NAI James E. Hanson
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

2Q
2026
OFFICE
REPORT

Economic Overview

Economic indicators were mixed during the first half of the year. The labor market proved resilient with job growth outpacing expectations in the second quarter. The **unemployment rate** has been steady hovering at or **near 4.3%** for the last year. Upward revisions for data released earlier show a stronger job market than expected. While the job market has been a bright spot, inflation has been stubborn. The ongoing conflict with Iran and tensions in the Middle East led to higher inflation during the second quarter. After remaining under 3.0% during the first quarter, **inflation moved to 3.8% in April and breached 4.0% in May**, reaching a three-year high. Rising energy prices have been the main pressure point for consumers. A strong jobs report and a surge in inflation have created uncertainty but the Federal Reserve has left interest rates unchanged for now.

New Jersey's **unemployment rate** improved during the first half to the year, as the rate trended downward. After peaking at **5.4%** in December 2025, the rate has been easing and closed at under 5.0% in March. Recent job growth has largely been within the education and health services sectors and professional and business services. While New Jersey's unemployment rate lags the national average, its strategic location for transportation and logistics and life sciences ecosystem will continue to buoy economic activity over the long-term.

Market Overview

The Northern New Jersey office market is in a **state of uneven recovery**. Class A and trophy properties have been the beneficiary of a continued flight to quality. In most new leases, tenants have been shrinking their footprints. Tenants are being drawn to properties that offer amenities such as such as cafes, fitness centers and access to outdoor space. Older class B and C assets continue to struggle, with many buildings being demolished or redeveloped for alternate uses such as multifamily, industrial or life sciences (medical). There are estimates that as much as **20.0 million square feet** of office space has been **removed from inventory** across the state. By example, in Parsippany alone, more than 5.0 million square feet has been or is slated for redevelopment.

Overall, the vacancy rate was down by nearly a full-percentage point from the same time last year. **Class A vacancy** similarly, dropped from **28.0% at mid-year 2025 to 26.5%**. We project a sustained demand for high-end space that will continue to drive Class A vacancy lower while simultaneously increasing rental rates over the near-term. **Leasing activity measured over 2.2 million square feet**, off slightly from the same time last year. The largest leases so far this year have been a mix of renewals and new leases.

The **investment market remains strong** as investors and redevelopers look for opportunities throughout the marketplace.

Market Pricing

Overall average asking rents were higher year-over-year, reaching $32.36 per square foot at mid-year. The increase in rates is mostly a result of higher quality space being placed on the market. Average asking rents have moved between $31.50 and $32.50 per square foot for the last ten quarters. Driven by larger-corporate properties, rents along the Hudson Waterfront command the highest rates

$32.36 PSF
Asking Rental Rate

2.3%
Increase versus
2Q 2025

The continuing trend of a flight to quality, pushed Class A rents higher. Rents for prime space were $34.27 per square foot at the end of the quarter, up by 2.0% from the same time last year. Class B rates are more than $8.00 per square foot lower at just over $26.00 per square foot. The highest rents are in the Hudson Waterfront and Woodbridge/Metro Park submarkets.

Vacancy, Absorption & Leasing

2Q2026 vs.2Q2025

26.7%
Vacancy Rate

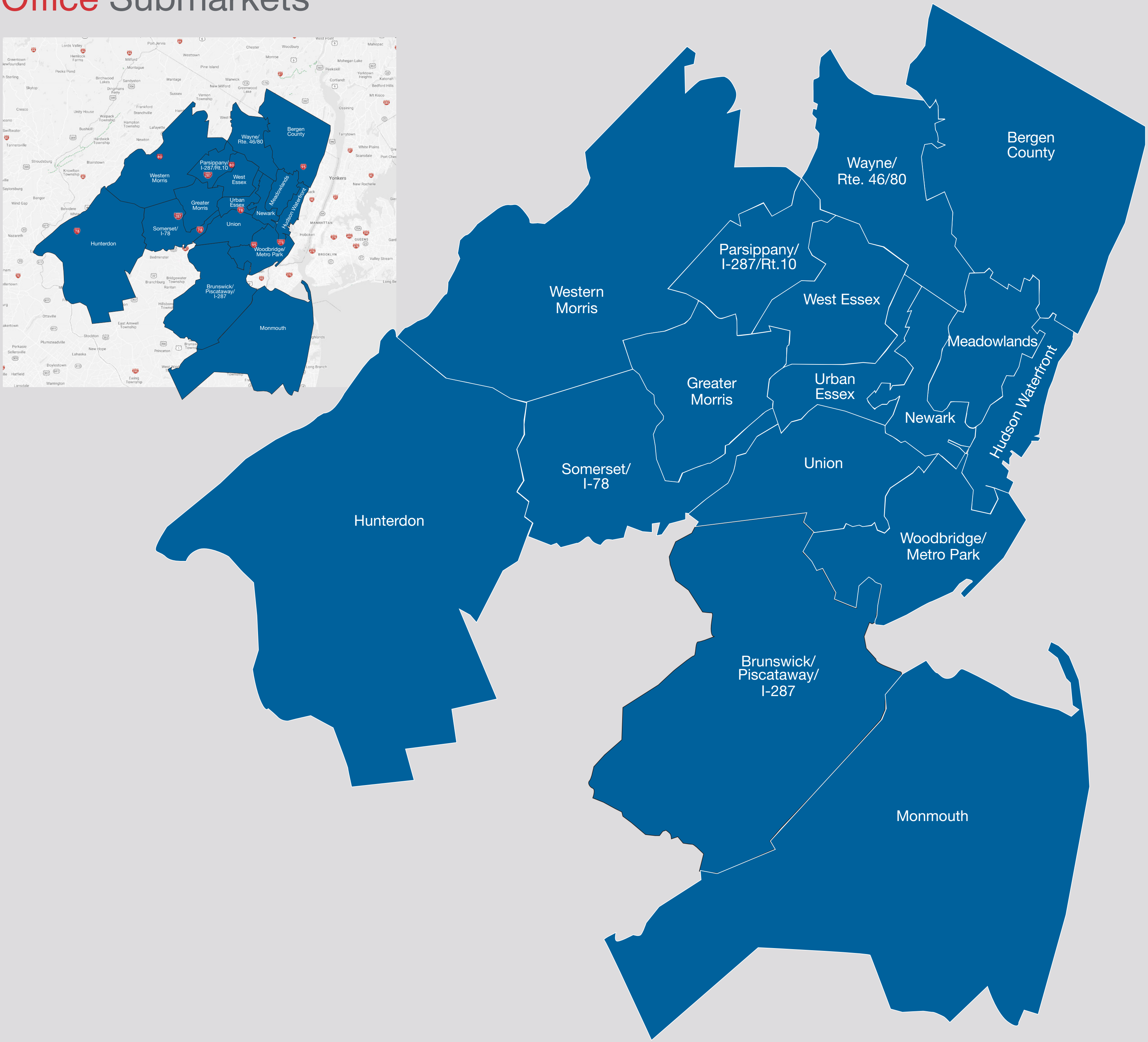
(807,042) SF
YTD Absorption

2.2 MSF
YTD Leasing Activity

Despite continued negative absorption the overall vacancy rate moved lower, down to 25.8% from 26.7% at the same time last year. The largest blocks of space placed on the market during the first half of the year were at 150 Hudson Street where more than 350,000 square feet were added and at 210 Hudson Street where 131,000 square feet were added. The largest leases during the quarter were a mx of renewals and relocations.

Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

Office Submarkets



Market Statistics

Class A & B	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	Average Asking Rate
Overall Class A & B	**111,175,420**	**28,637,903**	**25.8%**	**(807,242)**	**2,250,146**	**$32.36**
Bergen County	11,374,235	2,080,189	18.3%	(223,664)	199,110	$27.91
Brunswick/Piscataway/I-287	15,088,695	4,058,802	26.9%	185,833	373,388	$28.65
Hudson Waterfront	18,446,460	5,343,903	29.0%	(468,939)	133,174	$42.31
Hunterdon	2,177,869	1,040,611	47.8%	4,111	58,944	$27.36
Meadowlands	4,192,068	694,038	16.6%	23,866	65,623	$29.98
Greater Morris	6,438,909	1,441,586	22.4%	(26,558)	232,451	$29.56
Monmouth	5,972,829	1,035,384	17.3%	(7,401)	230,906	$26.21
Morris West/I-80	839,837	194,878	23.2%	(19,882)	9,014	$25.98
Newark	8,447,093	1,942,711	23.0%	(93,008)	49,860	$35.11
Urban Essex	944,032	150,279	15.9%	(2,954)	-	$29.18
Parsippany/I-287/Rt. 10	10,297,998	3,079,679	29.9%	(154,800)	199,768	$30.90
Somerset/I-78	8,901,233	3,684,380	41.4%	(73,765)	124,109	$27.30
Union	1,802,316	249,786	13.9%	3,495	72,600	$27.97
Wayne/Rt. 80	2,291,542	417,826	18.2%	(22,690)	-	$20.75
West Essex/Rt. 24	7,821,555	1,919,311	24.5%	128,181	187,059	$36.52
Woodbridge/Metro Park	6,138,749	1,304,540	21.3%	(59,067)	314,140	$36.84

Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

Market Statistics

CLASS A	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	Average Asking Rate
Overall Class A	**72,525,577**	**19,250,967**	**26.5%**	**(457,486)**	**1,505,550**	**$34.95**
Bergen County	5,508,072	955,754	17.4%	(56,507)	89,173	$29.25
Brunswick/Piscataway/I-287	5,318,671	1,537,256	28.9%	99,633	175,697	$29.23
Hudson Waterfront	17,461,962	5,224,033	29.9%	(479,062)	121,116	$42.58
Hunterdon	1,411,898	967,194	68.5%	14,009	50,868	$27.67
Meadowlands	3,184,742	505,945	15.9%	14,268	55,421	$30.61
Greater Morris	4,264,335	1,033,190	24.2%	(24,773)	195,523	$31.08
Monmouth	3,644,686	529,236	14.5%	46,237	191,890	$26.72
Morris West/I-80	414,061	151,603	36.6%	(2,532)	4,589	$27.37
Newark	6,990,237	1,657,532	23.7%	(18,454)	43,550	$36.03
Urban Essex	32,498	3,000	9.2%	4,840	4,840	$29.10
Parsippany/I-287/Rt. 10	6,597,697	1,974,399	29.9%	(84,604)	73,437	$34.88
Somerset/I-78	4,922,157	1,728,709	35.1%	(15,640)	83,329	$26.58
Union	870,226	148,237	17.0%	(35,479)	32,342	$29.30
Wayne/Rt. 80	1,565,787	252,325	16.1%	(26,516)	0	$19.25
West Essex/Rt. 24	5,251,336	1,537,572	29.3%	115,121	131,573	$39.14
Woodbridge/Metro Park	5,087,212	1,044,982	20.5%	(8,027)	252,202	$39.01

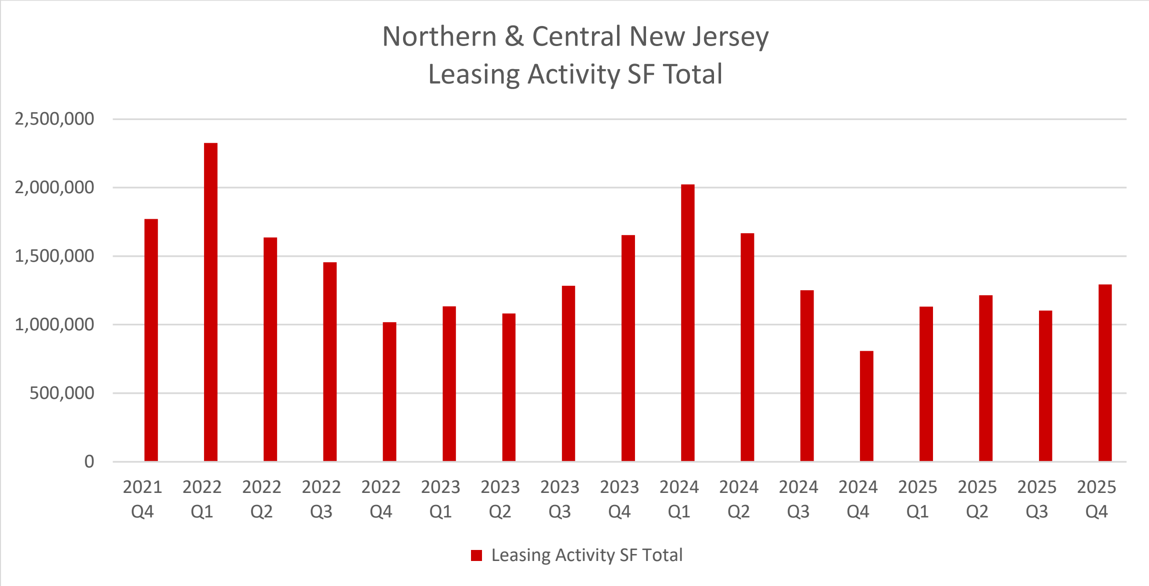
Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

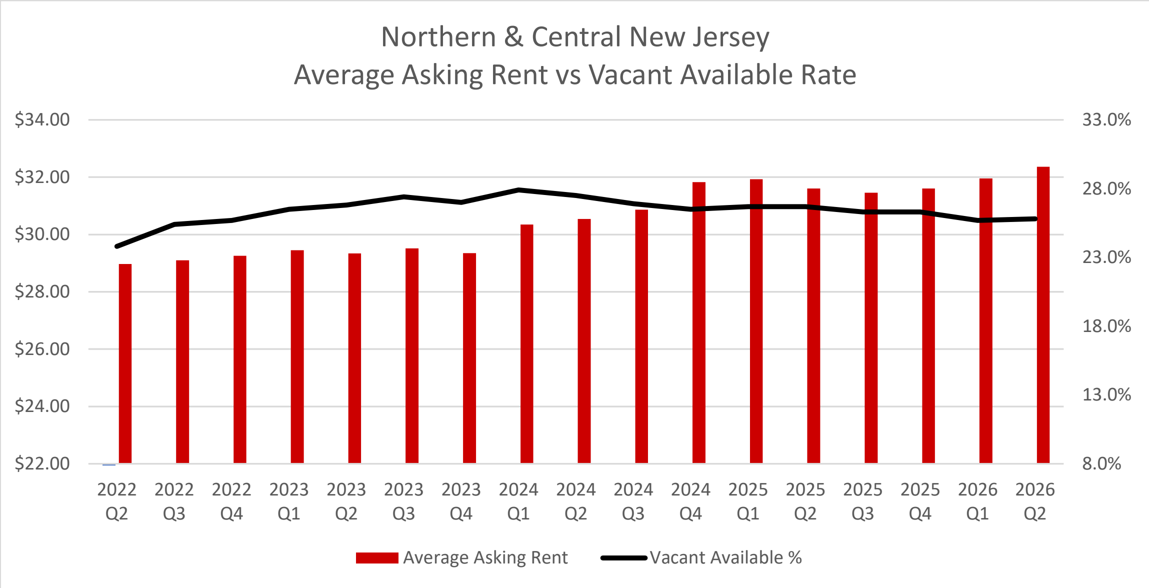
Market Statistics

CLASS B	Total RBA	Total Vacant Available SF	Total Vacant Available %	YTD Total Net Absorption	YTD Total SF Leased	Average Asking Rate
Overall Class B	**38,649,843**	**9,386,936**	**24.3%**	**(349,756)**	**771,745**	**$27.05**
Bergen County	5,866,163	1,124,435	19.2%	(167,157)	109,937	$26.77
Brunswick/Piscataway/I-287	9,770,024	2,521,546	25.8%	86,200	197,691	$28.29
Hudson Waterfront	984,498	119,870	12.2%	10,123	12,058	$30.58
Hunterdon	765,971	73,417	9.6%	(9,898)	8,076	$23.23
Meadowlands	1,007,326	188,093	18.7%	9,598	10,202	$28.29
Greater Morris	2,174,574	408,396	18.8%	(1,785)	36,928	$25.70
Monmouth	2,328,143	506,148	21.7%	(53,638)	39,016	$25.67
Morris West/I-80	425,776	43,275	10.2%	(17,350)	4,425	$21.12
Newark	1,456,856	285,179	19.6%	(74,554)	6,310	$29.79
Urban Essex	911,534	147,279	16.2%	(7,794)	18,055	$29.18
Parsippany/I-287/Rt. 10	3,700,301	1,105,280	29.9%	(70,196)	126,331	$23.78
Somerset/I-78	3,979,076	1,955,671	49.1%	(58,125)	40,780	$27.94
Union	932,090	101,549	10.9%	38,974	40,258	$26.04
Wayne/Rt. 80	725,755	165,501	22.8%	3,826	4,254	$23.04
West Essex/Rt. 24	2,570,219	381,739	14.9%	13,060	55,486	$25.98
Woodbridge/Metro Park	1,051,537	259,558	24.7%	(51,040)	61,938	$28.12

Source: CoStar®. Inventory includes buildings over 30,000 sf, exclusive of owner occupied

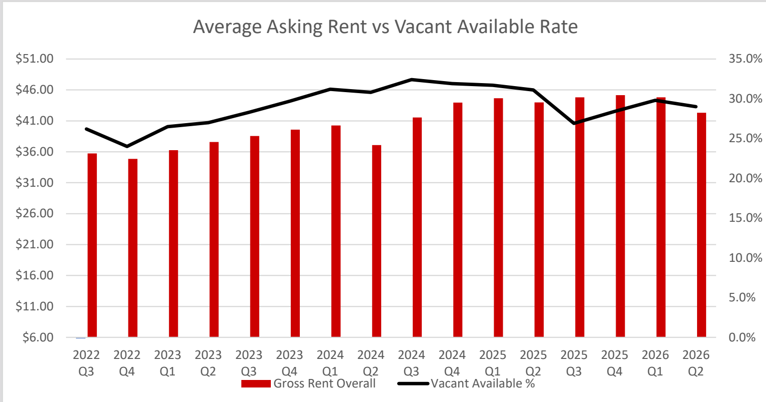
Submarket Activity



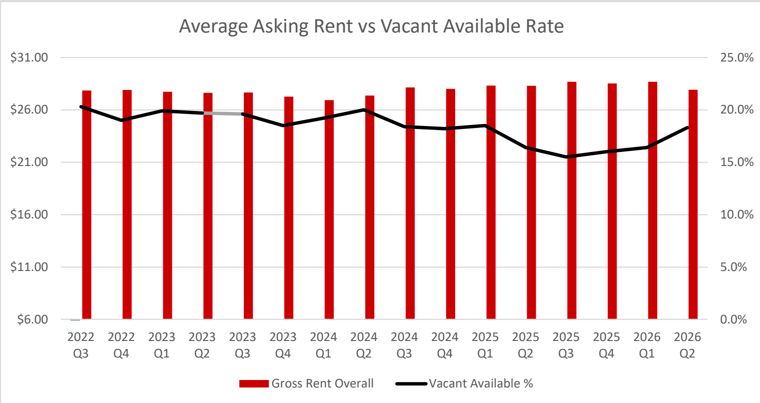


Submarket Activity

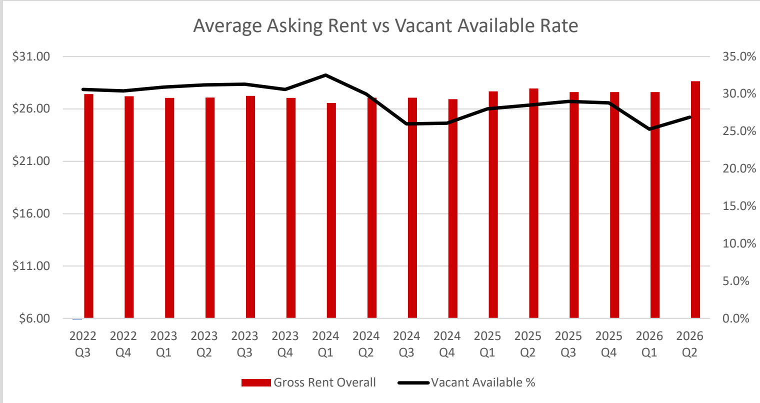
Hudson Waterfront



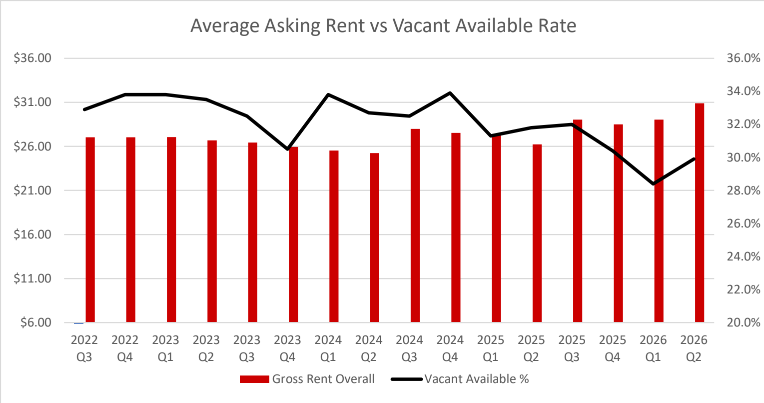
Bergen County



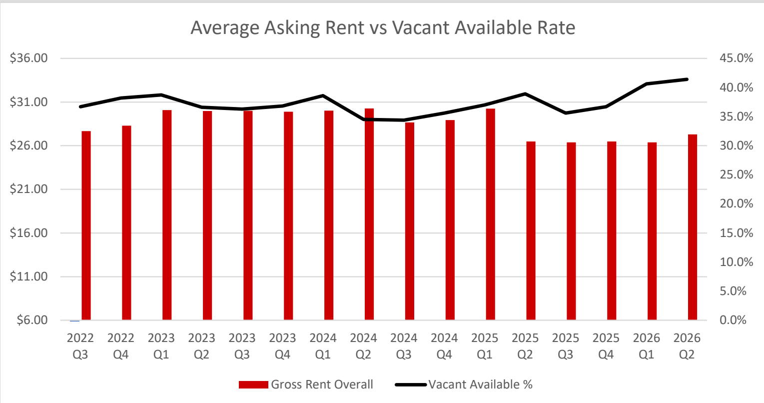
Brunswick/Piscataway



Parsippany 287



Somerset/I-78



Select YTD Sales

694,327 SF (4 prop.)
30 Knightsbridge Road
Piscataway

Price: $56,500,000
Buyer: Keystone Property Group
Seller: Saadia Group

368,049 SF
30 Montgomery Street
Jersey City

Price: $52,000,000
Buyer: Real Capital Solutions/Lamar Companies
Seller: American Realty Advisors/Wells Fargo

385,966 SF
290 W. Mount Pleasant Avenue
Livingston

Price: $26,000,000
Buyer: Livingston Circle Associates, LLC
Seller: P3 Properties/Eastman Management Corporation

389,288 SF
2 Gatehall Drive
Parsippany

Price: $21,000,000
Buyer: Siemens Real Estate, Inc.
Seller: The Birch Group

Select YTD Leases

117,280 SF
10 Exchange Place
Jersey City

Tenant: ACE American Insurance Company (Renewal)

84,240 SF
800 Corporate Drive
Mahwah

Tenant: Nobel Biocare USA (renewal)

78,391 SF
777 Scudders Mill Road
Plainsboro

Tenant: Sandoz

72,326 SF
One CommVault Way
Fort Monmouth*

Tenant: Jersey Mike's Franchise System

*NAI Hanson Transaction

2Q 2026 OFFICE REPORT

NAI James E. Hanson
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

NAI GLOBAL

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325± Offices
5,800± Market Leaders

85 REAL ESTATE PROFESSIONALS

Superior information management and market research capabilities

52 Agents

SIOR

13 SIOR'S- THE HIGHEST OF ANY CRE FIRM IN NJ

251 TRANSACTIONS IN 2025

$752 MILLION - VALUE OF TRANSACTIONS IN 2025

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