

# THE SKYLINE REPORT

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## February 2009 Highlights

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

This report is the nineteenth 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. The Northwest Arkansas 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 2008

- In the fourth quarter of 2008, 223,559 square feet of competitive commercial property were added to the Northwest Arkansas market. About 65,800 square feet of the added space were new office space, 73,006 were new office/retail, 74,753 were new retail, 4,000 were new office/warehouse, and 6,000 were new retail/warehouse space.
- In the office market, there was positive net absorption of 4,744 square feet. New space was added to the Class B, Class C, and medical office submarkets.
- New retail space was added to the Bentonville, Fayetteville, Lowell, and Springdale markets, while 14,076 square feet became occupied in Northwest Arkansas, netting negative absorption of 60,677 square feet. The retail vacancy rate declined slightly to 14.4 percent in the fourth quarter due to an increase in the reported total space.
- Within the office/retail submarket, 11,960 square feet became vacant, while new space entered the Fayetteville and Rogers markets. Accordingly, the vacancy rate increased to 22.7 percent in the fourth quarter.
- During the fourth quarter of 2008, new office/warehouse space was added in Springdale, while 77,203 square feet became occupied in Northwest Arkansas. The vacancy rate decreased in accord with the absorption to 16.5 percent in the fourth quarter.
- The warehouse submarket experienced positive net absorption of 110,727 square feet, while no new space was added. Thus, the warehouse vacancy rate declined from 28.3 percent in the third quarter to 27.5 percent in the fourth quarter of 2008.
- From September to November of 2008, about \$13.9 million in commercial building permits were issued in Bentonville, Fayetteville, and Rogers. This is a decline of 35.9 percent from the prior quarter and a decline of 66.1 percent from the fourth quarter of 2007.

# Commercial Market Trends

## Vacancy Rates by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2007	24.2%	24.4%	22.1%	1.6%	21.2%	6.7%	8.5%	20.9%
Q1 2008	43.3%	23.9%	20.5%	1.5%	22.0%	4.6%	9.7%	20.6%
Q2 2008	19.0%	24.2%	20.0%	3.8%	21.6%	3.5%	10.0%	20.5%
Q3 2008	19.0%	14.7%	18.7%	3.8%	22.6%	2.7%	10.4%	16.7%
Q4 2008	19.0%	14.1%	19.1%	7.2%	22.4%	2.6%	14.8%	17.1%

### Medical Office

Q4 2007	34.6%	19.3%	10.6%	0.0%	31.8%	3.1%	11.5%	13.2%
Q1 2008	34.6%	20.7%	9.7%	0.0%	40.2%	3.1%	12.3%	17.0%
Q2 2008	0.0%	19.9%	9.2%	0.0%	37.8%	2.1%	12.3%	16.1%
Q3 2008	0.0%	21.8%	7.2%	0.0%	37.1%	2.8%	13.6%	15.8%
Q4 2008	0.0%	15.1%	10.2%	0.0%	33.3%	2.8%	28.6%	17.7%

### Office/Retail

Q4 2007	9.4%	24.5%	21.9%	27.8%	41.0%	44.2%	15.8%	24.5%
Q1 2008	8.4%	24.3%	20.0%	40.1%	30.2%	35.4%	15.5%	22.5%
Q2 2008	7.8%	22.5%	20.2%	43.2%	30.4%	26.2%	16.2%	22.0%
Q3 2008	8.1%	21.0%	19.3%	40.8%	28.0%	25.9%	16.2%	20.9%
Q4 2008	8.4%	20.2%	21.3%	38.4%	30.1%	31.0%	21.4%	22.7%

### Office/Warehouse

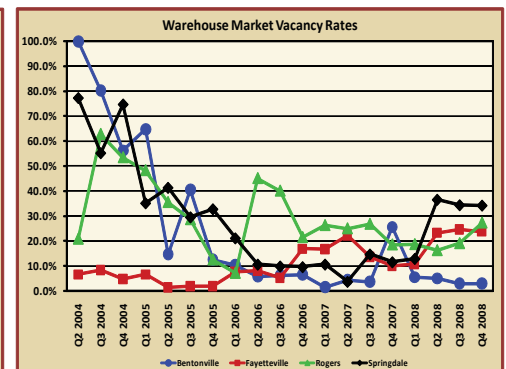
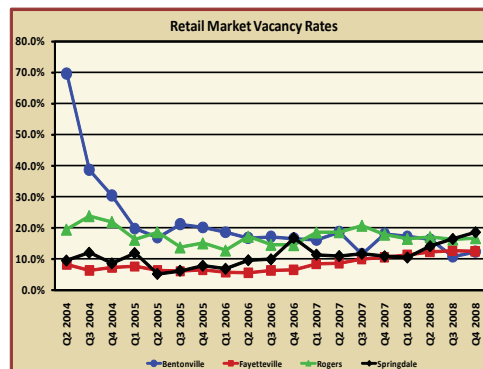
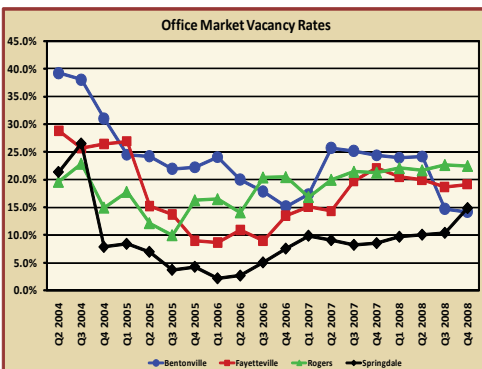
Q4 2007	--	28.0%	94.6%	3.8%	32.7%	65.8%	20.7%	28.7%
Q1 2008	--	14.1%	89.6%	3.8%	14.5%	65.8%	19.8%	19.4%
Q2 2008	--	11.3%	72.5%	0.0%	17.6%	65.8%	17.3%	17.7%
Q3 2008	--	11.4%	84.7%	0.0%	16.7%	65.8%	16.2%	17.5%
Q4 2008	--	8.6%	84.7%	0.0%	18.1%	65.8%	15.6%	16.5%

### Retail

Q4 2007	0.0%	18.1%	10.6%	18.0%	17.9%	5.5%	10.8%	13.7%
Q1 2008	0.0%	17.2%	11.3%	15.4%	16.5%	7.0%	10.4%	13.2%
Q2 2008	0.0%	16.3%	12.2%	25.5%	17.1%	7.0%	14.1%	14.3%
Q3 2008	0.0%	10.8%	12.6%	21.5%	16.3%	14.4%	16.4%	14.5%
Q4 2008	0.0%	12.3%	12.4%	10.3%	16.8%	9.1%	18.6%	14.4%

### Warehouse

Q4 2007	0.0%	25.7%	10.1%	21.2%	18.7%	0.0%	11.7%	15.5%
Q1 2008	0.0%	5.6%	10.7%	21.2%	18.8%	71.1%	13.0%	17.7%
Q2 2008	0.0%	5.1%	23.3%	65.4%	16.4%	71.1%	36.7%	27.9%
Q3 2008	0.0%	3.1%	24.7%	65.4%	19.2%	71.1%	34.5%	28.3%
Q4 2008	0.0%	3.1%	23.8%	2.8%	27.5%	71.1%	34.3%	27.5%



# Commercial Market Trends

## Available Square Footage by Submarket

Office	Bella Vista	Bentonville	Fayetteville	Lowell	Rogers	Siloam Springs	Springdale	NW Arkansas
Q4 2007	2,800	798,023	470,731	3,844	348,274	5,400	55,742	1,684,814
Q1 2008	5,000	784,492	441,369	3,844	394,749	3,700	65,222	1,698,376
Q2 2008	2,200	794,302	440,601	9,831	396,668	2,800	71,768	1,718,170
Q3 2008	2,200	488,347	415,611	9,931	414,324	2,200	73,365	1,405,978
Q4 2008	2,200	418,386	421,557	18,721	407,039	2,144	109,532	1,379,579

### Medical Office

Q4 2007	2,800	37,846	55,764	0	27,467	2,200	22,682	148,759
Q1 2008	2,800	40,696	50,930	0	96,004	2,200	24,282	216,912
Q2 2008	0	39,096	49,897	0	96,729	1,500	24,282	211,504
Q3 2008	0	45,317	37,747	0	95,129	2,000	26,782	206,975
Q4 2008	0	31,317	55,579	0	85,237	2,000	64,840	238,973

### Office/Retail

Q4 2007	25,189	192,720	274,173	19,660	217,667	51,955	71,618	852,982
Q1 2008	22,666	191,737	261,590	24,160	240,182	45,325	70,464	856,124
Q2 2008	20,816	178,839	270,310	26,040	246,289	32,964	74,615	849,873
Q3 2008	21,866	167,656	257,871	24,600	224,422	32,564	74,654	803,633
Q4 2008	22,466	164,098	303,131	23,160	256,212	43,724	98,554	911,345

### Office/Warehouse

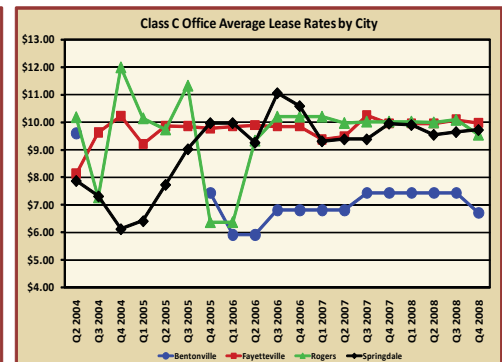
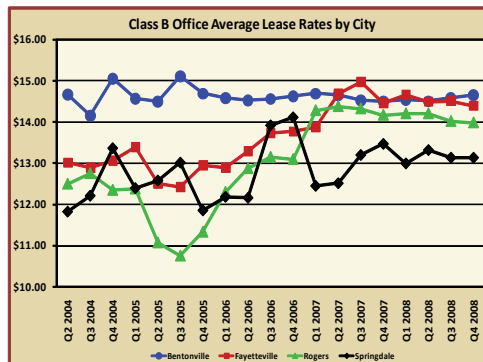
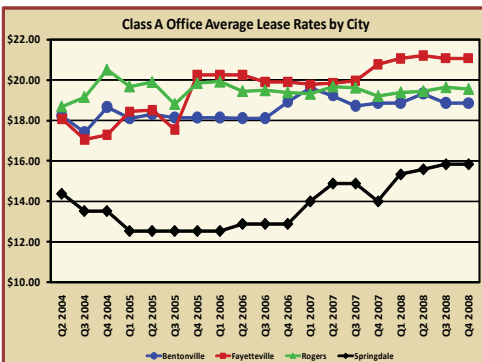
Q4 2007	--	256,525	104,326	7,940	191,523	70,007	202,649	832,970
Q1 2008	--	166,550	91,726	7,940	85,023	70,007	196,199	617,445
Q2 2008	--	133,900	87,501	0	103,023	70,007	226,066	620,497
Q3 2008	--	136,550	102,181	0	97,909	70,007	208,399	615,046
Q4 2008	--	103,805	102,181	0	86,056	70,007	202,399	564,448

### Retail

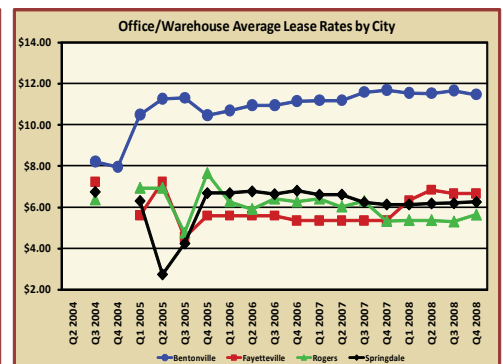
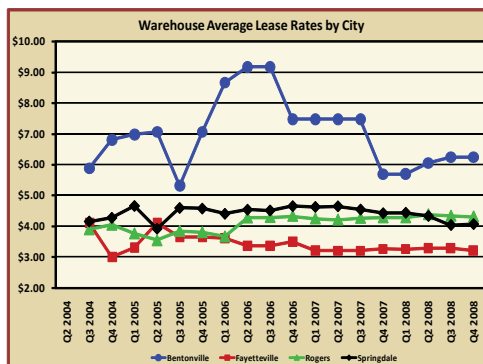
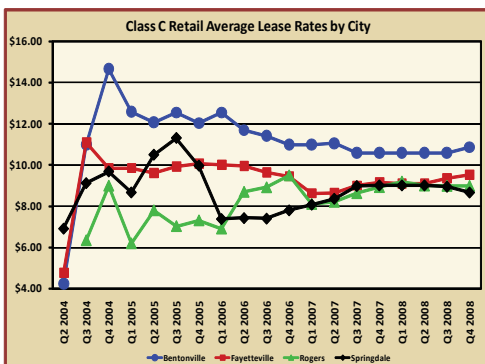
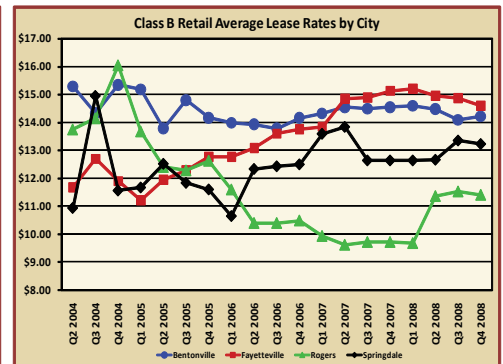
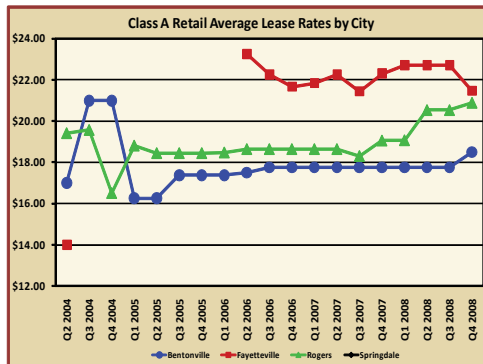
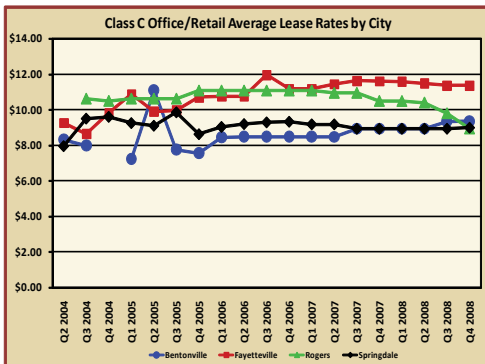
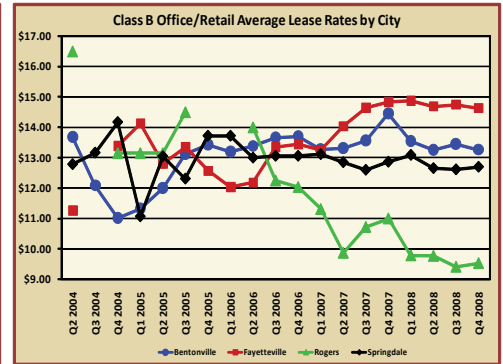
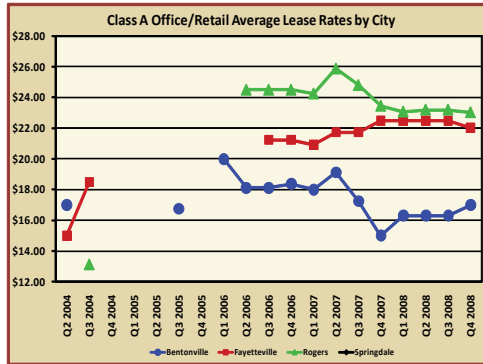
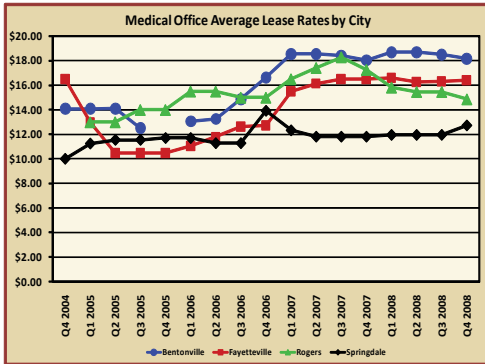
Q4 2007	0	74,732	265,603	11,090	467,853	16,700	89,530	925,508
Q1 2008	0	71,148	294,345	9,500	390,943	21,200	87,005	874,141
Q2 2008	0	67,172	317,839	19,500	404,133	21,200	117,518	947,362
Q3 2008	0	42,314	323,391	16,500	386,767	43,603	146,626	959,201
Q4 2008	0	48,565	375,144	13,100	395,384	27,003	170,043	1,029,239

### Warehouse

Q4 2007	0	114,300	92,215	53,000	351,120	0	156,489	767,124
Q1 2008	0	27,800	98,215	53,000	353,450	214,710	180,979	928,154
Q2 2008	0	25,200	242,115	201,866	309,869	214,710	567,618	1,561,378
Q3 2008	0	15,200	256,115	201,866	365,718	214,710	548,654	1,602,263
Q4 2008	0	15,200	247,115	8,800	571,440	214,710	554,975	1,612,240



# Commercial Market Trends



## Net Twelve Month Absorption by Submarket Q4 2007 - Q4 2008

Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	600	3,523	0	0
Bentonville	380,712	34,958	4,811	99,100
Fayetteville	41,536	-10,492	-97,159	-33,600
Lowell	-13,377	-5,000	-2,010	51,700
Rogers	-1,341	-3,492	58,809	-83,320
Siloam Springs	3,256	14,941	-18,603	0
Springdale	-51,935	-25,736	-46,336	-366,618
<b>Northwest Arkansas</b>	<b>359,451</b>	<b>8,702</b>	<b>-100,488</b>	<b>-332,738</b>

