




THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

July 2009 Highlights

Contents

Highlights..... 1
 Commercial Market Trends 2

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



UNIVERSITY OF
ARKANSAS
 SAM M. WALTON
 COLLEGE OF BUSINESS

Center for Business and Economic Research

Center for Business and Economic Research
 Sam M. Walton College of Business
 University of Arkansas
 Fayetteville, AR 72701
 Telephone: 479.575.4151
<http://cber.uark.edu/>

The information contained herein has been obtained from reasonably reliable sources. The Center for Business and Economic Research makes no guarantee, either expressed or implied, as to the accuracy of such information. All data contained herein is subject to errors, omissions, and changes. Reproduction in whole or in part without prior written consent is prohibited.

Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the twenty first 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. The Northwest Arkansas 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 2009

- In the second quarter of 2009, 218,428 square feet of competitive commercial property were added to the Northwest Arkansas market. About 8,500 square feet of the added space were new industrial space, 33,000 were new office space, 128,002 were new office/retail, 27,726 were new retail, 14,000 were new retail/warehouse, and 7,200 were new warehouse space.
- In the office market, there was negative net absorption of 45,146 square feet and the vacancy rate increased to 18.3 percent, accordingly. New space was added to the Bentonville Class B office submarket in the second quarter.
- New retail space was added to the Fayetteville market, while 16,596 square feet became vacant in Northwest Arkansas, netting a negative absorption of 44,322 square feet. As a result, the retail vacancy rate increased from 14.0 percent in the first quarter to 14.6 percent in the second quarter of 2009.
- Within the office/retail submarket, 73,119 square feet became occupied, while new space entered the Bentonville, Fayetteville, and Rogers markets. The vacancy rate increased to 23.0 percent in accord with the negative net absorption.
- During the second quarter of 2009, 40,760 square feet of office/warehouse market became vacant in Northwest Arkansas. The vacancy rate increased in accord with the absorption to 15.4 percent in the second quarter.
- The warehouse submarket experienced positive net absorption of 46,891 square feet, while new space was added in Rogers. Thus, the warehouse vacancy rate has declined to 29.0 percent in the second quarter of 2009.
- From March to May of 2009, almost \$37.7 million in commercial building permits were issued in Northwest Arkansas. Among these, \$31.6 million were for the Crystal Bridges museum. There were almost \$7.7 million of building permits issued in the prior quarter and almost \$13.0 million in 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 2008	19.0%	24.2%	20.0%	3.8%	21.6%	3.5%	10.0%	20.5%
Q3 2008	19.0%	14.7%	18.7%	3.8%	22.6%	2.7%	10.4%	16.7%
Q4 2008	19.0%	14.1%	19.1%	7.2%	22.4%	2.6%	14.8%	17.1%
Q1 2009	19.0%	16.1%	18.3%	9.0%	22.2%	2.6%	16.4%	17.7%
Q2 2009	19.0%	17.6%	17.5%	8.4%	23.6%	4.7%	14.0%	18.3%

Medical Office

Q2 2008	0.0%	19.9%	9.2%	0.0%	37.8%	2.1%	12.3%	16.1%
Q3 2008	0.0%	21.8%	7.2%	0.0%	37.1%	2.8%	13.6%	15.8%
Q4 2008	0.0%	15.1%	10.2%	0.0%	33.3%	2.8%	28.6%	17.7%
Q1 2009	0.0%	15.4%	11.1%	0.0%	33.0%	2.8%	24.0%	17.2%
Q2 2009	0.0%	14.0%	10.9%	0.0%	33.0%	5.2%	22.0%	16.7%

Office/Retail

Q2 2008	7.8%	22.5%	20.2%	43.2%	30.4%	26.2%	16.2%	22.0%
Q3 2008	8.1%	21.0%	19.3%	40.8%	28.0%	25.9%	16.2%	20.9%
Q4 2008	8.4%	20.2%	21.3%	38.4%	27.2%	31.0%	21.4%	22.0%
Q1 2009	8.5%	20.6%	22.1%	12.8%	27.5%	30.7%	22.7%	22.3%
Q2 2009	7.2%	21.8%	20.8%	19.7%	33.2%	29.7%	18.5%	23.0%

Office/Warehouse

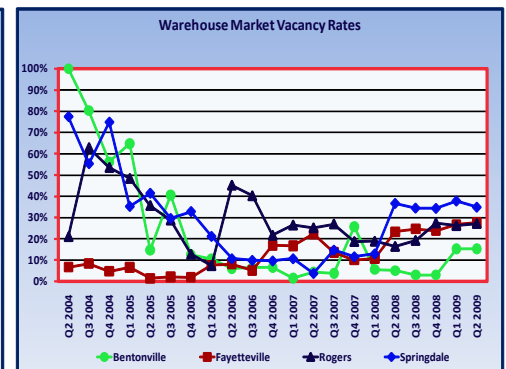
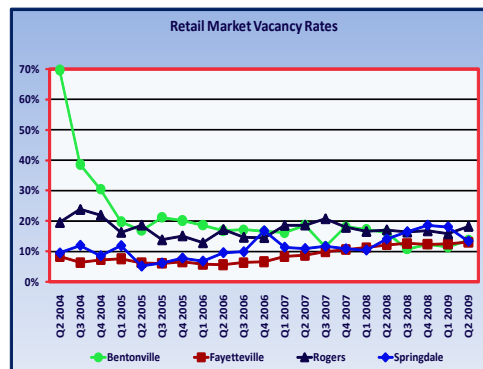
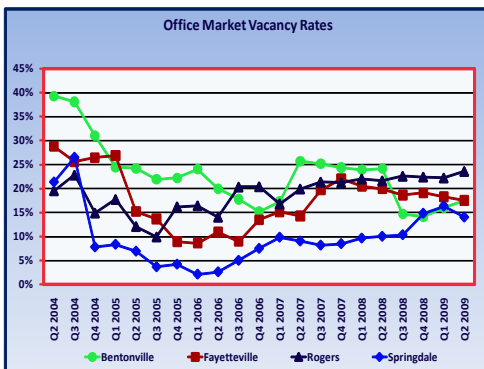
Q2 2008	--	11.3%	72.5%	0.0%	17.6%	65.8%	17.3%	17.7%
Q3 2008	--	11.4%	84.7%	0.0%	16.7%	65.8%	16.2%	17.5%
Q4 2008	--	8.6%	84.7%	0.0%	18.1%	65.8%	15.6%	16.5%
Q1 2009	--	9.5%	84.8%	0.0%	18.1%	65.8%	9.8%	14.2%
Q2 2009	--	11.0%	84.8%	1.8%	18.8%	65.8%	11.0%	15.4%

Retail

Q2 2008	0.0%	16.3%	12.2%	25.5%	17.1%	7.0%	14.1%	14.3%
Q3 2008	0.0%	10.8%	12.6%	21.5%	16.3%	14.4%	16.4%	14.5%
Q4 2008	0.0%	12.3%	12.4%	10.3%	16.8%	9.1%	18.6%	14.4%
Q1 2009	0.0%	11.5%	12.5%	12.8%	15.7%	8.7%	18.1%	14.0%
Q2 2009	0.0%	13.7%	13.0%	15.2%	18.2%	8.3%	13.4%	14.6%

Warehouse

Q2 2008	0.0%	5.1%	23.3%	65.4%	16.4%	71.1%	36.7%	27.9%
Q3 2008	0.0%	3.1%	24.7%	65.4%	19.2%	71.1%	34.5%	28.3%
Q4 2008	0.0%	3.1%	23.8%	2.8%	27.5%	71.1%	34.3%	27.5%
Q1 2009	0.0%	15.3%	26.7%	1.4%	26.2%	79.1%	37.8%	29.3%
Q2 2009	0.0%	15.3%	27.7%	1.0%	27.2%	79.1%	34.9%	29.0%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q2 2008	2,200	794,302	440,601	9,831	396,668	2,800	71,768	1,718,170
Q3 2008	2,200	488,347	415,611	9,931	414,324	2,200	73,365	1,405,978
Q4 2008	2,200	418,386	421,557	18,721	407,039	2,144	109,532	1,379,579
Q1 2009	2,200	486,698	410,658	24,540	423,099	2,144	121,929	1,471,268
Q2 2009	2,200	545,913	393,951	23,100	465,750	3,873	104,643	1,539,430

Medical Office

Q2 2008	0	39,096	49,897	0	96,729	1,500	24,282	211,504
Q3 2008	0	45,317	37,747	0	95,129	2,000	26,782	206,975
Q4 2008	0	31,317	55,579	0	85,237	2,000	64,840	238,973
Q1 2009	0	31,967	61,164	0	85,237	2,000	54,387	234,755
Q2 2009	0	29,067	60,122	0	85,237	3,729	49,766	227,921

Office/Retail

Q2 2008	20,816	178,839	270,310	26,040	246,289	32,964	74,615	849,873
Q3 2008	21,866	167,656	257,871	24,600	224,422	32,564	74,654	803,633
Q4 2008	22,466	164,098	303,131	23,160	222,206	43,724	98,554	877,339
Q1 2009	23,770	167,757	319,140	7,700	238,149	43,324	112,977	912,817
Q2 2009	19,970	181,535	304,036	12,910	321,850	43,724	91,785	975,810

Office/Warehouse

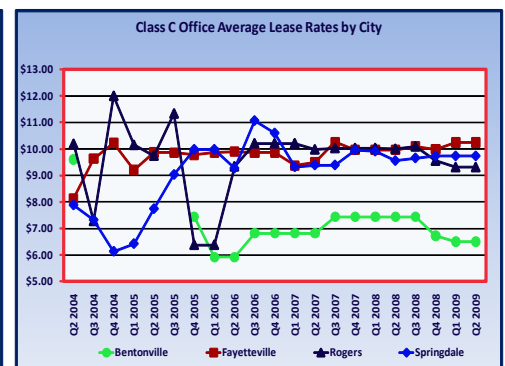
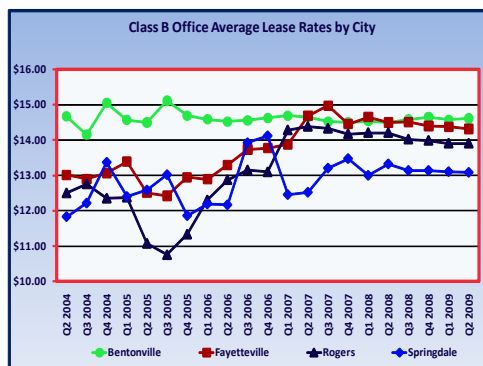
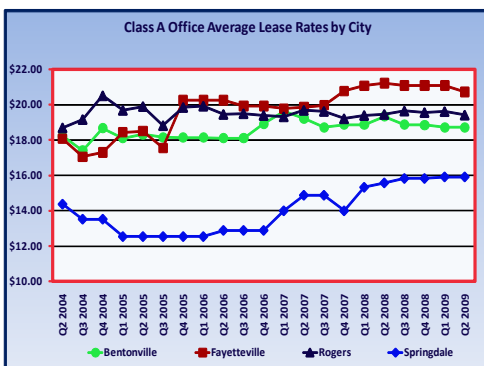
Q2 2008	--	133,900	87,501	0	103,023	70,007	226,066	620,497
Q3 2008	--	136,550	102,181	0	97,909	70,007	208,399	615,046
Q4 2008	--	103,805	102,181	0	86,056	70,007	202,399	564,448
Q1 2009	--	115,870	86,726	0	85,806	70,007	126,992	485,401
Q2 2009	--	133,830	86,726	4,000	89,206	70,007	142,392	526,161

Retail

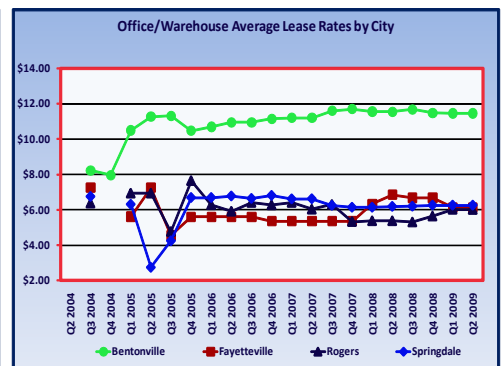
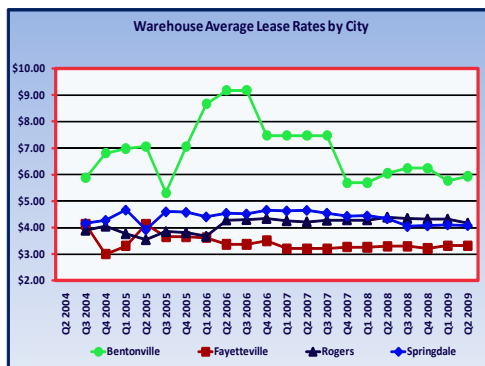
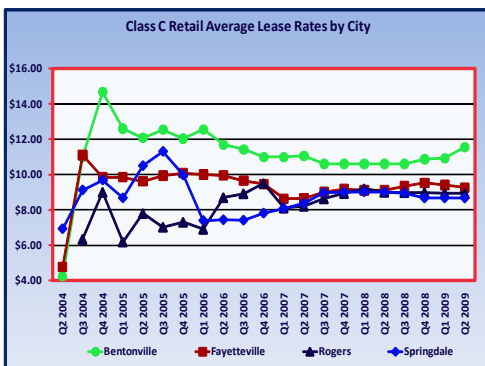
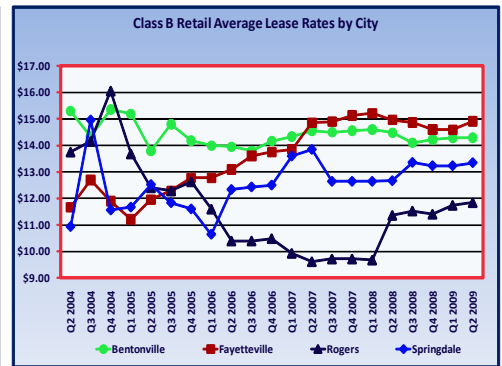
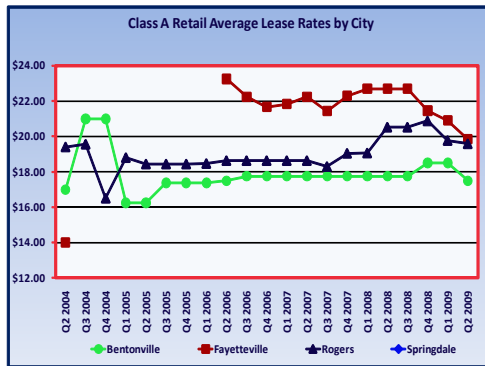
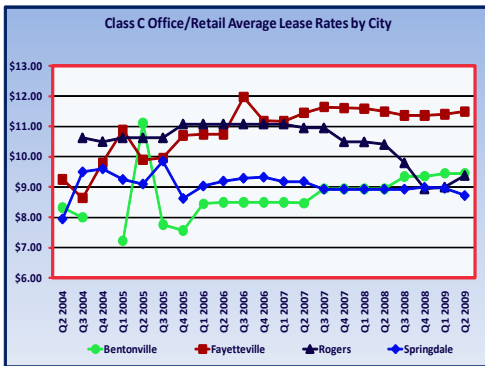
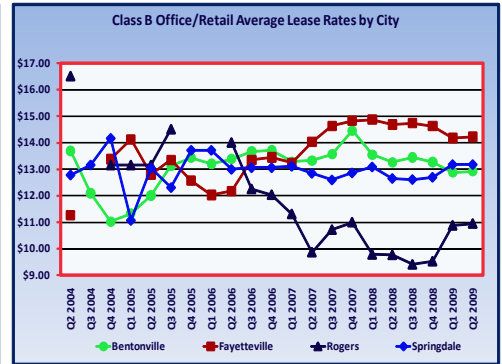
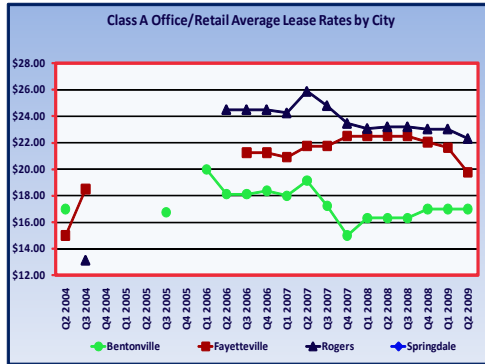
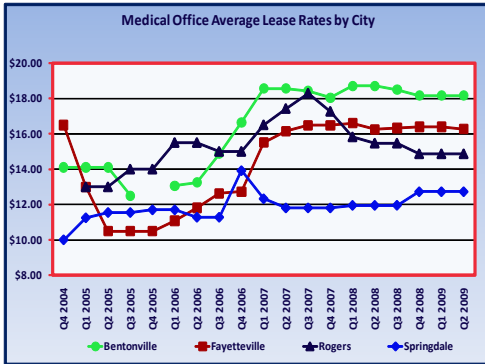
Q2 2008	0	67,172	317,839	19,500	404,133	21,200	117,518	947,362
Q3 2008	0	42,314	323,391	16,500	386,767	43,603	146,626	959,201
Q4 2008	0	48,565	375,144	13,100	395,384	27,003	170,043	1,029,239
Q1 2009	0	45,204	380,657	16,200	373,897	25,736	165,265	1,006,959
Q2 2009	0	54,035	400,736	19,200	434,269	24,536	122,245	1,055,021

Warehouse

Q2 2008	0	25,200	242,115	201,866	309,869	214,710	567,618	1,561,378
Q3 2008	0	15,200	256,115	201,866	365,718	214,710	548,654	1,602,263
Q4 2008	0	15,200	247,115	8,800	571,440	214,710	554,975	1,612,240
Q1 2009	0	75,800	288,556	9,000	545,100	330,843	645,618	1,894,917
Q2 2009	0	75,800	299,056	6,750	580,842	330,843	596,189	1,889,480



Commercial Market Trends



Net Twelve Month Absorption by Submarket Q2 2008 - Q2 2009

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	846	0	0
Bentonville	271,488	2,440	-7,023	-50,600
Fayetteville	48,740	-22,706	-66,352	-18,500
Lowell	-7,269	18,340	300	195,116
Rogers	-37,276	-53,210	-19,869	-92,519
Siloam Springs	-1,073	-4,050	-11,636	0
Springdale	-32,510	-13,438	5,763	78,309
Northwest Arkansas	242,100	-71,778	-98,817	111,806

