Industrial Market Trends Visalia/Tulare

Grubb & Ellis Research

Fourth Quarter 2008

Grubb & Ellis | Pearson Commercial
Property Solutions Worldwide

Vacancy on the Rise is No Surprise

2009 looks to be a year of survival of the fittest.

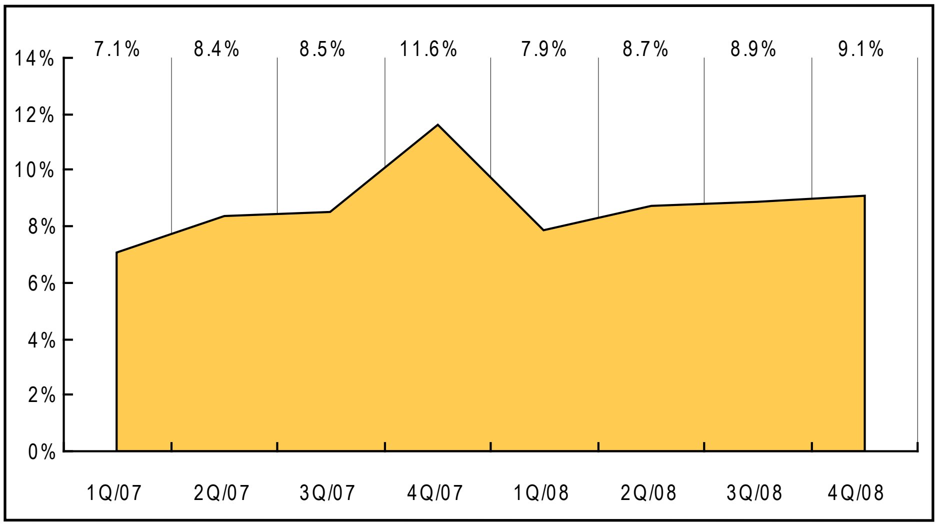
Beginning the year at 7.9 percent, vacancy ticked up each quarter to end the year at 9.1 percent.

Asking rents remain stable with very little fluctuation during the year.

Activity is slow in both leasing and sales. However, Real Capital Analytics reported that the Allen Group recently sold four buildings in Visalia totaling approximately 790,000 for $35.2 million to a real estate development and investment firm based in Hawaii. Additionally, 236,350 square feet of sub-lease space was recently leased in the same area. The new tenant is Dairy America, Inc.

There are deals being made and buyers and tenants definitely have the upper hand. Investors are far more conservative and buyers are extremely cautious. Vulture funds are on the rise and are searching for distressed properties and any other opportunistic plays.

2009 looks to be a year of survival of the fittest. Fortunately, the San Joaquin Valley is bolstered by the agricultural economy. Businesses previously focused on servicing the construction industry are shifting to agriculture. The World Ag Expo, held every February in Tulare, is the world's largest agricultural exposition with 2.6 million square feet of exhibit space, over 1,600 exhibitors and an estimated 100,000 attendees. This Expo showcases equipment, supplies and services related to the international agriculture community.



Industrial Vacancy Rate*
**All Product Types*

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Industrial Market Snapshot Visalia/Tulare Fourth Quarter 2008

By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Const. (3) SF	Asking Rent (4) WH/Dist	Asking Rent (4) R&D/Flex
Tulare	3,417,826	51,390	1.5%	500	81,140	20,000	$0.40	$0.70
Visalia	9,845,779	1,158,929	11.8%	(29,800)	(307,423)	370,290	$0.29	-
Suburban Total	**13,263,605**	**1,210,319**	**9.1%**	**(29,300)**	**(226,283)**	**390,290**	**$0.29**	**$0.70**
Totals	**13,263,605**	**1,210,319**	**9.1%**	**(29,300)**	**(226,283)**	**390,290**	**$0.29**	**$0.70**

By Property Type (All Submarkets)							Asking Rent
General Industrial	2,763,106	-	-	-	80,640	80,000	-
R&D/Flex	659,407	14,000	2.1%	-	-	-	$0.70
Warehouse/Distribution	9,841,092	1,196,319	12.2%	(29,300)	(306,923)	310,290	$0.29
Totals	**13,263,605**	**1,210,319**	**9.1%**	**(29,300)**	**(226,283)**	**390,290**	**$0.30**

(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, triple net. Rates for each building are weighted by the amount of available space within the building.
(5) R&D/Flex is defined as 30% or more office build-out used for back office, R&D/lab, light assembly or retail/showroom.
**Grubb & Ellis statistics are audited annually and may result in revisions previously reported quarterly and final year-end figures.*

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