

3Q14 FRESNO INDUSTRIAL MARKET

Newmark Grubb
Pearson Commercial

THE MARKET CONTINUES TO IMPROVE

The third quarter of 2014 marked just over a year of consistent improvement for the Fresno industrial market. The vacancy rate continued its decline, falling 50 basis points during the quarter, while availability also fell. Stronger absorption pushed average asking rates slightly higher across all sectors of the market, most notably in the South Highway 99 corridor. By comparison, asking rates were flat in the second quarter.

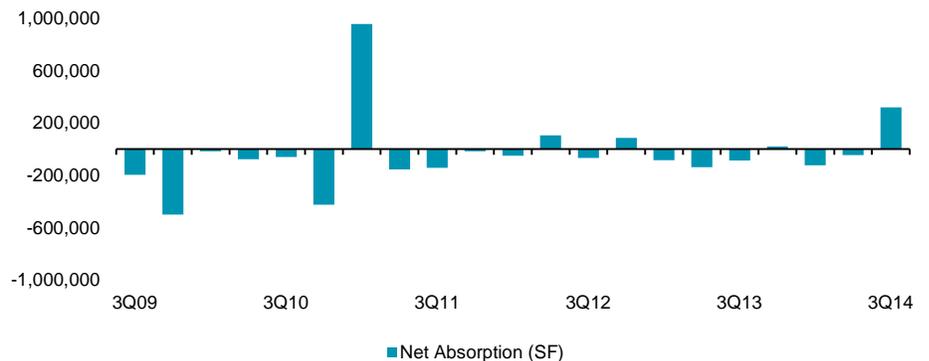
Sale and acquisition activity remained consistent throughout the third quarter. Local buyers became more active as companies displaced through eminent domain by the California High-Speed Rail Authority sought new accommodations. This trend is expected to continue until the authority's land acquisitions are complete.

Leasing activity also remained consistent from last quarter. Landlords received 2% to 3% increases on multi-year renewals. Other tenants are in the market for more space, and are not afraid to take space in "as-is" condition and either complete their own tenant-improvements or sign a three- to five-year lease. Local landlords appeared to be more comfortable with the market, as rates slowly increased and vacancy fell.

Asking Rent and Vacancy



Absorption



Key Indicators

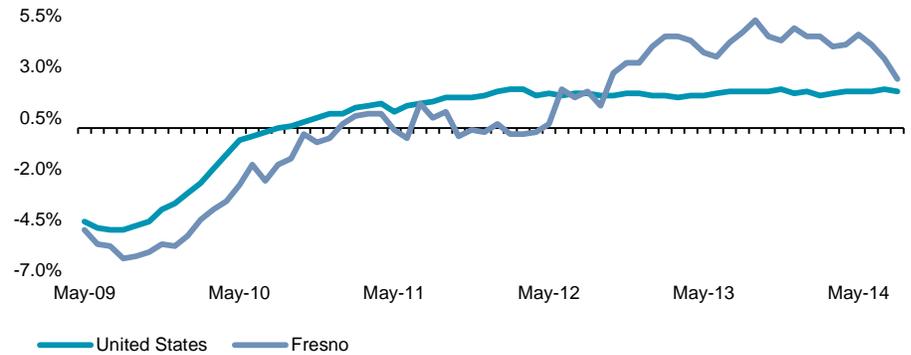
Total Inventory (SF)	65,392,424		
	3Q14	2Q14	3Q13
Asking Rent (Price/SF)	\$.41	\$.39	\$.36
Vacancy Rate (%)	6.6%	7.3%	10.5%
Under Construction (SF)	270,620	0	45,508
	3Q14	2Q14	2014 -YTD
Net Absorption (SF)	238,974	(45,008)	317,875
Deliveries (SF)	0	0	233,785



The bottom line is that Fresno's industrial market has continued to improve: Buildings that were vacant for years now have new tenants; landlords are watching their multi-tenant industrial properties approach full occupancy; and vacant developable industrial parcels are attracting more interest and even selling here and there. Expect this trend to continue for at least another year, possibly two. Fresno can also expect to see some speculative industrial development starting in 2015 and possibly into 2016 due to the sustained low vacancy rates and increasing rents.

Payroll Employment

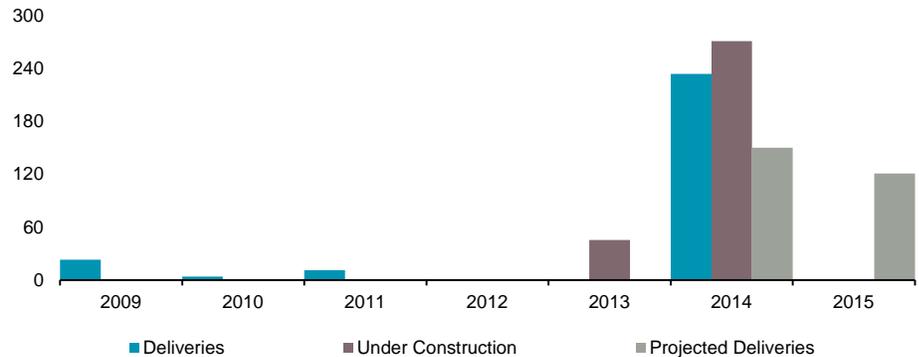
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, thousands

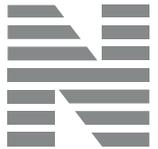


Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Pana-Pacific Corporation	Laverne & Washington Avenues	Southeast	150,000
N/A	3596 E Central Avenue	Southeast	47,998
Pentair Flow Technologies	5661 N Golden State Blvd	Northwest	42,500
PODS Enterprises, Inc	2855 S Elm Avenue	Southwest	32,490
Interior Services & Design	4603 N Brawley Avenue	Northwest	25,750

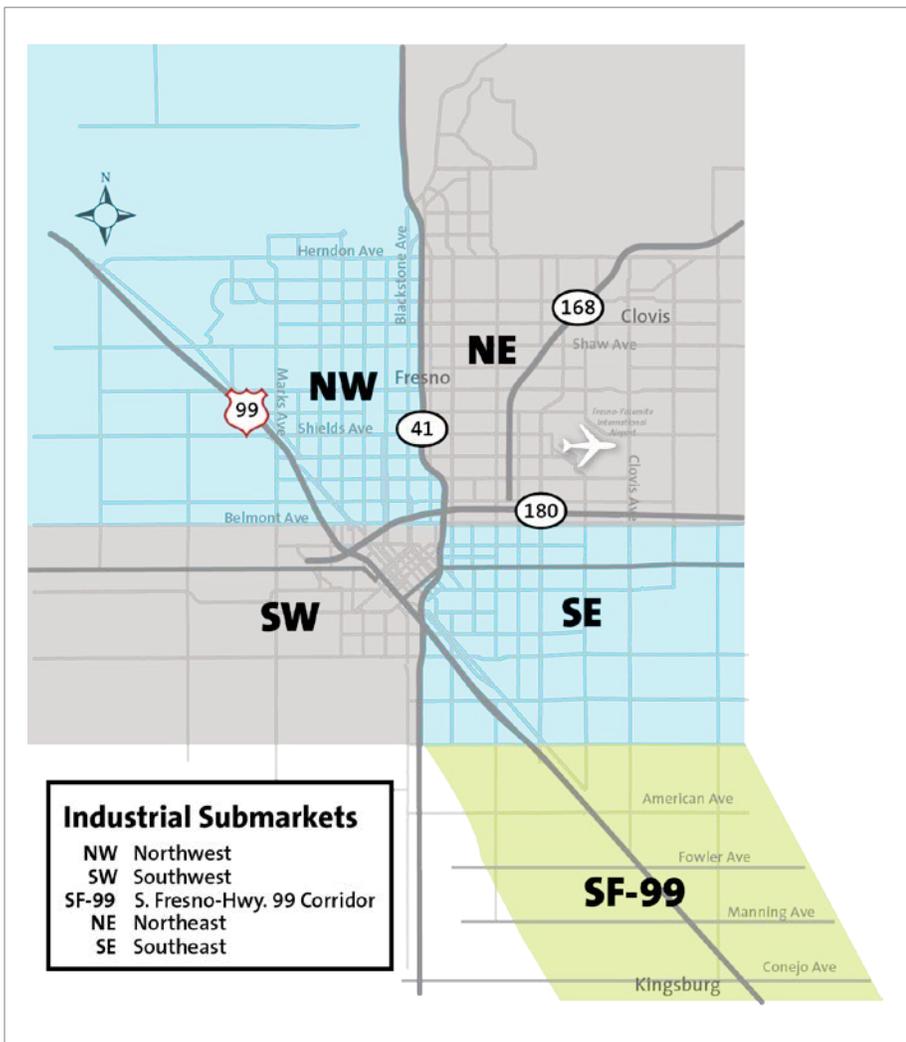
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
1888 S East Avenue	Southeast	317,555	\$11,325,000	\$36
300 Pontiac Way	Northeast	74,614	\$3,125,000	\$42
4603 E Vine Avenue	Southeast	97,200	\$2,043,000	\$22
4450 N Brawley Avenue	Northwest	66,600	\$2,025,000	\$31
7328 N Remington Avenue	Northeast	15,200	\$1,727,500	\$114



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%	-4,305	21,542	\$0.37	\$0.62	\$0.42
Northwest	8,912,600	20,000	7.6%	36,884	69,407	\$0.48	\$0.89	\$0.53
S. Fresno-Hwy 99 Corridor	5,328,192	-	10.8%	5,000	2,262	-	-	\$0.79
Southeast	29,417,393	213,000	7.4%	168,905	5,708	\$0.32	\$0.72	\$0.34
Southwest	8,285,823	37,620	3.4%	32,490	218,956	\$0.31	-	\$0.36
Totals	65,392,424	270,620	6.6%	238,974	317,875	\$0.36	\$0.80	\$0.41





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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