

FIGURES | CENTRAL VALLEY INDUSTRIAL | Q2 2025

# Despite strong leasing activity, more vacant space returns to the market

▲ 9.2%

Vacancy Rate

▲ 1.76M SF

SF Net Absorption

▼ 3.4M

SF Under Construction

▶ \$0.74

NNN / Lease Rate  
Existing Properties

▲ 152K

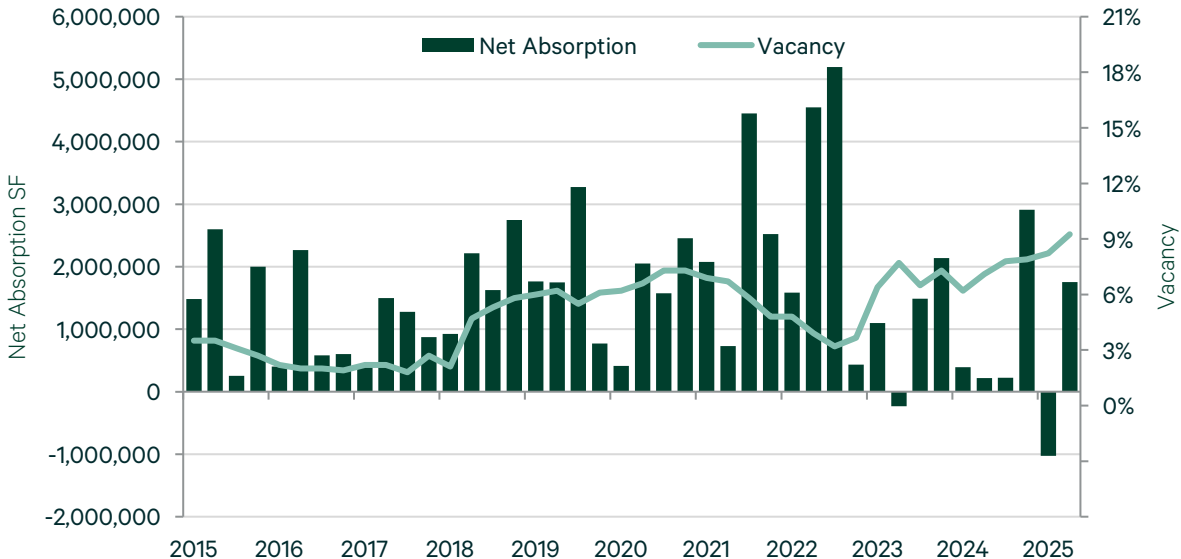
Industrial Using Employment  
San Joaquin & Stanislaus

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The Central Valley region was home to 1.37 million residents with a labor force of 602,600 employees. During Q2 2025, the industrial sector provided 148,100 jobs, accounting for 31% of total employment in the region. The unemployment rate ended Q2 2025 at 7.8%, up 5 basis points (bps) from the previous quarter.
- Net absorption for the Central Valley industrial market totaled positive 1.76 million sq. ft. in Q2 2025.
- In the second quarter of 2025, there were 175,906 sq. ft. of new build-to-suit development construction starts.
- The average direct asking rate in the Central Valley held steady from Q1 2025 to Q2 2025 at \$0.74 per sq. ft. on a monthly, NNN basis.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2025

INDUSTRIAL OVERVIEW

The Central Valley industrial market concluded Q2 2025 with a total inventory of 142.4 million sq. ft.. The vacancy rate rose slightly quarter-over-quarter (QoQ) to 9.2%, while the availability rate held steady at 10.9%. Despite the uptick in vacancy, lease rates remained resilient, with the average direct asking rate holding firm at \$0.74 per square foot on a monthly, triple-net (NNN) basis. This stability reflects a market adjusting to a period of moderated demand and slower transaction velocity.

Total transaction activity totaled over 4.0 million sq. ft. in Q2 2025, signaling continued tenant interest across the region. Notably, the market recorded a positive net absorption of 1.8 million sq. ft., largely driven by a single major transaction at 1 Arch Road, which alone contributed 1.4 million sq. ft. of positive absorption. This deal underscores the Central Valley’s appeal to large-scale logistics and distribution users.

Capital markets activity remained healthy, with encouraging signs of investor confidence. New cap rate benchmarks are emerging, and sales volume was strong, particularly in the large building segment. This suggests a broadening of investor interest beyond just the largest assets.

Leasing dynamics in Q2 2025 were marked by a balance between new leases and renewals. However, several tenants opted not to renew at expiration, contributing to the elevated vacancy rate. Tenants are increasingly engaging earlier in the site selection and decision-making process, which has led to longer deal timelines and more deliberate leasing strategies.

Looking forward, demand remains strong while new development slows, which may help stabilize vacancy rates. Continued interest from large users positions the market for steady absorption and healthier market dynamics.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate NNN (\$)	Q2 Net Absorption	YTD Net Absorption
Ceres	5,321,070	15.3	15.4	0.68	0	(126,000)
Lathrop	18,715,588	9.5	11.6	0.74	(46,900)	(307,905)
Lodi	5,518,023	0.0	1.4	0.00	0	0
Manteca	6,485,959	2.8	8.4	0.67	(46,769)	(49,769)
Modesto	15,000,438	3.5	5.4	0.64	(28,500)	(372,500)
Oakdale	890,391	0.0	0.0	0.00	0	0
Patterson	5,828,183	13.0	13.0	0.70	420,000	63,935
Stockton	48,392,131	14.0	15.3	0.74	1,548,343	1,248,044
Tracy	33,362,018	7.2	8.9	0.79	(88,017)	(1,010,692)
Turlock	2,875,028	0.0	0.0	0.00	0	0
Market Totals	142,388,829	9.2	10.9	0.74	1,755,157	(554,887)

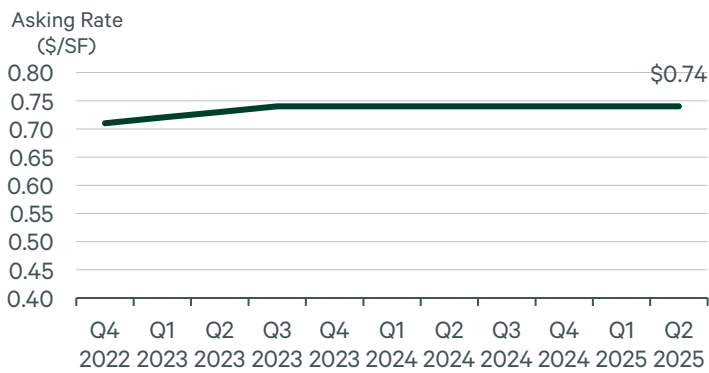
Source: CBRE Research, Q2 2025

FIGURE 3: Notable Lease Transactions Q2 2025

Tenant	Address	sq. ft.	Type
CJ Logistics	1 Arch Airport Rd, Stockton	1,400,000	New Lease
AmerCare Royal	6868 Arch Rd, Stockton	506,844	New Lease
Coastal Pacific Food Distribution	1015 Performance Dr, Stockton	500,004	Renewal

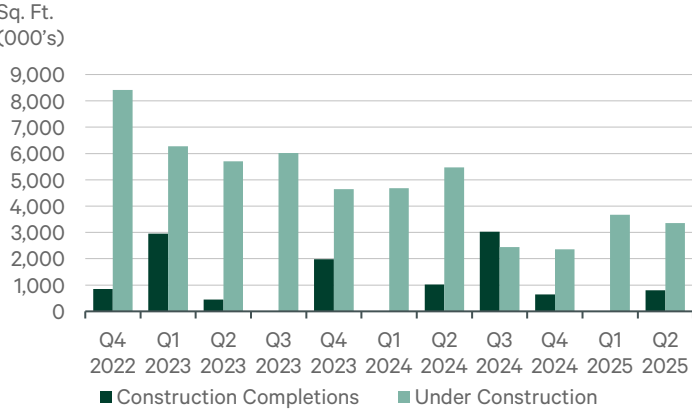
Source: CBRE Research, Q2 2025

FIGURE 5: Lease Rates



Source: CBRE Research, Q2 2025

FIGURE 7: Construction Completions



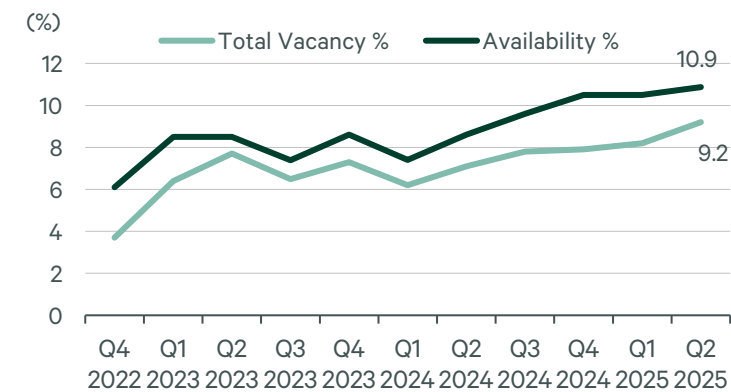
Source: CBRE Research, Q2 2025

FIGURE 4: Notable Sale Transactions Q2 2025

Buyer	Address	sq. ft.	Sale Price
EQT Exeter	2226 E Roth Rd & 2365-3565 N Airport Way, Manteca	2,041,772	\$264.0M
Dermody	5120 Glacier St, Lathrop	1,135,653	\$145.2M
Pw Fund B Lp	2518 Boeing Way, Stockton	58,625	\$6.80M

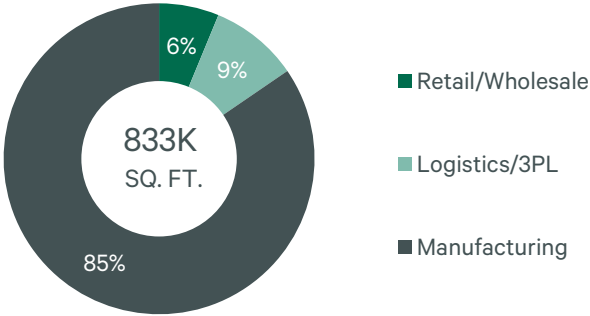
Source: CBRE Research, Q2 2025

FIGURE 6: Vacancy & Availability



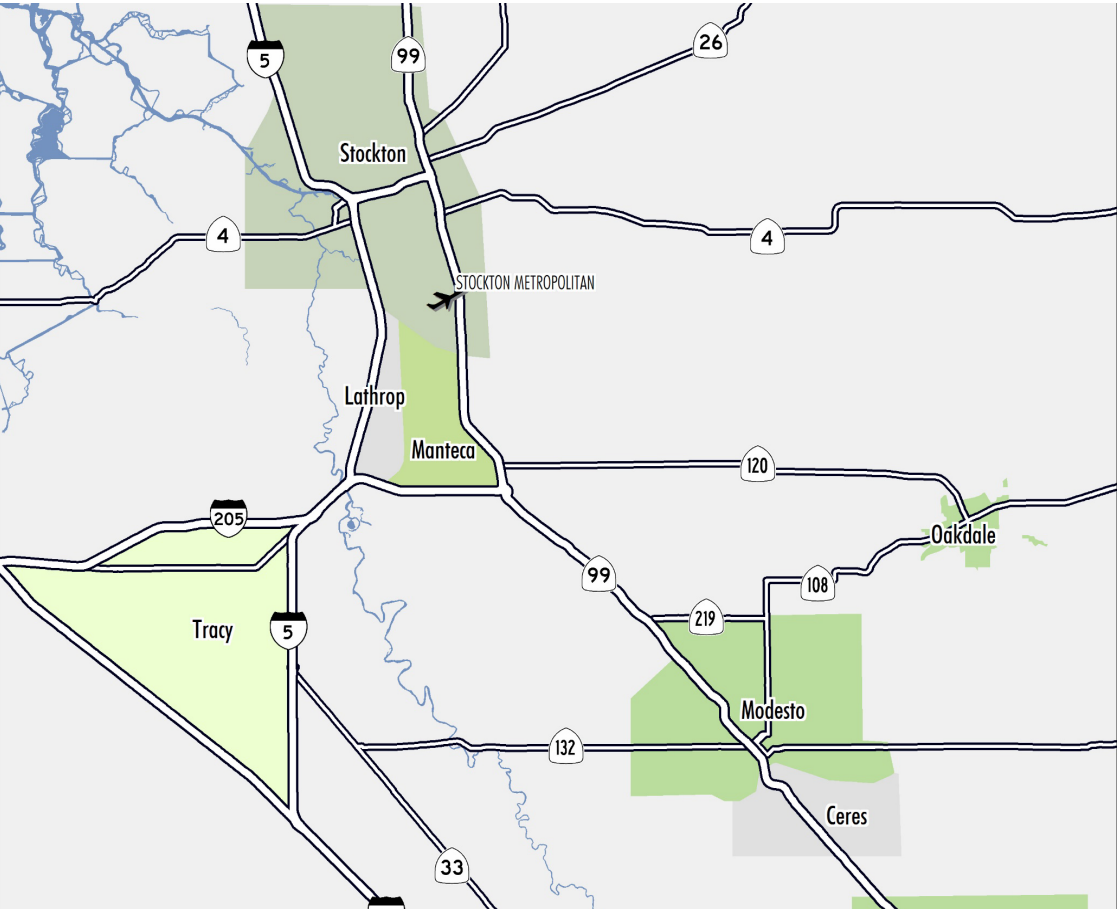
Source: CBRE Research, Q2 2025

FIGURE 8: Total Occupier Transactions by Industry Q2 2025



Source: CBRE Research, Q2 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.

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