



# THE SKYLINE REPORT

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

This report is the twenty-ninth 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 2013 August 2013

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#### Highlights from the First Half of 2013

- In the first half of 2013, 544,635 total square feet of commercial space were absorbed, while 101,998 new square feet were added, netting positive absorption of 442,637 square feet in the Northwest Arkansas market and an overall vacancy rate of 14.6 percent, down from 15.9 in the second half of 2012.
- In the office submarket there was net positive absorption of 22,616 square feet, while 5,000 new square feet were added in the first half of 2013. The office vacancy rate remained at 15.3 percent.
- In the office/retail submarket, there was positive net absorption of 50,045 square feet in the first half of 2013. The vacancy rate declined to 14.3 percent from 15.4 percent in the second half of 2012.
- Within the retail submarket, there was net positive absorption of 57,680 square feet, while 80,798 new square feet square feet entered the market in the first half of 2013, consequently the Northwest Arkansas vacancy rate decreased to 10.6 percent from 11.4 percent in the second half of 2012.
- The warehouse submarket had positive absorption of 162,769 square feet in the first half of 2013. The Northwest Arkansas warehouse vacancy rate decreased to 17.8 percent from 20.2 percent in the second half of 2012.
- The industrial, office/warehouse and retail/warehouse submarkets had 17,000, 65,539, and 66,988 square feet of net positive absorption, respectively, in the first half of 2013.
- From January to June 2013, \$35.3 million in commercial building permits were issued in Northwest Arkansas. In comparison, there were \$39.5 million in permits issued in the first half of 2012.

# 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 first half of 2013 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 234 panelists provide information is broken down by city and the percentage of coverage of the competitive market is calculated. A table containing publicly announced new commercial real estate projects is presented after the summary of building permit data. This table is meant to provide an indication of the future direction of the Northwest Arkansas commercial property market. As many of these projects are still in the conceptual phase, hard data are incomplete and subject to change. This period, the announced data was examined particularly closely. Project locations were checked and developers were contacted regarding the projects from the previous Skyline report.

Following the tables of announced commercial projects, hotels, and restaurants is a trend summary that includes information about vacancy rate and available space trends. There are also three tables summarizing the results from the most recent time periods. The first table presents vacancy rates by submarket for the first and second halves of 2012 and the



first half of 2013. 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 first quarter of 2013 the overall real GDP growth rate was 1.8 percent according to estimates released by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). The growth rate grew from a revised 0.4 percent in the fourth quarter of 2012, but slowed from a revised 3.1 percent in the third quarter of 2012.

## Employment

The Northwest Arkansas employment situation has been extremely important to the commercial real estate market. The most recent data show that employment in the Northwest Arkansas region was at a seasonal low of 213,300 in January of 2013 before climbing in June 2013 to 218,700. According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate in Northwest Arkansas was at a preliminary seasonally non-adjusted 5.6 percent in May of 2013. This is the same rate as in May of 2012 and 0.3 percentage points lower than in January of 2013. The unemployment rate in Northwest Arkansas continues to be lower than both the state (7.3 percent) and nation (7.3 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 2013 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie

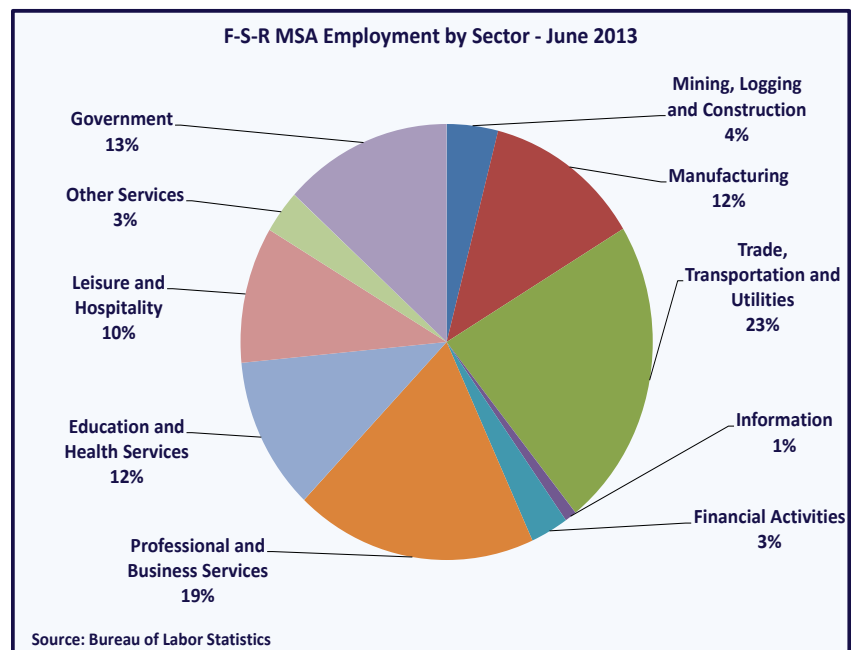
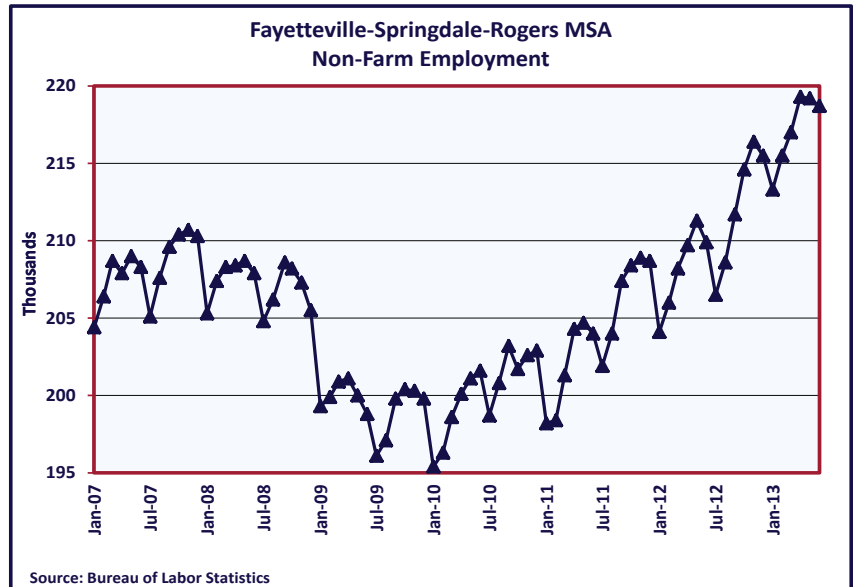


chart shows, trade, transportation, and utilities had the largest share of employment (23 percent) in Northwest Arkansas followed by professional and business services (19 percent), government (13 percent), education and health services (12 percent), manufacturing (12 percent), and leisure and hospitality (10 percent). The third figure (on the following page) shows the annual percentage change in the metro area's employment by

sector from June 2012 to June 2013. Total nonfarm employment increased by 4.2 percent during that time. Employment in mining, logging and construction, education and health services, trade, transportation and utilities, professional and business services, information, other services, and leisure and

# Economic Overview

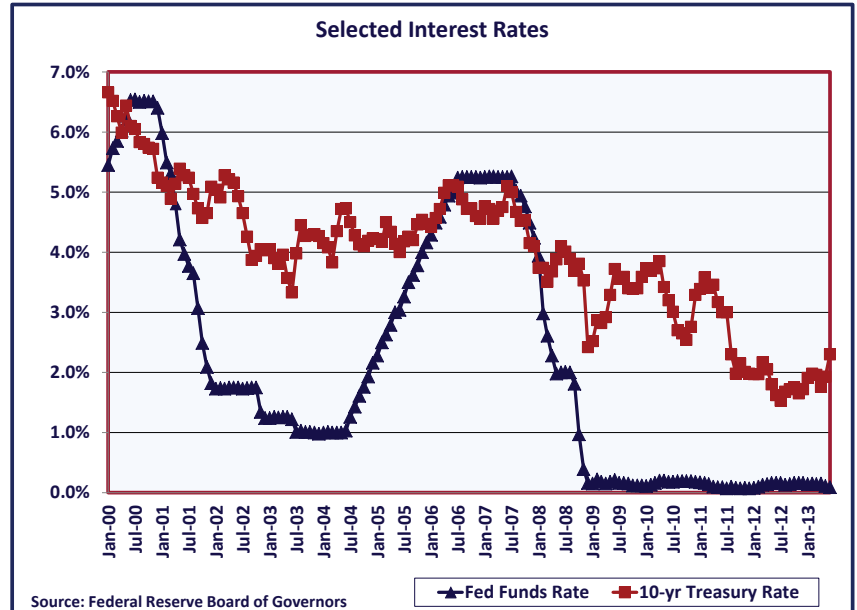
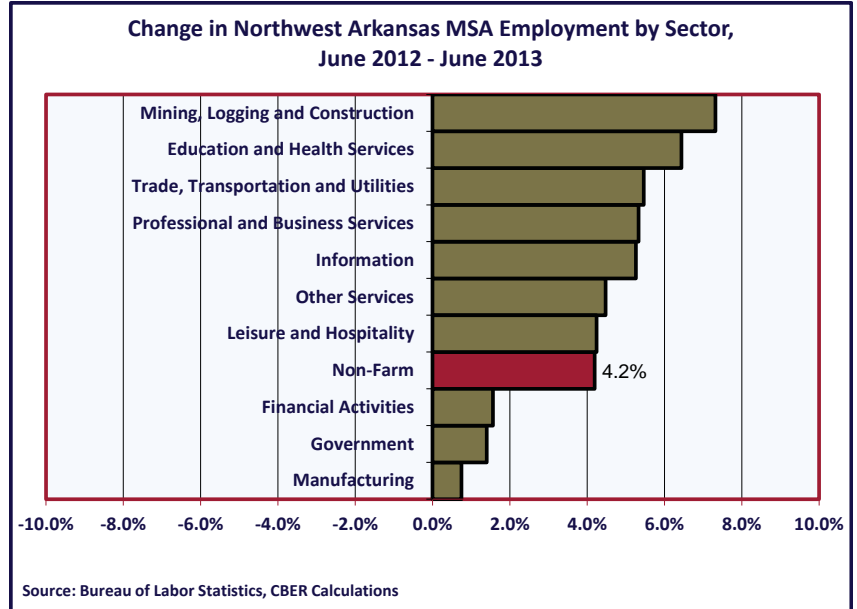
hospitality, grew more quickly than 4.2 percent, while financial activities, government, and manufacturing grew more slowly.

## Interest Rates

The Federal Funds rate averaged 0.09 percent in June 2013. This was the lowest rate since January 2012. The ten year constant maturity Treasury bill had an interest rate of 2.3 percent in June 2013. This was the highest rate since August 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, but it has indicated that quantitative easing will be tapered if conditions allow. 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 rose to 87.2 in June of 2013 from 73.3 in June of 2012.





# Local Perceptions

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

Each reporting period, Center for Business and Economic Research staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. Over the past several years the panelists have become increasingly open in expressing their thoughts and feelings on the issues, sometimes controversial, affecting Northwest Arkansas. The sense of optimism displayed during the last report period continued to grow during the most recent conversations. Respondents generally continue to believe that 2013 will see positive growth in Northwest Arkansas, but still with the caveat that there are not strong exogenous shocks to the national economy. The wide ranging discussion topics included continued tightening of the commercial real estate market, how the overhang of existing space is affecting each of the submarkets, hot spots for future development, the University of Arkansas housing market, the lending environment, and current and future job creation in Northwest Arkansas.

Respondents were pleased to report that the tightening of the commercial market was continuing. Many respondents reported that the previous 6 months was their best business year since the mid 2000's, both in terms of leasing and facilitating building sales. The leasing continues to be driven by some "churn" but also by tenant expansion, coupled with some new tenants entering the market. The class A office market is considered the tightest, and it is also the submarket with the most new construction, and conceptual planning. Panelists also felt the lease rates were firming up the most in the class A office submarket. The class B office submarket is considered the most overbuilt. Several respondents felt that there will be no need for new construction of class B vendor park space in the foreseeable future. There seems

to be the most lease concessions with respect to this submarket as well. Class A retail, is another growth area in panelist's eyes. They see high traffic high visibility areas continuing to do well either with new growth or cannibalization of existing retail tenants looking to move to higher quality locations. "Location, location, location" was a mantra again, far more so than at any time since 2006, and the respondents clearly acknowledged this return to a fundamental value in real estate. Other retail space, whether class B or class C, is much more of a concern looking into the future. Warehouse space is an interesting situation according to panelists. There is not a lot of high quality (number of docks, wall heights, power requirements being quality characteristics) warehouse space according to respondents. However, according to some panelists warehouse construction costs have risen substantially, therefore current lease rates are far below what is needed to earn a reasonable rate of return on new warehouse space. \$5.50 was suggested as a minimum for future construction. Respondents also feel that there may be a lot of repurposing of space in all categories in order for owners to gain some value.

Development hotspots were: The Pinnacle area in Rogers, around the square in Bentonville, near the university in Fayetteville, the other 1-540 exits in Rogers, and with the coming flyover more comments about the mall area in Fayetteville. Respondents feel downtown Rogers has done well, but as a group don't see much more new construction there, and they remain skeptical of plans for downtown Springdale. A few respondents feel that there will be new hotspots depending on how residential construction goes. The phrase "roof tops to retail" was repeated again this report period for the first time in a long while.

There were many thoughts about the tremendous amount of current and future construction of student housing around the University of Arkansas campus. Respondents remain pleased about jobs and the potential for ancillary opportunities to serve the growing

student population. However, some panelists think that there are just too many projects and it will be like musical chairs with some not making it. They also expressed the idea that some of the developers may sell very quickly if they are able to lease up fast, as sometimes happens with new projects, and the new buyer will actually be in a less secure position. A couple respondents think that there will end up being a succession of owners on a couple of the new properties before someone owns it on a low enough basis to turn a profit, if rents aren't able to remain as high as they are projected at the complexes beginnings.

Panelists feel the lending environment has shown some improvement but there are still feelings banks are being overly cautious. Some respondents reported issues in the appraisal market as well, but in general this is still a clear improvement over feelings regarding the lending environment last report period. They hope that projects are green lighted a bit more easily moving into the future, assuming the economy continues to show progress.

Job creation is a big concern for respondents, but they reported seeing it in the developments they own or manage. Many respondents reported hiring by vendors, in professional offices, and retail establishments during this report period. The creation of new dining establishments was noted by several panelists as well. There is a hope that more hi tech job creation will occur in Northwest Arkansas. There were still whispers of new manufacturing firms looking at Northwest Arkansas as well, as well as new national retail establishments.

The tone of the conversations in this report period continued to be very positive. Respondents remain confident that the Northwest Arkansas economy has strong growth potential moving into 2013-14, and that confidence is leading to more business. As always, the fundamental drivers of Northwest Arkansas: Wal-Mart and the Walton Family, the University of Arkansas and the education sector, J.B. Hunt, Hunt Ventures, and the

# Local Perceptions

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, are considered additional economic drivers.

## Positive Factors:

1. Substantial growth of the University of Arkansas student population.
2. Demand for Class A office space, particularly in Benton County.
3. Renewed growth in the vendor community through expansion of existing vendors and new vendors entering the market, leading to stronger demand for office space.
4. Several potential commercial building projects starting to be discussed.
5. Continued attention to the MSA by national retailers and investors.
6. Continued national media coverage of Northwest Arkansas as a good place to live and work.
7. Wal-Mart, Tyson Foods and the food industry, J.B. Hunt and the transportation industry, the University of Arkansas and higher education.



## Negative Factors:

1. Oversupply of Class B office space.
2. Oversupply of retail space.
3. Infrastructure development still slow and behind the region's needs.

# Inventory and Building Permits

## Categories of Commercial Properties

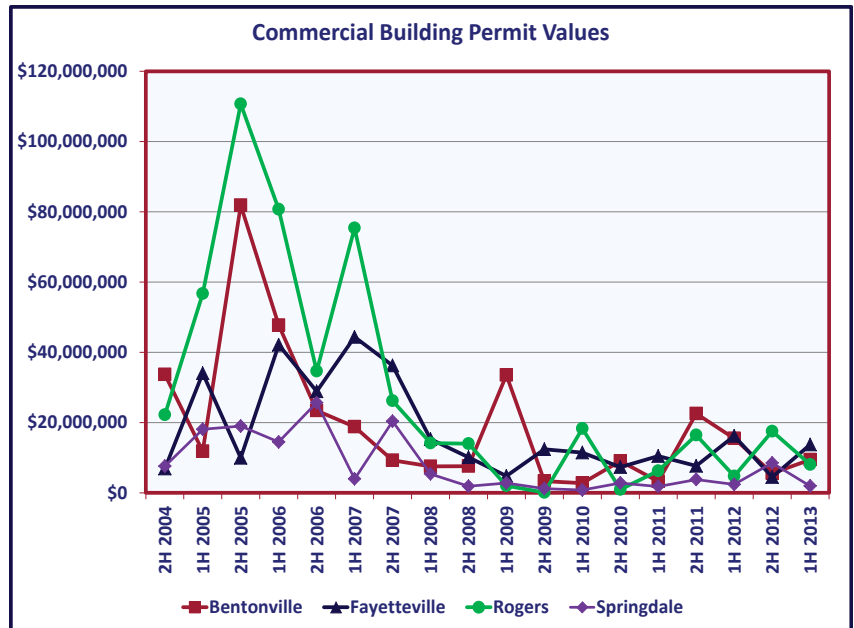
The Northwest Arkansas commercial market is divided into eight major categories of space:

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 2013. For the first half of 2013, the Skyline Report covered 95.3 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-five 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 June 2013, there were over \$35.0 million in commercial building permits issued in six major cities in Northwest Arkansas, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. In the first quarter of 2013, just over \$15.0 million in commercial

building permits were issued. In the second quarter, over \$20.0 million in building permits were issued. In the first half of 2013, Fayetteville accounted for 38.9 percent of the commercial building permits, while Springdale, Siloam Springs, Bentonville, and Rogers accounted for 5.5, 6.1, 26.7, and 22.8 percent, respectively.

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



# Inventory

the developer still feels the project is viable, but there are many uncertainties regarding funding, leasing, timing, etc, so there is no established timeline.

Following the announced properties table is a list of the existing hotel properties in Northwest Arkansas, detailed by city. In the first half of 2013, there were 6,469 standard rooms and 2,138 suites in Northwest Arkansas. Bentonville had the most standard rooms

with 1,761 while Rogers had the most suites with 963. Additionally, graphs that describe the development of hotels in Northwest Arkansas over time are provided below the hotels list. Announced new hotel properties are detailed in a table following the existing hotel properties. Finally, lists of announced new and closed restaurant properties follow the hotel information.

## Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial <sup>1</sup>	Office <sup>1</sup>	Retail <sup>1</sup>	Warehouse <sup>1</sup>	Total <sup>1</sup>	Panel Total Square Feet <sup>2</sup>	Panel Coverage <sup>2</sup>
Bella Vista	--	129,924	138,680	90,964	359,568	336,405	93.6%
Bentonville	107,356	3,935,142	1,032,834	1,685,052	6,760,384	6,749,549	99.8%
Fayetteville	775,079	3,341,236	4,163,705	1,778,270	10,058,290	9,786,171	97.3%
Lowell	101,970	315,837	172,208	949,348	1,539,363	1,522,042	98.9%
Rogers	439,006	2,529,973	4,207,405	2,444,295	9,620,679	9,463,301	98.4%
Siloam Springs	329,942	195,261	692,789	335,615	1,553,607	1,347,342	86.7%
Springdale	1,419,426	1,468,161	2,225,795	2,617,114	7,730,496	6,634,945	85.8%
Northwest Arkansas Total	3,172,779	11,915,534	12,633,416	9,900,658	37,622,387	35,839,755	95.3%

<sup>1</sup>Source: Benton and Washington County offices of the Assessor. The total square feet represent the population of competitive commercial properties that meet the baseline criteria set out on page 54 of this report.

<sup>2</sup>Source: Panel of 234 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 2013	\$9,413,479	\$3,035,704	\$0	\$3,930,130	\$2,165,090	\$1,572,774	\$20,117,177
Jan. - March 2013	\$0	\$10,686,133	\$0	\$4,122,942	\$0	\$359,328	\$15,168,403
Oct - Dec. 2012	\$4,327,940	\$3,953,149	\$0	\$8,474,647	\$1,795,000	\$5,378,894	\$25,014,329
July - Sept 2012	\$1,221,000	\$537,447	\$0	\$9,026,238	\$2,083,115	\$3,121,673	\$15,989,473
April - June 2012	\$13,126,525	\$15,157,427	\$0	\$3,702,000	\$0	\$0	\$31,985,952
Jan. - March 2012	\$2,386,772	\$1,015,056	\$709,949	\$1,027,000	\$0	\$2,373,879	\$7,512,656
Sept. - Dec. 2011	\$21,094,402	\$5,907,082	\$0	\$16,450,594	\$0	\$1,455,757	\$44,907,875
June - August 2011	\$1,445,222	\$1,763,872	\$404,493	\$0	\$500,000	\$2,328,979	\$6,442,566
March 2011 - May 2011	\$1,773,228	\$9,552,146	\$150,000	\$1,614,000	\$0	\$0	\$13,089,374
Dec. 2010 - Feb. 2011	\$1,469,162	\$915,280	\$438,289	\$4,616,536	\$22,997,000	\$1,803,778	\$32,240,045
Sept. - Nov. 2010	\$7,214,903	\$2,623,509	\$941,017	\$958,000	\$6,005,000	\$1,898,944	\$19,641,373
June - August 2010	\$1,846,518	\$4,679,537	\$0	\$0	\$0	\$892,252	\$7,418,307
March - May 2010	\$2,661,860	\$11,450,334	\$100,000	\$6,055,000	\$1,296,000	\$798,774	\$22,361,968
Dec. 2009 - Feb. 2010	\$105,030	\$0	\$255,505	\$12,224,147	\$0	\$0	\$12,584,682
Sept. - Nov. 2009	\$0	\$10,005,337	\$330,803	\$7,000	\$379,711	\$1,139,928	\$11,862,779
June - August 2009	\$3,336,498	\$2,403,905	\$0	\$70,000	\$215,000	\$37,460	\$6,062,863
March - May 2009	\$33,171,420	\$1,368,907	\$50,112	\$1,500,000	\$400,000	\$1,194,175	\$37,684,614
Dec. 2008 - Feb. 2009	\$344,325	\$3,403,704	\$1,766,386	\$545,000	\$0	\$1,596,349	\$7,655,764
Sept. - Nov. 2008	\$3,908,853	\$3,588,389	\$0	\$6,411,775	\$0	\$0	\$13,909,017
June - August 2008	\$3,689,476	\$6,548,894	\$1,019,000	\$7,579,500	\$1,006,596	\$1,861,390	\$21,704,856
March - May 2008	\$153,000	\$3,152,132	\$4,075,075	\$4,179,000	\$0	\$1,395,524	\$12,954,731
Dec. 2007 - Feb. 2008	\$7,400,153	\$12,125,756	\$0	\$9,995,030	\$3,200,000	\$3,970,299	\$36,691,238
Sept. - Nov. 2007	\$8,075,766	\$27,923,695	\$4,455,275	\$533,200	\$0	\$0	\$40,987,936
June - August 2007	\$1,194,440	\$8,309,014	\$48,927	\$25,668,347	\$2,575,178	\$20,375,131	\$58,171,037
March - May 2007	\$10,082,817	\$20,962,887	\$8,277,328	\$15,727,729	\$3,019,500	\$3,960,747	\$62,031,008
Dec. 2006 - Feb. 2007	\$8,725,598	\$23,406,927	\$4,709,086	\$59,642,734	\$25,000	\$0	\$96,509,345
Sept. - Nov. 2006	\$2,404,840	\$22,721,389	\$1,840,722	\$11,146,805	\$538,000	\$0	\$38,651,756
June - August 2006	\$21,014,259	\$6,147,723	\$462,712	\$23,479,198	\$5,890,000	\$25,663,800	\$82,657,692
March - May 2006	\$10,575,639	\$21,780,317	\$10,924,435	\$36,046,864	\$3,650,000	\$12,322,984	\$95,300,239
Dec. 2005 - Feb. 2006	\$37,121,720	\$20,330,697	\$2,359,019	\$44,672,800	\$165,000	\$2,151,476	\$106,800,712
Sept. - Nov. 2005	\$9,674,394	\$3,519,150	\$3,275,717	\$85,896,765	\$150,000	\$15,999,816	\$118,515,842
June - August 2005	\$72,205,699	\$6,434,833	\$1,666,851	\$24,782,039	\$200,000	\$2,982,618	\$108,272,040
March - May 2005	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Dec. 2004 - Feb. 2005	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524	\$56,744,954
Sept. - Nov. 2004	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
June - August 2004	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
March - May 2004	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473

# New Commercial Projects

## Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
American Legion Post	Bella Vista	American Legion	Office	4,600	
Casey's General Store	Bella Vista	Casey's Marketing Co	Retail	4,300	Fall 2013
Shewmaker Family Center	Bella Vista	Mercy Health System	Medical	30,000	Fall 2013
Sisters of Mercy Multispeciality Clinic	Bella Vista	Sisters Of Mercy Health Systems	Medical		Conceptual
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	Conceptual
American Flats	Bentonville	Mayadventures	Commercial		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	150,000	Conceptual
Circle of Life Hospice House	Bentonville	Circle of Life	Medical	40,000	Done
Crossmark Center	Bentonville	Crossmark	Office	18,500	Delayed
Harp's	Bentonville	Harp's	Retail	37,460	Done
Industrial Technology Park	Bentonville		Industrial		Conceptual
Lakeside Center	Bentonville	Bob Hopmann	Office	67,000	Conceptual
Macadoodles	Bentonville	Roger Gildehaus	Retail		
Mathias Retail	Bentonville	Sam Mathias	Retail	16,300	Fall 2013
Midtown Center	Bentonville	Wal-Mart Stores Inc	Office/Retail	60,000	2015
Mid-Town Neighborhood Wal-Mart	Bentonville	Wal-Mart Stores Inc	Retail	31,000	2014
Neighborhood Wal-Mart	Bentonville	Wal-Mart Stores Inc	Retail	41,179	Fall 2013
Norwalk Juicers	Bentonville		Commercial	30,000	
Octopus Messaging Building	Bentonville	Heather Wegner	Commercial		
Roth Granite Shop	Bentonville	Roth Family	Manufacturing	16,000	Conceptual
Sam's Club Layout Center	Bentonville	Ivan Crossland	Office	220,000	Conceptual
SDI Realty Retail Development	Bentonville	SDI Realty	Retail	6,500	Conceptual
Simpson Office building	Bentonville	Chance Simpson	Office	21,000	Conceptual
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
Uptown Village	Bentonville	Wal-Mart Stores Inc	Retail		Fall 2013
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000	Conceptual
Arvest Bank	Fayetteville	Arvest Bank	Bank	6,000	2013
Casey's General Store	Fayetteville	Casey's Marketing Co	Retail	3,400	Conceptual
Clarity Pointe	Fayetteville	Clarity Pointe LLC	Medical	42,638	March 2014
Forest Hills Development	Fayetteville	John Alford	Commercial	206,000	Conceptual
Kum and Go	Fayetteville	Kum and Go	Retail		Conceptual
Liberty Bank	Fayetteville	Liberty Bank	Bank	24,000	Done
Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	Conceptual
Office Building	Fayetteville	Milestone Construction	Office	4,900	2013
Planet Fitness	Fayetteville	Charles Plummer	Retail	20,000	Done
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	Conceptual
Shoppes at the Bluffs	Fayetteville	Mathias Properties	Retail	46,519	Conceptual
Walton Arts Center Expansion	Fayetteville	Walton Arts Center	Commercial	30,000	2015
Atwood's	Lowell		Retail		Late 2013
Central Research Inc	Lowell	Johnny and Scott Dillard	Office		
Midpoint Exchange Business Park	Lowell	Sage Partners	Commercial		Conceptual
Arkansas Music Pavilion	Rogers	Walton Arts Center	Entertainment		2014
Casey's General Store	Rogers	Casey's Marketing Co	Retail	4,346	Done
Casey's General Store	Rogers	Casey's Marketing Co	Retail		Done
Centre Point	Rogers	CRE	Retail	18,285	Delayed
Club Tan	Rogers		Retail		Done
Commercial Development	Rogers	HBH Holdings	Commercial		
Core Development Office Building	Rogers	Tim Graham jr	Office	22,000	2014

# New Commercial Projects

## Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Gateway Plaza	Rogers	Flake-Kelley	Commercial	39,600	Conceptual
Harding University	Rogers	Harding University	Office	15,000	Done
Harp's	Rogers	Harp's	Retail	32,000	Conceptual
Highroller Cyclery	Rogers	Highdollar LLC	Retail	6,000	Fall 2013
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	31,808	Conceptual
My Dentist	Rogers	My Dentist	Medical	3,000	Fall 2013
Northwest Medical Health Clinic	Rogers	Northwest Medical System	Medical	15,888	Fall 2013
Nursing Facility	Rogers	Emeritus Co.	Medical		Conceptual
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	Conceptual
Perry O'Donnell Dental Office	Rogers	Perry O'Donnell	Medical	3,700	Fall 2013
Pinnacle Heights I	Rogers	Hunt Ventures	Office	60,000	Fall 2013
Pinnacle Heights II	Rogers	Hunt Ventures	Office	60,000	Conceptual
Pinnacle Heights Retail I	Rogers	Pinnacle Barber	Retail		Conceptual
Pinnacle Springs Business Office	Rogers				
Pinnacle Summit Park	Rogers		Commercial	50,000	Conceptual
Pleasant Crossing Shoppes	Rogers	Whisenvest	Retail	20,500	Fall 2013
Prairie Creek Center	Rogers	Mathias Properties	Retail	51,279	Conceptual
Promenade Retail Building	Rogers	Hunt Ventures	Retail	7,100	Fall 2013
Promenade Retail Building	Rogers	Hunt Ventures	Retail	10,450	Fall 2013
Scottdale Center, Phase VI, Bld 1	Rogers	Tom Hopper	Retail	60,798	Done
Scottdale Center, Phase VI, Bld 2	Rogers	Tom Hopper	Retail	48,041	Conceptual
Scottsdale Center, Phase VI, Bld 3	Rogers	Tom Hopper	Retail	21,965	Conceptual
Shoppes at Center Point	Rogers		Commercial		Conceptual
Sisters of Mercy Primary Care Office	Rogers	Sisters Of Mercy Health Systems	Medical		Conceptual
Violin Studio and Repair Shop	Rogers	SMEK LLC	Retail		Conceptual
Walnut Crossing	Rogers	Greg House	Commercial	50,000	Conceptual
Casey's General Store	Sil Springs	Casey's Marketing Co	Retail	4,200	Done
Crye-Leike Office	Sil Springs	Crye-Leike Realtors	Office	6,500	Conceptual
Holly Street Crossing	Sil Springs	Ted Viala	Commercial		Conceptual
Progress Plaza Phase 2	Sil Springs	Brown Cow LLC	Medical Office	11,250	Conceptual
Siloam Springs Hospital	Sil Springs	Community Health System	Hospital	95,000	Done
Siloam Springs Medical Arts Center	Sil Springs	Community Health System	Medical Office	19,000	2013
Casey's General Store	Springdale	Bill Matthews	Retail	4,400	
Casey's General Store	Springdale	Casey's Marketing Co	Retail	4,200	Done
Chandler Warehouse	Springdale	Chandler Equipment	Warehouse	39,000	Done
Edwards Commercial Building	Springdale	Joe Edwards	Commercial		Conceptual
Geels Paint	Springdale	Geels Paint	Commercial		
Love's Travel Center	Springdale	Love's	Retail		Conceptual
NanoMech Facility Expansion	Springdale	NanoMech	Manufacturing	10,451	
Northwest Medical Center Expansion	Springdale	Northwest Medical System	Hospital	30,000	2013
Northwest Technical Institute	Springdale	NTI	School	31,000	
NWACC	Springdale	NWACC	School		Conceptual
Owen's Optometry	Springdale		Medical		
Walmart Supercenter	Springdale	Walmart	Retail	186,000	Fall 2014

# Hotels

## Existing Hotels

Property Name	City	Number of Standard Rooms	Number of Suites
21c Museum Hotel	Bentonville	98	6
Best Western Bentonville Inn	Bentonville	55	0
Best Western Castle Rock Suites	Bentonville	84	0
Comfort Suites	Bentonville	120	0
Comfort Inn	Bentonville	64	0
Courtyard Bentonville	Bentonville	90	0
Days Inn & Suites	Bentonville	63	0
DoubleTree Guest Suites	Bentonville	0	140
Hartland Motel of Bentonville	Bentonville	31	0
Hilton Garden Inn	Bentonville	133	0
Holiday Inn Express Hotel & Suites	Bentonville	84	0
La Quinta Inn & Suites	Bentonville	107	0
Merchant Flats on 8th	Bentonville	10	0
Microtel	Bentonville	78	0
Motel 6	Bentonville	103	0
Pines Motel	Bentonville	9	0
Simmons Suites	Bentonville	115	0
South Walton Suites	Bentonville	56	0
Springhill Suites By Marriott	Bentonville	67	0
Suburban Extended Stay	Bentonville	0	118
Super 8 Motel-Bentonville/Rogers	Bentonville	52	0
Towneplace Suites by Marriott	Bentonville	78	0
The Links at Bentonville Apts.	Bentonville	41	0
Value Place Extended Stay	Bentonville	121	0
Wingate Inn Bentonville	Bentonville	102	0
Best Western Windsor Suites	Fayetteville	66	0
Candlewood Suites	Fayetteville	0	78
The Chancellor Hotel	Fayetteville	191	17
Chief Motel	Fayetteville	31	1
Comfort Inn-Fayetteville	Fayetteville	60	0
Country Inn & Suites By Carlson	Fayetteville	40	25
Courtyard by Marriot	Fayetteville	110	4
Days Inn	Fayetteville	140	5
Dickson Street Inn	Fayetteville	8	2
Fairfield Inn Fayetteville	Fayetteville	61	0
Guest House Int'l Hotel and Suites	Fayetteville	197	10
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



# Hotels

## Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Ramada Inn Lowell	Lowell	51	0
Colonial Motel	Prairie Grove	8	0
Aloft	Rogers	130	1
Best Value Inn & Suites	Rogers	127	0
Candlewood Suites	Rogers	118	12
Country Inn & Suites	Rogers	68	42
Embassy Suites	Rogers	0	400
Fairfield Inn Rogers	Rogers	99	0
Guest Inn	Rogers	42	0
Hampton Inn	Rogers	122	0
Hartland Lodge	Rogers	28	0
Holiday Inn	Rogers	0	127
Homewood Suites	Rogers	126	83
Hyatt Place	Rogers	104	0
Mainstay Suites	Rogers	0	99
Microtel	Rogers	52	0
Ranch-O-Tel Motel	Rogers	21	0
Regency 7 Motel	Rogers	31	0
Residence Inn by Marriott	Rogers	88	0
Rocky Branch Resort	Rogers	14	0
Simmons Suites	Rogers	0	115
Staybridge Suites	Rogers	83	83
Super 8 Motel	Rogers	34	0
Tanglewood Lodge	Rogers	30	0
Town & Country Inn	Rogers	86	1
Travelers Inn	Rogers	82	0
Best Value	Siloam Springs	19	26
Hampton Inn	Siloam Springs	66	0
Hereford Motel	Siloam Springs	10	0
Holiday Inn Express	Siloam Springs	59	1
Stone Inn's	Siloam Springs	43	0
Super 7 Inn	Siloam Springs	46	0
Super 8 Motel	Siloam Springs	30	0
Best Rest	Springdale	100	17
Comfort Suites Springdale	Springdale	0	69
DoubleTree Club Hotel of Springdale	Springdale	74	11
Executive Inn	Springdale	90	0
Extended StayAmerica	Springdale	101	0
Fairfield Inn and Suites	Springdale	40	34
Hampton Inn & Suites	Springdale	67	35
Hartland Lodge	Springdale	29	0
Hartland Motel	Springdale	29	0
Hill Top Inn	Springdale	30	0
Holiday Inn	Springdale	180	26
Journey's Inn	Springdale	30	0
Laquinta Inn & Suites	Springdale	88	12
Magnolia Gardens Inn (B&B)	Springdale	10	0
Motel 8	Springdale	30	0
Residence Inn	Springdale	0	72
Scottish Inns	Springdale	33	24
Sleep Inn & Suites	Springdale	0	72

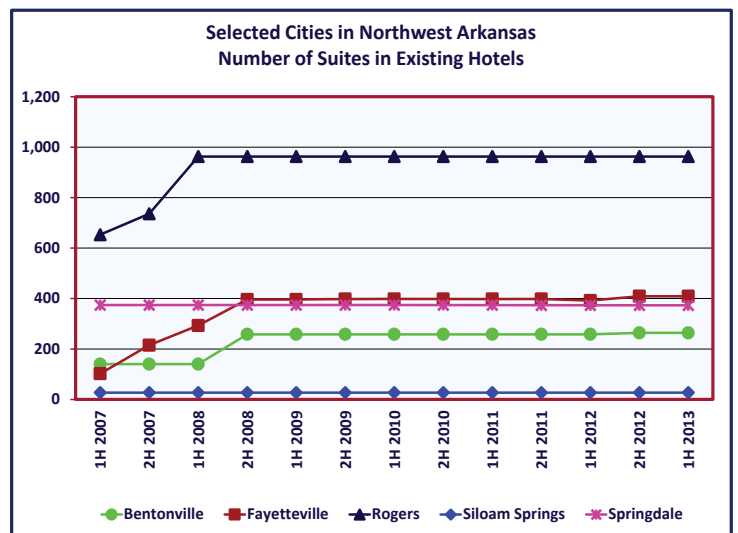
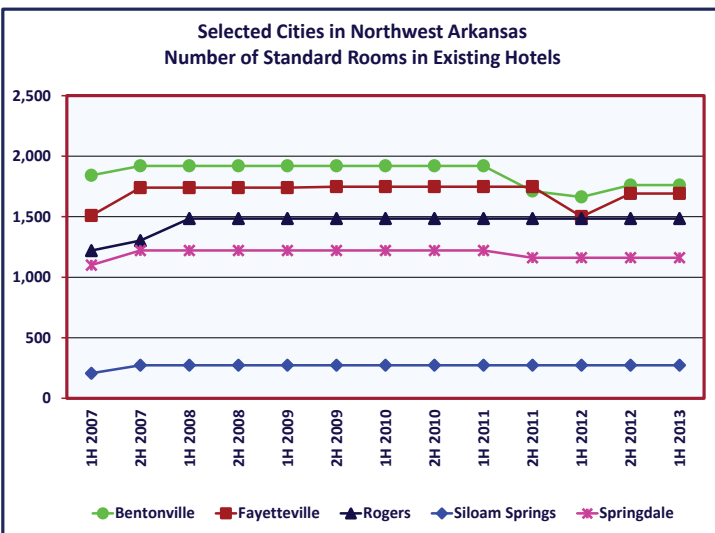
# Hotels

## Existing Hotels (Cont.)

Property Name	City	Number of Standard Rooms	Number of Suites
Springdale Inn	Springdale	50	0
Super 8 Motel	Springdale	59	1
Value Place Hotel	Springdale	121	0

## Existing Hotels Summary

City	Number of Standard Rooms	Number of Suites
Bentonville	1,761	264
Fayetteville	1,692	409
Johnson	38	102
Lowell	51	0
Prairie Grove	8	0
Rogers	1,485	963
Siloam Springs	273	27
Springdale	1,161	373
Northwest Arkansas	6,469	2,138



# Hotels

## Announced Coming Hotels

Property Name	City	Owner	Number of Rooms	Expected Completion
Four Points by Sheraton	Bentonville	Sree Akshar and Kunal Mody	105	2013
Sheraton Bentonville Plaza	Bentonville	Starwood Hotels & Resorts Worldwide	234	Delayed
Hilton Gardens Inn	Fayetteville	Krushiker Hospitality Group	115	2014
Walton College Hotel	Fayetteville		125-150	Conceptual
Evelyn Hotel	Rogers	MCE Enterprises`	6	Conceptual
Microtel	Springdale	--		Delayed



# Restaurants

## Announced Coming Restaurants

Property Name	Location (City)	Owner	Expected Completion
Coffe Shop and Ice Cream Parlor	Bella Vista	Roger Gildehaus	--
Jason's Deli	Benton County	Bourke Harvey	--
Catfish Hole	Bentonville	Pat Gazzola	2013
Coffeehouse & Café' Fare	Bentonville		Done
Cracker Barrel	Bentonville	Cracker Barrel	Conceptual
Dickey's Barbecue Pit	Bentonville	Jared Thompson	--
Dunkin Donuts	Bentonville	Dunkin Donuts	2013
Hive	Bentonville	Steve Wilson and Laura Lee Brown	Done
Italian Restaurant	Bentonville	Kunal Mody	2013
Li's Home Cooking-Chinese Cuisine	Bentonville		Done
Rose Properties Restaurant	Bentonville	Larry Rose	
Tazikis Restaurant	Bentonville	Tommy Keet	Fall 2013
Gabriela's Mexican Grill	Farmington		2013
Andy's Custard	Fayetteville		August 2013
Apple Blossom Brewing Co.	Fayetteville	Evan McDonald, Al Schaffer, Sammie Stephanson, Joe Utsch, Ching Mong, and Daniel Smith	July 2013
Ay Caramba	Fayetteville		Done
Boardwalk Bar and Grill	Fayetteville		Done
Buck's of Asia	Fayetteville		Done
Burger Shack	Fayetteville		Done
Chuy's	Fayetteville	Mike Young and John Zapp	--
Deluxe Burger	Fayetteville	Scott Bowman	August 2013
Dickey's Barbecue Pit	Fayetteville	Jared Thompson	--
Domino's Pizza	Fayetteville		Done
El Matador	Fayetteville		Summer 2013
El Paso Mexican Grille Cantina	Fayetteville	Samuel Reyes	Done
Firehouse Subs	Fayetteville	Forest Hills Development	--
Frickin Chicken	Fayetteville	Clayton Scott	Done
King Burrito	Fayetteville		July 2013
KJ Sushi and Korean BBQ	Fayetteville		Summer 2013
Krystal Burger	Fayetteville	Krystal Burger	--
Little Caesars	Fayetteville	Little Caesars	Summer 2013
Loofie's Gelato	Fayetteville		Summer 2013
Lo's Sweet Treats and Other Eats	Fayetteville	Lauren French	Done
Lucy's Diner	Fayetteville	Lucy's Diner	July 2013
Maid-Rite	Fayetteville	Lisa and Rod Calhoun	Delayed
Mas Mex	Fayetteville		Done
Moe's Southwest Grill	Fayetteville		Done
Panda Express	Fayetteville	Panda Restaurant Group	Summer 2013
ShIPLEY Donuts	Fayetteville	ShIPLEY Donuts	Done
Spring Rolls Bistro	Fayetteville		Done
Table Mesa Bistro	Fayetteville	Carl and Lindie Garrett	Done
Tazikis Restaurant	Fayetteville	Tommy Keet	Done
The Citizen	Fayetteville	Lane Coleman, Knox McCorquodale, Wilson Wood	Delayed
Z's Brick Oven Pizza	Fayetteville	Kelsey McClain and Zac Painter	Done
Thai Ginger	Lowell	Wandee Inthavong	Done
Bliss Cupcakes	Rogers	Lacey Carney	Done
Chuy's Restaurant	Rogers	Chuy's Corporate	Early 2014
Damm Goode Pies	Rogers		Done
Dickey's Barbecue Pit	Rogers	Jared Thompson	Summer 2013
Egg and I	Rogers	Egg and I	Done
Grub's Bar and Grill	Rogers		2013
Krystal Burger	Rogers	Smitco Eateries	Delayed
Longhorn Steakhouse	Rogers	Darden Restaurants	2013



# Restaurants

## Announced Coming Restaurants (Cont.)

Property Name	Location (City)	Owner	Expected Completion
Mojitos	Rogers	John Montes	Done
Pig Trail Harley Restaurant	Rogers	Frank Hardman	Done
Pupuseria #1	Rogers		Done
Shipleys Donuts	Rogers	Shipley Donuts	Done
Taqueria El Bajo	Rogers		--
Thai Food	Rogers		2013
Trompo Tex Mex	Rogers	Trompo Tex Mex	Done
Unnamed Pinnacle Heights 1	Rogers	Pinnacle Barber	Conceptual
Unnamed Pinnacle Heights 2	Rogers	Pinnacle Barber	Conceptual
McDonald's	Siloam Springs	Matthew's Management	July 2013
Sweet Blessings Cakery	Siloam Springs		Done
Wendy's	Siloam Springs	Wendys	Fall 2013
Ana Marie's Bakery	Springdale		--
Angus Jack	Springdale	Justin Malonson	Done
Dickey's Barbecue Pit	Springdale	Randon Arney	Delayed
El Tequilazo	Springdale		Done
Eureka Pizza	Springdale	Rolf Wilkins	Summer 2013
Japanese Thai Sushi	Springdale		Done
Los Abuelos Taqueria	Springdale		Summer 2013
Shish Kabob	Springdale	Ahmed ElShafie and Adam Hughes	Done
Slim Chicken	Springdale		July 2013
Casalini Court Restaurant	Tontitown	Brett Hash	2013
Crazy Coconut Frozen Yogurt	Tontitown		Done
Mama Fu's	Unkn. Location	Murphy Adams Restaurant Group	--
Romano's Macaroni Grill	Unkn. Location	Bruce Swisshelm	--
Scooter's CoffeeHouse	Unkn. Locations-12	Scooters Coffee House of Omaha	--
Silver Joe's Coffee Co.	Unkn. Locations-4	Terry Smith, Kenny Tomlin, Steve Clark, Patrick Vota	--
Dunkin Donuts	Unkn. Locations-7	Littlefield Oil Co	2012-2018

# Restaurants

## Closed Restaurants

Property Name	City	Date Closed
Cheezezy's American Grille	Rogers	July 2012
Posta Plata	Fayetteville	July 2012
Bud's Chicken Restaurant	Bentonville	August 2012
1936 Club	Fayetteville	August 2012
Elenitas Mexican Café	Fayetteville	September 2012
La Capilla	Siloam Springs	November 2012
Brenda's Bigger Burgers	Fayetteville	November 2012
Hjem	Fayetteville	November 2012
El Tapitio Mexican Grill	Prairie Grove	November 2012
Tower BBQ	Siloam Springs	November 2012
Pita's Mediterreanean Grill	Fayetteville	December 2012
Razor's Edge	Fayetteville	December 2012
Rena's Coney Dogs	Fayetteville	December 2012
Wing Stop	Fayetteville	December 2012
Tangier's Mediterrean Grill	Fayetteville	December 2012
Wingz on Dickson	Fayetteville	December 2012
Fez Hookah Lounge and Café	Springdale	December 2012
Pizza Hut	Springdale	December 2012
Rockin Chicken	Springdale	December 2012
Mandarin Bistro	Tontitown	December 2012
Sabores Mexican Restaurant	Bella Vista	January 2013
Legacy Blues	Fayetteville	January 2013
Rowdy Beaver Den	Fayetteville	January 2013
TCBY	Fayetteville	January 2013
Chicago Dog	Rogers	January 2013
Silver Joe's Coffee Shop	Rogers	January 2013
Spedini's	Fayetteville	February 2013
Buck Crossing	Fayetteville	March 2013
Waffle Hut	Springdale	March 2013
Nola's	Bentonville	April 2013
Bariola's Pizza	Fayetteville	April 2013
Daylight Donuts	Fayetteville	April 2013
Pho Saigon	Fayetteville	April 2013
Louie's Bar and Grill	Rogers	May 2013
Marketplace Express	Rogers	May 2013
Burger Life	Fayetteville	May 2013
Parks Purity Pie Company	Fayetteville	May 2013
Taco Tico	Rogers	May 2013
Sonnys BBQ	Springdale	May 2013
Silk Road	Springdale	May 2013
Rolling Pin Express	Fayetteville	June 2013

# Commercial Market Trends

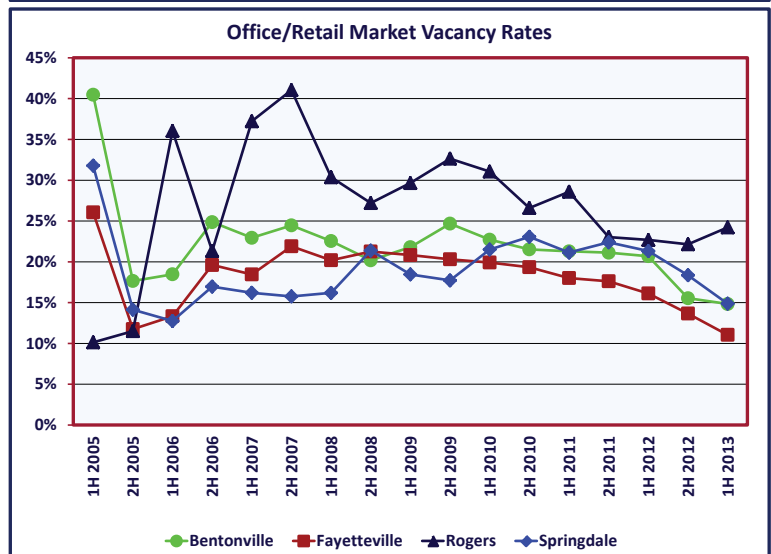
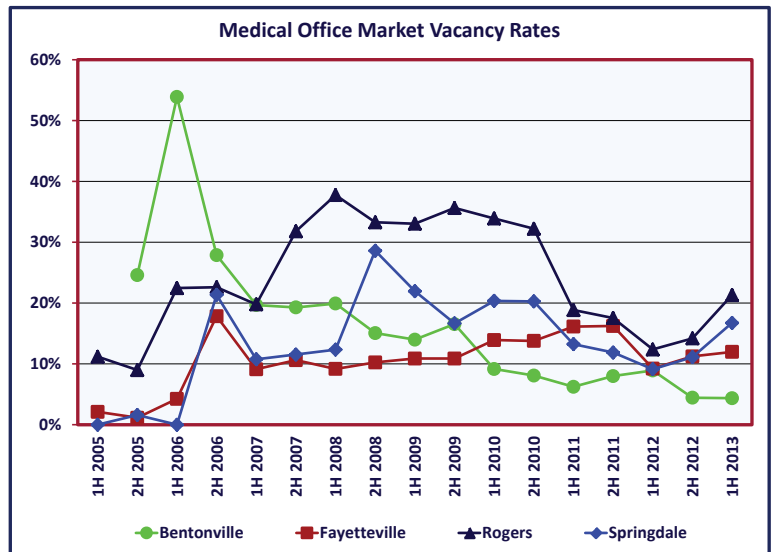
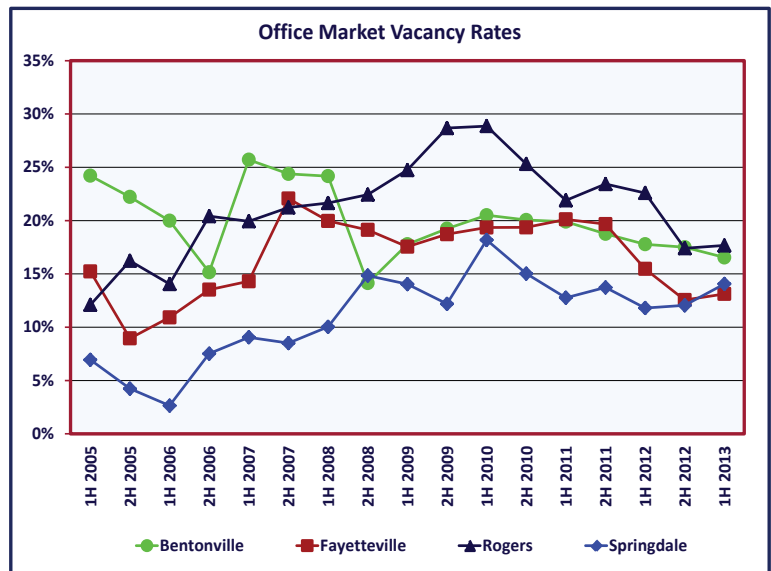
This version of the Commercial Skyline Report represents the thirty-fifth quarter that data have been collected. Annual comparisons were made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past nine 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 1,699,455 square feet in the first half of 2012 to 1,503,828 square feet in the first half of 2013. In the past year, 42,000 new square feet of office space were added and there was net positive absorption of 247,908 square feet. Fayetteville and Rogers accounted for 85.4 percent of the net positive absorption. Only Springdale had negative net absorption during the past year, with 23,023 square feet. The overall Northwest Arkansas office vacancy rate decreased 2.3 percentage points from 17.6 percent in the first half of 2012 to 15.3 percent in the first half of 2013.

The office/retail market experienced positive net absorption of 165,187 square feet in the past year. Fayetteville and Bentonville accounted for 82.9 percent of the positive absorption from the first half of 2012 to the first half of 2013. No new office/retail space was added within the past year. In Northwest Arkansas 608,260 square feet of office/retail space were available, down from 746,035 square feet in last year's first half. This space was located in each of the largest cities: Fayetteville, Rogers, Bentonville, and Springdale.

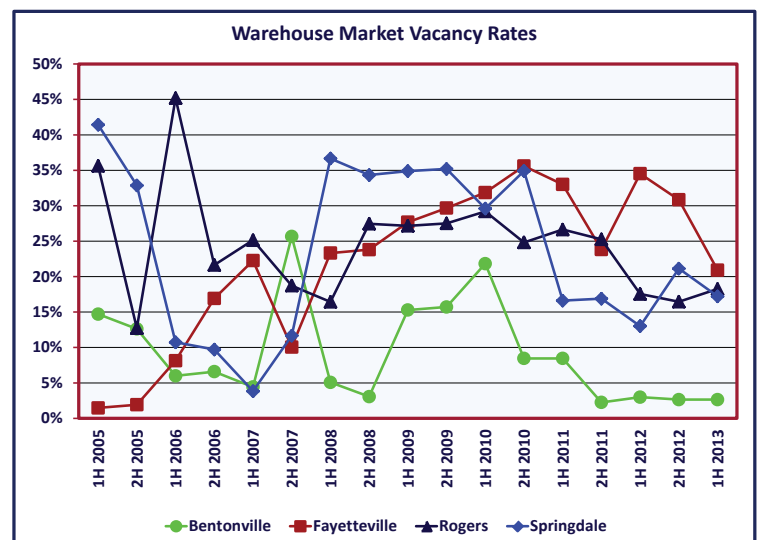
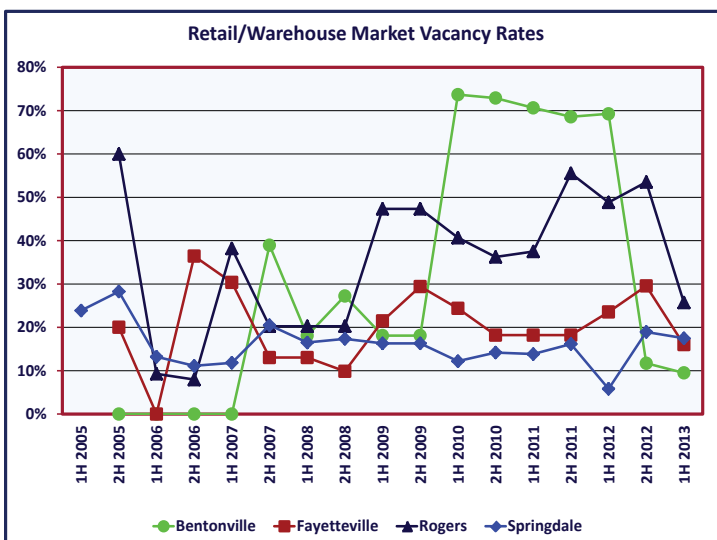
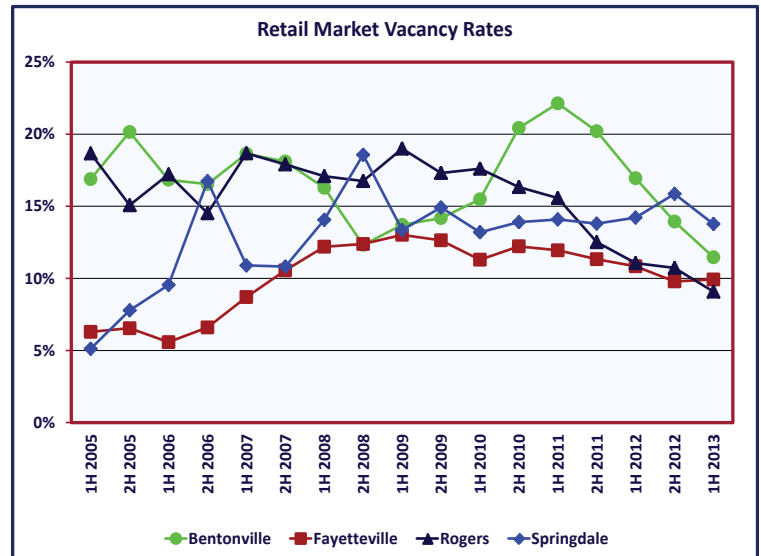
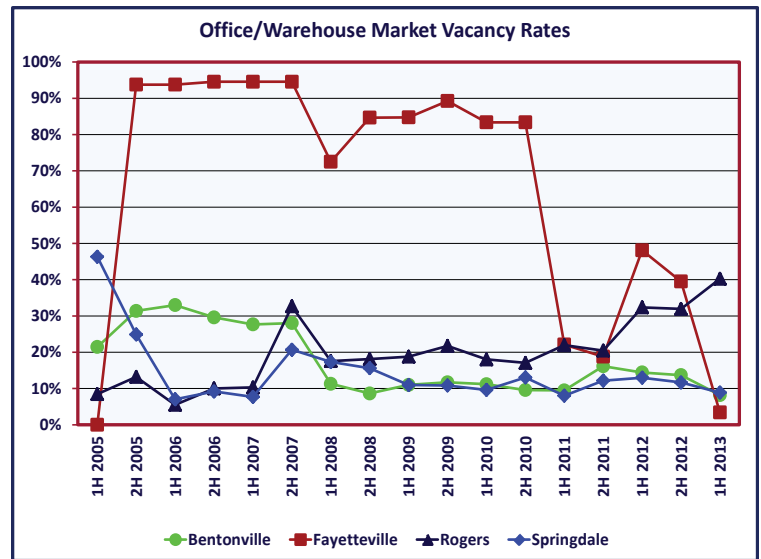
The retail market had positive net absorption of 164,033 square feet in the past twelve months. Rogers accounted for 32.4 percent with Fayetteville and Bentonville combining for another 37.7 percent. No city had a negative net absorption in retail space for the past twelve months. There were 180,223 new square feet of retail space added to the Northwest Arkansas market during the past twelve months, but only in Fayetteville and Rogers. In the first half of 2013, a total of 838,541 square feet of space were available in Northwest Arkansas, down from 949,261 square feet in the first half of 2012.

The Northwest Arkansas warehouse market also experienced positive net absorption of 361,119 square feet during the past year. The number of available square feet



# Commercial Market Trends

decreased from 1,304,778 in the first half of 2012 to 1,228,925 in the first half of 2013, while vacancy rates declined from 19.9 percent to 17.8 percent during the same time period. Significant amounts of warehouse space entered the market by leaving the owner-occupied category. Fayetteville accounted for 41.4 percent of the positive net warehouse absorption in the past year, while Rogers added another 21.4 percent of that total. No cities experienced negative net absorption in the last year in the warehouse market. No new warehouse space was added to the Northwest Arkansas market during the past year.

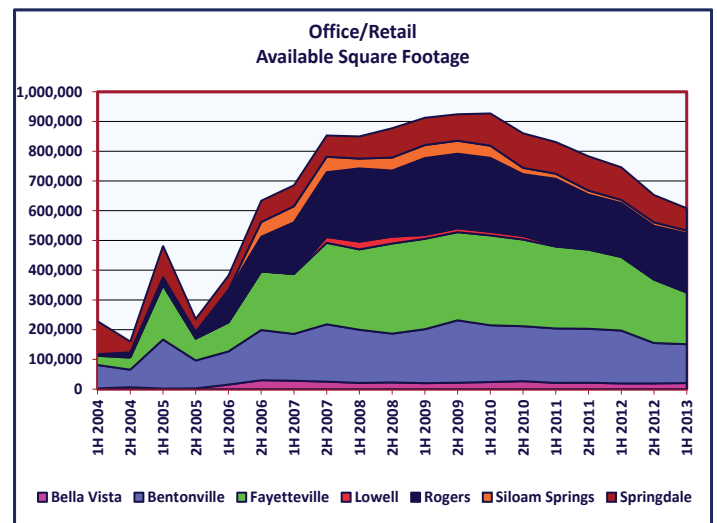
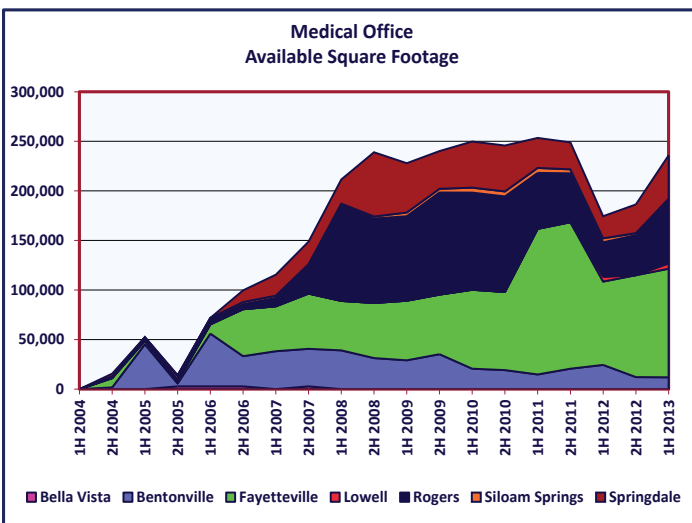
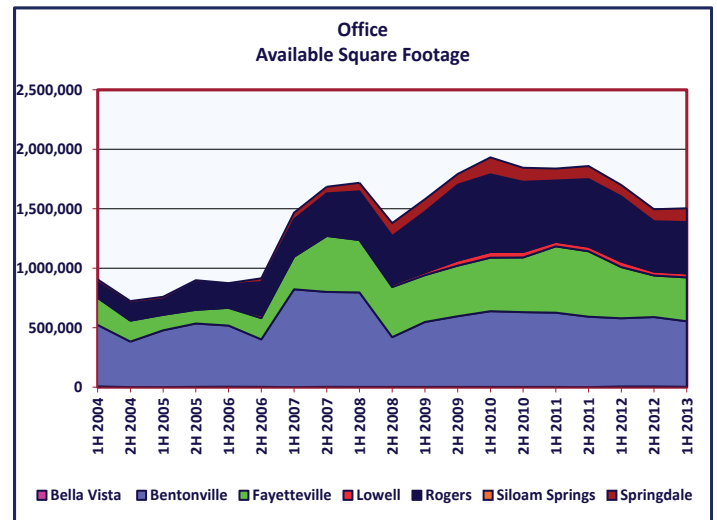
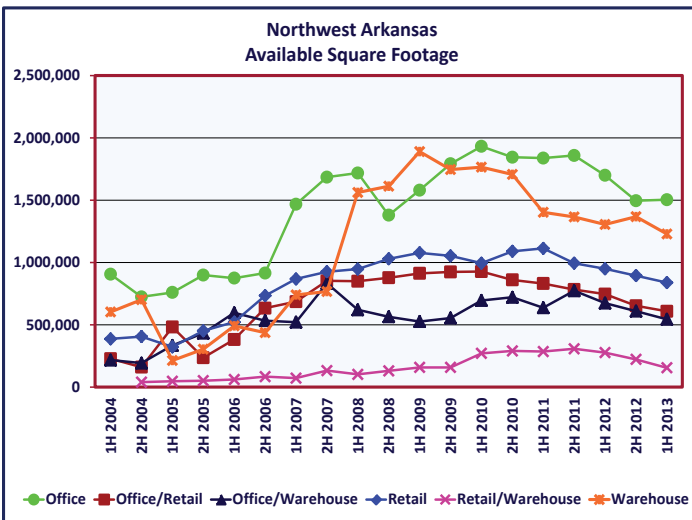




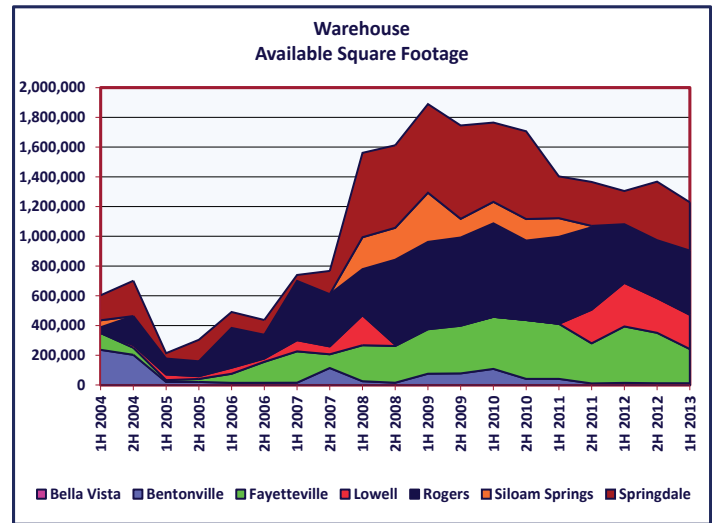
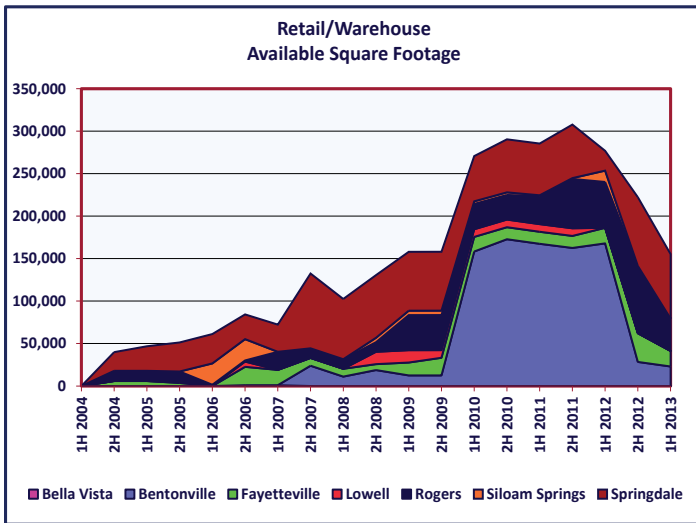
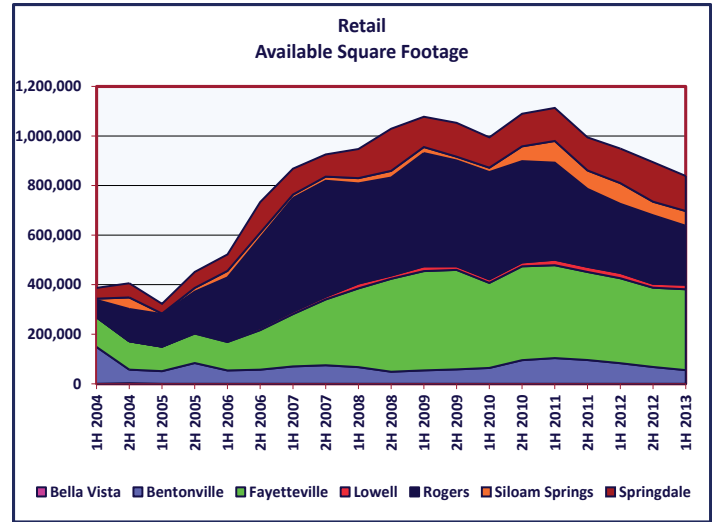
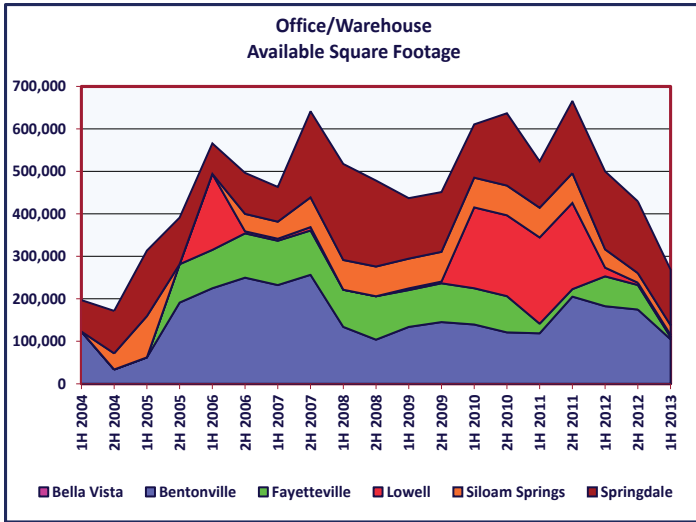
# Commercial Market Trends

## Net Twelve Month Absorption by Submarket 1H 2012 - 1H 2013

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	2,890	-1,250	0	0
Bentonville	42,339	48,315	34,821	2,400
Fayetteville	88,475	88,620	27,067	149,631
Lowell	12,601	-790	2,872	62,500
Rogers	123,282	-5,539	53,090	77,184
Siloam Springs	1,344	1,300	24,260	0
Springdale	-23,023	34,531	21,923	69,404
<b>Northwest Arkansas</b>	<b>247,908</b>	<b>165,187</b>	<b>164,033</b>	<b>361,119</b>



# Commercial Market Trends



# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2012	30.0%	17.8%	15.4%	16.1%	22.6%	4.5%	11.8%	17.6%
2H 2012	30.0%	17.5%	12.6%	11.4%	17.4%	3.0%	12.1%	15.3%
1H 2013	16.0%	16.5%	13.1%	11.0%	17.7%	2.9%	14.1%	15.3%

### Medical Office

1H 2012	0.0%	8.9%	9.2%	8.7%	12.4%	4.7%	9.1%	9.4%
2H 2012	0.0%	4.4%	11.2%	0.0%	14.2%	2.3%	11.1%	9.9%
1H 2013	0.0%	4.4%	12.0%	7.4%	21.3%	2.3%	16.7%	19.7%

### Office/Retail

1H 2012	7.0%	20.7%	16.1%	2.5%	22.7%	7.0%	21.3%	17.8%
2H 2012	7.0%	15.5%	13.7%	3.6%	22.1%	7.8%	18.4%	15.4%
1H 2013	7.4%	14.8%	11.0%	3.7%	24.2%	6.2%	14.9%	14.3%

### Office/Warehouse

1H 2012	--	14.4%	48.1%	30.0%	32.4%	37.6%	13.0%	19.0%
2H 2012	--	13.7%	39.5%	8.1%	31.9%	19.7%	11.7%	16.9%
1H 2013	--	8.2%	3.4%	8.1%	40.2%	19.7%	8.9%	14.5%

### Retail

1H 2012	0.0%	16.9%	10.8%	17.0%	11.1%	23.5%	14.2%	12.4%
2H 2012	0.0%	13.9%	9.8%	12.6%	10.7%	15.3%	15.9%	11.4%
1H 2013	0.0%	11.5%	9.9%	14.8%	9.1%	16.7%	13.8%	10.6%

### Retail/Warehouse

1H 2012	--	69.3%	23.5%	0.0%	48.8%	19.6%	5.8%	29.9%
2H 2012	--	11.7%	29.5%	0.0%	53.5%	0.0%	18.9%	21.6%
1H 2013	--	9.5%	16.0%	0.0%	25.7%	0.0%	17.5%	15.0%

### Warehouse

1H 2012	0.0%	3.0%	34.5%	35.1%	17.5%	4.4%	13.0%	19.9%
2H 2012	0.0%	2.6%	30.8%	27.9%	16.5%	4.9%	21.1%	20.2%
1H 2013	0.0%	2.6%	20.9%	27.6%	18.3%	3.0%	17.2%	17.8%

# Commercial Market Trends

## Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2012	-2,890	80,234	122,565	-2,775	20,208	0	17,375	234,717
2H 2012	0	6,198	80,962	13,433	128,579	1,344	-5,224	225,292
1H 2013	2,890	36,141	7,513	-832	-5,297	0	-17,799	22,616

### Medical Office

1H 2012	0	-3,834	63,753	0	14,500	0	8,643	83,062
2H 2012	0	12,297	-18,733	4,833	-4,297	2,000	-6,611	-10,511
1H 2013	0	214	-6,726	-5,407	-19,484	0	-14,720	-46,123

### Office/Retail

1H 2012	2,300	3,756	19,681	2,605	8,420	3,000	5,501	45,263
2H 2012	-50	43,150	43,669	-690	12,385	-1,126	17,804	115,142
1H 2013	-1,200	5,165	44,951	-100	-17,924	2,426	16,727	50,045

### Office/Warehouse

1H 2012	--	22,623	-52,722	12,748	-53,230	35,007	3,913	-31,661
2H 2012	--	7,840	12,550	14,985	17,012	20,561	47,853	120,801
1H 2013	--	69,991	52,722	0	-95,244	0	38,070	65,539

### Retail

1H 2012	0	15,150	58,624	-717	35,613	-9,320	-4,298	95,052
2H 2012	0	22,094	39,366	5,592	12,775	29,140	-2,614	106,353
1H 2013	0	12,727	-12,299	-2,720	40,315	-4,880	24,537	57,680

### Retail/Warehouse

1H 2012	--	0	-4,155	9,000	10,080	0	39,694	54,619
2H 2012	--	139,538	0	0	0	13,348	-31,594	121,292
1H 2013	--	5,380	15,500	0	41,108	0	5,000	66,988

### Warehouse

1H 2012	0	-3,734	-89,928	112,070	169,356	0	72,135	259,899
2H 2012	0	2,400	40,441	60,000	118,980	0	-23,471	198,350
1H 2013	0	0	109,190	2,500	-41,796	0	92,875	162,769



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
1H 2012	6,190	573,056	430,174	46,239	543,380	4,344	96,072	1,699,455
2H 2012	6,190	583,308	349,442	32,806	419,689	3,000	101,296	1,495,731
1H 2013	3,300	550,711	368,832	33,638	428,137	3,000	116,210	1,503,828

### Medical Office

1H 2012	0	24,434	84,063	4,833	34,810	4,000	22,324	174,464
2H 2012	0	12,137	102,796	0	40,451	2,000	28,935	186,319
1H 2013	0	11,923	109,522	5,407	63,295	2,000	43,655	235,802

### Office/Retail

1H 2012	19,155	177,814	247,491	1,650	179,721	43,061	109,704	778,596
2H 2012	19,205	135,864	213,116	2,340	178,654	11,626	91,900	652,705
1H 2013	20,405	130,699	173,765	2,440	196,578	9,200	75,173	608,260

### Office/Warehouse

1H 2012	--	182,591	70,272	20,460	174,196	43,061	183,573	674,153
2H 2012	--	174,751	57,722	5,475	180,579	22,500	168,920	609,947
1H 2013	--	104,760	5,000	5,475	275,823	22,500	130,850	544,408

### Retail

1H 2012	0	83,109	342,887	21,426	278,709	83,824	139,306	949,261
2H 2012	0	67,815	319,988	15,834	276,494	54,684	159,512	894,327
1H 2013	0	55,088	326,287	18,554	237,679	59,564	141,369	838,541

### Retail/Warehouse

1H 2012	--	167,916	18,312	0	53,968	13,348	23,306	276,850
2H 2012	--	28,378	33,812	0	79,166	0	80,900	222,256
1H 2013	--	22,998	18,312	0	38,058	0	75,900	155,268

### Warehouse

1H 2012	0	14,234	379,579	293,104	385,082	9,375	223,404	1,304,778
2H 2012	0	11,834	339,138	233,104	380,445	9,375	393,798	1,367,694
1H 2013	0	11,834	229,948	230,604	422,241	9,375	324,923	1,228,925

# Office

In the first half of 2013, the office properties included in the Skyline Report panel had a vacancy rate of 15.3 percent, the same as in the second half of 2012. Of the over 9.8 million square feet of Northwest Arkansas properties examined, just over 1.5 million square feet were available. From the second half of 2012 to the first half of 2013, 5,000 square feet of new space entered the market, while 27,616 square feet became occupied, netting positive absorption of 22,616 square feet for the market.

There were 1,503,828 square feet of available office space in Northwest Arkansas in the first half of 2013. Bentonville had the most available office space at 550,711 square feet of which 92.1 percent was in the Class B submarket. The Bentonville office market had net positive absorption of 36,141 square feet in the first half of 2013, with 6,500 square feet of Class A, 27,732 square feet of Class B, 1,695 square feet of Class C, and 214 square feet of medical office.

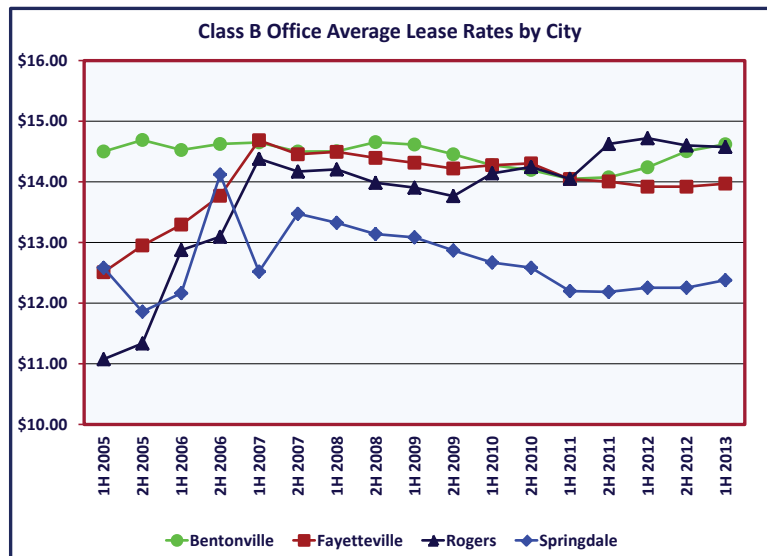
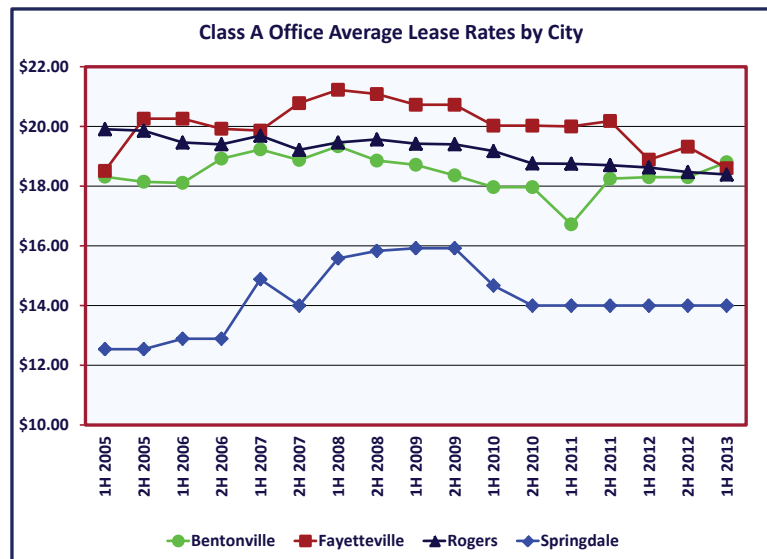
Rogers had 428,137 square feet available in the first half of 2013, of which 54.7 percent was Class A office space. 9,661 square feet of Class A and 4,978 square feet of Class C office space became occupied in Rogers, while 452 square feet of Class B and 19,484 square feet of medical office became vacant, leaving net negative absorption of 5,297 square feet of office space.

Fayetteville had 368,832 square feet of available office space in the first half of 2013, of which 45.6 percent was in the Class B submarket. From the second half of 2012 to the first half of 2013, the Fayetteville office market had net positive absorption of 7,513 square feet. During the first half of 2013, Class A office space experienced no change, 5,924 square feet of Class B and 8,315 square feet of class C became occupied, while 6,726 square feet of medical office space became vacant.

The Springdale office market had 116,210 square feet of available space in the first half

## Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.40-\$19.20	\$14.37-\$14.87	\$8.72 - \$8.97	\$16.00-\$17.64
Fayetteville	\$17.37 - \$19.83	\$13.21 - \$14.73	\$11.00 - \$12.27	\$14.79 - \$16.46
Rogers	\$17.63 - \$19.15	\$14.42 - \$14.73	\$8.75- \$9.24	\$13.35 - \$13.75
Springdale	\$14.00 - \$14.00	\$11.72- \$13.04	\$9.01 - \$9.26	\$12.75- \$13.38

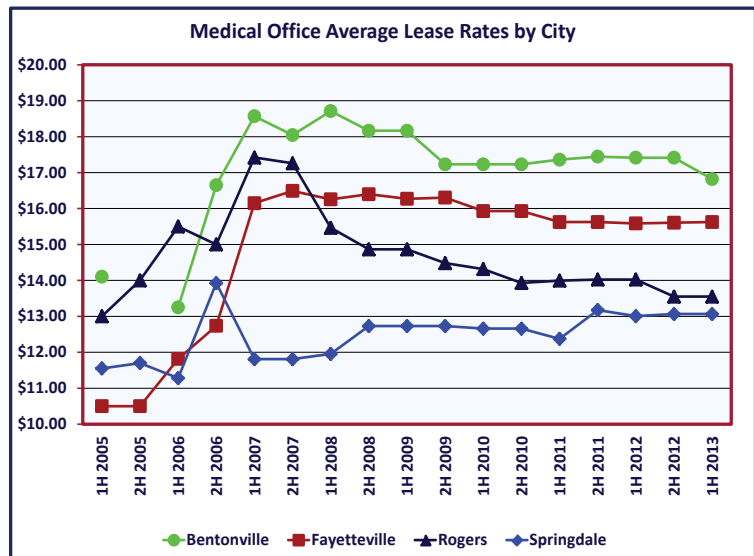
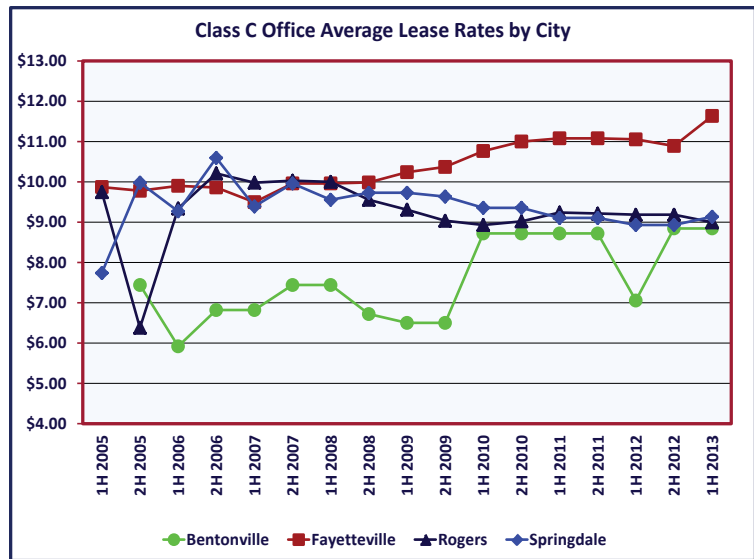


of 2013, of which 37.6 percent was medical. 12,706 square feet became occupied in the Class C office submarket and 2,908 square feet became occupied in the Class A submarket, while the Class B submarket had negative absorption of 18,693 square feet

and the medical submarket had negative net absorption of 14,720 square feet, leading to a total negative net absorption of 17,799 square feet.

# Office

In the first half of 2013, Class A office average reported lease rates were highest in Bentonville at \$18.80, an increase of \$0.50 from the second half of 2012. Class A space average lease rates decreased in Fayetteville and Rogers by \$0.72 and \$0.08, respectively, while Springdale experienced no change. Class B office space average reported lease rates increased slightly in Bentonville, Fayetteville, and Springdale and fell slightly in Rogers. Reported average lease rates for Class C office increased in Fayetteville and Springdale by \$0.74 and \$0.21, respectively. Class C offices reported a \$0.19 decrease in Rogers and no change in Bentonville. Reported average medical office space lease rates increased very slightly in Fayetteville, decreased by \$0.59 in Bentonville, and remained constant in Rogers and Springdale.



# Office

## Office Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	349,657	8,500	2.4%	6,500	0	6,500	91.4
Fayetteville	505,938	73,666	14.6%	0	0	0	294.6
Rogers	1,446,040	234,310	16.2%	9,661	0	9,661	145.5
Springdale	77,123	3,600	4.7%	2,908	0	2,908	7.4
<b>Class B</b>							
Bentonville	2,646,120	507,338	19.2%	27,732	0	27,732	109.8
Fayetteville	1,145,788	168,317	14.7%	5,924	0	5,924	170.5
Rogers	488,107	74,532	15.3%	-452	0	-452	--
Springdale	340,674	32,038	9.4%	-18,693	0	-18,693	--
<b>Class C</b>							
Bentonville	59,662	22,950	38.5%	1,695	0	1,695	81.2
Fayetteville	243,650	17,327	7.1%	8,315	0	8,315	12.5
Rogers	191,571	56,000	29.2%	4,978	0	4,978	67.5
Springdale	147,967	36,917	24.9%	12,706	0	12,706	17.4
<b>Medical</b>							
Bentonville	274,018	11,923	4.4%	214	0	214	334.3
Fayetteville	915,285	109,522	12.0%	-6,726	0	-6,726	--
Rogers	296,959	63,295	21.3%	-19,484	0	-19,484	--
Springdale	260,903	43,655	16.7%	-9,720	5,000	-14,720	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents



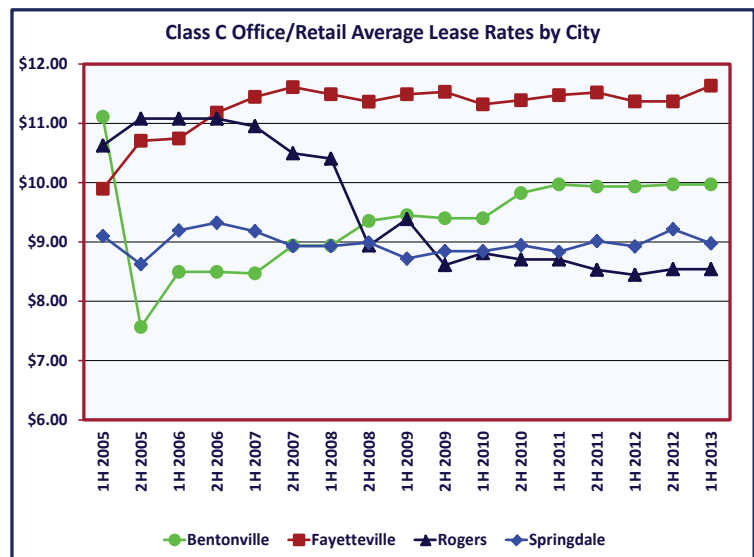
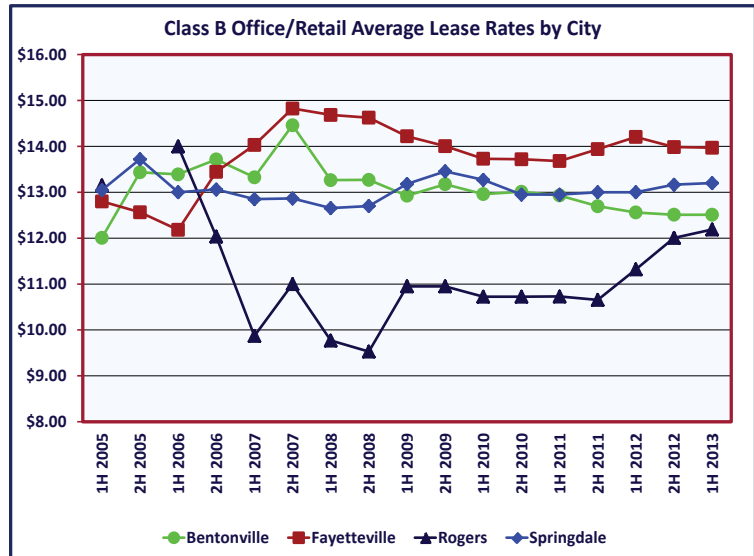
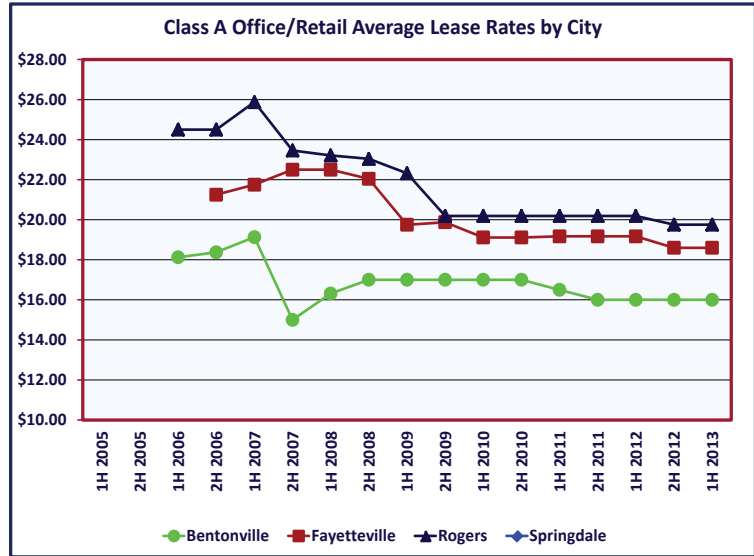
# Office/Retail

In the first half of 2013, the office/retail properties included in the Skyline Report sample had a vacancy rate of 14.3 percent, a decrease from 15.4 percent in the second half of 2012. Of the under 4.3 million square feet of Northwest Arkansas properties examined, 608,260 square feet were available.

From the second half of 2012 to the first half of 2013, no new office/retail space was added in Northwest Arkansas. The number of square feet becoming occupied was larger than the number of square feet becoming available in the office/retail submarket, causing positive net absorption of 50,045 square feet in the first half of 2013. Fayetteville had the most net positive absorption with 44,951 square feet, followed by Springdale with 16,727 square feet. Bentonville and Siloam Springs also had net positive absorption of 5,165 and 2,426, respectively, while Rogers, Lowell, and Bella Vista had net negative absorption of 17,924, 100, and 1,200 square feet, respectively.

Rogers had the largest amount of available square feet in the office/retail submarket with 196,578 square feet available. Fayetteville, Bentonville, and Springdale had 173,765, 130,699 and 75,173 square feet available, respectively. Dividing those by the total square feet of office/retail space, this translated to vacancy rates of 11.0 percent for Fayetteville, 24.2 percent for Rogers, 14.8 percent for Bentonville, and 14.9 percent for Springdale in the first half of 2013.

Office/retail space average reported lease rates remained mixed in the first half of 2013. In the Class A submarket, average reported lease rates remained the same in Bentonville, Fayetteville and Rogers. Average reported Class B rates remained constant in Bentonville, increased by \$0.19 in Rogers and by \$0.04 in Springdale, while decreasing in Fayetteville by \$0.01. In the Class C office/retail submarket, average reported prices did not change in Bentonville or Rogers, increased by \$0.26 in Fayetteville, and decreased by \$0.24 in Springdale.





# Office/Retail

## Office/Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.00 - \$17.00	\$11.73 - \$13.29	\$9.53 - \$10.41
Fayetteville	\$17.37 - \$19.83	\$13.21 - \$14.73	\$11.00- \$12.27
Rogers	\$18.88- \$20.63	\$11.52- \$12.86	\$7.62 - \$9.46
Springdale	--	\$12.47 - \$13.93	\$8.42 - \$9.53



## Office/Retail Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	56,307	8,326	14.8%	0	0	0	--
Fayetteville	171,627	36,283	21.1%	8,263	0	8,263	26.3
Rogers	133,982	38,786	28.9%	-9,416	0	-9,416	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	695,020	112,677	0	3,713	0	3,713	182.1
Fayetteville	1,047,467	105,574	0	34,606	0	34,606	18.3
Rogers	387,518	87,874	0	2,660	0	2,660	198.2
Springdale	229,162	27,062	0	1,666	0	1,666	97.5
<b>Class C</b>							
Bentonville	129,884	9,696	7.5%	1,452	0	1,452	40.1
Fayetteville	353,932	31,908	9.0%	2,082	0	2,082	92.0
Rogers	290,347	69,918	24.1%	-11,168	0	-11,168	--
Springdale	332,610	41,922	12.6%	800	0	800	314.4

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Retail

In the first half of 2013, the retail properties included in the Skyline Report panel had a vacancy rate of 10.6 percent, down from 11.4 percent in the second half of 2012. Of more than 7.9 million square feet of Northwest Arkansas retail properties examined, 838,541 square feet were available. From the second half of 2012 to the first half of 2013, 80,798 square feet of new retail space were added in Northwest Arkansas, leading to net absorption of 57,680 square feet.

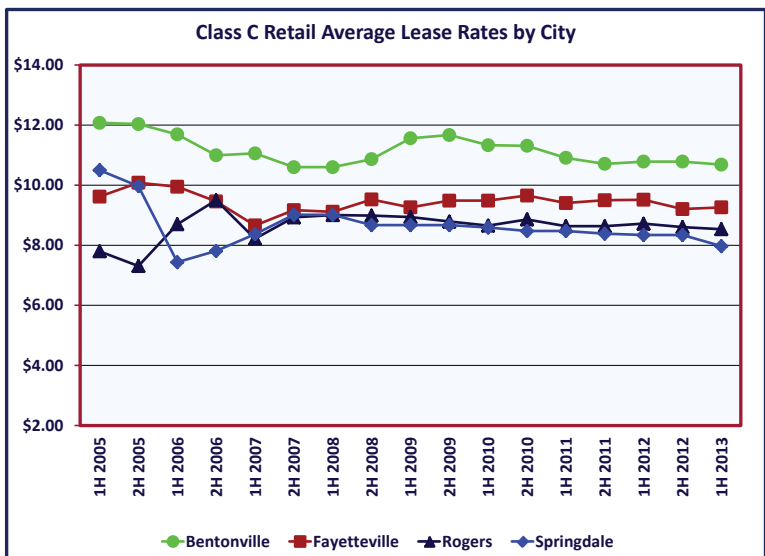
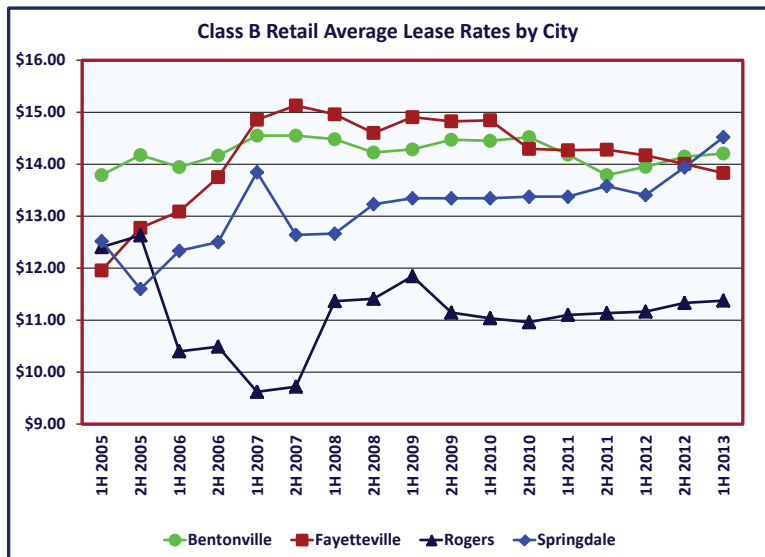
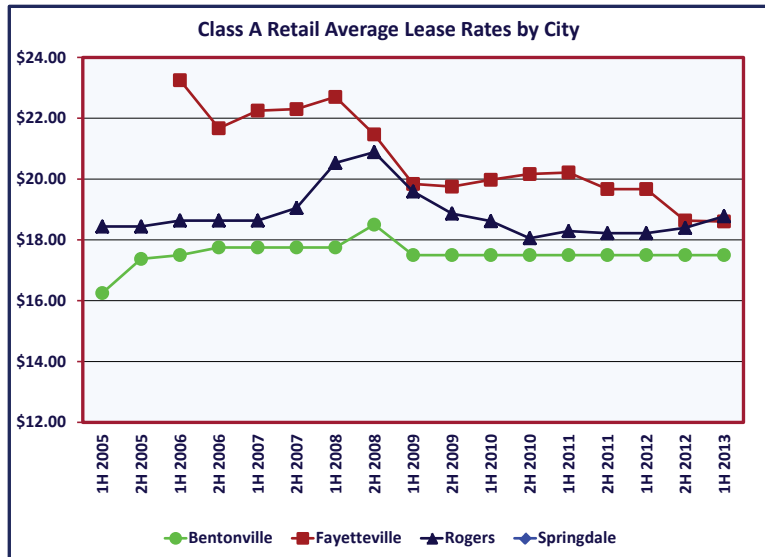
Bentonville had 480,496 total square feet and 55,088 available square feet of retail space in the first half of 2013, resulting in a vacancy rate of 11.5 percent. This represented a decrease from the rate of 13.9 percent in the second half of 2012. The decreased vacancy rate resulted from a positive absorption of 12,727 square feet.

In the first half of 2013, Fayetteville had a retail vacancy rate of 9.9 percent, up from 9.8 percent in the second half of 2012, with 326,287 available square feet out of a total of more than 3.2 million. 20,000 new square feet were added in the first half of 2013, and there was reported net negative absorption of 12,299 square feet in the Fayetteville retail market.

The Rogers market had 237,679 square feet of available retail space out of a total of over 2.6 million square feet for a vacancy rate of 9.1 percent in the first half of 2013. This was a decrease from the 10.7 rate in the second half of 2012. From the second half of 2012 to the first half of 2013, 60,798 square feet of new retail space were added in Rogers in Northwest Arkansas, leading to net absorption of 40,513 square feet.

There were 141,369 square feet of available retail space out of a total of 1,026,510 square feet in Springdale in the first half of 2013. This implied a vacancy rate of 13.8 percent, down from 15.9 percent in the second half of 2012. The Class B retail submarket had positive absorption of 23,737 square feet, netting total positive absorption for the retail market of 24,537 square feet.

In the Class A retail submarket, average reported lease rates stayed the same in Bentonville.



# Retail

Fayetteville decreased by \$0.03 and Rogers increased by \$0.38. Class B retail average lease rates increased in Bentonville, Rogers, and Springdale by \$0.06, \$0.04, and \$0.58, respectively while declining in Fayetteville by \$0.18. Class C average reported lease rates decreased in Bentonville, Rogers, and Springdale by \$0.10, \$0.07, and \$0.37 respectively, while increasing slightly in Fayetteville by \$0.05.

## Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.50 - \$19.50	\$13.93 - \$14.48	\$10.54 - \$10.83
Fayetteville	\$17.93 - \$19.28	\$13.37 - \$14.29	\$9.02 - \$9.50
Rogers	\$17.91 - \$19.64	\$10.83- \$11.92	\$8.32 - \$8.75
Springdale	--	\$14.16- \$14.88	\$7.56 - \$8.38



## Retail Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	39,534	3,000	7.6%	0	0	0	--
Fayetteville	2,012,508	165,068	8.2%	925	0	925	1,070.7
Rogers	1,653,944	122,334	7.4%	77,666	60,798	16,868	43.5
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	312,605	29,486	9.4%	14,868	0	14,868	11.9
Fayetteville	917,350	91,933	10.0%	7,776	20,000	-12,224	--
Rogers	575,482	42,761	7.4%	14,819	0	14,819	17.3
Springdale	693,900	99,447	14.3%	23,737	0	23,737	25.1
<b>Class C</b>							
Bentonville	128,357	22,602	17.6%	-2,141	0	-2,141	--
Fayetteville	358,405	69,286	19.3%	-1,000	0	-1,000	--
Rogers	387,412	72,584	18.7%	8,628	0	8,628	50.5
Springdale	332,610	41,922	12.6%	800	0	800	314.4

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Other Categories

## Warehouse

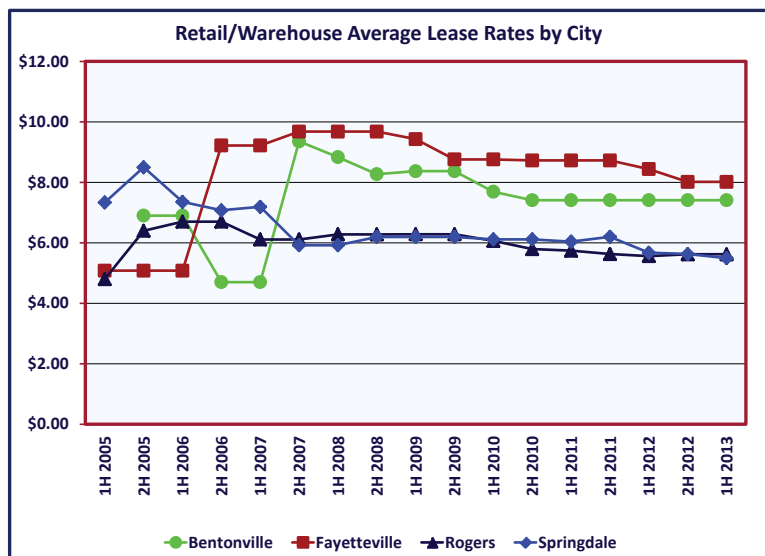
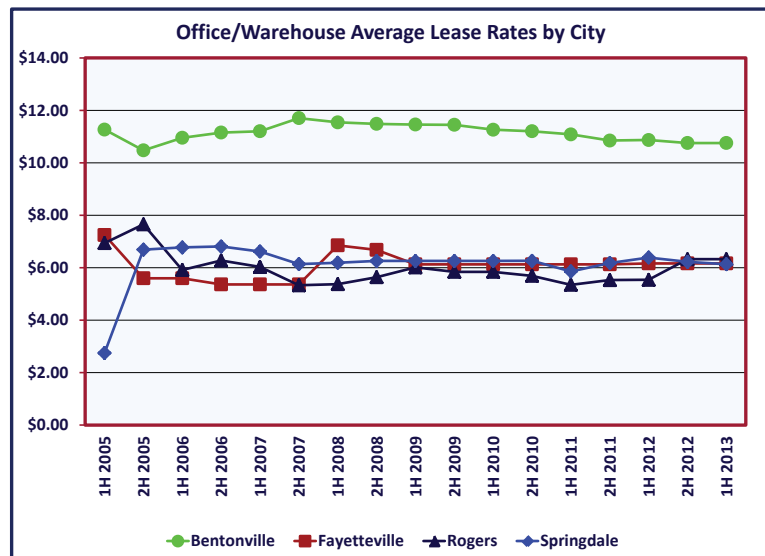
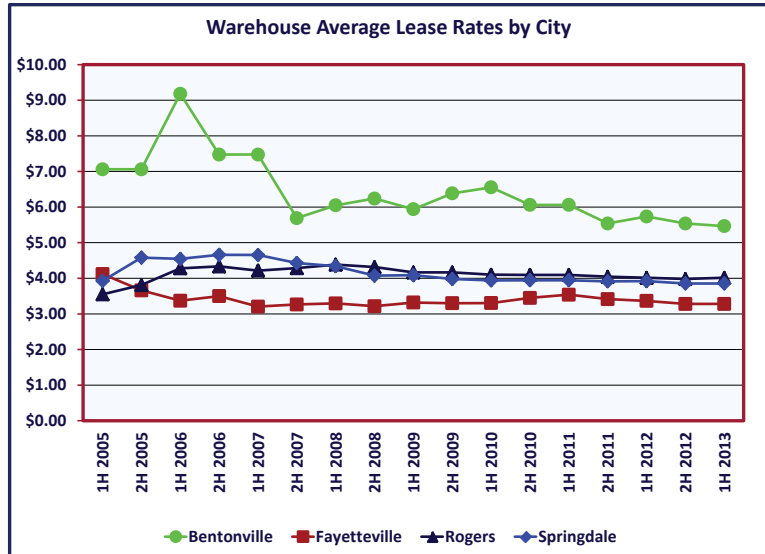
In the first half of 2013, the warehouse properties included in the Skyline Report panel had a vacancy rate of 17.8 percent, down from 20.2 percent in the second half of 2012. Of 6.9 million square feet of warehouse space examined, over 1.2 million square feet were available in the first half of 2013.

The majority of available warehouse space was split between Rogers (422,241 square feet), Springdale (324,923 square feet), Fayetteville (229,948 square feet) and Lowell (230,604 square feet). Bentonville and Siloam Springs had 11,834 and 9,375 square feet of available warehouse space, respectively. There was no new space added to the warehouse market in the first half of 2013. Existing warehouse space became occupied in Springdale (92,875 square feet), Lowell (2,500 square feet), and Fayetteville (109,190 square feet), whereas Rogers experienced 41,796 square feet of negative absorption. As a result, there was a positive net absorption of 162,769 square feet in Northwest Arkansas. Reported warehouse vacancy rates declined in Fayetteville, Lowell, Springdale and Siloam Springs, increased in Rogers, and remained constant in Bentonville in the first half of 2013.

The average reported warehouse lease rates declined by \$0.08 in Bentonville, increased by \$0.03 in Fayetteville, and remained constant in Rogers and Springdale. Bentonville continued to have the highest reported lease rate at \$5.47 in the first half of 2013.

## Office/Warehouse

The Skyline Report panelists reported on just under 3.8 million square feet of office/warehouse space, with 544,408 total square feet available in the first half of 2013. The vacancy rate in the office/warehouse submarket decreased from 16.9 percent in the second half of 2012 to 14.5 percent in the first half of 2013. 16,200 square feet of office/warehouse space entered the market in Northwest Arkansas during the first half of 2013.



# Other Categories

The office/warehouse submarket in Northwest Arkansas experienced positive net absorption of 69,991 square feet in Bentonville, 52,722 square feet in Fayetteville, and 38,070 square feet in Springdale and a negative net absorption of 95,244 in Rogers for a total of 65,539 square feet of positive absorption in Northwest Arkansas during the first half of 2013. Rogers, Bentonville, and Springdale, with 275,823 square feet, 104,760 square feet, and 130,850 square feet, respectively, had the bulk of the available office/warehouse space in Northwest Arkansas, while Fayetteville had 5,000 square feet of available office/warehouse space.

Average reported office/warehouse lease rates in Bentonville, Fayetteville, and Rogers remained constant at \$10.76, \$6.17, and \$6.33, respectively. Springdale's rate declined by \$0.09 to \$6.14 in the first half of 2013.

## Other Lease Rates Average Range by City

	Warehouse	Office/Warehouse	Retail/Warehouse
Bentonville	\$5.20 - \$5.73	\$10.04 - \$11.47	\$7.04 - \$7.78
Fayetteville	\$3.20 - \$3.36	\$5.79 - \$6.54	\$7.39 - \$8.64
Rogers	\$3.93 - \$4.10	\$6.20 - \$6.45	\$5.57 - \$5.67
Springdale	\$3.67 - \$4.04	\$5.32 - \$6.95	\$5.23 - \$5.76

### Retail/Warehouse

The Skyline Report panelists reported on just over 1 million square feet of retail/warehouse space in the first half of 2013. A total of 155,268 square feet were available in Northwest Arkansas. The vacancy rate in the retail/warehouse submarket decreased from 21.6 percent in the second half of 2012 to 15.0 percent in the first half of 2013.

absorption of 66,988 square feet of retail/warehouse space in Northwest Arkansas. There was a positive net absorption in the retail/warehouse markets of 5,380 square feet in Bentonville, 15,500 square feet in Fayetteville, 41,108 square feet in Rogers, and 5,000 square feet in Springdale.

From the second half of 2012 to the first half of 2013, there was positive net

## Other Space Characteristics by Class and City

Warehouse	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption	Months of Inventory
Bentonville	446,657	11,834	2.6%	0	0	0	--
Fayetteville	1,099,606	229,948	20.9%	109,190	0	109,190	12.6
Rogers	2,312,388	422,241	18.3%	-41,796	0	-41,796	--
Springdale	1,887,360	324,923	17.2%	92,875	0	92,875	21.0

### Office/Warehouse

Bentonville	1,276,908	104,760	8.2%	69,991	0	69,991	9.0
Fayetteville	146,072	5,000	3.4%	52,722	0	52,722	0.6
Rogers	685,356	275,823	40.2%	-95,244	0	-95,244	--
Springdale	1,473,691	130,850	8.9%	54,270	16,200	38,070	20.6

### Retail/Warehouse

Bentonville	242,424	22,998	9.5%	5,380	0	5,380	25.6
Fayetteville	114,440	18,312	16.0%	15,500	0	15,500	7.1
Rogers	147,921	38,058	25.7%	41,108	0	41,108	5.6
Springdale	434,319	75,900	17.5%	5,000	0	5,000	91.1

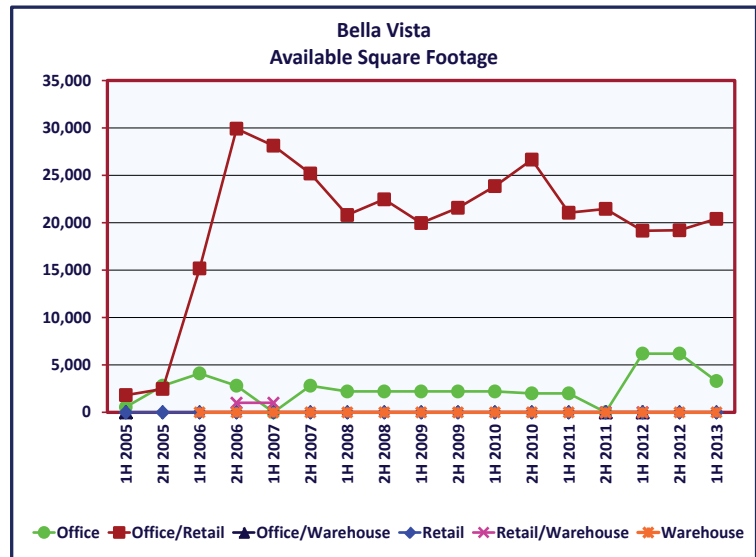
<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents



# Bella Vista

- From January 1 to June 30, 2013, Bella Vista issued one commercial building permit worth \$2,355,947 for Casey's General Store.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 336,405 square feet of commercial space in Bella Vista in the first half of 2013.
- In the first half of 2013, Bella Vista experienced positive net absorption in the Class B office submarket of 2,890 square feet, but negative net absorption of 1,200 square feet in the Class B office/retail submarket.
- There was no space added to the Bella Vista commercial market in the first half of 2013.
- Reported average lease rates in Bella Vista in the first half of 2013 remained consistent with the rates in the first half of 2012.



## Bella Vista Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$11.62-\$13.45	20,634	3,300	16.0%	2,890	0	2,890	6.9
Class A	--	--	--	--	--	--	--	--
Class B	\$11.43 - \$13.18	12,530	3,300	26.3%	2,890	0	2,890	6.9
Class C	--	--	--	--	--	--	--	--
Medical	\$12.00 - \$14.00	8,104	0	0.0%	0	0	0	--
Office/Retail	\$10.12 - \$12.30	276,285	20,405	7.4%	-1,200	0	-1,200	--
Class A	--	--	--	--	--	--	--	--
Class B	\$10.12 - \$12.30	276,285	20,405	7.4%	-1,200	0	-1,200	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	--

<sup>1</sup>From all 1H 2013 respondents

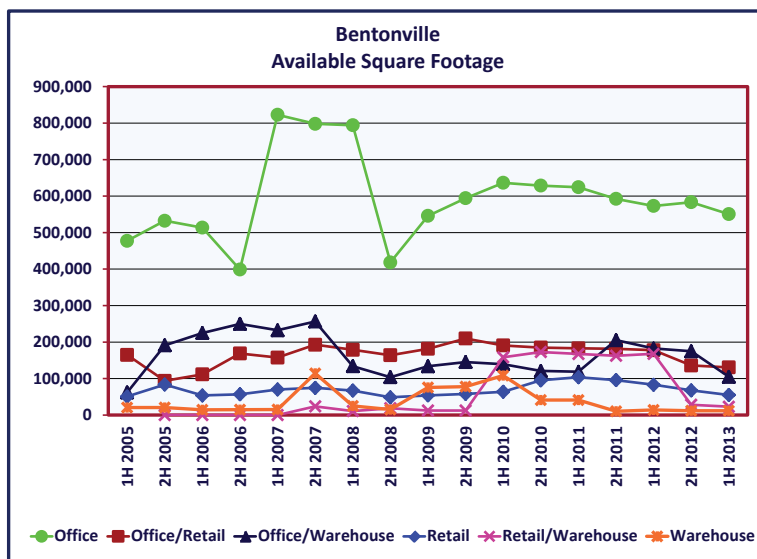
<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Bella Vista



# Bentonville

- From January 1 to June 30, 2013, Bentonville issued \$9,413,479 worth of building permits for new commercial space. The first half of 2013 value was 69.6 percent higher than the second half of 2012 value of \$5,548,940. Bentonville accounted for 26.7 percent of the commercial permits issued in Northwest Arkansas during the first half of 2013.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,749,549 square feet of commercial space in Bentonville in the first half of 2013.
- In the first half of 2013, Bentonville experienced positive net absorption of 129,404 square feet.
- There was positive net absorption in the office, office/retail, office/warehouse, retail, and retail/warehouse submarkets of 36,141, 5,165, 69,991, 12,727, and 5,380 square feet, respectively, in the first half of 2013 in Bentonville.



- Reported vacancy rates from the second half of 2012 to the first half of 2013 decreased in most submarkets, with warehouse and medical office remaining the same.
- The only significant changes in average reported lease rates occurred with an increase over the past six months

for Class A office by \$0.50 and a decrease of \$0.59 in medical office space.

## Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Net Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	\$4.50 - \$4.50	92,396	81,996	88.7%	0	0	0	--
Office	\$14.47-\$15.04	3,329,457	550,711	16.5%	36,141	0	36,141	91.4
Class A	\$18.40-\$19.20	349,657	8,500	2.4%	6,500	0	6,500	7.8
Class B	\$14.37- \$14.87	2,646,120	507,338	19.2%	27,732	0	27,732	109.8
Class C	\$8.72 - \$8.97	59,662	22,950	38.5%	1,695	0	1,695	81.2
Medical	\$16.00- \$17.64	274,018	11,923	4.4%	214	0	214	334.3
Office/Retail	\$11.52 - \$12.98	881,211	130,699	14.8%	5,165	0	5,165	151.8
Class A	\$15.00 - \$17.00	56,307	8,326	14.8%	0	0	0	--
Class B	\$11.73 - \$13.29	695,020	112,677	16.2%	3,713	0	3,713	182.1
Class C	\$9.53 - \$10.41	129,884	9,696	7.5%	1,452	0	1,452	40.1
Office/Warehouse	\$10.04 - \$11.47	1,276,908	104,760	8.2%	69,991	0	69,991	9.0
Retail	\$12.92 - \$13.50	480,496	55,088	11.5%	12,727	0	12,727	26.0
Class A	\$15.50 - \$19.50	39,534	3,000	7.6%	0	0	0	--
Class B	\$13.93 - \$14.48	312,605	29,486	9.4%	14,868	0	14,868	11.9
Class C	\$10.54 - \$10.83	128,357	22,602	17.6%	-2,141	0	-2,141	--
Retail/Warehouse	\$7.04 - \$7.78	242,424	22,998	9.5%	5,380	0	5,380	25.6
Warehouse	\$5.20 - \$5.73	446,657	11,834	2.6%	0	0	0	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Bentonville

## **Downtown Bentonville**

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 192,909 square feet of office, office/retail, and retail space in downtown Bentonville in the first half of 2013.
- There was positive net absorption of 3,195 square feet of office space and also 3,818 square feet of retail space in downtown Bentonville in the first half of 2013.
- The office space in downtown Bentonville had a reported vacancy rate of 0.0 percent in the first half of 2013, a decrease from 4.4 percent in the second half of 2012.
- The office/retail vacancy rate in downtown Bentonville remained 0.0 percent, as all the space stayed occupied.
- The retail vacancy rate for downtown Bentonville properties was 0.0 percent, lower than the rate for all of Bentonville during the first half of 2013.
- In downtown Bentonville, average reported lease rates remained largely unchanged during the past six months.



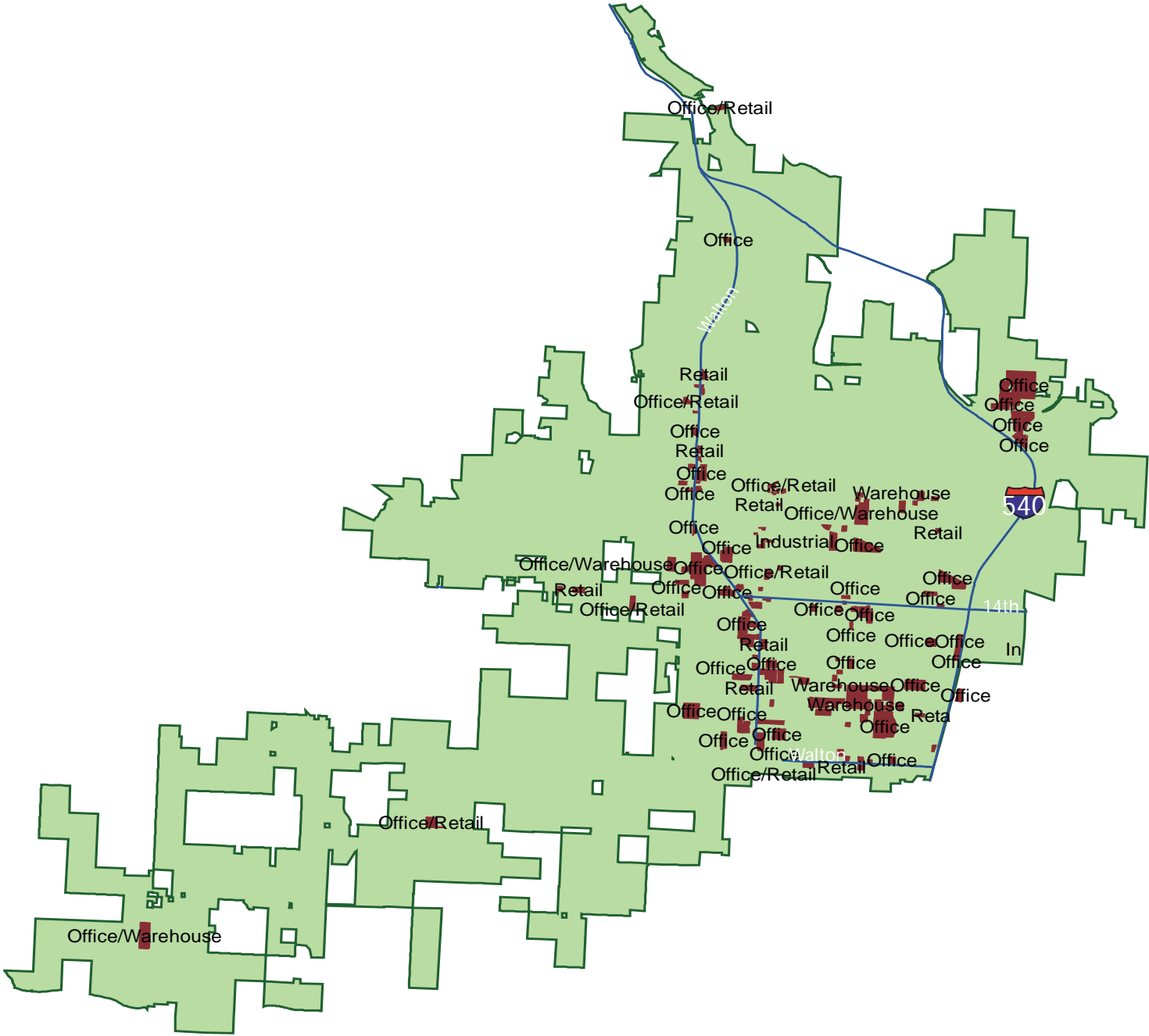
## **Downtown Bentonville Summary Statistics**

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.64 - \$14.97	73,091	0	0.0%	3,195	0	3,195	0.0
Office/Retail	\$9.83 - \$11.67	82,893	0	0.0%	0	0	0	0.0
Retail	\$11.45 - \$11.95	36,925	0	0.0%	3,818	0	3,818	0.0

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

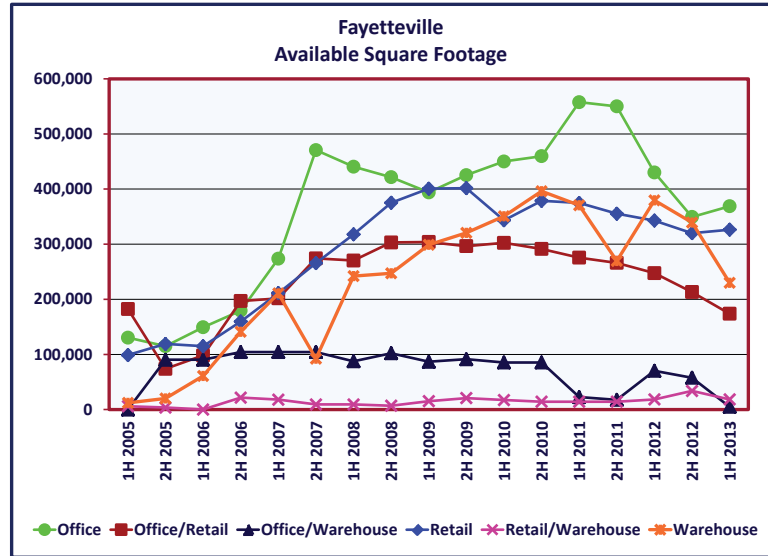
# Bentonville





# Fayetteville

- From January 1 to June 30, 2013, Fayetteville issued building permits for \$13,721,837 worth of new commercial space. The first half of 2013 value is 17.9 percent lower than the first half of 2012 value of \$16,172,483. Fayetteville accounted for 38.9 percent of the commercial permits issued in Northwest Arkansas during the first half of 2013.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,786,171 square feet of commercial space in Fayetteville in the first half of 2013.
- Fayetteville added 20,000 square feet of new commercial space during this report period, all of which were retail space.
- In the first half of 2013, Fayetteville experienced positive net absorption of 234,577 square feet overall. There was positive absorption in the industrial, office, office/retail, office/warehouse, and warehouse submarkets of 17,000, 7,513, 44,951, 52,722, 15,500, and



109,190 square feet, respectively. But the retail submarket experienced negative net absorption of 12,229 square feet.

- Observed vacancy rates in Fayetteville from the second half of 2012 to the first half of 2013 decreased in the lab, of-

office, office/retail, office/warehouse and retail warehouse submarkets. Vacancy rates decreased in the medical, retail/warehouse submarkets.

- Significant changes in average reported lease rates occurred with an increase for Class A office space of \$0.72. All other lease rates remained relatively constant.

## Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Net Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$20.07 - \$21.07	75,603	30,000	39.7%	0	0	0	--
Industrial	\$3.20 - \$3.50	678,500	0	0.0%	17,000	0	17,000	0.0
Office	\$13.65 - \$14.73	2,810,661	368,832	13.1%	7,513	0	7,513	294.6
Class A	\$17.37 - \$19.83	505,938	73,666	14.6%	0	0	0	--
Class B	\$13.21 - \$14.73	1,145,788	168,317	14.7%	5,924	0	5,924	170.5
Class C	\$11.00 - \$12.27	243,650	17,327	7.1%	8,315	0	8,315	12.5
Medical	\$14.79 - \$16.46	915,285	109,522	12.0%	-6,726	0	-6,726	--
Office/Retail	\$12.83 - \$14.35	1,573,026	173,765	11.0%	44,951	0	44,951	23.2
Class A	\$17.37 - \$19.83	171,627	36,283	21.1%	8,263	0	8,263	26.3
Class B	\$13.21 - \$14.73	1,047,467	105,574	10.1%	34,606	0	34,606	18.3
Class C	\$11.00 - \$12.27	353,932	31,908	9.0%	2,082	0	2,082	92.0
Office/Warehouse	\$5.79 - \$6.54	146,072	5,000	3.4%	52,722	0	52,722	0.6
Retail	\$12.89 - \$13.79	3,288,263	326,287	9.9%	7,701	20,000	-12,299	--
Class A	\$17.93 - \$19.28	2,012,508	165,068	8.2%	925	0	925	1,070.7
Class B	\$13.37 - \$14.29	917,350	91,933	10.0%	7,776	20,000	-12,224	--
Class C	\$9.02 - \$9.50	358,405	69,286	19.3%	-1,000	0	-1,000	--
Retail/Warehouse	\$7.39 - \$8.64	114,440	18,312	16.0%	15,500	0	15,500	7.1
Warehouse	\$3.20 - \$3.36	1,099,606	229,948	20.9%	109,190	0	109,190	12.6

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Fayetteville

## Downtown Fayetteville/Dickson Street Area

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 919,753 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street area in the first half of 2013.
- There was negative net absorption of 954 square feet of retail space and positive absorption of 30,317 square feet of office/retail space and 4,763 square feet of office space in the first half of 2013.
- There was no new office space added in downtown Fayetteville during the first six months of 2013.
- The office space in downtown Fayetteville had a reported vacancy rate of 8.5 percent in the first half of 2013, down 1.1 percentage points from the second half of 2012. This was lower than the overall Fayetteville office vacancy rate of 8.7 percent.
- The office/retail vacancy rate for downtown Fayetteville properties decreased to 9.1 percent. This compares to 15.6 percent in the same submarket for all of Fayetteville during the first half of 2013.
- The downtown Fayetteville retail vacancy rate increased to 7.6 percent, but was lower than the overall Fayetteville average of 9.9 percent.

- Average reported lease rates in downtown Fayetteville decreased by \$0.72 in the retail submarket. All other reported average lease rates remained relatively unchanged during the past six months.

## Northwest Arkansas Mall Area/Joyce Street Corridor

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,835,449 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the first half of 2013.
- There was positive absorption of 7,771 square feet of office space, and positive absorption of 4,250 square feet of office/retail space and negative absorption of 7,145 square feet of retail space during the first half of 2013 in the Northwest Arkansas Mall Area/Joyce Street Corridor.
- There was no new space added to the north Fayetteville retail commercial market in the second half of 2013.
- The office space in north Fayetteville had a reported vacancy rate of 15.7 percent in the second half of 2013. This was higher than the first half of 2012 vacancy rate of 14.8 percent and was higher than the 11.8 percent vacancy rate for all of Fayetteville.
- The first half of 2013 office/retail vacancy rate in north Fayetteville decreased to 23.1 percent, compared to the second

half of 2012 rate of 26.0 percent. The vacancy rate remained above the city average office/retail vacancy rate of 11.0 percent.

- Retail space in the Mall Area/Joyce Street Corridor had a reported vacancy rate of 8.1 percent, relatively unchanged from the rate in the second half of 2012, and lower than the overall Fayetteville rate of 9.9 percent.



## Fayetteville Downtown/Dickson Street Area Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.36 - \$14.81	436,484	36,938	8.5%	4,763	0	4,763	46.5
Office/Retail	\$14.13 - \$16.14	407,757	36,994	9.1%	30,317	0	30,317	7.3
Retail	\$9.52 - \$10.88	75,512	5,715	7.6%	-954	0	-954	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Fayetteville

## Martin Luther King, Jr. Boulevard Corridor

- In the first half of 2013, Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 421,799 square feet of office, office/retail, and retail space in the MLK Boulevard Corridor.
- There was no new commercial space added to southwest Fayetteville in the first six months of 2013.
- The MLK Boulevard Corridor of Fayetteville experienced positive absorption of 2,000 square feet of office space, and 500 square feet of retail space and negative absorption of 5,000 square feet of office/retail space in the first half of 2013.
- The office space in southwest Fayetteville had a reported vacancy rate of 23.9 percent in the first half of 2013. This was much higher than the overall office vacancy rate of 13.1 percent for Fayetteville, but down from the previous report's 47.8 percent during the second half of 2012.
- From the second half of 2012 to the first half of 2013, the office/retail vacancy rate decreased from 18.3 percent to 11.1 percent, but was slightly higher in southwest Fayetteville than the city average rate of 11.0 percent.
- The vacancy rates for retail space decreased to 41.7 percent in the first half of 2013 from 42.0 percent in the second half of 2012, remaining relatively unchanged. The retail vacancy rate for all of Fayetteville was a much lower 9.9 percent.
- Average reported lease rates remained relatively unchanged for all submarkets in southwest Fayetteville over the past six months.

## Fayetteville Mall/Joyce Street Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.05 - \$15.91	1,420,364	223,017	15.7%	-7,771	0	-7,771	--
Office/Retail	\$16.69 - \$17.00	144,785	33,375	23.1%	4,250	0	4,250	47.1
Retail	\$17.59 - \$18.47	2,270,300	183,139	8.1%	-7,145	0	-7,145	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

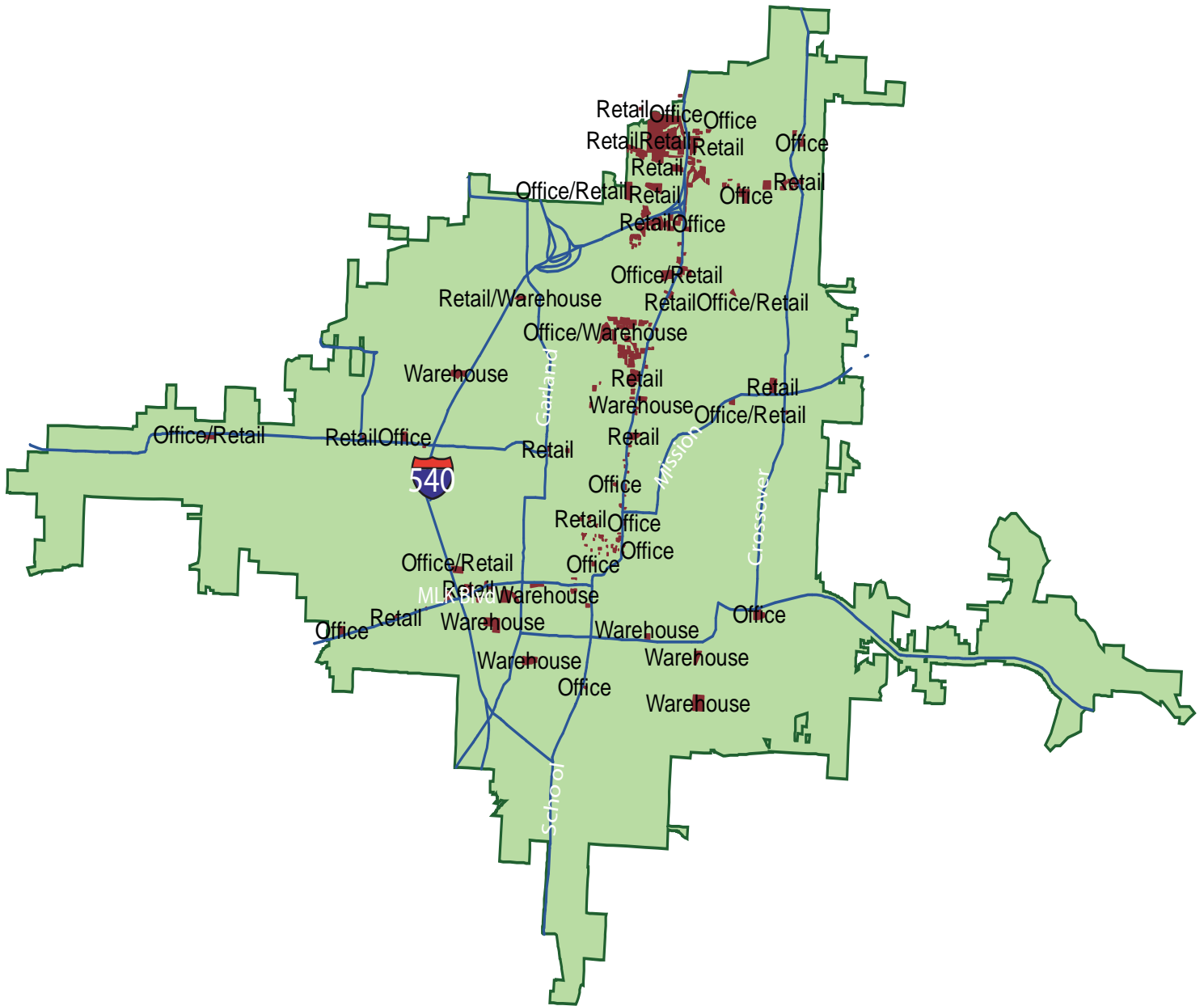
## Fayetteville MLK Boulevard Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$10.25 - \$10.25	25,125	6,000	23.9%	2,000	0	2,000	18.0
Office/Retail	\$12.05 - \$14.75	235,591	26,200	11.1%	-5,000	0	-5,000	--
Retail	\$12.44 - \$13.19	161,083	67,105	41.7%	500	0	500	805.3

<sup>1</sup>From all 1H 2013 respondents

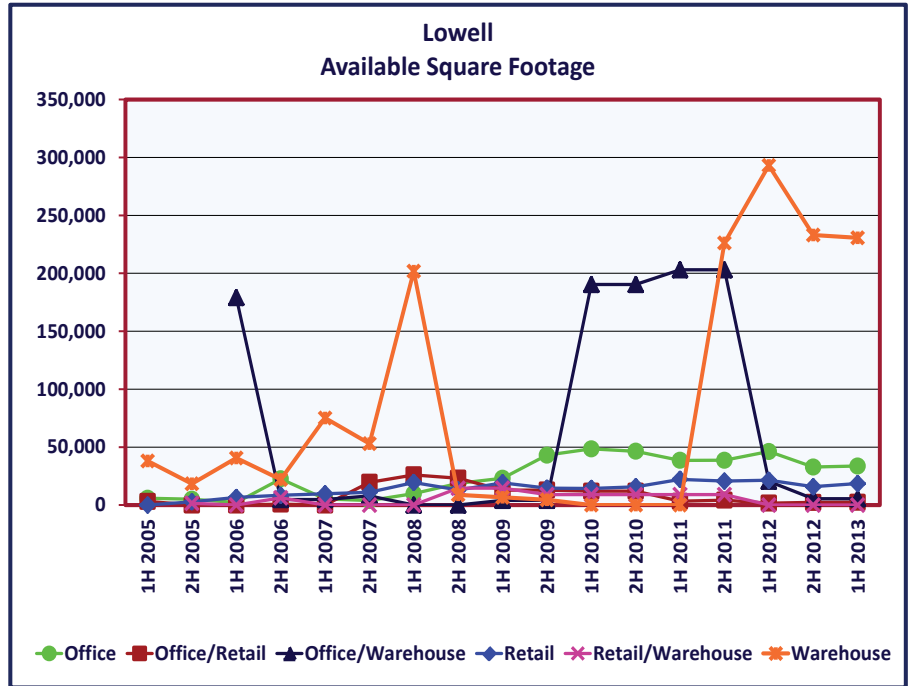
<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Fayetteville



# Lowell

- From January 1 to June 30, 2013, Lowell issued no building permits for new commercial space. This was down from the \$709,949 of building permits issued in the first half of 2012. No commercial permits were issued in the second half of 2012, either.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,522,042 square feet of Lowell commercial space in the first half of 2013.
- In the first half of 2013, Lowell had negative net absorption of 1,152 square feet overall. There was positive net absorption in the warehouse market, while all other submarkets were negative.
- There was no new commercial space added in Lowell in the first six months of 2013.
- Reported vacancy rates increased in the office/retail, medical office, and retail submarkets, decreased in the office and



warehouse submarket and remained constant in the other submarkets, from the second half of 2012 to the first half of 2013 in accord with absorption.

- There were no significant changes in the average reported lease rates in Lowell from the second half of 2012 to the first half of 2013 in any submarket.

## Lowell Commercial Real Estate Market Summary Statistics

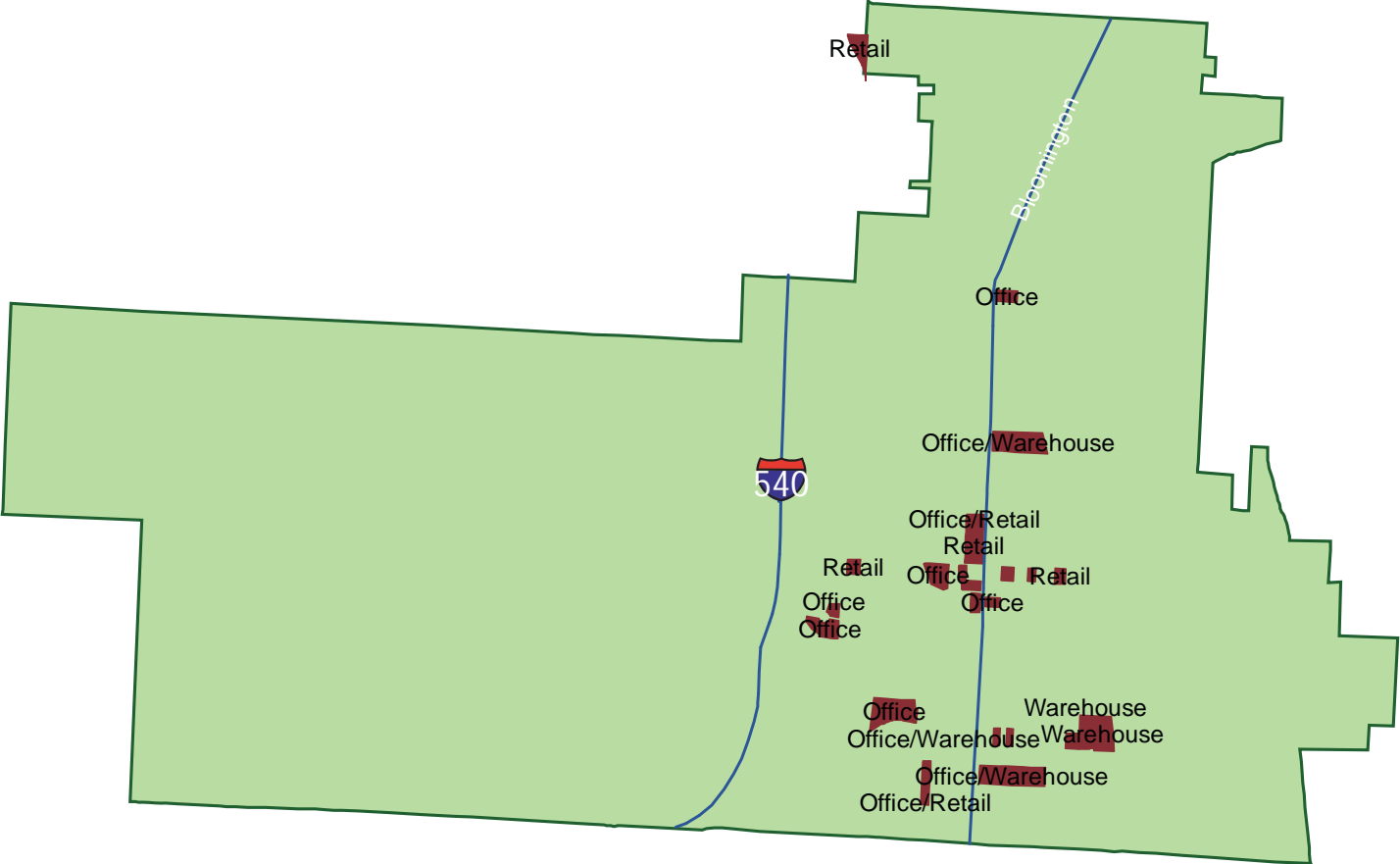
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	\$4.31 - \$4.31	95,135	37,955	39.9%	0	0	0	--
Office	\$14.17 - \$14.63	304,879	33,638	11.0%	-832	0	-832	--
Class A	\$16.83 - \$18.83	109,330	17,906	16.4%	0	0	0	--
Class B	\$12.22 - \$12.33	122,550	10,325	8.4%	4,575	0	4,575	13.5
Class C	--	--	--	--	--	--	--	--
Medical	\$17.00 - \$17.00	72,999	5,407	7.4%	-5,407	0	-5,407	--
Office/Retail	\$9.77 - \$11.02	65,470	2,440	3.7%	-100	0	-100	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.38 - \$14.71	48,310	2,440	5.1%	-100	0	-100	--
Class C	\$4.08 - \$4.08	17,160	0	0.0%	0	0	0	--
Office/Warehouse	\$5.66 - \$5.98	67,898	5,475	8.1%	0	0	0	--
Retail	\$12.38 - \$14.71	125,772	18,554	14.8%	-2,720	0	-2,720	--
Class A	--	50,000	0	0.0%	0	0	0	--
Class B	\$12.38 - \$14.71	75,772	18,554	24.5%	-2,720	0	-2,720	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.19 - \$10.19	26,700	0	0.0%	0	0	0	--
Warehouse	\$3.30 - \$3.30	836,188	230,604	27.6%	2,500	0	2,500	553.4

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

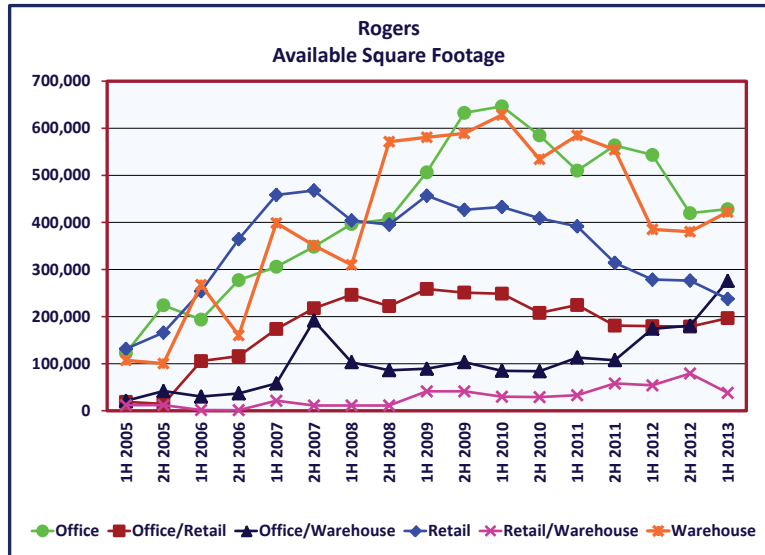


# Lowell



# Rogers

- From January 1 to June 30, 2013, Rogers issued building permits for \$8,053,072 worth of new commercial space. This value was 55.1 percent higher than the first half of 2012 value of \$4,729,000, but lower than the second half of 2012 value of \$17,500,855. Rogers accounted for 22.8 percent of the commercial permits issued in Northwest Arkansas during the first half of 2013.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,463,301 square feet of commercial space in the first half of 2013.
- In the first half of 2013, Rogers had positive net absorption in the retail and retail/warehouse submarkets of 40,315 and 41,108 square feet, respectively; negative net absorption in the office, office/retail, office/warehouse, and warehouse submarkets, of 5,297, 17,924, 95,244, and 41,796 square feet respectively; and no change in the industrial and lab submarkets.



- In the first six months of 2013, 60,798 square feet of retail space were added to the Rogers market.
- Reported vacancy rates decreased in the retail and retail/warehouse submarkets from the second half of 2012 to the first half of 2013 from 10.7 to 9.1 percent and 53.5 to 25.7 percent, respectively. There were vacancy rate increases in the office, medical office, office/retail,

office/warehouse, and warehouse submarkets from 17.4 to 17.7 percent, 14.2 to 21.3 percent, 22.1 to 24.2 percent, 31.9 to 40.2 percent, and 15.4 to 18.3 percent, respectively, in accord with absorption.

- Rogers saw no significant changes in average reported lease rates during the first half of 2013.

## Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$10.00 - \$12.00	9,482	0	0.0%	0	0	0	0
Industrial	\$4.18 - \$4.18	456,792	174,144	38.1%	0	0	0	--
Office	\$14.23 - \$14.97	2,422,677	428,137	17.7%	-5,297	0	-5,297	--
Class A	\$17.63 - \$19.15	1,446,040	234,310	16.2%	9,661	0	9,661	145.5
Class B	\$14.42 - \$14.73	488,107	74,532	15.3%	-452	0	-452	--
Class C	\$8.75 - \$9.24	191,571	56,000	29.2%	4,978	0	4,978	67.5
Medical	\$13.35 - \$13.75	296,959	63,295	21.3%	-19,484	0	-19,484	--
Office/Retail	\$10.49 - \$12.13	811,847	196,578	24.2%	-17,924	0	-17,924	--
Class A	\$18.88 - \$20.63	133,982	38,786	28.9%	-9,416	0	-9,416	--
Class B	\$11.52 - \$12.86	387,518	87,874	22.7%	2,660	0	2,660	198.2
Class C	\$7.62 - \$9.46	290,347	69,918	24.1%	-11,168	0	-11,168	--
Office/Warehouse	\$6.20 - \$6.45	685,356	275,823	40.2%	-95,244	0	-95,244	--
Retail	\$11.72 - \$12.72	2,616,838	237,679	9.1%	101,113	60,798	40,315	35.4
Class A	\$17.91 - \$19.64	1,653,944	122,334	7.4%	77,666	60,798	16,868	43.5
Class B	\$10.83 - \$11.92	575,482	42,761	7.4%	14,819	0	14,819	17.3
Class C	\$8.32 - \$8.75	387,412	72,584	18.7%	8,628	0	8,628	50.5
Retail/Warehouse	\$5.57 - \$5.67	147,921	38,058	25.7%	41,108	0	41,108	5.6
Warehouse	\$3.93 - \$4.10	2,312,388	422,241	18.3%	-41,796	0	-41,796	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Rogers

## Downtown Rogers

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 271,836 square feet of office, office/retail, and retail space in downtown Rogers in the first half of 2013.
- No new commercial space was added to downtown Rogers in the first six months of 2013.
- The office space in Downtown Rogers had 3,000 square feet of negative net absorption, and had a vacancy rate of 14.5 percent in the first half of 2013, a decrease from 14.9 in the second half of 2012. The downtown vacancy rate was lower than the overall average office vacancy rate for Rogers, which was 18.7 percent during the same period.
- The office/retail submarket had negative net absorption of 10,400 square feet, and had an increase in the vacancy rate to 48.0 percent from the second half of 2012 rate of 36.2 percent in the downtown area. This compares to a vacancy rate of 18.7 percent for all of Rogers.
- Overall, Downtown Rogers experienced negative net absorption of 7,116 square feet of retail space during the first half of 2013.
- The average retail vacancy rate for downtown Rogers properties for the

first half of 2013 increased to 22.4 percent from 5.7 in the second half of 2012 and became higher than the 9.1 percent average rate for all of Rogers.

- Average reported lease rates for office space in downtown Rogers increased by \$0.84. For retail space, the lease rate decreased by \$0.21, and the average reported lease rate remained the same for office/retail space.

## Rogers Interstate 540

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,852,999 square feet of office, office/retail, and retail space along the Rogers I-540 corridor in the first half of 2013.
- 60,798 feet of new retail space were added to the Rogers I-540 corridor submarket in the first six months of 2013.
- Rogers experienced positive absorption of 4,217 square feet of office space, negative absorption of 9,416 square feet of office/retail space and positive absorption of 25,590 square feet of retail space along the I-540 corridor in the first half of 2013.
- The office space along the Rogers I-540 corridor had a reported average vacancy rate of 13.8 percent in the first half of 2013, a decrease from the second half

of 2012 value of 18.9 percent. This was lower than the overall average office vacancy rate for all of Rogers at 17.7 percent.

- In the first half of 2013, the office/retail submarket reported a 29.2 percent vacancy rate, an increase from the 21.4 reported in the second half of 2012, which compares to a vacancy rate of 24.2 percent for all of Rogers.
- The average retail vacancy rate for Rogers I-540 corridor properties for the first half of 2013 decreased to 7.0 from 8.3 percent in the second half of 2012, and was lower than 9.1 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 <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$9.46 - \$10.30	95,858	13,880	14.5%	-3,000	0	-3,000	--
Office/Retail	\$8.29 - \$10.97	72,414	34,740	48.0%	-10,400	0	-10,400	--
Retail	\$8.31 - \$8.89	103,564	12,360	11.9%	-7,116	0	-7,116	--

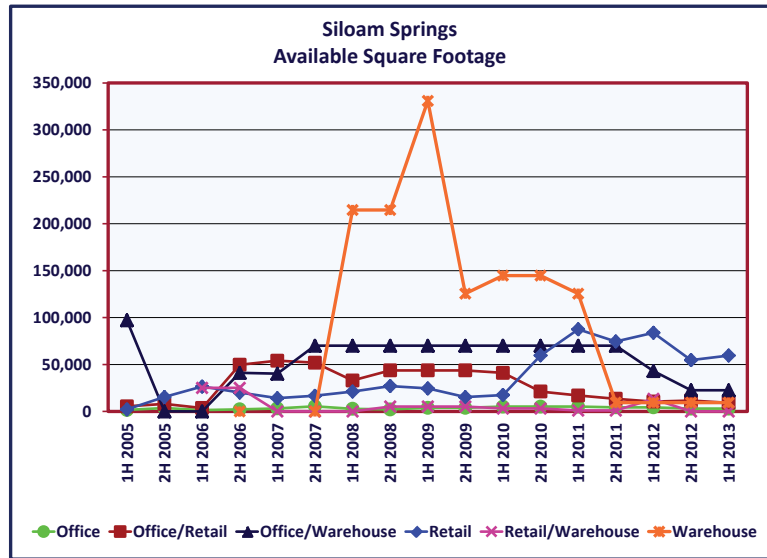
<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents



# Siloam Springs

- From January 1 to June 30, 2013, Siloam Springs issued commercial building permits valued at \$2,165,090. This compares to no new commercial building permits in first half of 2012 and \$3,878,115 in the second half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,347,342 square feet of commercial space for Siloam Springs in the first half of 2013.
- No new commercial space entered the Siloam Springs market in the first six months of 2013.
- In the first half of 2013, Siloam Springs experienced net positive absorption in the office/retail submarket of 2,426 square feet. There was negative absorption in the retail submarket of 4,880 square feet, while other categories experienced no absorption.
- Vacancy rates from the second half of 2012 to the first half of 2013 increased



to 16.7 from 15.3 percent in the retail submarket. Warehouse, office/retail, and office vacancy rates decreased to 3.0 from 4.9 percent, 6.2 from 7.8 percent, and 2.9 from 3.0 percent,

respectively. The medical office, office/warehouse, and retail/warehouse submarkets' vacancy rates experienced no change.

- Average lease rates did not change significantly in the first half of 2013 in any submarket.

## Siloam Springs Commercial Real Estate Market Summary Statistics

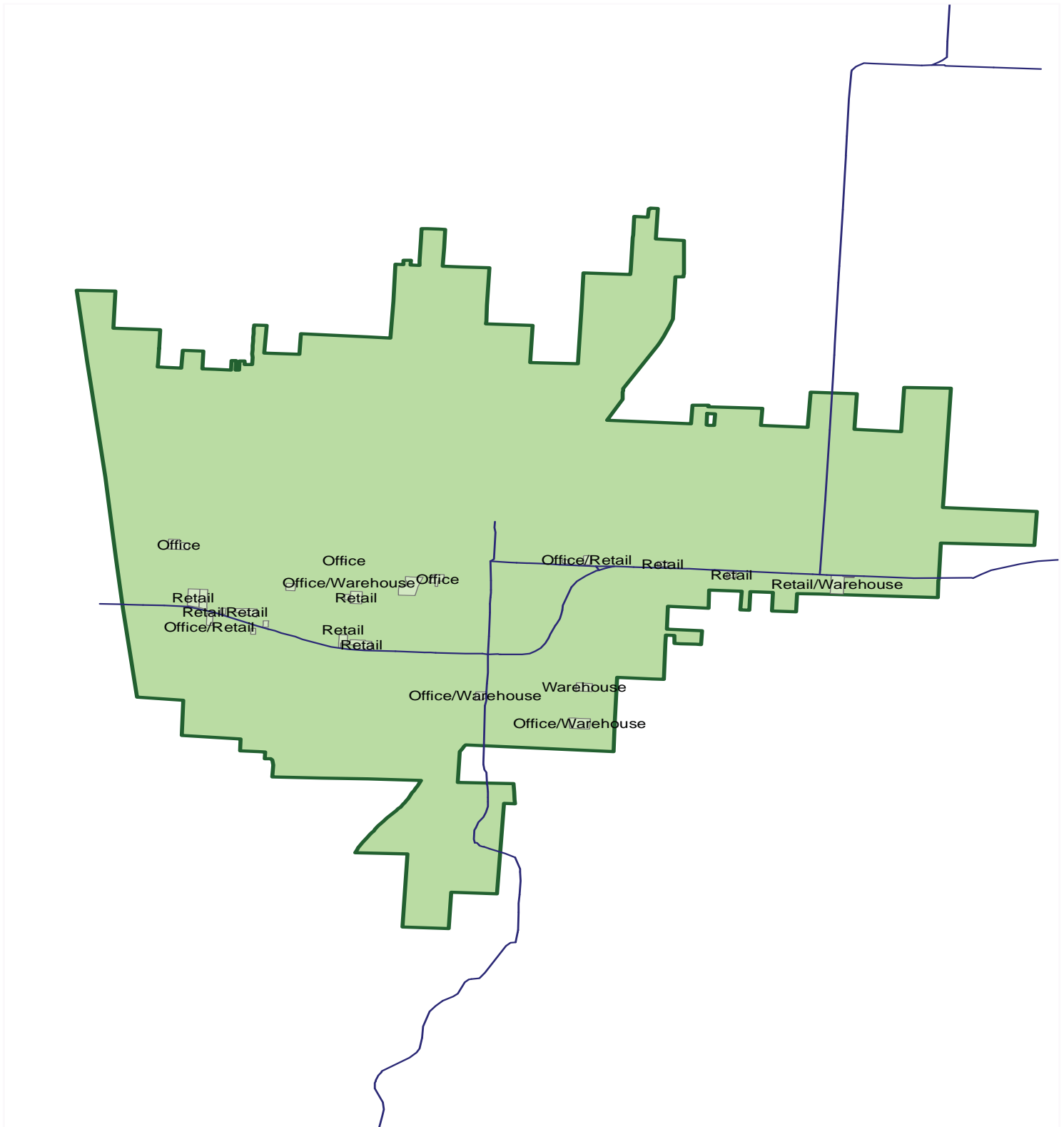
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Percent Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Industrial	--	240,589	0	0.0%	0	0	0	--
Office	\$10.02 - \$11.58	103,532	3,000	2.9%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	8,000	0	0.0%	0	0	0	--
Class C	\$6.42 - \$8.28	10,000	1,000	10.0%	0	0	0	--
Medical	\$13.38 - \$14.88	85,532	2,000	2.3%	0	0	0	--
Office/Retail	\$7.86 - \$9.87	149,285	9,200	6.2%	2,426	0	2,426	22.8
Class A	\$12.00 - \$16.00	56,085	3,000	5.3%	0	0	0	--
Class B	\$9.42 - \$10.70	71,790	6,200	8.6%	2,426	0	2,426	15.3
Class C	\$4.49 - \$7.09	21,410	0	0.0%	0	0	0	--
Office/Warehouse	\$2.68 - \$2.68	114,502	22,500	19.7%	0	0	0	--
Retail	\$9.04 - \$9.63	357,602	59,564	16.7%	-4,880	0	-4,880	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.13 - \$11.53	167,222	11,364	6.8%	-4,880	0	-4,880	--
Class C	\$5.91 - \$6.78	190,380	48,200	25.3%	0	0	0	--
Retail/Warehouse	\$4.90 - \$6.74	68,028	0	0.0%	0	0	0	--
Warehouse	\$3.42 - \$3.67	313,804	9,375	3.0%	0	0	0	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

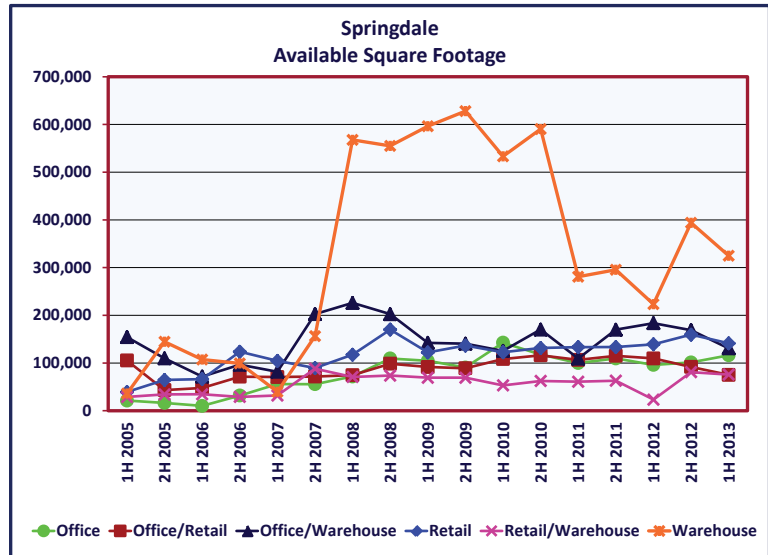


# Siloam Springs



# Springdale

- From January 1 to June 30, 2013, Springdale issued just over \$1.9 million worth of building permits for new commercial space. This was a significant decrease from the almost \$8.5 worth of building permits issued in the second half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,634,945 square feet of commercial space in Springdale in the first half of 2013.
- 21,200 available square feet was added in Springdale in the first half of 2013.
- In the first half of 2013, Springdale experienced overall positive absorption of 159,410 square feet. There was positive net absorption of 16,727, 38,070, 24,537, 5,000, and 92,875 square feet in the office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets, respectively. Springdale experienced negative net absorption of 17,709 square



feet in the office submarket during the first half of 2013. 14,720 square feet of this negative net absorption occurred in the medical office category.

- Reported vacancy rates increased in the medical office and office submarkets in

Springdale from the second half of 2012 to the first half of 2013, and decreased in the office, retail, and office/warehouse submarkets.

- In the past six months in Springdale, average reported lease rates remained fairly steady, with the exception of a \$0.58 increase in the retail Class B submarket.

## Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	--	5,224	0	0.0%	0	0	0	--
Industrial	\$4.01 - \$5.09	475,785	35,982	7.6%	0	0	0	--
Office	\$11.04 - \$11.86	826,667	116,210	14.1%	-12,799	5,000	-17,799	--
Class A	\$14.00 - \$14.00	77,123	3,600	4.7%	2,908	0	2,908	7.4
Class B	\$11.72 - \$13.04	340,674	32,038	9.4%	-18,693	0	-18,693	--
Class C	\$9.01 - \$9.26	147,967	36,917	24.9%	12,706	0	12,706	17.4
Medical	\$12.75 - \$13.38	260,903	43,655	16.7%	-9,720	5,000	-14,720	--
Office/Retail	\$10.20 - \$11.47	505,389	75,173	14.9%	16,727	0	16,727	27.0
Class A	--	--	--	--	--	--	--	--
Class B	\$12.47 - \$13.93	229,162	27,062	11.8%	1,666	0	1,666	97.5
Class C	\$8.42 - \$9.53	332,610	41,922	12.6%	800	0	800	314.4
Office/Warehouse	\$5.32 - \$6.95	1,473,691	130,850	8.9%	54,270	16,200	38,070	20.6
Retail	\$10.61 - \$11.39	1,026,510	141,369	13.8%	24,537	0	24,537	34.6
Class A	--	--	--	--	--	--	--	--
Class B	\$14.16 - \$14.88	693,900	99,447	14.3%	23,737	0	23,737	25.1
Class C	\$7.56 - \$8.38	332,610	41,922	12.6%	800	0	800	314.4
Retail/Warehouse	\$5.23 - \$5.76	434,319	75,900	17.5%	5,000	0	5,000	91.1
Warehouse	\$3.67 - \$4.04	1,887,360	324,923	17.2%	92,875	0	92,875	21.0

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

# Springdale

## Downtown Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 231,466 square feet of office, office/retail, retail, retail/warehouse and warehouse space in downtown Springdale in the first half of 2013.
- There were no new square feet of commercial property added to downtown Springdale in the last 6 months.
- There was positive absorption of 4,217 square feet in the office market in downtown Springdale in the first half of 2013.
- The office space in downtown Springdale reported average vacancy rate increased from 3.8 percent in the second half of 2012 to 4.6 percent in the first half of 2013 in accordance with absorption. The rate was lower than the overall Springdale average office vacancy rate of 12.1 percent.
- All reported on office/retail space continued to be available in downtown Springdale in the second half, compared to a 14.9 percent vacancy rate for all of Springdale.
- The reported retail space in downtown Springdale had a vacancy rate of 46.4 percent. Meanwhile, the average retail vacancy rate for all of Springdale was 13.8 percent.
- All average reported lease rates for downtown Springdale remained constant.
- The office space in West Springdale had a reported average vacancy rate of 12.5 percent in the first half of 2013. The rate was lower than the city average office vacancy rate of 14.1 percent.
- The average office/retail vacancy rate in West Springdale was 23.2 percent in first half, above the overall city average office/retail vacancy rate of 14.9 percent.
- The retail vacancy rate for West Springdale properties decreased to 7.7 percent in the first half of 2013 and remained below the city average retail vacancy rate of 13.8 percent.
- Average reported lease rates for West Springdale remained constant.

## West Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 575,868 square feet of office, office/retail, retail and retail space in West Springdale in the first half of 2013.
- 5,000 square feet was added to West Springdale in the first half of 2013.
- There was positive net absorption of 13,490 square feet in West Springdale submarkets.

## Downtown Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$9.38 - \$10.06	180,168	8,375	4.6%	-1,500	0	-1,500	--
Office/Retail	\$7.50 - \$9.00	3,732	3,732	100.0%	0	0	0	--
Retail	\$6.98 - \$7.34	47,566	22,092	46.4%	-1,500	0	-1,500	--

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 respondents

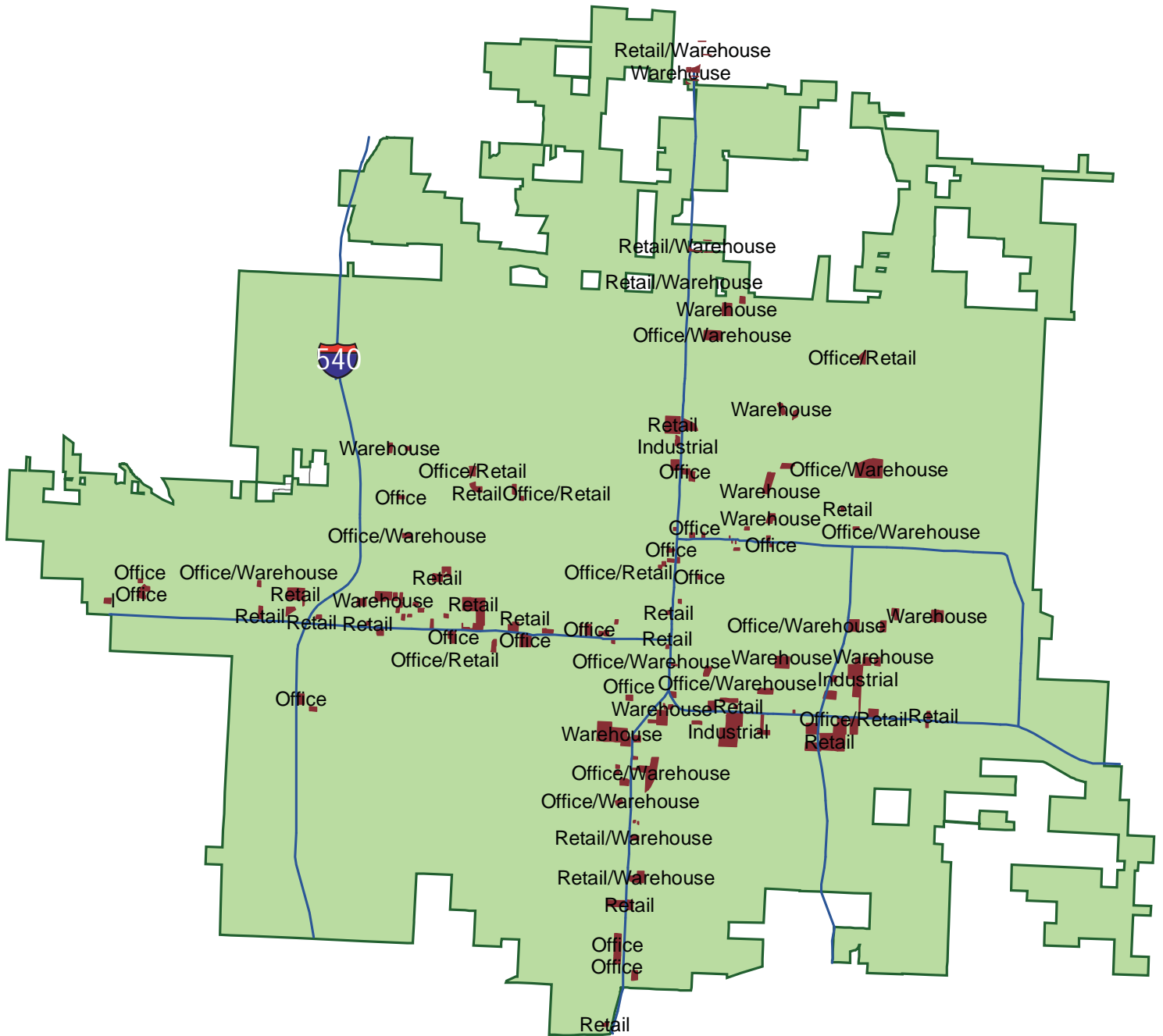
## West Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.07- \$15.46	103,714	12,999	12.5%	6,540	5,000	1,540	50.6
Office/Retail	\$13.90 - \$14.30	63,550	14,761	23.2%	1,500	0	1,500	59.0
Retail	\$12.00- \$13.00	408,604	31,650	7.7%	10,450	0	10,450	18.2

<sup>1</sup>From all 1H 2013 respondents

<sup>2</sup>From 1H 2013 respondents who were also 2H 2012 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 semi-annual basis, Center for Business and Economic Research staff members acquire databases containing listings of all real estate parcels within each county. The information contained in these databases is sorted by type and by size. In order to determine the population of commercial properties of interest, properties that do not meet the following minimum criteria are eliminated from consideration:

- Banks: 20,000 ft<sup>2</sup>
- Department Stores: 20,000 ft<sup>2</sup>
- Discount Stores: 20,000 ft<sup>2</sup>
- Industrial Buildings: 20,000 ft<sup>2</sup>
- Markets: 20,000 ft<sup>2</sup>
- Office Buildings: 5,000 ft<sup>2</sup>
- Medical Office Buildings: 5,000 ft<sup>2</sup>
- Retail Buildings: 10,000 ft<sup>2</sup>
- Community Shopping Centers: 5,000 ft<sup>2</sup>
- Neighborhood Shopping Centers: 5,000 ft<sup>2</sup>
- Warehouses: 20,000 ft<sup>2</sup>

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

The second source of data that helps comprise the Skyline Report is building permit

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

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. The Center for Business and Economic Research staff gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the first half of 2013, 234 panelists provided data on 1,645 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 1,645 properties and are assumed to be representative of the larger competitive commercial property market.

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

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

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

## **Classification**

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

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

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

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