

Office Market Trends Fresno

Grubb & Ellis Research

Second Quarter 2007



Tenants are more actively seeking space in the downtown area...

What's Up Downtown

While the overall vacancy for the Fresno office market ticked up slightly from the end of the first quarter, the downtown (CBD) submarket experienced a significant decrease in vacancy to 12.3 percent. Tenants are more actively seeking space in the downtown area due to several factors, including the transfer of University Medical Center's trauma center to its new downtown location within the expanded Fresno Community Hospital complex. Additionally, local artist/developer Reza Assemi has made significant headway in attracting residents to Downtown. Three rehabilitation projects have created trendy lofts, studios and apartments from formerly distressed properties. Fulton Plaza, a new construction project, also from Assemi, is in the heart of Downtown's Cultural Arts District and will include 80 three-story row houses along with 16,000 square feet of commercial space. While these projects target the art crowd, another rehab project is offering luxury lofts and penthouse apartments in a historic high rise. Additional residential and mixed use commercial projects are in the planning stages. Attracting people to live and work downtown is key to successful and sustainable redevelopment.

Class A rental rates continue to increase. Overall asking rents are at \$2.16 per square foot, full service; multi-story buildings in the northern submarkets are getting \$2.20 - \$2.30; and space still under construction is asking \$2.45 - \$2.65.

Currently, there are 614,000 square feet under construction, and another 1.5 million square feet in various stages of planning. With absorption currently lagging behind completions, some planned projects may stay on hold a bit longer than originally planned.

Sublease space is also on the rise, nearly doubling the square footage that was available at the same time last year.

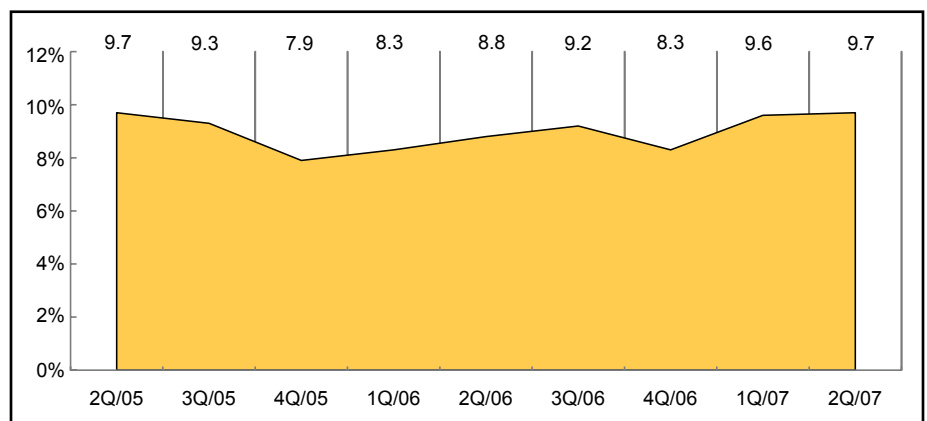
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Office Vacancy Rate*
*All Classes of Space

Office Market Snapshot Fresno Second Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current	Year To Date	SF	Class A	Class B
Downtown	3,062,176	376,234	12.3%	113,292	83,551	-	\$2.39	\$1.25
CBD Total	3,062,176	376,234	12.3%	113,292	83,551	-	\$2.39	\$1.25
Airport	1,334,992	101,528	7.6%	(9,397)	(26,327)	-	-	\$1.22
Clovis	356,199	92,827	26.1%	(4,885)	(4,466)	146,336	\$1.96	\$1.45
East Shaw	1,216,133	120,274	9.9%	1,941	(23,218)	-	\$1.64	\$1.48
Midtown	2,772,223	146,093	5.3%	(13,346)	(49,514)	33,125	-	\$1.27
Northeast	1,481,673	136,532	9.2%	3,912	8,187	-	\$2.13	\$1.60
Northwest	2,800,663	344,901	12.3%	(54,298)	(22,461)	153,650	\$2.12	\$1.81
West Shaw	1,474,044	133,773	9.1%	10,254	(2,347)	-	\$1.84	\$1.52
Woodward	2,958,689	248,345	8.4%	8,619	(38,995)	281,247	\$2.24	\$1.96
Suburban Total	14,394,616	1,324,273	9.2%	(57,200)	(159,141)	614,358	\$2.09	\$1.52
Totals	17,456,792	1,700,507	9.7%	56,092	(75,590)	614,358	\$2.16	\$1.47

By Class (All Submarkets)				Available for Sublease				
	SF	Vacant %		CBD	Suburban			
Class A	5,243,061	687,123	13.1%	(2,399)	12,854	614,358	6,183	33,405
Class B	8,334,992	906,994	10.9%	32,950	(76,108)	-	62,760	57,568
Class C	3,878,739	106,390	2.7%	25,541	(12,336)	-	-	-
Totals	17,456,792	1,700,507	9.7%	56,092	(75,590)	614,358	68,943	90,973

(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

