



FRESNO
3Q16 OFFICE MARKET

ELECTION DAY IS ALMOST HERE

State of the Market

On the eve of one of the most tumultuous presidential campaigns in modern history, the Fresno office market remained largely unchanged through the third quarter of 2016, with a steady, healthy pace in transactions that will continue into the fourth quarter. Lease absorption continued, but the only submarket to see any significant change was Palm Bluffs, where vacancy increased due to the completion of additional new construction.

Owner/user sales and Investment sales saw little activity throughout the third quarter. The overall vacancy rate for Fresno office space decreased from 12.3 % to 12.1%. Again, the market absorbed lease vacancy while experiencing completed new construction.

Election Day 2016

Whoever wins, the election will put an end to months of uncertainty, which in turn will positively affect activity overall. Both business owners and investors will most likely get off the sideline and continue with business as usual.

Leasing Activity

Every submarket in Fresno's office market saw little to no change in its actual vacancy rate with the exception of Palm Bluffs, which added a whole percentage point to its vacancy rate due to the completion of new construction. The East Shaw submarket still has the largest vacancy, which dropped by almost a whole percent in the third quarter.

The Investment Market

The select sales transactions herein show a wide range of product selling in all submarkets of the Fresno office market. The price per square foot ranges from as low as \$49/SF in the East Shaw submarket to \$239/SF in the Palm Bluffs submarket for buildings that are nearly the same size.

Title 24 Building Standards

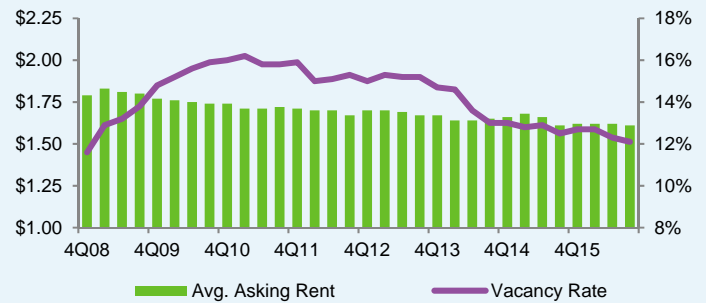
In recent years, commercial building owners have experienced a new hurdle and expense when leasing to new tenants. Title 24 building code standards add a lot of extra time and expense when negotiating and preparing a leased space for a new tenant. It is commonly misunderstood that Title 24 only relates to energy conservation or accessibility, or that it only applies to state-owned buildings and properties, when it actually affects all buildings to be occupied by a tenant. It affects structural, mechanical, electrical and plumbing systems and requires measures for energy conservation, green design, construction and maintenance, as well as fire and life safety and accessibility. Going forward, Title 24 building standards must be discussed when selling and leasing commercial real estate.

Current Conditions

- Overall vacancy down slightly
- Election stalls some activity
- Building standards create extra hurdle
- Sales activity continues
- Deliveries up, followed with more new construction

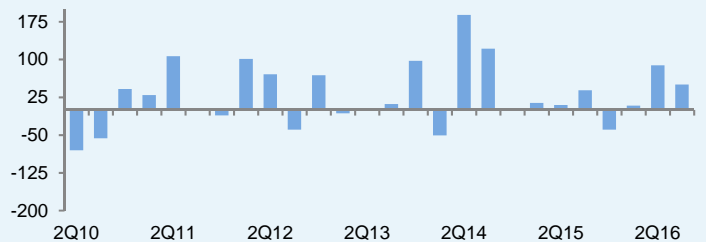
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Thousands



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	19.6MSF	19.6MSF	19.6MSF	↑
Vacancy Rate	12.1%	12.3%	12.5%	↓
Quarterly Net Absorption	50,263	88,378	38,715	↔
Average Asking Rent	\$1.61	\$1.62	\$1.61	↑
Under Construction	44,848	71,792	16,410	↑
Deliveries	54,792	8,000	0	↑



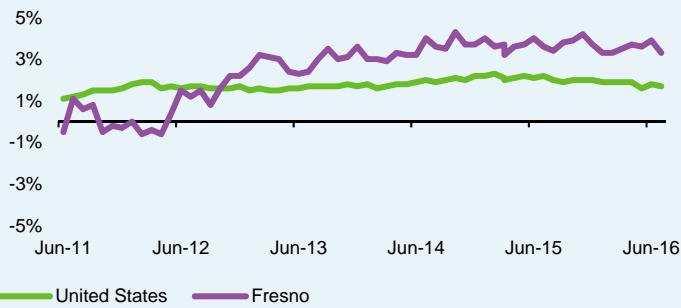
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In Summary

It will be business as usual in the fourth quarter for all segments of the Fresno office market. Regardless of who wins this year's election, the idea of finally moving on sounds refreshing and exciting.

Payroll Employment

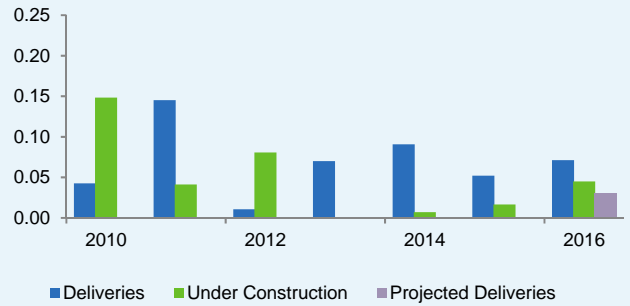
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, Millions



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
State of California	Starpoint Towers	East Shaw	Expansion	12,124
NA	Herndon Business Park	Northwest	Direct	8,116
Encore Wealth Management	8080 N Palm Ave	Palm Bluffs	Direct	5,695
Learning Arts	7339 N First St	Woodward	Direct	4,588
Emerson Church Inc.	802 W Pinedale Ave	Palm Bluffs	Direct	3,682

Select Sales Transactions

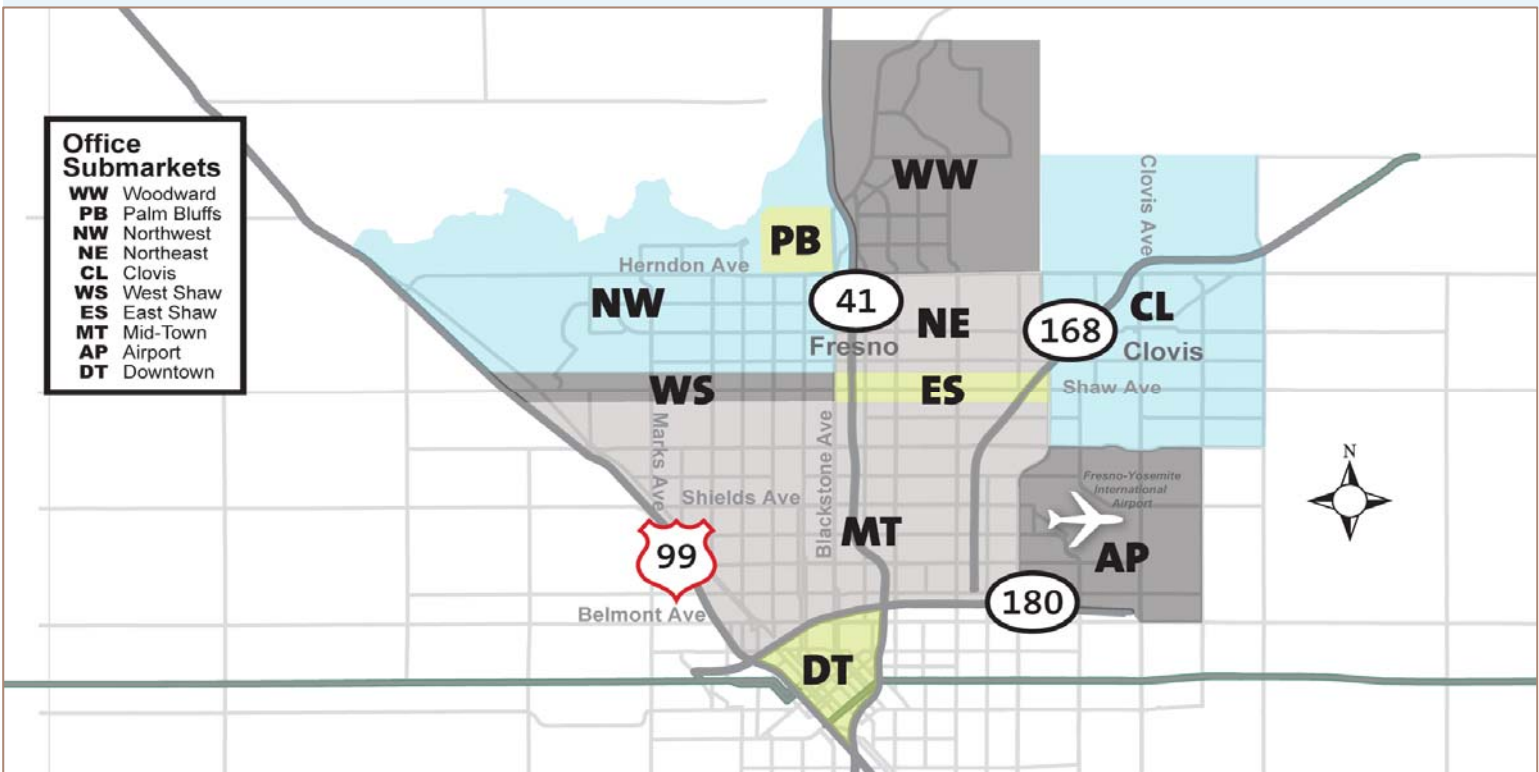
Building	Submarket	Sale Price	Price/SF	Square Feet
2350 W Shaw Ave	West Shaw	\$3,000,000	\$65	45,012
7502 N Colonial Ave	Palm Bluffs	\$1,700,000	\$239	7,210
1170 W Shaw Ave	West Shaw	\$550,000	\$111	5,000
1705 L St	Downtown	\$425,000	\$99	4,309
Shaw Sixth Square 180-189	East Shaw	\$379,000	\$49	7,816



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Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Average Asking Rent (Price/SF)
Downtown/CBD	3,300,117	-	12.7%	6,024	32,004	\$1.96	\$1.01	\$1.13
Airport	1,521,557	-	13.3%	6,193	21,916	-	\$1.44	\$1.38
Clovis	937,736	17,000	7.8%	979	10,321	-	\$1.71	\$1.68
East Shaw	1,344,534	-	20.0%	10,621	41,614	-	\$1.56	\$1.55
Midtown	2,421,532	-	9.7%	-1,313	-4,188	-	\$1.44	\$1.25
Northeast	1,228,066	-	14.2%	8,878	2,824	\$2.15	\$1.58	\$1.63
Northwest	1,712,983	-	11.9%	4,795	7,573	\$2.37	\$1.89	\$2.00
Palm Bluffs	1,770,906	27,848	12.4%	3,711	5,093	\$2.30	\$2.16	\$2.16
West Shaw	1,716,083	-	13.6%	-799	4,130	-	\$1.22	\$1.22
Woodward	3,665,794	-	9.4%	11,174	25,522	\$2.36	\$2.06	\$2.21
Suburban Total	16,319,191	44,848	12.0%	44,239	114,805	\$2.34	\$1.71	\$1.72
Market	19,619,308	44,848	12.1%	50,263	146,809	\$2.25	\$1.62	\$1.61





Fresno

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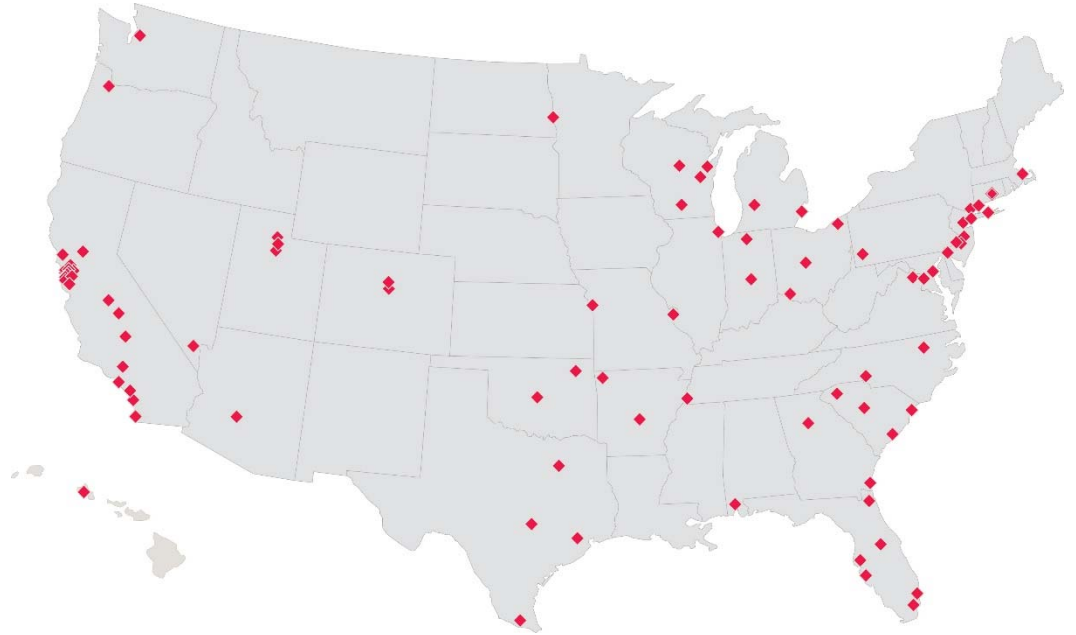
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