Market Report

IPA INSTITUTIONAL PROPERTY ADVISORS

RETAIL 3Q/26

Northern New Jersey Metro Area

Several Bullish Indicators Suggest Fundamentals Will Stay In Positive Territory

Leasing cools as supply constraints intensify. Net absorption accelerated in the second quarter, reaching its highest quarterly total since late 2024. Several large move-ins contributed to the gain, including ShopRite, Dick's House of Sport, and Restoration Hardware. Leasing activity, however, fell year-over-year even as vacancy continued along a multi-year downward trajectory, particularly in Hudson County and Northern New Jersey's eastern nodes. As the nation's second-tightest major retail market, with 3.1 percent vacancy as of June, limited options may be restricting expansion opportunities even as fitness, sports, experiential, and other service-oriented users continue to pursue space.

Consumer strength and limited new supply keep market tight. While moderating leasing activity suggests net absorption may remain below historical norms, constrained new supply risk should help keep vacancy low through year-end. Meanwhile, a 4.7 percent increase in retail sales could further support tenant demand and occupancy. Affluent suburban nodes in parts of Bergen and Union counties may outperform, as strong household incomes support consumer spending amid some of the market's tightest vacancy rates, with levels below 2 percent in some areas.

2026 FORECAST

EMPLOYMENT

5,000	0.5%
Jobs will be created	Decrease Y-O-Y

CONSTRUCTION

190,000	0.1%
Sq. ft. will be added	Inventory increase Y-O-Y

VACANCY

3.0%	20
Vacancy rate	BPS decrease Y-O-Y

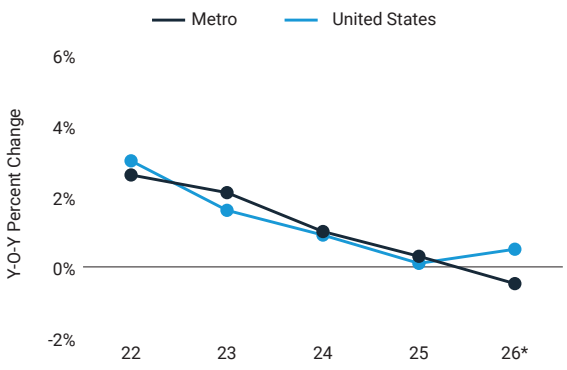
RENT

$30.50	4.6%
Average asking rent by year-end	Increase Y-O-Y

EMPLOYMENT

The market is expected to shed jobs on net by year-end after a below-average 2,800 positions were created in 2025. So far in 2026, employment growth has been below historical trends. In the first half, leisure and hospitality employers expanded hiring, partially supported by World Cup-related activity. Meanwhile, white-collar employment contracted, with the financial activities, professional and business services, and information sectors each shedding more than 1,000 jobs.

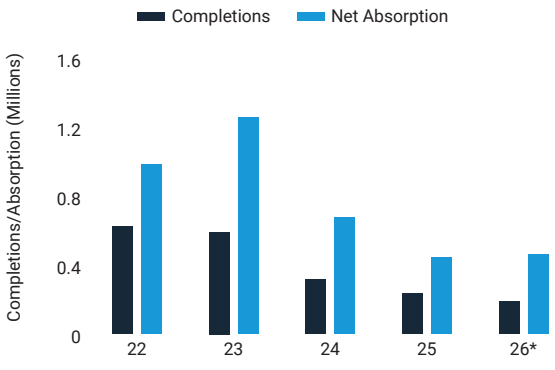
EMPLOYMENT TRENDS



CONSTRUCTION

By year-end, Northern New Jersey will see roughly a 20 percent decline in deliveries compared with 2025, marking the smallest pipeline since at least 2007. This year's total is about 80 percent below the long-term average, in line with the typical shortfall in major Northeastern markets. Union County will account for the largest share of new supply, with roughly 80,000 square feet expected to deliver, about 50 percent below its 2019-2024 annual mean. Morris County's deliveries will be the lowest since 2014.

CONSTRUCTION TRENDS



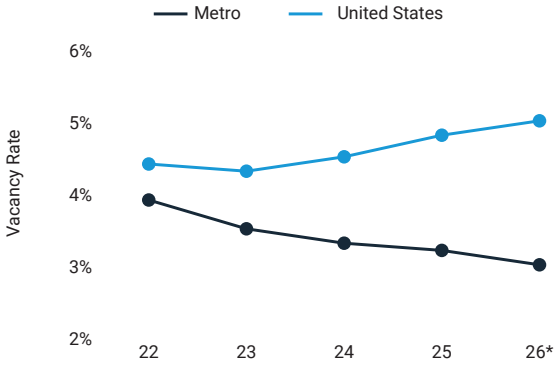
* Forecast

Sources: BLS; CoStar Group, Inc.

VACANCY

Northern New Jersey is set to record its sixth consecutive year of tightening, the only major U.S. market to do so. A combination of supply discipline, evidenced by 0.2 percent average annual inventory growth since 2020, and resilient demand, partly aided by rising multifamily absorption, supports the outlook. Still, challenges remain. Population growth has slowed materially, largely reflecting slower immigration, while hiring continues to lag, limiting outsized vacancy compression by year-end.

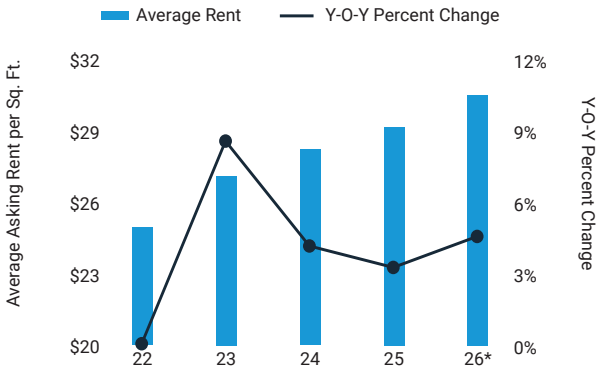
VACANCY TRENDS



RENT

Average asking rent growth in Northern New Jersey is projected to exceed the U.S. average of 1.2 percent by roughly 340 basis points this year. Pockets of the market are likely to outperform, including Hudson County, where availability was below 2 percent in some areas and local asking rents rose 9.5 percent over the year ended June. Meanwhile, vacancy near 6.0 percent in Morris County could continue to weigh on rents after modest declines so far this year, though limited new supply may help contain further pressure.

RENT TRENDS



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

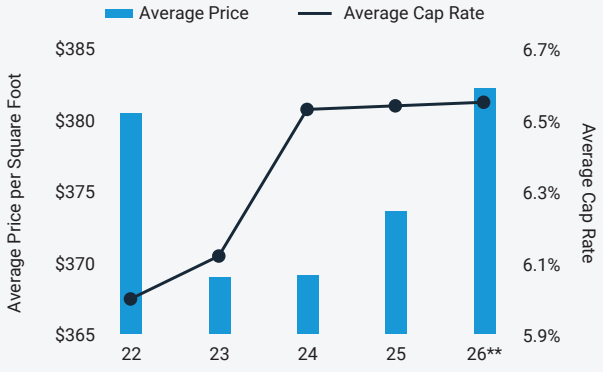
INVESTMENT HIGHLIGHTS

- Among primary markets, Northern New Jersey recorded the steepest decline in transaction velocity, down 16 percent for the year ended June. Much of the slowdown stemmed from an unusually weak third quarter of 2025 following the implementation of New Jersey's graduated transfer tax. Deal activity subsequently rebounded, with the following three quarters tracking at or near historical norms, suggesting market participants adjusted quickly to the new regulatory environment. The sustained rebound indicates buyers and sellers have largely incorporated the tax into underwriting, as average pricing increased 2.9 percent for the year ended June, the strongest annual gain since 2018.

- Investors may be drawn to Bergen County in the near term after the submarket posted its second-strongest year of multifamily absorption on record in 2025, potentially boosting future retail spending. Class A apartment vacancy fell nearly 300 basis points year-over-year to a multiyear low as of June, while Class C held below 2 percent. Residential demand across income levels could support local spending. Limited incoming retail supply should support ongoing store rent growth, reinforcing Bergen County's standing as one of the market's premier retail hubs.

- Major employment investments may bolster retail investor interest. United Airlines is adding more than 2,500 workers at Newark Liberty through 2026, while 1888 Studios in Bayonne is projected to support roughly 2,000 full-time roles once operational, potentially strengthening local retail demand and investor interest.

SALES TRENDS



IPA Retail:

MICHAEL PULINE
Senior Managing Director, National Director
Tel: (678) 808-2749
mpuline@ipausa.com

For info on national multifamily trends, contact:

JOHN CHANG
Senior Vice President, Chief Intelligence & Analytics Officer
Tel: (602) 707-9700
jchang@ipausa.com

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for $1 million or greater unless otherwise noted. 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. Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; U.S. Census Bureau

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