



THE SKYLINE REPORT

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Center for Business
and Economic Research

Commercial Real Estate Market Summary for Benton and Washington Counties

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

First Half of 2012 August 2012

Contents

Report Structure	2
Economic Overview	3
Local Perceptions	5
Inventory & Building Permits	7
New Commercial Projects	10
Hotels	12
Restaurants	16
Commercial Market Trends	19
Office Submarket Comparison	26
Office/Retail Submarket Comparison	29
Retail Submarket Comparison.....	31
Other Submarket Comparisons.....	33
City Summary Statistics	
Bella Vista.....	35
Bentonville	37
Fayetteville	40
Lowell	44
Rogers.....	46
Siloam Springs	49
Springdale	51
Interpretation	54

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Highlights from the First Half of 2012

- In the first half of 2012, 747,424 total square feet of commercial space were absorbed, while 43,139 new square feet were added, netting positive absorption of 704,285 square feet in the Northwest Arkansas market and an overall vacancy rate of 17.8 percent.
- In the office submarket there was net positive absorption of 234,717 square feet, while 19,393 new square feet were added in the first half of 2012. The office vacancy rate decreased 1.9 percentage points to 17.6 percent in the second quarter of 2012.
- In the office/retail submarket, there was positive net absorption of 45,263 square feet, while 15,750 new square feet were added. The vacancy rate declined accordingly to 17.8 percent from 18.8 percent.
- Within the retail submarket, there was net positive absorption of 95,052 square feet, while 8,000 new square feet square feet entered the market, leading the Northwest Arkansas vacancy rate to decrease to 12.4 percent from 13.1 percent.
- The warehouse submarket experienced positive absorption of 259,899 square feet. The Northwest Arkansas warehouse vacancy rate decreased to 19.9 percent in the second quarter of 2012 from 21.2 percent in the fourth quarter of 2011.
- The industrial and retail/warehouse submarkets experienced 46,396 and 54,619 square feet of net positive absorption respectively, while the office/warehouse submarket had negative net absorption of 31,661 square feet.
- From January to June 2012, \$39.5 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$51.4 million in permits issued in the second half of 2011.

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 54) 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 2012 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 239 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 tables of announced commercial projects, hotels, and restaurants is a trend summary that includes information about vacancy rate and available space trends. There are also three tables summarizing the results from the most recent quarters. The first



table presents vacancy rates by submarket for the second and fourth quarters of 2011 and the second quarter of 2012. The second table presents net absorption by submarket and the third table presents available square footage by submarket for the same time periods. These tables are the foundation for the performing trend analysis and for separating the seasonal effects from real effects. The results in the tables are referred to throughout the remainder of the Skyline Report.

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

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

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

Economic Overview

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

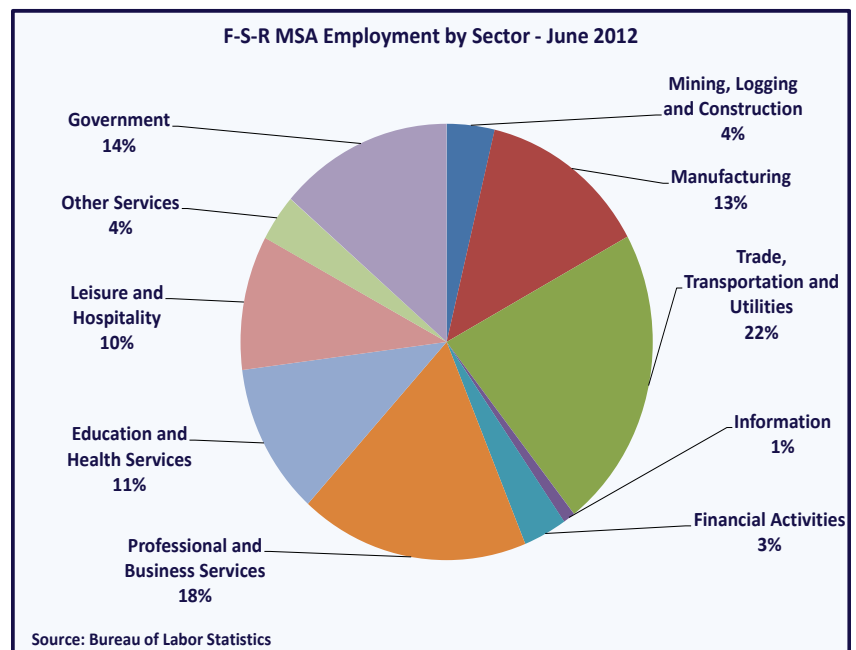
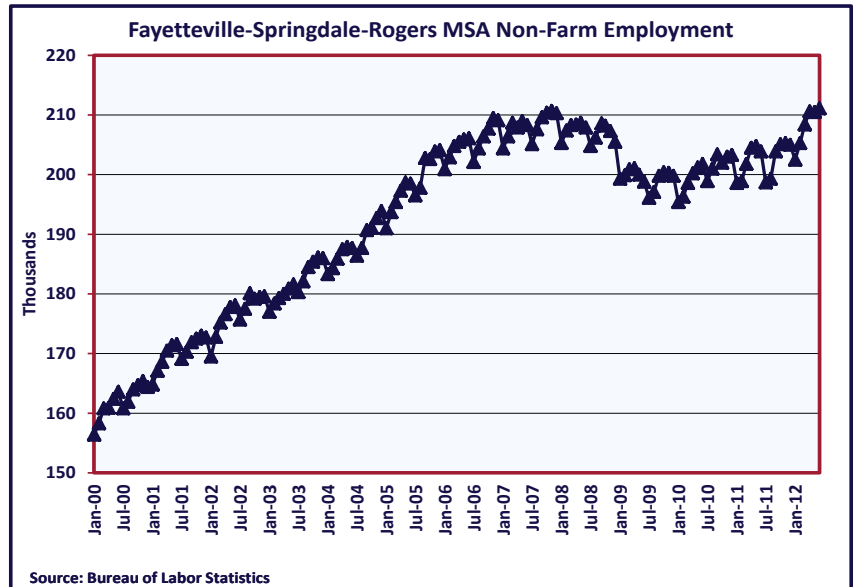
Gross Domestic Product

In the second quarter of 2012 the overall real GDP growth rate was a positive 1.5 percent according to estimates released by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). The growth rate slowed from both a revised 1.9 percent in the first quarter of 2012, and a revised 4.0 percent in the fourth quarter of 2011.

Employment

The Northwest Arkansas employment situation has been extremely important to the commercial real estate market. The most recent employment data show that recent employment growth has allowed the Northwest Arkansas region to achieve a new all-time employment high in June 2012 at 211,100. According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate in Northwest Arkansas was at a preliminary seasonally non-adjusted 5.7 percent in May of 2012. This is 0.4 percentage points lower than in May of 2011 and 0.1 percentage points higher than in December of 2011. The unemployment rate in Northwest Arkansas continues to be lower than both the state (7.2 percent) and nation (8.2 percent) non-seasonally adjusted rates.

With the purpose of exploring more closely the composition of job growth in Northwest Arkansas, two additional figures are provided. The first shows the June 2012 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 (18 percent), government (14 percent), manufacturing (13 percent), education and health services (11 percent), and leisure and hospitality (10 percent). The second figure (on the next page) shows the annual percentage change in the MSA's employment by sector from June

2011 to June 2012. Total nonfarm employment increased by 3.5 percent during that time. Employment in leisure and hospitality, education and health services, professional and business services, information, and other services grew more quickly than 3.5 percent, while government and trade, transportation, and utilities grew more slowly. Financial activities, manufacturing, and construction employment were flat over the year.

Economic Overview

Consumer Price Index

According to the BLS the seasonally adjusted Consumer Price Index for all Urban Consumers (CPI-U) remained unchanged from May to June 2012. Over the last 12 months, the all items index increased 1.7 percent before seasonal adjustments. The food index increased in June 2012, with both food at home and food away from home ticking upwards, after remaining the same in May, when food at home decreased and food away from home increased. The energy index decreased for the third consecutive month in June. Gasoline decreased for the third consecutive month, while energy services remained unchanged in June, as electricity decreased but natural gas increased. The index for all items less food and energy increased 0.2 percent in June 2012, the same increase as in May, and increased by 2.2 percent for the previous 12 months.

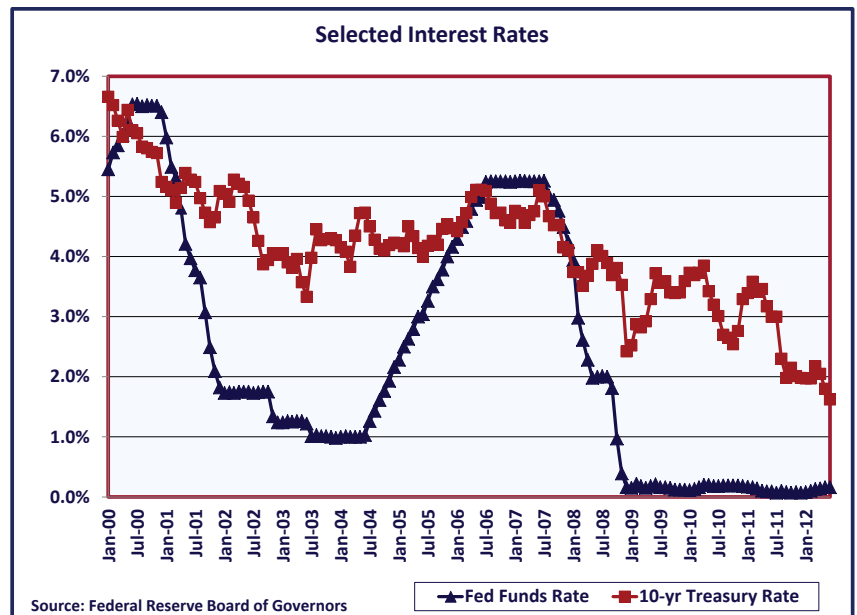
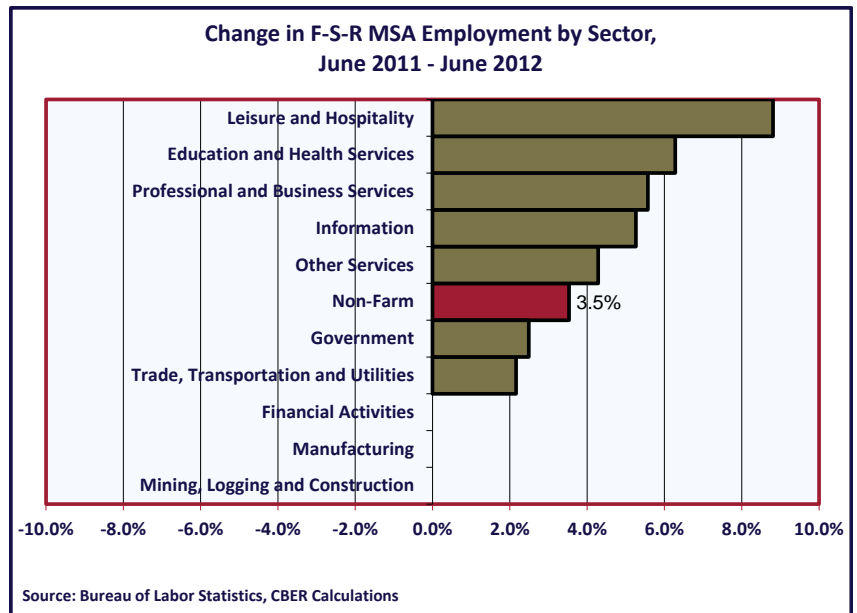
Interest Rates

The Federal Funds rate averaged 0.16 percent in June 2012. This was the same as in May 2012, but an increase from both the 0.08 percent rate in January 2012, and the 0.09 percent rate in June 2011. The ten year constant maturity Treasury bill had an interest rate of 1.62 percent in June 2012. This was lower than both the 1.97 percent rate in January 2012 and the 3.0 percent rate in June 2011. Low short-term rates continue to cause the positive spread between the ten year rate and the fed rate. The Federal Reserve Open Market Committee has not indicated any changes in the current easy money policy of keeping interest rates low. FOMC projections for future inflation remain in the 1.5 to 2.0 percent range. The accompanying figure shows the Federal funds rate and the ten year Treasury bill rate since January 2000.

Consumer Sentiment

The University of Michigan produces the Consumer Sentiment Index. The

Index of Consumer Sentiment fell to 72.3 in July of 2012 from 73.3 in June of 2012. The July 2012 number was a significant increase from the 63.7 in June of 2011.



Local Perceptions

Local Perceptions of the Northwest Arkansas Commercial Property Market

For each Skyline Report, 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 conversations this quarter were more optimistic than at any time since 2008 (the period of the “Great Recession”). This is not to say sentiment is similar to the unbridled optimism of the “Go Go” period of the mid-2000’s real estate boom. Nonetheless, almost every respondent reported doing better in the first half of 2012 than in the second half of 2011, and most expected the trend to continue into the second half of 2012, and barring unforeseen shocks, into 2013 as well. The conversations were wide ranging discussions that included improvements in the commercial property leasing environment and potential development locations for commercial property, the growth in population at the University of Arkansas, the I-540 corridor in Rogers, Crystal Bridges, possible areas of job creation in Northwest Arkansas, and the November elections and other political topics.

Most respondents reported acceleration in leasing during the past six months. Some of this activity was churn especially as firms moved to a higher class or better location, but some was reported as new firms entering the market, or existing firms expanding as their performance improved as the economy continued its slow growth. Additionally, many respondents reported that the balance was shifting back towards the middle in the negotiations between tenants and building owners. Lease rates were still dropping, but less free rent and fewer tenant improvement

dollars were being offered to close deals. Several respondents foresee a need for additional Class A office space, but most remain hesitant to build at this time, even while making plans for that possibility. In addition to the Pinnacle area, respondents feel that areas closer to the Walmart home office still have strong future potential. The area around Arvest Ballpark was mentioned by a couple of respondents as well, though with a longer time horizon. Most respondents are still not looking at the Fayetteville market as a strong contender for new office space in the foreseeable future. They feel that Fayetteville’s government is not supporting the business community as strongly as the other major Northwest Arkansas cities.

In Washington County the tremendous growth of the University of Arkansas (now rumored to perhaps hit 30,000 students), is considered the brightest hope for both current and future growth. Respondents uniformly felt that the ongoing and forthcoming building of multifamily housing projects near the University of Arkansas is a positive for the struggling construction industry. They were concerned about the potential for over building however, even though most are not directly involved in the multifamily market. They do see the growth in student, and faculty and staff populations as a positive for retail development in Fayetteville and Northwest Arkansas as a whole. The job creation that will be created by the University’s expansion is viewed hopefully as laying the groundwork for further job creation and enhancing the regions appeal, leading one respondent to remark once again about ‘rooftops to retail’. Nonetheless, aside from this, many respondents feel Fayetteville is continually slipping in relative importance to Rogers and Bentonville as Northwest Arkansas grows into the future. There is a perception that the other cities, particularly Rogers, look at economic development in the region as a competition, and Fayetteville does not, putting it father behind in attracting new retailers and office space to the city.

The continued expansion of the Hunt Ventures holdings is generally regarded positively, even by competitors. It appears to be similar to an industrial price leadership model. Further, the entire Rogers I-540 corridor is viewed as being the dominant area for office and retail growth in Northwest Arkansas. Respondents strongly believed in the continued expansion of the Promenade shopping area. The coming arrival of Cabela’s and Fresh Market were touted as further drivers for additional expansion, not merely an end in themselves. The Hunt Ventures plan for building additional retail spaces adjacent to the Promenade, as well as two new office buildings on the west side of the freeway was also looked upon as a sign of the continuing dynamism of the area. Respondents in general still seem to feel positively about the stabilizing influence on the area by Hunt Ventures. That is also the outlook concerning the large land acquisition by the Whisenhunt group. Many respondents feel that the Pleasant Grove area and even the Scottsdale area will gain strength through synergistic effects with the Promenade-Pinnacle area. The area between exits 81 and 85 is widely considered to be the hot spot for the next 5+ years of growth and development in Northwest Arkansas.

Crystal Bridges continued to generate a lot of hope as a potential long term driver, although in general, respondents still were not quite sure how this may happen, beyond the clear, powerful impact on Downtown Bentonville. There continued to be strong feelings that Crystal Bridges is part of the maturing of Northwest Arkansas into a more vibrant metro area. But while there were nothing but positive thoughts and feelings towards the museum from respondents, they do not have a clear picture of what they as developers can exactly do to capitalize on what is perceived as a rare opportunity. However, several feel that given more time, the opportunities will become more readily visible.

It was interesting to note that even though the presidential election was closer, that seemed less important to more respondents

Local Perceptions

then it did during last period's conversations. Fewer respondents than one might expect referenced the up-coming election. More respondents seem to feel that business needs to keep moving forward regardless of who is in power, and other issues are more important to Northwest Arkansas' future growth than the presidency. The exogenous concerns were the European debt crisis, potential shocks in energy markets, and China. Local issues at the top of respondents concerns were job creation in existing industries, and wondering where new economic growth might come in Northwest Arkansas. On the local level, many respondents still expressed dismay as what they perceived as Fayetteville's attitude towards developers and development. Several still say they will not build in Fayetteville as long as they feel the regulations are too burdensome and city authorities don't deal more reasonably with them, particularly in terms of consistency with the existing regulations.

The conversations of this period continued the trend of a growing positive outlook for the future. While respondents remained cautious and recognized potential international and national scenarios that could drive the economy back into recession, the increase in leasing activity, the completion of Crystal Bridges, the return of apparel, the more serious conversations about potential new building projects made most respondents feel 2012 will continue the improvements already seen in 2012 compared to 2011. As always, the fundamental drivers of Northwest Arkansas: Walmart and the Walton Family, the University of Arkansas and the education sector, J.B. Hunt, Hunt Ventures, and the transportation sector, and Tyson Foods and the food industry sector provide respondents a strong sense of stability for the region. Looking into the future the hospitality and medical sectors, as well as sustainability technology, were considered additional economic drivers. Additionally, some respondents indicated that there might be significant new manufacturing developing in Northwest Arkansas.

Positive Factors:

1. Substantial growth of the University of Arkansas student population.
2. Cabelas and Fresh Market coming to Northwest Arkansas.
3. Renewed growth in the vendor community leading to stronger demand for office space.
4. Several potential commercial building projects starting to be discussed.
5. Increasing attention to the MSA by national retailers and investors.
6. National media coverage of Northwest Arkansas as a good place to live and work.
7. Creation of destination locations including Crystal Bridges, Arvest Ballpark, and the Pinnacle Area.
8. Walmart, Tyson Foods and the food industry, J.B. Hunt and the transportation industry, the University of Arkansas and higher education.

Negative Factors:

1. Inability to perceive the next strong area of job creation.
2. Oversupply of Class B office space.
3. Oversupply of retail space.
4. Infrastructure development still slow and behind the region's needs.
5. Uncertainty over the national political situation.
6. Concern over the commercial lending situation.

Inventory and Building Permits

Categories of Commercial Properties

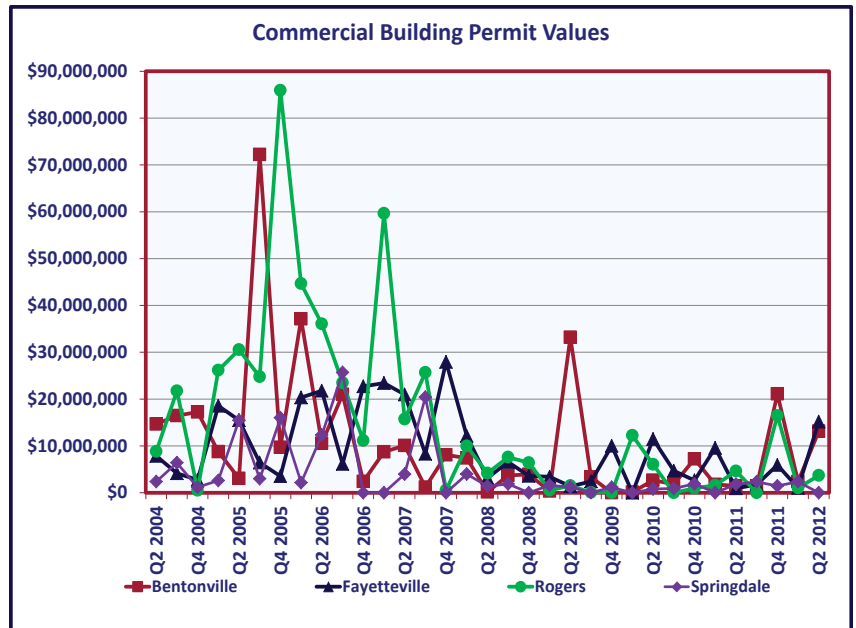
The Northwest Arkansas commercial market is divided into eight major categories of space:

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 54) as of June 2012. For the second quarter of 2012, the Skyline Report covered 93.1 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had more complete coverage than others.

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

From January through March 2012, there were more than \$7.5 million in commercial building permits issued in six major cities in Northwest Arkansas. From April through June 2012, almost \$32.0 million in com-

mercial building permits were issued. In the last two quarters of 2011, these amounts were over \$6.4 million and a revised \$44.9 million, respectively. In the first quarter of 2012, Bentonville accounted for 31.7 percent of the commercial building permits, while Springdale, Rogers, Fayetteville, and Lowell accounted for 31.6, 13.7, 13.5, and 9.5 percent, respectively. In the second quarter of 2012, Fayetteville accounted for over 47.3 percent (Academy Sports) of the commercial building permits. Bentonville and Rogers accounted for over 41.0 and 11.5 percent, respectively.

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

Inventory

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 2012, after additional closures (The Econo Lodge in Bentonville, and the Cosmopolitan and Twin Arch in Fayetteville) and one reopening (Motel 6 replacing the Sleep Inn, in Bentonville) there remained 6,180 standard rooms

and 2,115 suites in Northwest Arkansas. Bentonville now has the most rooms with 1,663. 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

Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial ¹	Office ¹	Retail ¹	Warehouse ¹	Total ¹	Panel Total Square Feet ²	Panel Coverage ²
Bella Vista	--	129,924	138,680	90,964	359,568	334,016	92.9%
Bentonville	107,356	3,878,185	1,032,834	1,560,053	6,578,428	6,649,018	101.1%
Fayetteville	775,079	3,341,236	4,072,705	1,778,270	9,967,290	9,573,044	96.0%
Lowell	68,670	275,837	172,208	949,348	1,466,063	1,489,455	101.6%
Rogers	307,281	2,529,973	4,174,743	2,329,952	9,341,949	8,863,265	94.9%
Siloam Springs	329,942	195,261	692,789	335,615	1,553,607	1,237,012	79.6%
Springdale	1,419,426	1,468,161	2,225,795	2,617,114	7,730,496	6,282,752	81.3%
Northwest Arkansas Total	3,007,754	11,818,577	12,509,754	9,661,316	36,997,401	34,428,562	93.1%

¹Source: 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 54 of this report.

²Source: Panel of 239 large Northwest Arkansas commercial property owners and managers.



Building Permits



Commercial Building Permit Data by City

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

New Commercial Projects

Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Sisters of Mercy Multispeciality Clinic	Bella Vista	Sisters Of Mercy Health Systems	Medical		Conceptual
Walmart Neighborhood Market	Bella Vista	Walmart	Retail		Conceptual
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 Commercial Building	Bentonville		Commercial	50,000	Conceptual
Bentonville Plaza	Bentonville	FBE Limited LLC	Commercial	50,000	Conceptual
Circle of Life Hospice House	Bentonville	Circle of Life	Medical	40,000	March 2013
Crossmark Center	Bentonville	Crossmark	Office	18,500	Late 2012
Four Star Auto	Bentonville	Four Star Auto	Commercial	2,800	2012
Harp's	Bentonville	Harps	Retail	37,000	Spring 2013
Harp's	Bentonville	Harp's	Retail	37,460	Spring 2013
Industrial Technology Park	Bentonville		Industrial		Conceptual
Lakeside Center	Bentonville	Bob Hopmann	Office	67,000	Conceptual
Lander's McClarty Pre-owned	Bentonville	Landers McClarty	Retail	11,720	Conceptual
Neighborhood Wal-Mart	Bentonville	Wal-Mart Stores Inc			
Neighborhood Wal-Mart Uptown Ctr	Bentonville	CEI Engineering	Retail	40,000+	Conceptual
Northwest Medical Center	Bentonville	Northwest Medical Center	Medical	14,000	Late 2012
Outdoor Cap	Bentonville	Paul Mahan	Office	37,758	Fall 2012
Pate Family Dentistry	Bentonville	Pate Family Dentistry	Medical	5,797	2012
Roth Granite Shop	Bentonville	Roth Family	Manufacturing	16,000	2012
SDI Realty Retail Development	Bentonville	SDI Realty	Retail	6,500	Conceptual
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		Conceptual
Unnamed Office Building	Bentonville		Office	50,000	Conceptual
Unnamed Office Building	Bentonville		Office	20,000	Conceptual
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000	Conceptual
Acadamy Sports	Fayetteville	Vista ASO	Retail	71,000	Fall 2012
Adventure Subaru	Fayetteville	Adventure Subaru	Retail	20,000	Done
ALDI's Grocery Store	Fayetteville	ALDI Inc.	Retail	18,000	Done
Arvest Bank	Fayetteville	Arvest Bank	Bank	6,000	2013
Forest Hills Development	Fayetteville	John Alford	Commercial	206,000	Conceptual
Forest Hills Retail Building	Fayetteville	John Alford	Retail	15,71	2012
Liberty Bank	Fayetteville	Liberty Bank	Bank	24,000	Summer 2012
Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	Conceptual
Northwest Office Properties Building	Fayetteville	Thomas Overby	Office	3,147	Done
Planet Fitness	Fayetteville	Charles Plummer	Retail	20,000	Conceptual
PreSchool	Fayetteville		Preschool	15,508	Summer 2012
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	Conceptual
Ruskin Heights Commercial	Fayetteville	Mitchell Massey	Commercial	30,000	Conceptual
Shoppes at the Bluffs	Fayetteville	Mathias Properties	Retail	46,519	Conceptual
Veterans Hospital Expansion	Fayetteville	Vet. Health Care Sys. of the Ozarks	Medical Facility	158,466	2012
Midpoint Exchange Business Park	Lowell	Sage Partners	Commercial		Conceptual
Cabela's	Rogers	Cabela's	Retail	106,762	August 2012
Cabela's Storage Facility	Rogers	Cabela's	Retail	4,000	Summer 2012
Casey's General Store-Olive	Rogers	Casey's Marketing Co	Retail		
Casey's General Store-Pleasant Grove	Rogers		Retail		
Centre Point	Rogers	CRE	Retail	18,285	Late 2012
Club Tan	Rogers		Retail		
Dollar General	Rogers	Dollar General	Retail	1,200	August 2012
Firestone Auto Care Center	Rogers	SMBC Leasing and Finance	Retail	8,256	Done
Gateway Plaza	Rogers	Flake-Kelley	Commercial	39,600	Conceptual
Harding University	Rogers	Harding University	Office	15,000	Late 2012
Harp's	Rogers	Harp's	Retail	32,000	Conceptual

New Commercial Projects

Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Janus VI	Rogers		Office		
Metropark Office Building	Rogers	Hunter Haynes & Sage Partners	Office	60,000	Conceptual
MetroPark Retail Building	Rogers	Hunter Haynes & Sage Partners	Retail	47,000	Conceptual
Nursing Facility	Rogers	Emeritus Co.	Medical		Conceptual
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	Conceptual
NWACC Bookstore	Rogers	NWACC	Retail	6,000	Done
Pinnacle Heights Office Building	Rogers	Hunt Ventures	Office	60,000	2013
Pinnacle Office Building	Rogers	Hunt Ventures	Office	60,000	Conceptual
Pinnacle Springs Business Office	Rogers				
Pinnacle Summit Park	Rogers		Commercial	50,000	Conceptual
Prairie Creek Center	Rogers	Mathias Properties	Retail	51,279	Conceptual
Promenade Retail Building	Rogers	Hunt Ventures	Retail	7,300	Late 2012
Promenade Retail Building	Rogers	Hunt Ventures	Retail	7,100	2013
Sam's Club Layout Center	Rogers		Office	220,000	Conceptual
Scottsdale Center, Phase VI, Bld 1	Rogers	Tom Hopper	Retail	60,798	Conceptual
Scottsdale Center, Phase VI, Bld 2	Rogers	Tom Hopper	Retail	48,041	Conceptual
Scottsdale Center, Phase VI, Bld 3	Rogers	Tom Hopper	Retail	21,965	Conceptual
Shoppes at Center Point	Rogers		Commercial		Conceptual
Sisters of Mercy Primary Care Office	Rogers	Sisters Of Mercy Health Systems	Medical		Conceptual
Towmate	Rogers		Industrial		2012
Violin Studio and Repair Shop	Rogers	SMEK LLC	Retail		Conceptual
Walnut Crossing	Rogers	Greg House	Commercial	50,000	Conceptual
Crye-Leike Office	Sil. Springs	Crye-Leike Realtors	Office	6,500	Conceptual
Holly Street Crossing	Sil. Springs	Ted Viala	Commercial		Conceptual
Siloam Springs Hospital	Sil. Springs	Community Health System	Hospital	95,000	2013
Casey's General Store	Springdale	Bill Matthews	Retail	4,400	
Dollar General	Springdale	Dollar General	Retail	2,500	Done
Edwards Commercial Building	Springdale	Joe Edwards	Commercial		Conceptual
Kum and Go	Springdale	Kum and Go	Retail		2012
Northwest Medical Center Expansion	Springdale	Northwest Medical Center	Hospital	30,000	Early 2013
Walgreens	Springdale	Sansone Group	Retail	13,200	Fall 2012



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
Comfort Suites	Bentonville	120	0
Comfort Inn	Bentonville	64	0
Courtyard Bentonville	Bentonville	90	0
Days Inn & Suites	Bentonville	63	0
DoubleTree Guest Suites	Bentonville	0	140
Hartland Motel of Bentonville	Bentonville	31	0
Hilton Garden Inn	Bentonville	133	0
Holiday Inn Express Hotel & Suites	Bentonville	84	0
La Quinta Inn & Suites	Bentonville	107	0
Merchant Flats on 8th	Bentonville	10	0
Microtel	Bentonville	78	0
Motel 6	Bentonville	103	0
Pines Motel	Bentonville	9	0
Simmons Suites	Bentonville	115	0
South Walton Suites	Bentonville	56	0
Springhill Suites By Marriott	Bentonville	67	0
Suburban Extended Stay	Bentonville	0	118
Super 8 Motel-Bentonville/Rogers	Bentonville	52	0
Towneplace Suites by Marriott	Bentonville	78	0
The Links at Bentonville Apts.	Bentonville	41	0
Value Place Extended Stay	Bentonville	121	0
Wingate Inn Bentonville	Bentonville	102	0
Best Western Windsor Suites	Fayetteville	66	0
Candlewood Suites	Fayetteville	0	78
Chief Motel	Fayetteville	31	1
Clarion Inn	Fayetteville	197	10
Comfort Inn-Fayetteville	Fayetteville	60	0
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
Value Place Hotel	Fayetteville	121	0
Inn At the Mill	Johnson	38	8
Marriot Townplace	Johnson	0	94
Ramada Inn Lowell	Lowell	51	0
Colonial Motel	Prairie Grove	8	0

Hotels

Existing Hotels (Cont.)

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

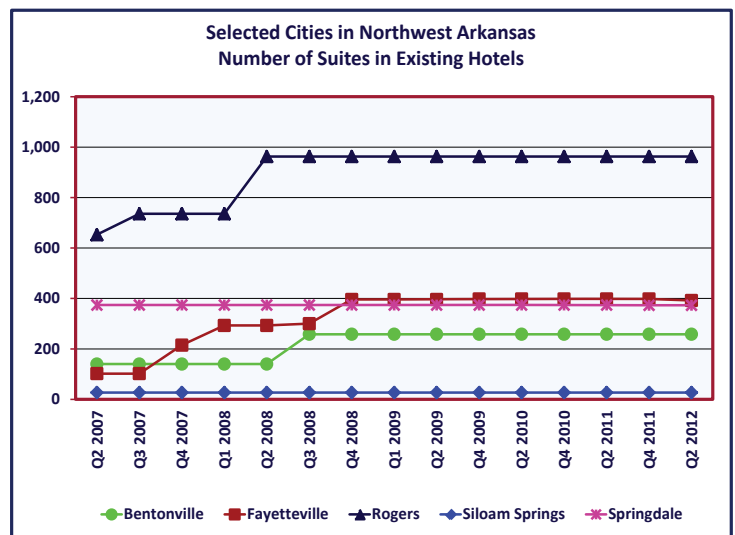
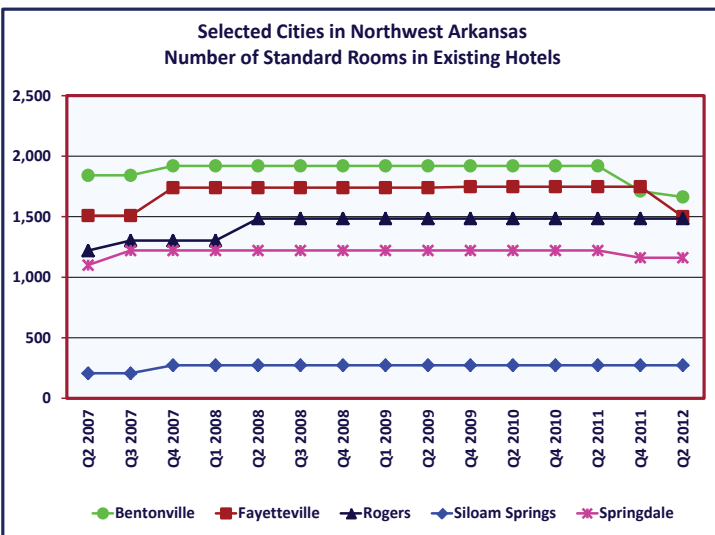
Hotels

Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Value Place Hotel	Springdale	121	0

Existing Hotels Summary

City	Number of Standard Rooms	Number of Suites
Bentonville	1,663	258
Fayetteville	1,501	392
Johnson	38	102
Lowell	51	0
Prairie Grove	8	0
Rogers	1,485	963
Siloam Springs	273	27
Springdale	1,161	373
Northwest Arkansas	6,180	2,115



Hotels

Announced Coming Hotels

Property Name	City	Owner	Number of Rooms	Expected Completion
21c Museum Hotel	Bentonville	Steve Wilson and Laura Lee Brown	104	2012
Sheraton Bentonville Plaza	Bentonville	Starwood Hotels & Resorts	234	Delayed
Four Points by Sheraton	Bentonville	Sree Akshar Inc	105	2012
The Chancellor	Fayetteville	Southwinds Hospitality Group	200	September 2012
Hilton Gardens Inn	Fayetteville	Krushiker Hospitality Group	115	
The Dickson	Fayetteville	Ted Belden	16	2012
Horsebarn Tower Hotel	Rogers	FAE Horsebarn SPE LLC	144	Delayed
Sunday Partners Hotel	Rogers	Sunday Partners	--	--
Best Western	Springdale	Tom Bhakta	70	--
Microtel	Springdale	--	--	Delayed



Restaurants

Announced Coming Restaurants

Property Name	Location (City)	Owner	Expected Completion
Coffe Shop and Ice Cream Parlor	Bella Vista	Roger Gildehaus	--
Sabores Mexican Restaurant	Bella Vista	Caesar Hernandez and Hector Herrera	Done
Jason's Deli	Benton County	Bourke Harvey	--
21c Hotel Restaurant	Bentonville	Steve Wilson and Laura Lee Brown	2012
Bear's Den	Bentonville	Bear and Crissy Hazelbaker	Done
Catfish Hole	Bentonville	Pat Gazzola	2013
Dickey's Barbecue Pit	Bentonville	Randon Arney	Delayed
Eleven at the Museum	Bentonville	Crystal Bridges Museum	Done
Flying Fish	Bentonville	Larry Richardson and Shannon Wynne	Done
Indian Restaurant	Bentonville		Done
Maid-Rite	Bentonville	Doug and Holly Clayton	Summer 2012
McDonald's	Bentonville	Matthew's Management	Done
Metro Italiano	Bentonville	Bella Napoli	Summer 2012
Petit Bistro	Bentonville		Done
Red Onion Espressoria	Bentonville	Cindy and David Blum	Done
T.H.Benton's Coffee/Deli	Bentonville	Mike Robinson	Done
Shipley Do-Nuts	Centerton	Roy Smith	2012
McDonald's	Elkins	Matthew's Management	Late 2012
Tooley's BBQ	Farmington	Mike Tooley	Done
Arsaga's Café	Fayetteville	Cary and Cindy Arsaga	Summer 2012
Bliss Cupcakes	Fayetteville	Lacey Carney	Done
Brickhouse Kitchen	Fayetteville		
Bugsy's	Fayetteville	Christopher and Sarah Vargas	Summer 2012
Dickey's Barbecue Pit	Fayetteville	Randon Arney	Delayed
Firehouse Subs	Fayetteville	Forest Hills Development	--
Flying Burrito	Fayetteville		Done
J.D.s Steakhouse	Fayetteville	Suzie Stephens	Done
Jose's Mexican Restaurant	Fayetteville	Doug Allen	Done
Krystal Burger	Fayetteville	Krystal Burger	--
Maid-Rite	Fayetteville	Lisa and Rod Calhoun	Summer 2012
Nomads Down Under	Fayetteville	Jeremy Brown	Summer 2012
Rolling Pin Express	Fayetteville	Devona and Travis Freeman	Done
Shipley Do-Nuts	Fayetteville	Roy Smith	Done
Starbucks	Fayetteville	Kathy Ball	Delayed
The B-B-Q Place	Fayetteville	Gary Alderson	Done
The Citizen	Fayetteville	Lane Coleman, Knox McCorquodale, Wilson Wood	Delayed
The Perk on Wedington	Fayetteville		Done
Fleur de Lis Grill	Gentry		Done
Arkansas Traveler	Highfill	Paradise Shops LLC	Done
Boar's Head Express	Highfill	Paradise Shops LLC	Done
Smokewood American Grill	Highfill	Paradise Shops LLC	Done
Antrim's Pancake House	Lowell		Done
Bob Evans Restaurant	Rogers		Done
Dickey's Barbecue Pit	Rogers	Randon Arney	Delayed
Egg and I	Rogers	Egg and I	Early 2013
Eureka Pizza	Rogers	Rolf Wilkins	Done
Houlihan's	Rogers	Houlihan's	August 2012
Krystal Burger	Rogers	Smitco Eateries	Delayed
Logan's Roadhouse	Rogers	Logan's Roadhouse Inc.	Done
Mojitos	Rogers		Fall 2012
Pupuseria Metuyan	Rogers		Done
Restaurante Salvadoreno	Rogers		Done
Starbucks	Rogers		Fall 2012

Restaurants

Announced Coming Restaurants (Cont.)

Property Name	Location (City)	Owner	Expected Completion
Subway	Rogers		Done
Taqueria El Bajo	Rogers		--
Theo's	Rogers	Scott and Ted Bowman	Done
28 Springs	Siloam Springs	Shelley and Todd Simmons	Done
Asian Chef	Siloam Springs		Done
Banjo's	Siloam Springs		Done
Little Caesars	Siloam Springs		2012
Pour Jones	Siloam Springs		Done
Ana Marie's Bakery	Springdale		2012
Bleu Monkey Grill	Springdale	Joey and Ozzy Godoy	Done
China Café	Springdale	Lee Brothers	Done
Dickey's Barbecue Pit	Springdale	Randon Arney	Delayed
Flap's Down Grill	Springdale	Bill Adams	August 2012
McDonald's	Springdale	Matthew's Management	Late 2012
Rib Crib	Springdale	Jim Johns	Done
Super Quesadilla	Springdale		Done
Casalini Court Restaurant	Tontitown	Brett Hash	2012
William and James Pub	Tontitown		Done
Dunkin Donuts	Unkn. Locations	Littlefield Oil Co	2012-2018
Mama Fu's	Unkn. Location	Murphy Adams Restaurant Group	--
Romano's Macaroni Grill	Unkn. Location	Bruce Swisshelm	--
Scooter's CoffeeHouse	Unkn. Locations	Scooters Coffee House of Omaha	--
Silver Joe's Coffee Co.	Unkn. Locations	Terry Smith, Kenny Tomlin, Steve Clark, Patrick Vota	--



Restaurants

Closed Restaurants

Property Name	City	Date Closed
Marina Grill	Bentonville	September 2011
Hollabong Garden	Bentonville	September 2011
Samurai Sushi	Bentonville	September 2011
JC Catfish Hole	Bentonville	September 2011
Boston Gourmet Pizza	Bentonville	September 2011
Savor	Fayetteville	September 2011
Silver Joes Coffee House	Rogers	September 2011
Java on the Square	Bentonville	October 2011
Primo	Fayetteville	October 2011
Café Delta Soul	Fayetteville	October 2011
Napoli's Italian Restaurant	Siloam Springs	October 2011
Tamolleys	Springdale	October 2011
Racha	Fayetteville	November 2011
Cielito Lindo	Rogers	November 2011
Smoking Hog BBQ	Fayetteville	November 2011
Trailside Café and Tea Room	Fayetteville	December 2011
Siloam Café	Siloam Springs	December 2011
Thai City	Siloam Springs	December 2011
Cancun	Springdale	December 2011
Fuji	Springdale	December 2011
Cajun Cookers	Farmington	January 2012
Jose's Mexican Restaurant	Fayetteville	January 2012
Emelias	Siloam Springs	January 2012
Kentucky Fried Chicken	Springdale	January 2012
Eddie Haskell's	Rogers	January 2012
Rubaie's Café	Bentonville	January 2012
T3 Killa Mexican	Fayetteville	February 2012
Ruffinos	Fayetteville	March 2012
Airport Café	Springdale	March 2012
Napoli's Italian Restaurant	Rogers	April 2012
Andy's Custard	Fayetteville	May 2012
Filipino Restaurant	Fayetteville	May 2012
India Corner	Rogers	May 2012
Chinese Restaurant	Rogers	May 2012
Celtic Grill	Bentonville	May 2012

Commercial Market Trends

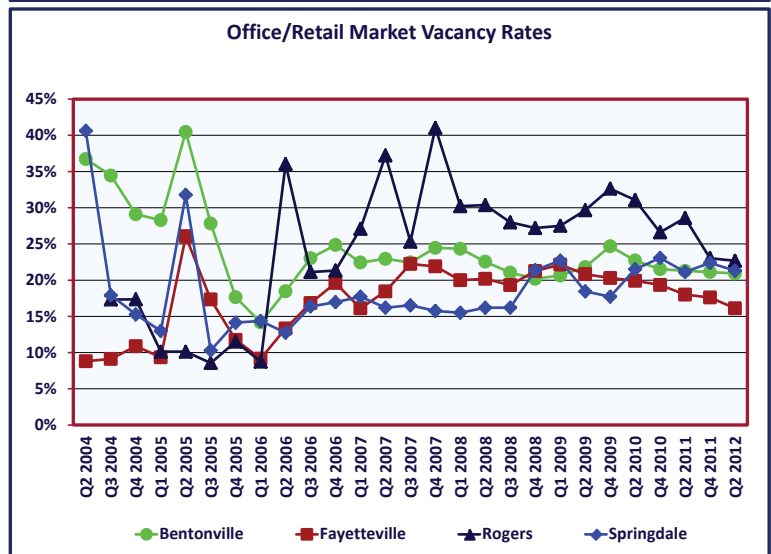
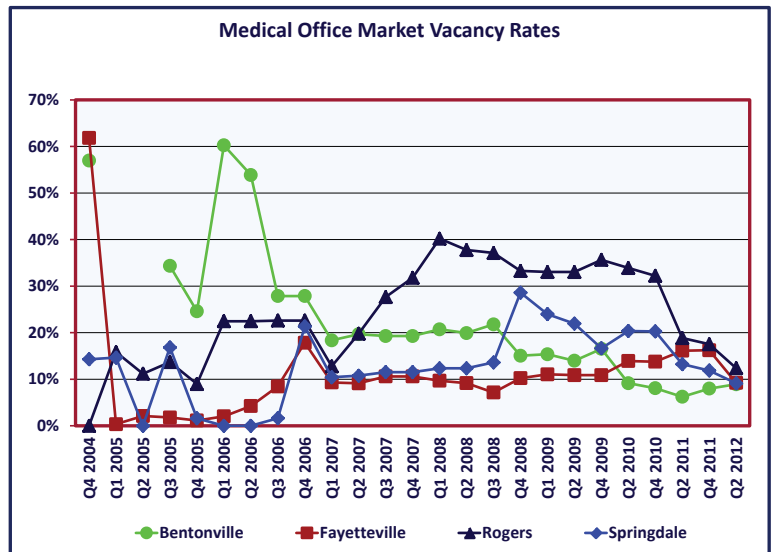
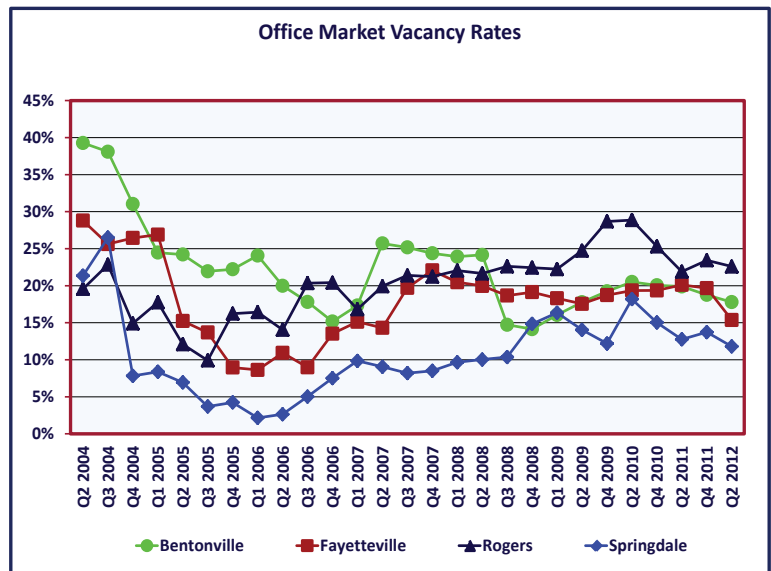
This version, the twenty-seventh, of the Commercial Skyline Report represents the thirty-second quarter that data have been collected. Annual comparisons were made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past eight 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 1,858,841 square feet in the fourth quarter of 2011 to 1,699,455 square feet in the second quarter of 2012. In the past half year, 254,110 square feet of office space were absorbed, and 19,393 of new space became available, leaving net positive absorption of 234,717 square feet. The overall Northwest Arkansas office vacancy rate decreased 1.9 percentage points from 19.5 percent in the fourth quarter of 2011 to 17.6 percent in the second quarter of 2012.

The office/retail market has experienced positive net absorption of 45,263 square feet in the past year. Fayetteville and Rogers accounted for 84 percent of the positive absorption while Springdale experienced a negative absorption of 228 square feet. 15,750 square feet in Fayetteville were added to the market during the last year. In the second quarter of 2012, 778,596 square feet of office/retail space were available, down from 782,860 square feet in last year's second quarter. This space was primarily located in Fayetteville, Rogers, Bentonville, and Springdale.

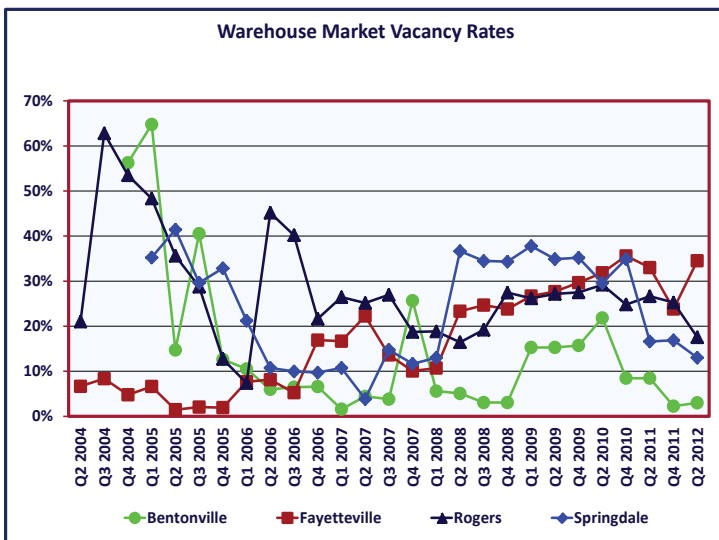
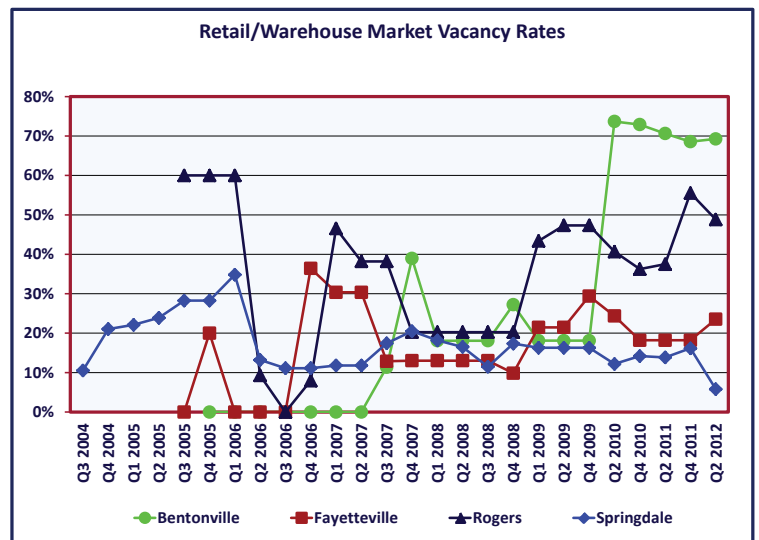
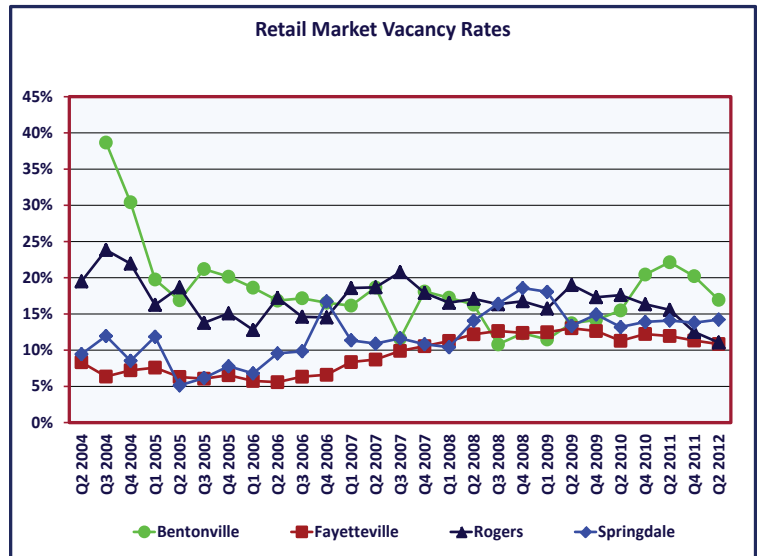
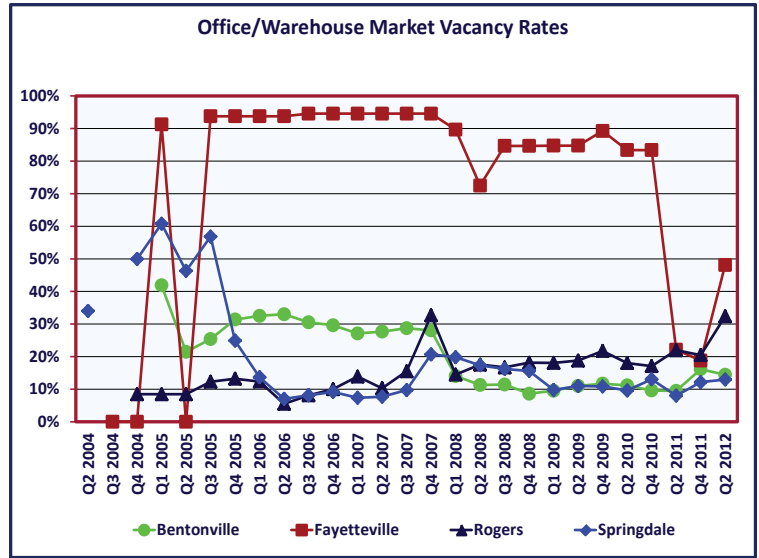
The retail market experienced positive net absorption in the past twelve months only in the cities of Bentonville, Fayetteville, and Rogers. The other cities experienced negative net absorption in the retail submarket over the past year. There were no new square feet of retail space added to the Northwest Arkansas market during the past twelve months. In the second quarter of 2012, a total of 949,261 square feet of space were available in Northwest Arkansas, down from 994,308 square feet in the second quarter of 2011.

The Northwest Arkansas warehouse market also experienced positive net absorption of 302,105 square feet during the past year. The number of available square feet declined from 1,365,677 in the fourth quarter of 2011 to 1,304,778 in the second quarter of 2012 while vacancy rates declined



Commercial Market Trends

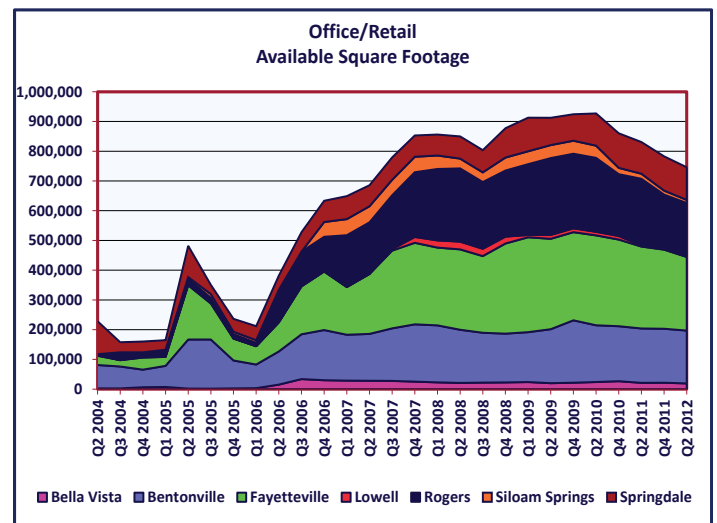
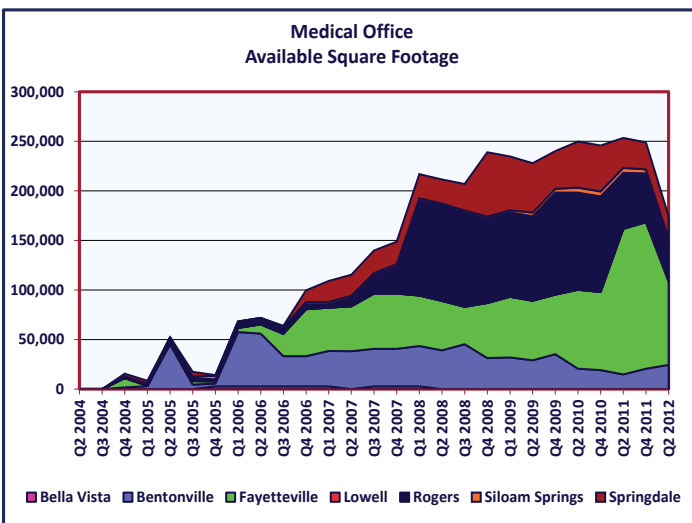
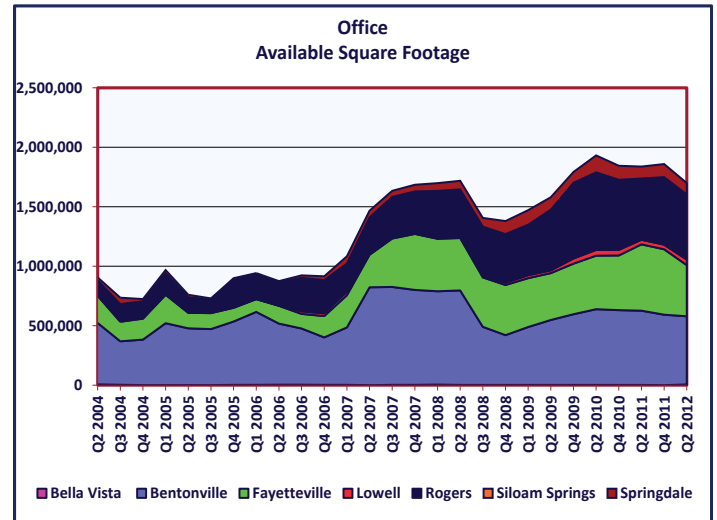
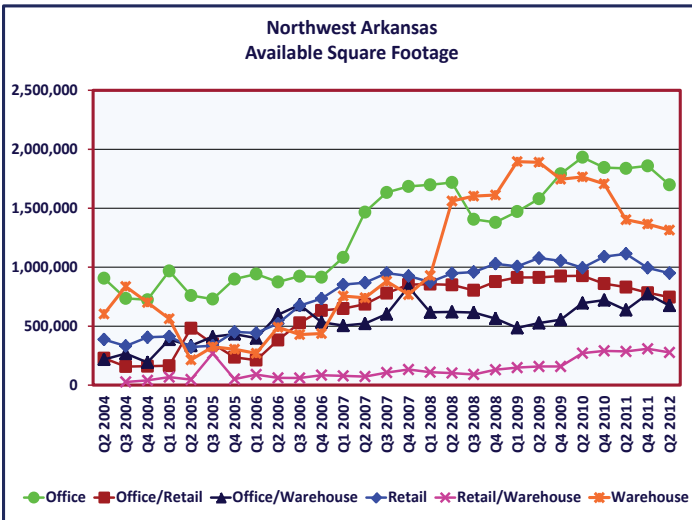
from 21.2 percent to 19.9 percent during the same time period, accordingly. Rogers led with 199,830 square feet of positive net warehouse absorption in the past year. Fayetteville and Lowell, however, were the only cities to experience a negative net absorption since the second quarter of last year in the warehouse market. No new warehouse space was added to the Northwest Arkansas market during the past year.



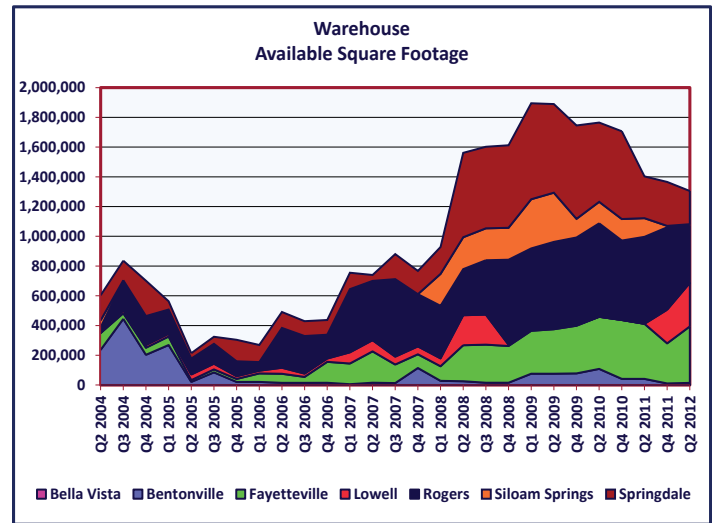
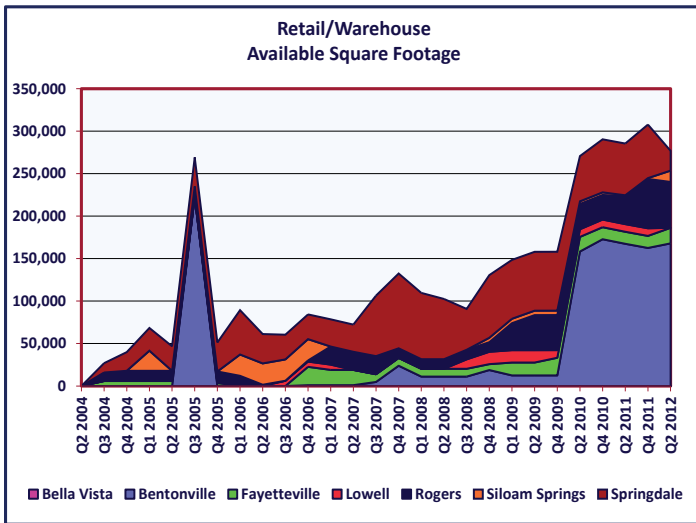
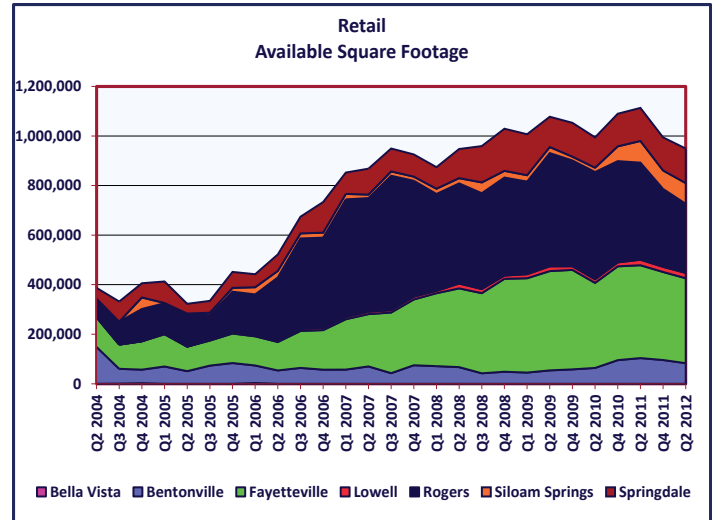
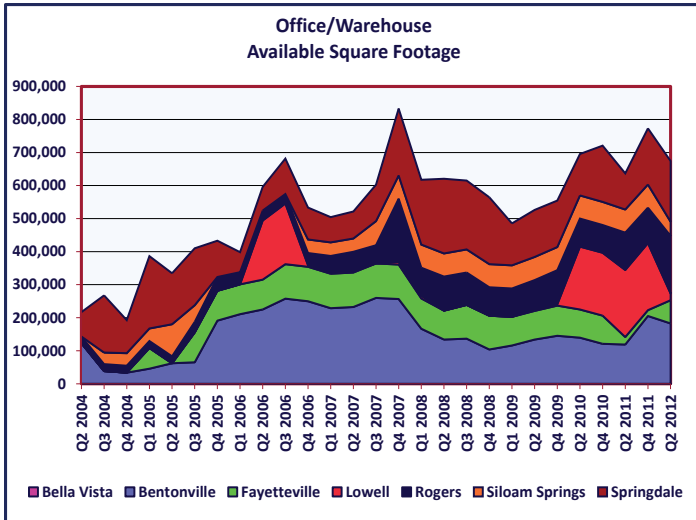
Commercial Market Trends

Net Twelve Month Absorption by Submarket Q2 2011 - Q2 2012

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-890	1,900	0	0
Bentonville	113,643	5,070	30,994	26,866
Fayetteville	136,459	29,145	77,961	-1,098
Lowell	-2,810	1,655	783	-114,104
Rogers	23,059	47,151	117,136	199,830
Siloam Springs	814	6,500	3,656	116,133
Springdale	21,767	-228	3,767	74,478
Northwest Arkansas	292,042	91,193	234,297	302,105



Commercial Market Trends



Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2011	17.3%	19.9%	20.1%	14.1%	21.9%	5.3%	12.8%	19.5%
Q4 2011	0.0%	18.8%	19.7%	14.2%	23.4%	4.5%	13.7%	19.5%
Q2 2012	0.0%	17.8%	15.4%	16.1%	22.6%	4.5%	11.8%	17.6%

Medical Office

Q2 2011	0.0%	6.2%	16.1%	0.0%	18.9%	5.9%	13.2%	14.0%
Q4 2011	0.0%	8.0%	16.2%	0.0%	17.5%	4.7%	11.9%	15.7%
Q2 2012	0.0%	8.9%	9.2%	8.7%	12.4%	4.7%	9.1%	9.4%

Office/Retail

Q2 2011	7.6%	21.3%	18.0%	5.0%	28.6%	11.4%	21.1%	19.9%
Q4 2011	7.7%	21.1%	17.6%	6.5%	23.0%	9.0%	22.4%	18.8%
Q2 2012	7.0%	20.7%	16.1%	2.5%	22.7%	7.0%	21.3%	17.8%

Office/Warehouse

Q2 2011	--	9.5%	22.1%	85.3%	22.0%	65.8%	8.0%	17.8%
Q4 2011	0.0%	16.2%	18.8%	85.3%	20.5%	65.8%	12.2%	21.3%
Q2 2012	0.0%	14.4%	48.1%	30.0%	32.4%	37.6%	13.0%	19.0%

Retail

Q2 2011	0.0%	22.1%	11.9%	17.6%	15.6%	24.6%	14.1%	14.7%
Q4 2011	0.0%	20.2%	11.3%	16.4%	12.5%	20.9%	13.8%	13.1%
Q2 2012	0.0%	16.9%	10.8%	17.0%	11.1%	23.5%	14.2%	12.4%

Retail/Warehouse

Q2 2011	--	70.6%	18.2%	33.7%	37.5%	1.8%	13.8%	30.9%
Q4 2011	--	68.6%	18.2%	33.7%	55.5%	1.8%	16.2%	34.5%
Q2 2012	0.0%	69.3%	23.5%	0.0%	48.8%	19.6%	5.8%	29.9%

Warehouse

Q2 2011	0.0%	8.5%	33.0%	0.0%	26.6%	58.9%	16.6%	22.0%
Q4 2011	0.0%	2.3%	23.8%	34.4%	25.3%	4.4%	16.9%	21.2%
Q2 2012	0.0%	3.0%	34.5%	35.1%	17.5%	4.4%	13.0%	19.9%

Commercial Market Trends

Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1-Q2 2011	0	6,357	-9,970	7,820	84,201	0	17,753	106,161
Q3-Q4 2011	2,000	33,409	13,894	-35	2,851	814	4,392	57,325
Q1-Q2 2012	-2,890	80,234	122,565	-2,775	20,208	0	17,375	234,717

Medical Office

Q1-Q2 2011	0	4,391	12,784	0	39,987	0	16,060	73,222
Q3-Q4 2011	0	-5,801	-900	0	7,122	1,014	3,059	4,494
Q1-Q2 2012	0	-3,834	63,753	0	14,500	0	8,643	83,062

Office/Retail

Q1-Q2 2011	5,600	1,443	33,566	8,705	-12,574	4,200	9,696	50,636
Q3-Q4 2011	-400	1,314	9,464	-950	38,731	3,500	-5,729	45,930
Q1-Q2 2012	2,300	3,756	19,681	2,605	8,420	3,000	5,501	45,263

Office/Warehouse

Q1-Q2 2011	--	561	62,696	5,325	-5,720	0	118,959	181,821
Q3-Q4 2011	--	-86,445	5,080	0	5,678	0	-41,965	-117,652
Q1-Q2 2012	0	22,623	-52,722	12,748	-53,230	35,007	3,913	-31,661

Retail

Q1-Q2 2011	0	-6,462	10,125	-6,400	16,969	-27,780	-1,793	-15,341
Q3-Q4 2011	0	15,844	19,337	1,500	81,523	12,976	8,065	139,245
Q1-Q2 2012	0	15,150	58,624	-717	35,613	-9,320	-4,298	95,052

Retail/Warehouse

Q1-Q2 2011	--	5,362	0	0	-4,000	2,100	1,500	4,962
Q3-Q4 2011	--	4,888	0	0	0	0	-2,100	2,788
Q1-Q2 2012	0	0	-4,155	9,000	10,080	0	39,694	54,619

Warehouse

Q1-Q2 2011	0	0	35,535	0	-8,000	19,230	309,325	356,090
Q3-Q4 2011	0	30,600	88,830	-226,174	30,474	116,133	2,343	42,206
Q1-Q2 2012	0	-3,734	-89,928	112,070	169,356	0	72,135	259,899

Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2011	2,000	624,304	557,635	38,596	510,007	5,158	100,065	1,837,765
Q4 2011	0	592,495	550,086	38,631	563,588	4,344	109,697	1,858,841
Q2 2012	6,190	573,056	430,174	46,239	543,380	4,344	96,072	1,699,455

Medical Office

Q2 2011	0	14,799	146,916	0	56,432	5,014	30,276	253,437
Q4 2011	0	20,600	147,816	0	49,310	4,000	27,217	248,943
Q2 2012	8,104	24,434	84,063	4,833	34,810	4,000	22,324	160,244

Office/Retail

Q2 2011	21,055	182,884	275,536	3,305	224,569	17,000	106,544	830,893
Q4 2011	21,455	181,570	266,072	4,255	180,803	13,500	115,205	782,860
Q2 2012	19,155	177,814	247,491	1,650	179,721	10,500	109,704	746,035

Office/Warehouse

Q2 2011	--	118,769	22,630	203,000	113,022	70,007	109,351	636,779
Q4 2011	0	205,214	17,550	203,000	107,344	70,007	169,986	773,101
Q2 2012	0	182,591	70,272	20,460	174,196	43,061	183,573	674,153

Retail

Q2 2011	0	103,692	374,743	22,209	391,721	87,480	133,387	1,113,232
Q4 2011	0	95,859	355,406	20,709	314,322	74,504	133,508	994,308
Q2 2012	0	83,109	342,887	21,426	278,709	83,824	139,306	949,261

Retail/Warehouse

Q2 2011	--	167,424	14,157	9,000	32,940	1,000	60,900	285,421
Q4 2011	0	162,536	14,157	9,000	58,048	1,000	63,000	307,741
Q2 2012	0	167,916	18,312	0	53,968	13,348	23,306	276,850

Warehouse

Q2 2011	0	41,100	370,481	0	584,912	125,508	280,978	1,402,979
Q4 2011	0	10,500	269,651	226,174	554,438	9,375	295,539	1,365,677
Q2 2012	0	14,234	379,579	293,104	385,082	9,375	223,404	1,304,778

Office

In the second quarter of 2012, the office properties included in the Skyline Report panel had a vacancy rate of 17.6 percent, a decrease from 19.5 percent in the fourth quarter of 2011. Of the more than 9.6 million square feet of Northwest Arkansas properties examined, almost 1.7 million square feet are currently available. This is an 8.6 percent decrease from the fourth quarter of 2011. From the fourth quarter of 2011 to the second quarter of 2012 19,393 square feet of new space entered the market, while 254,106 square feet became occupied, netting positive absorption of 234,717 square feet for the market.

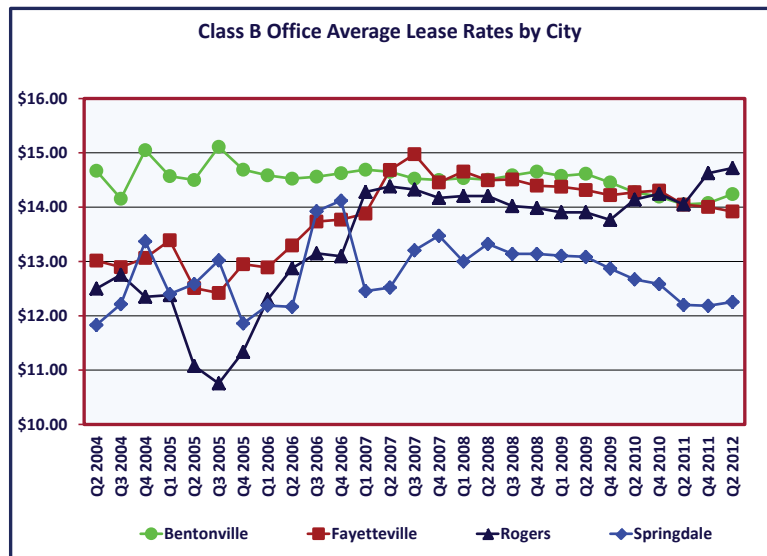
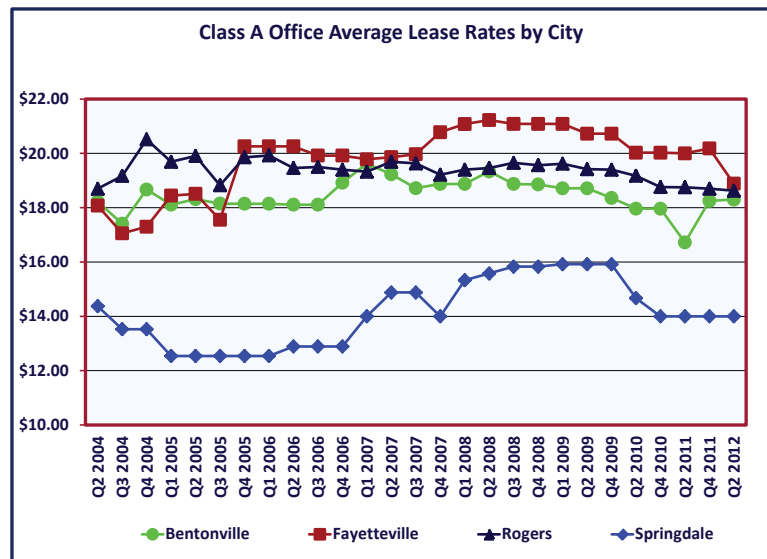
There were 1,699,455 square feet of available office space in Northwest Arkansas in the second quarter of 2012. Bentonville had the most available office space at 573,056 square feet of which 91.4 percent was in the Class B submarket. The Bentonville office market saw net positive absorption of 80,234 square feet in the second quarter of 2012, of which 68,964 square feet were in the Class B submarket. 16,246 square feet of new medical office were added in Bentonville.

Rogers had 543,380 square feet available in the second quarter of 2012, of which 60.1 percent was Class A office space. 11,908 square feet of Class A, 10,388 square feet of Class B, and 14,500 square feet of medical office space became occupied in Rogers, while 16,588 square feet of Class C became vacant, leaving net positive absorption of 20,208 square feet of office space.

Fayetteville had 430,174 square feet of available office space in the second quarter of 2012, of which 55.3 percent was in the Class B submarket. From the fourth quarter of 2011 to the second quarter of 2012, 3,147 new square feet were added to the market. The Fayetteville office market experienced a net positive absorption of 122,565 square feet. About 18,010 square feet of Class A, 37,970 square feet of Class B, and 5,975 square feet of class C became occupied during the first half of 2012. During this time, the medical submarket saw a positive absorption of 63,753 square feet, an increase from quarter four's negative absorption of 900 square feet.

Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.00 - \$18.60	\$13.93 - \$14.55	\$6.89 - \$7.22	\$16.76 - \$18.07
Fayetteville	\$17.57 - \$20.20	\$13.64 - \$14.20	\$10.85 - \$11.26	\$14.76 - \$16.41
Rogers	\$17.89 - \$19.36	\$14.57 - \$14.87	\$8.97 - \$9.40	\$13.82 - \$14.23
Springdale	\$14.00 - \$14.00	\$11.59 - \$12.92	\$8.81 - \$9.05	\$12.63 - \$13.38

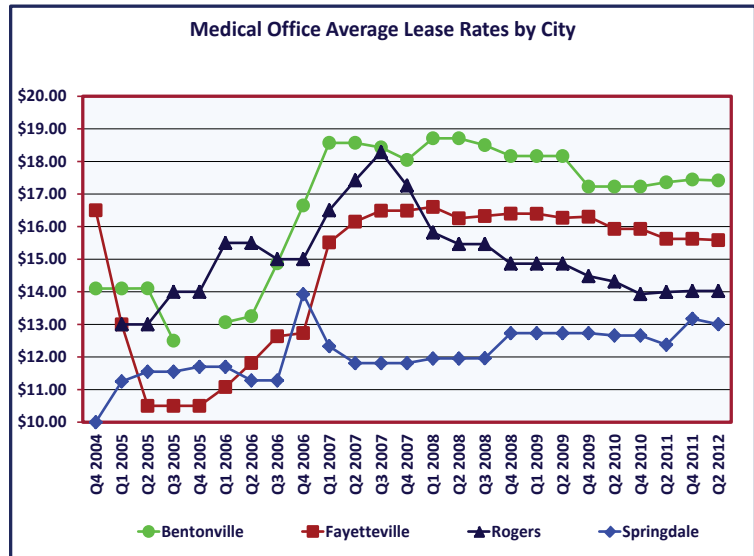
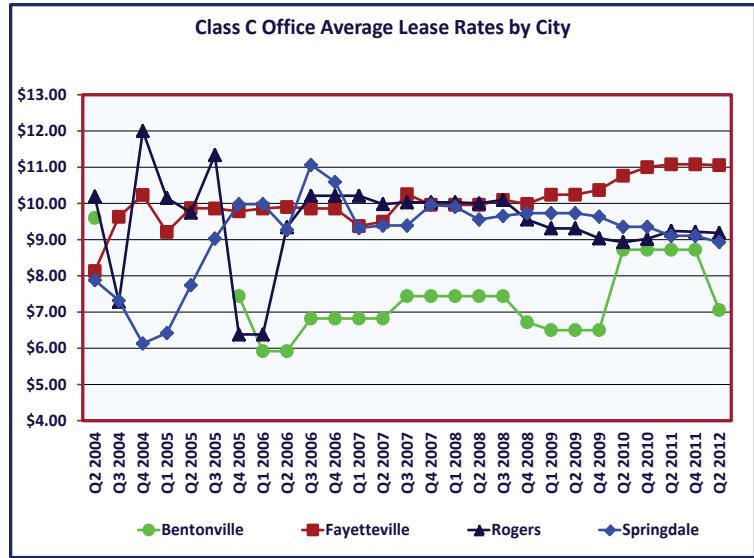


The Springdale office market had 96,072 square feet of available space in the second quarter of 2012, of which 58.3 percent was Class C. Overall, 8,643 square feet became occupied in the medical office submarket. The Class A submarket had a negative ab-

sorption of 308 square feet, while the Class B and C submarkets had positive absorptions of 1,540 square feet and 7,500 square feet, respectively, leading to net positive absorption of 17,375 square feet.

Office

Even after falling \$1.30, Class A office average reported lease rates continued to be highest in Fayetteville at \$18.89 per square foot. Class A space average lease rates increased slightly in Bentonville and fell slightly in Rogers, while remaining constant for the last four quarters in Springdale. Class B office space average reported lease rates declined in Fayetteville, but increased in Rogers, Bentonville, and Springdale. In the second quarter of 2012, reported average lease rates for Class C office declined in Bentonville by \$1.67. The rates decreased slightly in Fayetteville, Rogers, and Springdale. Reported average medical office space lease rates decreased slightly in Bentonville, Fayetteville, and Springdale while remaining constant in Rogers, in the second quarter of 2012.



Office

Office Space Characteristics by Class and City

Class A	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption ²	New Available Square Feet ¹	Net Absorption	Months of Inventory
Bentonville	349,555	13,009	3.7%	15,104	0	15,104	5.2
Fayetteville	476,937	69,044	14.5%	18,010	0	18,010	23.0
Rogers	1,447,686	326,462	22.6%	11,908	0	11,908	164.5
Springdale	77,123	6,508	8.4%	-308	0	-308	--

Class B

Bentonville	2,557,883	523,898	20.5%	68,964	0	68,964	45.6
Fayetteville	1,166,751	237,930	20.4%	37,970	3,147	34,827	--
Rogers	495,111	111,754	22.6%	10,388	0	10,388	64.5
Springdale	329,030	11,136	3.4%	1,540	0	1,540	43.4

Class C

Bentonville	42,035	11,715	27.9%	0	0	0	--
Fayetteville	243,650	39,137	16.1%	5,975	0	5,975	39.3
Rogers	181,171	70,354	38.8%	-16,588	0	-16,588	--
Springdale	163,473	56,104	34.3%	7,500	0	7,500	44.9

Medical

Bentonville	274,018	24,434	8.9%	12,412	16,246	-3,834	--
Fayetteville	910,949	84,063	9.2%	63,753	0	63,753	7.9
Rogers	281,225	34,810	12.4%	14,500	0	14,500	14.4
Springdale	244,713	22,324	9.1%	8,643	0	8,643	15.5

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents



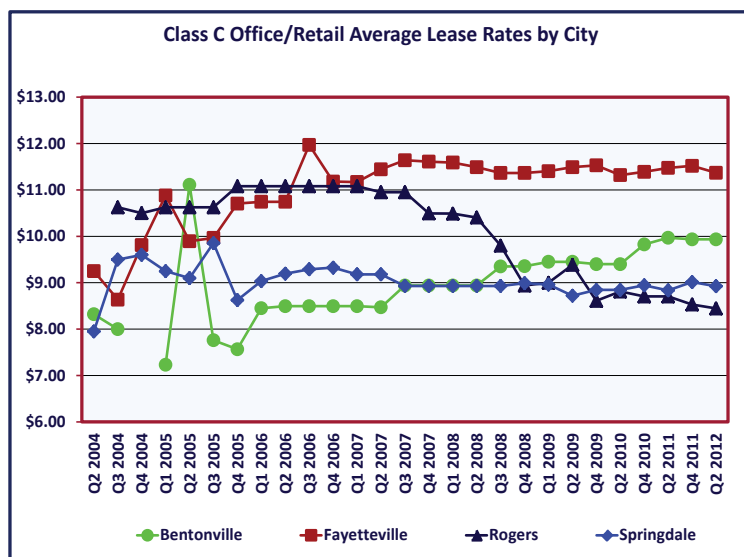
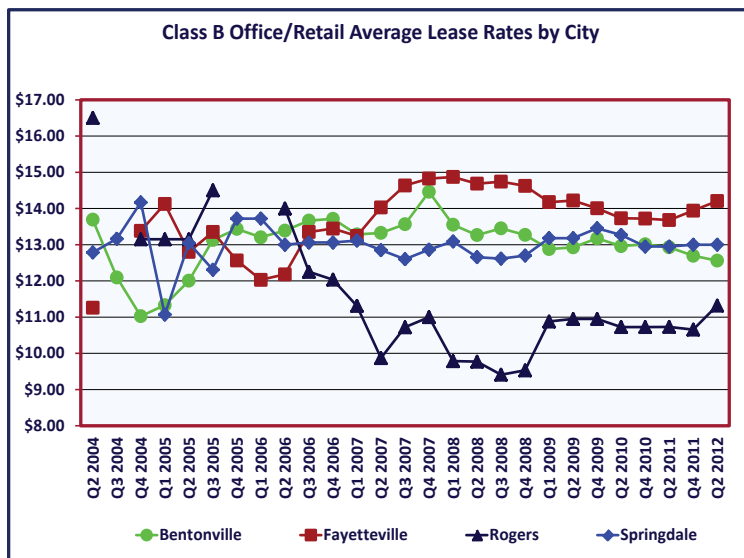
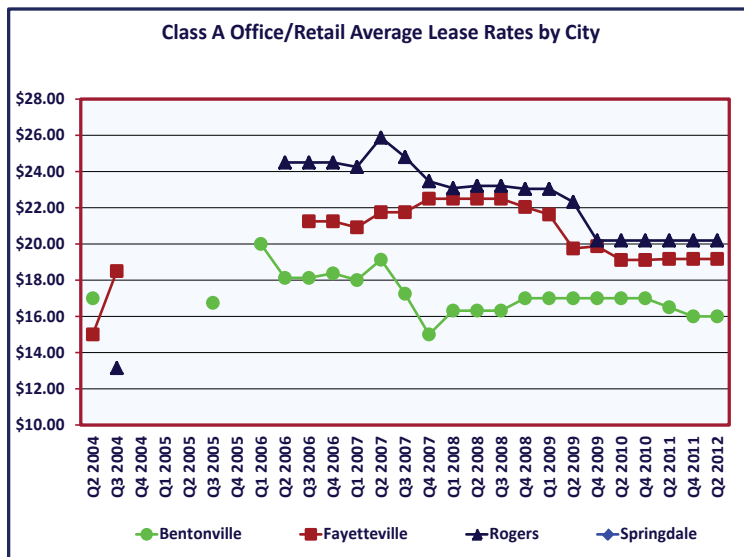
Office/Retail

In the second quarter of 2012, the office/retail properties included in the Skyline Report sample had a vacancy rate of 17.8 percent, a decline from 18.8 percent in the fourth quarter of 2011. Of almost 4.2 million square feet of Northwest Arkansas properties examined, 746,035 square feet were available.

From the fourth quarter of 2011 to the second quarter of 2012, 15,750 square feet of office/retail space were added in Northwest Arkansas in the Fayetteville market. The number of square feet becoming occupied was larger than the number of square feet becoming available in the office/retail submarket, causing a positive net absorption of 45,263 square feet in the first half of this year. For the first time in our reporting, all cities in Northwest Arkansas experienced positive net absorption of office/retail space in the second quarter of 2012.

Fayetteville continued to have the largest amount of available square feet in the office/retail submarket with 247,491 square feet available. Rogers had 179,721 and Bentonville had 177,814 square feet available. Dividing those by the total square feet of office/retail space, this translated to vacancy rates of 16.1 percent for Fayetteville, 22.7 percent for Rogers, and 20.7 percent for Bentonville. Springdale had reported available office/retail square footage of 109,704 with a 21.3 percent vacancy rate.

Office/retail space average reported lease rates remained mixed in the second quarter of 2012. In the Class A submarket, average reported lease rates remained the same in Bentonville, Fayetteville, and Rogers. Average reported Class B rates decreased in Bentonville, and increased in Fayetteville and Rogers, while remaining constant in Springdale. In the Class C office/retail submarket, average reported prices remained constant in Bentonville, and decreased in Fayetteville, Rogers, and Springdale.



Office/Retail

Office/Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.00 - \$17.0	\$11.75 - \$13.37	\$9.49 - \$10.38
Fayetteville	\$17.80 - \$20.54	\$13.25 - \$14.77	\$10.77 - \$11.97
Rogers	\$19.25 - \$21.13	\$10.61 - \$12.03	\$7.46 - \$9.43
Springdale	--	\$12.20 - \$13.80	\$8.52 - \$9.60



Office/Retail Space Characteristics by Class and City

Class A	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption ²	New Available Square Feet ¹	Net Absorption	Months of Inventory
Bentonville	56,307	16,576	29.4%	0	0	0	--
Fayetteville	160,320	56,652	35.3%	8,050	0	8,050	42.2
Rogers	133,982	11,281	8.4%	0	0	0	--
Springdale	--	--	--	--	--	--	--
Class B							
Bentonville	673,292	149,512	22.2%	3,356	0	3,356	267.3
Fayetteville	1,033,646	150,789	14.6%	34,181	15,750	18,431	49.1
Rogers	387,518	95,014	24.5%	-3,780	0	-3,780	--
Springdale	228,573	47,388	20.7%	2,225	0	2,225	--
Class C							
Bentonville	129,874	11,726	9.0%	400	0	400	--
Fayetteville	341,146	40,050	11.7%	-6,800	0	-6,800	--
Rogers	270,765	73,426	27.1%	12,200	0	12,200	36.1
Springdale	286,027	62,316	21.8%	3,276	0	3,276	114.1

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

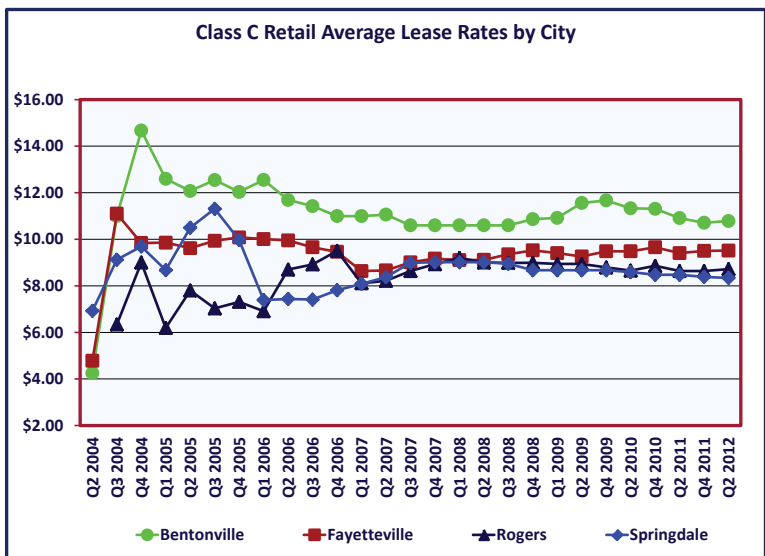
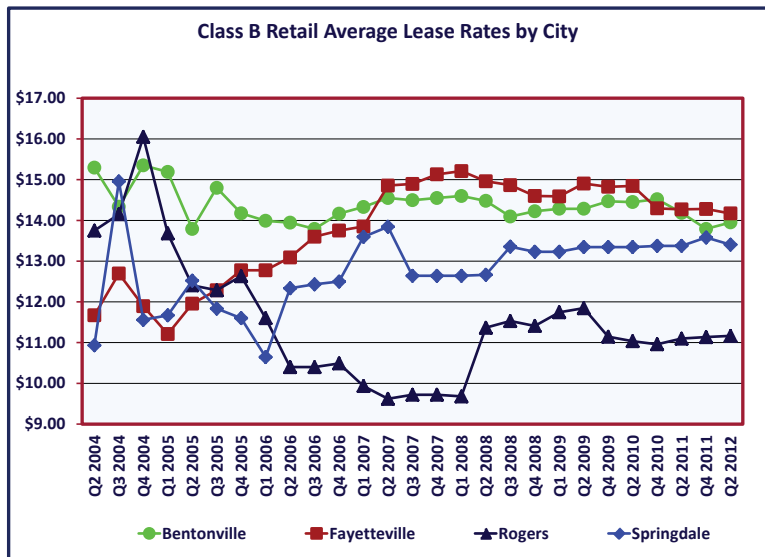
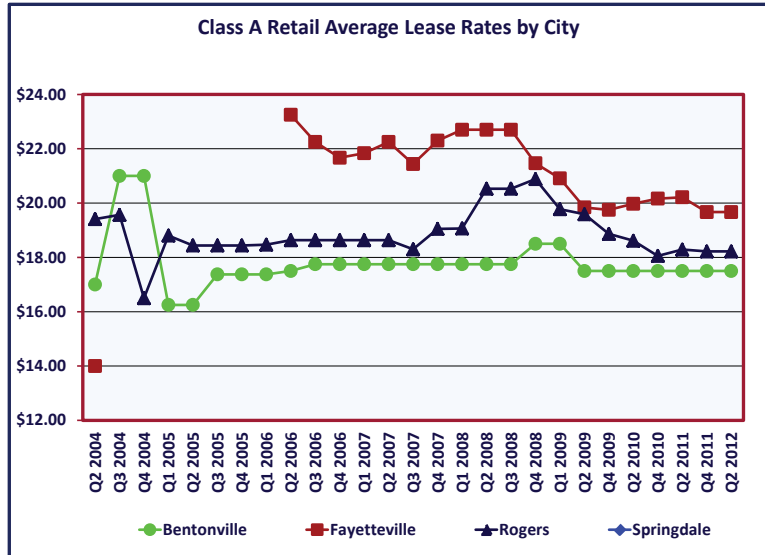
Retail

In the second quarter of 2012, the retail properties included in the Skyline Report panel had a vacancy rate of 12.4 percent, down from 13.1 percent in the fourth quarter of 2011. Of almost 7.7 million square feet of Northwest Arkansas retail properties examined, 949,261 square feet were available. From the fourth quarter of 2011 to the second quarter of 2012, 8,000 square feet of new retail space were added in Rogers in Northwest Arkansas, leading to net absorption of 95,052 square feet.

Bentonville had 490,396 total square feet and 83,109 available square feet of retail space in the second quarter of 2012, resulting in a vacancy rate of 16.9 percent. This represented a decrease from the rate of 20.2 percent in the fourth quarter of 2011. The decreased vacancy rate resulted from a positive absorption of 15,150 square feet.

In the second quarter of 2012, Fayetteville had a retail vacancy rate of 10.8 percent, down from 11.3 percent in the fourth quarter of 2011, with 342,887 available square feet out of a total of more than 3.16 million. No new square footage was added in the first half of 2012, but there was reported net positive absorption of 58,624 square feet in the Fayetteville retail market.

The Rogers market had 278,709 square feet of available retail space out of a total of over 2.5 million square feet for a vacancy rate of 11.1 percent in the second quarter of 2012. This was a decrease from the 12.5 rate in the fourth quarter of 2011, in accordance with net absorption of 35,613 square feet.



Retail

There were 139,306 square feet of available retail space out of a total of 979,757 square feet in Springdale in the second quarter of 2012. This implied a vacancy rate of 14.2 percent, up from 13.8 percent in the fourth quarter of 2011. 1,382 square feet were absorbed in the Class B submarket, while the Class C retail submarket experienced negative absorption of 5,680 square feet, resulting in a negative net absorption for the market of 4,298 square feet.

In the Class A retail submarket, average reported lease rates stayed the same in Bentonville, Fayetteville, and Rogers. Class B retail average lease rates increased in Bentonville and Rogers, while declining in Fayetteville and Springdale. Class C average reported lease rates declined in Springdale while increasing in Bentonville, Fayetteville, and Rogers.

Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.50 - \$19.50	\$13.67 - \$14.23	\$10.64 - \$10.93
Fayetteville	\$18.86 - \$20.48	\$13.76 - \$14.58	\$9.33 - \$9.70
Rogers	\$17.28 - \$19.16	\$10.57 - \$11.76	\$8.49 - \$8.95
Springdale	\$20.00 - \$20.00	\$12.94 - \$13.87	\$7.92 - \$8.76



Retail Space Characteristics by Class and City

Class	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption ²	New Available Square Feet ¹	Net Absorption	Months of Inventory
Class A							
Bentonville	39,534	3,000	7.6%	0	0	0	--
Fayetteville	1,941,509	192,763	9.9%	5,663	0	5,663	204.2
Rogers	1,572,095	132,216	8.4%	21,388	0	21,388	37.1
Springdale	--	--	--	--	--	--	--
Class B							
Bentonville	326,505	56,902	17.4%	17,176	0	17,176	--
Fayetteville	895,140	96,511	10.8%	42,200	0	42,200	13.7
Rogers	562,163	69,418	12.3%	7,203	8,000	-797	--
Springdale	678,281	108,840	16.0%	1,382	0	1,382	472.5
Class C							
Bentonville	124,357	23,207	18.7%	-2,026	0	-2,026	--
Fayetteville	327,078	53,613	16.4%	10,761	0	10,761	--
Rogers	385,912	77,075	20.0%	15,022	0	15,022	30.8
Springdale	293,290	22,280	7.6%	-5,680	0	-5,680	--

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2012 respondents

Other Categories

Warehouse

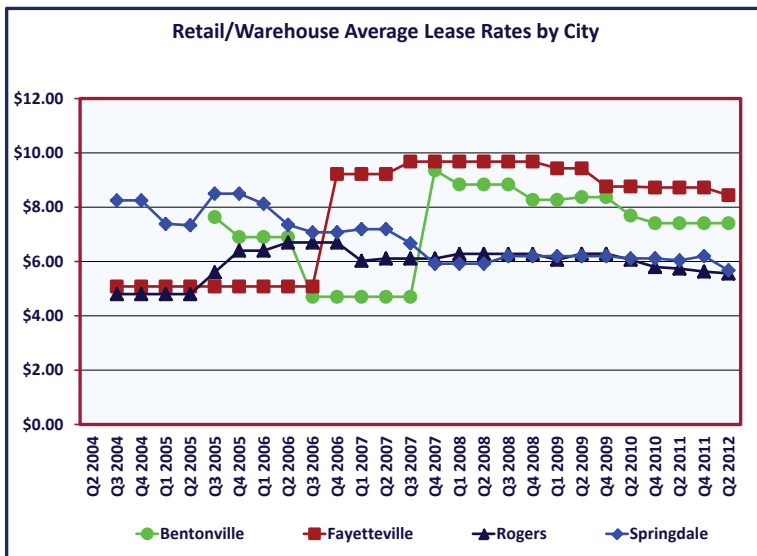
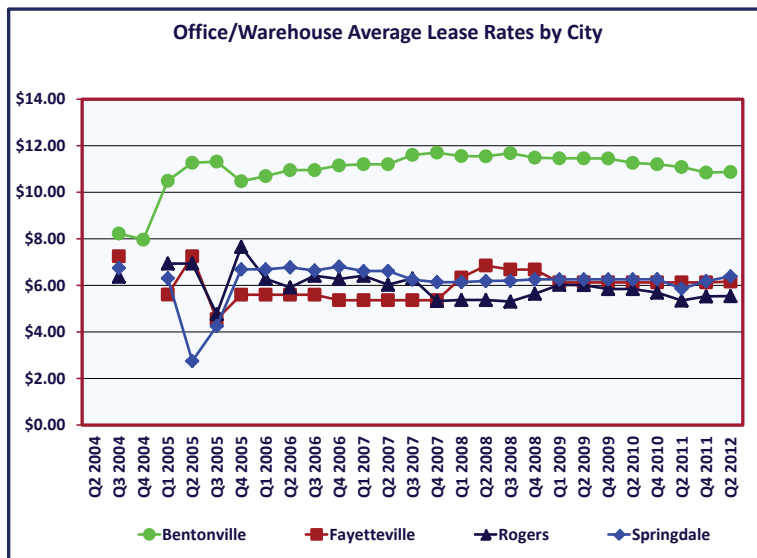
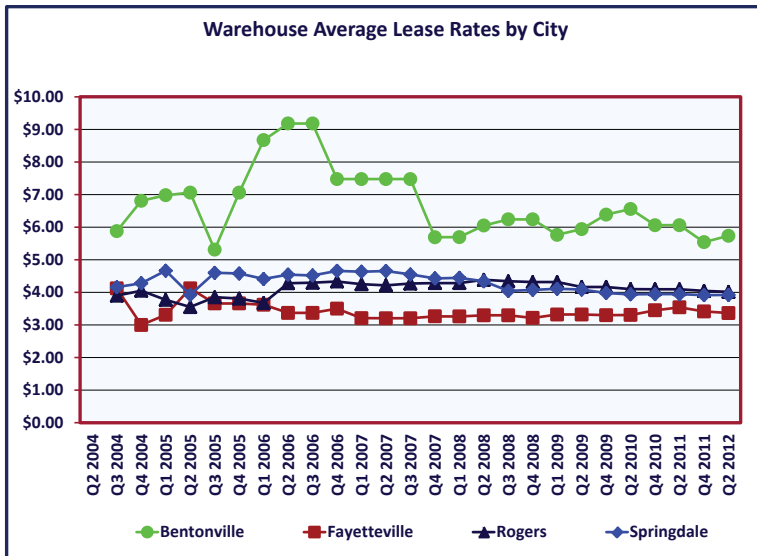
In the second quarter of 2012, the warehouse properties included in the Skyline Report panel had a vacancy rate of 19.9 percent, down from 21.2 percent in the fourth quarter of 2011. Of almost 6.6 million square feet of warehouse space examined, over 1.3 million square feet were available in the second quarter of 2012.

The majority of available warehouse space was split between Rogers (with 385,082 square feet), Fayetteville (with 379,579 square feet), Lowell (with 293,104 square feet) and Springdale (with 223,404 square feet). There was no new space added to the warehouse market in the first half of 2012. Existing warehouse space became occupied in Lowell, Rogers, and Springdale, whereas Fayetteville and Bentonville experienced negative absorption. As a result, there was a positive net absorption of 259,899 square feet in Northwest Arkansas. Reported warehouse vacancy rates declined Rogers and Springdale, stayed the same in Siloam Springs, and increased in Bentonville, Fayetteville, and Lowell in the second quarter of 2012.

The average reported warehouse lease rates in Bentonville increased to \$5.74 and continued to be the most expensive lease rates in Northwest Arkansas. Springdale's average lease rate stayed the same, while Fayetteville's and Roger's slightly decreased.

Office/Warehouse

The Skyline Report panelists reported on almost 3.6 million square feet of office/warehouse space in the second quarter of 2012. The vacancy rate in the office/warehouse submarket decreased from 21.3 percent in the fourth quarter of 2011 to 19.0 percent in the second quarter of 2012 in Northwest Arkansas, with 674,153 total square feet available in the second quarter. No new space entered the market during the second quarter of 2012.



Other Categories

The office/warehouse submarket in Northwest Arkansas experienced the most activity in Lowell, where 90 percent of the 203,000 square feet of available space was occupied in the first half of 2012. Bentonville experienced 22,632 square feet of absorption of 205,214 feet that was available in the second quarter of 2012, Springdale had net positive absorption of 3,913 square feet, while Siloam Springs experienced absorption of 39 percent of its available space during the same time period. Rogers, and Fayetteville all experienced negative absorption in the first half of 2012.

Average reported office/warehouse lease rates in Bentonville increased to \$10.87 and continued to be the highest in the region. Rogers, Fayetteville, and Springdale also posted an increase in average reported office/warehouse lease rates.

Other Lease Rates Average Range by City

	Warehouse	Office/Warehouse	Retail/Warehouse
Bentonville	\$5.20 - \$6.27	\$10.23 - \$11.51	\$7.04 - \$7.78
Fayetteville	\$3.26 - \$3.47	\$5.79 - \$6.54	\$7.73 - \$9.15
Rogers	\$3.94 - \$4.09	\$5.30 - \$5.56	\$5.50 - \$5.62
Springdale	\$3.72 - \$4.12	\$5.44 - \$7.34	\$5.35 - \$6.00

Retail/Warehouse

The Skyline Report panelists reported on 926,694 square feet of retail/warehouse space in the second quarter of 2012. The vacancy rate in the retail/warehouse submarket decreased from 34.5 percent to 29.9 percent in the second quarter of 2012. A total of 276,850 square feet were available in Northwest Arkansas in the second quarter. From the fourth quarter of 2011 to the second quarter of 2012, there was no absorption in the Bentonville retail/warehouse market, while 4,155 square feet became vacant in

Fayetteville. Lowell, Rogers, and Springdale all experienced positive absorption with 9,000, 10,080, and 39,694 square feet being occupied, respectively. The retail/warehouse average reported lease rates in Bentonville remained the same during the second quarter of 2012, while declining slightly in Rogers, Springdale, and Fayetteville.

Other Space Characteristics by Class and City

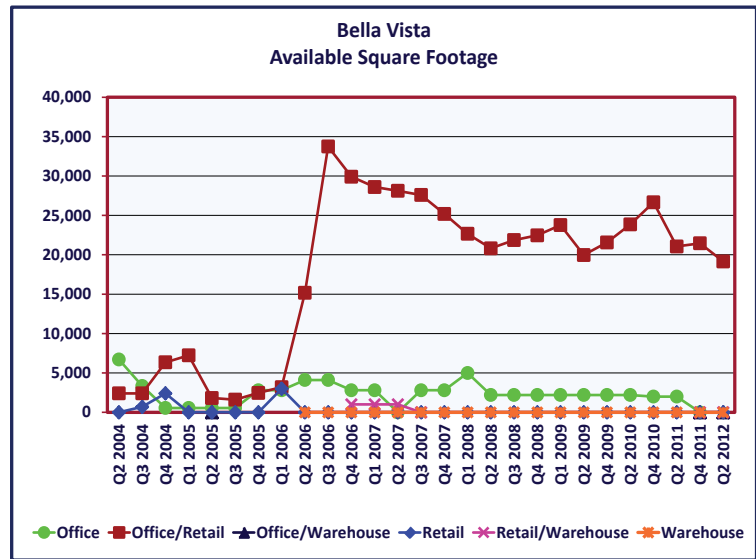
Warehouse	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption ²	New Available Square Feet ¹	Net Absorption	Months of Inventory
Bentonville	475,802	14,234	3.0%	-3,734	0	-3,734	--
Fayetteville	1,099,606	379,579	34.5%	-89,928	0	-89,928	--
Rogers	2,194,949	385,082	17.5%	169,356	0	169,356	13.6
Springdale	1,716,437	223,404	13.0%	72,135	0	72,135	--
Office/Warehouse							
Bentonville	1,265,036	182,591	14.4%	22,623	0	22,623	48.4
Fayetteville	146,072	70,272	48.1%	-52,722	0	-52,722	--
Rogers	538,197	174,196	32.4%	-53,230	0	-53,230	--
Springdale	1,413,891	183,573	13.0%	3,913	0	3,913	--
Retail/Warehouse							
Bentonville	242,424	167,916	69.3%	0	0	0	--
Fayetteville	77,780	18,312	23.5%	-4,155	0	-4,155	--
Rogers	110,543	53,968	48.8%	10,080	0	10,080	32.1
Springdale	401,219	23,306	5.8%	39,694	0	39,694	--

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Bella Vista

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 334,016 square feet of commercial space in Bella Vista in the first half of 2012.
- In the first half of 2012, Bella Vista experienced negative net absorption of 2,890 square feet in the Class B office submarket, but positive net absorption of 2,300 square feet in the Class B office/retail submarket.
- There was no space added to the Bella Vista commercial market in the first six months of 2012.
- Reported average lease rates in Bella Vista in the second quarter of 2012 remained consistent with the rates in the fourth quarter of 2011.



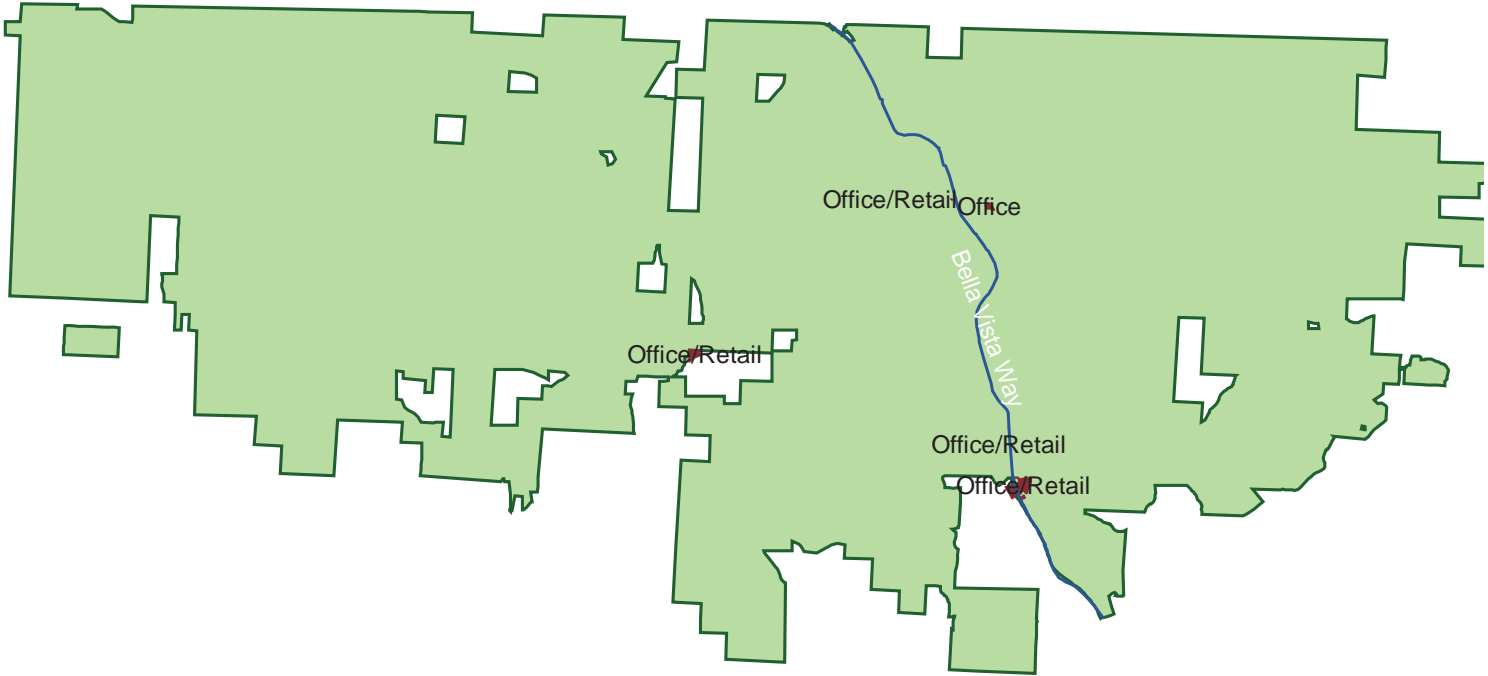
Bella Vista Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Industrial	--	--	--	--	--	--	--	--
Office	\$11.63-\$13.45	20,634	6,190	30.0%	-2,890	0	-2,890	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.43 - \$13.18	12,530	6,190	49.4%	-2,890	0	-2,890	--
Class C	--	--	--	--	--	--	--	--
Medical	\$12.00 - \$14.00	8,104	0	0.0%	0	0	0	--
Office/Retail	\$10.18 - \$12.42	273,896	19,155	7.0%	2,300	0	2,300	50.0
Class A	--	--	--	--	--	--	--	--
Class B	\$10.18 - \$12.42	273,896	19,155	7.0%	2,300	0	2,300	50.0
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	--

¹From all Q2 2012 respondents

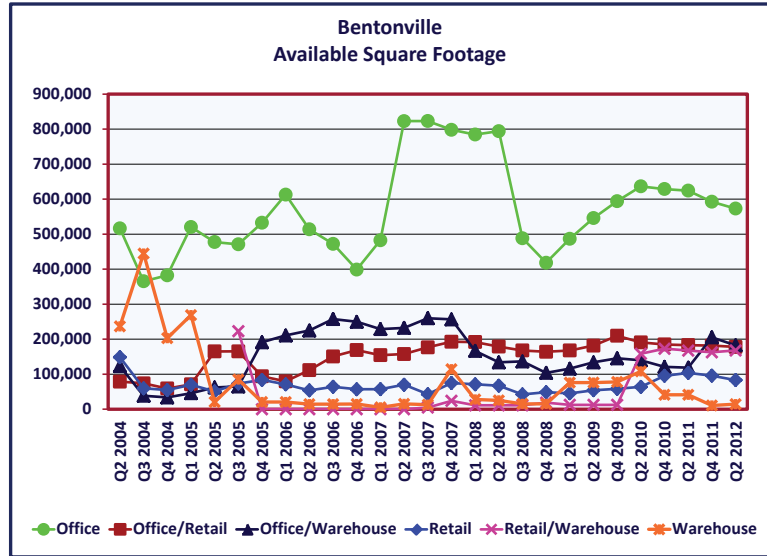
²From Q2 2012 respondents who were also Q4 2011 respondents

Bella Vista



Bentonville

- From January to June 2012, Bentonville issued \$15,513,297 worth of building permits for new commercial space. The first half of 2012 value was 31.2 percent lower than the last half of 2011 value of \$22,539,624. Bentonville accounted for 39.3 percent of the commercial permits issued in Northwest Arkansas during the first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,649,018 square feet of commercial space in Bentonville in the first half of 2012.
- In the first half of 2012, Bentonville experienced positive net absorption of 118,029 square feet and decreased vacancy rates overall.
- There was positive net absorption in the office, office/warehouse, and retail submarkets, and negative net absorption in the office/retail and warehouse submarkets in the first two quarters of 2012 in Bentonville. Meanwhile, there was no absorption in the retail/warehouse submarket.



- 16,246 square feet of new space was added to the Bentonville commercial market in the first half of 2012.
- Reported vacancy rates from the fourth quarter of 2011 to the second quarter of 2012 decreased in office, office/retail, office/warehouse, and retail. Industrial stayed the same. Warehouse, retail/warehouse, and medical all experienced increased vacancy rates.
- The only significant changes in average reported lease rates occurred with a decrease over the past six months for Class C office by \$1.67.

Downtown Bentonville

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and

Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Industrial	\$4.50 - \$4.50	92,396	81,996	88.7%	0	0	0	--
Office	\$14.12-\$14.78	3,223,491	573,056	17.8%	96,480	16,246	80,234	42.9
Class A	\$18.00-\$18.60	349,555	13,009	3.7%	15,104	0	15,104	5.2
Class B	\$13.93 - \$14.55	2,557,883	523,898	20.5%	68,964	0	68,964	45.6
Class C	\$6.89 - \$7.22	42,035	11,715	27.9%	0	0	0	--
Medical	\$16.76 - \$18.07	274,018	24,434	8.9%	12,412	16,246	-3,834	--
Office/Retail	\$11.53 - \$13.03	859,473	177,814	20.7%	3,756	0	3,756	284.0
Class A	\$15.00 - \$17.0	56,307	16,576	29.4%	0	0	0	--
Class B	\$11.75 - \$13.37	673,292	149,512	22.2%	3,356	0	3,356	267.3
Class C	\$9.49 - \$10.38	129,874	11,726	9.0%	400	0	400	175.9
Office/Warehouse	\$10.23 - \$11.51	1,265,036	182,591	14.4%	22,623	0	22,623	48.4
Retail	\$12.83 - \$13.42	490,396	83,109	16.9%	15,150	0	15,150	32.9
Class A	\$15.50 - \$19.50	39,534	3,000	7.6%	0	0	0	--
Class B	\$13.67 - \$14.23	326,505	56,902	17.4%	17,176	0	17,176	19.9
Class C	\$10.64 - \$10.93	124,357	23,207	18.7%	-2,026	0	-2,026	--
Retail/Warehouse	\$7.04 - \$7.78	242,424	167,916	69.3%	0	0	0	--
Warehouse	\$5.20 - \$6.27	475,802	14,234	3.0%	-3,734	0	-3,734	--

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Bentonville

other characteristics for 185,225 square feet of office, office/retail, and retail space in downtown Bentonville in the first and second quarters of 2012.

- There was no absorption of office space. However, there was a positive net absorption of 750 square feet of office/retail space and 6,512 square feet of retail space in downtown Bentonville in the first two quarters of 2012.
- The office space in downtown Bentonville had a reported vacancy rate of 14.8 percent in the second quarter of 2012, an increase from 12.2 percent in the fourth quarter of 2011.
- The office/retail vacancy rate in downtown Bentonville decreased from 1.0 percent to 0.0 percent as all the space became occupied. The retail vacancy rate for downtown Bentonville properties was lower than those for all of Bentonville during the second quarter of 2012.
- In downtown Bentonville, average reported lease rates remained largely unchanged during the past six months.



Downtown Bentonville Summary Statistics

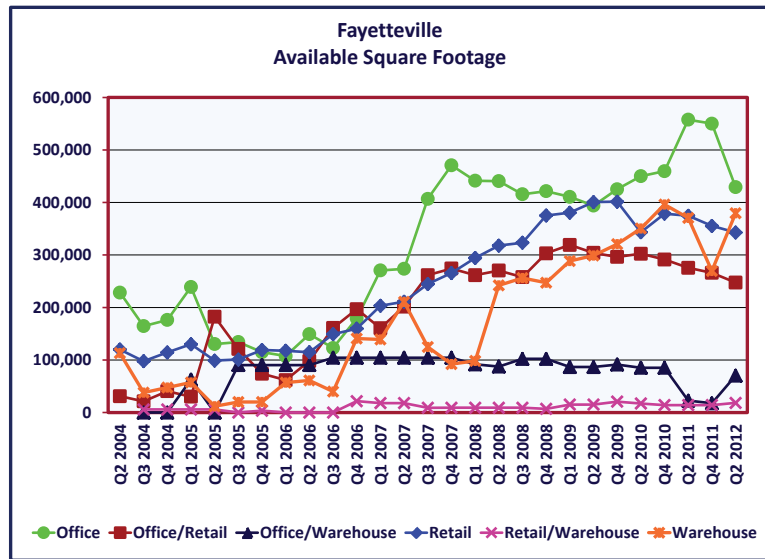
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$13.62 - \$15.27	72,391	10,695	14.8%	0	0	0	--
Office/Retail	\$9.83 - \$11.67	75,909	0	0.0%	750	0	750	0.0
Retail	\$11.45 - \$11.95	36,925	3,818	10.3%	6,512	0	6,512	3.5

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Fayetteville

- From January to June 2012, Fayetteville issued building permits for \$16,172,483 worth of new commercial space. The first half of 2012 value is 110.8 percent higher than the second half of 2011 value of \$7,670,954. Fayetteville accounted for 40.9 percent of the commercial permits issued in Northwest Arkansas during the first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,574,691 square feet of commercial space in Fayetteville in the second quarter of 2012.
- Fayetteville added 18,897 square feet of new commercial space during this report period, of which 3,147 were office space and 15,750 were office/retail space.
- In the first half of 2012, Fayetteville experienced positive net absorption of 54,065 square feet overall. There was positive net absorption in the office, office/retail, and retail submarkets. Submarkets that experienced negative



- absorption included warehouse, retail/warehouse, and office/warehouse. There was no net absorption in the lab and industrial markets.
- Observed vacancy rates in Fayetteville from the fourth quarter of 2011 to the second quarter of 2012 decreased in the office, medical, office/retail, and retail submarkets. Vacancy rates increased in the warehouse, retail/warehouse, and office/warehouse submarkets while remaining constant in the lab and industrial submarkets in accordance with absorption.
- Significant changes in average reported lease rates occurred with decreases over the past six months for the Class A office space of \$1.30 and \$0.28 in the retail/warehouse submarket.

Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Lab	\$20.07 - \$21.07	75,603	30,513	40.4%	0	0	0	--
Industrial	\$2.73 - \$2.88	678,500	17,000	2.5%	0	0	0	--
Office	\$13.79 - \$14.79	2,798,291	430,174	15.4%	125,712	3,147	122,565	21.1
Class A	\$17.57 - \$20.20	476,937	69,044	14.5%	18,010	0	18,010	23.0
Class B	\$13.64 - \$14.20	1,166,755	237,930	20.4%	37,974	3,147	34,827	41.0
Class C	\$10.85 - \$11.26	243,650	39,137	16.1%	5,975	0	5,975	39.3
Medical	\$14.76 - \$16.41	910,949	84,063	9.2%	63,753	0	63,753	7.9
Office/Retail	\$12.86 - \$14.40	1,535,112	247,491	16.1%	35,431	15,750	19,681	75.5
Class A	\$17.80 - \$20.54	160,320	56,652	35.3%	8,050	0	8,050	42.2
Class B	\$13.25 - \$14.77	1,033,646	150,789	14.6%	34,181	15,750	18,431	49.1
Class C	\$10.77 - \$11.97	341,146	40,050	11.7%	-6,800	0	-6,800	--
Office/Warehouse	\$5.79 - \$6.54	146,072	70,272	48.1%	-52,722	0	-52,722	--
Retail	\$13.23 - \$14.06	3,163,727	342,887	10.8%	58,624	0	58,624	35.1
Class A	\$18.86 - \$20.48	1,941,509	192,763	9.9%	5,663	0	5,663	204.2
Class B	\$13.76 - \$14.58	895,140	96,511	10.8%	42,200	0	42,200	13.7
Class C	\$9.33 - \$9.70	327,078	53,613	16.4%	10,761	0	10,761	29.9
Retail/Warehouse	\$7.73 - \$9.15	77,780	18,312	23.5%	-4,155	0	-4,155	--
Warehouse	\$3.26 - \$3.47	1,099,606	379,579	34.5%	-89,928	0	-89,928	--

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Fayetteville

Downtown Fayetteville/Dickson Street Area

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 884,725 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street area in the second quarter of 2012.
- There was negative net absorption of 4,512 square feet of office space and positive absorption of 34,411 square feet of office/retail space and 1,286 square feet of retail space in the first half of 2012.
- There were 3,147 square feet of new office space added in downtown Fayetteville during the first six months of 2012.
- The office space in downtown Fayetteville had a reported vacancy rate of 21.4 percent in the second quarter, up 1.6 percentage points from the fourth quarter of 2011. This was higher than the overall Fayetteville office vacancy rate of 15.4 percent.
- The office/retail vacancy rate for downtown Fayetteville properties decreased to 16.5 percent. This compares to 16.1 percent in the same submarket for all of Fayetteville during the first half of 2012.
- The downtown Fayetteville retail vacancy rate was 4.3 percent, compared to the overall Fayetteville average of 10.8 percent.

- Average reported lease rates in downtown Fayetteville decreased by \$0.19 in the office submarket. All other reported average lease rates remained unchanged during the past six months.

Northwest Arkansas Mall Area/Joyce Street Corridor

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,759,709 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the second quarter of 2012.
- There was positive net absorption of 47,932 square feet of office space and 52,444 square feet of retail space, however, there was negative absorption of 4,220 square feet of office/retail space during the first two quarters of 2012 in the Northwest Arkansas Mall Area/Joyce Street Corridor.
- There was no new space added to the north Fayetteville commercial market in the first six months of 2012.
- The office space in north Fayetteville had a reported vacancy rate of 16.8 percent in the second quarter of 2012. This was significantly lower than the fourth quarter 2011 vacancy rate of 20.3 percent, but was higher than the 15.4 percent vacancy rate for all of Fayetteville.
- The second quarter 2012 office/retail vacancy rate in north Fayetteville increased to 26.0 percent from 23.1

percent in the fourth quarter of 2011. The vacancy rate remained above the city average office/retail vacancy rate of 16.1 percent.

- Retail space in the Mall Area/Joyce Street Corridor had a reported vacancy rate of 9.2 percent, lower than the 11.5 percent rate in the fourth quarter of 2011, and lower than the overall Fayetteville rate of 10.8 percent.
- Average reported lease rates for the area only experienced insignificant changes.



Fayetteville Downtown/Dickson Street Area Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$13.37 - \$15.30	436,412	93,515	21.4%	-1,365	3,147	-4,512	--
Office/Retail	\$14.19 - \$16.38	372,801	61,592	16.5%	34,411	0	34,411	10.7
Retail	\$9.81 - \$12.02	75,512	3,264	4.3%	1,286	0	1,286	15.2

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Fayetteville

Martin Luther King, Jr. Boulevard Corridor

- In the first half of 2012, Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 421,779 square feet of office, office/retail, and retail space in the MLK Boulevard Corridor, up from 354,375 square feet in the fourth quarter of 2011.
- There was no new commercial space added to southwest Fayetteville in the first six months of 2012.
- The MLK Boulevard Corridor of Fayetteville experienced positive absorption of 500 square feet of office/retail space, 3,595 of office space, and negative absorption of 2,924 square feet of retail space in the first half of 2012.
- The office space in southwest Fayetteville had a reported vacancy rate of 47.8 percent in the second quarter of 2012. This was much higher than the overall office vacancy rate of 15.4 percent for Fayetteville, but down from the previous report's 62.1 percent during the fourth quarter 2011.
- From the fourth quarter of 2011 to the second quarter of 2012, the office/retail vacancy rate decreased from 20.9 percent to 18.3 percent, but was still higher in southwest Fayetteville than the city average rate of 16.1 percent.
- The vacancy rates for retail space increased to 45.1 percent in the second quarter of 2012 from 24.4 percent in the fourth quarter of 2011, remaining higher than the 10.8 percent retail vacancy rate for all of Fayetteville.
- Average reported lease rates increased for the office submarket, and decreased in the office/retail and retail segments in southwest Fayetteville over the past six months.

Fayetteville Mall/Joyce Street Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$15.05 - \$15.89	1,415,773	237,779	16.8%	47,932	0	47,932	29.8
Office/Retail	\$16.69 - \$17.00	144,635	37,625	26.0%	-4,220	0	-4,220	--
Retail	\$18.25 - \$18.97	2,199,301	202,490	9.2%	52,444	0	52,444	23.2

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

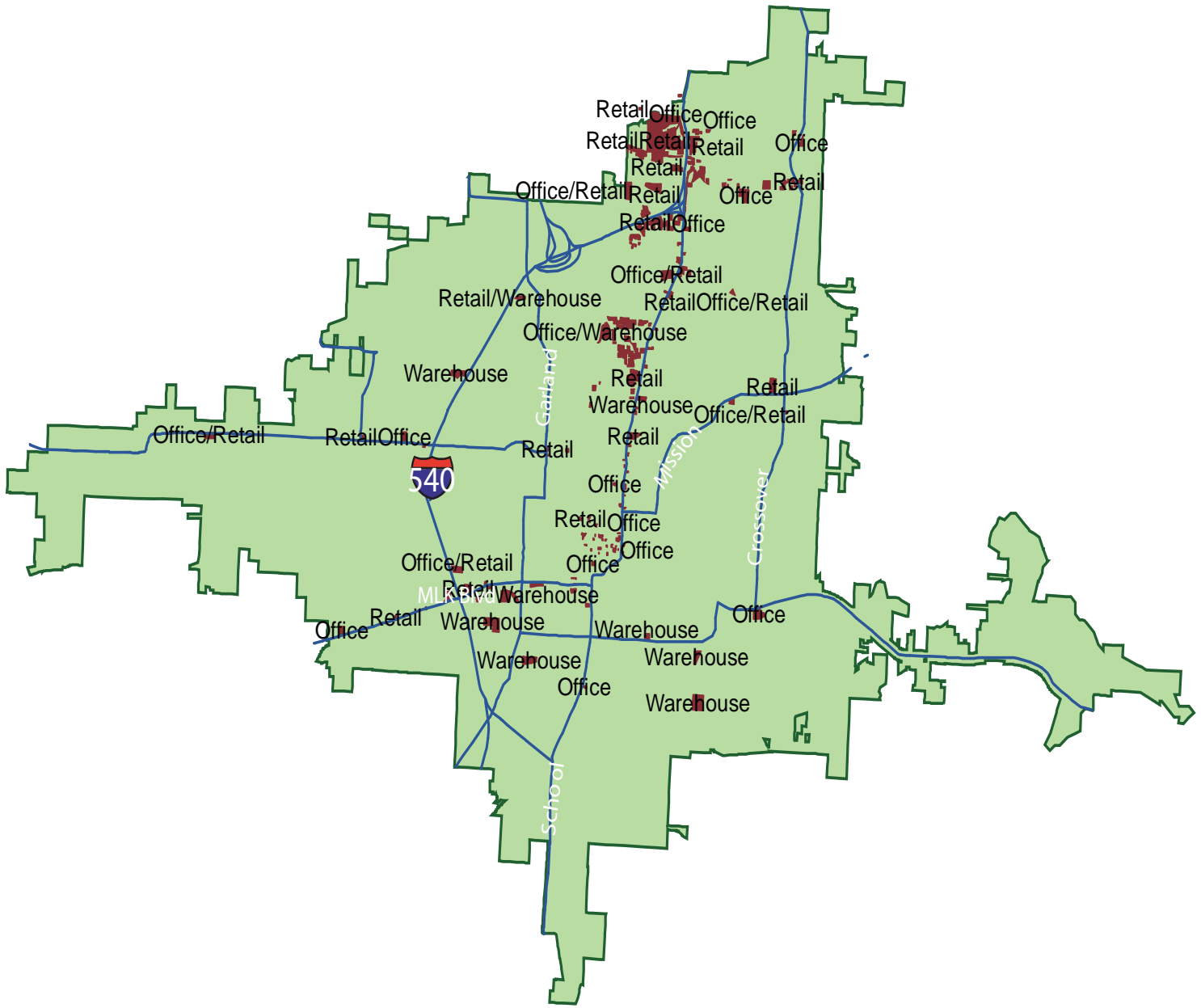
Fayetteville MLK Boulevard Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$10.25 - \$10.25	25,125	12,000	47.8%	3,595	0	3,595	20.0
Office/Retail	\$12.05 - \$14.75	235,591	43,100	18.3%	500	0	500	517.2
Retail	\$12.78 - \$13.53	161,083	72,605	45.1%	-2,924	0	-2,924	--

¹From all Q2 2012 respondents

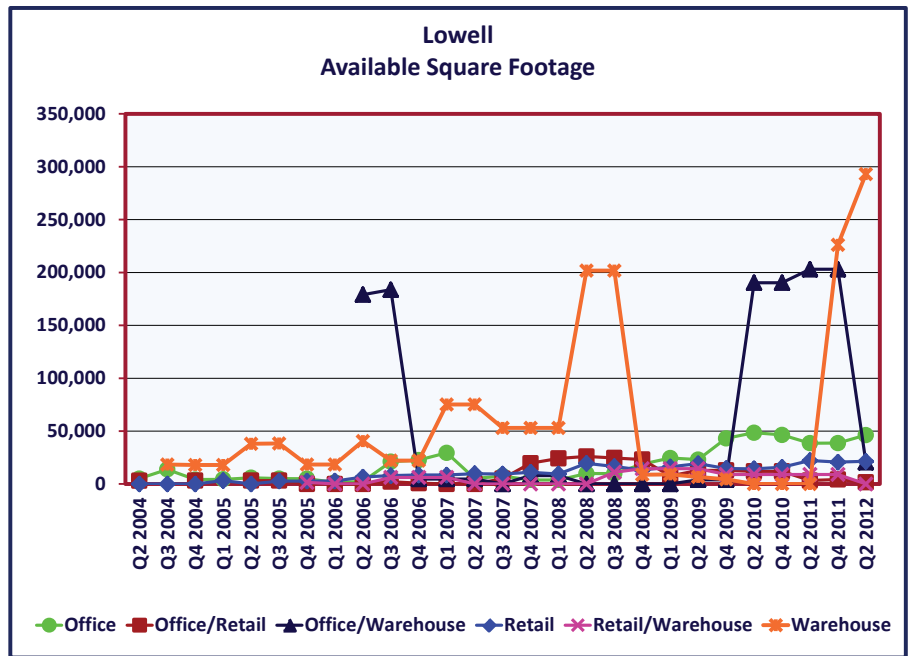
²From Q2 2012 respondents who were also Q4 2011 respondents

Fayetteville



Lowell

- From January to June 2012, Lowell issued \$709,949 in building permits for new commercial space. This was 75.5 percent higher than the \$404,493 of building permits issued in the last half of 2011, and was only 1.8 percent of the total value of building permits issued in Northwest Arkansas in the first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,489,455 square feet of Lowell commercial space in the first and second quarters of 2012.
- In the first half of 2012, Lowell experienced positive net absorption of 166,231 square feet overall. There was negative net absorption in the retail and office markets, while all others were positive. There was no new space added in Lowell in the first six months of 2012.
- Reported vacancy rates increased in the office, retail, and warehouse sub-



markets, while decreasing in all other submarkets from the fourth quarter of 2011 to the second quarter of 2012, in accord with absorption.

- Reported average lease rates for the industrial submarket decreased by \$0.69

from \$5.00 to \$4.31. Meanwhile, retail and medical submarkets space average reported lease rates experienced significant changes dropping 8 percent and 30 percent, respectively.

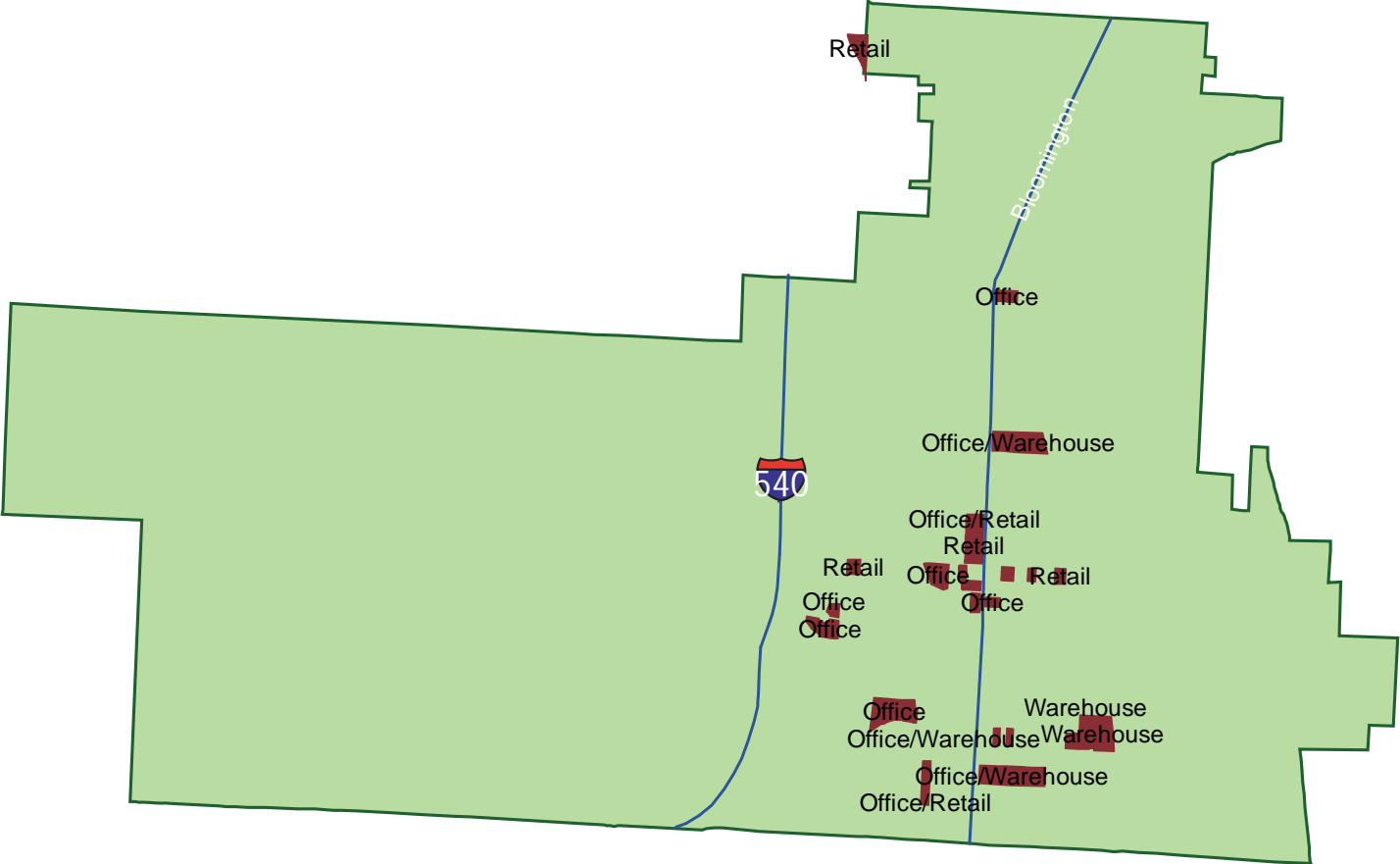
Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Industrial	\$4.31 - \$4.31	79,235	45,935	58.0%	33,300	0	33,300	8.3
Office	\$14.13 - \$14.60	287,294	46,239	16.1%	-2,775	0	-2,775	--
Class A	\$16.83 - \$18.83	109,330	17,906	16.4%	0	0	0	--
Class B	\$12.28 - \$12.39	122,550	23,500	19.2%	-2,775	0	-2,775	--
Class C	--	--	--	--	--	--	--	--
Medical	\$17.00 - \$17.00	55,414	4,833	8.7%	0	0	0	--
Office/Retail	\$9.21 - \$11.02	65,470	1,650	2.5%	2,605	0	2,605	3.8
Class A	--	--	--	--	--	--	--	--
Class B	\$10.92 - \$13.33	48,310	1,650	3.4%	2,605	0	2,605	3.8
Class C	\$4.08 - \$4.08	17,160	0	0.0%	0	0	0	--
Office/Warehouse	\$5.46 - \$5.78	68,273	20,460	30.0%	12,748	0	12,748	9.6
Retail	\$12.13 - \$14.96	126,295	21,426	17.0%	-717	0	-717	--
Class A	--	50,000	0	0.0%	0	0	0	--
Class B	\$12.13 - \$14.96	76,295	21,426	28.1%	-717	0	-717	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.19 - \$10.19	26,700	0	0.0%	9,000	0	9,000	0.0
Warehouse	\$3.30 - \$3.30	836,188	293,104	35.1%	112,070	0	112,070	15.7

¹From all Q2 2012 respondents

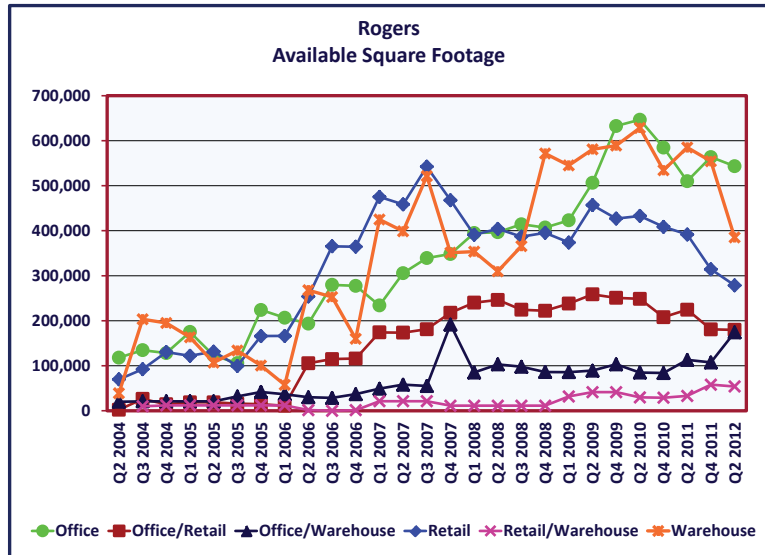
²From Q2 2012 respondents who were also Q4 2011 respondents

Lowell



Rogers

- From January to June 2012, Rogers issued building permits for \$4,729,000 worth of new commercial space. The first half of 2012 value was 71.3 percent lower than the last half of 2011 value of \$16,450,564 and was also lower than the first half of 2011 value of \$6,230,536. Rogers accounted for 12.0 percent of the commercial permits issued in Northwest Arkansas during the first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 8,863,265 square feet of commercial space in the first half of 2012.
- In the first half of 2012, Rogers experienced positive net absorption in the office, medical office, industrial, office/retail, office/warehouse, retail, and retail/warehouse submarkets.
- In the first six months of 2012, 8,000 square feet of retail space were added to the Rogers market.
- Reported vacancy rates decreased in the office, office/retail, retail, retail/warehouse, and warehouse submarkets from



- the fourth quarter of 2011 to the second quarter of 2012, but increased in the office/warehouse submarket, in accord with absorption.
- The only average reported lease rate in Rogers that saw a significant change over the past six months was office/retail Class B, which saw a \$0.67 increase.

Downtown Rogers

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 660,286 square feet of office, office/retail, and retail space in downtown Rogers in the first and second quarters of 2012.

Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Lab	\$10.00 - \$10.00	9,482	0	0.0%	0	0	0	--
Industrial	\$4.36 - \$4.36	292,466	9,818	3.4%	5,000	0	5,000	11.8
Office	\$14.68 - \$15.42	2,405,193	543,380	22.6%	20,208	0	20,208	161.3
Class A	\$17.89 - \$19.36	1,447,686	326,462	22.6%	11,908	0	11,908	164.5
Class B	\$14.57 - \$14.87	495,111	111,754	22.6%	10,388	0	10,388	64.5
Class C	\$8.97 - \$9.40	181,171	70,354	38.8%	-16,588	0	-16,588	--
Medical	\$13.82 - \$14.23	281,225	34,810	12.4%	14,500	0	14,500	14.4
Office/Retail	\$10.19 - \$11.94	792,265	179,721	22.7%	8,420	0	8,420	128.1
Class A	\$19.25 - \$21.13	133,982	11,281	8.4%	0	0	0	--
Class B	\$10.61 - \$12.03	387,518	95,014	24.5%	-3,780	0	-3,780	--
Class C	\$7.46 - \$9.43	270,765	73,426	27.1%	12,200	0	12,200	36.1
Office/Warehouse	\$5.30 - \$5.56	538,197	174,196	32.4%	-53,230	0	-53,230	--
Retail	\$11.32 - \$12.40	2,520,170	278,709	11.1%	43,613	8,000	35,613	47.0
Class A	\$17.28 - \$19.16	1,572,095	132,216	8.4%	21,388	0	21,388	37.1
Class B	\$10.57 - \$11.76	562,163	69,418	12.3%	7,203	8,000	-797	--
Class C	\$8.49 - \$8.95	385,912	77,075	20.0%	15,022	0	15,022	30.8
Retail/Warehouse	\$5.50 - \$5.62	110,543	53,968	48.8%	10,080	0	10,080	32.1
Warehouse	\$3.94 - \$4.09	2,194,949	385,082	17.5%	169,356	0	169,356	13.6

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Rogers

- No new commercial space was added to downtown Rogers in the first six months of 2012.
 - Overall, Downtown Rogers experienced net positive absorption of 5,272 square feet of retail space during the first two quarters of 2012.
 - The office space in Downtown Rogers had an average vacancy rate of 29.1 percent in the second quarter of 2012, down from 34.3 from the fourth quarter of 2011. The downtown vacancy rate was higher than the overall average office vacancy rate for Rogers, which was 22.6 percent during the same period.
 - The office/retail submarket experienced a decrease in the vacancy rate to 35.7 percent from the fourth quarter of 2011 rate of 47.9 percent in the downtown area. This compares to a vacancy rate of 22.7 percent for all of Rogers.
 - The average retail vacancy rate for downtown Rogers properties for the second quarter of 2011 decreased to 5.3 percent and remained lower than the 11.1 percent average rate for all of Rogers.
 - Average reported lease rates for downtown Rogers significantly increased for the office submarket, rising an average 23 percent in the first half of 2012.
- Rogers Interstate 540**
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,610,400 square feet of office, office/retail, office/warehouse and retail space along the Rogers I-540 corridor in the first and second quarters of 2012.
 - 8,000 feet of new retail space were added to the Rogers I-540 corridor submarket in the first six months of 2012.
 - There was positive absorption of 17,590 square feet of office space, 29,634 square feet of retail space, and 5,000 square feet of office/warehouse 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 18.9 percent in the second quarter of 2012, a decrease from the fourth quarter of 2011 value of 20.0 percent. This was lower than the overall average office vacancy rate for all of Rogers at 22.6 percent.
 - In the first half of 2012, the office/retail submarket experienced no change in the 10.2 percent vacancy rate reported in the fourth quarter of 2011, which compares to a vacancy rate of 22.7 percent for all of Rogers.
 - The average retail vacancy rate for Rogers I-540 corridor properties for the second quarter of 2012 decreased to 12.7 percent, and was still higher than 11.1 percent average rate for all of Rogers.
- Average reported lease rates did not change significantly for any of the submarkets in the Rogers I-540 area.



Rogers Downtown Summary Statistics

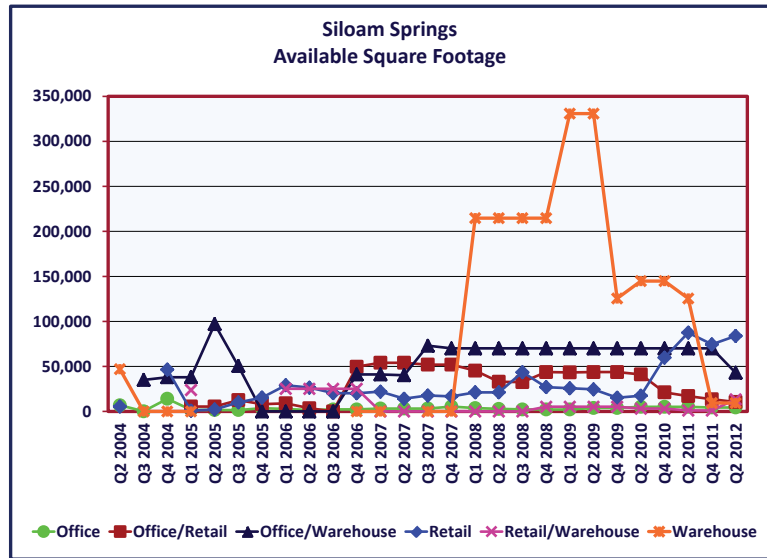
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$10.54-\$11.48	94,110	27,374	29.1%	4,909	0	4,909	33.5
Office/Retail	\$6.67 - \$9.30	67,150	23,940	35.7%	8,200	0	8,200	17.5
Retail	\$9.82 - \$10.68	499,026	26,450	5.3%	5,272	0	5,272	30.1

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Siloam Springs

- From January to June 2012, Siloam Springs issued no new commercial building permits. This compares to the last half of 2011 value of \$500,000.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,237,012 square feet of commercial space for Siloam Springs in the first and second quarters of 2012.
- No new commercial space entered the Siloam Springs market in the first six months of 2012.
- In the first half of 2012, Siloam Springs experienced no absorption in the industrial, office, retail/warehouse, or warehouse submarkets. There was positive absorption of 3,000 square feet in the office/retail submarket and 35,007 square feet in the office/warehouse market. However, the retail market and a negative net absorption of 9,320 square feet.



- Following net absorption, vacancy rates from the fourth quarter of 2011 to the second quarter of 2012 decreased in the office/retail and office/warehouse submarkets. Retail vacancy rates increased by 2.6 percentage points, while retail/warehouse saw a 17.8 percentage point increase. Vacancy rates remained unchanged in all other submarkets.
- Average lease rates did not change significantly in the first half of 2012 in any submarket.

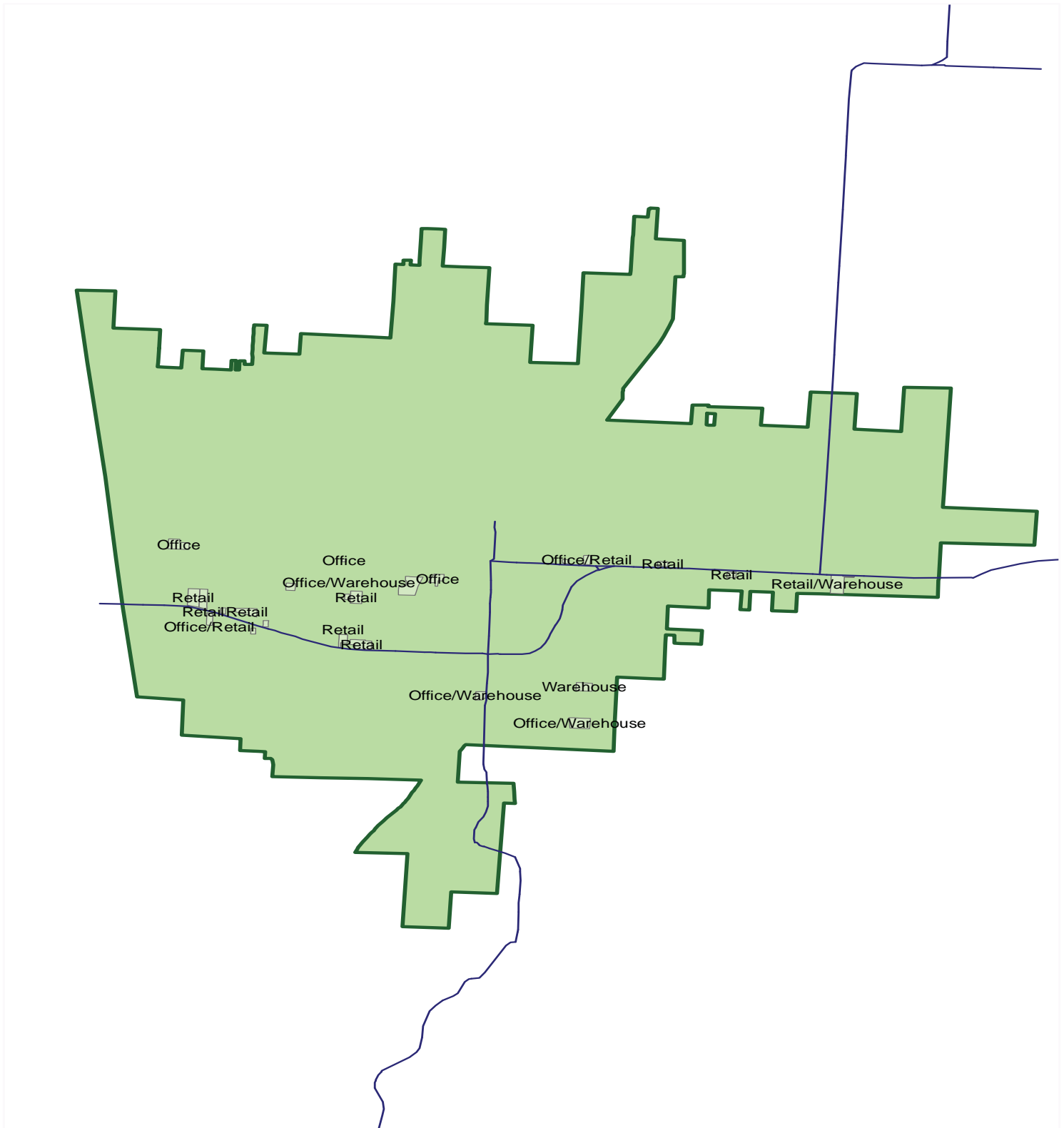
Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Industrial	--	240,589	240,589	100.0%	0	0	0	--
Office	\$10.88 - \$12.52	95,532	4,344	4.5%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	8,000	344	4.3%	0	0	0	--
Class C	\$7.64 - \$9.92	2,000	0	0.0%	0	0	0	--
Medical	\$13.38 - \$14.88	85,532	4,000	4.7%	0	0	0	--
Office/Retail	\$8.04 - \$9.87	149,285	10,500	7.0%	3,000	0	3,000	21.0
Class A	\$12.00 - \$16.00	56,085	3,000	5.3%	1,200	0	1,200	15.0
Class B	\$9.75 - \$10.70	71,790	7,200	10.0%	1,800	0	1,800	24.0
Class C	\$4.49 - \$7.09	21,410	300	1.4%	0	0	0	--
Office/Warehouse	\$2.68 - \$2.68	114,502	43,061	37.6%	35,007	0	35,007	7.4
Retail	\$9.66 - \$10.26	356,106	83,824	23.5%	-9,320	0	-9,320	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.13 - \$11.53	167,222	14,044	8.4%	-9,320	0	-9,320	--
Class C	\$6.71 - \$7.71	188,884	69,780	36.9%	0	0	0	--
Retail/Warehouse	\$4.90 - \$6.74	68,028	13,348	19.6%	0	0	0	--
Warehouse	\$3.21 - \$3.54	212,970	9,375	4.4%	0	0	0	--

¹From all Q2 2012 respondents

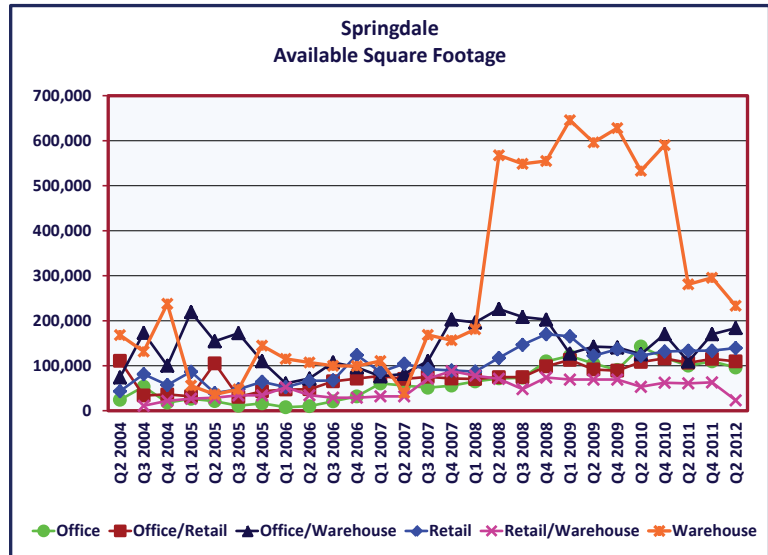
²From Q2 2012 respondents who were also Q4 2011 respondents

Siloam Springs



Springdale

- From January to June 2012, Springdale issued almost \$2.4 million worth of building permits for new commercial space. This was a significant decrease from the \$3,784,736 worth of building permits issued in the second half of 2011.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,282,752 square feet of commercial space in Springdale in the first two quarters of 2012.
- No new space was added in Springdale in the first six months of 2012.
- In the first half of 2012, Springdale experienced an overall positive absorption of 142,416 square feet. There was positive net absorption of 72,135, 39,694, 17,318, 8,096, 5,501, and 3,913 square feet in the warehouse, retail/warehouse, office, industrial, office/retail, and office/warehouse submarkets, respectively.
- Reported vacancy rates increased in the office/warehouse and retail submarkets in Springdale from the fourth quarter of



- 2011 to the second quarter of 2012, and decreased in the industrial, office, medical office, office/retail, retail warehouse, and warehouse submarkets.
- In the past six months in Springdale, average reported lease rates remained fairly motionless, with the exception of a \$0.53 decrease in the retail/warehouse submarket.

Downtown Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 197,060 square feet of office, office/retail, and retail space in downtown Springdale in the first and second quarters of 2012.

Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Lab	--	5,224	5,224	100.0%	0	0	0	--
Industrial	\$4.01 - \$5.09	437,285	49,042	11.2%	8,096	0	8,096	36.3
Office	\$10.86 - \$11.64	814,339	96,072	11.8%	17,375	0	17,375	33.2
Class A	\$14.00 - \$14.00	77,123	6,508	8.4%	-308	0	-308	--
Class B	\$11.59 - \$12.92	329,030	11,136	3.4%	1,540	0	1,540	43.4
Class C	\$8.81 - \$9.05	163,473	56,104	34.3%	7,500	0	7,500	44.9
Medical	\$12.63 - \$13.38	244,713	22,324	9.1%	8,643	0	8,643	15.5
Office/Retail	\$10.19 - \$11.51	514,600	109,704	21.3%	5,501	0	5,501	119.7
Class A	--	--	--	--	--	--	--	--
Class B	\$12.20 - \$13.80	228,573	47,388	20.7%	2,225	0	2,225	127.8
Class C	\$8.52 - \$9.60	286,027	62,316	21.8%	3,276	0	3,276	114.1
Office/Warehouse	\$5.44 - \$7.34	1,413,891	183,573	13.0%	3,913	0	3,913	281.5
Retail	\$10.70 - \$11.56	979,757	139,306	14.2%	-4,298	0	-4,298	--
Class A	\$20.00 - \$20.00	8186	8186	--	0	0	0	--
Class B	\$12.94 - \$13.87	678,281	108,840	16.0%	1,382	0	1,382	472.5
Class C	\$7.92 - \$8.76	293,290	22,280	7.6%	-5,680	0	-5,680	--
Retail/Warehouse	\$5.35 - \$6.0	401,219	23,306	5.8%	39,694	0	39,694	3.5
Warehouse	\$3.72 - \$4.12	1,716,437	223,404	13.0%	72,135	0	72,135	18.6

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Springdale

- There were no new square feet of commercial property added to downtown Springdale in the last two quarters.
- There was negative absorption of 1,438 square feet in the office market in downtown Springdale in the second quarter of 2012.
- The office space in downtown Springdale reported average vacancy rate increased from 5.4 percent in the fourth quarter of 2011 to 8.3 percent in the second quarter of 2012 in accordance with absorption. The rate was lower than the overall Springdale average office vacancy rate of 11.8 percent.
- All office/retail space continued to be available in downtown Springdale in the second quarter, compared to a 21.3 percent vacancy rate for all of Springdale.
- The reported retail space in downtown Springdale continued to be fully occupied. Meanwhile, the average retail vacancy rate for all of Springdale was 14.2 percent.

- All average reported lease rates for downtown Springdale remained constant, with the exception of the office submarket which experienced a 10 percent increase.

West Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 582,996 square feet of office, office/retail, and retail space in West Springdale in the first half of 2012, as opposed to last report's 574,810 square feet.
- There were no new square feet added to West Springdale in the first half of 2012.
- There was negative absorption of 3,000 square feet in the office/retail submarket in West Springdale, whereas the office submarket saw net positive absorption of 1,540 square feet, while the retail submarket had no change.

- The office space in West Springdale had a reported average vacancy rate of 2.1 percent in the second quarter of 2012. The rate was lower than the city average office vacancy rate of 11.8 percent.
- The average office/retail vacancy rate in West Springdale was 20.3 percent in the second quarter, remaining below the overall city average office/retail vacancy rate of 21.3 percent.
- The retail vacancy rate for West Springdale properties increased to 10.7 percent in the second quarter of 2012 and remained below the city average retail vacancy rate of 14.2 percent.
- Average reported lease rates for West Springdale remained constant in the office/retail submarket, slightly increased in the office submarket, and increased 12 percent in the retail submarket in the first half of 2012.

Downtown Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$9.38 - \$10.06	175,674	14,597	8.3%	-1,483	0	-1,483	--
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%	0	0	0	0.0

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

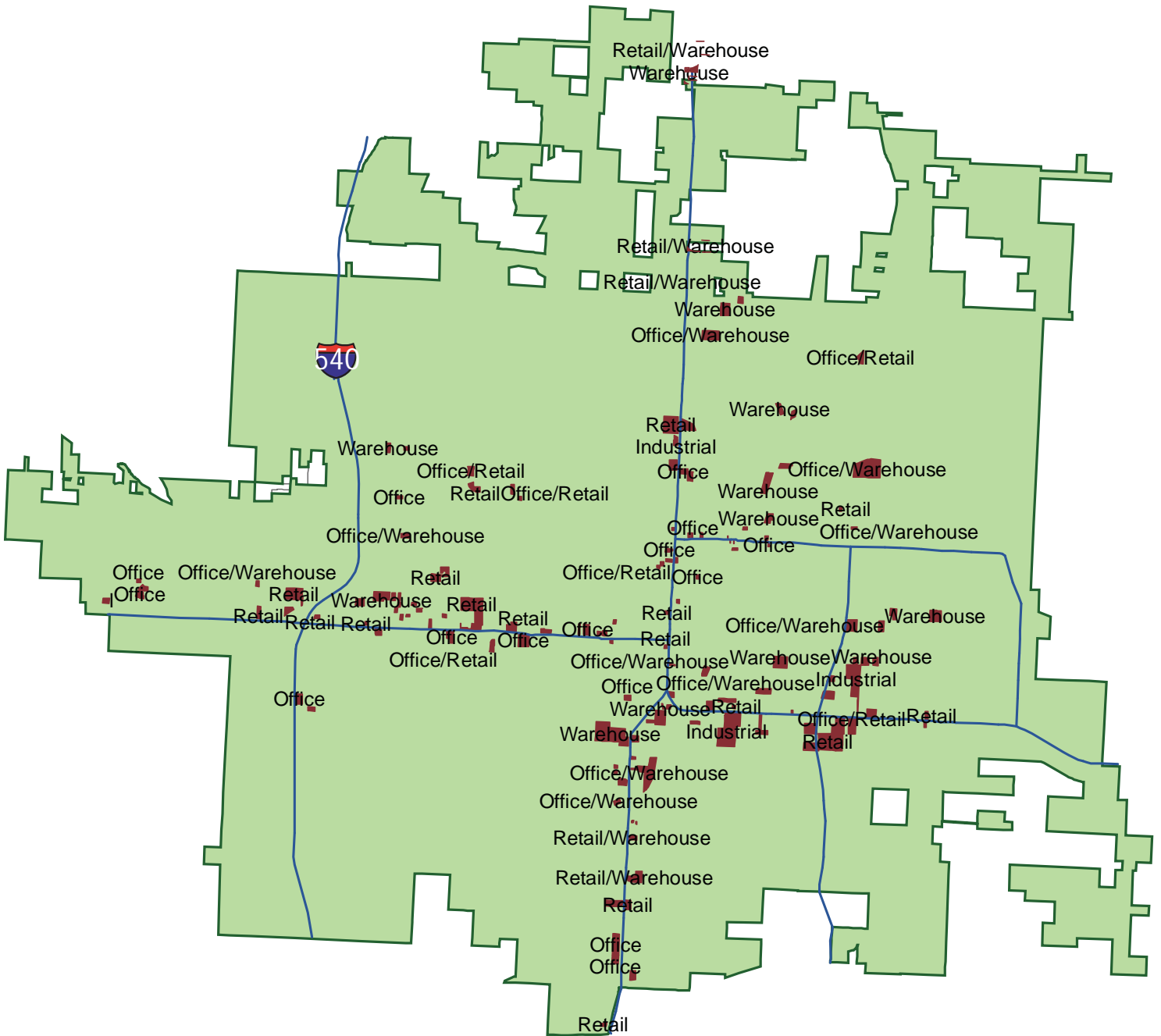
West Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q4 to Q2 ²	New Available Square Feet ¹	Net Absorption ²	Months of Inventory ²
Office	\$15.07 - \$15.46	98,714	2,089	2.1%	1,540	0	1,540	8.1
Office/Retail	\$13.90 - \$14.40	63,550	12,890	20.3%	-3,000	0	-3,000	--
Retail	\$13.60 - \$14.40	420,732	45,036	10.7%	0	0	0	--

¹From all Q2 2012 respondents

²From Q2 2012 respondents who were also Q4 2011 respondents

Springdale



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 ft²
- Department Stores: 20,000 ft²
- Discount Stores: 20,000 ft²
- Industrial Buildings: 20,000 ft²
- Markets: 20,000 ft²
- Office Buildings: 5,000 ft²
- Medical Office Buildings: 5,000 ft²
- Retail Buildings: 10,000 ft²
- Community Shopping Centers: 5,000 ft²
- Neighborhood Shopping Centers: 5,000 ft²
- Warehouses: 20,000 ft²

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 2012, 239 panelists provided data on 1,568 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 1,568 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.