

THE SKYLINE REPORT

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Commercial Highlights First Half 2022

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Commercial Real Estate Summary For Benton and Washington Counties

This report is the forty-sixth 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 First Half of 2022

In the first half of 2022, there were 1,756,640 square feet of positive absorption and 521,750 new square feet of commercial space, leading to net positive absorption of 1,234,890 square feet in the Northwest Arkansas market. The overall vacancy rate was 5.8 percent, down from 8.3 percent in the second half of 2021.

The warehouse submarket had overall positive absorption of 771,000 square feet, while 229,000 new square feet, were added in the first half of 2022, leading to net positive absorption of 542,000 square feet. The Northwest Arkansas warehouse vacancy rate decreased from 5.3 percent in the second half of 2021 to 0.8 percent in the first half of 2022.

50,820 new square feet, 44,820 of it medical space, were added in the office submarket, while 162,166 square feet were absorbed, leading to net positive absorption of 111,346 square feet in the first half of 2022. The office vacancy rate decreased to 9.1 percent from 10.0 percent in the second half of 2021.

Within the retail submarket, there was overall positive absorption of 183,442 square feet, while 20,000 new square feet entered the market, leading to net positive absorption of 163,442 square feet. The retail vacancy rate decreased to 7.9 percent in the first half of 2022 from 9.5 percent in the second half of 2021.

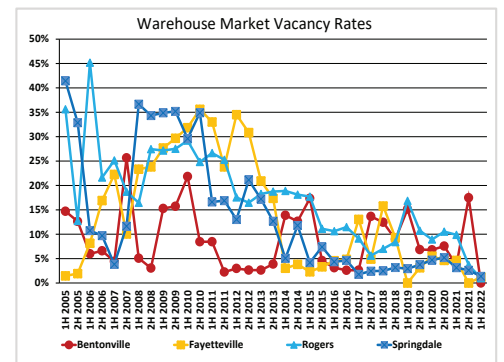
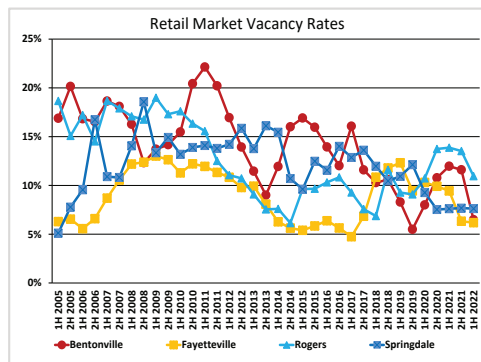
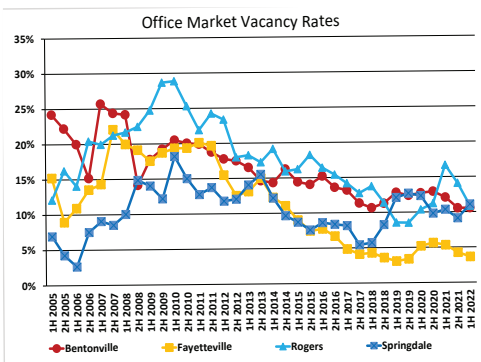
In the office/retail submarket, there was positive absorption of 94,376 square feet, while 29,175 new square feet of office/retail space entered the market in the first half of 2022, leading to net positive absorption of 65,201 square feet. The office/retail vacancy rate decreased from 9.6 percent in the second half of 2021 to 8.2 percent in the first half of 2022.

From January 1 to June 30, 2022, there were \$293,724,701 in commercial building permits issued in Northwest Arkansas. In comparison, there were \$397,893,305 in permits issued in the second half of 2021.

Commercial Market Trends

Vacancy Rates by Submarket

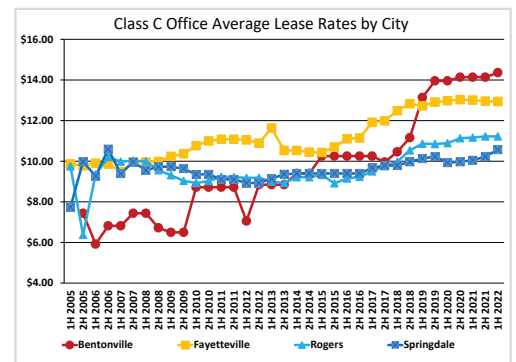
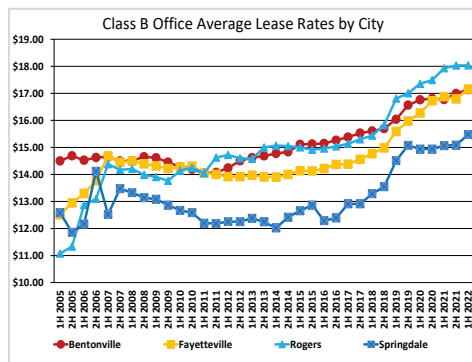
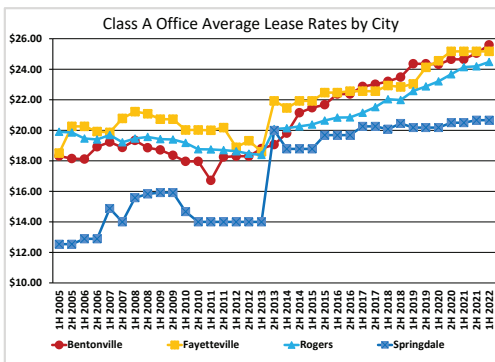
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	1H 2021	24.6%	12.1%	5.3%	6.4%	5.7%	16.7%	2.8%	10.4%	11.2%
	2H 2021	16.1%	10.6%	4.3%	6.3%	21.2%	14.1%	13.3%	9.1%	10.0%
	1H 2022	18.1%	10.6%	3.6%	8.4%	18.5%	10.9%	8.3%	11.1%	9.1%
Medical Office	1H 2021	13.0%	6.5%	2.1%	5.2%	0.0%	2.6%	3.3%	11.5%	4.3%
	2H 2021	0.0%	5.5%	3.1%	5.3%	48.4%	1.8%	13.3%	11.2%	6.4%
	1H 2022	5.1%	5.5%	2.3%	9.7%	45.3%	4.2%	10.8%	11.8%	6.6%
Office/Retail	1H 2021	16.6%	13.4%	11.0%	4.7%	0.0%	8.3%	15.0%	7.6%	10.9%
	2H 2021	8.5%	15.5%	9.9%	2.7%	0.0%	8.5%	5.2%	4.3%	9.6%
	1H 2022	8.8%	13.9%	8.9%	0.0%	9.4%	7.1%	1.5%	1.1%	8.2%
Office/Warehouse	1H 2021		6.8%	0.0%	0.0%	13.9%	4.4%	52.2%	2.9%	5.6%
	2H 2021		7.1%	0.0%	0.0%	6.4%	0.9%	83.6%	3.7%	6.0%
	1H 2022		6.9%	0.0%	0.0%	0.0%	0.9%	52.2%	3.7%	4.8%
Retail	1H 2021	6.8%	12.0%	9.4%	0.0%	18.3%	13.9%	7.3%	7.6%	10.8%
	2H 2021	6.8%	11.6%	6.3%	0.0%	1.7%	13.5%	7.5%	7.7%	9.5%
	1H 2022	8.3%	6.5%	6.2%	0.0%	1.7%	10.9%	4.1%	7.6%	7.9%
Retail/Warehouse	1H 2021		1.5%	3.3%	27.6%	15.8%	9.9%	7.4%	16.8%	11.4%
	2H 2021		1.2%	13.3%	53.4%	31.6%	4.1%	0.0%	0.7%	3.5%
	1H 2022		1.2%	16.8%	53.4%	31.6%	3.3%	0.0%	1.4%	4.0%
Warehouse	1H 2021	0.0%	3.6%	4.6%	4.9%	12.6%	9.9%	6.2%	3.1%	6.6%
	2H 2021	0.0%	17.5%	0.0%	0.0%	6.7%	3.7%	0.0%	2.6%	5.3%
	1H 2022	0.0%	0.0%	1.2%	0.0%	0.0%	1.0%	0.0%	1.4%	0.8%



Commercial Market Trends

Available Space and Lease Rates by Submarket

Available Space by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	1H 2021	22,296	484,819	186,186	19,191	18,262	630,872	4,361	129,054	1,495,041
	2H 2021	19,296	430,058	148,243	19,124	69,397	538,863	22,841	114,694	1,362,516
	1H 2022	22,296	431,984	127,720	25,734	62,267	433,610	14,351	132,022	1,249,984
Medical Office	1H 2021	3,000	20,777	26,616	9,291	0	11,534	3,761	49,902	124,881
	2H 2021	0	19,577	39,814	9,524	40,000	8,510	22,841	59,078	199,344
	1H 2022	3,000	19,577	29,883	17,399	41,870	20,614	14,351	60,927	207,621
Office/Retail	1H 2021	44,803	143,207	196,799	3,500	0	50,369	27,586	53,122	519,386
	2H 2021	22,910	164,971	173,392	2,000	0	51,698	9,586	30,142	454,699
	1H 2022	20,846	148,199	157,669		8,209	41,040	2,781	7,490	386,234
Office/Warehouse	1H 2021		61,900	0	0	22,400	28,730	57,667	56,818	227,515
	2H 2021		64,900	0	0	10,400	5,900	92,274	75,534	249,008
	1H 2022		65,200	0	0	0	5,900	57,667	75,534	204,301
Retail	1H 2021	3,299	105,949	344,812	0	20,610	509,916	34,193	132,498	1,151,277
	2H 2021	3,299	104,393	229,364	0	1,875	501,612	35,173	133,315	1,009,031
	1H 2022	7,455	56,412	228,219	0	1,875	405,409	19,477	133,968	852,815
Retail/Warehouse	1H 2021		3,846	3,004	4,980	4,900	26,953	9,860	113,587	167,130
	2H 2021		2,928	14,974	9,630	9,800	11,333	0	5,200	53,865
	1H 2022		2,928	19,774	9,630	9,800	8,933	0	9,956	61,021
Warehouse	1H 2021	0	50,000	54,745	4,000	178,208	301,512	48,750	100,168	737,383
	2H 2021	0	325,000	0	0	92,000	114,750	0	84,454	616,204
	1H 2022	0	0	15,600	0	0	29,750	0	44,454	89,804



Commercial Market Trends

Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	0	20,693	-4,156	0
Bentonville	51,101	-9,384	34,163	50,000
Fayetteville	67,140	37,164	100,531	54,745
Johnson	-4,443	3,500	0	4,000
Lowell	-44,005	-8,209	18,735	190,208
Rogers	119,262	9,329	104,507	271,762
Siloam Springs	-9,990	24,805	14,716	48,750
Springdale	-28,968	47,632	-3,470	55,714
Northwest Arkansas	230,097	125,530	265,026	675,179

