



# THE SKYLINE REPORT

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## Commercial Real Estate Market Summary for Benton and Washington Counties April 2006



SAM M.  
**WALTON**  
COLLEGE of BUSINESS

*Center for Business and Economic Research*

Center for Business and Economic Research  
Sam M. Walton College of Business  
University of Arkansas  
Fayetteville, AR 72701  
Telephone: 479.575.4151  
<http://cber.uark.edu/>



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

This report is the 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. Because of the fast pace of growth in Northwest Arkansas, the commercial real estate market is fragmented with many local and national commercial real estate professionals competing to serve the needs of a burgeoning business community. Having current information and analysis provides a competitive advantage over those who make decisions without the benefit of hard data.

## Highlights from the First Quarter of 2006

- In the first quarter of 2006, 188,876 square feet of competitive commercial property was added to the Northwest Arkansas market.
- Vacancy rates were up from 16.0 to 16.7 percent in the Northwest Arkansas office submarket, with an increase in available space in Bentonville.
- Retail vacancy rates declined across Northwest Arkansas in the first quarter, falling from 9.9 to 9.0 percent.
- The availability of warehouse space continued to decline as almost 100,000 square feet were absorbed in the first quarter.
- Building permits totalling \$106.8 million were issued in the first quarter. This was an increase of 88 percent from the same period last year.
- Employment growth remained strong in Northwest Arkansas, growing at a 4.2 percent rate from February 2005 to February 2006. This was faster than its five year average.
- Short term interest rates continued to rise, while longer term rates started to respond to the Fed's tightening campaign. Still, the interest rate spread remained near zero.

## Report Structure

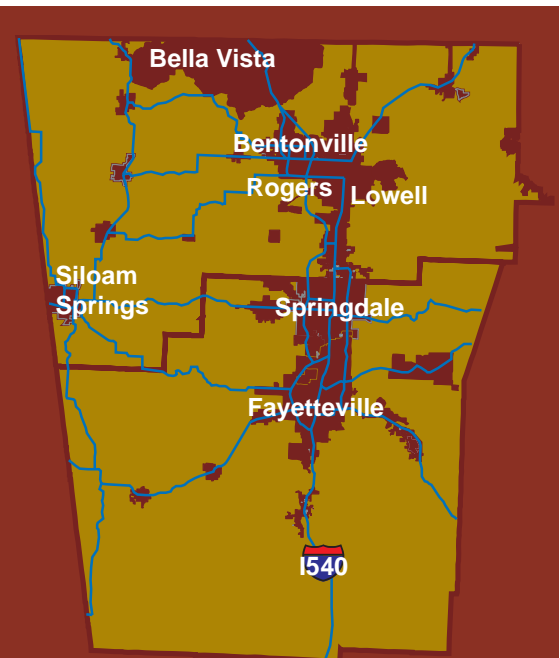
The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive 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 39) 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 and then there is a discussion of short-term and long-term interest rate prospects. Then, recent regional economic statistics, focusing on regional employment trends, are presented. After the economic overview, the results of some focus group discussions with commercial property developers and managers are summarized in order to supplement the hard data with anecdotal evidence from market participants about regional trends.

After the summary of local perceptions, the first quarter numbers for total commercial property square footage and building permit data are presented. Within the total square footage table, breakdowns of property type by city are contained. Also, the number of square footage of competitive commercial property for which the 141 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.

Following the table of announced commercial projects is a trends summary that includes information about vacancy rate and available space trends. There are also three tables summarizing some results from the five quarters that the



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

1. Industrial—space that is appropriate for the manufacturing of goods
2. Office—space where professional business people work
3. Office/Retail—space that can be configured as either office or retail space or both
4. Office/Warehouse—space that can be configured as either office or warehouse space or both
5. Retail—space where goods and services can be offered and sold to the public
6. Retail/Warehouse—space where goods and services can be offered, sold, and stored.
7. Warehouse—space where goods can be stored until distributed

Further, analysts at the CBER 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.



Skyline Report has been produced. The first table presents vacancy rates by submarket for the first quarter of 2006 and all four quarters of 2005. The second table presents net absorption by submarket for the same time periods. The third tables shows available square footage over time by city and property type. 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

### *The Macro Economy at a Glance*

In the fourth quarter of 2005, the overall real growth rate in GDP was 1.7 percent, down from a healthy 4.1 percent in the third quarter. The growth rates in GDP in the first and second quarters of 2005 were 3.8 and 3.3 percents, respectively. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the increase in real GDP in the fourth quarter primarily reflected positive contributions from private inventory investment, personal consumption expenditures (PCE), exports, equipment and software, and residential fixed investment that were partly offset by a negative contribution from federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. The deceleration in real GDP growth in the fourth quarter primarily reflected a deceleration in PCE, an acceleration in imports, a downturn in federal government spending, and decelerations in equipment and software and in residential fixed investment that were partly offset by an upturn in inventory investment and an acceleration in exports.

Turning to other data, in March, the national unemployment rate was a seasonally adjusted 4.7 percent, below the 5.4 percent three-decade average rate. The Conference Board Consumer Confidence Index, which had rebounded in November, improved further in December. The Index now stands at 107.2 (1985=100), up from 102.7 in February. The Present Situation Index rose to 133.3 from 130.3. The Expectations Index improved to 89.9 from 84.2 last month.

From February 2005 to February 2006, overall inflation was moderate. During that 12-month period, the consumer price index increased 3.6 percent. This compares with an increase of 3.3 percent for all of 2004. The index for energy, which increased 16.6 percent in 2004, advanced at a 20.1 percent rate during the February 2005 to February 2006 period. In terms of construction prices, the producer price index for construction industries increased 7.1 percent during the same time period. For 2004, that index increased 7.8 percent.

The Institute for Supply Management produces a survey of purchasing executives for non-manufacturing firms. In March, the respondents noted that nationally aluminum, construction labor, construction services, insulation, roofing shingles, skilled laborers, steel, and wallboard were all in short supply. Prices were up for aluminum wire, concrete, copper products, diesel fuel, freight, lumber, and steel.

"This month's gain in Consumer Confidence has pushed the Index to a near four-year high (May 2002, 110.3)," says Lynn Franco, Director of The Conference Board Consumer Research Center. "The improvement in consumers' assessment of present-day conditions is yet another sign that the economy gained steam in early 2006. Consumer expectations, while improved, remain subdued and still suggest a cooling in activity in the latter half of this year."

## Short-term Interest Rate Risk

The Federal Reserve continued in its incremental raising of short-term interest rates in the first quarter of 2006. The Fed Funds target now stands at 4.75 percent, up 375 basis points from its historic low in 2003. Indications are that the Fed will continue to remove monetary stimulus from the economy in the face of some inflationary pressures and continued steady growth of the macroeconomy. Most observers believe that the Fed is nearing the end of its interest raising campaign, with perhaps two more quarter point hikes yet to come.

## Long-term Interest Rate Risk

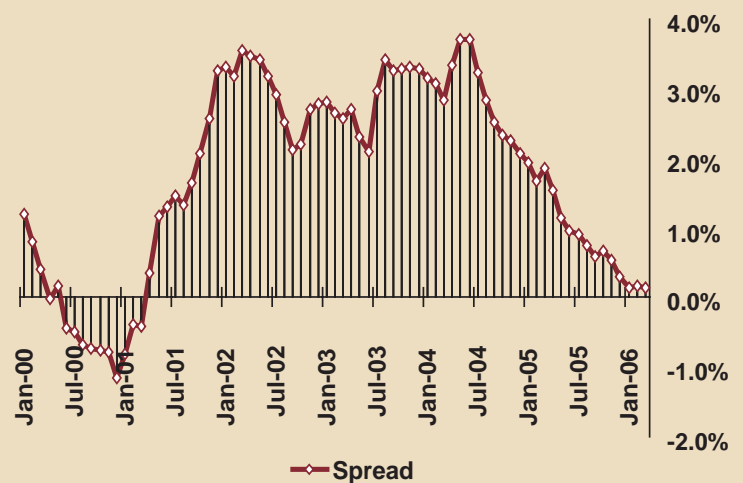
Even as short-term rates climbed in 2004, 2005, and early 2006, increases in longer term rates did not kept pace. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.72 percent in March 2006, while the federal funds rate increased by 361 basis points during the same period. The upward pressure on short-term rates combined with declining long-term interest rates implied a decrease in the spread between the two. The accompanying figure shows the spread between the Fed Funds Rate and the ten year Treasury bill since January 2000. From May 2004 to March 2006, there was a 359 basis point decline in the spread. In March 2006, the spread remained at a very low level of 13 basis points.

## Regional Employment Trends

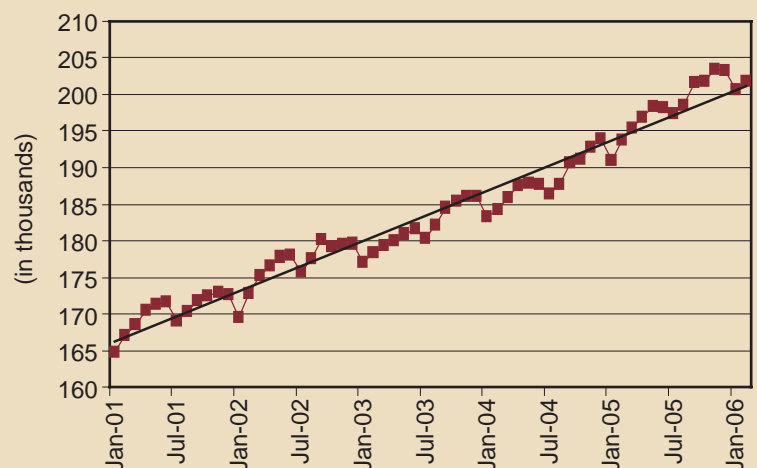
Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in recent years. The most recent numbers show that during 2005 and 2006, the Northwest Arkansas economy has been creating new jobs at an even better pace than in 2003 and 2004. The accompanying figure shows that from December 2005 to February 2006, employment in the Fayetteville-Springdale-Rogers MSA increased at above trend levels. Since January of 2001, employment growth has averaged 0.3 percent per month, or about 600 jobs per month.

In order to delve more closely into the makeup of the job growth in Northwest Arkansas, two additional figures are provided. The first shows the February 2006 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, manufacturing had the largest share of employment (16.4 percent) in Northwest Arkansas, followed by professional and business services (16.0 percent), and retail trade (10.2 percent). The sec-

### Difference Between the 10-year Maturity Treasury Bill and the Federal Funds Rate



### Fayetteville-Springdale-Rogers MSA Employment and Trend



ond figure shows the annual percentage change in the MSA's employment by sector from February 2005 to February 2006. Total nonfarm employment increased by 4.2 percent, so those sectors with larger employment growth rates are increased in relative impact and those sectors with smaller employment growth rates decreased in relative impact. The construction, professional and business services, wholesale trade, financial activities, and local government sectors had the largest percentage increases.

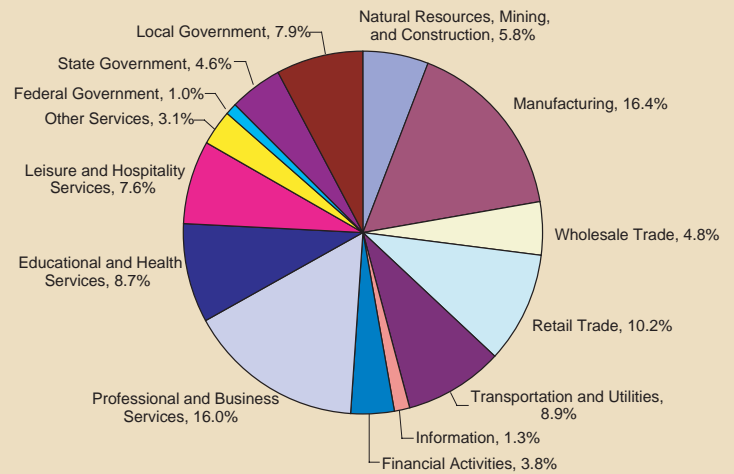
### Other Regional Economic Indicators

The Bureau of Labor Statistics has revised its unemployment numbers so that the most recent measurements are consistent with those of the past five years. In February 2006, the unemployment rate in Northwest Arkansas was a preliminary 3.5 percent, down from 3.8 percent in February of 2005. In January 2006, the unemployment rate was at 3.0 percent. In February, the state unemployment rate was 5.4 percent and the national unemployment rate was 4.8 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

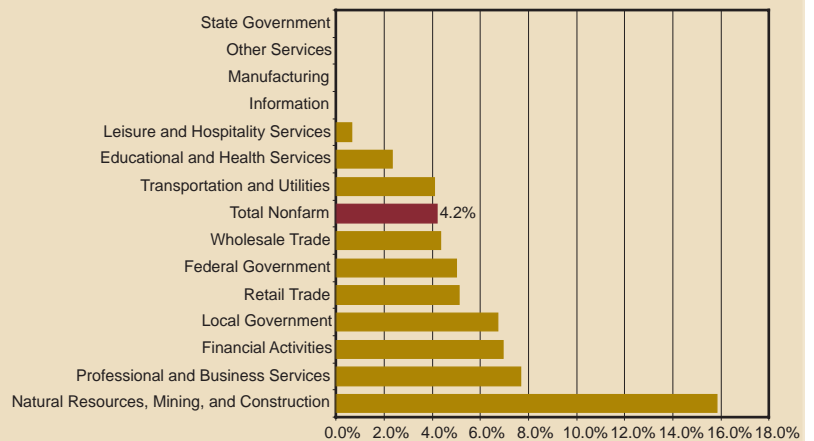
## Local Perceptions of the Northwest Arkansas Commercial Property Market

Each quarter, CBER 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. The themes of these conversations have been pretty consistent over the past year. Panelists have talked about the general state of the market, hot spots of activity, areas of softness, supply/demand imbalances, and infrastructure issues. In general, the panelists expressed a great deal of uncertainty about continued rapid growth in the Northwest Arkansas commercial real estate market through 2006 and into 2007. Almost all of the panelists feel the commercial market is due for a correction, ranging from a small "hiccup" to a serious short-term slowdown. The concerns leading to the increased level of uncertainty are: the potential oversupply of office space in the Bentonville market; the imminent completion of the Pinnacle Hills Promenade and Pleasant Crossing shopping areas and their impact on the retail market in both the Bentonville/Rogers and Fayetteville markets; rising interest rates, higher land prices, and increasing construction costs. The serious

Fayetteville-Springdale-Rogers MSA  
Employment Breakdown by Sector  
February 2006



Percent Change in  
Fayetteville-Springdale-Rogers MSA  
Employment Breakdown by Sector  
February 2005 - February 2006





concerns about the infrastructure situation, specifically local roads, I-540 bypasses, I-540 exits, the development of I-49, the highway 412 bypass, and sewer construction in Northwest Arkansas were repeatedly vocalized as well. However, when asked about the long run, panelists were still uniformly optimistic.

Most panelists look at the Bentonville/Rogers office market as being oversupplied, particularly in Class A space. The oversupply in Class A is also becoming a concern for the Class B market according to some panelists. Comments ranged from there is "too much building going on" to just being "a little concerned about office space". One panelist expressed the sentiments of several others saying the office market is "going through a digesting period of inventory created in 2005." The Superior Building was mentioned several times, but again the comments were laced with uncertainty, as it is progressing slowly and, different panelists had differing views on how that space will be utilized. In general, panelists feel there is "too much big office space" coming on line in the next year. Panelists are also concerned about the myriad small complexes built by novices with 1031 money.

On the positive side of the office market, however, all of the panelists feel demand remains strong. It is just a question of finding "the right projects" now as opposed to any and all projects two years ago. Additionally, several panelists think there is going to be a shake out of inexperienced people who are building commercial space using 1031 money. Panelists feel that there are strong opportunities in the under 10,000 square foot market due to continuing vendor influx, especially a new wave of Asian vendors, and small professional offices, with an emphasis made by a few panelists on medical space, in light of the Mercy Health System project. The Fayetteville office market is still considered to be tight, and no major concerns were expressed about supply/demand imbalances there. Springdale was mentioned a few times as having potential opportunities, especially on Highway 412 west of I-540.

The retail market is being watched with fascination by all of Northwest Arkansas. Panelists are nearly unanimous that there will be some short term impact on all other retail areas when the Pinnacle Hills and Pleasant Crossing developments are completed later this year. Regarding how severe and how long lasting the impact will be, the panelists are divided, again showing overall uncertainty with respect to this situation. Some panelists feel that the impact on Fayetteville, particularly the NWA Mall, and other locations in Benton County, Scottsdale Center being mentioned the most, will be minimal, as these developments will draw shoppers who used to shop out of the region, new shoppers into the region, and by creating jobs new shoppers in the region. In other words, "retail is creating retail". Further, the idea is that Northwest Arkansas will be a "destination location." Also mentioned was the continued growth of Washington County's population and its ability to support the NWA Mall without Benton County shoppers. Other panelists feel the impact will be much more severe as Fayetteville permanently loses its Benton County shoppers, and the Scottsdale Center becomes a second choice for local shoppers. The other uncertainty regarding retail is whether or not Northwest Arkansas will still be underserved in total retail square feet per shopper. This uncertainty is also being affected by concerns about oversupply in the residential housing market, which was mentioned by a majority of the panelists.

What is going to happen to interest rates, land prices, raw material prices, and other construction costs? These questions engender a great deal of uncertainty in the NWA real estate market. Panelists believe that those builders and developers who do not have sound financing are going to be washed out over the next couple years. But for those on a firm financial footing there will be a lot of opportunities to meet the continuing demand for commercial real estate projects. Mixed use projects were mentioned several times as being a good business model for undeveloped areas. Also downtown redevelopment projects were touted by some of the panelists.

Infrastructure remains the biggest concern for several of the panelists. All of the panelists recognize that Northwest Arkansas is years behind in infrastructure development. However, it remains a serious source of uncertainty. There are questions as to where adequate funding is going to come from, who will make the tough decisions about what order projects shall be built, how will the various city, county, and state agencies work together to make progress on the infrastructure situation. One panelist even feels there needs to be an "Infrastructure Czar" to make these decisions, voicing concerns other panelists have about the ability of the different governments to make substantial progress. However, some panelists believe that local governments are doing their best, but they need additional support from the state level. The other concern voiced by more than one panelist was about educational attainment. A more highly educated population will serve to attract companies that pay higher wages, thus continuing to stimulate demand for products. Without increasing average educational attainment levels in Northwest Arkansas, the panelists feel there is an increasing chance for economic stagnation.

The long term growth picture remains very positive according to all the panelists. They see continued "huge demand for every product" as people continue to arrive in Northwest Arkansas, working directly or indirectly for Wal-Mart, J.B. Hunt, Tyson, and the University of Arkansas. Perhaps just as important in continuing the population surge according to some panelists is word-of-mouth from new arrivals, coupled with an increasing national awareness built through the media, that Northwest Arkansas is a good place to live and raise a family. This is still the classic concept of rooftops leading to all forms of commercial demand. Panelists feel that "growth is going to happen" over the long run. They are uncertain as to how big Northwest Arkansas will grow over the next several years, but all feel the long term trend will remain very healthy.

Positive Factors:

1. Strong demand for all types of commercial products in Northwest Arkansas.
2. Continued movement of vendors into Northwest Arkansas.
3. Continued influx of professionals into Northwest Arkansas.
4. National attention to the growing MSA by developers and retailers.
5. Continued positive coverage of Northwest Arkansas as a good place to live and work.
6. Healthy Fayetteville office and retail space markets.
7. Healthy competition in the retail and office markets.

Negative Factors:

1. Infrastructure: local roads, I-540 entrances and exits, new bypasses, sewers.
2. Rising interest rates.
3. Higher raw material costs.
4. Oversupply of office space in Bentonville.
5. Rising land costs.
6. Over-regulation of the building trade.
7. Impact fees.

## Local Commercial Property Inventory and Building Permit Data

The following table presents the total competitive commercial property inventory in Northwest Arkansas that meets minimum square footage requirements (a complete list of these criteria are included on page 39) as of February 2006. Also included are columns detailing the total square feet and percent coverage of the total inventory for which the Skyline Report commercial property owner and manager panel provided information. For the first quarter, the Skyline Report covers 67.7 percent of the total competitive commercial property population in Northwest Arkansas. Some cities have better coverage than others. For ex-

### 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	–	106,188	14,752	61,594	182,534	166,066	91.0%
Bentonville	217,858	3,678,270	602,845	599,389	5,098,362	4,637,794	91.0%
Fayetteville	466,135	2,401,493	2,696,631	846,488	6,410,747	4,913,797	76.6%
Lowell	148,819	318,607	74,891	75,550	617,867	406,832	65.8%
Rogers	871,013	2,488,307	1,798,682	721,189	5,879,191	3,661,461	62.3%
Siloam Springs	253,631	173,787	353,096	180,797	961,311	555,929	57.8%
Springdale	969,303	1,372,484	2,008,638	1,650,873	6,001,298	2,691,261	44.8%
Northwest Arkansas Total	2,926,759	10,539,136	7,549,535	4,135,880	25,151,310	17,033,140	67.7%

<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 39 of this report.

<sup>2</sup>Source: Panel of 141 large Northwest Arkansas commercial property owners and managers.



## Commercial Building Permit Data by City

December 2005-February 2006							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$37,121,720	\$20,330,697	\$2,359,019	\$44,672,800	\$165,000	\$2,151,476	\$106,800,712
Square Feet	326,759	202,809	21,008		9,600		
September-November 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$9,674,394	\$3,519,150	\$3,275,717	\$85,896,765	\$150,000	\$15,999,816	\$118,515,842
Square Feet	88,022	9,960	5,408		9,300		
June-August 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$72,205,699	\$6,434,833	\$1,666,851	\$24,782,039	\$200,000	\$2,982,618	\$108,272,040
Square Feet	634,633	77,651	--	--	18,000	--	--
March-May 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Square Feet	32,822	138,405	--	--	29,699	--	--
December 2004-February 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524*	\$56,744,954
Square Feet	25,866	183,189	--	--	7,845	--	--
September-November 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
Square Feet	156,026	22,853	--	--	4,748	--	--
June-August 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
Square Feet	211,258	35,500	--	--	25,446	--	--
March-May 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473
Square Feet	221,301	89,921	--	--	84,124	--	--

ample, the Skyline Report panelists reported information on 91.0 percent of the competitive commercial properties in Bentonville, but only 44.8 percent of the competitive commercial properties in Springdale. Bella Vista, Fayetteville, Lowell, Rogers, Siloam Springs, and Lowell have coverages of 91.0, 76.6, 65.8, 62.3, and 57.8 percents, respectively.

In addition, building permit data from the past eight quarters are presented for six major cities in Northwest Arkansas. Building permit data are seasonal in nature and will show 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 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 much better data for comparison purposes.

From December 2005 to February 2006, there were \$106.8 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a decline of 9.9 percent over the prior quarter, but almost double the value from the first quarter of 2005. Rogers accounted for about 41.8 percent of the total value of building permits in the December to February period. Bentonville accounted for an additional 34.8 percent and Fayetteville accounted for 19.0 percent.

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 CBER with information about these buildings, but until construction is complete, they do not appear in the aggregated total square footage and available square footage calculations. Some of the properties listed are actually under construction, while others are only in the concept phase.

## Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Parkway Bank	Bentonville	Parkway Bank	Bank	5,000	2006
Parkway Bank	Bentonville	Buzz Tang	Bank	4,800	2006
First Security Bank	Bentonville	First Security Bank	Bank	4,111	
Arvest Branch	Bentonville	Arvest Bank	Bank	3,978	April 2006
Metropolitan Bank	Bentonville	Dynamic Development, Inc	Bank	3,500	
NW Arkansas Center for Children	Bentonville	Dept of Pediatric Svcs UAMS	Medical Office	33,000	October 2006
Center for Psychology	Bentonville	Center for Psychology	Medical Office	7,000	Fall 2006
Tate & Haney Building	Bentonville	John Tate and Johnny Haney	Mixed Use	50,000	February 2007
The Superior Building	Bentonville	Slone-Hanna Partnership	Office	396,000	2006
David Glass Tech Center	Bentonville	Wal-Mart	Office	173,250	
Clorox Building	Bentonville	Pro Con Inc	Office	32,000	June 2006
Sara Lee Corp.	Bentonville	Sellers Properties	Office	30,000	April 2006
Greystone Complex Building 3 and 4	Bentonville	Sharp Development LLC	Office	25,500	Late 2006
Office Building	Bentonville	Pinnacle Group	Office	25,000	April 2006
1200 SE 14th	Bentonville	Rick Thomas	Office	24,000	Spring 2006
Brightwood Business Park, Phase II	Bentonville	Charlton Development	Office	24,000	Winter 2006
Office Building	Bentonville	Pinnacle Group	Office	11,500	April 2006
Oak Trace, Phase V	Bentonville	Charlton Development	Office	10,360	Winter 2006
Savannah Suites	Bentonville	Pro Con Inc	Office/Retail	42,000	Spring 2006
Office- Retail Development	Bentonville	Harris_McHaney	Office/Retail	40,000	
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	June 2006
Colonnade II	Bentonville	Dixie Development	Office/Retail	19,500	2006
CMS Investments Property	Bentonville	CMS Investments	Office/Showroom	23,200	Spring 2006
Bentonville South Industrial Park	Bentonville	Eisma	Office/Showroom	18,375	spring 2006
Hardcastle Estates	Bentonville	Phil Lee	Office/Whse	112,000	
Retail Building on Central	Bentonville	Schaefer Properties	Retail	40,000	2006
Kent Dobbs Hyundai	Bentonville	Kent Dobbs Hyundai	Retail	17,835	
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	9,200	
Washington Regional Medical Center	Fayetteville	Washington Reg Med Ctr	Medical Office	200,000	
VA Medical Center expansion	Fayetteville	VA Medical Center	Medical Office	151,000	
Appleby Landing	Fayetteville	Dixie Development	Medical Office	94,000	Late 2006
Joyce Medical & Professional Center	Fayetteville	M & S Investments	Medical Office	15,400	Spring 2006
Highlands Oncology Clinic	Fayetteville	Highlands Oncology Group	Medical Office	11,600	Fall 2006
The Lofts at Underwood Plaza	Fayetteville	AMA Real Estate Group, Nock Investments, the Beldens, the Underwoods	Mixed Use	118,890	
Legacy Building	Fayetteville	Barber Group	Mixed Use	117,000	September 2006
Cornerstone Building	Fayetteville	Timberstone Development	Mixed Use	7,500	2006
Beacon Flats	Fayetteville	Beacon Flats LLC	Mixed Use	5,500	
Kantz Building	Fayetteville	Kirk Elsass	Mixed Use		
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use		
Springwoods	Fayetteville	Haynes LTD	Mixed Use		2006
Parkwest	Fayetteville	Tracy Hoskins	Office	856,000	2020
Lindsey Office	Fayetteville	Lindsey & Associates	Office	82,420	Summer 2006
Steele Plaza	Fayetteville	Irwin Partners	Office	45,000	
CMN Business Park	Fayetteville	Dixie Development	Office	28,000	Fall 2006
Township Heights	Fayetteville	Keating Enterprises	Office	11,806	
Shops at Nelsons Crossing	Fayetteville	Dixie Development	Office/Retail	70,000	Fall 2006
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Spring 2006
Hunnicut Building	Fayetteville	Don Hunnicutt	Office/Retail	23,000	



## Announcements of New Commercial Projects (Continued)

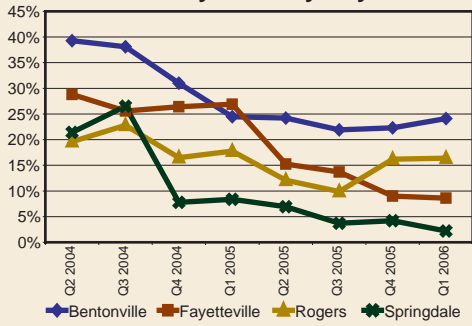
Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Wedington Circle	Fayetteville	Mansfield Property Management	Office/Retail	10,000	
Sam's Club	Fayetteville	Wal-Mart	Retail	142,898	
Malco Movies	Fayetteville	Malco	Retail	42,500	
The Shoppes at 6th Street	Fayetteville	CRI	Retail	40,000	Fall 2006
University Village Center	Fayetteville	Ark 4-John Ellis	Retail	38,774	
Wedington Place	Fayetteville	Mandy Burch	Retail	11,600	
Wedington Circle	Fayetteville	Mansfield Property Mgmt	Retail	6,576	
The Depot Project	Fayetteville	Mansfield Property Mgmt	Retail	6,000	2006
USA Drug Store	Fayetteville	Weingarten Realty Investors	Retail	3,500	January 2006
Bassett Furniture Store	Fayetteville	Bassett Furniture	Retail		Spring 2006
Fair Park Center	Fayetteville	Tracy Hoskins	Warehouse	27,500	April 2006
UAMS Pediatric Center	Lowell	Pinnacle Group	Medical Office	33,750	March 2007
World Gym	Lowell	Rhett Garner and Tania Zamzow	Retail	50,000	Mid 2006
AERT	Lowell	AERT	Warehouse	120,000	
Parkway Bank	Rogers	Parkway Real Estate Holdings	Bank	42,000	2007
Bank of Rogers Branch	Rogers	Bank of Rogers	Bank	8,294	September 2006
Signature Branch	Rogers	Signature Bank	Bank	7,088	January 2006
United Bank	Rogers	United Bank	Bank	6,200	June 2006
Liberty Bank	Rogers	Liberty Bank	Bank	6,000	2006
Metropolitan National Bank	Rogers	Metropolitan National Bank	Bank	3,700	
Metropolitan Bank	Rogers	Metropolitan Bank	Bank		
John Q. Hammons Center	Rogers	John Q. Hammons	Convention Ctr	120,000	June 2006
Metro Park	Rogers	Collins Haynes	Medical Office	80,000	
Creekside Medical Park	Rogers	Colliers Dickson Flake	Med Off/Retail	600,000	Fall 2006
Myers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	
Graham Building	Rogers	Horsebarn Partners LLC	Mixed Use	72,000	
Benchmark Office Building	Rogers	Benchmark Group	Office	114,000	
Daisy BB Office Building	Rogers	Daisy BB	Office	11,891	
Pinnacle Hills Promenade	Rogers	The Pinnacle Group	Office/Retail	980,000	October 2006
The Shoppes at Pinnacle Hills	Rogers	Pinnacle Group	Office/Retail	250,000	Summer 2006
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	1,000,000+	2006
Centre Pointe at Pleasant Grove	Rogers	Centre Pointe LLC	Retail	250,000	2006
Germain Toyota	Rogers	Germain Motor Co.	Retail	48,000	2006
Scottsdale Center Phase VB	Rogers	Tall Grass Development	Retail	20,000	Summer 2006
Harley Davidson	Rogers	Paul and Sue Johnson	Retail	47,000	April 2006
Walnut and 37th St	Rogers	Dixie Development	Retail	24,118	
Walgreens	Rogers	Bencor LLC	Retail	14,850	June 2006
Northfork Plaza	Rogers	Jim Burkeen	Retail		
Glad Warehouse	Rogers	Bill McLard	Warehouse	400,000	
Simmons Pet Food	Siloam Springs	Simmons Pet Food	Industrial	114,000	November 2006
DaySprings Cards Building	Siloam Springs	DaySprings Cards	Office	36,000	
Signature Plaza	Siloam Springs	Doug Allen	Retail	58,000	
Liberty Bank	Springdale	Liberty Bank	Bank	6,000	2006
Metropolitan National Bank	Springdale	Metropolitan National Bank	Bank	3,700	
Legacy National Bank	Springdale	Legacy National Bank	Bank/Office	20,000	October 2006
Signature Bank Branch	Springdale	Signature Bank	Bank/Office	10,000	May 2006
AERT	Springdale	AERT	Industrial	64,000	Summer 2006
Bingham-Bledsoe Diagnostic Center	Springdale	Dr. Bingham	Medical Office	11,600	May 2006
Shoppes at Har-Ber Lakes	Springdale	Sage Partners	Mixed Use	70,000	Mid 2006
Discovery Center Project	Springdale	Tyson Foods Inc	Office	358,000	Fall 2006-2007
Diesel Downs	Springdale	Gary Combs	Office/Retail	134,000	
Overton Project	Springdale	Mike Overton	Off/Whse	14,400	
Heartland Honda Addition	Springdale	SSI Inc.	Retail	11,000	Spring 2006
Louisiana Place Warehouse	Springdale	Edwards Design & Construction	Warehouse	56,875	Spring 2006



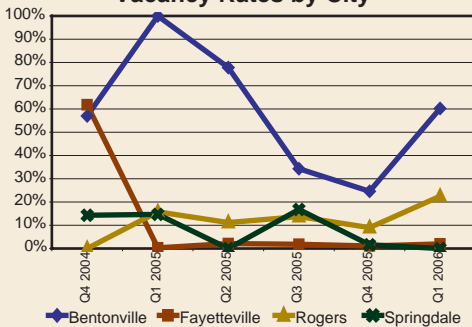
## Trends Summary

This version of the Skyline Report represents the eighth quarter that data have been collected. The accompanying graphs show how vacancy rates and available square footage have changed in the office, office/retail, and retail submarkets over the past year. 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, absorption, and available space.

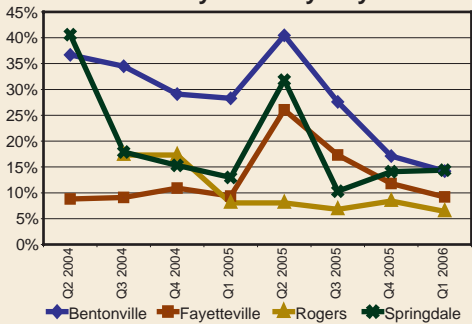
**Office Market  
Vacancy Rates by City**



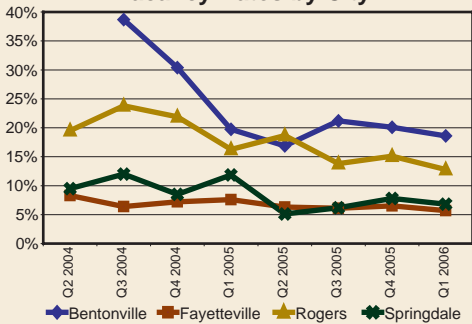
**Medical Office Market  
Vacancy Rates by City**



**Office/Retail Market  
Vacancy Rates by City**



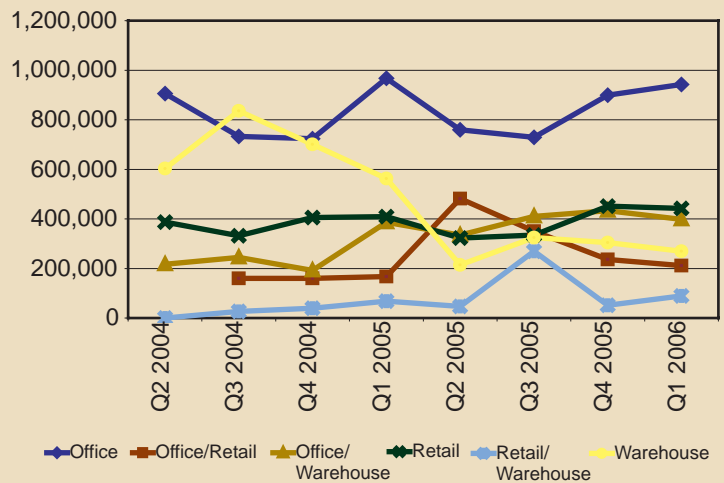
**Retail Market  
Vacancy Rates by City**

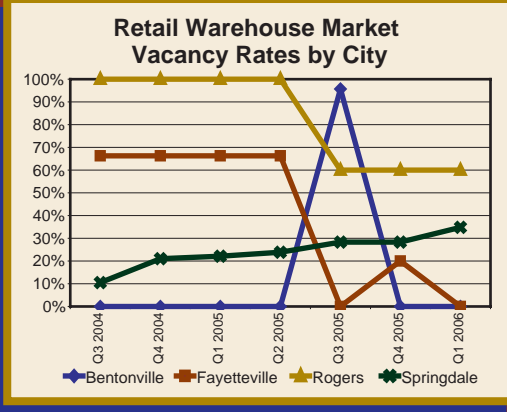
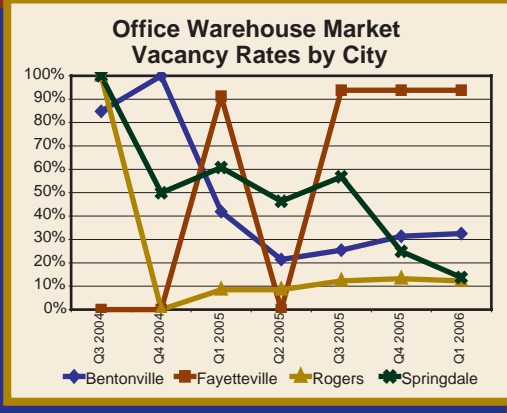
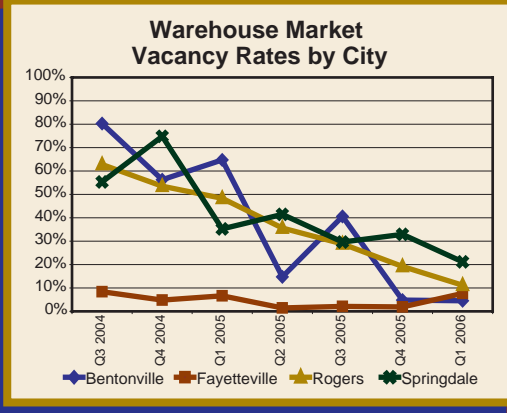


## Net Absorption by Submarket March 2005 - February 2006

	Submarket			
	Office	Office/Retail	Retail	Warehouse
Bella Vista	550	2,800	-3,000	0
Bentonville	-38,909	-74,397	-15,516	65,850
Fayetteville	130,852	-44,977	38,502	59,600
Lowell	-604	0	391	-20,400
Rogers	-15,193	-3,899	-44,739	97,686
Siloam Springs	2,050	-6,600	-23,980	0
Springdale	18,625	-9,701	28,310	68,875
Northwest Arkansas	97,371	-136,774	-20,032	271,611

**Northwest Arkansas  
Available Square Footage**



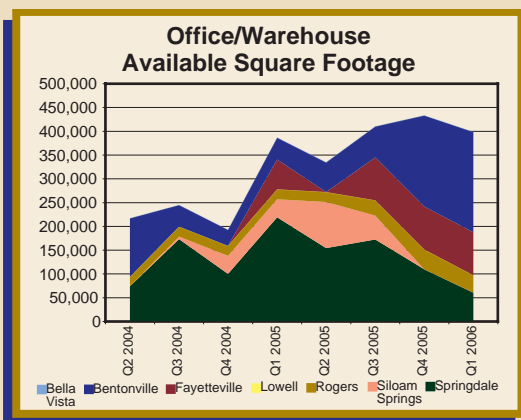
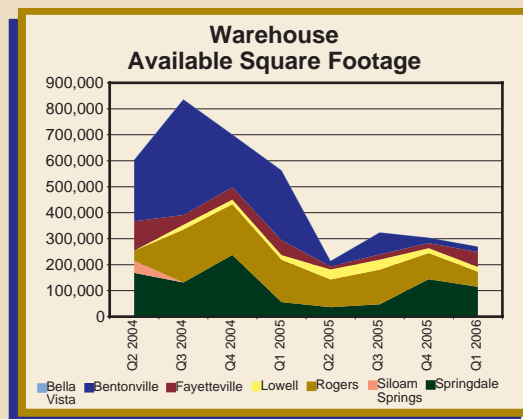
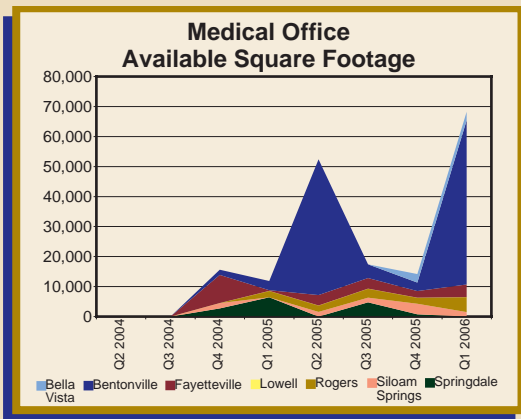
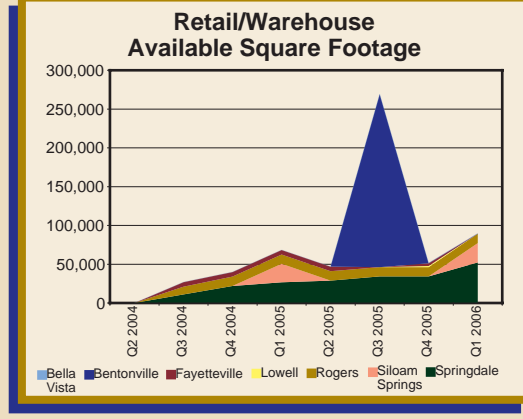
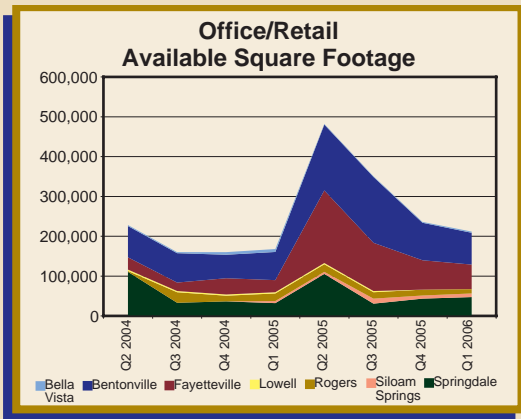
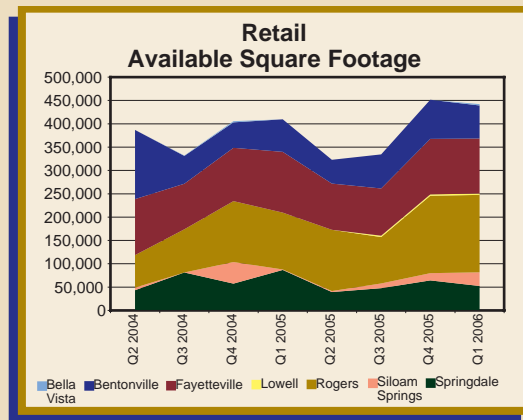
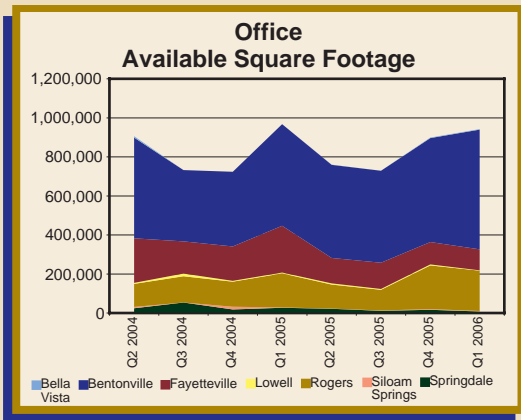


Over the past year, in the office submarket, positive net absorption in Fayetteville and Springdale has dwarfed negative net absorption in Bentonville and Rogers. As the office market graphs show, however, reported vacancy rates have followed net absorption, with increases in Bentonville and Rogers and declines in Fayetteville and Springdale from their first quarter 2005 levels. At the same time, the absolute amount of available space has increased in Bentonville and Rogers and declined in Fayetteville and Springdale. Over the past year 363,960 square feet of new office space became available for the first time. In the first quarter of 2006, Northwest Arkansas had 942,118 square feet of office space available for lease, down from 967,756 square feet in the first quarter of 2006. The overall Northwest Arkansas office vacancy rate has fallen from 21.6 percent to 16.7 percent in the same time period. However, the vacancy rates in the Bentonville office market remain much higher at 24.1 percent, down slightly from 24.5 percent a year ago.

Unlike the office market, where strength in Fayetteville meant net positive absorption during the past twelve months, the office/retail market experienced significant negative net absorption. New square footage totaling 152,102 in Bentonville and 55,800 in Fayetteville were added to the market during the previous twelve months. Some absorption occurred, netting negative absorption of 136,774 square feet. In the first quarter of 2006, 211,741 square feet of office/retail space were available.

The retail market looks more similar to the office market, in that Fayetteville and Springdale had positive net absorption in the past year, while Bentonville and Rogers saw more space added to their markets than could be absorbed. However, in the case of the retail market, there was negative net absorption for all of Northwest Arkansas. There were 173,670 new square feet of retail space added to the Northwest Arkansas market during the past twelve months-of that 123,080 square feet were added in Rogers. In the first quarter of 2006, a total of 442,087 square feet of space were available in Northwest Arkansas, up from 409,599 square feet at the same time in the prior year.

The Northwest Arkansas warehouse market experienced positive net absorption of 271,611 square feet from the first quarter of 2005 to the first quarter of 2006. Vacancy rates fell from 30.5 percent to 11.7 percent, while the number of available square feet fell to 269,089. Only 82,200 square feet of new warehouse space were added to the Northwest Arkansas market during that time. Lowell was the only city that experienced negative net absorption since the first quarter of last year.





## Vacancy Rates by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	17.2%	24.5%	26.9%	3.7%	17.8%	4.8%	8.4%	21.6%
Q2 2005	17.2%	24.2%	15.2%	5.0%	12.1%	--	6.9%	17.8%
Q3 2005	17.2%	21.9%	13.7%	4.3%	9.9%	--	3.7%	15.8%
Q4 2005	20.4%	22.3%	9.0%	4.2%	16.2%	7.0%	4.2%	16.0%
Q1 2006	20.4%	24.1%	8.6%	1.3%	16.4%	3.3%	2.2%	16.7%

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	100.0%	0.3%	--	15.8%	--	14.7%	7.4%
Q2 2005	--	77.8%	2.1%	--	11.2%	4.1%	0.0%	17.6%
Q3 2005	--	34.3%	1.8%	--	13.7%	4.1%	16.8%	5.8%
Q4 2005	34.6%	24.6%	1.1%	--	9.0%	7.0%	1.6%	4.2%
Q1 2006	34.6%	60.2%	2.0%	--	22.5%	2.1%	0.0%	15.3%

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	9.5%	28.3%	9.3%	--	8.1%	10.6%	13.0%	13.9%
Q2 2005	3.2%	40.5%	26.1%	16.7%	8.1%	10.6%	31.8%	26.8%
Q3 2005	2.9%	27.6%	17.3%	16.7%	6.8%	13.5%	10.3%	17.6%
Q4 2005	3.2%	17.1%	11.8%	0.0%	8.4%	15.8%	14.1%	13.4%
Q1 2006	4.2%	14.2%	9.2%	0.0%	6.4%	17.7%	14.4%	11.3%

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	41.9%	91.3%	--	8.5%	70.8%	60.8%	46.0%
Q2 2005	--	21.5%	0.0%	--	8.5%	71.1%	46.3%	42.7%
Q3 2005	--	25.4%	93.8%	--	12.3%	44.9%	56.8%	39.9%
Q4 2005	--	31.4%	93.8%	--	13.2%	0.0%	24.9%	27.5%
Q1 2006	--	32.5%	93.8%	--	12.3%	0.0%	13.7%	20.1%

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	0.0%	19.8%	7.6%	5.8%	16.3%	0.4%	11.9%	10.5%
Q2 2005	0.0%	16.9%	6.3%	0.0%	18.7%	0.9%	5.1%	8.7%
Q3 2005	0.0%	21.2%	6.1%	7.8%	13.8%	4.9%	6.2%	8.7%
Q4 2005	0.0%	20.1%	6.5%	4.7%	15.1%	6.0%	7.8%	9.9%
Q1 2006	3.9%	18.6%	5.7%	4.7%	12.8%	10.6%	6.8%	9.0%

### Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	--	66.3%	--	100.0%	100.0%	22.1%	29.4%
Q2 2005	--	--	66.3%	--	100.0%	0.0%	23.9%	33.0%
Q3 2005	--	95.7%	0.0%	--	60.0%	--	28.3%	70.3%
Q4 2005	--	0.0%	20.0%	7.5%	60.0%	--	28.3%	25.7%
Q1 2006	--	0.0%	0.0%	0.0%	60.0%	100.0%	34.8%	33.0%

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	64.8%	6.6%	47.4%	48.3%	0.0%	35.2%	30.5%
Q2 2005	--	14.7%	1.5%	100.0%	35.6%	--	41.4%	15.5%
Q3 2005	--	40.6%	2.1%	100.0%	28.8%	--	29.6%	17.6%
Q4 2005	--	4.8%	1.9%	63.9%	19.2%	--	32.9%	12.4%
Q1 2006	--	4.5%	7.7%	63.9%	11.2%	--	21.2%	11.7%

## Net Absorption by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	0	-78,893	13,598	-200	11,512	0	-1,737	-55,720
Q2 2005	0	26,725	87,823	-5,050	77,657	--	2,135	189,290
Q3 2005	0	953	34,170	896	-21,566	--	5,989	20,442
Q4 2005	550	10,860	4,968	50	-88,559	--	1,900	-70,231
Q1 2006	0	-77,447	3,891	3,500	17,275	2,050	8,601	-42,130

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	-1,300	0	--	0	--	0	-1,300
Q2 2005	--	-42,200	-3,507	--	0	267	-4,832	-50,272
Q3 2005	--	-2,850	0	--	-898	0	3,534	-214
Q4 2005	0	0	1,300	--	1,048	-2,017	4,000	4,331
Q1 2006	0	-43,500	511	--	-3,000	2,050	750	-43,189

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	-889	-2,350	-8,774	--	-4,380	0	6,369	-10,024
Q2 2005	2,616	-86,063	-33,293	0	0	0	-4,654	-121,394
Q3 2005	212	-6,323	16,746	0	2,900	-5,000	11,179	19,714
Q4 2005	700	3,581	-31,648	0	-10,299	-600	-12,380	-50,646
Q1 2006	-728	14,408	3,218	0	3,500	-1,000	-3,846	15,552

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	0	0	--	-21,000	0	-13,444	-34,444
Q2 2005	0	-16,500	-24,886	--	0	-11,320	-4,832	-57,538
Q3 2005	--	-14,400	27,360	--	-10,872	0	-18,000	-15,912
Q4 2005	--	199,300	0	--	0	50,507	-39,959	209,848
Q1 2006	--	-16,528	0	--	2,000	0	49,170	34,642

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	2,400	-18,030	12,694	0	8,309	0	-5,550	-177
Q2 2005	0	-3,167	6,427	0	-2,261	-1,225	2,100	1,874
Q3 2005	0	90	5,857	-2,809	2,616	-10,000	10,600	6,354
Q4 2005	0	-15,293	10,794	3,200	-66,311	-275	2,600	-65,285
Q1 2006	-3,000	2,854	15,424	0	21,217	-12,480	13,010	37,025

### Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	--	0	--	0	-23,680	-1,560	-25,240
Q2 2005	--	--	0	--	0	--	-2,140	-2,140
Q3 2005	--	0	5,900	--	0	--	-5,304	596
Q4 2005	--	20,560	0	18,500	0	--	0	39,060
Q1 2006	--	0	3,600	1,500	0	0	-7,500	-2,400

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	-43,750	0	0	5,000	0	5,690	-33,060
Q2 2005	--	0	47,600	-20,000	38,264	--	4,600	70,464
Q3 2005	--	-10,200	12,000	-400	0	--	0	1,400
Q4 2005	--	64,150	0	0	16,800	--	20,925	101,875
Q1 2006	--	11,900	0	0	42,622	--	43,350	97,872



## Available Square Footage by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	550	520,373	239,026	4,406	175,063	1,800	26,538	967,756
Q2 2005	550	477,383	130,411	5,906	122,642	1,533	21,366	759,791
Q3 2005	550	470,913	134,189	5,050	105,888	1,533	11,077	729,200
Q4 2005	2,800	532,409	115,007	5,000	223,920	3,550	16,427	899,113
Q1 2006	2,800	613,063	107,584	1,500	206,645	2,700	7,826	942,118

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	3,021	265	--	2,150	--	6,400	11,836
Q2 2005	--	45,221	3,507	--	2,150	1,533	0	52,411
Q3 2005	--	4,571	3,507	--	3,048	1,533	4,750	17,409
Q4 2005	2,800	2,850	2,207	--	2,000	3,550	750	14,157
Q1 2006	2,800	54,734	4,196	--	5,000	1,500	0	68,230

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	7,232	70,948	30,189	3,200	18,780	5,400	32,033	167,782
Q2 2005	1,816	165,011	182,430	3,200	18,780	5,400	105,331	481,968
Q3 2005	1,604	165,245	121,058	3,200	15,880	12,525	30,958	350,470
Q4 2005	2,464	93,852	73,873	0	14,679	8,000	43,338	236,206
Q1 2006	3,192	79,535	61,651	0	11,179	9,000	47,184	211,741

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	45,600	62,696	--	21,000	38,000	219,044	386,340
Q2 2005	0	62,100	0	--	21,000	97,050	154,350	334,500
Q3 2005	--	65,000	90,326	--	31,872	50,500	172,350	410,048
Q4 2005	--	191,100	90,326	--	41,736	0	109,809	432,971
Q1 2006	--	210,628	90,326	--	36,736	0	60,639	398,329

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	0	69,753	130,021	0	122,028	900	86,897	409,599
Q2 2005	0	50,920	98,865	0	131,446	2,125	39,347	322,703
Q3 2005	0	73,261	101,008	2,809	99,682	10,000	47,747	334,507
Q4 2005	0	83,681	119,069	2,809	165,993	15,400	64,472	451,424
Q1 2006	3,000	70,827	117,645	2,809	166,264	29,080	52,462	442,087

### Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	--	5,900	--	12,000	23,680	26,756	68,336
Q2 2005	--	--	5,900	--	12,000	--	28,896	46,796
Q3 2005	--	222,960	0	--	12,000	--	34,200	269,160
Q4 2005	--	0	3,600	1,500	12,000	--	34,200	51,300
Q1 2006	--	0	0	0	12,000	25,100	52,200	89,300

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	268,750	57,200	18,000	163,326	0	55,825	563,101
Q2 2005	--	20,600	12,000	38,000	107,062	--	36,225	213,887
Q3 2005	--	84,750	20,000	38,400	133,662	--	47,475	324,287
Q4 2005	--	20,600	20,000	18,400	100,311	--	144,650	303,961
Q1 2006	--	20,700	57,000	18,400	57,689	--	115,300	269,089





## Office Lease Rates

### Average Range by City

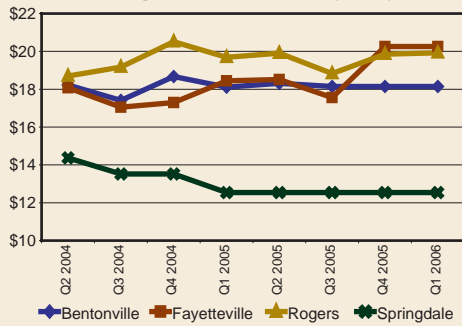
	Class A	Class B	Class C	Medical
Bentonville	\$17.88 - \$18.41	\$14.36 - \$14.81	\$5.92 - \$5.92	\$13.00 - \$13.13
Fayetteville	\$18.94 - \$21.58	\$12.33 - \$13.45	\$9.57 - \$10.15	\$10.95 - \$11.27
Rogers	\$19.14 - \$20.71	\$11.78 - \$12.82	\$6.38 - \$6.38	\$15.50 - \$15.50
Springdale	\$10.40 - \$14.68	\$10.96 - \$13.42	\$9.98 - \$9.98	\$11.37 - \$12.03

## Office

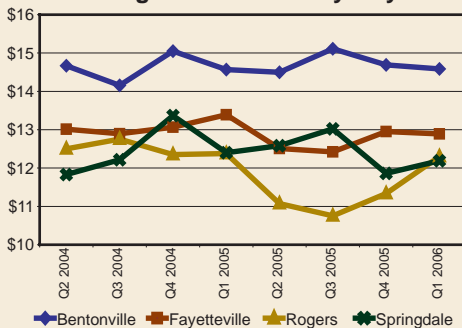
In the first quarter of 2006, the office properties included in the Skyline Report panel had a vacancy rate of 16.7 percent, up slightly from 16.0 percent in the fourth quarter of 2005. Of the 5.6 million square feet of Northwest Arkansas properties examined, 942,118 square feet were available. This was up from 899,113 available square feet of office space in the fourth quarter of 2005. From the fourth quarter of 2005 to the first quarter of 2006, 73,500 square feet of new office space entered the market, while 31,370 square feet of space were absorbed, yielding net absorption of -42,130.

Of the 942,118 square feet of available office space in Northwest Arkansas, about 65 percent was located in Bentonville and comprised Class A and Class B space. The Bentonville Plaza property accounted for about 26 percent of the unoccupied office space in Bentonville, down from 31 percent in the previous quarter. While Bentonville Plaza continued to play a role in the oversupply in the Bentonville market, there was even more square footage sitting vacant in the Class B market. In the first quarter, 3,947 square feet of office space became vacant, while an additional 73,500 square feet of office space entered the market, for a negative net absorption of 77,447 square feet.

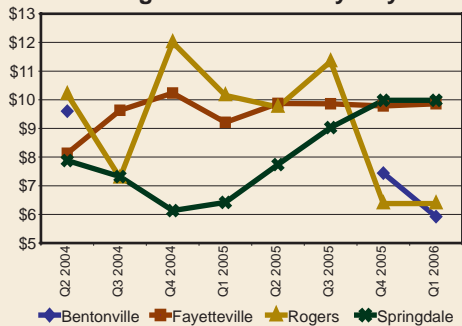
**Class A Office  
Average Lease Rates by City**



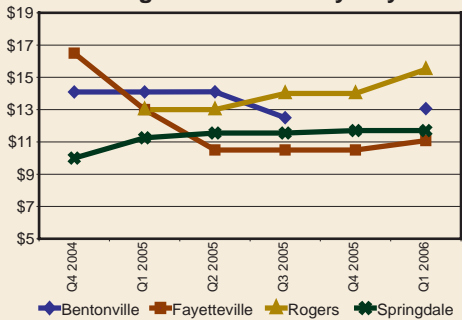
**Class B Office  
Average Lease Rates by City**



**Class C Office  
Average Lease Rates by City**



**Medical Office  
Average Lease Rates by City**



While Bentonville had over 600,000 square feet of available office space, Rogers had just over 200,000 square feet available. In the Rogers office submarket, Class A accounted for about half of all available space while Class B and Class C split the remainder. There was positive net absorption of 17,275 square feet in the first quarter of 2006. Class A, Class B, and Class C office space experienced positive absorption, while medical office space had increased vacancies.

Fayetteville had 107,584 square feet of available office space in the first quarter of 2006. About 75 percent of the available office space in Fayetteville was in the Class B submarket. From the fourth quarter of 2005 to the first quarter of 2006, there was no net absorption in the Class A office submarket, but there was positive net absorption of 3,891 among the Class B, Class C, and medical submarkets. No new office space came online in Fayetteville in the first quarter.

The Springdale office market had only 7,826 square feet of available space in the first quarter. A total of 3,501 square feet were absorbed in the Class B submarket and a total of 4,350 square feet were absorbed in the Class C submarket. Also, the medical office submarket saw 750 square feet become occupied. No new office space came online in Springdale in the first quarter.

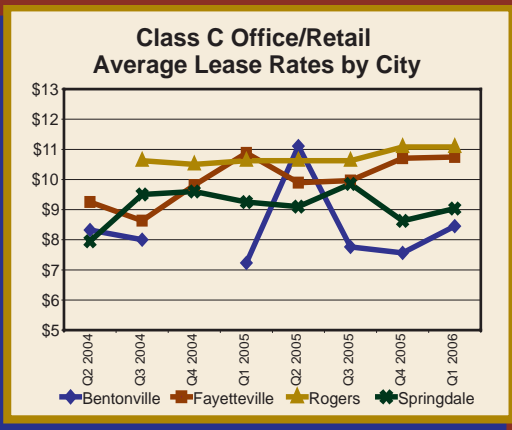
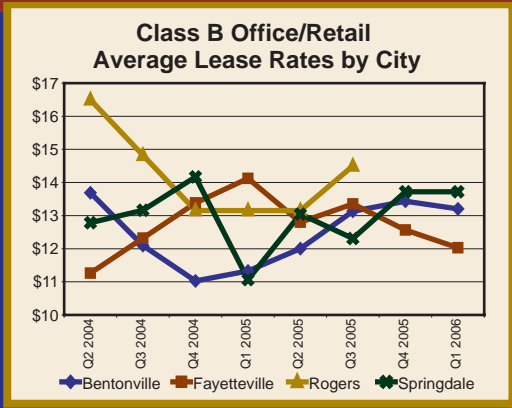
Office lease rates were highest, on average, for Class A office space in Rogers and Fayetteville, averaging about \$20 per square foot. Class A space lease rates in both Bentonville and Springdale remained constant in the first quarter. Class B office space was most expensive in Bentonville and least expensive on average in Rogers and Springdale. In the first quarter, reported average lease rates for Class C office space in Bentonville declined, while they remained constant in the other cities. Reported average medical office space lease rates increased slightly in Fayetteville and Rogers.

## Office Space Characteristics by Class and City

Class A Office							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	399,076	196,500	49.2%	8,292	0	8,292	71.1
Fayetteville	131,323	16,850	12.8%	0	0	0	–
Rogers	769,684	101,988	13.3%	14,725	0	14,725	20.8
Springdale	--	--	--	--	--	--	--
Class B Office							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	2,044,166	359,508	17.6%	-12,239	30,000	-42,239	–
Fayetteville	780,936	80,149	10.3%	2,157	0	2,157	111.5
Rogers	363,086	41,641	11.5%	5,050	0	5,050	24.7
Springdale	147,441	30,124	20.4%	-2,766	0	-2,766	–
Class C Office							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	12,799	2,321	18.1%	0	0	0	–
Fayetteville	128,264	6,389	5.0%	1,223	0	1,223	15.7
Rogers	102,574	58,016	56.6%	500	0	500	348.1
Springdale	180,928	17,060	9.4%	-1,080	0	-1,080	–
Medical Office							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	90,854	54,734	60.2%	0	43,500	-43,500	–
Fayetteville	205,871	4,196	2.0%	511	0	511	24.6
Rogers	22,265	5,000	22.5%	-3,000	0	-3,000	–
Springdale	443,590	60,639	13.7%	49,170	0	49,170	3.7

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents



## Office/Retail Lease Rates

	Average Range by City	
	Class B	Class C
Bentonville	\$12.21 - \$14.09	\$8.22 - \$8.68
Fayetteville	\$11.39 - \$12.67	\$9.70 - \$11.79
Rogers	-	\$9.33 - \$12.83
Springdale	\$11.33 - \$16.11	\$7.82 - \$10.25

## Office/Retail

In the first quarter of 2006, the office/retail properties included in the CBER sample had a vacancy rate of 11.3 percent, down from 13.4 percent in the fourth quarter. Of the 1.9 million square feet of Northwest Arkansas properties examined, 211,741 square feet were available. From the fourth quarter of 2005 to the first quarter of 2006, 26,328 new square feet of office/retail space were added to the market, while 41,880 square feet of space became occupied. This yielded a positive net absorption of 15,552 square feet.

Only Bella Vista, Siloam Springs, and Springdale experienced negative net absorption in the office/retail submarket in the first quarter. Bentonville had positive absorption of 40,736 square feet of office/retail space. A total of 26,328 square feet new Class B office/retail space came online in Bentonville in the first quarter, yielding positive net absorption of 14,408 square feet. Fayetteville had positive absorption of 3,218 square feet and Rogers had positive net absorption of 3,500 square feet of office/retail space. No new square feet of office/retail space were added to the Fayetteville, Rogers, or Springdale markets in the first quarter.

Bentonville continued to have the largest amount of available square footage in the office/retail submarket with 79,535 square feet available. This translated to a vacancy rate of 14.2 percent. Fayetteville had a fair amount of available office/retail space available as well with 61,651 square feet and 9.2 percent vacancy. Rogers, on the other hand, had very little office/retail space available at 11,179 square feet. Springdale had reported available office/retail square footage of 47,184.



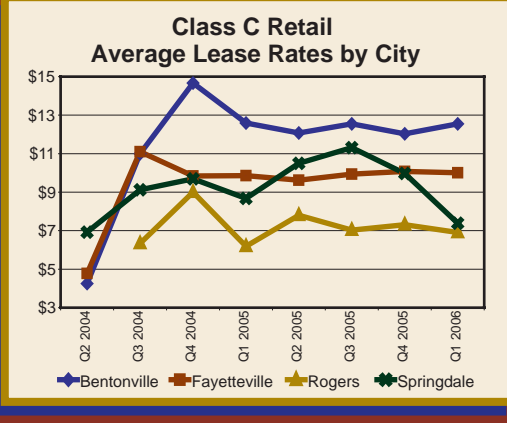
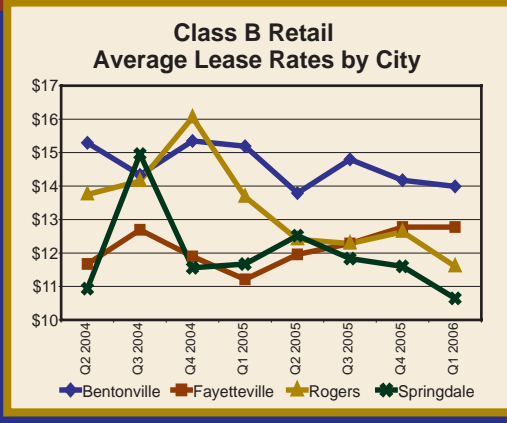
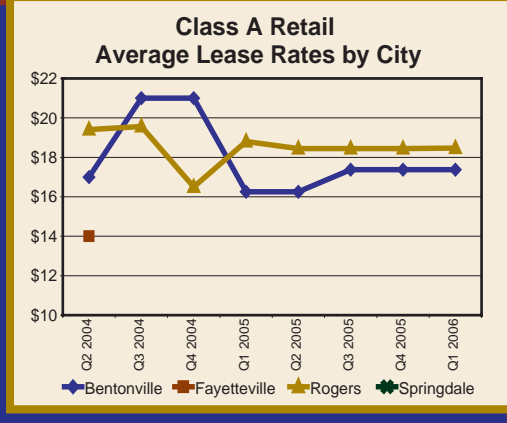
Office/retail space lease rate changes were mixed in the fourth quarter. Average reported lease rates for Class B space stayed constant in Springdale, but declined in Bentonville and Fayetteville. Average lease rates for Class C space increased slightly in Bentonville and Springdale, but were constant in Fayetteville and Rogers.

## Office/Retail Space Characteristics by Class and City

Class A Office/Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	20,000	0	0	0	0	0	0
Fayetteville	--	--	--	--	--	--	--
Rogers	--	--	--	--	--	--	--
Springdale	--	--	--	--	--	--	--
Class B Office/Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	454,234	74,767	16.5%	42,296	26,328	15,968	14.0
Fayetteville	558,621	43,455	7.8%	1,768	0	1,768	73.7
Rogers	--	--	--	--	--	--	--
Springdale	147,441	30,124	20.4%	-2,766	0	-2,766	--
Class C Office/Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	87,047	4,768	5.5%	-1,560	0	-1,560	--
Fayetteville	114,521	18,196	15.9%	1,450	0	1,450	37.6
Rogers	175,506	11,179	6.4%	3,500	0	3,500	--
Springdale	180,928	17,060	9.4%	-1,080	0	-1,080	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents



## Retail Lease Rates

Average Range by City			
	Class A	Class B	Class C
Bentonville	\$16.75 - \$18.00	\$13.76 - \$14.22	\$12.55 - \$12.55
Fayetteville	-	\$12.08 - \$13.47	\$9.14 - \$10.88
Rogers	\$18.20 - \$18.68	\$11.15 - \$12.05	\$6.63 - \$7.19
Springdale	-	\$9.73 - \$11.56	\$7.10 - \$7.68

## Retail

In the first quarter of 2006, the retail properties included in the CBER panel had a vacancy rate of 9.0 percent, which was down from the 9.9 percent reported in the fourth quarter of 2005. Of the 4.9 million square feet of Northwest Arkansas retail properties examined, 442,087 square feet were available. From the fourth quarter of 2005 to the first quarter of 2006, there was a positive absorption of 105,745 square feet of retail space, with 68,720 square feet of new retail space coming on the market, netting positive absorption of 37,025 square feet.

Bentonville had 380,321 total square feet and 70,827 available square feet of retail space in the first quarter, resulting in a vacancy rate of 18.6 percent. This represented a decline from the rate of 20.1 percent in the fourth quarter of 2005. A total of 2,854 were absorbed by the Bentonville retail market, while no new space entered the market in the first quarter.

In the first quarter of 2006, Fayetteville had a retail vacancy rate of 5.7 percent, down from 6.5 percent in the fourth quarter, with 117,645 available square feet out of a total of 2,046,450. There was reported positive absorption of 8,148 square feet in the Class B retail submarket, reported positive absorption of 7,655 square feet in the Class C submarket, and reported negative absorption of 379 square feet in the Class A submarket. No new retail square feet were reported during the first quarter in Fayetteville.

The Rogers market had 166,264 square feet of available retail space out of a total of 1.3 million square feet for a vacancy rate of 12.8 percent in the first quarter. This rate was a decline from 15.1 percent in the fourth

quarter. A total of 54,347 square feet were absorbed in the Class A submarket, while 55,000 new square feet were added. In the Class B, submarket, an additional 21,700 square feet were absorbed.

There were 52,462 square feet of available retail space out of a total of 772,710 square feet in Springdale in the first quarter. This implies a vacancy rate of 6.8 percent, down from 7.8 percent in the fourth quarter of 2005. No new retail space was added to the Springdale market in the first quarter. Positive absorption of 7,685 square feet was reported in the Class B submarket and positive absorption of 5,325 square feet was reported in the Class C retail submarket.

Reported average reported lease rates were mixed. Bentonville, Rogers, and Fayetteville Class B average reported retail lease rates declined, while Springdale Class B retail lease rates remained fairly constant. Throughout 2005, Class A and Class C average retail lease rates remained steady.



## Retail Space Characteristics by Class and City

Class A Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	58,910	26,500	45.0%	0	0	0	--
Fayetteville	1,016,721	22,394	2.2%	-379	0	-379	--
Rogers	534,721	77,860	14.6%	54,347	55,000	-653	--
Springdale	--	--	--	--	--	--	--
Class B Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	243,318	32,191	13.2%	5,612	0	5,612	--
Fayetteville	845,378	86,238	10.2%	8,148	0	8,148	31.8
Rogers	543,025	64,290	11.8%	21,700	0	21,700	8.9
Springdale	601,618	38,062	6.3%	7,685	0	7,685	14.9
Class C Retail							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	78,093	12,136	15.5%	-2,758	0	-2,758	--
Fayetteville	184,351	9,013	4.9%	7,655	0	7,655	3.5
Rogers	222,533	24,114	10.8%	170	0	170	425.5
Springdale	171,092	14,400	8.4%	5,325	0	5,325	8.1

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

## Other Lease Rates

### Average Range by City

	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$8.67 - \$8.67	\$9.48 - \$11.91	\$4.32 - \$9.48
Fayetteville	\$3.62 - \$3.62	\$5.40 - \$5.80	\$5.08 - \$5.08
Rogers	\$3.48 - \$3.81	\$4.76 - \$7.81	\$6.40 - \$6.40
Springdale	\$4.03 - \$4.79	\$6.00 - \$7.38	\$6.50 - \$9.75

## Warehouse

In the first quarter of 2005, the warehouse properties included in the CBER panel had a vacancy rate of 11.7 percent. This was a decline from the fourth quarter vacancy rate of 12.4 percent. Of the 2.1 million square feet of warehouse space examined, 269,089 square feet were available in the first quarter. No new warehouse space was added to the market in the first quarter.

The bulk of available warehouse space was in Fayetteville, Rogers, and Springdale. Bentonville had significantly less available warehouse space in the first quarter. Reported warehouse vacancy rates declined everywhere except Fayetteville in the first quarter and the increase in Fayetteville space was due to the addition of respondents to the Skyline Report, rather than negative absorption.

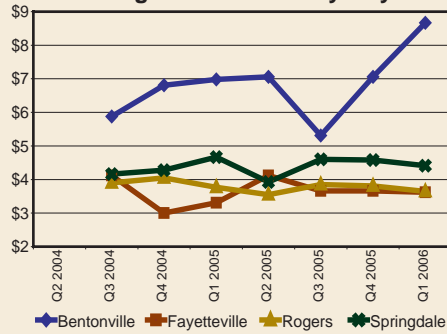
Bentonville continued to have the most expensive average warehouse lease rates, increasing substantially over the past two quarters. Fayetteville and Rogers had roughly comparable average warehouse lease rates at about \$3.75 per square foot, while Springdale stayed constant at about \$4.50 per square foot.

## Office/Warehouse

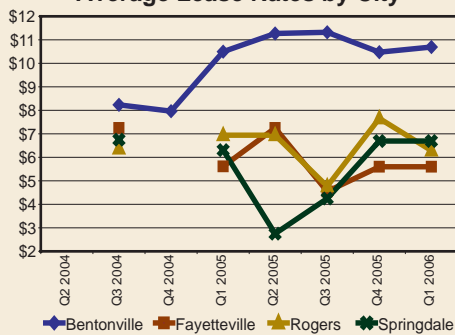
The Skyline Report panelists reported on 1.6 million square feet of office/warehouse space in the first quarter. The vacancy rate in the office/warehouse submarket declined to 20.1 percent in Northwest Arkansas, with 398,329 total square feet available in the first quarter. From the fourth quarter of 2005 to the first quarter of 2006, there was positive absorption of 54,970 square feet of office/warehouse space, while 20,328 new square feet came online, netting positive absorption of 34,642. The substantial vacancy rate decline was the result of both the positive net absorption and the addition of a number of office/warehouse properties to the Skyline Report sample.

The activity in the office/warehouse submarket in the first quarter was concentrated in Bentonville and Springdale. All of the new space came online in Bentonville, while Springdale had absorption of 49,170 square feet of office/retail space. Fayetteville had no activity, while Rogers experienced a small amount of positive absorption in the office/warehouse submarket. Over half of the available office/warehouse space in the first quarter was in Bentonville.

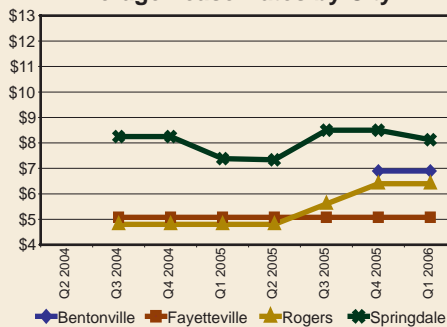
**Warehouse  
Average Lease Rates by City**



**Office/Warehouse  
Average Lease Rates by City**



**Retail/Warehouse  
Average Lease Rates by City**





## 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 from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	463,700	20,700	4.5%	11,900	0	11,900	5.2
Fayetteville	742,440	57,000	7.7%	0	0	0	--
Rogers	515,110	57,689	11.2%	42,622	0	42,622	4.1
Springdale	543,136	115,300	21.2%	43,350	0	43,350	8.0

Office/Warehouse							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	647,678	210,628	32.5%	3,800	20,328	-16,528	--
Fayetteville	96,326	90,326	93.8%	0	0	0	--
Rogers	297,512	36,736	12.3%	2,000	0	2,000	55.1
Springdale	443,590	60,639	13.7%	49,170	0	49,170	4

Retail/Warehouse							
	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Bentonville	20,560	0	0	0	0	0	0
Fayetteville	50,084	0	0.0%	3,600	0	3,600	0
Rogers	20,000	12,000	60.0%	--	--	--	--
Springdale	149,920	52,200	34.8%	-7,500	0	-7,500	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

Despite already being significantly higher than the rest of the region, in the first quarter, the office/warehouse lease rates in Bentonville increased. Average reported lease rates for office/warehouse space increased in Rogers, but remained constant in Fayetteville and Springdale.

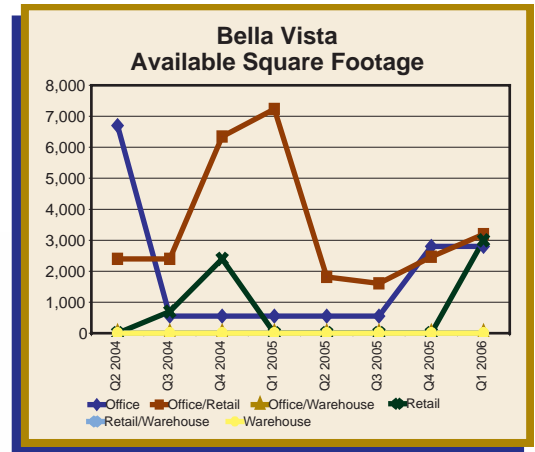
### Retail/Warehouse

The Skyline Report panelists reported on 270,714 square feet of retail/warehouse space in the first quarter of 2006. The vacancy rate in the retail/warehouse submarket increased to 33.0 percent in Northwest Arkansas, with 89,300 total square feet available in the first quarter. From the fourth quarter of 2005 to the first quarter of 2006, there was negative absorption of 2,400 square feet of retail/warehouse space, while no new square feet came online. The negative absorption was concentrated in Springdale, but offset by some positive absorption in Fayetteville and Lowell. Springdale continued to have the bulk of available retail/warehouse space in Northwest Arkansas. The Northwest Arkansas vacancy rate increase was the result of both the negative net absorption and the addition of a number of retail/warehouse properties to the Skyline Report sample.

While significantly higher than the rest of the region, in the first quarter, the retail/warehouse lease rates in Springdale declined a bit. Average reported lease rates also declined in Rogers and remained constant in Bentonville and Fayetteville.

## Bella Vista

- Bella Vista had 182,534 square feet of competitive commercial space in the first quarter of 2006.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 166,066 square feet of commercial space in the first quarter of 2006. This represented 91.0 percent of the total competitive commercial space in Bella Vista.
- In the first quarter of 2006, Bella Vista experienced negative net absorption of 728 square feet in the office/retail submarket and 3000 square feet of negative absorption in the retail submarket, and no activity in the office submarket.
- Reported vacancy rates increased in the office/retail and retail submarkets in Bella Vista from the fourth quarter of 2005 to the first quarter of 2006 due to reported vacancies.
- Reported average lease rates were unchanged in Bella Vista in the first quarter of 2006.



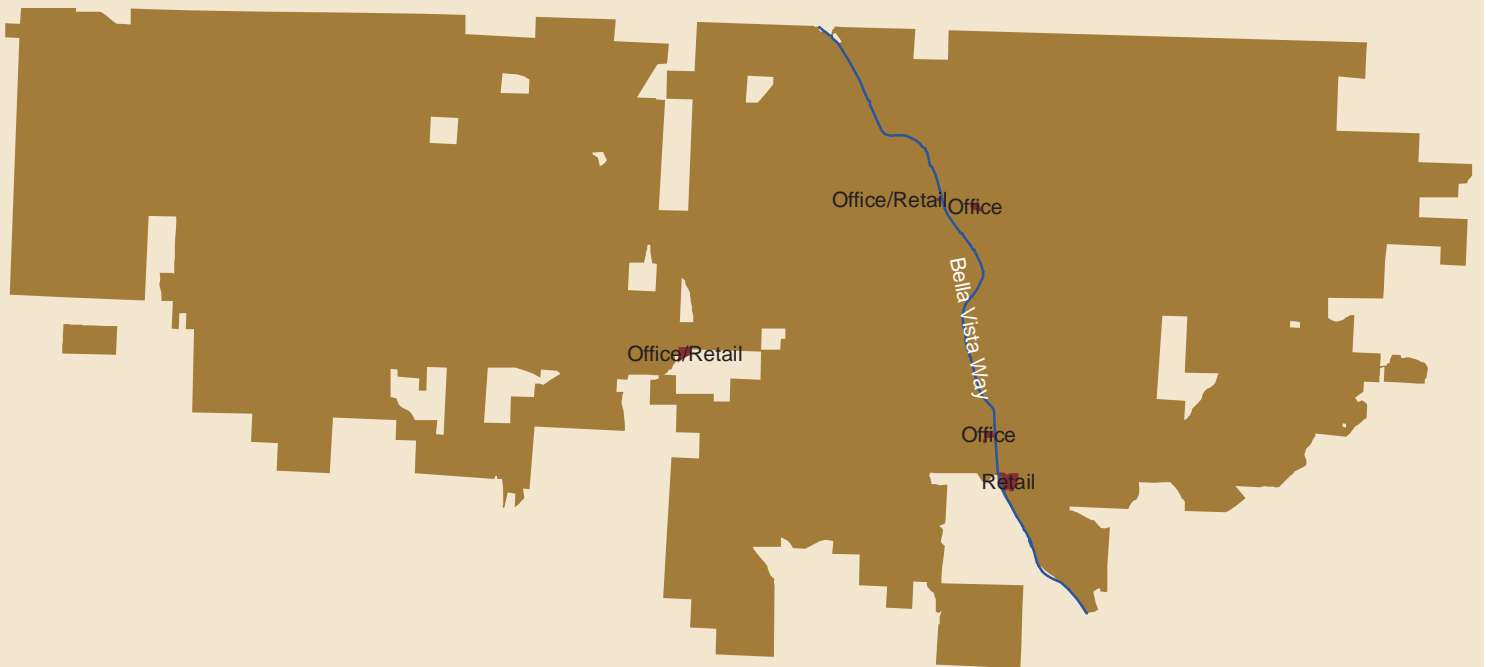
## Bella Vista Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$11.14 - \$11.64	13,703	2,800	20.4%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$9.28 - \$9.28	5,599	0	0.0%	0	0	0	0.0
Class C	--	--	--	--	--	--	--	--
Medical	\$13.00 - \$14.00	8,104	2,800	34.6%	0	0	0	--
Office/Retail	\$9.34 - \$9.34	76,171	3,192	4.2%	-728	0	-728	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$11.00 - \$11.00	76,132	3,000	3.9%	-3,000	0	-3,000	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.00 - \$11.00	76,132	3,000	3.9%	-3,000	0	-3,000	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

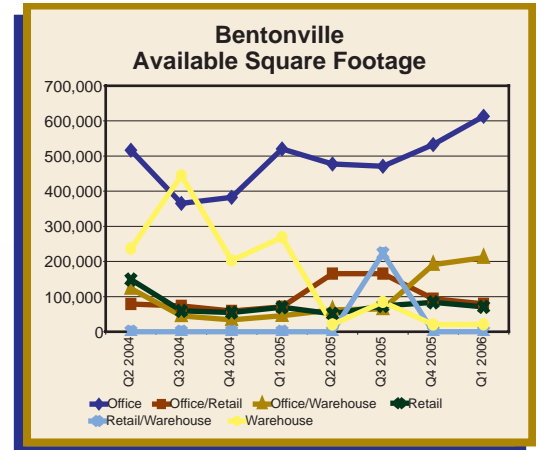
# Bella Vista Commercial Properties





## Bentonville

- Bentonville had 5,098,362 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Bentonville issued building permits for 326,759 square feet of new commercial space, valued at a total of \$37,121,720.
- The Skyle Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,637,794 square feet of commercial space in the first quarter of 2006. This represented 91.0 percent of the total competitive commercial space in Bentonville.
- In the first quarter of 2006, Bentonville experienced positive net absorption in the office/retail, retail, and warehouse submarkets.
- Within the office market, 73,500 square feet of space came online. There was positive absorption in the Class A office submarket, but negative absorption in the Class B office submarket. Class C and medical office space saw no absorption.
- The retail market had positive net absorption of 5,612 square feet in the Class B market and negative net absorption of 2,758 square feet in the Class C market. No activity was reported in the Class A retail market.
- Reported vacancy rates declined in the office/retail, retail, and warehouse submarkets from the fourth quarter of 2005 to the first quarter of 2006 and increased in the office, medical office, and office/warehouse submarkets.
- Average reported lease rates for Class B office and retail space were basically unchanged during the first quarter. Average reported lease rates for Class B office/retail space declined slightly. Average reported lease rates for warehouse space increased sharply in the first quarter of 2006.



## 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 Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	--	17,359	0	0.0%	0	0	0	0.0
Office	\$14.42 - \$14.87	2,546,895	613,063	24.1%	-3,947	73,500	-77,447	--
Class A	\$17.88 - \$18.41	399,076	196,500	49.2%	8,292	0	8,292	71.1
Class B	\$14.36 - \$14.81	2,044,166	359,508	17.6%	-12,239	30,000	-42,239	--
Class C	\$5.92 - \$5.92	12,799	2,321	18.1%	0	0	0	--
Medical	\$13.00 - \$13.13	90,854	54,734	60.2%	0	43,500	-43,500	--
Office/Retail	\$11.67 - \$13.44	561,281	79,535	14.2%	40,736	26,328	14,408	16.6
Class A	\$17.00 - \$23.00	20,000	0	0.0%	0	0	0	0.0
Class B	\$12.21 - \$14.09	454,234	74,767	16.5%	42,296	26,328	15,968	14.0
Class C	\$8.22 - \$8.68	87,047	4,768	5.5%	-1,560	0	-1,560	--
Office/Warehouse	\$9.48 - \$11.91	647,678	210,628	32.5%	3,800	20,328	-16,528	--
Retail	\$13.65 - \$14.05	380,321	70,827	18.6%	2,854	0	2,854	74.5
Class A	\$16.75 - \$18.00	58,910	26,500	45.0%	0	0	0	--
Class B	\$13.76 - \$14.22	243,318	32,191	13.2%	5,612	0	5,612	17.2
Class C	\$12.55 - \$12.55	78,093	12,136	15.5%	-2,758	0	-2,758	--
Retail/Warehouse	\$4.32 - \$9.48	20,560	0	0.0%	0	0	0	0.0
Warehouse	\$8.67 - \$8.67	463,700	20,700	4.5%	11,900	0	11,900	5.2

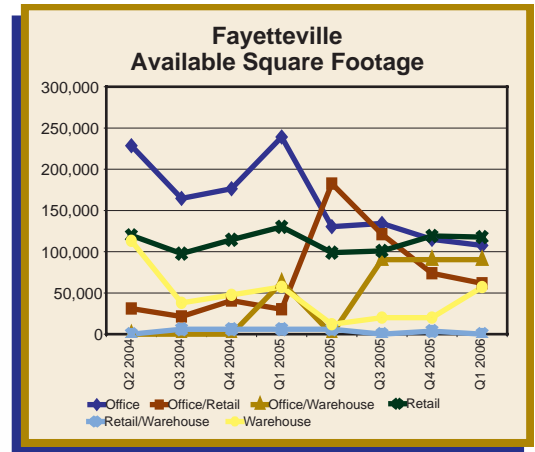
<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents



## Fayetteville

- Fayetteville had 6,410,747 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Fayetteville issued building permits for 202,809 square feet of new commercial space, valued at a total of \$20,330,697. The total value was 9.5 percent higher than the same period last year.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,913,797 square feet of commercial space in the first quarter of 2006. This represented 76.6 percent of the total competitive commercial space in Fayetteville.
- In the first quarter of 2006, Fayetteville experienced positive net absorption in the office, medical office, office/retail, retail, and retail/warehouse submarkets and no activity in the office/warehouse and warehouse submarkets. No new commercial space entered the Fayetteville market during the first quarter.
- Observed vacancy rates fell in the first quarter in the all submarkets except medical office and warehouse. Increased response rates in those two markets accounted for the differences.
- Class B office and retail space average reported lease rates were unchanged in the first quarter, while Class B office/retail lease rates declined slightly. Average reported warehouse lease rates were unchanged.



## Fayetteville Commercial Real Estate Market Summary Statistics

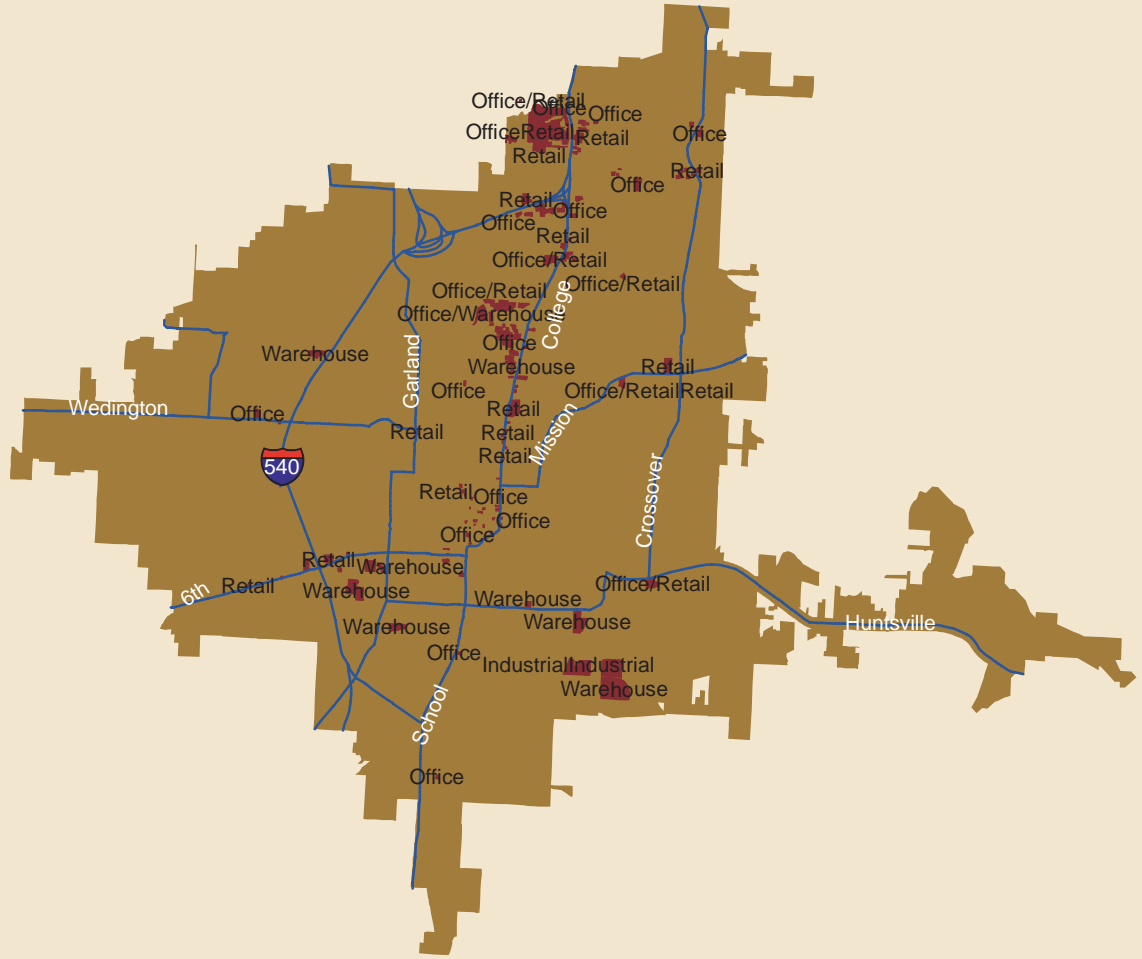
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$12.16 - \$13.21	1,246,394	107,584	8.6%	3,891	0	3,891	82.9
Class A	\$18.94 - \$21.58	131,323	16,850	12.8%	0	0	0	--
Class B	\$12.33 - \$13.45	780,936	80,149	10.3%	2,157	0	2,157	111.5
Class C	\$9.57 - \$10.15	128,264	6,389	5.0%	1,223	0	1,223	15.7
Medical	\$10.95 - \$11.27	205,871	4,196	2.0%	511	0	511	24.6
Office/Retail	\$10.80 - \$12.36	673,142	61,651	9.2%	3,218	0	3,218	57.5
Class A	--	--	--	--	--	--	--	--
Class B	\$11.39 - \$12.67	558,621	43,455	7.8%	1,768	0	1,768	73.7
Class C	\$9.70 - \$11.79	114,521	18,196	15.9%	1,450	0	1,450	37.6
Office/Warehouse	\$5.40 - \$5.80	96,326	90,326	93.8%	0	0	0	--
Retail	\$11.46 - \$12.96	2,046,450	117,645	5.7%	15,424	0	15,424	22.9
Class A	--	1,016,721	22,394	2.2%	-379	0	-379	--
Class B	\$12.08 - \$13.47	845,378	86,238	10.2%	8,148	0	8,148	31.8
Class C	\$9.14 - \$10.88	184,351	9,013	4.9%	7,655	0	7,655	3.5
Retail/Warehouse	\$5.08 - \$5.08	50,084	0	0.0%	3,600	0	3,600	0.0
Warehouse	\$3.62 - \$3.62	742,440	57,000	7.7%	0	0	0	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

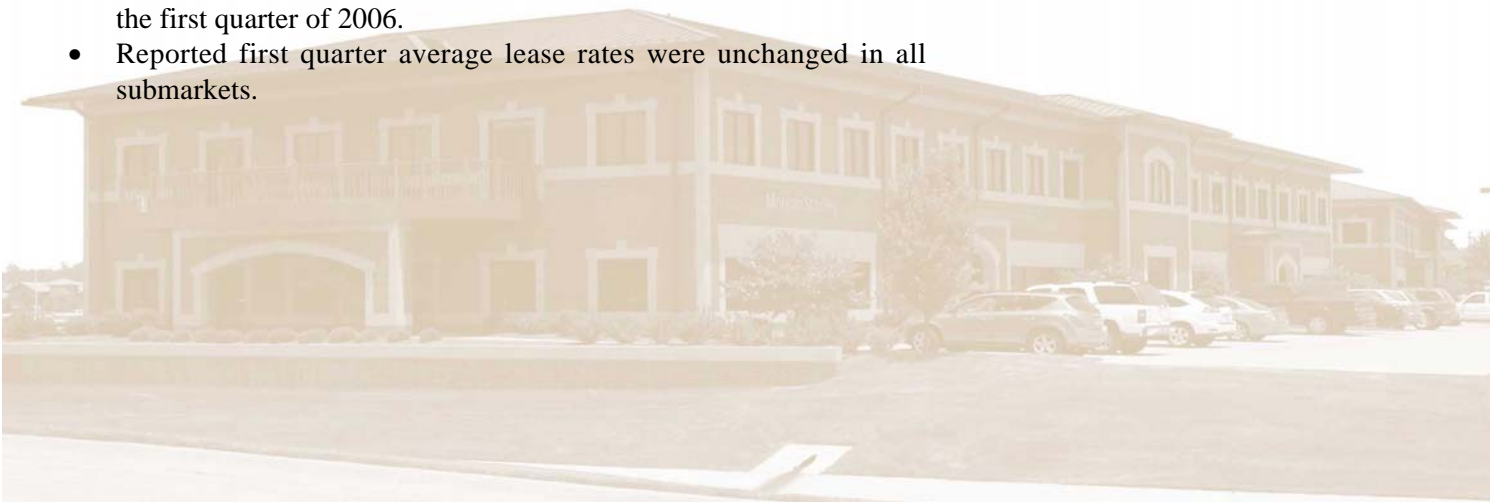
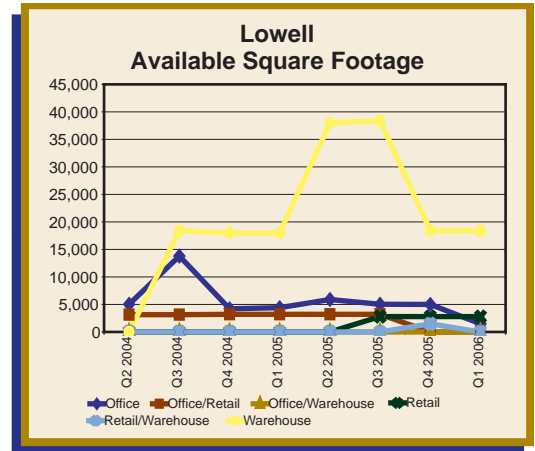


# Fayetteville Commercial Properties



## Lowell

- Lowell had 617,867 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Lowell issued building permits for new commercial space of 21,008 square feet, valued at a total of \$2,359,019.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 406,832 square feet of commercial space in the first quarter of 2006. This represented 65.8 percent of the total competitive commercial space in Lowell.
- In the first quarter of 2006, Lowell experienced positive absorption in the office and retail/warehouse submarkets and no effective absorption in the office/retail, retail, and warehouse submarkets.
- Following net absorption, reported vacancy rates declined in the office and retail/warehouse submarkets from the fourth quarter of 2005 to the first quarter of 2006.
- Reported first quarter average lease rates were unchanged in all submarkets.



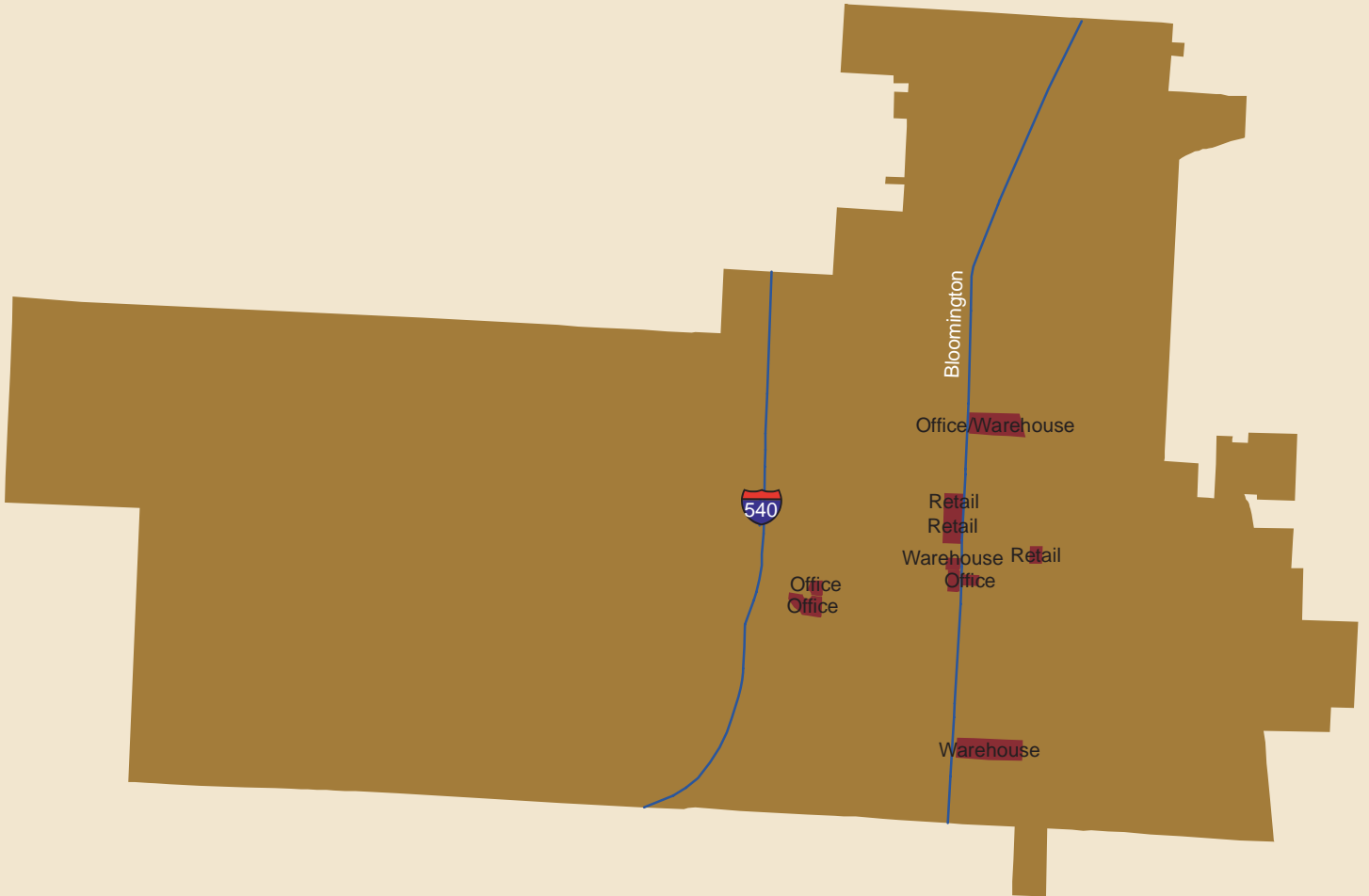
## Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$17.70 - \$17.70	118,079	1,500	1.3%	3,500	0	3,500	1.3
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$12.00 - \$12.00	15,900	0	0.0%	0	0	0	0.0
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$8.50 - \$12.00	60,015	2,809	4.7%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$15.00 - \$15.00	5,040	0	0.0%	1,500	0	1,500	0.0
Warehouse	\$11.00 - \$11.00	28,798	18,400	63.9%	0	0	0	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

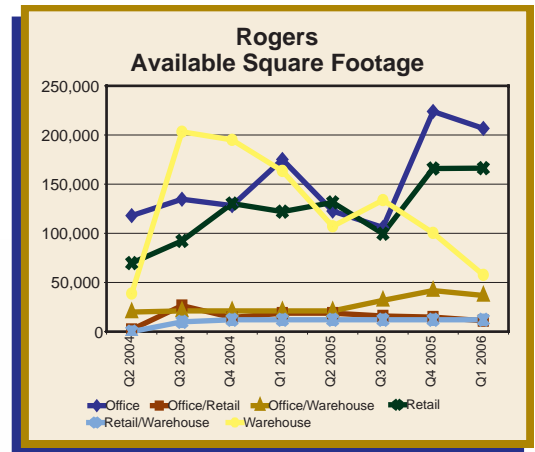
# Lowell Commercial Properties





# Rogers

- Rogers had 5,879,191 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Rogers issued building permits for new commercial space valued at a total of \$44,672,800. This substantial amount includes permits for the Pinnacle Promenade and Pleasant Crossing.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,661,461 square feet of commercial space in the first quarter of 2006. This represented 62.3 percent of the total competitive commercial space in Rogers.
- In the first quarter of 2006, Rogers experienced positive net absorption in the office, office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets. Only the medical office space submarket experienced negative net absorption.
- A total of 55,000 square feet of retail space came online in the Rogers Class A market in the first quarter. All but 653 square feet was absorbed.
- Reported vacancy rates followed net absorption and declined in all submarkets except medical office from the fourth quarter of 2005 to the first quarter of 2006.
- Average reported lease rates for Class B office space increased while Class B retail space rates declined in the first quarter. Reported average warehouse lease rates were unchanged.



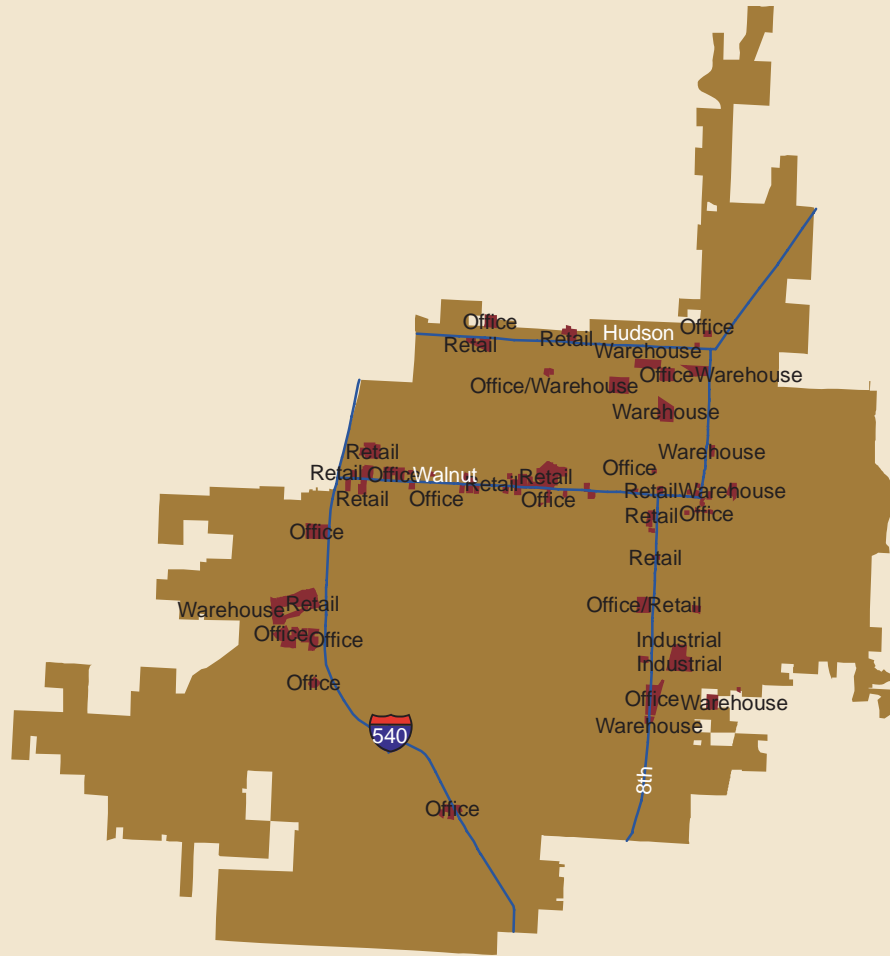
## Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	\$5.63 - \$5.70	95,445	7,760	8.1%	-5,480	0	-5,480	—
Office	\$15.07 - \$16.21	1,257,609	206,645	16.4%	17,275	0	17,275	35.9
Class A	\$19.14 - \$20.71	769,684	101,988	13.3%	14,725	0	14,725	20.8
Class B	\$11.78 - \$12.82	363,086	41,641	11.5%	5,050	0	5,050	24.7
Class C	\$6.38 - \$6.38	102,574	58,016	56.6%	500	0	500	348.1
Medical	\$15.50 - \$15.50	22,265	5,000	22.5%	-3,000	0	-3,000	—
Office/Retail	\$9.33 - \$12.83	175,506	11,179	6.4%	3,500	0	3,500	—
Class A	—	—	—	—	—	—	—	—
Class B	—	—	—	—	—	—	—	—
Class C	\$9.33 - \$12.83	175,506	11,179	6.4%	3,500	0	3,500	—
Office/Warehouse	\$4.76 - \$7.81	297,512	36,736	12.3%	2,000	0	2,000	55.1
Retail	\$12.80 - \$13.60	1,300,279	166,264	12.8%	76,217	55,000	21,217	23.5
Class A	\$18.06 - \$18.88	534,721	77,860	14.6%	54,347	55,000	-653	—
Class B	\$11.15 - \$12.05	543,025	64,290	11.8%	21,700	0	21,700	8.9
Class C	\$6.63 - \$7.19	222,533	24,114	10.8%	170	0	170	425.5
Retail/Warehouse	\$6.40 - \$6.40	20,000	12,000	60.0%	0	0	0	—
Warehouse	\$3.48 - \$3.81	515,110	57,689	11.2%	42,622	0	42,622	4.1

<sup>1</sup>From all Q1 2006 respondents

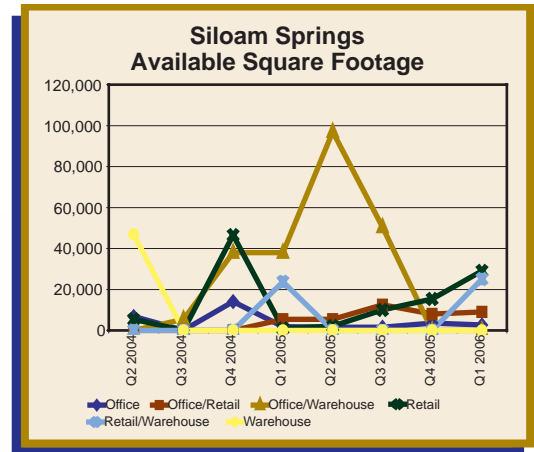
<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

# Rogers Commercial Properties



## Siloam Springs

- Siloam Springs had 961,311 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Siloam Springs issued building permits for 9,600 square feet of new commercial space, valued at a total of \$165,000.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 555,929 square feet of commercial space in the first quarter of 2006. This represented 57.8 percent of the total competitive commercial space in Siloam Springs.
- In the first quarter of 2006, Siloam Springs experienced small amounts of positive net absorption in the medical office submarket and negative net absorption in the office/retail and retail submarkets. A total of 13,720 square feet of new retail space came online in Siloam Springs in the first quarter.
- Following net absorption, vacancy rates ticked up in the office/retail and retail submarkets and fell in the office and medical office submarkets in the first quarter of 2006.
- Average reported lease rates fell in the Class B office/retail and retail submarkets in the first quarter.



## Siloam Springs Commercial Real Estate Market Summary Statistics

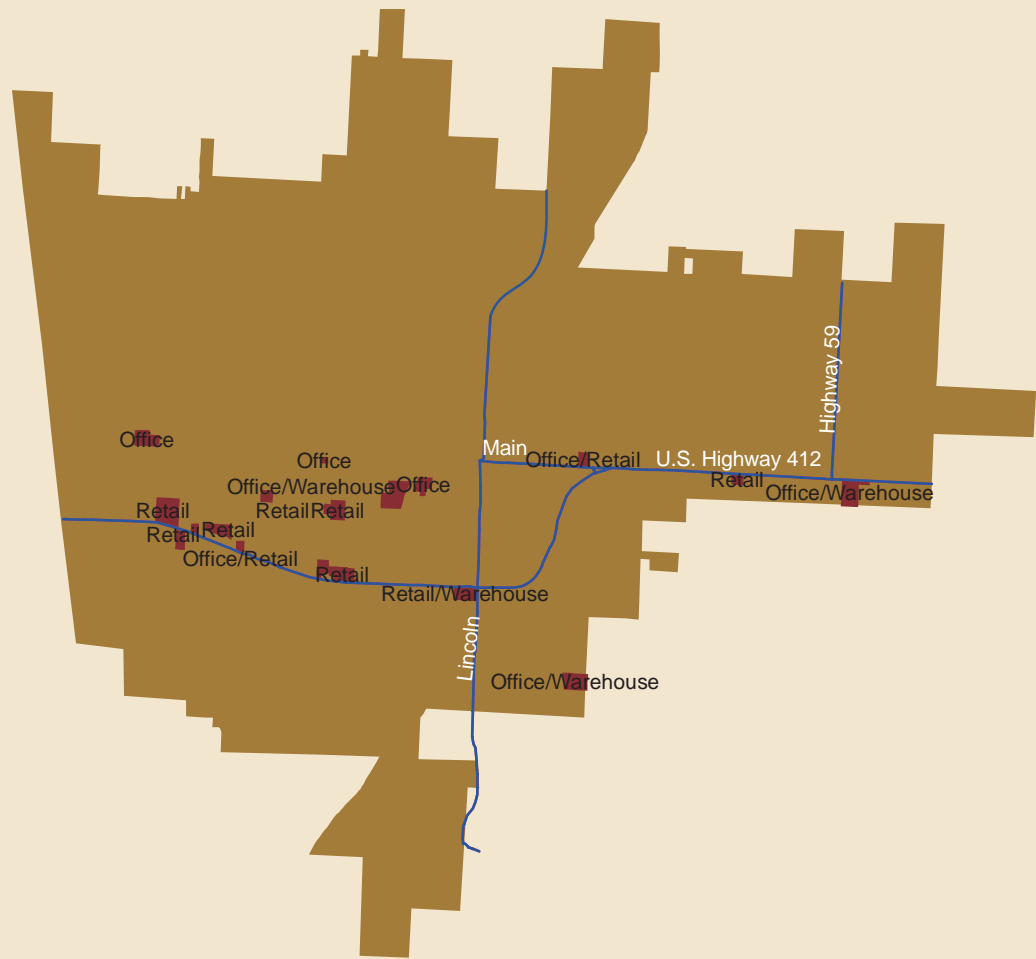
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	--	--	--	--	--	--	--	--
Office	\$11.35 - \$12.69	81,260	2,700	3.3%	2,050	0	2,050	4.0
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	9,728	1,200	12.3%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Medical	\$12.67 - \$14.17	71,532	1,500	2.1%	2,050	0	2,050	2.2
Office/Retail	\$7.80 - \$7.80	50,737	9,000	17.7%	-1,000	0	-1,000	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.80 - \$7.80	50,737	9,000	17.7%	-1,000	0	-1,000	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$3.18 - \$3.34	124,921	0	0.0%	0	0	0	0.0
Retail	\$6.00 - \$7.35	273,901	29,080	10.6%	1,240	13,720	-12,480	--
Class A	--	--	--	--	--	--	--	--
Class B	\$6.00 - \$7.20	158,277	25,480	16.1%	1,240	13,720	-12,480	--
Class C	\$6.00 - \$7.50	115,624	3,600	3.1%	0	0	0	--
Retail/Warehouse	--	25,110	25,110	100.0%	0	0	0	--
Warehouse	--	--	--	--	--	--	--	--

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents

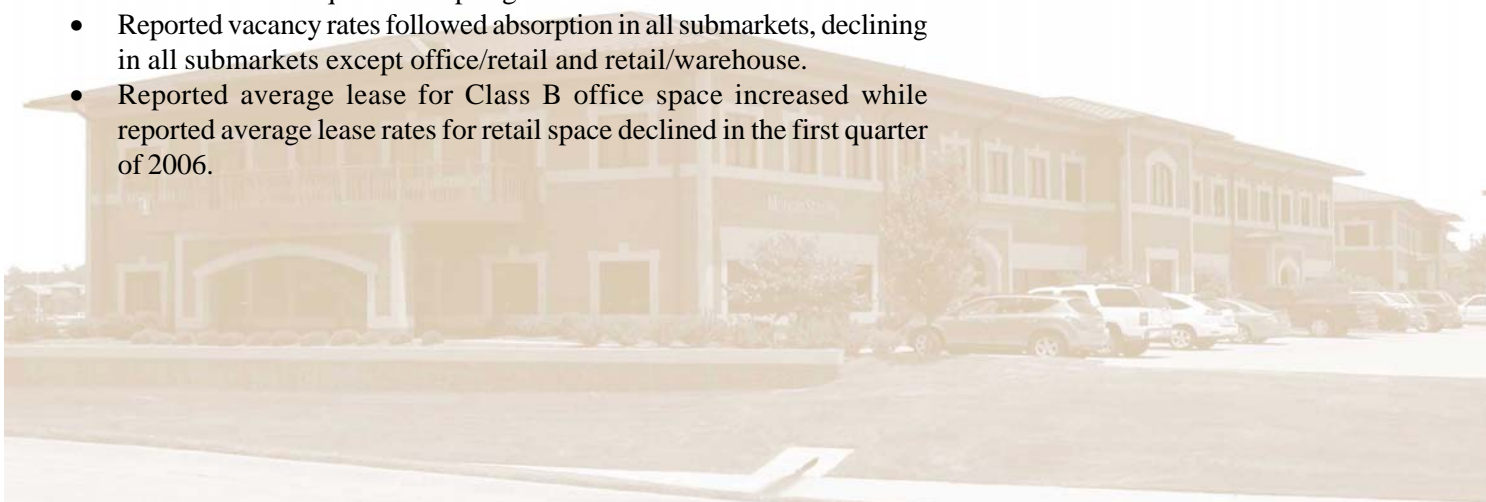
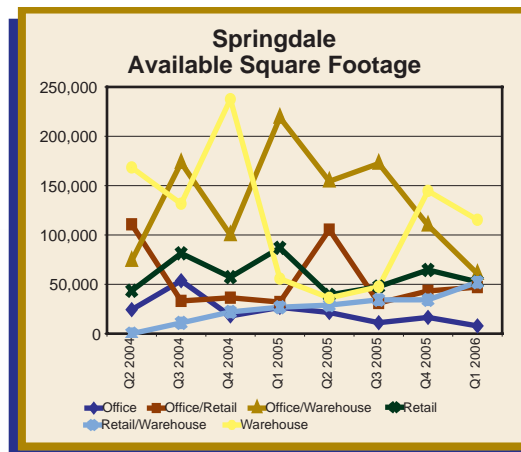


# Siloam Springs Commercial Properties



## Springdale

- Springdale had 6,001,298 square feet of competitive commercial space in the first quarter of 2006.
- From December 2005 to February 2006, Springdale issued commercial building permits valued at a total of \$2,151,476. This is a decline of 17.7 percent over the same time in the previous year.
- The Skyline Report panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,691,261 square feet of commercial space in the first quarter of 2006. This represented 44.8 percent of the total competitive commercial space in Springdale.
- In the first quarter of 2006, Springdale experienced positive net absorption in the office, medical office, office/warehouse, retail, and warehouse submarkets and negative net absorption in the office/retail and retail/warehouse submarkets. No new commercial space came online in the first quarter in Springdale.
- Reported vacancy rates followed absorption in all submarkets, declining in all submarkets except office/retail and retail/warehouse.
- Reported average lease for Class B office space increased while reported average lease rates for retail space declined in the first quarter of 2006.



## 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 Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1, 2</sup>	Months of Inventory <sup>1, 2</sup>
Industrial	\$6.96 - \$6.96	90,510	2,500	2.8%	14,984	0	14,984	0.5
Office	\$10.75 - \$12.57	363,026	7,826	2.2%	8,601	0	8,601	2.7
Class A	\$10.40 - \$14.68	57,248	0	0.0%	0	0	0	0.0
Class B	\$10.96 - \$13.42	212,239	5,826	2.7%	3,501	0	3,501	5.0
Class C	\$9.98 - \$9.98	46,462	2,000	4.3%	4,350	0	4,350	1.4
Medical	\$11.37 - \$12.03	47,077	0	0.0%	750	0	750	0.0
Office/Retail	\$9.44 - \$12.96	328,369	47,184	14.4%	-3,846	0	-3,846	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.33 - \$16.11	147,441	30,124	20.4%	-2,766	0	-2,766	--
Class C	\$7.82 - \$10.25	180,928	17,060	9.4%	-1,080	0	-1,080	--
Office/Warehouse	\$6.00 - \$7.38	443,590	60,639	13.7%	49,170	0	49,170	3.7
Retail	\$8.42 - \$9.62	772,710	52,462	6.8%	13,010	0	13,010	12.1
Class A	--	--	--	--	--	--	--	--
Class B	\$9.73 - \$11.56	601,618	38,062	6.3%	7,685	0	7,685	14.9
Class C	\$7.10 - \$7.68	171,092	14,400	8.4%	5,325	0	5,325	8.1
Retail/Warehouse	\$6.50 - \$9.75	149,920	52,200	34.8%	-7,500	0	-7,500	--
Warehouse	\$4.03 - \$4.79	543,136	115,300	21.2%	43,350	0	43,350	8.0

<sup>1</sup>From all Q1 2006 respondents

<sup>2</sup>From Q1 2006 respondents who were also Q4 2005 respondents



## Interpreting the Numbers in the Skyline Report

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 Data Systems as the subcontractor to handle data requests. On a quarterly basis, CBER 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 square feet
- Department Stores: 20,000 square feet
- Discount Stores: 20,000 square feet
- Industrial Buildings: 20,000 square feet
- Markets: 20,000 square feet
- Commercial Office Buildings: 5,000 square feet
- Medical Office Buildings: 5,000 square feet
- Retail Buildings: 10,000 square feet
- Community Shopping Centers: 5,000 square feet
- Neighborhood Shopping Centers: 5,000 square feet
- Warehouses: 20,000 square feet

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. CBER researchers gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the first quarter of 2006, 141 panelists provided data on 773 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 a sample only from properties that are currently or potentially available for lease. Vacancy rates are calculated from the sample of 773 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, CBER researchers also depend on business publications, public websites, and MLS data.



## Classification

In order to compare similar spaces, CBER 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 Wal-Mart 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.

