

RECORD DECLINE IN CLASS A VACANCY AMID NEAR-RECORD DEMAND

▼ 7.6%
Vacancy Rate

▲ 5.9M
Sq. Ft. Net Absorption

▼ 7.3M
Sq. Ft. Under Construction

▼ 8.0M
Sq. Ft. Leasing Activity

▼ \$18.85
NNN / Class A Lease Rate
Per Sq. Ft.

▼ \$16.82
NNN / Lease Rate Per Sq. Ft.

Note: Arrows indicate change from previous quarter.

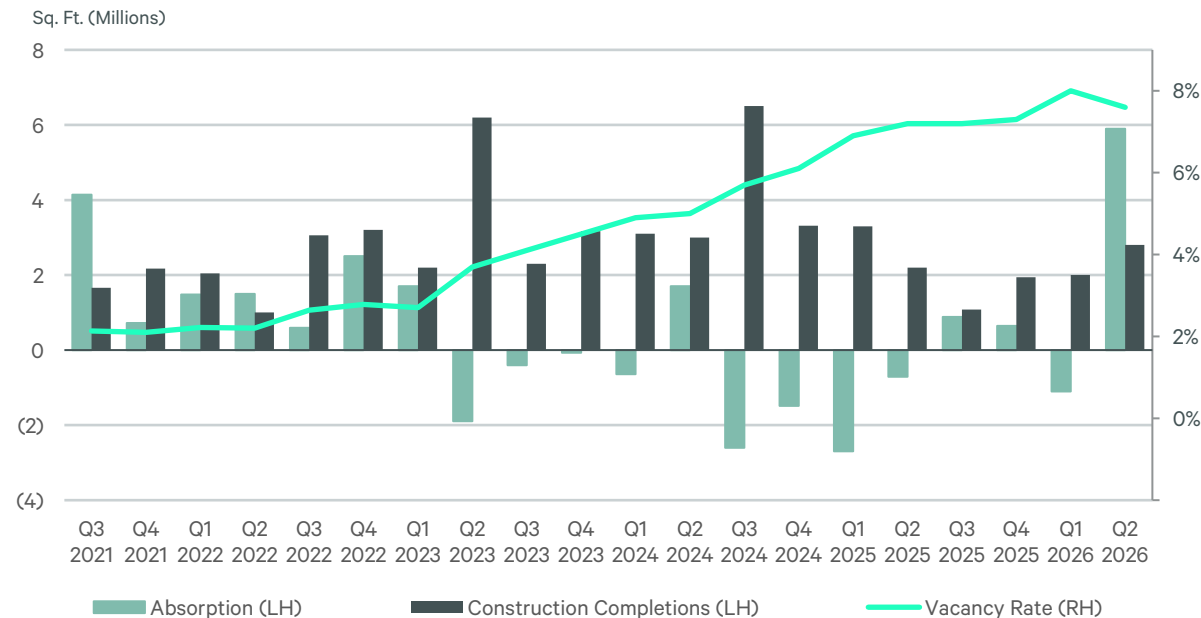
Market Overview

The Northern and Central New Jersey industrial market strengthened in the second quarter as leasing activity reached 8.0 million sq. ft., marking only the fourth quarter on record to exceed that threshold and pushing first-half volume to a record 17.2 million sq. ft. Strong occupier demand translated into significant occupancy gains, with net absorption totaling 5.9 million sq. ft. as tenants took occupancy of space leased during the past two quarters.

The market's flight-to-quality trend intensified as demand for modern facilities drove the largest quarterly decline in Class A vacancy on record. Class A vacancy fell 270 basis points (bps) to 15.3%, while overall vacancy declined 40 bps to 7.6%. At the same time, the development pipeline continued to contract, falling to 7.3 million sq. ft.

These dynamics are setting the stage for a shift in leverage back toward landlords in the most supply-constrained submarkets, particularly along the core NJ Turnpike submarkets, while tertiary areas with greater availability and construction pipeline remain comparatively tenant-friendly.

FIGURE 1: NJ Overall Historical Absorption, Construction Completions, and Vacancy



Source: CBRE Research, Q2 2026

Demand

The Northern and Central New Jersey industrial market’s first half leasing activity was the strongest first half ever recorded at 17.2 million sq. ft. 3PL tenants seized on opportunities presented by occupancy focused landlords, fulfilling strong demand for premium space and driving a second consecutive quarter of leasing activity above 8.0 million sq. ft. Three of the top five new leases in Q2 were to 3PL tenants including the largest lease of the quarter, US Elogistics/GOFO’s new 800,000 sq. ft. commitment at 1160 State St. in Perth Amboy.

The rush to secure quality space ahead of larger shifts in market conditions resulted in 19 new leases and expansions over 100,000 sq. ft., with an average deal size of 215,000 sq. ft.—down from 28 deals and 224,000 sq. ft. in Q1. Despite two consecutive quarters of exceptionally strong leasing activity, data about tenant requirements in the market indicates continued leasing strength in the near-term, particularly for large block requirements of at least one million sq. ft.

Leasing in Class A properties remained robust as an evolving 3PL industry continued to pursue highly efficient, well-designed facilities that allow companies to maximize the cube. A total of 22 leases totaling 3.6 million sq. ft. were completed, far above the five-year quarterly averages of 16 leases and 2.9 million sq. ft. respectively.

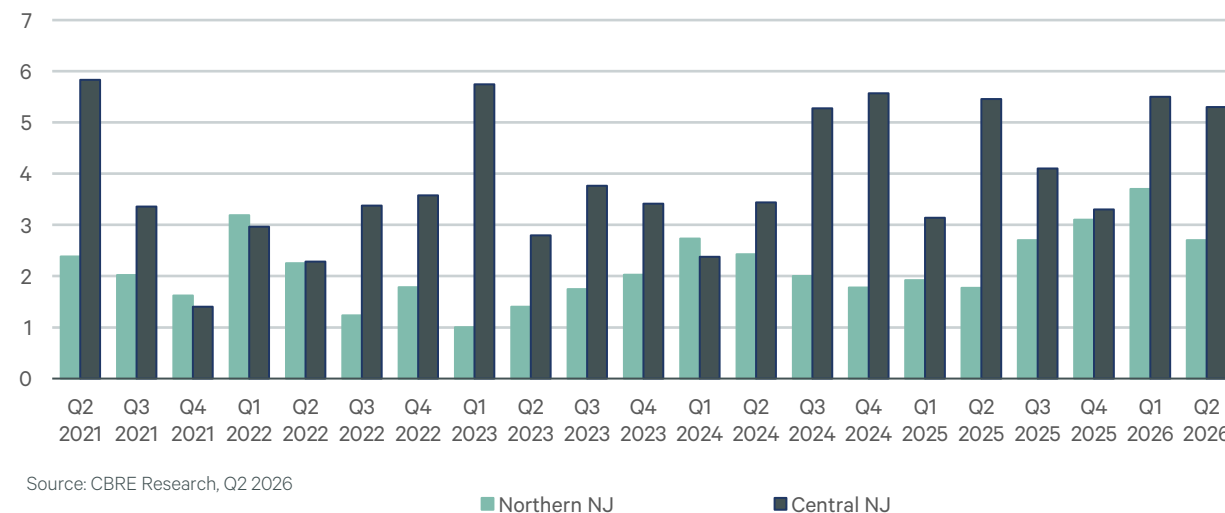
Despite the surge, tenants remain selective when considering Class A space, focusing on buildings with optimal design and convenient access to the NJ Turnpike and interstate highways. These preferences pushed Q2 demand further south on the NJ Turnpike to Central and Southern NJ after two consecutive quarters of above-average Class A leasing in Northern NJ thinned out availability. Substantiating this demand drift, 19% percent of new class A leases by sq. ft. were signed in Northern NJ during Q2, 600 bps below the five-year average of 25%.

FIGURE 2: Notable Lease Transactions, Q1 2026

Size	Tenant	Address	City	Transaction Type
800,000	GOFO/US Elogistics	1160 State St	Perth Amboy	New Lease
444,940	Titanium Auto Parts	3 Brick Yard Rd	Cranbury	New Lease
352,100	Hello Fresh	60 Lister Ave	Newark	Renewal
315,000	SPARC Group	2 Brick Plant Rd	South River	Renewal
232,000	WorldPac	300 Herrod Blvd	South Brunswick	Renewal

Source: CBRE Research, Q2 2026

FIGURE 3: Historical Industrial Leasing Activity by Market



Source: CBRE Research, Q2 2026

■ Northern NJ ■ Central NJ

While 3PL companies again fueled the leasing charge—accounting for 38% of total activity—a deeper look at the data reveals a healthy mix of industries. Under the broader retail/wholesale umbrella, auto related, building supply, and food related tenants all recorded substantial leasing totals.

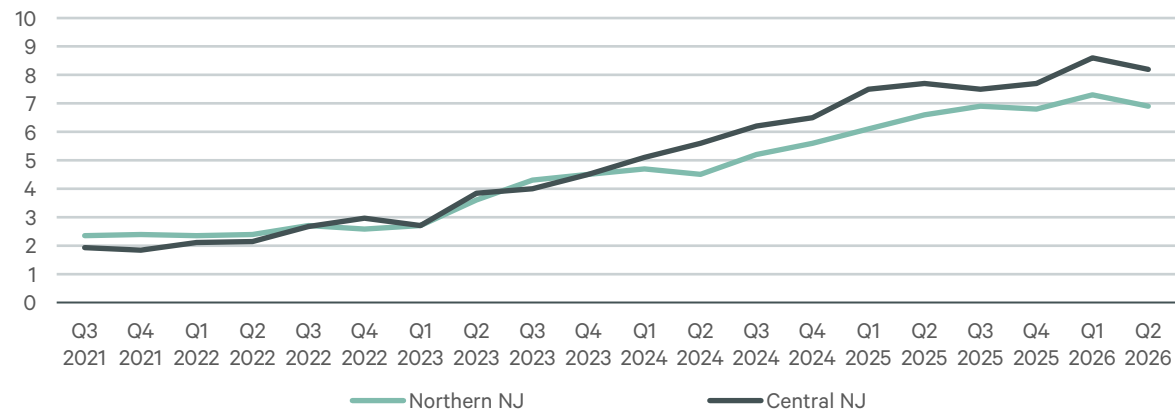
Offshore 3PLs remained a significant contributor, signing 1.5 million sq. ft. of new leases, representing 19% of quarterly leasing and 64% of all 3PL activity. Despite their strong demand, landlords have become more selective toward this tenant type, favoring those that have demonstrated reliability as vacancy compresses for top tier space.

Supply

Vacancy decreased by 40 bps overall and 270 bps in Class A properties quarter over quarter, reaching 7.6% and 15.3%, respectively. This decline reflects strong net absorption of 5.9 million sq. ft., driven mainly by tenants who signed leases during Q1’s robust activity. Additionally, of the 2.7 million sq. ft. of newly delivered space in Q2, 63% was preleased—largely due to TJX’s 1.3 million sq. ft. commitment at 2000 Valley Brook Ave. in Lyndhurst—reversing the trend of new completions contributing to a net increase in vacant space. This quarter’s strong leasing activity should support additional occupancy gains in future quarters.

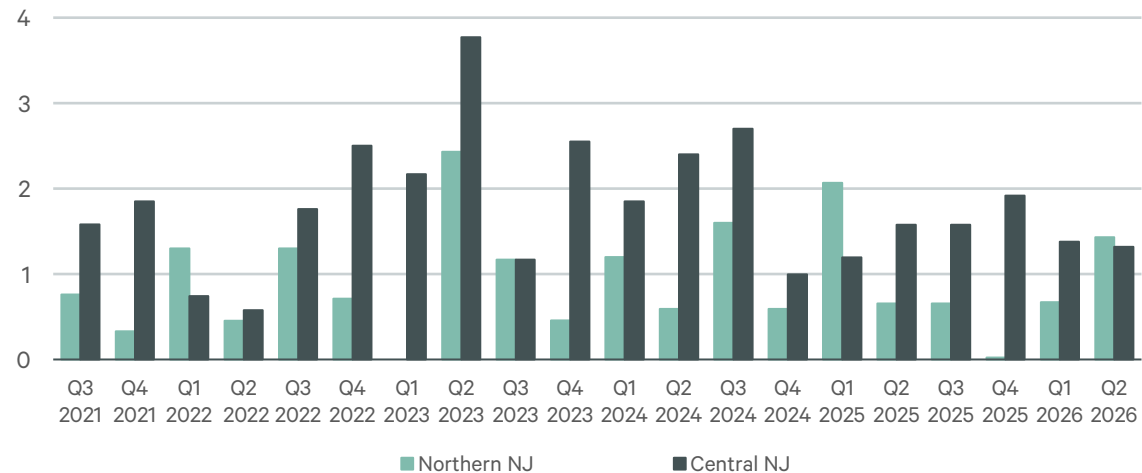
The flight to quality remained evident for the fifth consecutive quarter, with Class A net absorption posting a new record high of 6.6 million sq. ft. Occupancy gains are beginning to shift the market in landlords’ favor for the first time in this cycle. Class A space is becoming increasingly scarce in core Turnpike submarkets, with limited relief expected from new development. One notable example is the Northern NJ Turnpike submarkets, where a dearth of spaces are available at 400,000 sq. ft. or greater—with limited options in the construction pipeline. Tertiary markets with abundant new space and additional product still in the pipeline will not see such a quick shift.

FIGURE 4: Historical Vacancy Rate by Market (%)



Source: CBRE Research, Q2 2026

FIGURE 5: Historical Construction Completions by Market (Million Sq. Ft.)



Source: CBRE Research, Q2 2026

The construction pipeline continued its narrowing trend in Q2, decreasing 3.4% to 7.3 million sq. ft from Q1. This trend is largely a function of slower land acquisitions and developers looking for clear signals of a market shift. Starts totaled 1.9 million sq. ft., with 1.2 million sq. ft. concentrated in the core NJ Turnpike submarkets—though 973,000 sq. ft. of that total came from the large start at 577 Smith St. in Perth Amboy. The Northern NJ Turnpike submarkets, which perennially lack developable industrial land, posted only one start totaling 70,000 sq. ft. in the Meadowlands.

Rent Trends

Declining Class A availability in high-priced prime submarkets resulted in a 4.2% year over year decrease in average Class A asking rents to \$18.85 per sq. ft., falling below the \$19.00 mark for the first time since Q1 2024. Similarly, the average asking rent across all classes slipped 4.6% year over year to \$16.82 per sq. ft., the first time the all-classes average has fallen below \$17.00 since Q1 2023.

Effective rents remained stable in Q2, supported by elevated concessions and steady taking rents, driven by landlords’ defensive occupancy strategies. However, rent pressure is beginning to find a backstop, as supply in certain size segments continues to tighten due to strong Class A absorption and a growing list of active requirements.

Economic Overview

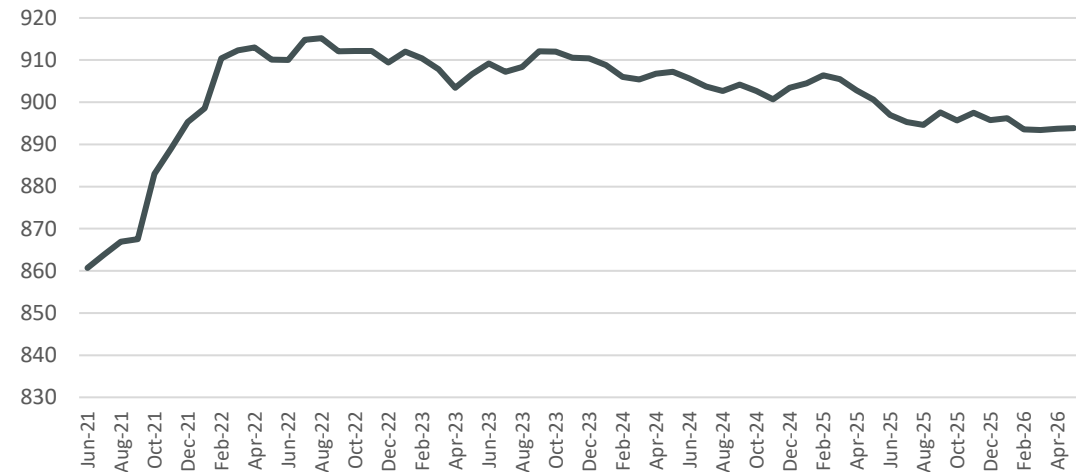
New Jersey’s industrial employment shrank by 1.0% year-over-year through May 2026 Q4 (-0.4%) but was virtually unchanged from three months previous. Overall industrial employment in New Jersey stands 104% of its level five years ago. The trade, transportation, and utilities sector – which includes logistics and fulfillment center employment – reduced payroll by 6,400 positions year-over-year in May 2026 (-0.7%) and has been trending downward since peaking in Q3 2022.

FIGURE 6: NJ Overall Historical Industrial Asking Rents (\$/ Per Sq. Ft.)



Source: CBRE Research, Q2 2026

FIGURE 7: NJ Trade, Transportation, and Utilities Employment (Thousands)



Source: BLS

FIGURE 8: Submarket Statistics

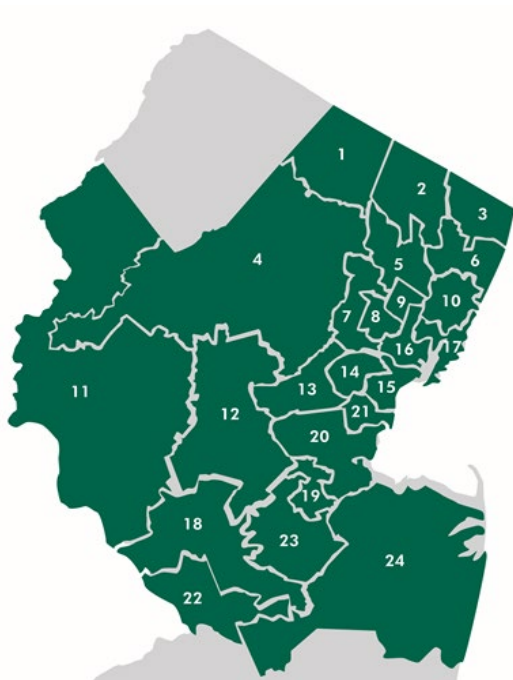
District	Inventory (Million Sq. Ft.)	Vacancy Rate (%)	Class A Avg. Asking Rent (\$/Sq. Ft.)	All Space Avg. Asking Rent (\$/Sq. Ft.)	Leasing Activity (Thousand Sq. Ft.)	Net Absorption (Thousand Sq. Ft.)	Under Construction (Thousand Sq. Ft.)
Central Bergen	30.0	7.1	-	16.46	53.6	25.8	379.0
Fairfield Market	18.6	7.7	-	17.73	164.1	-255.2	0.0
Hudson Waterfront	60.6	8.9	22.55	18.57	395.2	9.0	76.9
Meadowlands	93.2	7.2	24.56	18.73	1,190.2	1,113.1	123.6
Morris Region	44.3	10.1	17.64	16.60	386.6	1,097.1	1,545.8
Newark	48.5	4.1	23.60	17.29	30.1	689.5	0.0
Northeast Bergen	7.8	3.4	-	15.42	8.5	-3.6	0.0
Northwest Bergen	18.5	6.3	20.79	17.93	321.9	427.8	0.0
Rt 23 North	0.7	3.2	-	-	14.2	0.0	0.0
Rt 280 Corridor	4.1	6.0	-	11.82	0.0	38.8	0.0
Rt 46/23/2 Interchange	56.7	4.9	-	15.36	175.9	-116.3	0.0
Suburban Essex	5.3	5.7	24.50	22.58	0.0	-3.3	0.0
Northern NJ Total	388.3	6.9	21.69	17.84	2,740.2	3,022.9	2,125.3
Brunswicks/Exit 9	29.6	5.5	18.00	16.00	209.4	662.3	195.4
Carteret/Avenel	34.4	11.8	19.29	18.57	353.7	-1070.0	0.0
Central Union	22.2	4.8	19.25	15.79	40.8	101.0	0.0
Exit 8A	82.0	10.6	16.15	15.46	1,586.7	686.5	0.0
Hunterdon/Warren	15.8	13.8	13.10	12.75	2.4	1617.4	0.0
Linden/Elizabeth	43.9	8.0	27.30	19.94	597.3	351.6	0.0
Monmouth	28.4	8.0	16.40	15.54	124.6	-43.1	2,388.3
Princeton	14.6	7.2	14.98	14.96	63.3	102.3	0.0
Route 287/Exit 10	112.5	5.5	18.73	16.62	1,565.9	1,427.5	1,128.7
Route 78 East	9.0	3.5	-	13.36	0.0	0.0	0.0
Somerset	41.0	6.8	17.96	15.28	263.3	-105.1	572.4
Trenton/295	31.0	14.1	13.41	13.73	461.0	-825.2	913.7
Central NJ Total	464.3	8.2	17.69	16.14	5,268.5	2,904.1	5,198.5
NJ Total	852.6	7.6	18.85	16.82	8,008.7	5,927.0	7,323.7

Source: CBRE Research, Q2 2026.

- Indicates no direct space available for rent analysis

Market Area Overview

1. Route 23 North
2. Northwest Bergen
3. Northeast Bergen
4. Morris Region
5. Route 46/23/3 Corridor
6. Central Bergen
7. Fairfield Market
8. Route 280 Corridor
9. Suburban Essex
10. Meadowlands
11. Hunterdon/Warren
12. Somerset



13. Route 78 East
14. Central Union
15. Linden/Elizabeth
16. Newark
17. Hudson Waterfront
18. Princeton
19. Brunswicks/Exit 9
20. Route 287/Exit 10
21. Carteret/Avenel
22. Trenton/295
23. Exit 8A
24. Monmouth

DEFINITIONS

Asking Rent: Weighted average asking rent.

Availability Rate: The amount of space currently being marketed for lease, divided by the total current inventory of built space in the market, expressed as a percentage.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

Net Absorption: The change in the amount of occupied sq. ft. within a specified period of time.

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

Vacancy: Unoccupied space

Contacts

Nicole LaRusso
 Head of US Field Research & Data Intelligence
 +1 212 984 7188
 Nicole.LaRusso@cbre.com

Michael Slattery
 Tri-State Research Director
 +1 212 656 0583
 Michael.Slattery@cbre.com

Brian Klimas
 Field Research Manager
 +1 201 712 5633
 Brian.Klimas@cbre.com

Jordan Katz
 Research Manager
 +1 973 885 9640
 Jordan.Katz@cbre.com

Jayson Pernick
 Research Data Analyst
 +1 201 712 5653
 Jayson.Pernick@cbre.com

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