

HUD PD&R Housing Market Profiles

New Brunswick-Lakewood, New Jersey



Quick Facts About New Brunswick-Lakewood

New Brunswick, New Jersey

By Elaine Ng | As of May 1, 2020

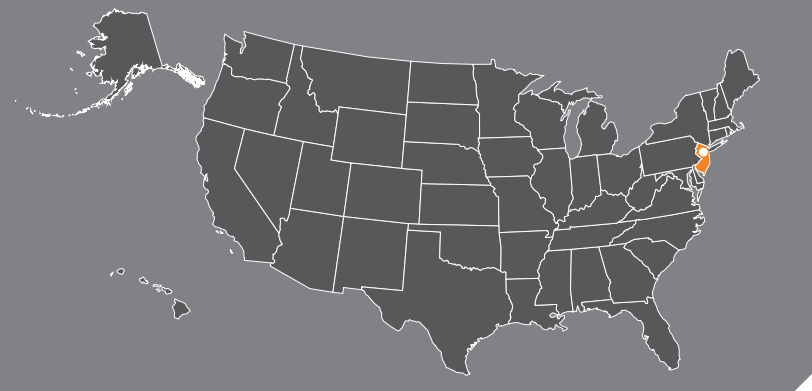
- Current sales market conditions: balanced
- Current apartment market conditions: tight
- As of 2018, nearly \$800 million in state economic development incentives were distributed to more than 400 businesses or commercial and residential developments within the New Brunswick-Lakewood metropolitan division. Among other benefits, two primary economic development programs in the state of New Jersey—the Grow New Jersey Assistance Program (Grow NJ) and State Economic Redevelopment and Growth Grant Program (ERG)—created or retained more than 12,200 jobs in the metropolitan division during 2018.

Overview

The New Brunswick-Lakewood, NJ (hereafter, New Brunswick) metropolitan division includes Middlesex, Monmouth, Ocean, and Somerset counties on the Atlantic coast in central New Jersey, about 36 miles southwest of New York City, and is within the New York-Newark Metropolitan Statistical Area. Higher education and healthcare industries have led economic growth in the New Brunswick metropolitan division for much of the past decade due to the concentration of medical facilities. Those medical facilities include the Robert Wood Johnson University Hospital (the flagship cancer hospital of the Rutgers Cancer Institute of New Jersey) and Rutgers Health. Other healthcare industries include the corporate headquarters and production facilities of large pharmaceutical companies, including Johnson & Johnson and Bristol-Myers Squibb Company. In addition, the presence of Rutgers University—with 50,300 students as of 2019 and more than 8,800 faculty—has contributed to strong job growth in higher education. Statewide, Rutgers generates \$5.2 billion in economic activity, \$4.3 billion in annual wages, and \$798.2 million in state and local taxes (Rutgers University, 2017).

- As of May 1, 2020, the population of the New Brunswick metropolitan division is estimated at 2.38 million. The

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- Population growth has been weak since 2010, averaging 4,125, or 0.2 percent a year (U.S. Census Bureau population estimates as of July 1, and estimates by the analyst). During this period, net out-migration of 2,000 people a year, coupled with declining levels of net natural increase (resident births minus resident deaths), contributed to the slow population growth.

- By comparison, from 2003 to 2010, the population increased by an average of 12,350, or 0.5 percent, annually, and net natural increase accounted for 78 percent of the population growth, averaging 9,600 annually, whereas net in-migration averaged 2,750 people.
- The significant net out-migration of people between the ages of 15 and 24 years and the net in-migration of people older than the age of 55 were responsible for recent trends in growing net out-migration and declining net natural increase, respectively. From 2010 to 2018, an average of 6,425 people between the ages of 15 and 24 years migrated out of the New Brunswick metropolitan division annually, whereas an average of 7,100 people older than the age of 55 migrated into the metropolitan division each year.

Economy

Nonfarm payrolls declined from a year earlier during the 3 months ending April 2020, ending an 8-year period of growth. From 2012 through 2019, an average of 14,700 jobs, or 1.7 percent, were added every year. The education and health services sector led job gains during this period, accounting for 29 percent of all jobs added. In each of the four counties that make up the metropolitan division, a healthcare facility or pharmaceutical company was one of the top employers. In response to the COVID-19 pandemic, the state of New Jersey issued a stay-at-home order on March 21, 2020. As a result of the shutdown of economic activity and the impact of delays of elective surgeries or nonemergency hospital stays, jobs in the education and health

services sector—the largest sector of the local economy—declined dramatically. During the 3 months ending April 2020, the unemployment rate rose to 7.3 percent—up from the 3.3-percent rate during the same period a year earlier. By comparison, the national unemployment rate rose from 3.8 to 7.5 percent, respectively, during the same period.

During the 3 months ending April 2020—

- Nonfarm payrolls averaged 845,500, down by 58,900 jobs, or 6.5 percent, from a year ago—the first year-over-year decline since 2012—and 9 of 11 sectors lost jobs. By comparison, the metropolitan division added 10,500 jobs, a 1.2-percent increase, during the 3 months ending April 2019.

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Nonfarm payrolls in the New Brunswick metropolitan division declined for the first time since 2012, as job losses in nine sectors more than offset moderate gains in the other two sectors.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	904.4	845.5	-58.9	-6.5
Goods-Producing Sectors	85.0	83.0	-2.0	-2.4
Mining, Logging, & Construction	39.1	39.3	0.2	0.5
Manufacturing	45.9	43.7	-2.2	-4.8
Service-Providing Sectors	819.4	762.5	-56.9	-6.9
Wholesale & Retail Trade	152.8	139.5	-13.3	-8.7
Transportation & Utilities	51.7	52.8	1.1	2.1
Information	16.4	15.8	-0.6	-3.7
Financial Activities	41.6	41.4	-0.2	-0.5
Professional & Business Services	153.9	147.2	-6.7	-4.4
Education & Health Services	162.4	153.3	-9.1	-5.6
Leisure & Hospitality	80.3	62.1	-18.2	-22.7
Other Services	40.6	37.2	-3.4	-8.4
Government	119.6	113.2	-6.4	-5.4
Unemployment Rate	3.3%	7.3%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



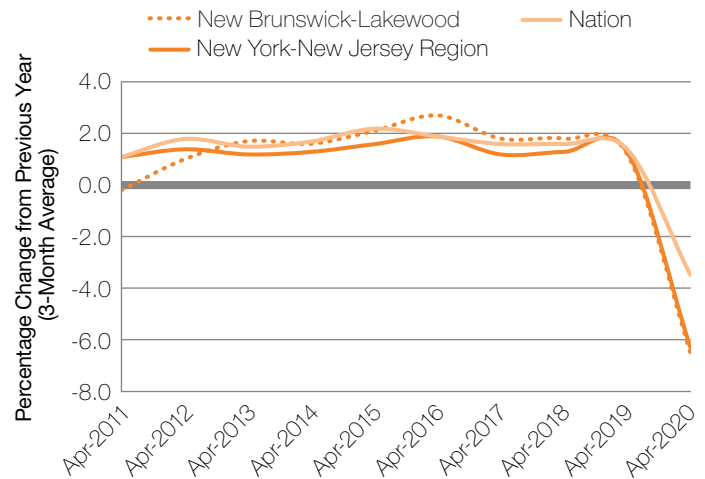
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- The most significant job declines occurred in the leisure and hospitality and the wholesale and retail trade sectors—down by 18,200 and 13,300 jobs, or 22.7 and 8.7 percent, respectively, from the same period a year earlier. Declines in nonessential travel and retail and bans on entertainment events during the stay-at-home order accounted for much of the decline in both sectors.
- The education and health services sector—the largest sector in the New Brunswick metropolitan division—lost 9,100 jobs, or 5.6 percent. Almost 90 percent of job losses in the sector, or 8,200 jobs, were lost in the healthcare and social assistance industry, as nonessential visits to physicians, dentists, mental health professionals, and other health practitioners were significantly reduced during the statewide stay-at-home order.
- Job growth occurred only in the transportation and utilities and the mining, logging, and construction sectors, which added 1,100 and 200 jobs, or 2.1 and 0.5 percent, respectively. In the transportation and utilities sector, job growth in the couriers and messengers and the transportation and warehousing industry accounted for all the growth in the sector, as residents increasingly relied on delivery services for many goods while under the stay-at-home order.

During April 2020, Rutgers University Cell and DNA Repository (RUCDR) Infinite Biologics received an emergency use authorization from the Federal Drug Administration to develop and produce the first at-home saliva test for COVID-19. The new test was developed in partnership with Spectrum Solutions, LLC, and Accurate Diagnostic Labs, Inc., to provide broader screening capacity and to reduce the risk of transmission to healthcare workers compared with the traditional method of testing using nasal swabs. In addition to the at-home test, RUCDR Infinite Biologics have also received emergency use authorization for a new collection approach that uses saliva as the primary test biomaterial; those two authorizations have allowed RUCDR Infinite Biologics to expand its capacity to allow for up to 75,000

test kits ready to ship and capacity to process 20,000 tests each day, with a 48-hour turnaround. RUCDR Infinite Biologics is part of Rutgers Human Genetics Institute of New Jersey, the largest university-based cell and DNA repository in the world.

Nonfarm payrolls declined during the 3 months ending April 2020 in the New Brunswick metropolitan division—in line with declines statewide but greater than the decline nationwide.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the New Brunswick Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Rutgers University—New Brunswick	Government	8,800+
Robert Wood Johnson University Hospital	Government	5,000–5,249
Meridian Health	Education & Health Services	5,000+

Note: Excludes local school districts.

Sources: NJ.com; Rutgers University Factbook

Sales Market Conditions

Sales housing market conditions in the New Brunswick metropolitan division are currently balanced, with an estimated sales vacancy rate of 1.2 percent—down from 1.7 percent in 2010, when the market was still slightly soft due to the effects of the housing market collapse. As of April 2020, a 3.8-month supply of homes was available for sale—down from the 4.7-month supply a year ago (Redfin). The inventory of homes for sale has kept price growth moderate, and during the 12 months ending April 2020, new and existing home sales prices rose by only 2 percent, to an average of about \$399,100 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

As the sales housing market recovered, starting in 2014, the mortgage delinquency rate declined and is currently at the lowest level since late 2007. 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 peaked at 9.9 percent in January 2013, but the rate has decreased steadily since then (CoreLogic, Inc.). The rate declined from 2.1 percent in February 2019 to 1.7 percent in February 2020 and is higher than the national rate of 1.3 percent but lower than the statewide rate of 2.1 percent.

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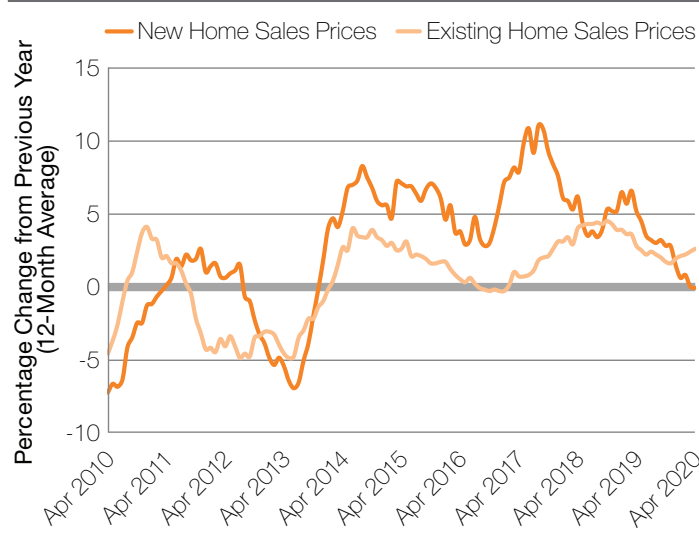
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During the 12 months ending April 2020—

- Existing home sales (which include regular resale and REO home sales) totaled approximately 36,650, reflecting a 17-percent decline from a year earlier while the average price of an existing home increased almost 3 percent from a year ago to \$387,700 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- New home sales, which accounted for only 5 percent of all homes sold, decreased 16 percent from a year earlier, to 2,025 homes sold. The average sales price of a new home remained unchanged during the same period, at about \$606,000. The average price of a new home is 42 percent higher than the average price in 2013, when new home sales demand was weak as a result of the housing crisis and the subsequent Great Recession.
- The recent sharp decline in both new and existing home sales is greater than the 1-percent decline in sales during the same period a year earlier. That decline is likely the result of COVID-19 stay-at-home orders, which have reduced home showings; during the 3 months ending May 3, 2020, the number of active listings that were delisted increased by 36 percent since the same period a year earlier (Redfin).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased after the Great Recession; however, the current level of permitting remains significantly below prerecession levels.

New and existing home sales prices in the New Brunswick metropolitan division have generally increased since early 2014.

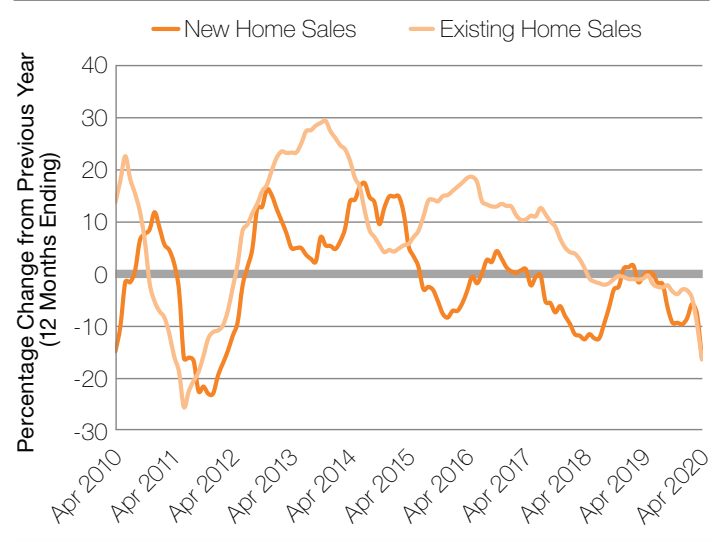


Note: Data are for single-family homes, condominiums, and townhomes. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- During the 12 months ending April 2020, about 4,175 single-family homes were permitted—up 6 percent from the 3,950 homes permitted during the 12 months ending April 2019 (preliminary data).
- An average of about 4,375 single-family homes were permitted annually from 2013 through 2019—a 62-percent increase compared with the average of 2,700 homes permitted from 2008 through 2012, when foreclosure activity from the housing market collapse was elevated. Despite the recent increase, single-family permitting remains 41 percent lower than the average of 7,450 homes permitted annually from 2000 through 2007.
- The Anthem Place subdivision is currently underway and will contain 45 four-bedroom, single-family homes when construction is complete. Homes will be priced from \$620,000 to \$660,000. The subdivision is on the 1,126-acre former Fort Monmouth Army Base, which was closed in 2005. The Fort Monmouth Economic Revitalization Authority has set a goal of creating 1,585 housing units on the former base, with 40 percent of the land reserved for open space, and envisions the area as having a targeted technology industry and town center.
- Nearby, the 243-home Patriots Square townhome development is also underway and will include 58,000 square feet of commercial space. The development will include 125 three-story townhomes, with prices starting at \$500,000, and 60 two-story townhomes, with prices starting at \$354,000, surrounding a community park and playground.

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New and existing home sales in the New Brunswick metropolitan division have declined since early 2019.

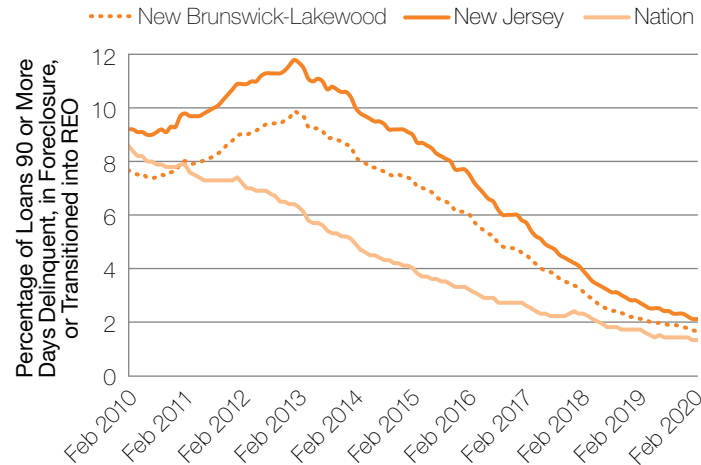


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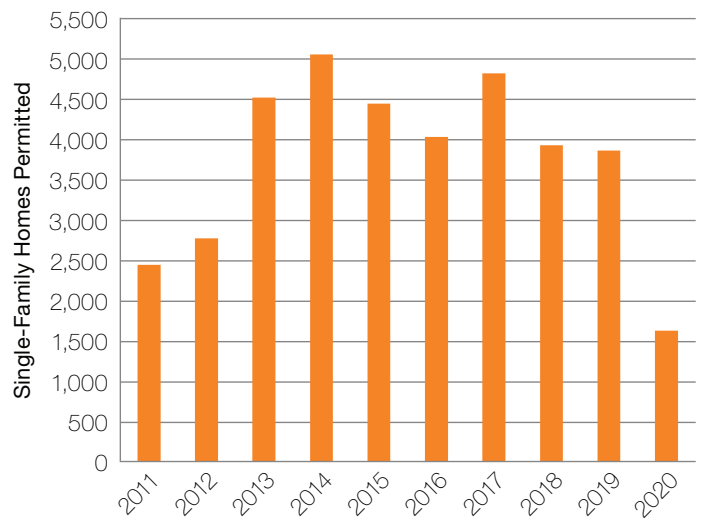
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The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the New Brunswick metropolitan division peaked in 2013, later than the nationwide peak in 2010, because New Jersey is a judicial foreclosure state.



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

Single-family permitting activity in the New Brunswick metropolitan division has increased after reaching a low from 2008 through 2012.



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

Apartment Market Conditions

Apartment market conditions in the New Brunswick metropolitan division are currently tight. Despite significantly higher levels of multifamily construction activity since the beginning of the decade, apartment vacancy rates have stayed below 3 percent since 2012. Apartment vacancy rates fell to their lowest rates, starting in 2015, while builders were ramping up construction activity. Because construction activity has kept supply in line with demand, annual rent growth has been under 5 percent for the decade. During the past 3 years, annual rent growth during the first quarter has been below 3 percent.

During the first quarter of 2020—

- The apartment vacancy rate in the metropolitan division averaged 2.8 percent—unchanged from the rate a year earlier (Reis, Inc.). Apartment absorption has been strong, leading to very small—if any—increases in apartment vacancy rates despite increasing levels of apartment completions since 2015.
- Apartment rents in the metropolitan division averaged \$1,480—a 1-percent increase from a year earlier. Apartment rent growth has been moderate since 2012, with peak rent growth of just over 4 percent during a short period in early 2017.
- Of the seven Reis, Inc.-defined market areas (hereafter, market areas) that make up the New Brunswick metropolitan division, the apartment vacancy rates ranged from 1.7 percent in the Northwest Middlesex market area to 4.2 percent in the

West Monmouth market area. Monmouth County, along with Ocean County, is located along the Jersey Shore and is a popular destination for boating and fishing; the higher vacancy rate in this county is likely because of the amount of seasonal housing.

- Apartment rents increased only modestly in all seven of the market areas; in three market areas, the average apartment rent increased by less than 1 percent, and in the remaining four market areas, average apartment rents increased between 1 and 3 percent. The largest apartment rent increase was almost 3 percent in the Ocean County market area, where the average apartment rent is the lowest, at \$1,197. The slowest rent growth, by less than 1 percent, was in the Somerset and East Middlesex market areas, where average apartment rents are among the highest, at \$1,652 and \$1,447, respectively.

Multifamily construction activity in the metropolitan division, as measured by the number of units permitted, has risen since reaching lows during the 2008-through-2014 period. A shift among households toward renting has increased the demand for multifamily permitting activity to higher-than-precession levels.

- During the 12 months ending April 2020, about 4,025 multifamily units were permitted—unchanged from the previous 12-month period (preliminary data). More than 50 percent of all recent multifamily homes permitted

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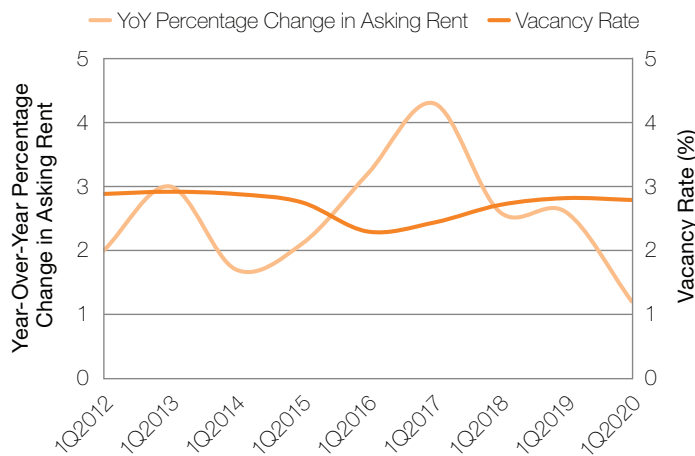
were in Middlesex County—which includes the cities of New Brunswick and Old Bridge and the Township of Woodbridge—compared with a 42-percent contribution during the 12 months ending April 2019.

- Multifamily permitting activity reached a low of 1,750 units permitted annually from 2008 through 2014, after averaging 2,300 units permitted annually from 2000 through 2007. Since 2015, multifamily construction activity has been higher than both of those prior periods, averaging 4,100 units permitted annually.
- One of the largest developments underway is the 260-unit Avalon Old Bridge Apartments in the city of Old Bridge, with completion expected by the fall of 2020. Rents will start at

\$1,915 for one-bedroom units, \$2,455 for two-bedroom units, and \$2,945 for three-bedroom units.

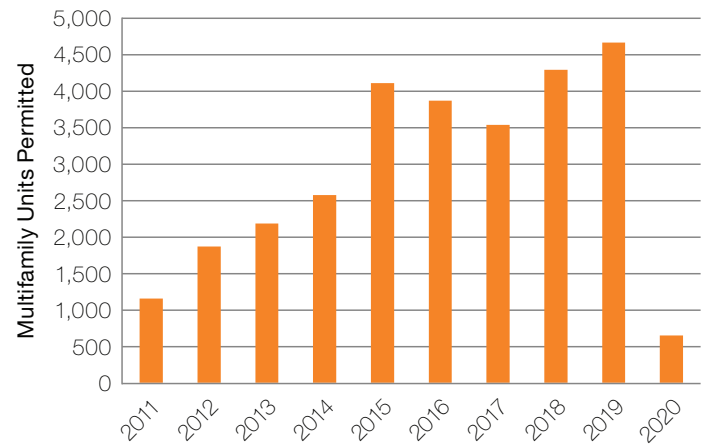
- One of the largest recently completed projects is the 500-unit Station Village at Avenel, less than a half-mile from the New Jersey Transit rail station, which connects commuters to Newark, New Jersey and New York City. The development is currently in lease up; rents start at \$1,795 for one-bedroom units and \$1,975 for two-bedroom units. Station Village is in Avenel Arts Village Redevelopment Area, where redevelopment plans include the 10,000-square-foot Avenel Performing Arts Center and an additional 25,000 square feet of retail; the 500-unit development has fulfilled the plan for housing.

Despite increasing levels of multifamily rental construction since 2011, vacancy rates in the New Brunswick metropolitan division have remained below 3 percent since 2012.



1Q = first quarter. YoY = year-over-year.
Source: Reis, Inc., with estimates by the analyst

Multifamily permitting activity in the New Brunswick metropolitan division reached a record high in 2019, permitting more multifamily units than any year since 2000.



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

