Automotive sector drives leasing momentum amid occupancy headwinds

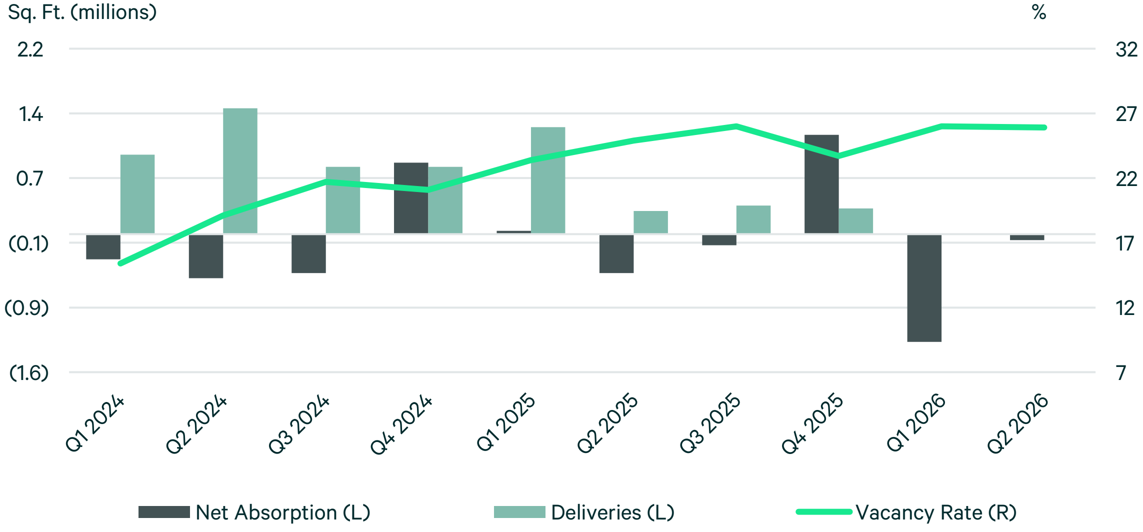
▼25.9%	▲(72,288)	▶0	▶0	▼$5.50
Vacancy Rate	Sq. Ft. Net Absorption	Sq. Ft. Construction Delivered	Sq. Ft. Under Construction	NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- The San Francisco Peninsula R&D/Life Science market was relatively flat in Q2 2026. Large occupancy gains were offset by large vacancies, and Life Science properties continued to convert to office.
- Net absorption ended at negative 72,288 square feet (sq. ft.) in Q2 2026, driven primarily by a large vacancy in Redwood City.
- Vacancy decreased 10 basis points (bps) quarter-over-quarter (QoQ) from 26.0% to 25.9%, while availability decreased from 28.5% to 27.7%.
- Asking rents decreased to $5.50 per sq. ft. on a monthly, direct, triple-net (NNN) basis.
- Active tenant demand stood at approximately 4.3 million sq. ft. at quarter-end, which is up slightly from 4.2 million sq. ft. at the end of Q1 2026. Life science requirements accounted for roughly 57.0% of total sq. ft.
- Leasing activity ended at nearly 973,000 sq. ft. A single transaction accounted for approximately 36.0% of the overall volume.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



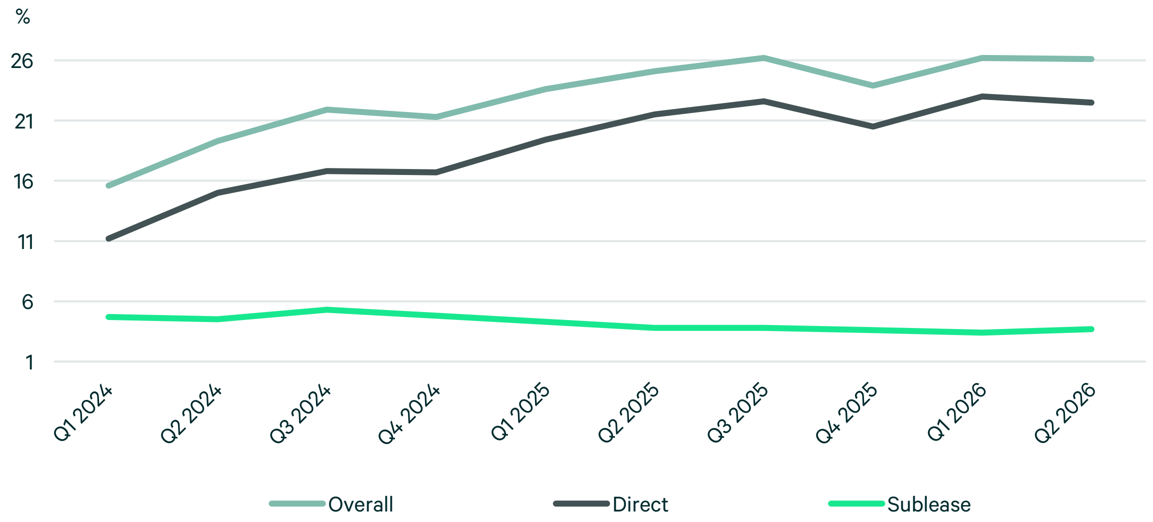
Source: CBRE Research, Q2 2026

Vacancy

In Q2 2026, the market's overall vacancy rate was 25.9%, with direct vacancy at 22.3% and sublease vacancy at 3.5%. Overall vacancy decreased by 10 bps QoQ from 26.0% in Q1 2026, while direct vacancy declined by 50 bps from 22.8%. On a year-over-year (YoY) basis, overall and direct vacancy were each 100 bps higher than in Q2 2025, and sublease vacancy was 10 bps lower. Life Science vacancy ended at 35.3%, which is 80 bps higher QoQ. Conversely, traditional R&D vacancy ended at 13.3%, which is a decrease from Q1 2026's 14.7%.

At the submarket level in Q2 2026, Foster City recorded the lowest overall vacancy at 4.1%, followed by Palo Alto/East Palo Alto at 18.1%, while San Mateo posted the highest overall vacancy at 63.8%. Sublease vacancy increased by 30 bps QoQ, from 3.2% in Q1 2026 to 3.5% in Q2 2026, and vacant sublease space across the major submarkets totaled 1.5 million sq. ft.

Figure 2: Vacancy Rate



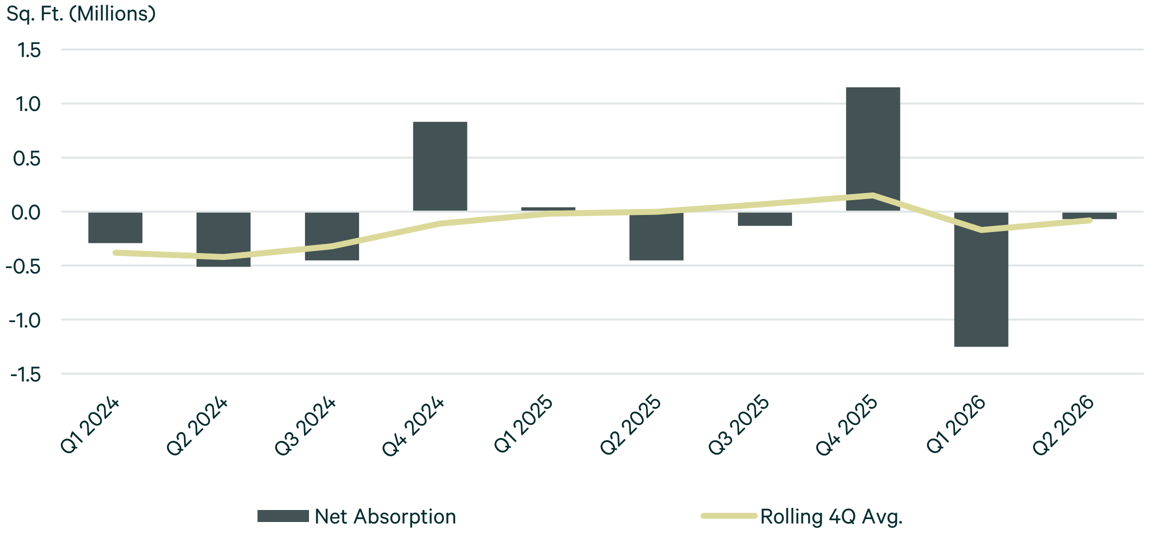
Source: CBRE Research, Q2 2026

Net Absorption

In Q2 2026, the market recorded total net absorption of negative 72,000 sq. ft. This result exceeded the negative 1.3 million sq. ft. registered in Q1 2026 on a QoQ basis. YoY, net absorption also exceeded the negative 446,000 sq. ft. posted in Q2 2025. The rolling four-quarter average net absorption stood at negative 77,500 sq. ft. in Q2 2026, compared with negative 171,000 sq. ft. in Q1 2026. Life Science properties accounted for negative 322,000 sq. ft., while non-Life Science R&D properties posted 250,000 sq. ft. of net absorption.

At the submarket level, Palo Alto/East Palo Alto recorded the highest positive net absorption at 309,000 sq. ft., followed by South San Francisco at 34,000 sq. ft. The largest occupancy gain for the quarter occurred in Stanford Research Park, where General Motors leased four buildings in the same project that was vacated last quarter. San Bruno/Millbrae also posted positive net absorption of 3,000 sq. ft. On the downside, Redwood City/Redwood Shores registered the most negative net absorption at negative 364,000 sq. ft. This occupancy loss is largely attributed to a previously available campus totaling 263,000 sq. ft.

Figure 3: Net Absorption Trend



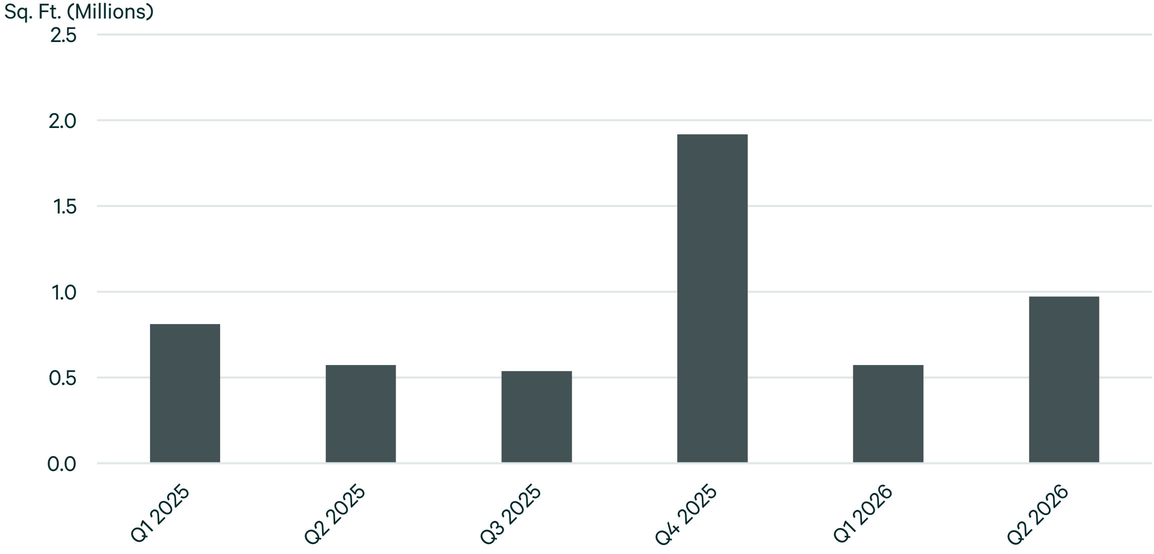
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity in Q2 2026 totaled 973,000 sq. ft., while total leasing activity in Q1 2026 was 573,000 sq. ft. This brought year-to-date leasing volume to 1.5 million sq. ft., which is an increase from H1 2025's 1.4 million sq. ft. Automotive and Life Science companies accounted for 82.9% of total leasing during Q2 2026. Automotive companies (Rivian and GM) were the only two deals signed for 100,000+ sq. ft. New leases equated to 75.7% of volume.

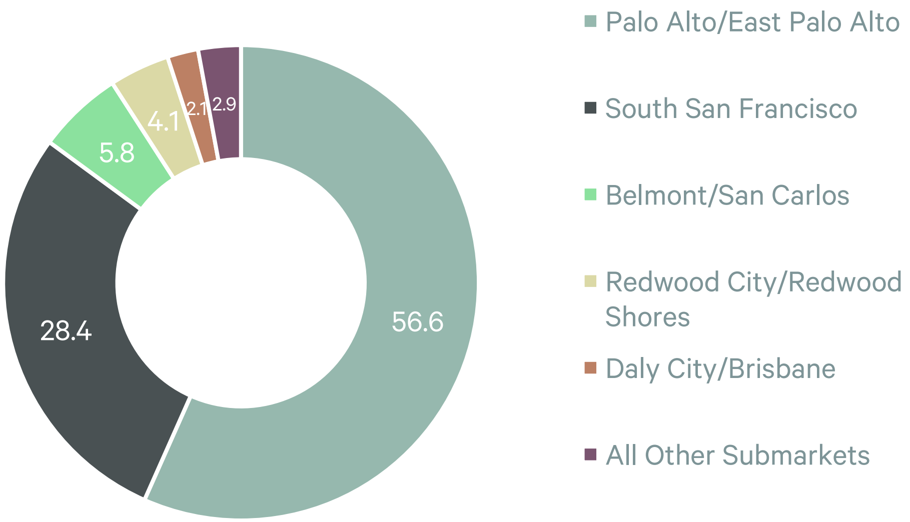
Palo Alto/East Palo Alto posted the highest leasing activity at 551,000 sq. ft., followed by South San Francisco at 277,000 sq. ft. Positive but smaller volumes were recorded across Belmont/San Carlos (56,000 sq. ft.), Redwood City/Redwood Shores (40,000 sq. ft.), Daly City/Brisbane (21,000 sq. ft.), Menlo Park (16,000 sq. ft.), Burlingame (10,000 sq. ft.), and San Bruno/Millbrae (3,000 sq. ft.).

Figure 4: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 5: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
General Motors	350,356	New Lease	3431 Hillview Ave	Palo Alto
Rivian	108,931	Renewal	607 Hansen Way	Palo Alto
Armadin	57,000	New Lease	4001 Miranda Ave	Palo Alto
Olema Oncology	38,000	New Lease	365 Oyster Point Blvd	South San Francisco
T-Rex Bio	38,000	New Lease	269 E Grand Ave	South San Francisco
Confidential Tenant	29,000	New Lease	South San Francisco	South San Francisco

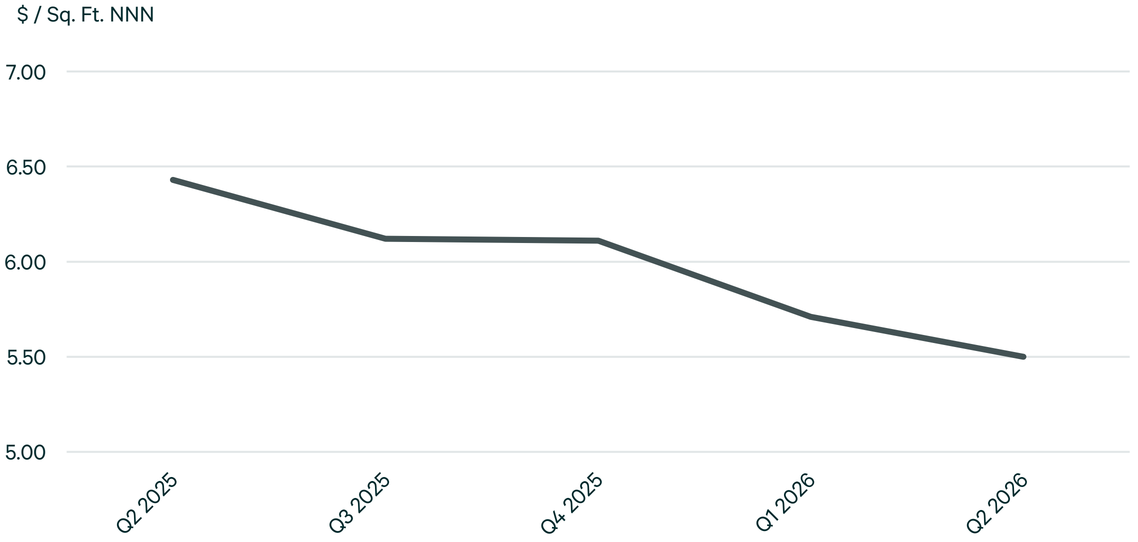
Source: CBRE Research, Q2 2026

Asking Rent

As of Q2 2026, the market-wide average direct asking rent is $5.50 per sq. ft. on a NNN basis, compared with $6.43 NNN in Q2 2025. QoQ, the Q2 2026 rate reflects a negative 3.7% move following a negative 6.6% decline in Q1 2026, while YoY it is negative 14.5%, deeper than the negative 13.2% recorded in Q1 2026. Life Science asking rates decreased $0.20 to $5.72 NNN, while R&D rates slightly increased by $0.02 to $3.88 NNN.

In Q2 2026, San Bruno/Millbrae and Burlingame posted the highest average asking rents at $6.22 and $6.01, both above the market-wide average of $5.50. South San Francisco at $5.79 and Daly City/Brisbane at $5.65 also priced above the market, while Belmont/San Carlos at $5.50 and Menlo Park at $5.31 sat close to the overall benchmark. Redwood City/Redwood Shores at $4.90, Palo Alto/East Palo Alto at $4.84, San Mateo at $4.21, and Foster City at $2.10 formed the lower-priced cohort within the region.

Figure 7: Average Direct, Monthly Asking Rate

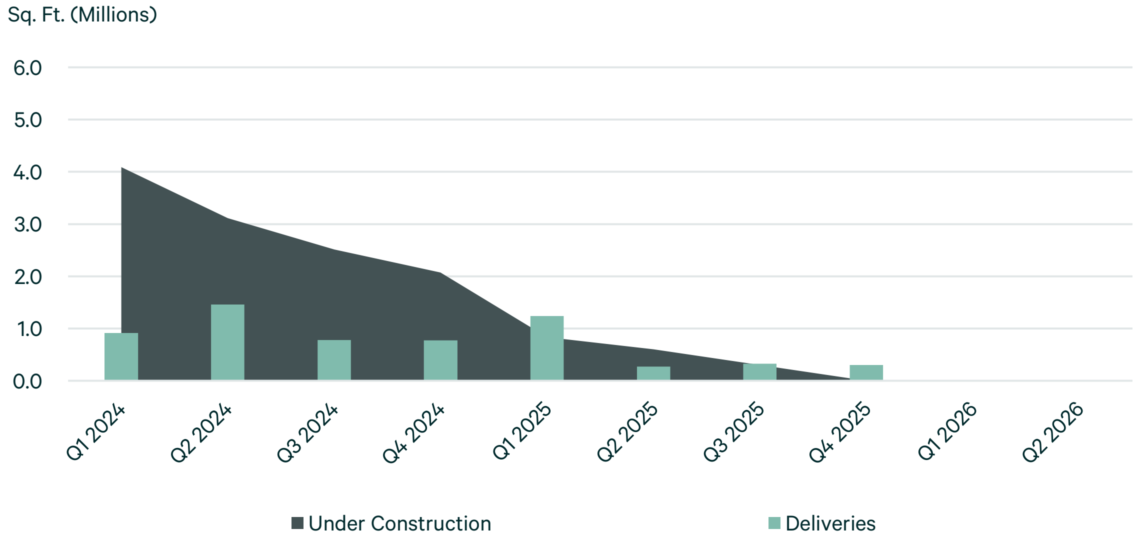


Source: CBRE Research, Q2 2026

Construction Activity

There was no construction activity this quarter, with under construction area at 0 sq. ft. and construction deliveries also at 0 sq. ft. in Q2 2026. A handful of landlords are considering repositioning life science assets to office.

Figure 8: Construction Activity



Source: CBRE Research, Q2 2026

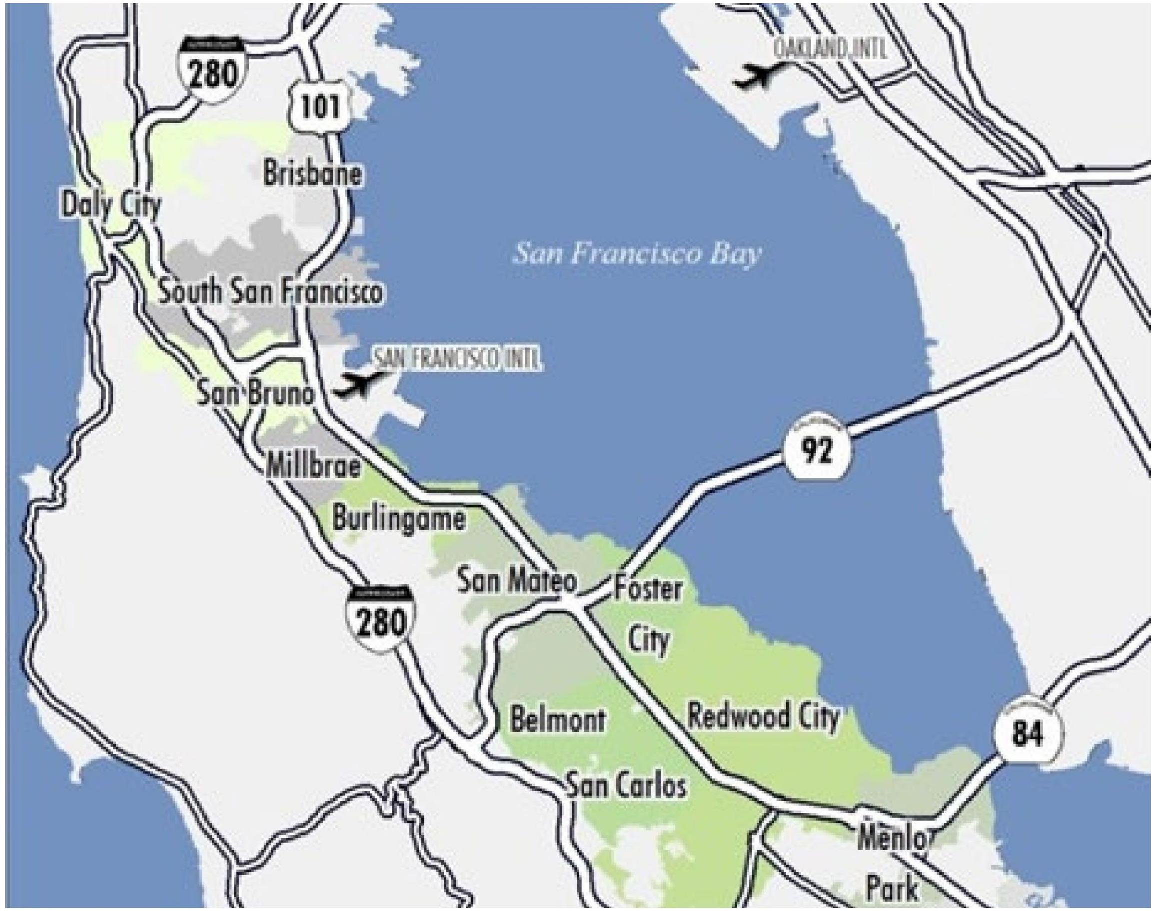
Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Belmont/San Carlos	4.75M	20.3	21.9	18.4	3.5	5.50	(27,000)	(44,000)	-	-
Burlingame	1.34M	38.9	48.6	40.2	8.4	6.01	(10,000)	(3,000)	-	-
Daly City/Brisbane	1.94M	37.6	41.3	27.1	14.2	5.65	(8,000)	(62,000)	-	-
Foster City	976,000	4.1	5.9	1.8	4.1	2.10	-	-	-	-
Menlo Park	3.29M	21.5	21.9	20.9	1.0	5.31	(1,000)	(131,000)	-	-
Palo Alto/East Palo Alto	10.92M	18.1	20.4	17.1	3.3	4.84	309,000	(604,000)	-	-
Redwood City/Redwood Shores	4.72M	24.8	25.6	21.3	4.2	4.90	(364,000)	(316,000)	-	-
San Bruno/Millbrae	994,000	63.7	64.4	55.6	8.8	6.22	3,000	4,000	-	-
San Mateo	679,000	63.8	63.8	59.2	4.6	4.21	(9,000)	2,000	-	-
South San Francisco	12.06M	29.9	31.4	26.8	4.5	5.79	34,000	(169,000)	-	-
Total	**41.67M**	**25.9**	**27.7**	**23.3**	**4.4**	**5.50**	**(72,000)**	**(1.32M)**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

CBRE's market report analyzes existing single- and multi-tenant R&D 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

Giovanni Giannotta

Research Manager
+1 408.790.5410
giovanni.giannotta@cbre.com