



# THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

**April 2006  
Highlights**

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**Commercial Real Estate Market Summary,  
Prepared Exclusively under Contract  
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## Commercial Real Estate Market Summary for Benton and Washington Counties

This report contains highlights from the Commercial Skyline Report for Benton and Washington Counties. 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 real estate markets. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. As the population of Northwest Arkansas burgeons, it is imperative that real estate markets work efficiently in order to meet the demand of new and existing residents. The Skyline Report includes the information that is necessary to help market participants make good decisions.

## 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.

## 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%

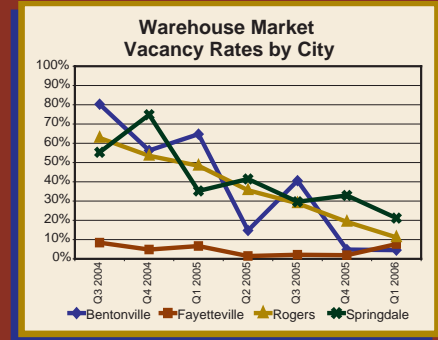
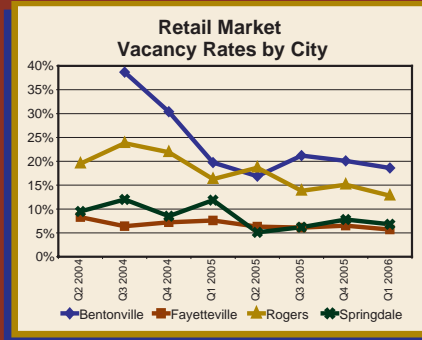
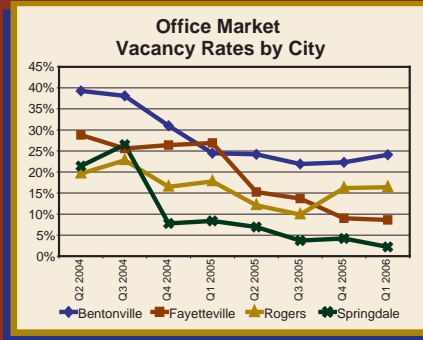
### Retail/Warehouse

	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%

# Vacancy Rate Trends



# 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

## 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

# Average Lease Rate Trends by Type, Class, and City

