

FIGURES | CENTRAL VALLEY, CA INDUSTRIAL | Q3 2026

Steady Demand Results in 4th Straight Quarter of Positive Absorption



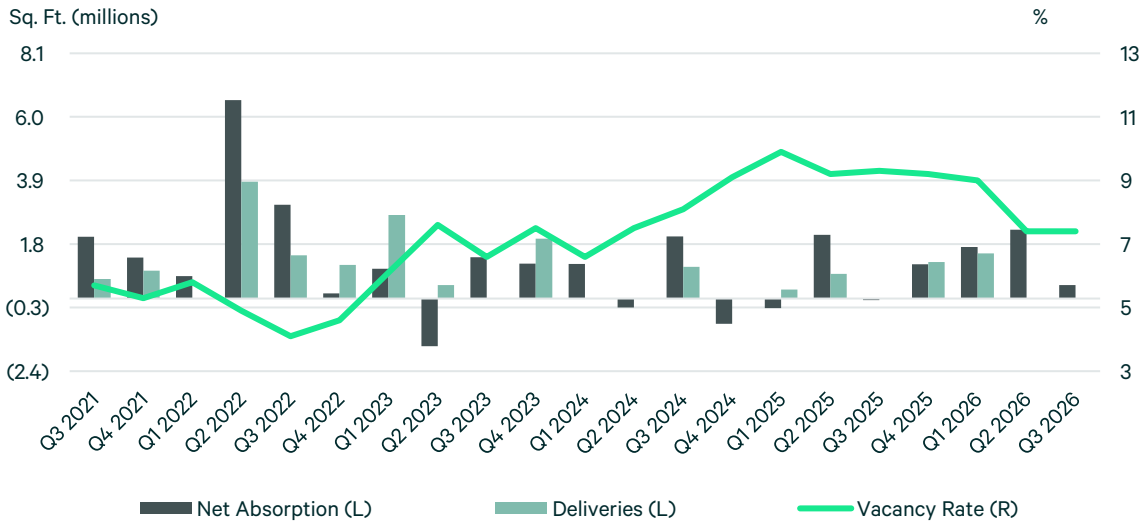
Note: Arrows indicate change from previous quarter.

Market Overview

The Central Valley industrial market closed Q3 2026 with a base inventory of 140.7 million sq. ft. and steady fundamentals. Vacancy held at 7.4%, 200 bps below a year ago, while availability edged down to 9.4% and the average direct asking rate rose \$0.01 to \$0.73 NNN. Net absorption was positive for the fourth consecutive quarter at 435,000 sq. ft., bringing year-to-date absorption to 4.12 million sq. ft.

Demand remained steady but slowed from Q2, as new leases were smaller in scale and the quarter's largest deal was a 405,000 sq. ft. renewal. No space delivered this quarter. Of the 7.2 million sq. ft. under construction, 4.1 million sq. ft. of build-to-suit space delivers in Q4 2026, and 3.1 million sq. ft. of speculative space follows in the first half of 2027. The market is expected to remain stable through year-end.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy Rate

In Q3 2026, the market vacancy rate held steady following a year of improvement. Overall vacancy was unchanged quarter-over-quarter at 7.4%, the second consecutive quarter at that level. Compared with Q3 2025, vacancy was 200 bps lower, down from 9.4%. The decline over the past year reflects consistent positive absorption, with 4.12 million sq. ft. absorbed year-to-date in 2026, alongside limited new supply.

Availability edged down 10 bps from 9.5% to 9.4%. The gap of about 200 bps between availability and vacancy reflects space that is being marketed but not yet vacant. The vacancy rate held steady rather than falling, as a 130,000 sq. ft. move-out in Manteca and five other vacancies across the valley outweighed a lack of new big-box leasing.

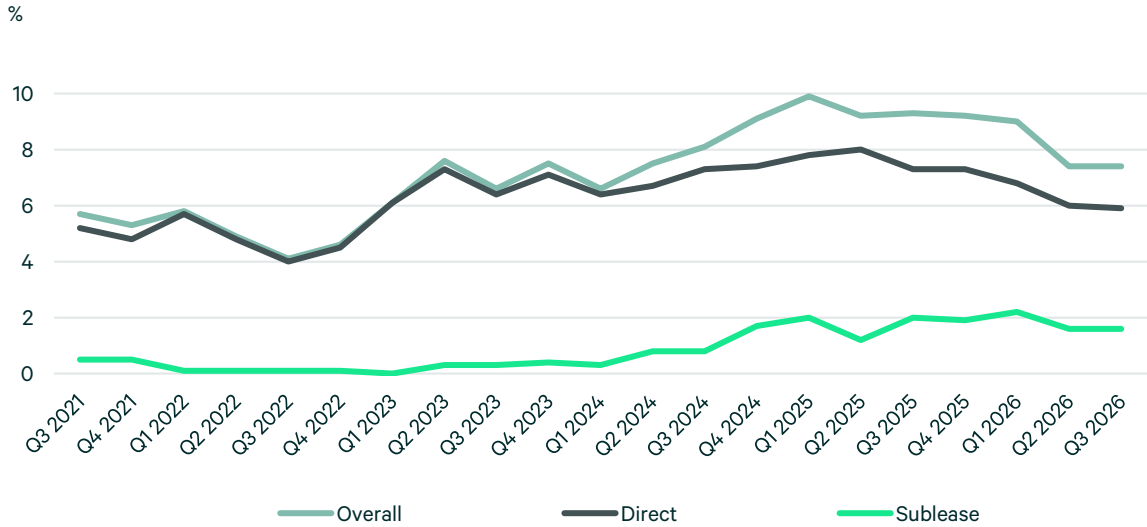
Net Absorption

Net absorption totaled a positive 435,000 sq. ft. in Q3 2026, the fourth consecutive quarter of positive absorption continuing from Q4 2025. The figure was down from 2.0 million sq. ft. in Q2 2026 but above the 44,000 sq. ft. recorded in Q3 2025. Year-to-date net absorption reached 4.12 million sq. ft., an average of roughly 1.4 million sq. ft. per quarter, reflecting steady occupier demand through the first three quarters of 2026.

The quarter-over-quarter decline reflects lighter new leasing rather than a pullback in demand. The largest transaction, 5.11 Inc.'s 405,000 sq. ft. renewal in Manteca, kept a major occupier in place but did not count toward net absorption. Manteca therefore accounted for both the quarter's largest renewal and its most notable move-out.

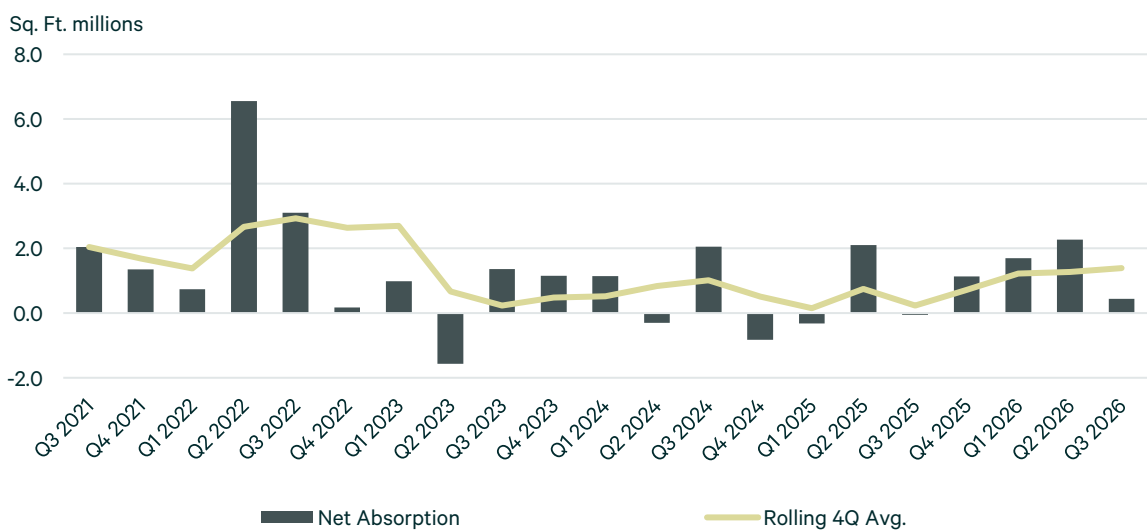
Even so, occupancy gains outweighed move-outs, keeping absorption positive. Tesla's 390,000 sq. ft. lease in Lathrop was the largest new commitment. The rest of the activity came from mid-sized users across several industries rather than one or two big-box deals, giving the quarter a broad base despite the lower total. Absorption is expected to rise in Q4 2026, driven by the 4.1 million sq. ft. of built-to-suit space scheduled to deliver next quarter.

Figure 2: Vacancy Rate



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Figure 3: Net Absorption Trend



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Asking Rent

The average direct asking rate rose \$0.01 quarter-over-quarter, from \$0.72 NNN in Q2 2026 to \$0.73 NNN in Q3 2026, an increase of about 1.4%. Compared with Q3 2025, the rate was \$0.01 lower, down from \$0.74 NNN. Over the past year, asking rates declined \$0.02 to \$0.72 NNN in Q2 2026 before recovering by \$0.01 this quarter.

Asking rates were consistent across most of the market's core submarkets. Tracy posted the highest rate at \$0.78 NNN, followed by Lathrop at \$0.76 NNN and Stockton at \$0.75 NNN, all above the market average. Manteca was the outlier among the core submarkets at \$0.68 NNN, \$0.05 below the market average and \$0.07 to \$0.10 below the other three.

Rents have moved more slowly than vacancy. Vacancy has fallen 200 bps since Q3 2025, while asking rates remain slightly below year-ago levels. Asking rates are reflective of vacancy in the different size tranches and cities, the 100,000 – 200,000 sq. ft. still has quite a few buildings to work through, while there is only one building greater than 750,000 sq. ft. still on the market.

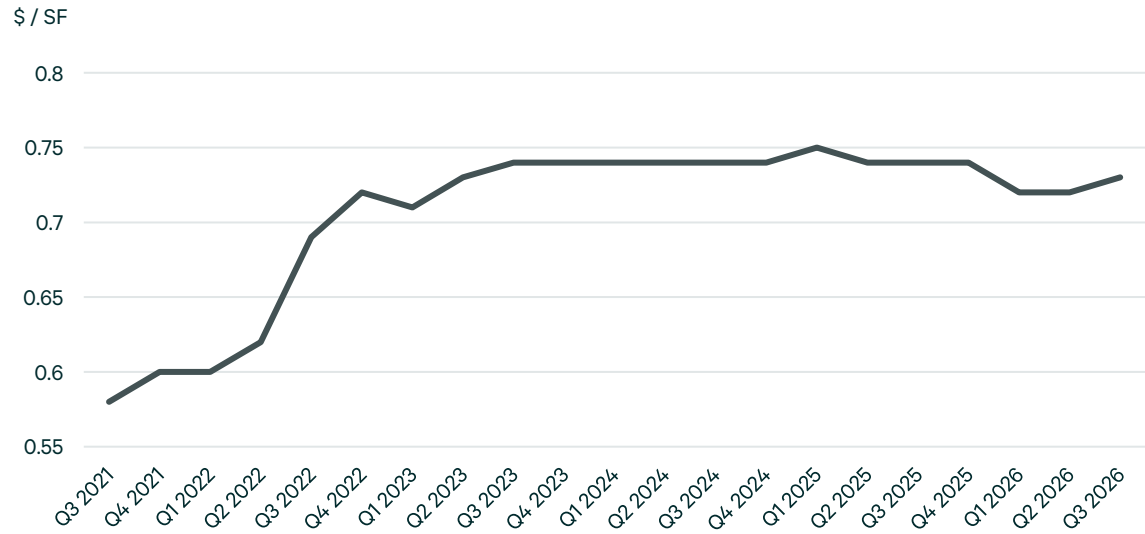
Construction Activity

No new construction delivered in Q3 2026, and market base inventory held at 140.7 million sq. ft. Construction activity remains significant, with 7.1 million sq. ft. underway, equal to about 5% of existing inventory. The pipeline falls into two groups: build-to-suit projects delivering in the near term, and speculative projects scheduled for 2027.

About 4.1 million sq. ft. of built-to-suit is expected to deliver in Q4 2026. The remaining 3.1 million sq. ft. is speculative, with no pre-leasing to date, and is scheduled to deliver in Q1–Q2 2027.

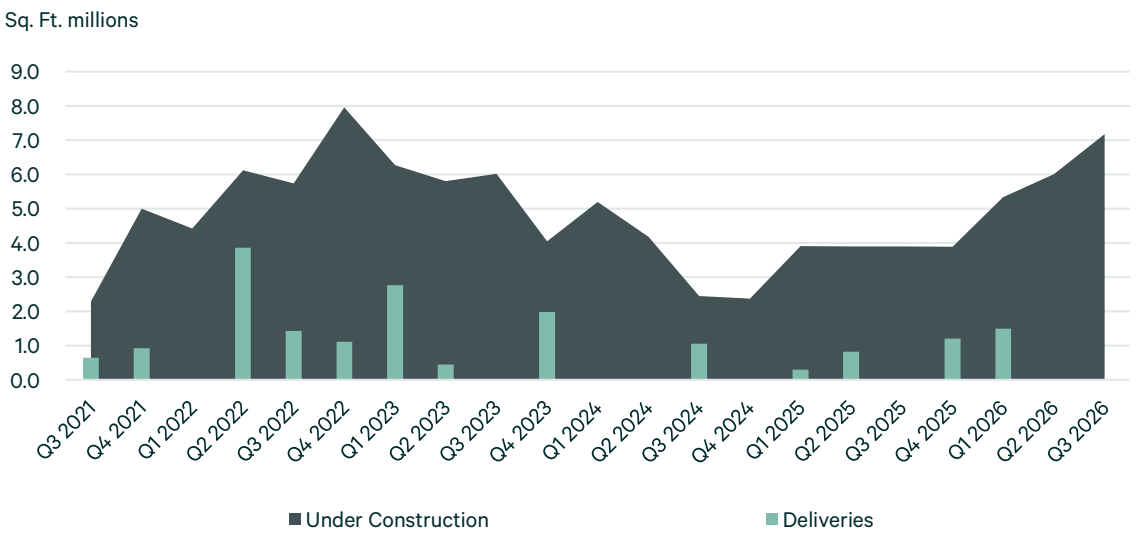
The 2027 deliveries, totaling about 2.2% of inventory, are fully speculative, and their lease-up will be a factor for the market next year.

Figure 4: Average Direct Asking Rate



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Figure 5: Construction Activity



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Investment Sale Activity

The Central Valley had three notable sales in Q3 2026, two investment sales totaling 1.15 million sq. ft., and one owner-user sale for 58,625 sq. ft. The three transactions totaled about \$163.8 million. Dermody Properties completed the largest acquisition, purchasing 1269 East Grant Line Road in Tracy for \$79.1 million, totaling 606,343 sq. ft. (\$130.50 per sq. ft.). Bridge Investment Group acquired 1919 Boeing Way in Stockton for \$74 million, totaling 545,836 sq. ft. (\$135.57 per sq. ft.).

Together, the two investment sales totaled about \$153.1 million, and both involved large-format buildings exceeding 500,000 sq. ft. The quarter's owner-user sale was Proco Products Inc.'s \$10.7 million purchase of 2518 Boeing Way in Stockton, a 58,625 sq. ft. building (\$182.52 per sq. ft.).

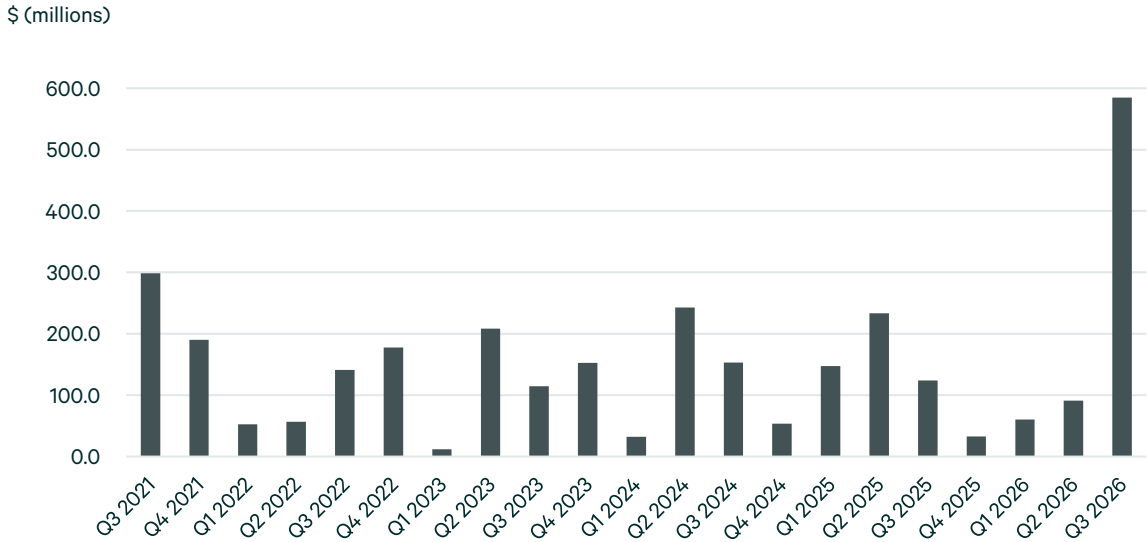
Buyers included two institutional investors and one owner-user, reflecting continued capital interest in Central Valley industrial assets.

Figure 7: Key Sales

Property	Submarket	Buyer	Sales Price	Size (SF)	Price Per SF
1269 E Grant Line Rd	Tracy	Dermody Properties	\$79.1M	606,343	\$130.50
1919 Boeing Way	Stockton	Bridge Investment Grp	\$74M	545,836	\$135.57
2518 Boeing Way	Stockton	Proco Products, Inc.	\$10.7M	58,625	\$182.52

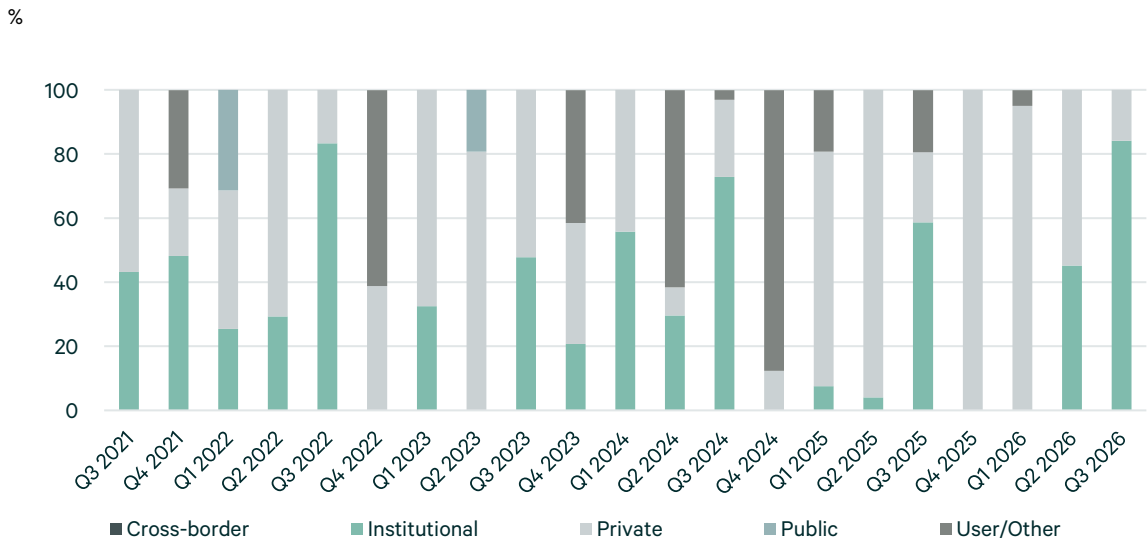
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Figure 6: Quarterly Sales Volume



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Figure 8: Buyer Composition



MSCI Real Capital Analytics

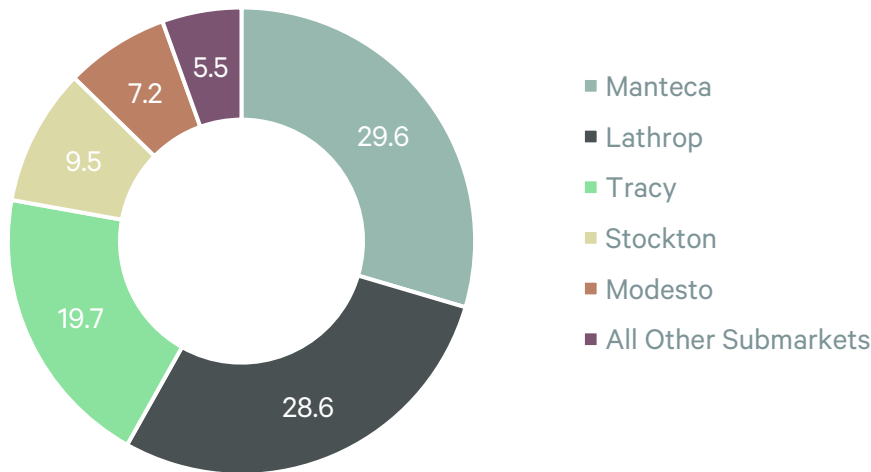
Leasing Activity

Leasing activity was lighter in Q3 2026 than in Q2, with fewer and smaller transactions. The eight notable deals totaled about 1.37 million sq. ft. The largest was 5.11 Inc.'s 404,744 sq. ft. renewal in Manteca, the only notable renewal this quarter. Tesla's 390,443 sq. ft. lease in Lathrop was the largest new lease, and all remaining notable deals were new leases.

The remaining activity came from mid-sized users, with most deals between 55,000 and 130,000 sq. ft. O'Reilly Auto Parts leased 129,360 sq. ft. in Stockton, Misfits took 124,126 sq. ft. in Tracy, and Sonoco Metal Packaging leased 98,725 sq. ft. in Modesto. Tracy was the most active submarket, with three new leases totaling about 269,000 sq. ft.: Misfits, Roadrunner Freight Systems (89,539 sq. ft.), and Sardo & Sons Warehousing (55,200 sq. ft.). Alliance Material Handling leased 75,200 sq. ft. in Lodi.

Activity spanned automotive, food, packaging, freight, and material handling users, so demand was broad-based even though volume was lighter. The steady flow of mid-sized new leases points to consistent demand heading into Q4 2026.

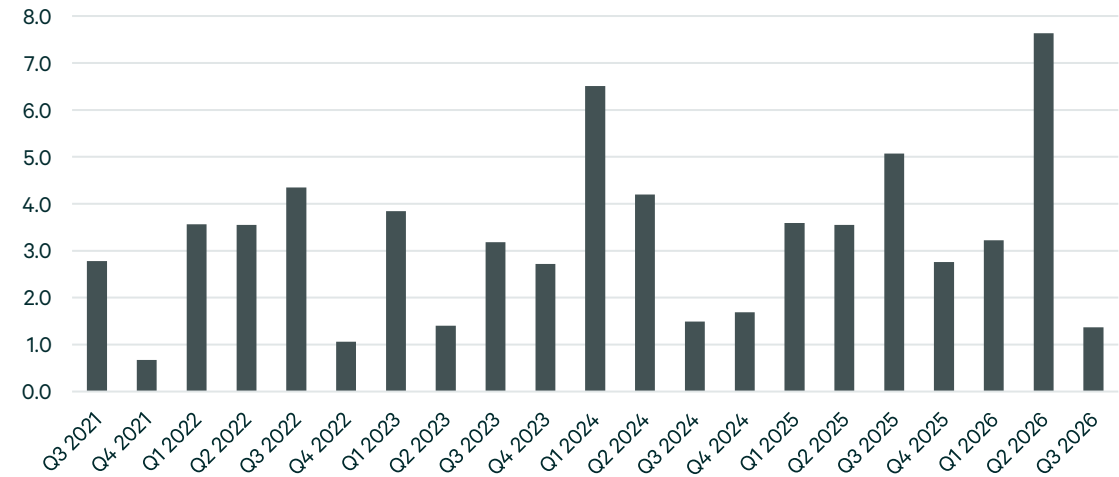
Figure 10: Leasing Activity by Submarket (% of Total Activity)



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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
5.11	404,744	Renewal	3201 N Airport Way	Manteca
Tesla Motor Co.	390,443	New Lease	18700 Business Park Ct	Lathrop
O'Reilly Auto Parts	129,360	New Lease	4114 S Airport Way	Stockton
MisFits	124,126	New Lease	2900 N Macarthur Dr	Tracy
Sonoco Metal Packaging	98,725	New Lease	600 S McClure Rd	Modesto
Roadrunner Freight Systems	89,539	New Lease	25176 S Schulte Rd	Tracy
Alliance Material Handling (AMH)	75,200	New Lease	1300 E Vine St	Lodi
Sardo & Sons Warehousing	55,200	New Lease	25176 S Schulte Rd	Tracy

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 12

Submarket	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)
Ceres	5.82M	15.9	15.9	15.9	-	0.68	36,000	(184,000)	-	-
Lathrop	20.26M	5.7	12.0	8.9	3.1	0.76	390,000	204,000	-	1.24M
Lodi	5.52M	3.5	3.5	3.5	-	0.72	(117,000)	(117,000)	-	-
Manteca	5.38M	3.3	10.1	5.1	5.0	0.68	(130,000)	(194,000)	-	-
Modesto	12.42M	6.4	8.6	6.4	2.3	0.60	99,000	(130,000)	-	-
Oakdale	890K	-	-	-	-	-	-	-	-	-
Patterson	5.83M	13.6	13.6	13.6	-	0.65	-	(38,000)	-	-
Stockton	45.44M	8.4	9.8	8.1	1.7	0.75	12,000	1.40M	-	655,000
Tracy	35.97M	7.0	8.0	6.1	1.8	0.78	145,000	3.20M	-	5.28M
Turlock	2.88M	-	-	-	-	-	-	-	-	-
Total	140.73M	7.4	9.4	7.6	1.8	0.73	435,000	4.12M	-	7.18M

Source: CBRE Research, Q3 2026

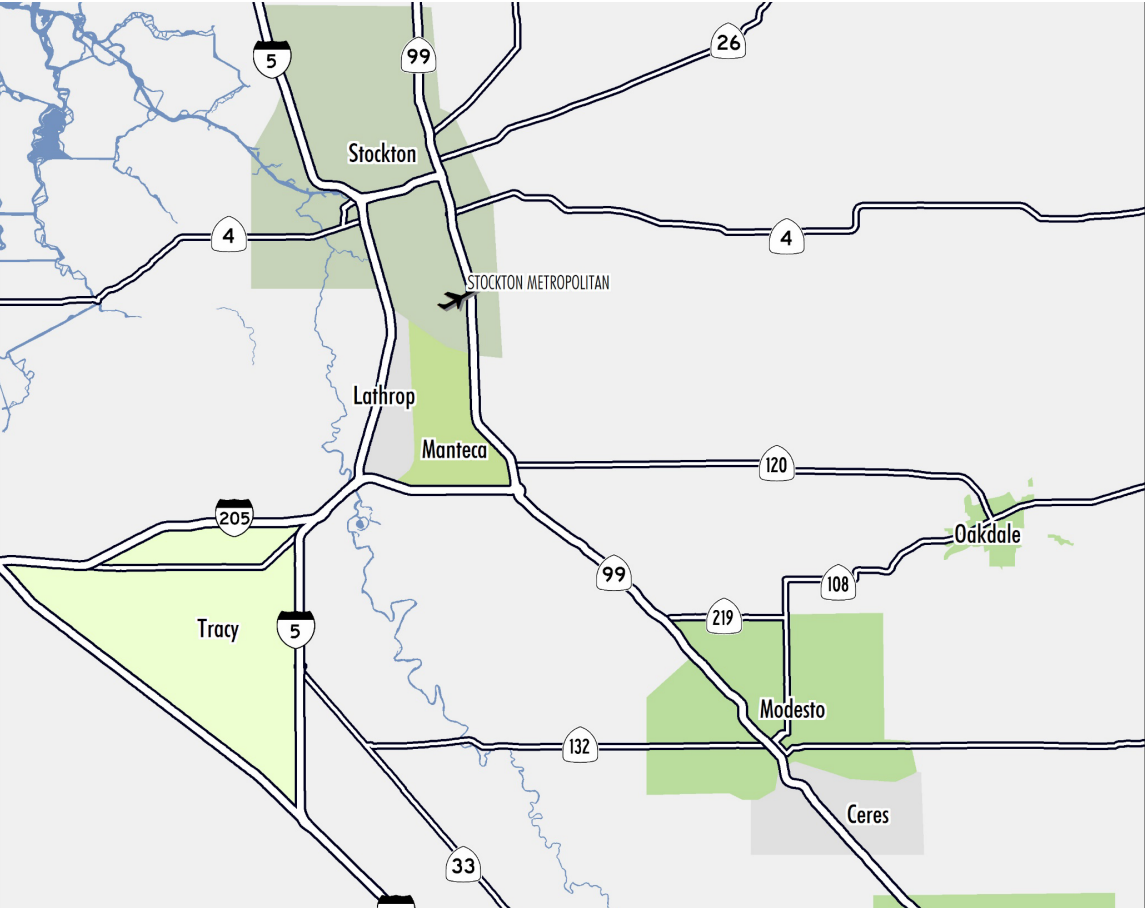
Market Statistics by Size

Figure 13

Size Range	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)
50K-99,999 SF	7.29M	8.1	8.1	8.1	-	0.79	75,000	176,000	-	-
100K-249,999 SF	22.82M	11.7	15.9	13.8	2.0	0.76	51,000	499,000	-	397,000
250K-499,999 SF	38.79M	7.8	11.0	9.4	1.6	0.70	514,000	1.13M	-	282,000
500K-749,999 SF	29.14M	10.0	12.4	7.2	5.2	0.69	(205,000)	152,000	-	1.20M
750,000 SF +	42.70M	2.9	2.9	2.9	-	0.70	-	2.06M	-	5.30M
Total	140.73M	7.4	9.4	7.6	1.8	0.73	435,000	4.12M	-	7.18M

Source: CBRE Research, Q3 2026

Market Area Overview



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.

Contacts

Kyle Lodovico

Research Analyst
kyle.lodovico@cbre.com

Brandon Wilkinson

Sr. Research Analyst
+ 1 (209) 507 2307
brandon.wilkinson@cbre.com

Stephen Delgado

Research Analyst
stephen.delgado@cbre.com

Konrad Knutsen

Research Director
+1 (916) 446 8292
konrad.knutsen@cbre.com

Central Valley Office

3247 W March Lane #100
Stockton, CA 95219