



Central Arkansas

Market Report 22Q3

Key Takeaways

- Multi-family tops significant sales transactions
- Industrial warehouse space becomes more scarce
- Vacancy rates down across the board

Metro Little Rock Commercial Vacancy Rates Show Signs of Positive Improvement Office Market Shows Positive Signs of Stabilizing

The metro Little Rock commercial market continued its slow and steady march to Covid-19 pandemic recovery in the third quarter of 2022. With good news across all market sectors, vacancy rates were down. These small, positive gains in the industrial, retail, and office markets send a signal that our local market is showing consistent, steady improvement nearly every quarter.

The office market is stabilizing. The hybrid work environments are expected to stay in place with many companies, but leasing activity should continue to increase throughout 2022. As such, cost of new construction and the Federal Reserve’s continual raising of interest rates should in turn make second-generation office leasing an attractive alternative to purchasing and/or new development.

Industrial vacancy rates dropped to 3.4% and we’re not seeing very much space left on the market. Industrial has been filling up fast and that’s led to a lack of availability. In response, several speculative facilities are under construction or have already been built, such as Central Commerce Center along I-40 in North Little Rock (completed May 2022) and the new South Port Commerce Center, a 500,000-square-foot facility at the Port of Little Rock that broke ground in Q3. Additionally, flex space (properties with a combination of office and warehouse space) vacancy tightened from 8.4% in Q2 to 7.5% in Q3, another strong signal for this sector.

Retail vacancy experienced a welcomed decline from 14.4% in Q2 to 13.7%. Revitalization of mature retail centers, coupled with new energy from entertainment concepts and restaurants, are leading the way in retail growth. The most significant news in retail for Q3 was Topgolf’s announcement of its first Little Rock facility at Village at Brodie Creek. The metro area also saw several significant mixed-use retail sales in Q3 including Pavilion in the Park, a 90,921-square-foot retail center that is now a medical office/retail facility, which sold for \$8.85 million in August; the former Playtime Pizza, a 70,420-square-foot facility in south Little Rock that sold for \$5.95 million; and Chenal Commons, a west Little Rock strip center that sold for \$15,895,728.

Historic Comparison: Vacancy

	21Q4	22Q1	22Q2	22Q3
Office Vacancy	15.7%	14.1%	14.3%	13.4%
Industrial Vacancy	5.8%	3.9%	4.0%	3.4%
Flex Vacancy	-	8.4%	8.4%	7.5%
Retail Vacancy	16.1%	13.2%	14.4%	13.7%

Note: From 22Q1 going forward, flex is now parceled out from industrial.

Office

Central Arkansas' office market continued to stabilize in Q3 following the uncertainty surrounding many employers' pandemic work-from-home policies. The office vacancy rates in all submarkets - including downtown - improved from 14.3% overall vacancy in Q2 to 13.4% in Q3.

In the third quarter alone, downtown executed leases and renewals totaling 121,313 square feet with an average lease rate of \$17.54 per square foot. This marks quite an improvement for the area which previously struggled the most with pandemic-related vacancies. Midtown Little Rock, including the Riverdale neighborhood, was the second most active submarket with executed new leases and renewals adding up to 54,989 square feet. This submarket now enjoys an average rental rate of \$18.77 per square foot. West Little Rock saw a total of 49,325 square feet of space absorbed through new leases and renewals with an average rental rate of \$20.64 per square foot.

The Chenal financial corridor continues to be in demand within the west Little Rock submarket with several financial institutions putting plans in place to house their Little Rock headquarters in the area including Arvest, Cadence Bank, and First Community Bank. Developments such as these are expected to increase the Chenal/west Little Rock office inventory by approximately 120,000 square feet.

Many lease renewal tenants are asking for short-term rentals of just one-to-two years while they assess their future office space needs. This pandemic-related trend is expected to continue to affect the market in upcoming quarters as some companies, mainly tech and creative, are allowing some of their workforce to work from home a few days a week.

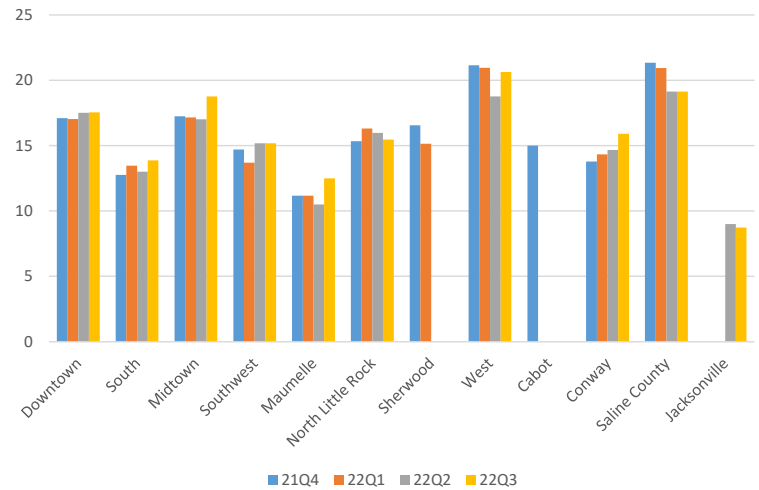
Our market also continues to feel the effects of construction inflation, as tenant finish costs have increased substantially in the Little Rock market. This cost increase is presenting challenges on lease-rate terms and, as a result, some tenants are postponing relocations.

Industrial

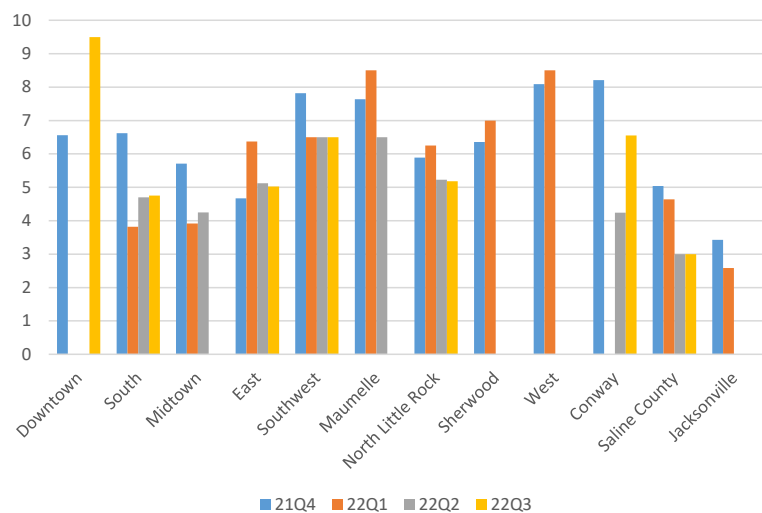
Industrial Vacancy Rates Continue to Tighten

The central Arkansas industrial market continued its hot streak through Q3, even with additional interest rate hikes. The most recent quarter saw the tightest industrial vacancy rates on record, down from 4.0% in Q2 to 3.4% in Q3. Lease rates increased, once again driven by tenant demand. In response to this demand, the Little Rock metro now has three single-user distribution centers under construction, each over 1 million square feet, including Lowe's and Dollar General, both located along Highway 70 in North Little Rock, and Tractor Supply on Champs Boulevard in Maumelle. These large distribution centers for national suppliers speak

Office Average Lease Rates



Industrial Average Lease Rates



Industrial (cont.)

to the desirability of the central Arkansas market with its convenient positioning along two of the nation’s busiest shipping and distribution routes, I-30 and I-40.

This demand for industrial assets has also pushed purchase prices to all-time highs and we don’t expect to see any cooling in the near future regardless of additional interest rate hikes and inflationary concerns. Many groups, both in state and out of state, are developing speculative warehouse distribution space in order to fulfill the needs of industrial tenants, with Central Commerce Center near the Galloway Exit along I-40 and South Port Commerce Center at the Port of Little Rock being two examples.



Central Commerce Center



South Port Commerce Center - Rendering

Retail

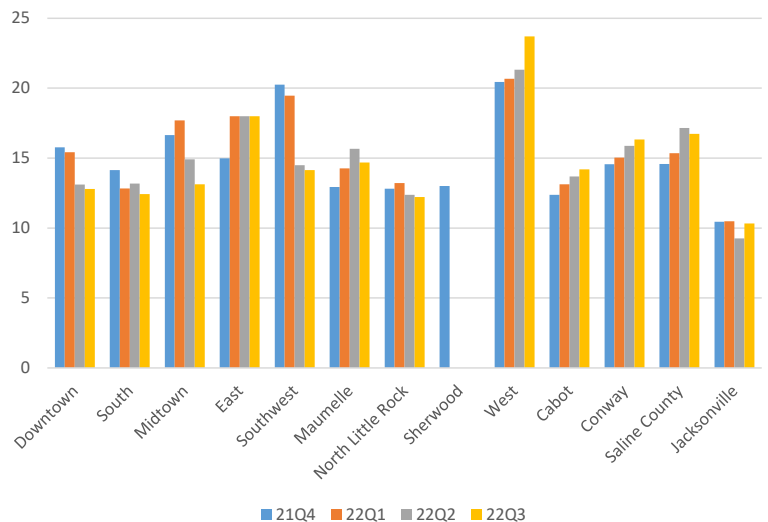
Overview

Encouraging data has signaled a fairly bullish “return to retail” trend in central Arkansas. With new/revitalized mixed-use developments, entertainment concepts and restaurants at the forefront, positive-growth momentum is building. In addition, strong consumer willingness to return to pre-pandemic spending levels at brick and mortar venues have added needed fuel to the Little Rock MSA retail atmosphere.

“With vacancy rates dropping across the board and mixed-use developments emerging, the central Arkansas retail market shows signals of growth.”

– Lee Strother, CCIM

Retail Average Lease Rates



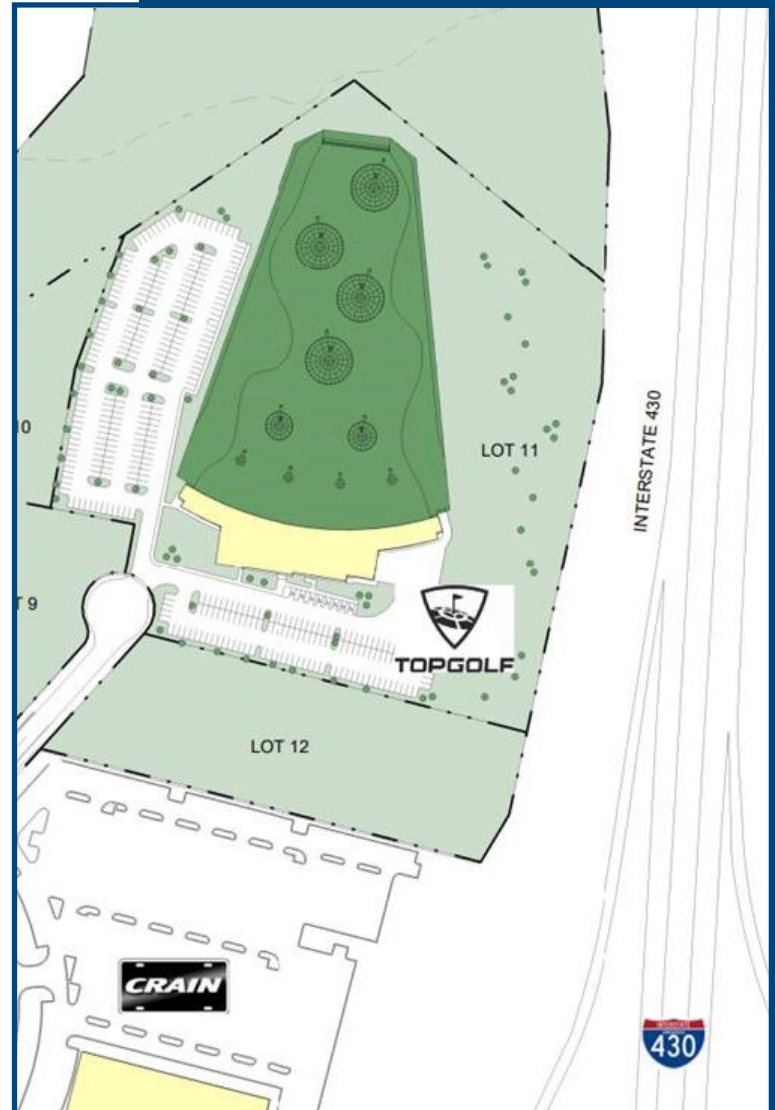
Retail (cont.)

Highlights

- **Topgolf** reveals its Little Rock plans at the Village at Brodie Creek. Construction estimated to begin Spring 2023. Preliminary site plan at right.
- **Riverdale Center** is under new ownership with plans to re-invigorate the shopping center with a new tenant mix and re-developed outparcels.
- **Splash Car Wash** continues to grow, with more than 10 state-of-the-art facilities under construction around Arkansas.
- **Pavilion in the Park** sold in August for \$8,850,000 at nearly 100% occupancy.



Topgolf preliminary site plan



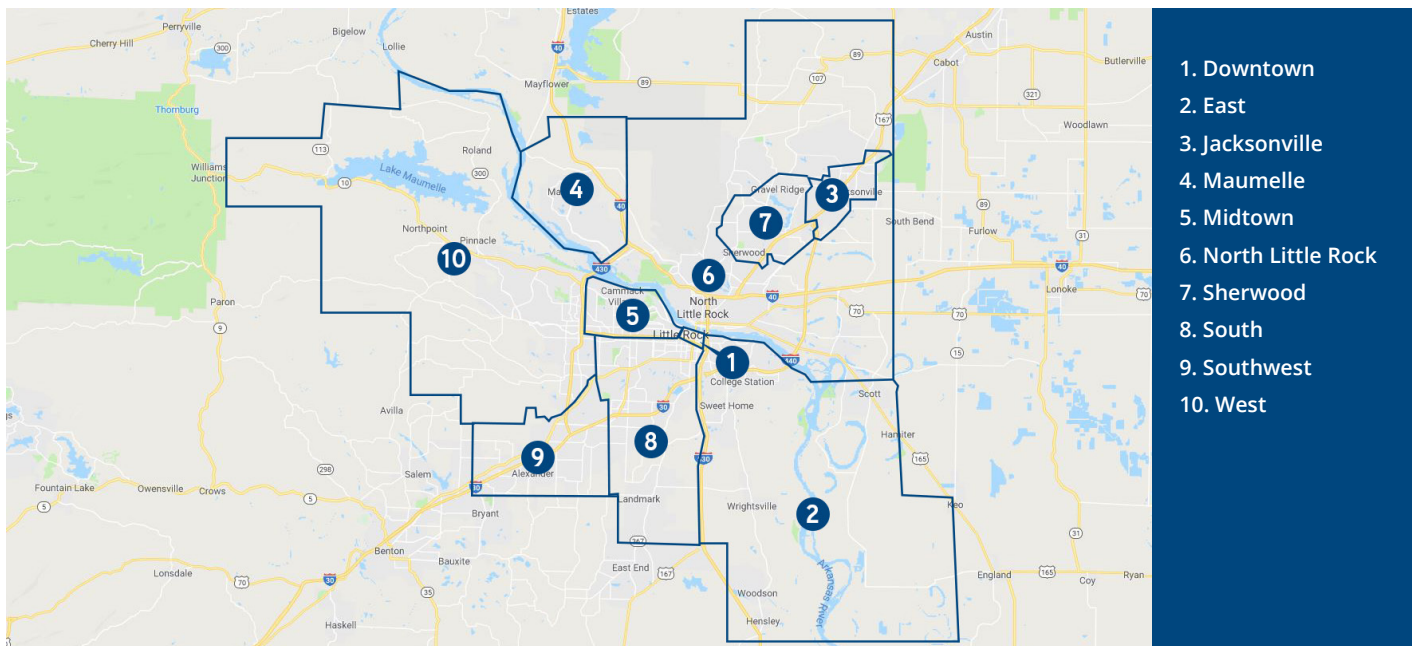
Vacancy and Absorption

YTD market indicators and quarter-over-quarter vacancy rates appear encouraging. Central Arkansas saw a 70-basis-point drop in its overall vacancy rate with many new small shop leases executed. Big box availabilities remain scarce with many major anchors renewing in current locations.

Submarket/ Subtype	Total Sale Inventory SF	Total Lease Inventory SF	Average Lease Rate	Total Sold SF	Total Leased SF
Central Arkansas					
Downtown					
Industrial	22,050 SF	48,000 SF	\$9.50/SF	-	-
Flex	100,597 SF	2,500 SF	\$12.00/SF	-	-
Office	327,896 SF	786,270 SF	\$17.54/SF	9,598 SF	121,313 SF
Retail	115,731 SF	133,538 SF	\$12.80/SF	-	-
TOTAL	566,274 SF	970,308 SF	\$17.10/SF	9,598 SF	121,313 SF
East					
Industrial	27,570 SF	1,736,211 SF	\$5.02/SF	122,930 SF	61,060 SF
Flex	58,671 SF	16,750 SF	\$6.50/SF	-	-
Office	-	-	-	-	-
Retail	-	2,000 SF	\$18.00/SF	45,696 SF	-
TOTAL	86,241 SF	1,754,961 SF	\$7.08/SF	168,626 SF	61,060 SF
Jacksonville					
Industrial	88,441 SF	-	-	-	-
Flex	8,424 SF	6,000 SF	\$9.00/SF	-	-
Office	23,398 SF	7,932 SF	\$8.74/SF	-	-
Retail	8,190 SF	145,624 SF	\$10.33/SF	134,975 SF	-
TOTAL	\$128,453 SF	159,556 SF	\$9.92/SF	134,975 SF	
Maumelle					
Industrial	-	-	-	-	-
Flex	8,400 SF	14,160 SF	\$9.65/SF	-	-
Office	37,958 SF	34,980 SF	\$12.50/SF	-	-
Retail	25,803 SF	9,812 SF	\$14.68/SF	4,896 SF	-
TOTAL	72,161 SF	58,952 SF	\$12.26/SF	4,896 SF	
Midtown					
Industrial	6,272 SF	-	-	8,645 SF	5,000 SF
Flex	-	53,780 SF	\$5.75/SF	66,796 SF	12,175 SF
Office	79,160 SF	231,061 SF	\$18.77/SF	12,729 SF	54,989 SF
Retail	671,918 SF	284,178 SF	\$13.13/SF	95,740 SF	25,636 SF
TOTAL	757,350 SF	569,019 SF	\$17.44/SF	183,910 SF	97,800 SF
North Little Rock					
Industrial	246,291 SF	575,186 SF	\$5.18/SF	303,824 SF	92,480 SF
Flex	6,360 SF	32,468 SF	\$9.38/SF	-	-
Office	53,329 SF	73,558 SF	\$15.47/SF	3,602 SF	593 SF
Retail	471,215 SF	235,784 SF	\$12.22/SF	1,728 SF	13,558 SF
TOTAL	777,195 SF	916,996 SF	\$11.96/SF	309,154 SF	106,631 SF
Sherwood					
Industrial	-	-	-	-	-
Flex	-	-	-	-	-
Office	115,520 SF	101,449 SF	-	10,929 SF	3,606 SF
Retail	3,326 SF	-	-	16,767 SF	-
TOTAL	118,846 SF	101,449 SF		27,696 SF	3,606 SF
South					
Industrial	228,164 SF	366,009 SF	\$4.75/SF	524,292 SF	86,586 SF
Flex	49,874 SF	136,692 SF	\$6.92/SF	30,042 SF	101,084 SF
Office	9,633 SF	58,625 SF	\$13.88/SF	-	-
Retail	125,246 SF	126,479 SF	\$12.42/SF	100,269 SF	2,800 SF
TOTAL	412,917 SF	687,805 SF	\$9.91/SF	654,603 SF	190,470 SF

Submarket/ Subtype	Total Sale Inventory SF	Total Lease Inventory SF	Average Lease Rate	Total Sold SF	Total Leased SF
Central Arkansas					
Southwest					
Industrial	-	10,000 SF	\$6.50/SF	87,761 SF	-
Flex	16,374 SF	19,530 SF	\$7.50/SF	-	10,000 SF
Office	-	10,984 SF	\$15.18/SF	-	2,841 SF
Retail	19,061 SF	107,766 SF	\$14.14/SF	1,800 SF	6,715 SF
TOTAL	35,435 SF	148,280 SF	\$12.58/SF	\$89,561 SF	19,556 SF
West					
Industrial	-	-	-	-	-
Flex	89,209 SF	24,392 SF	\$8.50/SF	41,242 SF	1,200 SF
Office	256,913 SF	455,409 SF	\$20.64/SF	59,356 SF	40,325 SF
Retail	193,928 SF	445,130 SF	\$23.71/SF	93,742 SF	17,915 SF
TOTAL	540,050 SF	924,931 SF	\$21.48/SF	194,340 SF	59,440 SF
Cabot					
Industrial	30,670 SF	-	-	12,720 SF	-
Flex	-	-	-	-	-
Office	1,200 SF	-	-	-	-
Retail	28,839 SF	107,954 SF	\$14.19/SF	-	-
TOTAL	60,709 SF	107,954 SF	\$14.19/SF	12,720 SF	-
Conway					
Industrial	53,380 SF	53,380 SF	\$6.55/SF	25,529 SF	-
Flex	-	7,604 SF	\$11.59/SF	-	-
Office	61,064 SF	105,548 SF	\$15.91/SF	12,451 SF	1,000 SF
Retail	46,316 SF	162,133 SF	\$16.34/SF	13,464 SF	-
TOTAL	160,760 SF	328,665 SF	\$15.25/SF	51,444 SF	1,000 SF
Saline County					
Industrial	48,401 SF	89,060 SF	\$3.00/SF	-	-
Flex	12,000 SF	-	-	-	-
Office	-	16,023 SF	\$19.14/SF	7,682 SF	-
Retail	29,686 SF	48,952 SF	\$16.73/SF	108,601 SF	2,980 SF
TOTAL	90,087 SF	154,035 SF	\$16.62/SF	116,283 SF	2,980 SF

Little Rock Submarkets



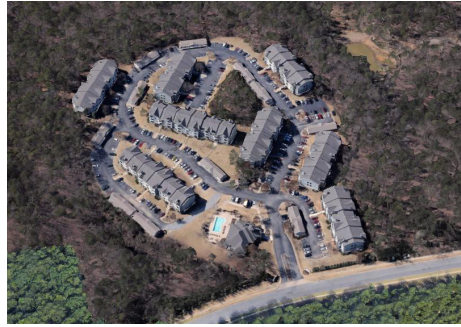
Significant Sales Activity



Riverhouse Apartments | Midtown

Passco Riverhouse DST purchased the 302,427 SF apartment complex from RIVERHOUSE/ML-BWP LLC for:

\$54,457,500 | \$180.07/SF



Pinnacle Park | West

King George Apartments, LLC purchased the 200,000 SF multi-family complex from Chenal Valley Orchard, LLC for:

\$33,500,000 | \$167.50/SF



Pavilion in the Park | West

Honey Badger Holdings, LLC; Big Mike Holdings, LLC; & Queen Regina, LLC purchased the 90,921 SF mixed-use building from Vivicant Investors, LLC for:

\$8,850,000 | \$97.34/SF

Significant Lease Activity



6000 Scott Hamilton Dr | South

Nabholz Construction Corporation leased 34,960 SF of industrial space.



12615 Chenal Pkwy | West

Shelter Mutual Insurance Co. leased 12,600 SF of office space.



2225 Cottdale Ln | Midtown

Campbell Ranch, LLC leased 12,175 SF of flex space.

Notable Construction

Property	Submarket	Property	Submarket
South Port Commerce Center	East	Resort at Rockwater	NLR
North Little Rock Medical Plaza	NLR		

Arkansas**

- 2 offices in Little Rock & Northwest Arkansas
- 114 professionals & staff
- 24 brokers
- Over 20 million square feet under management
- 593 lease & sale transactions
- Over \$553 million total sales
- Over \$163 million total leases

**Based on 2021 results

Colliers is in 62 countries*

- US \$4.1 billion in annual revenue
- 17,000+ professionals and staff
- 2 billion square feet under management
- 53,000 lease & sale transactions
- \$51 billion assets under management

*All statistics are for year-end 2021, are in U.S. dollars and include affiliates



**Best
of Biz**
Arkansas Business 2021

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