

FIGURES | SOUTH CENTRAL VALLEY INDUSTRIAL | Q4 2023

Region maintains strong occupier demand

▲ 3.1%
 Vacancy Rate

▲ 240K
 SF Net Absorption

▶ 4.8M
 SF Under Construction

▶ \$0.71
 NNN / Lease Rate
 Existing Properties

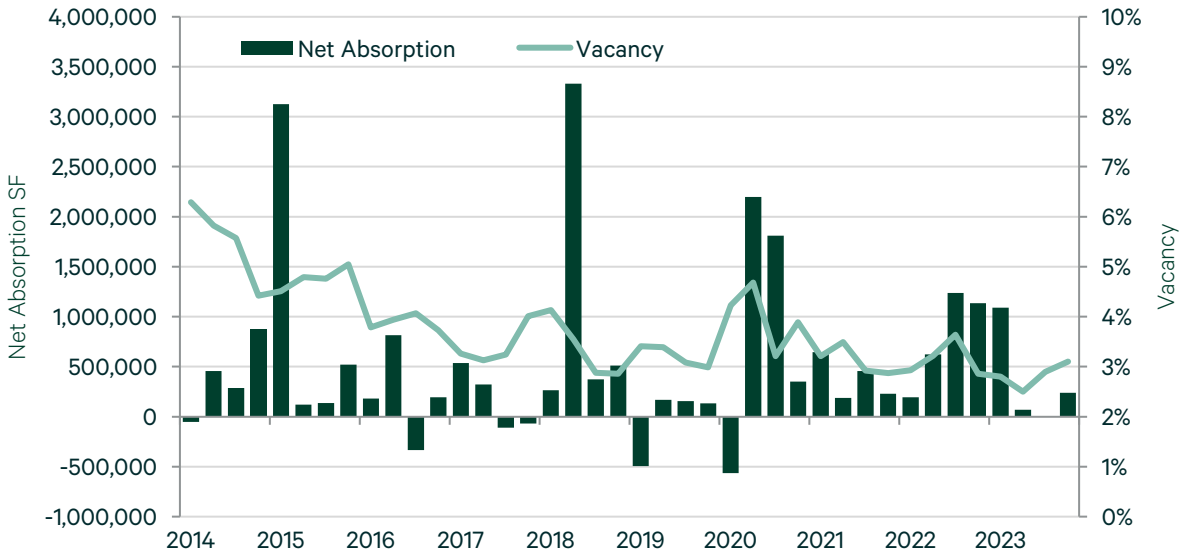
▲ 213K
 Industrial Using Employment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- At the close of Q4 2023 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 213,000 jobs or 22% of the total employment in the region. The unemployment rate ended Q4 2023 at 9.0%, up 140 basis points (bps) from the previous quarter.
- The South Central Valley industrial closed Q4 2023 with 240,000 sq. ft. of positive net absorption, bringing the year-to-date total to 1.4 million sq. ft.
- 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 2-day delivery times.
- Roughly 50% of leases signed throughout the quarter were renewals.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2023

INDUSTRIAL OVERVIEW

The South Central Valley industrial market closed out Q4 2023 with a market base of 102 million sq. ft. The construction pipeline remained abundant, with 4.8 million sq. ft. under construction and 945,000 sq. ft. planned. The developments underway were a mixture of both speculative and build-to-suit projects ranging in size from 73,000 sq. ft. to 1.3 million sq. ft. The region did not welcome any new deliveries during Q4 2023.

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 3.1% and 3.8%, respectively.

The industrial tenant demand remained stable in Q4 2023. Leasing activity included a mix of renewals and new leases totaling 489,000 sq. ft. for the quarter, all of which occurred in the Fresno and Bakersfield markets. The South Central Valley market witnessed a healthy level of leasing in 2023, bringing the year-to-date leasing transaction total to 3.7 million sq. ft. There was only one notable investment sale during the quarter as the capital markets sector continued to deal with elevated interest rate and a gap between buyer and seller expectations on cap rates.

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. Availability and vacancy is expected to modestly rise as most speculative construction currently underway is anticipated to deliver in the first half of 2024. Sublease offerings are expected to remain low in comparison to neighboring markets.

FIGURE 2: Submarket Statistics

Market	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q3 Net Absorption	YTD Net Absorption	Average Lease Rate NNN
Merced	3,983,393	6.9	9.4	0	0	\$0.57
Madera	3,352,152	1.6	1.6	0	0	\$0.63
Fresno	38,741,422	2.7	3.2	0	203,800	\$0.72
Visalia	20,144,092	1.9	3.0	0	418,136	\$0.74
Hanford	3,838,161	0.0	1.8	0	0	\$0.60
Bakersfield	32,105,235	4.4	4.7	240,000	778,319	\$0.74
Market Totals	102,164,455	3.1	3.8	240,000	1,400,255	\$0.71

Source: CBRE Research, Q3 2023

FIGURE 3: Notable Lease Transactions Q4 2023

Tenant	Size SF	Address	Type
Veritiv	249,000	4395 S Minnewawa Ave Fresno, CA	Renewal
RectorSeal	240,000	Tejon Ranch Commerce Center Tejon Ranch, CA	New Lease

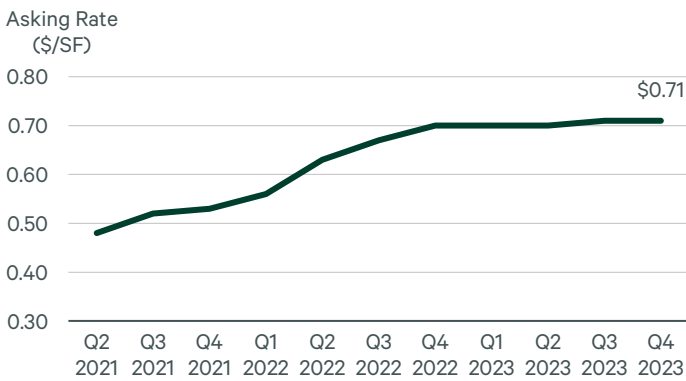
Source: CBRE Research, Q4 2023

FIGURE 4: Projects Under Construction

Address	Size SF	Developer	Completion Date
4001 N Plaza Dr Visalia, CA (Spec)	1,270,750	CapRock	Q1 2024
5104 Express Ave Shafter, CA (Spec)	1,087,000	Wonderful	Q1 2024
5408 Express Ave Shafter, CA (Spec)	1,052,373	Rexco	Q1 2024
CA Ventures E. 99 Tulare, CA (Spec)	544,077	CA Ventures	Q1 2024

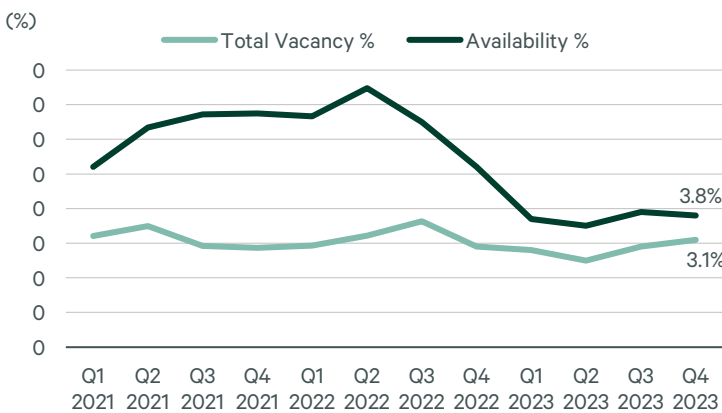
Source: CBRE Research, Q4 2023

FIGURE 5: Lease Rates



Source: CBRE Research, Q4 2023

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q4 2023

FIGURE 7: Construction Activity



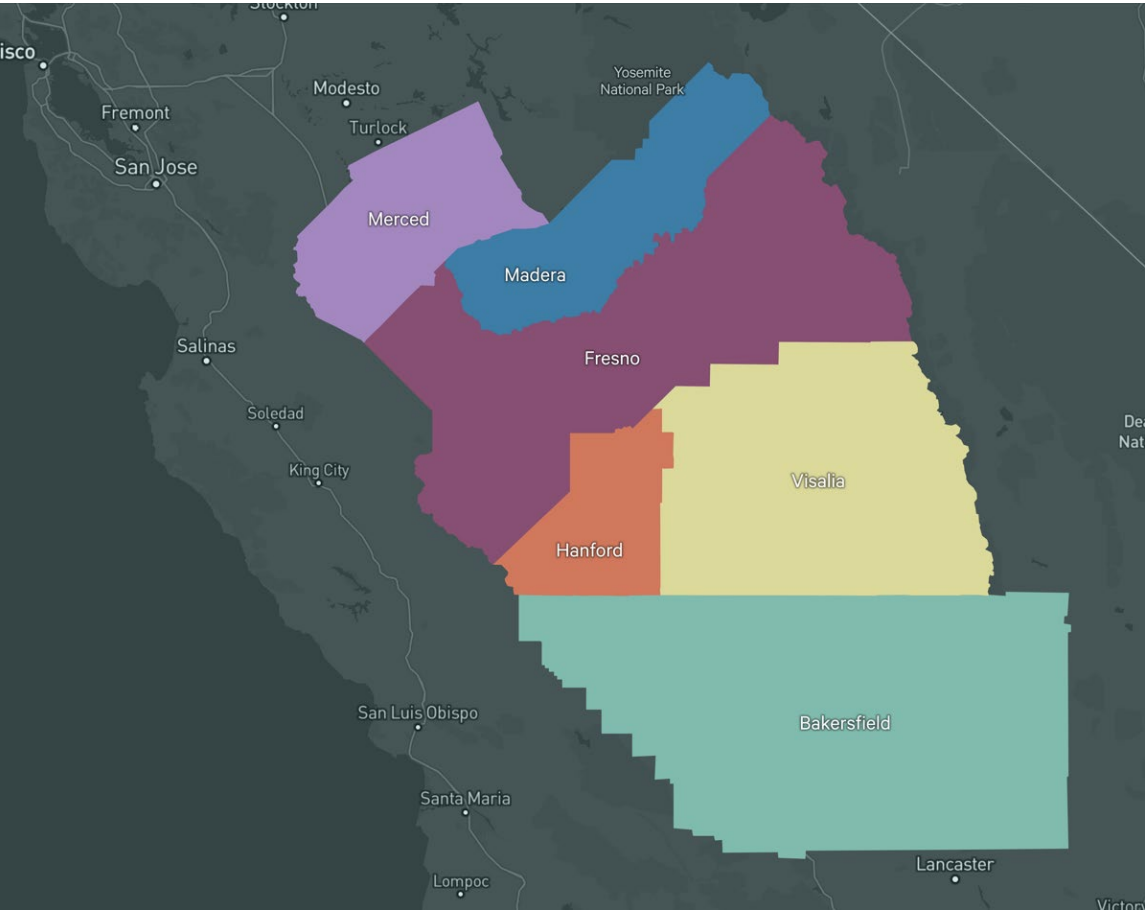
Source: CBRE Research, Q4 2023

FIGURE 4: Notable Sale Transactions Q4 2023

Buyer	Size SF	Address	Sale Price (\$)
Ocean West Capital Partners	1,070,000	10701 Idaho Ave, Hanford	\$24.5M

Source: CBRE Research, Q4 2023

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.

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