

Increased leasing activity with renewed demand and shifting interest

▼ 5.4%
Vacancy Rate

▲ 190K
Sq. Ft. Net Absorption

▶ 0M
Sq. Ft. Under Construction

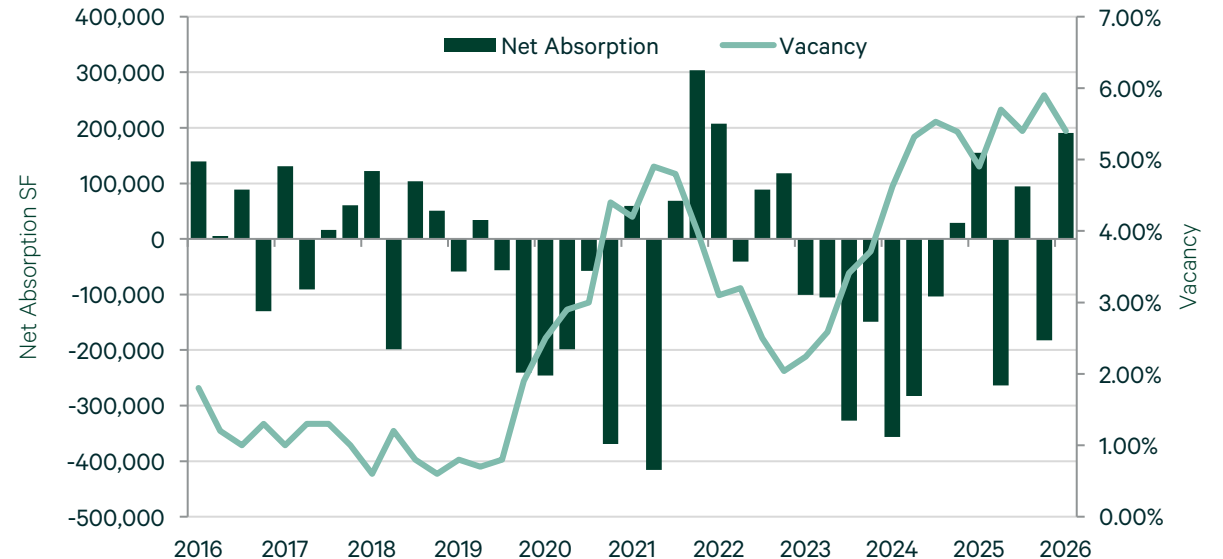
▲ \$1.99
NNN / Lease Rate
Existing Properties

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Net absorption turned positive at 190,000 sq. ft., a 373,000 sq. ft. improvement from the negative 183,000 sq. ft. in Q4 2025 and 35,000 sq. ft. above Q1 2025.
- Vacancy decreased quarter-over-quarter (QoQ) by negative 50 basis points, from 5.9% to 5.4%, but remained 50 basis points higher year-over-year (YoY).
- Availability in Q1 2026 increased 0.2 percentage points from Q4 2025 and 0.6 points year-over-year.
- Even as absorption improved, average asking rents in Q1 2026 were 5.7% lower quarter-over-quarter and 5.5% lower year-over-year.
- There was approximately 1.28 million sq. ft. (msf) of active industrial tenant demand at the end of Q1 2026, which is above the trailing-twelve-month (TTM) average of 940,000 sq. ft. About 86.0% of these requirements were for 100,000 sq. ft. or less. Technology companies comprised around 30.0% of the demand.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2026

INDUSTRIAL OVERVIEW

The market posted positive 190,000 sq. ft. of net absorption in Q1 2026, exceeding the 155,000 sq. ft. total from Q1 2025, a 22.6% year-over-year increase. This also represents a sharp turnaround from negative 183,000 sq. ft. in Q4 2025, as move-ins outpaced move-outs following the prior quarter’s sizable space givebacks. Positive net absorption for Q1 2026 was concentrated primarily in North County with 188,000 sq. ft.

The San Francisco Peninsula industrial market-wide availability increased by 17 bps from Q4 2025 to 7.8% in Q1 2026. Overall vacancy decreased by 52 bps QoQ to 5.4% by the end of the quarter. The San Francisco Peninsula vacancy still remains relatively low compared to the other Northern California markets.

Leasing activity ended Q1 2026 at roughly 493,000 sq. ft. The largest lease signed during the quarter was done at 1089 Mills Way in Redwood City. CellLink leased the entire 87,000-sq. ft. warehouse. A majority of the leasing was once again concentrated in North County, which captured roughly 63.7%. About 77.6% of lease transactions in the quarter were for 10,000 sq. ft. or more on a sq. ft. basis. Spaces with features such as ample parking, and above-average power continued to garner the most interest from prospective tenants. Industrial space benefitted from leasing done by non-traditional industrial tenants, including but not limited to tech hardware and AI-related companies.

The overall San Francisco Peninsula published asking rates declined to \$1.99 on a monthly, per sq. ft., direct basis. This is down QoQ and YoY from \$2.11. Rate fluctuations such as this are expected in such a tight market when there is positive net absorption, as it is usually the top-quality space commanding higher rents that is leased.

Capital market activity in the San Francisco Peninsula slowed to start the year, with a handful of deals, mostly completed by users. The FOMC voted to maintain the federal funds rate at 3.50%–3.75% at its March 18, 2026 meeting. This marked the second consecutive hold following three 25-bps cuts in late 2025. The Committee cited elevated economic uncertainty, low job gains, and inflation remaining somewhat elevated above the 2.00% target. The 10-year Treasury yield ended Q1 2026 at approximately 4.38%, up from 4.16% at year-end 2025, per FRED data.

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	-	-	-	-
Brisbane	4,497,708	5.0	5.1	-	1.87	(6,596)	(6,596)
South San Francisco	15,144,708	5.8	8.3	1.65	1.85	155,851	155,851
San Bruno	316,342	0.3	0.3	-	-	-	-
Millbrae	110,582	19.6	19.6	-	1.88	-	-
Burlingame	3,908,447	5.2	12.9	-	2.14	39,086	39,086
North County	25,166,688	5.3	8.0	1.65	1.94	188,341	188,341
San Mateo	615,780	7.0	7.0	2.14	2.33	(6,126)	(6,126)
Foster City	21,600	0.0	0.0	-	-	19,600	19,600
Belmont	568,510	0.6	3.8	2.19	1.56	1,272	1,272
San Carlos	2,692,201	4.3	7.3	2.56	1.13	13,226	13,226
Redwood City	2,954,444	5.7	6.4	2.12	2.62	(30,869)	(30,869)
Central County	6,852,535	4.8	6.6	2.40	2.07	(2,897)	(2,897)
Menlo Park	1,683,448	11.5	11.5	1.96	1.00	772	772
Palo Alto/East PA	1,312,677	2.7	4.1	2.42	-	4,275	4,275
South County	2,996,125	7.6	8.2	2.07	1.00	5,047	5,047
Total Market	35,015,348	5.4	7.8	1.99		190,491	190,491
Manufacturing	5,792,204	5.8	7.4	2.16	N/A	(173)	(173)
Warehouse	29,223,144	5.3	7.8	N/A	1.94	190,664	190,664

Source: CBRE Research, Q1 2026

FIGURE 3: Notable Lease Transactions Q1 2026

Tenant	Address	SF Leased	Type
CelLink	1089 Mills Way, Redwood City	87,262	New Lease
Confidential	570 Eccles Ave, South San Francisco	63,775	New Lease
Raidon D'etre Bakery	179 Starlite St, South San Francisco	22,275	Renewal
AdaptHealth	410 E Grand Ave, South San Francisco	22,270	New Lease
Zoox	391 Foster City Blvd, Foster City	21,600	New Lease

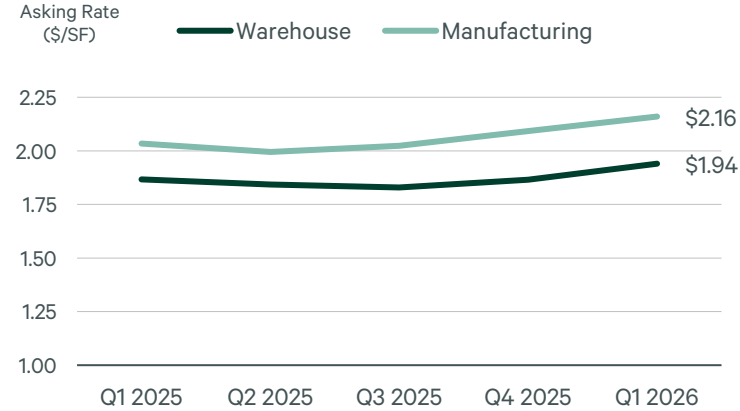
Source: CBRE Research, Q1 2026

FIGURE 4: Notable Sale Transactions Q1 2026

Buyer	Address	Bldg. SF	Sale Price/\$PSF
LeeMAH Property	434 Victory Ave, South San Francisco	11,080	\$4.7M \$420
High Heel Investments	1300 Hancock St, Redwood City	10,000	\$2.2M \$220

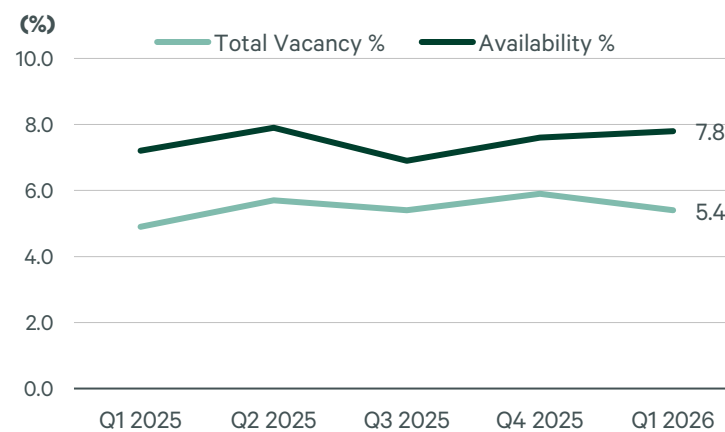
Source: CBRE Research, Q1 2026

FIGURE 5: Lease Rates



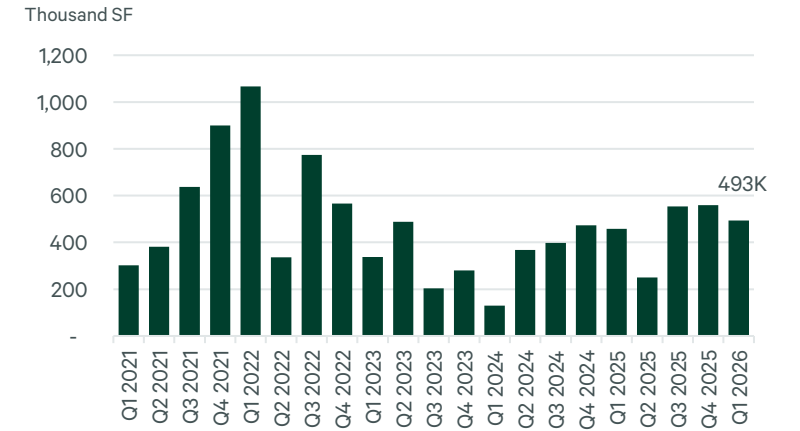
Source: CBRE Research, Q1 2026

FIGURE 6: Vacancy & Availability



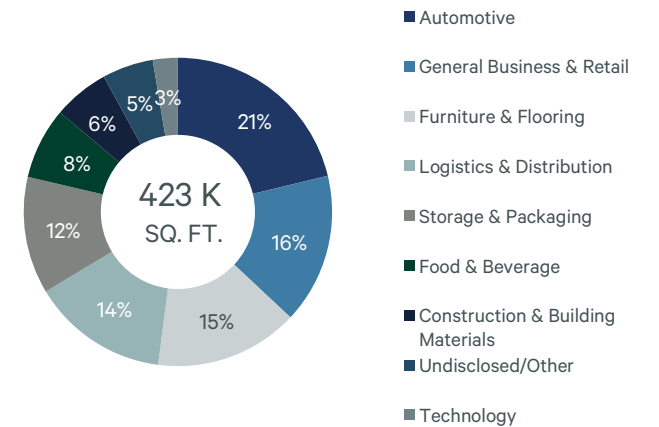
Source: CBRE Research, Q1 2026

FIGURE 7: Leasing Activity



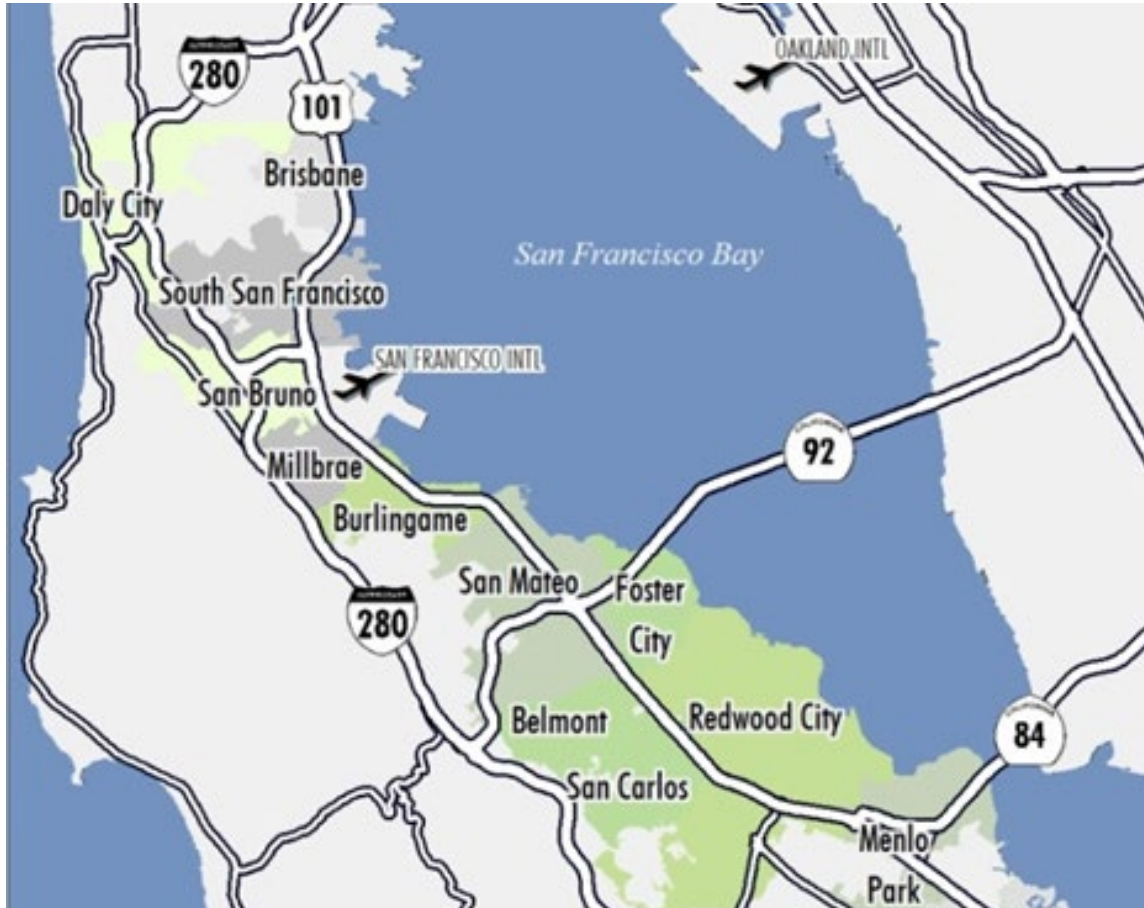
Source: CBRE Research, Q1 2026

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2026

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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