

THE SKYLINE REPORT

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February 2008 Highlights

Contents

Highlights.....	1
Commercial Market Trends	2

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

This report is the fourteenth 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.

Highlights from the Fourth Quarter of 2007

- In the fourth quarter of 2007, 211,897 square feet of competitive commercial property were added to the Northwest Arkansas market. Almost 100,000 square feet of that space was new office space, almost 80,000 was new warehouse space, and about 35,000 was new office/retail space.
- In the office market, there was negative net absorption of 48,951 square feet. A total of 97,170 square feet of new space were added to the office markets in Fayetteville, Rogers, Siloam Springs, and Springdale.
- Within the retail submarket, there was absorption of 76,948 square feet, while no new space entered the market. Accordingly, the retail vacancy rate declined from 13.0 percent in the third quarter to 12.5 percent in the fourth quarter of 2007.
- The office/retail submarket in Northwest Arkansas added 35,227 square feet and absorbed 4,258 square feet. As a result, the vacancy rate increased to 24.2 percent in the fourth quarter from 21.6 percent in the third quarter.
- A total of 79,500 square feet of new warehouse space were added to the Northwest Arkansas market in the fourth quarter, while 106,395 square feet became occupied, netting the positive net absorption of 26,895 square feet. The vacancy rate declined from 21.4 percent to 18.0 percent, accordingly.
- From September to November 2007, there were almost \$41.0 million in commercial building permits issued in Bentonville, Fayetteville, Lowell, and Rogers. This is a decline of 29.5 percent from the prior quarter, but an increase of 6.0 percent from the fourth quarter of 2006.

Commercial Market Trends

Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2006	24.2%	15.2%	13.5%	13.4%	20.4%	2.7%	7.5%	15.2%
Q1 2007	24.2%	17.3%	15.1%	12.0%	16.8%	4.0%	9.9%	15.7%
Q2 2007	0.0%	25.7%	14.3%	2.2%	19.9%	4.0%	9.1%	19.3%
Q3 2007	24.2%	25.2%	19.7%	3.0%	21.4%	4.0%	8.2%	20.7%
Q4 2007	24.2%	24.4%	22.1%	1.6%	21.2%	6.7%	8.5%	20.9%

Medical Office

Q4 2006	34.6%	27.9%	17.8%	--	22.6%	3.1%	21.3%	18.8%
Q1 2007	34.6%	18.4%	9.3%	0.0%	12.8%	3.1%	10.4%	10.8%
Q2 2007	0.0%	19.7%	9.1%	0.0%	19.8%	3.1%	10.8%	11.0%
Q3 2007	34.6%	19.3%	10.6%	0.0%	27.7%	3.1%	11.5%	12.7%
Q4 2007	34.6%	19.3%	10.6%	0.0%	31.8%	3.1%	11.5%	13.2%

Office/Retail

Q4 2006	11.3%	24.9%	19.6%	5.0%	19.6%	46.0%	17.0%	20.5%
Q1 2007	10.9%	22.4%	16.1%	0.0%	36.1%	48.0%	17.7%	20.3%
Q2 2007	10.8%	22.9%	18.5%	0.0%	33.8%	46.0%	16.2%	21.9%
Q3 2007	10.6%	22.4%	22.2%	11.6%	23.7%	44.2%	16.5%	21.6%
Q4 2007	9.4%	24.5%	21.9%	27.8%	37.6%	44.2%	15.8%	24.2%

Office/Warehouse

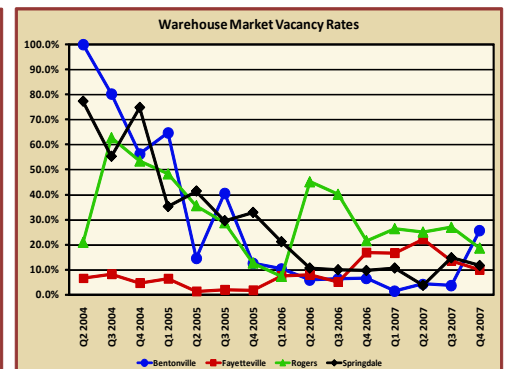
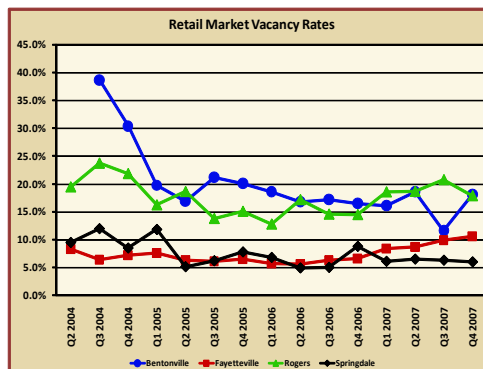
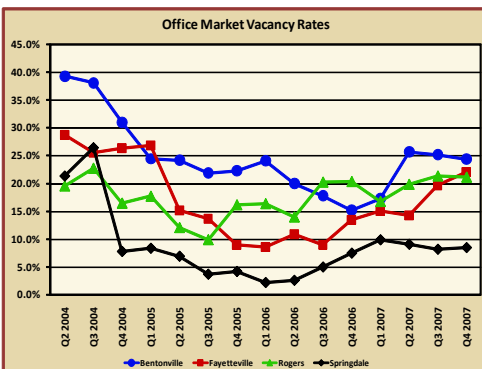
Q4 2006	--	29.6%	94.6%	2.2%	10.0%	31.4%	9.2%	19.7%
Q1 2007	--	27.1%	94.6%	2.2%	13.9%	38.3%	7.4%	19.0%
Q2 2007	--	27.7%	94.6%	2.2%	10.3%	37.8%	7.7%	18.0%
Q3 2007	--	28.7%	94.6%	0.0%	15.5%	68.6%	9.7%	21.5%
Q4 2007	--	28.0%	94.6%	3.8%	32.7%	65.8%	20.7%	28.7%

Retail

Q4 2006	0.0%	16.5%	6.6%	11.2%	14.5%	6.6%	8.8%	10.4%
Q1 2007	0.0%	16.1%	8.4%	11.2%	18.6%	7.3%	6.1%	11.9%
Q2 2007	0.0%	18.6%	8.7%	12.9%	18.7%	4.7%	6.5%	11.9%
Q3 2007	0.0%	11.6%	9.9%	15.4%	20.8%	5.8%	6.3%	13.0%
Q4 2007	0.0%	18.1%	10.6%	18.0%	17.9%	5.5%	6.0%	12.5%

Warehouse

Q4 2006	0.0%	6.6%	16.9%	43.5%	21.6%	0.0%	9.7%	14.6%
Q1 2007	0.0%	1.6%	16.7%	61.1%	26.4%	0.0%	10.7%	18.7%
Q2 2007	0.0%	4.4%	22.3%	75.9%	25.1%	0.0%	3.8%	20.1%
Q3 2007	0.0%	3.8%	13.6%	67.4%	27.0%	0.0%	14.8%	21.4%
Q4 2007	0.0%	25.7%	10.1%	70.2%	18.7%	0.0%	11.7%	18.0%



Commercial Market Trends

Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2006	2,800	398,864	179,317	22,588	277,530	2,200	31,808	915,107
Q1 2007	2,800	482,625	270,543	29,463	233,860	3,200	60,640	1,083,131
Q2 2007	0	822,831	273,685	5,319	305,730	3,200	56,052	1,466,817
Q3 2007	2,800	823,028	406,882	7,527	339,196	3,200	51,168	1,633,801
Q4 2007	2,800	798,023	470,731	3,844	348,274	5,400	55,742	1,684,814

Medical Office

Q4 2006	2,800	30,440	47,364	--	5,032	2,200	11,820	99,656
Q1 2007	2,800	35,686	43,734	0	3,532	2,200	21,162	109,114
Q2 2007	0	38,246	45,288	0	8,532	2,200	21,162	115,428
Q3 2007	2,800	37,846	55,764	0	18,532	2,200	22,682	139,824
Q4 2007	2,800	37,846	55,764	0	27,467	2,200	22,682	148,759

Office/Retail

Q4 2006	30,915	168,733	196,852	790	115,935	49,690	71,440	634,355
Q1 2007	29,605	154,272	160,646	0	174,131	54,054	77,302	650,010
Q2 2007	29,120	157,559	201,681	0	173,553	54,029	70,673	686,615
Q3 2007	27,589	176,733	261,550	5,000	181,062	51,955	75,344	779,233
Q4 2007	25,189	192,720	274,173	19,660	217,667	51,955	71,618	852,982

Office/Warehouse

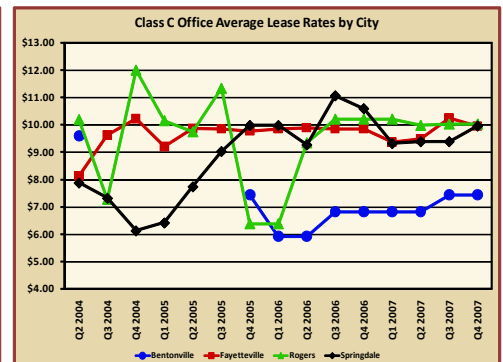
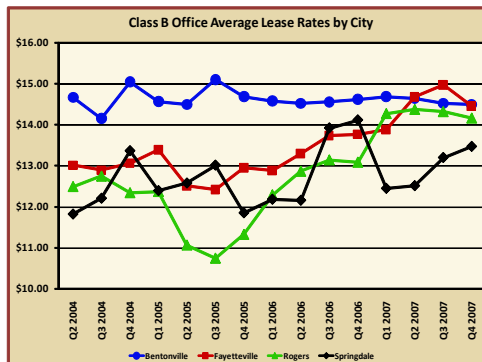
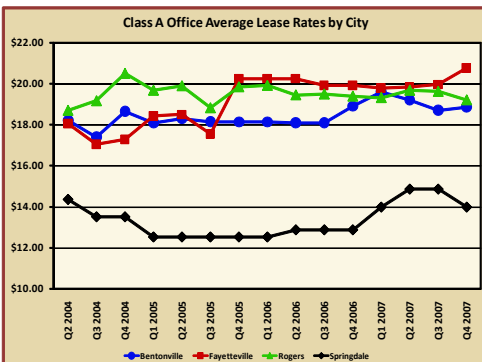
Q4 2006	--	249,763	104,326	4,720	36,864	41,087	96,542	533,302
Q1 2007	--	228,763	104,326	4,720	49,014	41,087	76,450	504,360
Q2 2007	--	232,363	104,326	4,720	58,023	40,207	81,750	521,389
Q3 2007	--	259,879	104,326	0	55,023	73,007	110,275	602,510
Q4 2007	--	256,525	104,326	7,940	191,523	70,007	202,649	832,970

Retail

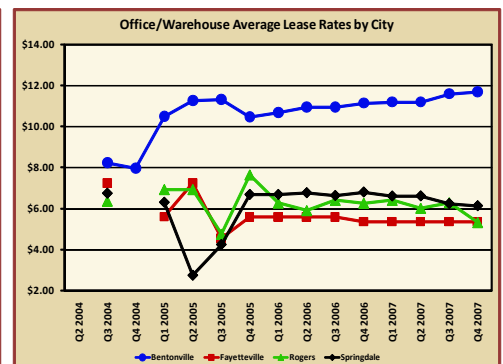
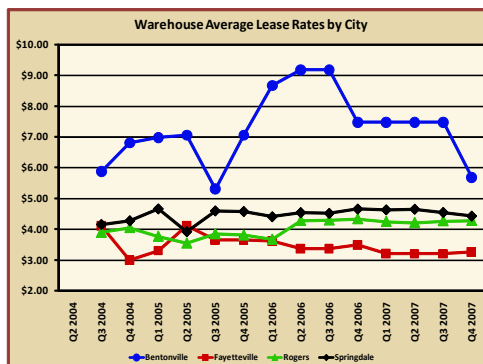
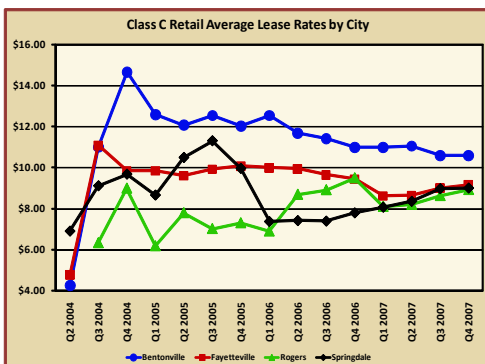
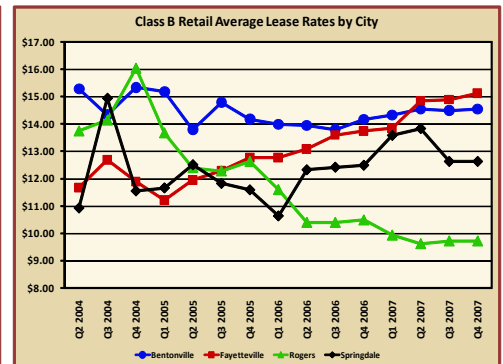
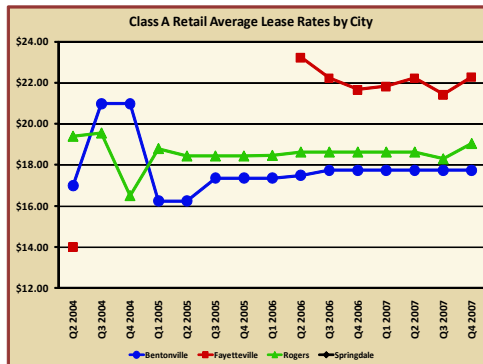
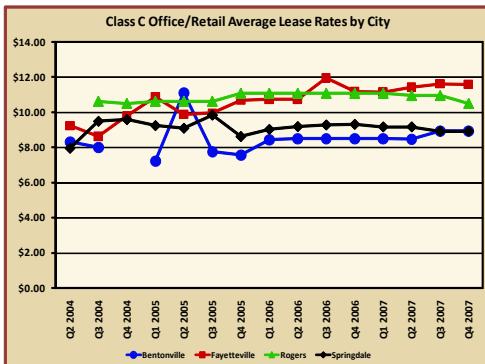
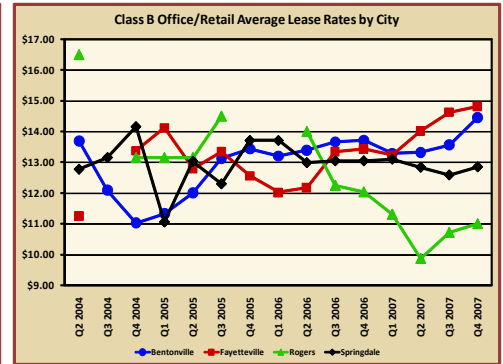
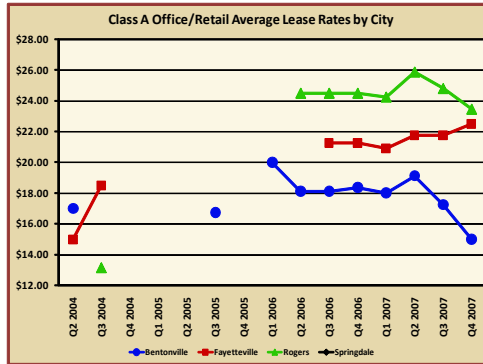
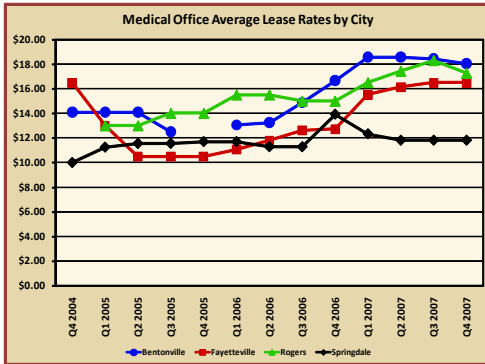
Q4 2006	0	56,919	159,700	8,475	364,484	20,133	123,731	733,442
Q1 2007	0	57,169	203,308	8,475	475,277	22,030	86,100	852,359
Q2 2007	0	70,042	211,137	9,750	458,416	14,130	104,569	868,044
Q3 2007	0	42,830	244,703	9,500	542,309	17,700	92,328	949,370
Q4 2007	0	74,732	265,603	11,090	467,853	16,700	89,530	925,508

Warehouse

Q4 2006	0	14,800	140,975	22,150	159,997	0	99,166	437,088
Q1 2007	0	5,300	139,100	75,150	424,879	0	110,591	755,020
Q2 2007	-	15,360	210,735	198,116	398,824	-	39,832	862,867
Q3 2007	0	12,800	124,795	175,966	521,323	0	168,444	1,003,328
Q4 2007	0	114,300	92,215	175,966	351,120	0	156,489	890,090



Commercial Market Trends



Net Twelve Month Absorption by Submarket Q4 2006 - Q4 2007

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	5,726	0	0
Bentonville	-384,293	-16,722	14,163	-99,500
Fayetteville	-254,024	-97,117	-85,538	53,820
Lowell	18,744	3,290	-2,615	-30,850
Rogers	-48,026	-73,068	-116,392	-236,123
Siloam Springs	-3,200	-28,361	3,433	0
Springdale	-9,332	122	35,063	4,509
Northwest Arkansas	-680,131	-206,130	-151,886	-308,144

