



4Q14 FRESNO INDUSTRIAL MARKET

Newmark Grubb
Pearson Commercial

FINISHING STRONG, LOOKING FORWARD TO 2015

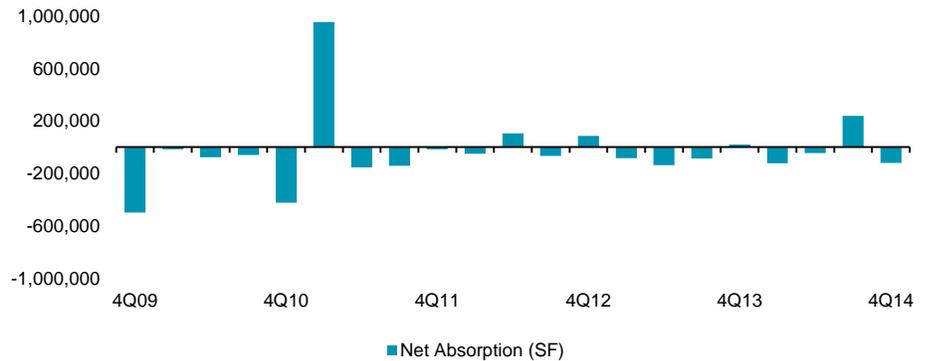
It was around this time one year ago that data began supporting the narrative that the market had “bottomed out.” Since then, vacancy rates have fallen, from 10.0% in fourth-quarter 2013 to 6.8% in fourth-quarter 2014, and market absorption has been positive; even rental rates have risen slowly. The past year reflects a changing dynamic, with tenants and buyers adjusting from a market that favors them to a market that favors landlords and sellers. There is less available industrial product in all space sizes and market corridors, which will likely result in developers speculatively starting new projects in 2015. Deliveries of these properties are expected throughout the year.

High-speed rail sparked a significant spur in activity. The project officially broke ground in early January 2015 and will likely continue for the next several years. Downtown Fresno sits on the first 29-mile segment of the system. The project will eventually connect Los Angeles and San Francisco and is currently budgeted at \$68.0 billion. Landlords and property owners affected by high-speed rail have dealt with slow-going acquisition negotiations and, in some cases, eminent domain litigation, causing vacancy and profit loss. Many of the business affected have already relocated, and some will be forced to find new locations in 2015.

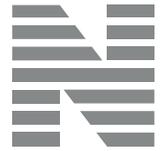
Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)		65,392,424	
	4Q14	3Q14	4Q13
Asking Rent (Price/SF)	\$.41	\$.41	\$.38
Vacancy Rate (%)	6.8%	6.6%	7.4%
Under Construction (SF)	270,620	270,620	45,508
	4Q14	3Q14	2014 -YTD
Net Absorption (SF)	-119,608	238,974	198,267
Deliveries (SF)	0	0	0

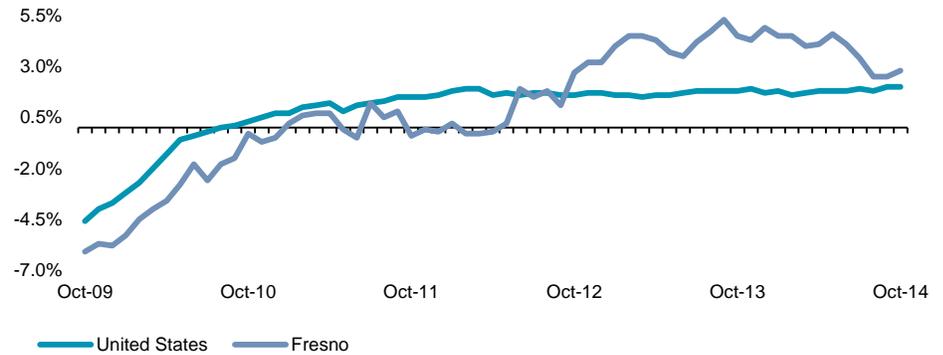


While high-speed rail caused the most notable increase in market activity for several Fresno submarkets, there were other factors that helped ramp-up the overall velocity of deals. First, as is typical in an improving economy, tenants are looking to buy property. With interest rates still historically low and banks easing their lending standards, prospective buyers have been anxious to take advantage these conditions. Additionally, the decreasing amount of quality industrial product available for sale or lease has been a motivating factor in shortening the decision-making timeline for buyers and tenants.

For the first time in six years, the Fresno market saw a limited amount of speculative industrial projects in 2014. The construction of new industrial buildings and projects is expected to intensify through 2015. With an increasing number of new projects comes an increase in industrial land sales. Consequently, industrial land acquisitions occurred in 2014, and more are expected in 2015. Overall, the outlook for Fresno's industrial market is promising. Increased product inventory on the horizon, combined with low interest rates and demand from buyers and tenants, is a recipe for a prosperous 2015.

Payroll Employment

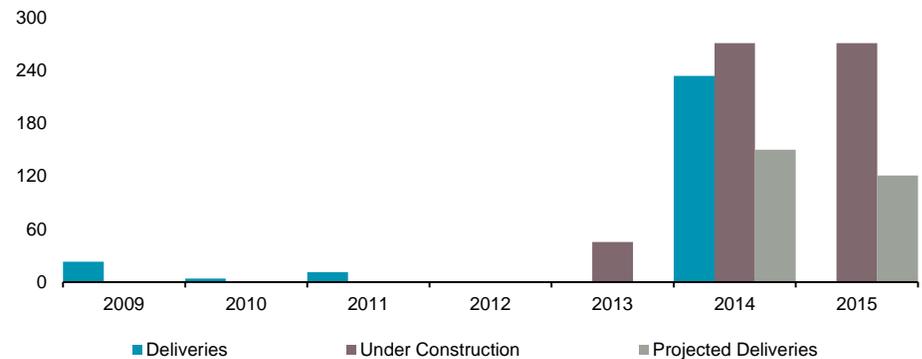
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, thousands

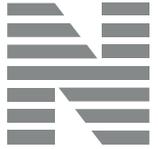


Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Bimbo Bakery	3292 S Willow Avenue	Southeast	68,000
The Toro Company	2945 S Angus Avenue	Southeast	48,000
Candor-AGS	2904 S Angus Avenue	Southeast	25,148
Transtar Industries, Inc	5391 E Home Avenue	Northeast	15,125
Bayland Battery Corp	2728 E Jensen Avenue	Southeast	15,300

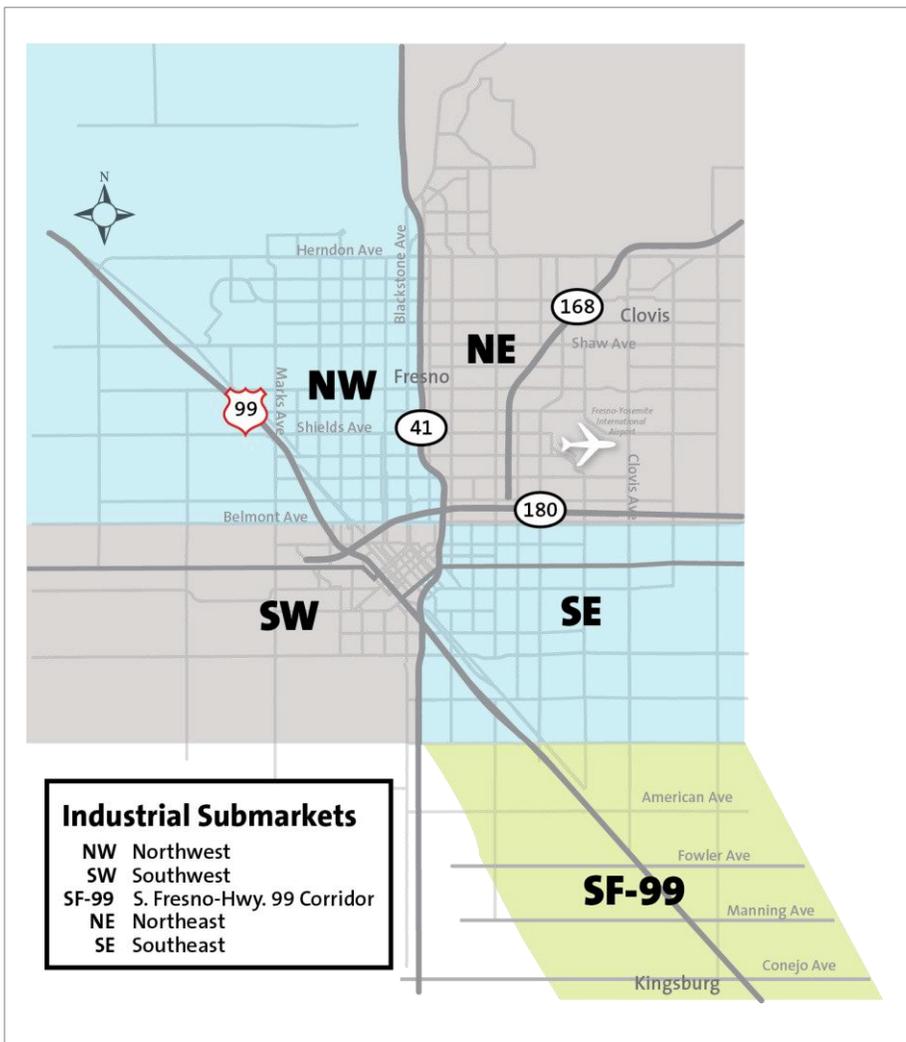
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
5354 E Home Avenue	Northeast	132,573	\$5,250,000	\$40
1550 E Street	Southwest	115,400	\$2,650,000	\$23
4585 E Citron Avenue	S Fresno - Hwy 99 Corridor	37,541	\$1,743,000	\$46
4507 N Selland Avenue	Northwest	16,180	\$1,000,000	\$62
3010 San Antonio Drive	S Fresno - Hwy 99 Corridor	12,568	\$600,000	\$48

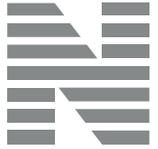


Submarket Statistics

	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%	-2,719	18,823	\$0.37	\$0.62	\$0.42
Northwest	8,912,600	20,000	7.6%	36,884	69,159	\$0.48	\$0.89	\$0.54
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	4,439	\$0.32	\$0.72	\$0.35
Southwest	8,285,823	37,620	4.7%	32,490	112,462	\$0.31	-	\$0.36
Totals	65,392,424	270,620	6.8%	238,974	317,875	\$0.36	\$0.80	\$0.41



RESEARCH



Fresno

Pearson Commercial
7480 N. Palm Ave., Suite 101
Fresno, CA 93711
559.432.6200

Kimberly Bretz

Industrial Division Research Manager
559.447.6241
kbretz@pearsonrealty.com

Daniel Simon

Sales Associate
559.447.6274
dsimon@pearsonrealty.com
CA BRE# 01895946

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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