



# THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

**August 2005  
Highlights**

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

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

## Highlights from the Second Quarter of 2005

- Vacancy rates for multifamily properties in Northwest Arkansas increased slightly from their first quarter level of 7.9 percent to 8.1 percent in the second quarter.
- Bentonville and Springdale had the lowest aggregate vacancy rates at 2.9 and 4.5 percents, respectively.
- Bentonville, Rogers, and Springdale each experienced increases in vacancy rates in the second quarter, while Fayetteville and Siloam Springs saw declines in vacancy rates.
- The average lease price per month for a multifamily property unit in Northwest Arkansas increased from \$479 to \$499.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs and most expensive on average in Rogers.

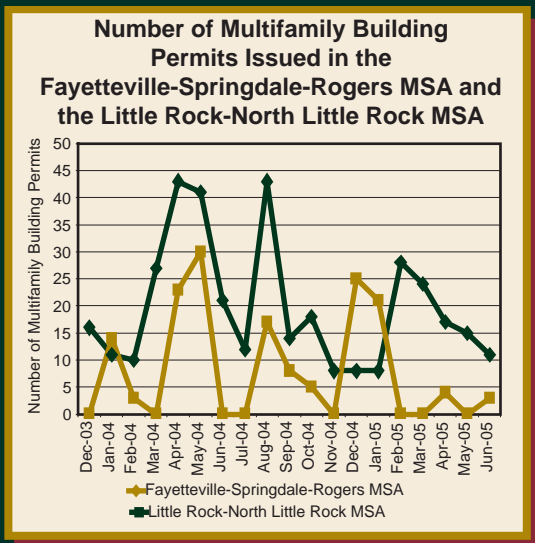
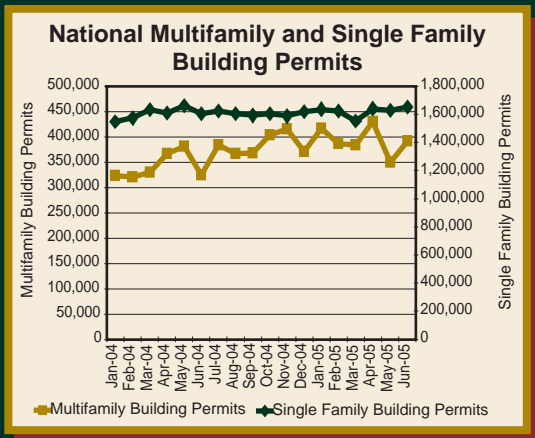
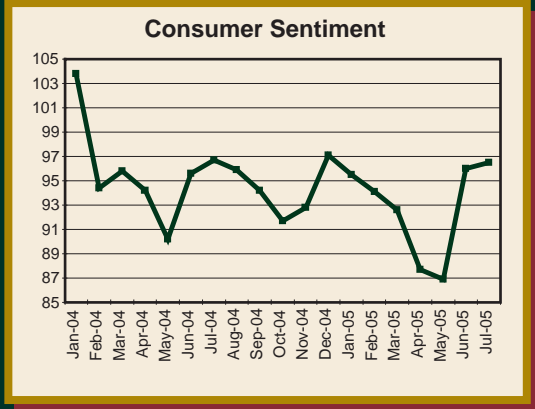
## Economic Overview

To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. In May, the index began climbing from its low levels of early 2005. High gas prices had a larger impact on the living standards of lower income households, while upper income households were more likely to expect other economic gains to overcome the drain of gas prices. The survey data indicated that the London bombings had no direct impact on consumer confidence. Price discounts prompted a record number of consumers to voice favorable buying plans toward vehicles and household durables. Home buying plans, in contrast, gained strength from the expectation that home prices would rise even more in the future. Overall, the data indicate that real consumer spending will grow by 3.5 percent during the year ahead. Consumer confidence acts as a signal about the likely trends in spending for consumers and is directly related to their perceptions of the real estate market. In as much as purchasing single family houses becomes more attractive relative to leasing, the multifamily housing market will be directly affected by this statistic.

The U.S. Census Bureau estimates the issuance of building permits. Since December of 2003, growth in the number of multifamily building permits issued has trended up very slightly, nationally. Although there has been month-to-month variation, the number of single family residential building permits has also trended up slightly. This suggests that the current pace of new construction is sufficient to keep up with demand at all levels.

Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, similar patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of building permits (both multifamily and total) than the LR metro area in 2004 and the beginning of 2005. Despite a great deal of seasonal variation, the trends of all of these series are barely positive. This implies that no significant changes in the pace of growth in the number of residential or multifamily building permits are expected.

On August 9, 2005 the Federal Reserve Board raised its target for the federal funds rate an additional 25 basis points to 3.5 percent, bringing the total increase from the recent lows to 250 basis points. As the accompanying graph shows, the spread between short term rates and



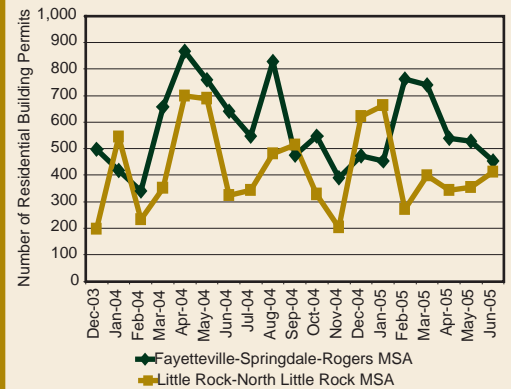
conventional 30-year mortgage rates has declined more than 275 basis points since its most recent peak in May 2004. Because the ten-year treasury interest rate and the 30-year conventional mortgage rate have remained essentially constant since July 2004, buying a single family house remains relatively attractive compared to leasing comparable multifamily housing.

Finally, a graph showing employment trends in the FSR metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 485 jobs a month to the region. Because employment growth is the single most important factor in determining demand for housing of all kinds, there must be an awareness of the possibility of structural changes in the labor market. The data show no evidence that the rate of job growth in Northwest Arkansas will abate in the near term.

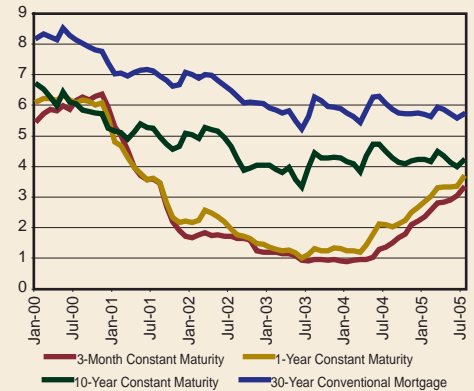
## Northwest Arkansas Average Unit Size and Price by Floor Plan Q2 2005

Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	527	\$490.10	\$0.93
1 Bedroom	600	\$418.24	\$0.70
2 Bedroom	889	\$520.24	\$0.59
3 Bedroom	1,166	\$662.98	\$0.57
4 Bedroom	1,201	\$1,068.33	\$0.89
Northwest Arkansas	797	\$500.14	\$0.63

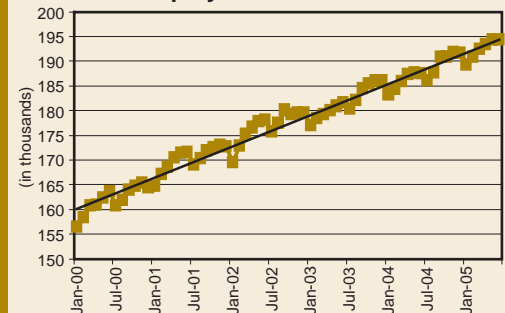
**Number of All Residential Building Permits Issued in the Fayetteville-Springdale-Rogers MSA and the Little Rock-North Little Rock MSA**



**Selected Interest Rates**



**Fayetteville-Springdale-Rogers MSA Employment and Trend**



# Multifamily Residence Building Permits Q2 2005

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
1/11/2005	M.P. Construction of Springdale	2	\$635,652	Fayetteville
1/14/2005	Jenning Mills Apartments	2	\$871,164	Fayetteville
1/18/2005	North Corner Apartments	2	\$1,488,928	Fayetteville
1/19/2005	Lee Jackson	1	\$40,760	Fayetteville
2/9/2005	Glen at Polo Park	20	\$24,195,966	Bentonville
2/14/2005	Aaron Nickel Homes	1	\$446,729	Fayetteville
3/18/2005	Salem Road Townhomes	6	\$3,387,384	Fayetteville
3/18/2005	Hometown Developments	1	\$348,371	Fayetteville
3/29/2005	Bedford Apartments	1	\$475,536	Fayetteville
4/7/2005	Condos at the Peaks	56	\$6,557,446	Rogers
5/5/2005	Southern View, Phase II	6	\$9,407,802	Fayetteville
5/8/2005	Hidden Lake, Phase II	4	\$2,640,424	Springdale
<b>Total</b>		<b>102</b>	<b>\$50,496,162</b>	

## Northwest Arkansas Vacancy Rates by Floor Plan Q2 2005

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	2.1%	2.7%	7.1%
Fayetteville	12.2%	4.1%	7.9%
Rogers	18.4%	19.4%	4.2%
Siloam Springs	15.0%	3.2%	4.3%
Springdale	5.3%	2.8%	13.8%
<b>Northwest Arkansas</b>	<b>10.7%</b>	<b>6.4%</b>	<b>9.2%</b>

