



Northwest Arkansas
Apartment Market Survey

Mid-Year 2015

Prepared by

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NORTHWEST ARKANSAS APARTMENT MARKET SURVEY MID-YEAR 2015

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Record high occupancies continue to be the story across the Northwest Arkansas' apartment market. Further, the solid local economy across the Fayetteville, Springdale, Rogers and Bentonville areas continue to provide support for the strong performance of the multifamily market. Below are the highlights of our mid-year apartment survey.

Rental Rates and Occupancies

Rental highlights include:

- Compared to one year ago, **on average:**
 - » The overall rental rate in Northwest Arkansas rose \$8 per month to \$608, a 1.3% annual increase.
 - » One bedroom units rose \$9 per month to \$507.
 - » Two bedroom/one bath units rose \$9 per month to \$538.
 - » Two bedroom/two bath units rose \$24 per month to \$737.
 - » Three bedroom/two bath units dropped \$8 per month to \$880.
 - » Four bedroom units rose \$26 per month to \$1,013.
- Rent specials and concessions continue to dissipate throughout NW Arkansas' apartment market. While conducting the mid-year survey this year, only 6% of the properties surveyed were running some form of rent special or concession – down from 8% six months ago and 9% a year ago. The most common specials continue to be ½ off first month rent, preferred employer discounts, along with some “look and lease” related specials such as waived or discounted application fee and/or security deposit.

Occupancy highlights include:

- Compared to one year ago, **on average:**
 - » Mid-year 2015 overall occupancy in Northwest Arkansas averaged 98.5%, up from 98% reported six months ago and 96.5% reported one year ago.
 - » Fayetteville's average occupancy is 98%, up from 95.5% one year ago.
 - » Springdale's average occupancy is 98%, up from 97% one year ago.
 - » Rogers' average occupancy is 99.5%, up from 98.5% one year ago.
 - » Bentonville's average occupancy is 98.5%, up from 97% on year ago.

Sales Activity

Investment sales of multifamily properties in Northwest Arkansas remain robust with 7 transactions so far this year (apartment complexes over 50 units in size) compared to 12 transactions in 2014 and 7 transactions in 2013. The average sale price of these seven transactions is just under \$90,000 per apartment unit. Note that this number is higher than normal due to the age of the assets sold. Five of the seven transactions were of properties built since 2000.

We expect multifamily transactions to continue at an above average pace due to the low interest rate environment and continued strong investor demand. Lending rates continue to be a driving force behind the number of apartment communities actively for sale as sellers look to capitalize on these historic pricing levels while investors can lock in long-term attractive fixed rate debt still available from Freddie, Fannie, Life companies and CMBS lenders.

New Construction

As predicted with occupancies at all time highs apartment construction announcements have begun to pick up. In the past it was our contention the boom in student housing construction around the University of Arkansas hindered market rate construction. As you can see from the list below, this appears to no longer be the case.

Four multifamily properties should be completed in the NW Arkansas area in 2015 totaling 799 units:

- Thrive – 62 Units | Bentonville
- The Trails at Bentonville – 487 Units | Bentonville
- Woodland at Creekside – 50 Units | Bentonville
- Promenade at Rogers – 200 Units | Rogers

Three multifamily properties should also be completed in 2016 totaling 994 units:

- Uptown Apartments – 308 Units | Fayetteville
- The Links at Fayetteville Phase II – 516 Units | Fayetteville
- The Pointe at Bentonville Phase I – 170 Units | Bentonville

Below is our updated list of the student housing apartment complexes with expected completion dates for 2015 and 2016.

- Beechwood Village – 213 Units/670 Bedrooms | Fayetteville | 2015
- Gather on Dickson – 124 Units/233 Bedrooms | Fayetteville | 2015
- Sterling Frisco Phase II – 250 Units/559 Bedrooms | Fayetteville | 2016
- @MOSPHERE (f/k/a Harveys Hill) – 226 Units/628 Bedrooms | Fayetteville | 2016

Solid Economy and Market Fundamentals Going Forward

The strength of the apartment market is directly tied to the solid local economy. In fact, NW Arkansas added 10,000 jobs representing a 4.56% increase in job growth in 2014. This increase ranked NW Arkansas 26th among the nation's 381 largest metros outpacing benchmark cities such as Austin, TX, Raleigh, NC and Madison, WI. Further, the population of this area is estimated to be up 8.3% since 2010 with the MSA population surpassing 500,000 in July 2014*. As Northwest Arkansas continues to grow, we expect apartment fundamentals to remain strong in the coming year, despite the predicted increase in market rate apartment construction.

* Sources include the Center for Business and Economic Research at the University of Arkansas' Sam M Walton College of Business and the U.S. Bureau of Labor Statistics.

Note: The Northwest Arkansas Apartment Market Survey for Mid-Year 2015 conducted by CBRE included over 22,000 units of the approximate 32,000 apartment units located within Fayetteville, Springdale, Rogers and Bentonville. The data within is supplied by multifamily property owners and managers.

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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 – 98% ↑

Range: 86% – 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 | \$475 ↓ | 581 | \$0.82 | \$370–\$818 |
| 2 BR/1 BA | \$537 ↔ | 771 | \$0.69 | \$435–\$755 |
| 2 BR/2 BA | \$680 ↓ | 999 | \$0.68 | \$445–\$1,320 |
| 3 BR/2 BA | \$813 ↓ | 1,085 | \$0.75 | \$552–\$1,448 |
| 4 BR/2 BA | \$1,013 ↑ | 1,150 | \$0.88 | \$750–\$1,500 |

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

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NOTE: The symbols ↑, ↓, ↔ denote increases, decreases and no change respectively from previous survey six months ago.

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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 – 98% ↑

Range: 93% – 100%

Most Often Quoted Deposit: \$200 for one bedroom apartments, \$200 for two bedroom apartments and \$400 for three bedroom apartments

| Type | Average Rent* | Average Sq. Ft. | Average Rent Per Sq. Ft. | Rent Range |
|-----------|---------------|-----------------|--------------------------|-------------|
| 1 BR/1 BA | \$450 ↑ | 596 | \$0.75 | \$369–\$697 |
| 2 BR/1 BA | \$506 ↑ | 780 | \$0.65 | \$435–\$615 |
| 2 BR/2 BA | \$633 ↑ | 985 | \$0.64 | \$540–\$818 |
| 3 BR/2 BA | \$706 ↑ | 1,121 | \$0.63 | \$466–\$987 |

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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 – 99.5% ↑

Range: 93% – 100%

Most Often Quoted Deposit: \$150 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 | \$594 ↑ | 675 | \$0.88 | \$370–\$1,025 |
| 2 BR/1 BA | \$520 ↑ | 778 | \$0.67 | \$425–\$980 |
| 2 BR/2 BA | \$948 ↑ | 1,155 | \$0.82 | \$425–\$1,300 |
| 3 BR/2 BA | \$1,157 ↑ | 1,357 | \$0.85 | \$640–\$1,660 |

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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 – 98.5% ↑

Range: 92% – 100%

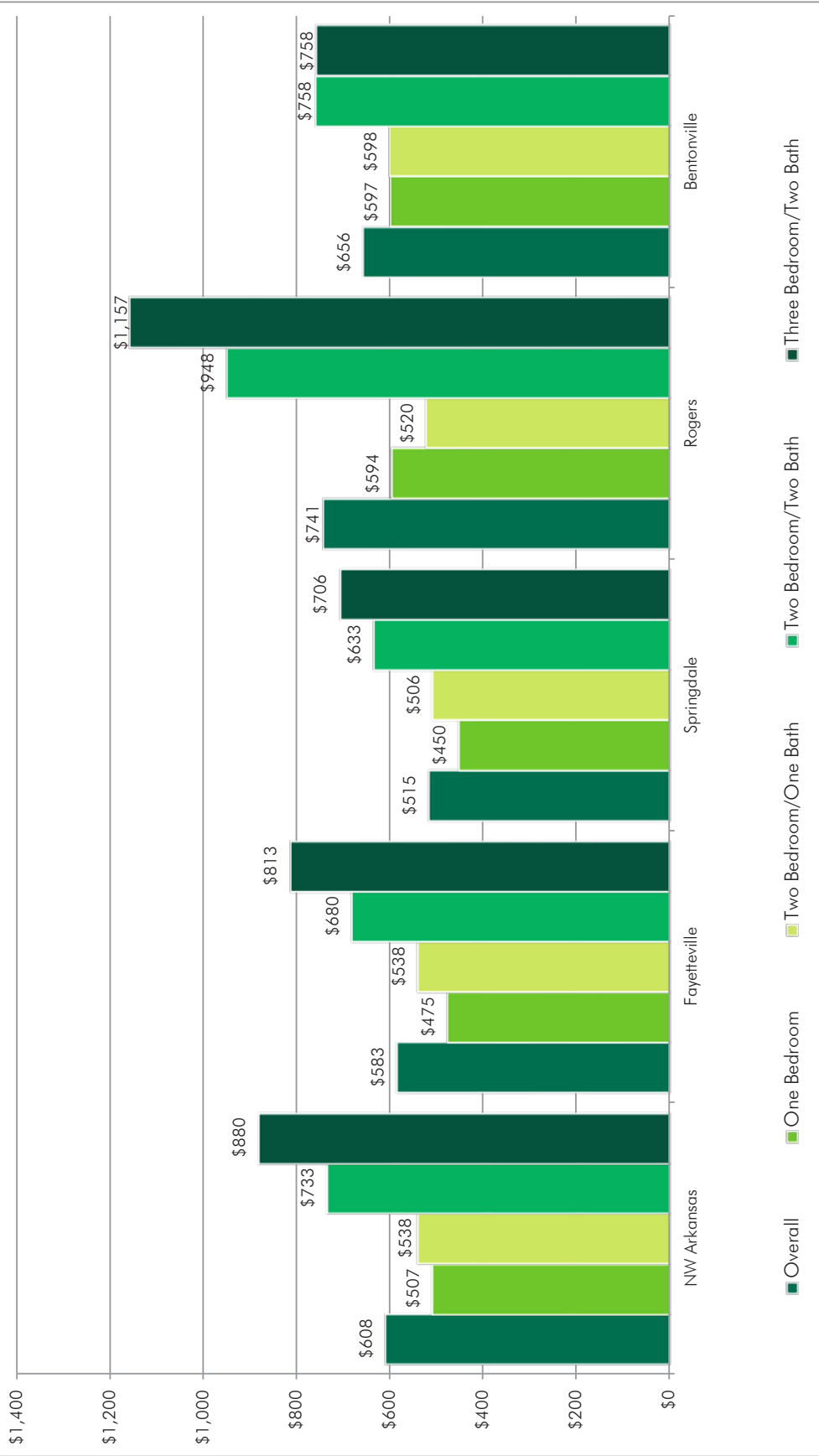
Most Often Quoted Deposit: \$250 for one bedroom apartments, \$200 for two bedroom apartments and \$300 for three bedroom apartments

| Type | Average Rent* | Average Sq. Ft. | Average Rent Per Sq. Ft. | Rent Range |
|-----------|---------------|-----------------|--------------------------|---------------|
| 1 BR/1 BA | \$597 ↑ | 657 | \$0.91 | \$385–\$827 |
| 2 BR/1 BA | \$598 ↑ | 841 | \$0.71 | \$445–\$685 |
| 2 BR/2 BA | \$758 ↑ | 990 | \$0.77 | \$565–\$1,007 |
| 3 BR/2 BA | \$758 ↓ | 1,145 | \$0.66 | \$640–\$954 |

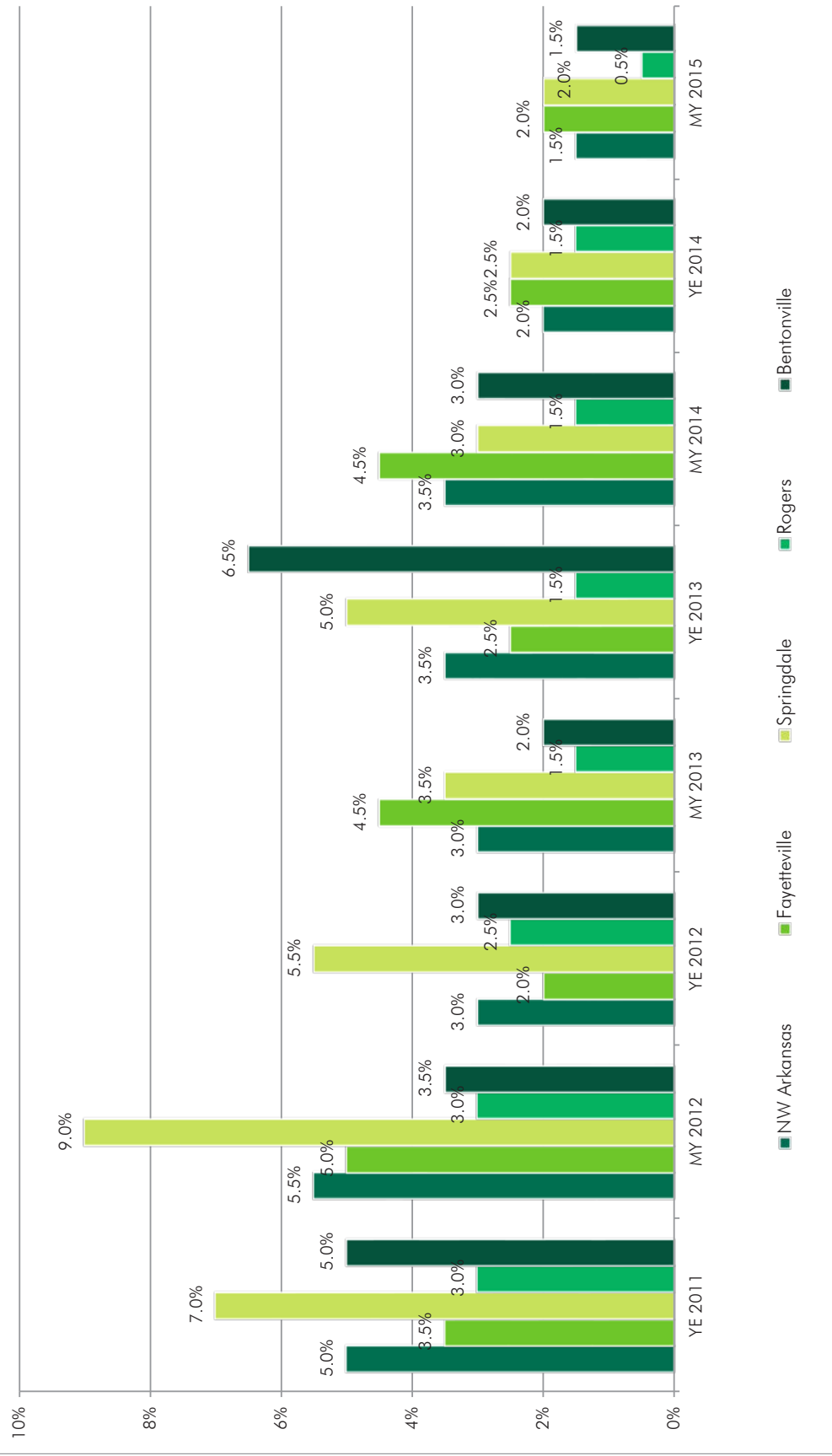
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NORTHWEST ARKANSAS AVERAGE APARTMENT RENTAL RATES



NORTHWEST ARKANSAS APARTMENT MARKET AVERAGE VACANCY



NORTHWEST ARKANSAS AVERAGE APARTMENT SALE PRICE PER UNIT

