



# 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-eighth 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.

### Second Half of 2012 February 2013

#### Contents

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

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#### Highlights from the Second Half of 2012

- In the second half of 2012, 1,306,921 total square feet of commercial space were absorbed, while 136,425 new square feet were added, netting positive absorption of 1,170,496 square feet in the Northwest Arkansas market and an overall vacancy rate of 15.9 percent.
- In the office submarket there was net positive absorption of 225,292 square feet, while 37,000 new square feet were added in the second half of 2012. The office vacancy rate decreased 2.6 percentage points to 15.3 percent.
- In the office/retail submarket, there was positive net absorption of 115,142 square feet in the second half of 2012. The vacancy rate declined to 15.4 percent in the fourth quarter of 2012 from 17.8 percent in the second quarter of 2012.
- Within the retail submarket, there was net positive absorption of 106,353 square feet, while 99,425 new square feet square feet entered the market in the second half of 2012, leading the Northwest Arkansas vacancy rate to decrease to 11.4 percent in the fourth quarter of 2012 from 12.4 percent in the second quarter of 2012.
- The warehouse submarket experienced positive absorption of 198,350 square feet in the second half of 2012. The Northwest Arkansas warehouse vacancy rate increased to 20.2 percent in the fourth quarter of 2012 from 19.9 percent in the second quarter of 2012, primarily due to some owner occupied space becoming available.
- The industrial, office/warehouse and retail/warehouse submarkets experienced 277,529, 120,801, and 121,292 square feet of net positive absorption, respectively, in the second half of 2012.
- From July to December 2012, \$40.0 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 fourth quarter 2012 numbers for total commercial property square feet and building permit data are presented. Within the total square feet table, a breakdown of property type by city is provided. Also, the square footage of competitive commercial property for which the 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 quarter, the announced data was examined particularly closely. Project locations were checked and developers were contacted regarding the projects from the previous Skyline report.

Following the tables of announced commercial projects, hotels, and restaurants is a trend summary that includes information about vacancy rate and available space trends. There are also three tables summarizing the results from the most recent quarters. The first table presents vacancy rates by submarket for the fourth quarter of 2011 and the second



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

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

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

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

# Economic Overview

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

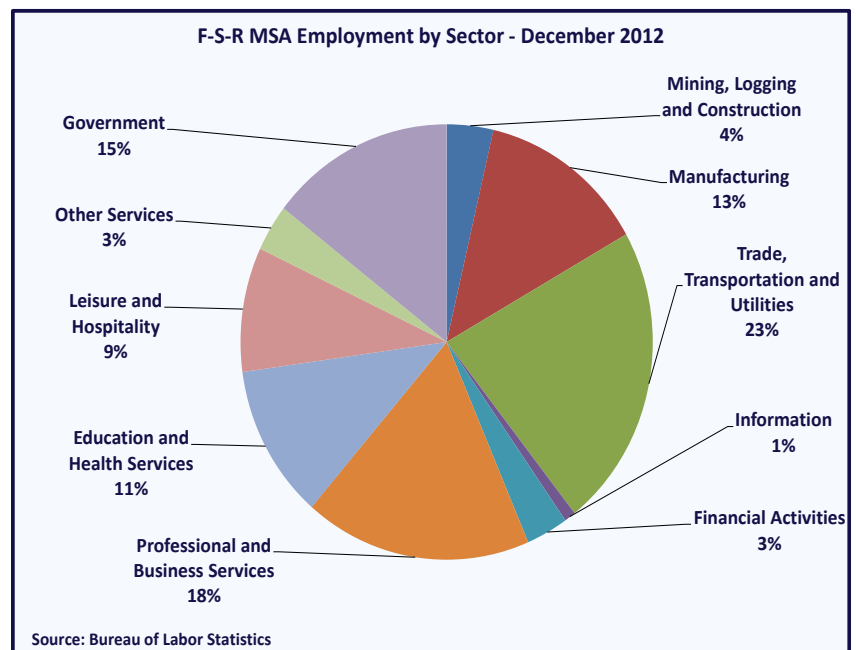
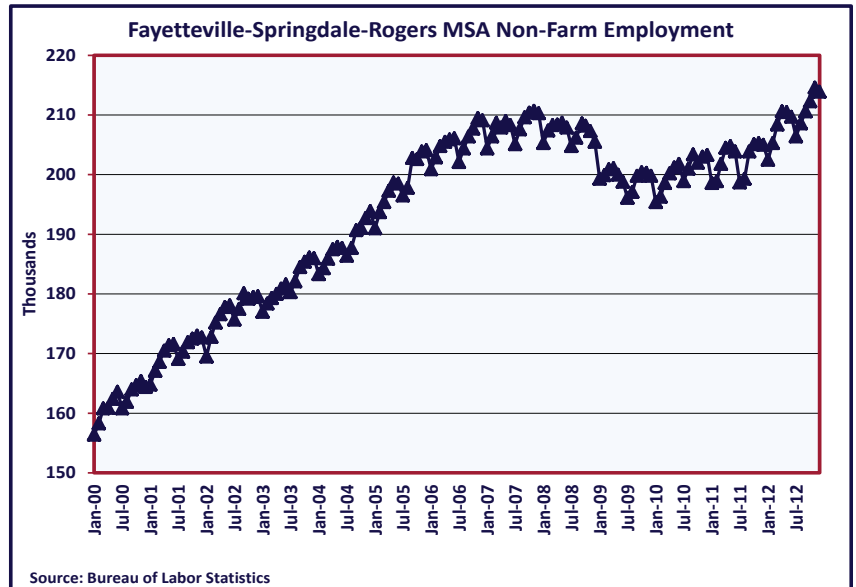
## Gross Domestic Product

In the fourth quarter of 2012 the overall real GDP growth rate was a negative 0.1 percent according to estimates released by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). The growth rate slowed from both a revised 3.1 percent in the third quarter of 2012, but increased from a revised 1.2 percent in the second quarter of 2012.

## Employment

The Northwest Arkansas employment situation has been extremely important to the commercial real estate market. The most recent employment data shows that employment in the Northwest Arkansas region reached a high of 228,876 in June of 2012 before slipping in December 2012 to 223,228. According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate in Northwest Arkansas was at a preliminary seasonally non-adjusted 5.1 percent in December of 2012. This is 0.6 percentage points lower than in December of 2011 and 0.6 percentage points lower than in June of 2012. The unemployment rate in Northwest Arkansas continues to be lower than both the state (7.1 percent) and nation (7.6 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 December 2012 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the



pie chart shows, trade, transportation, and utilities have the largest share of employment (23 percent) in Northwest Arkansas followed by professional and business services (18 percent), government (15 percent), manufacturing (13 percent), education and health services (11 percent), and leisure and hospitality (9 percent). The second figure (on the next page) shows the annual percentage change in the MSA's employment by sector

from December 2011 to December 2012. Total nonfarm employment increased by 4.3 percent during that time. Employment in other services, leisure and hospitality, education and health services, and professional and business services grew more quickly than 4.3 percent, while government, trade, trans-

# Economic Overview

portation, and utilities, mining, logging, and construction, and manufacturing grew more slowly. Financial activities and information employment were flat over the year.

## Consumer Price Index

According to the BLS the seasonally adjusted Consumer Price Index for all Urban Consumers (CPI-U) declined 0.3 percent from November to December 2012. Over the last 12 months, the all items index increased 1.7 percent before seasonal adjustments. The food index increased in December 2012, with both food at home and food away from home ticking upwards, the same as in November. The energy index decreased for the third consecutive month in December. Gasoline decreased for the third consecutive month in December, while energy services increased in each of the past three months, as electricity increased in all three months but natural gas decreased in October but increased in November and December. The index for all items less food and energy increased 0.1 percent in December 2012, the same increase as in November, and increased by 1.9 percent for the previous 12 months.

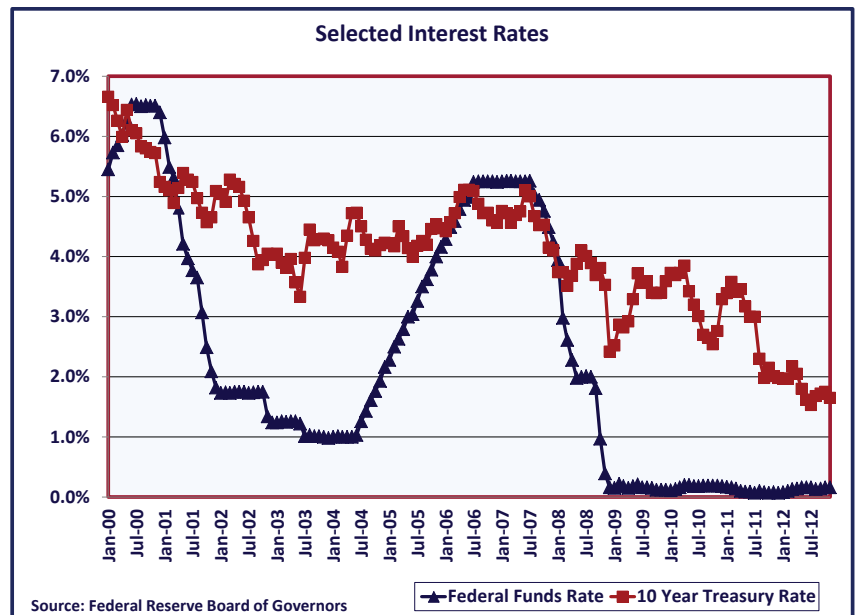
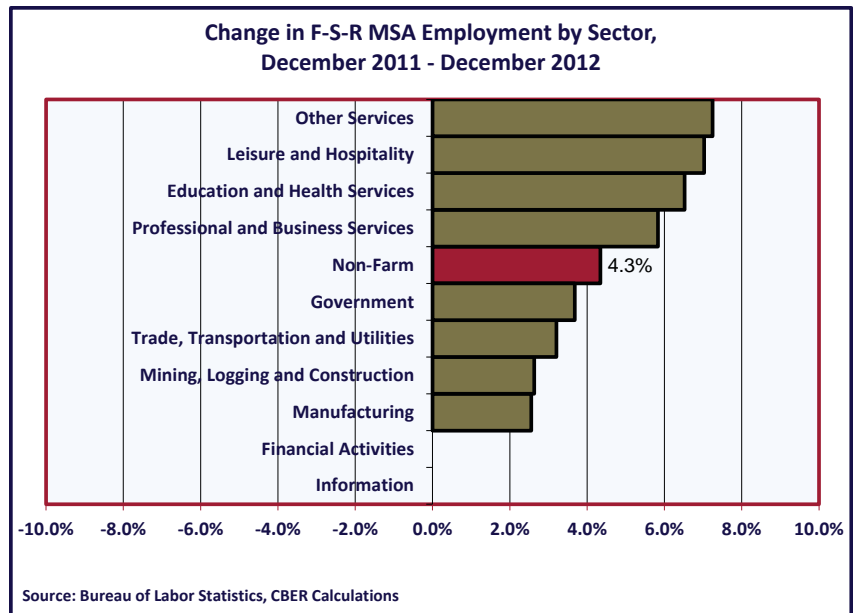
## Interest Rates

The Federal Funds rate averaged 0.16 percent in December 2012. This was the same as in November 2012, and June 2012, but an increase from the 0.07 percent rate in December 2011. The ten year constant maturity Treasury bill had an interest rate of 1.72 percent in December 2012. This was higher than both the 1.62 percent rate in June 2012, but lower than the 1.98 percent rate in December 2011. Low short-term rates continue to cause the positive spread between the ten year rate and the fed rate. The Federal Reserve Open Market Committee has not indicated any changes in the current easy money policy of keeping interest rates low. FOMC projections

for future inflation remain in the 1.5 to 2.0 percent range. The accompanying figure shows the Federal funds rate and the ten year Treasury bill rate since January 2000.

## Consumer Sentiment

The University of Michigan produces the Consumer Sentiment Index. The Index of Consumer Sentiment fell to 72.9 in December of 2012 from 82.7 in November of 2012. The December 2012 number was an increase from the 69.9 in December of 2011.





# Local Perceptions

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

Each report, Center for Business and Economic Research staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. Over the past several quarters the panelists have become increasingly open in expressing their thoughts and feelings on the issues, sometimes controversial, affecting Northwest Arkansas. The sense of optimism displayed during the last report period continued to grow during this quarter's conversations. Respondents generally reported believing that 2013 will continue the gains of 2012, with the caveat that there are not strong exogenous shocks to the national economy. As usual, the conversations were wide ranging discussions that included improvements in the commercial property leasing environment, segments that may be primed for expansion, as well as potential development locations for new commercial property, the growth in population at the University of Arkansas, the I-540 corridor in Rogers, Crystal Bridges, the downtown areas of Bentonville, Fayetteville, Rogers, and Springdale, and possible areas of job creation in Northwest Arkansas.

The continued growth in leasing commercial property was the root cause of the positive feelings held by most respondents. Many reported that 2012 was the best business year since before the economy was mired in the recession. Lease signings and building sales were reported to have increased significantly. Respondents continued to report that expansion of existing tenants was a strong driver for leasing, as well as some new firms entering the market and a normal amount of "churn". Lease terms appear to be getting longer again, and while rates are still coming down there is not the same pressure for free rent at the beginning of the lease term. Additionally,

several respondents reported that tenants are paying more TI, although that has also caused some deals to fall through as financing for TI appears to still be shaky as banks remain very cautious. The Class A office market inspires the most comments about potential new space, but most respondents remain cautious about building speculatively. Additionally, several Benton County developers are very cognizant of the strength of the Hunt Ventures developments in the Pinnacle area, and hesitate to compete at this point in time. However, that said, some respondents are making conceptual plans, and actively trying line up tenants for pre-leasing. An impromptu survey of respondents indicates they feel Benton County can support an additional two 50,000 to 60,000 square foot office buildings besides what is under construction and planned for in the Hunt Ventures developments. The other areas mentioned for potential development are much closer to the Walmart home office. An interesting idea was raised by a few respondents that there may be a growing demand for new high quality warehouse space, but prices need to rise to close to \$3.75 a square foot in order for it to be profitable for developers. Comments about development in Fayetteville still revolve around the perceived problems of working with the local government. These comments include statements about Fayetteville being over-regulated, as well as the implementation of existing regulations by city staff. However, the building of the flyover on College Avenue was considered a positive step that could lead to more growth in the Mall area.

The completion of the Grove and the ongoing construction of The Domain, Sterling Frisco, and The Vue serving the growing student population sparked a lot of conversation about the increasing number of beds and units in Fayetteville. Respondents in general were pleased with the construction as it boosts the local industry as well as indicates that there will be more consumers, students as well as faculty and staff, living in the Fayetteville area. Nonetheless there was also concern that the multifamily market in Fayetteville

is about to be overbuilt, even though most respondents are not directly involved in the multifamily market. Some respondents expressed concern about the impact on the local rental housing market, which, anecdotally, has extremely low vacancy rates. Respondents who are involved in the Benton County residential rental market see no impact, however. Some of these conversations also segued into comments about how difficult it is to develop in Fayetteville unless the project is of a certain scope (Academy Sports; The Grove). A few respondents felt that smaller business people and developers were at a disadvantage in Fayetteville due to this perceived lack of respect. Respondents did not feel this attitude was shared in the Bentonville, Rogers, or Springdale city governments, by elected officials or city staff.

The continued growth and development in the I-540 corridor remains a focus of respondent's strategic plans for the future. Hunt Ventures continues to build out their properties on both sides of the freeway; Tom Hopper is expanding Scottsdale across Walnut. Other respondents are calculating where and when they can build as they perceive continued growth and demand for both office and retail space, while competing with these strong developers. Most respondents believe that the I-540 area in Rogers will continue to be the brightest office and retail development area in Northwest Arkansas for the foreseeable future.

The overwhelming success of Crystal Bridges also inspires respondents considering development plans for the future. Downtown Bentonville is already directly benefiting from the Crystal Bridges boom, and respondents universally feel the future will see continued redevelopment and growth. Respondents are actively considering locations and types of commercial developments that could benefit from the synergies being created in the downtown area. Respondents also discussed the continued success of the redevelopment efforts in downtown Rogers as paving the way for continued future growth

# Local Perceptions

there. With respect to downtown Fayetteville respondents believe that the strong growth by the University of Arkansas will lead to additional demand for space and reinvestment funds there as well. The potential for Springdale's downtown was looked at least favorably during this report period, but with the caveat that a redevelopment plan had not yet been made clear.

Potential areas of job creation remain an important thought for the respondents. Some believe that Northwest Arkansas may be seeing increasing numbers of tech jobs, for Walmart support, and with other firms such as HP, Infosys, and rumors of Vizio entering the market, among other comments. Hints of potential manufacturers were heard again, but not as strongly as the previous reporting period. Respondents feel the hospitality and tourism sector will remain strong but they do wonder about how much growth in absolute numbers will be gained here. In the Fayetteville market discussions of job growth remain very closely linked to the University of Arkansas' continued growth. Respondents still do not see a very strong effort on the part of local government to do more to facilitate job creation in Fayetteville.

The tone of the conversations in this report period continued to be more positive than the conversations preceding them. The respondents feel that the Northwest Arkansas economy has strong growth potential moving into 2013, and they do not feel it is beneficial to sit on the sidelines, so to speak, and not take advantage of the opportunities that are being presented. As always, the fundamental drivers of Northwest Arkansas: Walmart and the Walton Family, the University of Arkansas and the education sector, J.B. Hunt, Hunt Ventures, and the transportation sector, and Tyson Foods and the food industry sector provide respondents a strong sense of stability for the region. Looking into the future the hospitality and medical sectors, as well as sustainability technology, 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. Walmart, 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.
4. Concern over the commercial lending situation.

# Inventory and Building Permits

## Categories of Commercial Properties

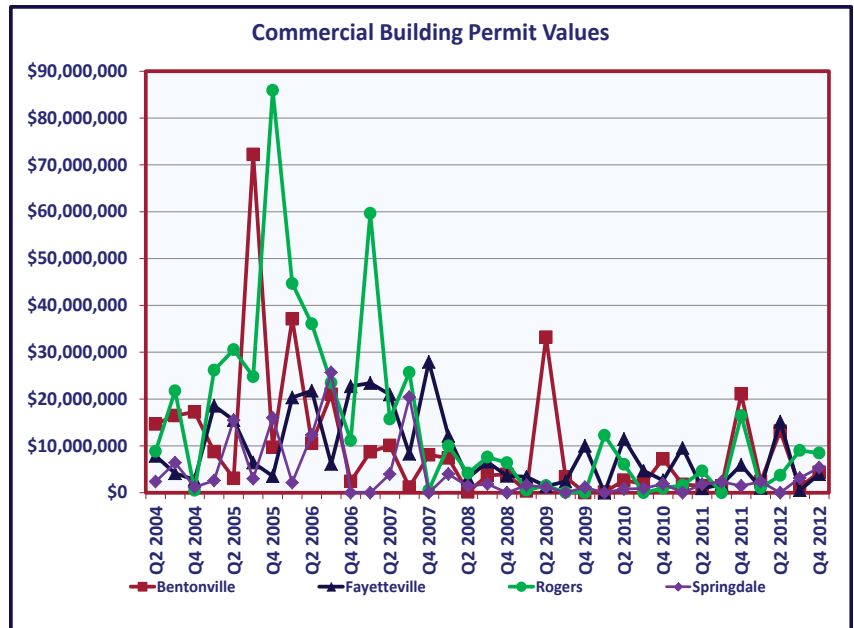
The Northwest Arkansas commercial market is divided into eight major categories of space:

1. Lab – a workplace for conducting scientific research;
2. Industrial—space that is appropriate for the manufacturing of goods;
3. Office—space where business professionals work;
4. Office/Retail—space that can be configured as either office or retail space or both;
5. Office/Warehouse—space that can be configured as either office or warehouse space or both;
6. Retail—space where goods and services can be offered and sold to the public;
7. Retail/Warehouse—space where goods and services can be offered, sold, and stored;
8. Warehouse—space where goods can be stored until distributed.

Further, analysts at the Center for Business and Economic Research have classified individual office, office/retail, and retail buildings into three categories: Class A, Class B, and Class C. A description of the methodology used to classify buildings is included at the end of this report. Class A space is the highest quality space available in the Northwest Arkansas market. Class B properties encompass a wide range of spaces, which have lease rates that cluster around the market average. Finally, Class C space describes properties that have sub-average lease rates and amenities.

## Local Commercial Property Inventory and Building Permit Data

The table on the following page presents the total competitive commercial property inventory in Northwest Arkansas that meets minimum square footage requirements (a



complete list of these criteria is included on page 54) as of December 2012. For the fourth quarter of 2012, the Skyline Report covered 94.5 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-three 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 July through September 2012, there were almost \$16.0 million in commercial building permits issued in six major cities in Northwest Arkansas. From October through December 2012, just over \$25.0 million in

commercial building permits were issued. In the first two quarters of 2012, these amounts were over \$7.5 million and almost \$32.0 million, respectively. In the third quarter of 2012, Rogers accounted for 56.5 percent of the commercial building permits (about half of which was Hunt Ventures activity), while Springdale, Siloam Springs, Bentonville, and Fayetteville accounted for 19.5, 13.0, 7.6, and 3.4 percent, respectively. In the fourth quarter of 2012, Rogers accounted for over 33.9 percent (about 90 percent being Hunt Ventures activity) of the commercial building permits. Springdale, Bentonville, Fayetteville, Siloam Springs, and Bella Vista accounted for 21.5, 17.3, 15.8, 7.2, and 4.3 percent, respectively.

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

# Inventory

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 quarter. Project locations were checked and developers were contacted regarding the projects from the last Skyline report. The conceptual category means that

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

Following the announced properties table is a list of the existing hotel properties in Northwest Arkansas, detailed by city. In the fourth quarter of 2012, with the opening of the 21c Museum Hotel in Bentonville

and The Chancellor in Fayetteville, there were 6,469 standard rooms and 2,138 suites in Northwest Arkansas. Bentonville has the most standard rooms with 1,761 while Fayetteville has the most suites with 409. Additionally, graphs that describe the development of hotels in Northwest Arkansas over time, are provided below the hotels list. Announced new hotel properties are detailed.

## Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial <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	3,892,442	1,032,834	1,685,052	6,717,684	6,751,609	100.5%
Fayetteville	775,079	3,341,236	4,072,705	1,778,270	9,967,290	9,726,340	97.6%
Lowell	101,970	315,837	172,208	949,348	1,539,363	1,504,457	97.7%
Rogers	439,006	2,529,973	4,183,059	2,444,295	9,596,333	9,280,842	96.7%
Siloam Springs	329,942	195,261	692,789	335,615	1,553,607	1,220,758	78.6%
Springdale	1,419,426	1,468,161	2,225,795	2,617,114	7,730,496	6,565,339	84.9%
Northwest Arkansas Total	3,172,779	11,872,834	12,518,070	9,900,658	37,464,341	35,385,750	94.5%

<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
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	2013
Shewmaker Family Center	Bella Vista	Mercy Health System	Medical	30,000	Fall 2013
Sisters of Mercy Multispecialty Clinic	Bella Vista	Sisters Of Mercy Health Systems	Medical		Conceptual
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	Conceptual
Archer Business Park	Bentonville	Wayne and Victoria Martin	Retail	20,000	Conceptual
Bentonville Commercial Building	Bentonville		Commercial	50,000	Conceptual
Bentonville Plaza	Bentonville	FBE Limited LLC	Commercial	50,000	Conceptual
Circle of Life Hospice House	Bentonville	Circle of Life	Medical	40,000	March 2013
Crossmark Center	Bentonville	Crossmark	Office	18,500	Delayed
Four Star Auto	Bentonville	Four Star Auto	Commercial	2,800	Done
Harp's	Bentonville	Harps	Retail	37,000	Spring 2013
Harp's	Bentonville	Harp's	Retail	37,460	Spring 2013
Industrial Technology Park	Bentonville		Industrial		Conceptual
Lakeside Center	Bentonville	Bob Hopmann	Office	67,000	Conceptual
Lander's McClarty Pre-owned	Bentonville	Landers McClarty	Retail	11,720	Conceptual
Midtown Center	Bentonville	Wal-Mart Stores Inc	Office/Retail	60,000	2014
Mid-Town Neighborhood Wal-Mart	Bentonville	Wal-Mart Stores Inc	Retail	31,000	2014
Neighborhood Wal-Mart & Uptown Cntr	Bentonville	CEI Engineering	Retail	40,000+	Conceptual
Northwest Medical Center	Bentonville	Northwest Medical Center	Medical	14,000	Done
Norwalk Juicers	Bentonville		Commercial	30,000	
Octopus Messaging Building	Bentonville	Heather Wegner	Commercial		
Outdoor Cap	Bentonville	Paul Mahan	Office	37,758	Done
Pate Family Dentistry	Bentonville	Pate Family Dentistry	Medical	5,797	Done
Roth Granite Shop	Bentonville	Roth Family	Manufacturing	16,000	Done
SDI Realty Retail Development	Bentonville	SDI Realty	Retail	6,500	Conceptual
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		Conceptual
Unnamed Office Building	Bentonville		Office	50,000	Conceptual
Unnamed Office Building	Bentonville		Office	20,000	Conceptual
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000	Conceptual
Walmart Neighborhood Market	Bentonville	Walmart	Retail		Conceptual
Academy Sports	Fayetteville	Vista ASO	Retail	71,000	Done
Arvest Bank	Fayetteville	Arvest Bank	Bank	6,000	2013
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	Early 2013
Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	Conceptual
My Dentist	Fayetteville	My Dentist Complete Care Dentistry	Medical Office	3,000	Done
Planet Fitness	Fayetteville	Charles Plummer	Retail	20,000	Early 2013
PreSchool	Fayetteville		Preschool	15,508	Done
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	Conceptual
Shoppes at the Bluffs	Fayetteville	Mathias Properties	Retail	46,519	Conceptual
Veterans Hospital Expansion	Fayetteville	Vet. Health Care Sys. of the Ozarks	Medical Facility	158,466	Done
Atwood's	Lowell		Retail		
Central Research Inc	Lowell	Johnny and Scott Dillard	Office		
Midpoint Exchange Business Park	Lowell	Sage Partners	Commercial		Conceptual
Ward Park Senior Center	Lowell	Area Agency on Aging	Senior Center	5,050	Done
Cabela's	Rogers	Cabela's	Retail	106,762	Done
Cabela's Storage Facility	Rogers	Cabela's	Retail	4,000	Done
Casey's General Store	Rogers	Casey's Marketing Co	Retail	4,346	
Casey's General Store	Rogers	Casey's Marketing Co	Retail		
Casey's General Store-Olive	Rogers	Casey's Marketing Co	Retail	4,000	Done

# New Commercial Projects

## Announcements of New Commercial Projects (Cont.)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Casey's General Store-Pleasant Grove	Rogers	Casey's Marketing Co	Retail	4,000	Done
Centre Point	Rogers	CRE	Retail	18,285	Delayed
Club Tan	Rogers		Retail		
Commercial Development	Rogers	HBH Holdings	Commercial		
Core Development Office Building	Rogers	Tim Graham jr	Office	22,000	
Dollar General	Rogers	Dollar General	Retail	1,200	Done
Gateway Plaza	Rogers	Flake-Kelley	Commercial	39,600	Conceptual
Habitat for Humanity Restore	Rogers	Habitat for Humanity	Commercial		
Harding University	Rogers	Harding University	Office	15,000	Early 2013
Harp's	Rogers	Harp's	Retail	32,000	Conceptual
Highroller Cyclery	Rogers	Highdollar LLC	Commercial		
Janus VI	Rogers		Office		
Metropark Office Building	Rogers	Hunter Haynes & Sage Partners	Office	60,000	Conceptual
MetroPark Retail Building	Rogers	Hunter Haynes & Sage Partners	Retail	47,000	Conceptual
Nestle Southern Hills Office	Rogers	Nestle	Office	12,970	
Nursing Facility	Rogers	Emeritus Co.	Medical		Conceptual
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	Conceptual
Pinnacle Heights II	Rogers	Hunt Ventures	Office	60,000	2013
Pinnacle Heights II	Rogers	Hunt Ventures	Office	60,000	Conceptual
Pinnacle Springs Business Office	Rogers				
Pinnacle Summit Park	Rogers		Commercial	50,000	Conceptual
Prairie Creek Center	Rogers	Mathias Properties	Retail	51,279	Conceptual
Promenade Retail Building	Rogers	Hunt Ventures	Retail	7,100	2013
Promenade Retail Building	Rogers	Hunt Ventures	Retail	7,300	Done
Promenade Retail Building	Rogers	Hunt Ventures	Retail	10,450	2013
Sam's Club Layout Center	Rogers		Office	220,000	Conceptual
Scottsdale Center, Phase VI, Bld 1	Rogers	Tom Hopper	Retail	60,798	January 2013
Scottsdale Center, Phase VI, Bld 2	Rogers	Tom Hopper	Retail	48,041	Conceptual
Scottsdale Center, Phase VI, Bld 3	Rogers	Tom Hopper	Retail	21,965	Conceptual
Shoppes at Center Point	Rogers		Commercial		Conceptual
Sisters of Mercy Primary Care Office	Rogers	Sisters Of Mercy Health Systems	Medical		Conceptual
Towmate	Rogers		Industrial		Done
Violin Studio and Repair Shop	Rogers	SMEK LLC	Retail		Conceptual
Walnut Crossing	Rogers	Greg House	Commercial	50,000	Conceptual
Crye-Leike Office	Sil. Springs	Crye-Leike Realtors	Office	6,500	Conceptual
Holly Street Crossing	Sil. Springs	Ted Viala	Commercial		Conceptual
Siloam Springs Hospital	Sil. Springs	Community Health System	Hospital	95,000	2013
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		
Chandler Warehouse	Springdale	Chandler Equipment	Warehouse	39,000	
Edwards Commercial Building	Springdale	Joe Edwards	Commercial		Conceptual
Kum and Go	Springdale	Kum and Go	Retail		Done
Kum and Go	Springdale	Kum and Go	Retail	5,000	Done
Love's Travel Center	Springdale	Love's	Retail		
Northwest Medical Center Expansion	Springdale	Northwest Medical Center	Hospital	30,000	Early 2013
Northwest Technical Institute	Springdale	NTI	School	31,000	
Owen's Optometry	Springdale		Medical		
Walgreens	Springdale	Sansone Group	Retail	13,200	Done
Walmart Supercenter	Springdale	Walmart	Retail	180,000	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

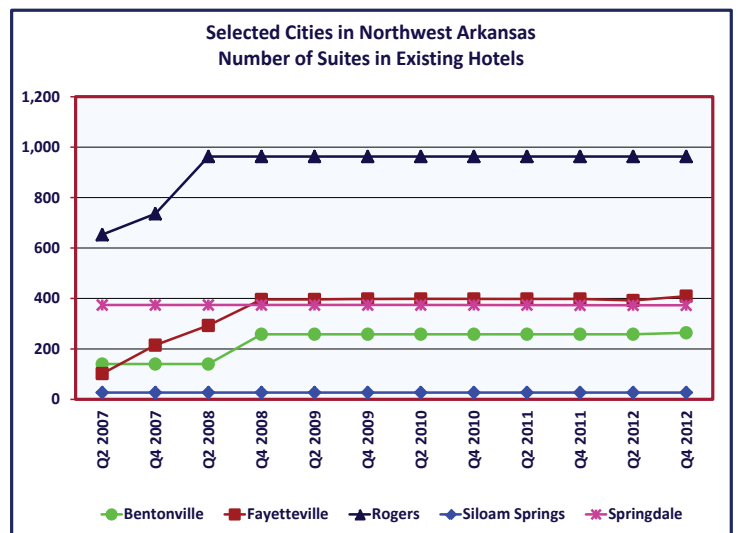
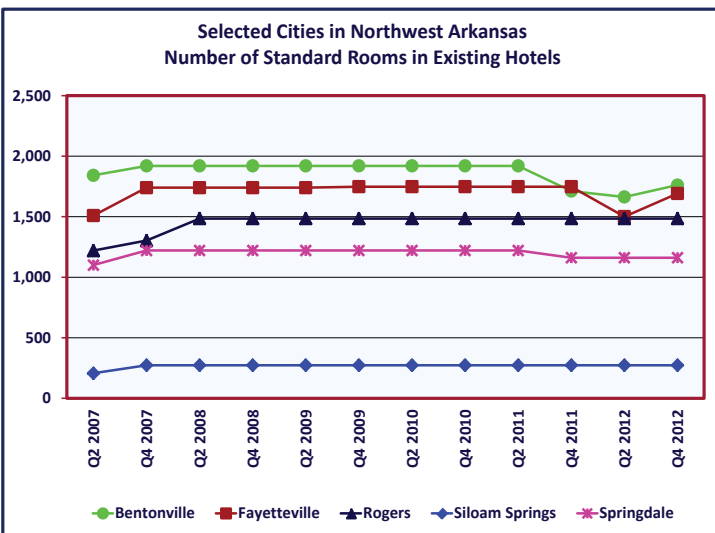
# Hotels

## 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
21c Museum Hotel	Bentonville	Steve Wilson and Laura Lee Brown	104	Done
Sheraton Bentonville Plaza	Bentonville	Starwood Hotels & Resorts Worldwide	234	Delayed
Four Points by Sheraton	Bentonville	Sree Akshar Inc	105	2013
The Chancellor	Fayetteville	Southwind Hospitality Holdings	208	Done
Hilton Gardens Inn	Fayetteville	Krushiker Hospitality Group	115	
The Dickson	Fayetteville	Ted Belden	16	Delayed
Horsebarn Tower Hotel	Rogers	FAE Horsebarn SPE LLC	144	Delayed
Sunday Partners Hotel	Rogers	Sunday Partners	--	--
Best Western	Springdale	Tom Bhakta	70	--
Microtel	Springdale	--	--	Delayed



# Restaurants

## Announced Coming Restaurants

Property Name	Location (City)	Owner	Expected Completion
Acoustic Mud	Bella Vista	David and Rene Oliver	Done
Coffe Shop and Ice Cream Parlor	Bella Vista	Roger Gildehaus	--
Paradise Donuts	Bella Vista	Toni Hinrichs	Done
Jason's Deli	Benton County	Bourke Harvey	--
Blaze'n Burrito	Bentonville		Done
Catfish Hole	Bentonville	Pat Gazzola	2013
Chik-fil-A	Bentonville		Done
Clarke's Steaks	Bentonville	Clarke Family	Done
Curry Point Indian Cuisine	Bentonville		Done
Dickey's Barbecue Pit	Bentonville	Jared Thompson	--
Hive	Bentonville	Steve Wilson and Laura Lee Brown	Spring 2013
Italian Restaurant	Bentonville	Kunal Mody	2013
Maid-Rite	Bentonville	Doug and Holly Clayton	Done
Marco's Pizza	Bentonville		Done
Metro Italiano	Bentonville	Carlos Calderone	Done
Muscle Maker grill	Bentonville	Donald Potvin	Done
Nola's	Bentonville	Lou Rice	Done
Pho Tanh	Bentonville		Done
Rose Properties Restaurant	Bentonville	Larry Rose	
Silver Joe's Coffee Co.	Bentonville		Done
VT	Bentonville	Nancy Hall	Done
Which Wich	Bentonville	Which Wich Co	Done
Shipley Do-Nuts	Centerton	Roy Smith	Done
McDonald's	Elkins	Matthew's Management	Done
Red Hen Bakery and Café	Elm Springs	Nan Payne	Done
Country Kitchen Café	Evansville	Connie Patterson	Done
Coffee Creations	Farmington		Done
Gabriela's Mexican Grill	Farmington		2013
Mandalay Asian Cuisine	Farmington		Done
Andy's Custard	Fayetteville		Summer 2013
Apple Blossom Brewing Co.	Fayetteville	E. McDonald, A. Schaffer, S. Stephanson, J. Utsch	Summer 2013
AquaFire	Fayetteville	Gerald McGuffin and Sherri Simpkins	Done
Arsaga's Café	Fayetteville	Cary and Cindy Arsaga	Done
Ay Caramba	Fayetteville		Early 2013
Brickhouse Kitchen	Fayetteville		Done
Bugsy's	Fayetteville	Christopher and Sarah Vargas	Done
Burger Patti	Fayetteville	Gade Doise	Done
Burger Shack	Fayetteville		Early 2013
Chuy's	Fayetteville	Mike Young and John Zapp	--
CoCo's Lebanese Café	Fayetteville	Genoveva Ancer	Done
Dickey's Barbecue Pit	Fayetteville	Jared Thompson	--
Firehouse Subs	Fayetteville	Forest Hills Development	--
Green Submarine Espresso and Sub Shop	Fayetteville	Nathan Jendeski	Done
Hawaiian Brian's	Fayetteville	Mike Holmbeck	Done
Kobe Hibachi Grill and Sushi	Fayetteville	Soonae C. Lee	Done
Krystal Burger	Fayetteville	Krystal Burger	--
Maid-Rite	Fayetteville	Lisa and Rod Calhoun	Delayed
Nomads Natural Plate	Fayetteville	Jeremy Brown	Done
Panda Express	Fayetteville	Panda Restaurant Group	2013
Park's Purity Pie Co.	Fayetteville	Shannon Strickland	Done
Phoebe's Treats	Fayetteville	Phoebe Hunt	Done
Ruffino's Mexican Restaurant	Fayetteville	Ruffino Family	Done
Starbucks	Fayetteville	Kathy Ball	Delayed
Starbucks-MLK	Fayetteville	Bryan Hunt	Done



# Restaurants

## Announced Coming Restaurants (Cont.)

Property Name	Location (City)	Owner	Expected Completion
Starbucks-MLK	Fayetteville	Bryan Hunt	Done
Sumo Sushi and Steak	Fayetteville		Done
Taste Bar and Grill	Fayetteville		Done
The Citizen	Fayetteville	Lane Coleman, Knox McCorquodale, Wilson Wood	Delayed
Too Cool Frozen Yogurt	Fayetteville	Kevin Mitchell	Done
Z's Brick Oven Pizza	Fayetteville	Kelsey McClain and Zac Painter	February 2013
8 Eighty BBQ	Gentry		Done
Bliss Cupcakes	Rogers	Lacey Carney	Spring 2013
Dickey's Barbecue Pit	Rogers	Jared Thompson	2013
Egg and I	Rogers	Egg and I	Early 2013
Grub's Bar and Grill	Rogers		2013
Houlihan's	Rogers	Houlihan's	Done
Jimmy Johns	Rogers		Done
Krystal Burger	Rogers	Smitco Eateries	Delayed
Longhorn Steakhouse	Rogers	Darden Restaurants	2013
Mojitos	Rogers	John Montes	Early 2013
Panda Express	Rogers	Panda Restaurant Group	Done
Soul Grill	Rogers	Rich Creyer, Michael McNamara, John Mullins, Stephan Parker	Done
Starbucks	Rogers		Done
Taqueria El Bajo	Rogers		--
Little Caesars	Siloam Springs		Done
McDonald's	Siloam Springs	Matthew's Management	Conceptual
Taquaria Paraiso	Siloam Springs		Done
Ana Marie's Bakery	Springdale		--
Dickey's Barbecue Pit	Springdale	Randon Arney	Delayed
El Cazador	Springdale	Herminio and Norna Cortes	Done
Fedele's Pizza	Springdale		Done
Flap's Down Grill	Springdale	Bill Adams	Done
Japanese Thai Sushi	Springdale		Spring 2013
Lili's Pizza	Springdale		Done
Mary Maestri's	Springdale	Daniel Maestri	Done
McDonald's	Springdale	Matthew's Management	Done
N2 Yoghurt	Springdale		Done
Peru Grill	Springdale	Gabriel Torres	Done
Shipley Do-Nuts 1	Springdale	Roy Smith	Done
Shipley Do-Nuts 2	Springdale	Roy Smith	Done
Casalini Court Restaurant	Tontitown	Brett Hash	2013
Fire island Grill	Tontitown	Byron and Jennifer Mick	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	2013-2018

# Restaurants

## Closed Restaurants

Property Name	City	Date Closed
Cajun Cookers	Farmington	January 2012
Jose's Mexican Restaurant	Fayetteville	January 2012
Emelias	Siloam Springs	January 2012
Kentucky Fried Chicken	Springdale	January 2012
Eddie Haskell's	Rogers	January 2012
Rubaie's Café	Bentonville	January 2012
T3 Killa Mexican	Fayetteville	February 2012
Daylight Donuts	Bella Vista	March 2012
Ruffinos	Fayetteville	March 2012
Airport Café	Springdale	March 2012
Napoli's Italian Restaurant	Rogers	April 2012
Andy's Custard	Fayetteville	May 2012
Filipino Restaurant	Fayetteville	May 2012
India Corner	Rogers	May 2012
Chinese Restaurant	Rogers	May 2012
Celtic Grill	Bentonville	May 2012
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
Tangiers 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
Silver Joe's Coffe Shop	Rogers	January 2013

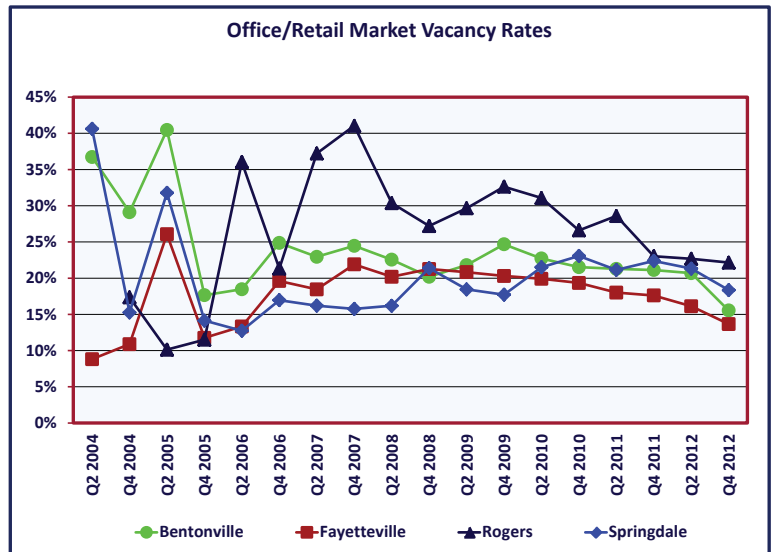
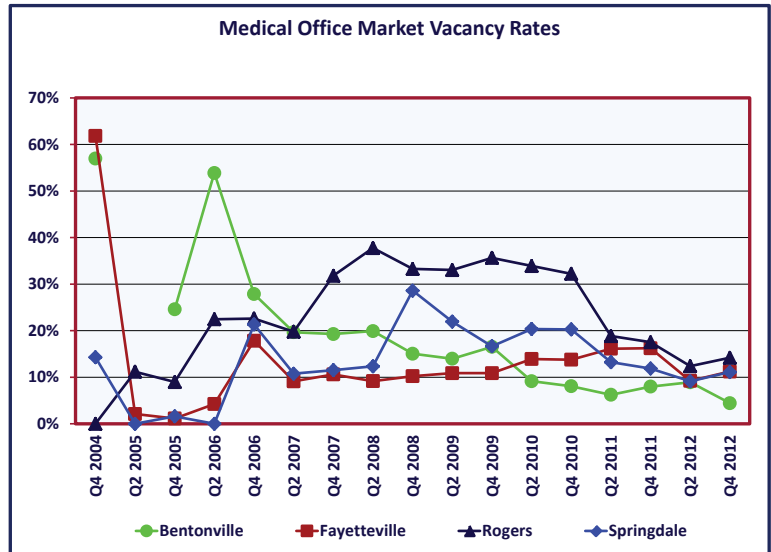
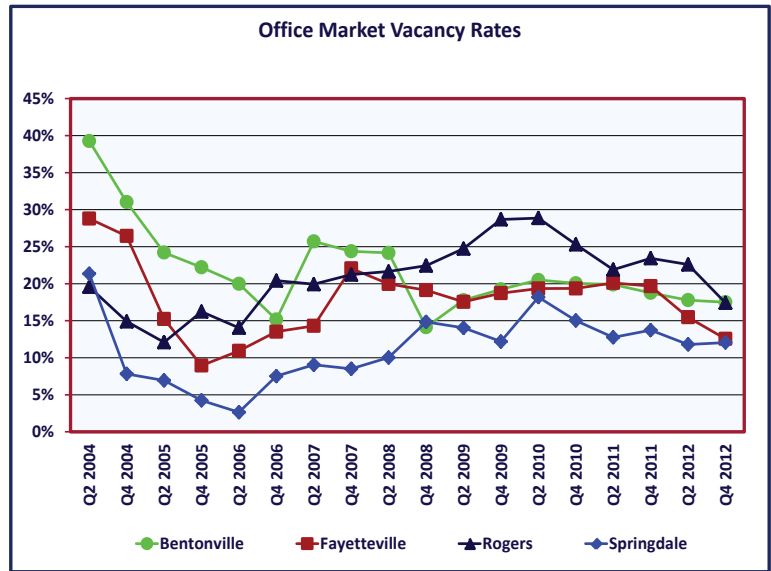
# Commercial Market Trends

This version, the twenty-eighth, of the Commercial Skyline Report represents the thirty-third quarter that data have been collected. Annual comparisons were made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past eight years. Also, a table presents the total absorption over the past year by city and submarket. The following three pages have tables with more detailed information about vacancy rates, net absorption, and available space.

Available office square footage in Northwest Arkansas decreased from 1,858,841 square feet in the fourth quarter of 2011 to 1,495,731 square feet in the fourth quarter of 2012. In the past year, with 53,246 new square feet of office space were added, and there was net positive absorption of 460,009 square feet. Fayetteville and Rogers accounted for 76.5 percent of the net positive absorption. Only Bella Vista had negative net absorption during the past year, with 2,890 square feet. The overall Northwest Arkansas office vacancy rate decreased 4.2 percentage points from 19.5 percent in the fourth quarter of 2011 to 15.3 percent in the fourth quarter of 2012.

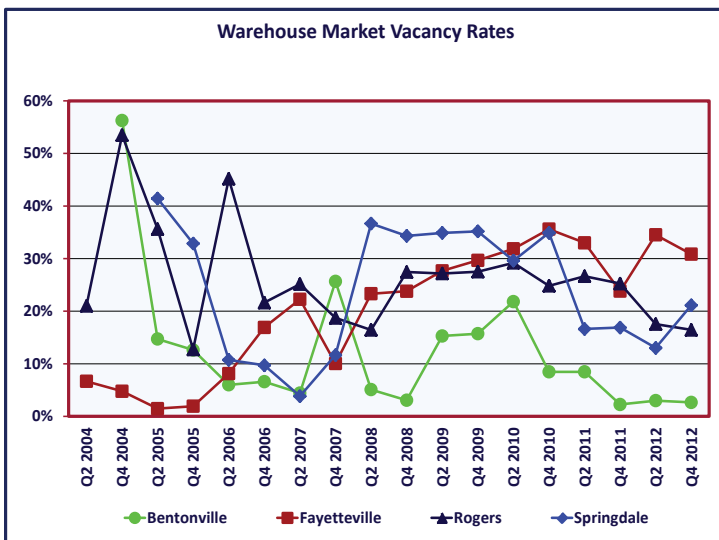
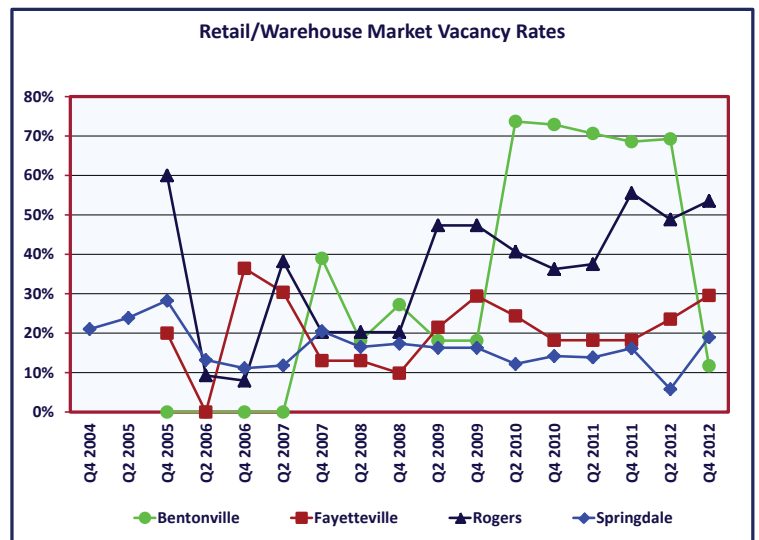
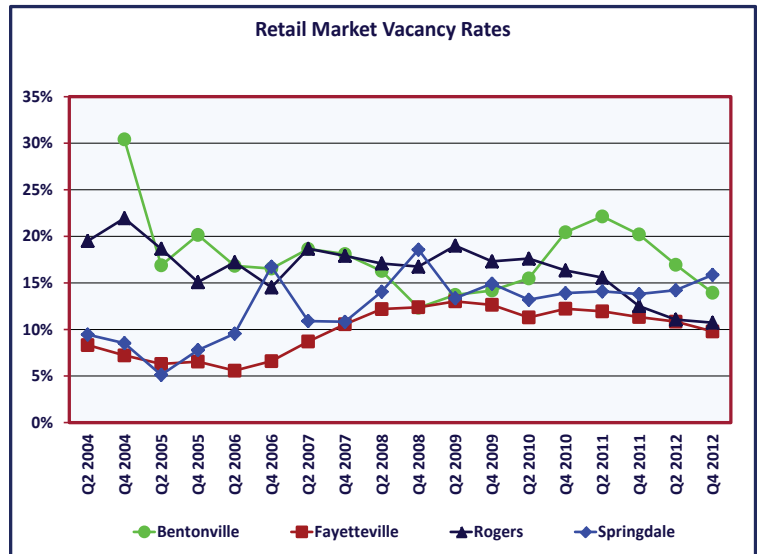
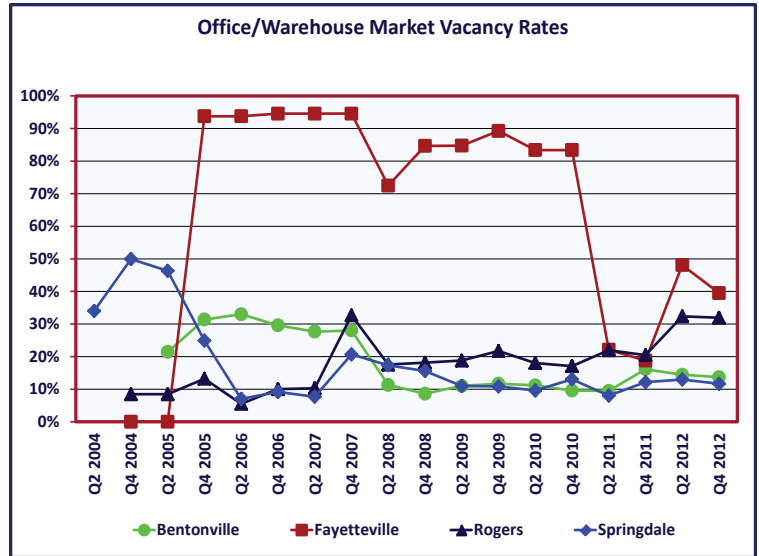
The office/retail market has experienced positive net absorption of 160,405 square feet in the past year. Fayetteville and Bentonville accounted for 68.7 percent of the positive absorption from Q4 2011 to Q4 2012. 15,750 square feet in Fayetteville were added to the market during the last year. In Northwest Arkansas 652,705 square feet of office/retail space were available, down from 782,860 square feet in last year's fourth quarter. This space was primarily located in Fayetteville, Rogers, Bentonville, and Springdale.

The retail market experienced positive net absorption of 201,405 square feet in the past twelve months. Fayetteville accounted for 48.7 percent of that total, with Rogers and Bentonville combining for another 42.5 percent. Only Springdale had negative net absorption of 6,912 square feet in the retail submarket over the past year. There were 99,425 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 fourth quarter of 2012, a total of 894,327 square feet of space were available in Northwest Arkansas, down from 994,308 square feet in the fourth quarter of 2011.



# Commercial Market Trends

The Northwest Arkansas warehouse market also experienced positive net absorption of 458,249 square feet during the past year. The number of available square feet increased from 1,365,677 in the fourth quarter of 2011 to 1,367,694 in the fourth quarter of 2012 while vacancy rates declined from 21.2 percent to 20.2 percent during the same time period, as significant warehouse space entered the market leaving the owner-occupied category. Rogers accounted for 62.9 percent of the positive net warehouse absorption in the past year, while Lowell added another 37.5 percent of that total. Fayetteville and Bentonville, however, were the only cities to experience 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.

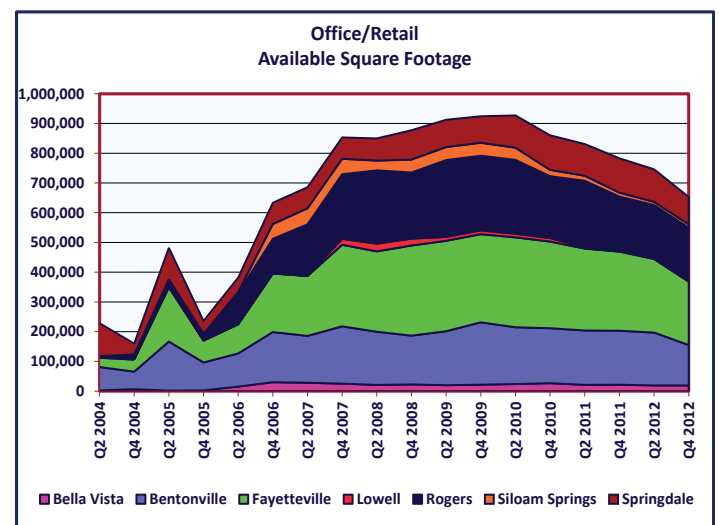
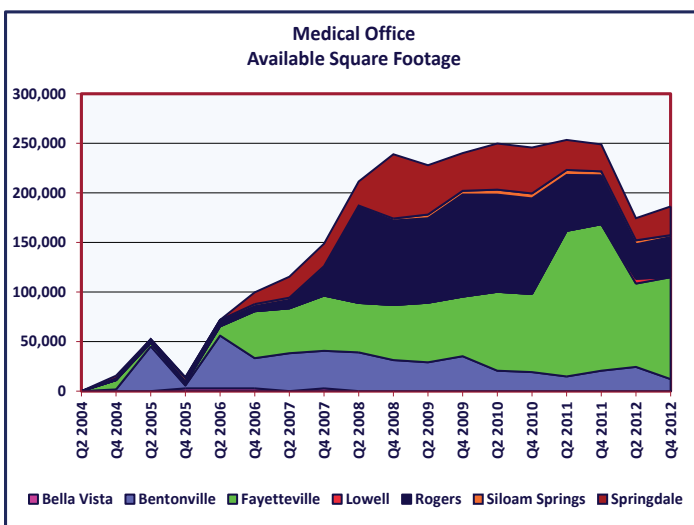
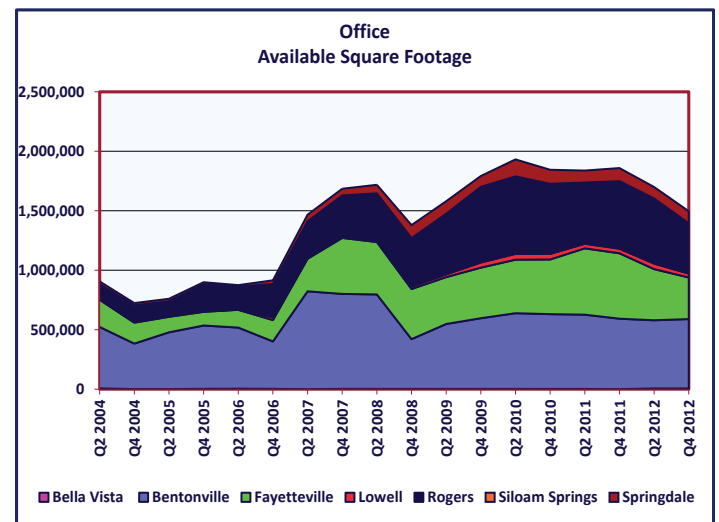
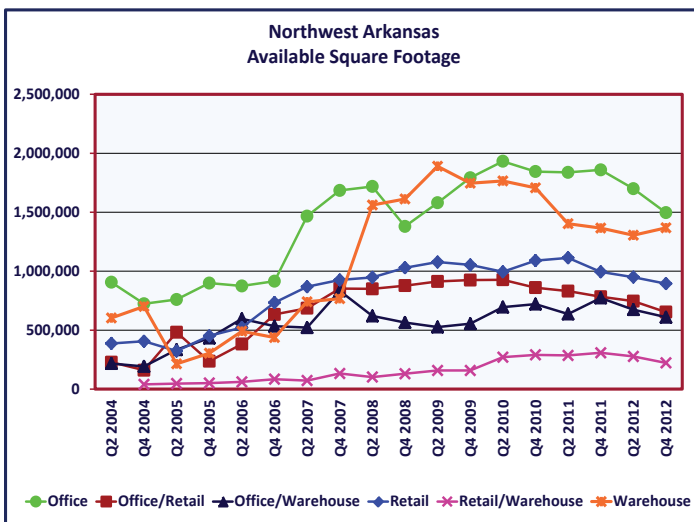




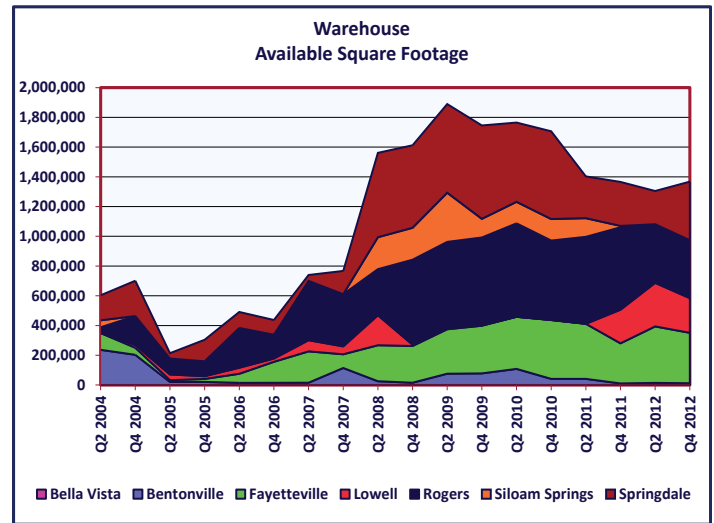
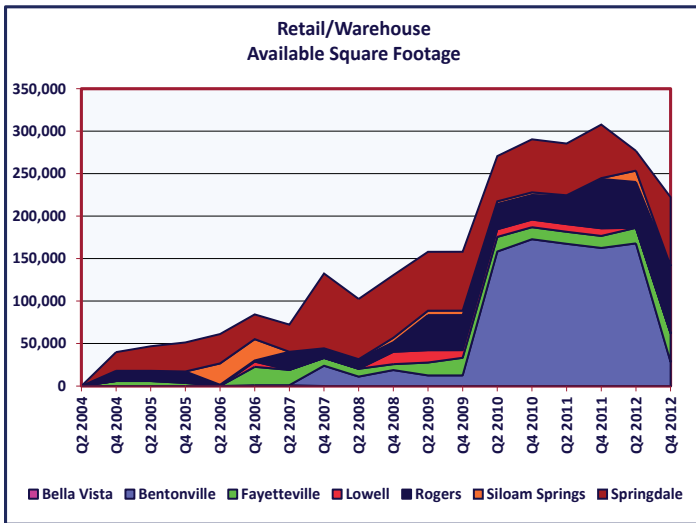
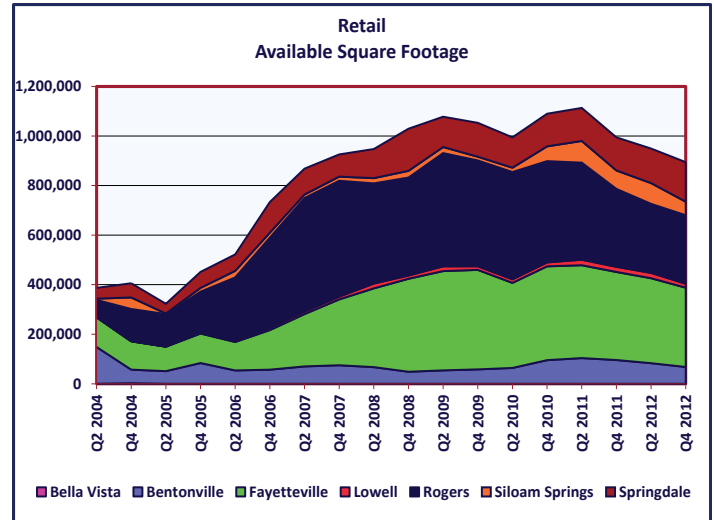
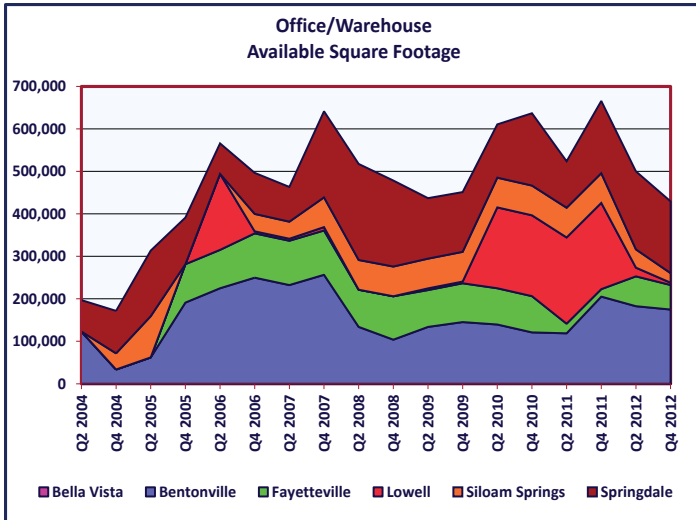
# Commercial Market Trends

## Net Twelve Month Absorption by Submarket Q4 2011 - Q4 2012

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-2,890	2,250	0	0
Bentonville	86,432	46,906	37,244	-1,334
Fayetteville	203,527	63,350	97,990	-49,487
Lowell	10,658	1,915	4,875	172,070
Rogers	148,787	20,805	48,388	288,336
Siloam Springs	1,344	1,874	19,820	0
Springdale	12,151	23,305	-6,912	48,664
<b>Northwest Arkansas</b>	<b>460,009</b>	<b>160,405</b>	<b>201,405</b>	<b>458,249</b>



# Commercial Market Trends



# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2011	0.0%	18.8%	19.7%	14.2%	23.4%	4.5%	13.7%	19.5%
Q2 2012	30.0%	17.8%	15.4%	16.1%	22.6%	4.5%	11.8%	17.6%
Q4 2012	30.0%	17.5%	12.6%	11.4%	17.4%	3.0%	12.1%	15.3%

### Medical Office

Q4 2011	0.0%	8.0%	16.2%	0.0%	17.5%	4.7%	11.9%	13.7%
Q2 2012	0.0%	8.9%	9.2%	8.7%	12.4%	4.7%	9.1%	9.4%
Q4 2012	0.0%	4.4%	11.2%	0.0%	14.2%	2.3%	11.1%	9.9%

### Office/Retail

Q4 2011	7.7%	21.1%	17.6%	6.5%	23.0%	9.0%	22.4%	18.8%
Q2 2012	7.0%	20.7%	16.1%	2.5%	22.7%	7.0%	21.3%	17.8%
Q4 2012	7.0%	15.5%	13.7%	3.6%	22.1%	7.8%	18.4%	15.4%

### Office/Warehouse

Q4 2011	0.0%	16.2%	18.8%	85.3%	20.5%	65.8%	12.2%	21.3%
Q2 2012	0.0%	14.4%	48.1%	30.0%	32.4%	37.6%	13.0%	19.0%
Q4 2012	--	13.7%	39.5%	8.1%	31.9%	19.7%	11.7%	16.9%

### Retail

Q4 2011	0.0%	20.2%	11.3%	16.4%	12.5%	20.9%	13.8%	13.1%
Q2 2012	0.0%	16.9%	10.8%	17.0%	11.1%	23.5%	14.2%	12.4%
Q4 2012	0.0%	13.9%	9.8%	12.6%	10.7%	15.3%	15.9%	11.4%

### Retail/Warehouse

Q4 2011	--	68.6%	18.2%	33.7%	55.5%	1.8%	16.2%	34.5%
Q2 2012	0.0%	69.3%	23.5%	0.0%	48.8%	19.6%	5.8%	29.9%
Q4 2012	--	11.7%	29.5%	0.0%	53.5%	0.0%	18.9%	21.6%

### Warehouse

Q4 2011	0.0%	2.3%	23.8%	34.4%	25.3%	4.4%	16.9%	21.2%
Q2 2012	0.0%	3.0%	34.5%	35.1%	18.3%	4.4%	13.0%	19.9%
Q4 2012	0.0%	2.6%	30.8%	27.9%	16.5%	4.9%	21.1%	20.2%

# Commercial Market Trends

## Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3-Q4 2011	2,000	33,409	13,894	-35	2,851	814	4,392	57,325
Q1-Q2 2012	-2,890	80,234	122,565	-2,775	20,208	0	17,375	234,717
Q2-Q4 2012	0	6,198	80,962	13,433	128,579	1,344	-5,224	225,292

### Medical Office

Q3-Q4 2011	0	-5,801	-900	0	7,122	1,014	3,059	4,494
Q1-Q2 2012	0	-3,834	63,753	0	14,500	0	8,643	83,062
Q3-Q4 2012	0	12,297	-18,733	4,833	-4,297	2,000	-6,611	-10,511

### Office/Retail

Q3-Q4 2011	-400	1,314	9,464	-950	38,731	3,500	-5,729	45,930
Q1-Q2 2012	2,300	3,756	19,681	2,605	8,420	3,000	5,501	45,263
Q3-Q4 2012	-50	43,150	43,669	-690	12,385	-1,126	17,804	115,142

### Office/Warehouse

Q3-Q4 2011	--	-86,445	5,080	0	5,678	0	-41,965	-117,652
Q1-Q2 2012	--	22,623	-52,722	12,748	-53,230	35,007	3,913	-31,661
Q3-Q4 2012	--	7,840	12,550	14,985	17,012	20,561	47,853	120,801

### Retail

Q3-Q4 2011	0	15,844	19,337	1,500	81,523	12,976	8,065	139,245
Q1-Q2 2012	0	15,150	58,624	-717	35,613	-9,320	-4,298	95,052
Q3-Q4 2012	0	22,094	39,366	5,592	12,775	29,140	-2,614	106,353

### Retail/Warehouse

Q3-Q4 2011	--	4,888	0	0	0	0	-2,100	2,788
Q1-Q2 2012	--	0	-4,155	9,000	10,080	0	39,694	54,619
Q3-Q4 2012	--	139,538	0	0	0	13,348	-31,594	121,292

### Warehouse

Q3-Q4 2011	0	30,600	88,830	-226,174	30,474	116,133	2,343	42,206
Q1-Q2 2012	0	-3,734	-89,928	112,070	169,356	0	72,135	259,899
Q3-Q4 2012	0	2400	40441	60000	118980	0	-23471	198,350



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2011	0	592,495	550,086	38,631	563,588	4,344	109,697	1,858,841
Q2 2012	6,190	573,056	430,174	46,239	543,380	4,344	96,072	1,699,455
Q4 2012	6,190	583,308	349,442	32,806	419,689	3,000	101,296	1,495,731

### Medical Office

Q4 2011	0	20,600	147,816	0	49,310	4,000	27,217	248,943
Q2 2012	0	24,434	84,063	4,833	34,810	4,000	22,324	160,244
Q4 2012	0	12,137	102,796	0	40,451	2,000	28,935	186,319

### Office/Retail

Q4 2011	21,455	181,570	266,072	4,255	180,803	13,500	115,205	782,860
Q2 2012	19,155	177,814	247,491	1,650	179,721	10,500	109,704	746,035
Q4 2012	19,205	135,864	213,116	2,340	178,654	11,626	91,900	652,705

### Office/Warehouse

Q4 2011	0	205,214	17,550	203,000	107,344	70,007	169,986	773,101
Q2 2012	0	182,591	70,272	20,460	174,196	43,061	183,573	674,153
Q4 2012	--	174,751	57,722	5,475	180,579	22,500	168,920	609,947

### Retail

Q4 2011	0	95,859	355,406	20,709	314,322	74,504	133,508	994,308
Q2 2012	0	83,109	342,887	21,426	278,709	83,824	139,306	949,261
Q4 2012	0	67,815	319,988	15,834	276,494	54,684	159,512	894,327

### Retail/Warehouse

Q4 2011	0	162,536	14,157	9,000	58,048	1,000	63,000	307,741
Q2 2012	0	167,916	18,312	0	53,968	13,348	23,306	276,850
Q4 2012	--	28,378	33,812	0	79,166	0	80,900	222,256

### Warehouse

Q4 2011	0	10,500	269,651	226,174	554,438	9,375	295,539	1,365,677
Q2 2012	0	14,234	379,579	293,104	385,082	9,375	223,404	1,304,778
Q4 2012	0	11,834	339,138	233,104	380,445	9,375	393,798	1,367,694

# Office

In the fourth quarter of 2012, the office properties included in the Skyline Report panel had a vacancy rate of 15.3 percent, a decrease from 17.6 percent in the second quarter of 2012. Of the almost 9.8 million square feet of Northwest Arkansas properties examined, almost 1.5 million square feet were available. This is a 12.0 percent decrease from the second quarter of 2012. From the second quarter of 2012 to the fourth quarter of 2012 37,000 square feet of new space entered the market, while 262,292 square feet became occupied, netting positive absorption of 225,292 square feet for the market.

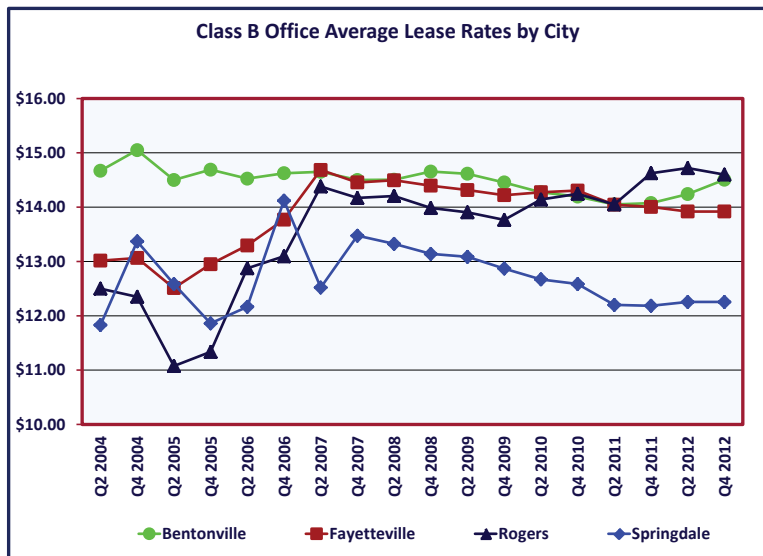
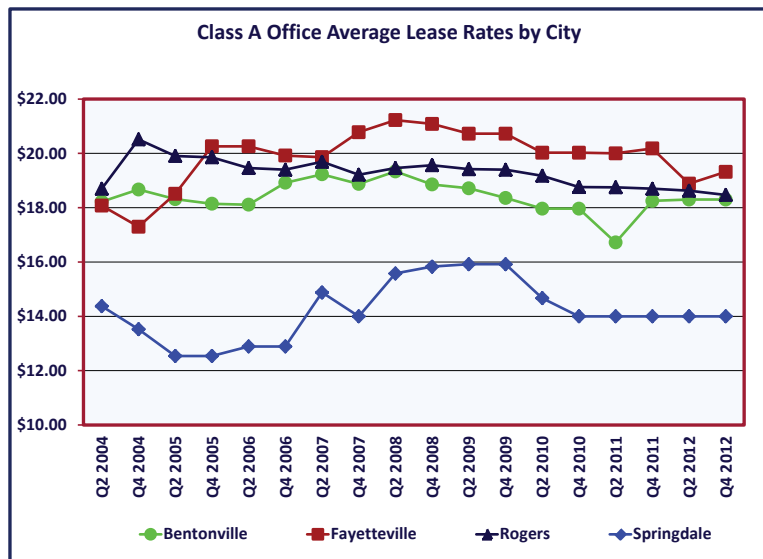
There were 1,495,731 square feet of available office space in Northwest Arkansas in the fourth quarter of 2012. Bentonville had the most available office space at 583,308 square feet of which 91.1 percent was in the Class B submarket. The Bentonville office market had net positive absorption of 6,198 square feet in the second half of 2012, with 3,520 square feet of Class C and 12,297 square feet of medical office becoming occupied, while 1,991 square feet of Class A and 7,628 square feet of Class B office space became vacant. 37,000 square feet of new Class B office space were added in Bentonville.

Rogers had 419,689 square feet available in the fourth quarter of 2012, of which 58.1 percent was Class A office space. 82,491 square feet of Class A, 30,609 square feet of Class B, and 19,776 square feet of Class C office space became occupied in Rogers, while 4,297 square feet of medical office became vacant, leaving net positive absorption of 128,579 square feet of office space.

Fayetteville had 349,442 square feet of available office space in the fourth quarter of 2012, of which 48.2 percent was in the Class B submarket. From the second quarter of 2012 to the fourth quarter of 2012 the Fayetteville office market experienced net positive absorption of 80,962 square feet. 16,631 square feet of Class A, 69,569 square feet of Class B, and 13,495 square feet of class C became occupied during the second half of 2012, while 18,733 square feet of medical office space became vacant during this time.

## Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.00-\$18.60	\$14.18 - \$14.83	\$8.72 - \$8.97	\$16.76 - \$18.07
Fayetteville	\$17.61 - \$21.03	\$13.65 - \$14.19	\$10.69 - \$11.09	\$14.76 - \$16.45
Rogers	\$17.76 - \$19.18	\$14.45 - \$14.75	\$8.97 - \$9.40	\$13.35 - \$13.75
Springdale	\$14.00 - \$14.00	\$11.59-\$12.92	\$8.81 - \$9.05	\$12.75-\$13.38

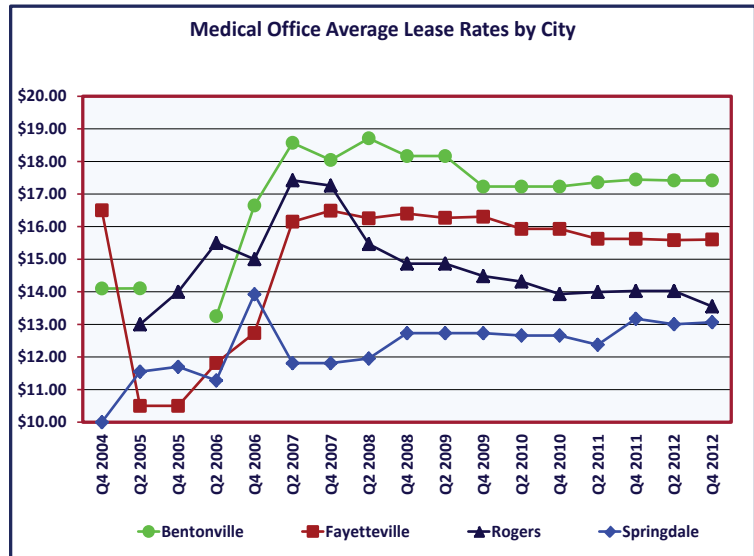
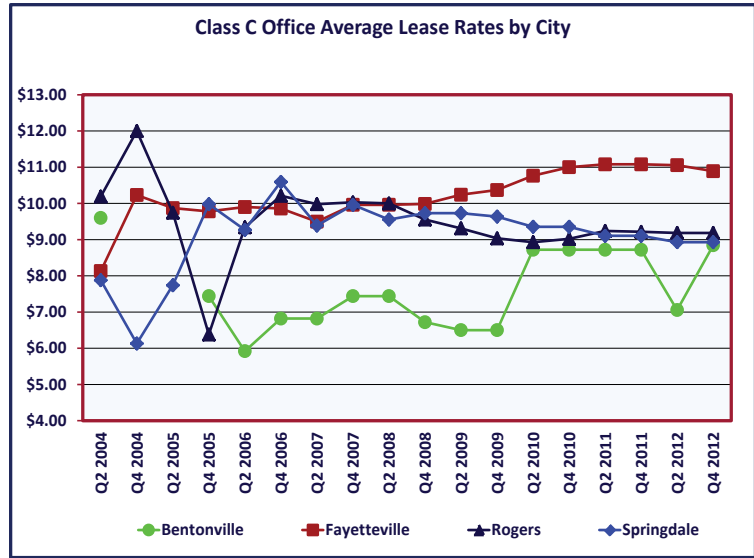


The Springdale office market had 101,296 square feet of available space in the fourth quarter of 2012, of which 51.8 percent was Class C. Overall, 3,596 square feet became occupied in the Class C office submarket. However, the Class B submarket had negative

absorption of 2,209 square feet, and the medical submarkets had negative net absorption of 6,611 square feet leading to net negative absorption of 5,224 square feet.

# Office

Class A office average reported lease rates continued to be highest in Fayetteville at \$19.32 per square foot after increasing \$0.44. Class A space average lease rates remained the same in Bentonville and Springdale, and fell slightly in Rogers. Class B office space average reported lease rates increased slightly in Bentonville, fell slightly in Rogers, but remained the same in Fayetteville and Springdale. Reported average lease rates for Class C office increased significantly in Bentonville by \$1.79, fell slightly in Fayetteville, and remained the same in Rogers and Springdale. Reported average medical office space lease rates increased very slightly in Fayetteville, and Springdale, while declining significantly by \$0.48 in Rogers and remaining constant in Bentonville in the fourth quarter of 2012.



# 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	349,555	15,000	4.3%	-1,991	0	-1,991	--
Fayetteville	484,685	52,413	10.8%	16,631	0	16,631	18.9
Rogers	1,445,868	243,971	16.9%	82,491	0	82,491	17.7
Springdale	77,123	6,508	8.4%	0	0	0	--
<b>Class B</b>							
Bentonville	2,649,276	531,526	20.1%	29,372	37,000	-7,628	--
Fayetteville	1,140,138	168,591	14.8%	69,569	0	69,569	--
Rogers	498,716	84,689	17.0%	30,609	0	30,609	16.6
Springdale	334,974	13,345	4.0%	-2,209	0	-2,209	--
<b>Class C</b>							
Bentonville	59,662	24,645	41.3%	3,520	0	3,520	--
Fayetteville	243,650	25,642	10.5%	13,495	0	13,495	11.4
Rogers	181,171	50,578	27.9%	19,776	0	19,776	15.3
Springdale	167,967	52,508	31.3%	3,596	0	3,596	87.6
<b>Medical</b>							
Bentonville	274,018	12,137	4.4%	12,297	0	12,297	5.9
Fayetteville	915,293	102,796	11.2%	-18,733	0	-18,733	--
Rogers	285,036	40,451	14.2%	-4,297	0	-4,297	--
Springdale	260,409	28,935	11.1%	-6,611	0	-6,611	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents





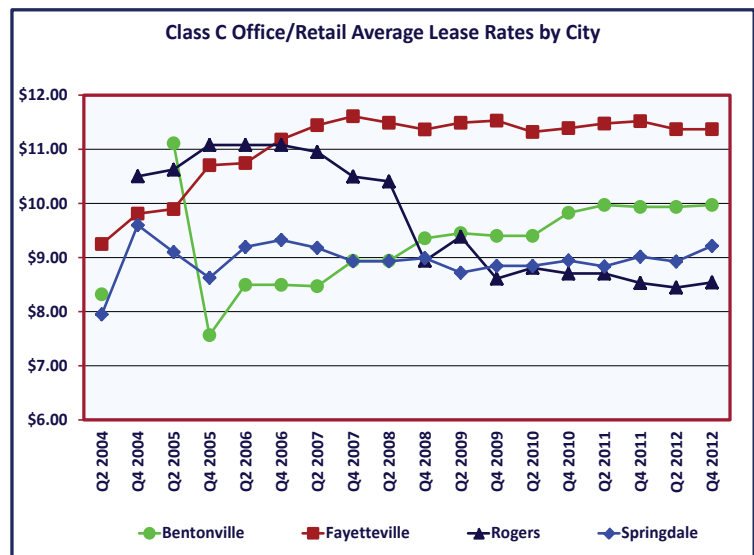
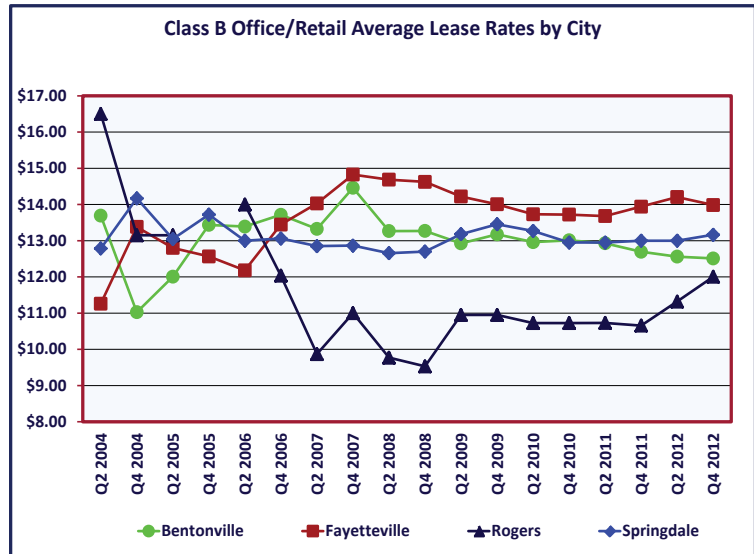
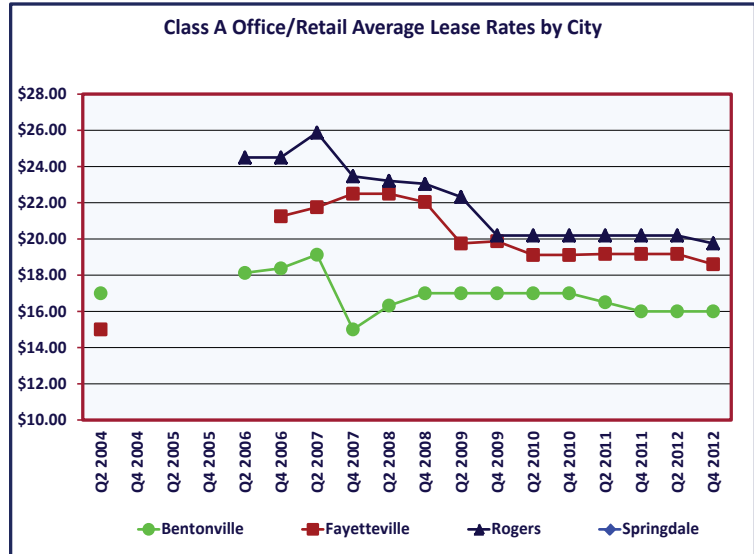
# Office/Retail

In the fourth quarter of 2012, the office/retail properties included in the Skyline Report sample had a vacancy rate of 15.4 percent, a decline from 17.6 percent in the second quarter of 2012. Of the over 4.2 million square feet of Northwest Arkansas properties examined, 652,705 square feet were available.

From the second quarter of 2012 to the fourth quarter of 2012, 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 115,142 square feet in the second half of this year. Fayetteville had the most net positive absorption with 43,669 square feet, followed closely by Bentonville with 43,150 square feet. Springdale and Rogers also had net positive absorption of 17,804 and 12,385, respectively, while Siloam Springs, Lowell, and Bella Vista had net negative absorption of 1,126, 690, and 50 square feet, respectively.

Fayetteville continued to have the largest amount of available square feet in the office/retail submarket with 213,116 square feet available. Rogers, Bentonville, and Springdale had 178,654, 135,864 and 91,900 square feet available, respectively. Dividing those by the total square feet of office/retail space, this translated to vacancy rates of 13.7 percent for Fayetteville, 22.1 percent for Rogers, 15.5 percent for Bentonville, and 18.4 percent for Springdale in the fourth quarter of 2012.

Office/retail space average reported lease rates remained mixed in the fourth quarter of 2012. In the Class A submarket, average reported lease rates remained the same in Bentonville, but decreased by \$0.57 and \$0.43 in Fayetteville and Rogers, respectively. Average reported Class B rates increased significantly in Rogers by \$0.68 and slightly in Springdale, while decreasing in Fayetteville and very slightly in Bentonville. In the Class C office/retail submarket, average reported prices increased slightly in Springdale and Rogers, very slightly in Bentonville, and remained constant in Fayetteville.



# 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 - \$14.76	\$10.77 - \$11.97
Rogers	\$18.88- \$20.63	\$11.23- \$12.78	\$7.62 - \$9.46
Springdale	--	\$12.43 - \$13.90	\$8.60 - \$9.83



## 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%	8,250	0	8,250	6.1
Fayetteville	171,627	44,546	26.0%	12,106	0	12,106	22.1
Rogers	133,982	29,370	21.9%	-18,089	0	-18,089	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	688,036	116,390	16.9%	34,322	0	34,322	20.3
Fayetteville	1,047,317	140,180	13.4%	19,903	0	19,903	42.3
Rogers	387,518	90,534	23.4%	4,480	0	4,480	121.3
Springdale	229,162	28,728	12.5%	18,660	0	18,660	--
<b>Class C</b>							
Bentonville	129,874	11,726	8.6%	578	0	578	--
Fayetteville	341,146	28,390	8.3%	11,660	0	11,660	--
Rogers	285,083	58,750	20.6%	25,994	0	25,994	13.6
Springdale	271,427	63,172	23.3%	-856	0	-856	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Retail

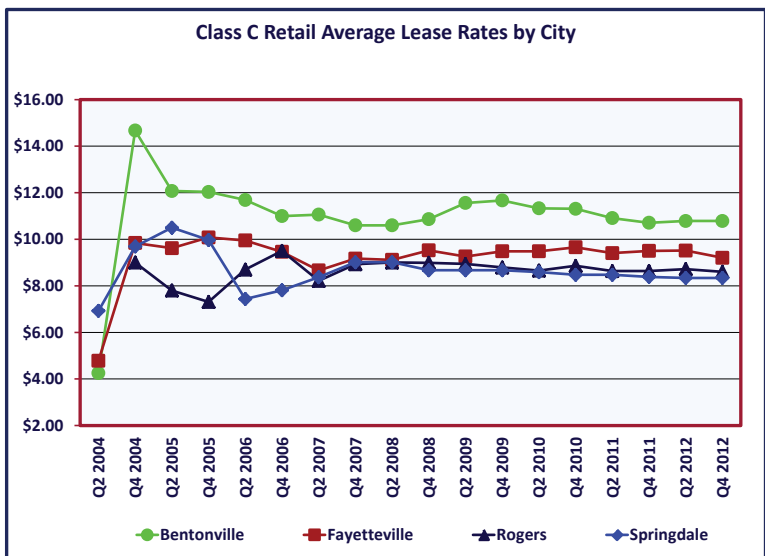
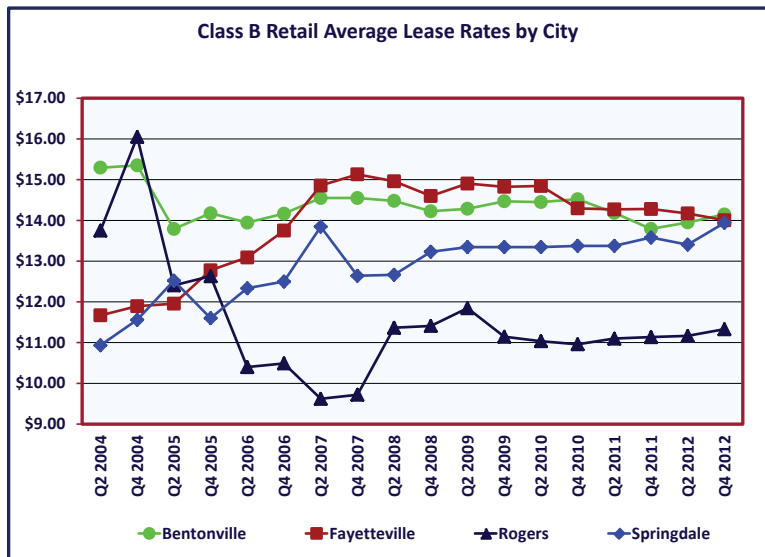
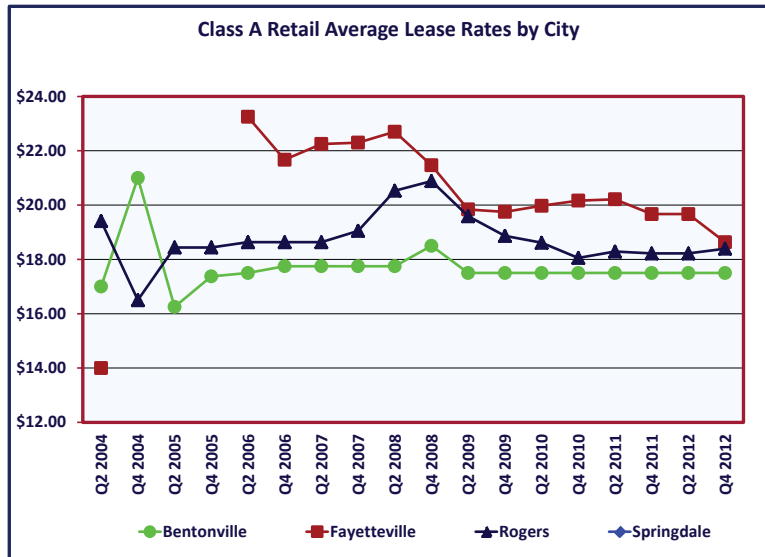
In the fourth quarter of 2012, the retail properties included in the Skyline Report panel had a vacancy rate of 11.4 percent, down from 12.4 percent in the second quarter of 2012. Of more than 7.8 million square feet of Northwest Arkansas retail properties examined, 894,327 square feet were available. From the second quarter of 2012 to the fourth quarter of 2012, 99,425 square feet of new retail space were added in Northwest Arkansas, leading to net absorption of 106,353 square feet.

Bentonville had 486,496 total square feet and 67,815 available square feet of retail space in the fourth quarter of 2012, resulting in a vacancy rate of 13.9 percent. This represented a decrease from the rate of 16.9 percent in the second quarter of 2012. The decreased vacancy rate resulted from a positive absorption of 22,094 square feet.

In the fourth quarter of 2012, Fayetteville had a retail vacancy rate of 9.8 percent, down from 10.8 percent in the second quarter of 2012, with 319,988 available square feet out of a total of more than 3.2 million. 71,000 new square feet were added in the second half of 2012, and there was reported net positive absorption of 39,366 square feet in the Fayetteville retail market.

The Rogers market had 276,494 square feet of available retail space out of a total of over 2.5 million square feet for a vacancy rate of 10.7 percent in the second quarter of 2012. This was a decrease from the 11.1 rate in the second quarter of 2012. From the second quarter of 2012 to the fourth quarter of 2012, 28,425 square feet of new retail space were added in Rogers in Northwest Arkansas, leading to net absorption of 12,775 square feet.

There were 159,512 square feet of available retail space out of a total of 1,005,598 square feet in Springdale in the fourth quarter of 2012. This implied a vacancy rate of 15.9 percent, up from 14.2 percent in the second quarter of 2012. The Class B retail submarket experienced negative absorption of 6,158 square feet, resulting in a negative net absorption for the market of 2,614 square feet.



# Retail

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

## Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$15.50 - \$19.50	\$13.87 - \$14.42	\$10.64 - \$10.93
Fayetteville	\$17.99 - \$19.28	\$13.58 - \$14.43	\$9.02 - \$9.39
Rogers	\$17.57 - \$19.22	\$10.80 - \$11.86	\$8.38 - \$8.83
Springdale	--	\$13.52 - \$14.36	\$7.92 - \$8.76



## 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	171,993	8.5%	91,770	71,000	20,770	49.7
Rogers	1,586,520	139,202	8.8%	7,439	14,425	-6,986	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	318,605	44,354	13.9%	19,348	0	19,348	--
Fayetteville	897,350	79,709	8.9%	16,802	0	16,802	28.5
Rogers	605,041	57,580	9.5%	36,398	14,000	22,398	--
Springdale	693,900	123,184	17.8%	-6,158	0	-6,158	--
<b>Class C</b>							
Bentonville	128,357	20,461	15.9%	2,746	0	2,746	44.7
Fayetteville	358,405	68,286	19.1%	1,794	0	1,794	--
Rogers	385,912	79,712	20.7%	-2,637	0	-2,637	--
Springdale	271,427	63,172	23.3%	-856	0	-856	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Other Categories

## Warehouse

In the fourth quarter of 2012, the warehouse properties included in the Skyline Report panel had a vacancy rate of 20.2 percent, up from 19.9 percent in the second quarter of 2012. Of almost 6.8 million square feet of warehouse space examined, over 1.3 million square feet were available in the fourth quarter of 2012.

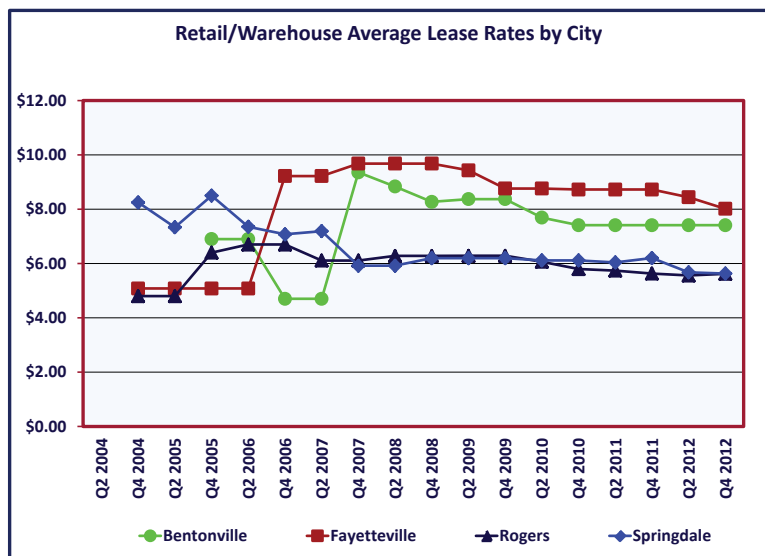
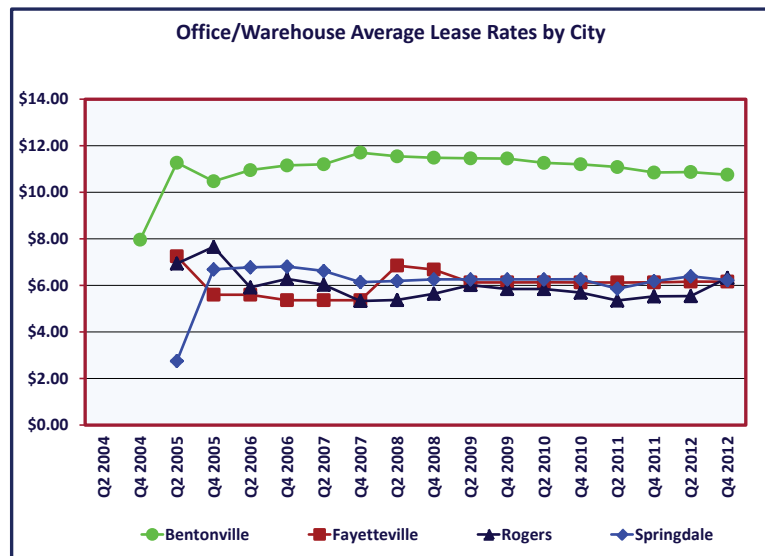
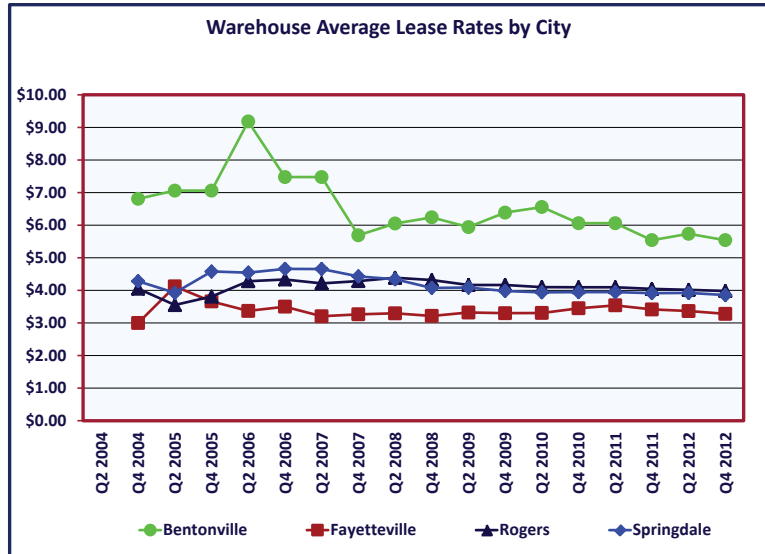
The majority of available warehouse space was split between Springdale (with 393,798 square feet), Rogers (with 380,445 square feet), Fayetteville (with 339,138 square feet) and Lowell (with 233,104 square feet). There was no new space added to the warehouse market in the second half of 2012. Existing warehouse space became occupied in Rogers (118,980 square feet), Lowell (60,000 square feet), Fayetteville (40,441 square feet), and Bentonville (2,400 square feet), whereas Springdale (23,471 square feet) experienced negative absorption. As a result, there was a positive net absorption of 198,350 square feet in Northwest Arkansas. Reported warehouse vacancy rates declined in Bentonville, Fayetteville, Lowell, and Rogers, but increased in Siloam Springs and Springdale in the fourth quarter of 2012.

The average reported warehouse lease rates declined slightly in all cities except Bella Vista where they remained constant, with Bentonville continuing to have the highest reported lease rate at \$5.54 in the fourth quarter of 2012.

## Office/Warehouse

The Skyline Report panelists reported on just over 3.6 million square feet of office/warehouse space, with 609,947 total square feet available, in the fourth quarter of 2012. The vacancy rate in the office/warehouse submarket decreased from 19.0 percent in the second quarter of 2012 to 16.9 percent in the fourth quarter of 2012. No new space entered the market in Northwest Arkansas during the fourth quarter of 2012.

The office/warehouse submarket in Northwest Arkansas experienced positive net absorption





# Other Categories

in every city for a total of 120,801 square feet during the second half of 2012. Rogers, Bentonville, and Springdale, with 180,579 square feet, 174,751 square feet, and 168,920 square feet, respectively, had the bulk of the available office/warehouse space in Northwest Arkansas in the fourth quarter of 2012.

Average reported office/warehouse lease rates in Bentonville decreased slightly to \$10.76 but continued to be the highest in the region. Rogers saw a significant increase of \$0.79, while Springdale declined slightly, and Fayetteville remained the same in the fourth quarter of 2012.

## Retail/Warehouse

The Skyline Report panelists reported on just over 1 million square feet of retail/warehouse space in the fourth quarter of 2012. The vacancy rate in the retail/warehouse submarket decreased from 29.9 percent in the second

## Other Lease Rates Average Range by City

	Warehouse	Office/Warehouse	Retail/Warehouse
Bentonville	\$5.20 - \$5.88	\$10.04 - \$11.47	\$7.04 - \$7.78
Fayetteville	\$3.20 - \$3.36	\$5.79 - \$6.54	\$7.39 - \$8.64
Rogers	\$3.91 - \$4.05	\$6.20 - \$6.45	\$5.57 - \$5.67
Springdale	\$3.67 - \$4.04	\$5.36 - \$7.09	\$5.26 - \$6.00

quarter of 2012 to 21.6 percent in the fourth quarter of 2012. A total of 225,256 square feet were available in Northwest Arkansas in the fourth quarter of 2012.

From the second quarter of 2012 to the fourth quarter of 2012, there was positive net absorption of 121,292 square feet of retail/warehouse space in Northwest Arkansas. There was net positive absorption of 139,538 square feet in the Bentonville retail/warehouse market, and 13,348 square feet in Siloam Springs, while 31,594 square feet became vacant in Springdale.

The retail/warehouse average reported lease rates increased slightly in Rogers, decreased in Fayetteville by \$0.43, and decreased slightly in Springdale, while remaining the same in Bentonville during the second half of 2012.

## 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%	2,400	0	2,400	29.6
Fayetteville	1,099,606	339,138	30.8%	40,441	0	40,441	--
Rogers	2,312,388	380,445	16.5%	118,980	0	118,980	19.2
Springdale	1,863,360	393,798	21.1%	-23,471	0	-23,471	--

### Office/Warehouse

Bentonville	1,276,908	174,751	13.7%	7,840	0	7,840	133.7
Fayetteville	146,072	57,722	39.5%	12,550	0	12,550	--
Rogers	565,412	180,579	31.9%	17,012	0	17,012	63.7
Springdale	1,447,091	168,920	11.7%	47,853	0	47,853	--

### Retail/Warehouse

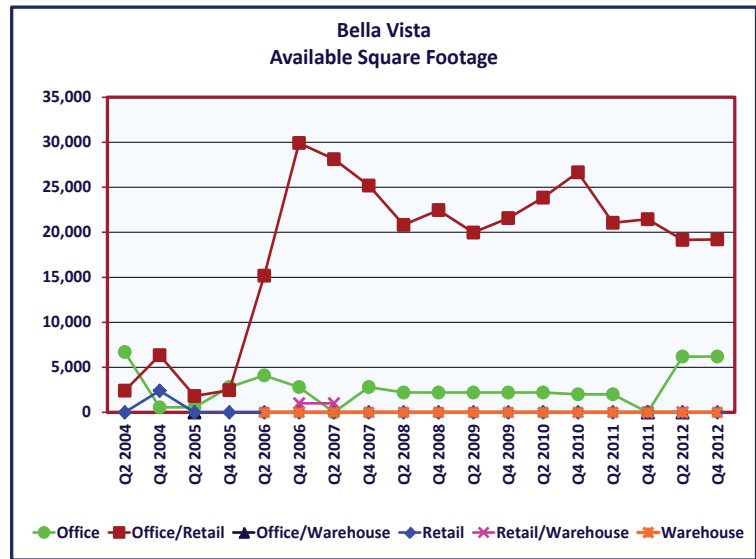
Bentonville	242,424	28,378	11.7%	139,538	0	139,538	1.2
Fayetteville	114,440	33,812	29.5%	0	0	0	--
Rogers	147,921	79,166	53.5%	0	0	0	--
Springdale	427,219	80,900	18.9%	-31,594	0	-31,594	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Bella Vista

- 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 second half of 2012.
- In the second half of 2012, Bella Vista experienced no net absorption in the Class B office submarket, but a negative net absorption of 50 square feet in the Class B office/retail submarket.
- There was no space added to the Bella Vista commercial market in the second half of 2012.
- Reported average lease rates in Bella Vista in the second half of 2012 remained consistent with the rates in the first half of 2012.



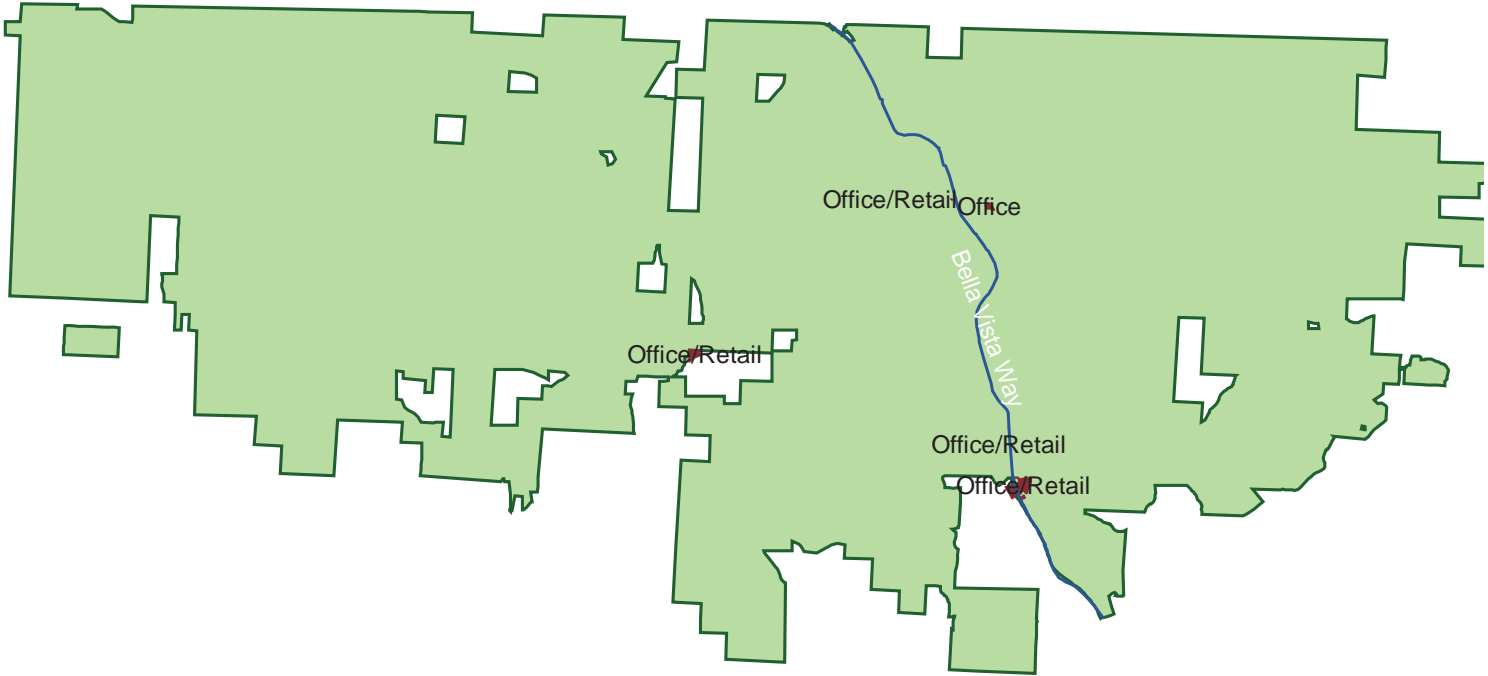
## Bella Vista Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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	6,190	30.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.43 - \$13.18	12,530	6,190	49.4%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Medical	\$12.00 - \$14.00	8,104	0	0.0%	0	0	0	--
Office/Retail	\$10.12 - \$12.30	276,285	19,205	7.0%	-50	0	-50	--
Class A	--	--	--	--	--	--	--	--
Class B	\$10.12 - \$12.30	276,285	19,205	7.0%	-50	0	-50	--
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 Q4 2012 respondents

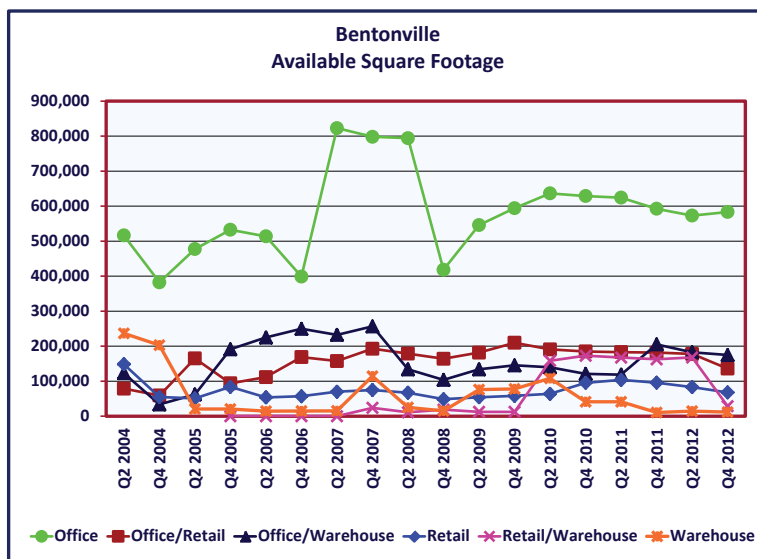
<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Bella Vista



# Bentonville

- From July 1 to December 31, 2012, Bentonville issued \$5,548,940 worth of building permits for new commercial space. The second half of 2012 value was 64.2 percent lower than the first half of 2012 value of \$15,513,297. Bentonville accounted for 13.5 percent of the commercial permits issued in Northwest Arkansas during the second half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,751,609 square feet of commercial space in Bentonville in the second half of 2012.
- In the second half of 2012, Bentonville experienced positive net absorption of 221,220 square.
- There was positive net absorption in the office, office/warehouse, retail submarkets, office/retail and warehouse submarkets in the second half of 2012 in Bentonville. In addition, there was positive absorption in the retail/warehouse submarket.



- 37,000 square feet of new office space was added to the Bentonville commercial market in the second half of 2012.
- Reported vacancy rates from the first half to the second half of 2012 decreased in all submarkets.
- The only significant changes in average reported lease rates occurred

with an increase over the past six months for Class C office by \$1.79.

## Downtown Bentonville

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 216,126 square feet of office, office/retail, and retail space in downtown Bentonville in the second half of 2012.

## Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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	\$14.34-\$15.00	3,332,511	583,308	17.5%	43,198	37,000	6,198	564.7
Class A	\$18.00-\$18.60	349,555	15,000	4.3%	-1,991	0	-1,991	--
Class B	\$14.18 - \$14.83	2,649,276	531,526	20.1%	29,372	37,000	-7,628	--
Class C	\$8.72 - \$8.97	59,662	24,645	41.3%	3,520	0	3,520	42.0
Medical	\$16.76 - \$18.07	274,018	12,137	4.4%	12,297	0	12,297	5.9
Office/Retail	\$11.52 - \$12.98	874,217	135,864	15.5%	43,150	0	43,150	18.9
Class A	\$15.00 - \$17.00	56,307	8,326	14.8%	8,250	0	8,250	6.1
Class B	\$11.73 - \$13.29	688,036	116,390	16.9%	34,322	0	34,322	20.3
Class C	\$9.53 - \$10.41	129,874	11,148	8.6%	578	0	578	115.7
Office/Warehouse	\$10.04 - \$11.47	1,276,908	174,751	13.7%	7,840	0	7,840	133.7
Retail	\$12.91 - \$13.49	486,496	67,815	13.9%	22,094	0	22,094	18.4
Class A	\$15.50 - \$19.50	39,534	3,000	7.6%	0	0	0	--
Class B	\$13.87 - \$14.42	318,605	44,354	13.9%	19,348	0	19,348	13.8
Class C	\$10.64 - \$10.93	128,357	20,461	15.9%	2,746	0	2,746	44.7
Retail/Warehouse	\$7.04 - \$7.78	242,424	28,378	11.7%	139,538	0	139,538	1.2
Warehouse	\$5.20 - \$5.88	446,657	11,834	2.6%	2,400	0	2,400	29.6

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Bentonville

- There was positive net absorption of 7,500 square feet of office space. However, there was no net absorption for office/retail, or retail space in downtown Bentonville in second half of 2012.
- The office space in downtown Bentonville had a reported vacancy rate of 4.4 percent in the second half of 2012, a decrease from 14.8 percent in the first 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 lower than those for all of Bentonville during the second half of 2012.
- In downtown Bentonville, average reported lease rates remained largely unchanged during the past six months.



## Downtown Bentonville Summary Statistics

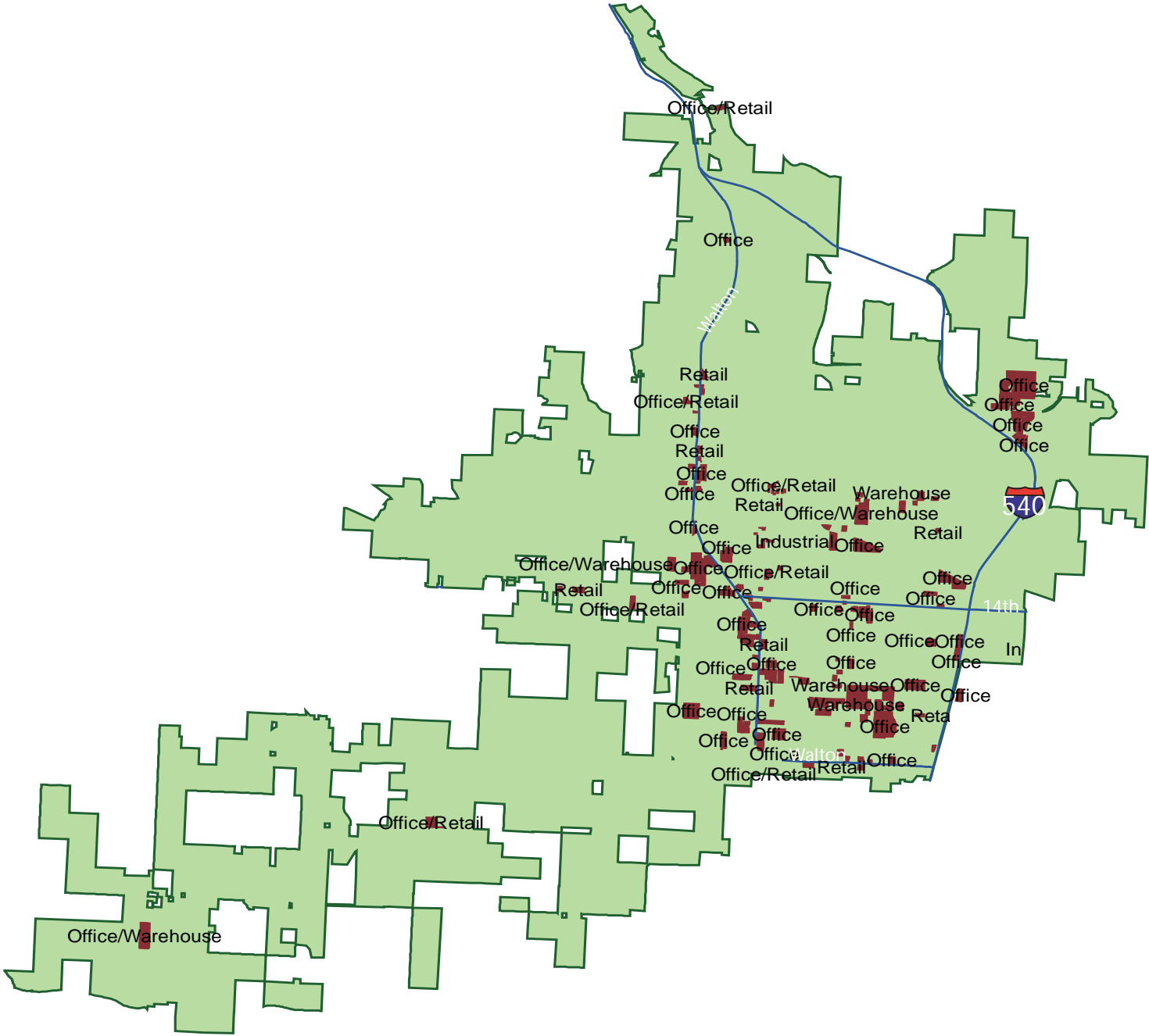
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.62 - \$15.27	72,391	3,195	4.4%	7,500	0	7,500	2.6
Office/Retail	\$9.83 - \$11.67	75,909	0	0.0%	0	0	0	--
Retail	\$11.45 - \$11.95	36,925	3,818	10.3%	0	0	0	--

<sup>1</sup>From all Q42012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

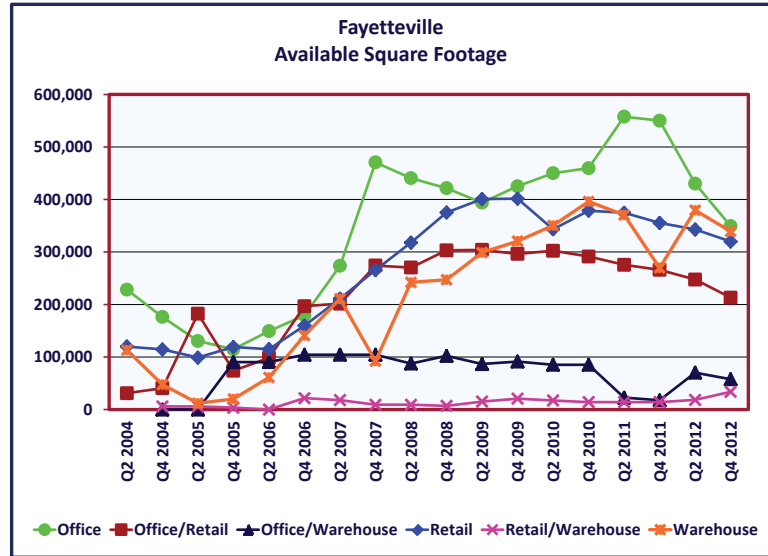


# Bentonville



# Fayetteville

- From July to December 31, 2012, Fayetteville issued building permits for \$4,490,596 worth of new commercial space. The second half of 2012 value is 72.2 percent lower than the first half of 2012 value of \$16,172,483. Fayetteville accounted for 11.0 percent of the commercial permits issued in Northwest Arkansas during the second half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,726,340 square feet of commercial space in Fayetteville in the second half of 2012.
- Fayetteville added 71,000 square feet of new commercial space during this report period, all of which were retail space.
- In the second half of 2012, Fayetteville experienced positive net absorption of 217,501 square feet overall. There was positive absorption in the office, office/retail, and retail submarkets. Submarkets that experienced negative



absorption included warehouse, office/warehouse and in the lab markets. There was no net absorption in the industrial and retail/warehouse markets.

- Observed vacancy rates in Fayetteville from the first half to the second half of 2012 decreased in the lab, office, office/retail, office/warehouse and retail warehouse submarkets. Vacancy

rates increased in the medical, retail/warehouse submarkets while remaining constant in the industrial submarkets in accordance with absorption.

- Significant changes in average reported lease rates occurred with an increase over the past six months for the Class A office space of \$0.44 and with de-

## Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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%	513	0	513	350.9
Industrial	\$2.73 - \$2.88	678,500	17,000	2.5%	0	0	0	--
Office	\$13.78 - \$14.78	2,783,766	349,442	12.6%	80,962	0	80,962	25.9
Class A	\$17.61 - \$21.03	484,685	52,413	10.8%	16,631	0	16,631	18.9
Class B	\$13.65 - \$14.19	1,140,138	168,591	14.8%	69,569	0	69,569	14.5
Class C	\$10.69 - \$11.09	243,650	25,642	10.5%	13,495	0	13,495	11.4
Medical	\$14.76 - \$16.45	915,293	102,796	11.2%	-18,733	0	-18,733	--
Office/Retail	\$12.81 - \$14.33	1,560,090	213,116	13.7%	43,669	0	43,669	29.3
Class A	\$17.37 - \$19.83	171,627	44,546	26.0%	12,106	0	12,106	22.1
Class B	\$13.21 - \$14.76	1,047,317	140,180	13.4%	19,903	0	19,903	42.3
Class C	\$10.77 - \$11.97	341,146	28,390	8.3%	11,660	0	11,660	14.6
Office/Warehouse	\$5.79 - \$6.54	146,072	57,722	39.5%	12,550	0	12,550	27.6
Retail	\$12.92 - \$13.69	3,268,263	319,988	9.8%	110,366	71,000	39,366	48.8
Class A	\$17.99 - \$19.28	2,012,508	171,993	8.5%	91,770	71,000	20,770	49.7
Class B	\$13.58 - \$14.43	897,350	79,709	8.9%	16,802	0	16,802	28.5
Class C	\$9.02 - \$9.39	358,405	68,286	19.1%	1,794	0	1,794	228.4
Retail/Warehouse	\$7.39 - \$8.64	114,440	33,812	29.5%	0	0	0	--
Warehouse	\$3.20 - \$3.36	1,099,606	339,138	30.8%	40,441	0	40,441	50.3

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Fayetteville

creases in the Class A office/retail, Class A retail, and retail/warehouse submarkets of \$0.57, \$1.04, and \$0.43.

## Downtown Fayetteville/Dickson Street Area

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 908,174 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street area in the second half of 2012.
- There was negative net absorption of 1,497 square feet of retail space and positive absorption of 9,175 square feet of office/retail space and 57,044 square feet of office space in the second half of 2012.
- There was no new office space added in downtown Fayetteville during the last six months of 2012.
- The office space in downtown Fayetteville had a reported vacancy rate of 9.6 percent in the second half, down 11.8 percentage points from the first half of 2012. This was lower than the overall Fayetteville office vacancy rate of 12.6 percent.
- The office/retail vacancy rate for downtown Fayetteville properties decreased to 15.6 percent. This compares to 13.7 percent in the same submarket for all of Fayetteville during the second half of 2012.

- The downtown Fayetteville retail vacancy rate was increased to 6.3 percent, compared to the overall Fayetteville average of 9.8 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 3,829,657 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the second half of 2012.
- There was positive net absorption of 28,183 square feet of office space and 20,496 square feet of retail space, however, there was no absorption of office/retail space during the second of 2012 in the Northwest Arkansas Mall Area/Joyce Street Corridor.
- There was 71,000 square feet of new space added to the north Fayetteville retail commercial market in the second half of 2012.
- The office space in north Fayetteville had a reported vacancy rate of 14.8 percent in the second half of 2012. This was lower than the first half of 2012 vacancy rate of 16.8 percent, but was higher than the 12.6 percent vacancy rate for all of Fayetteville.

- The second half 2012 office/retail vacancy rate in north Fayetteville remained 26.0 percent, the same as the first half of 2012. The vacancy rate remained above the city average office/retail vacancy rate of 13.7 percent.
- Retail space in the Mall Area/Joyce Street Corridor had a reported vacancy rate of 8.0 percent, lower than the 9.2 percent rate in the first half of 2012, and lower than the overall Fayetteville rate of 9.8 percent.
- Average reported lease rates for the area saw one significant decrease in retail space of \$0.44.



## Fayetteville Downtown/Dickson Street Area Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$13.36 - \$15.11	436,484	41,701	9.6%	57,044	0	57,044	4.4
Office/Retail	\$14.05 - \$16.14	396,178	61,711	15.6%	9,175	0	9,175	40.4
Retail	\$9.52 - \$10.88	75,512	4,761	6.3%	-1,497	0	-1,497	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Fayetteville

## Martin Luther King, Jr. Boulevard Corridor

- In the second half of 2012, Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 932,391 square feet of office, office/retail, and retail space in the MLK Boulevard Corridor, up from 421,779 square feet in the first half of 2012.
- There was no new commercial space added to southwest Fayetteville in the last six months of 2012.
- The MLK Boulevard Corridor of Fayetteville experienced positive absorption of 21,900 square feet of office/retail space, 4,000 square feet of office space, and 5,000 square feet of retail space in the second half of 2012.
- The office space in southwest Fayetteville had a reported vacancy rate of 31.8 percent in the second half of 2012. This was much higher than the overall office vacancy rate of 12.6 percent for Fayetteville, but down from the previous report's 47.8 percent during the second half of 2012.
- From the first half of 2012 to the second half of 2012, the office/retail vacancy rate decreased from 18.3 percent to 9.0 percent, but was lower in southwest Fayetteville than the city average rate of 13.7 percent.
- The vacancy rates for retail space decreased to 42.0 percent in the second half of 2012 from 45.1 percent in the first half of 2012, remaining higher than the 9.8 percent retail vacancy rate for all of Fayetteville.
- Average reported lease rates remained the same 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 from Q2 to Q4 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$15.04 - \$15.92	1,414,722	209,596	14.8%	28,183	0	28,183	44.6
Office/Retail	\$16.69 - \$17.00	144,635	37,625	26.0%	0	0	0	--
Retail	\$17.78 - \$18.55	2,270,300	181,994	8.0%	91,496	71,000	20,496	53.3

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

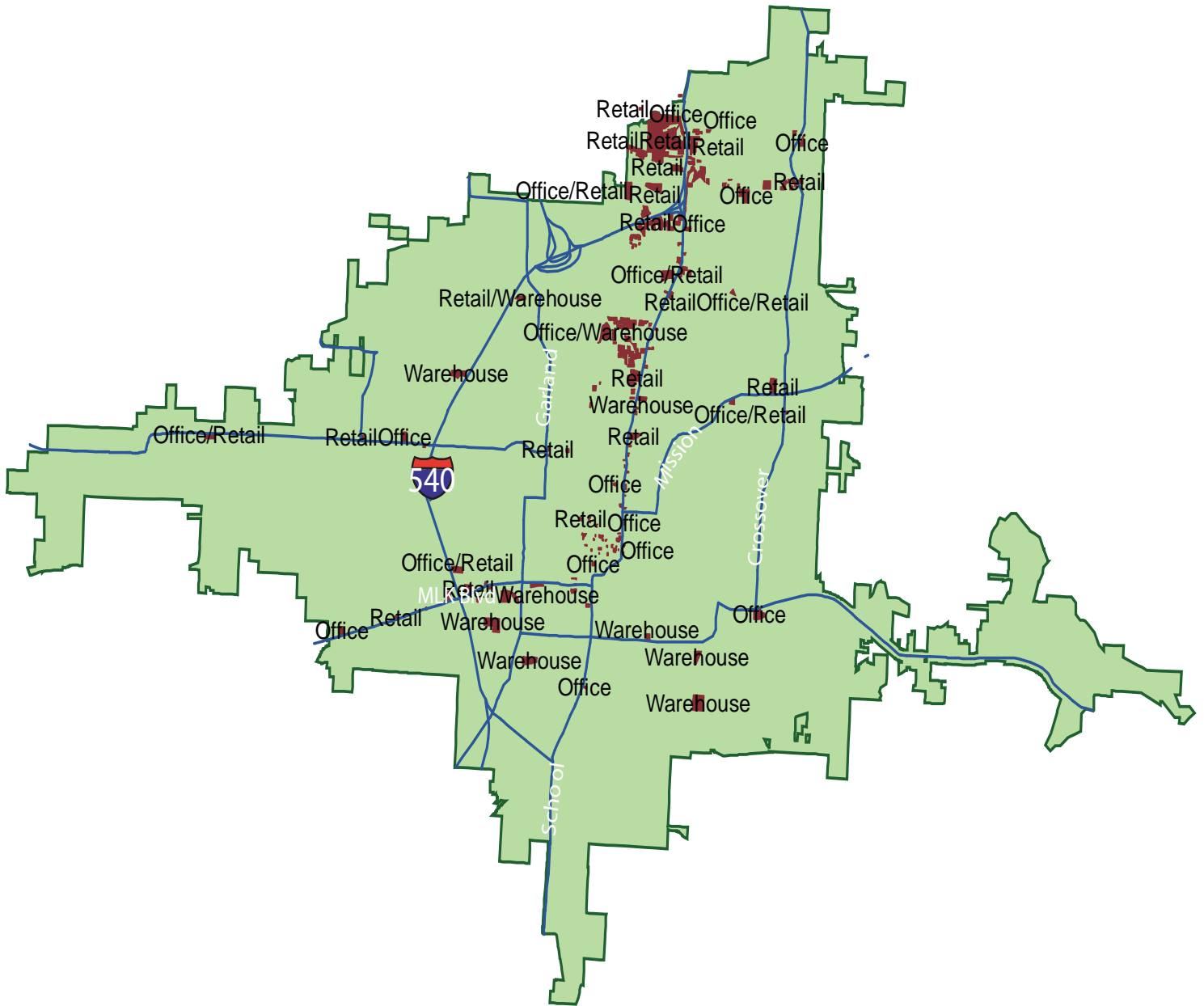
## Fayetteville MLK Boulevard Corridor Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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	8,000	31.8%	4,000	0	4,000	12.0
Office/Retail	\$12.05 - \$14.75	235,591	21,200	9.0%	21,900	0	21,900	5.8
Retail	\$12.78 - \$13.53	161,083	67,605	42.0%	5,000	0	5,000	81.1

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

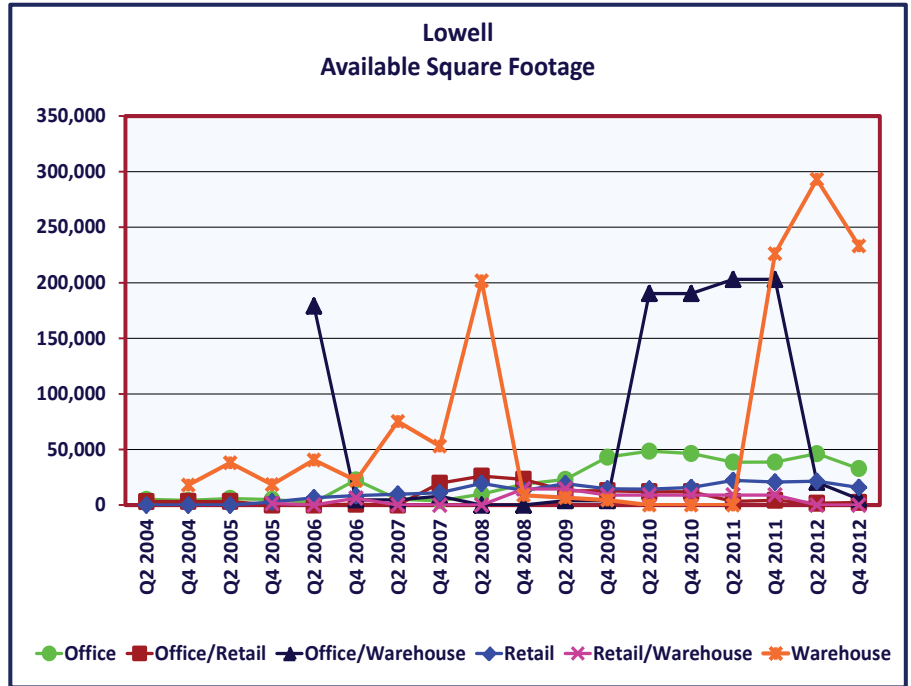
# Fayetteville





# Lowell

- From July 1 to December 31, 2012, Lowell issued no building permits for new commercial space. This was 100.0 percent lower than the \$709,949 of building permits issued in the first half of 2012, or the \$404,493 value of building permits issued in the second half of 2011.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,504,457 square feet of Lowell commercial space in the second half of 2012.
- In the second half of 2012, Lowell experienced positive net absorption of 117,200 square feet overall. There was negative net absorption in the office/retail markets, while all others were positive. There was no new space added in Lowell in the last six months of 2012.
- Reported vacancy rates decreased in the office, office/warehouse, retail, and warehouse submarkets, while increasing in the office/retail submarket



and remaining constant in the other submarkets, from the first half to the second half of 2012, in accord with absorption.

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

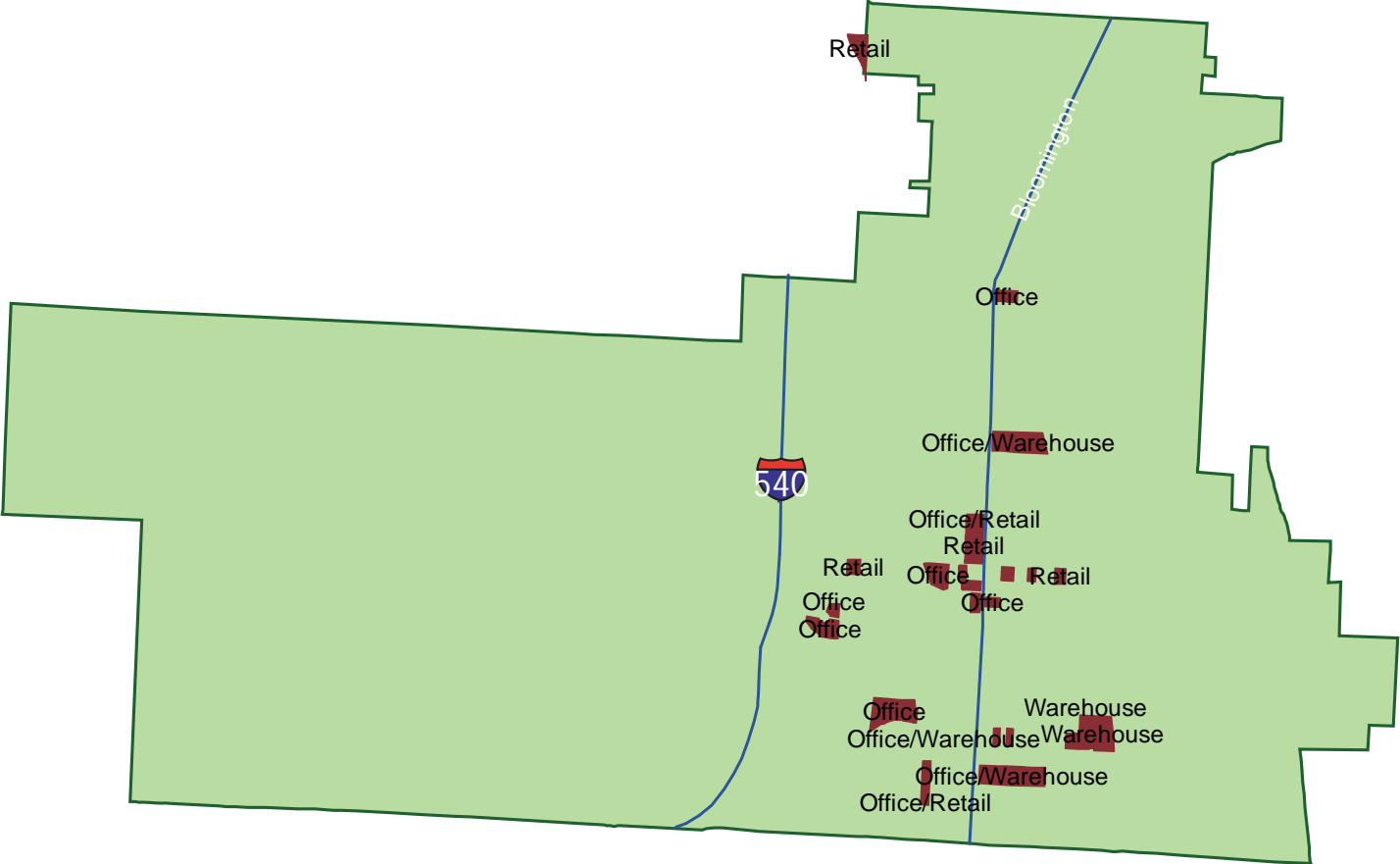
## Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2to Q4 <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%	23,880	0	23,880	9.5
Office	\$14.10 - \$14.57	287,294	32,806	11.4%	13,433	0	13,433	14.7
Class A	\$16.83 - \$18.83	109,330	17,906	16.4%	0	0	0	--
Class B	\$12.22 - \$12.33	122,550	14,900	12.2%	8,600	0	8,600	10.4
Class C	--	--	--	--	--	--	--	--
Medical	\$17.00 - \$17.00	55,414	0	0.0%	4,833	0	4,833	0.0
Office/Retail	\$9.77 - \$11.02	65,470	2,340	3.6%	-690	0	-690	--
Class A	--	--	--	--	--	--	--	--
Class B	\$10.67 - \$13.33	48,310	2,340	4.8%	-690	0	-690	--
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%	14,985	0	14,985	2.2
Retail	\$12.38 - \$14.71	125,772	15,834	12.6%	5,592	0	5,592	17.0
Class A	--	50,000	0	0.0%	0	0	0	--
Class B	\$12.38 - \$14.71	75,772	15,834	20.9%	5,592	0	5,592	17.0
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.19 - \$10.19	26,700	0	0.0%	0	0	0	--
Warehouse	\$3.30 - \$3.30	836,188	233,104	27.9%	60,000	0	60,000	23.3

<sup>1</sup>From all Q4 2012 respondents

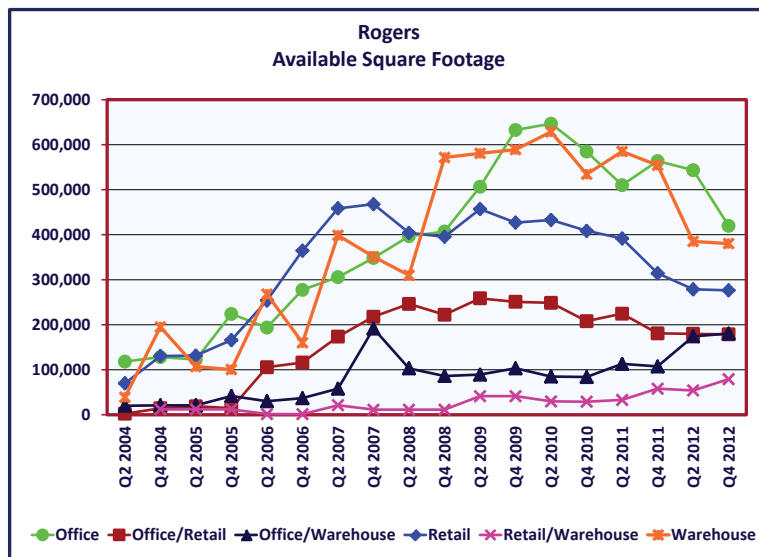
<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Lowell



# Rogers

- From July 1 to December 31, 2012, Rogers issued building permits for \$17,500,885 worth of new commercial space. The second half of 2012 value was 6.4 percent higher than the first half of 2012 value of \$16,450,564 and was also higher than the last half of 2011 value of \$4,729,000. Rogers accounted for 42.7 percent of the commercial permits issued in Northwest Arkansas during the second half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 9,280,842 square feet of commercial space in the second half of 2012.
- In the second half of 2012, Rogers experienced positive net absorption in the office, office/retail, office/warehouse, retail, and retail/warehouse submarkets. However, there was no net absorption in the medical or industrial markets.
- In the last six months of 2012, 28,425 square feet of retail space were added to the Rogers market.
- Reported vacancy rates decreased in the office, office/retail, office/warehouse,



- retail, and warehouse submarkets from the first half to the second half of 2012, but increased in the medical office and retail/warehouse submarkets, in accord with absorption.
- The average reported lease rates in Rogers that saw a significant change over the past six months medical office, down \$0.48, Class A office/

retail down \$0.43, Class B office/retail up \$0.68, and office/warehouse up \$0.79 in the second half of 2012.

## Downtown Rogers

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

## Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Lab	\$10.00 - \$10.00	9,482	0	0.0%	0	0	0	0.0
Industrial	\$4.24 - \$4.24	450,792	168,144	37.3%	0	0	0	--
Office	\$14.54 - \$15.26	2,410,791	419,689	17.4%	128,579	0	128,579	19.6
Class A	\$17.76 - \$19.18	1,445,868	243,971	16.9%	82,491	0	82,491	17.7
Class B	\$14.45 - \$14.75	498,716	84,689	17.0%	30,609	0	30,609	16.6
Class C	\$8.97 - \$9.40	181,171	50,578	27.9%	19,776	0	19,776	15.3
Medical	\$13.35 - \$13.75	285,036	40,451	14.2%	-4,297	0	-4,297	--
Office/Retail	\$10.38 - \$12.10	806,583	178,654	22.1%	12,385	0	12,385	86.6
Class A	\$18.88 - \$20.63	133,982	29,370	21.9%	-18,089	0	-18,089	--
Class B	\$11.23 - \$12.78	387,518	90,534	23.4%	4,480	0	4,480	121.3
Class C	\$7.62 - \$9.46	285,083	58,750	20.6%	25,994	0	25,994	13.6
Office/Warehouse	\$6.20 - \$6.45	565,412	180,579	31.9%	17,012	0	17,012	63.7
Retail	\$11.59 - \$12.56	2,577,473	276,494	10.7%	41,200	28,425	12,775	129.9
Class A	\$17.57 - \$19.22	1,586,520	139,202	8.8%	7,439	14,425	-6,986	--
Class B	\$10.80 - \$11.86	605,041	57,580	9.5%	36,398	14,000	22,398	15.4
Class C	\$8.38 - \$8.83	385,912	79,712	20.7%	-2,637	0	-2,637	--
Retail/Warehouse	\$5.57 - \$5.67	147,921	79,166	53.5%	0	0	0	--
Warehouse	\$3.91 - \$4.05	2,312,388	380,445	16.5%	118,980	0	118,980	19.2

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Rogers

and other characteristics for 244,346 square feet of office, office/retail, and retail space in downtown Rogers in the second half of 2012.

- No new commercial space was added to downtown Rogers in the last six months of 2012.
- The office space in Downtown Rogers experienced 17,838 square feet of net positive absorption, and had an average vacancy rate of 14.9 percent in the second half of 2012, a decrease from 43.2 in the first half of 2012. The downtown vacancy rate was lower than the overall average office vacancy rate for Rogers, which was 17.4 percent during the same period.
- The office/retail submarket experienced negative net absorption of 400 square feet, and had a decrease in the vacancy rate to 36.2 percent from the first half of 2012 rate of 47.9 percent in the downtown area. This compares to a vacancy rate of 22.1 percent for all of Rogers.
- Overall, Downtown Rogers experienced net positive absorption of 1,256 square feet of retail space during the second half of 2012.
- The average retail vacancy rate for downtown Rogers properties for the second half of 2012 decreased to 5.7 percent from 10.8 in the first half of 2012 and remained lower than the 10.7 percent average rate for all of Rogers.

- Average reported lease rates for downtown Rogers did not significantly change in the second half of 2012.

## Rogers Interstate 540

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,731,542 square feet of office, office/retail, and retail space along the Rogers I-540 corridor in the second half of 2012.
- 28,425 feet of new retail space were added to the Rogers I-540 corridor submarket in the last six months of 2012.
- Rogers experienced positive absorption of 108,096 square feet of office space, negative absorption of 14,689 square feet of office/retail space and positive absorption of 47,507 square feet of retail space. along the I-540 corridor in the second half of 2012.
- The office space along the Rogers I-540 corridor had a reported average vacancy rate of 18.9 percent in the second half of 2012, a decrease from the first half of 2012 value of 20.0 percent. This was higher than the overall average office vacancy rate for all of Rogers at 17.4 percent.
- In the second half of 2012, the office/retail submarket reported a 21.4 percent

vacancy rate, an increase from the 8.4 reported in the first half of 2012, which compares to a vacancy rate of 22.1 percent for all of Rogers.

- The average retail vacancy rate for Rogers I-540 corridor properties for the second half of 2012 decreased to 8.3 from 14.0 percent if the first half of 2012, and was lower than 10.7 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.
- 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 from Q2 to Q4 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>2</sup>	Months of Inventory <sup>2</sup>
Office	\$8.62 - \$9.67	72,958	10,880	14.9%	17,838	0	17,838	3.7
Office/Retail	\$8.29 - \$10.97	67,150	24,340	36.2%	-400	0	-400	--
Retail	\$8.53 - \$9.19	104,238	5,918	5.7%	1,256	0	1,256	28.3

<sup>1</sup>From all Q4 2012 respondents

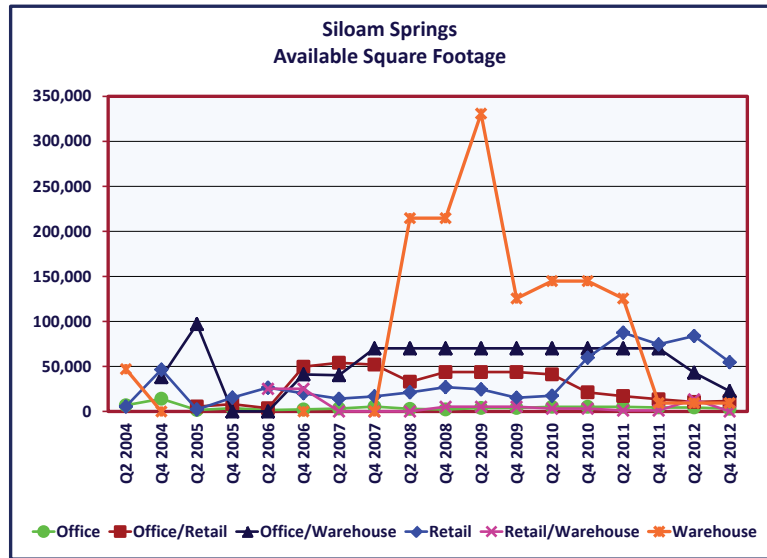
<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents





# Siloam Springs

- From July 1 to December 31, 2012, Siloam Springs issued commercial permits valued at \$3,878,115. This compares to no new commercial building permits in first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,220,758 square feet of commercial space for Siloam Springs in the second half of 2012.
- No new commercial space entered the Siloam Springs market in the last six months of 2012.
- In the second half of 2012, Siloam Springs experienced no absorption in the office/retail category A and the warehouse submarkets. There was negative absorption in the Office category C and the Office/retail markets submarkets while other categories experienced positive absorption.
- Following net absorption, vacancy rates from the second quarter of 2012 to the



fourth quarter of 2012 increased 0.8 percent in the office/retail and 0.5 percent in the warehouse submarkets. Retail/warehouse vacancy rates decreased by 19.6 percentage points, and office/warehouse saw a 17.9 percentage point

decrease. The retail category also saw a decrease of 8.2 percent, plus office and medical office categories saw decreases of 1.5 and 2.4 percent respectively.

- Average lease rates did not change significantly in the second half of 2012 in any submarket.

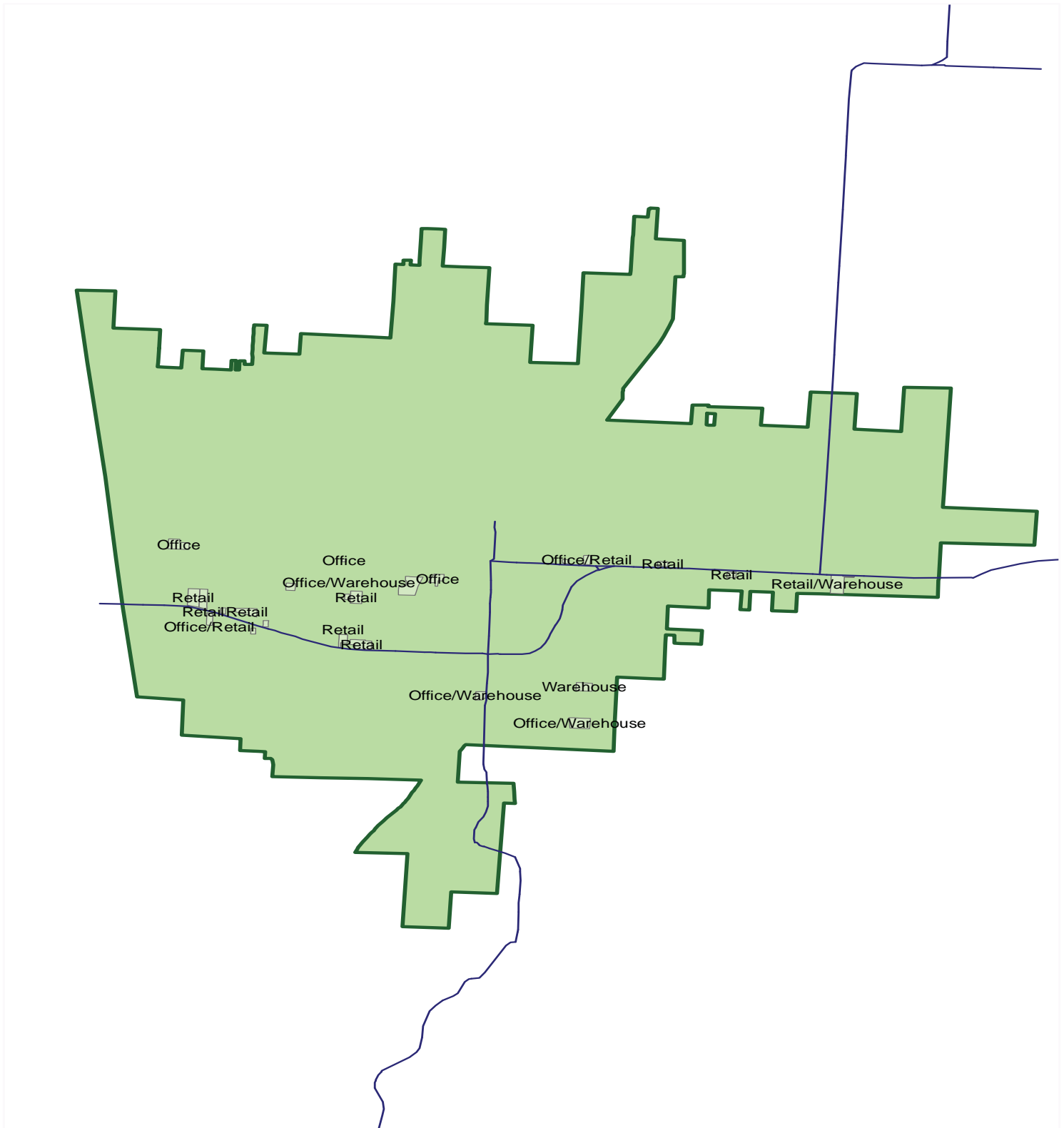
## Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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%	240,589	0	240,589	0.0
Office	\$10.02 - \$11.58	99,532	3,000	3.0%	1,344	0	1,344	13.4
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	8,000	0	0.0%	344	0	344	0.0
Class C	\$6.42 - \$8.28	6,000	1,000	16.7%	-1,000	0	-1,000	--
Medical	\$13.38 - \$14.88	85,532	2,000	2.3%	2,000	0	2,000	6.0
Office/Retail	\$7.86 - \$9.87	149,285	11,626	7.8%	-1,126	0	-1,126	--
Class A	\$12.00 - \$16.00	56,085	3,000	5.3%	0	0	0	--
Class B	\$9.42 - \$10.70	71,790	8,626	12.0%	-1,426	0	-1,426	--
Class C	\$4.49 - \$7.09	21,410	0	0.0%	300	0	300	0.0
Office/Warehouse	\$2.68 - \$2.68	114,502	22,500	19.7%	20,561	0	20,561	6.6
Retail	\$9.04 - \$9.63	357,602	54,684	15.3%	29,140	0	29,140	11.3
Class A	--	--	--	--	--	--	--	--
Class B	\$11.13 - \$11.53	167,222	6,484	3.9%	7,560	0	7,560	5.1
Class C	\$5.91 - \$6.78	190,380	48,200	25.3%	21,580	0	21,580	13.4
Retail/Warehouse	\$4.90 - \$6.74	68,028	0	0.0%	13,348	0	13,348	0.0
Warehouse	\$3.42 - \$3.67	191,220	9,375	4.9%	0	0	0	--

<sup>1</sup>From all Q4 2012 respondents

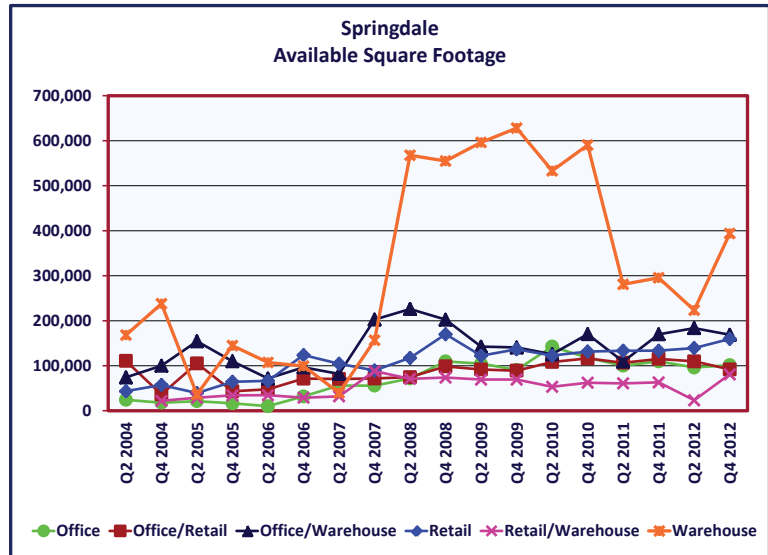
<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Siloam Springs



# Springdale

- From July 1 to December 31, 2012, Springdale issued almost \$8.5 million worth of building permits for new commercial space. This was a significant increase from the \$2,373,879 worth of building permits issued in the first half of 2012.
- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,565,339 square feet of commercial space in Springdale in the second half of 2012.
- No new space was added in Springdale in the second half of 2012.
- In the second half of 2012, Springdale experienced an overall positive absorption of 21,038 square feet. There was positive net absorption of 13,060, 5,224, 17,804, and 47,853 square feet in the Industrial, Lab, office/retail, and office/warehouse submarkets, respectively. Springdale experienced negative absorption in other submarkets the last half of 2012.
- Reported vacancy rates increased in the warehouse, retail/warehouse, retail,



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

- In the past six months in Springdale, average reported lease rates remained fairly motionless, with the exception of a \$0.54 increase in the retail/warehouse 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 from Q2 to Q4 <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%	5,224	0	5,224	0.0
Industrial	\$4.01 - \$5.09	475,785	35,982	7.6%	13,060	0	13,060	16.5
Office	\$10.88 - \$11.64	840,473	101,296	12.1%	-5,224	0	-5,224	--
Class A	\$14.00 - \$14.00	77,123	6,508	8.4%	0	0	0	--
Class B	\$11.59 - \$12.92	334,974	13,345	4.0%	-2,209	0	-2,209	--
Class C	\$8.81 - \$9.05	167,967	52,508	31.3%	3,596	0	3,596	87.6
Medical	\$12.75 - \$13.38	260,409	28,935	11.1%	-6,611	0	-6,611	--
Office/Retail	\$10.34 - \$11.68	500,589	91,900	18.4%	17,804	0	17,804	31.0
Class A	--	--	--	--	--	--	--	--
Class B	\$12.43 - \$13.90	229,162	28,728	12.5%	18,660	0	18,660	9.2
Class C	\$8.60 - \$9.83	271,427	63,172	23.3%	-856	0	-856	--
Office/Warehouse	\$5.36 - \$7.09	1,447,091	168,920	11.7%	47,853	0	47,853	21.2
Retail	\$10.88 - \$11.71	1,005,598	159,512	15.9%	-2,614	0	-2,614	--
Class A	--	--	--	--	--	--	--	--
Class B	\$13.52 - \$14.36	693,900	123,184	17.8%	-6,158	0	-6,158	--
Class C	\$7.92 - \$8.76	271,427	63,172	23.3%	-856	0	-856	--
Retail/Warehouse	\$5.26 - \$6.00	427,219	80,900	18.9%	-31,594	0	-31,594	--
Warehouse	\$3.67 - \$4.04	1,863,360	393,798	21.1%	-23,471	0	-23,471	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

# Springdale

## Downtown Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 254,447 square feet of office, office/retail, retail, retail/warehouse and warehouse space in downtown Springdale in the second half of 2012.
- There were no new square feet of commercial property added to downtown Springdale in the last 6 months.
- There was positive absorption of 7,722 square feet in the office market in downtown Springdale in the second half of 2012.
- The office space in downtown Springdale reported average vacancy rate decreased from 8.3 percent in the first half of 2012 to 3.8 percent in the second half of 2012 in accordance with absorption. The rate was lower than the overall Springdale average office vacancy rate of 12.1 percent.
- All office/retail space continued to be available in downtown Springdale in the second half, compared to a 18.4 percent vacancy rate for all of Springdale.

- The reported retail space in downtown Springdale had a vacancy rate of 48.8 percent. Meanwhile, the average retail vacancy rate for all of Springdale was 15.9 percent.
- All average reported lease rates for downtown Springdale remained constant, with the exception of the office submarket which experienced a \$0.75 increase.

## West Springdale

- Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 952,419 square feet of office, office/retail, office/warehouse and retail space in West Springdale in the second half of 2012, as opposed to last report's 582,996 square feet.
- There were no new square feet added to West Springdale in the second half of 2012.
- There was negative absorption of 30,506 square feet in West Springdale submarkets.

- The office space in West Springdale had a reported average vacancy rate of 14.7 percent in the second half of 2012. The rate was higher than the city average office vacancy rate of 12.1 percent.
- The average office/retail vacancy rate in West Springdale was 25.6 percent in the second half, above the overall city average office/retail vacancy rate of 18.4 percent.
- The retail vacancy rate for West Springdale properties decreased to 10.3 percent in the second half of 2012 and remained below the city average retail vacancy rate of 15.9 percent.
- Average reported lease rates for West Springdale was up in the office/retail submarket, significantly increased in the office submarket, and decreased slightly in the retail submarket in the second half of 2012.

## Downtown Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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	6,875	3.8%	7,722	0	7,722	5.3
Office/Retail	\$7.50 - \$9.00	3,732	3,732	100.0%	0	0	0	--
Retail	\$6.84 - \$7.44	36,062	17,592	48.8%	0	0	0	--

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 2012 respondents

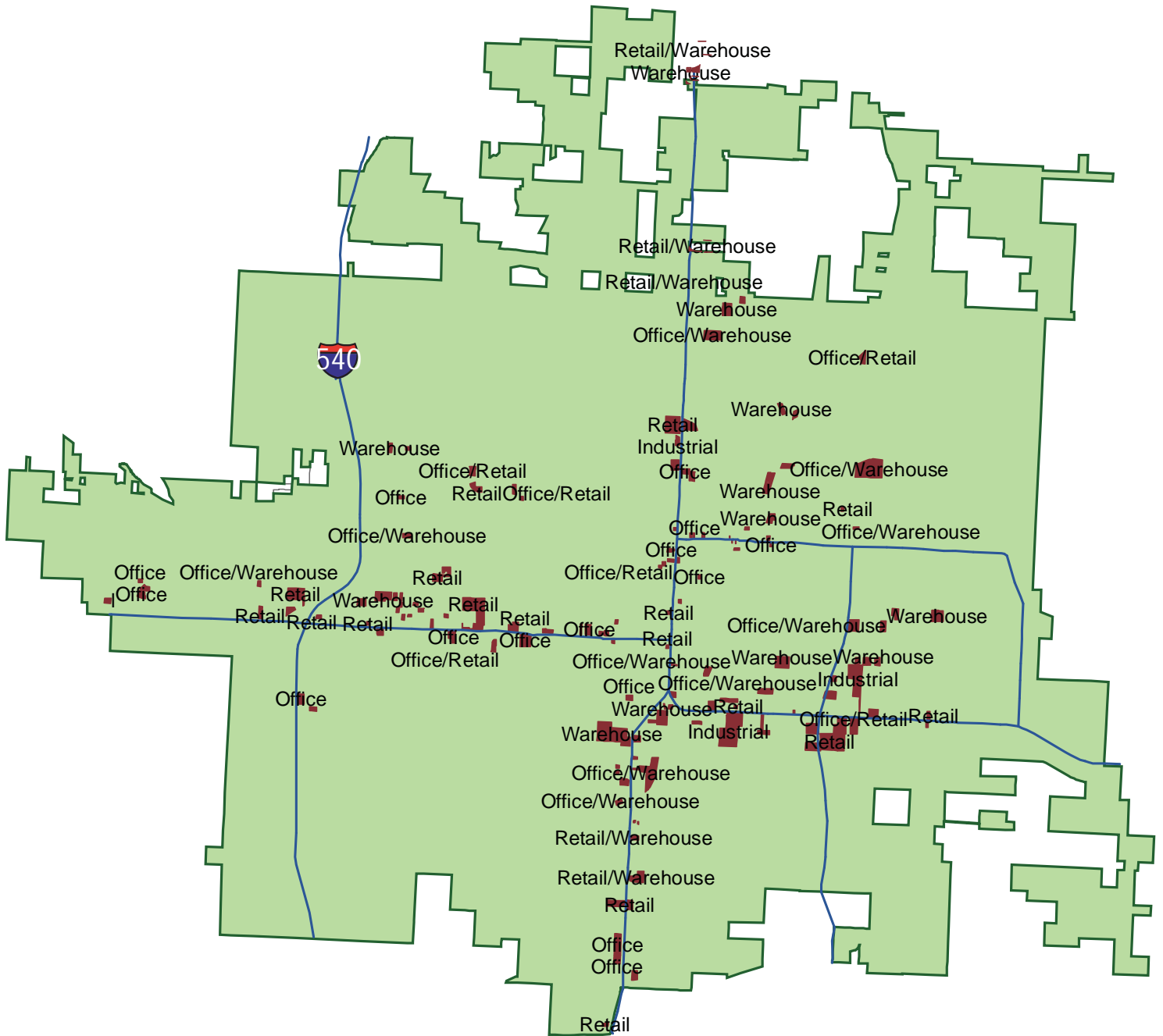
## West Springdale Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q2 to Q4 <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	98,714	14,539	14.7%	-12,450	0	-12,450	
Office/Retail	\$13.90 - \$14.40	63,550	16,261	25.6%	-3,371	0	-3,371	
Retail	\$12.00 - \$13.00	408,604	42,100	10.3%	-5,250	0	-5,250	

<sup>1</sup>From all Q4 2012 respondents

<sup>2</sup>From Q4 2012 respondents who were also Q2 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 quarterly basis, Center for Business and Economic Research staff members acquire databases containing listings of all real estate parcels within each county. The information contained in these databases is sorted by type and by size. In order to determine the population of commercial properties of interest, properties that do not meet the following minimum criteria are eliminated from consideration:

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

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

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

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

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. The Center for Business and Economic Research staff gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the fourth quarter of 2012, 234 panelists provided data on 1,619 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 1,619 properties and are assumed to be representative of the larger competitive commercial property market.

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

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

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

## **Classification**

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

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

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

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