

THE SKYLINE REPORT

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Commercial Highlights Second Half 2023

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Commercial Real Estate Summary For Benton, Madison and Washington Counties

This report is the forty-ninth 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 Second Half of 2023

The overall vacancy rate for commercial property remained 6.4 percent in the second half of 2023 from the first half of 2023, driven by 623,288 new square feet of commercial space.

The office vacancy rate remained 8.8 percent in the second half of 2023 as 203,815 square feet of new office space was added to the market. There was solid leasing activity in the Class A office submarket.

In the retail submarket, the vacancy rate remained 7.9 percent in the second half of 2023 as 10,898 square feet of new space entered the market. There was strong leasing activity in the Class B retail submarket.

The office/retail vacancy rate increased from 5.8 percent in the first half of 2023 to 6.7 percent in the second half of 2023 primarily as 102,622 square feet of new office/retail space was added to the market. There was strong leasing in the Class B submarket.

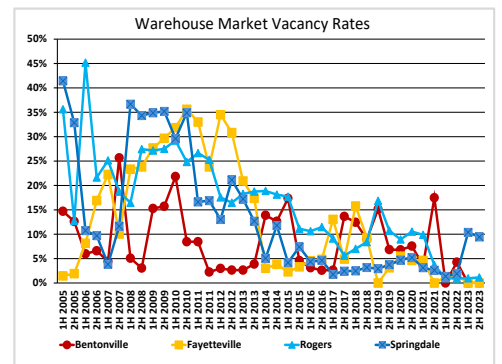
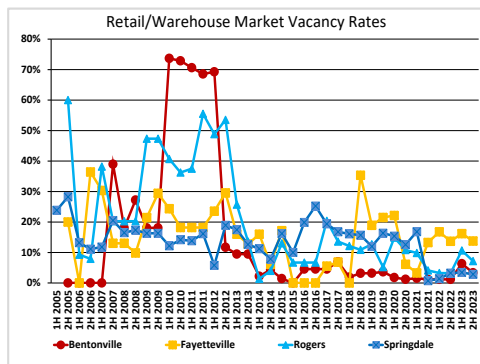
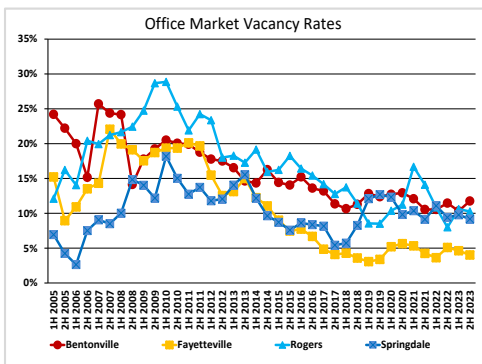
The warehouse vacancy rate decreased from 3.6 percent in the first half of 2023 to 3.2 percent in the second half of 2023 even though 262,415 new square feet of space entered the market. 43,538 square feet of new office/warehouse space but no new retail/warehouse space was added as respondents continued to report increasing demand for new warehouse and flex warehouse space.

\$287.6 million in commercial building permits were issued in the second half of 2023, only \$500,000 were Walmart. In comparison there were \$193.9 million, \$168.5 non-Walmart, in commercial building permits issued in the first half of 2023.

Commercial Market Trends

Vacancy Rates by Submarket

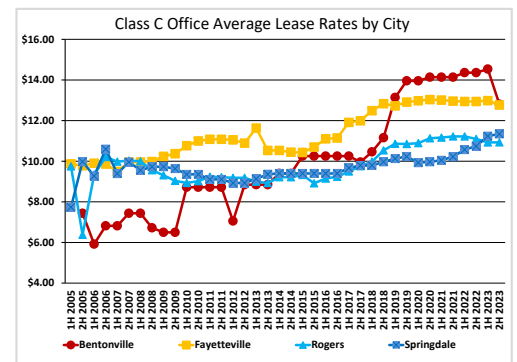
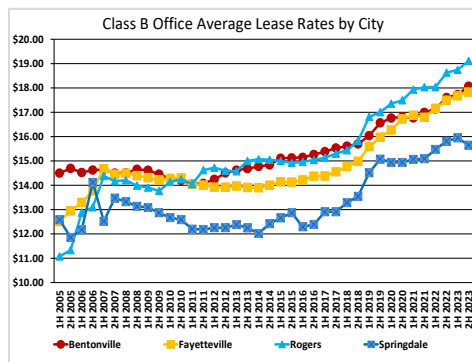
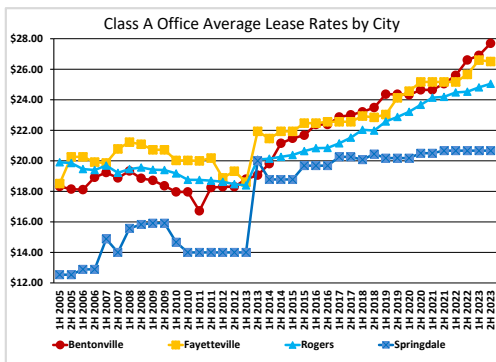
Vacancy Rates by Submarket	Time Period	Bella Vista	Bentonville	Fayetteville	Johnson	Lowell	Rogers	Siloam Springs	Springdale	Northwest Arkansas
Office	2H 2022	18.1%	11.5%	5.1%	8.3%	1.2%	8.0%	6.2%	9.4%	8.4%
	1H 2023	18.1%	10.3%	4.6%	7.2%	3.2%	10.6%	9.9%	9.8%	8.8%
	2H 2023	15.6%	11.8%	4.0%	5.6%	1.3%	10.3%	6.1%	9.2%	8.8%
Medical Office	2H 2022	5.1%	3.2%	2.3%	9.4%	2.0%	5.9%	8.0%	11.0%	5.1%
	1H 2023	5.1%	3.2%	1.6%	9.7%	2.0%	9.5%	12.8%	11.0%	5.7%
	2H 2023	0.0%	2.5%	2.1%	6.9%	0.0%	12.7%	7.9%	9.7%	5.5%
Office/Retail	2H 2022	2.2%	6.2%	4.8%	0.0%	7.4%	10.1%	1.5%	1.6%	5.0%
	1H 2023	3.5%	10.7%	7.9%	0.0%	8.0%	26.6%	11.2%	3.7%	9.4%
	2H 2023	5.0%	9.0%	5.3%	0.0%	13.2%	9.6%	5.8%	5.3%	6.7%
Office/Warehouse	2H 2022		4.2%	0.0%	0.0%	0.0%	9.5%	52.2%	5.2%	6.3%
	1H 2023		4.9%	0.0%	0.0%	15.2%	0.8%	53.3%	6.1%	6.4%
	2H 2023		5.4%	1.1%	0.0%	16.7%	3.4%	53.3%	7.2%	7.6%
Retail	2H 2022	1.6%	7.1%	5.8%	0.0%	0.0%	10.0%	13.7%	7.8%	7.9%
	1H 2023	7.2%	6.0%	6.0%	7.2%	7.2%	9.8%	14.4%	7.2%	7.9%
	2H 2023	6.0%	5.3%	5.7%	7.2%	6.5%	9.7%	13.8%	9.0%	7.9%
Retail/Warehouse	2H 2022		1.2%	13.7%	0.0%	31.6%	3.2%	0.0%	3.3%	3.9%
	1H 2023		6.3%	16.2%	0.0%	22.8%	10.7%	0.0%	3.5%	6.3%
	2H 2023		3.4%	13.8%	0.0%	22.8%	7.2%	0.0%	2.9%	4.8%
Warehouse	2H 2022	0.0%	4.3%	1.6%	0.0%	0.0%	1.0%	0.0%	1.9%	1.6%
	1H 2023	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	6.6%	10.4%	3.6%
	2H 2023	0.0%	0.0%	0.0%	0.0%	0.3%	1.1%	0.0%	9.4%	3.2%



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	2H 2022	22,296	493,314	181,019	25,269	4,120	322,108	10,590	114,387	1,173,103
	1H 2023	22,296	447,449	167,061	23,386	7,120	426,206	17,207	119,499	1,230,224
	2H 2023	19,296	528,098	148,856	18,175	3,000	416,029	10,590	105,454	1,249,498
Medical Office	2H 2022	3,000	11,552	30,361	16,934	1,870	31,600	10,590	56,866	162,773
	1H 2023	3,000	11,552	21,531	19,358	1,870	51,613	17,207	56,866	182,997
	2H 2023	0	8,937	27,215	13,868	0	70,935	10,590	45,601	177,146
Office/Retail	2H 2022	5,336	66,546	85,367	0	6,487	58,331	2,781	11,607	236,455
	1H 2023	7,956	84,010	96,709	0	4,675	60,367	10,833	9,479	274,029
	2H 2023	11,970	95,011	97,173	0	12,221	58,702	10,833	39,712	325,622
Office/Warehouse	2H 2022		40,200	0	0	0	67,867	57,667	111,738	277,472
	1H 2023		47,050	0	0	48,340	5,900	57,667	134,191	293,148
	2H 2023		51,159	2,500	0	54,860	25,313	57,667	162,444	353,943
Retail	2H 2022	1,440	65,391	215,314	0	0	372,992	64,232	137,520	856,889
	1H 2023	6,475	55,590	223,953	3,860	9,256	360,408	67,835	127,257	854,634
	2H 2023	5,362	51,007	214,588	3,860	8,056	363,475	65,568	165,399	877,315
Retail/Warehouse	2H 2022		2,928	16,104	0	9,800	8,933	0	24,956	62,721
	1H 2023		15,892	20,559	0	9,800	31,382	0	27,381	105,014
	2H 2023		8,626	17,475	0	9,800	21,836	0	22,753	80,490
Warehouse	2H 2022	0	79,500	21,000	0	0	29,750	0	61,329	191,579
	1H 2023	0	0	0	0	0	29,750	48,750	362,557	441,057
	2H 2023	0	0	0	0	4,391	35,645	0	355,778	395,814



Commercial Market Trends

Absorption and Lease Rates by City

Twelve Month Absorption by Submarket	Office	Office/Retail	Retail	Warehouse
Bella Vista	3,000	-6,634	-3,922	0
Bentonville	-60,129	-28,465	14,384	108,645
Fayetteville	48,758	-6,932	21,021	21,000
Johnson	7,094	0	-3,860	0
Lowell	1,120	-5,734	0	0
Rogers	-99,170	-371	39,664	0
Siloam Springs	1,227	-5,700	3,365	0
Springdale	5,229	-18,197	10,671	-275,170
Northwest Arkansas	-92,871	-72,033	81,323	-145,525

