

## Creative Commercial Uses Propel Market Forward

The overall state of the market has continued in the direction we anticipated. In Q3, the total square footage sold was nearly half of what was sold in Q2. Vacancy rates have gone up across the board but some industries are changing in creative ways in response to COVID-19 while some are a little slower in adopting a new direction.

Despite the vacancy rate going up to 17.5% from 12.3% in Q2, some retailers are adapting. Restaurants without drive-thrus are perfecting curbside orders and seeking permits for outdoor dining. Little Rock and North Little Rock have both added outdoor canopy seating to help their downtown restaurants provide safer environments. Essential retail services are continuing to expand. Some prominent sales this quarter have been gas stations and car washes – both considered to be part of essential retail.

The office market is on the same trajectory from Q2. Many employees are still working from home and companies are testing the waters to see how viable it is to keep workers out of the office. Office vacancy rates rose from 18.33% in Q2 to 20.3% in Q3 and average lease rates are ticking down.

Industrial has seen the closest return to normal of all the industries. Vacancy rates rose from 9.5% to 12.5%, but that seems to be due to the lack of mid-range blocks. In short, new construction has replaced backfilling vacancies.

The multifamily industry has steadily weathered the storm. There are a number of new multifamily developments under construction and showing confidence in lease-ups.

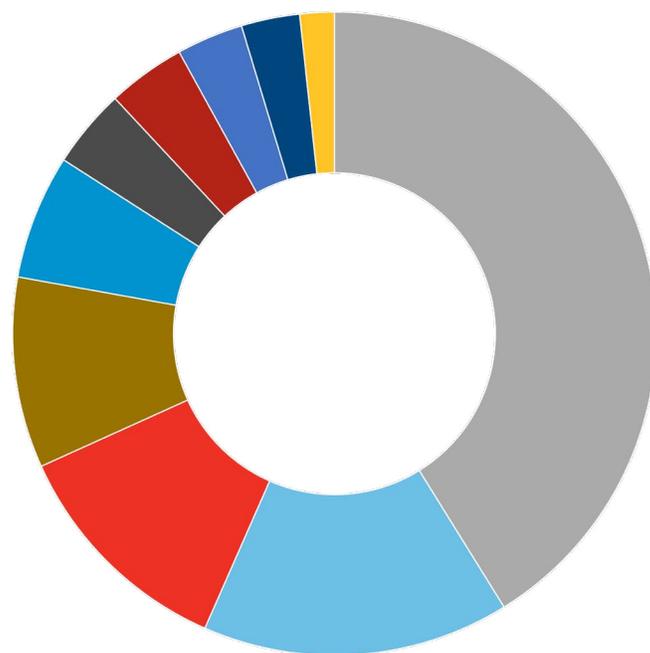
### Market Vacancy

2020	Little Rock MSA Q2	US Q2	Little Rock MSA Q3
<b>Office</b>	18.33%*	11.5%	20.3%
<b>Industrial</b>	9.5%	5.2%	12.5%
<b>Retail</b>	12.3%	-	17.5%

*\*Revised from Q2 report. See page 4 for information.*

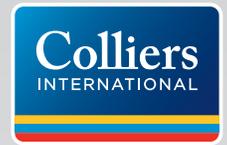
### Total Sold Square Feet

Office, Industrial, & Retail



- Downtown: 26,256
- Midtown: 2,939
- South: 69,994
- Southwest: 6,751
- West: 5,700
- Maumelle: 19,800
- North Little Rock: 4,995
- Sherwood: 6,670
- Jacksonville: 10,640
- Saline County: 16,322

# Submarket Overviews



## Office

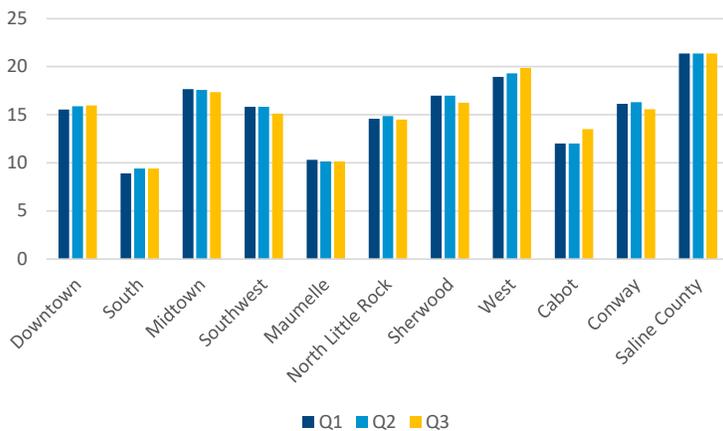
The central Arkansas office market appears to have remained relatively unchanged from Q2. There is still a cloud of uncertainty with the continuing concerns of the COVID-19 pandemic; a cloud that will undoubtedly hang around through the end of the year.

The future trend for office space requirements remains unclear with many corporate users still operating with limited staff and large numbers working from home (WFH). We are seeing some new leases and/or renewals “spreading out” to accomplish social distancing. It is likely that general downsizing due to loss of business during the pandemic coupled with WFH will outweigh the slightly larger areas attempting to provide better social distancing. Ultimately, vacancy rates should continue to increase into 2021.

With all the uncertainty mentioned above, the appetite for investment in multi-tenant office properties has reduced substantially.

- › Q3 requests for rent abatement/concessions have practically ceased
- › Short-term renewal requests are prevalent
- › Downward rent pressure is likely

2020 Office Average Lease Rates



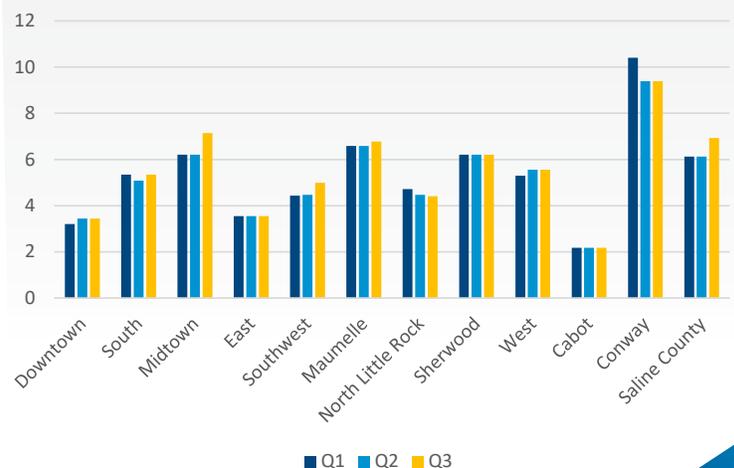
## Industrial

Despite the 3.5% increase in vacancy from the previous quarter, the central Arkansas industrial market felt like a return to business as usual in Q3. Lease rates remained stable with some submarkets even seeing increases. With the landlord concessions of the second quarter burning off and once-shaky tenants gaining confidence in their ability to adapt through the pandemic, previously delayed renewal discussions were back on the table with terms similar to those seen in recent pre-pandemic quarters. Early renewals and significant expansions were also a part of Q3, as individual users found their needs for safety stock increasing.

While the absence of bulk industrial space in the central Arkansas market is driving new construction, a lack of midrange blocks able to accommodate 20,000 – 40,000 square feet users is causing some investors to rethink their traditionally office-burdened flex space in order to accommodate more bulk warehouse users.

The previous quarters saw a flurry of new industrial product coming to market, from 300,000 to more than 3 million square feet, and Q3 did not lose any momentum with the ground breaking of a new, one-million-square-foot distribution facility in North Little Rock. If COVID-19 was the headwind for asset classes across the board in the first quarters of 2020, ecommerce appears to be the tailwind that will carry the industrial sector through.

2020 Industrial Average Lease Rates



# Submarket Overviews



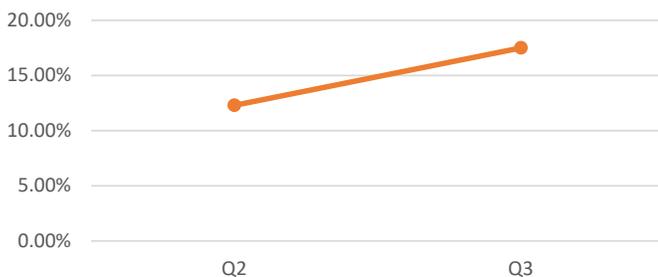
## Retail

The retail sector is experiencing perhaps one of the most uncertain times in our nation's history. As with most things, uncertainty can carry with it concerns and opportunities. The central Arkansas retail marketplace has shown an overall vacancy rate increase, which some may consider a cause for concern. However, many high profile properties that were recently vacated have completed leases or have pending deals in the works. This demonstrates continued optimism and confidence of national "essential service" tenants, highlighting opportunities. These essential services include, but are not limited to, automotive service/repair/detailing, grocery, wireless service providers, banking institutions, medical and pharmacy. All signs point to the continued expansion of these services within central Arkansas, and our data proves this to be true.

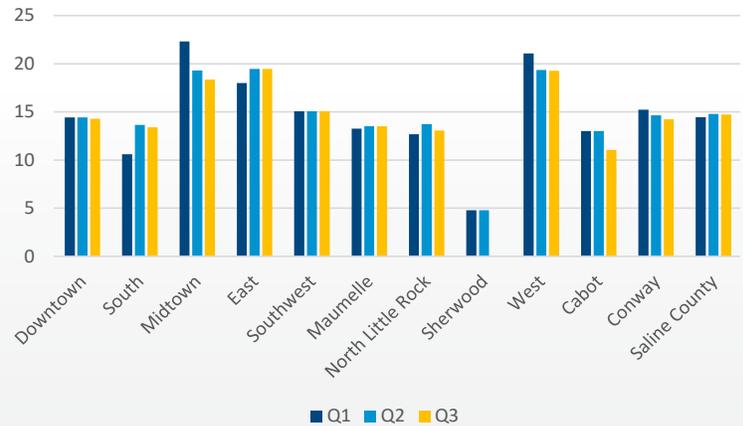
### NOTABLE TENANTS EXPANDING

Many landlords and brokers are continuing to search and procure active retail groups. Perhaps the most notable tenant prospect within our market is JP Morgan Chase, securing many of the higher profile vacancies in their debut entry into the Little Rock market. In addition, the resurgence of car wash groups such as Splash and Tommy's Express have been active and continue to expand into hard-corner land deals and creative repurposing of big box availabilities. T-Mobile is also on the move again following their recent merger/acquisition of Sprint. They are currently seeking increased store locations in central Arkansas as well as more rural areas to provide coverage to those needing virtual learning and working capabilities during the pandemic.

Retail Vacancy Rates



2020 Retail Average Lease Rates



### WHAT'S TO COME

The most pointed question to the retail market is "what happens next?" Though our firm does not have a crystal ball to predict such, we are seeing increased warning signs within the big box retail sector following the recent closures of retailers such as Stein Mart, JC Penney, Sears Holdings and others. This, however, can provide opportunity for creative repurposing and could fill a demand gap for the red-hot medical and distribution market sectors. In addition, our market intel points to the continued expansion or repositioning of quick service restaurants. Drive-thru capabilities or curbside pick-up have been shown to weather the pandemic storm well. Also, the term "quick service" has translated to traditional sit down restaurants which are perfecting call-in orders and delivery. Overall, the retail sector of 2020 has indeed changed the way most consumers shop and find ways of entertainment. Creative operators have found a way to adapt and provide a safe experience or service to its patrons. We are hopeful this creativity will continue to provide innovation to the retail industry leading up the holiday shopping season.

# Submarket Overviews



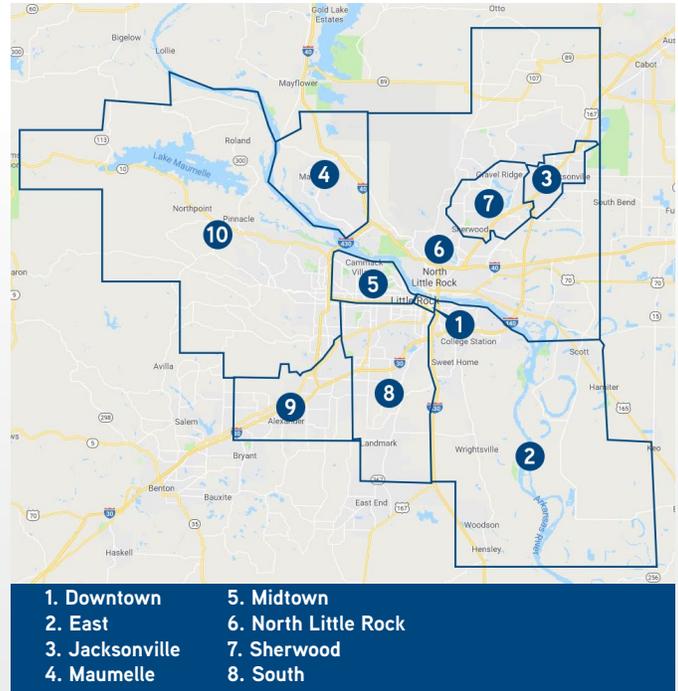
## Multifamily

Nationwide, uncertainty continues to exist as summer subsides and fall and winter approach; however, investor confidence is showing signs of a rebound. In Arkansas, Q3 was as-expected with many significant transactions occurring. As gateway markets struggle with rent growth and negative absorption caused by population defections, secondary markets such as the Little Rock MSA remain resilient. Developers remain bullish with units under construction and out-of-state investors continue to scour the state in search of lucrative yields.

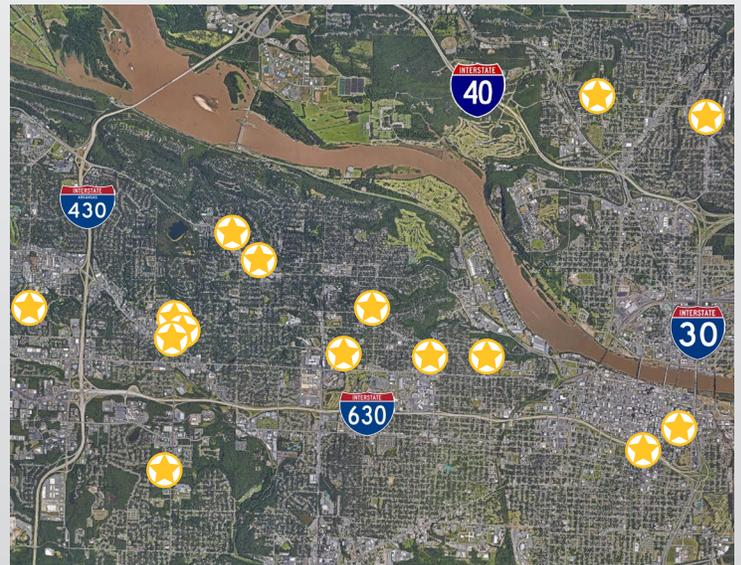
The contrast in absorption between gateway and secondary markets is stark. Gateway markets posted net-zero absorption and secondary markets experienced net absorption of +1.2%. This tracks trends in Arkansas as developers remain confident with their lease-ups. Nationwide, the Class A sector has been impacted by negative absorption and negative rent growth. Class B complexes remain a point-of-interest as they are uniquely shielded from the effects of COVID-19. They aren't as susceptible as Class C assets, which typically house lower-income individuals and families, and they offer an opportunity for Class A renters to move and save money.

Tenants are paying. While some are late, 95.5% of renters across the country who were surveyed made a full or partial payment in the month of September. For those not paying, evictions are challenging as courts shy away from in-person hearings. Some assets in the state are experiencing collection issues, primarily in the B/C sector. The overall consensus has been a willingness to work with tenants, especially those experiencing job losses. Some landlords we surveyed are offering forbearance agreements and not charging late fees for those who can demonstrate hardship.

### Submarkets



**Q3 Multifamily Sold:** Total transaction volume: **\$19,373,319**



#### **CORRECTION:**

*In our Q2 market report, we incorrectly listed Little Rock MSA Q2 office vacancy at 19.28%. It should have been 18.33%. We apologize for the error.*

## Downtown Highlights

- > Total industrial for sale: 57,324 SF
- > Industrial average lease rate: \$3.44/SF
- > Total office for sale: 609,777 SF
- > Office average lease rate: \$15.96/SF
- > Total retail for sale: 148,414 SF
- > Retail average lease rate: \$14.30/SF
- > Total land for sale: 3.36 AC
- > Total sold: 26,256 SF

## South Highlights

- > Total industrial for sale: 415,575 SF
- > Industrial average lease rate: \$5.35/SF
- > Total office for sale: 605,490 SF
- > Office average lease rate: \$9.42/SF
- > Retail average lease rate: \$13.41/SF
- > Total retail for sale: 252,972 SF
- > Total land for sale: 277.61 AC
- > Total sold: 69,994 SF

## Midtown/Riverdale Highlights

- > Total industrial for sale: 13,500 SF
- > Industrial average lease rate: \$7.14/SF
- > Total office for sale: 225,049 SF
- > Office average lease rate: \$17.35/SF
- > Total retail for sale: 212,996 SF
- > Retail average lease rate: \$18.37/SF
- > Total land for sale: 34.69 AC
- > Total sold: 2,939 SF

## East Highlights

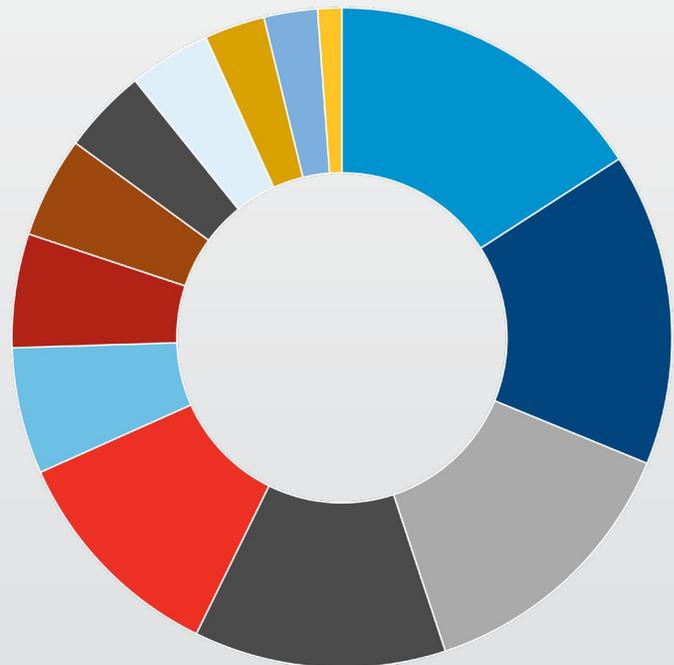
- > Total industrial for sale: 200,743 SF
- > Industrial average lease rate: \$3.55/SF
- > Total office for sale: 47,088 SF
- > Total retail for sale: 2,510 SF
- > Retail average lease rate: \$19.46/SF
- > Total land for sale: 131.65 AC

## Southwest Highlights

- > Total industrial for sale: 52,150 SF
- > Industrial average lease rate: \$4.99/SF
- > Total office for sale: 2,774 SF
- > Office average lease rate: \$15.13/SF
- > Total retail for sale: 18,669 SF
- > Retail average lease rate: \$15.06/SF
- > Total land for sale: 165.47 AC
- > Total sold: 6,751 SF

## Total Square Feet for Lease

Office, Industrial, & Retail



- Cabot: 195,669
- Conway: 415,107
- Jacksonville: 85,986
- Downtown: 934,298
- East: 293,427
- Midtown: 726,562
- Saline County: 174,738
- South: 808,481
- Southwest: 366,166
- West: 1,052,437
- Maumelle: 400,489
- North Little Rock: 1,032,864



## Jacksonville Highlights

- › Total industrial for sale: 265,594 SF
- › Industrial average lease rate: \$/SF
- › Total retail for sale: 125,645 SF
- › Retail average lease rate: \$/SF
- › Total land for sale: 32.33 AC
- › Total sold: 10,640 SF

## Maumelle Highlights

- › Total industrial for sale: 42,958 SF
- › Industrial average lease rate: \$6.78/SF
- › Total office for sale: 14,699 SF
- › Office average lease rate: \$10.13/SF
- › Retail average lease rate: \$13.50/SF
- › Total land for sale: 372.06 AC
- › Total sold: 19,800 SF

## North Little Rock Highlights

- › Total industrial for sale: 775,854 SF
- › Industrial average lease rate: \$4.41/SF
- › Total office for sale: 112,818 SF
- › Office average lease rate: \$14.49/SF
- › Total retail for sale: 64,761 SF
- › Retail average lease rate: \$13.06/SF
- › Total land for sale: 2,230.18 AC
- › Total sold: 4,995 SF

## Sherwood Highlights

- › Total industrial for sale: 29,100 SF
- › Industrial average lease rate: \$6.21/SF
- › Total office for sale: 6,696 SF
- › Office average lease rate: \$16.25/SF
- › Total retail for sale: 10,326 SF
- › Total land for sale: 53.21 AC
- › Total sold: 6,670 SF

## West Highlights

- › Industrial average lease rate: \$5.56/SF
- › Total office for sale: 233,125 SF
- › Office average lease rate: \$19.88/SF
- › Total retail for sale: 222,063 SF
- › Retail average lease rate: \$19.26/SF
- › Total land for sale: 1,243.73 AC
- › Total sold: 5,700 SF

## Cabot Highlights

- › Total industrial for sale: 227,571 SF
- › Industrial average lease rate: \$2.18/SF
- › Total office for sale: 8,742 SF
- › Office average lease rate: \$13.50/SF
- › Total retail for sale: 182,423 SF
- › Retail average lease rate: \$11.04/SF
- › Total land for sale: 116.70 AC

## Conway Highlights

- › Total industrial for sale: 590,724 SF
- › Industrial average lease rate: \$9.39/SF
- › Total office for sale: 31,968 SF
- › Office average lease rate: \$15.58/SF
- › Total retail for sale: 118,679 SF
- › Retail average lease rate: \$14.23/SF
- › Total land for sale: 728.88 AC

## Saline County Highlights

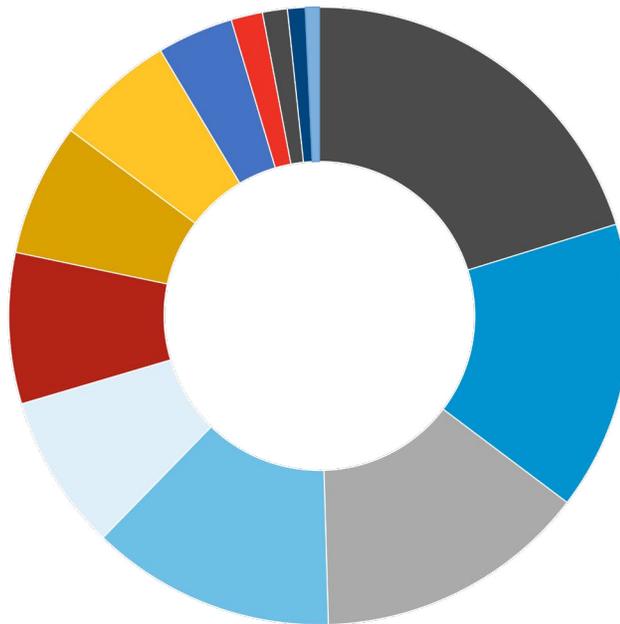
- › Total industrial for sale: 8,000 SF
- › Industrial average lease rate: \$6.93/SF
- › Total office for sale: 6,050 SF
- › Office average lease rate: \$21.36/SF
- › Total retail for sale: 67,712 SF
- › Retail average lease rate: \$14.72/SF
- › Total land for sale: 180.11 AC
- › Total sold: 16,322 SF

## Total Square Feet for Sale

Office, Industrial, & Retail, Multifamily



■ Cabot: 437,552
■ Conway: 802,267
■ Jacksonville: 391,239
■ Downtown: 896,958
■ East: 250,341
■ Midtown: 513,661
■ South: 1,274,037
■ Southwest: 103,567
■ West: 498,564
■ Maumelle: 57,657
■ North Little Rock: 953,433
■ Saline County: 81,762
■ Sherwood: 46,122



### Q3 2020 NOTABLE LEASING ACTIVITY

Property	Tenant	Property Type	SF	Submarket
1601 Gregory	Westrock Coffee Roasting	Industrial	101,925	North Little Rock
10th Street Warehouse	Innovative Power Solutions	Industrial	25,200	North Little Rock
Sedgewick Center	Southern Bancorp Bank	Office	16,650	West
Cone Building I	AR Department of Agriculture	Office	16,604	West

### Q3 2020 NOTABLE SALE ACTIVITY

Property	Buyer	Property Type	SF or AC	Price	Price/SF	Submarket
Kum & Go Chenal	Goko LLC	Retail	5,700 SF	\$5,931,818	\$1,041/SF	West
Kum & Go NLR	Spin Rock LLC	Retail	4,995 SF	\$3,445,000	\$690/SF	North Little Rock
TeamClear Car Wash	IMO US South LLC	Retail	4,750 SF	\$3,406,009	\$717/SF	Saline County
Slim Chickens	Bad Brothers, LLC	Retail	2,456 SF	\$2,300,000	\$936/SF	West
TeamClear Car Wash	IMO US South LLC	Retail	4,750 SF	\$2,416,961	\$509/SF	Sherwood
3900 Central Ave	La Floridita, LLC	Retail	4,400 SF	\$1,725,000	\$392/SF	Hot Springs
804 & 806 Izard St	Haybar Properties	Industrial	26,256 SF	\$925,000	\$35/SF	Downtown
8730 Brockington	SCPG Propco Sherwood	Retail	1,920 SF	\$925,000	\$482/SF	Sherwood
ExpressRx	SCPG PROPCO Sherwood	Retail	1,920 SF	\$925,000	\$482/SF	Sherwood

### Q3 2020 NOTABLE CONSTRUCTION

Property	SF	Price	Submarket
FIOCCHI OF AMERICA	102,600 SF	\$15M	East
DAIRY QUEEN - CHENAL & HWY 10	7,500 SF	\$1.2M	West
ORTHOARKANSAS SPINE INSTITUTE	+/- 25,500	\$4.1M	Midtown

# COLLIERS INTERNATIONAL OVERVIEW

Based on 2019 results

**68**  
countries

**\$3.5B**  
in annual revenue

 **18,000+**  
professionals & staff

 **2B**  
square feet under  
management

**70K**  
lease & sale  
transactions 

**\$129B**  
USD in total transaction value

# COLLIERS | ARKANSAS OVERVIEW

Based on 2019 results

**2 offices**   
Little Rock & Rogers

**26**  
brokers

 **115**  
professionals & staff

 **17.1M**  
square feet under management

**OVER**  **\$248M**  
total leases

**565**  
lease & sale  
transactions 

**OVER**  
**\$368M**  
total sales

## MARKET CONTACTS:

### Katy Raines

Director of Research  
+1 501 850 0705  
katy.raines@colliers.com

### Amy Meins

Vice President, Marketing and Communications  
+1 501 850 0714  
amy.meins@colliers.com

## CONTRIBUTORS:

### Mark Bentley, SIOR

mark.bentley@colliers.com  
Office Submarket

### Lee Strother, CCIM

lee.strother@colliers.com  
Retail Submarket

### Casi Runnells, RPA

casi.runnells@colliers.com  
Industrial Submarket

### Cole Herget, CCIM

cole.herget@colliers.com  
Multifamily Submarket

## CONTACT US:

Colliers International | Arkansas  
1 Allied Drive, Ste. 1500,  
Little Rock, AR 72202  
501 372 6161  
colliers.com/arkansas

## A Note Regarding COVID-19

As we publish this report, the U.S. and the world at large are facing a tremendous challenge, the scale of which is unprecedented in recent history. The spread of the novel coronavirus (COVID-19) is significantly altering day-to-day life, impacting society, the economy and, by extension, commercial real estate.

The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' COVID-19 Knowledge Leader page for resources and recent updates here.

### Footnote Regarding COVID-19

"In the midst of the COVID-19 outbreak, information and data is emerging at a quick and uneven rate. The information contained herein has been obtained from sources deemed reliable at the time the report was written. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report."

