



Central Arkansas

Market Report

23Q2

Key Takeaways

- Storm aftermath further tightens multifamily market
- Retail bounce is welcome news
- Industrial market stabilizes

Q2 Arrives in Central Arkansas With a Bang

Tornado aftermath dominates much of area’s second quarter commercial activity

The second quarter of 2023 literally ended with a bang. The aftermath of the March 31 tornadoes in central Arkansas shook both the residential and commercial real estate industries. The entire central Arkansas market saw many people displaced and in need of shelter ASAP – including many tenants of multifamily complexes that were completely or partially destroyed. Many commercial businesses also suffered extensive damage that either delayed planned openings (Breckenridge Village) or resulted in a total tear down and reconstruction (Colony West shopping center).

In happier news, the long-awaited Arkansas Museum of Fine Arts opened to rave reviews in April and lease rates overall stayed mostly steady throughout all industries from last quarter.

The south Little Rock submarket saw the most square feet sold (307,344 SF) and leased (91,357 SF) in Q2 due to the continuing strong performance of the industrial market.

Within the office market, aggressive tenant improvement (TI) packages enabled some office building to buck the low-vacancy trend by keeping them full and extending and/or expanding their existing tenants, a rarity in this market. TI remains expensive, but some owners are taking that path in the interest of generating rents. The owner/user office trend remained popular as it gives users the space they need to expand if desired, or to lease out existing space. These trends resulted in an office vacancy down from 12.6% in Q1 to 10.8% in Q2. Even downtown got in on the action with significant leases and renewals in both the Simmons tower and the Regions building.

National retailers took a hard look at the central Arkansas market in Q2 with new Potbelly, Coldstone Creamery and Whataburger stores opening. Hotels continued to pop up in west Little Rock (The Middle, The Village at Brodie Creek), near the airport and in Argenta. Retail vacancy dropped from 8.8% in Q1 to 6.7% in Q2 even with the big box busts at David’s Bridal and Bed Bath and Beyond. Aldi’s quickly signed on for the Bed Bath and Beyond’s spaces in Conway and in Little Rock. And restaurants continued to lead the retail charge – both local and national.

The white-hot industrial market cooled just a bit in Q2 with small warehouse prospects showing less activity than previous quarters, and the overall submarket showing signs of stabilization. Vacancy rates remained flat at 3.2% with flex falling a bit, from 7.7% in Q1 to 7.4% in Q2. As with the office market, we’re seeing more owner/user industrial properties rather than leased space.

Historic Comparison: Vacancy

	22Q3	22Q4	23Q1	23Q2
Office Vacancy	13.4%	13.2%	12.6%	10.8%
Industrial Vacancy	3.4%	3.6%	3.2%	3.2%
Flex Vacancy	7.5%	8.9%	7.7%	7.4%
Retail Vacancy	13.7%	10.1%	8.8%	6.7%

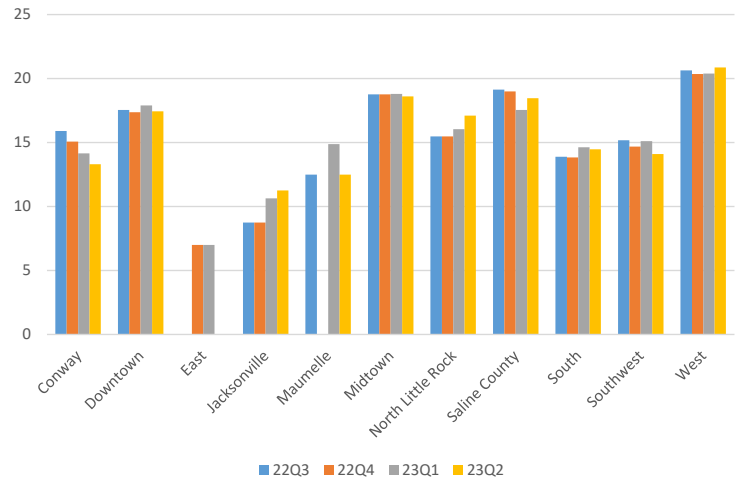
Office

The office market continues to feel the effects of the hybrid in-office/work-from-home model that has become a national phenomenon since COVID. Yet, the central Arkansas office market experienced an almost 200-basis-point decrease in vacancy in the first quarter (12.6%) and second quarter (10.8%). This is due in large part to significant square footage leases signed in the downtown sub-market. For example, Simmons Tower leased three floors for a total of 57,384 SF, and the largest renewal of the quarter went to the Regions building just across the street with 53,527 SF. However, this figure doesn't paint a complete picture as a great deal of unoccupied sublease space remains on the market.

That said, national and out-of-state companies continue to give back space. This will likely persist as businesses pursue innovative cost-cutting initiatives in the current inflationary environment. With current construction pricing still elevated, office landlords who are willing to give more in terms of TI dollars are capitalizing on leasing opportunities. Rental rates across all submarkets have remained relatively stable.

Looking ahead, the office market in central Arkansas is expected to remain on solid footing. The city's economic diversity and affordability continue to attract businesses seeking to establish or expand their presence in our growing market.

Office Average Lease Rates

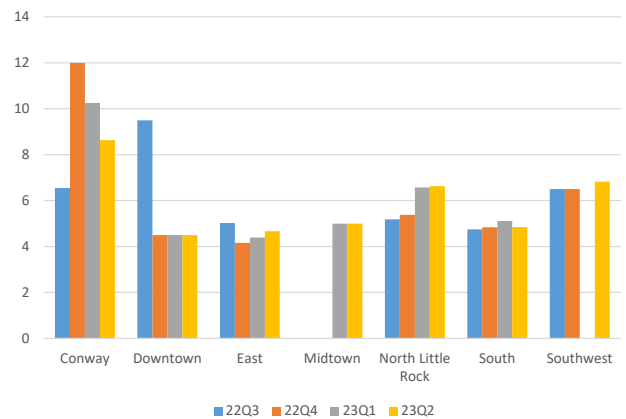


Industrial

Central Arkansas's industrial rental rates remained robust during the second quarter, while the demand for industrial space began to show signs of stabilization after several years of rapid growth. In contrast to the exceptional growth witnessed since the pandemic began, the demand for industrial space is now leveling out. While the market remains healthy, the pace of expansion has moderated. This shift indicates a more mature and balanced industrial market in central Arkansas, potentially fostering a stable business environment for investors and tenants alike.

Uncertain market conditions, particularly concerning interest rates, have influenced tenant behavior, leading some to retain their existing spaces and avoid immediate expansion. Nevertheless,

Industrial Average Lease Rates



Cameron Ashley Building Products, Inc. lease

there are notable exceptions, such as Cameron Ashley Building Products, Inc., signing a long-term lease, and increased owner/user acquisitions becoming more evident.

Another notable development in the industrial market was the sale of the industrial/flex building located at 2201 Brookwood Drive. The building was purchased by an investor for \$7,160,000,

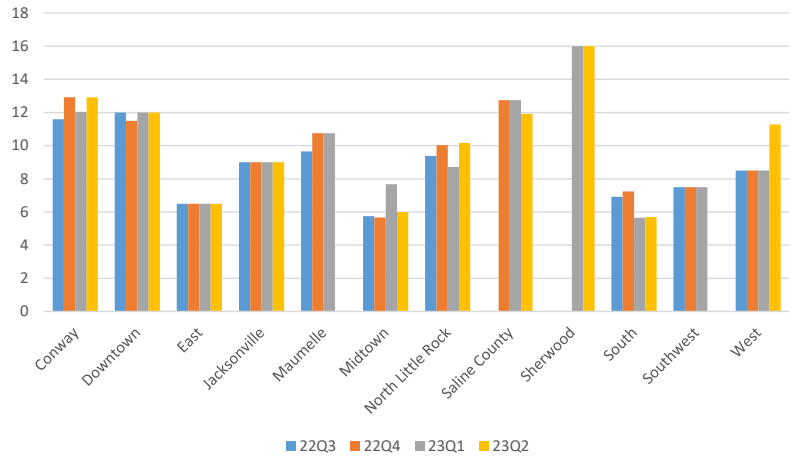
Industrial (cont.)

at an impressive rate of \$109 per square foot. This transaction showcases the continued interest from investors in the central Arkansas industrial market.

Interestingly, there is a growing trend of owner/users purchasing industrial buildings indicating that businesses are increasingly recognizing the potential benefits of owning rather than leasing.

In conclusion, the industrial market in central Arkansas remains resilient, with rental rates continuing to demonstrate strength. While the demand for industrial spaces is stabilizing compared to the past few years, the market remains healthy and attractive to investors and businesses.

Flex Average Lease Rates



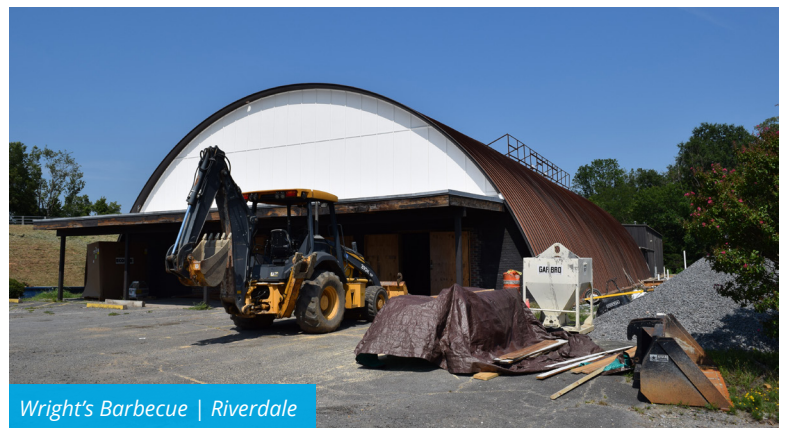
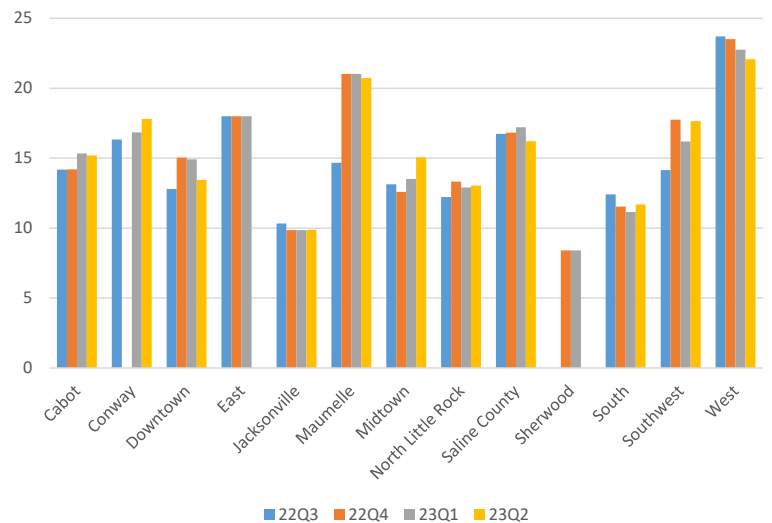
Retail

The retail market in Little Rock and central Arkansas continued to show resilience and growth in the second quarter. Despite ongoing challenges posed by the COVID-19 pandemic, the market has demonstrated a positive outlook with notable developments, new restaurant concepts, and steady absorption trends.

Little Rock and central Arkansas have witnessed many new restaurant openings, highlighting central Arkansas' demand and appeal:

1. The former Pei Wei at the Promenade at Chenal will be occupied by City Silo Table + Pantry which already has plans for a second Little Rock location.
2. The 125,000-square-foot Breckenridge Village is emerging as a restaurant-centric destination. Tenants such as Eat My Catfish, Waldo's Chicken & Beer, Flyway Taproom, and DeLuca's Pizzeria have already confirmed their presence. The Root Cafe is opening a second location adjacent to DeLuca's.
3. Scheduled to open in August 2023, the new Wright's Barbecue Riverdale location is anticipated to become a popular hotspot for barbecue enthusiasts. Wright's is a fan favorite in northwest Arkansas.
4. Don Pepe's Gourmet Burritos & Tacos is opening at Creek Plaza, located at Gateway Town Center.

Retail Average Lease Rates



Wright's Barbecue | Riverdale

Retail (cont.)

5. Conway will welcome its first Olive Garden in Fall 2023.
6. Dyne Hospitality Group, a.k.a. Tropical Smoothie Café, continues to show its dominance within central Arkansas with its newest downtown location at 4th and Broadway.
7. David's Burgers' Markham and Bowman re-location from across the street is getting close to completion.

New Developments:

Topgolf in Little Rock has created the most buzz recently. The surrounding land tracts are also gaining momentum with a new multifamily development by VCC, a modern hotel in the planning stages as well as a wealth of restaurant activity.

Westgate Plaza has successfully backfilled the former Steinmart space along Cantrell Road. Both Dollar Tree and Braswell and Sons plan to divide the space making the center once again 100% occupied.

Leivas Coffee is formally breaking ground in west Little Rock on the pad in front of the Chenal/Hwy. 10 Walmart. Another coffee concept, 7 Brew is growing fast in the market not only in northwest Arkansas, but now in central Arkansas as well. The Little Rock MSA is expected to have five or six 7Brews opened by year end.

Riverdale Center continues to improve with new landscaping, lights and signage. Eat My Catfish's construction is underway along with what is rumored to be a Taco Bell outparcel.

Overall, the retail market in Little Rock and central Arkansas continues to show positive signs of growth. Vacancy rates have remained relatively stable since the previous quarter, and absorption trends have been favorable, indicating sustained demand for retail spaces. As the first quarter report mentioned, consumers' preferences have shifted towards experiential retail, resulting in the rise of entertainment-focused developments like Breckenridge Village and Topgolf at Brodie Creek. Additionally, the activity also reflects the community's support for homegrown establishments as seen by the expansion of The Root Café, and Wright's BBQ's Little Rock entrance, as well as the Keet family restaurants (Waldo's Chicken & Beer) and Yellow Rocket concepts (Big Orange, Local Lime, Zaza's and more).



Olive Garden | Conway



Topgolf | Village at Brodie Creek



Riverdale Center | Riverdale

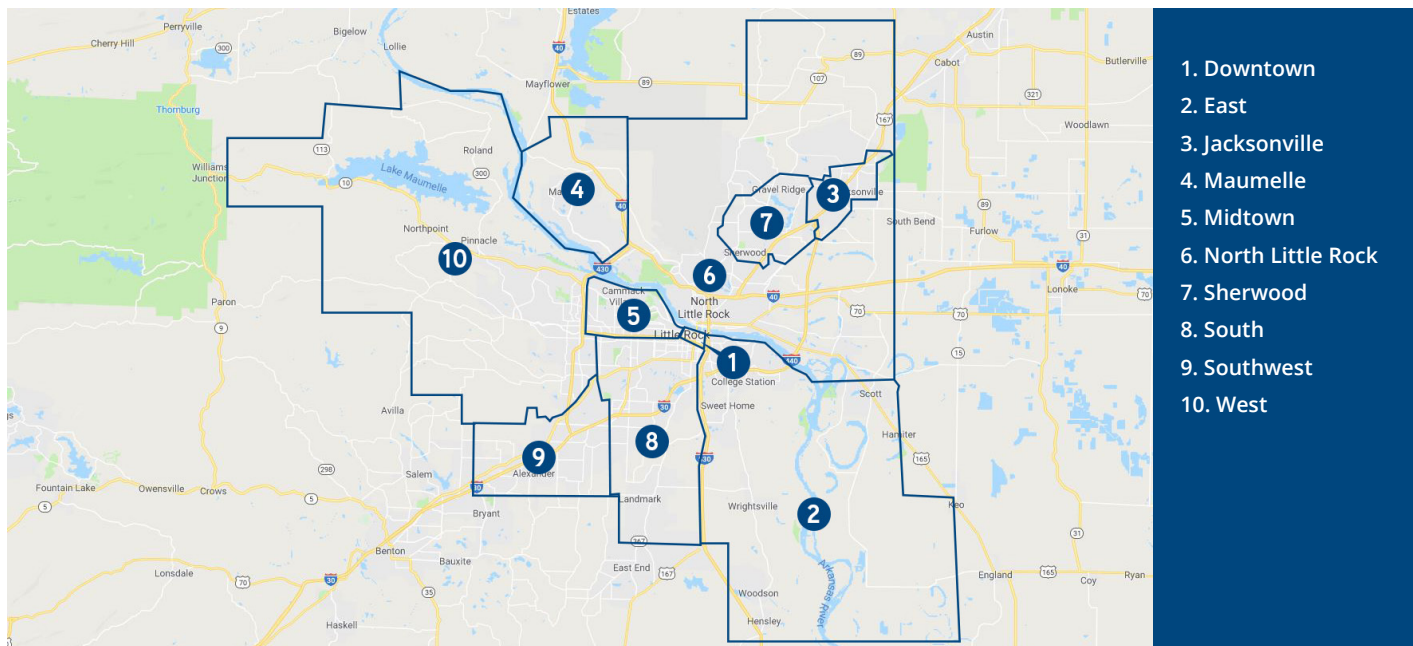


Breckenridge Village Rendering | West Little Rock

Submarket/ Subtype	Total Sale Inventory SF	Total Lease Inventory SF	Average Lease Rate	Total Sold SF	Total Leased SF
Central Arkansas					
Cabot					
Industrial	16,410 SF	-	-	5,000 SF	-
Flex	-	-	-	-	-
Office	1,200 SF	-	-	-	-
Retail	12,406 SF	120,209 SF	\$15.20/SF	6,592 SF	2,500 SF
TOTAL	30,016 SF	120,209 SF	\$15.20/SF	11,592 SF	2,500 SF
Conway					
Industrial	205,352 SF	217,352 SF	\$8.63/SF	7,800 SF	12,660 SF
Flex	-	2,950 SF	\$12.92/SF	8,000 SF	-
Office	176,524 SF	63,480 SF	\$13.30/SF	4,248 SF	19,688 SF
Retail	37,213 SF	209,533 SF	\$17.80/SF	55,977 SF	-
TOTAL	419,089 SF	493,315 SF	\$15.99/SF	76,025 SF	32,348 SF
Downtown					
Industrial	-	30,000 SF	\$4.50/SF	-	-
Flex	47,906 SF	2,500 SF	\$12.00/SF	-	-
Office	323,630 SF	1,042,286 SF	\$17.44/SF	3,318 SF	18,162 SF
Retail	136,319 SF	138,032 SF	\$13.44/SF	32,548 SF	53,527 SF
TOTAL	507,855 SF	1,212,818 SF	\$17.15/SF	35,866 SF	71,689 SF
East					
Industrial	-	180,765 SF	\$4.67/SF	50,000 SF	65,680 SF
Flex	-	14,634	\$6.50/SF	-	-
Office	-	-	-	-	-
Retail	1,727 SF	-	-	-	-
TOTAL	1,727 SF	195,399 SF	\$4.93/SF	50,000 SF	65,680 SF
Jacksonville					
Industrial	49,875 SF	-	-	20,522 SF	-
Flex	8,424 SF	6,000 SF	\$9.00/SF	-	-
Office	50,652 SF	33,229 SF	\$11.25/SF	2,352 SF	-
Retail	9,721 SF	133,659 SF	\$9.87/SF	8,100 SF	-
TOTAL	118,672 SF	172,888	\$10.10/SF	30,974 SF	-
Maumelle					
Industrial	-	-	-	-	-
Flex	-	-	-	-	-
Office	-	4,000 SF	\$12.50/SF	-	3,030 SF
Retail	-	22,398 SF	\$20.73/SF	6,531 SF	-
TOTAL	*	26,398 SF	\$20.04/SF	6,531 SF	3,030 SF
Midtown					
Industrial	6,272 SF	8,000 SF	\$5.00/SF	-	2,500 SF
Flex	-	46,530 SF	\$6.00/SF	69,609 SF	4,125 SF
Office	104,289 SF	257,709 SF	\$18.61/SF	-	28,593 SF
Retail	47,158 SF	229,574 SF	\$15.05/SF	3,375 SF	1,400 SF
TOTAL	157,719 SF	541,813 SF	\$17.59/SF	72,984 SF	36,618 SF
North Little Rock					
Industrial	110,900 SF	316,914 SF	\$6.63/SF	10,000 SF	4,456 SF
Flex	15,600 SF	51,860 SF	\$10.17/SF	30,854 SF	-
Office	30,713 SF	93,915 SF	\$17.10/SF	25,282 SF	541 SF
Retail	244,750 SF	114,541 SF	\$13.05/SF	16,155 SF	1,738 SF
TOTAL	401,963 SF	577,230 SF	\$13.53/SF	82,291 SF	6,735 SF

Submarket/ Subtype	Total Sale Inventory SF	Total Lease Inventory SF	Average Lease Rate	Total Sold SF	Total Leased SF
Central Arkansas					
Saline County					
Industrial	3,900 SF	183,720 SF	\$6.50/SF	-	-
Flex	-	29,500 SF	\$11.92/SF	-	-
Office	5,027 SF	15,659 SF	\$18.47/SF	8,732 SF	3,200 SF
Retail	20,659 SF	40,251 SF	\$16.21/SF	93,838 SF	-
TOTAL	29,586 SF	269,130 SF	\$14.71/SF	102,570 SF	3,200 SF
Sherwood					
Industrial	-	10,250 SF	\$5.50/SF	-	-
Flex	3,000 SF	3,000 SF	\$16.00/SF	-	-
Office	5,260 SF	75,905 SF	\$30.00/SF	-	-
Retail	6,726 SF	1,150 SF	-	-	-
TOTAL	14,986 SF	90,305 SF	\$17.17/SF	-	-
South					
Industrial	233,226 SF	477,982 SF	\$4.85/SF	277,776 SF	48,650 SF
Flex	5,053 SF	160,241 SF	\$5.69/SF	5,776 SF	23,060 SF
Office	56,132 SF	97,405 SF	\$14.48/SF	2,900 SF	3,627 SF
Retail	147,591 SF	114,531 SF	\$11.69/SF	20,892 SF	16,020 SF
TOTAL	442,002 SF	850,159 SF	\$9.15/SF	307,344 SF	91,357 SF
Southwest					
Industrial	7,000 SF	51,500 SF	\$6.82/SF	14,455 SF	76,720 SF
Flex	-	-	-	16,374 SF	7,500 SF
Office	4,053 SF	10,268 SF	\$14.10/SF	-	-
Retail	373,962 SF	50,267 SF	\$17.65/SF	-	-
TOTAL	385,015 SF	112,035 SF	\$14.54/SF	30,829 SF	84,220 SF
West					
Industrial	-	-	-	-	3,000 SF
Flex	9,700 SF	57,283 SF	\$11.28/SF	-	25,093 SF
Office	239,450 SF	492,483 SF	\$20.87/SF	65,593 SF	50,130 SF
Retail	203,301 SF	442,559 SF	\$22.07/SF	26,222 SF	4,562 SF
TOTAL	452,451 SF	992,325 SF	\$20.98/SF	91,815 SF	82,785 SF

Little Rock Submarkets



Significant Sales Activity



12615 Chenal Pkwy | West

Stone Bank purchased the 37,800 SF office building from Bank OZK for:

\$9,500,000 | \$251/SF



Benton Commons | Saline County

Grocery Management Partners purchased the 82,682 SF retail center from Kirkpatrick Real Properties LLC for:

\$9,340,000 | \$113/SF



2201 Brookwood North | Midtown

Dake OK, LLC purchased the 69,609 SF flex space from Riverdale Management Group, LLC

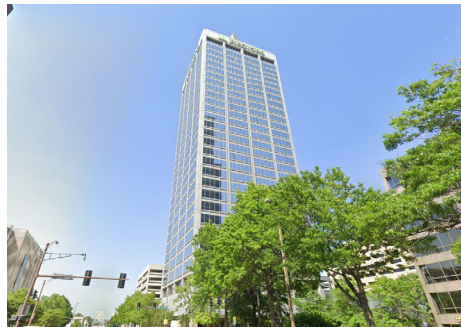
\$7,610,000 | \$109.32/SF

Significant Lease Activity



6801 Scott Hamilton | Southwest

Cameron Ashley Building Products, Inc. leased 72,720 SF of industrial space.



Regions Building | Downtown

Twentieth Floor Corporation leased 53,527 SF of office space.



5800 Lindsey Rd | East

Mygrant Glass Company, Inc. leased 50,000 SF of warehouse space.

Notable Construction

Property	Submarket	Property	Submarket
Colony West Shopping Center	West	Lyon College - Dental & Vet School	East
Porsche Little Rock Dealership	West	Olive Garden	Conway
North Little Rock Fire Department	NLR		

Arkansas**

- 2 offices in Little Rock & Northwest Arkansas
- 113 professionals & staff
- 22 brokers
- Over 20 million square feet under management
- 628 lease & sale transactions
- Over \$642 million total sales
- Over \$291 million total leases

**Based on 2022 results

Colliers is in 66 countries around the world*

- US \$4.5 billion in annual revenue
- 18,000+ professionals and staff
- 2 billion square feet under management
- 51,000 lease & sale transactions
- \$98 billion assets under management

*All statistics are for year-end 2022, are in U.S. dollars and include affiliates



**Best
of Biz**
Arkansas Business 2022

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Market Contacts:

Katy Raines

Director of Research
1 501 372 6161
1 501 850 0705
katy.raines@colliers.com

Amy Meins

Vice President,
Marketing and Communications
1 501 372 6161
1 501 850 0714
amy.meins@colliers.com

Contributors:

Justin Bentley, CCIM, SIOR
Office Market

Andrew Wiechern
Industrial Market

Mason Lewis, CCIM, SIOR
Retail Market



1 Allied Drive, Suite 1500
Little Rock, AR 72202
+1 501 372 6161
colliers.com/arkansas

