

FIGURES | SAN FRANCISCO PENINSULA R&D INDUSTRIAL | Q3 2026

Leasing climbs year-over-year despite softer occupancy since last quarter

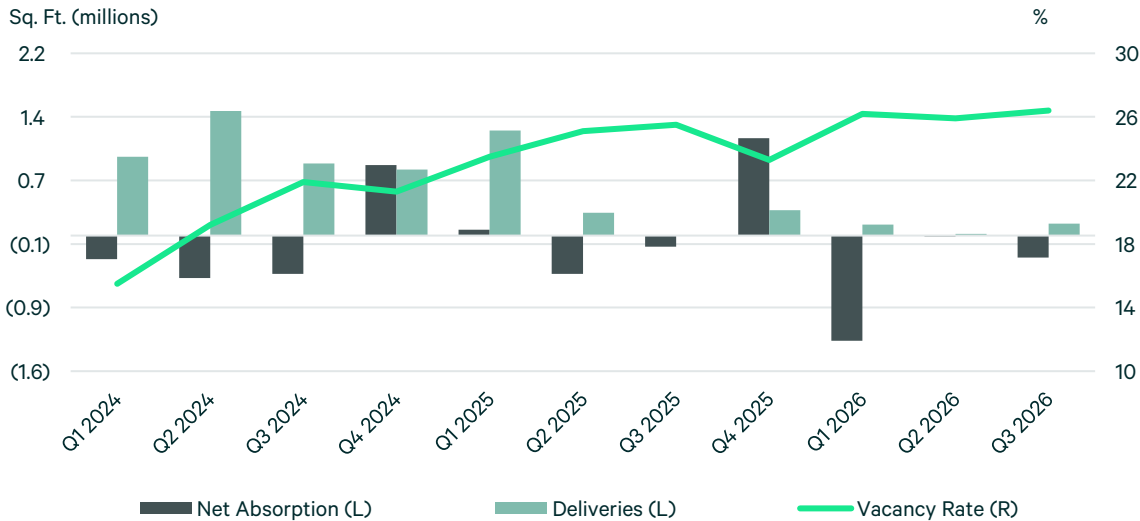


Note: Arrows indicate change from previous quarter.

Market Overview

- The San Francisco Peninsula R&D market remained soft in Q3 2026. The majority of losses occurred in Life Science buildings, while non-Life Science R&D held close to flat and recorded the quarter's largest transactions.
- Net absorption ended at negative about 116,000 square feet (sq. ft.) in Q3 2026. Life Science properties accounted for negative 80,000 sq. ft., or 69.8% of the loss, while non-life science R&D properties accounted for negative 35,000 sq. ft., or 30.2%.
- Vacancy increased 50 basis points (bps) quarter-over-quarter (QoQ) from 25.9% to 26.4%, and availability increased from 27.8% to 28.3%.
- Asking rents decreased to \$5.35 per sq. ft. on a monthly, direct, triple-net (NNN) basis.
- Leasing activity ended at 748,000 sq. ft. across 67 transactions. Life Science buildings accounted for 434,000 sq. ft., and non-Life Science R&D buildings accounted for 315,000 sq. ft.
- Active tenant demand stood at approximately 2.8 million sq. ft. (msf) at quarter-end. Life Science requirements accounted for roughly 2.2 msf while traditional R&D accounted for 615,000 sf.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy

Vacancy rose in Q3 2026 after a brief dip the prior quarter. Overall vacancy stood at 26.4% in the quarter, rising 50 basis points quarter-over-quarter from 25.9% in Q2 2026, while direct vacancy reached 22.9%, up 30 bps from 22.6% in Q2 2026. Year-over-year, overall vacancy increased 90 bps from 25.5% in Q3 2025 and direct vacancy climbed 100 bps from 21.9%, underscoring a further build-up of empty space. Life Science vacancy ended at 35.6%, up 60 bps QoQ, while non-Life Science R&D vacancy ended at 13.8%, up 20 bps.

At the submarket level in Q3 2026, Foster City recorded the lowest overall vacancy at 6.2%, followed by Palo Alto/East Palo Alto at 17.6%. San Bruno/Millbrae posted the highest at 65.0%. This figure comes almost entirely from life science space: Life Science vacancy is 72.4% in San Bruno/Millbrae against R&D vacancy of 3.7%. Burlingame shows the same split, at 62.6% Life Science and 6.7% R&D.

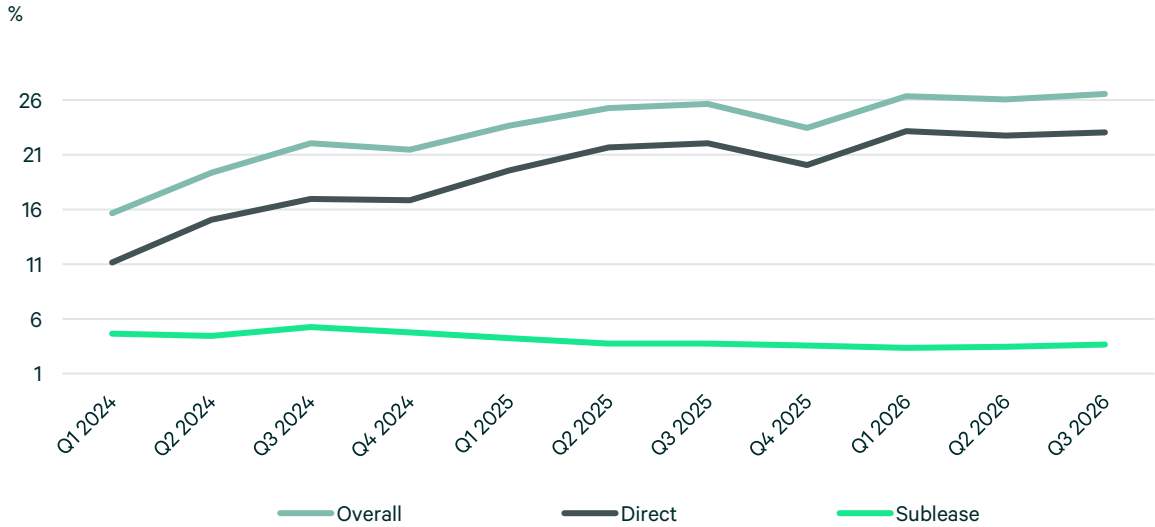
Sublease vacancy also ticked higher in Q3 2026, as the sublease rate rose 20 bps quarter-over-quarter to 3.5% from 3.3% in Q2 2026. Across the Peninsula submarkets, sublease space totaled 1.43 million sq. ft. of vacant space in the quarter. Life Science properties held 1.16 million sq. ft. of that total, or 81.2%.

Asking Rent

In Q3 2026, the market’s average asking rent was \$5.35 per sq. ft., continuing the downward trend in nominal pricing that emerged after 2024’s brief upswing. This represented a 2.9% quarter-over-quarter decrease and an 11.7% year-over-year decline, following a sequence of reductions from the recent peak of \$6.64 per sq. ft. in Q3 2024 as rents moved steadily lower through 2025 and into 2026. The two product types are moving in opposite directions: Life Science rates decreased \$0.20 to \$5.52 NNN, a second consecutive quarterly cut, while R&D rates increased \$0.04 to \$4.03 NNN, a second consecutive small gain. The spread between them is now \$1.49.

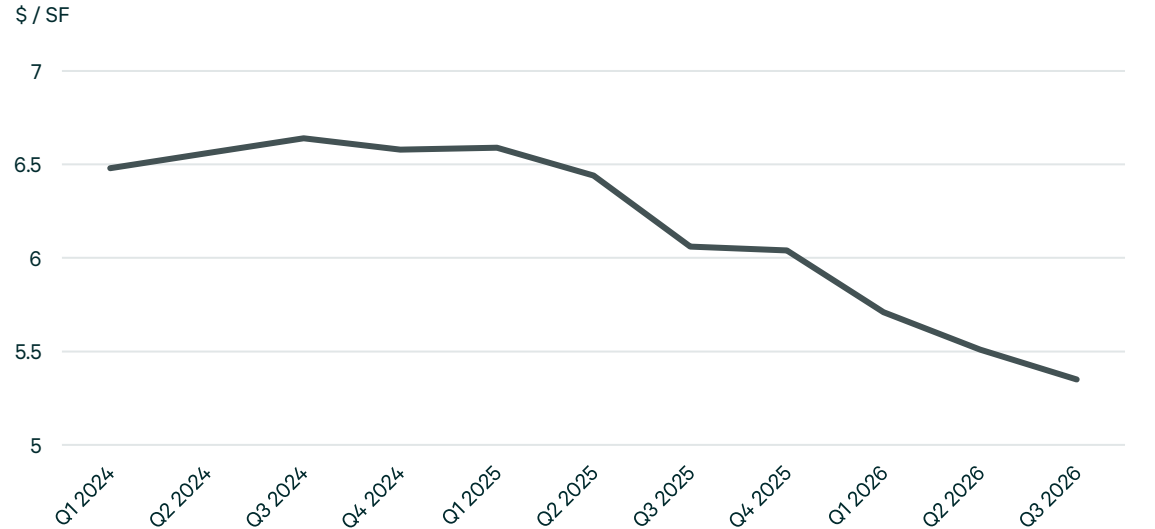
In Q3 2026, San Bruno/Millbrae posted the highest average asking rent at \$6.05, followed by Burlingame at \$5.78, Daly City/Brisbane at \$5.59 and South San Francisco at \$5.54, all above the market-wide average. Belmont/San Carlos at \$5.28 and Menlo Park at \$5.16 sat close to the benchmark. Palo Alto/East Palo Alto at \$4.96, Redwood City/Redwood Shores at \$4.90, San Mateo at \$4.22 and Foster City at \$2.10 formed the lower-priced cohort. The four submarkets above the average are predominantly life science inventory, while Foster City, which is two-thirds R&D/flex, prices at a third of the market average.

Figure 2: Vacancy Rate



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Figure 3: Average Direct Asking Rate



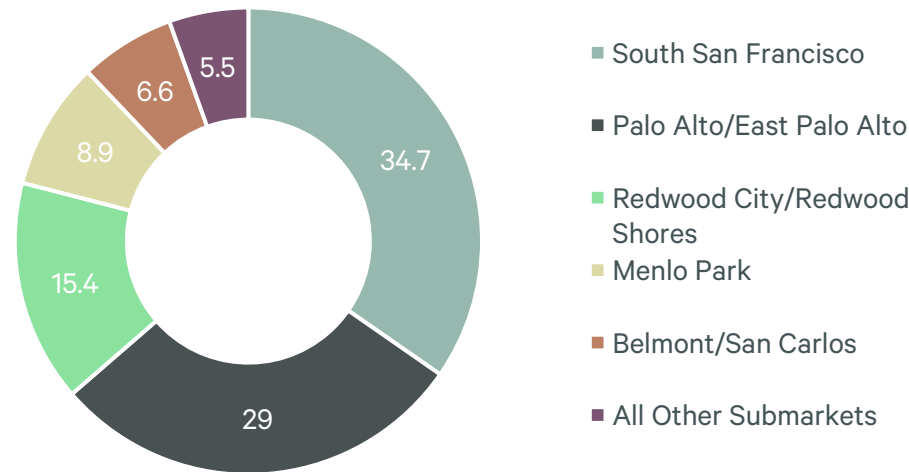
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Leasing Activity

Leasing activity in the market eased but remained intact in Q3 2026. Tenants signed leases totaling 748,000 sq. ft. in the quarter, a 14.9% quarter-over-quarter decline from 879,000 sq. ft. in Q2 2026 but a 40.6% year-over-year increase from 532,000 sq. ft. in Q3 2025, indicating that activity was stronger than in Q3 2025 despite the recent pullback. New leases equated to 76.4% of volume at 572,000 sq. ft. across 60 deals, with seven renewals accounting for the remaining 176,000 sq. ft. Life Science buildings captured 434,000 sq. ft. across 24 transactions, while non-Life Science R&D buildings captured 315,000 sq. ft. across 43.

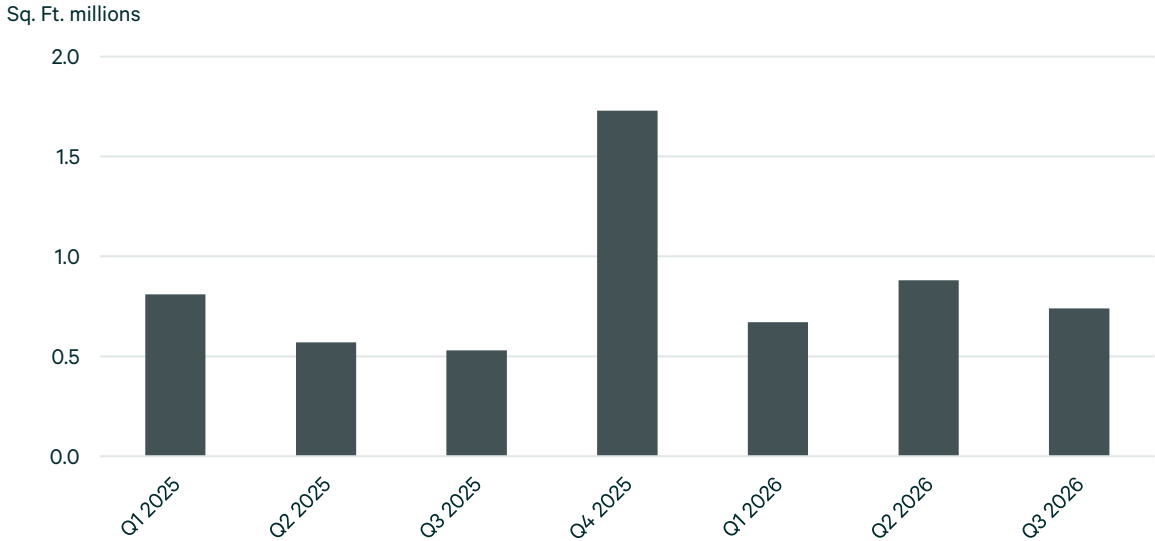
South San Francisco and Palo Alto/East Palo Alto recorded the strongest positive leasing activity in the quarter. South San Francisco registered 256,000 sq. ft. of leased area and Palo Alto/East Palo Alto recorded 213,000 sq. ft., while Redwood City/Redwood Shores, Menlo Park, Belmont/San Carlos, Daly City/Brisbane and Burlingame posted positive volumes of 113,000 sq. ft., 66,000 sq. ft., 48,000 sq. ft., 27,000 sq. ft. and 13,000 sq. ft., respectively.

Figure 7: Leasing Activity by Submarket (% of Total Activity)



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Figure 6: Leasing Activity Trend



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Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	109,000	Renewal	3475 Deer Creek Rd	Palo Alto
Confidential Tenant	82,000	New Lease	279 E Grand Ave	South San Francisco
Rivian Automotive	67,000	New Lease	3100 Hansen Way	Palo Alto
Alfa Medical	56,000	New Lease	130-150 Shoreline Dr	Redwood City
Intersect ENT	50,000	Renewal	1555 Adams Dr	Menlo Park
Confidential Tenant	39,000	New Lease	2 Corporate Dr	South San Francisco

Source: CBRE Research, Q3 2026

Net Absorption

Net absorption in Q3 2026 pointed to continued net occupancy losses across the market. Net absorption in the quarter totaled negative 115,800 sq. ft. This figure was below the negative 13,000 sq. ft. recorded in Q2 2026. However, year-over-year, Q3 2026 net absorption improved modestly from the negative 130,000 sq. ft. recorded in Q3 2025, a smaller net occupancy loss.

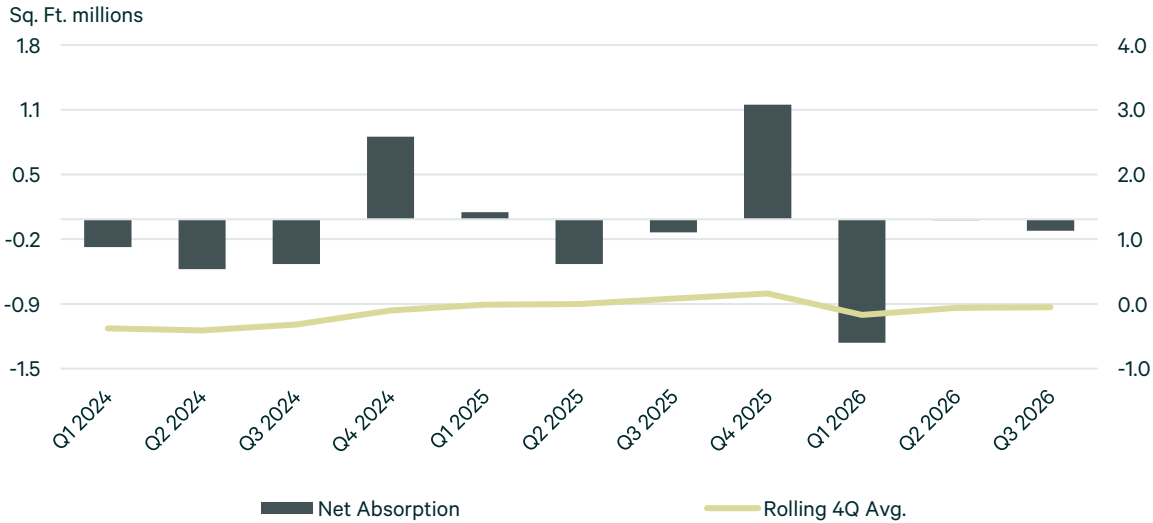
At the submarket level, Palo Alto/East Palo Alto generated the strongest positive net absorption in Q3 2026 at 34,000 sq. ft., followed by Belmont/San Carlos at 8,800, and Burlingame at 8,000 sq. ft. Beyond these, no other submarket posted a gain. On the downside, South San Francisco recorded the weakest results, with net absorption of negative 47,000 sq. ft.. Non-life science R&D absorbed 6,000 sq. ft. in South San Francisco, while life science buildings gave back 53,000 sq. ft.. Therefore, the loss there stemmed from life science space. The second weakest submarkets, Menlo Park and Redwood City/Redwood Shores tied at negative 40,000 sq. ft.. In Menlo Park, traditional R&D and life science buildings gave back similar amounts of space: 18,000 sq. ft. and 22,000 sq. ft. respectively. Redwood City/Redwood Shores saw a wider gap, with non-life science R&D giving back 32,000 sq. ft. against 8,000 sq. ft. for life science.

Construction Activity

Construction activity was very limited in Q3 2026, with no projects underway and only a small amount of new space completing. This quarter, under construction space was 0 sq. ft. while construction deliveries* totaled 139,000 sq. ft., due to the 999 Skyway Rd. renovation concluding in San Carlos. Under construction volume was down 100.0% year-over-year. Delivered construction rose 595.0% quarter-over-quarter, reflecting a sharp rebound from the very low level of completions in Q2 2026.

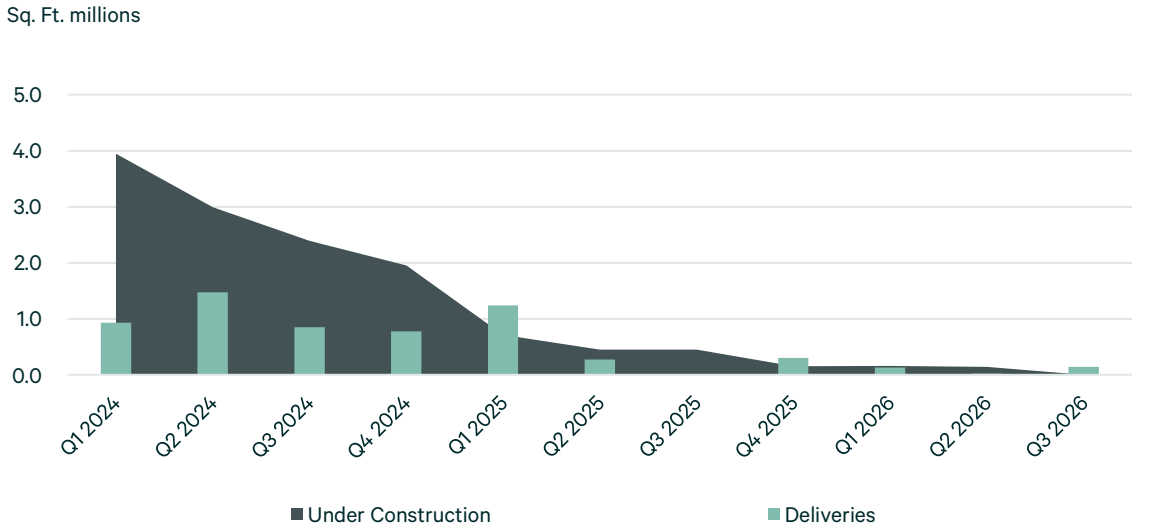
No current development activity.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



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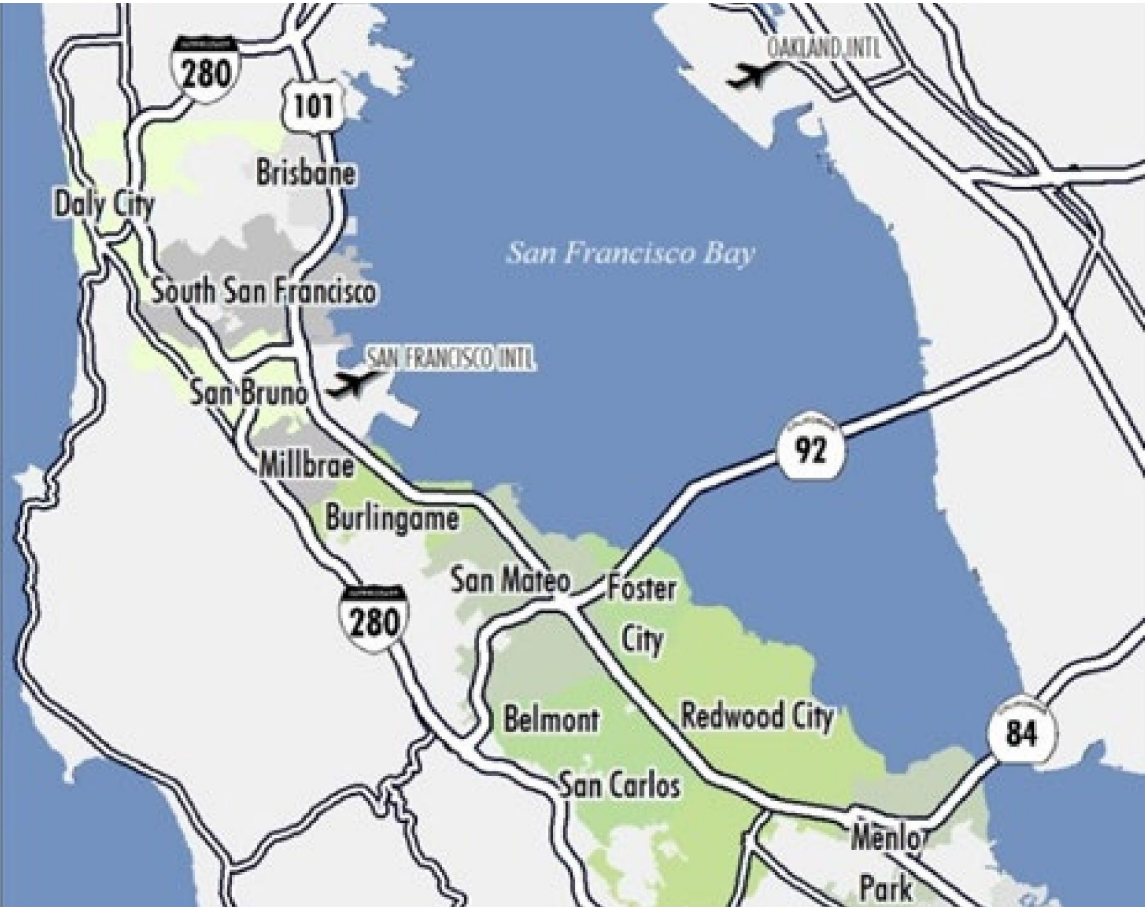
Market Statistics by Submarket

Figure 14

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	4.83M	21.9	23.3	21.0	2.3	5.28	9,000	(13,800)	139,000	-
Burlingame	1.30M	40.5	49.1	40.5	8.6	5.78	8,000	(8,000)	-	-
Daly City/Brisbane	1.94M	37.8	40.2	26.8	13.5	5.59	(4,000)	(66,000)	-	-
Foster City	976,000	6.2	6.2	2.6	3.7	2.10	(21,000)	(21,000)	-	-
Menlo Park	3.25M	22.6	22.6	22.0	0.7	5.16	(40,000)	(171,000)	-	-
Palo Alto/East Palo Alto	10.83M	17.6	20.1	16.6	3.5	4.96	34,000	(570,000)	-	-
Redwood City/Redwood Shores	4.63M	26.2	27.3	21.7	5.5	4.90	(40,000)	(356,000)	-	-
San Bruno/Millbrae	994,000	65.0	65.7	57.0	8.8	6.05	(13,000)	(9,000)	-	-
San Mateo	700,000	64.9	64.9	60.4	4.4	4.22	-	2,000	-	-
South San Francisco	11.99M	30.0	32.0	27.5	4.5	5.54	(47,000)	(181,000)	-	-
Total	41.43M	26.4	28.3	23.9	4.4	5.35	(116,000)	(1.52M)	139,000	-

Source: CBRE Research, Q3 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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

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.

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