



THE SKYLINE REPORT

SPONSORED BY ARVEST BANK

January 2006
Highlights

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

This report contains highlights from the Commercial Skyline Report for Benton and Washington Counties. Researchers at the Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas produce the Skyline Report to provide timely statistical analysis of the Northwest Arkansas real estate markets. The information contained in the Skyline Report is critical for lenders, developers, contractors, and potential lessees. As the population of Northwest Arkansas burgeons, it is imperative that real estate markets work efficiently in order to meet the demand of new and existing residents. The Skyline Report includes the information that is necessary to help market participants make good decisions.

Highlights from the 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.

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	--	--

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%

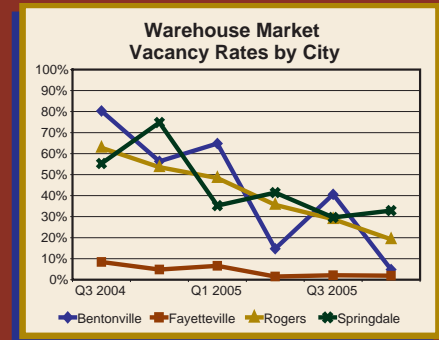
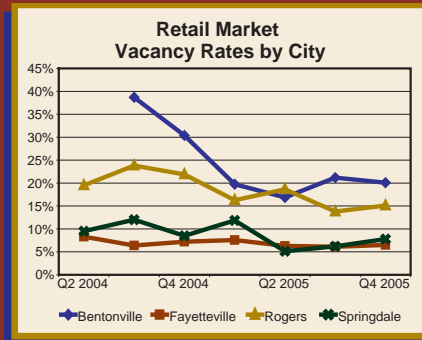
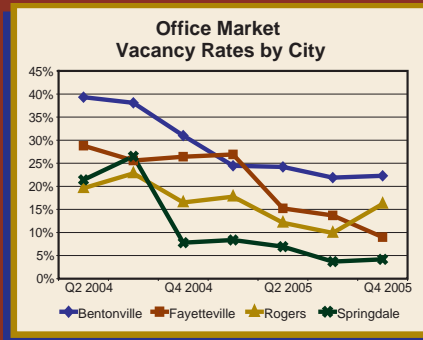
Retail/Warehouse

	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%

Vacancy Rate Trends



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

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

Average Lease Rate Trends by Type, Class, and City

