Vacancy Trends Upward With Modest Demand

▲ 12.7%
Vacancy Rate

▼ (224K)
SF Net Absorption

▼ 700K SF
SF Under Construction

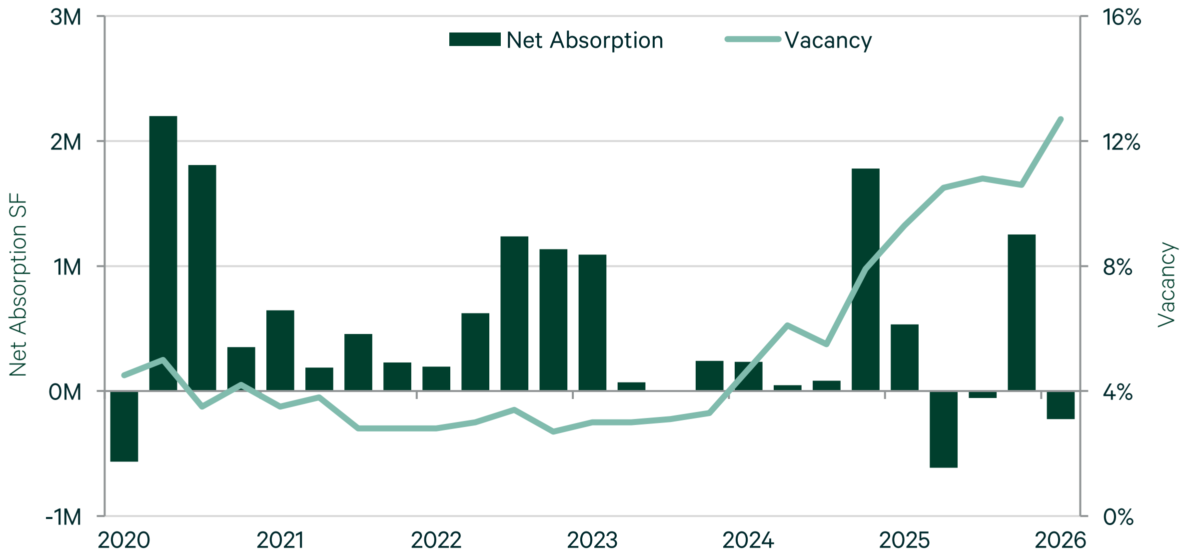
▲ $0.74
NNN / Lease Rate
Existing Properties

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- The South Central Valley industrial market closed Q1 2026 with negative net absorption of 224,000 sq. ft., a notable decrease from the previous quarter with positive 1.3 million sq. ft. in Q4 2025.
- Average asking rates increased by $0.06 to $0.74 per sq. ft. on a monthly triple-net (NNN) basis from Q4 2025, driven by stronger tenant demand toward the end of the quarter.
- Capital markets activity remained quiet in Q1 2026, with no new transactions.
- Significant amount of mid to large size space between 50,000 to 300,000 sq. ft. came back onto the market in Q1 2026, attributing to the negative net absorption.
- Despite the negative net absorption, tenant requirements were active in Q1 2026 driven by several large eCommerce and 3PL companies circling the market.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2026

INDUSTRIAL OVERVIEW

The South Central Valley industrial market closed Q1 2026 with a market base inventory of 111.6 million sq. ft. There were two speculative construction completions totaling 300,000 sq. ft., at 2152 Coffee Rd in Bakersfield for 209,000 sq. ft. and 91,000 sq. ft. respectively. A 700,000-sq.-ft. build-to-suit project in Wheeler Ridge, Tejon Ranch remains under construction and is expected to deliver in Q2 2026.

Vacancy and availability rose quarter-over-quarter as numerous tenants vacated space upon lease expirations. Vacancy increased from 10.6% to 12.7%, while availability rose from 12.4% to 12.9%. Despite additional supply returning to the market, average asking lease rates increased by $0.06 in Q1 2026 to $0.74 NNN, supported by strong inbound tenant activity and the quality of space listed back onto the market.

Industrial tenant demand slowed across the South Central Valley in Q1 2026, with negative net absorption recorded in most submarkets. This marked a shift from Q4 2025, when all submarkets posted positive net absorption. After Q4 2025 ended with its strongest quarterly performance on record, the market experienced a pullback accompanied by upward pressure on lease rates.

There were no notable sales reported in Q1 2026, underscoring the continued slowdown in capital markets. Soft market conditions may transition to signs of optimism for the latter half of 2026 with increased tenant demand towards the end of the quarter. Rising activity across the Greater Central Valley, Southern California, and surrounding markets may drive additional demand into the South Central Valley throughout 2026.

FIGURE 2: Submarket Statistics

Market	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q1 Net Absorption	2026 Net Absorption	Average Lease Rate NNN
Merced	4,233,144	2.3%	3.7%	57,000	57,000	$0.55
Madera	3,459,276	4.5%	3.9%	(9,750)	(9,750)	$0.85
Fresno	39,191,279	5.1%	5.7%	(47,414)	(47,414)	$0.89
Visalia	24,438,648	20.3%	19.6%	(118,205)	(118,205)	$0.81
Hanford	3,765,119	1.0%	4.5%	0	0	$0.40
Bakersfield	36,474,122	14.2%	14.1%	(105,905)	(105,905)	$0.57
Market Totals	**111,561,588**	**12.7%**	**12.9%**	**(224,274)**	**(224,274)**	**$0.74**

Source: CBRE Research, Q1 2026

FIGURE 3: Notable Lease Transactions

Tenant	Size SF	Address
Olde Thompson	350,000	3800 Fanucchi Way, Shafter
Packaging Corp	207,000	13281-13277 S. Golden Blvd, Kingsburg
Olde Thompson	190,083	4770 Fanucchi Way, Shafter

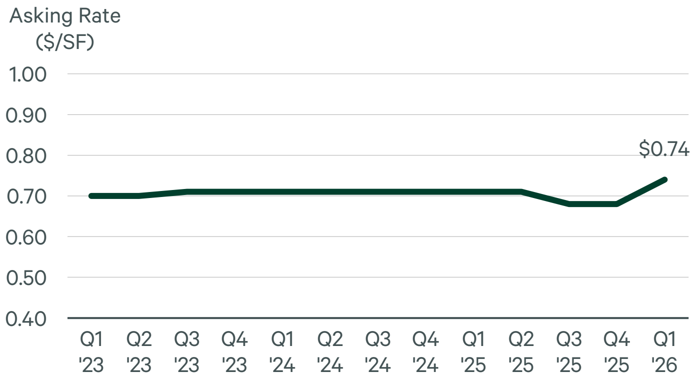
Source: CBRE Research, Q1 2026

FIGURE 4: Notable Sale Transactions

Buyer	Size SF	Address

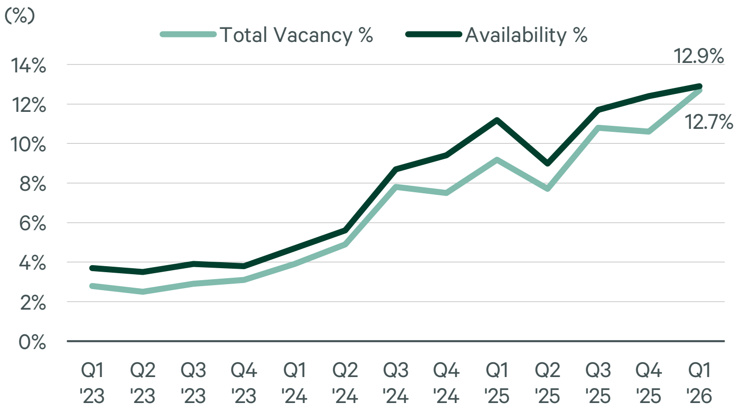
Source: CBRE Research, Q1 2026

FIGURE 5: Lease Rates



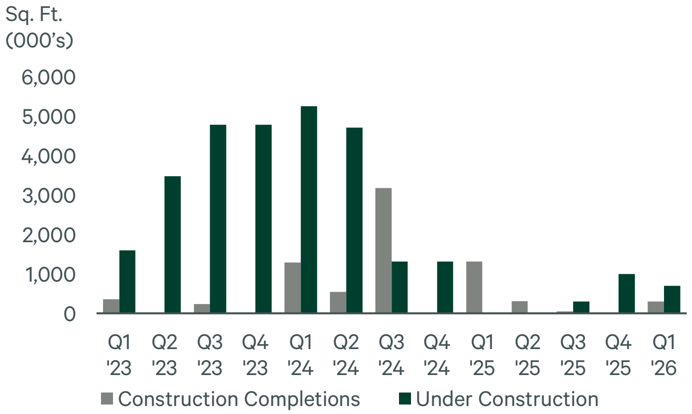
Source: CBRE Research, Q1 2026

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q1 2026

FIGURE 7: Construction Activity



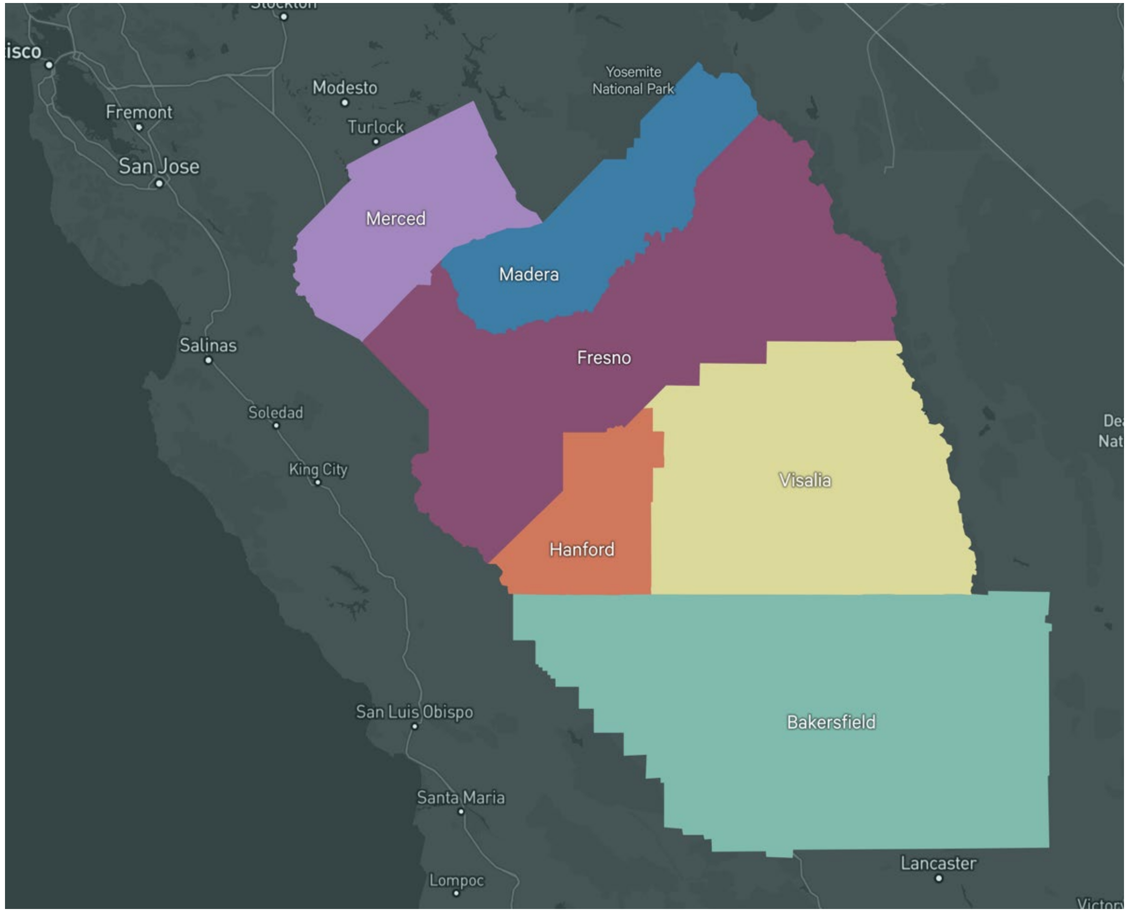
Source: CBRE Research, Q1 2026

FIGURE 8: Projects Under Construction

Address	Size SF	Developer	Delivery Date
Wheeler Ridge, Tejon	700,000	Tejon Ranch Co.	Q2 2026

Source: CBRE Research, Q1 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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