

Availability Tightens as New Leasing Improves



Note: Arrows indicate change from previous quarter.

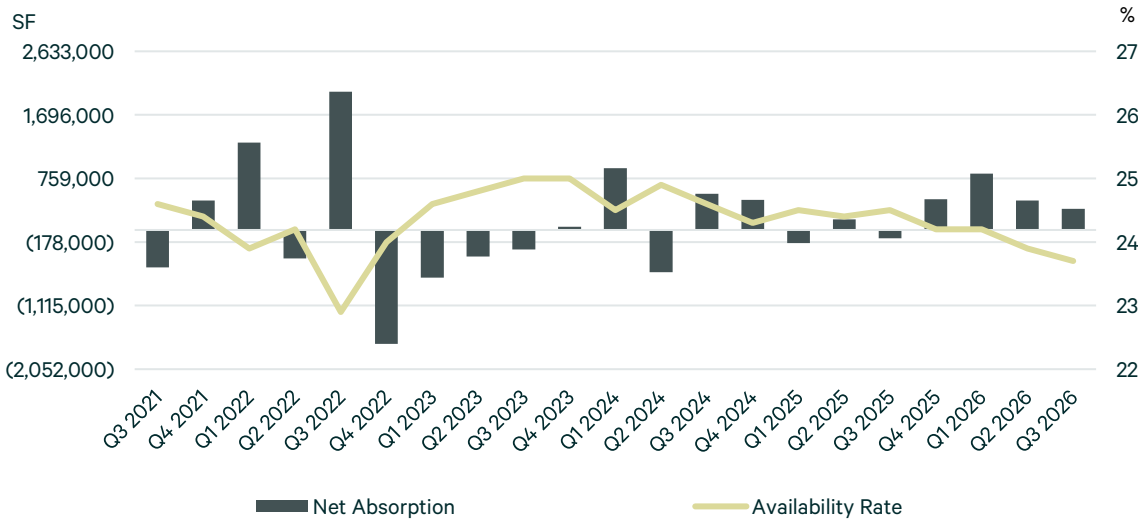
Market Overview

In Q3 2026, office market fundamentals showed signs of gradual improvement. Leasing activity totaled 1.08 million sq. ft. in Q3, exceeding 1.0 million sq. ft. for the first time since Q2 2025. This represented a 15% increase from Q2 2026 and the second consecutive quarter of leasing growth following the cyclical low recorded in Q1 2026; however, activity remained 9% below the five-year quarterly average. The increase in leasing activity was primarily driven by Class A space, which accounted for 90% of all new lease transactions during the quarter. In contrast, top tier leasing represented just 8% of quarterly activity and has comprised only 10% of total leasing volume year-to-date.

Market conditions tightened modestly during the quarter. Availability fell 20 basis points (bps) to 23.7% with net absorption totaling 310,000 sq. ft., bringing year-to-date absorption to 1.57 million sq. ft. Asking rents remained near historic highs at \$32.20 per sq. ft., 1% below the recent peak of \$32.47 per sq. ft. reached last quarter.

Tight supply of high-quality, move-in ready space defined 2026, and has led to greater incidence of renewals by larger occupiers. The trend sharpened in Q3: four of the five largest transactions were renewals or renewal-and-expansion deals in tenants' existing buildings. Large transactions rebounded in Q3, with three new leases exceeding 50,000 sq. ft., up from one in Q2 2026. As a result, average transaction size rose to approximately 14,900 sq. ft. from 11,500 sq. ft. last quarter, in line with the 2025 average of 15,200 sq. ft.

Figure 1: Historical Net Absorption and Availability



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Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future.

New Jersey’s labor market increased by 24,800 positions from May 2026 and was up by 67,700 positions year-over-year based on Aug 2026 data, the most recent available. Manufacturing increased payroll by 800 positions (+0.3%). Office using employment decreased by 15,400 (-1.5%) positions. New Jersey’s overall unemployment rate was 4.3%, down from 4.7% from the end of May 2026.

Leasing Activity

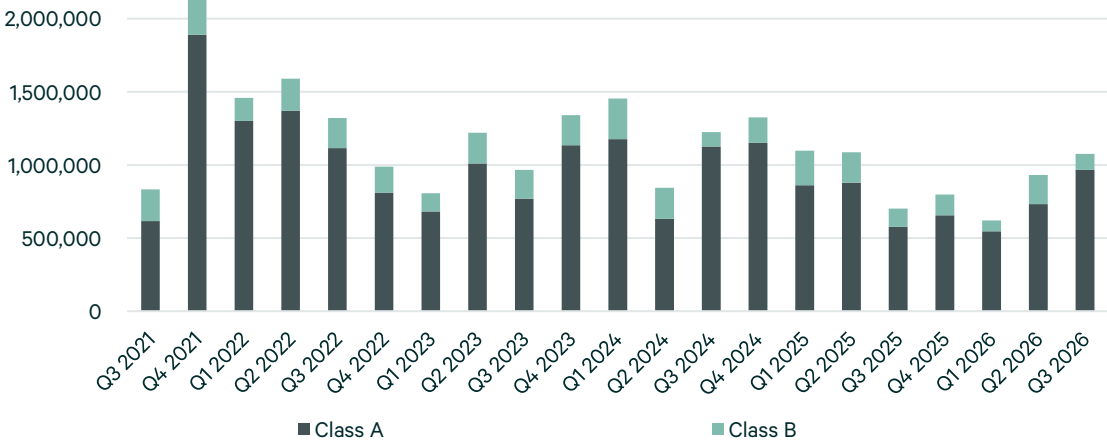
Office leasing activity across Northern and Central New Jersey totaled 1.08 million sq. ft. in Q3; a 15% quarter-over-quarter increase and 9% below the five-year average. Consecutive quarters of improving activity signal a rebound in tenant demand following the cyclical low recorded in the first quarter. The quarter's largest transaction was an expansion at 499 Washington Boulevard by a financial services tenant, highlighting a notable trend in occupier behavior. For the second consecutive quarter, the market's largest lease transaction involved an existing tenant expanding within its current location rather than relocating.

This trend extends beyond a single transaction. Six of the 10 largest leases executed year-to-date, including both new leases and renewals, have involved some form of expansion, while the remaining four have been pure renewals. This underscores the challenges occupiers face in identifying comparable relocation options and reflects a preference for retaining high-quality, move-in-ready space amid limited market availability.

For only the second time in the past 12 months, renewal activity surpassed new leasing volume, reaching 1.09 million sq. ft. during the quarter. Renewal volume increased 76% from the 619,000 sq. ft. recorded in Q2. This acceleration is consistent with broader market conditions that have persisted over the past two years, including a limited supply of move-in-ready space and ongoing constraints on landlords' ability to fund significant tenant improvement packages.

Figure 2: Leasing Activity Trend

Class A



CBRE Research

Figure 3: Key Lease Transactions

Tenant	Size (Sq. Ft.)	Deal Type	Direct/Sublet	Address
Confidential Tenant	260,000	R	D	100 Morris Street
Confidential Tenant	157,000	E	D	499 Washington Boulevard
CACI	133,000	RE	D	15 Vreeland Road
Collectors Holdings	129,000	E	D	3 Harborside Financial Center
Universal Technical Institute	116,000	RE	D	1515 Broad Street

Source: CBRE Research, Q2 2026. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

As a result, renewals account for an increasing share of total leasing velocity. 47% of total leasing velocity year-to-date has been renewals, up from 44% at midyear and 40% in 2025. The growing prevalence of renewals reflects occupiers' desire to avoid the costs, capital commitments, and operational disruption associated with relocation in today's market

New leasing activity in Northern Jersey increased for the second consecutive quarter, reaching 785,000 sq. ft. This is the highest quarterly figure for Northern Jersey since 1.16 million sq. ft. was posted in Q4 2024. The 785,000 sq. ft. of leasing was also 9% above the five-year quarterly average. The Waterfront submarket showed some positive signs in the third quarter of 2026. After a muted first half of the year in which only 10,000 sq. ft. of new activity was recorded, the Waterfront submarket led all of Northern and Central Jersey by a wide margin, totaling 425,000 sq. ft. of new leasing; 155% above the five-year quarterly average. The submarket was led by two large expansions; the first was a 156,000 sq. ft. deal by a financial services tenant at 499 Washington Boulevard and the second was a 129,000 sq. ft. deal by Collectors Holdings at Harborside 3.

Central Jersey experienced a pullback in new leasing activity, with 291,000 sq. ft. transacted in Q3; a decrease of 37% from 458,000 sq. ft. in Q2. The Parkway Corridor led Central Jersey in new leasing activity for the third consecutive quarter, recording 105,000 sq. ft. of leasing in Q3; 20% above its five-year quarterly average, but a 27% decrease from last quarter. This performance was primarily supported by two mid-sized transactions (20,000–30,000 sq. ft.) at 170 Wood Avenue South in Iselin by financial services tenants. The Parkway Corridor has now reached 396,000 sq. ft. of new leasing year-to-date in 2026. This surpasses its 2025 total of 313,000 sq. ft. with a full quarter of the year left. The submarket is also on pace for its best year on record since the 767,000 sq. ft. of activity totaled in 2018.

Net Absorption & Availability Rate

Supply tightened in Q3 2026, with the overall availability rate declining 20 bps quarter-over-quarter to 23.7%. On an annual basis, availability fell 80 bps from 24.5% in Q3 2025, reflecting gradual supply reduction across the region.

Net absorption totaled 310,000 sq. ft. during the quarter, marking a modest contraction of available supply. The positive performance was primarily driven by improved leasing activity in the Waterfront submarket, as well as the removal of a significant block of office space from the inventory at 480 Washington Boulevard in Jersey City. More than 400,000 sq. ft. was withdrawn from the market as part of a planned residential conversion, while the remaining portion of the property will continue to operate as office space.

Figure 4: Availability Rates



Figure 5: Net Absorption Trend



Within top-tier assets, availability also declined during the quarter, decreasing 420 bps to 16.2%. This was mainly driven by several small and mid-size leases in the already tight downtown Morristown area and the large block of space in Jersey City longer listed as available.

While tenant demand has fluctuated throughout the year, the reduction in available inventory resulting from office-to-residential conversions, as well as teardowns, continues to shrink the leasable market. As a result, availability has steadily trended lower over the past four quarters, contributing to the market's gradual recovery despite a still-elevated supply backdrop. Total office space removed, or slated for removal, is now up to 24.6 million sq. ft. since 2019. There were some large supply additions, such as the 321,000 sq. ft. at 700 Sylvan Avenue and 389,000 sq. ft. at 520 Broad Street, added to the market in Q3, causing substantial negative absorption in the Palisades and Newark submarkets, respectively.

For the second quarter in a row, sublease additions to the market outpaced withdrawals, increasing the total available sublease space to 5.65 million sq. ft., accounting for 16.1% of all available space.

Asking Rent

New Jersey average asking rent declined 1% quarter-over-quarter to \$33.34 per sq. ft. Top-tier properties remained flat quarter-over-quarter at \$42.35 per sq. ft., approximately 32% above the broader market average.

At the submarket level, Princeton recorded the strongest quarterly rent growth, with asking rents increasing 2.0% to \$30.64 per sq. ft. Waterfront continued to command the highest asking rent across Northern and Central New Jersey at \$44.56 per sq. ft., unchanged from the previous quarter and representing a 34.2% premium to the overall market. Meanwhile, Morristown experienced modest rent compression, with asking rents declining 1.0% quarter-over-quarter to \$31.50 per sq. ft.

Investment Sales

The momentum in investment sales activity observed in Q2 proved short-lived. Total office investment sales reached \$83 million in Q3, representing a 76% decline quarter-over-quarter and returning to levels consistent with recent market trends. The slowdown is largely attributed to a lack of large-scale transactions, as only one property traded for more than \$20 million during the quarter. The largest sale involved 100 Route 206, a 93,000 sq. ft. Class B property, which traded for \$25 million. With interest rates pushing dramatically higher during the quarter, this has caused pricing to soften and has created an obstacle to getting deals done.

Figure 6: Average Asking Rate by Class



Source: CBRE Research, Q3 2026

FIGURE 8: Notable Sales Transactions

Address	Size (Sq. Ft.)	Price (Millions)	Price/Sq. Ft	Buyer
100 US Highway 206	92,516	\$25.20	\$272	Distinctive Living Development
275-277 Forest Avenue	45,900	\$15.70	\$342	Denis Real Estate Management Group
500 Atrium Drive	166,972	\$15.28	\$91	ARES Management LLC
2035 Lincoln Highway	98,566	\$11.71	\$119	2035 Lincoln Hwy, LLC
1545 Route 206	58,044	\$7.00	120	Frazier Industrial Company

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 7: Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Total Vacancy (%)	Avg. Asking Rate (\$/SF/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Quarterly Leasing (SF)	YTD Leasing (SF)
Class A	98.88	25.6%	20.4%	5.1%	20.9%	\$35.17	821,482	1,924,227	965,677	2,245,293
Class B	48.37	20.0%	18.7%	1.2%	17.5%	\$25.29	(511,598)	(351,876)	110,529	384,217
Total	147.25	23.7%	19.9%	3.8%	19.8%	\$32.20	309,884	1,572,351	1,076,206	2,629,510

Source: CBRE Research, Q3 2026

Figure 8: Market Statistics by Submarket

Submarket	Net Rentable Area (MSF)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Total Vacancy (%)	Avg. Asking Rate (\$/SF/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Quarterly Leasing (SF)	YTD Leasing (SF)
Central NJ	57.56	22.7%	19.9%	2.8%	18.5%	\$30.34	8,598	1,259,313	290,806	1,090,373
Northern NJ	89.68	24.4%	19.9%	4.5%	20.6%	\$33.34	301,286	313,038	785,400	1,539,137
Total	147.25	23.7%	19.9%	3.8%	19.8%	\$32.20	309,884	1,572,351	1,076,206	2,629,510

Source: CBRE Research, Q3 2026

Northern NJ Statistics

Figure 9: Northern NJ Statistics

Submarket	Net Rentable Area (MSF)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Total Vacancy (%)	Avg. Asking Rate (\$/SF/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Quarterly Leasing (SF)	YTD Leasing (SF)
Central Bergen	5.64	17.9%	14.8%	3.1%	15.8%	\$28.44	40,555	(58,586)	43,116	66,335
Chatham/Millburn/Short Hills	0.90	16.5%	16.5%	-	14.5%	\$44.07	5,430	22,619	-	17,189
Meadowlands	4.63	25.1%	18.5%	6.6%	17.4%	\$29.69	(52,541)	14,460	106,109	156,435
Montvale/Woodcliff Lake	2.87	16.7%	10.0%	6.7%	16.4%	\$27.14	12,449	321,674	4,950	75,478
Morristown	8.99	18.1%	13.5%	4.6%	15.0%	\$31.50	84,035	318,910	76,077	246,979
Newark	12.94	23.6%	18.3%	5.4%	21.4%	\$32.57	(387,680)	(343,793)	7,628	88,590
Palisades	4.92	28.3%	17.5%	10.8%	16.6%	\$29.05	(286,748)	(375,796)	20,253	133,993
Parsippany	13.11	28.9%	26.6%	2.2%	26.6%	\$28.32	(201,891)	(333,783)	57,708	116,653
Rockland/Orange	2.55	30.2%	26.8%	3.5%	23.0%	\$23.12	121,382	112,988	-	9,510
Route 17 Corridor	1.66	5.7%	5.7%	-	4.1%	\$21.48	-	(1,816)	-	-
Route 23/Paterson/Wayne	5.51	16.5%	14.9%	1.7%	14.3%	\$22.89	(6,652)	(73,342)	18,593	20,443
Suburban Essex/Eastern Morris	5.62	24.1%	23.8%	0.4%	19.7%	\$26.24	28,400	199,028	26,169	172,564
Waterfront	19.55	29.5%	23.3%	6.2%	25.4%	\$44.56	944,547	521,254	424,797	434,968
Western I-80 Corridor	0.79	36.3%	34.8%	1.6%	31.2%	\$25.39	-	(10,779)	-	-
Northern NJ	89.68	24.4%	19.9%	4.5%	20.6%	\$33.34	301,286	313,038	785,400	1,539,137
Overall NJ	147.25	23.7%	19.9%	3.8%	19.8%	\$32.20	309,884	1,572,351	1,076,206	2,629,510

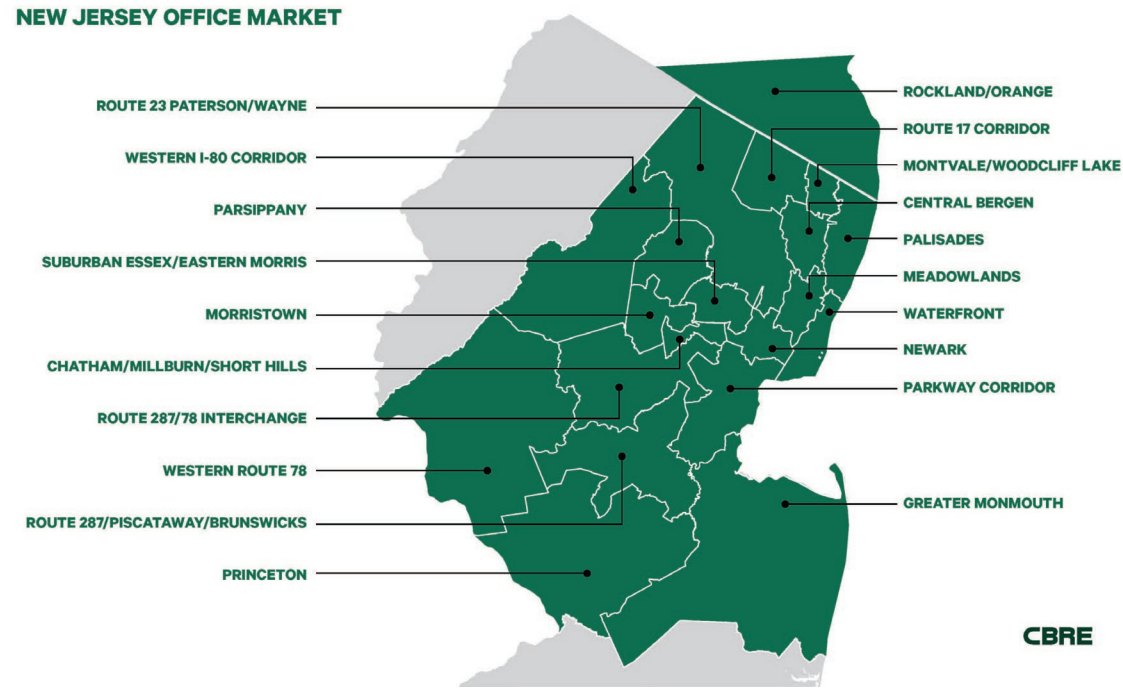
Source: CBRE Research, Q3 2026

Central NJ Statistics

Figure 10: Central NJ Statistics

Submarket	Net Rentable Area (MSF)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Total Vacancy (%)	Avg. Asking Rate (\$/SF/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Quarterly Leasing (SF)	YTD Leasing (SF)
Greater Monmouth County	5.03	14.8%	11.4%	3.3%	11.9%	\$27.50	53,309	138,636	24,731	206,345
Parkway Corridor	8.43	22.3%	20.2%	2.1%	16.9%	\$36.05	7,275	197,898	105,074	395,795
Princeton	15.07	25.7%	21.7%	4.0%	23.9%	\$30.64	(124,377)	(80,411)	60,616	125,099
Route 287/78 Interchange	19.80	20.7%	18.2%	2.6%	14.6%	\$32.33	81,012	746,558	63,349	242,866
Route 287/Piscataway/Brunswicks	6.79	19.4%	17.2%	2.2%	14.6%	\$21.08	(8,621)	(52,224)	37,036	66,158
Western Route 78	2.43	47.9%	47.7%	0.2%	47.7%	\$26.95	-	308,856	-	54,110
Central NJ	57.56	22.7%	19.9%	2.8%	18.5%	\$30.34	8,598	1,259,313	290,806	1,090,373
Overall NJ	147.25	23.7%	19.9%	3.8%	19.8%	\$32.20	309,884	1,572,351	1,076,206	2,629,510

Source: CBRE Research, Q3 2026



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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