MARKET REPORT

Multifamily

Northern New Jersey Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

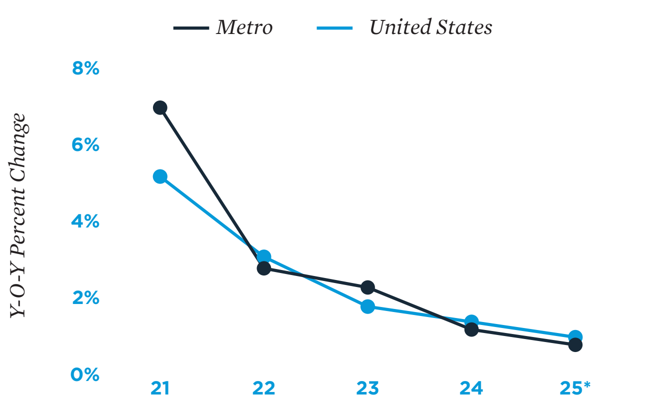
2Q/25

Strong Connectivity Reinforces Urban Area Leasing, but Employment Strain Poses Headwinds

Renters gravitate toward city centers. The metro's urban nodes remained resilient in early 2025, bolstered by improved office and industrial leasing and return-to-office mandates from major firms like JPMorgan. New York City's congestion pricing may also be steering renters toward transit-rich areas. Despite a surge in new supply, luxury rental availability in both Hudson and Essex counties was below the metro's overall Class A vacancy rate of 8 percent as of March. Jersey City's urban appeal and transit access should keep attracting affluent renters, while Newark will likely still draw those seeking more moderately priced rentals. Though deliveries are expected to stay elevated in both areas, fundamentals should remain in relative balance, fueling stronger rent growth for upper-tier properties.

Labor drag weighs on suburban and Class C rentals. Recently encouraging Class A leasing coincided with Class C vacancy edging higher or holding across much of metro, reflecting softening demand among lower-income households amid sluggish job growth. This dynamic may also be limiting the absorption of new units in Union and Bergen counties, where elevated deliveries have outpaced demand and prompted increased concession usage. Further labor market weakening could intensify pressure on less affluent renters and lower-density areas. A slowdown in construction, however, has supported tightening fundamentals in Morris County — a trend that may extend to other suburbs as development slows.

Employment Trends



* Forecast

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

Multifamily 2025 Outlook

7,500 JOBS *will be created*

EMPLOYMENT:

The metro's job growth rate will slow to 0.7 percent, roughly aligning with the 2015-2019 average. Early year gains have been led by education- and retail-related hiring, while the hospitality and leisure sector has shed jobs.

8,200 UNITS *will be completed*

CONSTRUCTION:

Completions are expected to moderate in 2025, as deliveries are projected to reach the lowest annual total since 2016. Jersey City will receive the most new supply, followed by Essex and Union counties.

10 BASIS POINT *increase in vacancy*

VACANCY:

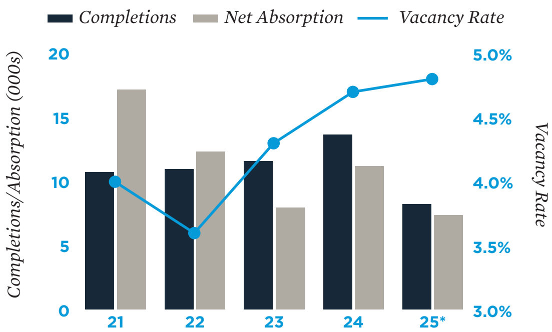
Reduced development is poised to limit vacancy expansion, resulting in the smallest increase in three years despite soft job growth. The metro's rate will reach 4.8 percent, just above the prior 10-year mean of 4.4 percent.

2.9% INCREASE *in effective rent*

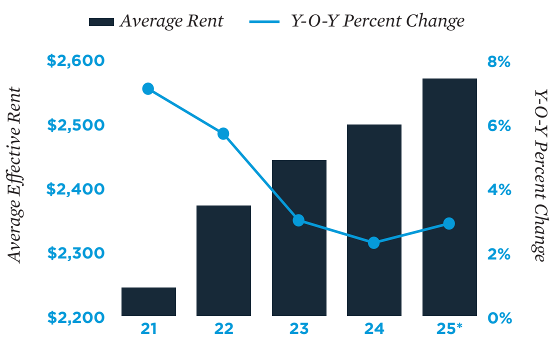
RENT:

A moderate shift in vacancy will support rent growth, marking the third consecutive year of gains around 3 percent. The metro's average effective rent is projected to reach $2,570 per month by year-end.

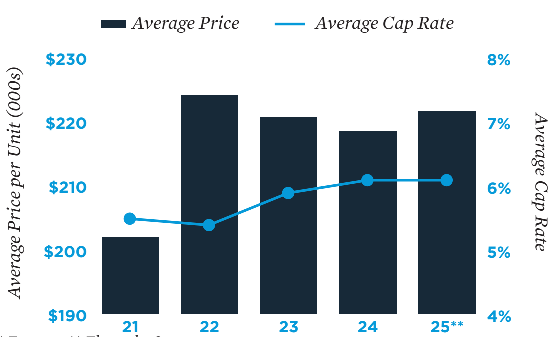
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

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

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1Q 2025 — 12-Month Period

CONSTRUCTION

13,194 units completed

- Completions over the 12 months ended in March rose 900 units above the prior yearlong span, marking the largest annual total in over two decades.
- Developers added more than 4,000 units in Hudson County during the period, followed by Bergen and Essex counties with nearly 3,000 units each. Morris County's 4.1 percent stock growth led all submarkets.

VACANCY

10 basis point increase in vacancy Y-O-Y

- Vacancy held at 4.7 percent in March for the third straight quarter. Class A tightening was offset by flat to rising rates in Class B and C properties.
- Hudson, Essex and Morris counties each saw their vacancy rates decline by at least 20 basis points over the past year. Meanwhile, Bergen and Union counties posted increases of at least 100 basis points.

RENT

2.2% increase in the average effective rent Y-O-Y

- The metro's average effective rent reached $2,520 per month in March, supported by improving Class A growth and modest lower-tier gains.
- Every submarket recorded rent growth during the past 12 months, led by Morris and Union counties, which notched gains near 3 percent. Bergen and Essex counties posted modest gains of just above 1 percent.

Investment Highlights

- While trading was subdued in early 2025, sales volume hit a four-quarter high as several $20 million-plus transactions closed. Ongoing regulatory hurdles in New York City may continue to push investors toward New Jersey, which is home to fewer restrictions. Tightening vacancy and improved rent growth should keep Hudson County a key target, while a slowdown in development may draw additional interest to Union and Bergen counties.
- As renters increasingly favor transit-oriented locations, demand has shifted toward areas like Jersey City and Hoboken, while interest in bus-reliant neighborhoods such as Guttenberg has waned. Investors are following this shift, with sales activity centered south of the Lincoln Tunnel. Class C vacancy near 3 percent in Hudson County should continue to uphold rent growth here, keeping well-located assets attractive to private buyers.
- Deal flow near Newark and the City of Orange improved over the past 12 months, aided by investor interest in mid-tier properties. Access to Manhattan via the PATH system, NJ Transit commuter rail and Newark Light Rail has bolstered renter demand, as evidenced by Essex County's Class B vacancy rate falling 140 basis points during the first quarter of 2025.