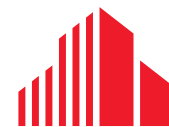


MARKET SUMMARY

NORTHWEST ARKANSAS

Q3 2023

Bentonville, AR Cranes Per Capita: 1:6,429
Current Cranes: 9
Estimated Population: 57,868



**CUSHMAN &
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sage
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**ECONOMIC INDICATORS
Q3 2023**

	YoY Chg	12-Mo. Forecast
310.4K Northwest Arkansas Employment	▲	▲
2.4% Northwest Arkansas Unemployment Rate	▲	▬
3.6% U.S. Unemployment Rate	▬	▼

Source: U.S. Bureau of Labor Statistics

Overall Economy - Northwest Arkansas continues to see a slowdown in commercial sales volume YOY; however, transactional volume remains on pace with the 10-year historical average.

- YOY employment growth for the region settled in at +2.4%
- Northwest Arkansas was recently placed No. 10 on U.S. News & World Reports annual list of “Best Places to Live in the U.S.” for 2023-2024.
- Northwest Arkansas was also ranked No. 9 by the Milken Institute for their annual “Best-Performing cities” list. The only large metropolitan areas in middle America to rank higher were Austin, Dallas and Nashville.
- Compared to peer regions such as Austin, Des Moines, Raleigh, Chapel Hill, Provo, and Madison, Northwest Arkansas saw the third highest change in real GDP(8.5%) from 2020-2021, per the University of Arkansas Center for Business and Economic Research.
- If the region continues to add 36 residents per day as currently projected, NWA will surpass 600,000 residents in January 2025.
- Statewide, the three fastest growing counties per the U.S. Census Bureau from 2020-2022 are all located in Northwest Arkansas-being Benton County(5.7%), Madison County(5.7%), and Washington County(3.8%)
- Benton County, AR has the highest average weekly wage for employees across the state, averaging \$1,815/week.
- Nationwide, office markets continue to struggle as employees are hesitant to return to their pre-covid offices.
- Northwest Arkansas has not felt these challenges nearly as much as other office markets, with Walmart vendors solidifying their presence in the area before the completion of the new campus, set to complete in phases in 2025.



2.3%

12-month rent growth

YoY Chg



12-Mo. Forecast



6.0%

NWA Office Vacancy Rate



216,000 SF

12-month Net Absorption



13.4%

Natl. Office Vacancy Rate



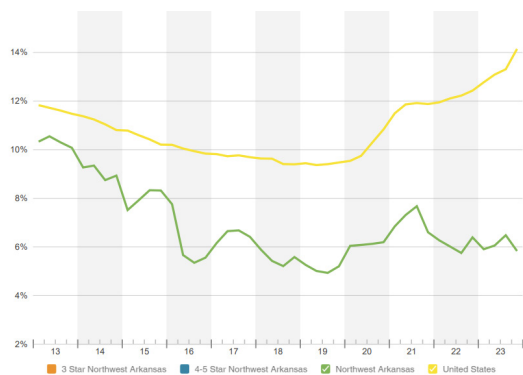
Source: CoStar Markets

Office

The office market in Northwest Arkansas (NWA) continued its steady growth through nationwide office market turbulence and uncertainty.

- YOY employment growth (+2.4%), rent growth (+2.3%), and 12-month net absorption (+216,000 SF) all continued to surpass the national averages.
- Ledger-Bentonville saw the highest 12-month absorption of any office building in Northwest Arkansas, absorbing 149,863 SF, further showcasing tenant desires for Class A space.
- Nationwide “return to office” narratives have not hindered Northwest Arkansas’ vacancy rates, likely due to lower commute times in comparison to larger metros per studies conducted by the University of Arkansas Center for Business and Economic Research.
- Q3 office vacancy rates increased again slightly from 5.9% in Q3 2022 to 6.03% in Q3 2023.
- New construction Class A products are receiving rents in the upper \$30’s PSF.
- Trailing 12-month office deliveries totaled 333,000 SF, with the bulk of new office development set to take place in Pinnacle, Downtown Bentonville, and on Wal-Mart’s New Campus for the foreseeable future.
- The largest office transaction of the quarter was Moberly Office Park, which transacted for \$12,750,000 to a group of local investors.

VACANCY RATE



SAGE Q2 HIGHLIGHTED TRANSACTIONS

- **Moberly Office Park:** \$12,750,000 (\$157.71/SF)
- **3201 S Walton Blvd:** SOCO Church (16,289 SF, 5-year term)
- **Founders Plaza:** Hormel Food Sales (12,637 SF, 10-year & 4-month term)
- **1800 S 52nd St:** Pillars Financial (9,406 SF, 7-year & 3-month term)
- **Northgate II:** FORVIS (5,291 SF, 10-year & 4-month term)

MOBERLY OFFICE PARK

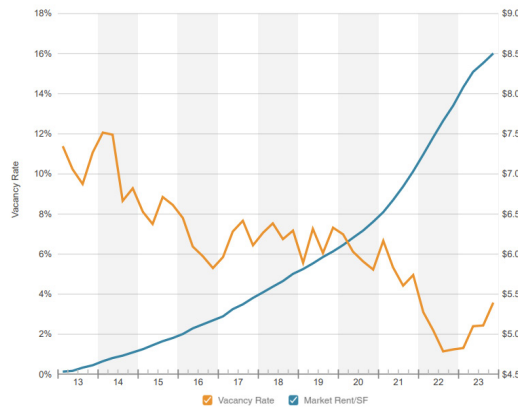


Sold for \$12,750,000 (\$157.71/SF)

	YoY Chg	12-Mo. Forecast
2.4% Vacancy Rate	▲	▲
5.3% National Vacancy Rate	▲	▲
\$8.40/SF Market Rent/SF	▼	—

Source: CoStar Markets

VACANCY RATE



Industrial

Recent deliveries are responsible for driving negative net absorption, while rent growth and vacancy remain historically strong.

- 12-month net absorption was (- 176,000) SF due to recent market deliveries. We project net absorption to remain negative in the next 2-3 quarters with the amount of deliveries set through Q1 2024.
- Overall vacancy rate remained historically low at 2.4% for the quarter.
- Industrial rent growth continues to rapidly rise (+9.4% YOY), keeping up with the rise of acquisition and construction costs for new industrial space.
- Average industrial rents came in at \$8.40/SF for the quarter.
- 947,515 SF of new developments are set to deliver by the end of Q1 2024.
- New developments include W Apple Blossom Ave (300,000 SF), Oakwood & Dixieland Rd-Bldg 1 (286,000 SF), and N Oldridge Place (80,000 SF).
- In the trailing 3 years, rents have increased a cumulative 33.6% in the NWA Industrial Market.

SAGE Q3 HIGHLIGHTED TRANSACTIONS

- **607 W Apple Blossom Ave:** Munters Corporation (30,125 SF, 5-year & 3-month term)
- **2601 SE J St:** WalMart (106,140 SF, 3-year term)
- **5000 SW Regional Airport Blvd:** Bunzl (53,535 SF, 5-year & 4-month term)
- **13243 Puppy Creek Rd:** Handsome Holiday Heroes (1,875 SF, 3-year term)

OAKWOOD AND DIXIELAND



YoY Chg 12-Mo. Forecast

2.9%
Vacancy Rate



4.8%
NWA 12-month Rent Growth



\$17.80 SF
Market Rent



4.1%
National Vacancy Rate



Source: CoStar Markets

SWIG SITE



Retail

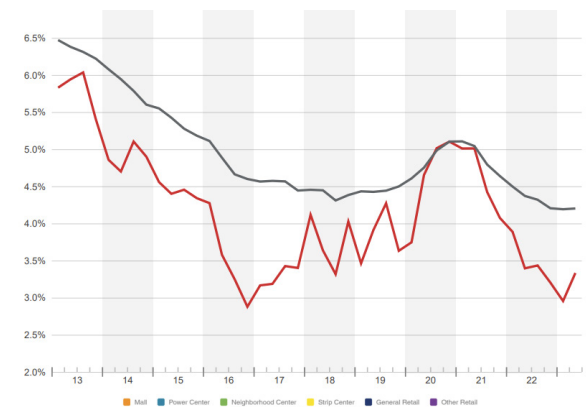
Northwest Arkansas has delivered 330,000 SF in retail space since Q3 2022, however, vacancy rates remain low at 2.9%.

- 1.3% of inventory is currently under construction, representing roughly 460,000 SF.
- SWIG Drinks of Utah will open its first location in the state at 4200 W Green Acres Rd, Rogers.
- Rent growth increased 4.5% YOY accompanied with positive net absorption despite new deliveries.
- Nationwide, NNN retail investment sales have increased their asking cap rates by 1.00-1.50 basis points to better reflect the market with the rise of interest rates.
- New construction retail developments across NWA are currently 63.3% pre-leased, on average

SAGE Q3 HIGHLIGHTED TRANSACTIONS

- **4200 W Green Acres Rd:** SWIG (1,250 SF, 10-year & 5-month term)
- **2223 S Bellview Rd:** The Fitness Club (3,129 SF, 7-year term)
- **2903 S Walton Blvd:** Dandy Men Collection (2,000 SF, 7-year term)
- **2411 SW 14th St:** Glam'd Nail bar (3,030 SF, 10 ½ year term)

VACANCY RATE





Multi-Family

Despite the delivery of 2,123 units in the past 12 months, NWA vacancy rates stay below the national average.

- NWA vacancy rate currently stands at 5.8% compared to the national average of 7.2%.
- Currently, 4,991 units are under construction/in planning stages and set to deliver through Q3 2025.
- NWA Q3 2023 Inventory surpassed 40,000 total units with an average asking rent/unit of \$1,047.
- Central Benton County has seen the highest submarket inventory growth, home to Walmart HQ, and has most recently seen a 20% YOY growth in market inventory.
- Nationwide developers continue to show an interest in Northwest Arkansas due to its robust job market, consistent population growth, and rent growth.

YoY Chg 12-Mo. Forecast

5.8%

Vacancy Rate



7.2%

National Vacancy Rate



\$1,047

Market Rent/Unit

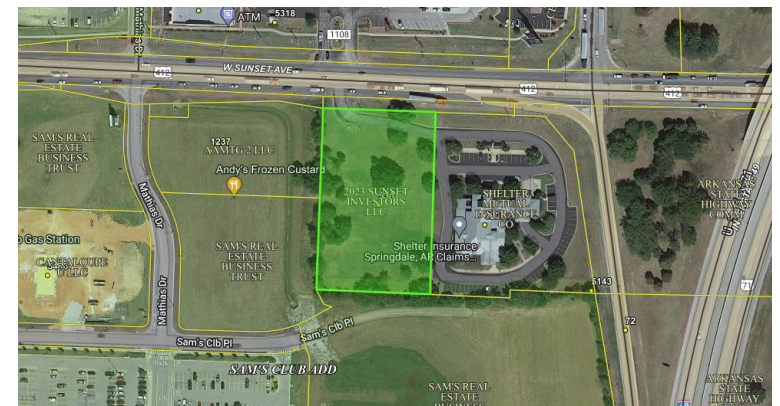


Source: CoStar Markets

SAGE Q3 HIGHLIGHTED TRANSACTIONS

- W Sunset Ave Hotel Site:** \$1,275,000 (\$14.63)
- Pinnacle Springs:** Whole Foods/Multi site \$9,212,514 (\$9.67/SF)

W SUNSET AVE HOTEL SITE



PINNACLE SPRINGS



MARKET SUMMARY

NORTHWEST ARKANSAS

Q3 2023



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