

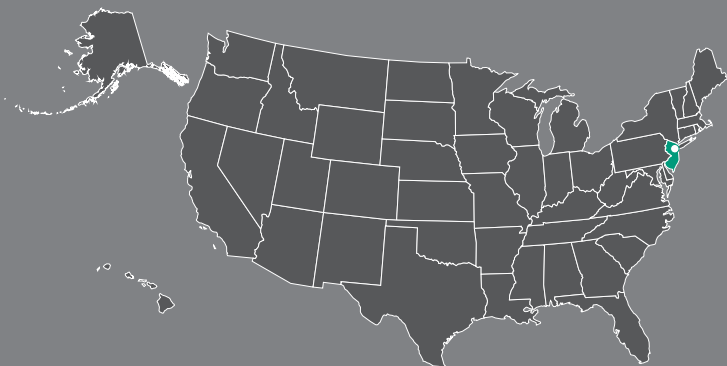
HUD PD&R Housing Market Profiles

Newark, New Jersey-Pennsylvania



Quick Facts About Newark

- Current sales market conditions: slightly tight
- Current apartment market conditions: slightly tight
- First settled in 1666, the city of Newark, New Jersey, in Essex County, is the most populous city in the state, with more than 280,000 residents.



By Matthew Tieff | As of January 1, 2021

Overview

The Newark metropolitan division, which is part of the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area, includes Essex, Hunterdon, Morris, Somerset, Sussex, and Union Counties in northern New Jersey and Pike County in northeastern Pennsylvania. The metropolitan division is home to the Newark campus of Rutgers University and the Rutgers Biomedical and Health Sciences division in the city of Newark. Port Newark-Elizabeth in the metropolitan division is the primary terminal of the Port of New York and New Jersey, the largest seaport on the U.S. East Coast. The metropolitan division is also home to Newark Liberty International Airport, the first municipal commercial airport in the nation; before the most recent implementation of travel restrictions, it was one of the most traveled airports in the nation (Port Authority of New York and New Jersey, 2018).

- As of January 1, 2021, the estimated population of the metropolitan division was 2.50 million, reflecting an average annual increase of 960, or less than 0.1 percent, since 2013 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). By comparison, population growth

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averaged 5,325 people, or 0.2 percent a year, from 2010 to 2013. In the city of Newark, the population grew by an average of 0.3 percent annually from 2013 to 2019.

- The slowdown in population growth during the past nearly 8 years is due to lower net natural change (resident births minus resident deaths) and an increase in net out-migration. From 2010 to 2013, net natural change averaged 9,925 people annually, with average out-migration of 5,225 people each year; by comparison, from 2013 to 2019, net natural change

and net out-migration averaged annual changes of 8,625 and 6,800, respectively.

- Net out-migration from the Newark metropolitan division is entirely due to domestic out-migration. From 2010 to 2019, domestic out-migration averaged 15,600 people each year, which was partially offset by international in-migration of 9,225 people annually; an estimated 31.8 percent of the residents in the city of Newark are foreign-born, compared with 13.6 percent nationally (2015–2019 American Community Survey [ACS] 5-year estimates).

Economic Conditions

The Newark metropolitan division was affected particularly hard by the countermeasures implemented to slow the spread of COVID-19. In mid-March 2020, the governor of New Jersey ordered the closures of numerous nonessential businesses to mitigate the adverse health outcomes of the pandemic. Although that level of restriction was eased in the metropolitan division in June 2020, the closures and resulting layoffs and furloughs led to a 9.6-percent decline in nonfarm payrolls during the fourth quarter of 2020 compared with the fourth quarter of 2019. During this period, the decline in nonfarm payrolls in the Newark metropolitan division was more severe than the decline in New Jersey and the nation, which lost 8.3 and 5.9 percent of jobs, respectively. As of December 2020, the level of payrolls in the metropolitan division was approximately 1.12 million jobs, or 8.1 percent below the February 2020 level, before the impact of COVID-19 (not seasonally

adjusted). The greater rate of jobs lost in the metropolitan division has occurred because the airline industry—a primary industry in the metropolitan division—has been disproportionately affected by the current economic downturn.

During the fourth quarter of 2020—

- Nonfarm payrolls averaged nearly 1.13 million—a decline of 119,600 jobs, or 9.6 percent, from a year earlier, with declines in all 11 sectors. By comparison, during the fourth quarter of 2019, nonfarm payrolls increased 0.5 percent compared with the same period a year earlier.
- The largest decline in nonfarm payrolls was in the leisure and hospitality sector, which contracted by 32,900 jobs, or 32.4 percent, due to limited travel into the metropolitan

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During the fourth quarter of 2020, the leisure and hospitality sector lost the most jobs in the Newark metropolitan division.

	Fourth Quarter		Year-Over-Year Change	
	2019 (Thousands)	2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,245.2	1,125.6	-119.6	-9.6
Goods-Producing Sectors	124.7	119.2	-5.5	-4.4
Mining, Logging, & Construction	47.7	44.7	-3.0	-6.3
Manufacturing	77.0	74.5	-2.5	-3.2
Service-Providing Sectors	1,120.5	1,006.4	-114.1	-10.2
Wholesale & Retail Trade	180.5	168.7	-11.8	-6.5
Transportation & Utilities	69.6	58.5	-11.1	-15.9
Information	22.0	21.8	-0.2	-0.9
Financial Activities	77.8	74.5	-3.3	-4.2
Professional & Business Services	242.8	230.3	-12.5	-5.1
Education & Health Services	197.7	178.9	-18.8	-9.5
Leisure & Hospitality	101.5	68.6	-32.9	-32.4
Other Services	54.0	41.4	-12.6	-23.3
Government	174.5	163.8	-10.7	-6.1
Unemployment Rate	3.6%	8.5%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



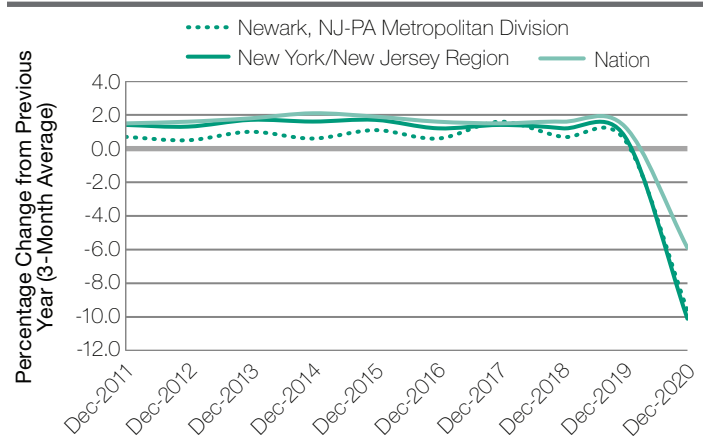
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division during this period and efforts by the states within the metropolitan division to slow the spread of the virus by implementing social distancing requirements. Approximately 79 percent of jobs lost in this sector were in the accommodation and food services industry, which declined by 25,900 jobs, or 31.1 percent.

- The transportation and utilities sector declined by 11,100 jobs, or 15.9 percent, compared with the fourth quarter of 2019. All the jobs lost were in the transportation and warehousing industry, which includes air and rail transportation and port and harbor operations.
- The unemployment rate averaged 8.5 percent—up from 3.6 percent a year earlier. By comparison, during the fourth quarter of 2020, the unemployment rate averaged 6.5 percent nationally.

The Newark Liberty International Airport, on the boundary between the cities of Elizabeth and Newark, supports approximately 24,500 employees who serve more than 43 million passengers traveling through the airport each year. The airport contributes about \$11.3 billion in economic activity to the New York/New Jersey region, including \$3.3 billion in wages and salaries for approximately 110,000 jobs derived from airport activity (Port Authority of New York and New Jersey, 2018). Due to restrictions on air travel and a public reluctance to travel, however, airline activity has declined sharply. As of October 2020, passenger volume at Newark Liberty International Airport had declined 71 percent from October 2019 (Port Authority of New York and New Jersey). In September 2020, United Airlines, Inc.—one of the largest employers in the metropolitan division, accounting for approximately 64 percent of passenger traffic through the airport—announced the furlough of 16,000 employees nationally beginning October 2020.

The rate of nonfarm payroll decline in the Newark metropolitan division during the past year was slightly lower than the decrease in the New York-New Jersey region but greater than that of the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Newark Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Rutgers Biomedical and Health Sciences	Government	20,700
Verizon Communications Inc.	Information	15,800
United Airlines, Inc.	Transportation & Utilities	13,400

Note: Excludes local school districts.
Source: Moody's Economy.com

Sales Market Conditions

Sales housing market conditions in the Newark metropolitan division are currently slightly tight due to a decline in the inventory of single-family homes for sale during the pandemic. The current estimated sales vacancy rate is 1.5 percent—down from 1.8 percent in April 2010. As of December 2020, approximately 2.8 months of for-sale inventory were available in the metropolitan division—down from 4.3 months a year earlier (CoreLogic, Inc.). This decline in inventory was due, in part, to restrictions on how homes could be staged for the public during the pandemic and a decrease in the number of people willing to sell their homes during a period of economic uncertainty.

The current economic downturn has led to an uptick in mortgage delinquencies. The percentage of home loans in the metropolitan division that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 5.5 percent in December 2020—up from 2.1 percent

a year earlier. The rate of seriously delinquent home loans and REO properties in the metropolitan division was lower than the New Jersey rate of 5.8 percent but higher than the national rate of 4.0 percent. The increased rate in the metropolitan division occurred because the number of home loans that were 90 or more days delinquent nearly tripled during the past year, whereas the number of homes in foreclosure or REO status fell 38 percent. The mortgage forbearance included in the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, has allowed homeowners with federally backed mortgages who are facing financial hardship because of the COVID-19 pandemic to postpone their payments.

During 2020—

- Existing home sales—including single-family homes, townhomes, and condominiums—totaled 34,950—down 7 percent from the 37,550 homes sold during 2019 (Zonda).

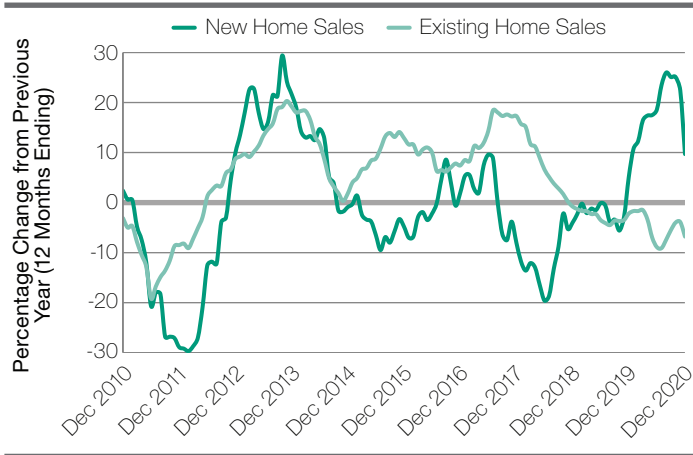
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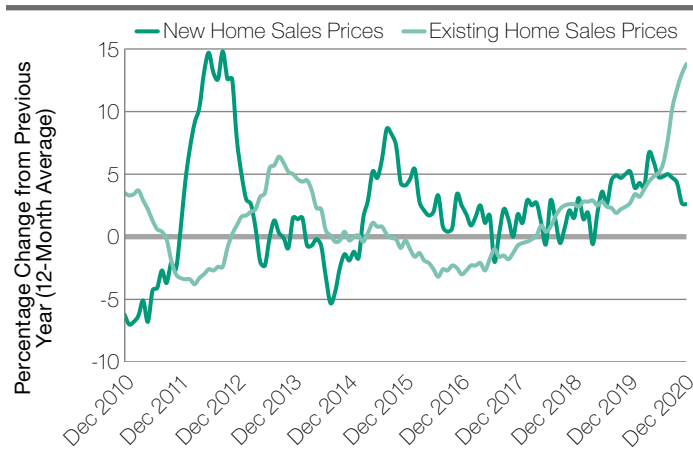
- The average sales price of existing homes was \$438,500—an increase of nearly 14 percent from \$385,200 during the previous year; it was one of the highest growth rates in existing home sales prices during the past decade due to the tightening market. By comparison, from 2013 through 2019, the average increase in existing home sales prices was less than 1 percent annually.
- The number of new homes sold—including single-family homes, townhomes, and condominiums—totaled 1,175 homes—up nearly 10 percent from the approximately 1,050 homes sold during the previous 12 months.

During 2020, sales of new homes in the Newark metropolitan division increased, whereas sales of existing homes declined.



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

Average sales prices for new and existing homes in the Newark metropolitan division have generally increased since 2015 and 2018, respectively.



Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

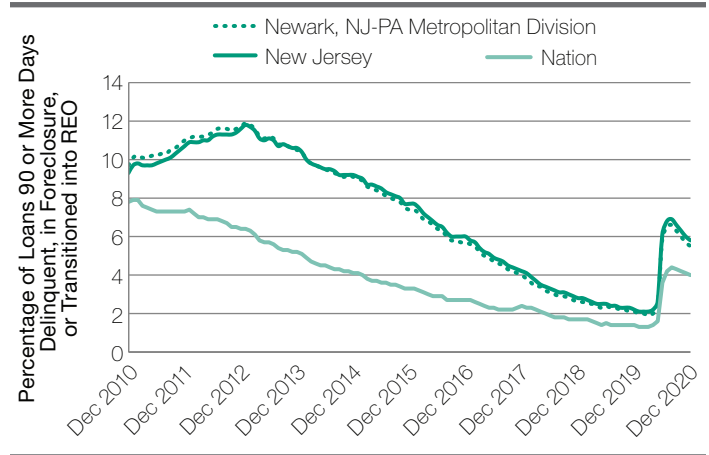
- The average sales price for new homes was \$660,800—a nearly 3-percent increase from \$643,800 a year earlier. By comparison, the price of a new home during 2019 grew 5 percent compared with 2018.

Despite an increase in net out-migration and the recent economic slowdown, single-family homebuilding—as measured by the number of homes permitted—has increased during the past 4 years.

- During 2020, 2,475 single-family homes were permitted—up approximately 8 percent from a year earlier (preliminary data).
- After a recent low of 1,825 homes permitted in 2012, single-family home permitting averaged 2,400 homes each year from 2013 through 2015. During 2016, single-family home permitting

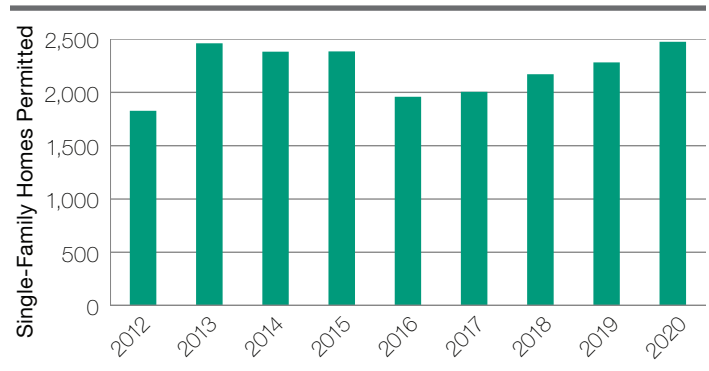
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The percentage of seriously delinquent home loans and REO properties in the Newark metropolitan division is higher than the national rate.



REO = real estate owned. Source: CoreLogic, Inc.

Single-family home permitting activity in the Newark metropolitan division has increased since 2017.



Note: Includes preliminary data from January 2020 through December 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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fell to 1,950 before increasing an average of 5 percent annually during the next 3 years; that number reached 2,275 homes during 2019.

- Montgomery Crossing is a new community of 107 luxury townhomes in Montgomery Township in Somerset County,

2 miles from Princeton, New Jersey. Currently in its second phase of construction, the development is expected to be completed in the summer of 2021. The price of a townhome starts at \$580,000; a 40-unit condominium building is also in planning in the community.

Apartment Market Conditions

The apartment market in the Newark metropolitan division is slightly tight because of increased demand, notably in the city of Newark, due to higher population growth compared with the metropolitan division and a large foreign-born population with a greater propensity to rent. During the fourth quarter of 2020, the apartment vacancy rate was 3.2 percent—up from 2.6 percent a year earlier (RealPage, Inc.)—and is above the national average of 2.8 percent. In 2019, approximately 83 percent of renter households in the Newark metropolitan division resided in multifamily structures with two or more units—a higher percentage than the national rate of 67 percent (ACS 1-year data). In the more rural and suburban parts of the metropolitan division (including Hunterdon, Morris, Pike, Somerset, and Sussex Counties), the percentage of renter households that resided in multifamily structures with two or more units was 73 percent, compared with 88 percent in the more urban counties of Essex and Union.

During the fourth quarter of 2020—

- The 3.2-percent vacancy rate in the metropolitan division was slightly greater than the average fourth-quarter vacancy rate of 3.0 percent since 2014.
- The average effective apartment rent in the metropolitan division was \$1,757—an increase of less than 1 percent from

the average of \$1,749 during the fourth quarter of 2019. The average effective rent in the Newark metropolitan division is 10 percent lower than the average rent in the broader RealPage, Inc.-defined Newark-Jersey City market area of \$1,960 and 4 percent below the national average of \$1,833.

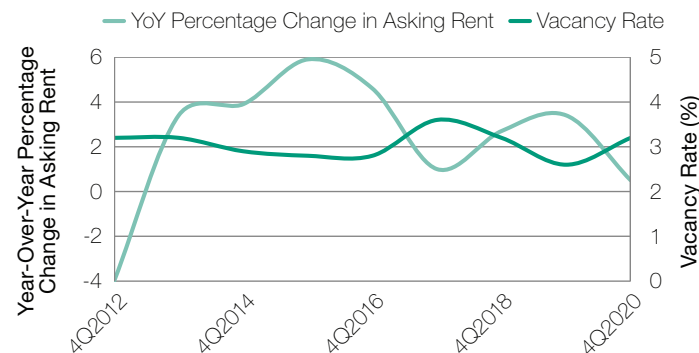
- Rents in the metropolitan division were highest in the West Essex market area, which includes the western part of Essex County outside the city of Newark; that market area averaged \$1,833—down 2 percent from the fourth quarter of 2019. The apartment market in the West Essex market area was tight, with a vacancy rate of 2.8 percent—up from 2.3 percent during the same period a year earlier.
- In the Newark market area, which includes the city of Newark, in the eastern part of Essex County, apartment rents averaged \$1,362—the lowest in the metropolitan division. The vacancy rate averaged 3.3 percent during that time—up from 2.4 percent during the fourth quarter of 2019.

Multifamily construction activity, as measured by the number of units permitted, has declined during the past year after trending upward in 2018 and 2019.

- During 2020, approximately 6,275 multifamily units were permitted—down 15 percent from the 7,400 units permitted

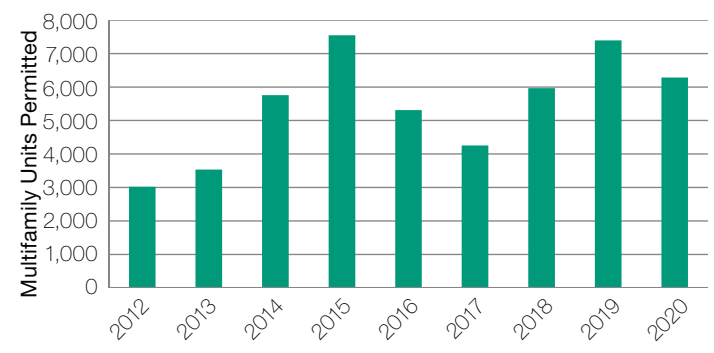
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Since 2012, the average rent has increased and the average vacancy rate has been below 4 percent in the Newark metropolitan division.



4Q = fourth quarter. YoY = year-over-year. Source: RealPage, Inc.

Multifamily permitting activity in the Newark metropolitan division since 2014 has been at a higher level compared with earlier in the decade.



Note: Includes preliminary data from January 2020 through December 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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- during 2019 (preliminary data). During 2018 and 2019, multifamily permitting increased by an average of 1,575 units each year.
- An average of 5,775 multifamily units were permitted annually from 2014 through 2018. During that period, multifamily permitting ranged from a high of 7,550 units in 2015 to a low of 4,250 units in 2017.
 - Approximately 65 percent of the multifamily units permitted in the metropolitan division since 2014 were in the counties of Essex and Union, where an average of 3,775 units were permitted annually.
 - Construction is scheduled to begin this fall on the first phase of The Halo, a planned 949-unit apartment development in the city of Newark. With the first phase expected to be completed in 2023, The Halo will be the tallest structure in the city, at 565 feet.
 - Vermella Union is a 455-apartment development completed in the summer of 2020 in the city of Union in Union County. Featuring a clubroom, fitness center, and pool, prices for studios and one-, two-, and three-bedroom units start at \$1,490, \$1,900, \$2,470, and \$3,525, respectively.

