

Office Market Trends Fresno

Grubb & Ellis Research

First Quarter 2007



When the public stops demanding, developers will stop building.

More Space to do Business in Fresno

Continued growth of the Fresno office market is under way with 761,112 square feet currently under construction and an additional 763,000 square feet in the planning stages. It is no surprise that 66 percent of the space under construction and 75 percent of planned space is within the Northeast, Northwest and Woodward submarkets. These areas continue to attract local as well as national tenants looking to locate in "New" Fresno. What is somewhat surprising is the intensity of new construction in the Clovis submarket. With more than 257,000 square feet of space under construction and an additional 140,000 square feet planned, the Clovis submarket will more than double in size at completion.

The aggressive development of office space has led to a rise in overall vacancy to 9.6 percent, an increase of 1.3 percent since the first quarter of 2006. Product is coming on-line ahead of tenant demand, especially in the Clovis submarket. The vacancy rate in Clovis increased during the same time period from 14.9 percent to 23.5 percent. The current vacancy does not include space currently under construction.

Preleasing and demand for Class A space in north Fresno is keeping vacancy in check at 6.3 percent in the Northeast, 9.6 percent in the Northwest and 8 percent in the Woodward submarkets. Overall asking rents are up ever so slightly from a year ago and seem to have reached a point of equilibrium. Some have asked if developers are over doing it and creating too much of a good thing. In response, Phil Souza, Senior Vice President replied, "Developers are in the business of making a profit, when the public stops demanding, developers will stop building".

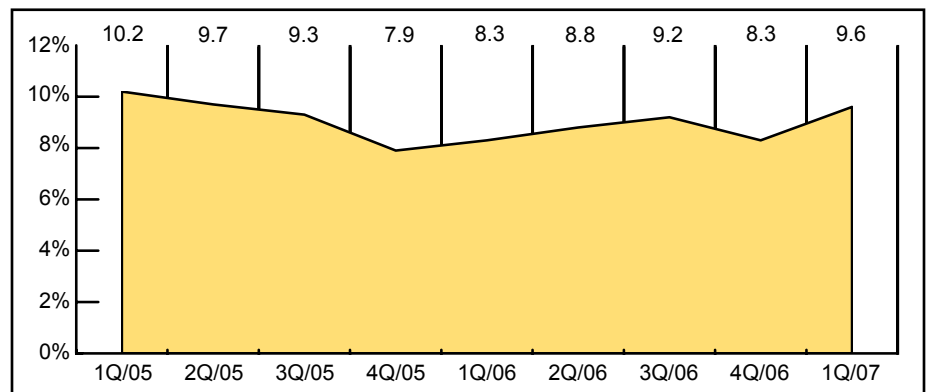
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Office Vacancy Rate*
*All Classes of Space

Office Market Snapshot Fresno First Quarter 2007

By Submarket (All Classes)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption		Under Const. (3) SF	Asking Rent (4)	
				Current Qtr	Year To Date		Class A	Class B
Downtown	3,061,635	488,985	16.0%	(29,741)	(29,741)	-	\$1.94	\$1.40
CBD Total	3,061,635	488,985	16.0%	(29,741)	(29,741)	-	\$1.94	\$1.40
Airport	1,346,317	103,456	7.7%	(16,930)	(16,930)	-	-	\$1.36
Clovis	350,499	82,242	23.5%	419	419	257,200	\$2.02	\$1.71
East Shaw	1,212,848	118,930	9.8%	(25,159)	(25,159)	-	\$1.63	\$1.52
Midtown	2,751,561	123,507	4.5%	(36,168)	(36,168)	-	-	\$1.39
Northeast	1,422,989	88,940	6.3%	4,275	4,275	58,684	\$2.14	\$1.61
Northwest	2,778,112	268,052	9.6%	31,837	31,837	142,410	\$2.14	\$1.88
West Shaw	1,491,101	153,966	10.3%	(12,601)	(12,601)	-	\$1.74	\$1.51
Woodward	2,936,918	235,193	8.0%	(47,614)	(47,614)	302,818	\$2.19	\$2.00
Suburban Total	14,290,345	1,174,286	8.2%	(101,941)	(101,941)	761,112	\$2.05	\$1.58
Totals	17,351,980	1,663,271	9.6%	(131,682)	(131,682)	761,112	\$2.02	\$1.55

By Class (All Submarkets)	Total (1) SF	Vacant (2) SF	Vacant %	Current Qtr	Year To Date	Under Const. (3) SF	Available for Sublease	
							CBD	Suburban
Class A	5,136,121	579,764	11.3%	15,253	15,253	761,112	6,183	11,674
Class B	8,398,347	952,117	11.3%	(109,058)	(109,058)	-	62,760	43,973
Class C	3,817,512	131,390	3.4%	(37,877)	(37,877)	-	-	-
Totals	17,351,980	1,663,271	9.6%	(131,682)	(131,682)	761,112	68,943	55,647

(1) Inventory includes multi-tenant and single tenant buildings with at least 5,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per month full service.

*Grubb & Ellis statistics are audited annually and may result in revisions previously reported quarterly and final year-end figures.

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Fresno Area Map By Submarket

