



Northwest Arkansas
Apartment Market Survey

Mid-Year 2014

Prepared by

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NORTHWEST ARKANSAS APARTMENT MARKET SURVEY MID-YEAR 2014

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Northwest Arkansas continues to grow and, more importantly, add jobs. At the same time, apartment market fundamentals remain strong. Area unemployment remains low with the May 2014 unemployment rate at 5.0%. Additionally, the overall population of the Fayetteville-Springdale-Rogers MSA is expected to top 500,000 by the end of this summer. Going forward, according to a recent study prepared by IHS Global Insight, the Northwest Arkansas economy is expected to grow by 4.2% annually through 2020 which would rank as the third-fastest growing economy among large metropolitan areas in the nation behind just Austin, TX (4.4%) and Raleigh, NC (4.3%). The following results of the CBRE|NW Arkansas mid-year multifamily survey further demonstrate the economic strength of NW Arkansas.

Rental Rates and Occupancies

Following are the rental results from the 2014 mid-year survey:

- Compared to one year ago, **on average:**
 - » The average rental rate in Northwest Arkansas rose \$12 per month to \$600.
 - » One bedroom units rose \$14 per month to \$498.
 - » Two bedroom/one bath units rose \$4 per month to \$529.
 - » Two bedroom/two bath units rose \$3 per month to \$709.
 - » Three bedroom/two bath units rose \$13 per month to \$888.
 - » Four bedroom units rose \$74 per month to \$987.
- Rent specials and concessions have become less prevalent in Northwest Arkansas' apartment market. While conducting the mid-year survey this year, only 9% of the properties surveyed were running some form of rent special or rent concession – down from 15% six months ago and up from 8% a year ago. The most common specials were 1/2 off first month rent on a 12 month lease, first month off on a 13 month lease along with some “look and lease” related specials such as a waived or discounted application fee and/or security deposit.

Following are the occupancy results from the 2014 mid-year survey:

- Compared to one year ago, **on average:**
 - » Mid-year 2014 overall occupancy in Northwest Arkansas averaged 96.5%, equal to the 96.5% reported six months ago and one year ago.
 - » Fayetteville's average occupancy is 95.5%, unchanged from one year ago.
 - » Springdale's average occupancy is 97%, up from 96.5% one year ago.
 - » Rogers' average occupancy is 98.5%, unchanged from one year ago.
 - » Bentonville's average occupancy is 97%, down from 98% one year ago.

Sales Activity

Transaction activity for the first half of 2014 is on pace with 2013 with four properties over 50 units in size trading ownership. The average per unit sale price for these four transactions was \$58,758. The first transaction was the sale of the Crown at Razorback in Fayetteville, now named The Spectrum, a 270 unit Class A apartment community which sold for \$75,000 per unit. The Spectrum is now being leased by the bedroom to accommodate the growing student population at the U of A. Wobbe Lane in Springdale came next and was bank owned at the time of sale. Wobbe Lane consisted of 128 units and sold for just over \$30,000 per unit. The third sale was The Vineyards at

Jones Road, a 134 unit property also located in Springdale, which traded for just over \$54,000 per unit. The fourth transaction was Chamberland Square, a 96 unit property in Fayetteville which sold for just over \$58,000 per unit. The first three transactions mentioned above were all built in the 2000s with Chamberland Square built in the 1990s.

New Construction

As predicted, construction of market rate apartment complexes has started to pick up across Northwest Arkansas. Dirt work has begun on The Lindsey Companies Trails at Rainbow Curve in Bentonville which will add 487 units to the market. ERC has also broken ground in Bentonville on a mixed use project they are calling "Thrive" which will house 62 apartment units near the newly established Bentonville downtown Arts District. Planning has also been approved for the Promenade Point Apartments in Rogers, a 200 unit development behind Pinnacle Hills Promenade.

Meanwhile the boom in student housing projects surrounding the University of Arkansas has somewhat slowed. Over the last two years Fayetteville has seen four student housing projects open to the tune of 864 units and 2,582 bedrooms – 432 units/1,291 bedrooms per year. This year just one project, The Cardinal at West Center, will open consisting of 150 units and 470 bedrooms. Completions may begin to pick back up in 2015 and 2016. Currently the potential exists for 717 units and 1,894 bedrooms to be constructed.

Below is an updated list of the student housing apartment complexes open and under construction/planned for construction near the University of Arkansas along with their completion/planned completion date:

The Grove.....	Fayetteville	232 Units/632 Bedrooms	Fall 2012
University House (The Domain).....	Fayetteville	228 Units/654 Bedrooms	Fall 2013
The Vue.....	Fayetteville	180 Units/656 Bedrooms	Fall 2013
Sterling Frisco.....	Fayetteville	224 Units/640 Bedrooms	Fall 2013
Cardinal at West Center.....	Fayetteville	150 Units/470 Bedrooms	Fall 2014
Idyll Village	Fayetteville	213 Units/670 Bedrooms	Fall 2015
Gather on Dickson	Fayetteville	124 Units/233 Bedrooms	Fall 2015
Sterling Frisco Phase II	Fayetteville	250 Units/559 Bedrooms	Fall 2016
Harveys Hill.....	Fayetteville	130 Units/432 Bedrooms	Fall 2016

Summary

It appears the recent student housing construction boom in Fayetteville has had little effect on rents and occupancies in the rest of Northwest Arkansas' conventional apartment market. For example, even with 864 units opening across four student housing apartment complexes over the last two years, occupancy rates are holding firm at 96.5% in the Springdale, Bentonville, Rogers and Fayetteville areas. It is possible that this additional supply has kept rent growth moderate with rents only up by 2%. With U of A's enrollment expected to top 28,000 by 2015, the additional 717 units planned over the next few years in Fayetteville should help fill the need for more student housing. Further, it is likely that multifamily developers will take note of the continued high occupancies in this area causing market rate construction to continue to pick up. In the near term, we expect occupancy to hold firm and rental rates to increase due to lack of new supply in market rate apartments across Northwest Arkansas.

Note: The Northwest Arkansas Apartment Market Survey for Mid-Year 2014 conducted by CBRE|NW Arkansas included over 22,000 units of the approximate 28,000 apartment units located within Fayetteville, Springdale, Rogers and Bentonville. The data within is supplied by multifamily property owners and managers.

MID-YEAR 2014

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4

MID-YEAR 2014

FAYETTEVILLE APARTMENT SURVEY

Area Covered:	Fayetteville city limits
Apartments Covered:	Apartment complexes with 50 units or more; tenants pay utilities; 9,622 units sampled
Occupancies:	Averaging – 95.5% ↔
Range:	66% – 100%
Most Often Quoted Deposit:	\$200 for one bedroom apartments, \$200 for two bedroom apartments, \$200 for three bedroom apartments and \$300 for four bedroom apartments

Type	Average Rent*	Average Sq. Ft.	Average Rent Per Sq. Ft.	Rent Range
1 BR/1 BA	\$483 ↑	595	\$0.81	\$350–\$818
2 BR/1 BA	\$537 ↑	780	\$0.69	\$430–\$750
2 BR/2 BA	\$688 ↑	1,006	\$0.68	\$445–\$1,320
3 BR/2 BA	\$897 ↑	1,135	\$0.79	\$550–\$1,530
4 BR/2 BA	\$987 ↑	1,150	\$0.86	\$675–\$1,500

* All rents shown are based upon calculated “effective” rents.

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MID-YEAR 2014

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5

MID-YEAR 2014

SPRINGDALE APARTMENT SURVEY

Area Covered:	Springdale city limits
Apartments Covered:	Apartment complexes with 50 units or more; tenants pay utilities; 5,189 units sampled
Occupancies:	Averaging – 97% ↑
Range:	85% – 100%
Most Often Quoted Deposit:	\$200 for one bedroom apartments, \$200 for two bedroom apartments and \$250 for three bedroom apartments

Type	Average Rent*	Average Sq. Ft.	Average Rent Per Sq. Ft.	Rent Range
1 BR/1 BA	\$437 ↑	593	\$0.74	\$350–\$630
2 BR/1 BA	\$484 ↑	780	\$0.62	\$260–\$615
2 BR/2 BA	\$613 ↑	986	\$0.62	\$520–\$710
3 BR/2 BA	\$654 ↑	1,121	\$0.58	\$466–\$925

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ROGERS APARTMENT SURVEY

Area Covered:	Rogers city limits
Apartments Covered:	Apartment complexes with 50 units or more; tenants pay utilities; 3,822 units sampled
Occupancies:	Averaging – 98.5% ↔
Range:	94% – 100%
Most Often Quoted Deposit:	\$200 for one bedroom apartments, \$200 for two bedroom apartments and \$350 for three bedroom apartments

Type	Average Rent*	Average Sq. Ft.	Average Rent Per Sq. Ft.	Rent Range
1 BR/1 BA	\$574 ↑	675	\$0.85	\$370–\$950
2 BR/1 BA	\$504 ↓	778	\$0.65	\$425–\$930
2 BR/2 BA	\$855 ↓	1,155	\$0.74	\$405–\$1,130
3 BR/2 BA	\$1,063 ↓	1,321	\$0.80	\$595–\$1,500

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7

MID-YEAR 2014

BENTONVILLE APARTMENT SURVEY

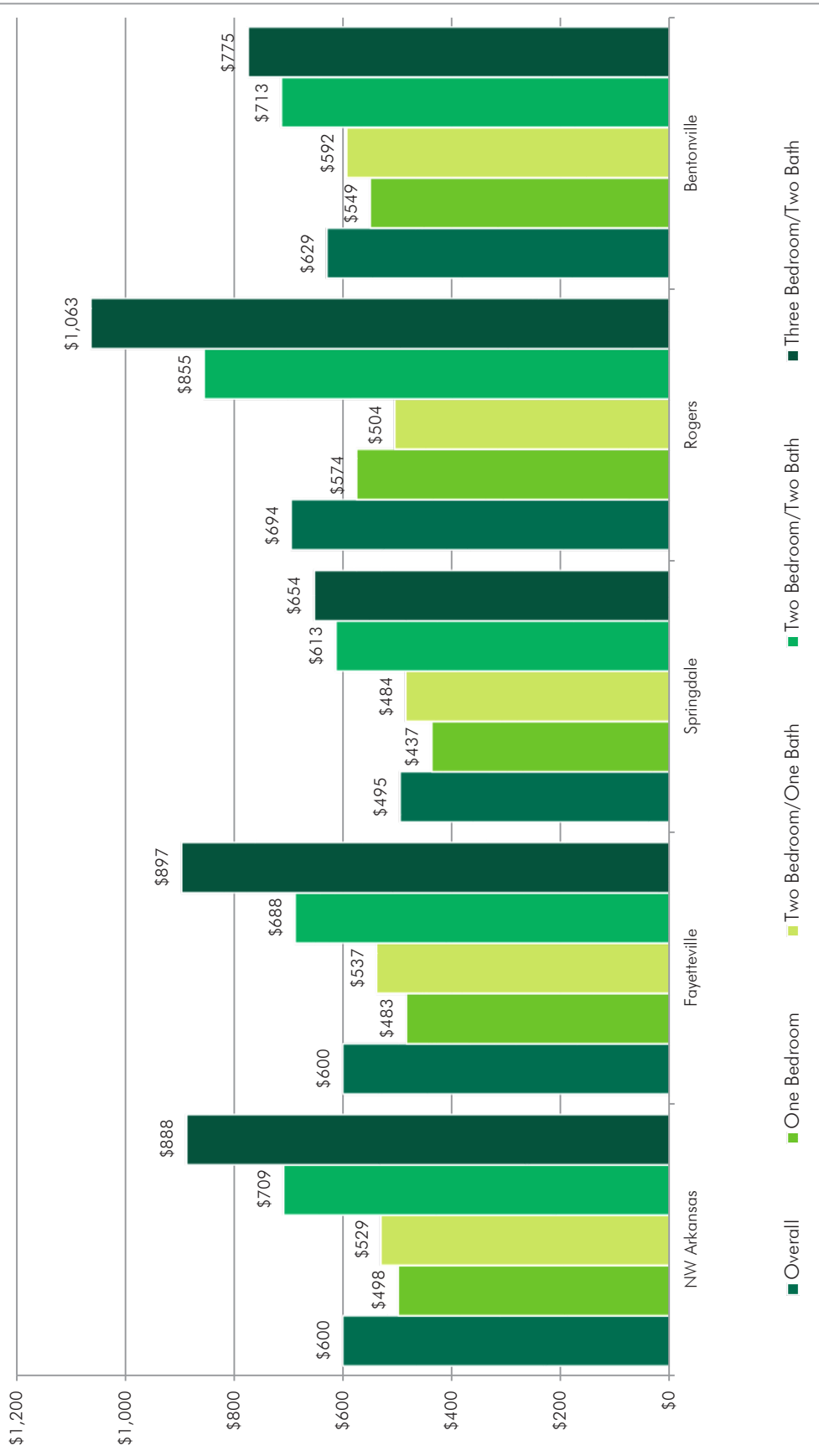
Area Covered:	Bentonville city limits
Apartments Covered:	Apartment complexes with 50 units or more; tenants pay utilities; 3,643 units sampled
Occupancies:	Averaging – 97% ↓
Range:	81% – 100%
Most Often Quoted Deposit:	\$150 for one bedroom apartments, \$200 for two bedroom apartments and \$300 for three bedroom apartments

Type	Average Rent*	Average Sq. Ft.	Average Rent Per Sq. Ft.	Rent Range
1 BR/1 BA	\$549 ↑	653	\$0.84	\$384–\$728
2 BR/1 BA	\$592 ↓	841	\$0.70	\$445–\$685
2 BR/2 BA	\$713 ↓	990	\$0.72	\$545–\$820
3 BR/2 BA	\$775 ↑	1,193	\$0.65	\$640–\$1,207

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NORTHWEST ARKANSAS AVERAGE APARTMENT RENTAL RATES



NORTHWEST ARKANSAS APARTMENT MARKET AVERAGE VACANCY



NORTHWEST ARKANSAS AVERAGE APARTMENT SALE PRICE PER UNIT

