

THE SKYLINE REPORT

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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the thirteenth 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 2007

- In the second quarter of 2007, 687,347 square feet of competitive commercial property were added to the Northwest Arkansas market. Almost 500,000 square feet of that space was new office space, including the Superior Building in Bentonville.
- In the office market, there was negative net absorption of 297,184 square feet. This includes the addition of the vacant 370,000 square foot Superior Building in Bentonville to the commercial property market.
- Within the retail submarket there was absorption of 94,017 square feet and the entry of 110,510 new square feet, netting negative net absorption of 16,493 square feet.
- The office/retail submarket in Northwest Arkansas added 86,934 square feet and absorbed 47,829 square feet. The vacancy rate increase to 21.9 percent in the second quarter from 20.3 percent in the first quarter.
- No new square feet of warehouse space were added to the Northwest Arkansas market in the second quarter, but the vacancy rate increased from 18.7 percent to 20.1 percent.
- From March to May 2007, there were \$62.0 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a decline of 35.7 percent from the prior quarter, and a decline of 34.9 percent from the second quarter of 2006.

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 52) 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 224 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 quarters. The first table presents vacancy rates by submarket for the second, third and fourth quarters of 2006 and for the first and second quarters of 2007. The second table presents net absorption by submarket



and the third table presents available square footage by submarket for the same time periods. These tables are the foundation for performing trend analysis and for separating the seasonal effects from real effects. The results in the tables are referred to throughout the remainder of the Skyline Report.

The next four sections present analyses of Northwest Arkansas submarkets by type of space. The office submarket is examined first, followed by the office/retail, retail, warehouse, office/warehouse, and retail/warehouse submarkets. Following these sections are commercial property summary statistics by city. There are sections for Bella Vista, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. Some of the cities have information broken down for a specific geographic submarket, such as a downtown area.

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 2007, the overall real growth rate in GDP was a revised 0.7 percent, down from a 2.5 percent rate in the fourth quarter of 2006. The growth rate in GDP in the first quarter of 2006 was 5.6 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 primarily reflected positive contributions from personal consumption expenditures (PCE), exports and state and local government spending that were partly offset by negative contributions from residential fixed investment, private inventory investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. The deceleration in real GDP growth in the first quarter primarily reflected an upturn in imports, a deceleration in exports, a downturn in federal government spending, and a deceleration in PCE for non-durable goods that were partly offset by an upturn in equipment and software, a smaller decrease in residential fixed investment, an acceleration in PCE for durable goods, a smaller decrease in private inventory investment, and an acceleration in PCE for services. Final sales of computers contributed 0.02 percentage point to the first-quarter growth in real GDP after contributing 0.22 percentage point to the fourth-quarter growth. Motor vehicle output contributed 0.22 percentage point to the first-quarter growth in real GDP after subtracting 1.18 percentage points from the fourth-quarter growth.

Turning to other data, in June, the national unemployment rate was a seasonally adjusted 4.5 percent, below the 4.9 percent decade long average rate. The Conference Board Consumer Confidence Index, which had increased in May, reversed course in June. The Index now stands at 103.9 (1985=100), down from 108.5 in May. The Expectations Index declined to 87.9 from 90.1. The Present Situation Index decreased to 127.9 from 136.1 in May. Said Lynn Franco, Director of

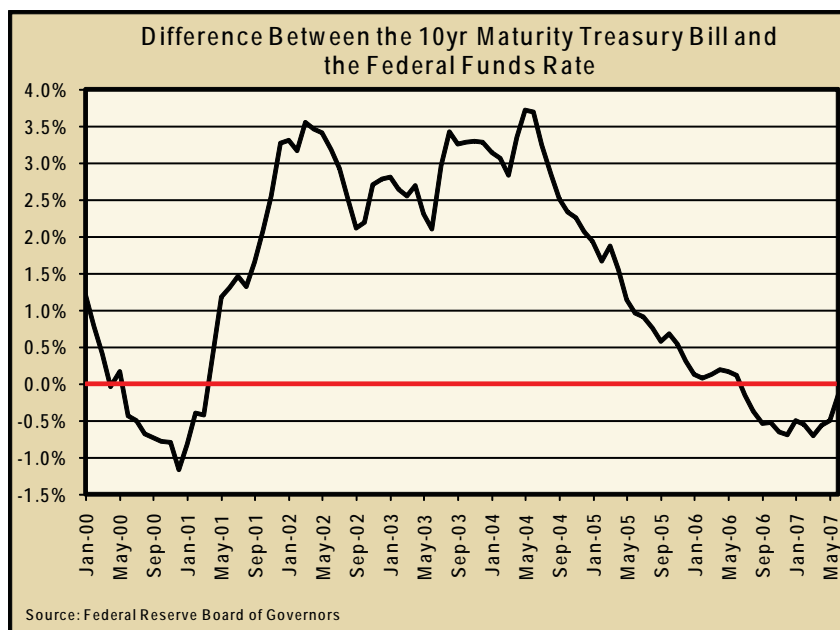
The Conference Board Consumer Research Center: "A perceived softening in present-day business and employment conditions are the major reasons behind this month's pull-back in confidence. In fact, the Present Situation Index now stands at levels not seen since the final quarter of last year. Looking ahead, consumers remain rather subdued about short-term economic prospects. All in all, the glass remains half empty and half full."

From May 2006 to May 2007, overall inflation was a moderate 2.7 percent. During the first five months of 2007, the CPI-U rose at a 5.5 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 2.5 percent for all of 2006. The acceleration thus far this year was due to larger increases in the energy and food components. The index for energy advanced at a 36.0 percent SAAR in the first five months of 2007 compared with 2.9 percent in 2006. Petroleum-based energy costs increased at a 63.9 percent annual rate and charges for energy services rose at a 6.8 percent annual rate. The food index has increased at a 6.2 percent SAAR thus far this year, following a 2.1 percent rise for all of 2006. Excluding food and energy, the CPI-U advanced at a 2.1 percent SAAR in the first five months, following a

2.6 percent rise for all of 2006. In terms of construction prices, the producer price index for construction industries increased at a 3.3 percent SAAR during the first five months of 2007. For 2006, that index increased 7.1 percent.

Short-term Interest Rate Risk

The Federal Reserve has held interest rates steady since completing its incremental raising of short-term interest rates. The Fed Funds target continues to stand at 5.25 percent, up 425 basis points from its historic low in 2003. Economic growth appears to have been moderate during the first half of this year, despite the ongoing adjustment in the housing sector. The economy seems likely to continue to expand at a moderate pace over coming quarters. Readings on core inflation have improved modestly in recent months. However, a sustained moderation in inflation pressures has yet to be convincingly demonstrated. Moreover, the high level of resource utilization has the potential to sustain those pressures. In these circumstances, the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected. Given this significant level of uncertainty, many observers are ex-



Economic Overview

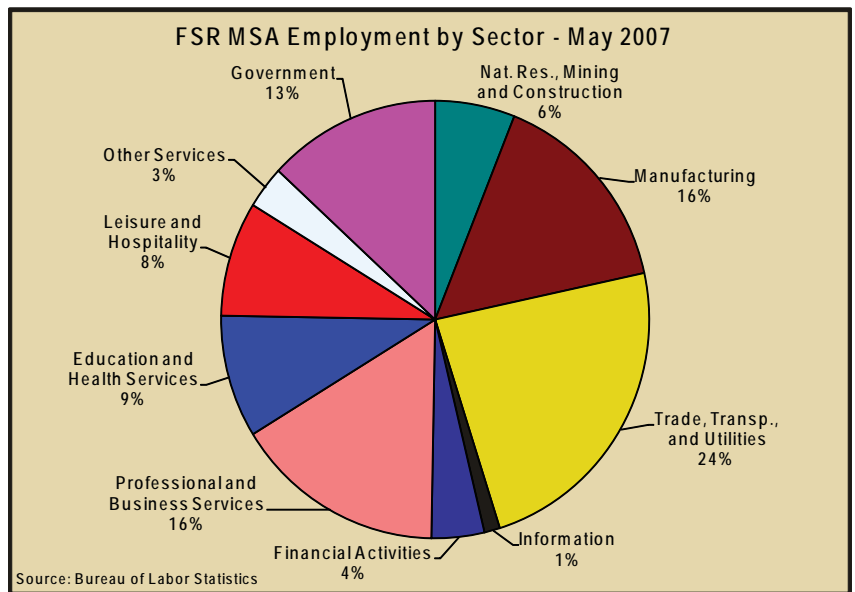
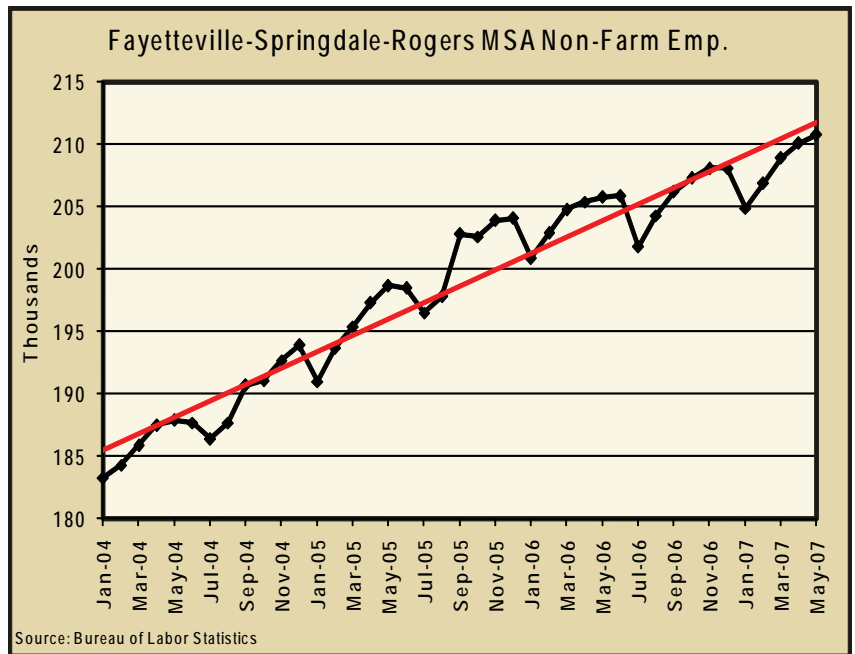
pecting the Federal Reserve to maintain the current “neutral” monetary policy until clear evidence mounts about the overall direction of the economy.

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 5.10 percent in June 2007, while the federal funds rate increased by 425 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 2007, there was a 387 basis point decline in the spread. In June 2007, the spread was a negative 0.15 percent. This is important as a negative spread has typically been a sign of weakness in the economy and a harbinger of recession, however the June value is up from the low of negative 0.7 percent in March of 2007.

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 employment numbers bear careful watching in the next few months because the demand for much of the new and expected commercial development relies on the assumption that job growth remains strong. Between May 2006 and May 2007 the Northwest Arkansas economy added on average 417 jobs per month which is below the five year average of 550 jobs per month. However, looking at the individual data points for the first five months of 2007 revels slightly stronger employment growth



in 2007 than was experienced in early 2006. Specifically, 1,200 jobs were added in April of 2007 and 700 jobs in May as compared to 600 and 400 jobs in April and May of 2006. The coming months will be telling as to whether 2007 will look more like the strong employment growth of 2005 or the moderated employment growth of 2006.

In order to delve more closely into the makeup of the job growth in Northwest Ar-

kansas, two additional figures are provided. The first shows the May 2007 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, trade, transportation and utilities had the largest share of employment (24 percent) in Northwest Arkansas, followed by professional and business services (16 percent), manufacturing (16 percent), government (13 percent), and education and health services (9 percent). The second figure shows the annual



Economic Overview

percentage change in the MSA's employment by sector from May 2006 to May 2007. Total nonfarm employment increased by 2.4 percent during that time, so those sectors with larger employment growth rates increased in relative impact and those sectors with smaller employment growth rates decreased in relative impact. The financial activities, leisure and hospitality, professional and business services, and education and health services sectors had the largest percentage increases.

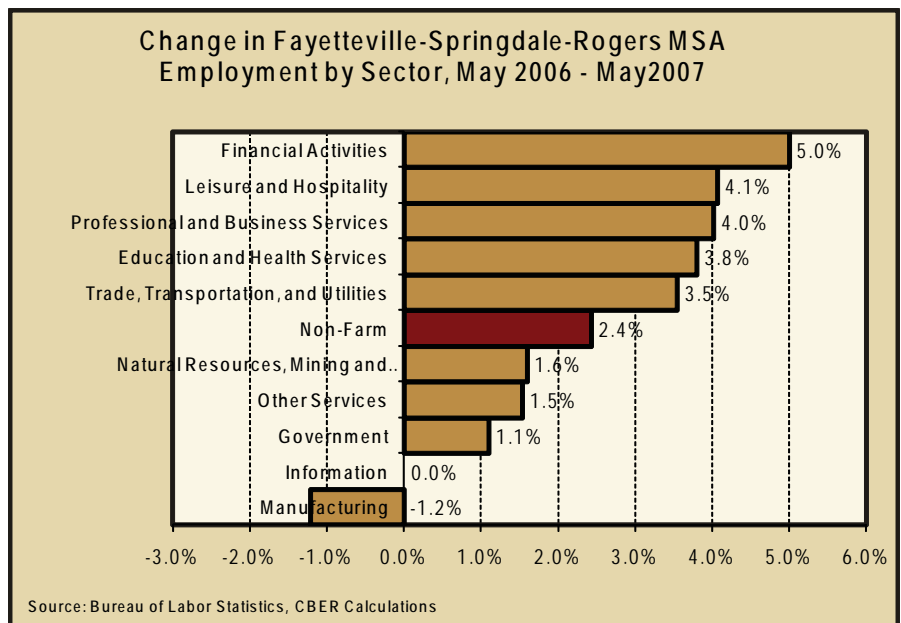
The Bureau of Labor Statistics has revised its unemployment numbers so that the most recent measurements are consistent with those of the past five years. In May 2007, the unemployment rate in Northwest Arkansas was a preliminary 3.5 percent, edging down slightly from 3.6 percent in May of 2006. The May unemployment rate is down from its 2007 high of 4.1 percent in February. The unemployment rate in Northwest Arkansas continues to be below that of both the state (5 percent) and nation (4.3 percent).

Local Perceptions of the Northwest Arkansas Commercial Property Market

Each quarter, CBER staff members have conversations with a dozen or so commercial developers and/or property managers to 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 year. Panelists have talked about the general state of the market, hot spots of activity, areas of softness, supply/demand imbalances, and infrastructure issues. This quarter the amount of optimism expressed by the panelists was substantially lower. The current and potential future bankruptcies in the residential market coupled with an increasing concern about the soundness of many local banks is a major worry. Another new concern is the potential decline in working Hispanic population as the construction economy slows down. Also the completion

of the Superior Building has raised concerns about oversupply in the office market (some panelists in the under 10,000 square foot market are not worried though about space competition). These concerns have been expressed for several quarters now. There were renewed comments about the increasing price of commercial land prices, even as residential land prices seemed to stabilize. Other concerns from previous quarters also remain: the increasing quantity of commercial space available and for sale, impact fees and regulatory costs, road and sewer infrastructure, and finally the overall state of the U.S. economy.

professional leasing agents to handle underperforming properties before they are sold off. Panelists report demand for commercial space is pretty evenly balanced between "churn," new tenants, and existing tenant expansion. Panelists again expressed the idea that with the proper "niche" it is possible to be very successful. In that vein of thought, some panelists mentioned the importance of really paying attention to the financial details of the business. The most commonly mentioned niche markets were medical office space, professional office space, and small vendor space of less than 5,000 square feet.



Several panelists feel the imbalance in the commercial and residential real estate market will take upwards of two years to correct. This is the longest time frame that has been expressed by panelists since the imbalance became obvious.

Oversupply of Class A office space in both Bentonville (especially with the Superior Building online) and Rogers remains quite strong. Worries about downward price pressure are increasing, as well as concerns about the potential glut of properties that might be offered for sale as they aren't being managed or leased properly. Perhaps mitigating that is a trend towards the hiring of more

There was disagreement about strip retail opportunities among the panelists. Some feel it still can present a profitable situation if done properly, others feel existing strip retail centers, particularly in Bentonville, are in trouble. Another change is that more concerns about the Fayetteville commercial market were expressed this quarter. This is a direct contrast to previous quarters when the Fayetteville submarket was looked at very positively. Some panelists, for the first time, are questioning potential problems at the NWA Mall as it enters a releasing phase in the next couple of years. Nonetheless,



Economic Overview

there is still the feeling that in the long run the major retail areas, Pinnacle, Scottsdale, and the Northwest Arkansas Mall will do well, as the population continues to grow.

A few panelists again mentioned impact fees and other regulatory costs as being a problem. But this time there were also panelists who didn't feel they were necessarily so onerous. "Someone has to pay," said one. But even those panelists are concerned that there is perception that developers have a bottomless pit of money to pay for infrastructure.

Infrastructure is and will remain a constant source of concern according to all the panelists. Their comments maintained the relatively positive attitude expressed last quarter, as there is even more visual evidence of progress. There is still a call for more coordination between the various levels of government, and a hope that local representatives can be more successful interfacing with the state government. Panelists continue to think Northwest Arkansas will remain behind the infrastructure curve, but that is also a function of continued demand due to continued growth.

Long term optimism is still there, but was not expressed as strongly. Panelists are more concerned about the national economy's impact on Northwestern Arkansas. They are concerned about the continued growth of Wal-Mart, J.B. Hunt, and Tyson. There are strong concerns about interest rates. For the first time there was an expression of concern over the continued growth in population as some panelists felt the slowdown in building trades will lead to some populations vacating the region.

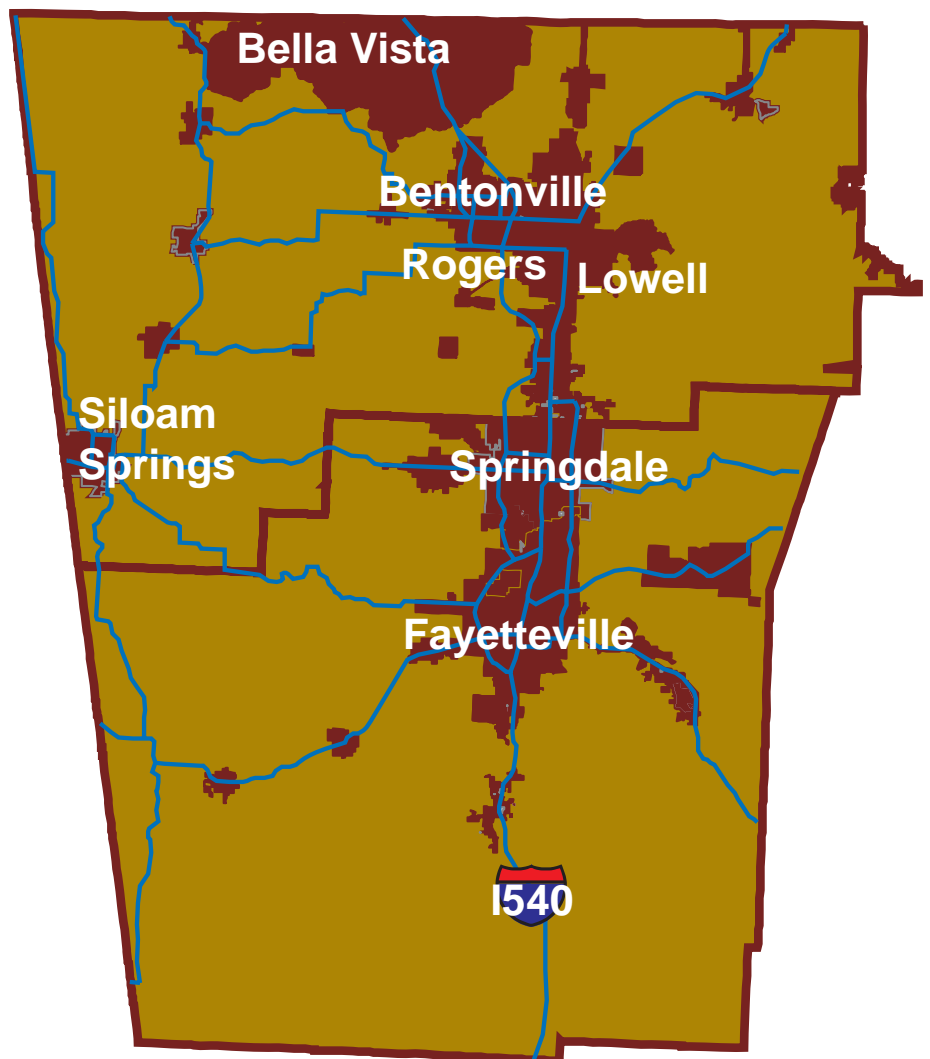
Positive Factors:

1. Strong demand for office space.
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. National media coverage of Northwest Arkansas as a good place to live and work.
6. Creation of destination locations including development of Sports arenas in Springdale and Bentonville.
7. Wal-Mart, Tyson Foods, J.B. Hunt, and the University of Arkansas.
8. Region's entrepreneurial spirit.

Negative Factors:

1. Oversupply of office space in Bentonville/Rogers.
2. Oversupply in the residential market.
3. Infrastructure: local roads, I-540 entrances and exits, new bypasses, sewers.
4. Possible rise in interest rates.
5. Possible loss of construction worker population.



Inventory and Building Permits

Categories of Commercial Properties

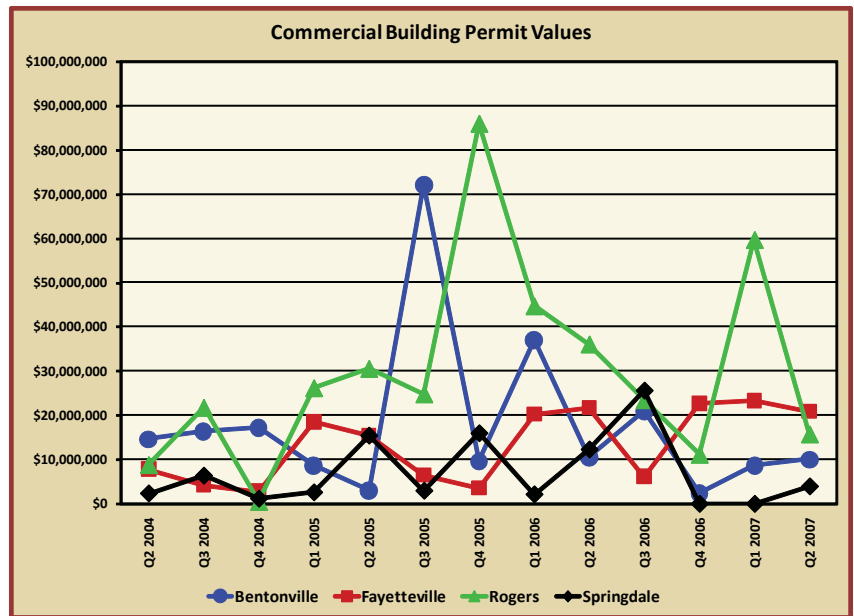
The Northwest Arkansas commercial market is divided into seven major categories of space:

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 sub-average lease rates and amenities.

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 52) as of May 2007. For the second quarter, the Sky-



line Report covered 95.2 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had better coverage than others.

Building permit data from the past twelve 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 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 2007, there were \$62.0 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a decline of 35.7 percent from the prior quarter, and a decline of 34.9 percent from the second quarter of 2006. Fayetteville accounted for about 33.8 percent of the total value of building permits in the March to May period. Rogers accounted for an additional

25.4 percent and Bentonville accounted for 16.3 percent. After two quarters where no new commercial building permits were issued in Springdale, that city accounted for 6.4 percent of the total in the second quarter.

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.

Following the announced properties table is a list of the existing hotel properties in Northwest Arkansas, detailed by city. In the second quarter, there were 6,106 standard rooms and 1,164 suites in Northwest Arkansas. Bentonville had the most rooms, with 1,973. Announced new properties are detailed in a table following the existing hotel properties. Finally, a list of announced new restaurant properties follows the hotel information.



Inventory and Building Permits

Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial ¹	Office ¹	Retail ¹	Warehouse ¹	Total ¹	Panel Total Square Feet ²	Panel Coverage ²
Bella Vista	--	88,401	129,420	61,594	279,415	319,574	114.4%
Bentonville	61,500	3,379,414	733,641	539,697	4,714,252	5,598,152	116.9%
Fayetteville	114,079	2,801,006	3,873,792	1,778,270	8,567,147	6,558,763	76.6%
Lowell	41,058	300,087	115,431	218,916	675,492	822,389	121.7%
Rogers	464,089	1,604,852	1,702,944	1,239,591	5,011,476	7,046,440	139.3%
Siloam Springs	148,582	146,036	491,940	286,202	1,072,760	718,526	67.0%
Springdale	1,142,623	1,469,829	2,170,575	2,441,234	7,224,261	5,405,970	73.4%
Northwest Arkansas Total	1,971,931	9,789,625	9,217,743	6,565,504	27,544,803	26,469,814	95.2%

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 52 of this report.

²Source: Panel of 224 large Northwest Arkansas commercial property owners and managers.



Inventory and Building Permits



Commercial Building Permit Data by City

	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
March - May 2007	\$10,082,817	\$20,962,887	\$8,277,328	\$15,727,729	\$3,019,500	\$3,960,747	\$62,031,008
Dec. 2006 - Feb. 2007	\$8,725,598	\$23,406,927	\$4,709,086	\$59,642,734	\$25,000	\$0	\$96,509,345
Sept. - Nov. 2006	\$2,404,840	\$22,721,389	\$1,840,722	\$11,146,805	\$538,000	\$0	\$38,651,756
June - August 2006	\$21,014,259	\$6,147,723	\$462,712	\$23,479,198	\$5,890,000	\$25,663,800	\$82,657,692
March - May 2006	\$10,575,639	\$21,780,317	\$10,924,435	\$36,046,864	\$3,650,000	\$12,322,984	\$95,300,239
Dec. 2005 - Feb. 2006	\$37,121,720	\$20,330,697	\$2,359,019	\$44,672,800	\$165,000	\$2,151,476	\$106,800,712
Sept. - Nov. 2005	\$9,674,394	\$3,519,150	\$3,275,717	\$85,896,765	\$150,000	\$15,999,816	\$118,515,842
June - August 2005	\$72,205,699	\$6,434,833	\$1,666,851	\$24,782,039	\$200,000	\$2,982,618	\$108,272,040
March - May 2005	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Dec. 2004-Feb. 2005	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524	\$56,744,954
Sept.-Nov. 2004	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
June-August 2004	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
March-May 2004	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473



Inventory and Building Permits

Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
206 SW 2nd Street Multi-Use Building	Bentonville	Main Street Builders LLC	Mixed Use		
28th Street Commercial Building	Bentonville	Rick Thomas	Office/Retail	24,000	
3 Cottonwood Village Buildings	Bentonville	Charles Benningfield	Office	25,012	
3M Building	Bentonville	Mark Marquis	Office/Warehouse	30,000	Summer 2007
Airport Plaza	Bentonville		Office/Retail/Bank	25,846	
Applegate Hills	Bentonville	Robert Weinmeier & Jim Brassart	Mixed Use	980,000	
Archer's East Central Business Park	Bentonville	Wayne and Victoria Martin	Office/Retail	45,250	2007
Arvest Bank	Bentonville	Arvest Bank	Bank	5,000	2008
Bentonville Dialysis Center	Bentonville	Dr. Fred Smardo	Medical Office	86,035	
Bentonville Pre-K School	Bentonville	Bentonville School District	School	20,400	
Brownstone Crossing	Bentonville	Kraig Matthews	Retail	5,308	August 2007
Christopher's Custom Homes Office	Bentonville	Christopher's Custom Homes	Office		
Cornerstone Ridge	Bentonville	Tom Terminella	Mixed Use		
Cottonwood Village Medical Building	Bentonville	Dr. Stephen S. Pirota	Medical	4,978	Summer 2007
Covington Center	Bentonville	Benchmark Group	Office/Retail		
Day Care and Commercial Building	Bentonville	Max McGaugh	Office/Retail	8,000	
Digital Endeavors	Bentonville	Digital Endeavors	Office	7,650	
Elm Tree Place	Bentonville		Commercial	10,144	
Graebel Moving Warehouse	Bentonville		Warehouse	80,000	
Jarden Business Center	Bentonville		Office	15,292	
Kum and go	Bentonville	Kum and Go	Retail	4,744	August 2007
Moberly Professional Park	Bentonville		Office	56,128	
Morrison Addition Office Buildings	Bentonville		Office	30,000	
Wal-Mart and Uptown Center	Bentonville	CEI Engineering	Retail	40,000+	Mid 2008
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	
PJT Commercial Building	Bentonville	PJT Development	Commercial	8,000	
Polo Park Commerical/Industrial Park	Bentonville	San Miguel LLC	Commercial/Industrial		
Polo Park Warehouse	Bentonville	San Miguel LLC	Warehouse	108,000	
Rainbow Junction	Bentonville		Commercial		
Rescue Heroes Building	Bentonville	Rescue Heroes LLC	Office	54,000	
Retail Building on Central	Bentonville	Schaefer Properties	Retail	40,000	2007
Savannah Suites	Bentonville	Pro Con Inc	Office/Retail	42,000	2007
Single Parent Schl. Fund of Benton CO	Bentonville	SPSF of Benton County	Office	5,008	
Supplier Plaza	Bentonville	W. Wallace & Supha Xayprasith	Mixed Use	30,000	2008
SW Chucker Ave Warehouse	Bentonville		Warehouse	108,000	
Talley Project Sw Bentonville	Bentonville	Chris Talley	Whouse./Off./Hot.	1,000,000+	
Tate & Haney Building	Bentonville	John Tate and Johnny Haney	Mixed Use	50,000	2007
The Chateau on Chardonnay	Bentonville	Rex Fox and Frank Farrer	Mixed Use	55,000	Late 2007
The Harlequin	Bentonville	Four Frogs LLC	Mixed Use	13,000	
The Links at Rainbow Curve	Bentonville	Lindsey Management	Mixed Use		
Top Dollar Pawn Shop	Bentonville		Retail	5,000	
Vogel Commercial Development	Bentonville	Ross and Steve Vogel	Commercial	38,000+	
Volkswagon Dealership Building	Bentonville	Bryan Hunt	Retail	15,000	2010
Wal-Mart Lay-out Center	Bentonville	Ivan Crossland and Bill Keating	Lay-out Center	120,000	
Werts Third Addition Building	Bentonville	Pro Con Inc	Commerical	12,200	2007
Woodehouse Day Spa	Bentonville	Daniel Ellis	Retail	6,300	
932 Garland	Fayetteville	Steve Mansfield	Mixed Use	66,227	2010
Appleby Landing	Fayetteville	Dixie Development	Medical Office	175,000	Mid 2007
Arena Village 3	Fayetteville	Nickle-Hill Group	Retail	9,045	
Arvest Bank	Fayetteville	Arvest Bank	Bank	8,000	Spring 2008
Bank of The Ozarks	Fayetteville	Bank of The Ozarks	Bank	4,352	Summer 2007
Beacon Flats	Fayetteville	Beacon Flats LLC	Mixed Use	5,500	



Inventory and Building Permits

Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Bellafront II	Fayetteville	Barber Group	Mixed Use	560,000	Late 2007
Broyles Development	Fayetteville	Broyles Development LLC	Mixed Use	80,000	
Crye-Leike Office	Fayetteville	Crye-Leike Realtors	Office/Retail	17,000	Winter 2007-08
Flintco Warehouse	Fayetteville	Flintco Inc.	Warehouse	114,750	
Frisco Depot Project	Fayetteville	MansfieldHouse Ventures	Mixed Use	48,520	
M&S Commercial Building	Fayetteville	M&S Real Estate	Office	11,728	Summer 2007
Malco Movies	Fayetteville	Malco	Retail	45,976	August 2007
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	4,902	
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	6,036	
Millenium Office Building	Fayetteville	Kirk Elsass	Office	8,000	Summer 2007
Milsap Plaza	Fayetteville	Jim Lindsey and Stan Green	Office	25,340	Summer 2007
Nelsons Crossing	Fayetteville	Dixie Development	Office/Retail	11,000	July 2007
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use	26,700	July 2007
Park West	Fayetteville	Tracy Hoskins	Commercial	1,000,000+	2020
Pebble Creek Flats	Fayetteville	Art Scott	Mixed Use	11,000	
Porter Road Development	Fayetteville	Mitchell Massey	Office/Warehouse	150,000	
Presidential Conversions Office	Fayetteville	John Wilson	Office	12,000	
Procter & Gamble Building	Fayetteville	Procter & Gamble Inc.	Office	66,712	Fall 2007
Ruskin Heights	Fayetteville	Ward Davis, Morgan Hooker, et. al.	Retail	60,000	
Sam's Club	Fayetteville	Wal-Mart	Retail	142,898	
Shoppes at Steele Crossing	Fayetteville	Shoppes at Steele Crossing LLC	Retail	25,952	Summer 2007
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Summer 2007
Southpass	Fayetteville	Richard Alexander & John Nock	Retail	150,000	
Springwoods Medical Facility	Fayetteville	Haynes LTD	Medical Office	24,000	August 2007
Steele Crossing Retail Center	Fayetteville		Retail	43,000	2007
The Dickson	Fayetteville	Collins Haynes	Mixed Use	65,143	Summer 2007
The Links at Fayetteville	Fayetteville	Lindsey Management	Commercial	120,888	
The Lofts at Underwood Plaza	Fayetteville	AMA Real Estate Group, et. al.	Commercial	45,000	Fall 2008
The Mill at West End	Fayetteville	Burt, Jerry, & Marianna Box, et. al.	Commercial	12,027	Spring 2008
Timberlake Office Park	Fayetteville	Jeff Martin and Mike Phillips	Office		
Tracy Hoskins MUD	Fayetteville	Tracy Hoskins	Mixed Use		
UHS Mental Health Center	Fayetteville	Universal Health Services	Hospital		
University Village Center	Fayetteville	Ark 4-John Ellis & Bill Lazenby	Retail	38,774	Fall 2007
VA Medical Center expansion	Fayetteville	VA Medical Center	Medical Office	151,000	
Washington Regional Medical Center	Fayetteville	WRMC	Medical Office	200,000	Fall 2007
Wedington Circle	Fayetteville	Mansfield Property Management	Office/Retail	10,000	
Wedington Circle	Fayetteville	Mansfield Property Management	Retail	6,576	
Wedington Place	Fayetteville	Mathias Shopping Centers Inc	Office/Retail	44,000	Late 2007
Western Sizzlin Retail Center	Fayetteville	Mark Bazyk	Retail	5,000	
Westside Village	Fayetteville	Nock-Broyles Development	Mixed Use	86,000	
Woodstock Community	Fayetteville	Hank Broyles and John Nock	Mixed Use		after 2009
Aaron Nickells Homes' Office	Lowell	Aaron Nickell	Office	24,445	
AutoZone	Lowell	AutoZone	Retail	6,300	Nov. 2007
Bloomington Crossing	Lowell	Nickell Investments	Retail	15,076	Summer 2007
Commerce Park	Lowell	Nickell, Hill, Rodman & Trumbo	Office/Warehouse	75,000	late 2007
FedEx Distribution Center	Lowell	Nickell, Hill, Rodman & Trumbo	Warehouse	46,000	July 2007
NWA Business Center Tower	Lowell	Pinnacle Group	Office	48,000	Mid 2008
Retail Strip Center	Lowell	John E. Stuckey	Retail	5,000	Summer 2007
World Gym	Lowell	Rhett Garner and Tania Zamzow	Retail	50,000	2007
Park Central	Lowell	Charleton Development	Mixed Use		2007
Bank of The Ozarks	Rogers	Bank of The Ozarks	Bank	9,000	October 2007
Benchmark Office Building	Rogers	Benchmark Group	Office	118,000	2008



Inventory and Building Permits

Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion
Creekside Medical Park	Rogers	Colliers Dickson Flake	Medical Office/Retail	600,000	2007
Creekside Phase III	Rogers	Daniel Ellis	Commercial	60,000	
Graham Building	Rogers	Horsebarn Partners LLC	Office/Retail	70,000	Summer 2007
Harps	Rogers	Harps	Retail	31,500	Summer 2007
Jamestown Community	Rogers	John Montgomery	Mixed Use	165,000	January 2008
Kia Dealership	Rogers	Bill White	Retail	11,000	2008
Maralle Warehouse	Rogers	Maralle Development	Warehouse	7,200	
McBeth Orthodontics Clinic	Rogers	Susan McBeth	Medical Office	5,600	
Mercy Health System Office Building	Rogers	Mercy Health System	Medical Office	105,000	Dec. 2007
Metro Park-Medical Office Building	Rogers	Collins Haynes	Medical Office	21,500	Late 2007
Metro Park-The Strand	Rogers	Collins Haynes	Retail	44,900	
MetroPark Dental Office Building	Rogers	Barry Henbest and Jeff Erickson	Medical Office	15,500	Summer 2007
Michaels	Rogers	Charles Reaves, et al	Retail	21,300	
Myers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	Summer 2008
New Hope Investors PUD	Rogers	New Hope Investors and Elder Construction	Mixed Use		
NWA Regional Animal Hospital	Rogers	NWA Regional Animal Hospital	Office	21,432	
NWA Sports Arena and Training Center	Rogers	Chris Talley	Sports Complex	310,000	Sept. 2008
NYK Warehouse	Rogers	John Lawrence & Rescue Heros	Warehouse	256,000	Summer 2007
Oliver Farm Development	Rogers	Collins & Hunter Haynes, et. al.	Commercial		
Ozark Mountain Poultry Addition	Rogers	Ozark Mountain Poultry	Industrial	55,140	
Pinnacle Hills Plaza	Rogers	General Growth Group	Retail	130,000	2008
Pinnacle Station	Rogers	Stephan Lair and Steve Turner	Mixed Use	42,000	April 2008
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	500,000+	2007
Promenade Pointe	Rogers	Pinnacle Barber Partners LLC	Mixed Use	750,000	
Rees Development	Rogers	Rees Development	Mixed Use		
Simmons First Bank	Rogers	Simmons First Bank	Bank	16,000	Dec. 2007
Southern Hills Business Park	Rogers	Dixie Development	Office	10,000	2007
The Dental Depot	Rogers		Medical Office		
The Farms	Rogers	Haynes LTD	Mixed Use		
The Market at Pleasant Crossing	Rogers	P & H Properties	Retail	29,750	Summer 2007
The Village at Centre Point	Rogers	Centre Pointe LLC	Retail	250,000	2007
Westin Hotel and Condos	Rogers	Barber Group	Hotel/Retail/Condos	165,231	Fall 2008
Autumn Glen	Siloam Spr.	James Mathias	Commercial		2008
B & B Theatres	Siloam Spr.	Robert Jones	Retail	16,000	Summer 2007
Kenwood Development	Siloam Spr.	Bar and Shield Development LLC	Mixed Use		
Blue Cliff College	Springdale	Dixie Development	Office/Retail	30,000	October 2007
Cavalier Commercial Buildings	Springdale	Cavalier Development	Office/Warehouse		
Diesel Downs	Springdale	Gary Combs	Office/Retail	134,000	
FirstCare Family Doctors Office	Springdale	Springdale Family Medical Rentals	Medical Office	6,504	
Habberton Ridge	Springdale		Mixed Use		
Har-Ber Meadows Medical Building	Springdale	WRMC	Medical Office	31,860	Summer 2007
Legacy National Bank	Springdale	Legacy National Bank	Bank	3,637	Late 2007
Springdale Warehouses (11)	Springdale	Bill Lazenby	Warehouse	132,000	Summer 2007
Tractor Supply	Springdale	Tractor Supply	Retail	19,097	October 2007
UPS Facility	Springdale	UPS	Warehouse	48,000	Feb 2008



Inventory and Building Permits

Existing Hotels

Property Name	City	Number of Rooms	Number of Suites
Best Western Bentonville Inn	Bentonville	55	0
Best Western Castle Rock Suites	Bentonville	84	0
Clarion Hotel & Convention Center	Bentonville	105	0
Comfort Suites	Bentonville	120	0
Comfort Inn	Bentonville	64	0
Courtyard Bentonville	Bentonville	90	0
Days Inn & Suites	Bentonville	63	0
DoubleTree Guest Suites	Bentonville	131	0
Econo Lodge Inn and Suites	Bentonville	152	0
Hartland Motel of Bentonville	Bentonville	31	0
Hilton Garden Inn	Bentonville	133	0
Holiday Inn Express Hotel & Suites	Bentonville	84	0
La Quinta Inn & Suites	Bentonville	107	0
Merchant Flats on 8th	Bentonville	10	0
Pines Motel	Bentonville	9	0
Simmons Suites	Bentonville	115	0
Sleep Inn	Bentonville	103	0
South Walton Suites	Bentonville	56	0
Springhill Suites By Marriott	Bentonville	67	0
Super 8 Motel-Bentonville/Rogers	Bentonville	52	0
Towneplace Suites by Marriott	Bentonville	78	0
The Links at Bentonville Apts.	Bentonville	41	0
Value Place Extended Stay	Bentonville	121	0
Wingate Inn Bentonville	Bentonville	102	0
Best Western Windsor Suites	Fayetteville	66	0
Chief Motel	Fayetteville	31	1
Clarion Inn	Fayetteville	197	10
Comfort Inn-Fayetteville	Fayetteville	60	0
Cosmopolitan Hotel	Fayetteville	235	6
Country Inn & Suites By Carlson	Fayetteville	40	25
Days Inn	Fayetteville	140	5
Fairfield Inn Fayetteville	Fayetteville	61	0
Hampton Inn	Fayetteville	87	8
Hi-Way Inn Motel	Fayetteville	24	0
Holiday Inn Express	Fayetteville	77	33
Inn at Carnall Hall	Fayetteville	49	0
Inn At the Mill	Fayetteville	38	8
Motel 6	Fayetteville	98	0
Quality Inn	Fayetteville	48	10
Red Roof Inns	Fayetteville	104	1
Regency 7 Motel	Fayetteville	29	3
Sleep Inn of Fayetteville	Fayetteville	62	0
Stay Inn Style	Fayetteville	6	0
Super 8 Motel	Fayetteville	83	0
Twin Arch Motel	Fayetteville	12	0
Ramada Inn Lowell	Lowell	51	0
Colonial Motel	Prairie Grove	8	0
Best Value Inn & Suites	Rogers	127	0
Candlewood Suites	Rogers	118	12
Country Inn & Suites	Rogers	68	42
Embassy Suites	Rogers	0	400
Fairfield Inn Rogers	Rogers	99	0
Guest Inn	Rogers	42	0



Inventory and Building Permits

Existing Hotels

Property Name	City	Number of Rooms	Number of Suites
Hampton Inn	Rogers	122	0
Hartland Lodge	Rogers	28	0
Homewood Suites	Rogers	126	83
Hyatt Place	Rogers	104	
Ranch-O-Tel Motel	Rogers	21	0
Regency 7 Motel	Rogers	31	0
Residence Inn by Marriott	Rogers	88	0
Rocky Branch Resort	Rogers	14	0
Simmons Suites	Rogers	0	115
Super 8 Motel	Rogers	34	0
Tanglewood Lodge	Rogers	30	0
Town & Country Inn	Rogers	86	1
Travelers Inn	Rogers	82	0
Best Value	Siloam Springs	19	26
Hereford Motel	Siloam Springs	10	0
Holiday Inn Express	Siloam Springs	59	1
Stone Inn's	Siloam Springs	43	0
Super 7 Inn	Siloam Springs	46	0
Super 8 Motel	Siloam Springs	30	0
Best Rest	Springdale	100	17
Comfort Suites Springdale	Springdale	0	69
DoubleTree Club Hotel of Springdale	Springdale	74	11
Executive Inn	Springdale	90	0
Extended Stayamerica	Springdale	101	0
Fairfield and Suites	Springdale	40	34
Hampton Inn & Suites	Springdale	67	35
Hartland Lodge	Springdale	29	0
Hartland Motel	Springdale	29	0
Hill Top Inn	Springdale	30	0
Holiday Inn	Springdale	180	26
Journey's Inn	Springdale	30	0
Laquinta Inn & Suites	Springdale	88	12
Magnolia Gardens Inn (B&B)	Springdale	10	0
Motel 8	Springdale	30	0
Residence Inn	Springdale	0	72
Scottish Inns	Springdale	33	24
Sleep Inn & Suites	Springdale	0	72
Springdale Inn	Springdale	50	0
Sunrise Inn	Springdale	60	1
Bentonville Total		1,973	0
Fayetteville Total		1,547	110
Rogers Total		1,220	653
Siloam Springs Total		207	27
Springdale Total		1,100	374
Grand Total		6,106	1,164



Inventory and Building Permits

Coming Hotels

Property Name	City	Owner	Number of Rooms	Expected Completion
DoubleTree Guest Suites	Bentonville	Tom Bhakta		
Microtel	Bentonville	Craig Anderson, et. al.	83	Nov. 2007
Myers Ranch Extended Stay Hotel	Bentonville	Paul Myers		Summer 2008
Myers Ranch Hotel	Bentonville	Paul Myers		Summer 2008
Suburban Extended Stay Hotel	Bentonville	Choice Hotels	100	
Courtyard by Marriot	Fayetteville	Vista Host inc		Summer 2007
Hilton Gardens Inn	Fayetteville	Hilton		Late 2007
Staybridge Suites	Fayetteville	Tom Bhakta		April 2007
Value Place Hotel	Fayetteville	Whitt Properties		Summer 2007
aloft	Rogers	CSK Hotels	130	Winter 2008
Holiday Inn	Rogers	Narry Krushiker	127	March 2008
MainStay Suites	Rogers	MainStay Suites	99	
Microtel (909 S 8th Street)	Rogers	Craig Anderson, et. al.	52	Sept. 2007
Microtel (Pleasant Crossing)	Rogers	Craig Anderson, et. al.		
Sheraton Hotel	Rogers	Upscale Development	155	Summer 2008
Staybridge Suites	Rogers	Narry Krushiker	83	August 2007
Hampton Inn	Siloam Springs	Marion Driscoll		July 2007
Value Place Hotel	Springdale		121	August 2007
Westin Hotel and Condos	Rogers	Barber Group	325	Fall 2008



Inventory and Building Permits

Coming Restaurants

Property Name	City	Owner	Expected Completion
Bella Vista Country Club Restaurant	Bella Vista	Doug and Brenda Clapper	July 2007
Arbys	Bentonville		
Chick-fil-A	Bentonville	Chick-fil-A	Late 2007
Starbucks	Bentonville	Starbucks	
Whole Hog Café	Bentonville	Brian Adams/Kevin Jacobs	
Chick-fil-A	Fayetteville	Chick-fil-A	July 2007
Chubby's Conneys	Fayetteville	Floyd and Wade Singleton	Late June 2007
Cold Stone Creamery	Fayetteville	Cold Stone Creamery	Summer 2007
Krystal Burger	Fayetteville	Krystal Burger	
Larry's Pizza	Fayetteville	Jon Thomason	June 2007
Mellow Mushroom	Fayetteville		
Popeyes	Fayetteville	Popeyes	July 2007
Restaurant	Fayetteville	RB of Springdale	
Shogun	Fayetteville	John K. Pak	Summer 2007
Urban Table	Fayetteville		
Western Sizzlin	Fayetteville	Mark Bazyk	
Zaxbys	Fayetteville	Zaxbys	Fall 2007
Lightning Bug Coffee	Gentry	Joe Morretti	June 2007
Starbucks	Lowell	Starbucks	
Baker Bros Deli	Rogers	Lawrence and Sherry Perry	
Chuck E Cheese's	Rogers	Chuck E Cheese's	
Cold Stone Creamery	Rogers	Cold Stone Creamery	Summer 2007
Fuddruckers	Rogers	Pinnacle Hamburger Partners llc	
Granite City Food and Brewery	Rogers	Granite City Food and Brewery	Fall 2007
Incredible Pizza Company	Rogers	Incredible Pizza Company	October 2007
Joey's Seafood and Grill USA	Rogers	Joey's Seafood and Grill USA	Late 2007
KFC/Taco Bell	Rogers	John R. Meyers	
Krystal Burger	Rogers	Krystal Burger	
Mad Pizza Company	Rogers	Mad Pizza Company	
Red Lobster	Rogers	Darden Restaurants	September 2007
Ruth's Chris Steakhouse	Rogers	Ruths Chris Steakhouse	October 2007
Sonic	Rogers	Benton Properties	July 2007
Subway	Rogers	Subway	
Taco Bell	Rogers	K-Mac Enterprises	
Texas Land and Cattle Company	Rogers		
Traders Market Restaurant	Rogers	Moe Torabi	
Zaxbys	Siloam Springs	Zaxbys	
Arbys	Springdale	U.S. Beef	
Buffalo Wild Wings	Springdale	Buffalo Wild Wings	
Krystal Burger	Springdale	Krystal Burger	
Sizzler	Springdale	Sizzler	
Taco Bueno	Springdale	U.S. Beef	
Zaxbys	Springdale	Zaxbys	Summer 2007



Inventory and Building Permits

Closed Restaurants

Property Name	City	Date Closed
Brioso Brazil	Bentonville	June 2007
Arsagas Block Street	Fayetteville	June 2007
Chloe's	Fayetteville	June 2007
O'Charleys	Fayetteville	April 2007
Smokey Bones	Fayetteville	June 2007
Lone Star	Springdale	June 2007

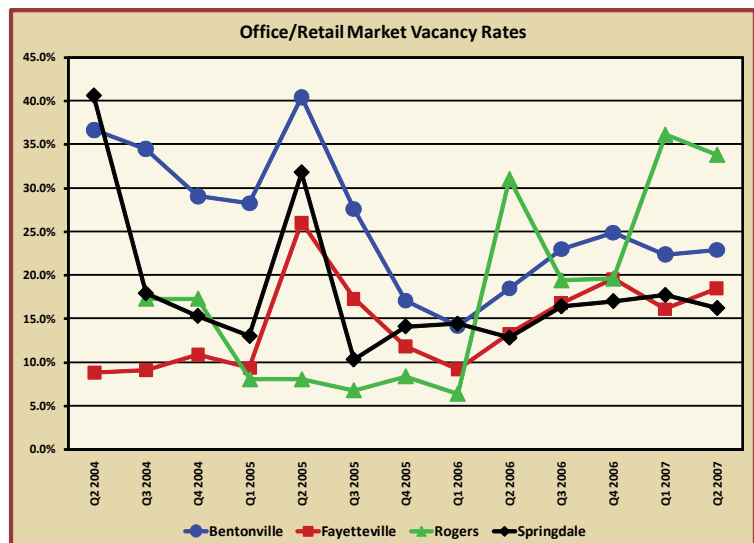
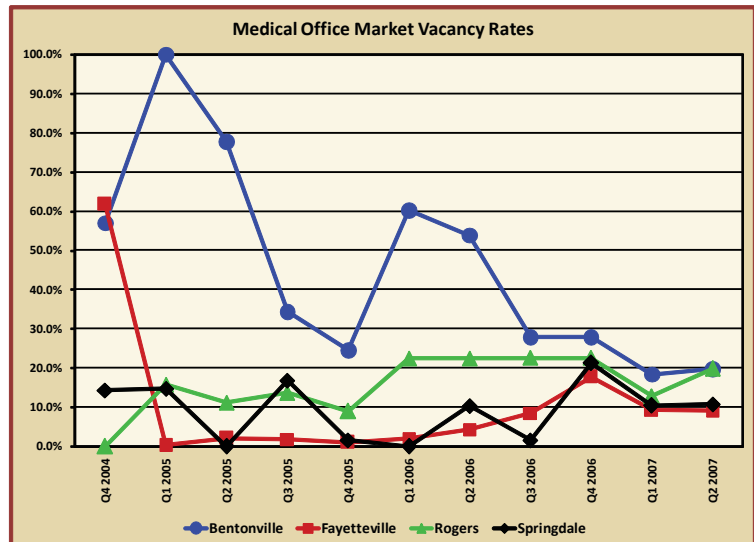
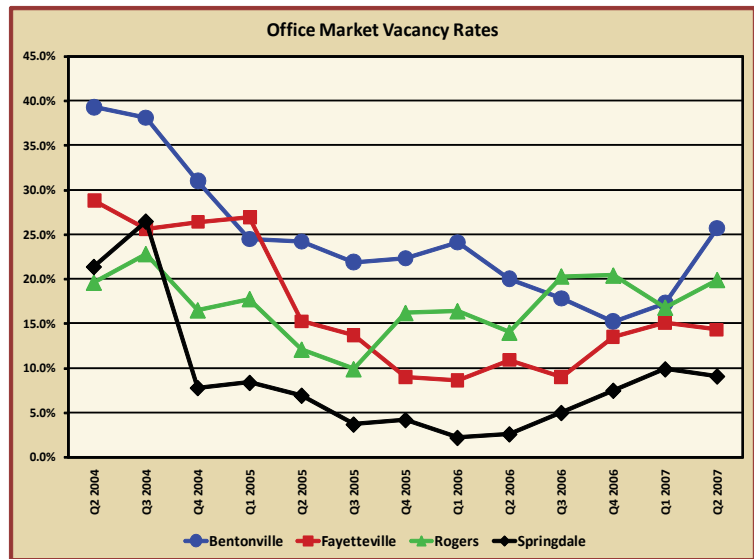


Commercial Market Trends

This version of the Skyline Report represents the thirteenth 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 each submarket 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.

Over the past twelve months, in the office submarket, only Bella Vista and Lowell experienced positive net absorption in the office market. Bentonville accounted for over half of the annual negative net absorption with over 303,923 square feet becoming available. Available office square footage in Northwest Arkansas grew from 874,575 square feet from the second quarter of 2006 to 1,466,817 square feet in the second quarter of 2007. This was due to increases in available office space in every city in Northwest Arkansas. Over the past year 1,086,827 square feet of new office space became available for the first time. The overall Northwest Arkansas office vacancy rate rose from 14.8 percent to 19.3 percent in the past year. However, the vacancy rates in the Fayetteville and Springdale office markets are slightly lower than a year ago.

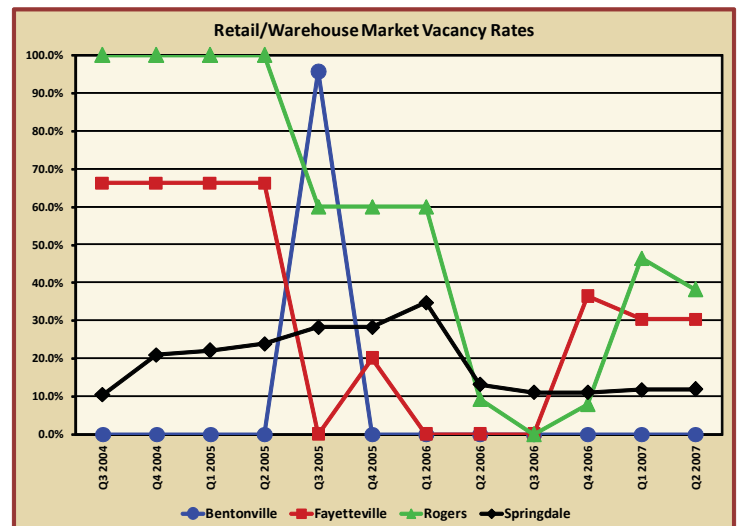
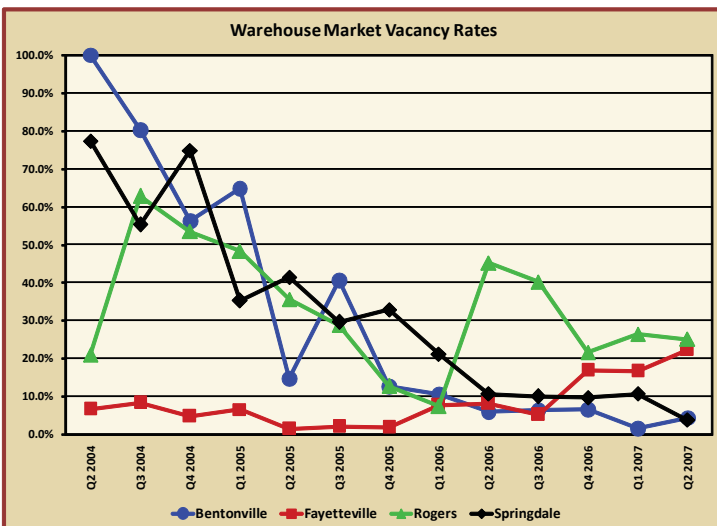
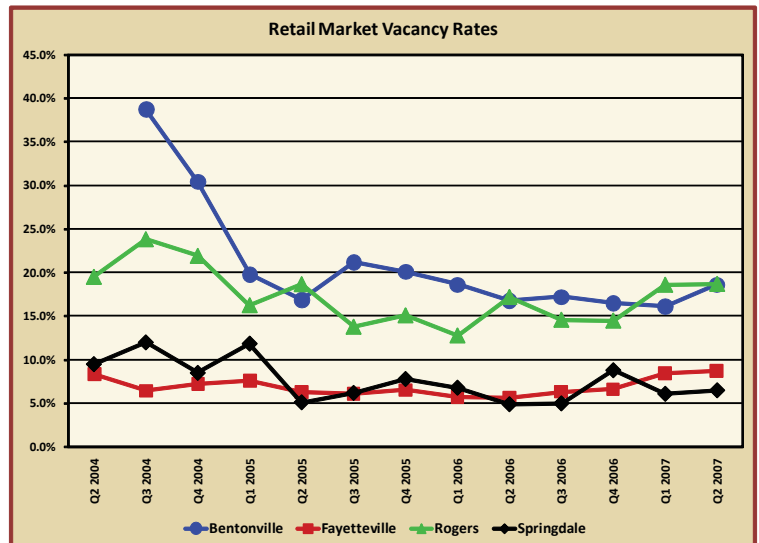
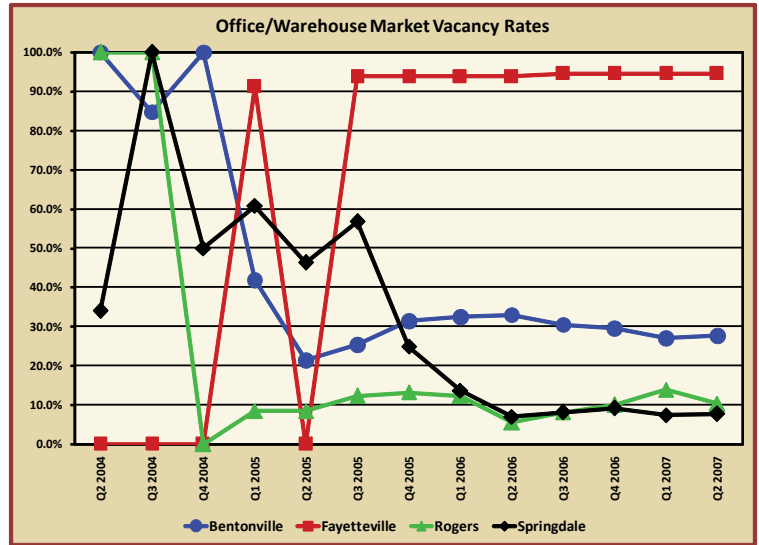
The office/retail market experienced negative net absorption of 349,063 square feet during the past twelve months. Fayetteville accounted for 39 percent of the negative absorption, but each city had more available square footage in the second quarter of 2007 than in the second quarter of 2006. New square footage totaling 614,187 was added to the market during the same time period. In the second quarter of 2007, 685,615 square feet of office/retail space were available, up from 381,760 square feet in the second quarter of 2006. This space was primarily located in Fayetteville, Rogers, and Bentonville.



Commercial Market Trends

The retail market also has experienced negative net absorption in the past twelve months. Although 62 percent of the negative net absorption was in Rogers, the cities of Bentonville, Fayetteville and Springdale also experienced a degree of negative net absorption in the retail submarket over the past year. There were 1,362,592 new square feet of retail space added to the Northwest Arkansas market during the past twelve months—of that amount, only 312,592 square feet were located in cities other than Rogers. In the first quarter of 2007, a total of 868,044 square feet of space were available in Northwest Arkansas, up from 521,934 square feet at the same time in the prior year.

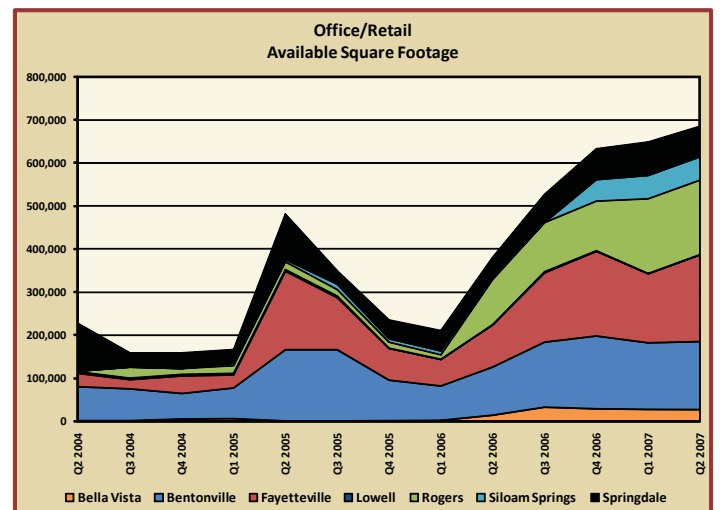
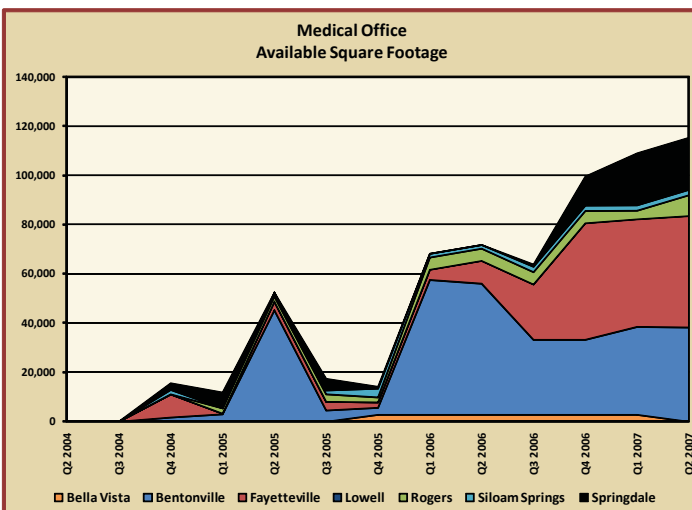
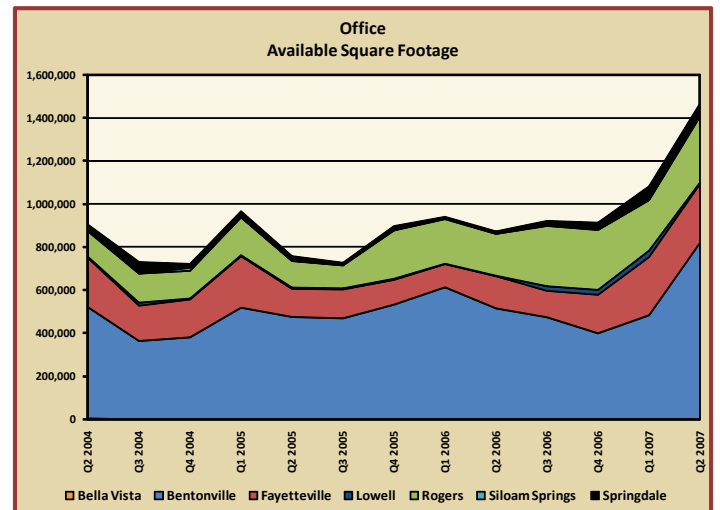
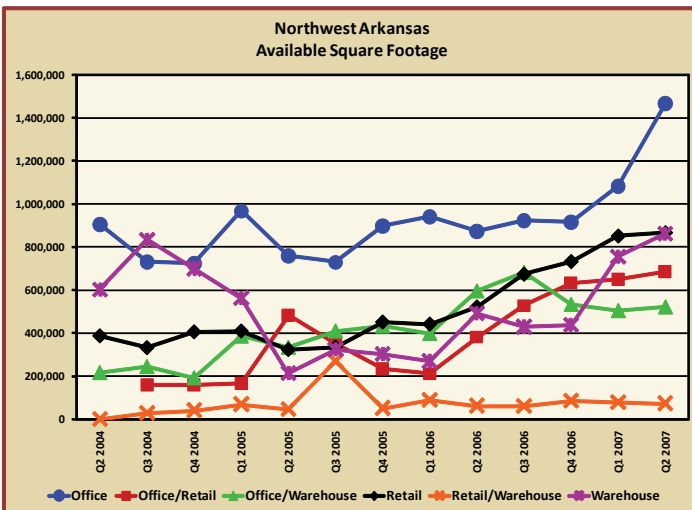
The Northwest Arkansas warehouse market experienced negative net absorption of 238,465 square feet from the second quarter of 2006 to the second quarter of 2007. Vacancy rates climbed from 18.5 percent to 20.1 percent, while the number of available square feet rose from 491,004 to 862,867. A total of 897,000 square feet of new warehouse space were added to the Northwest Arkansas market during that time. Fayetteville, Lowell, and Rogers were the only cities that experienced negative net absorption since the second quarter of last year in the warehouse submarket.



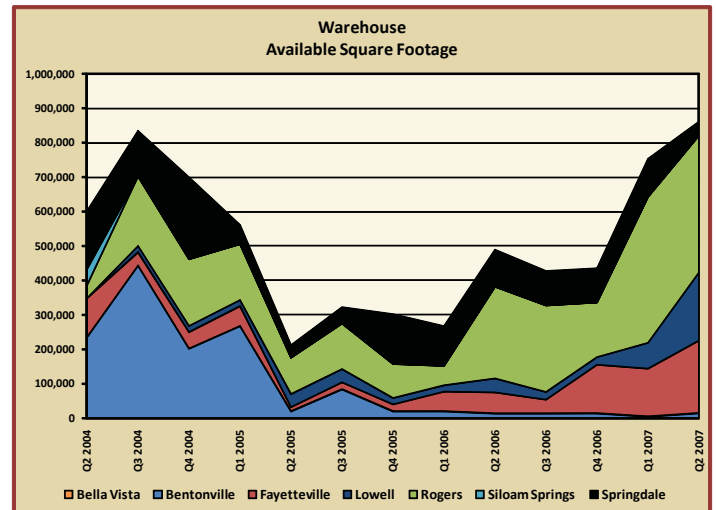
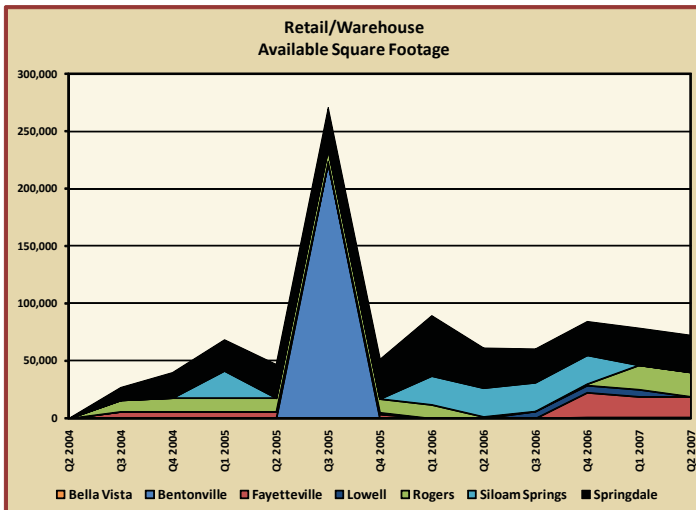
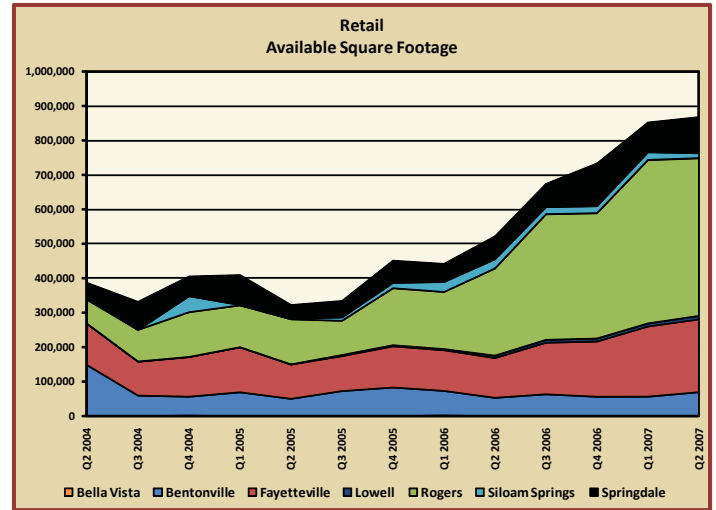
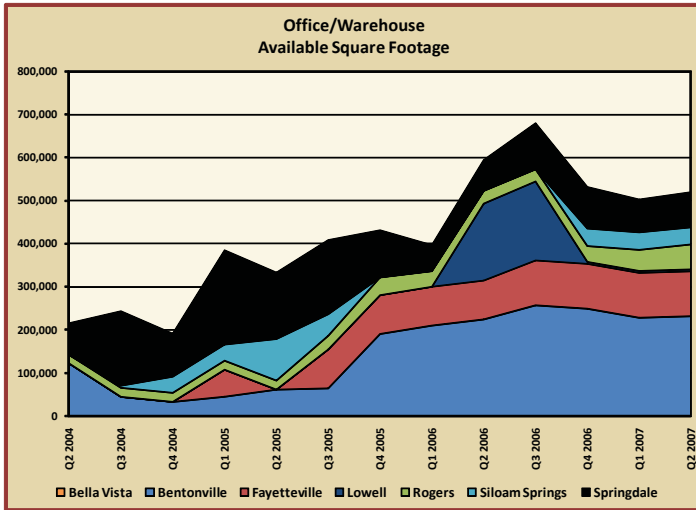
Commercial Market Trends

Net Absorption by Submarket June 2006 - May 2007

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	4,100	-12,948	0	0
Bentonville	-303,923	-41,561	-5,884	11,600
Fayetteville	-125,090	-137,058	-107,011	-33,260
Lowell	15,769	0	-3,191	-34,600
Rogers	-145,481	-67,734	-206,987	-262,595
Siloam Springs	-1,700	-76,525	13,300	0
Springdale	-36,609	-13,237	-25,519	80,390
Northwest Arkansas	-592,934	-349,063	-335,292	-238,465



Commercial Market Trends



Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2006	35.5%	20.0%	10.9%	1.8%	14.0%	1.9%	2.6%	14.8%
Q3 2006	35.5%	17.8%	9.0%	12.5%	20.3%	2.7%	5.0%	15.2%
Q4 2006	24.2%	15.2%	13.5%	13.4%	20.4%	2.7%	7.5%	15.2%
Q1 2007	24.2%	17.3%	15.1%	12.0%	16.8%	4.0%	9.9%	15.7%
Q2 2007	0.0%	25.7%	14.3%	2.2%	19.9%	4.0%	9.1%	19.3%

Medical Office

Q2 2006	34.6%	53.9%	4.3%	--	22.5%	2.1%	10.3%	15.1%
Q3 2006	34.6%	27.9%	8.5%	--	22.6%	3.1%	1.6%	16.1%
Q4 2006	34.6%	27.9%	17.8%	--	22.6%	3.1%	21.3%	18.8%
Q1 2007	34.6%	18.4%	9.3%	0.0%	12.8%	3.1%	10.4%	10.8%
Q2 2007	0.0%	19.7%	9.1%	0.0%	19.8%	3.1%	10.8%	11.0%

Office/Retail

Q2 2006	6.4%	18.5%	13.3%	0.0%	31.0%	7.1%	12.8%	14.9%
Q3 2006	12.9%	23.0%	16.8%	13.9%	19.4%	0.0%	16.4%	18.0%
Q4 2006	11.3%	24.9%	19.6%	5.0%	19.6%	46.0%	17.0%	20.5%
Q1 2007	10.9%	22.4%	16.1%	0.0%	36.1%	48.0%	17.7%	20.3%
Q2 2007	10.8%	22.9%	18.5%	0.0%	33.8%	46.0%	16.2%	21.9%

Office/Warehouse

Q2 2006	--	33.0%	93.8%	100.0%	5.5%	0.0%	7.0%	24.5%
Q3 2006	--	30.5%	94.6%	94.7%	8.1%	0.0%	8.1%	23.2%
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%

Retail

Q2 2006	0.0%	16.8%	5.6%	10.9%	17.2%	8.8%	4.9%	9.3%
Q3 2006	0.0%	17.2%	6.3%	10.4%	14.6%	6.7%	5.0%	9.7%
Q4 2006	0.0%	16.5%	6.6%	11.2%	14.5%	6.6%	8.8%	10.4%
Q1 2007	0.0%	16.1%	8.4%	11.2%	18.6%	7.3%	6.1%	11.9%
Q2 2007	0.0%	18.6%	8.7%	12.9%	18.7%	4.7%	7.1%	12.2%

Retail/Warehouse

Q2 2006	--	0.0%	0.0%	0.0%	9.3%	100.0%	13.2%	18.1%
Q3 2006	--	0.0%	0.0%	55.2%	0.0%	100.0%	11.1%	16.5%
Q4 2006	14.1%	0.0%	36.4%	55.2%	7.9%	100.0%	11.1%	20.4%
Q1 2007	14.1%	0.0%	30.4%	55.2%	46.5%	0.0%	11.8%	17.4%
Q2 2007	14.1%	0.0%	30.4%	0.0%	38.2%	0.0%	11.9%	15.8%

Warehouse

Q2 2006	0.0%	6.0%	8.1%	79.6%	45.2%	--	10.7%	18.5%
Q3 2006	0.0%	6.5%	5.2%	43.5%	40.2%	--	10.0%	16.0%
Q4 2006	0.0%	6.6%	16.9%	43.5%	21.6%	0.0%	9.7%	14.6%
Q1 2007	0.0%	1.6%	16.7%	61.1%	26.4%	0.0%	10.7%	18.7%
Q2 2007	0.0%	4.4%	22.3%	75.9%	25.1%	0.0%	3.8%	20.1%



Commercial Market Trends

Net Absorption by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2006	0	51,815	-25,444	1,500	29,386	1,200	887	59,344
Q3 2006	0	36,194	32,561	0	-128,514	-700	-12,824	-73,283
Q4 2006	1,300	73,453	-56,387	-1,500	2,131	0	-8,941	10,056
Q1 2007	0	-78,564	-130,322	-6,875	-15,330	-1,000	-27,432	-259,523
Q2 2007	2,800	-335,006	29,058	24,144	-3,768	0	12,588	-270,184

Medical Office

Q2 2006	0	1,510	-804	--	0	0	0	706
Q3 2006	0	19,400	-4,600	--	-32	-700	-900	13,168
Q4 2006	1,300	0	-24,863	--	0	0	-10,920	-34,483
Q1 2007	0	-2,246	3,630	0	1,500	0	-9,342	-6,458
Q2 2007	2,800	-2,560	-1,554	0	-5,000	0	0	-6,314

Office/Retail

Q2 2006	-4,980	-24,143	-31,287	0	-70,020	5,400	-568	-125,598
Q3 2006	-18,575	-29,483	-37,802	-2,210	-6,471	3,600	-5,772	-96,713
Q4 2006	3,832	-15,355	-57,521	1,420	-1,106	-49,690	-4,516	-122,936
Q1 2007	1,310	6,564	1,800	790	-60,735	-30,460	-9,578	-90,309
Q2 2007	485	-3,287	-43,535	0	578	25	6,629	-39,105

Office/Warehouse

Q2 2006	--	-8,935	0	0	14,412	0	11,900	17,377
Q3 2006	--	-32,750	0	-4,720	1,470	0	7,900	-28,100
Q4 2006	--	7,850	0	179,900	1,750	-35,007	2,664	157,157
Q1 2007	--	21,000	0	0	-17,150	0	12,808	16,658
Q2 2007	--	-3,600	0	0	-9,009	880	-5,300	-17,029

Retail

Q2 2006	0	11,336	1,775	-3,750	27,247	4,080	-13,948	26,740
Q3 2006	0	-8,667	-37,174	-1,316	-106,541	7,076	-12,134	-158,756
Q4 2006	0	7,114	-10,456	-600	2,286	221	-32,547	-33,982
Q1 2007	0	-250	-40,752	0	-120,793	-1,897	37,631	-126,061
Q2 2007	0	-4,081	-18,629	-1,275	18,061	7,900	-18,469	-16,493

Retail/Warehouse

Q2 2006	--	0	0	0	0	0	42,640	42,640
Q3 2006	--	0	0	-6,200	1,500	0	16,520	11,820
Q4 2006	0	0	3,000	0	-1,283	0	0	1,717
Q1 2007	0	0	3,600	0	-20,000	0	-2,925	-19,325
Q2 2007	0	0	0	6,200	0	0	0	6,200

Warehouse

Q2 2006	0	6,300	-500	-22,150	-221,840	--	0	-238,190
Q3 2006	0	0	21,500	18,400	15,112	--	7,350	62,362
Q4 2006	0	-400	-20,000	0	6,120	0	4,874	-9,406
Q1 2007	0	9,500	1,875	-53,000	-259,882	0	-11,425	-312,932
Q2 2007	0	2,500	-36,635	0	-23,945	0	79,591	21,511



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2006	4,100	513,663	149,239	2,250	193,635	1,500	10,188	874,575
Q3 2006	4,100	472,317	122,930	21,088	279,661	2,200	20,867	923,163
Q4 2006	2,800	398,864	179,317	22,588	277,530	2,200	31,808	915,107
Q1 2007	2,800	482,625	270,543	29,463	233,860	3,200	60,640	1,083,131
Q2 2007	0	822,831	273,685	5,319	305,730	3,200	56,052	1,466,817

Medical Office

Q2 2006	2,800	53,224	9,300	--	5,000	1,500	0	71,824
Q3 2006	2,800	30,440	22,501	--	5,032	2,200	900	63,873
Q4 2006	2,800	30,440	47,364	--	5,032	2,200	11,820	99,656
Q1 2007	2,800	35,686	43,734	0	3,532	2,200	21,162	109,114
Q2 2007	0	38,246	45,288	0	8,532	2,200	21,162	115,428

Office/Retail

Q2 2006	15,172	111,559	98,138	0	105,539	3,600	47,752	381,760
Q3 2006	33,747	150,678	160,931	2,210	114,829	0	65,324	527,719
Q4 2006	29,915	168,733	196,852	790	115,935	49,690	71,440	633,355
Q1 2007	28,605	154,272	160,646	0	174,131	54,054	77,302	649,010
Q2 2007	28,120	157,559	201,681	0	173,553	54,029	70,673	685,615

Office/Warehouse

Q2 2006	--	224,863	90,326	179,000	30,084	0	71,706	595,979
Q3 2006	--	257,613	104,326	183,720	28,614	0	107,306	681,579
Q4 2006	--	249,763	104,326	4,720	36,864	41,087	96,542	533,302
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389

Retail

Q2 2006	0	53,766	114,870	6,559	253,829	26,500	66,410	521,934
Q3 2006	0	64,033	149,244	7,875	365,370	20,354	67,334	674,210
Q4 2006	0	56,919	159,700	8,475	364,484	20,133	123,731	733,442
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044

Retail/Warehouse

Q2 2006	--	0	0	0	1,500	25,110	34,560	61,170
Q3 2006	--	0	0	6,200	0	25,110	29,100	60,410
Q4 2006	1,000	0	21,600	6,200	1,283	25,110	29,100	84,293
Q1 2007	1,000	0	18,000	6,200	21,283	0	32,025	78,508
Q2 2007	1,000	0	18,000	0	21,283	0	32,025	72,308

Warehouse

Q2 2006	0	14,400	61,000	40,550	267,754	--	107,300	491,004
Q3 2006	0	14,400	40,000	22,150	252,642	--	99,950	429,142
Q4 2006	0	14,800	140,975	22,150	159,997	0	99,166	437,088
Q1 2007	0	5,300	139,100	75,150	424,879	0	110,591	755,020
Q2 2007	-	15,360	210,735	198,116	398,824	-	39,832	862,867



Office

In the second quarter of 2007, the office properties included in the Skyline Report panel had a vacancy rate of 19.3 percent, up from the rate of 15.7 percent in the first quarter of 2007. The increase was the result of the addition to the sample of the vacant 370,000 square foot Superior Building in Bentonville. Of the 7.6 million square feet of Northwest Arkansas properties examined, 1.5 million square feet are currently available. This is up from 1.1 million available square feet of office space in the first quarter of 2007. From the first quarter to the second quarter of 2007, 496,737 square feet of new office space entered the market, while 199,553 square feet of space were absorbed, netting negative absorption of 297,184 for the market.

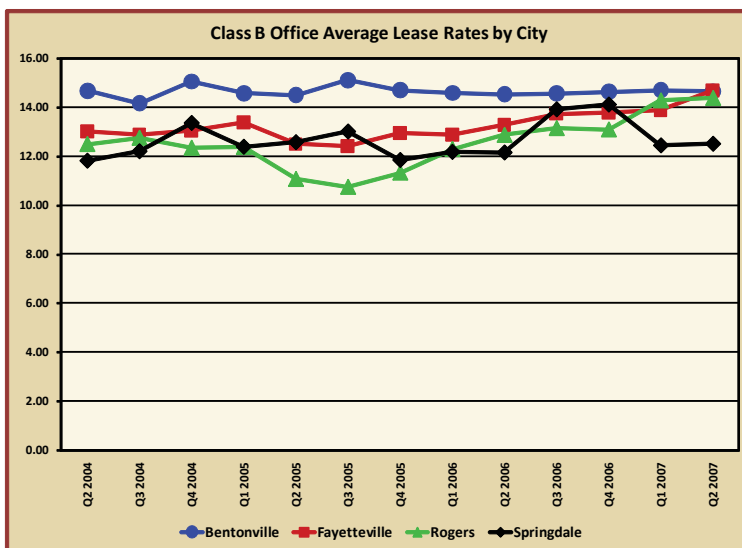
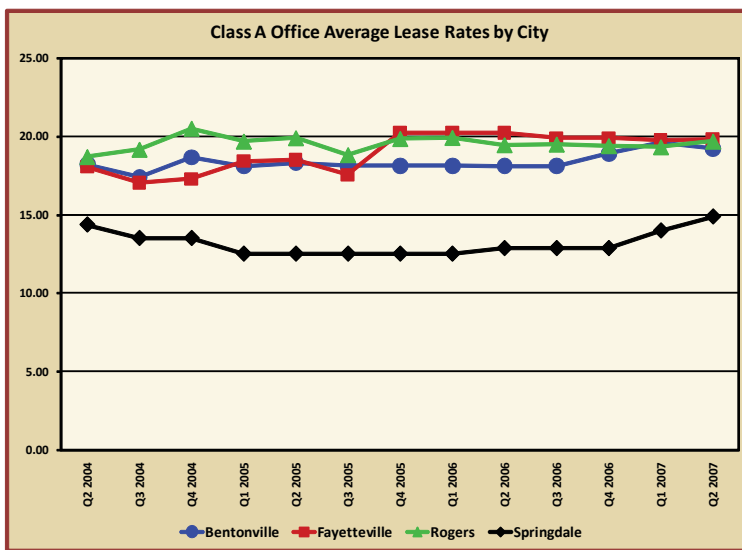
Of the 1,466,817 square feet of available office space in Northwest Arkansas, about 56.1 percent is located in Bentonville and comprises Class A and Class B space. The Superior Building property accounts for about 45.0 percent of the unoccupied space in Bentonville. The Bentonville Plaza property accounts for about 9.9 percent of the unoccupied office space in Bentonville, down from 26.2 percent in the previous quarter. In the second quarter, 50,040 square feet of office space were absorbed, while 385,046 square feet came online, netting negative absorption of 335,006 square feet of office space in Bentonville.

While Bentonville continued to have the most available office space at 822,831 square feet, Rogers had 305,730 square feet available. In the Rogers office submarket, Class A accounted for 65.4 percent of all available space. There was positive absorption of 43,732 square feet in the second quarter of 2007, while 74,500 new square feet of space were added to the market, netting negative absorption of 30,768 square feet.

Fayetteville had 273,685 square feet of available office space in the second quarter of 2007. About 54.6 percent of the available office space in Fayetteville was in the Class B

Office Lease Rates Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$18.07 - \$20.39	\$14.40 - \$14.90	\$6.82 - \$6.82	\$17.93 - \$19.21
Fayetteville	\$19.14 - \$20.58	\$13.54 - \$15.83	\$9.09 - \$9.90	\$15.08 - \$17.22
Rogers	\$18.85 - \$20.53	\$14.03 - \$14.73	\$9.76 - \$10.20	\$17.42 - \$17.42
Springdale	\$14.88 - \$14.88	\$11.95 - \$13.09	\$9.25 - \$9.53	\$11.31 - \$12.31



submarket, while Class A space accounted for just over 28.0 percent and the remainder was in the Class C and medical office markets. From the first quarter to the second quarter of

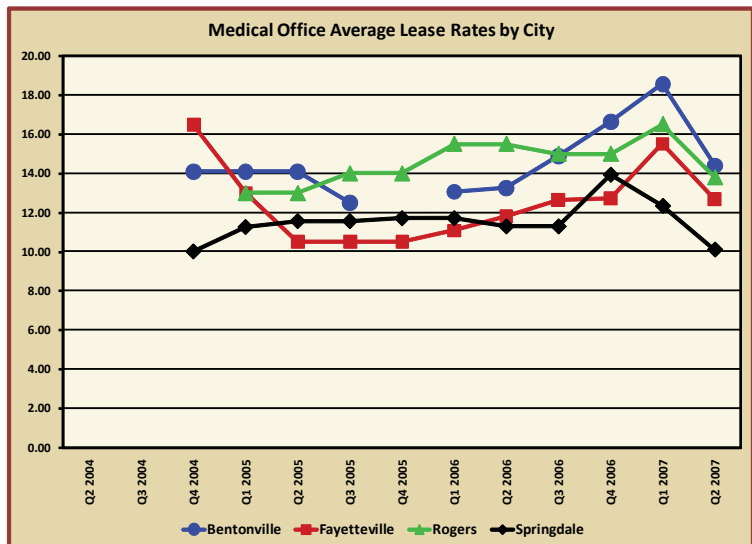
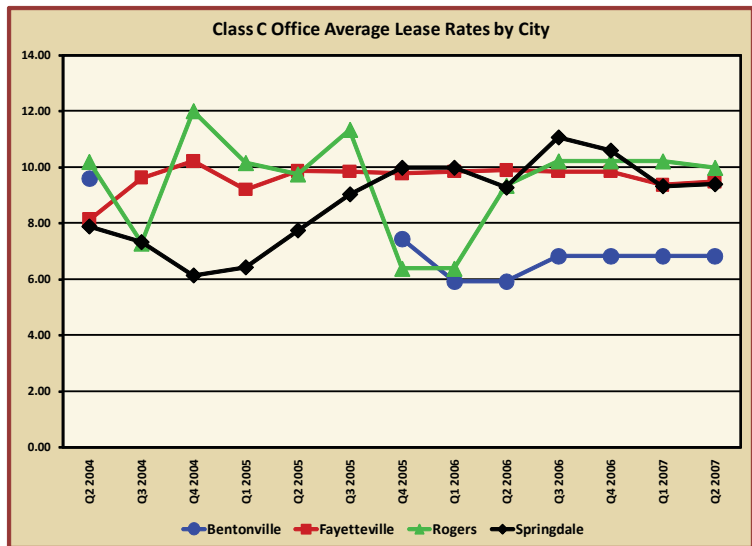
2007, there was positive absorption of 66,249 square feet in the office submarket, new space totaling 37,191 square feet, and positive net absorption of 29,058 square feet.



Office

The Springdale office market had 56,052 square feet of available space in the second quarter, No new square footage was added in the second quarter and there was positive absorption of 12,588 square feet. The positive absorption came in Class B space, with 14,189 square feet becoming occupied. In the Class A submarket, 1,601 square feet became available. There was no activity in the Class C or medical office submarkets in Springdale in the second quarter.

Class A office average reported lease rates were almost identical in Bentonville, Fayetteville, and Rogers at just under \$20 per square foot. Class A space average lease rates ticked up in Springdale to almost \$15 per square foot. Class B office space average reported lease rates ticked up in Fayetteville and were constant in Bentonville, Rogers, and Springdale. In the second quarter, reported average lease rates for Class C office did not change much. Reported average medical office space lease rates decreased in all cities in Northwest Arkansas in the second quarter.



Office

Office Space Characteristics by Class and City

Class A	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	732,158	462,822	63.2%	44,945	370,000	-325,055	--
Fayetteville	342,036	76,583	22.4%	25,240	0	25,240	9.1
Rogers	970,323	199,998	20.6%	27,632	54,000	-26,368	--
Springdale	57,123	4,011	7.0%	-1,601	-	-1,601	--
Class B							
Bentonville	2,264,744	321,763	14.2%	7,655	15,046	-7,391	--
Fayetteville	941,160	149,314	15.9%	39,563	37,191	2,372	188.8
Rogers	418,852	56,098	13.4%	5,600	5,000	600	280.5
Springdale	188,119	42,273	22.5%	1,929	0	1,929	65.7
Class C							
Bentonville	9,571	0	0.0%	0	0	0	--
Fayetteville	132,622	2,500	1.9%	3,000	0	3,000	2.5
Rogers	101,203	41,102	40.6%	0	0	0	--
Springdale	248,054	28,400	11.4%	4,700	0	4,700	18.1
Medical							
Bentonville	194,366	38,246	19.7%	-2,560	0	-2,560	--
Fayetteville	496,701	45,288	9.1%	-1,554	0	-1,554	--
Rogers	43,135	8,532	19.8%	10,500	15,500	-5,000	--
Springdale	196,703	21,162	10.8%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



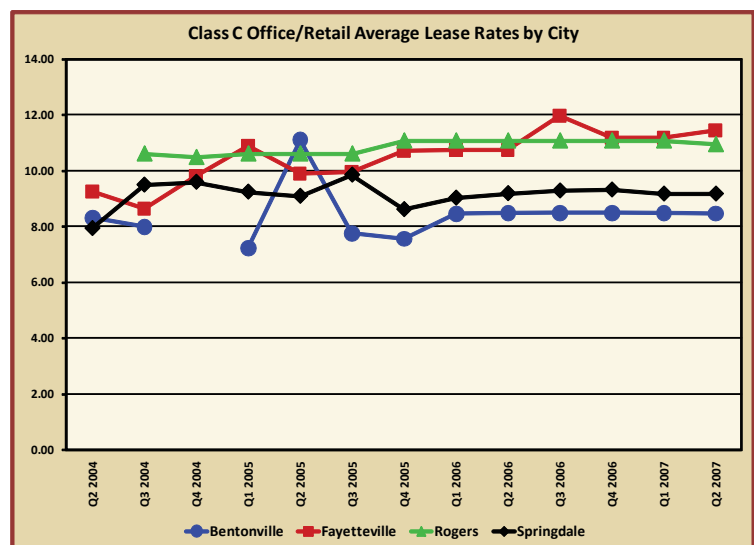
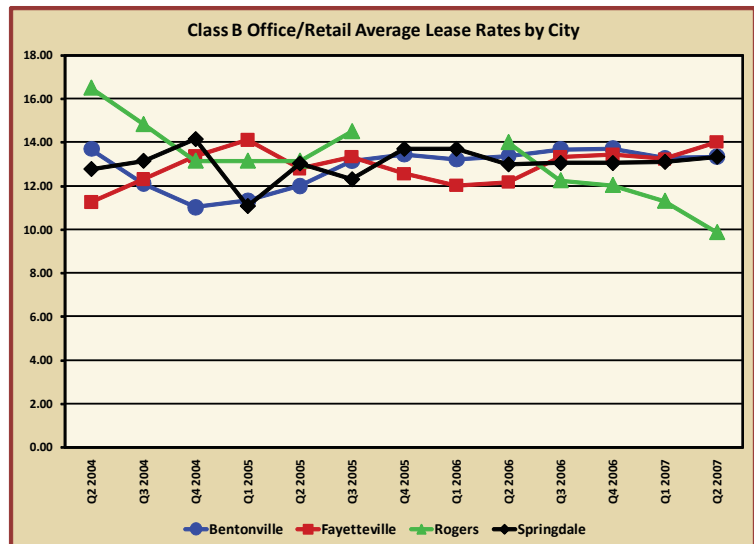
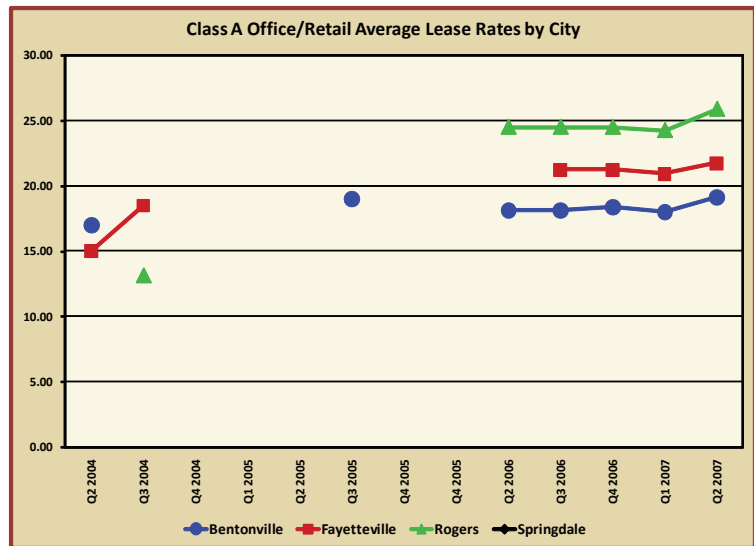
Office/Retail

In the second quarter of 2007, the office/retail properties included in the CBER sample had a vacancy rate of 21.9 percent, up from 20.3 percent in the first quarter. Of the 3.1 million square feet of Northwest Arkansas properties examined, 685,615 square feet were available. From the first quarter to the second quarter of 2007, 86,934 new square feet of office/retail space were added to the market, while 47,829 square feet of space became occupied. This yielded a negative net absorption of 39,105 square feet.

The new office/retail space was in the Fayetteville Class A and Class B submarkets, in the Rogers Class C submarket, and in the Siloam Springs Class B submarket. Bella Vista, Rogers, Siloam Springs, and Springdale experienced positive net absorption of office/retail space in the second quarter of 2007. Bentonville and Fayetteville experienced negative net absorption.

Fayetteville jumped ahead of Rogers and Bentonville to have the largest amount of available square feet in the office/retail submarket with 201,681 square feet available. Rogers had 173,553 and Bentonville had 157,559 square feet available. This translated to vacancy rates of 33.8 percent for Rogers, 18.5 percent for Fayetteville, and 22.9 percent for Bentonville. Springdale had reported available office/retail square footage of 70,673 with a 16.2 percent vacancy rate.

Office/retail space average reported lease rates were mixed in the second quarter. In the Class A submarket, average reported lease rates rose in Bentonville, Fayetteville, and Rogers. There was a decline in average reported Class B rates in Rogers for the fourth straight quarter, while average prices for Class B space in Fayetteville rose slightly. In the Class C office/retail submarket, average reported prices rose in Fayetteville, but were almost constant in the other cities.



Office/Retail

Office/Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$12.53 - \$14.12	\$8.24 - \$8.70	
Fayetteville	\$13.40 - \$14.66	\$10.56 - \$12.33	
Rogers	\$9.66 - \$10.08	\$8.95 - \$12.95	
Springdale	\$11.59 - \$14.11	\$8.22 - \$10.14	



Office/Retail Space Characteristics by Class and City

Class	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}
Class A							
Bentonville	75,667	22,971	30.4%	1,887	0	1,887	36.5
Fayetteville	65,126	50,126	77.0%	3,000	8,000	-5,000	--
Rogers	238,251	112,455	47.2%	5,000	0	5,000	67.5
Springdale	--	--	--	--	--	--	--
Class B							
Bentonville	519,100	123,578	23.8%	-3,766	0	-3,766	--
Fayetteville	752,886	120,832	16.0%	-2,390	41,800	-44,190	--
Rogers	68,070	44,390	65.2%	1,280	0	1,280	104.0
Springdale	188,119	42,273	22.5%	1,929	0	1,929	65.7
Class C							
Bentonville	91,849	11,010	12.0%	-1,408	0	-1,408	--
Fayetteville	274,831	30,723	11.2%	5,655	0	5,655	16.3
Rogers	207,840	16,708	8.0%	26,632	32,334	-5,702	--
Springdale	248,054	28,400	11.4%	4,700	0	4,700	18.1

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



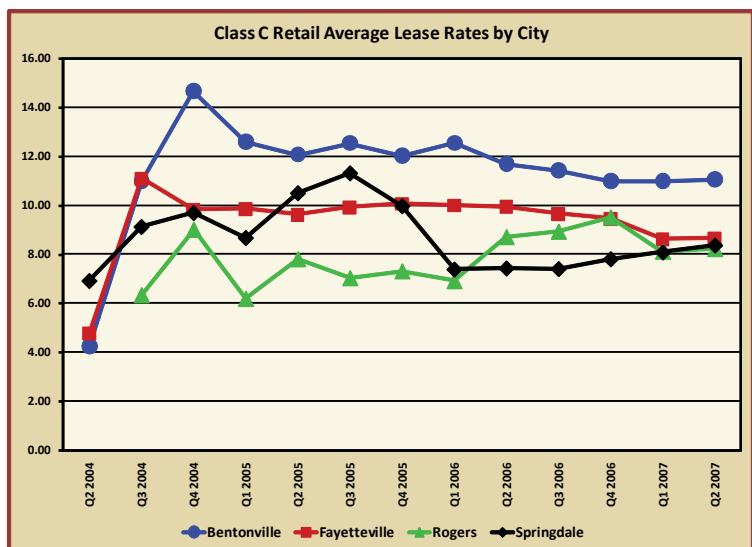
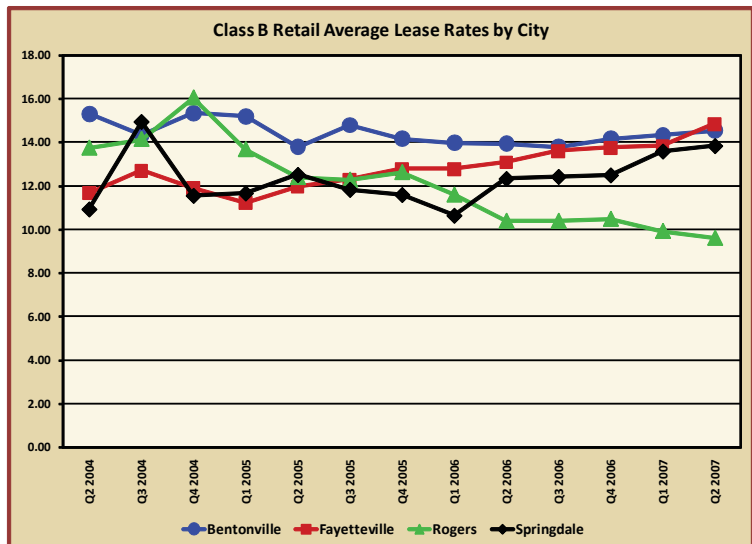
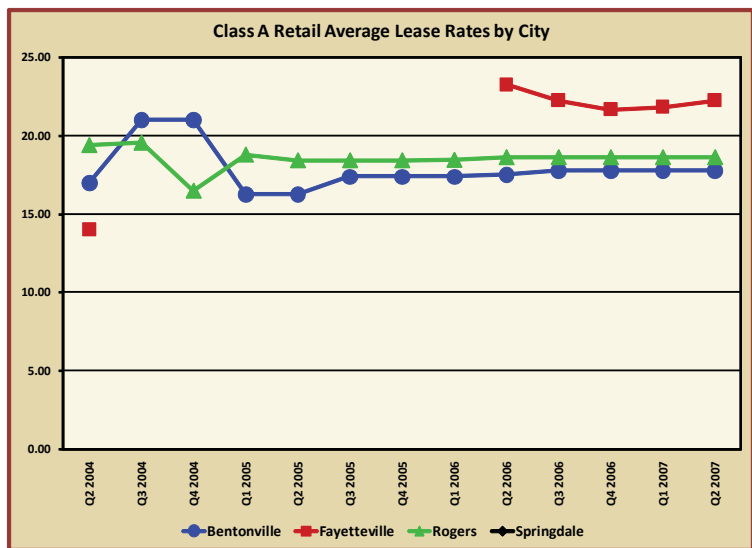
Retail

In the second quarter of 2007, the retail properties included in the CBER panel had a vacancy rate of 11.9 percent, which was unchanged from the rate reported in the first quarter of 2007. Of the 7.3 million square feet of Northwest Arkansas retail properties examined, 868,044 square feet were available. From the first quarter to the second quarter of 2007, there was positive absorption of 94,017 square feet of retail space, with 110,510 square feet of new retail space coming on the market, netting negative absorption of 16,493 square feet.

Bentonville had 375,597 total square feet and 70,042 available square feet of retail space in the second quarter, resulting in a vacancy rate of 18.6 percent. This represented an increase from the rate of 16.1 percent in the first quarter of 2007. 4,081 square feet became available in the Bentonville retail market, while no new square feet were added to the market in the second quarter. A total of 2,250 square feet of negative absorption occurred in the Class B submarket, while 1,831 square feet of negative net absorption occurred in the Class C submarket.

In the second quarter of 2007, Fayetteville had a retail vacancy rate of 8.7 percent, up from 8.4 percent in the first quarter, with 211,137 available square feet out of a total of 2,426,505. There was reported negative absorption of 3,996 square feet in the Class A retail submarket, while no square feet entered the market. In the Class B submarket there was positive absorption of 41,207 square feet and new square footage totaling 55,510 square feet, netting negative absorption of 14,303 square feet. In the Class C submarket, 330 square feet became available.

The Rogers market had 458,416 square feet of available retail space out of a total of 2.5 million square feet for a vacancy rate of 18.7 percent in the second quarter. This rate was a tiny increase from the first quarter rate of 18.6 percent. No square feet of new retail space were added to the market in the



Retail

second quarter. A total of 22,300 square feet were absorbed in the Class A submarket. In the Class B, submarket, 5,885 square feet were vacated, while 1,646 square feet were absorbed in the Class C retail submarket.

There were 86,100 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 6.1 percent, down from 8.8 percent in the first quarter of 2007. A total of 3,950 square feet of Class B space was added to the Springdale market in the second quarter. Positive absorption of 41,461 square feet was reported in the Class B submarket, netting positive absorption 37,511 square feet. There was positive absorption of 120 square feet in the Class C retail submarket.

Reported average lease rates were mixed. Class A space lease rates were almost constant, except in Fayetteville where they rose slightly. Class B average lease rates increased in Bentonville, Fayetteville, and Springdale, but declined in Rogers. Class C reported average lease rates were barely up in Springdale, but were almost constant in the other cities.

Retail Lease Rates Average Range by City

	Class A	Class B	Class C
Bentonville	\$16.00 - \$19.50	\$14.33 - \$14.77	\$10.88 - \$11.21
Fayetteville	\$21.50 - \$23.00	\$13.87 - \$15.84	\$8.17 - \$9.15
Rogers	\$18.20 - \$18.68	\$9.12 - \$10.12	\$8.00 - \$8.43
Springdale	--	\$13.00 - \$14.69	\$7.97 - \$8.77



Retail Space Characteristics by Class and City

	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}
Class A							
Bentonville	39,534	21,895	55.4%	0	0	0	--
Fayetteville	1,361,331	106,394	7.8%	-3,996	0	-3,996	--
Rogers	1,469,354	219,050	14.9%	22,300	0	22,300	29.5
Springdale	--	--	--	--	--	--	--
Class B							
Bentonville	246,327	28,524	11.6%	-2,250	0	-2,250	--
Fayetteville	865,099	59,146	6.8%	41,207	55,510	-14,303	--
Rogers	694,575	184,715	26.6%	-5,885	0	-5,885	--
Springdale	1,419,580	96,221	6.8%	26,112	55,000	-28,888	--
Class C							
Bentonville	89,736	19,623	21.9%	-1,831	0	-1,831	--
Fayetteville	200,075	45,597	22.8%	-330	0	-330	--
Rogers	290,908	54,651	18.8%	1,646	0	1,646	99.6
Springdale	201,244	8,348	4.1%	10,419	0	10,419	2.4

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Other Categories

Warehouse

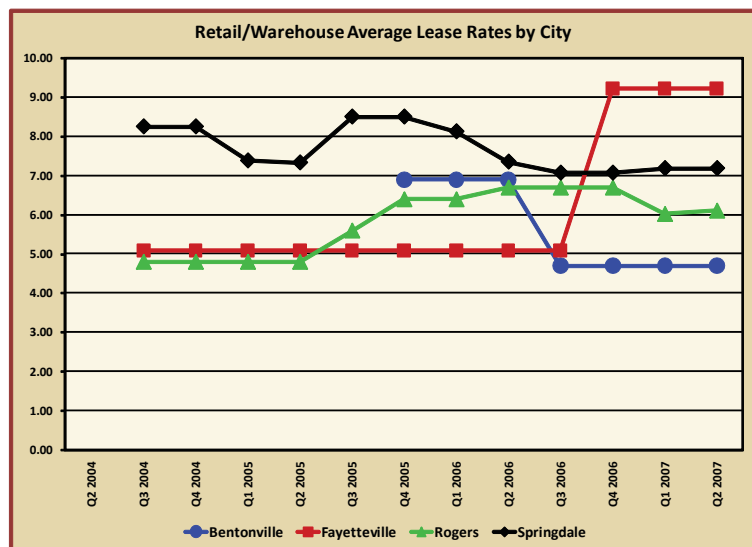
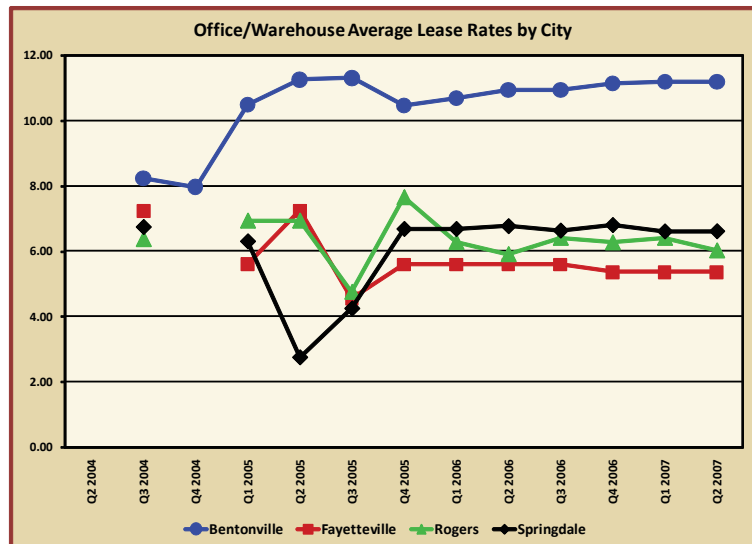
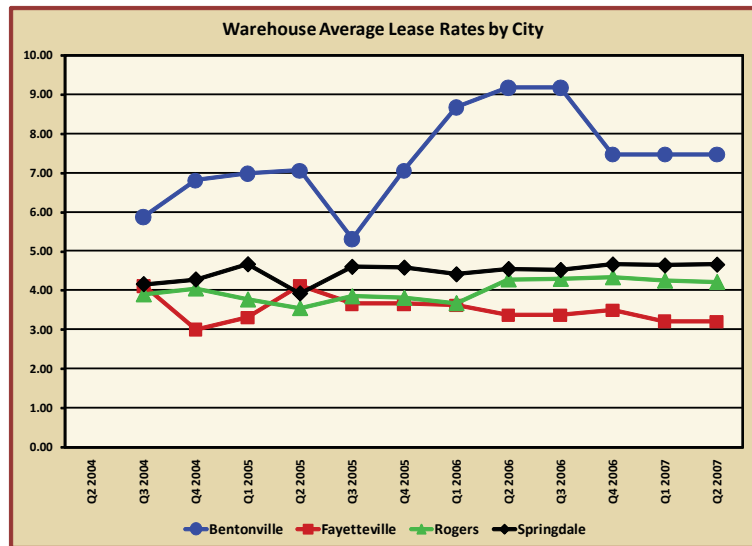
In the second quarter of 2007, the warehouse properties included in the CBER panel had a vacancy rate of 20.1 percent. This was a slight decline from the first quarter vacancy rate of 20.2 percent. Of the 4.3 million square feet of warehouse space examined, 862,867 square feet were available in the second quarter.

The majority of available warehouse space was split between Rogers (with 398,824 square feet), Fayetteville (with 210,735 square feet), and Lowell (with 198,116 square feet). There was negative absorption in Rogers and Fayetteville in the second quarter, but available space tightened in Springdale, with the absorption of almost 80,000 square feet. Reported warehouse vacancy rates increased in Bentonville, Fayetteville, and Lowell and declined in Rogers and Springdale in the second quarter.

Bentonville continued to have the most expensive average warehouse lease rates. The average reported warehouse lease rates in Bentonville, Rogers, Fayetteville and Springdale were basically unchanged in the second quarter.

Office/Warehouse

The CBER panelists reported on 2.9 million square feet of office/warehouse space in the second quarter. The vacancy rate in the office/warehouse submarket declined from 19.0 percent in the first quarter to 18.0 percent in the second quarter in Northwest Arkansas, with 521,389 total square feet available in the second quarter. From the first quarter to the second quarter of 2007, there was negative absorption of 17,029 square feet of office/warehouse space, while no new square feet came online. The decline in vacancy rates was due to sample compositional differences. About 200,000 square feet of property were reported in the second quarter that were not reported in the first quarter.



Other Categories

The activity in the office/warehouse submarket in the second quarter was concentrated in Bentonville, Rogers, Siloam Springs and Springdale. Bentonville had negative absorption of 3,600 square feet of office/warehouse space. Rogers experienced negative net absorption of 9,009 square feet and 5,300 square feet were vacated in Springdale. Siloam Springs has positive absorption of 880 square feet.

Office/warehouse average lease rates in Rogers declined slightly. Average reported lease rates for office/warehouse space remained constant in the other cities in Northwest Arkansas during the second quarter.

Retail/Warehouse

The CBER panelists reported on 458,371 square feet of retail/warehouse space in the second quarter of 2007. The vacancy rate in the retail/warehouse submarket declined from 17.4 percent in the first quarter to 15.8 percent in the second quarter in Northwest Arkansas, with 72,308 total square feet

available in the second quarter. From the first quarter to the second quarter of 2007, there was positive net absorption of 16,200 square feet of retail/warehouse space. A total of 10,000 new square feet came online in Rogers and was immediately absorbed. Positive absorption of 6,200 square feet occurred in Lowell. There was no other activity in the retail/warehouse submarket in Northwest Arkansas. The Northwest Arkansas retail/warehouse vacancy rate decline was consistent with the absorption numbers from the first to second quarter.

The retail/warehouse average reported lease rates in Rogers increased very slightly in the

second quarter, but represent a very small sample of properties. Average reported lease rates were constant in the other cities in Northwest Arkansas.

Other Lease Rates Average Range by City

	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$6.84 - \$8.11	\$10.29 - \$12.12	\$3.84 - \$5.56
Fayetteville	\$3.20 - \$3.21	\$5.20 - \$5.53	\$8.22 - \$10.22
Rogers	\$4.11 - \$4.32	\$5.35 - \$6.71	\$6.09 - \$6.13
Springdale	\$4.20 - \$5.11	\$5.34 - \$7.90	\$6.13 - \$8.25

Other Space Characteristics by Class and City

Warehouse	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	346,988	15,360	4.4%	2,500	0	2,500	18.4
Fayetteville	946,667	210,735	22.3%	-36,635	0	-36,635	--
Rogers	1,586,193	398,824	25.1%	-23,945	0	-23,945	--
Springdale	1,038,095	39,832	3.8%	79,591	0	79,591	1.5
Office/Warehouse							
Bentonville	839,666	232,363	27.7%	-3,600	0	-3,600	--
Fayetteville	110,326	104,326	94.6%	0	0	0	--
Rogers	563,505	58,023	10.3%	-9,009	0	-9,009	--
Springdale	1,061,258	81,750	7.7%	-5,300	0	-5,300	--
Retail/Warehouse							
Bentonville	32,570	0	0.0%	0	0	0	--
Fayetteville	59,300	18,000	30.4%	0	0	0	--
Rogers	55,729	21,283	38.2%	--	--	--	--
Springdale	268,748	32,025	11.9%	0	0	0	--

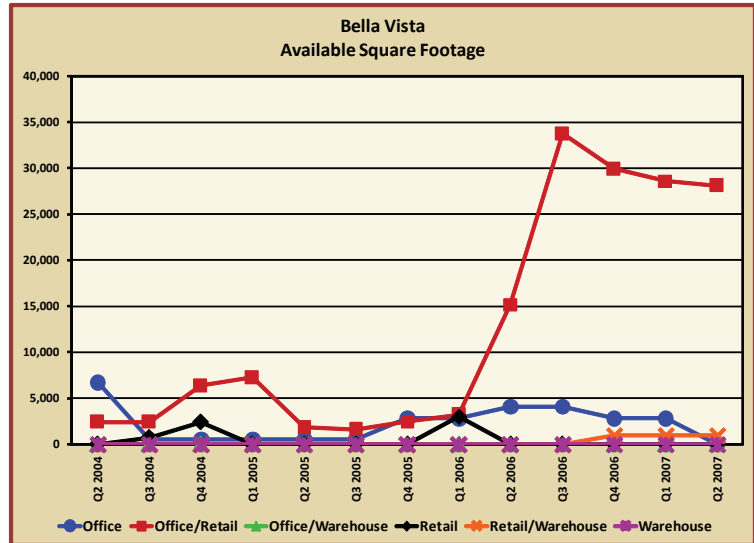
¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Bella Vista

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 319,574 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Bella Vista experienced positive absorption of 2,800 square feet in the medical office submarket and 485 square feet in the office/retail submarket.
- Reported vacancy rates declined in the medical office and office/retail submarkets and were unchanged in other submarkets in Bella Vista from the first quarter to the second quarter of 2007 in accord with absorption.
- Reported average lease rates were unchanged in Bella Vista in the second quarter of 2007.



Bella Vista Commercial Real Estate Market Summary Statistics

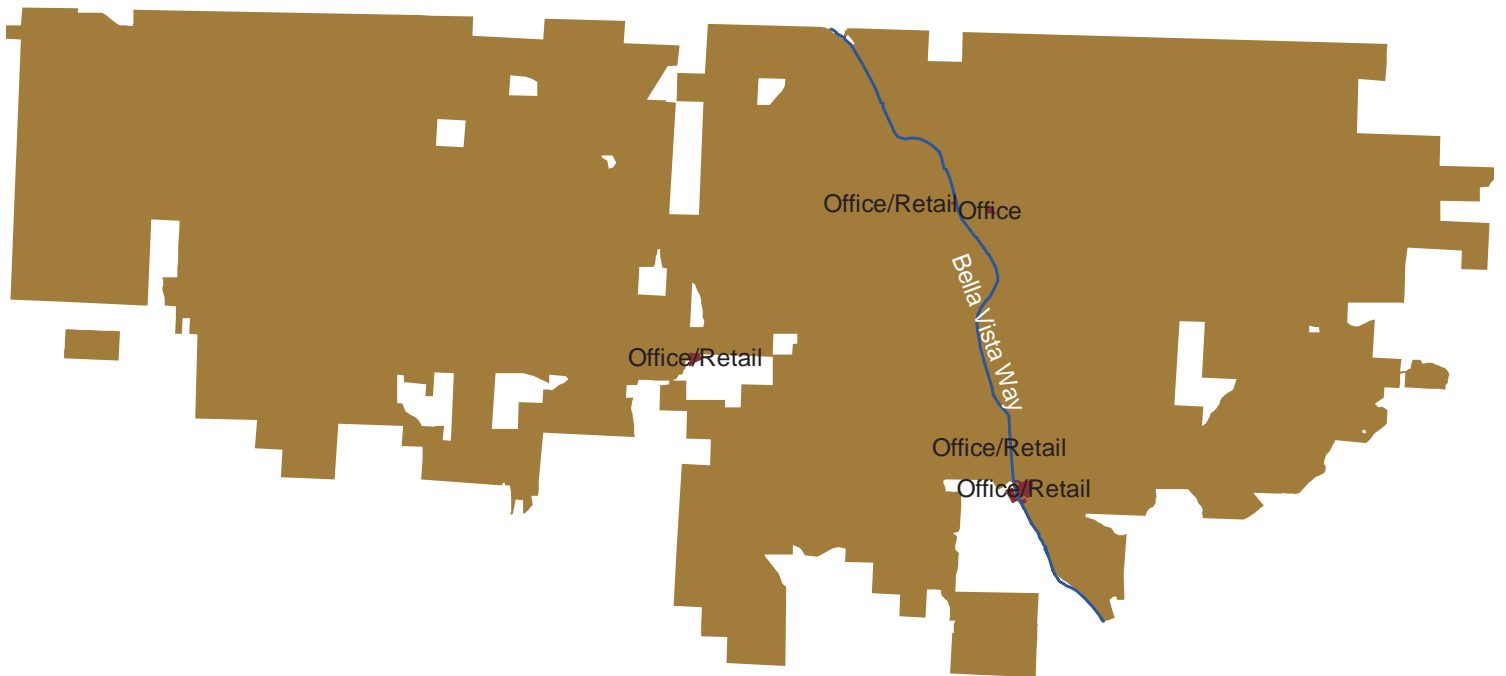
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Industrial	--	--	--	--	--	--	--	--
Office	\$13.43 - \$13.93	11,554	0	0.0%	2,800	0	2,800	0.0
Class A	--	--	--	--	--	--	--	--
Class B	\$13.85 - \$13.85	3,450	0	0.0%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Medical	\$13.00 - \$14.00	8,104	0	0.0%	2,800	0	2,800	--
Office/Retail	\$8.72 - \$11.38	261,430	28,120	10.8%	485	0	485	173.9
Class A	--	--	--	--	--	--	--	--
Class B	\$8.72 - \$11.38	261,430	28,120	10.8%	485	0	485	173.9
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	\$14.40 - \$14.40	7,104	1,000	14.1%	0	0	0	--
Warehouse	\$1.00 - \$2.70	18,486	0	0.0%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

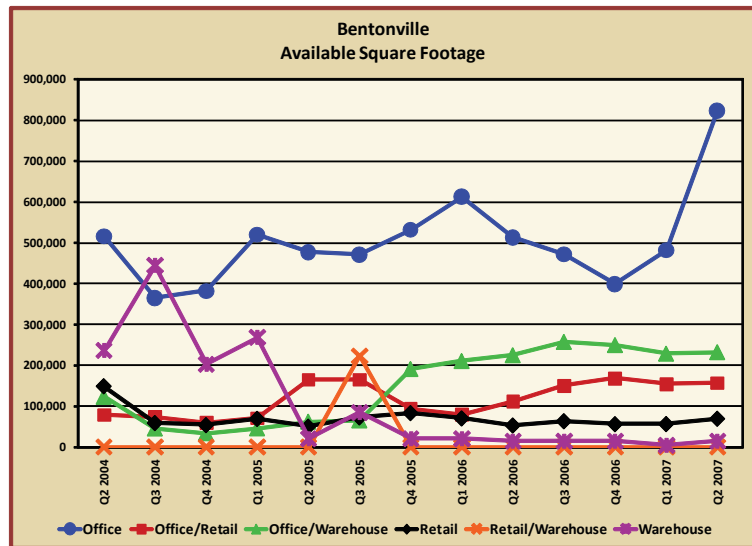


Bella Vista



Bentonville

- From March to May 2007, Bentonville issued building permits for \$10,082,817 worth of new commercial space. The second quarter 2007 value was 15.6 percent higher than the first quarter 2007 value and 4.7 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,598,152 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Bentonville experienced significant negative net absorption in the office market, due primarily to the completion of the Superior Building. 385,046 square feet of office space were added to the Bentonville market, while only 50,040 were absorbed.
- Bentonville also experienced negative absorption and increased vacancies in the office/retail, office/warehouse, retail, and warehouse submarkets. There was no reported activity in the retail/warehouse submarket.



- Average reported lease rates for medical office space declined in the second quarter of 2007. Class A office space average reported lease rates and Class B retail space ticked up again during the second quarter. Other reported average lease rates were basically unchanged.

Downtown Bentonville

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 135,435 square feet of office, office/retail, and retail space in downtown Bentonville in the second quarter of 2007.
- The office space in downtown Bentonville had a reported vacancy rate of 28.5

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	\$2.76 - \$2.76	115,876	76,056	65.6%	0	0	0	--
Office	\$14.62 - \$15.23	3,200,839	822,831	25.7%	50,040	385,046	-335,006	--
Class A	\$18.07 - \$20.39	732,158	462,822	63.2%	44,945	370,000	-325,055	--
Class B	\$14.40 - \$14.90	2,264,744	321,763	14.2%	7,655	15,046	-7,391	--
Class C	\$6.82 - \$6.82	9,571	0	0.0%	0	0	0	--
Medical	\$17.93 - \$19.21	194,366	38,246	19.7%	-2,560	0	-2,560	--
Office/Retail	\$12.58 - \$14.01	686,616	157,559	22.9%	-3,287	0	-3,287	--
Class A	\$18.38 - \$19.88	75,667	22,971	30.4%	1,887	0	1,887	36.5
Class B	\$12.53 - \$14.12	519,100	123,578	23.8%	-3,766	0	-3,766	--
Class C	\$8.24 - \$8.70	91,849	11,010	12.0%	-1,408	0	-1,408	--
Office/Warehouse	\$10.29 - \$12.12	839,666	232,363	27.7%	-3,600	0	-3,600	--
Retail	\$13.37 - \$13.92	375,597	70,042	18.6%	-4,081	0	-4,081	--
Class A	\$16.00 - \$19.50	39,534	21,895	55.4%	0	0	0	--
Class B	\$14.33 - \$14.77	246,327	28,524	11.6%	-2,250	0	-2,250	--
Class C	\$10.88 - \$11.21	89,736	19,623	21.9%	-1,831	0	-1,831	--
Retail/Warehouse	\$3.84 - \$5.56	32,570	0	0.0%	0	0	0	--
Warehouse	\$6.84 - \$8.11	346,988	15,360	4.4%	2,500	0	2,500	18.4

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Bentonville

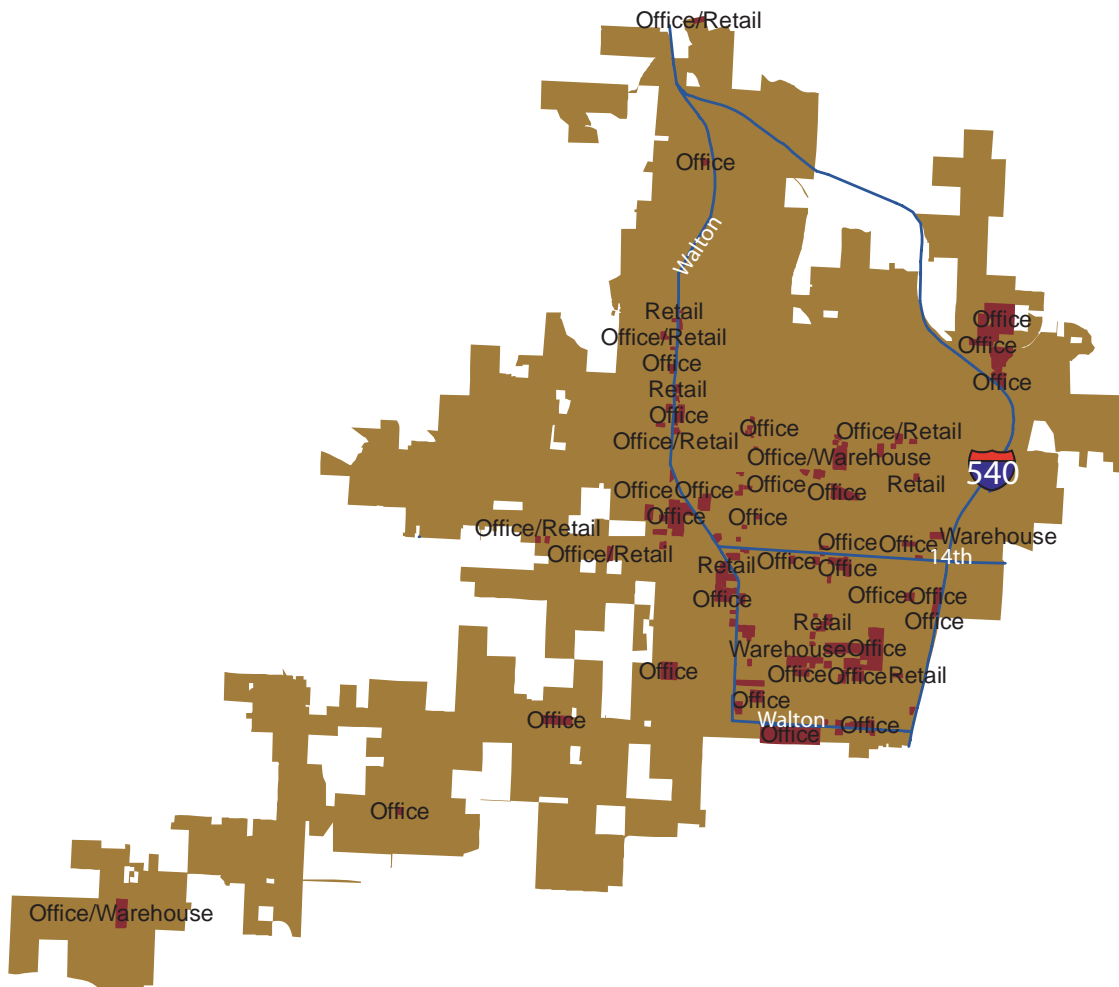
- percent in the second quarter of 2007. This was higher than the overall office vacancy rate for Bentonville, which was 25.7 percent in the same period.
- The office/retail and retail vacancy rates for downtown Bentonville properties had vacancy rates significantly lower than those for all of Bentonville during the second quarter.
- There was negative absorption of 3,383 square feet of office space and 1,408 square feet of retail space in downtown Bentonville from the first quarter of 2007 to the second quarter of 2007. There was positive absorption of 550 square feet in the downtown Bentonville retail submarket.
- Average reported lease rates were \$3-\$4 lower for office space in downtown Bentonville than the city average. For office/retail or retail space, the average reported lease rate was about \$1.50 lower.

Downtown Bentonville 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}
Office	\$10.75 - \$12.36	45,988	13,127	28.5%	-3,383	0	-3,383	--
Office/Retail	\$10.43 - \$12.52	74,998	1,408	1.9%	-1,408	0	-1,408	--
Retail	\$11.93 - \$11.93	14,449	0	0.0%	550	0	550	0.0

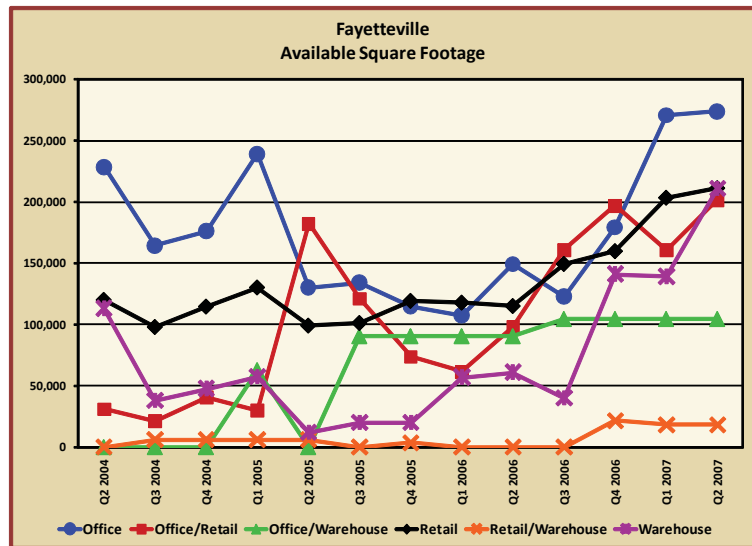
¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Fayetteville

- From March to May 2007, Fayetteville issued building permits for \$20,962,887 worth of new commercial space. The second quarter 2007 value was 10.4 percent lower than the first quarter 2007 value and 3.8 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,558,763 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Fayetteville experienced positive net absorption in the office market and negative net absorption in the office/retail, retail, and warehouse submarkets. There was no absorption in the office/warehouse and retail/warehouse submarkets.
- Totals of 37,191 new square feet of office space, 49,800 square feet of office/retail space, and 55,510 square feet of retail space entered the Fayetteville commercial market in the second quarter of 2007.
- Observed vacancy rates in Fayetteville in the second quarter increased in the



- office/retail, retail, and warehouse submarkets, declined in the office and medical office submarkets, and were unchanged in the office/warehouse and retail/warehouse submarkets.
- Average reported lease rates for Class B office space increased in the second quarter, while medical office average reported lease rates declined. Class

A, B, and C office/retail and Class A and B retail average reported lease rates rose. Other reported lease rates remained steady

Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Lab	\$19.75 - \$19.75	10,603	0	0.0%	0	0	0	--
Industrial	--	--	--	--	--	--	--	--
Office	\$14.07 - \$16.07	1,912,519	273,685	14.3%	66,249	37,191	29,058	28.3
Class A	\$19.14 - \$20.58	342,036	76,583	22.4%	25,240	0	25,240	9.1
Class B	\$13.54 - \$15.83	941,160	149,314	15.9%	39,563	37,191	2,372	188.8
Class C	\$9.09 - \$9.90	132,622	2,500	1.9%	3,000	0	3,000	2.5
Medical	\$15.08 - \$17.22	496,701	45,288	9.1%	-1,554	0	-1,554	--
Office/Retail	\$12.84 - \$14.22	1,092,843	201,681	18.5%	6,265	49,800	-43,535	--
Class A	\$21.75 - \$21.75	65,126	50,126	77.0%	3,000	8,000	-5,000	--
Class B	\$13.40 - \$14.66	752,886	120,832	16.0%	-2,390	41,800	-44,190	--
Class C	\$10.56 - \$12.33	274,831	30,723	11.2%	5,655	0	5,655	16.3
Office/Warehouse	\$5.20 - \$5.53	110,326	104,326	94.6%	0	0	0	--
Retail	\$12.54 - \$14.08	2,426,505	211,137	8.7%	36,881	55,510	-18,629	--
Class A	\$21.50 - \$23.00	1,361,331	106,394	7.8%	-3,996	0	-3,996	--
Class B	\$13.87 - \$15.84	865,099	59,146	6.8%	41,207	55,510	-14,303	--
Class C	\$8.17 - \$9.15	200,075	45,597	22.8%	-330	0	-330	--
Retail/Warehouse	\$8.22 - \$10.22	59,300	18,000	30.4%	0	0	0	--
Warehouse	\$3.20 - \$3.21	946,667	210,735	22.3%	-36,635	0	-36,635	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Fayetteville

Downtown Fayetteville/Dickson Street Area

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 570,568 square feet of office, office/retail, and retail space in the Downtown Fayetteville/Dickson Street Area in the second quarter of 2007.
- The office space in downtown Fayetteville had a reported vacancy rate of 18.3 percent in the second quarter of 2007. This was higher than the overall office vacancy rate for Fayetteville, which was 14.3 percent in the same period.
- The office/retail and retail vacancy rates for downtown Fayetteville properties had vacancy rates about 7 percentage points higher than the average for all of Fayetteville during the second quarter.
- There were 28,134 square feet of new office space and 8,000 square feet of new office/retail space added to the submarket in the second quarter of 2007.
- There was negative net absorption of 20,000 square feet of office space and 5,754 square feet of office/retail space in downtown Fayetteville from the first quarter of 2007 to the second quarter of 2007. There was no absorption in the downtown Fayetteville retail submarket.
- Average reported lease rates were about the same as the city average for office space in downtown Fayetteville. The average reported office/retail lease



rate was about \$1.50 higher and the average reported retail lease rate was between \$4 and \$4.50 higher than the city average.

Northwest Arkansas Mall Area/Joyce Street Corridor

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,498,411 square feet of office, office/retail, and retail space in the Northwest Arkansas Mall Area/Joyce Street Corridor in the second quarter of 2007.
- The office space in north Fayetteville had a reported vacancy rate of 13.5 percent in the second quarter of 2007. This was lower than the overall office vacancy rate for Fayetteville, which was 14.3 percent in the same period.

- The office/retail vacancy rate was substantially higher in north Fayetteville than the city average due to the abundance of relatively new construction.
- The retail vacancy rate for north Fayetteville properties was 7.0 percent as compared to the city average of 8.7 percent during the second quarter.
- There were 47,310 square feet of new retail space added to the submarket in the second quarter of 2007.
- There was positive absorption of 28,608 square feet of office space and negative net absorption of 20,042 square feet of retail space during the second quarter in the Northwest Arkansas Mall Area/Joyce Street Corridor.
- Average reported lease rates were consistently higher than the city average in north Fayetteville. Office and office/retail space averaged between \$1-\$2 higher lease rates and retail had a \$5-\$6 premium.

Fayetteville Downtown/Dickson Street Area 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}
Office	\$13.81 - \$19.13	304,619	55,812	18.3%	8,134	28,134	-20,000	--
Office/Retail	\$15.06 - \$16.03	246,852	62,664	25.4%	2,246	8,000	-5,754	--
Retail	\$7.90 - \$10.15	19,097	3,000	15.7%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Fayetteville

Sixth Street Corridor

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 343,406 square feet of office, office/retail, and retail space in the Sixth Street Corridor in the second quarter of 2007.
- The office space in southwest Fayetteville had a reported vacancy rate of 56.7 percent in the second quarter of 2007. This was much higher than the overall office vacancy rate for Fayetteville, which was 14.3 percent in the same period.
- The office/retail and retail vacancy rates were also substantially higher in southwest Fayetteville than the city average.
- There were 40,400 square feet of new office/retail space added to the submarket in the second quarter of 2007.
- There was positive absorption of 3,785 square feet of office space and negative net absorption of 38,400 square feet of office/retail space during the second quarter in the Sixth Street Corridor.
- Average reported lease rates were consistently lower than the city average.



Fayetteville Mall/Joyce Street Corridor 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}
Office	\$15.22 - \$17.21	974,382	131,958	13.5%	28,608	0	28,608	13.8
Office/Retail	\$14.69 - \$15.44	76,896	47,626	61.9%	0	0	0	--
Retail	\$18.75 - \$19.15	1,447,133	101,640	7.0%	27,268	47,310	-20,042	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

sistently lower than the city average

Fayetteville Sixth Street Corridor Summary Statistics

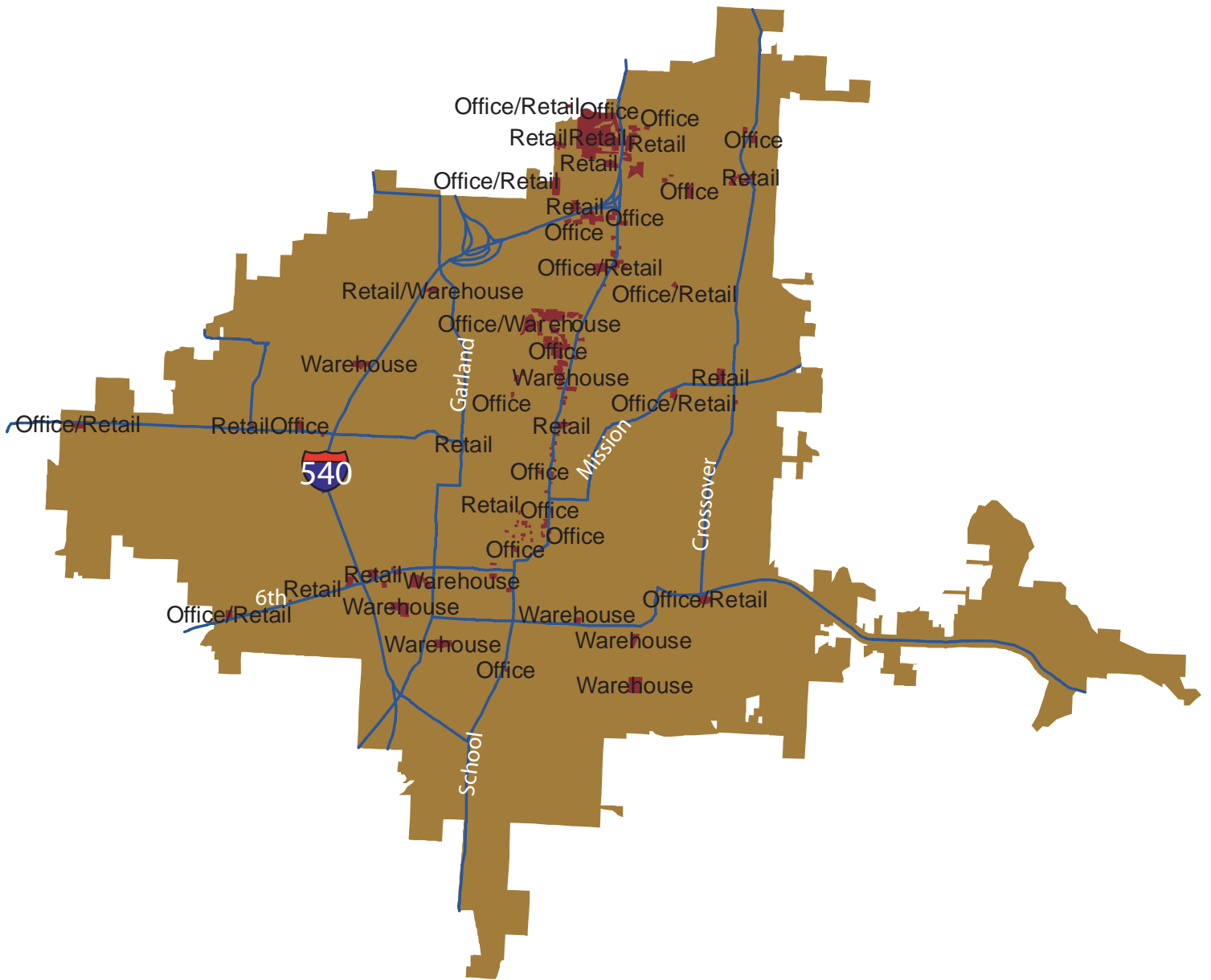
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Office	\$13.00 - \$14.50	22,725	12,895	56.7%	3,785	0	3,785	10.2
Office/Retail	\$11.98 - \$14.98	122,400	47,100	38.5%	2,000	40,400	-38,400	--
Retail	\$11.05 - \$13.22	198,281	61,113	30.8%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

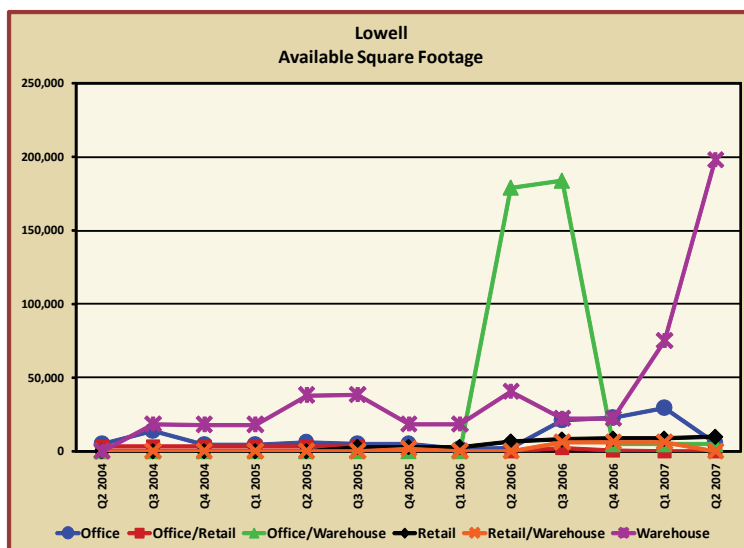


Fayetteville



Lowell

- From March to May 2007, Lowell issued building permits for \$4,709,086 worth of new commercial space. The second quarter 2007 value was 75.8 percent higher than the first quarter 2007 value and 24.2 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 822,389 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Lowell experienced positive absorption in the office and retail/warehouse submarkets, small negative absorption in the retail submarket, and no absorption in the medical, office/retail, office/warehouse, and warehouse submarkets.
- Reported vacancy rates declined in the office and retail/warehouse submarkets from the first quarter to the second quarter of 2007 and increased in the retail and warehouse submarkets in Lowell.



- Reported vacancy rates were unchanged in the medical office, office/retail, and office/warehouse submarkets in the second quarter.
- Reported second quarter average lease rates were basically unchanged in all submarkets.

Lowell Commercial Real Estate Market Summary Statistics

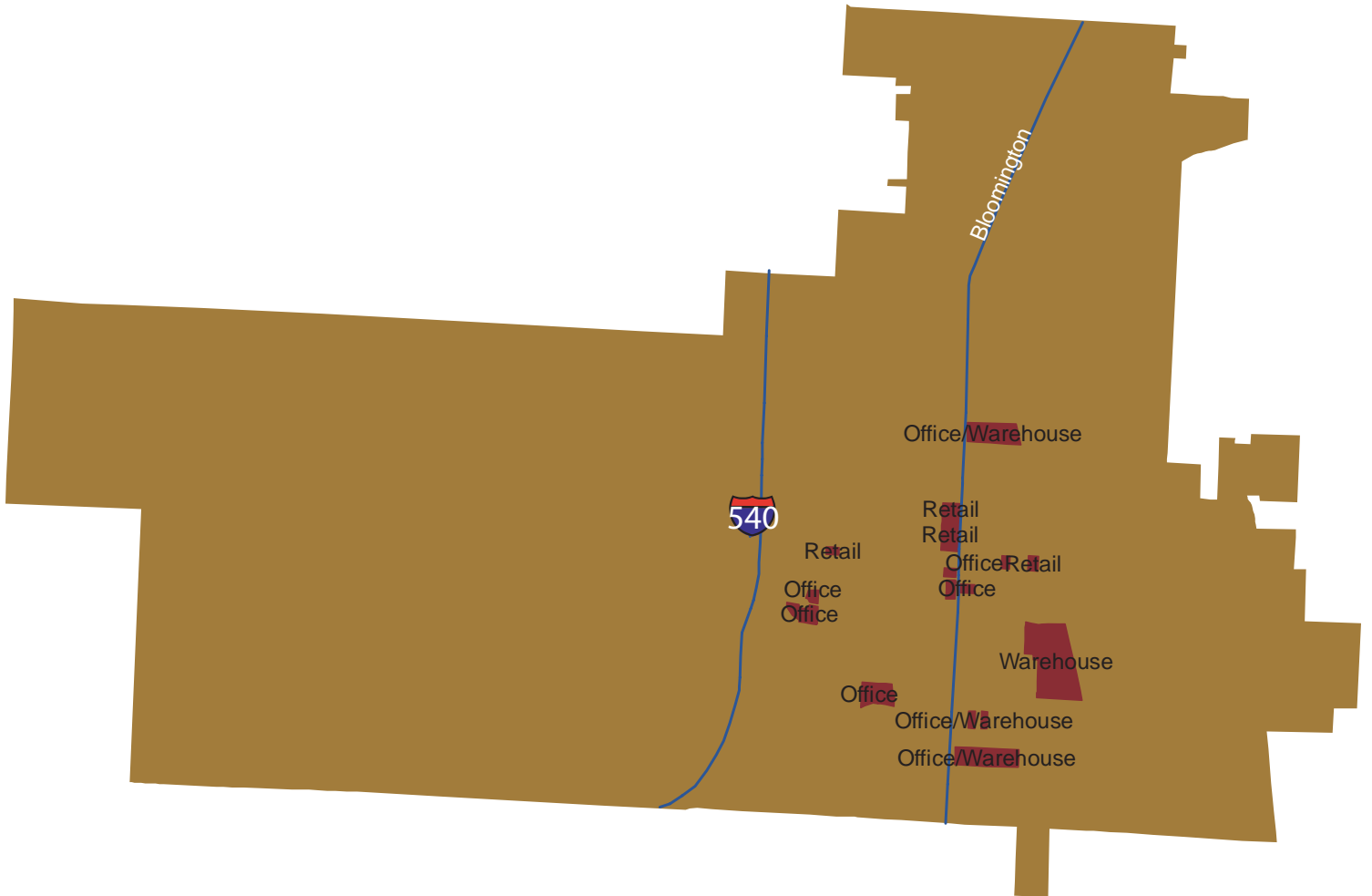
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Industrial	--	--	--	--	--	--	--	--
Office	\$15.79 - \$16.49	246,275	5,319	2.2%	24,144	0	24,144	0.7
Class A	\$18.50 - \$18.50	111,552	0	0.0%	0	0	0	--
Class B	\$14.63 - \$15.63	94,723	5,319	5.6%	24,144	0	24,144	0.7
Class C	--	--	--	--	--	--	--	--
Medical	--	40,000	0	0.0%	0	0	0	--
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	\$6.16 - \$6.96	212,325	4,720	2.2%	0	0	0	--
Retail	\$11.67 - \$16.33	75,695	9,750	12.9%	-1,275	0	-1,275	--
Class A	--	--	--	--	--	--	--	--
Class B	\$11.67 - \$16.33	75,695	9,750	12.9%	-1,275	0	-1,275	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$10.89 - \$10.89	11,240	0	0.0%	6,200	0	6,200	0.0
Warehouse	\$5.10 - \$5.10	260,954	198,116	75.9%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

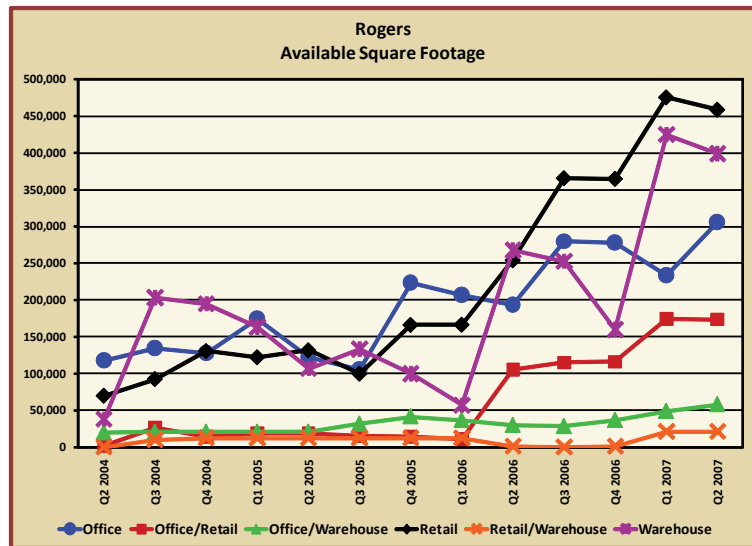


Lowell



Rogers

- From March to May 2007, Rogers issued building permits for \$15,727,729 worth of new commercial space. The second quarter 2007 value was 73.6 percent lower than the first quarter 2007 value and 56.4 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 6,999,540 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Rogers experienced negative net absorption in the office, medical office, office/warehouse, and warehouse submarkets and experienced positive absorption in the office/retail and retail submarkets. There was zero net absorption in the retail/warehouse submarket, as the new space that came on the market was completely occupied.
- There were 74,500 square feet of new office space, 32,334 square feet of new



- office/retail space, and 10,000 square feet of new retail/warehouse space added to the Rogers market in the second quarter of 2007.
- Reported vacancy declined in the office/retail, office/warehouse, retail/warehouse, and warehouse submarkets and increased in the office and medical office submarkets. There was a tiny increase in the retail vacancy rate from 18.6 to 18.7 percent from the first to the second quarter of 2007.
- Average reported lease rates increased slightly in the Class A and Class B office submarkets and declined slightly in the Class C office market. Medical office average reported lease rates declined in the second quarter. Class A office/retail

Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Lab	\$10.00 - \$12.00	9,482	9,482	100.0%	0	0	0	--
Industrial	\$6.00 - \$6.00	282,120	0	0.0%	0	0	0	--
Office	\$15.86 - \$16.89	1,533,513	305,730	19.9%	43,732	74,500	-30,768	--
Class A	\$18.85 - \$20.53	970,323	199,998	20.6%	27,632	54,000	-26,368	--
Class B	\$14.03 - \$14.73	418,852	56,098	13.4%	5,600	5,000	600	280.5
Class C	\$9.76 - \$10.20	101,203	41,102	40.6%	0	0	0	--
Medical	\$17.42 - \$17.42	43,135	8,532	19.8%	10,500	15,500	-5,000	--
Office/Retail	\$14.62 - \$17.37	514,161	173,553	33.8%	32,912	32,334	578	900.8
Class A	\$24.00 - \$27.75	238,251	112,455	47.2%	5,000	0	5,000	67.5
Class B	\$9.66 - \$10.08	68,070	44,390	65.2%	1,280	0	1,280	104.0
Class C	\$8.95 - \$12.95	207,840	16,708	8.0%	26,632	32,334	-5,702	--
Office/Warehouse	\$5.35 - \$6.71	563,505	58,023	10.3%	-9,009	0	-9,009	--
Retail	\$10.83 - \$11.56	2,454,837	458,416	18.7%	18,061	0	18,061	76.1
Class A	\$18.28 - \$18.99	1,469,354	219,050	14.9%	22,300	0	22,300	29.5
Class B	\$9.12 - \$10.12	694,575	184,715	26.6%	-5,885	0	-5,885	--
Class C	\$8.00 - \$8.43	290,908	54,651	18.8%	1,646	0	1,646	99.6
Retail/Warehouse	\$6.09 - \$6.13	55,729	21,283	38.2%	10,000	10,000	0	--
Warehouse	\$4.11 - \$4.32	1,586,193	398,824	25.1%	-23,945	0	-23,945	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Rogers



average lease rates rose, while Class B office/retail average lease rates fell. Class B retail average reported lease rates were down in the second quarter of 2007 in Rogers.

Downtown Rogers

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 519,886 square feet of office, office/retail, and retail space in Downtown Rogers in the second quarter of 2007.
- The office space in downtown Rogers had a reported average vacancy rate of 18.0 percent in the second quarter of 2007. This was lower than the overall average office vacancy rate for Rogers, which was 19.9 percent in the same period.

- The average retail vacancy rate for downtown Rogers properties was about 5.7 percent, much lower than the 18.7 percent average for all of Rogers.
- There were 15,500 square feet of new office space added to the downtown Rogers submarket in the second quarter of 2007.
- There was negative net absorption of 2,900 square feet of office space and 3,230 square feet of retail space in downtown Rogers from the first quarter of 2007 to the second quarter of 2007.
- Average reported lease rates for downtown Rogers office space were \$3 to \$3.50 lower than the average for all of Rogers. The average reported retail lease rate was between \$1 and \$1.50 lower than the city average.
- There were 24,000 square feet of new office space added to the Rogers I-540 corridor submarket in the second quarter of 2007.
- There was negative net absorption of 20,300 square feet of office space and positive absorption of 5,000 square feet of office/retail space and 22,300 square feet of retail space along the Rogers I-540 corridor from the first quarter of 2007 to the second quarter of 2007.
- Average reported lease rates for Rogers I-540 corridor office space were about \$2.50 higher than the average for all of Rogers. The average reported office/retail lease rate was about \$7 higher and the average reported retail lease rate was about \$4.50 higher than the city average.

Rogers Interstate 540

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,546,606 square feet of office, office/retail, and retail space along the Rogers I-540 corridor in the second quarter of 2007.
- The office space along the Rogers I-540 corridor had a reported average vacancy rate of 19.5 percent in the second quarter of 2007. This was lower than the overall average office vacancy rate for Rogers, which was 19.9 percent in the same period.
- The average office/retail and retail vacancy rates for Rogers I-540 corridor properties were about 9 percentage points higher than the average vacancy rates for all of Rogers.

Rogers Downtown 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}
Office	\$12.86 - \$13.25	71,112	12,817	18.0%	12,600	15,500	-2,900	--
Retail	\$9.00 - \$9.00	448,774	25,680	5.7%	-3,230	0	-3,230	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



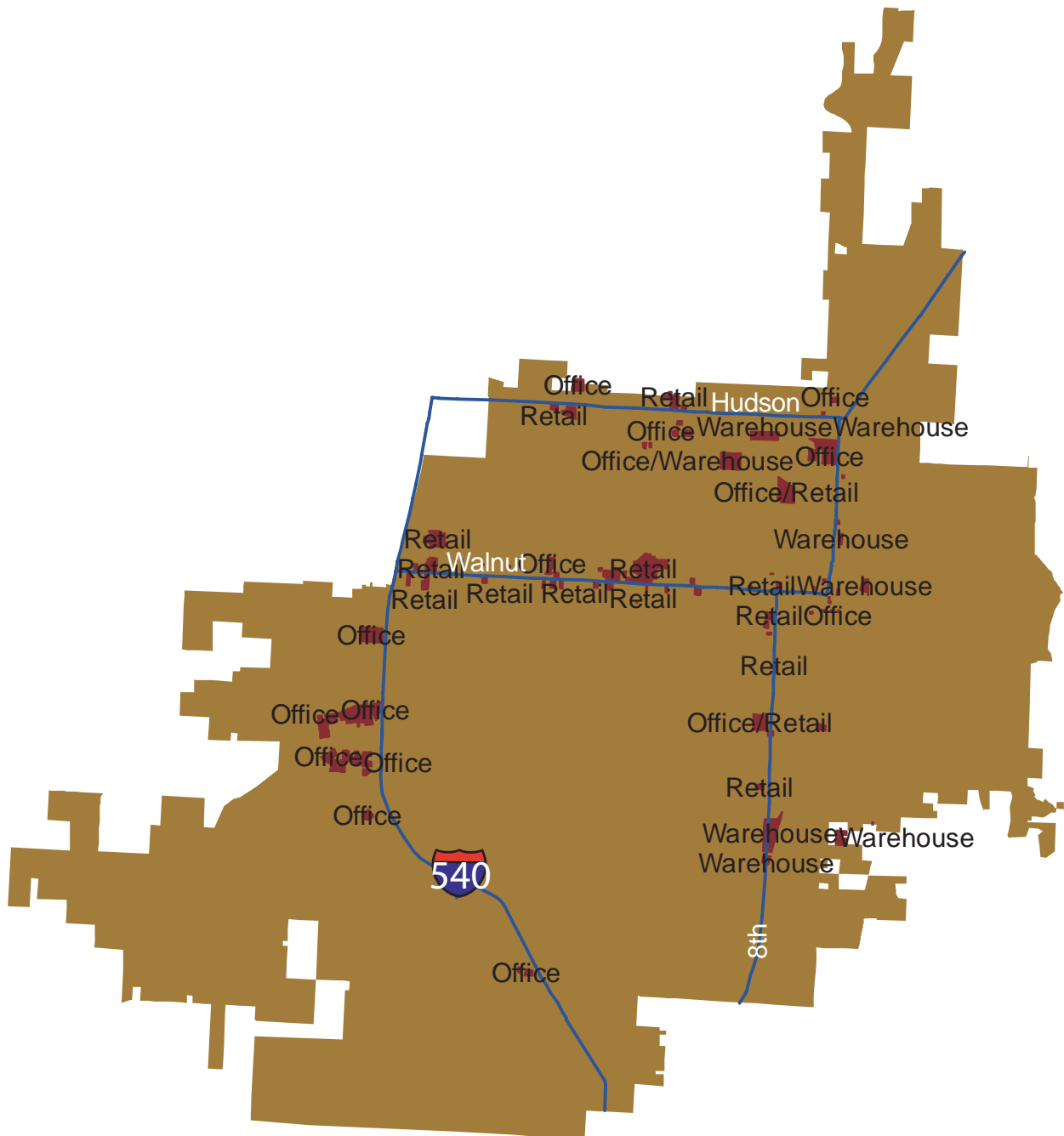
Rogers

Rogers Interstate 540 Corridor 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}
Office	\$18.40 - \$19.34	1,035,494	201,612	19.5%	3,700	24,000	-20,300	--
Office/Retail	\$21.25 - \$24.50	227,955	101,782	44.7%	5,000	0	5,000	61.1
Retail	\$15.28 - \$15.74	1,283,157	358,966	28.0%	22,300	0	22,300	48.3

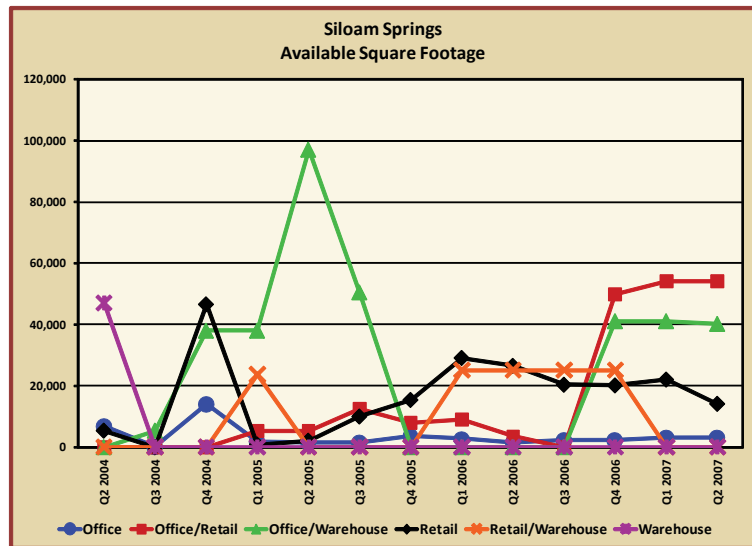
¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Siloam Springs

- From March to May 2007, Siloam Springs issued building permits for \$3,019,500 worth of new commercial space. The second quarter 2007 value was 11,978 percent higher than the first quarter 2007 value and 17.3 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 718,526 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Siloam Springs experienced positive net absorption in the office/retail, office/warehouse, and retail submarkets. There was no absorption in the office, retail/warehouse, or warehouse submarkets in the second quarter.
- A total of 4,800 square feet of new office/retail space came online in the second quarter in Siloam Springs.
- Following net absorption, vacancy rates declined in the office/retail, office/warehouse, and retail submarkets, and were unchanged elsewhere.



- Average reported lease rates increased for the office/retail and office/warehouse submarkets and declined in the retail submarket in Siloam Springs in the second quarter.

Siloam Springs Commercial Real Estate Market Summary Statistics

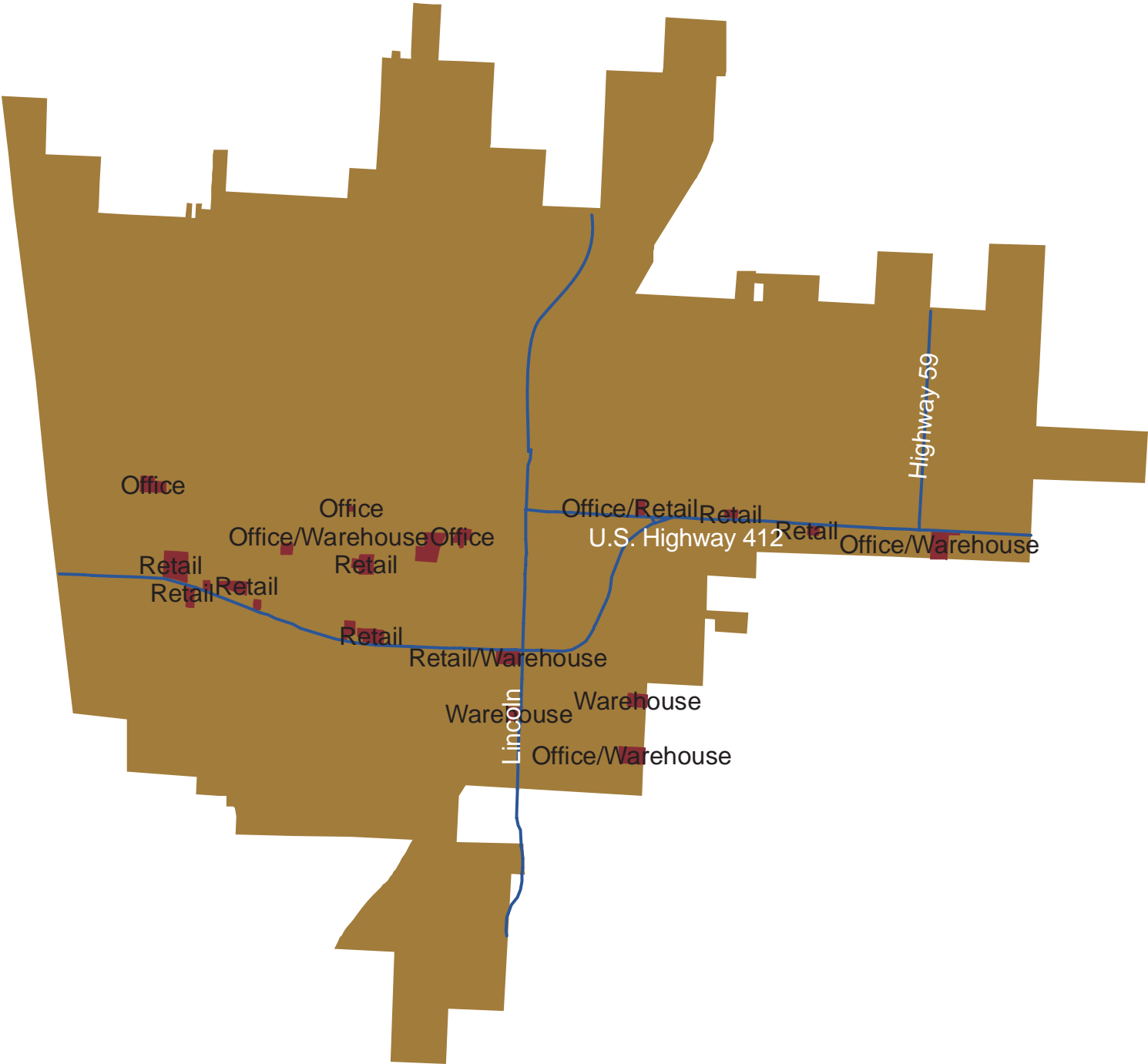
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Industrial	--	--	--	--	--	--	--	--
Office	\$11.98 - \$12.83	80,760	3,200	4.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	\$7.39 - \$8.27	9,728	1,000	10.3%	0	0	0	--
Class C	--	--	--	--	--	--	--	--
Medical	\$13.51 - \$14.34	71,032	2,200	3.1%	0	0	0	--
Office/Retail	\$10.33 - \$11.36	117,337	54,029	46.0%	4,825	4,800	25	--
Class A	\$13.00 - \$18.00	55,800	40,479	72.5%	4,525	0	4,525	26.8
Class B	\$9.80 - \$10.03	61,537	13,550	22.0%	300	4,800	-4,500	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$3.04 - \$3.36	106,441	40,207	37.8%	880	0	880	137.1
Retail	\$8.10 - \$8.78	302,846	14,130	4.7%	7,900	0	7,900	5.4
Class A	--	--	--	--	--	--	--	--
Class B	\$8.80 - \$9.20	187,222	11,730	6.3%	6,700	0	6,700	5.3
Class C	\$6.00 - \$7.50	115,624	2,400	2.1%	1,200	0	1,200	6.0
Retail/Warehouse	\$4.05 - \$4.05	23,680	0	0.0%	0	0	0	--
Warehouse	--	87,462	0	0.0%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

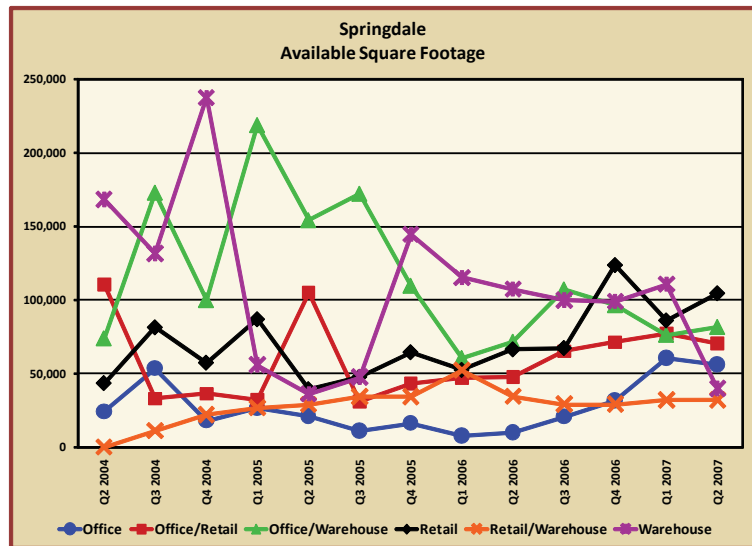


Siloam Springs



Springdale

- From March to May 2007, Springdale issued building permits for \$3,960,747 worth of new commercial space. Springdale had not issued any new commercial building permits in the fourth quarter of 2006 or the first quarter of 2007. The second quarter 2007 value was 67.9 percent lower than the second quarter 2006 value.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,405,970 square feet of commercial space in the second quarter of 2007.
- In the second quarter of 2007, Springdale experienced positive net absorption in the office, office/retail, and warehouse submarkets and negative net absorption in the office/warehouse and retail submarkets.
- A total of 55,000 square feet of new retail space was added in the second quarter to the Springdale commercial property market.
- Reported vacancy rates increased in the medical office, office/warehouse, retail,



- and retail/warehouse submarkets, and declined in the office, office/retail and warehouse submarkets in Springdale in the second quarter.
- In Springdale, reported average lease rates for Class A office space increased, while medical office average reported lease rates declined. Class B and Class C retail lease rates also increased in the second quarter.

Downtown Springdale

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 186,716 square feet of office, office/retail, and retail space in Downtown Springdale in the second quarter of 2007.

Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Industrial	\$4.38 - \$6.25	361,647	0	0.0%	3,000	0	3,000	0.0
Office	\$11.21 - \$12.01	619,225	56,052	9.1%	12,588	0	12,588	13.4
Class A	\$14.88 - \$14.88	57,123	4,011	7.0%	-1,601	0	-1,601	--
Class B	\$11.95 - \$13.09	284,437	6,031	2.1%	14,189	0	14,189	1.3
Class C	\$9.25 - \$9.53	80,962	24,848	30.7%	0	0	0	--
Medical	\$11.31 - \$12.31	196,703	21,162	10.8%	0	0	0	--
Office/Retail	\$9.75 - \$11.95	436,173	70,673	16.2%	6,629	0	6,629	32.0
Class A	--	--	--	--	--	--	--	--
Class B	\$11.59 - \$14.11	188,119	42,273	22.5%	1,929	0	1,929	65.7
Class C	\$8.22 - \$10.14	248,054	28,400	11.4%	4,700	0	4,700	18.1
Office/Warehouse	\$5.34 - \$7.90	1,061,258	81,750	7.7%	-5,300	0	-5,300	--
Retail	\$10.18 - \$11.37	1,620,824	104,569	6.5%	36,531	55,000	-18,469	--
Class A	--	--	--	--	--	--	--	--
Class B	\$13.00 - \$14.69	1,419,580	96,221	6.8%	26,112	55,000	-28,888	--
Class C	\$7.97 - \$8.77	201,244	8,348	4.1%	10,419	0	10,419	2.4
Retail/Warehouse	\$6.13 - \$8.25	268,748	32,025	11.9%	0	0	0	--
Warehouse	\$4.20 - \$5.11	1,038,095	39,832	3.8%	79,591	0	79,591	1.5

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Springdale

- The office space in downtown Springdale had a reported average vacancy rate of 11.8 percent in the second quarter of 2007. This was higher than the overall average office vacancy rate for Springdale, which was 9.1 percent in the same period.
- The average retail vacancy rate for downtown Springdale properties was 0.0 percent, much lower than the 6.5 percent average for all of Springdale.
- There were no new square feet of commercial property added to downtown Springdale in the second quarter of 2007.
- There was no absorption of commercial property in downtown Springdale in the second quarter of 2007.
- Average reported lease rates for downtown Springdale office space were \$2.50 to \$3 lower than the average for all of Springdale. The average reported retail lease rate was between \$4.50 and \$5 lower than the city average.

West Springdale

- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 842,586 square feet of office, office/retail, and retail space in West Springdale in the second quarter of 2007.
- The office space in West Springdale had a reported average vacancy rate of 0.0 percent in the second quarter of 2007. This was much lower than the overall average office vacancy rate for Springdale, which was 9.1 percent in the same period.
- The average office/retail vacancy rate was 8 percentage points lower in West Springdale than in the city as a whole. The retail vacancy rate for West Springdale properties was 0.3 percent, also much lower than the 6.5 percent average for all of Springdale.
- There were no new square feet of commercial property added to West Springdale in the second quarter of 2007.

- There was positive absorption of 8,580 square feet of office property and 1,200 square feet of office/retail space in West Springdale in the second quarter of 2007.
- Average reported lease rates for West Springdale office space were about \$4 higher than the average for all of Springdale. The average reported retail lease rate was between \$1.50 and \$2 higher than the city average.

Downtown Springdale 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}
Office	\$8.65 - \$9.07	171,924	20,262	11.8%	0	0	0	--
Retail	\$5.68 - \$5.68	14,792	0	0.0%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents

West Springdale Summary Statistics

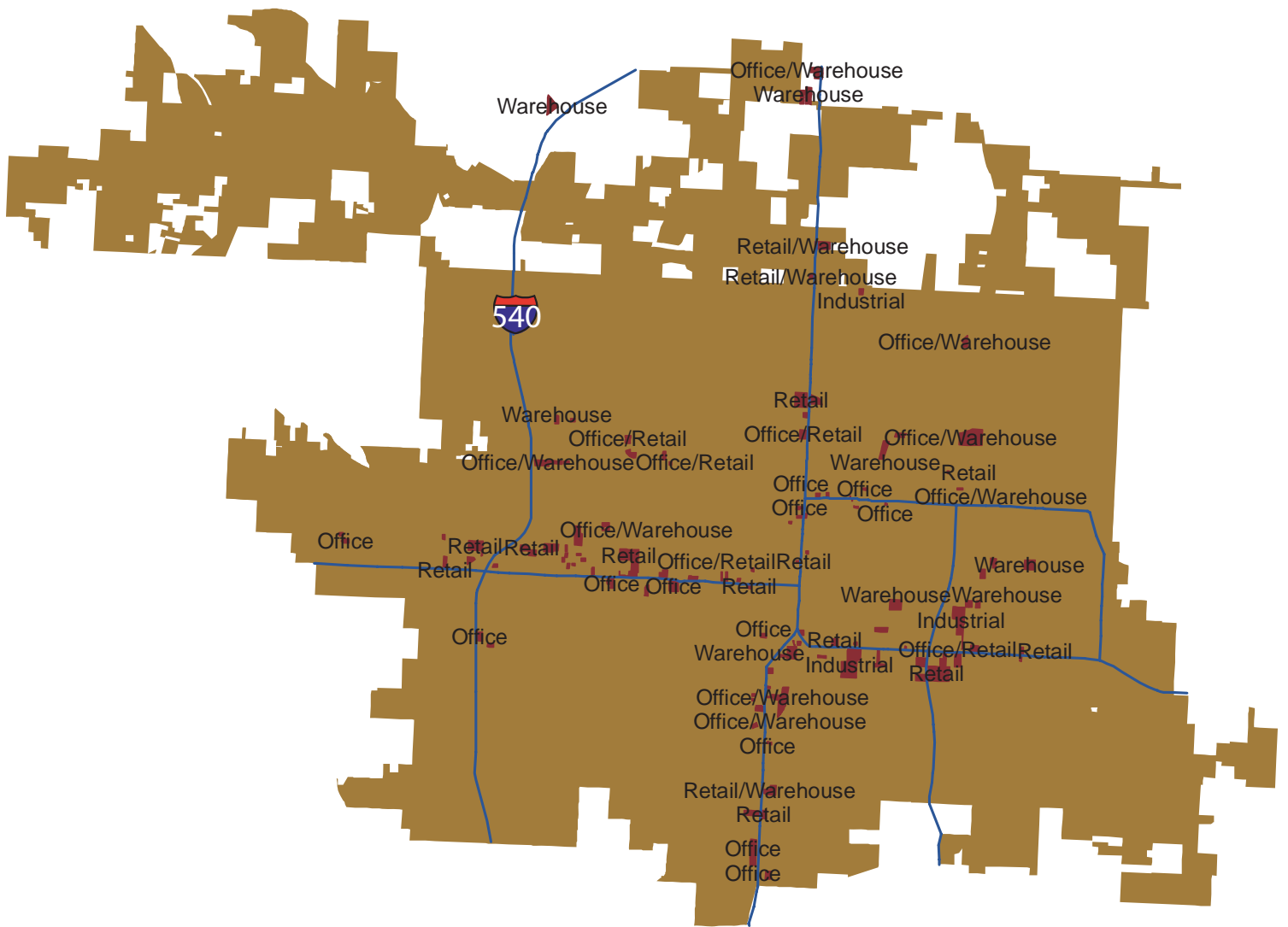
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q1 to Q2 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Office	\$15.59 - \$16.08	34,954	0	0.0%	8,580	0	8,580	0.0
Office/Retail	\$8.50 - \$12.00	36,550	3,000	8.2%	1,200	0	1,200	7.5
Retail	\$11.58 - \$13.25	771,082	2,000	0.3%	0	0	0	--

¹From all Q2 2007 respondents

²From Q2 2007 respondents who were also Q1 2007 respondents



Springdale



Interpretation

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

The first level of data that the Skyline report contains comes directly from the offices of the Washington and Benton County Assessors. The Benton County Assessor Office uses Apprentice 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 ft²
- Department Stores: 20,000 ft²
- Discount Stores: 20,000 ft²
- Industrial Buildings: 20,000 ft²
- Markets: 20,000 ft²
- Commercial Office Buildings: 5,000 ft²
- Medical Office Buildings: 5,000 ft²
- Retail Buildings: 10,000 ft²
- Community Shopping Centers: 5,000 ft²
- Neighborhood Shopping Centers: 5,000 ft²
- Warehouses: 20,000 ft²

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

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

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. CBER researchers gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the second quarter of 2007, 224 panelists provided data on 1,082 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 1,082 properties and are assumed to be representative of the larger competitive commercial property market.

The panel participants vary somewhat from quarter to quarter as new contributors are added and as previous contributors fail to respond for new requests for information. Time trend analysis is dependent on having a consistent base of information so that apples-to-apples comparisons can be made. Absorption rates

are only calculated for properties that are part of a matched sub-sample—that is, there must have been information received about a particular property in both recent quarters for the number to be included in the calculated property absorption rates. The one exception to this rule is for new properties that are completed and come online for leasing in the most recent quarter.

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

Classification

In order to compare similar spaces, CBER has developed a classification system for office, office/retail, and retail spaces. These classes rate the quality of each building in terms of the following criteria: age, quality of construction, location, and included amenities. Class A space represents the most prestigious buildings available in the Northwest Arkansas market. These spaces are new or newly renovated, made of the best quality materials, with brick, masonry, or glass exteriors. Class A buildings are located in highly accessible locations with easy access to major clients or customers.

Class B space includes buildings that compete for a wide range of uses, including much of the Wal-Mart vendor community. These spaces have average range rents. The buildings are attractive, but not necessarily brand new, and have a lower level of material quality than Class A buildings. Many amenities are not included in the base lease price of Class B buildings.

Class C space is adequate for users that require functional space for their businesses, but not above average locations, materials, or amenities. These buildings are often older and have lease rates that are below market averages.

