

# THE SKYLINE REPORT

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## October 2007 Highlights

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**Commercial Real Estate Market Summary**  
 Prepared Exclusively under  
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## Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the fourteenth edition of the Skyline Report for Benton and Washington Counties—Commercial Real Estate Market Analysis. Researchers at the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas commercial real estate market. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. Because of the fast pace of growth in Northwest Arkansas, the commercial real estate market is fragmented with many local and national commercial real estate professionals competing to serve the needs of a burgeoning business community. Having current information and analysis provides a competitive advantage over those who make decisions without the benefit of hard data.

### Highlights from the Third Quarter of 2007

- There were 979,982 square feet of competitive commercial property added to the Northwest Arkansas market in the third quarter of 2007. Almost 360,000 square feet of that space were new warehouse space and almost 200,000 were new retail space.
- In the office market, there was negative net absorption of 101,473 square feet in the third quarter of 2007. A total of 151,802 square feet of new space were added to the office market in Fayetteville and Bentonville.
- Within the retail submarket, there was absorption of 111,154 square feet and the entry of 197,434 new square feet, netting negative absorption of 86,280 square feet in the third quarter of 2007.
- The office/retail submarket in Northwest Arkansas added 143,243 square feet and absorbed 96,487 square feet, while the reported vacancy rate declined to 21.6 percent in the third quarter from 21.9 percent in the second quarter.
- A total of 358,587 square feet of new warehouse space was added to the Northwest Arkansas market in the third quarter, but much of it was occupied, netting negative absorption of 43,618 square feet. As the result, the vacancy rate increased from 20.1 percent to 21.4 percent.
- From June to August 2007, there were \$58.2 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This was a decline of 6.2 percent from the prior quarter, and a decline of 29.6 percent from the third quarter of 2006.

# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2006	35.5%	17.8%	9.0%	12.5%	20.3%	2.7%	5.0%	15.2%
Q4 2006	24.2%	15.2%	13.5%	13.4%	20.4%	2.7%	7.5%	15.2%
Q1 2007	24.2%	17.3%	15.1%	12.0%	16.8%	4.0%	9.9%	15.7%
Q2 2007	0.0%	25.7%	14.3%	2.2%	19.9%	4.0%	9.1%	19.3%
Q3 2007	24.2%	25.2%	19.7%	3.0%	21.4%	4.0%	8.2%	20.7%

### Medical Office

Q3 2006	34.6%	27.9%	8.5%	--	22.6%	3.1%	1.6%	16.1%
Q4 2006	34.6%	27.9%	17.8%	--	22.6%	3.1%	21.3%	18.8%
Q1 2007	34.6%	18.4%	9.3%	0.0%	12.8%	3.1%	10.4%	10.8%
Q2 2007	0.0%	19.7%	9.1%	0.0%	19.8%	3.1%	10.8%	11.0%
Q3 2007	34.6%	19.3%	10.6%	0.0%	27.7%	3.1%	11.5%	12.7%

### Office/Retail

Q3 2006	12.9%	23.0%	16.8%	13.9%	19.4%	0.0%	16.4%	18.0%
Q4 2006	11.3%	24.9%	19.6%	5.0%	19.6%	46.0%	17.0%	20.5%
Q1 2007	10.9%	22.4%	16.1%	0.0%	36.1%	48.0%	17.7%	20.3%
Q2 2007	10.8%	22.9%	18.5%	0.0%	33.8%	46.0%	16.2%	21.9%
Q3 2007	10.6%	22.4%	22.2%	11.6%	23.7%	44.2%	16.5%	21.6%

### Office/Warehouse

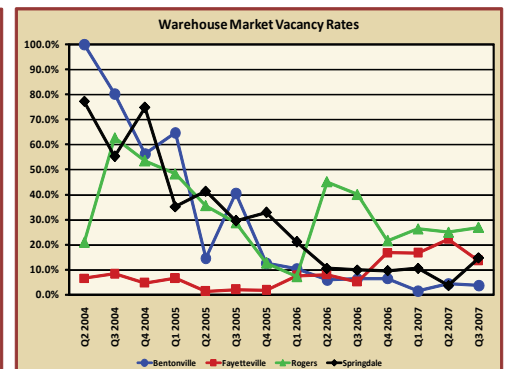
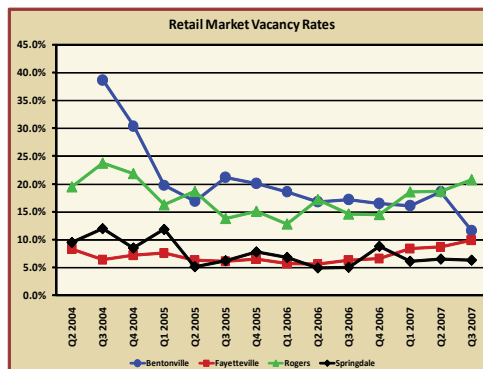
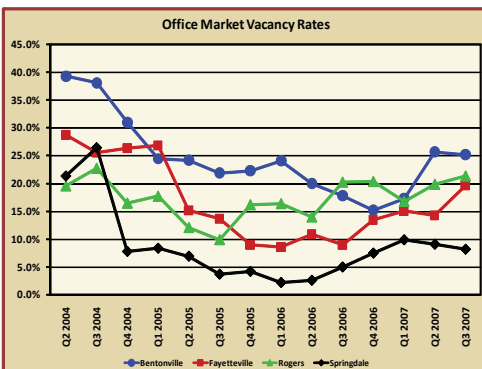
Q3 2006	--	30.5%	94.6%	94.7%	8.1%	0.0%	8.1%	23.2%
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%
Q3 2007	--	28.7%	94.6%	0.0%	15.5%	68.6%	9.7%	21.5%

### Retail

Q3 2006	0.0%	17.2%	6.3%	10.4%	14.6%	6.7%	5.0%	9.7%
Q4 2006	0.0%	16.5%	6.6%	11.2%	14.5%	6.6%	8.8%	10.4%
Q1 2007	0.0%	16.1%	8.4%	11.2%	18.6%	7.3%	6.1%	11.9%
Q2 2007	0.0%	18.6%	8.7%	12.9%	18.7%	4.7%	6.5%	12.2%
Q3 2007	0.0%	11.6%	9.9%	15.4%	20.8%	5.8%	6.3%	13.0%

### Warehouse

Q3 2006	0.0%	6.5%	5.2%	43.5%	40.2%	--	10.0%	16.0%
Q4 2006	0.0%	6.6%	16.9%	43.5%	21.6%	0.0%	9.7%	14.6%
Q1 2007	0.0%	1.6%	16.7%	61.1%	26.4%	0.0%	10.7%	18.7%
Q2 2007	0.0%	4.4%	22.3%	75.9%	25.1%	0.0%	3.8%	20.1%
Q3 2007	0.0%	3.8%	13.6%	67.4%	27.0%	0.0%	14.8%	21.4%



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2006	4,100	472,317	122,930	21,088	279,661	2,200	20,867	923,163
Q4 2006	2,800	398,864	179,317	22,588	277,530	2,200	31,808	915,107
Q1 2007	2,800	482,625	270,543	29,463	233,860	3,200	60,640	1,083,131
Q2 2007	0	822,831	273,685	5,319	305,730	3,200	56,052	1,466,817
Q3 2007	2,800	823,028	406,882	7,527	339,196	3,200	51,168	1,633,801

### Medical Office

Q3 2006	2,800	30,440	22,501	--	5,032	2,200	900	63,873
Q4 2006	2,800	30,440	47,364	--	5,032	2,200	11,820	99,656
Q1 2007	2,800	35,686	43,734	0	3,532	2,200	21,162	109,114
Q2 2007	0	38,246	45,288	0	8,532	2,200	21,162	115,428
Q3 2007	2,800	37,846	55,764	0	18,532	2,200	22,682	139,824

### Office/Retail

Q3 2006	33,747	150,678	160,931	2,210	114,829	0	65,324	527,719
Q4 2006	29,915	168,733	196,852	790	115,935	49,690	71,440	633,355
Q1 2007	28,605	154,272	160,646	0	174,131	54,054	77,302	649,010
Q2 2007	28,120	157,559	201,681	0	173,553	54,029	70,673	685,615
Q3 2007	27,589	176,733	261,550	5,000	181,062	51,955	75,344	779,233

### Office/Warehouse

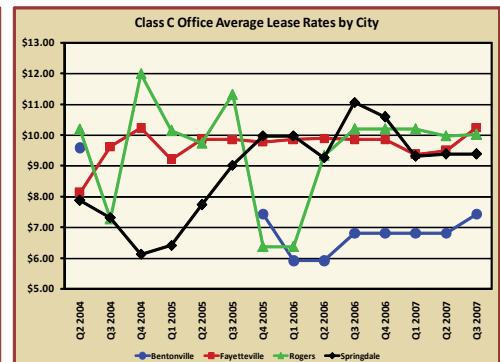
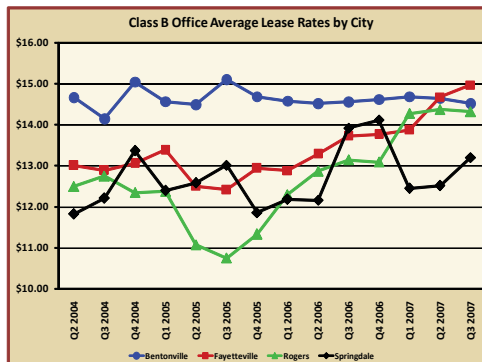
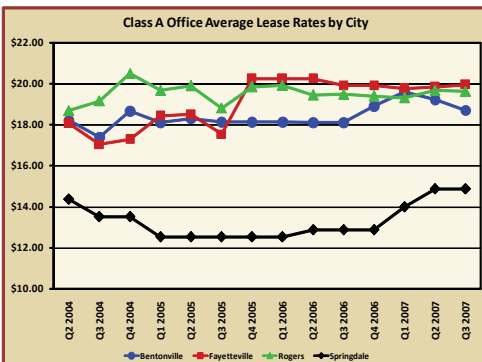
Q3 2006	--	257,613	104,326	183,720	28,614	0	107,306	681,579
Q4 2006	--	249,763	104,326	4,720	36,864	41,087	96,542	533,302
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389
Q3 2007	--	259,879	104,326	0	55,023	73,007	110,275	602,510

### Retail

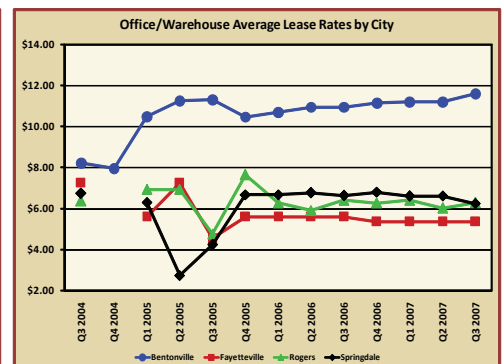
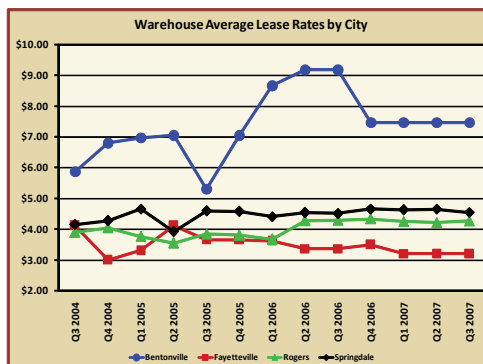
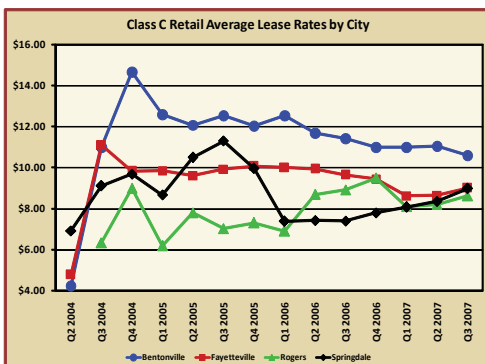
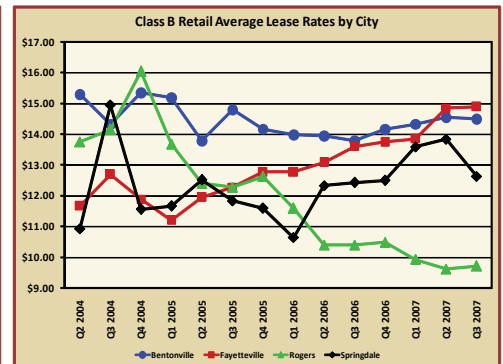
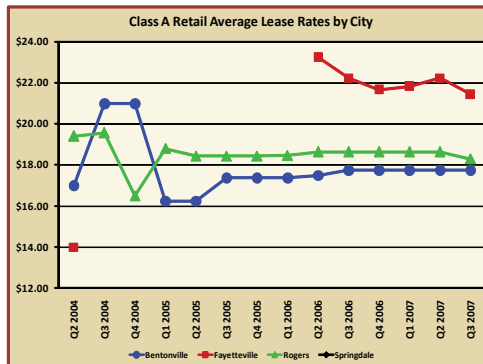
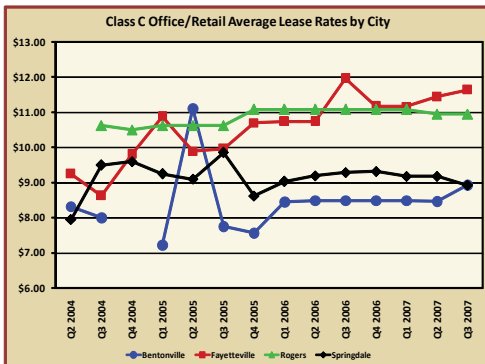
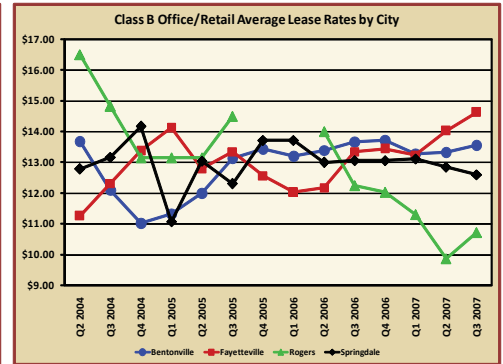
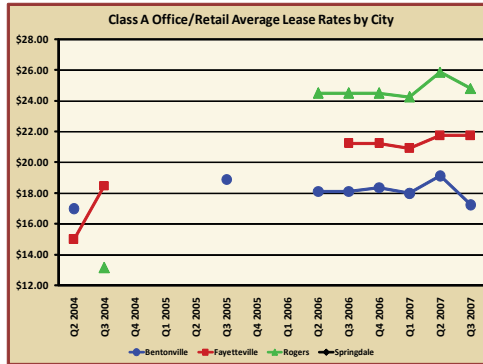
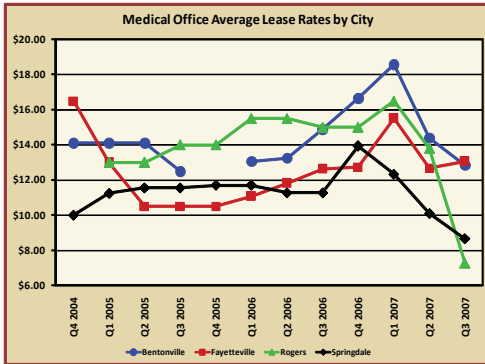
Q3 2006	0	64,033	149,244	7,875	365,370	20,354	67,334	674,210
Q4 2006	0	56,919	159,700	8,475	364,484	20,133	123,731	733,442
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044
Q3 2007	0	42,830	244,703	9,500	542,309	17,700	92,328	949,370

### Warehouse

Q3 2006	0	14,400	40,000	22,150	252,642	--	99,950	429,142
Q4 2006	0	14,800	140,975	22,150	159,997	0	99,166	437,088
Q1 2007	0	5,300	139,100	75,150	424,879	0	110,591	755,020
Q2 2007	--	15,360	210,735	198,116	398,824	--	39,832	862,867
Q3 2007	0	12,800	124,795	175,966	521,323	0	168,444	1,003,328



# Commercial Market Trends



## Net Twelve Month Absorption by Submarket September 2006 - August 2007

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	1,300	6,158	0	0
Bentonville	-335,845	-16,090	24,179	1,600
Fayetteville	-253,162	-162,625	-103,403	1,240
Lowell	13,561	2,210	-1,625	-30,850
Rogers	-29,077	-49,872	-184,339	-285,863
Siloam Springs	-1,000	-78,051	2,654	0
Springdale	-16,901	-836	-282	-30,572
<b>Northwest Arkansas</b>	<b>-621,124</b>	<b>-299,106</b>	<b>-262,816</b>	<b>-344,445</b>

