Industrial Market Trends Fresno

Grubb & Ellis Research

Third Quarter 2008

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Property Solutions Worldwide

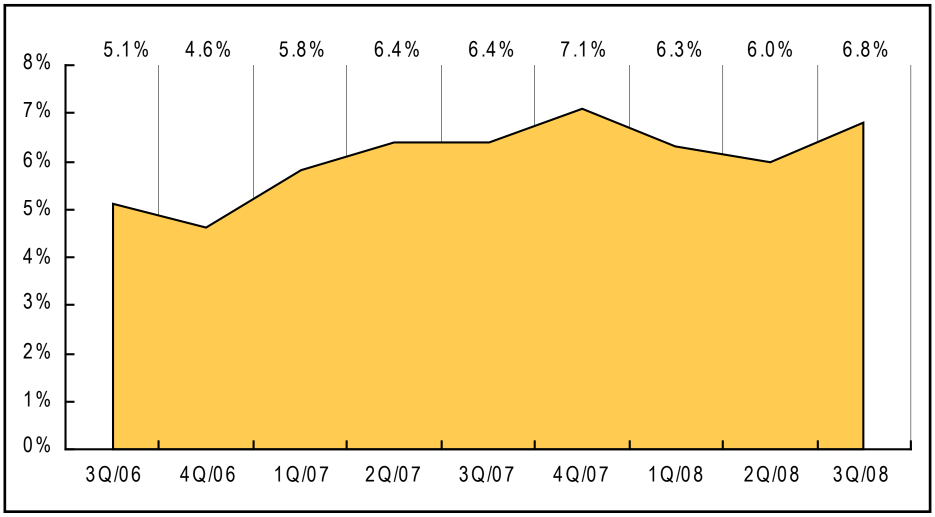
Wait and See Market Prevails

With little in the construction pipeline vacancy rates should hold firm through the next year.

Despite the constant onslaught of bad news the Fresno industrial market is holding its own. The third quarter vacancy rate is up 90 basis points from last quarter and 50 basis points higher than the same time last year. Even so, at 6.8 percent the vacancy rate is well within the historical norm for the market. Asking rates remain stable with no perceivable change over the last 12 months. With little in the construction pipeline vacancy rates should hold firm through the next year.

The Southeast and Northeast submarkets remain the most active. However, overall leasing activity has slowed considerably from two years ago. The number of transactions in the first three quarters of 2006 was nearly double what it was in each of the same time periods for 2007 and 2008. A wait and see attitude has seemed to settle on industrial users as well as developers.

North and south of Fresno, along the Highway 99 corridor, industrial markets remain tight with low vacancy rates and stabilized asking rents. Landlords with vacant space are competing for the tenants and rent concessions are in play. Tenant's thinking of making a move could take advantage of some of the best opportunities to come along in quite some time.



Industrial Vacancy Rate*
**All Product Types*

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

Grubb & Ellis | Pearson Commercial

FRESNO
7480 N. Palm Avenue, Suite 101
Fresno, CA 93711
559.432.6200

VISALIA
3447 S. Demaree
Visalia, CA 93277
559.732.7300

Internet: www.pearsonrealty.com
Independently Owned and Operated

Industrial Market Snapshot Fresno Third 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
Northeast	11,676,503	457,016	3.9%	(43,855)	(135,224)	10,000	$0.28	$0.70
Northwest	7,588,029	377,869	5.0%	(39,545)	(74,376)	104,128	$0.48	$0.61
Southeast	27,116,218	2,278,981	8.4%	(143,815)	122,018	-	$0.28	$0.52
Southwest	8,168,653	600,891	7.4%	(81,390)	3,178	-	$0.37	$0.67
Suburban Total	**54,549,403**	**3,714,757**	**6.8%**	**(308,605)**	**(84,404)**	**114,128**	**$0.34**	**$0.56**
Totals	**54,549,403**	**3,714,757**	**6.8%**	**(308,605)**	**(84,404)**	**114,128**	**$0.34**	**$0.56**

By Property Type (All Submarkets)	Total SF	Vacant SF	Vacant %	Net Absorption Current Qtr	Net Absorption Year To Date	Under Const. SF	Asking Rent
General Industrial	18,733,856	1,981,194	10.6%	35,324	362,455	114,128	$0.26
R&D/Flex	893,599	255,920	28.6%	(4,415)	11,955	-	$0.56
Warehouse/Distribution	34,921,948	1,477,643	4.2%	(339,514)	(458,814)	-	$0.34
Totals	**54,549,403**	**3,714,757**	**6.8%**	**(308,605)**	**(84,404)**	**114,128**	**$0.32**

(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.*

Grubb & Ellis
Pearson Commercial
Industrial Advisors

FRESNO
Lou Ginise, SIOR
Senior Vice President
Industrial Division
559.447.6232
lginise@pearsonrealty.com

Ron Stoltenberg
Vice President
Industrial Division
559.447.6227
rstoltenberg@pearsonrealty.com

Ethan Smith, CCIM
Vice President
Industrial Division
559.447.6256
esmith@pearsonrealty.com

Ross Parnagian
Sales Associate
Industrial Division
559.447.6228
rparnagian@pearsonrealty.com

William Thomas
Sales Associate
Industrial Division
559.447.6233
wthomas@pearsonrealty.com

Fresno Area Map By Submarket

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