THE SKYLINE REPORT

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February 2011 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-fourth 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.

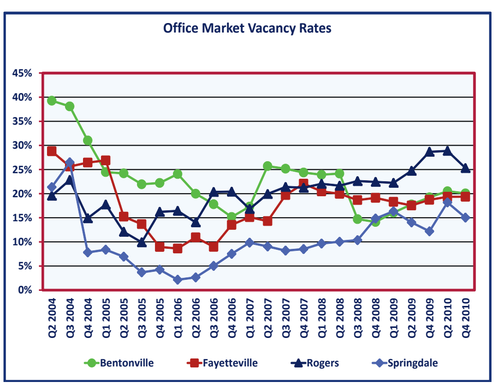
Highlights from the Fourth Quarter of 2010

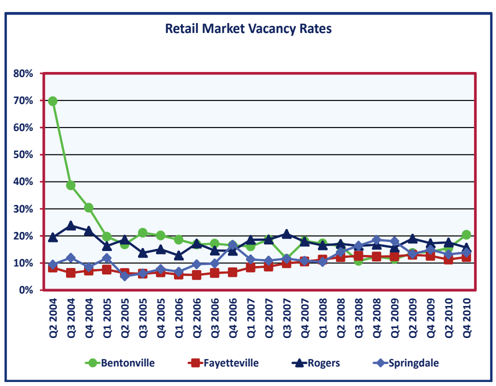
- In the second half of 2010, 387,877 total square feet of commercial space were absorbed. This is the first substantial level of total absorption since the third quarter of 2008.
- In the office submarket 142,414 square feet became occupied in Northwest Arkansas,with net positive absorption of 138,254 square feet. Every city except Siloam Springs had positive net office submarket absorption in the second half of 2010. Rogers had the greatest absorbed office space with 89,000 square feet. The office vacancy rate decreased from 21.9 percent in the second quarter of 2010 to 20.5 percent in the fourth quarter of 2010, in accord with absorption.
- In the office/retail market, there was positive net absorption of 76,114 square feet. Rogers led the way with 46,432 square feet of net absorbed office/retail space. The vacancy rate declined to 20.7 percent, accordingly.
- Within the retail submarket, 80,898 square feet became occupied, netting positive absorption of 63,299 square feet. Rogers had the most significant share with 53,303 square feet of net positive absorption. The Northwest Arkansas vacancy rate increased to 14.3 percent due to the repurposing of former owner-occupied space.
- The warehouse submarket experienced positive absorption of 80,155 square feet. Rogers led in this submarket with 94,080 square feet of net positive absorption. The Northwest Arkansas warehouse vacancy rate decreased slightly to 27.0 percent in the fourth quarter.
- A total of 21,759 square feet of competitive commercial property were added to the Northwest Arkansas market. Of the new space, 17,599 square feet were new retail space in Fayetteville, and 4,160 square feet were new office space, in Fayetteville.
- From June to November 2010, about $27.1 million in commercial building permits were issued in Northwest Arkansas. For comparison, there were $34.9 million in permits from December 2009 to May 2010.

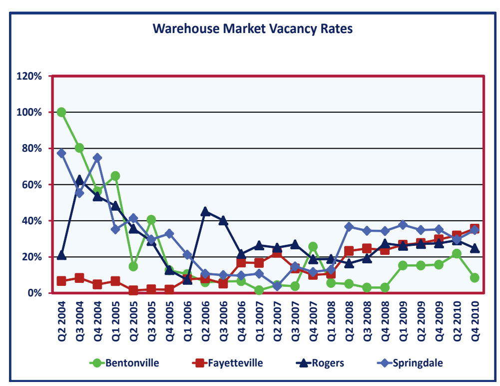
Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2009	19.0%	19.2%	18.7%	15.7%	28.7%	4.7%	12.2%	20.7%
Q2 2010	19.0%	20.5%	19.4%	17.7%	28.9%	5.3%	18.2%	21.9%
Q4 2010	17.3%	20.1%	19.4%	16.9%	25.3%	5.3%	15.0%	20.5%
Medical Office								
Q4 2009	0.0%	16.5%	10.9%	0.0%	35.6%	5.2%	16.7%	17.1%
Q2 2010	0.0%	9.2%	13.9%	0.0%	33.9%	5.9%	20.4%	17.2%
Q4 2010	0.0%	8.1%	13.8%	0.0%	32.2%	5.9%	20.3%	16.7%
Office/Retail								
Q4 2009	7.7%	24.3%	20.3%	19.7%	32.6%	29.7%	17.7%	22.6%
Q2 2010	8.6%	22.5%	19.9%	18.3%	31.1%	27.9%	21.5%	22.3%
Q4 2010	9.6%	21.3%	19.3%	18.3%	26.6%	14.2%	23.1%	20.7%
Office/Warehouse								
Q4 2009	--	11.7%	89.3%	1.8%	21.7%	65.8%	10.8%	16.1%
Q2 2010	--	11.2%	83.4%	86.5%	18.0%	65.8%	9.6%	20.2%
Q4 2010	--	9.6%	83.4%	86.5%	17.1%	65.8%	13.1%	20.7%
Retail								
Q4 2009	0.0%	14.2%	12.6%	11.6%	17.3%	5.1%	14.9%	14.2%
Q2 2010	0.0%	15.5%	11.3%	11.4%	17.6%	5.7%	13.2%	13.6%
Q4 2010	0.0%	20.4%	12.2%	12.5%	15.7%	16.8%	13.9%	14.3%
Warehouse								
Q4 2009	0.0%	15.7%	29.7%	0.7%	27.5%	58.9%	35.2%	27.3%
Q2 2010	0.0%	21.8%	31.9%	0.0%	29.2%	68.0%	29.6%	27.4%
Q4 2010	0.0%	8.5%	35.6%	0.0%	24.8%	68.0%	34.9%	27.0%







Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2009	2,200	594,304	425,245	43,100	632,674	3,873	90,651	1,792,047
Q2 2010	2,200	636,509	450,028	48,468	646,604	5,158	142,604	1,931,571
Q4 2010	2,000	628,781	459,695	46,416	584,672	5,158	117,818	1,844,540

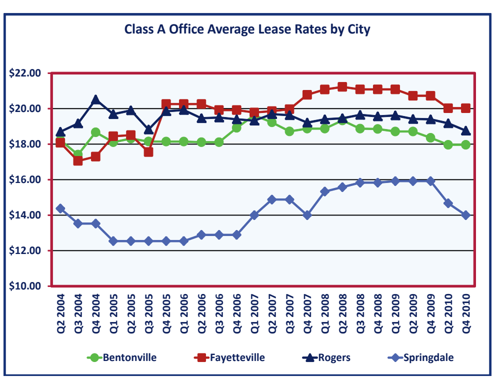
Medical Office								
Q4 2009	0	35,217	60,122	0	103,019	3,729	38,070	240,157
Q2 2010	0	20,600	79,636	0	98,019	5,014	46,528	249,797
Q4 2010	0	19,190	78,814	0	96,419	5,014	46,336	245,773

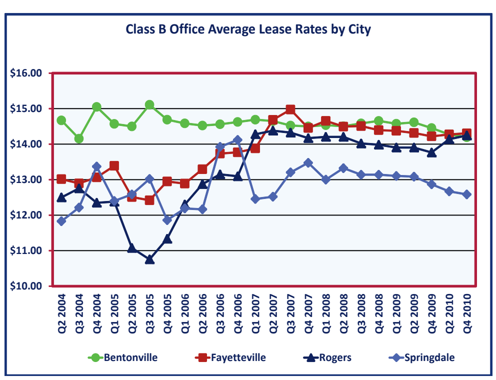
Office/Retail								
Q4 2009	21,570	216,913	296,394	12,910	250,928	43,724	89,031	931,470
Q2 2010	23,855	197,936	302,367	12,010	248,573	41,100	108,354	934,195
Q4 2010	26,655	192,015	291,405	12,010	207,485	21,200	116,240	867,370

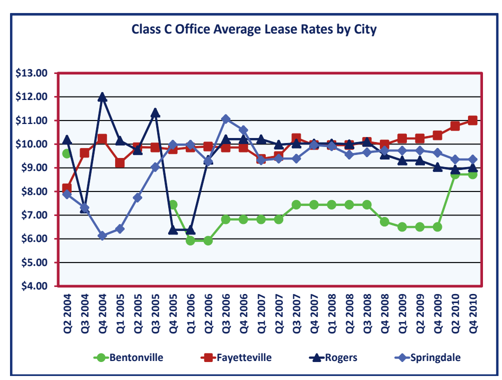
Office/Warehouse								
Q4 2009	--	145,230	91,326	4,000	103,206	70,007	140,692	554,461
Q2 2010	--	139,525	85,326	190,325	84,837	70,007	125,442	695,462
Q4 2010	--	120,955	85,326	190,325	83,902	70,007	170,209	720,724

Retail								
Q4 2009	0	58,046	401,576	14,600	426,935	15,268	136,585	1,053,010
Q2 2010	0	63,902	343,281	14,384	432,913	17,468	122,510	994,458
Q4 2010	0	95,314	378,636	15,809	392,690	59,700	131,594	1,073,743

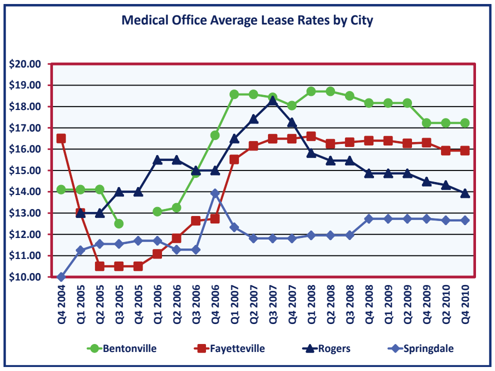
Warehouse								
Q4 2009	0	77,940	320,556	4,500	589,025	125,508	628,044	1,745,573
Q2 2010	0	108,250	350,556	0	628,370	144,738	533,128	1,765,042
Q4 2010	0	41,100	396,056	0	534,290	144,738	590,303	1,706,487

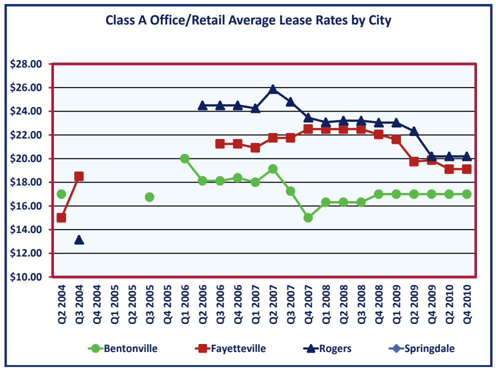


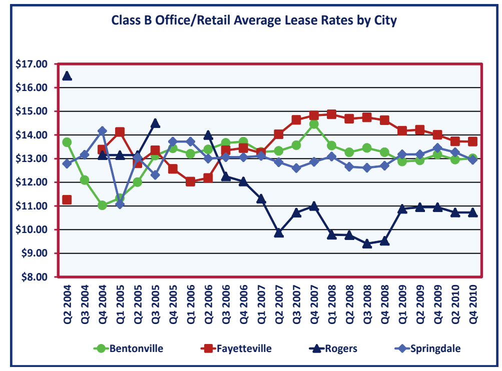


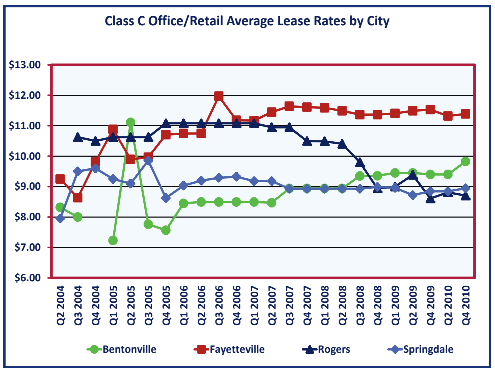


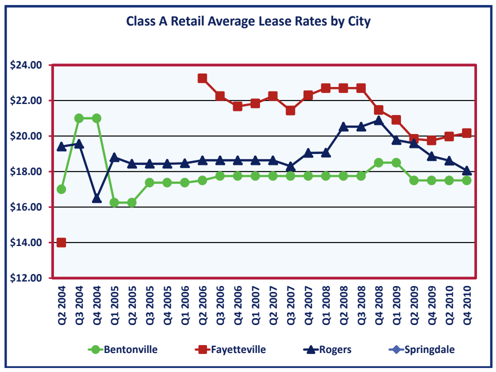
Commercial Market Trends

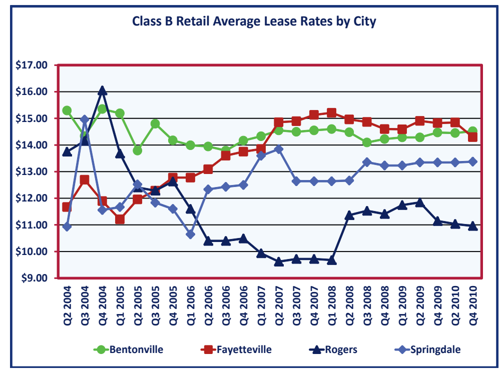


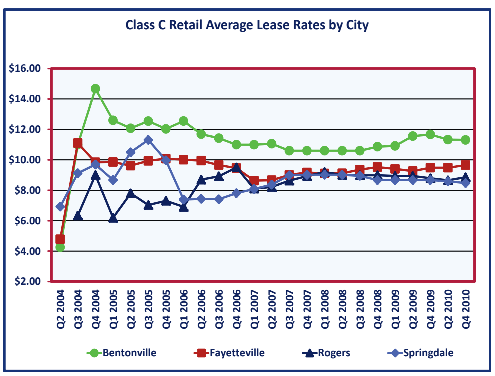


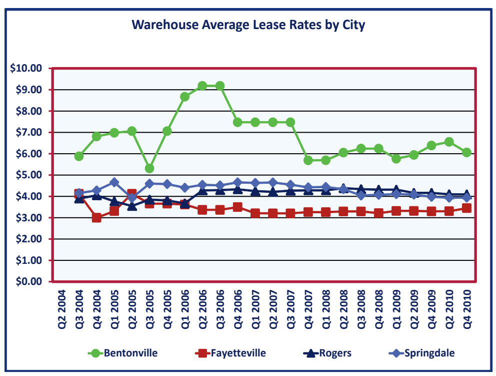


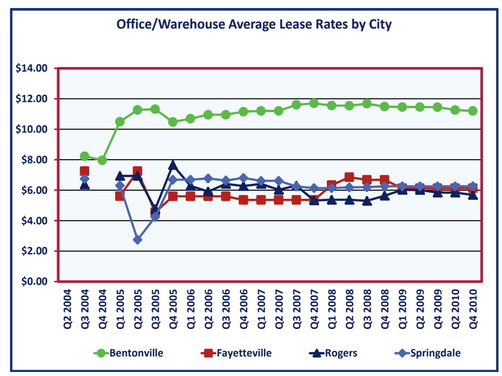












Net Twelve Month Absorption by Submarket Q1 2010 - Q4 2010

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	200	-5,085	0	0
Bentonville	-27,435	28,484	-13,068	33,440
Fayetteville	25,372	11,489	58,840	-55,500
Lowell	-3,316	900	-1,209	4,500
Rogers	75,070	56,259	59,172	66,139
Siloam Springs	-1,285	22,524	6,568	-19,230
Springdale	6,597	-27,209	23,395	87,741
Northwest Arkansas	75,203	87,362	133,698	117,090