



THE SKYLINE REPORT

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**April 2006
Highlights**

Contents

Highlights	1
Economic Overview	2
Multifamily Summary	3

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

This report contains highlights from the Multifamily 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

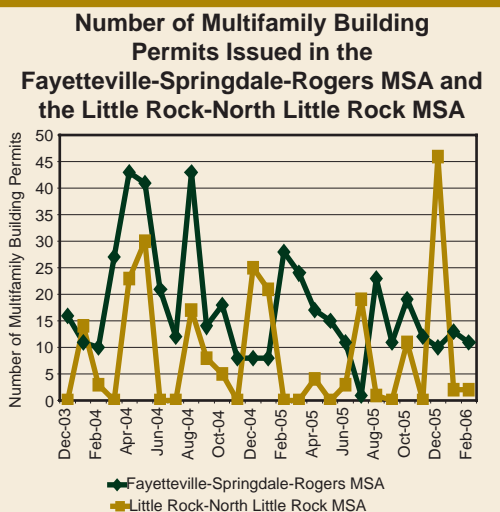
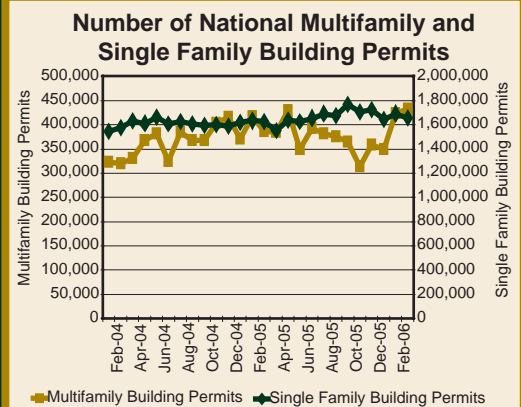
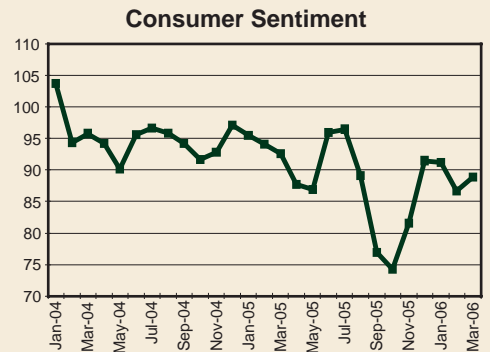
- Vacancy rates for multifamily properties in Northwest Arkansas declined from their fourth quarter 2005 level of 6.7 percent to 6.4 percent in the first quarter of 2006.
- Siloam Springs had the lowest aggregate vacancy rate at 3.5 percent, down from its rate of 4.0 percent in the fourth quarter. The vacancy rate in Fayetteville was unchanged from the fourth quarter at 4.1 percent, while vacancy increased in Bentonville from 4.2 to 4.8 percent. Vacancy rates declined in Springdale and Rogers to 9.0 and 12.0 percents, respectively.
- The average lease price per month for a multifamily property unit in Northwest Arkansas was basically unchanged at \$510.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.53 per square foot and most expensive on average in Rogers at \$0.75 per square foot.
- A number of condominium projects were announced in Northwest Arkansas. Most of the multiple story condominium activity is in Fayetteville, while in Rogers and Bentonville, condominium complexes are coming on the market.
- High-end apartment complexes with high lease rates are converting into condominiums as occupancy rates have not been as high as necessary in that submarket.

Economic Overview

To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. The Index of Consumer Sentiment was 88.9 in the March 2006 survey, between the 86.7 recorded in February and the 92.6 recorded in last March's survey. The Index of Consumer Expectations, a closely watched component of the Index of Leading Economic Indicators, rose to 76.0 in March, slightly ahead of the 74.5 in February, but well below the 82.8 recorded in March of 2005. The Current Economic Conditions Index was 109.1 in March, up from 105.6 in February and 108.0 in March of 2005. "Higher income households much more frequently reported that their finances had improved and more frequently anticipated further gains during the year ahead," according to Richard Curtin, the Director of the University of Michigan's Surveys of Consumers.

The U.S. Census Bureau estimates the issuance of building permits. The February 2006 national level of multifamily building permits was significantly above the February 2005 level, while single family building permits were reported at about the same rate.

Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, different patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of building permits (both multifamily and total) than the LR metro area in from 2004 through early 2006. Despite a great deal of seasonal variation, the trend of the multifamily building permits in the FSR metro is declining slightly, while the trend in the LR metro is increasing slightly. In both cities, total building permits issued trends upward from February 2005 to February 2006. No significant changes in the pace of growth in the number of residential or multifamily building permits are expected.



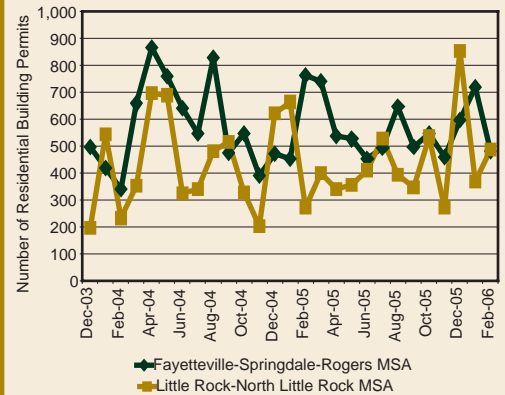
On March 28, 2006 the Federal Reserve Board raised its target for the federal funds rate an additional 25 basis points to 4.75 percent, bringing the total increase from the recent lows to 375 basis points. As the accompanying graph shows, the spread between short term rates and conventional 30-year mortgage rates has declined more than 350 basis points since its most recent peak in June 2004. Because the ten-year treasury interest rate and the 30-year conventional mortgage rate have remained essentially constant since July 2004, buying a single family house remains relatively attractive compared to leasing comparable multifamily housing.

Finally, a graph showing employment trends in the FSR metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 600 jobs a month to the region. Because employment growth is the single most important factor in determining demand for housing of all kinds, there must be an awareness of the possibility of structural changes in the labor market. The data show no evidence that the rate of job growth in Northwest Arkansas will abate in the near term.

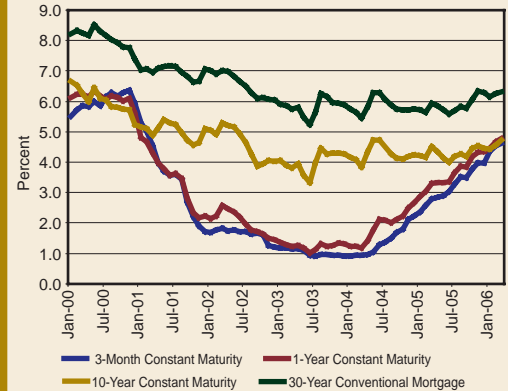
Northwest Arkansas Average Unit Size and Price by Floor Plan Q1 2006

Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	427	\$400.09	\$0.94
1 Bedroom	605	\$428.69	\$0.71
2 Bedroom	904	\$527.69	\$0.58
3 Bedroom	1,227	\$700.09	\$0.57
4 Bedroom	1,202	\$1,000.00	\$0.83
Northwest Arkansas	816	\$509.63	\$0.62

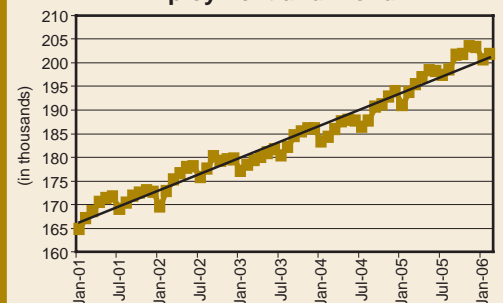
Number of All Residential Building Permits Issued in the Fayetteville-Springdale-Rogers MSA and the Little Rock-North Little Rock MSA



Selected Interest Rates



Fayetteville-Springdale-Rogers MSA Employment and Trend



Multifamily Residence Building Permits

March 2005 - February 2006

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
3/18/2005	Salem Road Townhomes	6	\$3,387,384	Fayetteville
3/18/2005	Hometown Developments	1	\$348,371	Fayetteville
3/29/2005	Bedford Apartments	1	\$475,536	Fayetteville
4/7/2005	Condos at the Peaks	56	\$6,557,446	Rogers
5/5/2005	Southern View, Phase II	6	\$9,407,802	Fayetteville
5/8/2005	Hidden Lake, Phase II	4	\$2,640,424	Springdale
6/22/2005	Ranch at Pinnacle Point	16	\$26,822,960	Rogers
8/11/2005	Wobbe Road Apartments	4	\$1,565,724	Springdale
8/15/2005	Arbors at Pinnacle Ridge	33	\$3,045,891	Rogers
8/16/2005	Razorback Apartments	2	\$828,460	Fayetteville
8/16/2005	Harbin Pointe Apartments	10	\$13,253,204	Bentonville
8/26/2005	Dunn Street Apartments	1	\$300,000	Fayetteville
9/2/2005	40 E Maple Street	1	\$262,300	Fayetteville
9/12/2005	Arbors at Pinnacle Ridge	44	\$4,288,724	Rogers
10/18/2005	Remington Place	16	\$11,643,915	Springdale
11/21/2005	Bedford Loop Apartments	2	\$1,162,298	Fayetteville
11/22/2005	Netherland Way 4-plexes	2	\$678,272	Fayetteville
12/1/2005	Thorne Company	1	\$609,082	Fayetteville
12/1/2005	EWI	1	\$3,201,906	Fayetteville
1/3/2006	Fairlane Apartments	5	\$6,379,994	Fayetteville
1/11/2006	1322 W. Cleveland Street	1	\$956,744	Fayetteville
1/11/2006	The Links at Springdale	15	\$13,160,390	Springdale
1/13/2006	Campus Properties	1	\$497,349	Fayetteville
2/6/2006	Sunset Development	12	\$10,617,600	Bentonville
Total		269	\$138,656,026	

Northwest Arkansas Vacancy Rates by Floor Plan Q1 2006

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	2.9%	4.4%	16.0%
Fayetteville	4.0%	3.9%	6.3%
Rogers	10.7%	12.9%	15.9%
Siloam Springs	4.1%	3.0%	0.0%
Springdale	6.2%	9.9%	20.2%
Northwest Arkansas	5.5%	6.4%	12.9%

