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July 2007 Highlights

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Multifamily Real Estate Market Summary Prepared Exclusively under Contract Agreement for ARVEST BANK



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Multifamily Real Estate Market Summary for Benton and Washington Counties

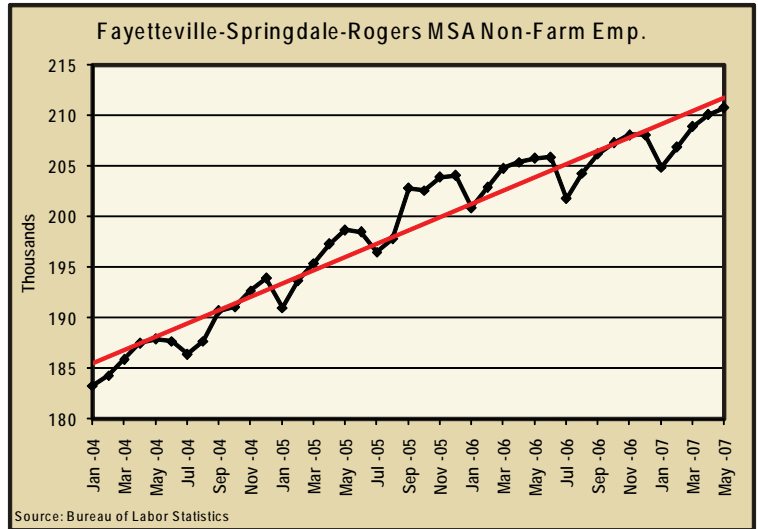
This report is the twelfth edition of the Skyline Report for Benton and Washington Counties—Multifamily Real Estate Market Analysis. Researchers at the Center for Business and Economic Research (CBER) in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas multifamily real estate market. This study is a companion piece to the quarterly single-family residential and commercial Skyline Reports. As the population of the region grows, there is increased demand for all types of housing. Understanding the supply of multifamily housing opportunities is critical to understanding the overall residential market, particularly as low interest rates have made home ownership more appealing relative to leasing comparable residential space. The information contained in the following pages details the current condition of the multifamily market and sets the stage for future comparisons.

Highlights from the Second Quarter of 2007

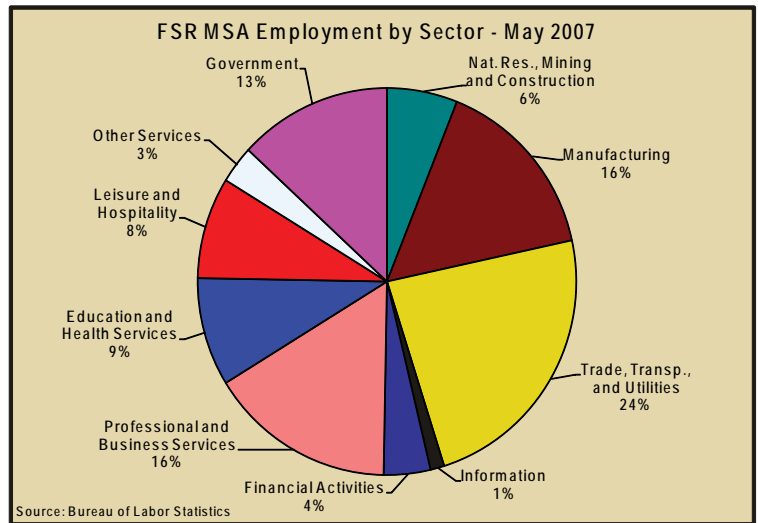
- Vacancy rates for multifamily properties in Northwest Arkansas increased from their first quarter level of 9.4 percent to 9.9 percent in the second quarter of 2007. The second quarter 2007 vacancy rate was significantly higher than the second quarter 2006 vacancy rate of 7.5 percent.
- Siloam Springs had the lowest aggregate vacancy rate at 6.2 percent, down from 8.7 percent in the first quarter. The Fayetteville vacancy rate also fell 0.2 percent to 7.0 percent in the second quarter. The vacancy rates in Bentonville, Rogers, and Springdale were up from the first quarter to 18.0, 7.2, and 13.3 percents, respectively.
- In the past twelve months, multifamily building permits were issued with a value of \$23.0 million. In the second quarter of 2006 that number was \$101.1 million.
- The average lease price per month for a multifamily property unit in Northwest Arkansas was down about \$2 to \$512.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.54 per square foot and most expensive on average in Fayetteville at \$0.64 per square foot.

Multifamily Market Trends

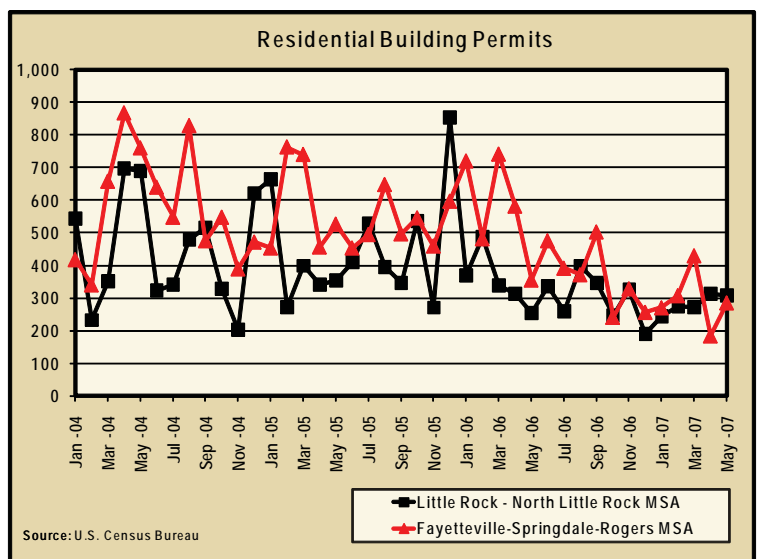
A graph showing employment trends in the Fayetteville-Springdale-Rogers metro area is included. Between May 2006 and May 2007 the Northwest Arkansas economy added on average 417 jobs per month which is below the five year average of 550 jobs per month. However, looking at the individual data points for the first five months of 2007 reveals 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. The employment numbers bear careful watching in the next few months because the demand for much of the new and expected multi-family development relies on the assumption that job growth remains strong.



The U.S. Census Bureau estimates the issuance of building permits. The May 2007 national level of multifamily building permits reflected the continuation of a moderate recovery from the lows seen in the fourth quarter of 2006. However, the May 2007 level of single family building permits reflected a continued downward slide that began in September 2005, and is indicative of continued weakness in the market.



Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, different patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of multifamily building permits than the LR metro area during the past twelve months, and very similar totals for residential building permits. Despite a great deal of seasonal variation, the trends of the multifamily building permits and total building permits in the both metropolitan areas have declined since the highs seen in 2004 and 2005. No significant changes in the pace of growth in the number of residential or multifamily building permits are expected in the short term.



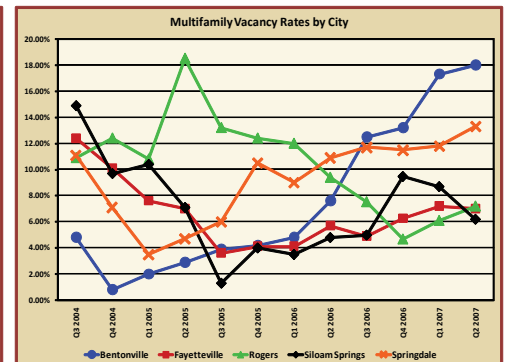
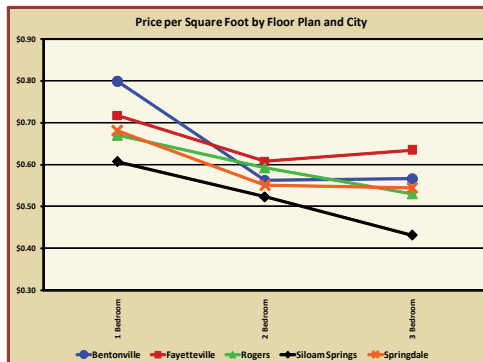
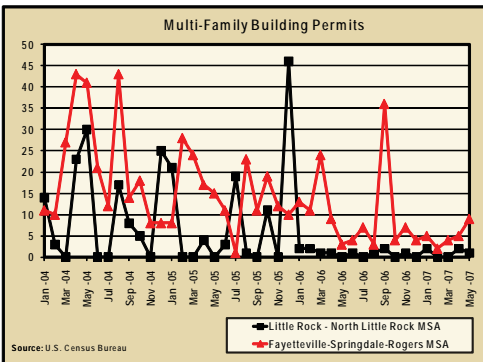
Multifamily Market Trends

The associated table details the building permits that have been issued for multifamily housing purposes over the past twelve months. Five projects with values greater than a million dollars were permitted during the period. Four of these were located in Fayetteville and one was located in Springdale. The Fayetteville projects involve the construction of the Junction Street Apartments, the Chestnut Condos, the Beacon Flats, and the third phase of the Nantucket Apartments. The Springdale project is the Chester apartments.



Multifamily Residence Building Permits June 2006 - May 2007

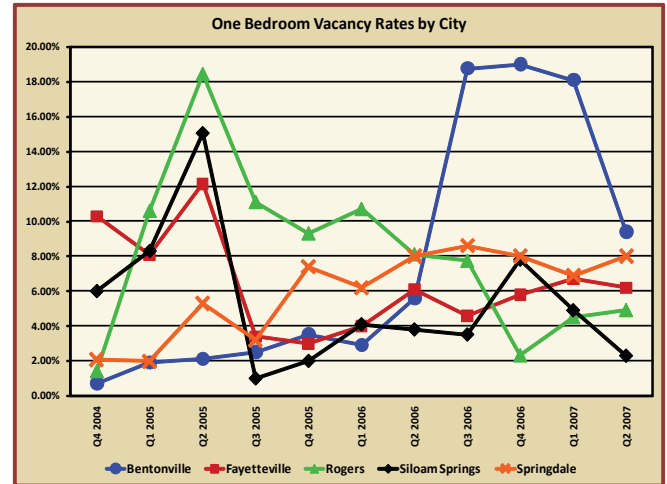
Date	Complex or Developer	Number of Permits	Total Value of Permits	City
6/8/2006	Junction Street Apartments	3	\$1,942,392	Fayetteville
9/27/2006	Creekfront Lofts	2	\$978,347	Fayetteville
11/13/2006	The Links at Springdale, Phase II	1	\$902,214	Springdale
11/16/2006	Chestnut Condos	2	\$1,433,676	Fayetteville
11/22/2006	Beacon Flats	2	\$1,050,000	Fayetteville
11/22/2006	Lafayette Street Apartments	1	\$594,547	Fayetteville
12/8/2006	Chester Heights	15	\$9,065,226	Springdale
2/23/2007	Nantucket Apartments, Phase III	10	\$4,722,500	Fayetteville
2/27/2007	Hidden Lake Apartments	1	\$472,569	Springdale
4/13/2007	260 W 6th Street	1	\$424,658	Fayetteville
4/17/2007	Locust Street Townhomes	1	\$763,039	Fayetteville
5/10/2007	1344 N Oakland Avenue	1	\$690,276	Fayetteville
Total		40	\$23,039,444	



Multifamily Market Trends

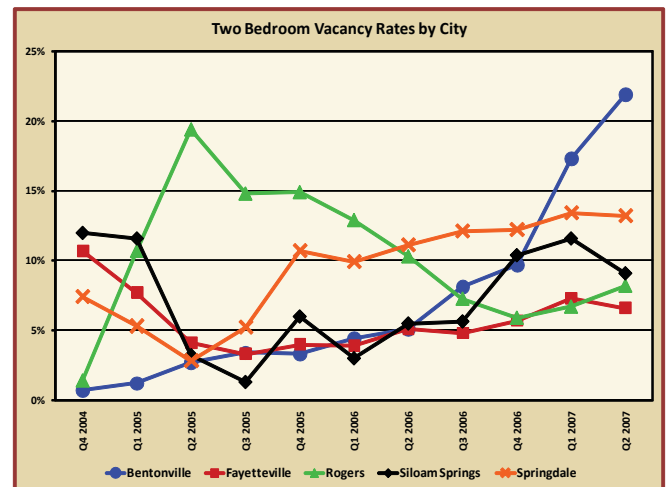
Sample Vacancy Rates

Market Area	Number of Apartment Complexes	Number of Units	Q2 2007 Vacancy Rate	Q1 2007 Vacancy Rate	Q2 2006 Vacancy Rate
Bentonville	104	3,169	18.0%	17.3%	7.6%
Fayetteville	250	10,783	7.0%	7.2%	5.7%
Rogers	68	3,258	7.2%	6.1%	9.4%
Siloam Springs	37	1,062	6.2%	8.7%	4.8%
Springdale	76	5,441	13.3%	11.8%	10.9%
NWA	535	23,713	9.9%	9.4%	7.5%



Average Size and Price by Floor Plan Q2 2007

Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	368	\$316.25	\$0.86
1 Bedroom	611	\$432.08	\$0.71
2 Bedroom	910	\$531.09	\$0.58
3 Bedroom	1,225	\$713.88	\$0.58
4 Bedroom	1,113	\$671.22	\$0.60
NWA	829	\$512.24	\$0.62



Vacancy Rates by Floor Plan Q2 2007

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	9.4%	21.9%	28.0%
Fayetteville	6.2%	6.6%	13.3%
Rogers	4.9%	8.2%	14.5%
Siloam Springs	2.3%	9.1%	3.4%
Springdale	8.0%	13.2%	17.6%
NWA	6.7%	10.9%	17.4%

