

FIGURES | CENTRAL VALLEY, CA OFFICE | Q2 2026

Medical office sales remain competitive as a low vacancy market commands a premium

▲ 5.7%
Vacancy Rate

▼ (32,256)
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▶ \$1.66
FSG/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

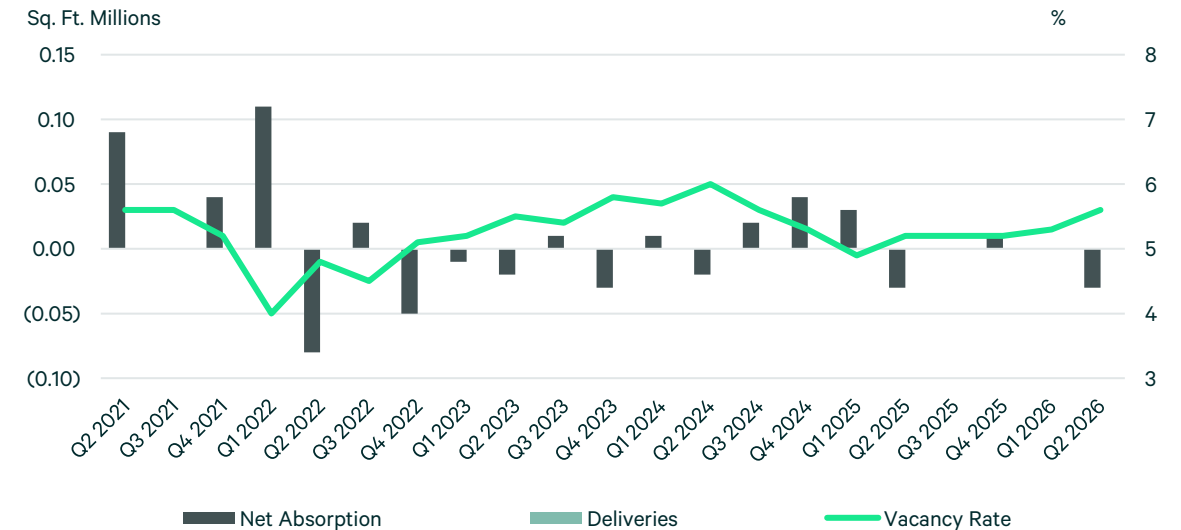
Market Overview

In Q2 2026 the medical office sector saw heightened competition among providers seeking to establish a dominant presence in the market. Net absorption registered negative 32,000 sq. ft. This represented a decline of 30,000 sq. ft. quarter-over-quarter. Year-to-date net absorption fell by 40,000 sq. ft. compared with the same quarter one year earlier. Vacancy in the latest quarter stood at 5.6%. Average asking rents stood at \$1.66 per sq. ft. That level was about 2.5% higher than one year earlier. Tenant improvement costs remain elevated, requiring occupiers to be more strategic with future space decisions. At the same time, limited market-wide vacancy allows landlords to command a premium for available space.

New leasing activity included a 16,000 sq. ft. commitment from Hill Physicians Medical Group in Northwest Stockton. Jack Klein Partnership added another 3,000 sq. ft. in the same submarket. Sacramento ENT leased 2,000 sq. ft. in North Central Stockton. Across this top sample, new deals totaled 21,000 sq. ft. and highlighted continued tenant demand for medical space.

Owner-user sales activity remains strong, with limited availability of quality properties driving prices beyond levels supported by current rent rolls and traditional investment metrics.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

By Q2 2026, overall vacancy stood at 4.4% in Class A, 5.3% in Class B, and 7.2% in Class C. Quarter-over-quarter, Class A vacancy increased by 30 basis points, Class B decreased by 10 basis points, and Class C rose by 110 basis points, with direct vacancy moving in step with these shifts. Year-over-year, vacancy tightened by 100 basis points in Class A but rose by 50 basis points in Class B and 150 basis points in Class C. Compared with Q2 2023, Class A vacancy is down 290 basis points, while Class B and Class C are up 30 and 220 basis points, respectively. This quarter see's a flight to quality as Class A space gains more interest and is the majority of the action this quarter.

Across submarkets, Tracy records the lowest vacancy in Q2 2026 at 3.2%, followed closely by Lodi at 3.3% and Manteca/Lathrop at 3.6%. Downtown Stockton posts the highest vacancy at 6.8%, with North Central Stockton at 6.6% and Northwest Stockton at 5.9%, while Modesto sits at 5.3%.

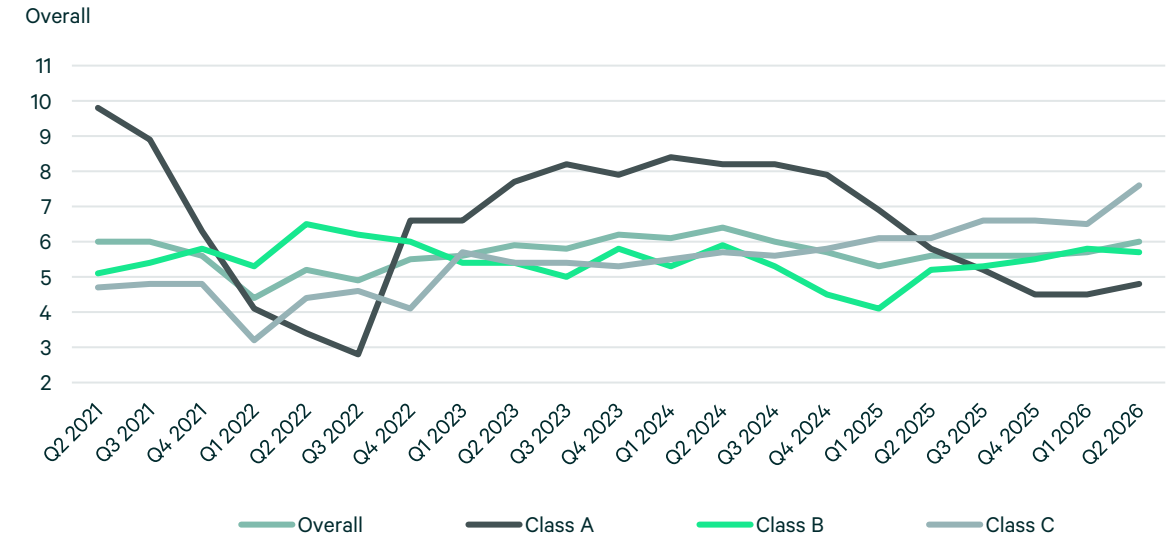
Sublease vacancy remained stable quarter-over-quarter, holding at 0.1% in Class B and at 0.0% in Class A and Class C in Q2 2026. Total sublease availability is 6,000 sq. ft., all in Northwest Stockton, supporting a 0.5% sublease vacancy rate in that submarket.

Asking Rent

Overall average asking rent in Q2 2026 was \$1.66, flat quarter-over-quarter from Q1 2026 and up 2.5% year-over-year from \$1.62 in Q2 2025. Since Q2 2021, overall rents have moved within a narrow \$1.59 to \$1.71 band and are now 1.8% below the \$1.69 recorded at the start of the period, slightly under the Q1 2023 high of \$1.71. Class A space remains priced at a premium, with a Q2 2026 average asking rent of \$1.96, down 1.5% quarter-over-quarter from \$1.99 and 0.5% lower year-over-year than the \$1.97 recorded in Q2 2025, yet 2.1% above the \$1.92 level in Q2 2021 and consistently above overall rates.

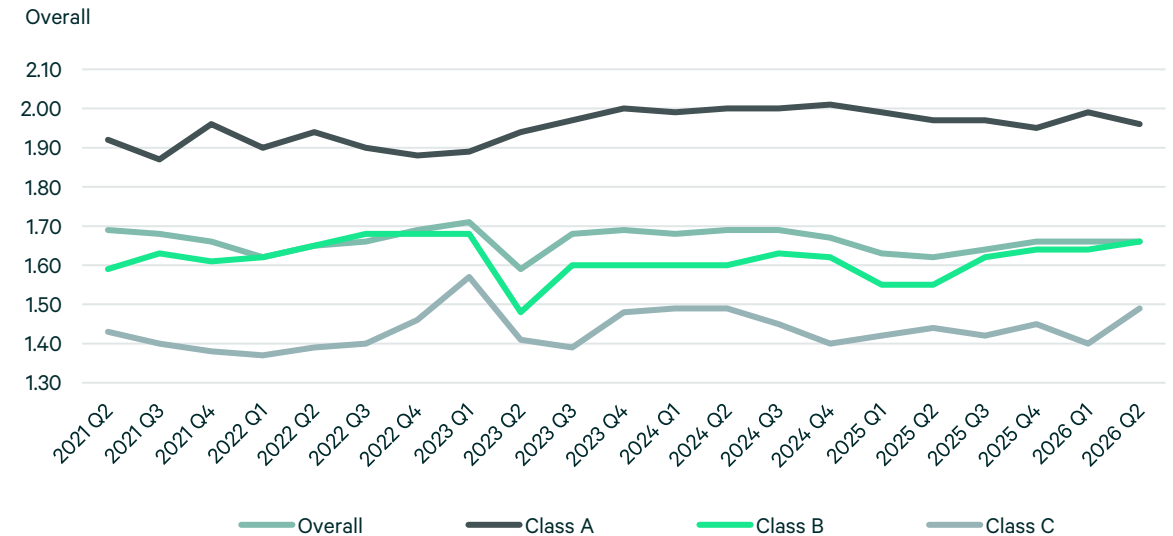
At the submarket level, Tracy and Northwest Stockton posted the highest Class A asking rents in Q2 2026 at \$2.48 and \$2.30, respectively, with Tracy also supporting elevated Class B and Class C pricing at \$2.32 and \$1.80. Modesto followed with Class A and Class B rents of \$2.03 and \$1.85, while Downtown Stockton, Lodi, and North Central Stockton offered comparatively more affordable space, with Class B and Class C rents ranging from \$1.25 to \$1.69 and Class A rents around \$1.75 to \$1.80.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

In Q2 2026, the market posted total net absorption of negative 32,000 sq. ft. This was below the negative 2,000 sq. ft. recorded in Q1 2026, a quarter-over-quarter decline of 30,000 sq. ft. On a year-over-year basis, Q2 2026 net absorption was below the negative 26,000 sq. ft. registered in Q2 2025 by 6,000 sq. ft. Class B achieved positive absorption of 6,000 sq. ft., while Class A and Class C recorded negative 6,000 sq. ft. and negative 32,000 sq. ft., respectively, placing the overall market back in negative territory.

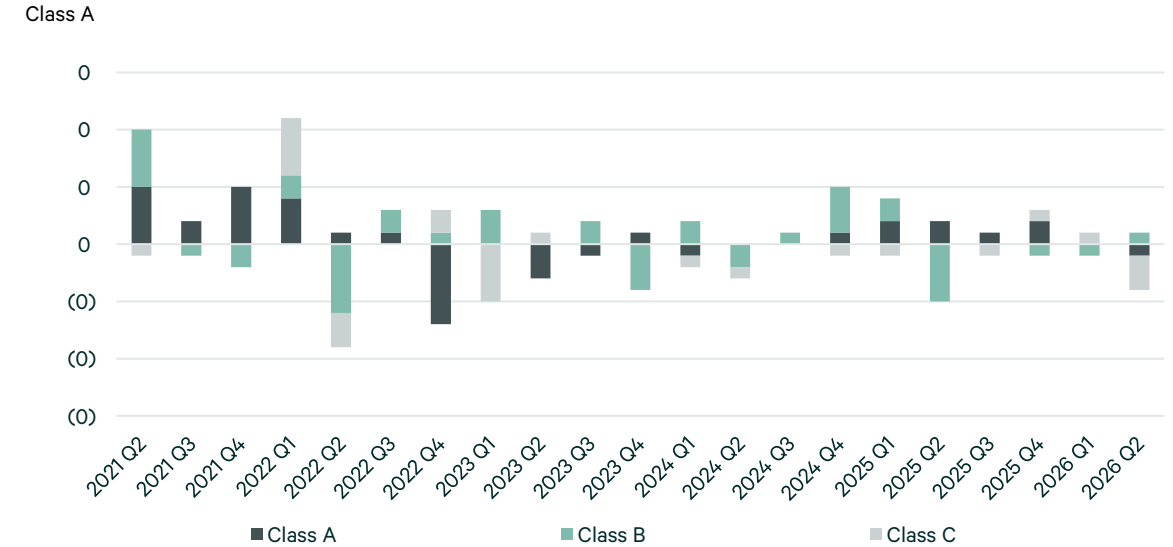
At the submarket level, Manteca/Lathrop recorded the highest positive net absorption in Q2 2026 at 3,000 sq. ft., followed by North Central Stockton at 1,000 sq. ft. Tracy also posted a modest gain of 1,000 sq. ft., while smaller pockets of North Central Stockton and Northwest Stockton each registered negative 2,000 sq. ft., pointing to generally subdued tenant movement outside the strongest areas. The weakest conditions were in Downtown Stockton, with negative 27,000 sq. ft. of net absorption, and in Modesto, where one segment recorded negative 4,000 sq. ft., making them the bottom two submarkets this quarter.

Construction Activity

In Q2 2026, under construction inventory and construction deliveries both stood at 0 sq. ft., and there was no construction activity this quarter. These levels have remained at 0 sq. ft. quarter-over-quarter and year-over-year, with no projects started or completed at any point since at least Q2 2021.

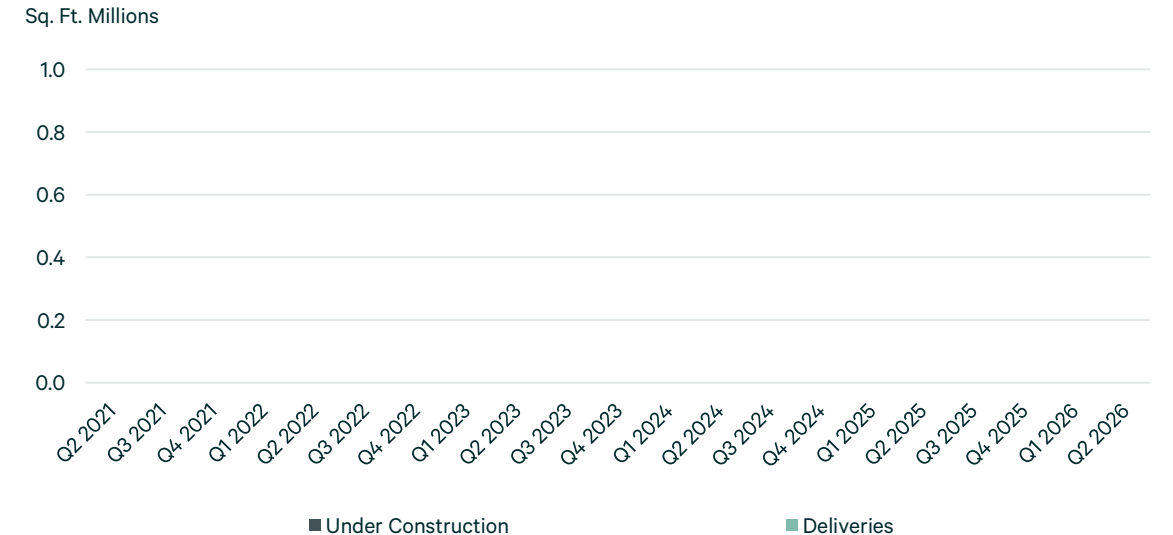
No current development activity.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



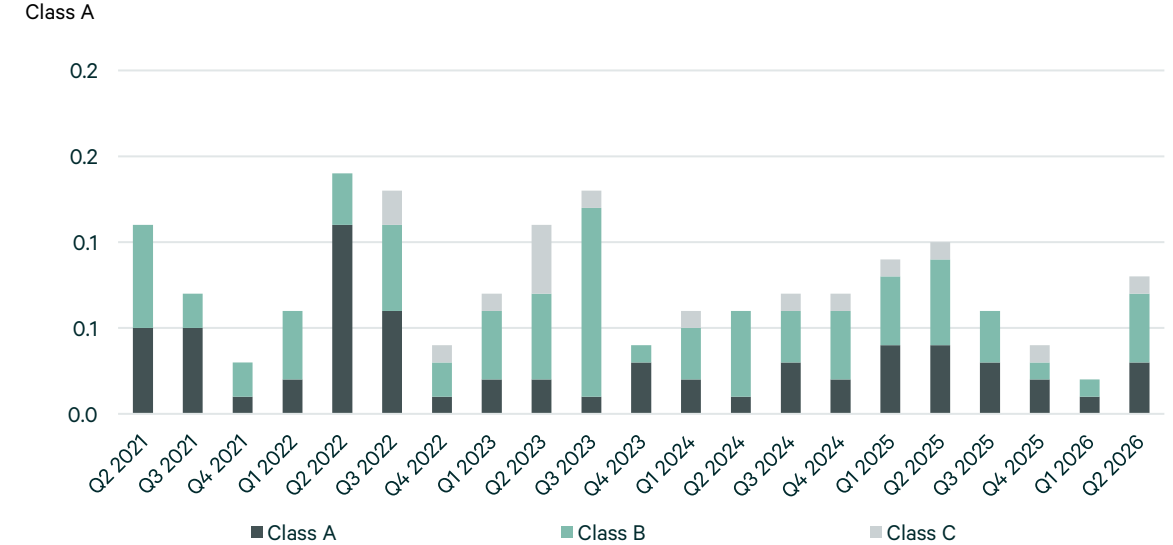
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity totaled 71,000 sq. ft. in Q2 2026, up from 28,000 sq. ft. in Q1 2026 but down from 96,000 sq. ft. in Q2 2025. This equates to a 153.6% increase quarter-over-quarter and a 26.0% decline year-over-year, leaving volumes below the recent high of 130,000 sq. ft. recorded in Q2 2022. Class B space accounted for 44,000 sq. ft. (62.0% of total) versus 27,000 sq. ft. (38.0%) in Class A, underscoring that recent leasing has been more heavily weighted toward Class B product.

Northwest Stockton and Modesto posted the highest leasing levels in Q2 2026, with 24,000 sq. ft. and 22,000 sq. ft. transacted, respectively, across both Class A and Class B space. Positive but smaller totals were recorded in North Central Stockton at 12,000 sq. ft., Downtown Stockton at 8,000 sq. ft., and Tracy at 5,000 sq. ft., with the first two comprised entirely of Class B deals and Tracy split between 2,000 sq. ft. of Class A and 3,000 sq. ft. of Class B leasing.

Figure 6: Leasing Activity Trend



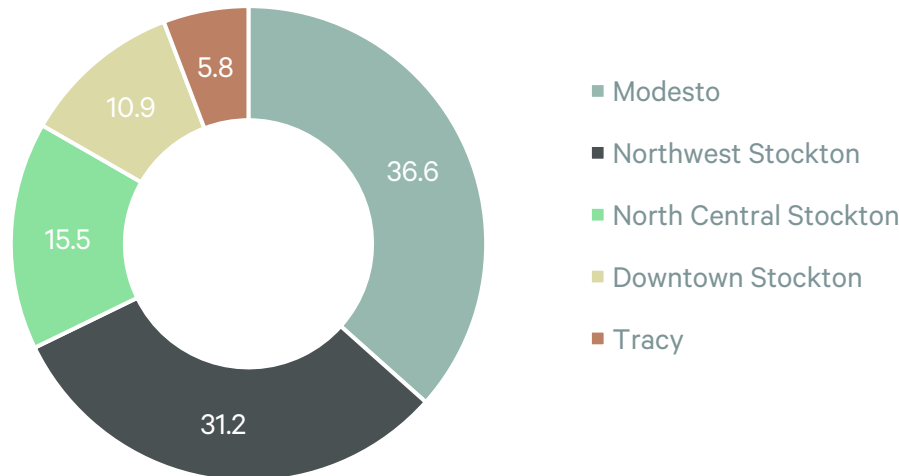
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Hill Physicians Medical Group	16,000	New Lease	3255 W March Ln	Northwest Stockton
Retina Sacramento MSO, LLC, a Delaware limited liability	9,000	Renewal	4712 Stoddard Rd	Modesto
Confidential Tenant	7,000	New Lease	445 W Weber Ave	Downtown Stockton
Confidential Tenant	5,000	New Lease	4216 Kiernan Ave	Modesto
Confidential Tenant	5,000	New Lease	4216 Kiernan Ave	Modesto
Chicago Title Co.	4,000	Renewal	3203 W March Ln	Northwest Stockton
Confidential Tenant	4,000	New Lease	1012 11th St	Modesto
Confidential Tenant	3,000	New Lease	2291 W March Ln	North Central Stockton

Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown Stockton	2.14M	6.8	8.8	8.8	-	1.47	1.80	(27,000)	(28,000)	-	-
Lodi	0.61M	3.3	3.3	3.3	-	1.75	1.75	-	4,000	-	-
Manteca/Lathrop	0.35M	3.6	3.6	3.6	-	-	-	3,000	3,000	-	-
Modesto	3.43M	5.3	7.0	7.0	-	1.71	2.03	(6,000)	(15,000)	-	-
North Central Stockton	1.55M	6.6	7.4	7.4	-	1.65	-	(2,000)	7,000	-	-
Northwest Stockton	1.09M	5.9	7.6	7.1	0.5	1.91	2.30	(2,000)	(3,000)	-	-
Tracy	0.37M	3.2	3.2	3.2	-	2.29	2.48	1,000	(2,000)	-	-
Total	9.55M	5.6	7.0	7.0	0.1	1.66	1.96	(32,000)	(34,000)	-	-

Source: CBRE Research, Q2 2026

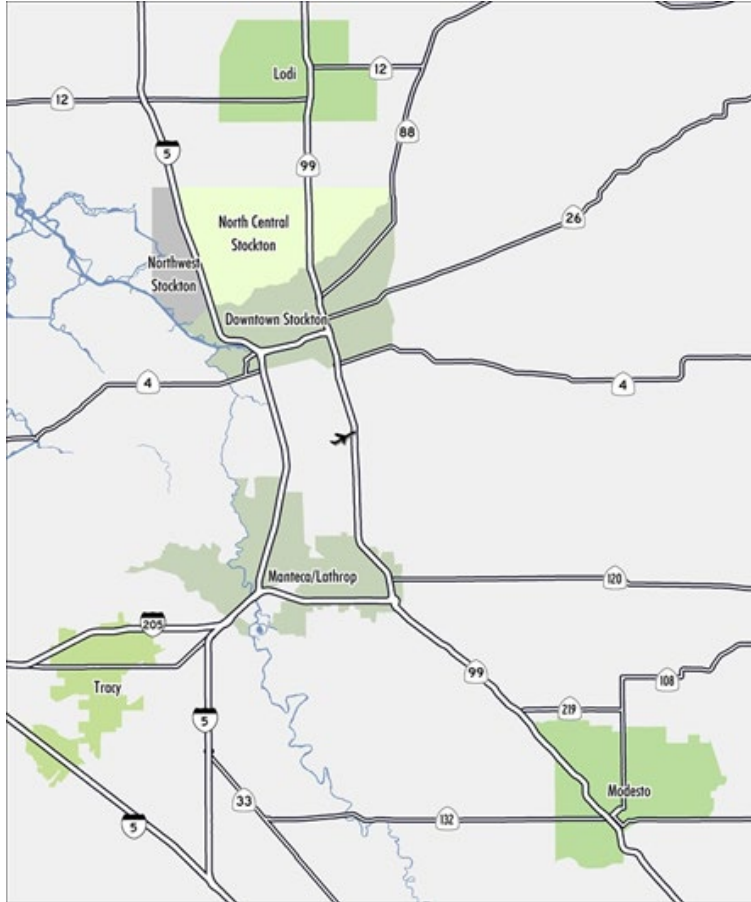
Market Statistics by Class

Figure 10: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	2.20M	4.4	5.0	5.0	-	1.96	(6,000)	(8,000)	-	-
Class B	4.58M	5.3	6.5	6.4	0.1	1.66	6,000	(3,000)	-	-
Class C	2.77M	7.2	9.5	9.5	-	1.49	(32,000)	(23,000)	-	-
Total	9.55M	5.6	7.0	7.0	0.1	1.66	(32,000)	(34,000)	-	-

Source: CBRE Research, Q2 2026

Market Area Overview



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Annual Lease Rates, Full-Service Gross. 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 office buildings that total 10,000+ sq. ft. in the Stockton and Modesto area, excluding 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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