

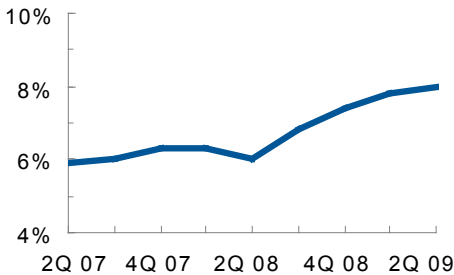
Industrial Trends Report—Second Quarter 2009

Fresno, CA



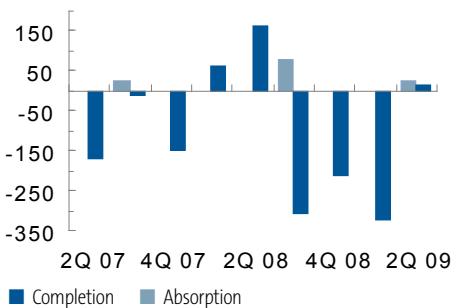
Vacancy Rate

Quarterly



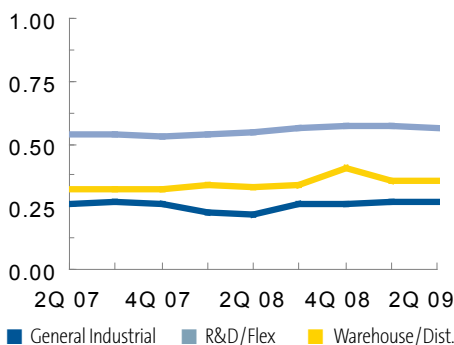
Completion vs. Absorption

Quarterly (in Thousands of SF)



Asking Rental Rates

Quarterly (\$/SF/Mo. Triple Net)



Challenges persist. So do opportunities. Not surprisingly, since the end of 2008, the overall vacancy rate for industrial buildings in the Fresno area has risen from 7 to 8 percent.

While not a significant uptick relative to some other California industrial markets, this rate does not account for what is known by the brokerage community to be upcoming vacancies, potential subleases and downsizing or consolidating tenants. As a result, the vacancy rate is expected to continue to rise over the remaining portion of 2009.

There is a short-list of themes that persist to negatively impact the industrial market from the perspective of a property owner or landlord. One, the volume and value of industrial transactions involving tenants, users or investors is, by some estimates, down almost 50 percent from 24 months ago. Two, the regional economy has been severely affected by the on-going housing/mortgage crisis and the consequent 15 percent unemployment rate. Three, most tenants or prospective buyers are hyper-cautious at best or apathetic at worst so deals are difficult to move from the early stages of negotiation to completion. Finally, there is a perception that the worst has not passed or all property owners are in distress, both of which make it difficult to bridge the bid-ask spread on sales or leases.

From the perspective of a tenant or potential buyer, the market seems to be presenting opportunities. Since mid-April the number of inquiries received has increased across the board. Some businesses that were contemplating new space in 2008 started to look again and evaluate the state of the market. What most people and businesses are finding is an environment that is more accommodating and flexible. Some landlords have started to take the position that short-term leases are not terribly undesirable, concessions do not amount to “defeat” in negotiations and creativity (i.e., rent abatement, broker incentives, flat rents) may move their property to the front of the increasingly long line. For potential buyers the inventory has increased though there are only a handful of bank-owned buildings, which has surprised many. However, many sellers are re-pricing their properties to better reflect a difficult market and tougher underwriting standards. Also, many sellers will contemplate an installment sale to circumvent the traditional lending process. These factors offer buyers the chance to purchase industrial real estate at the lowest prices in recent memory.

FORECAST

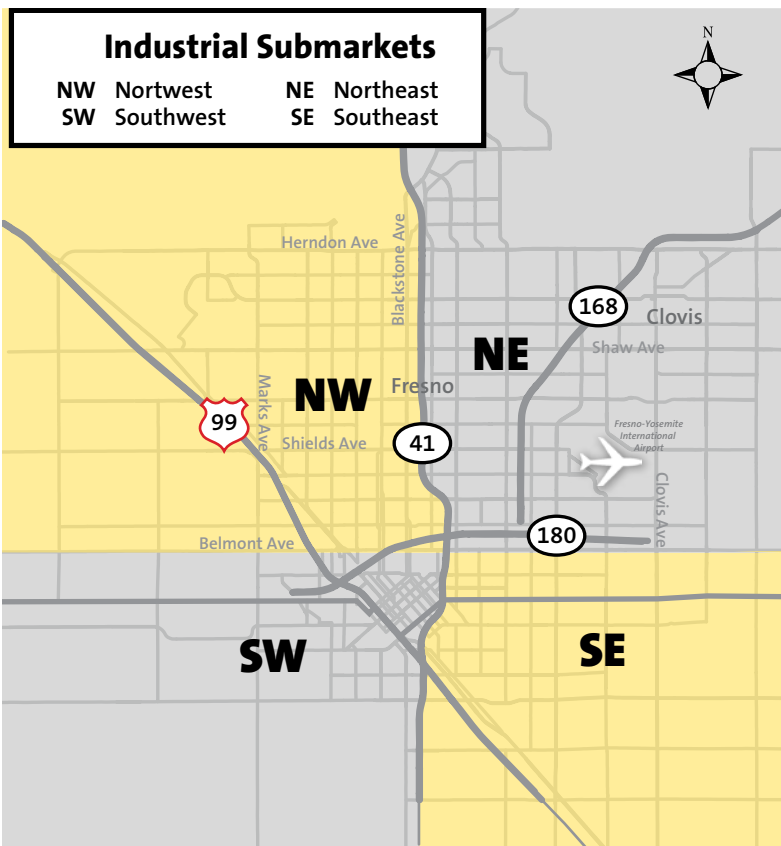
- Sales prices decline, but transaction velocity increases
- More buildings become available for sale
- Lease incentives increase as do landlord concessions
- Lease terms are shorter
- Sublease rates affect direct lease rates

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By Submarket	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year To Date		WH/Dist	R&D/Flex
Northeast	11,707,385	525,076	4.5%	(95)	(47,674)	-	\$0.31	\$0.65
Northwest	7,646,720	478,642	6.3%	43,143	(25,326)	-	\$0.45	\$0.82
Southeast	27,208,280	2,775,524	10.2%	17,045	(187,117)	-	\$0.34	\$0.52
Southwest	8,179,067	612,051	7.5%	(43,080)	(48,966)	-	\$0.36	-
Totals	54,741,452	4,391,293	8.0%	17,013	(309,083)	-	\$0.35	\$0.56

By Property Type	Total SF	Vacant SF	Total Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT
				Current	Year To Date		
General Industrial	18,859,658	2,151,442	11.4%	64,307	(80,053)	-	\$0.27
R&D/Flex	893,386	243,902	27.3%	6,785	3,605	-	\$0.56
Warehouse/Distribution	34,988,408	1,995,949	5.7%	(54,079)	(232,635)	-	\$0.35
Totals	54,741,452	4,391,293	8.0%	17,013	(309,083)	-	\$0.33



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INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 5,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes

direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited

to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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