

By Chuck Harvey

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Brokers: Market improvements fuel construction

Movement in office, industrial, retail sectors

Chuck Harvey — STAFF WRITER

Major construction projects have picked up slightly in Fresno and Clovis — including the office, industrial and retail sectors — as market and economic conditions improve.

However, it remains a slow process.

“The market is improving,” said Bobby Fena, senior vice president and principal, Central California Office Properties Group for Colliers International in Fresno. “I wish it would be faster from an office development standpoint.”

Still, 2013 is shaping up as the beginning of better times in the construction industry.

OFFICE

A just-released report by Colliers International states that the Fresno-Clovis office market continues to stabilize. Results of the company’s year-end 2012 annual market survey indicate the vacancy factor for the overall market is 13.01 percent — almost identical to last year’s vacancy factor of 13.3 percent.

Approximately 2.77 million square feet is currently available in combined building space of about 20.2 million square feet. That does not include government-owned buildings.

Many tenants moved to northern Fresno during 2012, but it was more a game of musical chairs than absorption of office space, the Colliers International survey found. It also found that tenants continued to take

advantage of better-than-normal rental rates and concessions.

Colliers International expects rents to continue to stabilize with fewer concessions and rent reductions compared to the past few years. It bases the prediction on increased demand for office space.

The Colliers report blames slow growth on the lack of jobs, job creation and the unpredictable political system.

Still, the Fresno-Clovis area is seeing some signs of life in the office construction market.

One standout project is the McCormick Barstow law firm building project at El Paso and Fresno streets in Fresno.

The three-story structure will span 68,000 square feet. It is scheduled for completion Nov. 1 of this year.

“It’s the first major construction in five years,” Fena said.

The law firm partnered with Zlaskin Development of Fresno on the project. The firm will move from its 19-year home in the Gottschalks headquarters in River Park Place.

In other projects, two 10,000-square-foot building shells are being constructed near the intersection of Chestnut and Dearing avenues in Fresno. They are being built as part of the project’s third phase.

Moridian Property & Development Co. is the owner. The buildings could house two to six office suites.

The building shell is basically four walls, a floor slab, windows, doors and a roof.

Two 5,000-square-foot building shells have been constructed

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Ethan Smith, a broker with Grubb & Ellis Pearson Commercial, points out building C at Fresno’s North Pointe industrial park. New construction at the park has just started after five years.

at the Herndon Armstrong Professional Center at the intersection of Herndon and Armstrong avenues in Clovis.

Also, Don Pickett & Associates Inc., a Fresno developer-designer-builder, is constructing the Hydro Business Park east of North Brawley Avenue and north of West Ashlan Avenue, a half mile from Highway 99 in Fresno. The 63-lot development, which offers build-to-suit structures from 5,000 square feet to 25,000 square feet, is set to open this summer.

The buildings can be used for office and warehouse space.

Renovation is also putting some construction workers back to work. StarPoint Properties of Beverly Hills, which in 2012 purchased the 151,000-square-foot Guarantee Financial Center on Shaw Avenue in Fresno for \$4.5 million, plans to renovate and refurbish the office campus. Renovation plans include upgrading the façade and common areas, new landscaping, repair of elevators and fixing roofs.

The complex will be renamed Star Point Center.

INDUSTRIAL

Local industrial construction was almost non-existent for five years coming into 2013. But new warehouses are taking shape, including a 96,000-square-foot industrial building in the 230-acre North Pointe industrial development just south of E. North Avenue just west of Highway 99 in south Fresno.

The warehouse, known as Building 3 in the complex, is expected to be ready for occupancy by mid-summer. The cement slab base is currently being smoothed.

Tile-up walls will come next. The building will be classified Class A, which means that it is well constructed and ideally located with good access.

Ethan Smith, vice president, Industrial Division for Grubb & Ellis Pearson Commercial, is marketing broker for the project. Smith said tenants for the building have not yet been named. Ideally it will have two tenants, he said.

Fowler Packing is the developer. Fowler Packing began developing the industrial center about seven years ago.

The new building is the first industrial building to be constructed in Fresno over the past five years.

Smith said Fowler Packing is not the first farm company to take on real estate development.

Irvine Co. in Orange County started out as a farm company, but became a major player as a Southern California developer, Smith said.

Although Class A, buildings in the development are designed very generically so companies leasing the buildings will have plenty of leeway in how the interiors are designed. “They look like boxes,” Smith said.

He said generic buildings are attracting more tenants than those being designed with specific companies in mind. As for trends, Smith said agricultural processing plants are a fast-growing industry in the Valley and more industrial space will be needed.

Smith is relieved that industrial construction is finally picking up. But it’s a slow process, he said.

“The tortoise is moving again,” Smith said.

But for industrial construction to really pick up, vacant space in existing buildings will have to fill up, he said.

For some companies, that has already happened.

FedEx Ground will double the size of its Fresno distribution center by 108,000 square feet later this year. An affiliated firm has purchased a 20-acre parcel at the southwest corner of East and North avenues, two blocks from Highway 99. The current warehouse is near Willow and North avenues. The new building is in its design phase.

“We’re seeing more activity,” said Lou Ginise, senior vice president of the industrial division at Grubb & Ellis Pearson Commercial in Fresno. Ginise said business owners are starting to invest in local industrial buildings.

Because of uncertainty in the economy and government policies, they have been holding onto their money, Ginise said. “But they have decided that they can’t wait any longer,” he said. “But it’s tough to plan.”

RETAIL

Retail stores are showing signs of resurgence.

The Clovis Crossing Shopping Center is a power center with plenty of potential. Walmart and 50 smaller stores will be open for business this month.

The 49-acre, 495,000-square-foot center is being built near Herndon

Construction | from 8

Avenue and Highway 168. The businesses include Maurices, a women's clothing store; Home Goods, a discount home fashion retailer; Famous Footwear; the Vitamin Shoppe; The Habit Burger Grill; Ulta cosmetics store; Anna's Linens; Dress Barn; Petco and Dick's Sporting Goods.

Home Goods, Ulta, Petco and Dick's Sporting Goods are open. The remainder are scheduled to open over the next few weeks.

Developer of the center is David Paynter, president of Paynter Realty & Investments.

"It is in a prominent intersection," said retail broker Doug Cords, a partner with Commercial Retail Associates in Fresno.

And it's a sizable power center, he said.

Cords said shopping centers with good tenants in good locations within Fresno and Clovis are doing well. Older shopping centers are having a tougher time, he said.

"The older ones are unchanged," he said. "It is still a challenge unless prime retailers are leasing space."

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A warehouse within the North Pointe industrial park contains fabricated vehicle bumpers.

<http://www.pageturnpro.com/The-Business-Journal/49368-030813/index.html#/8>