

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q3 2026

Positive net absorption despite slower leasing activity

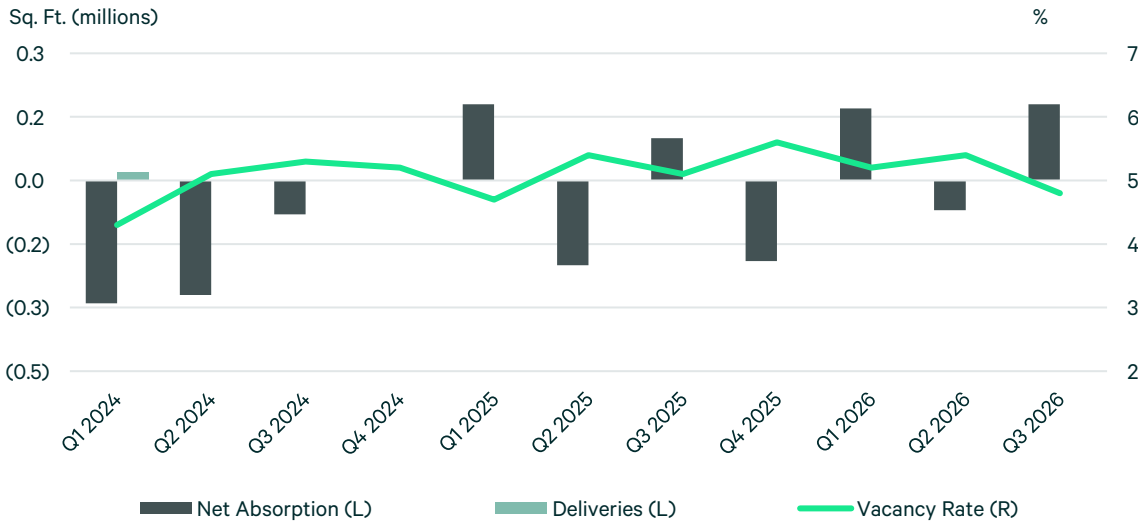


Note: Arrows indicate change from previous quarter.

Market Overview

- Leasing activity totaled about 540,000 sq. ft. down from Q2 2026 total of 760,000 sq. ft.
- Net absorption turned positive at 182,000 square feet (sq. ft.), up from negative 70,000 square feet in Q2 2026. This is mainly due to a large deal in South San Francisco.
- Vacancy decreased quarter-over-quarter (QoQ) by 60 basis points (bps), from 5.4% to 4.8%. Availability fell 50 bps QoQ from 7.7% to 7.2%.
- Average asking rents edged down from \$2.00 to \$1.96 per sq. ft. on a direct, monthly, triple-net (NNN) basis.
- There were approximately 25 active industrial requirements totaling 916,000 sq. ft. at the end of Q3 2026. This is slightly down from 1.08 million sq. ft. (msf) in Q2 2026; however, some of the requirements were removed due to transacting. About 80% of these requirements were for less than 100,000 sq. ft. Automotive companies comprised about 25% of the demand on a sq. ft. basis followed by technology companies at 19%.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

Vacancy

Overall vacancy was 4.8% in Q3 2026, down 60 basis points from 5.4% in Q2 2026 and 30 basis points below the 5.1% recorded in Q3 2025. Direct vacancy ended the quarter at 4.3%, a QoQ decrease of 10 bps and a year-over-year (YoY) change of 0 bps versus 4.3% in Q3 2025. Sublease vacancy measured 0.5% this quarter, 30 bps below the 0.8% level a year ago. Relative to Q3 2023, overall vacancy has increased by 170 bps against the 3.1% recorded that quarter.

By submarket, San Bruno has the lowest overall vacancy among non-zero markets at 0.3%, followed by San Carlos at 1.8% and Palo Alto/East Palo Alto at 2.7%. Millbrae posts the highest overall vacancy rate at 20.2% due to a single vacancy of 22,000 sf at 370 Adrian Road.

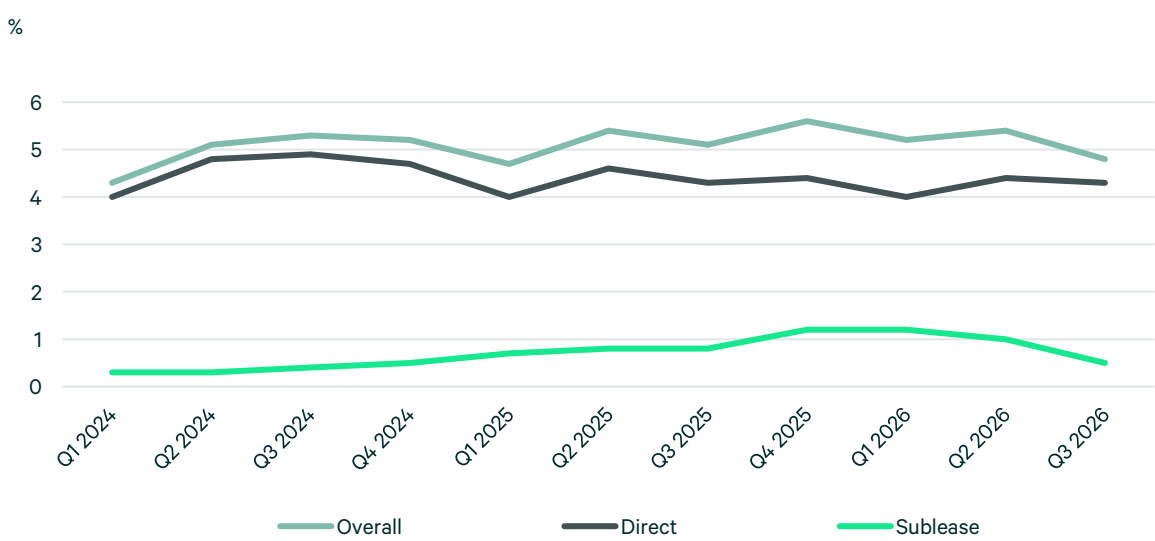
The sublease vacancy rate declined from 1.0% in Q2 2026 to 0.5% in Q3 2026, a QoQ change of negative 50 bps. Across all submarkets, vacant sublease space totals 179,817 sq. ft. in Q3 2026.

Asking Rent

In Q3 2026, the market's average asking rent was \$1.96 NNN per sq. ft. per month, reflecting a decline of negative 2.0% QoQ and negative 8.8% YoY. Relative to the recent high of \$2.15 NNN in Q3 2025 and the earlier low of \$1.97 NNN in Q4 2024, rents over the full series from Q3 2023 have given back the gains built through 2025, closing below \$2.00 NNN for the first time since Q4 2024. Many spaces remain slated for redevelopment, which kept rates subdued as landlords opted for shorter-term deals.

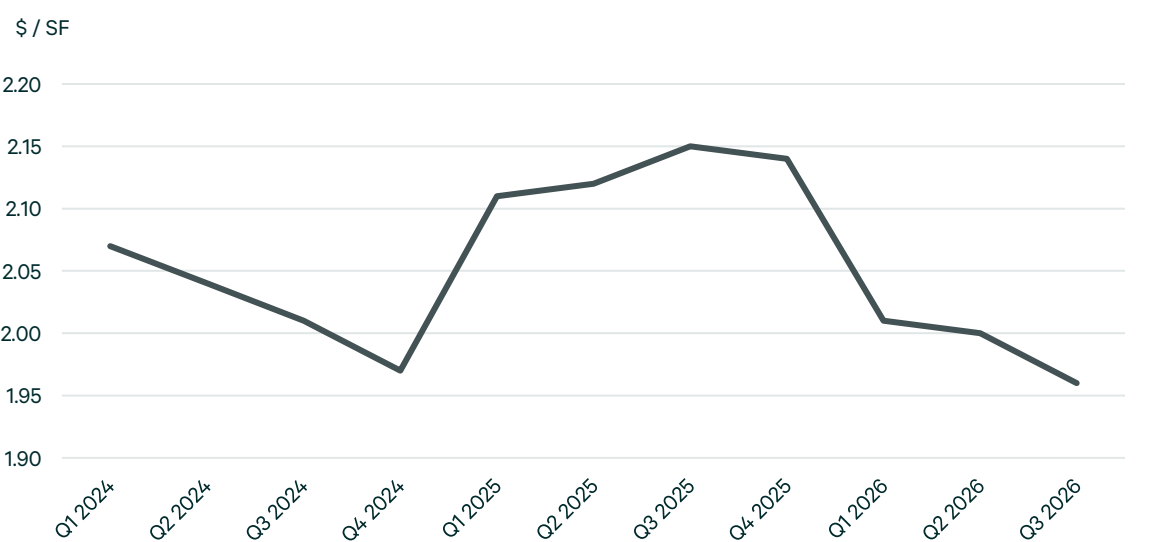
At the submarket level in Q3 2026, Palo Alto/East Palo Alto posted the highest average asking rent at \$3.72, well clear of the rest of the market. Redwood City, Burlingame and San Mateo occupied the upper-middle of the range at \$2.50, \$2.25 and \$2.10, respectively. Menlo Park, Brisbane and Millbrae clustered between \$1.88 and \$1.90, while Belmont, San Carlos and South San Francisco marked the lower end at \$1.75, \$1.72 and \$1.70, underscoring the pricing dispersion across the corridor.

Figure 2: Vacancy Rate



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Figure 3: Average Direct Asking Rate



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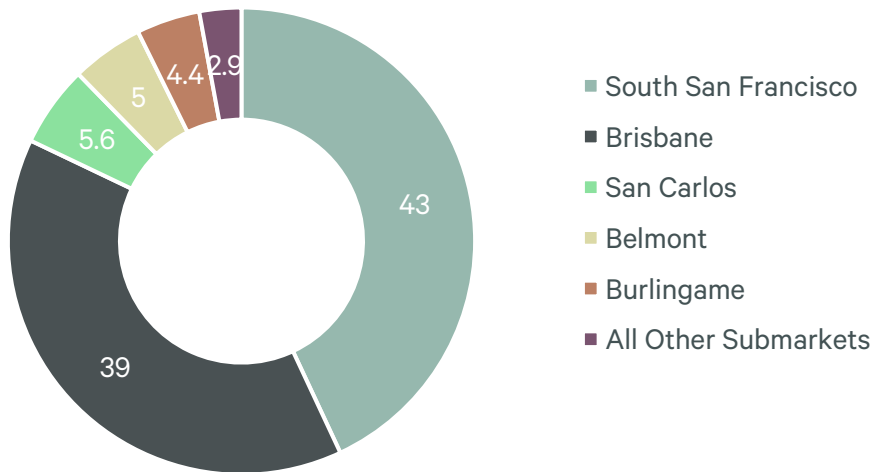
Leasing Activity

Leasing activity totaled 540,000 sq. ft. in Q3 2026, while over the past four quarters tenants committed to approximately 2.3 msf of space. The latest quarter's volume fell 28.8% QoQ and 2.4% YoY, moderating from the elevated total recorded in Q2 2026.

South San Francisco posted the highest leasing volume, with 232,000 sq. ft. signed, followed closely by Brisbane at 211,000 sq. ft., making these the two most active submarkets and 82.0% of total activity between them. Positive but more modest volumes were recorded in San Carlos (30,000 sq. ft.), Belmont (27,000 sq. ft.), Burlingame (24,000 sq. ft.) and Redwood City (16,000 sq. ft.), indicating that activity remains concentrated in a handful of locations.

One lease above 100,000 sq. ft. was signed this quarter: a confidential tenant took 109,000 sq. ft. at 534-550 Eccles Ave in South San Francisco. Brisbane accounted for three of the quarter's six largest transactions, all along Valley Dr. New leases accounted for 69.5% of total leasing volume.

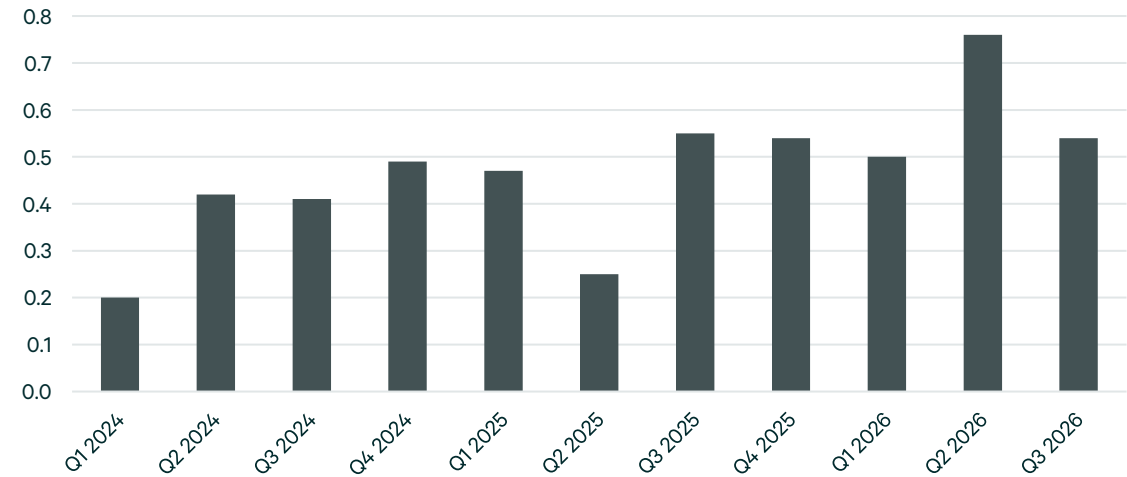
Figure 5: Leasing Activity by Submarket (% of Total Activity)



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Figure 4: Leasing Activity Trend

Sq. Ft. millions



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Figure 6: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	109,000	New Lease	534-550 Eccles Ave	South San Francisco
Pitco Foods	89,000	Renewal	385 Valley Dr	Brisbane
Parallax	79,000	New Lease	240-246 Valley Dr	Brisbane
AT&T Services	42,000	Renewal	355 Valley Dr	Brisbane
Cal Pacific Systems	24,000	New Lease	148 Beacon St	South San Francisco
Gritt Robotics	18,000	New Lease	143 S Linden Ave	South San Francisco

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 7

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	578,000	5.8	5.8	5.8	-	1.75	27,000	(29,000)	-	-
Brisbane	4.50M	3.3	4.9	3.0	1.9	1.88	56,000	69,000	-	-
Burlingame	3.98M	4.8	11.9	9.0	2.9	2.25	(1,000)	52,000	-	-
Daly City	1.19M	-	-	-	-	-	-	-	-	-
Foster City	22,000	-	-	-	-	-	-	20,000	-	-
Menlo Park	1.70M	11.8	11.8	11.8	-	1.90	(2,000)	(7,000)	-	-
Millbrae	107,000	20.2	20.2	20.2	-	1.88	-	-	-	-
Palo Alto/East Palo Alto	832,000	2.7	2.7	2.7	-	3.72	(19,000)	(15,000)	-	-
Redwood City	2.95M	6.3	6.6	6.6	0.0	2.50	2,000	(48,000)	-	-
San Bruno	366,000	0.3	0.3	-	0.3	-	-	-	-	-
San Carlos	2.74M	1.8	3.3	2.4	0.9	1.72	(8,000)	56,000	-	-
San Mateo	620,000	9.6	10.5	8.7	1.8	2.10	(17,000)	(23,000)	-	-
South San Francisco	15.13M	5.1	7.8	6.9	0.9	1.70	144,000	204,000	-	-
Total	34.71M	4.8	7.2	6.1	1.1	1.96	182,000	279,000	-	-

Source: CBRE Research, Q3 2026

Market Statistics by Product Type

Figure 8

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	29.36M	4.6	7.4	6.2	1.2	1.92	201,000	294,000	-	-
Manufacturing - General	5.34M	6.0	6.3	6.1	0.2	2.15	(19,000)	(15,000)	-	-
Total	34.71M	4.8	7.2	6.1	1.1	1.96	182,000	279,000	-	-

Source: CBRE Research, Q3 2026

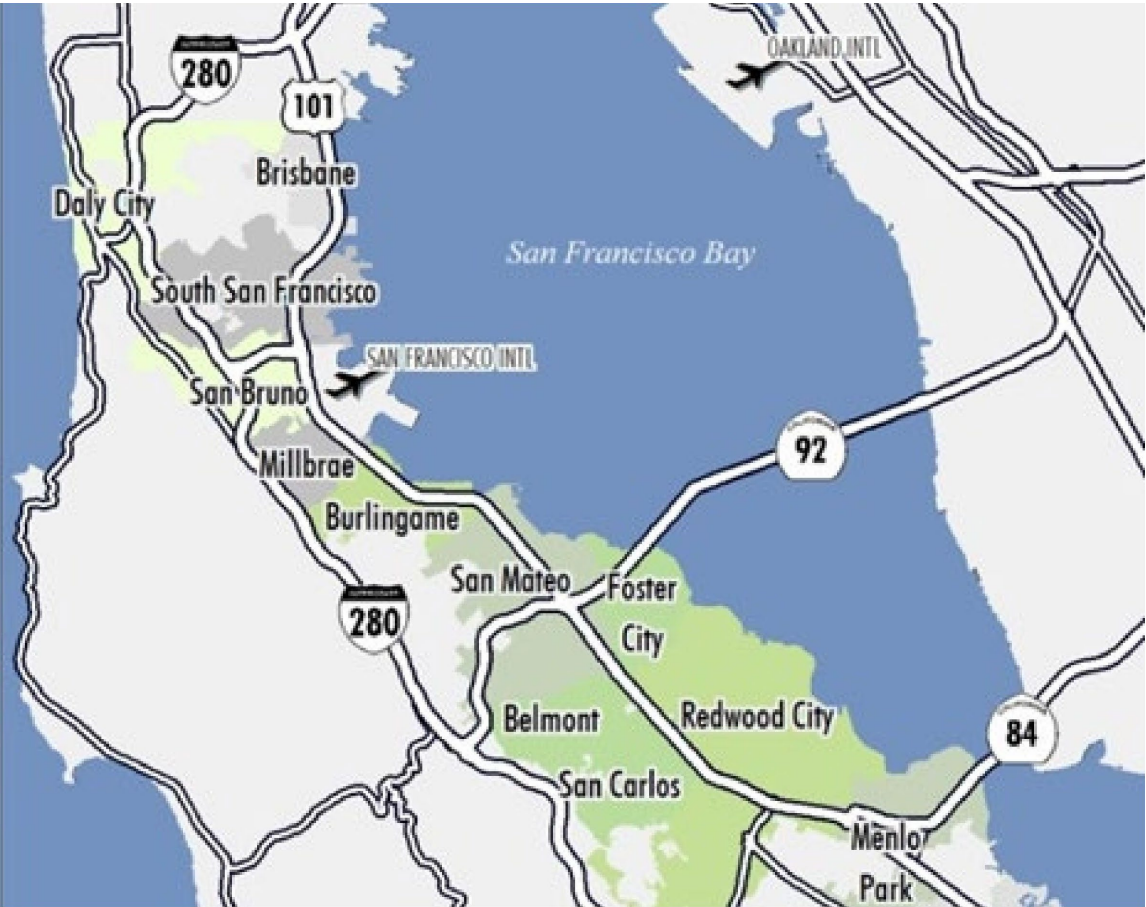
Market Statistics by Size

Figure 8

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	18.40M	6.0	7.2	6.4	0.7	2.00	18,000	(27,000)	-	-
50K-99,999 SF	7.25M	5.4	10.0	6.8	3.2	1.62	(25,000)	45,000	-	-
100K-249,999 SF	5.58M	3.2	8.1	8.1	-	2.25	191,000	52,000	-	-
250K-499,999 SF	2.91M	-	-	-	-	-	-	212,000	-	-
500K-749,999 SF	558,000	0.4	0.4	0.4	-	2.25	(2,000)	(2,000)	-	-
Total	34.71M	4.8	7.2	6.1	1.1	1.96	182,000	279,000	-	-

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 industrial 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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