

THE SKYLINE REPORT

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April 2008 Highlights

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

This report is the sixteenth 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 2008

- In the first quarter of 2008, 424,300 square feet of competitive commercial property were added to the Northwest Arkansas market. Despite these additions, there was positive net absorption of 381,350 square feet of competitive commercial property.
- A total of 270,000 square feet of new office/warehouse space was added to the Northwest Arkansas market in the first quarter, while 472,925 square feet became occupied, netting positive net absorption of 202,925 square feet in that submarket.
- A total of 98,000 square feet of new space was added to the medical office submarket in Rogers. In all of Northwest Arkansas there was negative net absorption of 13,716 square feet in medical office, thus vacancy rates increased to 17.0 percent in the first quarter of 2008 from 13.2 percent in the fourth quarter of 2007..
- No new office space, other than the medical office space in Rogers, was added to the Northwest Arkansas market in the first quarter.
- Northwest Arkansas absorbed 100,271 square feet of retail space, even as the submarket in Fayetteville added 56,300 square feet. As a result, the Northwest Arkansas retail vacancy rate decreased to 12.0 percent in the first quarter from 12.5 percent in the fourth quarter.
- The warehouse submarket experienced positive absorption of 53,680 square feet, while no new space was added in the first quarter of 2008.
- From December of 2007 to February of 2008, there were almost \$37.0 million in commercial building permits issued in Bentonville, Fayetteville, Rogers, Siloam Springs, and Springdale. This is a decline of 10.5 percent from the prior quarter, and a decline of 62.0 percent from the first quarter of 2007.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2007	24.2%	17.3%	15.1%	12.0%	16.8%	4.0%	9.9%	15.7%
Q2 2007	0.0%	25.7%	14.3%	2.2%	19.9%	4.0%	9.1%	19.3%
Q3 2007	24.2%	25.2%	19.7%	3.0%	21.4%	4.0%	8.2%	20.7%
Q4 2007	24.2%	24.4%	22.1%	1.6%	21.2%	6.7%	8.5%	20.9%
Q1 2008	43.3%	23.9%	20.5%	1.5%	22.0%	4.6%	9.7%	20.6%

Medical Office

Q1 2007	34.6%	18.4%	9.3%	0.0%	12.8%	3.1%	10.4%	10.8%
Q2 2007	0.0%	19.7%	9.1%	0.0%	19.8%	3.1%	10.8%	11.0%
Q3 2007	34.6%	19.3%	10.6%	0.0%	27.7%	3.1%	11.5%	12.7%
Q4 2007	34.6%	19.3%	10.6%	0.0%	31.8%	3.1%	11.5%	13.2%
Q1 2008	34.6%	20.7%	9.7%	0.0%	40.2%	3.1%	12.3%	17.0%

Office/Retail

Q1 2007	10.9%	22.4%	16.1%	0.0%	36.1%	48.0%	17.7%	20.3%
Q2 2007	10.8%	22.9%	18.5%	0.0%	33.8%	46.0%	16.2%	21.9%
Q3 2007	10.6%	22.4%	22.2%	11.6%	23.7%	44.2%	16.5%	21.6%
Q4 2007	9.4%	24.5%	21.9%	27.8%	37.6%	44.2%	15.8%	24.2%
Q1 2008	8.4%	24.3%	20.0%	40.1%	28.5%	35.4%	15.5%	22.2%

Office/Warehouse

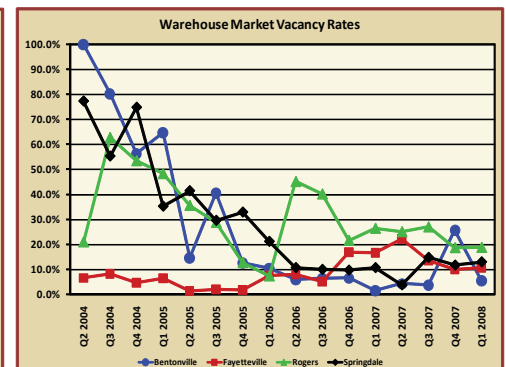
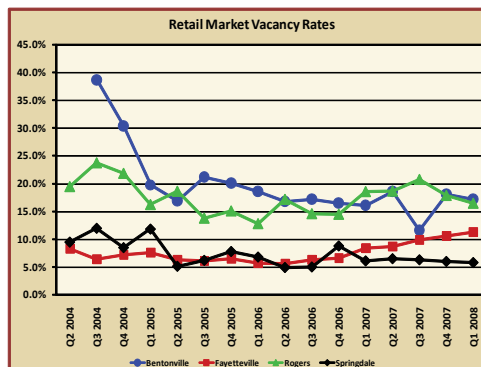
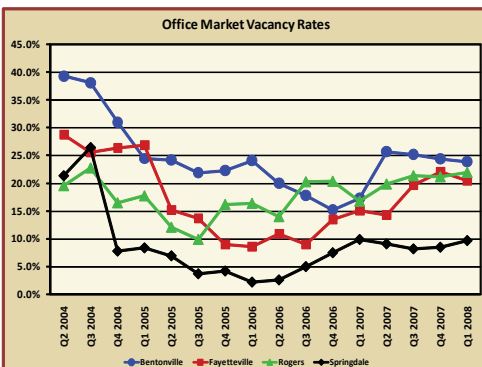
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%
Q3 2007	--	28.7%	94.6%	0.0%	15.5%	68.6%	9.7%	21.5%
Q4 2007	--	28.0%	94.6%	3.8%	32.7%	65.8%	20.7%	28.7%
Q1 2008	--	14.1%	89.6%	3.8%	14.5%	65.8%	19.8%	19.4%

Retail

Q1 2007	0.0%	16.1%	8.4%	11.2%	18.6%	7.3%	6.1%	11.9%
Q2 2007	0.0%	18.6%	8.7%	12.9%	18.7%	4.7%	6.5%	11.9%
Q3 2007	0.0%	11.6%	9.9%	15.4%	20.8%	5.8%	6.3%	13.0%
Q4 2007	0.0%	18.1%	10.6%	18.0%	17.9%	5.5%	6.0%	12.5%
Q1 2008	0.0%	17.2%	11.3%	15.4%	16.5%	7.0%	5.8%	12.0%

Warehouse

Q1 2007	0.0%	1.6%	16.7%	61.1%	26.4%	0.0%	10.7%	18.7%
Q2 2007	0.0%	4.4%	22.3%	28.8%	25.1%	0.0%	3.8%	17.3%
Q3 2007	0.0%	3.8%	13.6%	20.3%	27.0%	0.0%	14.8%	18.8%
Q4 2007	0.0%	25.7%	10.1%	21.2%	18.7%	0.0%	11.7%	15.5%
Q1 2008	0.0%	5.6%	10.7%	21.2%	18.8%	71.1%	13.0%	17.7%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2007	2,800	482,625	270,543	29,463	233,860	3,200	60,640	1,083,131
Q2 2007	0	822,831	273,685	5,319	305,730	3,200	56,052	1,466,817
Q3 2007	2,800	823,028	406,882	7,527	339,196	3,200	51,168	1,633,801
Q4 2007	2,800	798,023	470,731	3,844	348,274	5,400	55,742	1,684,814
Q1 2008	5,000	784,492	441,369	3,844	394,749	3,700	65,222	1,698,376

Medical Office

Q1 2007	2,800	35,686	43,734	0	3,532	2,200	21,162	109,114
Q2 2007	0	38,246	45,288	0	8,532	2,200	21,162	115,428
Q3 2007	2,800	37,846	55,764	0	18,532	2,200	22,682	139,824
Q4 2007	2,800	37,846	55,764	0	27,467	2,200	22,682	148,759
Q1 2008	2,800	40,696	50,930	0	96,004	2,200	24,282	216,912

Office/Retail

Q1 2007	29,605	154,272	160,646	0	174,131	54,054	77,302	650,010
Q2 2007	29,120	157,559	201,681	0	173,553	54,029	70,673	686,615
Q3 2007	27,589	176,733	261,550	5,000	181,062	51,955	75,344	779,233
Q4 2007	25,189	192,720	274,173	19,660	217,667	51,955	71,618	852,982
Q1 2008	22,666	191,737	261,590	24,160	240,182	45,325	70,464	856,124

Office/Warehouse

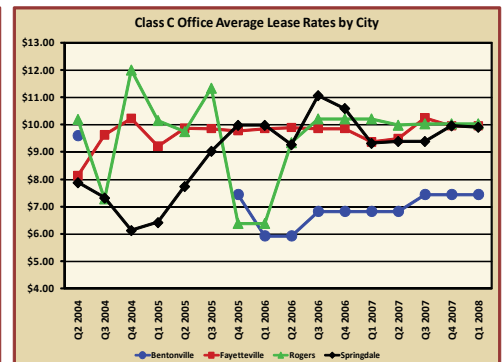
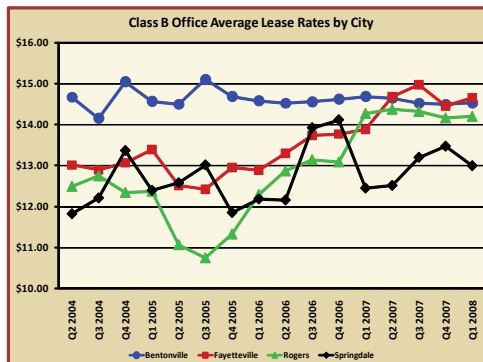
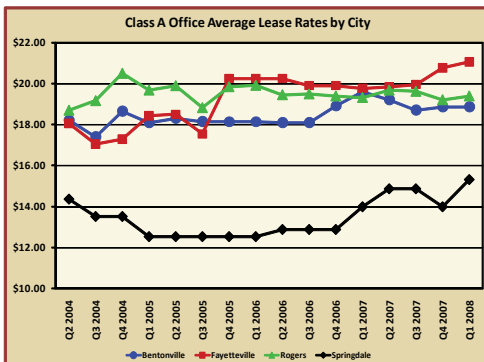
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389
Q3 2007	--	259,879	104,326	0	55,023	73,007	110,275	602,510
Q4 2007	--	256,525	104,326	7,940	191,523	70,007	202,649	832,970
Q1 2008	--	166,550	91,726	7,940	85,023	70,007	196,199	617,445

Retail

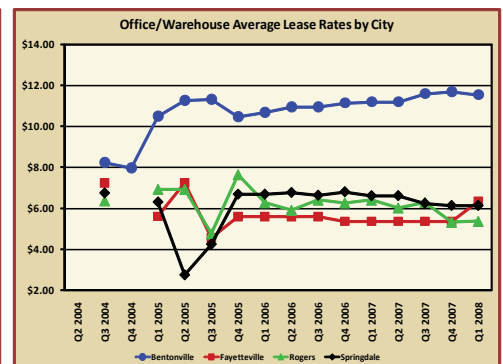
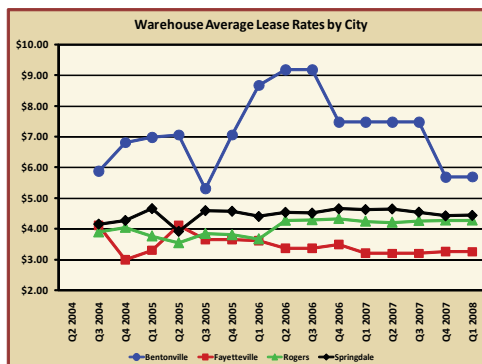
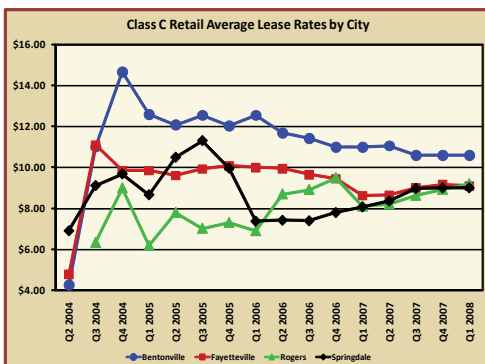
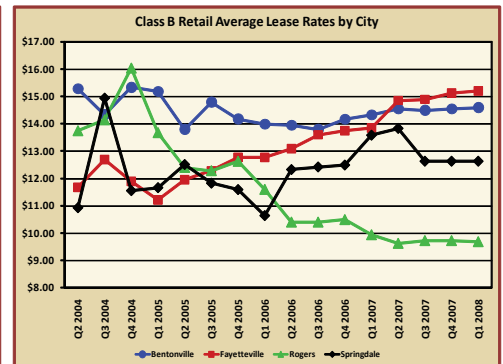
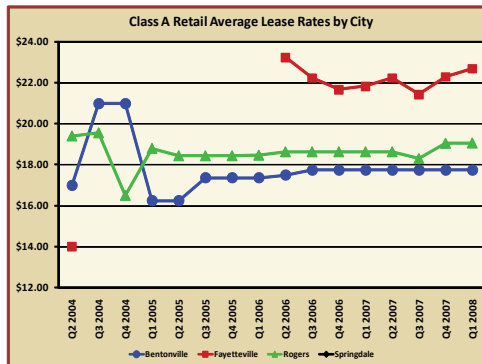
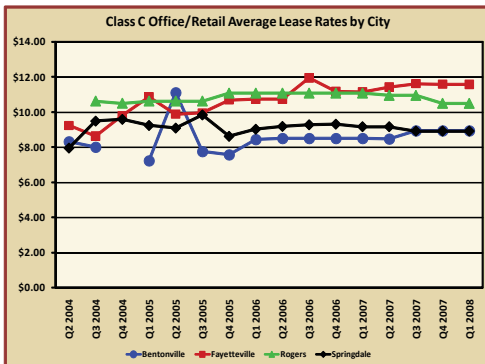
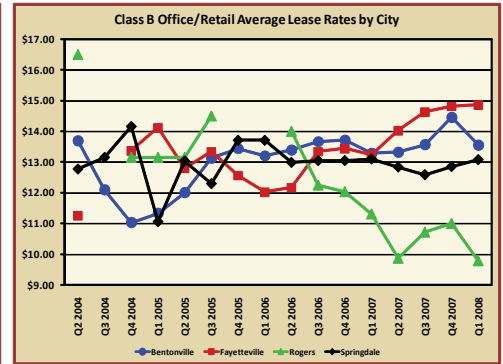
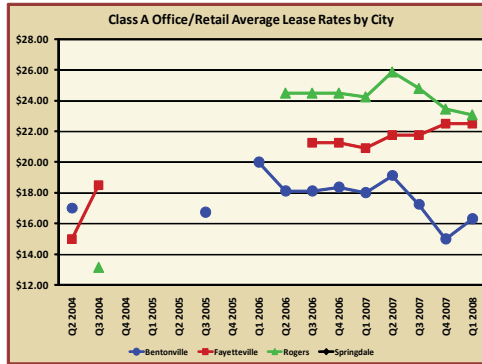
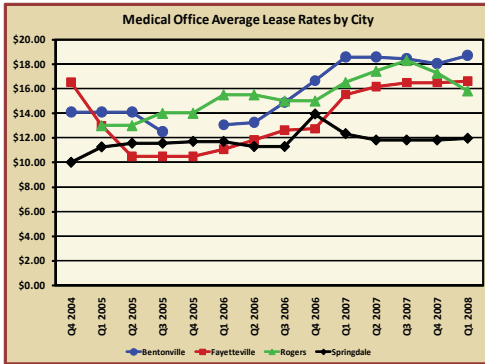
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044
Q3 2007	0	42,830	244,703	9,500	542,309	17,700	92,328	949,370
Q4 2007	0	74,732	265,603	11,090	467,853	16,700	89,530	925,508
Q1 2008	0	71,148	294,345	9,500	390,943	21,200	87,005	874,141

Warehouse

Q1 2007	0	5,300	139,100	75,150	424,879	0	110,591	755,020
Q2 2007	-	15,360	210,735	75,150	398,824	-	39,832	739,901
Q3 2007	0	12,800	124,795	53,000	521,323	0	168,444	880,362
Q4 2007	0	114,300	92,215	53,000	351,120	0	156,489	767,124
Q1 2008	0	27,800	98,215	53,000	353,450	214,710	180,979	928,154



Commercial Market Trends



Net Twelve Month Absorption by Submarket Q1 2007 - Q1 2008

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-2,200	7,739	0	0
Bentonville	-289,702	-22,303	17,997	-22,500
Fayetteville	-88,340	-86,343	-67,264	45,945
Lowell	27,119	-3,500	-1,025	22,150
Rogers	-22,747	-14,199	67,651	21,429
Siloam Springs	-500	8,729	830	0
Springdale	10,620	10,854	-43	-8,556
Northwest Arkansas	-365,750	-99,023	18,146	58,468

