



MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.6% Vacancy Rate	▲	▼
1.1M YTD Net Absorption, SF	▲	▬
\$0.70 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
480.2K Central Valley Employment*	▲	▲
6.8% Central Valley Unemployment Rate*	▲	▲
4.3% U.S. Unemployment Rate	▲	▲

Source: BLS
 *Q4 2025

ECONOMY: HEADWINDS CHALLENGING GROWTH

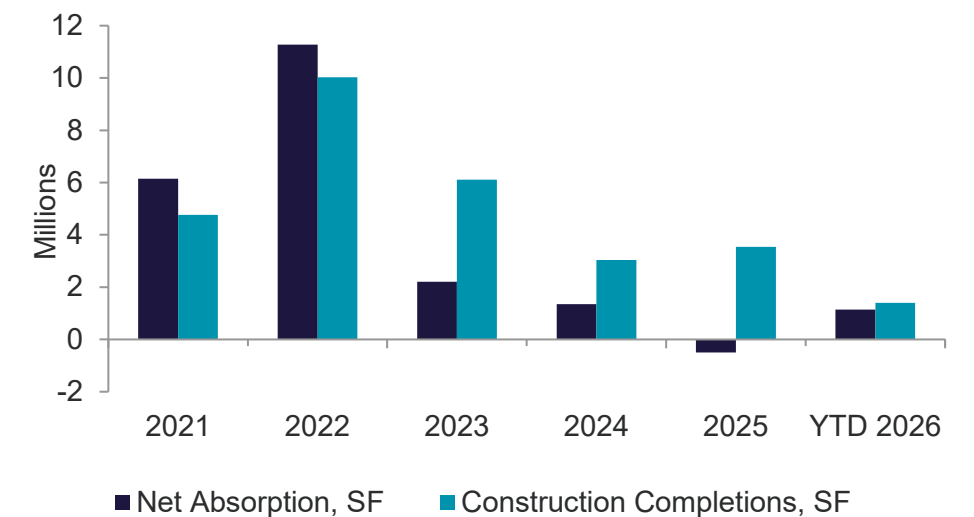
The Central Valley, encompassing San Joaquin and Stanislaus counties added 4,000 jobs year-over-year (YOY), bringing regional employment to 480,200 non-farm positions. However, industrial employment has recently lagged behind other sectors like government and healthcare, with growth moderating in transportation and warehousing positions. Industrial demand has faced significant headwinds over the past year, from tariffs and shifting trade policy to rising fuel costs and supply chain disruption. Despite these forces, the Central Valley has continued to draw many of the nation's largest industrial occupiers with its combination of developable land, convenient logistics infrastructure, and proximity to major metros.

DEMAND: NEW LEASING GAINS MOMENTUM

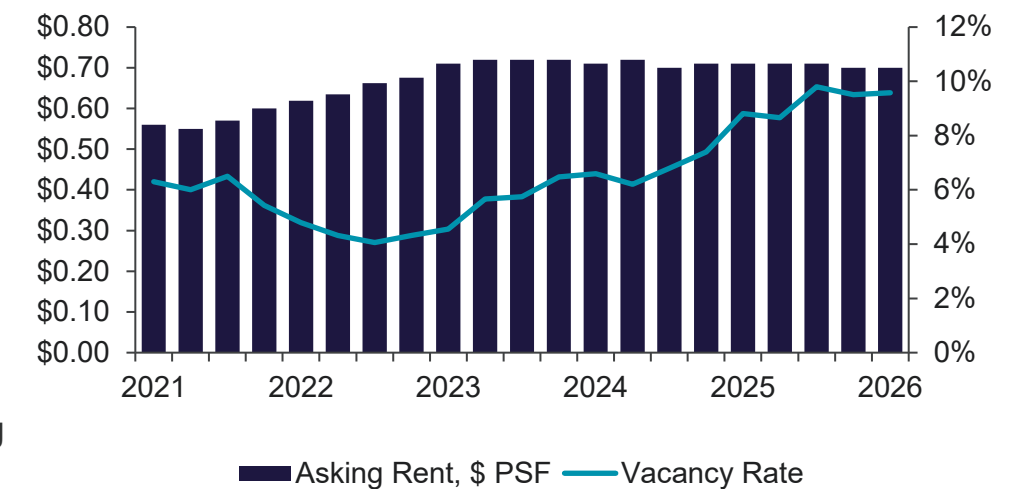
Leasing activity in the first quarter totaled approximately 3.0 million square feet (msf), up modestly from the prior quarter and 53.3% YOY. The quarter's largest transaction was UPS' 745,640-square-foot (sf) renewal at 11800 S. Harlan Road in Lathrop, underscoring the continued commitment of large logistics operators to the Central Valley. Niagara Bottling signed the quarter's largest new lease of 505,554 sf at 6401 S. Austin Road in Stockton. The property, delivered by Dermody Properties in 2023, sits next to Niagara's existing facility and marks a major expansion for the company. Also of note this quarter was increased deal volume in the mid-size segment of the market, with five new leases signed for spaces between 100,000-300,000 sf. The Central Valley has consistently landed the region's largest tenants but over the past two years, demand softened for spaces under 300,000 sf, which led to a steady rise of vacancy in that size range. However, the first quarter recorded the most activity for that size range since mid-2023 and there were several additional transactions pending across all size segments, which will drive positive absorption later in the year.

Investment sales activity in the first quarter was led by GO Industrial, which was responsible for the two largest property acquisitions of the quarter. The first was 2615 Boeing Way, a 278,460-sf warehouse in Stockton that was purchased from Dorfman Milano for \$22.3 million in a sale-leaseback transaction. GO Industrial also purchased 1780 Industrial Drive, a vacant 111,160-sf warehouse, from Lowenberg Corporation for \$12.6 million. The first quarter also recorded several industrial land transactions, including OMP's purchase of 38.0 acres in Tracy from LBA. OMP plans to break ground on three speculative buildings in the coming quarter.

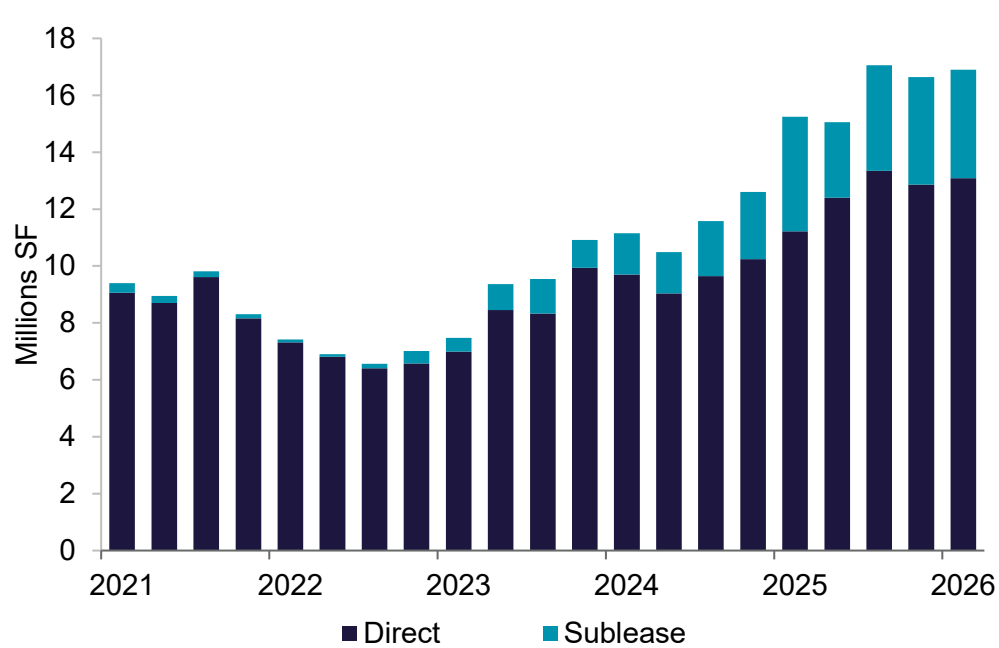
SPACE DEMAND / DELIVERIES



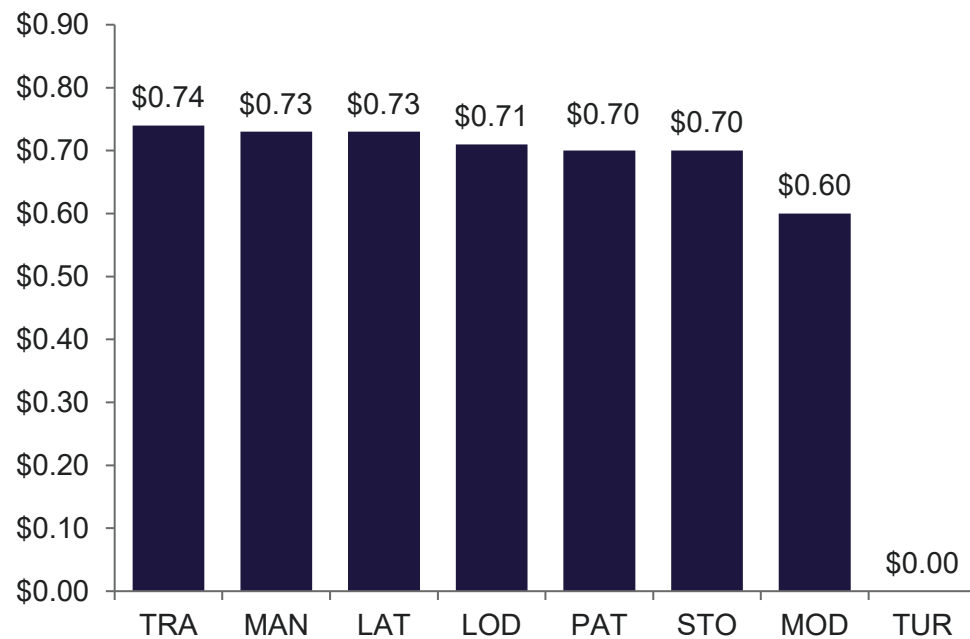
OVERALL VACANCY & ASKING RENT



DIRECT AND SUBLEASE AVAILABLE SPACE



OVERALL ASKING RATE BY SUBMARKET (NNN)



SUPPLY: VACANCY STABILIZES

The Central Valley industrial vacancy rate was 9.6% at the close of the first quarter, up 10 basis points (bps) from the prior quarter but still 20 bps below the market’s 2025 peak. Net absorption for the quarter surpassed 1.1 msf, the second consecutive quarter of occupancy gains over 1.0 msf. However, these gains were not felt evenly across the region. San Joaquin County led the way with 2.1 msf of net absorption, with vacancy falling by 60 bps, despite 1.4 msf of new construction. Vacancy in the submarket of Stockton fell to 10.0%, its lowest level since mid-2023, as several large tenants took occupancy of space that was leased throughout 2025. In Tracy, net absorption was buoyed by the delivery of a 1.3-msf build-to-suit (BTS) facility for Georgia Pacific in Prologis’ International Park of Commerce. Despite its positive absorption, the vacancy rate in Tracy hit a recent high of 11.1% in the first quarter, as BTS properties drive occupancy growth without absorbing vacancy. While San Joaquin County gained momentum in recent quarters, Stanislaus County has continued to struggle, recording negative 941,573 sf of net absorption in the first quarter, which pushed vacancy to 8.8%. Modesto was the primary driver of weakness in Stanislaus County, with vacancy rising to 9.9%, up 420 bps YOY. Modesto has seen a steady accumulation of vacancies, as the agricultural submarket remains particularly vulnerable to trade-related headwinds and other macro-economic factors, as evidenced by the recently announced closure of the Del Monte Modesto plant which had been a major employer in Stanislaus County since the 1960’s. Sublease availability remained a persistent drag on the market, totaling 3.8 msf in the first quarter and representing approximately 22.6% of overall vacancy. Tracy continued to be disproportionately affected, with sublease space making up 42.1% of all vacant space in that submarket. Michaels’ 925,475-sf sublease at 9375 W. Sugar Road in Tracy remained the largest existing vacancy in the Central Valley.

PRICING: RATES HOLD NEAR RECORD HIGH

The overall asking rate for Central Valley industrial product closed the first quarter at \$0.70 psf on a monthly triple-net basis, unchanged from the prior quarter. Tracy commanded the region’s highest asking rate at \$0.74 psf, followed by Manteca at \$0.73 psf. Asking rates have remained remarkably stable despite rising vacancy, reflecting landlord confidence that any softening in demand is the result of external headwinds and not price sensitivity. While some sublease space continues to hit the market at a discount, there has been limited repricing of direct listings. That said, the gap between asking and transacting rates is widening for more challenging inventory, as landlords increasingly deploy concessions such as free rent and tenant improvement allowances to attract tenants in a more competitive leasing environment.

CONSTRUCTION: BUILDING OUT THE CENTRAL VALLEY

Construction deliveries in the first quarter totaled 1.4 msf across two properties. The first was the previously mentioned BTS for Georgia Pacific and the second was a 98,460-sf speculative warehouse that was completed by Phelan Development Company in Tracy. New construction starts accelerated in the first quarter, with Crow Holdings breaking ground on a 1.2-msf speculative warehouse at their Tripoint Logistics Center. This start alone meaningfully changed the composition of the pipeline, which for several quarters had been over 95% BTS projects. Taken with the recent development site sales this quarter, speculative development is expected to regain momentum throughout 2026. That said, there remains 5.9 msf of BTS projects underway which will continue to drive occupancy growth into 2027.

OUTLOOK

- Rent growth is expected to regain momentum, particularly on Class A inventory. Newer construction will continue to place upward pressure on asking rates.
- Vacancy is expected to decline, especially in San Joaquin County, following a quarter of positive absorption and continued strong demand.
- Speculative construction is returning to the region and will represent a growing share of the pipeline going forward. Build-to-suit projects underway will help drive absorption.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT
Lodi	10,064,454	543,554	5.4%	-67,200	-67,200	0	\$0.74	\$0.70	\$0.71
Stockton	59,612,829	5,944,499	10.0%	1,084,080	1,084,080	0	\$0.71	\$0.54	\$0.70
Lathrop	19,477,298	2,131,931	10.9%	-120,000	-120,000	0	\$0.73	-	\$0.73
Tracy	38,401,282	4,254,484	11.1%	1,065,376	1,065,376	1,398,716	\$0.73	\$0.78	\$0.74
Manteca	5,666,265	205,993	3.6%	124,541	124,541	0	\$0.72	\$0.79	\$0.73
San Joaquin County	133,222,128	13,080,461	9.8%	2,086,797	2,086,797	1,398,716	\$0.72	\$0.70	\$0.72
Modesto	30,920,100	3,057,184	9.9%	-941,573	-941,573	0	\$0.60	\$0.62	\$0.60
Turlock	5,096,915	0	0.0%	0	0	0	-	-	-
Patterson	7,106,428	756,065	10.6%	0	0	0	\$0.70	-	\$0.70
Stanislaus County	43,123,443	3,813,249	8.8%	-941,573	-941,573	0	\$0.62	\$0.62	\$0.62
TOTAL	176,345,571	16,893,710	9.6%	1,145,224	1,145,224	1,398,716	\$0.70	\$0.67	\$0.70

*Rental rates reflect weighted net asking \$psf/year

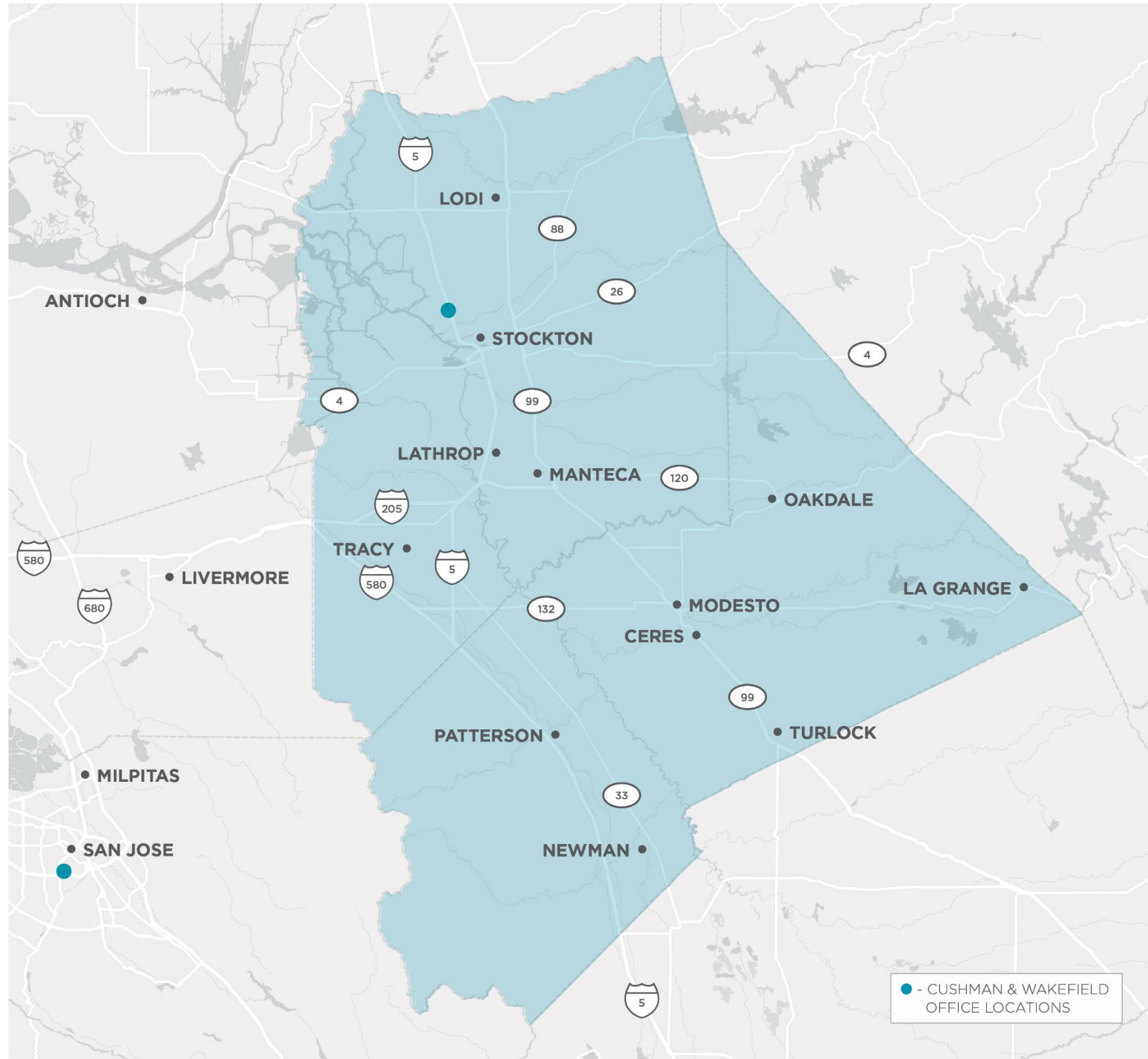
KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11800 S. Harlan Road	Lathrop	UPS	745,640	Renewal
6401 S. Austin Road	Stockton	Niagara Bottling	505,554	New Lease
14900 W. Schulte Road	Tracy	Hyve Solutions	372,195	New Lease
2615 Boeing Way	Stockton	Dorfman Milano	278,640	New Lease
1150 E. Arbor Road	Tracy	Tesla Energy	210,877	Expansion
1800 Reliance Street	Modesto	Mercer Foods	207,025	New Lease
4733 Newcastle Road	Stockton	Vander-Bend	186,944	New Lease

KEY SALES TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER / BUYER	RSF	PRICE/\$ PSF
2615 Boeing Way	Stockton	Dorfman Pacific / GO Industrial	278,460	\$22.3M / \$80
1780 Industrial Drive	Stockton	Lowenberg Corporation / GO Industrial	111,160	\$12.6M / \$113
10500 S. Harlan Road	Lathrop (French Camp)	Granite Construction Inc. / Ksaag LLC	40,800	\$6.4M / \$156
14800 W. Schulte Road (Land)	Tracy	LBA Logistics / OMP	38.0 Acres	\$11.1M
16286 W. Schulte Road (Land)	Tracy	Pombo Family / Panattoni Development	18.7 Acres	\$3.7M

INDUSTRIAL SUBMARKETS



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