

# MARKET REPORT

Multifamily

Northern New Jersey Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

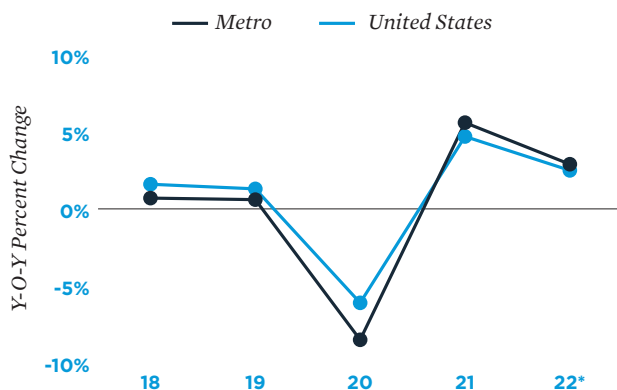
2Q/22

## Corporate Moves and Commuters Boost Jersey Apartment Performance

**Relocations, industrial growth driving vacancy trends.** The flourishing biotech industry has found its footing in New Jersey. Plans by global life sciences firm Gilead to create 500 positions at a Morris County hub constitute just one of the ongoing expansions in the market. Hiring in high-compensation industries should drive down availability in upper-tier properties. Furthermore, the metro's status as a pivotal transit and industrial hub has been a boon for Class C rentals. This segment posted an all-time vacancy low of 2.5 percent ending last year, as the transportation and utilities sector recouped the bulk of job losses.

**Recovery underway along the water, inland availability tight.** Hudson County is set to take on the largest amount of new units among submarkets this year, with 6,000 doors set to come online before 2023. Closing out 2021 at 6.0 percent, local vacancy was the metro's highest; however, as Manhattan and Jersey City office employers conclude remote schedules, this submarket should appeal to more workers seeking to live closer to commuter corridors. Moving inland, Morris and Passaic counties are home to the lowest availability, at 2.0 and 2.5 percent, respectively. Renter preferences favoring suburban stock far from the core heavily benefited leasing activity over the past year, and appetites should hold, even as urban zones come back to life. Development activity in this portion of the market remains below 2,000 units this year, and the pipeline further out is sparse.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

## Multifamily 2022 Outlook



**60,000  
JOBS**

*will be created*

### EMPLOYMENT:

Job growth continues at an above-national rate as Northern New Jersey closes in on pre-pandemic employment levels. The job market should end 2022 within 1 percent of February 2020 positions and stay on track for a full recovery by mid-2023.



**16,000  
UNITS**

*will be completed*

### CONSTRUCTION:

Deliveries are projected to exceed last year's total by 5,000 units, achieving a multidecade record for finalizations. Hudson County is set for a 4.8 percent inventory expansion this year, the most rapid rate of increase in this submarket since 2017.



**20  
BASIS POINT**

*increase in vacancy*

### VACANCY:

Elevated development activity will lead to a slight bump in vacancy to 4.3 percent. Employees returning to New York-based firms should prevent a larger rise in availability, as the return of commuters will heighten leasing on the Hudson Waterfront.



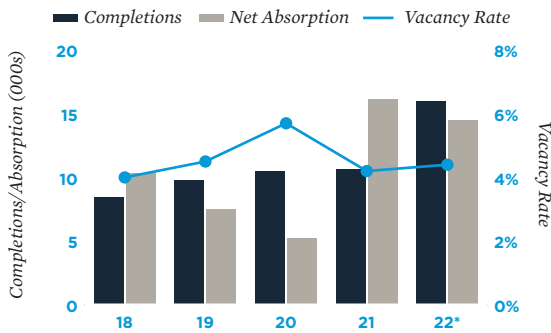
**7.5%  
INCREASE**

*in effective rent*

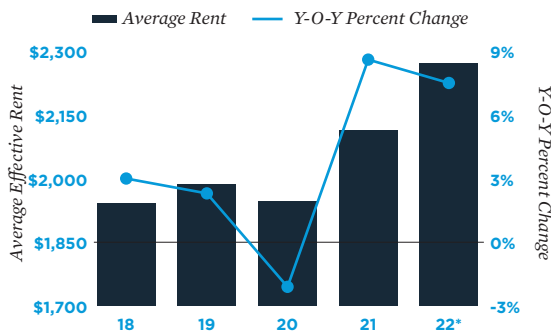
### RENT:

Following last year's 8.5 percent increase, the market is projected to post the second-highest rent gain since at least 2000. Low availability in Morris County should continue to support high rent growth momentum here.

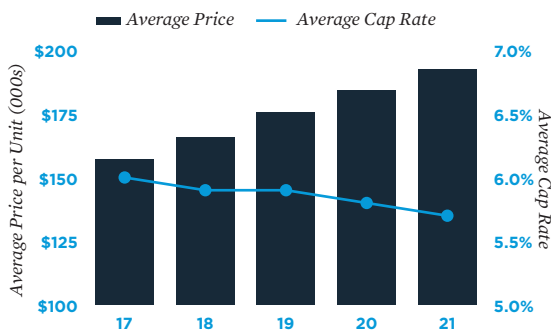
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

## 1Q 2022 - 12-Month Period



### CONSTRUCTION

**12,236** units completed

- Despite headwinds, builders this four-quarter period outpaced finalizations from the previous yearlong span by over 2,700 units.
- Development activity remains concentrated near the Hudson Waterfront and Essex County, despite increasingly tight vacancy further inland in Morris and Passaic counties.



### VACANCY

**100** basis point decrease in vacancy Y-O-Y

- Ameliorating health and economic conditions drew renters back to the market, lowering vacancy to 4.2 percent, close to previous nadirs.
- Substantial gaps persist between Class A vacancy and other property tiers. Potential gains in availability, due to construction activity, may be mitigated as well-compensated office workers return to the market.



### RENT

**10.1%** increase in the average effective rent Y-O-Y

- Acute vacancy compression translated into historical rent increases, with effective rents reaching \$2,166 per month on average in March.
- Despite retaining the highest vacancy rate among property tiers, the Class A segment has observed notable rent growth. The average effective rent in this class posted a 14.5 percent gain this span, reaching \$3,073 per month.

## Investment Highlights

- As health conditions improved and some lockdown restrictions were rescinded, buyer appetites returned to pre-pandemic levels in 2021, bringing deal flow just over its 2019 equivalent. Renewed investment brought the average price per unit up to \$192,611, and held the average cap rate in the high-5 percent band. While transaction activity remained under the highs achieved in 2017 and 2018, solid renter demand should keep investors active in the near future.
- The recently-approved CitiSquare Newark complex is slated to add 4,200 residential units and 100,000 feet of mixed retail/office space to the city's Passaic Riverfront. These renewal efforts could spark additional investment in the surrounding area.
- Sparse development activity, despite tight vacancy, could boost rent growth potential for assets in Morris and Passaic counties, expanding the local buyer pool. A large number of Class C offerings in these zones provides buyers access to the market at sub-\$5 million price tags.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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