

FIGURES | SOUTH CENTRAL VALLEY INDUSTRIAL | Q2 2025

Climbing vacancy rates with no new projects on the horizon

▲ 10.1%

Vacancy Rate

▼ (614K)

SF Net Absorption

▼ 0

SF Under Construction

▶ \$0.71

NNN / Lease Rate
Existing Properties

▲ 224K

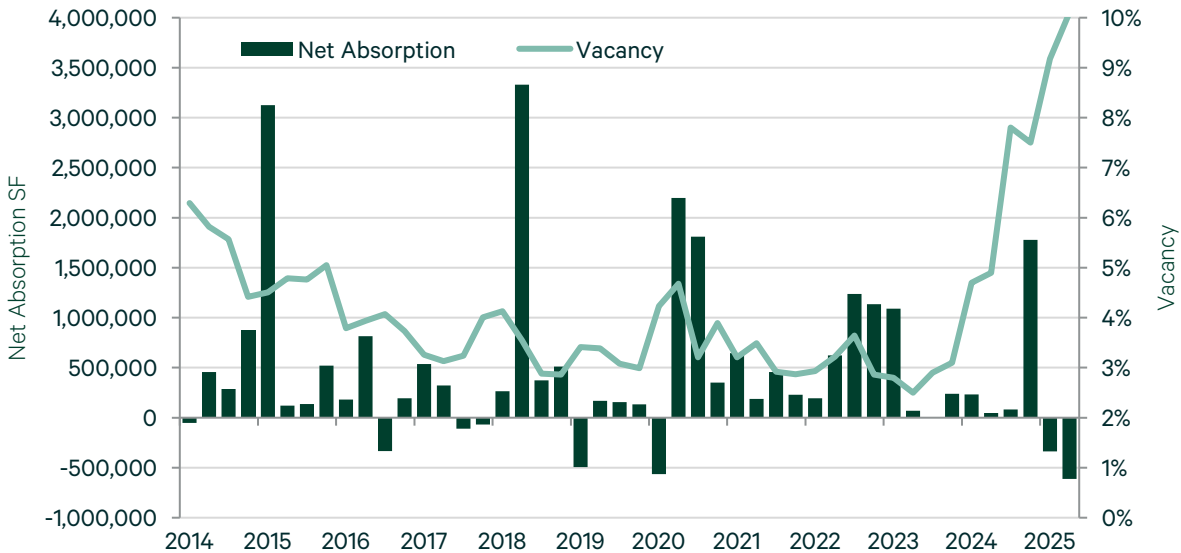
Industrial Using Employment

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- At the close of Q2 2025, the South Central Valley region was home to 3.0 million residents with a labor force of 995,000. The industrial sector accounted for 223,980 jobs or 23% of the total employment in the region. The unemployment rate ended Q2 2025 at 8.4%.
- The South Central Valley industrial market closed Q2 2025 with negative 613,588 sq. ft. of net absorption. This is the second quarter in a row where net absorption produced a negative figure.
- The South Central Valley remained a strategic focal point due to its abundant industrial space, affordable operating costs, and proximity to major transportation corridors, making it an option for occupiers seeking operational efficiency.
- Investment sales transactions and offerings were limited during Q2 2025.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2025

INDUSTRIAL OVERVIEW

The South Central Valley industrial market closed Q2 2025 with a market base inventory of 111 million sq. ft. There are currently no projects under construction, marking a notable slowdown in development activity. Previously active developments, which included both speculative and build-to-suit projects ranging from 300,000 to 700,000 sq. ft., have now concluded. Additionally, there were no construction completions or deliveries during Q2 2025.

The overall average asking lease rate remained steady quarter-over-quarter (QoQ) at \$0.66 per sq. ft. on a monthly, NNN basis. Additionally, the vacancy rate increased quarter-over-quarter from 9.2% to 10.1%, while the availability rate increased from 11.2% to 11.6% over the same period.

Industrial tenant demand continued to soften across the region in Q2 2025. Ther Merced market stood out with over 136,000 sq. ft. of positive net absorption, signaling some localized strength. Additionally, The Hillman Group renewed and expanded at 5000 Fanucci Way, Shafter for 215,844 sq. ft.

There was only one notable sale in the South Central Valley during Q2 2025—a 115,000 sq. ft. property at 30041 Bradham Dr, Visalia, that closed later in the quarter on June 18. Overall, the market remained quiet, with limited investment opportunities and high interest rates keeping most buyers and sellers on the sidelines.

In conclusion, the South Central Valley industrial market is expected to remain subdued, with rising vacancy rates and limited tenant demand shaping the near-term outlook. Merced has shown some resilience with the most positive net absorption, but absence of new developments in the construction pipeline suggests that market activity will likely remain modest as occupiers focus on maximizing existing space rather than pursuing expansion.

FIGURE 2: Submarket Statistics

Market	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q2 Net Absorption	2025 Net Absorption	Average Lease Rate NNN
Merced	4,233,144	9.6%	9.6%	136,110	136,110	\$0.51
Madera	3,304,850	0.2%	0.3%	1,950	1,950	\$0.93
Fresno	39,097,232	4.3%	6.3%	(46,819)	(46,819)	\$0.64
Visalia	24,150,768	17.9%	18.2%	(303,359)	(103,359)	\$0.77
Hanford	3,843,114	0.9%	4.50%	0	0	\$0.40
Bakersfield	36,617,077	13.3%	15.0%	(401,470)	(937,543)	\$0.63
Market Totals	111,246,185	10.1%	11.6%	(613,588)	(949,661)	\$0.71

Source: CBRE Research, Q2 2025

FIGURE 3: Notable Absorption Contributors

Tenant	Size SF	Address
The Hillman Group	215,844	5000 Fannucchi Way, Shafter
PACTIV	135,007	5354 5370 E Home Ave

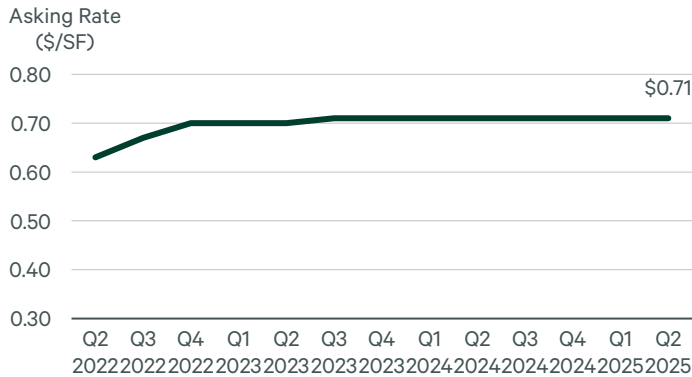
Source: CBRE Research, Q2 2025

FIGURE 4: Notable Sale Transactions

Buyer	Size SF	Address
Broadstone Net Lease, Inc.	115,000	30041 Bradham Dr, Visalia

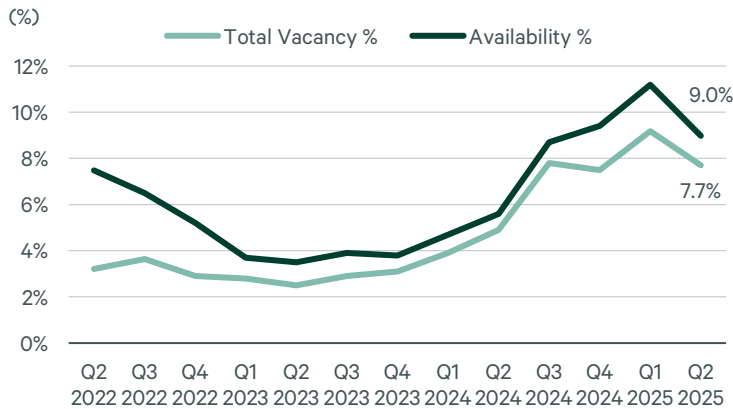
Source: CBRE Research, Q2 2025

FIGURE 5: Lease Rates



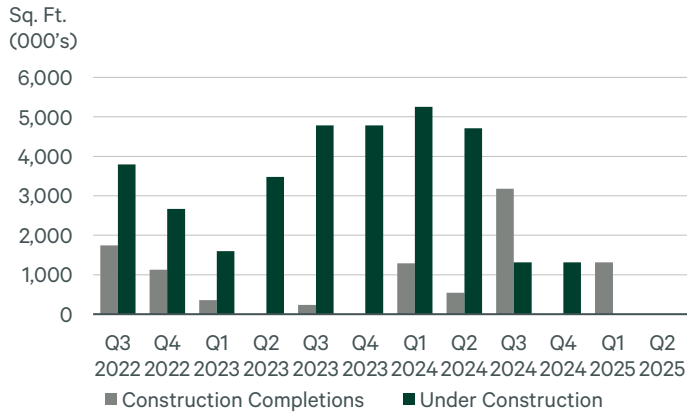
Source: CBRE Research, Q2 2025

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q2 2025

FIGURE 7: Construction Activity



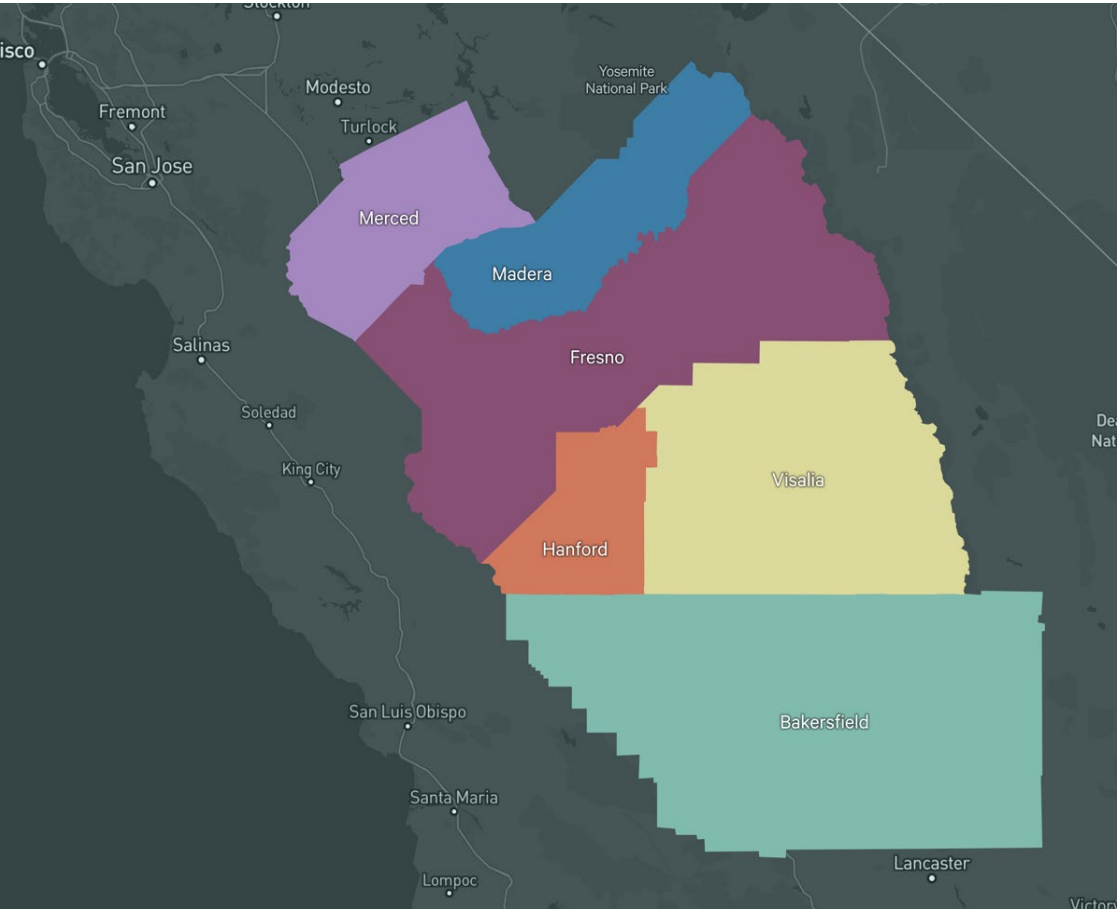
Source: CBRE Research, Q2 2025

FIGURE 8: Projects Under Construction

Address	Size SF	Developer	Delivery Date
N/A			

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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