

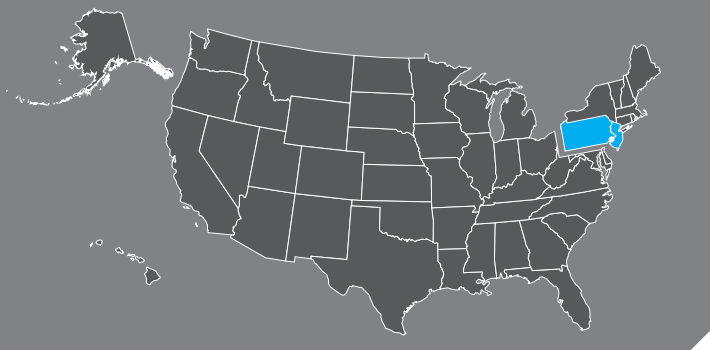
HUD PD&R Housing Market Profiles

Newark, New Jersey-Pennsylvania



Quick Facts About Newark

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: slightly tight.**
- **Driven by continued increases in tourism into the New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (MSA), the leisure and hospitality sector has been one of the fastest growing sectors in the Newark metropolitan division since 2010. The strength of the tourism industry has also led to Newark International Airport being the largest employer in the metropolitan division, with 24,000 employees.**



By Joseph Shinn | As of October 1, 2015

Overview

The Newark, NJ-PA Metropolitan Division (hereafter, Newark metropolitan division), which is a part of the New York-Newark-Jersey City, NY-NJ-PA MSA, consists of Essex, Hunterdon, Morris, Somerset, Sussex, and Union Counties in New Jersey and Pike County in Pennsylvania. The professional and business services sector is the largest sector in the metropolitan division, comprising nearly 18 percent of all nonfarm payrolls. Other significant drivers of the local economy include the wholesale and retail trade, education and health services, and government sectors, which comprise approximately 15 percent of all nonfarm payrolls each. In addition, nonfarm payroll growth in these four sectors accounted for more than 52 percent of the total nonfarm payroll growth in the metropolitan division during the past 4 years.

- As of October 1, 2015, the estimated population of the Newark metropolitan division is 2.52 million, an average increase of 8,825, or 0.4 percent, annually since 2012 (Census Bureau population estimates as of July 1). Population growth has been relatively unchanged compared with growth from 2008 to 2012.

continued on page 2



continued from page 1

- Net out-migration since 2012 has averaged 630 people annually, which is down significantly from 2003 to 2008, when net out-migration averaged 10,500 annually.
- Recent lower levels of net out-migration are partially attributed to more people choosing to move into the metropolitan division instead of New York City because of the increasing affordability of housing in the metropolitan division relative to New York City since 2000.

Economic Conditions

Economic conditions in the Newark metropolitan division improved during the past 4 years while the economy continued to recover from significant job losses from 2008 through 2011. The rate of job losses during that time was more severe in the metropolitan division than in the nation as a whole.

During the third quarter of 2015—

- Nonfarm payrolls averaged 1.19 million jobs, an increase of 12,300 jobs, or 1.0 percent, compared with the average during the third quarter of 2014. Job growth slightly slowed from a 1.6-percent increase during the third quarter of 2014 compared with the same period a year earlier.
- The largest gains were in the mining, logging, and construction sector, which increased by 5,400 jobs, or 12.5 percent. Payrolls

in the specialty trade contractors industry increased by 1,400 jobs, or 5.0 percent; these gains were partially attributed to increased multifamily construction and home remodeling activity in response to improving economic conditions.

- Additional gains were in the leisure and hospitality and the transportation and utilities sectors, which increased by 4,800 and 3,100 jobs, or 5.1 and 5.6 percent, respectively. In the leisure and hospitality sector, the largest gains were in the accommodation and food services industry, which was up by 1,900 jobs, or 2.6 percent, in response to increased tourism into the New York City MSA. In the transportation and utilities sector, nearly 95 percent of the gains were in the transportation and warehousing industry, which increased by 2,900 jobs, or 5.5 percent.

continued on page 3

Nonfarm payrolls increased in 8 of 11 sectors in the Newark metropolitan division, led by the mining, logging, and construction sector.

	3 Months Ending		Year-Over-Year Change	
	September 2014 (thousands)	September 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,180.0	1,192.3	12.3	1.0
Goods-producing sectors	123.7	129.2	5.5	4.4
Mining, logging, and construction	43.3	48.7	5.4	12.5
Manufacturing	80.4	80.5	0.1	0.1
Service-providing sectors	1,056.3	1,063.1	6.8	0.6
Wholesale and retail trade	181.2	180.8	-0.4	-0.2
Transportation and utilities	55.6	58.7	3.1	5.6
Information	24.5	24.3	-0.2	-0.8
Financial activities	84.0	84.9	0.9	1.1
Professional and business services	218.9	211.9	-7.0	-3.2
Education and health services	170.5	173.5	3.0	1.8
Leisure and hospitality	94.3	99.1	4.8	5.1
Other services	56.1	57.1	1.0	1.8
Government	171.2	172.8	1.6	0.9
	(percent)	(percent)		
Unemployment rate	6.5	5.6		

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



continued from page 2

- Significant losses were in the professional and business services sector, which decreased by 7,000 jobs, or 3.2 percent, partially offsetting the overall job gain. Within the sector, the administrative and support and waste management and remediation services industry decreased by 4,000 jobs, or 4.4 percent. Other losses in the sector came from GlaxoSmithKline PLC cutting approximately 350 jobs in mid-2015.

In the government sector, the largest employer in the metropolitan division is the Newark International Airport, which employs 24,000 workers. During 2013 (the most recent data available), the combined economic impact of the airport on the New York/New Jersey region was approximately \$31.22 billion (study by The Port Authority of New York and New Jersey). Included in the impact is more than \$11 billion in wages and sales resulting from tourism. During the third quarters of the past 4 years, nonfarm payrolls in the leisure and

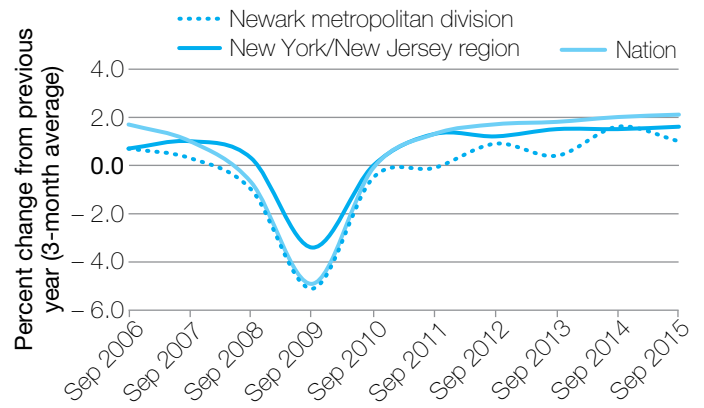
Largest employers in the Newark metropolitan division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Newark International Airport	Government	24,000
Verizon Communications Inc.	Information	17,000
Merck & Co., Inc.	Professional and business services	14,000

Note: Excludes local school districts.
Source: economy.com

hospitality sector increased by an average of 3,200 jobs, or 3.5 percent, annually. These gains accounted for nearly 30 percent of the total nonfarm payroll growth in the metropolitan division, which was more than any other sector. Since 2010, six new hotels were completed in the metropolitan division with approximately 720 rooms (McGraw-Hill Construction Pipeline database). In addition, eight hotels are currently under construction, which will add more than 1,050 new rooms when complete during the next 3 years.

Nonfarm payrolls increased in the Newark metropolitan division during the past 4 years, but payroll growth has generally lagged the region and nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Newark metropolitan division is currently slightly soft. The estimated vacancy rate as of October 1, 2015, is 2.0 percent, up from 1.8 percent in April 2010. Existing home sales activity has slightly decreased during the past year after strong gains during the previous 3 years. During the 12 months ending July 2015 (the best representative data available), approximately 26,050 existing homes (including single-family homes, townhomes, and condominiums) sold, a decrease of 450 homes, or 2 percent, from the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). During the 12 months ending July 2015, the average sales price of an existing home remained relatively unchanged at \$380,200 compared with the average a year earlier. New home sales totaled 1,075, down by 130 homes, or 11 percent. The average sales price of a new home, however, increased 3 percent, to \$567,400.

- The number of existing homes sold increased by an average of 1,875 homes, or 8 percent, annually during the 12-month periods ending July 2012 through July 2014. As a result, despite a slight

decline during the past year, the number of existing homes sold remains 17 percent greater than average annual sales levels from 2008 through 2011.

- The average sales price of an existing home is up 4 percent compared with the average sales price of \$365,100 from 2009 through 2011.
- In September 2015, 8.6 percent of home loans in the metropolitan division were seriously delinquent (loans 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 9.4 percent in September 2014 (Black Knight Financial Services, Inc.).
- The rate of seriously delinquent loans and REO properties has remained elevated in the metropolitan division, and in the state of New Jersey, in part because New Jersey is a judicial foreclosure state where the average length of the foreclosure process has been longer than in states where a nonjudicial foreclosure process exists. During the second quarter of 2015, New Jersey had the longest foreclosure timeline in the nation at more than 1,200 days, which was more than twice the national average (RealtyTrac).

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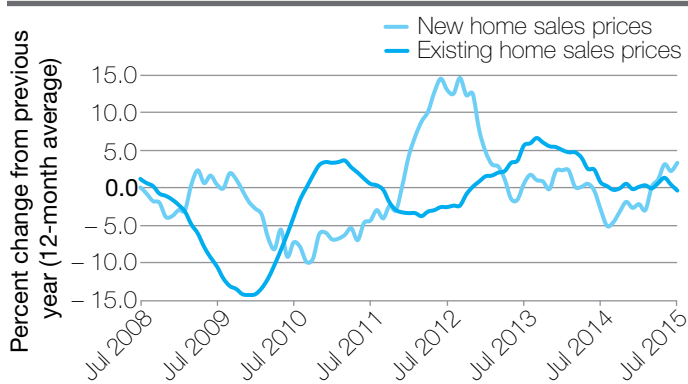


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Single-family homebuilding activity, as measured by the number of homes permitted, slightly declined during the past year, but levels remained high because of strong gains in home sales during the previous 3 years.

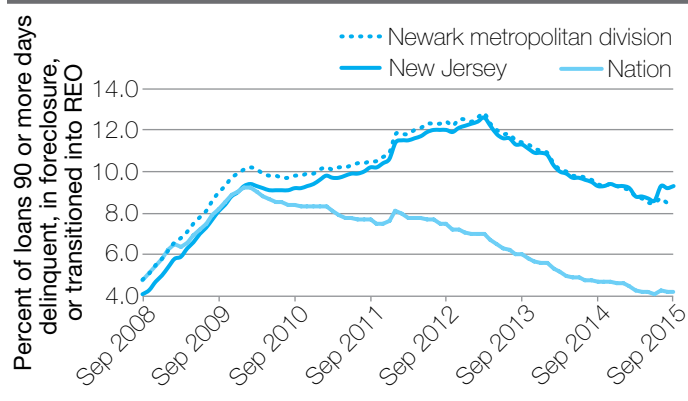
- During the 12 months ending September 2015, single-family construction activity totaled approximately 2,400 homes permitted, a decrease of 25 homes, or 1 percent, compared with the number of homes permitted during the previous 12-month period (preliminary data).
- Despite the recent decline, homebuilding during the past year was up 38 percent compared with the average during the corresponding 12-month periods from 2009 through 2011.

New home sales prices in the Newark metropolitan division increased during the past year, but existing home sales prices were relatively unchanged.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Newark metropolitan division steadily declined during the past 3 years but remained significantly higher than the national rate.

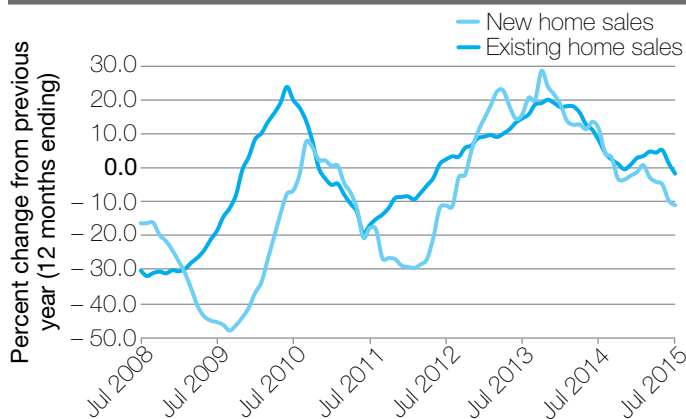


REO = real estate owned. Source: Black Knight Financial Services, Inc.

Construction activity increased by an average of 250 homes, or 13 percent, annually from the 12 months ending September 2012 through 2014 in response to increased home sales.

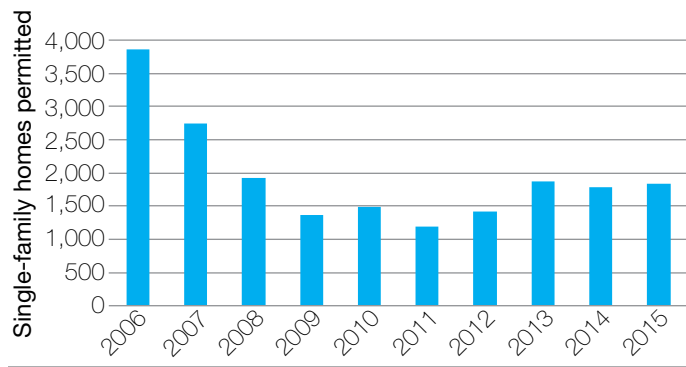
- Current construction activity includes Morris Hunt, in Flanders, Morris County. Construction at the development started in 2012, and 280 single-family home and townhome units are expected after construction is complete during the next 3 to 5 years. Prices start at more than \$700,000. Recently completed developments include Huntington Park at Verona, in Essex County, a 33-unit townhome development completed in mid-2015. Prices for the two-bedroom, two-and-a-half bathroom homes start at \$369,000.

New and existing home sales in the Newark metropolitan division declined during the past year.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Single-family homebuilding activity in the Newark metropolitan division was up during the past 3 years compared with activity from 2009 through 2012.



Note: Includes preliminary data from January 2015 through September 2015. Source: U.S. Census Bureau, Building Permits Survey



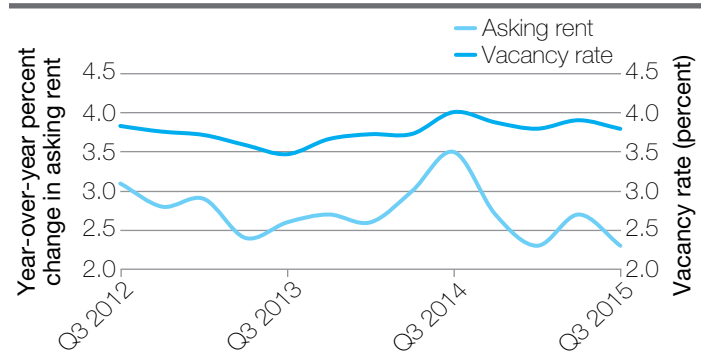
Apartment Market Conditions

Apartment market conditions in the Newark metropolitan division are currently slightly tight, and vacancy rates have remained consistently low during the past 5 years.

- The apartment vacancy rate was 3.8 percent during the third quarter of 2015, down slightly from the 4.0-percent rate during the third quarter of 2014 (Reis, Inc.).
- From 2011 through 2014, the vacancy rate averaged 3.8 percent annually. Vacancy rates during this period were down from an average of 5.0 percent from 2008 through 2010. Lower levels of net out-migration and elevated foreclosure levels, which caused many households to transition from owning to renting, resulted in higher demand for rental units.
- The average asking rent was \$1,252 during the third quarter of 2015, up 2.3 percent from the asking rent during the third quarter of 2014.
- Average asking rents steadily increased more than 2 percent every year from 2011 through 2014 because of slightly tight market conditions.

Multifamily construction activity, as measured by the number of units permitted, in the Newark metropolitan division increased at a rapid pace during the past 4 years in response to elevated demand for rental units.

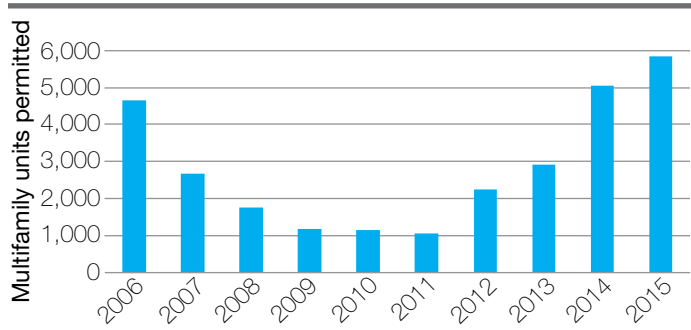
Vacancy rates in the Newark metropolitan division ranged between 3.5 and 4.0 percent and rent increases exceeded 2.2 percent in the past 3 years.



Source: Reis, Inc.

- During the 12 months ending September 2015, approximately 6,825 multifamily units were permitted, an increase of 1,200 units, or 22 percent (preliminary data).
- By comparison, multifamily building activity increased by an average of 1,450 units, or 63 percent, annually during corresponding 12-month periods from 2011 through 2014.
- Because of low homeownership rates, multifamily construction activity has historically been strongest in Essex and Union Counties. This trend remains but recently to a slightly lesser extent because of increased apartment construction activity in Morris and Somerset Counties. Since 2010, nearly 60 percent of all multifamily units permitted were in Essex and Union Counties, down from 68 percent from 2003 through 2009.
- Recent construction activity includes the 361-unit Park Lofts, which was completed in 2014 in Bloomfield, Essex County, with rents for efficiency, one-bedroom, and two-bedroom units starting at \$1,700, \$1,900, and \$2,600, respectively. The 247-unit Avalon Apartments in Wharton, Morris County, was completed in early 2015. Rents for efficiency, one-bedroom, two-bedroom, and three-bedroom units start at \$1,550, \$1,800, \$2,325, and \$2,375, respectively.

Multifamily building activity in the Newark metropolitan division increased strongly during the past 4 years, reaching a new all-time high.



Note: Includes preliminary data from January 2015 through September 2015. Source: U.S. Census Bureau, Building Permits Survey