



MAY 2021

# MarketNEWS

REAL ESTATE MARKET TREND ANALYSIS  
NEW JERSEY

## Otteau Group

VALUATION | CONSULTING | ADVISORY | RESEARCH

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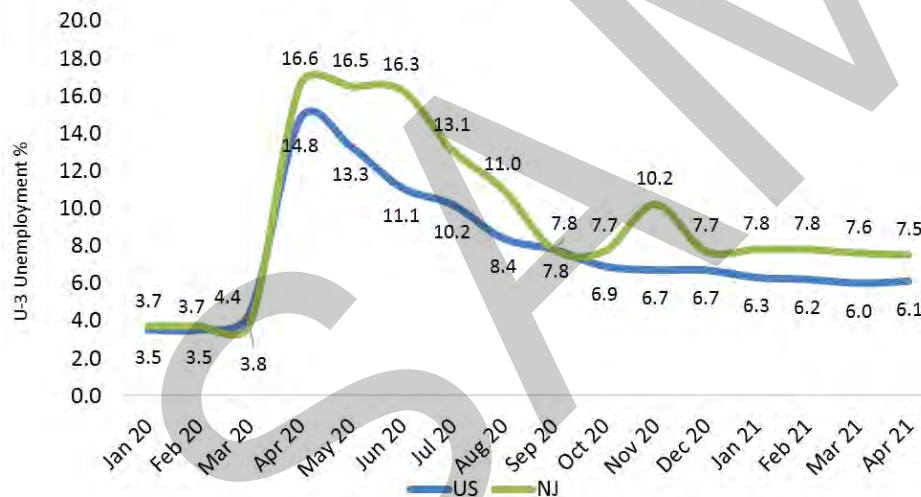
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## Economic Trends

The US unemployment rate rose nominally, up to 6.1%, but still less than half the cyclical high of 14.8% in April. The economy has had positive job gains in the 1st quarter, with April adding another 266,000 jobs. The economy has gained over 14.1-Million jobs from May 2020 through April 2021. Continuing unemployment claims in the US have declined by 21.3-Million since peaking in May 2020. Initial weekly unemployment claims show a week-on-week decline of 9% down to 406,000, which is the lowest claims have been since early March 2020.



Unemployment-Seasonally Adjusted 2020-2021

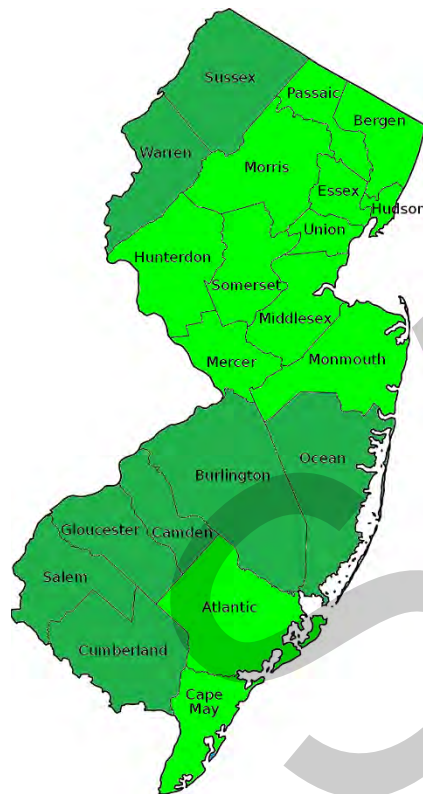
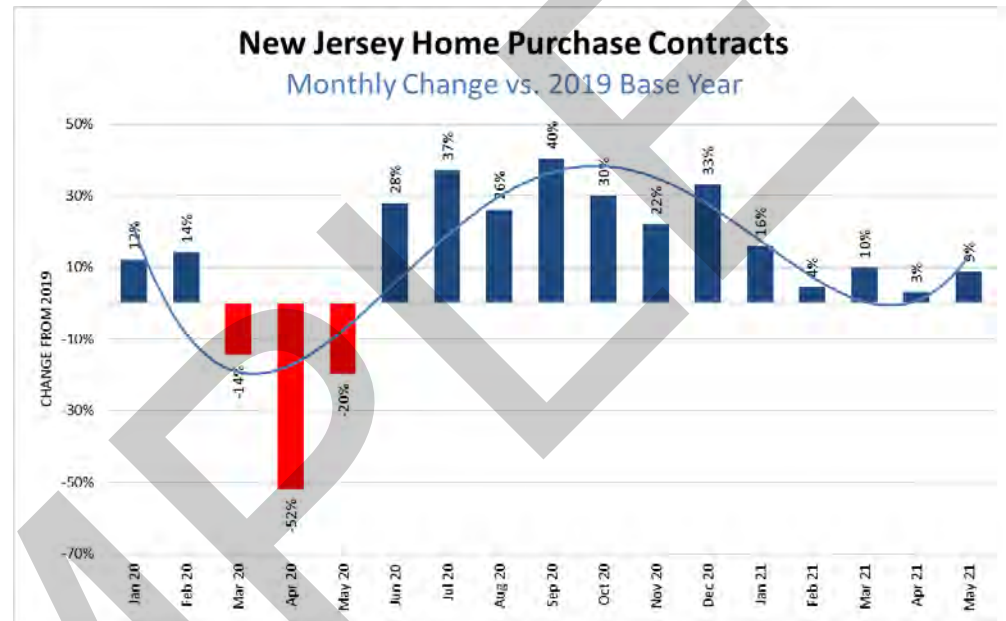


NJ's unemployment rate dropped slightly in April down to 7.5%, remaining well below the peak of 16.6% in April 2020. The state's economy continues its upward trend with the addition of 3,900 jobs in April pushing YTD totals to 35,900. Continuing unemployment claims in NJ have declined by 600,000 through mid-May compared to its peak in early May 2020. NJ's initial unemployment claims spiked 2 weeks ago but have once again declined down by 31% week-on-week.



## NJ Housing Market

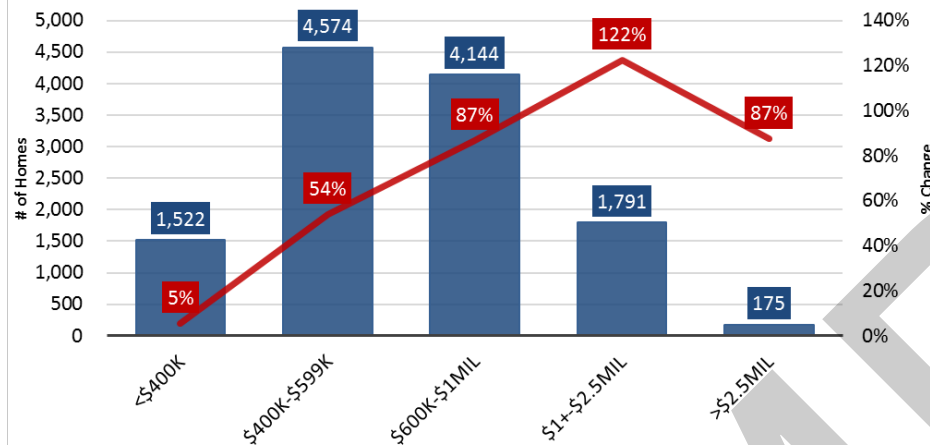
In May 2020, contract sales remained depressed, so it is no surprise that YOY May 2021 is projecting a 35% increase. Comparing May 2021 to May 2019, we are seeing a 9% increase. YTD, this is an 8% increase compared to the same period in 2019. Unsold inventory is down YOY by 34%, however month-on-month inventory has increased for 3 months in a row.



Looking at contract sales by county YTD 2021 v 2020, all of NJ's 21 counties are experiencing increases YTD 2021. Hudson, Middlesex & Atlantic are projecting the largest increases. Warren, Sussex, Cumberland & Camden are projecting the smallest increases.

### NJ Change in # Home Sales

YTD 2020 v 2021

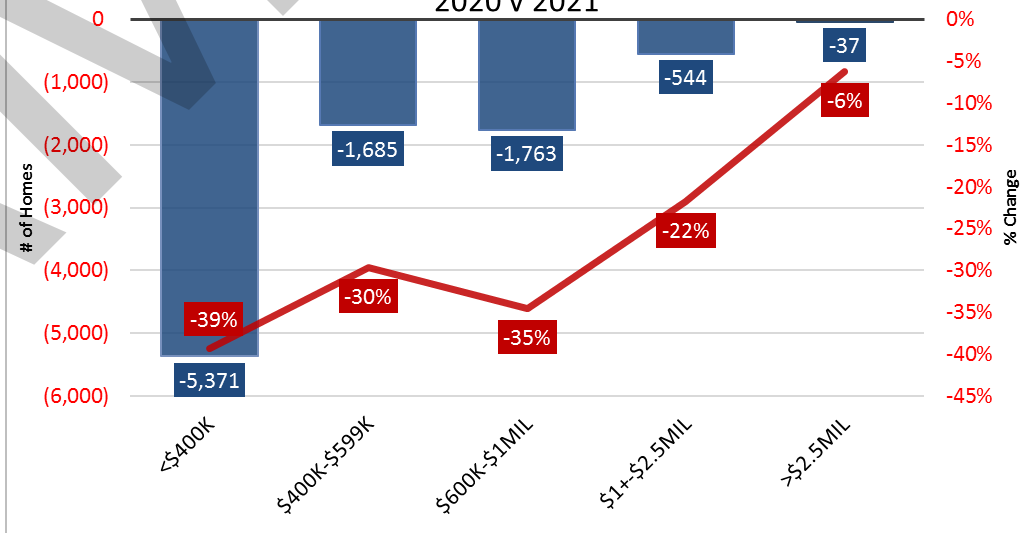


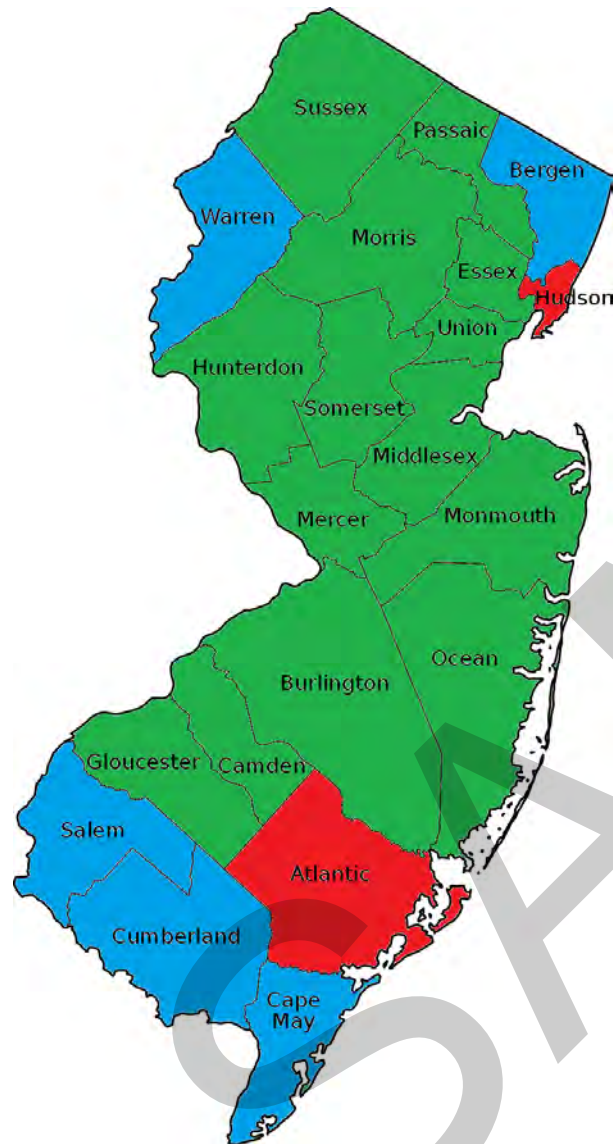
YTD through the third week of May, contract sales are experiencing increases in all price tiers. Homes priced \$1.0-Mil+ - \$2.5-Mil are projected to see the highest percent increase at 122% compared to last year, while sales in the ≤\$400,000 range are showing the smallest increase at 5%. The lowest price tier continues to see the largest declines in inventory, restricting buyers' options in this market. What remains to be seen is whether this decline is attributable solely to low inventory levels or is part of a larger shift in demand. Only time will tell as we continue to monitor this going forward.

Unsold Inventory remains restricted across NJ with an overall decline year-on-year of 34%. May of last year saw approximately 27,500 homes on the market, compared to only 18,000 this year. The largest percent decline occurred in the lowest price tier, down by 39%. As previously mentioned, a small shift is occurring in month-on-month stats for unsold inventory with increases 3 months in a row. Inventory is likely to continue to increase modestly in the coming months as vaccine rollout expands, creating a greater sense of safety for existing homeowners to trade up to more expensive houses.

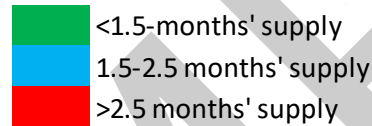
### NJ Change in Unsold Inventory

2020 v 2021





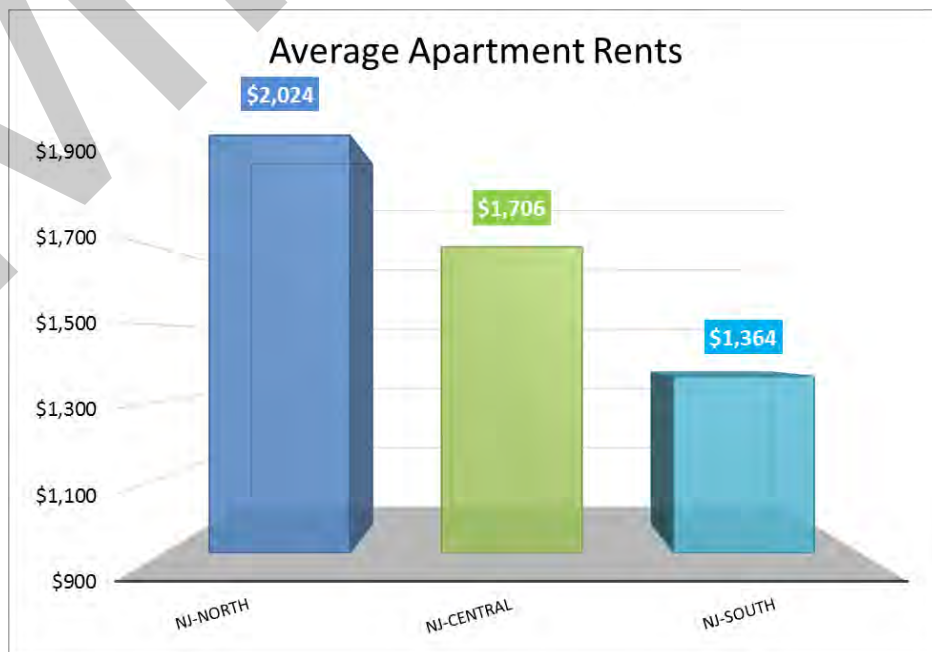
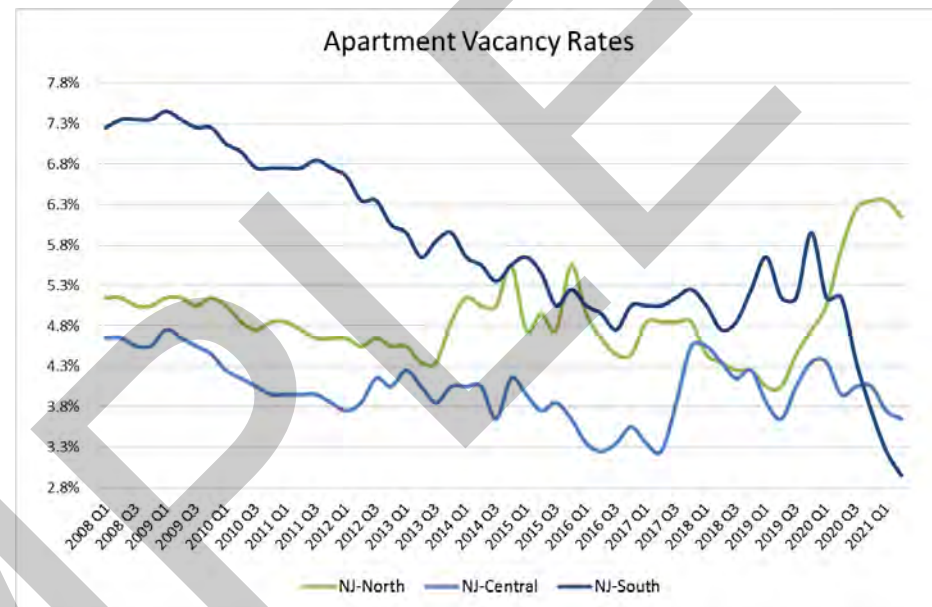
All of New Jersey's 21 counties have less than 7.0 months of supply, which is a balance point for home prices. Unsold Inventory remains low in many counties and demand is rising during the 2021 market. Ocean County has the lowest months of supply in the state with 0.9 months, followed by Camden, Middlesex, Gloucester & Burlington which all have 1.0 months of supply. The counties with the largest months of supply (greater than 2.5 months) are Atlantic (2.6) & Hudson (2.7).



## Apartment Market

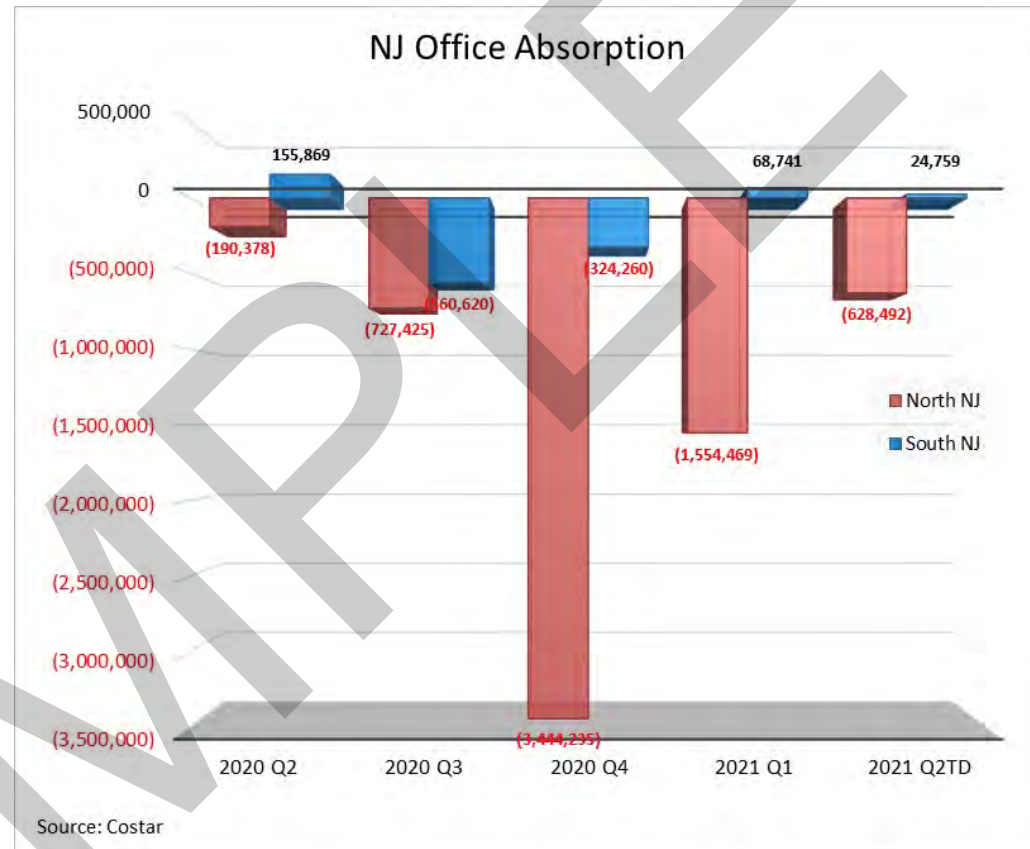
Q2-to-date apartment vacancy in NJ has dropped YOY by 30 basis points down to 4.8%. The southern part of NJ has seen the largest decline, dropping by 220 basis points YOY down to 2.9%. NJ Central saw a 30-basis point decrease to 3.6%. NJ North is the only region to see an increase YOY, up by 40 basis points to 6.1%. In more positive news, quarter-on-quarter these regions all saw declines in vacancy.

The Northern part of the state continues to have the highest asking rent, due to its proximity to Manhattan and the accelerating pace of new construction offerings, which typically command higher rental rates. It does, however, also have the highest vacancy rate at 6.1%. Quarter-on-Quarter rent in NJ North saw an increase of 1.1% now at \$2,024/month. NJ Central saw an increase of 1.7% up to \$1,706. NJ South saw the largest increase up by 2.6%, now up to \$1,364.



## Office Market

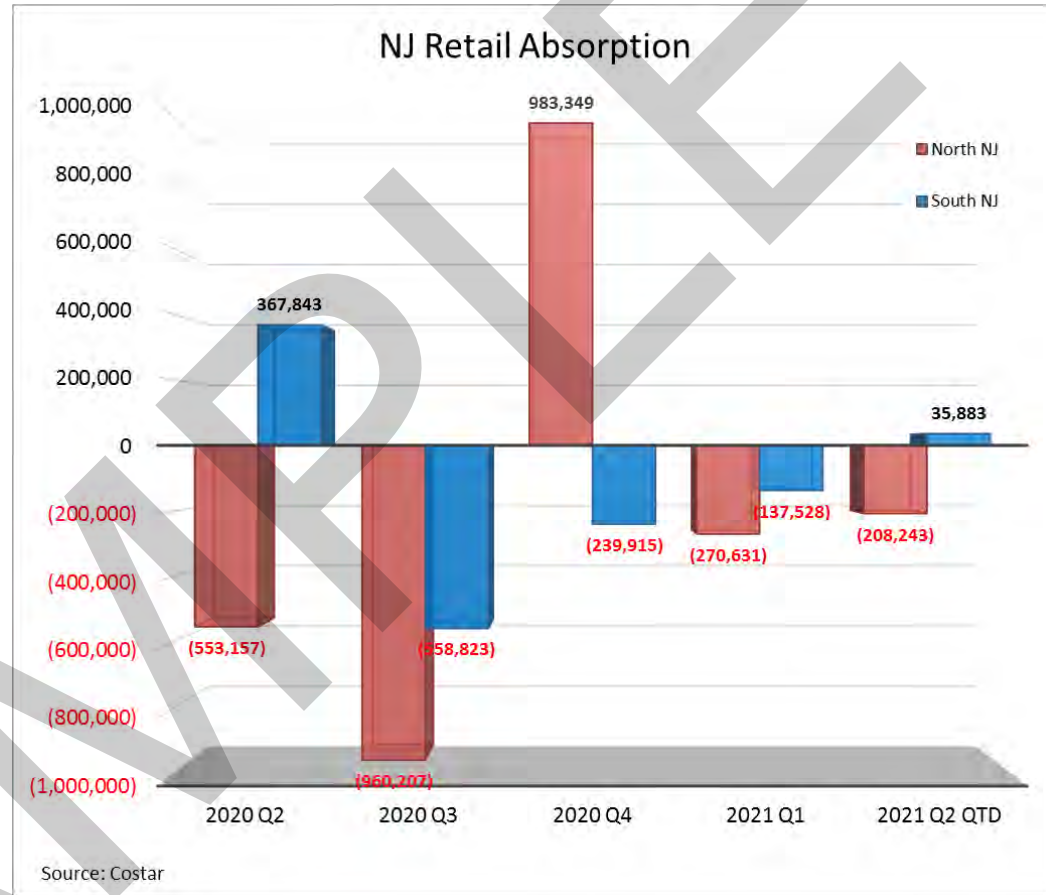
In the office sector YTD, NJ South has a slight gain in net absorption of 93,500 Ft<sup>2</sup>. NJ North, however, so far has lost almost 2.2-Million Ft<sup>2</sup>. Availability has increased YOY for NJ by 180 basis-points to 15.7%. NJ North saw a 200 basis-point increase in availability, now up to 16.3%. NJ South also saw an increase of 110 basis-points, up to 12.6%. Overall office rents in NJ decreased by 1.5% YOY to \$22.74/Ft<sup>2</sup>. Class B & C office space continues to outperform Class A, with availability rates for Class B & C at 10.2% and Class A more than double that at 24.2%. Looking to the future, vacancy is sure to rise while effective rents and net operating income will continue to decline. This increased risk, coupled with the likelihood for increased capitalization rates, points to lower asset values.





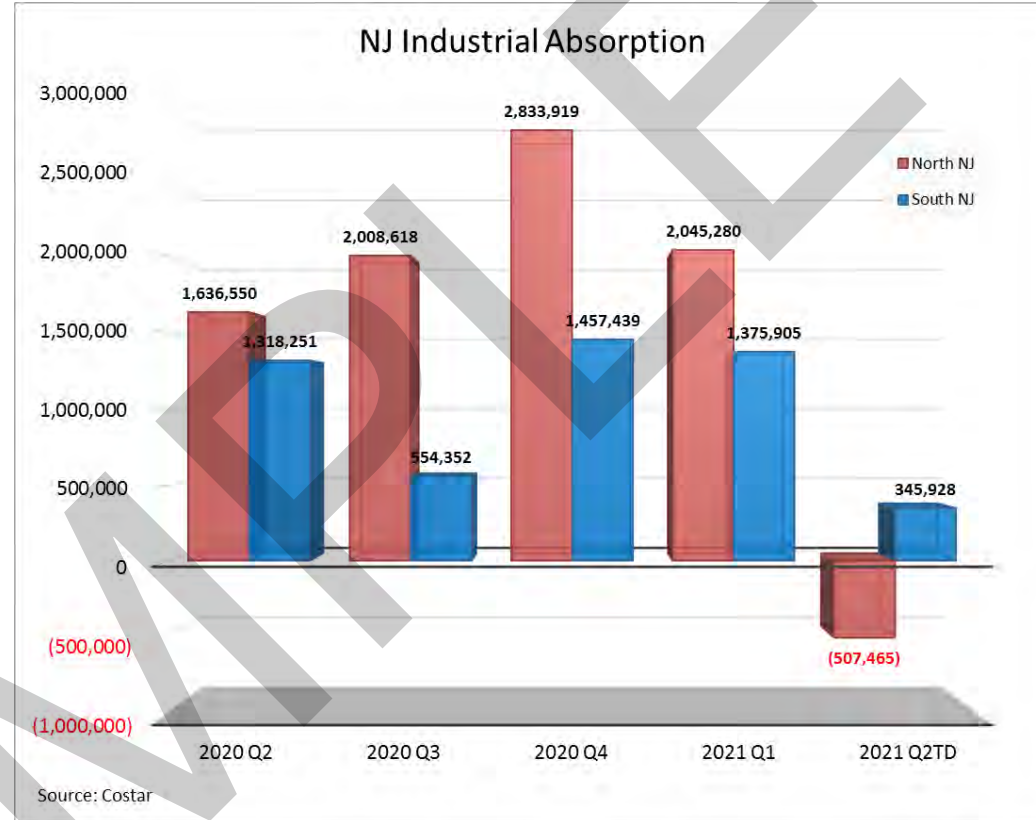
## Retail Market

2021 continues to see declines in NJ's retail sector. YTD NJ North has seen a negative net of 479,000 Ft<sup>2</sup>. NJ South has seen a loss as well, losing 101,600 Ft<sup>2</sup>. With mask mandates being lifted and more people getting vaccinated, retail may see some upturn. Unfortunately, even with some restrictions loosened or lifted, many people may continue to avoid the brick & mortar stores opting for online purchases. Year-on-year vacancy in the northern part of NJ has increased by 60 basis points to 5.1%. The southern part of the state has experienced a 90-basis point increase from last year to 6.2% vacancy. Statewide asking rents have declined by 0.8% year-on-year, currently at \$19.07/Ft<sup>2</sup> compared to \$18.92/Ft<sup>2</sup> one year ago.



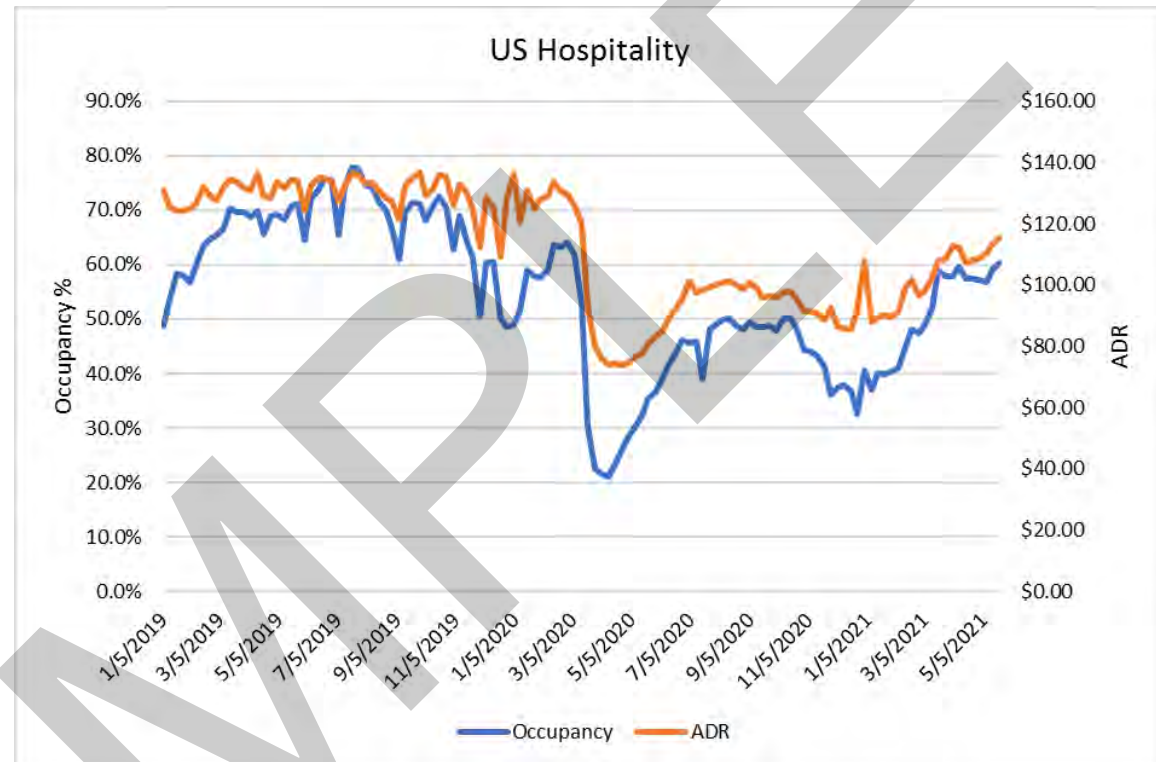
## Industrial Market

The Industrial Sector remains a bright spot in the CRE market. Although Q2TD is showing some declines in net absorption, YTD both NJ regions are showing positive net absorption with 1.5-Million Ft<sup>2</sup> of gains in the North YTD, plus 1.7-Million Ft<sup>2</sup> in the South. Occupancy for this sector is at 96.4% for the state overall, up by 10 basis points year-on-year. Availability in the north decreased by 30 basis points quarter-on-quarter to 5.4%. In the south, availability decreased by 120 basis points Q-O-Q to 6.7%. Asking rents shot up in 2021 by 16% year-on-year with Q2TD at \$9.11/Ft<sup>2</sup>, compared to \$7.87/Ft<sup>2</sup> in Q2 2020.



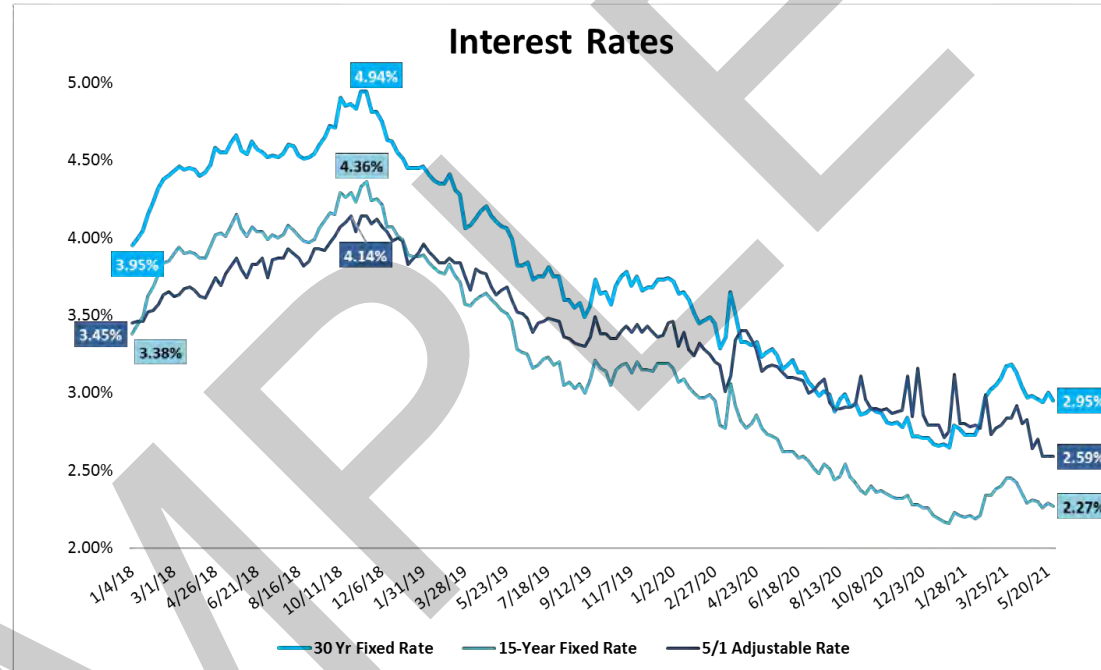
## Hospitality

Hospitality has not fully recovered to pre-pandemic levels, but as expected we are seeing increases YOY. Occupancy is at 60.3%, a 70.3% increase over 2020, with the Average Daily Rate up 42.8% YOY. When comparing to 2019, occupancy is down only 15.3% and the ADR is down 13.6%. As more continue to get vaccinated and restrictions are loosened across the country, the Hospitality sector should continue to see improvements.



## Mortgage Rates

Currently, the 30-yr fixed rate is at 2.95%, again below 3%. Week-on-week this is a 5-basis point decrease. Current rates have dropped 20 basis points from one year prior when rates were at 3.15%. The YOY drop in the mortgage rates has slowed significantly in recent weeks. The average mortgage rate for May is 2.96%, a decrease from April's average of 3.06%. The 15-year fixed rate decreased by 2 basis points to 2.27%, with the 5-year ARM remaining the same (shown in the table below).



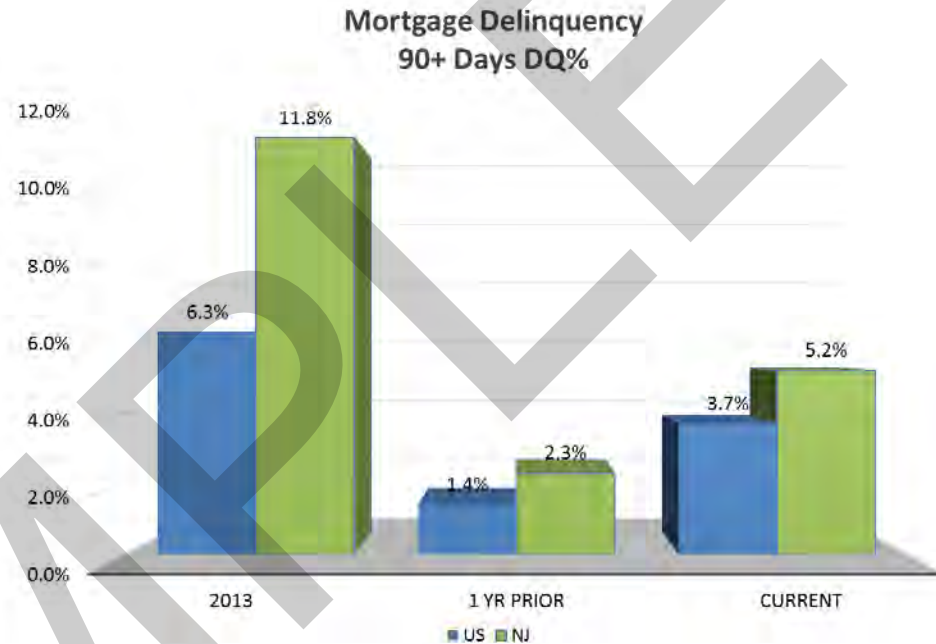
MORTGAGE RATES			
Loan Type	Current Week	Prior Week	Change
30-Year Fixed Mtg.	2.95%	3.00%	-0.05%
15-Year Fixed Mtg.	2.27%	2.29%	-0.02%
5-year ARM	2.59%	2.59%	0.00%

According to Freddie Mac, “Mortgage rates are down below three percent, continuing to offer many homeowners the potential to refinance and increase their monthly cash flow. In fact, homeowners who refinanced their 30-year fixed-rate mortgage in 2020 saved more than \$2,800 dollars annually. Substantial opportunity continues to exist today, as nearly \$2 trillion in conforming mortgages have the ability to refinance and reduce their interest rate by at least half a percentage point.”



## Foreclosure Trends

The full effects of the COVID-19 pandemic on mortgage delinquencies & foreclosures will not be felt for some time due to moratoriums that have been put in place, however, delinquency rates have spiked across the US. Overall, the US delinquency rate is at 3.7%, an increase from 1.4% one year prior. The percentage of delinquent mortgage loans in New Jersey that are 90+ days past due increased by 290-basis points from the previous year to 5.2%. Still, this spike is not as high as NJ's all-time high in 2013 at 11.8% after fallout from the great recession.



## Real Estate News Alerts

### Critics Say New Jersey Bill Aimed at Slowing Warehouse Sprawl Will Curb Industry

May 21, 2021

*CoStar/Costar.com*

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### Report: N.J. to lift indoor mask mandate in time for Memorial Day weekend

May 21, 2021

*ROI NJ/Roi-nj.com*

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### Argus Mill mixed-use project in Paterson gets financial support from EDA, NJHMFA

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### Long Wait, Eligibility Requirements Dampen Appeal of Hotel EB-5 Projects

May 20, 2021

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### Biggest cargo ship to ever dock on East Coast reaches Elizabeth

May 20, 2021

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### Freddie, Fannie Offer Lower Interest Rates to Spur Workforce Housing Development

May 20, 2021

*Wealth Management/Wealthmanagement.com*

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### Northern New Jersey's Office Market Grapples With Mounting Sublet Space

May 20, 2021

*CoStar/Costar.com*

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### NJ job gains stall in April amid national labor shortage

May 20, 2021

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### Developers partnering with state, University Hospital for new affordable housing in Newark

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### Woodmont expands leadership team with former longtime Roseland executive

May 19, 2021

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### NJ reopening: Masks still here, but COVID capacity restrictions ending

May 19, 2021

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### Parsippany office complex trades for \$10.5 million, Kislak says

May 18, 2021

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### Merck officially lists 2 million sq. ft. headquarters, R&D campus in Kenilworth

May 18, 2021

*Real Estate NJ/Re-nj.com*

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### New Jersey Residents Will Pay Most in Taxes Over a Lifetime

May 17, 2021

*Bloomberg/Boomberg.com*

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### Murphy says schools will resume mandatory in-person instruction this fall

May 17, 2021

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### New York, New Jersey Marijuana Legalization May Spark Flurry of Commercial Real Estate Activity

May 16, 2021

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**Investment firm continues push into New Jersey suburbs, eyes return to high-end office buildings**

May 14, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**New Jersey hospitals get the green light for visits**

May 12, 2021

*NJ Biz/Njbiz.com*[Read More](#)**Paramount completes historic rehab, debuts new apartments in downtown Newark**

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*Real Estate NJ/Re-nj.com*[Read More](#)**Hoboken advances agreement with Ironstate for residential project, preserving waterfront site**

May 12, 2021

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May 11, 2021

*ROI NJ/Roi-nj.com*[Read More](#)**Mack-Cali reveals new renderings, programming for revamped Jersey City campus**

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*Real Estate NJ/Re-nj.com*[Read More](#)**Dey & Bergen, latest luxury multifamily in Harrison, begins leasing**

May 11, 2021

*ROI NJ/Roi-nj.com*[Read More](#)**N.J. has hiring crisis: Here are some ways to address it**

May 10, 2021

*ROI NJ/Roi-nj.com*[Read More](#)**New York City's Recovery Takes a Step Forward in April**

May 6, 2021

*CoStar/Costar.com*[Read More](#)**Warehouse Sprawl Bill Stumbles in First Hearing, Advances Anyway**

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*NJ 101.5/Nj1015.com*[Read More](#)**NJ Bio moving from North Brunswick to Princeton**

May 5, 2021

*ROI NJ/Roi-nj.com*[Read More](#)**Home ... office ... and in-between: Sills Cummis has found what it feels could be 'new normal' for its lawyers — a satellite office option**

May 4, 2021

*ROI NJ/Roi-nj.com*[Read More](#)**The Beach launches leasing at Newport**

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*ROI NJ/Roi-nj.com*[Read More](#)**Hard Rock announces \$20 million upgrade for Atlantic City hotel, casino**

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*Real Estate NJ/Re-nj.com*[Read More](#)**Accurate Builders, MRC ink \$395 million loan for Newark stadium site, other multifamily assets**

May 4, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**The reopening: Most indoor capacity restrictions to be lifted May 19**

May 3, 2021

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**Rite Aid to accept walk-ins for COVID vaccine at all 129 N.J. stores**

April 30, 2021

*ROI NJ/ROI-nj.com*[Read More](#)**Industry Insiders Wary of Proposed New York City Hotel Development Restrictions**

April 30, 2021

*CoStar/CoStar.com*[Read More](#)**Onyx unveils 60-unit luxury apartment building in downtown Ridgewood**

April 29, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**Newly built Fort Lee rental tower sells for \$55 million, Kislak says**

April 29, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**New Jersey Tries to Control 'Warehouse Sprawl'**

April 29, 2021

*CoStar/CoStar.com*[Read More](#)**N.J.'s 6 vaccination megasites now taking walk-ins**

April 29, 2021

*ROI NJ/ROI-nj.com*[Read More](#)**AvalonBay names co-developers for massive housing, retail project at Princeton Junction**

April 28, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**The Housing Market Looks Like a Bubble. It's Time for the Fed to Worry.**

April 28, 2021

*Barrons/Barrons.com*[Read More](#)**Signature Acquisitions names senior vice president, leasing director**

April 28, 2021

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April 28, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**Kushner Cos. sells Hackensack apartments for \$114M-plus, JLL says**

April 28, 2021

*ROI NJ/ROI-nj.com*[Read More](#)**New 60-unit apartment complex, part of Sparta town center project, sells for \$15 million**

April 27, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)**N.J. population tops 9.2M as state will keep its 12 congressional seats, census shows**

April 26, 2021

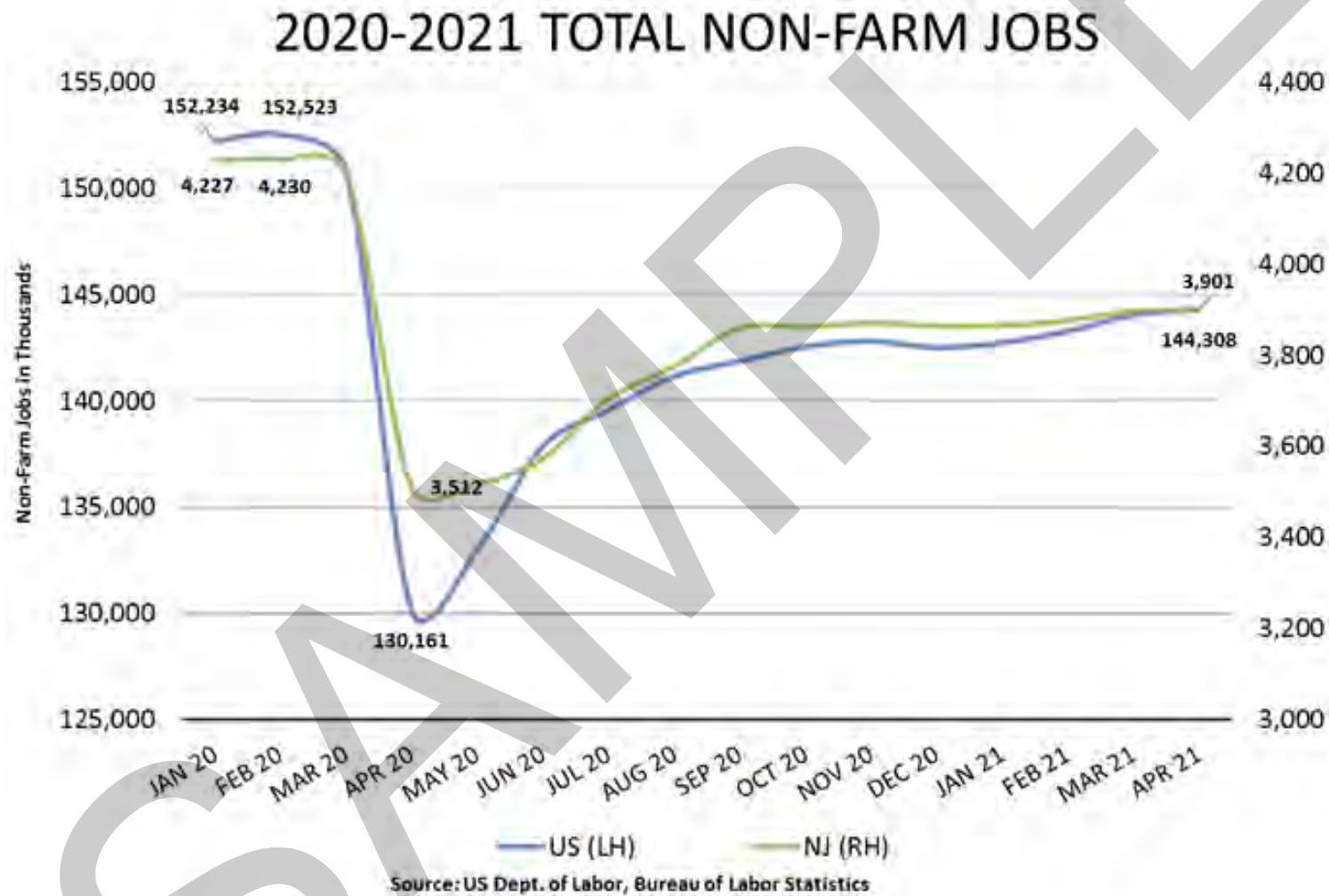
*NJ/Nj.com*[Read More](#)**EDA reboots grant program to help municipalities rescue stranded malls, office parks**

April 15, 2021

*Real Estate NJ/Re-nj.com*[Read More](#)

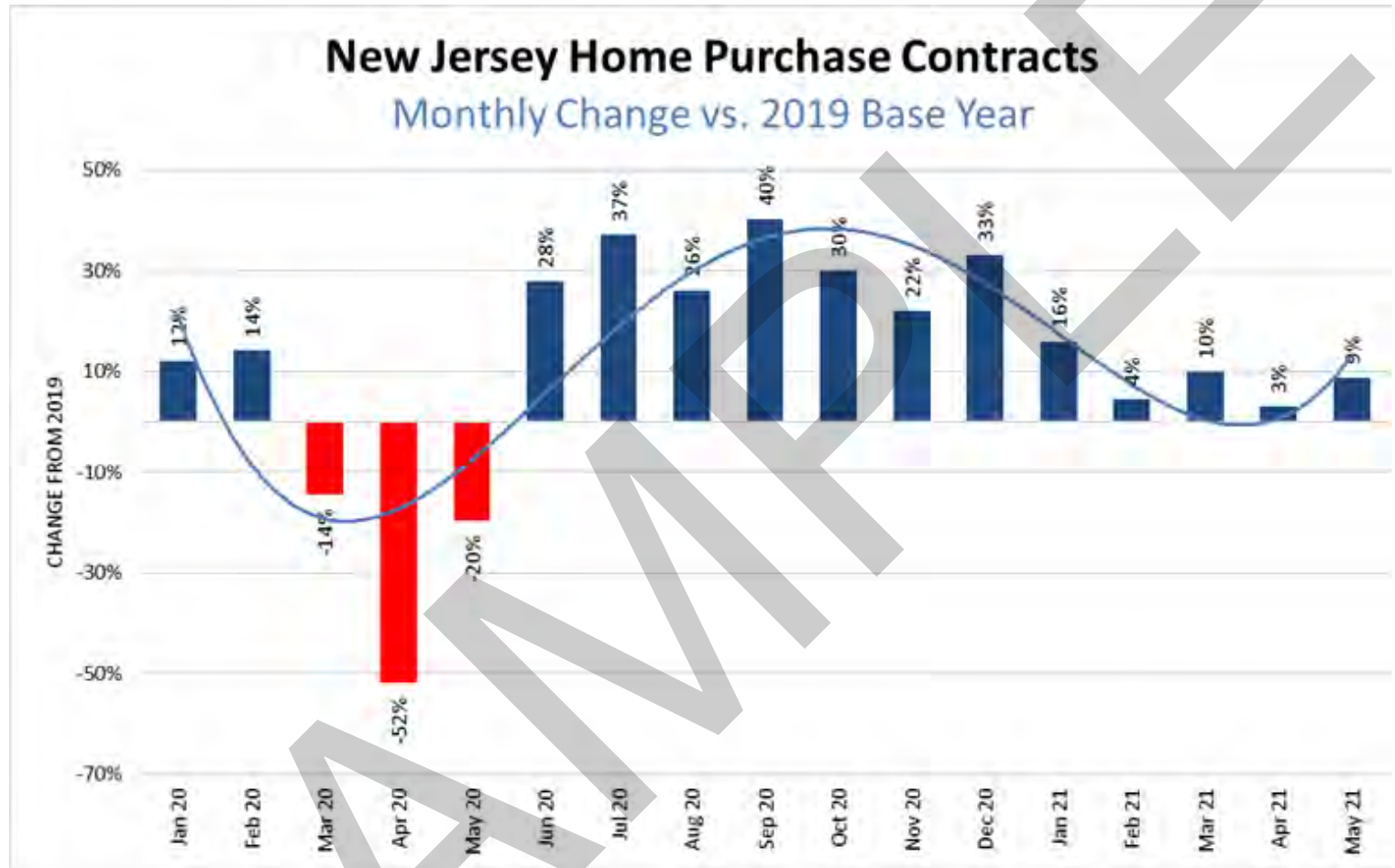


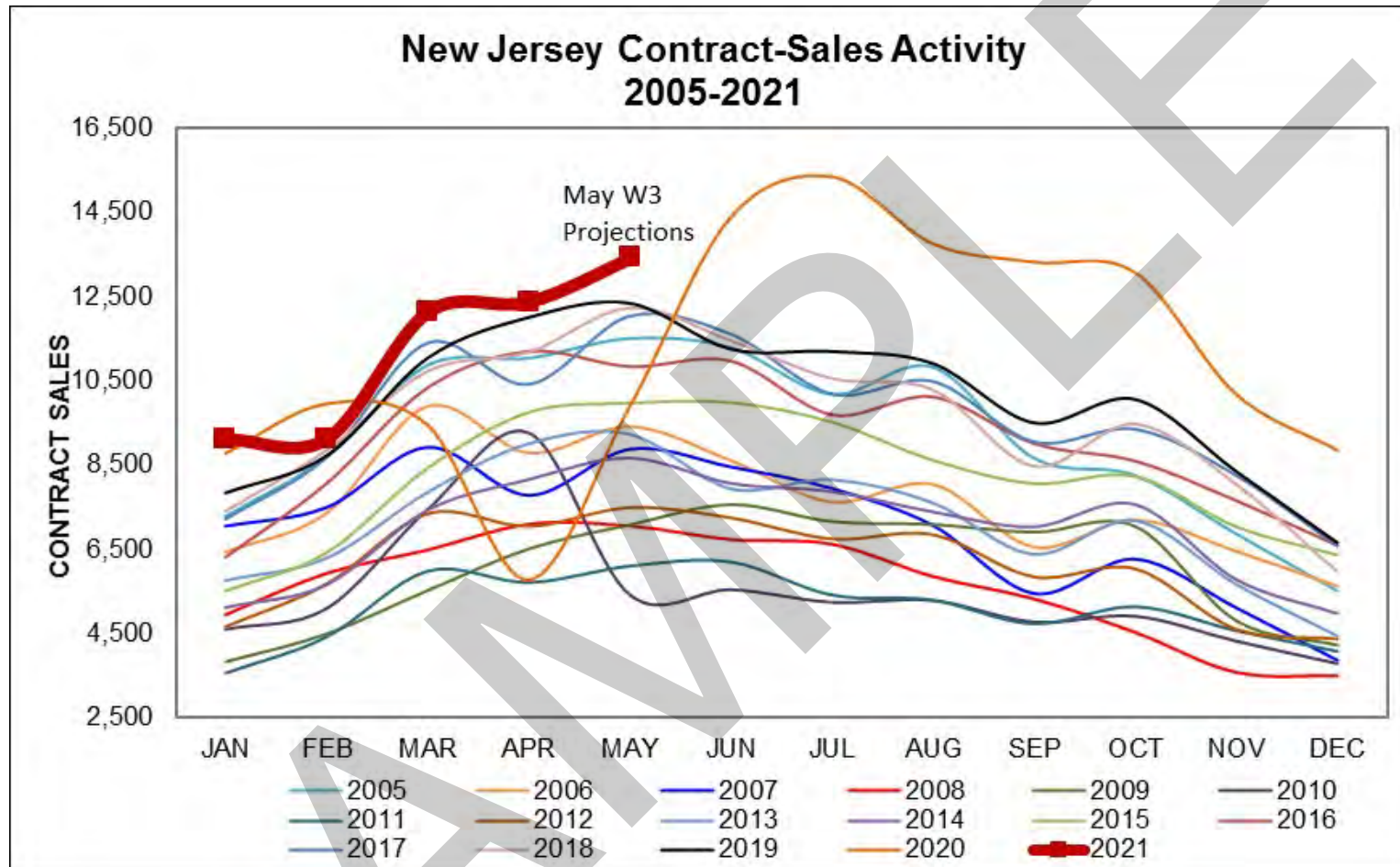
## Market Snapshots



## Unemployment-Seasonally Adjusted 2020-2021

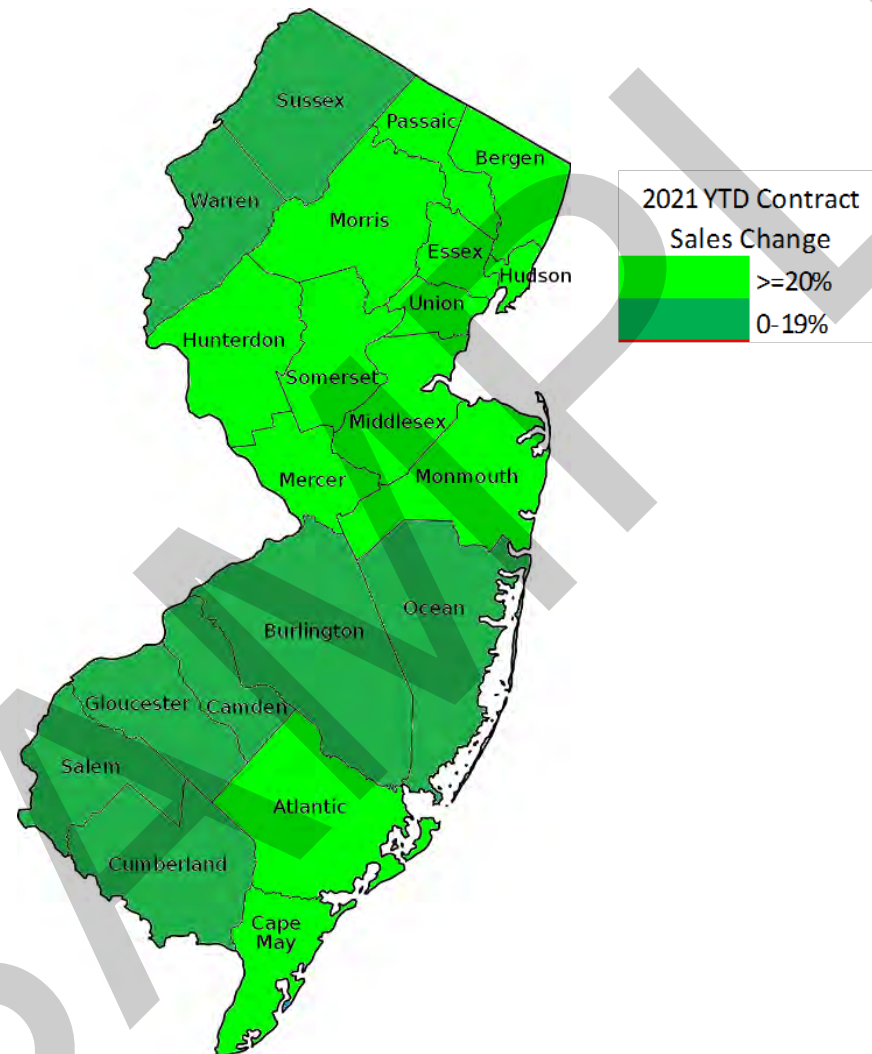


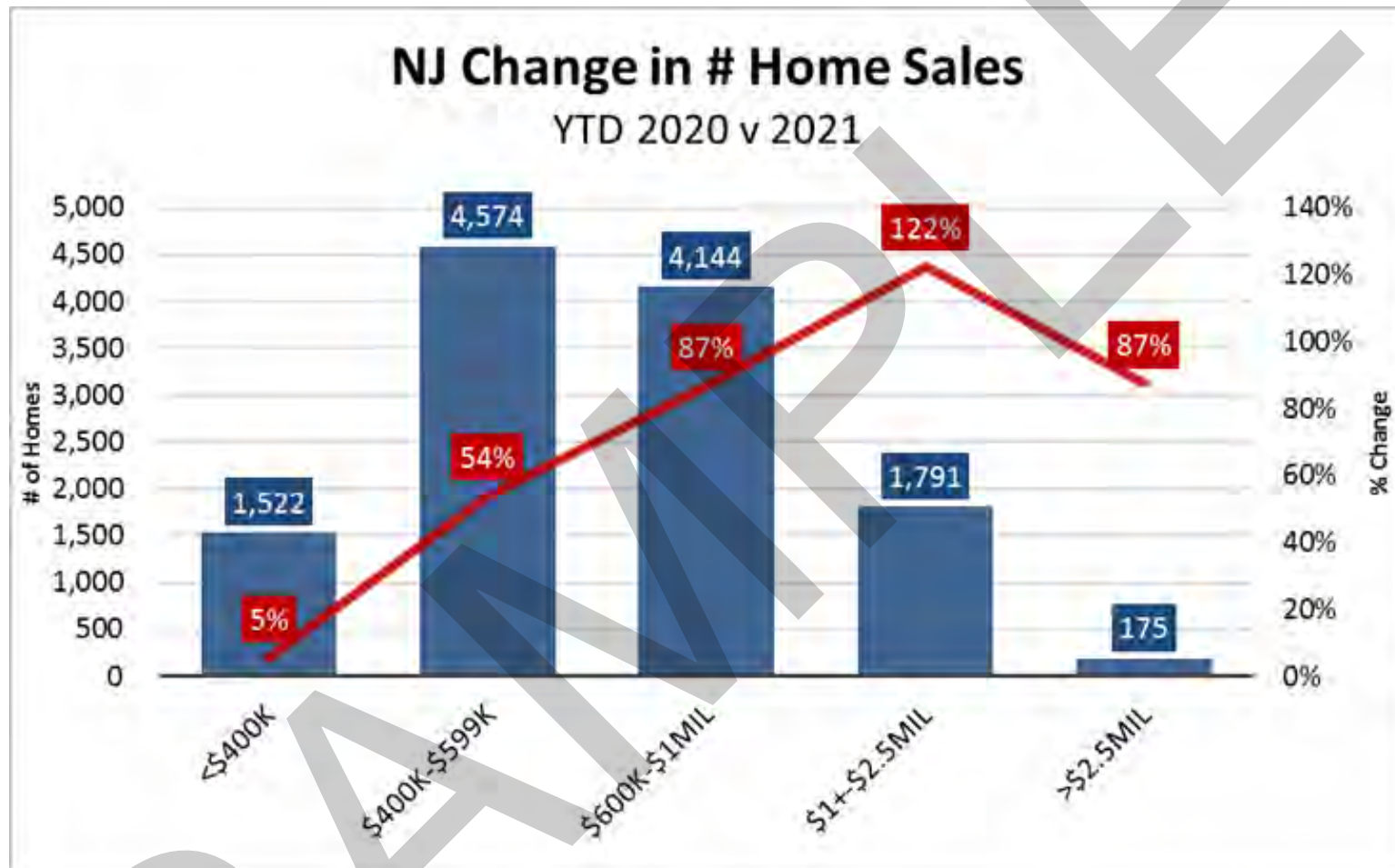


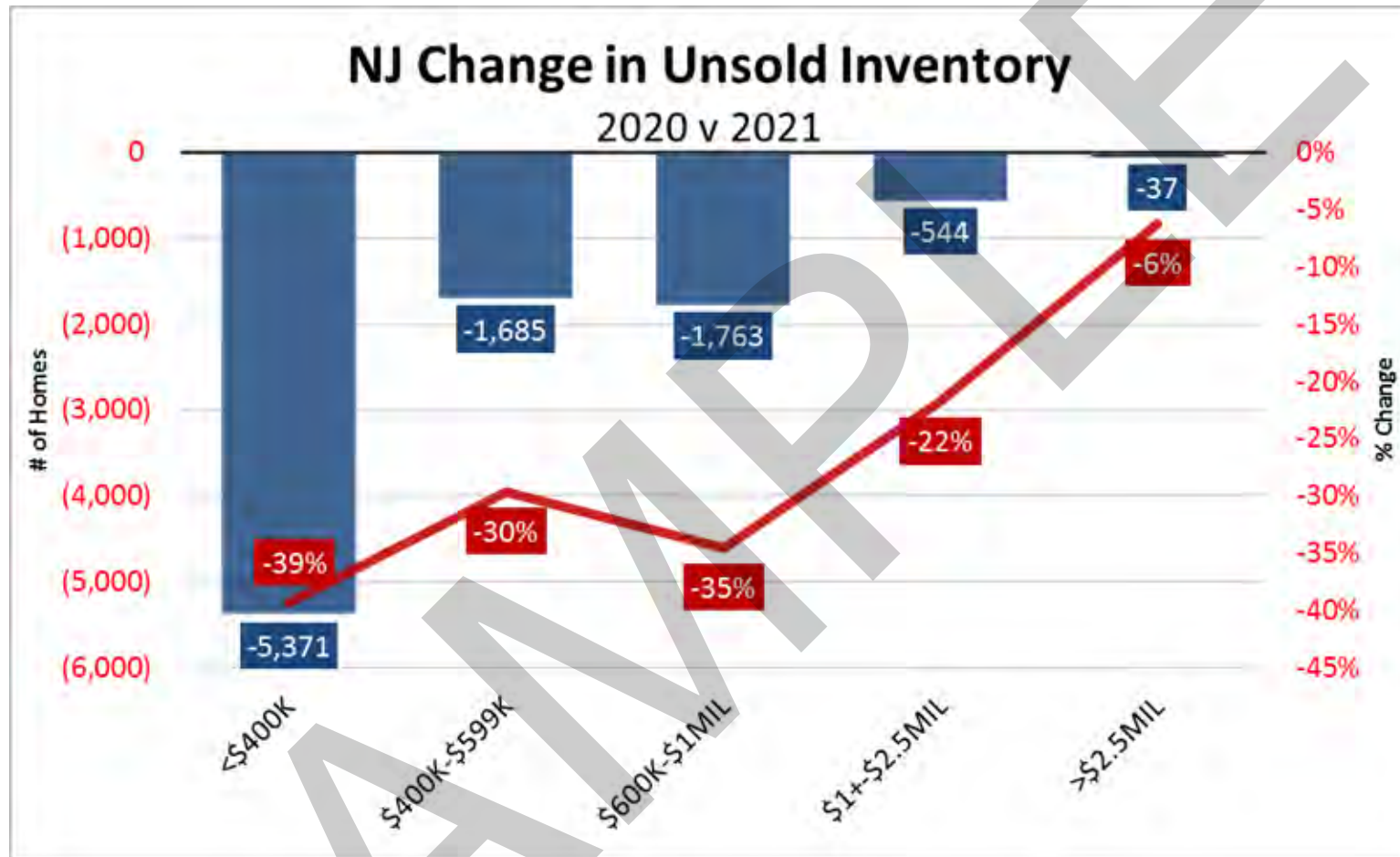


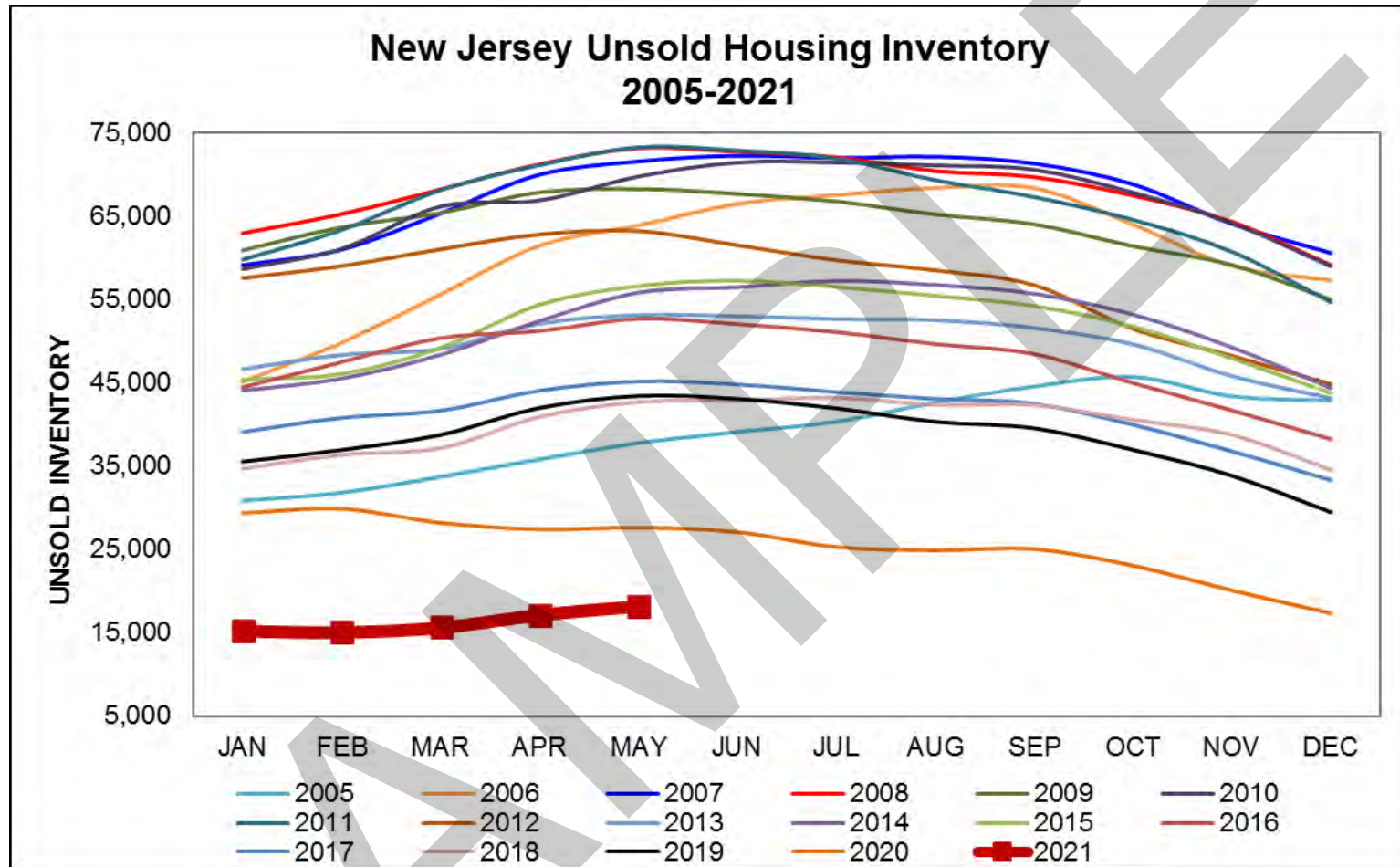


## Change in Contract Sales by County





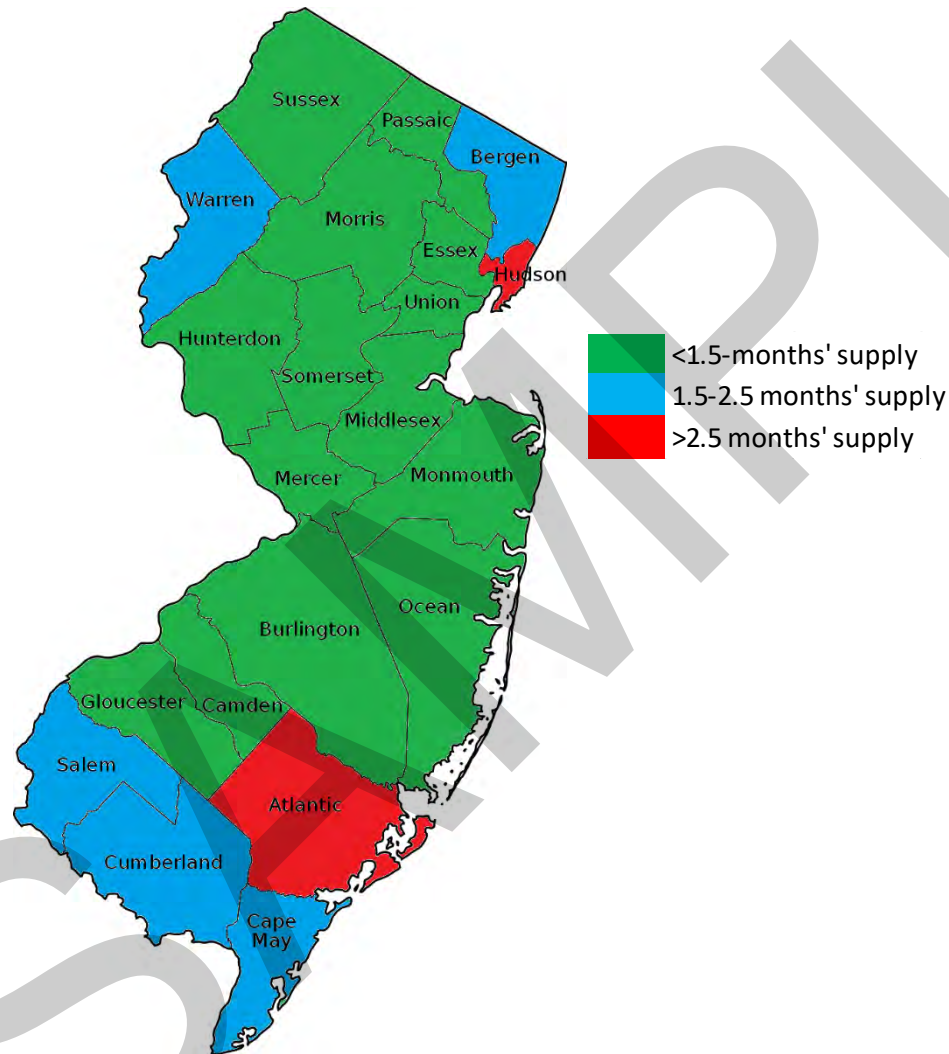






## NJ Unsold Housing Inventory by County

(Expressed as Months of Supply)



## HousingTRAC Monthly by OTTEAU.com

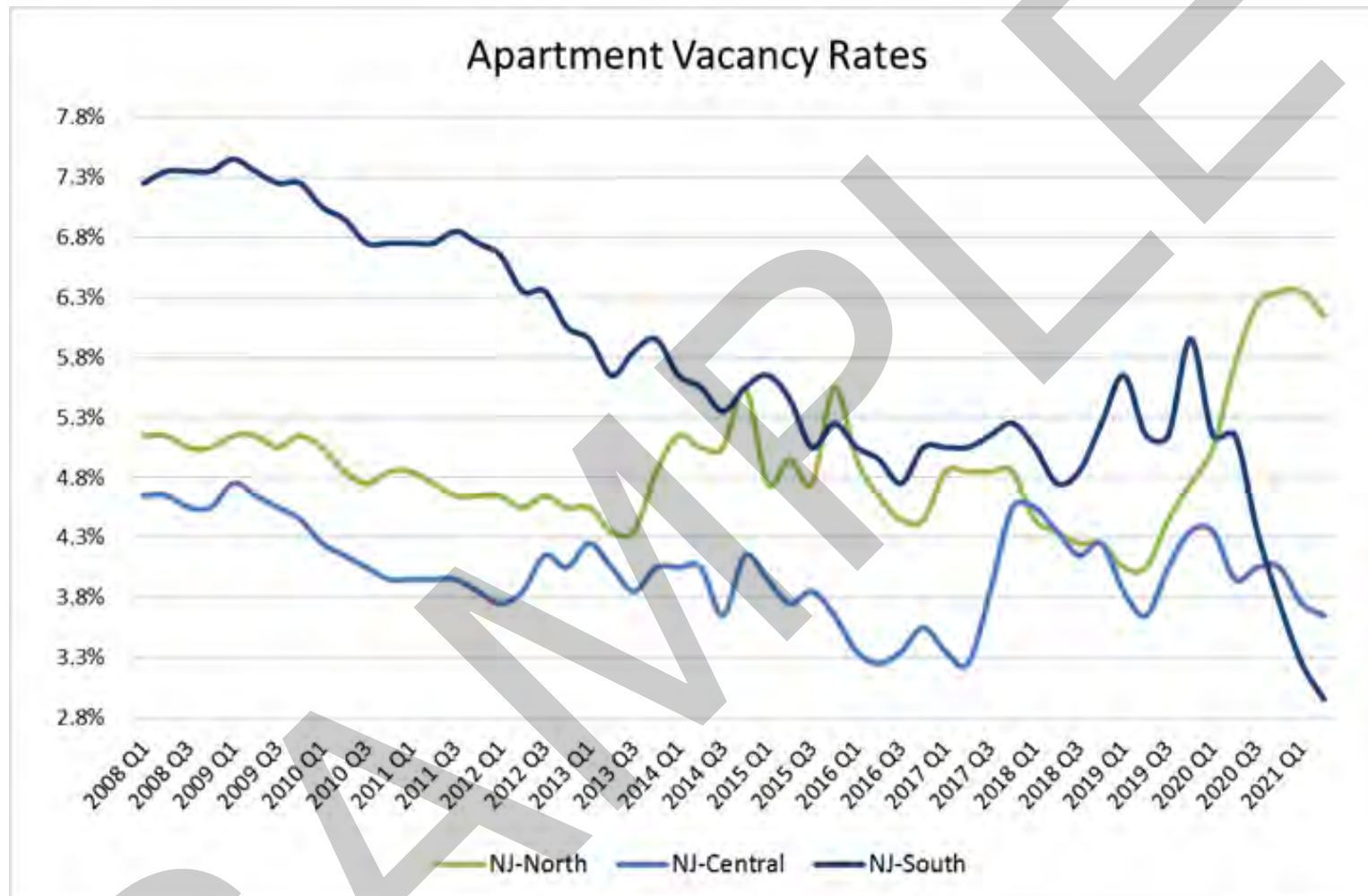
2021 April										Jan '20 v. Jan '21	Feb '20 v. Feb '21	Mar '20 v. Mar '21	Apr '20 v. Apr '21
COUNTY	% change		Market Swing	Months Supply						Contract Sales	Contract Sales	Contract Sales	Contract Sales
	Contract Sales	Unsold Inventory		Total Market	<\$400k	\$400k- \$599,999	\$600k- \$1mil	\$1,000,001- \$2.5mil	>\$2.5 mil				
Atlantic	53%	-47%	50%	2.4	2	2	3	9	7	22%	8%	94%	150%
Bergen	38%	-17%	28%	1.8	2	1	2	3	8	6%	-3%	37%	187%
Burlington	19%	-44%	32%	1.1	1	1	2	6	∞	1%	-8%	24%	75%
Camden	8%	-43%	26%	1.0	1	1	2	2	∞	1%	-21%	9%	55%
Cape May	36%	-59%	48%	1.9	1	1	2	3	4	45%	-18%	54%	123%
Cumberland	17%	-50%	34%	1.4	1	2	6	∞	∞	13%	-2%	15%	48%
Essex	25%	-22%	24%	1.2	1	1	1	1	3	-10%	-12%	27%	141%
Gloucester	9%	-43%	26%	1.0	1	1	2	∞	∞	-1%	-17%	5%	68%
Hudson	72%	25%	24%	2.8	3	3	2	3	4	22%	8%	93%	407%
Hunterdon	20%	-44%	32%	1.6	1	1	2	13	∞	4%	-19%	23%	118%
Mercer	31%	-25%	28%	1.5	1	1	2	3	8	9%	-16%	55%	107%
Middlesex	34%	-21%	28%	1.4	1	1	2	6	∞	-2%	-2%	38%	160%
Monmouth	24%	-46%	35%	1.2	1	1	1	2	5	-2%	-9%	29%	111%
Morris	44%	-44%	44%	1.1	1	1	1	2	4	19%	2%	38%	161%
Ocean	10%	-61%	36%	1.0	1	1	2	2	3	-7%	-13%	9%	74%
Passaic	21%	-29%	25%	1.4	1	1	2	∞	∞	2%	-19%	12%	151%
Salem	20%	-39%	30%	1.8	2	3	∞	1	N/A	6%	-22%	49%	51%
Somerset	42%	-43%	43%	1.0	1	1	1	2	10	9%	1%	35%	175%
Sussex	6%	-42%	24%	1.8	2	2	4	10	∞	-4%	-15%	7%	45%
Union	25%	-34%	30%	1.2	1	1	1	1	3	-2%	-3%	23%	113%
Warren	5%	-38%	22%	1.4	1	2	7	∞	∞	-17%	-13%	-4%	67%
<b>Statewide</b>	<b>26%</b>	<b>-37%</b>	<b>32%</b>	<b>1.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.5</b>	<b>2.5</b>	<b>5.5</b>	<b>3%</b>	<b>-9%</b>	<b>28%</b>	<b>114%</b>

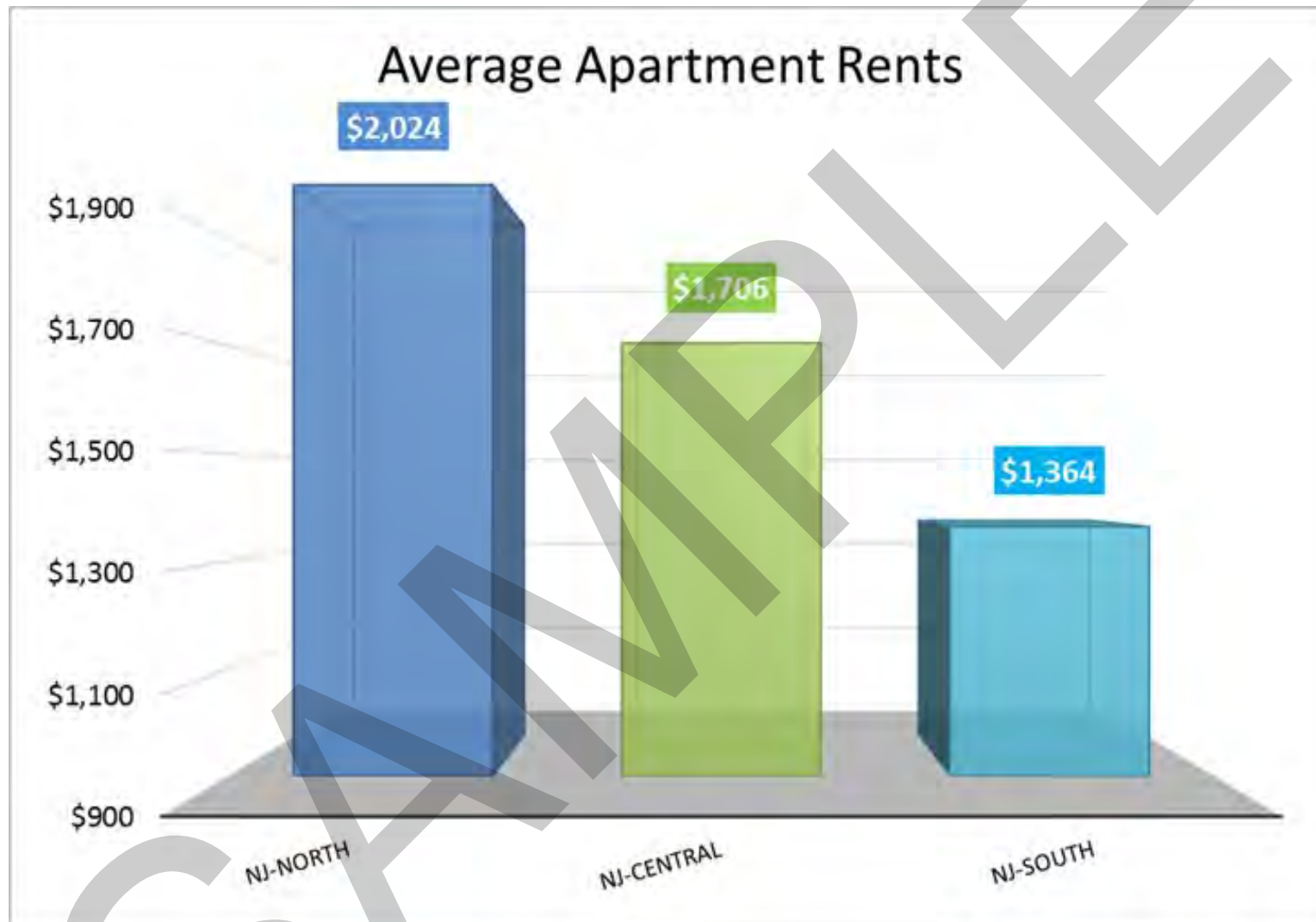
KEY: positive percentages for Contract-Sales and Unsold-Inventory indicate an increase in the indicator, while negative percentages indicate a decrease. Market Swing indicates the combined market change with positive percentages reflecting a strengthening and negative percentages reflecting a weakening of the respective market.

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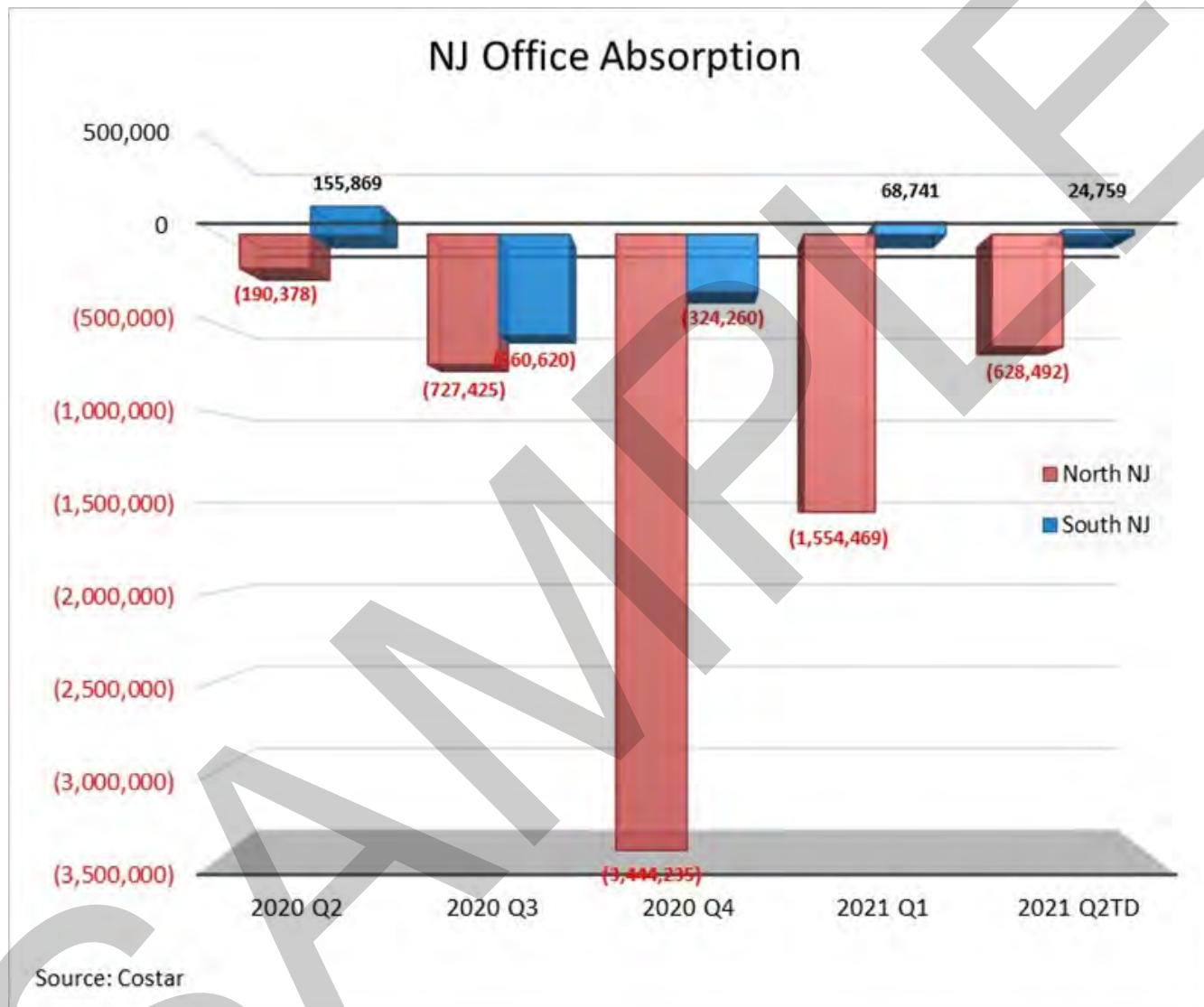
## HousingTRAC Monthly by OTTEAU.com

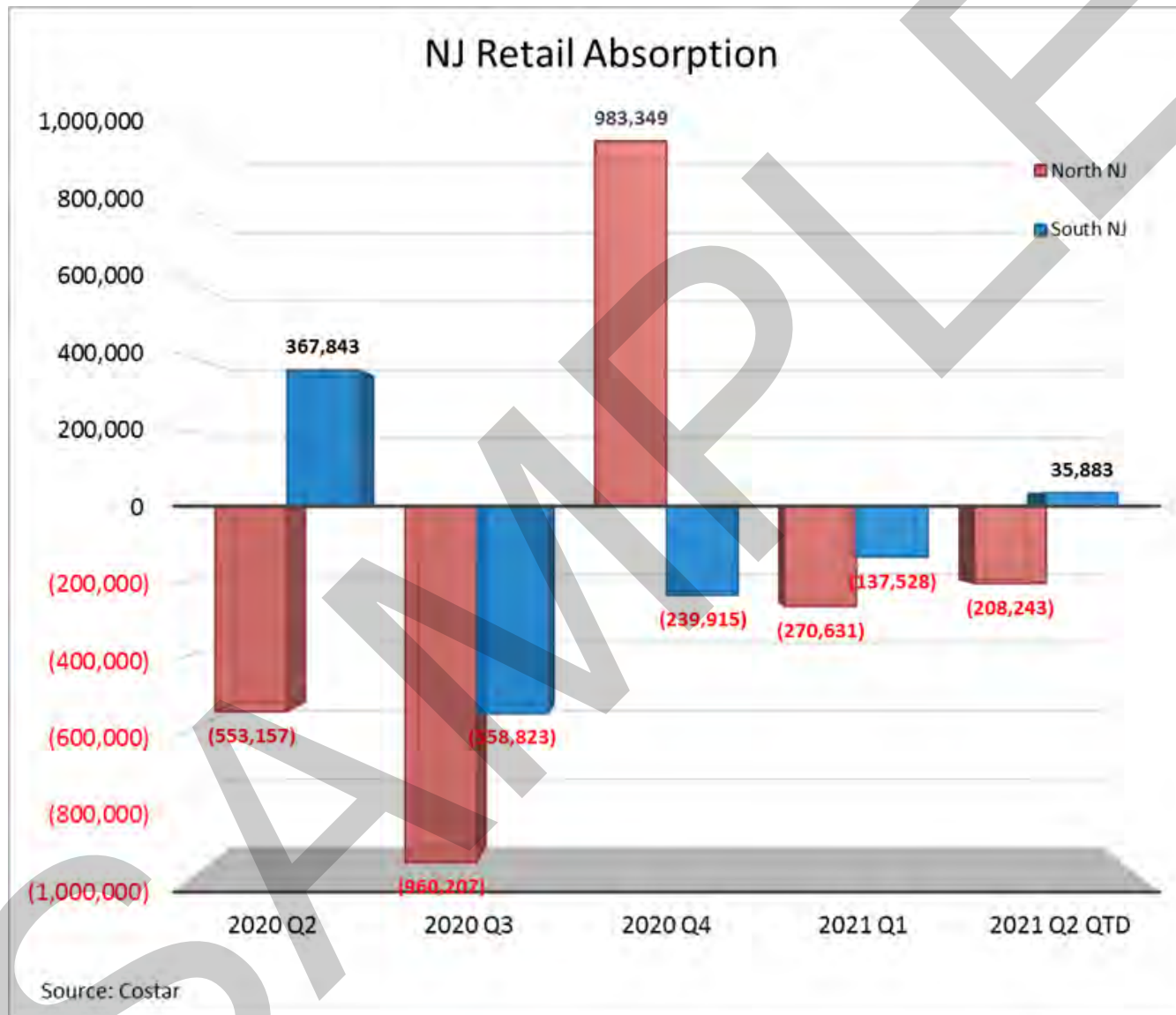
2021 YTD			Jan '20 v. Jan '21	Feb '20 v. Feb '21	Mar '20 v. Mar '21	Apr '20 v. Apr '21	May '20 W3 v. May '21 W3
COUNTY	% change Contract Sales	Unsold Inventory	Contract Sales	Contract Sales	Contract Sales	Contract Sales	Contract Sales
Atlantic	45%	-44%	22%	8%	94%	150%	19%
Bergen	45%	-18%	6%	-3%	37%	187%	71%
Burlington	19%	-40%	1%	-8%	24%	75%	18%
Camden	9%	-36%	1%	-21%	9%	55%	12%
Cape May	22%	-57%	45%	-18%	54%	123%	-17%
Cumberland	9%	-48%	13%	-2%	15%	48%	-19%
Essex	33%	-26%	-10%	-12%	27%	141%	62%
Gloucester	10%	-35%	-1%	-17%	5%	68%	11%
Hudson	85%	15%	22%	8%	93%	407%	147%
Hunterdon	32%	-46%	4%	-19%	23%	118%	77%
Mercer	34%	-20%	9%	-16%	55%	107%	43%
Middlesex	50%	-23%	-2%	-2%	38%	160%	112%
Monmouth	22%	-41%	-2%	-9%	29%	111%	17%
Morris	44%	-39%	19%	2%	38%	161%	45%
Ocean	11%	-56%	-7%	-13%	9%	74%	13%
Passaic	30%	-24%	2%	-19%	12%	151%	67%
Salem	13%	-33%	6%	-22%	49%	51%	-8%
Somerset	44%	-37%	9%	1%	35%	175%	52%
Sussex	9%	-41%	-4%	-15%	7%	45%	17%
Union	25%	-28%	-2%	-3%	23%	113%	26%
Warren	1%	-25%	-17%	-13%	-4%	67%	-9%
<b>Statewide</b>	<b>28%</b>	<b>-34%</b>	<b>3%</b>	<b>-9%</b>	<b>28%</b>	<b>114%</b>	<b>35%</b>

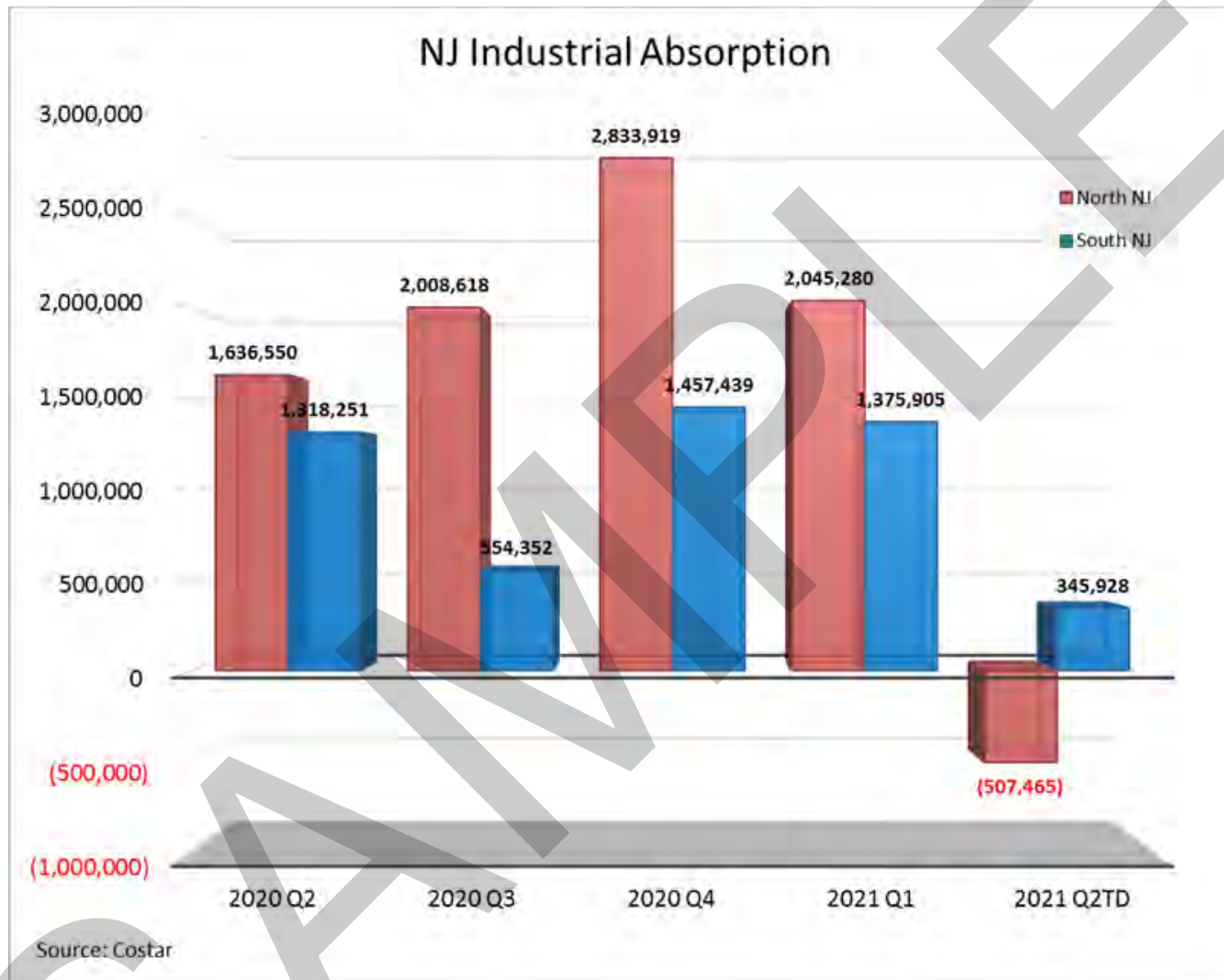


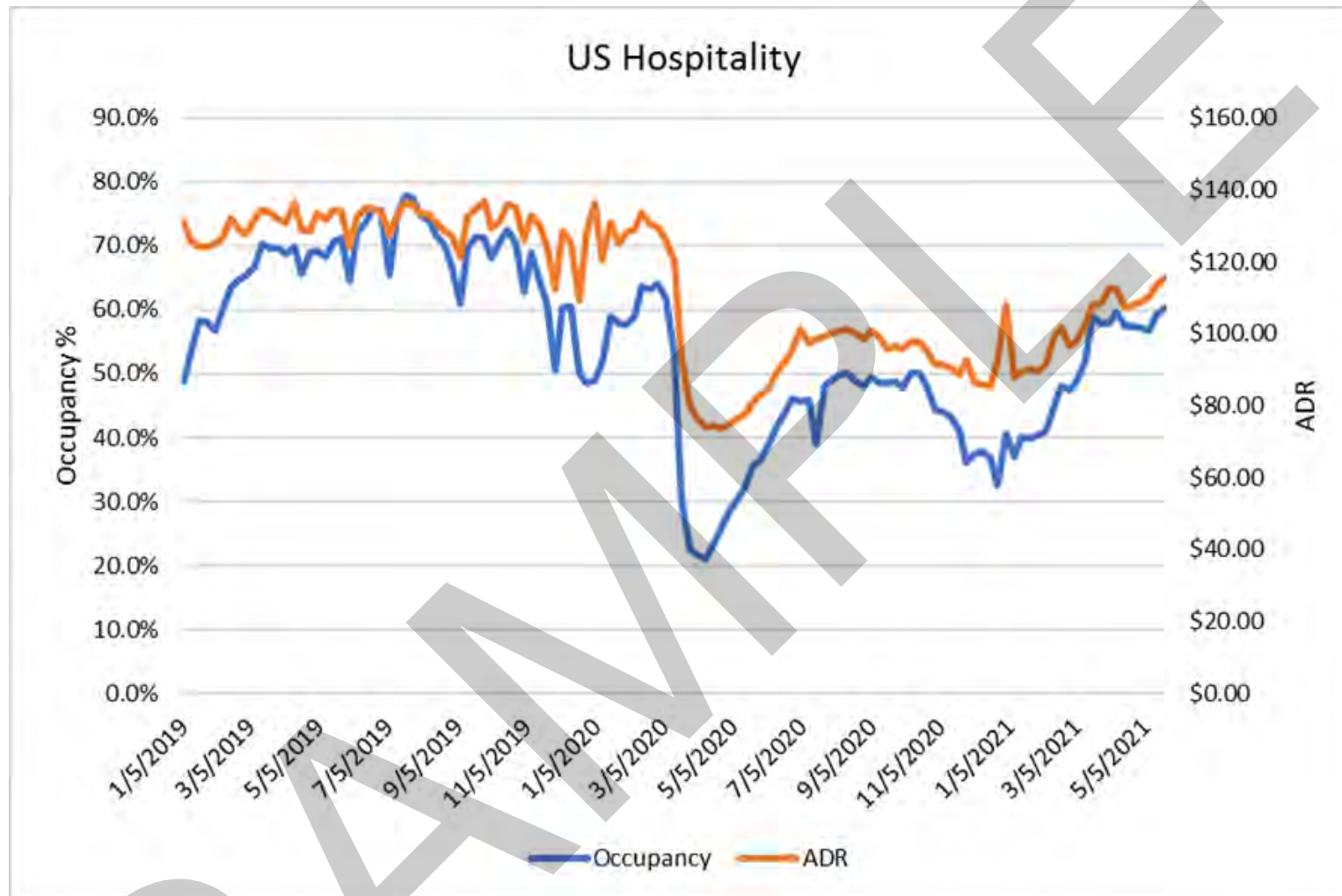


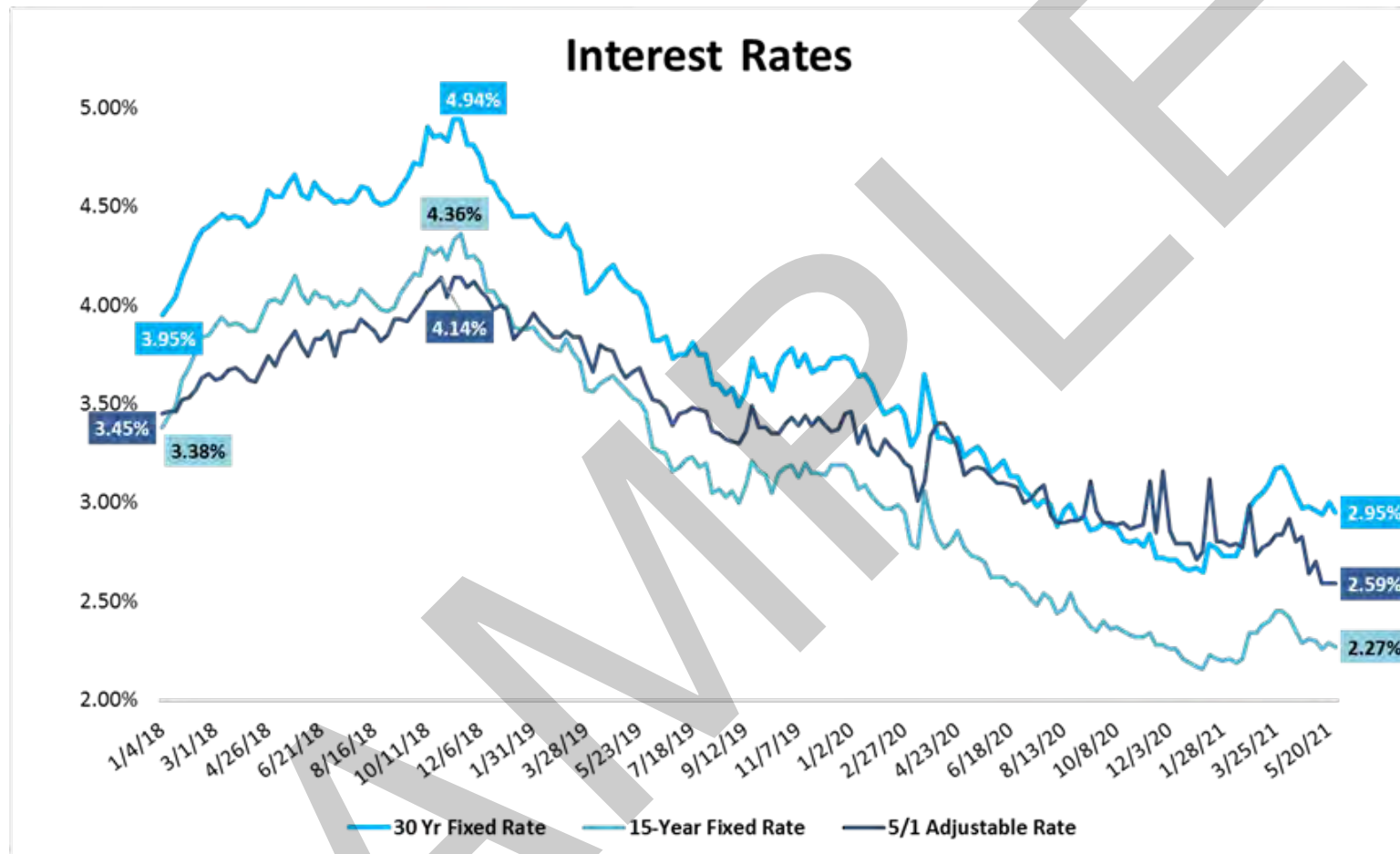




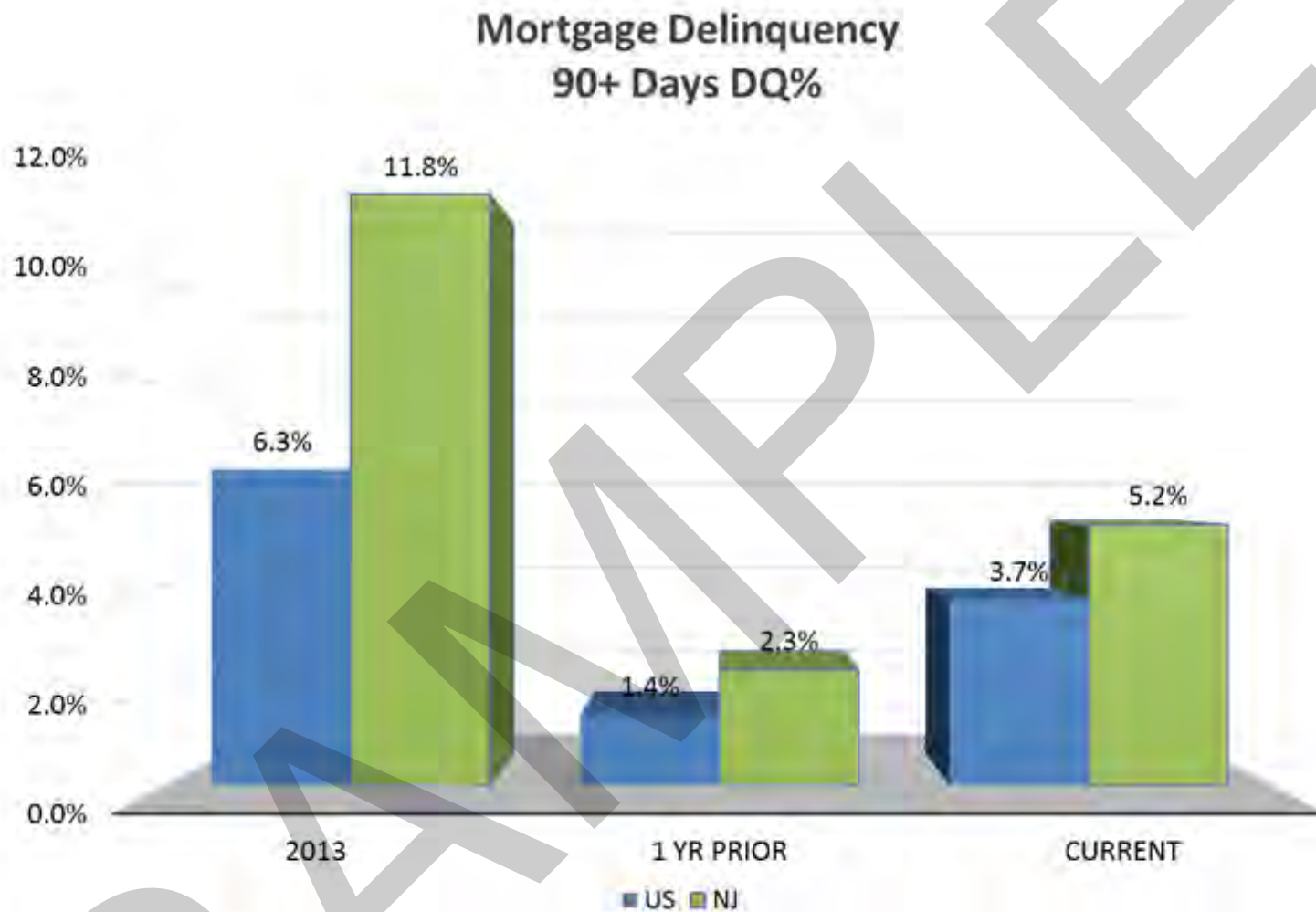












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