



# THE SKYLINE REPORT

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## January 2006 Highlights

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Multifamily Real Estate Market Summary,  
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## Multifamily Real Estate Market Summary for Benton and Washington Counties

This report contains highlights from the Multifamily 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

- Vacancy rates for multifamily properties in Northwest Arkansas increased from their third quarter level of 5.7 percent to 6.7 percent in the fourth quarter.
- Siloam Springs had the lowest aggregate vacancy rate at 4.0 percent, up from its very low rate of 1.3 percent in the third quarter. Bentonville and Fayetteville had vacancy rates of 4.2 and 4.1 percents, respectively, both increases from the third quarter. Springdale had the largest increase in vacancy rates due to the addition of new units to the marketplace ending the quarter at 10.5 percent.
- Rogers was the only community that saw a decline in vacancy rates in the fourth quarter, as units that entered the market earlier in the year became absorbed.
- The average lease price per month for a multifamily property unit in Northwest Arkansas increased from \$483 to \$509.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.54 per square foot and most expensive on average in Rogers at \$0.72 per square foot.

## Economic Overview

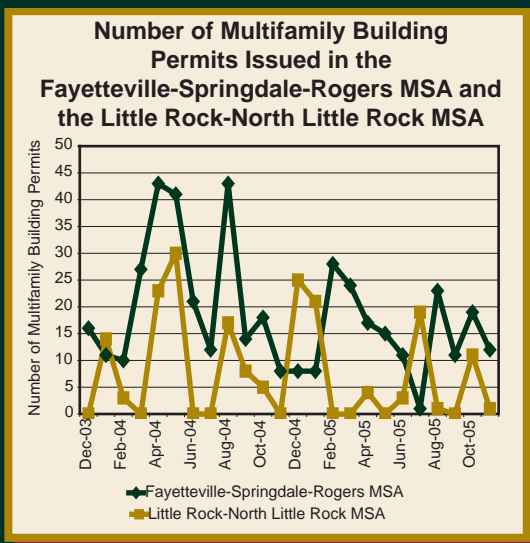
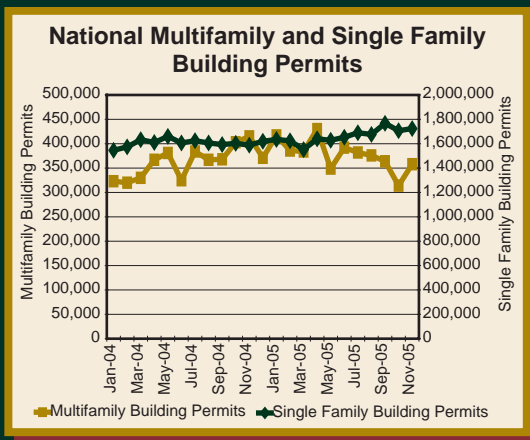
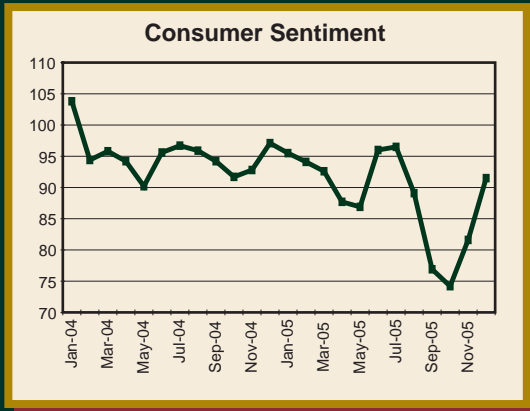
To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. Consumer confidence improved by a substantial amount in the December survey, posting the fourth largest monthly gain in a quarter century. "Declines in gas prices were responsible for the substantial gain, which nearly restored confidence to the levels recorded prior to the spike in gas prices last August," according to Richard Curtin, the Director of the University of Michigan's Surveys of Consumers. The December gains were concentrated in consumers' evaluations of their financial situation. "Consumers judged their current finances much more favorably due to declines in gas prices, and were more likely to anticipate additional financial gains during the year ahead," Curtin said. The one area that posted losses was consumers' views of home buying conditions, which fell to the lowest level in fifteen years.

The Index of Consumer Sentiment was 91.5 in the December 2006 survey, up from 81.6 in November and the recent low of 74.2 in October. Despite the recent gains, the Sentiment Index remained well below last December's 97.1.

The U.S. Census Bureau estimates the issuance of building permits. Since April of 2005, growth in the number of residential building permits issued has trended up, nationally, while the number of multifamily building permits has trended down. These trends can be seen in the associated graph.

Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, similar patterns on a smaller scale are apparent. The accompanying graphs show the number of multifamily building permits and total number of residential building permits issued in the two metro areas. Interestingly, despite its much smaller population, the FSR metro area had a greater number of building permits (both multifamily and total) than the LR metro area in 2004 and the first eleven months of 2005. Despite a great deal of seasonal variation, the trends of all of these series are barely positive. This implies that no significant changes in the pace of growth in the number of residential or multifamily building permits are expected.

On December 13, 2005 the Federal Reserve Board raised its target for the federal funds rate an additional 25 basis points to 4.25 percent, bringing the total increase from the recent lows to 325 basis points. As the accompanying graph shows, the spread between short term rates



and conventional 30-year mortgage rates has declined more than 270 basis points since its most recent peak in June 2004. Because the ten-year treasury interest rate and the 30-year conventional mortgage rate have remained essentially constant since July 2004, buying a single family house remains relatively attractive compared to leasing comparable multifamily housing.

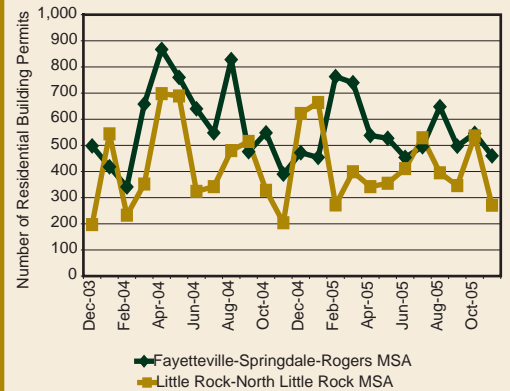
Finally, a graph showing employment trends in the FSR metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 600 jobs a month to the region. Because employment growth is the single most important factor in determining demand for housing of all kinds, there must be an awareness of the possibility of structural changes in the labor market. The data show no evidence that the rate of job growth in Northwest Arkansas will abate in the near term.

## Northwest Arkansas Average Unit Size and Price by Floor Plan Q4 2005

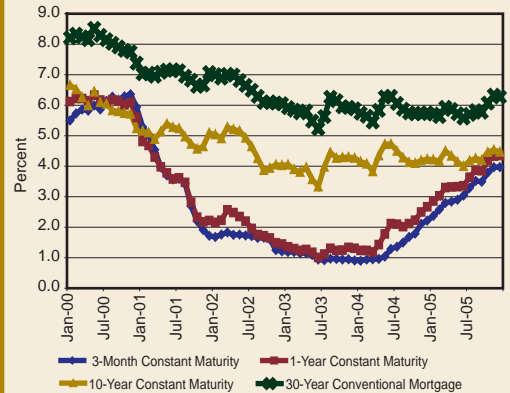
Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	428	\$407.70	\$0.95
1 Bedroom	605	\$426.76	\$0.71
2 Bedroom	900	\$527.68	\$0.59
3 Bedroom	1,228	\$702.95	\$0.57
4 Bedroom	1,202	\$993.57	\$0.83
<b>Northwest Arkansas</b>	<b>817</b>	<b>\$509.20</b>	<b>\$0.62</b>



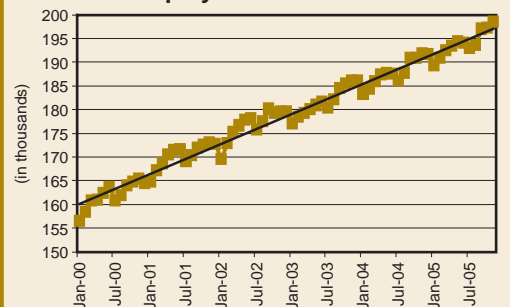
**Number of All Residential Building Permits Issued in the Fayetteville-Springdale-Rogers MSA and the Little Rock-North Little Rock MSA**



**Selected Interest Rates**



**Fayetteville-Springdale-Rogers MSA Employment and Trend**



# Multifamily Residence Building Permits 2005

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
1/11/2005	M.P. Construction of Springdale	2	\$635,652	Fayetteville
1/14/2005	Jenning Mills Apartments	2	\$871,164	Fayetteville
1/18/2005	North Corner Apartments	2	\$1,488,928	Fayetteville
1/19/2005	Lee Jackson	1	\$40,760	Fayetteville
2/9/2005	Glen at Polo Park	20	\$24,195,966	Bentonville
2/14/2005	Aaron Nickel Homes	1	\$446,729	Fayetteville
3/18/2005	Salem Road Townhomes	6	\$3,387,384	Fayetteville
3/18/2005	Hometown Developments	1	\$348,371	Fayetteville
3/29/2005	Bedford Apartments	1	\$475,536	Fayetteville
4/7/2005	Condos at the Peaks	56	\$6,557,446	Rogers
5/5/2005	Southern View, Phase II	6	\$9,407,802	Fayetteville
5/8/2005	Hidden Lake, Phase II	4	\$2,640,424	Springdale
6/22/2005	Ranch at Pinnacle Point	16	\$26,822,960	Rogers
8/11/2005	Wobbe Road Apartments	4	\$1,565,724	Springdale
8/15/2005	Arbors at Pinnacle Ridge	33	\$3,045,891	Rogers
8/16/2005	Razorback Apartments	2	\$828,460	Fayetteville
8/16/2005	Harbin Pointe Apartments	10	\$13,253,204	Bentonville
8/26/2005	Dunn Street Apartments	1	\$300,000	Fayetteville
9/2/2005	40 E Maple Street	1	\$262,300	Fayetteville
9/12/2005	Arbors at Pinnacle Ridge	44	\$4,288,724	Rogers
10/18/2005	Remington Place	16	\$11,643,915	Springdale
11/21/2005	Bedford Loop Apartments	2	\$1,162,298	Fayetteville
11/22/2005	Netherland Way 4-plexes	2	\$678,272	Fayetteville
<b>Total</b>		<b>233</b>	<b>\$114,347,910</b>	

## Northwest Arkansas Vacancy Rates by Floor Plan Q4 2005

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	3.5%	3.3%	14.3%
Fayetteville	3.0%	4.0%	14.6%
Rogers	9.3%	14.9%	9.0%
Siloam Springs	2.0%	6.0%	0.0%
Springdale	7.4%	10.7%	24.7%
<b>Northwest Arkansas</b>	<b>5.0%</b>	<b>6.9%</b>	<b>15.4%</b>

