

Office Market Trends Fresno

Grubb & Ellis Research

Third Quarter 2007



...there are many reasons to remain optimistic.

Vacancy on the Rise

The overall vacancy rate for the Fresno office market has risen above the 10 percent level for the first time since the first quarter of 2005. A slow down in absorption and an increase in sublease space have resulted in a 10.1 percent vacancy rate. Available space for sublease has increased to more than 200,000 square feet, up from 83,500 last year. Much of that space can be attributed to real estate related users down-sizing operations.

Nearly 770,000 square feet of space is currently under construction with two major complexes recently breaking ground in the northwest submarket. Park Place, on the bluffs of the San Joaquin River, offers four stories of Class A space with under ground parking, a welcome benefit during Fresno's summer temperatures. An additional 1.3 million square feet are still in the planning stages with approximately 500,000 square feet in the Woodward submarket and 500,000 square feet in Clovis. However, with vacancy rates up 2.6 percent from last year in Woodward and 5.2 in Clovis many of these projects may take longer to get out of the ground than originally expected.

While the Fresno market may be near the peak of the current expansion cycle, there are many reasons to remain optimistic. Historically, Fresno has been buffered from the extreme peaks and valleys that are experienced in major markets. After the tech bust early in the decade the national office vacancy rate peaked near 18 percent. Comparatively, Fresno briefly peaked at 13.3 then quickly leveled off in the 10 percent range. With the exception of a blip in the first quarters of 2004 and 2005, vacancy has remained under 10 percent since the third quarter of 2003. Nearly 5 million square feet of space has been added to the inventory this decade with absorption keeping well ahead of completions. Prognosticators say, "in relation to other markets, the Central Valley will remain strong".

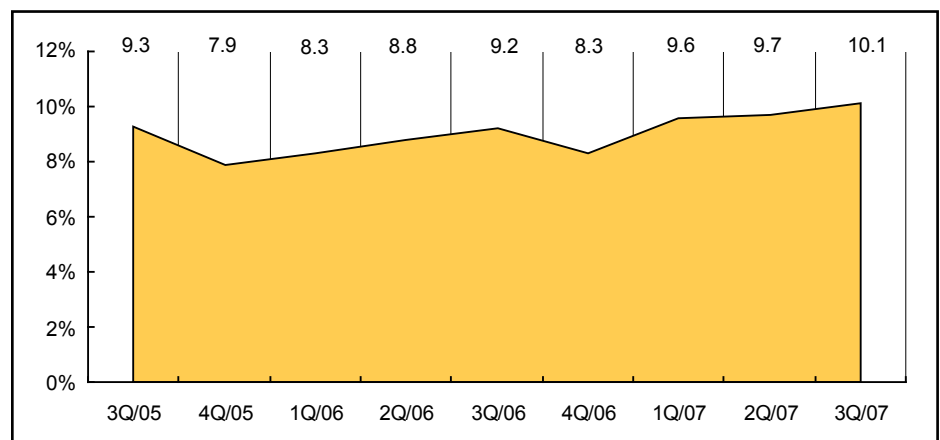
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Tammy Katuin

Director of Client Services
Research, Marketing & Information Systems
E-mail: tkatuin@pearsonrealty.com

Grubb & Ellis | Pearson Commercial
7480 N. Palm Avenue, Suite 101
Fresno, CA 93711
559.432.6200
Internet: www.pearsonrealty.com
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Office Vacancy Rate*
*All Classes of Space

Office Market Snapshot Fresno Third Quarter 2007

By Submarket (All Classes)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	Class A	Class B
Downtown	3,062,176	380,206	12.4%	(3,972)	79,579	-	\$2.39	\$1.25
CBD Total	3,062,176	380,206	12.4%	(3,972)	79,579	-	\$2.39	\$1.25
Airport	1,334,992	110,193	8.3%	(8,665)	(34,992)	-	-	\$1.22
Clovis	356,199	91,315	25.6%	1,512	(2,954)	146,336	\$2.12	\$1.45
East Shaw	1,216,133	152,433	12.5%	(32,159)	(55,377)	-	\$1.64	\$1.46
Midtown	2,772,223	103,371	3.7%	42,722	(6,792)	33,125	-	\$1.27
Northeast	1,481,673	136,672	9.2%	(140)	8,047	-	\$2.13	\$1.63
Northwest	2,825,486	342,749	12.1%	8,560	4,514	367,873	\$2.10	\$1.70
West Shaw	1,474,044	165,818	11.2%	(30,541)	(32,888)	-	\$1.73	\$1.48
Woodward	2,944,285	281,947	9.6%	(48,006)	(87,001)	221,496	\$2.18	\$1.96
Suburban Total	14,405,035	1,384,498	9.6%	(66,717)	(207,443)	768,830	\$2.06	\$1.53
Totals	17,467,211	1,764,704	10.1%	(70,689)	(127,864)	768,830	\$2.13	\$1.48

By Class (All Submarkets)	Available for Sublease							
							CBD	Suburban
Class A	5,257,680	741,222	14.1%	(60,591)	(29,322)	768,830	6,183	74,643
Class B	8,362,092	920,044	11.0%	(13,050)	(89,158)	-	62,760	60,548
Class C	3,847,439	103,438	2.7%	2,952	(9,384)	-	-	-
Totals	17,467,211	1,764,704	10.1%	(70,689)	(127,864)	768,830	68,943	135,191

(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.

Grubb & Ellis | Pearson Commercial Office Advisors

Denver Butler, SIOR, CCIM
Senior Vice President
Office Division
559.447.6218
dbutler@pearsonrealty.com

Scott Christensen
Senior Sales Associate
Office Division
559.447.6230
schristensen@pearsonrealty.com

Dustin Ilic
Sales Associate
Office Division
559.447.6292
dilic@pearsonrealty.com

Jeremy Reed
Senior Vice President
Office Division
559.447.6282
jreed@pearsonrealty.com

Thomas N. Robinson
Vice President
Office Division
559.447.6246
trobinson@pearsonrealty.com

Jessica Schneider
Marketing Specialist
Office Division
559.447.6281
jschneider@pearsonrealty.com

Phil Souza
Senior Vice President
Office Division
559.447.6283
psouza@pearsonrealty.com

Ramon Ventura
Sales Associate
Office Division
559.447.6293
rventura@pearsonrealty.com

Brett Visintainer
Sales Associate
Office Division
559.447.6265
bvisintainer@pearsonrealty.com

Fresno Area Map By Submarket

