

Leasing activity remained strong amid continued vacancy increases

▲ 23.8%

Vacancy Rate

▼ (93K)

Sq. Ft. Net Absorption

▲ 39K

Sq. Ft. Under Construction

▼ \$6.60

Full-Service Gross / Lease Rate Existing Properties

▼ 3.7%

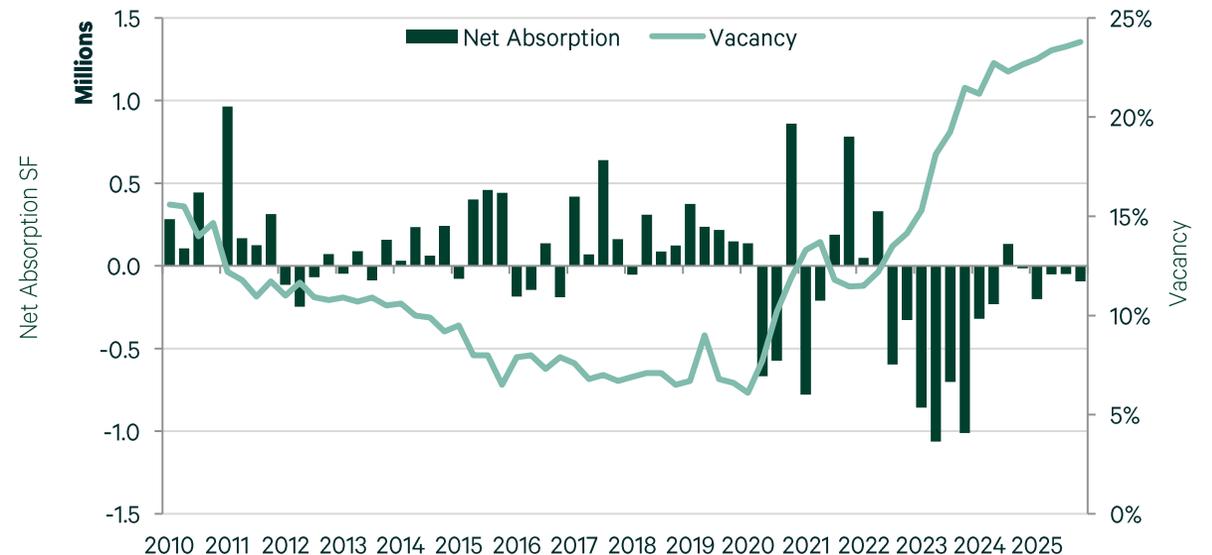
Unemployment Rate San Mateo County

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 average direct asking rate along the San Francisco Peninsula decreased for a second quarter in a row to \$6.60 on a monthly full-service gross (FSG), basis.
- Tracked office/R&D demand closed Q4 2025 with around 4.0 million sq. ft of active demand across 70 requirements, a slight increase from Q3 2025.
- Mecah Ventures began construction on Parallel on Claremont at 435 E 3rd St in San Mateo. The Project is expected to deliver 38,812 sq. ft. to the market in 2027 and is the only office development to break ground in 2025. There were no office deliveries in Q4 2025.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

OFFICE OVERVIEW

The San Francisco Peninsula office market recorded a slight drop in availability and a rise in vacancy rates in Q4 2025. Total availability decreased to 26.0% and overall vacancy increased to 23.8%.

The increase in vacancy and resulting negative absorption was concentrated in Central County. Redwood City was the largest contributor to negative absorption with negative 403,376 sq. ft. 300 Oracle Parkway in Redwood City was vacated by Oracle, adding over 316,000 sq. ft. of vacancy to the market.

Palo Alto and Burlingame experienced notable gains in net absorption, supported by large lease transactions. Palo Alto’s activity was led by xAI’s 103,378 sq. ft. lease at Stanford Research Park. Burlingame also performed well, landing two of the quarter’s largest leases, both signed at 220 Park. Redwood City registered the largest annual loss which was largely attributable to the aforementioned Oracle Project.

Leasing activity remained strong this quarter, with total volume surpassing 1.0 million sq. ft. (msf). This marks the second consecutive quarter of activity exceeding 1.0 msf. Class A product accounted for 65% of all leasing, a shift from recent quarters, where Class B and C accounted for roughly 50% of total leasing volume. Leasing activity was also broadly distributed, with six submarkets each recording more than 100,000 sq. ft. of transactions.

The average direct asking rate along the San Francisco Peninsula declined slightly quarter-over-quarter, decreasing by \$0.07 to \$6.60 per month on a full-service gross (FSG) basis. Multiple premium spaces were leased during the quarter, reducing the overall availability of quality spaces on the market.

A handful of investment sales closed in the San Francisco Peninsula office market this quarter. SC Properties and Divco West each expanded their office portfolios with new acquisitions. Divco West purchased 1991 Broadway in Redwood City for \$470 per sq. ft., while SC Properties acquired 1840 Gateway Drive in San Mateo for \$236 per sq. ft.

Despite occupancy losses, leasing activity at quality, well-positioned assets remained strong in 2025.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Direct Asking Rate (\$)	Q4 Net Absorption	YTD Net Absorption
Daly City/Brisbane	1,129,052	10.7	10.7	3.81	47,161	59,336
Class A	619,193	13.2	13.2	4.25	45,785	65,901
South San Francisco	1,787,854	23.3	25.9	4.32	1,521	(46,703)
Class A	1,076,074	31.7	35.9	4.50	1,521	(47,278)
San Bruno/Millbrae	1,264,622	6.2	7.6	3.65	(4,417)	(12,684)
Class A	301,582	0.0	5.8	6.25	0	0
Burlingame	3,644,593	17.6	23.1	6.06	119,535	(238,648)
Class A	1,454,457	32.2	32.6	8.52	113,930	(259,284)
North County	7,826,121	16.1	19.4	4.98	163,800	(238,699)
San Mateo	8,319,721	21.0	23.3	5.19	(29,391)	(67,503)
Class A	4,557,656	20.2	22.4	6.56	(16,699)	(77,782)
Foster City	2,268,058	31.6	31.9	5.01	21,147	(101,339)
Class A	1,916,555	26.5	26.8	6.06	22,915	8,588
Belmont/San Carlos	1,234,440	27.0	27.0	6.32	4,243	189
Class A	451,455	49.9	49.9	7.87	4,243	(878)
Redwood City/Redwood Shores	7,457,578	43.0	44.4	6.10	(403,376)	(440,552)
Class A	5,001,963	49.1	50.4	6.40	(312,508)	(274,099)
Central County	19,279,797	31.1	32.7	5.74	(407,377)	(609,205)
Menlo Park	5,631,081	18.6	20.2	10.03	(619)	(39,586)
Class A	3,333,866	20.6	21.8	12.51	11,141	(53,274)
Palo Alto/East Palo Alto	7,975,879	17.2	20.3	9.14	151,248	490,439
Class A	4,604,799	20.5	24.6	10.10	33,908	265,668
South County	13,606,960	17.8	20.3	9.43	150,629	450,853
Total Market	40,712,878	23.8	26.0	6.60	(92,948)	(397,051)
Class A	23,317,600	28.5	30.5	7.48	(95,764)	(372,438)

Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

Tenant	Address	Sq. Ft. Leased	Type
Roblox	2950 S Delaware, San Mateo	112,995	New Lease
xAI	1510 Page Mill Rd, Palo Alto	103,378	New Lease
Confidential	Brisbane	91,486	Expansion
Upstart	220 Park, Burlingame	53,319	New Lease
Paul Hastings	1991 Broadway St, Redwood City	45,336	New Lease

Source: CBRE Research, Q4 2025

FIGURE 4: Notable Sale Transactions Q4 2025

Buyer	Address	Sq. Ft. Sold	Sale Type
SC Properties	1840 Gateway Dr, San Mateo	68,974	Investment
DivcoWest	1991 Broadway St, Redwood City	66,000	Investment
Bridgeton Holdings	260 Sheridan Dr, Palo Alto	47,768	Investment
Cresset Capital Management	4030 Fabian Way, Palo Alto	15,640	Investment

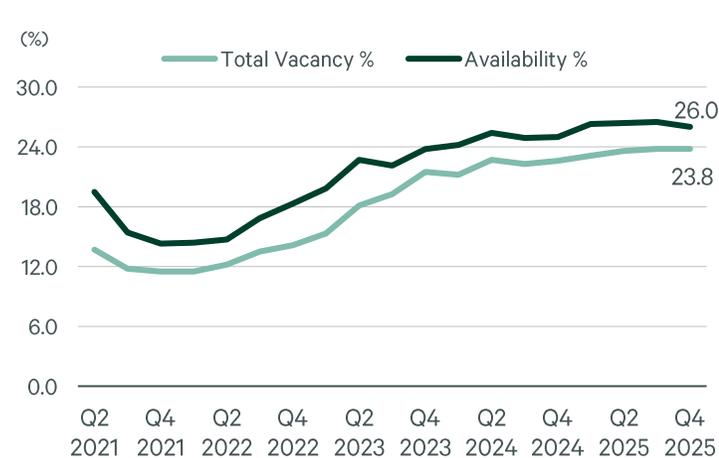
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates



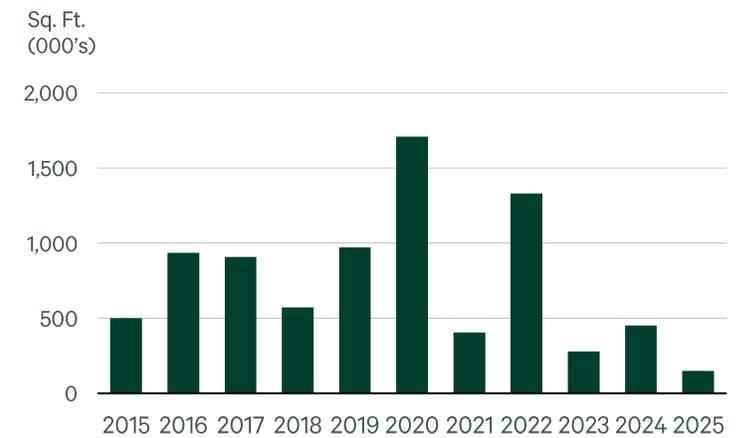
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



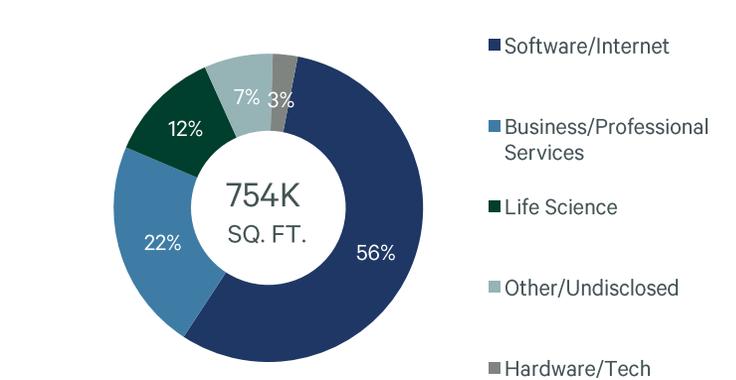
Source: CBRE Research, Q4 2025

FIGURE 7: Construction Completions



Source: CBRE Research, Q4 2025

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2025

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Annual Lease Rates, Full Service Gross. 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 Office buildings that total 10,000+ 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

Wilson Fields
 Field Research Analyst
 Wilson.fields@cbre.com

Emiko Akama-Garren
 Senior Field Research Analyst
 +1 650 494 5180
 emiko.akamagarren@cbre.com

Giovanni Giannotta
 Research Manager
 +1 408 790 5410
 giovanni.giannotta@cbre.com

San Francisco Peninsula Office
 400 Hamilton Ave, 4th floor
 Palo Alto, CA 94031

© Copyright 2026 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE's Global Chief Economist.