



THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

Commercial Real Estate Market Summary for Benton and Washington Counties October 2006



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Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the tenth 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.

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Highlights from the Third Quarter of 2006

- In the third quarter of 2006, 1,652,460 square feet of competitive commercial property were added to the Northwest Arkansas market. Over a million square feet of this space were included in the Pinnacle Promenade in Rogers.
- In the office market, there was negative net absorption of 73,283 feet after accounting for the entry of 315,915 new square feet of space.
- Likewise, within the retail submarket there was absorption of 844,810 square feet and the entry of 1,003,566 new square feet, netting negative net absorption of 158,756 square feet.
- The office/retail markets in Bentonville, Rogers, Fayetteville, and Springdale each experienced negative net absorption in the third quarter of 2006. There were 197,339 square feet of office/retail space added to the market, while only 100,626 square feet were occupied.
- The warehouse submarket rebounded from the second quarter with positive net absorption of 62,262 square feet, distributed in Fayetteville, Lowell, Rogers, and Springdale.
- From June to August 2006, there were \$82.7 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents a decline of 23.7 percent over the same period in 2005.
- The spread between long term and short term interest rates became negative during July, August, and September. Long term interest rates continue to be historically attractive for developers financing their projects, but are above their low levels of the past two years.

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Report Structure

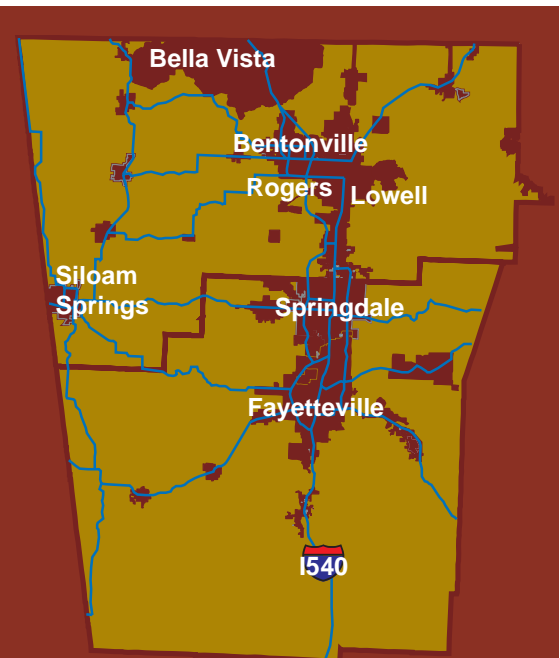
The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive 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 40) are also filtered from the base of commercial properties considered. As a third 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. Second 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 186 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.

Following the table of announced commercial projects is a trends summary that includes information about vacancy rate and available space trends. There are also three tables summarizing some results from the most recent five



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.

quarters. The second table presents vacancy rates by submarket for the first, second and third quarters of 2006 and for the third and fourth quarters of 2005. The third table presents net absorption by submarket for the same time periods. 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 second, 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 2006, the overall real growth rate in GDP was a revised 2.6 percent, down from a 5.6 percent rate in the first quarter of 2006. The growth rate in GDP in the second quarter of 2005 was 3.3 percent, in comparison. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the increase in real GDP in the second quarter of 2006 primarily reflected positive contributions from personal consumption expenditures (PCE) for services, exports, nonresidential structures, state and local government spending, and private inventory investment that were partly offset by negative contributions from residential fixed investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased. The deceleration in real GDP growth in the second quarter primarily reflected downturns in PCE for durable goods, in equipment and software, and in federal government spending, decelerations in PCE for nondurable goods and in exports, and a larger decrease in residential fixed investment that were partly offset by a deceleration in imports, an acceleration in PCE for services, and an upturn in private inventory investment. Consensus forecasts for average real GDP growth for all of 2006 are about 3.2 percent.

Turning to other data, in September, the national unemployment rate was a seasonally adjusted 4.6 percent, below the 5.4 percent three-decade average rate. The Conference Board Consumer Confidence Index, which decreased sharply in August, posted a gain in September. The Index now stands at 104.5 (1985=100), up from 100.2 in August. The Present Situation Index increased to 127.7 from 123.9. The Expectations Index rose to 89.0 from 84.4 last month. Said Lynn Franco, Director of The Conference Board Consumer Research Center: “A more favorable assessment of current conditions coupled with a less pessimistic short-term outlook boosted consumer confidence this month. However, even though consumers' concerns have eased, there is little to suggest a significant change in economic activity as we enter the final quarter of 2006.”

From May 2005 to May 2006, overall inflation was moderate. During the first eight months of 2006, the CPI-U rose at a 4.6 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 3.4 percent for all of 2005. The index for energy, which rose 17.1 percent in 2005, advanced at a 22.3 percent SAAR in the first eight months of 2006. In terms of construction prices, the producer price index for construction industries increased at an 8.0 percent SAAR during the first eight months of the year. For 2005, that index increased 7.8 percent.

Short-term Interest Rate Risk

The Federal Reserve paused twice in its incremental raising of short-term interest rates in the third quarter of 2006. The Fed Funds target continues to stand at 5.25 percent, up 425 basis points from its historic low in 2003. Indications are that the Fed will continue to remove monetary stimulus from the economy if inflationary pressures continue to mount, but that the Fed might actually cut rates if the

macroeconomic risks tilt more toward recession. Given this significant level of uncertainty, many observers are expecting the Federal Reserve to maintain the current "neutral" monetary policy until clear evidence mounts about the overall direction of the economy.

Long-term Interest Rate Risk

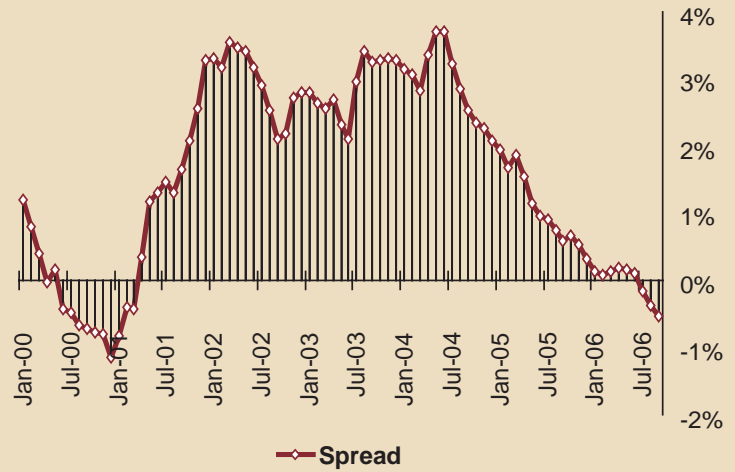
Even as short-term rates climbed from 2004 through early 2006, increases in longer term rates did not kept pace. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.72 percent in September 2006, while the federal funds rate increased by 425 basis points during the same period. 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 June 2006, there was a 360 basis point decline in the spread. In September 2006, the spread was actually a negative 0.53 percent. This is important as a negative spread has typically been a sign of weakness in the economy and a harbinger of recession.

Regional Employment Trends

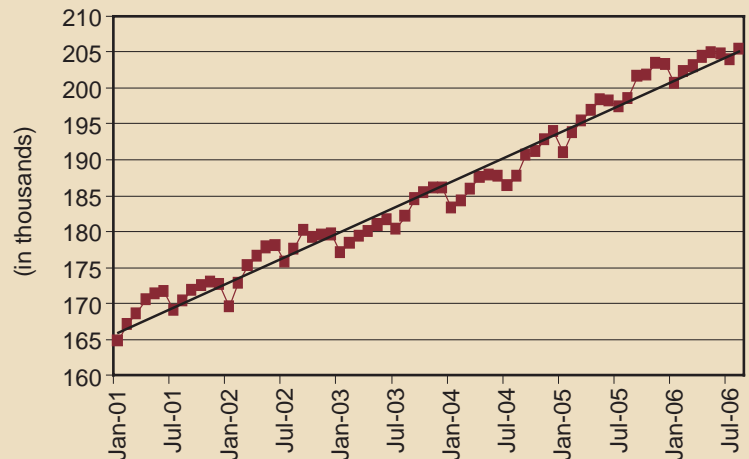
Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in recent years. The most recent numbers show that during 2005 and 2006, the Northwest Arkansas economy has been creating new jobs at an even better pace than in 2003 and 2004. The accompanying figure shows that from January to May 2006, employment in the Fayetteville-Springdale-Rogers MSA increased at above trend levels. Since January of 2001, employment growth has averaged 0.3 percent per month, or about 600 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 second shows the August 2006 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, professional and business services had the largest share of employment (16.4 percent) in Northwest Arkansas, followed by manufacturing (16.0 percent), and retail trade (10.3 percent). The third figure shows the annual percentage change in the MSA's employment by sector from August 2005 to August 2006. Total nonfarm employment increased by 3.5 percent during that time, so those sectors with larger employment growth rates are increased in relative impact and those sectors with smaller employ-

Difference Between the 10-year Maturity Treasury Bill and the Federal Funds Rate



Fayetteville-Springdale-Rogers MSA Employment and Trend



ment growth rates decreased in relative impact. The construction, local government, state government, professional and business services, and other services had the largest percentage increases.

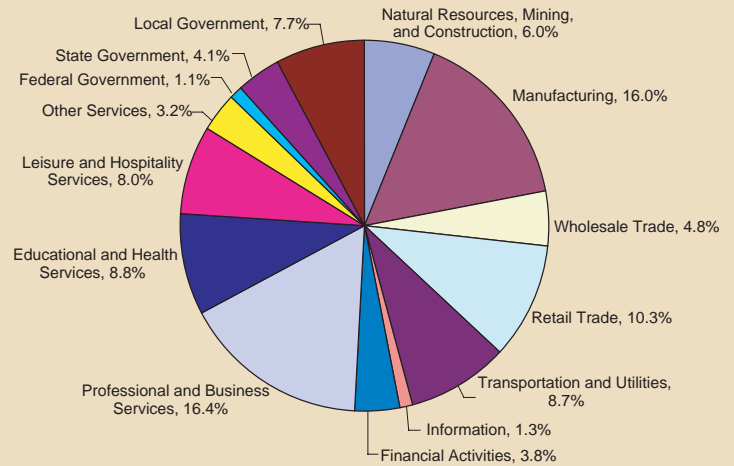
Other Regional Economic Indicators

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 2006, the unemployment rate in Northwest Arkansas was a preliminary 3.1 percent, barely up from 3.0 percent in August of 2005. In July 2006, the unemployment rate was at 3.7 percent. In August, the state unemployment rate was 5.3 percent and the national unemployment rate was 4.6 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

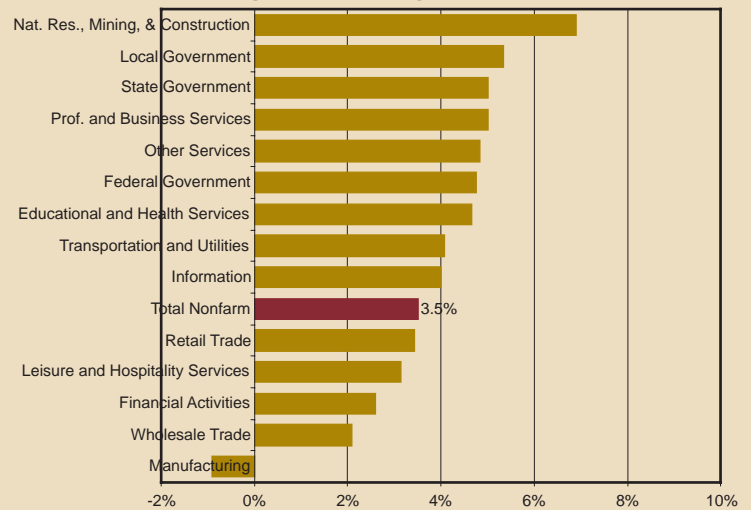
Local Perceptions of the Northwest Arkansas Commercial Property Market

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. In general, the panelists expressed a very real concern about continued rapid growth in the Northwest Arkansas commercial real estate market through 2006 and into 2007. Most of the panelists feel the commercial markets "day of reckoning" is going to happen in early 2007 and will range from a mild market correction of just a few months to a more serious downturn lasting 3 to 4 years. The main concerns this quarter: the potential oversupply of office space in the Bentonville market; the imminent completion of the Pinnacle Hills Promenade as well as several smaller retail centers, and their impact on the retail market in both the Bentonville/Rogers and Fayetteville markets; rising interest rates, and increasing construction costs; concerns about the residential markets oversupply; how the various levels of government are going to handle the continuing influx of immigrants into Northwest Arkansas; media hyping of the oversupply situation; the infrastructure situation, specifically local roads, I-540 bypasses, I-540 exits, the development of I-49, the highway 412 bypass, and sewer construction. Nonetheless, the long run health of the NWA commercial real estate market still garners very optimistic comments from the panelists.

Fayetteville-Springdale-Rogers MSA
Employment Breakdown by Sector
August 2006



Percent Change in
Fayetteville-Springdale-Rogers MSA
Employment Breakdown by Sector
August 2005 - August 2006



The panelists still look at the Bentonville/Rogers office market as being oversupplied, particularly in Class A space. This concern includes the recognition of the amount of Class A space scheduled to come on line in the coming year. For some panelists concerns are growing about the possible effects of the oversupply in Class A for the Class B market. But other panelists feel the continued influx of vendors will keep the Class B market healthy. Part of the concern seems directly related to the Superior Building and the impact of its 400,000 square feet of space. Concern seemed stronger this quarter since the building's construction has made visible progress. In general some panelists have concerns about the "disproportionate" impact of "big buildings on a market as small as ours." The major issue with the Fayetteville office market is the difficulty in working through the greater level of rules and regulations. Some panelists remarked about projects that didn't happen in Fayetteville because of this.

However all of the panelists feel that demand in the office market remains strong. Even more than last quarter thought they feel it is just a question of finding the proper "niche" and "location, location, location" for new projects. Panelists still feel there is going to be a shake out of inexperienced people who are building commercial space. As in last quarters report panelists feel that there are strong opportunities in the under 10,000 square foot market due to continuing vendor influx, including the hoped for wave of Asian vendors and expansion of current vendor offices; and small professional offices, with an emphasis on medical office space located near the Mercy Health System. The Fayetteville office market is still considered to be tight, and there was no major concern about supply/demand imbalances there.

The retail market is still being watched closely. Panelists feel that the impact of the Pinnacle Hills developments will be significant to other "destination locations" in Northwest Arkansas, but there will be little impact on local strip retailing. But there is no uniform consensus on how severe or long lasting an impact there will be on the regions other "destination locations". As with the office market, panelists feel that there is continued room for "the right project". Several panelists also mentioned continued interest in the region from national tenants, and the fact that roof tops still means retail.

Concerns about interest rates, raw material prices, and other construction costs continue to grow. Panelists are even more concerned that those builders and developers who do not have sound financing are going to be washed out over the next couple years. In fact, there is a concern as to how can the level of building actually be slowed down. However, for builders and developers who remain on a sound financial footing there will be opportunities to meet the continuing demand for commercial real estate projects. But these projects will need to be well designed and located.

Infrastructure still remains the biggest concern for a majority of the panelists. All of the panelists recognize that Northwest Arkansas is years behind in infrastructure development. Some panelists went as far as 25 years behind. There is a big concern that Northwest Arkansas will never catch up. There are questions as to where adequate funding is going to come from, who will make the tough decisions about what order projects shall be built, how will the various city, county, and state agencies work together to make progress on the infrastructure situation. Some panelists feel there needs to be much more cooperation between the various levels of government in Northwest Arkansas, again mentioning the idea of an agency with real power to make decisions. However, other panelists believe that local governments are doing better, but they need further support from the state level.

Almost all of the panelists expressed continued optimism for long term growth. They see continued demand as people move to Northwest Arkansas. Wal-Mart, J.B. Hunt, Tyson, and the University of Arkansas remain institutions that generate optimism for the region. Continued growth in national awareness that Northwest Arkansas is a good place to live and raise a family, also contributes to the long term optimism, as does development of other cultural institutions such as Crystal Bridges.

Positive Factors:

1. Strong demand for all types of commercial products in Northwest Arkansas.
2. Continued movement of vendors into Northwest Arkansas.
3. Continued influx of professionals into Northwest Arkansas.
4. National attention to the growing MSA by developers and retailers.
5. Continued positive coverage of Northwest Arkansas as a good place to live and work.
6. Healthy Fayetteville office and retail space markets.
7. Healthy competition in the retail and office markets.

Negative Factors:

1. Infrastructure: local roads, I-540 entrances and exits, new bypasses, sewers.
2. Rising interest rates.
3. Higher raw material costs.
4. Oversupply of office space in Bentonville.
5. Over supply in the residential market.
6. Over-regulation of the building trade.
7. Impact fees.
8. Media hyping of potential oversupply in real estate markets.

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 40) as of September 2006. 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 covered 76.2 percent of the total competitive commercial property population in Northwest Arkansas. Some cities had better coverage than others. For example, the Skyline Report panelists reported information on over 100 percent of the (included) competitive commercial properties in Bentonville, but only 43.5 percent of the competitive commercial properties in Siloam Springs. Bella Vista, Fayetteville, Lowell, Rogers, and Springdale had coverages of 96.3, 65.0, 53.8, 85.5, and 72.6 percents, respectively.

In addition, building permit data from the past nine 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 2006, there were \$82.7 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is a decline of 13.3 percent over the prior quarter, and a decline of 23.7 percent from the third quarter of 2005. Springdale accounted for about 31.0 percent of the total value of building permits in the June to August period. Rogers accounted for an additional 28.4 percent and Bentonville accounted for 25.4 percent. 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.

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 | – | 247,192 | 14,752 | 61,594 | 323,538 | 311,678 | 96.3% |
| Bentonville | 165,160 | 3,364,181 | 818,055 | 685,718 | 5,033,114 | 5,055,621 | 100.4% |
| Fayetteville | 114,079 | 2,801,006 | 3,873,792 | 1,778,270 | 8,567,147 | 5,572,854 | 65.0% |
| Lowell | 164,624 | 315,402 | 138,613 | 341,882 | 960,521 | 516,843 | 53.8% |
| Rogers | 1,045,327 | 1,824,061 | 2,130,551 | 1,087,975 | 6,087,914 | 5,204,432 | 85.5% |
| Siloam Springs | 180,602 | 157,877 | 613,574 | 389,919 | 1,341,972 | 584,374 | 43.5% |
| Springdale | 1,142,623 | 1,401,661 | 2,122,700 | 2,344,291 | 7,011,275 | 5,092,537 | 72.6% |
| Northwest Arkansas Total | 2,812,415 | 10,111,380 | 9,712,037 | 6,689,649 | 29,325,481 | 22,338,339 | 76.2% |

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 40 of this report.

²Source: Panel of 186 large Northwest Arkansas commercial property owners and managers.

Commercial Building Permit Data by City

| June - August 2006 | | | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|----------------|--------------|---------------|
| | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
| Value | \$21,014,259 | \$6,147,723 | \$462,712 | \$23,479,198 | \$5,890,000 | \$25,663,800 | \$82,657,692 |
| Square Feet | 577,875 | 86,780 | 2,484 | | 142,760 | | |
| March - May 2006 | | | | | | | |
| | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
| Value | \$10,575,639 | \$21,780,317 | \$10,924,435 | \$36,046,864 | \$3,650,000 | \$12,322,984 | \$95,300,239 |
| Square Feet | 79,285 | 233,208 | 141,918 | | 66,108 | | |
| December 2005 - February 2006 | | | | | | | |
| | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
| Value | \$37,121,720 | \$20,330,697 | \$2,359,019 | \$44,672,800 | \$165,000 | \$2,151,476 | \$106,800,712 |
| Square Feet | 326,759 | 202,809 | 21,008 | | 9,600 | | |
| September - November 2005 | | | | | | | |
| | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
| Value | \$9,674,394 | \$3,519,150 | \$3,275,717 | \$85,896,765 | \$150,000 | \$15,999,816 | \$118,515,842 |
| Square Feet | 88,022 | 9,960 | 5,408 | | 9,300 | | |
| 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 |
|--------------------------------------|--------------|--|-----------------------|----------------|-----------------------------|
| Bank of The Ozarks | Bella Vista | Bank of The Ozarks | Bank | 3,600 | October 2006 |
| Bank of The Ozarks | Bella Vista | Bank of The Ozarks | Bank | 3,600 | October 2006 |
| "Green" Development | Bentonville | Four Frogs LLC | Mixed Use | 6,460 | |
| 206 SW 2nd Street Multi-Use Building | Bentonville | Main Street Builders LLC | Mixed Use | | |
| 28th Street Commercial Building | Bentonville | Rick Thomas | Office/Retail | 24,000 | Mid 2007 |
| Advanced Auto Parts | Bentonville | | Retail | 6,469 | |
| Archer's East Central Business Park | Bentonville | Wayne and Victoria Martin | Mixed Use | 55,166 | |
| Arvest Bank | Bentonville | Arvest Bank | Bank | 5,000 | 2008 |
| Beau Terre Office Building | Bentonville | Behringer Harvard Funds | Office | 11,608 | |
| Bentonville Dialysis Center | Bentonville | Dr. Fred Smardo | Medical Office | 86,035 | |
| Center for Psychology | Bentonville | Center for Psychology | Medical Office | 7,000 | Fall 2006 |
| City West | Bentonville | Chris Talley, Arkansas Sports and Entertainment LLC | Mixed Use | | 2009/2010 |
| Cornerstone Ridge | Bentonville | Tom Terminella | Mixed Use | | |
| Cottonwood Village | Bentonville | Colliers Dickson Flake | Office | 60,000 | |
| Day Care and Commercial Building | Bentonville | Max McGaugh | Office/Retail | 8,000 | |
| Digital Endeavors | Bentonville | Digital Endeavors | Office | 7,650 | |
| Elm Tree Place | Bentonville | | Mixed Use | 16,844 | |
| Greystone Complex Building 3 and 4 | Bentonville | Sharp Development LLC | Office | 25,500 | Late 2006 |
| Hyundai of Bentonville | Bentonville | Kent Dobbs | Retail | 20,000 | March 2007 |
| Landers-McLarty Nissan | Bentonville | Landers-McLarty | Retail | 20,329 | January 2007 |
| Metropolitan National Bank | Bentonville | Metropolitan National Bank | Bank | | 2006 |
| NW Arkansas Center for Children | Bentonville | Dept of Pediatric Services UAMS | Medical Office | 33,000 | October 2006 |
| Oakbrooke II | Bentonville | MIDD Development | Office/Retail | 26,000 | Winter 2006 |
| Parkway Bank | Bentonville | Parkway Bank | Bank | 4,800 | 2006 |
| PJT Commercial Building | Bentonville | PJT Development | Commercial | 8,000 | |
| Polo Park Commerical/Industrial Park | Bentonville | San Miguel LLC | Commercial/Industrial | | |
| Polo Park Warehouse | Bentonville | San Miguel LLC | Warehouse | 108,000 | |
| Rainbow Junction | Bentonville | | Commercial | | |
| Rescue Heroes Building | Bentonville | Rescue Heroes LLC | Office | 54,000 | |
| Retail Building on Central | Bentonville | Schaefer Properties | Retail | 40,000 | 2006 |
| Savannah Suites | Bentonville | Pro Con Inc | Office/Retail | 42,000 | Fall 2006 |
| Tate & Haney Building | Bentonville | John Tate and Johnny Haney | Mixed Use | 50,000 | February 2007 |
| The Superior Building | Bentonville | Slone-Hanna Partnership | Office | 396,000 | June 2007 |
| Appleby Landing | Fayetteville | Dixie Development | Medical Office | 175,000 | Late 2006 |
| Arvest Bank | Fayetteville | Arvest Bank | Bank | 8,000 | Spring 2008 |
| AutoZone | Fayetteville | Nelson & Beatty Co. | Retail | 7,382 | |
| Bank of The Ozarks | Fayetteville | Bank of The Ozarks | Bank | 5,176 | November 2006 |
| Beacon Flats | Fayetteville | Beacon Flats LLC | Mixed Use | 5,500 | |
| Bellafont II | Fayetteville | Barber Group | Mixed Use | 560,000 | Late 2007 |
| Broyles Development | Fayetteville | Broyles Development LLC | Mixed Use | 80,000 | |
| CMN Business Park | Fayetteville | Dixie Development | Office | 28,000 | Fall 2006 |
| Commerce Park II | Fayetteville | Dixie Development | Office | 64,000 | Spring 2007 |
| Divinity Building | Fayetteville | Barber Group | Mixed Use | 350,000 | |
| Dixie Construction Office | Fayetteville | Dixie Development | Office | 66,000 | 2006 |
| Flintco Warehouse | Fayetteville | Flintco Inc. | Warehouse | 114,750 | |
| Highlands Oncology Clinic | Fayetteville | Highlands Oncology Group | Medical Office | 11,600 | Fall 2006 |
| Hometown Center | Fayetteville | Hometown Development Ltd | Office/Retail | 8,000 | November 2006 |
| Hunnicut Building | Fayetteville | Don Hunnicutt | Office/Retail | 23,000 | |
| Legacy Building | Fayetteville | Barber Group | Mixed Use | 117,000 | Late Fall 2006 |
| Malco Movies | Fayetteville | Malco | Retail | 44,315 | Early 2007 |
| Metropolitan National Bank | Fayetteville | Metropolitan National Bank | Bank | 9,200 | Fall 2006 |
| Metropolitan National Bank | Fayetteville | Metropolitan National Bank | Bank | 4,902 | |
| Metropolitan National Bank | Fayetteville | Metropolitan National Bank | Bank | 3,505 | |
| Nelsons Crossing | Fayetteville | Dixie Development | Office/Retail | 76,555 | Fall 2006 |
| Paradise Point | Fayetteville | Kirk Elsass | Mixed Use | | |
| Parkwest | Fayetteville | Tracy Hoskins | Office | 856,000 | 2020 |
| Procter & Gamble Building | Fayetteville | Procter & Gamble Inc. | Office | 66,712 | |
| Sam's Club | Fayetteville | Wal-Mart | Retail | 142,898 | |

Announcements of New Commercial Projects (Continued)

| Property | City | Owner/Developer/ Property Manager | Use | Square Feet | Expected Completion Date |
|-------------------------------------|----------------|--|---------------------|----------------|-----------------------------|
| Shoppes at Stonebridge | Fayetteville | Sean Trumbo | Retail | 46,000 | |
| Southern View, Phase II | Fayetteville | Southern View Phase II LP | Office/Retail | 42,000 | Late 2006 |
| Southpass | Fayetteville | Richard Alexander & John Nock | Retail | 150,000 | |
| Springwoods | Fayetteville | Haynes LTD | Mixed Use | | 2006 |
| Springwoods Medical Building | Fayetteville | Freeland-Kauffman and Freeland Inc. | Medical Office | 11,974 | |
| Steele Crossing Retail Center | Fayetteville | | Retail | 43,000 | November 2006 |
| Steele Plaza | Fayetteville | Irwin Partners | Office/Retail | 45,126 | Fall 2006 |
| The Dickson | Fayetteville | Collins Haynes | Mixed Use | 65,143 | Summer 2007 |
| The Lofts at Underwood Plaza | Fayetteville | AMA Real Estate Group, Nock Investments, the Beldens, the Underwoods | Mixed Use | 118,890 | Late 2007 |
| Township Heights | Fayetteville | Keating Enterprises | Office | 11,806 | |
| Township Office Building | Fayetteville | Keating Enterprises | Office | 12,000 | June 2006 |
| University Square | Fayetteville | Nancy Krushiker | Office/Retail | 4,726 | |
| University Village Center | Fayetteville | Ark 4-John Ellis & Bill Lazenby | Retail | 38,774 | June 2007 |
| VA Medical Center expansion | Fayetteville | VA Medical Center | Medical Office | 151,000 | |
| Washington Regional Medical Center | Fayetteville | Washington Reg Med Center | Medical Office | 200,000 | Fall 2007 |
| Wedington Circle | Fayetteville | Mansfield Property Management | Office/Retail | 10,000 | |
| Wedington Circle | Fayetteville | Mansfield Property Management | Retail | 6,576 | |
| Wedington Place | Fayetteville | Mandy Burch | Retail | 11,600 | |
| Wedington Shopping Center | Fayetteville | Mathias Shopping Centers Inc | Retail | 55,400 | |
| Western Sizzlin Retail Center | Fayetteville | Mark Bazyk | Retail | 5,000 | |
| Aaron Nickells Homes' Office | Lowell | Aaron Nickell | Office | 24,445 | |
| AERT | Lowell | AERT | Warehouse | 120,000 | |
| Arvest Bank Operations Center | Lowell | Arvest Bank | Office | 35,590 | |
| Bloomington Crossing | Lowell | Nickell Investments | Retail | 15,076 | October 2006 |
| UAMS Pediatric Center | Lowell | Pinnacle Group | Medical Office | 40,000 | March 2007 |
| World Gym | Lowell | Rhett Garner and Tania Zamzow | Retail | 50,000 | Late 2006 |
| Park Central | Lowell/Rogers | Charleton Development | Mixed Use | | 2007 |
| Advanced Auto Parts | Rogers | Advanced Auto Parts | Retail | 7,000 | October 2006 |
| Bank of The Ozarks | Rogers | Bank of The Ozarks | Bank | 2,784 | December 2006 |
| Benchmark Office Building | Rogers | Benchmark Group | Office | 114,000 | |
| Best Buy | Rogers | Best Buy | Retail | 30,405 | October 2006 |
| Centre Pointe at Pleasant Grove | Rogers | Centre Pointe LLC | Retail | 250,000 | 2007 |
| Creekside Medical Park | Rogers | Colliers Dickson Flake | Med Office/Retail | 600,000 | Fall 2006 |
| Creekside Office Building | Rogers | Sharp Properties LLC | Office | 22,000 | Fall 2006 |
| Don's Cold Storage & Transportation | Rogers | Don Coenen | Warehouse | 425,000 | January 2007 |
| Forty-Fifth | Rogers | Barber Group | Mixed Use | 750,000 | |
| Glad Warehouse | Rogers | Bill McLard | Warehouse | 400,000 | |
| Graham Building | Rogers | Horsebarn Partners LLC | Mixed Use | 72,000 | |
| Harps | Rogers | Harps | Retail | 31,500 | Summer 2007 |
| Harris-McHaney Office Building | Rogers | Harris & Harris Properties LLC | Office | 30,000 | February 2007 |
| Metro Park | Rogers | Collins Haynes | Medical Office | 80,000 | |
| MetroPark Dental Office Building | Rogers | Barry Henbest and Jeff Erickson | Medical Office | 15,500 | February 2007 |
| Myers Ranch | Rogers | Upscale Companies LLC | Mixed Use | 680,000 | |
| Nestle Building | Rogers | H2 Holdings | Office | 31,000 | February 2007 |
| Northfork Plaza | Rogers | Jim Burkeen | Retail | | |
| Pinnacle Station | Rogers | Petromark Inc | Mixed Use | 42,000 | Summer 2007 |
| Pleasant Crossing | Rogers | Charles Reaves, et al | Retail | 1,000,000+ | 2007 |
| Regions Bank | Rogers | Regions Bank | Bank | | Late 2006 |
| Southern Hills Business Park | Rogers | Dixie Development | Office | 10,000 | 2007 |
| Sports Park Plaza | Rogers | Cody Burnett | Office/Retail | 19,500 | |
| Walnut and 37th St | Rogers | Dixie Development | Retail | 24,118 | |
| Westin Hotel and Condos | Rogers | Barber Group | Hotel/Retail/Condos | 700,000 | Fall 2008 |
| White Oak Station | Rogers | Stephen Lair | Office/Retail | 27,414 | |
| Center Theater | Siloam Springs | Center Cinemas | Retail | 22,960 | Spring 2007 |
| DaySprings Cards Building | Siloam Springs | DaySprings Cards | Office | 36,000 | February 2007 |
| Lowe's | Siloam Springs | Lowe's | Retail | 130,000 | January 2007 |

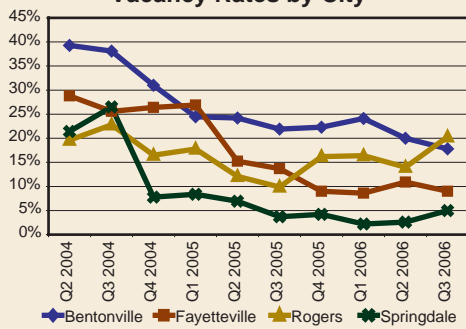
Announcements of New Commercial Projects (Continued)

| Property | City | Owner/Developer/ Property Manager | Use | Square Feet | Expected Completion Date |
|---|----------------|--|------------------|----------------|-----------------------------|
| Signature Plaza | Siloam Springs | Doug Allen | Retail | 55,000 | October 2006 |
| Simmons Pet Food | Siloam Springs | Simmons Pet Food | Industrial | 114,000 | November 2006 |
| Bella Homes Office | Springdale | Bella Homes | Office | 8,400 | |
| Cargill Freezer and Production Facility | Springdale | Cargill | Industrial | 83,000 | April 2007 |
| Cavalier Commercial Buildings | Springdale | Cavalier Development | Office/Warehouse | | |
| Chester Ave Commercial Buildings | Springdale | Elder Construction | Office/Warehouse | 11,950 | |
| CL George & Sons Retail Building | Springdale | George's Inc | Retail | 55,000 | |
| Diesel Downs | Springdale | Gary Combs | Office/Retail | 134,000 | |
| Discovery Center Project | Springdale | Tyson Foods Inc | Office | 358,000 | Fall 2006-2007 |
| First State Bank of Lonoke | Springdale | Lonoke Bancshares | Bank | 8,124 | |
| FirstCare Family Doctors Office | Springdale | Springdale Family Medical Rentals LLC | Medical Office | 6,504 | |
| Habberton Ridge | Springdale | | Mixed Use | | |
| Har-Ber Meadows Medical Building | Springdale | Washington Reg Med Center | Medical Office | 31,860 | Summer 2007 |
| Har-Ber Meadows Medical Building | Springdale | Washington Reg Med Center | Medical Office | 31,860 | 2007 |
| Legacy National Bank | Springdale | Legacy National Bank | Bank/Office | 20,000 | October 2006 |
| Metropolitan National Bank | Springdale | Metropolitan National Bank | Bank | 3,700 | |
| Shoppes at Har-Ber Lakes | Springdale | Sage Partners | Mixed Use | 70,000 | Early 2007 |

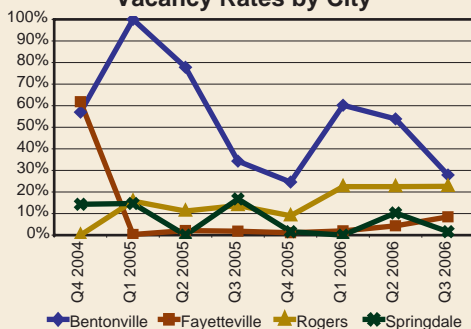
Trends Summary

This version of the Skyline Report represents the tenth quarter that data have been collected. Therefore, annual comparisons can be made to minimize the effects of attributing too much weight to seasonal changes. The accompanying graphs show how vacancy rates and available square footage have changed in the office, office/retail, and retail submarkets over the past year. Also, a table presents the total absorption over the past year by city and submarket. The following three pages have tables with more detailed information about vacancy rates, absorption, and available space.

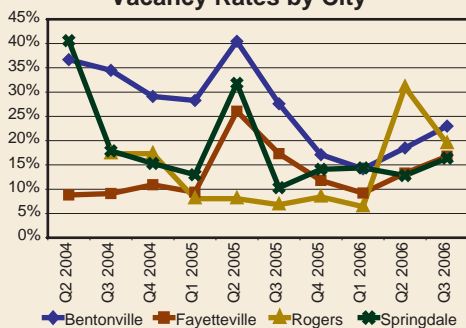
**Office Market
Vacancy Rates by City**



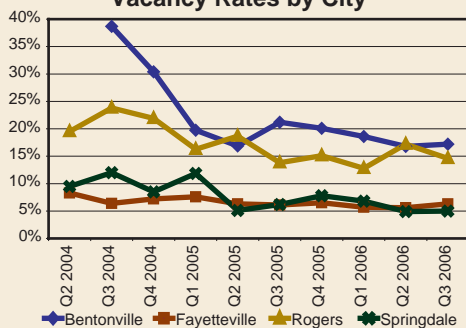
**Medical Office Market
Vacancy Rates by City**



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



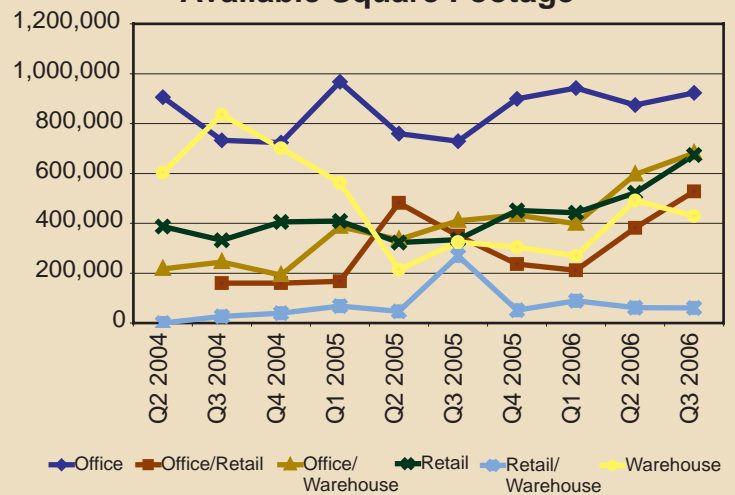
**Retail Market
Vacancy Rates by City**

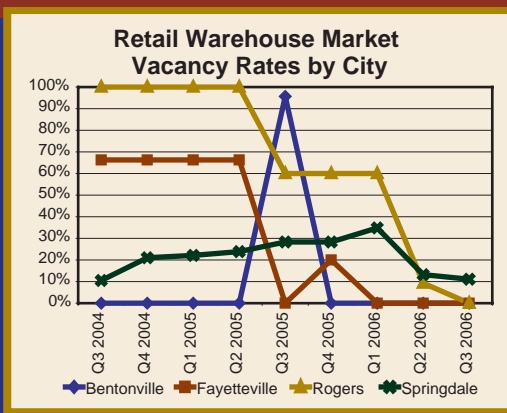
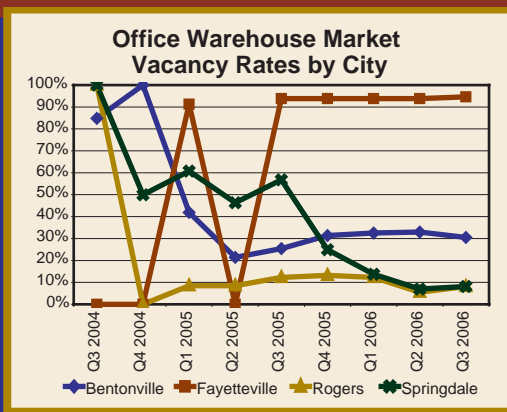
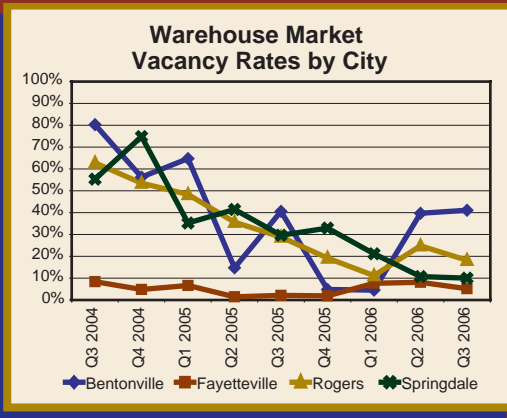


Net Absorption by Submarket September 2005 - August 2006

| | Submarket | | | |
|--------------------|-----------|---------------|----------|-----------|
| | Office | Office/Retail | Retail | Warehouse |
| Bella Vista | 550 | -23,583 | -3,000 | 0 |
| Bentonville | 21,422 | -35,637 | -9,770 | -104,550 |
| Fayetteville | 15,976 | -97,519 | -9,181 | 21,000 |
| Lowell | 5,050 | -2,210 | -1,866 | -3,750 |
| Rogers | -170,412 | -83,290 | -124,388 | 39,594 |
| Siloam Springs | 2,550 | 7,400 | -1,599 | 0 |
| Springdale | -1,436 | -22,566 | -10,472 | 71,625 |
| Northwest Arkansas | -126,300 | -257,405 | -160,276 | 23,919 |

**Northwest Arkansas
Available Square Footage**



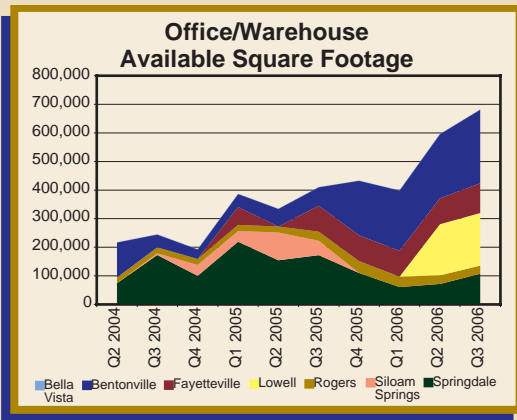
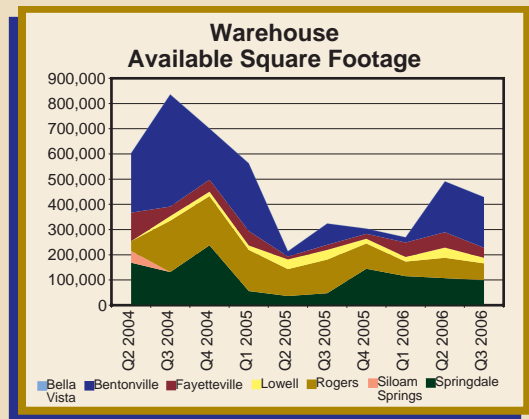
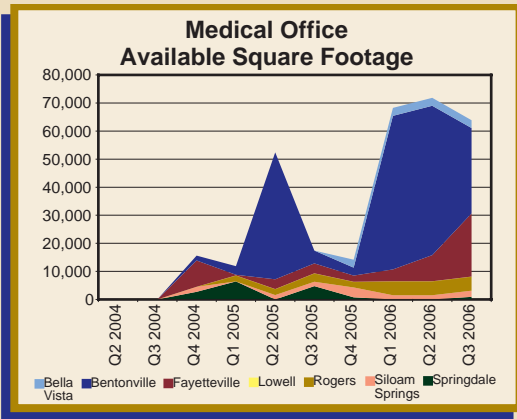
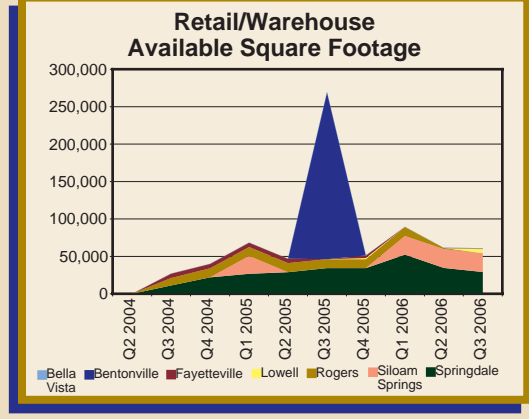
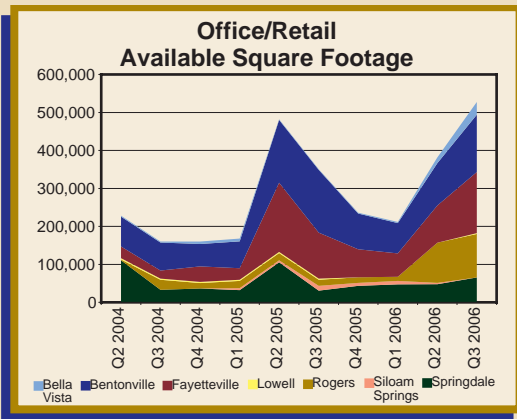
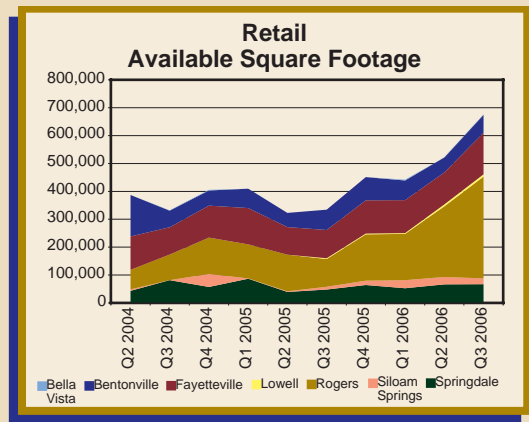
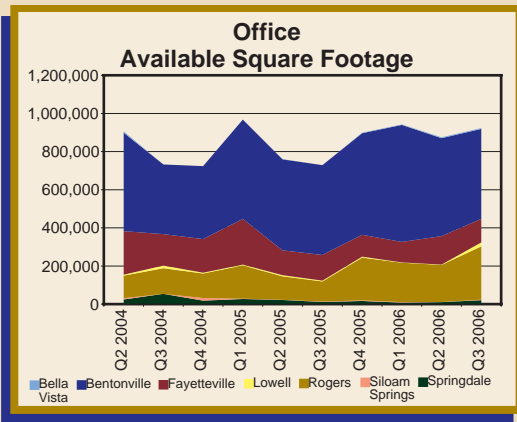


Over the past twelve months, in the office submarket, negative net absorption in Rogers dwarfed positive net absorption in the other cities in Northwest Arkansas. Indeed, Rogers had negative net absorption of office space in the third quarter of 2006 that was roughly equivalent to the twelve month net for the region. Available office square footage in Northwest Arkansas grew by about 194,000 square feet from the third quarter of 2005 to the third quarter of 2006. This was primarily due to increases in available office space in Rogers. Fayetteville alone had less available office space in the third quarter of 2006 than they had in the third quarter of 2005. Over the past year 713,733 square feet of new office space became available for the first time. In the third quarter of 2006, Northwest Arkansas had 923,163 square feet of office space available for lease, up from 729,200 square feet in the third quarter of 2005. The overall Northwest Arkansas office vacancy rate has fallen from 15.8 percent to 15.2 percent in the same time period. However, the vacancy rates in the Rogers office market are much higher at 20.3 percent, up from 9.9 percent a year ago.

The office/retail market experienced negative net absorption of 257,405 square feet during the past twelve months. The majority of negative net absorption was in Rogers and Fayetteville. New square footage totaling 469,213 was added to the market during the same time period. In the third quarter of 2006, 527,719 square feet of office/retail space were available. This space was primarily located in Bentonville, Fayetteville, and Rogers.

The retail market also has experienced negative net absorption in the past twelve months. Although 78 percent of the negative net absorption has been in Rogers, each city in Northwest Arkansas has experienced some degree of negative net absorption in the retail submarket over the past year. There were 1,204,159 new square feet of retail space added to the Northwest Arkansas market during the past twelve months-of that amount, only about 100,000 square feet were located in cities other than Rogers. In the third quarter of 2006, a total of 674,210 square feet of space were available in Northwest Arkansas, up from 334,507 square feet at the same time in the prior year.

The Northwest Arkansas warehouse market experienced positive net absorption of 23,919 square feet from the third quarter of 2005 to the third quarter of 2006. Vacancy rates declined from 17.6 percent to 12.4 percent, while the number of available square feet rose from 324,287 to 429,142. A total of 87,000 square feet of new warehouse space were added to the Northwest Arkansas market during that time. Bentonville and Lowell were the only cities that experienced negative net absorption since the third quarter of last year in the warehouse submarket.



Vacancy Rates by Submarket

Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | 17.2% | 21.9% | 13.7% | 4.3% | 9.9% | -- | 3.7% | 15.8% |
| Q4 2005 | 20.4% | 22.3% | 9.0% | 4.2% | 16.2% | 7.0% | 4.2% | 16.0% |
| Q1 2006 | 20.4% | 24.1% | 8.6% | 1.3% | 16.4% | 3.3% | 2.2% | 16.7% |
| Q2 2006 | 35.5% | 20.0% | 10.9% | 1.8% | 14.0% | 1.9% | 2.6% | 14.8% |
| Q3 2006 | 35.5% | 17.8% | 9.0% | 12.5% | 20.3% | 2.7% | 5.0% | 15.2% |

Medical Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 34.3% | 1.8% | -- | 13.7% | 4.1% | 16.8% | 5.8% |
| Q4 2005 | 34.6% | 24.6% | 1.1% | -- | 9.0% | 7.0% | 1.6% | 4.2% |
| Q1 2006 | 34.6% | 60.2% | 2.0% | -- | 22.5% | 2.1% | 0.0% | 15.3% |
| Q2 2006 | 34.6% | 53.9% | 4.3% | -- | 22.5% | 2.1% | 10.3% | 15.1% |
| Q3 2006 | 34.6% | 27.9% | 8.5% | -- | 22.6% | 3.1% | 1.6% | 16.1% |

Office/Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | 2.9% | 27.6% | 17.3% | 16.7% | 6.8% | 13.5% | 10.3% | 17.6% |
| Q4 2005 | 3.2% | 17.1% | 11.8% | 0.0% | 8.4% | 15.8% | 14.1% | 13.4% |
| Q1 2006 | 4.2% | 14.2% | 9.2% | 0.0% | 6.4% | 17.7% | 14.4% | 11.3% |
| Q2 2006 | 6.4% | 18.5% | 13.3% | 0.0% | 31.0% | 7.1% | 12.8% | 14.9% |
| Q3 2006 | 12.9% | 23.0% | 16.8% | 13.9% | 19.4% | 0.0% | 16.4% | 18.2% |

Office/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 25.4% | 93.8% | -- | 12.3% | 44.9% | 56.8% | 39.9% |
| Q4 2005 | -- | 31.4% | 93.8% | -- | 13.2% | 0.0% | 24.9% | 27.5% |
| Q1 2006 | -- | 32.5% | 93.8% | -- | 12.3% | 0.0% | 13.7% | 20.1% |
| Q2 2006 | -- | 33.0% | 93.8% | 100.0% | 5.5% | 0.0% | 7.0% | 24.5% |
| Q3 2006 | -- | 30.5% | 94.6% | 94.7% | 8.1% | 0.0% | 8.1% | 23.2% |

Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | 0.0% | 21.2% | 6.1% | 7.8% | 13.8% | 4.9% | 6.2% | 8.7% |
| Q4 2005 | 0.0% | 20.1% | 6.5% | 4.7% | 15.1% | 6.0% | 7.8% | 9.9% |
| Q1 2006 | 3.9% | 18.6% | 5.7% | 4.7% | 12.8% | 10.6% | 6.8% | 9.0% |
| Q2 2006 | 0.0% | 16.8% | 5.6% | 10.9% | 17.2% | 8.8% | 4.9% | 9.3% |
| Q3 2006 | 0.0% | 17.2% | 6.3% | 10.4% | 14.6% | 6.7% | 5.0% | 9.7% |

Retail/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 95.7% | 0.0% | -- | 60.0% | -- | 28.3% | 70.3% |
| Q4 2005 | -- | 0.0% | 20.0% | 7.5% | 60.0% | -- | 28.3% | 25.7% |
| Q1 2006 | -- | 0.0% | 0.0% | 0.0% | 60.0% | 100.0% | 34.8% | 33.0% |
| Q2 2006 | -- | 0.0% | 0.0% | 0.0% | 9.3% | 100.0% | 13.2% | 18.1% |
| Q3 2006 | -- | 0.0% | 0.0% | 55.2% | 0.0% | 100.0% | 11.1% | 16.5% |

Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 40.6% | 2.1% | 100.0% | 28.8% | -- | 29.6% | 17.6% |
| Q4 2005 | -- | 4.8% | 1.9% | 63.9% | 19.2% | -- | 32.9% | 12.4% |
| Q1 2006 | -- | 4.5% | 7.7% | 63.9% | 11.2% | -- | 21.2% | 11.7% |
| Q2 2006 | 0.0% | 39.7% | 8.1% | 79.6% | 24.8% | -- | 10.7% | 18.5% |
| Q3 2006 | 0.0% | 41.1% | 5.2% | 43.5% | 18.2% | -- | 10.0% | 16.0% |

Net Absorption by Submarket

Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|----------|----------------|------------|-------------|
| Q3 2005 | 0 | 953 | 34,170 | 896 | -21,566 | -- | 5,989 | 20,442 |
| Q4 2005 | 550 | 10,860 | 4,968 | 50 | -88,559 | -- | 1,900 | -70,231 |
| Q1 2006 | 0 | -77,447 | 3,891 | 3,500 | 17,275 | 2,050 | 8,601 | -42,130 |
| Q2 2006 | 0 | 51,815 | -25,444 | 1,500 | 29,386 | 1,200 | 887 | 59,344 |
| Q3 2006 | 0 | 36,194 | 32,561 | 0 | -128,514 | -700 | -12,824 | -73,283 |

Medical Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | -2,850 | 0 | -- | -898 | 0 | 3,534 | -214 |
| Q4 2005 | 0 | 0 | 1,300 | -- | 1,048 | -2,017 | 4,000 | 4,331 |
| Q1 2006 | 0 | -43,500 | 511 | -- | -3,000 | 2,050 | 750 | -43,189 |
| Q2 2006 | 0 | 1,510 | -804 | -- | 0 | 0 | 0 | 706 |
| Q3 2006 | 0 | 19,400 | -4,600 | -- | -32 | -700 | -900 | 13,168 |

Office/Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | 212 | -6,323 | 16,746 | 0 | 2,900 | -5,000 | 11,179 | 19,714 |
| Q4 2005 | 700 | 3,581 | -31,648 | 0 | -10,299 | -600 | -12,380 | -50,646 |
| Q1 2006 | -728 | 14,408 | 3,218 | 0 | 3,500 | -1,000 | -3,846 | 15,552 |
| Q2 2006 | -4,980 | -24,143 | -31,287 | 0 | -70,020 | 5,400 | -568 | -125,598 |
| Q3 2006 | -18,575 | -29,483 | -37,802 | -2,210 | -6,471 | 3,600 | -5,772 | -96,713 |

Office/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | -- | -14,400 | 27,360 | -- | -10,872 | 0 | -18,000 | -15,912 |
| Q4 2005 | -- | 199,300 | 0 | -- | 0 | 50,507 | -39,959 | 209,848 |
| Q1 2006 | -- | -16,528 | 0 | -- | 2,000 | 0 | 49,170 | 34,642 |
| Q2 2006 | -- | -8,935 | 0 | 0 | 14,412 | 0 | 11,900 | 17,377 |
| Q3 2006 | -- | -32,750 | 0 | -4,720 | 1,470 | 0 | 7,900 | -28,100 |

Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|----------|----------------|------------|-------------|
| Q3 2005 | 0 | 90 | 5,857 | -2,809 | 2,616 | -10,000 | 10,600 | 6,354 |
| Q4 2005 | 0 | -15,293 | 10,794 | 3,200 | -66,311 | -275 | 2,600 | -65,285 |
| Q1 2006 | -3,000 | 2,854 | 15,424 | 0 | 21,217 | -12,480 | 13,010 | 37,025 |
| Q2 2006 | 0 | 11,336 | 1,775 | -3,750 | 27,247 | 4,080 | -13,948 | 26,740 |
| Q3 2006 | 0 | -8,667 | -37,174 | -1,316 | -106,541 | 7,076 | -12,134 | -158,756 |

Retail/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 0 | 5,900 | -- | 0 | -- | -5,304 | 596 |
| Q4 2005 | -- | 20,560 | 0 | 18,500 | 0 | -- | 0 | 39,060 |
| Q1 2006 | -- | 0 | 3,600 | 1,500 | 0 | 0 | -7,500 | -2,400 |
| Q2 2006 | -- | 0 | 0 | 0 | 0 | 0 | 42,640 | 42,640 |
| Q3 2006 | -- | 0 | 0 | -6,200 | 1,500 | 0 | 16,520 | 11,820 |

Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|---------|---------|----------------|------------|-------------|
| Q3 2005 | -- | -10,200 | 12,000 | -400 | 0 | -- | 0 | 1,400 |
| Q4 2005 | -- | 64,150 | 0 | 0 | 16,800 | -- | 20,925 | 101,875 |
| Q1 2006 | -- | 11,900 | 0 | 0 | 42,622 | -- | 43,350 | 97,872 |
| Q2 2006 | 0 | -180,600 | -500 | -22,150 | -34,940 | -- | 0 | -238,190 |
| Q3 2006 | 0 | 0 | 21,500 | 18,400 | 15,112 | -- | 7,350 | 62,362 |

Available Square Footage by Submarket

Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | 550 | 470,913 | 134,189 | 5,050 | 105,888 | 1,533 | 11,077 | 729,200 |
| Q4 2005 | 2,800 | 532,409 | 115,007 | 5,000 | 223,920 | 3,550 | 16,427 | 899,113 |
| Q1 2006 | 2,800 | 613,063 | 107,584 | 1,500 | 206,645 | 2,700 | 7,826 | 942,118 |
| Q2 2006 | 4,100 | 513,663 | 149,239 | 2,250 | 193,635 | 1,500 | 10,188 | 874,575 |
| Q3 2006 | 4,100 | 472,317 | 122,930 | 21,088 | 279,661 | 2,200 | 20,867 | 923,163 |

Medical Office

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 4,571 | 3,507 | -- | 3,048 | 1,533 | 4,750 | 17,409 |
| Q4 2005 | 2,800 | 2,850 | 2,207 | -- | 2,000 | 3,550 | 750 | 14,157 |
| Q1 2006 | 2,800 | 54,734 | 4,196 | -- | 5,000 | 1,500 | 0 | 68,230 |
| Q2 2006 | 2,800 | 53,224 | 9,300 | -- | 5,000 | 1,500 | 0 | 71,824 |
| Q3 2006 | 2,800 | 30,440 | 22,501 | -- | 5,032 | 2,200 | 900 | 63,873 |

Office/Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | 1,604 | 165,245 | 121,058 | 3,200 | 15,880 | 12,525 | 30,958 | 350,470 |
| Q4 2005 | 2,464 | 93,852 | 73,873 | 0 | 14,679 | 8,000 | 43,338 | 236,206 |
| Q1 2006 | 3,192 | 79,535 | 61,651 | 0 | 11,179 | 9,000 | 47,184 | 211,741 |
| Q2 2006 | 15,172 | 111,559 | 98,138 | 0 | 105,539 | 3,600 | 47,752 | 381,760 |
| Q3 2006 | 33,747 | 150,678 | 160,931 | 2,210 | 114,829 | 0 | 65,324 | 527,719 |

Office/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|---------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 65,000 | 90,326 | -- | 31,872 | 50,500 | 172,350 | 410,048 |
| Q4 2005 | -- | 191,100 | 90,326 | -- | 41,736 | 0 | 109,809 | 432,971 |
| Q1 2006 | -- | 210,628 | 90,326 | -- | 36,736 | 0 | 60,639 | 398,329 |
| Q2 2006 | -- | 224,863 | 90,326 | 179,000 | 30,084 | 0 | 71,706 | 595,979 |
| Q3 2006 | -- | 257,613 | 104,326 | 183,720 | 28,614 | 0 | 107,306 | 681,579 |

Retail

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | 0 | 73,261 | 101,008 | 2,809 | 99,682 | 10,000 | 47,747 | 334,507 |
| Q4 2005 | 0 | 83,681 | 119,069 | 2,809 | 165,993 | 15,400 | 64,472 | 451,424 |
| Q1 2006 | 3,000 | 70,827 | 117,645 | 2,809 | 166,264 | 29,080 | 52,462 | 442,087 |
| Q2 2006 | 0 | 53,766 | 114,870 | 6,559 | 253,829 | 26,500 | 66,410 | 521,934 |
| Q3 2006 | 0 | 64,033 | 149,244 | 7,875 | 365,370 | 20,354 | 67,334 | 674,210 |

Retail/Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|--------|----------------|------------|-------------|
| Q3 2005 | -- | 222,960 | 0 | -- | 12,000 | -- | 34,200 | 269,160 |
| Q4 2005 | -- | 0 | 3,600 | 1,500 | 12,000 | -- | 34,200 | 51,300 |
| Q1 2006 | -- | 0 | 0 | 0 | 12,000 | 25,100 | 52,200 | 89,300 |
| Q2 2006 | -- | 0 | 0 | 0 | 1,500 | 25,110 | 34,560 | 61,170 |
| Q3 2006 | -- | 0 | 0 | 6,200 | 0 | 25,110 | 29,100 | 60,410 |

Warehouse

| | Bella Vista | Bentonville | Fayetteville | Lowell | Rogers | Siloam Springs | Springdale | NW Arkansas |
|---------|-------------|-------------|--------------|--------|---------|----------------|------------|-------------|
| Q3 2005 | -- | 84,750 | 20,000 | 38,400 | 133,662 | -- | 47,475 | 324,287 |
| Q4 2005 | -- | 20,600 | 20,000 | 18,400 | 100,311 | -- | 144,650 | 303,961 |
| Q1 2006 | -- | 20,700 | 57,000 | 18,400 | 57,689 | -- | 115,300 | 269,089 |
| Q2 2006 | 0 | 201,300 | 61,000 | 40,550 | 80,854 | -- | 107,300 | 491,004 |
| Q3 2006 | 0 | 201,300 | 40,000 | 22,150 | 65,742 | -- | 99,950 | 429,142 |



Office Lease Rates

Average Range by City

| | Class A | Class B | Class C | Medical |
|--------------|-------------------|-------------------|-------------------|-------------------|
| Bentonville | \$17.81 - \$18.41 | \$14.30 - \$14.82 | \$6.82 - \$6.82 | \$16.55 - \$16.75 |
| Fayetteville | \$18.79 - \$21.05 | \$13.05 - \$14.42 | \$9.54 - \$10.18 | \$12.35 - \$12.92 |
| Rogers | \$18.72 - \$20.28 | \$12.65 - \$13.65 | \$10.21 - \$10.21 | \$15.00 - \$15.00 |
| Springdale | \$10.40 - \$15.38 | \$13.03 - \$14.82 | \$11.06 - \$11.06 | \$10.78 - \$11.78 |

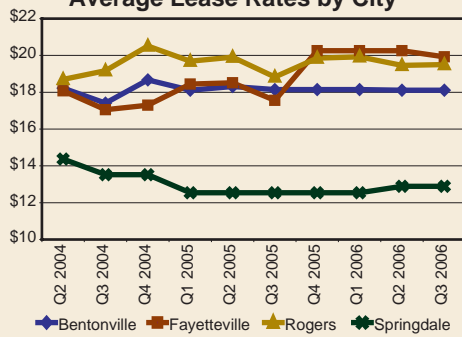
Office

In the third quarter of 2006, the office properties included in the Skyline Report panel had a vacancy rate of 15.2 percent, up from 14.8 percent in the second quarter of 2006. Of the 6.1 million square feet of Northwest Arkansas properties examined, 923,163 square feet are currently available. This is up from 874,575 available square feet of office space in the second quarter of 2006. From the second quarter to the third quarter of 2006, 315,915 square feet of new office space entered the market, while 242,632 square feet of space were absorbed, yielding negative net absorption of 73,283.

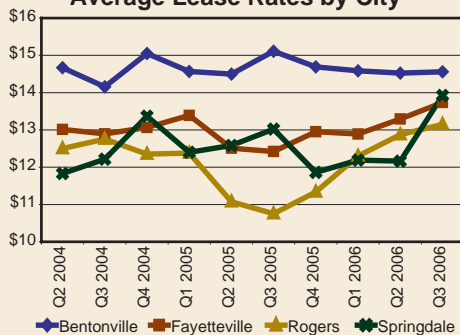
Of the 923,163 square feet of available office space in Northwest Arkansas, about 51 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 27.5 percent of the unoccupied office space in Bentonville, down from 30 percent in the previous quarter. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is even more square footage sitting vacant in the Class B market. In the third quarter, 153,740 square feet of office space became occupied, while an additional 117,546 square feet of office space entered the market, for a positive net absorption of 36,194 square feet.

While Bentonville had over 472,000 square feet of available office space, Rogers had almost 280,000 square feet available. In the Rogers office submarket, Class A accounted for almost 77.8 percent of all available space while Class B

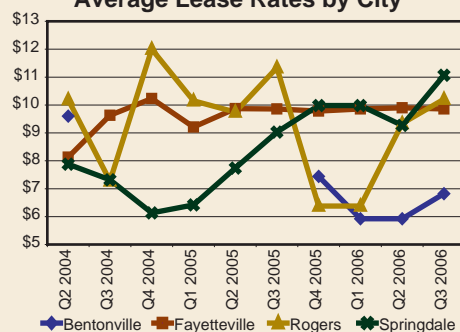
**Class A Office
Average Lease Rates by City**



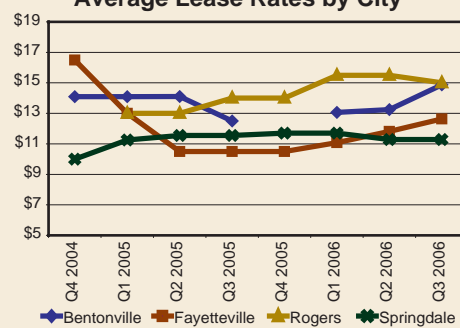
**Class B Office
Average Lease Rates by City**



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



**Medical Office
Average Lease Rates by City**



accounted for 19.9 percent and Class C and medical space split the remainder. There was negative net absorption of 128,514 square feet in the third quarter of 2006. Class A and B space experienced negative net absorption, with the addition of almost 175,000 square feet of office space. There was limited activity in the medical office submarket in Rogers during the same time period.

Fayetteville had 122,930 square feet of available office space in the third quarter of 2006. About 81 percent of the available office space in Fayetteville was in the Class B submarket, while Class B space accounted for just over 30 percent and the remainder was in the medical office market. From the second quarter to the third quarter of 2006, there was positive net absorption of 5,350 square feet in the Class A office submarket. In the Class B office submarket, 27,611 square feet of space became occupied and in the Class C office submarket 4,200 square feet became occupied. The medical office submarket experienced negative absorption of 4,600 square feet. No new office space was added to the Fayetteville submarket in the third quarter.

The Springdale office market had only 20,867 square feet of available space in the third quarter. A total of 10,645 square feet became occupied in the Class B submarket, while 23,569 square feet were added to the market, netting negative absorption of 12,924. The medical office space submarket had negative net absorption of 900 square feet, almost offsetting the 1,000 square feet of positive absorption in the Class C market.

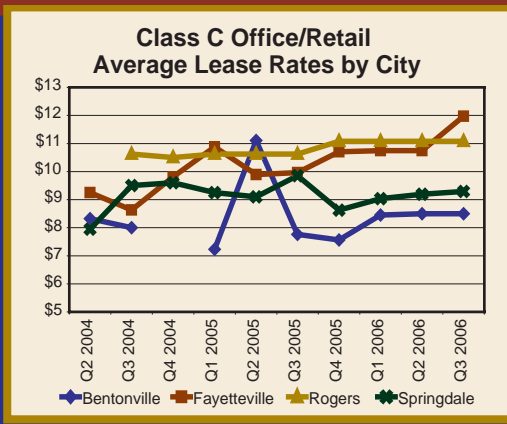
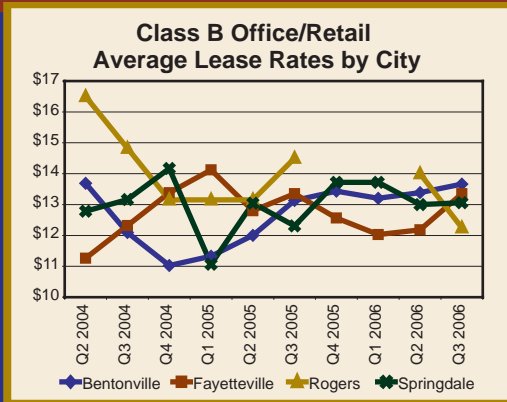
Office lease rates were highest, on average, for Class A office space in Fayetteville and Rogers, averaging about \$20 per square foot. Class A space average lease rates remained nearly constant in Bentonville and Springdale in the third quarter. Class B office space was most expensive in Bentonville and least expensive on average in Rogers. Average Class B office lease rates

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 | 399,076 | 162,257 | 40.7% | 21,506 | 0 | 21,506 | 22.6 |
| Fayetteville | 165,043 | 37,464 | 22.7% | 5,350 | 0 | 5,350 | 21.0 |
| Rogers | 899,073 | 217,523 | 24.2% | 44,038 | 146,800 | -102,762 | -- |
| 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 | 2,134,491 | 277,299 | 13.0% | 104,744 | 107,135 | -2,391 | -- |
| Fayetteville | 816,167 | 62,965 | 7.7% | 27,611 | 0 | 27,611 | 6.8 |
| Rogers | 392,863 | 55,688 | 14.2% | 48 | 28,000 | -27,952 | -- |
| Springdale | 178,519 | 33,984 | 19.0% | 6,628 | 12,600 | -5,972 | -- |
| 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 | 9,571 | 2,321 | 24.3% | -2,321 | 0 | -2,321 | -- |
| Fayetteville | 121,946 | 0 | 0.0% | 4,200 | 0 | 4,200 | 0.0 |
| Rogers | 60,101 | 1,418 | 2.4% | 2,232 | 0 | 2,232 | 1.9 |
| Springdale | 220,398 | 31,340 | 14.2% | 200 | 0 | 200 | 470.1 |
| 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 | 109,198 | 30,440 | 27.9% | 29,811 | 10,411 | 19,400 | 4.7 |
| Fayetteville | 265,747 | 22,501 | 8.5% | -4,600 | 0 | -4,600 | -- |
| Rogers | 22,265 | 5,032 | 22.6% | -32 | 0 | -32 | -- |
| Springdale | 1,318,135 | 107,306 | 8.1% | 15,100 | 7,200 | 7,900 | 40.7 |

¹From all Q3 2006 respondents

²From Q3 2006 respondents who were also Q2 2006 respondents



Office/Retail Lease Rates

| | Average Range by City | |
|--------------|-----------------------|-------------------|
| | Class B | Class C |
| Bentonville | \$12.87 - \$14.46 | \$8.22 - \$8.77 |
| Fayetteville | \$12.79 - \$13.91 | \$10.03 - \$11.67 |
| Rogers | \$12.25 - \$12.25 | \$9.33 - \$12.83 |
| Springdale | \$12.12 - \$14.00 | \$8.28 - \$10.30 |

increased sharply in Springdale and moderately in Fayetteville and Rogers. In the third quarter, reported average lease rates for Class C office space in Springdale, Rogers, and Bentonville increased. Reported average medical office space lease rates increased in Fayetteville and were fairly constant elsewhere during the quarter.

Office/Retail

In the third quarter of 2006, the office/retail properties included in the CBER sample had a vacancy rate of 18.0 percent, up from 14.9 percent in the second quarter. Of the 2.9 million square feet of Northwest Arkansas properties examined, 527,719 square feet were available. From the second quarter to the third quarter of 2006, 197,339 new square feet of office/retail space were added to the market, while 100,626 square feet of space became occupied. This yielded a negative net absorption of 96,713 square feet.

The majority of the new office/retail space and the absorption of office/retail space occurred in the Fayetteville Class A and Class B submarkets. The rest of the new available square footage was located in the Class B submarket in Bentonville, Springdale, and Rogers. Each of these cities did experience positive absorption, but the addition of new space meant that net absorption was negative. In the Class C office/retail submarket, only Springdale experienced negative net absorption.

Fayetteville and Bentonville had the largest amount of available square feet in the office/retail submarket with 160,931 and 150,678 square feet available, respectively. This translated to vacancy rates of 16.8 and 23.0 percents. Rogers had a fair amount of available office/retail space available

as well with 114,829 square feet and 19.4 percent vacancy. Springdale had reported available office/retail square footage of 65,324 with a 16.4 percent vacancy rate.

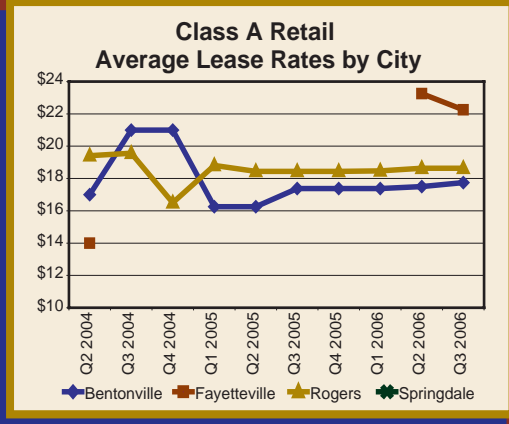
Office/retail space average reported lease rates did not change much in the third quarter. There was a noticeable increase in average reported Class B rates in Fayetteville and a noticeable decline in average Class B rates in Rogers. Fayetteville also experienced a reported average increase in Class C rates, while the other cities had constant average lease rates in that submarket.

Office/Retail Space Characteristics by Class and City

| Class A 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 | 38,910 | 8,325 | 21.4% | 0 | 0 | 0 | -- |
| Fayetteville | 86,000 | 34,000 | 39.5% | 40,000 | 74,000 | -34,000 | -- |
| Rogers | 129,316 | 69,670 | 53.9% | 0 | 0 | 0 | -- |
| Springdale | -- | -- | -- | -- | -- | -- | -- |
| 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 | 523,169 | 132,783 | 25.4% | 7,786 | 38,869 | -31,083 | -- |
| Fayetteville | 657,858 | 90,635 | 13.8% | 26,548 | 32,870 | -6,322 | -- |
| Rogers | 77,012 | 34,259 | 44.5% | 10,000 | 14,000 | -4,000 | -- |
| Springdale | 178,519 | 33,984 | 19.0% | 6,628 | 12,600 | -5,972 | -- |
| 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 | 91,849 | 9,570 | 10.4% | 1,600 | 0 | 1,600 | 17.9 |
| Fayetteville | 212,222 | 36,296 | 17.1% | 2,520 | 0 | 2,520 | 43.2 |
| Rogers | 176,506 | 10,900 | 6.2% | -2,471 | 0 | -2,471 | -- |
| Springdale | 220,398 | 31,340 | 14.2% | 200 | 0 | 200 | 470.1 |

¹From all Q3 2006 respondents

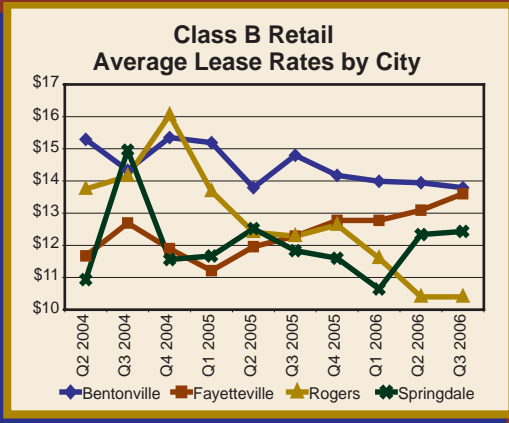
²From Q3 2006 respondents who were also Q2 2006 respondents



Retail Lease Rates

Average Range by City

| | Class A | Class B | Class C |
|--------------|-------------------|-------------------|-------------------|
| Bentonville | \$16.00 - \$19.50 | \$13.60 - \$13.98 | \$11.34 - \$11.51 |
| Fayetteville | \$19.75 - \$22.00 | \$12.67 - \$14.53 | \$8.98 - \$10.33 |
| Rogers | \$18.20 - \$18.68 | \$9.99 - \$10.81 | \$8.42 - \$9.42 |
| Springdale | - | \$11.30 - \$13.56 | \$7.16 - \$7.66 |

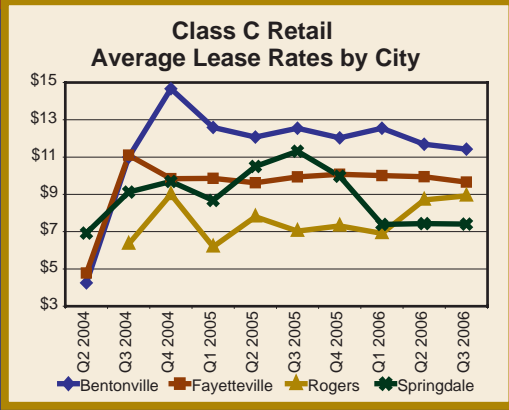


Retail

In the third quarter of 2006, the retail properties included in the CBER panel had a vacancy rate of 9.7 percent, which was up from the 9.3 percent reported in the second quarter of 2006. Of the 6.9 million square feet of Northwest Arkansas retail properties examined, 674,210 square feet were available. From the second quarter to the third quarter of 2006, there was a positive absorption of 836,824 square feet of retail space, with 1,003,566 square feet of new retail space coming on the market (almost all at the Pinnacle Promenade), netting negative absorption of 166,742 square feet.

Bentonville had 373,126 total square feet and 64,033 available square feet of retail space in the third quarter, resulting in a vacancy rate of 17.2 percent. This represented an increase from the rate of 16.8 percent in the second quarter of 2006. A total of 667 square feet became available in the Bentonville retail market, while 8,000 square feet of new space entered the market, yielding negative net absorption of 8,667 square feet.

In the third quarter of 2006, Fayetteville had a retail vacancy rate of 6.3 percent, up from 5.6 percent in the second quarter, with 149,244 available square feet out of a total of 2,356,053. There was reported positive absorption of 16,309 square feet in the Class A retail submarket, reported negative absorption of 2,583 square feet in the Class B submarket, and reported positive absorption of 1,000 square feet in the Class C submarket. A total of 51,900 Class A retail square feet were added during the third quarter in Fayetteville.



The Rogers market had 365,370 square feet of available retail space out of a total of 2.5 million square feet for a vacancy rate of 14.6 percent in the third quarter. This rate was actually a decline from the second quarter rate of 17.2 percent, despite the addition of almost a million square feet to the Rogers submarket. A total of 814,986 square feet were absorbed in the Class A submarket, while 920,000 new square feet were added. In the Class B, submarket, 10,100 square feet became available while 8,573 square feet were absorbed in the Class C retail submarket.

There were 67,334 square feet of available retail space out of a total of 1.3 million square feet in Springdale in the third quarter. This implies a vacancy rate of 5.0 percent, basically unchanged from 4.9 percent in the second quarter of 2006. A total of 7,986 square feet of Class B space was added to the Springdale market in the third quarter. Negative absorption of 15,654 square feet was reported in the Class B submarket and positive absorption of 3,520 square feet was reported in the Class C retail submarket.

Reported average lease rates were mixed. Class A space showed a small decline in average reported lease rates in Fayetteville. For Class B space, lease rates were basically unchanged in Rogers and Springdale and up a little in Bentonville and Fayetteville. Class C reported average lease rates were basically unchanged. No new pricing trends emerged in the retail submarket in the third quarter.



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 | 39,534 | 21,895 | 55.4% | -6,395 | 0 | -6,395 | -- |
| Fayetteville | 1,286,302 | 64,004 | 5.0% | 16,309 | 51,900 | -35,591 | -- |
| Rogers | 1,598,964 | 167,140 | 10.5% | 814,986 | 920,000 | -105,014 | -- |
| 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 | 261,983 | 26,138 | 10.0% | 12,817 | 8,000 | 4,817 | -- |
| Fayetteville | 890,259 | 73,553 | 8.3% | -2,583 | 0 | -2,583 | -- |
| Rogers | 679,015 | 179,880 | 26.5% | -10,100 | 0 | -10,100 | -- |
| Springdale | 1,174,006 | 52,582 | 4.5% | -15,654 | 7,986 | -23,640 | -- |
| 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 | 71,609 | 16,000 | 22.3% | -7,089 | 0 | -7,089 | -- |
| Fayetteville | 179,492 | 11,687 | 6.5% | 1,000 | 0 | 1,000 | 35.1 |
| Rogers | 222,409 | 18,350 | 8.3% | 8,573 | 0 | 8,573 | 6.4 |
| Springdale | 171,720 | 14,752 | 8.6% | 3,520 | 0 | 3,520 | 12.6 |

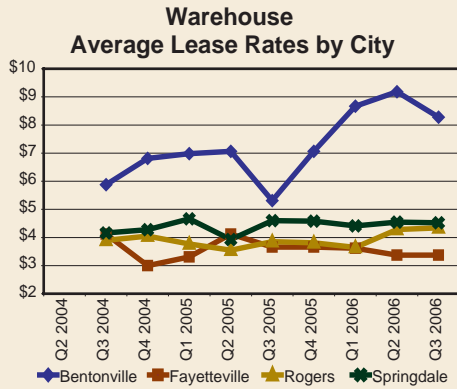
¹From all Q3 2006 respondents

²From Q3 2006 respondents who were also Q2 2006 respondents

Other Lease Rates

Average Range by City

| | Warehouse | Office/ Warehouse | Retail/ Warehouse |
|--------------|-----------------|----------------------|----------------------|
| Bentonville | \$7.79 - \$8.77 | \$10.03 - \$11.88 | \$3.84 - \$5.56 |
| Fayetteville | \$3.37 - \$3.37 | \$5.40 - \$5.80 | \$5.08 - \$5.08 |
| Rogers | \$4.09 - \$4.59 | \$5.66 - \$7.17 | \$6.70 - \$6.70 |
| Springdale | \$3.95 - \$5.09 | \$5.12 - \$8.16 | \$6.15 - \$8.00 |

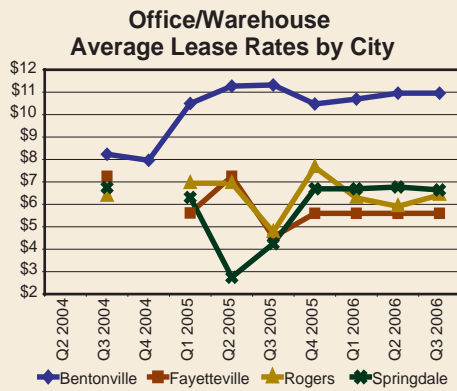


Warehouse

In the third quarter of 2006, the warehouse properties included in the CBER panel had a vacancy rate of 16.0 percent. This was a decline from the second quarter vacancy rate of 18.5 percent and is mostly due to vacancy rates declining in Fayetteville and Rogers. Of the 2.7 million square feet of warehouse space examined, 429,142 square feet were available in the third quarter. No new warehouse space was added to the market in the third quarter.

As in the previous quarter, the majority of available warehouse space was in Bentonville, with over 200,000 square feet. Springdale had almost 100,000 square feet of warehouse space available, and the remainder was split between Fayetteville, Rogers, and Lowell. Reported warehouse vacancy rates declined everywhere except Bentonville in the third quarter.

Bentonville continued to have the most expensive average warehouse lease rates, even with a reported decline of about \$1.00. The average reported warehouse lease rates in Rogers, Fayetteville and Springdale were basically unchanged.

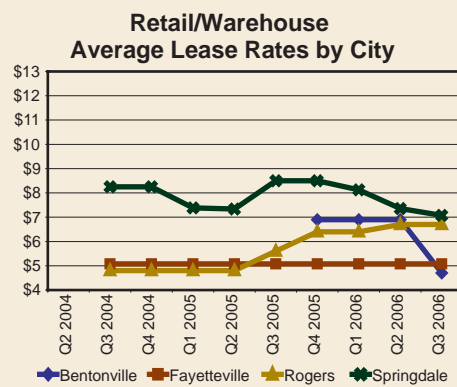


Office/Warehouse

The CBER panelists reported on 2.9 million square feet of office/warehouse space in the third quarter. The vacancy rate in the office/warehouse submarket declined to 23.2 percent in Northwest Arkansas, with 681,579 total square feet available in the third quarter. From the second quarter to the third quarter of 2006, there was positive absorption of 107,540 square feet of office/warehouse space, while 135,640 new square feet came online, netting negative absorption of 28,100. The vacancy rate decline was the result of new properties being added to the Skyline Report sample.

The activity in the office/warehouse submarket in the third quarter was concentrated in Bentonville and Springdale. New space came online in each of the cities. Fayetteville, Lowell and Siloam Springs had no activity. The bulk of available office/warehouse space was in Bentonville and Lowell in the third quarter.

Despite already being significantly higher than the rest of the region, in the third quarter, the office/warehouse average lease rates in Bentonville was



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 | 489,675 | 201,300 | 41.1% | 0 | 0 | 0 | -- |
| Fayetteville | 763,192 | 40,000 | 5.2% | 21,500 | 0 | 21,500 | 5.6 |
| Rogers | 361,580 | 65,742 | 18.2% | 15,112 | 0 | 15,112 | 13.1 |
| Springdale | 1,001,558 | 99,950 | 10.0% | 7,350 | 0 | 7,350 | 40.8 |

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 | 843,666 | 257,613 | 30.5% | 86,250 | 119,000 | -32,750 | -- |
| Fayetteville | 110,326 | 104,326 | 94.6% | 0 | 0 | 0 | -- |
| Rogers | 352,422 | 28,614 | 8.1% | 1,470 | 0 | 1,470 | 58.4 |
| Springdale | 1,318,135 | 107,306 | 8.1% | 15,100 | 7,200 | 7,900 | 41 |

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 | 32,570 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Fayetteville | 18,300 | 0 | 0.0% | 0 | 0 | 0 | 0 |
| Rogers | 16,160 | 0 | 0.0% | -- | -- | -- | 0 |
| Springdale | 261,723 | 29,100 | 11.1% | 16,520 | 0 | 16,520 | 5 |

¹From all Q3 2006 respondents

²From Q3 2006 respondents who were also Q2 2006 respondents

constant. Average reported lease rates for office/warehouse space remained fairly constant in the other cities in Northwest Arkansas during the quarter, as well.

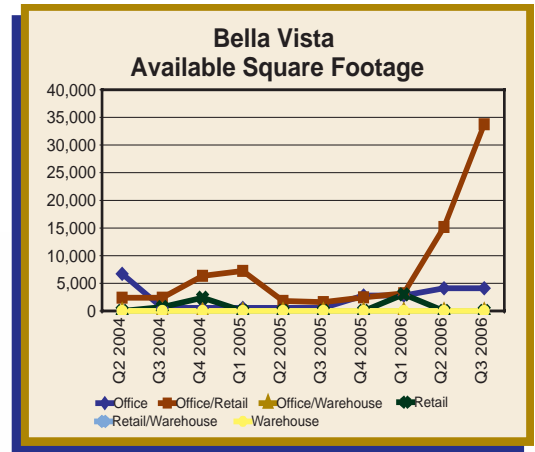
Retail/Warehouse

The CBER panelists reported on 365,103 square feet of retail/warehouse space in the third quarter of 2006. The vacancy rate in the retail/warehouse submarket declined from 18.1 percent in the second quarter to 16.5 percent in the third quarter in Northwest Arkansas, with 60,410 total square feet available in the third quarter. From the second quarter to the third quarter of 2006, there was positive absorption of 11,820 square feet of retail/warehouse space, while no new square feet came online. The entire absorption amount was concentrated in Springdale, with Lowell having negative net absorption and no activity in the other Northwest Arkansas markets. Springdale and Siloam Springs have the bulk of available retail/warehouse space in Northwest Arkansas. The Northwest Arkansas vacancy rate decline was the result of positive net absorption during the quarter.

The retail/warehouse lease rates in Springdale declined a bit, coming more in line with the average reported rates in the other cities in Northwest Arkansas. Average reported lease rates also declined in Bentonville and remained constant in Rogers and Fayetteville.

Bella Vista

- Bella Vista had 323,538 square feet of competitive commercial space in the third quarter of 2006.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 311,678 square feet of commercial space in the third quarter of 2006. This represents 96.3 percent of the commercial space in Bella Vista.
- In the third quarter of 2006, Bella Vista experienced negative net absorption of 18,575 square feet in the office/retail submarket and no activity in other submarkets.
- Reported vacancy rates increased in the office/retail submarkets and were unchanged in other submarkets in Bella Vista from the second quarter to the third quarter of 2006 due to reported vacancies.
- Reported average lease rates were unchanged in Bella Vista in the third quarter of 2006.



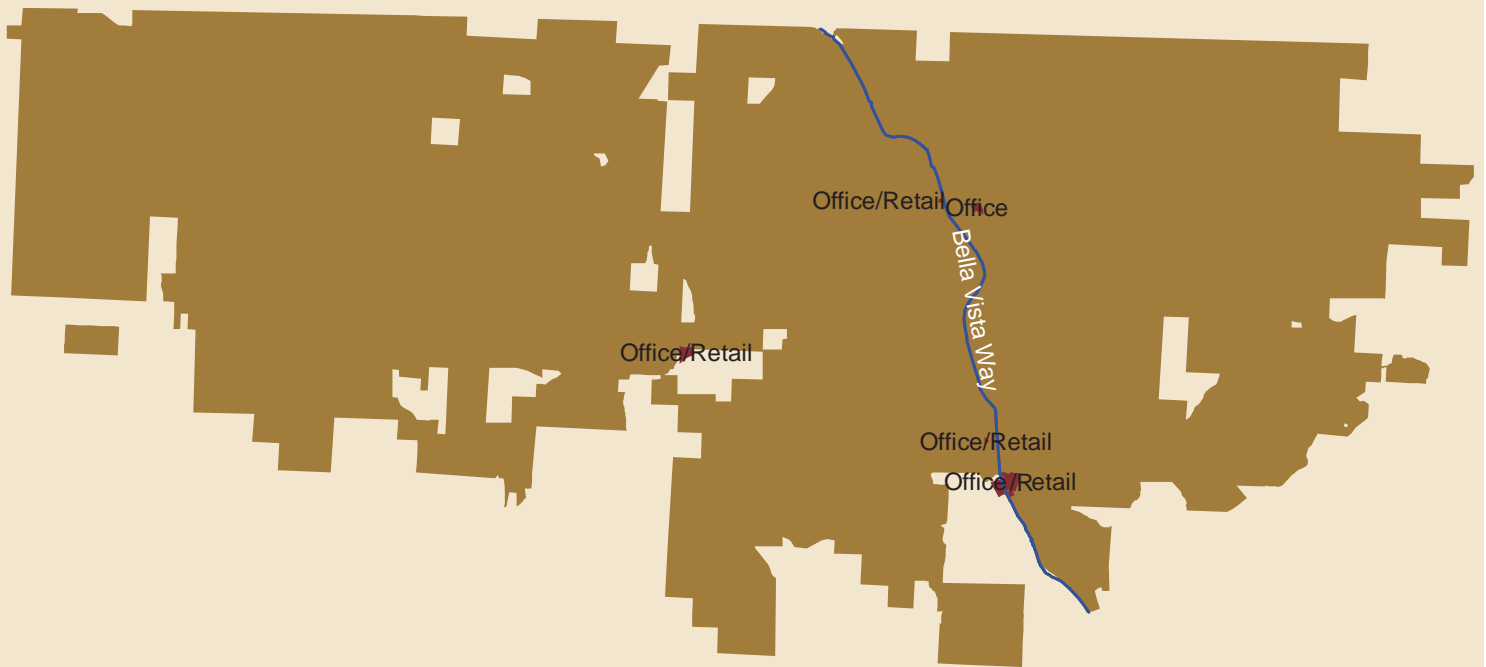
Bella Vista Commercial Real Estate Market Summary Statistics

| | 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 | \$13.43 - \$13.93 | 11,554 | 4,100 | 35.5% | 0 | 0 | 0 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$13.85 - \$13.85 | 3,450 | 1,300 | 37.7% | 0 | 0 | 0 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Medical | \$13.00 - \$14.00 | 8,104 | 2,800 | 34.6% | 0 | 0 | 0 | -- |
| Office/Retail | \$8.78 - \$11.30 | 260,638 | 33,747 | 12.9% | 6,425 | 25,000 | -18,575 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$8.78 - \$11.30 | 260,638 | 33,747 | 12.9% | 6,425 | 25,000 | -18,575 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Office/Warehouse | -- | -- | -- | -- | -- | -- | -- | -- |
| Retail | \$3.46 - \$3.46 | 21,000 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$3.46 - \$3.46 | 21,000 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Retail/Warehouse | -- | -- | -- | -- | -- | -- | -- | -- |
| Warehouse | \$1.00 - \$2.70 | 18,486 | 0 | 0.0% | 0 | 0 | 0 | -- |

¹From all Q3 2006 respondents

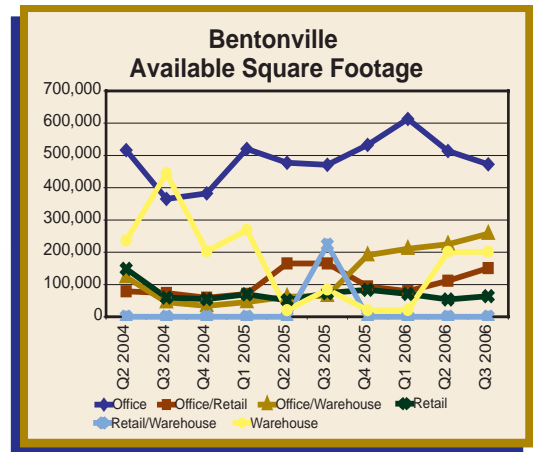
²From Q3 2006 respondents who were also Q2 2006 respondents

Bella Vista Commercial Properties



Bentonville

- Bentonville had 5,033,114 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Bentonville issued building permits for 577,875 square feet of new commercial space, valued at a total of \$21,014,259.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,055,621 8 square feet of commercial space in the third quarter of 2006. This represents over 100 percent of the commercial space in Bentonville in the Benton County Assessor's database.
- In the third quarter of 2006, Bentonville experienced positive net absorption in the office and office/retail submarkets and negative net absorption in the retail and office/warehouse submarkets. There was no reported activity in the retail/warehouse and warehouse submarkets.
- Within the office market, 117,596 square feet of space came online. Despite the additional space, there was positive net absorption overall.
- The retail submarket had negative net absorption of 8,667 square feet in Class A space and 6,935 square feet in Class B space with positive absorption of 4,817 square feet in the Class C retail submarket.
- Reported vacancy rates declined in the office and office/warehouse submarkets from the second quarter to the third quarter of 2006 and increased in the retail and warehouse submarkets.
- Average reported lease rates for Class B office space were basically unchanged during the third quarter. Average reported lease rates for Class B office/retail space increased slightly, while average reported lease rates for Class B retail space declined slightly. Average reported lease rates for warehouse space declined in the third quarter of 2006.



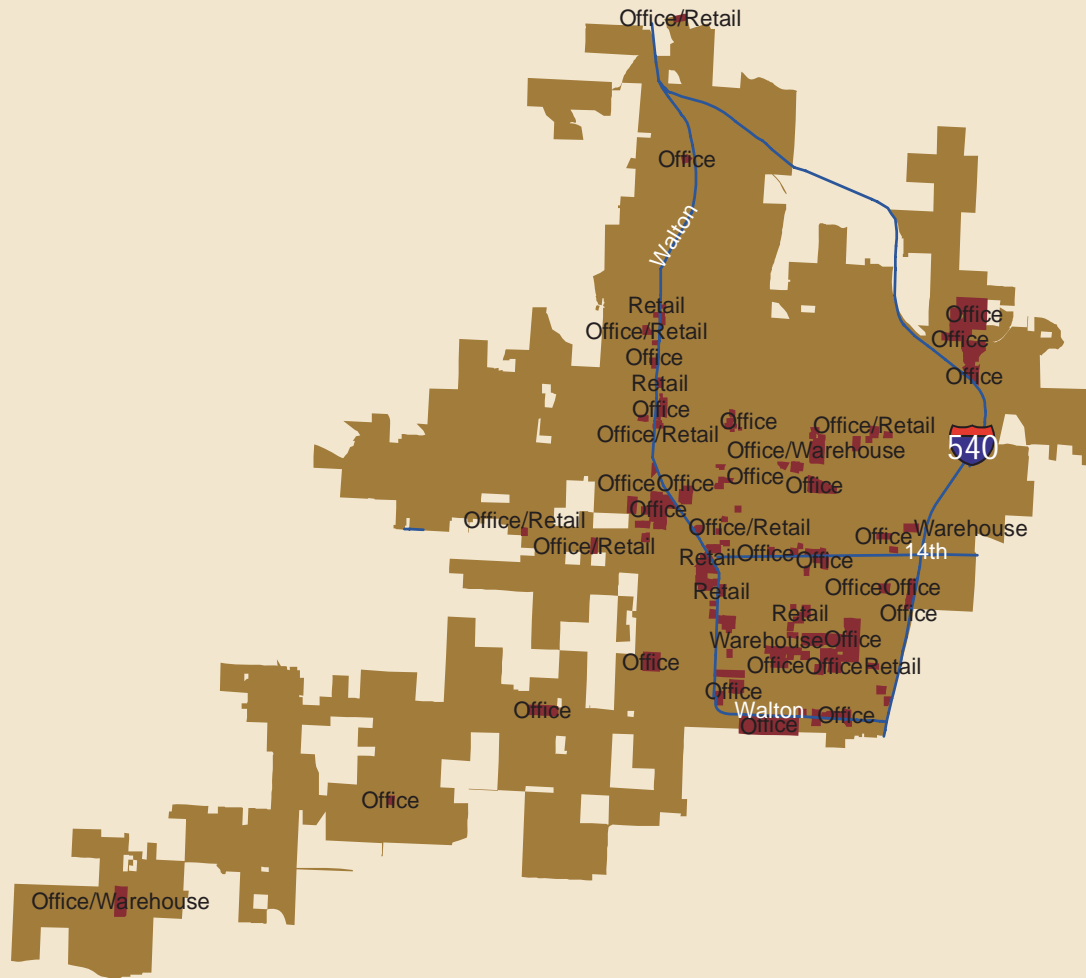
Bentonville Commercial Real Estate Market Summary Statistics

| | 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 | -- | 10,320 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Office | \$14.46 - \$14.96 | 2,652,336 | 472,317 | 17.8% | 153,740 | 117,546 | 36,194 | 39.1 |
| Class A | \$17.81 - \$18.41 | 399,076 | 162,257 | 40.7% | 21,506 | 0 | 21,506 | 22.6 |
| Class B | \$14.30 - \$14.82 | 2,134,491 | 277,299 | 13.0% | 104,744 | 107,135 | -2,391 | -- |
| Class C | \$6.82 - \$6.82 | 9,571 | 2,321 | 24.3% | -2,321 | 0 | -2,321 | -- |
| Medical | \$16.55 - \$16.75 | 109,198 | 30,440 | 27.9% | 29,811 | 10,411 | 19,400 | 4.7 |
| Office/Retail | \$12.38 - \$13.92 | 653,928 | 150,678 | 23.0% | 9,386 | 38,869 | -29,483 | -- |
| Class A | \$16.50 - \$19.75 | 38,910 | 8,325 | 21.4% | 0 | 0 | 0 | -- |
| Class B | \$12.87 - \$14.46 | 523,169 | 132,783 | 25.4% | 7,786 | 38,869 | -31,083 | -- |
| Class C | \$8.22 - \$8.77 | 91,849 | 9,570 | 10.4% | 1,600 | 0 | 1,600 | 17.9 |
| Office/Warehouse | \$10.03 - \$11.88 | 843,666 | 257,613 | 30.5% | 86,250 | 119,000 | -32,750 | -- |
| Retail | \$13.00 - \$13.44 | 373,126 | 64,033 | 17.2% | -667 | 8,000 | -8,667 | -- |
| Class A | \$16.00 - \$19.50 | 39,534 | 21,895 | 55.4% | -6,395 | 0 | -6,395 | -- |
| Class B | \$13.60 - \$13.98 | 261,983 | 26,138 | 10.0% | 12,817 | 8,000 | 4,817 | 16.3 |
| Class C | \$11.34 - \$11.51 | 71,609 | 16,000 | 22.3% | -7,089 | 0 | -7,089 | -- |
| Retail/Warehouse | \$3.84 - \$5.56 | 32,570 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Warehouse | \$7.79 - \$8.77 | 489,675 | 201,300 | 41.1% | 0 | 0 | 0 | -- |

¹From all Q3 2006 respondents

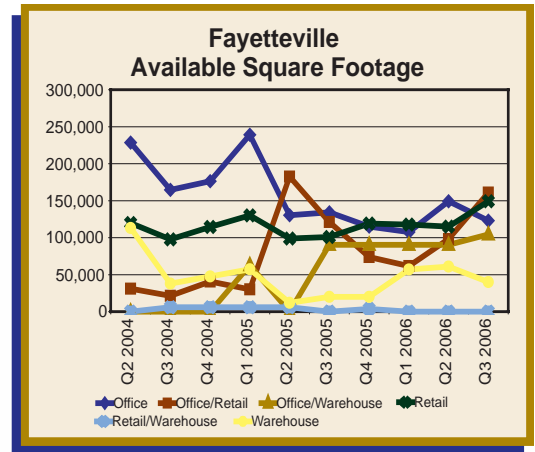
²From Q3 2006 respondents who were also Q2 2006 respondents

Bentonville Commercial Properties



Fayetteville

- Fayetteville had 8,567,147 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Fayetteville issued building permits for 86,780 square feet of new commercial space, valued at a total of \$6,147,723. The total value was about the same as the same period last year.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,572,854 square feet of commercial space in the third quarter of 2006. This represents 65.0 percent of the total competitive commercial space in Fayetteville.
- In the third quarter of 2006, Fayetteville experienced positive net absorption in the office and warehouse submarkets, no absorption in the office/warehouse and retail/warehouse submarkets, and negative net absorption in the office/retail and retail submarkets.
- A total of 106,870 square feet of office/retail, and a total of 51,900 square feet of retail space entered the Fayetteville commercial market in the third quarter of 2006.
- Observed vacancy rates declined in the third quarter in the office and warehouse submarkets and increased in the office/retail, office/warehouse, and retail submarkets.
- Class B office, office/retail, and retail space average reported lease rates increased slightly in the third quarter.. Average reported warehouse lease rates were constant.



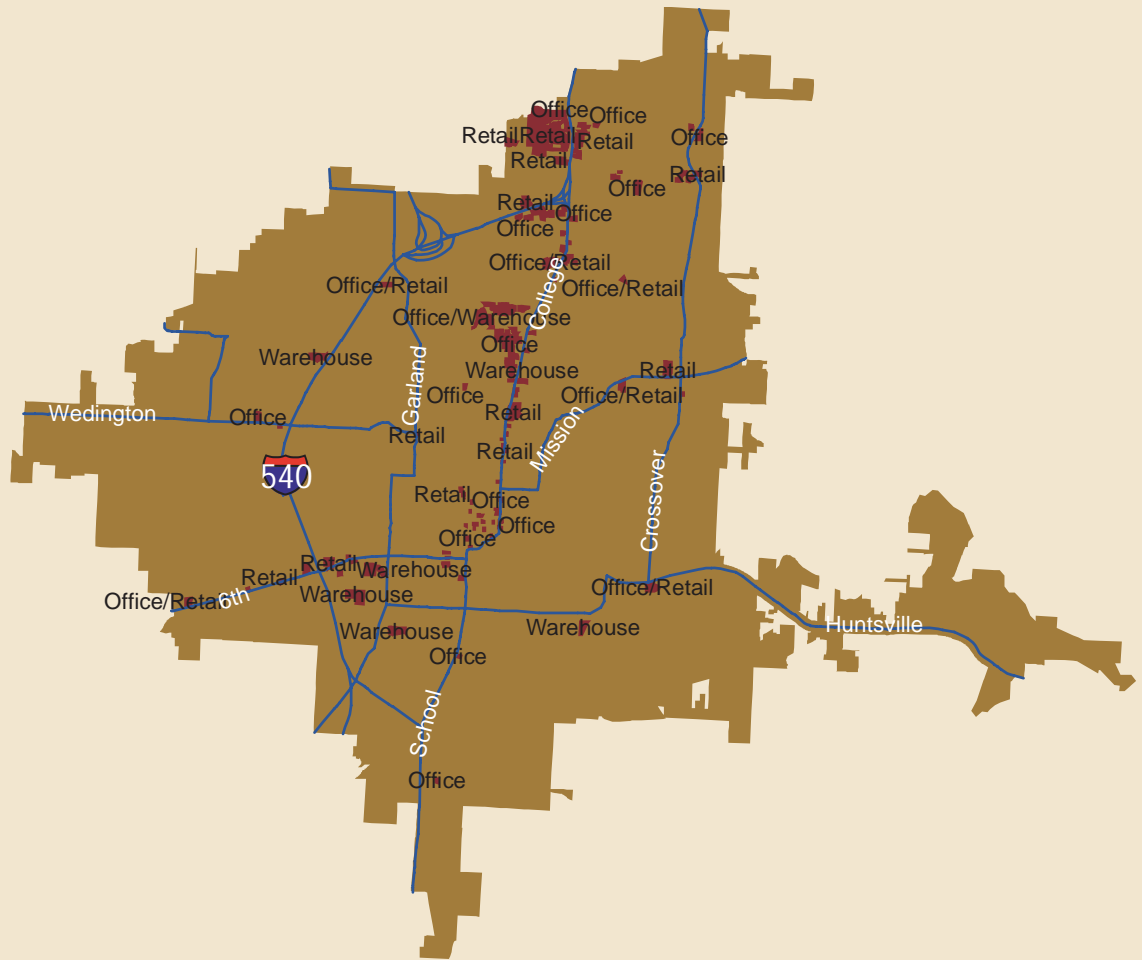
Fayetteville Commercial Real Estate Market Summary Statistics

| | 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 | -- | -- | -- | -- | -- | -- | -- | -- |
| Office | \$13.04 - \$14.27 | 1,368,903 | 122,930 | 9.0% | 32,561 | 0 | 32,561 | 11.3 |
| Class A | \$18.79 - \$21.05 | 165,043 | 37,464 | 22.7% | 5,350 | 0 | 5,350 | 21.0 |
| Class B | \$13.05 - \$14.42 | 816,167 | 62,965 | 7.7% | 27,611 | 0 | 27,611 | 6.8 |
| Class C | \$9.54 - \$10.18 | 121,946 | 0 | 0.0% | 4,200 | 0 | 4,200 | 0.0 |
| Medical | \$12.35 - \$12.92 | 265,747 | 22,501 | 8.5% | -4,600 | 0 | -4,600 | -- |
| Office/Retail | \$12.20 - \$13.55 | 956,080 | 160,931 | 16.8% | 69,068 | 106,870 | -37,802 | -- |
| Class A | \$20.25 - \$22.25 | 86,000 | 34,000 | 39.5% | 40,000 | 74,000 | -34,000 | -- |
| Class B | \$12.79 - \$13.91 | 657,858 | 90,635 | 13.8% | 26,548 | 32,870 | -6,322 | -- |
| Class C | \$10.03 - \$11.67 | 212,222 | 36,296 | 17.1% | 2,520 | 0 | 2,520 | 43.2 |
| Office/Warehouse | \$5.40 - \$5.80 | 110,326 | 104,326 | 94.6% | 0 | 0 | 0 | -- |
| Retail | \$12.18 - \$13.93 | 2,356,053 | 149,244 | 6.3% | 14,726 | 51,900 | -37,174 | -- |
| Class A | \$19.75 - \$22.00 | 1,286,302 | 64,004 | 5.0% | 16,309 | 51,900 | -35,591 | -- |
| Class B | \$12.67 - \$14.53 | 890,259 | 73,553 | 8.3% | -2,583 | 0 | -2,583 | -- |
| Class C | \$8.98 - \$10.33 | 179,492 | 11,687 | 6.5% | 1,000 | 0 | 1,000 | 35.1 |
| Retail/Warehouse | \$5.08 - \$5.08 | 18,300 | 0 | 0.0% | 0 | 0 | 0 | 0.0 |
| Warehouse | \$3.37 - \$3.37 | 763,192 | 40,000 | 5.2% | 21,500 | 0 | 21,500 | 5.6 |

¹From all Q3 2006 respondents

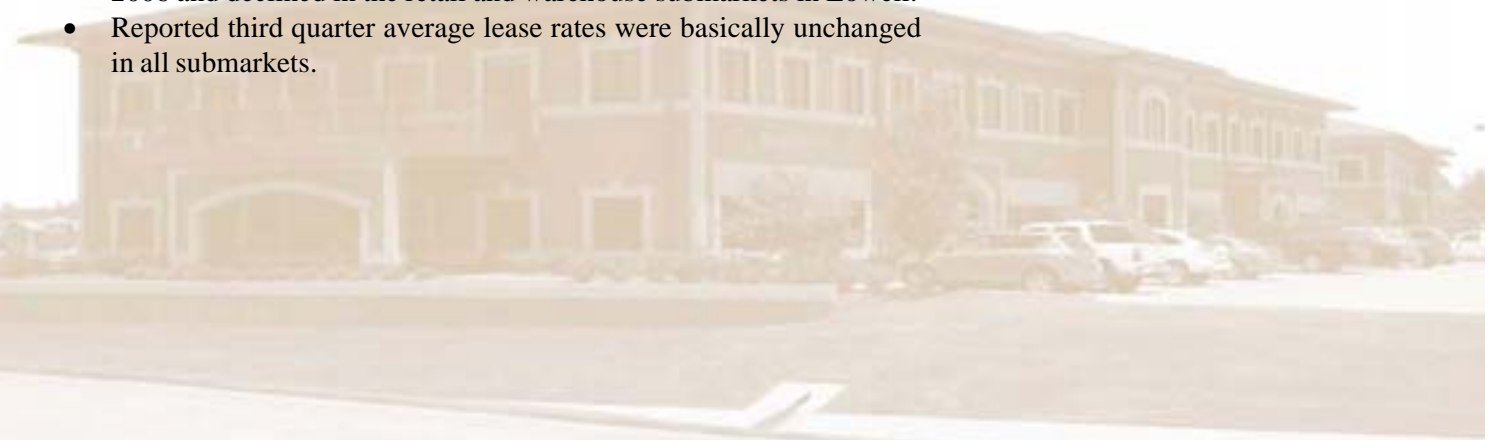
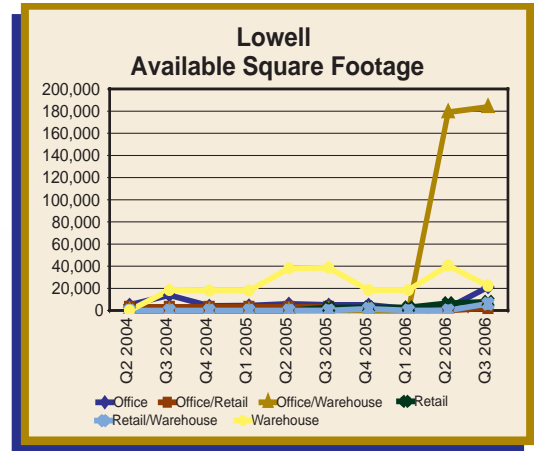
²From Q3 2006 respondents who were also Q2 2006 respondents

Fayetteville Commercial Properties



Lowell

- Lowell had 960,521 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Lowell issued building permits for new commercial space of 2,484 square feet, valued at a total of \$462,712. This was a dramatic decline from the activity of previous quarters.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 516,843 square feet of commercial space in the third quarter of 2006. This represents 53.8 percent of the total competitive commercial space in Lowell.
- In the third quarter of 2006, Lowell experienced positive absorption in the warehouse submarket, negative absorption in the office/retail, office/warehouse, retail, and retail/warehouse submarkets and no effective absorption in the office submarket.
- Reported vacancy rates increased in the office, office/retail, and retail/warehouse submarkets from the second quarter to the third quarter of 2006 and declined in the retail and warehouse submarkets in Lowell.
- Reported third quarter average lease rates were basically unchanged in all submarkets.



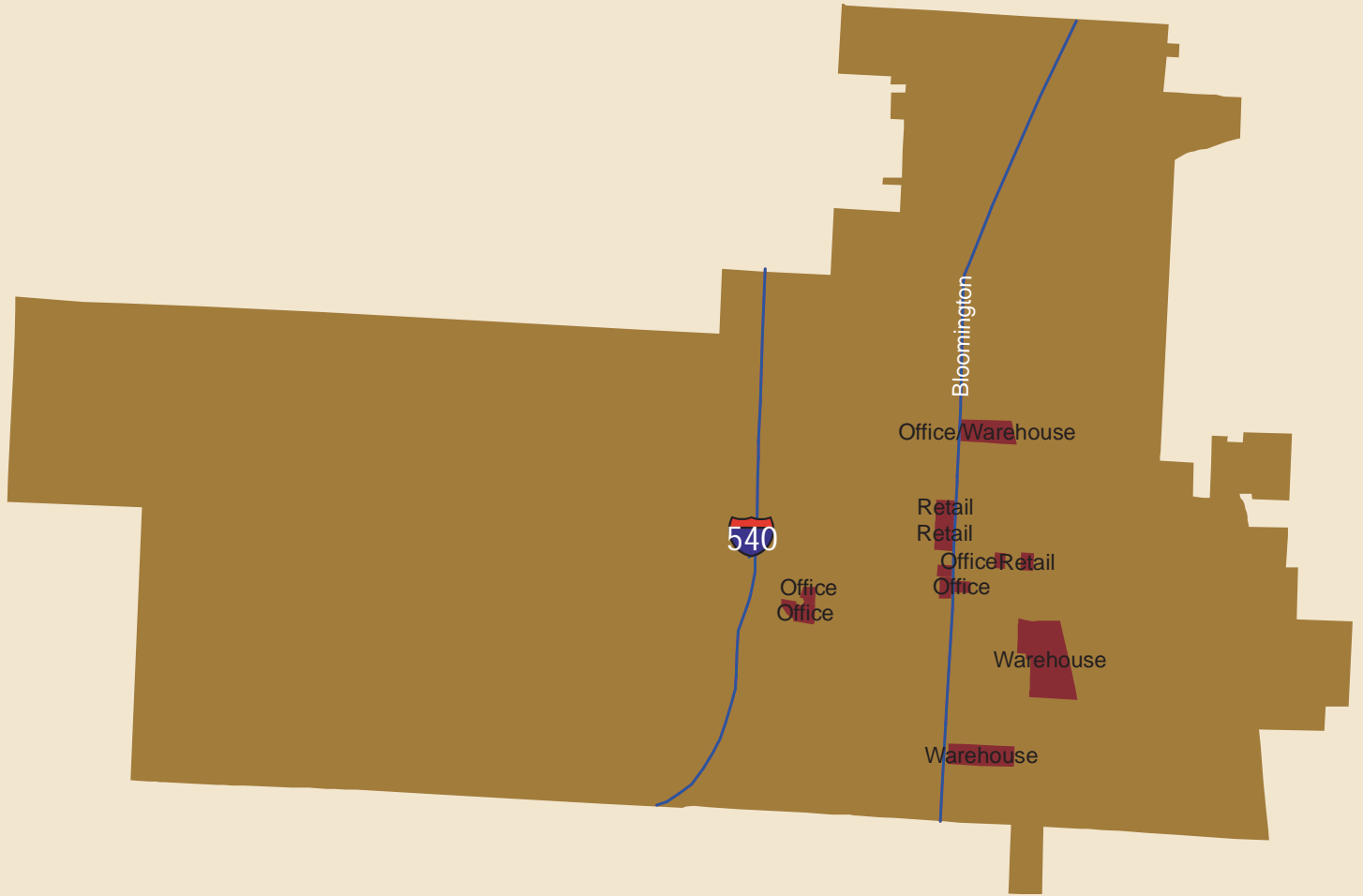
Lowell Commercial Real Estate Market Summary Statistics

| | 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 | \$15.98 - \$16.03 | 169,020 | 21,088 | 12.5% | 0 | 0 | 0 | -- |
| Class A | \$18.50 - \$18.50 | 111,552 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Class B | \$13.45 - \$13.55 | 57,468 | 21,088 | 36.7% | 0 | 0 | 0 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Medical | -- | -- | -- | -- | -- | -- | -- | -- |
| Office/Retail | \$12.00 - \$12.00 | 15,900 | 2,210 | 13.9% | -2,210 | 0 | -2,210 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$12.00 - \$12.00 | 15,900 | 2,210 | 13.9% | -2,210 | 0 | -2,210 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Office/Warehouse | \$6.42 - \$6.42 | 194,040 | 183,720 | 94.7% | 4,720 | 9,440 | -4,720 | -- |
| Retail | \$11.67 - \$14.67 | 75,695 | 7,875 | 10.4% | 14,364 | 15,680 | -1,316 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$11.67 - \$14.67 | 75,695 | 7,875 | 10.4% | 14,364 | 15,680 | -1,316 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Retail/Warehouse | \$10.89 - \$10.89 | 11,240 | 6,200 | 55.2% | -6,200 | 0 | -6,200 | -- |
| Warehouse | \$6.25 - \$6.25 | 50,948 | 22,150 | 43.5% | 18,400 | 0 | 18,400 | 3.6 |

¹From all Q3 2006 respondents

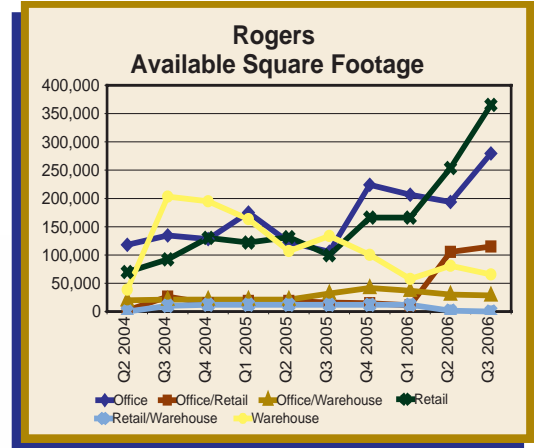
²From Q3 2006 respondents who were also Q2 2006 respondents

Lowell Commercial Properties



Rogers

- Rogers had 6,087,914 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Rogers issued building permits for new commercial space valued at a total of \$23,479,198.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,204,432 square feet of commercial space in the third quarter of 2006. This represents 85.5 percent of the total competitive commercial space in Rogers.
- In the third quarter of 2006, Rogers experienced positive net absorption in the office/warehouse, retail/warehouse, warehouse submarkets and negative net absorption in the office, office/retail, and retail submarkets.
- A total of 174,800 square feet of office space came online in the Rogers market in the third quarter. In the office/retail submarket, an additional 14,000 square feet of space came online. A whopping 920,000 square feet of Class A retail came online in the Rogers market in the third quarter.
- Reported vacancy rates increased in the office and office/warehouse submarkets in the third quarter. Vacancy rates were down in the office/retail, retail, retail/warehouse, and warehouse submarkets in the third quarter of 2006.
- Average reported lease rates for Class B office space increased while Class B retail space rates were constant in the third quarter. Reported average warehouse lease rates increased slightly in Rogers.



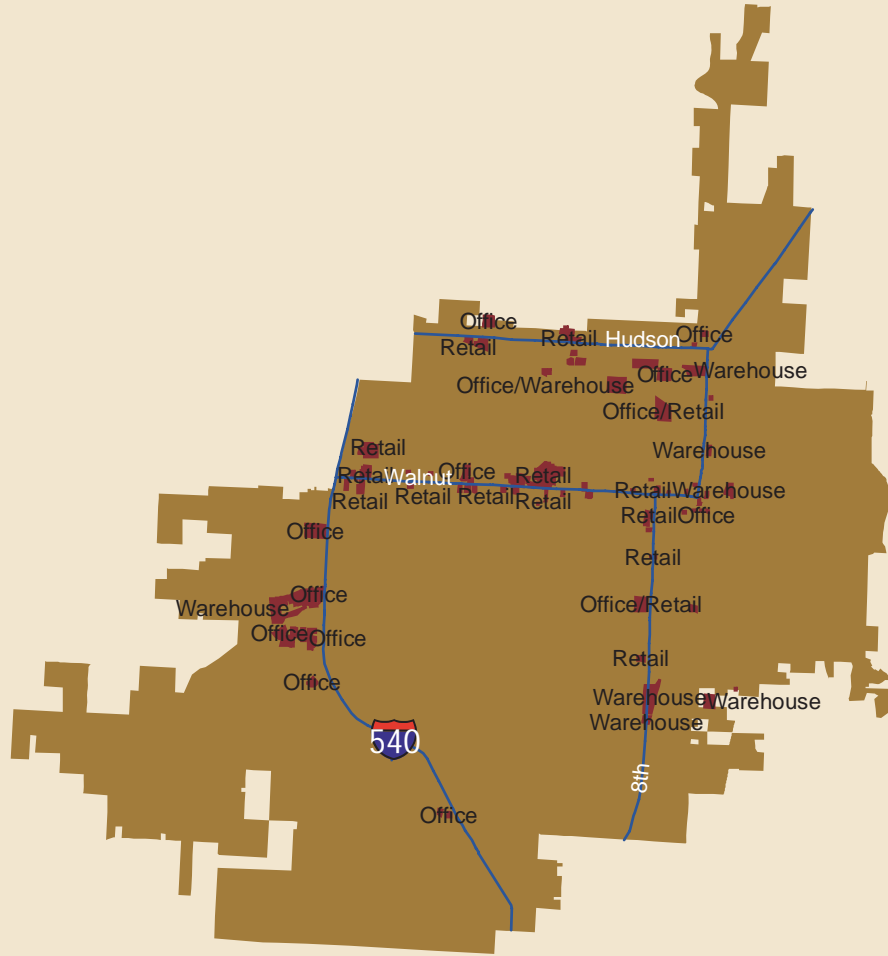
Rogers Commercial Real Estate Market Summary Statistics

| | 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 | 8,000 | 0 | 0.0% | 0 | 0 | 0 | - |
| Office | \$15.79 - \$16.94 | 1,374,302 | 279,661 | 20.3% | 46,286 | 174,800 | -128,514 | - |
| Class A | \$18.72 - \$20.28 | 899,073 | 217,523 | 24.2% | 44,038 | 146,800 | -102,762 | - |
| Class B | \$12.65 - \$13.65 | 392,863 | 55,688 | 14.2% | 48 | 28,000 | -27,952 | - |
| Class C | \$10.21 - \$10.21 | 60,101 | 1,418 | 2.4% | 2,232 | 0 | 2,232 | 1.9 |
| Medical | \$15.00 - \$15.00 | 22,265 | 5,032 | 22.6% | -32 | 0 | -32 | - |
| Office/Retail | \$12.97 - \$14.14 | 591,580 | 114,829 | 19.4% | 7,529 | 14,000 | -6,471 | - |
| Class A | \$24.50 - \$24.50 | 129,316 | 69,670 | 53.9% | 0 | 0 | 0 | - |
| Class B | \$12.25 - \$12.25 | 77,012 | 34,259 | 44.5% | 10,000 | 14,000 | -4,000 | - |
| Class C | \$9.33 - \$12.83 | 176,506 | 10,900 | 6.2% | -2,471 | 0 | -2,471 | - |
| Office/Warehouse | \$5.66 - \$7.17 | 352,422 | 28,614 | 8.1% | 1,470 | 0 | 1,470 | 58.4 |
| Retail | \$12.50 - \$13.32 | 2,500,388 | 365,370 | 14.6% | 813,459 | 920,000 | -106,541 | - |
| Class A | \$18.28 - \$18.99 | 1,598,964 | 167,140 | 10.5% | 814,986 | 920,000 | -105,014 | - |
| Class B | \$9.99 - \$10.81 | 679,015 | 179,880 | 26.5% | -10,100 | 0 | -10,100 | - |
| Class C | \$8.42 - \$9.42 | 222,409 | 18,350 | 8.3% | 8,573 | 0 | 8,573 | 6.4 |
| Retail/Warehouse | \$6.70 - \$6.70 | 16,160 | 0 | 0.0% | 1,500 | 0 | 1,500 | 0.0 |
| Warehouse | \$4.09 - \$4.59 | 361,580 | 65,742 | 18.2% | 15,112 | 0 | 15,112 | 13.1 |

¹From all Q3 2006 respondents

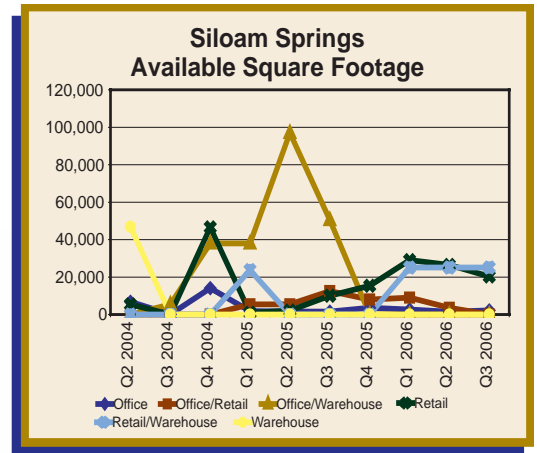
²From Q3 2006 respondents who were also Q2 2006 respondents

Rogers Commercial Properties



Siloam Springs

- Siloam Springs had 1,341,972 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Siloam Springs issued building permits for 142,760 square feet of new commercial space, valued at a total of \$5,890,000.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 584,374 square feet of commercial space in the third quarter of 2006. This represents 43.5 percent of the total competitive commercial space in Siloam Springs.
- In third quarter of 2006, Siloam Springs experienced positive net absorption in the office/retail and retail submarkets and negative net absorption in the medical office submarket. The other submarkets had no activity.
- No square feet of new retail space came online in the third quarter of 2006.
- Following net absorption, vacancy rates declined in the office/retail and retail submarkets and increased in the medical office submarket in the third quarter of 2006.
- Average reported lease rates were up in the office/retail and retail submarkets in Siloam Springs in the third quarter.



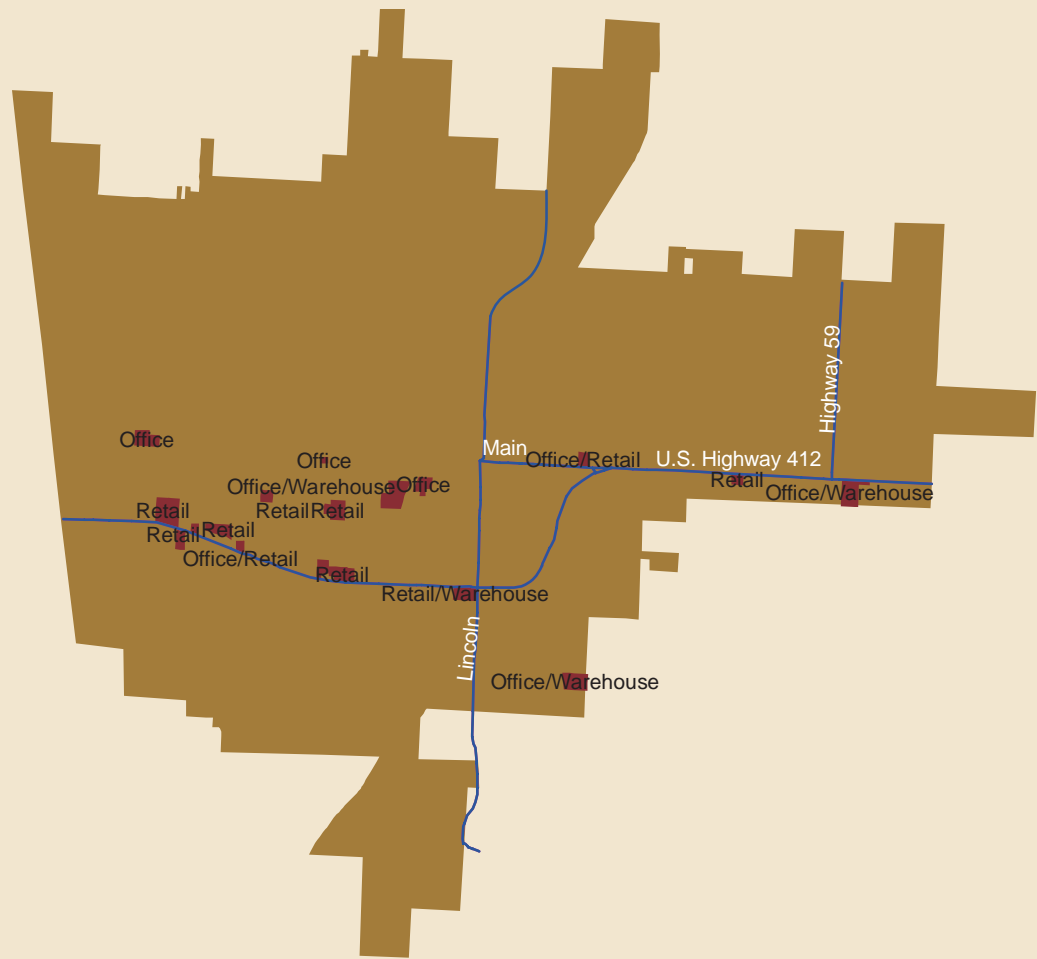
Siloam Springs Commercial Real Estate Market Summary Statistics

| | 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 | \$11.98 - \$12.83 | 80,760 | 2,200 | 2.7% | -700 | 0 | -700 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$7.39 - \$8.27 | 9,728 | 0 | 0.0% | 0 | 0 | 0 | -- |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Medical | \$13.51 - \$14.34 | 71,032 | 2,200 | 3.1% | -700 | 0 | -700 | -- |
| Office/Retail | \$7.80 - \$7.80 | 50,737 | 0 | 0.0% | 3,600 | 0 | 3,600 | 0.0 |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$7.80 - \$7.80 | 50,737 | 0 | 0.0% | 3,600 | 0 | 3,600 | 0.0 |
| Class C | -- | -- | -- | -- | -- | -- | -- | -- |
| Office/Warehouse | \$3.24 - \$3.40 | 124,921 | 0 | 0.0% | 0 | 0 | 0 | 0.0 |
| Retail | \$8.26 - \$9.03 | 302,846 | 20,354 | 6.7% | 7,076 | 0 | 7,076 | 8.6 |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$9.16 - \$9.64 | 187,222 | 18,430 | 9.8% | 6,600 | 0 | 6,600 | 8.4 |
| Class C | \$6.00 - \$7.50 | 115,624 | 1,924 | 1.7% | 476 | 0 | 476 | 12.1 |
| Retail/Warehouse | -- | 25,110 | 25,110 | 100.0% | 0 | 0 | 0 | -- |
| Warehouse | -- | -- | -- | -- | -- | -- | -- | -- |

¹From all Q3 2006 respondents

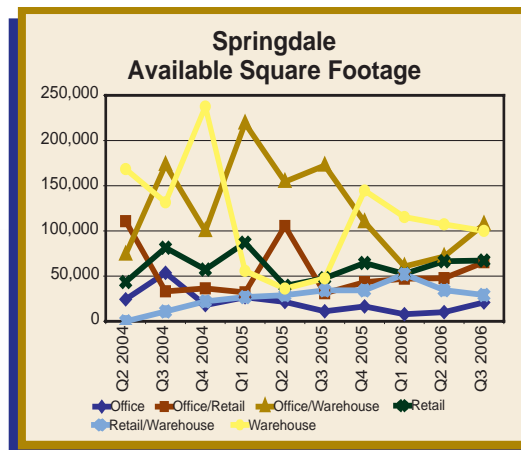
²From Q3 2006 respondents who were also Q2 2006 respondents

Siloam Springs Commercial Properties



Springdale

- Springdale had 7,011,275 square feet of competitive commercial space in the third quarter of 2006.
- From June to August 2006, Springdale issued commercial building permits valued at a total of \$25,663,800.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,092,537 square feet of commercial space in the third quarter of 2006. This represents 72.6 percent of the total competitive commercial space in Springdale.
- In the third quarter of 2006, Springdale experienced positive net absorption in the office/warehouse, retail/warehouse, and warehouse submarkets and negative net absorption in the office, office/retail, and retail submarkets.
- A total of 23,569 square feet of new office space was added to the Springdale commercial property market in the third quarter, while office/retail added 12,600 square feet and office/warehouse added 7,200 square feet.
- Reported vacancy rates increased in all submarkets except retail/warehouse and warehouse in Springdale in the third quarter.
- Reported average lease for Class B office space increased, while reported average lease rates for retail and warehouse space were basically unchanged in the third quarter of 2006.



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 | \$3.50 - \$6.00 | 351,647 | 0 | 0.0% | 0 | 0 | 0 | 0.0 |
| Office | \$11.90 - \$13.36 | 414,831 | 20,867 | 5.0% | 10,745 | 23,569 | -12,824 | -- |
| Class A | \$10.40 - \$15.38 | 57,248 | 0 | 0.0% | 0 | 0 | 0 | 0.0 |
| Class B | \$13.03 - \$14.82 | 260,961 | 18,863 | 7.2% | 10,645 | 23,569 | -12,924 | -- |
| Class C | \$11.06 - \$11.06 | 41,244 | 1,104 | 2.7% | 1,000 | 0 | 1,000 | 3.3 |
| Medical | \$10.78 - \$11.78 | 55,378 | 900 | 1.6% | -900 | 0 | -900 | -- |
| Office/Retail | \$10.20 - \$12.15 | 398,917 | 65,324 | 16.4% | 6,828 | 12,600 | -5,772 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$12.12 - \$14.00 | 178,519 | 33,984 | 19.0% | 6,628 | 12,600 | -5,972 | -- |
| Class C | \$8.28 - \$10.30 | 220,398 | 31,340 | 14.2% | 200 | 0 | 200 | 470.1 |
| Office/Warehouse | \$5.12 - \$8.16 | 1,318,135 | 107,306 | 8.1% | 15,100 | 7,200 | 7,900 | 40.7 |
| Retail | \$9.10 - \$10.41 | 1,345,726 | 67,334 | 5.0% | -12,134 | 7,986 | -20,120 | -- |
| Class A | -- | -- | -- | -- | -- | -- | -- | -- |
| Class B | \$11.30 - \$13.56 | 1,174,006 | 52,582 | 4.5% | -15,654 | 7,986 | -23,640 | -- |
| Class C | \$7.16 - \$7.66 | 171,720 | 14,752 | 8.6% | 3,520 | 0 | 3,520 | 12.6 |
| Retail/Warehouse | \$6.15 - \$8.00 | 261,723 | 29,100 | 11.1% | 16,520 | 0 | 16,520 | 5.3 |
| Warehouse | \$3.95 - \$5.09 | 1,001,558 | 99,950 | 10.0% | 7,350 | 0 | 7,350 | 40.8 |

¹From all Q3 2006 respondents

²From Q3 2006 respondents who were also Q2 2006 respondents

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 Information 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 2006, 186 panelists provided data on 923 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 923 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.

