

FIGURES | CENTRAL VALLEY INDUSTRIAL | Q1 2025

Steady lease renewal activity amid rising vacancy in the Central Valley

▲ 8.2%

Vacancy Rate

▼ (1.03M)

SF Net Absorption

▲ 4.0M

SF Under Construction

▶ \$0.74

NNN / Lease Rate
Existing Properties

▶ 151K

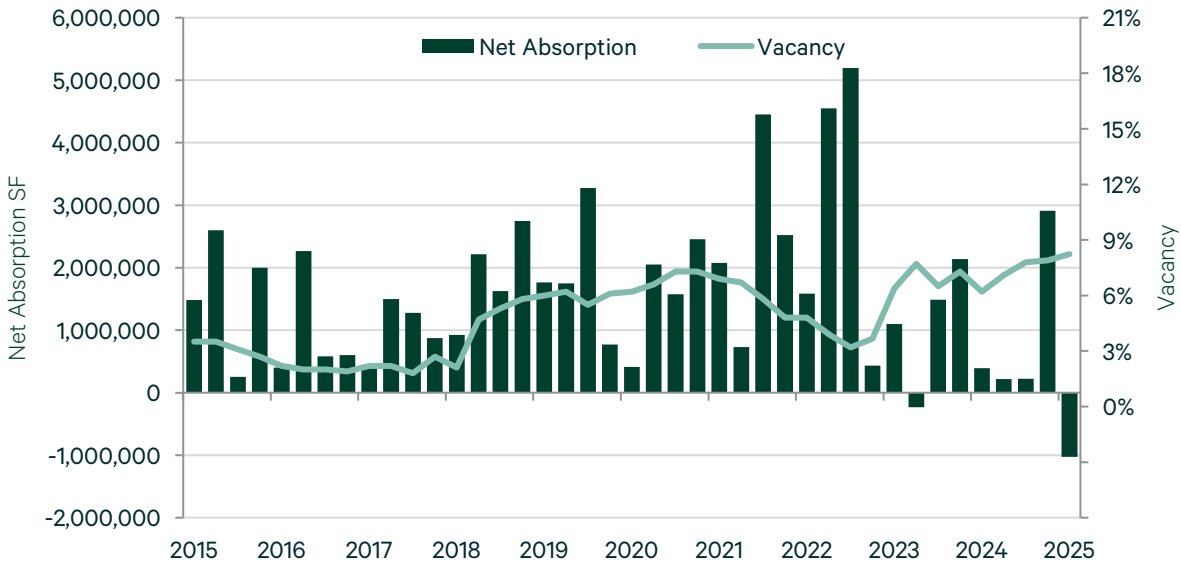
Industrial Using Employment
San Joaquin & Stanislaus

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 607,000 employees. During Q1 2025, the industrial sector provided 151,000 jobs, accounting for 31% of total employment in the region. The unemployment rate ended Q1 2025 at 7.3%, up 12 basis points (bps) from the previous quarter.
- Net absorption for the Central Valley industrial market totaled negative 1.03 million sq. ft. in Q1 2025. The market has grown dramatically over the past ten years as ample development sites fueled an impressive positive net absorption run.
- In the first quarter of 2025, 305,000 sq. ft. of new speculative development construction broke ground. In contrast, 2024 did not witness any speculative development starts.
- The average direct asking rate in the Central Valley held steady from Q4 2024 to Q1 2025 at \$0.74 per sq. ft. on a monthly, NNN basis (NNN).

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2025

INDUSTRIAL OVERVIEW

The Central Valley industrial market closed Q1 2025 with an inventory of 142.5 million sq. ft. Two new Spec development projects totaling 305,485 sq. ft. broke ground in Q1 2025. The overall vacancy rate increased quarter-over-quarter (QoQ) to 8.2% in Q1 2025 while the availability rate remained unchanged QoQ at 10.5%.

The market posted an average direct asking lease rate of \$0.74 NNN. Lease rates have remained stable during a period of slower demand and transaction velocity.

The Central Valley had over 3 million sq. ft. of transaction volume in Q1 2025, with 89% of all transactions coming from renewals. In Q1 2025, the market experienced negative 1.03 million sq. ft. of net absorption, driven by a few users returning premium bulk spaces. Sublease offerings remained elevated at 2.6 million sq. ft., with a handful of sizeable sublease offerings becoming vacant in Q1 2025.

Investment sale activity saw some improvement in Q1 2025. Three transactions took place in Q1 2025 one of which was an investment sale at 18100 Harlan Rd, Lathrop selling at \$90.84 per sq. ft.. Demand seems to be returning for appropriately priced assets, and could result in an increase of properties trading hands in the coming quarters.

Looking ahead, leasing activity is projected to remain steady, while available sublease space will level off. Speculative development starts will continue to be limited. Investment sales should rebound as interest rates are projected to moderately subside. Overall market fundamentals in the Central Valley remain attractive to both investors and developers as cost of capital and construction remain the limiting factors of either moving forward.

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	14.3	16.1	0.68	(126,000)	(126,000)
Lathrop	18,715,588	7.9	11.5	0.74	0	0
Lodi	5,518,023	0.0	1.4	0.00	0	0
Manteca	6,572,359	2.0	8.9	0.71	0	0
Modesto	15,052,114	3.3	5.4	0.66	(344,000)	(344,000)
Oakdale	890,391	0.0	0.0	0.00	0	0
Patterson	5,008,183	7.1	7.1	0.00	(356,065)	(356,065)
Stockton	47,350,519	14.1	15.4	0.74	(374,669)	(374,669)
Tracy	33,515,103	4.8	7.7	0.78	174,255	174,255
Turlock	2,875,028	0.0	0.0	0.00	0	0
Market Totals	142,527,980	8.2	10.5	0.74	(1,026,479)	(1,026,479)

Source: CBRE Research, Q1 2025

FIGURE 3: Notable Lease Transactions Q1 2025

Tenant	Address	Square Feet	Type
Melissa & Doug	25451 S Int'l Pkwy, Tracy	617,729	Renewal
KeHe Distribution	4650 Newcastle Rd, Stockton	453,500	Extension
Southwest Traders	4747 Frontier Way, Stockton	150,000	Renewal
Zad Services	1627 Army Ct, Stockton	67,500	New Lease

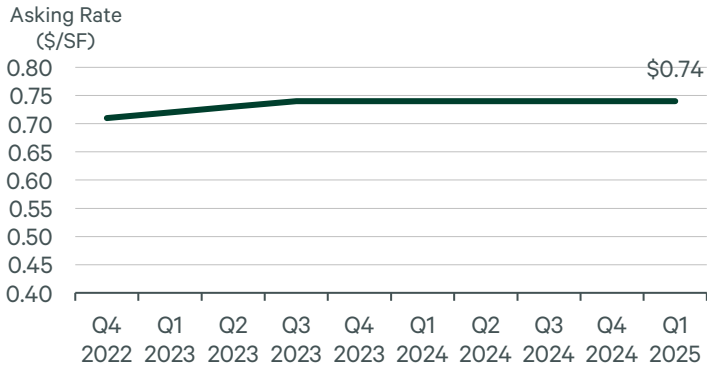
Source: CBRE Research, Q1 2025

FIGURE 4: Notable Sale Transactions Q1 2025

Buyer	Address	Square Feet	Sale Price
Kin Properties	18100 Harlan Rd, Lathrop	935,120	\$85.0M
Estes Express	1535 E Pescadero Ave, Tracy	152,580	\$28.5M
Rodney Wray & Rebecca Wray	1015 Wakefield Dr, Oakdale	8,900	\$1.4M

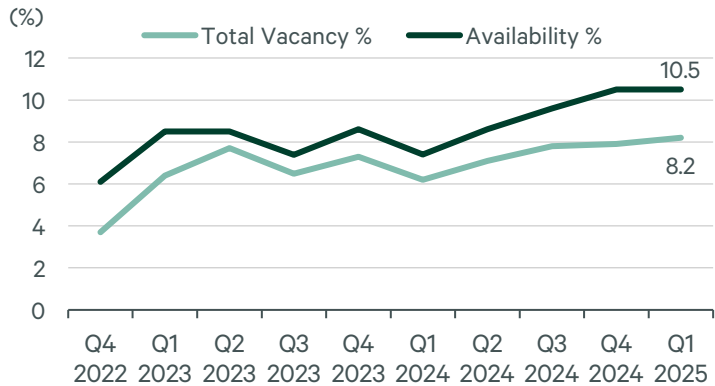
Source: CBRE Research, Q1 2025

FIGURE 5: Lease Rates



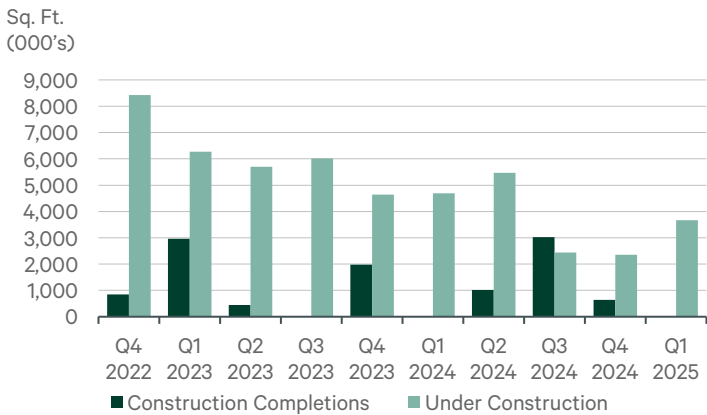
Source: CBRE Research, Q1 2025

FIGURE 6: Vacancy & Availability



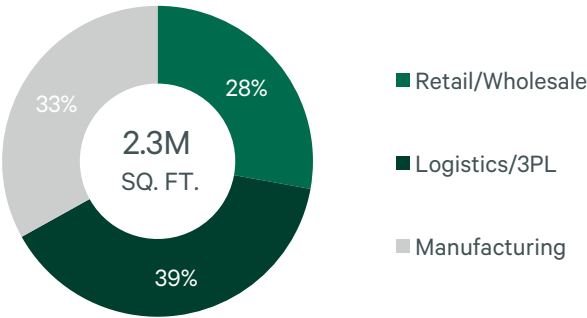
Source: CBRE Research, Q1 2025

FIGURE 7: Construction Completions



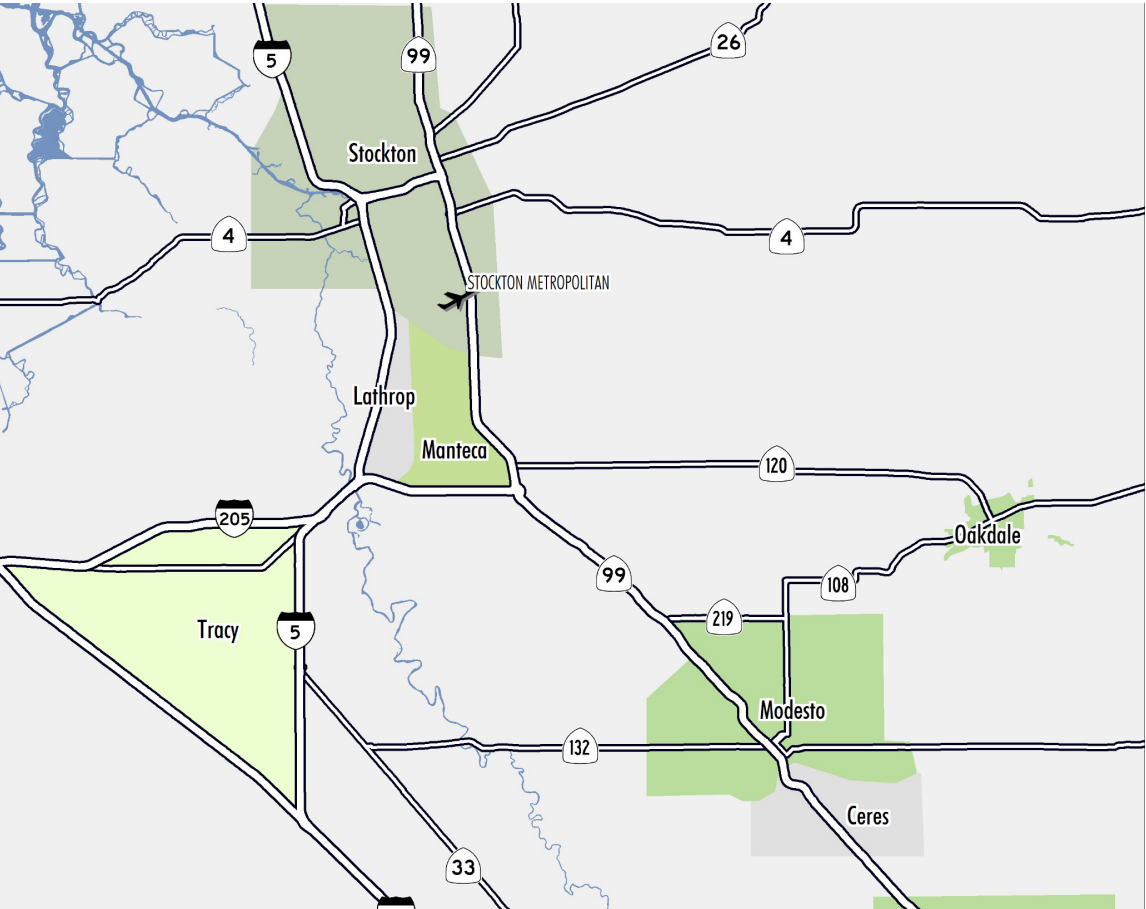
Source: CBRE Research, Q1 2025

FIGURE 8: Total Occupier Transactions by Industry Q1 2025



Source: CBRE Research, Q1 2025

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

Brandon Wilkinson

Research Analyst
+1 209 507 2307
brandon.wilkinson@cbre.com

Grant Bollinger

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

Stockton Office

3247 W. March Lane #100
Stockton, CA 95219

Konrad Knutsen

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