THE SKYLINE REPORT SPONSORED BY ARVEST BANK

July 2011 Highlights Contents

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Commercial Real Estate Market Summary Prepared Exclusively under Contract Agreement for ARVEST BANK



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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the twenty-fifth edition of the Skyline Report for Benton and Washington Counties—Commercial Real Estate Market Analysis. Researchers at the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas commercial real estate market. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. The Northwest Arkansas commercial real estate market is fragmented with many local and national commercial real estate professionals competing to serve the needs of a burgeoning business community. Having current information and analysis provides a competitive advantage over those who make decisions without the benefit of hard data.

Highlights from the Second Quarter of 2011

- In the first half of 2011, 790,891 total square feet of commercial space were absorbed, while 113,462 new square feet were added, leaving a net positive absorption of 677,429 square feet.
- In the office submarket 165,982 square feet became occupied in Northwest Arkansas, with net positive absorption of 106,161 square feet. The office vacancy rate decreased from 20.5 percent in the fourth quarter of 2010 to 19.5 percent in the second quarter of 2011, in accord with absorption.
- In the office/retail market, there was positive net absorption of 50,636 square feet. The vacancy rate declined to 19.9 percent from 20.7 percent in the fourth quarter of 2010, accordingly.
- Within the retail submarket, 38,300 square feet became occupied, while 53,641 squre feet of new space entered the market, netting negative absorption of 15,341 square feet. The Northwest Arkansas vacancy rate increased to 14.7 percent due to the new square footage.
- The warehouse submarket experienced the largest amount of positive absorption with 356,090 square feet. Springdale led in this submarket with 309,325 square feet of net positive absorption. The Northwest Arkansas warehouse vacancy rate decreased to 22.0 percent in the second quarter of 2011 from 27.0 percent in the fourth quarter of 2010.
- A total of 113,462 square feet of competitive commercial property were added to the Northwest Arkansas market. Of the new space, 59,821 square feet were new office space and 53,641 square feet were new retail space.
- From December 2010 to May 2011, about \$45.3 million in commercial building permits were issued in Northwest Arkansas. For comparison, there were \$27.1 million in permits from June to November 2010.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2010 Q4 2010 Q2 2011	19.0% 17.3% 17.3%	20.5% 20.1% 19.9%	19.4% 19.4% 20.1%	17.7% 16.9% 14.1%	28.9% 25.3% 21.9%	5.3% 5.3% 5.3%	18.2% 15.0% 12.8%	21.9% 20.5% 19.5%
Medical Office								
Q2 2010 Q4 2010 Q2 2011	0.0% 0.0% 0.0%	9.2% 8.1% 6.2%	13.9% 13.8% 16.1%	0.0% 0.0% 0.0%	33.9% 32.2% 18.9%	5.9% 5.9% 5.9%	20.4% 20.3% 13.2%	17.2% 16.7% 14.0%
Office/Retail								
Q2 2010 Q4 2010 Q2 2011	8.6% 9.6% 7.6%	22.7% 21.5% 21.3%	19.9% 19.3% 18.0%	18.3% 18.3% 5.0%	31.1% 26.6% 28.6%	27.9% 14.2% 11.4%	21.5% 23.1% 21.1%	22.3% 20.8% 19.9%
Office/Warehouse								
Q2 2010 Q4 2010 Q2 2011	 	11.2% 9.6% 9.5%	83.4% 83.4% 22.1%	86.5% 86.5% 85.3%	18.0% 17.1% 22.0%	65.8% 65.8% 65.8%	9.6% 13.1% 8.0%	20.2% 20.7% 17.8%
Retail								
Q2 2010 Q4 2010 Q2 2011	0.0% 0.0% 0.0%	15.5% 20.4% 22.1%	11.3% 12.2% 11.9%	11.4% 12.5% 17.6%	17.6% 16.3% 15.6%	5.7% 16.8% 24.6%	13.2% 13.9% 14.1%	13.6% 14.5% 14.7%
Warehouse								
Q2 2010 Q4 2010 Q2 2011	0.0% 0.0% 0.0%	21.8% 8.5% 8.5%	31.9% 35.6% 33.0%	0.0% 0.0% 0.0%	29.2% 24.8% 26.6%	68.0% 68.0% 58.9%	29.6% 34.9% 16.6%	27.4% 27.0% 22.0%
Office Market Va	acancy Rates	45%	Retail Mar	ket Vacancy Rates		Ward 70% -	ehouse Market Vacancy F	Rates
40% 35% 30% 25% 20% 15%		40% 35% 30% 25% 20% 15% 10% 5%				60% 50% 40% 20% 10%		
0%	6002 70 6002 70 6002 70 8002 70 8002 70 8002 70 8002 70 8002 70 4002 70 4002 70 8002 70 8002 70 8002 70 4002 70 8002 70 8000 70 800000 70 8000 70 80000 70 8000 7000 7	2 2 200 4 2011 0 2 2 200 4 2 0 2 2 0 0 4 2 0 1 0 2 0 2 0 1 0 2 0 0 1 0 2 0 0 1 0 2 0 0 0 0	9007 EV 9007 EV	2002 CD 2002	Q3 2008 Q4 2009 Q4 2009 Q4 2009 Q4 2009 Q2 2010 Q2 2010 Q2 2010 Q2 2010 Q2 2011 Q2 2011 Q2 2011	0% \$\$\$\$\$ \$\$000 F \$\$000 F \$\$000 F \$\$000 F \$\$000 F \$\$ \$\$000 F \$\$000 F \$\$000 F \$\$ \$\$000 F \$\$000 F \$\$ \$\$000 F \$\$ \$\$000 F \$\$ \$\$000 F \$\$ \$\$000 F \$\$ \$\$000 F \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$ \$\$ \$\$000 F \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$ \$\$	9 902 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	

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Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	e Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2010 Q4 2010 Q2 2011	2,200 2,000 2,000	636,509 628,781 624,304	450,028 459,695 557,635	48,468 46,416 38,596	646,604 584,672 510,007	5,158 5,158 5,158 5,158	142,604 117,818 100,065	1,931,571 1,844,540 1,837,765
Medical Office Q2 2010	0	20,600	79,636	0	98,019	5,014	46,528	249,797
Q4 2010 Q2 2011	0 0	19,190 14,799	78,814 146,916	0	96,419 96,419 56,432	5,014 5,014 5,014	46,336 30,276	245,773 245,773 253,437
Office/Retail								
Q2 2010 Q4 2010 Q2 2011	23,855 26,655 21,055	190,848 184,927 182,884	302,367 291,405 275,536	12,010 12,010 3,305	248,573 207,845 224,569	41,100 21,200 17,000	108,354 116,240 106,544	927,107 860,282 830,893
Office/Warehouse								
Q2 2010 Q4 2010 Q2 2011		139,525 120,955 118,769	85,326 85,326 22,630	190,325 190,325 203,000	84,837 83,902 113,022	70,007 70,007 70,007	125,442 170,209 109,351	695,462 720,724 636,779
Retail Q2 2010	0	63,902	343,281	14,384	432,913	17,468	122,510	994,458
Q4 2010 Q2 2011	0 0	95,314 103,692	378,636 374,743	15,809 22,209	408,690 391,721	59,700 87,480	131,594 133,387	1,089,743 1,113,232
Warehouse Q2 2010	0	108,250	350,556	0	628,370	144,738	533,128	1,765,042
Q4 2010 Q2 2011	0 0	41,100 41,100	396,056 370,481	0 0	534,290 584,912	144,738 125,508	590,303 280,978	1,706,487 1,402,979
Class A Office Average L	ease Rates by City	\$16.00	Class B Office A	Average Lease Rates b	y City	Class C C \$13.00 \$12.00	ffice Average Lease Rate	es by City
\$20.00 \$18.00 \$14.00 \$12.00 \$10.00		\$15.00 \$14.00 \$13.00 \$11.00 \$11.00 \$11.00			**************************************	511.00 510.00 53.00 55.00 55.00 55.00 55.00		
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Commercial Market Trends



Net Twelve Month Absorption by Submarket Q2 2010 - Q2 2011

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	200	2,800	0	0
Bentonville	19,627	10,950	-13,674	63,750
Fayetteville	-1,024	44,528	14,670	-9,965
Lowell	9,872	8,705	-7,825	0
Rogers	173,201	33,857	54,272	86,080
Siloam Springs	0	24,100	-23,012	19,230
Springdale	42,539	1,810	7,527	277,150
Northwest Arkansas	244,415	126,750	31,958	436,245