

INVESTMENT FORECAST

Retail
Northern New Jersey

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Transfer Tax Shifts Capital Flows Despite Registering Nation's Tightest Retail Vacancy

Service-led backfilling sustains low vacancy. Northern New Jersey was the only major Northeast market where retail vacancy declined in 2025, as the metro avoided widespread store closures and added little new supply. That backdrop allowed the market to overtake Boston and New York City for the lowest vacancy in the region, near 3 percent, with counties such as Essex posting rates near record lows. In the suburbs, areas with higher availability continue to backfill legacy space, such as Blu Alehouse replacing a former Olive Garden. Urban leasing has also become more service- and experience-driven, with fitness concepts expanding in late 2025 and Audible debuting a 15,000-square-foot community events space in downtown Newark. Minimal deliveries and service-oriented leasing should keep conditions tight in 2026. Tenants are likely to remain most active where rooftop growth is strongest, such as Jersey City and South Hudson, while the more established Gold Coast may face slower leasing velocity.

Tax hike could steer investors toward smaller core assets. After the graduated transfer tax was adopted last July, investment activity in Northern New Jersey fell to 2020-era lows in the third quarter as investors reassessed pricing. Sales subsequently rebounded in the fourth quarter, though this likely reflected the November 15 transition deadline, which accelerated closings and drove record capital into areas such as Morris County. Tight retail fundamentals are still expected to draw investors in 2026, with buyers likely favoring lower-basis opportunities and durable income streams, while deal flow holds up best in prime corridors. Listings in Downtown Newark may remain attractive, as an estimated \$2 billion in resident spending occurred outside city limits in 2024, suggesting potential untapped retail demand in the metro's core.

2026 MARKET FORECAST

+0.5%



Employment: A modest 5,000 roles are added this year amid rightsizing in sectors like manufacturing and logistics. Education and health services are likely to remain the key drivers of hiring.

130,000
sq. ft.



Construction: Deliveries are set to fall again in 2026, reaching a new low and running roughly 80 percent below the past decade's average. Openings are clustered in Union and Morris counties.

-20 bps



Vacancy: The market's vacancy is projected to edge lower for a sixth straight year, setting a new all-time low of 2.9 percent. That rate would also mark the lowest among all major U.S. markets.

+3.4%

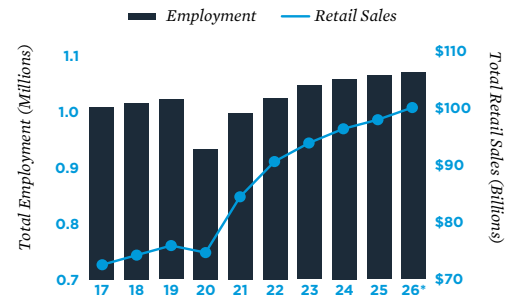


Rent: The average asking rent increases to \$30.11 per square foot. Rising roughly 20 percent above 2022 levels, this growth would rank as the second-fastest rise among major metros over that span.

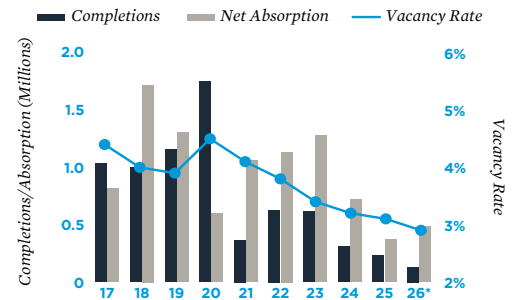
INVESTMENT:

The metro's average multi-tenant asking rent has risen faster than most major Northeast markets since 2022, which could spur strip center acquisitions aimed at re-tenanting space at higher rents.

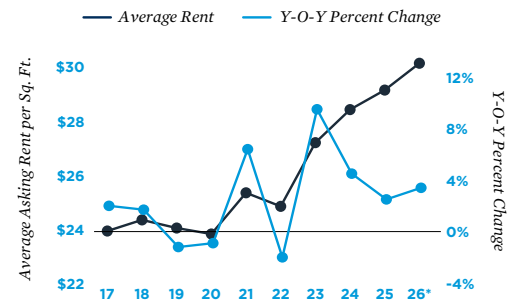
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.