



Northwest Arkansas 2024 Market Forecast

MARKET SNAPSHOT

- AVERAGE RENT**
\$1,040 4Q 2023
\$1,084 4Q 2024
- 2024 RENT CHANGE**
4.2%
- OCCUPANCY RATE**
95.1% 4Q 2023
94.9% 4Q 2024
- 4Q 2024 OCCUPANCY CHANGE**
-20 POINTS
- EMPLOYMENT***
308.2K 2023
312.8K 2024
- UNEMPLOYMENT RATE****
2.1% 2023
2.6% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- In 2024, the Northwest Arkansas apartment market is poised for a rebound, with net absorption expected to exceed 1,000 units, surpassing the slightly lower levels observed in 2023.
- Bentonville, the location of Walmart's global headquarters, has been a catalyst for the development of nearly 10,000 housing units over the past five years, fueled by the region's rapid population growth.
- Rent growth in Northwest Arkansas is expected to recover to 4.2% by the end of 2024, showing promising and consistent growth across all submarkets.
- The anticipated opening of Walmart's new billion-dollar headquarters, along with the forecasted addition of 4,600 jobs in 2024, positions Northwest Arkansas for significant economic growth.

Supply & Demand

2024 FULL YEAR FORECAST

- 1,126 Units**
FORECASTED ABSORPTION
- 1,369 Units**
FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

Over the past three years, Northwest Arkansas has experienced stable demand, with developers building steadily in response to strong demographic growth in key submarkets. Although supply side pressures have slightly reduced occupancies, the level of new apartment construction is still manageable. The local economy has thrived, buoyed by the expanding labor force and the regional growth of major companies like

New Supply Outlook

Northwest Arkansas enjoys a dynamic economy and a rapidly expanding population, prompting developers to add nearly 10,000 housing units in the past five years. This inventory growth closely aligns with the area's population increase, particularly evident in Central Benton County, the location of Walmart's global headquarters. This submarket has become a focal point for new apartment deliveries, with 2,171 units

Walmart, Tyson Foods, and J.B. Hunt. Additionally, suppliers and service providers selling to Walmart continue to gravitate towards the metro, reinforcing economic stability.

Looking ahead to 2024, net absorption in the region's apartment market is expected to surpass 1,000 units, bouncing back from a slightly lower figure in 2023. Most submarkets are projected to experience stable or minimal changes in occupancy rates. However, Central Benton County might face supply side pressures leading to a 40-basis point drop in average occupancy. Nonetheless, given its status as the core submarket and the location of Walmart's world headquarters, any downturn in occupancy here is anticipated to be temporary.

currently under development, poised to expand its inventory base by an impressive 13%.

Across Northwest Arkansas, there are approximately 3,050 units under development. The remaining 880 units are spread across other core submarkets, with Northeast Washington County and Fayetteville slated to receive 260 and 317 units, respectively. For detailed information on development activities in each submarket, please consult the accompanying development table.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$2,860

Average Monthly Mortgage Payment



\$1,040

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

After reaching a high of 10% in 2022, rent growth in Northwest Arkansas is now stabilizing. The region saw a 1.4% annual rent increase in the final quarter of 2023, which, though notably lower than the peak, still exceeded the national average of 0.8%. Moving into 2024, rent growth is expected to pick up, particularly with a promising leasing season in the spring and summer, providing stronger pricing power for apartment operators and leading to a projected 4.2% year-over-year increase by the year's end. The Class B segment is anticipated to show the strongest rent performance, less affected by the supply pressures impacting new, highly amenitized developments. Across the board, all nine submarkets in Northwest Arkansas are forecasted to see consistent and considerable rent growth, each surpassing 4.0% over the next 12 months.

Submarket Rent & Occupancy

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Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Central Benton County	92.8%	92.4%	-0.4%	\$1,164	\$1,210	4.0%
East Benton County	97.7%	97.6%	-0.2%	\$1,616	\$1,701	5.2%
Fayetteville	97.0%	98.9%	-0.1%	\$912	\$949	4.0%
McDonald County	94.4%	94.0%	-0.4%	\$646	\$672	4.1%
Northeast Washington County	95.8%	95.6%	-0.2%	\$1,004	\$1,044	4.0%
Southwest Benton County	98.4%	98.4%	-0.1%	\$736	\$767	4.2%
Southwest Washington County	95.8%	95.6%	-0.3%	\$1,358	\$1,415	4.2%
West Benton County	97.2%	97.0%	-0.1%	\$672	\$700	4.2%
Market	95.1%	94.9%	-0.2%	\$1,040	\$1,084	4.2%

Submarket Construction Pipeline


40,534
4Q 2023 Unit Inventory


3,053
Number of Units Under Construction


1,369
Number of Units UC Delivering
in the Next 4 Quarters

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Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering in the Next 4 Quarters
Central Benton County	16,904	2,171	13%	71.1%	742
East Benton County	96	193	201%	6.3%	168
Fayetteville	14,587	317	2%	10.4%	210
McDonald County	98	0	0%	0.0%	0
Northeast Washington County	7,329	260	4%	8.5%	138
Southwest Benton County	966	112	12%	3.7%	111
Southwest Washington County	268	0	0%	0.0%	0
West Benton County	286	0	0%	0.0%	0
Market	40,534	3,053	7.5%	100.0%	1,369

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Sales Activity

Investment activity in Northwest Arkansas is experiencing a slowdown, primarily due to increased interest rates which have raised the cost of debt for acquisitions. Additionally, a significant bid-ask spread persists between buyers and sellers. The past year's confirmed sales volume stood at \$304.3 million, a decrease from the \$397 million recorded in 2022. However, prospects for more stable interest rates in 2024 could help narrow this bid-ask gap. When combined with several other factors, such as the region's booming economy and robust population growth, these conditions are expected to rekindle investor interest in Northwest Arkansas throughout the year.

Most Active Buyers (Previous 36 Months)

1. Timberland Partners
2. Black Real Estate
3. Steward + Helm
4. Weidner

Most Active Sellers (Previous 36 Months)

1. Orchard Properties
2. BSR Real Estate
3. Hamilton Point Investments
4. AndMark Management

*Most Active Buyers and Sellers are based on the sale volume of apartment units.

TRANSACTION VOLUME

\$257.1M(p)

2023 Transaction Volume

-23%

Y-O-Y Change

\$121.2K*

Price Per Unit

-5%

Annual PPU Price Change

* Trailing 4Q average PPU
* Preliminary Data from Costar
P=Preliminary

Employment Forecast



Forecasted 2024 Employment Sector Growth

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Sector	Employment Change 2023 to	Percent Change
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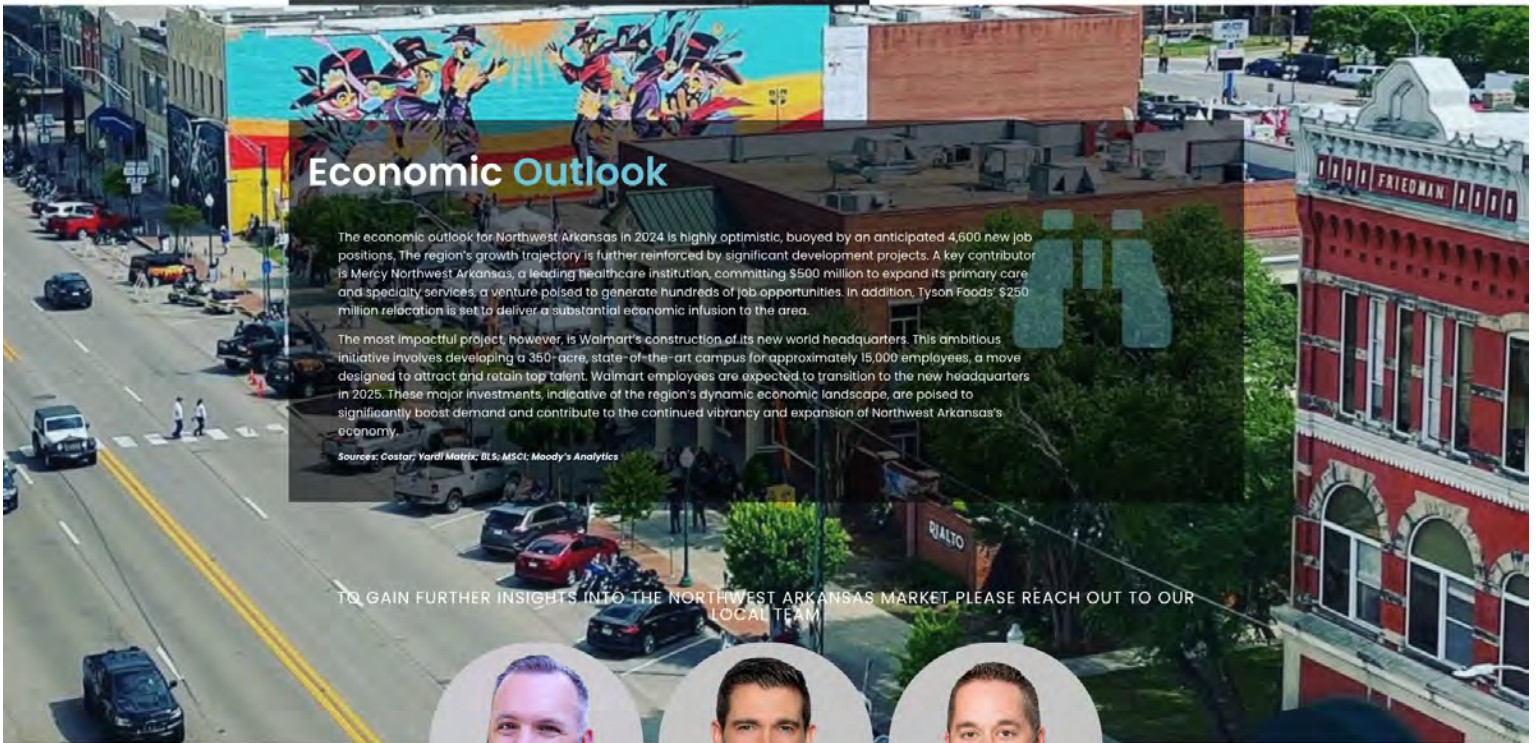


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Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	4,600	1.5%
Manufacturing	200	0.9%
Construction	500	3.3%
Trade, Transport, & Utilities	800	1.2%
Information	0	0.0%
Financial Activities	100	1.0%
Professional & Business Services	1,000	1.7%
Education & Health Services	1,000	2.6%
Government	900	1.9%
Leisure & Hospitality	800	2.9%
Other Services	200	1.3%

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Economic Outlook

The economic outlook for Northwest Arkansas in 2024 is highly optimistic, buoyed by an anticipated 4,600 new job positions. The region's growth trajectory is further reinforced by significant development projects. A key contributor is Mercy Northwest Arkansas, a leading healthcare institution, committing \$500 million to expand its primary care and specialty services, a venture poised to generate hundreds of job opportunities. In addition, Tyson Foods' \$250 million relocation is set to deliver a substantial economic infusion to the area.

The most impactful project, however, is Walmart's construction of its new world headquarters. This ambitious initiative involves developing a 350-acre, state-of-the-art campus for approximately 15,000 employees, a move designed to attract and retain top talent. Walmart employees are expected to transition to the new headquarters in 2025. These major investments, indicative of the region's dynamic economic landscape, are poised to significantly boost demand and contribute to the continued vibrancy and expansion of Northwest Arkansas's economy.

Sources: Costar, Yard Matrix, BLS, MSCI, Moody's Analytics

TO GAIN FURTHER INSIGHTS INTO THE NORTHWEST ARKANSAS MARKET PLEASE REACH OUT TO OUR LOCAL TEAM



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