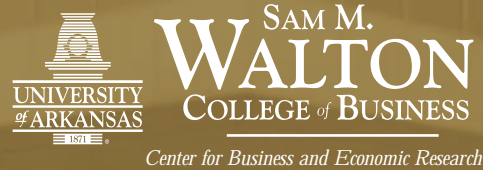




THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

Commercial Real Estate Market Summary for Benton and Washington Counties July 2005



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Contents

Report Structure	2
Economic Overview	3
Local Perceptions	5
Property Inventory & Building Permits	7
Trends Summary	10
Vacancy Rates	11
Net Absorption	12
Office Submarket Comparison	13
Office/Retail Submarket Comparison ..	15
Retail Submarket Comparison	17
Other Submarket Comparisons	19
City Summary Statistics	
Bella Vista	21
Bentonville	22
Fayetteville	24
Lowell	26
Rogers	28
Siloam Springs	30
Springdale	32
Interpreting the Numbers	34
Classification	35

This report is the fifth 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 Second Quarter of 2005

- The Northwest Arkansas office space market saw absorption rates dramatically increase in the second quarter with a total of 189,290 square feet of positive net absorption.
- The retail submarket was much more subdued with small positive net absorption in Fayetteville and Springdale and small negative net absorption in Rogers and Bentonville.
- The warehouse submarket experience positive net absorption of 70,464 square feet in the second quarter, due to positive absorption in Fayetteville and Rogers.
- From March to May 2005, there were \$67.2 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents an increase of 89 percent over the same period last year.
- The total value of new commercial building permits in Bentonville declined precipitously for the second quarter in a row. The total value of new commercial building permits in Fayetteville and Rogers remained strong.
- Short-term interest rates continued their upward climb, while long-term interest rates declined slightly, causing a 205 basis point drop in the spread.
- Northwest Arkansas employment continued to increase at its five-year average rate of 490 jobs per month during the second quarter, implying no slowdown in demand for residential or commercial development.
- Developers in Northwest Arkansas regained an upbeat tone about the overall direction of the market as absorption rates improved from the previous quarter.

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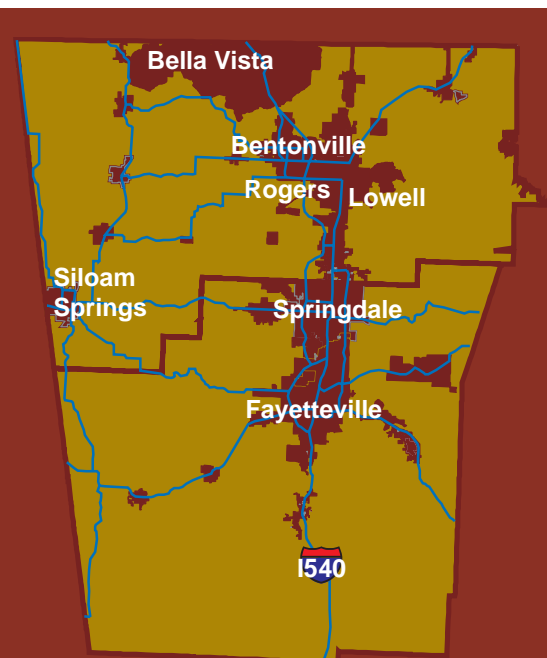
Report Structure

The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive leasing market. These excluded properties include owner-occupied buildings and other dedicated spaces. Additionally, commercial properties that do not meet certain minimum size criteria (detailed on page 34) are also filtered from the base of commercial properties considered. As a second source of data, building permit information is collected from the relevant divisions in Northwest Arkansas city governments. Finally, availability, lease rates, and other characteristics of competitive commercial properties are obtained from a panel of the largest commercial property owners and managers in Northwest Arkansas. Each of the three types of information that is collected gives a unique, but critical perspective of the local commercial property market. Without understanding what the universe of commercial properties looks like at the beginning of a period, the scale of available space for lease is meaningless. Likewise, the data that come from building permits paint a picture of what market additions are imminent. Only after setting the stage with these two perspectives do vacancy rates and market absorption numbers have real value.

In order to provide yet another level of perspective on the Northwest Arkansas commercial property market, the Skyline Report contains an overview of national and regional macroeconomic conditions. Ultimately, the real estate market is subject to the same fundamental forces that shape the rest of the economy, so having a broader view of current issues provides insights into potential challenges and opportunities for commercial property development.

To this end, the Skyline Report begins with an economic overview. First national output and employment issues are discussed and then there is a discussion of short-term and long-term interest rate prospects. Then, recent regional economic statistics, focusing on regional employment trends, are presented. After the economic overview, the results of some focus group discussions with commercial property developers and managers are summarized in order to supplement the hard data with anecdotal evidence from market participants about regional trends.

After the summary of local perceptions, the second quarter numbers for total commercial property square feet and building permit data are presented. Within the total square feet table, breakdowns of property type by city are contained. Also, the number of square feet of competitive commercial property for which the 79 panelists provide information is broken down by city and the percentage of coverage of the competitive market is calculated. A table containing publicly announced new commercial real estate projects is presented after the summary of building permit data. This table is meant to provide an indication of the future direction of the Northwest Arkansas commercial property market. As many of these projects are still in the conceptual phase, hard data are incomplete and subject to change.



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. Retail/Warehouse—space where goods and services can be offered, sold, and stored.
7. 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.

Following the table of announced commercial projects is a discussion of year-long trends in Northwest Arkansas. Two tables summarizing some results from the five quarters that the Skyline Report has been produced follow. The first table presents vacancy rates by submarket for the second, third, and fourth quarters of 2004 and the first and second quarters of 2005. The second table presents net absorption by submarket for the third and fourth quarters of 2004 and the first and second quarters of 2005. These tables are the foundation for performing the trend analysis and for separating the seasonal effects from real effects. The results in the tables are referred to throughout the remainder of the Skyline Report.

The next four sections present analyses of Northwest Arkansas submarkets by type of space. The office submarket is examined first, followed by the office/retail, retail, warehouse, office/warehouse, and retail/warehouse submarkets. Following these sections are commercial property summary statistics by city. There are sections for Bella Vista, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale.

Finally, a section on how to interpret the numbers contained in the report and a description of the commercial property classification system are offered.

By aggregating and analyzing data from a variety of sources, the Skyline Report is unique in its perspective on the Northwest Arkansas commercial property market. The information should be useful to anyone with an interest in the current workings and projected course of commercial real estate in Benton and Washington Counties.

Economic Overview

The Macro Economy at a Glance

In the first quarter of 2005, the overall real growth rate in GDP was a healthy 3.8 percent. This is 0.2 percentage points higher than the average growth rate in GDP of 3.6 percent over the past 50 years. The growth rate in GDP in the fourth quarter of 2004 was 3.8 percent, as well. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the major contributors to the increase in real GDP in the first quarter were personal consumption expenditures (PCE), exports, private inventory investment, residential fixed investment, and equipment and software. Imports, which are a subtraction in the calculation of GDP, increased.

Turning to more recent available data, in June, the national unemployment rate was a seasonally adjusted 5.0 percent, just below the 5.4 percent three-decade average rate. In June, the Conference Board's Consumer Confidence Index increased for the second straight month, ending at its highest level in over a year. Consumers' outlook for the next six months improved as well. The Conference Board reported that the number of participants anticipating business conditions to improve remained steady at 26.9 percent, but those expecting business conditions to worsen declined from 16.4 to 15.5 percent.

Taken together, these data imply that the national economy continues moving along in an unexceptional way. Additionally, inflation remains relatively muted. In 2004, prices increased by 3.3 percent. This compares with an increase of 1.9 percent for all of 2003. In the first five months of 2005, inflation has increased 1.5 percent over the December 2004 level. Part of the impetus for the Federal Reserve's continued raising of short term interest rates is to contain potential inflationary pressures. Of particular interest is the consumer price index for energy, which increased 7.8 percent in 2004, and in the first five months of 2005 advanced at a 3.5 percent over the December 2004 level.

Short-term Interest Rate Risk

The Federal Reserve continued in its incremental raising of short-term interest rates in the second quarter of 2005. The Fed Funds target now stands at 3.25 percent, up 225 basis points from its historic low in 2003. Indications are that the Fed will continue to remove monetary stimulus from the economy in the face of some inflationary pressures and continued steady growth of the macroeconomy. Monetary policy continues to be at odds with a highly stimulatory fiscal policy at the national level.

Long-term Interest Rate Risk

Even as short-term rates climbed in 2004 and early 2005, longer term rates have actually fallen. The ten year constant maturity treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.00 percent in June 2005. The upward pressure on short-term rates combined with declining long-term interest rates implied a decrease in the spread between the two. The accompanying figure shows the spread between the Fed Funds Rate and the ten year Treasury bill since January 2000. From May 2004 to June 2005, there was a 276 basis point decline in the spread. In June 2005, the spread continued its decline, ending at 96 basis points, leaving the spread at 187 basis points and at its lowest level since April 2001.

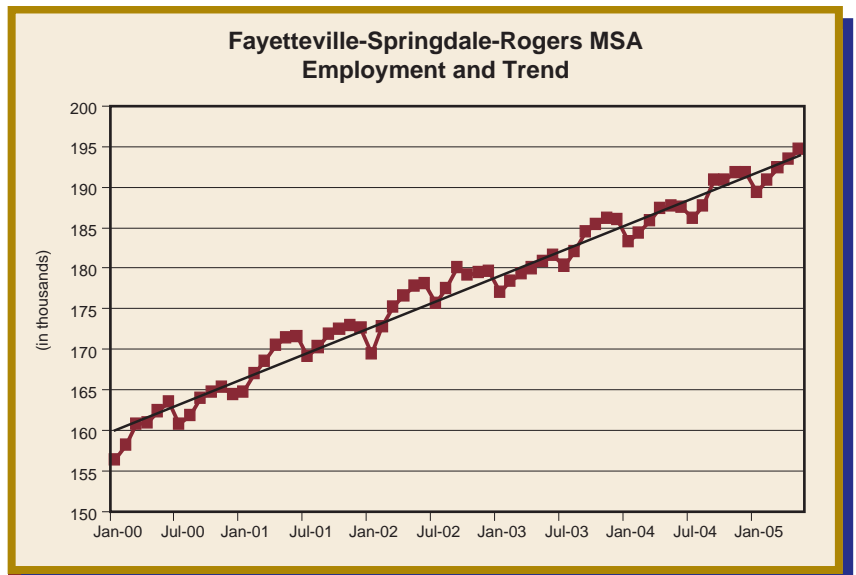
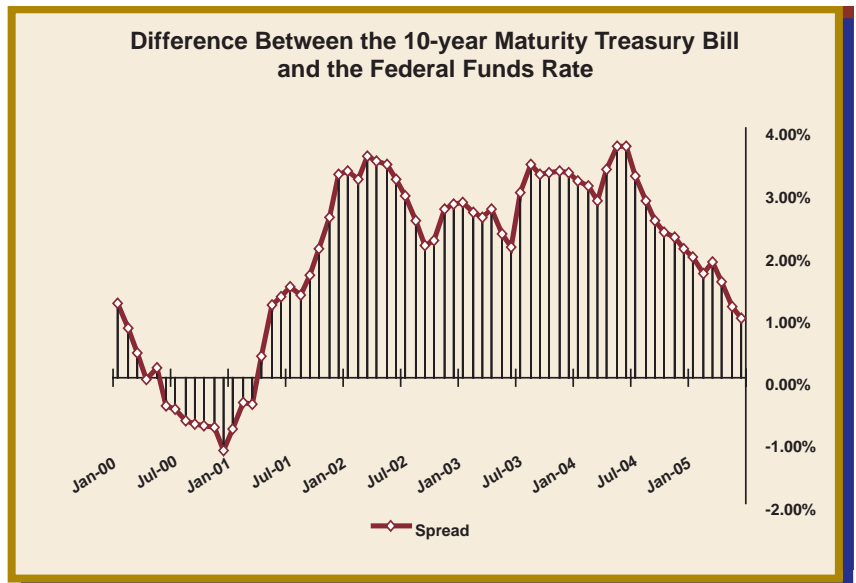
Regional Employment Trends

Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in recent years. The most recent numbers available show that there is no reason to believe that a significant slowdown is occurring.

The accompanying figure shows that from March to May 2005, employment in the Fayetteville-Springdale-Rogers MSA increased at trend levels. Although January and February had employment increases that were below trend, the effects were likely seasonal in nature. Each year from 2000 through 2005 shows similar dips in the first quarter of the year. When comparing these numbers with those in previous Skyline Reports, caution should be applied as the Bureau of Labor Statistics recently rebenchmarked these data. Although the individual data points differ from those previously reported, the trend has not changed. Since January of 2000, employment growth has averaged 0.3 percent per month, or about 490 jobs per month.

Other Regional Economic Indicators

Due to the change in the way local employment and unemployment numbers are estimated, the 2005 local unemployment rates for Northwest Arkansas are not directly comparable to their predecessors. In December 2004, the unemployment rate in Northwest Arkansas was a revised 2.9 percent, up just slightly from the revised 2.7 percent rate in November. However, the January and February unemployment levels were reported as 3.7 and 3.9 percent respectively. By May, the preliminary unemployment rate was down to 3.1 percent. The numbers from early 2005 do not represent a dramatic increase in unemployment in Northwest Arkansas. Rather, until more data points are available that are created using the new estimation methodology, it would



be unwise to draw conclusions about the overall direction of unemployment in Northwest Arkansas. In May, the state and national unemployment rates were 5.0 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

Taxable sales in the MSA increased 18.1 percent from April 2004 to April 2005, while they increased only 11.2 percent for the entire state during the same period. Average weekly manufacturing earnings decline 0.8 percent, based on preliminary estimates, in the MSA from April 2004 to April 2005. Average weekly manufacturing earnings declined even more in the state as a whole during the same period at -3.1 percent.

Local Perceptions of the Northwest Arkansas Commercial Property Market

Each quarter, CBER staff members have conversations with a dozen or so commercial developers and/or property managers to get their ground-level insights on the current commercial real estate market in Benton and Washington counties. The themes of these conversations have been pretty consistent over the past year. Panelists have talked about the general state of the market, hot spots of activity, areas of softness, supply/demand imbalances and infrastructure issues. This quarter, the panelists showed some differences of opinion in terms of summarizing the market in general. Last quarter, the dominant theme by far was that Bentonville was experiencing an oversupply in office space. This quarter there were still frequent references to oversupply being present in some market segments, but most panelists chose to focus on the pace of demand in the current market. Most felt that demand was still quite strong, although a small fraction felt that things had slowed a bit from the previous quarter. A couple of panelists indicated that absorption was moving along at a pretty good pace. Perhaps this accounts for the slightly lessened concerns about oversupply.

There were also some divergences in the reasons given for the strong demand they witnessed. Some cited the retail and restaurant sectors as being the drivers, others saw the multiplier effect at work, especially in the area along I-540 between New Hope Road and Pleasant Grove Road. One panelist mentioned that the businesses in this area would be employing an estimated 5,000 people. This in itself would create additional demand for goods and services. Medical services was cited as an area of development that is about to explode. Another panelist referenced a different view, held by some, of the multiplier effect. That is, “as retail outlets expand, the trading area becomes larger.” Although there was still some skepticism as to whether everything that has been announced will actually be built, the volume was turned down a bit from previous quarters. Just about everyone is amazed at the amount of “dirt being turned” in the aforementioned area.

Panelists were asked to identify the most positive factors they see in the current market. The answers given were:

- Strong demand
- Employment growth
- Population growth
- Continued vendor activity

In response to the presence of negative factors, the following were cited:

- Land prices
- Construction prices
- Empty offices in Bentonville
- Excess supply in the housing market
- Speculative building
- Shortage of skilled trades workers
- Delays in the approval process

The panelists were fairly evenly split on infrastructure issues, with about half saying that some progress had been made, and they felt that the mayors and other city leaders had now seen the urgency and were actively pursuing solutions. Almost as many panelists felt that no significant progress had been made. But even those who said progress had been made were referring to action plans rather than already accomplished infrastructure improvements. They acknowledged that road improvements, for example, will not happen overnight.

When asked how they saw the next six months shaping up, most were pretty optimistic, although one panelist said “the negative factors will only get worse.” Also, one panelist used the word “adjustment” to describe how he foresaw the next six months playing out. By that, he was referring to supply/demand adjustments in some segments of the market and how prices would respond to these adjustments. A clear consensus emerged that the market would remain healthy for the foreseeable future, with one respondent being even bolder by predicting that “we are in the early stages of another 10 year growth cycle.”



Local Commercial Property Inventory and Building Permit Data

The following table presents the total competitive commercial property inventory in Northwest Arkansas that meets minimum square footage requirements (a complete list of these criteria are included on page 34) as of June 2005. Also included are columns detailing the total square feet and percent coverage of the total inventory for which the Skyline Report commercial property owner and manager panel provided information. For the second quarter, the Skyline Report covers more than 50.6 percent of the total competitive commercial property population in Northwest Arkansas. Some cities have better coverage than others. For example, the Skyline Report panelists reported information on 75.5 percent of the competitive commercial properties in Bella Vista, but only 33.2 percent of the competitive commercial properties in Springdale. Bentonville, Rogers, Fayetteville, Lowell, and Siloam Springs have coverages of 62.5, 44.2, 64.3, 34.2, and 48.9 percents, respectively.

Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial ¹	Office ¹	Retail ¹	Warehouse ¹	Total ¹	Panel Total Square Feet ²	Panel Coverage ²
Bella Vista	–	106,188	14,752	61,594	182,534	137,772	75.5%
Bentonville	217,858	3,678,270	602,845	599,389	5,098,362	3,186,412	62.5%
Fayetteville	466,135	2,401,493	2,696,631	846,488	6,410,747	4,124,641	64.3%
Lowell	148,819	318,607	74,891	75,550	617,867	211,294	34.2%
Rogers	871,013	2,488,307	1,798,682	721,189	5,879,191	2,597,770	44.2%
Siloam Springs	253,631	173,787	353,096	180,797	961,311	469,763	48.9%
Springdale	969,303	1,372,484	2,008,638	1,650,873	6,001,298	1,994,433	33.2%
Northwest Arkansas Total	2,926,759	10,539,136	7,549,535	4,135,880	25,151,310	12,722,085	50.6%

¹Source: Benton and Washington County offices of the Assessor. The total square feet represent the population of competitive commercial properties that meet the baseline criteria set out on page 34 of this report.

²Source: Panel of 79 large Northwest Arkansas commercial property owners and managers.

In addition, building permit data from the past five quarters are presented for six major cities in Northwest Arkansas. Building permit data are seasonal in nature and will show large fluctuations in square footage and value from quarter to quarter. Moreover, any particularly large project can skew the numbers immensely. Building permit data are also city-specific. Only Bentonville, Fayetteville, and Siloam Springs present square footage data, while only Bentonville and Fayetteville break out the different types of commercial property. A standardization of building permit applications in the region would provide much better data for comparison purposes.

From March to May 2005, there were \$67.2 million in commercial building permits in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is an increase over the prior quarter total of \$56.7 million, and almost twice the total value of building permits issued during the same time in 2004. Rogers accounted for about 45 percent of the total value of building permits in the March to May period, with Fayetteville and Springdale each making up about 23 percent. Bentonville had a substantial drop in the value of building permits issued, with the second quarter total equaling only about 35 percent of the prior quarter's total and only about 21 percent of the prior year's total for the same time period.

The table of announcements of new commercial property is included as an indication of the future direction of the Northwest Arkansas commercial market. The list is not exhaustive, but represents an effort to gather data at a step before the official permitting process. The managers and owners of many of these properties have provided the CBER with information about these buildings, but until construction is complete, they do not appear in the aggregated total square footage and available square footage calculations. Some of the properties listed are actually under construction, while others are only in the concept phase.

Commercial Building Permit Data by City

March-May 2005

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Square Feet	\$32,822	\$138,405	--	--	\$29,699	--	--

December 2004-February 2005

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524*	\$56,744,954
Square Feet	25,866	183,189	--	--	7,845	--	--

September-November 2004

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
Square Feet	156,026	22,853	--	--	4,748	--	--

June-August 2004

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
Square Feet	211,258	35,500	--	--	25,446	--	--

March-May 2004

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473
Square Feet	221,301	89,921	--	--	84,124	--	--

Announcements of New Commercial Projects

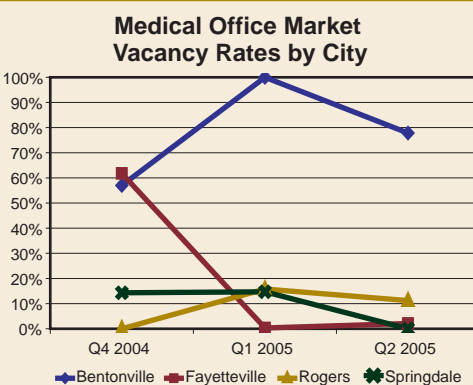
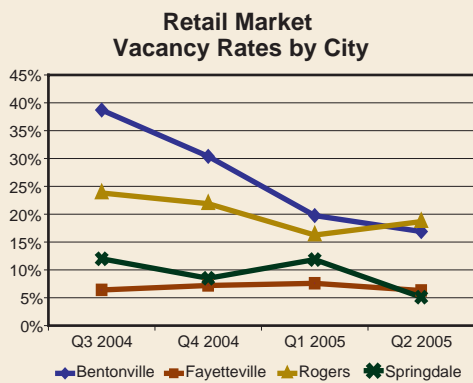
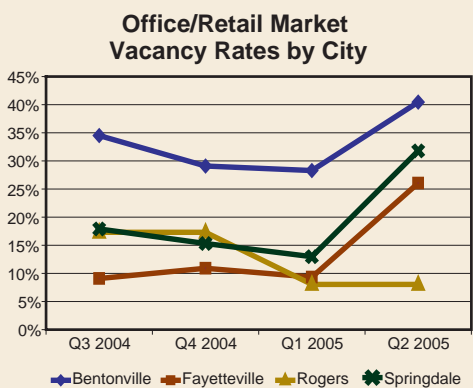
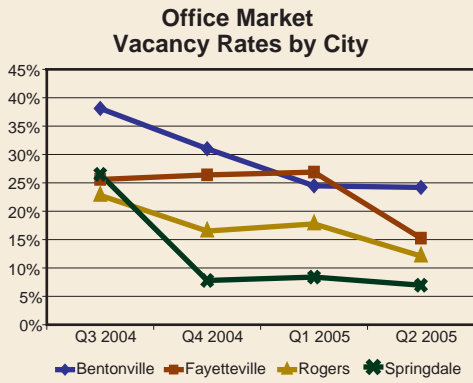
Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Beau Chene Crossing	Bentonville	Lindsey - McClard	Medical Office	40,500	Spring 2006
701-711 "J" Street	Bentonville	Keating Enterprises	Office	35,400	Fall 2005
Brightwood Business Park, Phase II	Bentonville	Charlton Development	Office	24,000	Fall 2005
Janus II	Bentonville	Keating Enterprises	Office	20,000	Spring 2005
Oak Trace, Phase V	Bentonville	Charlton Development	Office	10,360	Fall 2005
Rainbow Curve Office Building	Bentonville	Josh Kyles	Office	80,000	Summer 2005
Sara Lee Corp.	Bentonville	Sellers Properties	Office	30,000	November 2005
607 S.E. 3rd Street	Bentonville	Lillich & Bossler	Office	2,400	Spring 2005
1199 SE 14th	Bentonville	Rick Thomas	Office	24,000	Spring 2006
1007 SW "A" Street	Bentonville	MIDD Development	Office/Retail	14,500	Spring 2005
Bentonville Butcher & Deli	Bentonville	Mike Robinson/Dan Dykema	Office/Retail	12,184	May 2005
Colonnade II	Bentonville	Dixie Development	Office/Retail	19,000	2006
Fountain Plaza	Bentonville	Collier Dickson Flake	Office/Retail	50,000	Summer 2005
Savannah Suites	Bentonville	Burckart Properties	Office/Retail	42,000	2006
Metro Market	Bentonville	Lindsey & Associates	Retail	40,000	Summer 2005
2799 SW 14th Street	Bentonville	Copper Ridge LLC	Retail	14,500	Fall 2005
Joyce Medical & Professional Ctr	Fayetteville	M & S Investments	Medical	15,400	Fall 2005
Appleby Landing	Fayetteville	Dixie Development	Medical Office		2006
Joyce Boulevard	Fayetteville	Lindsey & Associates	Office	82,420	Summer 2006
E. Joyce	Fayetteville	M&S Development LLC	Office	20,000	Fall 2005
N. College & Spring Street	Fayetteville	Terminella and Associates	Office	20,000	October 2005
Beechwood Avenue	Fayetteville	JB Hanna LLC	Office	8,000	Spring 2006
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Fall 2005
Steele Crossing Professional Center	Fayetteville	Steele Crossing Prof. Center	Office/Retail	17,490	Fall 2005
Shops at Nelson's Crossing	Fayetteville	Dixie Development	Office/Retail	66,000	2006
Brandon Mall	Fayetteville	Gary Brandon	Retail	28,000	Fall 2005
Shopping Center	Fayetteville	Mathias	Retail	40,000	2006
The Depot Project	Fayetteville	Mansfield Property Mgmt	Retail		2006
5500 Willow Creek Drive	Johnson	Real Sources, Inc.	Medical	40,000	Early 2006
Tower One	Johnson	Orion Realty	Office/Retail	60,000	November 2005
2208 W. Main	Johnson	WWW Johnson South LLC	Office/Whse	85,000	Summer 2005
Creekside Medical Park	Rogers	Colliers Dickson Flake	Med. Off/Retail	600,000	Fall 2006
Southern Hills	Rogers	Dixie Development	Office	10,000	August 2005
Southern Hills Business Park	Rogers	Trends LLC	Office	12,000	Summer 2005
709 W. Roselawn	Rogers	H.B. Rentals	Office	59,000	Summer 2005
The Peaks Development	Rogers	Peaks Holdings LLC	Office	60,000	2006
Pinnacle Suites	Rogers	The Pinnacle Group	Office/Retail	108,000	2006
The Shoppes at Pinnacle Hills	Rogers	Pinnacle Group	Office/Retail	105,000	Fall 2005
Off Pleasant Grove Road	Rogers	Centre Pointe LLC	Office/Retail	420,000	2006
Pinnacle Promenade	Rogers	The Pinnacle Group	Retail	980,000	Mid 2006
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	1,000,000	December 2005
The Space Center	Rogers	Wi-Shar Moore	Retail	30,000	Fall 2005
Walnut & 37th	Rogers	Dixie Development	Retail	21,350	Summer 2005
B&B Medical	Springdale	Patrick Meyer	Medical Office	11,650	Fall 2005
Electric Avenue Office	Springdale	Latitude Electric	Office	16,000	Fall 2005
Wagon Wheel Development	Springdale	Gary Combs	Office	94,000	2006
Monitor Road	Springdale	Henson Properties	Warehouse	102,000	August 2005
Medical Associates of NWA	Tontitown	Medical Associates of Northwest Arkansas	Medical	6,100	Summer 2005

Trends Summary

This version of the Skyline Report represents the fifth quarter that data have been collected. Therefore, some annual comparisons can begin to be made. The accompanying graphs show how vacancy rates have changed in the office, office/retail, and retail submarkets over the past year. Also, the table below shows the total absorption over the past year by city and submarket. The following two pages have tables with more detailed information.

Over the past year, in the office submarket, Fayetteville and Rogers have experienced net positive absorption, while new construction in Bentonville has meant an increase in available space in that market. In retail space, all submarkets except Springdale saw some level of negative net absorption, but the positive absorption in Springdale was enough to offset the negatives in the other cities. Bentonville had a lot of new retail space come on the market, while the other communities in Northwest Arkansas saw movement in their Class B and Class C retail submarkets. The office/retail market has looked different, with every city in Northwest Arkansas experiencing negative net absorption in that submarket over the past year. In Bentonville, this is again attributable to new space coming on the market. In Fayetteville, while 4,515 square feet of new space did come on the market, most of the negative net absorption was due to tenants vacating Class B and C retail/office space. Finally, warehouse space experienced positive net absorption everywhere except in Bentonville and Lowell over the past year.

In the office and retail markets, vacancy rates trended somewhat lower over the past year. In the office/retail market, the trend was just the opposite (except in Rogers, where office/retail vacancy rates have been fairly constant).



Net Absorption by Submarket June 2004 - May 2005

	Submarket			
	Office	Office/Retail	Retail	Warehouse
Bella Vista	-2,250	-3,916	7,300	0
Bentonville	-68,378	-77,869	-29,878	-9,107
Fayetteville	119,440	-52,882	-3,811	47,600
Lowell	4,341	-3,200	0	-19,600
Rogers	83,496	0	-5,457	86,264
Siloam Springs	0	0	-14,369	0
Springdale	729	-2,174	91,506	12,865
Northwest Arkansas	137,378	-140,041	19,195	118,022

Vacancy Rates by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2004	33.7%	39.3%	28.8%	100.0%	19.6%	100.0%	21.4%	31.7%
Q3 2004	19.6%	38.1%	25.6%	11.7%	22.8%	100.0%	26.5%	28.4%
Q4 2004	50.0%	31.0%	26.4%	3.6%	16.5%	48.4%	7.8%	24.5%
Q1 2005	17.2%	24.5%	26.9%	3.7%	17.8%	4.8%	8.4%	21.6%
Q2 2005	17.2%	24.2%	15.2%	5.0%	12.1%	--	6.9%	17.8%

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	57.0%	61.8%	--	0.0%	10.7%	14.3%	24.8%
Q1 2005	--	100.0%	0.3%	--	15.8%	--	14.7%	7.4%
Q2 2005	--	77.8%	2.1%	--	11.2%	4.1%	0.0%	17.6%

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2004	4.5%	36.7%	8.8%	8.8%	100.0%	--	40.6%	26.5%
Q3 2004	3.1%	34.5%	9.1%	8.8%	17.3%	--	17.9%	19.7%
Q4 2004	8.3%	29.1%	10.9%	16.7%	17.3%	--	15.3%	16.8%
Q1 2005	9.5%	28.3%	9.3%	--	8.1%	10.6%	13.0%	13.9%
Q2 2005	3.2%	40.5%	26.1%	16.7%	8.1%	10.6%	31.8%	26.8%

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2004	--	100.0%	--	--	100.0%	--	34.0%	55.5%
Q3 2004	--	84.8%	0.0%	--	100.0%	36.3%	100.0%	94.8%
Q4 2004	--	100.0%	0.0%	--	0.0%	70.8%	50.0%	27.4%
Q1 2005	--	41.9%	91.3%	--	8.5%	70.8%	60.8%	46.0%
Q2 2005	--	21.5%	0.0%	--	8.5%	71.4%	46.3%	41.1%

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2004	--	69.7%	8.3%	--	19.5%	36.3%	9.5%	15.4%
Q3 2004	1.2%	38.7%	6.4%	0.0%	23.8%	--	12.0%	12.0%
Q4 2004	3.1%	30.4%	7.2%	0.0%	21.9%	100.0%	8.5%	11.8%
Q1 2005	0.0%	19.8%	7.6%	5.8%	16.3%	0.4%	11.9%	10.5%
Q2 2005	0.0%	16.9%	6.3%	0.0%	18.7%	0.9%	8.4%	8.7%

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	--	66.3%	--	100.0%	--	10.5%	21.8%
Q4 2004	--	--	66.3%	--	100.0%	--	21.0%	31.8%
Q1 2005	--	--	66.3%	--	100.0%	100.0%	22.1%	29.4%
Q2 2005	--	--	66.3%	--	100.0%	0.0%	23.9%	33.0%

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2004	--	100.0%	6.7%	--	21.0%	43.1%	77.3%	24.7%
Q3 2004	--	80.3%	8.4%	100.0%	62.8%	0.0%	55.3%	52.1%
Q4 2004	--	56.3%	4.8%	47.4%	53.5%	0.0%	74.8%	33.5%
Q1 2005	--	64.8%	6.6%	47.4%	48.3%	0.0%	35.2%	30.5%
Q2 2005	--	14.7%	1.5%	100.0%	35.6%	--	41.4%	15.5%

Net Absorption by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	-2,250	-17,740	22,299	0	-8,112	0	-21,571	-27,374
Q4 2004	0	1,530	-4,280	9,591	2,439	0	21,902	31,182
Q1 2005	0	-78,893	13,598	-200	11,512	0	-1,737	-55,720
Q2 2005	0	26,725	87,823	-5,050	77,657	--	2,135	189,290

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	-1,300	0	--	0	--	0	-1,300
Q2 2005	--	-42,200	-3,507	--	0	267	-4,832	-50,272

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	0	5,000	1,000	0	0	--	-7,500	-1,500
Q4 2004	-5,643	5,544	-11,815	-3,200	4,380	--	3,611	-7,123
Q1 2005	-889	-2,350	-8,774	--	-4,380	0	6,369	-10,024
Q2 2005	2,616	-86,063	-33,293	0	0	0	-4,654	-121,394

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	--	0	--	-7,800	-7,800
Q4 2004	--	0	0	--	21,000	-38,000	-31,000	-48,000
Q1 2005	--	0	0	--	-21,000	0	-13,444	-34,444
Q2 2005	0	-16,500	-24,886	--	0	-11,320	-4,832	-57,538

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	4,900	-10,208	10,666	0	0	--	67,964	73,322
Q4 2004	0	1,527	-33,598	0	-11,505	-13,144	26,992	-55,824
Q1 2005	2,400	-18,030	12,694	0	8,309	0	-5,550	-177
Q2 2005	0	-3,167	6,427	0	-2,261	-1,225	2,100	1,874

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	--	0	--	5,000	5,000
Q4 2004	--	--	0	--	0	--	-11,000	-11,000
Q1 2005	--	--	0	--	0	-23,680	-1,560	-25,240
Q2 2005	--	--	0	--	0	--	-2,140	-2,140

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	0	0	--	0	0
Q4 2004	--	34,643	0	400	43,000	0	2,575	80,618
Q1 2005	--	-43,750	0	0	5,000	0	5,690	-33,060
Q2 2005	--	0	47,600	-20,000	38,264	--	4,600	70,464



Office Lease Rates

Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.15 - \$18.48	\$14.32 - \$14.68	--	\$13.23 - \$14.98
Fayetteville	\$17.50 - \$19.52	\$11.80 - \$13.22	\$9.57 - \$10.17	\$10.50 - \$10.50
Rogers	\$19.14 - \$20.67	\$10.73 - \$11.42	\$9.62 - \$9.87	\$13.00 - \$13.00
Springdale	\$10.40 - \$14.68	\$12.37 - \$12.80	\$7.74 - \$7.74	\$11.55 - \$11.55

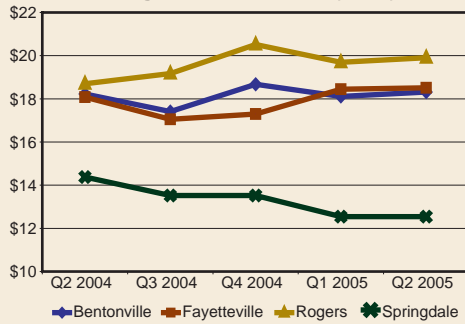
Office

In the second quarter of 2005, the office properties included in the CBER panel had a vacancy rate of 17.8 percent, down from 21.6 percent in the first quarter. Of the 4.3 million square feet of Northwest Arkansas properties examined, 752,352 square feet are currently available. From the first quarter to the second quarter of 2005, 189,290 square feet of office space were absorbed. Only 4,000 square feet of new office space entered the market in the second quarter of 2005.

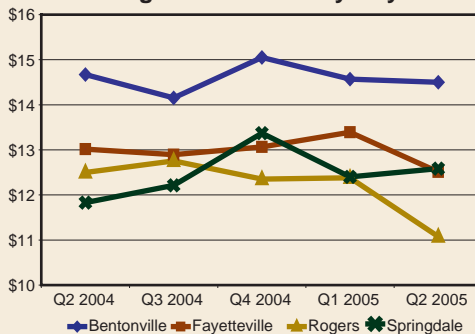
Of the 752,352 square feet of available office space in Northwest Arkansas, over 63 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 40 percent of the unoccupied office space in Bentonville. In the second quarter, there were 5,237 square feet absorbed in the market, but 84,130 square feet became available. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is substantial square footage sitting vacant in the Class B market as well.

In the office market in Rogers, there was positive net absorption of 77,657 square feet in the second quarter of 2005. The Class A market had positive absorption of 46,088 square feet, the Class B market had positive net absorption of 19,327 square feet and the Class C market had positive net

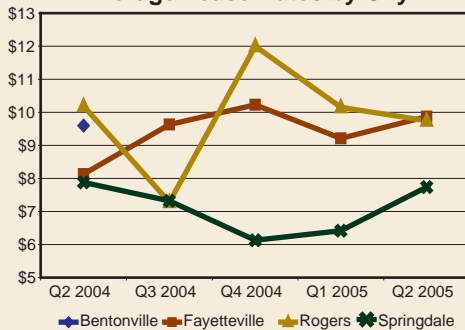
**Class A Office
Average Lease Rates by City**



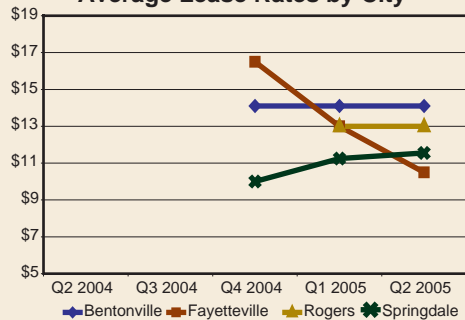
**Class B Office
Average Lease Rates by City**



**Class C Office
Average Lease Rates by City**



**Medical Office
Average Lease Rates by City**



absorption of 12,242. No absorption was reported in the medical office submarket. At the second quarter rate of absorption, Rogers has 4.7 months of inventory in the office market.

Fayetteville had 130,411 square feet of available office space in the second quarter of 2005. About 7 percent of the space is Class C, with the remainder fairly evenly split between Class A and Class B space. From the first to the second quarter, there was positive absorption of 68,833 square feet in the Class A market, positive absorption of 16,840 square feet in the Class B market, and positive absorption of 2,150 square feet in the Class C market. Negative absorption of just over 3,500 square feet was reported in the medical office submarket.

Springdale experienced very little activity in the second quarter. A total 2,419 square feet of Class B space was absorbed, while 284 square feet of Class C office space reentered the market. There were only 21,366 square feet of available office space in the second quarter of 2005 in Springdale, implying a 6.9 percent vacancy rate.

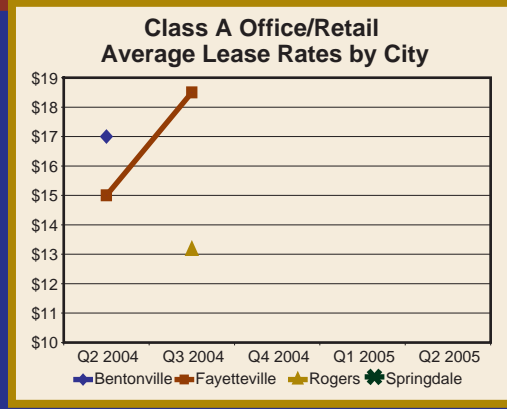
Office lease rates continue to be highest, on average, for Class A office space in Rogers, averaging from \$19.19 to \$20.19 per square foot. Class A space in both Bentonville and Fayetteville can approach the lower end of this range, but Class A space in Springdale continues to be significantly less expensive per square foot. Class B office space is most expensive in Bentonville and least expensive on average in Rogers. In the second quarter, Fayetteville had the most expensive Class C office space. Medical office space was cheapest, on average, in Fayetteville in the second quarter with Bentonville having the highest prices in this submarket.

Office Space Characteristics by Class and City

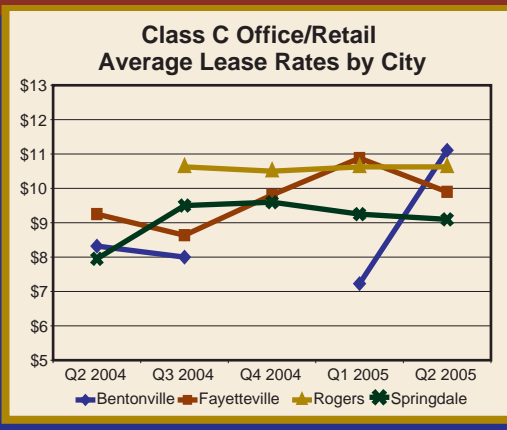
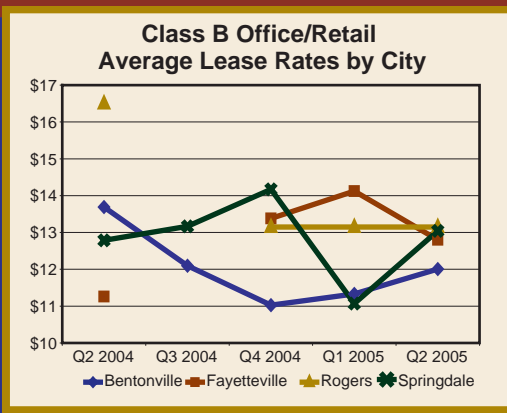
Class A Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	322,527	196,188	60.8%	37,183	0	37,183	15.8
Fayetteville	124,654	55,821	44.8%	68,833	0	68,833	2.4
Rogers	825,440	65,471	7.9%	46,088	0	46,088	4.3
Springdale	--	--	--	--	--	--	--
Class B Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	1,643,105	281,195	17.1%	-6,458	4,000	-10,458	--
Fayetteville	689,082	65,706	9.5%	16,840	0	16,840	11.7
Rogers	111,223	17,050	15.3%	19,327	0	19,327	--
Springdale	196,316	96,481	49.1%	-6,654	0	-6,654	--
Class C Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	6,450	0	0.0%	0	0	0	--
Fayetteville	42,540	8,884	20.9%	2,150	0	2,150	12.4
Rogers	77,467	40,121	51.8%	12,242	0	12,242	9.8
Springdale	135,088	8,850	6.6%	2,000	0	2,000	13.3
Medical Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	58,108	45,221	77.8%	1,300	43,500	-42,200	--
Fayetteville	166,413	3,507	2.1%	-3,507	0	-3,507	--
Rogers	19,217	2,150	11.2%	0	0	0	--
Springdale	333,180	154,350	46.3%	7,500	0	-4,832	--

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents



Office/Retail Lease Rates



Average Range by City

	Class B	Class C
Bentonville	\$11.55 - \$12.46	\$10.75 - \$11.47
Fayetteville	\$12.25 - \$13.35	\$8.40 - \$11.39
Rogers	\$13.15 - \$13.15	\$8.00 - \$13.25
Springdale	\$11.14 - \$14.95	\$7.20 - \$11.00

Office/Retail

In the second quarter of 2005, the office/retail properties included in the CBER sample had a vacancy rate of 26.8 percent, up significantly from 13.9 percent in the first quarter. Of the 1.7 million square feet of Northwest Arkansas properties examined, 481,968 square feet were available. From the first quarter to the second quarter of 2005, 47,310 square feet of office/retail space became available, while 74,064 square feet of space was added to the submarket.

No city experienced positive net absorption in the office/retail submarket in the second quarter. Bentonville had a loss of 16,798 square feet of occupancy and an additional 64,064 square feet of Class B office/retail space came online in Bentonville in the second quarter. Fayetteville had positive absorption of 1,593 square feet, but an additional 10,000 new square feet were added to that market. Springdale had 6,664 square feet of Class B office/retail space become vacant, while 2,000 square feet of Class C office/retail space was absorbed. Rogers had no movement in the office/retail submarket in the second quarter of 2005.

Bentonville continues to have the largest amount of available square feet in the Class B office/retail submarket with 159,801 square feet available. This translates to a vacancy rate of 47.5 percent. Springdale also has a fair amount of Class B office/retail space available with 96,481 square feet. Fayetteville has the highest concentration of available Class C office/retail space with 119,457 square feet. Rogers, on the other hand, has very little office/retail space available.

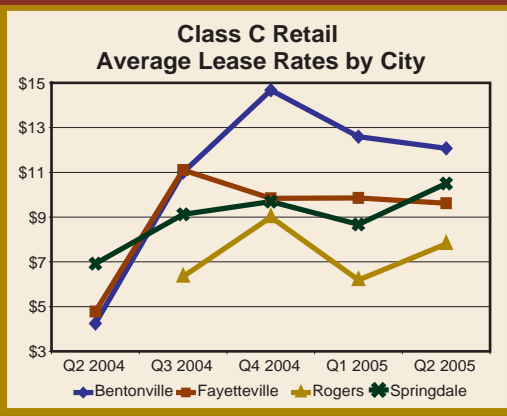
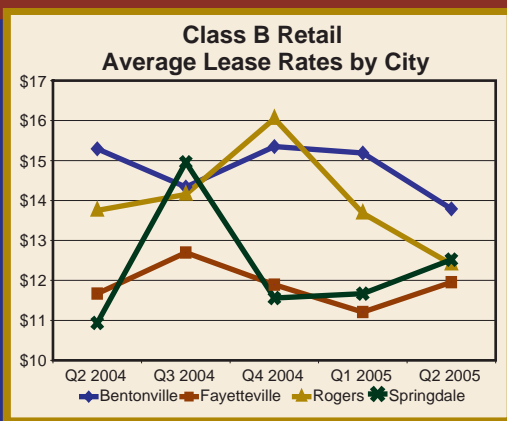
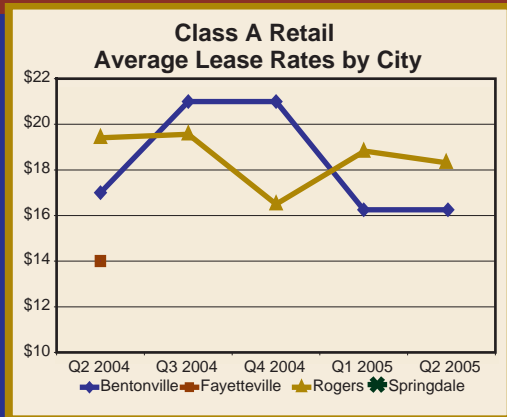
Office/retail space lease rate changes were mixed in the second quarter. Average lease rates for Class B space declined in Fayetteville, but had small increases in Springdale and Bentonville. Average lease rates for Class C space declined slightly in Fayetteville and Springdale and increased on average in Bentonville during the second quarter.

Office/Retail Space Characteristics by Class and City

Class B Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	336,287	159,801	47.5%	-16,789	64,064	-80,853	--
Fayetteville	470,698	62,973	13.4%	1,593	10,000	-8,407	--
Rogers	58,000	14,400	24.8%	0	0	0	--
Springdale	196,316	96,481	49.1%	-6,654	0	-6,654	--
Class C Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	71,479	5,210	7.3%	-5,210	0	-5,210	--
Fayetteville	229,290	119,457	52.1%	-24,886	0	-24,886	--
Rogers	175,270	4,380	2.5%	0	0	0	--
Springdale	135,088	8,850	6.6%	2,000	0	2,000	13.3

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents



Retail Lease Rates

Average Range by City

	Class A	Class B	Class C
Bentonville	\$16.00 - \$16.50	\$13.79 - \$13.79	\$11.98 - \$12.17
Fayetteville	-	\$11.08 - \$12.83	\$9.62 - \$9.62
Rogers	\$18.20 - \$18.68	\$11.58 - \$14.08	\$7.80 - \$7.80
Springdale	-	\$10.67 - \$12.67	\$10.00 - \$11.00

Retail

In the second quarter of 2005, the retail properties included in the CBER panel had a vacancy rate of 8.7 percent, which was a decline of almost two percentage points from the first quarter. Of the 4.2 million square feet of Northwest Arkansas retail properties examined, 322,703 square feet are currently available. From the first quarter to the second quarter of 2005, there was a positive absorption of 1,874 square feet of retail space, while no new square feet of retail space came online in the market.

Bentonville had 50,920 square feet of total retail space available in the second quarter, resulting in a vacancy rate of 16.9 percent. This represented a decline from the rate of 19.8 percent in the first quarter of 2005. The decline in observed vacancy rates is due to sample compositional differences, rather than from absorption. In fact, Bentonville had negative net absorption of just over 3,100 square feet of retail space.

In the second quarter of 2005, Fayetteville had a vacancy rate of 6.3 percent, down from 7.6 percent in the first quarter, with 98,865 available square feet. There was reported positive absorption of 9,333 square feet in the Class B retail submarket and reported negative absorption of 761 square feet in the Class A retail and 2,889 square feet in the Class C submarkets. No new available square feet were reported during the second quarter in Fayetteville.

The Rogers market had 131,446 square feet of total retail space available in the second quarter with a vacancy rate of 18.7 percent. This rate was an increase from 16.3 percent in the first quarter. A total of 761

square feet became available in the Class A submarket and a total of 1,500 square feet became available in the Class C submarket. No activity was reported in the Class B retail submarket in Rogers in the second quarter of 2005.

The retail submarket in Springdale experienced positive net absorption of space in the second quarter of 2005. A total of 2,100 square feet were absorbed in the Class B submarket, while no absorption occurred in Class C space. Springdale had only 39,347 available square feet with a vacancy rate of 5.1 percent in the second quarter of 2005.

Some trends emerged from the lease rate data for the second quarter in Northwest Arkansas. Rogers continues to have the most expensive Class A retail space. Class B retail rates declined in Bentonville and Rogers and increased in Fayetteville and Springdale in the second quarter. Rogers and Springdale both had small increases in lease rates for Class C retail space.

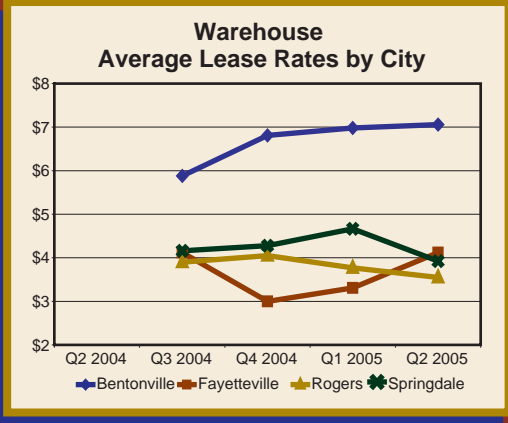


Retail Space Characteristics by Class and City

Class A Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	38,000	8,700	22.9%	0	0	0	--
Fayetteville	822,703	15,492	1.9%	-17	0	-17	--
Rogers	113,582	10,244	9.0%	-761	0	-761	--
Springdale	--	--	--	--	--	--	--
Class B Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	204,058	27,053	13.3%	-300	0	-300	--
Fayetteville	696,898	68,349	9.8%	9,333	0	9,333	22.0
Rogers	457,842	111,618	24.4%	0	0	0	--
Springdale	623,511	33,347	5.3%	2,100	0	2,100	47.6
Class C Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	59,517	15,167	25.5%	-2,867	0	-2,867	--
Fayetteville	51,157	15,024	29.4%	-2,889	0	-2,889	--
Rogers	132,885	9,584	7.2%	-1,500	0	-1,500	--
Springdale	144,689	6,000	4.1%	0	0	0	--

¹From all Q2 2005 respondents

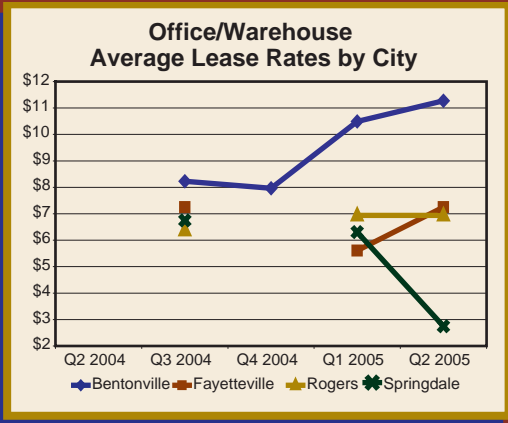
²From Q2 2005 respondents who were also Q1 2005 respondents



Other Lease Rates

Average Range by City

	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$7.06 - \$7.06	\$10.10 - \$12.44	-
Fayetteville	\$4.12 - \$4.12	\$2.00 - \$12.50	\$5.08 - \$5.08
Rogers	\$3.55 - \$3.55	\$3.38 - \$10.50	\$4.80 - \$4.80
Springdale	\$3.55 - \$4.30	\$3.75 - \$4.75	\$4.00 - \$10.67

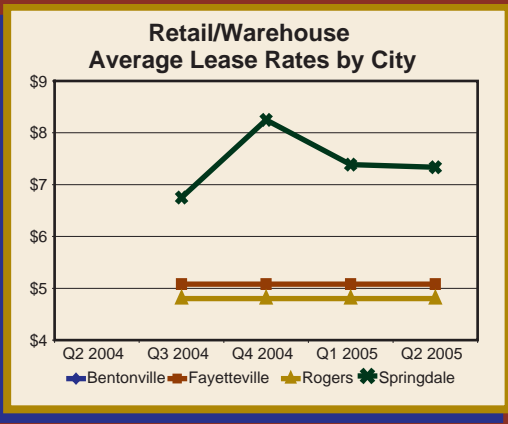


Warehouse

In the second quarter of 2005, the warehouse properties included in the CBER panel had a vacancy rate of 15.5 percent. This was a decline from the first quarter vacancy rate of 30.5 percent. Of the 1.4 million square feet of warehouse space examined, 213,887 square feet were available in the second quarter. There was positive net absorption of 70,464 square feet of warehouse space in the second quarter and no additional square feet of space came online in the market. The decline in vacancy rates was due both to the absorption and to sample compositional difference.

The bulk of available warehouse space is in Rogers. Bentonville, Fayetteville, and Springdale have significantly less available warehouse space. Positive absorption in Bentonville, Fayetteville, and Rogers caused vacancy rates to decline from the first quarter to the second quarter in those submarkets.

Bentonville continued to have the most expensive average warehouse lease rates, while Fayetteville, Rogers, and Springdale had roughly comparable average warehouse lease rates in the second quarter.



Office/Warehouse

The CBER panelists reported on 976,127 square feet of office/warehouse space in the second quarter. The vacancy rate in the office/warehouse submarket declined to 41.1 percent in Northwest Arkansas, with 334,500

Other Space Characteristics by Class and City

Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	140,025	20,600	14.7%	0	0	0	--
Fayetteville	816,306	12,000	1.5%	47,600	0	47,600	0.8
Rogers	300,526	107,062	35.6%	38,264	0	38,264	8.4
Springdale	87,425	36,225	41.4%	4,600	0	4,600	23.6
Office/Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	289,497	62,100	21.5%	-16,500	0	-16,500	--
Fayetteville	6,000	0	0.0%	0	0	0	--
Rogers	248,000	21,000	8.5%	0	0	0	--
Springdale	333,180	154,350	46.3%	7,500	0	-4,832	--
Retail/Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	--	--	--	--	--	--	--
Fayetteville	8,900	5,900	66.3%	0	0	0	--
Rogers	12,000	12,000	100.0%	--	--	--	--
Springdale	121,004	28,896	23.9%	-2,140	0	-2,140	--

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents

total square feet available in the second quarter. From the first to the second quarter of 2005, there was total negative absorption of 21,332 square feet of office/warehouse space while no new space came online.

The activity in the office/warehouse submarket in the first quarter was confined to Bentonville and Springdale. The negative absorption in Bentonville was 16,500 square feet in the second quarter, while the Springdale market continued its yearlong trend of negative absorption. The bulk of office/warehouse space was available in Springdale and Siloam Springs in the second quarter.

Despite already being significantly higher than the rest of the region, in the second quarter, the office/warehouse lease rates in Bentonville continued to increase. Average lease rates increased in Fayetteville and declined in Springdale.

Retail/Warehouse

In the second quarter of 2005, the retail/warehouse properties included in the CBER panel had a vacancy rate of 33.0 percent. This was an increase from the first quarter retail/warehouse vacancy rate of 29.4 percent. Of the reported 141,904 square feet, 46,796 were available in the second quarter. While no additional retail/warehouse square footage came online in the second quarter, there was negative absorption of 2,140 square feet in the Northwest Arkansas market.

All of the negative absorption occurred in Springdale. No absorption was reported in Fayetteville or Rogers in the first quarter. In Bentonville, there was no reported retail/warehouse space. Average lease rates for retail/warehouse space remained constant in Fayetteville, Rogers, and Springdale in the second quarter.

Bella Vista

- Bella Vista had 182,534 square feet of competitive commercial space in the second quarter of 2005.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 137,772 square feet of commercial space in the second quarter of 2005. This represents 75.5 percent of the total competitive commercial space in Bella Vista.
- In the second quarter of 2005, Bella Vista experienced positive net absorption in the office/retail submarket, and no activity in the office, office/warehouse, and retail submarkets.
- Vacancy rates declined in the office/retail submarket in Bella Vista from the first quarter to the second quarter of 2005 and were unchanged in other submarkets.
- Average office/retail lease rates were down slightly in Bella Vista in the second quarter.



Bella Vista Commercial Real Estate Market Summary Statistics

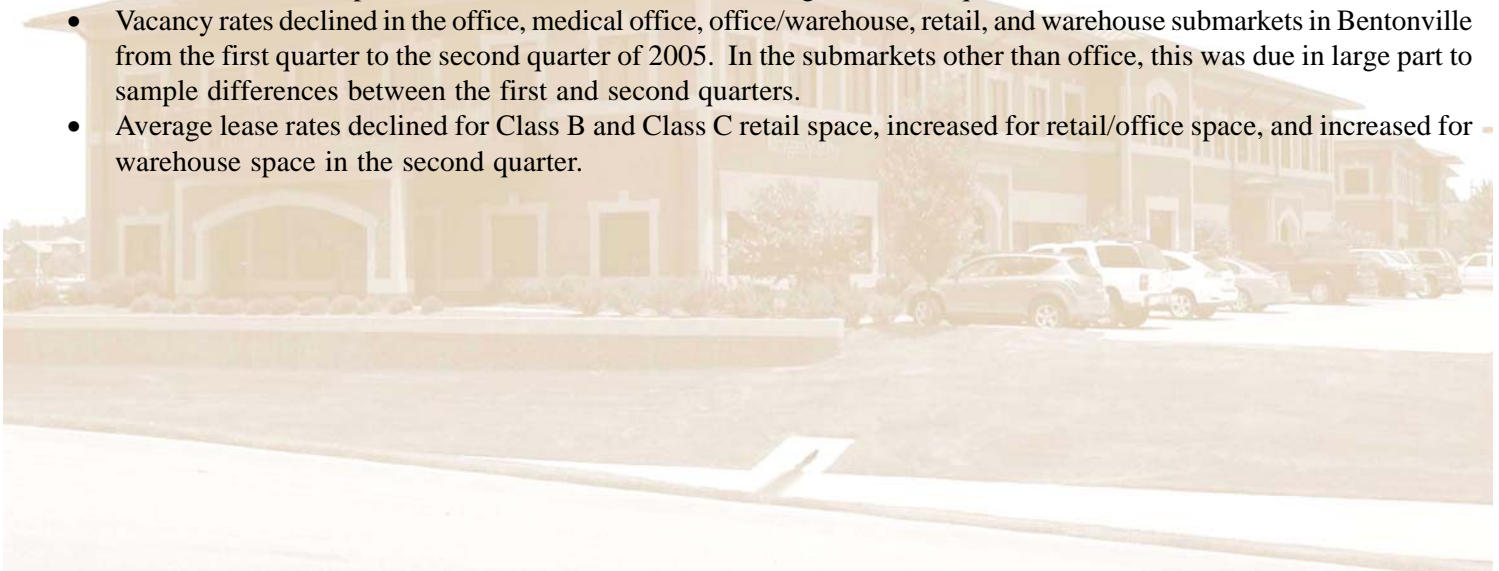
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$9.28 - \$9.28	3,199	550	17.2%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$8.20 - \$8.20	56,041	1,816	3.2%	2,616	0	2,616	2.1
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	2,400	0	0.0%	0	0	0	--
Retail	--	76,132	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents

Bentonville

- Bentonville had 5,098,362 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Bentonville issued building permits for 32,822 square feet of new commercial space, valued at a total of \$3,061,870. This represents a substantial decrease in both square footage and value from the first quarter. Also, the total value of second quarter 2005 building permits was only about 21 percent of the total value of commercial building permits issued during the same time period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,186,412 square feet of commercial space in the second quarter of 2005. This represents 62.5 percent of the total competitive commercial space in Bentonville.
- In the second quarter of 2005, Bentonville experienced positive net absorption in the office submarket and negative net absorption in all other commercial real estate submarkets. The positive absorption occurred in Class A office space. An additional 4,000 square feet of office space, 43,500 square feet of medical office space, and 64,064 square feet of office/retail space came online in Bentonville during the second quarter.
- Vacancy rates declined in the office, medical office, office/warehouse, retail, and warehouse submarkets in Bentonville from the first quarter to the second quarter of 2005. In the submarkets other than office, this was due in large part to sample differences between the first and second quarters.
- Average lease rates declined for Class B and Class C retail space, increased for retail/office space, and increased for warehouse space in the second quarter.



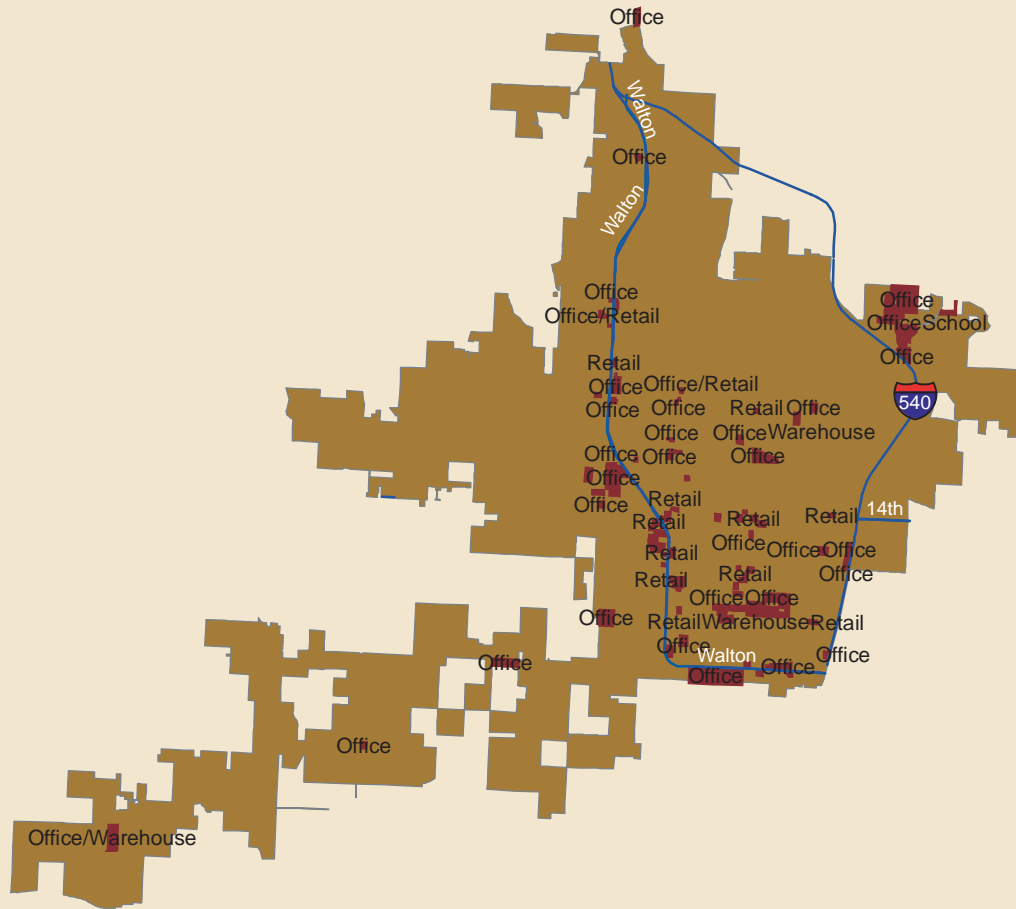
Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	17,359	0	0.0%	0	0	0	--
Office	\$14.59 - \$14.94	1,972,082	477,383	24.2%	30,725	4,000	26,725	--
Class A	\$18.15 - \$18.48	322,527	196,188	60.8%	37,183	0	37,183	15.8
Class B	\$14.32 - \$14.68	1,643,105	281,195	17.1%	-6,458	4,000	-10,458	--
Class C	--	6,450	0	0.0%	0	0	0	--
Medical	\$13.23 - \$14.98	58,108	45,221	77.8%	1,300	43,500	-42,200	--
Office/Retail	\$10.74 - \$11.47	407,766	165,011	40.5%	-21,999	64,064	-86,063	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.55 - \$12.46	336,287	159,801	47.5%	-16,789	64,064	-80,853	--
Class C	\$10.75 - \$11.47	71,479	5,210	7.3%	-5,210	0	-5,210	--
Office/Warehouse	\$10.10 - \$12.44	289,497	62,100	21.5%	-16,500	0	-16,500	--
Retail	\$13.37 - \$13.47	301,575	50,920	16.9%	-3,167	0	-3,167	--
Class A	\$16.00 - \$16.50	38,000	8,700	22.9%	0	0	0	--
Class B	\$13.79 - \$13.79	204,058	27,053	13.3%	-300	0	-300	--
Class C	\$11.98 - \$12.17	59,517	15,167	25.5%	-2,867	0	-2,867	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$7.06 - \$7.06	140,025	20,600	14.7%	0	0	0	--

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents

Bentonville Commercial Properties



Fayetteville

- Fayetteville had 6,410,747 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Fayetteville issued building permits for 138,405 square feet of new commercial space, valued at a total of \$15,491,806. This is the second quarter where Fayetteville has issued commercial building permits in excess of \$15 million. The total value of commercial building permits in the second quarter of 2005 was roughly double that of the same time period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,124,641 square feet of commercial space in the second quarter of 2005. This represents 64.3 percent of the total competitive commercial space in Fayetteville.
- In the second quarter of 2005, Fayetteville experienced overall positive net absorption in the office, retail, and warehouse submarkets. Class A office and Class B retail space were the submarkets where the bulk of the positive absorption was found. Fayetteville had negative net absorption in the office/retail submarket. There was no net absorption in the office/warehouse or retail/warehouse submarkets. An additional 10,000 square feet of office/retail space came online in the second quarter.
- Observed vacancy rates fell in the office, retail, and warehouse submarkets due to the positive net absorption in those markets.
- Class B office and medical office average lease rates declined in Fayetteville from the first to the second quarter, while Class C office average lease rates increased. Average office/retail lease rates were also down from the first quarter. Average retail lease rates were mostly unchanged in Fayetteville, while the average price of warehouse space crept up.

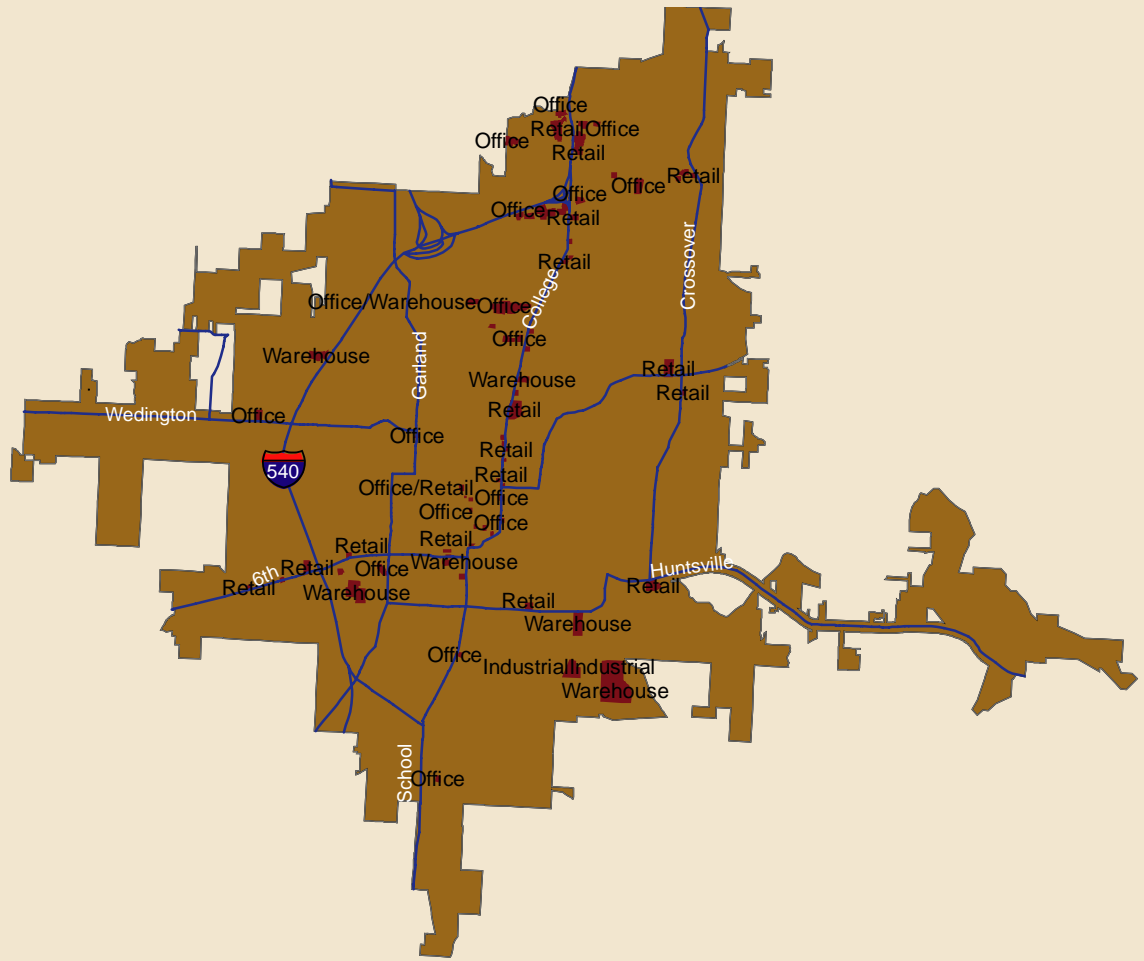
Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$12.03 - \$13.36	856,276	130,411	15.2%	87,823	0	87,823	4.5
Class A	\$17.50 - \$19.52	124,654	55,821	44.8%	68,833	0	68,833	2.4
Class B	\$11.80 - \$13.22	689,082	65,706	9.5%	16,840	0	16,840	11.7
Class C	\$9.57 - \$10.17	42,540	8,884	20.9%	2,150	0	2,150	12.4
Medical	\$10.50 - \$10.50	166,413	3,507	2.1%	-3,507	0	-3,507	--
Office/Retail	\$10.80 - \$12.63	699,988	182,430	26.1%	-23,293	10,000	-33,293	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.25 - \$13.35	470,698	62,973	13.4%	1,593	10,000	-8,407	--
Class C	\$8.40 - \$11.39	229,290	119,457	52.1%	-24,886	0	-24,886	--
Office/Warehouse	\$2.00 - \$12.50	6,000	0	0.0%	0	0	0	--
Retail	\$10.45 - \$11.45	1,570,758	98,865	6.3%	6,427	0	6,427	46.1
Class A	--	822,703	15,492	1.9%	-17	0	-17	--
Class B	\$11.08 - \$12.83	696,898	68,349	9.8%	9,333	0	9,333	22.0
Class C	\$9.62 - \$9.62	51,157	15,024	29.4%	-2,889	0	-2,889	--
Retail/Warehouse	\$5.08 - \$5.08	8,900	5,900	66.3%	0	0	0	--
Warehouse	\$4.12 - \$4.12	816,306	12,000	1.5%	47,600	0	47,600	0.8

¹From all Q2 2005 respondents

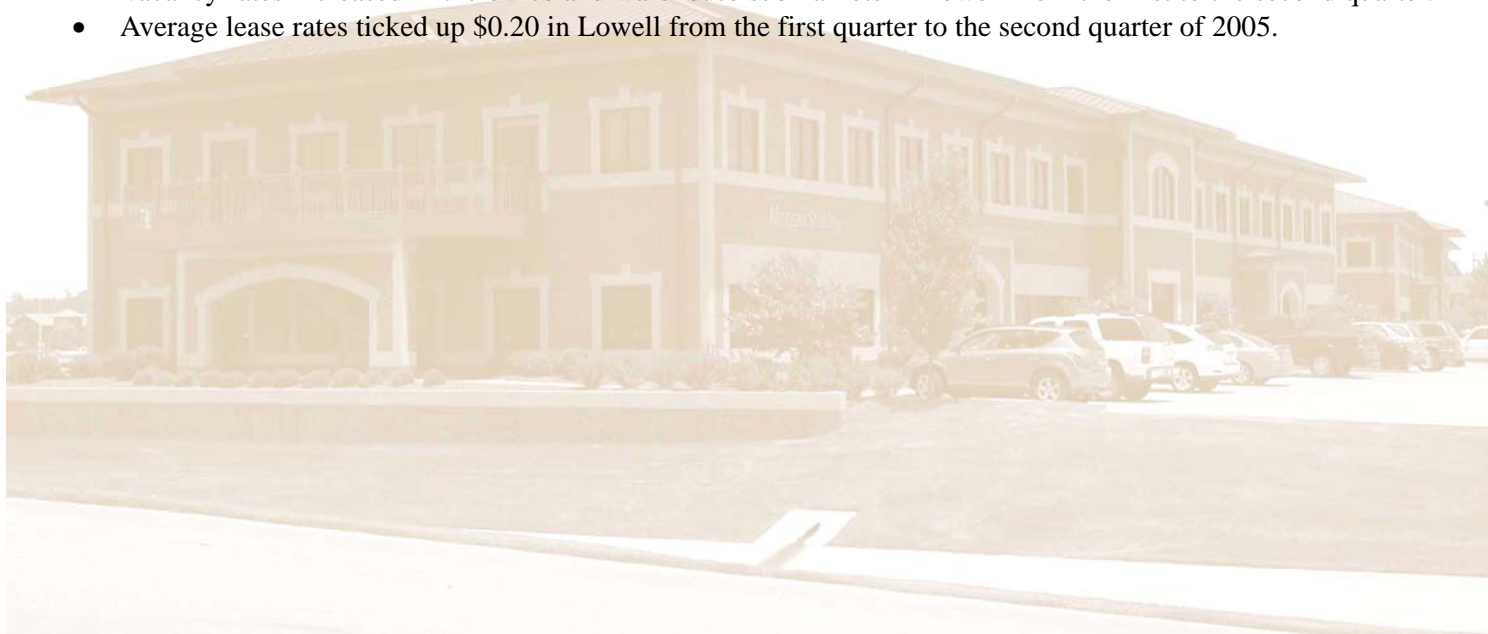
²From Q2 2005 respondents who were also Q1 2005 respondents

Fayetteville Commercial Properties



Lowell

- Lowell had 617,867 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Lowell issued building permits for new commercial space, valued at a total of \$1,590,789. This represents a more than 780 percent increase from the value of the building permits issued during the same time period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 211,294 square feet of commercial space in the second quarter of 2005. This represents 34.2 percent of the total competitive commercial space in Lowell.
- In the second quarter of 2005, Lowell experienced negative net absorption in the office and warehouse submarkets and no activity in other submarkets. There was no reported new commercial space in the second quarter of 2005 in Lowell.
- Vacancy rates increased in the office and warehouse submarkets in Lowell from the first to the second quarter.
- Average lease rates ticked up \$0.20 in Lowell from the first quarter to the second quarter of 2005.



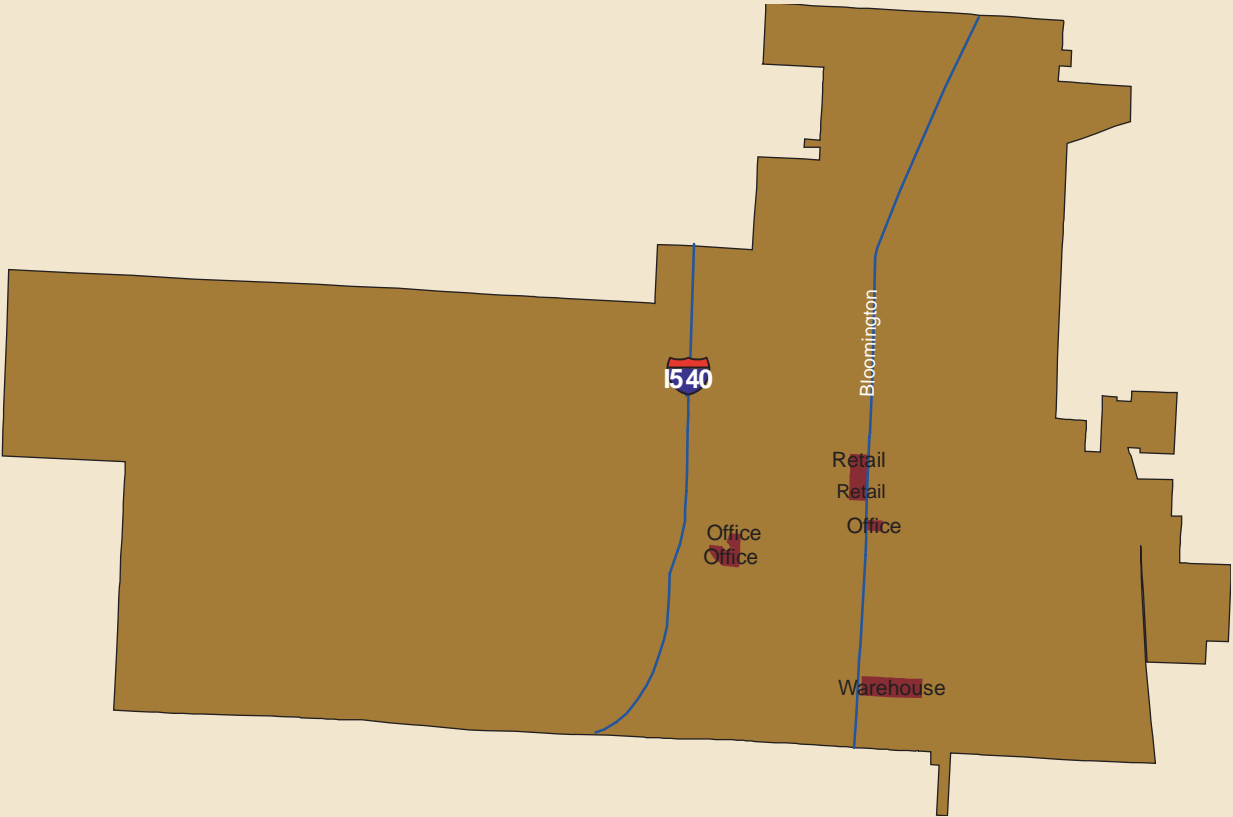
Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$17.88 - \$17.88	118,079	5,906	5.0%	-5,050	0	-5,050	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$8.00 - \$12.00	19,200	3,200	16.7%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$8.00 - \$12.00	36,015	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$3.23 - \$3.23	38,000	38,000	100.0%	-20,000	0	-20,000	--

¹From all Q2 2005 respondents

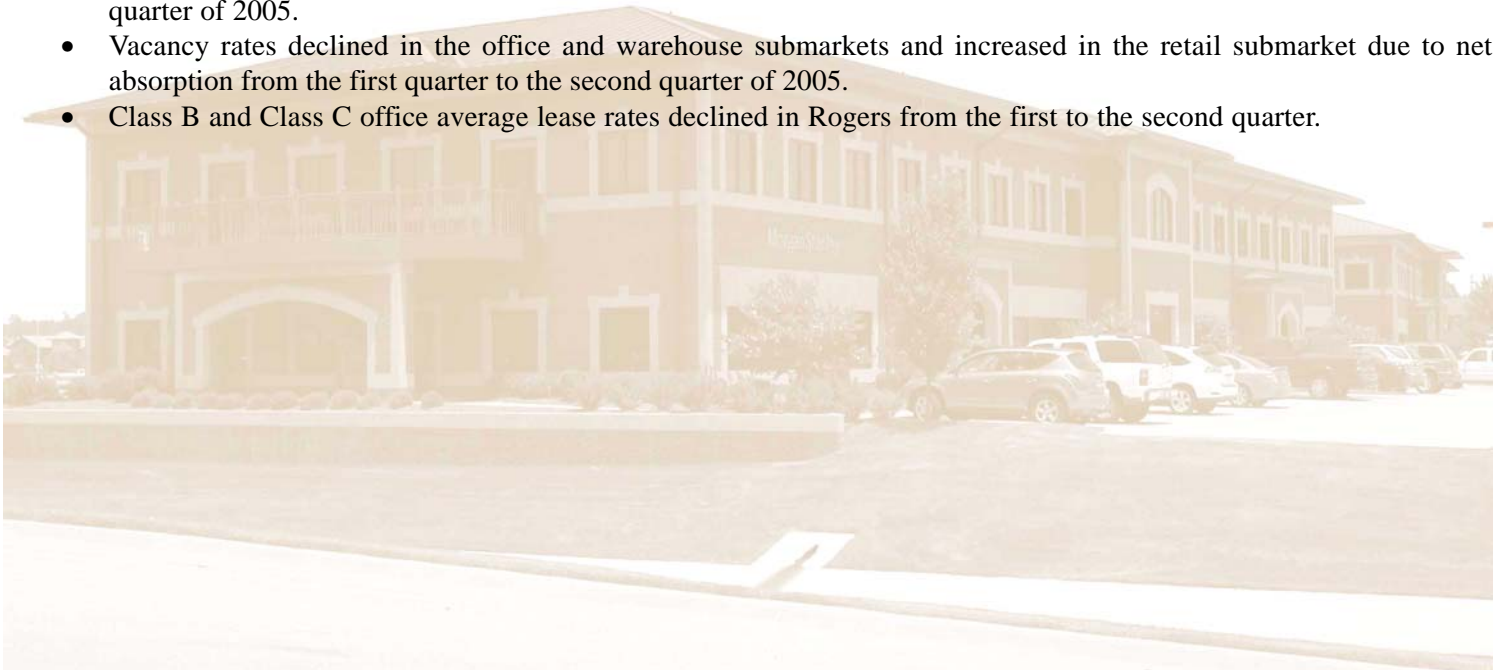
²From Q2 2005 respondents who were also Q1 2005 respondents

Lowell Commercial Properties



Rogers

- Rogers had 5,879,191 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Rogers issued building permits for new commercial space valued at a total of \$30,534,466. This represents a 17 percent increase from the previous quarter. This amount also more than triples the total value of building permits issued in the same time period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,597,770 square feet of commercial space in the second quarter of 2005. This represents 44.2 percent of the total competitive commercial space in Rogers.
- In the second quarter of 2005, Rogers experienced positive net absorption in the office and warehouse submarkets, no net absorption in the office/retail and retail/warehouse submarkets, and negative net absorption in the retail and industrial submarkets. An additional 8,000 square feet of new industrial square footage came online in Rogers in the second quarter of 2005.
- Vacancy rates declined in the office and warehouse submarkets and increased in the retail submarket due to net absorption from the first quarter to the second quarter of 2005.
- Class B and Class C office average lease rates declined in Rogers from the first to the second quarter.



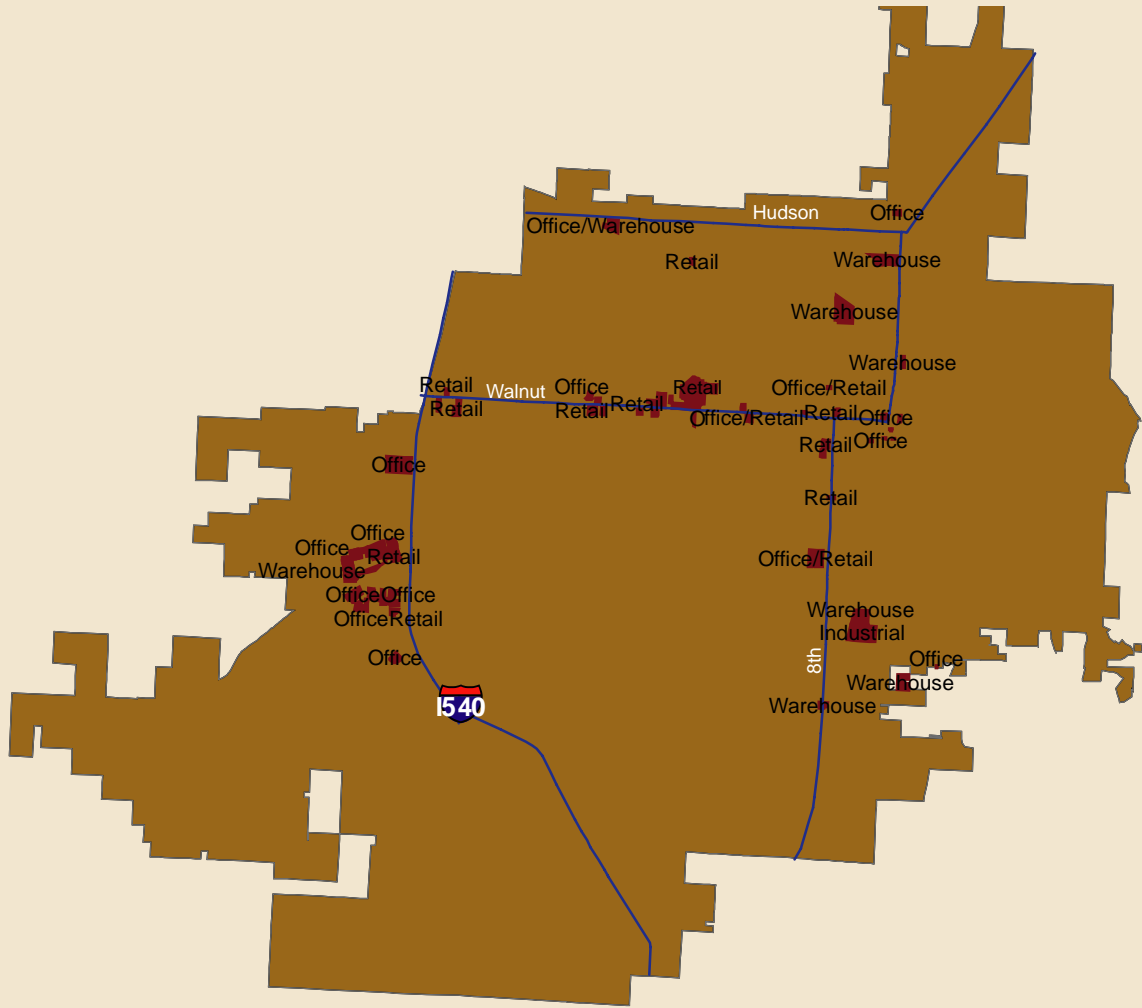
Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	\$6.00 - \$6.00	66,318	8,000	12.1%	0	8,000	-8,000	-
Office	\$15.55 - \$16.87	1,014,130	122,642	12.1%	77,657	0	77,657	4.7
Class A	\$19.14 - \$20.67	825,440	65,471	7.9%	46,088	0	46,088	4.3
Class B	\$10.73 - \$11.42	111,223	17,050	15.3%	19,327	0	19,327	-
Class C	\$9.62 - \$9.87	77,467	40,121	51.8%	12,242	0	12,242	9.8
Medical	\$13.00 - \$13.00	19,217	2,150	11.2%	0	0	0	-
Office/Retail	\$9.72 - \$13.22	233,270	18,780	8.1%	0	0	0	-
Class A	--	--	--	--	--	--	--	--
Class B	\$13.15 - \$13.15	58,000	14,400	24.8%	0	0	0	-
Class C	\$8.00 - \$13.25	175,270	4,380	2.5%	0	0	0	-
Office/Warehouse	\$3.38 - \$10.50	248,000	21,000	8.5%	0	0	0	-
Retail	\$13.86 - \$15.02	704,309	131,446	18.7%	-2,261	0	-2,261	-
Class A	\$19.17 - \$19.57	113,582	10,244	9.0%	-761	0	-761	-
Class B	\$11.58 - \$14.08	457,842	111,618	24.4%	0	0	0	-
Class C	\$7.80 - \$7.80	132,885	9,584	7.2%	-1,500	0	-1,500	-
Retail/Warehouse	\$4.80 - \$4.80	12,000	12,000	100.0%	0	0	0	-
Warehouse	\$3.55 - \$3.55	300,526	107,062	35.6%	38,264	0	38,264	8.4

¹From all Q2 2005 respondents

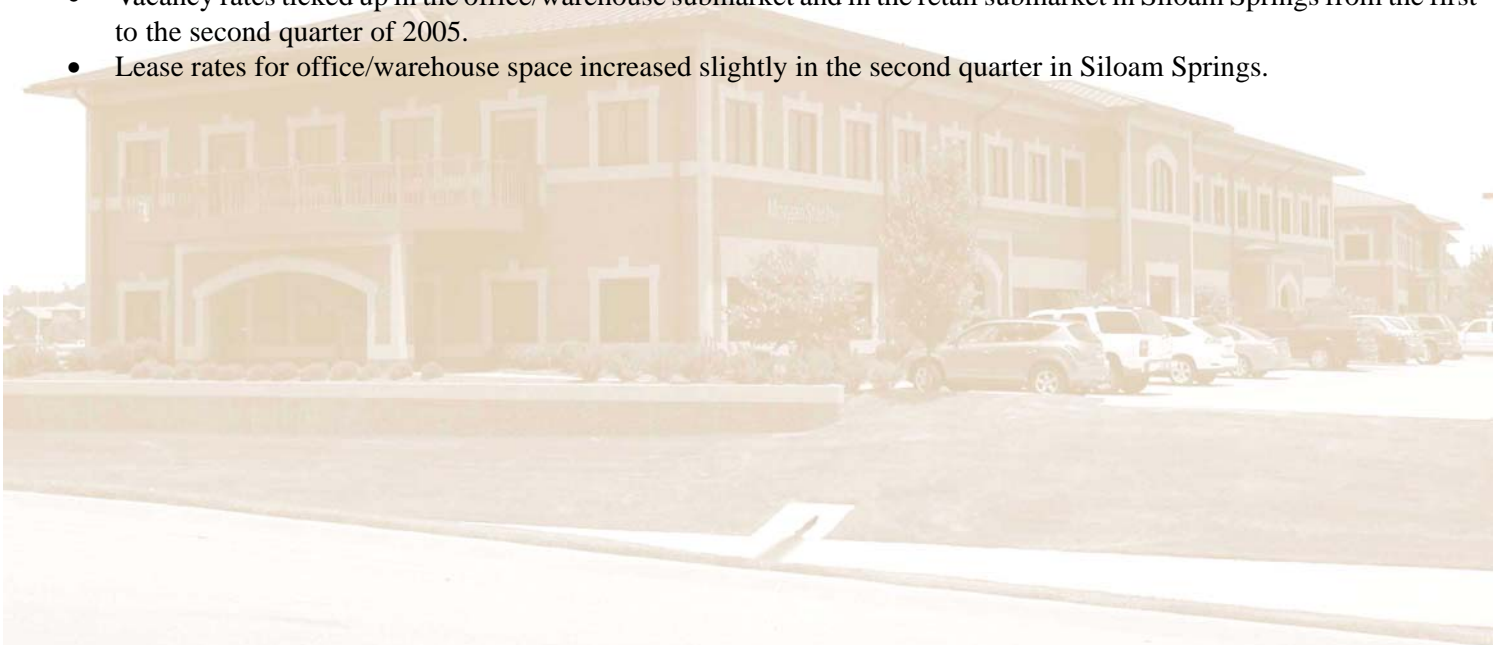
²From Q2 2005 respondents who were also Q1 2005 respondents

Rogers Commercial Properties



Siloam Springs

- Siloam Springs had 961,311 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Siloam Springs issued building permits for 29,699 square feet of new commercial space, valued at a total of \$1,059,000. This represents a 38 percent decline in building permits issued during the same period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 469,763 square feet of commercial space in the second quarter of 2005. This represents 48.9 percent of the total competitive commercial space in Siloam Springs.
- In the second quarter of 2005, Siloam Springs experienced negative net absorption in the office/warehouse and retail submarkets, small positive absorption in the medical office submarket, and no activity in other submarkets. No new square footage became available during the second quarter of 2005 in Siloam Springs.
- Vacancy rates ticked up in the office/warehouse submarket and in the retail submarket in Siloam Springs from the first to the second quarter of 2005.
- Lease rates for office/warehouse space increased slightly in the second quarter in Siloam Springs.



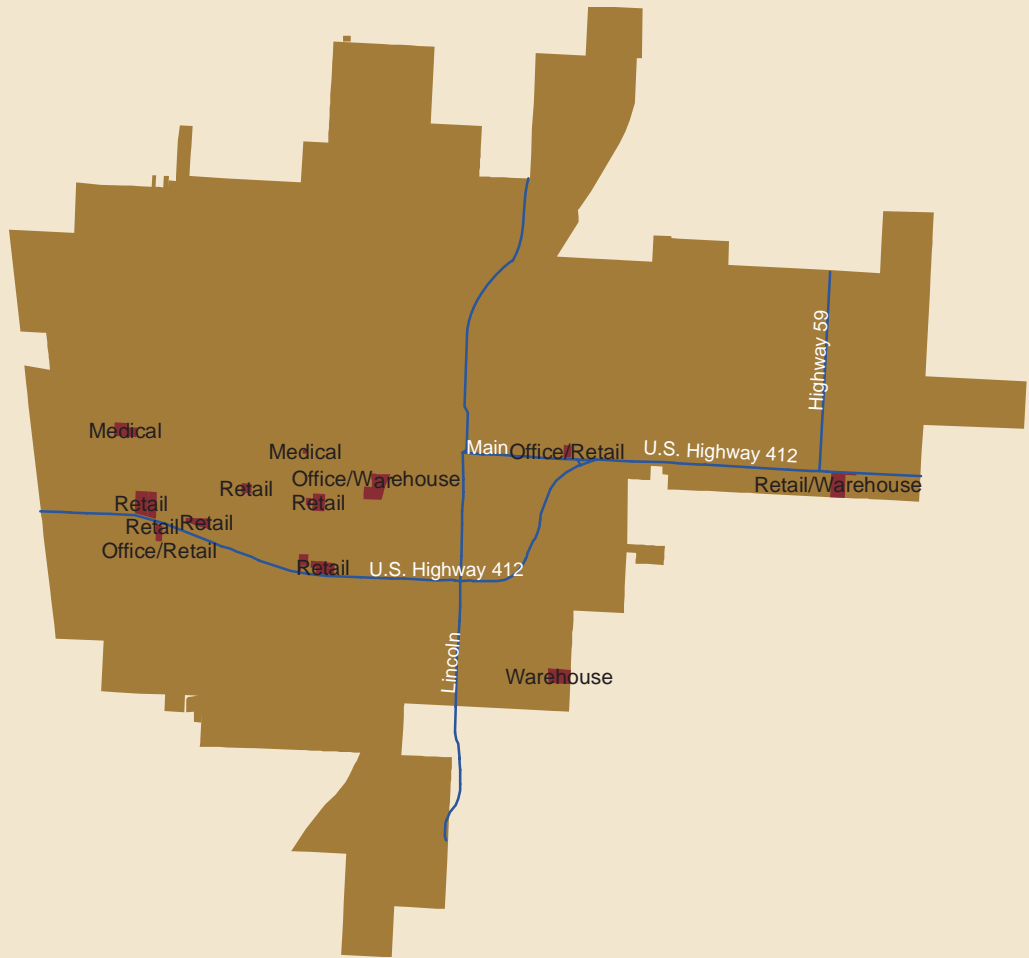
Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	--	--	--	--	--	--	--	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	\$13.50 - \$14.17	37,393	1,533	4.1%	267	0	267	17.2
Office/Retail	--	50,737	5,400	10.6%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$3.64 - \$4.31	136,432	97,050	71.1%	-11,320	0	-11,320	--
Retail	--	245,201	2,125	0.9%	-1,225	0	-1,225	--
Class A	--	--	--	--	--	--	--	--
Class B	--	135,577	2,125	1.6%	-1,225	0	-1,225	--
Class C	--	109,624	0	0.0%	0	0	0	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents

Siloam Springs Commercial Properties



Springdale

- Springdale had 6,001,298 square feet of competitive commercial space in the second quarter of 2005.
- From March to May 2005, Springdale issued commercial building permits valued at a total of \$15,468,833. This represents an increase of over 650% from the total value of building permits issued during the same time period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 1,994,433 square feet of commercial space in the second quarter of 2005. This represents 33.2 percent of the total competitive commercial space in Springdale.
- In the second quarter of 2005, Springdale experienced positive net absorption in the office, retail, and warehouse submarkets and negative net absorption in the office/retail, office/warehouse, and retail/warehouse submarkets. No new space came online in Springdale in the second quarter.
- Vacancy rates followed absorption in the office and retail submarkets, declining from first quarter levels.
- Average lease rates for retail space in Springdale increased slightly in the second quarter, while average warehouse lease rates declined slightly.



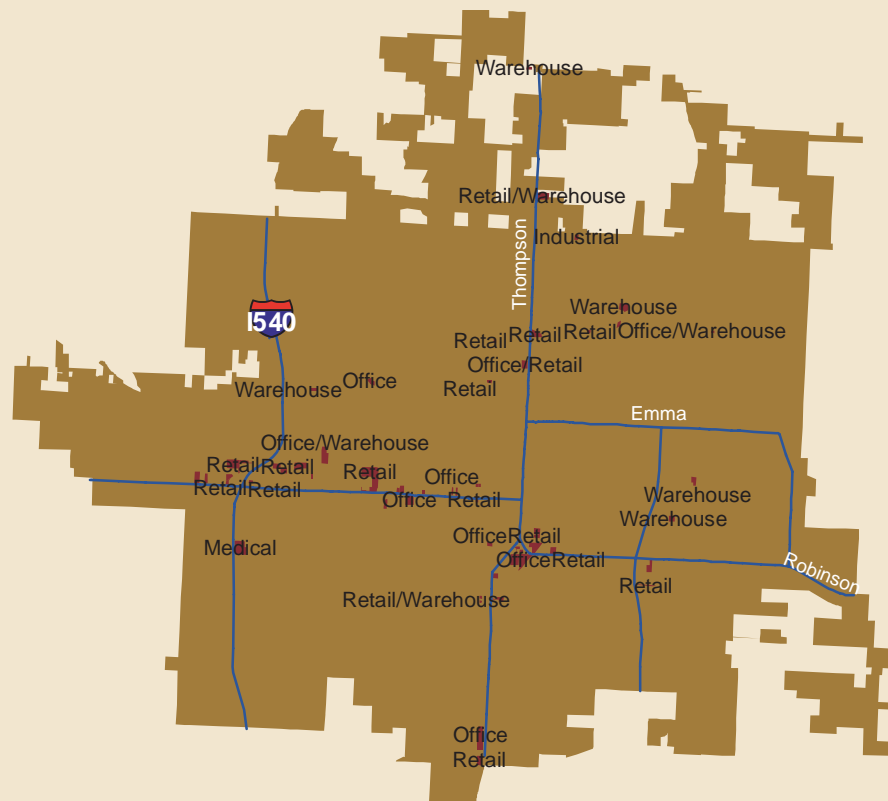
Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	–	17,222	0	0.0%	0	0	0	–
Office	\$10.89 - \$11.85	307,794	21,366	6.9%	2,135	0	2,135	30.0
Class A	\$10.40 - \$14.68	57,248	0	0.0%	0	0	0	–
Class B	\$12.37 - \$12.80	201,154	13,982	7.0%	2,419	0	2,419	17.3
Class C	\$7.74 - \$7.74	49,392	7,384	14.9%	-284	0	-284	–
Medical	\$11.55 - \$11.55	17,222	0	0.0%	0	0	0	–
Office/Retail	\$9.50 - \$13.31	331,404	105,331	31.8%	-4,654	0	-4,654	–
Class A	–	–	–	–	–	–	–	–
Class B	\$11.14 - \$14.95	196,316	96,481	49.1%	-6,654	0	-6,654	–
Class C	\$7.20 - \$11.00	135,088	8,850	6.6%	2,000	0	2,000	13.3
Office/Warehouse	\$3.75 - \$4.75	333,180	154,350	46.3%	7,500	0	-4,832	–
Retail	\$10.50 - \$12.25	768,200	39,347	5.1%	2,100	0	2,100	–
Class A	–	–	–	–	–	–	–	–
Class B	\$10.67 - \$12.67	623,511	33,347	5.3%	2,100	0	2,100	47.6
Class C	\$10.00 - \$11.00	144,689	6,000	4.1%	0	0	0	–
Retail/Warehouse	\$4.00 - \$10.67	121,004	28,896	23.9%	-2,140	0	-2,140	–
Warehouse	\$3.55 - \$4.30	87,425	36,225	41.4%	4,600	0	4,600	23.6

¹From all Q2 2005 respondents

²From Q2 2005 respondents who were also Q1 2005 respondents

Springdale Commercial Properties



Interpreting the Numbers in the Skyline Report

The methodology that is used to produce the Skyline report has been designed to elicit the most useful, comprehensive, and up-to-date information available about the Northwest Arkansas commercial real estate market. Data come from three primary sources that complement one another. Each source, however, has limitations, and as such, results should be compared and interpreted carefully.

The first level of data that the Skyline report contains comes directly from the offices of the Washington and Benton County Assessors. The Benton County Assessor Office uses Apprentice Data Systems as the subcontractor to handle data requests. On a quarterly basis, CBER staff members acquire databases containing listings of all real estate parcels within each county. The information contained in these databases is sorted by type and by size. In order to determine the population of commercial properties of interest, properties that do not meet the following minimum criteria are eliminated from consideration:

- 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 Buildings: 10,000 square feet
- Community Shopping Centers: 5,000 square feet
- Neighborhood Shopping Centers: 5,000 square feet
- Warehouses: 20,000 square feet

Next, properties are individually examined to determine if they are part of the competitive commercial property market. Owner-occupied and other dedicated spaces are eliminated from the base of properties that the Skyline Report examines.

The second source of data that helps comprise the Skyline Report is building permit reports from the cities of Northwest Arkansas. Each city has its own reporting requirements for building permits, which makes in-depth comparisons on a city-by-city basis impossible. Bentonville and Fayetteville have the most comprehensive building permits, which include information on the square footage of buildings and their uses in addition to the value of the permit and identifying characteristics of the property. The other cities in Northwest Arkansas only report the building address, contractor name, and value of the permit. In general, property owner or developer names are not included on building permits in Northwest Arkansas. Building permits also do not provide any sense of the estimated time of completion of a project or availability for leasing.

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. CBER researchers gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the second quarter of 2005, 79 panelists provided data on 611 competitive properties across Benton and Washington Counties. Data are excluded for owner-occupied and dedicated spaces so that the total square feet, available square feet, and lease rates represent a sample only from properties that are currently or potentially available for lease. Vacancy rates are calculated from the sample of 611 properties and are assumed to be representative of the larger competitive commercial property market.

The panel participants vary somewhat from quarter to quarter as new contributors are added and as previous contributors fail to respond for new requests for information. Time trend analysis is dependent on having a consistent base of information so that apples-to-apples comparisons can be made. Absorption rates are only calculated for properties that are part of a matched sub-sample—that is, there must have been information received about a particular property in both recent quarters for the number to be included in the calculated property absorption rates. The one exception to this rule is for new properties that are completed and come online for leasing in the most recent quarter.

In order to supplement the information that is directly received from the panelists, CBER researchers also depend on business publications, public websites, and MLS data.

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.

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