Absorption Rebounds While Lease Rates Continue to Slide

▼18.5%	▲63,174	▶0	▶0	▼$3.79
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/MTH Direct Lease Rate

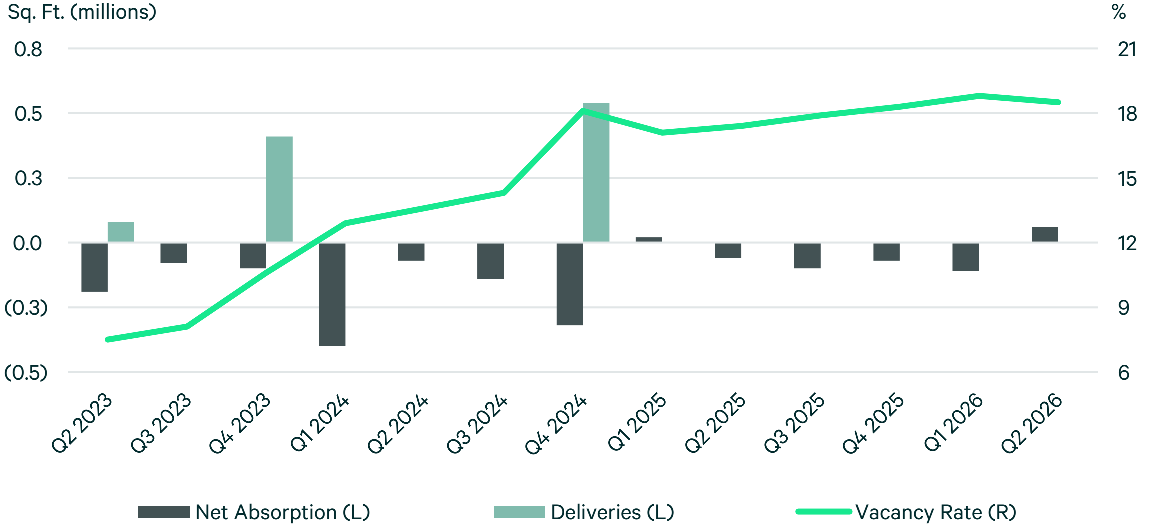
Note: Arrows indicate change from previous quarter.

Market Overview

In Q2 2026, the market remained soft but showed incremental stabilization. Vacancy declined quarter-over-quarter by 30 basis points to 18.5%, yet is 110 basis points higher year-over-year and up from 7.5% in Q2 2023. Availability fell quarter-over-quarter by 60 basis points to 21.0% and stands 80 basis points above Q2 2025. Net absorption turned positive at 63,000 sq. ft. in Q2 2026, improving from negative 113,000 sq. ft. in Q1 2026 and negative 56,000 sq. ft. in Q2 2025. Average asking rent eased to $3.79 per sq. ft., down 1.8% quarter-over-quarter and 5.5% year-over-year from $4.01 per sq. ft.

Since Q2 2023, the market has recorded cumulative net absorption of negative 1.6 million sq. ft., highlighting sustained move-outs despite the recent quarterly gain. Over the same period, new construction deliveries totaled 1.0 million sq. ft., with the final 539,000 sq. ft. delivered in Q4 2024. The construction pipeline has now cleared, with no space under construction as of Q2 2026, leaving existing inventory to absorb past additions amid elevated vacancy and availability.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

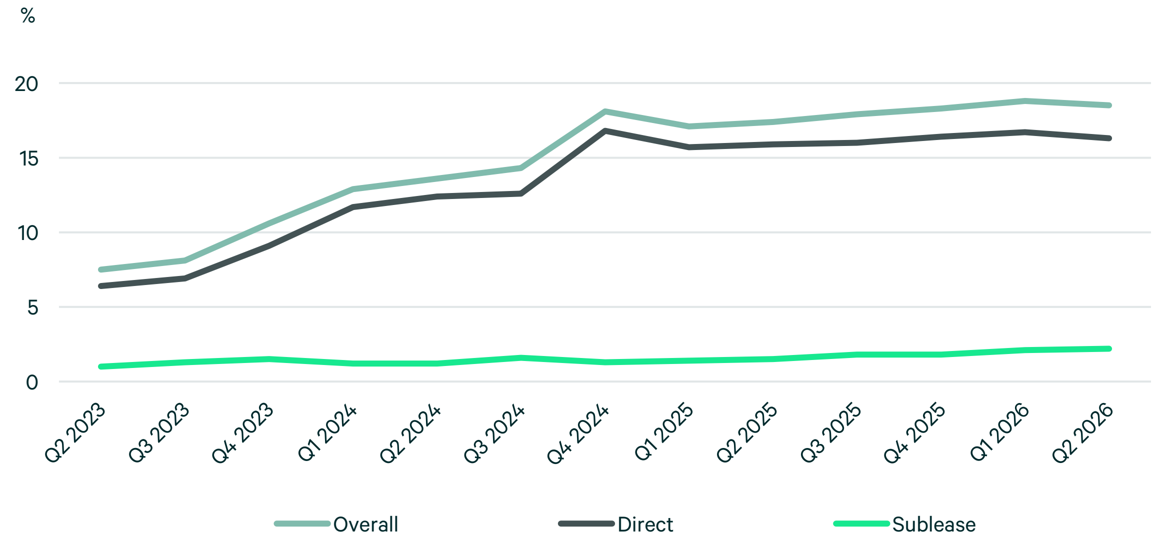
Vacancy Rate

Overall vacancy in Q2 2026 stands at 18.5%, with direct vacancy at 16.3% and sublease vacancy at 2.2%. On a quarter-over-quarter basis, overall and direct vacancy both eased slightly, declining by negative 30 basis points and negative 40 basis points, respectively, while sublease vacancy increased by 10 basis points. Year-over-year, overall vacancy is up 110 basis points from 17.4% in Q2 2025, with direct vacancy rising 40 basis points and sublease vacancy up 70 basis points. Versus Q2 2023, overall vacancy is higher by 1,100 basis points, direct vacancy by 990 basis points, and sublease vacancy by 120 basis points, marking a significantly looser market over the past three years.

Among submarkets, San Leandro registers the lowest overall vacancy at 7.2% in Q2 2026, followed by Union City at 8.9%. Richmond is the next tightest at 10.6%, while Emeryville records the highest overall vacancy at 44.8%, indicating substantial available space relative to the rest of the market.

Sublease vacancy for the market increased by 10 basis points quarter-over-quarter, from 2.1% in Q1 2026 to 2.2% in Q2 2026. Total sublease space available across the tracked submarkets amounts to 457,932 sq. ft. in Q2 2026.

Figure 2: Vacancy Rate



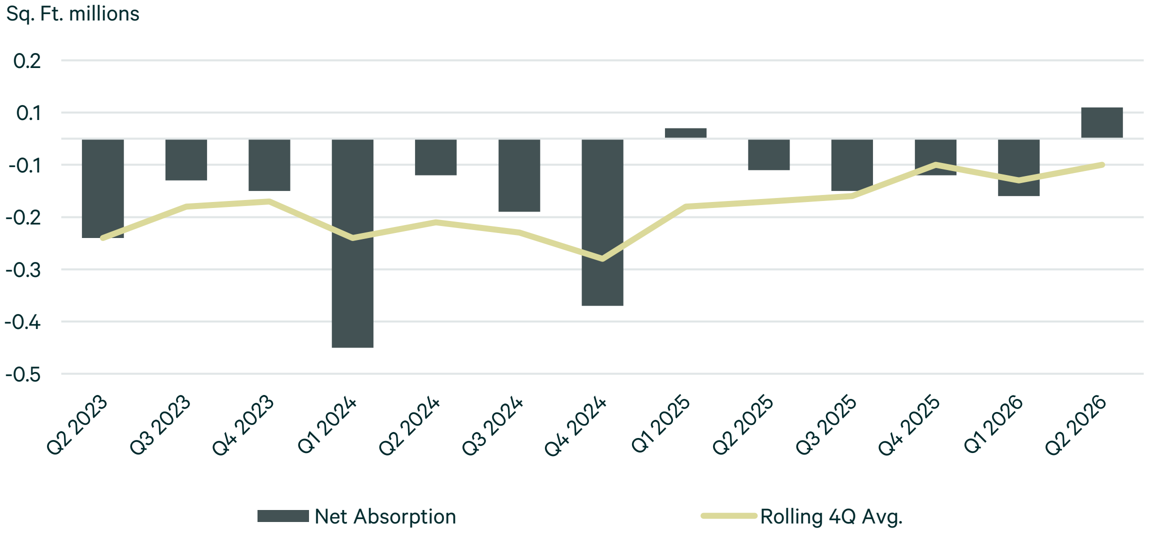
Source: CBRE Research, Q2 2026

Net Absorption

Net absorption turned positive in Q2 2026, totaling 63,000 sq. ft. for the overall market. This level exceeded the prior quarter's negative 113,000 sq. ft., a swing of 176,000 sq. ft. quarter-over-quarter, while exceeding the negative 56,000 sq. ft. recorded in Q2 2025 by 119,000 sq. ft. year-over-year. Despite this improvement, the rolling four-quarter average remained negative at 54,250 sq. ft., underscoring that demand has not yet fully normalized.

At the submarket level, Union City and Oakland posted the strongest gains in Q2 2026, with net absorption of 76,000 sq. ft. and 17,000 sq. ft., respectively. Berkeley was the only other submarket with positive net absorption above 10,000 sq. ft., at 13,000 sq. ft. In contrast, Emeryville experienced the most pronounced pullback with negative 34,000 sq. ft. of net absorption, followed by San Leandro at negative 12,000 sq. ft.

Figure 3: Net Absorption Trend



Source: CBRE Research, Q2 2026

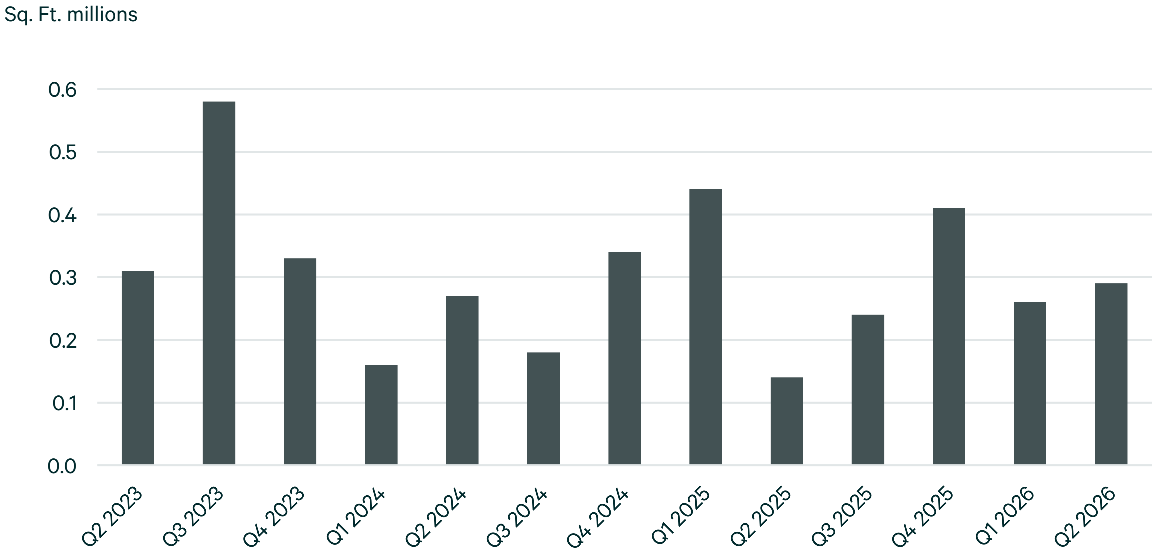
Leasing Activity

Leasing activity in Q2 2026 totaled 286,000 sq. ft., while volume for the latest full year reported, 2025, reached 1.2 million sq. ft. across its four quarters. The Q2 2026 figure represents a 9.6% increase quarter-over-quarter and a 98.6% increase year-over-year from 144,000 sq. ft. in Q2 2025.

By submarket, Union City recorded the highest leased area at 195,000 sq. ft., followed by Berkeley at 44,000 sq. ft. Oakland reported 28,000 sq. ft. of leased area, Hayward 14,000 sq. ft., and San Leandro 5,000 sq. ft.

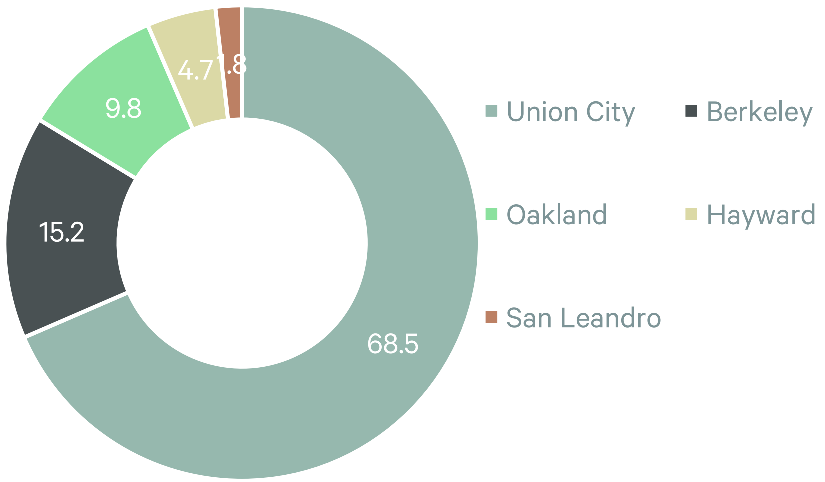
During the current quarter, new leasing activity in the sample is anchored by three large transactions totaling 188,000 sq. ft. These top deals are concentrated in Union City, where Sycomp committed to 94,000 sq. ft. and BillionToOne leased 63,000 sq. ft., together representing 157,000 sq. ft. or 83.5% of the sampled volume. Berkeley accounts for the remaining 31,000 sq. ft. through Lawrence Berkeley National Laboratory. For occupiers and investors, the distribution of these top leases highlights a current quarter concentration of large-block leasing in Union City within this sample of activity.

Figure 4: Leasing Activity Trend



Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Figure 6: Key Lease Transactions

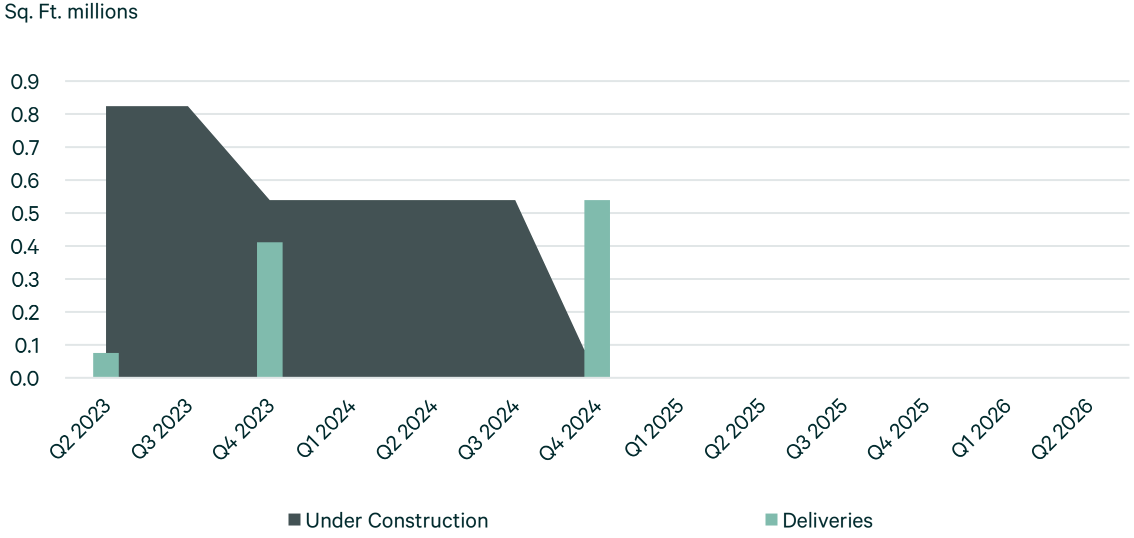
Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Sycomp	94,000	New Lease	33498 Central Ave	Union City
BillionToOne	63,000	New Lease	3250-3260 Whipple Rd	Union City
Lawrence Berkeley National Laboratory	31,000	New Lease	890 Heinz Ave	Berkeley
Confidential Tenant	25,000	New Lease	1960 Mandela Pkwy	Oakland
RIPCORD Inc.	22,000	New Lease	3280 Whipple Rd	Union City
RGTI · Rigetti Computing	13,000	New Lease	740 Heinz Ave	Berkeley
Stelle Athletica	7,000	New Lease	21216-21270 Cabot Blvd	Hayward
Express Home Services	6,000	New Lease	26227-26261 Research Rd	Hayward

Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market recorded 0 sq. ft. under construction and 0 sq. ft. of construction delivered. There was no construction activity this quarter and none year-to-date, matching the lack of activity reported since Q1 2025. This follows a sharp reset in Q4 2024, when under construction space fell 100.0% quarter-over-quarter and year-over-year to 0 sq. ft., while 539,000 sq. ft. was delivered, a 31.1% year-over-year increase that cleared the remaining pipeline and was followed by a 100.0% quarter-over-quarter drop in deliveries to 0 sq. ft. in Q1 2025.

Figure 7: Construction Activity



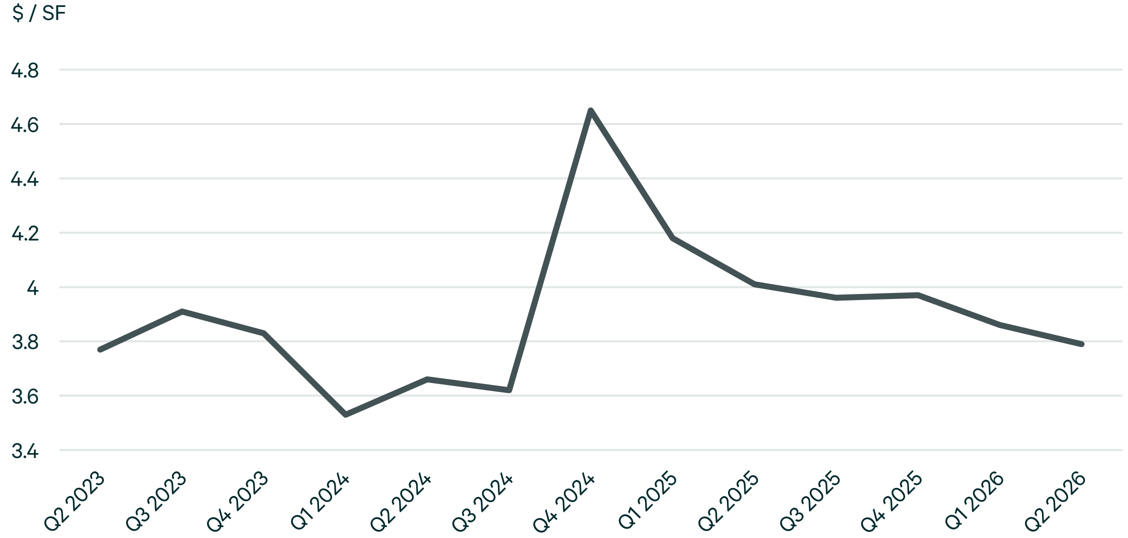
Source: CBRE Research, Q2 2026

Asking Rent

Average asking rent in Q2 2026 was $3.79, down from $3.86 in Q1 2026, reflecting a negative 1.8% change quarter-over-quarter and a negative 5.5% shift year-over-year. Across the full series, rents moved from $3.77 in Q2 2023 to a peak of $4.65 in Q4 2024 before moderating through 2025 and early 2026, with year-over-year comparisons transitioning from double-digit growth in early 2025 to negative readings by late 2025 and into 2026.

In Q2 2026, Berkeley and Emeryville posted the highest average asking rents at $6.23 and $4.73, respectively, positioning them as the premium pricing submarkets. At the other end of the spectrum, Oakland recorded the lowest rate at $1.76, with Richmond at $1.83, San Leandro at $1.80, Union City at $1.99, and mid-priced Alameda and Hayward at $3.73 and $3.25, illustrating a spread of about $4.47 between the highest- and lowest-cost locations.

Figure 8: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

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)
Alameda	1.35M	27.1	28.4	19.3	9.0	3.73	(6,000)	(75,000)	-	-
Berkeley	2.93M	32.0	32.0	27.8	4.2	6.23	13,000	(5,000)	-	-
Emeryville	1.56M	44.8	48.6	44.3	4.3	4.73	(34,000)	(40,000)	-	-
Hayward	5.82M	12.5	16.7	10.6	6.0	3.25	2,000	(58,000)	-	-
Oakland	1.85M	24.4	25.8	25.8	-	1.76	17,000	26,000	-	-
Richmond	2.85M	10.6	10.6	10.4	0.2	1.83	7,000	7,000	-	-
San Leandro	2.85M	7.2	11.9	7.6	4.3	1.80	(12,000)	11,000	-	-
Union City	1.40M	8.9	12.1	12.1	-	1.99	76,000	86,000	-	-
Total	**20.60M**	**18.5**	**21.0**	**17.2**	**3.8**	**3.79**	**63,000**	**(50,000)**	**-**	**-**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

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	9.01M	12.9	14.2	12.5	1.7	3.14	(4,000)	(69,000)	-	-
50K-99,999 SF	6.15M	15.0	18.6	15.4	3.2	3.23	78,000	36,000	-	-
100K-249,999 SF	3.87M	26.8	29.0	20.2	8.7	5.04	(18,000)	(24,000)	-	-
250K-499,999 SF	1.58M	43.7	50.1	43.7	6.4	4.17	8,000	8,000	-	-
Total	**20.60M**	**18.5**	**21.0**	**17.2**	**3.8**	**3.79**	**63,000**	**(50,000)**	**-**	**-**

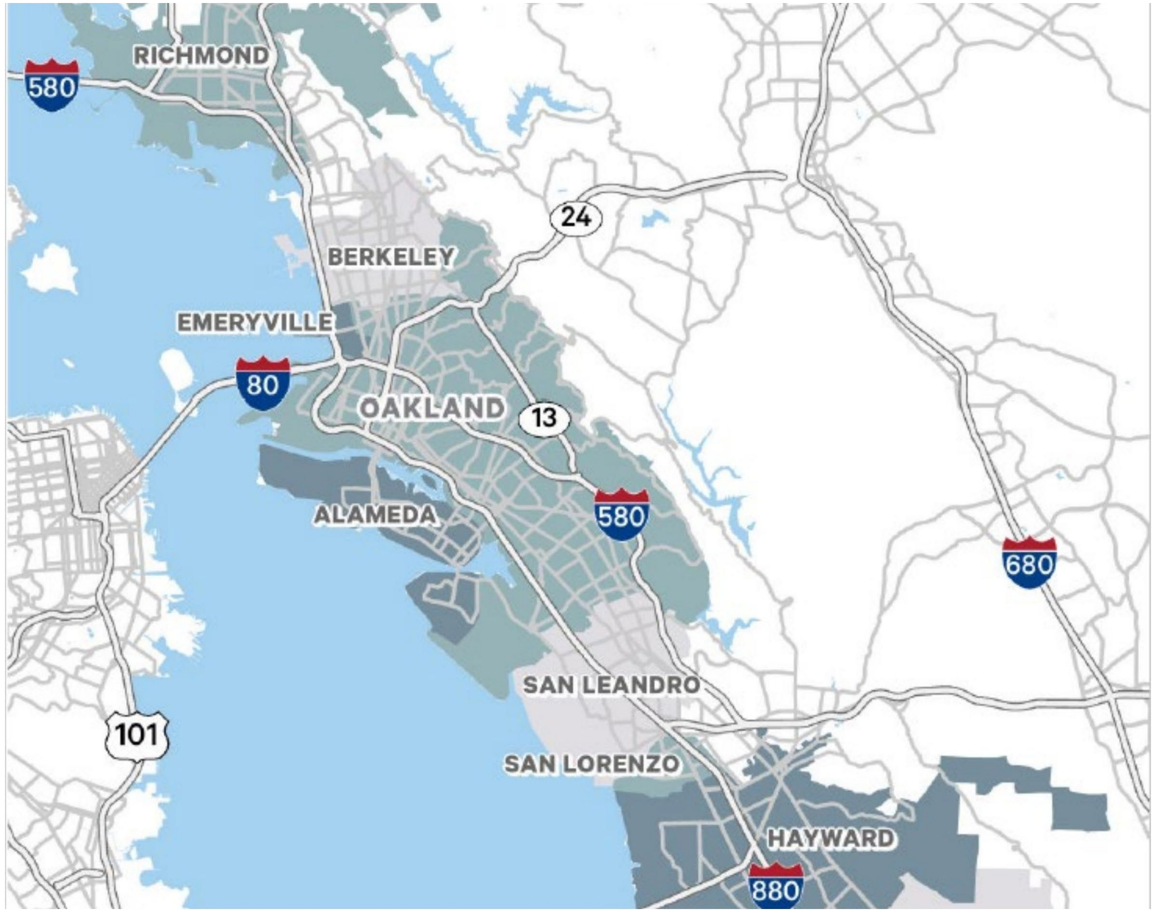
Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

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.

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