



# THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

**November 2005  
Highlights**

## Contents

Highlights .....	1
Economic Overview .....	2
Multifamily Summary .....	3

**Multifamily Real Estate Market Summary,  
Prepared Exclusively under Contract  
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## Multifamily Real Estate Market Summary for Benton and Washington Counties

This report contains highlights from the Multifamily Skyline Report for Benton and Washington Counties. 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 real estate markets. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. As the population of Northwest Arkansas burgeons, it is imperative that real estate markets work efficiently in order to meet the demand of new and existing residents. The Skyline Report includes the information that is necessary to help market participants make good decisions.

## Highlights from the Third Quarter of 2005

- Vacancy rates for multifamily properties in Northwest Arkansas declined from their second quarter level of 8.0 percent to 5.7 percent in the third quarter.
- Siloam Springs had the lowest aggregate vacancy rate at 1.3 percent. The vacancy rate in Fayetteville tumbled from 7.0 percent in the second quarter to 3.9 percent in the third quarter of 2005.
- Bentonville and Springdale each experienced increases in vacancy rates in the third quarter, while Rogers saw a substantial decline from 18.5 percent to 13.2 percent.
- The average lease price per month for a multifamily property unit in Northwest Arkansas declined from \$499 to \$483.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.54 per square foot and most expensive on average in Rogers at \$0.63 per square foot.

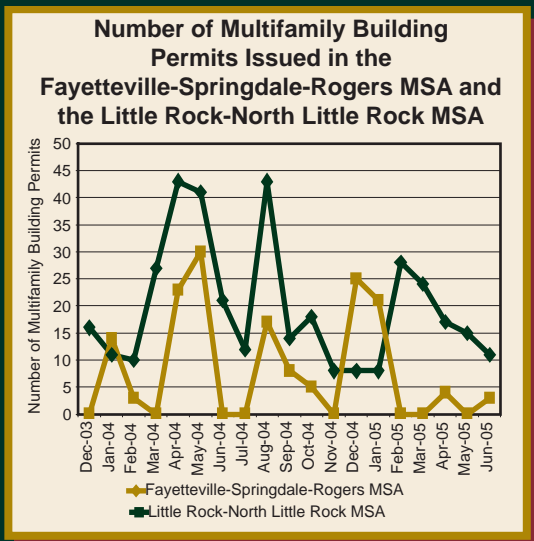
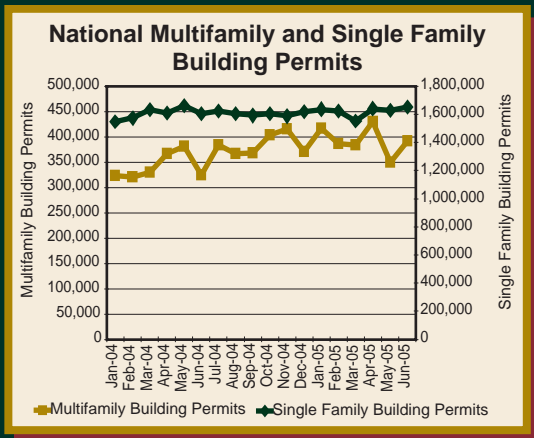
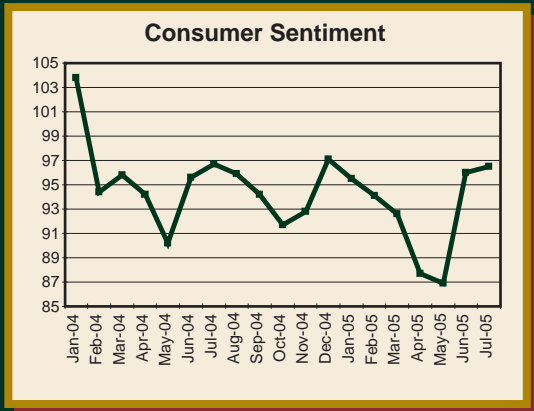
## Economic Overview

To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. In October, the index continued falling from its most recent high in July 2005. The aftermaths of Hurricanes Katrina and Rita were a major cause for the steep drop in September. The continuing decline in October was due to the cumulative strain of higher prices on the financial situation of consumers. The current outlook for higher costs of home heating, higher interest rates, and falling real incomes will cause cutbacks in consumer spending in the coming months. Based on the survey data, the growth rate in real consumption spending is expected to be about 1 percent in both the fourth quarter and in the first quarter of 2006. Consumer confidence acts as a signal about the likely trends in spending for consumers and is directly related to their perceptions of the real estate market. In as much as purchasing single family houses becomes more attractive relative to leasing, the multifamily housing market will be directly affected by this statistic.

The U.S. Census Bureau estimates the issuance of building permits. Since June of 2005, growth in the number of residential building permits issued has trended up, nationally, while the number of multifamily building permits has trended down. These trends can be seen in the associated graph.

Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, similar patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of building permits (both multifamily and total) than the LR metro area in 2004 and the first nine months of 2005. Despite a great deal of seasonal variation, the trends of all of these series are barely positive. This implies that no significant changes in the pace of growth in the number of residential or multifamily building permits are expected.

On November 1, 2005 the Federal Reserve Board raised its target for the federal funds rate an additional 25 basis points to 4.0 percent, bringing the total increase from the recent lows to 300 basis points. As the accompanying graph shows, the spread between short term rates and conventional 30-year mortgage rates has declined more than 275 basis points since its most recent peak in May 2004. Because the ten-year treasury interest rate and the 30-year conventional mortgage rate have



remained essentially constant since July 2004, buying a single family house remains relatively attractive compared to leasing comparable multifamily housing.

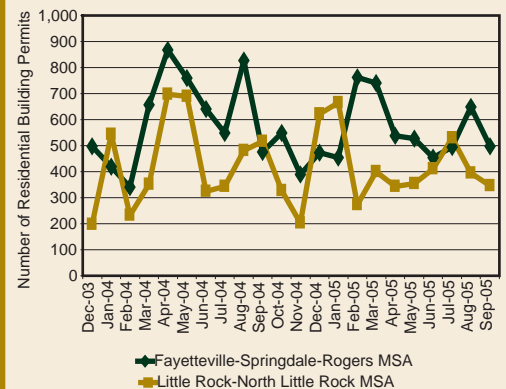
Finally, a graph showing employment trends in the FSR metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 485 jobs a month to the region. Because employment growth is the single most important factor in determining demand for housing of all kinds, there must be an awareness of the possibility of structural changes in the labor market. The data show no evidence that the rate of job growth in Northwest Arkansas will abate in the near term.

### Northwest Arkansas Average Unit Size and Price by Floor Plan Q3 2005

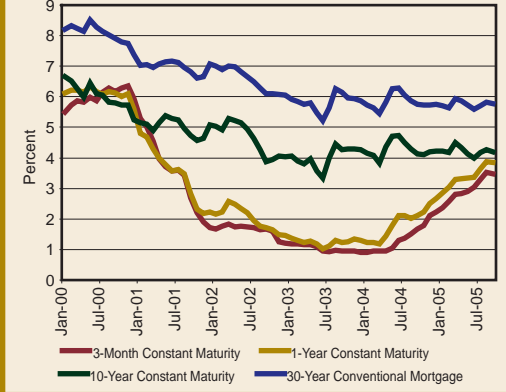
Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	450	\$343.23	\$0.76
1 Bedroom	599	\$402.84	\$0.67
2 Bedroom	889	\$509.38	\$0.57
3 Bedroom	1,137	\$634.39	\$0.56
4 Bedroom	1,655	\$1,285.00	\$0.78
Northwest Arkansas	800	\$482.90	\$0.60



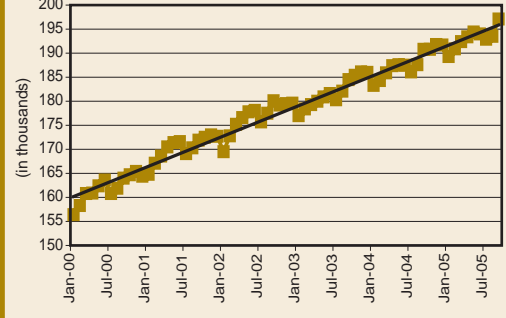
**Number of All Residential Building Permits Issued in the Fayetteville-Springdale-Rogers MSA and the Little Rock-North Little Rock MSA**



**Selected Interest Rates**



**Fayetteville-Springdale-Rogers MSA Employment and Trend**



# Multifamily Residence Building Permits Q3 2005

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
1/11/2005	M.P. Construction of Springdale	2	\$635,652	Fayetteville
1/14/2005	Jenning Mills Apartments	2	\$871,164	Fayetteville
1/18/2005	North Corner Apartments	2	\$1,488,928	Fayetteville
1/19/2005	Lee Jackson	1	\$40,760	Fayetteville
2/9/2005	Glen at Polo Park	20	\$24,195,966	Bentonville
2/14/2005	Aaron Nickel Homes	1	\$446,729	Fayetteville
3/18/2005	Salem Road Townhomes	6	\$3,387,384	Fayetteville
3/18/2005	Hometown Developments	1	\$348,371	Fayetteville
3/29/2005	Bedford Apartments	1	\$475,536	Fayetteville
4/7/2005	Condos at the Peaks	56	\$6,557,446	Rogers
5/5/2005	Southern View, Phase II	6	\$9,407,802	Fayetteville
5/8/2005	Hidden Lake, Phase II	4	\$2,640,424	Springdale
6/22/2005	Ranch at Pinnacle Point	16	\$26,822,960	Rogers
8/11/2005	Wobbe Road Apartments	4	\$1,565,724	Springdale
8/15/2005	Arbors at Pinnacle Ridge	33	\$3,045,891	Rogers
8/16/2005	Razorback Apartments	2	\$828,460	Fayetteville
8/16/2005	Harbin Pointe Apartments	10	\$13,253,204	Bentonville
8/26/2005	Dunn Street Apartments	1	\$300,000	Fayetteville
9/2/2005	40 E Maple Street	1	\$262,300	Fayetteville
<b>Total</b>		<b>102</b>	<b>\$96,574,701</b>	

## Northwest Arkansas Vacancy Rates by Floor Plan Q3 2005

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	2.5%	3.4%	13.1%
Fayetteville	3.4%	3.3%	8.9%
Rogers	11.1%	14.8%	8.2%
Siloam Springs	1.0%	1.3%	0.0%
Springdale	3.2%	5.2%	24.9%
<b>Northwest Arkansas</b>	<b>4.5%</b>	<b>5.7%</b>	<b>15.4%</b>

