Stable Market Conditions With Balanced Net Absorption

▶ 5.6%
Vacancy Rate

▲ 2,338
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▶ $1.64
FSG/MTH Direct Lease Rate

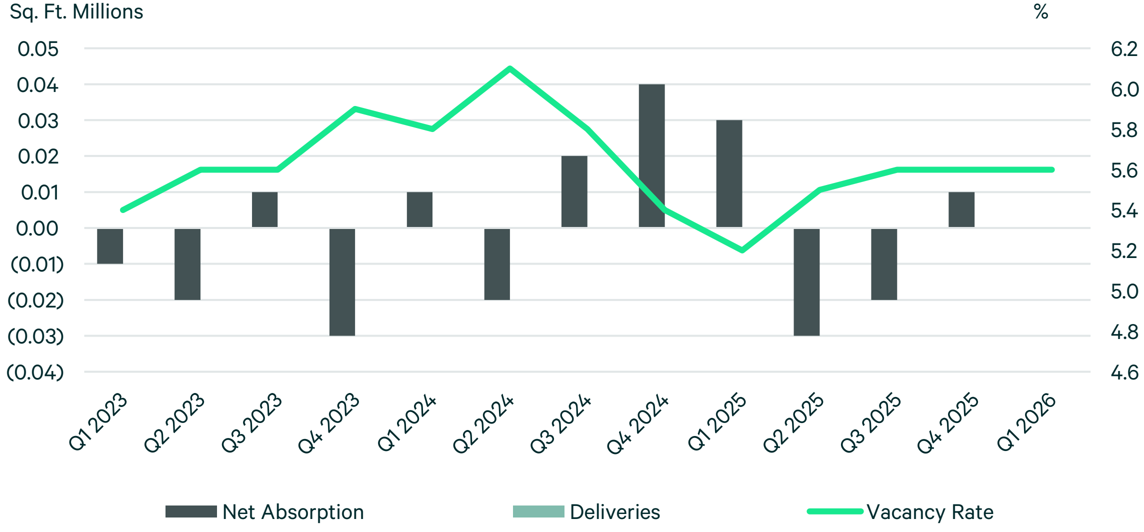
Note: Arrows indicate change from previous quarter.

Market Overview

By Q1 2026, the market showed slower demand with stabilizing vacancies and slightly higher availability. Quarterly net absorption measured 2,338 sq. ft., down 92.4% from Q1 2025. Vacancy remained unchanged quarter-over-quarter at 5.6% but increased 40 basis points (bps) year-over-year, while availability rose 50 bps from Q4 2025 and 100 bps from Q1 2025 to reach 7.3%. Average asking rents were flat quarter-over-quarter at $1.64 per sq. ft. on monthly full service gross basis (FSG), up 1.9% year-over-year from $1.61 FSG in Q1 2025.

Over the past three years, annual net absorption has trended upwards, moving from negative 81,495 sq. ft. in 2023 to positive 47,742 sq. ft. in 2024, and further increasing to positive 56,668 sq. ft. in 2025. Vacancy has declined from 6.2% in Q4 2023 to 5.6% in Q1 2026, marking its lowest level since Q4 2023, while availability has compressed from 7.4% to 6.7% over the same period. Average Direct lease rates on a monthly, full-service basis (FSG), remained within a narrow range of $1.58 to $1.70 per sq. ft.. These trends indicate strengthening demand, tightening market conditions, and overall stability in pricing fundamentals.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total vacancy in Class A buildings declined 20 bps quarter-over-quarter and 210 bps year-over-year to 4.4% in Q1 2026, with direct vacancy matching at 4.4% as sublease space has effectively cleared. Class B vacancy rose 30 bps QoQ and 170 bps YoY to 5.6%, while Class C vacancy edged down 10 bps QoQ but remained highest at 6.7%, 40 bps above a year earlier. A year ago, Class A vacancy exceeded Class B by 260 bps (6.5% vs. 3.9%); the spread has now flipped to 120 bps in favor of Class A (4.4% vs. 5.6%). Marketwide sublease vacancy is negligible, standing at 0.1% in Class B and 0.0% in both Class A and Class C.

The metro's two largest submarkets, Modesto and Downtown Stockton, post moderate overall vacancy at 5.2% and 5.6%, respectively, while North Central Stockton records the highest rate at 7.5%. At the low end, Tracy has the tightest conditions with 2.4% overall vacancy, followed by Lodi at 3.8%. Class A space is especially constrained in key locations, including North Central Stockton at 1.5% and Modesto at 3.0%, whereas Class C vacancy is materially higher, reaching 9.6% in North Central Stockton and 9.4% in Downtown Stockton. Sublease availability totals just 5,764 sq. ft. and is limited to Class B space in Northwest Stockton, contributing to that submarket's 7.9% Class B vacancy rate.

Asking Rent

The overall average direct asking lease rate in Q1 2026 is $1.64 FSG, unchanged from the prior quarter and up 1.9% year-over-year. Market pricing has been broadly stable over recent quarters, with modest annual appreciation at the aggregate level. Class A asking rents increased from $1.95 to $1.99 FSG quarter-over-quarter but are flat year-over-year, trailing the overall market's 1.9% annual gain, while Class B and Class C rates at $1.64 and $1.39 FSG, respectively, remain little changed over the past year.

In Q1 2026, Tracy posts the highest blended average direct asking rate in the market at $2.20 FSG, rising to $2.48 FSG when considering only Class A space. At the other end of the spectrum, Downtown Stockton offers the lowest blended rate at $1.45 FSG, with North Central Stockton close behind at $1.48 FSG Lodi and Modesto sit in the mid-range at $1.63 and $1.73 FSG, respectively, while Northwest Stockton trends toward the upper end with a blended $2.03 FSG.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q1 2026

Net Absorption

In Q1 2026, the Stockton office market posted 2,338 sq. ft. of positive net absorption, just above the negative 478 sq. ft. recorded in Q4 2025, however, well under the positive 30,941 sq. ft. achieved in Q1 2025. Class A net absorption remained positive for the eighth consecutive quarter at 2,779 sq. ft., while all other classes were flat after negative 5,964 sq. ft. in Q4 2025 and 4,169 sq. ft. of demand in Q1 2025. Across the period observed, Class A absorption shifted from early 2023 move-outs to a sustained, though moderating, expansion, contrasted with more volatile swings in all other classes.

Positive net absorption for Q1 2026 was concentrated primarily in the North Central Stockton submarket with 8,449 sq. ft. for the quarter, and the Class A Lodi submarket with 2,401 sq. ft. Lodi (All Other Classes), Class A Northwest Stockton, and Class A Tracy were the other submarkets recording positive net absorption with 1,000 sq. ft. each. Four submarkets recorded negative net absorption, Modesto (All Other Classes) with negative 6,643 sq. ft., Northwest Stockton (All Other Classes) with negative 2,592 sq. ft., Modesto (Class A) with negative 2,228 sq. ft., and Downtown Stockton with negative 1,129 sq. ft.

Figure 4: Net Absorption Trend

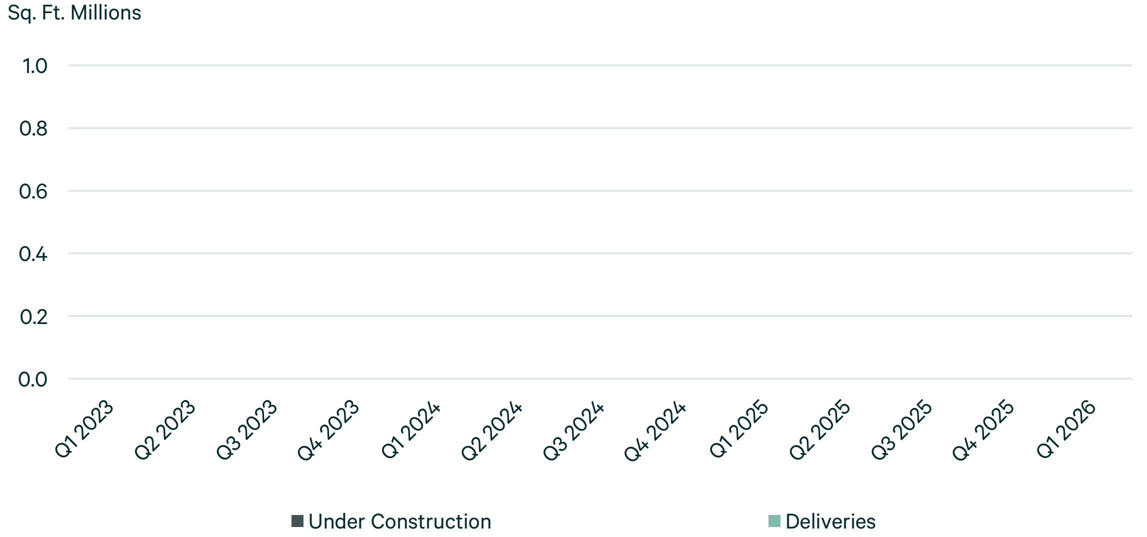
Source: CBRE Research, Q1 2026

Construction Activity

Construction activity remained fully paused in Q1 2026, with 0 sq. ft. under construction and no new space delivered across all office property classes. This reflects no change from both the prior quarter and the same quarter a year ago, when the market likewise recorded 0 sq. ft. underway and 0 sq. ft. delivered.

No submarkets reported any projects under construction in Q1 2026, leaving the market without active ground-up developments or sizable redevelopments. With no projects in the pipeline, there are no largest under-construction assets to highlight this quarter.

Figure 5: Construction Activity



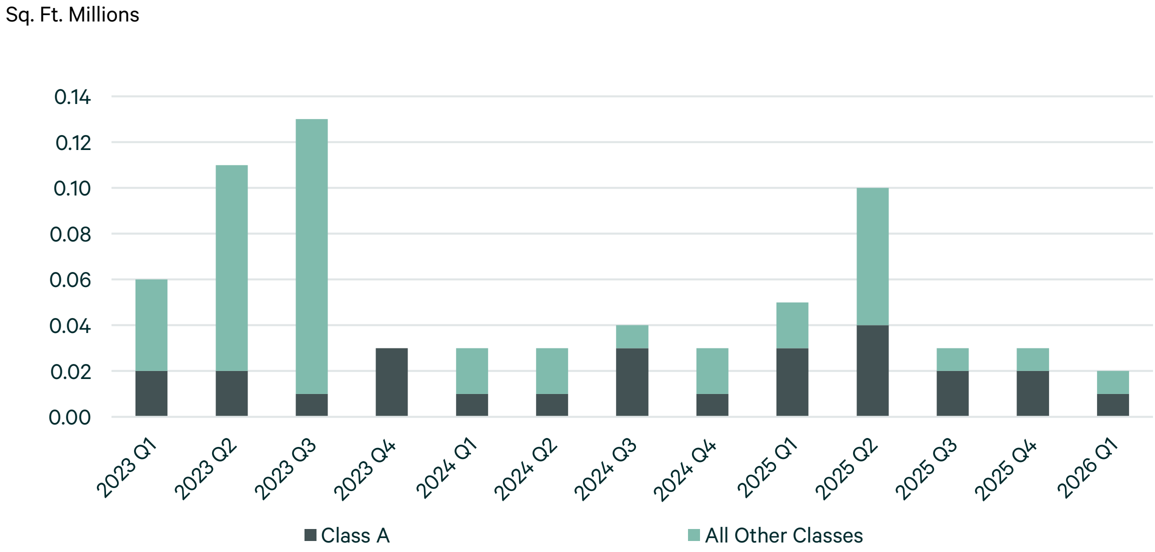
Source: CBRE Research, Q1 2026

Leasing Activity

Leasing activity totaled 37,122 sq. ft. in Q1 2026, bringing volume over the past four quarters to 175,000 sq. ft. Quarter-over-quarter, Q1 2026 leasing declined 12,436 sq. ft., or 25.1%, from 49,558 sq. ft. in Q4 2025, and was 54.8%, below the 82,171 sq. ft. recorded in Q1 2025.

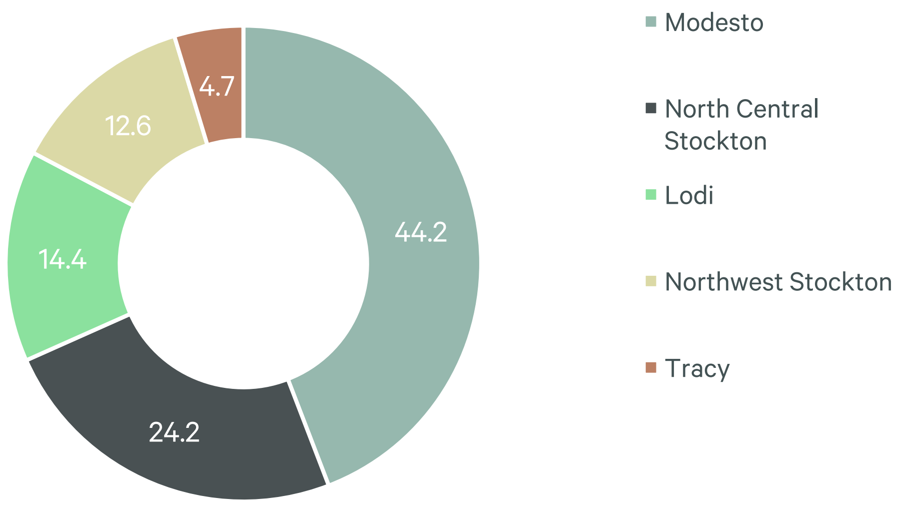
By submarket, Modesto and North Central Stockton were the most active in Q1 2026, with 16,142 sq. ft. and 6,285 sq. ft. of leasing, respectively. Lodi registered 3,735 sq. ft. of deals, Northwest Stockton 3,270 sq. ft., and Tracy 2,009 sq. ft., all contributing additional positive leasing activity this quarter.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Retina Sacramento MSO	8,000	Renewal	4712 Stoddard Rd	Modesto
Confidential Tenant	3,000	New Lease	2291 W March Ln	North Central Stockton
Quest Diagnostics	3,000	Renewal	1524 Mchenry Ave	Modesto
RE/MAX Gold	2,000	New Lease	1901 W Kettleman Ln	Lodi
ExamWorks	2,000	Renewal	3555 Deer Park Dr	Northwest Stockton
Regus Business Centres	2,000	New Lease	2453 Grand Canal Blvd	North Central Stockton
San Joaquin County Office of Education	1,000	New Lease	1540 W Kettleman Ln	Lodi
Mission Bank	1,000	New Lease	2800 W March Ln	Northwest Stockton

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacant Available (%)	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	2.20	4.4	5.3	5.3	-	1.99	3,000	3,000	-	-
Class B	4.58	5.6	7.4	7.2	0.1	1.64	(9,000)	(9,000)	-	-
Class C	2.77	6.7	8.8	8.8	-	1.39	9,000	9,000	-	-
Total	**9.55**	**5.6**	**7.3**	**7.2**	**0.1**	**1.64**	**2,000**	**2,000**	**-**	**-**

Source: CBRE Research, Q1 2026

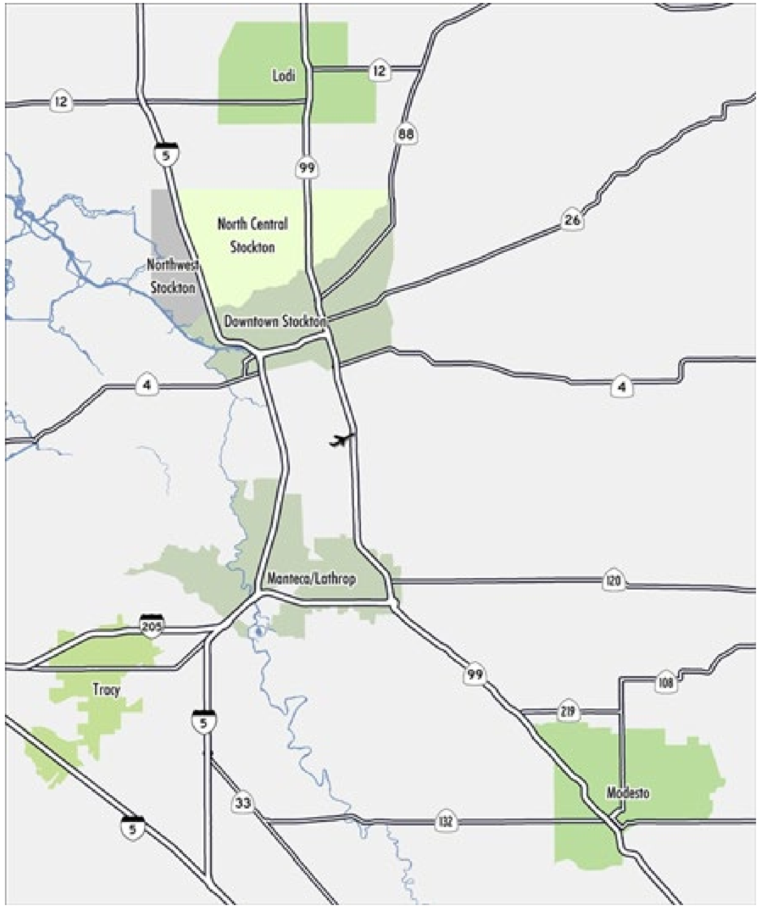
Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacant Available (%)	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)
Downtown Stockton	2.14	5.6	7.9	7.9	-	1.42	(1,000)	(1,000)	-	-
Lodi	0.61	3.7	3.7	3.7	-	1.71	4,000	4,000	-	-
Manteca/Lathrop	0.35	4.5	4.5	4.5	-	-	-	-	-	-
Modesto	3.43	5.2	7.6	7.6	-	1.66	(9,000)	(9,000)	-	-
North Central Stockton	1.55	7.7	8.8	8.8	-	1.62	8,000	8,000	-	-
Northwest Stockton	1.09	6.8	7.3	6.8	0.5	2.00	(1,000)	(1,000)	-	-
Tracy	0.36	2.4	2.4	2.4	-	2.29	1,000	1,000	-	-
Total	**9.55**	**5.6**	**7.3**	**7.2**	**0.1**	**1.64**	**2,000**	**2,000**	**-**	**-**

Source: CBRE Research, Q1 2026

Submarket Map



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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