

2019 FORECAST ISSUE



REAL ESTATE FORECAST

Even before political and trade conflicts recently erupted, real estate developers across New Jersey and elsewhere were facing a host of opportunities and challenges going into 2019. Now, in addition to confronting the specter of increasing interest rates, a possible economic slowdown, and changes in the way that people work, they've got short-term concerns like the fallout of possible gridlock in Washington, D.C. How will they respond? Developers have to look years ahead, so a laser-like focus on long-term trends helps, according to experts.

Jonathan Schwartz

Partner, BNE Real Estate Group

We're still bullish on the New Jersey rental market. We've got three in-progress projects in Jersey City, Harrison, and Teaneck that will start lease-up in 2019; and we're breaking ground on additional phases in Jersey City and Harrison, and awaiting final approval in a few more towns.

Interest rates are likely to rise in 2019, and construction costs are going up because of the trade war with China. But rents will probably stay relatively flat since there's a lot of supply coming on line, so we're staying conservative in our underwriting. Still, demand is so strong that multiple projects can still lease up.

For the past decade or so, the market been driven by millennials, but now we're seeing more baby boomer empty nesters returning to rentals. Both generations want walkability and proximity to shopping, although the empty nesters tend to want larger units.

But everyone wants luxury product with amenities like a great fitness center that has lots of equipment, a pool, and private workspaces outside of their apartment. The multiple generations also want a sense of community, with expanded spaces where they can meet others. So, many of these projects have on-site movie theaters, lounges, coffee areas and other spaces that help deliver a community environment.

