



FRESNO
2Q15 INDUSTRIAL MARKET

VACANCY STEADILY
DROPPING; NEW
CONSTRUCTION ON
THE RISE

The Fresno industrial market continued to improve through the second quarter of 2015, although at a much slower rate than in the previous four quarters. For the first time in years, significant new projects are being planned and new construction has begun, as vacancies continue to creep downward. While demand for product remains relatively high, there have been very few speculatively built projects; most of the new construction appears to be for owner-users.

Vacancy Stabilizes

The Fresno industrial market vacancy may finally be stabilizing after a steady fall from 11.0% to 7.0% for five straight quarters, from the second quarter of 2013 through third-quarter 2014. Vacancy has not significantly changed since third-quarter 2014. This is most likely due to the lack of quality product available in the market. Tenants or buyers considering expansion may either face a build-to-suit project, or sift through listings that have been on the market for years due to their location, lack of functionality or less-than-turnkey condition. Concessions and incentives to lease Class A and Class B space remain low, as these types of spaces seem to have leased quickly in the first half of 2015.

Increased Absorption

Net absorption increased from 50,072 square feet last quarter to 176,577 square feet during second-quarter 2015. This represents the biggest jump in absorption since third-quarter 2014. Lastly, in some sectors of the market, asking rent rates actually increased slightly from last quarter to this quarter. All of these factors suggest the market is stabilizing, something that has not occurred in years.

New Construction on the Rise

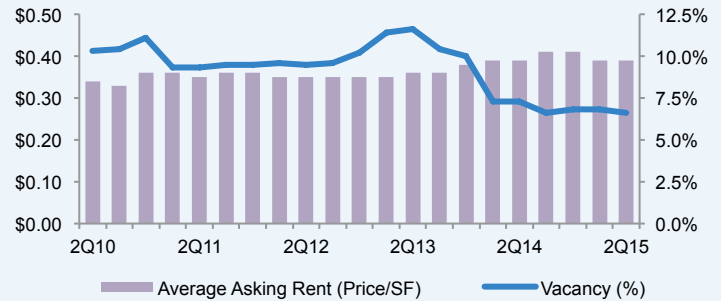
The amount of new construction nearly doubled between first and second-quarter 2015, from 270,620 square feet to 464,207 square feet. A year ago at this time, there were no new projects under construction. Most of the new construction is being built by three or four of Fresno's largest local developers, with many smaller projects in the planning stages, suggesting that there will be consistent growth in the overall market into the middle of 2016. Space sizes being built range from as small as 5,000 square feet to as large as 300,000 square feet. Though there has been limited speculative building in this market for years, there is reason to believe that the market would support speculative projects in certain space sizes and product types.

Current Conditions

- Vacancy continuous to move slowly downward
- Rates have hold steady for the last several quarters
- Development looks promising by the end of 2015
- Absorption is holding strong

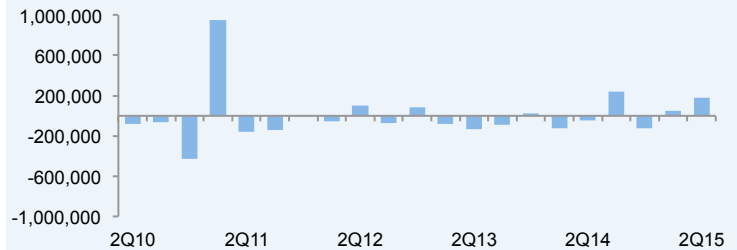
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	65MSF	65MSF	65MSF	↑
Vacancy Rate	6.6%	6.8%	7.3%	↓
Quarterly Net Absorption	176,577	50,072	-45,008	↑
Average Asking Rent	\$0.39	\$0.39	\$0.39	↔
Under Construction	464,207	270,620	0	↑
Deliveries	32,729	20,000	0	↑



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Low Interest Rates Continue

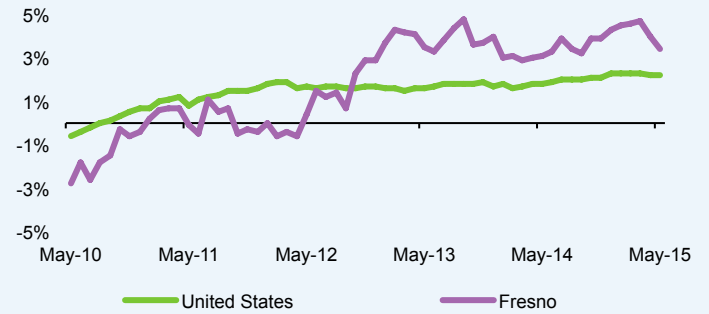
Interest rates for owner-users seeking industrial purchases remained at nearly record lows through the first half of 2015. Banks continued to lend, and buyers were active. Prices of industrial real estate are slowly rising in this sellers' market. The California High-Speed Rail is still attracting limited but consistent new buyers into the market, as more people are impacted by eminent domain. The controversial High-Speed Rail will continue to create sales activity as long as it stays funded; the funding comes from federal, state and local sources and is controlled by the High-Speed Rail Authority.

Activity Continues

Overall, the first half of 2015 has been consistent with plenty of activity in the leasing and sales markets. Developers and real estate agents anxiously await completion of many new projects. With the market stabilizing, some new construction projects may break ground.

Payroll Employment

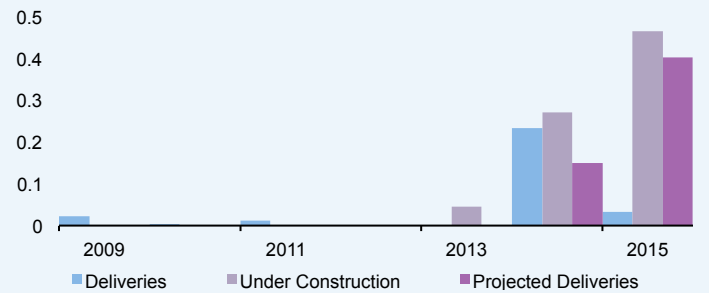
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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
Move Loot	3825 S Willow Avenue	Southeast	Sublease	163,200
Pepsi Co	3688 E Central Avenue	Southeast	Renewal	60,048
Caylym Technologies International	5310-5340 Home Avenue	Northeast	Direct	41,200
Valley Express	3292 S Willow Avenue	Southeast	Direct	34,700

Select Sales Transactions

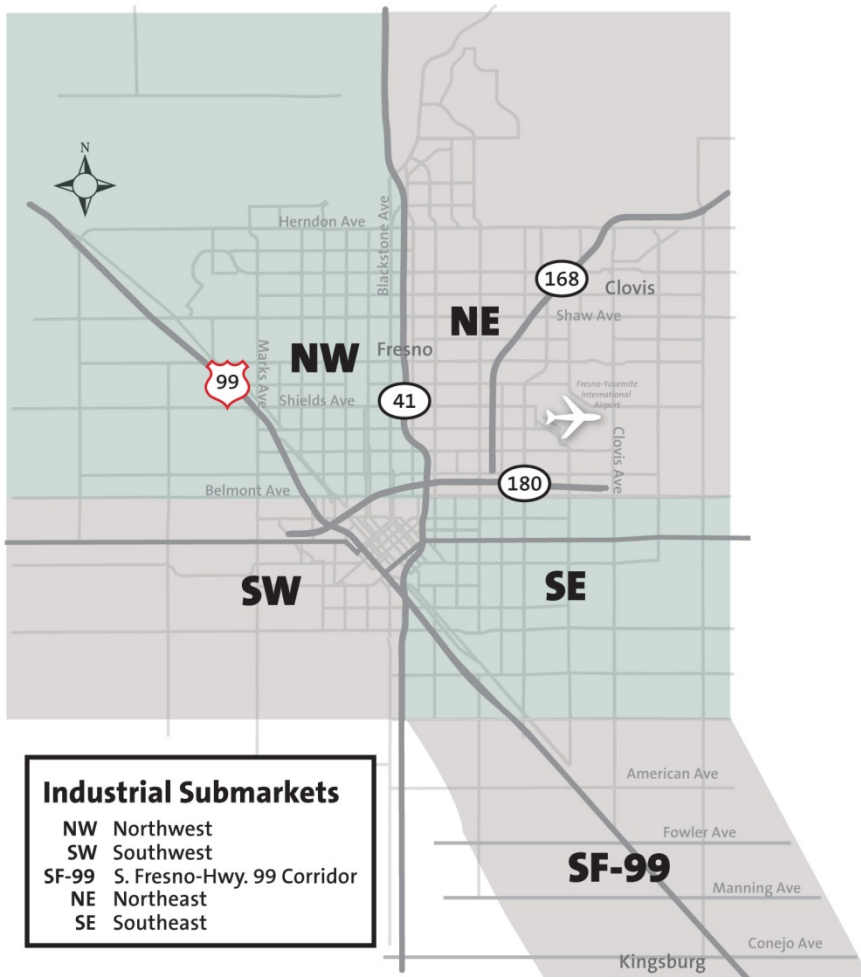
Building	Submarket	Sale Price	Price/SF	Square Feet
2962 S Cedar Avenue	Southeast	\$650,000	\$19	35,000
825 S Topeka Avenue	Southeast	\$600,000	\$21	29,000
1477 & 1489 N Thesta Street	Northeast	\$315,000	\$24	13,250



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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	13,464,516	0	4.4%	26,308	38,724	\$0.37	\$0.80	\$0.43
Northwest	8,959,978	10,000	7.9%	-15,804	-14,088	\$0.50	\$0.89	\$0.55
S. Fresno-Hwy.99 Corridor	5,338,172	206,360	10.9%	-7,500	-7,500	\$0.00	\$0.00	\$0.73
Southeast	29,573,883	185,167	6.7%	179,402	215,342	\$0.24	\$0.72	\$0.28
Southwest	7,696,380	62,680	5.4%	-5,829	-5,829	\$0.31	\$0.08	\$0.35
Totals	65,032,929	464,207	6.6%	176,577	226,649	\$0.31	\$0.75	\$0.39





Fresno

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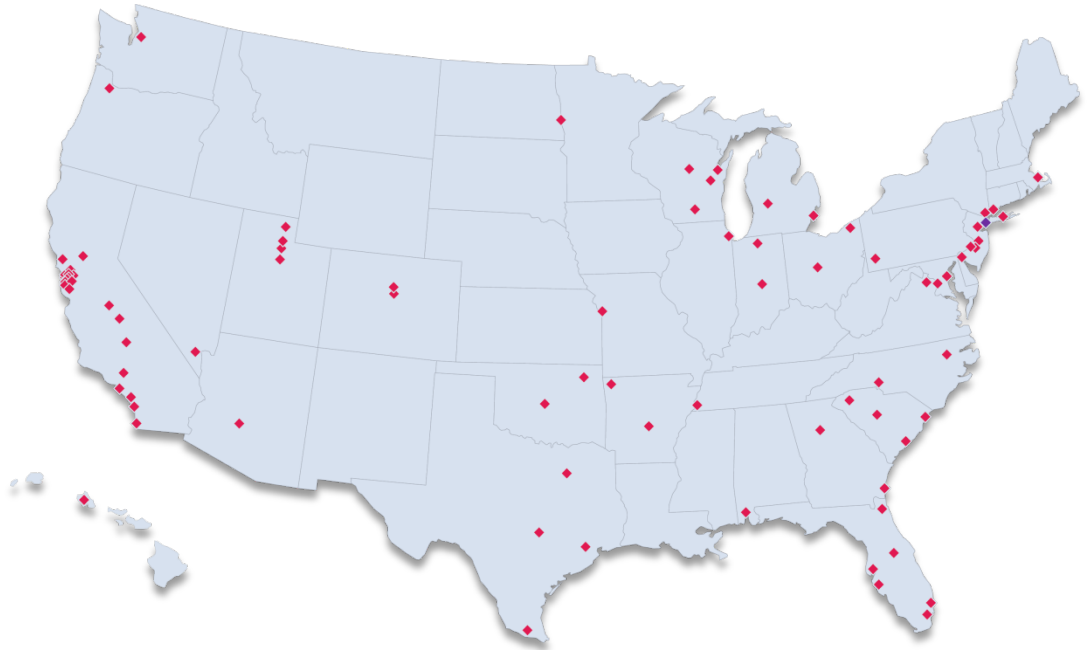
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