

FIGURES | CENTRAL VALLEY INDUSTRIAL | Q1 2024

Elevated leasing for big box space

▼ 6.2%

Vacancy Rate

▼ 390K

SF Net Absorption

► 4.6M

SF Under Construction

► \$0.74

NNN / Lease Rate
Existing Properties

► 146K

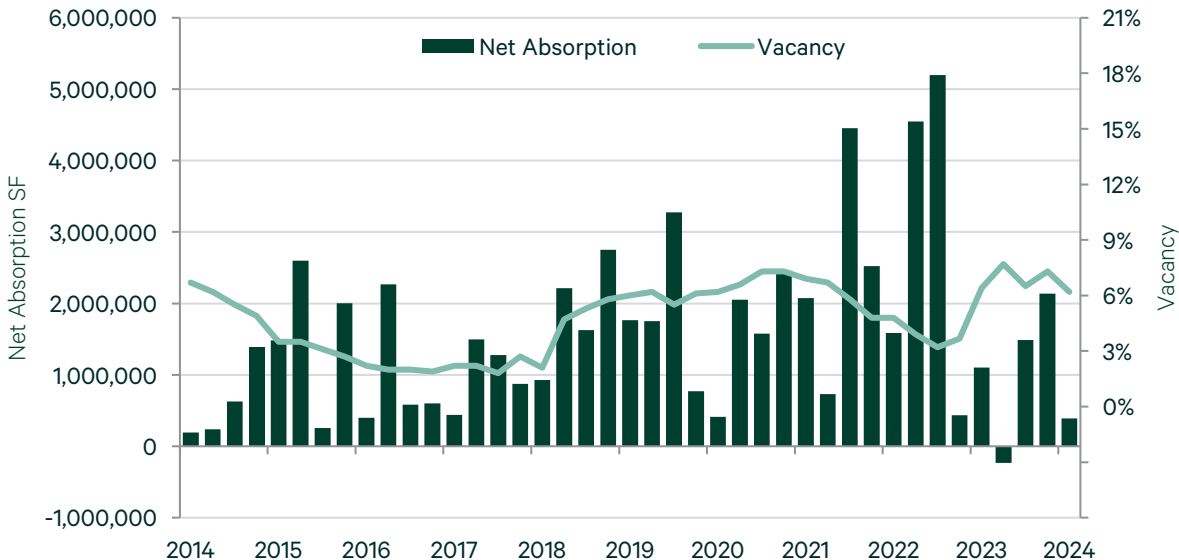
Industrial Using Employment
San Joaquin & Stanislaus

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 598,000. During Q1 2024, the industrial sector provided 146,000 jobs, accounting for 25% of total employment in the region. The unemployment rate ended Q1 2024 at 7.2%, up 20 basis points (bps) from the previous quarter.
- Net absorption for the Central Valley industrial totaled 390,000 sq. ft. in Q1 2024, significantly less than the 2.1 million sq. ft. figure in Q4 2023.
- New construction starts remained slow 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 Q4 2023 to Q1 2024 at \$0.74 per sq. ft. on a monthly, NNN basis.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2024

INDUSTRIAL OVERVIEW

The Central Valley industrial market closed Q1 2024 with an inventory of 135.9 million sq. ft. There were no new construction deliveries to start the year. The pipeline had over 4.6 million sq. ft. underway, and 4.7 million sq. ft. planned. Vacancy and availability rates both decreased quarter-over-quarter to 6.2% and 7.4%, respectively.

The market posted an overall average asking lease rate of \$0.74 per sq. ft. on a monthly, NNN basis. The Lathrop and Tracy submarkets continued to achieve the highest rents due to the proximity to the Bay Area and Port of Oakland.

The Central Valley experienced steady tenant demand with multiple leases signed over 500,000 sq. ft. in Q1 2024. Total lease transaction volume was strong to start the year as the market recorded 4.5 million sq. ft. for the quarter with 2.9 million sq. ft. represented by new lease transactions. Q1 2023 experienced positive net absorption with 390,000 sq. ft. with more net absorption to follow as pre-leased buildings deliver in coming quarters. Sublease offerings and activity remained limited.

The Central Valley market withstood general economic uncertainty and posted a strong start of the year. While no sale transactions occurred during the quarter, there was a sense of optimism regarding upcoming property sales and improved values. This outlook stems from the anticipation that interest rates will either moderate or decrease through the remainder of 2024 while overall market indicators improve.

Looking ahead, net absorption is expected to remain healthy as multiple large users are expected to absorb their newly leased space. Vacancy and availability will decline as newly built space continues to prelease and absorb. Additionally, Q2 2024 is expected to deliver 56% of total under construction projects.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate NNN (\$)	Q1 Net Absorption	YTD Net Absorption
Ceres	6,680,347	8.0	8.0	0.66	0	0
Lathrop	18,240,950	8.5	9.6	0.73	0	0
Lodi	5,518,023	0	0	N/A	0	0
Manteca	6,411,159	2.1	2.6	0.72	0	0
Modesto	14,630,314	0	0	N/A	0	0
Oakdale	890,391	0	0	N/A	0	0
Patterson	5,008,183	0	0	N/A	0	0
Stockton	42,843,831	9.1	12.1	0.71	287,710	287,710
Tracy	32,687,823	6.8	7.2	0.82	102,000	102,000
Turlock	2,875,028	2.0	2.0	N/A	0	0
Market Totals	135,891,049	6.2	7.4	0.74	389,710	389,710

Source: CBRE Research, Q1 2024

FIGURE 3: Notable Lease Transactions Q1 2024

Tenant	Address	Square Feet	Type
Confidential	2750 Arch Rd, Stockton	1,186,678	New Lease
Confidential	4554 Arch Rd, Stockton	1,001,918	New Lease
Allen Distribution	4580 Logistics Dr, Stockton	709,556	Renewal
Trivium	1205 E Whitmore Ave, Modesto	348,500	Renewal

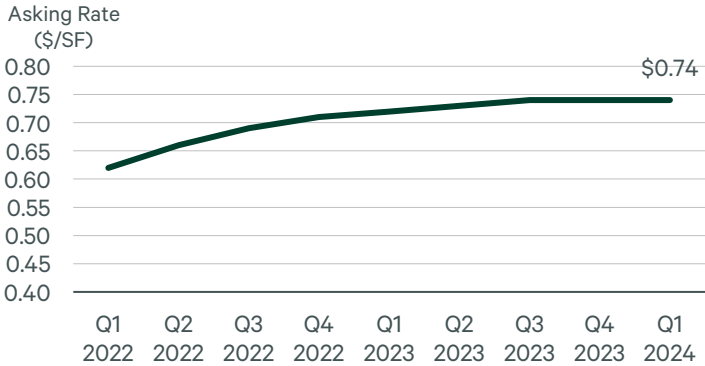
Source: CBRE Research, Q1 2024

FIGURE 4: Notable Sale Transactions Q1 2024

Buyer	Address	Square Feet	Sale Price
None to report			

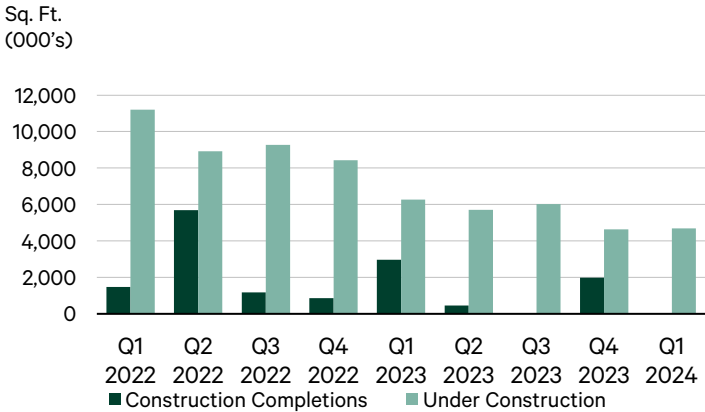
Source: CBRE Research, Q1 2024

FIGURE 5: Lease Rates



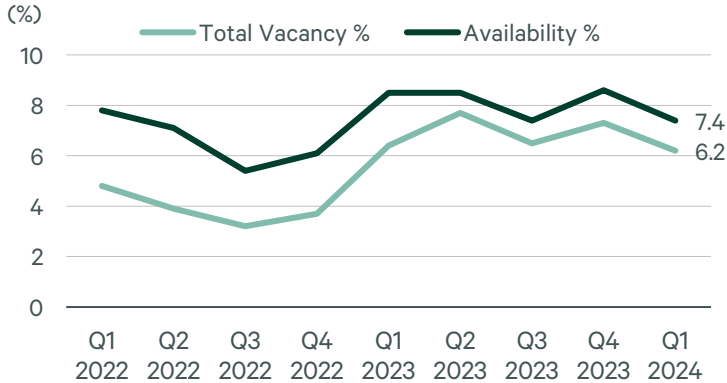
Source: CBRE Research, Q1 2024

FIGURE 7: Construction Completions



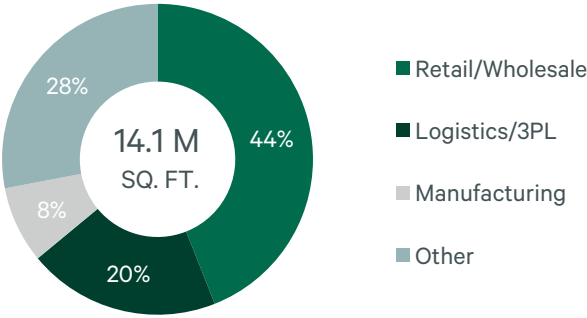
Source: CBRE Research, Q1 2024

FIGURE 6: Vacancy & Availability



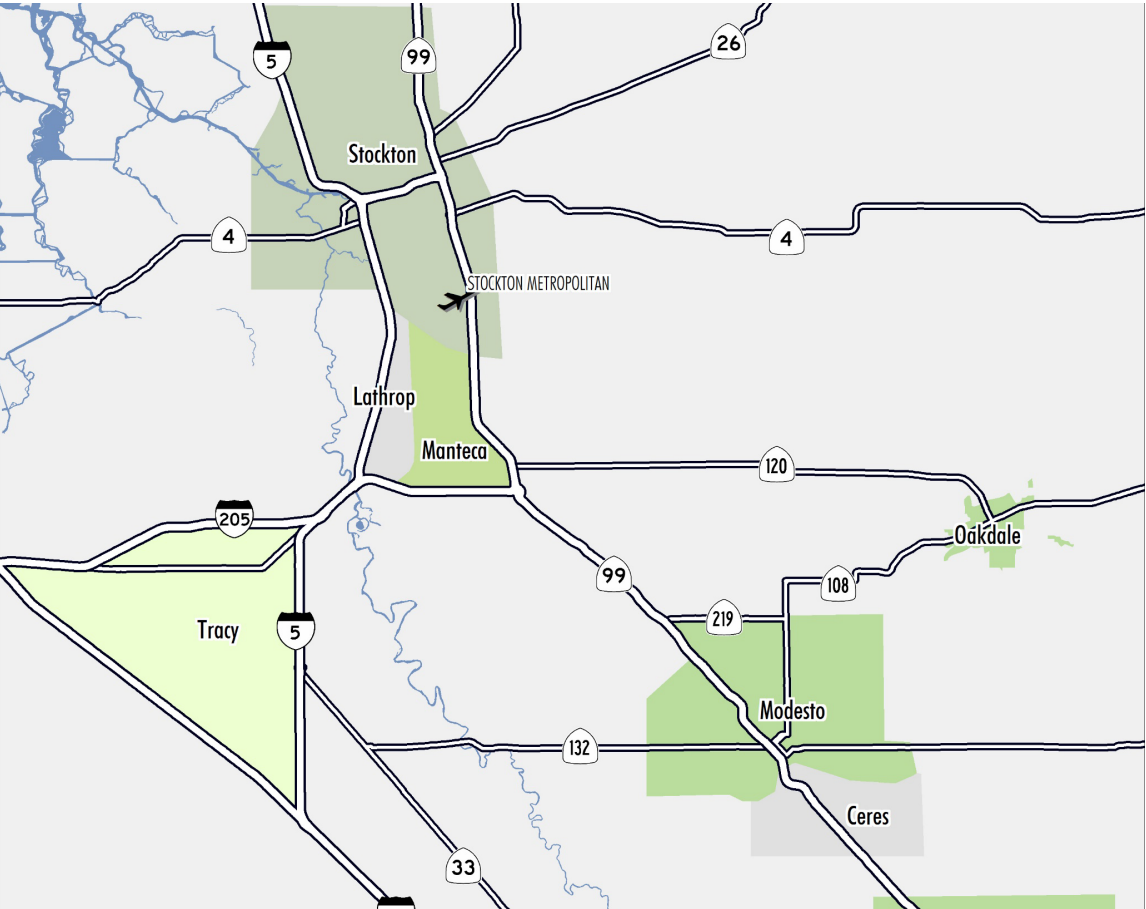
Source: CBRE Research, Q1 2024

FIGURE 8: Total Occupier Transactions by Industry (Q2 2023- Q1 2024)



Source: CBRE Research, Q1 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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