



THE SKYLINE REPORT

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



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WALTON
COLLEGE of BUSINESS

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Commercial Real Estate Market Summary for Benton and Washington Counties

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

Contents

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

Highlights from the Fourth Quarter of 2005

- In the fourth quarter of 2005, 433,700 square feet of competitive commercial property was added to the Northwest Arkansas market.
- With the addition of 164,395 square feet of office space, there was negative net absorption in Northwest Arkansas of 70,231 square feet.
- Likewise, within the office/retail submarket there was a negative net absorption of 50,646 square feet with the entry of 49,250 new square feet into the Northwest Arkansas market.
- The retail markets in Fayetteville and Springdale each experienced positive net absorption in the fourth quarter of 2005, but more new retail space in Bentonville and Rogers was added than was absorbed.
- The warehouse, office/warehouse, and retail/warehouse submarkets were the most positive sectors in the fourth quarter with a total of 350,783 square feet of absorption.
- From September to November 2005, there were \$118.5 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents an increase of more than 500 percent over the same period in 2004.
- Northwest Arkansas employment continued to increase at its five-year average rate of 600 jobs per month during the fourth quarter, implying no slowdown in demand for residential or commercial development.
- Developers in Northwest Arkansas were more guardedly positive about the prospects for the commercial sector, while acknowledging the existence of some short-term imbalances.

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Report Structure

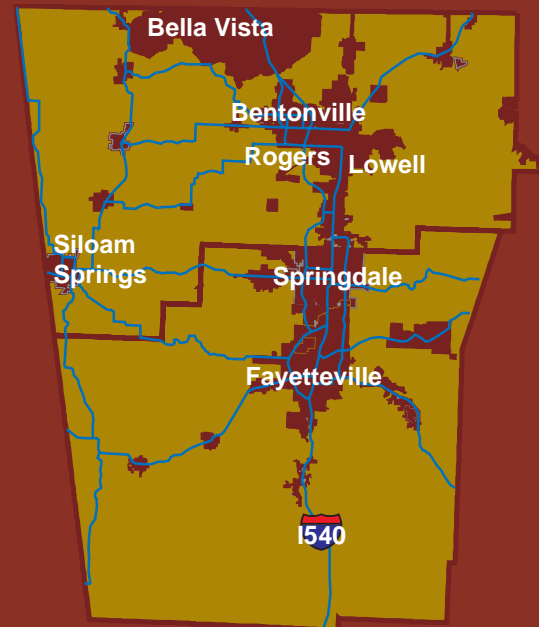
The Skyline Report presents an analysis of data from three primary sources. Information on the entire population of commercial property is gathered from the offices of the Benton and Washington County Assessors. These data sets are then filtered to exclude properties that are not part of the competitive leasing market. These excluded properties include owner-occupied buildings and other dedicated spaces. Additionally, commercial properties that do not meet certain minimum size criteria (detailed on page 35) are also filtered from the base of commercial properties considered. As a second source of data, building permit information is collected from the relevant divisions in Northwest Arkansas city governments. Finally, availability, lease rates, and other characteristics of competitive commercial properties are obtained from a panel of the largest commercial property owners and managers in Northwest Arkansas. Each of the three types of information that is collected gives a unique, but critical perspective of the local commercial property market. Without understanding what the universe of commercial properties looks like at the beginning of a period, the scale of available space for lease is meaningless. Likewise, the data that come from building permits paint a picture of what market additions are imminent. Only after setting the stage with these two perspectives do vacancy rates and market absorption numbers have real value.

In order to provide yet another level of perspective on the Northwest Arkansas commercial property market, the Skyline Report contains an overview of national and regional macroeconomic conditions. Ultimately, the real estate market is subject to the same fundamental forces that shape the rest of the economy, so having a broader view of current issues provides insights into potential challenges and opportunities for commercial property development.

To this end, the Skyline Report begins with an economic overview. First national output and employment issues are discussed and then there is a discussion of short-term and long-term interest rate prospects. Then, recent regional economic statistics, focusing on regional employment trends, are presented. After the economic overview, the results of some focus group discussions with commercial property developers and managers are summarized in order to supplement the hard data with anecdotal evidence from market participants about regional trends.

After the summary of local perceptions, the fourth 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 141 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 are two tables summarizing some results from the seven quarters that the Skyline Report has been produced. The first table presents vacancy rates by submarket for the fourth



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.

quarter of 2004 and all four quarters of 2005. The second 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 first, followed by the office/retail, retail, warehouse, office/warehouse, and retail/warehouse submarkets. Following these sections are commercial property summary statistics by city. There are sections for Bella Vista, Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale.

Finally, a section on how to interpret the numbers contained in the report and a description of the commercial property classification system are offered.

By aggregating and analyzing data from a variety of sources, the Skyline Report is unique in its perspective on the Northwest Arkansas commercial property market. The information should be useful to anyone with an interest in the current workings and projected course of commercial real estate in Benton and Washington Counties.

Economic Overview

The Macro Economy at a Glance

In the third quarter of 2005, the overall real growth rate in GDP was a healthy 4.1 percent. This is above the average growth rate in GDP of 3.6 percent over the past 50 years. The growth rates in GDP in the first and second quarters of 2005 were 3.8 and 3.3 percents. The U.S. Department of Commerce Bureau of Economic Analysis (BEA) reported that the major contributors to the increase in real GDP in the third quarter were personal consumption expenditures (PCE), equipment and software, federal government spending, and residential fixed investment. The contributions of these components were partly offset by a negative contribution from private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased. The acceleration in real GDP growth in the third quarter primarily reflected a smaller decrease in private inventory investment and accelerations in PCE and in federal government spending that were partly offset by a deceleration in exports, an upturn in imports, and decelerations in state and local government spending and in residential fixed investment.

Turning to other data, in December, the national unemployment rate was a seasonally adjusted 4.9 percent, below the 5.4 percent three-decade average rate. The Conference Board Consumer Confidence Index, which had rebounded in November, improved further in December. The Index now stands at 103.6 (1985=100), up from 98.3 in November. The Present Situation Index surged to 121.5 from 113.2. The Expectations Index increased to 91.6 from 88.4 last month. "Consumer confidence continues to bounce back and is now at its highest level since Hurricane Katrina struck the Gulf Coast," says Lynn Franco, Director of The Conference Board Consumer Research Center. "The resiliency of the economy, recent declines in prices at the pump, and job growth have consumers feeling more confident at year-end than they felt at the start of 2005. Even though all of the improvement over the past twelve months has been in consumers' assessment of current conditions, and expectations remain below earlier levels, consumers are confident that the economy will continue to expand in 2006."

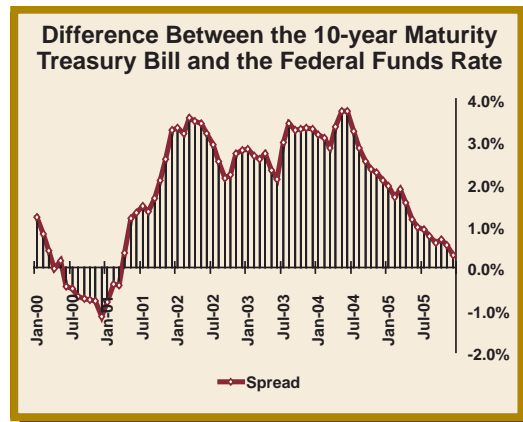
The inflationary pressures that resulted from the effects of Hurricanes Katrina and Rita eased in the final quarter of 2005. During the first 11 months of 2005, the CPI-U rose at a 3.8 percent seasonally adjusted annual rate (SAAR). This compares with an increase of 3.3 percent for all of 2004. The index for energy, which increased 16.6 percent in 2004, advanced at a 21.7 percent SAAR in the first 11 months of 2005. Petroleum-based energy costs increased at a 22.0 percent annual rate and charges for energy services rose at a 21.3 percent annual rate. The food index has increased at a 2.4 percent rate thus far in 2005, following a 2.7 percent rise for all of 2004. Excluding food and energy, the CPI-U advanced at a 2.1 percent SAAR in the first 11 months of 2005 after advancing 2.2 percent in 2004.

Short-term Interest Rate Risk

The Federal Reserve continued its incremental raising of short-term interest rates in the fourth quarter of 2005. The Fed Funds target now stands at 4.25 percent, up 325 basis points from its historic low in 2003. Indications are that the Fed will continue to remove monetary stimulus from the economy in the face of some inflationary pressures and continued steady growth of the macroeconomy. Monetary policy continues to be at odds with a highly stimulatory fiscal policy at the national level.

Long-term Interest Rate Risk

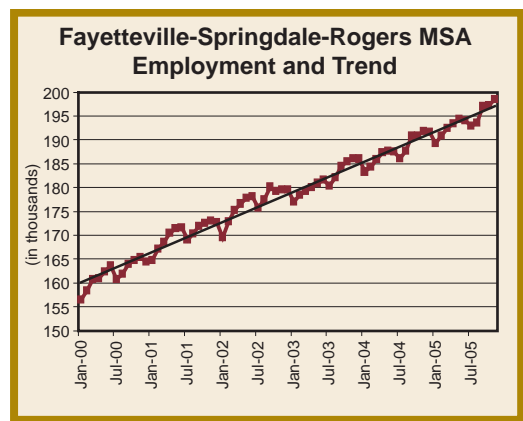
Even as short-term rates climbed in 2004 and 2005, increased in longer term rates have not kept pace. The ten year constant maturity Treasury bill had an interest rate of 4.15 percent in January 2004 and an interest rate of 4.47 percent in December 2005, while the three-month constant maturity Treasury bill interest rate increased by 307 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 December 2005, there was a 341 basis point decline in the spread. In December 2005, the spread continued its decline, ending at 31 basis points, its lowest level since April 2001.



Regional Employment Trends

Local demand for real estate is uniquely associated with employment growth in the region. The Northwest Arkansas employment situation has been extremely conducive to both residential and commercial development in recent years. The most recent numbers available show that there is no reason to believe that a significant slowdown is occurring.

The accompanying figure shows that from September to November 2005, employment in the Fayetteville-Springdale-Rogers MSA increased just above trend levels. These effects were likely seasonal in nature. Each year from 2000 through 2005 shows similar peaks in the last months of the year. Since January of 2000, 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 first shows the November 2005 Fayetteville-Springdale-Rogers MSA employment breakdown by sector. As the pie chart shows, manufacturing had the largest share of employment (17.1 percent) in Northwest Arkansas, followed by professional and business services (15.4 percent), and retail trade (10.3 percent). The second figure shows the annual percentage change in the MSA's employment by sector from November 2004 to November 2005. Total nonfarm employment increased by 3.5 percent, so those sectors with larger employment growth rates are increased in relative impact and those sectors with smaller employment growth rates decreased in relative impact. The construction, wholesale trade, leisure and hospitality, and state and local government sectors had the largest percentage increases.

Other Regional Economic Indicators

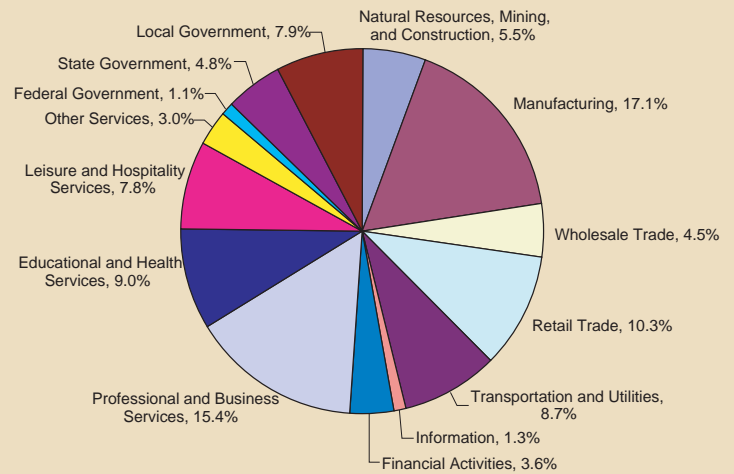
The Bureau of Labor Statistics has revised its unemployment numbers so that the most recent measurements are consistent with those of the past five years. In November 2005, the unemployment rate in Northwest Arkansas was a preliminary 2.5 percent, down from 3.2 percent in November of 2004. In October 2005, the unemployment rate was at 2.6 percent. In November, the state unemployment rate was 4.8 percent and the national unemployment rate was 5.0 percent. Under any measure, Northwest Arkansas continues to outperform the state and national economies.

Local Perceptions of the Northwest Arkansas Commercial Property Market

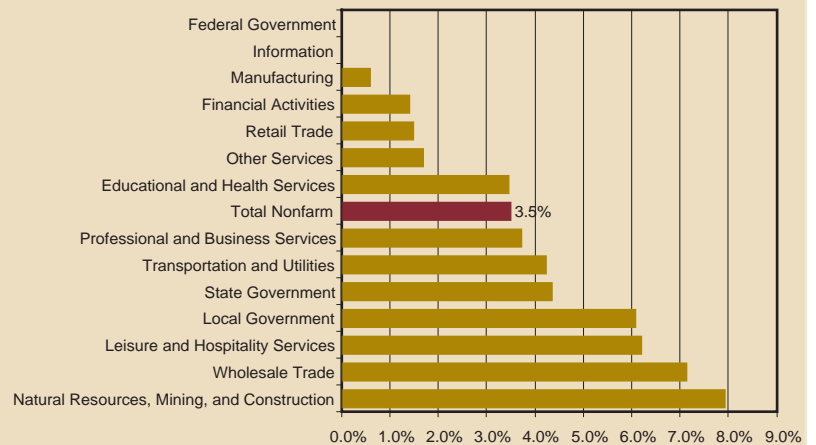
Each quarter, CBER staff members have conversations with a dozen or so commercial developers and/or property managers to gain their ground-level insights on the current commercial real estate market in Benton and Washington counties. The themes of these conversations have been pretty consistent over 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 were much more guardedly optimistic this quarter than last about the continued growth of commercial development in Northwest Arkansas for 2006. More panelists voiced concerns about the potential oversupply of office space, particularly Class A, in the Bentonville market. Also, several panelists mentioned rising land and construction costs as a potential hindrance to continued rapid growth. Again, there were serious concerns about the infrastructure situation, specifically local roads, I-540 bypasses, I-540 exits, the development of I-49, and sewer construction in Northwest Arkansas.

The entire Northwest Arkansas retail space market garnered the most, but not unanimous, positive comments from the panel. "I am a lot more optimistic today" said one panelist. Another said there is "nothing but good things in retail. More retail competition is good synergy." With the continued expected population growth panelists feel the region remains underserved in retail square footage per person. Additionally, as the MSA grows more national retail chains took an interest in establishing or increasing their presence in Northwest Arkansas. Overall panelists felt each geographic section of the retail market was healthy, and will continue to see growth in 2006. Bentonville retail growth is "better than [I] thought", and is predicted to continue in the form of strip malls and neighborhood shopping areas bolstered by national restaurant chains, so consumers "don't have to go to Fayetteville." Further, one panelist cited increasing population diversity as bringing strength to the local retail market as ethnic stores open. However, one panelist felt there was some slowing in the Bentonville retail market. "Rooftops in Rogers," according to one panelist, "is the 'raison d'etre' for the Pinnacle Hills Promenade, Pleasant Crossing, Shoppes at Pinnacle Hills, Centre Point at Pleasant Grove, and the Scottsdale expansion." A majority of the panelists feel these developments will succeed in time, although a couple voiced concerns about possible cannibalism among all the various retail developments, new and old, in Rogers.

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



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



Fayetteville's retail sector received positive comments with panelists feeling that the addition of Nelson's Crossing, The Shoppes at 6th Street, developments on Wedington, Malco theaters, and the Sam's Club relocating from Springdale continue to make Fayetteville an attractive shopping area to local customers and national retailers. However, one panelist feels Fayetteville must make a conscious effort to compete with the growing retail strength of Benton County by "getting them to work in Fayetteville". Springdale is still thought of as a "blue collar" community, but one panelist sees potential for additional retail along Highway 412 in addition to the Shops at Har-Ber Lakes.

There were mixed comments regarding the office space market, particularly in Bentonville/Rogers. More panelists seemed to be concerned about oversupply in office space, especially Class A. "Bentonville/Rogers is so overbuilt, it is unreal", said one panelist. Others voiced less extreme, but relative to last quarter, increased concerns about oversupply in the Bentonville/Rogers office market. Again, the Sloane-Hanna building was repeatedly mentioned as having a major impact on Class A office space. Substantial increases in land prices were also cited by panelists as squeezing profit margins for leased office space. Increasing construction costs were also noted, but one panelist noticed that some residential subcontractors were becoming available for office space work. A couple panelists even proposed that in 2006 there will be a lot of properties available to buy at fire sale prices as current owners, who built at high costs, are forced to sell. On the other hand, some panelists see continued significant vendor movement into Bentonville/Rogers, as well as increasing professional services following the vendors. Some panelists mentioned that only a small percentage of Wal-Mart vendors have a permanent presence in Northwest Arkansas, and they expect to see that number grow, leading to continued health in the B office space market. However, a panelist did voice concern about the health of second generation space. Also a few panelists mentioned a return to the subdued vendor ethos of the past, which is a positive development for Class B space, but a problem for Class A space. One panelist is looking at solid growth in medical office demand to complement the new Mercy Health System campus and Creekside Medical Park developments in Rogers. The Fayetteville office space market is considered sound, but without a lot of room for additional space beyond what is already being developed in the next couple years. Panelists believe both A and B space will be rapidly absorbed in the Fayetteville office market.

This quarter panelists were unanimous that Northwest Arkansas is suffering from infrastructure problems including local roads, freeway entrances and exits, interstate bypasses, and sewer and water lines. Panelists feel the region is 10 to 30 years behind the needed level of infrastructure. The panelists' general opinions are that there needs to be more state government financial support for Northwest Arkansas' transportation infrastructure needs. One panelist even voiced regret about the lack of vocal support, by all those associated with the real estate market, for the transportation bond issue in the past election. Another panelist strongly supports the immediate development of a light rail system for Northwest Arkansas. Some panelists feel there has been progress on the local government level, while others disagree, and even question how impact fees are being spent.

While not exhibiting the same level of short term optimism as during last quarter, the panelists do feel that any downturns are just cyclical in nature, and not the result of fundamental weaknesses in the Northwest Arkansas commercial real estate market. "People will continue to come," said several panelists, and if they do demand will eventually catch up to supply. Long term growth prospects therefore continue to look good. Further, if the increased national interest in the region, mentioned by several panelists, materializes, it will bring developers and retailers with deeper pockets who can afford to be more aggressive, with a longer time frame for success, who can wait out cyclical movements more easily than smaller developers.

Positive Factors:

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

Negative Factors:

1. Infrastructure: local roads, I-540 entrances and exits, new bypasses.
2. Oversupply of office space in Bentonville.
3. Rising land costs.
4. Over-regulation of the building trade.
5. Impact fees.

Local Commercial Property Inventory and Building Permit Data

The following table presents the total competitive commercial property inventory in Northwest Arkansas that meets minimum square footage requirements (a complete list of these criteria are included on page 35) as of November 2005. Also included are columns detailing the total square feet and percent coverage of the total inventory for which the Skyline Report commercial property owner and manager panel provided information. For the fourth quarter, the Skyline Report covers 67.0 percent of the total competitive commercial property population in Northwest Arkansas. Some cities have better coverage than others. For example, the Skyline Report panelists reported information on 86.7 percent of the competitive commercial properties in Bentonville, but only 39.3 percent of the competitive commercial properties in Lowell. Bella Vista, Fayetteville, Rogers, Siloam Springs, and Springdale have coverages of 91.0, 79.6, 63.3, 51.7, and 45.1 percents, respectively.

Total Square Feet and Coverage of Competitive Commercial Properties

	Industrial ¹	Office ¹	Retail ¹	Warehouse ¹	Total ¹	Panel Total Square Feet ²	Panel Coverage ²
Bella Vista	–	106,188	14,752	61,594	182,534	166,066	91.0%
Bentonville	217,858	3,678,270	602,845	599,389	5,098,362	4,420,744	86.7%
Fayetteville	466,135	2,401,493	2,696,631	846,488	6,410,747	5,100,387	79.6%
Lowell	148,819	318,607	74,891	75,550	617,867	242,792	39.3%
Rogers	871,013	2,488,307	1,798,682	721,189	5,879,191	3,719,190	63.3%
Siloam Springs	253,631	173,787	353,096	180,797	961,311	496,906	51.7%
Springdale	969,303	1,372,484	2,008,638	1,650,873	6,001,298	2,707,840	45.1%
Northwest Arkansas Total	2,926,759	10,539,136	7,549,535	4,135,880	25,151,310	16,853,925	67.0%

¹Source: Benton and Washington County offices of the Assessor. The total square feet represent the population of competitive commercial properties that meet the baseline criteria set out on page 35 of this report.

²Source: Panel of 141 large Northwest Arkansas commercial property owners and managers.

In addition, building permit data from the past seven 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 September to November 2005, there were \$118.5 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This is an increase of 9.3 percent over the prior quarter and more than 500 percent more than the same quarter in 2004. Rogers accounted for about 72.5 percent of the total value of building permits in the September to November period. Building permits for the Pinnacle Hills Promenade, Pleasant Crossing, and for the John Q. Hammons convention center accounted for much of Rogers' total. Springdale accounted for about 13.5 percent of the value of building permits with a Tyson Foods office building accounting for about half the Springdale total.

The table of announcements of New Commercial Property is included as an indication of the future direction of the Northwest Arkansas commercial market. The list is not exhaustive, but represents an effort to gather data at a step before the official permitting process. The managers and owners of many of these properties have provided the CBER with information about these buildings, but until construction is complete, they do not appear in the aggregated total square footage and available square footage calculations. Some of the properties listed are actually under construction, while others are only in the concept phase.

Commercial Building Permit Data by City

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	--	--

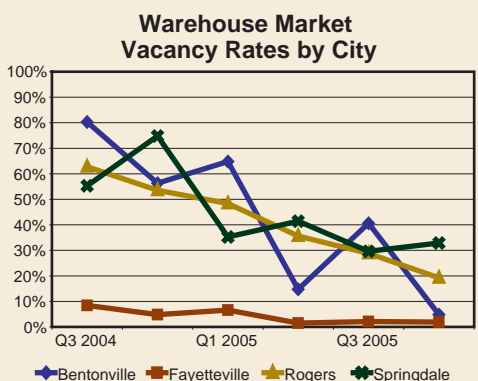
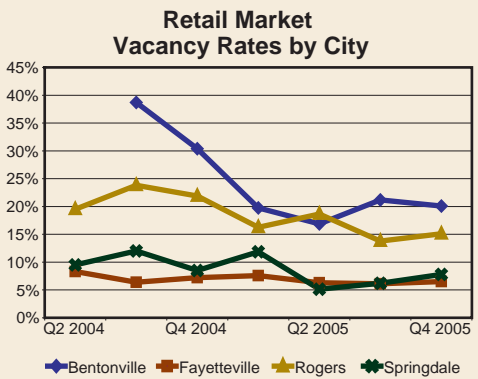
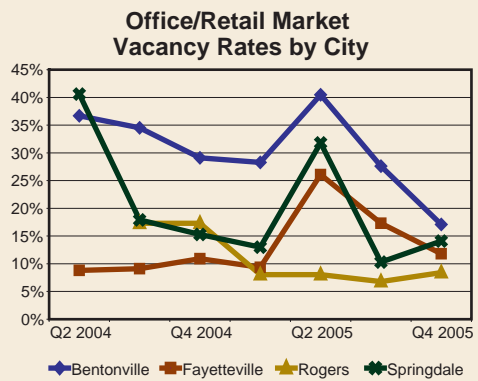
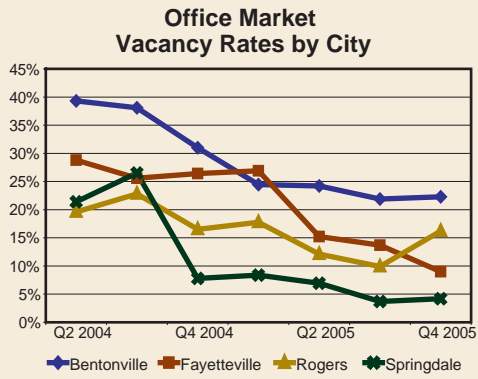
Announcements of New Commercial Projects

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Arvest Branch	Bentonville	Arvest Bank	Bank	3,978	March 2006
First Security Bank	Bentonville	First Security Bank	Bank	4,111	
Metropolitan Bank	Bentonville	Dynamic Development, Inc	Bank	3,500	
Parkway Bank	Bentonville	Parkway Bank	Bank	5,000	2006
Parkway Bank	Bentonville	Buzz Tang	Bank	4,800	2006
Beau Chene Crossing	Bentonville	Lindsey - McClard	Medical Office	40,500	Spring 2006
Center for Psychology	Bentonville	Center for Psychology	Medical Office	7,000	Fall 2006
NW Arkansas Center for Children	Bentonville	Dept of Pediatric Svcs UAMS	Medical Office	33,000	October 2006
Tate & Haney Building	Bentonville	John Tate and Johnny Haney	Mixed Use	50,000	February 2007
1200 SE 14th	Bentonville	Rick Thomas	Office	24,000	Spring 2006
8th Street Project	Bentonville	Wal-Mart	Office	900,000	
Brightwood Business Park, Phase II	Bentonville	Charlton Development	Office	24,000	Winter 2006
Clorox Building	Bentonville	Pro Con Inc	Office	32,000	June 2006
David Glass Tech Center	Bentonville	Wal-Mart	Office	173,250	
Greystone Complex Building 3 and 4	Bentonville	Sharp Development LLC	Office	25,500	Late 2006
Oak Trace, Phase V	Bentonville	Charlton Development	Office	10,360	Winter 2006
Office Building	Bentonville	Pinnacle Group	Office	25,000	April 2006
Office Building	Bentonville	Pinnacle Group	Office	11,500	April 2006
Sara Lee Corp.	Bentonville	Sellers Properties	Office	30,000	January 2006
The Superior Building	Bentonville	Slone-Hanna Partnership	Office	396,000	2006
Colonnade II	Bentonville	Dixie Development	Office/Retail	19,500	2006
Oakbrooke II	Bentonville	MIDD Development	Office/Retail	26,000	June 2006
Office- Retail Development	Bentonville	Harris McHaney	Office/Retail	40,000	
Savannah Suites	Bentonville	Pro Con Inc	Office/Retail	42,000	Spring 2006
Bentonville South Industrial Park	Bentonville	Eisma	Office/Showrm	18,375	January 2006
CMS Investments Property	Bentonville	CMS Investments	Office/Showrm	23,200	February 2006
Hardcastle Estates	Bentonville	Phil Lee	Off/Whse	112,000	
Kent Dobbs Hyundai	Bentonville	Kent Dobbs Hyundai	Retail	17,835	
Lowes	Bentonville	Lowes	Retail	136,000	
Retail Building on Central	Bentonville	Schaefer Properties	Retail	40,000	2006
Liberty Bank	Fayetteville	USI-Arkansas Inc.	Bank	4,895	January 2006
Metropolitan National Bank	Fayetteville	Metropolitan National Bank	Bank	9,200	
Appleby Landing	Fayetteville	Dixie Development	Medical Office	94,000	Late 2006
Highlands Oncology Clinic	Fayetteville	Highlands Oncology Group	Medical Office	11,600	Fall 2006
Joyce Medical & Professional Center	Fayetteville	M & S Investments	Medical Office	15,400	Early 2006
VA Medical Center expansion	Fayetteville	VA Medical Center	Medical Office	151,000	
Washington Regional Medical Center	Fayetteville	Washington Reg Med Ctr	Medical Office	200,000	
Beacon Flats	Fayetteville	Beacon Flats LLC	Mixed Use	5,500	
Cornerstone Building	Fayetteville	Timberstone Development	Mixed Use	7,500	2006
Kantz Building	Fayetteville	Kirk Elsass	Mixed Use		
Legacy Building	Fayetteville	Barber Group	Mixed Use	117,000	Sept 2006
Paradise Point	Fayetteville	Kirk Elsass	Mixed Use		
Springwoods	Fayetteville	Haynes LTD	Mixed Use		2006
The Lofts at Underwood Plaza	Fayetteville	AMA Real Estate Group, Nock Investments, the Beldens, the Underwoods	Mixed Use	118,890	
2558 E. Joyce	Fayetteville	M&S Development LLC	Office	20,000	Early 2006
CMN Business Park	Fayetteville	Dixie Development	Office	28,000	Fall 2006
Joyce Boulevard	Fayetteville	Lindsey & Associates	Office	82,420	Summer 2006
Lindsey Construction Office	Fayetteville	Lindsey Construction	Office	82,420	Early 2006
Parkwest	Fayetteville	Tracy Hoskins	Office	856,000	2020
Steele Plaza	Fayetteville	Irwin Partners	Office	45,000	
Township Heights	Fayetteville	Keating Enterprises	Office	11,806	
Hunnicut Building	Fayetteville	Don Hunnicutt	Office/Retail	23,000	
Shops at Nelsons Crossing	Fayetteville	Dixie Development	Office/Retail	70,000	Fall 2006
Southern View, Phase II	Fayetteville	Southern View Phase II LP	Office/Retail	42,000	Early 2006
Wedington Circle	Fayetteville	Mansfield Property Mgmt	Office/Retail	10,000	
Bassett Furniture Store	Fayetteville	Bassett Furniture	Retail		Spring 2006

Announcements of New Commercial Projects (Continued)

Property	City	Owner/Developer/ Property Manager	Use	Square Feet	Expected Completion Date
Malco Movies	Fayetteville	Malco	Retail	42,500	
Sam's Club	Fayetteville	Wal-Mart	Retail	142,898	
The Depot Project	Fayetteville	Mansfield Property Mgmt	Retail	6,000	2006
The Shoppes at 6th Street	Fayetteville	CRI	Retail	40,000	Fall 2006
University Village Center	Fayetteville	Ark 4-John Ellis	Retail	38,774	
USA Drug Store	Fayetteville	Weingarten Realty Investors	Retail	3,500	January 2006
Wedington Circle	Fayetteville	Mansfield Property Mgmt	Retail	6,576	
Wedington Place	Fayetteville	Mandy Burch	Retail	11,600	
Western Sizzlin Retail Center	Fayetteville	Mark Bazyk	Retail	5,000	
Fair Park Center	Fayetteville	Tracy Hoskins	Warehouse	27,500	March 2006
UAMS Pediatric Center	Lowell	Pinnacle Group	Medical Office	33,750	March 2007
World Gym	Lowell	Rhett Garner & Tania Zamzow	Retail	50,000	Mid 2006
AERT	Lowell	AERT	Warehouse	120,000	
Bank of Rogers Branch	Rogers	Bank of Rogers	Bank	8,294	September 2006
Liberty Bank	Rogers	Liberty Bank	Bank	6,000	2006
Metropolitan Bank	Rogers	Metropolitan Bank	Bank		
Metropolitan National Bank	Rogers	Metropolitan National Bank	Bank	3,700	
Parkway Bank	Rogers	Parkway Real Estate Holdings	Bank	42,000	2007
Signature Branch	Rogers	Signature Bank	Bank	7,088	January 2006
United Bank	Rogers	United Bank	Bank	6,200	June 2006
Signature Bank	Rogers	Signature Bank	Bank/Office	18,500	Summer 2006
John Q. Hammons Center	Rogers	John Q. Hammons	Convention Ctr	120,000	June 2006
Metro Park	Rogers	Collins Haynes	Medical Office	80,000	
Creekside Medical Park	Rogers	Colliers Dickson Flake	Med Off/Retail	600,000	Fall 2006
Graham Building	Rogers	Horsebarn Partners LLC	Mixed Use	72,000	
Myers Ranch	Rogers	Upscale Companies LLC	Mixed Use	680,000	
Benchmark Office Building	Rogers	Benchmark Group	Office	114,000	
Daisy BB Office Building	Rogers	Daisy BB	Office	11,891	
Pinnacle Hills Promenade	Rogers	The Pinnacle Group	Office/Retail	980,000	October 2006
Shoppes at Pinnacle Hills	Rogers	The Pinnacle Group	Office/Retail	220,000	January 2006
The Shoppes at Pinnacle Hills	Rogers	Pinnacle Group	Office/Retail	250,000	March 2006
Centre Pointe at Pleasant Grove	Rogers	Centre Pointe LLC	Retail	250,000	2006
Germain Toyota	Rogers	Germain Motor Co.	Retail	48,000	2006
Harley Davidson	Rogers	Paul and Sue Johnson	Retail	47,000	April 2006
Northfork Plaza	Rogers	Jim Burkeen	Retail		
Petco	Rogers	Petco Animal Supplies, Inc.	Retail	15,000	April 2006
Pleasant Crossing	Rogers	Charles Reaves, et al	Retail	1,000,000+	2006
Scottsdale Center Phase VB	Rogers	Tall Grass Development	Retail	48,000	March 2006
Walgreens	Rogers	Bencor LLC	Retail	14,850	June 2006
Walnut and 37th St	Rogers	Dixie Development	Retail	24,118	
Glad Warehouse	Rogers	Bill McLard	Warehouse	400,000	
Simmons Pet Food	Siloam Springs	Simmons Pet Food	Industrial	114,000	November 2006
DaySprings Cards Building	Siloam Springs	DaySprings Cards	Office	36,000	
Signature Plaza	Siloam Springs	Doug Allen	Retail	58,000	
Liberty Bank	Springdale	Liberty Bank	Bank	6,000	2006
Metropolitan National Bank	Springdale	Metropolitan National Bank	Bank	3,700	
Legacy National Bank	Springdale	Legacy National Bank	Bank/Office	20,000	October 2006
Signature Bank Branch	Springdale	Signature Bank	Bank/Office	10,000	May 2006
AERT	Springdale	AERT	Industrial	64,000	April 2006
Bingham-Bledsoe Diagnostic Center	Springdale	Dr. Bingham	Medical Office	11,600	March 2006
Brandon Building	Springdale	Gary Brandon	Mixed Use	10,000	Spring 2006
Shoppes at Har-Ber Lakes	Springdale	Sage Partners	Mixed Use	70,000	Mid 2006
Discovery Center Project	Springdale	Tyson Foods Inc	Office	358,000	Fall 2006-2007
Diesel Downs	Springdale	Gary Combs	Office/Retail	134,000	
Overton Project	Springdale	Mike Overton	Off/Whse	14,400	
Frank Fletcher Chevrolet	Springdale	Dennis Jones	Retail	23,891	January 2006
Heartland Honda Addition	Springdale	SSI Inc.	Retail	11,000	Spring 2006
Louisiana Place Warehouse	Springdale	Edwards Design & Construction	Warehouse	56,875	March 2006

Net Absorption by Submarket December 2004 - November 2005



	Submarket			
	Office	Office/Retail	Retail	Warehouse
Bella Vista	550	2,639	2,400	0
Bentonville	-40,355	-91,155	-36,400	10,200
Fayetteville	140,559	-56,969	35,772	59,600
Lowell	-4,304	0	391	-20,400
Rogers	-20,956	-11,779	-57,647	60,064
Siloam Springs	0	-5,600	-11,500	0
Springdale	8,287	514	9,750	31,215
Northwest Arkansas	83,781	-162,350	-57,234	140,679

Trends Summary

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

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

In the office market, vacancy rates trended somewhat lower over the past year. In the office/retail market, vacancy rates spiked in the second quarter of 2005 and then recovered somewhat in the third and fourth quarters. Retail vacancy rates have been fairly steady in 2005. The warehouse market showed the biggest decline in vacancy rates throughout 2005.

Vacancy Rates by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	50.0%	31.0%	26.4%	3.6%	16.5%	48.4%	7.8%	24.5%
Q1 2005	17.2%	24.5%	26.9%	3.7%	17.8%	4.8%	8.4%	21.6%
Q2 2005	17.2%	24.2%	15.2%	5.0%	12.1%	--	6.9%	17.8%
Q3 2005	17.2%	21.9%	13.7%	4.3%	9.9%	--	3.7%	15.8%
Q4 2005	20.4%	22.3%	9.0%	4.2%	16.2%	--	4.2%	16.0%

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	57.0%	61.8%	--	0.0%	10.7%	14.3%	24.8%
Q1 2005	--	100.0%	0.3%	--	15.8%	--	14.7%	7.4%
Q2 2005	--	77.8%	2.1%	--	11.2%	4.1%	0.0%	17.6%
Q3 2005	--	34.3%	1.8%	--	13.7%	4.1%	16.8%	5.8%
Q4 2005	34.6%	24.6%	1.1%	--	9.0%	7.0%	1.6%	4.2%

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	8.3%	29.1%	10.9%	16.7%	17.3%	--	15.3%	16.8%
Q1 2005	9.5%	28.3%	9.3%	--	8.1%	10.6%	13.0%	13.9%
Q2 2005	3.2%	40.5%	26.1%	16.7%	8.1%	10.6%	31.8%	26.8%
Q3 2005	2.9%	27.6%	17.3%	16.7%	6.8%	13.5%	10.3%	17.6%
Q4 2005	3.2%	17.1%	11.8%	0.0%	8.4%	15.8%	14.1%	13.4%

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	100.0%	0.0%	--	0.0%	70.8%	50.0%	27.4%
Q1 2005	--	41.9%	91.3%	--	8.5%	70.8%	60.8%	46.0%
Q2 2005	--	21.5%	0.0%	--	8.5%	71.1%	46.3%	42.7%
Q3 2005	--	25.4%	93.8%	--	12.3%	44.9%	56.8%	39.9%
Q4 2005	--	31.4%	93.8%	--	13.2%	0.0%	24.9%	27.5%

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	3.1%	30.4%	7.2%	0.0%	21.9%	100.0%	8.5%	11.8%
Q1 2005	0.0%	19.8%	7.6%	5.8%	16.3%	0.4%	11.9%	10.5%
Q2 2005	0.0%	16.9%	6.3%	0.0%	18.7%	0.9%	5.1%	8.7%
Q3 2005	0.0%	21.2%	6.1%	7.8%	13.8%	4.9%	6.2%	8.7%
Q4 2005	0.0%	20.1%	6.5%	4.7%	15.1%	6.0%	7.8%	9.9%

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	--	66.3%	--	100.0%	--	21.0%	31.8%
Q1 2005	--	--	66.3%	--	100.0%	100.0%	22.1%	29.4%
Q2 2005	--	--	66.3%	--	100.0%	0.0%	23.9%	33.0%
Q3 2005	--	95.7%	0.0%	--	60.0%	--	28.3%	70.3%
Q4 2005	--	0.0%	20.0%	7.5%	60.0%	--	28.3%	25.7%

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	56.3%	4.8%	47.4%	53.5%	0.0%	74.8%	33.5%
Q1 2005	--	64.8%	6.6%	47.4%	48.3%	0.0%	35.2%	30.5%
Q2 2005	--	14.7%	1.5%	100.0%	35.6%	--	41.4%	15.5%
Q3 2005	--	40.6%	2.1%	100.0%	28.8%	--	29.6%	17.6%
Q4 2005	--	4.8%	1.9%	63.9%	19.2%	--	32.9%	12.4%

Net Absorption by Submarket

Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	0	1,530	-4,280	9,591	2,439	0	21,902	31,182
Q1 2005	0	-78,893	13,598	-200	11,512	0	-1,737	-55,720
Q2 2005	0	26,725	87,823	-5,050	77,657	--	2,135	189,290
Q3 2005	0	953	34,170	896	-21,566	--	5,989	20,442
Q4 2005	550	10,860	4,968	50	-88,559	--	1,900	-70,231

Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q1 2005	--	-1,300	0	--	0	--	0	-1,300
Q2 2005	--	-42,200	-3,507	--	0	267	-4,832	-50,272
Q3 2005	--	-2,850	0	--	-898	0	3,534	-214
Q4 2005	0	0	1,300	--	1,048	-2,017	4,000	4,331

Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	-5,643	5,544	-11,815	-3,200	4,380	--	3,611	-7,123
Q1 2005	-889	-2,350	-8,774	--	-4,380	0	6,369	-10,024
Q2 2005	2,616	-86,063	-33,293	0	0	0	-4,654	-121,394
Q3 2005	212	-6,323	16,746	0	2,900	-5,000	11,179	19,714
Q4 2005	700	3,581	-31,648	0	-10,299	-600	-12,380	-50,646

Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	0	0	--	21,000	-38,000	-31,000	-48,000
Q1 2005	--	0	0	--	-21,000	0	-13,444	-34,444
Q2 2005	0	-16,500	-24,886	--	0	-11,320	-4,832	-57,538
Q3 2005	--	-14,400	27,360	--	-10,872	0	-18,000	-15,912
Q4 2005	--	199,300	0	--	0	50,507	-39,959	209,848

Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	0	1,527	-33,598	0	-11,505	-13,144	26,992	-55,824
Q1 2005	2,400	-18,030	12,694	0	8,309	0	-5,550	-177
Q2 2005	0	-3,167	6,427	0	-2,261	-1,225	2,100	1,874
Q3 2005	0	90	5,857	-2,809	2,616	-10,000	10,600	6,354
Q4 2005	0	-15,293	10,794	3,200	-66,311	-275	2,600	-65,285

Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	--	0	--	0	--	-11,000	-11,000
Q1 2005	--	--	0	--	0	-23,680	-1,560	-25,240
Q2 2005	--	--	0	--	0	--	-2,140	-2,140
Q3 2005	--	0	5,900	--	0	--	-5,304	596
Q4 2005	--	20,560	0	18,500	0	--	0	39,060

Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2004	--	34,643	0	400	43,000	0	2,575	80,618
Q1 2005	--	-43,750	0	0	5,000	0	5,690	-33,060
Q2 2005	--	0	47,600	-20,000	38,264	--	4,600	70,464
Q3 2005	--	-10,200	12,000	-400	0	--	0	1,400
Q4 2005	--	64,150	0	0	16,800	--	20,925	101,875



Office Lease Rates

Average Range by City

	Class A	Class B	Class C	Medical
Bentonville	\$17.88 - \$18.41	\$14.46 - \$14.92	\$7.44 - \$7.44	--
Fayetteville	\$18.94 - \$21.58	\$12.43 - \$13.47	\$9.59 - \$9.97	\$10.50 - \$10.50
Rogers	\$19.14 - \$20.57	\$10.72 - \$11.95	\$6.38 - \$6.38	\$14.00 - \$14.00
Springdale	\$10.40 - \$14.68	\$10.96 - \$12.76	\$9.98 - \$9.98	\$11.37 - \$12.03

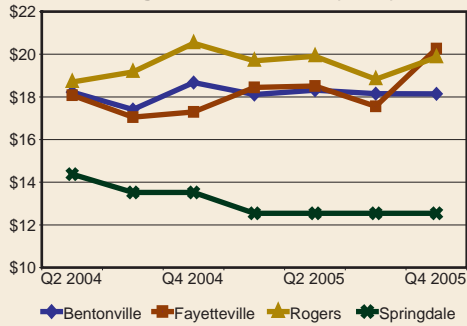
Office

In the fourth quarter of 2005, the office properties included in the CBER panel had a vacancy rate of 16.0 percent, up slightly from 15.8 percent in the third quarter. Of the 5.6 million square feet of Northwest Arkansas properties examined, 901,913 square feet are currently available. This is up from 727,667 available square feet of office space in the third quarter of 2005. From the third quarter to the fourth quarter of 2005, 164,395 square feet of new office space entered the market, while 94,164 square feet of space were absorbed, yielding net absorption of -70,231.

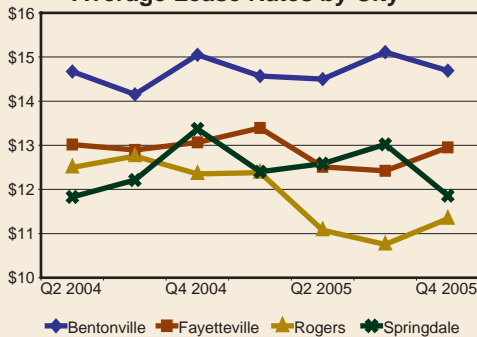
Of the 901,913 square feet of available office space in Northwest Arkansas, about 59 percent is located in Bentonville and comprises Class A and Class B space. The Bentonville Plaza property accounts for about 31 percent of the unoccupied office space in Bentonville. In the fourth quarter, there were 10,860 square feet absorbed in the Bentonville market. While Bentonville Plaza continues to play a role in the oversupply in the Bentonville market, now there is substantial square footage sitting vacant in the Class B market as well.

In the office market in Rogers, there was negative net absorption of 88,559 square feet in the fourth quarter of 2005. The negative net absorption was found in the all classes of office space, but the bulk was in the Class A submarket due to the entry of a four buildings totaling 102,000 square feet.

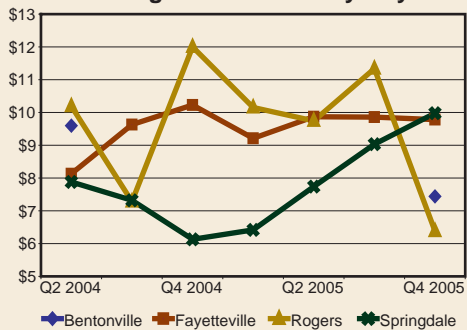
**Class A Office
Average Lease Rates by City**



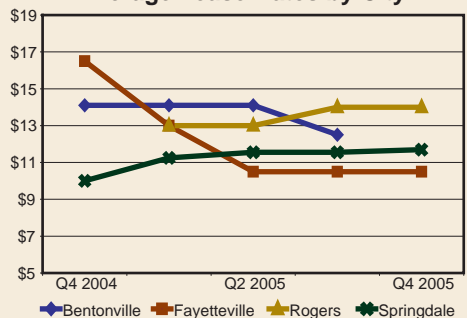
**Class B Office
Average Lease Rates by City**



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



**Medical Office
Average Lease Rates by City**



The Rogers Class B office submarket had negative absorption of 4,595 square feet and the Class C office submarket had negative absorption of 24,896 square feet. Positive net absorption of 1,048 square feet was reported in the medical office submarket.

Fayetteville had 115,007 square feet of available office space in the fourth quarter of 2005. About 77 percent of the available office space in Fayetteville is in the Class B submarket. From the third to the fourth quarter, there was no net absorption in the Class C or medical office submarkets, positive net absorption of 17,568 in the Class B submarket, and negative net absorption of 14,750 square feet in the Class A submarket. New office buildings totaling 46,395 square feet entered the Fayetteville market during the fourth quarter.

The Springdale office market had only 16,427 square feet of available space in the fourth quarter. New Class B space totaling 16,000 square feet entered the market, while 18,000 square feet of Class B space was absorbed, yielding positive net absorption of 2,000 square feet. The positive absorption in the medical office submarket almost equaled the negative absorption in Class C office space in Springdale in the fourth quarter.

Office lease rates were highest, on average, for Class A office space in Rogers and Fayetteville, averaging about \$20 per square foot. Class A space lease rates in both Bentonville and Springdale remained constant in the fourth quarter. Class B office space was most expensive in Bentonville and least expensive on average in Rogers. In the third quarter, Rogers had a substantial drop in reported average lease rates for Class C office space. Reported average medical office space lease rates remained constant in all cities in the fourth quarter.

Office Space Characteristics by Class and City

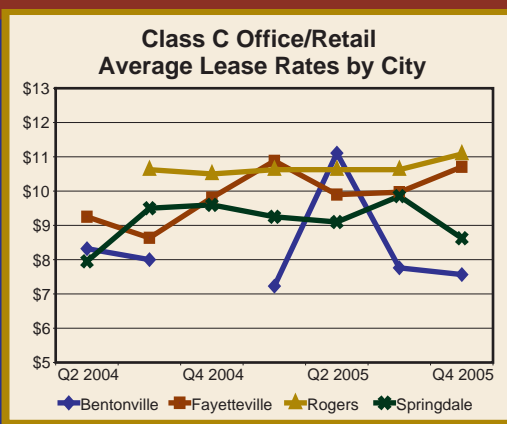
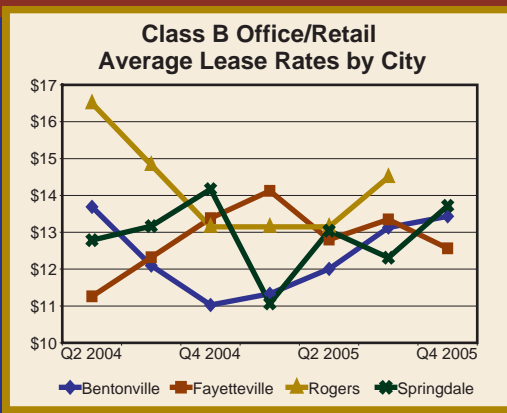
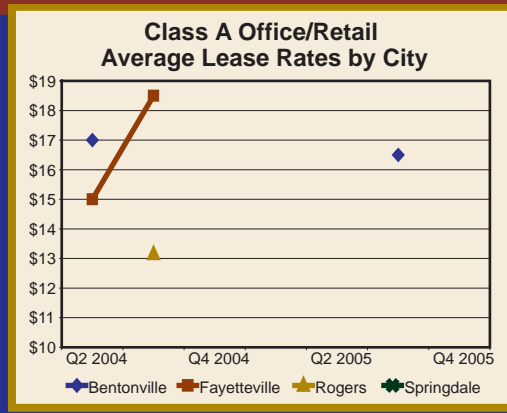
Class A Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	399,076	204,792	51.3%	2,239	0	2,239	274.4
Fayetteville	131,323	16,850	12.8%	22,740	37,490	-14,750	--
Rogers	836,836	116,713	13.9%	41,884	102,000	-60,116	--
Springdale	--	--	--	--	--	--	--
Class B Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	1,961,260	327,567	16.7%	8,621	0	8,621	114.0
Fayetteville	893,377	88,338	9.9%	26,473	8,905	17,568	15.1
Rogers	418,242	46,691	11.2%	-4,595	0	-4,595	--
Springdale	134,801	27,358	20.3%	-6,800	0	-6,800	--
Class C Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	24,553	0	0.0%	0	0	0	--
Fayetteville	66,607	7,612	11.4%	850	0	850	26.9
Rogers	102,574	58,516	57.0%	-24,896	0	-24,896	--
Springdale	171,728	15,980	9.3%	-5,580	0	-5,580	--
Medical Office							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	11,587	2,850	24.6%	0	0	0	--
Fayetteville	193,455	2,207	1.1%	1,300	0	1,300	5.1
Rogers	22,265	2,000	9.0%	1,048	0	1,048	5.7
Springdale	440,590	109,809	24.9%	-30,359	9,600	-39,959	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents



Office/Retail Lease Rates



Average Range by City

	Class B	Class C
Bentonville	\$12.53 - \$14.34	\$7.28 - \$7.85
Fayetteville	\$12.00 - \$13.13	\$9.65 - \$11.76
Rogers	-	\$9.33 - \$12.83
Springdale	\$11.33 - \$16.11	\$7.21 - \$10.04

Office/Retail

In the fourth quarter of 2005, the office/retail properties included in the CBER sample had a vacancy rate of 13.4 percent, down from 17.6 percent in the third quarter. Of the 1.8 million square feet of Northwest Arkansas properties examined, 238,406 square feet were available. From the third quarter to the fourth quarter of 2005, 49,250 new square feet of office/retail space were added to the market, while 1,396 square feet of space became vacant. This yielded a negative net absorption of 50,646 square feet.

Fayetteville, Rogers, and Springdale all experienced negative net absorption in the office/retail submarket in the fourth quarter, after having positive net absorption in the third quarter of 2005. Bentonville had positive absorption of 30,831 square feet of office/retail space. A total of 27,250 square feet new Class B office/retail space came online in Bentonville in the fourth quarter, yielding negative net absorption of 3,581 square feet. Fayetteville had negative absorption of 9,648 square feet, while an additional 22,000 new square feet were added to that market, netting negative absorption of 31,648 square feet. A total of 10,299 square feet of office/retail space in Rogers became vacant, while Springdale had 12,380 square feet of negative absorption. No new square feet of office/retail space were added to the Rogers or Springdale markets in the fourth quarter.

Bentonville continued to have the largest amount of available square feet in the Class B office/retail submarket with 89,252 square feet available. This translates to a vacancy rate of 20.9 percent. Fayetteville had a fair amount of available office/retail space available as well with 73,873 square feet

and 11.8 percent vacancy. Rogers, on the other hand, had very little office/retail space available at 14,769 square feet. Springdale had reported available office/retail square footage of 43,338.

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

Office/Retail Space Characteristics by Class and City

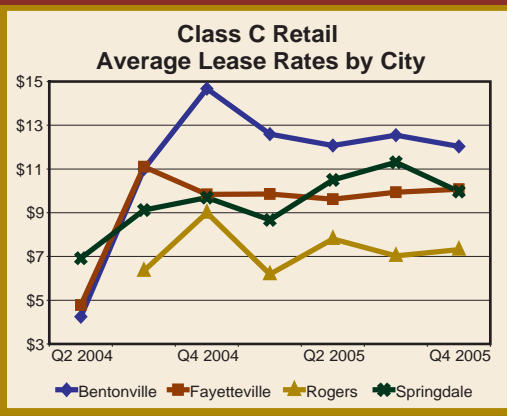
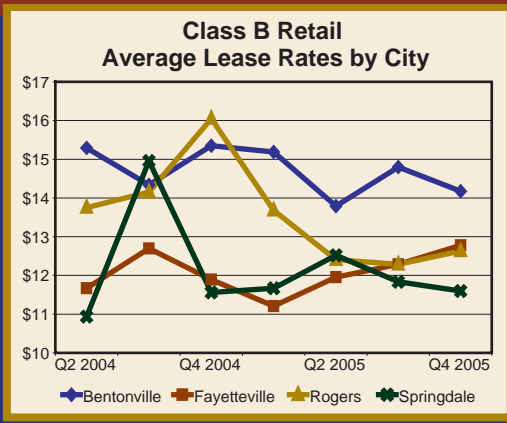
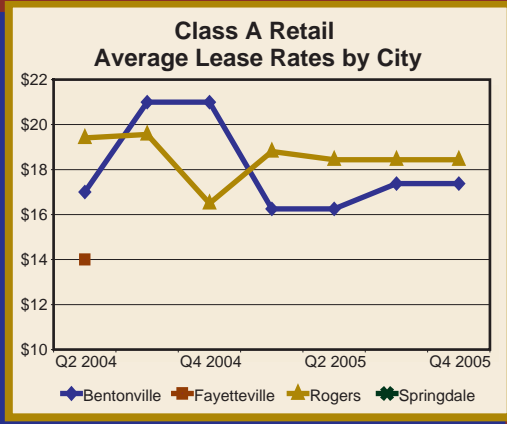
Class A Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	20,000	0	0	0	0	0	--
Fayetteville	--	--	--	--	--	--	--
Rogers	--	--	--	--	--	--	--
Springdale	--	--	--	--	--	--	--
Class B Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	426,211	89,252	20.9%	26,849	27,250	-401	--
Fayetteville	540,606	59,973	11.1%	-15,138	22,000	-37,138	--
Rogers	--	--	--	--	--	--	--
Springdale	134,801	27,358	20.3%	-6,800	0	-6,800	--
Class C Office/Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	85,639	1,800	2.1%	3,982	0	3,982	1.4
Fayetteville	87,780	13,900	15.8%	5,490	0	5,490	7.6
Rogers	175,506	14,679	8.4%	-10,299	0	-10,299	--
Springdale	171,728	15,980	9.3%	-5,580	0	-5,580	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents



Retail Lease Rates



Average Range by City

	Class A	Class B	Class C
Bentonville	\$16.75 - \$18.00	\$13.98 - \$14.37	\$11.98 - \$12.09
Fayetteville	-	\$12.08 - \$13.47	\$9.28 - \$10.88
Rogers	\$18.20 - \$18.68	\$11.88 - \$13.38	\$7.03 - \$7.59
Springdale	-	\$10.60 - \$12.60	\$9.72 - \$10.22

Retail

In the fourth quarter of 2005, the retail properties included in the CBER panel had a vacancy rate of 9.9 percent, which was higher than the 8.7 percent reported in the second and third quarters. Of the 4.6 million square feet of Northwest Arkansas retail properties examined, 451,424 square feet were available. From the third quarter to the fourth quarter of 2005, there was a positive absorption of 24,795 square feet of retail space, with 90,080 square feet of new retail space coming on the market, netting negative absorption of 65,285 square feet.

Bentonville had 415,324 total square feet and 83,681 available square feet of retail space in the fourth quarter, resulting in a vacancy rate of 20.1 percent. This represented a decline from the rate of 21.2 percent in the third quarter of 2005. A total of 293 square feet of Bentonville retail space became vacant, while an additional 15,000 square feet of space entered the market. This resulted in a net negative absorption of 15,293 square feet in the fourth quarter.

In the fourth quarter of 2005, Fayetteville had a retail vacancy rate of 6.5 percent, up from 6.1 percent in the third quarter, with 119,069 available square feet out of a total of 1,819,329. There was reported positive absorption of 13,059 square feet in the Class B retail submarket and reported negative absorption of 2,265 square feet in the Class A submarket. No new retail square feet were reported during the fourth quarter in Fayetteville.

The Rogers market had 165,993 square feet of available retail space out of a total of 1.1 million square feet for a vacancy rate of 15.1 percent in the fourth quarter. This rate was an increase from 13.8 percent in the third quarter. A total of 10,896 square feet were absorbed in the Class B submarket, while 9,127 square feet became vacant in the Class A retail submarket. An additional 68,080 square feet of Class A retail space came online in Rogers in the fourth quarter.

There were 64,472 square feet of available retail space out of a total of 828,566 square feet in Springdale in the fourth quarter. This implies a vacancy rate of 7.8 percent, up from 6.2 percent in the third quarter. A total of 7,000 square feet new Class B retail space was added to the Springdale retail market. Positive absorption of 7,500 square feet was reported in the Class B submarket and positive absorption of 2,100 square feet was reported in the Class C retail submarket.

Reported average reported lease rates have been remarkably stable, accounting for some variability. Bentonville Class B retail lease rates do appear to trend down slightly, while Fayetteville Class B retail lease rates appear to trend up slightly. Throughout 2005, Class A and Class C average retail lease rates remained fairly constant.



Retail Space Characteristics by Class and City

Class A Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	58,910	26,500	45.0%	0	0	0	--
Fayetteville	819,729	22,015	2.7%	-2,265	0	-2,265	--
Rogers	479,721	77,207	16.1%	-9,127	68,080	-77,207	--
Springdale	--	--	--	--	--	--	--
Class B Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	256,754	47,803	18.6%	-1,420	15,000	-16,420	--
Fayetteville	908,863	81,886	9.0%	13,059	0	13,059	18.8
Rogers	423,233	68,502	16.2%	10,896	0	10,896	18.9
Springdale	633,376	44,747	7.1%	7,500	7,000	500	268.5
Class C Retail							
	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	70,660	9,378	13.3%	1,127	0	1,127	25.0
Fayetteville	90,737	15,168	16.7%	0	0	0	--
Rogers	197,933	20,284	10.2%	0	0	0	--
Springdale	195,190	19,725	10.1%	2,100	0	2,100	28.2

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Other Lease Rates

Average Range by City

	Warehouse	Office/ Warehouse	Retail/ Warehouse
Bentonville	\$7.06 - \$7.06	\$9.42 - \$11.53	\$4.32 - \$9.48
Fayetteville	\$3.66 - \$3.66	\$5.40 - \$5.80	\$5.08 - \$5.08
Rogers	\$3.81 - \$3.81	\$6.30 - \$9.01	\$6.40 - \$6.40
Springdale	\$4.28 - \$4.88	\$6.00 - \$7.38	\$6.33 - \$10.67

Warehouse

In the fourth quarter of 2005, the warehouse properties included in the CBER panel had a vacancy rate of 12.4 percent. This was a decline from the third quarter vacancy rate of 17.6 percent. Of the 2.5 million square feet of warehouse space examined, 303,961 square feet were available in the fourth quarter. There was substantial positive absorption of 173,875 square feet of warehouse space in the fourth quarter and 72,000 square feet of space came online in the market, netting positive absorption of 101,875 square feet.

The bulk of available warehouse space was in Rogers and Springdale. Bentonville and Fayetteville have significantly less available warehouse space. Reported warehouse vacancy rates declined everywhere except Springdale in the fourth quarter and the increase in Springdale was due to the addition of respondents to the Skyline Report, rather than negative absorption.

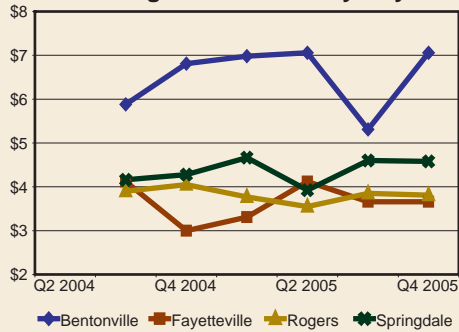
Bentonville continued to have the most expensive average warehouse lease rates, returning to first and second quarter levels near \$7.00 per square foot. Fayetteville and Rogers had roughly comparable average warehouse lease rates in the third and fourth quarters at just under \$4.00 per square foot, while Springdale stayed constant at about \$4.50.

Office/Warehouse

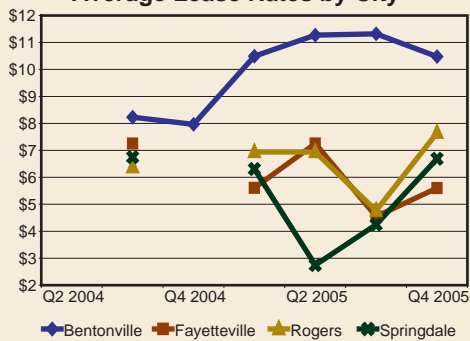
The CBER panelists reported on 1.6 million square feet of office/warehouse space in the fourth quarter. The vacancy rate in the office/warehouse submarket declined to 27.5 percent in Northwest Arkansas, with 432,971 total square feet available in the fourth quarter. From the third to the fourth quarter of 2005, there was positive absorption of 267,823 square feet of office/warehouse space, while 57,975 new square feet came online, netting positive absorption of 209,848. The substantial vacancy rate decline was the result of both the positive net absorption and the addition of a number of office/warehouse properties to the Skyline Report sample.

The activity in the office/warehouse submarket in the fourth quarter was concentrated in Bentonville. Positive net absorption of a whopping 199,300 square feet occurred in that market. Fayetteville had no activity and Rogers and Springdale experienced negative absorption in the office/warehouse submarket. The bulk of the available office/warehouse space was concentrated in Bentonville and Springdale.

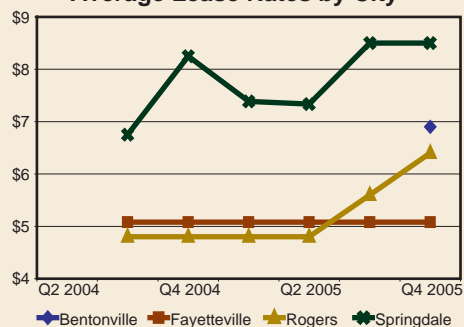
**Warehouse
Average Lease Rates by City**



**Office/Warehouse
Average Lease Rates by City**



**Retail/Warehouse
Average Lease Rates by City**



Other Space Characteristics by Class and City

Warehouse

	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	430,200	20,600	4.8%	64,150	0	64,150	1.0
Fayetteville	1,038,228	20,000	1.9%	0	0	0	--
Rogers	521,350	100,311	19.2%	16,800	0	16,800	17.9
Springdale	440,149	144,650	32.9%	92,925	72,000	20,925	20.7

Office/Warehouse

	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	608,975	191,100	31.4%	217,675	18,375	199,300	3
Fayetteville	96,326	90,326	93.8%	0	0	0	--
Rogers	315,887	41,736	13.2%	30,000	30,000	0	--
Springdale	440,590	109,809	24.9%	-30,359	9,600	-39,959	--

Retail/Warehouse

	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1,2}	Months of Inventory ^{1,2}
Bentonville	20,560	0	0	20,560	0	20,560	0
Fayetteville	17,996	3,600	20.0%	0	0	0	--
Rogers	20,000	12,000	60.0%	--	--	--	--
Springdale	121,004	34,200	28.3%	0	0	0	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Despite already being significantly higher than the rest of the region, in the fourth quarter, the office/warehouse lease rates in Bentonville declined only slightly. Average reported lease rates for office/warehouse space increased in Fayetteville, Rogers, and Springdale.

Retail/Warehouse

The CBER panelists reported on 199,560 square feet of retail/warehouse space in the fourth quarter. The vacancy rate in the retail/warehouse submarket declined to 25.7 percent in Northwest Arkansas, with 51,300 total square feet available in the fourth quarter. From the third to the fourth quarter of 2005, there was positive absorption of 39,060 square feet of retail/warehouse space, while no new square feet came online. The substantial vacancy rate decline was the result of both the positive net absorption and the addition of a number of retail/warehouse properties to the Skyline Report sample.

The activity in the retail/warehouse submarket in the fourth quarter was concentrated in Bentonville and Lowell. Fayetteville, Rogers, and Springdale all had no absorption or new square footage added to the market. Springdale had more than twice as many square feet of office/warehouse space available as any other Northwest Arkansas city in the fourth quarter.

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

Bella Vista

- Bella Vista had 182,534 square feet of competitive commercial space in the fourth quarter of 2005.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 166,066 square feet of commercial space in the fourth quarter of 2005. This represents 91.0 percent of the total competitive commercial space in Bella Vista.
- In the fourth quarter of 2005, Bella Vista experienced positive net absorption of 550 square feet in the office submarket and 700 square feet in the office/retail submarket, and no activity in the retail submarket.
- Reported vacancy rates increased in the office and office/retail submarkets in Bella Vista from the third quarter to the fourth quarter of 2005 due to an increase in the number of survey respondents.
- Reported average lease rates increased in Bella Vista in the fourth quarter due to an increase in the number of survey respondents. Prices were constant among respondents who have participated in the Skyline Report before.



Bella Vista Commercial Real Estate Market Summary Statistics

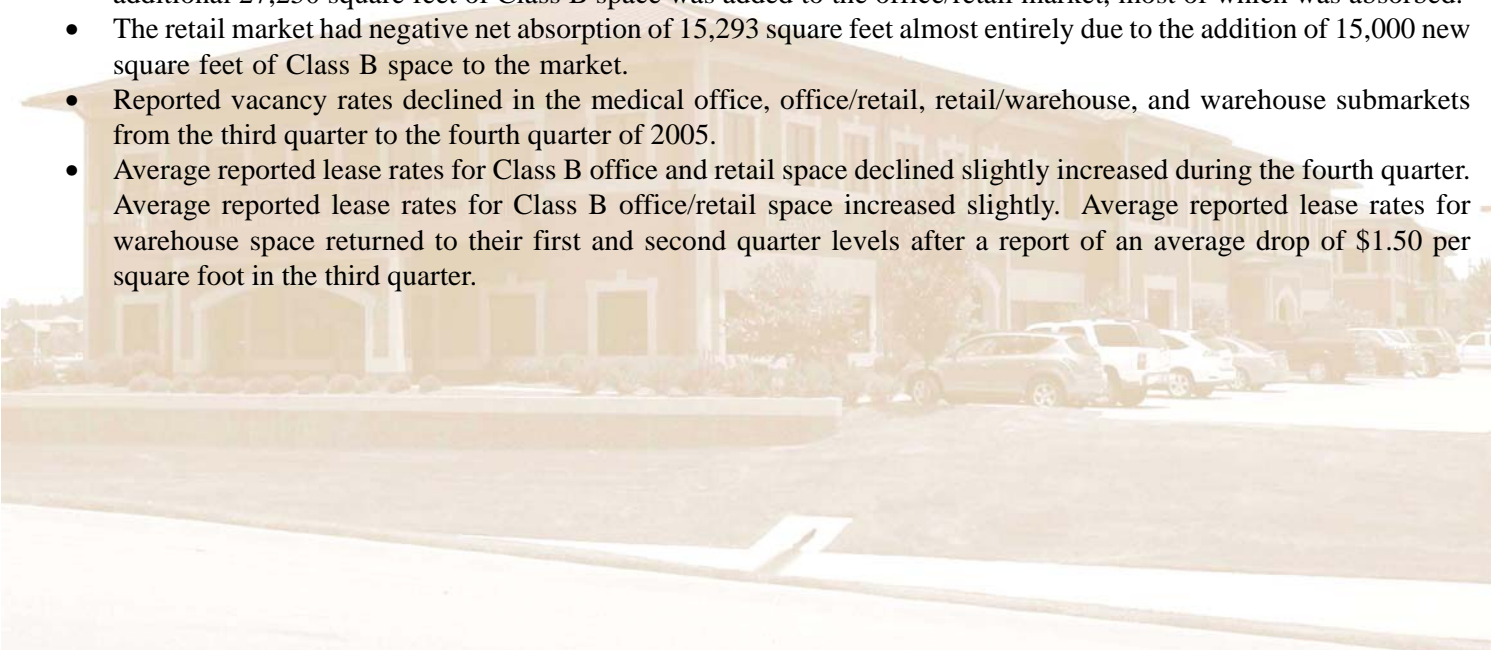
	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$11.14 - \$11.64	13,703	2,800	20.4%	550	0	550	15.3
Class A	--	--	--	--	--	--	--	--
Class B	\$9.28 - \$9.28	5,599	0	0.0%	550	0	550	0.0
Class C	--	--	--	--	--	--	--	--
Medical	\$13.00 - \$14.00	8,104	2,800	34.6%	0	0	0	--
Office/Retail	\$9.34 - \$9.34	76,171	2,464	3.2%	700	0	700	10.6
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	--	76,132	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q2 2005 respondents

Bentonville

- Bentonville had 5,098,362 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Bentonville issued building permits for 88,022 square feet of new commercial space, valued at a total of \$9,674,394.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 4,420,744 square feet of commercial space in the fourth quarter of 2005. This represents 86.7 percent of the total competitive commercial space in Bentonville.
- In the fourth quarter of 2005, Bentonville experienced small levels of positive net absorption in the office and office/retail submarkets and substantial positive net absorption in the office/warehouse, retail/warehouse, and warehouse submarkets. Within the office market, no new space came online and there was positive absorption in each class. An additional 27,250 square feet of Class B space was added to the office/retail market, most of which was absorbed.
- The retail market had negative net absorption of 15,293 square feet almost entirely due to the addition of 15,000 new square feet of Class B space to the market.
- Reported vacancy rates declined in the medical office, office/retail, retail/warehouse, and warehouse submarkets from the third quarter to the fourth quarter of 2005.
- Average reported lease rates for Class B office and retail space declined slightly increased during the fourth quarter. Average reported lease rates for Class B office/retail space increased slightly. Average reported lease rates for warehouse space returned to their first and second quarter levels after a report of an average drop of \$1.50 per square foot in the third quarter.



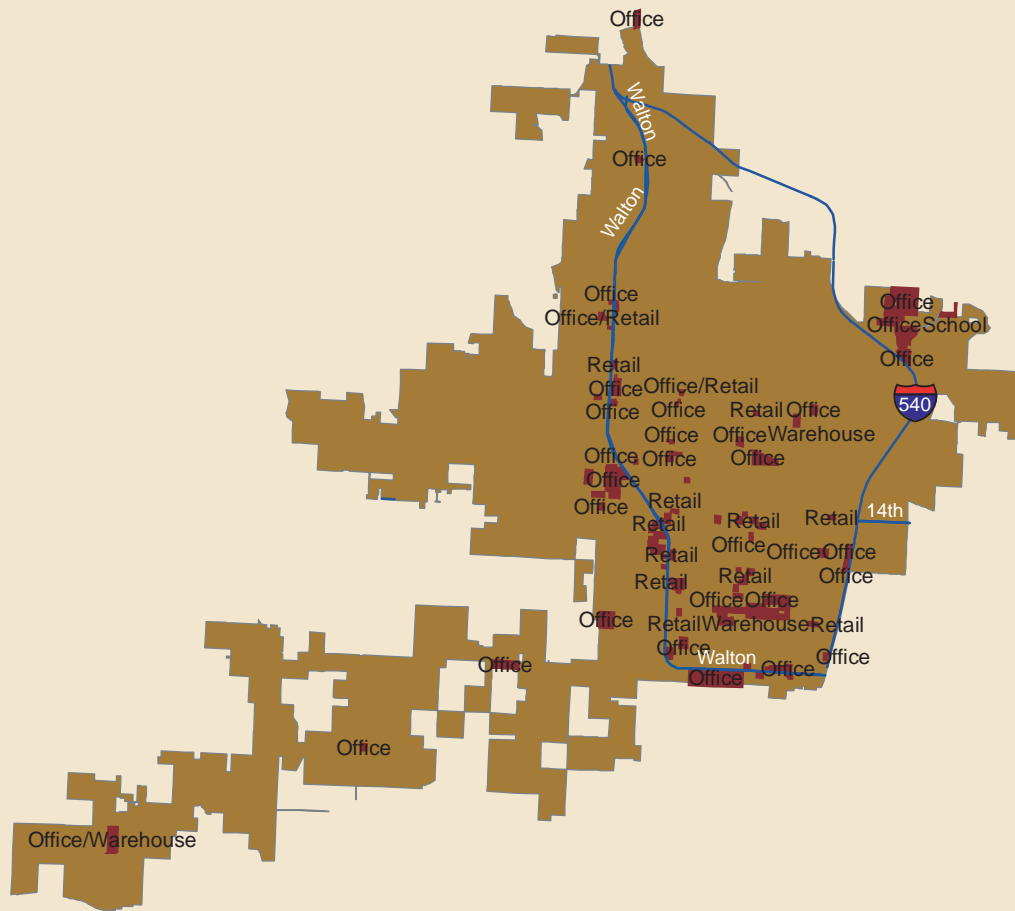
Bentonville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	17,359	0	0.0%	0	0	0	--
Office	\$14.63 - \$15.08	2,396,476	535,209	22.3%	10,860	0	10,860	147.8
Class A	\$17.88 - \$18.41	399,076	204,792	51.3%	2,239	0	2,239	274.4
Class B	\$14.46 - \$14.92	1,961,260	327,567	16.7%	8,621	0	8,621	114.0
Class C	\$7.44 - \$7.44	24,553	0	0.0%	0	0	0	--
Medical	--	11,587	2,850	24.6%	0	0	0	--
Office/Retail	\$11.81 - \$13.58	531,850	91,052	17.1%	30,831	27,250	3,581	76.3
Class A	\$17.00 - \$23.00	20,000	0	0.0%	0	0	0	--
Class B	\$12.53 - \$14.34	426,211	89,252	20.9%	26,849	27,250	-401	--
Class C	\$7.28 - \$7.85	85,639	1,800	2.1%	3,982	0	3,982	1.4
Office/Warehouse	\$9.42 - \$11.53	608,975	191,100	31.4%	217,675	18,375	199,300	2.9
Retail	\$13.61 - \$13.99	415,324	83,681	20.1%	-293	15,000	-15,293	--
Class A	\$16.75 - \$18.00	58,910	26,500	45.0%	0	0	0	--
Class B	\$13.98 - \$14.37	256,754	47,803	18.6%	-1,420	15,000	-16,420	--
Class C	\$11.98 - \$12.09	70,660	9,378	13.3%	1,127	0	1,127	25.0
Retail/Warehouse	\$4.32 - \$9.48	20,560	0	0.0%	20,560	0	20,560	0.0
Warehouse	\$7.06 - \$7.06	430,200	20,600	4.8%	64,150	0	64,150	1.0

¹From all Q4 2005 respondents

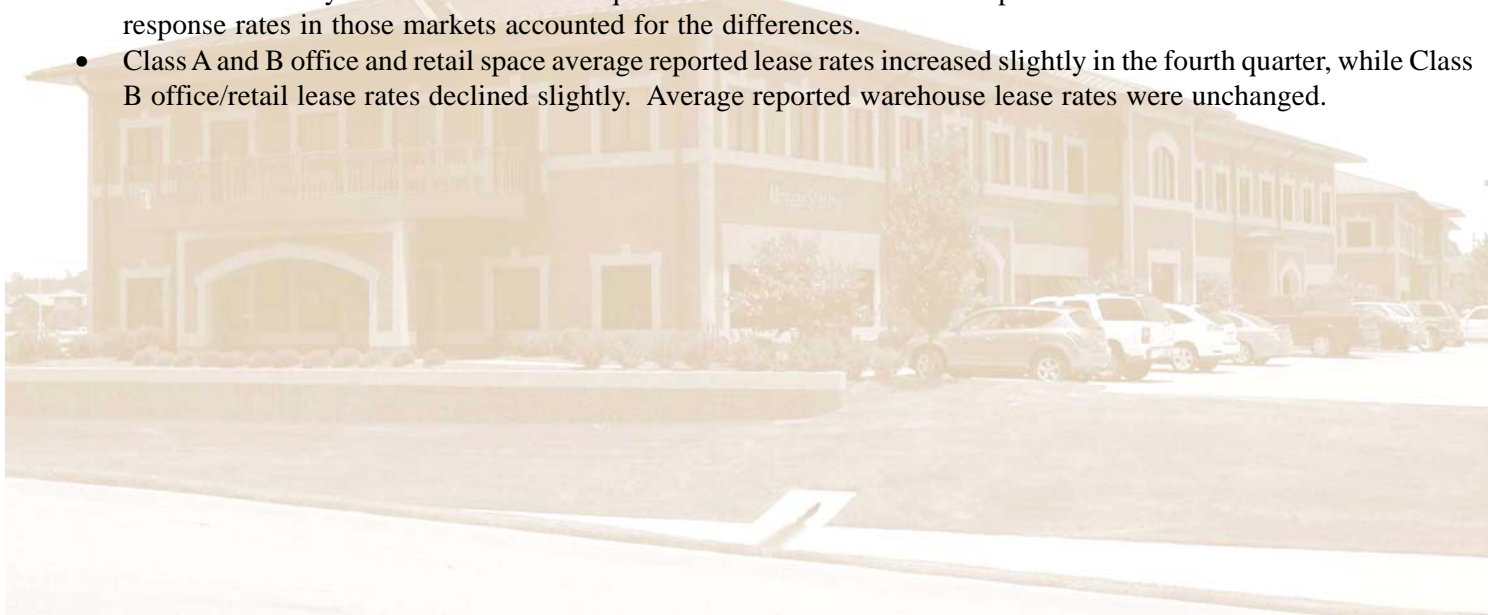
²From Q4 2005 respondents who were also Q3 2005 respondents

Bentonville Commercial Properties



Fayetteville

- Fayetteville had 6,410,747 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Fayetteville issued building permits for 9,960 square feet of new commercial space, valued at a total of \$3,519,150. The total value was 27.9 percent higher than the same period in 2004
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 5,100,387 square feet of commercial space in the fourth quarter of 2005. This represents 79.6 percent of the total competitive commercial space in Fayetteville.
- In the fourth quarter of 2005, Fayetteville experienced overall positive net absorption in the office and retail submarkets, negative net absorption in the office/retail submarket and no activity in the office/warehouse, retail/warehouse, and warehouse submarkets. A total of 46,395 new square feet of retail space came online in the Fayetteville market and 22,000 new square feet of office/retail space became ready in the fourth quarter.
- Observed vacancy rates fell in the fourth quarter in the all submarkets except retail and retail/warehouse. Increased response rates in those markets accounted for the differences.
- Class A and B office and retail space average reported lease rates increased slightly in the fourth quarter, while Class B office/retail lease rates declined slightly. Average reported warehouse lease rates were unchanged.



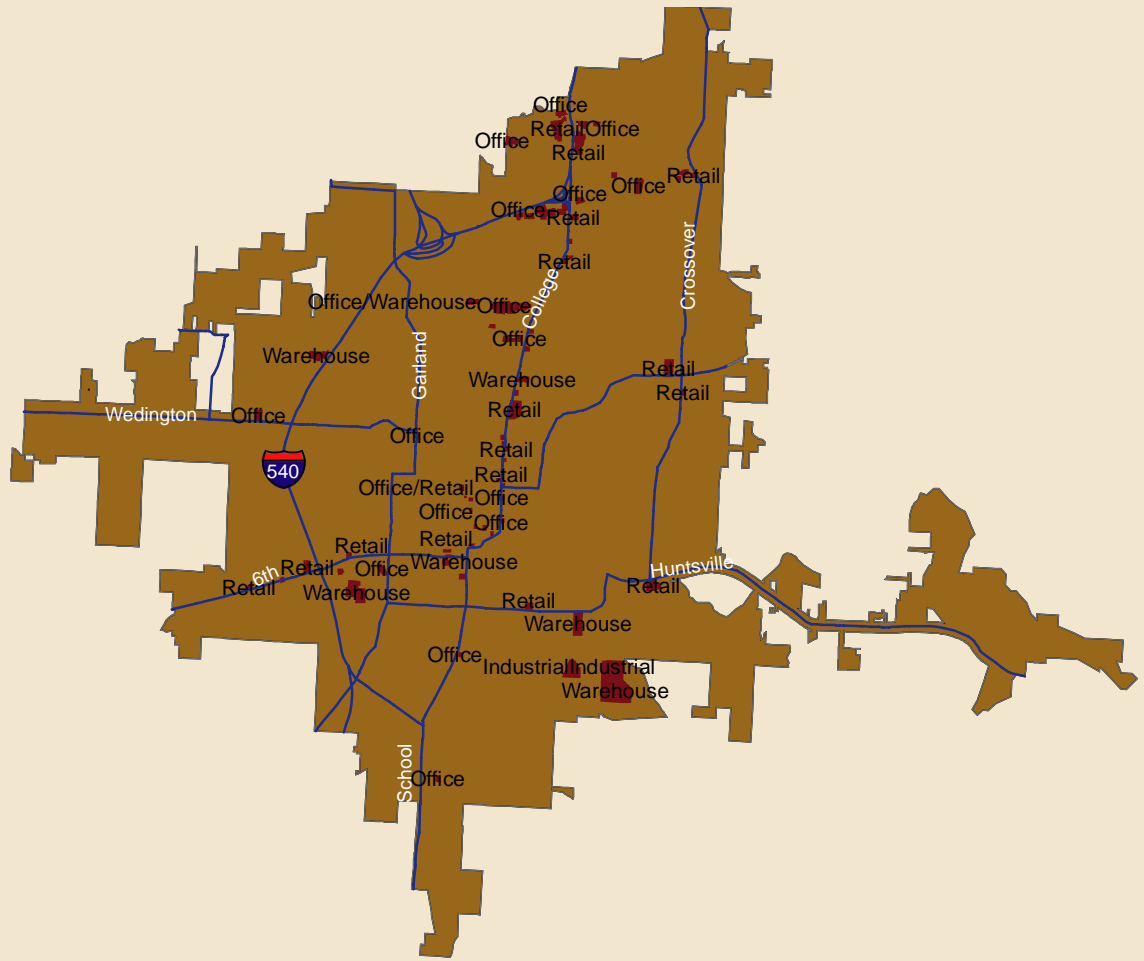
Fayetteville Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	215,360	0	0.0%	0	0	0	--
Office	\$12.42 - \$13.44	1,284,762	115,007	9.0%	51,363	46,395	4,968	69.4
Class A	\$18.94 - \$21.58	131,323	16,850	12.8%	22,740	37,490	-14,750	--
Class B	\$12.43 - \$13.47	893,377	88,338	9.9%	26,473	8,905	17,568	15.1
Class C	\$9.59 - \$9.97	66,607	7,612	11.4%	850	0	850	26.9
Medical	\$10.50 - \$10.50	193,455	2,207	1.1%	1,300	0	1,300	5.1
Office/Retail	\$11.30 - \$12.72	628,386	73,873	11.8%	-9,648	22,000	-31,648	--
Class A	--	--	--	--	--	--	--	--
Class B	\$12.00 - \$13.13	540,606	59,973	11.1%	-15,138	22,000	-37,138	--
Class C	\$9.65 - \$11.76	87,780	13,900	15.8%	5,490	0	5,490	7.6
Office/Warehouse	\$5.40 - \$5.80	96,326	90,326	93.8%	0	0	0	--
Retail	\$11.15 - \$12.61	1,819,329	119,069	6.5%	10,794	0	10,794	33.1
Class A	--	819,729	22,015	2.7%	-2,265	0	-2,265	--
Class B	\$12.08 - \$13.47	908,863	81,886	9.0%	13,059	0	13,059	18.8
Class C	\$9.28 - \$10.88	90,737	15,168	16.7%	0	0	0	--
Retail/Warehouse	\$5.08 - \$5.08	17,996	3,600	20.0%	0	0	0	--
Warehouse	\$3.66 - \$3.66	1,038,228	20,000	1.9%	0	0	0	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Fayetteville Commercial Properties



Lowell

- Lowell had 617,867 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Lowell issued building permits for new commercial space of 5,408 square feet, valued at a total of \$3,275,717.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 242,792 square feet of commercial space in the fourth quarter of 2005. This represents 39.3 percent of the total competitive commercial space in Lowell.
- In the fourth quarter of 2005, Lowell experienced positive absorption in the retail and retail/warehouse submarkets and no effective absorption in the office, office/retail, and warehouse submarkets.
- Reported vacancy rates declined in all markets from the third quarter to the fourth quarter of 2005.
- Reported fourth quarter average lease rates were unchanged in all submarkets except warehouse, where rates increased substantially.



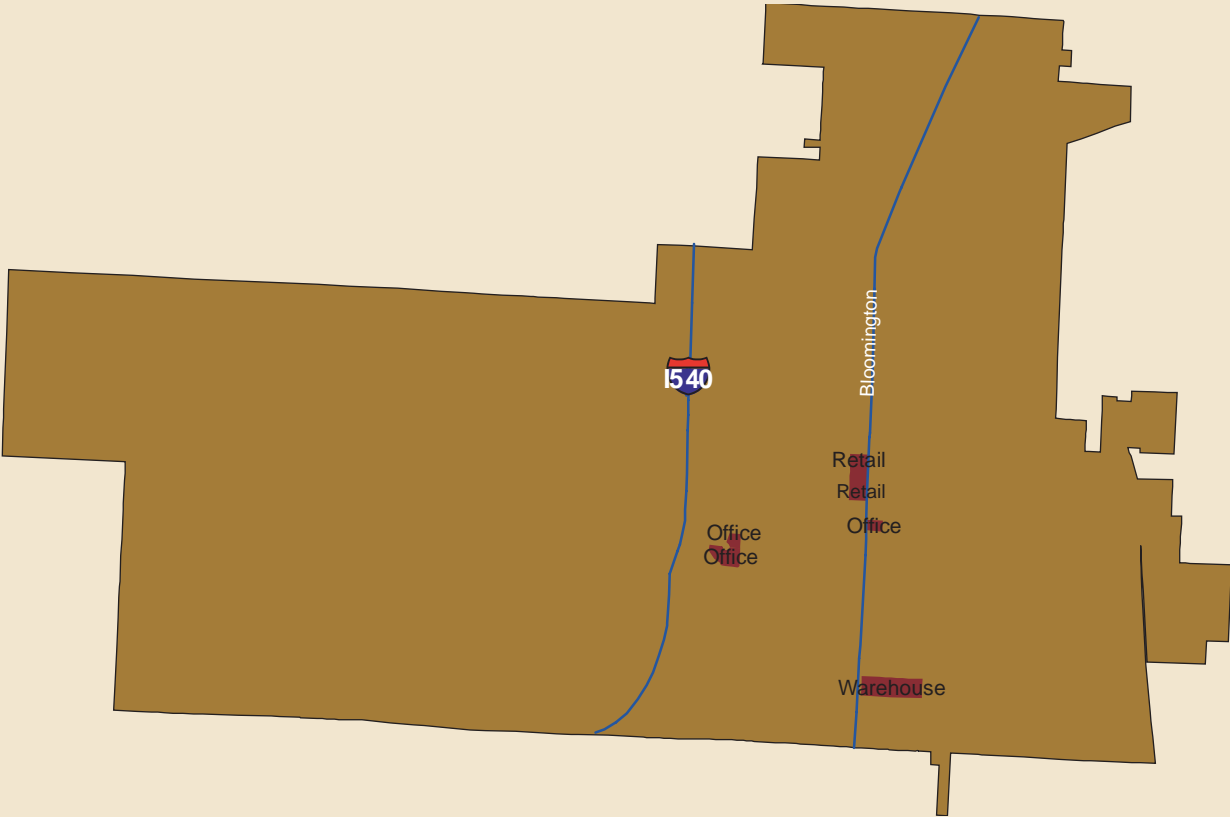
Lowell Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	\$17.70 - \$17.70	118,079	5,000	4.2%	50	0	50	300.0
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	--	--	--	--	--	--	--	--
Office/Retail	\$12.00 - \$12.00	15,900	0	0.0%	0	0	0	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	--	--	--	--	--	--	--	--
Retail	\$8.50 - \$12.00	60,015	2,809	4.7%	3,200	0	3,200	2.6
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Retail/Warehouse	\$15.00 - \$15.00	20,000	1,500	7.5%	18,500	0	18,500	0.2
Warehouse	\$11.00 - \$11.00	28,798	18,400	63.9%	0	0	0	--

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Lowell Commercial Properties



Rogers

- Rogers had 5,879,191 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Rogers issued building permits new commercial space valued at a total of \$85,896,765. This substantial amount includes permits for the Pinnacle Promenade and Pleasant Crossing and the new John Q. Hammons convention center.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 3,719,190 square feet of commercial space in the fourth quarter of 2005. This represents 63.3 percent of the total competitive commercial space in Rogers.
- In the fourth quarter of 2005, Rogers experienced zero or negative net absorption in all submarkets except the warehouse submarket. This was primarily due to the addition of 102,000 square feet of office space, 30,000 square feet of office/warehouse space, and 68,080 square feet of retail space to the marketplace.
- Reported vacancy rates increased in all submarkets except the warehouse submarket from the third to the fourth quarter of 2005.
- Average reported lease rates for office, office/retail, and retail space increased in the fourth quarter. Reported average warehouse lease rates were unchanged.



Rogers Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	\$6.18 - \$6.18	205,643	2,280	1.1%	5,320	0	5,320	1.3
Office	\$14.87 - \$15.98	1,379,917	223,920	16.2%	13,441	102,000	-88,559	--
Class A	\$19.14 - \$20.57	836,836	116,713	13.9%	41,884	102,000	-60,116	--
Class B	\$10.72 - \$11.95	418,242	46,691	11.2%	-4,595	0	-4,595	--
Class C	\$6.38 - \$6.38	102,574	58,516	57.0%	-24,896	0	-24,896	--
Medical	\$14.00 - \$14.00	22,265	2,000	9.0%	1,048	0	1,048	5.7
Office/Retail	\$9.33 - \$12.83	175,506	14,679	8.4%	-10,299	0	-10,299	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	\$9.33 - \$12.83	175,506	14,679	8.4%	-10,299	0	-10,299	--
Office/Warehouse	\$6.30 - \$9.01	315,887	41,736	13.2%	30,000	30,000	0	--
Retail	\$13.00 - \$13.90	1,100,887	165,993	15.1%	1,769	68,080	-66,311	--
Class A	\$17.56 - \$18.24	479,721	77,207	16.1%	-9,127	68,080	-77,207	--
Class B	\$11.88 - \$13.38	423,233	68,502	16.2%	10,896	0	10,896	18.9
Class C	\$7.03 - \$7.59	197,933	20,284	10.2%	0	0	0	--
Retail/Warehouse	\$6.40 - \$6.40	20,000	12,000	60.0%	0	0	0	--
Warehouse	\$3.81 - \$3.81	521,350	100,311	19.2%	16,800	0	16,800	17.9

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Siloam Springs

- Siloam Springs had 961,311 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Siloam Springs issued building permits for 9,300 square feet of new commercial space, valued at a total of \$150,000.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 496,906 square feet of commercial space in the fourth quarter of 2005. This represents 51.7 percent of the total competitive commercial space in Siloam Springs.
- In the fourth quarter of 2005, Siloam Springs experienced small amounts off negative net absorption in the medical office, office/retail, and retail submarkets. There was substantial positive absorption of 50,507 square feet in the office/warehouse property category. No new space came online in Siloam Springs in the fourth quarter.
- Vacancy rates ticked up in the medical office, office/retail, and retail submarkets and fell in the office/warehouse submarket due to positive and negative absorption in the fourth quarter of 2005.
- Average reported lease rates were basically unchanged for Siloam Springs commercial property.



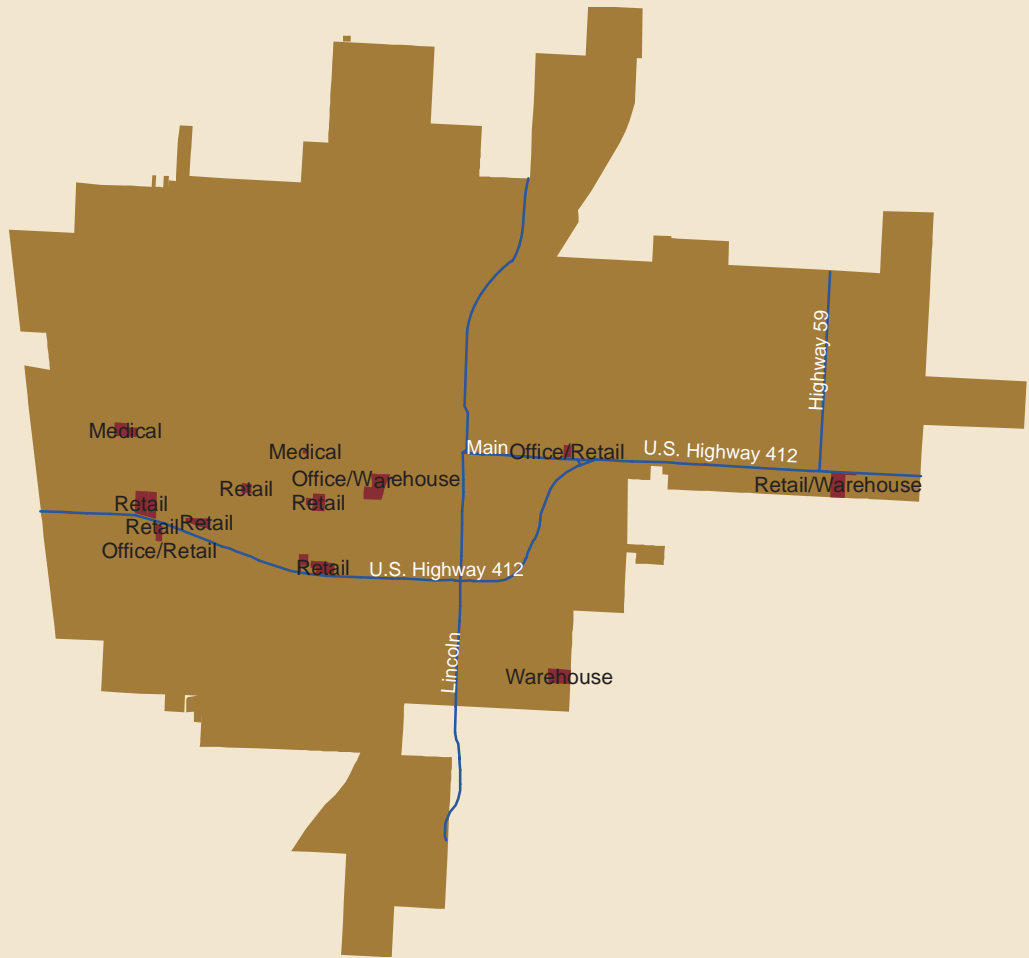
Siloam Springs Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	--	--	--	--	--	--	--	--
Office	--	--	--	--	--	--	--	--
Class A	--	--	--	--	--	--	--	--
Class B	--	--	--	--	--	--	--	--
Class C	--	--	--	--	--	--	--	--
Medical	\$12.67 - \$14.17	50,671	3,550	7.0%	-2,017	0	-2,017	--
Office/Retail	\$9.00 - \$9.00	50,737	8,000	15.8%	-600	0	-600	--
Class A	--	--	--	--	--	--	--	--
Class B	\$9.00 - \$9.00	50,737	8,000	15.8%	-600	0	-600	--
Class C	--	--	--	--	--	--	--	--
Office/Warehouse	\$3.18 - \$3.34	112,389	0	0.0%	50,507	0	50,507	0.0
Retail	\$8.25 - \$8.85	257,999	15,400	6.0%	-275	0	-275	--
Class A	--	--	--	--	--	--	--	--
Class B	\$9.00 - \$9.80	148,375	13,000	8.8%	2,125	0	2,125	18.4
Class C	\$6.00 - \$6.00	109,624	2,400	2.2%	-2,400	0	-2,400	--
Retail/Warehouse	--	--	--	--	--	--	--	--
Warehouse	--	--	--	--	--	--	--	--

¹From all Q4 2005 respondents

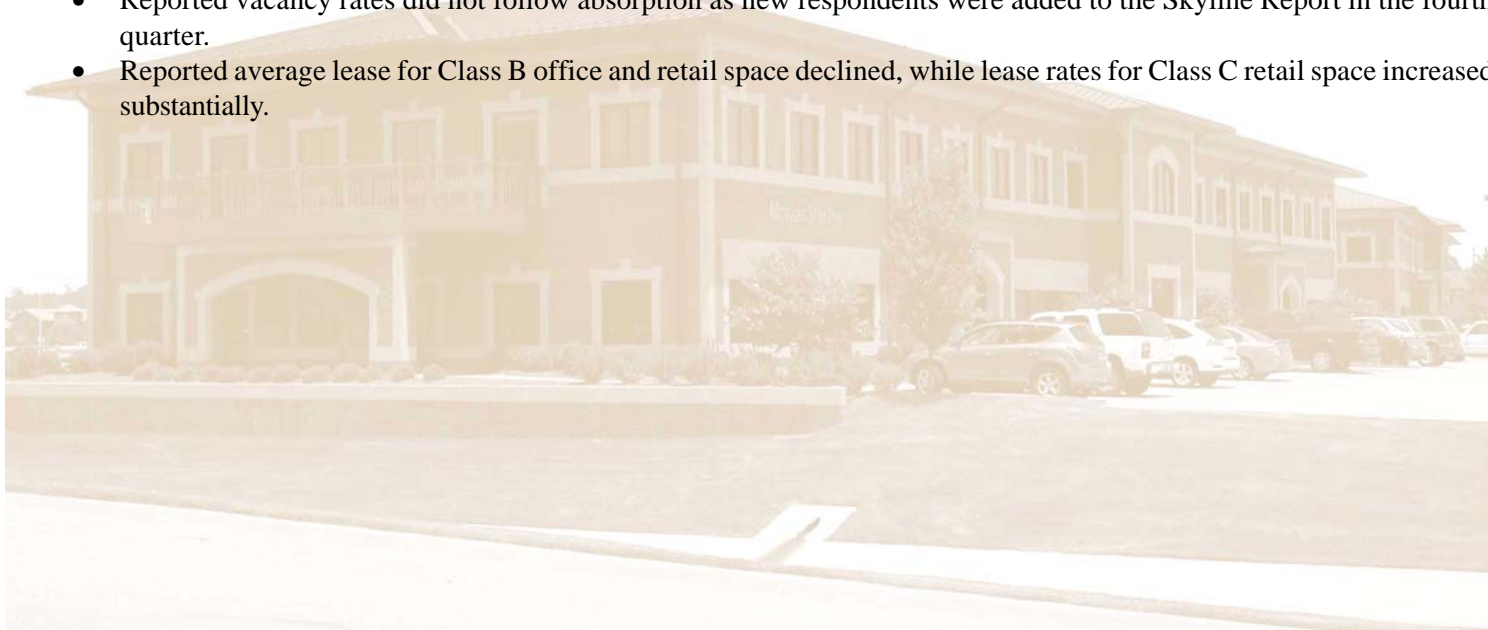
²From Q4 2005 respondents who were also Q3 2005 respondents

Siloam Springs Commercial Properties



Springdale

- Springdale had 6,001,298 square feet of competitive commercial space in the fourth quarter of 2005.
- From September to November 2005, Springdale issued commercial building permits valued at a total of \$15,999,816. This includes a new Tyson office building.
- CBER panelists reported vacancy statistics, lease rate ranges, and other characteristics for 2,707,840 square feet of commercial space in the fourth quarter of 2005. This represents 45.1 percent of the total competitive commercial space in Springdale.
- In the fourth quarter of 2005, Springdale experienced positive net absorption in the office, retail, and warehouse submarkets and negative net absorption in the office/retail and office/warehouse submarkets. A total of 16,000 square feet of new office, 9,600 square feet of new office/warehouse space, 7,000 square feet of new retail, and 72,000 square feet of new warehouse space came online in the fourth quarter.
- Reported vacancy rates did not follow absorption as new respondents were added to the Skyline Report in the fourth quarter.
- Reported average lease for Class B office and retail space declined, while lease rates for Class C retail space increased substantially.



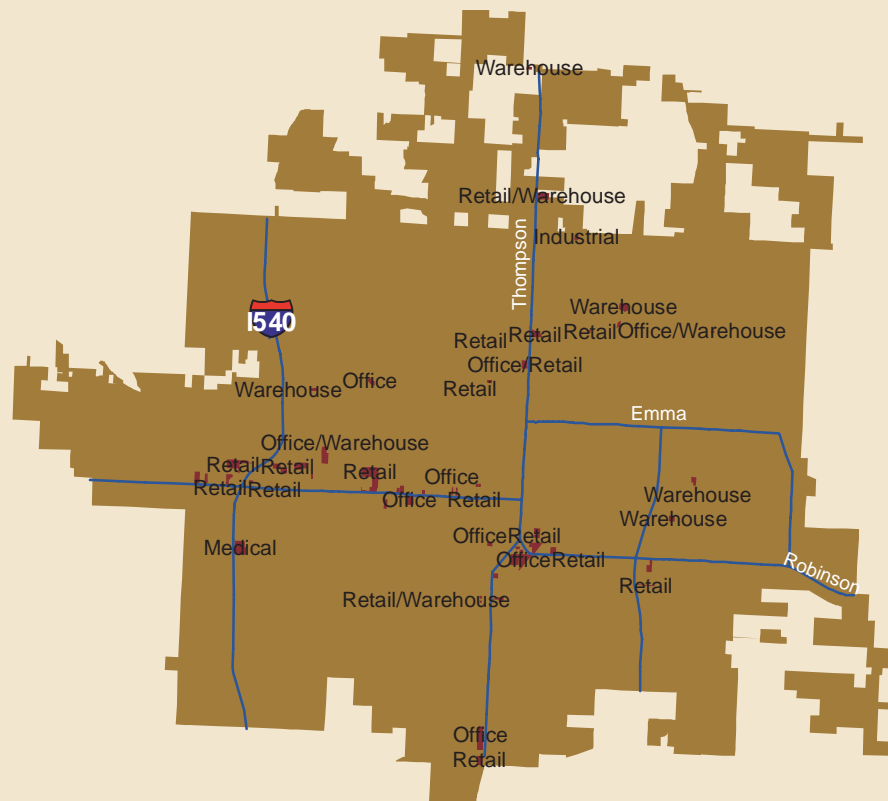
Springdale Commercial Real Estate Market Summary Statistics

	Average Lease Rate Range	Total Square Feet ¹	Available Square Feet ¹	Percent Available ¹	Absorption from Q3 to Q4 ²	New Available Square Feet ¹	Net Absorption ^{1, 2}	Months of Inventory ^{1, 2}
Industrial	–	183,396	14,984	8.2%	0	0	0	–
Office	\$10.75 - \$12.76	387,606	16,427	4.2%	17,900	16,000	1,900	25.9
Class A	\$10.40 - \$14.68	57,248	0	0.0%	0	0	0	–
Class B	\$10.96 - \$12.76	233,119	9,327	4.0%	18,000	16,000	2,000	14.0
Class C	\$9.98 - \$9.98	50,162	6,350	12.7%	-4,100	0	-4,100	–
Medical	\$11.37 - \$12.03	47,077	750	1.6%	4,000	0	4,000	0.6
Office/Retail	\$9.27 - \$13.08	306,529	43,338	14.1%	-12,380	0	-12,380	–
Class A	–	–	–	–	–	–	–	–
Class B	\$11.33 - \$16.11	134,801	27,358	20.3%	-6,800	0	-6,800	–
Class C	\$7.21 - \$10.04	171,728	15,980	9.3%	-5,580	0	-5,580	–
Office/Warehouse	\$6.00 - \$7.38	440,590	109,809	24.9%	-30,359	9,600	-39,959	–
Retail	\$10.06 - \$11.14	828,566	64,472	7.8%	9,600	7,000	2,600	74.4
Class A	–	–	–	–	–	–	–	–
Class B	\$10.60 - \$12.60	633,376	44,747	7.1%	7,500	7,000	500	268.5
Class C	\$9.72 - \$10.22	195,190	19,725	10.1%	2,100	0	2,100	28.2
Retail/Warehouse	\$6.33 - \$10.67	121,004	34,200	28.3%	0	0	0	–
Warehouse	\$4.28 - \$4.88	440,149	144,650	32.9%	92,925	72,000	20,925	20.7

¹From all Q4 2005 respondents

²From Q4 2005 respondents who were also Q3 2005 respondents

Springdale Commercial Properties



Interpreting the Numbers in the Skyline Report

The methodology that is used to produce the Skyline report has been designed to elicit the most useful, comprehensive, and up-to-date information available about the Northwest Arkansas commercial real estate market. Data come from three primary sources that complement one another. Each source, however, has limitations, and as such, results should be compared and interpreted carefully.

The first level of data that the Skyline report contains comes directly from the offices of the Washington and Benton County Assessors. The Benton County Assessor Office uses Apprentice Data Systems as the subcontractor to handle data requests. On a quarterly basis, CBER staff members acquire databases containing listings of all real estate parcels within each county. The information contained in these databases is sorted by type and by size. In order to determine the population of commercial properties of interest, properties that do not meet the following minimum criteria are eliminated from consideration:

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

Next, properties are individually examined to determine if they are part of the competitive commercial property market. Owner-occupied and other dedicated spaces are eliminated from the base of properties that the Skyline Report examines.

The second source of data that helps comprise the Skyline Report is building permit reports from the cities of Northwest Arkansas. Each city has its own reporting requirements for building permits, which makes in-depth comparisons on a city-by-city basis impossible. Bentonville and Fayetteville have the most comprehensive building permits, which include information on the square footage of buildings and their uses in addition to the value of the permit and identifying characteristics of the property. The other cities in Northwest Arkansas only report the building address, contractor name, and value of the permit. In general, property owner or developer names are not included on building permits in Northwest Arkansas. Building permits also do not provide any sense of the estimated time of completion of a project or availability for leasing.

The third source of data for the Skyline report is a panel of large commercial property owners and managers. These individuals are responsible for the bulk of the competitive commercial properties in Northwest Arkansas. CBER researchers gather information on square footage available to the market, lease rates, and other property characteristics from the panelists. In the fourth quarter of 2005, 141 panelists provided data on 757 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 757 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.

