

FRESNO OFFICE MARKET

3RD QUARTER STAYS STRONG

STATE OF THE MARKET

Fresno's office market experienced a strong third quarter of 2019. Clovis saw the most activity of any submarket, resulting in a 1.5% decrease in vacancy. Northwest and West Shaw followed close behind, as vacancy dropped 0.6% in both submarkets. Fresno's overall vacancy rate dropped to 10.0%, a 0.2% decrease from the previous quarter. The average asking monthly rent decreased \$0.02/SF to \$1.70/SF, as lower-cost product became available.

HIGHLIGHTS

Fresno's office market encountered a variety of leasing activity throughout its submarkets. The county of Fresno leased 10,047 square feet of office space at 555 North Halifax Avenue in the submarket of Clovis. San Joaquin Valley College leased 9,662 near the Airport at the Santa Barbara Plaza. In the largest sales transaction of the quarter, investor/owner user Kentucky Pain Associates LLC acquired 7025 North Maple Avenue – Building C – for \$2.87 million. This property is a 12,046-square-foot medical office building located in Meridian Professional Center. New deliveries contributed 27,430 square feet to the Fresno office market. After so many consecutive quarters of positive growth in rents and net absorption, the confidence of developers in the market is high, as evidenced by the total number of square feet currently under construction.

SALES ACTIVITY

Fresno's investment and owner/user sales markets were very active in the third quarter of 2019. The largest transaction of the quarter occurred in the Woodward submarket, where 7025 North Maple Avenue sold for \$2.87 million, or \$238/SF. Following close behind in the Palm Bluffs submarket was the sale of 7491 North Remington Avenue for \$2.2 million. Tower Properties was the buyer for this investment purchase with several tenants occupying the property.

LOOKING AHEAD

Fresno's office market is healthy and growing. Backed by sustainable market growth, new construction will continue to pop up around town. Leasing will remain active through the end of the year. Ample 1031 exchange money is still available in the market, causing many investors to look for off-market properties to satisfy their exchange requirements.

CURRENT CONDITIONS

Highly Active Third Quarter

Net Absorption Up Year-Over-Year

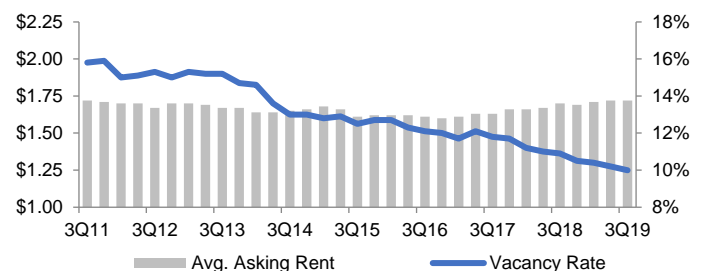
Overall Vacancy Drops

Average Asking Rents Decrease

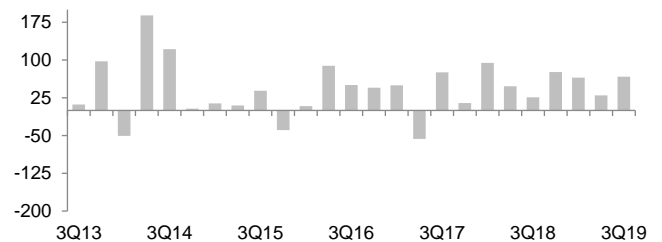
New Deliveries on the Horizon

MARKET ANALYSIS

Asking Rent and Vacancy



Net Absorption (SF, Thousands)

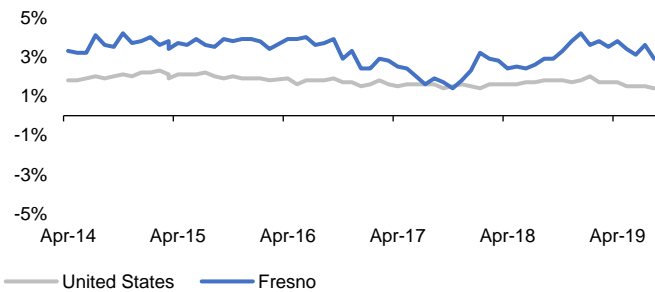


MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	19.9MSF	19.8MSF	19.7MSF	↑
Vacancy Rate	10.0%	10.2%	10.9%	↓
Quarterly Net Absorption	66,876	29,515	25,891	↑
Average Asking Rent	\$1.70	\$1.72	\$1.70	↑
Under Construction	207,058	225,612	148,660	↑
Deliveries	27,430	61,680	0	↑

PAYROLL EMPLOYMENT

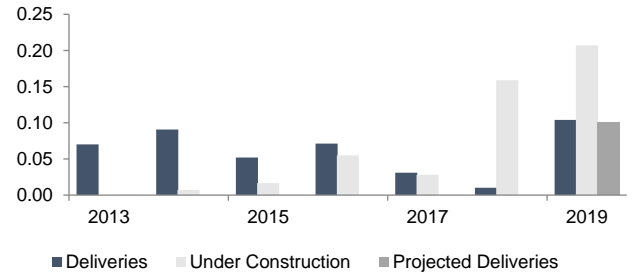
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSTRUCTION AND DELIVERIES

Square Feet, Millions



LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
N/A	5737 N Fresno St	Northeast	Direct	10,060
County of Fresno	555 N Halifax	Clovis	Direct	10,047
San Joaquin Valley College	Santa Barbara Plaza	Airport	Direct	9,662
Learn It Systems	3355 E Shields Ave	Midtown	Direct	7,265
Agency on Aging	2540 W Shaw Lane	West Shaw	Direct	5,500

SELECT SALES TRANSACTIONS

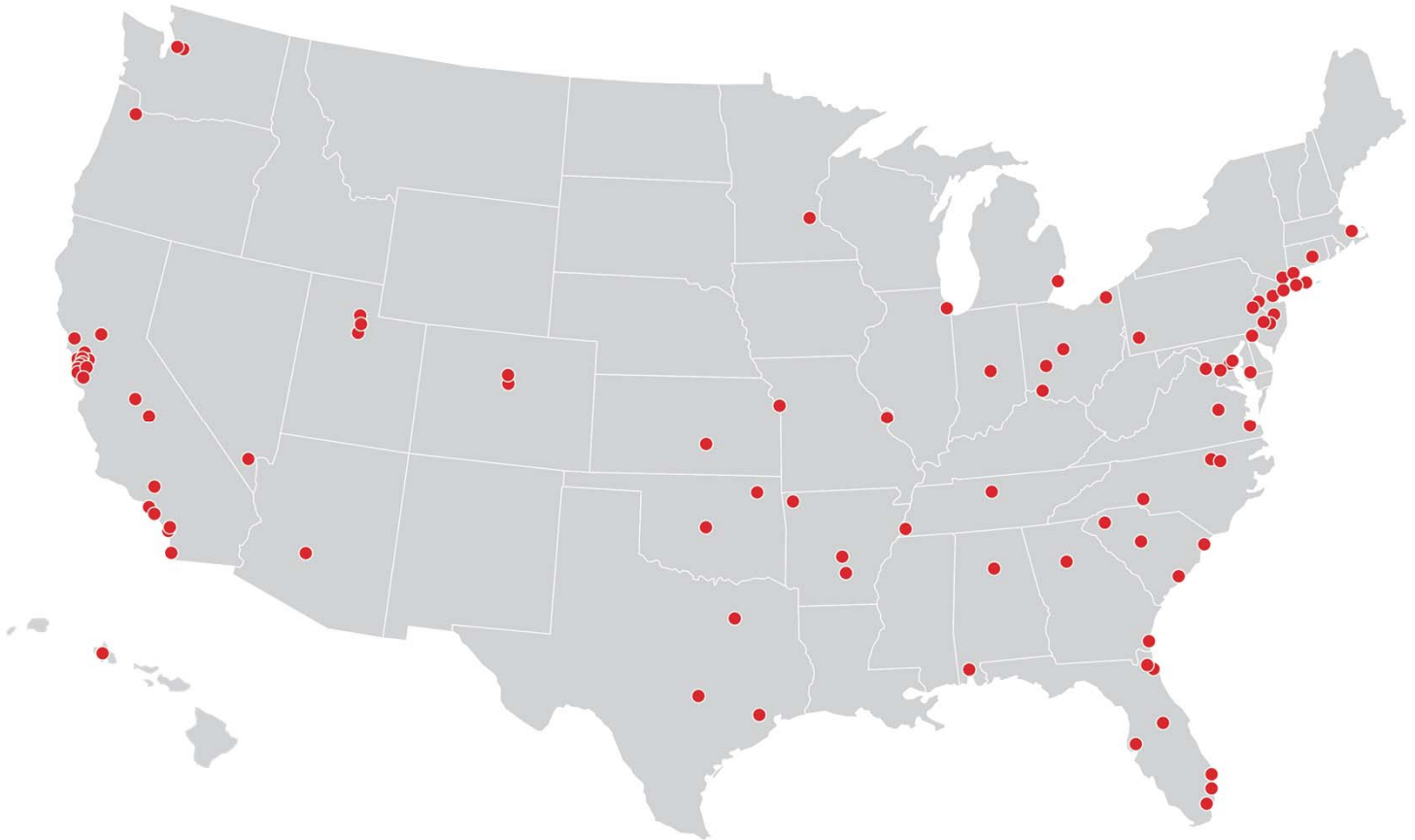
Building	Submarket	Sale Price	Price/SF	Square Feet
7025 N Maple Ave	Woodward	\$2,870,000	\$238	12,064
7491 N Remington	Palm Bluffs	\$2,200,000	\$199	11,074
2020 S East Ave	Downtown	\$1,900,000	\$158	12,000
1243 E Spruce Ave	Woodward	\$1,332,500	\$107	12,409
2307 N Fine Ave	Airport	\$988,000	\$85	11,595

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	10.3%	11,912	35,681	\$2.12	\$1.01	\$1.18
Airport	1,377,288	-	12.0%	6,686	5,544	-	\$1.47	\$1.42
Clovis	1,028,904	25,468	5.7%	14,726	14,626	-	\$2.03	\$1.96
East Shaw	1,341,060	-	16.9%	2,735	12,286	-	\$1.55	\$1.54
Midtown	2,439,005	-	9.7%	-903	-10,825	-	\$1.59	\$1.48
Northeast	1,223,668	-	11.5%	-3,170	29,005	\$2.15	\$1.77	\$1.79
Northwest	1,875,929	-	10.3%	36,216	41,306	\$2.54	\$2.07	\$2.14
Palm Bluffs	1,863,818	54,590	9.5%	-8,183	2,799	\$2.63	\$2.43	\$2.45
West Shaw	1,731,629	-	10.9%	11,353	10,578	-	\$1.57	\$1.48
Woodward	3,675,528	60,000	6.8%	-4,496	18,701	\$2.42	\$2.23	\$2.32
Suburban Total	16,556,829	140,058	9.9%	54,964	124,020	\$2.44	\$1.85	\$1.83
Market	19,867,946	207,058	10.0%	66,876	159,701	\$2.34	\$1.74	\$1.72



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