



FRESNO
3Q17 OFFICE MARKET

MARKET IS STEADY AND STABLE

State of the Market

Fresno's office market saw very little change between the second and third quarters of 2017.

East Shaw remains the submarket with the highest vacancy rate, at 17.5% at the end of the third quarter. This is little changed from the second-quarter vacancy rate of 17.8%.

The Woodward Park submarket located in North Fresno remained steadiest and most stable submarket in Fresno, with a vacancy of 8.5%.

New tenants and owner/users have quickly absorbed the new construction at the recently built Boardwalk office complex, located in the Palm Bluffs submarket at Palm and Nees Avenues. Very little of the approximately 75,000 square feet that was constructed remains vacant.

The rest of the Fresno submarkets saw little change in vacancy, with a slight decrease overall.

Highlights

The Fresno County District Attorney's office absorbed 73,210 square feet of office space in the Downtown submarket. The Fresno County Board of Supervisors voted unanimously in favor of a lease-to-own plan for the historic Rowell Building, located at 2100 Tulare Street. The Fresno County District Attorney's office will now be conveniently located on Fresno Street across from the Fresno County Courthouse, making court appointments easily accessible. Fresno County will set aside \$15.0 million in order to eventually purchase the building and may have the funding available after five years.

Sales Activity

Sales activity remains steady. The sales for owner/users are strong, as interest rates are very favorable for business owners to convert from leasing to owning their place of business.

Investment sales remain active and would be much more active if there were more affordable opportunities. Capitalization rates are still at an all-time low. The amount of 1031 exchange money available has made investors willing to pay higher prices for quality properties.

Looking Ahead

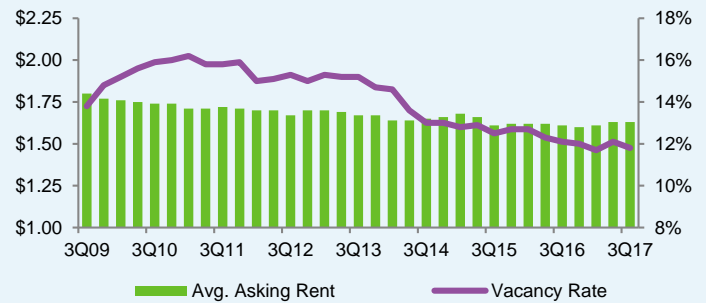
The fourth quarter will see lease and sale activity continue at the same steady pace they have experienced so far this year. New construction of multi-story office buildings will commence by the end of the year in the Woodward Park submarket, in order to help fill the need for new Class A office space.

Current Conditions

- Vacancy rates are slowly dropping
- Lease rates up, with less landlord concessions
- New Class A construction coming in 4th quarter
- Investment sales bringing low CAP rates
- Overall office market is healthy

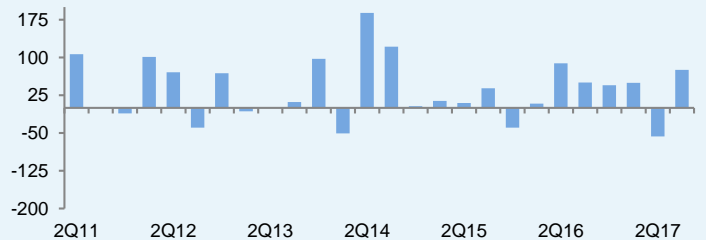
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Thousands



Market Summary

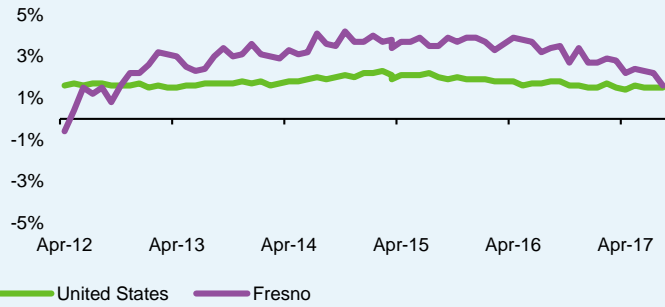
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	19.7MSF	19.7MSF	19.6MSF	↑
Vacancy Rate	11.8%	12.1%	12.1%	↓
Quarterly Net Absorption	75,398	-56,745	50,263	↔
Average Asking Rent	\$1.63	\$1.63	\$1.61	↑
Under Construction	60,689	74,436	44,848	↑
Deliveries	19,392	18,664	54,792	↑



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Payroll Employment

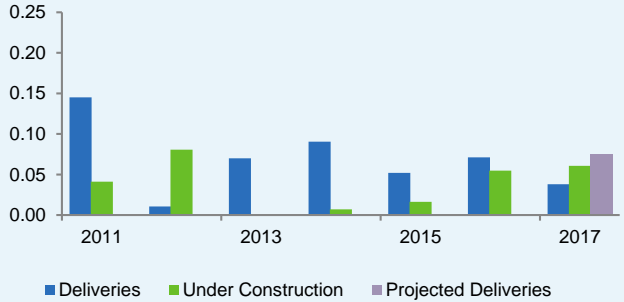
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, Millions



Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Fresno County District Attorney	Rowell Building	Downtown	Direct	73,210
Fresno County	2171 N Fine Ave	Airport	Direct	20,160
Sagaser, Watkins, Wieland	Fig Garden Financial	Northwest	Renewal	13,641
Realty Concepts	533 Pollasky Ave	Clovis	Direct	10,000
NA	1650 L St	Downtown	Direct	8,739

Select Sales Transactions

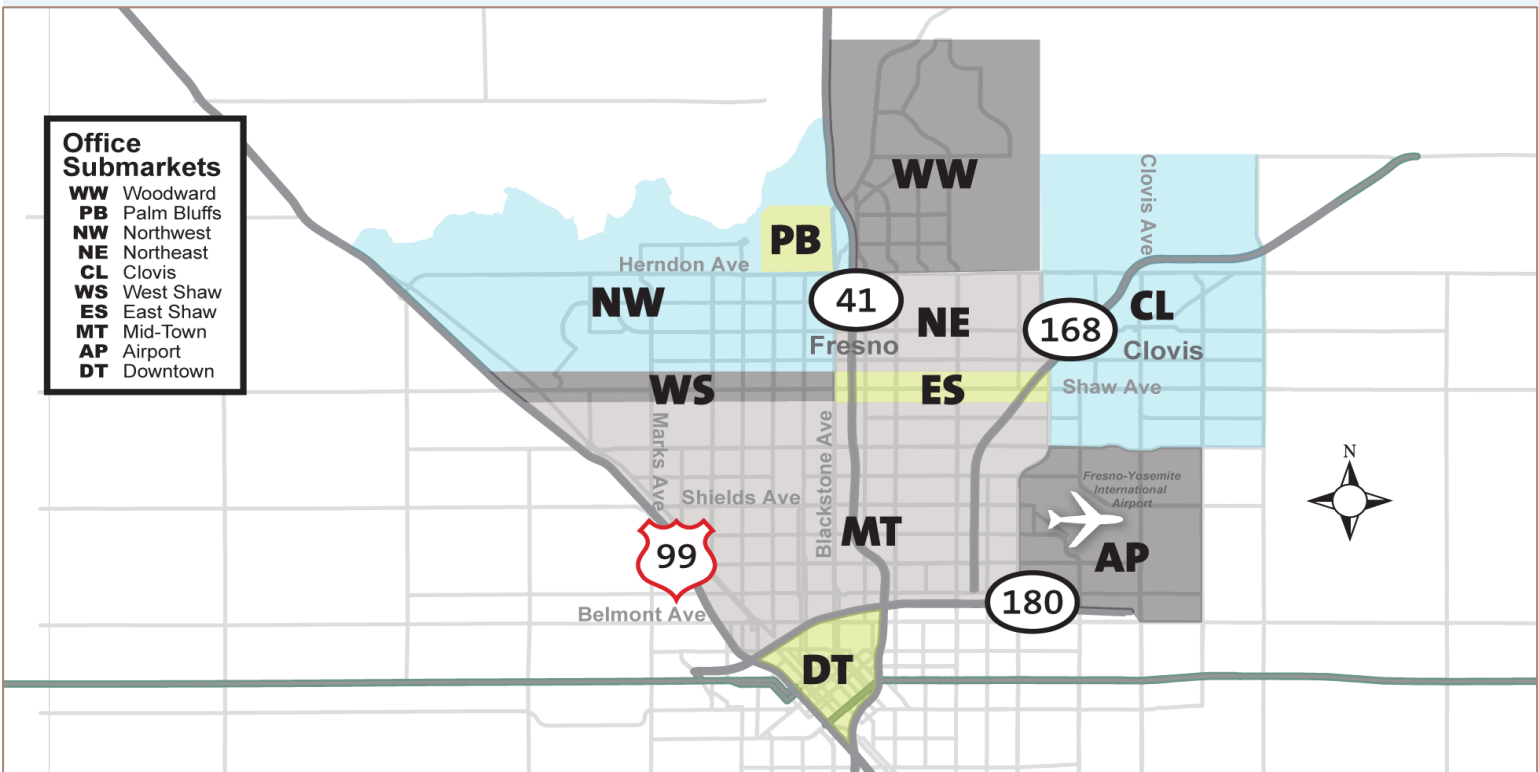
Building	Submarket	Sale Price	Price/SF	Square Feet
Fresno Herndon Professional Center	Woodward	\$2,700,000	\$207	13,052
5737 N Fresno St	Northeast	\$1,450,000	\$144	10,066
Boardwalk at Palm Bluffs, Bldg. M	Palm Bluffs	\$2,512,000	\$254	9,896
Boardwalk at Palm Bluffs, Bldg. G	Palm Bluffs	\$1,693,000	\$226	7,496
4770 N Cedar Ave.	Midtown	\$500,000	\$97	5,181



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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%	42,592	-29,396	\$2.14	\$1.02	\$1.27
Airport	1,511,834	-	14.0%	10,960	10,757	-	\$1.42	\$1.36
Clovis	954,736	34,804	8.0%	-10,009	-3,467	\$2.48	\$1.90	\$1.97
East Shaw	1,344,438	-	17.5%	3,504	-995	-	\$1.48	\$1.47
Midtown	2,421,655	14,000	8.8%	2,226	15,757	-	\$1.48	\$1.27
Northeast	1,218,966	-	14.4%	-13,572	-2,886	\$2.15	\$1.68	\$1.73
Northwest	1,717,947	6,000	11.3%	6,945	8,003	\$2.17	\$1.79	\$1.90
Palm Bluffs	1,856,173	5,885	12.3%	24,422	36,512	\$2.61	\$2.31	\$2.33
West Shaw	1,716,083	-	13.5%	2,019	5,714	-	\$1.41	\$1.34
Woodward	3,665,794	-	8.5%	6,271	28,322	\$2.16	\$1.97	\$2.08
Suburban Total	16,407,626	60,689	11.5%	32,806	97,717	\$2.20	\$1.74	\$1.72
Market	19,707,743	60,689	11.8%	75,398	68,321	\$2.19	\$1.63	\$1.63





Fresno

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Corporate CA RE #00020875

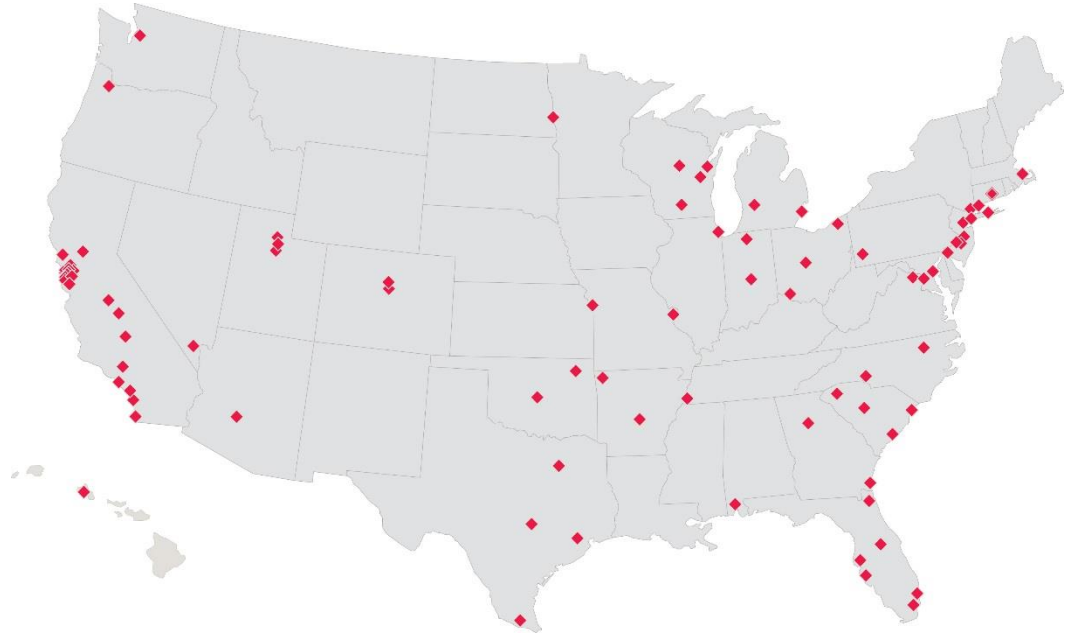
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