



THE SKYLINE REPORT

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Commercial Real Estate Market Summary for Benton and Washington Counties October 2005



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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the sixth 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.

Contents

Report Structure	2
Economic Overview	3
Local Perceptions	5
Property Inventory & Building Permits	8
Trends Summary	11
Vacancy Rates	12
Net Absorption	13
Office Submarket Comparison	14
Office/Retail Submarket Comparison ..	16
Retail Submarket Comparison	18
Other Submarket Comparisons	20
City Summary Statistics	
Bella Vista	22
Bentonville	23
Fayetteville	25
Lowell	27
Rogers	29
Siloam Springs	31
Springdale	33
Interpreting the Numbers	35
Classification	36

Highlights from the Third Quarter of 2005

- In the third quarter of 2005, 419,633 square feet of competitive commercial property were added to the Northwest Arkansas market.
- Despite the addition of 122,065 square feet of office space, there was positive net absorption in Northwest Arkansas of 20,442 square feet.
- Likewise, within the office/retail submarket there was absorption of 77,974 square feet and the entry of only 58,260 new square feet, netting positive absorption of 19,714 square feet.
- The retail markets in Bentonville, Rogers, Fayetteville, and Springdale each experienced positive net absorption in the third quarter of 2005, taking into account the addition of 14,870 new retail square feet.
- The warehouse submarket experienced positive net absorption of 1,400 square feet in the third quarter after accounting for the addition of 10,200 new square feet.
- From June to August 2005, there were \$108.3 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents an increase of 78 percent over the same period in 2004.
- The total value of new commercial building permits in Bentonville rebounded dramatically, pushed up by the inclusion of the permit for the \$45.7 million Superior office building. The total value of new commercial building permits in Fayetteville and Rogers also remained strong.

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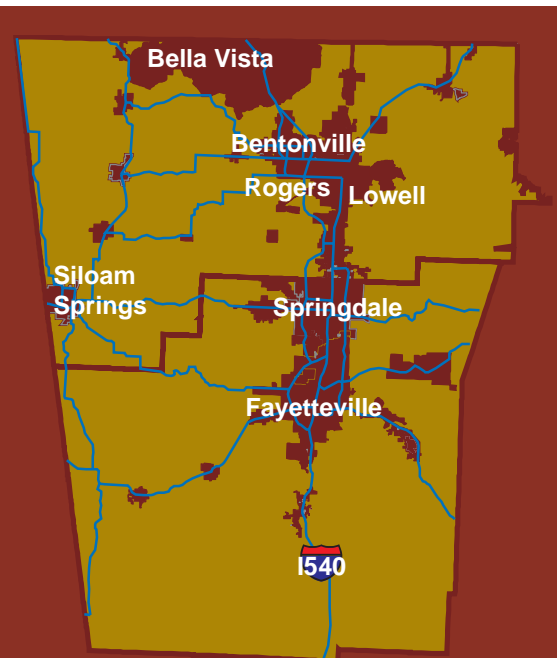
Report Structure

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 35) 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 third 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 94 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.



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.

Following the table of announced commercial projects are two tables summarizing some results from the six quarters that the Skyline Report has been produced. The first table presents vacancy rates by submarket for the third and fourth quarters of 2004 and the first, second, and third quarters of 2005. The second table presents net absorption by submarket for the third and fourth quarters of 2004 and the first, second, and third quarters of 2005. These tables are the foundation for the performing trend analysis and eventually 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.

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 second quarter of 2005, the overall real growth rate in GDP was a healthy 3.3 percent. This is right below the average growth rate in GDP of 3.6 percent over the past 50 years. The growth rate in GDP in the first quarter of 2005 was 3.8 percent. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the major contributors to the increase in real GDP in the second quarter were personal consumption expenditures, exports, equipment and software, residential fixed investment, and government spending. The contributions of these components were partly offset by a negative contribution from private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased.

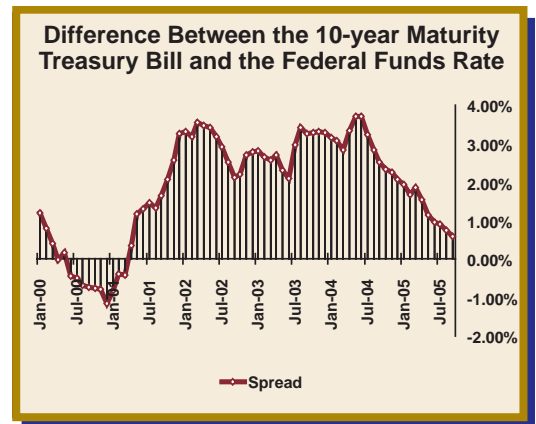
Turning to other data, in September, the national unemployment rate was a seasonally adjusted 5.1 percent, just below the 5.4 percent three-decade average rate. The September labor force data are the first to be impacted by the effects of Hurricanes Katrina and Rita. The Conference Board Consumer Confidence Index, which had rebounded in August, plummeted in September. The Index now stands at 86.6 (1985=100), down from 105.5 in August. "Hurricane Katrina, coupled with soaring gasoline prices and a less optimistic job outlook, has pushed consumer confidence to its lowest level in nearly two years (81.7 in October 2003) and created a degree of uncertainty and concern about the short-term future," says Lynn Franco, Director of The Conference Board Consumer Research Center. "Historically, shocks have had a short-term impact on consumer confidence, especially on consumers' expectations. Fuel prices remain high, though they have retreated in recent days, and when combined with a weaker job market outlook, will likely curb both confidence and spending for the short-run. As rebuilding efforts take hold and job growth gains momentum, consumers' confidence should rebound and return to more positive levels by year-end or early 2006." There are some inflationary pressures in the economy, exacerbated by the effects of Hurricanes Katrina and Rita. In 2004, prices increased by 3.3 percent. This compares with an increase of 1.9 percent for all of 2003. In the first nine months of 2005, inflation has increased 3.8 percent over the December 2004 level. This is equivalent to an annual rate of 5.1 percent. Part of the impetus for the Federal Reserve's continued raising of short term interest rates is to contain potential inflationary pressures. Of particular interest is the producer price index for construction costs, which increased 7.8 percent in 2004, and in the first eight months of 2005 advanced at an annual rate of 12.4 percent. The construction costs inflation statistics presented do not take into account any cost effects from Hurricanes Katrina and Rita. As of press time, the U.S. Bureau of Labor Statistics had not reported that September price index. It is, however, safe to assume that consumer prices (including energy prices) and construction costs will have increased at rates faster than predicted before the hurricanes hit.

Short-term Interest Rate Risk

The Federal Reserve continued its incremental raising of short-term interest rates in the third quarter of 2005. The Fed Funds target now stands at 3.75 percent, up 275 basis points from its historic low in 2003. Indications are that the Fed will continue to remove monetary stimulus from the economy in the face of some inflationary pressures and continued steady growth of the macroeconomy. Monetary policy continues to be at odds with a highly stimulatory fiscal policy at the national level.

Long-term Interest Rate Risk

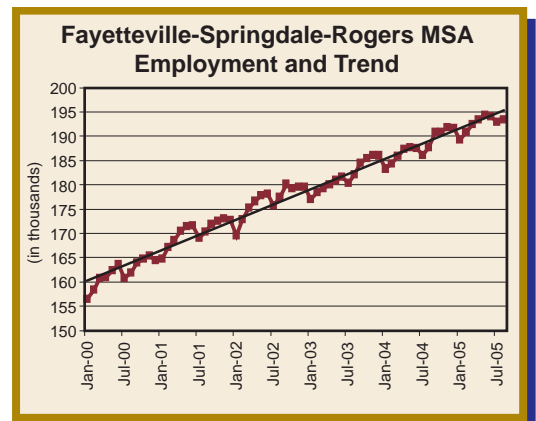
Even as short-term rates climbed in 2004 and 2005, longer term rates have held steady. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.20 percent in September 2005. The upward pressure on short-term rates combined with declining 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 September 2005, there was a 314 basis point decline in the spread. In September 2005, the spread continued its decline, ending at 58 basis points, its lowest level since April 2001.



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 most recent numbers available show that there is no reason to believe that a significant slowdown is occurring.

The accompanying figure shows that from June to August 2005, employment in the Fayetteville-Springdale-Rogers MSA increased just below trend levels. These effects were likely seasonal in nature. Each year from 2000 through 2005 shows similar dips in the months of July and August. Since January of 2000, employment growth has averaged 0.3 percent per month, or about 490 jobs per month.



In order to delve more closely into the makeup of the job growth in Northwest Arkansas, two additional figures are provided. The first shows the August 2005 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, manufacturing had the largest share of employment (17.5 percent) in Northwest Arkansas, followed by professional and business services (15.6 percent), and retail trade (10.3 percent). The second figure shows the annual percentage change in the MSA's employment by sector. Total nonfarm employment has increased by 3.1 percent, so those sectors with larger employment growth rates are increased in relative impact and those sectors with smaller employment growth rates decreased in relative impact. The construction, local government, leisure and hospitality, and wholesale trade sectors had the largest percentage increases.

Other Regional Economic Indicators

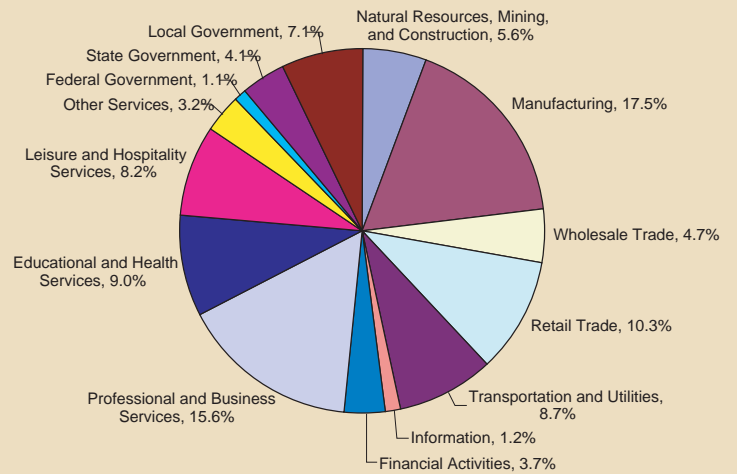
The Bureau of Labor Statistics has revised its unemployment numbers so that the most recent measurements are consistent with those of the past five years. In August 2005, the unemployment rate in Northwest Arkansas was a preliminary 2.9 percent, down from 3.3 percent in August of 2004. In both June and July 2005, the unemployment rate was at 3.3 percent. In August, the state unemployment rate was 5.1 percent and the national unemployment rate was 4.9 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

Local Perceptions of the Northwest Arkansas Commercial Property Market

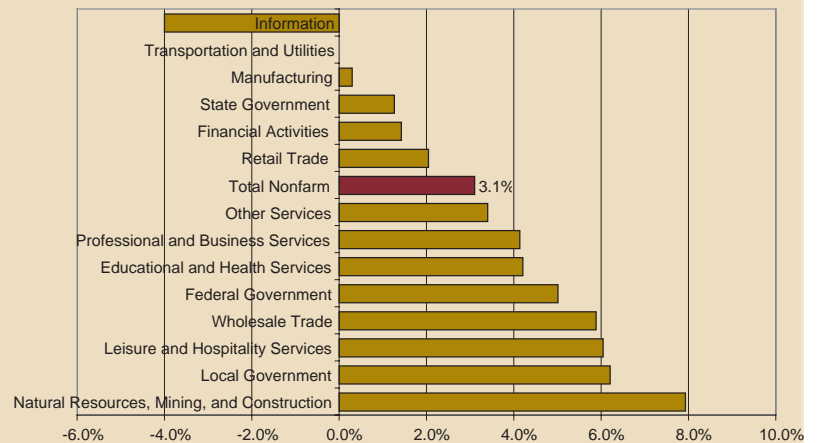
Each quarter, CBER staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. The themes of these conversations have been pretty consistent over 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. While the panelists remain very positive about the continued growth of commercial development in Northwest Arkansas, two issues are a major concern for most of them. First is the potential oversupply of office space, particularly 'A' space, in Bentonville. Second, and viewed by many panelists as a more serious problem, is the lack of progress in infrastructure development, specifically local roads, I-540 by-passes, I-540 exits, the development of I-49, and sewer construction.

On the positive side most panelists felt strong retail demand will continue in both the Bentonville/Rogers and the Fayetteville areas. The Rogers developments of Pleasant Crossing, Pinnacle Hills Promenade, and The Shoppes at Pinnacle Hills had mostly positive comments. As one panelist put it "now we can work and play in Bentonville and Rogers." Many panelists felt these shopping areas will retain retail dollars in Northwest Arkansas, and might even attract dollars from the rest of the tri-state area. A few panelists mentioned national tenants taking more interest in Northwest Arkansas, including Nelson's Crossing in Fayetteville, though one panelist did say "we are still a speck" in terms of the size of the retail market. A few panelists did voice concern for the potential cannibalism among all the large new retail centers and existing retailers. Also, a couple panelists felt the lifestyle center in the Promenade will be more successful than the one in Pleasant Crossing, while the power center at Pleasant Crossing, with its greater visibility, will do better than the one at the Promenade. The overall Fayetteville retail sector garnered many positive comments with one panelist applauding the "controlled growth" in Fayetteville. There was some concern about the Northwest Arkansas Mall losing business to the new retail developments to the North, but most panelists felt Fayetteville shoppers will be unlikely to travel north often. The continued influx of professional service workers and vendor staffing (with their above average salaries) was pointed to by some panelists as a driver to the continued health of the retail sector,

Fayetteville-Springdale-Rogers MSA
Employment Breakdown by Sector
August 2005



Percent Change in
Fayetteville-Springdale-Rogers MSA
Employment Breakdown by Sector
August 2004 - August 2005



even with the large centers coming next year. Smaller community retail centers such as Rainbow Curve are viewed as an excellent outlook for development. One panelist mentioned the potential in Springdale for retail targeting "white picket fence communities."

The growth of professional services and medical offices are seen as a continued stimulus to office space demand, particularly in the 1,000 to 2,000 square foot market. One panelist said he was getting more leasing from professional services than Wal-Mart vendors. Further, while vendor movement is slowing, it has not stopped, and a couple of panelists expect there to be a wave (albeit smaller) of international vendors moving into the area. Also, the office space market in Fayetteville still appears to most panelists to be strong, although a couple voiced some concern about a supply/demand imbalance after all the new construction, particularly on Joyce, is completed.

Oversupply in the Bentonville office market, particularly with regard to Class A space, was a repeatedly voiced concern. "Crazy" was used by one to panelist to describe the building frenzy. Of special note, the Superior Building was mentioned by several panelists when discussing the oversupply situation. Interestingly, there was not a consensus on what will happen to leasing rates. The downward price pressure caused by oversupply was noted along with upward price pressure caused by higher land prices, higher construction costs, and more developers bearing more of the finish-out costs.

Discussions of infrastructure resulted in the most heated comments. It was almost unanimous that infrastructure issues were anywhere from bad to worse. Even the single panelist who was relatively unconcerned about the general state of the market noted that infrastructure needs were way behind in Bentonville and Rogers. Funding sources, clear plans, political leadership, transportation department delays, lack of state assistance, and lack of cohesive effective regional planning were all cited regarding the transportation infrastructure problems. The need for freeway bypasses, additional local roads, more efficient freeway entrances and exits were mentioned several times. Also, the benefit of completing I-49 was noted, with particular mention of distribution warehouses. One panelist did note that connectivity along local roads was developing in Rogers. Finally, two panelists were even more worried about sewer development in West Fayetteville and Bentonville.

Even while pointing out the oversupply of office space in Bentonville, the panelists to a person felt it was just normal business cycle activity and demand and supply will move back towards equilibrium in a few months. No panelist felt long term growth was jeopardized by any supply/demand imbalance. The infrastructure problem was looked at with a similar point of view: growth is being hindered, sometimes severely, but it won't be stopped. Only one panelist felt infrastructure problems might slow Northwest Arkansas growth significantly if they were not addressed.

Positive Factors:

1. Strong demand for retail growth in Rogers and Bentonville
2. Continued influx of higher salaried professionals
3. Continued movement of vendors into Northwest Arkansas
4. National attention received by Northwest Arkansas as a good place to live and work
5. Solid demand in Fayetteville for retail and office space
6. Pinnacle Hills and Pleasant Crossing will bring dollars that were being spent in Tulsa, and may attract other tri-state dollars to Northwest Arkansas

Negative Factors:

1. Infrastructure: local roads, I-540 concerns, and sewers
2. Oversupply of office space in Bentonville
3. Rising land costs
4. Rising construction costs
5. Slower Absorption

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 35) as of September 2005. Also included are columns detailing the total square feet and percent coverage of the total inventory for which the Skyline Report commercial property owner and manager panel provided information. For the third quarter, the Skyline Report covers more than 57.8 percent of the total competitive commercial property population in Northwest Arkansas. Some cities have better coverage than others. For example, the Skyline Report panelists reported information on 75.5 percent of the competitive commercial properties in Bella Vista, but only 34.3 percent of the competitive commercial properties in Lowell. Fayetteville, Bentonville, Rogers, Siloam Springs, and Springdale have coverages of 75.4, 74.5, 51.0, 46.4, and 35.1 percents, respectively.

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	–	106,188	14,752	61,594	182,534	137,772	75.5%
Bentonville	217,858	3,678,270	602,845	599,389	5,098,362	3,796,249	74.5%
Fayetteville	466,135	2,401,493	2,696,631	846,488	6,410,747	4,831,835	75.4%
Lowell	148,819	318,607	74,891	75,550	617,867	211,694	34.3%
Rogers	871,013	2,488,307	1,798,682	721,189	5,879,191	2,996,661	51.0%
Siloam Springs	253,631	173,787	353,096	180,797	961,311	445,713	46.4%
Springdale	969,303	1,372,484	2,008,638	1,650,873	6,001,298	2,107,834	35.1%
Northwest Arkansas Total	2,926,759	10,539,136	7,549,535	4,135,880	25,151,310	14,527,758	57.8%

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 35 of this report.

²Source: Panel of 94 large Northwest Arkansas commercial property owners and managers.

In addition, building permit data from the past six 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 the different types of commercial property. A standardization of building permit applications in the region would provide much better data for comparison purposes.

From June to August 2005, there were \$108.3 million in commercial building permits in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a substantial increase over any of the prior five quarter totals, and a 78 percent increase over the total value of building permits issued during the same time in 2004. Bentonville accounted for about two-thirds of the total value of building permits in the June to August period. The building permit for the 374,452 square foot Superior Building, at 2101 SE 25th Street, just off of Moberly Lane accounted for over \$45.7 million of value by itself. Rogers accounted for about 23 percent of the value of building permits, but building permits for the new Mercy Health Systems hospital valued at \$67.0 million are excluded.

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.

Commercial Building Permit Data by City

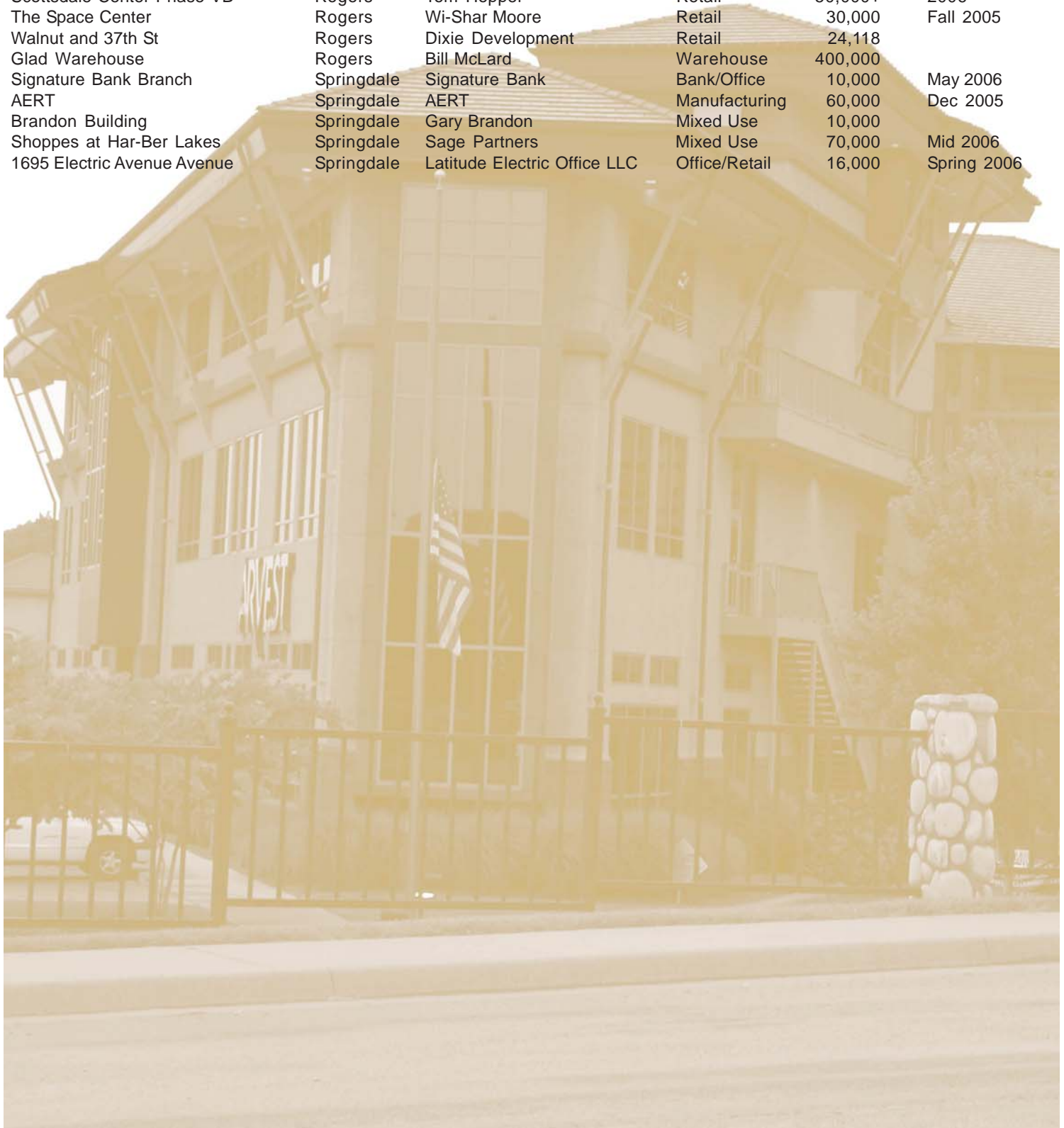
June-August 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$72,205,699	\$6,434,833	\$1,666,851	\$24,782,039	\$200,000	\$2,982,618	\$108,272,040
Square Feet	634,633	77,651	--	--	18,000	--	--
March-May 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$3,061,870	\$15,491,806	\$1,590,789	\$30,534,466	\$1,059,000	\$15,468,833	\$67,206,764
Square Feet	32,822	138,405	--	--	29,699	--	--
December 2004-February 2005							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$8,753,636	\$18,560,094	\$390,000	\$26,172,000	\$254,700	\$2,614,524*	\$56,744,954
Square Feet	25,866	183,189	--	--	7,845	--	--
September-November 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$17,242,269	\$2,750,867	\$402,891	\$489,240	\$188,000	\$1,174,999	\$22,248,266
Square Feet	156,026	22,853	--	--	4,748	--	--
June-August 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$16,446,488	\$4,145,124	\$10,035,248	\$21,734,534	\$1,993,393	\$6,390,478	\$60,745,265
Square Feet	211,258	35,500	--	--	25,446	--	--
March-May 2004							
	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Value	\$14,640,091	\$7,839,529	\$203,680	\$8,804,700	\$1,721,585	\$2,371,888	\$35,581,473
Square Feet	221,301	89,921	--	--	84,124	--	--

Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Arvest Branch	Bentonville	Arvest Bank	Bank	4,000	Mar 2006
First Security Bank	Bentonville	First Security Bank	Bank	4,111	
Parkway Bank	Bentonville	Buzz Tang	Bank	4,800	
Beau Chene Crossing	Bentonville	Lindsey - McClard	Medical Office	40,500	Spring 2006
1200 SE 14th	Bentonville	Rick Thomas	Office	24,000	Spring 2006
8th Street Project	Bentonville	Wal-Mart	Office	900,000	
Brightwood Business Park, Phase II	Bentonville	Charlton Development	Office	24,000	Fall 2005
David Glass Tech Center	Bentonville	Wal-Mart	Office	173,250	
David Glass Tech Center	Bentonville	Wal-Mart	Office	118,500	Oct 2005
Greystone Complex	Bentonville	Sharps Properties	Office	24,000	
Oak Trace, Phase V	Bentonville	Charlton Development	Office	10,360	Fall 2005
Sara Lee Corp.	Bentonville	Sellers Properties	Office	30,000	Nov 2005
The Superior Building	Bentonville	Slone-Hanna Partnership	Office	396,000	Fall 2005
Colonnade II	Bentonville	Dixie Development	Office/Retail	19,000	2006
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	Jun 2006
Bentonville South Industrial Park	Bentonville	Eisma	Office/Showrm	18,375	Jan 2006
CMS Investments Property	Bentonville	CMS Investments	Office/Showrm	23,200	
Hardcastle Estates	Bentonville	Phil Lee	Office/Whse	112,000	
2800 SW 14th Street	Bentonville	Copper Ridge LLC	Retail	14,500	Fall 2005
Lowes	Bentonville	Lowes	Retail	136,000	
197 E. Main Street	Farmington	Collier Landholdings Inc	Retail	2,700	Spring 2005
Appleby Landing	Fayetteville	Dixie Development	Medical Office		2006
Highlands Oncology Clinic	Fayetteville	Kathy Parker	Medical Office	11,600	
Joyce Medical & Professional Ctr	Fayetteville	M & S Investments	Medical Office	15,400	Fall 2005
Wash Reg Med Center	Fayetteville	Wash Reg Med Center	Medical Office		
Cornerstone Building	Fayetteville	Timberstone Development	Mixed Use	7,500	2006
Kantz Building	Fayetteville	Kirk Elsass	Mixed Use		
Legacy Building	Fayetteville	Barber Group	Mixed Use	117,000	Sept 2006
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use		
Springwoods	Fayetteville	Haynes LTD	Mixed Use		2006
123 N. College	Fayetteville	Terminella and Associates	Office	20,000	Oct 2005
CMN Business Park	Fayetteville	Dixie Development	Office	12,000	
E. Joyce	Fayetteville	M&S Development LLC	Office	20,000	Fall 2005
Joyce Boulevard	Fayetteville	Lindsey & Associates	Office	82,420	Summer 2006
Parkwest	Fayetteville	Tracy Hoskins	Office		
Shaver Foods	Fayetteville	Kerzen Construction	Office	8,905	
Steele Plaza	Fayetteville	Irwin Partners	Office	45,000	
Township Heights	Fayetteville	Keating Enterprises	Office	11,806	
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Fall 2005
Steele Crossing Professional Ctr	Fayetteville	Irwin Partners	Office/Retail	17,490	Fall 2005
Wedington Circle	Fayetteville	Mansfield Property Mgmt	Office/Retail	10,000	
Brandon Mall	Fayetteville	Gary Brandon	Retail	28,000	Fall 2005
Depot Project	Fayetteville	Mansfield Property Mgmt	Retail	2,500	Nov 2005
Malco Movies	Fayetteville	Malco	Retail	42,500	
The Depot Project	Fayetteville	Mansfield Property Mgmt	Retail		2006
The Shoppes at 6th Street	Fayetteville	CRI	Retail	40,000	2006
Wedington Circle	Fayetteville	Mansfield Property Mgmt	Retail	6,576	
Wedington Place	Fayetteville	Mandy Burch	Retail	11,600	
Fair Park Center	Fayetteville	Tracy Hoskins	Warehouse	27,500	
AERT	Lowell	AERT	Warehouse	120,000	
Metropolitan Bank	Rogers	Metropolitan Bank	Bank		
Parkway Bank	Rogers	Parkway Real Estate Hldgs	Bank	42,000	
John Q. Hammons Center	Rogers	John Q. Hammons	Convention Ctr	120,000	Jun 2006
Mercy Health	Rogers	Mercy Health	Medical Office		
Creekside Medical Park	Rogers	Colliers Dickson Flake	Med Off/Retail	600,000	Fall 2006
Meyers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	
Benchmark Office Building	Rogers	Benchmark Group	Office	114,000	
Southern Hills	Rogers	Dixie Development	Office	10,000	Oct 2005
Off Pleasant Grove	Rogers	Centre Pointe LLC	Office/Retail	420,000	2006

Announcements of New Commercial Projects (Continued)

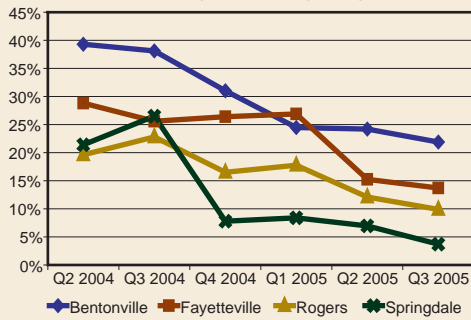
Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Pinnacle Hills K2 Building	Rogers	The Pinnacle Group	Office/Retail	108,000	Nov 2005
The Shoppes at Pinnacle Hills	Rogers	Pinnacle Group	Office/Retail	250,000	Mar 2006
Harley Davidson	Rogers	Paul and Sue Johnson	Retail	50,000	Apr 2006
Pinnacle Promenade	Rogers	The Pinnacle Group	Retail	1,000,000+	Mid 2006
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	1,000,000	Dec 2005
Scottsdale Center Phase VB	Rogers	Tom Hopper	Retail	50,000+	2006
The Space Center	Rogers	Wi-Shar Moore	Retail	30,000	Fall 2005
Walnut and 37th St	Rogers	Dixie Development	Retail	24,118	
Glad Warehouse	Rogers	Bill McLard	Warehouse	400,000	
Signature Bank Branch	Springdale	Signature Bank	Bank/Office	10,000	May 2006
AERT	Springdale	AERT	Manufacturing	60,000	Dec 2005
Brandon Building	Springdale	Gary Brandon	Mixed Use	10,000	
Shoppes at Har-Ber Lakes	Springdale	Sage Partners	Mixed Use	70,000	Mid 2006
1695 Electric Avenue Avenue	Springdale	Latitude Electric Office LLC	Office/Retail	16,000	Spring 2006



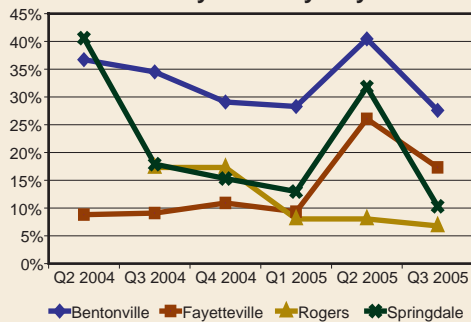
Net Absorption by Submarket September 2004 - August 2005

	Submarket			
	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	-3,704	2,400	0
Bentonville	-49,685	-89,192	-19,580	-19,307
Fayetteville	131,311	-37,136	-8,620	59,600
Lowell	5,237	-3,200	-2,809	-20,000
Rogers	70,042	2,900	-2,841	86,264
Siloam Springs	0	-5,000	-24,369	0
Springdale	28,289	16,505	34,142	12,865
Northwest Arkansas	185,194	-118,827	-47,773	119,422

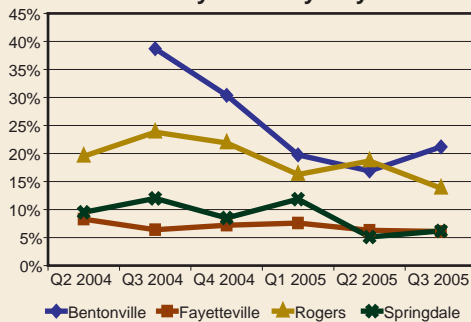
**Office Market
Vacancy Rates by City**



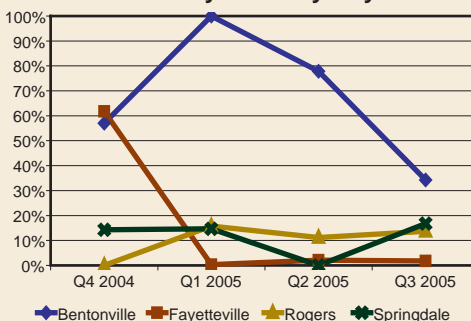
**Office/Retail Market
Vacancy Rates by City**



**Retail Market
Vacancy Rates by City**



**Medical Office Market
Vacancy Rates by City**



Trends Summary

This version of the Skyline Report represents the sixth quarter that data have been collected. Therefore, some annual comparisons can begin to be made. The accompanying graphs show how vacancy rates have changed in the office, office/retail, and retail submarkets over the past year. Also, the table below shows the total absorption over the past year by city and submarket. The following two pages have tables with more detailed information.

Over the past year, in the office submarket, Fayetteville, Rogers, and Springdale have experienced net positive absorption, while new construction in Bentonville has meant an increase in available space in that market. In retail space, all submarkets except Springdale and Bella Vista saw some level of negative net absorption. Bentonville had a lot of new retail space come on the market, while the other communities in Northwest Arkansas saw movement in their Class B and Class C retail submarkets. The office/retail market has had the least net absorption, with every city in Northwest Arkansas, except Rogers experiencing negative net absorption in that submarket over the past year. In Bentonville, this is again attributable to new space coming on the market. In Fayetteville, while 4,515 square feet of new space did come on the market, most of the negative net absorption was due to tenants vacating Class B and C retail/office space. Finally, warehouse space experienced positive net absorption everywhere except in Bentonville and Lowell over the past year.

In the office and retail markets, vacancy rates trended somewhat lower over the past year. In the office/retail market, vacancy rates spiked in the second quarter of 2005 and then recovered somewhat in the third quarter.

Vacancy Rates by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	19.6%	38.1%	25.6%	11.7%	22.8%	100.0%	26.5%	28.4%
Q4 2004	50.0%	31.0%	26.4%	3.6%	16.5%	48.4%	7.8%	24.5%
Q1 2005	17.2%	24.5%	26.9%	3.7%	17.8%	4.8%	8.4%	21.6%
Q2 2005	17.2%	24.2%	15.2%	5.0%	12.1%	--	6.9%	17.8%
Q3 2005	17.2%	21.9%	13.7%	4.3%	9.9%	--	3.7%	15.8%

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	57.0%	61.8%	--	0.0%	10.7%	14.3%	24.8%
Q1 2005	--	100.0%	0.3%	--	15.8%	--	14.7%	7.4%
Q2 2005	--	77.8%	2.1%	--	11.2%	4.1%	0.0%	17.6%
Q3 2005	--	34.3%	1.8%	--	13.7%	4.1%	16.8%	5.8%

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	3.1%	34.5%	9.1%	8.8%	17.3%	--	17.9%	19.7%
Q4 2004	8.3%	29.1%	10.9%	16.7%	17.3%	--	15.3%	16.8%
Q1 2005	9.5%	28.3%	9.3%	--	8.1%	10.6%	13.0%	13.9%
Q2 2005	3.2%	40.5%	26.1%	16.7%	8.1%	10.6%	31.8%	26.8%
Q3 2005	2.9%	27.6%	17.3%	16.7%	6.8%	13.5%	10.3%	17.6%

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	84.8%	0.0%	--	100.0%	36.3%	100.0%	94.8%
Q4 2004	--	100.0%	0.0%	--	0.0%	70.8%	50.0%	27.4%
Q1 2005	--	41.9%	91.3%	--	8.5%	70.8%	60.8%	46.0%
Q2 2005	--	21.5%	0.0%	--	8.5%	71.1%	46.3%	42.7%
Q3 2005	--	25.4%	93.8%	--	12.3%	44.9%	56.8%	39.9%

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	1.2%	38.7%	6.4%	0.0%	23.8%	--	12.0%	12.0%
Q4 2004	3.1%	30.4%	7.2%	0.0%	21.9%	100.0%	8.5%	11.8%
Q1 2005	0.0%	19.8%	7.6%	5.8%	16.3%	0.4%	11.9%	10.5%
Q2 2005	0.0%	16.9%	6.3%	0.0%	18.7%	0.9%	5.1%	8.7%
Q3 2005	0.0%	21.2%	6.1%	7.8%	13.8%	4.9%	6.2%	8.7%

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	--	66.3%	--	100.0%	--	10.5%	21.8%
Q4 2004	--	--	66.3%	--	100.0%	--	21.0%	31.8%
Q1 2005	--	--	66.3%	--	100.0%	100.0%	22.1%	29.4%
Q2 2005	--	--	66.3%	--	100.0%	0.0%	23.9%	33.0%
Q3 2005	--	95.7%	0.0%	--	60.0%	--	28.3%	70.3%

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	80.3%	8.4%	100.0%	62.8%	0.0%	55.3%	52.1%
Q4 2004	--	56.3%	4.8%	47.4%	53.5%	0.0%	74.8%	33.5%
Q1 2005	--	64.8%	6.6%	47.4%	48.3%	0.0%	35.2%	30.5%
Q2 2005	--	14.7%	1.5%	100.0%	35.6%	--	41.4%	15.5%
Q3 2005	--	40.6%	2.1%	100.0%	28.8%	--	29.6%	17.6%

Net Absorption by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	-2,250	-17,740	22,299	0	-8,112	0	-21,571	-27,374
Q4 2004	0	1,530	-4,280	9,591	2,439	0	21,902	31,182
Q1 2005	0	-78,893	13,598	-200	11,512	0	-1,737	-55,720
Q2 2005	0	26,725	87,823	-5,050	77,657	--	2,135	189,290
Q3 2005	0	953	34,170	896	-21,566	--	5,989	20,442

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	-1,300	0	--	0	--	0	-1,300
Q2 2005	--	-42,200	-3,507	--	0	267	-4,832	-50,272
Q3 2005	--	-2,850	0	--	-898	0	3,534	-214

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	0	5,000	1,000	0	0	--	-7,500	-1,500
Q4 2004	-5,643	5,544	-11,815	-3,200	4,380	--	3,611	-7,123
Q1 2005	-889	-2,350	-8,774	--	-4,380	0	6,369	-10,024
Q2 2005	2,616	-86,063	-33,293	0	0	0	-4,654	-121,394
Q3 2005	212	-6,323	16,746	0	2,900	-5,000	11,179	19,714

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	--	0	--	-7,800	-7,800
Q4 2004	--	0	0	--	21,000	-38,000	-31,000	-48,000
Q1 2005	--	0	0	--	-21,000	0	-13,444	-34,444
Q2 2005	0	-16,500	-24,886	--	0	-11,320	-4,832	-57,538
Q3 2005	--	-14,400	27,360	--	-10,872	0	-18,000	-15,912

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	4,900	-10,208	10,666	0	0	--	67,964	73,322
Q4 2004	0	1,527	-33,598	0	-11,505	-13,144	26,992	-55,824
Q1 2005	2,400	-18,030	12,694	0	8,309	0	-5,550	-177
Q2 2005	0	-3,167	6,427	0	-2,261	-1,225	2,100	1,874
Q3 2005	0	90	5,857	-2,809	2,616	-10,000	10,600	6,354

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	--	0	--	5,000	5,000
Q4 2004	--	--	0	--	0	--	-11,000	-11,000
Q1 2005	--	--	0	--	0	-23,680	-1,560	-25,240
Q2 2005	--	--	0	--	0	--	-2,140	-2,140
Q3 2005	--	0	5,900	--	0	--	-5,304	596

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2004	--	0	0	0	0	--	0	0
Q4 2004	--	34,643	0	400	43,000	0	2,575	80,618
Q1 2005	--	-43,750	0	0	5,000	0	5,690	-33,060
Q2 2005	--	0	47,600	-20,000	38,264	--	4,600	70,464
Q3 2005	--	-10,200	12,000	-400	0	--	0	1,400



Office Lease Rates

Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$17.89 - \$18.41	\$14.92 - \$15.30	--	\$10.00 - \$15.00
Fayetteville	\$16.95 - \$18.16	\$11.87 - \$12.97	\$9.61 - \$10.11	\$10.50 - \$10.50
Rogers	\$17.90 - \$19.75	\$9.92 - \$11.59	\$11.17 - \$11.50	\$14.00 - \$14.00
Springdale	\$10.40 - \$14.68	\$12.77 - \$13.27	\$9.03 - \$9.03	\$11.55 - \$11.55

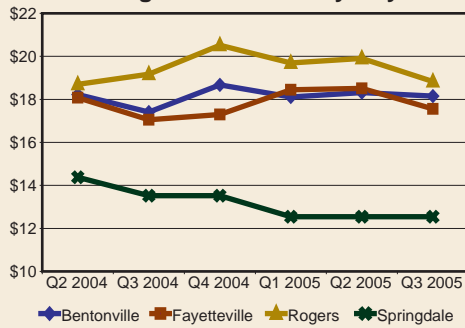
Office

In the third quarter of 2005, the office properties included in the CBER panel had a vacancy rate of 15.8 percent, down from 17.8 percent in the second quarter. Of the 4.6 million square feet of Northwest Arkansas properties examined, 727,667 square feet are currently available. From the second quarter to the third quarter of 2005, 122,065 square feet of new office space entered the market, while 142,507 square feet of space were absorbed, yielding net absorption of 20,442.

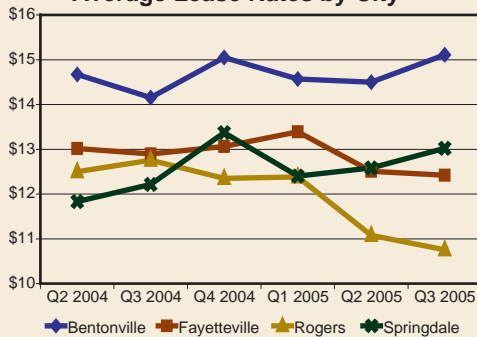
Of the 727,667 square feet of available office space in Northwest Arkansas, about 65 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 36 percent of the unoccupied office space in Bentonville. In the third quarter, there were 19,932 square feet absorbed in the market, but 53,000 square feet became available. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is substantial square footage sitting vacant in the Class B market as well.

In the office market in Rogers, there was negative net absorption of 21,566 square feet in the third quarter of 2005. The negative net absorption was found in the Class A submarket due to the entry of a 59,000 square foot building to the market and the Class C submarket due to the vacating of

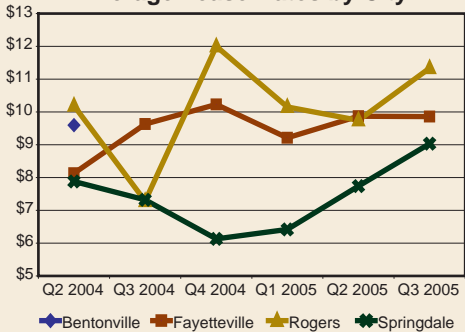
**Class A Office
Average Lease Rates by City**



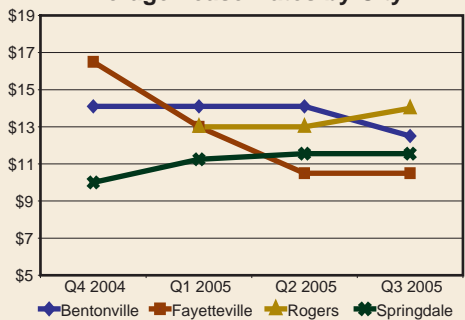
**Class B Office
Average Lease Rates by City**



**Class C Office
Average Lease Rates by City**



**Medical Office
Average Lease Rates by City**



2,720 square feet. The Rogers Class B office submarket had positive absorption of 46,088 square feet. Negative net absorption of 898 square feet was reported in the medical office submarket.

Fayetteville had 134,189 square feet of available office space in the third quarter of 2005. About 2.5 percent of the space is Class C, with the remainder fairly evenly split between Class A and Class B space. From the second to the third quarter, there was no net absorption in the Class A market, positive absorption of 26,136 square feet after accounting for the introduction of an additional 10,065 square feet of space in the Class B market, and positive absorption of 8,034 square feet in the Class C office market. No net absorption was reported in the medical office submarket.

The Springdale office market experienced very little activity in the third quarter. A total 2,455 square feet of Class B space was absorbed, while 3,534 square feet of Class C office space was absorbed. There were only 11,077 square feet of available office space in the third quarter of 2005 in Springdale, implying a 3.7 percent vacancy rate.

Office lease rates continue to be highest, on average, for Class A office space in Rogers, averaging from \$17.90 to \$19.75 per square foot. Class A space in both Bentonville and Fayetteville can approach the lower end of this range, but Class A space in Springdale continues to be significantly less expensive per square foot. Class B office space is most expensive in Bentonville and least expensive on average in Rogers. In the third quarter, Rogers had the most expensive Class C office space. Medical office space was cheapest, on average, in Fayetteville in the third quarter with Rogers having the highest average prices in this submarket.

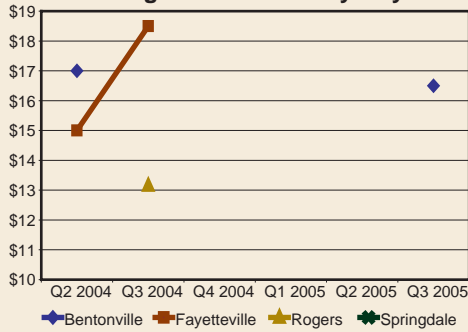
Office Space Characteristics by Class and City

Class A Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	377,165	207,031	54.9%	34,021	0	34,021	18.3
Fayetteville	161,654	61,921	38.3%	0	0	0	—
Rogers	885,240	84,268	9.5%	31,203	59,000	-27,797	—
Springdale	--	--	--	--	--	--	--
Class B Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	1,748,027	263,882	15.1%	19,932	53,000	-33,068	—
Fayetteville	771,922	68,906	8.9%	36,201	10,065	26,136	7.9
Rogers	132,104	8,099	6.1%	8,951	0	8,951	2.7
Springdale	146,892	20,558	14.0%	12,729	0	12,729	4.8
Class C Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	20,525	0	0.0%	0	0	0	—
Fayetteville	47,038	3,362	7.1%	8,034	0	8,034	1.3
Rogers	50,867	13,521	26.6%	-2,720	0	-2,720	—
Springdale	153,658	10,400	6.8%	-1,550	0	-1,500	—
Medical Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	13,308	4,571	34.3%	-2,580	0	-2,850	—
Fayetteville	196,798	3,507	1.8%	2,973	2,973	0	—
Rogers	22,265	3,048	13.7%	2,150	3,048	-898	—
Springdale	303,180	172,350	56.8%	-18,000	0	-18,000	—

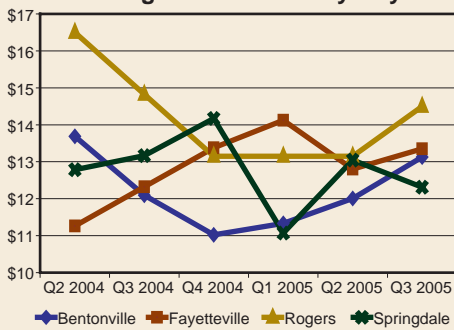
¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

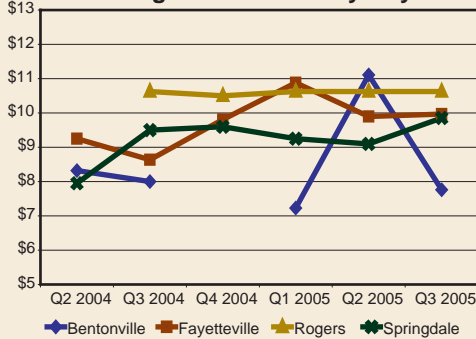
**Class A Office/Retail
Average Lease Rates by City**



**Class B Office/Retail
Average Lease Rates by City**



**Class C Office/Retail
Average Lease Rates by City**



Office/Retail Lease Rates

Average Range by City

	Class B	Class C
Bentonville	\$12.51 - \$13.75	\$7.51 - \$8.01
Fayetteville	\$12.75 - \$13.95	\$8.81 - \$11.12
Rogers	\$14.00 - \$15.00	\$8.00 - \$13.25
Springdale	\$10.00 - \$14.62	\$8.44 - \$11.27

Office/Retail

In the third quarter of 2005, the office/retail properties included in the CBER sample had a vacancy rate of 17.6 percent, down from 26.8 percent in the second quarter. Of the 2.0 million square feet of Northwest Arkansas properties examined, 350,470 square feet were available. From the second quarter to the third quarter of 2005, 58,260 new square feet of office/retail space were added to the market, while 77,974 square feet of space was absorbed. This yielded a positive net absorption of 19,714 square feet.

Fayetteville, Rogers, and Springdale all experienced positive net absorption in the office/retail submarket in the third quarter, after having negative net absorption in the second quarter of 2005. Bentonville had positive absorption of 28,137 square feet of office/retail space, but an additional 34,460 square feet of Class A and B office/retail space came online in Bentonville in the third quarter, yield negative net absorption of 6,323 square feet. Fayetteville had positive absorption of 40,546 square feet, while an additional 23,800 new square feet were added to that market, netting positive absorption of 16,746. Springdale had 11,179 square feet of positive absorption with no new square feet and Rogers had no 2,900 square feet of positive absorption with no new square feet on the market.

Bentonville continues to have the largest amount of available square feet in the Class B office/retail submarket with 165,245 square feet available. This translates to a vacancy rate of 27.6 percent. Fayetteville has a fair amount of available office/retail space available as well with 121,058 square feet.

Rogers, on the other hand, has very little office/retail space available at 15,880 square feet. Springdale had reported available office/retail square footage of 30,958.

Office/retail space lease rate changes were mixed in the third quarter. Average reported lease rates for Class B space inched up in Bentonville, Fayetteville, and Rogers, but declined in Springdale. Average lease rates for Class C space increased slightly in Springdale, stayed steady in Fayetteville and Rogers and declined in Springdale.

Office/Retail Space Characteristics by Class and City

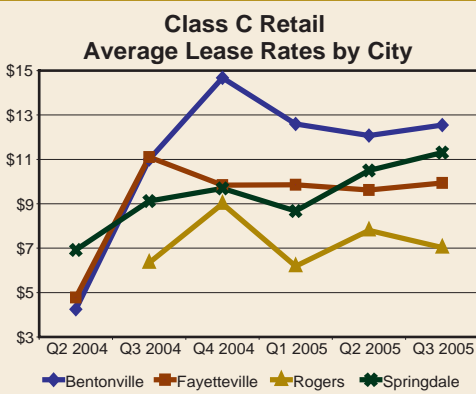
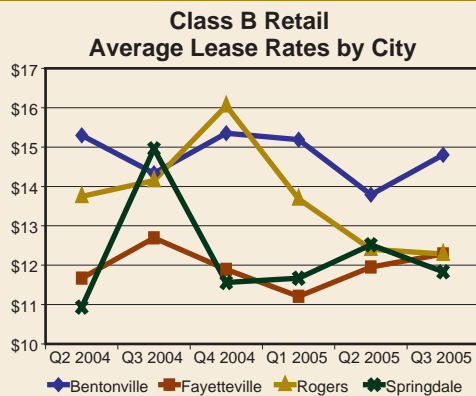
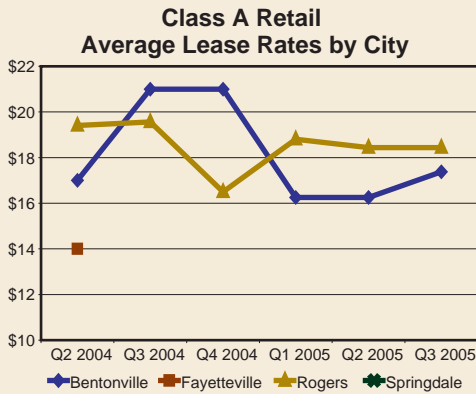
Class B Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	443,375	155,735	35.1%	6,037	14,460	-8,423	55.5
Fayetteville	551,318	98,993	18.0%	27,880	22,000	5,880	50.5
Rogers	58,000	11,500	19.8%	2,900	0	2,900	11.9
Springdale	146,892	20,558	14.0%	12,729	0	12,729	4.8
Class C Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	72,391	3,110	4.3%	2,100	0	2,100	4.4
Fayetteville	146,964	22,065	15.0%	12,666	1,800	10,866	6.1
Rogers	175,270	4,380	2.5%	0	0	0	-
Springdale	153,658	10,400	6.8%	-1,550	0	-1,550	-

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents



Retail Lease Rates



Average Range by City

	Class A	Class B	Class C
Bentonville	\$16.75 - \$18.00	\$14.70 - \$14.90	\$12.47 - \$12.62
Fayetteville	-	\$11.36 - \$13.21	\$9.62 - \$10.25
Rogers	\$18.20 - \$18.68	\$11.19 - \$13.38	\$7.03 - \$7.03
Springdale	-	\$11.00 - \$12.67	\$11.31 - \$11.31

Retail

In the third quarter of 2005, the retail properties included in the CBER panel had a vacancy rate of 8.7 percent, which was the same aggregate rate observed in the second quarter. Of the 3.8 million square feet of Northwest Arkansas retail properties examined, 334,507 square feet are currently available. From the second quarter to the third quarter of 2005, there was a positive absorption of 21,224 square feet of retail space, with 14,870 square feet of new retail space coming on the market, netting positive absorption of 6,354 square feet.

Bentonville had 345,676 total square feet and 73,261 available square feet of retail space in the third quarter, resulting in a vacancy rate of 21.2 percent. This represented an increase from the rate of 16.9 percent in the second quarter of 2005. A total of 14,960 square feet of Bentonville retail space was absorbed, while an additional 14,870 square feet of space entered the market. This resulted in a net positive absorption of 90 square feet in the third quarter.

In the third quarter of 2005, Fayetteville had a vacancy rate of 6.1 percent, down from 6.3 percent in the second quarter, with 101,008 available square feet out of a total of 1,666,302. There was reported positive absorption of 6,259 square feet in the Class B retail submarket and 3,856 square feet in the Class C submarket and reported negative absorption of 4,258 square feet in the Class A submarket. No new available square feet were reported during the third quarter in Fayetteville.

The Rogers market had 99,682 square feet of available retail space out of a total of 723,931 square feet for a vacancy rate of 13.8 percent in the third quarter. This rate was a decline from 18.7 percent in the second quarter. A total of 10,244 square feet were absorbed in the Class A submarket and a total of 7,628 square feet became available in the Class B and Class C submarkets. No new retail space came online in the third quarter in Rogers.

There were 47,747 square feet of available retail space out of a total of 774,868 square feet in Springdale in the third quarter. This implies a vacancy rate of 6.2 percent, up from 5.1 percent in the second quarter. While no new retail space was added to the Springdale retail market, 10,600 square feet of positive absorption took place. The positive absorption of 22,500 square feet was entirely in the Class C submarket, while the Class B submarket had 11,900 square feet of space become available.

Some trends emerged from the lease rate data for the third quarter in Northwest Arkansas. Rogers continues to have the most expensive Class A retail space. Class B retail rates rebounded in Bentonville, stayed steady in Fayetteville and Rogers, and increased slightly in Springdale. Class C lease rates rose slightly, except in Springdale.

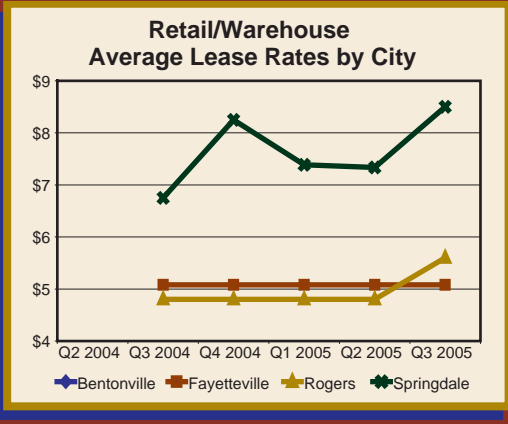
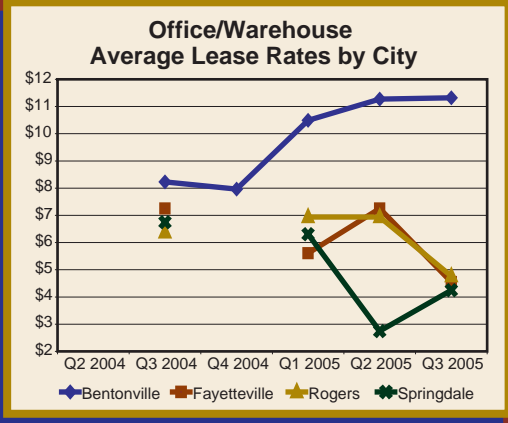
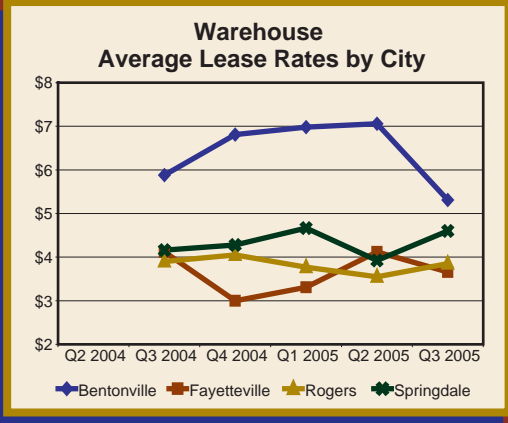


Retail Space Characteristics by Class and City

Class A Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	58,910	26,500	45.0%	4,600	0	4,600	17.3
Fayetteville	819,729	19,750	2.4%	-4,258	0	-4,258	--
Rogers	113,582	0	0.0%	10,244	0	10,244	--
Springdale	--	--	--	--	--	--	--
Class B Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	234,233	39,214	16.7%	2,740	14,870	-12,130	--
Fayetteville	792,416	67,090	8.5%	6,259	0	6,259	32.2
Rogers	423,076	83,398	19.7%	-3,628	0	-3,628	--
Springdale	623,511	45,247	7.3%	-11,900	0	-11,900	--
Class C Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	52,533	7,547	14.4%	7,620	0	7,620	3.0
Fayetteville	54,157	14,168	26.2%	3,856	0	3,856	11.0
Rogers	18,273	16,284	89.1%	-4,000	0	-4,000	--
Springdale	151,357	2,500	1.7%	22,500	0	22,500	0.3

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents



Other Lease Rates

	Average Range by City		
	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$5.31 - \$5.31	\$10.41 - \$12.23	\$4.11 - \$11.16
Fayetteville	\$3.66 - \$3.66	\$3.70 - \$5.40	\$5.08 - \$5.08
Rogers	\$3.85 - \$3.85	\$2.39 - \$7.14	\$4.80 - \$6.40
Springdale	\$4.17 - \$5.03	\$3.75 - \$4.75	\$6.33 - \$10.67

Warehouse

In the third quarter of 2005, the warehouse properties included in the CBER panel had a vacancy rate of 17.6 percent. This was an increase from the second quarter vacancy rate of 15.5 percent. Of the 1.8 million square feet of warehouse space examined, 324,287 square feet were available in the third quarter. There was positive absorption of 11,600 square feet of warehouse space in the third quarter and 10,200 square feet of space came online in the market, netting positive absorption of 1,400 square feet. The increase in vacancy rates was due to sample compositional differences.

The bulk of available warehouse space was in Rogers. Bentonville, Fayetteville, and Springdale have significantly less available warehouse space. Vacancy rates increased in Bentonville in the third quarter, stayed steady in Fayetteville, and declined slightly in Springdale and Rogers.

Bentonville continued to have the most expensive average warehouse lease rates, although reported average lease rates declined by almost \$1.50. Fayetteville and Rogers had roughly comparable average warehouse lease rates in the third quarter, while Springdale experienced an uptick in average warehouse lease rates.

Office/Warehouse

The CBER panelists reported on 1.0 million square feet of office/warehouse space in the third quarter. The vacancy rate in the office/warehouse submarket declined to 39.9 percent in Northwest Arkansas, with

Other Space Characteristics by Class and City

Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	208,975	84,750	40.6%	0	10,200	-10,200	--
Fayetteville	969,253	20,000	2.1%	12,000	0	12,000	5.0
Rogers	464,469	133,662	28.8%	0	0	0	--
Springdale	160,244	47,475	29.6%	0	0	0	--

Office/Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	256,047	65,000	25.4%	-12,250	2,150	-14,400	--
Fayetteville	96,326	90,326	93.8%	27,360	0	27,360	10
Rogers	258,872	31,872	12.3%	0	10,872	-10,872	--
Springdale	303,180	172,350	56.8%	-18,000	0	-18,000	--

Retail/Warehouse							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	232,960	222,960	1	0	0	0	--
Fayetteville	8,900	0	0.0%	5,900	0	5,900	--
Rogers	20,000	12,000	60.0%	--	--	--	--
Springdale	121,004	34,200	28.3%	-5,304	0	-5,304	--

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

410,048 total square feet available in the third quarter. From the second to the third quarter of 2005, there was negative absorption of 2,890 square feet of office/warehouse space and 13,022 square feet of new space came online, netting total negative absorption of 15,912 square feet. The vacancy rate decline was the result of sample compositional differences.

The activity in the office/warehouse submarket in the third quarter was mixed by area. Fayetteville had positive absorption of 27,360 square feet. Bentonville and Springdale each experienced negative absorption of 12,250 and 18,000 square feet respectively. New space came online in Bentonville and Rogers. Springdale had almost twice as many square feet of office/warehouse space available as any other Northwest Arkansas city in the third quarter.

Despite already being significantly higher than the rest of the region, in the third quarter, the office/warehouse lease rates in Bentonville stayed constant. Average reported lease rates declined in Fayetteville and Rogers and increased in Springdale.

Retail/Warehouse

In the third quarter of 2005, panelists responded on 0.4 million square feet of retail/warehouse space. The retail/warehouse properties included in the CBER panel had a vacancy rate of 70.3 percent and availability of 269,160 square feet. This was a substantial increase from the second quarter retail/warehouse vacancy rate of 33.0 percent. While no additional retail/warehouse square footage came online in the third quarter, there was negative absorption of 5,304 square feet in Springdale and positive absorption of 5,900 square feet in Fayetteville. The third quarter panelists reported on over twice the square footage of retail/warehouse space as the second quarter respondents, accounting for the difference in vacancy rates.

Average reported lease rates for retail/warehouse space remained constant in Fayetteville, and increased in Rogers, and Springdale in the third quarter.

Bella Vista

- Bella Vista had 182,534 square feet of competitive commercial space in the third quarter of 2005.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 137,772 square feet of commercial space in the third quarter of 2005. This represents 75.5 percent of the total competitive commercial space in Bella Vista.
- In the third quarter of 2005, Bella Vista experienced positive net absorption in the office/retail submarket, and no activity in the office and retail submarkets.
- Vacancy rates declined in the office/retail submarket in Bella Vista from the second quarter to the third quarter of 2005 and were unchanged in other submarkets.
- Average lease rates were unchanged in Bella Vista in the third quarter.



Bella Vista Commercial Real Estate Market Summary Statistics

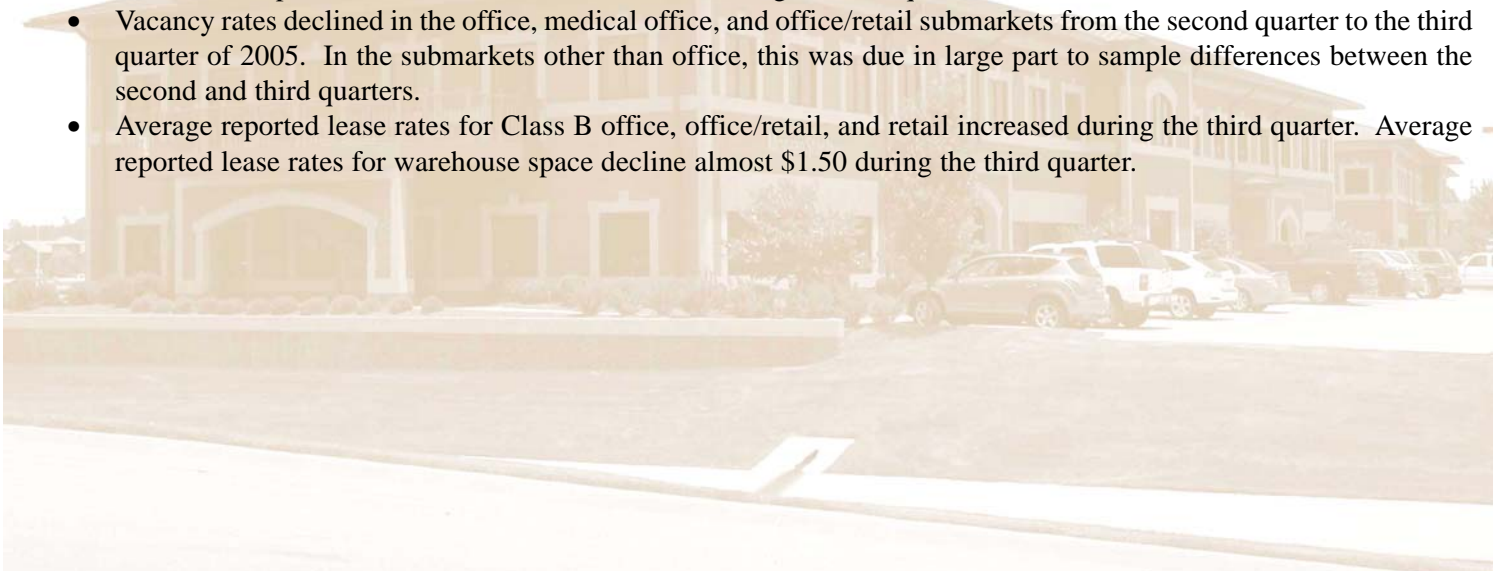
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$9.28 - \$9.28	3,199	550	17.2%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$8.20 - \$8.20	56,041	1,604	2.9%	212	0	212	22.7
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	--	78,532	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

Bentonville

- Bentonville had 5,098,362 square feet of competitive commercial space in the third quarter of 2005.
- From June to August 2005, Bentonville issued building permits for 634,633 square feet of new commercial space, valued at a total of \$72,205,699. This includes the 374,452 square feet of office space in the Superior Building and represents a dramatic increase in both square footage and value over any recent quarter.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,796,249 square feet of commercial space in the third quarter of 2005. This represents 74.5 percent of the total competitive commercial space in Bentonville.
- In the third quarter of 2005, Bentonville experienced small levels of positive net absorption in the office and retail submarket and negative net absorption in all other commercial real estate submarkets. The positive absorption occurred in Class A office space, and Class A and Class C retail space. There were 53,000 new square feet of office space, 34,460 new square feet of office/retail space, 14,870 new square feet of retail space, and 10,200 new square feet of retail space that came online in Bentonville during the third quarter.
- Vacancy rates declined in the office, medical office, and office/retail submarkets from the second quarter to the third quarter of 2005. In the submarkets other than office, this was due in large part to sample differences between the second and third quarters.
- Average reported lease rates for Class B office, office/retail, and retail increased during the third quarter. Average reported lease rates for warehouse space decline almost \$1.50 during the third quarter.



Bentonville Commercial Real Estate Market Summary Statistics

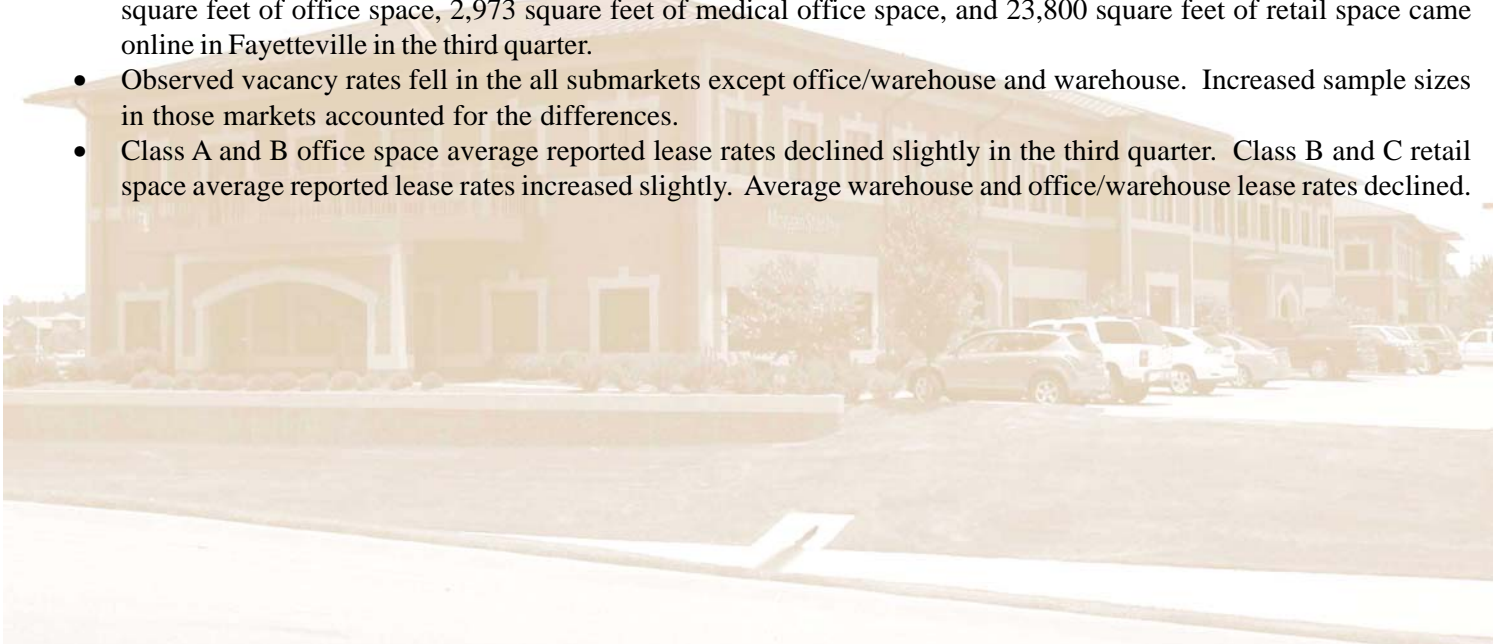
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$15.16 - \$15.55	2,145,717	470,913	21.9%	53,953	53,000	953	--
Class A	\$17.89 - \$18.41	377,165	207,031	54.9%	34,021	0	34,021	18.3
Class B	\$14.92 - \$15.30	1,748,027	263,882	15.1%	19,932	53,000	-33,068	--
Class C	--	20,525	0	0.0%	0	0	0	--
Medical	\$10.00 - \$15.00	13,308	4,571	34.3%	-2,580	0	-2,850	--
Office/Retail	\$11.97 - \$13.15	593,766	165,245	27.8%	28,137	34,460	-6,323	--
Class A	\$15.50 - \$18.00	78,000	6,400	8.2%	20,000	20,000	0	--
Class B	\$12.51 - \$13.75	443,375	155,735	35.1%	6,037	14,460	-8,423	55.5
Class C	\$7.51 - \$8.01	72,391	3,110	4.3%	2,100	0	2,100	4.4
Office/Warehouse	\$10.41 - \$12.23	256,047	65,000	25.4%	-12,250	2,150	-14,400	--
Retail	\$14.29 - \$14.59	345,676	73,261	21.2%	14,960	14,870	90	--
Class A	\$16.75 - \$18.00	58,910	26,500	45.0%	4,600	0	4,600	17.3
Class B	\$14.70 - \$14.90	234,233	39,214	16.7%	2,740	14,870	-12,130	--
Class C	\$12.47 - \$12.62	52,533	7,547	14.4%	7,620	0	7,620	3.0
Retail/Warehouse	\$4.11 - \$11.16	232,960	222,960	95.7%	0	0	0	--
Warehouse	\$5.31 - \$5.31	208,975	84,750	40.6%	0	10,200	-10,200	--

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

Fayetteville

- Fayetteville had 6,410,747 square feet of competitive commercial space in the second quarter of 2005.
- From June to August 2005, Fayetteville issued building permits for 77,651 square feet of new commercial space, valued at a total of \$6,434,833. The total value was 55.2 percent higher than the same period in 2004
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,831,835 square feet of commercial space in the third quarter of 2005. This represents 75.4 percent of the total competitive commercial space in Fayetteville.
- In the third quarter of 2005, Fayetteville experienced overall positive net absorption in the office, office/retail, office/warehouse, retail, retail/warehouse, and warehouse submarkets. The only submarket with negative net absorption was the Class A retail submarket with a loss of 4,258 square feet of occupancy. New square footage of 10,065 square feet of office space, 2,973 square feet of medical office space, and 23,800 square feet of retail space came online in Fayetteville in the third quarter.
- Observed vacancy rates fell in the all submarkets except office/warehouse and warehouse. Increased sample sizes in those markets accounted for the differences.
- Class A and B office space average reported lease rates declined slightly in the third quarter. Class B and C retail space average reported lease rates increased slightly. Average warehouse and office/warehouse lease rates declined.



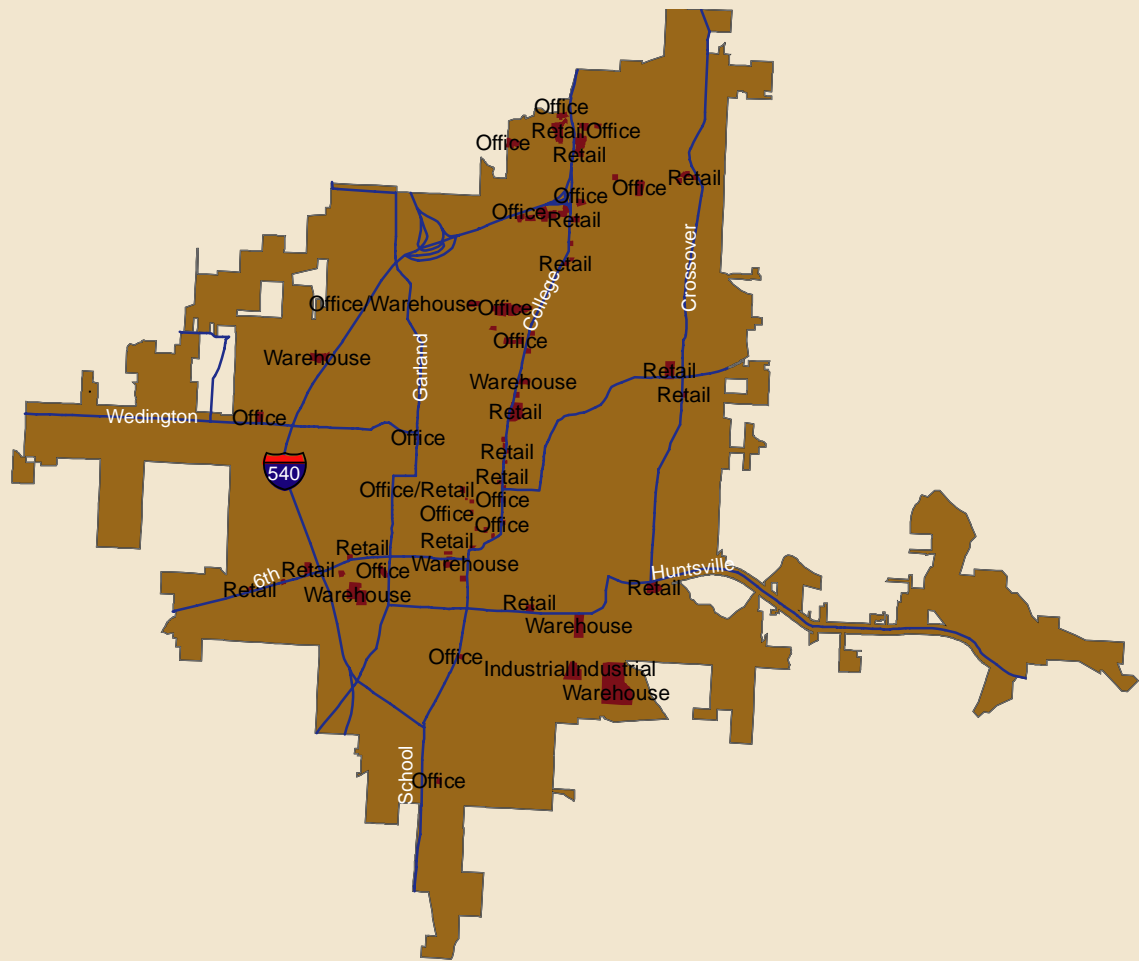
Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	215,360	0	0.0%	0	0	0	--
Office	\$12.18 - \$13.22	980,614	134,189	13.7%	44,235	10,065	34,170	11.8
Class A	\$16.95 - \$18.16	161,654	61,921	38.3%	0	0	0	--
Class B	\$11.87 - \$12.97	771,922	68,906	8.9%	36,201	10,065	26,136	7.9
Class C	\$9.61 - \$10.11	47,038	3,362	7.1%	8,034	0	8,034	1.3
Medical	\$10.50 - \$10.50	196,798	3,507	1.8%	2,973	2,973	0	--
Office/Retail	\$11.00 - \$12.69	698,282	121,058	17.3%	40,546	23,800	16,746	21.7
Class A	--	--	--	--	--	--	--	--
Class B	\$12.75 - \$13.95	551,318	98,993	18.0%	27,880	22,000	5,880	50.5
Class C	\$8.81 - \$11.12	146,964	22,065	15.0%	12,666	1,800	10,866	6.1
Office/Warehouse	\$3.70 - \$5.40	96,326	90,326	93.8%	27,360	0	27,360	9.9
Retail	\$10.71 - \$12.10	1,666,302	101,008	6.1%	5,857	0	5,857	51.7
Class A	--	819,729	19,750	2.4%	-4,258	0	-4,258	--
Class B	\$11.36 - \$13.21	792,416	67,090	8.5%	6,259	0	6,259	32.2
Class C	\$9.62 - \$10.25	54,157	14,168	26.2%	3,856	0	3,856	11.0
Retail/Warehouse	\$5.08 - \$5.08	8,900	0	0.0%	5,900	0	5,900	--
Warehouse	\$3.66 - \$3.66	969,253	20,000	2.1%	12,000	0	12,000	5.0

¹From all Q3 2005 respondents

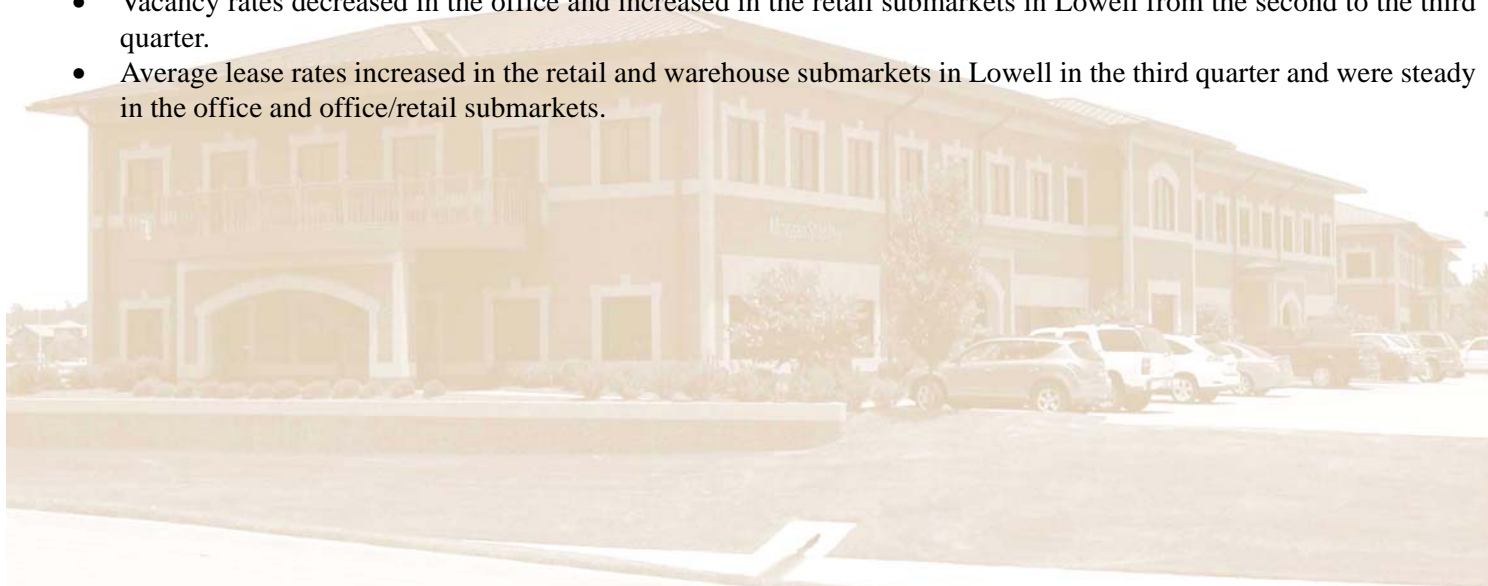
²From Q3 2005 respondents who were also Q2 2005 respondents

Fayetteville Commercial Properties



Lowell

- Lowell had 617,867 square feet of competitive commercial space in the third quarter of 2005.
- From June to August 2005, Lowell issued building permits for new commercial space, valued at a total of \$1,666,851. This is a slight increase from the previous quarter, but a decline of 83.4 percent from the same quarter in 2004, when the new building on the J.B. Hunt campus was permitted.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 211,694 square feet of commercial space in the third quarter of 2005. This represents 34.3 percent of the total competitive commercial space in Lowell.
- In the third quarter of 2005, Lowell experienced positive absorption in the office market, negative absorption in the retail and warehouse submarkets, and no activity in other submarkets. There was no reported new commercial space in the third quarter of 2005 in Lowell.
- Vacancy rates decreased in the office and increased in the retail submarkets in Lowell from the second to the third quarter.
- Average lease rates increased in the retail and warehouse submarkets in Lowell in the third quarter and were steady in the office and office/retail submarkets.



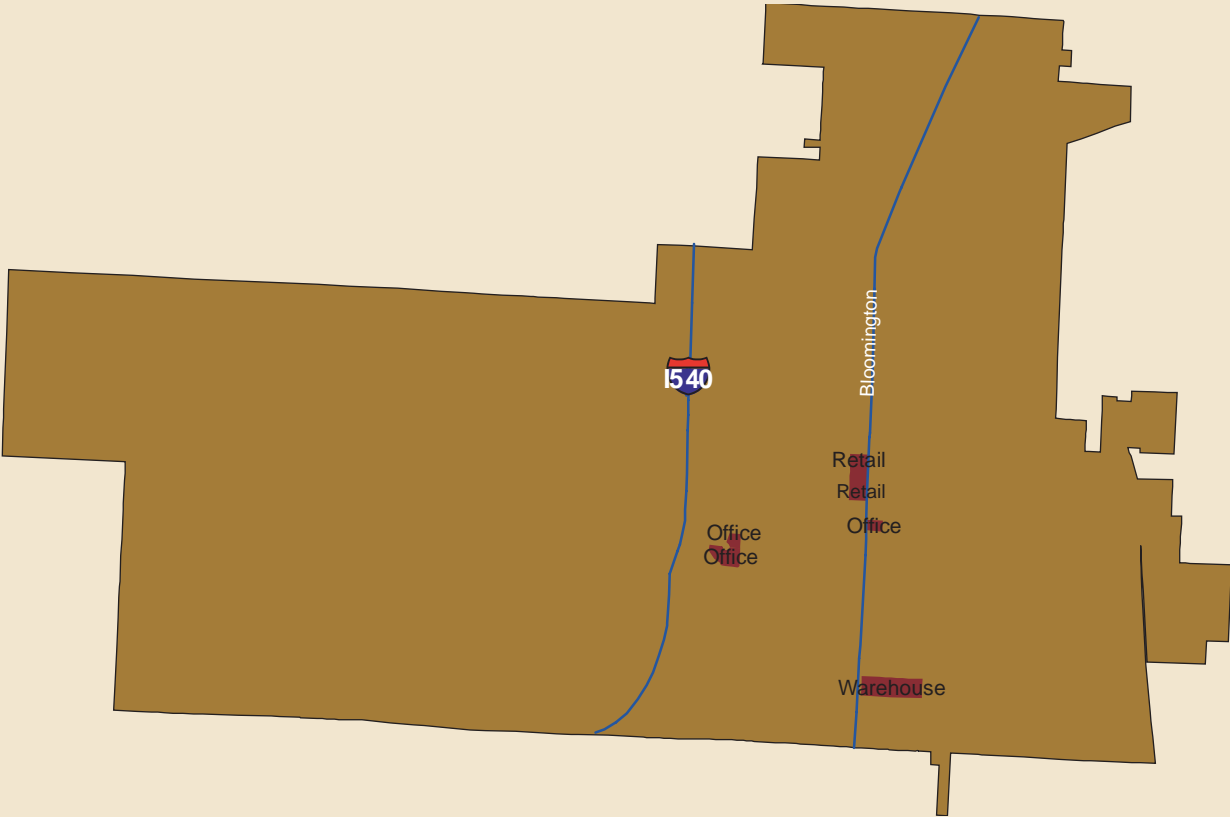
Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$17.88 - \$17.88	118,079	5,050	4.3%	896	0	896	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$8.00 - \$12.00	19,200	3,200	16.7%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$9.00 - \$12.00	36,015	2,809	7.8%	-2,809	0	-2,809	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	\$6.35 - \$6.35	38,400	38,400	100.0%	-400	0	-400	--

¹From all Q3 2005 respondents

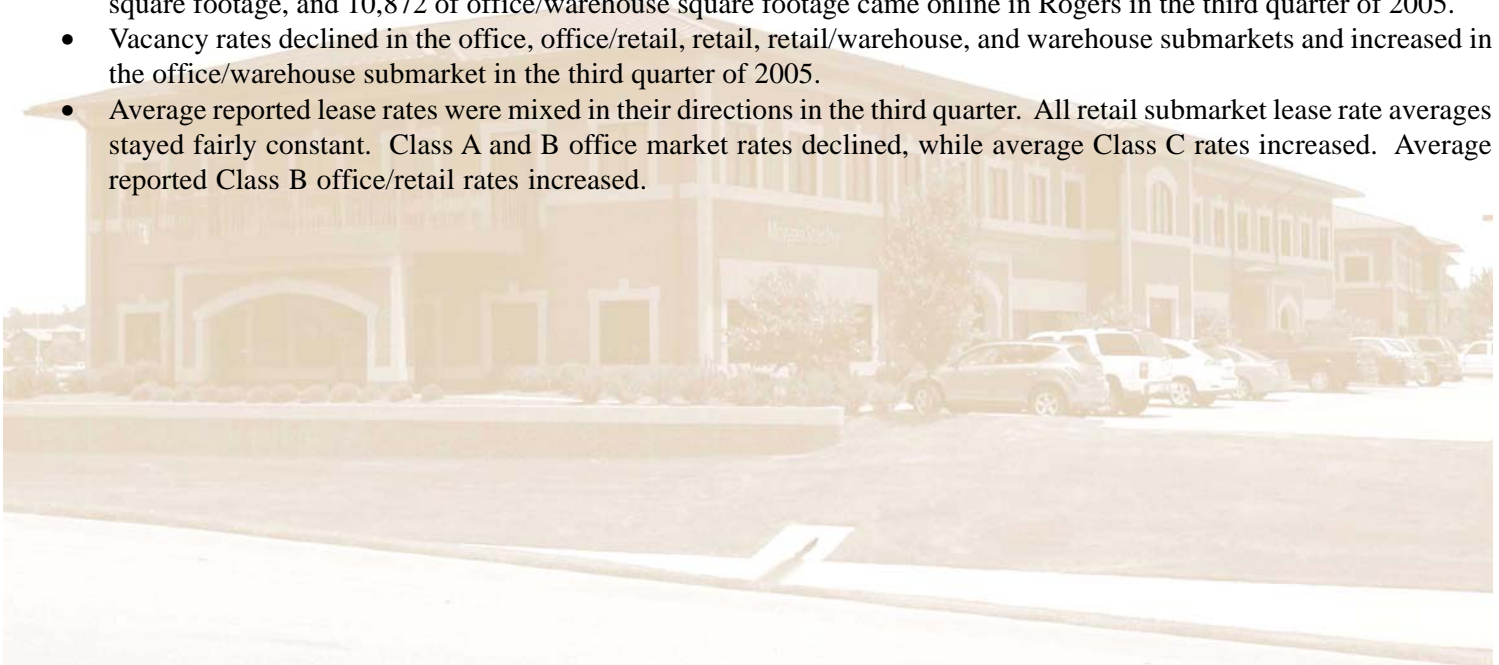
²From Q3 2005 respondents who were also Q2 2005 respondents

Lowell Commercial Properties



Rogers

- Rogers had 5,879,191 square feet of competitive commercial space in the third quarter of 2005.
- From June to August 2005, Rogers issued building permits new commercial space valued at a total of \$24,782,039. This represents a 14 percent increase from the same quarter in 2004. These numbers exclude the \$67.0 million of permitted value for the new Mercy Health Systems hospital in Rogers.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,996,661 square feet of commercial space in the third quarter of 2005. This represents 51.0 percent of the total competitive commercial space in Rogers.
- In the third quarter of 2005, Rogers experienced positive net absorption in the office/retail and retail submarkets, no net absorption in the retail/warehouse and warehouse submarkets, and negative net absorption in the office and office/warehouse submarkets. A total of 59,000 square feet of new office square footage, 3,048 square feet of medical office square footage, and 10,872 of office/warehouse square footage came online in Rogers in the third quarter of 2005.
- Vacancy rates declined in the office, office/retail, retail, retail/warehouse, and warehouse submarkets and increased in the office/warehouse submarket in the third quarter of 2005.
- Average reported lease rates were mixed in their directions in the third quarter. All retail submarket lease rate averages stayed fairly constant. Class A and B office market rates declined, while average Class C rates increased. Average reported Class B office/retail rates increased.



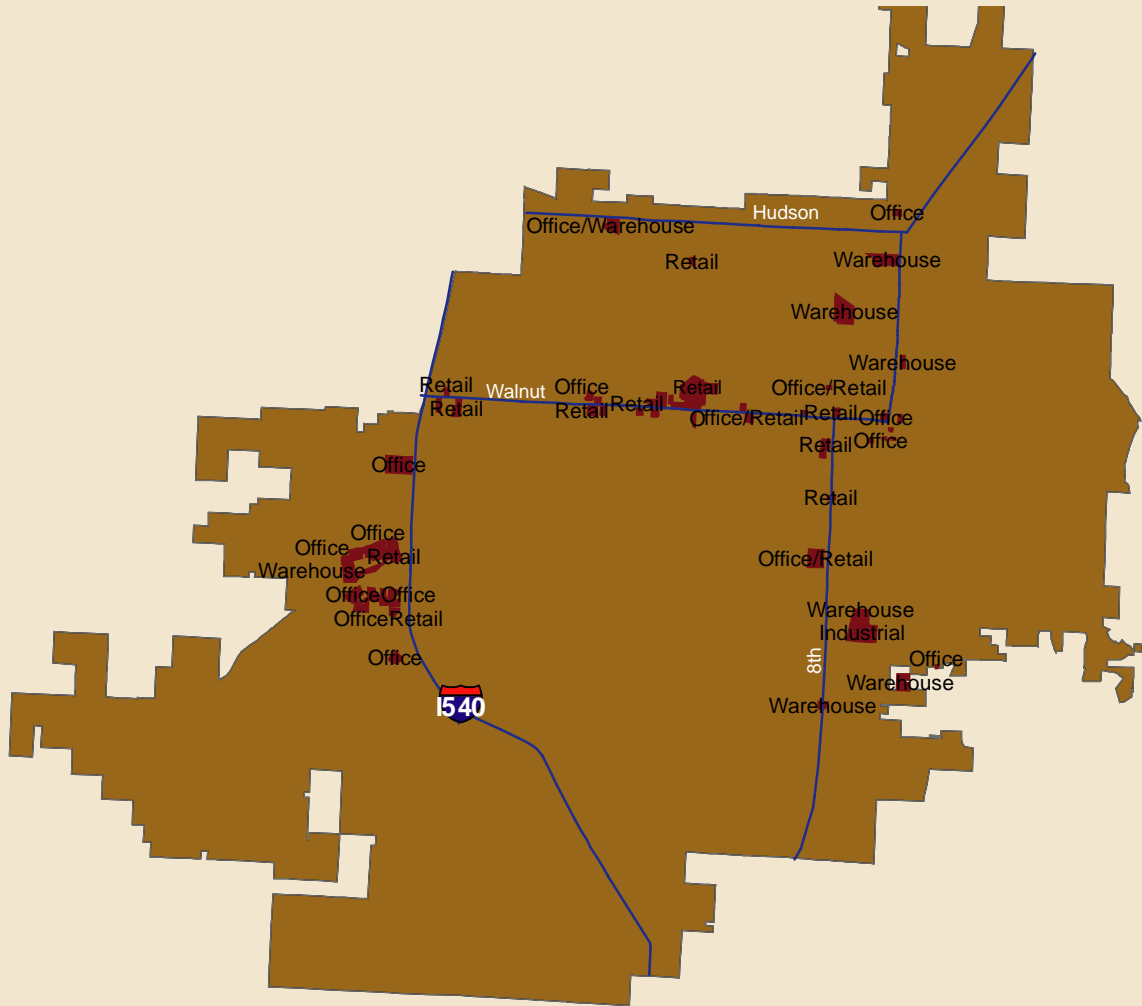
Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	\$6.00 - \$6.00	205,643	7,600	3.7%	8,000	0	8,000	2.9
Office	\$14.73 - \$16.42	1,068,211	105,888	9.9%	37,434	59,000	-21,566	-
Class A	\$17.90 - \$19.75	885,240	84,268	9.5%	31,203	59,000	-27,797	-
Class B	\$9.92 - \$11.59	132,104	8,099	6.1%	8,951	0	8,951	2.7
Class C	\$11.17 - \$11.50	50,867	13,521	26.6%	-2,720	0	-2,720	-
Medical	\$14.00 - \$14.00	22,265	3,048	13.7%	2,150	3,048	-898	-
Office/Retail	\$10.00 - \$13.83	233,270	15,880	6.8%	2,900	0	2,900	16.4
Class A	--	--	--	--	--	--	--	--
Class B	\$14.00 - \$15.00	58,000	11,500	19.8%	2,900	0	2,900	11.9
Class C	\$8.00 - \$13.25	175,270	4,380	2.5%	0	0	0	-
Office/Warehouse	\$2.39 - \$7.14	258,872	31,872	12.3%	0	10,872	-10,872	-
Retail	\$12.34 - \$13.64	723,931	99,682	13.8%	2,616	0	2,616	-
Class A	\$18.20 - \$18.68	113,582	0	0.0%	10,244	0	10,244	-
Class B	\$11.19 - \$13.38	423,076	83,398	19.7%	-3,628	0	-3,628	-
Class C	\$7.03 - \$7.03	18,273	16,284	89.1%	-4,000	0	-4,000	-
Retail/Warehouse	\$4.80 - \$6.40	20,000	12,000	60.0%	0	0	0	-
Warehouse	\$3.85 - \$3.85	464,469	133,662	28.8%	0	0	0	-

¹From all Q3 2005 respondents

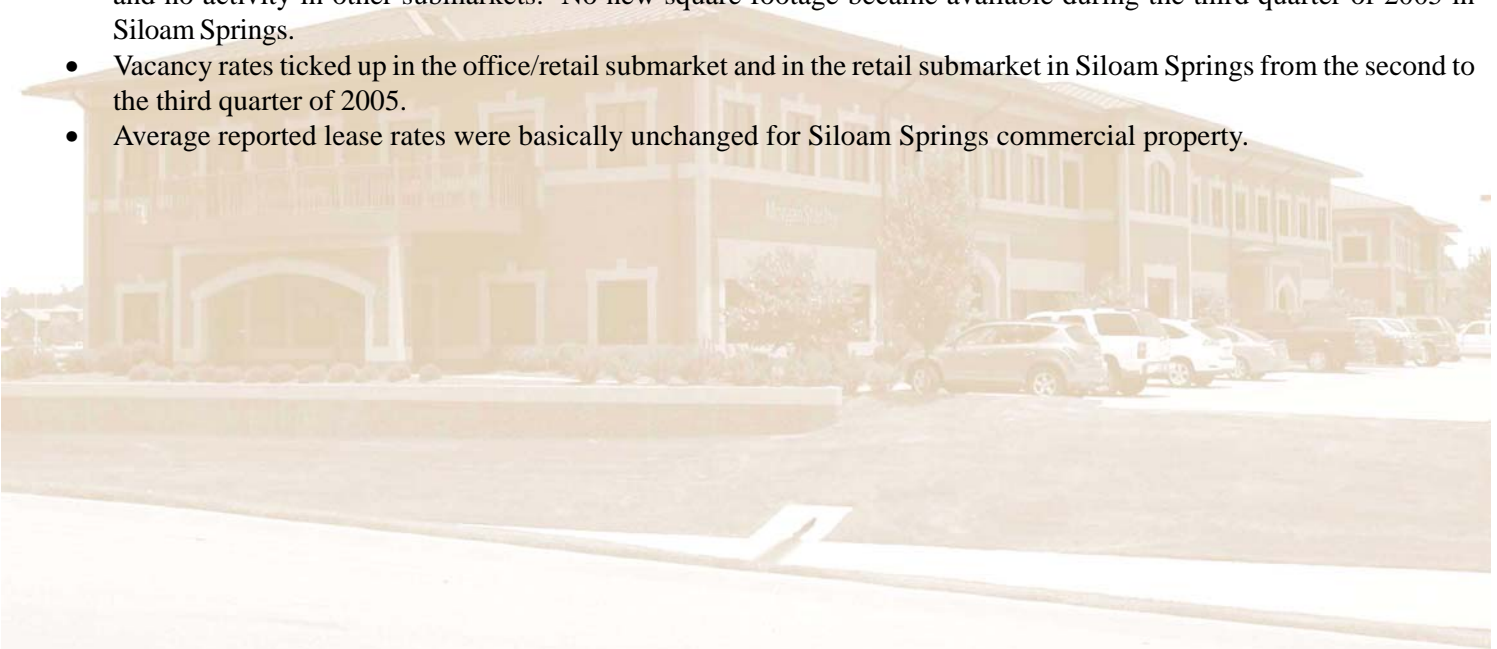
²From Q3 2005 respondents who were also Q2 2005 respondents

Rogers Commercial Properties



Siloam Springs

- Siloam Springs had 961,311 square feet of competitive commercial space in the third quarter of 2005.
- From June to August 2005, Siloam Springs issued building permits for 18,000 square feet of new commercial space, valued at a total of \$200,000. This represents a substantial percent decline in from building permits issued during the same period in 2004.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 445,713 square feet of commercial space in the third quarter of 2005. This represents 46.4 percent of the total competitive commercial space in Siloam Springs.
- In the third quarter of 2005, Siloam Springs experienced negative net absorption in the office/retail and retail submarkets and no activity in other submarkets. No new square footage became available during the third quarter of 2005 in Siloam Springs.
- Vacancy rates ticked up in the office/retail submarket and in the retail submarket in Siloam Springs from the second to the third quarter of 2005.
- Average reported lease rates were basically unchanged for Siloam Springs commercial property.



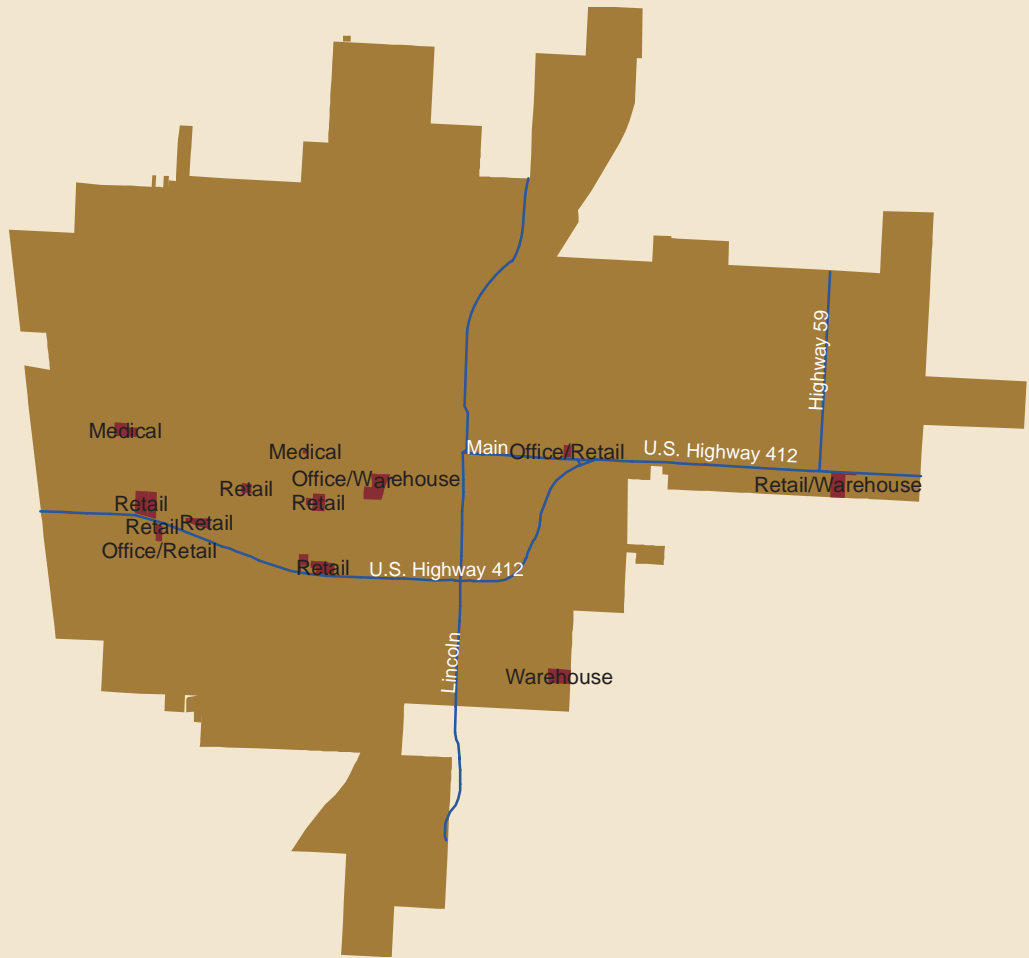
Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	--	--	--	--	--	--	--	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	\$13.50 - \$14.17	37,393	1,533	4.1%	0	0	0	--
Office/Retail	--	92,914	12,525	13.5%	-5,000	0	-5,000	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$3.52 - \$4.41	112,382	50,500	44.9%	0	0	0	--
Retail	--	203,024	10,000	4.9%	-10,000	0	-10,000	--
Class A	--	--	--	--	--	--	--	--
Class B	--	103,020	10,000	9.7%	-10,000	0	-10,000	--
Class C	--	100,004	0	0.0%	0	0	0	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

Siloam Springs Commercial Properties



Springdale

- Springdale had 6,001,298 square feet of competitive commercial space in the third quarter of 2005.
- From June to August 2005, Springdale issued commercial building permits valued at a total of \$2,982,618. This represents a substantial decline from the \$6,390,478 in commercial building permits issued during the same time period in 2004
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,107,834 square feet of commercial space in the third quarter of 2005. This represents 35.1 percent of the total competitive commercial space in Springdale.
- In the third quarter of 2005, Springdale experienced positive net absorption in the office, office/retail, and retail submarkets and negative net absorption in the office/warehouse and retail/warehouse submarkets. No new space came online in Springdale in the third quarter.
- Vacancy rates followed absorption in the office and office/retail submarkets, declining from second quarter levels. Sample differences led to a reported increase in vacancy in the retail submarket.
- Average lease for Class B and Class C office space, Class C retail space, and warehouse space in Springdale increased in the third quarter, while average Class B retail lease rates declined slightly.



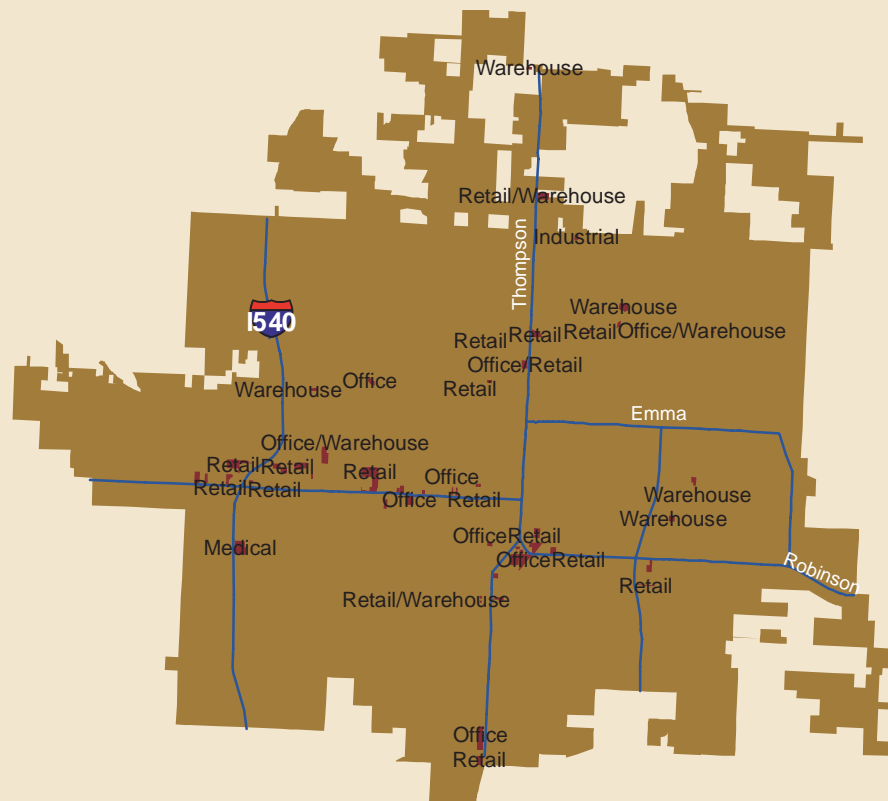
Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q2 to Q3 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	–	119,392	14,984	12.6%	0	0	0	–
Office	\$11.32 - \$12.37	300,392	11,077	3.7%	5,989	0	5,989	5.5
Class A	\$10.40 - \$14.68	57,248	0	0.0%	0	0	0	–
Class B	\$12.77 - \$13.27	211,552	8,827	4.2%	2,455	0	2,455	10.8
Class C	\$9.03 - \$9.03	31,592	2,250	7.1%	3,534	0	3,534	1.9
Medical	\$11.55 - \$11.55	28,204	4,750	16.8%	3,534	0	3,534	4.0
Office/Retail	\$9.30 - \$13.18	300,550	30,958	10.3%	11,179	0	11,179	8.3
Class A	–	–	–	–	–	–	–	–
Class B	\$10.00 - \$14.62	146,892	20,558	14.0%	12,729	0	12,729	4.8
Class C	\$8.44 - \$11.27	153,658	10,400	6.8%	-1,550	0	-1,550	–
Office/Warehouse	\$3.75 - \$4.75	303,180	172,350	56.8%	-18,000	0	-18,000	–
Retail	\$11.14 - \$12.05	774,868	47,747	6.2%	10,600	0	10,600	13.5
Class A	–	–	–	–	–	–	–	–
Class B	\$11.00 - \$12.67	623,511	45,247	7.3%	-11,900	0	-11,900	–
Class C	\$11.31 - \$11.31	151,357	2,500	1.7%	22,500	0	22,500	0.3
Retail/Warehouse	\$6.33 - \$10.67	121,004	34,200	28.3%	-5,304	0	-5,304	–
Warehouse	\$4.17 - \$5.03	160,244	47,475	29.6%	0	0	0	–

¹From all Q3 2005 respondents

²From Q3 2005 respondents who were also Q2 2005 respondents

Springdale Commercial Properties



Interpreting the Numbers in the Skyline Report

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 Data 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 square feet
- Department Stores: 20,000 square feet
- Discount Stores: 20,000 square feet
- Industrial Buildings: 20,000 square feet
- Markets: 20,000 square feet
- Commercial Office Buildings: 5,000 square feet
- Medical Office Buildings: 5,000 square feet
- Retail Buildings: 10,000 square feet
- Community Shopping Centers: 5,000 square feet
- Neighborhood Shopping Centers: 5,000 square feet
- Warehouses: 20,000 square feet

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 third quarter of 2005, 94 panelists provided data on 708 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 708 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.

