

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q4 2025

Increased leasing activity with renewed demand and shifting interest

▲ 5.8%
Vacancy Rate

▼ (183K)
Sq. Ft. Net Absorption

► 0M
Sq. Ft. Under Construction

▲ \$1.91
NNN / Lease Rate
Existing Properties

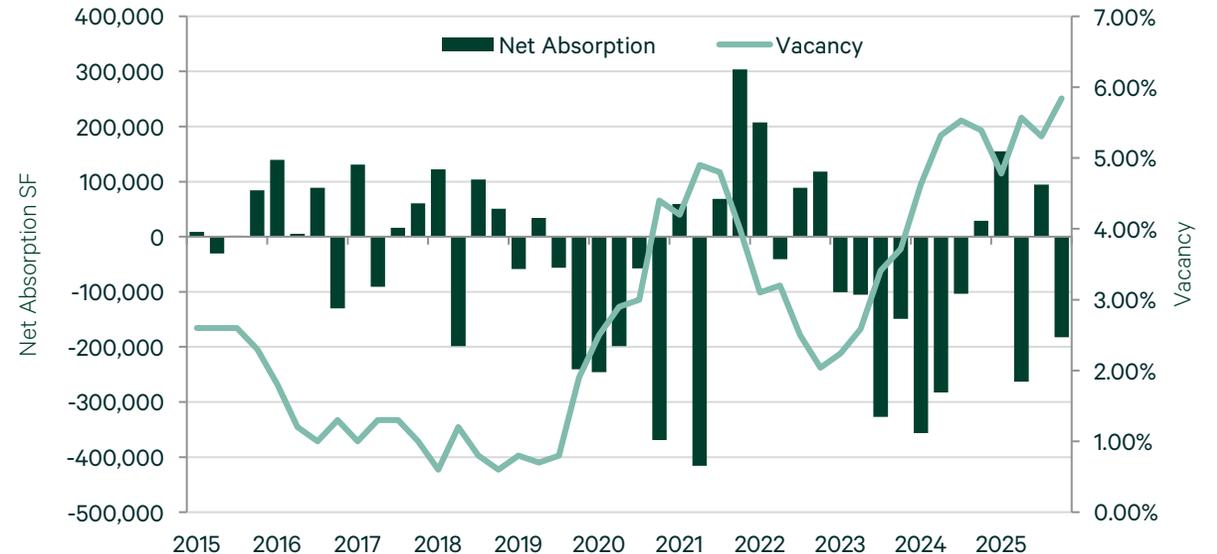
▼ 3.7%
Unemployment Rate
San Mateo County

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- San Mateo County’s labor force increased to 448,200 with 431,600 employed residents at the close of Q4 2025. The unemployment rate closed the quarter at 3.7%, a 2-basis-point (bps) increase year-over-year (YoY), and a 2-bps decrease since Q3 2025.
- The San Francisco Peninsula industrial market had negative 182,607 square feet (sq. ft.) of net absorption during Q4 2025. The year closed with a total of negative 196,971 sq. ft. of net absorption.
- The average monthly direct asking rate along the San Francisco Peninsula increased by \$0.07 YoY ending 2025 at \$1.91 on a weighted monthly Net Net Net (NNN), direct basis. Warehouse and manufacturing space averaged \$1.87 and \$2.09, respectively.
- There was approximately 750,000 sq. ft. of active industrial tenant demand at the end of 2025. About 75.0% of these requirements were for 50,000 sq. ft. or less and around 36.9% of the demand was from the Automotive industry. The automotive industry also contributed a majority of the leasing volume and accounted for 21.2% of the top 15 deals.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial market-wide availability increased by 21 bps from Q4 2024 to 7.7% in Q4 2025. Overall vacancy increased by 45 bps YoY to 5.8% at the end of 2025. The increase in both metrics has created a new 10+ year historic high for the San Francisco Peninsula but still remains relatively low compared to the other Northern California markets.

Multiple new building vacancies led Menlo Park to being the largest contributing submarket to negative absorption while East Palo Alto had the most positive total absorption. The largest single building contributor to occupancy loss in Q4 2025 was 1635 Rollins Rd in Burlingame. The entire 56,899-sq. ft warehouse and office sublease space was vacated.

The largest lease signed during the quarter was done at 175 Sylvester Rd in South San Francisco. A confidential tenant leased the entire 75,000-sq. ft. warehouse. Leasing activity totaled just under 545,000 sq. ft. during the quarter, bringing the 2025 total to over 1.8 million sq. ft. of gross leasing. This marked the highest annual leasing volume since 2022. Most of the deal activity in Q4 2025 was for warehouse space and predominantly took place in North San Mateo County. About 59.5% of lease transactions in the quarter were for 10,000 sq. ft. or less. There was a noticeable increase in touring, lease, and sale activity in the second half of the year with a focus on power and parking availability.

The overall San Francisco Peninsula published asking rates had minor fluctuations in 2025. The 3.9% YoY rate increase was on par with the CPI's average inflation rate of 2.71% since Q4 2024. There has been noticeable interest in traditional industrial space from non-industrial tenants such as R&D AI hardware users. The revival in R&D demand has discouraged landlords from decreasing their asking rates despite the increase in vacancy and availability.

Capital market activity in the San Francisco Peninsula concluded 2025 with over 1.5 million sq. ft. of industrial product traded at approximately \$200 million in total transactions. The most notable sale in Q4 2025, and the largest sale in both size and price in 2025, was Crocker Industrial Park in Brisbane. Prologis acquired the nearly 1 million sq. ft. 11 building warehouse portfolio for \$314.5 million or \$333.73 per sq. ft. from CalSTRS.

The Federal Reserve ended the year with a 25-bps rate cut. The third consecutive cut in 2025 brought the federal fund rate to 3.64% at the end of Q4 2025, the lowest level since Q4 2022. Treasury yields eased more moderately. The 10-year treasury yield ended the year at 4.2% (December 31, 2025). Despite a more conservative approach, rate cuts improved investor sentiment in 2025.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Current Net Absorption	YTD Net Absorption
				Mfg.	Whs.		
Daly City	1,188,901	0.0%	0.0%	1.55	1.57	0	0
Brisbane	4,497,708	4.8%	4.8%	1.55	1.75	(71,827)	115,954
South San Francisco	15,432,759	6.7%	7.8%	1.25	1.76	19,531	(146,982)
San Bruno	316,342	0.3%	0.3%	0.00	1.90	0	(1,000)
Millbrae	110,582	19.6%	19.6%	1.88	1.90	0	0
Burlingame	4,022,071	6.0%	12.2%	1.83	1.89	(41,359)	(36,124)
North County	25,568,363	5.9%	7.6%	1.39	1.79	(93,655)	(68,152)
San Mateo	615,780	6.0%	6.0%	2.14	2.02	1,898	4,750
Foster City	21,600	90.7%	90.7%	2.05	2.05	0	0
Belmont	575,510	0.8%	0.8%	2.18	2.15	(1,272)	4,971
San Carlos	2,686,301	4.8%	7.1%	2.17	2.10	(5,440)	(47,958)
Redwood City	3,021,259	4.5%	8.0%	2.04	2.23	2,691	29,165
Central County	6,920,450	4.7%	7.1%	2.14	2.17	(2,123)	(9,072)
Menlo Park	1,741,151	11.1%	11.1%	2.16	2.18	(95,129)	(127,352)
Palo Alto/East PA	1,323,265	3.0%	3.0%	1.58	2.20	8,300	7,605
South County	3,064,416	7.6%	7.6%	2.05	2.17	(86,829)	(119,747)
Total Market	35,553,229	5.8%	7.5%	\$1.91		(182,607)	(196,971)
Manufacturing	5,846,722	5.8%	6.8%	2.09	N/A	(77,946)	(160,681)
Warehouse	29,706,507	5.9%	7.6%	N/A	1.87	(104,661)	(36,290)

Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

Tenant	Address	SF Leased	Type
Confidential	175 Sylvester Rd, South San Francisco	74,562	New Lease
Room and Board Inc.	450 454 Valley Dr, Brisbane	63,775	Renewal
Minnesota Street Project Art Storage	1535 Rollins Rd, Burlingame	52,000	New Lease
Forward Logistics	238 Lawrence Ave, South San Francisco	40,420	Sublease
San Francisco Opera Association	826 840 Burlway Rd, Burlingame	35,055	Renewal

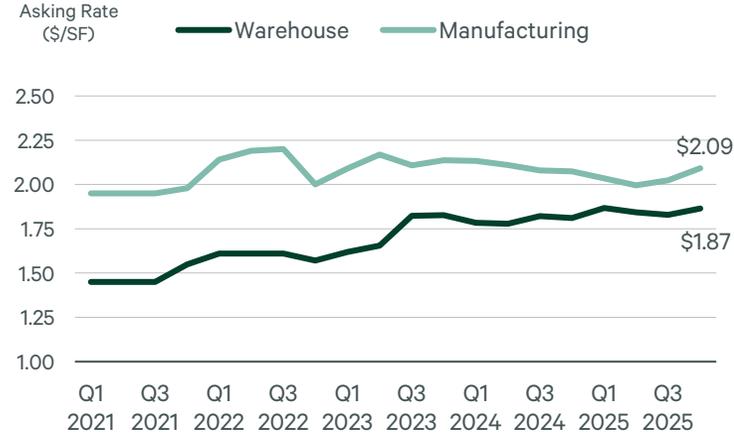
Source: CBRE Research, Q4 2025

FIGURE 4: Notable Sale Transactions Q4 2025

Buyer	Address	Bldg. SF	Sale Price/\$PSF
Prologis	Crocker Industrial Park, Brisbane	942,372	\$314.5M \$333
Lift Partners	100 Utah Ave, South San Francisco	117,500	\$31.8M \$270
Private Trust	339 Harbor Way, South San Francisco	60,066	\$19.5M \$324
Terreno Realty	250 S Maple Ave, South San Francisco	18,245	\$5.5M \$304
Private Trust	855-857 Malcolm Rd, Burlingame	18,200	\$7.5M \$415

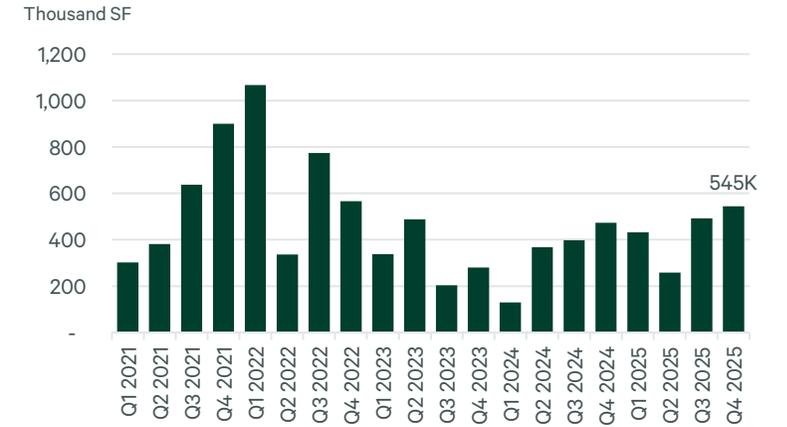
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates



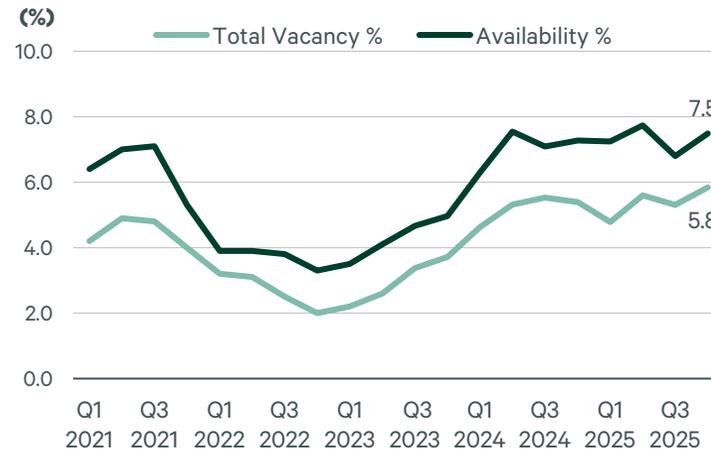
Source: CBRE Research, Q4 2025

FIGURE 7: Gross Absorption



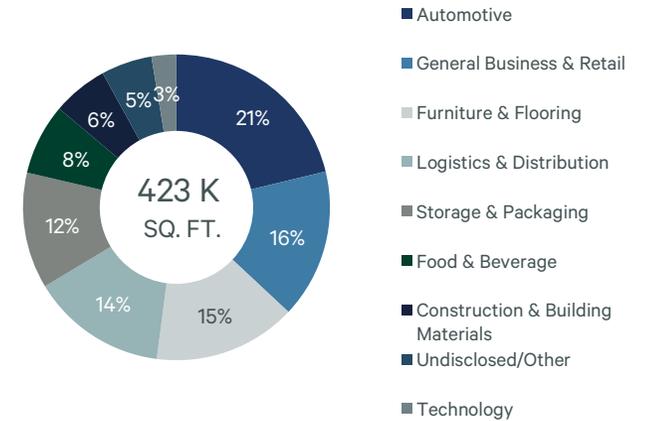
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



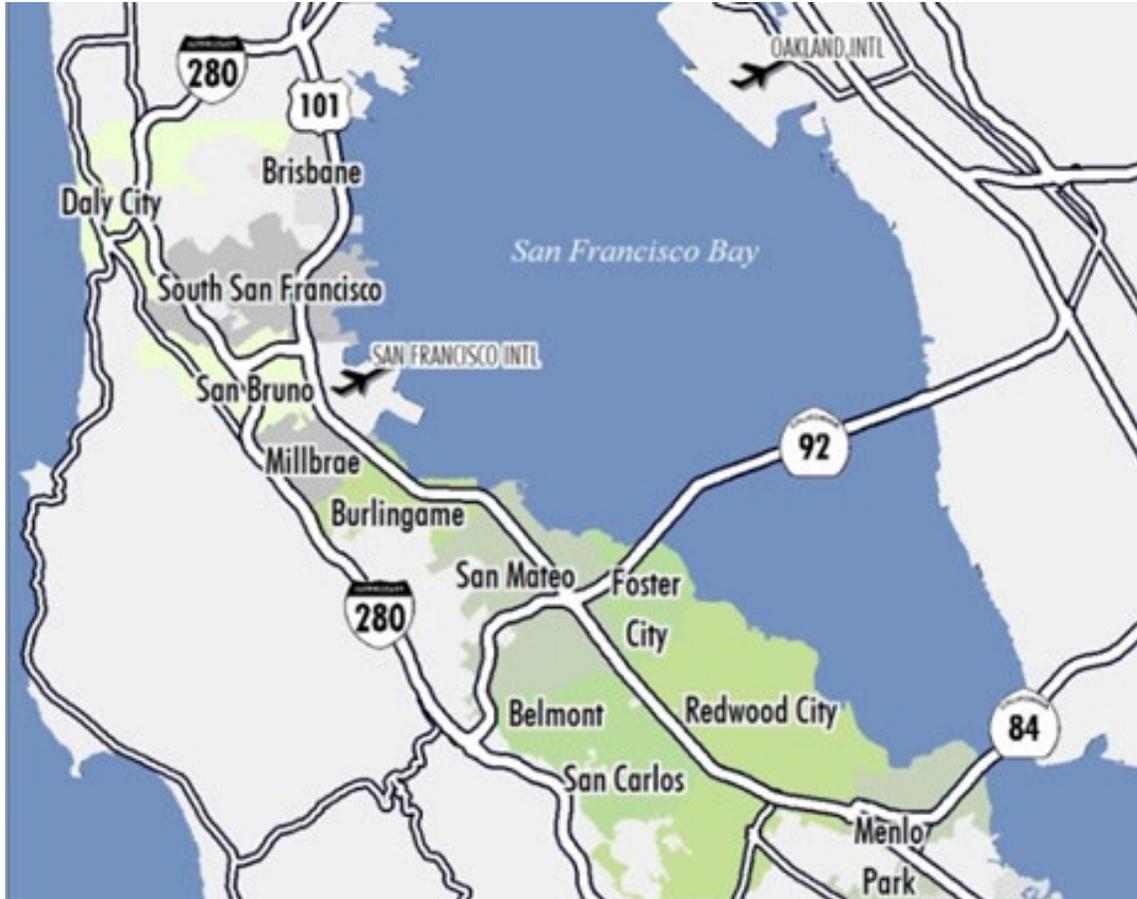
Source: CBRE Research, Q4 2025

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2025

Submarket Map



Source: CBRE Research, Location Intelligence

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.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ 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.

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