

Office Market Trends Fresno

Grubb & Ellis Research

Third Quarter 2008



What's Next?

There are deals to be had in all submarkets.

That's the question everyone is asking. Economic and political turmoil abound as we await the next announcement to send the stock market reeling in one direction or another. Despite the constant onslaught of bad news the Fresno office market is holding its own. The vacancy rate is hovering just under the 11 percent mark and asking rents are virtually unchanged or up slightly from the third quarter of last year. However, with four to five hundred thousand square feet of under construction space nearing completion or currently sitting in shell condition, with few tenants lined up to fill the space, the vacancy rate could change substantially by year-end.

There are deals to be had in all submarkets. Tenant's thinking of making a move could take advantage of some of the best opportunities to come along in quite some time. Free rent, first year rent reductions, increased tenant improvements and broker incentives are becoming more and more common across the board.

The Woodward submarket remained the most active this quarter with medical, health related and government users making the majority of the deals. Posting asking rates as low as \$.65 per month, per square foot, Full Service the West Shaw submarket continues to attract value conscious tenants.

Net absorption is still well into the black for the year and if activity continues to pick up year-end numbers should end on a positive note. What's next? On a macro level, it's hard to predict. As for the local Fresno metro-area, stay tuned for next quarter's report for local market trends.

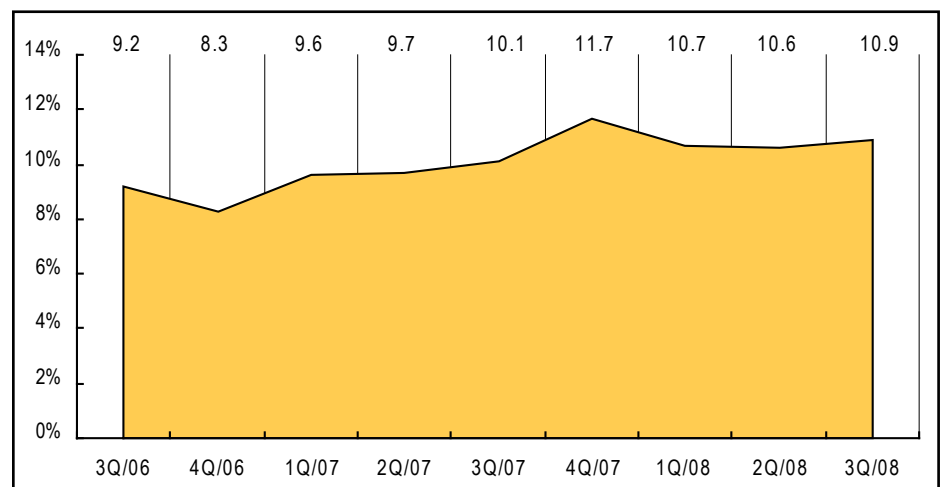
Fresno Office Market Trends

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Office Vacancy Rate*
*All Classes of Space

Office Market Snapshot Fresno Third Quarter 2008

| 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 | 3,080,697 | 384,258 | 12.5% | 0 | 2,448 | - | \$2.30 | \$1.26 |
| CBD Total | 3,080,697 | 384,258 | 12.5% | - | 2,448 | - | \$2.30 | \$1.26 |
| Airport | 1,357,045 | 149,011 | 11.0% | (10,312) | (2,840) | - | - | \$1.22 |
| Clovis | 503,514 | 78,813 | 15.7% | (2,303) | 71,807 | 184,358 | \$2.08 | \$1.73 |
| East Shaw | 1,256,813 | 217,140 | 17.3% | (7,514) | (35,862) | - | \$1.64 | \$1.48 |
| Midtown | 2,737,391 | 47,723 | 1.7% | 35,674 | 72,220 | 5,175 | - | \$1.29 |
| Northeast | 1,401,318 | 146,651 | 10.5% | 1,733 | (18,530) | 5,504 | \$2.08 | \$1.65 |
| Northwest | 2,924,651 | 346,559 | 11.8% | (41,805) | 90,278 | 359,151 | \$2.17 | \$1.87 |
| West Shaw | 1,496,324 | 231,383 | 15.5% | (36,573) | (19,639) | - | \$1.47 | \$1.46 |
| Woodward | 3,106,338 | 340,605 | 11.0% | 54,683 | 129,903 | 194,518 | \$2.30 | \$1.89 |
| Suburban Total | 14,783,394 | 1,557,885 | 10.5% | (6,417) | 287,337 | 748,706 | \$2.13 | \$1.55 |
| Totals | 17,864,091 | 1,942,143 | 10.9% | (6,417) | 289,785 | 748,706 | \$2.16 | \$1.51 |

| By Class (All Submarkets) | | | | | | | | Available for Sublease | |
|------------------------------|-------------------|------------------|--------------|----------------|----------------|----------------|---------------|------------------------|--|
| | SF | SF | Vacant % | Current Qtr | Year To Date | SF | Class A | Class B | |
| Class A | 5,646,150 | 780,384 | 13.8% | 5,075 | 306,271 | 748,706 | 4,745 | 85,351 | |
| Class B | 8,406,556 | 1,025,441 | 12.2% | (32,063) | (408) | - | 55,000 | 70,064 | |
| Class C | 3,811,385 | 136,318 | 3.6% | 20,571 | (16,078) | - | - | 2,996 | |
| Totals | 17,864,091 | 1,942,143 | 10.9% | (6,417) | 289,785 | 748,706 | 59,745 | 158,411 | |

(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.

Fresno Area Map By Submarket

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