

COMPREHENSIVE HOUSING MARKET ANALYSIS

Newark, New Jersey- Pennsylvania

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2018

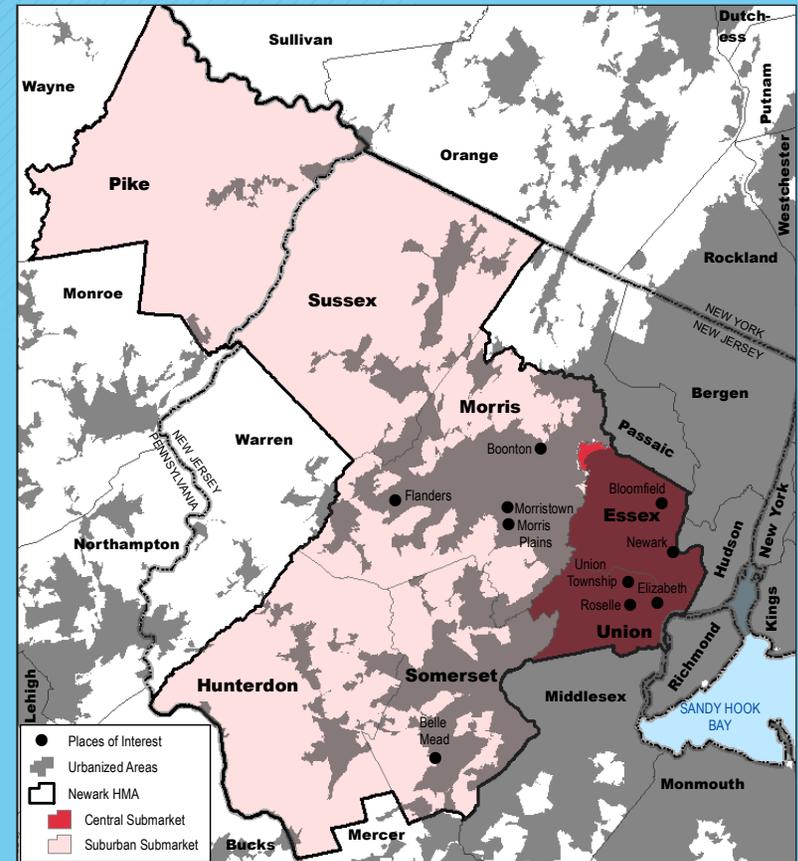


Executive Summary

Housing Market Area Description

The Newark Housing Market Area (HMA) consists of Essex, Hunterdon, Morris, Somerset, Sussex, and Union Counties in New Jersey and Pike County in Pennsylvania. The HMA is coterminous with the Newark, NJ-PA Metropolitan Division, which is part of the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into two submarkets: (1) the Central submarket, which consists of Essex and Union Counties, including the cities of Newark and Elizabeth, and (2) the Suburban submarket, which consists of the remaining five counties.

The current population is estimated at 2.54 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-At-A-Glance [tool](#).
 For additional data pertaining to the housing market for this HMA, go [here](#).
 For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



Market Qualifiers

Economy



Stable: During the 12 months ending July 2018, nonfarm payrolls **increased 0.6%**.

Economic conditions in the Newark HMA improved during the past 7 years, but job growth slowed during the past year. During the 12 months ending July 2018, nonfarm payrolls in the HMA increased by 7,800 jobs, or 0.6 percent, to 1.21 million jobs. By comparison, nonfarm payrolls increased an average of 1.0 percent annually during the previous 2 years. During the 3-year forecast period, nonfarm payrolls are expected to grow at an average annual pace of 0.4 percent annually, and growth is expected to be primarily concentrated in service-providing sectors.

Sales Market



Slightly soft: During the 12 months ending July 2018, new and existing home sales **decreased 2%**.

The sales market in the HMA is slightly soft, with an estimated sales vacancy rate of 2.0 percent, up from 1.8 percent in 2010. During the 12 months ending July 2018, approximately 32,850 new and existing homes sold, representing a decrease of 800 homes, or 2 percent, from the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the next 3 years, demand is estimated for 6,130 new homes. The 710 homes under construction will satisfy a portion of this demand.

Rental Market



Slightly soft, but improving: During the second quarter of 2018, the average rent **increased 5%**

The rental housing market in the HMA is currently slightly soft, but conditions are improving. The overall rental vacancy rate is estimated at 7.3 percent, down from 8.0 percent in 2010. Conditions in the apartment market, however, are slightly tight. During the second quarter of 2018, the average apartment asking rent increased 5 percent, to \$1,687, compared with the second quarter of 2017 (RealPage, Inc.). During the forecast period, demand is estimated for 8,335 new market-rate apartment units. The 5,200 units under construction will satisfy a portion of this demand.

TABLE OF CONTENTS

- Economic Conditions 4
- Population and Households 8
- Home Sales Market Conditions 11
- Rental Market Conditions 19
- Terminology Definitions and Notes 24

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Central	Total Demand	5,300	8,125
	Under Construction	210	3,300
Suburban	Total Demand	830	210
	Under Construction	500	1,900
Newark HMA	Total Demand	6,130	8,335
	Under Construction	710	5,200

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2018. The forecast period is August 1, 2018 to August 1, 2021.



Economic Conditions

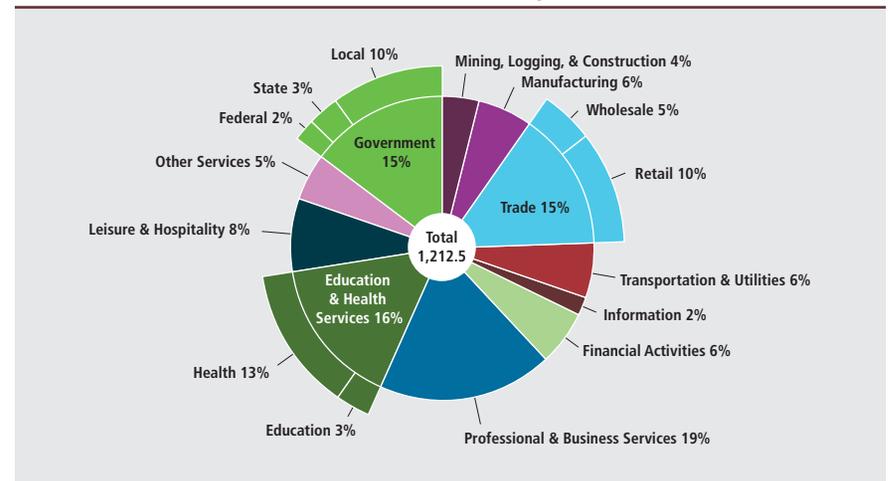
Largest sector: Professional and business services

The current level of nonfarm payrolls is still below the 2007 peak because of sluggish job growth since the end of the Great Recession.

Primary Local Economic Factors

The economy of the Newark HMA has four nonfarm payroll sectors that significantly contribute to the local economy. The largest of these is the professional and business services sector, which makes up approximately 19 percent of all nonfarm payrolls in the HMA (Figure 1). During the 12 months ending July 2018, nonfarm payrolls in this sector increased by 2,100 jobs, or 0.9 percent, compared with the previous 12-month period. Additionally, the education and health services, wholesale and retail trade, and government sectors account for 16, 15, and 14 percent of all nonfarm payrolls, respectively.

Figure 1. Current Nonfarm Payroll Jobs in the Newark HMA, by Sector



Notes: Numbers may not add to 100 percent due to rounding. Total number is in thousands.
Source: U.S. Bureau of Labor Statistics

Economic Sectors of Significance

Education and Health Services Sector

Job growth in the Newark HMA has been strongest in the education and health services sector, which increased by an average of 2,400 jobs, or 1.5 percent, annually from 2001 through 2017. Similar to national trends, a majority of the growth in this sector during this period was in the health care and social assistance industry, which was up by an average of 2,200 jobs, or 1.6 percent, annually. Job gains within this industry were largely attributed to a rise in the number of small healthcare facilities. Compared with 2001, the number of establishments in the health care and social assistance industry is up nearly 33 percent, representing an average increase of approximately 130 establishments annually (Quarterly Census of Employment and Wages).

Job gains in the educational services industry have also contributed to growth in the education and health services sector, albeit at a slower pace. From 2001 through 2017, nonfarm payrolls in the industry increased by an average of 200 jobs, or 0.7 percent, annually. Growth in the industry has largely occurred in recent years because of increased employment levels at private colleges and universities in the HMA in response to rising enrollment levels. From 2012 through 2017, nonfarm payrolls in the industry were up by an average of 800 jobs, or 2.7 percent, annually compared with an average decline of 100 jobs, or 0.4 percent, annually from 2001 through 2011.

Government Sector

The government sector is also a major part of the economy of the HMA, but payrolls in the sector have generally declined since 2008. During the 12 months

ending July 2018, nonfarm payrolls in the sector increased by 1,100 jobs, or 0.6 percent. Payrolls, however, have decreased by an average of 900 jobs, or 0.5 percent, annually since 2008. Within the government sector is Newark Liberty International Airport, which is the largest employer in the HMA with approximately 24,000 employees (Table 1). In June 2017, a \$2.7 billion redevelopment project, known as Terminal One, began at the airport. The project will add a new 33-gate terminal to the airport and is estimated to be completed by 2022. Once completed, Terminal One is expected to create more than 23,000 jobs and generate \$4.6 billion in economic activity in the New York/New Jersey region (The Port Authority of New York and New Jersey).

Higher education is also a significant part of the government sector. The HMA is home to nine public colleges and universities, which have a total enrollment of approximately 113,100 students and more than 13,000 employees. The largest of these schools is Montclair State University, which has nearly 20,000 enrolled students and employs approximately 7,700 workers. Employment at the university has steadily risen in response to increasing enrollment levels. From 2002 through 2016, an average of 150 jobs were added annually at the university (Integrated Postsecondary Education Data System).

Leisure and Hospitality Sector

Jobs have been added at the fastest pace in the HMA, especially from 2012 through 2017, in the leisure and hospitality sector. During this 6-year period, nonfarm payrolls in the sector increased by an average of 2,600 jobs, or 2.9 percent, annually, compared with an average increase of 400 jobs, or 0.5 percent, annually, from 2008 through 2011. Job growth from 2012 through 2017 in the sector was largely attributed to increased tourism in the HMA. During 2017, tourism in the HMA generated nearly \$9.30 billion in direct sales and approximately 79,250 jobs, up 23 and 8 percent, respectively, compared with 2011 (Tourism Economics).

Table 1. Major Employers in the Newark HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Newark Liberty International Airport	Government	24,000
Verizon Communications Inc.	Information	17,000
Rutgers Biomedical and Health Sciences	Government	15,750
New Jersey Transit	Government	11,500
Public Service Enterprise Group Inc.	Transportation & Utilities	11,000
Prudential Financial Inc.	Financial Activities	10,000
United Airlines Inc.	Transportation & Utilities	9,475
AT&T Inc.	Information	7,900
Montclair State University	Government	7,700
Gateway Group One	Professional & Business Services	6,250

Note: Excludes local school districts.

Source: Economy.com

Economic Periods of Significance

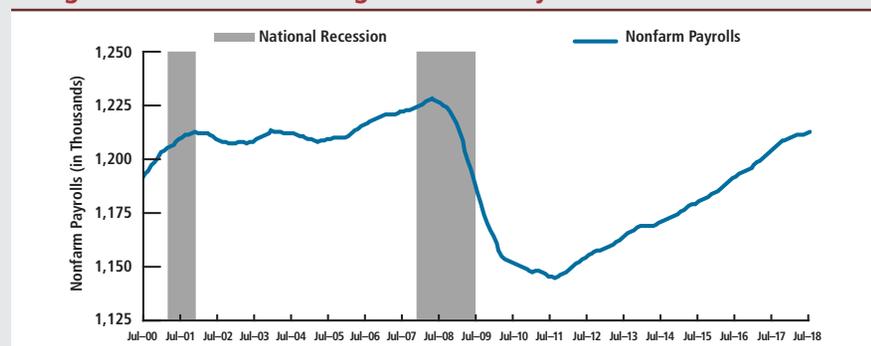
2002 through 2005

Nonfarm payrolls in the HMA declined or were relatively unchanged each year from 2002 through 2005 (Figure 2). During the 4-year period, payrolls declined by an average of 600 jobs, or 0.1 percent, annually. Losses during this period were largest in the manufacturing, the information, and the professional and business services sectors, which annually declined by an average of 5,200, 2,900, and 1,900 jobs, or 4.4, 7.8, and 0.9 percent, respectively. These losses were partially offset by gains in the government and the education and health services sectors, which annually increased by an average of 4,700 and 2,400 jobs, or 2.8 and 1.6 percent, respectively.

2006 through 2007

Economic conditions improved during 2006 and 2007, albeit at a slow pace. Nonfarm payrolls during this period increased by an average of 7,600 jobs, or 0.6 percent, compared with an average annual 1.5-percent national growth rate.



Figure 2. 12-Month Average Nonfarm Payrolls in the Newark HMA

Note: Based on 12-month averages.
Source: U.S. Bureau of Labor Statistics

Within the HMA, gains were largest in the professional and business services and the education and health services sectors, which increased by an average of 4,500 and 3,600 jobs, respectively, or 2.2 percent each. Continued losses in the manufacturing sector, which declined by an average of 3,600 jobs, or 3.5 percent, annually, slowed net job growth in the HMA during this period.

2008 through 2011

The Great Recession, which occurred nationally from December 2007 to 2009, negatively impacted the HMA, with job losses at a faster rate than the nation as a whole. From 2008 through 2011, nonfarm payrolls in the HMA annually declined by an average of 19,500 jobs, or 1.6 percent, compared with a 1.1-percent average annual decrease nationwide. Approximately 60 percent of the net job losses were in the manufacturing, the wholesale and retail trade, and the mining, logging, and construction sectors, which declined by an average of 5,100, 3,500, and 3,200 jobs, or 5.6, 1.9, and 6.9 percent, respectively. In the manufacturing sector, nonfarm payrolls in the chemical manufacturing industry decreased by an average of 2,200 jobs, or 7.9 percent, annually, including approximately 500 jobs lost when Merck & Company, Inc. laid off workers at one of its pharmaceutical manufacturing facilities in the HMA in 2010.

2012 through 2017

Economic conditions improved at a moderate pace from 2012 through 2017, but job growth was slower than the nation. During the 6-year period, nonfarm payrolls increased by an average of 10,400 jobs, or 0.9 percent, annually. By comparison, payrolls nationwide were up an average of 1.8 percent annually during the same period. Within the HMA, the largest gains were in the education and health services, the professional and business services, and the leisure and hospitality sectors, which were up by an average of 3,100, 2,900, and 2,600 jobs, or 1.7, 1.3, and 2.9 percent, respectively. Gains during this period were partially from Bayer HealthCare opening a new headquarters in the HMA during 2013. Of the 2,400 workers currently employed at the facility, approximately 500 are in newly created positions while the remaining jobs were the result of a consolidation of four facilities, including two located outside the HMA.

Current Conditions—Nonfarm Payrolls

Job growth continued during the past year, but the rate of growth slowed. During the 12 months ending July 2018, nonfarm payrolls increased by 7,800 jobs, or 0.6 percent (Table 2). The largest gains were in the transportation and utilities and the education and health services sectors, which increased by 3,900 and 3,300 jobs, or 6.2 and 1.8 percent, respectively. In the transportation and utilities sector, the gains were largely because Blue Apron Inc., a meal kit delivery company, opened a new fulfillment center in the HMA in late 2017. Once fully operational, the facility is expected to employ approximately 2,000 workers. After losing more than 58,000 jobs from 2000 through 2017, payrolls in the manufacturing sector rose by 1,900 jobs, or 2.6 percent, representing the largest 12-month increase in the sector in more than 25 years. Nearly 85 percent of the gains in the sector were in the durable goods industry, which increased by 1,600 jobs, or 4.7 percent. Partially offsetting these gains were losses in the mining, logging, and construction and the wholesale and retail trade sectors, which declined by 1,200 jobs each, or 2.6 and 0.7 percent, respectively. All net losses in the mining, logging, and construction sector were in the specialty trade contractors industry, which decreased by 1,300 jobs, or 4.4 percent, and was

partially attributed to a slowdown in home renovations. The decline in the wholesale and retail trade sector was partially attributed to Toys “R” Us, Inc. closing a store in Morris County, resulting in more than 470 jobs lost.

Current Conditions—Unemployment

During the 12 months ending July 2018, the unemployment rate in the HMA averaged 4.5 percent (Figure 3). The current rate is down from an average rate of 4.7 percent during the 12 months ending July 2017 and 9.0 percent from 2010 through 2012. The current unemployment rate is the same as the New Jersey rate, but above the 4.1-percent nationwide rate. The current unemployment rates in the Central and Suburban submarkets are 5.2 and 3.8 percent, respectively, compared with 5.3 and 3.9 percent during the previous 12 months.

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth in the HMA is expected to continue but at a slightly slower pace than the past year. Nonfarm payrolls are estimated to increase by an average of 4,900 jobs, or 0.4 percent, annually, and payroll growth is anticipated to be relatively steady during all 3 years. Gains are expected to be largely concentrated in the education and health services and the professional and business services sectors. Expected gains include approximately 1,500 new jobs at Mars Wrigley Confectionery, a manufacturer of chocolate, gum, and candy, when the company opens a new headquarters in Newark during 2020. Teva Pharmaceuticals USA recently announced plans to move its U.S. headquarters to Morris County. Although the timeline of the move has not been announced, approximately 1,000 new jobs are expected to be created in the HMA.

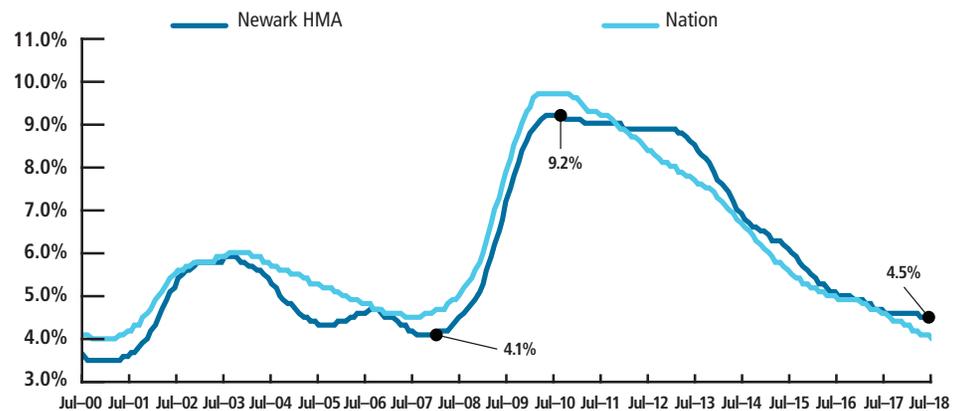
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Newark HMA, by Sector

	12 Months Ending July 2017	12 Months Ending July 2018	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	1,204.7	1,212.5	7.8	0.6%
Goods-Producing Sectors	120.6	121.3	0.7	0.6%
Mining, Logging, & Construction	46.1	44.9	-1.2	-2.6%
Manufacturing	74.5	76.4	1.9	2.6%
Service-Providing Sectors	1,084.1	1,091.2	7.1	0.7%
Wholesale & Retail Trade	184.6	183.4	-1.2	-0.7%
Transportation & Utilities	63.4	67.3	3.9	6.2%
Information	20.9	20.4	-0.5	-2.4%
Financial Activities	76.5	76.0	-0.5	-0.7%
Professional & Business Services	224.8	226.9	2.1	0.9%
Education & Health Services	185.6	188.9	3.3	1.8%
Leisure & Hospitality	98.6	97.5	-1.1	-1.1%
Other Services	55.2	55.2	0.0	0.0%
Government	174.5	175.6	1.1	0.6%

Notes: Based on 12-month averages through July 2017 and July 2018. Numbers may not add to totals because of rounding. Total number is in thousands.

Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Unemployment Rate in the Newark HMA



Note: Based on 12-month averages.
Source: U.S. Bureau of Labor Statistics

Population and Households

Current population: 2.54 million

Recent population growth in the HMA has been stronger in the Central submarket after lagging growth in the Suburban submarket during the early-to-mid 2000s.

Population Trends

As of August 1, 2018, the estimated population of the Newark HMA is 2.54 million, representing an average increase of 7,900 people, or 0.3 percent, annually since April 2010 (Table 3; Census Bureau decennial census counts). From 2002 to 2008, the population increased by an average of 3,700 people, or 0.2 percent, annually (Census Bureau population estimates as of July 1). All population growth during this period was because of net natural change (resident births minus resident deaths), which averaged 14,200 annually (Figure 4). The population increase from net natural change, however, was largely offset by strong net out-migration, which averaged 10,500 annually and was attributed to weak economic conditions in the HMA relative to the rest of the nation. From 2008 to 2012, population growth increased to an average of 10,100 people, or 0.4 percent, annually; the faster

growth was because net out-migration slowed to an average of 1,650 annually. The decreased net out-migration during this period was partially attributed to fewer retirees moving out of the HMA to portions of the nation with more affordable housing options, because declining home sales made it more difficult for them to sell their homes. Compared with the 2002-to-2008 period, migration out of the HMA to Arizona, Florida, Nevada, North Carolina, and South Carolina from 2008 to 2012 decreased 28 percent (IRS migration data). By comparison, out-migration to all other portions of the country only declined 9 percent during this period. Since 2012, improving economic conditions caused net out-migration to further slow to an average of 1,175 annually. Despite the lower levels of net out-migration, however, population growth slowed to an average of 7,550 people, or 0.3 percent, annually because net natural change decreased to an average of 8,725 annually.

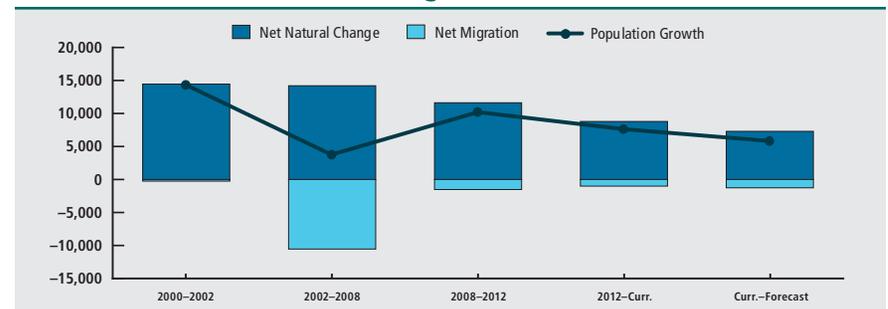
Table 3. Newark HMA

	2010	Current	Forecast	
Population Quick Facts	Population	2,471,171	2,537,000	2,555,000
	Average Annual Change	7,475	7,900	5,900
	Percentage Change	0.3%	0.3%	0.2%
	2010	Current	Forecast	
Household Quick Facts	Households	893,969	927,700	938,300
	Average Annual Change	3,350	4,050	3,525
	Percentage Change	0.4%	0.4%	0.4%

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.

Sources: 2000 and 2010 – 2000 Census and 2010 Census; current and forecast – estimates by analyst

Figure 4. Components of Population Change in the Newark HMA 2000 Through the Forecast



Note: Net natural change and net migration totals are average annual totals over the time period.

Source: U.S. Census Bureau, Bureau of Labor Statistics

Central Submarket

The population of the Central Submarket is currently estimated at 1.38 million, accounting for approximately 54 percent of the total population in the HMA. Population trends in the submarket were similar to the HMA as a whole. From 2002 to 2008, the population of the submarket declined by an average of

2,925 people, or 0.2 percent, annually. The decrease was because of strong net out-migration, which averaged 11,450 annually. Net out-migration continued from 2008 to 2012, but slowed to an average of 950 annually, resulting in the population increasing by an average of 7,275 people, or 0.6 percent, annually. As a result of improving economic conditions in the HMA, net in-migration has averaged 280 annually since 2012. During this period, the population has increased by an average of 7,350 people, or 0.5 percent, annually.

Suburban Submarket

The population of the Suburban submarket is currently estimated at 1.16 million, accounting for approximately 46 percent of the total population in the HMA. Population growth in the submarket has steadily slowed because of lower levels of in-migration from the Central submarket to the Suburban submarket. Compared with 2002 to 2008, in-migration from the Central submarket from 2008 to 2016 was down 21 percent whereas out-migration into the Central submarket was relatively unchanged (IRS migration data). This trend is partially attributed to more young professionals choosing to remain in the Central submarket because of more rental options in the cities of Newark and Elizabeth, which are closer and more accessible to New York City. From 2002 to 2008, the population of the Suburban submarket increased by an average of 6,625 people, or 0.6 percent, annually, and net in-migration averaged 950 annually. From 2008 through 2012, population growth slowed to an average of 2,800 people, or 0.2 percent, annually because of net out-migration, which averaged 700 annually. Unlike in the Central submarket, net out-migration in the Suburban submarket has continued since 2012 and at the higher level of 1,450 annually. Because of the increased net out-migration, population growth further slowed to an average of 190 people annually, remaining relatively unchanged.

Household Trends

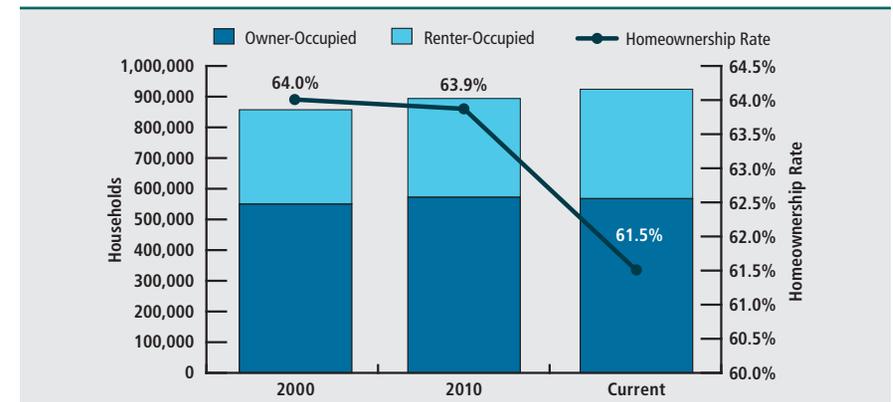
An estimated 927,700 households currently reside in the HMA; 499,300 and 428,400 households reside in the Central and Suburban submarkets, respectively. Household growth trends in the HMA and each submarket have been similar to population growth trends. Since 2010, the number of households in the HMA has increased by an average of 4,050 households, or 0.4 percent, annually. By

comparison, from 2000 to 2010, the number of households increased by an average of 3,350 households, or 0.4 percent, annually. In the Central and Suburban submarkets, the number of households has annually increased by an average of 3,300 and 750, or 0.7 and 0.2 percent, since 2010, respectively. Household growth is up in the Central submarket compared with 2000 to 2010, when households in the submarket increased by an average of 200 annually, remaining relatively unchanged. In the Suburban submarket, however, household growth has slowed compared with the average increase of 3,150 households, or 0.8 percent, annually from 2000 to 2010.

Households by Tenure

The current homeownership rate in the HMA is estimated at 61.5 percent, down from 63.9 percent in 2010 (Figure 5). The homeownership rate declined in both submarkets, but the rates are notably different. In the Central submarket, the homeownership rate was estimated at 48.5 percent, down from 51.1 percent in 2010. The lower percentage of homeowners is attributed to a high renter population in the cities of Newark and Elizabeth, which are the largest cities in the HMA. By comparison, the current homeownership rate in the Suburban submarket is estimated at 76.6 percent, down from 78.2 percent in 2010.

Figure 5. Households by Tenure and Homeownership Rate in the Newark HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Forecast

During the 3-year forecast period, net out-migration in the HMA is estimated to average 1,250 annually, and the population is expected to increase by an average of 5,900 people, or 0.2 percent, a year, reaching approximately 2.56 million by August 1, 2021. Net in-migration, however, is expected in the Central submarket, where the population is estimated to increase by an average of 6,550 people, or 0.5 percent, annually. In the Suburban submarket, continued net out-migration, which is estimated to average 1,650 annually, will cause

the population to slightly decline by an average of 660 people, or 0.1 percent, annually.

During the next 3 years, the number of households in the HMA is anticipated to increase by an average of 3,525, or 0.4 percent, annually, reaching 938,300 households. In the Central and Suburban submarkets, the number of households is expected to annually increase by an average of 2,975 and 550, or 0.6 and 0.1 percent, to 508,300 and 430,100 households, respectively.



Home Sales Market Conditions

Sales Market—HMA

Market Conditions: Slightly soft

Sales housing market conditions have been slightly soft in the HMA since 2009.

Current Conditions

The sales housing market in the Newark HMA is currently slightly soft. The current vacancy rate is estimated at 2.0 percent, up slightly compared with 1.8 percent in April 2010 (Table 4). During the 12 months ending July 2018,

the HMA had 4.2 months of available for-sale housing inventory, down from 4.8 months of inventory during the previous 12-month period (New Jersey Association of Realtors®). Sales market conditions were slightly tight during 2000 and 2001 but transitioned from slightly tight to slightly soft from 2002 through 2008 because of strong net out-migration and elevated levels of new sales housing construction before the housing market collapse. Since 2009, conditions have been unchanged with continued slightly soft conditions despite lower levels of net out-migration and decreased construction activity, in part, because more residents chose to rent instead of own.

Table 4. Home Sales Quick Facts in the Newark HMA

	Newark HMA	Nation
Vacancy Rate	2.0%	NA
Months Of Inventory	4.2	4.3
Total Home Sales	32,850	6,038,000
1-Year Change	- 2.4%	- 2.0%
Average Price-Existing	\$400,500	\$283,000
1-Year Change	2.2%	6.2%
Average Price-New	\$695,800	\$378,400
1-Year Change	10.9%	2.8%
Mortgage Delinquency Rate	3.0%	1.8%

NA = data not available.

Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending July 2018, and months of inventory and mortgage delinquency data are as of July 2018.

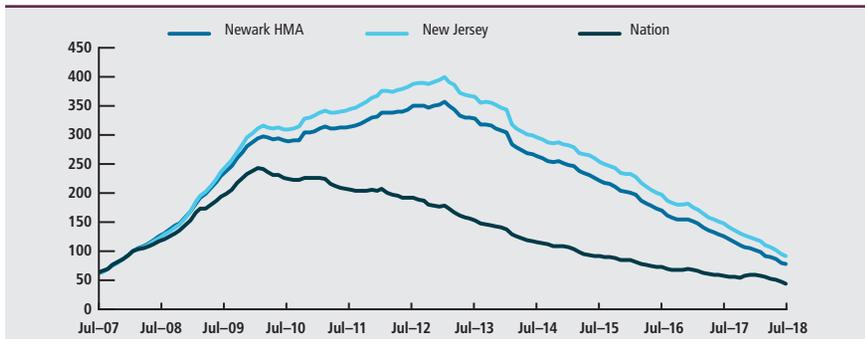
Sources: Metrostudy, A Hanley Wood Company, with adjustments by analyst; CoreLogic, Inc.; New Jersey Association of Realtors®

REO Properties and Delinquent Mortgages

In July 2018, 3.0 percent of homes loans in the Newark HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 4.6 percent in July 2017 and a peak of 11.9 percent in January 2013 (CoreLogic, Inc.). The current rate is slightly lower than the statewide rate in New Jersey of 3.2 percent, but higher than the 1.8-percent nationwide rate. The rate of seriously delinquent loans and REO properties has steadily declined since early 2013, but the rates in the HMA and New Jersey as a whole have remained elevated relative to the nation because New Jersey is a judicial foreclosure state. In these states, the average length of the foreclosure process is longer than in states where a nonjudicial foreclosure process exists. As shown in Figure 6, the number of distressed loans and REO properties in the HMA and the state of New Jersey did not reach a peak level until nearly 3 years after the nationwide peak was achieved.

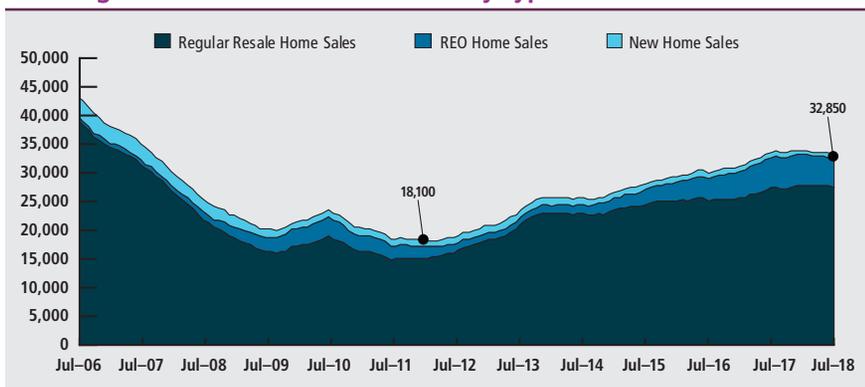


Figure 6. Numbers of Seriously Delinquent Mortgages and REO Properties in the Newark HMA, State of New Jersey, and Nation



Note: Index: January 2008=100.
Source: CoreLogic, Inc.

Figure 7. 12-Month Sales Totals by Type in the Newark HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

Home Sales

Sales of new and existing homes decreased during the past year after 6 consecutive years of strong gains. During the 12 months ending July 2018, approximately 32,850 new and existing homes sold, a decrease of 800 homes, or 2 percent, compared with the 12 months ending July 2017 (Figure 7). Sales activity, however, increased an average of 11 percent annually during the previous 6 years in response to improving economic conditions, and the current

level of sales is up 81 percent compared with the recent low of 18,100 homes sold during 2011. The number of homes sold during the past year, however, is down 27 percent compared with the 45,300 homes sold during 2005, prior to the housing market downturn.

Home Sale Prices

During the 12 months ending July 2018, the average sales price of existing homes (including REO sales and regular resales) increased 2 percent, to \$400,500. The average sales price, however, is only up 5 percent compared with the 10-year low price of \$381,300 during 2009. Sales prices have been relatively flat despite elevated levels of sales activity because low-priced REO sales have constituted a relatively high portion of all home sales. Since 2009, approximately 12 percent of all existing home sales were REO sales, compared with approximately 3 percent of existing home sales from 2005 through 2008. During the 12 months ending July 2018, the average sales price of new homes increased 11 percent, to \$695,800. The average sales price increased an average of 4 percent annually during the past 7 years, and the current price is at an all-time peak level. Figure 8 shows the 12-month average sales prices by sales type in the HMA since 2006, and Figure 9 shows new and existing home sales by price range during the 12 months ending July 2018.

Figure 8. 12-Month Average Sales Price By Sales Type in the Newark HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

Figure 9. Sales by Price Range During the 12 Months Ending July 2018 in the Newark HMA



Source: Metrostudy, A Hanley Wood Company

Forecast

During the 3-year forecast period, demand is estimated for 6,130 new single-family homes, townhomes, and condominiums in the HMA (Table 5). The 710 homes under construction will satisfy some of this demand. Demand is expected to slightly increase each year because of improving economic conditions, and demand is estimated to be strongest in the Central submarket because of net out-migration forecasted in the Suburban submarket.

Table 5. Demand for New Sales Construction Units in the Newark HMA

Sales Units	
Demand	6,130 units
Under Construction	710 units

Source: Estimates by analyst

Sales Market—Central Submarket

Current Conditions

The sales housing market in the Central submarket is currently balanced. The current vacancy rate is estimated at 1.2 percent, down compared with 2.2 percent in April 2010 (Table 6). During the 12 months ending July 2018, the submarket had 3.5 months of available housing inventory, down from 4.2 months of inventory during the previous 12-month period (New Jersey Association of Realtors®). Sales market conditions were slightly tight in 2000 but transitioned to soft from 2001 through 2008 because of strong net out-migration. Conditions remained soft from 2008 through 2012, but net in-migration has caused conditions to transition to balanced since 2013.

Table 6. Home Sales Quick Facts in the Central Submarket

	Central	Newark HMA
Vacancy Rate	1.2%	2.0%
Months Of Inventory	3.5	4.2
Total Home Sales	14,900	32,850
1-Year Change	1.7%	-2.4%
Average Price-Existing	\$398,300	\$400,500
1-Year Change	2.9%	2.2%
Average Price-New	\$814,100	\$695,800
1-Year Change	15.3%	10.9%
Mortgage Delinquency Rate	4.2%	3.0%

Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending July 2018, and months of inventory and mortgage delinquency data are as of July 2018.

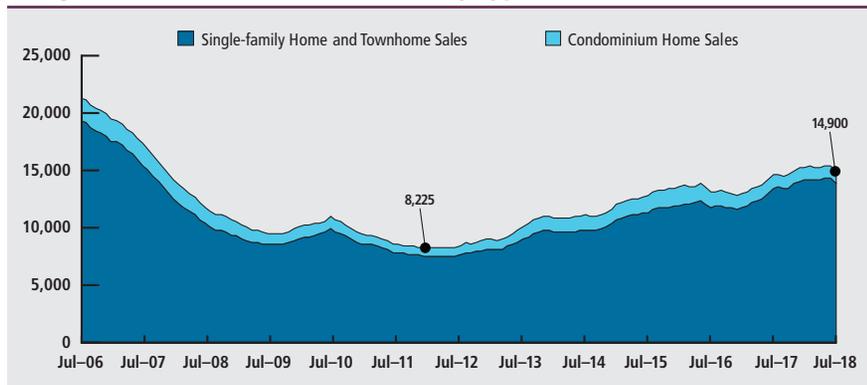
Sources: Metrostudy, A Hanley Wood Company, with adjustments by analyst; CoreLogic, Inc.; New Jersey Association of Realtors®

Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes in the submarket increased during the past 6 years in response to stronger population growth. The

rate of the increase, however, has slowed during the past year, which is partially attributed to rising interest rates. In July 2018, the average interest rate of a 30-year fixed rate mortgage in the United States was approximately 4.5 percent, up compared with the 3.9-percent rate in July 2017 (Federal Reserve Bank of St. Louis). During the 12 months ending July 2018, approximately 13,850 new and existing single-family homes and townhomes sold, up 3 percent compared with the number of homes sold during the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, home sales activity increased an average of 12 percent annually during the previous 5 years. Despite the slowdown, the current level of sales is up 83 percent compared with the 7,550 homes sold during 2011. Figure 10 shows the 12-month average sales totals by sales type in the submarket since 2006.

Figure 10. 12-Month Sales Totals by Type in the Central Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

Condominium Home Sales

Sales of new and existing condominium units declined during the past 3 years in part because of a limited number of newly constructed units coming on line. During the 12 months ending July 2018, approximately 1,000 new and existing condominiums sold, down 16 percent compared with the 12 months ending July 2017. Condominium sales decreased an average of 13 percent annually during the past 3 years compared with an average increase of 22 percent annually

during corresponding periods from 2012 through 2015. The current level of sales is down 35 percent, compared with the 1,550 units sold during 2015, but is up 47 percent compared with the 680 units sold during 2011.

Home Sale Prices

In response to increased sales activity, the average sales price of new and existing single-family homes and townhomes increased at a moderate pace in 7 of the past 8 years. During the 12 months ending July 2018, the average sales price of new and existing single-family homes and townhomes increased 2 percent, to \$412,100. The average sales price increased an average of 1 percent annually during the past 8 years, and the current price is up 10 percent compared with the recent low average price of \$373,000 during 2009. The average sales price of condominiums declined during the past 4 years and in 5 of the past 6 years, which is primarily attributed to higher priced new sales comprising a smaller portion of all sales. During the 12 months ending July 2018, the average sales price of a condominium decreased 2 percent, to \$278,900. The average sales price decreased an average of 2 percent annually during the past 6 years, and the current price is down 10 percent compared with the average price of \$310,100 during 2012. Figure 11 shows the 12-month average sales prices by sales type in the submarket since 2006.

Figure 11. 12-Month Average Sales Price by Sales Type in the Central Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

REO Properties and Delinquent Mortgages

The rate of seriously delinquent homes and REO properties in the Central submarket has historically been the higher of the two submarkets in the HMA, which is primarily because of elevated unemployment rates in the submarket. In July 2018, 4.2 percent of loans in the submarket were seriously delinquent or had transitioned into REO status, down from 6.5 percent in July 2017 and a peak of 16.7 percent in January 2013 (CoreLogic, Inc.).

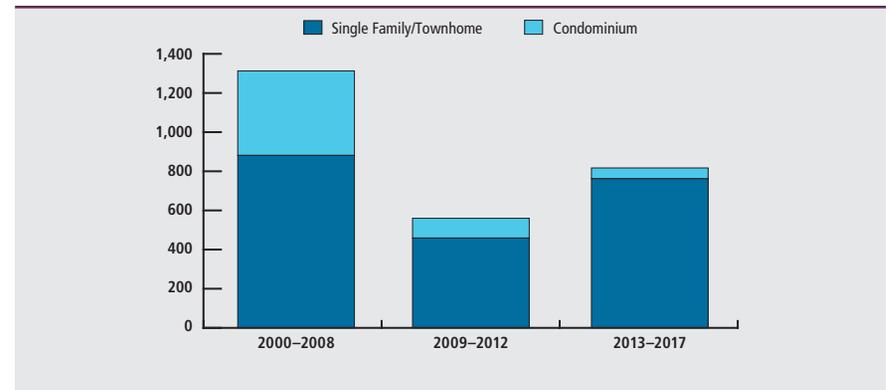
Sales Permit Activity

Sales permitting activity, as measured by the number of single-family homes, townhomes, and condominium units permitted, increased during the past 5 years. Recent construction levels, however, are well below those from the early-to-mid 2000s. From 2000 through 2008, an average of 1,325 sales units were permitted annually (Figure 12). In response to decreased sales levels, permitting activity declined to an average of 560 units permitted annually from 2009 through 2012. From 2013 through 2017, construction activity increased to an average of 820 units permitted annually, which is attributed to elevated sales levels. During the 12 months ending July 2018, approximately 720 sales units were permitted, up 4 percent compared with the previous 12-month period (preliminary data with adjustments by analyst). The recent low levels of sales construction activity were especially notable in condominiums. Since 2009, approximately 9 percent of all sales units permitted were condominium units, compared with nearly one-third of all sales units from 2000 through 2008.

New Construction

Developable land is limited in the growth areas in the submarket, so new construction of sales housing is mostly limited to replacement units and units in small subdivisions. Recent construction activity includes Echo Ridge, a townhome community in Union Township, Union County that is currently under construction. Of the 23 planned townhomes, 12 were completed during 2018, and the remaining homes are currently under construction and expected to be built during the next 6 months. Prices for these three-bedroom, three-bathroom

Figure 12. Average Annual Sales Permitting Activity in the Central Submarket



Source: Metrostudy, A Hanley Wood Company

homes range from \$698,000 to \$768,000. In Essex County, construction began in mid-2018 at Reserve at North Caldwell. Six of the 62 planned single-family homes are currently under construction, and the remaining homes are expected to be built as they are sold. All homes will have four bedrooms, and prices range from \$835,000 to \$915,000.

Forecast

During the 3-year forecast period, demand is estimated for 5,300 new single-family homes, townhomes, and condominiums in the submarket (Table 7). The 210 homes under construction will satisfy some of this demand. Demand is expected to slightly increase each year because of improving economic conditions.

Table 7. Demand for New Sales Construction Units in the Central Submarket

Sales Units	
Demand	5,300 units
Under Construction	210 units

Source: Estimates by analyst

Sales Market—Suburban Submarket

Current Conditions

The sales housing market in the Suburban submarket is currently soft. The current vacancy rate is estimated at 2.6 percent, up compared with 1.5 percent in April 2010 (Table 8). During the 12 months ending July 2018, the submarket had 4.7 months of available for-sale housing inventory, down from 5.2 months of inventory during the previous 12-month period (New Jersey Association of Realtors®) Sales market conditions were slightly tight in 2000, when migration into the HMA was stronger. Conditions, however, were brought into balance from 2001 through 2008 because of elevated levels of sales housing construction activity. Since 2009, net out-migration has caused vacancy rates to rise and conditions to transition to soft.

Table 8. Home Sales Quick Facts in the Suburban Submarket

	Suburban	Newark HMA
Vacancy Rate	2.6%	2.0%
Months Of Inventory	4.7	4.2
Total Home Sales	18,000	32,850
1-Year Change	-5.5%	-2.4%
Average Price-Existing	\$402,400	\$400,500
1-Year Change	1.7%	2.2%
Average Price-New	\$668,500	\$695,800
1-Year Change	11.6%	10.9%
Mortgage Delinquency Rate	2.1%	3.0%

Note: Vacancy rate is as of the current date, home sales and prices are for the 12 months ending July 2018, and months of inventory and mortgage delinquency data are as of July 2018.

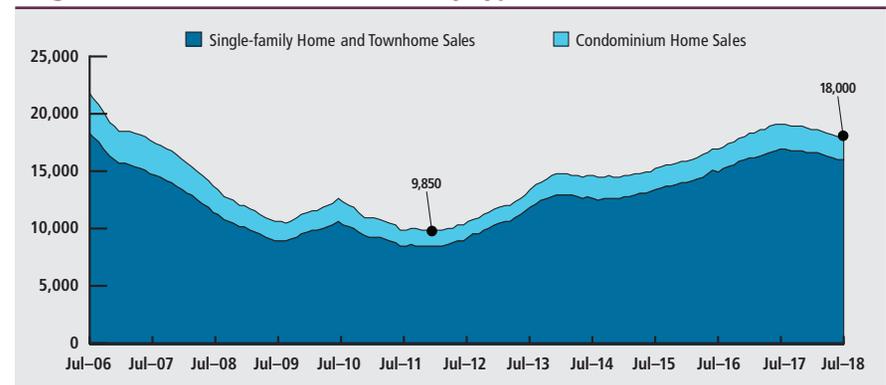
Sources: Metrostudy, A Hanley Wood Company, with adjustments by analyst; CoreLogic, Inc.; New Jersey Association of Realtors®

Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes in the submarket declined during the past year, which is partially attributed to increased net out-

migration. During the 12 months ending July 2018, approximately 16,000 new and existing single-family homes and townhomes sold, representing a decrease of 860 homes, or 5 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, home sales increased an average of 12 percent annually during the previous 6 years, and the current level of sales is up 89 percent compared with the 8,450 homes sold during 2011. Figure 13 shows the 12-month average sales totals by sales type in the submarket since 2006.

Figure 13. 12-Month Sales Totals by Type in the Suburban Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

Condominium Home Sales

Condominium sales also declined during the past year after increases in 4 of the 5 previous years. During the 12 months ending July 2018, approximately 2,000 new and existing condominium units sold, down by 180 units, or 8 percent, compared with the same period a year earlier. The current level of sales, however, is up 51 percent compared with the 1,325 condominiums sold during 2012, after sales activity increased an average of 10 percent annually during corresponding periods from 2013 through 2017.

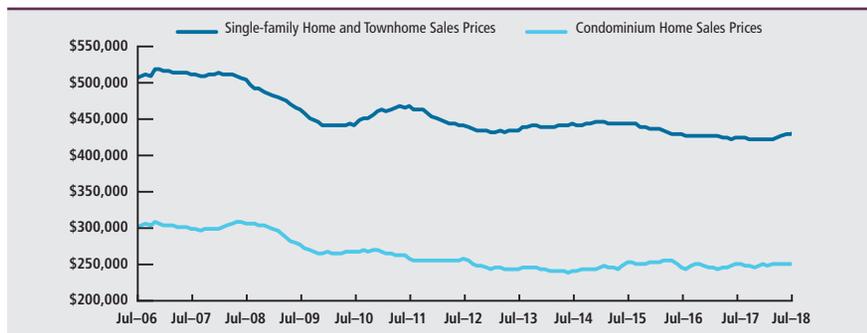
Home Sale Prices

The average sales price of new and existing single-family homes and townhomes increased during the past year, but the current average price is relatively unchanged over the past 6 years because of low-priced REO sales accounting for a relatively large part of all sales. During the 12 months ending July 2018, the average sales price of new and existing homes increased 2 percent, to \$431,300. The average sales price, however, was relatively unchanged during the past 6 years compared with an average 3-percent decline during corresponding periods from 2008 through 2013. The average sales price of new and existing condominiums was relatively unchanged, at \$252,200. The current price is up 4 percent compared with \$243,400 during 2013, after the average price increased an average of 1 percent annually from 2014 through 2017 in response to increasing sales activity. Figure 14 shows the 12-month average sales prices by sales type in the suburban submarket since 2006.

REO Properties and Delinquent Mortgages

In July 2018, 2.1 percent of loans in the submarket were seriously delinquent or had transitioned into REO status, down from 3.2 percent in July 2017 and a peak of 8.1 percent in February 2013 (CoreLogic, Inc.). Unlike the rate in the Central

Figure 14. 12-Month Average Sales Price by Sales Type in the Suburban Submarket



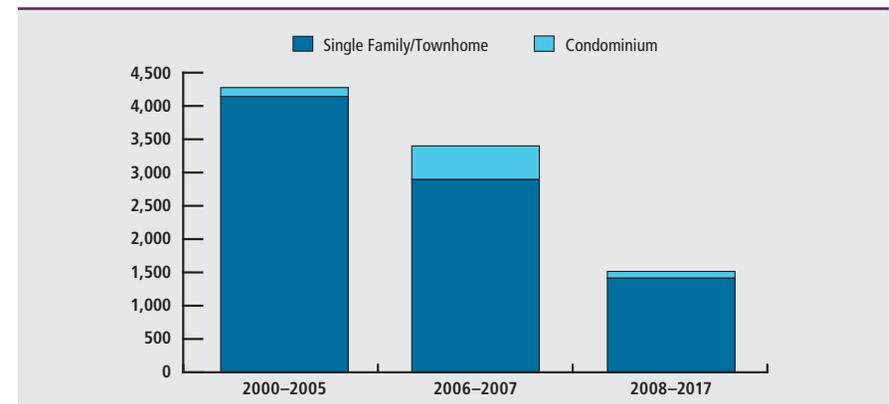
Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

submarket, the current rate in the Suburban submarket is lower than the 3.2-percent rate in New Jersey. The current rate is still slightly higher than the national rate of 1.8 percent, but the gap has narrowed during the past 4 years as homes that were foreclosed during the housing crisis complete the foreclosure process.

Sales Permit Activity

Sales permitting activity has been limited since 2008 because of low levels of sales activity and high net out-migration. From 2008 through 2017, an average of 1,500 sales units were permitted annually (Figure 15). Construction activity during this period was 55 percent lower than the average of 3,400 units permitted during 2006 and 2007 and 65 percent less than the average of 4,300 units permitted from 2000 through 2005. During the 12 months ending July 2018, approximately 1,350 sales units were permitted, up 16 percent compared with the previous 12-month period (preliminary data with adjustments by analyst). Since 2008, approximately 6 percent of all sales units permitted were condominium units, down from 15 percent of all units during 2006 and 2007, but up compared with 3 percent of all sales units permitted from 2000 through 2005.

Figure 15. Average Annual Sales Permitting Activity in the Suburban Submarket



Source: Metrostudy, A Hanley Wood Company

New Construction

Recent construction activity includes The Residences at Columbia Park, a 235-unit townhome community in Morristown, Morris County. All homes were completed during 2017 and 2018, and prices for these three- and four-bedroom homes start at \$674,900 and \$1 million, respectively. Regency at Flanders is an active-adult community in Flanders, Morris County. More than 40 percent of the 227 planned single-family homes have been built since 2015, and the remaining homes are expected to be built as they are sold; prices for these two- and three-bedroom homes start at \$490,000 and \$577,000, respectively. In Somerset County, construction began during 2018 at the 223-home Country Club Estates in Belle Mead. Approximately one-third of the homes are currently under construction, and prices of these four- and five-bedroom homes start at \$737,000 and \$924,900, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 830 new single-family homes, townhomes, and condominiums in the submarket (Table 9). The 500 homes under construction will satisfy some of this demand. Demand is expected to be relatively steady throughout the forecast period, but new supply should be targeted to become available during the third year because the units currently under construction will satisfy most demand during the first and second years.

Table 9. Demand for New Sales Construction Units in the Suburban Submarket

Sales Units	
Demand	830 units
Under Construction	500 units

Source: Estimates by analyst



Rental Market Conditions

Rental Market—HMA

Market Conditions: Slightly soft but improving

Rental market conditions are balanced in the Central submarket, but soft in the Suburban submarket.

Current Conditions

The rental housing market, including apartment units and single-family homes for rent, in the HMA is currently slightly soft. Conditions, however, are improving because of higher demand for rental units in response to lower levels of net out-migration and young professionals choosing to rent as opposed to purchasing homes. In 2017, approximately 56 percent of all rental units were in structures with four or fewer units, up from 52 percent in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 7.3 percent, down from 8.0 percent in 2010 (Table 10).

Conditions in the apartment market are slightly tight, unchanged compared with conditions in 2010. During the second quarter of 2018, the apartment vacancy rate in the HMA was 2.8 percent, down from 3.1 percent during the second quarter of 2017 and the 4.4-percent rate during the second quarter of 2011 (Figure 16; RealPage, Inc.). Apartment conditions have ranged from tight to balanced since 2000 because most apartments have been built in desirable locations, such as in the city of Newark or near transit stations in the suburban portions of the HMA. During the second quarter of 2018, the average rent was \$1,687, representing an increase of 5 percent compared with the same period a year earlier.

Table 10. Rental and Apartment Market Quick Facts in the Newark HMA

Rental Market Quick Facts	2010	Current	
	Rental Vacancy Rate	8.0%	7.3%
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	16%	18%
	Multifamily (2-4 units)	36%	38%
Multifamily (5+ units)	48%	45%	
Other (Including Mobile Homes)	0%	0%	

Apartment Market Quick Facts	Current	YoY Change
	Apartment Vacancy Rate	2.8%
Average Rent	\$1,687	5%

YoY = year-over-year.

Notes: The current date is as of August 1, 2018. Current data for “rental units by structure” is American Community Survey, 2017 1-year data. Apartment data is RealPage, Inc.

Sources: American Community Survey, 1-year data; RealPage, Inc.

Figure 16. Apartment Rents and Vacancy Rates in the Newark HMA



Source: RealPage, Inc.



Student Housing

The HMA is home to 12 colleges and universities that house students; 9 of those are in the Central Submarket. The total enrollment at these schools is approximately 84,150; enrollment is estimated to have increased an average of 1 percent annually since 2010. Approximately 13 percent of the students enrolled at these colleges and universities are housed in on-campus dormitories. Of the remaining students, an estimated 90 percent reside within the HMA, and student households account for approximately 6 percent of all renter households.

Forecast

During the 3-year forecast period, demand is estimated for 8,335 new market-rate apartment units in the HMA (Table 11). The 5,200 units under construction will satisfy some of this demand. Demand is expected to be relatively steady throughout the forecast period, but new supply should be targeted to become available during the third year because the units under construction will satisfy most demand during the first and second years.

Table 11. Demand for New Rental Construction Units in the Newark HMA

Rental Units	
Demand	8,335 units
Under Construction	5,200 units

Source: Estimates by analyst

Rental Market— Central Submarket

Current Conditions and Recent Trends

The rental housing market in the Central submarket is currently balanced. In 2017, approximately 56 percent of all rental units were in structures with four or fewer units, up from 52 percent in 2010 (ACS 1-year data). The overall rental vacancy

rate is estimated at 6.4 percent, down from 8.5 percent in 2010 (Table 12). Rental market conditions were slightly tight in 2000 but transitioned to soft from 2001 through 2008, because of population decline resulting from strong net out-migration. Since 2009, however, vacancy rates have declined, and the market has been brought into balance, which is largely because of stronger population growth and a shift in preference towards renting after the Great Recession.

Table 12. Rental and Apartment Market Quick Facts in the Central Submarket HMA

Rental Market Quick Facts	2010	Current	
	Rental Vacancy Rate	8.5%	6.4%
	Occupied Rental Units by Structure		
	Single-family Attached & Detached	11%	12%
	Multifamily (2-4 Units)	41%	44%
Multifamily (5+ Units)	48%	44%	
Other (Including Mobile Homes)	0%	0%	

Apartment Market Quick Facts	Current	YoY Change
	Apartment Vacancy Rate	2.4%
Average Rent	\$1,730	3%

YoY = year-over-year.

Notes: The current date is as of August 1, 2018. Current data for “rental units by structure” is American Community Survey, 2017 1-year data. Apartment data is RealPage, Inc.

Sources: American Community Survey, 1-year data; RealPage, Inc.

Conditions in the apartment market are slightly tight, unchanged compared with conditions in 2010. During the second quarter of 2018, the apartment vacancy rate in the submarket was 2.4 percent, down from 2.8 percent during the second quarter of 2017 (Figure 17; RealPage, Inc.). The apartment vacancy rate has ranged from 2.0 to 3.6 percent each quarter since 2010 because of strong demand for apartment units. During the second quarter of 2018, vacancy rates were low throughout the submarket, ranging from 1.8 percent in the RealPage, Inc.-defined Newark market area to 2.5 percent in the Union County market area. During



the second quarter of 2018, the average rent in the submarket was \$1,730, up 3 percent compared with the same period a year earlier. Rents were highest in the West Essex County market area, at \$1,762, and average rents increased approximately 3 percent each in all three RealPage, Inc.-defined market areas.

Figure 17. Apartment Rents and Vacancy Rates in the Central Submarket



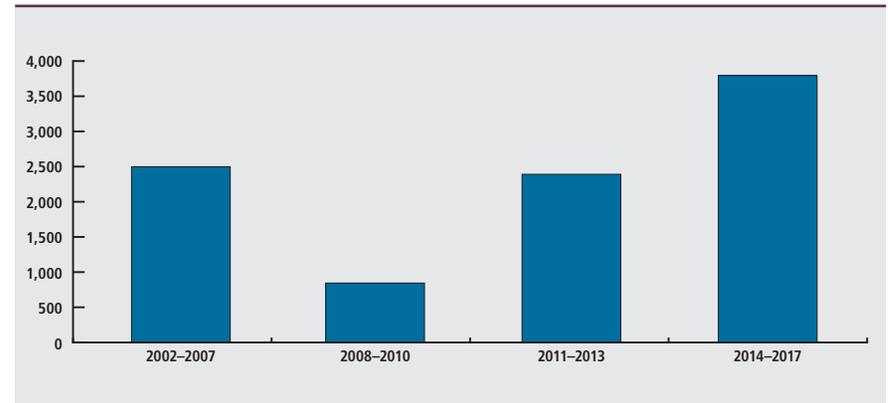
Source: RealPage, Inc.

Rental Permit Activity

Rental permitting activity, as measured by the number of rental units permitted has been strong in the submarket since 2014, which is partially attributed to stronger population growth. An average of 2,500 rental units were permitted annually from 2002 through 2007 (Figure 18), but building activity slowed to an average of 830 units permitted annually from 2008 through 2010, which is attributed to weak economic conditions and strict borrowing requirements for builders. More migration into the submarket and low vacancy rates at existing apartment communities caused construction activity to increase to an average of 2,375 units permitted annually from 2011 through 2013 and an average of 3,800 units annually from 2014 through 2017. During the 12 months ending

July 2018, approximately 3,175 rental units were permitted, up 13 percent compared with the previous 12-month period (preliminary data with adjustments by analyst).

Figure 18. Average Annual Rental Permitting Activity in the Central Submarket



Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

New Construction

Recent construction activity includes the 242-unit One Theater Square, which is in the city of Newark and was completed in July 2018. Rents for these studio, one-bedroom, two-bedroom, and three-bedroom units start at \$1,775, \$2,325, \$2,550, and \$4,450, respectively. The Grove at One92 is a 336-unit apartment community in Bloomfield, Essex County. Construction at the community was completed in mid-2017, and rents for these one- and two-bedroom units start at \$1,850 and \$2,150, respectively. In Union County, more than 930 units were completed during 2017 at The Park, which is an apartment community in the borough of Roselle. Rents at the community range from \$1,750 to \$2,175 for the one-bedroom apartments and from \$2,100 to \$2,550 for the two-bedroom apartments.

Forecast

During the 3-year forecast period, demand is estimated for 8,125 new market-rate apartment units (Table 13). The 3,300 units under construction will satisfy some of this demand. Demand is expected to be relatively steady throughout the forecast period, but new supply should be targeted to become available during the second and third years because the units under construction will satisfy all demand during the first year.

Table 13. Demand for New Rental Construction Units in the Central Submarket

Rental Units	
Demand	8,125 Units
Under Construction	3,300 Units

Source: Estimates by analyst

Rental Market – Suburban Submarket

Current Conditions and Recent Trends

The rental housing market in the Suburban submarket is currently soft. In 2017, approximately 53 percent of all rental units were in structures with four or fewer units, up from 51 percent in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 9.7 percent, up from 6.7 percent in 2010 (Table 14). Rental market conditions were slightly tight from 2000 through 2008 but transitioned into balanced conditions during 2009 and 2010 because of net out-migration. Since 2011, vacancy rates have continued to increase, and the market has softened, which is attributed to elevated net out-migration and increased apartment construction activity.

Table 14. Rental and Apartment Market Quick Facts in the Suburban Submarket HMA

Rental Market Quick Facts	2010	Current	
	Rental Vacancy Rate	6.7%	9.7%
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	28%	30%
	Multifamily (2-4 Units)	23%	23%
Multifamily (5+ Units)	48%	46%	
Other (Including Mobile Homes)	1%	0%	

Apartment Market Quick Facts	Current	YoY Change
	Apartment Vacancy Rate	3.2%
Average Rent	\$1,644	7%

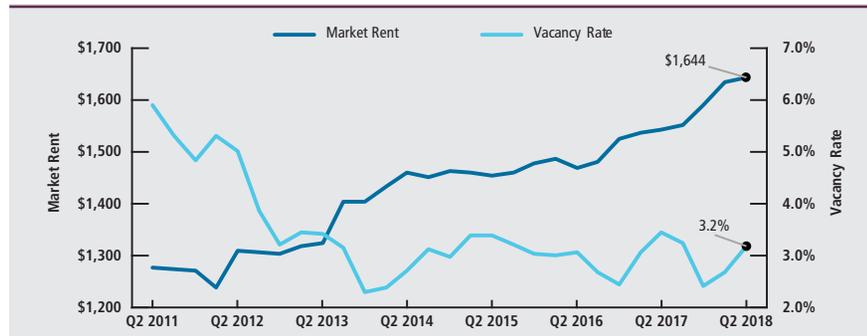
YoY = year-over-year.

Notes: The current date is as of August 1, 2018. Current data for “rental units by structure” is American Community Survey, 2017 1-year data. Apartment data is RealPage, Inc.

Sources: American Community Survey, 1-year data; RealPage, Inc.

Conditions in the apartment market are slightly tight, unchanged compared with conditions in 2010. Apartment market conditions have ranged from slightly tight to balanced since 2009 despite softening conditions in the rental market as a whole; that is because most construction of new apartment communities during this period occurred in portions of the submarket near transit stations, which have experienced recent growth. During the second quarter of 2018, the apartment vacancy rate in the submarket was 3.2 percent, down from 3.5 percent during the second quarter of 2017 and the 5.9-percent rate during the second quarter of 2011 (Figure 19; RealPage, Inc). During the second quarter of 2018, vacancy rates ranged from 2.8 percent in the RealPage, Inc.-defined Morris County market area to 3.5 percent in the Somerset/Hunterdon Counties market area. During the second quarter of 2018, the average rent in the submarket was \$1,644, representing an increase of 7 percent compared with the same period a year earlier.

Figure 19. Apartment Rents and Vacancy Rates in the Suburban Submarket



Source: RealPage, Inc.

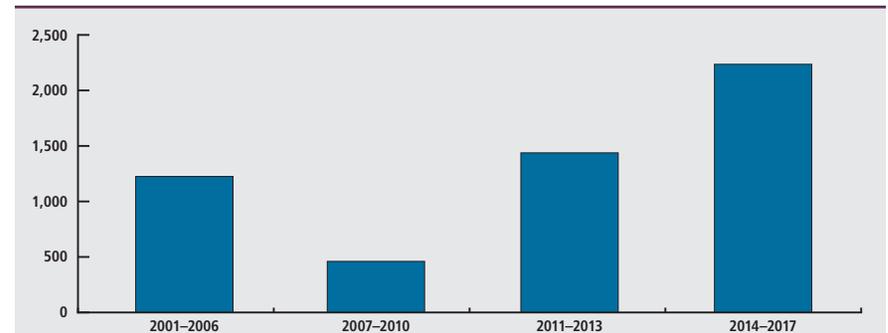
Rental Permit Activity

Rental permitting activity has been strong in the submarket since 2011 despite net out-migration because of slightly tight apartment market conditions. From 2001 through 2006, an average of 1,225 rental units were permitted annually (Figure 20). Similar to the Central submarket, building activity in the Suburban submarket slowed to an average of 450 units permitted annually from 2007 through 2010, but increased to an average of 1,450 units permitted annually from 2011 through 2013 and an average of 2,250 units permitted annually from 2014 through 2017. During the 12 months ending July 2018, approximately 1,875 rental units were permitted, up 16 percent compared with the previous 12-month period (preliminary data with adjustments by analyst).

New Construction

Recent construction activity has been largely concentrated in Morris County, where population growth in the submarket has been strongest. Recent activity includes the 185-unit Modera 55, which was completed in mid-2018 and is in Morristown, Morris County. Rents for these newly-constructed apartment units range from \$2,450 to \$3,525 for the one-bedroom units and from \$3,500 to

Figure 20. Average Annual Rental Permitting Activity in the Suburban Submarket



Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

\$3,775 for the two-bedroom units. Signature Place is a 197-unit apartment community in the borough of Morris Plains, which was completed in late 2017. Rents for these one- and two-bedroom apartments start at \$2,000 and \$2,625, respectively. Construction is currently underway at AvalonBay Boonton, which will be located in Morris County. Once completed in mid-2019, the community will have 350 studio, one-bedroom, two-bedroom, and three-bedroom apartments.

Forecast

During the 3-year forecast period, demand is expected for 210 new market-rate apartment units (Table 15). However, no additional apartment units will be needed because the 1,900 units under construction will more than satisfy all demand during the next 3 years.

Table 15. Demand for New Rental Construction Units in the Suburban Submarket

Rental Units	
Demand	210 Units
Under Construction	1,900 Units

Source: Estimates by analyst

Terminology Definitions and Notes

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 8/1/2018—Estimates by the analyst
 Forecast period: 8/1/2018–8/1/2021—Estimates by the analyst

A. Definitions

Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.



Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Forecast Period	8/1/2018–8/1/2021—Estimates by the analyst

B. Notes on Geography

1.	The metropolitan division definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
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C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo Credit



Cover Photo	iStock / Denis Tangney, Jr.
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For additional data pertaining to the housing market for this HMA, go to huduser.gov/portal/ushmc/chma_archive.html.

