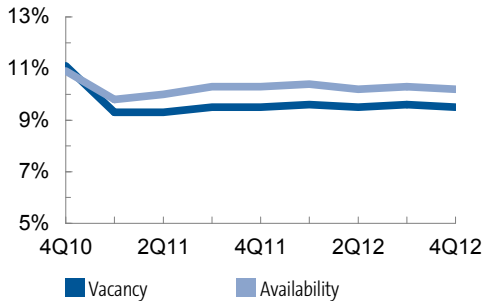
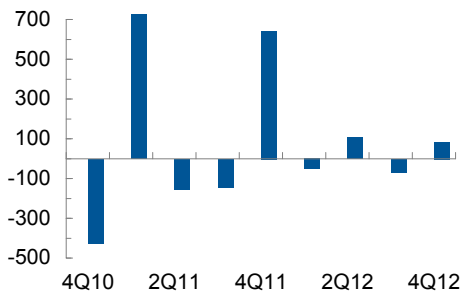


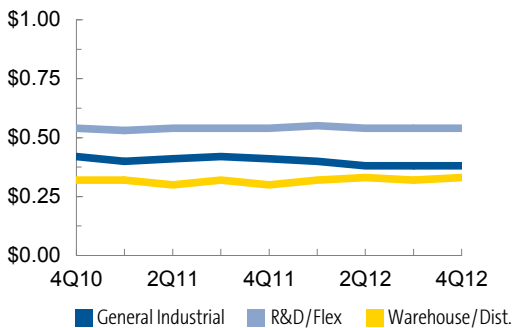
### Vacancy & Availability Rates



### Absorption (in Thousands of SF)



### Asking Rental Rates (\$/SF/Mo./Triple Net)



## On Solid Footing

The last few years have been challenging and confusing to say the least. Many sectors of the local and regional economy have been on life support, including almost all types of construction. However, industries tied to the agricultural sector have flourished and provided the foundation for the relative stability experienced.

During the expansionary period of 2005 to 2007, the industrial market added several million square feet of inventory and at one point the vacancy rate dropped. When the market slowed in 2008, there was concern that vacancies would be rampant leading to a precipitous drop in values. Neither situation occurred. In fact, with few exceptions there has not been an abundance of availability of any product type. Further, rental rates have only decreased 15 to 25 percent from their peak and sales prices for non-bank-owned properties have only fallen 20 to 30 percent. These are not great statistics, but they are far from the disaster predicted by many.

The Fresno industrial market is bifurcated into two categories - properties occupied by businesses servicing and supplying the local market and properties occupied by businesses doing the same for the region. Over the last twelve months both categories have seen decreases in vacancy and a leveling-off of rental rates. In some cases, like small free-standing warehouses, availability has decreased significantly and lease rates have started to increase. Another example of a product type doing well are Class A warehouses, which cater to larger (over 50,000± SF) users. These types of buildings are estimated to have a vacancy rate of less than eight percent.

The last year has been a mixed bag for sales. Values did not decrease much, but activity did increase. The likely reason that was that sellers and buyers were not initially as far apart. Make no mistake, buyers tried very hard to get bottom dollar, but as deals occurred it became easier to justify prices and bring sellers and buyers together. Banks were the wild card sellers as most held the line on sales prices and seemed willing to allow extended marketing timelines instead of dumping properties. The result was that there were a few outlier sales, but most foreclosed properties traded at market prices.

Looking forward, there are several new projects in the pipeline or underway, including a speculative 96,000-square-foot Class A warehouse at North Pointe Business Park. Also, infrastructure work has begun on the last 30-acre phase of a small building subdivision on the west side of Fresno. Finally, relocations due to High Speed Rail might be the impetus for vacant, ready-to-develop land once again becoming a desirable commodity by the end of 2013.

### FORECAST

- Vacancy rates for most product types will decrease slightly.
- Rental rates will stay flat, but leasing incentives will be less common.
- Developers will begin to submit building plans again.

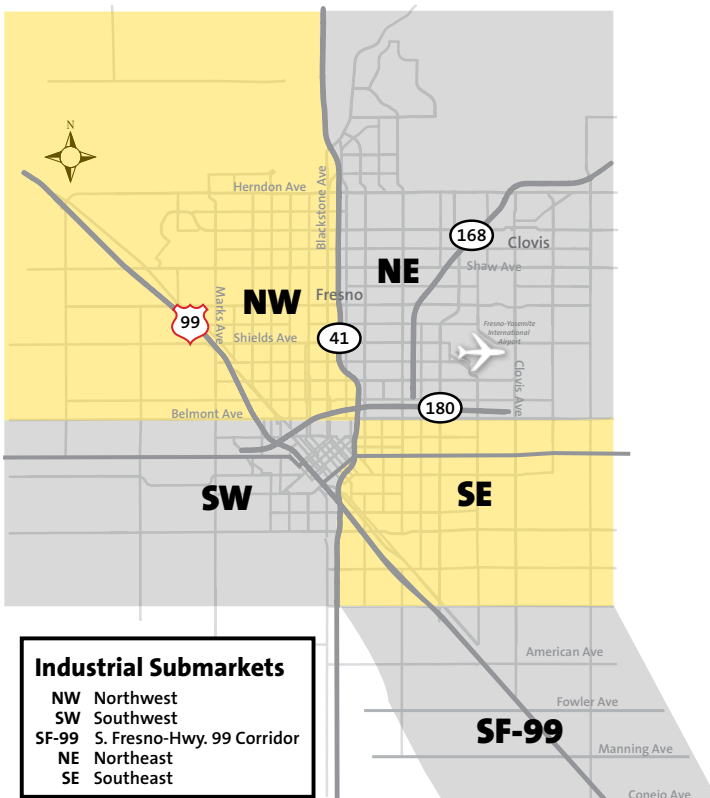
# Industrial Trends Report—Fourth Quarter 2012

## Fresno, CA



By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current Qtr	Year To Date		WH/Dist	R&D/Flex
Northeast	13,338,441	812,382	6.1%	6.5%	(41,683)	5,606	-	\$0.37	\$0.47
Northwest	8,973,775	1,176,436	13.1%	13.3%	(44,288)	(71,478)	-	\$0.40	\$0.62
S. Fresno-Hwy.99 Corridor	5,130,162	544,805	10.6%	10.6%	-	60,878	-	-	-
Southeast	29,354,761	2,753,715	9.4%	10.5%	173,310	187,858	-	\$0.29	\$0.52
Southwest	7,477,224	799,605	10.7%	11.6%	(2,566)	(111,565)	-	\$0.28	-
<b>Totals</b>	<b>64,274,363</b>	<b>6,086,943</b>	<b>9.5%</b>	<b>10.2%</b>	<b>84,773</b>	<b>71,299</b>	<b>-</b>	<b>\$0.33</b>	<b>\$0.54</b>

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT	
								WH/Dist	R&D/Flex
General Industrial	27,814,669	2,660,026	9.6%	10.5%	(44,704)	(77,677)	-	\$0.38	
R&D/Flex	1,095,355	313,350	28.6%	28.6%	(4,459)	9,467	-	\$0.54	
Warehouse/Distribution	35,364,339	3,113,567	8.8%	9.4%	133,936	139,509	-	\$0.33	
<b>Totals</b>	<b>64,274,363</b>	<b>6,086,943</b>	<b>9.5%</b>	<b>10.2%</b>	<b>84,773</b>	<b>71,299</b>	<b>-</b>	<b>\$0.35</b>	



### Grubb & Ellis|Pearson Commercial Industrial Advisors

**Lou Ginise, SIOR**  
 Senior Vice President | Industrial Division  
 559.447.6232  
 lginise@pearsonrealty.com  
 CA DRE# 00298491

**Ron Stoltenberg**  
 Vice President | Industrial Division  
 559.447.6227  
 rstoltenberg@pearsonrealty.com  
 CA DRE# 00523898

**Ethan Smith, CCIM**  
 Vice President | Industrial Division  
 559.447.6256  
 esmith@pearsonrealty.com  
 CA DRE# 01395349

**Daniel Simon**  
 Sales Associate | Industrial Division  
 559.447.6274  
 dsimon@pearsonrealty.com  
 CA DRE# 01895946

## INDUSTRIAL TERMS AND DEFINITIONS

**Total SF:** Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 4,800 square feet.

**Industrial Buildings Classifications:** Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and

sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance

and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

*Reproduction in whole or part is permitted only with the written consent of Grubb & Ellis Company. Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof.*