

THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

Commercial Real Estate
Market Summary for
Benton and Washington Counties
July 2006



Center for Business and Economic Research

Center for Business and Economic Research Sam M. Walton College of Business University of Arkansas Fayetteville, AR 72701 Telephone: 479.575.4151 http://cber.uark.edu/

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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the ninth 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 2006

- In the second quarter of 2006, 525,032 square feet of competitive commercial property were added to the Northwest Arkansas market, with more than 80 percent of the new space located in either Bentonville or Rogers.
- Despite the addition of 159,123 square feet of office space, there was positive net absorption in Northwest Arkansas of 59,344 square feet.
- Likewise, within the retail submarket there was absorption of 98,503 square feet and the entry of only 71,763 new square feet, netting positive absorption of 26,740 square feet.
- The office/retail markets in Bentonville, Rogers, Fayetteville, and Springdale each experienced negative net absorption in the second quarter of 2006.
- The warehouse submarket experienced substantial negative net absorption of 238,190 square feet in the second quarter after accounting for the addition of 37,150 new square feet.
- From March to May 2005, there were \$95.3 million in commercial building permits issued in Northwest Arkansas. This represents an increase of 41.8 percent over the same period in 2005.
- Northwest Arkansas employment continued to increase at its fiveyear average rate of 600 jobs per month during the second quarter, implying no slowdown in demand for residential or commercial development.
- Developers in Northwest Arkansas put forth a cautious tone about the near-term prospects for the commercial sector, while remaining upbeat about the region's long-term prospects.

Report Structure

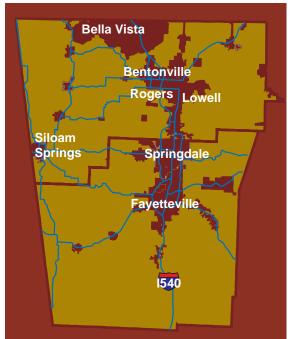
The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive 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 40) 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 162 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.

Following the table of announced commercial projects is a trends summary that includes information about vacancy rate and available space trends. There are also three tables summarizing some results from the most recent five



The Northwest Arkansas commercial market is divided into seven 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 subaverage lease rates and amenities.

quarters. The first table presents vacancy rates by submarket for the first and second quarters of 2006 and for the second, third, and fourth quarters of 2005. The second table presents net absorption by submarket for the same time periods. These tables are the foundation for the performing trend analysis and eventually 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 2006, the overall real growth rate in GDP was a smoking 5.6 percent, up from a tepid 1.7 percent rate in the fourth quarter of 2005. The growth rate in GDP in the first quarter of 2005 was 3.8 percent, in comparison. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the increase in real GDP in the first quarter of 2006 primarily reflected positive contributions from personal consumption expenditures (PCE), exports, equipment and software, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. The acceleration in real GDP growth in the first quarter primarily reflected an upturn in PCE for durable goods, an acceleration in exports, an upturn in federal government spending, and an acceleration in equipment and software that were partly offset by a downturn in private inventory investment.

Turning to other data, in May, the national unemployment rate was a seasonally adjusted 4.6 percent, below the 5.4 percent three-decade average rate. The Conference Board Consumer Confidence Index, which had fallen in May, improved in June. The Index now stands at 105.7 (1985=100), up from 104.7 in February. The Present Situation Index rose to 133.3 from 130.3. The Expectations Index improved to 89.9 from 84.2 last month. "This month's gain in Consumer Confidence has pushed the Index to a near four-year high (May 2002, 110.3)," said Lynn Franco, Director of The Conference Board Consumer Research Center. "The improvement in consumers' assessment of present-day conditions is yet another sign that the economy gained steam in early 2006. Consumer expectations, while improved, remain subdued and still suggest a cooling in activity in the latter half of this year."

From May 2005 to May 2006, overall inflation was moderate. During the first five months of 2006, the CPI-U rose at a 5.2 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 3.4 percent for all of 2005. The index for energy, which rose 17.1 percent in 2005, advanced at a 30.8 percent SAAR in the first five months of 2006. In terms of construction prices, the producer price index for construction industries increased at a 12.7 percent SAAR during the first five months of the year. For 2005, that index increased 7.8 percent.

Short-term Interest Rate Risk

The Federal Reserve continued in its incremental raising of short-term interest rates in the second quarter of 2006. The Fed Funds target now stands at 5.25 percent, up 425 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. Many observers believe that the Fed is nearing the end of its interest raising campaign, with perhaps one more hike yet to come.

Long-term Interest Rate Risk

Even as short-term rates climbed from 2004 through early 2006, increases in longer term rates did not kept pace. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 5.11 percent in March 2006, while the federal funds rate increased by 423 basis points during the same period. 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 2006, there was a 360 basis point decline in the spread. In May 2006, the spread remained at a very low level of 12 basis points.

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 show that during 2005 and 2006, the Northwest Arkansas economy has been creating new jobs at an even better pace than in 2003 and 2004. The accompanying figure shows that from January to May 2006, employment in the Fayetteville-Springdale-Rogers MSA increased at above trend levels. Since January of 2001, employment growth has averaged 0.3 percent per month, or about 600 jobs per month.

In order to delve more closely into the makeup of the job growth in Northwest Arkansas, two additional figures are provided. The first shows the May 2006 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, professional and business services had the largest share of employment (16.2 percent) in Northwest Arkansas, followed by manufacturing (16.1 percent), and retail trade (10.1 percent). The second figure shows the annual percentage change in the MSA's employment by sector from May 2005 to May 2006. Total nonfarm employment increased by 3.4 percent, so those sectors with larger employment growth rates are increased in relative impact and those sectors with smaller employment growth rates decreased in relative impact. The construction, local government, professional and business services, financial activities, and transportation and utilities sectors had the largest percentage increases.

Difference Between the 10-year Maturity Treasury Bill and the Federal Funds Rate



Fayetteville-Springdale-Rogers MSA Employment and Trend



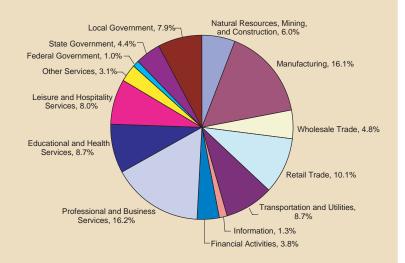
Other Regional Economic Indicators

The Bureau of Labor Statistics has revised its unemployment numbers so that the most recent measurements are consistent with those of the past five years. In May 2006, the unemployment rate in Northwest Arkansas was a preliminary 3.2 percent, up from 3.0 percent in May of 2005. In April 2006, the unemployment rate was at 3.1 percent. In May, the state unemployment rate was 5.1 percent and the national unemployment rate was 4.6 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

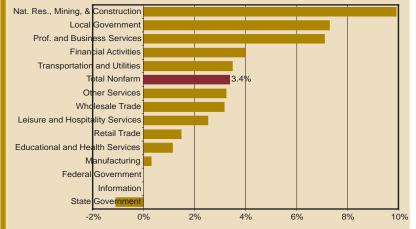
Local Perceptions of the Northwest Arkansas Commercial Property Market

Each quarter, CBER staff members have conversations with a dozen or so commercial developers and/or property managers to gain 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 two years. Panelists have talked about the general state of the market, hot spots of activity, areas of softness, supply/demand imbalances, and infrastructure issues. In general, the panelists expressed a very real concern about continued rapid growth in the Northwest Arkansas commercial real estate market through 2006 and into 2007. Most of the panelists feel the commercial markets "day of reckoning" is going to happen in early 2007 and will range from a mild market correction of just a few months to a more serious downturn lasting 3 to 4 years. The main concerns this quarter were the potential oversupply of office space in the Bentonville market; the imminent completion of the Pinnacle Hills Promenade as well as several smaller retail centers, and their impact on the retail market in both the Bentonville/Rogers and Fayetteville markets; rising interest rates, and increasing construction costs; concerns about the residential markets oversupply; how the various levels of government are going to handle the continuing influx of immigrants into Northwest Arkansas; media hyping of the oversupply situation; the infrastructure situation, specifically local roads, I-540 bypasses, I-540 exits, the development of I-49, the highway 412 bypass, and sewer construction. Nonetheless, the long run health of the NWA commercial real estate market still garners very optimistic comments from the panelists.

Fayetteville-Springdale-Rogers MSA Employment Breakdown by Sector May 2006



Percent Change in Fayetteville-Springdale-Rogers MSA Employment Breakdown by Sector May 2005 - May 2006



The panelists still look at the Bentonville/Rogers office market as being oversupplied, particularly in Class A space. This concern includes the recognition of the amount of Class A space scheduled to come on line in the coming year. For some panelists concerns are growing about the possible effects of the oversupply in Class A for the Class B market. But other panelists feel the continued influx of vendors will keep the Class B market healthy. Part of the concern seems directly related to the Superior Building and the impact of its 400,000 square feet of space. Concern seemed stronger since the buildings' construction has made visible progress. In general some panelists have concerns about the "disproportionate" impact of "big buildings on a market as small as ours." The major issue with the Fayetteville office market is the difficulty in working through the greater level of rules and regulations. Some panelists remarked about projects that didn't happen in Fayetteville because of this.

However all of the panelists feel that demand in the office market remains strong. Even more then last quarter thought they feel it is just a question of finding the proper "niche" and "location, location, location" for new projects. Panelists still feel there is going to be a shake out of inexperienced people who are building commercial space. As in last quarters report panelists feel that there are strong opportunities in the under 10,000 square foot market due to continuing vendor influx, including the hoped for wave of Asian Wal-Mart vendors and expansion of current vendor offices; and small professional offices, with an emphasis on medical office space located near the Mercy Health System. The Fayetteville office market is still considered to be tight, and there was no major concern about supply/demand imbalances there.

The retail market is still being watched closely. Panelists feel that the impact of the Pinnacle Hills developments will be significant to other "destination locations" in Northwest Arkansas, but there will be little impact on local strip retailing. But there is no uniform consensus on how severe or long lasting an impact there will be on the region's other "destination locations". As with the office market, panelists feel that there is continued room for "the right project". Several panelists also mentioned continued interest in the region from national tenants, and the fact that rooftops still mean retail.

Concerns about interest rates, raw material prices, and other construction costs continue to grow. Panelists are even more concerned that those builders and developers who do not have sound financing are going to be washed out over the next couple years. In fact, there is a concern as to how can the level of building actually be slowed down. However, for builders and developers who remain on a sound financial footing there will be opportunities to meet the continuing demand for commercial real estate projects. But these projects will need to be well designed and located.

Infrastructure still remains the biggest concern for a majority of the panelists. All of the panelists recognize that Northwest Arkansas is years behind in infrastructure development. Some panelists went as far as 25 years behind. There are questions as to where adequate funding is going to come from, who will make the tough decisions about what order projects shall be built, how will the various city, county, and state agencies work together to make progress on the infrastructure situation. Some panelists feel there needs to be much more cooperation between the various levels of government in Northwest Arkansas, again mentioning the idea of an agency with real power to make decisions. However, other panelists believe that local governments are doing better, but they need further support from the state level.

Almost all of the panelists expressed continued optimism for long term growth. They see continued demand as people move to Northwest Arkansas. Wal-Mart, J.B. Hunt, Tyson, and the University of Arkansas remain institutions that generate optimism for the region. Continued growth in national awareness that Northwest Arkansas is a good place to live and raise a family, also contributes to the long term optimism, as does development of other cultural institutions such as Crystal Bridges.

Positive Factors:

- 1. Strong demand for all types of commercial products in Northwest Arkansas.
- 2. Continued movement of vendors into Northwest Arkansas.
- 3. Continued influx of professionals into Northwest Arkansas.
- 4. National attention to the growing MSA by developers and retailers.
- 5. Continued positive coverage of Northwest Arkansas as a good place to live and work.
- 6. Healthy Fayetteville office and retail space markets.
- 7. Healthy competition in the retail and office markets.

Negative Factors:

- 1. Infrastructure: local roads, I-540 entrances and exits, new bypasses, sewers.
- 2. Rising interest rates.
- 3. Higher raw material costs.
- 4. Oversupply of office space in Bentonville.
- 5. Over supply in the residential market.
- 6. Over-regulation of the building trade.
- 7. Impact fees.
- 8. Media hyping of potential oversupply in real estate markets.

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 40.) as of May 2006. 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 covered 77.2 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had better coverage than others. For example, the Skyline Report panelists reported information on 89.9 percent of the competitive commercial properties in Bentonville, but only 59.8 percent of the competitive commercial properties in Siloam Springs. Bella Vista, Fayetteville, Lowell, Rogers, and Springdale had coverages of 88.6, 77.7, 68.6, 66.4, and 79.9 percents, respectively.

In addition, building permit data from the past nine 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 2006, there were \$95.3 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a decline of 10.8 percent over the prior quarter, but an increase of 41.8 percent from the second quarter of 2005. Rogers accounted for about 37.7 percent of the total value of building permits in the March to May period. Fayetteville accounted for an additional 22.9 percent and Springdale accounted for 12.9 percent. 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.

Total Square Feet and Coverage of Competitive Commercial Properties											
	Industrial ¹	Office ¹	Retail ¹	Warehouse ²	¹ Total¹	Panel Total Square Feet ²	Panel Coverage ²				
Bella Vista		247,192	14,752	61,594	323,538	286,678	88.6%				
Bentonville	217,858	3,770,443	626,909	635,389	5,250,599	4,720,021	89.9%				
Fayetteville	466,135	2,414,943	2,733,444	846,488	6,461,010	5,017,455	77.7%				
Lowell	148,819	318,607	74,891	97,700	640,017	439,343	68.6%				
Rogers	871,013	2,541,807	1,989,614	753,689	6,156,123	4,087,977	66.4%				
Siloam Springs	253,631	173,787	369,346	180,797	977,561	584,374	59.8%				
Springdale	969,303	1,372,484	2,008,638	1,658,073	6,008,498	4,803,510	79.9%				
Northwest Arkansas Total	2,926,759	10,839,263	7,817,594	4,233,730	25,817,346	19,939,358	77.2%				

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 40 of this report.

²Source: Panel of 162 large Northwest Arkansas commercial property owners and managers.

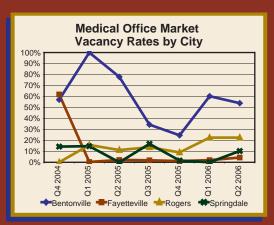
			arch 2006 - Ma				
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$10,575,639 79,285	\$21,780,317 233,208	\$10,924,435 141,918	\$36,046,864	\$3,650,000 66,108	\$12,322,984	\$95,300,239
	Bentonville	Decer Fayetteville	nber 2005-Feb Lowell		Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$37,121,720 326,759	\$20,330,697 202,809	\$2,359,019 21,008	\$44,672,800	\$165,000 9,600	\$2,151,476	\$106,800,712
	Bentonville	Sept Fayetteville	t <mark>ember-Nove</mark> r Lowell		Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$9,674,394 88,022	\$3,519,150 9,960	\$3,275,717 5,408		\$150,000 9,300	\$15,999,816	\$118,515,842
	Bentonville	Fayetteville	June-August Lowell		Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$72,205,699 634,633	\$6,434,833 77,651	\$1,666,851 	\$24,782,039 -	\$200,000 18,000	\$2,982,618 	\$108,272,040 -
	Bentonville	Fayetteville	March-May 2 Lowell		Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$3,061,870 32,822	\$15,491,806 138,405	\$1,590,789 -	\$30,534,466 -	\$1,059,000 29,699	\$15,468,833 	\$67,206,764
	Bentonville	Decer Fayetteville	nber 2004-Feb Lowell		Siloam Springs	Springdale	NW Arkansas
alue quare Feet	\$8,753,636 25,866	\$18,560,094 183,189	\$390,000 -	\$26,172,000 -	\$254,700 7,845	\$2,614,524* 	\$56,744,95 ₄
	Bentonville	Sep Fayetteville	tember-Nove Lowell		Siloam Springs	Springdale	NW Arkansa
alue quare Feet	\$17,242,269 156,026	\$2,750,867 22,853	\$402,891 -	\$489,240 -	\$188,000 4,748	\$1,174,999 	\$22,248,266
	Bentonville	Fayetteville	June-August Lowell		Siloam Springs	Springdale	NW Arkansa
alue quare Feet	\$16,446,488 211,258	\$4,145,124 35,500	\$10,035,248		\$1,993,393 25,446	\$6,390,478	\$60,745,265
0.00	Bentonville	Fayetteville	March-May 2 Lowell		Siloam Springs	Springdale	NW Arkansa
alue quare Feet	\$14,640,091 221,301	\$7,839,529 89,921	\$203,680	\$8,804,700 -	\$1,721,585 84,124	\$2,371,888	\$35,581,473

Announcements of I	New Con	nmercial Projects			
Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Bank of The Ozarks	Bella Vista	Bank of The Ozarks	Bank	3,600	October 2006
Bank of The Ozarks	Bella Vista	Bank of The Ozarks	Bank	3,600	July 2006
The Highlander Plaza	Bella Vista	Tom Fredrickson	Office/Retail	22,000	June 2006
Parkway Bank	Bentonville	Parkway Bank	Bank	4,800	2006
Metropolitan National Bank	Bentonville	Dynamic Development, Inc	Bank	3,560	2000
Metropolitan National Bank	Bentonville	Metropolitan National Bank	Bank	22.000	2006
Northwest Arkansas Ctr for Children	Bentonville Bentonville	Dept of Pediatric Services UAMS	Medical Office	33,000 7,000	October 2006 Fall 2006
Center for Psychology Bentonville Dialysis Center	Bentonville	Center for Psychology Dr. Fred Smardo	Medical Office	86,035	Fall 2000
Tate & Haney Building	Bentonville	John Tate and Johnny Haney	Mixed Use	50,000	February 2007
Cornerstone Ridge	Bentonville	Tom Terminella	Mixed Use	30,000	1 ebidaly 2007
Arches East Central Business Park	Bentonville	ARMac	Mixed Use	55,166	
The Superior Building	Bentonville	Slone-Hanna Partnership	Office	396,000	June 2007
South Walton Plaza	Bentonville	Ciono Harma i armoromp	Office	11,200	00110 2007
Oak Trace, Phase V	Bentonville	Charlton Development	Office	10,360	Winter 2006
Greystone Complex Building 3 and 4		Sharp Development LLC	Office	25,500	Late 2006
Cottonwood Village	Bentonville	Colliers Dickson Flake	Office	60,000	2010 2000
Brightwood Business Park, Phase II	Bentonville	Charlton Development	Office	24,000	Winter 2006
Savannah Suites	Bentonville	Pro Con Inc	Office/Retail	42,000	Summer 2006
Office- Retail Development	Bentonville	Harris-McHaney	Office/Retail	40,000	
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	June 2006
Colonnade II	Bentonville	Dixie Development	Office/Retail	19,500	2006
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	Mid 2007
CMS Investments Property	Bentonville	CMS Investments	Office/Showroom		2006
Hardcastle Complex	Bentonville	Phil Lee	Office/Warehouse	112,000	June 2006
Sam's Club	Bentonville	Wal-Mart	Retail	144,102	Fall 2006
Retail Building on Central	Bentonville	Schaefer Properties	Retail	40,000	2006
Landers-McLarty Nissan	Bentonville	Landers-McLarty	Retail	20,329	January 2007
Hyundai of Bentonville	Bentonville	Kent Dobbs	Retail	20,000	March 2007
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	9,200	Fall 2006
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	4,902	
Bank of The Ozarks	Fayetteville	Bank of The Ozarks	Bank	5,176	November 2006
Bank of The Ozarks	Fayetteville	Bank of The Ozarks	Bank	6,116	Summer 2006
Bank of The Ozarks	Fayetteville	Bank of The Ozarks	Bank	6,116	Summer 2006
Washington Regional Medical Center		Washington Regional Med Ctr	Medical Office	200,000	Fall 2007
VA Medical Center expansion	Fayetteville	VA Medical Center	Medical Office	151,000	
Springwoods Medical Building	Fayetteville	Freeland-Kauffman and		44.074	
	F " "	Freeland Inc.	Medical Office	11,974	F 0000
Highlands Oncology Clinic	Fayetteville	Highlands Oncology Group	Medical Office	11,600	Fall 2006
Appleby Landing The Lofts at Underwood Plaza	Fayetteville	Dixie Development	Medical Office	175,000	Late 2006
The Lons at Onderwood Plaza	Fayetteville	AMA Real Estate Group, Nock Investments, the Beldens, the			
		Underwoods	Mixed Use	118,890	Market
Springwoods	Fayetteville	Haynes LTD	Mixed Use	110,090	2006
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use		2000
Legacy Building	Fayetteville	Barber Group	Mixed Use	117,000	September 2006
Divinity Building	Fayetteville	Barber Group	Mixed Use	117,000	Coptombol 2000
Bellafont II	Fayetteville	The Barber Group	Mixed Use	560,000	Late 2007
Beacon Flats	Fayetteville	Beacon Flats LLC	Mixed Use	5,500	20.0 2007
Township Office Building	Fayetteville	Keating Enterprises	Office	12,000	June 2006
Township Heights	Fayetteville	Keating Enterprises	Office	11,806	20
Parkwest	Fayetteville	Tracy Hoskins	Office	856,000	2020
Lindsey Construction Office	Fayetteville	Lindsey Construction	Office	82,420	Summer 2006
Dixie Construction Office	Fayetteville	Dixie Development	Office	66,000	2006
Commerce Park II	Fayetteville	Dixie Development	Office	64,000	Spring 2007
CMN Business Park	Fayetteville	Dixie Development	Office	28,000	Fall 2006
Wedington Circle	Fayetteville	Mansfield Property Management		10,000	
Steele Plaza	Fayetteville	Irwin Partners	Office/Retail	45,126	Fall 2006
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Late 2006

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
					· ·
Nelsons Crossing	Fayetteville	Dixie Development	Office/Retail	76,555	Fall 2006
Hunnicutt Building	Fayetteville	Don Hunnicutt	Office/Retail	23,000	November 0000
Hometown Center	Fayetteville	Hometown Development Ltd	Office/Retail	5,100	November 2006
Western Sizzlin Retail Center	Fayetteville	Mark Bazyk	Retail	5,000	
Wedington Place	Fayetteville	Mandy Burch Management	Retail	11,600 6,576	
Wedington Circle	Fayetteville	Mansfield Property Management		6,576	2007
University Village Center	Fayetteville	Ark 4-John Ellis & Bill Lazenby	Retail Retail	38,774	
The Shoppes at 6th Street	Fayetteville	CRI Managiald Property Management		40,000	Fall 2006 2006
The Depot Project Steele Crossing Retail Center	Fayetteville Fayetteville	Mansfield Property Management	Retail	6,000 43,000	November 2006
Southpass	Fayetteville	Richard Alexander & John Nock		150,000	NOVEITIBEI 2000
Sam's Club	Fayetteville	Wal-Mart	Retail	142,898	1
Malco Movies	Fayetteville	Malco	Retail	44,315	Early 2007
Bassett Furniture Store	Fayetteville	Bassett Furniture	Retail	22,655	July 2006
Flintco Warehouse	Fayetteville	Flintco Inc.	Warehouse	114,750	July 2000
UAMS Pediatric Center	Lowell	Pinnacle Group	Medical Office	40,000	March 2007
Arvest Bank Operations Center	Lowell	Arvest Bank	Office	35,590	maiori 2007
Bloomington Crossing	Lowell	Nickell Investments	Office/Retail	12,000	September 2006
World Gym	Lowell	Rhett Garner and Tania Zamzow		50,000	Mid 2006
The Shoppes at the Vineyard	Lowell	Lark Investments LLC	Retail	4,800	Summer 2006
AERT	Lowell	AERT	Warehouse	120,000	2000
Park Central		Charleton Development	Mixed Use	0,000	2007
United Bank	Rogers	United Bank	Bank	6,200	June 2006
Regions Bank	Rogers	Regions Bank	Bank	11-1	Late 2006
Metropolitan National Bank	Rogers	Metropolitan National Bank	Bank	3,560	July 2006
Metropolitan National Bank	Rogers	Metropolitan National Bank	Bank	3,560	July 2006
Bank of The Ozarks	Rogers	Bank of The Ozarks	Bank	2,784	December 2006
Bank of Rogers Branch	Rogers	Bank of Rogers	Bank	8,294	September 2006
Signature Crossing	Rogers	Signature Bank	Bank/Office	18,500	Summer 2006
John Q. Hammons Center	Rogers	John Q. Hammons	Convention Ctr	120,000	June 2006
Metro Park	Rogers	Collins Haynes	Medical Office	80,000	
Creekside Medical Park	Rogers	Colliers Dickson Flake	Med Office/Retai	il 600, <mark>000</mark>	Fall 2006
Pinnacle Station	Rogers	Petromark Inc	Mixed Use	42,000	Summer 2007
Myers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	
Graham Building	Rogers	Horsebarn Partners LLC	Mixed Use	72,000	
Metro Park Office Building	Rogers	H2 Holdings	Office	9,000	
Metro Park Office Building	Rogers	H2 Holdings	Office	15,000	
Harris-McHaney Office Building	Rogers	Harris & Harris Properties LLC	Office	30,000	February 2007
Creekside Office Building	Rogers	Sharp Properties LLC	Office	22,000	Fall 2006
Benchmark Office Building	Rogers	Benchmark Group	Office	114,000	ATTENDED TO
The Shoppes at Pinnacle Hills	Rogers	Pinnacle Group	Office/Retail	100,000	Summer 2006
Pinnacle Hills Promenade	Rogers	Pinnacle Group & General			The state of the s
		Growth Group	Office/Retail	980,000	October 2006
Walnut and 37th St	Rogers	Dixie Development	Retail	24,118	
Walgrens	Rogers	Bencor LLC	Retail	14,850	June 2006
Scottsdale Center Phase VB	Rogers	Tall Grass Development	Retail	20,000	Summer 2006
Pleasant Crossing	Rogers	Charles Reaves, et al		1,000,000+	2006
Northfork Plaza	Rogers	Jim Burkeen	Retail		
Iron Pig Harley Davidson	Rogers	Paul and Sue Johnson	Retail	47,000	June 2006
Harps	Rogers	Harps	Retail	31,500	Summer 2007
Clear Creek Golf Car & Equip. Co.	Rogers	Clear Creek Golf Car &	D		1.1.0000
Ocatas Deinte d Di	D	Equipment Co.	Retail	7,200	July 2006
Centre Pointe at Pleasant Grove	Rogers	Centre Pointe LLC	Retail	250,000	2006
	Rogers	Best Buy	Retail	30,405	October 2006
•		Holk Inc	Retail	50,000	Fall 2006
Best Buy Belk	Rogers	Belk Inc.			
Belk Advanced Auto Parts	Rogers	Advanced Auto Parts	Retail	7,000	June 2006
Belk Advanced Auto Parts Glad Warehouse	Rogers Rogers	Advanced Auto Parts Bill McLard	Retail Warehouse	7,000 400,000	June 2006
Belk Advanced Auto Parts	Rogers Rogers Rogers	Advanced Auto Parts	Retail	7,000	

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Dat
DaySprings Cards Building	Siloam Springs	DaySprings Cards	Office	36,000	February 2007
Signature Plaza	Siloam Springs		Retail	55,000	October 2006
.owe's	Siloam Springs	Lowe's	Retail	130,000	January 2007
Metropolitan National Bank	Springdale	Metropolitan National Bank	Bank	3,700	
iberty Bank	Springdale	Liberty Bank	Bank	6,000	2006
Bank of The Ozarks	Springdale	Bank of The Ozarks	Bank	2,800	
Signature Bank Branch	Springdale	Signature Bank	Bank/Office	10,000	May 2006
egacy National Bank	Springdale	Legacy National Bank	Bank/Office	20,000	October 2006
Cargill Freezer and Production Facility		Cargill	Industrial	83,000	April 2007
ERT	Springdale	AERT	Industrial	64,000	Summer 200
lar-Ber Meadows Medical Building	Springdale	Washington Regional Med Ctr	Medical Office	31,860	Summer 200
lar-Ber Meadows Medical Building	Springdale	Washington Regional Med Ctr	Medical Office	31,860	2007
ingham-Bledsoe Diagnostic Center	Springdale	Dr. Bingham	Medical Office	11,600	May 2006
Shoppes at Har-Ber Lakes	Springdale	Sage Partners	Mixed Use	70,000	Mid 2006
randon Building	Springdale	Gary Brandon	Mixed Use	10,000	Spring 2006
Discovery Center Project	Springdale	Tyson Foods Inc	Office	358,000	Fall 2006-200
Diesel Downs	Springdale	Gary Combs	Office/Retail	134,000	1
Overton Project	Springdale	Mike Overton	Office/Warehouse		
Cavalier Commercial Buildings	Springdale	Cavalier Devlopment	Office/Warehouse		
Palisades Plaza	Springdale	Greg Brown	Retail	7,986	Summer 200
Coleman's Children's Academy	Springdale	D & H Heathman LLC	Retail	11,000	August 2006
Coleman's Children's Academy	Springdale	D & H Heathman LLC	Retail	11,000	August 2006
.A. Riggs Tractor Coouisiana Place Warehouse	Springdale Springdale	J.A. Riggs Tractor Co. Edwards Design & Construction	Retail/Warehouse	55,000 56,875	Fall 2006 Spring 2006









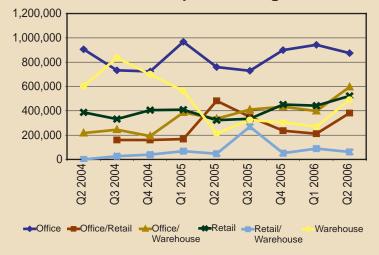
Trends Summary

This version of the Skyline Report represents the ninth quarter that data have been collected. Therefore, annual comparisons can be made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in the office, office/retail, and retail submarkets over the past year. Also, a table presents the total absorption over the past year by city and submarket. The following three pages have tables with more detailed information about vacancy rates, absorption, and available space.

Net Absorption by Submarket June 2005 - May 2006

		Submarket		
	Office	Office/Retail	Retail	Warehouse
Bella Vista	550	-4,796	-3,000	0
Bentonville	-13,819	-12,477	-1,013	-114,750
Fayetteville	17,585	-42,971	33,850	11,500
Lowell	5,946	0	-3,359	-22,550
Rogers	-63,464	-73,919	-15,231	24,482
Siloam Springs	3,250	-1,200	-18,675	0
Springdale	17,377	-5,615	12,262	64,275
Northwest Arkansas	-32,575	-140,978	4,834	-37,043

Northwest Arkansas Available Square Footage







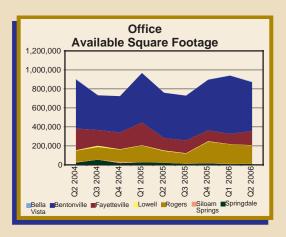


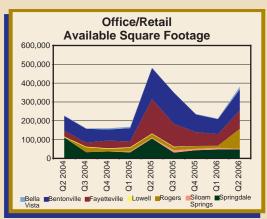
Over the past twelve months, in the office submarket, negative net absorption in Bentonville and Rogers dwarfed positive net absorption in Fayetteville and Springdale. Available office square footage in Northwest Arkansas grew by about 125,000 square feet from the second quarter of 2005 to the second quarter of 2006. This was primarily due to increases in available office space in Bentonville and Rogers. Lowell, Siloam Springs, and Springdale actually had less available office space in the second quarter of 2006 than they had in the second quarter of 2005. Over the past year 519,083 square feet of new office space became available for the first time. In the second quarter of 2006, Northwest Arkansas had 874,575 square feet of office space available for lease, up from 759,791 square feet in the second quarter of 2005. The overall Northwest Arkansas office vacancy rate has fallen from 17.8 percent to 14.8 percent in the same time period. However, the vacancy rates in the Bentonville office market remain much higher at 20.0 percent, down from 24.2 percent a year ago.

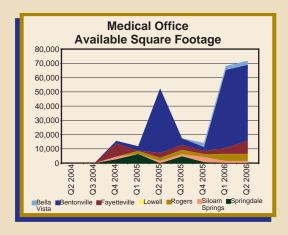
The office/retail market experienced negative net absorption of 140,978 square feet during the past twelve months. The majority of negative net absorption was in Rogers and Fayetteville. New square footage totaling 330,134 was added to the market during the same time period. In the second quarter of 2006, 381,760 square feet of office/retail space were available.

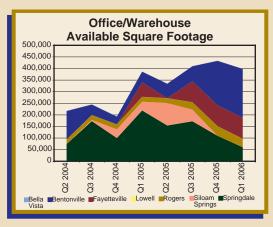
The retail market experienced a very small amount of positive net absorption in the past twelve months. The positive absorption in Fayetteville and Springdale more than offset the negative net absorption in all Benton County cities. There were 245,433 new square feet of retail space added to the Northwest Arkansas market during the past twelve months-of that 173,080 square feet were added in Rogers. In the second quarter of 2006, a total of 521,934 square feet of space were available in Northwest Arkansas, up from 322,703 square feet at the same time in the prior year.

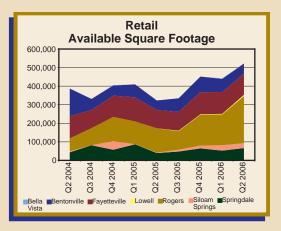
The Northwest Arkansas warehouse market experienced negative net absorption of 37,043 square feet from the second quarter of 2005 to the second quarter of 2006. Vacancy rates increased from 15.5 percent to 18.5 percent, while the number of available square feet rose from 213,887 to 491,004. A total of 119,350 square feet of new warehouse space were added to the Northwest Arkansas market during that time. Bentonville and Lowell were the only cities that experienced negative net absorption since the second quarter of last year in the warehouse submarket.

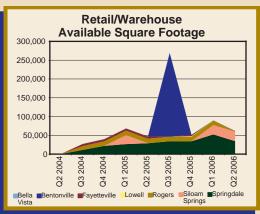


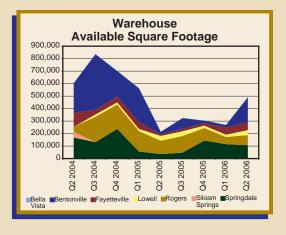












Vacancy Ra	ites by S	ubmarke	et					
				Office				
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	17.2%	24.2%	15.2%	5.0%	12.1%		6.9%	17.8%
Q3 2005	17.2%	21.9%	13.7%	4.3%	9.9%	7.00/	3.7%	15.8%
Q4 2005 Q1 2006	20.4% 20.4%	22.3% 24.1%	9.0% 8.6%	4.2% 1.3%	16.2% 16.4%	7.0% 3.3%	4.2% 2.2%	16.0% 16.7%
Q2 2006	35.5%	20.0%	10.9%	1.8%	14.0%	1.9%	2.6%	14.8%
				cal Office				
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	-	77.8%	2.1%	-	11.2%	4.1%	0.0%	17.6%
Q3 2005		34.3%	1.8%	28 -	13.7%	4.1%	16.8%	5.8%
Q4 2005	34.6%	24.6%	1.1%		9.0%	7.0%	1.6%	4.2%
Q1 2006 Q2 2006	34.6% 34.6%	60.2% 53.9%	2.0% 4.3%	_	22.5% 22.5%	2.1% 2.1%	0.0% 10.3%	15.3% 15.1%
Q2 2000	01.070	00.070		ce/Retail	22.070	2.170	10.070	10.170
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	3.2%	40.5%	26.1%	16.7%	8.1%	10.6%	31.8%	26.8%
Q3 2005	2.9%	27.6%	17.3%	16.7%	6.8%	13.5%	10.3%	17.6%
Q4 2005	3.2%	17.1%	11.8%	0.0%	8.4%	15.8%	14.1%	13.4%
Q1 2006	4.2%	14.2%	9.2%	0.0%	6.4%	17.7%	14.4%	11.3%
Q2 2006	6.4%	18.5%	13.3%	0.0%	31.0%	7.1%	12.8%	14.9%
	Bella Vista	Bentonville	Fayetteville	Warehous Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	1	21.5%	0.0%	-	8.5%	71.1%	46.3%	42.7%
Q3 2005	-	25.4%	93.8%		12.3%	44.9%	56.8%	39.9%
Q4 2005	-	31.4%	93.8%	- 1 -	13.2%	0.0%	24.9%	27.5%
Q1 2006 Q2 2006		32.5% 33.0%	93.8% 93.8%	100.0%	12.3% 5.5%	0.0% 0.0%	13.7% 7.0%	20.1% 24.5%
Q2 2000		33.076		Retail	5.5 /6	0.0%	7.070	24.5 /0
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	0.0%	16.9%	6.3%	0.0%	18.7%	0.9%	5.1%	8.7%
Q3 2005	0.0%	21.2%	6.1%	7.8%	13.8%	4.9%	6.2%	8.7%
Q4 2005	0.0%	20.1%	6.5%	4.7%	15.1%	6.0%	7.8%	9.9%
Q1 2006	3.9%	18.6%	5.7%	4.7%	12.8%	10.6%	6.8%	9.0%
Q2 2006	0.0%	16.8%	5.6%	10.9%	17.2%	8.8%	4.9%	9.3%
	Bella Vista	Bentonville	Fayetteville	Warehous Lowell		Siloam Springs	Springdale	NW Arkansas
Q2 2005	M46		66.3%	-	100.0%	0.0%	23.9%	33.0%
Q3 2005	_	95.7%	0.0%	_	60.0%	-	28.3%	70.3%
Q4 2005	-	0.0%	20.0%	7.5%	60.0%	-	28.3%	25.7%
Q1 2006	-	0.0%	0.0%	0.0%	60.0%	100.0%	34.8%	33.0%
Q2 2006		0.0%	0.0%	0.0%	9.3%	100.0%	13.2%	18.1%
	Bella Vista	Bentonville	Fayetteville	rehouse Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	_	14.7%	1.5%	100.0%	35.6%		41.4%	15.5%
Q3 2005		40.6%	2.1%	100.0%	28.8%		29.6%	17.6%
Q4 2005	-	4.8%	1.9%	63.9%	19.2%	-	32.9%	12.4%
Q1 2006	-	4.5%	7.7%	63.9%	11.2%	-	21.2%	11.7%
Q2 2006	0.0%	39.7%	8.1%	79.6%	24.8%		10.7%	18.5%

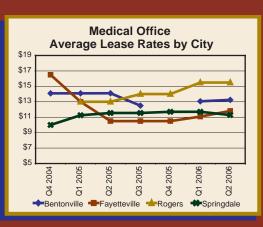
Net Absorp	tion by S	ubmark	et					
				Office				
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	0 0 550 0	26,725 953 10,860 -77,447 51,815	87,823 34,170 4,968 3,891 -25,444	-5,050 896 50 3,500 1,500	77,657 -21,566 -88,559 17,275 29,386	 2,050 1,200	2,135 5,989 1,900 8,601 887	189,290 20,442 -70,231 -42,130 59,344
	D II 1/1 (D ('''		cal Office		0:1 0 :	0 : 11	NDA/A I
-	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs		NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	 0 0 0	-42,200 -2,850 0 -43,500 1,510	-3,507 0 1,300 511 -804	-	0 -898 1,048 -3,000	267 0 -2,017 2,050 0	-4,832 3,534 4,000 750 0	-50,272 -214 4,331 -43,189 706
	Della Vieta	Donton illo		e/Retail	Damen	Cile and Carrie an	On via sudala	NIVA/ A ul. a un a a a
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	2,616 212 700 -728 -4,980	-86,063 -6,323 3,581 14,408 -24,143	-33,293 16,746 -31,648 3,218 -31,287	0 0 0 0	0 2,900 -10,299 3,500 -70,020	0 -5,000 -600 -1,000 5,400	-4,654 11,179 -12,380 -3,846 -568	-121,394 19,714 -50,646 15,552 -125,598
	Bella Vista	Bentonville	Office/\ Fayetteville	Narehous Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	0	-16,500 -14,400 199,300 -16,528 -8,935	-24,886 27,360 0 0	- - - 0	0 -10,872 0 2,000 14,412	-11,320 0 50,507 0	-4,832 -18,000 -39,959 49,170 11,900	-57,538 -15,912 209,848 34,642 17,377
	Bella Vista	Bentonville	Fayetteville	letail Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	0 0 0 -3,000 0	-3,167 90 -15,293 2,854 11,336	6,427 5,857 10,794 15,424 1,775	0 -2,809 3,200 0 -3,750	-2,261 2,616 -66,311 21,217 27,247	-1,225 -10,000 -275 -12,480 4,080	2,100 10,600 2,600 13,010 -13,948	1,874 6,354 -65,285 37,025 26,740
	Bella Vista	Bentonville	Retail/\ Fayetteville	Varehous Lowell		Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	- - - -	 0 20,560 0 0	0 5,900 0 3,600	 18,500 1,500 0	0 0 0 0	 0 0	-2,140 -5,304 0 -7,500 42,640	-2,140 596 39,060 -2,400 42,640
	Bella Vista	Bentonville	War Fayetteville	ehouse Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	 0	0 -10,200 64,150 11,900 -180,600	47,600 12,000 0 0 -500	-20,000 -400 0 0 -22,150	38,264 0 16,800 42,622 -34,940		4,600 0 20,925 43,350 0	70,464 1,400 101,875 97,872 -238,190

Available So	quare Fo	otage by	/ Subma	arket				
				Office				
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	550 550 2,800 2,800 4,100	477,383 470,913 532,409 613,063 513,663	130,411 134,189 115,007 107,584 149,239	5,906 5,050 5,000 1,500 2,250	122,642 105,888 223,920 206,645 193,635	1,533 1,533 3,550 2,700 1,500	21,366 11,077 16,427 7,826 10,188	759,791 729,200 899,113 942,118 874,575
				cal Office				
	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	2,800 2,800 2,800 2,800	45,221 4,571 2,850 54,734 53,224	3,507 3,507 2,207 4,196 9,300	-	2,150 3,048 2,000 5,000 5,000	1,533 1,533 3,550 1,500 1,500	0 4,750 750 0 0	52,411 17,409 14,157 68,230 71,824
	5 11 17 1	5 (31		ce/Retail		0.1	0 : 11	NNA/ A . I
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	1,816 1,604 2,464 3,192 15,172	Bentonville 165,011 165,245 93,852 79,535 111,559	Fayetteville 182,430 121,058 73,873 61,651 98,138	3,200 3,200 0 0	18,780 15,880 14,679 11,179 105,539	5,400 12,525 8,000 9,000 3,600	Springdale 105,331 30,958 43,338 47,184 47,752	481,968 350,470 236,206 211,741 381,760
	Bella Vista	Bentonville	Office/ Fayetteville	Warehous Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	0	62,100 65,000 191,100 210,628 224,863	0 90,326 90,326 90,326 90,326	 179,000	21,000 31,872 41,736 36,736 30,084	97,050 50,500 0 0	154,350 172,350 109,809 60,639 71,706	334,500 410,048 432,971 398,329 595,979
	Bella Vista	Bentonville	Fayetteville	Retail Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	0 0 0 3,000 0	50,920 73,261 83,681 70,827 53,766	98,865 101,008 119,069 117,645 114,870	0 2,809 2,809 2,809 6,559	131,446 99,682 165,993 166,264 253,829	2,125 10,000 15,400 29,080 26,500	39,347 47,747 64,472 52,462 66,410	322,703 334,507 451,424 442,087 521,934
	Bella Vista	Bentonville	Retail/\ Fayetteville	Warehous Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006		- 222,960 0 0 0	5,900 0 3,600 0	 - 1,500 0 0	12,000 12,000 12,000 12,000 1,500	25,110 25,110	28,896 34,200 34,200 52,200 34,560	46,796 269,160 51,300 89,300 61,170
	Bella Vista	Bentonville	War Fayetteville	rehouse Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005 Q3 2005 Q4 2005 Q1 2006 Q2 2006	 0	20,600 84,750 20,600 20,700 201,300	12,000 20,000 20,000 57,000 61,000	38,000 38,400 18,400 18,400 40,550	107,062 133,662 100,311 57,689 80,854	- - - - -	36,225 47,475 144,650 115,300 107,300	213,887 324,287 303,961 269,089 491,004











Office

In the second quarter of 2006, the office properties included in the Skyline Report panel had a vacancy rate of 14.8 percent, down from 16.7 percent in the first quarter of 2006. Of the 5.9 million square feet of Northwest Arkansas properties examined, 874,575 square feet are currently available. This is down from 942,118 available square feet of office space in the first quarter of 2006. From the first quarter to the second quarter of 2006, 159,123 square feet of new office space entered the market, while 218,467 square feet of space were absorbed, yielding positive net absorption of 59,344.

Of the 874,575 square feet of available office space in Northwest Arkansas, about 59 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 30 percent of the unoccupied office space in Bentonville, up from 26 percent in the previous quarter. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is even more square footage sitting vacant in the Class B market. In the second quarter, 143,988 square feet of office space became occupied, while an additional 92,173 square feet of office space entered the market, for a positive net absorption of 51,815 square feet.

While Bentonville had over 513,000 square feet of available office space, Rogers had just over 193,000 square feet available. In the Rogers office submarket, Class A accounted for almost 81 percent of all available space while Class B

accounted for 14 percent and Class C and medical space split the remainder. There was positive net absorption of 29,386 square feet in the second quarter of 2006. Class A space experienced negative net absorption, while Class B, and Class C office space had sufficient positive absorption to more than offset that. There was no activity in the medical office submarket in Rogers.

Fayetteville had 149,239 square feet of available office space in the second quarter of 2006. About 80 percent of the available office space in Fayetteville is in the Class B submarket. From the first quarter to the second quarter of 2006, there was no net absorption in the Class A office submarket. In the Class B office submarket, 12,290 square feet of space became vacant while 13,450 square feet of space were added to the market, yielding negative net absorption of 25,740 square feet for the quarter.

The Springdale office market had only 10,188 square feet of available space in the second quarter. A total of 113 square feet became vacant in the Class B submarket and a total of 1,000 square feet were absorbed in the Class C submarket. The medical office space submarket had no activity. No new office space came online in Springdale in the second quarter.

Office lease rates were highest, on average, for Class A office space in Fayetteville and Rogers, averaging about \$20 per square foot. Class A space average lease rates remained constant in Bentonville and increased slightly in Springdale in the second quarter. Class B office space was most expensive in Bentonville and least expensive on average in Springdale. Average Class B office lease rates increased slightly in Fayetteville and Rogers. In the second quarter, reported average lease rates for Class C office space in Rogers increased sharply to the same level seen in Springdale, while they remained constant in Fayetteville and Bentonville and decreased slightly in Springdale. Reported average medical office space lease rates were fairly constant during the quarter.

Class A Office											
	Total Square Feet ¹	Available Square Feet¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}				
Bentonville	399,076	183,763	46.0%	12,737	0	12,737	43.3				
Fayetteville	131,323	16,850	12.8%	0	0	0	-				
Rogers	871,273	156,761	18.0%	-1,273	53,500	-54,773					
Springdale		-					-				
				3 Office							
	Total Square Feet ¹	Available Square Feet¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}				
Bentonville	2,059,616	276,676	13.4%	119,487	84,240	35,247	23.5				
Fayetteville	894,142	118,889	13.3%	-12,290	13,450	-25,740					
Rogers	369,548	27,736	7.5%	28,375	0	28,375	2.9				
Springdale	165,919	28,012	16.9%	2,112	0	2,112	Z-				
				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,}				
Bentonville	12,799	0	0.0%	2,321	0	2,321	0.0				
Fayetteville	121,946	4,200	3.4%	1,100	0	1,100	11.5				
Rogers	115,285	4,138	3.6%	55,784	0	55,784	0.2				
Springdale	208,598	19,740	9.5%	-2,680	0	-2,680					
				I 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,}				
Bentonville	98,787	53,224	53.9%	9,443	7,933	1,510	105.7				
Fayetteville	218,814	9,300	4.3%	-804	0	-804					
Rogers	22,265	5,000	22.5%	0	0	0	1				
Springdale	1,018,584	71,706	7.0%	19,100	7,200	11,900	18.1				







Office/Retail

In the second quarter of 2006, the office/retail properties included in the CBER sample had a vacancy rate of 14.9 percent, up from 11.3 percent in the first quarter. Of the 2.4 million square feet of Northwest Arkansas properties examined, 381,760 square feet were available. From the first quarter to the second quarter of 2006, 196,296 new square feet of office/ retail space were added to the market, while 70,698 square feet of space became occupied. This yielded a negative net absorption of 125,598 square feet.

The majority of the new office/retail space and the absorption of office/ retail space occurred in the Rogers Class A submarket. The rest of the new available square footage was located in the Class B submarket in Bentonville, Fayetteville, and Rogers. Each of these cities did experience positive absorption, but the addition of new space meant that net absorption was negative. Springdale had positive net absorption of 2,112 square feet in the Class B market and negative absorption of 2,680 square feet in the Class C market.

Bentonville and Rogers had the largest amount of available square feet in the office/retail submarket with 111,559 and 105,539 square feet available, respectively. This translated to vacancy rates of 18.5 and 31.0 percents. Fayetteville had a fair amount of available office/retail space available as well with 98,138 square feet and 13.3 percent vacancy. Springdale had reported available office/retail square footage of 47,752.

Office/retail space average reported lease rates did not change much in the second quarter. There were slight observed increased in Bentonville and Fayetteville and a slight decrease in Springdale for Class B space. Class C rates were almost constant in all four cities during the second quarter.

			Class A O	ffice/Retail			
	Total Square Feet ¹	Available Square Feet¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,2}
Bentonville	38,910	8,325	21.4%	-8,325	0	-8,325	10 - 10
Fayetteville		-	-		1 - 1	1	-
Rogers	129,316	69,670	53.9%	59,646	129,316	-69,670	
Springdale		-	-			1	-
			Class B O	ffice/Retail			
	Total Square Feet¹	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	475,453	94,300	19.8%	9,846	24,064	-14,218	1 1-17
Fayetteville	600,524	72,022	12.0%	7,933	31,300	-23,367	55 -
Rogers	34,956	27,440	78.5%	7,516	11,616	-4,100	102
Springdale	165,919	28,012	16.9%	2,112	0	2,112	-
			Class C O	ffice/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	89,613	8,934	10.0%	-1,600	0	-1,600	1 - 1
Fayetteville	135,701	26,116	19.2%	-7,920	0	-7,920	-
Rogers	176,506	8,429	4.8%	3,750	0	3,750	6.7
Springdale	208,598	19,740	9.5%	-2,680	0	-2,680	_

²From Q2 2006 respondents who were also Q1 2006 respondents









Retail Lease Rates

	Average Range by City								
	Class A	Class B	Class C						
Bentonville Fayetteville Rogers Springdale	\$15.50 - \$19.50 \$22.50 - \$24.00 \$18.20 - \$18.68	\$13.73 - \$14.16 \$12.43 - \$13.82 \$9.99 - \$10.81 \$11.19 - \$13.48	\$11.69 - \$11.69 \$9.11 - \$10.79 \$8.10 - \$9.30 \$7.15 - \$7.72						

Retail

In the second quarter of 2006, the retail properties included in the CBER panel had a vacancy rate of 9.3 percent, which was up from the 9.0 percent reported in the first quarter of 2006. Of the 5.6 million square feet of Northwest Arkansas retail properties examined, 521,934 square feet were available. From the first quarter to the second quarter of 2006, there was a positive absorption of 98,503 square feet of retail space, with 71,763 square feet of new retail space coming on the market, netting positive absorption of 26,740 square feet.

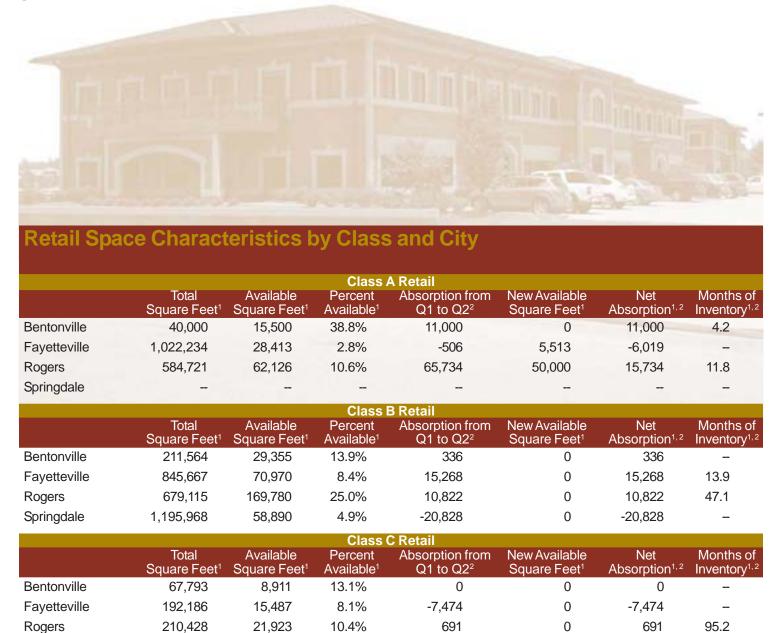
Bentonville had 319,357 total square feet and 53,766 available square feet of retail space in the second quarter, resulting in a vacancy rate of 16.8 percent. This represented a decline from the rate of 18.6 percent in the first quarter of 2006. A total of 11,336 square feet were absorbed by the Bentonville retail market, while no new space entered the market in the second quarter.

In the second quarter of 2006, Fayetteville had a retail vacancy rate of 5.6 percent, virtually unchanged from 5.7 percent in the first quarter, with 114,870 available square feet out of a total of 2,060,087. There was reported positive absorption of 8,148 square feet in the Class B retail submarket, reported positive absorption of 15,268 square feet in the Class B submarket, and reported negative absorption of 506 square feet in the Class A submarket and 7,474 square feet in the Class C submarket. A total of 5,512 Class A retail square feet were added during the second quarter in Fayetteville.

The Rogers market had 253,829 square feet of available retail space out of a total of 1.5 million square feet for a vacancy rate of 17.2 percent in the second quarter. This rate was an increase from 12.8 percent in the first quarter. A total of 65,734 square feet were absorbed in the Class A submarket, while 50,000 new square feet were added. In the Class B, submarket, an additional 10,822 square feet were absorbed while 691 square feet were absorbed in the Class C retail submarket.

There were 66,410 square feet of available retail space out of a total of 1.4 million square feet in Springdale in the second quarter. This implies a vacancy rate of 4.9 percent, down from 6.8 percent in the first quarter of 2006. No new retail space was added to the Springdale market in the second quarter. Negative absorption of 20,828 square feet was reported in the Class B submarket and positive absorption of 6,880 square feet was reported in the Class C retail submarket. The decline in the vacancy rate was due the addition of a significant amount of square footage due to new respondents.

Reported average lease rates were mixed. For Class B space, the reported average lease rate fell to about \$10.50 per square foot in Rogers, while increasing to about \$12.40 in Springdale. Prices were fairly constant in Bentonville and Fayetteville. Class A reported average lease rates were basically unchanged. No new pricing trends emerged in the retail submarket in the second quarter.



¹From all Q2 2006 respondents

Springdale

160,968

7,520

4.7%

6,880

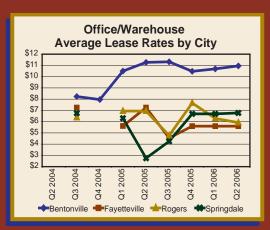
6.880

0

3.3

²From Q2 2006 respondents who were also Q1 2006 respondents







Other Lease Rates

Average Range by City								
	Warehouse	Office/ Warehouse	Retail/ Warehouse					
Bentonville Fayetteville Rogers Springdale	\$8.67 - \$9.69 \$3.37 - \$3.37 \$4.01 - \$4.56 \$3.97 - \$5.12	\$9.93 - \$11.98 \$5.40 - \$5.80 \$5.05 - \$6.78 \$5.18 - \$8.37	\$4.32 - \$9.48 \$5.08 - \$5.08 \$6.70 - \$6.70 \$6.27 - \$8.44					

Warehouse

In the second quarter of 2006, the warehouse properties included in the CBER panel had a vacancy rate of 18.5 percent. This was a big increase from the first quarter vacancy rate of 11.7 percent and is mostly due to a large new vacancy in Bentonville warehouse space. Of the 2.7 million square feet of warehouse space examined, 491,004 square feet were available in the second quarter. A total of 37,150 square feet of warehouse space was added to the market in the second quarter.

In a change from previous quarters, the majority of available warehouse space was in Bentonville, with over 200,000 square feet. Springdale had over 107,000 square feet of warehouse space available, and the remainder was split between Fayetteville, Rogers, and Lowell. Reported warehouse vacancy rates increased everywhere except Springdale in the second quarter and the decline in Springdale vacancy rates was entirely due to the addition of respondents to the Skyline Report, rather than positive absorption.

Bentonville continued to have the most expensive average warehouse lease rates, with average lease rates increasing substantially over the past three quarters. The average reported warehouse lease rates in Rogers increased to over \$4.00 a square foot, while Fayetteville and Springdale average warehouse lease rates were basically unchanged.

Office/Warehouse

The CBER panelists reported on 2.6 million square feet of office/warehouse space in the second quarter. The vacancy rate in the office/warehouse submarket increased to 24.5 percent in Northwest Arkansas, with 595,979 total square feet available in the second quarter. From the first quarter to the second quarter of 2006, there was positive absorption of 78,077 square feet of office/warehouse space, while 60,700 new square feet came online, netting positive absorption of 17,377. The vacancy rate increase was the result of a Lowell office/warehouse property with 179,000 available square feet being added to the Skyline Report sample.

The activity in the office/warehouse submarket in the second quarter was concentrated in Bentonville, Rogers, and Springdale. New space came online in each of the three cities. Fayetteville, Lowell and Siloam Springs had no activity. The bulk of available office/warehouse space was in Bentonville and Lowell in the second quarter.

Other Space Characteristics by Class and City

	Warehouse 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	507,175	201,300	39.7%	-180,600	0	-180,600	-					
Fayetteville	749,692	61,000	8.1%	-500	0	-500	-					
Rogers	325,686	80,854	24.8%	-19,940	15,000	-34,940	-					
Springdale	999,308	107,300	10.7%	0	0	0	-					

	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	681,316	224,863	33.0%	27,065	36,000	-8,935					
Fayetteville	96,326	90,326	93.8%	0	0	0					
Rogers	544,718	30,084	5.5%	31,912	17,500	14,412	6.3				
Springdale	1,018,584	71,706	7.0%	19,100	7,200	11,900	18				

	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	20,560	0	0.0%	0	0	0	_					
Fayetteville	8,900	0	0.0%	0	0	0	0					
Rogers	16,160	1,500	9.3%				-					
Springdale	261,723	34,560	13.2%	42,640	0	42,640	2					

¹From all Q2 2006 respondents

Despite already being significantly higher than the rest of the region, in the second quarter, the office/warehouse average lease rates in Bentonville increased slightly. Average reported lease rates for office/warehouse space remained fairly constant in the other cities in Northwest Arkansas during the quarter.

Retail/Warehouse

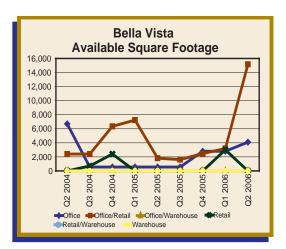
The CBER panelists reported on 337,493 square feet of retail/warehouse space in the second quarter of 2006. The vacancy rate in the retail/warehouse submarket declined from 33.0 percent in the first quarter to 18.1 percent in the second quarter in Northwest Arkansas, with 61,170 total square feet available in the second quarter. From the first quarter to the second quarter of 2006, there was positive absorption of 42,640 square feet of retail/warehouse space, while no new square feet came online. The entire absorption amount was concentrated in Springdale, with no activity in the other Northwest Arkansas markets. Springdale and Siloam Springs have the bulk of available retail/warehouse space in Northwest Arkansas. The Northwest Arkansas vacancy rate decline was the result of positive net absorption during the quarter.

While significantly higher than the rest of the region, in the second quarter, the retail/warehouse lease rates in Springdale declined a bit. Average reported lease rates also declined in Rogers and remained constant in Bentonville and Fayetteville.

²From Q2 2006 respondents who were also Q1 2006 respondents

Bella Vista

- Bella Vista had 323,538 square feet of competitive commercial space in the second quarter of 2006.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 235,638 square feet of commercial space in the second quarter of 2006. This represents 88.6 percent of the total competitive commercial space in Bella Vista.
- In the second quarter of 2006, Bella Vista experienced negative net absorption of 4,980 square feet in the office/retail submarket and no activity in other submarkets.
- Reported vacancy rates increased in the office and office/retail submarkets and declined in retail submarket in Bella Vista from the first quarter to the second quarter of 2006 due to reported vacancies.
- Reported average lease rates were unchanged in Bella Vista in the second quarter of 2006.





Bella Vista	Commerci	al Real E	estate Ma	arket Si	ummary	/ Statisti	CS	
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}
Industrial	_							
Office	\$13.43 - \$13.93	11,554	4,100	35.5%	0	0	0	
Class A		_	_					
Class B	\$13.85 - \$13.85	3,450	1,300	37.7%	0	0	0	
Class C		_	_			_	_	
Medical	\$13.00 - \$14.00	8,104	2,800	34.6%	0	0	0	
Office/Retail	\$8.60 - \$11.32	235,638	15,172	6.4%	-4,980	0	-4,980	
Class A		-				-	-	
Class B	\$8.60 - \$11.32	235,638	15,172	6.4%	-4,980	0	-4,980	
Class C								
Office/Warehouse								
Retail	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	
Class A							_	
Class B	\$3.46 - \$3.46	21,000	0	0.0%	0	0	0	
Class C								
Retail/Warehouse								
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	

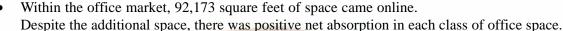
¹From all Q2 2006 respondents

²From Q2 2006 respondents who were also Q1 2006 respondents

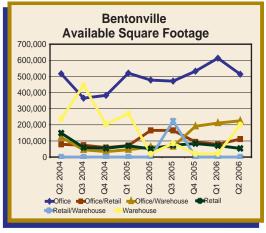
Bella Vista Commercial Properties Office/RetailOffice Office/Retail Office/Retail Office/Retail

Bentonville

- Bentonville had 5,250,599 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Bentonville issued building permits for 79,285 square feet of new commercial space, valued at a total of \$10,575,639.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,720,021 square feet of commercial space in the second quarter of 2006. This represents 89.9 percent of the total competitive commercial space in Bentonville.
- In the second quarter of 2006, Bentonville experienced positive net absorption in the office and retail submarkets and negative net absorption in the office/retail, office/warehouse, and warehouse submarkets.



- The retail submarket had positive net absorption of 11,000 square feet in Class A space and 336 square feet in Class B space. No activity was reported in the Class C retail submarket.
- Within the Bentonville warehouse submarket, 180,600 square feet of existing space became available in the second quarter of 2006.
- Reported vacancy rates declined in the office, medical office, and retail submarkets from the first quarter to the second quarter of 2006 and increased in the office/retail, office/warehouse, and warehouse submarkets.
- Average reported lease rates for Class B office and retail space were basically unchanged during the second quarter. Average reported lease rates for Class B office/retail space increased slightly. Average reported lease rates for warehouse space continued their upward climb in the second quarter of 2006.

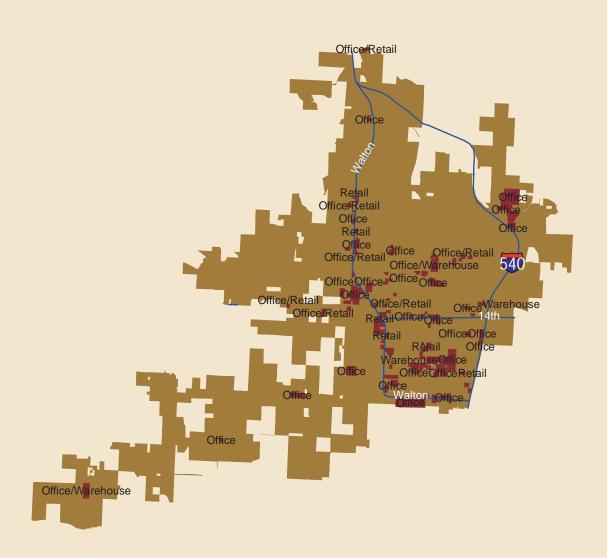


Bentonville	Bentonville Commercial Real Estate Market Summary Statistics									
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,2}		
Industrial		17,359	0	0.0%	0	0	0			
Office	\$14.34 - \$14.82	2,570,278	513,663	20.0%	143,988	92,173	51,815	29.7		
Class A	\$17.81 - \$18.41	399,076	183,763	46.0%	12,737	0	12,737	43.3		
Class B	\$14.28 - \$14.77	2,059,616	276,676	13.4%	119,487	84,240	35,247	23.5		
Class C	\$5.92 - \$5.92	12,799	0	0.0%	2,321	0	2,321	0.0		
Medical	\$13.25 - \$13.25	98,787	53,224	53.9%	9,443	7,933	1,510	105.7		
Office/Retail	\$12.09 - \$13.72	603,976	111,559	18.5%	-79	24,064	-24,143			
Class A	\$16.50 - \$19.75	38,910	8,325	21.4%	-8,325	0	-8,325			
Class B	\$12.53 - \$14.25	475,453	94,300	19.8%	9,846	24,064	-14,218			
Class C	\$8.22 - \$8.77	89,613	8,934	10.0%	-1,600	0	-1,600			
Office/Warehouse	\$9.93 - \$11.98	681,316	224,863	33.0%	27,065	36,000	-8,935			
Retail	\$13.25 - \$13.73	319,357	53,766	16.8%	11,336	0	11,336	14.2		
Class A	\$15.50 - \$19.50	40,000	15,500	38.8%	11,000	0	11,000	4.2		
Class B	\$13.73 - \$14.16	211,564	29,355	13.9%	336	0	336	262.1		
Class C	\$11.69 - \$11.69	67,793	8,911	13.1%	0	0	0			
Retail/Warehouse	\$4.32 - \$9.48	20,560	0	0.0%	0	0	0			
Warehouse	\$8.67 - \$9.69	507,175	201,300	39.7%	-180,600	0	-180,600			

¹From all Q2 2006 respondents

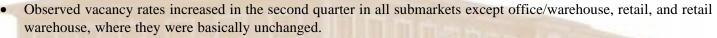
²From Q2 2006 respondents who were also Q1 2006 respondents

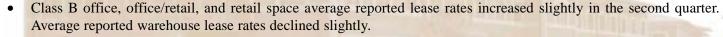
Bentonville Commercial Properties

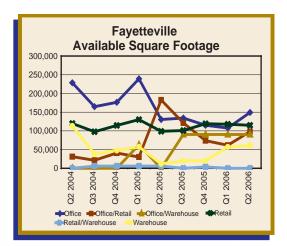


Fayetteville

- Fayetteville had 6,461,010 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Fayetteville issued building permits for 233,208 square feet of new commercial space, valued at a total of \$21,780,317. The total value was 40.6 percent higher than the same period last year.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,017,455 square feet of commercial space in the second quarter of 2006. This represents 77.7 percent of the total competitive commercial space in Fayetteville.
- In the second quarter of 2006, Fayetteville experienced positive net absorption in the retail submarket, negative net absorption in the office, medical office, office/retail, and warehouse submarkets and no activity in the office/warehouse and retail/warehouse submarkets.
- A total of 13,450 square feet of office, 31,300 square feet of office/ retail, and 5,513 square feet of retail space entered the Fayetteville commercial market in the second quarter of 2006.





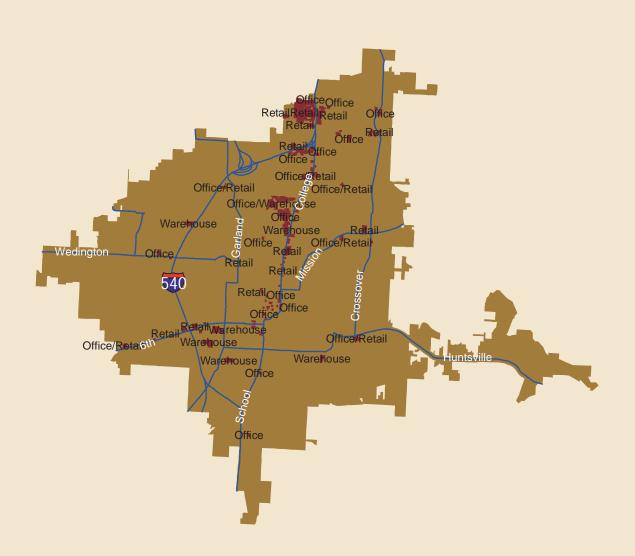


	Average Lease Rate Range	Total Square Feet¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}
Industrial								
Office	\$12.71 - \$13.88	1,366,225	149,239	10.9%	-11,994	13,450	-25,444	
Class A	\$18.94 - \$21.58	131,323	16,850	12.8%	0	0	0	
Class B	\$12.71 - \$13.88	894,142	118,889	13.3%	-12,290	13,450	-25,740	
Class C	\$9.58 - \$10.22	121,946	4,200	3.4%	1,100	0	1,100	11.5
Medical	\$11.76 - \$11.87	218,814	9,300	4.3%	-804	0	-804	
Office/Retail	\$10.92 - \$12.44	736,225	98,138	13.3%	13	31,300	-31,287	
Class A		_	_			_		
Class B	\$11.53 - \$12.83	600,524	72,022	12.0%	7,933	31,300	-23,367	
Class C	\$9.78 - \$11.71	135,701	26,116	19.2%	-7,920	0	-7,920	
Office/Warehouse	\$5.40 - \$5.80	96,326	90,326	93.8%	0	0	0	
Retail	\$11.60 - \$13.11	2,060,087	114,870	5.6%	7,288	5,513	1,775	194.1
Class A	\$22.50 - \$24.00	1,022,234	28,413	2.8%	-506	5,513	-6,019	
Class B	\$12.43 - \$13.82	845,667	70,970	8.4%	15,268	0	15,268	13.9
Class C	\$9.11 - \$10.79	192,186	15,487	8.1%	-7,474	0	-7,474	
Retail/Warehouse	\$5.08 - \$5.08	8,900	0	0.0%	0	0	0	0.0
Warehouse	\$3.37 - \$3.37	749,692	61,000	8.1%	-500	0	-500	

¹From all Q2 2006 respondents

²From Q2 2006 respondents who were also Q1 2006 respondents

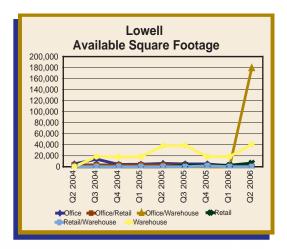
Fayetteville Commercial Properties



Lowell

- Lowell had 640,017 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Lowell issued building permits for new commercial space of 141,918 square feet, valued at a total of \$10,924,435. This was the most active quarter since June to August of 2004 for Lowell building permits.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 439,343 square feet of commercial space in the second quarter of 2006. This represents 68.6 percent of the total competitive commercial space in Lowell.
- In the second quarter of 2006, Lowell experienced positive absorption in the office submarket, negative absorption in the retail and warehouse submarkets and no effective absorption in the office/retail, office/ warehouse, and retail/warehouse submarkets.
- Reported vacancy rates increased in the office, retail, and warehouse submarkets from the first quarter to the second quarter of 2006 and were unchanged in other submarkets in Lowell.
- Reported second quarter average lease rates were basically unchanged in all submarkets.

Lowell Commercial Real Estate Market Summary Statistics



	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	from Q1 to Q2 ²	Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}
Industrial	_	_	_	_	_			_
Office	\$16.47 - \$16.53	128,440	2,250	1.8%	1,500	0	1,500	4.5
Class A								
Class B	\$16.47 - \$16.53	128,440	2,250	1.8%	1,500	0	1,500	4.5
Class C								
Medical								
Office/Retail	\$12.00 - \$12.00	15,900	0	0.0%	0	0	0	-
Class A								
Class B	\$12.00 - \$12.00	15,900	0	0.0%	0	0	0	
Class C								
Office/Warehouse		179,000	179,000	100.0%	0	0	0	
Retail	\$8.50 - \$12.00	60,015	6,559	10.9%	-3,750	0	-3,750	
Class A								

6.559

40,550

0

10.9%

0.0%

79.6%

-3,750

0

0

Retail/Warehouse

Class B

Class C

Warehouse

\$15.00 - \$15.00

\$8.58 - \$8.58

\$8.50 - \$12.00

60,015

5.040

50,948

0

22,150

-3,750

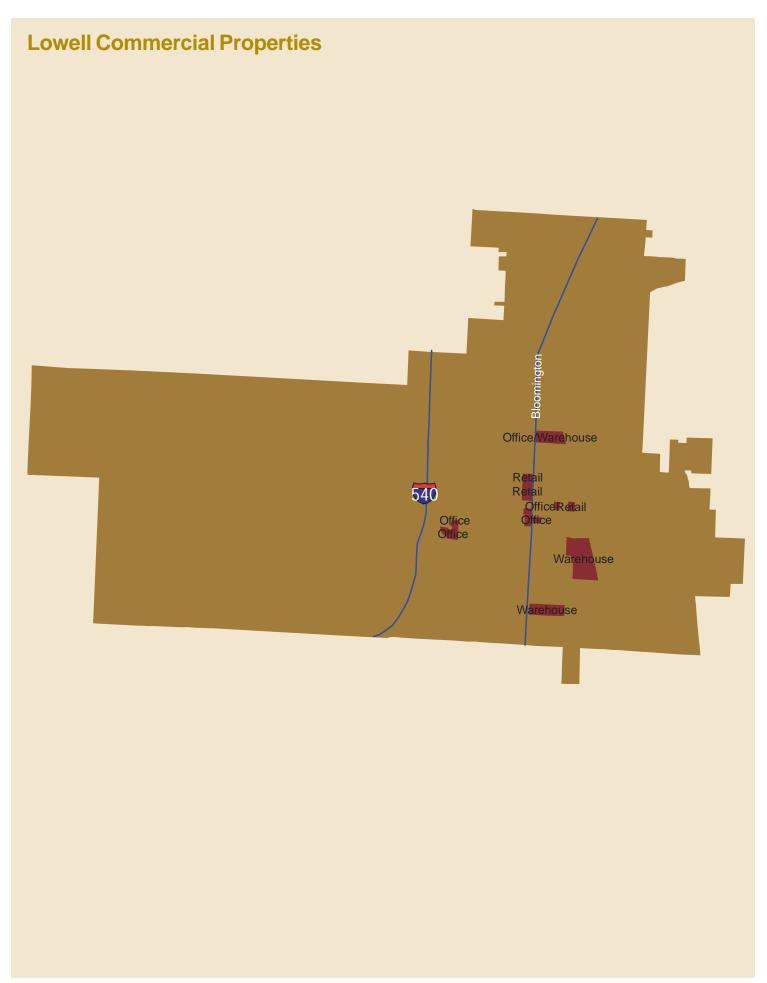
-22,150

0

0.0

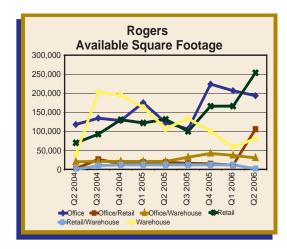
¹From all Q2 2006 respondents

²From Q2 2006 respondents who were also Q1 2006 respondents



Rogers

- Rogers had 6,156,123 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Rogers issued building permits for new commercial space valued at a total of \$36,046,864.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,087,977 square feet of commercial space in the second quarter of 2006. This represents 66.4 percent of the total competitive commercial space in Rogers.
- In the second quarter of 2006, Rogers experienced positive net absorption in the office, office/warehouse, and retail submarkets and negative net absorption in the office/retail and warehouse submarkets. The medical office and retail/warehouse space submarkets were unchanged.
- A total of 53,500 square feet of office space came online in the Rogers Class A market in the second quarter. In the office/retail submarket, an additional 140,932 square feet of space came online. A total of 17,500 square feet of office/warehouse space was added, 50,000 square feet of Class A retail came online, and an additional 15,000 square feet of warehouse space were added to the Rogers market in the second quarter.
- Reported vacancy rates declined in the office, office/warehouse, and retail/warehouse submarkets in the second quarter. Vacancy rates were up in the office/retail, retail, and warehouse submarkets and were unchanged in the medical office space market in the second quarter of 2006.
- Average reported lease rates for Class B office space increased while Class B retail space rates declined in the second quarter. Reported average warehouse lease rates increased slightly in Rogers.

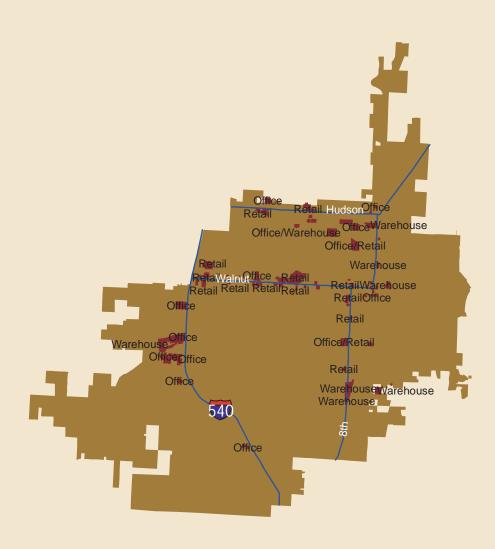


Rogers Commercial Real Estate Market Summary Statistics												
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,2}				
Industrial	\$6.00 - \$6.00	8,000	0	0.0%	0	0	0					
Office	\$15.50 - \$16.71	1,378,371	193,635	14.0%	82,886	53,500	29,386	19.8				
Class A	\$18.62 - \$20.30	871,273	156,761	18.0%	-1,273	53,500	-54,773					
Class B	\$12.36 - \$13.39	369,548	27,736	7.5%	28,375	0	28,375	2.9				
Class C	\$9.34 - \$9.34	115,285	4,138	3.6%	55,784	0	55,784	0.2				
Medical	\$15.50 - \$15.50	22,265	5,000	22.5%	0	0	0	-				
Office/Retail	\$13.43 - \$14.92	340,778	105,539	31.0%	70,912	140,932	-70,020	-				
Class A	\$24.50 - \$24.50	129,316	69,670	53.9%	59,646	129,316	-69,670					
Class B	\$14.00 - \$14.00	34,956	27,440	78.5%	7,516	11,616	-4,100					
Class C	\$9.33 - \$12.83	176,506	8,429	4.8%	3,750	0	3,750	6.7				
Office/Warehouse	\$5.05 - \$6.78	544,718	30,084	5.5%	31,912	17,500	14,412	6.3				
Retail	\$12.60 - \$13.45	1,474,264	253,829	17.2%	77,247	50,000	27,247	27.9				
Class A	\$18.28 - \$18.99	584,721	62,126	10.6%	65,734	50,000	15,734	11.8				
Class B	\$9.99 - \$10.81	679,115	169,780	25.0%	10,822	0	10,822	47.1				
Class C	\$8.10 - \$9.30	210,428	21,923	10.4%	691	0	691	95.2				
Retail/Warehouse	\$6.70 - \$6.70	16,160	1,500	9.3%	0	0	0	-				
Warehouse	\$4.01 - \$4.56	325,686	80,854	24.8%	-19,940	15,000	-34,940	-				

¹From all Q2 2006 respondents

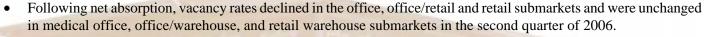
 $^{^{2}\}text{From Q2 2006 respondents}$ who were also Q1 2006 respondents

Rogers Commercial Properties

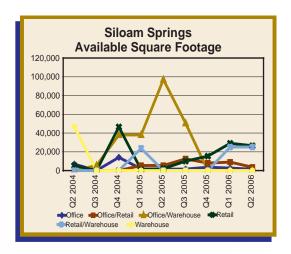


Siloam Springs

- Siloam Springs had 977,561 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Siloam Springs issued building permits for 66,108 square feet of new commercial space, valued at a total of \$3,650,000.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 584,929 square feet of commercial space in the second quarter of 2006. This represents 59.8 percent of the total competitive commercial space in Siloam Springs.
- In second quarter of 2006, Siloam Springs experienced positive net absorption in the office, office/retail and retail submarkets no absorption in the medical office, office/warehouse, and retail/warehouse submarkets.
- A total of 16,250 square feet of new retail space came online in the second quarter of 2006.



Average reported lease rates were basically unchanged in the Class B office and office/retail submarkets in the second quarter and up in the Class B retail submarket in Siloam Springs.



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				Absorption	New		
Average Lease	e Total	Available	Percent	from	Available	Net	
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	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	from Q1 to Q2 ²	Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}
Industrial	_	_		_	_			_
Office	\$11.98 - \$12.83	80,760	1,500	1.9%	1,200	0	1,200	3.8
Class A								
Class B	\$7.39 - \$8.27	9,728	0	0.0%	1,200	0	1,200	0.0
Class C								
Medical	\$13.51 - \$14.34	71,032	1,500	2.1%	0	0	0	
Office/Retail	\$7.80 - \$7.80	50,737	3,600	7.1%	5,400	0	5,400	2.0
Class A								
Class B	\$7.80 - \$7.80	50,737	3,600	7.1%	5,400	0	5,400	2.0
Class C								
Office/Warehouse	\$3.24 - \$3.40	124,921	0	0.0%	0	0	0	0.0
Retail	\$7.63 - \$8.53	302,846	26,500	8.8%	20,330	16,250	4,080	19.5
Class A								
Class B	\$8.45 - \$9.05	187,222	24,100	12.9%	19,130	16,250	2,880	25.1
Class C	\$6.00 - \$7.50	115,624	2,400	2.1%	1,200	0	1,200	6.0
Retail/Warehouse	-	25,110	25,110	100.0%	0	0	0	
Warehouse	-	-			-			-

¹From all Q2 2006 respondents

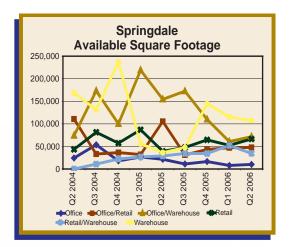
²From Q2 2006 respondents who were also Q1 2006 respondents

Siloam Springs Commercial Properties



Springdale

- Springdale had 6,008,498 square feet of competitive commercial space in the second quarter of 2006.
- From March to May 2006, Springdale issued commercial building permits valued at a total of \$12,322,984. This is a decline of 20.3 percent over the same time period in 2005.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,803,510 square feet of commercial space in the second quarter of 2006. This is a 78.4 percent increase over the previous quarter and represents a deliberate effort to acquire more Springdale respondents. This represents 79.9 percent of the total competitive commercial space in Springdale.
- In the second quarter of 2006, Springdale experienced positive net absorption in the office, office/warehouse, and retail/warehouse submarkets and negative net absorption in the office/retail and retail submarkets. A total of 7,200 square feet of new office/warehouse space was added to the Springdale commercial property market in the second quarter.
- Reported vacancy rates increased in the office and medical office submarkets and declined in the office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets. Due to the substantial increase in Springdale respondents, these numbers do not always follow absorption for the quarter.
- Reported average lease for Class B office/retail space decreased while reported average lease rates for retail space increased in the second quarter of 2006. Office and warehouse reported average lease rates were basically unchanged.



Spiniguals sommercial resail Lotate Market Sammary 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 Feet¹	Net Absorption ^{1, 2}	Months of Inventory ^{1,}
Industrial	\$3.50 - \$6.00	406,979	0	0.0%	0	0	0	0.0
Office	\$10.45 - \$12.23	385,463	10,188	2.6%	887	0	887	34.5
Class A	\$10.40 - \$15.38	57,248	0	0.0%	0	0	0	0.0
Class B	\$10.96 - \$13.37	231,593	5,939	2.6%	-113	0	-113	
Class C	\$9.27 - \$9.27	41,244	4,249	10.3%	1,000	0	1,000	12.7
Medical	\$10.78 - \$11.78	55,378	0	0.0%	0	0	0	0.0
Office/Retail	\$10.18 - \$12.24	374,517	47,752	12.8%	-568	0	-568	
Class A							-	
Class B	\$12.00 - \$14.00	165,919	28,012	16.9%	2,112	0	2,112	
Class C	\$8.13 - \$10.26	208,598	19,740	9.5%	-2,680	0	-2,680	
Office/Warehouse	\$5.18 - \$8.37	1,018,584	71,706	7.0%	19,100	7,200	11,900	18.1
Retail	\$9.01 - \$10.38	1,356,936	66,410	4.9%	-13,948	0	-13,948	
Class A							-	
Class B	\$11.19 - \$13.48	1,195,968	58,890	4.9%	-20,828	0	-20,828	
Class C	\$7.15 - \$7.72	160,968	7,520	4.7%	6,880	0	6,880	3.3
Retail/Warehouse	\$6.27 - \$8.44	261,723	34,560	13.2%	42,640	0	42,640	2.4

107,300

10.7%

Warehouse

\$3.97 - \$5.12

999,308

0

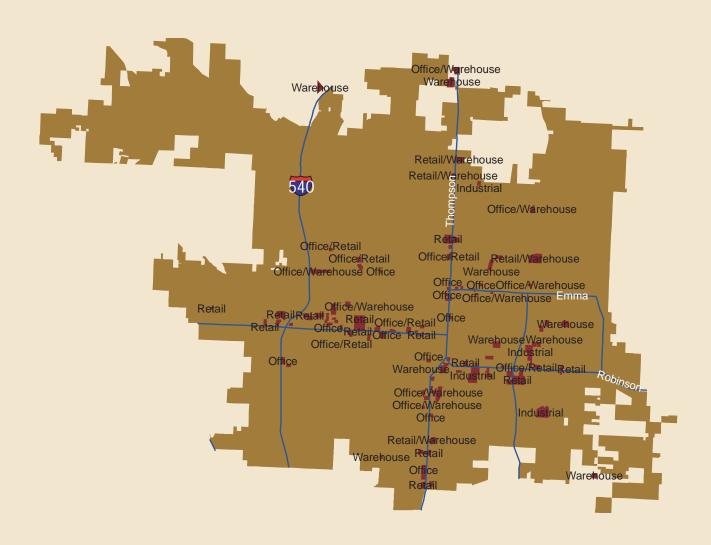
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¹From all Q2 2006 respondents

²From Q2 2006 respondents who were also Q1 2006 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 upto-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 Information 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. Owneroccupied 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-bycity 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 2006, 162 panelists provided data on 854 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 854 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 subsample-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.



Center for Business and Economic Research