Market Softens Further as Vacancy and Availability Rise

▲7.6%
Vacancy Rate

▼(627,764)
SF Net Absorption

▶0
SF Construction Delivered

▶99,395
SF Under Construction

▼$1.28
NNN/MTH Direct Lease Rate

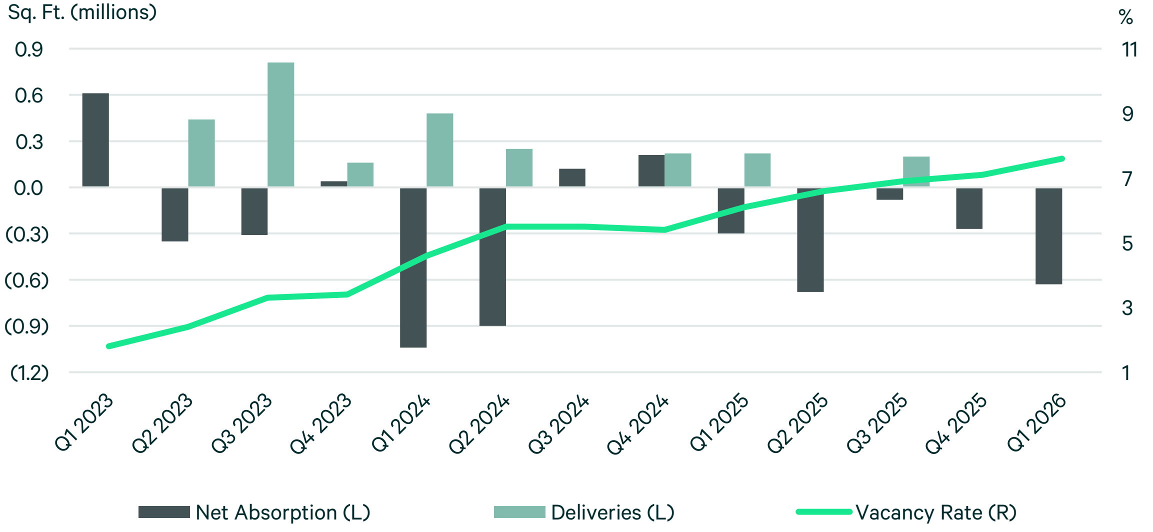
Note: Arrows indicate change from previous quarter.

Market Overview

The market continued to soften through Q1 2026 as vacancy and availability moved higher despite a much smaller construction pipeline. From 2024 through Q1 2026, the market surrendered roughly 3.6 million sq. ft. of occupancy, with Q1 2026 alone posting negative 628,000 sq. ft. of net absorption—more than double the negative 272,000 sq. ft. recorded in Q4 2025 and worsening by 330,000 sq. ft. year-over-year. Vacancy reached 7.6% in Q1 2026, up 50 basis points quarter-over-quarter and 150 basis points from Q1 2025, while availability climbed to 9.2%, 60 and 160 basis points higher over the same intervals.

Pricing began to reflect these softening trends. After peaking at $1.36 per sq. ft. in Q1 2025, average asking rents eased to $1.28 per sq. ft. in Q1 2026, a negative 5.8% year-over-year change and negative 3.3% quarter-over-quarter. At the same time, new supply pressure diminished: under-construction product fell to 99,000 sq. ft. in Q1 2026, down 51.0% from a year earlier and 95.6% below the 2.2 million sq. ft. under way in Q1 2023, following significant deliveries totaling 942,000 sq. ft. in 2024 and 422,000 sq. ft. in 2025.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

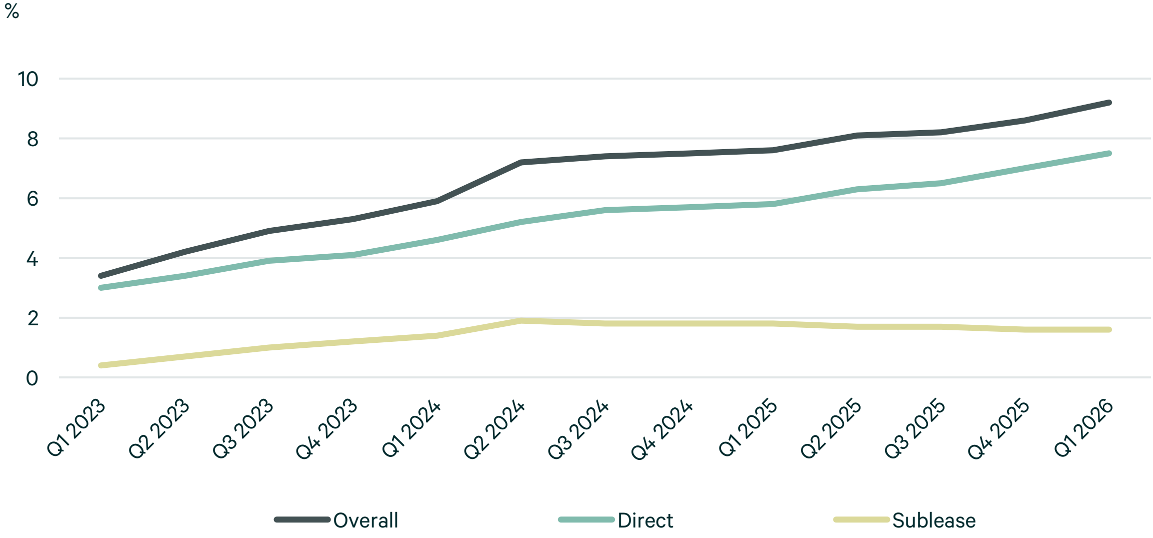
Availability Rate

The market availability rate finished Q1 2026 at 9.2%, up from 8.6% in Q4 2025. Availability also increased year-over-year, rising from 7.6% in Q1 2025 to 9.2% in Q1 2026. Over the last three years, the overall availability rate moved higher from 3.4% in Q1 2023 to 9.2% in Q1 2026.

Berkeley recorded the lowest overall availability rate in the market at 2.6%, followed by Union City at 5.2%. Hayward posted the highest availability rate at 11.8%.

Sublease availability held steady in Q1 2026 at 1.6%, unchanged from Q4 2025. In total, there was 2.0 million sq. ft. of sublease space on the market in Q1 2026.

Figure 2: Availability Rates



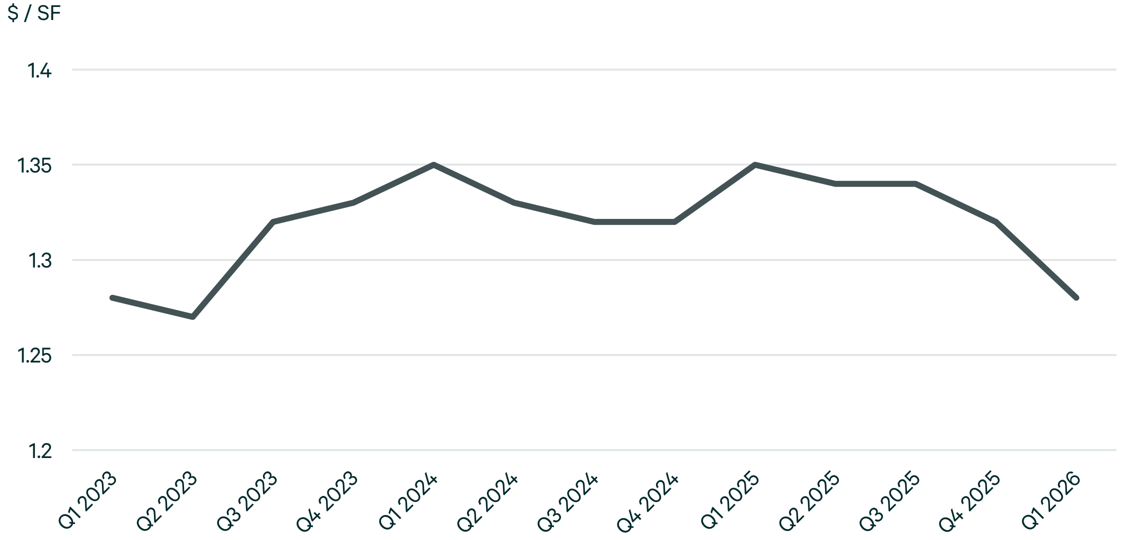
Source: CBRE Research, Q1 2026

Asking Rent

Average asking rent ended Q1 2026 at $1.28 per sq. ft. This represented a 3.0% decrease from the prior quarter and a 5.2% decline from a year earlier. Since Q1 2023, quarterly rents have moved within a narrow band between $1.27 and $1.35 per sq. ft., leaving the market effectively unchanged over the three-year period.

Berkeley posted the highest Q1 2026 asking rent at $2.22 per sq. ft., followed by Emeryville at $1.68 per sq. ft. The rent breakdown for all other submarket asking rent were: Alameda at $1.38 per sq. ft., Hayward at $1.35 per sq. ft., Union City at $1.33 per sq. ft., San Lorenzo at $1.25 per sq. ft., Oakland at $1.22 per sq. ft., San Leandro at $1.15 per sq. ft., and Richmond at $1.14 per sq. ft.

Figure 3: Average Direct Asking Rate



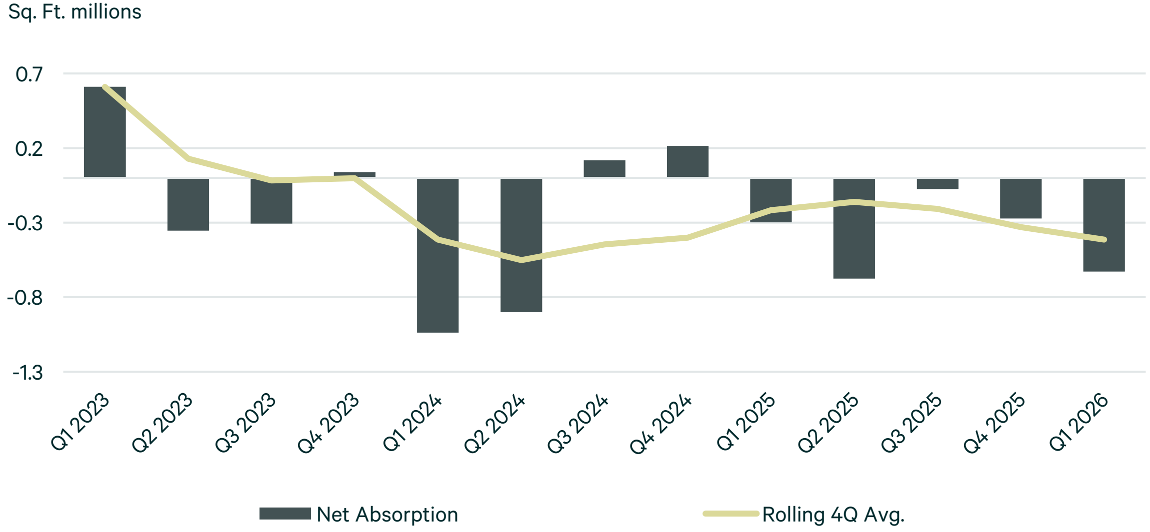
Source: CBRE Research, Q1 2026

Net Absorption

Net absorption was negative 628,000 sq. ft. in Q1 2026, compared with negative 272,000 sq. ft. in Q4 2025 and negative 298,000 sq. ft. in Q1 2025. Over the last year, net absorption totaled negative 1.7 million sq. ft., keeping overall activity in negative territory.

Positive net absorption for Q1 2026 was concentrated primarily in the Richmond submarket with 210,000 sq. ft. for the quarter. Six submarkets recorded negative net absorption, Hayward with negative 491,000 sq. ft., Union City with negative 160,000 sq. ft., San Leandro with negative 128,000 sq. ft., Oakland with negative 34,000 sq. ft., Alameda with negative 19,000 sq. ft., and Berkeley with negative 6,000 sq. ft.

Figure 4: Net Absorption Trend



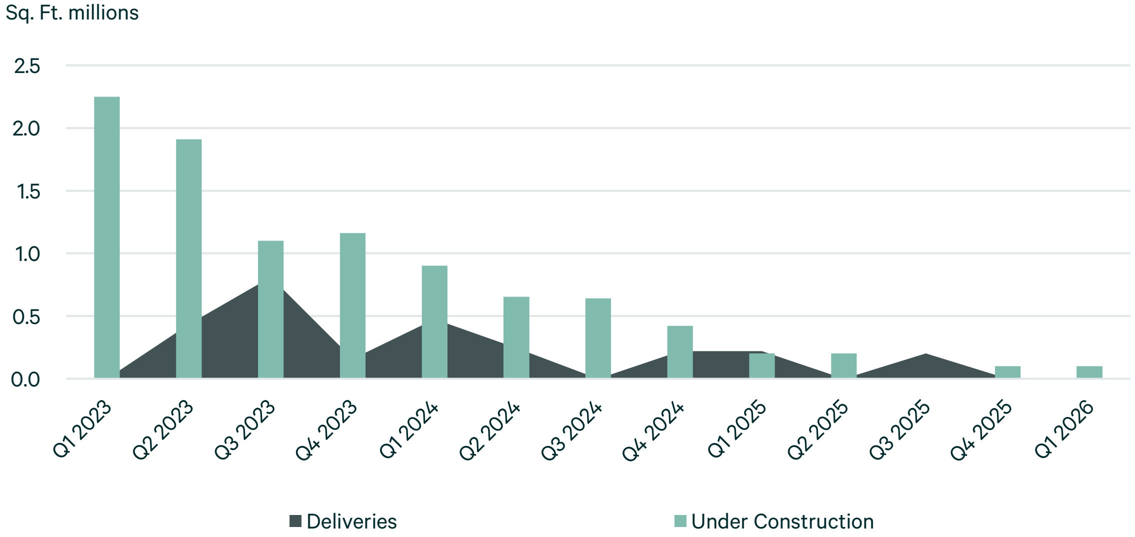
Source: CBRE Research, Q1 2026

Construction Activity

In Q1 2026, the market recorded 99,000 sq. ft. under construction and no new construction delivered. Under construction space was flat quarter-over-quarter, a 0.0% change, but down 51.0% year-over-year from 202,000 sq. ft., while deliveries matched the prior quarter at 0 sq. ft. and were down 100.0% from the 220,000 sq. ft. delivered in Q1 2025.

Construction activity was concentrated entirely in the Hayward submarket, where a 99,000 sq. ft. distribution/logistics facility at Diablo Park - 25375 Clawiter Drive is underway. The project is not pre-leased with delivery expected in Q4 2026.

Figure 5: Construction Activity



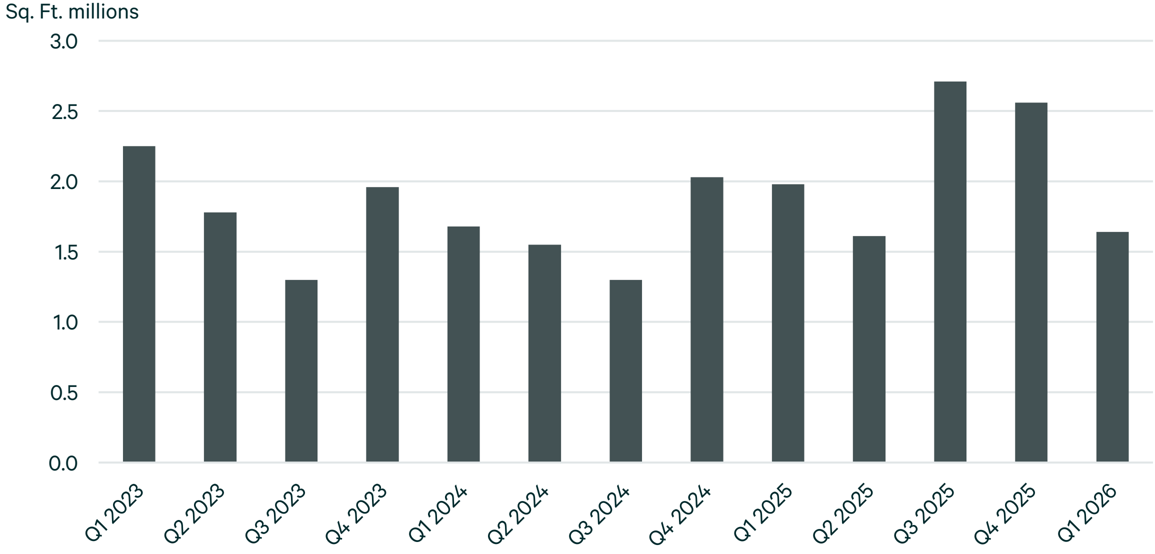
Source: CBRE Research, Q1 2026

Leasing Activity

At the close of Q1 2026, leased area was 1.6 million sq. ft., down 35.8% quarter-over-quarter and down 17.0% year-over-year. Versus Q1 2023, activity was down 27.1% and remains below the Q3 2025 peak of 2.7 million sq. ft.

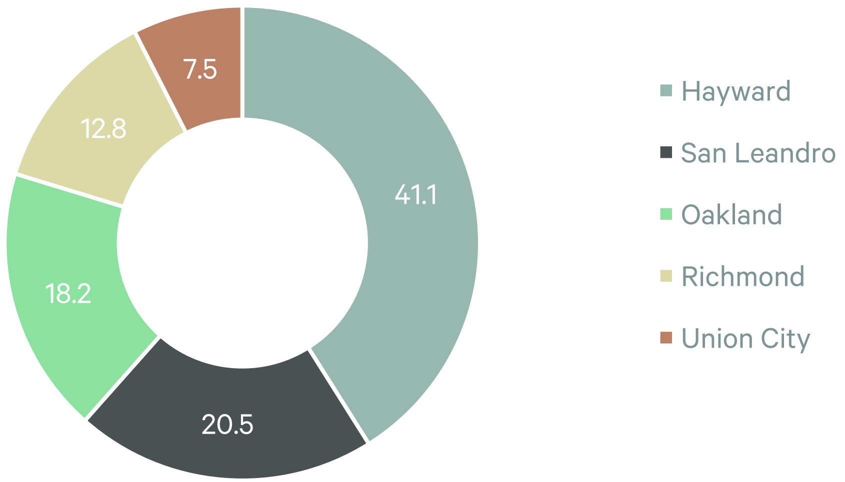
Among submarkets, Hayward posted the highest leased area at 677,000 sq. ft., followed by San Leandro at 335,000 sq. ft., indicating the strongest concentrations of leasing activity. Oakland, Richmond, and Union City also record leasing volumes of 298,000 sq. ft., 210,000 sq. ft., and 123,000 sq. ft., respectively.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
OpenAI	202,000	New Lease	1411 Harbour Way S	Richmond
All Modular Systems	130,000	Renewal	21001-21005 Cabot Blvd	Hayward
Lahlouh	92,000	New Lease	13949-13951 Washington Ave	San Leandro
Bay Area Wholesale Tire & Wheels	86,000	Renewal	6195 Coliseum Way	Oakland
Beeline	71,000	New Lease	2368 Lincoln Ave	Hayward
Keller Plumbing	66,000	Renewal	575 Independent Rd	Oakland
Accu Logistics	65,000	Renewal	2031-2055 Burroughs Ave	San Leandro
Abaxis	65,000	Renewal	30401-30481 Whipple Rd	Union City

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (MSF)	Total Vacant Available (%)	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	92.05	8.6	10.7	8.5	2.1	1.28	(717,000)	(717,000)	-	99,000
Manufacturing - General	33.26	4.8	4.9	4.7	0.2	1.27	89,000	89,000	-	-
Total	**125.31**	**7.6**	**9.2**	**7.5**	**1.6**	**1.28**	**(628,000)**	**(628,000)**	**-**	**99,000**

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (MSF)	Total Vacant Available (%)	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)
Under 100,000 sq. ft.	64.21	5.3	6.4	5.1	1.3	1.37	(99,000)	(99,000)	-	99,000
100,000-199,999 sq. ft.	28.51	9.1	11.1	10.3	0.7	1.18	(367,000)	(367,000)	-	-
200,000-299,999 sq. ft.	18.18	11.4	14.0	11.7	2.3	1.24	215,000	215,000	-	-
300,000-499,999 sq. ft.	9.18	5.2	8.4	6.2	2.1	1.45	(139,000)	(139,000)	-	-
500,000-749,999 sq. ft.	5.22	17.8	17.8	10.2	7.6	1.35	(237,000)	(237,000)	-	-
Total	**125.31**	**7.6**	**9.2**	**7.5**	**1.6**	**1.28**	**(628,000)**	**(628,000)**	**-**	**99,000**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 11

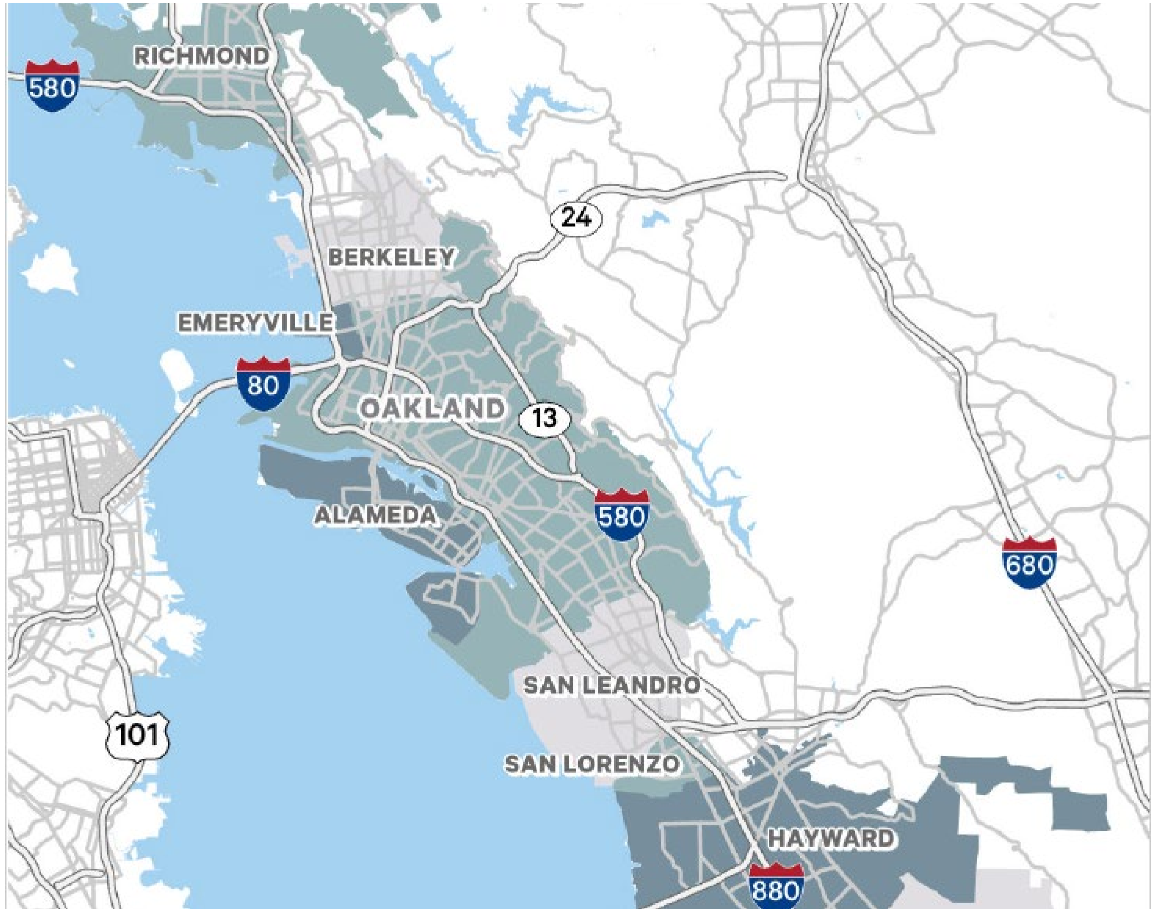
Submarket	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Alameda	3.83	9.1	9.1	8.8	0.3	1.38	(19,000)	(19,000)	-	-
Berkeley	4.66	2.3	2.6	2.3	0.2	2.22	(6,000)	(6,000)	-	-
Emeryville	2.13	9.7	9.7	7.9	1.8	1.68	-	-	-	-
Hayward	35.77	8.6	11.8	9.2	2.6	1.35	(491,000)	(491,000)	-	99,000
Oakland	31.34	6.6	8.0	6.5	1.5	1.22	(34,000)	(34,000)	-	-
Richmond	13.82	8.8	9.7	9.5	0.2	1.14	210,000	210,000	-	-
San Leandro	19.80	9.1	9.7	7.4	2.2	1.15	(128,000)	(128,000)	-	-
San Lorenzo	1.10	11.0	11.0	11.0	-	1.25	-	-	-	-
Union City	12.85	4.2	5.2	4.4	0.8	1.33	(160,000)	(160,000)	-	-
Total	**125.31**	**7.6**	**9.2**	**7.5**	**1.6**	**1.28**	**(628,000)**	**(628,000)**	**-**	**99,000**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Market Area Overview



Source: CBRE Research, Location Intelligence

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

Vikram Narula
Research Analyst
+1 510 874 1924
Vikram.Narula@cbre.com

Paul Magoria
Research Manager
+1 510 874 1912
Paul.Magoria@cbre.com

Konrad Knutsen
Director, Northern CA & Greater LA
+1 916 446 8292
Konrad.Knutsen@cbre.com

Oakland Office
1111 Broadway, Suite 1850
Oakland, CA 94607