Annual Leasing Activity Falls to All-Time Low While Investment Sales Gains Momentum

▲ 800 K
Leasing Activity

▲ 0.45 M
Net Absorption

▼ 24.2%
Availability Rate

▶ $31.77
Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 798,000 sq. ft., up 14% from the prior quarter, but 31% below the five-year quarterly average.
- Annual leasing activity was 3.67 million sq. ft., down 26% from a year ago.
- Renewals totaled 419,000 sq. ft. in Q4, bringing the year-to-date total to 2.40 million sq. ft.
- The availability rate decreased to 24.2%, down 30 basis points (bps) quarterly, and down 10 bps annually.
- Quarterly net absorption was 454,000 sq. ft. in Q4 2025, bringing the annual total to 295,000 sq. ft.
- Average asking rent was $31.77 per sq. ft., flat quarter-over-quarter, but up 1% for the year.
- Sublease availability dropped 10 bps quarter-over-quarter to 3.6%, which equates to 5.47 million sq. ft. of sublease space, or 15% of all available space.

Market Overview

Leasing activity remained subdued for the second consecutive quarter, totaling 798,000 sq. ft. in Q4—up 14% from Q3 but still 31% below the five year quarterly average. A pronounced slowdown in the second half of the year weighed heavily on annual results. Full year 2025 leasing reached 3.67 million sq. ft., 26% below 2024's 4.93 million sq. ft. and 47% below the 2015–2019 average. This marks the lowest annual leasing total on record, 8% below the previous trough of 3.97 million sq. ft. in 2021.

The pullback was driven primarily by a sharp decline in large block transactions. Only two new leases of 100,000 sq. ft. or larger were completed in 2025, compared with seven such deals in 2024. Beyond macro pressures—including a softening labor market and uncertainty from tariffs—occupiers also faced a shrinking supply of high quality, market ready space. Inflation of the cost of capital and construction has hampered landlords' ability to build turnkey spaces, fund tenant improvement allowances or invest in asset repositioning, rendering several buildings effectively noncompetitive. The lack of compelling quality or viable options for tenant relocations have contributed to stalling the flow of new leasing. On a macro front, New Jersey has also suffered just like many suburban locations as demand nationally has shifted focus more on urban cities and away from suburban markets. As available quality space tightened, tenants increasingly opted to renew. Renewals totaled 2.40 million sq. ft. for the year, representing 40% of all leasing velocity—up from 33% in 2024 and 27% in 2023.

Despite muted demand, the overall availability rate edged down 10 bps year over year to 24.2%, the lowest level since Q4 2022. Prime assets accounted for most of this improvement, posting a 190 bps annual decline to 18.4%. Asking rents in prime buildings averaged $41.72 per sq. ft., a 31% premium over the market wide average of $31.77 per sq. ft.

Limited office demand accelerated the repurposing of obsolete inventory. In 2025, 4.4 million sq. ft. of office product was slated for demolition or conversion—an 88% increase from the 2.8 million sq. ft. identified in 2024 and the highest annual figure since 2022's 6.0 million sq. ft. Total removals since 2019 now stand at 22.3 million sq. ft. Based on projects already in planning or underway, as much as three million sq. ft. could be removed from the statistical inventory in 2026, representing roughly 2% of the 2025 total office inventory.

Economic Overview

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle. Conversely, consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. Annual average GDP growth will be steady in 2026, at 2%. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters.

New Jersey's labor market rose by 23,900 positions quarter-over-quarter in Q3 (+0.5%) and was up 15,500 positions year-over-year (+0.6%). Office-using employment (OUE) performed better than the state as a whole in Q3. While the financial activities sector shrank by 400 positions (-0.1%) and information services contracted by 700 positions (-1.0%), professional and business services saw payroll increase by 12,100 positions quarter-over-quarter in Q3 (+1.7%). Year over year, OUE in New Jersey is up a net of 16,800 jobs (+1.9%). New Jersey's OUE peaked at 1.07 million positions in July 2022 and currently stands at 99.0% of that level.

New Jersey's overall unemployment is 5.2%, up from 4.9% in the end of Q2. The national unemployment rate is 4.6% as of November 2025.

FIGURE 1: New Jersey Office-Using Employment (Thousands)

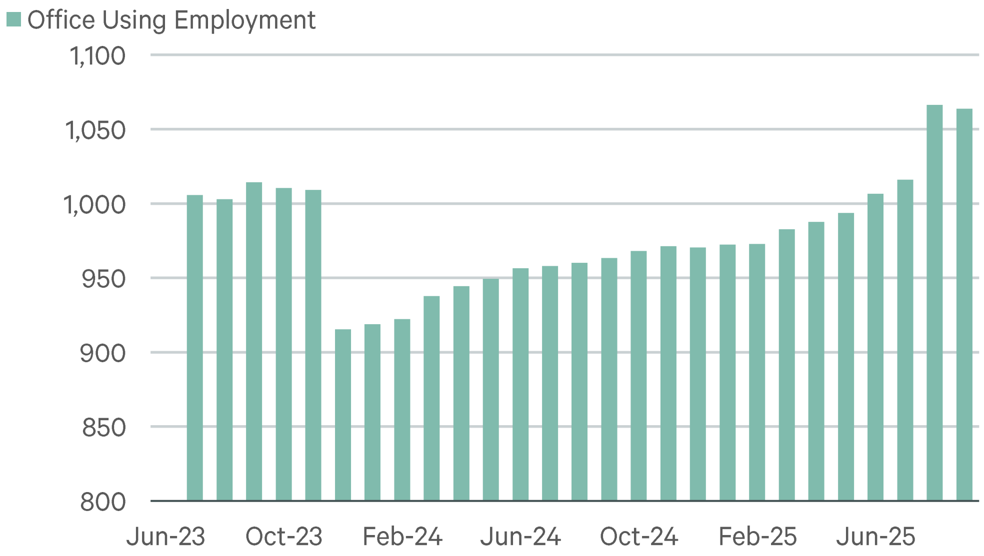
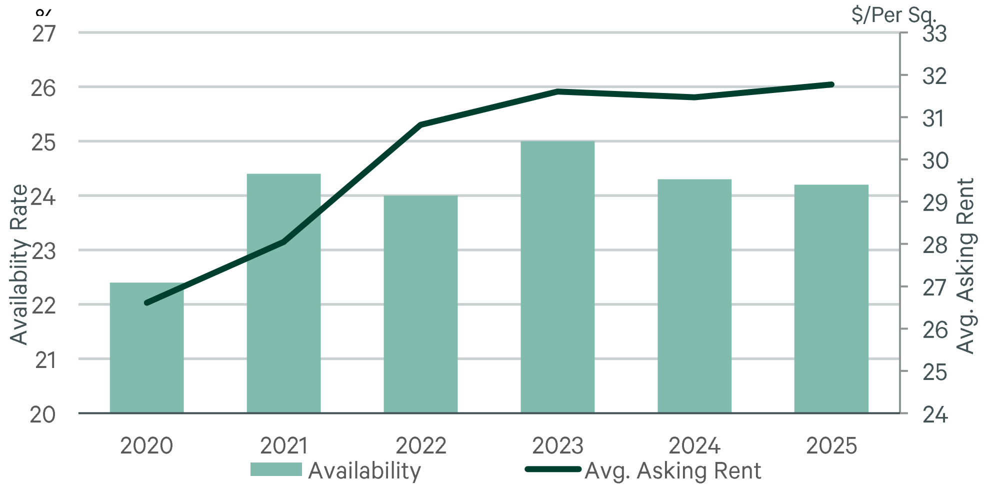


FIGURE 2: Historical Availability and Asking Rent



Source: BLS

Source: CBRE Research, Q4 2025

Leasing Activity

Office leasing activity across Northern and Central New Jersey increased 14% this quarter to 798,000 sq. ft. in Q4. Despite the quarterly uptick, annual leasing declined 26% to 3.67 million sq. ft.—the lowest full-year total on record and the third straight annual contraction. Over the same three-year period, the five-year quarterly leasing average has fallen 13.4%, dropping from 1.34 million sq. ft. to 1.16 million sq. ft.

A steep pullback in large-block activity was a key contributor to the slowdown. After two consecutive quarters with no new leases of 100,000 sq. ft. or greater, Selective Insurance Group broke the streak with a 123,000 sq. ft. lease at 103 John F. Kennedy Parkway in Short Hills. Still, this was only the second large lease completed in 2025—down sharply from seven such transactions in 2024 and six in 2023.

Leasing in prime assets—the market's highest-quality buildings—showed relative strength. These properties recorded 561,000 sq. ft. of activity, a 17% increase from the 478,000 sq. ft. completed in 2024. Prime assets accounted for 15% of all new leasing in 2025, up from 10% last year, underscoring a continued flight-to-quality among occupiers, as a rising number of landlords face financial constraints.

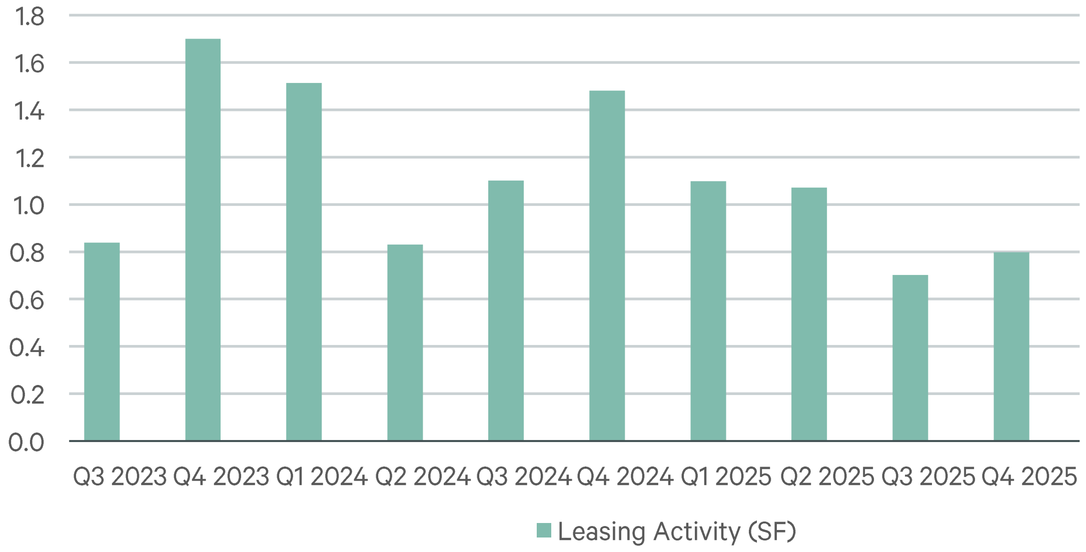
Renewal activity totaled 419,000 sq. ft. for the quarter—an 89% drop from Q3—bringing the annual total to 2.40 million sq. ft. While this represents a modest 3% year-over-year decline, renewals made up 40% of all 2025 leasing activity. This has been the highest share since 2021, when renewals accounted for 46% of annual velocity. As the quality of available space continues to erode, renewals are expected to comprise an increasing share of leasing velocity going forward. Despite renewals comprising of a greater share of leasing velocity, overall leasing velocity was also at an annual low at 6.10 million sq. ft.

Northern New Jersey posted 599,000 sq. ft. of activity in Q4, a 39% increase from Q3 but still 18% below its five-year quarterly average. The Waterfront submarket led Northern and Central Jersey with 207,000 sq. ft. of leasing—up 192% quarter-over-quarter and 31% above its five-year average. A financial services tenant's 85,000 sq. ft. expansion at 545 Washington Boulevard in Jersey City was Northern Jersey's largest deal of the quarter. For the full year, the Waterfront also led Northern and Central New Jersey with 529,000 sq. ft. of total leasing.

FIGURE 3: Top Lease Transactions, Q4 2025

Tenant	Address	Size (SF)	Transaction Type
Selective Insurance Group	103 John F. Kennedy Parkway	123,000	Lease
Confidential Financial Tenant	545 Washington Boulevard	84,782	Lease
Sandoz	777 Scudders Mill Road-Bldg. III	78,301	Lease
Chelsea Piers Fitness	130 Bay Street	51,112	Lease
Medidata Solutions	194 Wood Avenue South	50,648	Renewal

FIGURE 4: Office Leasing Activity (Million Sq. Ft.)



Source: CBRE Research, Q4 2025

Central New Jersey registered its second consecutive quarterly decline, recording 199,000 sq. ft. of activity in Q4, a 26% reduction from Q3. The Princeton submarket dominated Central Jersey leasing with 118,000 sq. ft., driven largely by Sandoz's 78,000 sq. ft. commitment at 777 Scudders Mill Road in Plainsboro.

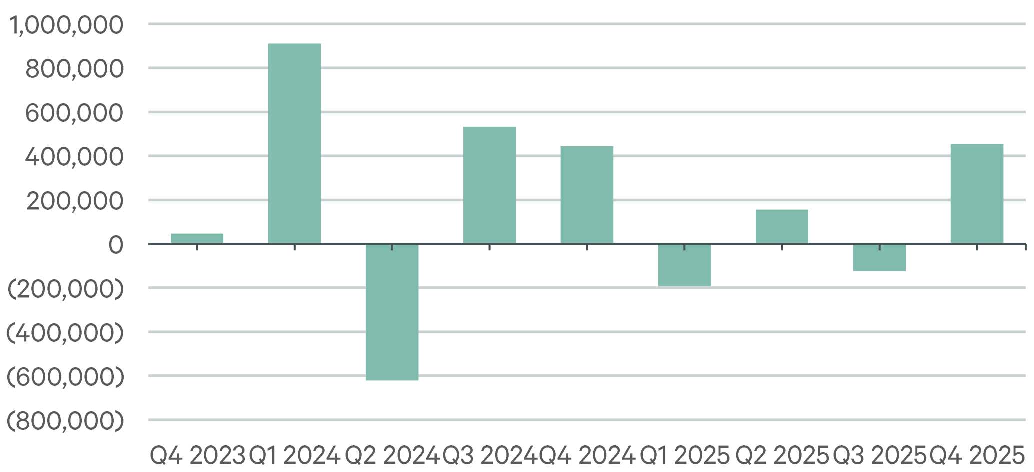
Net Absorption and Availability

Absorption turned positive in 2025 after the market posted 454,000 sq. ft. of net gains in Q4, reversing the negative trajectory seen earlier in the year. This improvement helped push the overall availability rate down 10 bps year-over-year to 24.2%. A key driver behind the positive absorption has been the sharp slowdown in new sublease additions. During the second half of the year, only 301,000 sq. ft. of gross additions were added to the sublease market—a 65% reduction from the 870,000 sq. ft. during the same period in 2024. As a result, total sublease availability declined 22% year-over-year to 5.47 million sq. ft., now representing 15% of all available space and marking the lowest level since Q2 2020.

Two additional factors—office inventory reductions and the resilience of prime assets—also contributed to tightening market conditions. In 2025, 4.4 million sq. ft. was designated for conversion, repurposing, or demolition, bringing total removals since 2019 to 22.3 million sq. ft., or 14% of the 2019 inventory base. Prime assets accounted for 15% of all annual leasing activity and ended the year with an availability rate of 18.4%, a 190 bps decline from 2024. This rate is also 580 bps below the overall market, underscoring bifurcation between top-tier product and the rest of the inventory. Notably, as prime availability remains relatively constrained, overall leasing velocity has also moderated.

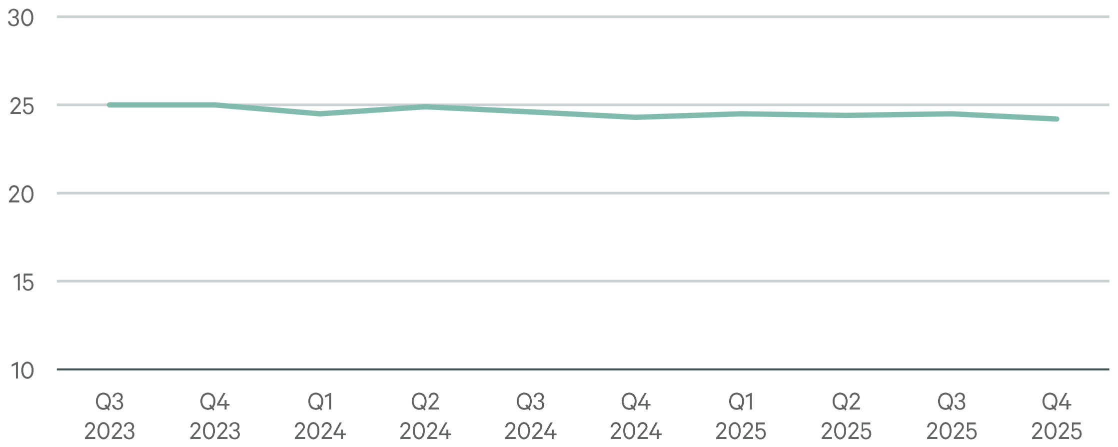
Positive absorption extended across most of the region, with 15 of 20 submarkets recording declining availability in 2025. The Parsippany submarket led Northern and Central New Jersey with 636,000 sq. ft. of positive absorption, bringing its availability rate down 460 bps year-over-year to 24.2%—the lowest point since Q2 2011 (23.9%). This improvement was supported by 366,000 sq. ft. of annual leasing activity and a 55% year-over-year reduction in available sublease space.

FIGURE 5: Net Absorption (Million Sq. Ft.)



Source: CBRE Research, Q4 2025

FIGURE 6: Availability Rate (%)



Source: CBRE Research, Q4 2025

Rent Trends

The Q4 2025 average asking rent for the Northern and Central New Jersey office market was flat quarter-over-quarter at $31.77 per sq. ft. but up 1% annually. Class A rent was also flat, finishing the quarter at $34.63 per sq. ft., a 9% premium above the overall market. The average asking rent for Northern Jersey came in at $33.59, up 1% annually, while Central Jersey's asking rent was flat for the year at $28.74.

For the quarter, only six of the 20 submarkets saw an increase in average asking rent. The biggest change was the Parsippany submarket with a 2% quarterly increase following the addition of higher priced space on Waterview Blvd and lower priced space on Route 10 being leased. This is the second quarter in a row when the Parsippany submarket has had the market's biggest quarterly increase in asking rent. For the year, the average asking rate for the Parsippany submarket jumped 4%. For the year, only the Parkway Corridor and Central Bergen submarkets have seen greater annual increases with 8% and 5% increases, respectively.

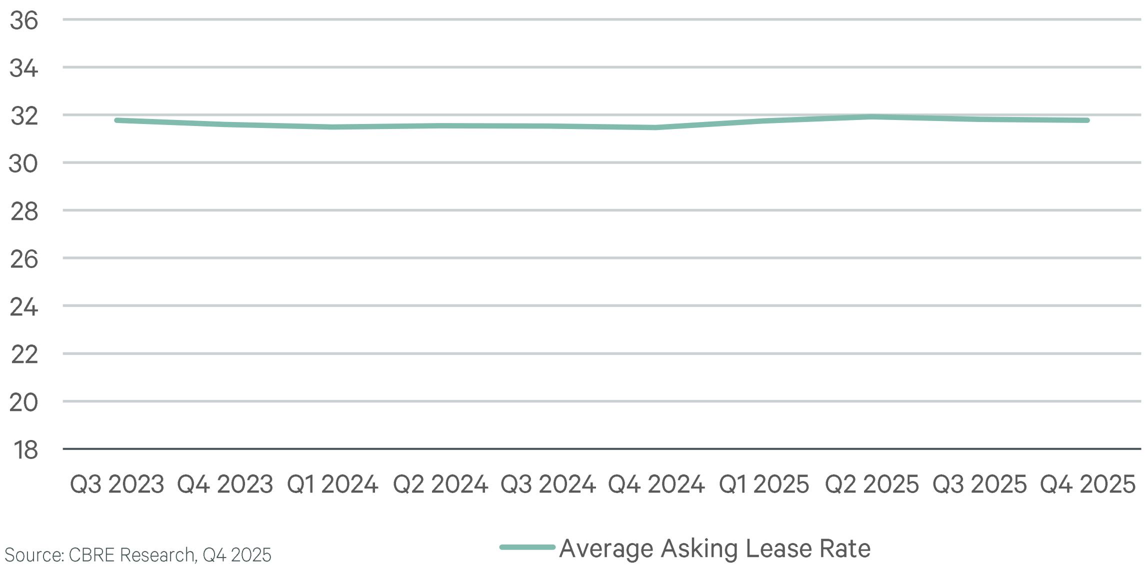
Investment Sales

Investment sales activity in Northern and Central New Jersey gained momentum in Q4 2025, with transaction volume reaching $180 million—a 102% increase over the $89 million recorded in Q3. The quarter was led by the $33 million trade of 14 Sylvan Way in Parsippany, a Class A office property acquired by Signature Acquisitions.

On an annual basis, investment sales totaled $507 million, a 4% increase year-over-year. Owner-user activity played a notable role in the market. Gellert Global acquired 2 Giralda Farms in Madison for an undisclosed price, while 100 Kimball Drive in Parsippany sold to an owner-user for $6.14 million. This follows the trend observed earlier in the year, highlighted by Sun Pharma's acquisition of 750 College Road East in Plainsboro. After registering less than five owner-user purchases in 2023, more than 15 owner user purchases were transacted in 2024 and 2025. The trend is likely to persist as several owners with challenged financial situations may produce appealing options for user-buyers.

Despite the uptick in investment sales for the year, 2025 was still significantly below the $1.95 billion and $3.1 billion we saw in 2021 and 2020, respectively. With Federal Reserve rate cut expected in Q1 2026 and multiple obsolete office buildings position to be sold and repurposed, the investment landscape could improve in 2026 as pricing expectations still look to normalize.

FIGURE 7: Average Asking Rents ($/Per Sq. Ft.)



Source: CBRE Research, Q4 2025

FIGURE 8: Notable Sales Transactions

Address	Size (Sq. Ft.)	Price (Millions)	Price/Sq. Ft	Buyer
14 Sylvan Way	203,506	$33.00	$162	Signature Acquisitions
560 Cross St	6,126	$15.08	$2,461	560 Cross 15 LLC
3 Executive Dr	85,765	$14.89	$173	Idil Executive Drive LLC
200 Princeton S Corporate Center	153,639	$9.00	$59	Hilton Realty
100 Princeton S	113,730	$9.00	$79	Hilton Realty

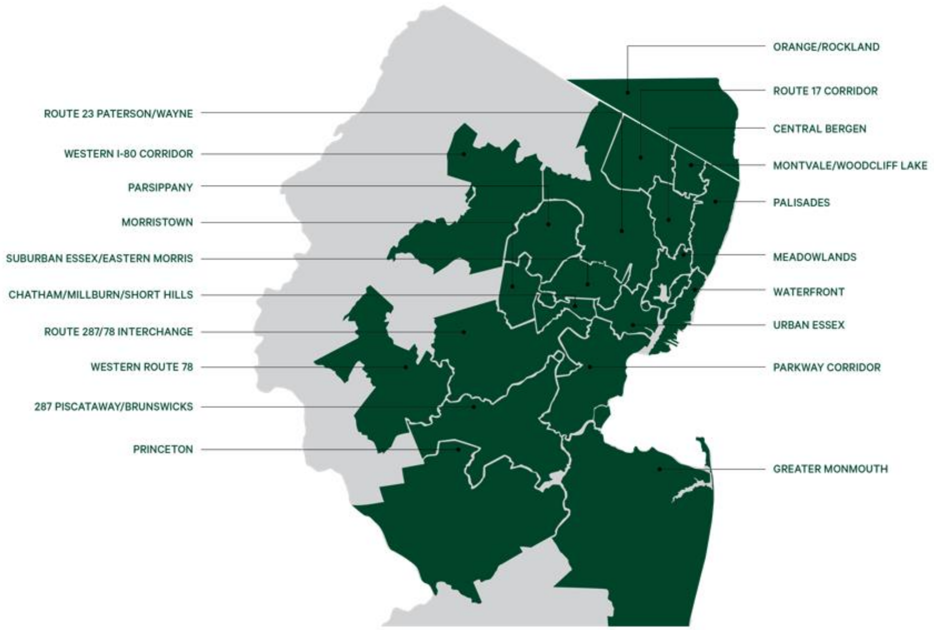
Source: CBRE Research, Q4 2025

FIGURE 19: Q3 2025 Submarket Statistics

Submarket	Market Rentable Area (Millions Sq. Ft.)	Availability Rate (%)	Avg. Asking Rent ($/Sq. Ft./Yr)	Leasing Activity (Sq. Ft.)	Renewal Activity (Sq. Ft.)	Net Absorption (Sq. Ft.)	YTD Net Absorption (Sq. Ft.)
Orange/Rockland	2.55	34.7%	$22.32	9,289	5,776	(41,641)	6,186
Palisades	4.91	20.7%	$27.49	15,685	0	(6,358)	23,877
Montvale/Woodcliff Lake	3.22	24.9%	$29.65	12,808	19,358	9,047	17,458
Route 17 Corridor	2.66	3.5%	$21.48	0	0	0	15,984
Central Bergen	5.77	16.5%	$28.65	25,347	25,181	22,058	27,238
Route 23/Paterson/Wayne	5.51	15.2%	$22.59	30,654	14,382	98,143	248,366
Waterfront	19.86	31.6%	$44.74	207,048	71,432	286,874	27,052
Meadowlands	4.63	25.4%	$29.41	7,088	20,000	(2,277)	(81,355)
Newark	12.94	21.0%	$32.41	7,389	39,229	134,990	103,952
Suburban Essex/Eastern Morris	6.06	26.2%	$26.09	10,915	2,550	(1,566)	80,683
Parsippany	13.64	24.2%	$28.18	101,823	10,171	240,714	635,859
Morristown	9.00	23.0%	$32.01	30,201	17,136	(1,916)	174,342
Western I-80 Corridor	0.79	35.0%	$24.69	17,404	0	9,148	18,482
Chatham/Millburn/Short Hills	0.90	19.0%	$44.07	123,000	0	132,394	177,186
Northern New Jersey Total	**92.44**	**24.0%**	**$33.59**	**598,651**	**225,215**	**879,610**	**1,475,310**
Parkway Corridor	9.43	22.0%	$35.62	24,559	135,510	(26,374)	(37,074)
Route 287/78 Interchange	19.84	24.5%	$28.51	31,759	16,197	(448,243)	(1,119,486)
Western Route 78	2.43	60.6%	$25.34	0	0	0	(1,608)
Route 287/Piscataway/Brunswicks	6.79	18.7%	$21.86	0	4,784	(9,238)	(142,506)
Greater Monmouth County	4.75	18.6%	$27.01	25,003	6,922	(1,436)	21,452
Princeton	15.44	24.6%	$29.13	117,989	30,107	60,038	98,779
Central New Jersey Total	**58.68**	**24.5%**	**$28.74**	**199,310**	**193,520**	**(425,253)**	**(1,180,443)**
New Jersey Total	**151.12**	**24.2%**	**$31.77**	**797,961**	**418,735**	**454,357**	**294,867**

Source: CBRE Research, Q4 2025

Market Area Overview



DEFINITIONS

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction

Asking Rent: Weighted average asking rent

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including pre-leasing and purchases of space for occupancy, excluding renewals

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including pre-leasing and purchases of space for occupancy, including renewals

Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Taking Rent: Actual, initial base rent in a lease agreement

T.I.: Tenant Improvements

Vacancy: Unoccupied space available for lease

Survey Criteria: CBRE's market report analyzes fully modernized office buildings that total 75,000+ sq. ft. in NNJ and CNJ markets including owner occupied buildings.

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