

FIGURES | CENTRAL VALLEY, CA INDUSTRIAL | Q1 2026

# Industrial Demand Strengthens Alongside Increased Development

▼ 8.8%

Vacancy Rate

▲ 1.7M

SF Net Absorption

▲ 1.5M

SF Construction Delivered

▲ 5.3M

SF Under Construction

▼ \$0.73

NNN/MTH Direct Lease Rate

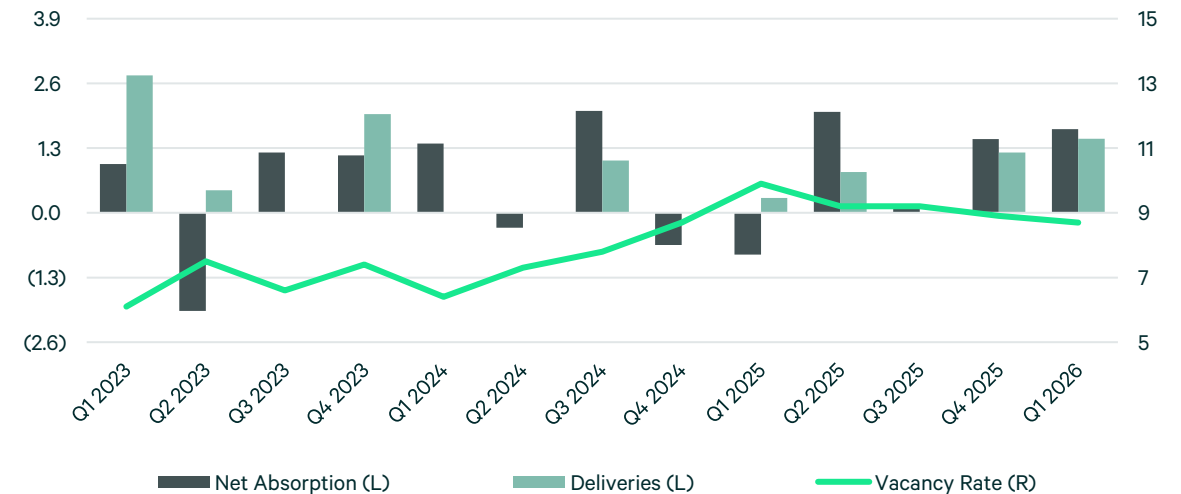
Note: Arrows indicate change from previous quarter.

## Market Overview

In Q1 2026, key demand and occupancy metrics shifted compared with recent quarters. Net absorption totaled 1.7 million sq. ft., up 54.5% from Q4 2025 and a 2.5 million sq. ft. increase from the negative 840,000 sq. ft. posted in Q1 2025. Vacancy measured 8.7%, 20 basis points (bps) lower than the prior quarter and 120 bps lower year-over-year. Availability was 10.6%, 10 bps above Q4 2025 but 80 basis points below Q1 2025.

Average asking rent in Q1 2026 was \$0.73 per sq. ft. on a monthly, triple-net (NNN) basis, 2.8% below Q4 2025 and 3.0% below a year earlier. The construction pipeline stood at 5.3 million sq. ft., with 1.2 million sq. ft. speculative and 4.1 million sq. ft. build-to-suit. This amounted to a 37.2% increase quarter-over-quarter and 36.7% higher than in Q1 2025. Quarterly deliveries reached 1.5 million sq. ft., 24.1% higher than Q4 2025 and 406.8% higher than the 295,000 sq. ft. delivered in Q1 2025.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy  
Sq. Ft. (millions) %



Source: CBRE Research, Q1 2026

## Availability Rate

The market availability rate finished Q1 2026 at 10.6%, a slight increase from 10.5% in Q4 2025. Availability decreased year-over-year, moving down from 11.4% in Q1 2025, but remains above the 8.3% level recorded in Q1 2023. Overall, the market has added 2.3 percentage points of availability over the last three years.

Lodi recorded the lowest availability among active submarkets at 4.9% in Q1 2026, followed by Manteca at 6.5%. Tracy posted the highest availability rate at 13.4%.

Sublease availability declined slightly in Q1 2026, with a rate of 2.5% compared to 2.7% in Q4 2025. In total, there was 3.5 million sq. ft. of sublease space on the market in Q1 2026.

## Asking Rent

Average asking rent across the market was \$0.73 NNN in Q1 2026. This represented a 2.7% decline quarter-over-quarter from \$0.75 NNN in Q4 2025 and a 2.7% decrease year-over-year from Q1 2025.

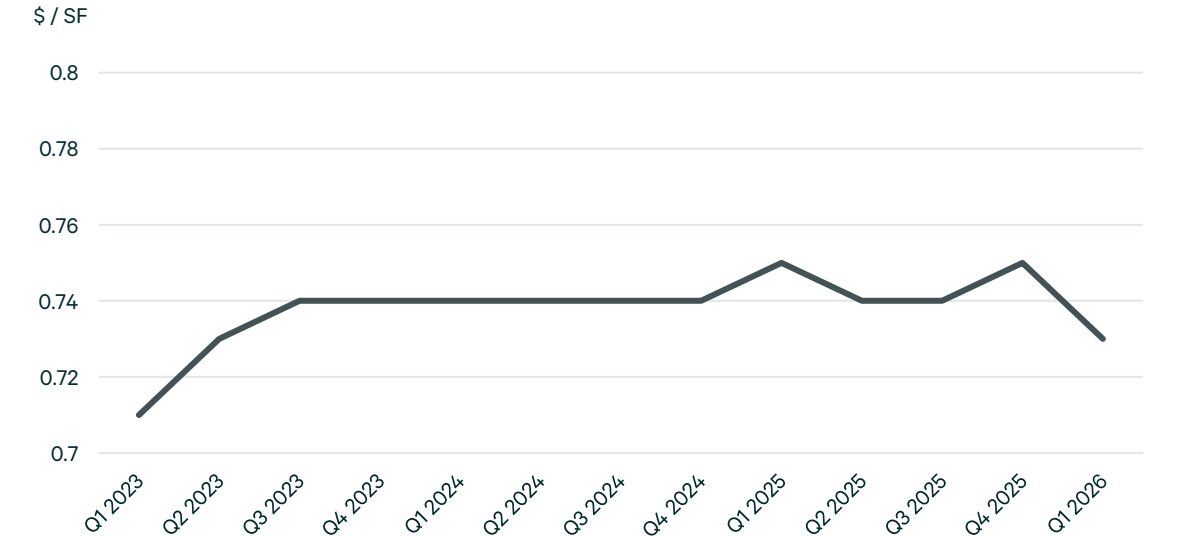
Rental rate strength was most notable in the core submarkets of Tracy, Lathrop, Manteca, and Stockton, where elevated leasing activity, particularly within the 100,000 to 1.0 million sq. ft. range for Class A and B buildings supported stronger pricing. Specifically, Stockton and Tracy continued to post the highest average direct asking rate at \$0.76 and \$0.75 NNN. However, overall, the Central Valley industrial market has seen rents decline slightly since Q4 of 2025, even though leasing activity has strengthened.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

## Net Absorption

Market-wide net absorption was positive 1.7 million sq. ft. in Q1 2026, exceeding the negative 840,000 sq. ft. total recorded in Q1 2025 and rising 13.2% from Q4 2025. This sustained improvement follows several quarters of choppy demand, including periods of negative absorption in 2024 and early 2025.

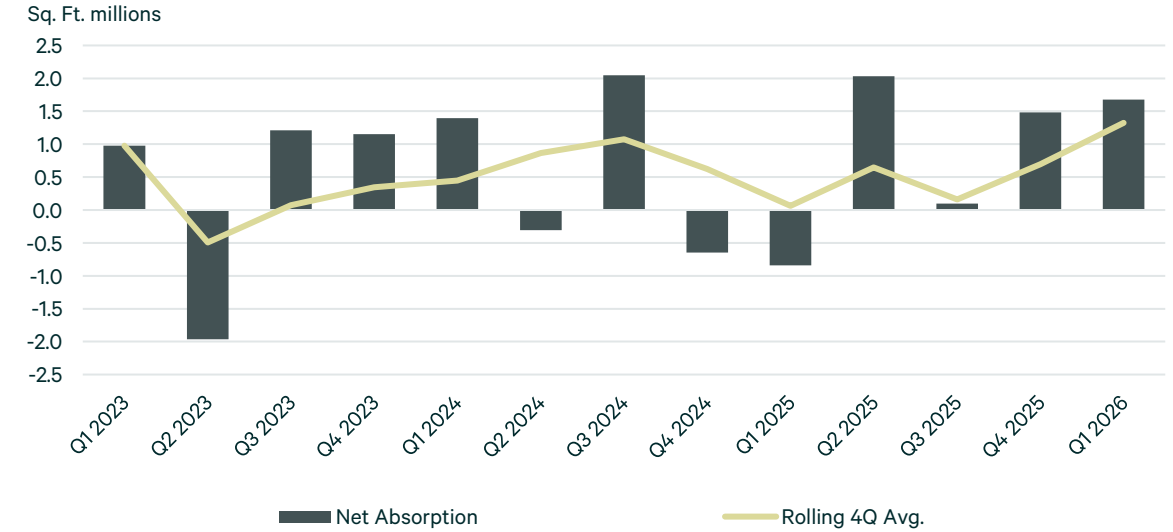
Positive net absorption for Q1 2026 was concentrated primarily in the Tracy submarket with 1.9 million sq. ft. for the quarter, and the Stockton submarket with 451,048 sq. ft. Three submarkets recorded negative net absorption, Ceres with negative 221,506 sq. ft., Lathrop with negative 186,716 sq. ft., and Lodi with negative 77,760 sq. ft.

## Construction Activity

In Q1 2026, the market recorded 1.5 million sq. ft. of construction deliveries, consisting of two build-to-suit projects in Tracy, including a delivery for Georgia-Pacific at 1.3 million sq. ft. and a 175,906 sq. ft. Sprouts facility, while 5.3 million sq. ft. remained under construction. The under-construction pipeline increased 37.2% quarter-over-quarter (QoQ) and 36.7% year-over-year (YoY), and deliveries rose 24.1% QoQ and 406.8% YoY, indicating a significant expansion in both active development and completed projects.

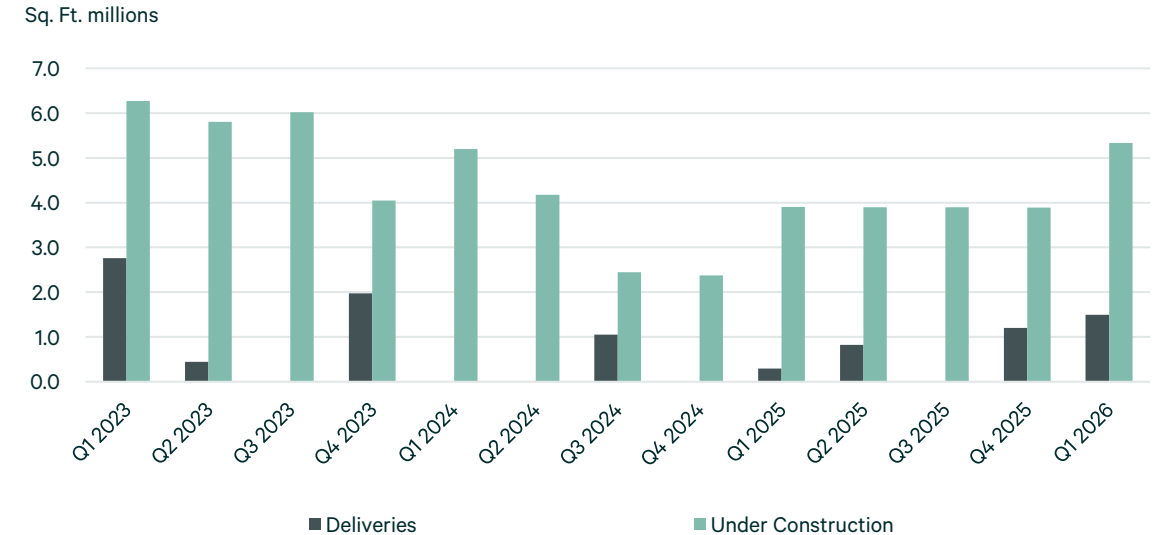
Under construction activity is heavily concentrated in Tracy and Lathrop, led by Tracy's fully pre-leased 1.7 million sq. ft. Pepsi facility (delivery expected in Q1 2027) and Lathrop's 1.2 million sq. ft. TriPoint Logistics Center Bldg 2. Stockton also posts positive construction activity, anchored by the 655,200 sq. ft. Home Depot project delivering in Q3 2026, alongside two fully pre-leased Costco distribution buildings in Tracy totaling roughly 1.7 million sq. ft. with deliveries scheduled for Q4 2027.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

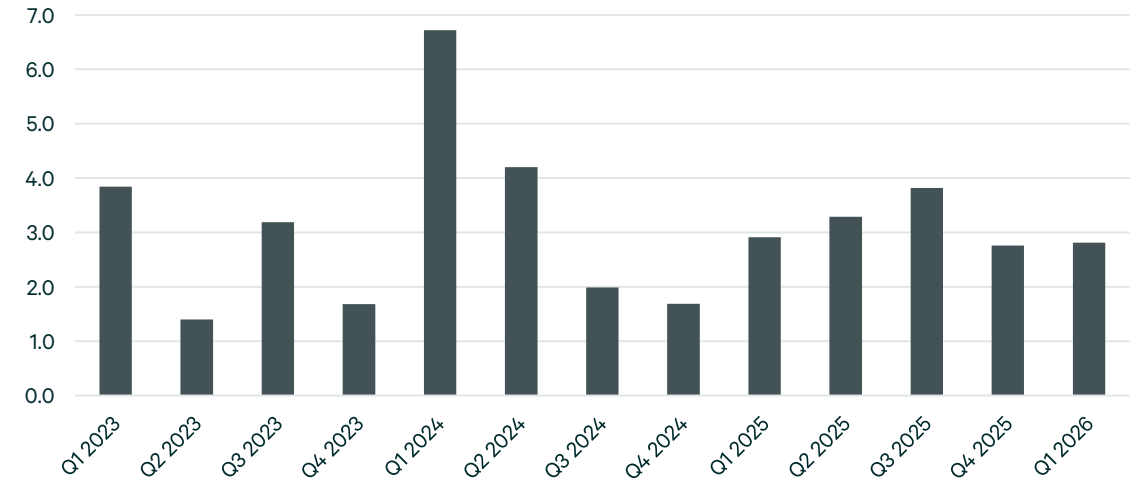
## Leasing Activity

At the close of Q1 2026, transaction volume was 2.8 million sq. ft., down 1.8% quarter-over-quarter and 4.1% year-over-year. Versus Q1 2023, activity is down 26.9% and remains below the early-2024 peak of 6.7 million sq. ft. Over the last 3 years, tenants have leased a cumulative 40.4 million sq. ft. across the market.

Among submarkets, Lathrop records the highest positive leasing activity at 917,000 sq. ft., followed closely by Stockton at 842,000 sq. ft., highlighting where demand is most concentrated. Tracy and Modesto also show positive volumes at 837,000 sq. ft. and 218,000 sq. ft., respectively, reflecting additional but comparatively lighter leasing across the remaining submarkets.

Figure 6: Leasing Activity Trend

Sq. Ft. millions



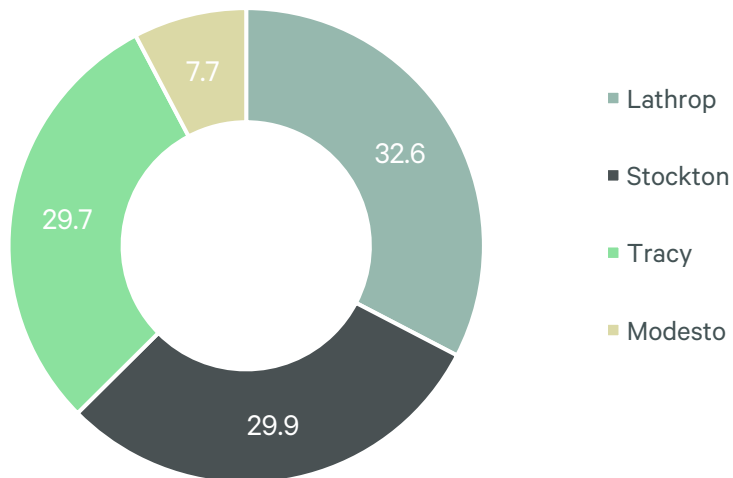
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
United Parcel Service, Inc. (UPS)	746,000	Renewal	11800 Harlan Rd	Lathrop
Niagara Water	506,000	New Lease	6401 S Austin Rd	Stockton
TD Synnex	372,000	New Lease	14900 W Schulte Rd	Tracy
Unknown	218,000	New Lease	3600 Leckron Rd	Modesto
Tesla Energy	211,000	New Lease	1150 E Arbor Ave	Tracy
Vanderbend Manufacturing in	187,000	New Lease	4733 Newcastle Rd	Stockton
Confidential Tenant	174,000	Renewal	2301 Chabot Ct	Tracy
Golden West Packaging	172,000	Renewal	17700-17740 Shideler Pkwy	Lathrop

Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

## Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Ceres	5.83	12.3	12.3	12.3	-	0.68	(0.22)	(0.22)	-	-
Lathrop	20.29	7.5	12.2	9.1	3.1	0.73	(0.19)	(0.19)	-	1.24
Lodi	5.52	2.8	4.9	4.9	-	0.70	(0.08)	(0.08)	-	-
Manteca	6.33	0.8	6.5	4.3	2.2	0.68	-	-	-	-
Modesto	13.04	6.2	8.3	6.2	2.1	0.61	(0.23)	(0.23)	-	-
Oakdale	0.89	-	-	-	-	-	-	-	-	-
Patterson	5.83	13.0	13.0	13.0	-	0.65	-	-	-	-
Stockton	47.45	9.9	10.0	8.4	1.6	0.76	0.45	0.45	-	0.66
Tracy	34.97	10.8	13.4	8.4	5.0	0.75	1.94	1.94	1.49	3.44
Turlock	2.88	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>143.03</b>	<b>8.7</b>	<b>10.6</b>	<b>8.1</b>	<b>2.5</b>	<b>0.73</b>	<b>1.68</b>	<b>1.68</b>	<b>1.49</b>	<b>5.33</b>

Source: CBRE Research, Q1 2026

## Market Statistics by Class

Figure 10

Property Class	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Class A	59.89	14.2	16.2	11.7	4.5	0.76	0.79	0.79	-	2.36
All Other Industrial	83.14	4.8	6.6	5.6	1.0	0.67	0.89	0.89	1.49	2.98
<b>Total</b>	<b>143.03</b>	<b>8.7</b>	<b>10.6</b>	<b>8.1</b>	<b>2.5</b>	<b>0.73</b>	<b>1.68</b>	<b>1.68</b>	<b>1.49</b>	<b>5.33</b>

Source: CBRE Research, Q1 2026

## Market Statistics by Product Type

Figure 11

Product Type	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Distribution/Logistics	133.87	9.2	11.0	8.4	2.7	0.73	1.70	1.70	1.49	5.33
Manufacturing - General	7.78	1.4	5.0	5.0	-	0.69	-	-	-	-
R&D/Flex	0.22	7.4	7.4	7.4	-	0.90	(0.02)	(0.02)	-	-
Other Industrial	1.17	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>143.03</b>	<b>8.7</b>	<b>10.6</b>	<b>8.1</b>	<b>2.5</b>	<b>0.73</b>	<b>1.68</b>	<b>1.68</b>	<b>1.49</b>	<b>5.33</b>

Source: CBRE Research, Q1 2026

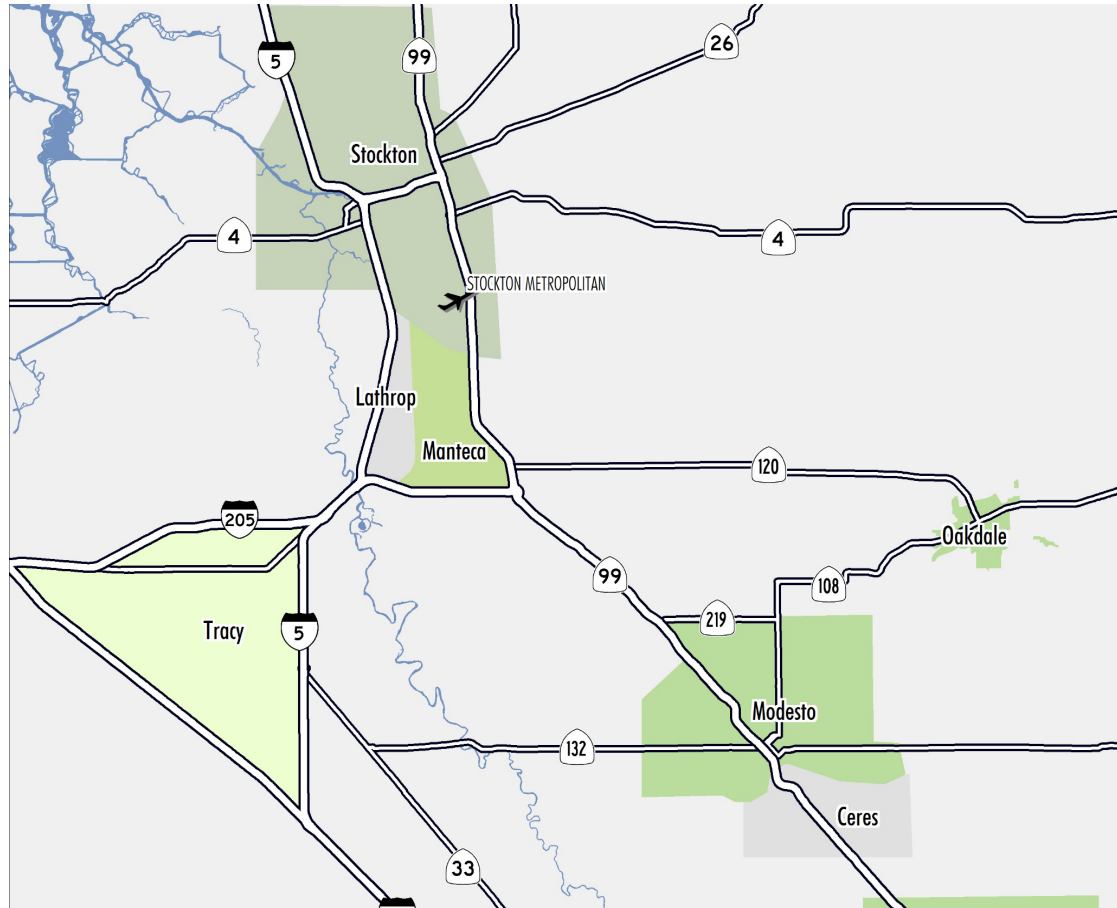
## Market Statistics by Size

Figure 12

Size Range	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Deliveries (MSF)	Under Construction (MSF)
Under 100,000 sq. ft.	7.39	10.4	10.4	10.4	-	0.78	(0.19)	(0.19)	-	-
100,000-199,999 sq. ft.	15.42	12.3	16.9	13.2	3.7	0.79	0.09	0.09	0.18	-
200,000-299,999 sq. ft.	16.04	11.0	14.2	13.3	0.9	0.72	0.27	0.27	-	-
300,000-499,999 sq. ft.	29.07	10.4	11.3	9.0	2.2	0.71	(0.53)	(0.53)	-	-
500,000-749,999 sq. ft.	30.90	8.3	9.8	5.6	4.1	0.70	0.51	0.51	-	1.20
750,000 sq. ft.	44.21	5.6	7.3	5.2	2.1	0.70	1.53	1.53	1.32	4.13
<b>Total</b>	<b>143.03</b>	<b>8.7</b>	<b>10.6</b>	<b>8.1</b>	<b>2.5</b>	<b>0.73</b>	<b>1.68</b>	<b>1.68</b>	<b>1.49</b>	<b>5.33</b>

Source: CBRE Research, Q1 2026

### Market Area Overview



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. Average lease-up time is calculated based on the total number of transactions.

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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