

Fresno office projects signal new life for commercial real estate

Two major office projects in Fresno could be signs of new life emerging in the stagnant commercial real estate market, commercial brokers say.

A high-end office building is under construction near Highway 41 in northeast Fresno. And a Beverly Hills investor is renovating an aging office complex near Fresno State.

"We haven't seen a Class A building started in over five years," said Bobby Fena, senior vice president at Colliers International, a commercial real estate brokerage firm in Fresno. A new 68,000-square-foot office building is "a big deal in any market, but particularly in Fresno," he said.

There's still a glut of empty office space in the Fresno-Clovis area, but local commercial real estate brokers are hopeful that these projects will get the market moving faster -- possibly boosting rental rates and encouraging tenants to make a long-awaited move.

The office vacancy rate in Fresno and Clovis is about 12.5%. That's an improvement since vacancy rates hit 15.5% in 2008, Fena said. But brokers consider a healthy market to have a vacancy rate in the single digits.

Between 2000 and 2007, when construction was booming, the vacancy rate was 7% to 8%, Fena said.

While vacancy rates haven't changed much this year, brokers say there are some signs that the market is getting better.

More small-business owners are taking advantage of low interest rates and Small Business Administration loans to buy their own buildings instead of leasing, Fena said.

There is also an uptick in investors looking for property to buy, although few deals have been made.

Leasing activity has been strong among medical businesses, accountants, agricultural businesses and law offices -- businesses that seem to have weathered the recession, brokers say.

"It's gotten better, but not by a huge amount," said Jeremy Reed, a senior vice president in the office market for Grubb & Ellis, a Fresno commercial brokerage company. "Guys that have been holding onto their money and haven't been doing anything are saying, 'Hey, I need to grow.' "

New home for law firm

The law firm of McCormick, Barstow, Sheppard, Wayte & Carruth LLP has outgrown its 19-year home at the old Gottschalks headquarters in northeast Fresno's River Park Place.

In June, the company, which partnered with Zinkin Development, broke ground on a 68,000-square-foot, three-floor office building at El Paso Avenue and Fresno Street. It's a better use of space and will allow the company to add 20 more attorney offices and conference rooms, said Ralph Anaforian, the firm's facilities director.

Brokers say the law office will be a welcome addition to that corner, which has been vacant land.

"I think it was a good move for them, but unfortunately it leaves a vacancy on the market," said Brandon Lamonica, vice president of office properties at Fortune Associates, a Fresno commercial brokerage firm.

Fena believes the 66,400-square-foot of office space left empty by the law office could be leased out fairly quickly, but Lamonica is a little more cautious.

There hasn't been a lot of business expansion, which is keeping the vacancy rate stable, Lamonica said. The market won't get back on track until the economy strengthens and tenants start expanding.

"Once we can eat up some supply, you'll see everything across the board improve," he said.

Remodeling Star Point

Beverly Hills investor Paul Daneshrad, president and chief executive officer of StarPoint Properties, LLC, hopes his multimillion-dollar renovation of the old Guarantee Financial Center on East Shaw Avenue will fill empty spaces.

Daneshrad bought the 15-acre office complex out of foreclosure in June for \$4.5 million.

The company, which also owns the Pacific Gas & Electric Co. building in downtown Fresno, is upgrading common areas, adding a conference room and storage areas for tenants. Other renovations include elevator repairs, new roofs and new landscaping.

"That's the first what I'll call investor-oriented sale of a major property in our area in over five years," said Fena, whose firm is handling the leasing of the property. "They're renovating the buildings from the outside in, upgrading the facades, trimming trees. They're improving it quite a bit. That's what's needed there and helped leasing for that project."

The complex, which will be called Star Point Center, was 45% occupied when Daneshrad bought it. Fena said his company has since signed two new leases and is working on a couple more. About 50% of the building is now leased, he said.