

FIGURES | CENTRAL VALLEY, CA OFFICE | Q3 2026

Rents Rise on Tight Supply as Owner-Users Lead Sales

▼6.7%

Availability Rate

▼5.3%

Vacancy Rate

▲36K

SF Net Absorption

▲\$1.70

FSG/MTH Direct Lease Rate

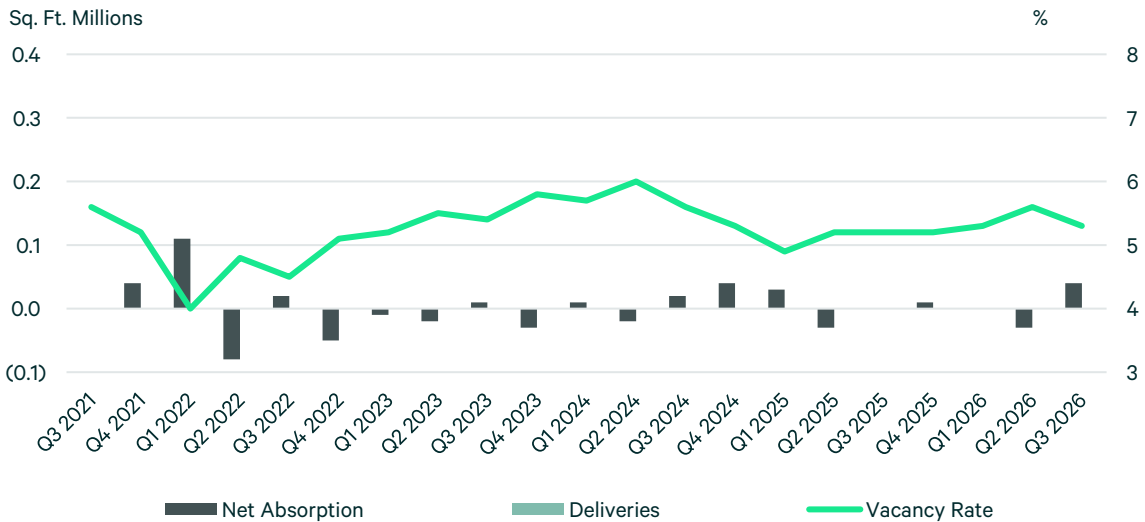
Note: Arrows indicate change from previous quarter.

Market Overview

The Central Valley office market closed Q3 2026 with a base inventory of 9.55 million sq. ft. and improving fundamentals. Vacancy fell 40 bps quarter-over-quarter to 5.3%, availability edged down to 6.7%, and the average direct asking rate rose \$0.04 to \$1.70 FSG. Net absorption totaled a positive 36,000 sq. ft., reversing a loss of 32,000 sq. ft. in Q2 and bringing year-to-date absorption back into positive territory at about 1,000 sq. ft.

Tenant demand remains healthy, with general office, light medical, and professional services users competing for limited quality Class A and B space. Owners are pushing rents with success in those classes. No new space delivered this quarter, and no projects are under construction, as construction costs continue to outpace achievable rents. Investment sales were driven by owner-users, as higher interest rates kept most investors on the sidelines.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy

In Q3 2026, the market vacancy rate moved lower, reversing an increase from earlier in the year. Overall vacancy fell 40 bps quarter-over-quarter, from 5.7% in Q2 2026 to 5.3% in Q3 2026. Compared with Q3 2025, vacancy was 10 bps higher, up slightly from 5.2%. Vacancy remains near historic lows for the market.

Availability followed a similar pattern, declining 30 bps quarter-over-quarter from 7.0% to 6.7%. Compared with Q3 2025, availability was 30 bps higher, up from 6.4%. The quarterly declines were driven by 36,000 sq. ft. of positive net absorption and no new deliveries.

Supply of quality space remains limited, particularly in Class A and B buildings, where more tenants are competing for fewer available options. With no new office product delivering this quarter and no projects under construction, existing inventory continues to absorb tenant demand, keeping vacancy low across the market.

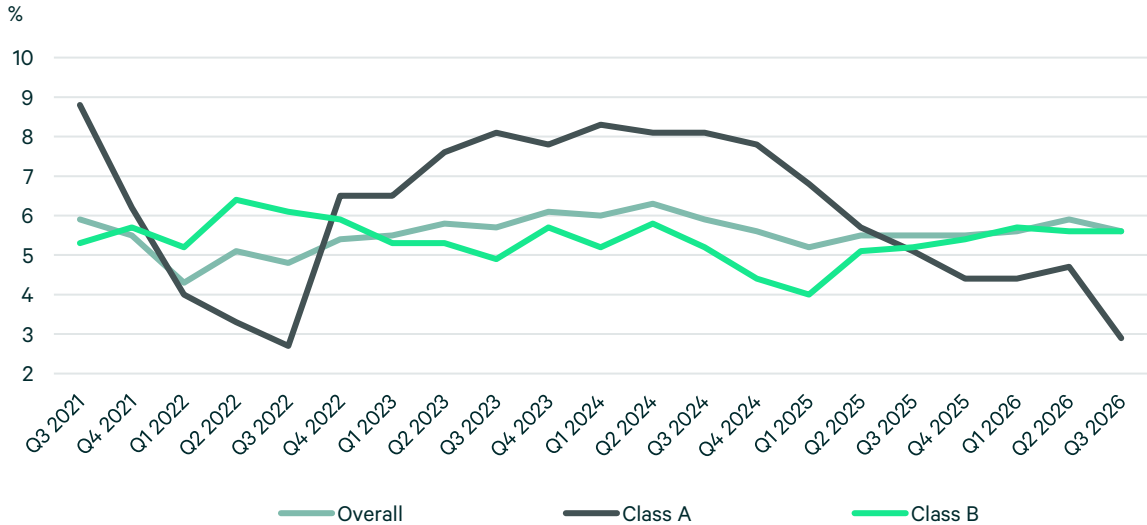
Asking Rent

The average direct asking rate rose \$0.04 quarter-over-quarter, from \$1.66 FSG in Q2 2026 to \$1.70 FSG in Q3 2026, an increase of about 2.4%. Compared with Q3 2025, the rate was \$0.07 higher, up from \$1.63 FSG, an increase of about 4.3%.

Asking rates have risen steadily over the past year, from \$1.63 FSG in Q3 2025 to \$1.66 FSG in Q2 2026 and \$1.70 FSG this quarter. Rent growth has continued even as vacancy rose slightly year-over-year.

Owners of Class A and B space are pushing rents and having success, supported by limited quality supply and more tenants competing for space in those classes. Tenant improvement costs also continue to rise.

Figure 2: Vacancy Rates by Class



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Figure 3: Average Direct Asking Rate by Class



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Net Absorption

Net absorption totaled a positive 36,000 sq. ft. in Q3 2026, a turnaround from negative 32,000 sq. ft. in Q2 2026 and negative 10,600 sq. ft. in Q3 2025. The gain marked the market's first positive quarter of 2026 and brought year-to-date net absorption to about 1,000 sq. ft.

Gains came from new leases across a mix of general office, light medical, and professional services users. The largest was DaVita Renal Treatment Centers' 14,500 sq. ft. new lease on Reynolds Ranch Parkway in Lodi, followed by a confidential tenant's 10,600 sq. ft. new lease on Stoddard Road in Modesto. Smaller new leases by a confidential tenant (6,100 sq. ft.) in Modesto and New York Life (5,600 sq. ft.) in Stockton also contributed.

Demand remains steady, with no shortage of tenants in the market. Medical users continue to be an important source of activity, with DaVita's lease as the largest of the quarter.

Construction Activity

No new construction delivered in Q3 2026, and no projects are currently under construction. Market base inventory held at 9.55 million sq. ft.

New development has been discussed, but developers have shown little interest given the risk. Construction costs continue to outpace the rents tenants are willing to pay, even though land is available to build on.

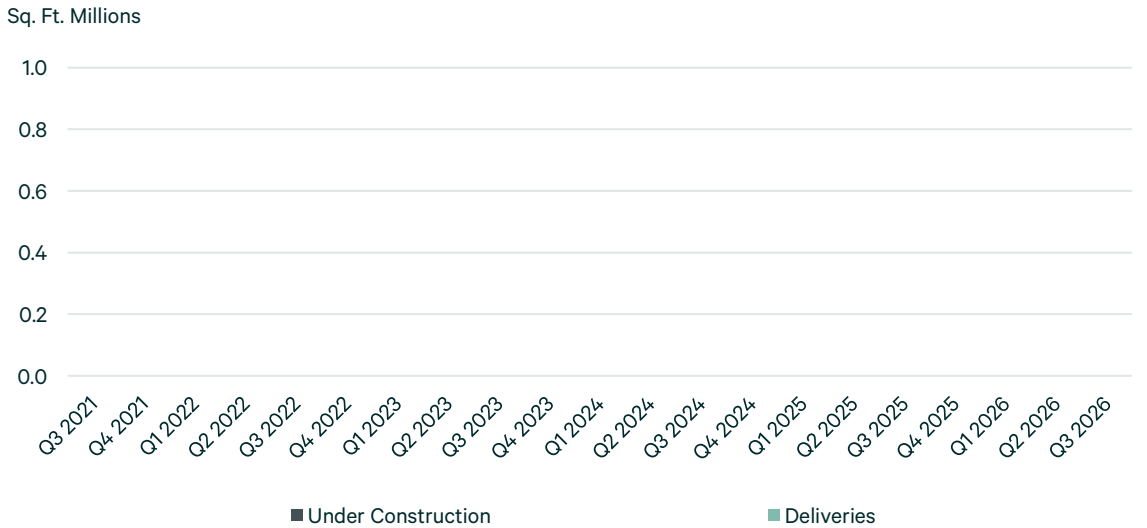
That gap has narrowed. As rents continue to rise in Class A and B space, the market is closer than ever to supporting new development on a limited basis. For now, new supply remains limited, and tenants continue to compete for existing space.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



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Investment Sale Activity

Investment sales activity in Q3 2026 was led by owner-users, who accounted for all of the quarter's top sales. The largest was Central State Credit Union's \$28.1 million purchase of 10100 Trinity Parkway in Stockton, a 142,100 sq. ft. building (about \$198 per sq. ft.). Harmony Communities acquired 3121 West March Lane in Stockton for \$9.6 million, totaling 47,100 sq. ft. (about \$203 per sq. ft.). Four Oaks Commercial purchased 3485 Brookside Road in Stockton for \$4.9 million, totaling 17,300 sq. ft. (about \$281 per sq. ft.).

Together, the three sales totaled about \$42.6 million across roughly 206,000 sq. ft., all in Stockton. Owner-users remain highly active, while investor activity has been limited.

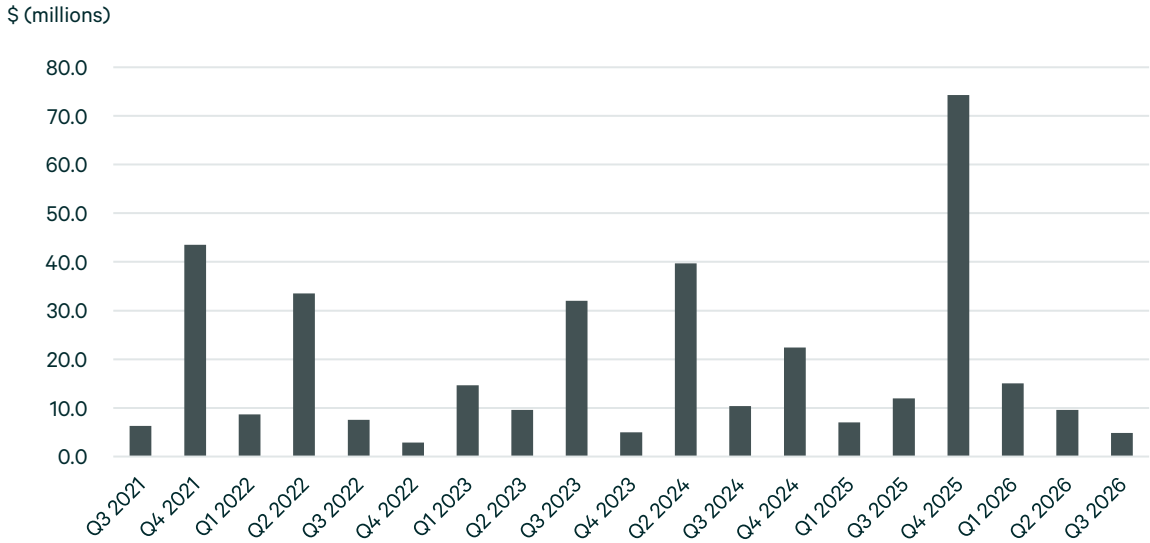
Interest rates remain the biggest challenge for the investment market. Most owners are not sellers in the current environment, and investors are looking for stronger yields than the market is offering. Single-tenant buildings with long-term leases remain attractive to buyers, while multi-tenant properties across Class A through C have drawn little interest.

Figure 7: Key Sales

Property	Submarket	Buyer	Sales Price	Size (SF)	Price Per SF
10100 Trinity Parkway	Stockton	Central State Credit Union	\$28.1M	142,100	\$197.80
3121 W March Ln	Stockton	Harmony Communities	\$9.6M	47,100	\$203.49
3485 Brookside Rd	Stockton	Four Oaks Commercial	\$4.9M	17,300	\$281.16

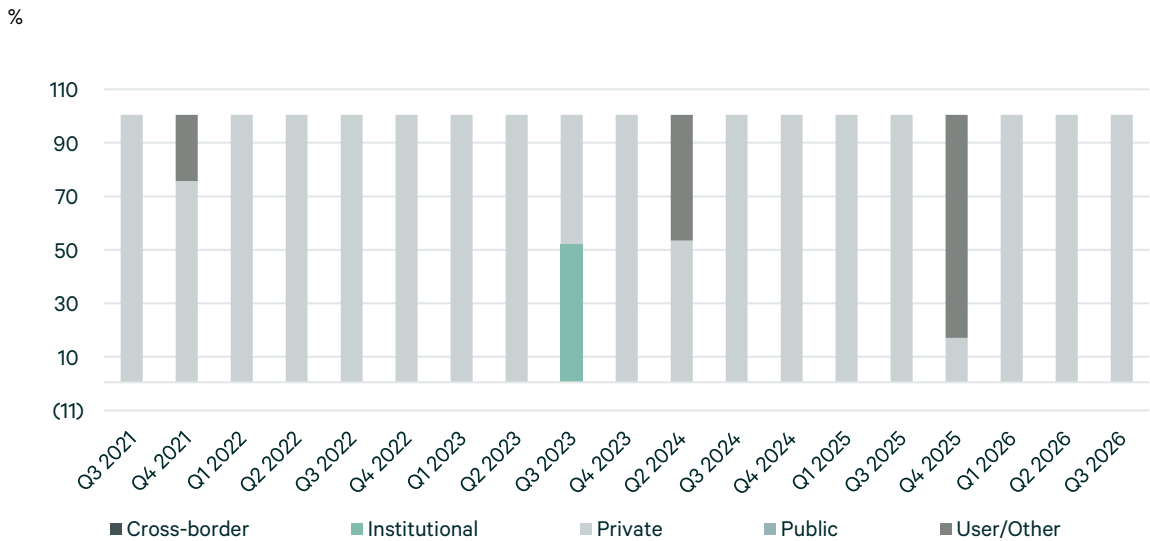
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Figure 6: Quarterly Sales Volume



MSCI Real Capital Analytics

Figure 8: Buyer Composition



MSCI Real Capital Analytics

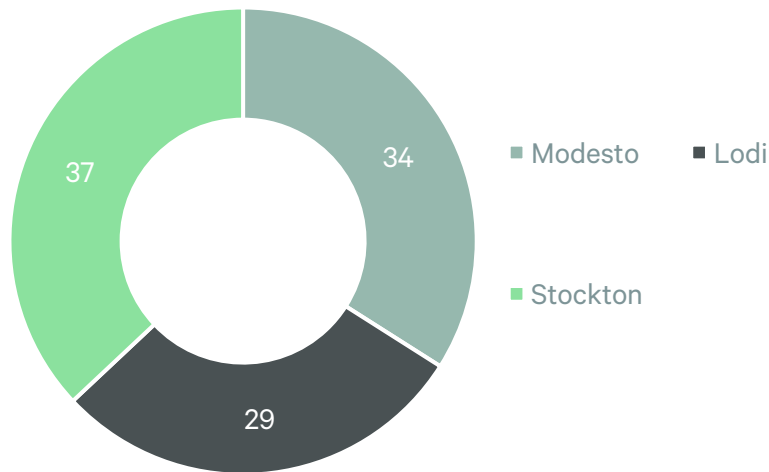
Leasing Activity

Leasing activity in Q3 2026 was driven by small to mid-sized transactions, with six notable deals totaling about 49,700 sq. ft. The largest was DaVita Renal Treatment Centers' 14,500 sq. ft. new lease at the 3000 block of Reynolds Ranch Parkway in Lodi, followed by a confidential tenant's 10,600 sq. ft. new lease at 4712 Stoddard Road in Modesto.

Financial services firms were active in Stockton along West March Lane and Brookside Road. Merrill Lynch renewed 7,400 sq. ft. at 3255 West March Lane, New York Life signed a 5,600 sq. ft. new lease at 3247 West March Lane, and Morgan Stanley renewed 5,500 sq. ft. at 3421 Brookside Road. In Modesto, a confidential tenant signed a 6,100 sq. ft. new lease at 1540 Florida Avenue.

Four of the six notable deals were new leases, totaling about 36,800 sq. ft., and the two renewals accounted for about 12,900 sq. ft. Activity was spread across Stockton, Modesto, and Lodi and spanned medical, financial services, and general office users, reflecting the broad mix of requirements in the market. Tenants continue to compete for limited quality space, particularly in Class A and B buildings.

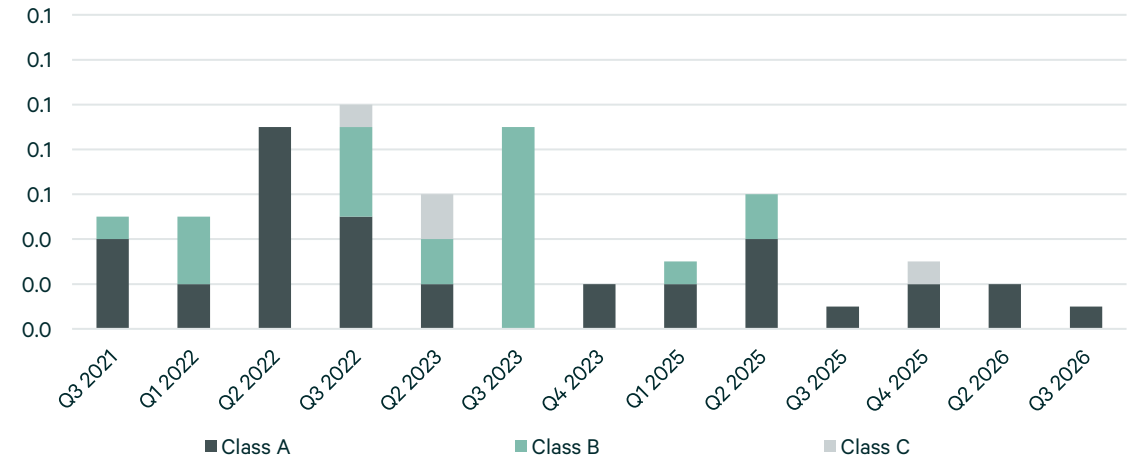
Figure 10: Leasing by Submarket (% of Total Activity)



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Figure 9: Leasing Activity Trend

Sq. Ft. (millions)



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Figure 11: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
DaVita, Renal Treatment Centers CA	14,500	New Lease	3000 block of Reynolds Ranch Pkwy	Lodi
Confidential Tenant	10,600	New Lease	4712 Stoddard Rd	Modesto
Merrill Lynch	7,400	Renewal	3255 W March Ln	Stockton
Confidential Tenant	6,100	New Lease	1540 Florida Ave	Modesto
New York Life	5,600	New Lease	3247 W March Ln	Stockton
Morgan Stanley	5,500	Renewal	3421 Brookside Rd	Stockton

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 14: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	2.20M	2.6	4.1	4.1	-	1.99	39,000	31,000	-	-
Class B	4.58M	5.3	6.6	6.5	0.1	1.69	(1,000)	(5,000)	-	-
Class C	2.77M	7.3	9.0	9.0	-	1.60	(2,000)	(25,000)	-	-
Total	9.55M	5.3	6.7	6.6	0.1	1.70	36,000	1,000	-	-

Source: CBRE Research, Q3 2026

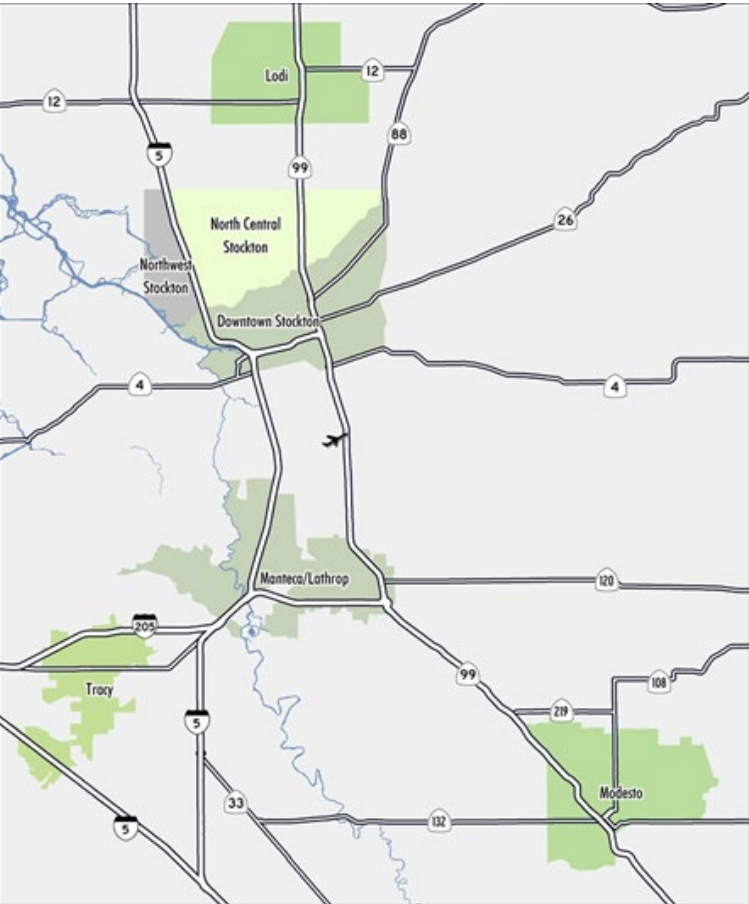
Market Statistics by Submarket

Figure 15

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown Stockton	1.95M	5.9	8.1	8.1	-	1.39	-	25,000	(6,000)	-	-
Lodi	614,000	3.3	4.0	4.0	-	1.73	1.73	-	4,000	-	-
Manteca/Lathrop	352,000	3.6	3.6	3.6	-	-	-	-	3,000	-	-
Modesto	3.43M	5.1	6.6	6.6	-	1.73	2.04	8,000	(7,000)	-	-
North Central Stockton	1.74M	5.9	7.6	7.6	-	1.78	2.25	5,000	15,000	-	-
Northwest Stockton	1.09M	6.2	6.7	6.2	0.5	1.88	2.30	(3,000)	(6,000)	-	-
Tracy	365,000	3.1	3.5	3.5	-	2.39	-	-	(2,000)	-	-
Total	9.55M	5.3	6.7	6.6	0.1	1.70	1.99	36,000	1,000	-	-

Source: CBRE Research, Q3 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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