

FIGURES | CENTRAL VALLEY INDUSTRIAL | Q4 2024

Positive net absorption driven by several large new leases

▲ 7.9%

Vacancy Rate

▲ 2.9M SF

SF Net Absorption

▼ 2.4M

SF Under Construction

► \$0.74

NNN / Lease Rate
Existing Properties

▲ 151K

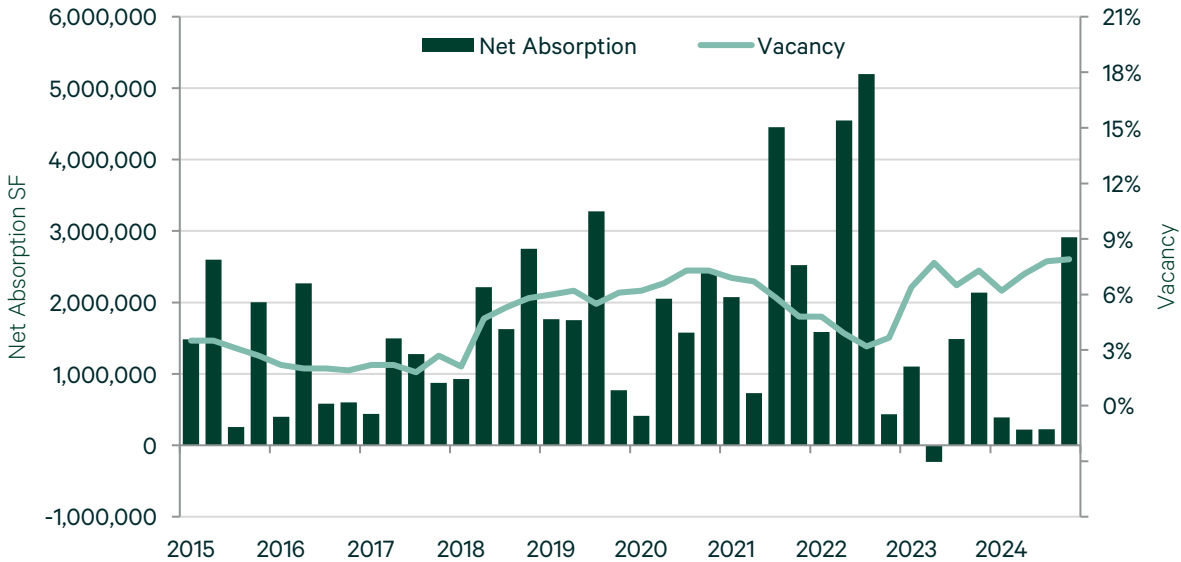
Industrial Using Employment
San Joaquin & Stanislaus

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The Central Valley region was home to 1.36 million residents with a labor force of 605,000 employees. During Q4 2024, the industrial sector provided 151,000 jobs, accounting for 31% of total employment in the region. The unemployment rate ended Q4 2024 at 7.1%, up 10 basis points (bps) from the previous quarter.
- Net absorption for the Central Valley industrial market totaled 2.9 million sq. ft. in Q4 2024 bringing the yearly total to 3.7 million sq. ft.
- There have been no new speculative construction starts YTD in 2024 due to the persistent high cost of construction, elevated interest rates, and moderating occupier demand.
- The average direct asking rate in the Central Valley held steady from Q3 2024 to Q4 2024 at \$0.74 per sq. ft. on a monthly, NNN basis.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2024

INDUSTRIAL OVERVIEW

The Central Valley industrial market closed Q4 2024 with an inventory of 141.4 million sq. ft. This quarter saw the completion of a 295,000-sq.-ft. build-to-suit project and a 350,000-sq.-ft. speculative project. The development pipeline includes over 2.4 million sq. ft. of build-to-suits currently underway, and 3.1 million sq. ft. of planned projects. Vacancy and availability rates both increased quarter-over-quarter to 7.9% and 10.5%, respectively.

The market posted an average direct asking lease rate of \$0.74 per sq. ft. on a monthly, NNN basis. Lease rates have remained stable during a period of slower demand and transaction velocity. The market would need to experience a drop in vacancy and availability in the coming quarters to see a return of lease rate growth.

The Central Valley experienced increased leasing activity with multiple leases signed over 100,000 sq. ft. Total lease transaction volume remained robust, with over 3.2 million sq. ft. in transactions. Most notably, 75% of the total transactions for the quarter were new deals, a significant increase from the previous quarter where 63% of leases were renewals. The market experienced positive net absorption in Q4 2024 with 2.9 million sq. ft. and more net absorption to follow as pre-leased buildings deliver in coming quarters. Sublease offerings remained elevated with 2.6 million square feet available.

There were no investment sale transactions in the Central Valley market in Q4 2024. However, there was one 58,800 sq. ft. owner-user sale in Stockton at 1820 Industrial Dr, from Buzz Oates to PG&E.

Looking ahead, net absorption is anticipated to stay positive. Leasing and sales activity are projected to rise in mid to late 2025, while the availability of sublease space is expected to stabilize. Speculative development starts will continue to be limited.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate NNN (\$)	Q4 Net Absorption	YTD Net Absorption
Ceres	7,030,672	15.8	17.5	0.68	0	0
Lathrop	18,536,468	10.1	12.4	0.73	(322,560)	(138,995)
Lodi	5,518,023	0.0	0.0	N/A	0	0
Manteca	6,411,159	2.1	5.4	0.77	0	0
Modesto	15,052,114	0.7	3.3	0.65	667,125	719,625
Oakdale	890,391	0.0	0.0	N/A	0	0
Patterson	5,008,183	0.0	0.0	N/A	0	0
Stockton	46,570,126	13.2	16.0	0.73	2,442,396	2,740,908
Tracy	33,515,103	5.5	9.3	0.80	124,603	420,142
Turlock	2,875,028	0.0	0.0	N/A	0	0
Market Totals	141,407,267	7.9	10.5	0.74	2,911,564	3,741,680

Source: CBRE Research, Q4 2024

FIGURE 3: Notable Lease Transactions Q4 2024

Tenant	Address	Square Feet	Type
Georgia Pacific	International Park Commerce, Tracy	1,300,256	New Lease
Home Depot	Port of Stockton, Stockton	655,200	New Lease
Pflug	17500 Shideler Pkwy, Lathrop	407,820	Renewal
Peet's Coffee	1150 Arbor Ave, Tracy	152,029	New Lease

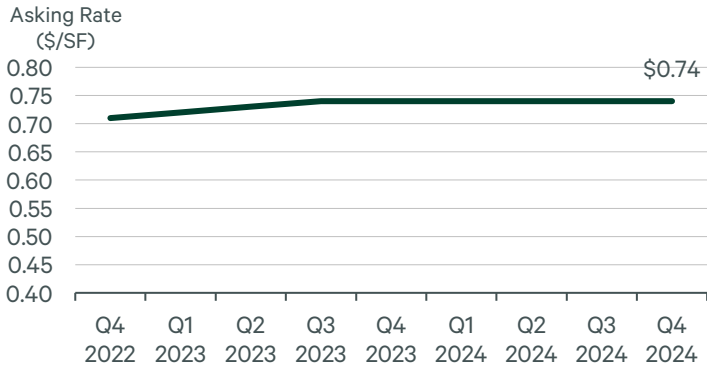
Source: CBRE Research, Q4 2024

FIGURE 4: Notable Sale Transactions Q4 2024

Buyer	Address	Square Feet	Sale Price
PG&E	1820 Industrial Dr Stockton	58,800	\$11.2M

Source: CBRE Research, Q4 2024

FIGURE 5: Lease Rates



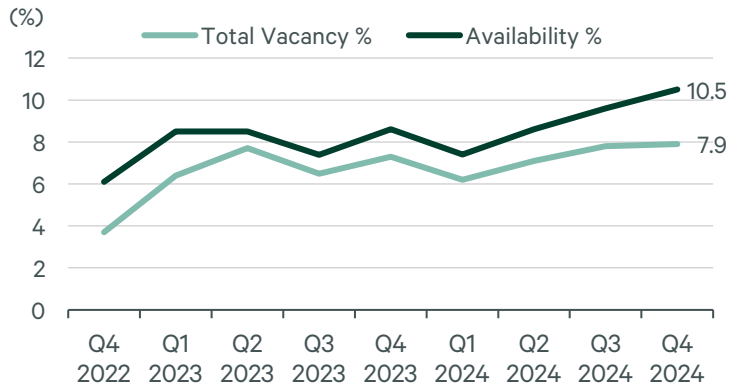
Source: CBRE Research, Q4 2024

FIGURE 7: Construction Completions



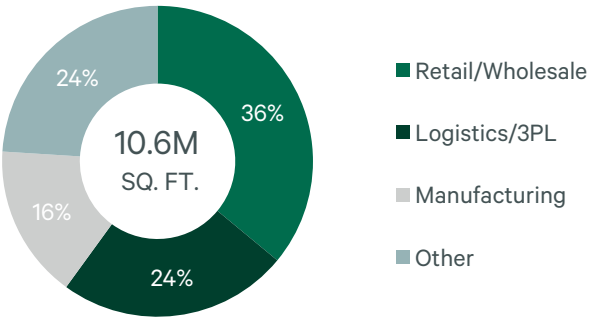
Source: CBRE Research, Q4 2024

FIGURE 6: Vacancy & Availability



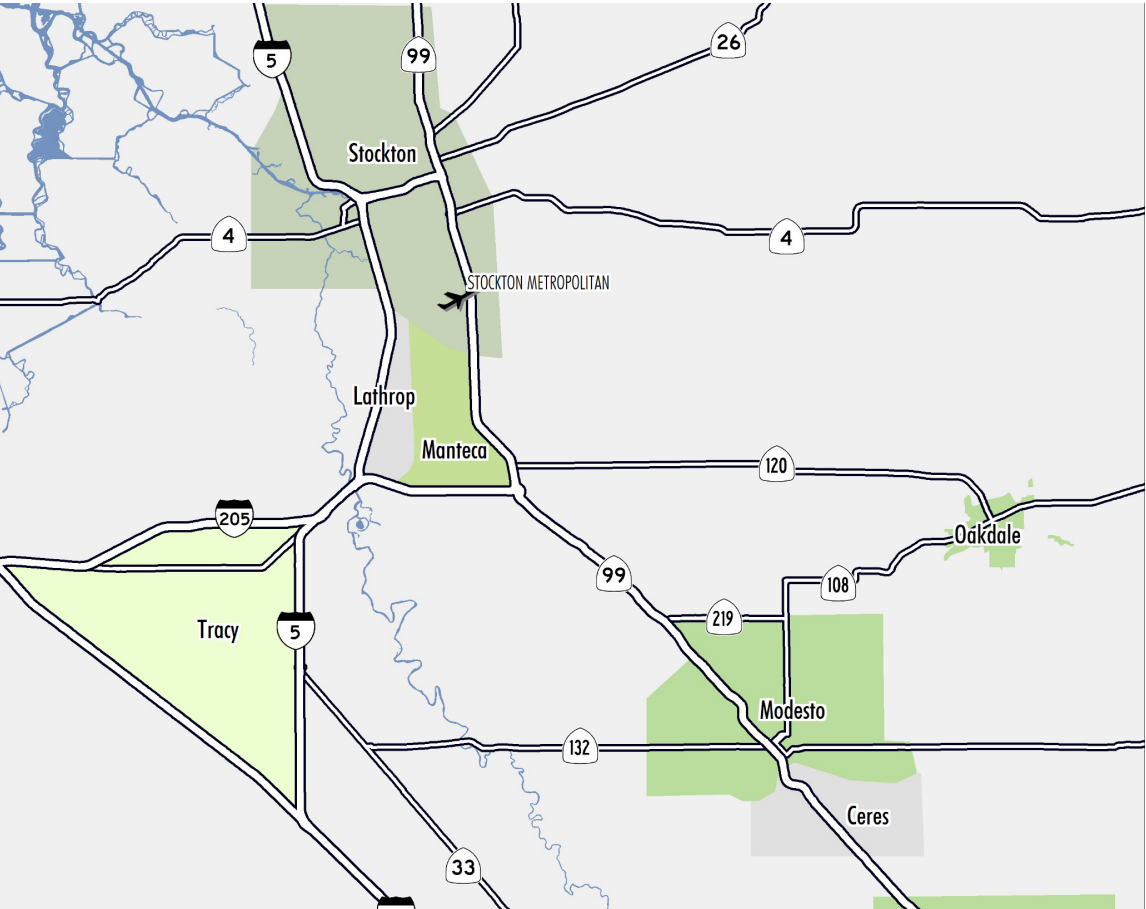
Source: CBRE Research, Q4 2024

FIGURE 8: Total Occupier Transactions by Industry (Q1 2024- Q4 2024)



Source: CBRE Research, Q4 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 50,000+ 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
+1 209 507 2307
brandon.wilkinson@cbre.com

Stockton Office

3247 W. March Lane #100
Stockton, CA 95219

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