

# 11 INSIGHTS INTO THE NEW JERSEY REAL ESTATE MARKET

What's happening in New Jersey real estate? Here are 11 insights on New Jersey real estate market trends, straight from the pros:



## 1. Rental Properties in Urban Municipalities Are in Demand

Rick Brodsky, Shareholder, [Ansell Grimm & Aaron, PC](#)

Millennials primarily prefer to rent rather than own. They tend not to be looking for the commitment, maintenance headaches, and costs associated with home-ownership. With this, the vast majority of the larger multi-family residential development that is being constructed and successfully rented are located either in the more urban municipalities or in proximity to train stations. This enables these renters to actually live and commute to NYC or other areas without the necessity of having to own a car.

## 2. There's Still a Shortage in Inventory

Ralph DiBugnara, President, Home Qualified

In New Jersey, we are still facing an inventory shortage in some categories and a very stagnant market in others. In the high-end luxury market, because of the high property taxes in most New Jersey counties, we are seeing a lot of properties sit on the market for long periods of time. In the market below \$750,000, we are still seeing a lot of buyers looking and a very healthy amount of activity for both sellers and buyers



## 3. Multifamily Properties Make Great Investments

Mark Charnet, Founder & CEO, American Prosperity Group

Two- to four-unit family homes represent a greater investment potential of income and appreciation as opposed to a single-family residence. Taxes are a deal maker or breaker as they suck up profits and should be appealed at every annual opportunity to do so. Generally speaking, there are no better or worse areas to purchase in – only specific good, bad or average property deals that may be obtained. It's better to purchase a rental home with little to no debt so potential and eventual vacancies do not pull the investor underwater. Further, annual small rent increases are imperative to keep pace with inflation, tax increases, required repairs as well as insurance premium increases too.





#### **4. Camden Is a Good Place for Investing**

**Daniela Andreevska, Marketing Manager, Mashvisor**

The top location for buying a long-term rental property in the State of New Jersey is Camden. To begin with, property prices are very affordable, with a median value of \$85,600. The average cap rate for this rental strategy is 6.4%, much above the level in the other major cities in New Jersey. The average rental income amounts to \$1,130, which is excellent, taking into consideration the low real estate prices. Moreover, nearly two-thirds of the local population rents rather than owns a home, which translates into high rental demand from the point of view of real estate investors.

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#### **5. Single Family Homes Are Good Long-Term Investments**

**Guy Neumann, Partner, New Silver**

We really like single-family homes as long-term investments. The reason is that, especially around major metro areas around New York, homes are getting more expensive and younger folks can no longer afford to buy. However, as they get married and start families, they prefer to live in a house rather than an apartment, and so, they turn to rent. This opens up a great opportunity for both house flippers who can buy distressed, rehab, and resell to someone who is a long term investor, or directly to long-term investors, who can fix and rent single-family homes out.



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#### **6. Fix-&-Flippers in New Jersey Need to Be More Creative to Turn a Profit**

**Brian Dally, Co-Founder & CEO, Groundfloor**

Even in a hot real estate market, the fix and flip activity in New Jersey remains robust. During the past three years, the property acquisition costs rise, and flippers need to do more extensive work to be able to sell the property at a higher final price. In 2016 the average renovation budget of our NJ flippers was about 36% of the total loan amount. In 2018, the average renovation component increase to over 51%. Despite this trend, significant opportunities remain for skilled flippers and developers. It's also best to find a flexible lending partner.



## 7. New Jersey Provides the Perfect Opportunity for Residential Redevelopers to Acquire Distressed Properties

Than Merrill, CEO, FortuneBuilders

New Jersey has yet to fully distance itself from the depths of the latest recession, as the Garden State continues to wade through a backlog of foreclosure activity. As a result, the state now boasts the largest ratio of distressed properties in the country. Despite carrying the title of the state with the highest foreclosure ratio in the US, New Jersey has made promising strides in an attempt to return to normalcy as the number of foreclosure filing is now 20% lower compared to last year. New Jersey represents the perfect opportunity for residential redevelopers to acquire distressed properties, and increase both the perceived and tangible value of local neighborhoods. Real estate investors have the chance to make a meaningful impact in neighborhoods devastated by foreclosures.



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## 8. Jersey City is a Great Place to Invest in Rental Properties

Alyssa Tomashek, Marketing Specialist, Visio Lending

Jersey City, much like the Bronx, has attracted Millennial renters with its proximity to Manhattan without being as expensive as Manhattan. And with 70% of the population being renters, you'll have no issues finding tenants.



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## 9. There are Some Great Finds Along the Jersey Shore

Dannielle Boozer, Director of Marketing, Rented.com

While no New Jersey city made the top 150 best places to buy a rental property on our list, there are still some great finds along the Jersey Shore. The price barrier to enter the space can be high due to the fact that the market has been established for quite some time. The shore has traditionally shut down after Labor Day, which limits the season. However, markets like Cape May are adding events and keeping businesses open longer to attract more spring and fall visitors. Point Pleasant continues to be a strong market despite being hit hard by Hurricane Sandy in 2012.





## 10. Expect a Continued Housing Inventory Shortage for SFRs

**Gerald Lucas, Managing Director, Performance Property LLC**

There will be a continued housing inventory shortage for single-family homes. This is due to a lack of new building projects because of very high land, construction, and labor costs, as well as restrictive building ordinances and codes that discourage new construction, especially for starter homes. One house per five acres of land in NJ, the nation's most densely populated state, didn't make a lot of sense in 2018. To give you some perspective on the lack of building, in 2005, 25,000 new houses were built in NJ, in 2017 only 10,000 homes were built.

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## 11. Buyers are Becoming More Selective & Waiting to Make Offers

**Suzy Minken, Realtor, Berkshire Hathaway HomeServices – New Jersey Properties**

There seems to be a “perception gap” in the NJ real estate market. Buyers focus on the list price of homes that decline in a series of price reductions and wonder if prices will continue to come down. They consider the impact of recent tax reform and deductibility of property taxes, making it more expensive to own homes with high property taxes. And with mortgage interest rates on the rise, buyers are hesitant to move forward, thinking that this might bring home prices down in the spring, so they want to “wait and see.” Yet when buyers perceive there is “value” and the home works well for their needs, they will take action and make an offer. In other words, the “perceived value” in the eyes of the buyer needs to be there.



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### Bottom Line

Generally, New Jersey is still slowly recovering from the 2009 Great Recession. There are areas seeing high demand and low supply, which result in increasing prices. Rental properties are great investments, and there are many areas that offer various opportunities for both big and small real estate investors.