

FIGURES | NORTHERN & CENTRAL NEW JERSEY | Q2 2026

Quarterly Leasing Rebounds, but Stays Below the Five-Year Average

▲ 932 K

Leasing Activity

▼ 0.43 M

Net Absorption

▼ 23.9%

Availability Rate

▲ \$32.47

Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Quarterly leasing activity totaled 932,000 sq. ft., up 50% from the prior quarter, but 21% below the five-year quarterly average.
- Renewals totaled 619,000 sq. ft. in Q2, or 40% of total leasing velocity.
- The availability rate declined 30 basis points (bps) quarter-over-quarter to 23.9%.
- Quarterly net absorption was positive at 433,000 sq. ft., bringing the YTD total to 1.26 million sq. ft.
- Average asking rent was \$32.47 per sq. ft., up 1% quarter-over-quarter

Market Overview

Leasing activity rebounded in Q2 with 932,000 sq. ft. of leasing volume, up 50% from Q1's record-low total, but 21% below the five-year quarterly average, underscoring demand-side softness. While the uptick is a positive signal, Q2 marks the fourth consecutive quarter with leasing below 1.0 million sq. ft.

Tenant demand skewed toward smaller requirements, as tenant "rightsizing" has been at the forefront of tenants' decisions since the pandemic. Large block leasing has been muted since early 2025, and Q2 followed that trend with just one new lease exceeding 100,000 sq. ft. and no new transactions above 50,000 sq. ft. Caution and a preference for flexibility amid an uncertain economic backdrop has curtailed large user demand, leading to a decline in average deal size from 15,200 sq. ft. at the start of 2025 to 11,000 sq. ft. in Q2 2026.

While smaller users became the driving force of demand, large requirements faced limited options for high-quality, move-in ready space that minimized tenant capital expenditures for build-outs. This dynamic has increasingly influenced large occupiers to renew in place.

A notable availability that could create an opportunity for a large occupier is Samsung Corporation’s announcement this quarter that it will vacate 700 Sylvan Avenue in Englewood Cliffs, a Class A asset that they occupied last year. Additionally, asset repositioning through conversions and teardowns remained a persistent theme across the market. Three of the top five properties that traded during the quarter are slated for redevelopment. This ongoing removal, or transformation, of existing inventory continues to reshape the supply landscape and underscores the growing importance of alternative use strategies in the region.

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. Although concerns remain surrounding the sustainability of this growth, 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 could fall into the upper 3% range by year-end as energy prices stabilize. 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.

New Jersey’s labor market increased by 14,900 positions from March 2026 and was up by 39,500 positions year-over-year based on May 2026 data the most recent available. Education and Health Services increased payroll by 2,100 positions (+0.3%). Office using employment increased by 2,100 (+0.2%) positions. The biggest increase within office using jobs was seen in the professional and business services sector where 3,100 (+0.4%) jobs were added. New Jersey’s overall unemployment rate was 4.7%, down from 4.9% from the end of March 2026. The national unemployment rate was 4.3% as of May 2026.

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

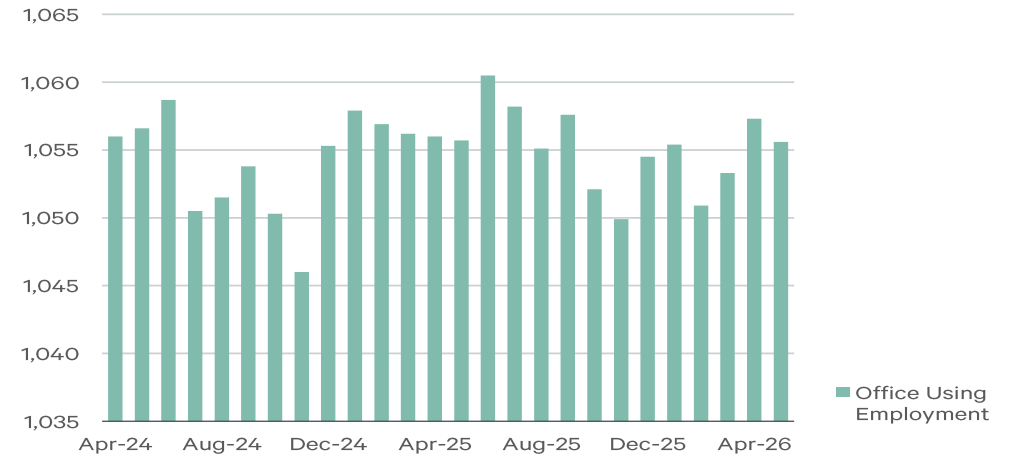
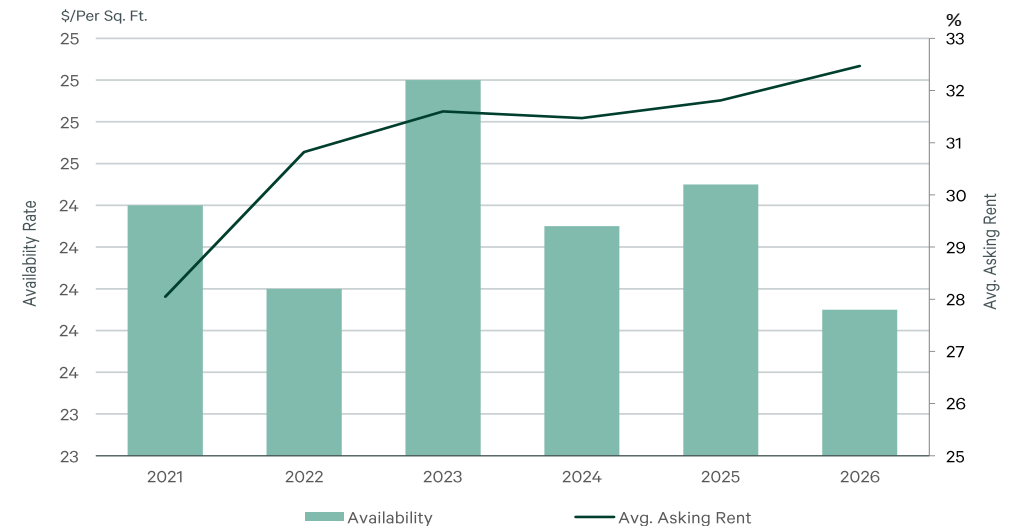


FIGURE 2: Historical Availability and Asking Rent



Source: BLS

Source: CBRE Research, Q2 2026

Leasing Activity

Office leasing activity across Northern and Central New Jersey in Q2 increased by 50% quarter-over-quarter to 932,000 sq. ft., reflecting a modest rebound in tenant demand. The largest transaction of the quarter was the 103,000 sq. ft. sublease at 930–940 Sylvan Avenue in Englewood Cliffs signed by a confidential healthcare tenant. This was completed alongside a broader expansion/renewal that included a 100,000 sq. ft. renewal at 910–920 Sylvan Avenue.

Notably, the third-largest transaction, Withum’s lease at 101 Crawford’s Corner Road, was also structured as a sublease. This highlighted strong tenant preference for turnkey, plug-and-play space. As available move-in ready inventory continues to be absorbed, particularly in high-quality assets, large occupiers are increasingly faced with a limited set of options: right-sizing their footprint or renewing in place to avoid the capital costs and lead times associated with full build-outs. Unlike prior quarters, top-tier leasing slowed in Q2, making up only 9% of total leasing activity, after making up 15% in Q1. Renewal activity remained resilient in Q2, totaling 619,000 sq. ft., flat quarter-over-quarter. For the year, renewals make up 44% of total leasing velocity. Moreover, renewals have captured an increasing share of overall leasing velocity in each of the past three and a half years, rising from a low of 21% in 2022 to 40% in 2025.

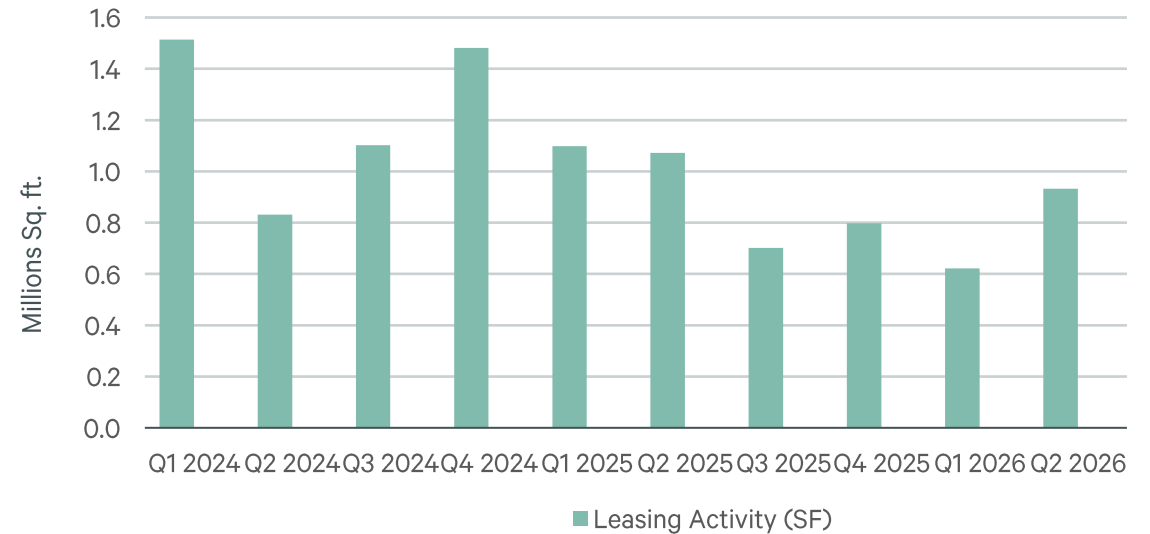
After a slow start to the year, Northern Jersey leasing activity rebounded in Q2, reaching 474,000 sq. ft. While this represents a recovery in momentum, volume remained 35% below the five-year quarterly average. The Palisades submarket led the region with 114,000 sq. ft. of leasing activity, following no reported activity in Q1. Despite typically limited transaction volume, the submarket was driven by the aforementioned healthcare transactions.

Central Jersey also experienced a pickup in leasing activity, with 458,000 sq. ft. transacted in Q2; an increase of 34% from 341,000 sq. ft. in Q1. The Parkway Corridor once again led both Central and Northern Jersey, recording 146,000 sq. ft. of leasing activity during the quarter. Year-to-date, through the first half of 2026, the submarket has totaled 290,000 sq. ft. of leasing volume; just 7% below the 313,000 sq. ft. recorded for full-year 2025. This performance was primarily supported by a series of mid-sized transactions (20,000–30,000 sq. ft.) across Iselin, Cranford, and Edison, driven largely by government and fintech occupiers.

FIGURE 3: Top Lease Transactions, Q2 2026

Tenant	Address	Size (SF)	Transaction Type
Confidential Tenant	910-940 Sylvan Avenue	203,000	Renewal/Expansion
ACE Financial Services	10 Exchange Place	117,280	Renewal
PNC Bank	2 Tower Center Boulevard	91,915	Renewal
Celldex Therapeutics	53 Frontage Road	65,995	Renewal/Expansion
Withum	101 Crawfords Corner Road	42,577	Lease

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



Source: CBRE Research, Q2 2026

Net Absorption and Availability

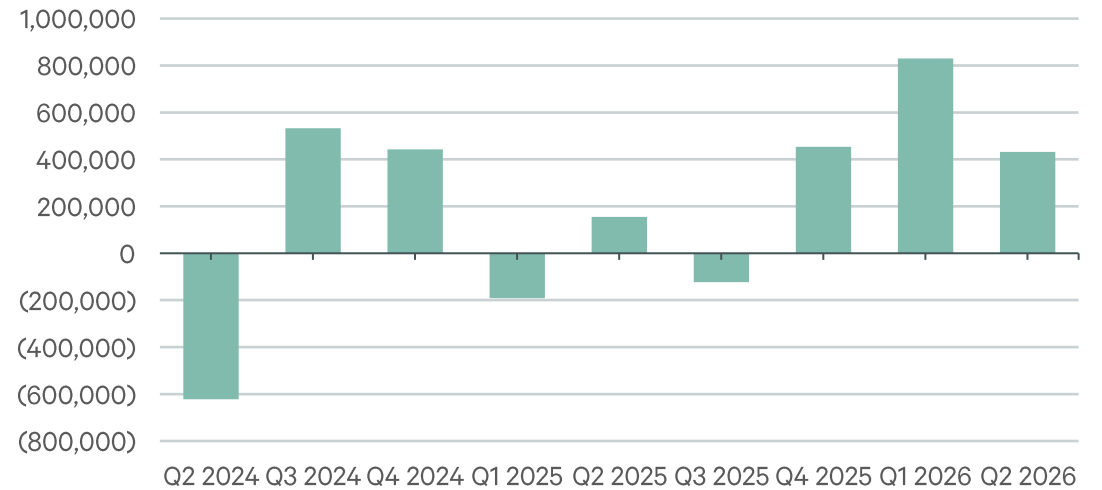
Net absorption remained positive in Q2, totaling approximately 433,000 sq. ft. The quarter's performance was largely driven by the removal of space from the market following an owner-user acquisition in the Route 287/78 Interchange submarket. Despite softer leasing activity over the past year, supply continued to decline, with the availability rate dropping 50 basis points (bps) year-over-year to 23.9%. This marks the first time since Q3 2022 that market availability has fallen below 24%.

After eight consecutive quarters of decreasing sublease space on the market, sublease availability increased 2% quarter-over-quarter to 5.36 million sq. ft., accounting for 15.2% of available space. Within top-tier assets, availability also rose during the quarter, increasing 140 bps to 20.4%. The increase was driven in part by new high-quality space entering the market in Berkeley Heights. Despite the increase in top-tier assets, there remains limited available options within the region's most sought-after buildings in downtown areas such as Morristown, Summit, and Red Bank.

Positive absorption was recorded in 11 of the 20 tracked submarkets, contributing to the lowest overall availability rate in more than three years. While owner-user acquisitions and mild leasing have contributed to diminished supply, Samsung's announcement to vacate its 700 Sylvan Avenue campus in Englewood Cliffs by year-end is expected to return more than 300,000 sq. ft. of Class A space to the market during the second half of 2026.

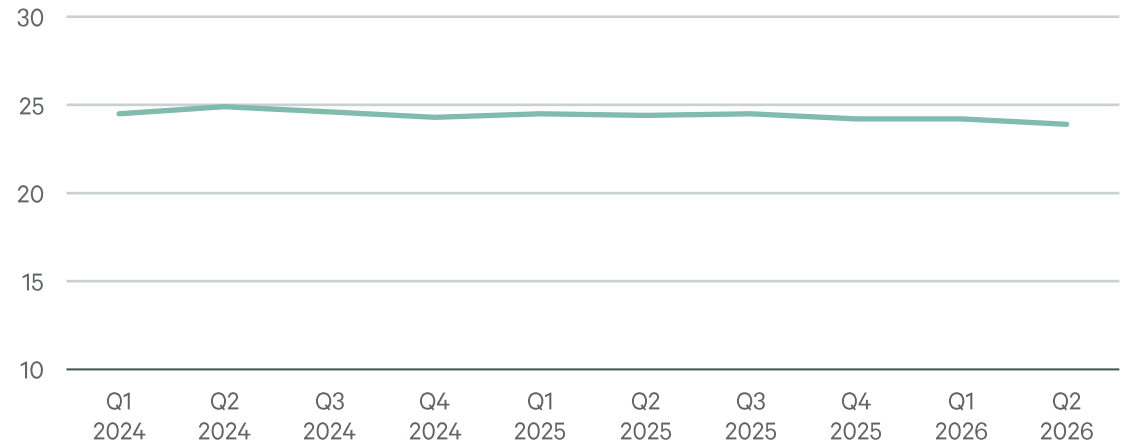
While there might be some near-term delivery of available space, the market continues to shrink. Repurposing office buildings to alternative use through conversions or demolition reduces the region's office inventory. Three of the five largest office sale transactions completed during the quarter involved properties slated for redevelopment totaling more than 500,000 sq. ft. of office space that will ultimately be removed from the inventory. This brings the total office space removed or slated for removal to 23.8 million sq. ft. since 2019.

FIGURE 5: Net Absorption (Sq. Ft.)



Source: CBRE Research, Q2 2026

FIGURE 6: Availability Rate (%)



Source: CBRE Research, Q2 2026

Rent Trends

Average asking rent across the Northern and Central New Jersey office market increased 1% quarter-over-quarter to \$32.47 per sq. ft. in Q2 2026, marking the second consecutive quarter at a record high. Class A asking rent also rose 1% during the quarter to \$35.40 per sq. ft., representing a 9% premium over the overall market average.

Northern New Jersey average asking rent held steady at \$33.75 per sq. ft., while Central New Jersey recorded modest growth, rising 3% to \$30.20 per sq. ft. A key trend over the past year has been the tightening supply of premium space, which places upward pressure on top-tier assets. As a result, asking rent for top-tier properties increased 2% quarter-over-quarter to \$42.30 per sq. ft., approximately 30% above the broader market average.

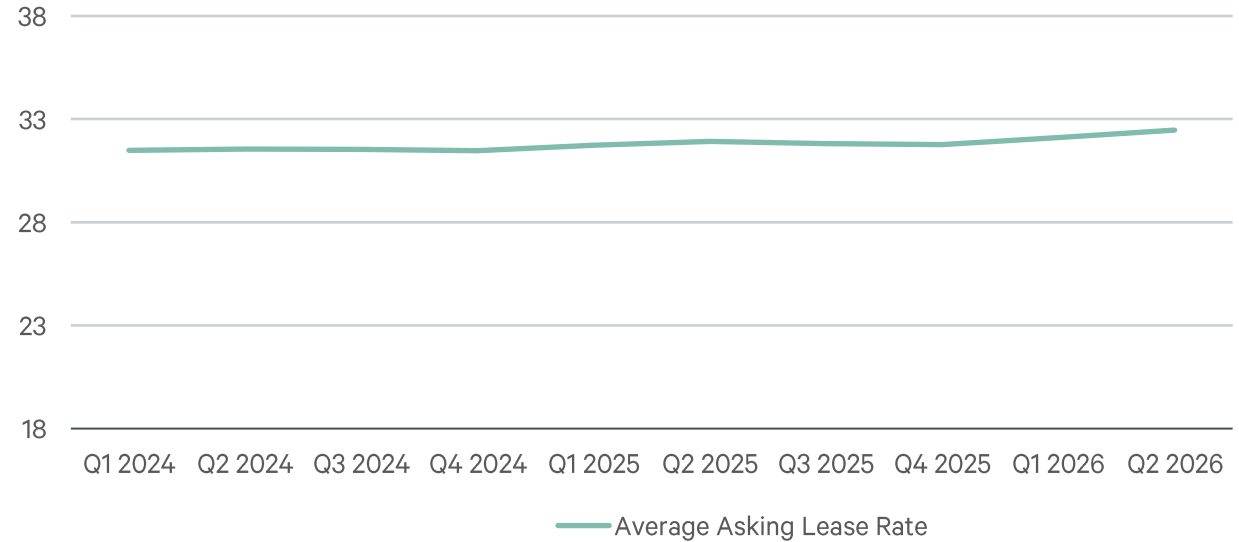
On a submarket basis, 11 of the 20 tracked submarkets recorded rental rate increases in Q2, most of which were modest at approximately 1%. However, the Route 287/78 Interchange submarket led the region with an 11% increase in asking rent, largely driven by the introduction of high-quality space at 300 Connell Drive in Berkeley Heights.

Investment Sales

Investment sales volume rebounded sharply in the quarter, rising 415% quarter-over-quarter to \$340 million. This total exceeds the combined volume of the prior two quarters and marks the strongest quarterly performance since Q2 2023, when activity reached \$420 million. A portion of the surge was driven by redevelopment transactions, with three of the top five sales involving assets slated for conversion or teardown. Another area that has seen increased activity has been medical/office buildings; a little more than 25% of the buildings traded this quarter came from that market.

The quarter was anchored by the sales of 30 Knightsbridge Road in Piscataway and 30 Montgomery Road in Jersey City, each surpassing \$50 million. However, both buildings were distressed and considered to be traded at low values for their size. It should also be noted that despite the pick-up in volume, over 75% of the office assets sold this quarter went for less than \$20 million. Capital markets conditions remain somewhat constrained. The Federal Reserve is expected to maintain a higher-for-longer rate environment, with the possibility of additional tightening if inflation persists.

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



Source: CBRE Research, Q2 2026

FIGURE 8: Notable Sales Transactions

Address	Size (Sq. Ft.)	Price (Millions)	Price/Sq. Ft	Buyer
30 Knightsbridge Road	686,316	\$56.53	\$82	Joseph Saadia
30 Montgomery Street	305,223	\$52.00	\$170	Real Capital Solutions
5 Woodhollow Road	317,040	\$31.50	\$95	Deugen Development
1 Giralda Farms	160,000	\$25.30	\$158	Russo Development
3 Chestnut Ridge Road	60,000	\$25.00	\$417	Russo Development

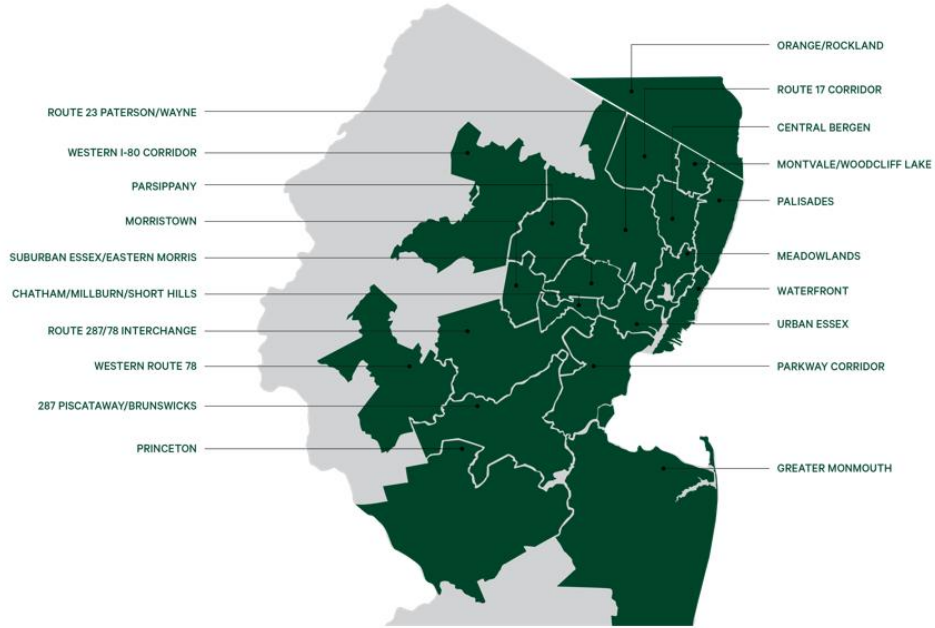
Source: CBRE Research, Q2 2026

FIGURE 19: Q2 2026 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	35.0%	\$22.31	9,510	6,888	(8,394)	(8,394)
Palisades	4.92	22.5%	\$28.56	113,740	100,000	(84,957)	(89,048)
Montvale/Woodcliff Lake	2.87	17.2%	\$27.01	60,968	0	50,091	309,225
Route 17 Corridor	1.66	5.7%	\$21.48	0	0	(1,816)	(1,816)
Central Bergen	5.64	18.6%	\$28.46	9,537	15,891	(40,094)	(99,141)
Route 23/Paterson/Wayne	5.51	16.4%	\$22.65	1,850	0	(8,966)	(66,690)
Waterfront	19.55	34.3%	\$44.38	6,000	117,280	(248,211)	(423,293)
Meadowlands	4.63	24.0%	\$29.91	31,286	34,756	65,718	67,001
Newark	12.94	20.6%	\$32.61	63,433	10,202	17,786	43,887
Suburban Essex/Eastern Morris	5.77	24.6%	\$26.19	47,197	25,781	(3,323)	170,628
Parsippany	13.11	27.3%	\$28.52	29,718	21,582	(155,367)	(286,668)
Morristown	8.84	19.0%	\$31.98	83,433	63,744	77,183	389,651
Western I-80 Corridor	0.79	36.3%	\$25.02	0	0	2,425	(10,779)
Chatham/Millburn/Short Hills	0.90	17.1%	\$44.07	17,189	0	17,189	17,189
Northern New Jersey Total	89.68	24.7%	\$33.75	473,861	396,124	(320,736)	11,752
Parkway Corridor	8.43	22.4%	\$35.86	144,689	60,032	134,339	190,623
Route 287/78 Interchange	19.80	21.1%	\$32.54	126,792	19,284	480,398	665,546
Western Route 78	2.43	47.9%	\$26.96	54,110	19,995	17,856	308,856
Route 287/Piscataway/Brunswicks	6.79	19.3%	\$21.16	17,817	119,086	(26,569)	(43,603)
Greater Monmouth County	5.03	15.8%	\$27.75	85,338	4,424	137,485	85,327
Princeton	15.07	24.9%	\$30.01	29,384	0	9,777	43,966
Central New Jersey Total	57.56	22.8%	\$30.20	458,130	222,821	753,286	1,250,715
New Jersey Total	147.25	23.9%	\$32.47	931,991	618,945	432,550	1,262,467

Source: CBRE Research, Q2 2026

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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