

# THE SKYLINE REPORT

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## July 2008 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 seventeenth 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 2008

- In the second quarter of 2008, 253,176 square feet of competitive commercial property were added to the Northwest Arkansas market. About 115,200 square feet of that space were new warehouse space, 71,400 were new office space, 51,500 were new office/warehouse, and about 15,000 were new retail space.
- In the office market, there was positive net absorption of 21,854 square feet. A total of 40,000 square feet of new space were added to the Class A office submarket, 12,400 to the Class B office submarket, and 19,000 to the medical office submarket.
- During the second quarter of 2008, the retail submarket in Northwest Arkansas added 15,076 square feet and 25,367 square feet became vacant. As a result, the vacancy rate increased to 14.3 percent in the second quarter from a revised 13.2 percent in the first quarter of 2008.
- Within the office/retail submarket there was absorption of 22,601 square feet, while no new space entered the market. Accordingly, the office/retail vacancy rate declined from 22.2 percent in the first quarter to 21.8 percent in the second quarter.
- A total of 51,500 square feet of new office/warehouse space were added to the Springdale market in the second quarter, while 40,703 square feet became occupied in Northwest Arkansas, netting negative net absorption of 10,979 square feet.
- The warehouse submarket experienced negative net absorption of 487,260 square feet, while 115,200 square feet of new space were added in Springdale during the second quarter of 2008.

# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2007	0.0%	25.7%	14.3%	2.2%	19.9%	4.0%	9.1%	19.3%
Q3 2007	24.2%	25.2%	19.7%	3.0%	21.4%	4.0%	8.2%	20.7%
Q4 2007	24.2%	24.4%	22.1%	1.6%	21.2%	6.7%	8.5%	20.9%
Q1 2008	43.3%	23.9%	20.5%	1.5%	22.0%	4.6%	9.7%	20.6%
Q2 2008	19.0%	21.9%	20.0%	3.8%	21.6%	3.5%	10.0%	19.7%

### Medical Office

Q2 2007	0.0%	19.7%	9.1%	0.0%	19.8%	3.1%	10.8%	11.0%
Q3 2007	34.6%	19.3%	10.6%	0.0%	27.7%	3.1%	11.5%	12.7%
Q4 2007	34.6%	19.3%	10.6%	0.0%	31.8%	3.1%	11.5%	13.2%
Q1 2008	34.6%	20.7%	9.7%	0.0%	40.2%	3.1%	12.3%	17.0%
Q2 2008	0.0%	19.9%	9.2%	0.0%	37.8%	2.1%	12.3%	16.1%

### Office/Retail

Q2 2007	10.8%	22.9%	18.5%	0.0%	33.8%	46.0%	16.2%	21.9%
Q3 2007	10.6%	22.4%	22.2%	11.6%	23.7%	44.2%	16.5%	21.6%
Q4 2007	9.4%	24.5%	21.9%	27.8%	37.6%	44.2%	15.8%	24.2%
Q1 2008	8.4%	24.3%	20.0%	40.1%	28.5%	35.4%	15.5%	22.2%
Q2 2008	7.8%	22.5%	20.2%	43.2%	28.7%	26.2%	16.2%	21.8%

### Office/Warehouse

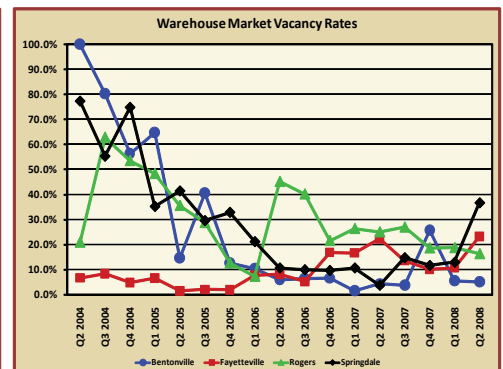
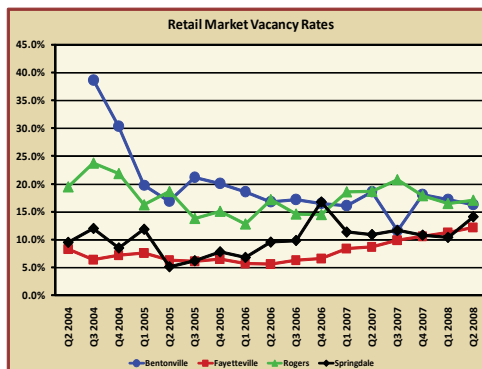
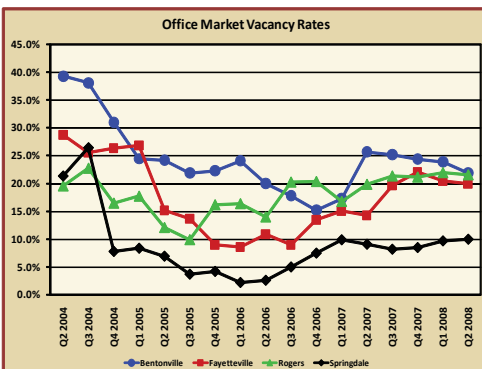
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%
Q3 2007	--	28.7%	94.6%	0.0%	15.5%	68.6%	9.7%	21.5%
Q4 2007	--	28.0%	94.6%	3.8%	32.7%	65.8%	20.7%	28.7%
Q1 2008	--	14.1%	89.6%	3.8%	14.5%	65.8%	19.8%	19.4%
Q2 2008	--	11.3%	72.5%	0.0%	17.6%	65.8%	17.3%	17.7%

### Retail

Q2 2007	0.0%	18.6%	8.7%	12.9%	18.7%	4.7%	10.9%	13.1%
Q3 2007	0.0%	11.6%	9.9%	15.4%	20.8%	5.8%	11.6%	14.3%
Q4 2007	0.0%	18.1%	10.6%	18.0%	17.9%	5.5%	10.8%	13.7%
Q1 2008	0.0%	17.2%	11.3%	15.4%	16.5%	7.0%	10.4%	13.2%
Q2 2008	0.0%	16.3%	12.2%	25.5%	17.1%	7.0%	14.1%	14.3%

### Warehouse

Q2 2007	0.0%	4.4%	22.3%	28.8%	25.1%	0.0%	3.8%	17.3%
Q3 2007	0.0%	3.8%	13.6%	20.3%	27.0%	0.0%	14.8%	18.8%
Q4 2007	0.0%	25.7%	10.1%	21.2%	18.7%	0.0%	11.7%	15.5%
Q1 2008	0.0%	5.6%	10.7%	21.2%	18.8%	71.1%	13.0%	17.7%
Q2 2008	0.0%	5.1%	23.3%	65.4%	16.4%	71.1%	36.7%	27.9%



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2007	0	822,831	273,685	5,319	305,730	3,200	56,052	1,466,817
Q3 2007	2,800	823,028	406,882	7,527	339,196	3,200	51,168	1,633,801
Q4 2007	2,800	798,023	470,731	3,844	348,274	5,400	55,742	1,684,814
Q1 2008	5,000	784,492	441,369	3,844	394,749	3,700	65,222	1,698,376
Q2 2008	2,200	780,416	440,601	9,831	396,668	2,800	71,768	1,704,284

### Medical Office

Q2 2007	0	38,246	45,288	0	8,532	2,200	21,162	115,428
Q3 2007	2,800	37,846	55,764	0	18,532	2,200	22,682	139,824
Q4 2007	2,800	37,846	55,764	0	27,467	2,200	22,682	148,759
Q1 2008	2,800	40,696	50,930	0	96,004	2,200	24,282	216,912
Q2 2008	0	39,096	49,897	0	96,729	1,500	24,282	211,504

### Office/Retail

Q2 2007	29,120	157,559	201,681	0	173,553	54,029	70,673	686,615
Q3 2007	27,589	176,733	261,550	5,000	181,062	51,955	75,344	779,233
Q4 2007	25,189	192,720	274,173	19,660	217,667	51,955	71,618	852,982
Q1 2008	22,666	191,737	261,590	24,160	240,182	45,325	70,464	856,124
Q2 2008	20,816	178,839	270,310	26,040	246,289	32,964	74,615	849,873

### Office/Warehouse

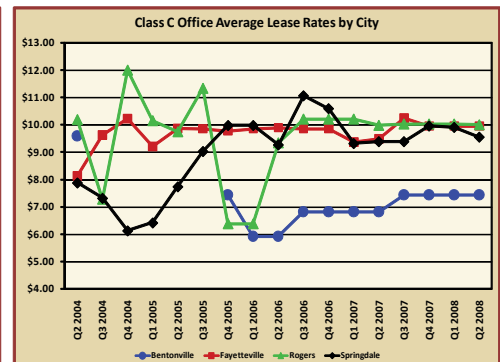
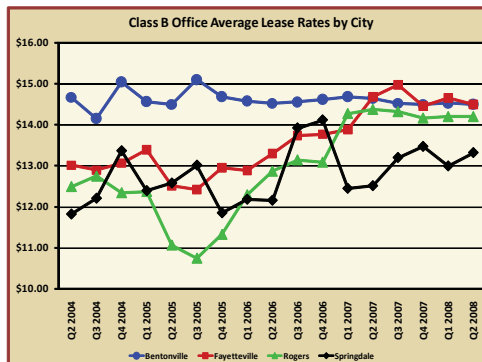
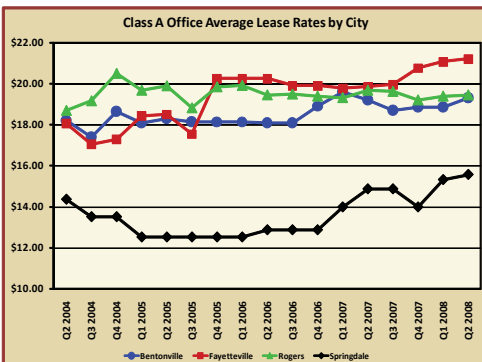
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389
Q3 2007	--	259,879	104,326	0	55,023	73,007	110,275	602,510
Q4 2007	--	256,525	104,326	7,940	191,523	70,007	202,649	832,970
Q1 2008	--	166,550	91,726	7,940	85,023	70,007	196,199	617,445
Q2 2008	--	133,900	87,501	0	103,023	70,007	226,066	620,497

### Retail

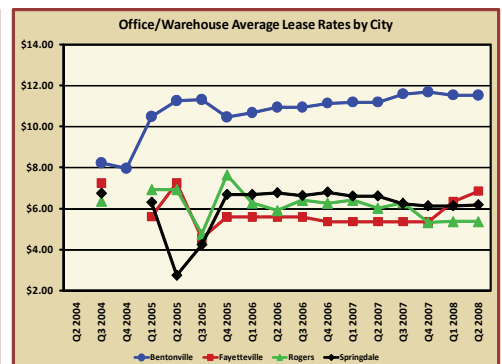
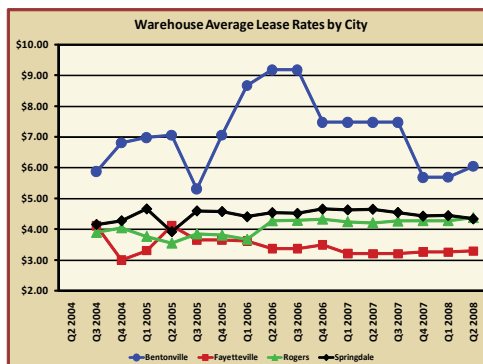
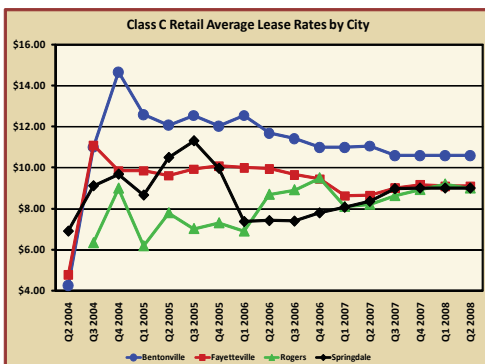
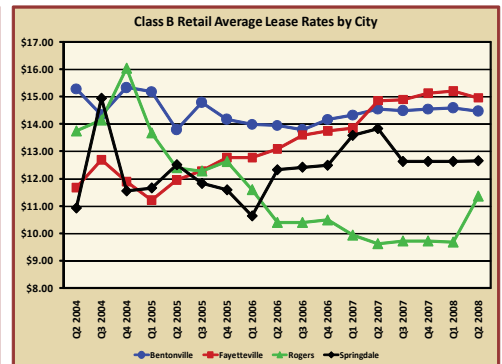
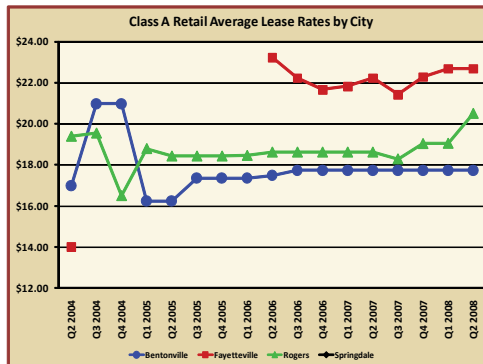
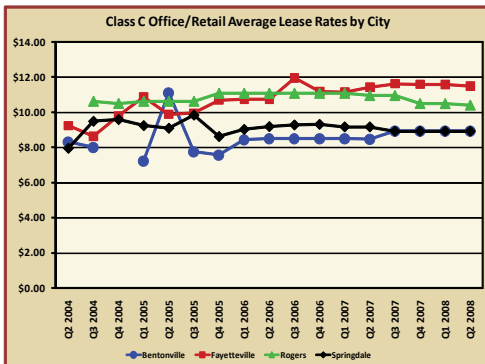
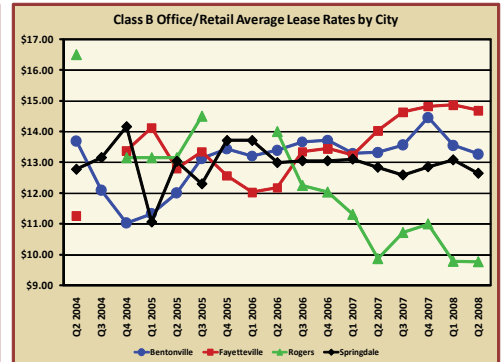
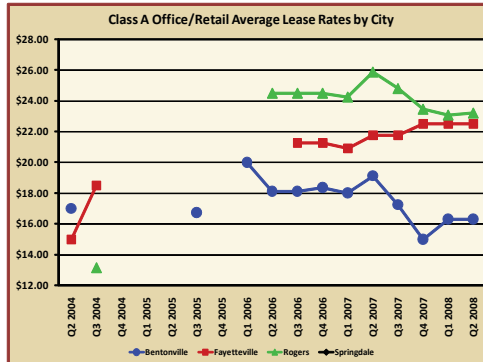
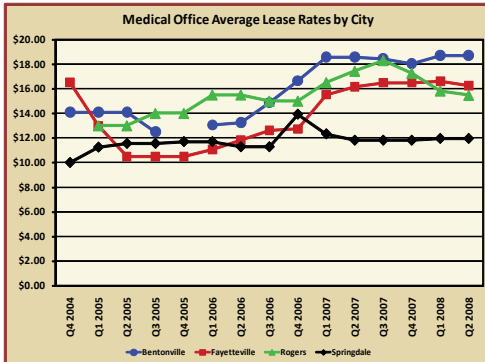
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044
Q3 2007	0	42,830	244,703	9,500	542,309	17,700	92,328	949,370
Q4 2007	0	74,732	265,603	11,090	467,853	16,700	89,530	925,508
Q1 2008	0	71,148	294,345	9,500	390,943	21,200	87,005	874,141
Q2 2008	0	67,172	317,839	19,500	404,133	21,200	117,518	947,362

### Warehouse

Q2 2007	-	15,360	210,735	75,150	398,824	-	39,832	739,901
Q3 2007	0	12,800	124,795	53,000	521,323	0	168,444	880,362
Q4 2007	0	114,300	92,215	53,000	351,120	0	156,489	767,124
Q1 2008	0	27,800	98,215	53,000	353,450	214,710	180,979	928,154
Q2 2008	0	25,200	242,115	201,866	309,869	214,710	567,618	1,561,378



# Commercial Market Trends



## Net Twelve Month Absorption by Submarket Q2 2007 - Q2 2008

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	-2,200	9,104	0	0
Bentonville	76,380	-4,918	24,854	-22,400
Fayetteville	-123,858	-41,462	-61,838	59,980
Lowell	-3,012	-5,380	-9,750	-119,216
Rogers	-19,898	-17,000	36,400	88,955
Siloam Springs	400	21,065	-7,070	0
Springdale	-1,524	1,274	11,600	-457,622
<b>Northwest Arkansas</b>	<b>-73,712</b>	<b>-37,317</b>	<b>-5,804</b>	<b>-450,303</b>

