

NORTHERN NEW JERSEY MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]



Jobs Added / Lost

LAST 12 MONTHS

20,800

↑ 1.7%

NEXT 12 MONTHS*

4,000

↑ 0.3%

Unemployment

MIDYEAR 2023

3.7%

↑ 30 BPS YOY

MIDYEAR 2024*

4.1%

↑ 40 BPS YOY

*Projected

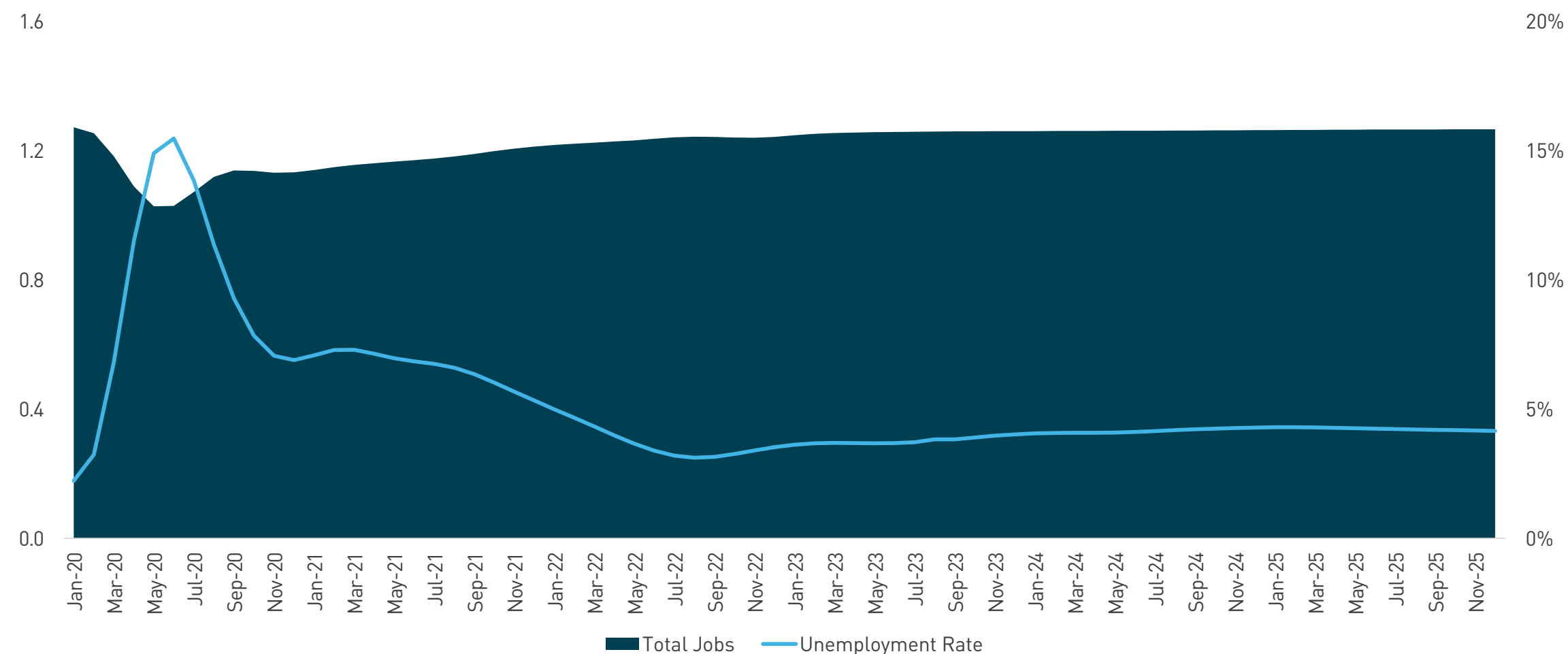
NORTHERN NEW JERSEY EMPLOYMENT

After sharp declines in total employment during the pandemic, the most recent job numbers in Northern New Jersey show a continuing path to recovery. During the first half of 2023, employers added 14,900 jobs, with 52% of those gains from additions in the market's two largest sectors: private education and healthcare and trade, transportation, and utilities. Renowned for their prestigious private schools specializing in the arts and STEM programs, private educational institutions are adding experienced educators as well as increasing administrative staff who can efficiently manage school operations. In the private healthcare sector, hospitals and medical centers are actively recruiting skilled physicians,

specialists, and nurses to provide medical care. Recent growth in technology in healthcare has also led to a need for IT professionals and data analysts to manage and analyze patient information securely.

The region continues to receive a boost from the logistics industry. The supply chain shortage of 2020 has led to an increased need for warehouses and distribution facilities. With its prime location in the middle of the Northeast corridor, companies like Amazon, FedEx, and List Logistics have all increased their presence here within the last year. Job gains were also robust in the leisure and hospitality sector, which added a metro-leading 9,300 jobs so far this year.

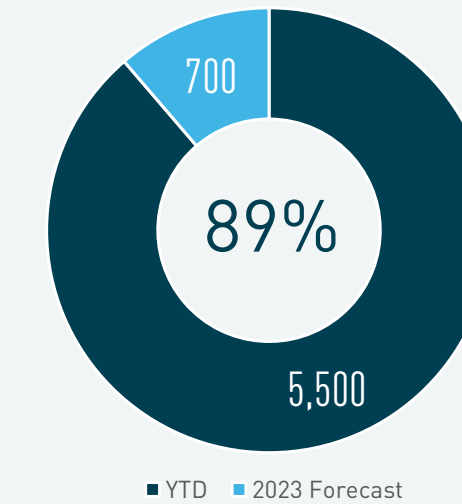
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE INDUSTRY



17%
OF ALL JOBS IN THE METRO

\$118,800
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers



7,200 JOBS



5,300 JOBS



3,900 JOBS

In The News

- Onyx plans Life Science hub in Kenilworth
- Enzene Bioscience expanding to New Jersey with \$50 million investment
- EAD Engineering opens U.S. regional office in Parsippany



NORTHERN NEW JERSEY DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

13,986

ABSORPTION

12,526

2024 Units*

DELIVERIES

22,080

ABSORPTION

20,315

*Projected

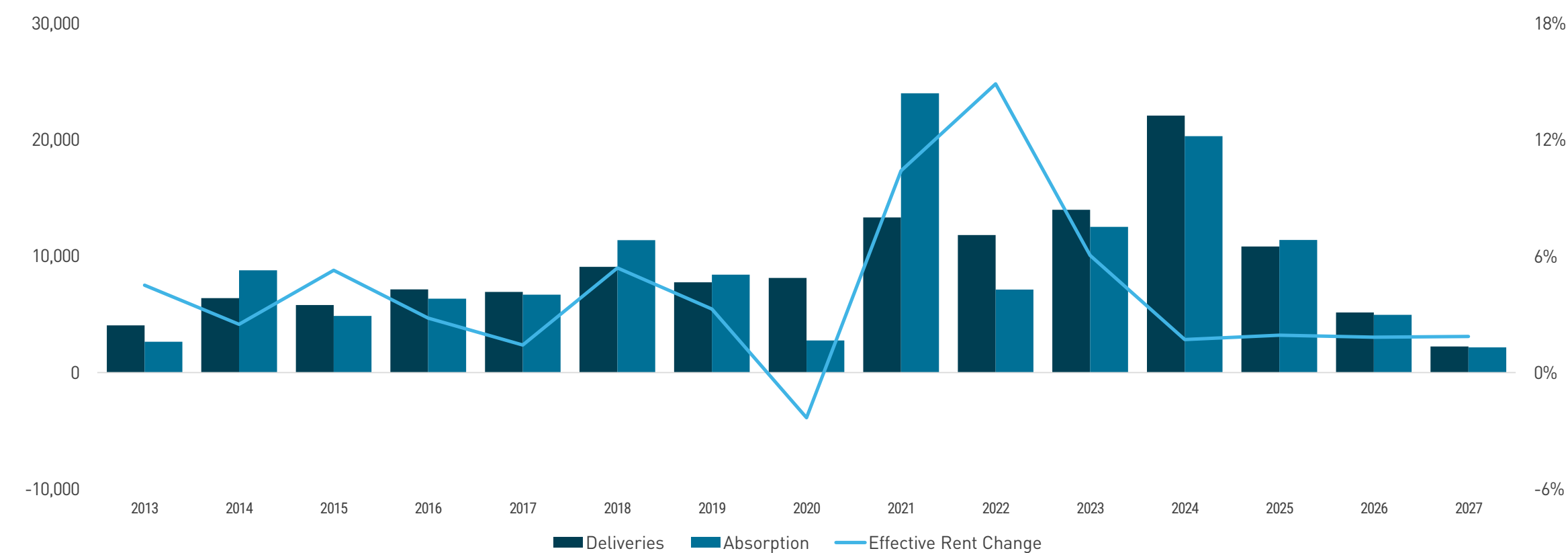
The Northern New Jersey multifamily market is in the midst of a supply wave that began in 2021 and is expected to crest around the end of 2024. Developers added nearly 5,150 units during the first half of 2023, roughly 37% of the anticipated 13,980-plus units projected to deliver during the calendar year. If the estimated number of units comes to fruition this would represent the highest number of new units added during a calendar year.

With Northern New Jersey's extensive transit connectivity to New York City, opportunistic apartment developers have bet on transit-oriented developments which include ground floor retail and roof-top amenities. Through the first half of 2023, net absorption has continued to follow

historical trends of a slow first quarter that leads into a busy summer leasing season. Just under 3,360 net new leases were signed during the first half of 2023, 62% of which were signed during the second quarter alone.

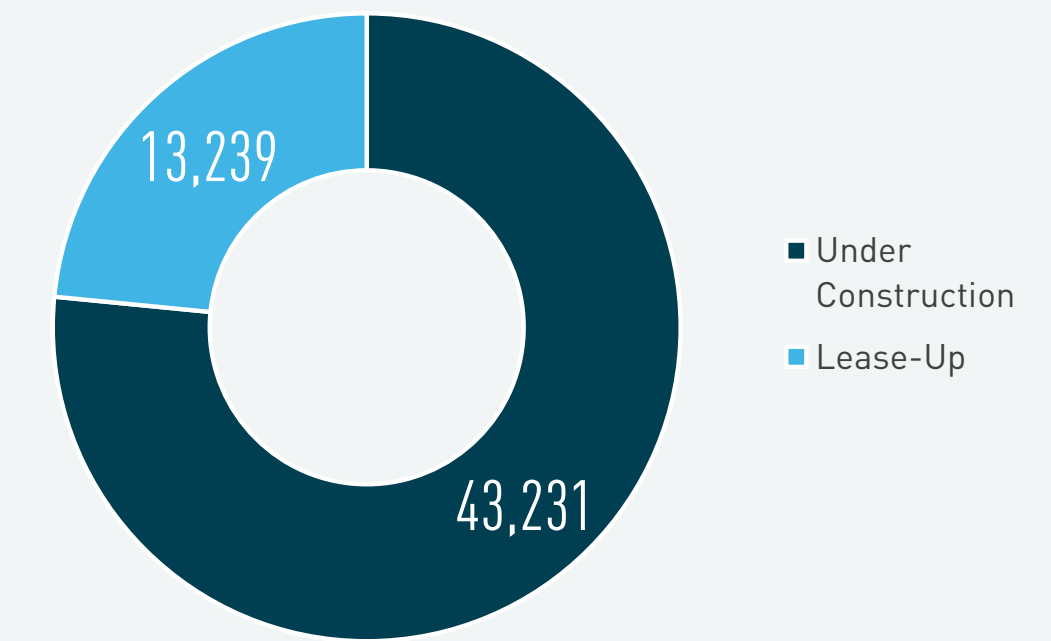
Looking ahead to the remainder of 2023, leasing activity is expected to elevate substantially as the year-end total is forecast to surpass 12,525 net move-ins. This would begin to restore the supply-demand balance to Northern New Jersey, reflective of market conditions prior to 2020.

Deliveries, Absorption, & Effective Rent Change

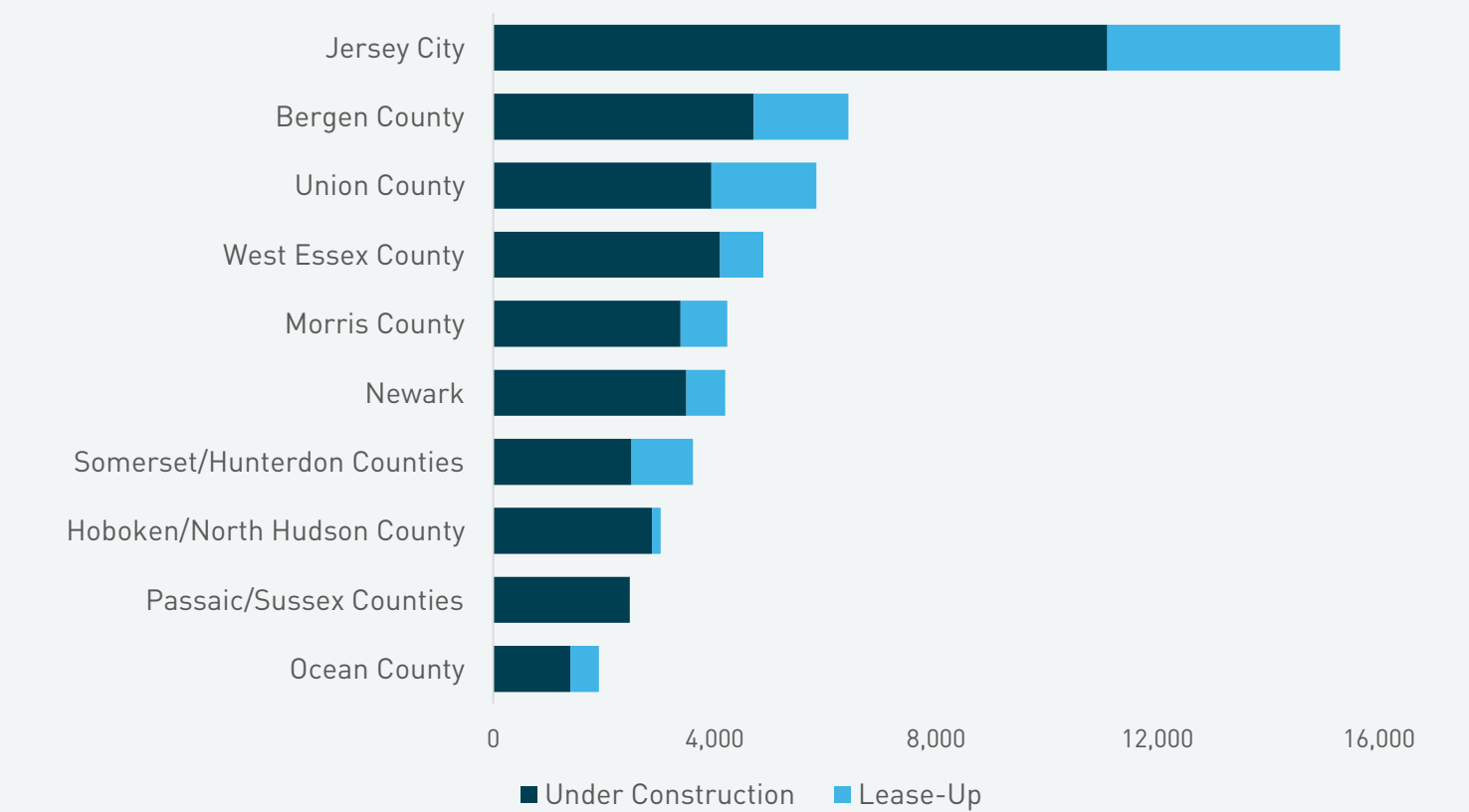


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines





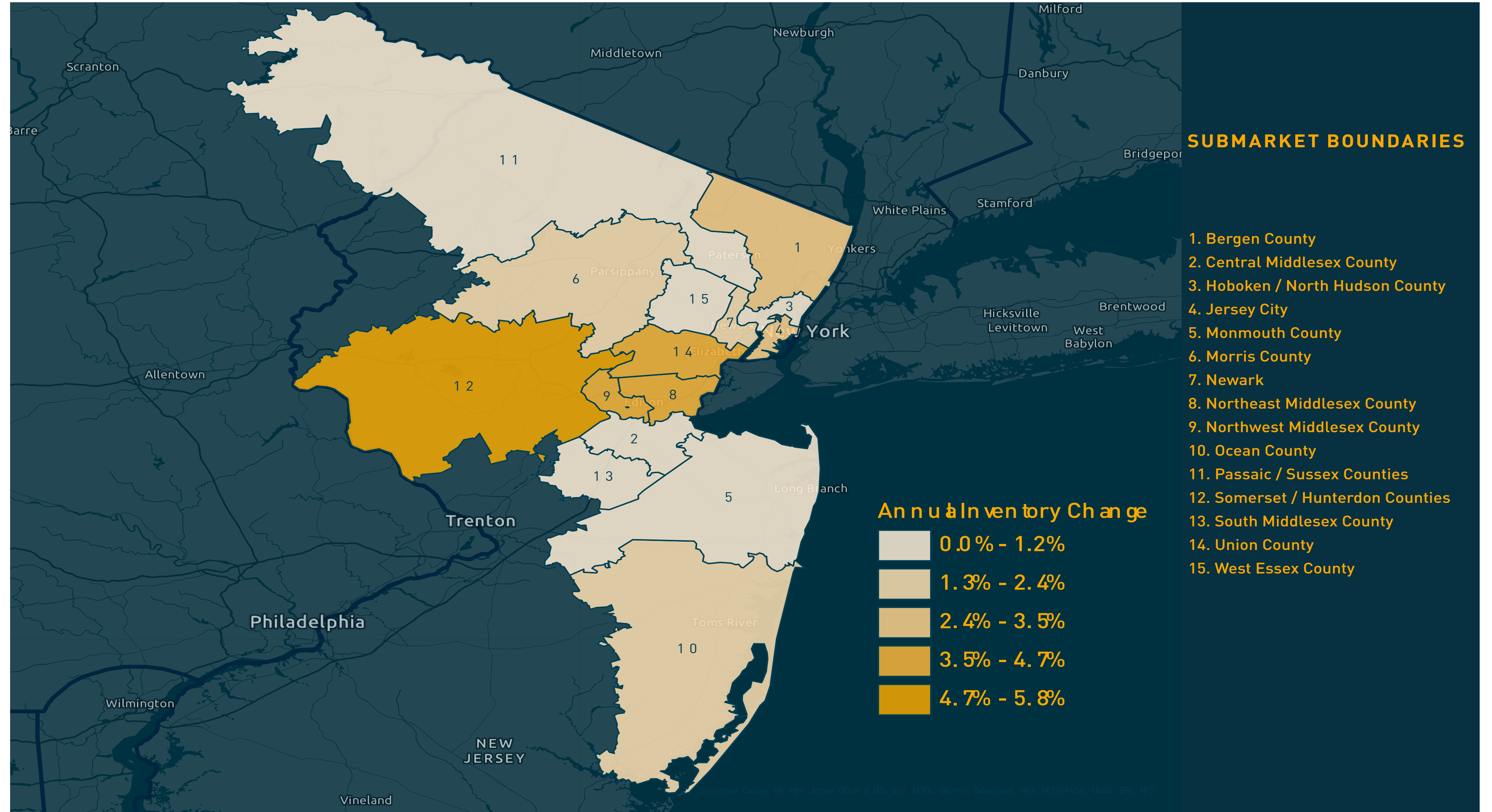
Multifamily development continued to be focused within Northern New Jersey submarkets that are within a short commute to New York City through the New Jersey (NJ) Transit and PATH train systems.

Union County paced the market with 974 units delivered during the first half of 2023. A prime example of transit-oriented development in the region 55 Union in the Newark submarkets North Ironbound neighborhood. Within walking distance to Newark Penn Station, the project is composed of 403 units spread across a 12-story building.

Just across the Hudson River from Brooklyn in the Jersey City submarket, the 651-unit Citizen Bayonne property in Bayonne was the largest development to come online in the market this year. The property is located within a half mile of the 34th Street light rail station and is within walking distance of Bayonne's downtown center.

NORTHERN NEW JERSEY

SUBMARKET ANNUAL INVENTORY CHANGE





NORTHERN NEW JERSEY RENT & OCCUPANCY

Effective Rent

Q2 2023

\$2,587

↑ 9.9% YOY

Occupancy

Q2 2023

97.0%

↓ 120 BPS YOY

Even in the face of an unprecedented supply wave the Northern New Jersey multifamily market is on historically strong footing thanks to rent growth that ranked among the best in the nation. Average effective rent climbed 9.9% annually through the first half of 2023, reaching \$2,587 per month. While rent in the market is among some of the highest in the country, it offers a substantial discount to New York City, specifically Brooklyn and the lower Manhattan submarkets located just across the Hudson River.

After concessions peaked during the fourth quarter of 2021, values have continued to decline, as has the percentage of units offering concessions. At the midway

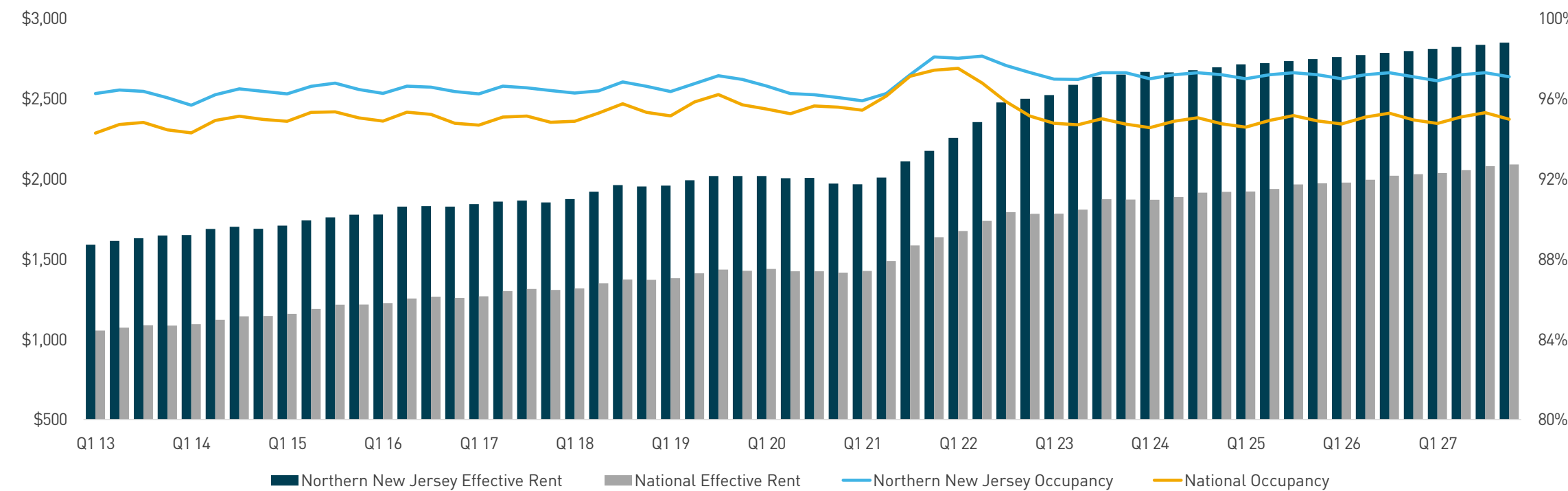
point of 2023, concession values were at \$189 with 8.7% of units offering concessions, well below the historical 10-year average of 12.8%.

The supply-demand imbalance has caused an expected dip in average occupancy. Despite the 120-basis-point annual decline, the average occupancy rate remains at a healthy 97.0%. Looking ahead occupancy rates are expected to remain stable as favorable growth in two key renter age groups is expected. Household formation among the 25- to 39-year-olds and move-down renter aged 55 to 64 are growing. Combined these age groups total 3.1 million, providing a large pool of renters for the foreseeable future.

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Bergen County	96.7%	-120	\$2,749	6.1%
Central Middlesex County	96.5%	-100	\$2,014	9.1%
Hoboken/North Hudson County	96.7%	-90	\$3,464	8.5%
Jersey City	96.7%	-110	\$3,616	9.1%
Monmouth County	98.0%	-120	\$2,162	6.2%
Morris County	97.3%	-80	\$2,307	11.7%
Newark	97.3%	-70	\$1,766	8.7%
Northeast Middlesex County	96.8%	-120	\$2,184	14.5%
Northwest Middlesex County	98.3%	-60	\$2,087	8.1%
Ocean County	99.1%	-50	\$1,937	14.5%
Passaic/Sussex Counties	96.1%	-250	\$2,064	12.0%
Somerset/Hunterdon Counties	96.7%	-200	\$2,259	5.8%
South Middlesex County	96.4%	-120	\$2,041	3.0%
Union County	96.3%	-200	\$2,267	8.7%
West Essex County	97.6%	-70	\$2,318	7.1%

Northern New Jersey vs. National Effective Rent & Occupancy



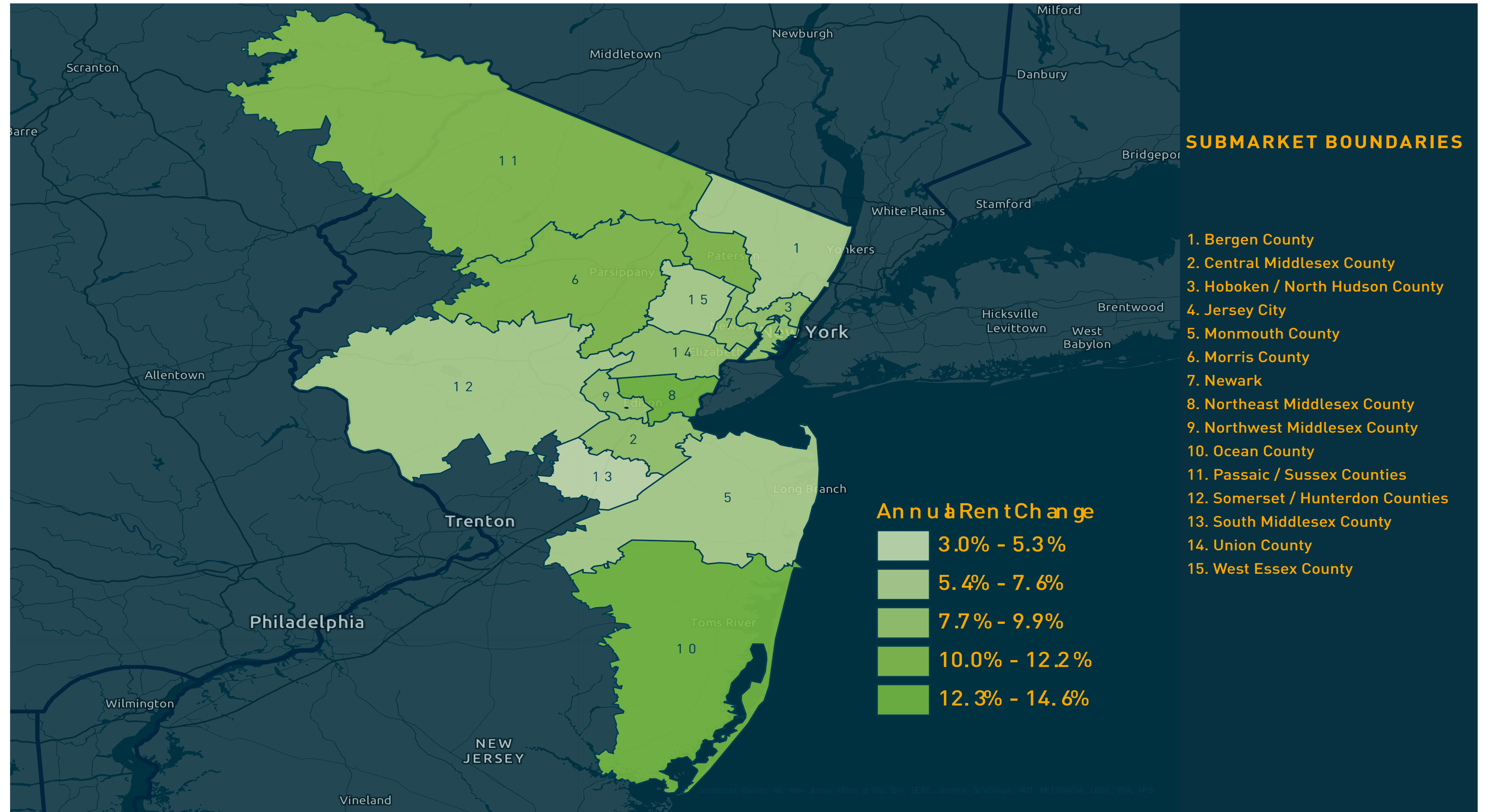
Source: RealPage



NORTHERN NEW JERSEY

SUBMARKET ANNUAL RENT CHANGE

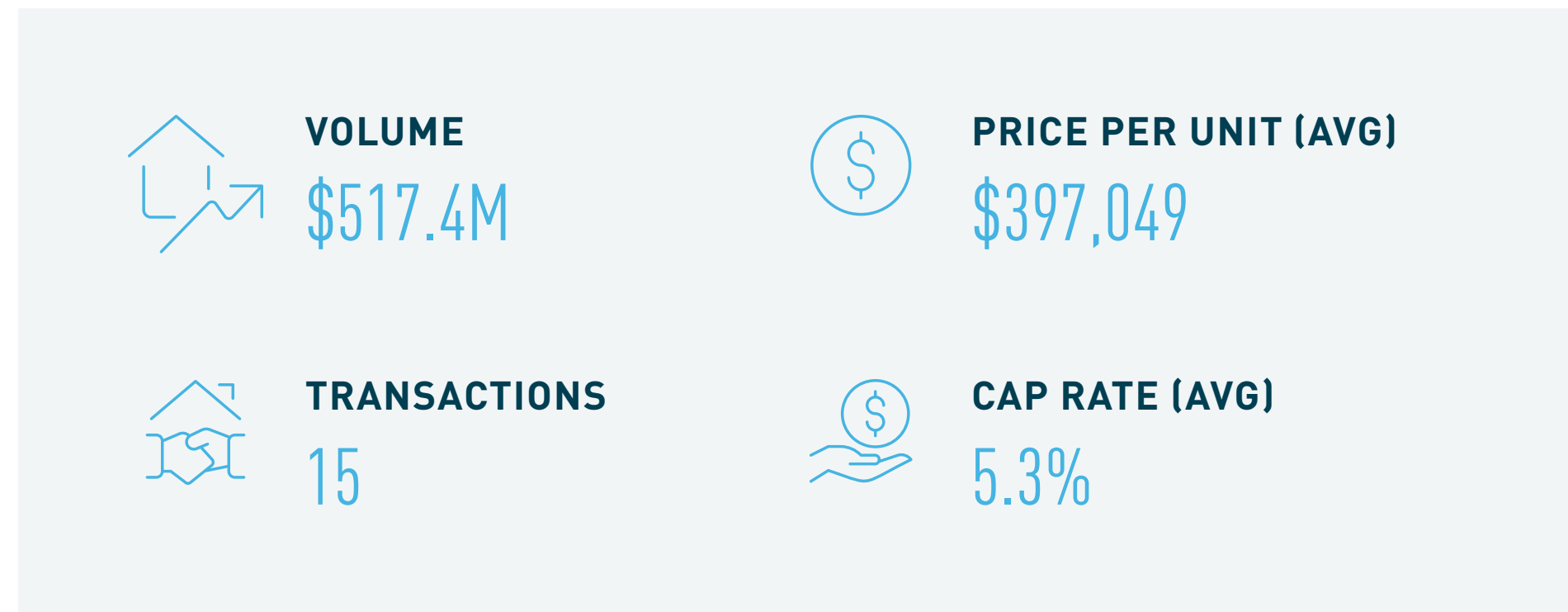
Market rent growth was fueled by double-digit gains in four of Northern New Jersey's fifteen submarkets. Rent gains were the strongest among the market's more affordable submarkets that were impacted less by the supply influx. Ocean County and Northeast Middlesex County received roughly 8% of all new inventory over the past year and simultaneously recorded a 14.5% increase in annual effective rent. Even with the sizable increase, average rents were 33% and 18% below the market average in Ocean County and Northeast Middlesex County, respectively. Furthermore, Ocean County was the only submarket in the market without any concessions offered as of the end of the first half of this year. Operators in the northwestern suburbs of Morris, Passaic, and Sussex Counties also benefitted from double-digit rent growth and have seen limited new supply over the past year.





NORTHERN NEW JERSEY SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Skylight Real Estate Partners	New York, NY
Cammeby's International Group	New York, NY
Harbor Group Int'l	Norfolk, VA
Pacific Coast Capital Partners	Los Angeles, CA
Invesco Real Estate	Atlanta, GA

Top Sellers**

SELLER	LOCATION
Salem Management Company	Union, NJ
Pantzer Properties	New York, NY
Kushner Real Estate Group	Bridgewater, NJ
The Manufacturers Life Insurance Co.	Toronto, Canada
The Hampshire Real Estate Companies	Morristown, NJ

**Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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