



# THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

**April 2007  
Highlights**

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

This report contains highlights from the Multifamily Skyline Report for Benton and Washington Counties. Researchers at the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas real estate markets. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. As the population of Northwest Arkansas burgeons, it is imperative that real estate markets work efficiently in order to meet the demand of new and existing residents. The Skyline Report includes the information that is necessary to help market participants make good decisions.

## Highlights from the First Quarter of 2007

- Vacancy rates for multifamily properties in Northwest Arkansas increased from their fourth quarter 2006 level of 8.2 percent to 9.4 percent in the first quarter of 2007. The first quarter 2007 vacancy rate was significantly higher than the first quarter 2006 vacancy rate of 6.4 percent.
- Rogers had the lowest aggregate vacancy rate at 6.1 percent, up from its rate of 4.7 percent in the fourth quarter. The Siloam Springs vacancy rate fell 0.8 percent to 8.7 percent in the first quarter. The vacancy rates in Bentonville, Fayetteville, and Springdale were up from the fourth quarter to 17.3, 7.2, and 11.8 percents, respectively.
- The average lease price per month for a multifamily property unit in Northwest Arkansas was up about \$4 to \$514.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.54 per square foot and most expensive on average in Fayetteville at \$0.63 per square foot.

## Economic Overview

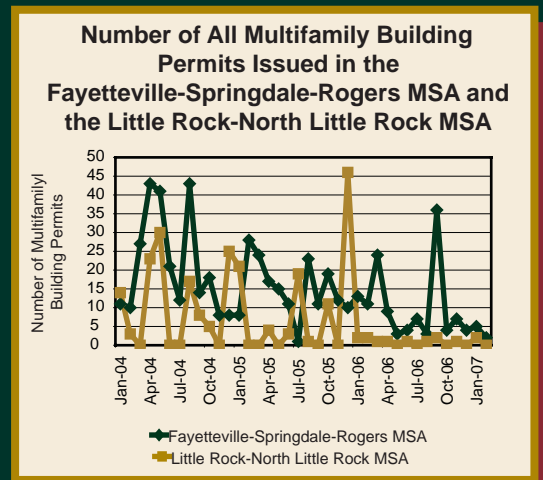
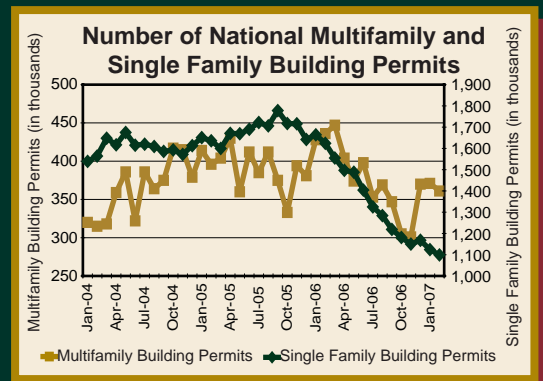
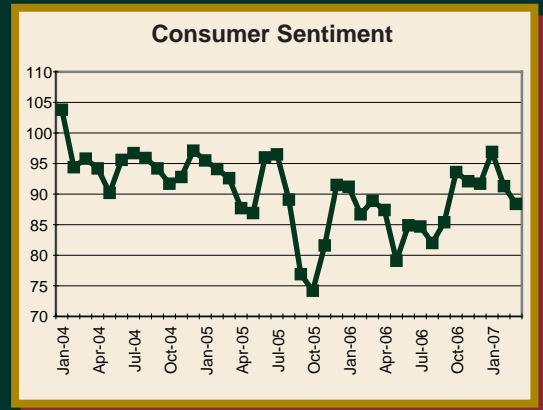
To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. The Index of Consumer Sentiment was 88.4 in the March 2007 survey, down from 91.3 in February 2007, and slightly down from 88.9 in March of 2006.

“Rising prices, slowing income gains, and growing concerns about the health of the economy contributed to a small decline in confidence,” according to Richard Curtin, the Director of the Reuters/University of Michigan Surveys of Consumers.

The U.S. Census Bureau estimates the issuance of building permits. The February 2007 national level of multifamily building permits reflected the continuation of a slight recovery from the lows seen in the fourth quarter of 2006. However, the February 2007 level of single family building permits reflected a continued downward slide that began in September 2005.

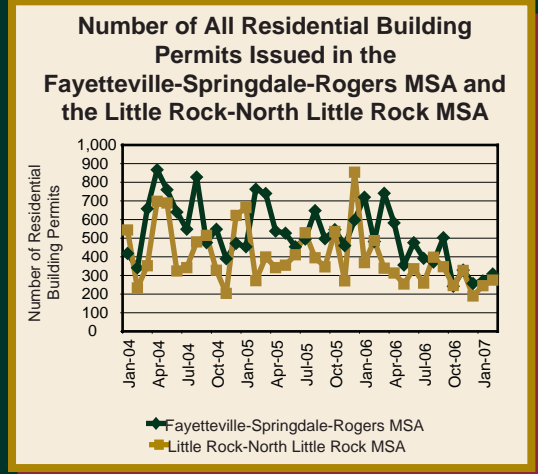
Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, different patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of building permits (both multifamily and total) than the LR metro area during the past twelve months. Despite a great deal of seasonal variation, the trends of the multifamily building permits and total building permits in the both metropolitan areas are declining slightly. No significant changes in the pace of growth in the number of residential or multifamily building permits are expected.

On March 21, 2007 the Federal Reserve Board once again left the target for the federal funds rate unchanged at 5.25 percent. This was the sixth consecutive meeting of the Federal Reserve open market committee where no change was implemented. As the accompanying graph shows, the spread between short term rates and conventional 30-year mortgage rates has declined more than 325 basis points since its most recent peak in June 2004. The ten-year treasury interest rate and the 30-year conventional mortgage rate bottomed out in June of 2005 and have been increasing moderately since that time, but not at the same velocity as short term rate increases. In the past few months, longer term interest rates have moved almost exactly in



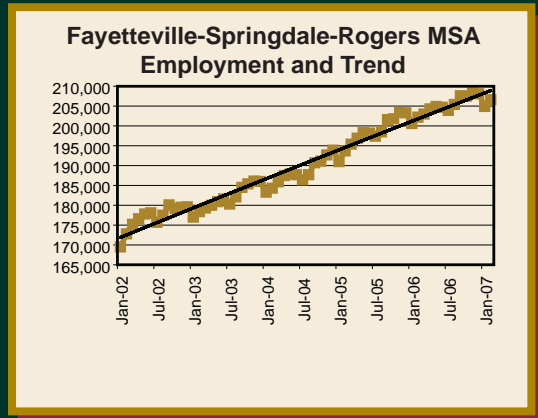
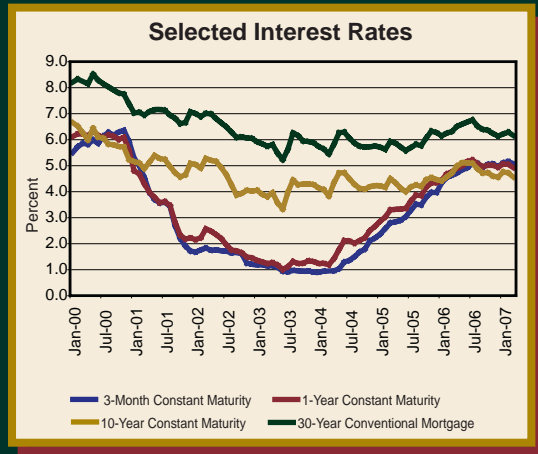
tandem with short term rates. Thus, the inversion of the yield curve at some maturity levels persisted throughout the first quarter.

Finally, a graph showing employment trends in the Fayetteville-Springdale-Rogers metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 580 jobs a month to the region. 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.



## Northwest Arkansas Average Unit Size and Price by Floor Plan Q1 2007

Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	358	\$315.80	\$0.88
1 Bedroom	610	\$428.17	\$0.70
2 Bedroom	906	\$530.85	\$0.59
3 Bedroom	1,230	\$711.14	\$0.58
4 Bedroom	1,113	\$640.75	\$0.58
Northwest Arkansas	836	\$513.95	\$0.61



# Multifamily Residence Building Permits March 2006 - February 2007

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
4/3/2006	West Cedar Circle Apartments	43	\$2,150,000	Rogers
4/17/2006	North Corner Condos	3	\$480,000	Fayetteville
4/24/2006	Piedmont Condos	4	\$2,271,000	Fayetteville
6/8/2006	Junction Street Apartments	3	\$1,942,392	Fayetteville
9/27/2006	Creekfront Lofts	2	\$978,347	Fayetteville
11/13/2006	The Links at Springdale, Phase II	1	\$902,214	Springdale
11/16/2006	Chestnut Condos	2	\$1,433,676	Fayetteville
11/22/2006	Beacon Flats	2	\$1,050,000	Fayetteville
11/22/2006	Lafayette Street Apartments	1	\$594,547	Fayetteville
12/8/2006	Chester	10	\$6,163,412	Springdale
2/23/2007	Nantucket Apartments, Phase III	10	\$4,722,500	Fayetteville
2/27/2007	Hidden Lake Apartments	1	\$472,569	Springdale
<b>Total</b>		<b>82</b>	<b>\$23,160,657</b>	

## Northwest Arkansas Vacancy Rates by Floor Plan Q1 2007

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	18.1%	17.3%	11.5%
Fayetteville	6.7%	7.3%	10.9%
Rogers	4.5%	6.7%	12.3%
Siloam Springs	4.9%	11.6%	3.1%
Springdale	6.9%	13.4%	14.9%
<b>Northwest Arkansas</b>	<b>7.8%</b>	<b>9.9%</b>	<b>12.2%</b>

