

FIGURES | SOUTH CENTRAL VALLEY INDUSTRIAL | Q3 2024

Vacancy increased driven by vacant new deliveries

▲ 7.8%

Vacancy Rate

▲ 84K

SF Net Absorption

▼ 1.5M

SF Under Construction

▶ \$0.71

NNN / Lease Rate
Existing Properties

▲ 218K

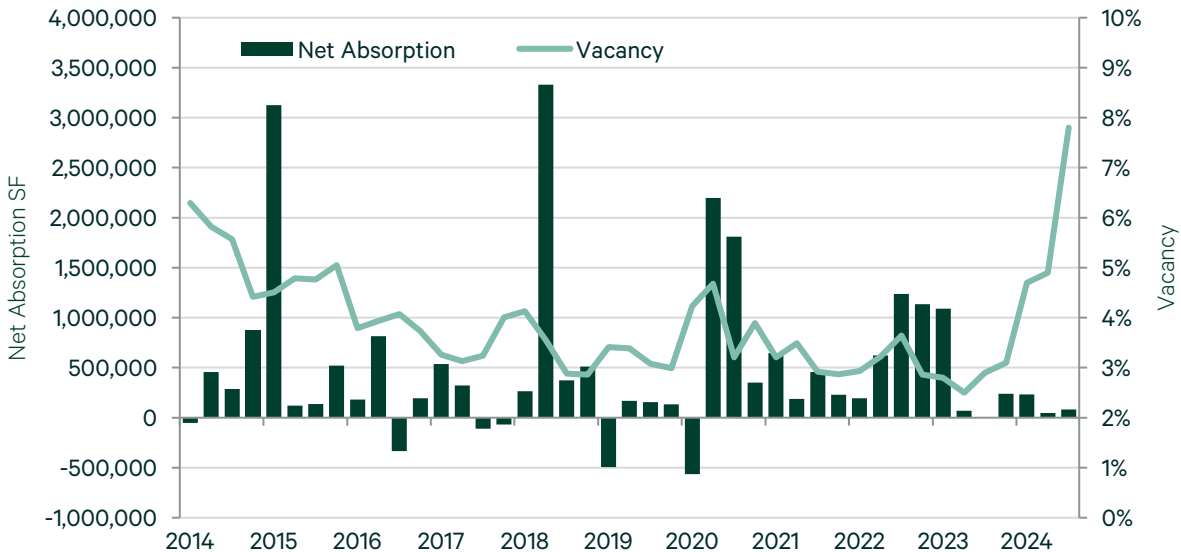
Industrial Using Employment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- At the close of Q3 2024, the South Central Valley region was home to 3.0 million residents with a labor force of 1.3 million. The industrial sector accounted for 218,000 jobs or 17% of the total employment in the region. The unemployment rate ended Q3 2024 at 9.0%, down 50 basis points (bps) from the previous quarter.
- The South Central Valley industrial market closed Q3 2024 with 84,000 sq. ft. of net absorption.
- The overall vacancy rose in Q3 2024 to 7.8%, driven by new vacant construction deliveries.
- Occupiers continued to focus on the South Central Valley as a key logistics hub to reach the West Coast population efficiently with same-day, next-day, and two-day delivery times.
- Investment sales transactions and offerings were limited during Q3 2024 as both sellers and buyers observed the market in anticipation of rate cuts. Stronger sales activity is expected in the coming quarters.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024

INDUSTRIAL OVERVIEW

The South Central Valley industrial market closed Q3 2024 with a market base inventory of 109 million sq. ft. The construction pipeline remained abundant, with 1.5 million sq. ft. under construction and 1.9 million sq. ft. planned. The developments underway were a mixture of both speculative and build-to-suit projects ranging in size from 300,000 sq. ft. to as large as 700,000 sq. ft. During Q3 2024, the market welcomed multiple new speculative developments and a build-to-suit for a total of 3.2 million sq. ft. Notably, both the Bakersfield and Visalia submarkets experienced the delivery of buildings exceeding 1.0 million sq. ft.

The overall average asking lease rate remained steady quarter-over-quarter (QoQ) at \$0.71 per sq. ft. on a monthly, NNN basis. Additionally, both vacancy and availability rates increased marginally QoQ to 7.8% and 8.7%, respectively, driven by the aforementioned deliveries.

Industrial tenant demand remained limited. Visalia received the most activity with over 80,000 sq. ft. of positive absorption. This trend is expected to continue as the 1.4 million sq. ft. of new construction in the region begins to lease and absorb. The region continued to experience reduced activity from users from the Inland Empire and LA North, as asking rates settled from all-time highs in those regions. Nevertheless, the South Central Valley continued to offer discounted prices compared to surrounding markets.

Looking forward, the South Central Valley industrial market will continue to attract sizeable occupier requirements, which will lead to increased development and investment activity from both local and national groups. The remaining 310,000 sq. ft. speculative construction project will be delivered in Q4 2024, leaving speculative construction starts limited.

FIGURE 2: Submarket Statistics

Market	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q3 Net Absorption	YTD Net Absorption	Average Lease Rate NNN
Merced	3,972,820	5.6	6.6	0	0	\$0.57
Madera	3,904,850	0.5	0.6	0	0	\$0.63
Fresno	38,729,091	5.1	7.1	0	0	\$0.72
Visalia	22,945,531	15.2	15.8	83,705	130,205	\$0.74
Hanford	3,843,114	0.9	2.8	0	0	\$0.60
Bakersfield	35,378,657	7.8	7.8	0	233,217	\$0.74
Market Totals	108,774,063	7.8	8.7	83,705	363,422	\$0.71

Source: CBRE Research, Q3 2024

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	Size SF	Address	Type
Undisclosed	43,705	7435 W Sunnyview Ave, Visalia, CA	New Lease
Vive Health	40,000	1717 N Shirk Rd. Visalia, CA	New Lease

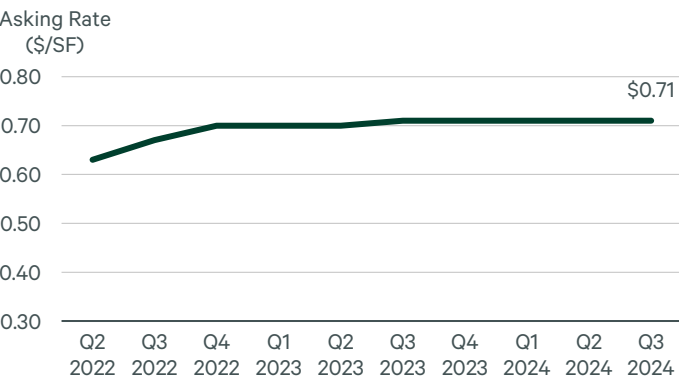
Source: CBRE Research, Q3 2024

FIGURE 4: Notable Construction Deliveries

Address	Size SF	Developer/ Owner	Delivery Date
4001 N Plaza Dr Visalia, CA (Spec)	1,270,750	CapRock	Q3 2024
5104 Express Ave Shafter, CA (Spec)	1,087,000	Wonderful	Q3 2024
Hwy 99, Chowchilla, CA (BTS)	600,000	Autozone	Q3 2024
30199 Bradham Dr Bldg A, Visalia, CA (Spec)	111,875	RACE Leasing	Q3 2024
30199 Bradham Dr Bldg B, Visalia, CA (Spec)	110,206	RACE Leasing	Q3 2024

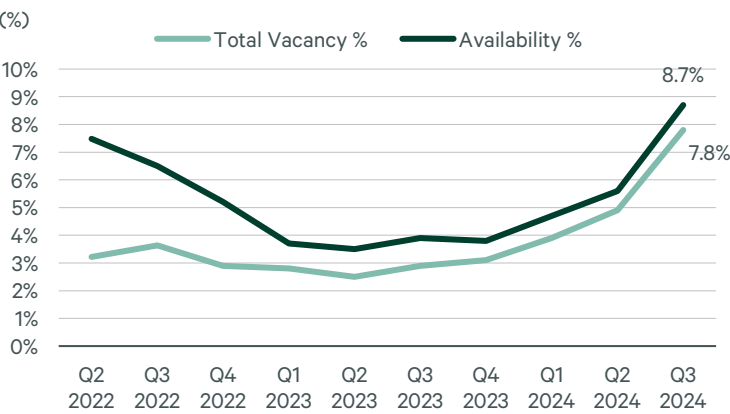
Source: CBRE Research, Q3 2024

FIGURE 5: Lease Rates



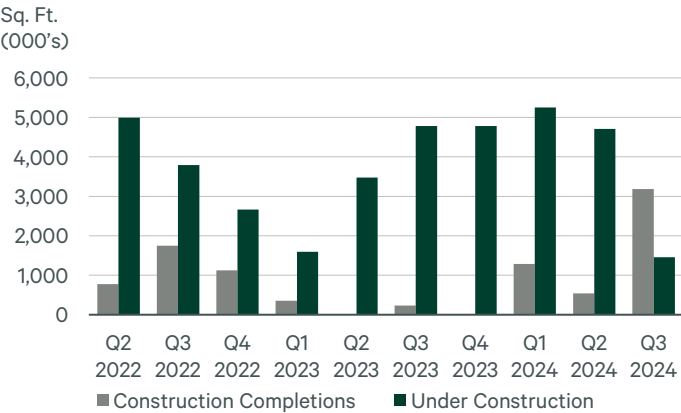
Source: CBRE Research, Q3 2024

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q3 2024

FIGURE 7: Construction Activity



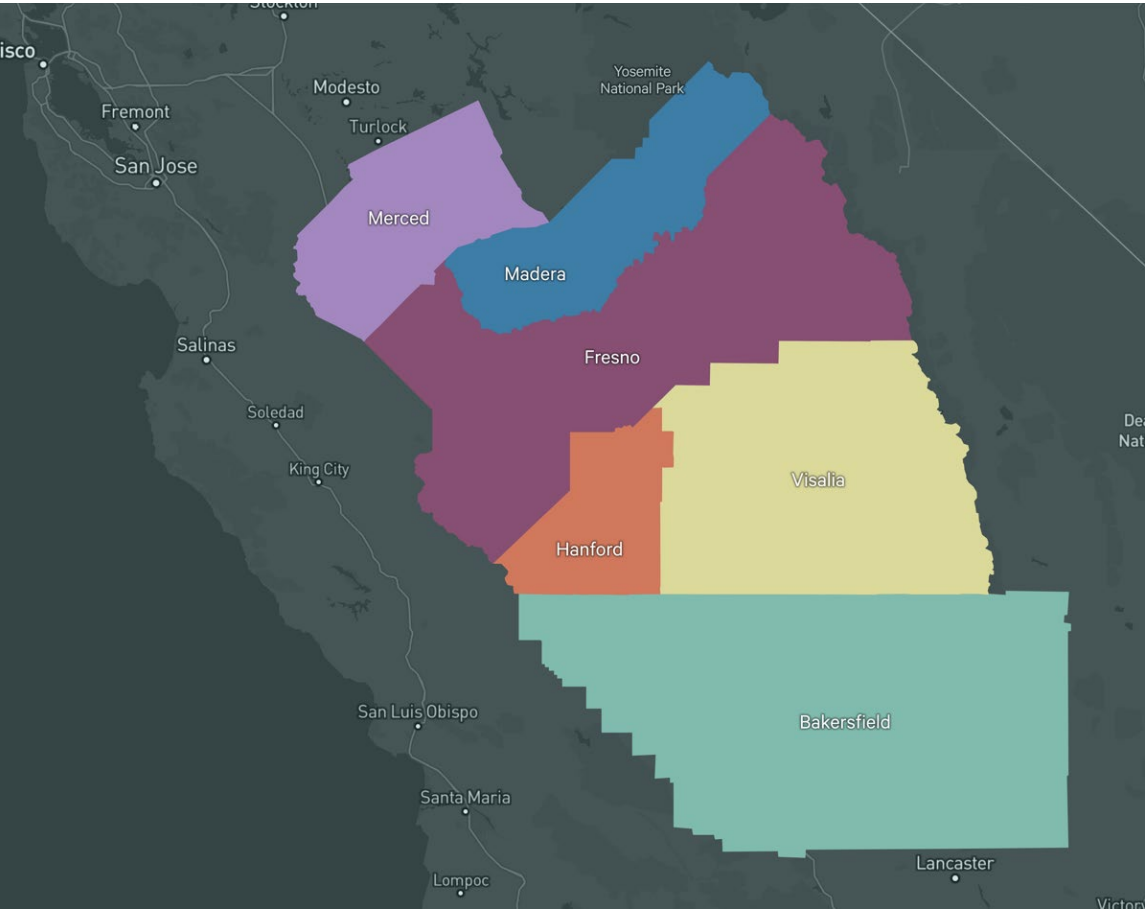
Source: CBRE Research, Q3 2024

FIGURE 8: Projects Under Construction

Address	Size SF	Developer	Delivery Date
30512 Road 84, Visalia, CA (Spec)	310,030	G3 Dev	Q4 2024
Wheeler Ridge Rd, Wheeler Ridge, CA (BTS)	700,000	Tejon Ranch Co	Q2 2025
5101 Wheeler Ridge Rd, Wheeler Ridge, CA (BTS)	446,000	Majestic	Q4 2024

Source: CBRE Research, Q3 2024

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE’s market report analyzes existing single- and multi-tenant industrial buildings that total 25,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Angel Orozco
Research Analyst
+1 916 446 8787
angel.orozco@cbre.com

Brandon Wilkinson
Research Analyst
+1 916 446 8281
brandon.wilkinson@cbre.com

Grant Bollinger
Field Research Analyst
+1 916 806 0064
grant.bollinger@cbre.com

Konrad Knutsen
Research Director
Northern CA, Greater Los Angeles
+1 916 446 8292
konrad.knutsen@cbre.com

Central Valley Office
3247 W. March Lane #100
Stockton, CA 95219