

FIGURES | CENTRAL VALLEY INDUSTRIAL | Q3 2024

Central Valley stable amidst moderating demand

▲ 7.8%

Vacancy Rate

▲ 223K

SF Net Absorption

▼ 2.5M

SF Under Construction

▶ \$0.74

NNN / Lease Rate
Existing Properties

▲ 150K

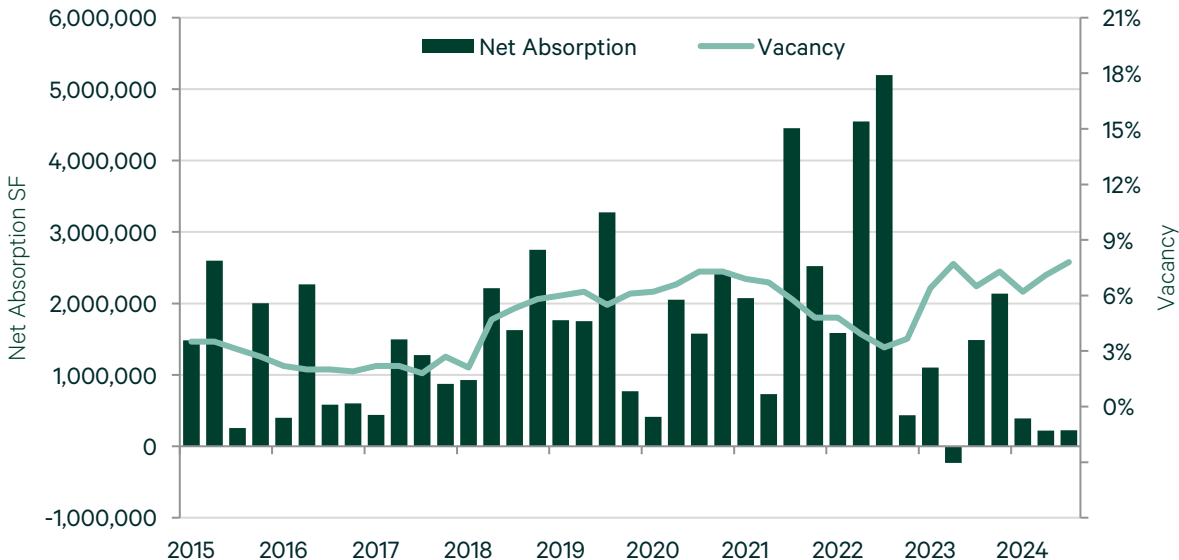
Industrial Using Employment
San Joaquin & Stanislaus

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 600,000 employees. During Q3 2024, the industrial sector provided 150,000 jobs, accounting for 31% of total employment in the region. The unemployment rate ended Q3 2024 at 7.0%, down 40 basis points (bps) from the previous quarter.
- Net absorption for the Central Valley industrial market totaled 223,000 sq. ft. in Q3 2024, slightly more than the 218,000 sq. ft. figure in Q2 2024.
- There have been no new 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 Q2 2024 to Q3 2024 at \$0.74 per sq. ft. on a monthly, NNN basis.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024

INDUSTRIAL OVERVIEW

The Central Valley industrial market closed Q3 2024 with an inventory of 140.8 million sq. ft. This quarter saw the completion of 3 million sq. ft. of new construction, comprising two speculative developments and one build-to-suit project. The development pipeline had over 2.4 million sq. ft. underway, and 4.8 million sq. ft. planned. Vacancy and availability rates both increased quarter-over-quarter to 7.8% and 9.6%, respectively.

The market posted an average 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 will 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 was increased from the previous quarter boasting over 3.6 million sq. ft. in transactions, however, 63% of total deals were in-place lease renewals versus new deals. The market experienced positive net absorption in Q3 2024 with 223,000 sq. ft. and more net absorption to follow as pre-leased buildings deliver in coming quarters. Sublease offerings increased sharply on the quarter with a near doubling of space being marketed for sublease.

There was one notable sale in the Central Valley market in Q3 2024 totaling 830,000 sq. ft. in Lathrop. Overall, capital markets conditions appear to have improved on the quarter with more investment opportunities being launched on the quarter. Sales activity is expected to increase in Q4 2024 and into 2025, driven by interest rate cuts and the conclusion of the election.

Looking ahead, net absorption is expected to remain positive. The remaining 350,000 sq. ft. speculative construction project will be delivered in Q4 2024, leaving speculative construction starts limited.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate NNN (\$)	Q3 Net Absorption	YTD Net Absorption
Ceres	6,680,347	9.5	11.1	0.67	0	0
Lathrop	18,240,950	10.3	11.4	0.73	183,565	183,565
Lodi	5,518,023	0.0	0.0	N/A	0	0
Manteca	6,411,159	3.0	6.3	0.75	0	0
Modesto	15,052,114	0.7	2.1	0.65	0	52,500
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	13.5	16.0	0.73	(154,251)	298,512
Tracy	33,515,103	5.8	7.4	0.79	193,539	295,539
Turlock	2,875,028	0.0	0.0	N/A	0	0
Market Totals	140,761,424	7.8	9.6	0.74	222,853	830,116

Source: CBRE Research, Q3 2024

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	Address	Square Feet	Type
Zinus	5731 Promontory Pkwy, Tracy	664,000	Renewal
Coastal Pacific Food Dist.	1015 Performance Dr, Stockton	500,004	Renewal
Pactiv	1110 Performance Dr, Stockton	452,000	Renewal
Corrugated Supplies	504 E Glenn Ave, Modesto	350,325	New Lease

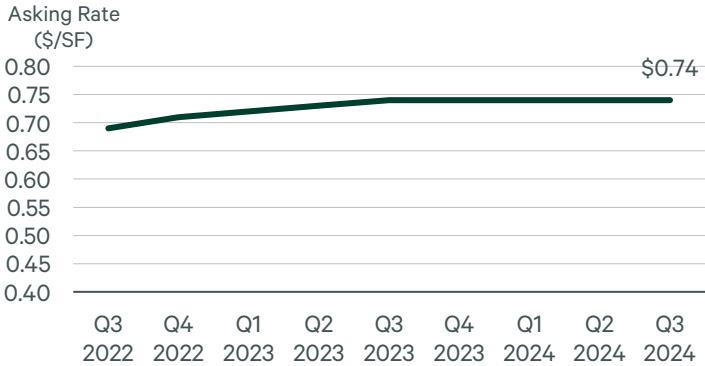
Source: CBRE Research, Q3 2024

FIGURE 4: Notable Sale Transactions Q3 2024

Buyer	Address	Square Feet	Sale Price
SoftBank	16888 McKinley Ave, Lathrop	832,994	\$146M

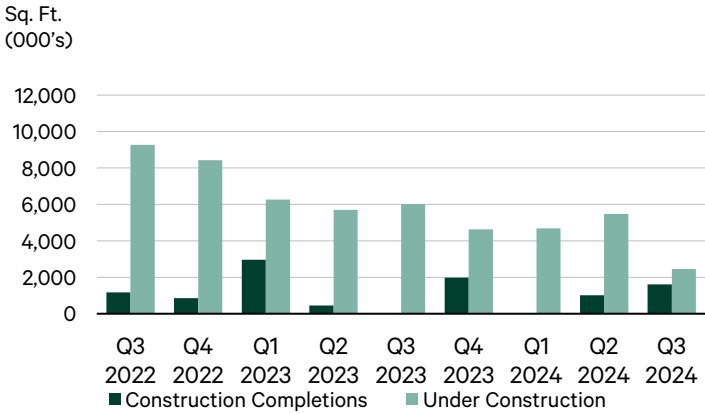
Source: CBRE Research, Q3 2024

FIGURE 5: Lease Rates



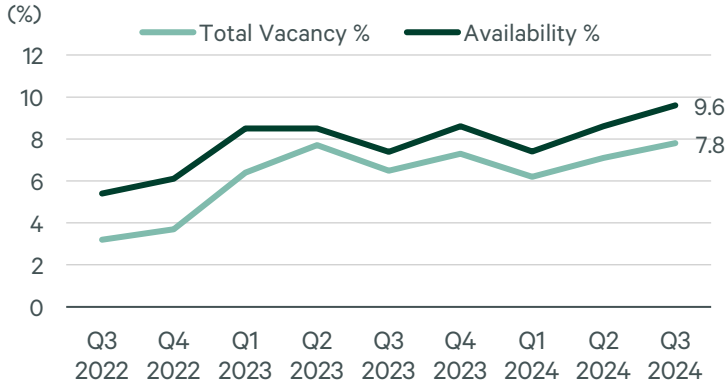
Source: CBRE Research, Q3 2024

FIGURE 7: Construction Completions



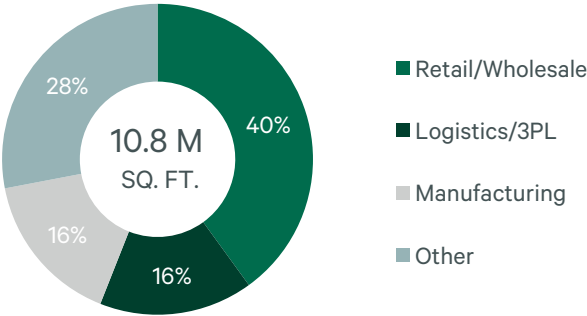
Source: CBRE Research, Q3 2024

FIGURE 6: Vacancy & Availability



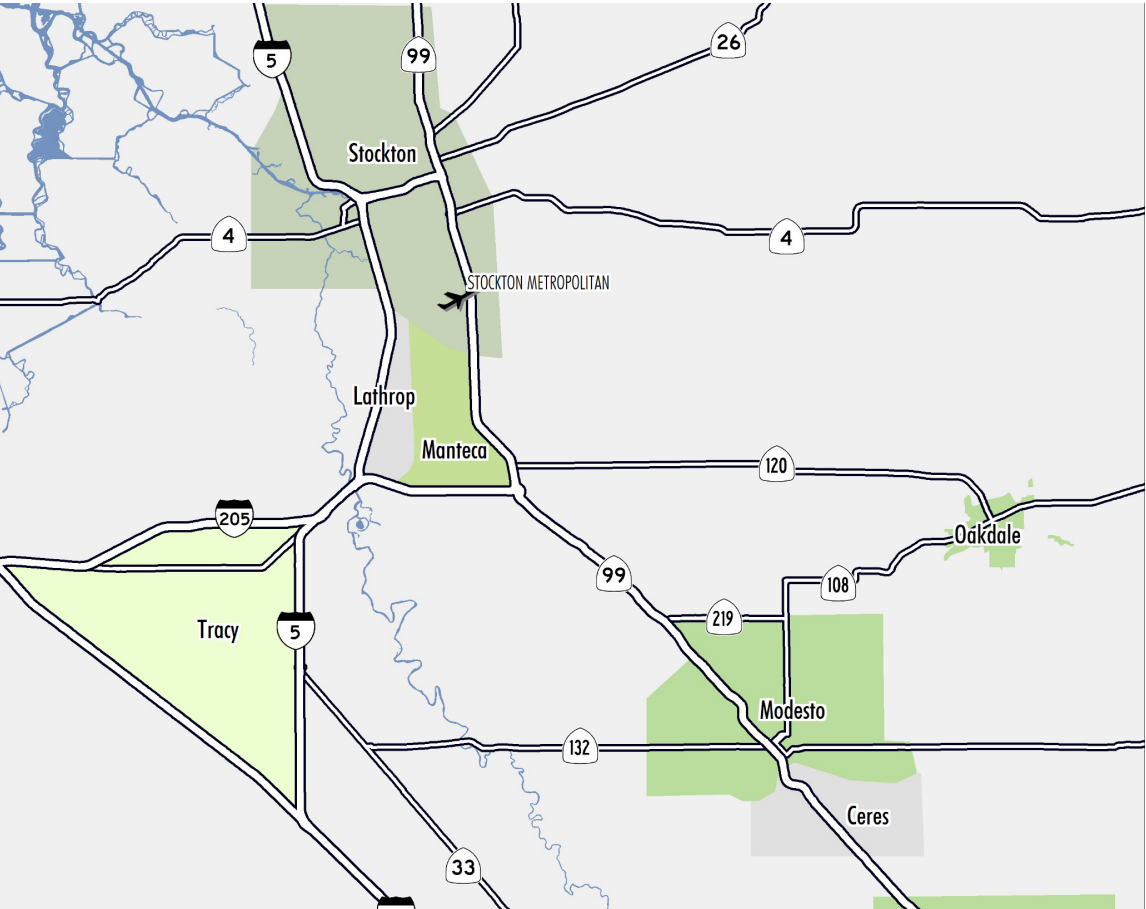
Source: CBRE Research, Q3 2024

FIGURE 8: Total Occupier Transactions by Industry (Q4 2023- Q3 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 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.

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