



# THE SKYLINE REPORT

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

This report is the eleventh 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 2007

- In the first quarter of 2007, 1,485,756 square feet of competitive commercial property were added to the Northwest Arkansas market. Almost 900,000 square feet of that space were new warehouses.
- In the office market, there was negative net absorption of 259,523 square feet, about half of which was located in Fayetteville. No Northwest Arkansas city had positive net office absorption for the quarter.
- Within the retail submarket there was absorption of 23,889 square feet and the entry of 149,950 new square feet, netting negative net absorption of 126,061 square feet.
- The office/retail markets in Bella Vista, Bentonville, Fayetteville, and Lowell each experienced small positive net absorption in the first quarter of 2007. However the addition of 144,631 square feet of office/retail space in Rogers, Siloam Springs, and Springdale meant that the overall market experienced negative net absorption.
- The warehouse submarket had negative net absorption of 226,032 square feet as 897,000 square feet of space were added in the first quarter.
- From December 2006 to February 2007, there were \$96.5 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents a decline of 9.6 percent over the same period a year earlier.
- The yield curve remained inverted during the first quarter, putting downward pressure on the national and local economy.

## Report Structure

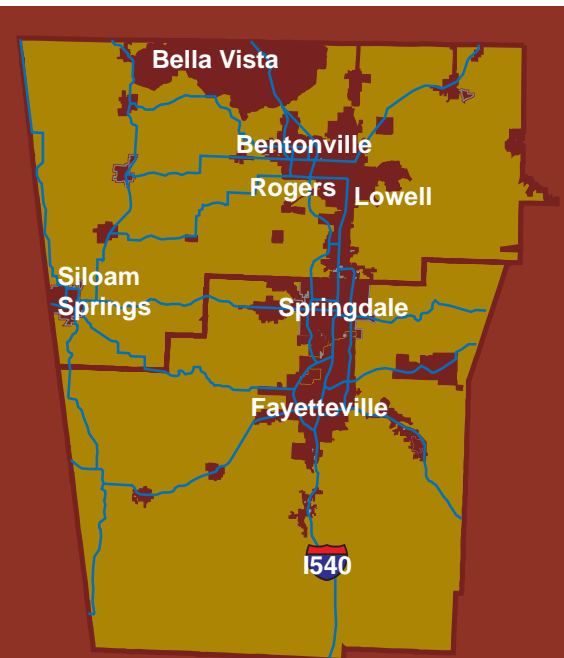
The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive 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 40) are also filtered from the base of commercial properties considered. As a third 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. Second 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 feet and building permit data are presented. Within the total square feet table, breakdowns of property type by city are contained. Also, the number of square feet of competitive commercial property for which the 211 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



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.

most recent five quarters. The first table presents vacancy rates by submarket for the first, second, third and fourth quarters of 2006 and for the first quarter of 2007. The second table presents net absorption by submarket and the third table presents available square footage by submarket for the same time periods. These tables are the foundation for the performing trend analysis and for separating the seasonal effects from real effects. The results in the tables are referred to throughout the remainder of the Skyline Report.

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

Finally, a section on how to interpret the numbers contained in the report and a description of the commercial property classification system are offered. By aggregating and analyzing data from a variety of sources, the Skyline Report is unique in its perspective on the Northwest Arkansas commercial property market. The information should be useful to anyone with an interest in the current workings and projected course of commercial real estate in Benton and Washington Counties.

## Economic Overview

### *The Macro Economy at a Glance*

In the fourth quarter of 2006, the overall real growth rate in GDP was a revised 2.5 percent, up from a 2.0 percent rate in the third quarter of 2006. The growth rate in GDP in the fourth quarter of 2005 was 1.8 percent, in comparison. 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 personal consumption expenditures (PCE), exports, state and local government spending, and federal government spending that were partly offset by negative contributions from residential fixed investment and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased. The small acceleration in real GDP growth in the fourth quarter primarily reflected a downturn in imports and accelerations in PCE, in exports, and in federal government spending that were partly offset by downturns in private inventory investment and in equipment and software and a deceleration in nonresidential structures. Final sales of computers contributed 0.22 percentage point to the fourth-quarter growth in real GDP after contributing 0.07 percentage point to the third-quarter growth. Motor vehicle output subtracted 1.18 percentage points from the fourth-quarter growth in real GDP after contributing 0.76 percentage point to the third-quarter growth.

Turning to other data, in March, the national unemployment rate was a seasonally adjusted 4.4 percent, below the 4.9 percent decade long average rate. The Conference Board Consumer Confidence Index, which had increased in February, retreated in March. The Index now stands at 107.2 (1985=100), down from 111.2 in February. The Expectations Index declined to 86.9 from 93.8. The Present Situation Index increased slightly to 137.6 from 137.1 in February. Said Lynn Franco, Director of The Conference Board Consumer Research Center: “Apprehension about the short-term future has suddenly cast a cloud over consumers’ confidence. Despite diminishing expectations, consumers’ assessment of present-day conditions remains steady and does not suggest a weakening in economic conditions. The recent turmoil in financial markets coupled with the run-up in gasoline prices may have contributed to consumers’ heightened sense of uncertainty and concern. The direction of both components over the next few months bears watching to determine whether this decline is just a bump in the road or something more substantial.”

From February 2006 to February 2007, overall inflation was a moderate 2.4 percent. During the first two months of 2007, the CPI-U rose at a 3.2 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 2.6 percent for all of 2006. The index for energy, which rose 11.2 percent in 2006, declined 0.4 percent in the first two months of 2007. In terms of construction prices, the producer price index for construction industries increased at a 2.7 percent SAAR during the first two months of 2007. For 2006, that index increased 7.1 percent.

### *Short-term Interest Rate Risk*

The Federal Reserve has held interest rates steady six times since completing its incremental raising of short-term interest rates. The Fed Funds target continues to stand at 5.25 percent, up 425 basis points from its historic low in 2003.



Indications are that the Fed will continue to remove monetary stimulus from the economy if inflationary pressures continue to mount, but that the Fed might actually cut rates if the macroeconomic risks tilt more toward recession. Given this significant level of uncertainty, many observers are expecting the Federal Reserve to maintain the current “neutral” monetary policy until clear evidence mounts about the overall direction of the economy.

### Long-term Interest Rate Risk

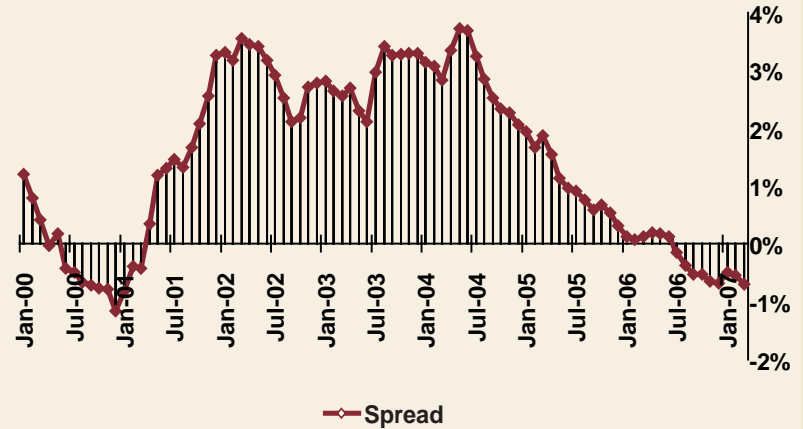
Even as short-term rates climbed from 2004 through early 2006, increases in longer term rates did not keep pace. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.56 percent in March 2007, while the federal funds rate increased by 425 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 2007, there was a 442 basis point decline in the spread. In March 2007, the spread was a negative 0.7 percent. This is important as a negative spread has typically been a sign of weakness in the economy and a harbinger of recession.

### Regional Employment Trends

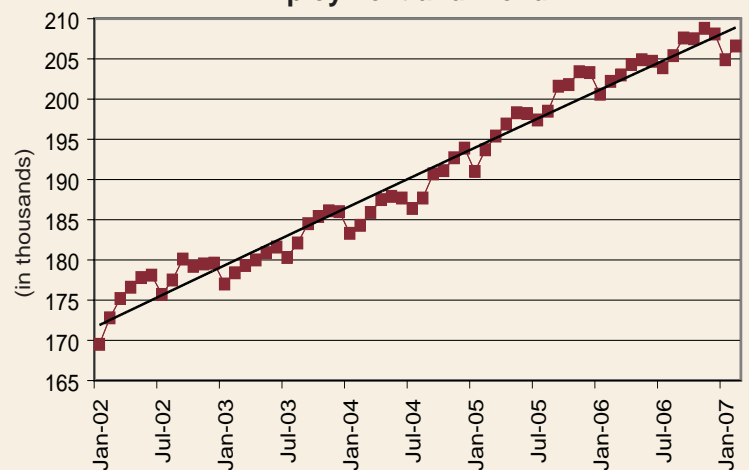
Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in recent years. The numbers show that during 2005 and 2006, the Northwest Arkansas economy created new jobs at an even better pace than in 2003 and 2004. The numbers for the first two months of 2007 were below the five year trend level; however the monthly drops were consistent with seasonal trends seen in the previous four years. The employment numbers bear careful watching in the next few months because the demand for much of the new and expected commercial development relies on the assumption that job growth remains strong. Since January of 2002, employment growth has averaged 0.3 percent per month, or about 580 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 2007 Fayetteville-Springdale-Rogers MSA employ-

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



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



ment breakdown by sector. As the pie chart shows, professional and business services had the largest share of employment (16.0 percent) in Northwest Arkansas, followed by manufacturing (15.7 percent), government (13.3 percent), and retail trade (10.5 percent). The second figure shows the annual percentage change in the MSA's employment by sector from February 2006 to February 2007. Total nonfarm employment increased by 1.8 percent during that time, 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 financial activities, professional and business services, leisure and hospitality, and construction sectors had the largest percentage increases.

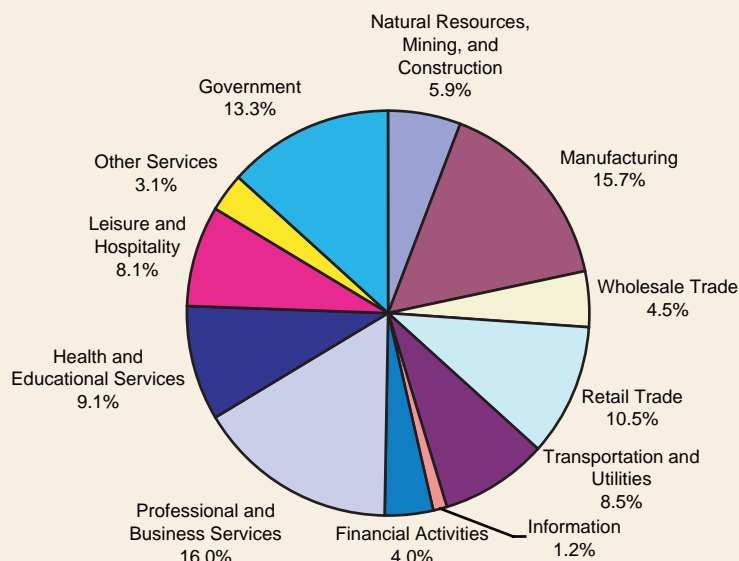
### Other Regional Economic Indicators

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 2007, the unemployment rate in Northwest Arkansas was a preliminary 4.1 percent, up barely from 4.0 percent in February of 2006. In January 2007, the unemployment rate was also 3.7 percent. Consistent with the employment data presented above, January and February have typically had relatively high unemployment in the region. In February, the state unemployment rate was 5.0 percent and the national unemployment rate was 4.5 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

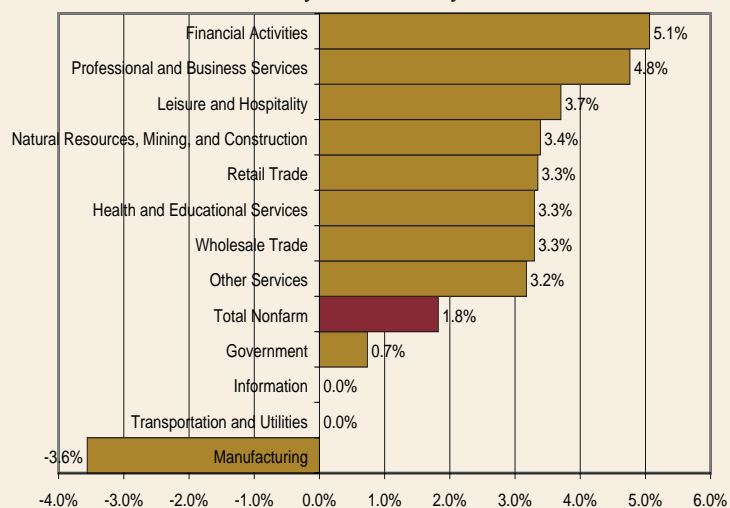
## Local Perceptions of the Northwest Arkansas Commercial Property Market

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. The renewed sense of optimism shared by last quarter's panelists was still there for most panelists, but moderated by the view that the market is still in the midst of a correction. As one panelist put it, "it is like turning the Queen Mary around." The concerns remain very similar: oversupply of Class A office

Fayetteville-Springdale-Rogers MSA  
Employment Breakdown by Sector  
February 2007



Percent Change in  
Fayetteville-Springdale-Rogers MSA  
Employment Breakdown by Sector  
February 2006 - February 2007



space in Benton County, particularly the Pinnacle area; the exacerbation of that situation by the imminent completion of the Superior Building; increasing quantities of commercial inventory going up for sale; impact fees and other regulatory costs of development; and the infrastructure situation, specifically local roads, I-540 bypasses, I-540 exits, the development of I-49, the highway 412 bypass, and sewer construction. Nonetheless, panelists continue to have uniform high expectations regarding long run growth, development, and opportunities in Northwest Arkansas.

Concerns about the oversupply of Class A space, particularly in the Pinnacle area of Rogers, remain strong. Some panelists are concerned that there may be “implosions” in some areas as there are many “marginal properties.” Also some panelists voiced concerns about how some office complexes were being managed. These two concerns meld into another potential problem and that is a glut of commercial properties coming on the market for sale. The Superior Building worries some panelists who see it as an excess of space pouring into the market in early summer, and others who are concerned about strong downward price pressure on lease rates. But others were far less concerned, as they felt it will not be competing with under 10,000 square foot spaces. This quarter some panelists again expressed their misgivings about the trend to give tenants free rent and other benefits, but the overall impression is that the trend was mitigating somewhat. Panelists reported strong demand in the under 5,000 square foot office market. They felt the increase was comprised of expanding demand for space by current tenants, new tenants entering the market, and “churn” as tenants look for better space. Panelists also continued to refer to “niches” as ways to have successful new development. The most frequently mentioned niche was medical space, particularly near the new Mercy Medical Campus in Rogers. Other professional office space was also mentioned as a potentially profitable niche, since higher land prices require going vertical, and vendors tend to be leery of anything with too many shared walls. However, many panelists felt that “strip retail” in Bentonville is in trouble due to competition with Pinnacle Hills and Scottsdale. Conversely, the overall Fayetteville retail market garnered positive comments. Also, panelists feel that both the Pinnacle Hills area and the NWA Mall area can be successful “destination locations.”

Because of the Fayetteville election about road impact fees, and Senator Bisbee’s challenge to the fees in Rogers, panelists mentioned costs imposed by government more frequently this quarter. Panelists were pretty uniform in feeling that the level of fees and other costs was reaching the level where it might slow down some development. Panelists expressed concern that those in favor of more fees and regulations are not considering a “fair balance.”

Infrastructure is and will remain a constant source of concern according to all the panelists. However, their feelings continued to be relatively positive when compared to the past, as visual evidence of progress continues. There is still a call for more coordination between the various levels of government, and a hope that local representatives can be more successful interfacing with the state government. Panelists think Northwest Arkansas will remain behind the infrastructure curve, but that is also a function of continued demand due to continued growth.

As has been the case in the past several quarters, long term optimism remains strong. Panelists feel that continued demand from vendors, professional services, and a growing population remains. Panelists feel the development of more sports and entertainment venues can only contribute to the long run health of the Northwest Arkansas economy. Additionally, the quality of life in the region was remarked on by the panelists. The presence of Wal-Mart, Tyson Foods, J.B. Hunt Transportation, and the University of Arkansas continues to be a source of this long run optimism by the panelists.

#### Positive Factors:

1. Strong demand for office space.
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. National media coverage of Northwest Arkansas as a good place to live and work.
6. Healthy Fayetteville office and retail markets.
7. Creation of destination locations including development of sports arenas in Springdale and Bentonville.
8. Wal-Mart, Tyson Foods, J.B. Hunt, and the University of Arkansas.
9. Stable interest rates.
10. Region’s entrepreneurial spirit.

Negative Factors:

1. Oversupply of office space in Bentonville/Rogers.
2. Oversupply in the residential market.
3. Infrastructure: local roads, I-540 entrances and exits, new bypasses, sewers.
4. Possible rise in interest rates.
5. Concerns about Springdale and Rogers along 71B and to the east.

## 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 40) as of February 2007. 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 covered 90.9 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had better coverage than others. For example, the Skyline Report panelists reported information on over 100 percent of the (included) competitive commercial properties in Bentonville and Rogers, but only 66.6 percent of the competitive commercial properties in Siloam Springs. Bella Vista, Fayetteville, Lowell, and Springdale had coverages of 114.7, 72.7, 101.0, and 71.6 percents, respectively.

In addition, building permit data from the past twelve 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 2006 to February 2007, there were \$96.5 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is an increase of 149.7 percent over the prior quarter, and a decline of 9.6 percent from the first quarter of 2006. Rogers accounted for about 61.8 percent of the total value of building permits in the December to February period. Fayetteville accounted for an additional 24.2 percent and Bentonville accounted for 9.0 percent. There were no commercial building permits issued in Springdale in the first quarter of 2007.

The table of announcements of New Commercial Property 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.

### 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	--	88,401	129,420	61,594	279,415	320,574	114.7%
Bentonville	61,500	3,379,414	733,641	539,697	4,714,252	5,344,056	113.4%
Fayetteville	114,079	2,801,006	3,873,792	1,778,270	8,567,147	6,232,055	72.7%
Lowell	41,058	300,087	115,431	218,916	675,492	681,998	101.0%
Rogers	464,089	1,604,852	1,702,944	1,239,591	5,011,476	6,585,753	131.4%
Siloam Springs	148,582	146,036	491,940	286,202	1,072,760	714,606	66.6%
Springdale	1,142,623	1,469,829	2,170,575	2,441,234	7,224,261	5,170,464	71.6%
Northwest Arkansas Total	1,971,931	9,789,625	9,217,743	6,565,504	27,544,803	25,049,506	90.9%

<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 40 of this report.

<sup>2</sup>Source: Panel of 211 large Northwest Arkansas commercial property owners and managers.



## Commercial Building Permit Data by City

Dec. 2006 - Feb. 2007	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$8,725,598	\$23,406,927	\$4,709,086	\$59,642,734	\$25,000	\$0	\$96,509,345
Square Feet		229,750	75,740		1,200		
<b>Sept. - Nov. 2006</b>							
Value	\$2,404,840	\$22,721,389	\$1,840,722	\$11,146,805	\$538,000	\$0	\$38,651,756
Square Feet	25,120	208,853	240,591		20,816		
<b>June - August 2006</b>							
Value	\$21,014,259	\$6,147,723	\$462,712	\$23,479,198	\$5,890,000	\$25,663,800	\$82,657,692
Square Feet	577,875	86,780	2,484		142,760		
<b>March - May 2006</b>							
Value	\$10,575,639	\$21,780,317	\$10,924,435	\$36,046,864	\$3,650,000	\$12,322,984	\$95,300,239
Square Feet	79,285	233,208	141,918		66,108		
<b>Dec. 2005 - Feb. 2006</b>							
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		
<b>Sept. - Nov. 2005</b>							
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		
<b>June - August 2005</b>							
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	--	--
<b>March - May 2005</b>							
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	--	--
<b>Dec. 2004 - Feb. 2005</b>							
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	--	--
<b>Sept. - Nov. 2004</b>							
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	--	--
<b>June - August 2004</b>							
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	--	--
<b>March - May 2004</b>							
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	--	--



## Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
"Green" Development	Bentonville	Four Frogs LLC	Mixed Use	13,000	
206 SW 2nd Street Multi-Use Building	Bentonville	Main Street Builders LLC	Mixed Use		
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	Mid 2007
Airport Plaza	Bentonville		Office/Retail/Bank	25,846	
Applegate Hills	Bentonville	Robert Weinmeier and Jim Brassart	Mixed Use	980,000	
Archer's East Central Business Park	Bentonville	Jeff and Wayne Martin	Mixed Use	55,166	2007
Arvest Bank	Bentonville	Arvest Bank	Bank	5,000	2008
Beau Terre Office Building	Bentonville	Behringer Harvard Funds	Office	11,608	
Bentonville Dialysis Center	Bentonville	Dr. Fred Smardo	Medical Office	86,035	
Cornerstone Ridge	Bentonville	Tom Terminella	Mixed Use		
Cottonwood Village Medical Building	Bentonville		Medical	4,978	
Day Care and Commercial Building	Bentonville	Max McGaugh	Office/Retail	8,000	
Digital Endeavors	Bentonville	Digital Endeavors	Office	7,650	
Elm Tree Place	Bentonville		Mixed Use	16,844	
Fastenal Building	Bentonville	Mathias Shopping Centers	Retail	10,000	June 2007
Graebel Moving Warehouse	Bentonville		Warehouse	80,000	
Jarden Business Center	Bentonville		Office	15,292	
Moberly Professional Park	Bentonville		Office	56,128	
Morrison Addition Office Buildings	Bentonville		Office	30,000	
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	Spring 2007
3M Building	Bentonville	3M	Warehouse	30,000	2007
PJT Commercial Building	Bentonville	PJT Development	Commercial	8,000	
Polo Park Commerical/Industrial Park	Bentonville	San Miguel LLC	Commercial/Industrial		
Polo Park Warehouse	Bentonville	San Miguel LLC	Warehouse	108,000	
Rainbow Junction	Bentonville		Commercial		
Rescue Heroes Building	Bentonville	Rescue Heroes LLC	Office	54,000	
Retail Building on Central	Bentonville	Schaefer Properties	Retail	40,000	2007
Savannah Suites	Bentonville	Pro Con Inc	Office/Retail	42,000	2007
Supplier Plaza	Bentonville	Wallace and Xayprasith	Mixed Use	30,000	2008
SW Chucker Ave Warehouse	Bentonville		Warehouse	108,000	
Talley Project Sw Bentonville	Bentonville	Chris Talley	Whse/Office/Hotel	1,000,000+	
Tate & Haney Building	Bentonville	John Tate and Johnny Haney	Mixed Use	50,000	2007
The Chateau on Chardonnay	Bentonville	Rex Fox and Frank Farrer	Mixed Use	55,000	Summer 2007
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		
The Superior Building	Bentonville	Slone-Hanna Partnership	Office	396,000	June 2007
Top Dollar Pawn Shop	Bentonville		Retail	5,000	
Walton Blvd Office Building	Bentonville		Office	8,030	
Werts Third Addition Building	Bentonville	Pro Con Inc	Commerical	12,200	2007
Woodehouse Day Spa	Bentonville		Retail	6,300	
932 Garland	Fayetteville	Steve Mansfield	Mixed Use	66,227	2010
Appleby Landing	Fayetteville	Dixie Development	Medical Office	175,000	Mid 2007
Arena Village 3	Fayetteville	Nickle-Hill Group	Retail	9,045	
Arvest Bank	Fayetteville	Arvest Bank	Bank	8,000	Spring 2008
Bank of The Ozarks	Fayetteville	Bank of The Ozarks	Bank	4,352	Summer 2007
Beacon Flats	Fayetteville	Beacon Flats LLC	Mixed Use	5,500	
Bellafont II	Fayetteville	Barber Group	Mixed Use	560,000	Late 2007
Broyles Development	Fayetteville	Broyles Development LLC	Mixed Use	80,000	
Crye-Leike Office	Fayetteville	Crye-Leike Realtors	Office/Retail	17,000	Winter 2007-08
Divinity Building	Fayetteville	Barber Group	Mixed Use	350,000	
Farmers Insurance Office	Fayetteville	RECO Enterprises	Office	2,981	Spring 2007
Flintco Warehouse	Fayetteville	Flintco Inc.	Warehouse	114,750	
Frisco Depot Project	Fayetteville	MansfieldHouse Ventures	Mixed Use	48,520	
Legacy Building	Fayetteville	Barber Group	Mixed Use	117,000	Spring 2007
Malco Movies	Fayetteville	Malco	Retail	44,315	Spring 2007
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	4,902	
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	3,505	
Millenium Office Building	Fayetteville	Kirk Elsass	Office	8,000	Spring 2007
Milsap Plaza	Fayetteville	Jim Lindsey and Stan Green	Office	25,340	Summer 2007
Nelsons Crossing	Fayetteville	Dixie Development	Office/Retail	11,000	Spring 2007
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use	26,700	Spring 2007

## Announcements of New Commercial Projects (Continued)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Parkwest	Fayetteville	Tracy Hoskins	Office	856,000	2020
Pebble Creek Flats	Fayetteville	Art Scott	Commercial	11,000	
Porter Road Development	Fayetteville	Mitchell Massey	Office/Warehouse	150,000	
Procter & Gamble Building	Fayetteville	Procter & Gamble Inc.	Office	66,712	Fall 2007
Ruskin Heights	Fayetteville	Davis, Hooker, Massey, VanVeen	Retail	60,000	
Sam's Club	Fayetteville	Wal-Mart	Retail	142,898	
Shoppes at Steele Crossing	Fayetteville	Shoppes at Steele Crossing LLC	Retail	25,952	Spring 2007
Shoppes at Stonebridge	Fayetteville	Sean Trumbo	Retail	46,000	
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Summer 2007
Southpass	Fayetteville	Richard Alexander & John Nock	Retail	150,000	
Springwoods Medical Facility	Fayetteville	Haynes LTD	Medical Office	24,000	August 2007
Stadium Centre Strip Mall	Fayetteville	Mathias Shopping Centers	Retail	41,600	January 2008
Steele Crossing Retail Center	Fayetteville		Retail	43,000	2007
The Dickson	Fayetteville	Collins Haynes	Mixed Use	65,143	Summer 2007
The Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	99,000	
The Lofts at Underwood Plaza	Fayetteville	AMA, Nock, Bleden, Underwood	Commercial	45,000	Fall 2008
The Mill at West End	Fayetteville	Box and Paxton	Mixed Use	30,400	Spring 2008
Timberlake Office Park	Fayetteville	Jeff Martin and Mike Phillips	Office		
Mental Health Center	Fayetteville	Universal Health Services	Hospital		
University Village Center	Fayetteville	Ark 4-John Ellis & Bill Lazenby	Retail	38,774	June 2007
VA Medical Center expansion	Fayetteville	VA Medical Center	Medical Office	151,000	
Washington Regional Medical Center	Fayetteville	Washington Regional Med.Center	Medical Office	200,000	Fall 2007
Wedington Circle	Fayetteville	Mansfield Property Management	Office/Retail	10,000	
Wedington Circle	Fayetteville	Mansfield Property Management	Retail	6,576	
Wedington Place	Fayetteville	Mathias Shopping Centers Inc	Office/Retail	55,400	June 2007
Western Sizzlin Retail Center	Fayetteville	Mark Bazyk	Retail	5,000	
Westside Village	Fayetteville	Nock-Broyles Development	Mixed Use	86,000	
Aaron Nickells Homes' Office	Lowell	Aaron Nickell	Office	24,445	
Arvest Bank Operations Center	Lowell	Arvest Bank	Office	35,590	
AutoZone	Lowell	AutoZone	Retail	6,300	Nov. 2007
Bloomington Crossing	Lowell	Nickell Investments	Retail	15,076	Spring 2007
World Gym	Lowell	Rhett Garner and Tania Zamzow	Retail	50,000	2007
Park Central	Lowell/Rog.	Charleton Development	Mixed Use		2007
Bank of The Ozarks	Rogers	Bank of The Ozarks	Bank	9,000	October 2007
Benchmark Office Building	Rogers	Benchmark Group	Office	118,000	2008
Centre Pointe at Pleasant Grove	Rogers	Centre Pointe LLC	Retail	250,000	2007
Creekside Medical Park	Rogers	Colliers Dickson Flake	Medical Office/Retail	600,000	2007
Creekside Office Building	Rogers	Sharp Properties LLC	Office	22,000	2007
First Federal Bank	Rogers	First Federal Bank	Bank		
Forty-Fifth	Rogers	Barber Group	Mixed Use	750,000	
Gaines Dental Office	Rogers	Carla Gaines	Medical Office	2,900	April 2007
Graham Building	Rogers	Horsebarn Partners LLC	Office/Retail	70,000	
Harps	Rogers	Harps	Retail	31,500	Summer 2007
Jamestown Community	Rogers	John Montgomery	Mixed Use	165,000	January 2008
Kia Dealership	Rogers	Bill White	Retail	11,000	2008
Maralle Warehouse	Rogers	Maralle Development	Warehouse	7,200	
McBeth Orthodontics Clinic	Rogers	Susan McBeth	Medical Office	5,600	
MetroPark Dental Office Building	Rogers	Barry Henbest and Jeff Erickson	Medical Office	15,500	Spring 2007
Michaels	Rogers	Charles Reaves, et al	Retail	21,300	
Myers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	Summer 2008
NWA Sports Arena and Training Center	Rogers	Chris Talley	Sports Complex	310,000	Sept. 2008
NYK Warehouse	Rogers	NYK Warehouses	Warehouse		
Oliver Farm Development	Rogers	Haynes and Sach	Commercial		
Ozark Mountain Poultry Addition	Rogers	Ozark Mountain Poultry	Industrial	55,140	
Pinnacle Hills Plaza	Rogers	General Growth Group	Retail	130,000	2008
Pinnacle Station	Rogers	Stephan Lair and Steve Turner	Mixed Use	42,000	April 2008
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	1,000,000+	2007
Rees Development	Rogers	Rees Development	Mixed Use		
Simmons First Bank	Rogers	Simmons First Bank	Bank	16,000	Dec.2007
Southern Hills Business Park	Rogers	Dixie Development	Office	10,000	2007



## Announcements of New Commercial Projects (Continued)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Sports Park Plaza	Rogers	Cody Burnett	Office/Retail	18,900	Summer 2007
Stafford & Westervelt Office Building	Rogers	Swarthout Properties LLC	Office	8,190	Spring 2007
The Farms	Rogers	Haynes LTD	Mixed Use		
The Market at Pleasant Crossing	Rogers	P & H Properties	Retail	29,750	Summer 2007
Westin Hotel and Condos	Rogers	Barber Group	Hotel/Retail/Condos	165,231	Fall 2008
Autumn Glen	Sil. Springs	James Mathias	Commercial		2008
B & B Theatres	Sil. Springs	Robert Jones	Retail	16,000	Summer 2007
DaySprings Cards Building	Sil. Springs	DaySprings Cards	Office	36,000	February 2007
Kenwood Development	Sil. Springs	Bar and Shield Development LLC	Mixed Use		
Blue Cliff College	Springdale	Dixie Development	Office/Retail	30,000	October 2007
Cargill Freezer and Production Facility	Springdale	Cargill	Industrial	83,000	April 2007
Cavalier Commercial Buildings	Springdale	Cavalier Development	Office/Warehouse		
CL George & Sons Retail Building	Springdale	George's Inc	Retail	55,421	2007
Diesel Downs	Springdale	Gary Combs	Office/Retail	134,000	
First State Bank of Lonoke	Springdale	Lonoke Bancshares	Bank	8,124	
FirstCare Family Doctors Office	Springdale	Springdale Family Med. Rentals	Medical Office	6,504	
Habberton Ridge	Springdale		Mixed Use		
Har-Ber Meadows Medical Building	Springdale	Wash.Regional Medical Center	Medical Office	31,860	Summer 2007
Legacy National Bank	Springdale	Legacy National Bank	Bank		Late 2007
Tractor Supply	Springdale	Tractor Supply	Retail		

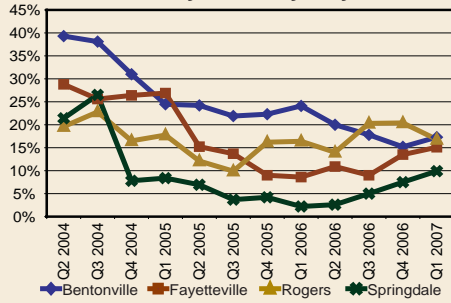


## Trends Summary

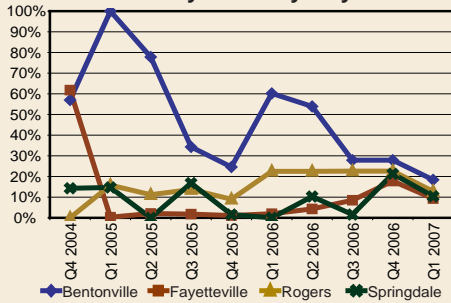
This version of the Skyline Report represents the twelfth quarter that data have been collected. Therefore, annual comparisons can be made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in each submarket over the past 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.

Over the past twelve months, in the office submarket, negative net absorption in Fayetteville, Rogers, Springdale, Lowell, and Siloam Springs dwarfed positive net absorption in Bentonville. Available office square footage in Northwest Arkansas grew from 942,118 square feet from the first quarter of 2006 to 1,083,131 square feet in the first quarter of 2007. This was primarily due to increases in available office space in Fayetteville and Rogers. Bentonville had less available office space in the first quarter of 2007 than in the first quarter of 2006. Over the past year 749,213 square feet of new office space became available for the first time. The overall Northwest Arkansas office vacancy rate has fallen from 16.7 percent to 15.7 percent in the past year. However, the vacancy rates in the Fayetteville and Rogers office markets are higher than a year ago.

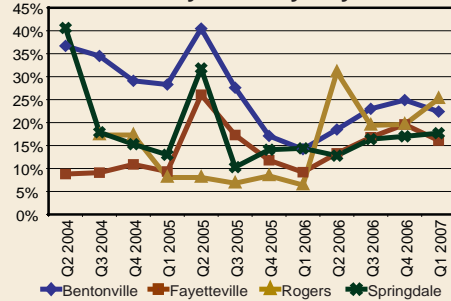
**Office Market  
Vacancy Rates by City**



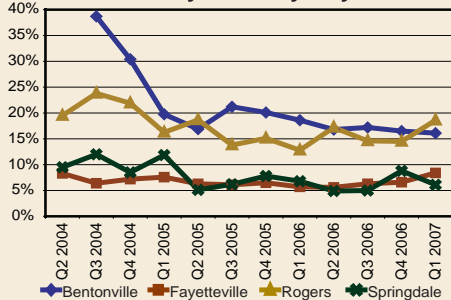
**Medical Office Market  
Vacancy Rates by City**



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



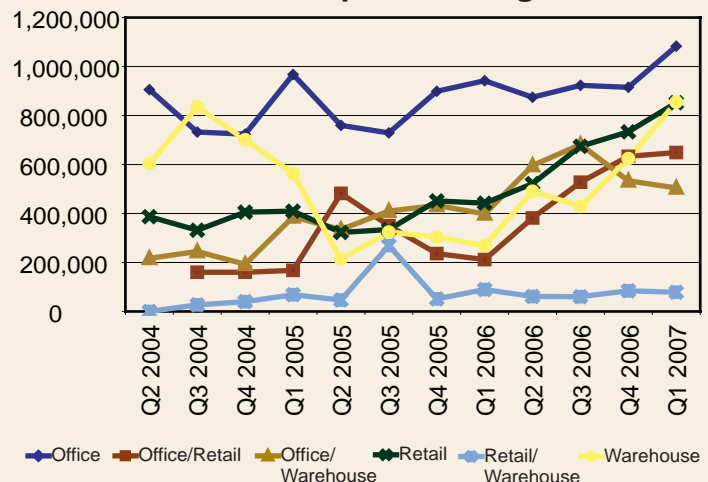
**Retail Market  
Vacancy Rates by City**



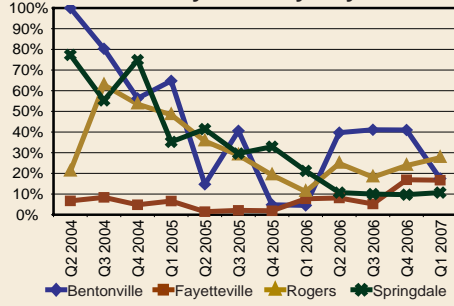
## Net Absorption by Submarket March 2006 - February 2007

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	1,300	-18,413	0	0
Bentonville	82,898	-62,417	9,533	-84,600
Fayetteville	-179,592	-124,810	-86,607	2,875
Lowell	-6,875	0	-5,666	-56,750
Rogers	-112,327	-138,332	-197,801	-273,590
Siloam Springs	-500	-71,150	9,480	0
Springdale	-48,310	-20,434	-20,998	799
<b>Northwest Arkansas</b>	<b>-263,406</b>	<b>-435,556</b>	<b>-292,059</b>	<b>-411,266</b>

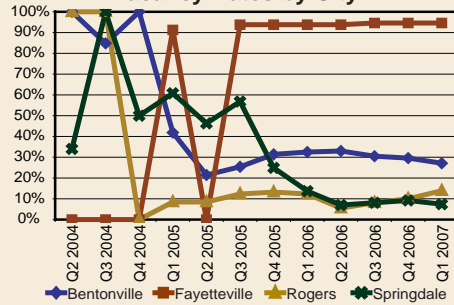
**Northwest Arkansas  
Available Square Footage**



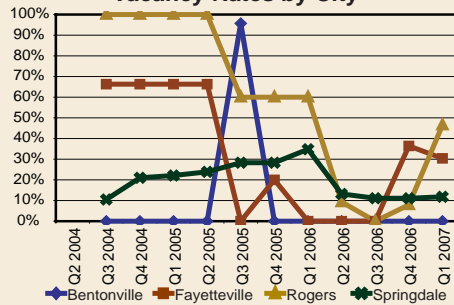
**Warehouse Market  
Vacancy Rates by City**



**Office Warehouse Market  
Vacancy Rates by City**



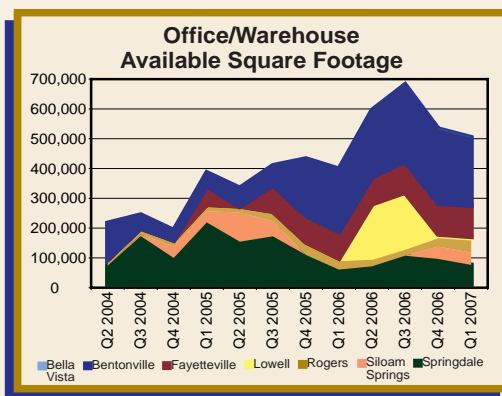
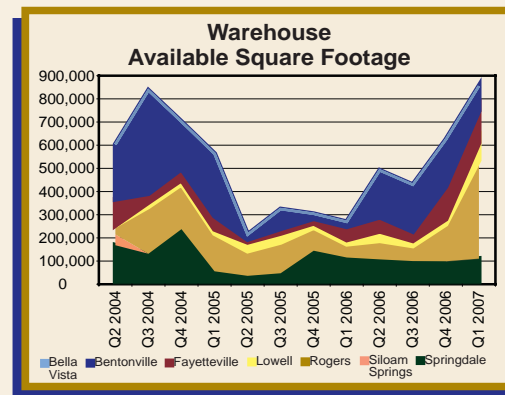
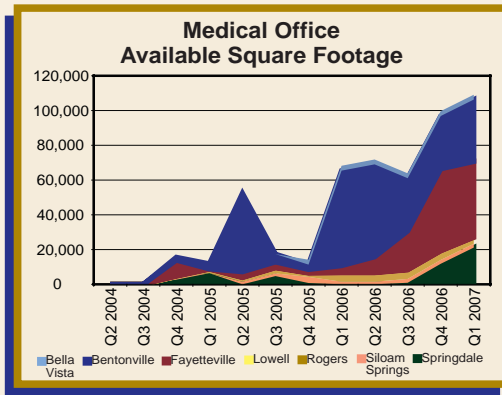
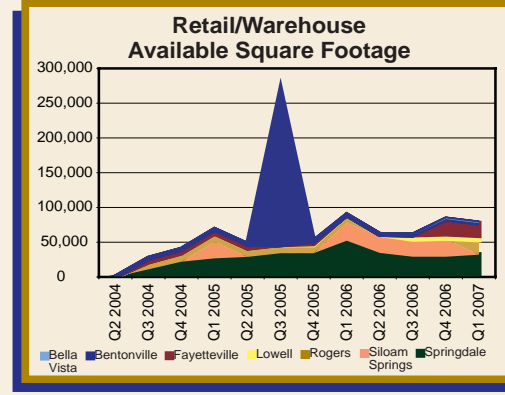
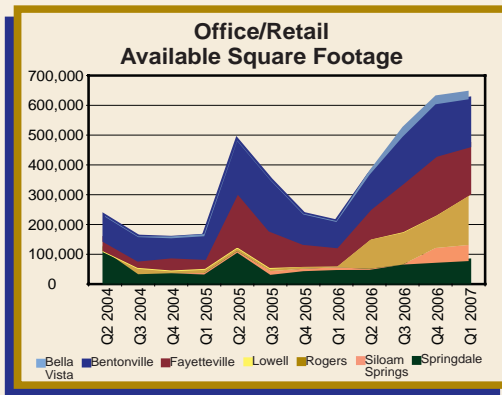
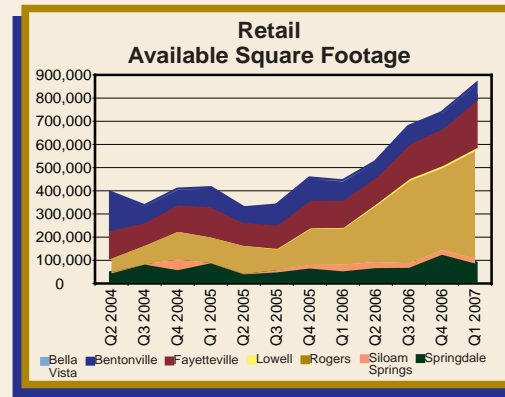
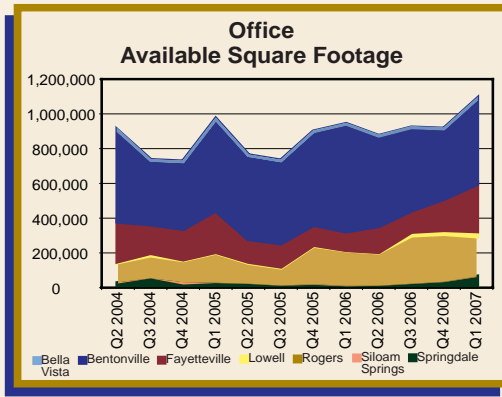
**Retail Warehouse Market  
Vacancy Rates by City**



The office/retail market experienced negative net absorption of 435,556 square feet during the past twelve months. The majority of negative net absorption was in Fayetteville and Rogers. New square footage totaling 691,215 was added to the market during the same time period. In the first quarter of 2007, 649,010 square feet of office/retail space were available, up from 211,741 square feet in the first quarter of 2006. This space was primarily located in Bentonville, Fayetteville, and Rogers.

The retail market also has experienced negative net absorption in the past twelve months. Although 67.7 percent of the negative net absorption was in Rogers, Fayetteville and Springdale also experienced some degree of negative net absorption in the retail submarket over the past year. There were 1,323,845 new square feet of retail space added to the Northwest Arkansas market during the past twelve months—of that amount, only 223,845 square feet were located in cities other than Rogers. In the first quarter of 2007, a total of 852,359 square feet of space were available in Northwest Arkansas, up from 442,087 square feet at the same time in the prior year.

The Northwest Arkansas warehouse market experienced negative net absorption of 411,266 square feet from the first quarter of 2006 to the first quarter of 2007. Vacancy rates climbed from 11.7 percent to 20.2 percent, while the number of available square feet rose from 269,089 to 855,020. A total of 934,150 square feet of new warehouse space were added to the Northwest Arkansas market during that time. Bentonville, Lowell, and Rogers were the only cities that experienced negative net absorption since the first quarter of last year in the warehouse submarket.





## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2006	20.4%	24.1%	8.6%	1.3%	16.4%	3.3%	2.2%	16.7%
Q2 2006	35.5%	20.0%	10.9%	1.8%	14.0%	1.9%	2.6%	14.8%
Q3 2006	35.5%	17.8%	9.0%	12.5%	20.3%	2.7%	5.0%	15.2%
Q4 2006	24.2%	15.2%	13.5%	13.4%	20.4%	2.7%	7.5%	15.2%
Q1 2007	24.2%	17.3%	15.1%	12.0%	16.8%	4.0%	9.9%	15.7%
<b>Medical Office</b>								
Q1 2006	34.6%	60.2%	2.0%	--	22.5%	2.1%	0.0%	15.3%
Q2 2006	34.6%	53.9%	4.3%	--	22.5%	2.1%	10.3%	15.1%
Q3 2006	34.6%	27.9%	8.5%	--	22.6%	3.1%	1.6%	16.1%
Q4 2006	34.6%	27.9%	17.8%	--	22.6%	3.1%	21.3%	18.8%
Q1 2007	34.6%	18.4%	9.3%	0.0%	12.8%	3.1%	10.4%	10.8%
<b>Office/Retail</b>								
Q1 2006	4.2%	14.2%	9.2%	0.0%	6.4%	17.7%	14.4%	11.3%
Q2 2006	6.4%	18.5%	13.3%	0.0%	31.0%	7.1%	12.8%	14.9%
Q3 2006	12.9%	23.0%	16.8%	13.9%	19.4%	0.0%	16.4%	18.0%
Q4 2006	11.3%	24.9%	19.6%	5.0%	19.6%	46.0%	17.0%	20.5%
Q1 2007	10.9%	22.4%	16.1%	0.0%	25.2%	48.0%	17.7%	20.3%
<b>Office/Warehouse</b>								
Q1 2006	--	32.5%	93.8%	--	12.3%	0.0%	13.7%	20.1%
Q2 2006	--	33.0%	93.8%	100.0%	5.5%	0.0%	7.0%	24.5%
Q3 2006	--	30.5%	94.6%	94.7%	8.1%	0.0%	8.1%	23.2%
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
<b>Retail</b>								
Q1 2006	3.9%	18.6%	5.7%	4.7%	12.8%	10.6%	6.8%	9.0%
Q2 2006	0.0%	16.8%	5.6%	10.9%	17.2%	8.8%	4.9%	9.3%
Q3 2006	0.0%	17.2%	6.3%	10.4%	14.6%	6.7%	5.0%	9.7%
Q4 2006	0.0%	16.5%	6.6%	11.2%	14.5%	6.6%	8.8%	10.4%
Q1 2007	0.0%	16.1%	8.4%	11.2%	18.6%	7.3%	6.1%	11.9%
<b>Retail/Warehouse</b>								
Q1 2006	--	0.0%	0.0%	0.0%	60.0%	100.0%	34.8%	33.0%
Q2 2006	--	0.0%	0.0%	0.0%	9.3%	100.0%	13.2%	18.1%
Q3 2006	--	0.0%	0.0%	55.2%	0.0%	100.0%	11.1%	16.5%
Q4 2006	14.1%	0.0%	36.4%	55.2%	7.9%	100.0%	11.1%	20.4%
Q1 2007	14.1%	0.0%	30.4%	55.2%	46.5%	0.0%	11.8%	17.4%
<b>Warehouse</b>								
Q1 2006	--	4.5%	7.7%	63.9%	11.2%	--	21.2%	11.7%
Q2 2006	0.0%	39.7%	8.1%	79.6%	24.8%	--	10.7%	18.5%
Q3 2006	0.0%	41.1%	5.2%	43.5%	18.2%	--	10.0%	16.0%
Q4 2006	0.0%	41.0%	16.9%	43.5%	23.8%	0.0%	9.7%	19.6%
Q1 2007	0.0%	17.5%	16.7%	61.1%	27.6%	0.0%	10.7%	20.2%

## Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2006	0	-77,447	3,891	3,500	17,275	2,050	8,601	-42,130
Q2 2006	0	51,815	-25,444	1,500	29,386	1,200	887	59,344
Q3 2006	0	36,194	32,561	0	-128,514	-700	-12,824	-73,283
Q4 2006	1,300	73,453	-56,387	-1,500	2,131	0	-8,941	10,056
Q1 2007	0	-78,564	-130,322	-6,875	-15,330	-1,000	-27,432	-259,523
<b>Medical Office</b>								
Q1 2006	0	-43,500	511	--	-3,000	2,050	750	-43,189
Q2 2006	0	1,510	-804	--	0	0	0	706
Q3 2006	0	19,400	-4,600	--	-32	-700	-900	13,168
Q4 2006	1,300	0	-24,863	--	0	0	-10,920	-34,483
Q1 2007	0	-2,246	3,630	0	1,500	0	-9,342	-6,458
<b>Office/Retail</b>								
Q1 2006	-728	14,408	3,218	0	3,500	-1,000	-3,846	15,552
Q2 2006	-4,980	-24,143	-31,287	0	-70,020	5,400	-568	-125,598
Q3 2006	-18,575	-29,483	-37,802	-2,210	-6,471	3,600	-5,772	-96,713
Q4 2006	3,832	-15,355	-57,521	1,420	-1,106	-49,690	-4,516	-122,936
Q1 2007	1,310	6,564	1,800	790	-60,735	-30,460	-9,578	-90,309
<b>Office/Warehouse</b>								
Q1 2006	--	-16,528	0	--	2,000	0	49,170	34,642
Q2 2006	--	-8,935	0	0	14,412	0	11,900	17,377
Q3 2006	--	-32,750	0	-4,720	1,470	0	7,900	-28,100
Q4 2006	--	7,850	0	179,900	1,750	-35,007	2,664	157,157
Q1 2007	--	21,000	0	0	-17,150	0	12,808	16,658
<b>Retail</b>								
Q1 2006	-3,000	2,854	15,424	0	21,217	-12,480	13,010	37,025
Q2 2006	0	11,336	1,775	-3,750	27,247	4,080	-13,948	26,740
Q3 2006	0	-8,667	-37,174	-1,316	-106,541	7,076	-12,134	-158,756
Q4 2006	0	7,114	-10,456	-600	2,286	221	-32,547	-33,982
Q1 2007	0	-250	-40,752	0	-120,793	-1,897	37,631	-126,061
<b>Retail/Warehouse</b>								
Q1 2006	--	0	3,600	1,500	0	0	-7,500	-2,400
Q2 2006	--	0	0	0	0	0	42,640	42,640
Q3 2006	--	0	0	-6,200	1,500	0	16,520	11,820
Q4 2006	0	0	3,000	0	-1,283	0	0	1,717
Q1 2007	0	0	3,600	0	-20,000	0	-2,925	-19,325
<b>Warehouse</b>								
Q1 2006	--	11,900	0	0	42,622	--	43,350	97,872
Q2 2006	0	-180,600	-500	-22,150	-34,940	--	0	-238,190
Q3 2006	0	0	21,500	18,400	15,112	--	7,350	62,362
Q4 2006	0	-400	-20,000	0	6,120	0	4,874	-9,406
Q1 2007	0	96,400	1,875	-53,000	-259,882	0	-11,425	-226,032

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2006	2,800	613,063	107,584	1,500	206,645	2,700	7,826	942,118
Q2 2006	4,100	513,663	149,239	2,250	193,635	1,500	10,188	874,575
Q3 2006	4,100	472,317	122,930	21,088	279,661	2,200	20,867	923,163
Q4 2006	2,800	398,864	179,317	22,588	277,530	2,200	31,808	915,107
Q1 2007	2,800	482,625	270,543	29,463	233,860	3,200	60,640	1,083,131

### Medical Office

Q1 2006	2,800	54,734	4,196	--	5,000	1,500	0	68,230
Q2 2006	2,800	53,224	9,300	--	5,000	1,500	0	71,824
Q3 2006	2,800	30,440	22,501	--	5,032	2,200	900	63,873
Q4 2006	2,800	30,440	47,364	--	5,032	2,200	11,820	99,656
Q1 2007	2,800	35,686	43,734	0	3,532	2,200	21,162	109,114

### Office/Retail

Q1 2006	3,192	79,535	61,651	0	11,179	9,000	47,184	211,741
Q2 2006	15,172	111,559	98,138	0	105,539	3,600	47,752	381,760
Q3 2006	33,747	150,678	160,931	2,210	114,829	0	65,324	527,719
Q4 2006	29,915	168,733	196,852	790	115,935	49,690	71,440	633,355
Q1 2007	28,605	154,272	160,646	0	174,131	54,054	77,302	649,010

### Office/Warehouse

Q1 2006	--	210,628	90,326	--	36,736	0	60,639	398,329
Q2 2006	--	224,863	90,326	179,000	30,084	0	71,706	595,979
Q3 2006	--	257,613	104,326	183,720	28,614	0	107,306	681,579
Q4 2006	--	249,763	104,326	4,720	36,864	41,087	96,542	533,302
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360

### Retail

Q1 2006	3,000	70,827	117,645	2,809	166,264	29,080	52,462	442,087
Q2 2006	0	53,766	114,870	6,559	253,829	26,500	66,410	521,934
Q3 2006	0	64,033	149,244	7,875	365,370	20,354	67,334	674,210
Q4 2006	0	56,919	159,700	8,475	364,484	20,133	123,731	733,442
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359

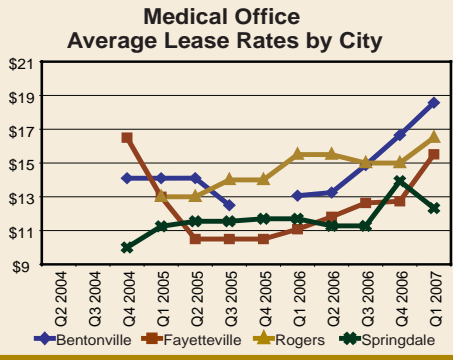
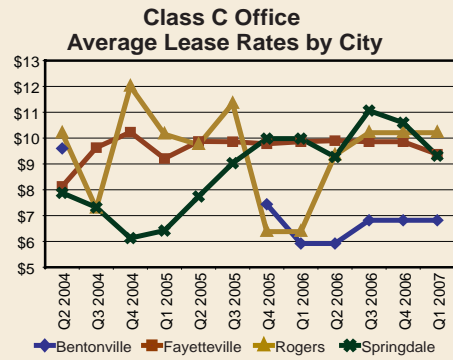
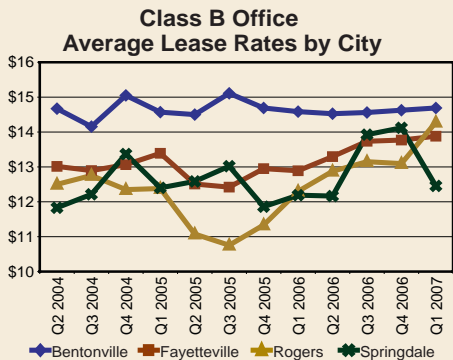
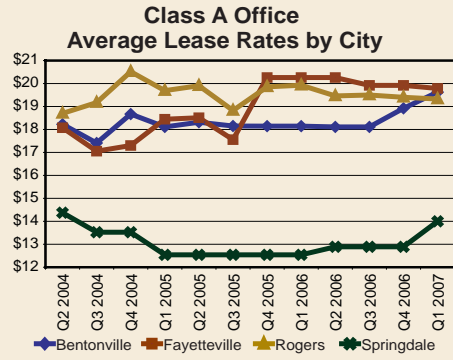
### Retail/Warehouse

Q1 2006	--	0	0	0	12,000	25,100	52,200	89,300
Q2 2006	--	0	0	0	1,500	25,110	34,560	61,170
Q3 2006	--	0	0	6,200	0	25,110	29,100	60,410
Q4 2006	1,000	0	21,600	6,200	1,283	25,110	29,100	84,293
Q1 2007	1,000	0	18,000	6,200	21,283	0	32,025	78,508

### Warehouse

Q1 2006	--	20,700	57,000	18,400	57,689	--	115,300	269,089
Q2 2006	0	201,300	61,000	40,550	80,854	--	107,300	491,004
Q3 2006	0	201,300	40,000	22,150	65,742	--	99,950	429,142
Q4 2006	0	201,700	140,975	22,150	159,997	0	99,166	623,988
Q1 2007	0	105,300	139,100	75,150	424,879	0	110,591	855,020





## Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.25 - \$21.00	\$14.46 - \$14.92	\$6.82 - \$6.82	\$17.93 - \$19.21
Fayetteville	\$19.16 - \$20.41	\$13.08 - \$14.68	\$9.09 - \$9.66	\$14.69 - \$16.34
Rogers	\$18.67 - \$19.98	\$14.03 - \$14.53	\$10.21 - \$10.21	\$16.50 - \$16.50
Springdale	\$14.00 - \$14.00	\$11.93 - \$12.98	\$9.16 - \$9.48	\$11.82 - \$12.84

## Office

In the first quarter of 2007, the office properties included in the Skyline Report panel had a vacancy rate of 15.7 percent, up from the rate of 15.2 percent in the fourth quarter of 2006. Of the 6.9 million square feet of Northwest Arkansas properties examined, 1.1 million square feet are currently available. This is up from 915,107 available square feet of office space in the fourth quarter of 2006. From the fourth quarter to the first quarter of 2007, 274,175 square feet of new office space entered the market, while 14,652 square feet of space were absorbed, netting negative absorption of 259,523 for the market.

Of the 1,083,131 square feet of available office space in Northwest Arkansas, about 44.6 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 26.2 percent of the unoccupied office space in Bentonville, down from 32.1 percent in the previous quarter. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is significantly more square footage sitting vacant in the Class B market. In the first quarter, 44,884 square feet of office space became vacated, while 33,680 square feet came online, netting negative absorption of 78,564 square feet of office space.

While Bentonville continued to have the most available office space at 482,625 square feet, Rogers had almost 233,860 square feet available. In the Rogers office submarket, Class A accounted for 74.2 percent of all available space while Class B accounted for 24.2 percent and medical space made up the remainder. There was positive absorption of 43,670 square feet in the first quarter of 2007, while 59,000 new square feet of space were added to the market, netting negative absorption of 15,330 square feet.

Fayetteville had 270,543 square feet of available office space in the first quarter of 2007. About 56.1 percent of the available office space in Fayetteville was in the Class B submarket, while Class A space accounted for just over 25.7 percent and the remainder was in the Class C and medical office markets. From the fourth quarter to the first quarter of 2007, there was positive absorption of 11,173 square feet in the office submarket, new space totaling 141,495 square feet, and negative net absorption of 130,322 square feet.

The Springdale office market had 60,640 square feet of available space in the first quarter, almost double that reported in the fourth quarter of 2006. No new square footage was added in the first quarter and there was negative net absorption of 27,432 square feet. The only positive absorption was in Class A space, with 1,395 square feet becoming occupied. In the Class B submarket, 8,181 square feet became available, while in the Class C submarket 11,304 square feet were vacated. The medical office market experienced negative absorption at 9,342 square feet.

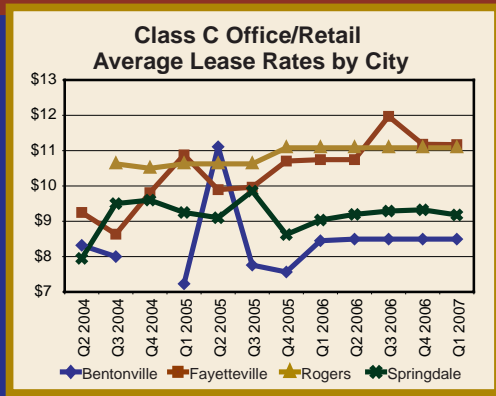
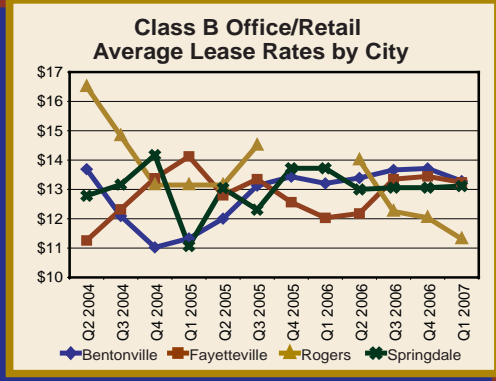
Office lease rates were highest, on average, for Class A office space in Fayetteville, Bentonville and Rogers, averaging about \$20 per square foot. Class A space average lease rates ticked up in Springdale and Bentonville, but remained nearly constant in the other cities in the first quarter. Class B office space was most expensive in Bentonville and least expensive on average in Springdale. Average Class B office lease rates declined in Springdale, increased in Rogers and were nearly constant elsewhere. In the first quarter, reported average lease rates for Class C office space in Springdale declined a bit. Reported average medical office space lease rates increased in Bentonville, Fayetteville, and Rogers and declined in Springdale during the quarter.

## Office Space Characteristics by Class and City

<b>Class A Office</b>	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	362,158	137,767	38.0%	238	0	238	1,736.6
Fayetteville	282,036	69,623	24.7%	26,802	58,961	-32,159	--
Rogers	897,123	173,630	19.4%	45,182	59,000	-13,818	--
Springdale	57,123	2,410	4.2%	1,395	0	1,395	5.2
<b>Class B Office</b>							
Bentonville	2,218,935	309,172	13.9%	-45,197	33,680	-78,877	--
Fayetteville	912,142	151,686	16.6%	-13,759	82,534	-96,293	--
Rogers	405,331	56,698	14.0%	-3,012	0	-3,012	--
Springdale	178,519	36,918	20.7%	-1,418	0	-1,418	--
<b>Class C Office</b>							
Bentonville	9,571	0	0.0%	2,321	0	2,321	0.0
Fayetteville	124,446	5,500	4.4%	-5,500	0	-5,500	--
Rogers	60,101	0	0.0%	0	0	0	0.0
Springdale	248,054	33,100	13.3%	1,440	0	1,440	69.0
<b>Medical Office</b>							
Bentonville	194,366	35,686	18.4%	-2,246	0	-2,246	--
Fayetteville	469,317	43,734	9.3%	3,630	0	3,630	36.1
Rogers	27,635	3,532	12.8%	1,500	0	1,500	7.1
Springdale	202,964	21,162	10.4%	-9,432	0	-9,432	--

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents



## Office/Retail Lease Rates Average Range by City

	Class B	Class C
Bentonville	\$12.53 - \$14.04	\$8.22 - \$8.77
Fayetteville	\$13.25 - \$14.23	\$10.42 - \$11.92
Rogers	\$10.99 - \$11.63	\$9.33 - \$12.83
Springdale	\$12.34 - \$13.89	\$8.22 - \$10.14

## Office/Retail

In the first quarter of 2007, the office/retail properties included in the CBER sample had a vacancy rate of 20.3 percent, down from 20.5 percent in the fourth quarter. Of the 3.2 million square feet of Northwest Arkansas properties examined, 649,010 square feet were available. From the fourth quarter to the first quarter of 2007, 144,631 new square feet of office/retail space were added to the market, while 67,803 square feet of space became occupied. This yielded a negative net absorption of 76,828 square feet.

The new office/retail space was in the Rogers Class A and Siloam Springs Class B markets. Bella Vista, Bentonville, Fayetteville, and Lowell experienced positive net absorption of office/retail space in the first quarter of 2007. Rogers, Siloam Springs, and Springdale experienced negative net absorption.

Rogers jumped ahead of Fayetteville and Bentonville to have the largest amount of available square feet in the office/retail submarket with 174,131 square feet available. Fayetteville had 160,646 and Bentonville had 154,272 square feet available. This translated to vacancy rates of 25.2 percent for Rogers, 16.1 percent for Fayetteville, and 22.4 percent for Bentonville. Springdale had reported available office/retail square footage of 77,302 with a 17.7 percent vacancy rate.

Office/retail space average reported lease rates did not change much in the first quarter. There was a noticeable decline in average reported Class B rates in Rogers, while the other cities had fairly constant average reported lease rates in that submarket.

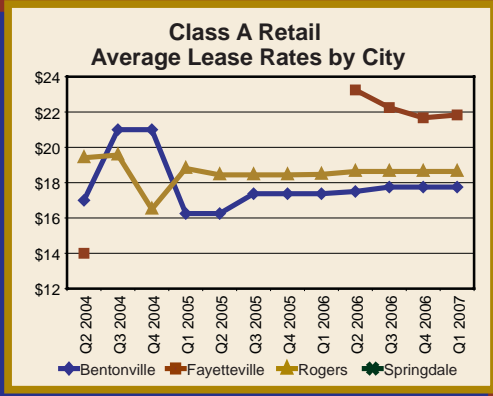


## Office/Retail Space Characteristics by Class and City

Class A	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption 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	75,667	24,858	32.9%	-8,350	0	-8,350	--
Fayetteville	131,126	77,326	59.0%	1,800	0	1,800	128.9
Rogers	238,251	117,455	49.3%	61,150	108,935	-47,785	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	519,900	119,812	23.0%	14,946	0	14,946	24.0
Fayetteville	636,082	52,942	8.3%	3,981	0	3,981	39.9
Rogers	68,070	45,670	67.1%	-12,950	0	-12,950	--
Springdale	178,519	36,918	20.7%	-1,418	0	-1,418	--
<b>Class C</b>							
Bentonville	91,849	9,602	10.5%	-32	0	-32	--
Fayetteville	229,831	30,378	13.2%	9,500	0	9,500	9.6
Rogers	175,506	11,006	6.3%	0	0	0	--
Springdale	248,054	33,100	13.3%	1,440	0	1,440	69.0

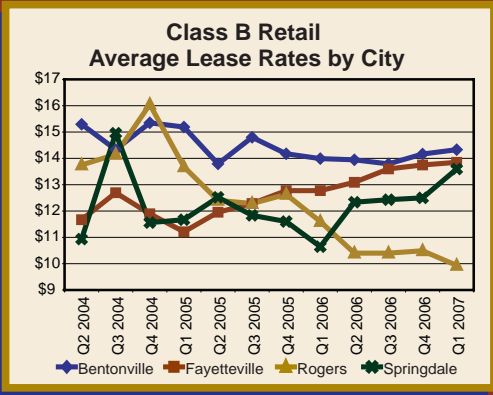
<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents



## Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$16.00 - \$19.50	\$14.07 - \$14.59	\$10.89 - \$11.10
Fayetteville	\$21.00 - \$22.67	\$12.89 - \$15.11	\$8.12 - \$9.15
Rogers	\$18.20 - \$18.68	\$9.40 - \$10.47	\$7.80 - \$8.42
Springdale	--	\$12.50 - \$14.69	\$7.65 - \$8.52

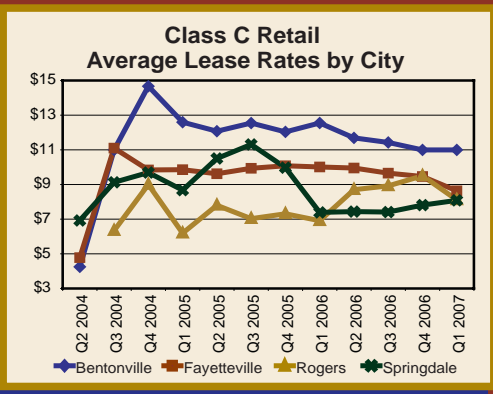


## Retail

In the first quarter of 2007, the retail properties included in the CBER panel had a vacancy rate of 11.9 percent, which was up from 10.4 percent reported in the fourth quarter of 2006. Of the 7.2 million square feet of Northwest Arkansas retail properties examined, 852,359 square feet were available. From the fourth quarter to the first quarter of 2007, there was positive absorption of 23,889 square feet of retail space, with 149,950 square feet of new retail space coming on the market, netting negative absorption of 126,061 square feet.

Bentonville had 354,126 total square feet and 57,169 available square feet of retail space in the first quarter, resulting in a vacancy rate of 16.1 percent. This represented a decline from the rate of 16.5 percent in the fourth quarter of 2006. 250 square feet became available in the Bentonville retail market, while no new square feet were added to the market in the first quarter. A total of 1,750 square feet of absorption occurred in the Class B submarket, while 2,000 square feet of negative net absorption occurred in the Class C submarket.

In the first quarter of 2007, Fayetteville had a retail vacancy rate of 8.4 percent, up from 6.6 percent in the fourth quarter, with 203,308 available square feet out of a total of 2.4 million. There was reported negative absorption of 10,680 square feet in the Class A retail submarket, while no square feet entered the market. In the Class B submarket there was positive absorption of 22,647 square feet and new square footage totalling 16,000 square feet, netting positive absorption of 6,647 square feet. In the Class C submarket, 36,719 square feet became available.



The Rogers market had 475,277 square feet of available retail space out of a total of 2.6 million square feet for a vacancy rate of 18.6 percent in the first quarter. This rate was an increase from the fourth quarter rate of 14.5 percent. 130,000 square feet of new Class A retail space were added to the market in the first quarter. A total of 46,716 square feet were absorbed in the Class A submarket, netting negative absorption of 83,284 square feet. In the Class B submarket, 250 square feet were absorbed, while 37,759 square feet were vacated in the Class C retail submarket.

There were 86,100 square feet of available retail space out of a total of 1.4 million square feet in Springdale in the first quarter. This implies a vacancy rate of 6.1 percent, down from 8.8 percent in the fourth quarter of 2006. A total of 3,950 square feet of Class B space was added to the Springdale market in the first quarter. Positive absorption of 41,461 square feet was reported in the Class B submarket, netting positive absorption 37,511 square feet. There was positive absorption of 120 square feet in the Class C retail submarket.

Reported average lease rates were mixed. Class A space lease rates were almost constant. For Class B space, lease rates increased in Springdale, but declined in Rogers. Class C reported average lease rates were barely down in Fayetteville and Rogers and barely up in Springdale.



## Retail Space Characteristics by Class and City

Class	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>
<b>Class A</b>							
Bentonville	39,534	21,895	55.4%	0	0	0	--
Fayetteville	1,347,331	91,498	6.8%	-10,680	0	-10,680	--
Rogers	1,599,354	241,350	15.1%	46,716	130,000	-83,284	--
Springdale	--	--	--	--	--	--	--
<b>Class B</b>							
Bentonville	246,327	26,274	10.7%	1,750	0	1,750	--
Fayetteville	885,773	66,543	7.5%	22,647	16,000	6,647	30.0
Rogers	680,575	177,630	26.1%	250	0	250	2,131.6
Springdale	1,226,944	67,333	5.5%	41,461	3,950	37,511	5.4
<b>Class C</b>							
Bentonville	68,265	9,000	13.2%	-2,000	0	-2,000	--
Fayetteville	200,075	45,267	22.6%	-36,719	0	-36,719	--
Rogers	278,807	56,297	20.2%	-37,759	0	-37,759	--
Springdale	192,914	18,767	9.7%	120	0	120	469.2

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

## Other Lease Rates Average Range by City

	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$6.03 - \$7.16	\$10.29 - \$12.12	\$3.84 - \$5.56
Fayetteville	\$3.21 - \$3.21	\$5.20 - \$5.53	\$8.22 - \$10.22
Rogers	\$4.03 - \$4.47	\$5.66 - \$7.17	\$6.00 - \$6.05
Springdale	\$4.14 - \$5.13	\$5.34 - \$7.90	\$6.13 - \$8.25

## Warehouse

In the first quarter of 2007, the warehouse properties included in the CBER panel had a vacancy rate of 20.2 percent. This was an increase from the fourth quarter vacancy rate of 19.6 percent that is mainly due to the addition of a new 825,000 square foot warehouse in Rogers. Of the 4.2 million square feet of warehouse space examined, 855,020 square feet were available in the first quarter.

Because of the new property, the majority of available warehouse space was in Rogers, with over 424,000 square feet. Available space tightened in Bentonville, with the absorption of almost 100,000 square feet in the first quarter. The warehouse markets in Fayetteville and Springdale were relatively muted in the first quarter. Reported warehouse vacancy rates declined in Bentonville and Fayetteville and increased in Lowell, Rogers, and Springdale in the first quarter.

Bentonville continued to have the most expensive average warehouse lease rates, even with an additional small reported decline. The average reported warehouse lease rates in Rogers, Fayetteville and Springdale were basically unchanged in the first quarter.

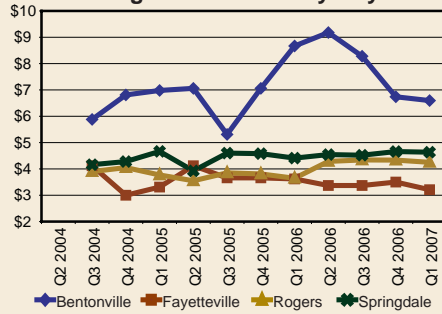
## Office/Warehouse

The CBER panelists reported on 2.7 million square feet of office/warehouse space in the first quarter. The vacancy rate in the office/warehouse submarket declined to 19.0 percent in Northwest Arkansas, with 504,360 total square feet available in the first quarter. From the fourth quarter to the first quarter of 2007, there was positive absorption of 16,658 square feet of office/warehouse space, while no new square feet came online.

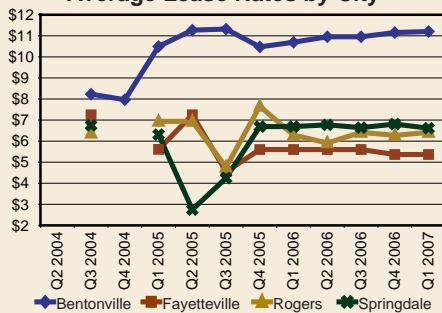
The activity in the office/warehouse submarket in the first quarter was concentrated in Bentonville, Rogers, and Springdale. Rogers experienced negative net absorption of 17,150, while Bentonville had positive absorption of 21,000 square feet and Springdale had positive absorption of 12,808 square feet.

Despite already being significantly higher than the rest of the region, in the first quarter, the office/warehouse average lease rates in Bentonville again increased slightly. Average reported lease rates for office/warehouse space remained fairly constant in the other cities in Northwest Arkansas during the quarter.

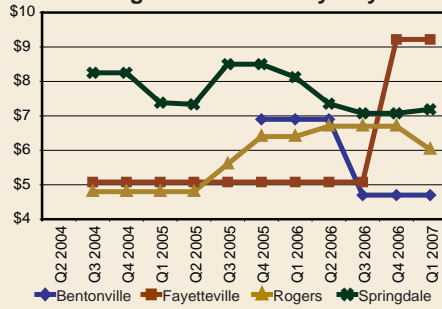
**Warehouse  
Average Lease Rates by City**



**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	601,428	105,300	17.5%	96,400	0	96,400	3.3
Fayetteville	833,667	139,100	16.7%	1,875	0	1,875	222.6
Rogers	1,540,103	424,879	27.6%	565,118	825,000	-259,882	--
Springdale	1,029,263	110,591	10.7%	-11,425	0	-11,425	--
<b>Office/Warehouse</b>							
Bentonville	843,666	228,763	27.1%	21,000	0	21,000	32.7
Fayetteville	110,326	104,326	94.6%	0	0	0	--
Rogers	352,422	49,014	13.9%	-17,150	0	-17,150	--
Springdale	1,036,809	76,450	7.4%	12,808	0	12,808	17.9
<b>Retail/Warehouse</b>							
Bentonville	32,570	0	0.0%	0	0	0	0.0
Fayetteville	59,300	18,000	30.4%	3,600	0	3,600	15.0
Rogers	45,729	21,283	46.5%	--	--	--	--
Springdale	271,148	32,025	11.8%	-2,925	0	-2,925	--

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

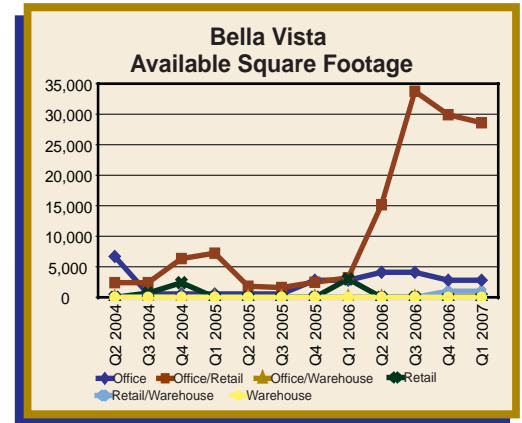
## Retail/Warehouse

The CBER panelists reported on 450,771 square feet of retail/warehouse space in the first quarter of 2007. The vacancy rate in the retail/warehouse submarket declined from 20.4 percent in the fourth quarter to 17.4 percent in the first quarter in Northwest Arkansas, with 78,508 total square feet available in the first quarter. From the fourth quarter to the first quarter of 2007, there was net negative absorption of 19,325 square feet of retail/warehouse space, while 20,000 new square feet came online in Rogers. Positive absorption of 3,600 square feet occurred in Fayetteville, while negative absorption of 2,925 square feet occurred in Springdale. There was no other activity in the retail/warehouse submarket in Northwest Arkansas. The Northwest Arkansas vacancy rate decline was the result of sample differentials from the fourth quarter.

The retail/warehouse average reported lease rates in Rogers declined somewhat in the first quarter, but represent a very small sample of properties. Average reported lease rates were constant in the other cities in Northwest Arkansas.

## Bella Vista

- Bella Vista had 279,415 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Benton County Assessor's Office.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 320,574 square feet of commercial space in the first quarter of 2007. This represents over 100 percent of the Benton County Assessor's count of commercial space in Bella Vista.
- In the first quarter of 2007, Bella Vista experienced positive absorption of 1,310 square feet in the office/retail submarket.
- Reported vacancy rates declined in the office/retail submarkets and were unchanged in other submarkets in Bella Vista from the fourth quarter to the first quarter of 2007 in accord with absorption.
- Reported average lease rates were unchanged in Bella Vista in the first quarter of 2007.



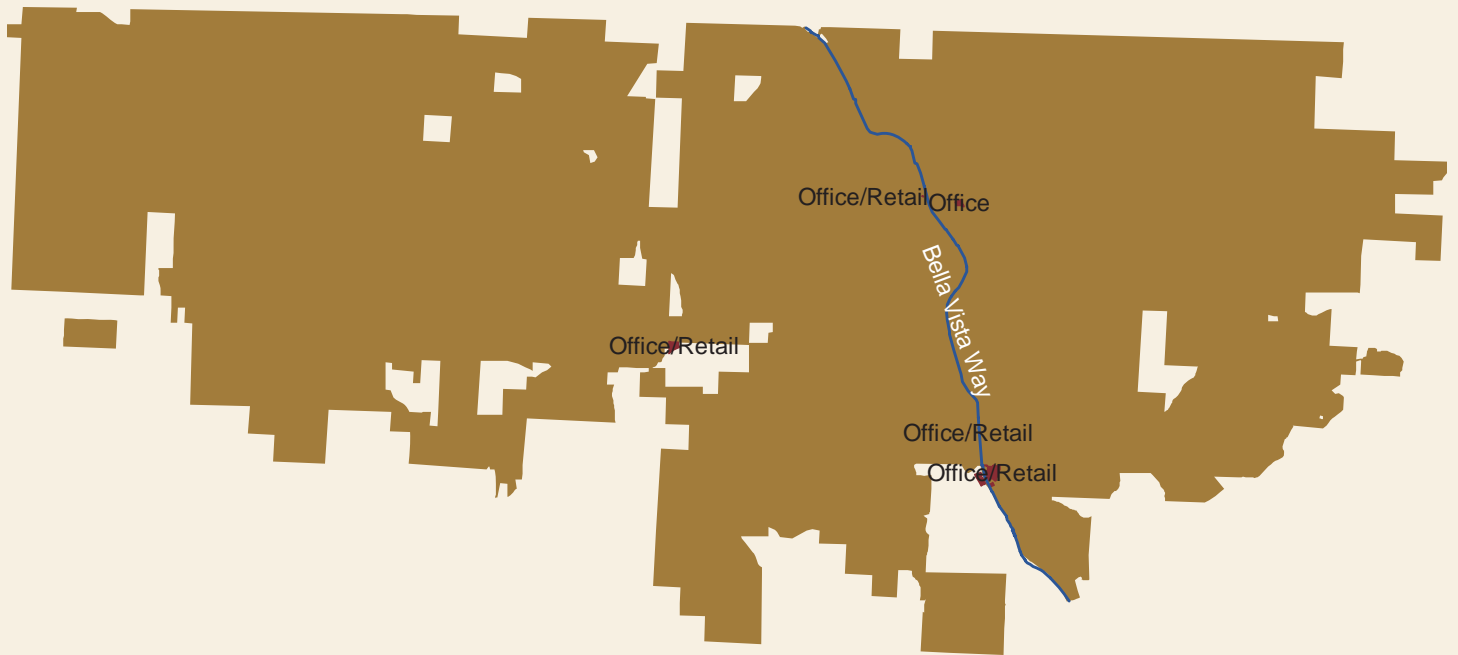
## Bella Vista Commercial Real Estate Market Summary Statistics

	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	\$13.43 - \$13.93	11,554	2,800	24.2%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$13.85 - \$13.85	3,450	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	\$8.72 - \$11.30	262,430	28,605	10.9%	1,310	0	1,310	65.5
Class A	--	--	--	--	--	--	--	--
Class B	\$8.72 - \$11.30	262,430	28,605	10.9%	1,310	0	1,310	65.5
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	0.0
Class A	--	--	--	--	--	--	--	--
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	0.0
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$16.20 - \$16.20	7,104	1,000	14.1%	0	0	0	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	0.0

<sup>1</sup>From all Q1 2007 respondents

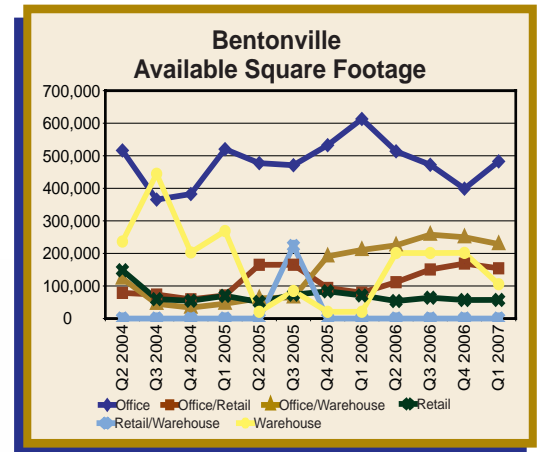
<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

# Bella Vista Commercial Properties



## Bentonville

- Bentonville had 4,714,252 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Benton County Assessor's Office.
- From December 2006 to February 2007, Bentonville issued building permits for \$8,725,598 worth of new commercial space.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,344,056 square feet of commercial space in the first quarter of 2007. This represents over 100 percent of the commercial space in Bentonville as found in the Benton County Assessor's database.
- In the first quarter of 2007, Bentonville experienced positive net absorption in the office/retail, office/warehouse, and warehouse submarkets and negative net absorption in the office and retail submarkets. There was no reported activity in the retail/warehouse submarket.
- Within the office market, 33,680 additional square feet of space came online. There was negative absorption of 44,884 square feet of existing space, yielding negative net absorption of 78,564 square feet.
- The retail submarket had positive net absorption of 1,750 square feet in Class B space and negative net absorption of 2,000 square feet in Class C space. There was no activity in the Bentonville Class A retail submarket.
- The office/retail submarket absorbed 6,564 square feet of existing space. No new office/retail space came online in the first quarter.
- Reported vacancy rates increased in the office submarket and declined in the office/retail, office/warehouse, retail, and warehouse submarkets from the fourth quarter to the first quarter of 2007.
- Average reported lease rates for Class A office space and Class B retail space ticked up again during the first quarter. Average reported lease rates for warehouse space continued their decline in the first quarter of 2007. Other reported average lease rates were basically unchanged.



## Bentonville Commercial Real Estate Market Summary Statistics

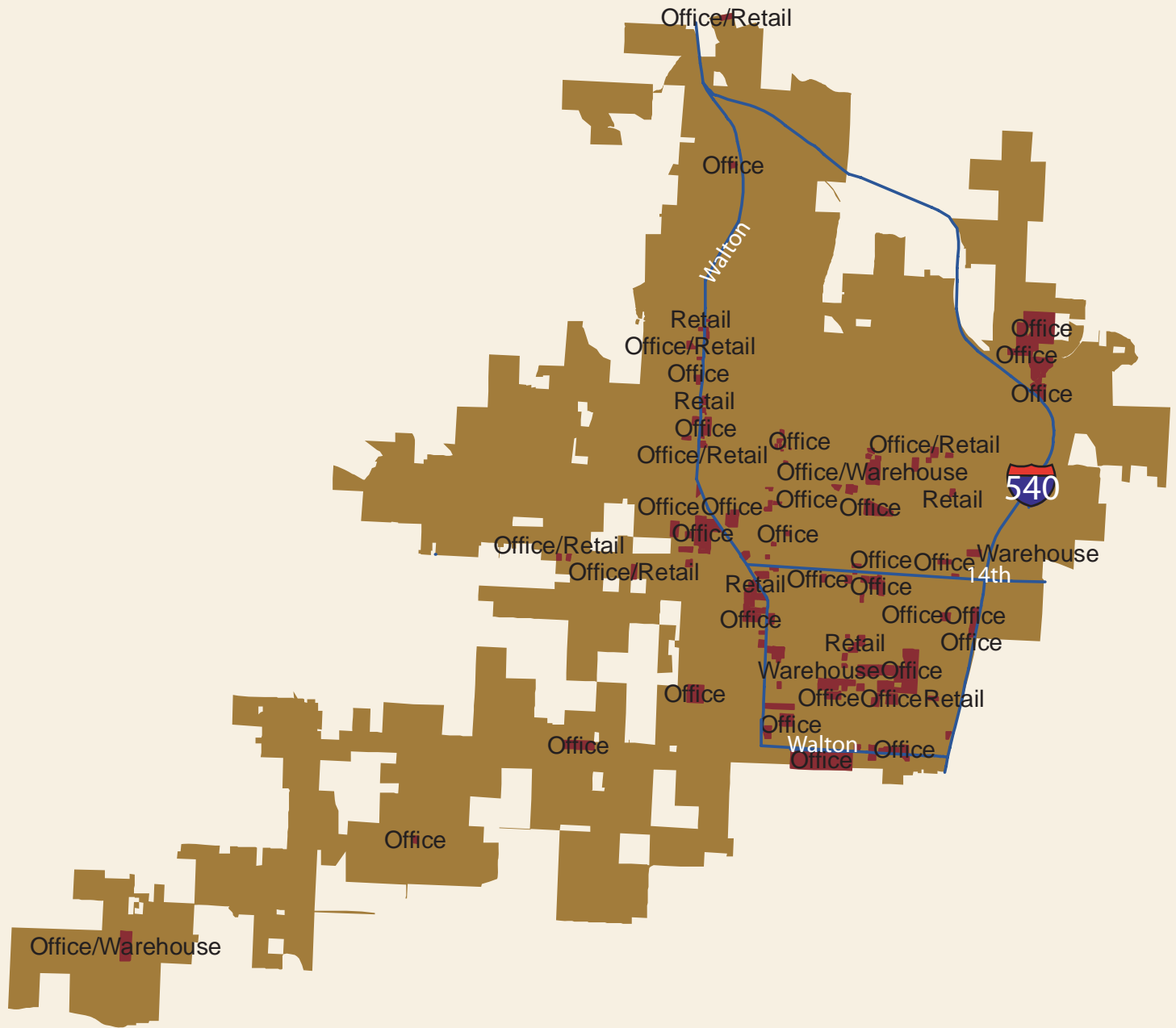
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Industrial	--	39,820	0	0.0%	0	0	0	0.0
Office	\$14.66 - \$15.24	2,785,030	482,625	17.3%	-44,884	33,680	-78,564	--
Class A	\$18.25 - \$21.00	362,158	137,767	38.0%	238	0	238	1,736.6
Class B	\$14.46 - \$14.92	2,218,935	309,172	13.9%	-45,197	33,680	-78,877	--
Class C	\$6.82 - \$6.82	9,571	0	0.0%	2,321	0	2,321	0.0
Medical	\$17.93 - \$19.21	194,366	35,686	18.4%	-2,246	0	-2,246	--
Office/Retail	\$12.45 - \$13.86	687,416	154,272	22.4%	6,564	0	6,564	70.5
Class A	\$17.13 - \$18.88	75,667	24,858	32.9%	-8,350	0	-8,350	--
Class B	\$12.53 - \$14.04	519,900	119,812	23.0%	14,946	0	14,946	24.0
Class C	\$8.22 - \$8.77	91,849	9,602	10.5%	-32	0	-32	--
Office/Warehouse	\$10.29 - \$12.12	843,666	228,763	27.1%	21,000	0	21,000	32.7
Retail	\$13.29 - \$13.84	354,126	57,169	16.1%	-250	0	-250	--
Class A	\$16.00 - \$19.50	39,534	21,895	55.4%	0	0	0	--
Class B	\$14.07 - \$14.59	246,327	26,274	10.7%	1,750	0	1,750	45.0
Class C	\$10.89 - \$11.10	68,265	9,000	13.2%	-2,000	0	-2,000	--
Retail/Warehouse	\$3.84 - \$5.56	32,570	0	0.0%	0	0	0	0.0
Warehouse	\$6.03 - \$7.16	601,428	105,300	17.5%	96,400	0	96,400	3.3

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

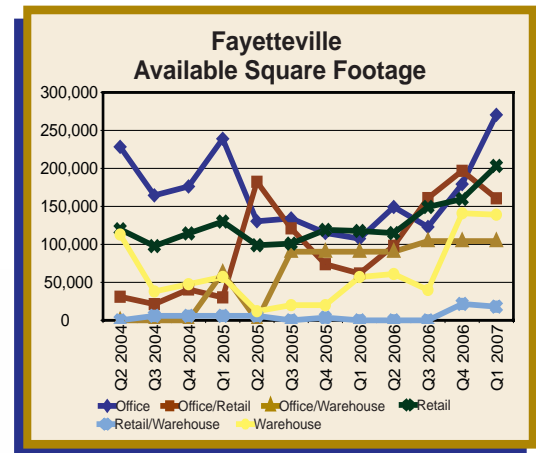


# Bentonville Commercial Properties



## Fayetteville

- Fayetteville had 8,567,147 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Washington County Assessor's Office.
- From December 2006 to February 2007, Fayetteville issued building permits for 229,750 square feet of new commercial space, valued at a total of \$23,406,927.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,232,055 square feet of commercial space in the first quarter of 2007. This represents 72.7 percent of the total competitive commercial space in Fayetteville.
- In the first quarter of 2007, Fayetteville experienced negative net absorption in the office and retail submarkets, no absorption in the office/warehouse submarket, and positive net absorption in the office/retail, retail/warehouse, and warehouse submarkets.
- A total of 141,495 new square feet of office space and a total of 16,000 new square feet of retail space entered the Fayetteville commercial market in the first quarter of 2007.
- Observed vacancy rates increased in Fayetteville in the first quarter in the office and retail submarkets, where new space came online.
- Class B office, office/retail, retail, and warehouse space average reported lease rates remained steady in the first quarter.



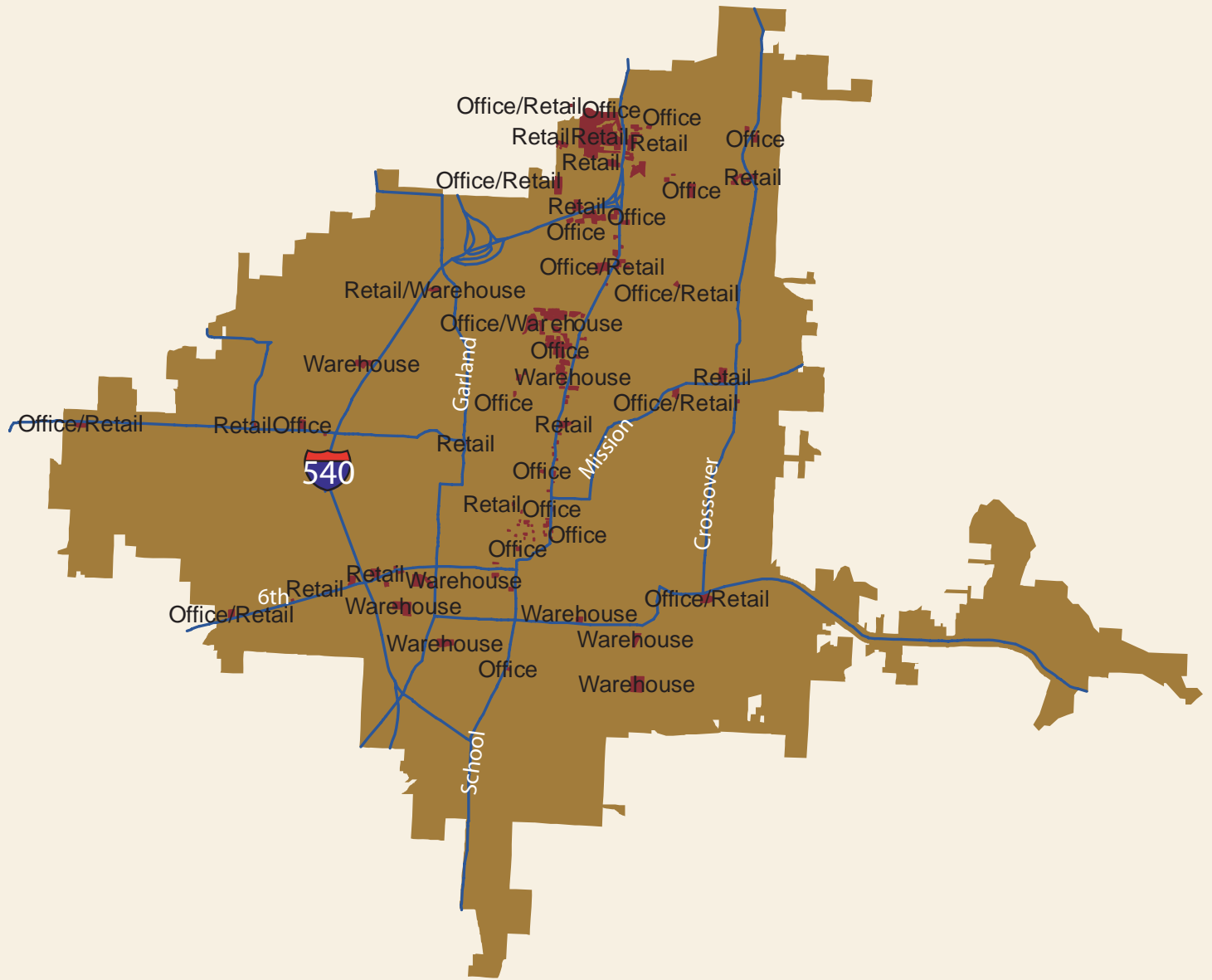
## Fayetteville Commercial Real Estate Market Summary Statistics

	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	\$13.71 - \$15.18	1,787,941	270,543	15.1%	11,173	141,495	-130,322	--
Class A	\$19.16 - \$20.41	282,036	69,623	24.7%	26,802	58,961	-32,159	--
Class B	\$13.08 - \$14.68	912,142	151,686	16.6%	-13,759	82,534	-96,293	--
Class C	\$9.09 - \$9.66	124,446	5,500	4.4%	-5,500	0	-5,500	--
Medical	\$14.69 - \$16.34	469,317	43,734	9.3%	3,630	0	3,630	36.1
Office/Retail	\$12.71 - \$13.90	997,039	160,646	16.1%	15,281	0	15,281	31.5
Class A	\$20.25 - \$21.58	131,126	77,326	59.0%	1,800	0	1,800	128.9
Class B	\$13.25 - \$14.23	636,082	52,942	8.3%	3,981	0	3,981	39.9
Class C	\$10.42 - \$11.92	229,831	30,378	13.2%	9,500	0	9,500	9.6
Office/Warehouse	\$5.20 - \$5.53	110,326	104,326	94.6%	0	0	0	--
Retail	\$11.68 - \$13.37	2,433,179	203,308	8.4%	-24,752	16,000	-40,752	--
Class A	\$21.00 - \$22.67	1,347,331	91,498	6.8%	-10,680	0	-10,680	--
Class B	\$12.89 - \$15.11	885,773	66,543	7.5%	22,647	16,000	6,647	30.0
Class C	\$8.12 - \$9.15	200,075	45,267	22.6%	-36,719	0	-36,719	--
Retail/Warehouse	\$8.22 - \$10.22	59,300	18,000	30.4%	3,600	0	3,600	15.0
Warehouse	\$3.21 - \$3.21	833,667	139,100	16.7%	1,875	0	1,875	222.6

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

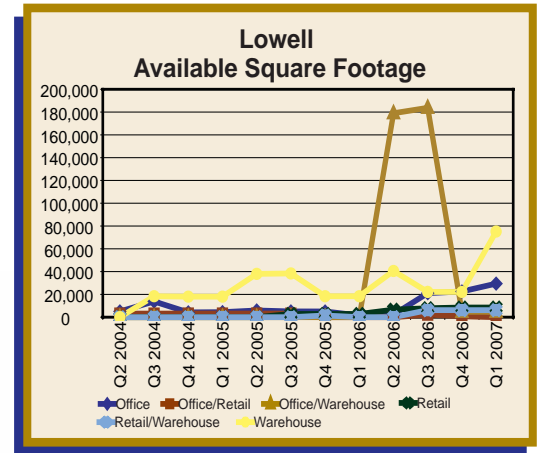
# Fayetteville Commercial Properties





## Lowell

- Lowell had 675,492 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Benton County Assessor's office.
- From December 2006 to February 2007, Lowell issued building permits for new commercial space of 75,740 square feet, valued at a total of \$4,709,086.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 681,998 square feet of commercial space in the first quarter of 2007. This represents over 100 percent of the total competitive commercial space in Lowell as shown in the Assessor's database.
- In the first quarter of 2007, Lowell experienced negative absorption in the office and warehouse submarkets, small positive absorption in the office/retail submarket, and no absorption in the office/warehouse, retail and retail/warehouse submarkets.
- Reported vacancy rates declined in the office and office/retail submarkets from the fourth quarter to the first quarter of 2007 and increased in the warehouse submarket in Lowell. Reported vacancy rates were unchanged in the office/warehouse, retail, and retail/warehouse submarkets in the first quarter.
- Reported first quarter average lease rates were basically 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	\$15.79 - \$16.49	245,975	29,463	12.0%	33,125	40,000	-6,875	--
Class A	\$18.50 - \$18.50	111,552	0	0.0%	0	0	0	0.0
Class B	\$14.63 - \$15.63	94,423	29,463	31.2%	-6,875	0	-6,875	--
Class C	--	--	--	--	--	--	--	--
Medical	--	40,000	0	0.0%	40,000	40,000	0	0.0
Office/Retail	\$12.00 - \$12.00	15,900	0	0.0%	790	0	790	0.0
Class A	--	--	--	--	--	--	--	--
Class B	\$12.00 - \$12.00	15,900	0	0.0%	790	0	790	0.0
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$6.16 - \$6.96	210,240	4,720	2.2%	0	0	0	--
Retail	\$11.67 - \$14.67	75,695	8,475	11.2%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.67 - \$14.67	75,695	8,475	11.2%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.89 - \$10.89	11,240	6,200	55.2%	0	0	0	--
Warehouse	\$5.56 - \$5.56	122,948	75,150	61.1%	19,000	72,000	-53,000	--

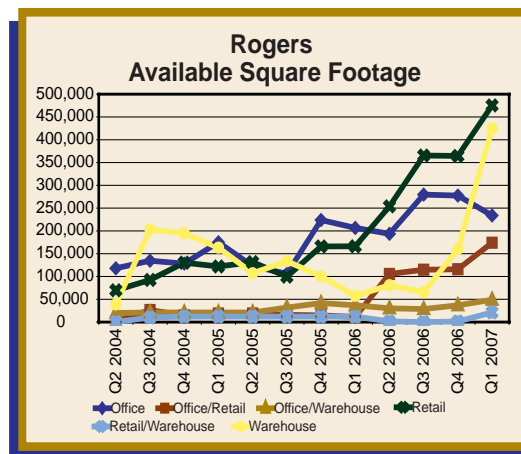
<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents



## Rogers

- Rogers had 5,011,476 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Benton County Assessor's Office.
- From December 2006 to February 2007, Rogers issued building permits for new commercial space valued at a total of \$59,642,734.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,585,753 square feet of commercial space in the first quarter of 2007. This represents well over 100 percent of the total competitive commercial space in Rogers that is listed by the Benton County Assessor.
- In the first quarter of 2007, Rogers experienced negative net absorption in all submarkets, except medical office space.
- There were 59,000 square feet of new office space, 108,935 square feet of new office/retail space, 130,000 square feet of new retail space, 20,000 square feet of new retail/warehouse space, and 825,000 square feet of new warehouse space added to the Rogers market in the first quarter of 2007.
- Reported vacancy declined in the office submarket and increased in the rest of the Rogers commercial submarkets in the first quarter of 2007.
- Average reported lease rates increased in the Class B office submarket and declined in the Class B office/retail and retail submarkets during the first quarter of 2007 in Rogers.



## Rogers Commercial Real Estate Market Summary Statistics

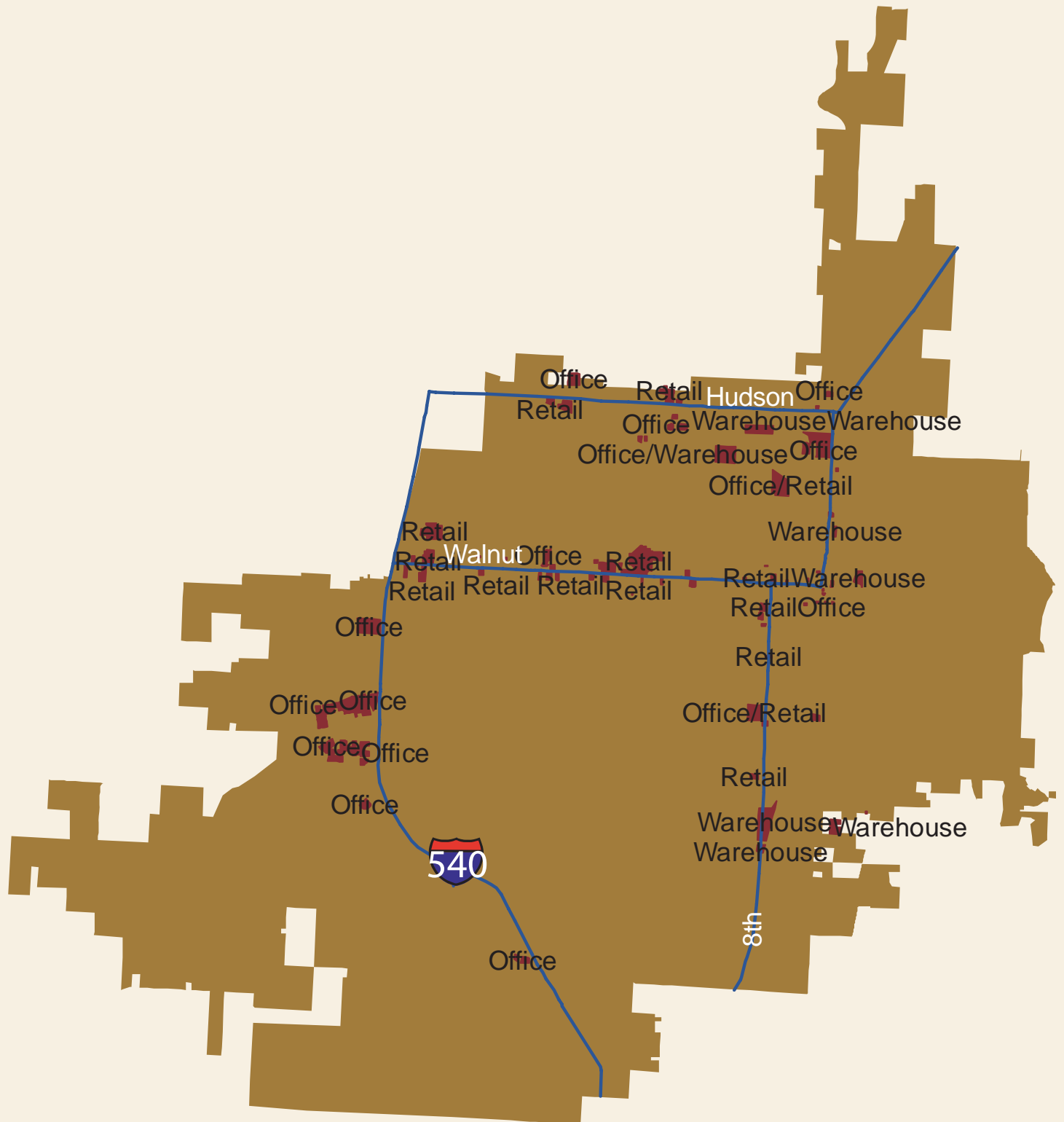
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Industrial	\$6.00 - \$6.00	8,000	0	0.0%	0	0	0	0.0
Office	\$15.97 - \$16.75	1,390,190	233,860	16.8%	43,670	59,000	-15,330	--
Class A	\$18.67 - \$19.98	897,123	173,630	19.4%	45,182	59,000	-13,818	--
Class B	\$14.03 - \$14.53	405,331	56,698	14.0%	-3,012	0	-3,012	--
Class C	\$10.21 - \$10.21	60,101	0	0.0%	0	0	0	0.0
Medical	\$16.50 - \$16.50	27,635	3,532	12.8%	1,500	0	1,500	7.1
Office/Retail	\$15.00 - \$16.18	690,573	174,131	25.2%	48,200	108,935	-60,735	--
Class A	\$24.25 - \$24.25	238,251	117,455	49.3%	61,150	108,935	-47,785	--
Class B	\$10.99 - \$11.63	68,070	45,670	67.1%	-12,950	0	-12,950	--
Class C	\$9.33 - \$12.83	175,506	11,006	6.3%	0	0	0	--
Office/Warehouse	\$5.66 - \$7.17	352,422	49,014	13.9%	-17,150	0	-17,150	--
Retail	\$11.18 - \$12.02	2,558,736	475,277	18.6%	9,207	130,000	-120,793	--
Class A	\$18.28 - \$18.99	1,599,354	241,350	15.1%	46,716	130,000	-83,284	--
Class B	\$9.40 - \$10.47	680,575	177,630	26.1%	250	0	250	2,131.6
Class C	\$7.80 - \$8.42	278,807	56,297	20.2%	-37,759	0	-37,759	--
Retail/Warehouse	\$6.00 - \$6.05	45,729	21,283	46.5%	0	20,000	-20,000	--
Warehouse	\$4.03 - \$4.47	1,540,103	424,879	27.6%	565,118	825,000	-259,882	--

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

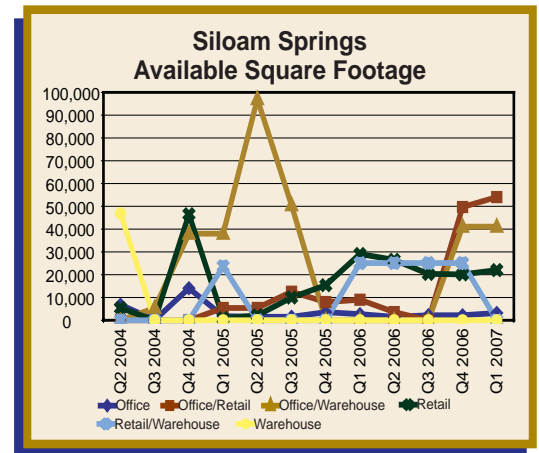


# Rogers Commercial Properties



## Siloam Springs

- Siloam Springs had 1,072,760 square feet of competitive commercial space in the first quarter of 2007 according to the database from the Benton County Assessor's Office.
- From December 2006 to February 2007, Siloam Springs issued building permits for 1,200 square feet of new commercial space, valued at a total of \$25,000.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 714,606 square feet of commercial space in the first quarter of 2007. This represents 66.6 percent of the total competitive commercial space in Siloam Springs as reported by the Assessor's Office.
- In first quarter of 2007, Siloam Springs experienced negative net absorption in the office, office/retail and retail submarkets. There was no absorption in the office/warehouse, retail/warehouse, or warehouse submarkets in the first quarter.
- A total of 26,096 square feet of new office/retail space came online in the first quarter in Siloam Springs.
- Following net absorption, vacancy rates jumped up in the office, office/retail and retail submarkets.
- Average reported lease rates declined in the Class C retail submarket in Siloam Springs in the first quarter.



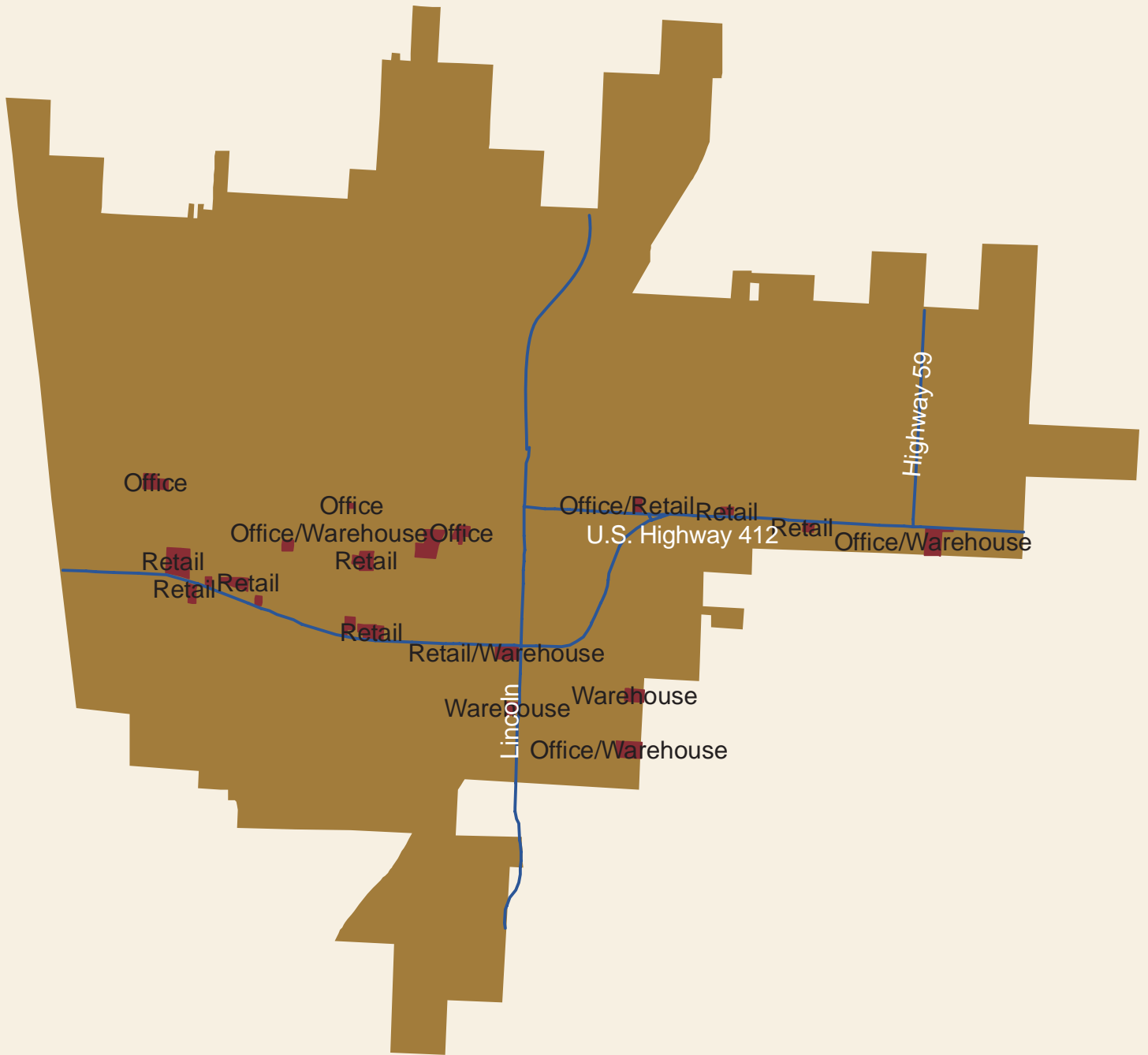
## Siloam Springs Commercial Real Estate Market Summary Statistics

	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	\$11.98 - \$12.83	80,760	3,200	4.0%	-1,000	0	-1,000	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	9,728	1,000	10.3%	-1,000	0	-1,000	--
Class C	--	--	--	--	--	--	--	--
Medical	\$13.51 - \$14.34	71,032	2,200	3.1%	0	0	0	--
Office/Retail	\$11.40 - \$12.65	112,537	54,054	48.0%	-4,364	26,096	-30,460	--
Class A	\$13.00 - \$18.00	55,800	45,004	80.7%	3,636	0	3,636	37.1
Class B	\$10.87 - \$10.87	56,737	9,050	16.0%	-8,000	26,096	-34,096	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$2.88 - \$3.04	107,321	41,087	38.3%	0	0	0	--
Retail	\$8.26 - \$9.03	302,846	22,030	7.3%	-1,897	0	-1,897	--
Class A	--	--	--	--	--	--	--	--
Class B	\$9.16 - \$9.64	187,222	18,430	9.8%	1,703	0	1,703	--
Class C	\$6.00 - \$7.50	115,624	3,600	3.1%	-3,600	0	-3,600	--
Retail/Warehouse	\$4.05 - \$4.05	23,680	0	0.0%	0	0	0	0.0
Warehouse	--	87,462	0	0.0%	0	0	0	0.0

<sup>1</sup>From all Q1 2007 respondents

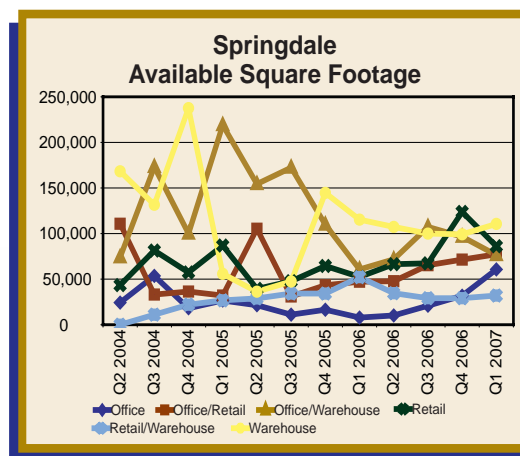
<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents

# Siloam Springs Commercial Properties



## Springdale

- Springdale had 7,224,261 square feet of competitive commercial space in the first quarter of 2007 according to the database of the Washington County Assessor's Office.
- From December 2006 to February 2007, Springdale issued no new commercial building permits.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,170,464 square feet of commercial space in the first quarter of 2007. This represents 71.6 percent of the total competitive commercial space in Springdale, according to the Washington County Assessor.
- In the first quarter of 2007, Springdale experienced positive net absorption in the office/warehouse and retail submarkets and negative net absorption in the office, office/retail, retail/warehouse, and warehouse submarkets.
- A total of 9,600 square feet of new office/retail space was added in the first quarter. An additional 3,950 square feet of retail space was added to the Springdale commercial property market in the first quarter.
- Reported vacancy rates increased in the office, office/retail, retail/warehouse, and warehouse submarkets, and declined in the office/warehouse and retail submarkets in Springdale in the first quarter.
- Reported average lease rates for Class A office space increased, while Class B and Class C office average reported lease rates declined. Class B retail lease rates also increased in the first quarter.



## Springdale Commercial Real Estate Market Summary Statistics

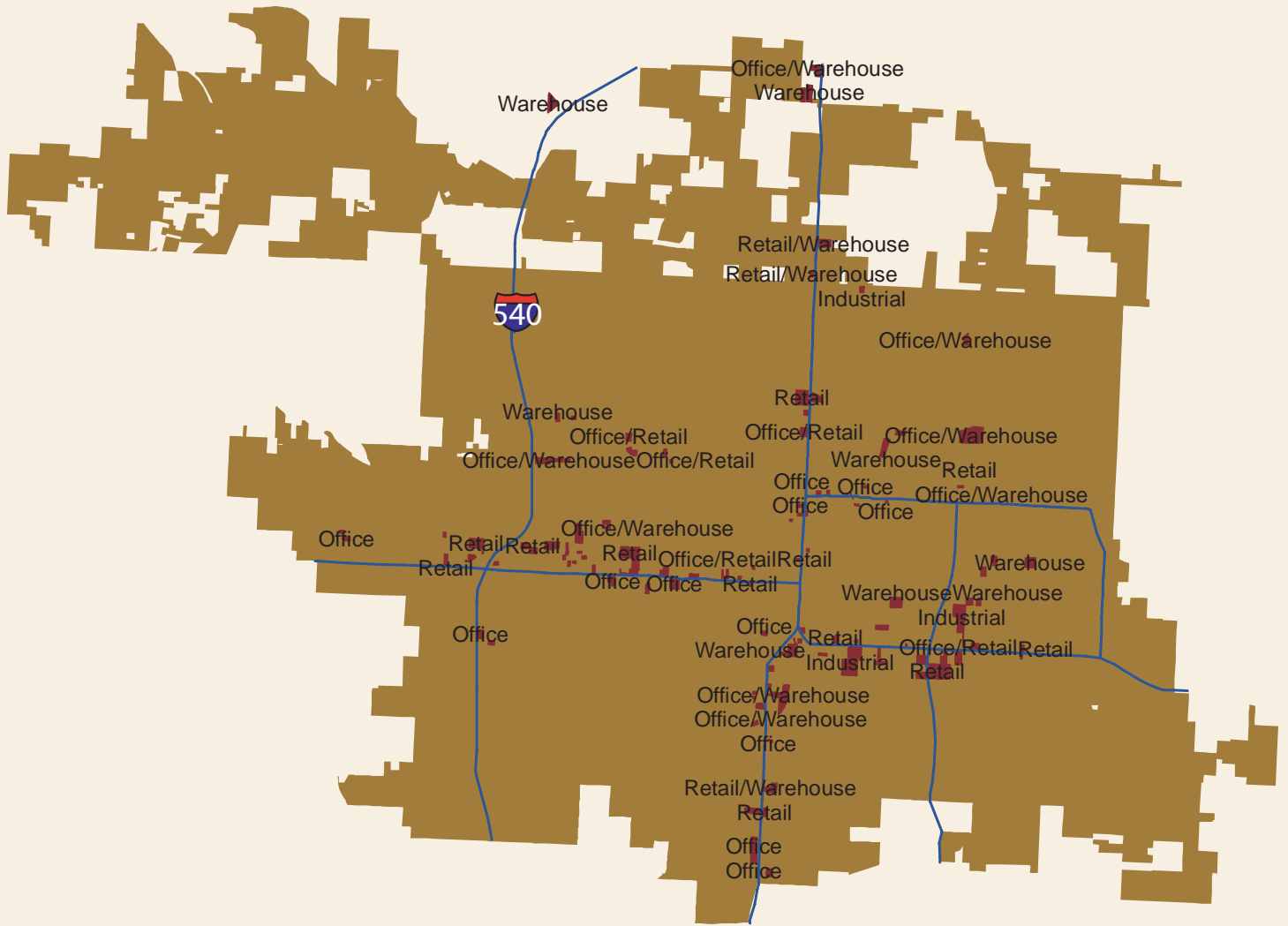
	Average Lease Rate Range	Total Square Feet <sup>1</sup>	Available Square Feet <sup>1</sup>	Percent Available <sup>1</sup>	Absorption from Q4 to Q1 <sup>2</sup>	New Available Square Feet <sup>1</sup>	Net Absorption <sup>1,2</sup>	Months of Inventory <sup>1,2</sup>
Industrial	\$4.380 - \$6.25	361,647	3,000	0.8%	-3,000	0	-3,000	--
Office	\$11.29 - \$12.08	615,566	60,640	9.9%	-27,432	0	-27,432	--
Class A	\$14.00 - \$14.00	57,123	2,410	4.2%	1,395	0	1,395	5.2
Class B	\$11.93 - \$12.98	284,437	20,220	7.1%	-8,181	0	-8,181	--
Class C	\$9.16 - \$9.48	71,042	16,848	23.7%	-11,304	0	-11,304	--
Medical	\$11.82 - \$12.84	202,964	21,162	10.4%	-9,342	0	-9,342	--
Office/Retail	\$9.90 - \$11.58	436,173	77,302	17.7%	22	9,600	-9,578	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.34 - \$13.89	178,519	36,918	20.7%	-1,418	0	-1,418	--
Class C	\$8.22 - \$10.14	248,054	33,100	13.3%	1,440	0	1,440	69.0
Office/Warehouse	\$5.34 - \$7.895	1,036,809	76,450	7.4%	12,808	0	12,808	17.9
Retail	\$9.87 - \$11.34	1,419,858	86,100	6.1%	41,581	3,950	37,631	6.9
Class A	--	--	--	--	--	--	--	--
Class B	\$12.50 - \$14.69	1,226,944	67,333	5.5%	41,461	3,950	37,511	5.4
Class C	\$7.65 - \$8.52	192,914	18,767	9.7%	120	0	120	469.2
Retail/Warehouse	\$6.13 - \$8.25	271,148	32,025	11.8%	-2,925	0	-2,925	--
Warehouse	\$4.14 - \$5.13	1,029,263	110,591	10.7%	-11,425	0	-11,425	--

<sup>1</sup>From all Q1 2007 respondents

<sup>2</sup>From Q1 2007 respondents who were also Q4 2006 respondents



# Springdale Commercial Properties



## 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 Information 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 2007, 211 panelists provided data on 1,032 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 1,032 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.

