



2015 Northwest Arkansas Apartment Market Overview and 2016 Forecast

Prepared by

Brian J. Donahue, CCIM
Investment Properties | Multifamily

3945 North Vantage Drive, Suite 3
Fayetteville, Arkansas 72703
+1 479 301 2520

1	NWA Apartment Market Survey Summary
2	Rental Rate and Occupancy Survey by Submarket <ul style="list-style-type: none">• Fayetteville• Springdale• Rogers• Bentonville
3	Historical Charts
4	New Construction Information



The Northwest Arkansas' apartment market continues to remain extremely strong with year over year occupancies up 0.5% to 98.5% while overall rental rates increased 3.8% according to CBRE's 2015 year-end apartment market survey. With such a minute number of vacant apartments across the Fayetteville, Springdale, Rogers and Bentonville markets, it is no surprise landlords have begun increasing rents. With population gains and strength of the overall economy, apartment market fundamentals in Northwest Arkansas look solid moving forward. Below are the highlights of our year-end apartment survey.

Rental Rates

- Compared to one year ago, **on average**:
 - » Rental rates in Northwest Arkansas rose \$23 per month to \$621 or \$0.77 per square foot.
 - » One bedroom units are up \$21 per month to \$523 or \$0.85 per square foot.
 - » Two bedroom/one bath units climbed \$12 per month to \$550 or \$0.70 per square foot.
 - » Two bedroom/two bath units also saw gains of \$47 per month to \$753 or \$0.73 per square foot.
 - » Three bedroom/two bath units rose the most by \$63 per month to \$919 or \$0.78 per square foot.
 - » Four bedroom units rose \$7 to \$1,013 or \$0.88 per square foot.
- Rent specials and concessions were virtually non-existent across Northwest Arkansas with the only specials/ discounts quoted being some form of employee or student discounts – typically 5% off the market rent.

Occupancy

- Compared to one year ago, **on average**:
 - » Year-end 2015 overall occupancy in Northwest Arkansas averaged 98.5%, up from 98% reported one year ago.
 - » **Fayetteville's** average occupancy is also 98.5%, up from 97.5% reported one year ago.
 - » **Springdale's** average occupancy increased to 99%, up from 97.5% reported one year ago.
 - » **Rogers'** average occupancy went unchanged from one year ago holding at 98.5%.
 - » **Bentonville's** average occupancy is the only submarket that dropped lowering to 97.5% from 98% one year ago.

Sales Activity

Transaction activity in 2015 increased with 14 transactions over 50 units in size compared to 12 in 2014 and just seven in 2013. These 14 transactions had an average sale price of just under \$74,000 per unit. Ten of these fourteen transactions were of properties built since 2000. The average sale price of these ten transactions were \$81,810 with prices ranging from \$119,000 per unit to \$25,500 per unit. Two of the fourteen transactions were of 1980's vintage assets which transacted at an average price of \$35,000 per unit. The other two transactions were one 1970's vintage asset and one 1960's vintage asset trading at approximately \$38,000 per unit and \$19,000 per unit respectively.

We expect transaction volume to level off to some degree but still exceed historic norms as demand for multifamily investments continues to remain extremely high in the region. Across the country meanwhile investors continue to seek yield in tertiary markets such as Northwest Arkansas. Typically investors can achieve higher returns in tertiary markets where competition is not as high as primary and secondary markets. Private capital will continue to dominate investment activity across Northwest Arkansas.

New Construction

As we expected in past surveys, the lack of market rate construction over the past few years has driven occupancies to all-time highs in turn spurring new market rate construction. The boom from student housing construction around University of Arkansas has tapered with market rate announcements coming in rapid succession. Below is our updated list for new market rate and student housing construction across Northwest Arkansas.

Four multifamily properties were **completed** across Northwest Arkansas in 2015 totaling 799 units:

- Thrive – 62 Units | Bentonville
- The Trails at Bentonville – 487 Units | Bentonville
- Woodlands at Creekside – 50 Units | Bentonville
- The Promenade Apartments at Pinnacle Hills – 200 Units | Rogers

Seven multifamily properties have been **announced** so far for potential 2016 and 2017 completion. All projects are in various stages of planning and construction:

- The Pointe at Bentonville – 170 Units | Bentonville
- The Links at Fayetteville Phase II – 516 Units | Fayetteville
- The Parc @ Bentonville – 216 Units | Bentonville
- Palisades at Pleasant Grove – 208 Units | Rogers
- Uptown Apartments – 308 Units | Fayetteville
- Watermark on Walnut Creek – 220 Units | Rogers
- Watermark at Steele Boulevard – 306 Units | Fayetteville

Just one **student housing** apartment complex was completed in Fayetteville in 2015 totaling 213 Units:

- Beechwood Village – 213 Units/670 Bedrooms

Three **student housing** apartment properties will be completed around U of A in 2016 totaling 600 Units:

- Sterling Frisco Phase II – 250 Units/559 Bedrooms
- Gather on Dickson – 124 Units/233 Bedrooms
- @MOSPHERE – 226 Units/628 Bedrooms

Outlook for 2016

The absence of new market rate apartment construction during the last few years has boosted Northwest Arkansas' apartment occupancy at an all-time high. The shortage of available units has allowed property owners to increase rents 8.6% over the last three years – 3.3% in 2013, 1.5% in 2014 and 3.8% in 2015. As new units come online we expect rental rate increases to decline to around 2% with increased occupancy causing rent specials to become more prominent. Even with the potential for over 1,900 units (6% of existing supply) to come online over the next two years we do not expect occupancies to drop below 95% due to the pent up demand and population growth seen throughout Northwest Arkansas. Investment sales should remain robust as demand continues to drive pricing so long as long-term interest rates remain low with attractive fixed rates still available.

Note: The Northwest Arkansas Apartment Market Survey for Year-End 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.

Rental Rate and Occupancy Survey by Submarket

YEAR-END 2015

Brian J. Donahue
Associate
+1 479 301 2520

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YEAR-END 2015

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 – 98.5% ↑
Range:	90% – 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	\$488 ↑	577	\$0.85	\$385–\$850
2 BR/1 BA	\$556 ↑	780	\$0.71	\$450–\$800
2 BR/2 BA	\$700 ↑	1,007	\$0.70	\$460–\$1,400
3 BR/2 BA	\$863 ↑	1,107	\$0.78	\$575–\$1,460
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 year-end apartment survey.

CBRE

YEAR-END 2015

Brian J. Donahue
Associate
+1 479 301 2520

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YEAR-END 2015

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 – 99% ↑
Range:	94% – 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	\$464 ↑	596	\$0.78	\$380–\$715
2 BR/1 BA	\$516 ↑	780	\$0.66	\$450–\$650
2 BR/2 BA	\$650 ↑	985	\$0.66	\$550–\$860
3 BR/2 BA	\$719 ↑	1,121	\$0.64	\$475–\$995

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YEAR-END 2015

Brian J. Donahue
Associate
+1 479 301 2520

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YEAR-END 2015

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:	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 ↔	780	\$0.67	\$425–\$980
2 BR/2 BA	\$926 ↓	1,173	\$0.79	\$450–\$1,250
3 BR/2 BA	\$1,155 ↔	1,357	\$0.85	\$640–\$1,660

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CBRE

YEAR-END 2015

Brian J. Donahue
Associate
+1 479 301 2520

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YEAR-END 2015

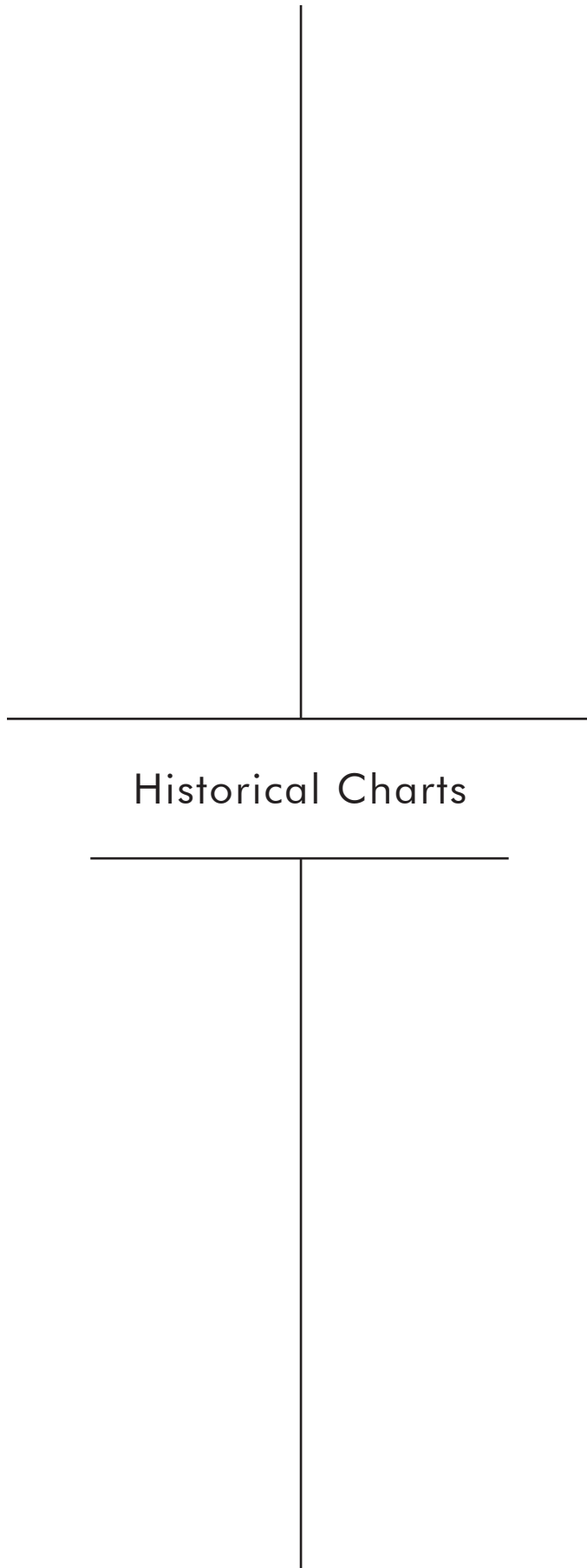
BENTONVILLE APARTMENT SURVEY

Area Covered:	Bentonville city limits
Apartments Covered:	Apartment complexes with 50 units or more; tenants pay utilities; 3,643 units sampled
Occupancies:	Averaging – 97.5% ↓
Range:	83% – 100%
Most Often Quoted Deposit:	\$250 for one bedroom apartments, \$200 for two bedroom apartments and \$300 for three bedroom apartments

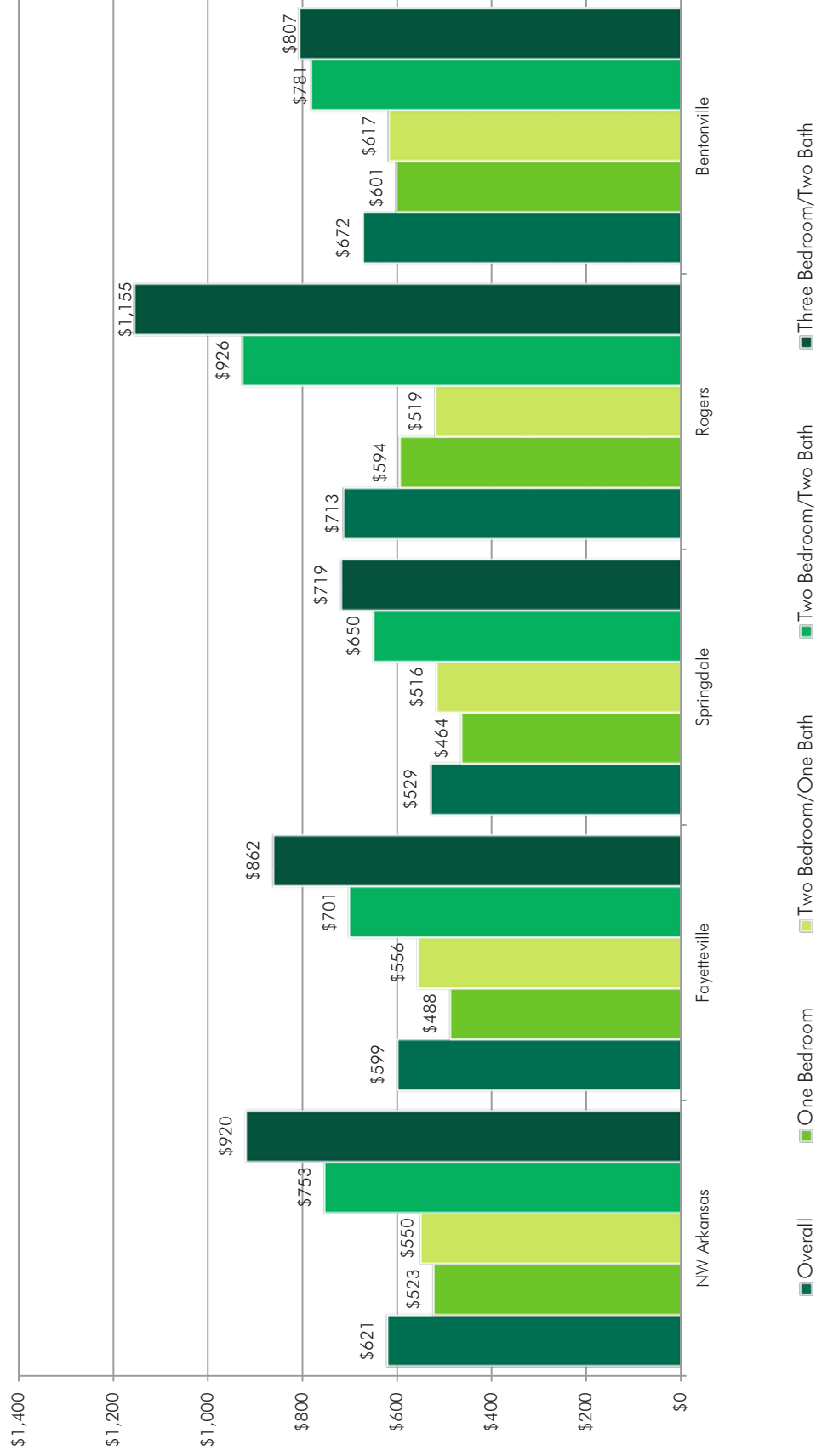
Type	Average Rent*	Average Sq. Ft.	Average Rent Per Sq. Ft.	Rent Range
1 BR/1 BA	\$601 ↑	656	\$0.92	\$400–\$835
2 BR/1 BA	\$617 ↑	828	\$0.74	\$460–\$715
2 BR/2 BA	\$781 ↑	1,004	\$0.78	\$580–\$1,020
3 BR/2 BA	\$807 ↑	1,134	\$0.71	\$675–\$1,050

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

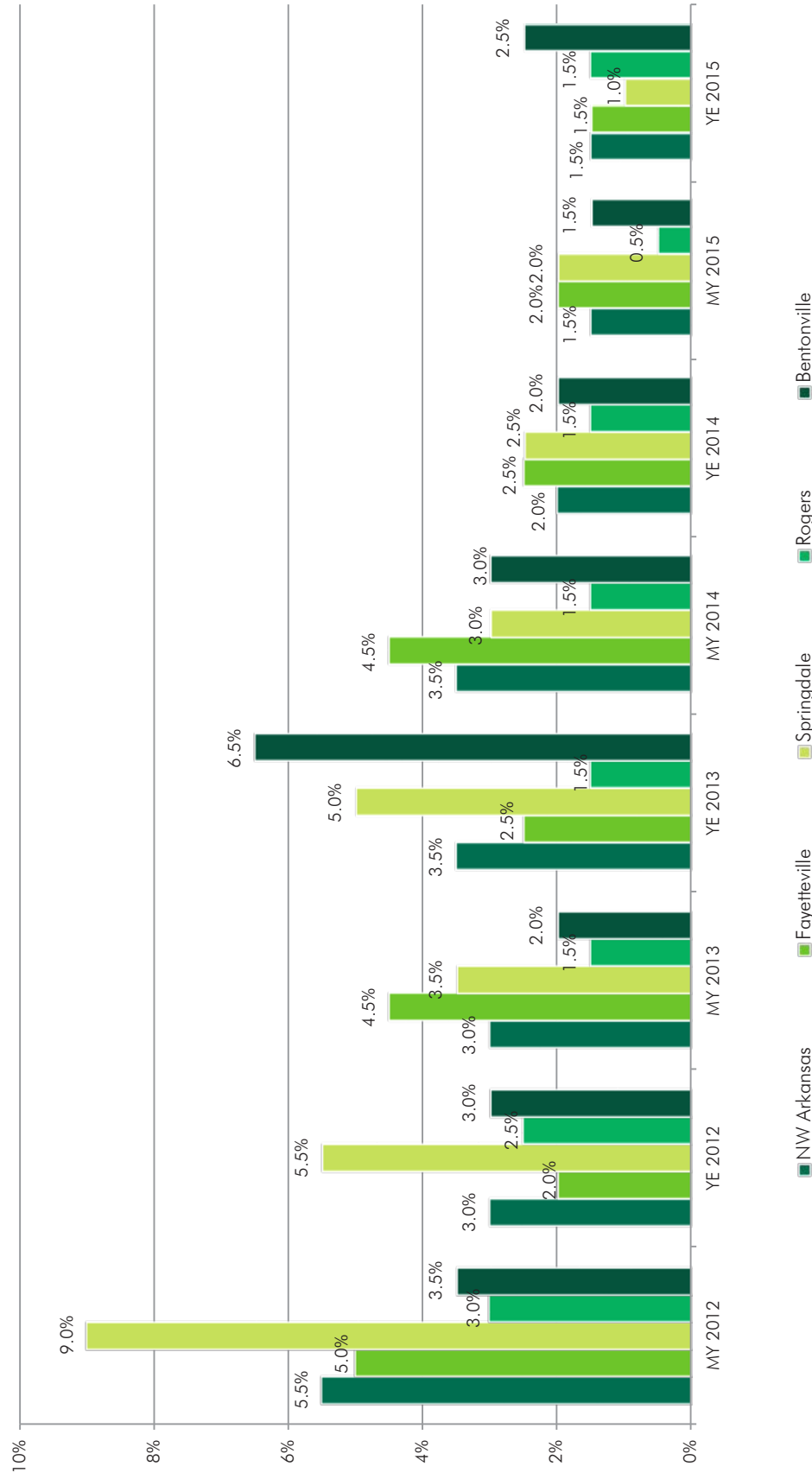
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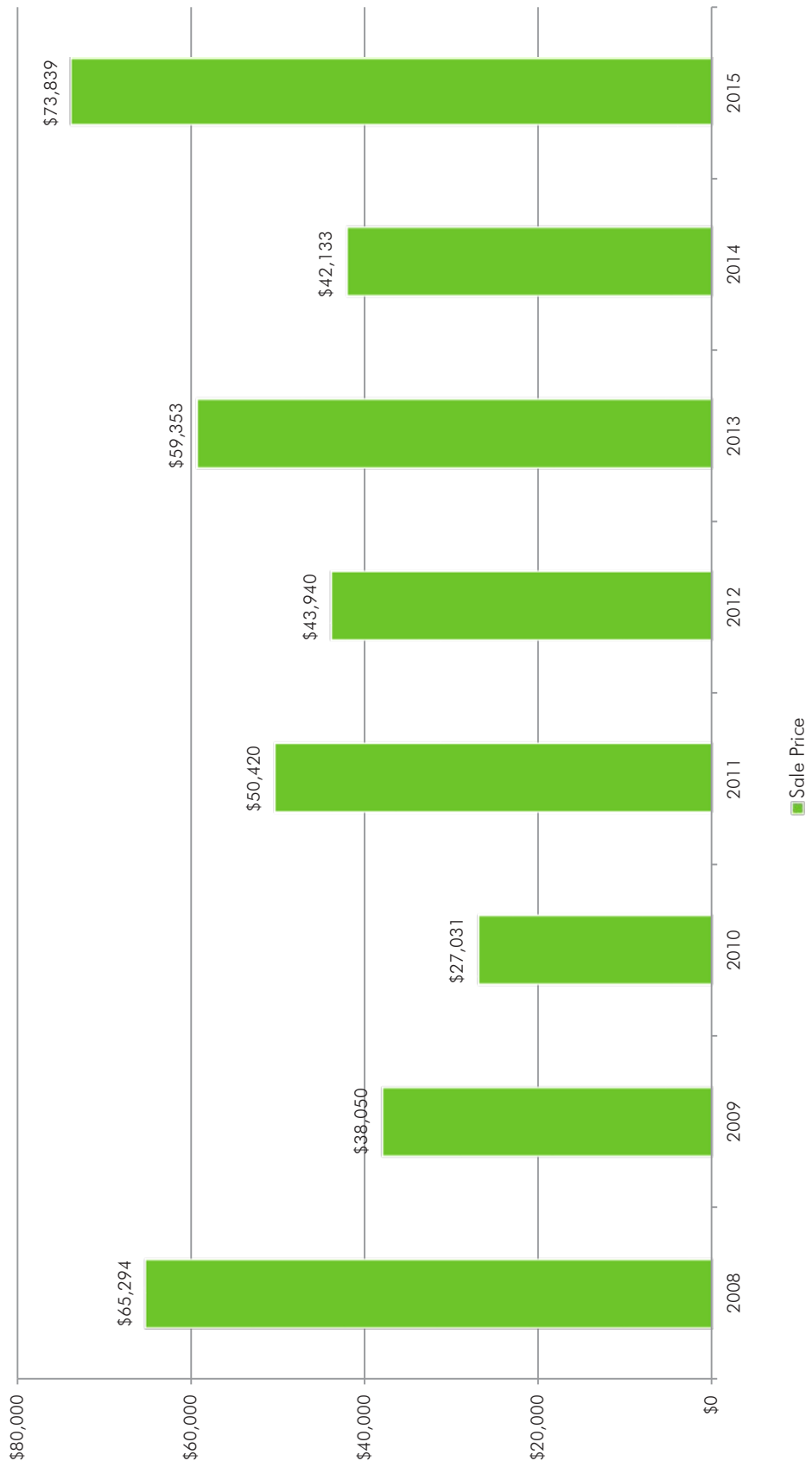
NORTHWEST ARKANSAS AVERAGE APARTMENT RENTAL RATES



NORTHWEST ARKANSAS APARTMENT MARKET AVERAGE VACANCY



NORTHWEST ARKANSAS AVERAGE APARTMENT SALE PRICE PER UNIT



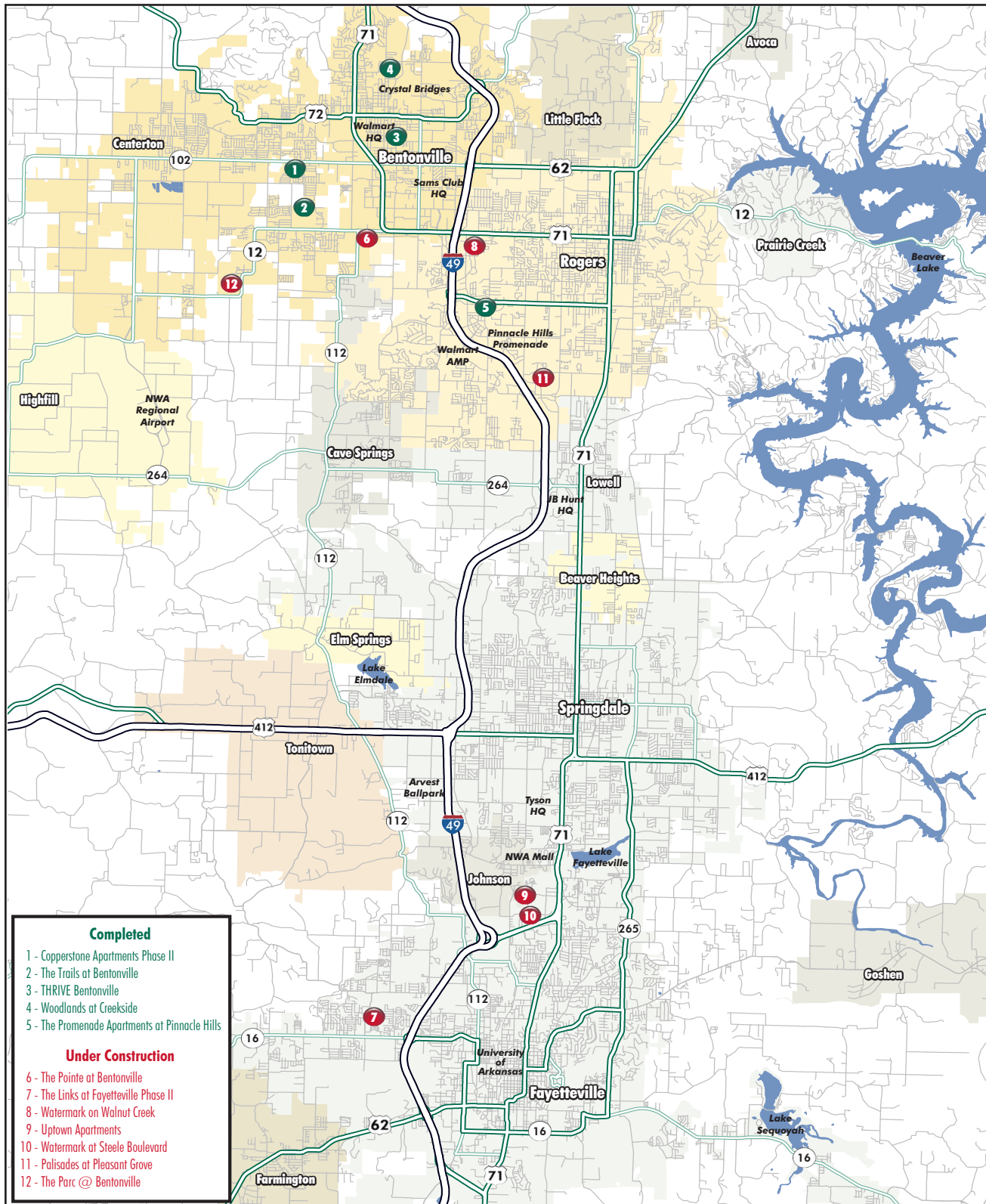


New Construction Information

NORTHWEST ARKANSAS APARTMENT CONSTRUCTION 2010 – December 2015

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YEAR-END 2015



NORTHWEST ARKANSAS APARTMENT CONSTRUCTION 2010 – December 2015

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YEAR-END 2015

Map #	Property Name	Address	# of Units	Completion Date
1	Copperstone Apartments Phase II	2800 SW Wagon Avenue Bentonville	96	2013
2	The Trails at Bentonville	2400 SW Fireblaze Bentonville	487	2015
3	THRIVE Bentonville	401 SW A Street Bentonville	62	2015
4	Woodlands at Creekside	NW A Street Bentonville	50	2015
5	The Promenade Apartments at Pinnacle Hills	4101 W. Huntington Drive Rogers	200	2015
6	The Pointe at Bentonville	SEC of SW Regional Airport Blvd & SW I Street Bentonville	170	2016
7	The Links at Fayetteville Phase II	3600 West Players Lane Fayetteville	516	2016
8	Watermark on Walnut Creek	600 S. Promenade Blvd Rogers	220	2017
9	Uptown Apartments	SWC of E. Joyce Blvd & Steele Blvd Fayetteville	308	2017
10	Watermark at Steele Boulevard	NEC of Van Asche Drive & Steele Blvd Fayetteville	306	2017
11	Palisades at Pleasant Grove	NEC of W. Pleasant Grove Rd. & S 26th Street Rogers	208	2017
12	The Parc @ Bentonville	NWC of SW Windmill Rd & SW Regional Airport Blvd Bentonville	216	2017

Total Units – 2,839 * Completed – 895 * Under Construction – 1,944