



THE SKYLINE REPORT

for Benton and Washington Counties

**Commercial Real Estate
Market Summary
July 2004**



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WALTON
COLLEGE of BUSINESS

Center for Business and Economic Research

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Commercial Real Estate Market Summary

Welcome to the inaugural edition of the Skyline Report for Benton and Washington Counties—Commercial Real Estate Market Analysis. Northwest Arkansas has experienced incredible growth since the early 1990's. The population of the region has increased by an estimated 67.1 percent from 1990 to 2004. As the economies of the cities in Northwest Arkansas have become more complex, so too have the commercial real estate markets that function in the region. Increasingly, developers, lenders, contractors, and potential lessees are demanding sophisticated analysis of this ever-changing market. To this end, researchers at the Center for Business and Economic Research (CBER) in the Sam M. Walton College of Business at the University of Arkansas have developed the Skyline Report to provide timely statistics for those who are interested in having hard numbers about the workings of the Northwest Arkansas commercial real estate market.

The Skyline Report focuses not on all commercial real estate properties, but rather on space that is potentially available for lease to the business community.

By concentrating on the levels and changes in newly constructed and vacant space, the Skyline Report captures the most dynamic part of the commercial real estate market. Established properties with long-time lessees, dedicated space for national and regional chains, and 100 percent owner occupied buildings are not included in the aggregate square feet statistics that are presented, but are discussed to provide a context for the larger workings of the market.

Detailed information is offered for the Northwest Arkansas submarkets in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. In order to obtain information on the commercial properties in Northwest Arkansas, CBER researchers aggregated data from a wide variety of sources.

First, and most important, are the relationships that CBER staff members have formed with commercial property owners, managers, and brokers. By mining county assessor's office property reports, searching publicly available websites, obtaining issued building permit data, and following press releases of new projects, CBER researchers identified a panel of commercial real estate practitioners who are responsible for the bulk of the available space on the market. After a series of communications where the purpose of the Skyline Report was introduced, panel members were asked to complete a survey instrument about their properties. The response of the panel members was tremendous. Information on over 9.1 million square feet of commercial property was submitted to the CBER.



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This information, collected in the second quarter of 2004, will serve as a baseline against which to compare future market activity. The most interesting statistics about the commercial real estate market are those that are measured over time. The Skyline Report will be produced on a quarterly basis, so that changing trends can be rapidly identified. As information is collected regularly, absorption rates of new construction will be calculated, inventory of buildings by category will be tracked, and vacancy rates will be analyzed. Additionally, survey respondents will be asked to provide ever-more specific information about the lease characteristics of their buildings.

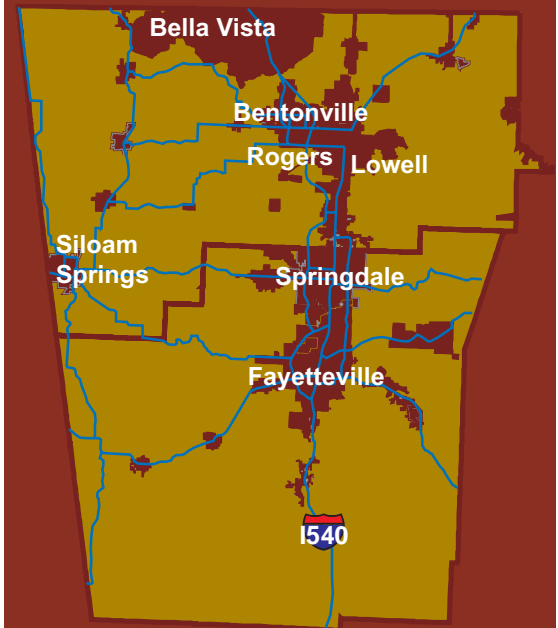
The creators of the Skyline Report hope that the information that we have gathered and the analysis that we have provided prove invaluable to decision makers.

Overview

Each of the cities in Northwest Arkansas contains a unique mix of types of commercial space, which corresponds with the demands of the lessee community. Bentonville has a concentration of office space that is attractive to the vendor community that serves Wal-Mart and retail space that serves the basic needs of the workday and residential population. The office space in Rogers also houses a large segment of the vendor community, while the newest retail space consists of well-known national chains and upscale boutiques. Fayetteville, as the longest established population center in Northwest Arkansas, has smaller numbers of new, state-of-the-art buildings being built, but has an established base of national retail chains, medical office buildings, and average office space. Finally, Springdale is home to a great deal of Class B and Class C office and retail space. Although little premier office space is located in Springdale and no premium retail space is found there, as Tyson Foods and the poultry processing industry continue to expand in Springdale, the need for basic commercial property also grows.

The first two quarters of 2004 saw continued construction of commercial buildings in Northwest Arkansas. Particularly in Bentonville, new office space that is designed to be attractive to companies that want to have a close presence to Wal-Mart has been planned or built. Continued growth of the vendor population underlies the assumptions that are causing office space to be produced. Should fewer companies decide that a presence near Wal-Mart is necessary or should existing companies fail to continue to add capacity to their Northwest Arkansas staffs, then the Class A and Class B office markets could be approaching overbuilt status.

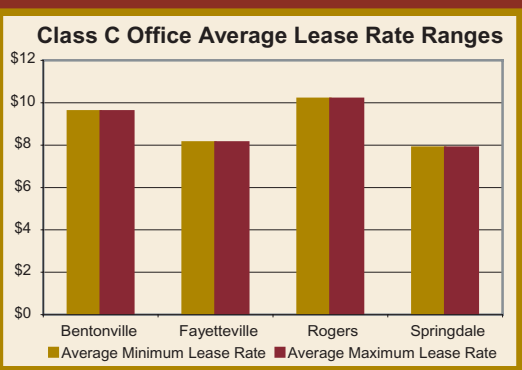
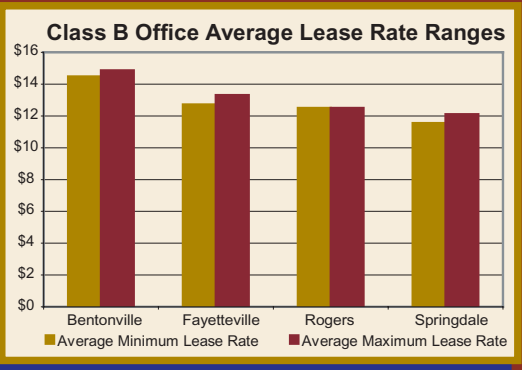
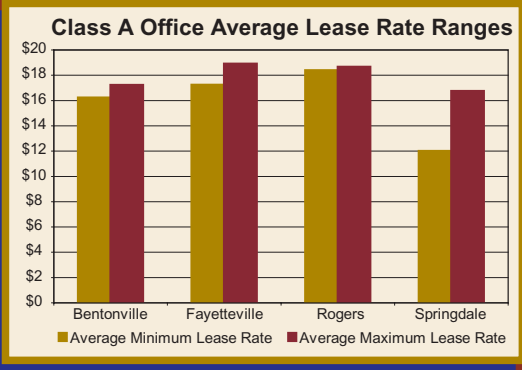
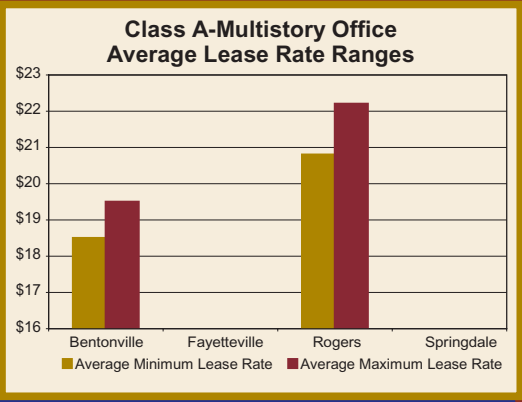
Growth in the retail space market continues as well. Rogers and Fayetteville, and to a lesser extent Bentonville, have been the recent recipients of a host of national chain stores and restaurants. This trend is directly attributable to expected population growth. CBER analysts project that from 2000 to 2010, the population of Benton County will grow 46 percent, or an additional 71,000 residents. For Washington County, an additional 40,000 residents are projected for a total growth rate of 25 percent. National restaurant chains and retailers like Red Robin, Fuddrucker's, Logan's Roadhouse, Krispy Kreme, and Rack Room Shoes are examining Northwest Arkansas and finding that sufficient population and projected growth rates exist for them to enter the market.



The Northwest Arkansas commercial market is divided into six 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. 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.



Office Lease Rates

	Average Range by City			
	Class A (multi-story)	Class A	Class B	Class C
Bentonville	\$18.50 - \$19.50	\$16.23 - \$17.23	\$14.48 - \$14.86	\$9.60 - \$9.60
Fayetteville	—	\$17.24 - \$18.91	\$12.72 - \$13.31	\$8.13 - \$8.13
Rogers	\$20.80 - \$22.20	\$18.39 - \$18.66	\$12.50 - \$12.50	\$10.19 - \$10.19
Springdale	—	\$12.00 - \$16.75	\$11.55 - \$12.11	\$7.88 - \$7.88

Office Submarket Comparison

Information about the markets for office space in Bentonville, Fayetteville, Rogers, and Springdale is presented above and on the following page. CBER's survey of commercial real estate practitioners yielded data for 2.76 million total square feet of office properties. About 47 percent of the total square footage reported in the survey is in Bentonville, 28 percent is in Fayetteville, 21 percent is in Rogers, and only 4 percent is in Springdale. Reported available space breaks down somewhat differently. Bentonville has 58 percent, Fayetteville has 26 percent, Rogers has 13 percent, and Springdale has 3 percent of the space that the panelists identified as being available for lease.

The average ranges of office lease rates for this space are compared by class and by city. CBER survey responses show that only Bentonville and Rogers have Class A-Multistory space and that the average range of lease rates for Class A-Multistory space is higher in Rogers than in Bentonville. Also, the survey responses show that far more of the total Class A-Multistory space is available in Bentonville than in Rogers.

Class A office space is priced roughly equivalently in Bentonville, Fayetteville, and Rogers. The small amount of Class A office space in Springdale is slightly

Office Space Characteristics by Class and City

Class A-Multi Story Office

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	289,442	236,370	81.7%	—	—
Fayetteville	—	—	—	—	—
Rogers	332,810	14,458	4.3%	—	—
Springdale	—	—	—	—	—

Class A Office

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	309,630	93,295	30.1%	2,000	19,600
Fayetteville	477,110	116,051	24.3%	1,550	11,445
Rogers	198,700	44,416	22.4%	—	—
Springdale	39,329	—	—	988	8,045

Class B Office

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	705,521	186,721	26.5%	1,477	9,833
Fayetteville	263,709	98,963	37.5%	2,000	11,223
Rogers	35,630	23,400	65.7%	—	7,000
Springdale	62,280	20,960	33.7%	1,540	6,000

Class C Office

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	10,250	—	—	1,457	1,457
Fayetteville	52,494	13,400	25.5%	1,575	2,224
Rogers	35,732	35,732	100.0%	—	—
Springdale	11,972	3,300	27.6%	—	—

less expensive to lease than properties in the other communities. The survey responses show that Fayetteville has more than 116,000 square feet of Class A office space available for lease. When Class A space is combined with Class A-Multistory space in Bentonville and Rogers, the available premium space numbers are 330,025 and 58,874 square feet, respectively.

The average lease rate per square foot of Class B office space is over \$14.00 in Bentonville, about \$12.50 in Fayetteville and Rogers, and just under \$12.00 in Springdale. Survey responses indicate that Bentonville has more Class B office space available than the other three cities combined. Finally, Class C office space is priced roughly equivalently in Bentonville and Rogers, although all of the reported Class C space in Rogers is available for lease. Springdale and Fayetteville have roughly the same average lease rates in the Class C office space market. Fayetteville has four times more of total and available square feet in Class C office space than Springdale.



Office/Retail Lease Rates

	Average Range by City		
	Class A	Class B	Class C
Bentonville	\$16.00 - \$18.00	\$12.94 - \$14.44	\$8.00 - \$8.64
Fayetteville	\$15.00 - \$15.00	\$10.43 - \$12.09	\$5.50 - \$13.00
Rogers	—	\$16.50 - \$16.50	—
Springdale	—	\$11.90 - \$13.67	\$6.70 - \$9.20

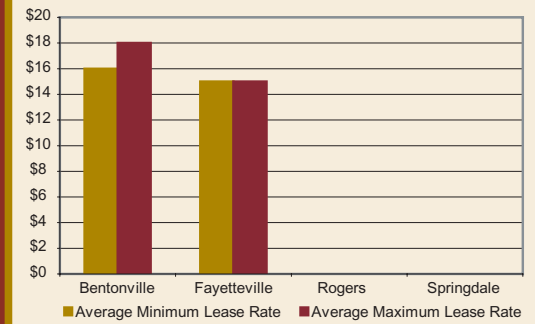
Office/Retail Submarket Comparison

Information about the markets for office/retail space in Bentonville, Fayetteville, Rogers, and Springdale is presented above and on the following page. CBER's survey of commercial real estate practitioners yielded data for over 840,000 total square feet of office/retail properties. About 25 percent of the total square footage reported in the survey is in Bentonville, 42 percent is in Fayetteville, 22 percent is in Springdale, and only 1 percent is in Rogers. Reported available space breaks down somewhat differently. Bentonville has 35 percent, Fayetteville has 14 percent, Rogers has 1 percent, and Springdale has 50 percent of the space that the panelists identified as being available for lease in the retail/office market.

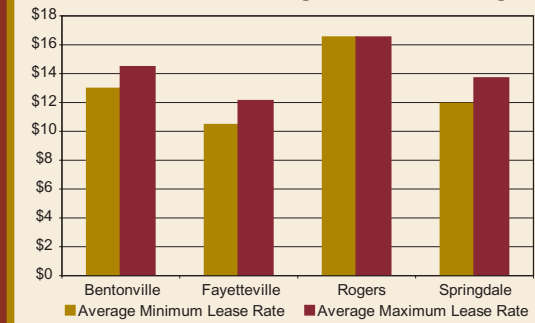
The panelists who replied to our survey indicated that only Bentonville and Fayetteville have Class A office/retail space, and that the average lease rate is somewhat lower in Fayetteville than in Bentonville. In total, the panelists indicated that there is only about 125,000 square feet of total Class A office/retail space. This amount is very small when it is compared to the total space that is classified strictly as Class A office or strictly as Class A retail. Thus, for premium space, it may be desirable to specialize the properties to suit a particular function.

Each of the cities has Class B office/retail space. Rogers has the most expensive average lease rate at around \$17.00 and Fayetteville has the least expensive average rate at around \$11.00. Survey responses show that Springdale and Fayetteville each have a little more than 25,000 square feet of office/retail space that is available for lease. Bentonville has over 16,500 square feet and Rogers has just over 2,000 square feet. Finally, Bentonville, Fayetteville, and Springdale all have Class C office/retail space. The average ranges for Class C space are somewhat larger than the ranges in the other classes, running from a little more than \$5.00 in Fayetteville to almost \$19.00 in Bentonville. Springdale has the bulk of Class C office/retail space available for rent, according to the panelists. Over 85,000 square feet of Class C office/retail space are available in Springdale, providing ample opportunities for entrepreneurial, entry-level businesses to locate in the area.

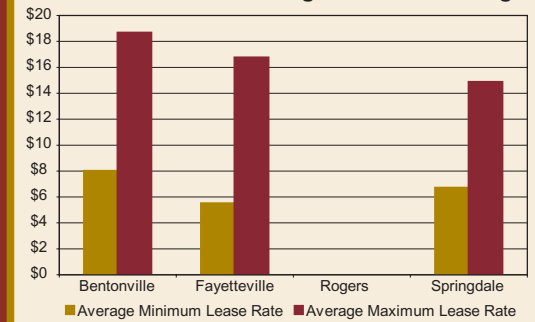
Class A Office/Retail Average Lease Rate Ranges



Class B Office/Retail Average Lease Rate Ranges



Class C Office/Retail Average Lease Rate Ranges



Office-Retail Space Characteristics by Class and City

Class A Office/Retail

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	71,487	56,797	79.5%	—	—
Fayetteville	53,849	3,757	7.0%	—	—
Rogers	—	—	—	—	—
Springdale	—	—	—	—	—

Class B Office/Retail

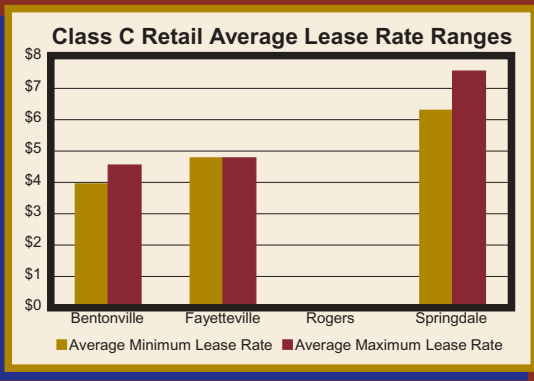
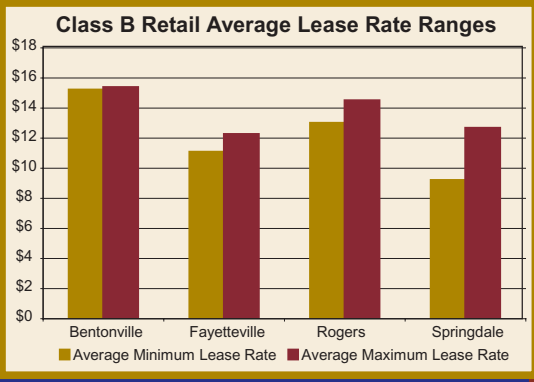
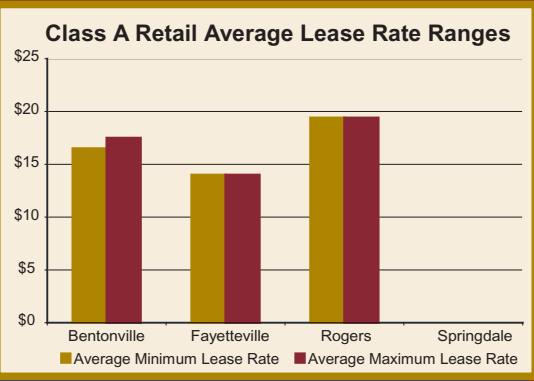
	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	68,414	16,656	24.3%	390	4,038
Fayetteville	259,806	26,288	10.1%	133	9,025
Rogers	2,174	2,174	100.0%	—	—
Springdale	77,997	25,456	32.6%	810	5,631

Class C Office/Retail

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	74,312	5,228	7.0%	750	—
Fayetteville	38,603	1,000	2.6%	—	—
Rogers	—	—	—	—	—
Springdale	194,574	85,309	43.8%	1,000	1,020



Retail Lease Rates



	Average Range by City		
	Class A	Class B	Class C
Bentonville	\$16.50 - \$17.50	\$15.21 - \$15.38	\$3.95 - \$4.55
Fayetteville	\$14.00 - \$14.00	\$11.08 - \$12.26	\$4.78 - \$4.78
Rogers	\$19.41 - \$19.41	\$13.00 - \$14.50	—
Springdale	—	\$9.20 - \$12.67	\$6.30 - \$7.55

Retail Submarket Comparison

Information about the markets for retail space in Bentonville, Fayetteville, Rogers, and Springdale is presented above and on the following page. CBER's survey of commercial real estate practitioners yielded data for over 2.47 million total square feet of retail properties. About 58 percent of the total square footage reported in the survey is in Fayetteville, 14 percent is in Rogers, 19 percent is in Springdale, and only 9 percent is in Bentonville. Reported available space breaks down somewhat differently. Bentonville has 39 percent, Fayetteville has 31 percent, Rogers has 18 percent, and Springdale has 12 percent of the space that the panelists identified as being available for lease in the retail market.

The panelists who responded to the commercial real estate market survey indicated that Class A retail space is most expensive, on average, in Rogers. Springdale has no Class A retail space. The average lease rate range for Bentonville is from \$16.50 to \$17.50 and, in marked contrast to Fayetteville and Rogers, Bentonville has a large amount of available Class A retail space. In fact, with over 70,000 square feet of Class A retail space being reported, Bentonville has more than double the amount of available Class A space in Fayetteville and Rogers combined.

Survey respondents show that Fayetteville and Springdale have roughly equivalent average lease rates for Class B space, as do Rogers and Bentonville. Each city has Class B retail space readily available. For Class C space, however, Springdale has the most square feet available, in addition to the highest average lease rate range. Bentonville and Fayetteville have similar average prices for Class C space. Rogers has no Class C retail space according to the panelists.

Retail Space Characteristics by Class and City

Class A Retail

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	78,000	70,330	90.2%	—	—
Fayetteville	941,124	32,018	3.4%	—	—
Rogers	61,524	1,152	1.9%	5,645	9,000
Springdale	—	—	—	—	—

Class B Retail

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	100,474	74,668	74.3%	1,200	1,500
Fayetteville	448,996	78,588	17.5%	460	11,700
Rogers	296,250	68,610	23.2%	1,500	—
Springdale	427,558	28,300	6.6%	546	27,040

Class C Retail

	Total Square Feet	Available Square Feet	Percent Available	Minimum Size	Maximum Size
Bentonville	34,505	3,475	10.1%	510	—
Fayetteville	50,606	9,300	18.4%	1,000	—
Rogers	—	—	—	—	—
Springdale	32,413	15,173	46.8%	—	13,573



Total Square Feet* by Type and City

	Industrial	Office	Retail	Warehouse
Bella Vista	—	106,188	85,576	61,594
Bentonville	549,097	3,224,917	644,367	2,533,180
Fayetteville	3,420,891	1,935,652	3,954,445	1,252,969
Lowell	272,385	542,316	105,831	145,746
Rogers	4,009,431	1,567,448	2,014,492	1,459,068
Siloam Springs	1,812,954	273,389	614,501	1,344,337
Springdale	4,162,243	1,164,925	1,908,844	2,981,934

*meeting CBER baseline criteria

Building Permit Data October 2003 - May 2004 by City and Type

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale
Total Commercial						
<i>Value</i>	\$32,680,551	\$13,852,701	\$1,649,264	\$19,524,300	\$1,841,185	\$14,771,343
<i>Square Feet</i>	518,969	—	—	—	110,691	—
Office						
<i>Value</i>	22,706,629	\$10,343,208	\$994,632	—	—	—
<i>Square Feet</i>	306,347	—	—	—	—	—
Office/Retail						
<i>Value</i>	\$710,200	—	—	—	—	—
<i>Square Feet</i>	10,600	—	—	—	—	—
Office/Warehouse						
<i>Value</i>	\$1,397,120	—	—	—	—	—
<i>Square Feet</i>	23,600	—	—	—	—	—
Retail						
<i>Value</i>	\$4,750,937	\$3,509,493	\$654,632	—	—	—
<i>Square Feet</i>	74,157	—	—	—	—	—
Warehouse						
<i>Value</i>	\$3,115,665	—	—	—	—	—
<i>Square Feet</i>	104,265	—	—	—	—	—

Bella Vista

- Bella Vista began the study period with 253,358 square feet of total commercial space.
- CBER researchers obtained additional, more specific information about 148,827 square feet of office, office/retail, and retail space.
- The average price of available space in Bella Vista is below market average for Northwest Arkansas.
- Demand for office and retail space in Bella Vista comes from companies that provide consumer goods and services to the community.
- No significant amounts of new construction have been announced for Bella Vista for the coming quarter.

Bella Vista Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	—	—	—
Office	\$7.80 - \$7.80	19,854	6,700	33.7%
Class A Multistory	—	—	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Retail	\$4.84 - \$4.84	52,841	2,400	4.5%
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Warehouse	—	—	—	—
Retail	\$9.50 - \$9.50	76,132	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Warehouse	—	—	—	—

Bentonville

- Bentonville began the study period with 6,951,561 square feet of total commercial space.
- An additional 1,096,441 square feet of commercial space was under construction or completed during the first two quarters of 2004.
- CBER researchers obtained additional, more specific information about 2,390,835 square feet of office, office/retail, office/warehouse, retail, and warehouse space.
- Bentonville has the highest availability of Class A office, office/retail, and retail space in Northwest Arkansas.
- The average range of lease rates in Bentonville for Class A space is similar to the ranges in other cities along the corridor.
- Over 380,000 square feet of office/warehouse and warehouse space are available for lease in Bentonville.
- Demand for office space in Bentonville is driven by the growth of Wal-Mart and within the vendor community, as new vendor offices locate near Wal-Mart's corporate headquarters and existing vendor offices expand. Likewise, the primary driver of retail development in Bentonville is demand for everyday goods and services from employees of Wal-Mart and the vendor community.
- Announcements of the construction of an additional 100,000 square feet of retail and office space have been made for the next quarter.

Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	—	—	—
Office	\$14.89 - \$15.41	1,314,843	516,386	39.3%
Class A Multistory	\$18.50 - \$19.50	289,442	236,370	81.7%
Class A	\$16.23 - \$17.23	309,630	93,295	30.1%
Class B	\$14.48 - \$14.86	705,521	186,721	26.5%
Class C	\$9.60 - \$9.60	10,250	—	—
Office/Retail	\$11.63 - \$12.90	214,213	78,681	36.7%
Class A	\$16.00 - \$18.00	71,487	56,797	79.5%
Class B	\$12.94 - \$14.94	68,414	16,656	24.3%
Class C	\$8.00 - \$8.64	74,312	5,228	7.0%
Office/Warehouse	\$9.49 - \$13.34	122,924	122,924	100.0%
Retail	\$11.72 - \$12.20	212,979	148,473	69.7%
Class A	\$16.50 - \$17.50	78,000	70,330	90.2%
Class B	\$15.21 - \$15.38	100,474	74,668	74.3%
Class C	\$3.95 - \$4.55	34,505	3,475	10.1%
Warehouse	\$4.39 - \$4.39	236,434	236,434	100.0%

Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	215,360	—	—
Office	\$13.13 - \$13.91	793,313	228,414	28.8%
Class A Multistory	—	—	—	—
Class A	\$17.24 - \$18.91	477,110	116,051	24.3%
Class B	\$12.72 - \$13.31	263,709	98,963	37.5%
Class C	\$8.13 - \$8.13	52,494	13,400	25.5%
Office/Retail	\$9.84 - \$12.62	352,258	31,045	8.8%
Class A	\$15.00 - \$15.00	53,849	3,757	7.0%
Class B	\$10.43 - \$12.09	259,806	26,288	10.1%
Class C	\$5.50 - \$13.00	38,603	1,000	2.6%
Office/Warehouse	—	—	—	—
Retail	\$9.85 - \$10.67	1,440,726	119,876	8.3%
Class A	\$14.00 - \$14.00	941,124	32,018	3.4%
Class B	\$11.08 - \$12.26	448,996	78,558	17.5%
Class C	\$4.78 - \$4.78	50,606	9,300	18.4%
Warehouse	\$3.29 - \$3.29	1,695,471	113,000	6.7%

Fayetteville

- Fayetteville began the study period with 10,563,957 square feet of total commercial space.
- An additional 122,901 square feet of office space was under construction or completed during the first two quarters of 2004.
- CBER researchers obtained additional, more specific information about 4,497,128 square feet of industrial, office, office/retail, retail, and warehouse space.
- Fayetteville has availability for office, office/retail, and retail space that is among the lowest in Northwest Arkansas.
- The average ranges of lease rates in Fayetteville for all classes and types of space fall in the middle of the spectrum for the Northwest Arkansas corridor.
- Demand for office space in Fayetteville is driven by the growth of the medical community near Washington Regional Hospital and the need for upgraded facilities for existing businesses. Continued population growth in the region is driving the expansion of chain store retail establishments on the north side of town.
- No announcements have been made about significant new construction of office or retail space for the next quarter.

Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	—	—	—
Office	\$12.25 - \$12.25	5,050	5,050	100.0%
Class A Multistory	—	—	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Retail	\$9.50 - \$10.00	35,612	3,147	8.8%
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Warehouse	—	30,000	—	—
Retail	—	19,200	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Warehouse	—	—	—	—

Lowell

- Lowell began the study period with a total of 1,066,278 square feet of total commercial space.
- No additional office, office/retail, or retail construction was reported for the first two quarters of 2004 in Lowell.
- CBER researchers obtained additional, more specific information about 89,862 square feet of office, office/retail, office/warehouse, and retail space.
- The average ranges of reported lease rates for office and office/retail space in Lowell was somewhat below that in Bentonville, Fayetteville, and Rogers, but higher than Springdale.
- No announcements have been made about significant new construction of office or retail space for the next quarter.

Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	190,043	—	—
Office	\$16.54 - \$16.96	602,872	—	—
Class A Multistory	\$20.80 - \$22.20	332,810	14,458	4.3%
Class A	\$18.39 - \$18.66	198,700	44,416	22.4%
Class B	\$12.50 - \$12.50	35,630	23,400	65.7%
Class C	\$10.19 - \$10.19	35,732	35,732	100.0%
Office/Retail	\$16.50 - \$16.50	2,174	2,174	100.0%
Class A	—	—	—	—
Class B	\$16.50 - \$16.50	2,174	2,174	100.0%
Class C	—	—	—	—
Office/Warehouse	\$3.50 - \$3.50	20,000	20,000	100.0%
Retail	\$17.27 - \$17.77	357,774	69,762	19.5%
Class A	\$19.41 - \$19.41	61,524	1,152	1.9%
Class B	\$13.00 - \$14.50	296,250	68,610	23.2%
Class C	—	—	—	—
Warehouse	\$9.56 - \$9.56	184,376	38,745	21.0%

Rogers

- Rogers began the study period with a total of 9,050,439 square feet of total commercial space.
- An additional 488,911 square feet of industrial, office, retail, and warehouse space was under construction or completed in the first two quarters of 2004.
- CBER researchers obtained additional, more specific information about 1,357,239 square feet of industrial, office, office/retail, office/warehouse, retail, and warehouse space.
- Availability is highest in Rogers for Class C office space, Class B office/retail space, and office/warehouse space.
- The average ranges of lease rates for Class A office and retail space are among the highest in the Northwest Arkansas corridor.
- Demand for office space in Rogers is being driven by growth in the Wal-Mart vendor community. As new vendor offices locate in Northwest Arkansas and existing office staffs expand, additional office space is needed. Demand for retail space in Rogers is being driven by population and per capita income growth in the region. Retail in Rogers serves an increasingly upscale clientele with boutiques and national chain retailers.
- Announcements of the construction of an additional 80,000 square feet of office space have been announced. Additionally, an 856,300 square foot development is on the drawing board.

Siloam Springs Commercial Real Estate Market Summary Statistics

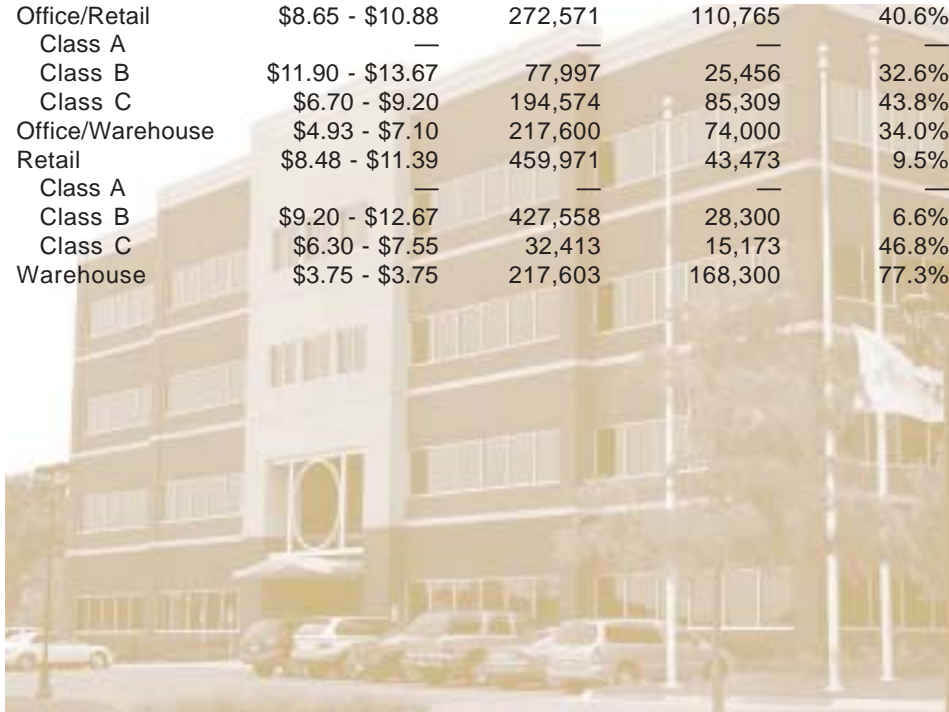
	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	—	—	—
Office	—	6,814	6,814	100.0%
Class A Multistory	—	—	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Retail	\$9.24 - \$9.24	9,773	—	—
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Office/Warehouse	—	—	—	—
Retail	\$6.00 - \$6.29	14,868	5,400	36.3%
Class A	—	—	—	—
Class B	—	—	—	—
Class C	—	—	—	—
Warehouse	\$2.97 - \$2.97	108,888	46,888	43.1%

Siloam Springs

- Siloam Springs began the study period with 4,045,181 square feet of total commercial space.
- An additional 90,702 square feet of office and warehouse space was under construction or completed in the first two quarters of 2004.
- CBER researchers obtained additional, more specific information about 140,303 square feet of office, office/retail, retail, and warehouse space.
- Announcements of the construction of 25,500 square feet of additional retail space have been announced for construction in the next quarter.
- Demand for retail and commercial space will primarily be driven by firms providing services for the increasing residential population.

Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet	Available Square Feet	Percent Available
Industrial	—	254,738	—	—
Office	\$10.29 - \$11.63	113,581	24,260	21.4%
Class A Multistory	—	—	—	—
Class A	\$12.00 - \$16.75	39,329	—	—
Class B	\$11.55 - \$12.11	62,280	20,960	33.7%
Class C	\$7.88 - \$7.88	11,972	3,300	27.6%
Office/Retail	\$8.65 - \$10.88	272,571	110,765	40.6%
Class A	—	—	—	—
Class B	\$11.90 - \$13.67	77,997	25,456	32.6%
Class C	\$6.70 - \$9.20	194,574	85,309	43.8%
Office/Warehouse	\$4.93 - \$7.10	217,600	74,000	34.0%
Retail	\$8.48 - \$11.39	459,971	43,473	9.5%
Class A	—	—	—	—
Class B	\$9.20 - \$12.67	427,558	28,300	6.6%
Class C	\$6.30 - \$7.55	32,413	15,173	46.8%
Warehouse	\$3.75 - \$3.75	217,603	168,300	77.3%



Springdale

- Springdale began the study period with 10,217,946 square feet of total commercial space.
- An additional 130,000 square feet of office/retail space was under construction or completed in the first two quarters of 2004.
- CBER researchers obtained additional, more specific information about 1,526,064 square feet of industrial, office, office/retail, office/warehouse, retail, and warehouse space.
- Springdale has very little Class A office space and no Class A retail space, but has high availability for Class B and Class C office/retail space.
- The average range of lease rates for Springdale buildings is lower than average in every category except Class C retail space.
- Demand for office and retail space in Springdale is being driven by the increasing population of the city, and particularly by the fast-growing Hispanic population. The available space needs to be able to support early-stage, entrepreneurial businesses.
- Announcements of the construction of an additional 23,100 square feet of retail and office space have been announced for the next quarter.

Data Sources

Data were collected from the Benton and Washington County Assessors' offices, city planning offices, commercial property owners, commercial property managers, the Arkansas Democrat Gazette, the Northwest Arkansas Business Journal, and public websites.

Criteria for Inclusion in the Panel

To be included in this report, commercial buildings must meet the following size criteria:

- 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: 10,000 square feet
- Community Shopping Center: 5,000 square feet
- Neighborhood Shopping Center: 5,000 square feet
- Warehouse: 20,000 square feet

The calculated amounts of total square feet for each city do not include existing or proposed buildings that do not meet these criteria.

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. In terms of office space, Class A is split into Class A-Multistory and regular Class A. Class A-Multistory includes the relatively small number of high rise office buildings in the Northwest Arkansas market that have been built recently to provide the highest level of space to customers.

Class B space includes buildings that compete for a wide range of users, 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.