



1Q14 FRESNO INDUSTRIAL MARKET

Newmark Grubb
Pearson Commercial

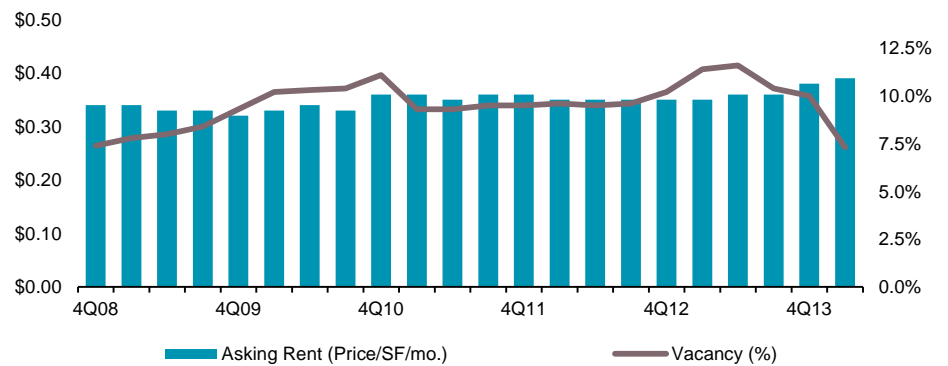
A TIGHTENING MARKET

The data is finally starting to confirm what the last several quarters have made apparent: The industrial sector is trending in a positive direction. The overall market vacancy rate is continuing to fall and rents and sales prices are starting to increase. For property owners, these key metrics are reassuring and inspire confidence. For tenants and prospective buyers, however, this data may cause concern, since market dynamics no longer strongly favor them.

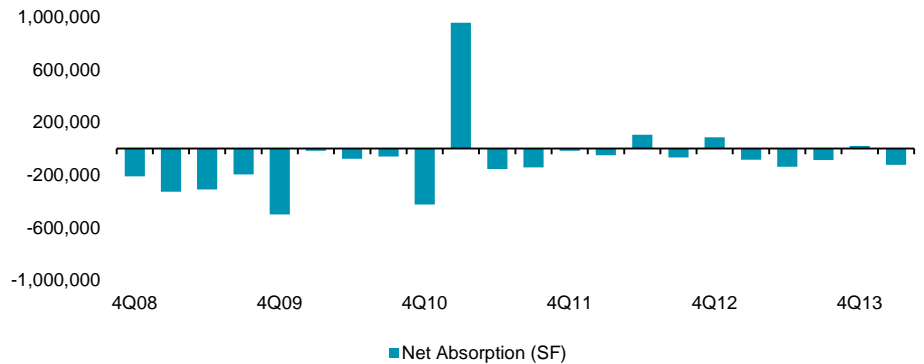
As expected, newer, higher quality buildings are in greater demand than older, less functional properties. Tenants and buyers are seeking ready-to-go real estate in convenient (i.e. proximate to Highway 99 and/or other industrial business) locations. The supply of this type of property is shrinking, forcing prospects to more quickly make offers or risk forgoing a site expansion or relocation. For example, a newer concrete tilt-up warehouse received multiple offers within weeks of listing and sold for the asking price, which represents the highest PSF sales price in the last five years.

Developers are feeling bullish enough to break ground or finish planning for a number of speculative or build-to-suit projects. Over 700,000 square feet of Class A space, including small (under 20,000 square feet), mid-size (20,000 to

Asking Rent and Vacancy



Absorption



Key Indicators

Total Inventory (SF)		65,392,424	
	1Q14	4Q13	1Q13
Asking Rent (Price/SF)	\$.39	\$.38	\$.35
Vacancy Rate (%)	7.3%	10.4%	10.2%
Under Construction (SF)	0	45,508	45,508
	4Q13	3Q13	2Q13
Net Absorption (SF)	(123,144)	20,527	(83,134)
Deliveries (SF)	233,785	0	0

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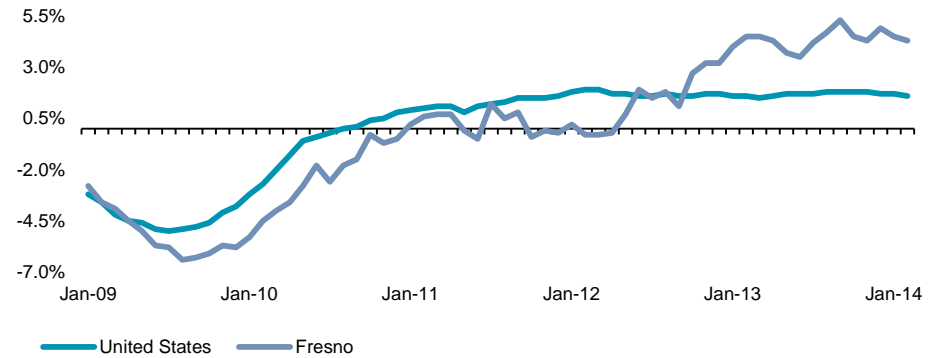
50,000 square feet) and larger (100,000+ square feet) buildings, may come onto the market in the next year, provided developers break ground on schedule.

Finally, in another sign of how much the market has changed, developable land is once again trading after several years without a single deal. Multiple land transactions have occurred in the last two quarters, and more are expected to close this year. So far, buyers have included users from a variety of industries, with requirements that existing available inventory could not meet.

Looking ahead, it appears that 2014 will mark a positive turning point for the market.

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
FED EX	793 E North Avenue	Southwest	200,000
Dynamex Operations West	3421 E North Avenue	Southeast	33,600
N/A	4704 N Sonora Avenue	Northeast	25,000
TTR Sibstatoions, Inc.	4533 E Citron Avenue	S. Fresno-Hwy. 99 Corridor	23,625
Food Bank	956-976 S Parallel Avenue	Northwest	22,500

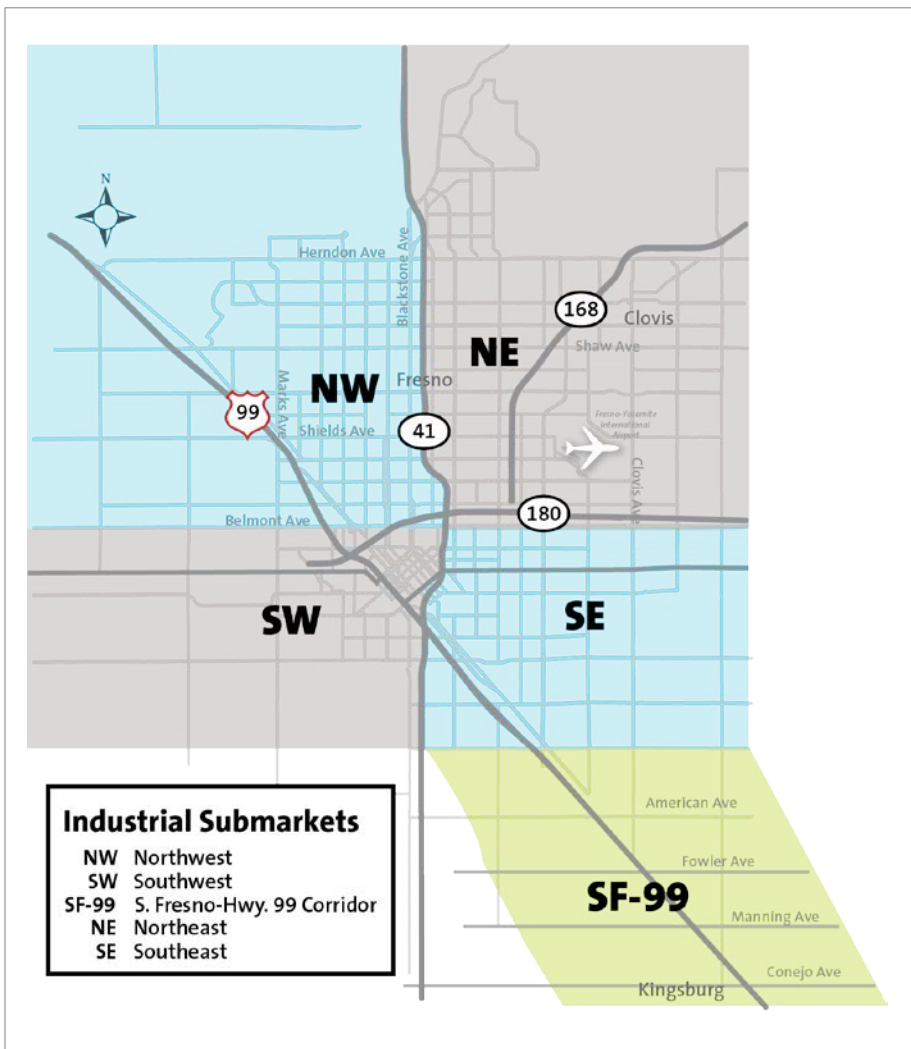
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
245 W Dakota Avenue	Northeast	43,044	\$3,000,000	\$70
2660 S East Avenue	Southeast	24,900	\$1,202,000	\$48
5515 E Lamona Avenue	Northeast	42,000	\$1,325,000	\$32
3632 S Bagley Avenue	Southeast	11,800	\$515,000	\$44
3140 & 3160 E California Avenue	Southeast	23,252	\$420,000	\$18



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	13,448,416	-	4.8%	694	694	\$0.37	\$0.84	\$0.43
Northwest	8,912,600	-	8.3%	4,000	4,000	\$0.49	\$0.92	\$0.52
S. Fresno-Hwy 99 Corridor	5,328,192	-	10.9%	-2,738	-2,738	-	-	\$0.74
Southeast	29,417,393	-	7.7%	-87,444	-87,444	\$0.31	\$0.52	\$0.31
Southwest	8,285,823	-	6.5%	-37,656	-37,656	\$0.30	-	\$0.35
Totals	65,392,424	-	7.3%	-123,144	-123,144	\$0.36	\$0.86	\$0.39





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 as well as owner-occupied properties.

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