# Demand Rebounds as Vacancy Trends Downwards

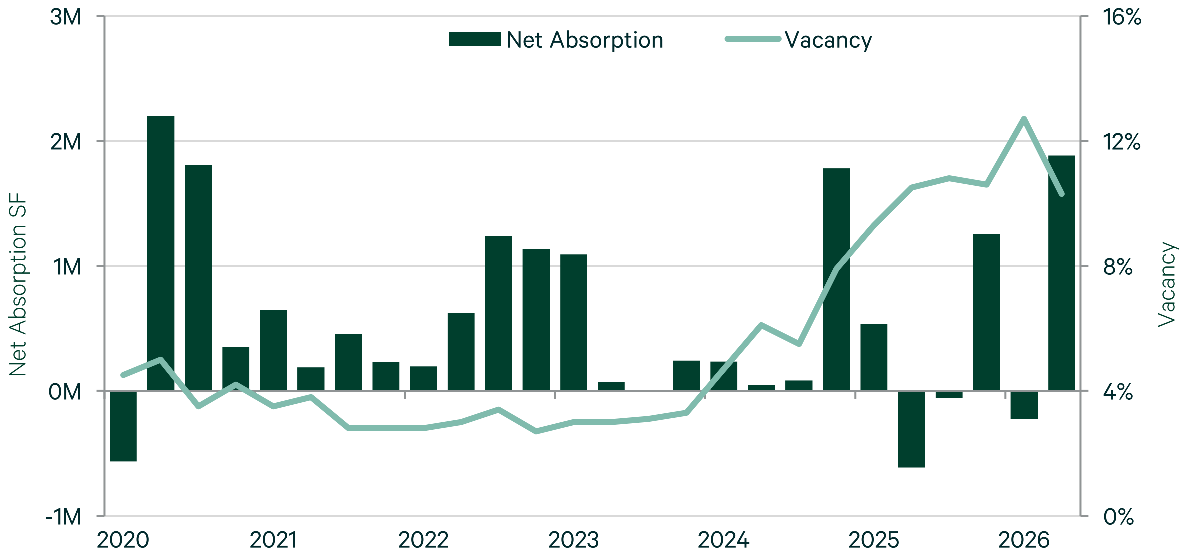
| | | | |
|---|---|---|---|
| ▼ 10.3% | ▲ 1.9M | ▼ 510K | ▼ $0.68 |
| Vacancy Rate | SF Net Absorption | SF Under Construction | NNN / Lease Rate Existing Properties |

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- The South Central Valley industrial market closed Q2 2026 with positive net absorption of 1,883,388 sq. ft., a significant increase from the previous quarter with negative 224,274 sq. ft.
- Average asking rates decreased by $0.06 to $0.68 per sq. ft. on a monthly triple-net (NNN) basis from Q1 2026, driven by landlords adjusting rates on select large-block spaces to secure deals and drive leasing activity.
- No new capital markets deals this quarter, second straight quarter without activity.
- Two large lease transactions drove absorption this quarter, with a 1.2M sq. ft. lease in Visalia and a 507,038 sq. ft. lease in Merced.
- Food & Beverage and Logistics tenants continue to represent the largest share of requirements in the South Central Valley, accounting for 40% of total tenants in the market.

FIGURE 1: Vacancy & Net Absorption Trend




Source: CBRE Research, Q2 2026

## INDUSTRIAL OVERVIEW

The South Central Valley industrial market closed Q2 2026 with a market base inventory of 113.5 million sq. ft. A 700,000 sq. ft. build-to-suit project in Wheeler Ridge, Tejon was delivered this quarter. A speculative project in Tejon totaling 510,385 sq. ft. started construction this quarter and is expected to deliver in Q1 2027.

Vacancy and availability dropped quarter-over-quarter as strong leasing activity outpaced new space added to the market. Vacancy decreased from 12.7% to 10.3%, while availability decreased from 12.9% to 11.3%. Although there was increased leasing activity and positive net absorption, average asking rates decreased by $0.06 in Q2 2026 to $0.68 NNN, as several large spaces were listed at lower rates to attract tenants.

Industrial tenant demand was spotty in the South Central Valley in Q2 2026. The market recorded its first positive net absorption quarter of the year, greatly driven by two large big box deals carrying the numbers. There is optimism that tenant demand will pick up in the latter half of the year as strong quarterly results were posted in neighboring Northern Central Valley and Southern California markets.

Looking ahead, the South Central Valley industrial market is expected to remain stable to improving through the remainder of 2026, supported by sustained tenant demand and continued interest from distribution/logistics and food manufacturing users. With no new development anticipated, available large-format space should continue to be absorbed at a healthy pace.

FIGURE 2: Submarket Statistics

| Market | Net Rentable Area | Total Vacancy (%) | Total Availability (%) | Q2 Net Absorption | 2026 Net Absorption | Average Lease Rate NNN |
|---|---|---|---|---|---|---|
| Merced | 4,200,567 | 9.4% | 9.4% | (325,621) | (268,621) | $0.48 |
| Madera | 3,514,093 | 2.2% | 2.2% | 68,000 | 58,250 | $0.85 |
| Fresno | 39,257,340 | 4.9% | 5.4% | (308,795) | (356,209) | $0.71 |
| Visalia | 25,628,755 | 13.2% | 14.1% | 1,088,141 | 969,936 | $0.80 |
| Hanford | 3,765,119 | 1.0% | 4.5% | (138,282) | (138,282) | $0.40 |
| Bakersfield | 37,099,148 | 11.3% | 13.1% | 1,499,945 | 1,394,040 | $0.60 |
| **Market Totals** | **113,465,022** | **10.3%** | **11.3%** | **1,883,388** | **1,659,114** | **$0.68** |

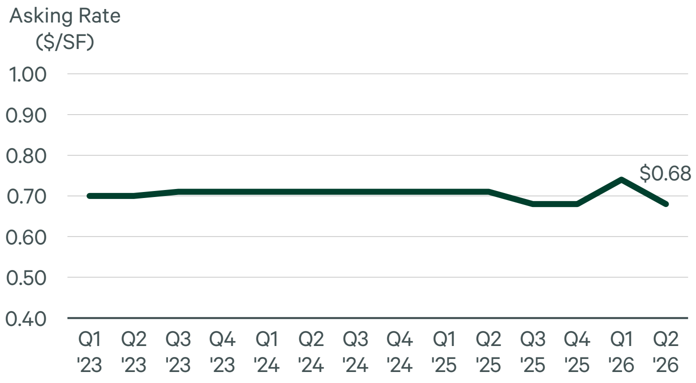
Source: CBRE Research, Q2 2026

FIGURE 3: Notable Lease Transactions

| Tenant | Size SF | Address |
| --- | --- | --- |
| Amazon | 1,270,750 | 4001 North Plaza Dr, Visalia |
| Paradise Tomato Kitchens | 507,038 | 2201 Cooper Ave, Merced |
| Initiative Foods | 60,600 | 4485 S Minnewawa Ave, Fresno |

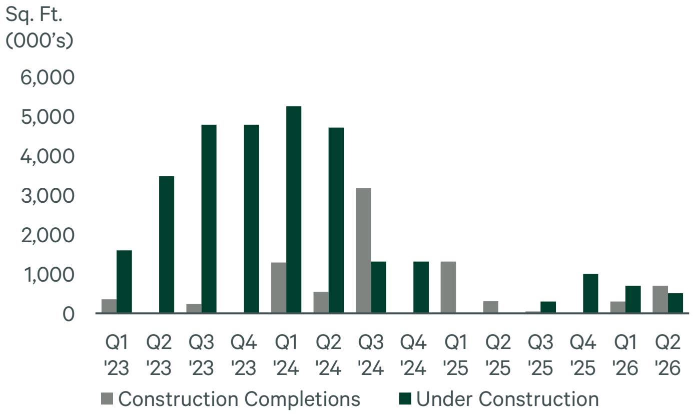
Source: CBRE Research, Q2 2026

FIGURE 5: Lease Rates




Source: CBRE Research, Q2 2026

FIGURE 7: Construction Activity



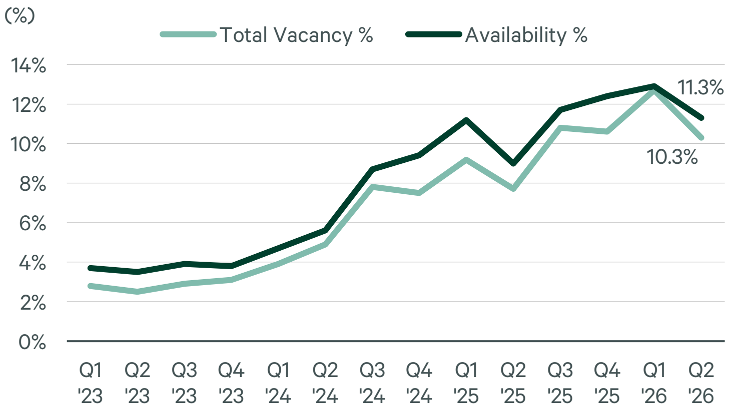

Source: CBRE Research, Q2 2026

FIGURE 4: Notable Sale Transactions

| Buyer | Size SF | Address |
| --- | --- | --- |

Source: CBRE Research, Q1 2026

FIGURE 6: Vacancy & Availability



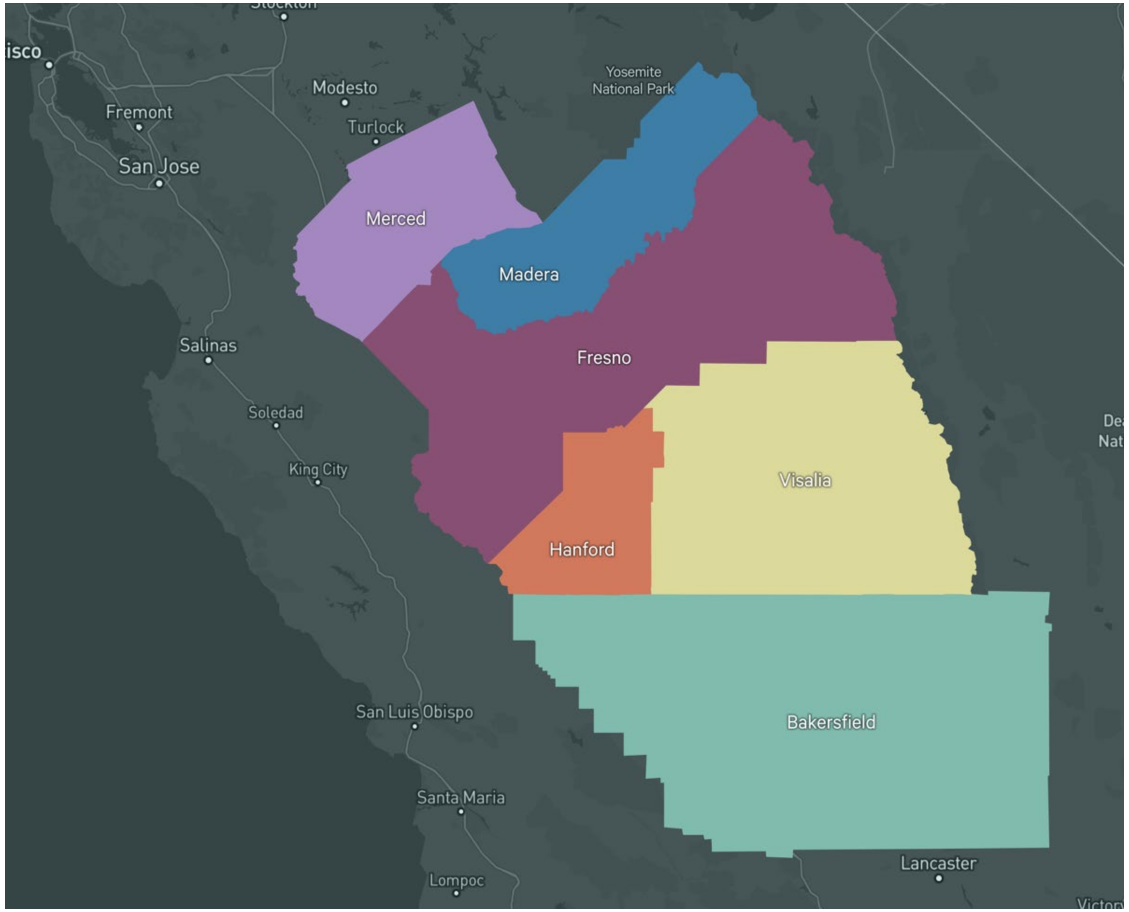

Source: CBRE Research, Q2 2026

FIGURE 8: Projects Under Construction

| Address | Size SF | Developer | Delivery Date |
| --- | --- | --- | --- |
| Tejon Ranch, Tejon | 510,385 | Dedeaux | Q1 2027 |

Source: CBRE Research, Q2 2026

## Submarket Map




Source: CBRE Research, Location Intelligence

## 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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