

THE SKYLINE REPORT

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February 2008 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 is the fourteenth edition of the Skyline Report for Benton and Washington Counties—Multifamily Real Estate Market Analysis. Researchers at the Center for Business and Economic Research (CBER) 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 multifamily real estate market. This study is a companion piece to the quarterly single-family residential and commercial Skyline Reports. As the population of the region grows, there is increased demand for all types of housing. Understanding the supply of multifamily housing opportunities is critical to understanding the overall residential market, particularly as low interest rates have made home ownership more appealing relative to leasing comparable residential space. The information contained in the following pages details the current condition of the multifamily market and sets the stage for future comparisons.

Highlights from the Fourth Quarter of 2007

- Vacancy rates for multifamily properties in Northwest Arkansas decreased from their third quarter level of 12.2 percent to 12.0 percent in the fourth quarter of 2007. The fourth quarter 2007 vacancy rate was significantly higher than the fourth quarter 2006 vacancy rate of 8.2 percent.
- Fayetteville had the lowest aggregate vacancy rate at 9.0 percent, up from 8.3 percent in the third quarter. Springdale had the highest aggregate vacancy rate at 15.5 percent, up from 14.5 percent in the third quarter. The Bentonville vacancy rate fell 1.5 percent to 13.2 percent in the fourth quarter. Rogers had a decrease of 3.4 percent down to a vacancy rate of 15.0 percent, and Siloam Springs had an increase in its vacancy rate to 11.9 percent in the fourth quarter of 2007.
- The average lease price per month for a multifamily property unit in Northwest Arkansas was down about \$0.16 to \$519.84.
- On a price per square foot basis, multifamily units were least expensive on average in Siloam Springs at \$0.56 per square foot and most expensive on average in Fayetteville at \$0.65 per square foot.

Multifamily Market Trends

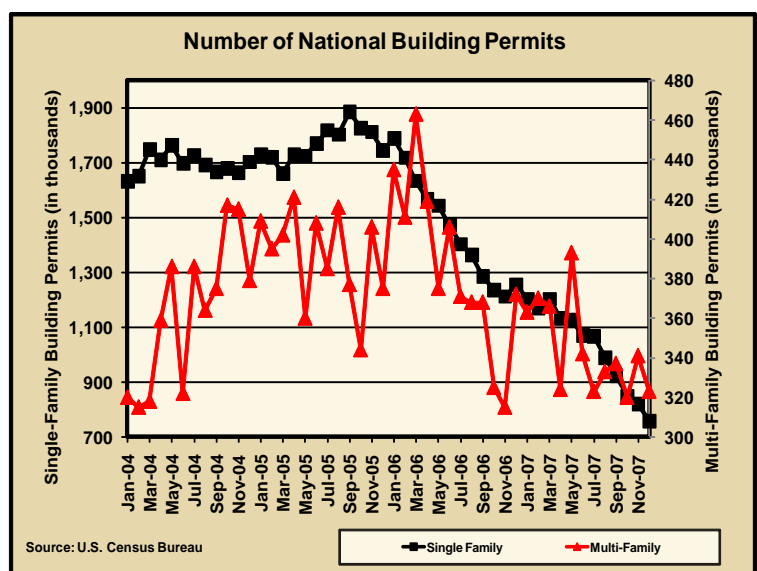
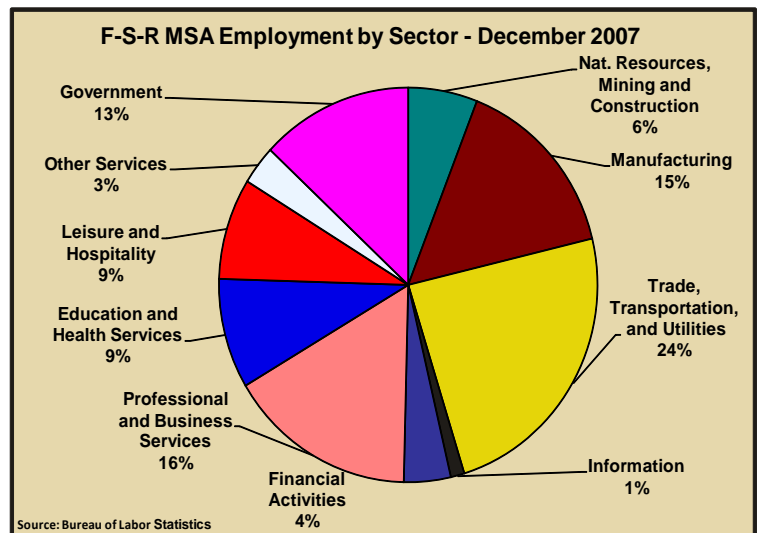
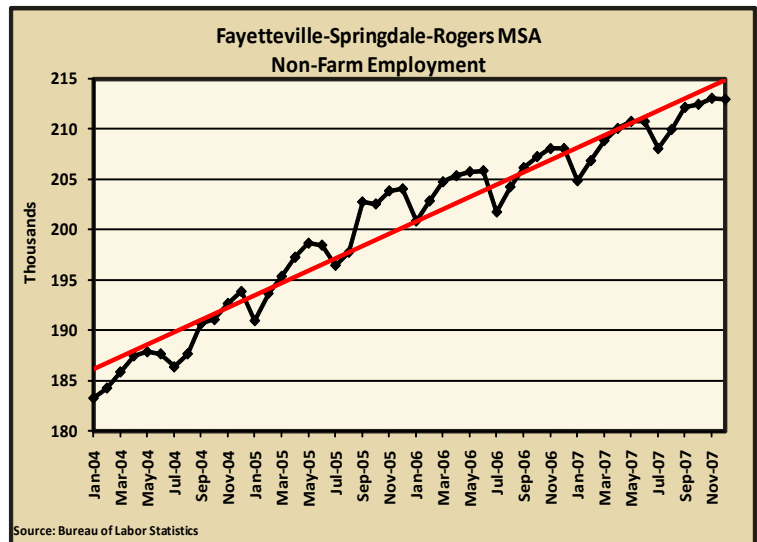
To get a sense of the Northwest Arkansas multifamily housing market, it is useful to look at some key macroeconomic statistics. A graph showing non-farm employment trends in the Fayetteville-Springdale-Rogers metro area is included. Between December 2006 and December 2007 the Northwest Arkansas economy added, on average, 408 jobs per month which is far below the five year average of 549 jobs per month. While looking at the individual data points of 2007, mixed patterns of employment growth are revealed compared to the data of 2006. Earlier months of 2007 showed slightly stronger growth, while the fourth quarter revealed somewhat weaker growth. Specifically, 300 jobs were added in October of 2007 and 600 jobs in November of 2007 as compared to 1,100 and 800 jobs added in October and November of 2006, respectively.

The employment numbers bear careful watching in the next few months because the demand for much of the new and expected multi-family development relies on the assumption that job growth remains strong.

The U.S. Census Bureau estimates the issuance of building

permits. The September – December of 2007 national level of multifamily building permits continued to deteriorate from the levels seen in the first three quarters of 2007. Furthermore, the December 2007 level of single family building permits reflected a continued downward slide that began in October 2005 (SARR).

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 multifamily building permits than the LR metro area until November of 2007. After that month, the pattern has reversed. Despite a great deal of seasonal variation, the trends of the multifamily building permits and total building permits in the both metropolitan areas have declined since the highs seen in 2004 and 2005. No significant changes in the pace of growth in the number of residential or multifamily building permits are expected in the short term.



Multifamily Market Trends

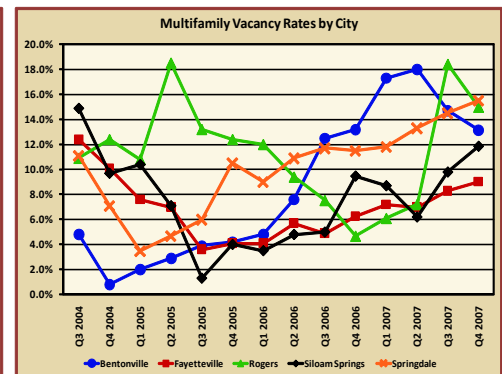
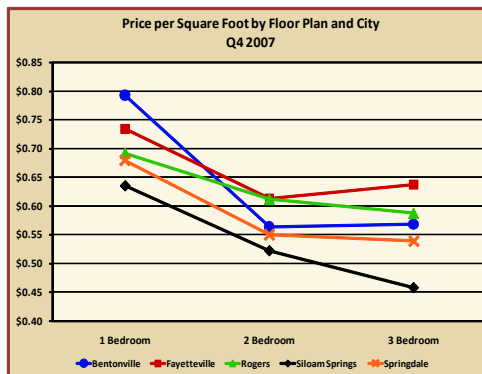
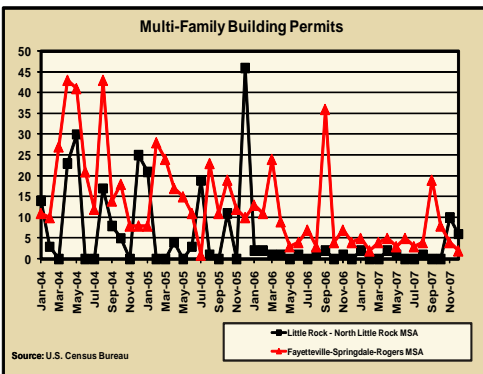
The associated table details the building permits that have been issued for multifamily housing purposes over the past twelve months. Eleven projects with values greater than a million dollars were permitted during the period. Seven of these were located in

Fayetteville, two in Springdale, one was located in Bentonville and one was located in Rogers. The Fayetteville projects involve the construction of the Chestnut Condos, the Beacon Flats, the third phase of the Nantucket Apartments, the Leverett Commons

Townhomes, the Sunbridge Villa Duplexes, and the Wyngate Townhomes. The Springdale projects are the Chester Heights and Berryfield apartments. The Copperstone Apartments are located in Bentonville and the Rogers project is Avignon Court.

Multifamily Residence Building Permits December 2006 - November 2007

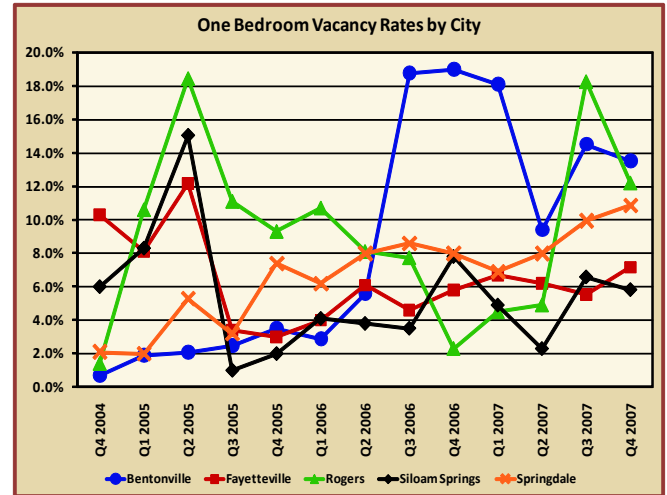
Date	Complex or Developer	Number of Permits	Total Value of Permits	City
11/13/2006	The Links at Springdale, Phase II	1	\$902,214	Springdale
11/16/2006	Chestnut Condos	2	\$1,433,676	Fayetteville
11/22/2006	Beacon Flats	2	\$1,050,000	Fayetteville
11/22/2006	Lafayette Street Apartments	1	\$594,547	Fayetteville
12/8/2006	Chester Heights	15	\$9,065,226	Springdale
2/23/2007	Nantucket Apartments, Phase III	10	\$4,722,500	Fayetteville
2/27/2007	Hidden Lake Apartments	1	\$472,569	Springdale
4/13/2007	260 W 6th Street	1	\$424,658	Fayetteville
4/17/2007	Locust Street Townhomes	1	\$763,039	Fayetteville
5/10/2007	1344 N Oakland Avenue	1	\$690,276	Fayetteville
6/1/2007	Avignon Court	31	\$3,224,000	Rogers
9/4/2007	Leverett Commons Townhomes	1	\$1,063,979	Fayetteville
9/4/2007	Sunbridge Villa Duplexes	2	\$1,166,738	Fayetteville
9/6/2007	Copperstone Apartments	16	\$12,604,848	Bentonville
10/23/2007	Sycamore Condominiums	1	\$582,000	Fayetteville
10/23/2007	Wyngate Townhomes	5	\$3,472,707	Fayetteville
10/25/2007	Berryfield Apartments	6	\$5,694,480	Springdale
11/29/2007	Village on Shiloh	1	\$1,747,956	Fayetteville
Total		98	\$49,675,413	



Multifamily Market Trends

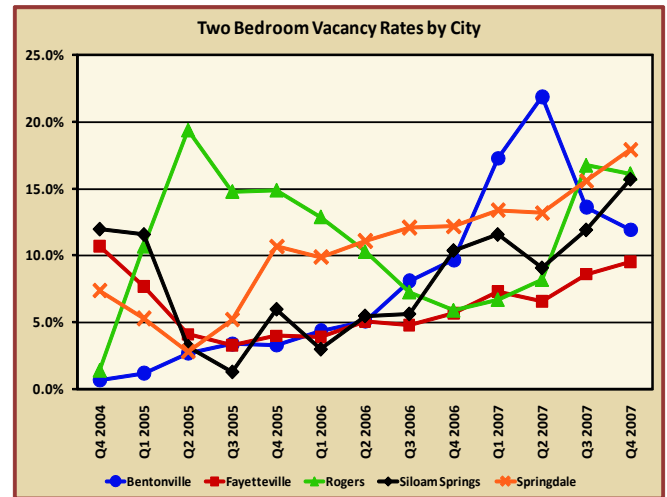
Sample Vacancy Rates

Market Area	Number of Apartment Complexes	Number of Units	Q4 2007 Vacancy Rate	Q3 2007 Vacancy Rate	Q4 2006 Vacancy Rate
Bentonville	112	3,148	13.2%	14.7%	13.2%
Fayetteville	260	11,137	9.0%	8.3%	6.3%
Rogers	73	3,886	15.0%	18.4%	4.7%
Siloam Springs	38	1,079	11.9%	9.8%	9.5%
Springdale	80	5,426	15.5%	14.5%	11.5%
NWA	563	24,676	12.0%	12.2%	8.2%



Average Size and Price by Floor Plan Q4 2007

Floor Plan	Average Square Feet	Average Price per Month	Average Price per Square Foot
Studio	388	\$415.16	\$1.07
1 Bedroom	610	\$438.43	\$0.72
2 Bedroom	910	\$535.52	\$0.59
3 Bedroom	1,221	\$718.38	\$0.59
4 Bedroom	1,302	\$767.10	\$0.59
NWA	831	\$519.84	\$0.63



Vacancy Rates by Floor Plan Q4 2007

Market Area	1 Bedroom	2 Bedroom	3 Bedroom
Bentonville	13.5%	11.9%	21.5%
Fayetteville	7.2%	9.5%	16.5%
Rogers	12.2%	16.1%	27.5%
Siloam Springs	5.8%	15.7%	15.0%
Springdale	10.9%	17.9%	14.1%
NWA	9.6%	12.9%	17.8%

