

2Q14 FRESNO INDUSTRIAL MARKET

Newmark Grubb
Pearson Commercial

MOVING ALONG WITH A POSITIVE OUTLOOK

As anticipated, the Fresno industrial market continued to improve in the second quarter of 2014. The total vacancy rate declined again, though with less momentum than the previous two quarters. While there were some small variances in average asking rates between submarkets, the total average asking rate remained the same.

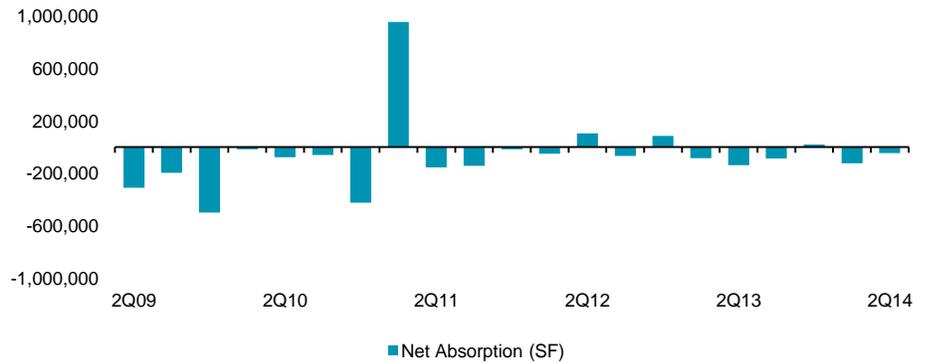
With the help of low-interest rates from banks willing to lend, sales transactions are being completed for motivated buyers, owner-users and investors, as more buyers are starting new property searches. In this regard, sales activity continues to spur more potential buyers, particularly in the northeast and northwest submarkets.

Even though the average asking rate was flat last quarter, tenants continue to look for new space. In some cases they are doubling in size, while others are venturing out of their garage for the first time. Consequently, landlords are becoming more particular about their tenants, i.e., their building use, financial strength and lease terms. The most significant change is the recent disappearance of the one-year lease term, which has been replaced with three- to five-year terms. The product of choice continues to be “turn-key” space that the tenant can occupy while spending little to no money on its own improvements. The number of available properties like this continues to dwindle.

Asking Rent and Vacancy

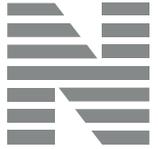


Absorption



Key Indicators			
Total Inventory (SF)			65,392,424
	2Q14	1Q14	2Q13
Asking Rent (Price/SF)	\$.39	\$.39	\$.36
Vacancy Rate (%)	7.3%	7.3%	9.8%
Under Construction (SF)	0	0	45,508
	2Q14	1Q14	2014 -YTD
Net Absorption (SF)	(45,008)	(116,104)	(161,104)
Deliveries (SF)	0	233,785	233,785

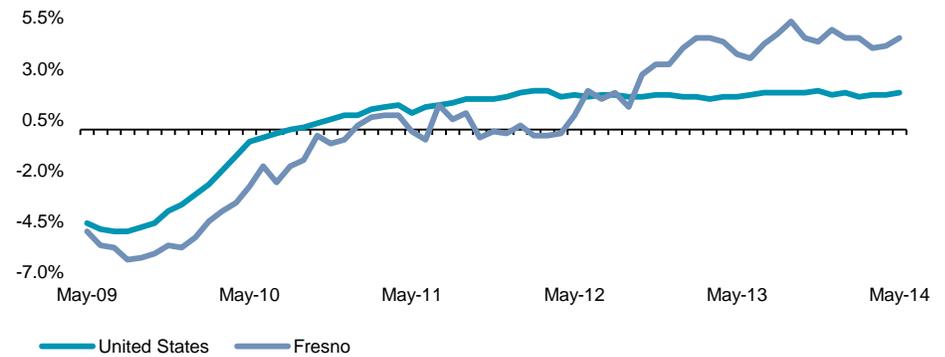
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The second quarter also saw buyers continue to search for industrial land suitable for development. Developers continuing to purchase land for future development while new construction is already in progress seems to be a significant sign of improvement in the market. If this trend continues, the industrial market may see sustained growth for the next year or two.

Payroll Employment

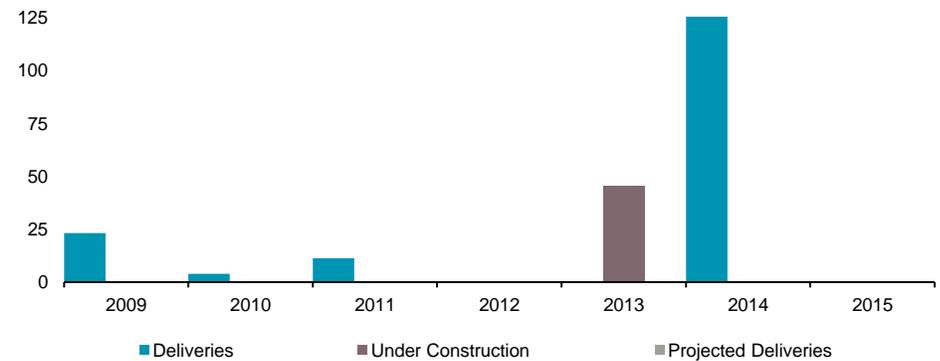
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, thousands



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
ACD Distribution	4069 W Shaw Avenue	Northwest	27,000
Neighborhood Thrift, Inc.	210 N Thorne Avenue	Southeast	27,000
N/A	3715 W Gettysburg Avenue	Northeast	25,000
Pacific Storage Company	3134 S East Avenue	Southeast	23,296
On Trac	4603 N Brawley Avenue	Northwest	20,000

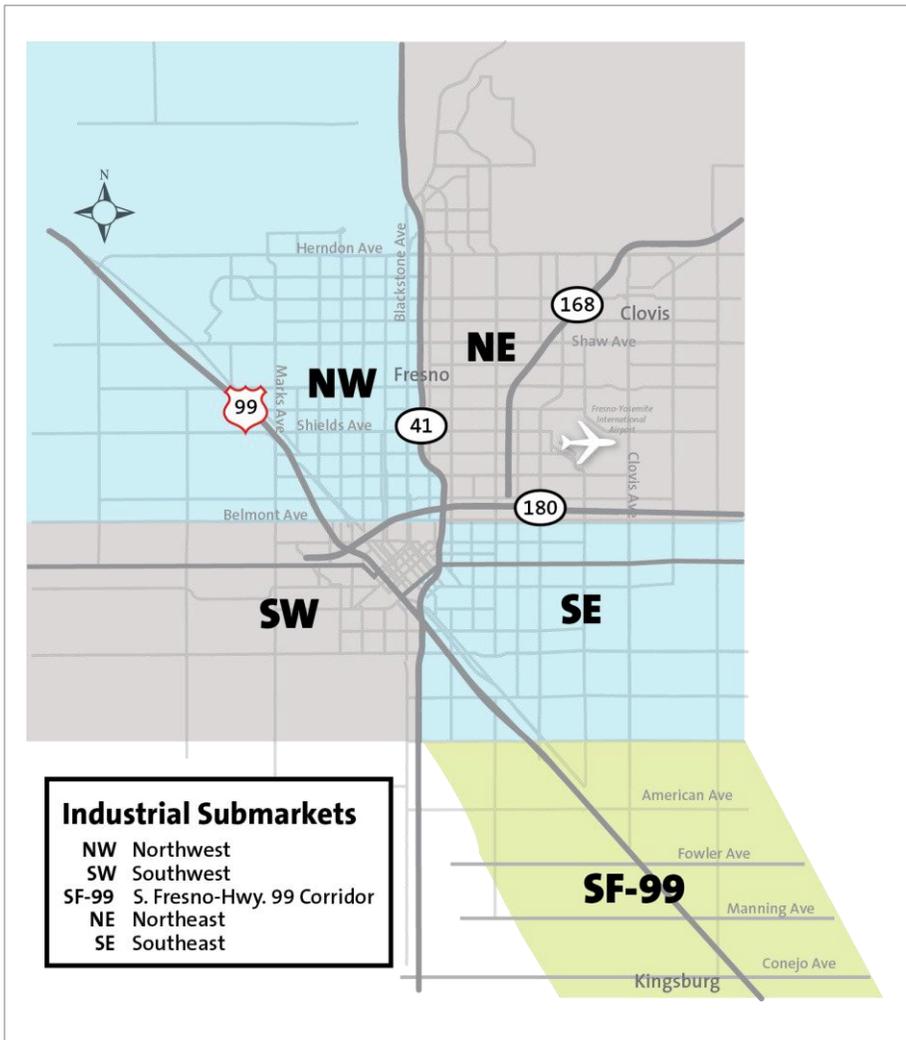
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
2727 S East Avenue	Southeast	32,064	\$1,500,000	\$47
2443 Foundry Park	Northeast	14,000	\$950,000	\$68
1630 N Golden State Blvd	Southeast	6,000	\$450,000	\$65
1010 W Whitesbridge Avenue	Southwest	5,172	\$445,000	\$87
2330 N Larkin Avenue	Northeast	5,000	\$422,500	\$85



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	-	4.6%	18,113	25,847	\$0.37	\$0.62	\$0.42
Northwest	8,912,600	-	8.1%	20,587	24,587	\$0.48	\$0.85	\$0.53
S. Fresno-Hwy 99 Corridor	5,328,192	-	10.9%	-	-2,738	-	-	\$0.74
Southeast	29,417,393	-	8.1%	-103,143	-190,587	\$0.32	\$0.72	\$0.33
Southwest	8,285,823	-	6.2%	19,435	-18,221	\$0.31	-	\$0.35
Totals	65,392,424	-	7.3%	-45,008	-161,112	\$0.36	\$0.78	\$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.

Independently owned and operated

Newmark Grubb Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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