

# THE SKYLINE REPORT

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## April 2009 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 twentieth 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. The Northwest Arkansas 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 2009

- In the first quarter of 2009, 95,333 square feet of competitive commercial property were added to the Northwest Arkansas market. About 40,933 square feet of the added space were new office space, 39,400 were new office/retail, 7,000 were new office/warehouse, and 8,000 were new retail space.
- In the office market, there was negative net absorption of 36,379 square feet. New space was added to the Bentonville Class B office as well as to the Fayetteville medical and Class B office submarkets in the first quarter.
- New retail space was added to the Rogers market, while 57,521 square feet became occupied in Northwest Arkansas, netting a positive absorption of 49,521 square feet. Accordingly, the retail vacancy rate declined to 14.0 percent in the first quarter.
- Within the office/retail submarket, 28,205 square feet became occupied, while new space entered the Bella Vista, Rogers, and Springdale markets. The vacancy rate stayed flat at 22.7 percent due to an increase in the reported total space.
- During the first quarter of 2009, new office/warehouse space was added in Bentonville, while 61,467 square feet became occupied in Northwest Arkansas. The vacancy rate declined in accord with the absorption to 14.2 percent in the first quarter.
- The warehouse submarket experienced negative net absorption of 35,927 square feet, while no new space was added. Thus, the warehouse vacancy rate increased from 27.5 percent in the fourth quarter of 2008 to 29.6 percent in the first quarter of 2009.
- From December of 2008 to February of 2009, almost \$7.7 million in commercial building permits were issued in Bentonville, Fayetteville, Lowell, Rogers, and Springdale. This is a decline of 45.0 percent from the prior quarter and a decline of 79.1 percent from the first quarter of 2008.

# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2008	43.3%	23.9%	20.5%	1.5%	22.0%	4.6%	9.7%	20.6%
Q2 2008	19.0%	24.2%	20.0%	3.8%	21.6%	3.5%	10.0%	20.5%
Q3 2008	19.0%	14.7%	18.7%	3.8%	22.6%	2.7%	10.4%	16.7%
Q4 2008	19.0%	14.1%	19.1%	7.2%	22.4%	2.6%	14.8%	17.1%
Q1 2009	19.0%	16.1%	18.3%	9.0%	22.2%	2.6%	16.4%	17.7%

### Medical Office

Q1 2008	34.6%	20.7%	9.7%	0.0%	40.2%	3.1%	12.3%	17.0%
Q2 2008	0.0%	19.9%	9.2%	0.0%	37.8%	2.1%	12.3%	16.1%
Q3 2008	0.0%	21.8%	7.2%	0.0%	37.1%	2.8%	13.6%	15.8%
Q4 2008	0.0%	15.1%	10.2%	0.0%	33.3%	2.8%	28.6%	17.7%
Q1 2009	0.0%	15.4%	11.1%	0.0%	33.0%	2.8%	24.0%	17.2%

### Office/Retail

Q1 2008	8.4%	24.3%	20.0%	40.1%	30.2%	35.4%	15.5%	22.5%
Q2 2008	7.8%	22.5%	20.2%	43.2%	30.4%	26.2%	16.2%	22.0%
Q3 2008	8.1%	21.0%	19.3%	40.8%	28.0%	25.9%	16.2%	20.9%
Q4 2008	8.4%	20.2%	21.3%	38.4%	30.1%	31.0%	21.4%	22.7%
Q1 2009	8.5%	20.6%	22.1%	12.8%	29.2%	30.7%	22.7%	22.7%

### Office/Warehouse

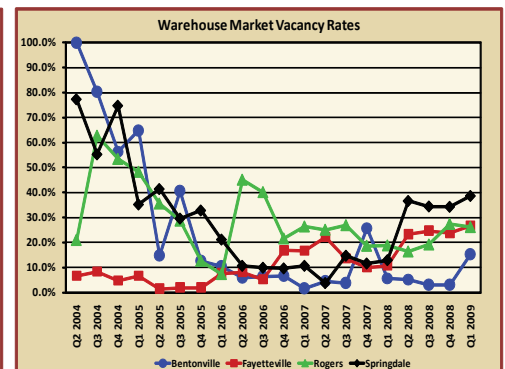
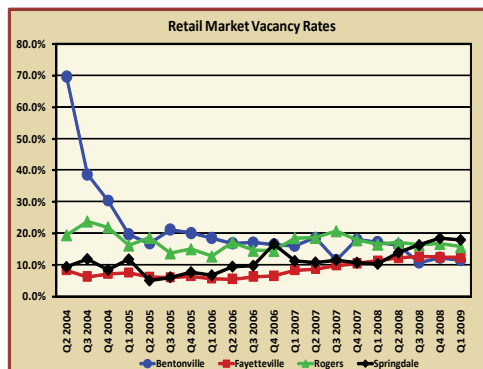
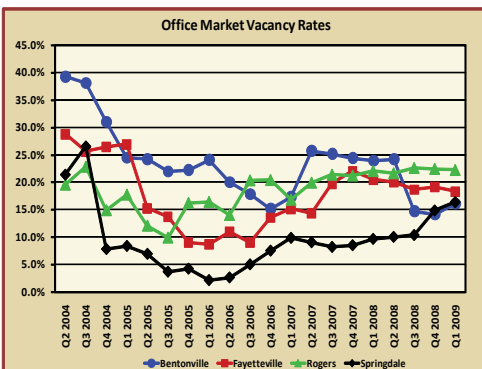
Q1 2008	--	14.1%	89.6%	3.8%	14.5%	65.8%	19.8%	19.4%
Q2 2008	--	11.3%	72.5%	0.0%	17.6%	65.8%	17.3%	17.7%
Q3 2008	--	11.4%	84.7%	0.0%	16.7%	65.8%	16.2%	17.5%
Q4 2008	--	8.6%	84.7%	0.0%	18.1%	65.8%	15.6%	16.5%
Q1 2009	--	9.5%	84.8%	0.0%	18.1%	65.8%	9.8%	14.2%

### Retail

Q1 2008	0.0%	17.2%	11.3%	15.4%	16.5%	7.0%	10.4%	13.2%
Q2 2008	0.0%	16.3%	12.2%	25.5%	17.1%	7.0%	14.1%	14.3%
Q3 2008	0.0%	10.8%	12.6%	21.5%	16.3%	14.4%	16.4%	14.5%
Q4 2008	0.0%	12.3%	12.4%	10.3%	16.8%	9.1%	18.6%	14.4%
Q1 2009	0.0%	11.5%	12.5%	12.8%	15.7%	8.7%	18.1%	14.0%

### Warehouse

Q1 2008	0.0%	5.6%	10.7%	21.2%	18.8%	71.1%	13.0%	17.7%
Q2 2008	0.0%	5.1%	23.3%	65.4%	16.4%	71.1%	36.7%	27.9%
Q3 2008	0.0%	3.1%	24.7%	65.4%	19.2%	71.1%	34.5%	28.3%
Q4 2008	0.0%	3.1%	23.8%	2.8%	27.5%	71.1%	34.3%	27.5%
Q1 2009	0.0%	15.3%	26.7%	1.4%	26.2%	79.1%	38.7%	29.6%



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2008	5,000	784,492	441,369	3,844	394,749	3,700	65,222	1,698,376
Q2 2008	2,200	794,302	440,601	9,831	396,668	2,800	71,768	1,718,170
Q3 2008	2,200	488,347	415,611	9,931	414,324	2,200	73,365	1,405,978
Q4 2008	2,200	418,386	421,557	18,721	407,039	2,144	109,532	1,379,579
Q1 2009	2,200	486,698	410,658	24,540	423,099	2,144	121,929	1,471,268

### Medical Office

Q1 2008	2,800	40,696	50,930	0	96,004	2,200	24,282	216,912
Q2 2008	0	39,096	49,897	0	96,729	1,500	24,282	211,504
Q3 2008	0	45,317	37,747	0	95,129	2,000	26,782	206,975
Q4 2008	0	31,317	55,579	0	85,237	2,000	64,840	238,973
Q1 2009	0	31,967	61,164	0	85,237	2,000	54,387	234,755

### Office/Retail

Q1 2008	22,666	191,737	261,590	24,160	240,182	45,325	70,464	856,124
Q2 2008	20,816	178,839	270,310	26,040	246,289	32,964	74,615	849,873
Q3 2008	21,866	167,656	257,871	24,600	224,422	32,564	74,654	803,633
Q4 2008	22,466	164,098	303,131	23,160	256,212	43,724	98,554	911,345
Q1 2009	23,770	167,757	319,140	7,700	263,155	43,324	112,977	937,823

### Office/Warehouse

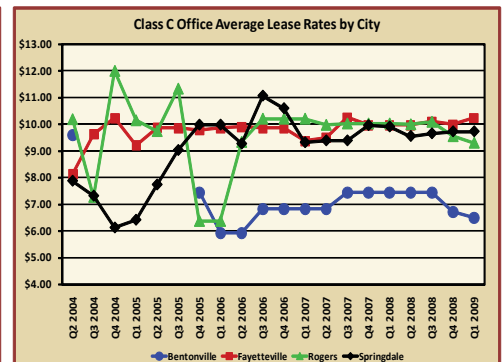
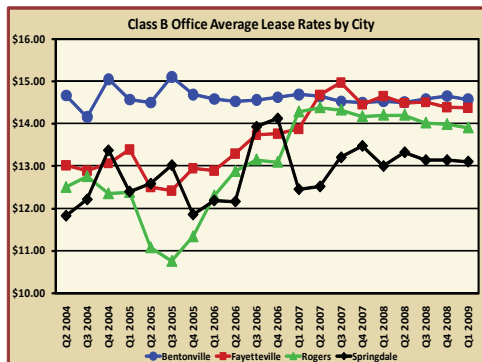
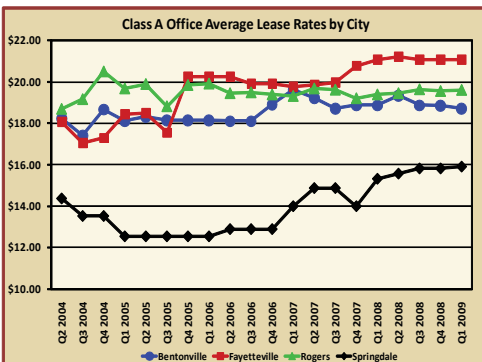
Q1 2008	--	166,550	91,726	7,940	85,023	70,007	196,199	617,445
Q2 2008	--	133,900	87,501	0	103,023	70,007	226,066	620,497
Q3 2008	--	136,550	102,181	0	97,909	70,007	208,399	615,046
Q4 2008	--	103,805	102,181	0	86,056	70,007	202,399	564,448
Q1 2009	--	115,870	86,726	0	85,806	70,007	126,992	485,401

### Retail

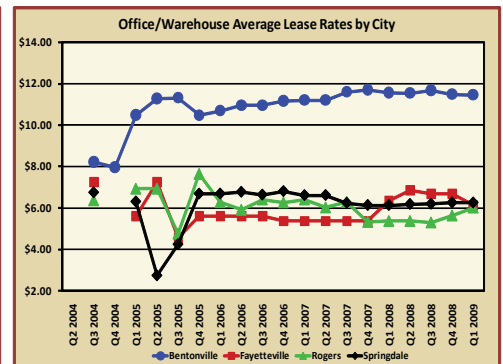
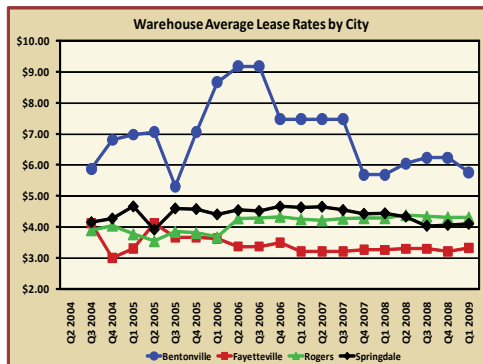
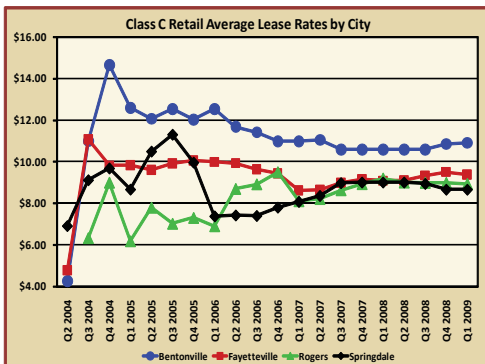
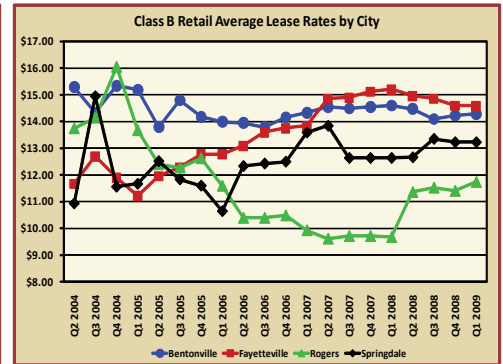
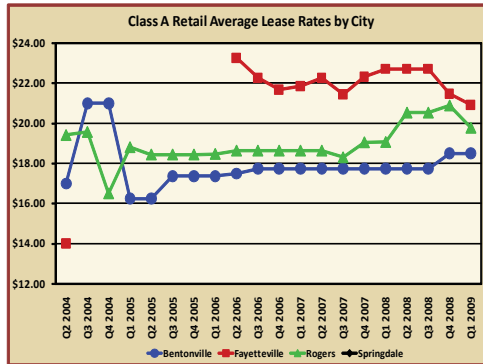
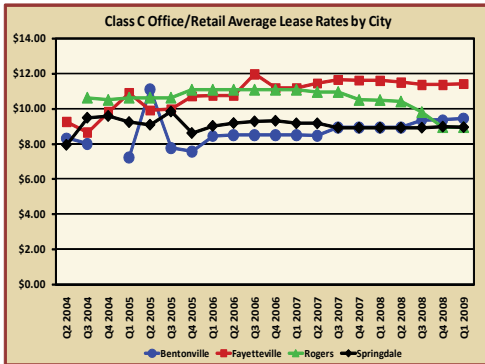
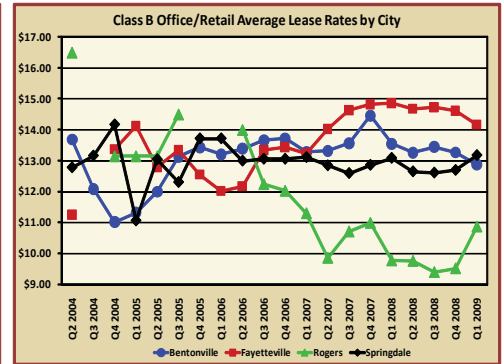
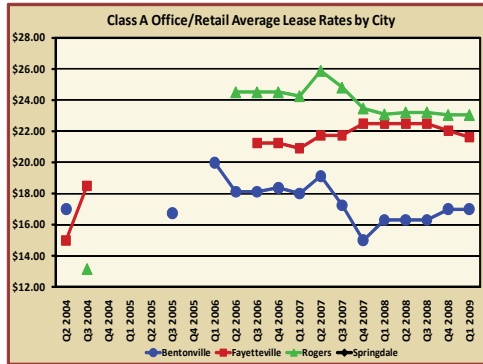
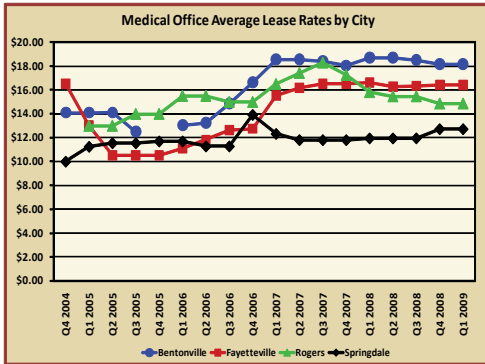
Q1 2008	0	71,148	294,345	9,500	390,943	21,200	87,005	874,141
Q2 2008	0	67,172	317,839	19,500	404,133	21,200	117,518	947,362
Q3 2008	0	42,314	323,391	16,500	386,767	43,603	146,626	959,201
Q4 2008	0	48,565	375,144	13,100	395,384	27,003	170,043	1,029,239
Q1 2009	0	45,204	380,657	16,200	373,897	25,736	165,265	1,006,959

### Warehouse

Q1 2008	0	27,800	98,215	53,000	353,450	214,710	180,979	928,154
Q2 2008	0	25,200	242,115	201,866	309,869	214,710	567,618	1,561,378
Q3 2008	0	15,200	256,115	201,866	365,718	214,710	548,654	1,602,263
Q4 2008	0	15,200	247,115	8,800	571,440	214,710	554,975	1,612,240
Q1 2009	0	75,800	288,556	9,000	545,100	330,843	672,618	1,921,917



# Commercial Market Trends



## Net Twelve Month Absorption by Submarket Q1 2008 - Q1 2009

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	2,800	-1,104	0	0
Bentonville	298,893	30,316	4,588	-48,000
Fayetteville	25,573	-36,464	-59,476	-30,600
Lowell	-14,696	16,460	-6,700	51,500
Rogers	3,440	362	23,569	-54,650
Siloam Springs	1,556	8,711	-12,836	0
Springdale	-49,352	-37,581	-44,083	-340,595
<b>Northwest Arkansas</b>	<b>268,214</b>	<b>-19,300</b>	<b>-94,938</b>	<b>-422,345</b>

