

Office Market Trends Fresno

Grubb & Ellis Research

Fourth Quarter 2007



New Year, New Market

The overall vacancy rate for the Fresno office market ended the year at 11.7 percent, up 1.6 percent from the third quarter and 3.4 percent from the fourth quarter of last year. The Clovis submarket was hit the hardest with a jump of 7.7 percent over the last 12 months. While overall Class A asking rents are up slightly, during the same time period, rents in Clovis have dropped fifteen cents per square foot, per month for Class A and twenty cents for Class B.

Available sublease space is also on the rise, but according to local office market specialists, leasing activity across the board remains active. Tenants south of the Herndon corridor, with space requirements in the 1,500 to 2,500 square foot range, are looking to move north and take advantage of increased concessions, incentives and tenant improvements offered by landlords of new space that is currently under construction or recently completed in the northern submarkets. Larger national tenants are also signing leases to occupy space in new multi-story Class A buildings.

Many developers took advantage of low interest rates and strong market fundamentals adding nearly five million square feet of space to the market over the last five years. Nearly one-half million square feet was added in the last 12 months and an additional 668,000 square feet is currently under construction. This has resulted in a saturation of the market not previously seen in the Fresno market.

Look for 2008 to be a steady year of absorption of excess space in the northern submarkets and Downtown revitalization to continue. The introduction of mixed use projects should keep the CBD humming for the next few years. "Legacy Downtown", a 255,000 square foot mixed use project, located next to the convention center, is set to break ground this spring. The project includes a public ice skating center and residential units above office and retail space.

Look for 2008 to be a steady year of absorption...

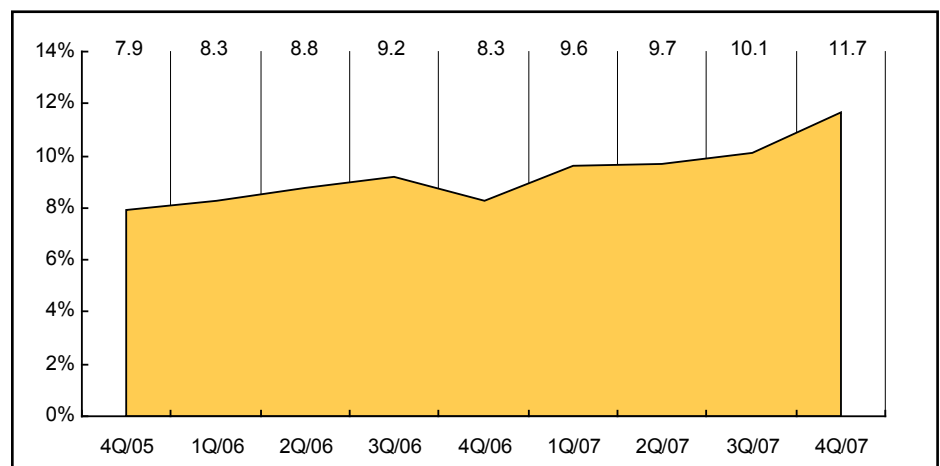
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is a newsletter published quarterly by Grubb & Ellis | Pearson Commercial. To obtain additional copies or other Grubb & Ellis | Pearson Commercial Publications, please contact:

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Independently Owned and Operated



Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot Fresno Fourth 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	378,685	12.4%	1,521	81,100	-	\$2.35	\$1.25
CBD Total	3,062,176	378,685	12.4%	1,521	81,100	-	\$2.35	\$1.25
Airport	1,334,992	124,118	9.3%	(13,925)	(48,917)	-	-	\$1.21
Clovis	392,199	126,215	32.2%	1,100	(1,854)	128,336	\$2.06	\$1.45
East Shaw	1,216,133	158,656	13.0%	(6,223)	(61,600)	-	\$1.64	\$1.45
Midtown	2,772,045	113,651	4.1%	(10,458)	(17,250)	38,300	-	\$1.21
Northeast	1,481,673	132,849	9.0%	3,823	11,870	-	\$2.07	\$1.61
Northwest	2,865,756	396,161	13.8%	14,247	21,036	297,939	\$2.17	\$1.81
West Shaw	1,503,708	202,031	13.4%	(33,938)	(69,101)	-	\$1.55	\$1.45
Woodward	3,077,532	441,702	14.4%	(26,508)	(113,509)	203,495	\$2.24	\$1.98
Suburban Total	14,644,038	1,695,383	11.6%	(71,882)	(279,325)	668,070	\$2.11	\$1.52
Totals	17,706,214	2,074,068	11.7%	(70,361)	(198,225)	668,070	\$2.16	\$1.48

By Class (All Submarkets)	Available for Sublease							
	SF	SF	Vacant %	Current Qtr	Year To Date	SF	CBD	Suburban
Class A	5,496,861	952,494	17.3%	27,909	(1,413)	668,070	6,183	87,854
Class B	8,362,092	1,007,626	12.0%	(87,582)	(176,740)	-	62,760	73,095
Class C	3,847,261	113,948	3.0%	(10,688)	(20,072)	-	-	-
Totals	17,706,214	2,074,068	11.7%	(70,361)	(198,225)	668,070	68,943	160,949

(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

