



FRESNO
4Q16 OFFICE MARKET

THE STAGE IS SET FOR THE NEW YEAR

State of the Market

The fourth quarter of 2016 was static for the Fresno Office market; most submarkets experienced little to no movement in the vacancy rate. The most significant movement in vacancy was on East Shaw Avenue, where vacancy decreased 2.4%. East Shaw Avenue has far and away the most vacancy within the entire market with 17.4%, which equates to just over 278,000 square feet. The fourth-quarter vacancy rate was relatively flat and remained at 12.0%, down 0.7% from the beginning of the year. The average asking rent for the entire market declined by \$0.01/SF. Year-to-date net absorption ended in positive territory with 191,000 square feet.

Investment and owner-user sales remained stable and might have increased due to more available product. It has been common for a property to receive multiple offers at or even above asking price. Despite the uptick in interest rates, real estate remains a good investment.

Highlights

Boardwalk at Palm Bluffs, one of the first speculative construction projects in years, has emerged as a resounding success. The complex, which consists of 74,272 square feet in nine single-story buildings ranging from 6,000 to 10,000 square feet, broke ground in the first quarter of the year; its first building, a raw shell, closed escrow for \$230/SF in the fourth quarter. The remaining eight buildings are either in escrow or some stage of negotiations. All buildings will likely close escrow before the end of second-quarter 2017. In addition to Boardwalk, a couple of local developers are making plans to begin construction on new multistory projects as well.

Sales Activity

Most investment buyers are either farmers in exchanges looking to diversify their portfolios or out-of-town buyers fleeing the Bay Area and Southern California. The Southern California and Bay Area buyers are seeking higher returns and less competition outside of their markets. The farmers are looking to diversify their investments into something less volatile than agriculture. Investment properties continue to change hands; this will likely continue throughout the year. Most properties, if priced right, have been receiving multiple offers at or near asking price. Location and tenancy still play significant roles in pushing values. This trend should continue for the foreseeable future, as long as interest rates remain low.

Conclusion

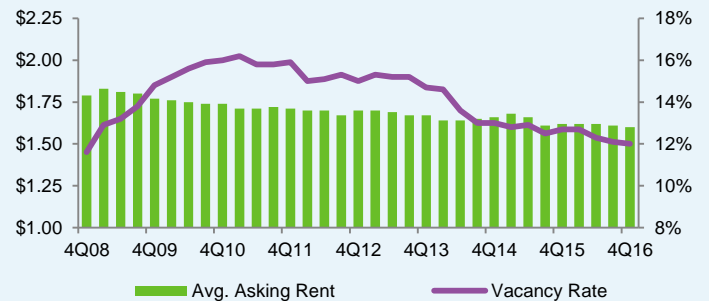
There is positive sentiment in the Fresno Office market. Since the election, the stock market has hit new highs, and big business is making plans to keep jobs in the country or bring them back to the country. In conclusion, the fourth quarter has set the stage for an exciting new year.

Current Conditions

- Overall vacancy continues to drop slightly
- Election results spark activity
- Sales activity continues with exchanges and buyers from outside markets
- Owner-user sales remain stable
- New construction success triggers more plans for construction

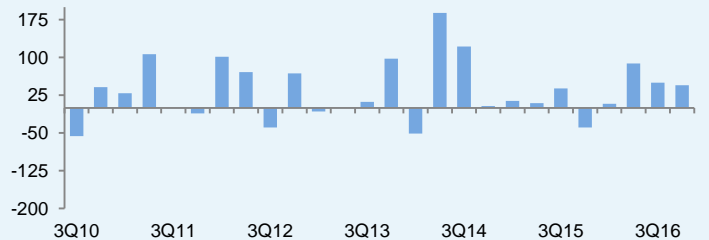
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Thousands



Market Summary

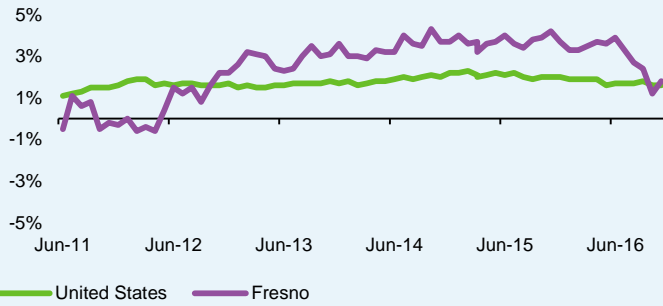
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	19.6MSF	19.6MSF	19.6MSF	↑
Vacancy Rate	12.0%	12.1%	12.7%	↓
Quarterly Net Absorption	44,792	50,263	-39,269	↔
Average Asking Rent	\$1.60	\$1.61	\$1.63	↑
Under Construction	72,151	44,848	16,410	↑
Deliveries	0	54,792	0	↑



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Payroll Employment

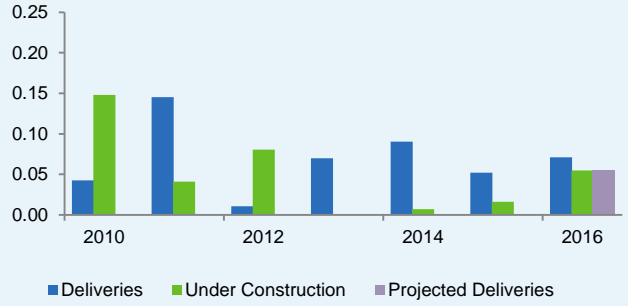
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, Millions



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
N/A	1419 M St	Downtown	Direct	10,143
N/A	1901 E Shields Ave	Midtown	Direct	8,276
CA Correctional Peace Officers Assoc.	7111 N Fresno St	Woodward	Direct	8,199
McMahan's Admin.	1127 E Olive Ave	Midtown	Direct	7,352
Fresno Women's Medical Group Inc.	726 Medical Center Dr East	Clovis	Direct	6,729

Select Sales Transactions

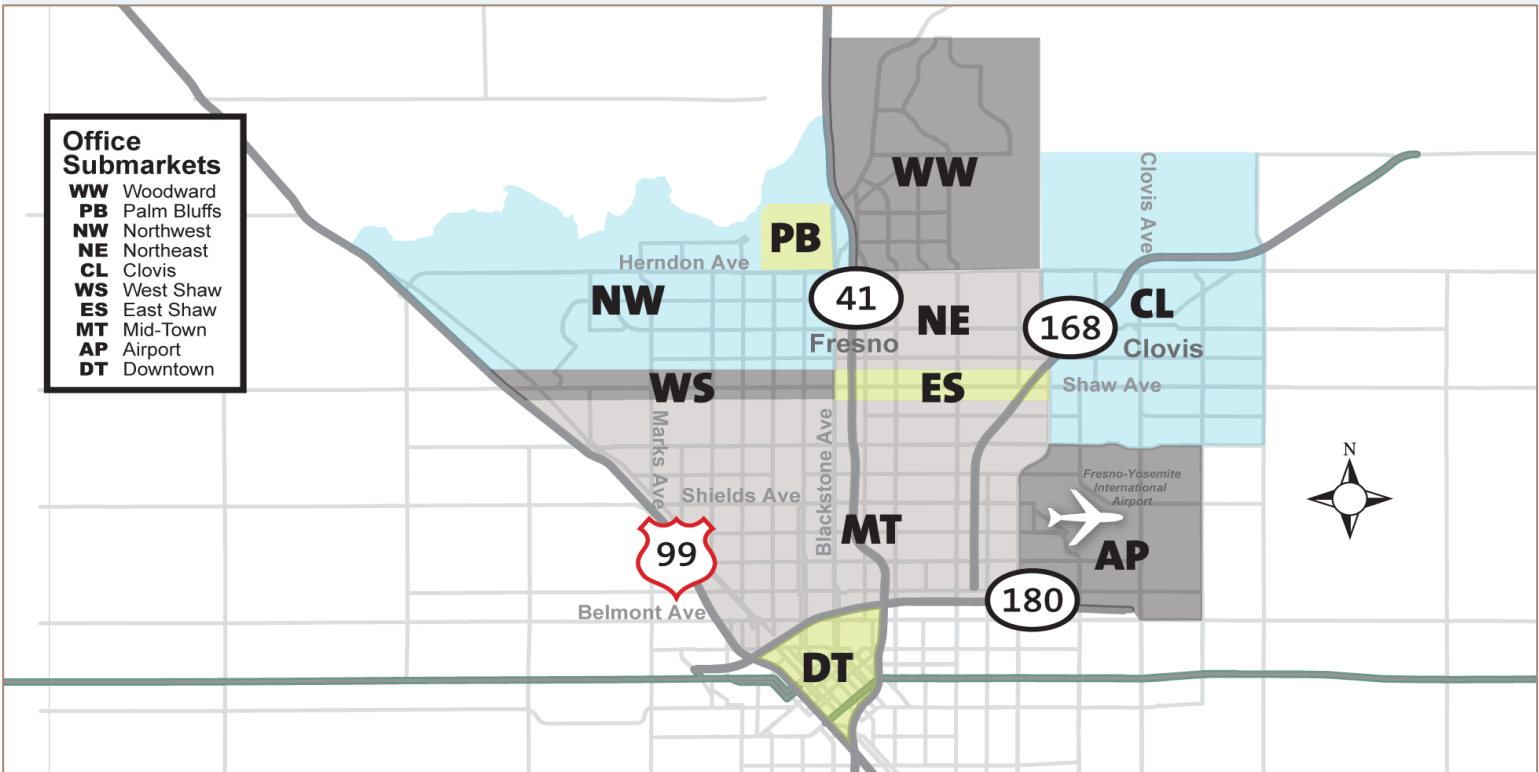
Building	Submarket	Sale Price	Price/SF	Square Feet
7355 N Palm Ave	Palm Bluffs	\$9,200,000	\$246	37,372
Sierra Court	Northeast	\$2,987,000	\$128	23,395
Meridian Professional Center	Clovis	\$1,747,000	\$206	8,448
1195 W Shaw Ave	West Shaw	\$675,000	\$89	7,550
Boardwalk at Palm Bluffs	Palm Bluffs	\$1,724,000	\$230	7,496



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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	-	12.8%	-618	31,386	\$1.96	\$1.00	\$1.15
Airport	1,521,557	-	14.3%	-15,227	6,689	-	\$1.45	\$1.38
Clovis	937,736	17,000	7.7%	538	10,859	-	\$1.77	\$1.73
East Shaw	1,344,438	-	17.4%	34,501	76,115	-	\$1.56	\$1.55
Midtown	2,421,655	-	9.4%	6,656	2,468	-	\$1.48	\$1.26
Northeast	1,228,066	-	14.1%	1,038	3,862	\$2.15	\$1.58	\$1.62
Northwest	1,717,947	-	11.8%	7,047	14,620	\$2.30	\$1.74	\$1.86
Palm Bluffs	1,781,850	55,151	12.3%	11,335	16,428	\$2.30	\$2.19	\$2.19
West Shaw	1,716,083	-	13.9%	-4,916	-786	-	\$1.22	\$1.22
Woodward	3,665,794	-	9.3%	4,438	29,960	\$2.40	\$2.07	\$2.24
Suburban Total	16,335,126	72,151	11.8%	45,410	160,215	\$2.38	\$1.70	\$1.71
Market	19,635,243	72,151	12.0%	44,792	191,601	\$2.27	\$1.61	\$1.60





Fresno

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Corporate CA RE #00020875

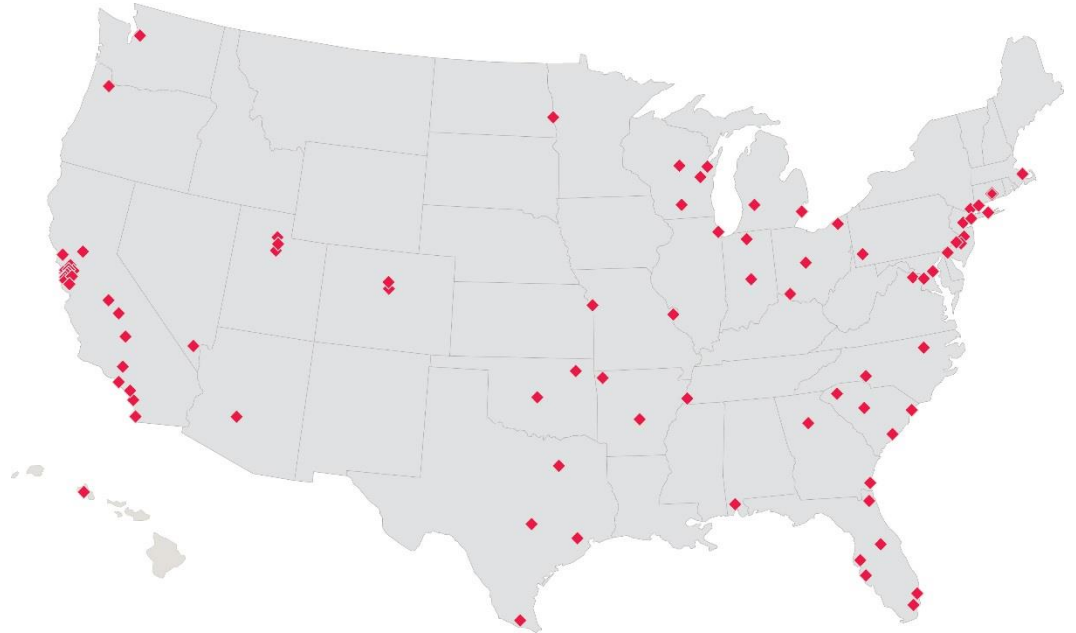
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