



# THE SKYLINE REPORT

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**February 2007  
Highlights**

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**Commercial Real Estate Market Summary,  
Prepared Exclusively under Contract  
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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 2006

- In the fourth quarter of 2006, 258,715 square feet of competitive commercial property were added to the Northwest Arkansas market.
- In the office market, there was positive net absorption of 10,056 square feet, with positive net absorption of 73,453 square feet in Bentonville and negative net absorption of 56,387 square feet in Fayetteville.
- Within the retail submarket there was absorption of 64,584 square feet and the entry of 98,566 new square feet, netting negative net absorption of 33,982 square feet.
- The office/retail markets in Bentonville, Rogers, Fayetteville, Siloam Springs and Springdale each experienced negative net absorption in the fourth quarter of 2006. There were 152,949 square feet of office/retail space added to the market, while only 30,013 square feet were occupied.
- The warehouse submarket had negative absorption of 9,406 square feet and no new square footage in the fourth quarter of 2006.
- From September to November 2006, there were \$38.7 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, Rogers, Siloam Springs, and Springdale. This represents a decline of 67.4 percent over the same period in 2005.
- The yield curve remained inverted during the fourth quarter, putting downward pressure on the national and local economies.

## Vacancy Rates by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	20.4%	22.3%	9.0%	4.2%	16.2%	7.0%	4.2%	16.0%
Q1 2006	20.4%	24.1%	8.6%	1.3%	16.4%	3.3%	2.2%	16.7%
Q2 2006	35.5%	20.0%	10.9%	1.8%	14.0%	1.9%	2.6%	14.8%
Q3 2006	35.5%	17.8%	9.0%	12.5%	20.3%	2.7%	5.0%	15.2%
Q4 2006	24.2%	15.2%	13.5%	13.4%	20.4%	2.7%	7.5%	15.2%

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	34.6%	24.6%	1.1%	--	9.0%	7.0%	1.6%	4.2%
Q1 2006	34.6%	60.2%	2.0%	--	22.5%	2.1%	0.0%	15.3%
Q2 2006	34.6%	53.9%	4.3%	--	22.5%	2.1%	10.3%	15.1%
Q3 2006	34.6%	27.9%	8.5%	--	22.6%	3.1%	1.6%	16.1%
Q4 2006	34.6%	27.9%	17.8%	--	22.6%	3.1%	21.3%	18.8%

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	3.2%	17.1%	11.8%	0.0%	8.4%	15.8%	14.1%	13.4%
Q1 2006	4.2%	14.2%	9.2%	0.0%	6.4%	17.7%	14.4%	11.3%
Q2 2006	6.4%	18.5%	13.3%	0.0%	31.0%	7.1%	12.8%	14.9%
Q3 2006	12.9%	23.0%	16.8%	13.9%	19.4%	0.0%	16.4%	18.0%
Q4 2006	11.3%	24.9%	19.6%	5.0%	19.6%	46.0%	17.0%	20.5%

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	--	31.4%	93.8%	--	13.2%	0.0%	24.9%	27.5%
Q1 2006	--	32.5%	93.8%	--	12.3%	0.0%	13.7%	20.1%
Q2 2006	--	33.0%	93.8%	100.0%	5.5%	0.0%	7.0%	24.5%
Q3 2006	--	30.5%	94.6%	94.7%	8.1%	0.0%	8.1%	23.2%
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	0.0%	20.1%	6.5%	4.7%	15.1%	6.0%	7.8%	9.9%
Q1 2006	3.9%	18.6%	5.7%	4.7%	12.8%	10.6%	6.8%	9.0%
Q2 2006	0.0%	16.8%	5.6%	10.9%	17.2%	8.8%	4.9%	9.3%
Q3 2006	0.0%	17.2%	6.3%	10.4%	14.6%	6.7%	5.0%	9.7%
Q4 2006	0.0%	16.5%	6.6%	11.2%	14.5%	6.6%	8.8%	10.4%

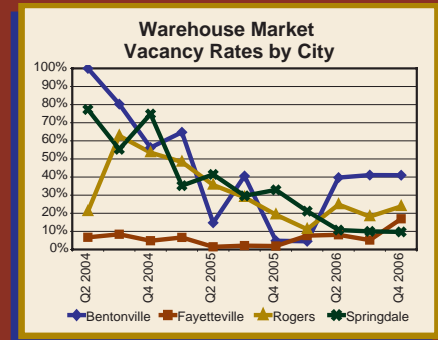
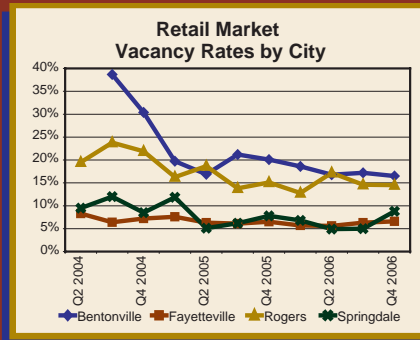
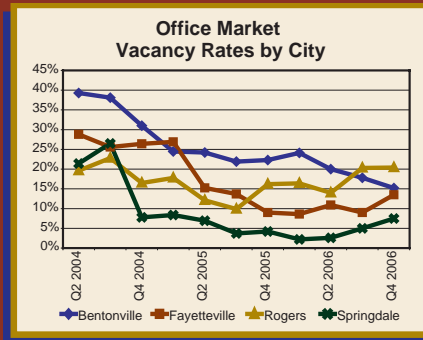
### Retail/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	--	0.0%	20.0%	7.5%	60.0%	--	28.3%	25.7%
Q1 2006	--	0.0%	0.0%	0.0%	60.0%	100.0%	34.8%	33.0%
Q2 2006	--	0.0%	0.0%	0.0%	9.3%	100.0%	13.2%	18.1%
Q3 2006	--	0.0%	0.0%	55.2%	0.0%	100.0%	11.1%	16.5%
Q4 2006	14.1%	0.0%	36.4%	55.2%	7.9%	100.0%	11.1%	20.4%

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	--	4.8%	1.9%	63.9%	19.2%	--	32.9%	12.4%
Q1 2006	--	4.5%	7.7%	63.9%	11.2%	--	21.2%	11.7%
Q2 2006	0.0%	39.7%	8.1%	79.6%	24.8%	--	10.7%	18.5%
Q3 2006	0.0%	41.1%	5.2%	43.5%	18.2%	--	10.0%	16.0%
Q4 2006	0.0%	41.0%	16.9%	43.5%	23.8%	0.0%	9.7%	19.6%

# Vacancy Rate Trends



## Net Absorption by Submarket

### Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	550	10,860	4,968	50	-88,559	--	1,900	-70,231
Q1 2006	0	-77,447	3,891	3,500	17,275	2,050	8,601	-42,130
Q2 2006	0	51,815	-25,444	1,500	29,386	1,200	887	59,344
Q3 2006	0	36,194	32,561	0	-128,514	-700	-12,824	-73,283
Q4 2006	1,300	73,453	-56,387	-1,500	2,131	0	-8,941	10,056

### Medical Office

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	0	0	1,300	--	1,048	-2,017	4,000	4,331
Q1 2006	0	-43,500	511	--	-3,000	2,050	750	-43,189
Q2 2006	0	1,510	-804	--	0	0	0	706
Q3 2006	0	19,400	-4,600	--	-32	-700	-900	13,168
Q4 2006	1,300	0	-24,863	--	0	0	-10,920	-34,483

### Office/Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	700	3,581	-31,648	0	-10,299	-600	-12,380	-50,646
Q1 2006	-728	14,408	3,218	0	3,500	-1,000	-3,846	15,552
Q2 2006	-4,980	-24,143	-31,287	0	-70,020	5,400	-568	-125,598
Q3 2006	-18,575	-29,483	-37,802	-2,210	-6,471	3,600	-5,772	-96,713
Q4 2006	3,832	-15,355	-57,521	1,420	-1,106	-49,690	-4,516	-122,936

### Office/Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	--	199,300	0	--	0	50,507	-39,959	209,848
Q1 2006	--	-16,528	0	--	2,000	0	49,170	34,642
Q2 2006	--	-8,935	0	0	14,412	0	11,900	17,377
Q3 2006	--	-32,750	0	-4,720	1,470	0	7,900	-28,100
Q4 2006	--	7,850	0	170,900	1,750	-35,007	2,664	156,257

### Retail

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	0	-15,293	10,794	3,200	-66,311	-275	2,600	-65,285
Q1 2006	-3,000	2,854	15,424	0	21,217	-12,480	13,010	37,025
Q2 2006	0	11,336	1,775	-3,750	27,247	4,080	-13,948	26,740
Q3 2006	0	-8,667	-37,174	-1,316	-106,541	7,076	-12,134	-158,756
Q4 2006	0	7,114	-10,456	-600	2,286	221	-32,547	-33,982

### Warehouse

	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2005	--	64,150	0	0	16,800	--	20,925	101,875
Q1 2006	--	11,900	0	0	42,622	--	43,350	97,872
Q2 2006	0	-180,600	-500	-22,150	-34,940	--	0	-238,190
Q3 2006	0	0	21,500	18,400	15,112	--	7,350	62,362
Q4 2006	0	-400	-20,000	0	6,120	0	4,874	-9,406

# Average Lease Rate Trends by Type, Class, and City

