

FIGURES | SOUTH CENTRAL VALLEY | Q2 2023

# South Central Valley Industrial Figures

▼ 2.5%  
Vacancy Rate

▼ 69K  
SF Net Absorption

▲ 3.5M  
SF Under Construction

► \$0.70  
NNN / Lease Rate  
Existing Properties

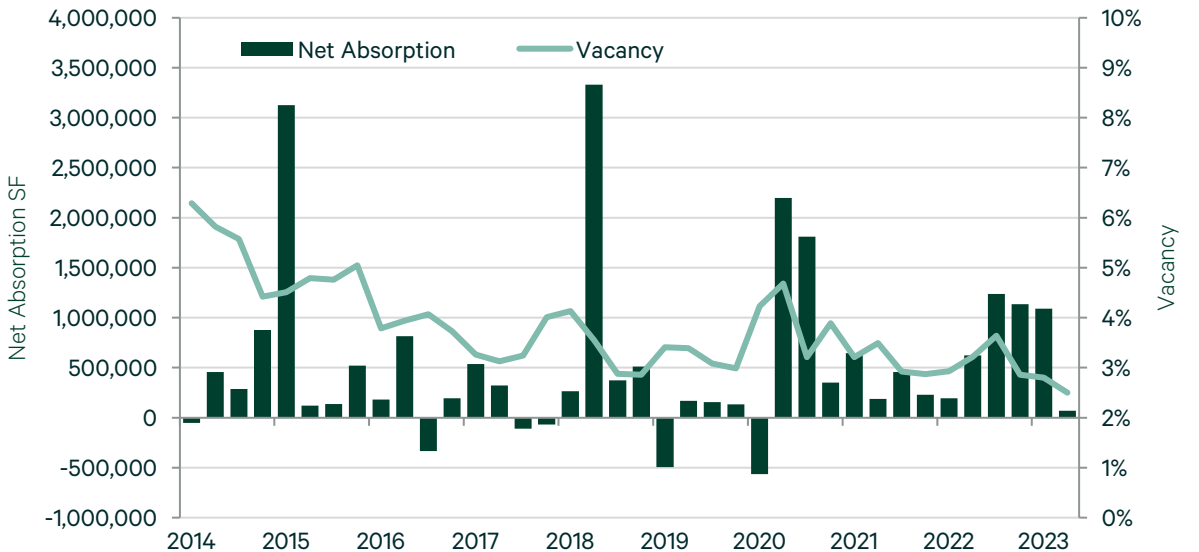
▲ 218K  
Industrial Using Employment

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The South Central Valley region is home to 3.0 million residents with a labor force of 1.3 million. In Q2 2023, the industrial sector provided 217,800 jobs, accounting for 22% of total employment in the region. The unemployment rate ended Q2 2023 at 7.1%, up 28 basis points (bps) from the previous quarter.
- The overall net absorption of the South Central Valley industrial market closed Q2 2023 at 68,800 sq. ft. compared to 1.1 million sq. ft. in Q1 2023. The sharp decline was attributed to no new construction deliveries during the quarter.
- Vacancy declined to its lowest level on record in Q2 2023 at 2.5%.
- Occupiers continue 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

INDUSTRIAL OVERVIEW

The South Central Valley industrial market is comprised of 102.3 million sq. ft. The construction pipeline remains abundant, with 3.5 million sq ft. under construction and 2.7 million sq ft. planned. The developments underway are a mixture of both speculative and build-to-suit projects ranging in size from 200,000 – 1,000,000 sq. ft.

The overall average asking lease rates closed the quarter at \$0.70 per sq. ft. on a monthly, NNN basis. Rents remained unchanged from Q1 2023 but grew 17% year-over-year. Additionally, both vacancy and availability rates decreased quarter-over-quarter to 2.5% and 3.5%, respectively.

The industrial tenant demand remained stable in Q2 2023. Leasing activity included a mix of renewals and new leases totaling 248,150 sq. ft. for the quarter, the majority of which occurred in the Fresno, Visalia, and Bakersfield markets. The South Central Valley market totaled 68,800 sq ft. of net absorption in Q2 2023. There were no notable investment activity in the quarter as the capital markets sector continues to deal with interest rate and cap rate volatility.

Looking forward, the South Central Valley industrial market will continue to attract sizeable occupier requirements, which will lead to increased development/investment activity from both local and national groups, further bridging Northern and Southern California and establishing the region as a desired West Coast distribution hub. Furthermore, multiple speculative development projects are expected to break ground during the latter half of 2023 or early 2024.

FIGURE 2: Submarket Statistics

Market	Net Rentable Area	Total Availability (%)	Total Vacancy (%)	Q2 Net Absorption	YTD Net Absorption	Average Lease Rate NNN
Merced	3,858,105	2.5	1.0	0	0	\$0.57
Madera	3,352,152	5.4	2.7	0	0	\$0.63
Fresno	38,804,590	3.7	2.6	20,800	203,800	\$0.70
Visalia	20,152,576	4.4	3.5	48,000	418,136	\$0.70
Hanford	3,801,813	1.9	0.0	0	0	\$0.60
Bakersfield	32,294,115	2.9	2.1	0	538,319	\$0.72
Market Totals	102,263,351	3.5	2.5	68,800	1,160,255	\$0.70

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q2 2023

Tenant	Size SF	Address	Type
GAF	118,000	4705 Capital Way Shafter, CA	Renewal
Agco Corp.	61,350	9860 Ferguson Ave Visalia, CA	Renewal
Pace International	48,000	8040 W Doe Ave Visalia, CA	New Lease
Steel & O'Brien	20,800	3440 East Ave Fresno, CA	New Lease

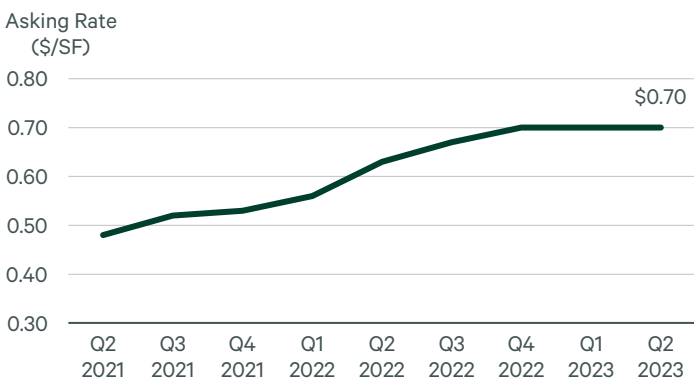
Source: CBRE Research

FIGURE 4: Projects Under Construction

Address	Size SF	Developer	Completion Date
5104 Express Ave Shafter, CA (Spec)	1,087,000	Wonderful	Q1 2024
5408 Express Ave Shafter, CA (Spec)	1,052,373	Rexco	Q3 2023
CA Ventures E. 99 Tulare, CA (Spec)	544,077	CA Ventures	Q1 2024
30152 Rd 84 Visalia, CA (Spec)	310,030	G4 Development	Q3 2023

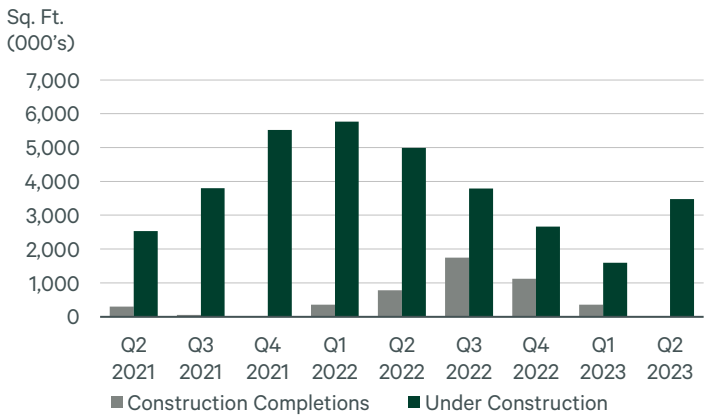
Source: CBRE Research

FIGURE 5: Lease Rates



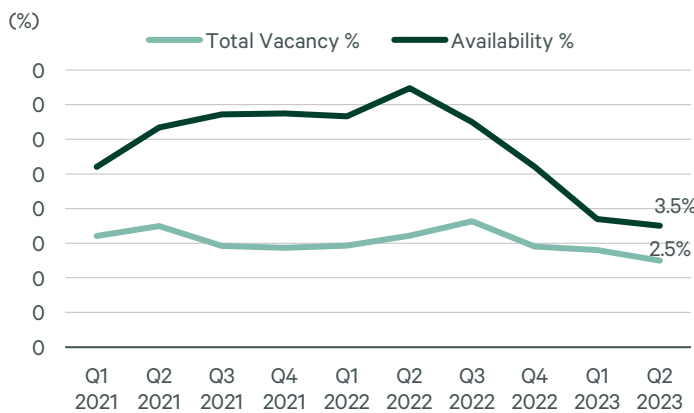
Source: CBRE Research

FIGURE 7: Construction Activity



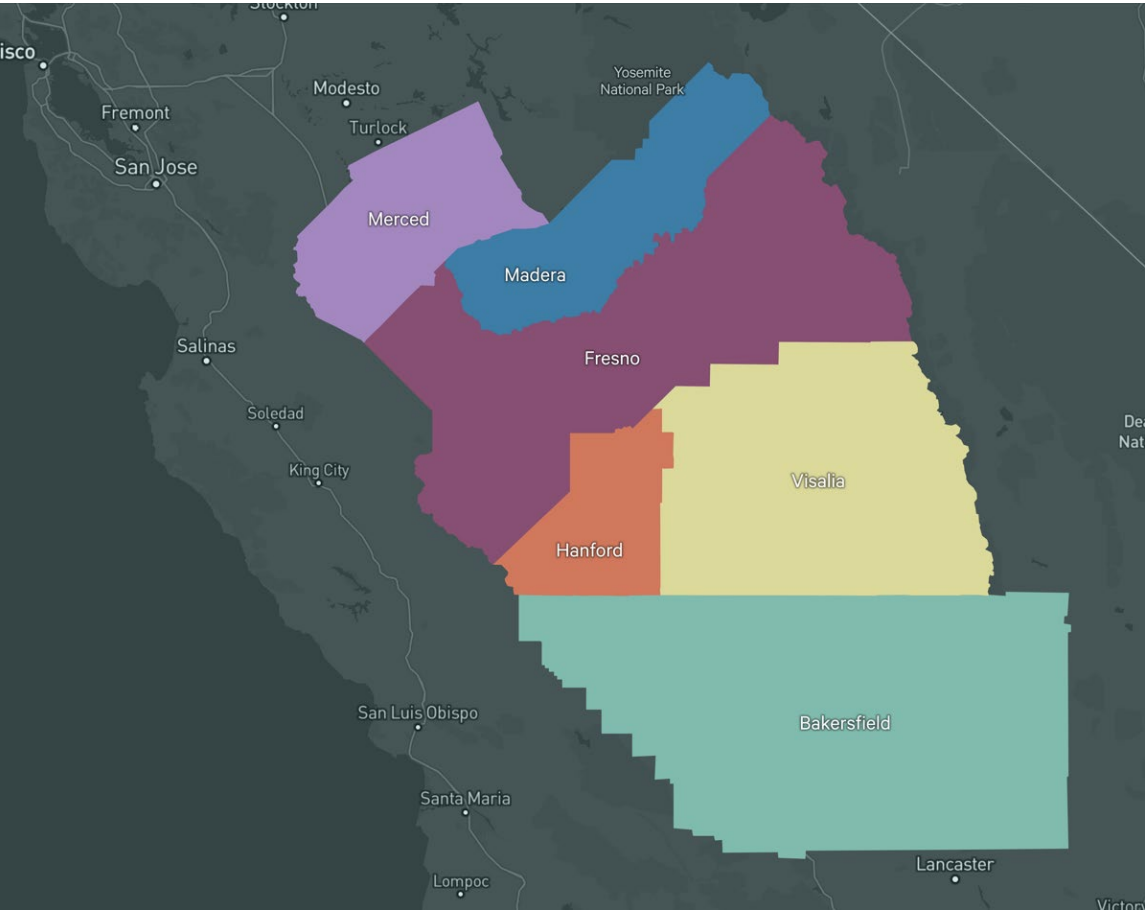
Source: CBRE Research

FIGURE 6: Vacancy & Availability



Source: CBRE Research

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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