



# THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

July 2006  
Highlights

## Contents

Highlights .....	1
Commercial Summary .....	2

Commercial Real Estate Market Summary,  
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Agreement for ARVEST BANK



SAM M.  
**WALTON**  
COLLEGE of BUSINESS

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

## Highlights from the Second Quarter of 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 five-year 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.

## Vacancy Rates by Submarket

### 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%	--	3.7%	15.8%
Q4 2005	20.4%	22.3%	9.0%	4.2%	16.2%	7.0%	4.2%	16.0%
Q1 2006	20.4%	24.1%	8.6%	1.3%	16.4%	3.3%	2.2%	16.7%
Q2 2006	35.5%	20.0%	10.9%	1.8%	14.0%	1.9%	2.6%	14.8%

### Medical 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%	--	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	34.6%	60.2%	2.0%	--	22.5%	2.1%	0.0%	15.3%
Q2 2006	34.6%	53.9%	4.3%	--	22.5%	2.1%	10.3%	15.1%

### Office/Retail

	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%

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	--	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%	--	13.2%	0.0%	24.9%	27.5%
Q1 2006	--	32.5%	93.8%	--	12.3%	0.0%	13.7%	20.1%
Q2 2006	--	33.0%	93.8%	100.0%	5.5%	0.0%	7.0%	24.5%

### Retail

	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%

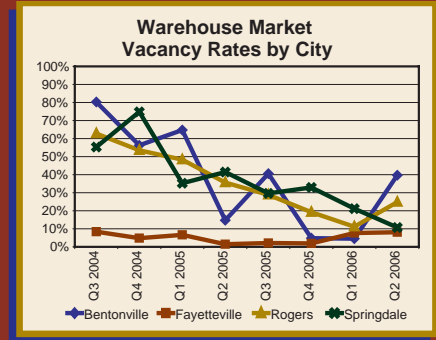
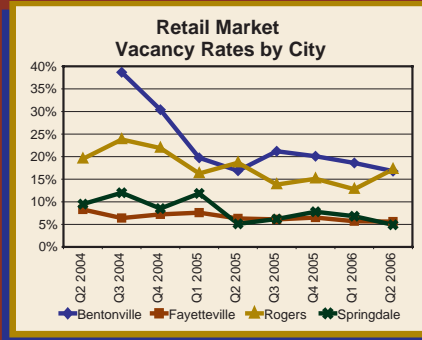
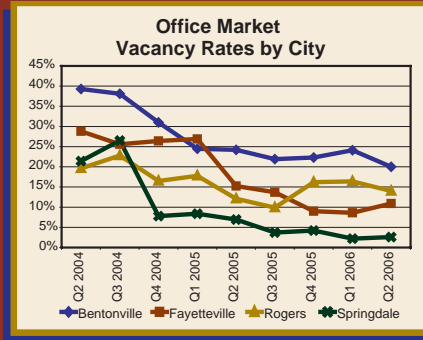
### Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	--	--	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%

### Warehouse

	Bella Vista	Bentonville	Fayetteville	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%

# Vacancy Rate Trends



## Net Absorption by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005		26,725	87,823	-5,050	77,657	--	2,135	189,290
Q3 2005		953	34,170	896	-21,566	--	5,989	20,442
Q4 2005	550	10,860	4,968	50	-88,559	--	1,900	-70,231
Q1 2006		-77,447	3,891	3,500	17,275	2,050	8,601	-42,130
Q2 2006		51,815	-25,444	1,500	29,386	1,200	887	59,344

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	--	-42,200	-3,507	--	0	267	-4,832	-50,272
Q3 2005	--	-2,850	0	--	-898	0	3,534	-214
Q4 2005	0	0	1,300	--	1,048	-2,017	4,000	4,331
Q1 2006	0	-43,500	511	--	-3,000	2,050	750	-43,189
Q2 2006	0	1,510	-804	--	0	0	0	706

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	2,616	-86,063	-33,293	0	0	0	-4,654	-121,394
Q3 2005	212	-6,323	16,746	0	2,900	-5,000	11,179	19,714
Q4 2005	700	3,581	-31,648	0	-10,299	-600	-12,380	-50,646
Q1 2006	-728	14,408	3,218	0	3,500	-1,000	-3,846	15,552
Q2 2006	-4,980	-24,143	-31,287	0	-70,020	5,400	-568	-125,598

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	0	-16,500	-24,886	--	0	-11,320	-4,832	-57,538
Q3 2005	--	-14,400	27,360	--	-10,872	0	-18,000	-15,912
Q4 2005	--	199,300	0	--	0	50,507	-39,959	209,848
Q1 2006	--	-16,528	0	--	2,000	0	49,170	34,642
Q2 2006	--	-8,935	0	0	14,412	0	11,900	17,377

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	0	-3,167	6,427	0	-2,261	-1,225	2,100	1,874
Q3 2005	0	90	5,857	-2,809	2,616	-10,000	10,600	6,354
Q4 2005	0	-15,293	10,794	3,200	-66,311	-275	2,600	-65,285
Q1 2006	-3,000	2,854	15,424	0	21,217	-12,480	13,010	37,025
Q2 2006	0	11,336	1,775	-3,750	27,247	4,080	-13,948	26,740

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2005	--	0	47,600	-20,000	38,264	--	4,600	70,464
Q3 2005	--	-10,200	12,000	-400	0	--	0	1,400
Q4 2005	--	64,150	0	0	16,800	--	20,925	101,875
Q1 2006	--	11,900	0	0	42,622	--	43,350	97,872
Q2 2006	0	-180,600	-500	-22,150	-34,940	--	0	-238,190

# Average Lease Rate Trends by Type, Class, and City

