Market Regains Balance as Absorption Turns Positive

▼ 7.1%
Vacancy Rate

▲ 279,962
SF Net Absorption

▶ 0
SF Construction Delivered

▲ 166,835
SF Under Construction

▼ $1.21
NNN/MTH Direct Lease Rate

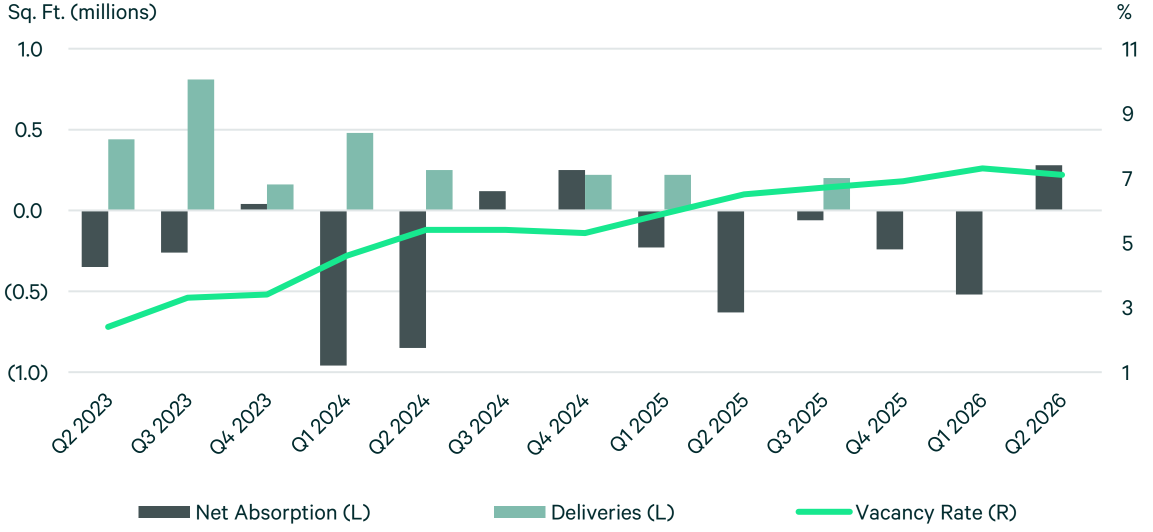
Note: Arrows indicate change from previous quarter.

Market Overview

In Q2 2026, the market recorded positive net absorption of 280,000 sq. ft., reversing the negative 517,000 sq. ft. in Q1 2026. The vacancy rate eased to 7.1% from 7.3%, a 2.7% decrease quarter-over-quarter, while availability declined from 8.9% to 8.3%, down 6.7% quarter-over-quarter. Compared with Q2 2025, vacancy rose from 6.5% to 7.1%, a 9.2% increase year-over-year, and availability increased from 7.8% to 8.3%, up 6.4% year-over-year. Average asking rates fell to $1.21 from $1.28, a 5.5% decrease quarter-over-quarter and a 9.7% decrease from $1.34 year-over-year, signaling weaker pricing alongside elevated vacancy.

Over the last 3 years, cumulative net absorption totals negative 3.4 million sq. ft., while deliveries reached 2.8 million sq. ft., highlighting sustained new supply against net occupancy losses. Under construction volume has contracted sharply from 1.9 million sq. ft. in Q2 2023 to 167,000 sq. ft. in Q2 2026 across 2 properties, indicating a significantly smaller future pipeline as the market works through higher vacancy and availability.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



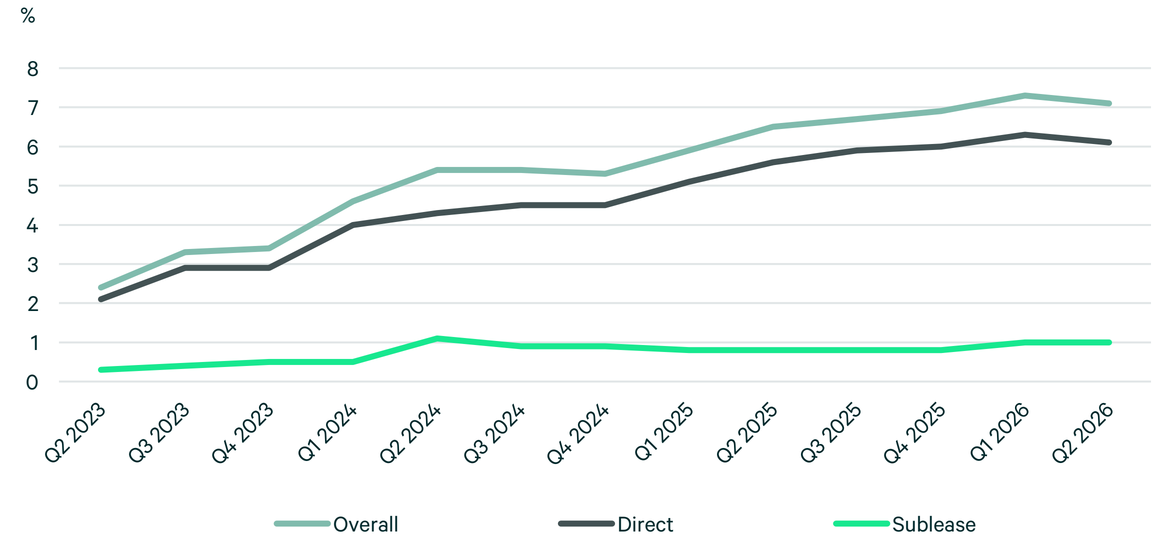
Source: CBRE Research, Q2 2026

Vacancy Rate

In Q2 2026, overall vacancy was 7.1%, with direct vacancy at 6.1% and sublease vacancy at 1.0%. Quarter-over-quarter, overall and direct vacancy changed by negative 20 basis points each from Q1 2026, while the sublease vacancy rate was unchanged. Year-over-year, overall vacancy increased 60 basis points from 6.5% in Q2 2025, direct vacancy rose 50 basis points from 5.6%, and sublease vacancy rose 20 basis points from 0.8%. Compared with Q2 2023, when overall, direct, and sublease vacancy were 2.4%, 2.1%, and 0.3%, the market has added 470, 400, and 70 basis points respectively over three years.

At the submarket level in Q2 2026, Berkeley recorded the lowest overall vacancy at 1.4%, followed by Union City at 3.8%. Alameda and San Lorenzo shared the highest overall vacancy at 11.0% each. Sublease availability across all submarkets totaled 1.2 million sq. ft. in Q2 2026.

Figure 2: Vacancy Rate



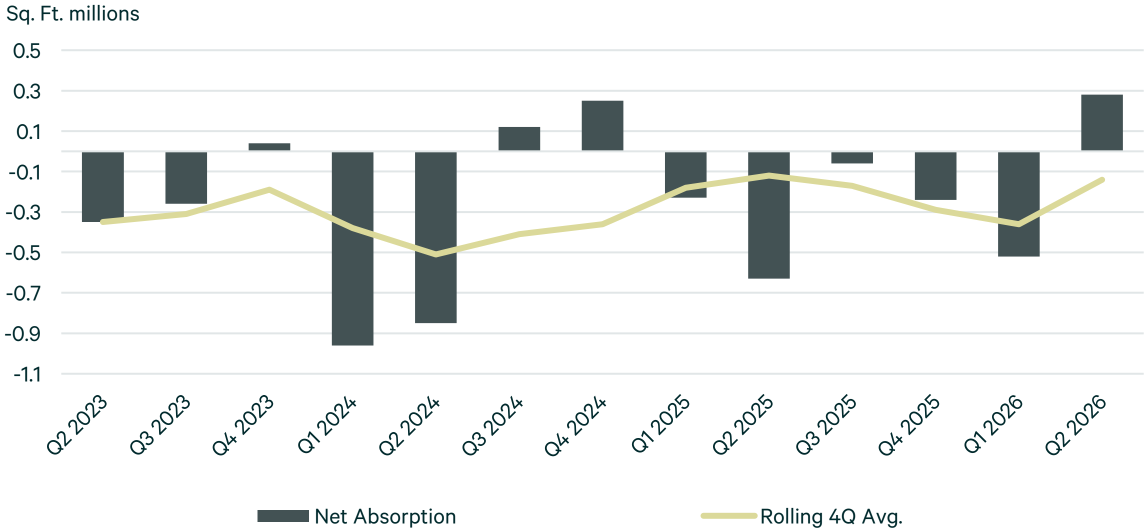
Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Q2 2026 was 280,000 sq. ft., a clear return to positive demand following negative readings through most of 2025 and early 2026. The Q2 total exceeded the negative 517,000 sq. ft. recorded in Q1 2026, reflecting a sharp quarter-over-quarter swing. On a year-over-year basis, it exceeded the negative 629,000 sq. ft. posted in Q2 2025, while the rolling four-quarter average improved to negative 135,750 sq. ft., up from negative 363,000 sq. ft. in Q1 2026.

At the submarket level, Hayward posted the highest positive net absorption in Q2 2026 at 313,000 sq. ft., with Richmond next at 131,000 sq. ft. Union City added 77,000 sq. ft. of positive net absorption and Berkeley contributed 18,000 sq. ft., rounding out the next tier of demand expansion. San Leandro recorded the most negative net absorption at negative 97,000 sq. ft., followed by Oakland at negative 91,000 sq. ft., underscoring where space was most heavily returned.

Figure 3: Net Absorption Trend



Source: CBRE Research, Q2 2026

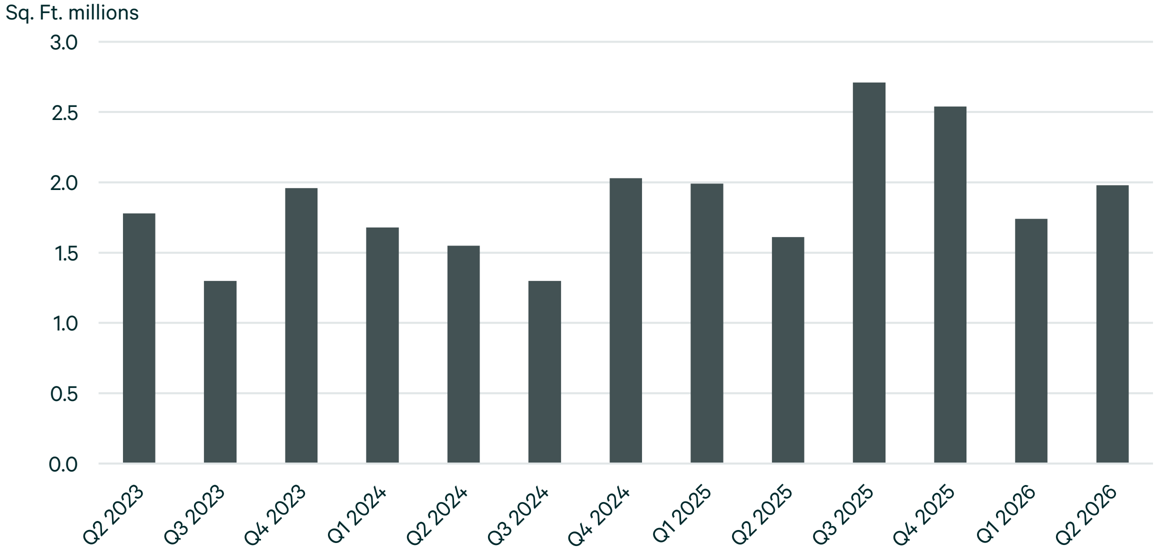
Leasing Activity

Leasing activity in Q2 2026 totaled 2.0 million sq. ft., while full-year 2025 volume reached 8.9 million sq. ft. The latest quarter represents a 13.7% increase quarter-over-quarter and 22.8% growth year-over-year, recovering part of the decline seen in Q1 2026, when activity dropped to 1.7 million sq. ft. with a negative 31.4% quarter-over-quarter and negative 12.5% year-over-year change.

By submarket, Hayward recorded the highest leasing volume at 1.3 million sq. ft., followed by Richmond at 203,000 sq. ft., making them the two strongest locations by leased area. Positive but more moderate activity was also noted in San Leandro (181,000 sq. ft.), Union City (153,000 sq. ft.), Oakland (77,000 sq. ft.), Berkeley (31,000 sq. ft.), and Emeryville (19,000 sq. ft.).

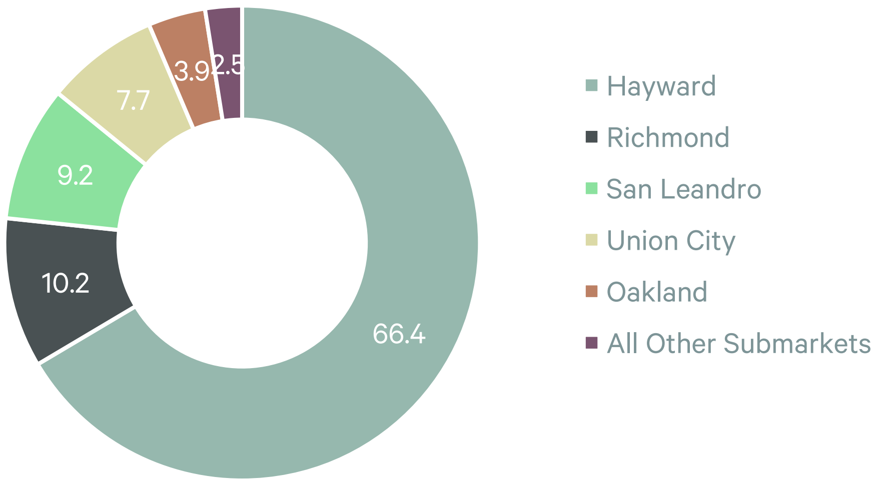
The current quarter's largest new leases are concentrated in the Hayward submarket, underscoring significant large-block activity there. One confidential tenant signed for 354,000 sq. ft. in Hayward, while MiTAC Information Systems committed to 237,000 sq. ft.. Together, these two transactions represent 591,000 sq. ft. of newly leased space in Hayward alone. For both occupiers and investors, this clustering of sizeable commitments highlights active demand for large footprints in this submarket, even though these deals reflect only the top three new leases rather than overall market leasing.

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
Confidential Tenant	354,000	New Lease	25500 Clawiter Rd	Hayward
MiTAC Information Systems	237,000	New Lease	30736-30750 Wiegman Rd	Hayward
MiTAC Information Systems	107,000	Renewal	2391-2399 W Winton Ave	Hayward
Alexander Moving and Storage	102,000	Renewal	3528 Arden Rd	Hayward
Basikwall	73,000	New Lease	30108-30118 Eigenbrodt Way	Union City
Skydio	64,000	New Lease	27211 Industrial Blvd	Hayward
Pacific Coast Logistix	51,000	Renewal	1600-1636 Pacific St	Union City

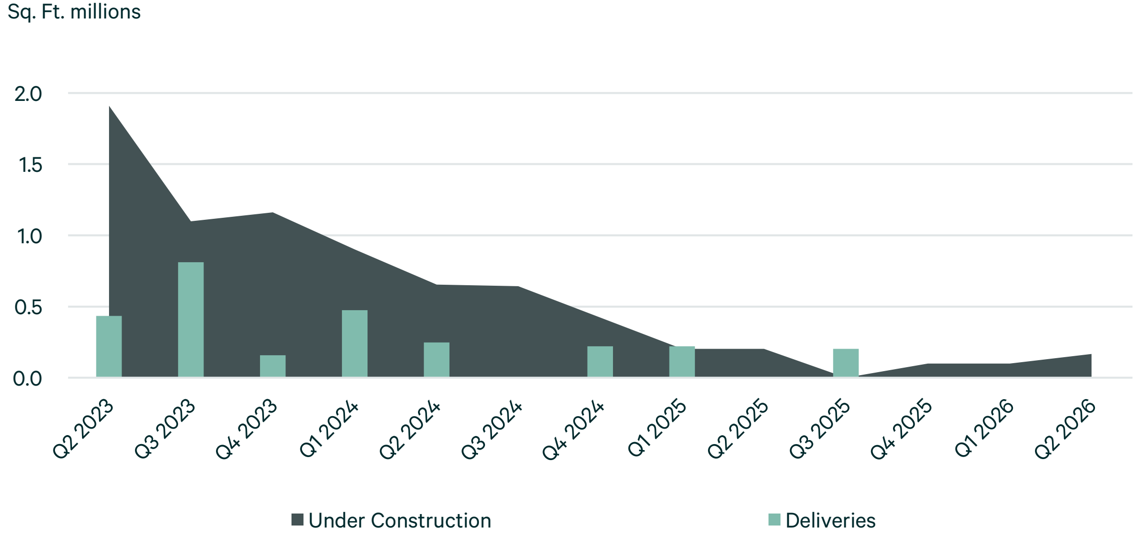
Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market had 167,000 sq. ft. under construction and no deliveries. Under construction volume increased 68.7% quarter-over-quarter but was negative 17.3% year-over-year, reflecting a sharp contraction from a peak of 1.9 million sq. ft. in Q2 2023. Construction deliveries have been intermittent, and Q2 2026 marked another quarter with no new space completed.

Hayward has the highest under construction activity, with the 99,000 sq. ft. Diablo Park project at 25375 Clawiter Rd, followed by San Leandro with the 67,000 sq. ft. facility at 1700 Doolittle Drive.

Figure 7: Construction Activity



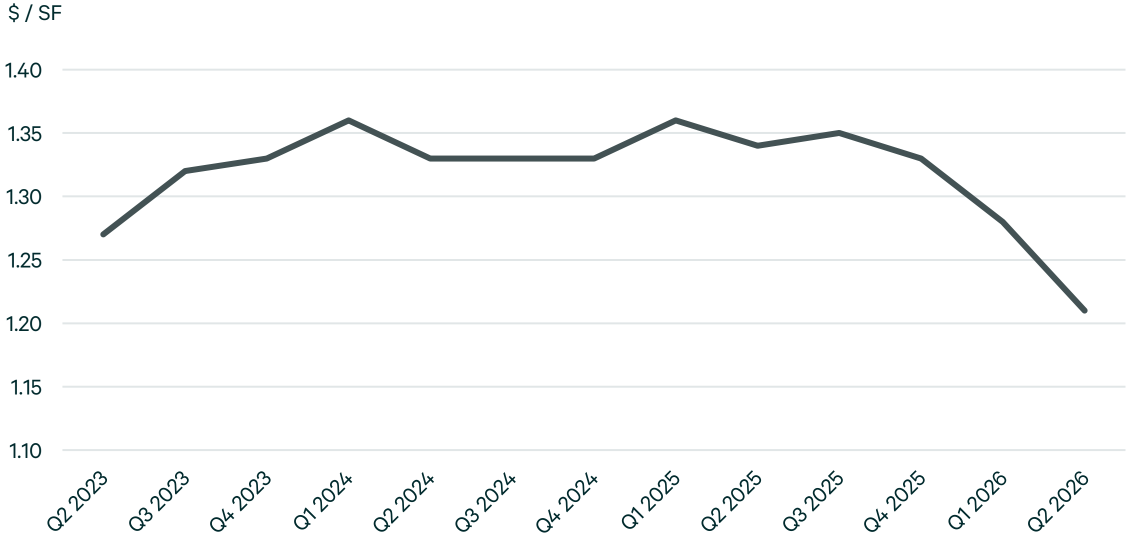
Source: CBRE Research, Q2 2026

Asking Rent

By Q2 2026, the market-wide average asking rent is $1.21, down from $1.28 in Q1 2026 and from the recent high of $1.36 reached in Q1 2024 and Q1 2025. The latest quarter reflects a negative 5.5% quarter-over-quarter change and a negative 9.7% year-over-year shift from $1.34 in Q2 2025. Over the full period from Q2 2023, average asking rents increased from $1.27 to $1.36 by early 2024, stayed in the $1.33–$1.36 range through 2025, and then moved lower to $1.28 in Q1 2026 and $1.21 in Q2 2026.

In Q2 2026, Berkeley records the highest average asking rent at $2.87, followed by Emeryville at $1.63. San Leandro has the lowest rate at $1.11, with Alameda and Richmond at $1.14, Oakland at $1.18, San Lorenzo at $1.25, Hayward at $1.26, and Union City at $1.31, indicating a rent span from just above $1.00 to nearly $3.00 across the submarkets.

Figure 8: Average Direct Asking Rate



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)
Alameda	3.59M	11.0	11.0	10.6	0.4	1.14	(89,000)	(108,000)	-	-
Berkeley	4.32M	1.4	1.4	1.2	0.3	2.87	18,000	14,000	-	-
Emeryville	2.13M	8.6	8.6	6.8	1.8	1.63	18,000	18,000	-	-
Hayward	35.62M	7.2	9.7	7.2	2.5	1.26	313,000	(53,000)	-	99,000
Oakland	30.58M	6.6	7.5	6.7	0.8	1.18	(91,000)	(124,000)	-	-
Richmond	12.83M	8.1	9.0	9.0	0.0	1.14	131,000	341,000	-	-
San Leandro	19.80M	9.1	9.8	7.6	2.2	1.11	(97,000)	(209,000)	-	67,000
San Lorenzo	1.10M	11.0	11.0	11.0	-	1.25	-	-	-	-
Union City	12.93M	3.8	4.8	4.0	0.8	1.31	77,000	(116,000)	-	-
Total	**122.90M**	**7.1**	**8.3**	**6.9**	**1.4**	**1.21**	**280,000**	**(237,000)**	**-**	**167,000**

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 10

Product Type	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)
Distribution/Logistics	90.77M	8.1	9.7	7.8	1.9	1.23	147,000	(467,000)	-	167,000
Manufacturing - General	32.13M	4.3	4.5	4.4	0.1	1.14	133,000	230,000	-	-
Total	**122.90M**	**7.1**	**8.3**	**6.9**	**1.4**	**1.21**	**280,000**	**(237,000)**	**-**	**167,000**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 11

Size Range	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)
Below 50K SF	39.36M	3.7	4.7	3.7	1.0	1.28	(45,000)	35,000	-	-
50K-99,999 SF	24.66M	6.8	8.1	6.7	1.4	1.24	41,000	(136,000)	-	167,000
100K-249,999 SF	39.63M	7.4	8.7	8.1	0.7	1.17	366,000	322,000	-	-
250K-499,999 SF	15.28M	11.2	13.0	10.9	2.1	1.16	(82,000)	(221,000)	-	-
500K-749,999 SF	3.99M	23.3	23.3	13.4	9.9	1.35	-	(237,000)	-	-
Total	**122.90M**	**7.1**	**8.3**	**6.9**	**1.4**	**1.21**	**280,000**	**(237,000)**	**-**	**167,000**

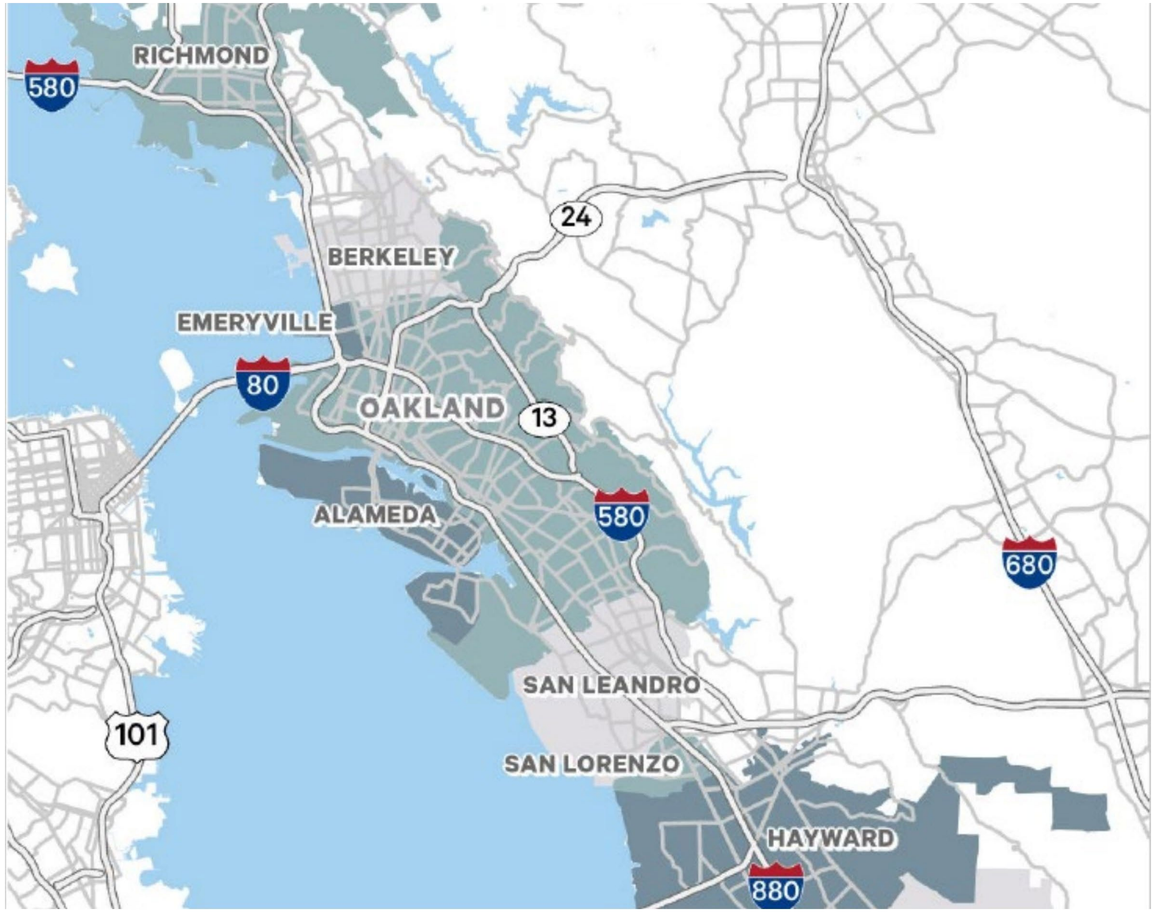
Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

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. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

[Insert survey Criteria here. Contact your manager for specific criteria]

Contacts

Konrad Knutsen
Research Director
+1 9164468292
konrad.knutsen@cbre.com

Paul Magoria
Research Manager
+1 5108741912
paul.magoria@cbre.com

Vikram Narula
Research Analyst
+1 5108741924
vikram.narula@cbre.com

Oakland Office
1111 Broadway, Suite 1850
Oakland, CA 94607