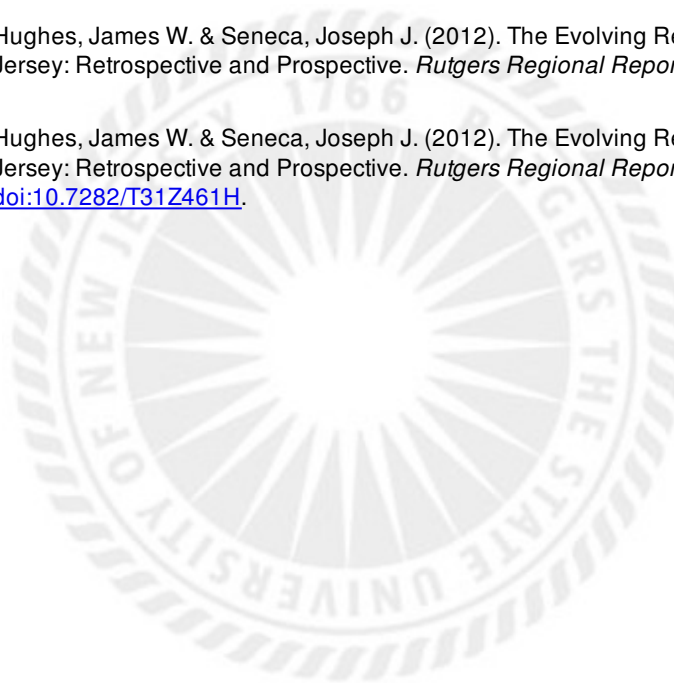


## The Evolving Rental Housing Market in New Jersey: Retrospective and Prospective

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# The Evolving Rental Housing Market in New Jersey

## RETROSPECTIVE AND PROSPECTIVE

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## Introduction

A tsunami of demographic and economic forces has redefined the demand for rental housing in New Jersey. A rental focus has now supplanted the long-standing homeownership frenzy that finally expired with the bursting of the home-price bubble and the global credit crisis. In order to gain perspective on this recent transformation of the state's housing market, it is useful to examine the long-term history of rental housing in New Jersey. That is the purpose of this report.

The first three sections briefly set the current demographic and economic stage. Section 1 reviews the fundamental demographic influences on the demand for rental housing that have deeply affected the industry. Section 2 discusses the interface between these demographic factors, their effect on household income, and hence the demand for rental housing. Section 3 reviews the profound impact of new macroeconomic conditions on housing markets in general and the implications for rental housing. With this background, section 4 provides both an overview of the history of rental housing in New Jersey and a detailed description of the phases of its evolution. Section 5 provides a concluding discussion on the outlook for rental housing.

### 1. Current Demographic Forces

To a large degree, demography is once again proving to be destiny and is one of the underlying forces currently underpinning the resurgence of rental housing. The demographic long waves defining the second decade of the twenty-first century have produced three distinct housing-demand growth sectors: the *baby boom*, the *echo boom*, and the *foreign-born*. The fabled baby-boom generation, born between 1946 and 1964, has forced the reinvention of New Jersey's housing markets and their geography at each of its life-cycle stages. This process is now entering its ultimate phase.

- This 18-year-long demographic cohort of births is now redefining advanced middle age and beyond as it is now 48 to 66 years old.
- Boomers are beginning the process of vacating the suburban, freestanding, single-family housing-unit market as they resize and pursue empty-nester lifestyles.

The echo-boom generation—largely the baby-boom offspring born 1977 to 1995 and now 17 to 35 years old—defines entry-level housing demand.

- While many echo-boomer values and lifestyle preferences differ from their baby-boom parents, the same proclivity to rent is prevalent at this stage of the life cycle.

Consequently, the two principal age-structure growth sectors are *maturing 60-somethings* and *young 20- and early 30-somethings*.

- This combination of baby-boom and echo-boom dynamics is leading to the most significant age-structure transformation in the state's history, with significant ramifications for shelter size and tenure.
- Thus, the dominant stage-in-life-cycle sectors—new households starting out and mature households winding down—are not single-family-unit centric, but are, instead, much better suited to smaller-scale rental accommodations.
- This reflects the continuation of the historic linkage between age and housing-consumption preferences.

The third cohort of emerging demand consists of the foreign-born on a scale and diversity that rivals the immigration waves of more than a century ago.

- Their shelter needs and demand are also less focused on single-family homeownership.

## 2. Demographics and Income

Another key demographic force is household fragmentation. Lifestyle and socioeconomic changes have been powering a furious process of household segmentation and diversification in New Jersey and in the nation.

- The major dynamic has been the surging growth of single-person households and single-parent families. By definition, these are single-income household units.
- At the same time, there is only slow growth in traditional married-couple families, many of which are dual-income households.
- Consequently, the household growth sectors are those with income/economic capacity constraints, and many of these households are finding homeownership out of their financial reach.

## 3. Economic Imperatives

Thus, there are significant shelter needs that derive directly from the dynamics of demographic fundamentals, and secondarily from the intersection of these demographic changes with basic economic imperatives. In addition, the emergence of new post-recession economic normals is contributing to the transformation of the housing-tenure equation.

- The credit bubble of the decade of the 2000s and resulting excesses on both the demand and supply sides pushed homeownership levels across America and across New Jersey to unsustainable highs. A painful correction process of rebalancing homeownership and rental tenure continues.
- At the same time, the desire for homeownership is being thwarted by a number of specific economic constraints.
  - The post-recession economic recovery has produced insufficient jobs to return housing demand and purchasing power to pre-recession levels.
  - The condition is likely to persist since deep financial crises tend to be followed by difficult and prolonged recovery periods.

- New conservative/restrictive lending standards spawned by the bursting of the credit bubble are limiting mortgage access to only the most creditworthy.
- Young households' higher-education debt burdens are widespread and, when combined with weak job prospects, hinder access to mortgage credit, and/or render homeownership unaffordable.

Moreover, one of the aftershocks of the bursting of the housing bubble, and plummeting house prices, may be the declining allure of homeownership. The core American belief in housing as investment, as the always reliable super piggy bank, may now be a historical artifact. Now, for millions of Americans, homeownership has meant lost equity and has also become a major constraint on geographic mobility, further diminishing its former reliability as the ultimate safe and secure asset.

The bottom-line result of the confluence of these current forces is a renewed focus on rental housing in New Jersey. How did we get to where we are today?

## 4. Rental Housing History

During the past 100 years, rental housing in New Jersey was driven by both demographic and economic change. The earliest rental structures were linked to the great immigration waves of a century ago and the housing needs of an urban-industrial New Jersey economy. Then, when continued industrialization spawned an emerging middle class in the first three decades of the twentieth century, non-family or childless households sought more substantial rental accommodations, leading to the construction of large multifamily structures. The Great Depression essentially ended this era. That legacy remains nevertheless, and more than one out of five (22.5 percent) of New Jersey's current supply of renter-occupied housing units was built in 1939 or earlier (table 1).

Following the Great Depression and World War II, returning veterans and their varied shelter needs led to a proliferation of garden apartments in the state. While not nearly as ubiquitous as the vast single-

**TABLE 1**  
**Year Structure Built, New Jersey**

	Absolute Number of Renter-Occupied Units	Share of Renter-Occupied Units (%)	Share of Owner-Occupied Units (%) <sup>a</sup>
<b>Occupied Housing Units</b>	<b>1,035,989</b>	<b>100.0</b>	<b>100.0</b>
<b>Year Structure Built</b>			
2000 or later	68,375	6.6	7.7
1990 to 1999	66,303	6.4	10.7
1980 to 1989	101,527	9.8	12.9
1960 to 1979	305,617	29.5	26.4
1940 to 1959	261,069	25.2	25.2
1939 or earlier	233,098	22.5	17.1

*Note:* a. There are 2,116,888 owner-occupied units.

*Source:* U.S. Census Bureau, 2009 American Community Survey (5-Year Estimates, 2005–2009).

family tract developments that swept the state at the same time, garden apartments also remain a very visible and integral part of New Jersey's current rental inventory. Just over one out of four (25.2 percent) of the state's occupied rental housing units was built between 1940 and 1959 (table 1). Thus, close to one-half (47.7 percent) of New Jersey's current renter-occupied units are now 50 years or older (i.e., built before 1960).

As household incomes soared in the 1950s and 1960s, more upscale mid-rise and high-rise apartments emerged in the 1960s and 1970s, occupied by more affluent renters. Then, the fabled baby-boom generation, that oversized population cohort born between 1946 and 1964, became the overwhelming demographic dynamic, a role it continues to play today. Many developers adopted a strategy of "life-cycle riding" of the baby boom, catering to the shelter needs of boomers at each stage of their life cycle. Initially, the first stage was

providing the basic shelter to house and rear the baby boom itself, largely accomplished in New Jersey through the burgeoning of single-family suburbia. But, by the late 1960s, the baby boom started to enter the housing market directly and in full force. As a result, a second postwar wave of garden apartment and other rental development commenced.<sup>1</sup> This was geographically more dispersed and represented the spread of multifamily rentals to the suburban

1. A second, smaller demographic force just preceded the baby boom into the housing market. These were "war babies" or "good-bye babies," a mini baby boom born between 1942 and 1944, fathered by servicemen preparing to be deployed overseas. When it became apparent that the United States was winning the war, the boom quickly ended. Subsequently, in 1945, Census Bureau demographers projected a long-term decline in birth rates. However, just the opposite happened. Births soared starting in 1946, as the baby boom initiated its long run. This unexpected (and huge) difference between the actual and the predicted outcome serves as a caution with respect to long-term demographic forecasts! In fact, the Census Bureau subsequently has always provided multiple projections under varying assumptions on fertility rates and immigration.

landscape. As befits the huge impact of the baby boom, the largest share of New Jersey's existing rental inventory comes from this era. Close to three out of ten (29.5 percent) of all the current (2009) renter-occupied supply was built between 1960 and 1979 (table 1). In addition, further high-rise and mid-rise developments emerged in selected locations during these two decades.

In the 1980s and 1990s, additions to the rental inventory slowed significantly. As a result, only 9.8 percent of today's renter-occupied units date from 1980 to 1989, and only 6.4 percent from 1990 to 1999 (table 1). This was partially due to municipal slow-growth policies but also to demographics. As the baby boom matured, new housing market entry-level households were increasingly drawn from the baby bust, that undersized population cohort produced during the low-birth era (the cohort born from 1965 through 1976) that followed the baby boom. Rental housing was released by baby boomers as they shifted into the family-raising stage of their lives and thus lessened the need for new rental housing for the much smaller replacement baby-bust cohort. Much of the new construction of this two-decade period (1980–1999) was linked to geographic need. The emergence of powerful suburban office growth corridors, such as Route 1 in Princeton and Route 78 in Somerset County, generated rental demand by the young, growing, suburban white-collar workforce.

While a similar share (6.6 percent) of the current rental inventory was built in the 2000–2009 period, the underlying dynamics shifted again (table 1). Suburban areas were no longer the new economic frontiers, and the proliferation of office sprawl slowed from its previous frantic pace. While suburban restrictive-growth policies intensified, young households began to retreat from suburban lifestyles. As the baby-boom echo, born between 1976 and 1994, began to enter the housing market, a more urban focus emerged. The new generation was far less suburban-centric than its parents. This change will be one of the key rental contours of the decade now unfolding. Alternative, widespread lifestyle changes and burgeoning foreign-born populations add further complexity and potential growth to the rental sector.

## Detailed History

The following sections present a more detailed history of rental housing in New Jersey. The evolution of rental housing in the state is divided into five phases: *Early Rental Markets*, *Post–World War II Boom*, *Maturing Housing Demand*, *New Millennium*, and *Current Decade*.

### Early Rental Markets

The first wave of multifamily rental housing emerged in New Jersey in the years before and after World War I and through the decade of the 1920s. This coincided with a booming industrial economy and the initial stages of a white-collar service economy, which spawned a rising middle class. Prior to this time, most newly constructed rental housing units were in modest two-story, wood-framed structures comprising two to four units.<sup>2</sup> Much of this housing was built for urban industrial workers and their families, and was often within walking distance of urban factories. Large areas of Newark, New Brunswick, and Elizabeth, for example, still contain such structures near closed manufacturing facilities, or close to former manufacturing sites now demolished.

New Jersey did not experience the earlier wave of upscale apartment development that emerged in Manhattan and New York City starting in the 1860s. Such developments emerged from surging land values that made private-house living increasingly difficult for widows, childless couples, and single professionals. Before the emergence of now iconic buildings such as the Dakota (figure 1),<sup>3</sup> the residential alternatives

2. It was typical for the owner of the structure to occupy one of the units.

3. The Dakota, completed in 1884, is used as the example of this era because of its linkage to Rutgers. The architect of the Dakota was Henry Janeway Hardenbergh, who was also the architect of Rutgers' Kirkpatrick Chapel (1873) and Geology Hall (1872), both located on the Old Queens campus. Henry Janeway Hardenbergh was born in New Brunswick and was the great-great-grandson of Jacob Rutzen Hardenbergh, the first president of Queens College (now Rutgers University). He also designed the Plaza Hotel in New York City and the Willard Hotel in Washington.



**FIGURE 1. The Dakota on Central Park West in Manhattan, as it appeared in 1890.**

Library of Congress, Prints & Photographs Division, NY-5467

to expensive, large, multistory private dwellings were hotels and boarding houses.<sup>4</sup> Thus, emerging affluent demographic market sectors and soaring land costs led to the first large-scale rental apartment complexes in New York. Such developments were decades ahead of New Jersey.

New Jersey also did not experience the earlier wave of tenement building that swept New York in the second half of the nineteenth century and ultimately led to the New York State Tenement House Acts of 1867, 1879, and 1901. What are today known as Old Law Tenements were built between 1879 and 1901 and are popularly referred to as “dumbbell tenements” because of the shape of the buildings’ footprints.<sup>5</sup>

4. Christopher Gray, “Apartment Houses: The Early Story,” *New York Times* (December 30, 2010).

5. Air shafts to provide windows to every inhabitable room resembled the narrow-waisted shaft of a dumbbell.

Many such structures, built to shelter European immigrant populations, are still extant on the side streets of the Lower East Side of Manhattan. New Law Tenements refer to those built after 1901, which incorporated stricter health standards.<sup>6</sup> In New Jersey’s large cities, there were probably similar structures, but there are very few, if any, still in existence.

The emergence in New Jersey of rental units much more substantial than modest wood-framed structures took place just before and after World War I. This early “wave” of specialized “all-rental” structures—relatively large multistory masonry structures typically four to six stories in height<sup>7</sup>—predated zoning ordinances in

6. The air shafts required by the 1879 Act ultimately proved to be unsanitary as the occupants used them as repositories for garbage and wastewater. New Law Tenements required courtyards designed for garbage removal as well as outward-facing windows.

7. A smaller number were far taller.



**FIGURE 2.** Apartment building on Livingston Avenue in New Brunswick, New Jersey, as it appeared in the 1930s.

Courtesy of Ken Lew, kenlew.com.

much of New Jersey.<sup>8</sup> As such, they were usually built on relatively large building lots in blocks that were primarily comprised of large single-family units. They could be considered the iconic middle-class rental buildings of pre–Great Depression New Jersey (figure 2). Such structures were often built out to the edge of the lot lines, sometimes standing cheek by jowl with adjacent single-family units, significantly changing the residential character of neighborhoods (figure 3).

Others had much less lot coverage and were set in almost park-like settings. As was appropriate during that era, off-street parking was not a major concern (figure 4). Whatever the lot-coverage format, these structures are still visible and viable today in many of New Jersey’s older municipalities, usually at the edge of downtown centers and generally close to commuter rail stations.<sup>9</sup> One of many New York City analogs is the typical art deco apartment structures lining the Grand Concourse in the Bronx (figure 5). A great concentration of pre-Depression mid- and high-rise rental buildings is still evident in East Orange, New Jersey.

## Post–World War II Boom

During the Great Depression and World War II, all residential development slowed dramatically in both the nation and New Jersey.<sup>10</sup> Consequently, when housing demand soared with the return of millions of



**FIGURE 3.** Aerial view of pre-Great Depression New Brunswick apartment structure built to edge of lot line.

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American veterans starting in 1945, the nation faced a major multidimensional housing crisis. The prevailing shelter image of the postwar period was the large tract house suburban development typified by Levittown, New Jersey (now Willingboro Township, New Jersey). Many returning servicemen and their newly created households, however, sought rental housing, either by preference or of necessity. While there were federally supported temporary rental housing developments, the immediate post–World War II private-market iconic rental structure was the garden apartment, built on the outer edges of developed communities, or in adjacent municipalities (figure 6).<sup>11</sup> A spate of developments was built in the late 1940s and early 1950s to accommodate both family and nonfamily households.

10. One interesting exception was federally sponsored defense-worker housing built just before and during the war. The Federal Works Administration, in collaboration with local municipalities, built approximately 625,000 units. These were modest wood-frame buildings. In New Jersey, the Winfield Park Mutual Ownership Defense Housing Project, carved out of Linden and Clark in Union County, opened just prior to the involvement of the United States in World War II. It was established as a separate municipality, the only defense housing project to be so designated.

11. While now nearly forgotten, the emergency temporary rental housing projects were often racially segregated and were modeled after typical military barracks. They were ultimately sold by the federal government or demolished. One notable development was actually built within the horse-racing track in Weequahic Park in Newark. The racetrack followed what is now the oval portion of Thomas Carmichael Drive in the park.

8. The first zoning law in America was passed in New York City in 1916.

9. While sometimes dramatically changing the single-family character of neighborhoods, today this pattern of building would be considered a form of Smart Growth transit villages.





**FIGURE 4. Pre-Depression apartment complexes in the older suburb of Madison, New Jersey.**

The 1960s also brought the emergence of high-rise apartments in select, dispersed locations in New Jersey, such as New Brunswick (figure 7), Cherry Hill, Clifton, and Fort Lee. These tended to be more upscale accommodations than the “garden variety” garden apartment. The 1950s and 1960s were the decades of American global economic dominance. Inflation-adjusted median family income in the United States nearly doubled between 1950 and 1970.<sup>12</sup> This generated a growing cohort of affluent renters whose only choices throughout most of New Jersey had previously been constrained to garden apartments. In fact, significant parts of the emerging high-rise markets were drawn from households that had been garden apartment renters.

But the most significant rental focus of the 1960s and 1970s was a second wave of garden apartment construction. As noted in the demographic section above, the massive baby-boom generation—approximately 2.6 million strong and the largest ever produced in New Jersey’s history—began forming households and generating demand for entry-level rental housing. And the housing industry responded quickly. Because of relatively more affordable land in the newly emerging suburbs, densities were low by today’s standards—generally eight to 10 units per acre. What presaged today’s almost obsessive

concern about the high cost of educating students generated by new housing developments were zoning ordinances that often specified an 80-20 ratio, i.e., 80 percent of the units would have to have one bedroom or less, and only 20 percent could have two bedrooms. The common “demographic multiplier” of that era projected an average of .04 public school pupils per one-bedroom unit (or four pupils per hundred units), and 0.4 public school pupils per two-bedroom unit (or 40 pupils per 100 units). Hence, the concern about the number and costs of new public school pupils that accompany new residential development dates back almost one-half century. Still, this two-decade period—1960 to 1979—could be considered New Jersey’s golden rental housing construction period, with more units added to the rental inventory than during any other two-decade period in the state’s history.

### **Maturing Housing Demand: The 1980s and 1990s**

The demographics of the 1970s yielded enormous levels of young household formation, producing a level of housing demand and market segmentation that could not have been envisioned a generation earlier. Baby boomers were a motive force in this evolution; they wanted everything their parents had, only sooner, and in their own unique fashion. They essentially restructured the New Jersey shelter arena. Then, after bulwarking the rental sector in the 1960s and 1970s, they eventually started to withdraw from

12. In the 20 years between 1950 and 1970, the median family income (in 2009 constant dollars) in the United States grew from \$25,814 to \$48,640, an increase of 88.4 percent. To put this performance in perspective, during the next 39 years (1970 to 2009), the median family income increased by only 23.5 percent, to \$60,088.



**FIGURE 5. 1791 Grand Concourse in the Bronx (Morris Avenue), New York, built during the Great Depression.** Milstein Division of United States History, Local History and Genealogy, The New York Public Library. Astor, Lenox, and Tilden Foundations. Wurts Brothers, photographer.

it. The decade of the 1980s saw a maturing baby-boom sprint to homeownership, slowing the growth of renter households considerably. A signature housing prototype of this period was the town house, heretofore a limited ownership market sector in New Jersey. At the time, it was viewed as the new entry-level homeownership format.

Nonetheless, New Jersey's rental housing inventory continued to grow, albeit at a much slower pace. Much of the increase was tied to the new economic geography of New Jersey. The decade of the 1980s was transformative for the state's economy. While New Jersey's manufacturing base continued to contract, there was a surge of knowledge-based, white-collar jobs located in suburban office buildings. In 1980, the state was a virtual non-player in the

broader New York–New Jersey regional office market. Manhattan's share of the regional market stood at an overwhelmingly dominant 85 percent. But then New Jersey experienced an unprecedented office-building boom. By 1990, 80 percent of all the office space ever produced in the history of the state had been constructed during the preceding 10 years (1980–1989), much of it in suburban highway growth corridors. If the 11-county northern and central New Jersey market had been an officially designated metropolitan area in 1990—instead of being fragmented into several smaller metropolitan configurations—it would have been the fifth largest metropolitan office market in the country, with more office square footage than metropolitan Atlanta, metropolitan Dallas, and metropolitan Boston.



**FIGURE 6.** Views of a garden apartment complex in Highland Park, New Jersey, built in the late 1940s.

This suburbanization of the state's new and vast information-age economy led to the demand for rental housing in, or easily accessible to, the emerging growth corridors, by the new, young white-collar workers. Throughout the 1980s, the tail end of the baby boom still constituted the state's entry-level labor force. Consequently, while the overall demographically determined demand for rental housing slowed, the new economic geography caused a new spatially determined demand for rental housing. The rapid growth of rental complexes in Plainsboro (Middlesex County)—a key municipal component of the Route 1–Princeton corridor—stands as a prime example of the economic, demographic, and housing forces at work (figure 8).

Geographic catch-up by the rental market continued through the 1990s. However, the baby-bust generation—the nation's and New Jersey's demographic cohort of contraction—began to directly impact the state's housing market. Foreordained to trail in the wake of the far larger baby boom, the baby bust has always had available to it the large capacity of structures that were originally built for the baby boom, whether it be schools or housing. Entry-level shelter initially tailored to the baby boom therefore became available to the baby bust, further muting the need for entry-level rental housing. By

1995, mid-decade, the baby bust was between 19 and 30 years of age. Thus, at that time, all of the state's 20-somethings were baby busters. As a result, the 1990s had the smallest pool of entry-level housing consumers in half a century.

### The New Millennium

The relentless march of demographics, shifting geographic preferences, and an unprecedented housing and credit bubble and bust defined the first decade of the twenty-first century. There were two signature demographic dates, one early in the decade and one in its aftermath. On January 1, 2001, the first baby boomer hit the “big 55”—55 years of age. Consequently, the leading edge of this generation was entering empty-nesterhood. Ten years later—January 1, 2011—the first boomer then hit the “big 65”—65 years of age. Empty-nesterhood had arrived in full force. The process of resizing in the housing market became a powerful new dynamic, with the oldest members of this generation shedding their McMansions for more appropriately scaled dwellings. These were often in active adult suburban communities or condominiums in more developed areas, as well as in selected rental-market segments. Concurrently, the baby-boom echo started to swell the number of 20-somethings, and the entry-level



**FIGURE 7.** Views of a high-rise luxury apartment complex in New Brunswick, New Jersey, constructed in the early 1960s.

rental demand sector accelerated as the 2000s matured. In addition, the foreign born, accounting for one out of five New Jerseyans by decade's end, became a growing component of the rental market.

The signature shelter events of the first decade of the 2000s were America's boom and subsequent bust of the housing and credit bubbles. These interconnected events had significant ramifications for rental housing. While cheap and easy credit facilitated new rental construction, the emergence of "creative" mortgage products enabled a significant number of extant renters to join the ranks of homeowners. The homeownership rate in the United States, historically around 64 to 65 percent in recent decades, soared to 69 percent by 2004. Many of these former renters should not have become homeowners. By 2010, the rate had retreated to below 67 percent as a major housing market rebalancing unfolded, with massive foreclosure activity.<sup>13</sup> The boom-driven obsession with becoming a homeowner is now under correction.

Geographically, rental housing experienced a resurgence in urban and developed areas due to the

preference of boomers and echo boomers alike for living in and near activity centers (figure 9). Also propelling this shift was the increasing hostility to development by less densely developed suburban and exurban areas. Farmland and open-space preservation efforts reached new highs, and down-zoning became a growing tool to limit development. Despite this impediment, the growth of rental housing during the decade actually surpassed that of the 1990s, even though the Great Recession of 2007–2009 devastated housing production in the nation and New Jersey. The year 2009 was the worst housing-production year in the state since World War II, supplanting 1991.

The great housing bust also had significant impacts on household mobility and labor markets. The United States always has had a fluid and mobile labor force willing to relocate to secure new employment. But, the harsh end-of-decade housing reality was: "If you can't sell your house, you can't move." This new phenomenon has contributed to persistently high unemployment rates and, thus, to the detriment of the economy in general. This downside to homeownership may be a feature dynamic of the decade to come, with much greater recognition that homeownership can be a constraint to mobility. This could, potentially, encourage the attractiveness of renting.

13. Annual homeownership rates are based on the average of the four quarterly rates for each year published by the U.S. Census Bureau in its *Housing Vacancy Survey*. See <http://www.census.gov/hhes/www/housing/hvs/historic/index.html>.



**FIGURE 8.** Views of a 1980s garden apartment complex in Plainsboro, New Jersey. Unlike apartment complexes in older municipalities (see figure 4), today’s garden apartment complexes incorporate adequate off-street parking.

The decade of the 2000s also turned out to be the “lost employment decade” for both New Jersey and the United States, reinforcing the probability that geographic mobility is necessary to secure employment in a slow-growth job environment. The year 1939 was the first year that payroll employment statistics were compiled in the United States. Based on 71 years of data, the 2000s were the first time that the nation and New Jersey ended a decade with fewer private-sector jobs than at the start. This has contributed to enormous employment deficits that now have a significant impact on both housing buying power and housing rental power. As a result, these economic and labor-market changes are significantly affecting the relative demand for owner-occupied versus renter-occupied housing units.

### The Current Decade

Long-standing stage-in-life-cycle shelter tendencies cannot be underestimated in anticipating future housing demand. The aging of households and the distinct configuration of households are directly linked to the types of dwelling units that are preferred or can be afforded. For example, middle-age or near-middle-age is the life-cycle period of peak family-raising activity. At this life-cycle stage, housing appropriate for child rearing has the highest priority and is usually satisfied by freestanding, single-family

ownership units. This type of unit is most accessible to married-couple families that stand on top of the income ladder. Single-parent families often find single-family housing much more difficult to acquire.

The classic conceptualization of life-cycle-segmented shelter requirements can be envisioned as static, discrete sets of housing facilities with each set occupied by households of similar demographic characteristics—but not the same households—over time. The names of the occupants shift, but not their attributes. Presented in the box below is the conventional age-driven progression of household life-cycle stages:

#### Contemporary “Conventional” Life-Cycle Progression

1. Single “First-Timers”
2. Advancing Singles
3. Young Marrieds
4. Compact Family
5. Expanding Family
6. Established Family and Pre-Empty-Nesterhood
7. Empty Nesterhood
8. Active-Retired and Retired



**FIGURE 9.** Views of a recently built upscale apartment complex in New Brunswick, New Jersey, within walking distance of the train station—an exemplar of transit-oriented development.

At each of the stages, there is a tendency to gravitate toward specific dwelling-unit accommodations. *Young singles*, particularly “first-time” singles, may dominate garden-apartment facilities, with a subset (*advancing singles*) of more affluence—and in a higher tax bracket—moving into the more modest condominium occupancy formats. *Young marrieds* historically have had a relatively brief tenure in garden apartments, and have moved increasingly into condominium alternatives. The *compact family* may take advantage of the latter format, but as it expands it will have a strong tendency to move into traditional freestanding, single-family dwellings. Attaining affluence, the *established family* may experience a further shift into prestige or upscale housing for those who can afford it, sometimes just at the point when their offspring are on the verge of vacating the facility (*pre-empty-nesterhood*). With the nest emptied, the appeal of less maintenance-requiring condominium facilities, sometimes in an adults-only format, becomes evident. This appeal gains intensity as *active-retired* and fully *retired* status are reached; the proliferation of specialized active-adult and retirement communities stands as visible testimony. The last stages of life are reflected in the vast boom in nursing homes and the renewed interest in terminal-care facilities of all kinds.

Certainly, however, this is not a pattern that has been experienced by all New Jerseyans. Thus, to the classic stages listed above now must be added alternative “standings” that are far from unique, but whose very scale commands increasing attention to housing development style and format:

### Alternative Life-Cycle “Standings”

1. Permanent Singles or “Re-singled”
2. Mingles
3. Never-Nesters
4. Single-Parent Families

These alternatives include *permanent singles*, or those newly *re-singled* as a result of divorce or the death of a spouse; the *mingles*, i.e., unrelated adults (often of the opposite sex) sharing facilities; the rise of what might be termed the “*never-nesters*,” i.e., married couples who have forgone child rearing; and *single-parent families*. It is the mix of these demand sectors that is crucial in determining the long-term potential of rental housing. Certainly, singles, mingles, and single-parent families have traditionally been rental-centric, and this is likely to continue in the future.

## 5. Outlook

As the future is viewed from the perspective of 2012, it is evident from the preceding analyses that, just as a function of age, the nation and New Jersey have been moving from an era dominated by family-raising baby boomers to an era that will have an unprecedented cohort of empty-nesters. As a result, conventional life-cycle stages seven and eight (see

box on page 12) will surge. So too will stages one and two, driven by the children of the baby boom—echo boomers—who represent the second great population bulge emerging from the twentieth century. These represent the “new” demographics that have unfolded: maturing baby boomers pursuing empty-nester lifestyles and echo boomers—the 20-somethings and young 30-somethings entering their early household life-cycle stages. They will dominate the decade to come, and both are prime rental targets. In addition, all of the alternative “standings” discussed on page 14 will be growth sectors; again, these are prime rental targets.

Age-related demography will again prove to be destiny. In addition, another demographic cohort will prove to be instrumental. It consists of the new immigrant and foreign-born populations. This has resulted from the second great immigration wave to sweep over New Jersey, rivaling the scale and diversity of the first great immigration wave of a century ago.

So, these are the three key demographic building blocks of housing demand for the second decade of the twenty-first century: the *baby boom*, the *baby-boom echo*, and the *foreign-born*. Never, over the past 60 years, have the state’s demographics been as non-single-family centric. A revised calculus of housing demand is now emerging.

Finally, the full costs of homeownership have become much more apparent as a result of the lost employment decade, the Great Recession, the bursting of the housing bubble, and the extended period of weakness in the housing market that has continued long after the official end of the recession. The new

economy may well require increased household mobility in order to secure employment. As a result, another key advantage of rental housing has reasserted itself.

Nonetheless, a longer-term market admonition is warranted. Today’s 20- and young 30-somethings will eventually be tomorrow’s 30- and young 40-somethings. As echo boomers age into their prime child-bearing and child-rearing years, their shelter-type preferences and tenure choices will reflect, to some degree, historic trajectories, assuming the economy cooperates. America’s family-raising house of choice is still the detached single-family home, and it will eventually regain market share. Similarly, today’s 60-something baby boomers will be tomorrow’s 70-something baby boomers, and the end of independent living must be confronted. So, the long-term demographics of tomorrow portend further changes in the nation’s housing markets.

Moreover, at every housing stage of the original baby boom’s life cycle, there eventually were overbuilt markets—housing-production excesses. Those riding the echo-boomer life cycle today—rental housing providers—should not forget this market legacy. ■

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