Development pipeline halts and tenant demand shifts

▼ 24.6%
Vacancy Rate

▲ 1.1M
Sq. Ft. Net Absorption (SF)

▼ 268K
Sq. Ft. Under Construction & Conversion

▲ $6.12
NNN / Lease Rate Existing Properties

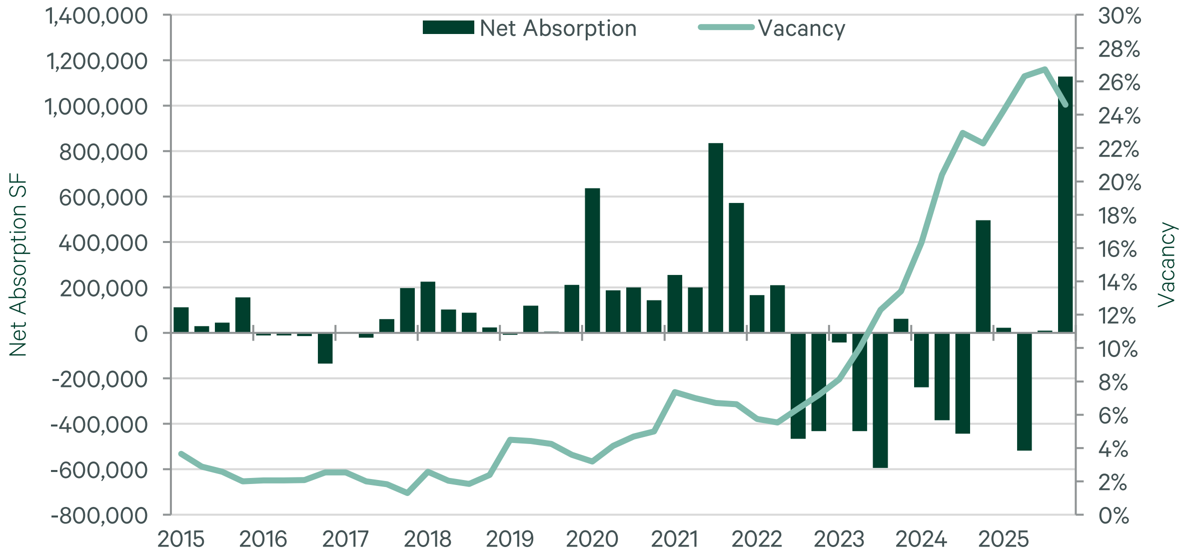
▼ 3.7%
Unemployment Rate San Mateo County

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- San Mateo County's labor force increased to 448,200 with 431,600 employed residents at the close of Q4 2025. The unemployment rate closed the quarter at 3.7%, a 2-basis-point (bps) increase year-over-year (YoY), and a 2-bps decrease since Q3 2025.
- The San Francisco Peninsula R&D/Life Science market rebounded in Q4 2025 with 1.1 million square feet (msf) of net absorption. The year closed with a total of 641,339 square feet (sq. ft.) of net absorption, the first year since 2021 to conclude with occupancy gains.
- There was around 2.9 msf of active R&D/Life Science tenant requirements in the San Francisco Peninsula market at the end of 2025. Life Science tenants made up roughly 42.9% of this demand.
- The total volume of R&D/Life Science projects under construction and conversion along the Peninsula have come to a halt. There were no new conversion starts or projects to break ground in 2025. The year ended with 268,000 sq. ft. of R&D/Life Science projects under conversion and no ground up construction.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2025

R&D OVERVIEW

The San Francisco Peninsula market base ended 2025 with 42.4 msf of R&D/Life Science space. Vacancy and availability started to stabilize as R&D occupancy recuperated and preleased Life Science projects delivered. The overall market vacancy rate declined from Q3 2025 to 24.6%, though it remains up by 231 bps YoY. R&D vacancy ended at 10.1% and Life Science at 35.2% in Q4 2025.

North, Central and South County all recorded occupancy gains in Q4 2025. Burlingame and Menlo Park were the only submarkets to post negative net absorption due to various vacancies. The largest lease in 2025 was signed in Q4 at Stanford Research Park. A confidential tenant renewed their 362,434 sq. ft. R&D space.

Leasing activity exceeded 1.8 msf during the quarter, bringing the 2025 total to approximately 3.7 msf of gross leasing. About 58.0% of lease transactions in Q4 2025 were for 10,000 sq. ft. or smaller and about 44.0% occurred within Life Science properties. Occupier preferences evolved throughout the year as Life Science demand decreased significantly, and R&D demand, specifically within the tech sector, amplified. Technology tenants represented 44.1% of the top 15 deals completed during the quarter.

The overall average direct asking rate for R&D/Life Science space along the San Francisco Peninsula decreased 4.5% YoY ending 2025 at $6.12 on a weighted monthly, NNN, direct basis. R&D and Life Science product averaged $4.71 and $6.43 respectively. Overall published asking rates had modest fluctuations in 2025. Rather than dropping rates, landlords are repositioning their assets to accommodate a broader range of tenants and are offering competitive incentives.

The most notable sale in Q4 2025 was 3350 W Bayshore Rd in Palo Alto. Strada Investment Group purchased the 60,000 sq. ft. Life Science building from Alexandria Real Estate for $29 million or $483 per square foot. This disposition aligns with the REIT's portfolio recalibration and strategic shift in asset focus.

There were two notable construction completions in Q4 2025. The final building at Elco Yards, The Shop in Redwood City was delivered. The 225,000 sq. ft. Class A Life Science space was 100% preleased to a confidential tenant. The Cannery in Palo Alto was also completed. The entire 73,400 sq. ft. R&D building was leased upon delivery by Dynatomics. The Life Science supply has outpaced demand, causing many projects on the pipeline to reposition as Office, R&D, or Life Science use depending on evolving market conditions.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate ($)	Current Net Absorption	YTD Net Absorption
Daly City/Brisbane	1,935,967	36.9%	36.9.%	5.83	44,797	140,213
South San Francisco	12,328,317	29.9%	33.0%	6.31	592,745	561,664
San Bruno/Millbrae	1,012,309	63.4%	64.1%	7.16	3,600	(57,920)
Burlingame	1,308,228	48.1%	48.9%	5.88	(686)	4,609
North County	**16,584,821**	**34.2%**	**36.6%**	**6.31**	**640,456**	**648,566**
San Mateo	912,993	70.4%	71.9%	6.16	20,600	(151,472)
Foster City	976,300	4.1%	4.1%	6.95	0	(35,320)
Belmont/San Carlos	4,688,256	20.0%	21.0%	5.43	202,491	245,061
Redwood City	4,962,690	23.9%	29.1%	6.44	215,747	78,445
Central County	**11,540,239**	**24.3%**	**27.1%**	**6.03**	**438,838**	**136,714**
Menlo Park	3,352,456	17.5%	18.5%	5.66	(16,479)	(4,397)
Palo Alto/East Palo Alto	10,958,234	12.6%	15.0%	5.79	64,513	(139,544)
South County	**14,310,690**	**13.7%**	**15.8%**	**5.76**	**48,034**	**(143,941)**
San Francisco Peninsula	**42,435,750**	**24.6%**	**27.0%**	**6.12**	**1,127,328**	**641,339**

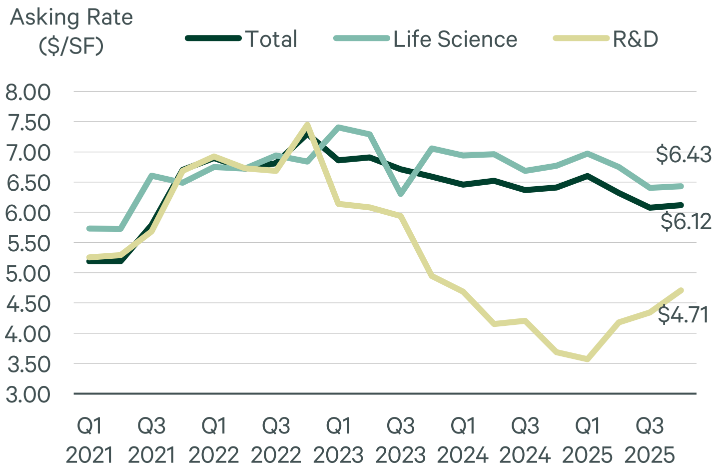
Source: CBRE Research, Q4 2025

FIGURE 3: Notable Lease Transactions Q4 2025

Tenant	Location	Leased Sq. Ft.	Type
Confidential	Stanford Research Park	362,434	Renewal
UCSF	KOP- Phase II - Bldg E, South San Francisco	280,472	New Lease
Confidential	San Carlos	230,691	New Lease
Confidential	South San Francisco	180,017	New Lease
Neuralink	499 Forbes Blvd, South San Francisco	142,815	New Lease

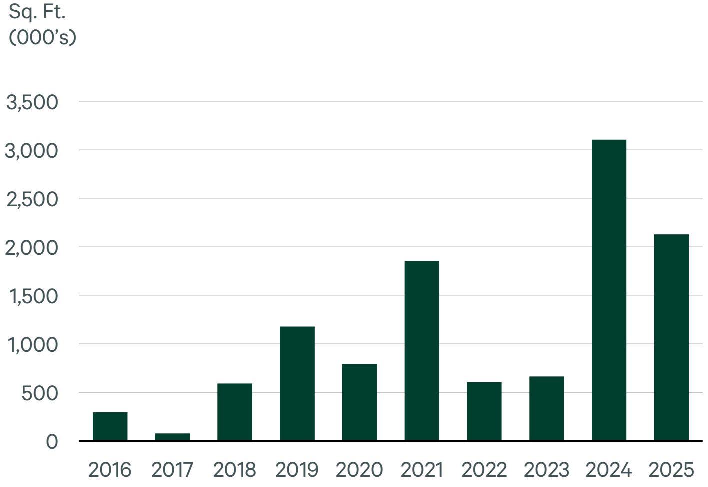
Source: CBRE Research, Q4 2025

FIGURE 5: Lease Rates



Source: CBRE Research, Q4 2025

FIGURE 7: Construction Completions



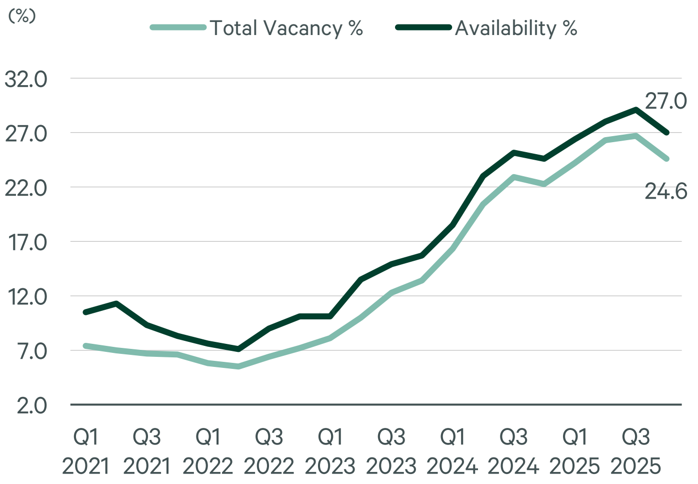
Source: CBRE Research, Q4 2025

FIGURE 4: Notable Sale Transactions Q4 2025

Buyer	Location	Sold Sq. Ft.	Sale Price $/SF
Strada Investment Group	3350 W Bayshore Rd Palo Alto	60,000	$29M $483
Sofia University	1069 E Meadow Cir, Palo Alto	23,574	$11M $467
Cresset Capital Management	4030 Fabian Way, Palo Alto	15,640	$8.8M $561
Private Trust	4007-4009 Transport St, Palo Alto	14,000	$6.8M $486
Private Buyer	520-530 Harbor Blvd, Belmont	13,727	$5.9M $434

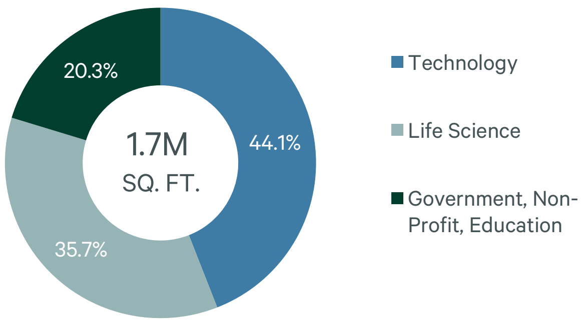
Source: CBRE Research, Q4 2025

FIGURE 6: Vacancy & Availability



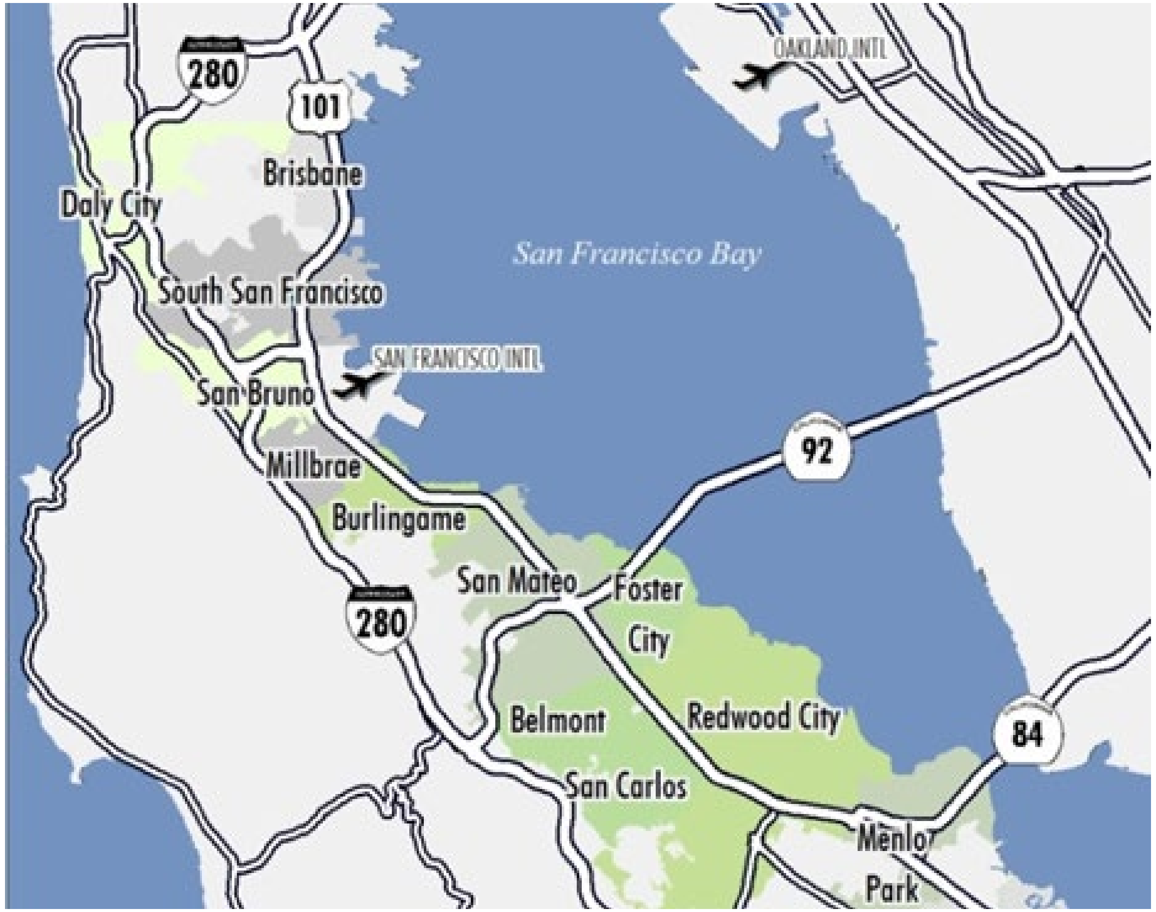
Source: CBRE Research, Q4 2025

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q4 2025

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.

R&D inventory is typically low-rise construction and comprised of large, open floor plates. These facilities primarily support technology and life sciences uses and include lab, cleanroom, and upgraded ventilation and building infrastructure, systems compared to traditional office buildings.

CBRE's market report analyzes existing single- and multi-tenant R&D buildings that total 7,500+ 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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