to 7.5 percent in the first half of 2014. No office/warehouse space entered the market in Northwest Arkansas during the first half of 2014.

The office/warehouse submarket in Northwest Arkansas experienced positive net absorption of 50,860 square feet in Springdale and 10,000 square feet in Siloam Springs. Neither Fayetteville nor Lowell experienced any absorption, while Bentonville and Rogers experienced negative net absorption of 18,105 and 7,000, respectively. This totaled 35,755 square feet of positive absorption in Northwest Arkansas during the first half of 2014. Rogers, Bentonville, and Springdale, with 63,029 square feet, 100,950 square feet, and 50,800 square feet, respectively, had the bulk of the available office/warehouse space in Northwest Arkansas, while Fayetteville and Lowell had 6,000 and 29,875 square feet of available office/warehouse space, respectively.

## Other Lease Rates Average Range by City

	Warehouse	Office/Warehouse	Retail/Warehouse
Bentonville	\$5.19 - \$5.73	\$10.01 - \$11.40	\$7.25 - \$7.99
Fayetteville	\$3.91 - \$4.21	\$5.69 - \$6.35	\$7.39 - \$8.64
Rogers	\$3.93 - \$4.34	\$6.07 - \$6.41	\$5.41 - \$5.50
Springdale	\$3.67 - \$4.03	\$5.32 - \$6.67	\$5.31 - \$5.78

Average reported office/warehouse lease rates declined slightly in Bentonville, Rogers, and Springdale in the first half of 2014, with Bentonville continuing to have the highest reported average lease rate at \$10.71.

west Arkansas. The vacancy rate in the retail/warehouse submarket decreased from 10.9 percent in the second half of 2013 to 7.2 percent in the first half of 2014.

### Retail/Warehouse

The Skyline Report panelists reported on 1,004,991 square feet of retail/warehouse space in the first half of 2014. A total of 72,712 square feet were available in North-

From the second half of 2013 to the first half of 2014, there was positive net absorption of 19,865 square feet of retail/warehouse space in Northwest Arkansas. There was positive net absorption in the retail/warehouse markets of 18,316 square feet in Rogers, and 5,260 square feet in Springdale.

## Other Space Characteristics by Class and City

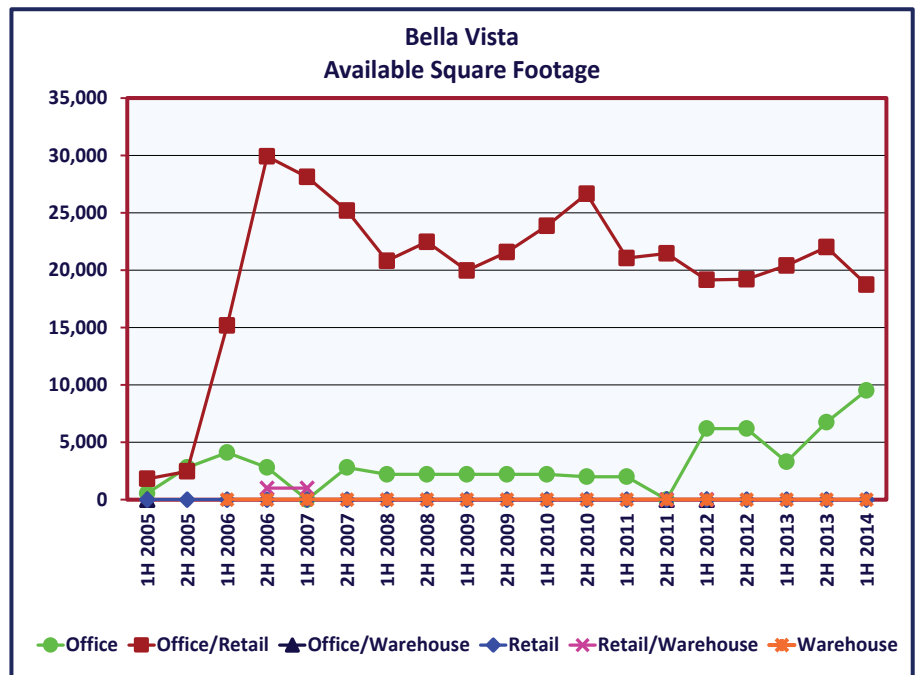
Warehouse	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	409,288	56,834	13.9%	-39,500	0	-39,500	--
Fayetteville	1,011,091	30,625	3.0%	163,948	0	163,948	1.1
Rogers	2,421,859	457,312	18.9%	74,400	0	74,400	36.9
Springdale	1,961,548	99,304	5.1%	157,923	0	157,923	3.8
<b>Office/Warehouse</b>							
Bentonville	1,015,408	100,950	9.9%	-18,105	0	-18,105	--
Fayetteville	152,072	6,000	3.9%	0	0	0	--
Rogers	470,562	63,029	13.4%	-7,000	0	-7,000	--
Springdale	1,497,034	50,800	3.4%	50,860	0	50,860	6.0
<b>Retail/Warehouse</b>							
Bentonville	224,426	5,000	2.2%	0	0	0	--
Fayetteville	114,440	18,312	16.0%	-3,711	0	-3,711	--
Rogers	150,021	2,100	1.4%	18,316	0	18,316	0.7
Springdale	421,376	47,300	11.2%	5,260	0	5,260	54.0

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Bella Vista

- From January 1 to June 30, 2014, no commercial building permits were issued in Bella Vista.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 404,264 square feet of commercial space in Bella Vista in the first half of 2014.
- In the first half of 2014, Bella Vista experienced positive net absorption of 9,619 square feet.
- There was positive net absorption in the Class B office submarket of 3,450 square feet, and positive net absorption of 6,169 square feet in the Class B office/retail submarket.
- There was no space added to the Bella Vista commercial market in the first half of 2014.
- Reported average lease rates in Bella Vista in the first half of 2014 remained relatively consistent with the rates in the second half of 2013.



## Bella Vista Commercial Real Estate Market Summary Statistics

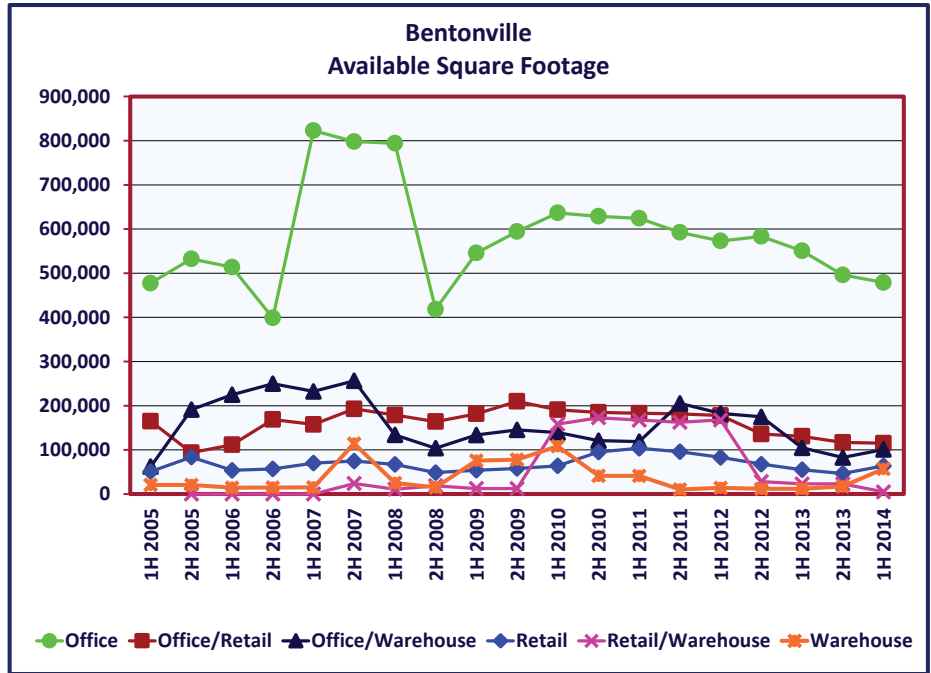
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Net Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$10.96 - \$14.03	77,909	9,514	12.2%	3,450	0	3,450	16.5
Class A	--	--	--	--	--	--	--	--
Class B	\$10.62 - \$14.03	69,805	9,514	13.6%	3,450	0	3,450	16.5
Class C	--	--	--	--	--	--	--	--
Medical	\$12.00 - \$14.00	8,104	0	0.0%	0	0	0	--
Office/Retail	\$10.04 - \$12.42	286,869	18,736	6.5%	6,169	0	6,169	18.2
Class A	--	--	--	--	--	--	--	--
Class B	\$10.04 - \$12.42	276,285	15,836	5.7%	6,169	0	6,169	15.4
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Bentonville

- From January 1 to June 30 2014, Bentonville issued \$45,696,890 worth of building permits for new commercial space. The first half of 2014 value was 385.4 percent higher than the first half of 2013 value of \$9,413,479. Bentonville accounted for 58.5 percent of the commercial permits issued in Northwest Arkansas during the first half of 2014.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,412,701 square feet of commercial space in Bentonville in the first half of 2014.
- In the first half of 2014, Bentonville experienced negative net absorption of 46,430 square feet.
- There was positive net absorption in the office, and office/retail submarkets, of 21,995 and 1,811 square feet, respectively, while there was negative net absorption in the medical, office/warehouse, retail, and warehouse submarkets of 2,929, 18,105, 12,631, and 39,500 square feet in the first half of 2014 in Bentonville.



- Reported vacancy rates from the second half of 2013 to the first half of 2014 decreased in the office, office/retail, and retail/warehouse submarkets, and increased in the medical, office/warehouse, retail, and warehouse submarkets. The warehouse submarket was impacted by movement to the owner-occupied category of some fully occupied warehouses.

## Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Net Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	\$4.50 - \$4.50	16,340	0	0.0%	0	0	0	--
Office	\$14.60 - \$15.22	3,337,212	478,966	14.4%	21,995	0	21,995	130.7
Class A	\$19.56 - \$20.06	338,010	24,468	7.2%	-20,384	0	-20,384	--
Class B	\$14.49 - \$15.06	2,648,318	398,222	15.0%	37,608	0	37,608	63.5
Class C	\$9.30 - \$9.50	76,866	35,724	46.5%	7,700	0	7,700	27.8
Medical	\$16.55 - \$18.03	274,018	20,552	7.5%	-2,929	0	-2,929	--
Office/Retail	\$11.79 - \$12.93	876,075	115,102	13.1%	1,811	0	1,811	381.3
Class A	--	--	--	--	--	--	--	--
Class B	\$12.27 - \$13.44	791,275	110,986	14.0%	251	0	251	2,653.1
Class C	\$9.40 - \$10.40	84,800	4,116	4.9%	1,560	0	1,560	15.8
Office/Warehouse	\$10.01 - \$11.40	1,015,408	100,950	9.9%	-18,105	0	-18,105	--
Retail	\$13.34 - \$13.90	533,952	63,782	11.9%	3,722	16,353	-12,631	--
Class A	\$15.50 - \$19.50	39,534	3,000	7.6%	0	0	0	--
Class B	\$14.70 - \$15.27	362,920	48,486	13.4%	7,922	16,353	-8,431	--
Class C	\$10.33 - \$10.57	131,498	12,296	9.4%	-4,200	0	-4,200	--
Retail/Warehouse	\$7.25 - \$7.99	224,426	5,000	2.2%	0	0	0	--
Warehouse	\$5.19 - \$5.73	409,288	56,834	13.9%	-39,500	0	-39,500	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Bentonville

- Average lease rates increased significantly by \$0.75, \$0.56, \$0.46, \$0.47 in the Bentonville Class A office, Class C office, medical office, and Class B retail submarkets from the second half of 2013 to the first half of 2014. Other lease rates remained relatively stable during this period.

## **Downtown Bentonville**

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 170,145 square feet of office, office/retail, and retail space in downtown Bentonville

in the first half of 2014. This was a decline of 30,000 square feet due to the tearing down of the mid-town square development.

- There was positive net absorption of 7,817 square feet of retail space in downtown Bentonville in the first half of 2014.
- Office space in downtown Bentonville had a reported vacancy rate of 1.2 percent in the first half of 2014, down from 13.1 percent in the second half of 2013. The vacant space is newly repurposed office space.

- The office/retail vacancy rate in downtown Bentonville remained at 0.0 percent, as all the space stayed occupied.
- The retail vacancy rate for downtown Bentonville properties was 0.0 percent, a decrease from the reported 8.2 percent in the second half of 2013.
- In downtown Bentonville, average reported lease rates increased significantly, by \$0.40, in the office submarket during the past six months and by \$1.58 in the office/retail submarket in the past six months.



## Downtown Bentonville Summary Statistics

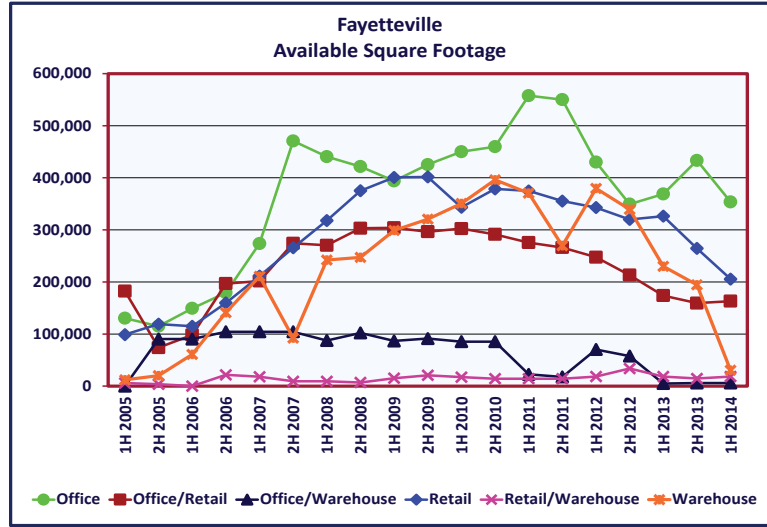
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$14.19 - \$14.97	82,313	1,000	1.2%	-1,000	0	-1,000	--
Office/Retail	\$11.08 - \$13.58	46,109	0	0.0%	0	0	0	--
Retail	\$11.45 - \$11.95	41,723	0	0.0%	7,817	0	7,817	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Fayetteville

- From January 1 to June 30, 2014, Fayetteville issued building permits for \$12,814,157 worth of new commercial space. The first half of 2014 value was 6.6 percent lower than the first half of 2013 value of \$13,721,837. Fayetteville accounted for 16.4 percent of the commercial permits issued in Northwest Arkansas during the first half of 2014.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,737,858 square feet of commercial space in Fayetteville in the first half of 2014.
- In the first half of 2014, Fayetteville experienced positive net absorption of 304,622 square feet overall. There was positive absorption in the office, medical, office/retail, retail, office/warehouse, retail, and warehouse submarkets of 83,914, 4,761, 2,867, 57,604, and 163,948 square feet, respectively. The retail/warehouse submarket experienced negative net absorption of 3,711 square feet.



- Observed vacancy rates in Fayetteville from the second half of 2013 to the first half of 2014 decreased for office, office/retail, retail, and warehouse space. Vacancy rates increased for retail/warehouse space. They remained the same for medical office, office/warehouse, lab, and industrial space.
- The Fayetteville warehouse submarket had a significant average lease rate in-

crease of \$0.76 as several warehouse were demolished for a new multifamily project, and an average lease rate decrease of \$0.47 in the Class A office submarket; all other lease rates were relatively stable.

## Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$20.07 - \$21.07	75,603	30,000	39.7%	0	0	0	--
Industrial	\$2.73 - \$2.88	678,500	0	0.0%	0	0	0	--
Office	\$13.80 - \$14.73	2,887,866	353,668	12.2%	83,914	0	83,914	25.3
Class A	\$19.39 - \$23.54	403,896	31,440	7.8%	26,749	0	26,749	7.1
Class B	\$13.67 - \$14.13	1,292,137	173,509	13.4%	39,787	0	39,787	26.2
Class C	\$10.37 - \$10.69	250,558	15,632	6.2%	12,617	0	12,617	7.4
Medical	\$15.02 - \$16.64	941,275	133,087	14.1%	4,761	0	4,761	167.7
Office/Retail	\$12.79 - \$14.17	1,544,115	163,040	10.6%	8,867	6,000	2,867	341.2
Class A	\$20.00 - \$20.00	69,307	10,478	15.1%	0	0	0	--
Class B	\$13.51 - \$15.13	1,114,257	126,943	11.4%	8,539	6,000	2,539	300.0
Class C	\$10.76 - \$11.88	360,551	25,619	7.1%	328	0	328	468.6
Office/Warehouse	\$5.69 - \$6.35	152,072	6,000	3.9%	0	0	0	--
Retail	\$13.05 - \$13.79	3,274,171	205,500	6.3%	63,604	6,000	57,604	21.4
Class A	\$21.44 - \$23.00	1,845,632	64,769	3.5%	-22,280	0	-22,280	--
Class B	\$14.14 - \$15.01	1,080,472	89,889	8.3%	85,762	6,000	79,762	6.8
Class C	\$9.30 - \$9.65	348,067	50,842	14.6%	122	0	122	2,500.4
Retail/Warehouse	\$7.39 - \$8.64	114,440	18,312	16.0%	-3,711	0	-3,711	--
Warehouse	\$3.91 - \$4.21	1,011,091	30,625	3.0%	163,948	0	163,948	1.1

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents



# Fayetteville

## **Downtown Fayetteville/Dickson Street Area**

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 930,284 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street area in the first half of 2014.
- There was negative net absorption of 734 square feet of office/retail and positive absorption of 18,125 and 1,942 square feet of office and retail space in the first half of 2014.
- There was no new space added in downtown Fayetteville during the first half of 2014.
- The office space in downtown Fayetteville had a reported vacancy rate of 8.5 percent in the first half of 2014, down 4.0 percentage points from the second half of 2013. This was lower than the overall Fayetteville office vacancy rate of 12.2 percent.
- The office/retail vacancy rate for downtown Fayetteville properties increased 0.1 percentage points to 5.2 percent. This compares to 10.6 percent in the same submarket for all of Fayetteville during the first half of 2014.
- The downtown Fayetteville retail vacancy rate increased to 8.8 percent, and stayed higher than the overall Fayetteville vacancy rate of 6.3 percent in the first half of 2014.

- Average reported lease rates in downtown Fayetteville remained relatively unchanged during the past six months.

## **Northwest Arkansas Mall Area/Joyce Street Corridor**

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,826,093 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the first half of 2014.
- There was positive net absorption of 53,893 and 20,780 square feet of office and retail space during the first half of 2014 in the Northwest Arkansas Mall Area/Joyce Street Corridor.
- There was 6,000 square feet of new retail space added to the north Fayetteville commercial market in the first half of 2014.
- The office space in north Fayetteville had a reported vacancy rate of 13.4 percent in the first half of 2014. This was lower than the second half of 2013 vacancy rate of 17.0 percent and was higher than the 12.2 percent vacancy rate for all of Fayetteville.
- In the first half of 2014 the office/retail vacancy rate in north Fayetteville remain as 6.6 percent, like in the second half of 2013. The vacancy rate was below the city average office/retail vacancy rate of 10.6 percent.

- Retail space in north Fayetteville had a reported vacancy rate of 5.3 percent in the first half of 2014, a decrease from the 6.2 percent rate in the second half of 2013, and lower than the overall Fayetteville rate of 6.3 percent.
- Average reported lease rates remained relatively stable during this period.



## **Fayetteville Downtown/Dickson Street Area Summary Statistics**

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.26 - \$14.88	443,873	37,532	8.5%	18,125	0	18,125	12.4
Office/Retail	\$14.11 - \$15.96	407,757	21,336	5.2%	-734	0	-734	--
Retail	\$9.95 - \$11.88	78,654	6,915	8.8%	1,942	0	1,942	21.4

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Fayetteville

## **Martin Luther King, Jr. Boulevard Corridor**

- In the first half of 2014, Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 414,284 square feet of office, office/retail, and retail space in the MLK Boulevard Corridor.
- There was no new competitive space added to southwest Fayetteville in the first six months of 2014.
- The MLK Boulevard Corridor of Fayetteville experienced positive absorption of 15,000 square feet of retail space, and negative absorption of 10,435 and 1,300 square feet of office and office/retail space in the first half of 2014.
- Office space in the MLK Boulevard Corridor of Fayetteville had a reported vacancy rate of 41.5 percent in the first half of 2014. This was higher than the overall office vacancy rate of 12.2 percent for Fayetteville, and way up from the previous report's 0.0 percent during the second half of 2013.
- From the second half of 2013 to the first half of 2014, the office/retail vacancy rate increased from 7.0 percent to 7.5 percent in the MLK Boulevard Corridor of Fayetteville, and was lower than the overall city average rate of 10.6 percent.
- The vacancy rates for retail space in the MLK Boulevard Corridor decreased to 35.6 percent in the first half of 2014 from 43.3 percent in the second half of 2013. The retail vacancy rate for all of Fayetteville was a much lower 6.3 percent.
- Average reported lease rates decreased by \$0.50 in the office/retail submarkets in southwest Fayetteville over the past six months and remained relatively unchanged in the others.

## Fayetteville Mall/Joyce Street Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.03 - \$15.80	1,460,163	196,015	13.4%	53,893	0	53,893	21.8
Office/Retail	\$16.25 - \$16.61	101,785	6,754	6.6%	0	0	0	--
Retail	\$17.89 - \$18.66	2,264,145	119,510	5.3%	26,780	6,000	20,780	34.5

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

## Fayetteville MLK Boulevard Corridor Summary Statistics

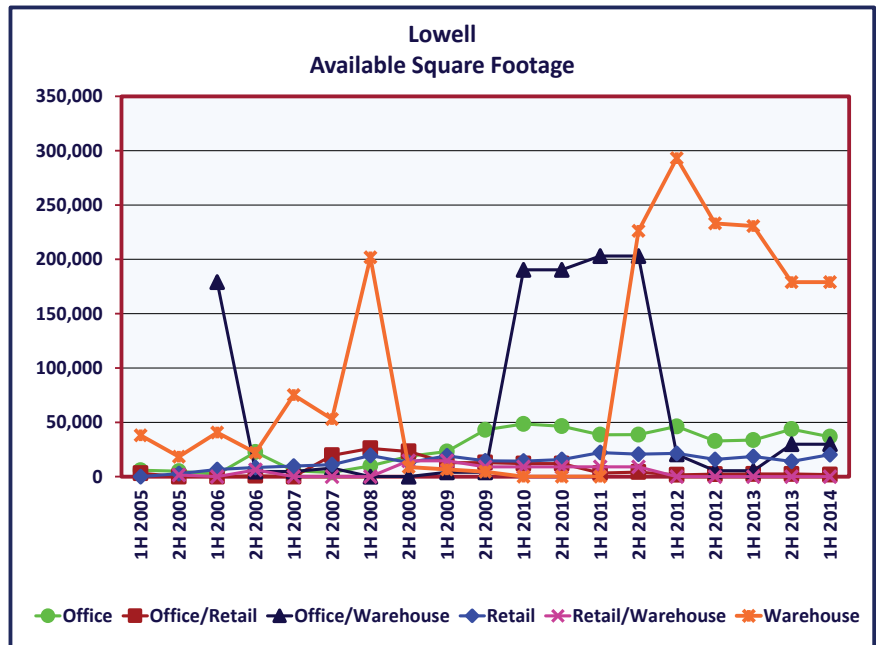
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$10.25 - \$10.25	25,125	10,435	41.5%	-10,435	0	-10,435	--
Office/Retail	\$11.85 - \$13.95	235,591	17,700	7.5%	-1,300	0	-1,300	--
Retail	\$12.46 - \$13.02	153,568	54,705	35.6%	15,000	0	15,000	21.9

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Lowell

- From January 1 to June 30, 2014, Lowell issued building permits for \$299,768 worth of new commercial space. Building permits valued at \$1,662,604 were issued in the second half of 2013 and no permits were issued in the first half of 2014. Lowell accounted for 0.4 percent of building permits issued in Northwest Arkansas in the first half of 2014.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,524,292 square feet of Lowell commercial space in the first half of 2014.
- In the first half of 2014, Lowell had total net absorption of 17,295 square feet overall. There was positive net absorption of 15,900, 7,002, 1,707, and 540 square feet in the industrial, office, medical, and office/retail submarkets. There was negative net absorption of 6,147 in retail space.
- There was no new commercial space added in Lowell in the first six months of 2014.
- Reported vacancy rates increased in retail, decreased in office and office/



retail, and remained constant in medical office, office/warehouse, retail/warehouse, and warehouse from the second half of 2013 to the first half of 2014.

- Significant change in the average reported lease rates in Lowell from the second half of 2013 to the first half of

2014 occurred in the Class B office/retail submarket with a decrease of \$0.26, while other submarkets remained relatively unchanged.

## Lowell Commercial Real Estate Market Summary Statistics

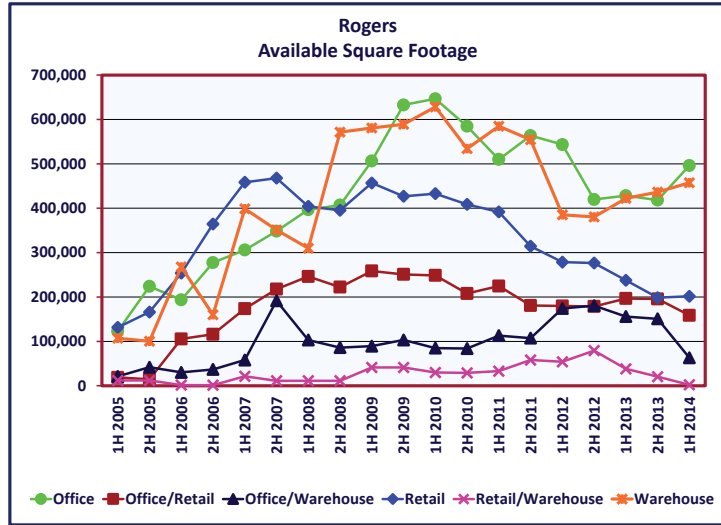
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Net Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	73,080	0	0.0%	15,900	0	15,900	--
Office	\$14.27 - \$14.47	304,879	36,709	12.0%	7,002	0	7,002	31.5
Class A	\$18.83 - \$18.83	109,330	20,319	18.6%	-305	0	-305	--
Class B	\$11.72 - \$12.06	122,550	12,690	10.4%	5,600	0	5,600	13.6
Class C	--	--	--	--	--	--	--	--
Medical	\$17.33 - \$17.33	72,999	3,700	5.1%	1,707	0	1,707	13.0
Office/Retail	\$9.77 - \$10.52	65,470	1,900	2.9%	540	0	540	21.1
Class A	--	--	--	--	--	--	--	--
Class B	\$11.67 - \$12.67	48,310	1,900	3.9%	540	0	540	21.1
Class C	\$4.08 - \$4.08	17,160	0	0.0%	0	0	0	--
Office/Warehouse	\$5.62 - \$5.94	92,298	29,875	32.4%	0	0	0	--
Retail	\$12.38 - \$14.88	125,772	20,251	16.1%	-6,147	0	-6,147	--
Class A	--	50,000	0	0.0%	0	0	0	--
Class B	\$12.38 - \$14.88	75,772	20,251	26.7%	-6,147	0	-6,147	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.19 - \$10.19	26,700	0	0.0%	0	0	0	--
Warehouse	\$3.39 - \$3.39	836,093	179,000	21.4%	0	0	0	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Rogers

- From January 1 to June 30, 2014, Rogers issued building permits for \$11,565,338 worth of new commercial space. This value was 43.6 percent higher than the first half of 2013 value of \$8,053,072, but lower than the second half of 2013 value of \$16,460,247. Rogers accounted for 14.8 percent of the commercial permits issued in Northwest Arkansas during the first half of 2014.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,662,789 square feet of commercial space in the first half of 2014.
- In the first half of 2014, Rogers had overall positive net absorption of 122,662 square feet. There was positive net absorption in the industrial, medical, office/retail, retail/warehouse, and warehouse submarkets of 37,363, 5,010, 18,408, 18,316, and 74,400 square feet, respectively and negative net absorption in the office, office/warehouse and retail sectors of 16,578, 7,000, and 2,247 square feet.



- In the first six months of 2014, 14,294 square feet of office and 14,016 square feet of retail space were added to the Rogers market.
- Reported vacancy rates in the first half of 2014 decreased in office/retail, office/warehouse, retail/warehouse, and industrial, and increased in office, retail, and lab, and remained the same in medical office.
- The most significant changes in average reported lease rates in Rogers from the second half of 2013 to the first half of 2014 were an increase of \$0.29 in the Class C office submarket and an increase of \$0.24 in the Class B retail submarket. All other lease rates remained relatively unchanged.

## Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$10.00 - \$12.00	9,482	0	0.0%	0	0	0	--
Industrial	\$4.18 - \$4.18	456,792	131,725	28.8%	37,363	0	37,363	21.2
Office	\$14.28 - \$15.08	2,670,251	496,116	18.6%	-2,284	14,294	-16,578	--
Class A	\$19.13 - \$21.15	1,389,633	256,733	18.5%	11,768	14,294	-2,526	--
Class B	\$14.79 - \$15.35	726,517	107,487	14.8%	-19,867	0	-19,867	--
Class C	\$8.94 - \$9.49	210,772	72,400	34.3%	805	0	805	539.6
Medical	\$12.77 - \$12.93	343,329	59,496	17.3%	5,010	0	5,010	71.3
Office/Retail	\$10.36 - \$11.85	829,167	158,682	19.1%	18,408	0	18,408	51.7
Class A	\$18.88 - \$20.63	133,982	18,335	13.7%	21,690	0	21,690	5.1
Class B	\$11.36 - \$12.40	384,486	90,359	23.5%	9,036	0	9,036	60.0
Class C	\$7.70 - \$9.44	310,699	49,988	16.1%	-12,318	0	-12,318	--
Office/Warehouse	\$6.07 - \$6.41	470,562	63,029	13.4%	-7,000	0	-7,000	--
Retail	\$12.07 - \$12.98	2,654,655	201,653	7.6%	11,769	14,016	-2,247	--
Class A	\$19.18 - \$20.73	1,612,290	130,863	8.1%	2,933	8,016	-5,083	--
Class B	\$11.34 - \$12.30	624,664	11,100	1.8%	11,601	6,000	5,601	11.9
Class C	\$8.56 - \$9.05	417,701	59,690	14.3%	-2,765	0	-2,765	--
Retail/Warehouse	\$5.41 - \$5.50	150,021	2,100	1.4%	18,316	0	18,316	0.7
Warehouse	\$3.93 - \$4.34	2,421,859	457,312	18.9%	74,400	0	74,400	36.9

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Rogers

## Downtown Rogers

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 268,050 square feet of office, office/retail, and retail space in downtown Rogers in the first half of 2014.
- No new commercial space was added to downtown Rogers in the first six months of 2014.
- The office space in Downtown Rogers had 4,231 square feet of negative net absorption, and had a vacancy rate of 16.4 percent in the first half of 2014, an increase from 11.4 percent in the second half of 2013. The downtown vacancy rate was lower than the overall average office vacancy rate for Rogers, which was 18.6 percent during the same period.
- The office/retail submarket had negative net absorption of 2,900 square feet, and had a decrease in the vacancy rate to 44.5 percent from the second half of 2013 rate of 53.1 percent in the downtown area. This compares to a vacancy rate of 19.1 percent for all of Rogers.
- Downtown Rogers experienced negative net absorption of 4,676 square feet of retail space during the first half of 2014. The average retail vacancy rate for downtown Rogers properties for

the first half of 2014 increased to 8.6 percent from 3.6 in the second half of 2013 and was lower than the 7.6 percent average rate for all of Rogers.

- Average reported lease rates for downtown Rogers increased by \$0.63 and \$0.80 in the office and retail submarkets, respectively, and decreased by \$0.23 in the office/retail submarket in the first half of 2014.

## Rogers Interstate 49 Corridor

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,960,419 square feet of office, office/retail, and retail space along the Rogers I-49 corridor in the first half of 2014.
- 14,294 square feet of new office space and 14,016 feet of new retail space were added to the Rogers I-49 corridor submarket in the first six months of 2014.
- The Rogers I-49 corridor experienced positive net absorption of 457 and 24,105 square feet of office space and office/retail space and negative net absorption of 1,982 square feet of retail space in the first half of 2014.
- The office space along the Rogers I-49 corridor had a reported average vacancy rate of 14.8 percent in the first half of

2014, the same as the second half of 2013. This was lower than the overall average office vacancy rate for all of Rogers at 18.6 percent.

- In the first half of 2014, the office/retail submarket had a 9.3 percent vacancy rate, a decrease from 29.2 percent reported in the second half of 2013. This compares to a vacancy rate of 19.1 percent for all of Rogers.
- The average retail vacancy rate for Rogers I-49 corridor properties for the first half of 2014 remained the same as in the second half of 2013, and was lower than 7.6 percent average rate for all of Rogers.
- Average reported lease rates remained relatively stable in the Rogers I-49 area.

## Rogers Downtown Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$10.13 - \$10.89	83,858	13,767	16.4%	-4,231	0	-4,231	--
Office/Retail	\$7.83 - \$10.97	74,825	33,300	44.5%	-2,900	0	-2,900	--
Retail	\$9.14 - \$9.65	109,367	9,420	8.6%	-4,676	0	-4,676	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents



# Rogers

## Rogers I-49 Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$17.82 - \$18.91	1,839,852	272,563	14.8%	14,751	14,294	457	3,578.5
Office/Retail	\$18.63 - \$19.38	121,296	11,281	9.3%	24,105	0	24,105	2.8
Retail	\$16.92 - \$18.40	1,999,271	132,963	6.7%	12,034	14,016	-1,982	--

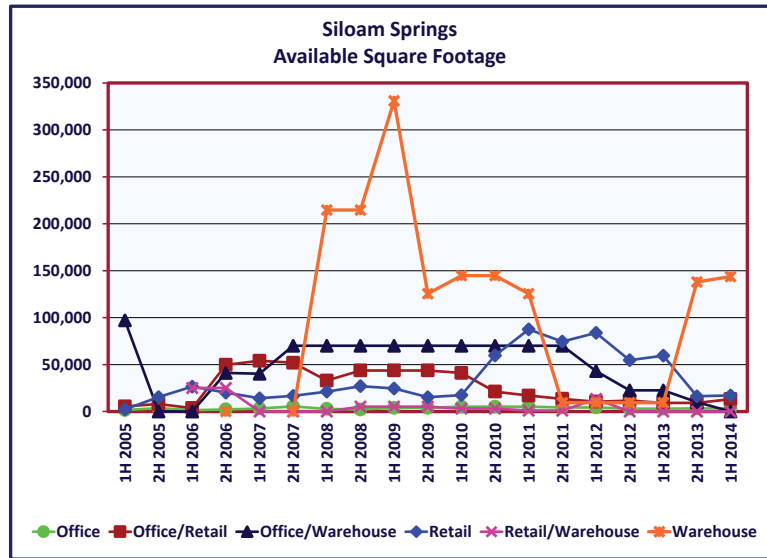
<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents



# Siloam Springs

- From January 1 to June 30, 2014, Siloam Springs issued commercial building permits worth \$700,000. No commercial permits were issued in the second half of 2013 and permits worth \$2,165,090 were issued in the first half of 2013.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,323,623 square feet of commercial space for Siloam Springs in the first half of 2014.
- No new commercial space entered the Siloam Springs market in the first six months of 2014.
- In the first half of 2014, Siloam Springs experienced overall negative absorption of 6,360 square feet. There was negative absorption in the office/retail, retail, and warehouse of 4,000, 6,600, and 5,760 square feet and positive net absorption of 10,000 square feet in office/warehouse.



- Vacancy rates from the second half of 2013 to the first half of 2014 decreased in office/warehouse, increased in office/retail, retail, and warehouse, and remained the same in office, medical office, and industrial.
- Average lease rates did not change significantly in the first half of 2014 in any submarket.

## Siloam Springs Commercial Real Estate Market Summary Statistics

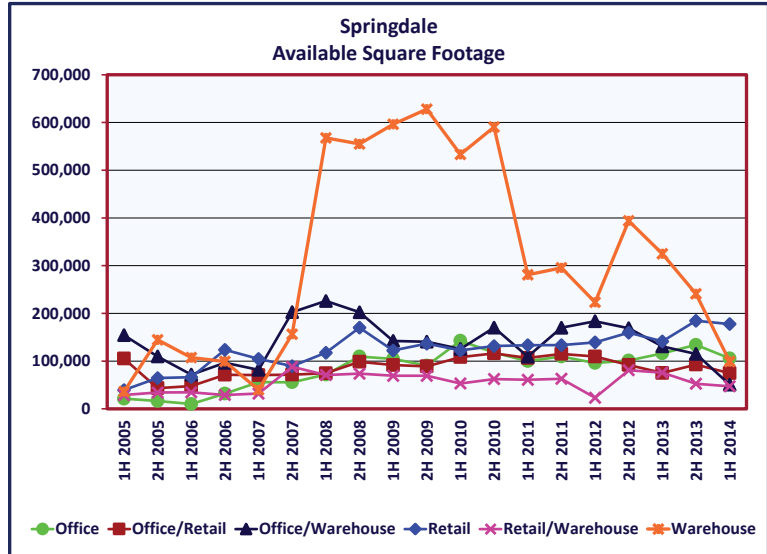
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	240,589	0	0.0%	0	0	0	--
Office	\$10.02 - \$11.58	108,553	3,300	3.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	8,000	0	0.0%	0	0	0	--
Class C	\$6.42 - \$8.28	15,021	0	0.0%	0	0	0	--
Medical	\$13.38 - \$14.88	85,532	3,300	3.9%	0	0	0	--
Office/Retail	\$7.86 - \$9.87	149,285	13,200	8.8%	-4,000	0	-4,000	--
Class A	\$12.00 - \$16.00	56,085	8,200	14.6%	-5,200	0	-5,200	--
Class B	\$9.42 - \$10.70	71,790	5,000	7.0%	1,200	0	1,200	25.0
Class C	\$4.49 - \$7.09	21,410	0	0.0%	0	0	0	--
Office/Warehouse	\$2.68 - \$2.68	114,502	0	0.0%	10,000	0	10,000	--
Retail	\$9.04 - \$9.63	310,602	17,124	5.5%	-6,600	0	-6,600	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.13 - \$11.53	167,222	17,124	10.2%	-6,600	0	-6,600	--
Class C	\$5.91 - \$6.78	143,380	0	0.0%	0	0	0	--
Retail/Warehouse	\$4.90 - \$6.74	68,028	0	0.0%	0	0	0	--
Warehouse	\$3.64 - \$3.84	332,064	143,768	43.3%	-5,760	0	-5,760	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

# Springdale

- From January 1 to June 30, 2014, Springdale issued \$7,094,799 worth of building permits for new commercial space. This was an increase of 267.2 percent from the \$1,932,102 issued in the first half of 2013. This was a significant decrease from the almost \$25.2 million worth of building permits issued in the second half of 2013. Springdale accounted for 9.1 percent of the commercial permits issued in Northwest Arkansas for the first half of 2014.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,912,813 square feet of commercial space in Springdale in the first half of 2014.
- No new square feet were added in Springdale in the first half of 2014.
- In the first half of 2014, Springdale experienced overall positive absorption of 255,115 square feet. There was positive net absorption of 25,892, 14,968, 50,860, 20,277, 5,260, and 157,923 square feet in the office, office/retail, office/warehouse, retail, retail/warehouse, and warehouse,



retail, retail/warehouse and warehouse submarkets, respectively. Springdale experienced negative net absorption of 5,224, 14,841, and 5,010 square feet in the lab, industrial and medical spaces during the first half of 2014.

- Reported vacancy rates increased in the lab and industrial submarkets in Springdale from the second half of 2013

to the first half of 2014, and decreased in office, office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets, while remaining the same in medical office.

- The average reported lease rate in the Class A office submarket was \$18.78 and in the Class B submar-

## Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	--	5,224	5,224	100.0%	-5,224	0	-5,224	--
Industrial	\$4.09 - \$5.16	485,785	50,823	10.5%	-14,841	0	-14,841	--
Office	\$10.99 - \$11.86	869,044	105,752	12.2%	25,892	0	25,892	24.5
Class A <sup>3</sup>	\$18.28 - \$19.28	65,501	360	0.5%	-360	0	-360	--
Class B <sup>3</sup>	\$11.63 - \$12.41	382,781	33,325	8.7%	1,478	0	1,478	135.3
Class C	\$9.27 - \$9.53	143,895	22,860	15.9%	29,784	0	29,784	4.6
Medical	\$12.39 - \$13.17	276,867	49,207	17.8%	-5,010	0	-5,010	--
Office/Retail	\$10.16 - \$11.32	523,822	74,820	14.3%	14,968	0	14,968	30.0
Class A	--	--	--	--	--	--	--	--
Class B	\$12.21 - \$13.61	243,647	26,665	10.9%	1,943	0	1,943	82.3
Class C	\$8.55 - \$9.51	280,175	48,155	17.2%	13,025	0	13,025	22.2
Office/Warehouse	\$5.32 - \$6.67	1,497,034	50,800	3.4%	50,860	0	50,860	6.0
Retail	\$10.59 - \$11.36	1,148,980	177,640	15.5%	20,277	0	20,277	52.6
Class A	--	--	--	--	--	--	--	--
Class B	\$13.94 - \$14.63	742,214	150,546	20.3%	-32,225	0	-32,225	--
Class C	\$7.56 - \$8.38	406,766	27,094	6.7%	52,502	0	52,502	3.1
Retail/Warehouse	\$5.31 - \$5.78	421,376	47,300	11.2%	5,260	0	5,260	54.0
Warehouse	\$3.67 - \$4.03	1,961,548	99,304	5.1%	157,923	0	157,923	3.8

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

<sup>3</sup>There was a significant reclassification of space in 1H 2014 only affecting Class A and Class B space. Caution should be used in interpreting changes at that point.

# Springdale

ket was \$12.02. A single property was reclassified from Class B to Class A. Significant changes in average reported lease rates occurred in the medical office, Class B retail, Class C retail, and office/warehouse submarkets with decreases of \$0.55, \$0.23, \$0.17, and \$0.19 respectively. All other lease rates remained relatively stable.

## Downtown Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 342,063 square feet of office, office/retail, retail, retail/warehouse and warehouse space in downtown Springdale in the first half of 2014.
- There were no new square feet of commercial property added to downtown Springdale in the last 6 months.
- There was positive absorption of 52,657 square feet in the office market in downtown Springdale in the first half of 2014.
- The office space in downtown Springdale reported average vacancy rate decreased

from 4.3 percent in the second half of 2013 to 1.1 percent in the first half of 2014 in accordance with absorption. The rate was lower than the overall Springdale average office vacancy rate of 12.2 percent.

- All reported office/retail space continued to be available in downtown Springdale in the first half, compared to a 14.3 percent vacancy rate for all of Springdale.
- The reported retail space in downtown Springdale had a vacancy rate of 4.6 percent. Meanwhile, the average retail vacancy rate for all of Springdale was 15.5 percent.
- All average reported lease rates for downtown Springdale remained constant except office/retail which in-

creased by \$4.25 due to a building leaving the owner-occupied category. All other lease rates remained relatively unchanged.

## West Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 576,942 square feet of office, office/retail, and retail space in West Springdale in the first half of 2014.
- No new square feet were added to West Springdale in the first half of 2014.
- There was negative net absorption of 24,083 square feet in West Springdale submarkets.
- The office space in West Springdale had a reported average vacancy rate of 5.1 percent in the first half of 2014. The rate was lower than the city average office vacancy rate of 12.2 percent.

## Downtown Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$9.49 - \$10.16	209,494	2,248	1.1%	6,752	0	6,752	2.0
Office/Retail	\$12.00 - \$13.00	24,191	875	3.6%	0	0	0	--
Retail	\$6.98 - \$7.34	108,378	5,000	4.6%	45,905	0	45,905	0.7

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents

## West Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.25 - \$15.59	112,788	5,712	5.1%	7,513	0	7,513	4.6
Office/Retail	\$13.25 - \$13.75	55,550	14,761	26.6%	1,500	0	1,500	59.0
Retail	\$13.25 - \$13.75	408,604	78,096	19.1%	-33,096	0	-33,096	--

<sup>1</sup>From all 1H 2014 respondents

<sup>2</sup>From 1H 2014 respondents who were also 2H 2013 respondents



# Interpretation

The methodology that is used to produce the Skyline report has been designed to elicit the most useful, comprehensive, and up-to-date information available about the Northwest Arkansas commercial real estate market. Data come from three primary sources that complement one another. Each source, however, has limitations, and as such, results should be compared and interpreted carefully.

The first level of data that the Skyline report contains comes directly from the offices of the Washington and Benton County Assessors. The Benton County Assessor Office uses Apprentice Information Systems as the subcontractor to handle data requests. On a semi-annual basis, Center for Business and Economic Research staff members acquire databases containing listings of all real estate parcels within each county. The information contained in these databases is sorted by type and by size. In order to determine the population of commercial properties of interest, properties that do not meet the following minimum criteria are eliminated from consideration:

Banks: 20,000 square feet  
Department Stores: 20,000 square feet  
Discount Stores: 20,000 square feet  
Industrial Buildings: 20,000 square feet  
Markets: 20,000 square feet  
Office Buildings: 5,000 square feet  
Medical Office Buildings: 5,000 square feet  
Retail Buildings: 10,000 square feet  
Community Shopping Centers: 5,000 square feet  
Neighborhood Shopping Centers: 5,000 square feet  
Warehouses: 20,000 square feet

Next, properties are individually examined to determine if they are part of the competitive commercial property market. Owner-occupied and other dedicated spaces are eliminated from the base of properties that the Skyline Report examines.

The second source of data that helps comprise the Skyline Report is building permit reports from the cities of Northwest Arkansas. Each city has its own reporting requirements for building permits, which makes in-depth comparisons on a city-by-city basis impossible. Bentonville and Fayetteville have the most comprehensive building permits, which include information on the square footage of buildings and their uses in addition to the value of the permit and identifying characteristics of the property. The other cities in Northwest Arkansas only report the building address, contractor name, and value of the permit. In general, property owner or developer names are not included on building permits in Northwest Arkansas. Building permits also do not provide any sense of the estimated time of completion of a project or availability for leasing.

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. The Center for Business and Economic Research staff gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the first half of 2014, 236 panelists provided data on 1,687 competitive properties across Benton and Washington Counties. Data are excluded for owner-occupied and dedicated spaces so that the total square feet, available square feet, and lease rates represent only a sample from properties that are currently or potentially available for lease. Vacancy rates are calculated from the sample of 1,687 properties and are assumed to be representative of the larger competitive commercial property market.

The panel participants vary somewhat from report to report as new contributors are added and as previous contributors fail to respond for new requests for information. Time trend analysis is dependent on having a consistent base of information so that apples-to-apples

comparisons can be made. Absorption rates are only calculated for properties that are part of a matched sub-sample—that is, there must have been information received about a particular property in both recent reporting periods for the number to be included in the calculated property absorption rates. The one exception to this rule is for new properties that are completed and come online for leasing in the most recent half year.

In order to supplement the information that is directly received from the panelists, Center researchers also depend on business publications, public websites, and MLS data.

## **Classification**

In order to compare similar spaces, the Center for Business and Economic Research has developed a classification system for office, office/retail, and retail spaces. These classes rate the quality of each building in terms of the following criteria: age, quality of construction, location, and included amenities.

Class A space represents the most prestigious buildings available in the Northwest Arkansas market. These spaces are new or newly renovated, made of the best quality materials, with brick, masonry, or glass exteriors. Class A buildings are located in highly accessible locations with easy access to major clients or customers.

Class B space includes buildings that compete for a wide range of uses, including much of the Walmart vendor community. These spaces have average range rents. The buildings are attractive, but not necessarily brand new, and have a lower level of material quality than Class A buildings. Many amenities are not included in the base lease price of Class B buildings.

Class C space is adequate for users that require functional space for their businesses, but not above average locations, materials, or amenities. These buildings are often older and have lease rates that are below market averages.