

THE SKYLINE REPORT

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July 2007 Highlights

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Commercial Real Estate Market Summary
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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.

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

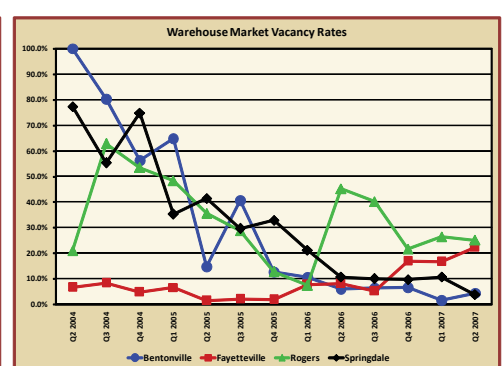
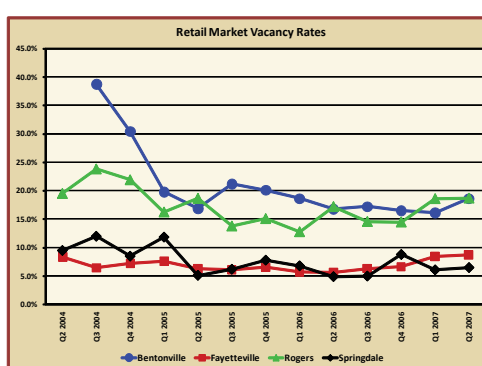
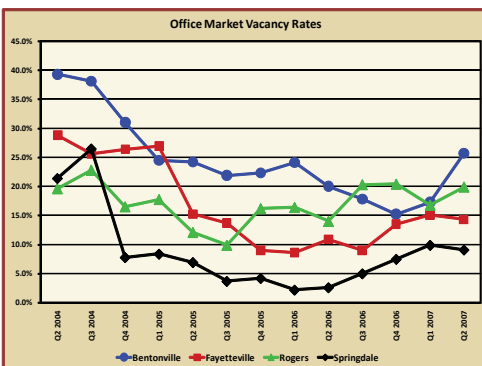
Q2 2006	--	33.0%	93.8%	100.0%	5.5%	0.0%	7.0%	24.5%
Q3 2006	--	30.5%	94.6%	94.7%	8.1%	0.0%	8.1%	23.2%
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%

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%

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

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

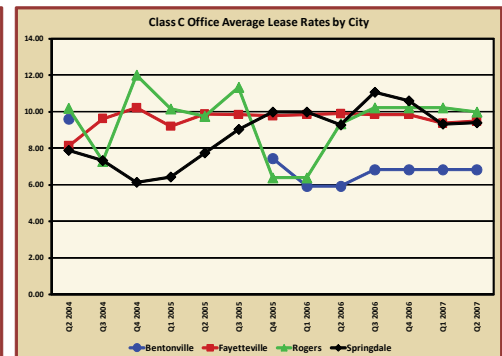
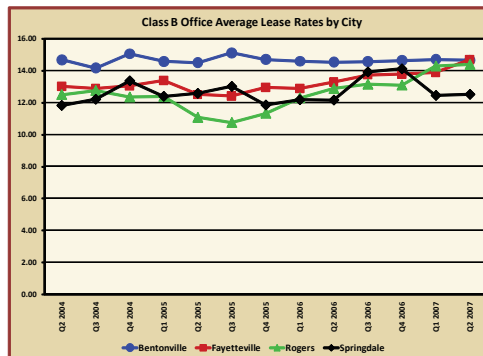
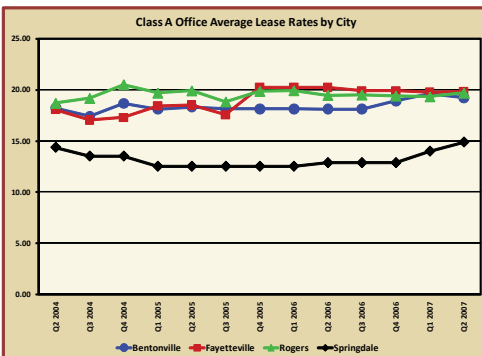
Q2 2006	--	224,863	90,326	179,000	30,084	0	71,706	595,979
Q3 2006	--	257,613	104,326	183,720	28,614	0	107,306	681,579
Q4 2006	--	249,763	104,326	4,720	36,864	41,087	96,542	533,302
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389

Retail

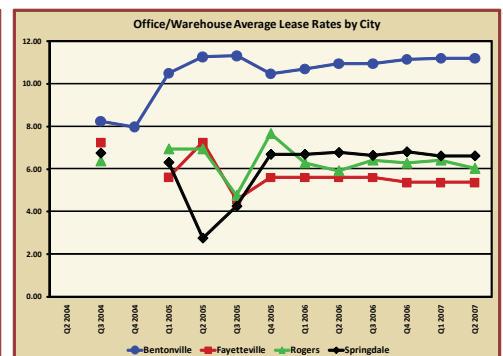
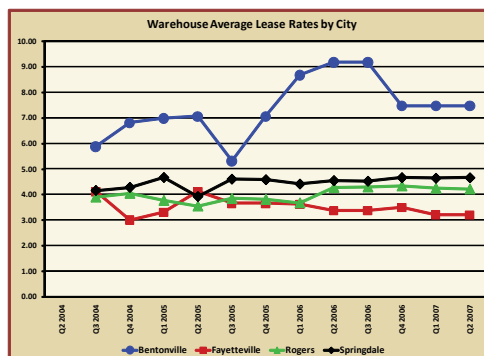
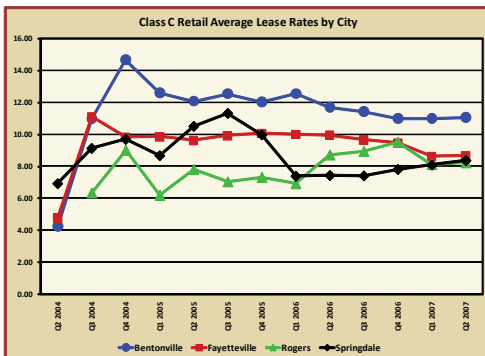
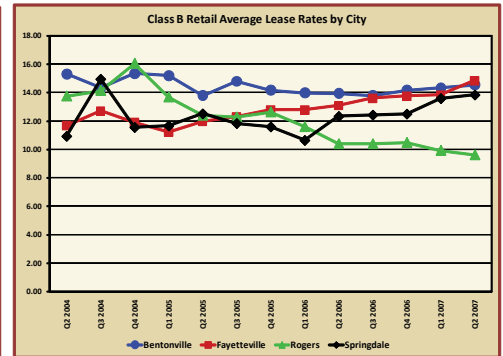
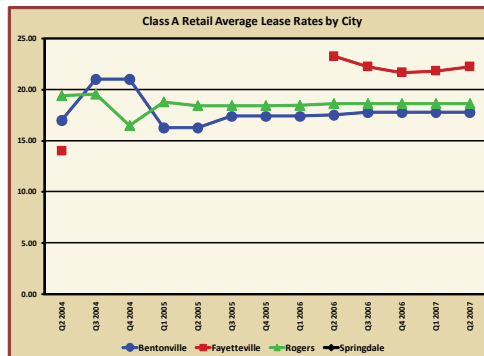
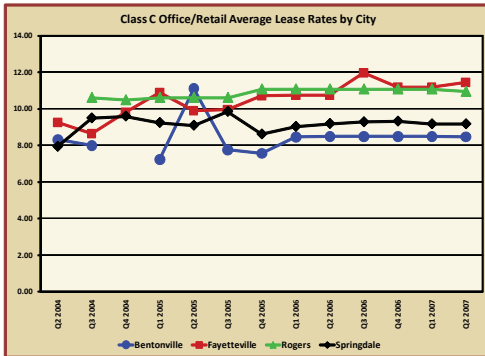
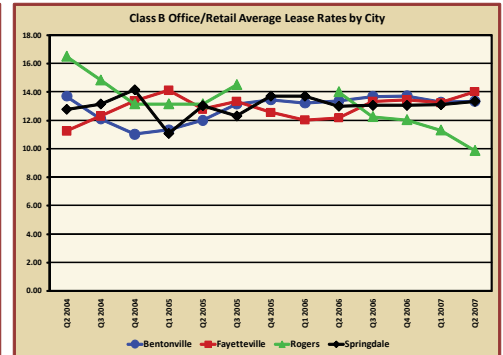
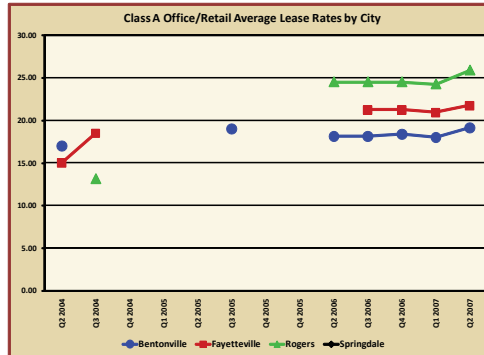
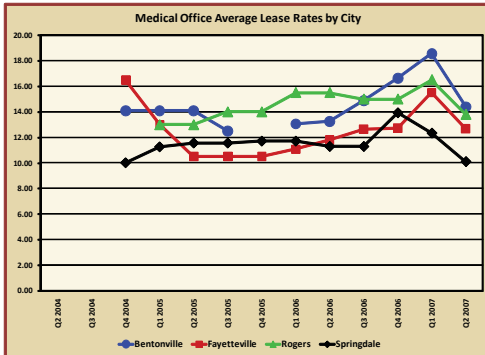
Q2 2006	0	53,766	114,870	6,559	253,829	26,500	66,410	521,934
Q3 2006	0	64,033	149,244	7,875	365,370	20,354	67,334	674,210
Q4 2006	0	56,919	159,700	8,475	364,484	20,133	123,731	733,442
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044

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



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

