

## October 2008 Highlights

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



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## Commercial Real Estate Market Summary for Benton and Washington Counties

This report is the eighteenth 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 2008

- In the third quarter of 2008, 64,414 square feet of competitive commercial property were added to the Northwest Arkansas market. About 43,814 square feet of that space were new office space and 20,600 were new retail space.
- In the office market, there was positive net absorption of 320,681 square feet. A total of 43,814 square feet of new space was added to the Class B office submarket, while 382,712 square feet became occupied in the Class A office, 1,536 in the Class C office, and 7,459 in the medical office submarket.
- A total of 20,600 square feet of new retail space was added to the Springdale market, while 22,739 square feet became vacant in Northwest Arkansas. As a result, the retail vacancy rate increased to 14.5 percent in the third quarter from 14.3 percent in the second quarter of 2008.
- Within the office/retail submarket there was absorption of 54,260 square feet, while no new space entered the market. Accordingly, the vacancy rate declined from a revised 22.0 percent in the second quarter to 21.0 percent in the third quarter.
- During the third quarter of 2008, no new office/warehouse space was added in Northwest Arkansas, while 8,101 square feet became occupied. The vacancy rate decreased in accord with the absorption to 17.5 percent in the third quarter of 2008.
- The warehouse submarket experienced negative net absorption of 9,885 square feet, while no new space was added. Thus, the warehouse vacancy rate increased from 27.9 percent in the second quarter to 28.3 percent in the third quarter.
- From June to August of 2008, there were about \$21.7 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is an increase of 67.5 percent from the prior quarter, but a decline of 62.7 percent from the third quarter of 2007.

# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2007	24.2%	25.2%	19.7%	3.0%	21.4%	4.0%	8.2%	20.7%
Q4 2007	24.2%	24.4%	22.1%	1.6%	21.2%	6.7%	8.5%	20.9%
Q1 2008	43.3%	23.9%	20.5%	1.5%	22.0%	4.6%	9.7%	20.6%
Q2 2008	19.0%	24.2%	20.0%	3.8%	21.6%	3.5%	10.0%	20.5%
Q3 2008	19.0%	14.6%	18.7%	3.8%	22.6%	2.7%	10.4%	16.6%

### Medical Office

Q3 2007	34.6%	19.3%	10.6%	0.0%	27.7%	3.1%	11.5%	12.7%
Q4 2007	34.6%	19.3%	10.6%	0.0%	31.8%	3.1%	11.5%	13.2%
Q1 2008	34.6%	20.7%	9.7%	0.0%	40.2%	3.1%	12.3%	17.0%
Q2 2008	0.0%	19.9%	9.2%	0.0%	37.8%	2.1%	12.3%	16.1%
Q3 2008	0.0%	21.8%	7.2%	0.0%	37.1%	2.8%	13.6%	15.8%

### Office/Retail

Q3 2007	10.6%	22.4%	22.2%	11.6%	25.3%	44.2%	16.5%	21.9%
Q4 2007	9.4%	24.5%	21.9%	27.8%	41.0%	44.2%	15.8%	24.5%
Q1 2008	8.4%	24.3%	20.0%	40.1%	30.2%	35.4%	15.5%	22.5%
Q2 2008	7.8%	22.5%	20.2%	43.2%	30.4%	26.2%	16.2%	22.0%
Q3 2008	8.1%	21.6%	19.3%	40.8%	28.0%	25.9%	16.2%	21.0%

### Office/Warehouse

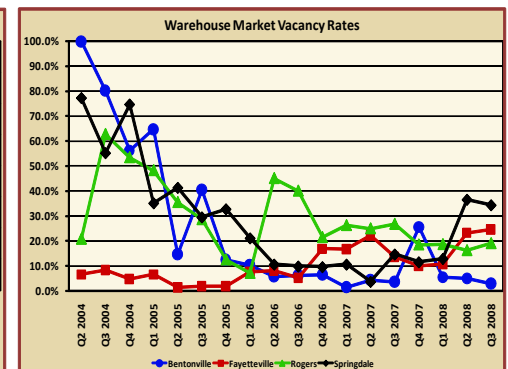
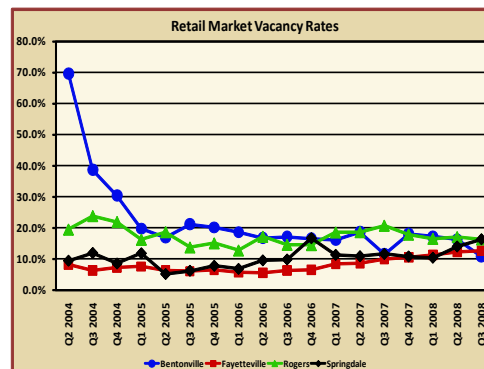
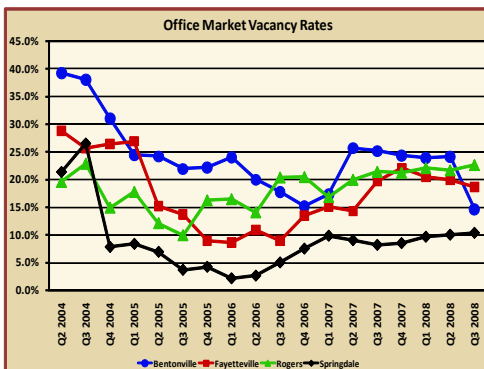
Q3 2007	--	28.7%	94.6%	0.0%	15.5%	68.6%	9.7%	21.5%
Q4 2007	--	28.0%	94.6%	3.8%	32.7%	65.8%	20.7%	28.7%
Q1 2008	--	14.1%	89.6%	3.8%	14.5%	65.8%	19.8%	19.4%
Q2 2008	--	11.3%	72.5%	0.0%	17.6%	65.8%	17.3%	17.7%
Q3 2008	--	11.4%	84.7%	0.0%	16.7%	65.8%	16.2%	17.5%

### Retail

Q3 2007	0.0%	11.6%	9.9%	15.4%	20.8%	5.8%	11.6%	14.3%
Q4 2007	0.0%	18.1%	10.6%	18.0%	17.9%	5.5%	10.8%	13.7%
Q1 2008	0.0%	17.2%	11.3%	15.4%	16.5%	7.0%	10.4%	13.2%
Q2 2008	0.0%	16.3%	12.2%	25.5%	17.1%	7.0%	14.1%	14.3%
Q3 2008	0.0%	10.8%	12.6%	21.5%	16.3%	14.4%	16.4%	14.5%

### Warehouse

Q3 2007	0.0%	3.8%	13.6%	20.3%	27.0%	0.0%	14.8%	18.8%
Q4 2007	0.0%	25.7%	10.1%	21.2%	18.7%	0.0%	11.7%	15.5%
Q1 2008	0.0%	5.6%	10.7%	21.2%	18.8%	71.1%	13.0%	17.7%
Q2 2008	0.0%	5.1%	23.3%	65.4%	16.4%	71.1%	36.7%	27.9%
Q3 2008	0.0%	3.1%	24.7%	65.4%	19.2%	71.1%	34.5%	28.3%



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q3 2007	2,800	823,028	406,882	7,527	339,196	3,200	51,168	1,633,801
Q4 2007	2,800	798,023	470,731	3,844	348,274	5,400	55,742	1,684,814
Q1 2008	5,000	784,492	441,369	3,844	394,749	3,700	65,222	1,698,376
Q2 2008	2,200	794,302	440,601	9,831	396,668	2,800	71,768	1,718,170
Q3 2008	2,200	488,347	415,611	9,931	414,324	2,200	73,365	1,405,978

### Medical Office

Q3 2007	2,800	37,846	55,764	0	18,532	2,200	22,682	139,824
Q4 2007	2,800	37,846	55,764	0	27,467	2,200	22,682	148,759
Q1 2008	2,800	40,696	50,930	0	96,004	2,200	24,282	216,912
Q2 2008	0	39,096	49,897	0	96,729	1,500	24,282	211,504
Q3 2008	0	45,317	37,747	0	95,129	2,000	26,782	206,975

### Office/Retail

Q3 2007	27,589	176,733	261,550	5,000	181,062	51,955	75,344	779,233
Q4 2007	25,189	192,720	274,173	19,660	217,667	51,955	71,618	852,982
Q1 2008	22,666	191,737	261,590	24,160	240,182	45,325	70,464	856,124
Q2 2008	20,816	178,839	270,310	26,040	246,289	32,964	74,615	849,873
Q3 2008	21,866	176,656	257,871	24,600	224,422	32,564	74,654	812,633

### Office/Warehouse

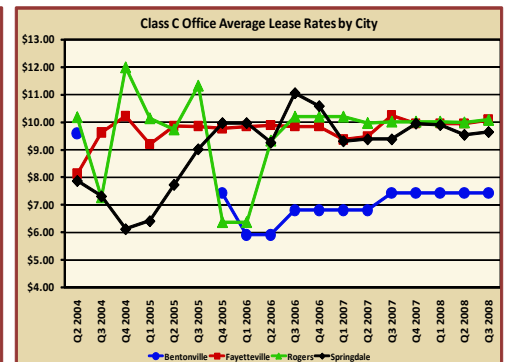
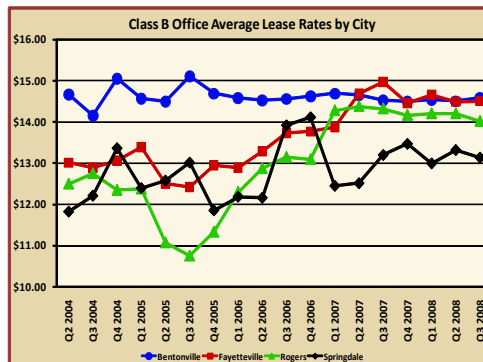
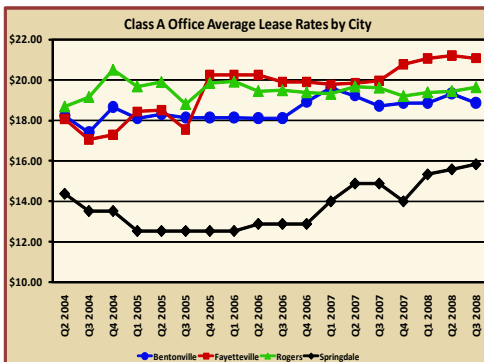
Q3 2007	--	259,879	104,326	0	55,023	73,007	110,275	602,510
Q4 2007	--	256,525	104,326	7,940	191,523	70,007	202,649	832,970
Q1 2008	--	166,550	91,726	7,940	85,023	70,007	196,199	617,445
Q2 2008	--	133,900	87,501	0	103,023	70,007	226,066	620,497
Q3 2008	--	136,550	102,181	0	97,909	70,007	208,399	615,046

### Retail

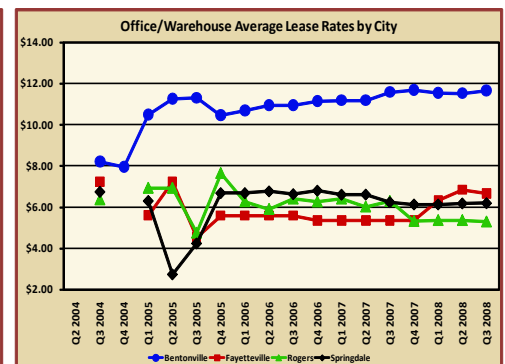
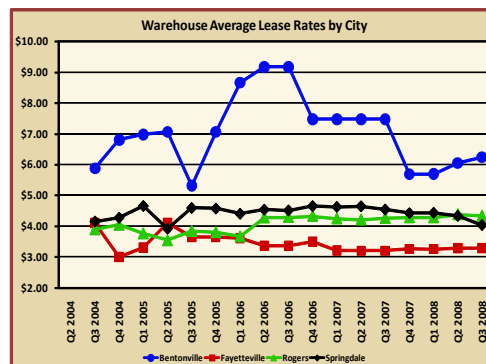
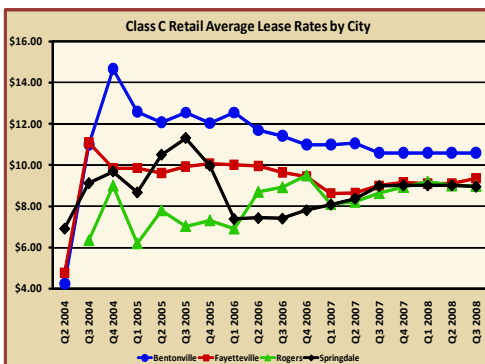
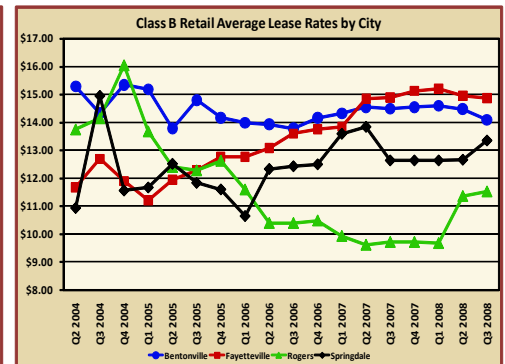
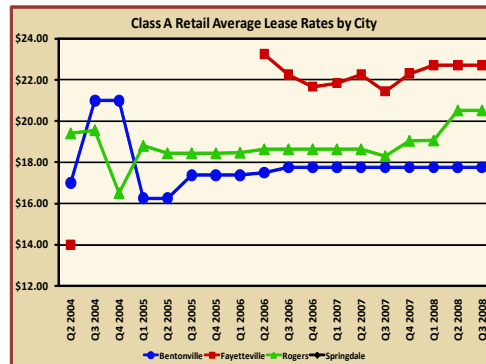
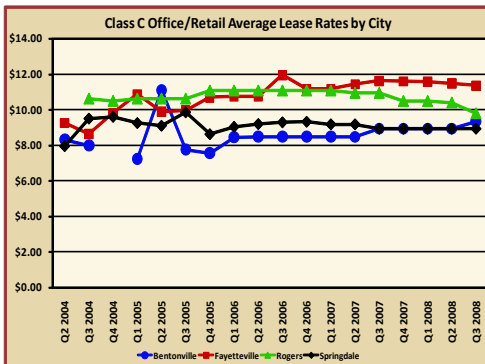
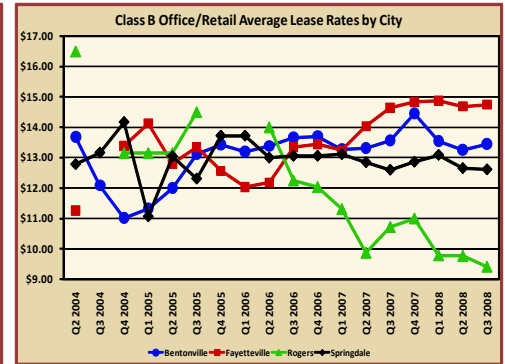
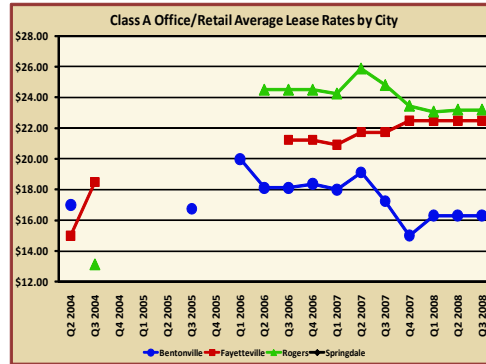
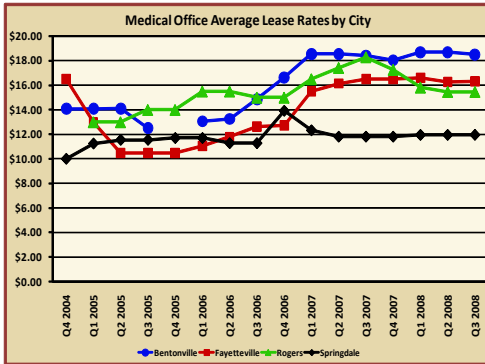
Q3 2007	0	42,830	244,703	9,500	542,309	17,700	92,328	949,370
Q4 2007	0	74,732	265,603	11,090	467,853	16,700	89,530	925,508
Q1 2008	0	71,148	294,345	9,500	390,943	21,200	87,005	874,141
Q2 2008	0	67,172	317,839	19,500	404,133	21,200	117,518	947,362
Q3 2008	0	42,314	323,391	16,500	386,767	43,603	146,626	959,201

### Warehouse

Q3 2007	0	12,800	124,795	53,000	521,323	0	168,444	880,362
Q4 2007	0	114,300	92,215	53,000	351,120	0	156,489	767,124
Q1 2008	0	27,800	98,215	53,000	353,450	214,710	180,979	928,154
Q2 2008	0	25,200	242,115	201,866	309,869	214,710	567,618	1,561,378
Q3 2008	0	15,200	256,115	201,866	365,718	214,710	548,654	1,602,263



# Commercial Market Trends



## Net Twelve Month Absorption by Submarket Q3 2007 - Q3 2008

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	600	6,523	0	0
Bentonville	345,311	11,777	7,816	-2,400
Fayetteville	-2,367	34,346	-44,824	-10,020
Lowell	-904	-3,940	-7,000	-141,366
Rogers	-25,444	-4	137,659	58,262
Siloam Springs	1,000	19,391	-25,903	0
Springdale	-10,640	-5,394	-30,611	-321,046
<b>Northwest Arkansas</b>	<b>307,556</b>	<b>62,699</b>	<b>37,137</b>	<b>-416,570</b>

