



FRESNO
3Q15 OFFICE MARKET

ROUNDING THIRD HEADING FOR HOME

The third quarter of 2015 continued what has been a successful year for the Fresno office market, as changes from the previous quarter were slight. Sales, lease absorption and overall transaction volume have remained steady through the first three quarters of the year.

The vacancy rate dropped a mere 0.4% in the third quarter to 12.5%, from 12.9% in the second quarter. Year-to-date, the vacancy rate has decreased only 0.5%, from 13.0% at the beginning of the year.

The Positive Spin

As overall consumer confidence continues to increase, leasing activity is expected to remain steady for the remainder of the year. Also, the volume of lease transactions remains steady, which is healthier for the overall leasing market.

Leasing Activity

Leasing activity has been slow and steady, as each of Fresno's submarkets have changed by less than 0.5%, with the exception of the West Shaw and Woodward submarkets.

The West Shaw submarket experienced a 1.3% drop in vacancy, most likely due to bargain lease rates for Class C buildings.

The Woodward submarket experienced a 1.4% drop in vacancy, partly due to a recent building renovation. Another factor has been the increased confidence of tenants, as the Woodward market has some of the highest lease rates in Fresno.

The Hot Investment Market

The investment sales market remained strong through the third quarter. As long as there is inventory, the number of investment transactions will continue at that pace, or even increase.

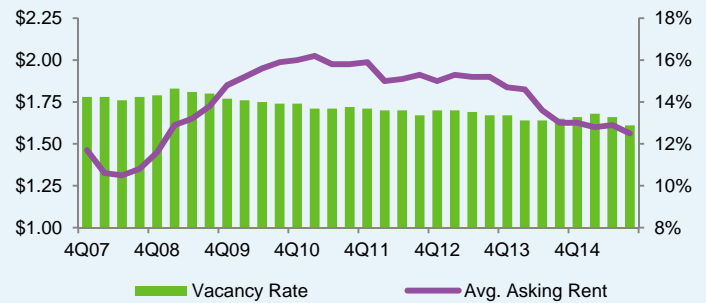
Capitalization rates continue to favor sellers. The rates for strong single-tenant properties continue to bring prices into the 6% range and some into the 5% range. Properties that would normally bring a 7 to 8% cap rate are in such demand that they, too, are selling in the 6% cap price range.

Current Conditions

- Positive activity, but limited activity
- Overall confidence continues to rise
- The West Shaw Office Market showed the most positive absorption
- Investment market remains hot
- Healthy improvement continues at a slow pace

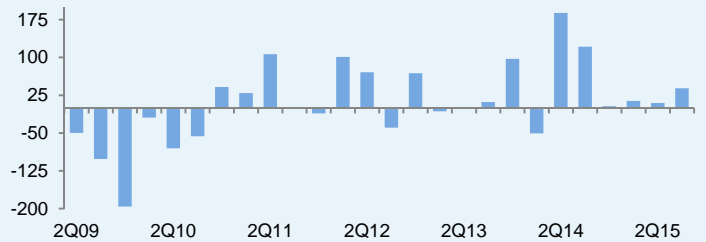
Market Analysis

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	19.5MSF	↔
Vacancy Rate	12.5%	12.9%	13.0%	↓
Quarterly Net Absorption	38,715	9,485	121,486	↔
Average Asking Rent	\$1.61	\$1.66	\$1.65	↔
Under Construction	16,410	16,410	29,585	↑
Deliveries	0	44,919	0	↔



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Owner/User Sales

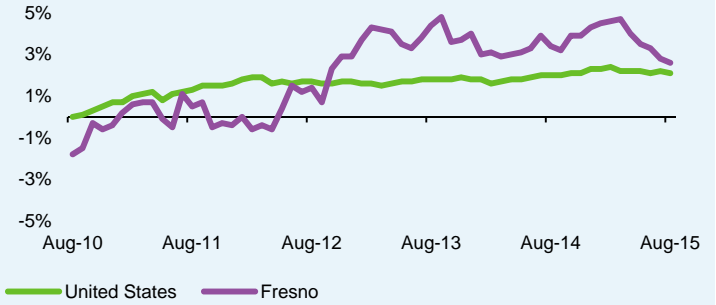
The Fresno office market will continue to see office building sales as long as there is inventory. Interest rates through the SBA 504 programs remain at an all-time low. For example, a loan rate recently quoted from Cen Cal Business Finance Group was at 4.9% APR for an owner-occupied property with a 20-year term.

In summary

As the fourth quarter begins, it looks like business as usual for all segments of the office market, which is moving at a healthy pace that will continue for the remainder of the year. The fact that 2016 will be an election year will bring little change, positive or negative, to this corner of the world. Historically, the market stays relatively calm and uneventful during such an event.

Payroll Employment

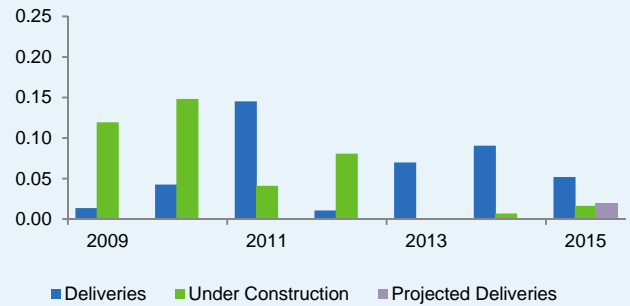
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Construction and Deliveries

Square Feet, Millions



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Cecor	Channing Court	West Shaw	Direct	11,000
GSF Properties	Craycroft Park	Northwest	Direct	7,405
Orange Coast Title Co.	Woodward Business Park	Palm Bluffs	Direct	6,841
JP Marketing	7589 N Wilson Ave	Palm Bluffs	Direct	6,810
Michael Sullivan & Associates, LLP	Fig Garden Financial	Northwest	Direct	5,871

Select Sales Transactions

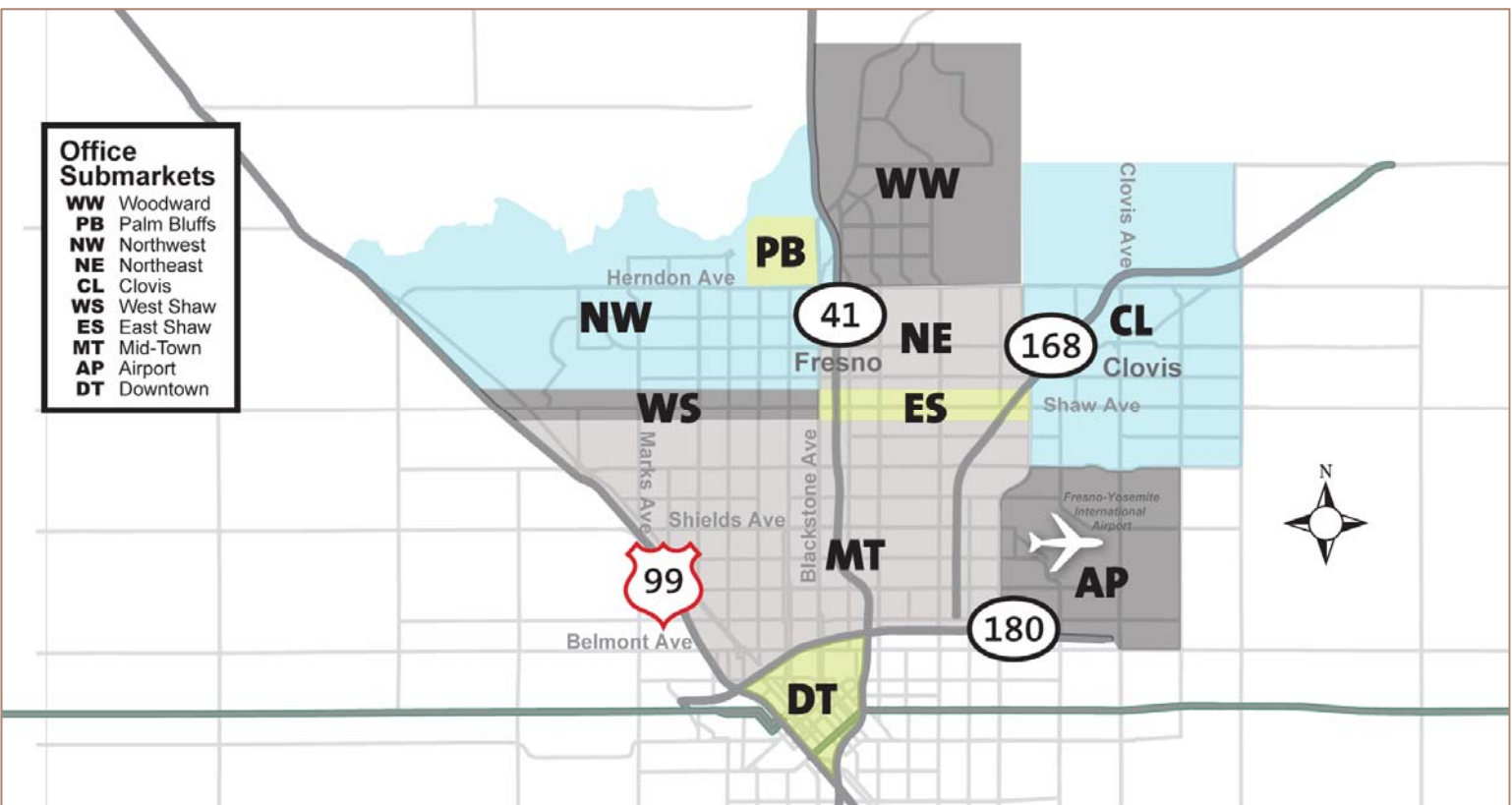
Building	Submarket	Sale Price	Price/SF	Square Feet
2505 Alluvial Ave – Portal Sierra	Clovis	\$2,650,000	\$206	12,814
7255 N Cedar Ave	Woodward	\$2,287,500	\$234	9,785
2525 Alluvial Ave – The Axiom Bldg	Clovis	\$1,425,000	\$148	9,630
3122-3152 Millbrook Ave	Midtown	\$1,000,000	\$68	14,690
2495 W Shaw Ave	West Shaw	\$405,000	\$77	5,292



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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	-	13.7%	-10,198	-52,246	\$2.10	\$1.02	\$1.25
Airport	1,521,557	-	13.7%	3,311	-578	-	\$1.39	\$1.35
Clovis	922,736	-	9.6%	-503	11,832	-	\$1.62	\$1.60
East Shaw	1,400,788	-	21.9%	1,401	4,733	-	\$1.56	\$1.52
Midtown	2,422,082	-	9.6%	2,145	2,628	-	\$1.44	\$1.29
Northeast	1,228,066	-	14.4%	1,818	15,116	\$1.90	\$1.62	\$1.65
Northwest	1,712,983	-	11.0%	2,092	40,916	\$2.38	\$1.89	\$1.99
Palm Bluffs	1,709,704	16,410	11.1%	5,701	15,059	\$2.32	\$2.13	\$2.14
West Shaw	1,715,395	-	13.4%	22,076	21,296	\$1.30	\$1.23	\$1.22
Woodward	3,713,108	-	10.4%	10,872	9,461	\$2.30	\$2.05	\$2.18
Suburban Total	16,346,419	16,410	12.2%	48,913	120,463	\$2.25	\$1.69	\$1.70
Market	19,646,536	16,410	12.5%	38,715	68,017	\$2.20	\$1.60	\$1.61





Fresno

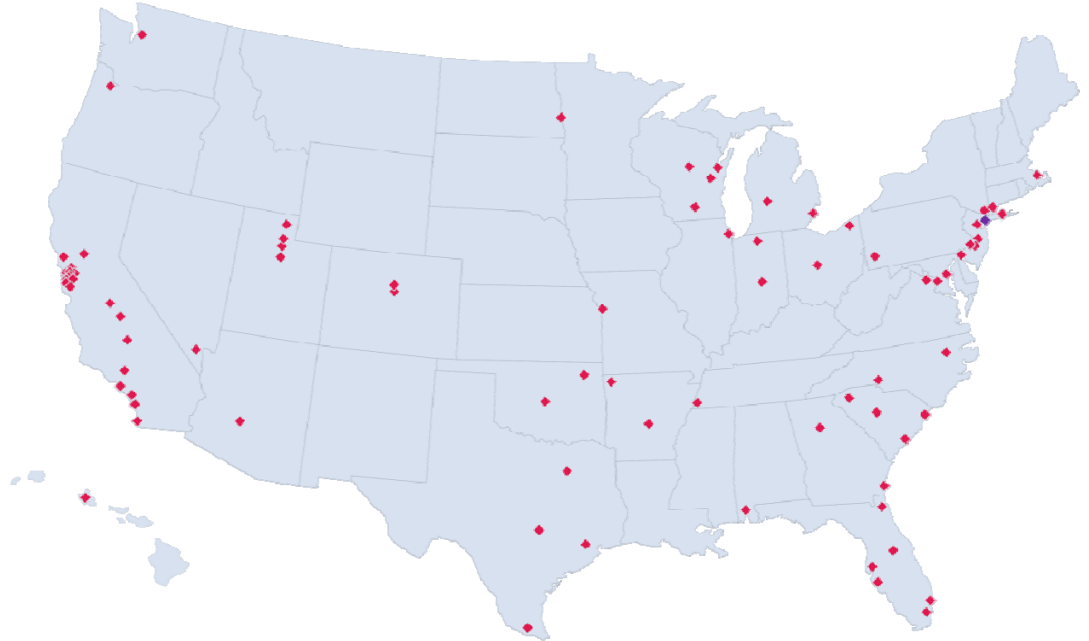
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