

# Northwest Arkansas: A Booming Region Addresses Housing Underproduction



**J.H. Cullum Clark, Ph.D.**  
Director, Bush Institute at the  
Southern Methodist University  
(SMU) Economic Growth  
Initiative



**Duke McLarty, J.D.**  
Executive Director  
Northwest Arkansas Workforce  
Housing Center

Northwest Arkansas has gotten much right in recent decades. The region's success is visible in its booming economy, its accolades as an attractive place to live, and its enormous influx of people.

Like most growing regions, however, it faces fast-rising housing supply and affordability challenges. While initiatives are underway to accelerate housing development near the region's job centers, pivotal choices lie ahead for local leaders. The region's push to move beyond its low-density, car-centric model and address housing shortfalls makes it a timely case study for policymakers nationwide.

The Northwest Arkansas metropolitan area, centered on Fayetteville, Springdale, Rogers, and Bentonville, is home to 561,000 people, making it America's 102nd largest metro. It is also one of the fastest-growing. Its population grew 27% from 2010 to 2021, more than all but four of America's 100 largest metros. The arriving population is extraordinarily diverse, underscoring the region's position as a magnet for people of all backgrounds. Based on U.S. Census data, the metro has seen growth of 30% in its Black population since 2010, 36% among Hispanics, and 71% among Asians, far above most metros in each group.

The region's vibrancy starts with longtime strengths in retail, agribusiness, and higher education. Walmart, Tyson Foods, and the University of Arkansas flagship campus are based in Bentonville, Springdale, and Fayetteville, respectively. Northwest Arkansas is building on these assets to create a more knowledge-centric economy. Walmart and the University of

Arkansas have joined forces with other firms to make the region a leader in autonomous trucking and drone-based logistics. Bentonville recently became the first locality to run a driverless truck experiment on city streets, with Walmart trucks ferrying goods around town (Sparkman, 2022). Electric truck company Canoo announced its relocation from California, moving its headquarters to Bentonville and bringing an R&D facility to Fayetteville (Sparkman, 2021). Bentonville is one of five cities to win a competition sponsored by co-living remote center for footloose knowledge workers (Holder, 2021).

Northwest Arkansas is also emerging as a hub for knowledge-generating "eds and meds" activities. The University of Arkansas has just launched a "Biodesign Sprints" incubator and stepped up engagement in regional economic development through its Institute for Innovative and Integrative Research (I3R). Members of Walmart's founding Walton family have announced a partnership with the Washington County Regional Medical System to open a new medical school in Bentonville in 2024 and expand medical specialties in the region.

As a high-quality life center because of its natural beauty and world-class outdoor amenities, Northwest Arkansas also attracts new talent. The region's Razorback Greenway Trail extends nearly 40 miles, with each principal city building connectors to the east and west. The region is a top mountain biking center, even running cheeky advertisements in Texas claiming a better cycling culture than Austin's. The Crystal Bridges Museum of American Art in Bentonville



Design by GreenSpur. Photo courtesy of Limbered Team

	<b>Fayetteville-Springdale-Rogers Metro Area</b>	<b>Metropolitan America</b> <i>(population-weighted average of Top 100 metros)</i>
<b>Population Growth, 2010-21</b>	26.7%	9.8%
<b>Housing Permits, 2015-19</b> <i>(as % of 2019 pop, Texas A&amp;M Real Estate Center calculations)</i>	5.8%	2.3%
<b>% of Existing Housing Units Built Between 2000-2020 (ACS)</b>	35.8%	20.2%
<b>Housing Underproduction as % of 2019 housing stock</b> <i>(Up For Growth calculation)</i>	2.2%	3.8%
<b>Median Home Value, 2010</b> <i>(ACS)</i>	\$146,300	\$251,609
<b>Median Home Value, 2022</b> <i>(Zillow)</i>	\$291,000	\$480,390
<b>Median Home Price to Median Household Income, 2010</b> <i>(Bush Institute calculation)</i>	3.2	4.4
<b>Median Home Price to Median Household Income, 2022</b> <i>(Bush Institute calculation)</i>	3.6	5.0
<b>% of Owner-Occupied Homes below \$200,000 (ACS)</b>	54.4%	31.8%
<b>% of Rental Homes below \$1,000/month (ACS)</b>	65.6%	35.3%

anchors a lively arts scene, with each city investing in performing arts venues, outdoor art installations, music and film festivals, and programs to support local artists.

Numerous other initiatives are underway to promote opportunity. The Walton Family Foundation, the University of Arkansas, and other partners have supported incubators capitalizing on regional strengths, including outdoor recreation and artisanal food startups, as well as programs supporting Black entrepreneurs. The University of Arkansas and other institutions are rolling out innovative “early college” programs for high schoolers and upskilling opportunities for adults.

Northwest Arkansas is one of the only Southern mid-sized or smaller metros to perform above U.S. averages on indicators of social capital – the trust among citizens and civic engagement that make a community tick (Social Capital Project, n.d.) – and upward mobility for people growing up there, as measured by Harvard University economist Raj Chetty’s Opportunity Insights group (2018). It

easily makes a list of high-opportunity metros compiled by the George W. Bush Institute-SMU Economic Growth Initiative in a recent report (Clark, 2022).

While Northwest Arkansas has much to offer current and potential residents, its housing picture is growing cloudier. On one hand, home prices remain more affordable than in most U.S. metros. The region’s median sale price in 2021 was \$332,000, below the U.S. metro average of

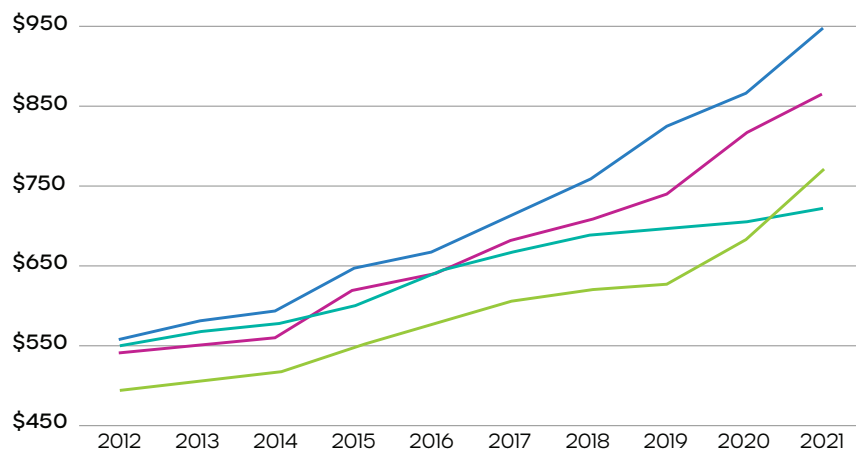
\$420,000, according to a RE/MAX report (RE/MAX NEWS, 2022). The share of renters paying more than 25% of their income in rent is below average: 29% compared with 38% for U.S. metros in total.

On the other hand, Bush Institute –SMU studies show prices have more than doubled over the past decade. Median prices saw the second-fastest growth rate from 2021 to 2022 among 53 metros covered by the recent RE/MAX report. New development has slowed, especially in the region’s four core cities, and moderate-income families find themselves looking ever further from job centers for affordable housing, according to Mervin Jebaraj of the University of Arkansas Center for Business and Economic Research (Interview with the authors, May 2022).

A growing number of regional leaders believe Northwest Arkansas is approaching a crossroads. One possible path is to develop primarily outwards. While the region has ample land, this means adding population mostly in outlying areas requiring long commutes and increasing congestion in core cities since the region has limited public transit.

The other path is to promote moderate densification in central areas, with multiple housing types and more mixed-use infill development. This path also means creating policy toolkits to support subsidized housing in high-opportunity areas. More housing in the core cities

### Rapid Increase in Rents in Northwest Arkansas



would have four benefits:

- Greater supply at all price points would ease market pressures and improve affordability over time, reinforcing one of the region’s key competitive strengths.
- More attainable housing in high-opportunity areas would open up opportunities for moderate-income people and help employers fill positions.
- Creation of walkable urban spaces would attract talented people, just as trails and arts amenities do, adding vibrancy. Density and walkability contribute to a region’s innovativeness, as thinkers from the great urbanist Jane Jacobs to modern-day scholars like Harvard’s Edward Glaeser and George Washington University’s Christopher Leinberger have shown (Ellison et al., 2007).
- Shorter commutes promote ecological and financial sustainability.

From 2019 to 2021, the Walton Family Foundation published a series of studies strongly endorsing the second path. The reports point to progress in all four cities – zoning changes, reduced parking minimums, and greater downtown walkability (2021).

Also in 2021, the Northwest Arkansas Council launched its new Workforce

Housing Center, focused on bringing more housing options to teachers, firefighters, care providers, building tradespersons, and others who make up the economic backbone of the region. The Center believes the region is at risk of undermining its growth trajectory and “best place” quality of life if well-located housing moves further out of reach for families earning between \$35,000 and \$75,000 a year.

The Center is ramping up efforts to educate residents on housing challenges, advocate for an updated development model, and convene government, business, real estate, and banking leaders to build consensus on the path forward. Above all, the Center will press for policy changes to promote more housing and wider varieties of housing types, with a focus on proximity to job centers, transportation corridors, and the region’s rich amenities.

Northwest Arkansas enjoys three advantages as it tackles its challenges. First, people are pouring into the region, creating good conditions for a homebuilding boom. Second, it’s an extraordinarily low-density region compared to similarly sized metros, allowing for considerable infill and Missing-Middle development without creating what many would view as excessive density. Third, it has a strong tradition of coordinated action across the public, private, and nonprofit sectors to plan for the region’s future.

While Northwest Arkansas is struggling like all fast-growing metros to produce the housing it needs in high-opportunity areas, these advantages make it a region to watch.

---

### Cullum Clark, Ph.D.

J.H. Cullum Clark is director at the Bush Institute at the Southern Methodist University (SMU) Economic Growth Initiative and an adjunct professor of Economics. Clark worked in the investment industry for 25 years, serving as an equity analyst and portfolio manager at Brown Brothers Harriman & Co. and at Warburg Pincus Asset Management, as president and chief investment officer of Cimarron Global Investors, and as president of Prothro Clark Company. He holds a Ph.D. from SMU, a Bachelor of Arts from Yale University, and a Master of Arts from Harvard University.

### Duke McLarty, J.D.

As the executive director of the Northwest Arkansas Workforce Housing Center, Duke McLarty develops housing solutions that promote well-designed, mixed-use neighborhoods across the region. McLarty previously served as the senior director of Government and Community Relations for AIR Communities and as a senior policy advisor at the U.S. Department of Housing and Urban Development and the Federal Housing Administration. McLarty holds a Juris Doctor from the University of Arkansas School of Law.

*Artist’s rendition of how applying A Better Foundation principles would improve housing supply in Bentonville, Arkansas.*

