

HVS Market Intelligence Report: Northwest Arkansas

📅 January 21, 2008 / 👤 By Leslie Baker

With business booming and mountainous beauty close at hand, industry thrives alongside tourism and agriculture in Northwest Arkansas. The Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA) in particular has established itself as the economic growth engine for the state. The MSA comprises Benton, Madison, and Washington Counties and is known for a diverse economy bolstered by such corporate giants as Wal-Mart Stores, Tyson Foods, and J. B. Hunt Transport Services. Many other Fortune 500 companies are represented in the area, which enjoys a consistently low unemployment rate, cost-of-living rates below the national average, and a skilled workforce. Owing to a surge in population and an influx of new business, Northwest Arkansas was recently recognized as the second-fastest growing area in the U.S.¹

Greener Pastures for Big Business

Given Wal-Mart's legacy in Bentonville, it should come without surprise that the corporate juggernaut is leading the economic growth of Northwest Arkansas and supplying area hotels with a healthy dose of commercial patronage.² Beyond its commercial magnitude—Wal-Mart is well known as the world's largest retailer—the company is influencing the business climate in Northwest Arkansas in two ancillary ways. Firstly, Wal-Mart headquarters holds the satellite offices of many of its major vendors in orbit around Bentonville and Rogers. These include companies such as PepsiCo, Inc., Hanesbrands Inc., and many others whose presence is crucial to the area's economy. Vendor visits to Wal-Mart buyers throughout the year fuel a rise in hotel room demand, and room supply has increased accordingly. Most vendors are opting for mid-level and upscale hotels; however, many require extended-stay accommodations because their company lacks a permanent presence in the market. Secondly, Wal-Mart's recent vow to reduce its environmental footprint is giving impetus to a new brand of businesses setting up shop in nearby Fayetteville's emerging technology corridor. These businesses see a potentially massive market for technologies to monitor the impacts of Wal-Mart's environmental enactments, including providing Wal-Mart suppliers with the tools to "prove their green credentials."³ It is fitting that this symbiosis between corporate host and environmentally driven technology firms develops in "The Natural State," a name by which Arkansas has come to be known.

Natural Attractions and New Accommodations

Vacationers have long appreciated Northwest Arkansas' natural beauty. Migrations to the forests, caves, lakes, rivers, and gorgeous climes among the Ozark Mountains have been a staple of Arkansas tourism since the 1960s, attracting individuals as well as groups with some of the best lodging rates in the country. Located just ten minutes from downtown Rogers, Beaver Lake boasts 30,000 acres of water for boating, fishing, water-skiing, scuba diving, and swimming. The 500 miles of forested shores surrounding the lake become particularly attractive in the fall, when the foliage rivals that of New England in its intensity of hues. Beaver Lake is also world-renowned for fishing and plays host to several professional, amateur, and buddy bass tournaments annually.

Visiting Northwest Arkansas' wilderness areas does not constrain travelers to the rusticity of a campground. Over 40 hotel properties operate within the Eureka Springs-Rogers-Beaver Lake area. These properties range from national franchises to independent inns, with some other interesting projects in the works. The Crescent Park development, located on the grounds of the historic 1886 Crescent Hotel and Spa, plans to have four initial condominium units up for sale in early 2008, with an additional four units built for every two that sell. Crescent

Summary

Natural beauty and big business prosper in the northwestern corner of the state.

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Park will function as a “condo-hotel” concept, wherein the property’s management will maintain the units and assist owners in renting them out when not in use.⁴

The Corps of Engineers’ statistical records indicate a 500% increase in visitors to Beaver Lake in the last ten years. One of the newer hot spots poised to capture this influx is a master-planned development called Eagle’s Bluff, set on a prime 2,355-acre lakefront tract of forested land representing the largest available tract for development.⁵ Eagle’s Bluff is located just 32 miles from Northwest Arkansas Regional Airport and within a short commute from the headquarters of the major corporate entities of the Bentonville-Rogers-Springdale-Fayetteville corridor. Eagle’s Bluff will be designed in a park-like setting, very inviting for an exclusive residential community or a resort.

Hotel Growth around new Convention and Tourism Venues

Since the spring of 2003, 27 hotels have opened their doors in Northwest Arkansas, offering just over 2,800 new rooms. The largest of the group includes the Embassy Suites convention center hotel, which features 400 two-room suites. In 2007, the proposed hotels for Bentonville and Rogers included a 152-room DoubleTree, a 155-room Sheraton, a 125-room aloft, and the greatly anticipated 275-room Westin near the John Q. Hammons Convention Center and Pinnacle Hills Promenade. This lodging boom may help counter unemployment: while the housing slump and credit crunch will make 2008 a tough year for many economic sectors, some economists predict a rise in service-oriented jobs. The Northwest Arkansas Business Journal reports that the area’s leisure and hospitality sectors will lead employment growth in 2008.⁶

The 2006 opening of the John Q. Hammons Convention Center has aligned Northwest Arkansas with the state’s two leading conference destinations: Little Rock and Hot Springs. The growing room supply allows large groups to take advantage of this state-of-the-art, 78,000-square-foot meeting facility, bringing the promise of considerable convention business to the area. Downtown revitalization in both Rogers and Bentonville is helping to put an exclamation point on all this new growth and surge in population. Downtown Bentonville is excitedly planning for the grand opening of the Crystal Bridges Museum of American Art. Founded by Alice Walton, the museum is envisioned as a premier national art institution dedicated to American art and artists, with a significant representation of Native American art.⁷ In addition to its exhibit halls, the 100,000-square-foot museum will house a research library, an auditorium, gallery rooms suitable for large receptions, meeting rooms, and office space. Sculpture gardens and walking trails throughout the museum’s grounds will be designed to channel the fascination of visitors in a lustrous outdoor setting. Once it opens in 2010, officials estimate annual visitation to the museum will reach 225,000 or more.⁸

In 2000, HVS began work on behalf of the University of Arkansas to assess the feasibility of and develop a plan for the restoration of Carnal Hall, a century-old former dormitory facility in Fayetteville. The venue successfully re-opened in August of 2003 as the Inn at Carnall Hall and Ella’s Restaurant. Richard Williams, Managing Director of HVS Food & Beverage Services, received a medallion from the University’s School of Human Environmental Sciences for his work on the renovation project. HVS continues to be involved in Northwest Arkansas’ improvement plans. The city of Rogers, aspiring after the quaint downtown district of Bentonville, has begun updating storefronts and attracting new restaurants and higher-end stores such as Poor Richard’s Art Gallery. HVS recently took part in the redevelopment and renovation of an aging but signature structure originally known as the Lane Hotel. Constructed in 1928 in a Spanish Colonial style, the hotel hosted Hollywood stars and government figures during the 1920s and 1930s. The Lane became the Harris Hotel in 1939, only to be renamed the Arkansas Hotel in 1943. The property was most recently utilized as the Peachtree at the Lane Retirement Center and is currently listed on the National Register of Historic Places. “This is a trophy building. Renovating is easy, but elevating a trophy building is not so easy. We just need the right concept,” said Ray Eshaghoff of his downtown Rogers hotel development project.

Conclusion

All the right elements are aligning to allow Northwest Arkansas to prosper from its hotel supply boom: economic expansion, a new convention center, a first-rate museum, and the natural attractions that have long made this

area unique. We can expect the substantial changes in commercial and residential growth to continue through the decade. To learn more about how HVS is taking part and how our services could help guide your next project, contact our Dallas office at (972) 899-5400 or visit <http://www.hvs.com/Offices/Dallas/>.

¹ Rogers-Lowell Area Chamber of Commerce

² Wal-Mart

³ *The Washington Post*, September 7th, 2007

⁴ <http://www.arkansasbusiness.com/article.aspx?alD=101647.93243.113785&cID=m>

⁵ Eagle Bluff Lake Development

⁶ <http://www.arkansasbusiness.com/article.aspx?alD=101830.23799.113968&cID=m&page=2>

⁷ Crystal Bridges Museum of American Art

⁸ Ibid.