



# THE SKYLINE REPORT

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Center for Business and Economic Research

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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 square 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.

# 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 52) 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 second quarter 2011 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 252 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 quarter, 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 table of announced commercial projects 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 quarters. The first table presents va-



cancy rates by submarket for the second and fourth quarters of 2010 and for the second quarter of 2011. 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.

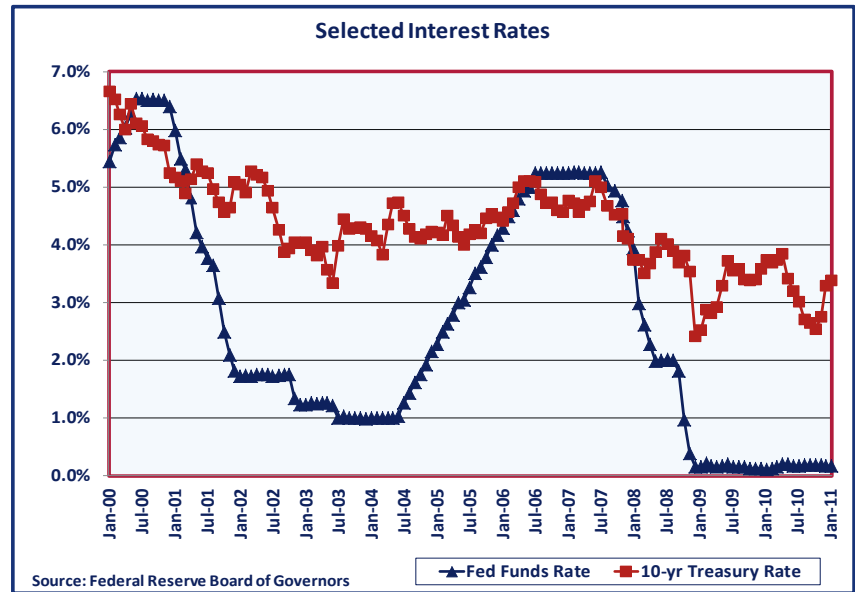
Finally, a section on how to interpret the numbers contained in the report and a description of the commercial property classification system are offered.

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

## The Macro Economy at a Glance

In the first quarter of 2011, the overall real GDP growth rate was positive 1.9 percent, according to estimates released by the U.S. Department of Commerce Bureau of Economic Analysis (BEA). The growth rate went down from 3.1 percent growth rate in the fourth quarter of 2010. The deceleration in real GDP in the first quarter primarily reflected a sharp upturn in imports, a deceleration in PCE, a larger decrease in federal government spending, and a deceleration in nonresidential fixed investment that were partly offset by a sharp upturn in private inventory investment. Motor vehicle output added 1.18 percentage points to the first-quarter change in real GDP after subtracting 0.27 percentage point from the fourth-quarter change. Final sales of computers added 0.10 percentage point to the first-quarter change in real GDP after adding 0.35 percentage point to the fourth-quarter change. Real personal consumption expenditures increased 2.2 percent in the first quarter, compared with an increase of 4.0 percent in the fourth. Real nonresidential fixed investment increased 2.0 percent, compared with an increase of 7.7 percent. Nonresidential structures decreased 14.8 percent, in contrast to an increase of 7.6 percent. Equipment and software increased 8.8 percent, compared with an increase of 7.7 percent. Real residential fixed investment decreased 2.0 percent, in contrast to an increase of 3.3 percent. Real exports of goods and services increased 7.6 percent in the first quarter, compared with an increase of 8.6 percent in the fourth. Real imports of goods and services increased 5.1 percent, in contrast to a decrease of 12.6 percent. Real federal government consumption expenditures and gross investment decreased 8.1 percent in the first quarter, compared with a decrease of 0.3 percent in the fourth. Real state and local government consumption expenditures and gross investment decreased 4.2 percent, compared with a decrease of 2.6 percent.



Source: Federal Reserve Board of Governors

The Conference Board Consumer Confidence Index, which had declined in May, decreased again in June. The Index now stands at 58.5 (1985=100), down from 61.7 in May. The Present Situation Index decreased to 37.6 from 39.3. The Expectations Index declined to 72.4 from 76.7 last month.

According to the U.S. Bureau of Labor Statistics (BLS), the seasonally adjusted Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in May. Over the last 12 months, the all items index increased 3.6 percent before seasonal adjustment. The index for all items less food and energy increased 0.3 percent in May, its largest increase since July 2008. The indexes for apparel, shelter, new vehicles, and recreation all contributed to the acceleration, rising more in May than in April. These increases more than offset declines in the indexes for airline fare, tobacco, and personal care. The energy index has increased 21.5 percent over the last 12 months, the food index has risen 3.5 percent and the index for all items less food and energy has increased 1.5 percent. All of these figures have been rising in recent months.

## Short-term Interest Rate Risk

The Federal Funds rates averaged 0.09 percent in June 2011. The Committee will maintain the target range for the federal funds rate at 0 to 0.25 percent and continues to anticipate that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate for an extended period. The Committee will complete its purchases of \$600 billion of longer-term Treasury securities by the end of this month and will maintain its existing policy of reinvesting principal payments from its securities holdings. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate. The Committee will monitor the economic outlook and financial developments and will act as needed to best foster maximum employment and price stability.

## Long-term Interest Rate Risk

The ten year constant maturity Treasury bill had an interest rate of 3.0 percent in June of 2011. Low short-term rates continue to

# Economic Overview

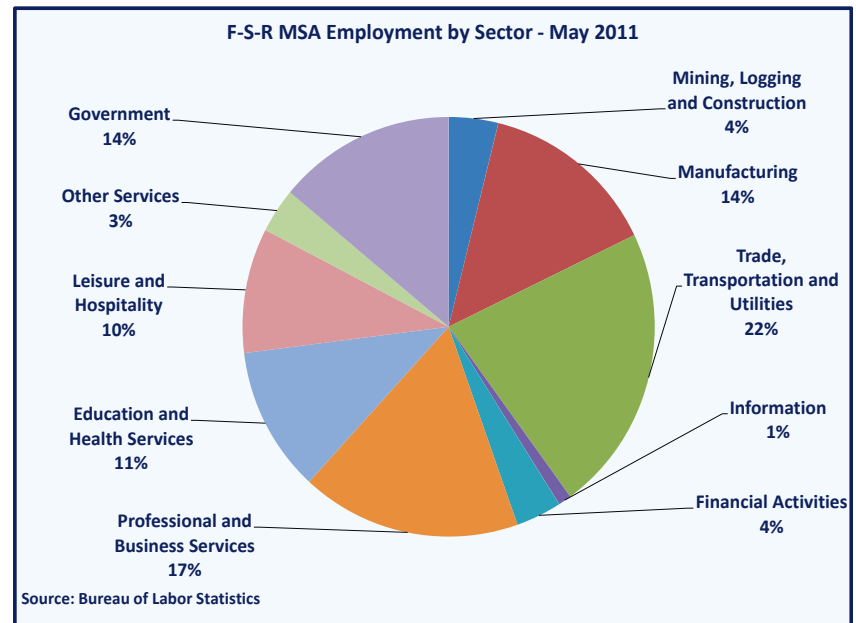
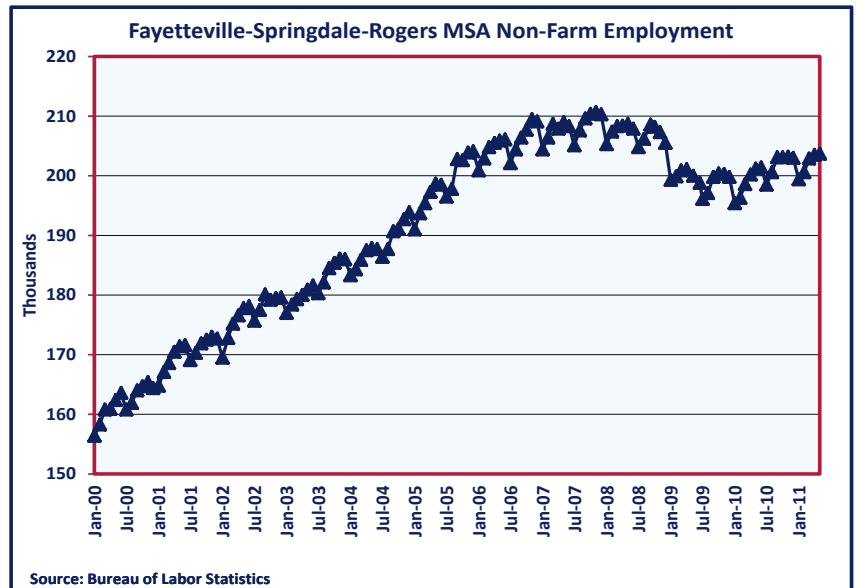
cause the positive spread between the two. The accompanying figure shows the Fed Funds rate and the ten year Treasury bill rate since January 2000.

## Regional Employment Trends

Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment numbers bear careful watching because the demand for much of the new and expected commercial development relies on the assumption that job growth will be strong. In May 2011 the 5-year average monthly employment growth was negative 30 jobs per month. This is down from the growth of 64 jobs per month in May 2010.

With the purpose of exploring more closely the composition of the job growth in Northwest Arkansas, two additional figures are provided. The first shows the May 2011 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, trade, transportation, and utilities have the largest share of employment (22 percent) in Northwest Arkansas, followed by professional and business services (17 percent), government (14 percent), manufacturing (14 percent), education and health services (11 percent), and leisure and hospitality (10 percent). The second figure shows the annual percentage change in the MSA's employment by sector from May 2010 to May 2011. Total nonfarm employment increased by 1.2 percent during that time. Employment in leisure and hospitality, other services, education and health services, professional and business services and trade, transportation and utilities have increased. Employment in manufacturing, government, and mining, logging and construction have declined. Employment in financial activities and information remained unchanged.

According to the Bureau of Labor Statistics, the unemployment rate in Northwest Arkansas was at a preliminary seasonally



non-adjusted 6.2 percent in May 2011. This is 0.1 percentage points higher than in May of 2010. The unemployment rate in Northwest Arkansas continues to outperform both the state (7.9 percent) and nation (8.7 percent) seasonally non-adjusted rates.



# Local Perceptions

## Local Perceptions of the Northwest Arkansas Commercial Property Market

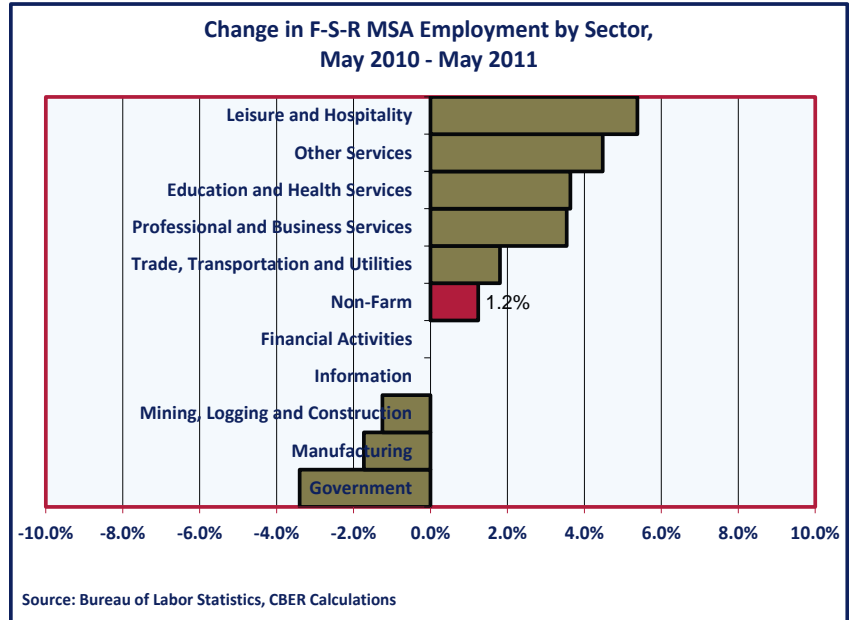
Each quarter, Center for Business and Economic Research staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. Over the past several quarters the panelists have become increasingly open in expressing their thoughts and feelings on the issues, sometimes controversial, affecting Northwest Arkansas. The tone of the conversations was mixed between moderately positive to moderately negative, but the air of uncertainty of the last report period, as to how long the local and national economies and the commercial market will take to fully recover remained for all respondents. Panelists generally expect 2011 to continue to improve from the previous couple of years, but not markedly so. Most panelists experienced increased leasing activity during this period. Expectations of the duration of very slow growth still range from the end of 2011 to as far out as 2015. However, many respondents believe the election of 2012 will prove to be a bellweather for future growth. The political commentary was quite strong this quarter, which seemed to temper some of the optimism of the last period even as panelists saw continued positive market trends, with many panelists looking for a presidential change, while others expressed the faint hope for some nonpartisan compromises on the national level. Job creation remains a constant topic of discussion in meetings with respondents. Panelists raised some hopeful signs for potential job gains in the future, as well as asking where the Center for Business and Economic Research saw areas for growth. They also remain cautiously hopeful that local government and local chambers of commerce will develop job creating initiatives.

There were several areas of positive commentary by the panelists. First, Crystal Bridges remains a source of great anticipa-

tion by respondents in both counties. They see it as a significant opportunity to grow the tourism industry, create jobs, and then ancillary demand for services that will benefit the commercial market. Additionally, the Walton Family Foundation endowment for Crystal Bridges solidified the sense of the Walton Family commitment to Northwest Arkansas, and several panelists expressed a profound psychological boost from that event in conjunction with Crystal Bridges and the 21C Museum Hotel. Again this quarter, the continued rollback of Project Impact was also consistently cited as an extremely positive development for the vendor market space market as well as commercial markets that will serve the demand created by a rebounding vendor community. Also, whispers were made regarding potential extremely positive Walmart developments: first that the apparel division may come back to Northwest Arkansas; second that a new 250,000 square foot layout center will be constructed for Sam's Club; and third that a multimillion dollar investment is going to be made upgrading the David Glass Technology Building. Similarly, the substantial investment made by Hunt Ventures in the Pinnacle area was again cited this quarter as being a confidence booster in

looking towards the future. Hunt Ventures' acquisitions continue to be viewed as providing significant price stability in the class A and B commercial markets affecting the I-540 corridor as well as the entire vendor commercial space market. A new insight from the panelists is the growth of retail analytics by more vendors, and expansion of product testing labs here in Northwest Arkansas potentially leading to more high paying jobs.

Potential demand for Class A office space, particularly large footprint buildings, remained a topic of conversation with the panel. However, panelists did repeat the feeling that if buildings are going to be built they will not be spec buildings but rather projects that have significant preleasing, particularly with owner-tenants. The significance of the pull back from Project Impact was cited by respondents several times as being responsible for vendors returning to the area, new vendors entering the market, and existing vendors feeling confident to expand. Additionally, for the first time since the downturn, some panelists mentioned that prices were firming or even increasing in the Class A office market. However, tenants still were demanding front end give backs on rent.



# Local Perceptions

The retail market garnered more concerns and fewer positives than the office market. Respondents are still very apprehensive about the success of small retailers in particular. The cost of financing inventory and any type of expansion or build out remained a point of concern. However, several panelists continued to indicate they were receiving an increasing level of interest from national retailers about Northwest Arkansas. They remained unclear but hopeful that this will lead to Northwest Arkansas being home to new retailers. Again the lower price of land, construction costs, financing if obtainable, and lease rates appear to be driving this interest, according to these panelists. Nevertheless, the concerns about the small retailers and the ability of consumers to sustain any increase in consumption spending significantly tempered the outlook for the retail sector. The concerns about the national economy and gas prices were directly related to panelist's negative view of the retail space market looking into the future. An additional factor was mentioned with respect to Fayetteville in gen-

eral and Fayetteville's Mall-Joyce Corridor area in particular. Panelists continue to see development in Fayetteville as problematic due to the local government and planning commission and planning office staff. Also, panelists feel Fayetteville still lacks the vision for development that Rogers and Bentonville have demonstrated over the past several years. Some panelists think this will lead to further movement of newer retail away from Fayetteville and into Benton County, particularly the Pinnacle area.

The discussion of the local financial markets was also more mixed than in the previous quarter. Some panelists did feel that financing is obtainable for solid projects, but others felt that financing is still very tight even for sound projects, and this is particularly true for any kind of tenant improvement, build out expenses, and inventory acquisition. Again this quarter, most panelists do believe new commercial developments will require significant investor equity. Most panelists

continue to feel that it is necessary to move past the negative attitude towards the banking industry and work cooperatively to strengthen regional growth.

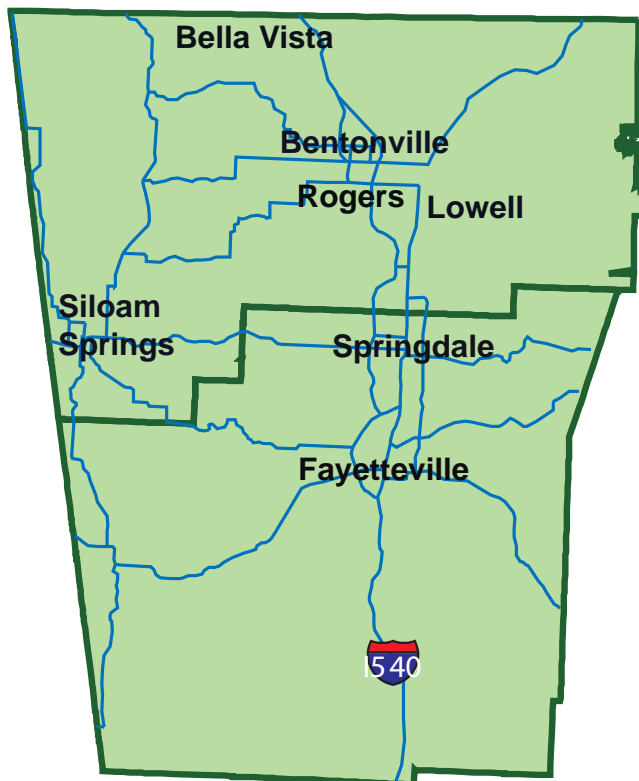
The outlook towards the future remains a very cautious one, perhaps even less optimistic than last period. Concerns about the national political situation, gas and fuel prices, food prices, and other commodity prices are causing most of the uncertainty. However, when brought back to directly thinking about Northwest Arkansas panelists still come back to the fundamentals of the Northwest Arkansas economy: WalMart, Tyson Foods, and the food industry, J.B. Hunt and the transportation industry, the University of Arkansas and the education sector. Panelists again mentioned the hospitality sector, green technology and sustainability, and the health industry as future drivers of economic growth.

#### Positive Factors:

1. Crystal Bridges and the Walton Family commitment to Northwest Arkansas.
2. Renewed growth in the vendor community through expansion of existing vendors and new vendors entering the market, leading to stronger demand for office space.
3. Increasing attention to the MSA by national retailers and investors.
4. National media coverage of Northwest Arkansas as a good place to live and work.
5. Creation of destination locations including Crystal Bridges, Arvest Ballpark, the Pinnacle Area, and the Fayetteville Mall area.
6. Walmart, Tyson Foods and the food industry, J.B. Hunt and the transportation industry, the University of Arkansas and higher education.

#### Negative Factors:

1. National political/economic situation.
2. Oversupply of Class B office space.
3. Oversupply of retail space.
4. Concern over commercial lending.
5. High future interest rates and inflation.



# Inventory and Building Permits

## Categories of Commercial Properties

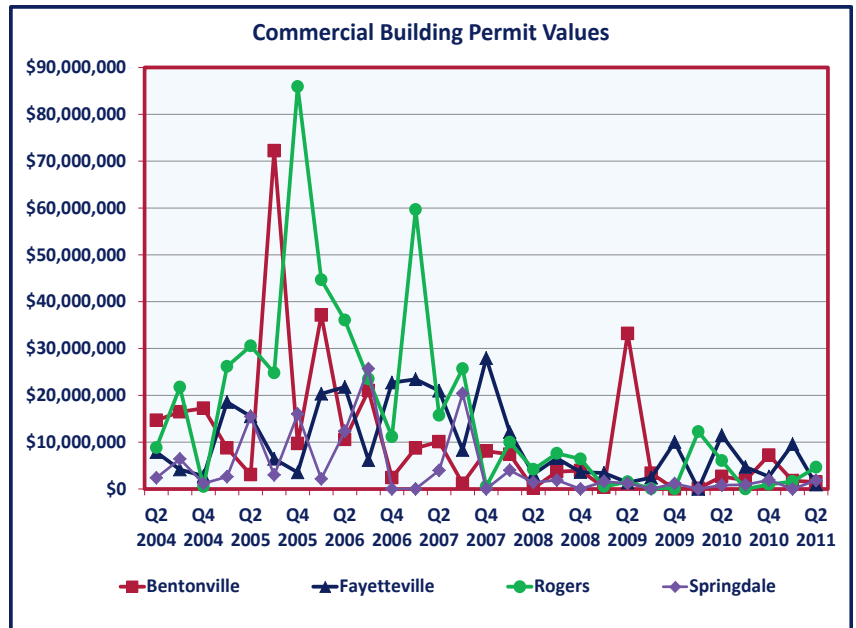
The Northwest Arkansas commercial market is divided into eight major categories of space:

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. 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 52) as of June 2011. For the second quarter of 2011, the Skyline Report covered 92.2 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 twenty-eight quarters is presented for six major cities in Northwest Arkansas. Building permit data is seasonal in nature and will show 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 December 2010 to February 2011, there were more than \$32.2 million in commercial building permits issued in six major cities in Northwest Arkansas. From March to May 2011, almost \$13.1 million in com-

mercial building permits were issued. In the two previous quarters last year, these amounts were \$7.4 million and \$19.6 million, respectively. In the first quarter of 2011, Siloam Springs accounted for 71.3 percent of the commercial building permits (most of the value was associated with the Siloam Springs Memorial Hospital); while Rogers, Springdale and Bentonville accounted for 14.32, 5.59, and 4.56 percent, respectively. In the second quarter of 2011, Fayetteville accounted for 73 percent of the total of almost \$13.1 million; Bentonville and Rogers accounted for 13.5 and 12.3 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

# Inventory

under construction, while others are only in the concept phase. The Center researchers examined the announced data particularly closely this quarter. Project locations were 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 second quarter of 2011, there remained 6,744 standard rooms and 2,122 suites in Northwest

Arkansas. Bentonville continued to have the most rooms, with 1,920. 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	138,680	90,964	359,568	329,774	91.7%
Bentonville	107,356	3,872,485	1,032,834	1,560,053	6,572,728	6,530,836	99.4%
Fayetteville	114,079	3,341,236	4,063,371	1,778,270	9,296,956	8,833,978	95.0%
Lowell	68,670	275,837	172,208	949,348	1,466,063	1,443,175	98.4%
Rogers	307,281	2,529,973	4,174,743	2,329,952	9,341,949	8,719,835	93.3%
Siloam Springs	329,942	195,261	692,789	335,615	1,553,607	1,217,803	78.4%
Springdale	1,142,623	1,468,161	2,225,795	2,601,714	7,438,293	6,125,740	82.4%
Northwest Arkansas Total	2,069,951	11,812,877	12,500,420	9,645,916	36,029,164	33,201,141	92.2%

<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 52 of this report.

<sup>2</sup>Source: Panel of 252 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
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
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	Conceptual
Archer Business Park	Bentonville	Wayne and Victoria Martin	Retail	20,000	Conceptual
Bentonville Plaza	Bentonville	FBE Limited LLC	Commercial		Conceptual
Cadillac of NWA	Bentonville	David Sloane	Retail	20,000	Sept. 2011
Christian Brother's Automotive	Bentonville	Main and Main	Retail	5,000	Done
Fountain Plaza Dentist Building	Bentonville		Office	30,000	Summer 2011
Lakeside Center	Bentonville	Lindsey Management	Office	60,000	Conceptual
Neigh.Wal-Mart and Uptown Center	Bentonville	CEI Engineering	Retail	40,000+	Conceptual
SDI Realty Retail Development	Bentonville	SDI Realty	Retail	6,500	Conceptual
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		Conceptual
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000	Conceptual
ALDI's Grocery Store	Fayetteville	ALDI Inc.	Retail		Conceptual
Bridgedale Plaza	Fayetteville	Clinton McDonald	Mixed Use	35,000	Conceptual
Delta Group Electronics	Fayetteville	Delta Electronics	Manufacturing	36,000	Fall 2011
Forest Hills Development	Fayetteville	John Alford	Commercial	206,000	2011
Forest Hills Retail Building	Fayetteville	John Alford	Retail	15,71	2011
Forest Hills-Wal-Mart Neigh. Market	Fayetteville	John Alford	Retail	17,000	Summer 2011
Frisco Depot Project	Fayetteville	MansfieldHouse Ventures	Mixed Use	48,520	Conceptual
Kantz Building	Fayetteville	Kathy Ball	Commercial	9,000	Conceptual
Katherine's Place	Fayetteville	Reliance Healthcare Management	Nursing Home	64,270	Done
Kum and Go	Fayetteville	Kum and Go	Retail	5,000	Summer 2011
Liberty Bank	Fayetteville	Liberty Bank	Bank	24,000	Conceptual
Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	Conceptual
Nanotech Facility	Fayetteville	University of Arkansas	Lab	78,000	Done
Park Centre I	Fayetteville	Hank Kelley	Office	69,000	Done
Park Centre II	Fayetteville	Hank Kelley	Retail	36,000	Done
Pediatric Dental Associates	Fayetteville	Pediatric Dental Associates	Medical Office	12,000	Done
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	Conceptual
Shoppes at the Bluffs	Fayetteville	Mathias Properties	Retail	46,519	Conceptual
Shoppes at Wedington	Fayetteville	First Baptist Church of Springdale	Retail	15,750	Done
Twin Creeks Village Dental Clinic	Fayetteville	Lance Osborne	Medical Office	3,500	Done
Twin Creeks Village I	Fayetteville	Leonard Boen Enterprises	Office	7,428	Done
Vantage Center	Fayetteville	Lindsey Management	Office	8,352	Done
Veterans Hospital Expansion	Fayetteville	Vet. Health Care Sys. of the Ozarks	Medical Facility	158,466	2011
Williard Walker Hospice Home	Fayetteville	Washington Regional	Medical	24,500	End of 2011
Crye-Leike Office	Lowell	Crye-Leike Realtors	Office	6,000	Done
Midpoint Exchange Business Park	Lowell	Sage Partners	Commercial		Conceptual
Academy Sports	Rogers	Academy Sports	Retail	75,000	Done
Adult Development Center Facility	Rogers	Adult Dev. Center of Benton County	Office/Warehouse	22,000	Done
Benton County Cancer Center	Rogers	Quark LLC	Medical Office	56,758	Summer 2011
Creekside, Phase III	Rogers	Daniel Ellis	Commercial	60,000	Conceptual
Firestone Auto Care Center	Rogers		Retail	8,256	Late 2011
Habitat for Humanity	Rogers	Habitat for Humanity	Office/Warehouse	40,000	Conceptual
Hank's Fine Furniture	Rogers	Hank's Fine Furniture	Retail	91,200	Done
Harp's	Rogers	Harp's	Retail	32,000	Conceptual
Nursing Facility	Rogers	Emeritus Co.	Medical		Conceptual
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	Conceptual
Prairie Creek Center	Rogers	Mathias Properties	Retail	51,279	Conceptual
Sam's Club Layout Center	Rogers		Office	250,000	Conceptual
Shoppes at Center Point	Rogers		Commercial		Conceptual
Tannenbaum Recycling Facility	Rogers	Tannenbaum Recycling Group LLC	Industrial		July 2011
The Dental Depot	Rogers		Medical Office		Done

# New Commercial Projects

## Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Violin Studio and Repair Shop	Rogers	SMEK LLC	Retail		Conceptual
Walnut Crossing	Rogers	Greg House	Commercial	50,000	Conceptual
Western Federal Credit Union	Rogers	Western Federal Credit Union	Bank	2,000	Done
ALDI's Grocery Store	Sil. Springs	ALDI Inc.	Retail	18,762	Done
Autumn Glen	Sil. Springs	James Mathias	Commercial		Conceptual
Crye-Leike Office	Sil. Springs	Crye-Leike Realtors	Office	6,500	Conceptual
Siloam Springs Hospital	Sil. Springs	Community Health System	Hospital	95,000	2013
Holly Street Crossing	Sil. Springs	Ted Viala	Commercial		Conceptual
Car-Mart	Sprindale	America's Car-Mart	Retail	3,100	Done
Casey's General Store	Springdale	Casey's	Retail	3,700	Done
Chandler Commercial Building	Springdale	Chris Chandler	Commercial	11,000	Summer 2011
Northwest Medical Center Expansion	Springdale	Northwest Medical Center	Hospital	20,000	Summer 2012
Pappas Foods Warehouse	Springdale	Pappas Foods	Warehouse		Done
Welso Inc Facility	Springdale	Welso Inc.	Retail	6,200	Done



# Hotels

## Existing Hotels

Property Name	City	Number of Standard Rooms	Number of Suites
Best Western Bentonville Inn	Bentonville	55	0
Best Western Castle Rock Suites	Bentonville	84	0
Clarion Hotel & Convention Center	Bentonville	105	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
Econo Lodge Inn and Suites	Bentonville	152	0
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
Pines Motel	Bentonville	9	0
Simmons Suites	Bentonville	115	0
Sleep Inn	Bentonville	103	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
Chief Motel	Fayetteville	31	1
Clarion Inn	Fayetteville	197	10
Comfort Inn-Fayetteville	Fayetteville	60	0
Cosmopolitan Hotel	Fayetteville	235	6
Country Inn & Suites By Carlson	Fayetteville	40	25
Courtyard by Marriot	Fayetteville	110	4
Days Inn	Fayetteville	140	5
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
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
Twin Arch Motel	Fayetteville	12	0
Value Place Hotel	Fayetteville	121	0



# Hotels

## Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Inn At the Mill	Johnson	38	8
Marriot Townplace	Johnson	0	94
Ramada Inn Lowell	Lowell	51	0
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

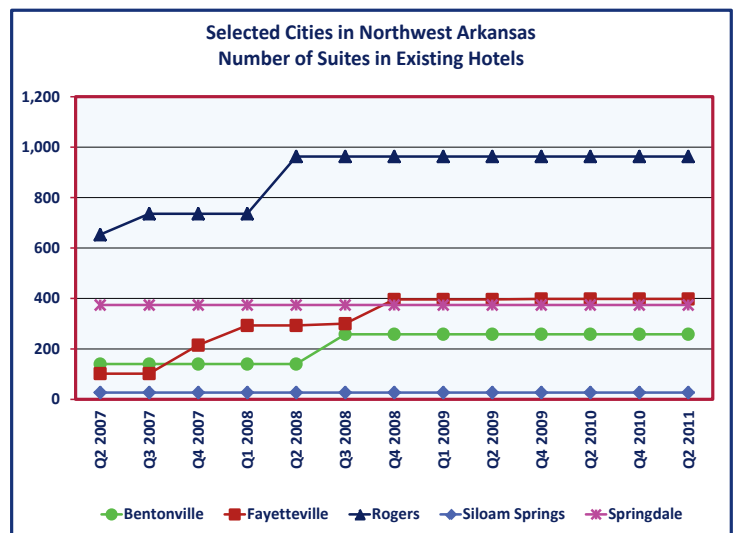
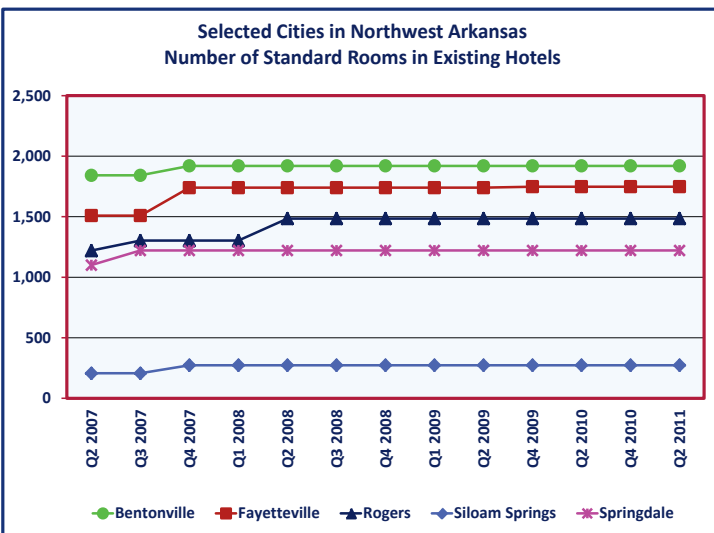
# Hotels

## Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Scottish Inns	Springdale	33	24
Sleep Inn & Suites	Springdale	0	72
Springdale Inn	Springdale	50	0
Sunrise Inn	Springdale	60	1
Super 8 Motel	Springdale	59	1
Value Place Hotel	Springdale	121	0

## Existing Hotels Summary

City	Number of Standard Rooms	Number of Suites
Bentonville Total	1,920	258
Fayetteville Total	1,748	398
Johnson Total	38	102
Lowell Total	51	0
Prairie Grove Total	8	0
Rogers Total	1,485	963
Siloam Springs Total	273	27
Springdale Total	1,221	374
Northwest Arkansas Total	6,744	2,122



# Hotel

## Announced Coming Hotels

Property Name	City	Owner	Number of Rooms	Expected Completion
21C Museum Hotel	Bentonville	Steve Wilson and Laura Lee Brown	130	2012
Sheraton Bentonville Plaza	Bentonville	Starwood Hotels & Resorts	234	Delayed
Hilton Gardens Inn	Fayetteville	Hilton	--	Delayed
Horsebarn Tower Hotel	Rogers	FAE Horsebarn SPE LLC	144	Delayed
Sunday Partners Hotel	Rogers	Sunday Partners	--	--
Westin Hotel and Condos	Rogers	Barber Group	--	Delayed
Best Western	Springdale	Tom Bhakta	70	--
Microtel	Springdale	--	--	Delayed



# Restaurants

## Announced Coming Restaurants

Property Name	Location (City)	Owner	Expected Completion
Scooter's CoffeeHouse	12 Unkn. Locations	Scooters Coffee House of Omaha	--
Five Guys Burgers	1-2 Various Locations	Laurie Lowe	2011
Einstein Bros Bagels	2 Unkn. Locations	Mike Philips	--
Silver Joe's Coffee Co.	4 Various Locations	Terry Smith, Kenny Tomlin, Steve Clark, Patrick Vota	2011
JJ's Grill	Beaver Lake	Jody Thornton	Done
Coffe Shop and Ice Cream Parlor	Bella Vista	Roger Gildehaus	
Jason's Deli	Benton County	Bourke Harvey	2011
21C Hotel Restaurant	Bentonville	Steve Wilson and Laura Lee Brown	2011
Dickey's Barbecue Pit	Bentonville	Randon Arney	Delayed
Flying Fish	Bentonville		Fall 2011
Randito's Mexican Restaurant	Bentonville		Done
Tavola Bistro	Bentonville		Late Summer
The Pressroom	Bentonville		July 2011
Tusk & Trotter	Bentonville	Rob Nelson	Done
Walmart Visitor Coffee Shop	Bentonville	--	Done
Rosati's Pizza	Farmington	Steve Sharma	Done
Big Momma's Coffee and Espresso Bar	Fayetteville		Done
Buck Nekkid	Fayetteville	--	Done
Chipotle Mexican Grill	Fayetteville		Done
Dickey's Barbecue Pit	Fayetteville	Randon Arney	Delayed
Dickson Street Pub	Fayetteville	Ryan and Sumitra Reid	Done
Einstein Bros Bagels	Fayetteville	Mike Philips	Summer 2011
Feltner Brothers	Fayetteville	Feltner Brothers	Done
Firehouse Subs	Fayetteville	Forest Hills Development	2011
Grubbs Uptown	Fayetteville	--	Done
Kosmos Greekcafe	Fayetteville	Catherine and Michael Theodore	July 2011
Krystal Burger	Fayetteville	Krystal Burger	--
Posta Plata	Fayetteville	Alex Lopez	July 2011
Rowdy Beaver Restaurant and Tavern	Fayetteville		2011
Slim Chicken's	Fayetteville	Tom Gordon, Ryan Hodson, Greg Smart	Done
Smokin Hog B-B-Q	Fayetteville	Kirby Freeman	Done
Starbucks	Fayetteville	Kathy Ball	Delayed
Taco Bueno	Fayetteville	U.S. Beef	2011
Tilted Kilt Pub and Eatery	Fayetteville	Tilted Kilt Inc	Fall 2011
Twin Kitchen	Fayetteville		Done
Waffle House	Fayetteville	Ozark Waffles	Done
Western Sizzlin	Fayetteville	Mark Bazyk	Delayed
Arkansas Traveler	Highfill	Paradise Shops LLC	
Boar's Head Express	Highfill	Paradise Shops LLC	
Ozark Grill	Highfill	Paradise Shops LLC	
Cabana Salvedoreno Restaurant	Rogers		Done
Chicago Dog	Rogers		Done
Cheezezy's American Grille	Rogers	Joe Lisuzzo	Done
Crumpet Tea Room	Rogers		Done
Dickey's Barbecue Pit	Rogers	Randon Arney	Delayed
Donut's and More	Rogers		Done
Firehouse Subs	Rogers	Tracey Bush	Done
Five Guys Burgers	Rogers	Laurie Lowe	Done
Havana Tropical Grill	Rogers	Junior Zuniga	Done
Kirby's Cupcakes	Rogers	Kirby Hanby	Done
Krystal Burger	Rogers	Smitco Eateries	Delayed
Los Cantaritos Mexican Restaurant	Rogers		Done
Louie's Bar and Grill	Rogers	Mark Martinez	Done



# Restaurants

## Announced Coming Restaurants (Cont.)

Property Name	Location (City)	Owner	Expected Completion
Lucy's Diner	Rogers		Done
McB's Pinnacle Hills	Rogers	Craig McKee	Done
Mellow Mushroom	Rogers	--	Done
Meridienne Dessert Salon and Café	Rogers	Tammy Varney	Done
Pitmasters BBQ	Rogers	Turner Family	Done
Qdoba	Rogers	Randy Allen	Done
Taqueria El Bajo	Rogers		
TCBY	Rogers	Jared and Sarah Greer	Done
Thai Town Restaurant	Rogers	Atisan	Done
The Rail	Rogers	David Davis and Shane Zimmerman	Done
Traders Market Restaurant	Rogers	Moe Torabi	Delayed
Cherry Berry	Siloam Springs		Done
Dickey's Barbecue Pit	Siloam Springs	Randon Arney	Summer 2011
Eureka Pizza	Siloam Springs	Rolf Wilkins	Done
Siloam Café	Siloam Springs		Done
Tony's Pizza and Pasta	Siloam Springs		Done
Waffle House	Siloam Springs		Summer 2011
Dickey's Barbecue Pit	Springdale	Randon Arney	Delayed
Mama Fu's	Unkn. Location	Murphy Adams Restaurant Group	Mid 2011
Romano's Macaroni Grill	Unkn. Location	Bruce Swisshelm	--

## Closed Restaurants

Property Name	City	Date Closed
Stacy's	Bentonville	July 2010
World Garden	Bentonville	October 2010
Taco Tico	Bentonville	November 2010
Boomer's Time Out	Bentonville	July 2010
Pizza Junction	Elkins	November 2010
Big River BBQ	Fayetteville	June 2010
Guido's Pizzeria	Fayetteville	November 2010
Sunshine Café	Fayetteville	December 2010
El Sancho	Fayetteville	December 2010
Fusion Five	Fayetteville	August 2010
Market Place Grill	Fayetteville	August 2010
Arby's	Fayetteville	November 2010
Cheer's Bar and Grill	Fayetteville	September 2010
Belle Arti	Rogers	June 2010
O'Charley's	Rogers	December 2010
Krystal Burger	Springdale	July 2010
Zauq Pakistani	Fayetteville	February 2011
Crown Pub	Fayetteville	April 2011
Gaylords Mountain Café	Fayetteville	May 2011
Whole Earth Organic Lounge	Fayetteville	May 2011
King Buffet	Rogers	February 2011
Patron's Mexican Grill	Fayetteville	January 2011
A Taste of Thai	Siloam Springs	February 2011
Eureka Pizza	Siloam Springs	June 2011

# Commercial Market Trends

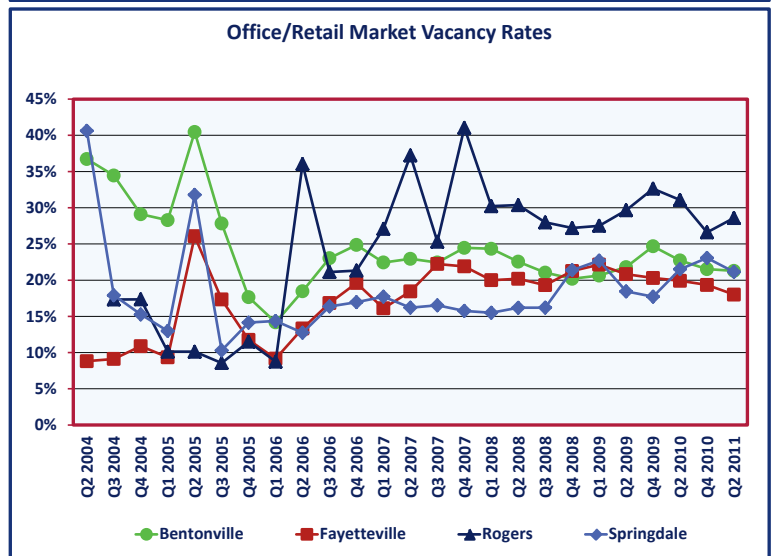
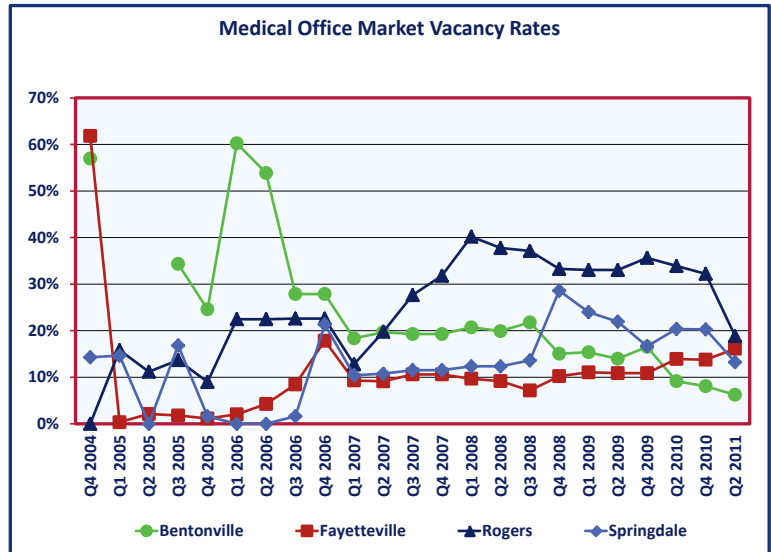
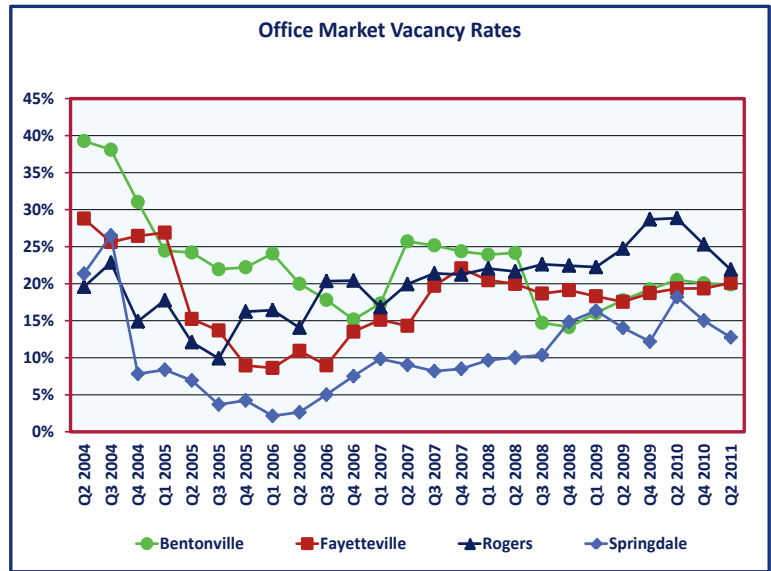
This version of the Skyline Report represents the twenty-fifth quarter that data have been collected. Annual comparisons were made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past six 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 1,844,540 square feet in the fourth quarter of 2010 to 1,837,765 square feet in the second quarter of 2011. Over the past year, 106,161 square feet of office space were absorbed, and 59,821 of new space became available. The overall Northwest Arkansas office vacancy rate has decreased from 20.5 percent in the fourth quarter 2010 to 19.5 percent in the second quarter of 2011.

The office/retail market has experienced positive net absorption of 126,750 square feet during the past twelve months. Fayetteville, Rogers, and Siloam Springs accounted for most of the positive absorption. On the other hand, Rogers had more available office/retail square footage in the second quarter of 2011 than in the fourth quarter 2010. No new square footage was added to the market during the last year. In the second quarter of 2011, 830,893 square feet of office/retail space were available, down from 860,282 square feet in the fourth quarter. This space was primarily located in Fayetteville, Rogers, Bentonville, and Springdale.

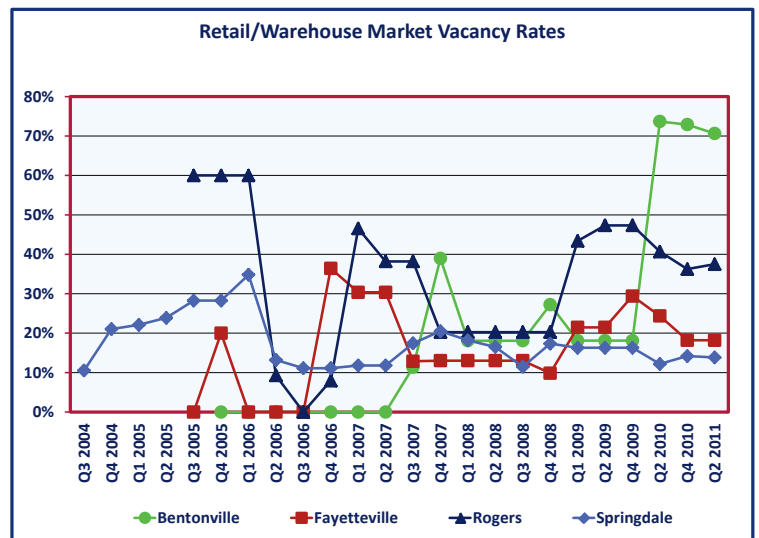
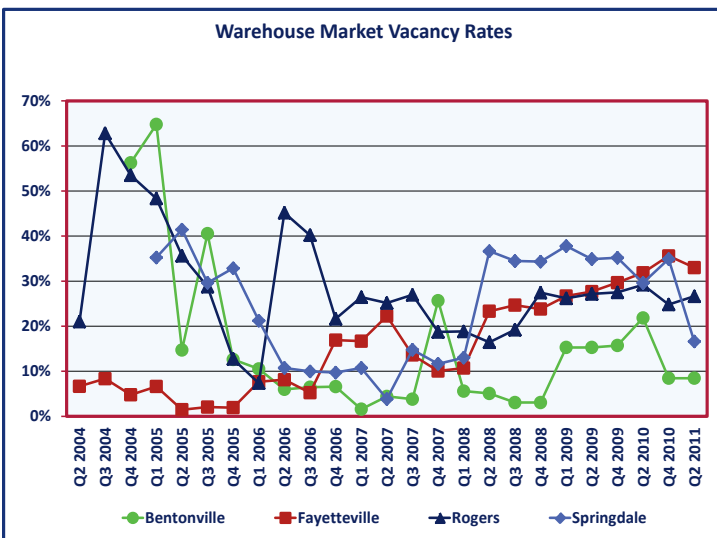
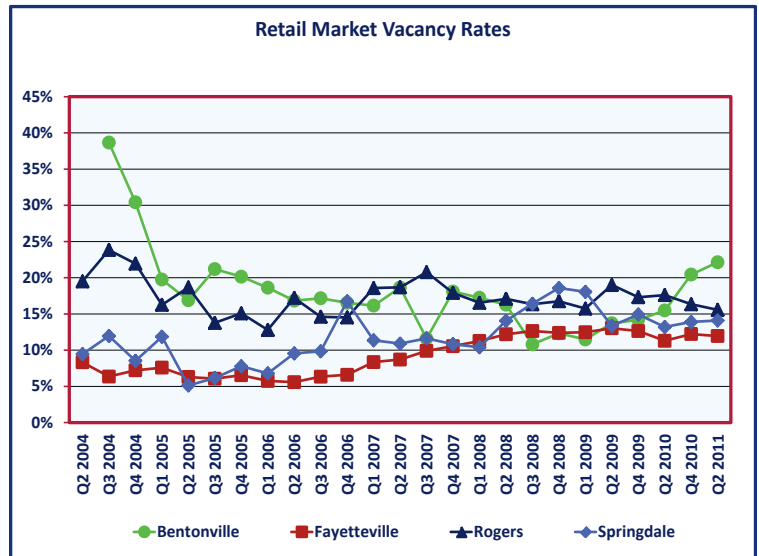
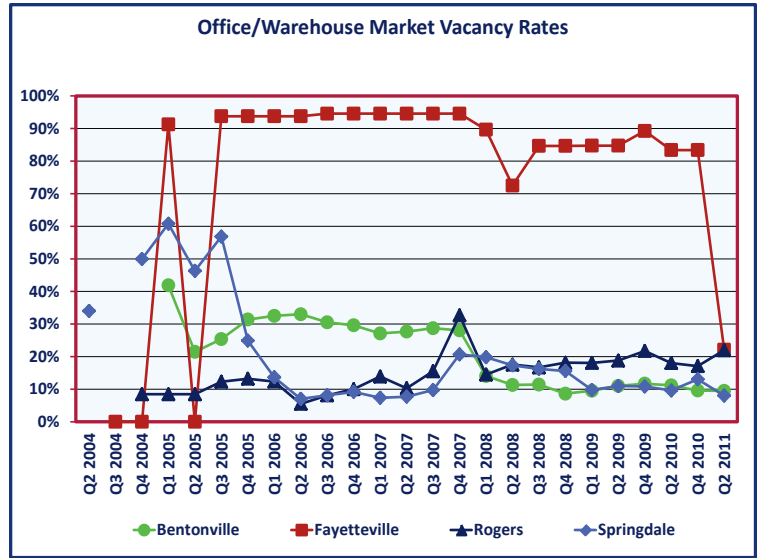
The retail market experienced positive net absorption in the past twelve months only in the cities of Fayetteville, Rogers and Springdale. The other cities experienced negative net absorption in the retail submarket over the past year. There were 71,240 new square feet of retail space added to the Northwest Arkansas market during the past twelve months. In the second quarter of 2011, a total of 1,113,232 square feet of space were available in Northwest Arkansas, up from 1,089,743 square feet in the fourth quarter of 2010.

The Northwest Arkansas warehouse market also experienced positive net absorption of 436,245 square feet during the past year. The number of available square feet declined from 1,706,487 in the fourth quarter of 2010 to 1,402,979 in the second quarter of 2011 and vacancy rates declined from 27.0 percent to 22.0 percent during the same time



# Commercial Market Trends

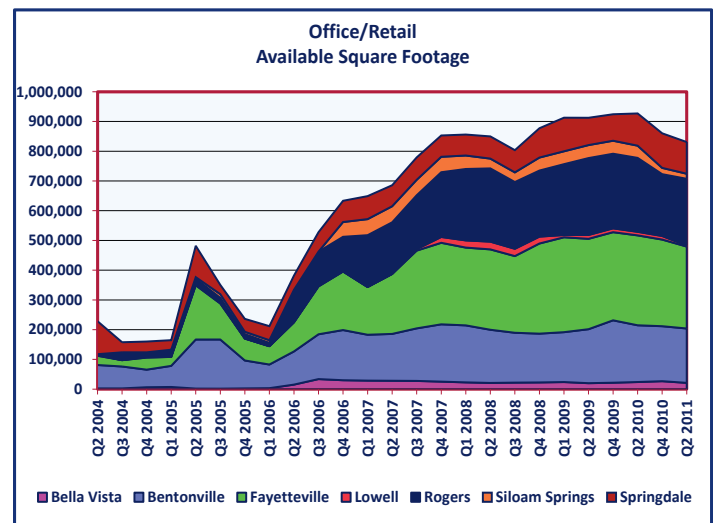
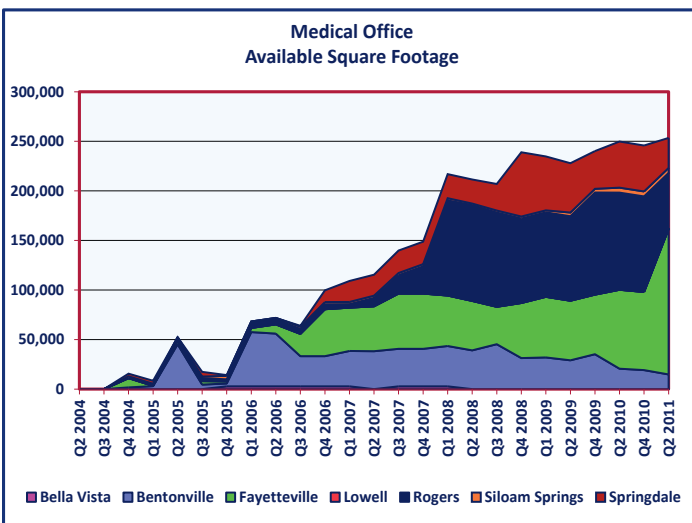
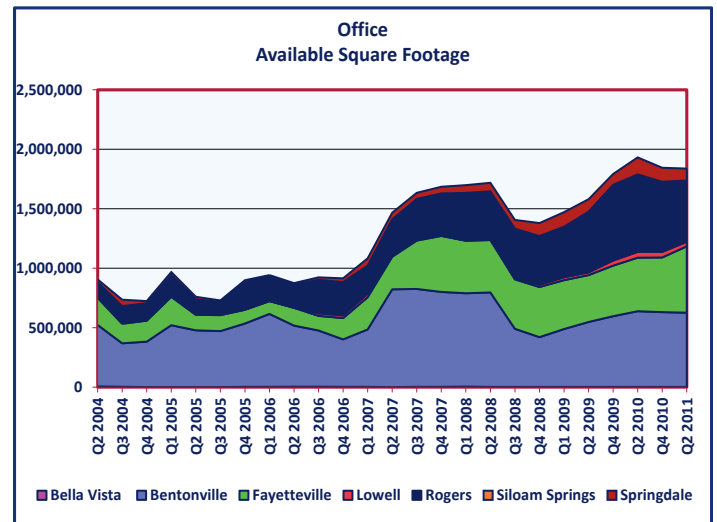
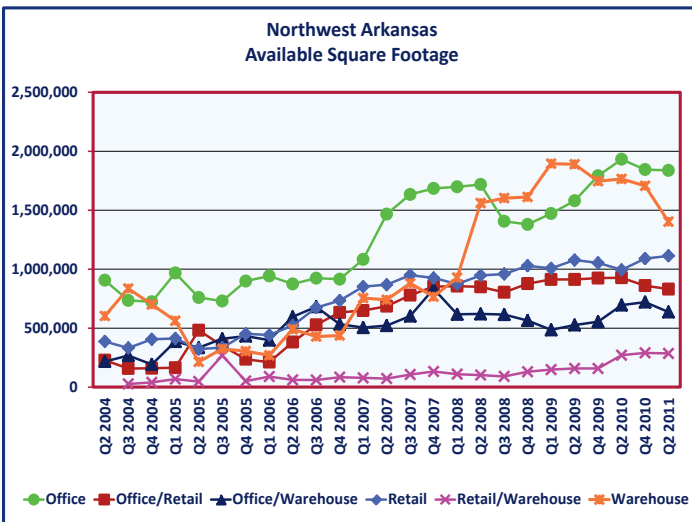
period, accordingly. Springdale led with 277,150 square feet of positive net absorption in the past year. Rogers, however, experienced negative net absorption since the fourth quarter of last year in the warehouse market. No new warehouse space was added to the Northwest Arkansas market during the past year.



# Commercial Market Trends

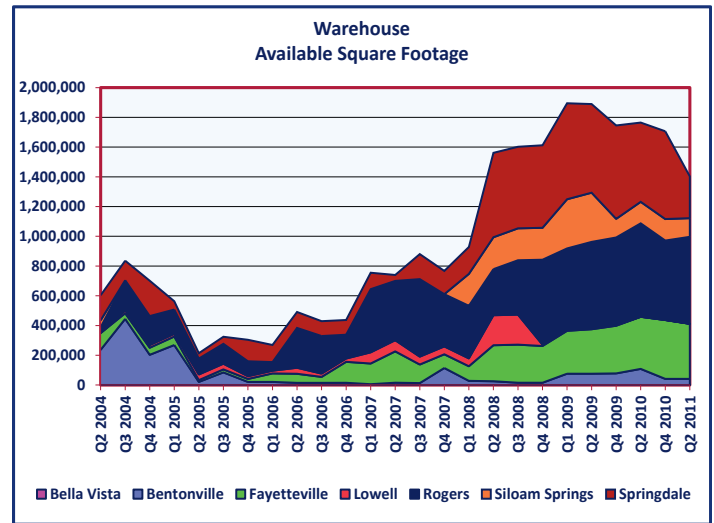
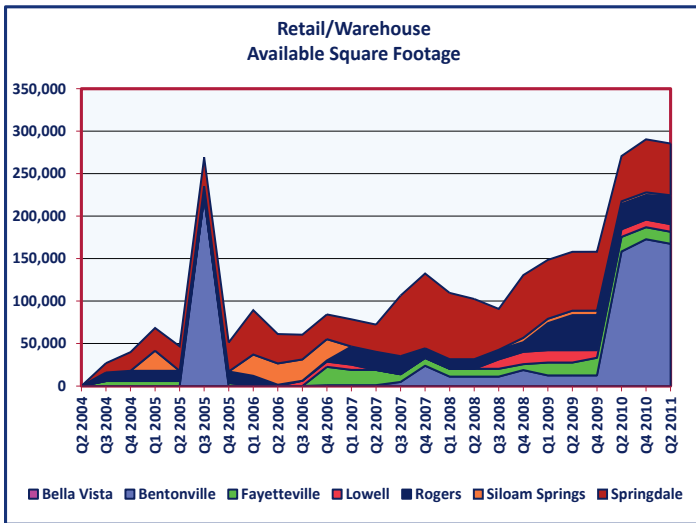
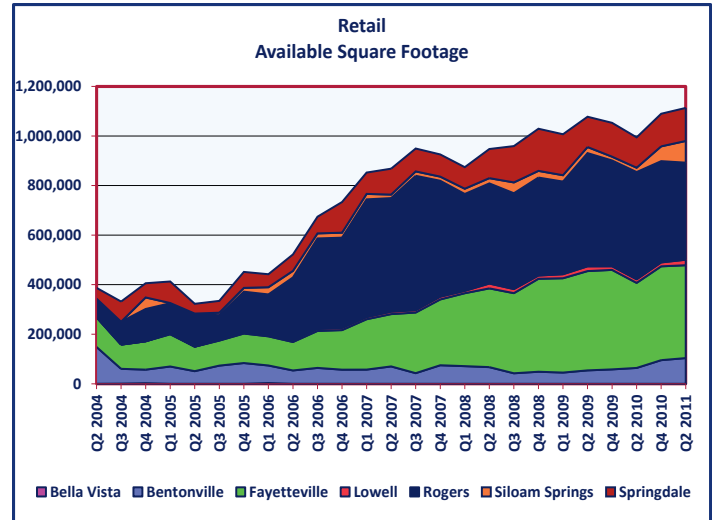
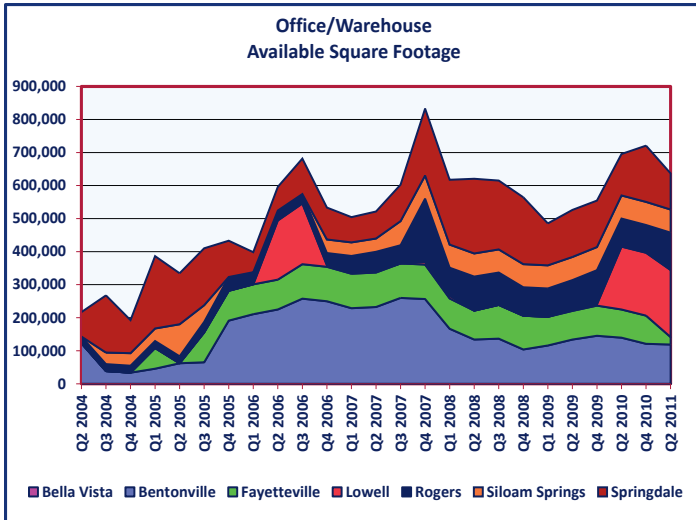
## Net Twelve Month Absorption by Submarket Q3 2010 - Q2 2011

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
<b>Northwest Arkansas</b>	<b>244,415</b>	<b>126,750</b>	<b>31,958</b>	<b>436,245</b>





# Commercial Market Trends



# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2010	19.0%	20.5%	19.4%	17.7%	28.9%	5.3%	18.2%	21.9%
Q4 2010	17.3%	20.1%	19.4%	16.9%	25.3%	5.3%	15.0%	20.5%
Q2 2011	17.3%	19.9%	20.1%	14.1%	21.9%	5.3%	12.8%	19.5%

### Medical Office

Q2 2010	0.0%	9.2%	13.9%	0.0%	33.9%	5.9%	20.4%	17.2%
Q4 2010	0.0%	8.1%	13.8%	0.0%	32.2%	5.9%	20.3%	16.7%
Q2 2011	0.0%	6.2%	16.1%	0.0%	18.9%	5.9%	13.2%	14.0%

### Office/Retail

Q2 2010	8.6%	22.7%	19.9%	18.3%	31.1%	27.9%	21.5%	22.3%
Q4 2010	9.6%	21.5%	19.3%	18.3%	26.6%	14.2%	23.1%	20.8%
Q2 2011	7.6%	21.3%	18.0%	5.0%	28.6%	11.4%	21.1%	19.9%

### Office/Warehouse

Q2 2010	--	11.2%	83.4%	86.5%	18.0%	65.8%	9.6%	20.2%
Q4 2010	--	9.6%	83.4%	86.5%	17.1%	65.8%	13.1%	20.7%
Q2 2011	--	9.5%	22.1%	85.3%	22.0%	65.8%	8.0%	17.8%

### Retail

Q2 2010	0.0%	15.5%	11.3%	11.4%	17.6%	5.7%	13.2%	13.6%
Q4 2010	0.0%	20.4%	12.2%	12.5%	16.3%	16.8%	13.9%	14.5%
Q2 2011	0.0%	22.1%	11.9%	17.6%	15.6%	24.6%	14.1%	14.7%

### Retail/Warehouse

Q2 2010	--	73.7%	24.4%	23.6%	40.7%	5.6%	12.2%	30.4%
Q4 2010	--	72.9%	18.2%	23.6%	36.2%	5.6%	14.2%	31.3%
Q2 2011	--	70.6%	18.2%	33.7%	37.5%	1.8%	13.8%	30.9%

### Warehouse

Q2 2010	0.0%	21.8%	31.9%	0.0%	29.2%	68.0%	29.6%	27.4%
Q4 2010	0.0%	8.5%	35.6%	0.0%	24.8%	68.0%	34.9%	27.0%
Q2 2011	0.0%	8.5%	33.0%	0.0%	26.6%	58.9%	16.6%	22.0%

# Commercial Market Trends

## Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1-Q2 2010	0	-40,705	16,426	-5,368	-13,930	-1,285	-18,189	-63,051
Q3-Q4 2010	200	13,270	8,946	2,052	89,000	0	24,786	138,254
Q1-Q2 2011	0	6,357	-9,970	7,820	84,201	0	17,753	106,161

### Medical Office

Q1-Q2 2010	0	14,617	0	0	5,000	-1,285	-8,458	9,874
Q3-Q4 2010	0	3,500	822	0	4,800	0	192	9,314
Q1-Q2 2011	0	4,391	12,784	0	39,987	0	16,060	73,222

### Office/Retail

Q1-Q2 2010	-2,285	18,977	527	900	9,828	2,624	-19,323	11,248
Q3-Q4 2010	-2,800	9,507	10,962	0	46,431	19,900	-7,886	76,114
Q1-Q2 2011	5,600	1,443	33,566	8,705	-12,574	4,200	9,696	50,636

### Office/Warehouse

Q1-Q2 2010		11,705	6,000	-186,325	14,000	0	15,250	-139,370
Q3-Q4 2010		26,300	0	0	17,697	0	-44,767	-770
Q1-Q2 2011		561	62,696	5,325	-5,720	0	118,959	181,821

### Retail

Q1-Q2 2010	0	-5,856	54,295	216	5,869	1,800	14,075	70,399
Q3-Q4 2010	0	-7,212	4,545	-1,425	37,303	4,768	9,320	47,299
Q1-Q2 2011	0	-6,462	10,125	-6,400	16,969	-27,780	-1,793	-15,341

### Retail/Warehouse

Q1-Q2 2010		-6,300	3,557	0	0	2,100	16,058	15,415
Q3-Q4 2010		7,700	10,243	0	840	0	-5,958	12,825
Q1-Q2 2011		5,362	0	0	-4,000	2,100	1,500	4,962

### Warehouse

Q1-Q2 2010	0	-30,310	-10,000	4,500	-27,941	-19,230	119,916	36,935
Q3-Q4 2010	0	63,750	-45,500	0	94,080	0	-32,175	80,155
Q1-Q2 2011	0	0	35,535	0	-8,000	19,230	309,325	356,090

# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2010	2,200	636,509	450,028	48,468	646,604	5,158	142,604	1,931,571
Q4 2010	2,000	628,781	459,695	46,416	584,672	5,158	117,818	1,844,540
Q2 2011	2,000	624,304	557,635	38,596	510,007	5,158	100,065	1,837,765

### Medical Office

Q2 2010	0	20,600	79,636	0	98,019	5,014	46,528	249,797
Q4 2010	0	19,190	78,814	0	96,419	5,014	46,336	245,773
Q2 2011	0	14,799	146,916	0	56,432	5,014	30,276	253,437

### Office/Retail

Q2 2010	23,855	190,848	302,367	12,010	248,573	41,100	108,354	927,107
Q4 2010	26,655	184,927	291,405	12,010	207,845	21,200	116,240	860,282
Q2 2011	21,055	182,884	275,536	3,305	224,569	17,000	106,544	830,893

### Office/Warehouse

Q2 2010	0	139,525	85,326	190,325	84,837	70,007	125,442	695,462
Q4 2010	0	120,955	85,326	190,325	83,902	70,007	170,209	720,724
Q2 2011	0	118,769	22,630	203,000	113,022	70,007	109,351	636,779

### Retail

Q2 2010	0	63,902	343,281	14,384	432,913	17,468	122,510	994,458
Q4 2010	0	95,314	378,636	15,809	408,690	59,700	131,594	1,089,743
Q2 2011	0	103,692	374,743	22,209	391,721	87,480	133,387	1,113,232

### Retail/Warehouse

Q2 2010	0	158,336	17,200	9,000	29,780	3,100	53,242	270,658
Q4 2010	0	172,786	14,157	9,000	28,940	3,100	62,400	290,383
Q2 2011	0	167,424	14,157	9,000	32,940	1,000	60,900	285,421

### Warehouse

Q2 2010	0	108,250	350,556	0	628,370	144,738	533,128	1,765,042
Q4 2010	0	41,100	396,056	0	534,290	144,738	590,303	1,706,487
Q2 2011	0	41,100	370,481	0	584,912	125,508	280,978	1,402,979



# Office

In the second quarter of 2011, the office properties included in the Skyline Report panel had a vacancy rate of 19.5 percent, down from the rate of 20.5 percent in the fourth quarter of 2010. Of the more than 9.4 million square feet of Northwest Arkansas properties examined, almost 1.84 million square feet are currently available. This is a decrease from the fourth quarter. From the fourth quarter of 2010 to the second quarter of 2011, 59,821 square feet of new office space entered the market in Fayetteville, while 49,851 square feet became occupied, netting negative absorption of 9,970 square feet for the market.

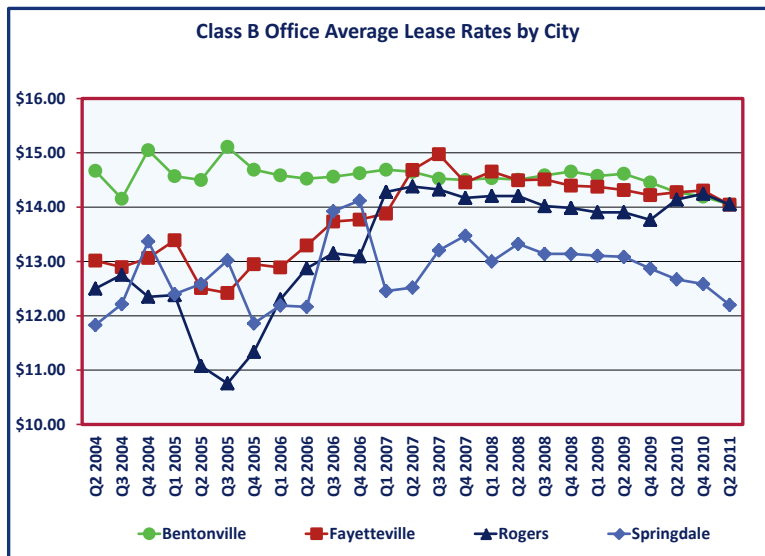
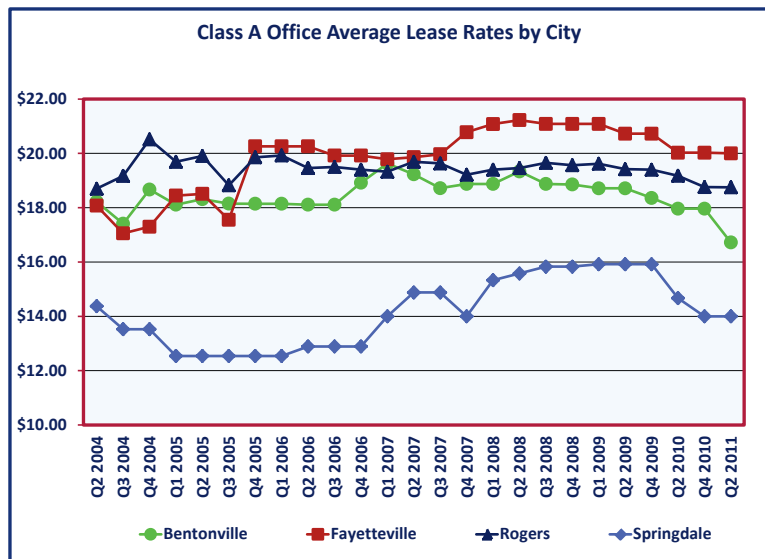
Of the 1,837,765 square feet of available office space in Northwest Arkansas, about 34.0 percent is located in Bentonville. About 91.8 percent of the available office space in Bentonville was in the Class B submarket, while Class A space accounted for about 5.4 percent, and the remainder was in the medical office submarkets. Positive absorption of 6,357 square feet in the second quarter of 2011 occurred, while no new space was added in Bentonville.

While Bentonville had the most available office space at 624,304 square feet, Fayetteville had 557,635 square feet, and Rogers had 510,007 square feet available. In the second quarter of 2011, 39,703 square feet of Class A, 4,248 of Class B, 263 square feet of Class C, and 39,987 square feet of medical office space became occupied in Rogers. No additional square feet of new space were added to the Rogers office market, netting positive absorption of 84,201 square feet of office space.

Fayetteville had 557,635 square feet of available office space in the second quarter of 2011. In the Fayetteville office submarket, Class B accounted for 48.7 percent of all available space, while medical office accounted for 26.3 percent and Class A for 17.4 percent. From the fourth quarter of 2010 to the second quarter of 2011, 59,821 square feet of new Class A space were added

## Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$16.32 - \$17.12	\$13.75 - \$14.35	\$8.55 - \$8.89	\$16.68 - \$18.04
Fayetteville	\$18.60 - \$21.40	\$13.58 - \$14.51	\$10.88 - \$11.28	\$14.69 - \$16.56
Rogers	\$17.85 - \$19.65	\$13.90 - \$14.20	\$8.77 - \$9.71	\$13.79 - \$14.20
Springdale	\$14.00 - \$14.00	\$11.55 - \$12.85	\$8.98 - \$9.23	\$11.87 - \$12.88



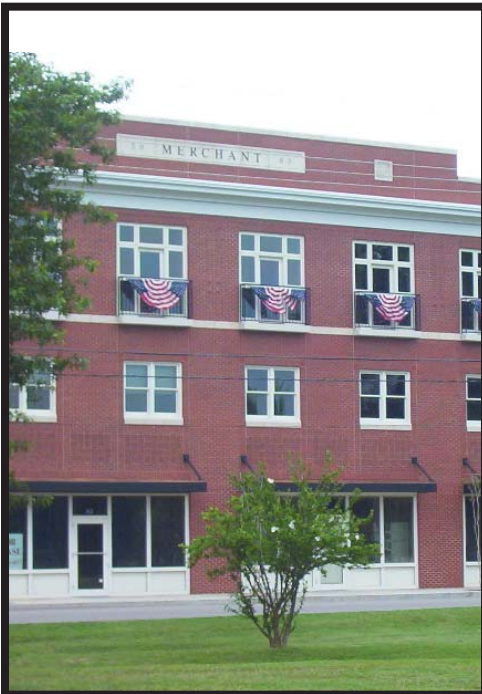
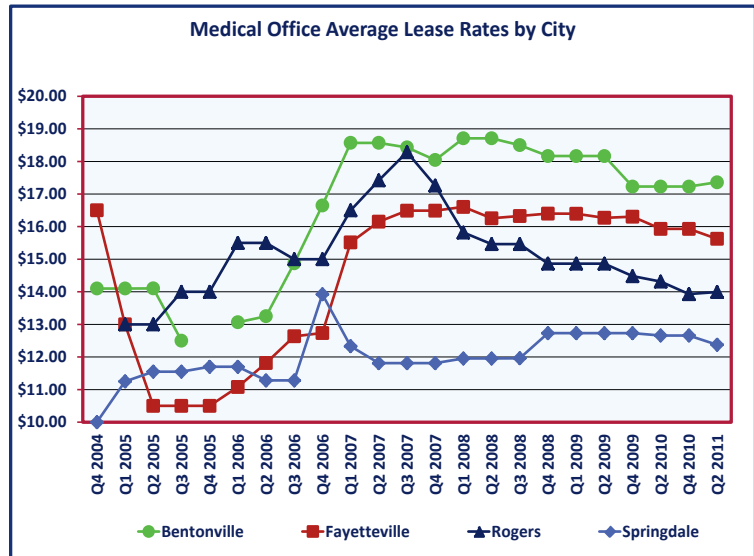
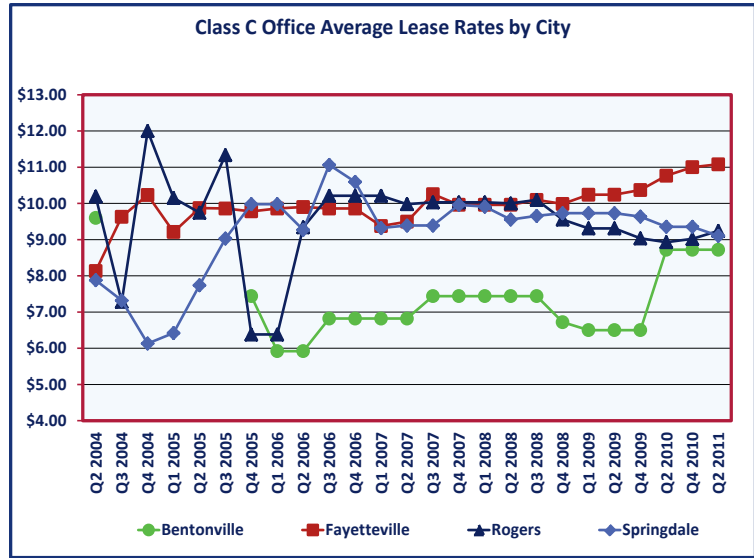
to the market. The Fayetteville office market experienced positive absorption of 49,851 square feet, but a negative net absorption of 9,970 square feet. About 23,916 square feet of Class A and 22,115 square feet of Class B,

plus 12,784 square feet in the medical office submarket became occupied during the first half of 2011. However, an additional 8,964 square feet of space became available in the Class C submarket.

# Office

The Springdale office market had 100,065 square feet of available space in the second quarter of 2011. Overall, 17,753 square feet became occupied with the Class M submarket accounting for 16,060 square feet of space. The Class C submarket had absorption of 3,300 square feet, but the Class B submarket had a negative absorption of 3,350 square feet.

Class A office average reported lease rates continued to be highest in Fayetteville at \$20.00 per square foot. Class A space average lease rates declined in Bentonville and Rogers but held constant in Springdale. Class B office space average reported lease rates declined in Springdale, Fayetteville, Rogers, and Bentonville. In the second quarter of 2011, reported average lease rates for Class C office increased in Rogers and Fayetteville, held constant in Bentonville and declined in Springdale. Reported average medical office space lease rates increased in Bentonville and Rogers, and declined in Fayetteville and Springdale in the second quarter of 2011.



# 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 from Q4 to Q2	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Bentonville	370,335	33,617	9.1%	2,048	0	2,048	98.5
Fayetteville	476,703	97,159	20.4%	23,916	59,821	-35,905	--
Rogers	1,344,776	279,756	20.8%	39,703	0	39,703	42.3
Springdale	77,123	4,976	6.5%	1,743	0	1,743	17.1
<b>Class B</b>							
Bentonville	2,484,935	572,919	23.1%	-11,190	0	-11,190	--
Fayetteville	1,138,468	271,297	23.8%	22,115	0	22,115	--
Rogers	517,443	130,340	25.2%	4,248	0	4,248	184.1
Springdale	329,030	18,118	5.5%	-3,350	0	-3,350	--
<b>Class C</b>							
Bentonville	44,698	2,969	6.6%	11,108	0	11,108	--
Fayetteville	246,664	42,263	17.1%	-8,964	0	-8,964	--
Rogers	167,294	43,479	26.0%	263	0	263	991.9
Springdale	149,449	46,695	31.2%	3,300	0	3,300	84.9
<b>Medical</b>							
Bentonville	237,467	14,799	6.2%	4,391	0	4,391	20.2
Fayetteville	910,949	146,916	16.1%	12,784	0	12,784	69.0
Rogers	299,323	56,432	18.9%	39,987	0	39,987	8.5
Springdale	228,563	30,276	13.2%	16,060	0	16,060	11.3

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents



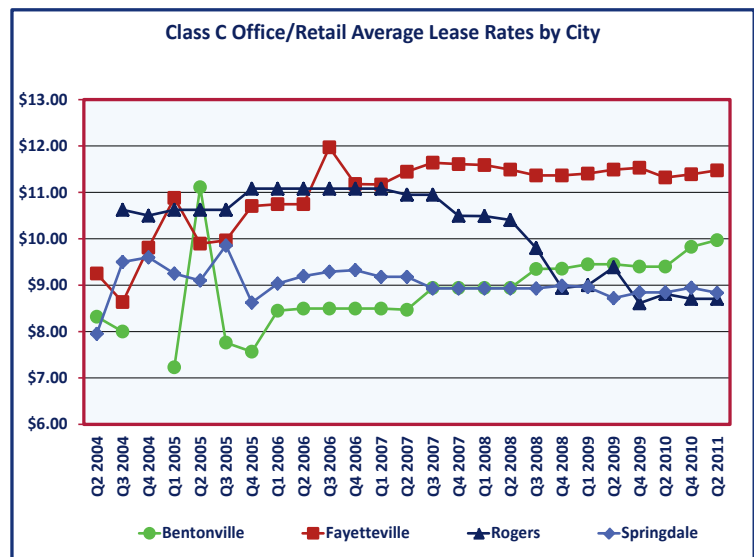
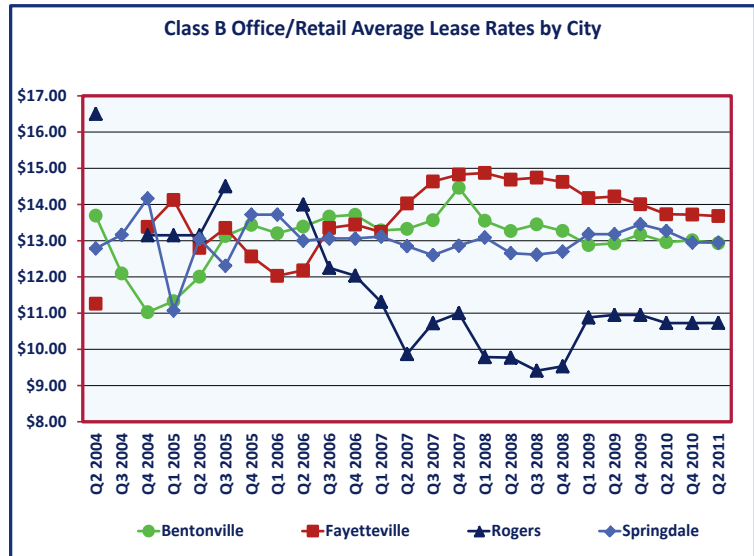
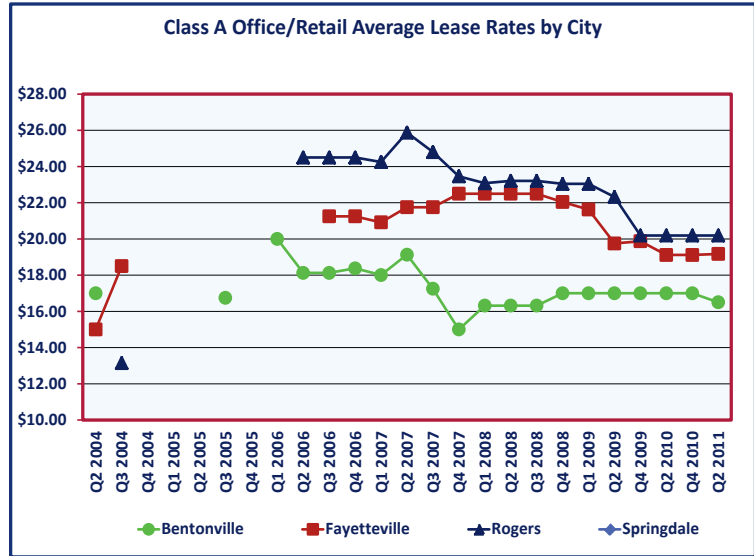
# Office/Retail

In the second quarter of 2011, the office/retail properties included in the Skyline Report sample had a vacancy rate of 19.9 percent, a decline from a 20.8 percent in the fourth quarter. Of almost 4.2 million square feet of Northwest Arkansas properties examined, 830,893 square feet were available.

From the fourth quarter 2010 to the second quarter of 2011, no new 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 office/retail submarket, causing a positive net absorption of 50,636 square feet in the second quarter. Fayetteville, Springdale, Lowell, Bella Vista, Siloam Springs, and Bentonville experienced positive net absorption of office/retail space in the second quarter of 2011. Rogers, however, experienced negative net absorption.

Fayetteville continued having the largest amount of available square feet in the office/retail submarket with 275,536 square feet available. Rogers had 224,569 and Bentonville had 182,884 square feet available. Dividing those by the total square feet of office/retail space, this translated to vacancy rates of 18.0 percent for Fayetteville, 28.6 percent for Rogers, and 21.3 percent for Bentonville. Springdale had reported available office/retail square footage of 106,544 with a 21.1 percent vacancy rate.

Office/retail space average reported lease rates remained mixed in the second quarter of 2011. In the Class A submarket, average reported lease rates went down in Bentonville, while Fayetteville increased and Rogers remained constant. Average reported Class B rates decreased in Bentonville and Fayetteville, increased in Rogers and remained constant in Springdale. In the Class C office/retail submarket, average reported prices decreased in Springdale, but increased in Bentonville and Fayetteville, while Rogers remained constant.





# Office/Retail

## Office/Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.33 - \$17.67	\$12.19 - \$13.67	\$9.46 - \$10.48
Fayetteville	\$17.80 - \$20.54	\$12.99 - \$14.37	\$10.75 - \$12.20
Rogers	\$19.25 - \$21.13	\$9.85 - \$11.61	\$7.53 - \$9.88
Springdale	--	\$12.33 - \$13.57	\$8.23 - \$9.58



## 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 from Q4 to Q2	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Bentonville	56,307	10,553	18.7%	-2,753	0	-2,753	--
Fayetteville	160,320	65,702	41.0%	1,491	0	1,491	264.4
Rogers	133,982	22,762	17.0%	-1,281	0	-1,281	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	673,022	158,829	23.6%	-436	0	-436	--
Fayetteville	1,037,016	175,844	17.0%	23,395	0	23,395	45.1
Rogers	397,135	123,668	31.1%	-25,325	0	-25,325	--
Springdale	228,573	56,833	24.9%	7,775	0	7,775	--
<b>Class C</b>							
Bentonville	129,874	13,502	10.4%	4,632	0	4,632	--
Fayetteville	332,346	33,990	10.2%	8,680	0	8,680	--
Rogers	254,427	78,139	30.7%	14,032	0	14,032	33.4
Springdale	275,386	49,711	18.1%	1,921	0	1,921	155.3

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents



# Retail

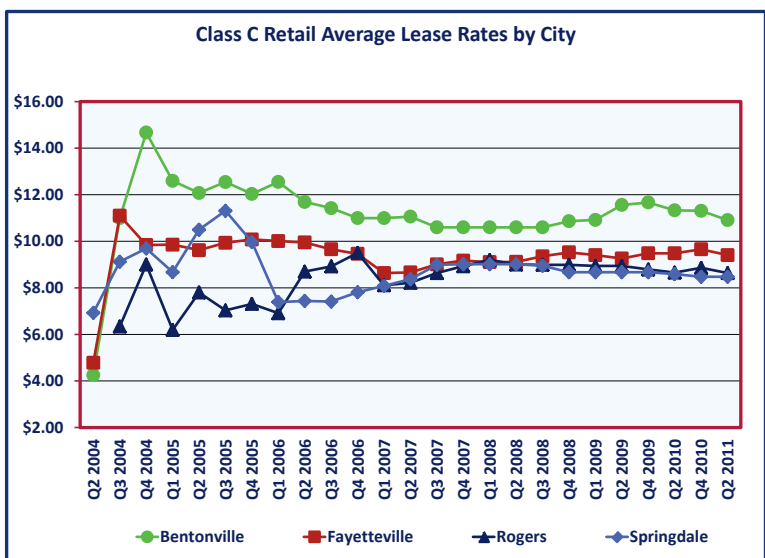
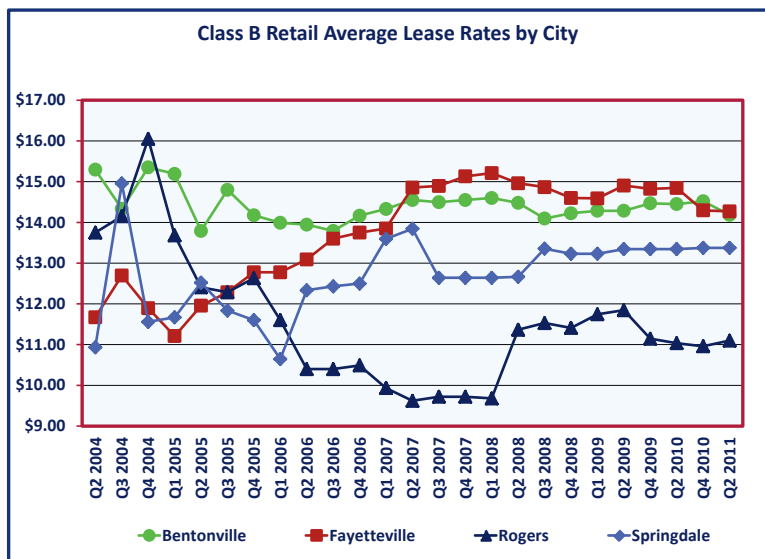
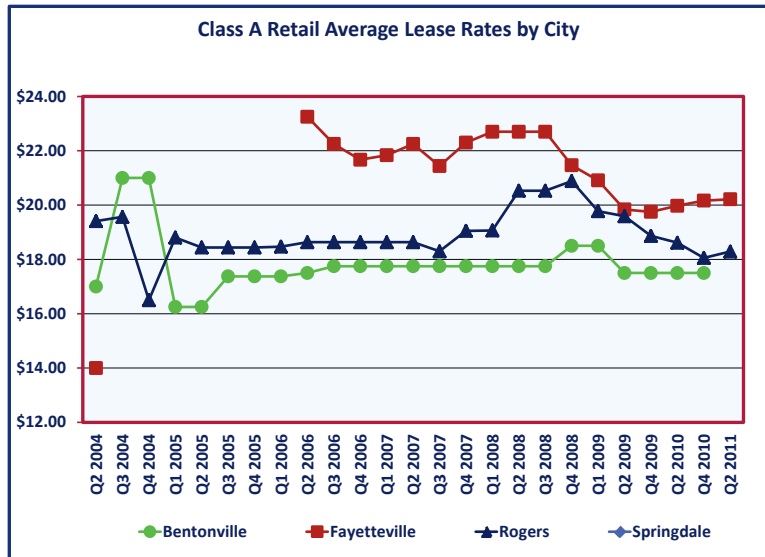
In the second quarter of 2011, the retail properties included in the Skyline Report panel had a vacancy rate of 14.7 percent, up from 14.3 percent in the fourth quarter. Of almost 7.6 million square feet of Northwest Arkansas retail properties examined, 1,113,232 square feet were available. From the fourth quarter of 2010 to the second quarter of 2011, 53,641 square feet of new retail space were added in Northwest Arkansas, while 38,300 square feet became occupied, netting a negative absorption of 15,341 square feet.

Bentonville had 468,385 total square feet and 103,692 available square feet of retail space in the second quarter of 2011, resulting in a vacancy rate of 22.1 percent. This represented an increase from the rate of 20.4 percent in the fourth quarter. The increased vacancy rate resulted in a negative absorption of 6,462 square feet.

In the second quarter of 2011, Fayetteville had a retail vacancy rate of 11.9 percent, down from 12.2 percent in the fourth quarter, with 374,743 available square feet out of a total of more than 3.1 million. A total of 30,422 square feet were added in 2011 while there was reported net positive absorption of 10,125 square feet in the Fayetteville retail market.

The Rogers market had 391,721 square feet of available retail space out of a total of over 2.5 million square feet for a vacancy rate of 15.6 percent in the second quarter of 2011. The city experienced a decrease in the vacancy rate from 16.3 percent in the fourth quarter in accordance with net absorption of 16,969 square feet. The total absorption from quarter four was 40,188 square feet, but 23,219 square feet of new space entered the market in Class A, plus 1,974 feet became available. The Class B and C markets combined for net absorption of 42,162 square feet.

There were 133,387 square feet of available retail space out of a total of 946,727 square feet in Springdale in the second quarter of 2011. This implied a vacancy rate of 14.1 percent, up from 13.9 percent in the fourth quarter. An additional 12,893 square feet became available in the Class



# Retail

B submarket, but 11,100 square feet were absorbed in the Class C retail submarket resulting in a negative net absorption for the market of 1,793 square feet.

Reported retail average lease rates in Springdale remained unchanged during the second quarter of 2011. In the Class A submarket, average reported lease rates increased in Rogers and Fayetteville, and stayed the same in Bentonville. Class B average lease rates increased in Rogers, declined in Bentonville and Fayetteville. Class C average reported lease rates declined in Bentonville, Fayetteville and Rogers.

## Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.50 - \$19.50	\$13.92 - \$14.45	\$10.49 - \$11.33
Fayetteville	\$19.38 - \$21.05	\$13.91 - \$14.63	\$9.22 - \$9.59
Rogers	\$17.42 - \$19.16	\$10.34 - \$11.86	\$8.40 - \$8.87
Springdale	--	\$12.93 - \$13.82	\$8.09 - \$8.86



## Retail Space Characteristics by Class and City

Class	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
<b>Class A</b>							
Bentonville	39,534	5,930	15.0%	-3,530	0	-3,530	--
Fayetteville	1,911,087	170,654	8.9%	11,983	0	11,983	--
Rogers	1,571,639	221,564	14.1%	-1,974	23,219	-25,193	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	310,121	75,737	24.4%	-3,331	0	-3,331	--
Fayetteville	925,562	141,747	15.3%	29,164	30,422	-1,258	-676.1
Rogers	562,287	69,316	12.3%	28,577	0	28,577	--
Springdale	653,437	110,112	16.9%	-12,893	0	-12,893	--
<b>Class C</b>							
Bentonville	118,730	22,025	18.6%	399	0	399	331.2
Fayetteville	299,726	62,342	20.8%	-600	0	-600	--
Rogers	381,788	100,841	26.4%	13,585	0	13,585	44.5
Springdale	293,290	23,275	7.9%	11,100	0	11,100	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Other Categories

## Warehouse

In the second quarter of 2011, the warehouse properties included in the Skyline Report panel had a vacancy rate of 22.0 percent, down from 27.4 percent in the fourth quarter. Of almost 6.4 million square feet of warehouse space examined, almost 1.4 million square feet were available in the second quarter of 2011.

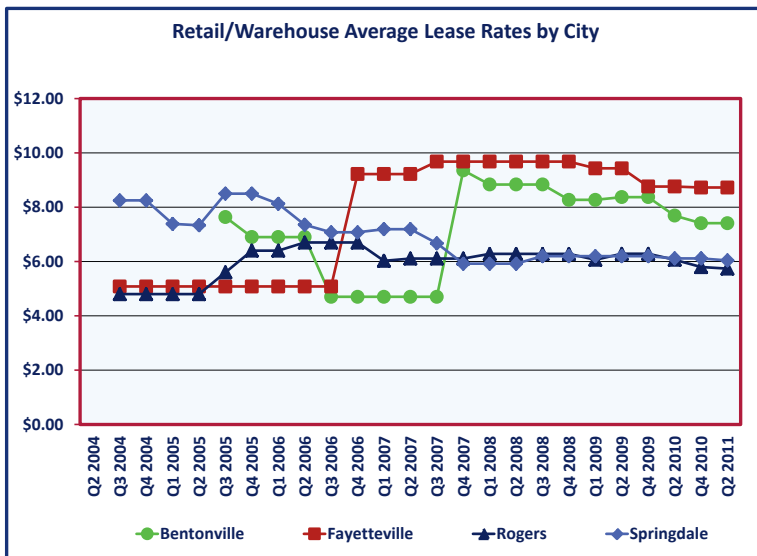
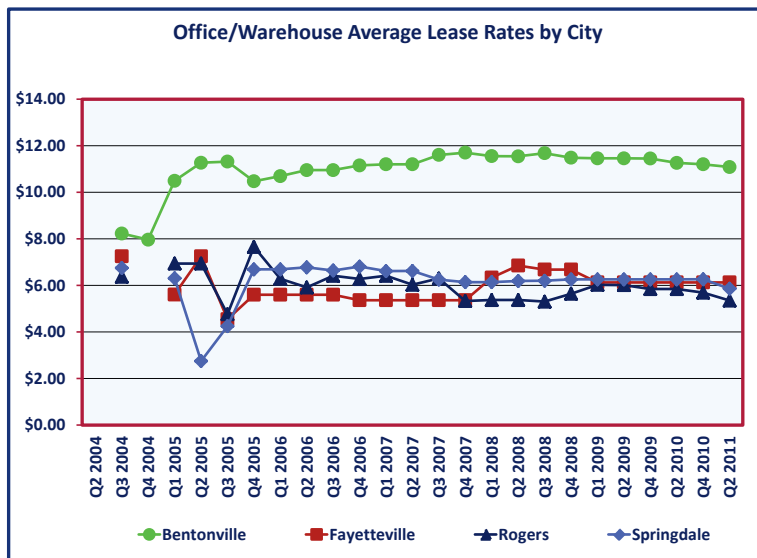
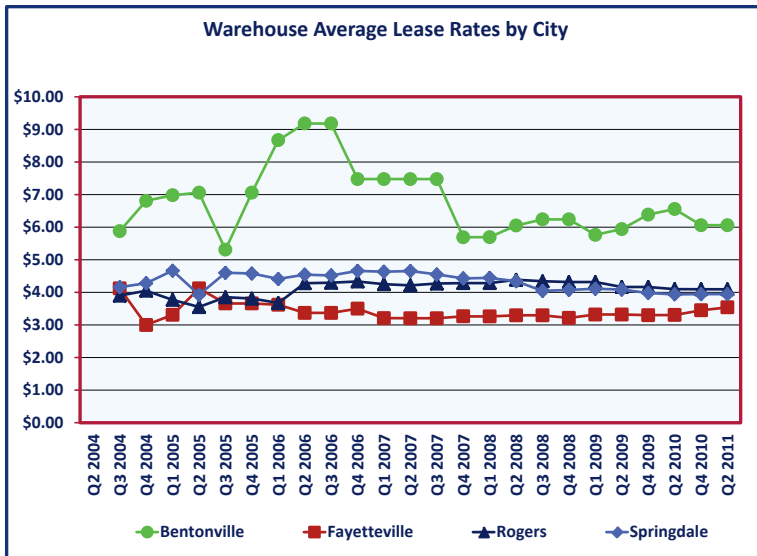
The majority of available warehouse space was split between Springdale (with 280,978 square feet), Rogers (with 584,912 square feet), Fayetteville (with 370,481 square feet), and Siloam Springs (with 125,508 square feet). There was no new space added to the warehouse market in the fourth quarter. Existing warehouse space became occupied in Fayetteville, Siloam Springs, and Springdale. As a result, there was a positive net absorption of 356,090 square feet in Northwest Arkansas. Reported warehouse vacancy rates declined in Fayetteville, Siloam Springs, and Springdale, but increased in Rogers in the second quarter.

The average reported warehouse lease rates in Bentonville decreased to \$6.06 and continued to be the most expensive lease rates in Northwest Arkansas. On the other hand, Fayetteville's average reported lease rate increased slightly, while in Rogers and Springdale average lease rates remained the same.

## Office/Warehouse

The Skyline Report panelists reported on almost 3.6 million square feet of office/warehouse space in the second quarter 2011. The vacancy rate in the office/warehouse submarket decreased from 20.7 percent in the fourth quarter to 17.8 percent in the second quarter of 2011 in Northwest Arkansas, with 636,779 total square feet available in the fourth quarter. No new space entered the market during the second quarter of 2011.

The activity in the office/warehouse submarket in the fourth quarter was concentrated in Springdale and Fayetteville. About 118,959



# Other Categories

square feet of office/warehouse space became occupied in Springdale, 62,696 square feet in Fayetteville. Meanwhile, about 44,767 square feet became vacant in Rogers, netting a positive absorption of 181,821 square feet in Northwest Arkansas.

Average reported office/warehouse lease rates in Bentonville declined to \$11.09 but continued to be the highest in the region. Rogers and Springdale also posted a decline, while Fayetteville remained constant.

## Other Lease Rates Average Range by City

	Warehouse	Office/Warehouse	Retail/Warehouse
Bentonville	\$5.38 - \$6.74	\$10.32 - \$11.85	\$7.04 - \$7.78
Fayetteville	\$3.38 - \$3.70	\$6.13 - \$6.13	\$8.08 - \$9.37
Rogers	\$4.02 - \$4.17	\$5.20 - \$5.50	\$5.73 - \$5.75
Springdale	\$3.74 - \$4.15	\$5.18 - \$7.19	\$5.54 - \$6.54

### Retail/Warehouse

The Skyline Report panelists reported on 925,046 square feet of retail/warehouse space in the second quarter of 2011. The vacancy rate in the retail/warehouse submarket decreased to 30.9 percent in the second quarter, down from 31.3 percent in the fourth quarter of 2010. A total of 285,421 square feet were available in Northwest Arkansas in the fourth quarter.

From the fourth quarter of 2010 to the second quarter of 2011, there was a positive absorption of 5,362 square feet in the Bentonville retail/warehouse market, of 1,500 square feet in Springdale and 2,100 in Siloam Springs, while 4,000 square feet became vacant in Rogers. There was no other activity in the retail/warehouse submarket in Fayetteville and Lowell.

The retail/warehouse average reported lease rates in Bentonville and Fayetteville remained the same during the second quarter of 2011, while declining slightly in Rogers and 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Bentonville	485,468	41,100	8.5%	0	0	0	--
Fayetteville	1,122,428	370,481	33.0%	35,535	0	35,535	--
Rogers	2,195,173	584,912	26.6%	-8,000	0	-8,000	--
Springdale	1,691,233	280,978	16.6%	309,325	0	309,325	--

### Office/Warehouse

Bentonville	1,250,905	118,769	9.5%	561	0	561	1,270.3
Fayetteville	102,326	22,630	22.1%	62,696	0	62,696	--
Rogers	514,575	113,022	22.0%	-5,720	0	-5,720	--
Springdale	1,361,983	109,351	8.0%	118,959	0	118,959	--

### Retail/Warehouse

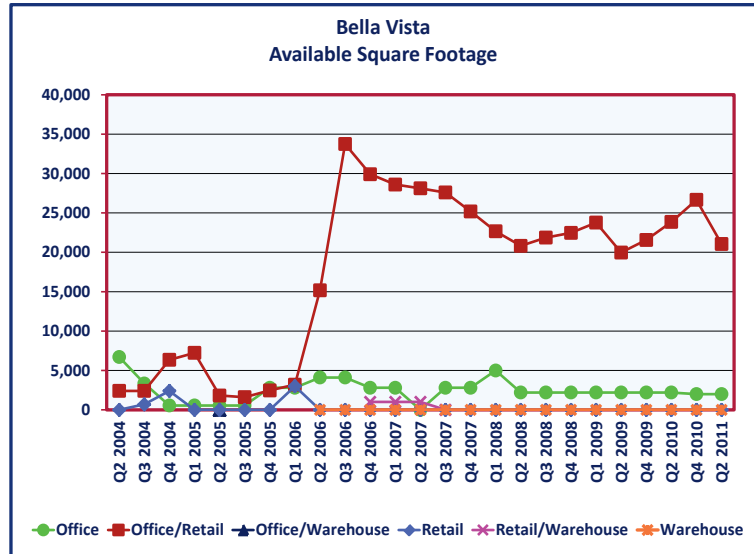
Bentonville	237,044	167,424	70.6%	5,362	0	5,362	187.3
Fayetteville	77,780	14,157	18.2%	0	0	0	--
Rogers	87,863	32,940	37.5%	-4,000	0	-4,000	--
Springdale	439,979	60,900	13.8%	1,500	0	1,500	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2010 respondents who were also Q4 2010 respondents

# Bella Vista

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 329,774 square feet of commercial space in the first and second quarters of 2011.
- In the first half of 2011, Bella Vista experienced positive net absorption of 5,600 square feet in the Class B office/retail submarket.
- There was no new space added to the Bella Vista commercial market in the first six months of 2011.
- Reported vacancy rates declined in the office/retail submarket, while staying constant in all other submarkets in Bella Vista from the fourth quarter of 2010 to the second quarter of 2011 in accord with absorption.
- Reported average lease rates in Bella Vista in the second quarter of 2011 remained consistent with the rates in the fourth quarter of 2010.



## Bella Vista Commercial Real Estate Market Summary Statistics

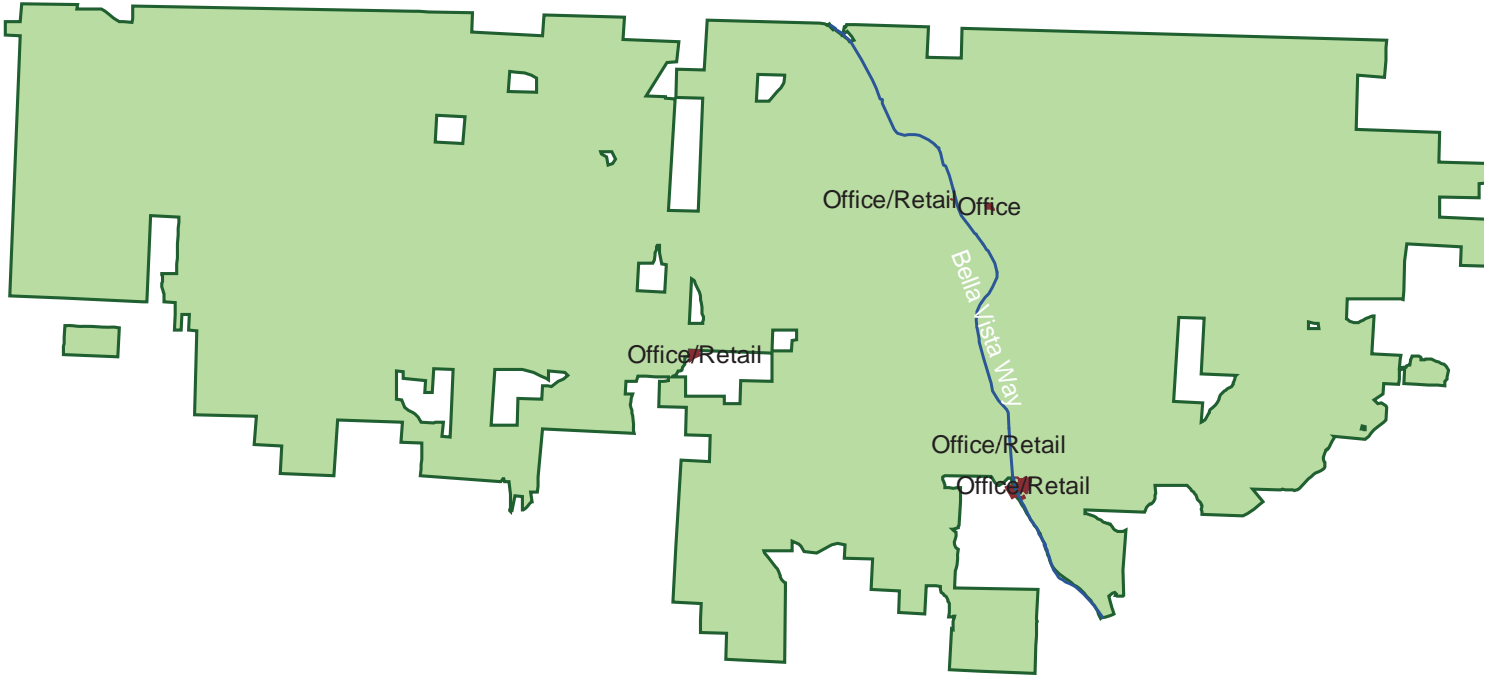
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$12.93 - \$13.93	11,554	2,000	17.3%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$13.85 - \$13.85	3,450	2,000	58.0%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Medical	\$12.00 - \$14.00	8,104	0	0.0%	0	0	0	0.0
Office/Retail	\$9.86 - \$12.17	278,734	21,055	7.6%	5,600	0	5,600	--
Class A	--	--	--	--	--	--	--	--
Class B	\$9.86 - \$12.17	278,734	21,055	7.6%	5,600	0	5,600	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	0.0
Class A	--	--	--	--	--	--	--	--
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	0.0
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	0.0

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

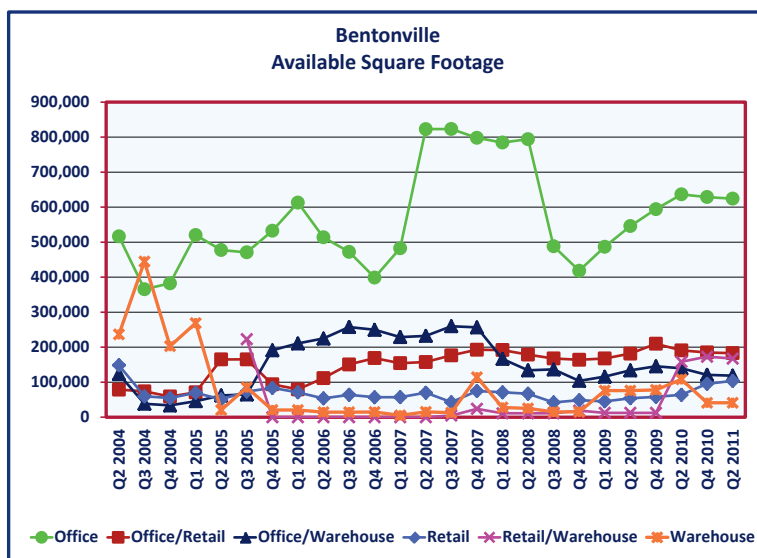


# Bella Vista



# Bentonville

- From December 2010 to May 2011, Bentonville issued \$3,242,390 worth of building permits for new commercial space. The first half of 2011 value was much less than the last half of 2010 value of \$9.06 million. Bentonville accounted for 7.15 percent of the commercial permits issued in Northwest Arkansas during the first half of 2011.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,531,236 square feet of commercial space in the first and second quarter of 2011.
- In the first half of 2011, Bentonville experienced positive net absorption of 7,261 and decreased vacancy rates overall.
- There was positive net absorption in the office, medical office, office/retail, office/warehouse, and retail/warehouse submarkets in the first two quarters of 2011 in Bentonville. Meanwhile, there was negative absorption in the retail submarket.



- There was no new space added to the Bentonville commercial market in the first six months of 2011.
- Reported vacancy rates from the fourth quarter of 2010 to the second quarter of 2011 decreased in the office, medical office, office/retail, office/warehouse and retail/warehouse submarkets while remaining constant in the warehouse submarket and increased in the retail submarket, in accord with absorption.
- Average reported lease rates decreased over the past six months for the Class A office by \$0.03, Class B office by \$0.15, Class A office/retail by \$0.50, Class A office/retail by \$0.08, Retail Class B by \$0.33, Retail Class C by \$0.40, and

## 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>	Absorption from Q4 to Q2 <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	92,396	81,996	88.7%	0	0	0	--
Office	\$13.95 - \$14.59	3,137,435	624,304	19.9%	6,357	0	6,357	589.2
Class A	\$16.32 - \$17.12	370,335	33,617	9.1%	2,048	0	2,048	98.5
Class B	\$13.75 - \$14.35	2,484,935	572,919	23.1%	-11,190	0	-11,190	--
Class C	\$8.55 - \$8.89	44,698	2,969	6.6%	11,108	0	11,108	--
Medical	\$16.68 - \$18.04	237,467	14,799	6.2%	4,391	0	4,391	20.2
Office/Retail	\$11.87 - \$13.31	859,203	182,884	21.3%	1,443	0	1,443	760.4
Class A	\$15.33 - \$17.67	56,307	10,553	18.7%	-2,753	0	-2,753	--
Class B	\$12.19 - \$13.67	673,022	158,829	23.6%	-436	0	-436	--
Class C	\$9.46 - \$10.48	129,874	13,502	10.4%	4,632	0	4,632	--
Office/Warehouse	\$10.32 - \$11.85	1,250,905	118,769	9.5%	561	0	561	1270.3
Retail	\$12.90 - \$13.64	468,385	103,692	22.1%	-6,462	0	-6,462	--
Class A	\$15.50 - \$19.50	39,534	5,930	15.0%	-3,530	0	-3,530	--
Class B	\$13.92 - \$14.45	310,121	75,737	24.4%	-3,331	0	-3,331	--
Class C	\$10.49 - \$11.33	118,730	22,025	18.6%	399	0	399	331.2
Retail/Warehouse	\$7.04 - \$7.78	237,044	167,424	70.6%	5,362	0	5,362	187.3
Warehouse	\$5.38 - \$6.74	485,468	41,100	8.5%	0	0	0	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Bentonville

office/warehouse by \$0.12. During the past six months, there was an increase in medical office by \$0.13 and Class C office retail by \$0.14. All other average reported lease rates remained unchanged.

## Downtown Bentonville



- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 172,930 square feet of office, office/retail, and retail space in downtown Bentonville in the first and second quarters of 2011.
- There was a positive net absorption of 3,520 square feet of office space and 2,461 square feet of office/retail in downtown Bentonville in the first two quarters of 2011, while the retail market remained constant.
- The office space in downtown Bentonville had a reported vacancy rate of 1.8 percent in the second quarter of 2011, a decline from 7.5 percent in the fourth quarter of 2010 in accord with absorption. This quarter, the vacancy rate remained much lower than the overall office vacancy rate of 19.9 percent for all of Bentonville.
- The office/retail space in downtown Bentonville had a decline in vacancy rate from 4.2 percent in the fourth quarter of 2010 to 1.0 percent in the second quarter of 2011, while the retail vacancy rate remained constant at 20.1 percent, in accord with absorption. The office/retail vacancy rates for downtown Bentonville properties were also much lower than those for all of Bentonville during the second quarter of 2011, while the retail vacancy rates were comparable to all those for all of Bentonville.
- There was no space added to the downtown Bentonville commercial market in the first six months of this year.
- In downtown Bentonville, all average reported lease rates remained unchanged during the past six months. Average reported lease rates were lower for the office, office/retail, and retail space in downtown Bentonville than the city average by \$0.21, \$1.84, and \$1.50, respectively.

## 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.13 - \$14.99	61,696	1,109	1.8%	3,520	0	3,520	1.9
Office/Retail	\$9.83 - \$11.67	75,909	750	1.0%	2,461	0	2,461	--
Retail	\$11.45 - \$11.95	35,325	7,112	20.1%	0	0	0	--

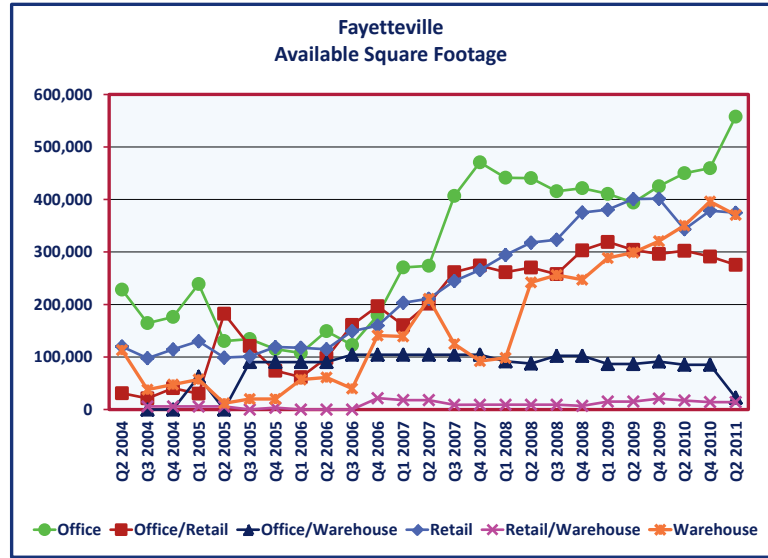
<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents



# Fayetteville

- From December 2010 to May 2011, Fayetteville issued building permits for \$10,467,426 worth of new commercial space. The first half of 2011 value is 43.3 percent higher than the last half of the 2010 value of \$7,303,046. Fayetteville accounted for 23.1 percent of the commercial permits issued in Northwest Arkansas during the first half of 2011.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 8,833,978 square feet of commercial space in the first and second quarters of 2011.
- In the first half of 2011, Fayetteville experienced positive net absorption overall. There was positive net absorption in the lab, warehouse, office/retail, retail, and retail/warehouse submarkets. However, there was negative net absorption in the office submarket.



- A total of 90,243 square feet of new space entered the Fayetteville market in the first six months of 2011; 30,422 square feet were retail space and 59,821 were office space.
- Observed vacancy rates in Fayetteville from the fourth quarter of 2010 to the second quarter of 2011 decreased in the lab, office/retail, retail and office/ware-

house submarkets, while increasing in the retail and warehouse submarkets. The discrepancy between positive absorption and increased vacancy rate in the office, office/warehouse and medical office submarket is due to the increase in total reported space.

## 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>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$20.00 - \$21.00	75,603	31,900	42.2%	-6,900	0	-6,900	--
Industrial	\$3.20 - \$3.50	17,000	17,000	100.0%	0	0	0	--
Office	\$13.80 - \$15.03	2,772,784	557,635	20.1%	49,851	59,821	-9,970	--
Class A	\$18.60 - \$21.40	476,703	97,159	20.4%	23,916	59,821	-35,905	--
Class B	\$13.58 - \$14.51	1,138,468	271,297	23.8%	22,115	0	22,115	--
Class C	\$10.88 - \$11.28	246,664	42,263	17.1%	-8,964	0	-8,964	--
Medical	\$14.69 - \$16.56	910,949	146,916	16.1%	12,784	0	12,784	69.0
Office/Retail	\$12.71 - \$14.25	1,529,682	275,536	18.0%	33,566	0	33,566	49.3
Class A	\$17.80 - \$20.54	160,320	65,702	41.0%	1,491	0	1,491	264.4
Class B	\$12.99 - \$14.37	1,037,016	175,844	17.0%	23,395	0	23,395	45.1
Class C	\$10.75 - \$12.20	332,346	33,990	10.2%	8,680	0	8,680	--
Office/Warehouse	\$6.13 - \$6.13	102,326	22,630	22.1%	62,696	0	62,696	--
Retail	\$13.20 - \$13.97	3,136,375	374,743	11.9%	40,547	30,422	10,125	222.1
Class A	\$19.38 - \$21.05	1,911,087	170,654	8.9%	11,983	0	11,983	--
Class B	\$13.91 - \$14.63	925,562	141,747	15.3%	29,164	30,422	-1,258	-676.1
Class C	\$9.22 - \$9.59	299,726	62,342	20.8%	-600	0	-600	--
Retail/Warehouse	\$8.08 - \$9.37	77,780	14,157	18.2%	0	0	0	--
Warehouse	\$3.38 - \$3.70	1,122,428	370,481	33.0%	35,535	0	35,535	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents



# Fayetteville

- Average reported lease rates increased in the past six months for the Class C office space, Class A and Class C office/retail, Class A retail, and warehouse by \$0.08, \$0.05, \$0.08, \$0.05, \$0.09 respectively. Average reported lease rates decreased in the past six months for the Class A and B Class office, and Medical Offices by \$0.02, \$0.26, and \$0.31 respectively. All other average reported lease rates remained unchanged.
- There was 59,821 square feet of new office space added to the north Fayetteville commercial market in the first six months of 2011.
- The office space in north Fayetteville had a reported vacancy rate of 21.4 percent in the second quarter of 2011. This was higher than the fourth quarter 2010 vacancy rate of 19.2 percent. The Mall Area office vacancy rate was slightly higher than the overall office vacancy rate for all of Fayetteville of 20.1 percent.
- The downtown Fayetteville retail vacancy rate increased to 6.0 percent, compared to the overall Fayetteville average of 11.9 percent.
- Average reported lease rates in downtown Fayetteville increased in the office submarket by \$0.09, by \$0.37 in the retail submarket, and by \$0.08 office/retail submarket. Compared to the city average reported lease rates, the downtown area rates were \$1.46 and \$0.07 higher in the office/retail and office submarkets and lower by \$2.67 in the retail submarket.

## Downtown Fayetteville/Dickson Street Area

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 877,825 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street area in the first and second quarters of 2011.
- There was positive absorption of 40,280 square feet of office space and 9,796 square feet of office/retail space in the first half of 2011. However retail space had no absorption during this period.
- There was no new commercial space added in downtown Fayetteville during the first six months of 2011.
- The office space in downtown Fayetteville had a reported vacancy rate of 18.5 percent in the second quarter, decreased from last quarter. This was higher than the overall Fayetteville office vacancy rate of 20.1 percent.
- The office/retail vacancy rate for downtown Fayetteville properties decreased

## Northwest Arkansas Mall Area/Joyce Street Corridor

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,772,536 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the first and second quarters of 2011.
- There was negative net absorption of 27,509 square feet of office space and 26,547 square feet of retail space during the first two quarters of 2011 in the Northwest Arkansas Mall Area/Joyce Street Corridor.



## 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.26 - \$15.71	429,512	79,300	18.5%	40,280	0	40,280	11.8
Office/Retail	\$13.89 - \$15.99	372,801	112,617	30.2%	9,796	0	9,796	69.0
Retail	\$9.81 - \$12.02	75,512	4,550	6.0%	0	0	0	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Fayetteville

- The second quarter 2011 office/retail vacancy rate in north Fayetteville increased to 25.2 percent from 20.9 percent in the first quarter due to increased total coverage. This resulted in the vacancy rate increasing above the city average office/retail vacancy rate of 18.0 percent.
- The second quarter 2011 retail vacancy rate for north Fayetteville properties increased to 11.8 percent from 11.0 percent in the fourth quarter of 2010 but remained lower than the city average of 11.9 percent. The discrepancy between absorption and vacancy rates resulted from increased total coverage.
- Average reported lease rates in the office, office/retail and retail markets saw decreases of \$0.28, \$0.19 and \$0.12, respectively. North Fayetteville average reported lease rates continued to be consistently higher than the city average. For the office, office/retail, and retail submarkets, there were premiums of \$0.98, \$3.37, and \$4.66, respectively.

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

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 354,375 square feet of office, office/retail, and retail space in the MLK Boulevard Corridor in the first and second quarters of 2011.
- There was no new commercial space added to southwest Fayetteville in the first six months of 2011.
- The MLK Boulevard Corridor of Fayetteville experienced a positive absorption of 5,000 square feet of office/retail space and 23,752 square feet of retail space in the first half of 2011.
- The office space in southwest Fayetteville continued having a reported vacancy rate of 62.1 percent in the second quarter of 2011. This was much higher than the overall office vacancy rate of 20.1 percent for Fayetteville during the second quarter.
- From the first quarter of 2011 to the second quarter of 2011, office/retail

vacancy rate decreased from 24.3 percent to 21.9 percent, but was still higher in southwest Fayetteville than the city average rate of 18.0 percent.

- The vacancy rates for retail space increased to 26.9 percent in the second quarter from 46.5 percent in the fourth quarter, and remained higher than the 11.9 percent retail vacancy rates for all of Fayetteville.
- Average reported lease rates for office/retail and retail reported submarkets remained constant in southwest Fayetteville over the past six months, and decreased by \$4.44 for the office submarket. Reported lease rates for office space averaged \$2.85 lower than city average, and for office/retail and retail space averaged \$0.29 and \$0.23 higher than the city average, respectively.

## 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.07 - \$15.71	1,409,847	302,372	21.4%	32,312	59,821	-27,509	--
Office/Retail	\$16.69 - \$17.00	144,635	36,455	25.2%	-1,160	0	-1,160	--
Retail	\$17.91 - \$18.57	2,218,054	260,882	11.8%	3,875	30,422	-26,547	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

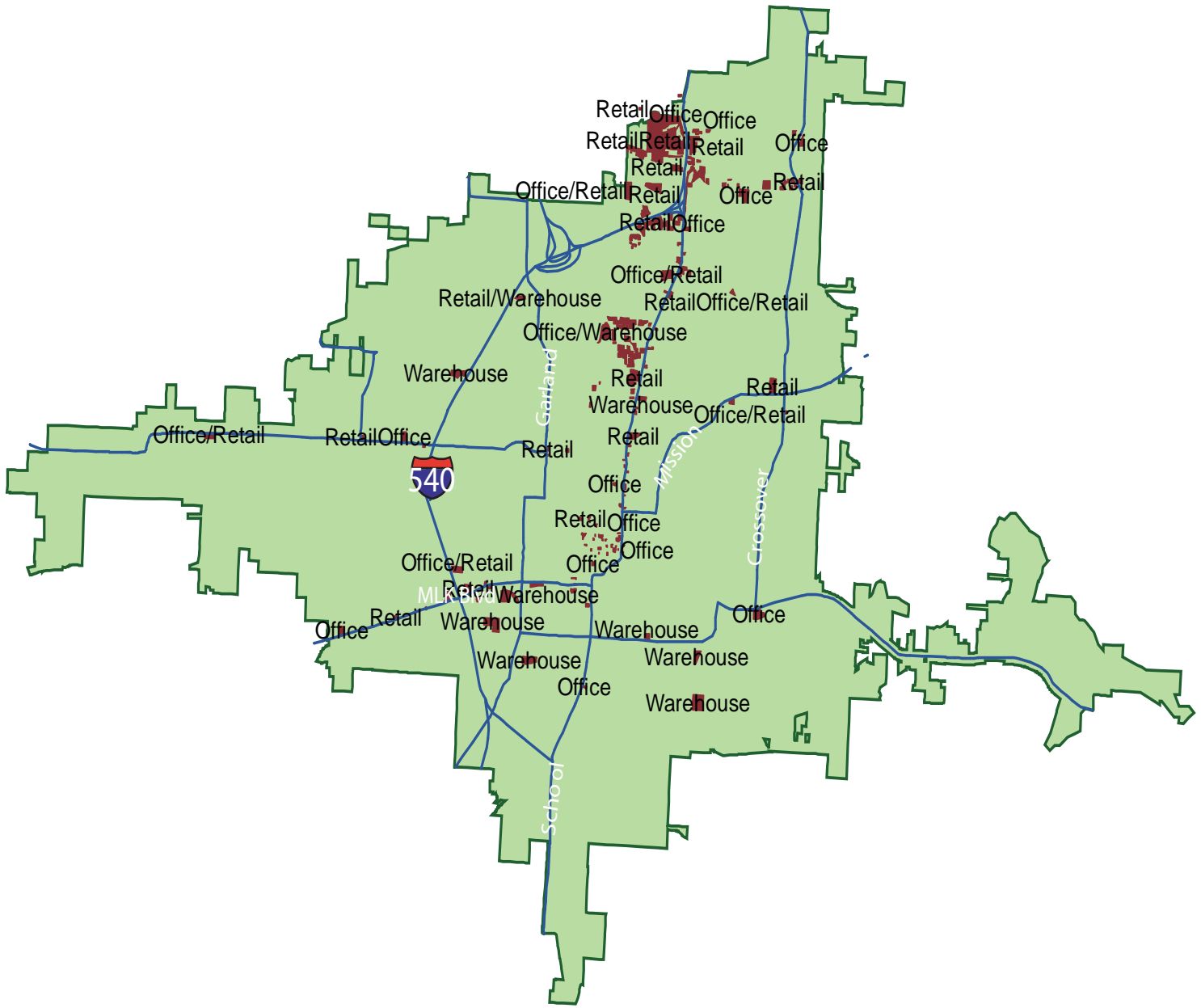
## Fayetteville MLK Boulevard Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$9.13 - \$14.00	25,125	15,595	62.1%	0	0	0	--
Office/Retail	\$12.38 - \$15.16	208,272	45,600	21.9%	5,000	0	5,000	54.7
Retail	\$13.44 - \$14.19	120,978	32,513	26.9%	23,752	0	23,752	--

<sup>1</sup>From all Q2 2011 respondents

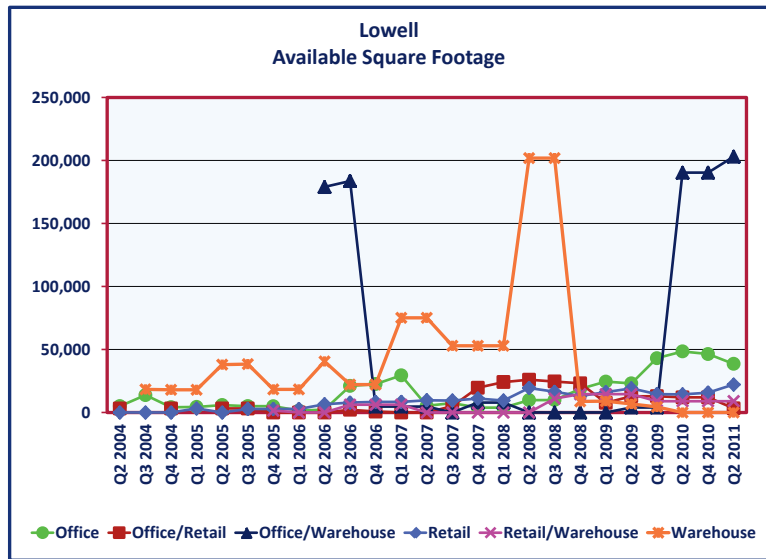
<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Fayetteville



# Lowell

- From December 2010 to May 2011, Lowell issued \$588,289 in building permits for new commercial space. This is 62.5 percent of the building permits issued in the last half of 2010, and it was only 1.2 percent of the total value of building permits issued in Northwest Arkansas.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,443,175 square feet of Lowell commercial space in the first and second quarters of 2011.
- In the first half of 2011, Lowell experienced positive net absorption of 15,450 square feet overall. There was positive net absorption in the office, office/retail and office/warehouse submarkets, while negative absorption occurred in the retail submarket.
- There was no new space added in Lowell in the first six months of 2011.
- Reported vacancy rates declined in the office, office/retail and office/ware-



- house submarkets, while increasing in the retail submarket from the fourth quarter of 2010 to the second quarter of 2011, in accord with absorption.
- Reported average lease rates for the office/warehouse submarket declined by \$0.49 and the retail submarket declined by \$1.14. All other submarket average lease rates remained the same.

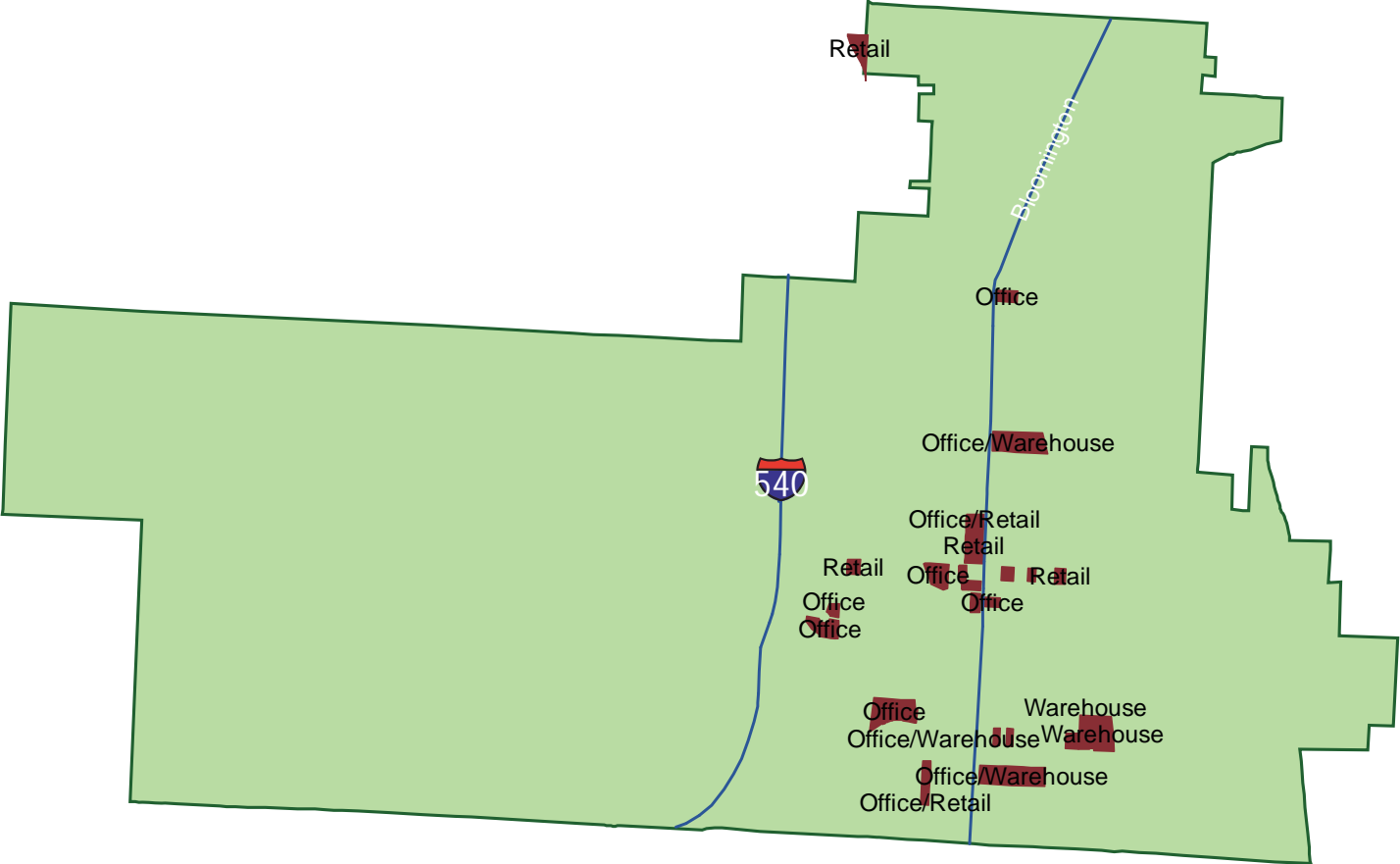
## Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	\$5.00 - \$5.00	55,355	55,355	100.0%	0	0	0	--
Office	\$14.54 - \$15.29	274,102	38,596	14.1%	7,820	0	7,820	29.6
Class A	\$17.50 - \$19.50	111,552	18,796	16.8%	1,770	0	1,770	63.7
Class B	\$12.50 - \$12.92	122,550	19,800	16.2%	6,050	0	6,050	--
Class C	--	--	--	--	--	--	--	--
Medical	\$24.00 - \$24.00	40,000	0	0.0%	0	0	0	0.0
Office/Retail	\$9.21 - \$11.02	65,470	3,305	5.0%	8,705	0	8,705	--
Class A	--	--	--	--	--	--	--	--
Class B	\$10.92 - \$13.33	48,310	3,305	6.8%	8,705	0	8,705	--
Class C	\$4.08 - \$4.08	17,160	0	0.0%	0	0	0	0.0
Office/Warehouse	\$6.76 - \$7.08	238,065	203,000	85.3%	5,325	0	5,325	--
Retail	\$13.13 - \$16.29	126,295	22,209	17.6%	-6,400	0	-6,400	--
Class A	--	50,000	0	0.0%	0	0	0	0.0
Class B	\$13.13 - \$16.29	76,295	22,209	29.1%	-6,400	0	-6,400	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.19 - \$10.19	26,700	9,000	33.7%	0	0	0	--
Warehouse	\$3.58 - \$3.58	657,188	0	0.0%	0	0	0	0.0

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

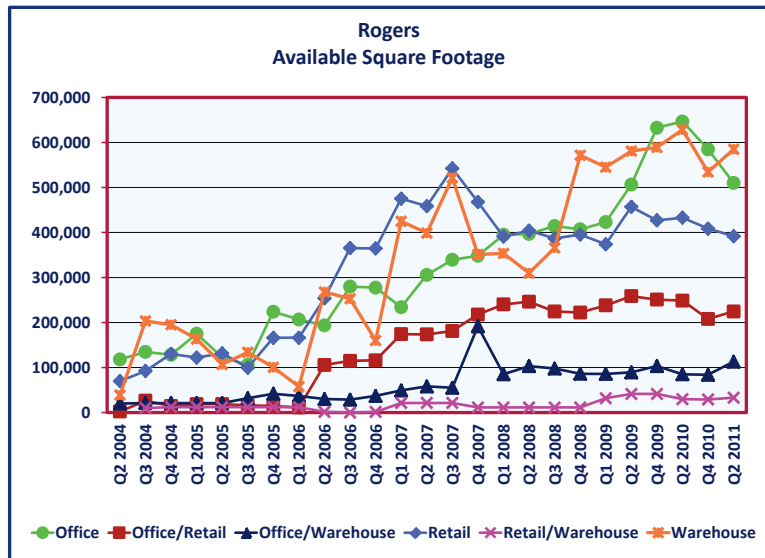
# Lowell





# Rogers

- From December 2010 to May 2011, Rogers issued building permits for \$6,230,536 worth of new commercial space. The first half of 2011 value is significantly higher than the last half of 2010 value of \$958,000 but lower than the first half of 2010 value of \$18.2 million. Rogers accounted for 14.3 percent of the commercial permits issued in Northwest Arkansas during the first quarter of 2011 and 12.3 percent of the second quarter.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 8,719,635 square feet of commercial space in the first and second quarters of 2011.
- In the first half of 2011, Rogers experienced positive net absorption in the office, medical office and retail submarkets. There was negative absorption in the office/retail, office/warehouse, retail/warehouse and warehouse submarkets. There was no activity in the lab or industrial submarkets.



- New retail space of 23,219 square feet was added to the Rogers market in the first six months of 2011.
- Reported vacancy rates decreased in the office, office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets from the fourth quarter of 2010 to the second quarter of 2011.
- Average reported lease rates declined over the past six months for Class

A office by \$0.01, Class B office by \$0.20, Class C retail by \$0.22, office/retail by \$0.34 and retail/office by \$0.06. Meanwhile average lease rates for Class C office increased by \$0.22, medical office by \$0.07, Class A retail by \$0.23 and Class B retail by \$0.14. All other reported average lease rates remained 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>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$10.00 - \$10.00	9,482	0	0.0%	0	0	0	0.0
Industrial	\$4.36 - \$4.36	282,648	8,528	3.0%	0	0	0	--
Office	\$14.47 - \$15.36	2,328,836	510,007	21.9%	84,201	0	84,201	36.3
Class A	\$17.85 - \$19.65	1,344,776	279,756	20.8%	39,703	0	39,703	42.3
Class B	\$13.90 - \$14.20	517,443	130,340	25.2%	4,248	0	4,248	184.1
Class C	\$8.77 - \$9.71	167,294	43,479	25.0%	263	0	263	991.9
Medical	\$13.79 - \$14.20	299,323	56,432	18.9%	39,987	0	39,987	8.5
Office/Retail	\$10.02 - \$12.07	785,544	224,569	28.6%	-12,574	0	-12,574	--
Class A	\$19.25 - \$21.13	133,982	22,762	17.0%	-1,281	0	-1,281	--
Class B	\$9.85 - \$11.61	397,135	123,668	31.1%	-25,325	0	-25,325	--
Class C	\$7.53 - \$9.88	254,427	78,139	30.7%	14,032	0	14,032	33.4
Office/Warehouse	\$5.20 - \$5.50	514,575	113,022	22.0%	-5,720	0	-5,720	--
Retail	\$12.24 - \$12.41	2,515,714	391,721	15.6%	40,188	23,219	16,969	138.5
Class A	\$17.42 - \$19.16	1,571,639	221,564	14.1%	-1,974	23,219	-25,193	--
Class B	\$10.34 - \$11.86	562,287	69,316	12.3%	28,577	0	28,577	--
Class C	\$8.40 - \$8.87	381,788	100,841	26.4%	13,585	0	13,585	44.5
Retail/Warehouse	\$5.73 - \$5.75	87,863	32,940	37.5%	-4,000	0	-4,000	--
Warehouse	\$4.02 - \$4.17	2,195,173	584,912	26.6%	-8,000	0	-8,000	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Rogers

## Downtown Rogers

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 665,321 square feet of office, office/retail, and retail space in downtown Rogers in the first and second quarters of 2011.
- No new commercial space was added to downtown Rogers in the first six months of 2011.
- Overall, Rogers downtown experienced negative absorption of 23,251 square feet during the first two quarters of 2011. There was negative absorption of 5,567 and 17,884 square feet in office and retail respectively, with 200 square feet of positive absorption in office/retail space.
- The office space in downtown Rogers had an average vacancy rate of 34.3 percent in the second quarter of 2011, an increase from 20.3 in the fourth of 2010 due to increased coverage. The downtown vacancy rate is higher than the overall average office vacancy rate for Rogers, which was 21.9 percent during the same period.
- The office/retail submarket experienced a decrease in the vacancy rate to 51.5 percent from the fourth quarter, 2010 rate of 51.8 percent in the downtown area. This compares to a vacancy rate of 28.6 percent for all of Rogers.
- The average retail vacancy rate for downtown Rogers properties from the

- fourth quarter of 2010 to the second quarter of 2011 increased to 12.3 percent but remained lower than the 15.6 percent average rate for all of Rogers.
- Average reported lease rates for downtown Rogers decreased for the office by \$0.38, increased for the office/retail by \$0.01, and for retail by \$0.04. As compared to the city of Rogers, average reported lease rates in downtown were lower by \$2.79, \$0.35, and \$2.30 for the office, office/retail, and retail submarkets, respectively.

## Rogers Interstate 540

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,100,018 square feet of office, office/retail, and retail space along the Rogers I-540 corridor in the first and second quarters of 2011.
- New retail space of 23,219 square feet was added to the Rogers I-540 corridor submarket in the first six months of 2011.
- There was positive absorption of 55,084 square feet of office space and 10,379 square feet of retail space, but negative absorption of 1,281 square feet of office/retail space along the I-540 corridor in the last two quarters.
- The office space along the Rogers I-540 corridor had a reported average vacancy

- rate of 17.5 percent in the second quarter of 2011, a decline from the fourth quarter of 2010 value of 21.4 percent. This was lower than the overall average office vacancy rate for all of Rogers at 21.9 percent.
- The office/retail submarket experienced an increase in the vacancy rate to 20.6 percent from the fourth quarter, 2010 rate of 19.0 percent in the Rogers I-540 corridor, in accord with negative absorption. This compares to a vacancy rate of 28.6 percent for all of Rogers.
- The average retail vacancy rate for Rogers I-540 corridor properties from the fourth quarter of 2010 to the second quarter of 2011 increased to 17.5 percent, and was still higher than 15.6 percent average rate for all of Rogers.
- The Rogers I-540 corridor saw an increase in average reported lease rates for office space by \$0.39 and a decline in lease rate for retail space by \$0.82 over the past six months. Compared to the city average, the average reported office, office/retail, and retail lease rates were \$4.09, \$2.85, and \$2.28 lower, respectively.

## 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$9.99 - \$11.67	94,110	32,283	34.3%	-5,567	0	-5,567	--
Office/Retail	\$6.94 - \$9.46	72,185	37,175	51.5%	200	0	200	1115.3
Retail	\$9.62 - \$10.48	499,026	61,290	12.3%	-17,884	0	-17,884	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

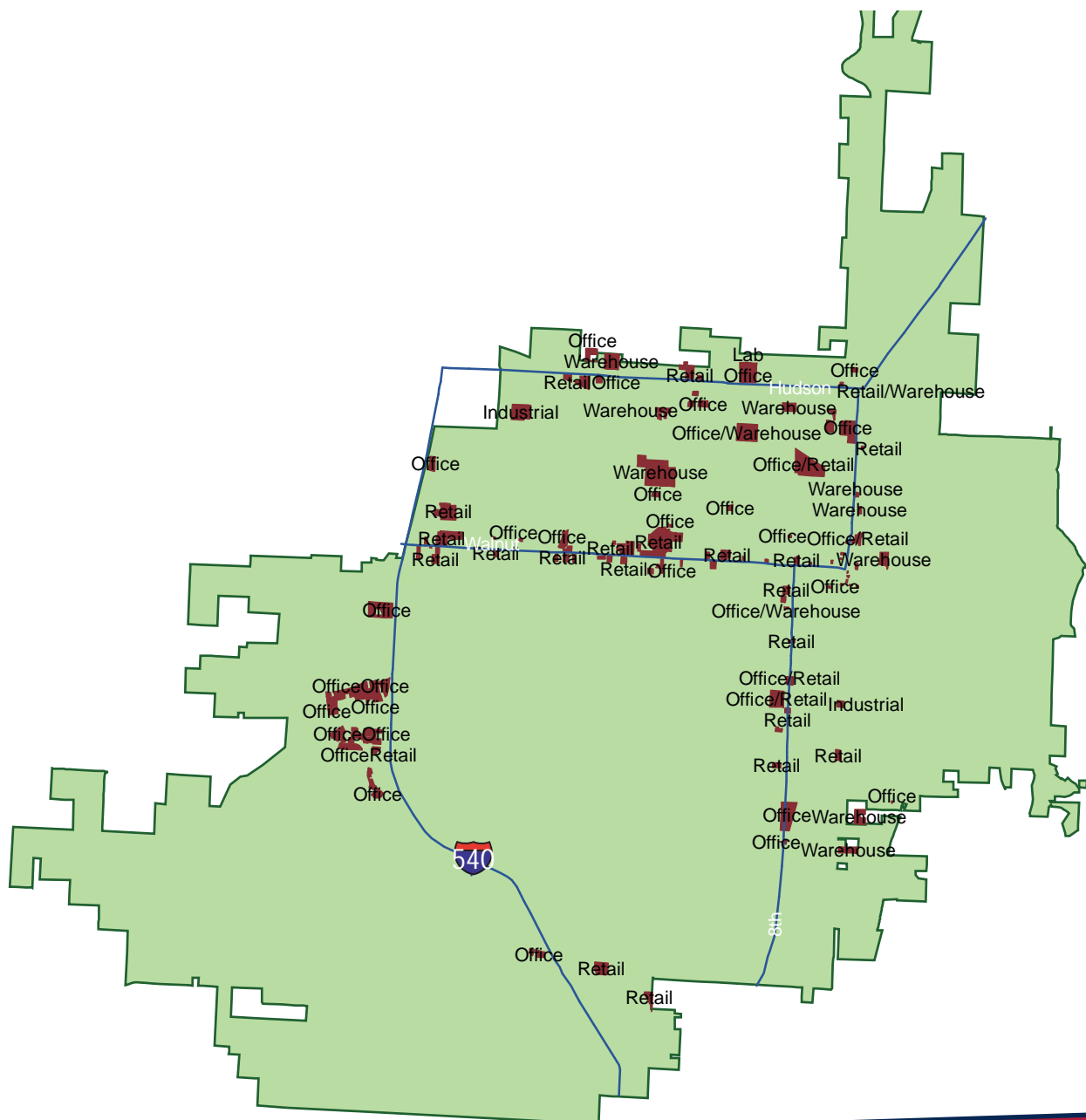
# Rogers

## Rogers Interstate 540 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$17.28 - \$18.33	1,487,235	260,765	17.5%	55,084	0	55,084	28.4
Office/Retail	\$19.17 - \$20.83	110,656	22,762	20.6%	-1,281	0	-1,281	--
Retail	\$14.46 - \$16.00	1,502,127	262,408	17.5%	33,598	23,219	10,379	151.7

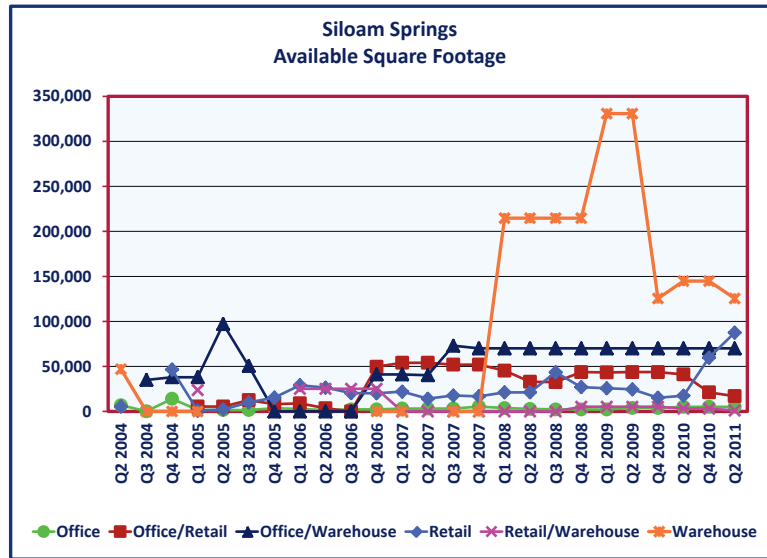
<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents



# Siloam Springs

- From December 2010 to May 2011, Siloam Springs issued building permits for \$22,997,000 worth of new commercial space. This is significantly higher than the last half of 2010 value of \$6,005,000.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,217,803 square feet of commercial space for Siloam Springs in the first and second quarters of 2011.
- No new commercial space entered the Siloam Springs medical office market in the first six months of 2011.
- In the first half of 2011, Siloam Springs experienced a positive net absorption of 19,230 in the warehouse market, 4,200 square feet in the office/retail market, and 2,100 square feet in the retail/warehouse market, but a negative net absorption of 27,780 square feet in the retail market.



- Following net absorption, vacancy rates from the first quarter of 2011 to the second quarter of 2011 decreased in the office/retail, retail/warehouse and warehouse submarkets. Vacancy rates in the retail submarket increased and remained unchanged in all other submarkets.

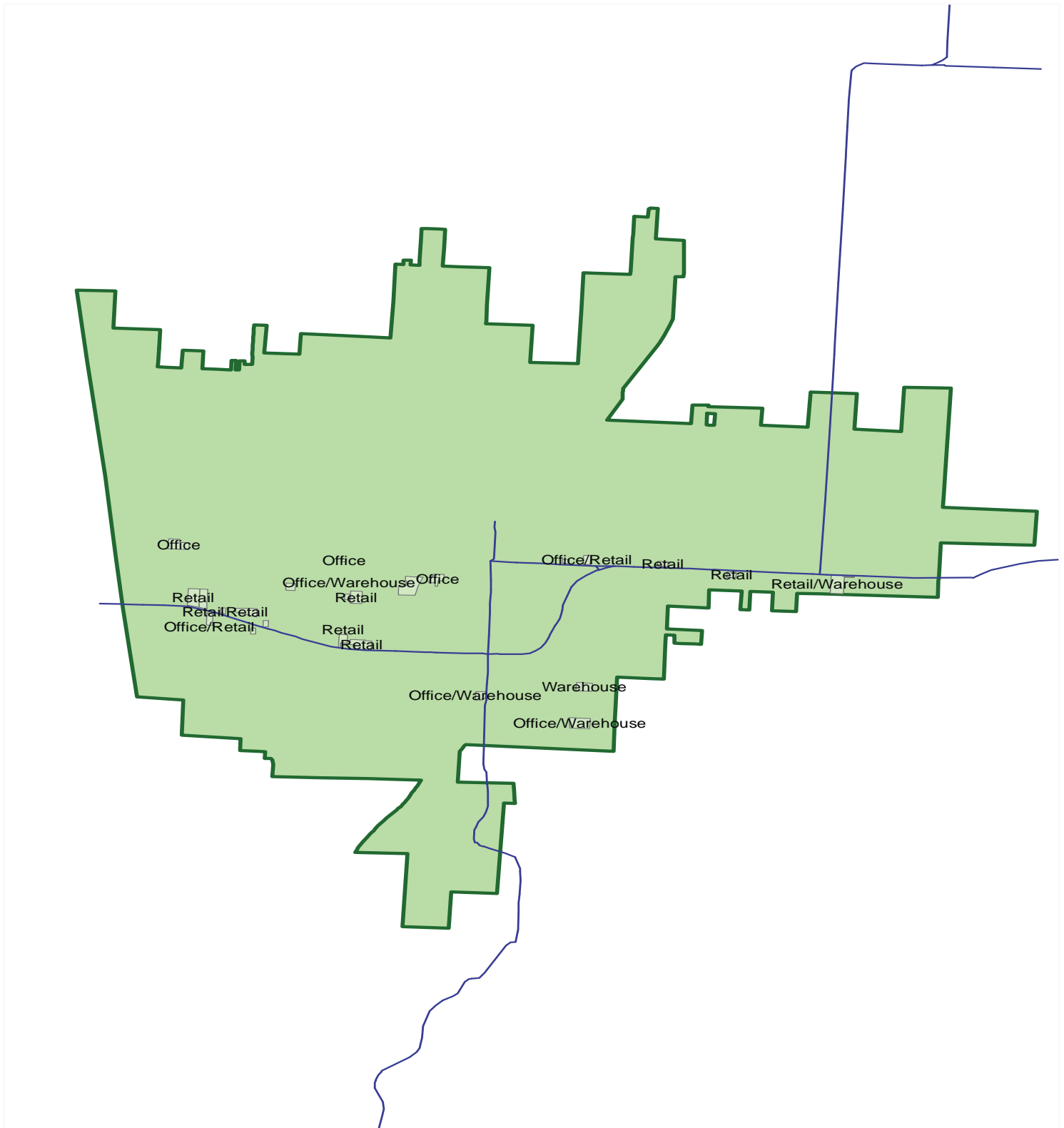
## Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	240,589	240,589	100.0%	0	0	0	--
Office	\$10.88 - \$12.52	96,732	5,158	5.3%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	8,000	144	1.8%	0	0	0	--
Class C	\$7.64 - \$9.92	3,200	0	0.0%	0	0	0	0.0
Medical	\$13.38 - \$14.88	85,532	5,014	5.9%	0	0	0	--
Office/Retail	\$8.04 - \$9.87	149,285	17,000	11.4%	4,200	0	4,200	24.3
Class A	\$12.00 - \$16.00	56,085	4,200	7.5%	1,800	0	1,800	14.0
Class B	\$9.75 - \$10.70	71,790	12,500	17.4%	2,400	0	2,400	--
Class C	\$4.49 - \$7.09	21,410	300	1.4%	0	0	0	--
Office/Warehouse	\$3.12 - \$3.12	106,441	70,007	65.8%	0	0	0	--
Retail	\$9.77 - \$10.37	356,106	87,480	24.6%	-27,780	0	-27,780	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.30 - \$11.70	167,222	12,900	7.7%	-3,200	0	-3,200	--
Class C	\$6.71 - \$7.71	188,884	74,580	39.5%	-24,580	0	-24,580	--
Retail/Warehouse	\$4.90 - \$5.53	55,680	1,000	1.8%	2,100	0	2,100	--
Warehouse	\$3.21 - \$3.54	212,970	125,508	58.9%	19,230	0	19,230	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

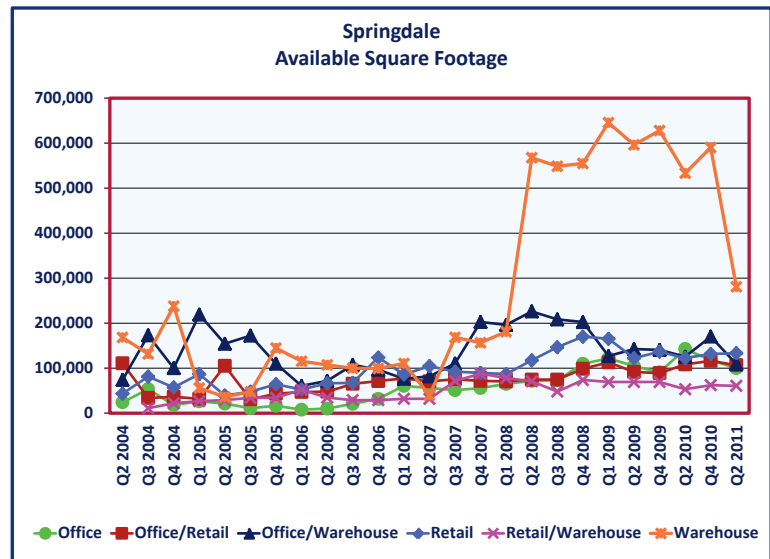
# Siloam Springs





# Springdale

- From December 2010 to May 2011, Springdale issued \$1,803,778 worth of building permits for new commercial space. This was a 35.4 percent decrease from the building permits issued in the last half of 2010.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,125,740 square feet of commercial space in the first two quarters of 2011.
- No new space was added in Springdale in the first six months of 2011.
- In the second half of 2010, Springdale experienced an overall net absorption of 455,440 square feet. There was positive net absorption of 17,753 in the office submarkets and a negative absorption in the retail submarkets of 1,793 square feet, respectively. There was positive net absorption in the office/retail, office/warehouse, retail/warehouse, and warehouse submarkets of 9,696, 118,959, 1,500, and 309,325 square feet respectively .



- Reported vacancy rates declined in the office submarket, office/retail, office/warehouse, retail/warehouse, and warehouse submarkets in Springdale from the fourth quarter of 2010 to the second quarter of 2011, and increased in Retail in accord with absorption.
- In the past six months in Springdale, average reported lease rates declined for the Class B office, Class C office, Medical Office, Class C office/retail, and Retail/Warehouse by \$0.39, \$0.25, \$0.11 and \$0.08, respectively. All other reported average lease rates remained unchanged.

## 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>	Absorption from Q4 to Q2 <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%	0	0	0	--
Industrial	\$3.50 - \$5.00	392,470	12,323	3.1%	0	0	0	0.0
Office	\$10.84 - \$11.67	784,165	100,065	12.8%	17,753	0	17,753	33.8
Class A	\$14.00 - \$14.00	77,123	4,976	6.5%	1,743	0	1,743	17.1
Class B	\$11.55 - \$12.85	329,030	18,118	5.5%	-3,350	0	-3,350	--
Class C	\$8.98 - \$9.23	149,449	46,695	31.2%	3,300	0	3,300	84.9
Medical	\$11.87 - \$12.88	228,563	30,276	13.2%	16,060	0	16,060	11.3
Office/Retail	\$10.15 - \$11.45	503,959	106,544	21.1%	9,696	0	9,696	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.33 - \$13.57	228,573	56,833	24.9%	7,775	0	7,775	--
Class C	\$8.23 - \$9.58	275,386	49,711	18.1%	1,921	0	1,921	155.3
Office/Warehouse	\$5.18 - \$7.19	1,361,983	109,351	8.0%	118,959	0	118,959	--
Retail	\$10.43 - \$11.27	946,727	133,387	14.1%	-1,793	0	-1,793	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.93 - \$13.82	653,437	110,112	16.9%	-12,893	0	-12,893	--
Class C	\$8.09 - \$8.86	293,290	23,275	7.9%	11,100	0	11,100	--
Retail/Warehouse	\$5.54 - \$6.54	439,979	60,900	13.8%	1,500	0	1,500	--
Warehouse	\$3.74 - \$4.15	1,691,233	280,978	16.6%	309,325	0	309,325	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 respondents

# Springdale

## Downtown Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 193,310 square feet of office, office/retail, and retail space in downtown Springdale in the first and second quarters of 2011.
- There were no new square feet of commercial property added to downtown Springdale in the last two quarters.
- There was positive absorption of 2,100 square feet in the office market in downtown Springdale in the second quarter of 2011.
- The office space in downtown Springdale reported average vacancy rate remained at 12.5 percent in the second quarter of 2011. The rate was lower than the overall Springdale average office vacancy rate of 12.8 percent.
- All office/retail space continued to be available in downtown Springdale in the second quarter, compared to a 21.1 percent vacancy rate for all of Springdale.
- The reported retail space in downtown Springdale was fully occupied, down

from a reported vacancy rate of 11.3 percent in Q4 2010. Meanwhile, the average retail vacancy rate for all of Springdale was 14.1 percent.

- All average reported lease rates for downtown Springdale remained constant. Compared to the average reported lease rates for all of Springdale, downtown office, office/retail, and retail space rates were lower by \$2.40, \$3.30, and \$0.80, respectively.

## West Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 562,122 square feet of office, office/retail, and retail space in West Springdale in the first and second quarters of 2011.
- There were no new square feet added to West Springdale in the first half of 2011.
- There was positive absorption of 11,060 square feet in the office, 6,021 square feet in the office/retail, and of 992 square feet in the retail submarket in West Springdale.

- The office space in West Springdale had a reported average vacancy rate of 3.7 percent in the second quarter of 2011, a decrease from 14.9 percent in the fourth quarter of 2010. The rate was lower than the city average office vacancy rate of 12.8 percent.
- The average office/retail vacancy rate in West Springdale decreased to 15.6 percent in the second quarter from the fourth quarter 2010 value of 25.0 percent, moving below the overall city average office/retail vacancy rate of 21.1 percent.
- The retail vacancy rate for West Springdale properties decreased to 9.2 percent from the 9.5 percent in the fourth quarter of 2010, and remained below the city average retail vacancy rate of 14.1 percent.
- Average reported lease rates for West Springdale decreased in the office/retail market by \$0.20, while other lease rates remained constant from the fourth quarter of 2010 to the second quarter of 2011. Compared to all of Springdale, West Springdale average reported lease rates were higher in the office, office/retail, and retail submarkets by \$3.77, \$3.60, and \$1.65, respectively.

## 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$8.45 - \$9.27	171,924	21,449	12.5%	100	0	100	1286.9
Office/Retail	\$6.00 - \$9.00	3,732	3,732	100.0%	0	0	0	--
Retail	\$6.84 - \$7.44	17,654	0	0.0%	2,000	0	2,000	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 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 from Q4 to Q2 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$14.83 - \$15.22	98,714	3,629	3.7%	11,060	0	11,060	2.0
Office/Retail	\$13.90 - \$14.90	63,550	9,890	15.6%	6,021	0	6,021	9.9
Retail	\$12.00 - \$13.00	399,858	36,850	9.2%	992	0	992	--

<sup>1</sup>From all Q2 2011 respondents

<sup>2</sup>From Q2 2011 respondents who were also Q4 2010 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 quarterly 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 ft<sup>2</sup>
- Department Stores: 20,000 ft<sup>2</sup>
- Discount Stores: 20,000 ft<sup>2</sup>
- Industrial Buildings: 20,000 ft<sup>2</sup>
- Markets: 20,000 ft<sup>2</sup>
- Office Buildings: 5,000 ft<sup>2</sup>
- Medical Office Buildings: 5,000 ft<sup>2</sup>
- Retail Buildings: 10,000 ft<sup>2</sup>
- Community Shopping Centers: 5,000 ft<sup>2</sup>
- Neighborhood Shopping Centers: 5,000 ft<sup>2</sup>
- Warehouses: 20,000 ft<sup>2</sup>

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 second quarter of 2011, 252 panelists provided data on 1,517 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 1,517 properties and are assumed to be representative of the larger competitive commercial property market.

The panel participants vary somewhat from quarter to quarter 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 quarters 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 quarter.

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.