



4Q13 FRESNO INDUSTRIAL MARKET

Newmark Grubb
Pearson Commercial

POSITIVE TRENDS, BUT QUESTIONS ABOUND

The worst is over! The year has finally ended! The market has bottomed out! All these are phrases that have permeated conversations the last few quarters. Finally, the data supports the talk on the street.

Over the past year, the vacancy rate has steadily decreased as has the availability rate. For most Class A and B space, rents and sales prices have been increasing albeit at a tempered rate. As expected, there has been a flight to quality as owners and tenants alike realize the changing dynamics of the marketplace. The result has been a rapid decrease in choices for tenants and buyers for most product types when searching for new space.

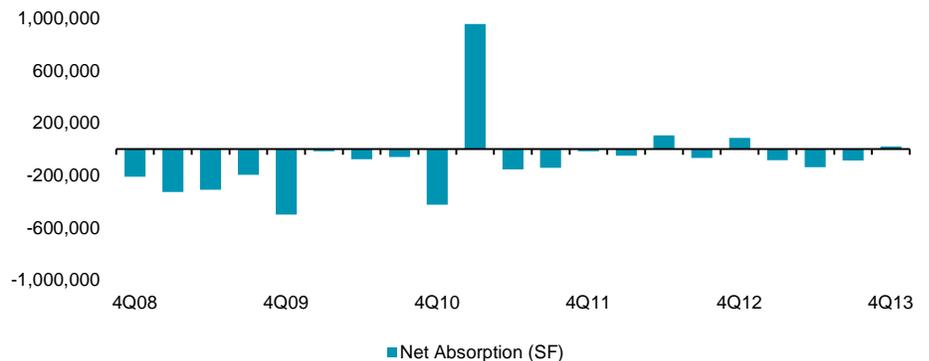
However, there are important questions that need to be answered.

- 1) What impact will High Speed Rail (HSR) have on the marketplace? It has been expected that HSR will stimulate demand for space when local businesses relocate as well as when companies come to the area to work on various projects. To date, HSR has only created uncertainty and confusion due to delays in HSR purchasing property, providing relocation monies and delaying the start of construction. If HSR begins construction in 2014, it could lead to a very significant increase in demand for space.

Asking Rent and Vacancy



Absorption



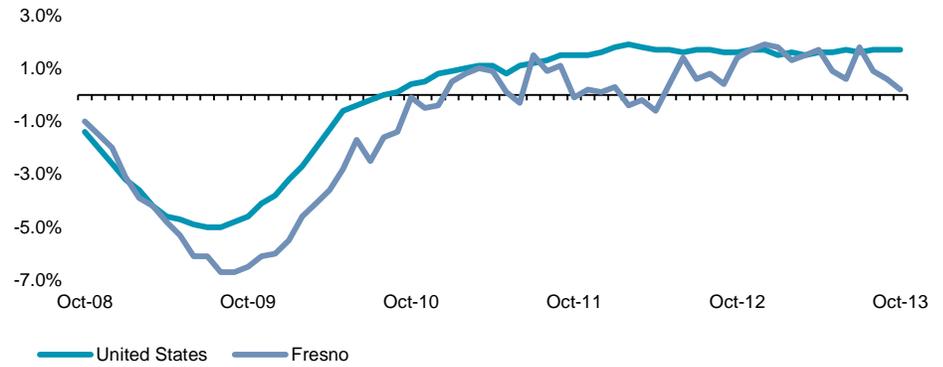
Key Indicators			
Total Inventory (SF)		65,641,288	
	4Q13	3Q13	4Q12
Asking Rent (Price/SF)	\$.38	\$.36	\$.35
Vacancy Rate (%)	10.0%	10.4%	10.2%
Under Construction (SF)	45,508	45,508	0
	4Q13	3Q13	2013
Net Absorption (SF)	20,527	(231,809)	20,527
Deliveries (SF)	0	0	0



- 2) Next, will developers build? With rents increasing and quality space becoming scarce, it seems the timing is right for new development, but there are few projects planned and none under construction. If positive absorption continues through the first half of the year, it is very likely that developers will speculatively build.
- 3) Finally, will owners/users begin to purchase land? Many local companies, especially those servicing the agricultural community or the processing and manufacturing of food, are doing well, but they have few, quality options when deciding to purchase a new building. Assuming no dramatic changes in the availability of financing, it is likely that land will be an option for users requiring special purpose buildings or those expanding into 25,000 square feet and above.

Payroll Employment

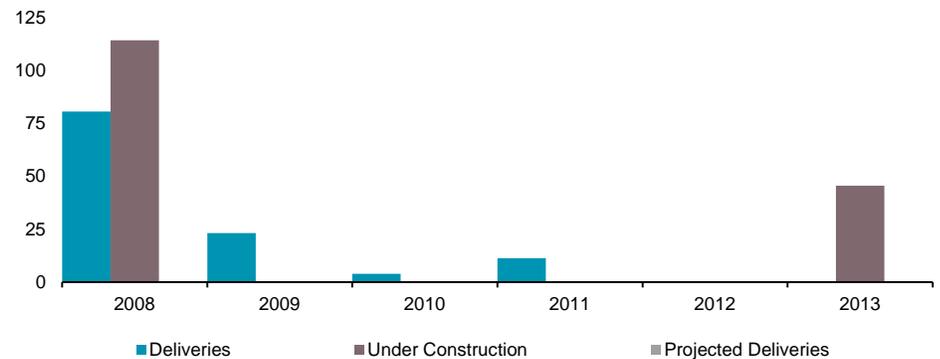
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, thousands



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Fruit Fillings	2875 S Elm Avenue	Southwest	51,984
Candor AGS	2904 S Angus Avenue	Southeast	25,000
Geary Pacific Corporation	3026 N Business Park Avenue	Northeast	16,080
Quantum West Coast Distribution	4377-4381 N Brawley Avenue	Northwest	12,829
Future Prospects Baseball	5125 N Gates Avenue	Northwest	12,100

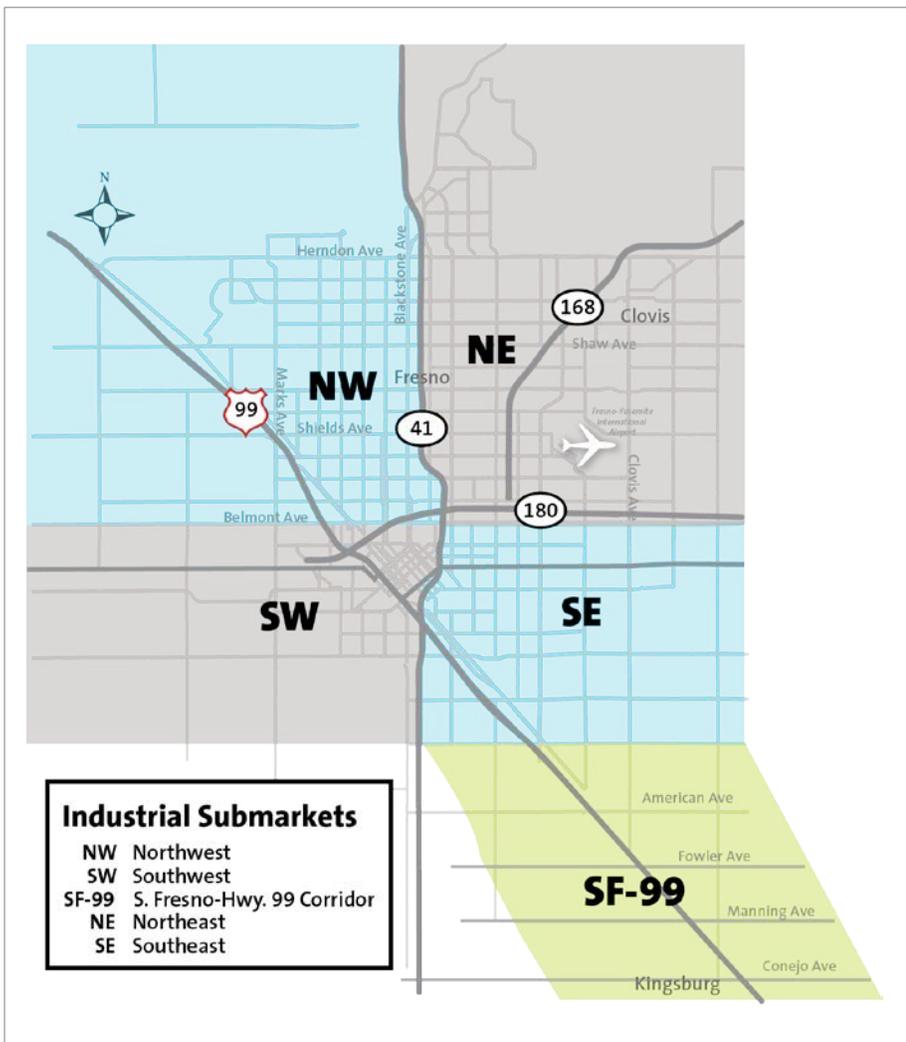
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
2676 S Maple Avenue	Southeast	104,860	\$3,620,100	\$34
3194 E Manning Avenue	S. Fresno-Hwy 99 Corridor	167,176	\$3,550,000	\$21
1899 N Helm Avenue	Northeast	16,000	\$900,000	\$57
3581 W Holland Avenue	Northwest	10,000	\$575,000	\$58
1215/1227/1263 Barstow Avenue	Northeast	16,000	\$962,000	\$60



Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Average Asking Rent (Price/SF)
Northeast	13,486,092	-	6.5%	-3,322	26,531	\$0.36	\$0.48	\$0.42
Northwest	9,035,869	-	14.0%	-25,810	-87,726	\$0.43	\$0.76	\$0.46
S. Fresno-Hwy 99 Corridor	5,280,732	-	10.4%	10,000	-	-	-	\$0.17
Southeast	29,764,604	45,508	10.7%	134,338	-71,236	\$0.34	\$0.52	\$0.33
Southwest	8,073,991	-	8.4%	137,130	152,958	\$0.26	-	\$0.34
Totals	65,641,288	44,508	10.0%	252,336	20,527	\$0.36	\$0.61	\$0.38





Fresno

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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Industrial inventory includes all multi-tenant and single tenant buildings at least 4,800 square feet in total rentable building area.

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