



FRESNO
3Q15 INDUSTRIAL MARKET

STEADY DOES IT

The Fresno industrial market is trending in a positive direction. Market fundamentals are strong, resulting in delivered and planned new construction this quarter. As expected, the vacancy and availability rates held stable and are unlikely to meaningfully change during the next few quarters, unless there is a significant negative change in economic conditions. Macro conditions, including low interest rates and a slowly expanding economy, as well as regional conditions, including record ag-industry revenues and job market growth, continue to provide reasons for optimism.

More Construction

The Fresno industrial market remained stable for another quarter. The vacancy rate was almost unchanged, increasing only 0.02% increase over last quarter. Average asking rates have not changed in three quarters. A consistent demand for new industrial product has spurred new construction projects, including 139,000 square feet completed this quarter, compared with only 32,000 square feet in the previous quarter. New projects under construction are plentiful for the first time in years, with 931,308 square feet of new industrial space being built within the city of Fresno. By comparison, 464,200 square feet was under construction last quarter, and only 232,600 square feet was under construction a year ago at this time. The surge in new construction may be a sign that developers are starting to trust the market and that the demand for product has returned.

Vacancy Scatters in Submarkets

Over the course of the year, buyers and tenants have made it more apparent which areas and submarkets they prefer. The Northeast and Southwest submarkets had the lowest vacancies in the city, with 4.3% and 5.0%, respectively. Vacancy decreased in the Northwest submarket, to 6.7% from 7.9% in the prior quarter, but increased in the Southeast, to 7.7% from 6.9%. Lastly, the South Fresno-Highway-99 submarket stayed the same, with the highest vacancy, at 10.9%. Activity has been slower in this corridor so far this year. Few sales and leasing transactions, combined with the highest asking rents, and a pattern of elevated vacancy, suggest a trend of disinterest in the area. Overall, the market's vacancy remained stable and looks to stay that way into next year.

Low Interest Rates to 2016

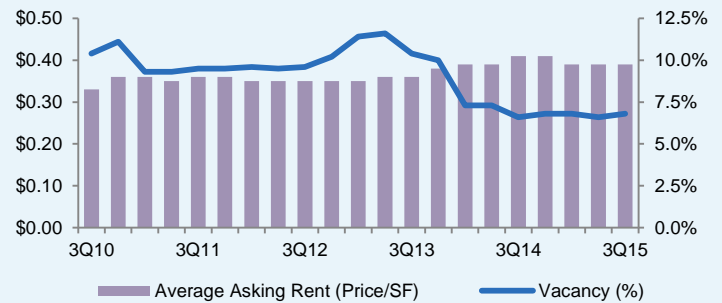
Several indicators suggest that interest rates will remain low at least through the end of the year. Extended low interest rates are typically an incentive to purchase real estate, rather than lease space. Most local buyers are owner-users, and securing a loan is generally much easier today than a few years ago for established businesses with a history of growth and profits. For start-ups and relatively young businesses, getting approved for a sizable loan is more problematic, making leasing a more viable alternative. Many buyers take

Current Conditions

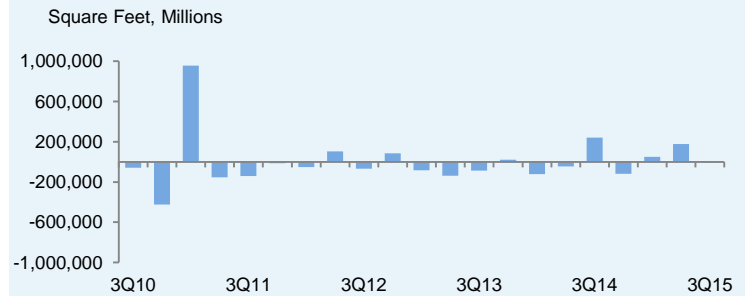
- Vacancy rate for functional space will decrease
- Lease rates will continue to moderately increase
- Sales prices for most buildings will increase
- More new construction will be planned

Market Analysis

Asking Rent and Vacancy



Net Absorption



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	65MSF	65MSF	65MSF	↑
Vacancy Rate	6.8%	6.6%	6.7%	↓
Quarterly Net Absorption	-8,192	176,577	246,254	↑
Average Asking Rent	\$0.39	\$0.39	\$0.41	↔
Under Construction	931,308	464,207	232,680	↑
Deliveries	139,056	32,729	0	↑



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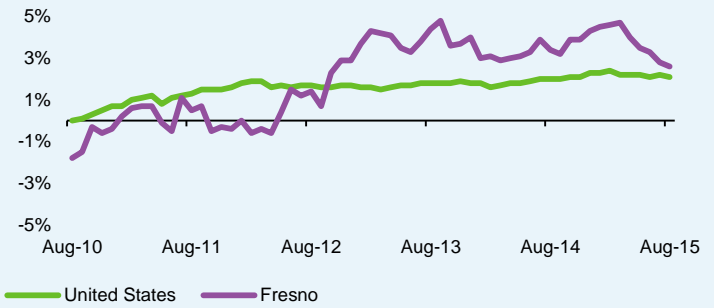
advantage of loans offered by the Small Business Association (SBA) to minimize down payments. The SBA, through a certified development company (CDC), offers 504 loans that only require a minimum down payment of 10%. Since the market is so active and sellers don't want to miss out on making a deal, buyers can benefit from seeking feedback from lenders prior to making purchase offers. Otherwise, a lack of financing, or a seller's rejection of an unqualified buyer, may cause the deal to fall apart.

Construction Ramps Up

As stated earlier, nearly 140,000 square feet was delivered this quarter, an impressive number for this market. Even more impressive is the amount of new projects under construction, which has more than doubled since the last quarter. This market is on the verge of a substantial growth phase. As these new projects come to market, new sales and leasing activity will come with them. As long as new construction remains in the pipeline and the market remains active, Fresno's industrial market will see sustained activity for the next year or two.

Payroll Employment

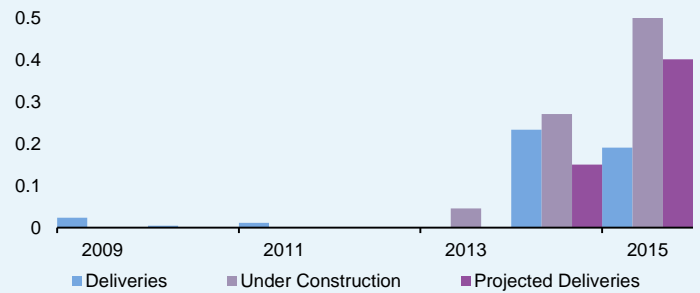
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, New York State Department of Labor

Construction and Deliveries

Square Feet, Thousands



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Rolling Frito-Lay Sales LP	2929 S Elm Avenue	Southwest	Direct	37,620
Little Raymonds Print Shop, Inc	2904 S Angus Avenue	Southeast	Direct	25,493
Action Equipment Rentals	425 N Minnewawa Avenue	Northeast	Direct	16,000
Parc Environmental	SWC Dorothy Ave. & Angus Ave.	Southeast	Direct	15,657

Select Sales Transactions

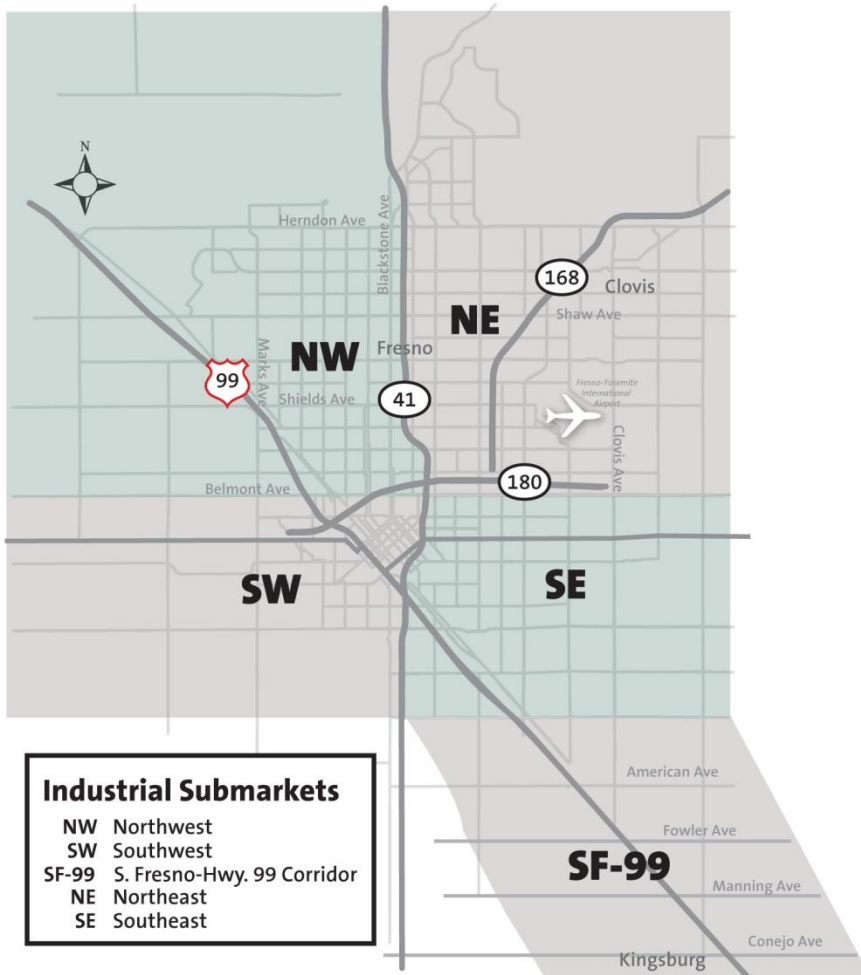
Building	Submarket	Sale Price	Price/SF	Square Feet
2797 S Orange Avenue	Southeast	\$5,678,000	\$17	338,550
3714 N Winery Avenue	Northeast	\$2,167,125	\$75	28,896
2773 N Business Park Avenue	Northeast	\$1,800,000	\$72	25,000
88 N Hughes Avenue	Southwest	\$1,400,000	\$53	26,300



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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)	Total Asking Rent (Price/SF)
Northeast	13,481,123	5,460	4.3%	11,202	49,926	\$0.38	\$0.75	\$0.44
Northwest	8,959,978	10,000	6.7%	111,892	97,804	\$0.49	\$0.87	\$0.54
S. Fresno-Hwy.99 Corridor	5,338,172	758,960	10.9%	-	-7,500	-	-	\$0.73
Southeast	28,890,855	94,208	7.7%	-183,483	31,859	\$0.21	\$0.68	\$0.25
Southwest	7,696,380	62,680	4.7%	52,197	46,368	\$1.21	\$0.08	\$0.82
Totals	64,366,508	931,308	6.8%	-8,192	218,457	\$0.33	\$0.71	\$0.39





Fresno

PEARSON COMMERCIAL
7480 N. Palm Ave., Suite 101
Fresno, CA 93711
559.432.6200

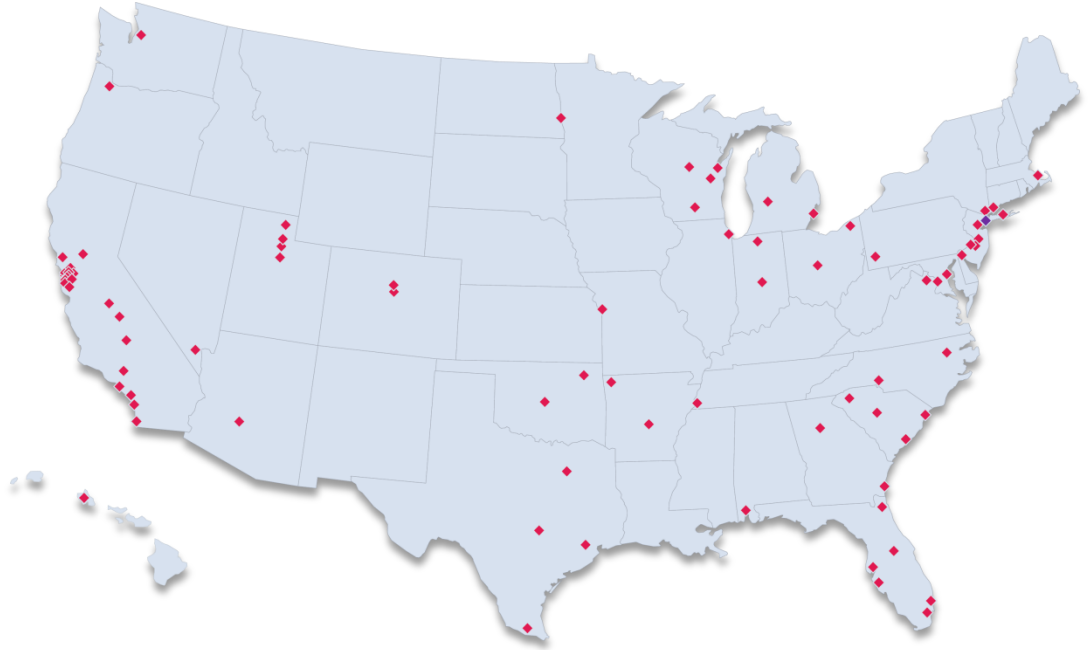
Kimberly Bretz

Industrial Division Research Manager
559.447.6241
kbretz@pearsonrealty.com

Daniel Simon

Senior Sales Associate
559.447.6274
dsimon@pearsonrealty.com

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