

FRESNO OFFICE MARKET

ACTIVE HEALTHY AND GROWING

STATE OF THE MARKET

Fresno's office market remained strong in the second quarter of 2019. The most active submarkets were East Shaw, a historically slower submarket, and Northeast Fresno. Both submarkets saw their vacancy rates decrease significantly, as East Shaw registered a 0.9% decrease, while Northeast led all submarkets with a 1.3% decrease. Fresno's overall vacancy rate dropped to 10.2%, a decrease of 0.2% quarter over quarter and 0.8% year over year. Average monthly asking rents increased \$0.01/SF per month over last quarter and \$0.05/SF from this time last year. The increase in average monthly asking rents was mainly affected by two factors, demand for quality office space and construction costs. Net absorption for the second quarter of 2019 totaled 29,515 square feet.

HIGHLIGHTS

Fresno's office market experienced a wide array of activity during the second quarter of 2019. A major lease transaction in the Midtown submarket, at 3636 North First Street to Resources for Independence Central Valley from ARC Properties, Inc., is a healthy sign for the historically less desirable submarket. Resources for Independence Central Valley provide the tools, knowledge and support for disabled individuals who want to live independently. In the quarter's largest sales transaction, Lyles Services Co. acquired 525 West Alluvial Avenue, a 43,612-square-foot building in the Palm Bluffs submarket, from NMSBPCSLDHB, LP for \$10.5 million. Fresno saw positive activity in both square feet under construction and the amount of square feet delivered, totaling 225,612 and 61,680 square feet, respectively.

SALES ACTIVITY

The investment and owner/user sales market remained competitive in the second quarter. Major transactions of the quarter included the sale of Shaw Forty-One Center, 6780 North West Avenue and Palm Bluff Building B, this last property to an owner/user. The largest of the three properties by square feet was Shaw – Forty One Center, which sold for \$5.3 million, or \$102/SF. With ample 1031 exchange money in play and a lack of quality office product on the market, many transactions will remain off-market.

LOOKING AHEAD

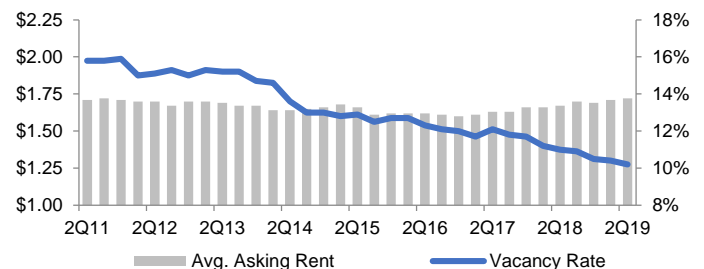
Fresno's office market continues to grow. Expect leasing to remain active, rental rates to stay strong and net absorption to increase as the year matures. These are all signs of a healthy market that should provide investors, developers and tenants with a positive outlook for the future of Fresno's office market.

CURRENT CONDITIONS

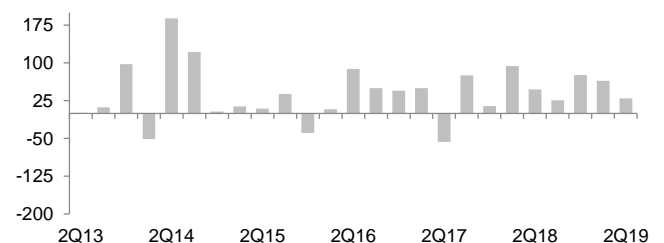
- Construction increasing
- Total vacancy rate dropping
- Average asking rents increasing
- Net absorption is up
- Positive market trend overall

MARKET ANALYSIS

Asking Rent and Vacancy



Net Absorption (SF, Thousands)

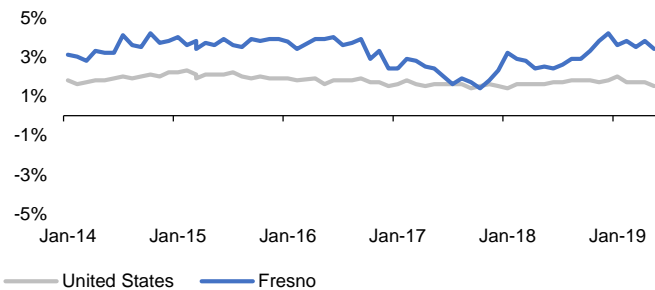


MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	19.8MSF	19.8MSF	19.8MSF	↑
Vacancy Rate	10.2%	10.4%	11.0%	↓
Quarterly Net Absorption	29,515	64,762	47,719	↑
Average Asking Rent	\$1.72	\$1.71	\$1.67	↑
Under Construction	225,612	236,370	31,660	↑
Deliveries	61,680	14,734	0	↑

PAYROLL EMPLOYMENT

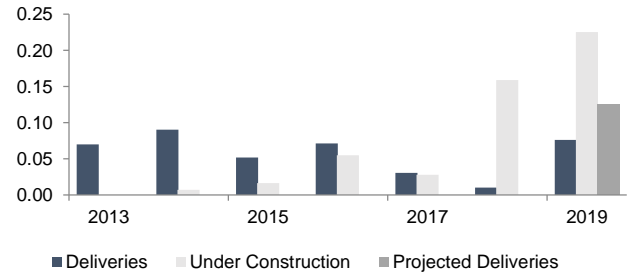
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSTRUCTION AND DELIVERIES

Square Feet, Millions



LEASE/USER TRANSACTIONS

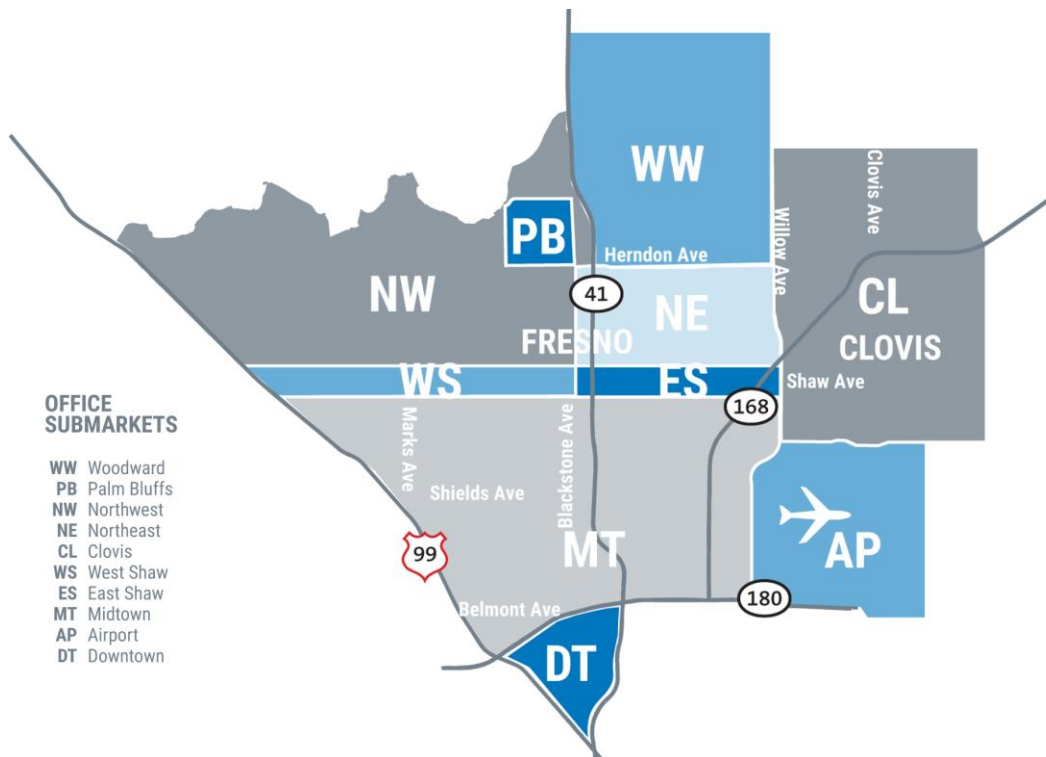
Tenant	Building	Submarket	Type	Square Feet
N/A	Gateway Business Park	Airport	Direct	7,200
Resources For Independence C.V.	3636 N First St	Midtown	Direct	6,105
N/A	Magnolia Professional Center	Clovis	Direct	5,208
N/A	8050 N Palm Ave	Palm Bluffs	Direct	5,000
Rabe Engineering	2019 N Gateway Blvd	Airport	Direct	4,608

SELECT SALES TRANSACTIONS

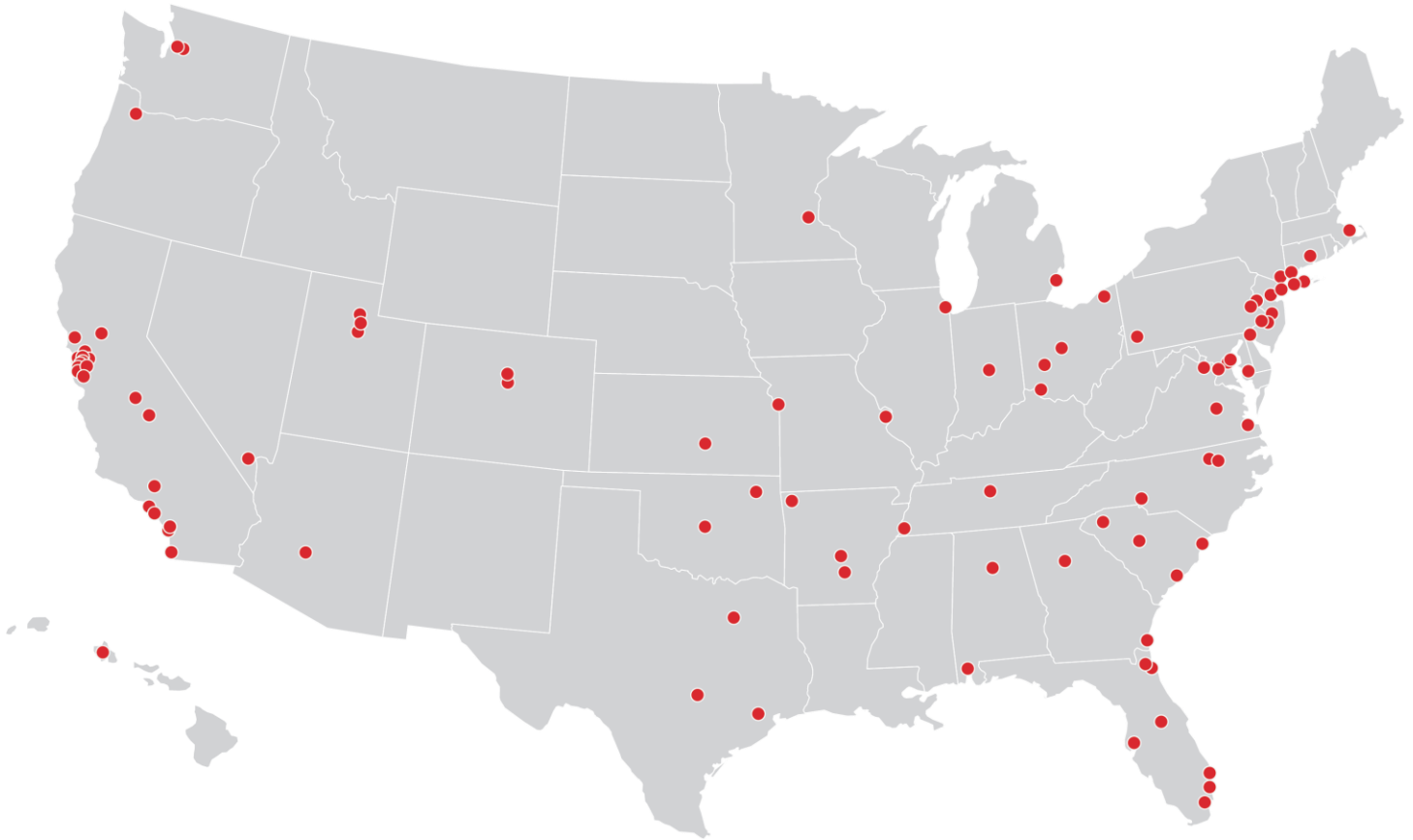
Building	Submarket	Sale Price	Price/SF	Square Feet
Palm Bluff Circle Building B	Palm Bluffs	\$10,450,000	\$240	43,612
6780 N West Ave	Northwest	\$5,313,700	\$175	30,365
Shaw Forty-One Centre	East Shaw	\$5,300,000	\$102	51,990
Meridian Professional Center	Clovis	\$2,200,000	\$243	9,049
7590 N Colonial Ave	Palm Bluffs	\$1,745,000	\$203	8,595

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	3,311,117	67,000	10.8%	122	23,769	\$2.13	\$1.01	\$1.20
Airport	1,377,288	-	12.5%	4,808	-1,142	-	\$1.49	\$1.44
Clovis	1,025,356	29,016	7.2%	-4,900	1,352	-	\$2.07	\$2.01
East Shaw	1,341,060	-	17.1%	12,458	9,551	-	\$1.54	\$1.53
Midtown	2,438,005	-	9.6%	-7,091	-9,922	-	\$1.58	\$1.49
Northeast	1,223,668	-	11.2%	15,003	32,175	\$2.15	\$1.77	\$1.80
Northwest	1,848,499	27,430	10.9%	648	5,090	\$2.54	\$1.95	\$2.05
Palm Bluffs	1,863,818	42,166	9.1%	7,547	10,982	\$2.65	\$2.37	\$2.41
West Shaw	1,731,629	-	11.5%	-5,186	-775	-	\$1.56	\$1.47
Woodward	3,675,528	60,000	6.6%	6,106	23,197	\$2.31	\$2.23	\$2.27
Suburban Total	16,524,851	158,612	10.1%	29,393	70,508	\$2.37	\$1.83	\$1.82
Market	19,835,968	225,612	10.2%	29,515	94,277	\$2.30	\$1.72	\$1.72



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