



THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

**April 2007
Highlights**

Contents

Highlights.....	1
Commercial Summary.....	2

**Commercial Real Estate Market Summary,
Prepared Exclusively under Contract
Agreement for ARVEST BANK**



**SAM M.
WALTON**
COLLEGE of BUSINESS

Center for Business and Economic Research

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

The information contained herein has been obtained from reasonably reliable sources. The Center for Business and Economic Research makes no guarantee, either expressed or implied, as to the accuracy of such information. All data contained herein is subject to errors, omissions and changes. Reproduction in whole or in part, without prior written consent is prohibited.

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.

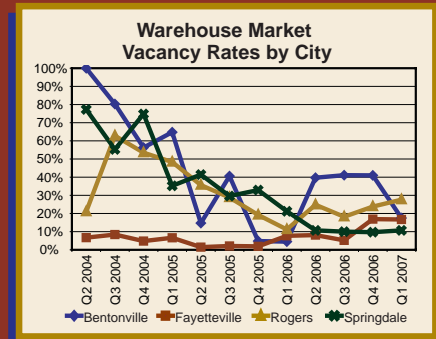
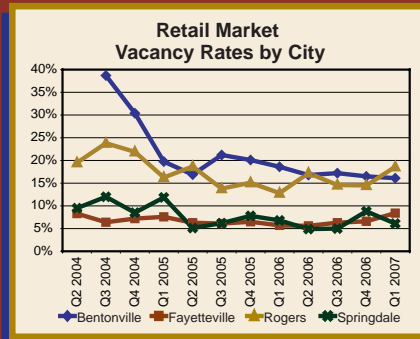
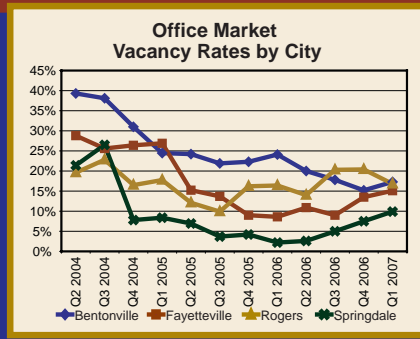
Highlights from the First Quarter of 2007

- 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.

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%
Medical Office								
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%
Office/Retail								
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%
Office/Warehouse								
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%
Retail								
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%
Retail/Warehouse								
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%
Warehouse								
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%

Vacancy Rate Trends



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

Medical Office

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

Office/Retail

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

Office/Warehouse

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

Retail

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

Warehouse

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

Average Lease Rate Trends by Type, Class, and City

