

MULTIFAMILY

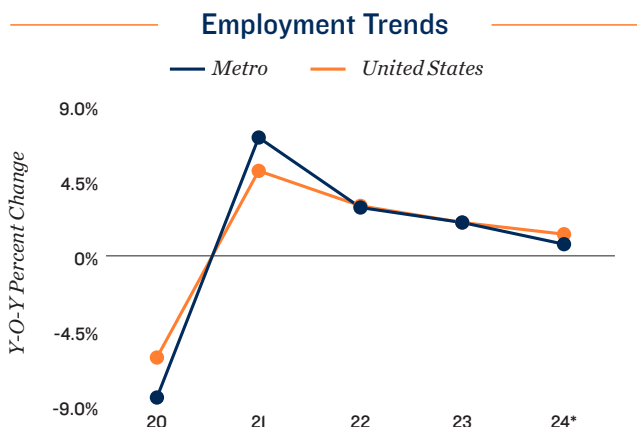
Northern New Jersey Metro Area

2Q/24

Hudson-Bound New Supply Warranted Long-Term, While Vacancy Stays Low Inland

Fundamentals surpass long-term benchmarks. The delivery of 2,700 apartments in the first quarter puts the market on track to welcome 13,400 units this year, just shy of the record set in 2017. This robust supply growth will push the vacancy rate above 4.9 percent for the first time since early 2021. However, demand drivers should help hold the rate below the 2020 high, as net absorption is set to exceed the decade mean this year, with strong momentum in Bergen, Essex, and Union counties. Occupancy is also being anchored by Class C properties, helping the segment reach the fastest annual rent growth in March. Class C vacancy rose 40 basis points to 3.0 percent, while Class A and B had triple-digit upticks.

Renter preferences mitigate impact of high-end deliveries. Of the new apartment buildings with predicted 2024 completion dates, nearly half will consist of luxury apartments. Demand is being driven in part by a swelling gap between the mortgage payment on a median-priced home and the metro's mean Class A rent, which has quadrupled from the first quarter of 2022 to March 2024. This will help sustain average effective rent growth momentum, with this year's 2.6 percent rise projected to exceed the 20-year mean by 60 basis points. The largest number of luxury apartments will come online in Hudson County. This submarket's population growth is on track to double all other counties in Northern New Jersey through 2028, significantly aiding demand for this new supply.



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

Multifamily 2024 Outlook



15,000

JOB
will be created

EMPLOYMENT:

Job growth will moderate in 2024 to a 0.7 percent year-over-year increase. Job creation in the traditionally office-using sector slowed to a decade-low pace in the first quarter, excluding pandemic-era volatility.



13,400

UNITS
will be completed

CONSTRUCTION:

Completions in 2024 will mark the sixth year in a row of over 10,000 new doors opening in the market. Inventory will grow by 3.0 percent from year-end 2023, exceeding the decade-long mean by 60 basis points.



70

BASIS POINT
increase in vacancy

VACANCY:

Vacancy will lift to 5.0 percent amid a year of robust construction. Still, over 9,600 units are projected to be absorbed on net by year-end, ranking as one of the 15 highest totals among major U.S. markets.



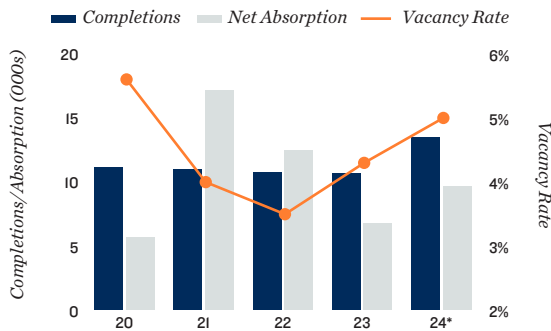
2.6%

INCREASE
in effective rent

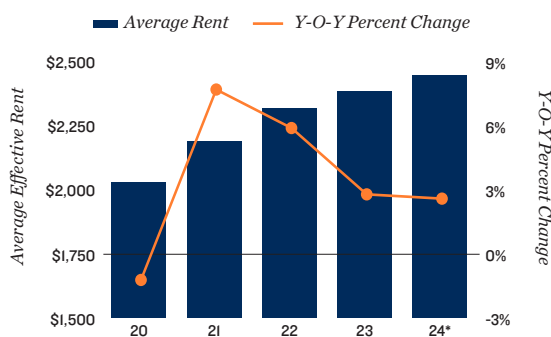
RENT:

Continuing on a growth trend started in 2021, the market's average effective rent will increase to \$2,444 per month in 2024. Even with robust supply additions, the pace remains above the long-term average of 2.0 percent.

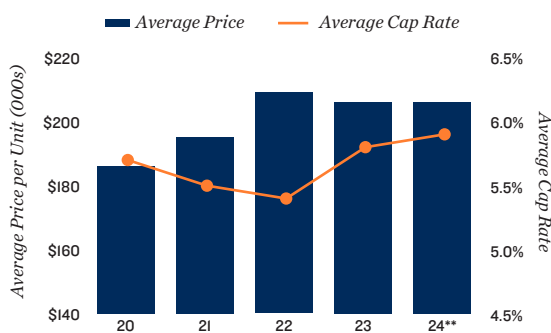
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

New Jersey Office:

Jim McGuckin Regional Manager

250 Pehle Avenue, Suite 501

Saddle Brook, NJ 07663

Tel: (201) 742-6100 | jim.mcguckin@marcusmillichap.com

Prepared and edited by:

Kyle Chang

Research Associate | Research Services

For information on national multifamily trends, contact:

John Chang

Senior Vice President, National Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: \$250

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.

IQ 2024 - 12-Month Period

CONSTRUCTION

11,209 units completed

- Inventory grew by 2.6 percent from April 2023 to March 2024, exceeding the annual pace from the preceding yearlong period.
- Hudson County had the greatest number of rentals enter the market over the four quarters ending in March. However, as the largest apartment submarket, deliveries only increased local stock by 2.1 percent.

VACANCY

70 basis point increase in vacancy Y-O-Y

- Robust supply additions placed upward pressure on vacancy, lifting the rate up to 4.5 percent in March.
- Only the Class C sector recorded a rate below its long-term average of 3.7 percent, while mid- and upper-tier vacancies were each 50 and 20 basis points above their means, respectively.

RENT

2.3% increase in the average effective rent Y-O-Y

- Even with elevated new supply posing greater competition to existing rentals, the average effective rent rose to \$2,407 per month in March.
- Monthly effective rent in Bergen County saw the greatest increase among local submarkets. The average rate rose year-over-year by 4.4 percent to \$2,443 in March.

Investment Highlights

- Transaction activity has slowed across the metro as a high interest environment has kept some investors on the sidelines. Hudson County, the largest submarket by inventory, has retained the most sales momentum in the first quarter. A high density of younger people, who tend to have a higher propensity to rent, support the local apartment outlook.
- The second-most common submarket for trades in the first three months of 2024 was Passaic County, where the vacancy rate sat at 2.2 percent in March. Higher cap rates than the metrowide average, in the high-5 to low-6 range, are attracting yield-driven investors. The mean price per unit in Passaic over the four-quarter period ending in March was \$217,000.
- While many larger institutions have taken a step back amid financing challenges, smaller investors have continued to trade Class C assets. The majority of these recent buyers have been local from the New York area. More accessible price points and fewer rent controls in New Jersey may be appealing to these investors. Lower renovation costs on the west side of the Hudson river may also be aiding buyers looking for properties with value-add potential.