

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **2,079**

UNITS DELIVERED (YTD) **128**

MARKET FUNDAMENTALS



VACANCY RATE **4.5%**

YEAR-OVER-YEAR CHANGE **+0bps**

ASKING RENTS **\$1,691**

YEAR-OVER-YEAR CHANGE **+1.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$105,000**

CENTRAL VALLEY
MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Construction expands, led by Bakersfield

HIGHLIGHTS

- The Central Valley multifamily market received no new supply during the second quarter, and renter demand was absorbed entirely within the existing inventory. The lull is temporary, as both the construction pipeline and permitting activity have increased during the past year.
- The regional vacancy rate ended the second quarter at 4.5%, down 10 basis points from the first quarter and flat year over year. Kern and Stanislaus counties were the only two to post occupancy losses, and they account for most of the units under construction.
- Asking rents reached \$1,691 per month, up 1.1% year over year. Rents have increased for two consecutive quarters following declines in the second half of 2025.
- Investment activity totaled five properties in the second quarter, one more than a year ago, though dollar volume declined. The year-to-date median sale price is \$105,000 per unit, with the 96-unit Sunset Sands in Fresno being the largest trade at nearly \$11 million.

CENTRAL VALLEY MULTIFAMILY MARKET OVERVIEW

Regional operating fundamentals appeared stable during the second quarter, although pending additions to existing supply could result in a wider range of property performance in future periods. Kern and Stanislaus counties face construction pipelines totaling more than 5% of their existing inventories, while Fresno, which accounts for roughly 40% of the regional apartment stock, has almost no new development underway. Some of the construction trends can be explained by growth trajectories in recent years. The projects currently under construction in Kern and Stanislaus counties broke ground in 2025, when area employment growth was stronger. Those units will likely deliver into counties where payroll growth has stalled in the near term, while the region's largest rental market faces almost no competition from new supply. County-level performance should diverge further from the regional average as those projects come online.

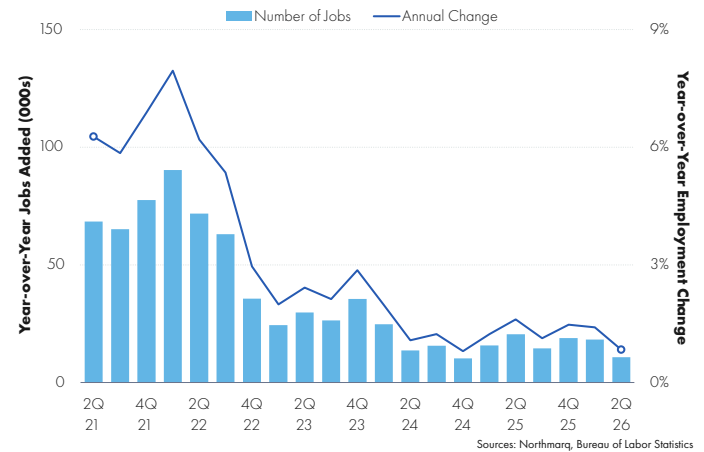
The composition of Central Valley sales has changed more than the transaction count suggests. Only one first-half sale exceeded 100 units, and none involved properties built after 1984. The trend became more pronounced during the second quarter, when four of the five transactions contained fewer than 40 units. By comparison, the fourth quarter of 2025 included five properties of at least 140 units across Fresno, San Joaquin and Kern counties, and the median transaction size was roughly twice as large as the 2026 level. That shift in deal composition explains why transaction activity has remained relatively stable while dollar volume has fallen sharply. Properties are still trading, but the larger transactions that boosted late-2025 volume have not occurred in 2026, leaving liquidity concentrated in smaller, older Class B and Class C assets.

EMPLOYMENT

- Employment growth in the Central Valley slowed to roughly 10,800 jobs year over year in the second quarter, representing a 0.8% increase.
- Fresno accounted for nearly three-quarters of the regional net job gains, adding 7,800 positions for a 1.8% increase. Merced posted the strongest increase at 2.8%. Bakersfield and Stockton-Lodi, which led the region for much of 2025, both ended the quarter below year-earlier payroll levels.
- Ingredient supplier California Natural Color broke ground in August on an expansion of its Fresno headquarters and manufacturing facility, increasing production capacity by 300% for plant-based colorants and grape seed extracts. The project adds food processing and biomanufacturing positions to a labor market historically tied to field agriculture.
- **FORECAST:** Employers are projected to add 6,000 jobs in 2026, a 0.5% increase. Growth would trail the 10-year average of roughly 25,000 jobs annually and mark a second consecutive year of growth below 1%.

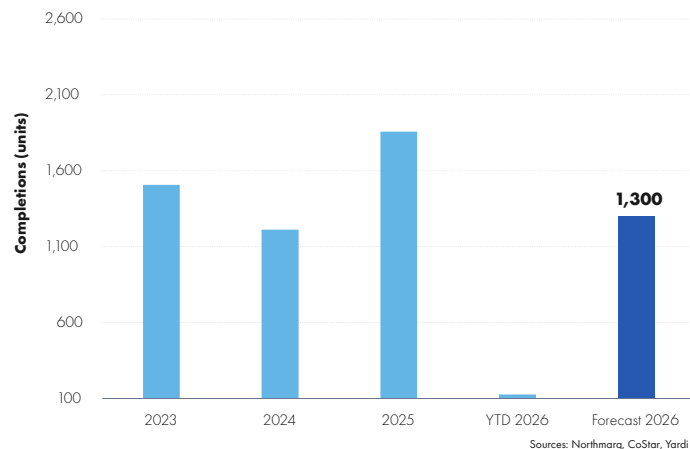
Fresno drove nearly three-quarters of regional job growth.

EMPLOYMENT OVERVIEW



The construction pipeline grew 44% from one year earlier.

DEVELOPMENT TRENDS

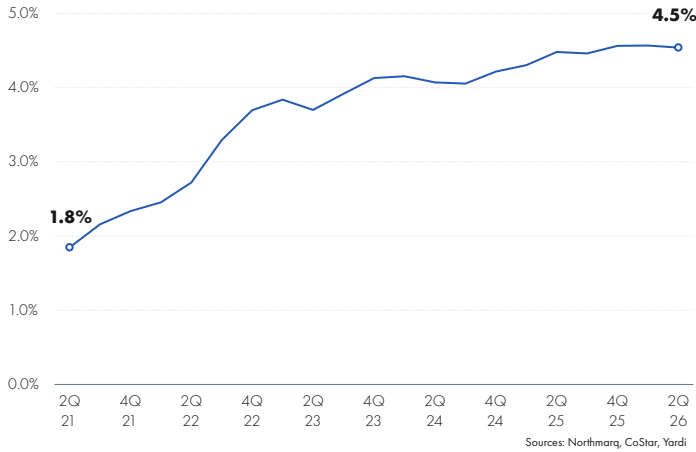


DEVELOPMENT & PERMITTING

- No projects were completed during the second quarter, leaving year-to-date deliveries at 128 units, all of which were completed in Merced County during the first quarter. By comparison, 1,532 units were delivered during the first half of 2025.
- The construction pipeline grew to more than 2,000 units across nine projects, up 44% from one year earlier. Bakersfield contains 43% of the regional total, while other projects are concentrated in Modesto, Turlock, and Manteca.
- Multifamily permitting totaled 713 units through the first half, up from 399 units during the same period last year and roughly 10% above the long-term first-half average. Fresno accounted for about 85% of the units permitted during the second quarter.
- **FORECAST:** Completions are projected to reach roughly 1,300 units in 2026, in line with the 10-year average. In 2025, more than 1,850 units came online.

Class A vacancy is the tightest of the three segments.

VACANCY TRENDS



VACANCY

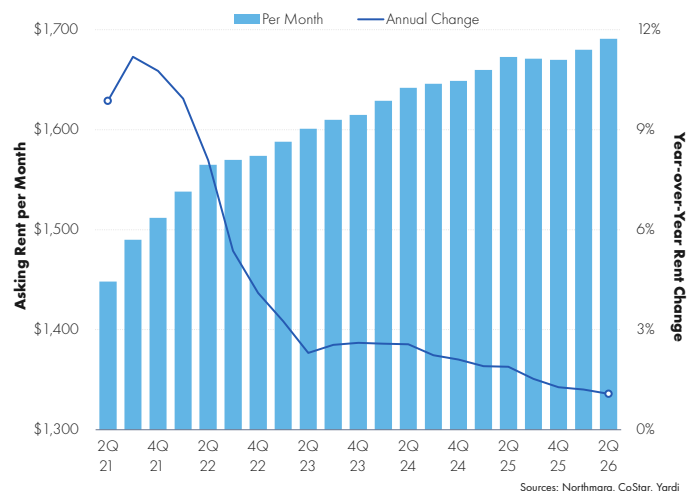
- Vacancy in the Central Valley ended the second quarter at 4.5%, down 10 basis points from the first quarter and unchanged year over year. Net absorption totaled 248 units, and with no deliveries during the quarter, all demand was absorbed within the existing inventory.
- The counties carrying the bulk of the construction pipeline are also softening. Vacancy in Kern County rose 40 basis points year over year to 4.9%, while the Stanislaus County rate climbed 70 basis points to 5.2%; both recorded negative absorption during the quarter. Fresno moved in the opposite direction, with vacancy tightening to 4.2%.
- Class A vacancy compressed 60 basis points during the past year to 3.9%, the tightest of the three segments and a reversal of the pressure it faced through 2024. Class C vacancy moved in the opposite direction, rising 30 basis points to 4.9%.
- FORECAST:** Vacancy is projected to end 2026 at 4.5%, 10 basis points below the year-end 2025 rate but still roughly 90 basis points above the 10-year average.

RENTS

- Asking rents in the Central Valley reached \$1,691 per month in the second quarter, up 0.7% from the first quarter and 1.1% year over year. Annual growth has moderated since the end of 2023, but rents have now posted two consecutive quarterly gains after declining through the second half of 2025.
- San Joaquin County still commands the highest rents in the region at \$1,963 per month and remains the only county where rents fell over the past year, dropping 0.4%. Madera County led growth at 2.8%, followed by Kings County at 2.6%.
- Class C properties continued to lead rent growth, with rents rising 1.6% year over year to \$1,485 per month. Class A asking rents were unchanged from a year earlier at \$2,127 per month but rose 0.2% during the quarter, the smallest gain among the three segments.
- FORECAST:** Rents are projected to reach \$1,695 per month by year-end, a 2.0% annual increase.

Asking rents in the Central Valley rose 1.1% year over year.

RENTS TRENDS

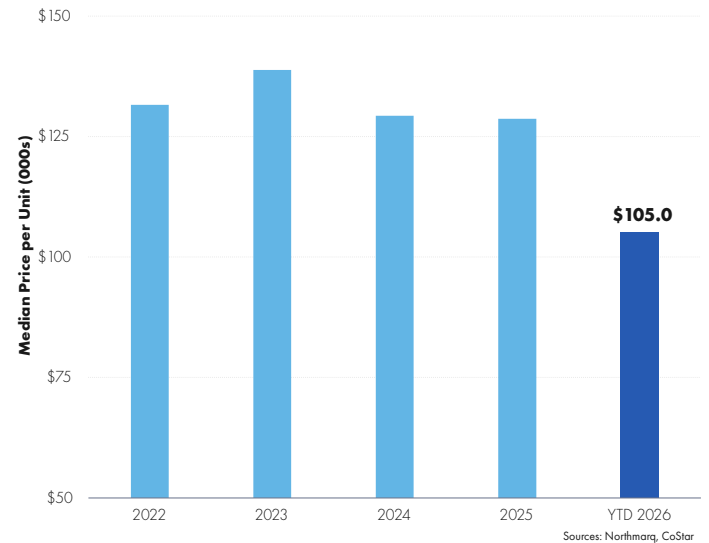


MULTIFAMILY SALES

- Transaction activity totaled five properties during the second quarter, bringing the first-half total to nine, compared with eight during the same period of 2025. Despite a similar deal count, dollar volume fell to \$51.7 million through June from \$90.9 million a year earlier, as the average deal size declined from 71 units to 44.
- The year-to-date median sale price is \$105,000 per unit, down 18% from 2025. All transactions this year involved Class B or Class C properties built before 1990.
- The second-quarter average cap rate was 6.9%, with a range of 5.7% to 7.8%. Cap rates in 2025 averaged 5.5%, reflecting the larger transactions that closed last year.

The year-to-date median sale price is \$105,000 per unit.

INVESTMENT TRENDS

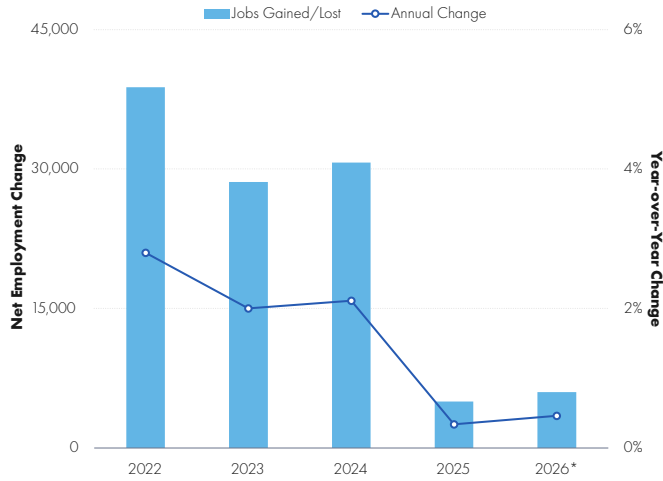


LOOKING AHEAD

Most of the year's new supply is scheduled to deliver in the second half, concentrating lease-up pressure into a relatively short period. Projects currently scheduled for delivery in the second half of 2026 represent a total close to the region's average absorption for a full year, and some lease-up will likely linger into 2027. The market enters that period from a favorable position. Demand has outpaced deliveries over the past year, and much of the product completed in 2025 has already been absorbed. The next few quarters may produce a widening performance gap between stabilized properties and new communities. Existing properties with established occupancy should face less direct pressure, while newly delivered projects will compete more aggressively for renters.

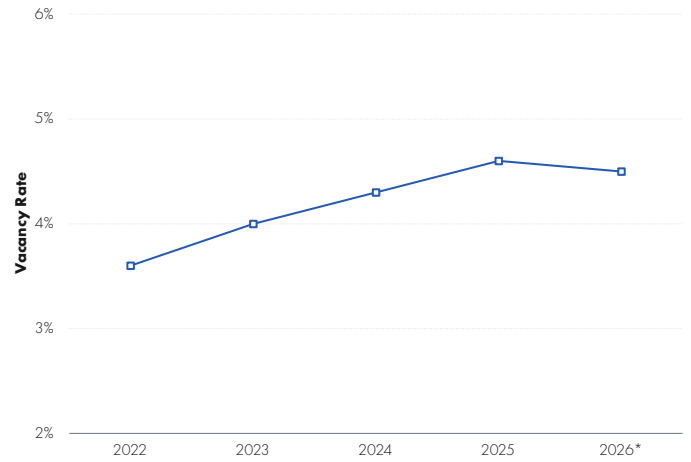
Transaction activity should remain near current levels through the rest of 2026, although dollar volume will likely remain below 2025 levels unless larger deals return to the market. Fresno is expected to remain the region's most active investment market, supported by its deeper transaction history and limited near-term supply. San Joaquin County continues to achieve some of the highest per-unit pricing in the region, but recent deliveries create a more competitive operating environment for the near term. Until that new supply is absorbed, newer and larger properties are likely to account for a smaller share of transaction activity.

EMPLOYMENT FORECAST



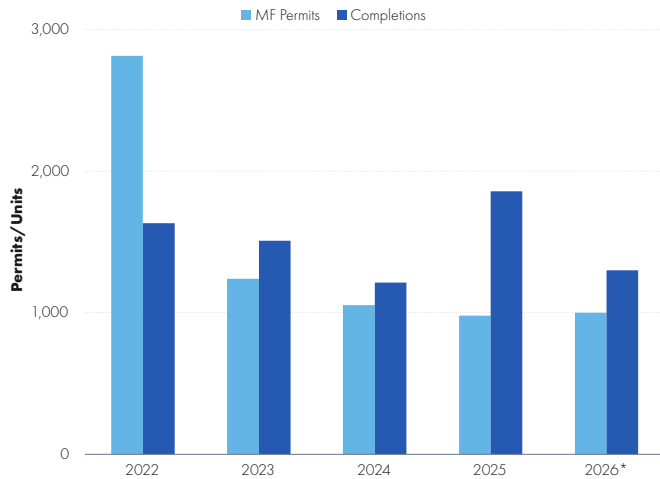
* Year-End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



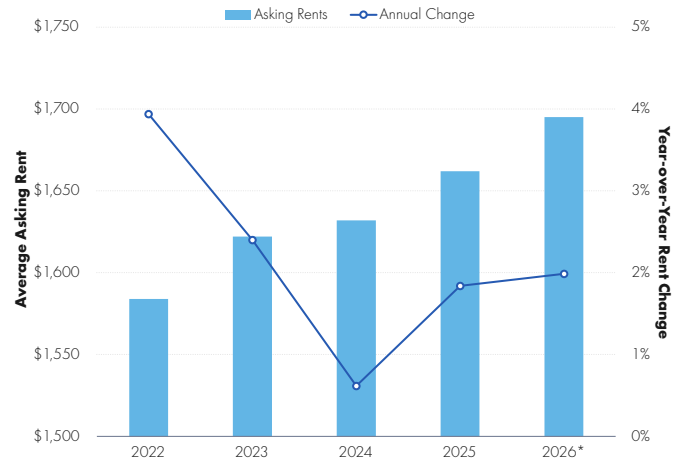
* Year-End Forecast
Sources: Northmarq, CoStar, Yardi

CONSTRUCTION & PERMITTING FORECAST



* Year-End Forecast
Sources: Northmarq, Census Bureau, CoStar, Yardi

RENTS FORECAST



* Year-End Forecast
Sources: Northmarq, CoStar, Yardi



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