

Fundamentals set to improve as future supply shrinks

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **1,278**

UNITS DELIVERED (YTD) **1,857**

MARKET FUNDAMENTALS



VACANCY RATE **4.6%**

YEAR-OVER-YEAR CHANGE **+30bps**

ASKING RENTS **\$1,662**

YEAR-OVER-YEAR CHANGE **+1.8%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$134,900**

CENTRAL VALLEY
MULTIFAMILY
Q4 2025

HIGHLIGHTS

- The Central Valley’s multifamily market closed 2025 on stable footing despite delivering its highest construction volume since 2020. Vacancy edged higher year over year but remained manageable, and rent growth gained momentum.
- The regional vacancy rate ended the fourth quarter at 4.6%, up 30 basis points year over year. Class A assets felt the most pressure, with vacancy rising to 7.8% as the bulk of recent deliveries compete for the same renter pool. Fresno and Madera County continued to post the tightest conditions in the region.
- Asking rents averaged \$1,662 per month in the fourth quarter, a 1.8% annual increase and a recovery from 2024’s near-flat growth of 0.6%.
- Investment activity totaled 25 transactions and approximately \$403 million in volume, up roughly 40% from 2024. The median price for the year was \$134,900 per unit, with cap rates compressing to an average of 5.5% as buyer confidence improved.

CENTRAL VALLEY MULTIFAMILY MARKET OVERVIEW

The Central Valley’s multifamily market navigated a challenging supply environment in 2025 but largely held its ground. Developers completed 1,857 units, the highest annual total since 2020, with the majority concentrated in San Joaquin, Fresno, and Tulare counties. Still, the market absorbed the bulk of that new inventory without a significant deterioration in fundamentals. Vacancy rose modestly and rents continued to grow, a combination that speaks to the region’s underlying demand base. Performance was not uniform across asset classes. Class B and Class C properties demonstrated resilience, with stable vacancy and positive rent growth, while the Class A segment posted softer conditions. With fewer than 1,300 units underway and permitting at its lowest level since 2017, the supply pressure that characterized much of the 2023-to-2025 period is set to ease considerably heading into 2026.

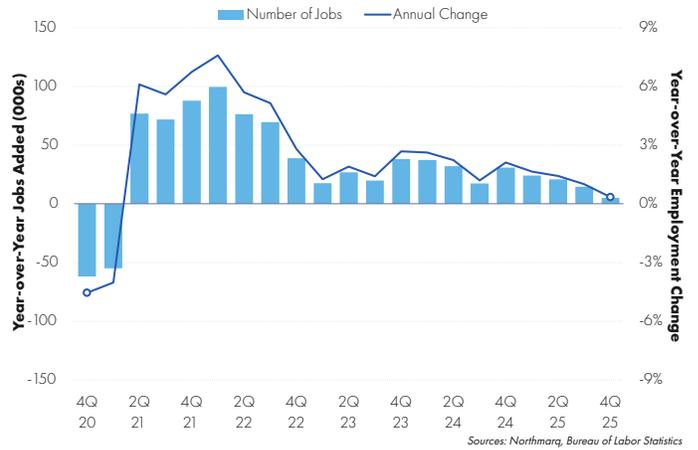
Sales activity in the Central Valley strengthened considerably in 2025, with the transaction count rising 50% from 2024. Activity built momentum through the year, with the fourth quarter accounting for the majority of closings, suggesting improving market confidence heading into 2026. The median price per unit came in at \$134,900 for the year, and cap rates compressed from 5.8% in 2024 to 5.5%, a meaningful shift given where financing costs have been. The average transaction size fell to roughly 100 units from 141 units in 2024, reflecting a market where buyers continued to favor smaller, lower-risk deals. Class C assets and 1970s- and 1980s-vintage properties dominated activity, accounting for the vast majority of closings. San Joaquin commanded the highest pricing in the region with an average of \$225,500 per unit, while Fresno led in transaction count with eight deals. Kern County saw steady trading as well, though at more modest pricing and wider cap rate ranges, consistent with its older inventory base.

EMPLOYMENT

- Total employment in the Central Valley grew modestly in 2025, with the region adding approximately 5,000 jobs over the course of the year, a 0.3% increase. This marks a significant slowdown from 2024, when payrolls expanded by roughly 30,700 positions.
- Stockton anchored the region’s employment growth in the fourth quarter, posting a year-over-year gain of approximately 3,100 jobs. Bakersfield added roughly 2,300 positions over the same period, while Merced recorded a modest increase of about 1,000 jobs. Modesto, Hanford, and Visalia each recorded slight employment declines by year end.
- Pacific Steel Group broke ground on the Mojave Micro Mill in Kern County, California’s first new steel mill in more than 50 years. The \$540 million facility is projected to support nearly 450 permanent positions once operational, with commissioning targeted for 2027.
- **FORECAST:** Central Valley employers are projected to add approximately 10,000 positions in 2026, a 0.7% increase. While this would outpace the pace of growth in 2025, the outlook remains modest by historical standards.

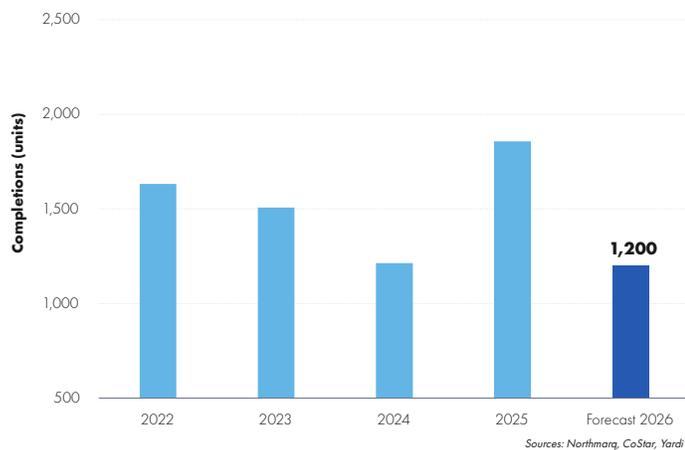
Year over year, over 5,000 jobs have been added.

EMPLOYMENT OVERVIEW



Developers delivered more than 1,850 units in 2025.

DEVELOPMENT TRENDS

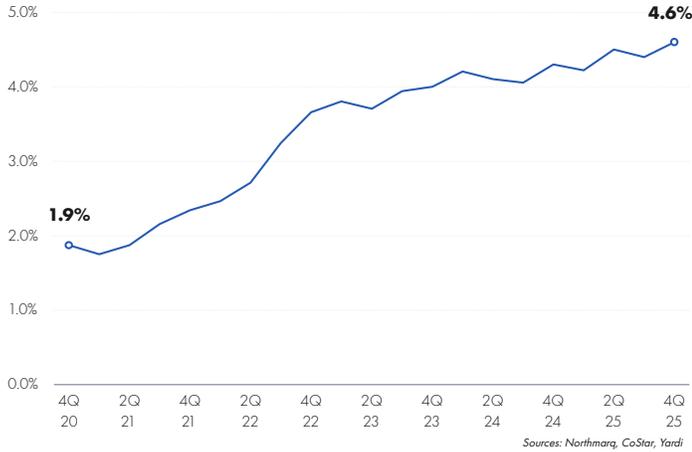


DEVELOPMENT & PERMITTING

- Developers delivered over 1,850 units in 2025, a 53% increase over 2024’s total and the highest annual volume since 2020. Despite this elevated pace of deliveries, the region’s pipeline has thinned considerably, with 1,278 units currently under construction.
- Bakersfield accounts for more than half of the active pipeline, with 732 units underway. The remainder is distributed across Stockton with 259 units, Fresno with 159 units, and Merced with 128 units.
- Permitting activity continued to contract in 2025. Developers pulled permits for approximately 700 multifamily units, down from 1,054 in 2024 and well below the cyclical peak of more than 3,100 units reached in 2022.
- **FORECAST:** The Central Valley is on track to deliver 1,200 units in 2026, representing a notable decline from 2025. Permitting activity is expected to edge slightly higher, approaching 1,000 units, as financing conditions gradually improve, though the overall development pipeline remains constrained.

The regional vacancy rate ended the fourth quarter at 4.6%.

VACANCY TRENDS



VACANCY

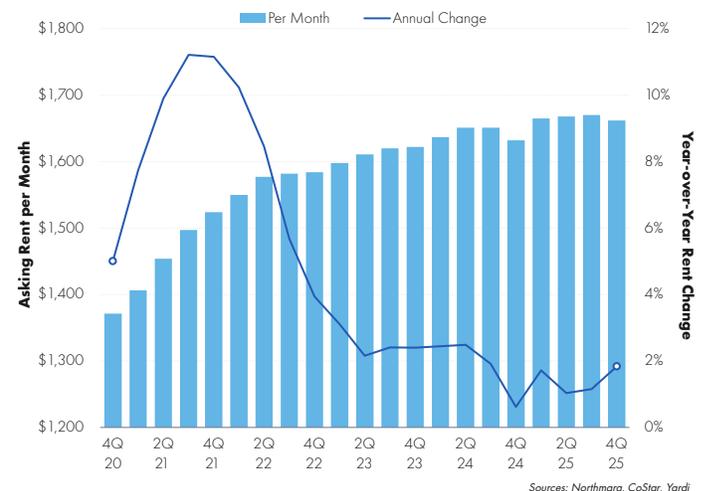
- The regional vacancy rate ended the fourth quarter at 4.6%, up 30 basis points year over year and up 20 basis points from the third quarter. The modest uptick follows a period of elevated deliveries and is consistent with the gradual drift upwards since 2022.
- Fresno remained the region’s most resilient market, with local vacancy ending the year at 4.3%, below historical averages. Madera County retained the tightest conditions in the region at 2.5%, though vacancy edged up 50 basis points from one year earlier. Stanislaus County posted the largest year-over-year increase, rising 80 basis points to 4.6%.
- Carrying the majority of the region’s active construction pipeline, Kern County observed vacancy tick up to 4.5% by year end, a 30 basis point increase from the fourth quarter of 2024.
- **FORECAST:** The regional vacancy rate is projected to ease to 4.3% by year-end 2026 as the delivery pipeline narrows significantly. With permitting at multi-year lows, the supply-side pressure that has driven vacancy higher since 2022 should begin to subside.

RENTS

- Central Valley asking rents averaged \$1,662 per month in the fourth quarter, a 1.8% increase year over year. Rents edged down slightly from the third quarter, consistent with typical seasonal softness in the final months of the year.
- Performance varied by asset class. Class C led with a 1.7% year-over-year rent gain, averaging \$1,465 per month. Class B followed at \$1,835 per month, up 1.0%, supported by stable demand and vacancy that remained tighter than the broader market. Class A rents slipped 0.4% to \$2,057 per month.
- Among the region’s counties, San Joaquin continues to command the highest rents at \$1,932 per month, though annual growth was modest at 0.9%. Stanislaus rents averaged \$1,748 per month but recorded limited annual growth at 0.1%. Madera County led the region in rent growth at 2.5% year over year, reaching \$1,578 per month, supported by the tightest vacancy in the region.
- **FORECAST:** Asking rents are projected to reach \$1,695 per month by year-end 2026, a 2.0% gain. As the delivery pipeline narrows and Class A vacancy improves, rent growth should gradually firm across asset classes throughout the year.

Asking rents increased 1.8% year-over-year.

RENTS TRENDS

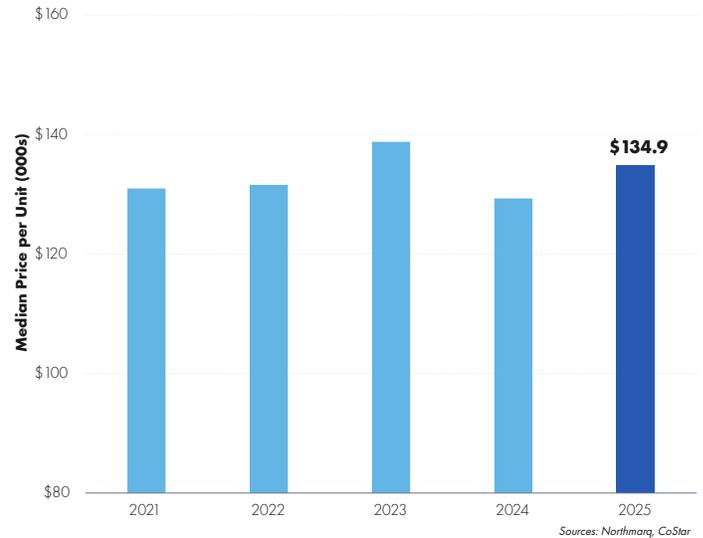


MULTIFAMILY SALES

- Investment activity in the Central Valley accelerated meaningfully in 2025, with transactions up over 50% from last year. Total dollar volume climbed to approximately \$403 million, up roughly 40% year over year, though individual deals remained smaller in size, averaging just under 100 units.
- The median sale price for the year was \$134,900 per unit, a 4% increase from 2024. Cap rates compressed from an average of 5.8% in 2024 to 5.5% in 2025, reflecting improved buyer confidence as rate expectations stabilized. Fourth quarter activity was the strongest of the year, with 11 deals closing.
- Fresno led Central Valley markets with roughly a third of all transactions and an average price of \$158,300 per unit, while San Joaquin posted the highest pricing at \$225,500 per unit across four deals. Kern County accounted for five trades but at a lower average of \$112,300 per unit, consistent with its older asset profile and higher cap rates averaging around 6.5%.
- Class C assets led the transaction count, accounting for 20 of the 25 deals. Properties built in the 1970s and 1980s made up the majority of trades, and nearly 70% of transactions involved assets below 100 units.

The median sale price for 2025 was \$134,900 per unit.

INVESTMENT TRENDS

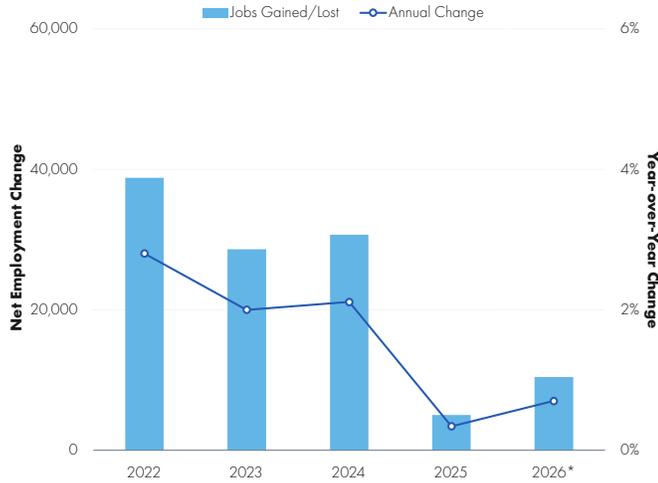


LOOKING AHEAD

Operational conditions in the Central Valley are expected to improve modestly in 2026, supported by a meaningfully thinner supply pipeline. With deliveries forecast to fall 35% from 2025, the market will face considerably less competition from new inventory than it has over the past year. That reduction in the competitive impact of new supply should allow vacancy to ease to 4.3% by the close of 2026. Rent growth is projected to firm up alongside vacancy improvement, with asking rents expected to grow 2.0%, marking the strongest annual increase since 2023. Class A assets in particular stand to benefit as the concentration of new deliveries subsides and elevated vacancy in that segment works off. On the demand side, employment growth is forecast to accelerate to roughly 10,000 net new jobs.

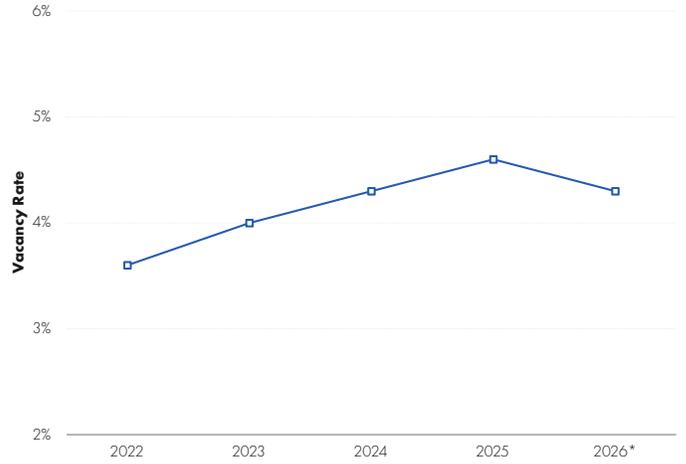
Investment activity in the Central Valley is positioned to strengthen in 2026. The fourth quarter’s closing momentum, combined with cap rate compression and an improving operational outlook, should support a more active investment sales market throughout the year. Buyers who moved early in 2025 on smaller, stabilized properties were well positioned, and these assets are likely to remain attractive as long as financing costs stay elevated and bid-ask spreads on larger deals remain wide. Fresno and San Joaquin are likely to remain the most active markets given their depth of inventory and demonstrated buyer interest, while Kern County could see increased attention. Cap rates are expected to hold in the mid-5% range near-term, with potential for modest compression in the back half of the year if the Federal Reserve resumes cutting interest rates.

EMPLOYMENT FORECAST



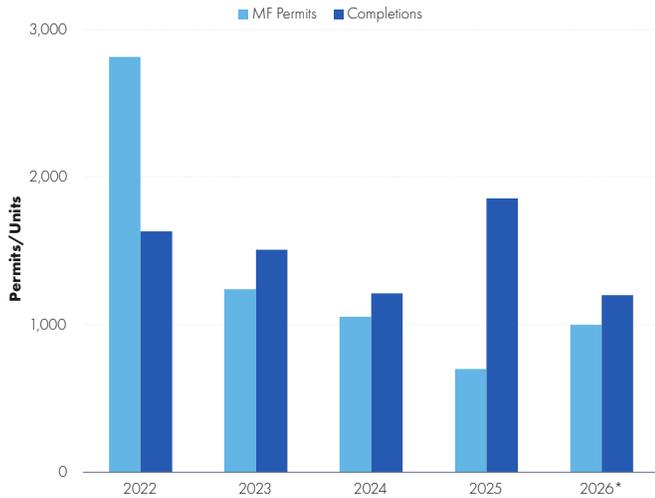
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

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



FOR MORE INFORMATION, PLEASE CONTACT

ROBIN KANE

Managing Director, Investment Sales
559.552.0040
rkane@northmarq.com

NATHAN PROUTY

Managing Director, Debt & Equity
415.433.0209
nprouty@northmarq.com

BRENDAN KANE

Senior Vice President, Investment Sales
559.552.0041
bkane@northmarq.com

BRIANA DEHAAN

Senior Vice President, Debt & Equity
415.433.8840
bdehaan@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

JOHN SALTER, *Research Analyst* | 602.508.2231 | jsalter@northmarq.com

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