



4Q14 FRESNO OFFICE MARKET

Newmark Grubb
Pearson Commercial

STEADY AS SHE GOES

As the Fresno office market has stabilized over the last several months, there was little change in the market this past quarter. There was no change in the overall vacancy rate of 13.0%, with minimal changes within the 10 respective submarkets. The only submarket which moved by more than one basis point was East Shaw. This was precipitated by a relatively large amount of space leased by Aetna Life Insurance Company.

With very little new construction during fourth-quarter 2014 or planned for the near future, lease rates have firmed up, and rent concessions, which were prevalent over the last couple of years, are becoming the exception rather than the norm. The pendulum appears to be swinging from a strong tenants' market to a more normal balanced market.

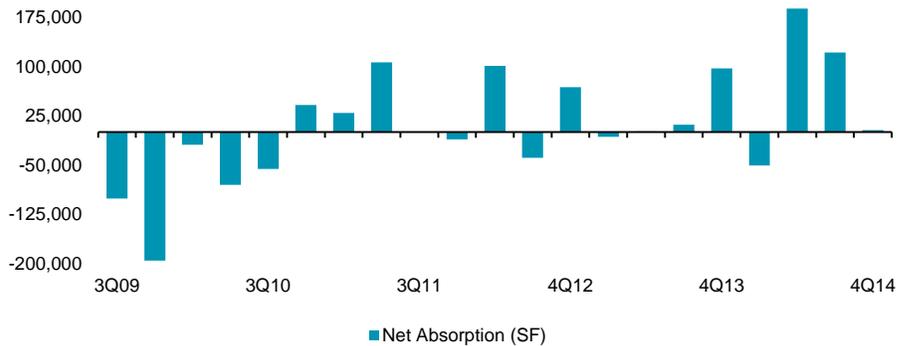
Lease activity was surprisingly strong during the fourth quarter, which is traditionally a slow period due to the holidays. This activity should carry on into 2015, as the economy continues to improve and the consumer confidence index rises. Compared to many other markets, particularly within the state of California, the Fresno office market provides a good value for multi-location tenants seeking new sites. Attractive cost of living and a readily available workforce make Fresno a good choice for employee-intensive office users. This should continue to drive the market for the foreseeable future.

Regarding sales activity, a key issue is the dearth of available investment property. There is pent-up investor demand being driven partly by money that has been waiting

Asking Rent and Vacancy



Absorption



Key Indicators

Total Inventory (SF)	19,543,949		
	4Q14	3Q14	4Q13
Asking Rent (Price/SF/Mo.)	\$1.66	\$1.65	\$1.67
Vacancy Rate (%)	13.0%	13.0%	14.7%
Under Construction (SF)	7,035	29,585	0
	4Q14	3Q14	2014-YTD
Net Absorption (SF)	3,280	121,486	266,796
Deliveries (SF)	29,585	0	90,585

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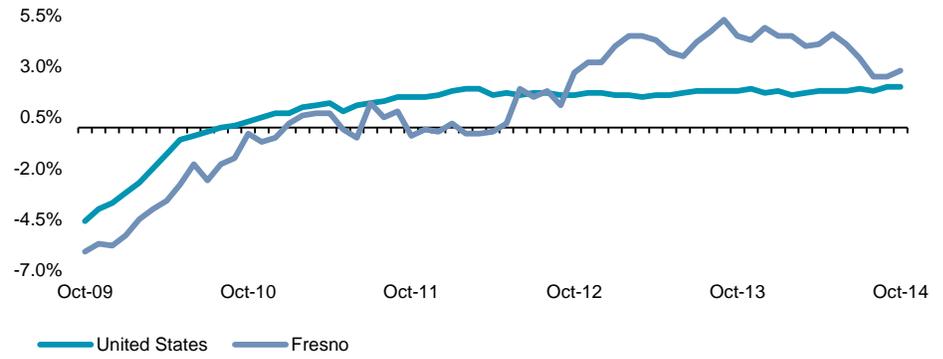


on the sidelines for opportunities, as well as by 1031 Exchange buyers from more competitive markets that are seeking higher returns. That being said, the past few months have shown a marked increase in investment inventory, with sellers seeking to take advantage of increasing values and low capitalization rates. With the threat of interest rates and capitalization rates increasing next year, sales activity is expected to strengthen over the next several months.

As a whole, the Fresno office market is very stable and should remain so in 2015, barring any catastrophic economic events.

Payroll Employment

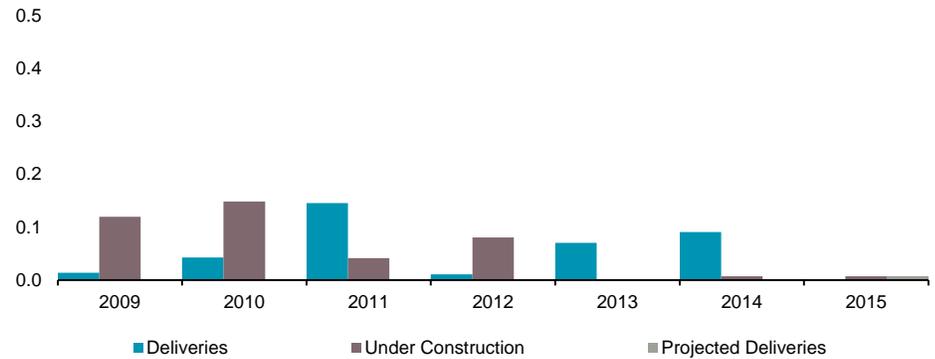
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions

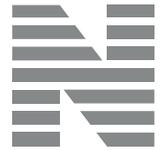


Select Lease Transactions

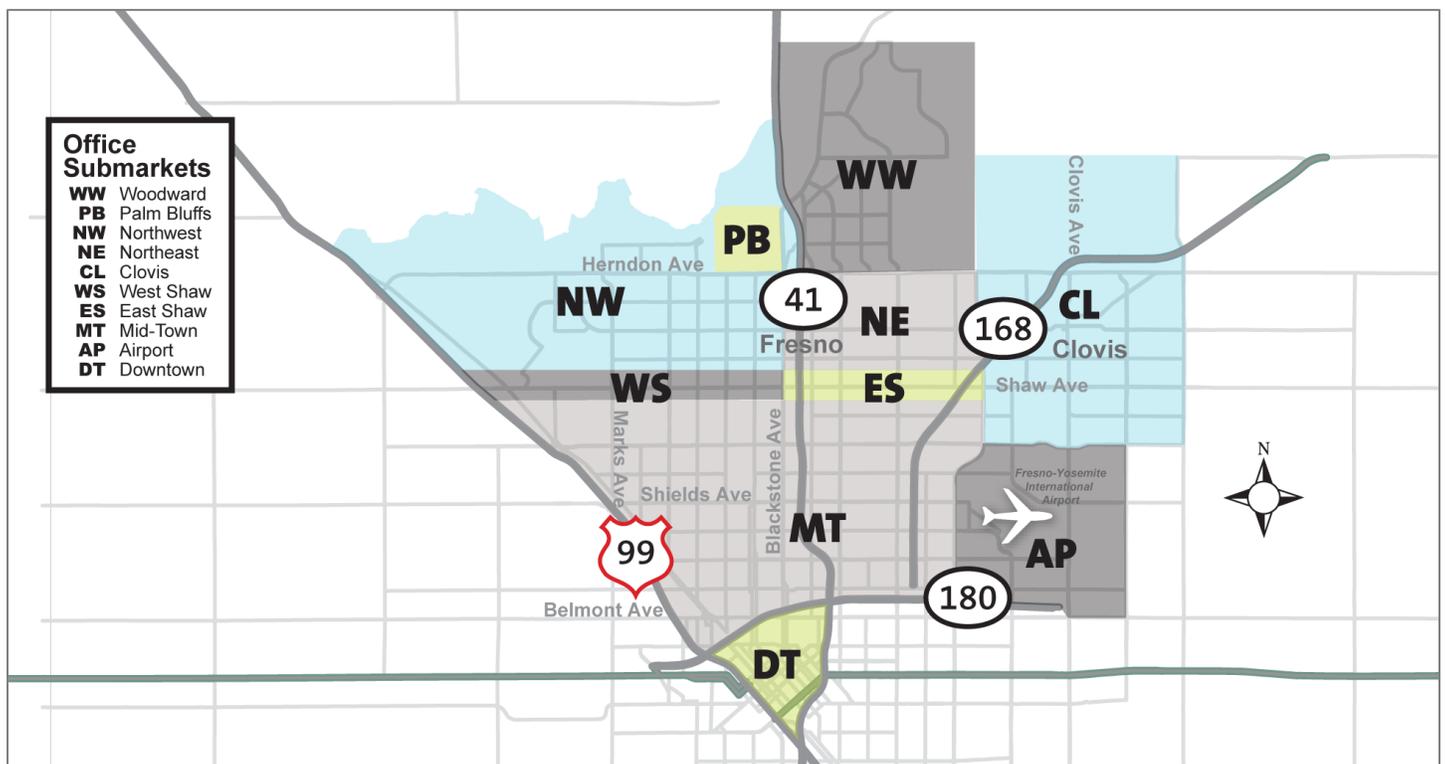
Tenant	Building	Submarket	Square Feet
Aetna Life Insurance Company	1333 E Shaw Ave	East Shaw	29,613
Alliant Insurance Services	Park View Plaza	Woodward	19,960
Kaiser Foundation Health Plan	Woodward Centre	Woodward	8,139
Law Offices of Richard Yruegui	Fig Garden Financial	Northwest	8,818
American Arbitration Association	45 River Park Place West	Woodward	8,150

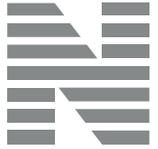
Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
7475 & 7485 N Palm Ave	Palm Bluffs	46,358	\$9,400,000	\$202
2416 W Shaw Ave	West Shaw	14,250	\$1,725,000	\$121
3677 W Beechwood Ave	Northwest	12,620	\$1,300,000	\$103
1110 N Blackstone Ave	Midtown	12,391	\$1,326,549	\$107
6761 N Willow Ave	Northeast	6,050	\$1,000,000	\$165



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Per/SF/Mo.)	Class B Asking Rent (Per/SF/Mo.)	Average Asking Rent (Per/SF/Mo.)
Downtown	3,285,208	-	12.5%	-1,321	-8,001	\$1.96	\$0.99	\$1.34
CBD Total	3,285,208	-	12.5%	-1,321	-8,001	\$1.96	\$0.99	\$1.34
Airport	1,521,557	-	13.7 %	-1,009	81,344	NA	\$1.33	\$1.28
Clovis	877,817	-	9.0%	-1,786	6,769	NA	\$1.67	\$1.65
East Shaw	1,400,788	-	22.3%	28,334	53,502	NA	\$1.57	\$1.56
Midtown	2,422,082	-	9.7%	-2,260	-11,723	NA	\$1.44	\$1.27
Northeast	1,227,191	7,035	15.6%	-5,246	42,915	\$1.90	\$1.66	\$1.68
Northwest	1,712,983	-	13.4%	-129	18,786	\$2.35	\$1.76	\$1.92
Palm Bluffs	1,709,591	-	12.0%	-2,515	-2,562	\$2.33	\$2.10	\$2.12
West Shaw	1,715,346	-	14.7%	-7,364	15,313	\$1.30	\$1.26	\$1.25
Woodward	3,702,439	-	11.1%	-3,424	70,453	\$2.53	\$2.06	\$2.27
Suburban Total	16,289,794	7,035	13.1%	4,601	274,797	\$2.40	\$1.69	\$1.72
Totals	19,575,002	7,035	13.0%	3,280	266,796	\$2.25	\$1.62	\$1.66





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

Office inventory includes all multi-tenant and single tenant buildings at least 5,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

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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