

# THE

# SKYLINE REPORT

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## February 2007 Highlights

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

- Vacancy rates for multifamily properties in Northwest Arkansas increased from their third quarter 2006 level of 7.7 percent to 8.2 percent in the fourth quarter of 2006. The fourth quarter 2006 vacancy rate was higher than the fourth quarter 2005 vacancy rate of 6.7 percent.
- Rogers had the lowest aggregate vacancy rate at 4.7 percent, down from its rate of 7.5 percent in the third quarter. The Springdale vacancy rate fell 0.2 percent to 11.5 percent in the fourth quarter. The vacancy rates in Bentonville, Fayetteville, and Siloam Springs were up from the third quarter to 13.2, 6.3, and 9.5 percents, respectively.
- The average lease price per month for a multifamily property unit in Northwest Arkansas was down about \$4 to \$510.
- 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 Fayetteville at \$0.63 per square foot.

## Economic Overview

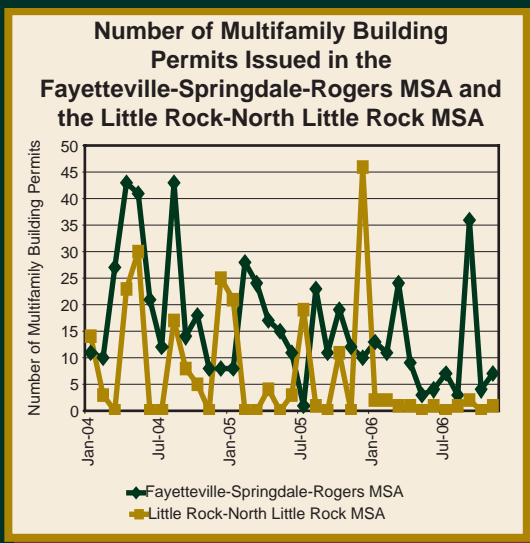
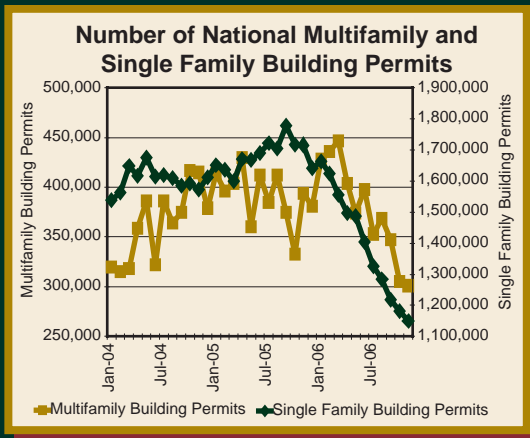
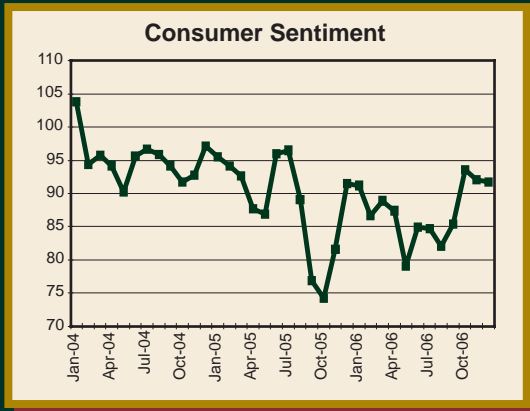
To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. The University of Michigan produces the Consumer Sentiment Index. The Index of Consumer Sentiment was 91.7 in the December 2006 survey, down from 92.1 in November 2006, and barely up from 91.5 in December of 2005.

"Consumers held a much more positive outlook for the overall economy as well as prospect for their own financial situation, despite more negative evaluations of their current financial situation," according to Richard Curtin, the Director of the University of Michigan's Survey of Consumers.

The U.S. Census Bureau estimates the issuance of building permits. The November 2006 national level of multifamily building permits reflected the continuation of a downward trend that began in March 2006. The November 2006 level of single family building permits reflected a similar downward trend that began in September 2005.

Turning to the two major metropolitan areas in Arkansas, the Fayetteville-Springdale-Rogers (FSR) MSA and the Little Rock-North Little Rock (LR) MSA, different 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 during the past twelve months. Despite a great deal of seasonal variation, the trends of the multifamily building permits and total building permits in the both metropolitan areas are declining slightly. No significant changes in the pace of growth in the number of residential or multifamily building permits are expected.

On December 12, 2006 the Federal Reserve Board left the target for the federal funds rate unchanged at 5.25 percent. This was the fourth consecutive meeting of the Federal Reserve open market committee where no change was implemented. As the accompanying graph shows, the spread between short term rates and conventional 30-year mortgage rates has declined more than 325 basis points since its most recent peak in June 2004. The ten-year treasury interest rate and the 30-year conventional mortgage rate bottomed out in June of 2005 and have been increasing moderately since that time, but not at the same velocity as short term rate increases. In the past few months, longer term interest rates have declined a bit, even as the three-month rate has increased. This has caused an inversion of the yield curve at some maturity levels, which has persisted for the last quarter.



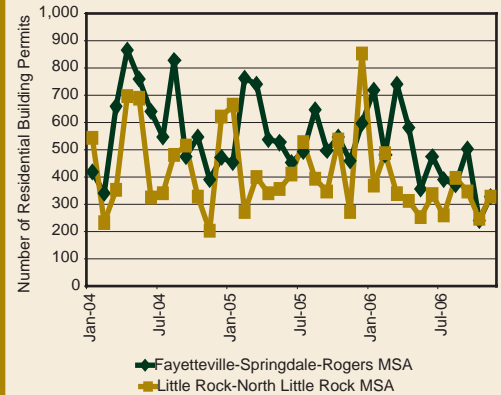
Finally, a graph showing employment trends in the FSR metro area is included. Employment in the region continues to grow at the same pace as its five-year trend, adding approximately 580 jobs a month to the region. Because employment growth is the single most important factor in determining demand for 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 2006

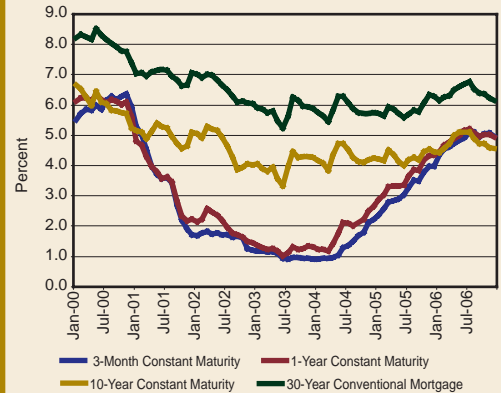
Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	369	\$313.80	\$0.85
1 Bedroom	607	\$426.09	\$0.70
2 Bedroom	905	\$525.47	\$0.58
3 Bedroom	1,216	\$703.67	\$0.58
4 Bedroom	1,104	\$634.56	\$0.57
Northwest Arkansas	833	\$509.63	\$0.61



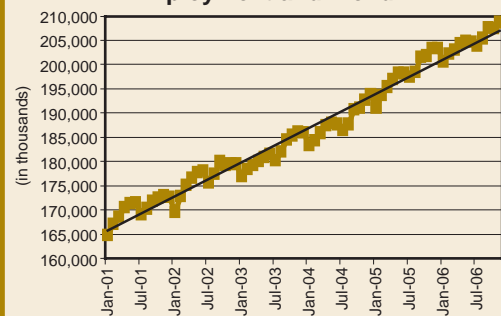
**Number of All Residential Building Permits Issued in the Fayetteville-Springdale-Rogers MSA and the Little Rock-North Little Rock MSA**



**Selected Interest Rates**



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



# Multifamily Residence Building Permits December 2005 - November 2006

Date	Complex or Developer	Number of Permits	Total Value of Permits	City
12/1/2005	Thorne Company	1	\$609,082	Fayetteville
12/1/2005	EWI	1	\$3,201,906	Fayetteville
1/3/2006	Fairlane Apartments	5	\$6,379,994	Fayetteville
1/11/2006	1322 W. Cleveland Street	1	\$956,744	Fayetteville
1/11/2006	The Links at Springdale	15	\$13,160,390	Springdale
1/13/2006	Campus Properties	1	\$497,349	Fayetteville
2/6/2006	Sunset Development	12	\$10,617,600	Bentonville
4/3/2006	West Cedar Circle Apartments	43	\$2,150,000	Rogers
4/17/2006	North Corner Condos	3	\$480,000	Fayetteville
4/24/2006	Piedmont Condos	4	\$2,271,000	Fayetteville
6/8/2006	Junction Street Apartments	3	\$1,942,392	Fayetteville
9/27/2006	Creekfront Lofts	2	\$978,347	Fayetteville
11/13/2006	The Links at Springdale, Phase II	1	\$902,214	Springdale
11/16/2006	Chestnut Condos	2	\$1,433,676	Fayetteville
11/22/2006	Beacon Flats	2	\$1,050,000	Fayetteville
11/22/2006	Lafayette Street Apartments	1	\$594,547	Fayetteville
<b>Total</b>		<b>97</b>	<b>\$47,225,241</b>	

## Northwest Arkansas Vacancy Rates by Floor Plan Q4 2006

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	19.0%	9.7%	7.8%
Fayetteville	5.8%	5.7%	13.8%
Rogers	2.3%	5.9%	8.6%
Siloam Springs	7.8%	10.4%	9.4%
Springdale	8.0%	12.2%	13.2%
<b>Northwest Arkansas</b>	<b>7.6%</b>	<b>7.9%</b>	<b>12.1%</b>

