




THE SKYLINE REPORT

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February 2010 Highlights

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Commercial Real Estate Market Summary
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Commercial Real Estate Market Summary for Benton and Washington Counties

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

Highlights from the Fourth Quarter of 2009

- In the second half of 2009, 49,140 square feet of competitive commercial property were added to the Northwest Arkansas market. About 7,520 square feet of the added space were new office space, 14,000 were new office/retail space, and 27,620 were new retail space.
- In the office market, there was negative net absorption of 141,333 square feet and the vacancy rate increased to 20.6 percent, accordingly.
- New retail space was added to the Bentonville and Fayetteville markets, while 79,337 square feet became occupied in Northwest Arkansas, netting a positive absorption of 57,717 square feet. As a result, the retail vacancy rate declined from 14.9 percent in the second quarter to 14.2 percent in the fourth quarter of 2009.
- Within the office/retail submarket, 2,509 square feet became occupied, while new space entered the Bentonville market. The vacancy rate increased to 22.6 percent in accord with the negative net absorption.
- During the second half of 2009, 13,900 square feet of office/warehouse market became vacant in Northwest Arkansas. The vacancy rate increased in accord with the absorption to 16.1 percent in the fourth quarter.
- The warehouse submarket experienced negative absorption of 21,428 square feet, while no new space was added. But, changes in ownership meant that the warehouse vacancy rate declined to 27.3 percent in the fourth quarter of 2009.
- From June to November of 2009, about \$17.7 million in commercial building permits were issued in Northwest Arkansas. Among these, \$9.2 million were for a skilled nursing home. In the same period in 2008, there were \$35.6 million in permits.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2008	19.0%	14.1%	19.1%	7.2%	22.4%	2.6%	14.8%	17.1%
Q2 2009	19.0%	17.6%	17.5%	8.4%	24.7%	4.7%	14.0%	18.6%
Q4 2009	19.0%	19.0%	18.7%	15.7%	28.7%	4.7%	12.2%	20.6%

Medical Office

Q4 2008	0.0%	15.1%	10.2%	0.0%	33.3%	2.8%	28.6%	17.7%
Q2 2009	0.0%	14.0%	10.9%	0.0%	33.0%	5.2%	22.0%	16.7%
Q4 2009	0.0%	16.5%	10.9%	0.0%	35.6%	5.2%	16.7%	17.1%

Office/Retail

Q4 2008	8.4%	20.2%	21.3%	38.4%	27.2%	31.0%	21.4%	22.0%
Q2 2009	7.2%	21.8%	20.8%	19.7%	29.7%	29.7%	18.5%	22.0%
Q4 2009	7.7%	24.3%	20.3%	19.7%	32.6%	29.7%	17.7%	22.6%

Office/Warehouse

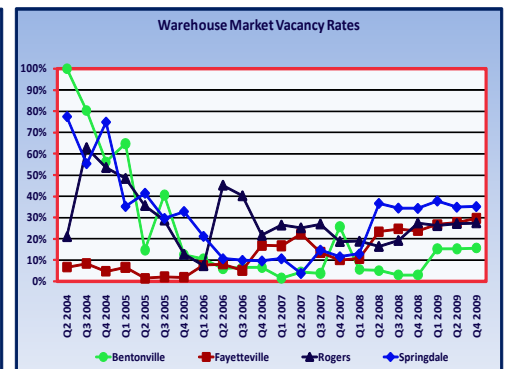
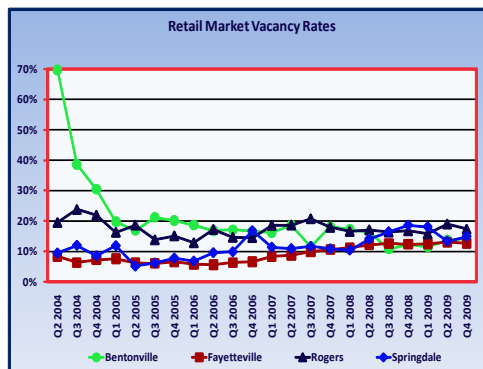
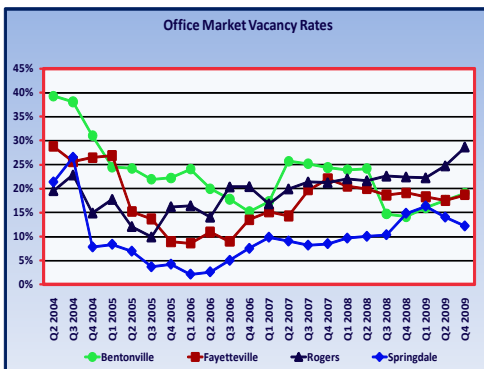
Q4 2008	--	8.6%	84.7%	0.0%	18.1%	65.8%	15.6%	16.5%
Q2 2009		11.0%	84.8%	1.8%	18.8%	65.8%	11.0%	15.4%
Q4 2009		11.7%	89.3%	1.8%	21.7%	65.8%	10.8%	16.1%

Retail

Q4 2008	0.0%	12.3%	12.4%	10.3%	16.8%	9.1%	18.6%	14.4%
Q2 2009	0.0%	13.7%	13.0%	15.2%	19.0%	8.3%	13.4%	14.9%
Q4 2009	0.0%	14.2%	12.6%	11.6%	17.3%	5.1%	14.9%	14.2%

Warehouse

Q4 2008	0.0%	3.1%	23.8%	2.8%	27.5%	71.1%	34.3%	27.5%
Q2 2009	0.0%	15.3%	27.7%	1.0%	27.2%	79.1%	34.9%	29.0%
Q4 2009	0.0%	15.7%	29.7%	0.7%	27.5%	58.9%	35.2%	27.3%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2008	2,200	418,386	421,557	18,721	407,039	2,144	109,532	1,379,579
Q2 2009	2,200	545,913	393,951	23,100	506,387	3,873	104,643	1,580,067
Q4 2009	2,200	594,304	425,245	43,100	632,674	3,873	90,651	1,792,047

Medical Office

Q4 2008	0	31,317	55,579	0	85,237	2,000	64,840	238,973
Q2 2009	0	29,067	60,122	0	85,237	3,729	49,766	227,921
Q4 2009	0	35,217	60,122	0	103,019	3,729	38,070	240,157

Office/Retail

Q4 2008	22,466	164,098	303,131	23,160	222,206	43,724	98,554	877,339
Q2 2009	19,970	181,535	304,036	12,910	258,567	43,724	91,785	912,527
Q4 2009	21,570	216,913	296,394	12,910	250,928	43,724	89,031	931,470

Office/Warehouse

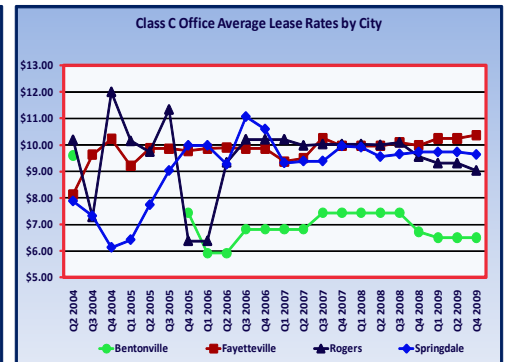
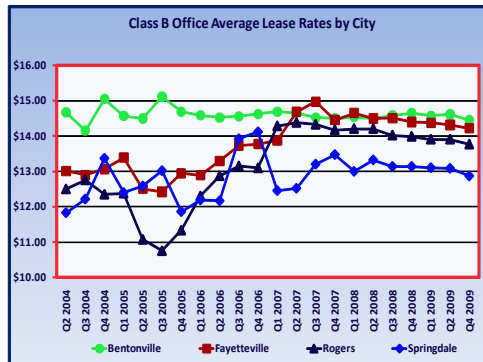
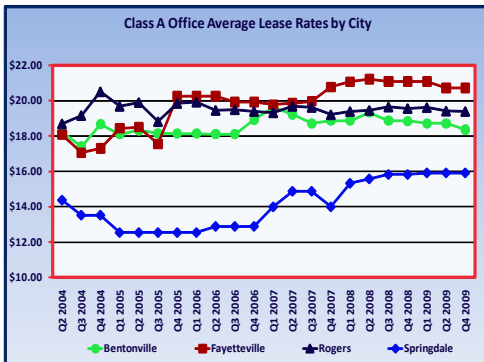
Q4 2008	--	103,805	102,181	0	86,056	70,007	202,399	564,448
Q2 2009	--	133,830	86,726	4,000	89,206	70,007	142,392	526,161
Q4 2009	--	145,230	91,326	4,000	103,206	70,007	140,692	554,461

Retail

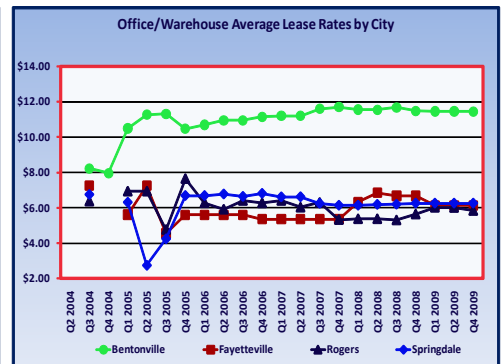
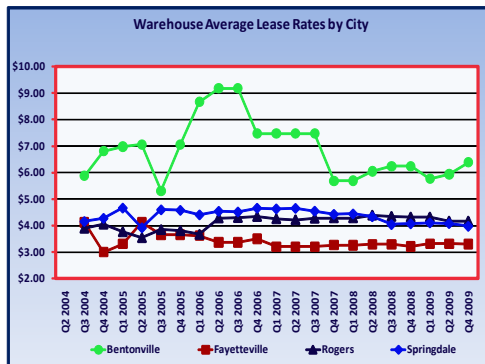
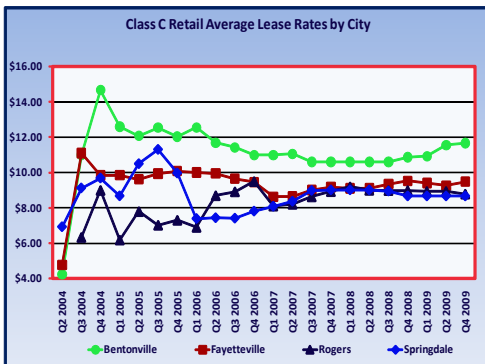
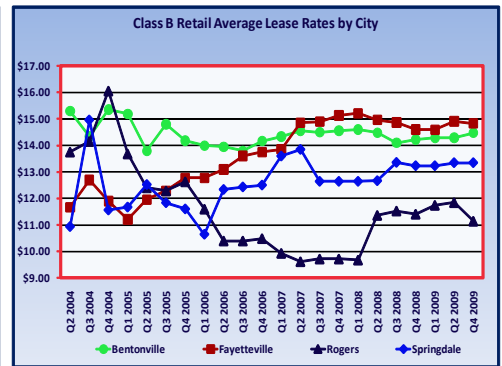
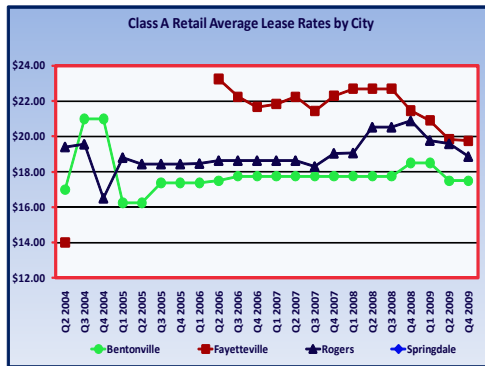
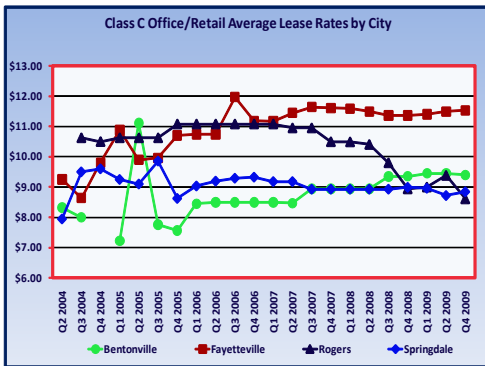
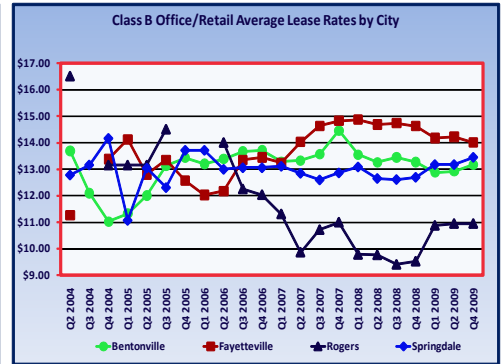
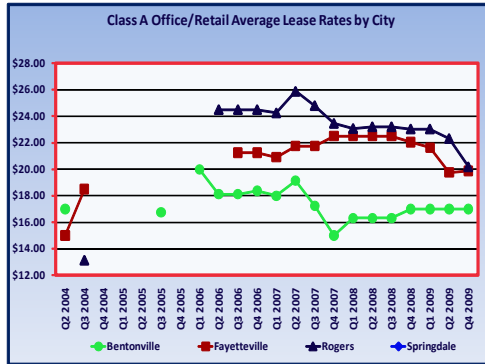
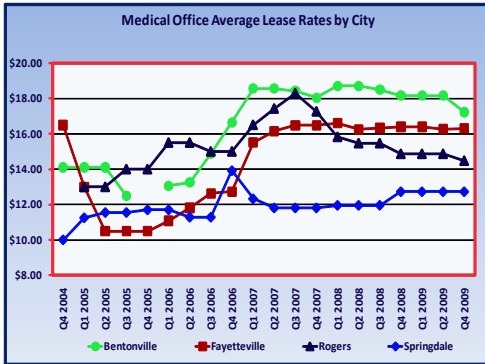
Q4 2008	0	48,565	375,144	13,100	395,384	27,003	170,043	1,029,239
Q2 2009	0	54,035	400,736	19,200	456,915	24,536	122,245	1,077,667
Q4 2009	0	58,046	401,576	14,600	426,935	15,268	136,585	1,053,010

Warehouse

Q4 2008	0	15,200	247,115	8,800	571,440	214,710	554,975	1,612,240
Q2 2009	0	75,800	299,056	6,750	580,842	330,843	596,189	1,889,480
Q4 2009	0	77,940	320,556	4,500	589,025	125,508	628,044	1,745,573



Commercial Market Trends



Net Twelve Month Absorption by Submarket Q4 2008 - Q4 2009

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	296	0	0
Bentonville	-76,027	-35,933	-8,392	-62,740
Fayetteville	4,603	-27,503	-44,476	-26,000
Lowell	-27,169	16,900	1,900	197,366
Rogers	-141,984	-14,111	-16,005	-61,853
Siloam Springs	-1,673	-4,450	20,035	0
Springdale	-16,501	-9,445	20,531	53,490
Northwest Arkansas	-258,751	-74,246	-26,407	100,263

