

# FRESNO OFFICE MARKET

## ACTIVE START, WHAT NEXT?

### STATE OF THE MARKET

Fresno's office market was seemingly active at the start of the first quarter of 2020. The majority of Fresno office brokers had numerous requirements to fulfill. Many experts believed this would be a very active year for Fresno's office market. The most active submarkets include the Northeast and Woodward submarkets, with vacancy rates dropping to 10.9% and 7.5% respectively. The overall vacancy is up 0.2% quarter-over-quarter and down 0.3% year-over-year. Average monthly asking rents are up \$0.02/SF from last quarter. Year-over-year average asking rental rates have increased by \$0.05/SF per month.

Net absorption totaled -39,280 square feet during first-quarter 2020. The Woodward submarket experienced the highest quarterly absorption at 3,464, while West Shaw and Palm Bluff submarkets experienced the highest negative absorption at -13,634 and -12,635 respectively. The largest lease transaction of the quarter was an extensive lease transaction of 10,116 square feet at 2211 North Fine Avenue in the Airport submarket.

### HIGHLIGHTS

Fresno's office market during first-quarter 2020 remained steady. Most submarkets saw some form of positive and negative activity. Overall rental rates continue to increase due to new construction delivering to the market. New construction projects have already or are expected to deliver in the second and third quarter of this year. Fresno's total office inventory has increased by 100,000 square feet over the last year. A large portion of this increase is due to the delivery of Sugar Pine Square, a 60,000-square-foot multi-story Class A office building, leased to Covered California.

### SALES ACTIVITY

The Fresno investment and owner/user sales market remained highly competitive. The Woodward submarket experienced the largest total dollar transaction of the quarter, with the sale of Perrin Center to a medical clinic. The 10,566-square-foot building known as "Perrin Center" will be home to a new-to-market urgent care clinic. The property sold for \$3.55 million. Operations are expected to commence in early 2021.

### LOOKING AHEAD

COVID-19's impact on Fresno's office market remains unclear. The shelter-in-place orders did not go into effect until mid-March in Fresno. Until that point, the market as a whole was very active in both sales and leasing.

### CURRENT CONDITIONS

Slightly Negative Quarterly Net Absorption

Strong Sales Activity

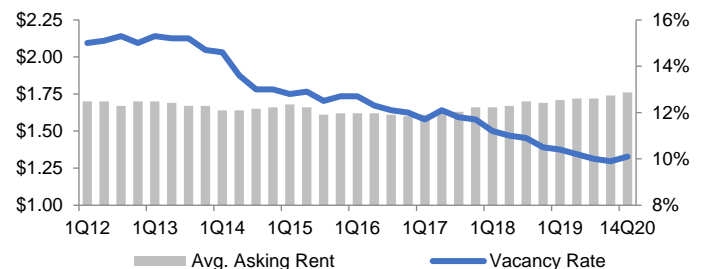
Vacancy Rate Increases

New Deliveries Coming Soon

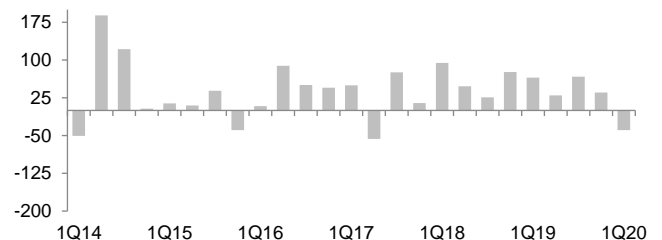
Average Asking Rents Increase

### MARKET ANALYSIS

#### Asking Rent and Vacancy



#### Net Absorption (SF, Thousands)



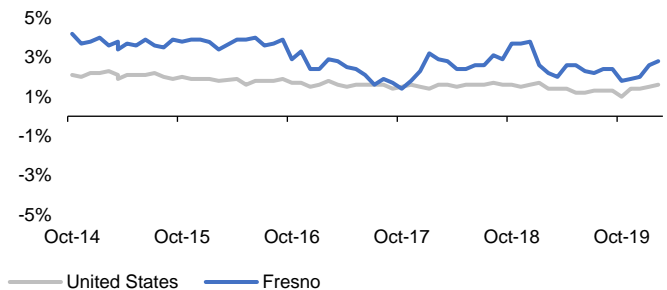
### MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	20.0MSF	19.9MSF	19.8MSF	↑
Vacancy Rate	10.1%	9.9%	10.4%	↓
Quarterly Net Absorption	-39,280	35,485	64,762	↔
Average Asking Rent	\$1.76	\$1.74	\$1.71	↑
Under Construction	129,426	207,058	236,370	↑
Deliveries	0	77,632	14,734	↑

Moving forward, expect to see an immediate and drastic decline in demand for space. Chances are this decline will last until business both large and small can evaluate how severely the shelter-in-place orders will impact specific industries.

## PAYROLL EMPLOYMENT

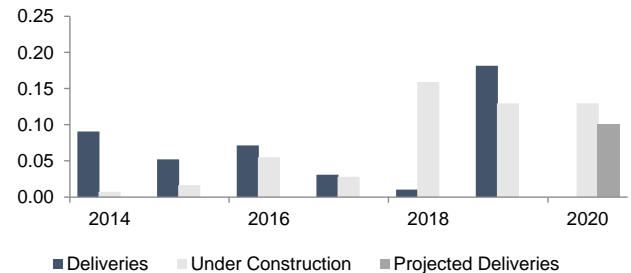
### Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSTRUCTION AND DELIVERIES

### Square Feet, Millions



## LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Victory Church	2211 N Fine Ave	Airport	Direct	10,116
N/A	1195 W Shaw Ave	West Shaw	Sublease	8,150
N/A	250 Spruce Ave	Clovis	Direct	5,775
N/A	6475 N Palm Ave	Northwest	Direct	5,672
Graybar Electrical Supply	6781 N Palm Ave	North West	Direct	4,671

## SELECT SALES TRANSACTIONS

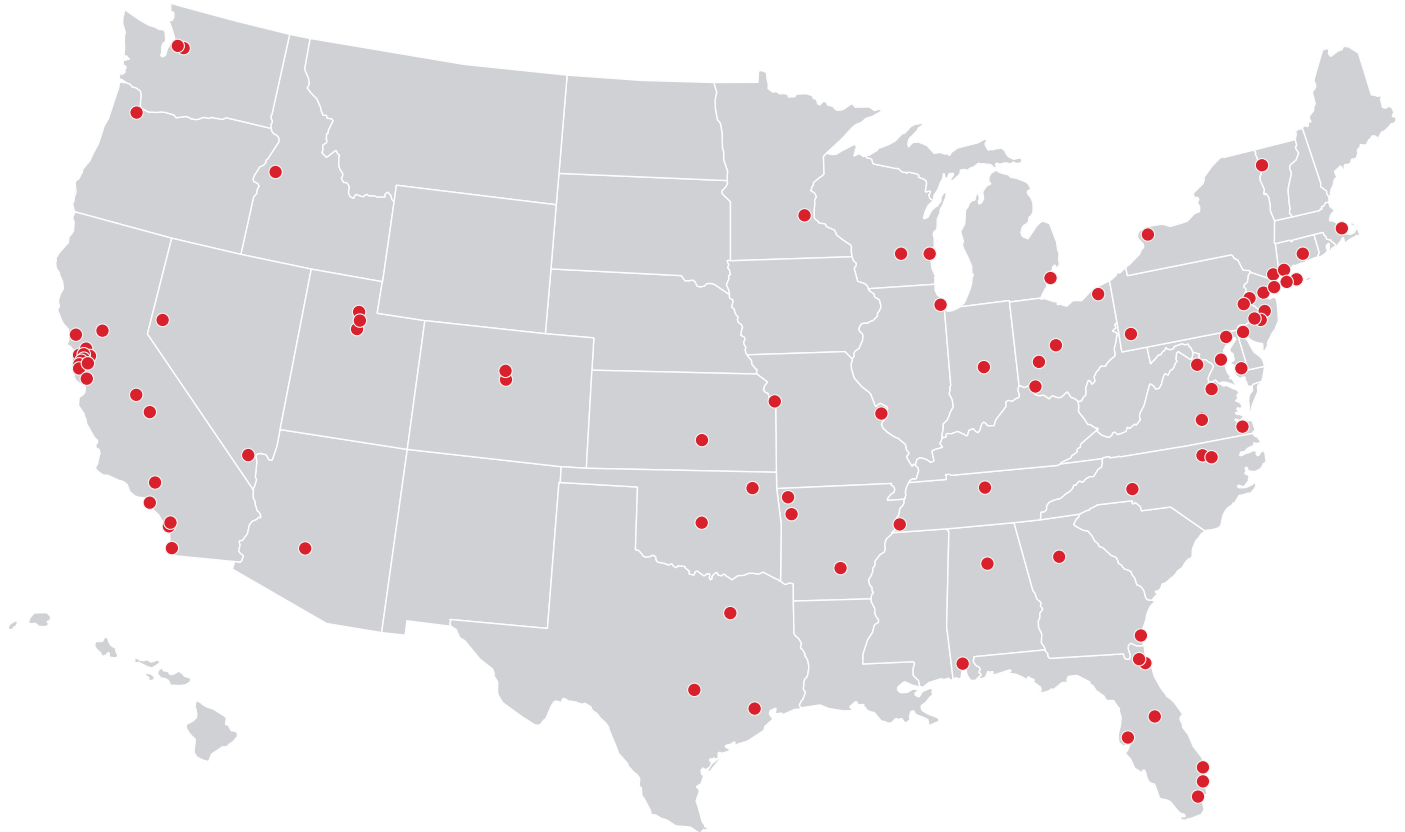
Building	Submarket	Sale Price	Price/SF	Square Feet
Perrin Center	Woodward	\$3,550,000	\$336	10,568
West Shaw Plaza	West Shaw	\$2,300,000	\$108	21,208
San Joaquin Medical Clinic	Midtown	\$799,000	\$82	9,803
West Shaw Financial Park	West Shaw	\$450,000	\$93	4,830
5150 N 6th St	East Shaw	\$450,000	\$89	5,049

## 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)
<b>Downtown/CBD</b>	<b>3,311,117</b>	<b>67,000</b>	<b>9.6%</b>	<b>-4,561</b>	<b>-4,561</b>	<b>\$2.21</b>	<b>\$0.99</b>	<b>\$1.14</b>
Airport	1,377,288	-	11.5%	-2,195	-2,195	-	\$1.48	\$1.43
Clovis	1,059,112	20,260	6.3%	-2,556	-2,556	-	\$2.06	\$1.98
East Shaw	1,342,618	-	17.9%	-1,978	-1,978	-	\$1.56	\$1.55
Midtown	2,440,720	-	10.0%	-7,199	-7,199	-	\$1.53	\$1.47
Northeast	1,223,668	-	10.9%	1,286	1,286	\$2.15	\$1.80	\$1.83
Northwest	1,876,405	-	10.1%	728	728	\$2.55	\$2.14	\$2.20
Palm Bluffs	1,880,101	42,166	10.3%	-12,635	-12,635	\$2.76	\$2.37	\$2.40
West Shaw	1,732,077	-	11.2%	-13,634	-13,634	-	\$1.68	\$1.55
Woodward	3,735,496	-	7.5%	3,464	3,464	\$2.38	\$2.23	\$2.30
<b>Suburban Total</b>	<b>16,667,485</b>	<b>62,426</b>	<b>10.2%</b>	<b>-34,719</b>	<b>-34,719</b>	<b>\$2.42</b>	<b>\$1.89</b>	<b>\$1.87</b>
<b>Market</b>	<b>19,978,602</b>	<b>129,426</b>	<b>10.1%</b>	<b>-39,280</b>	<b>-39,280</b>	<b>\$2.37</b>	<b>\$1.78</b>	<b>\$1.76</b>



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