



Transit Issues and the NJ Real Estate Market

BY PAMELA BABCOCK

Photo courtesy of NJ Transit

As New Jersey commuters slog through a summer of what NJ Transit promised would be more delays and cancellations, it's hard to ignore the impact problems within the transportation system may be having on home sales. Although the agency has pledged improvements, some say they see a ripple effect on the residential real estate market, with potential winners and losers.

Meanwhile, a more significant worry is looming. Without approval to build a new tunnel under the Hudson River, known as the Gateway project, there is the ongoing threat of a partial shutdown of the northeast corridor's main artery. According to a February 2019 report from the Regional Plan Association of New York, a shutdown without a new tunnel would be a dramatic event and would drive home prices down.

"Less service and longer commutes would mean property values would be likely to decline for the duration of the shutdown," the report says. The cumulative loss could be up to \$22 billion, or six percent of the home values in affected rail station areas and 2.5 percent of all home values in New Jersey. The average home could lose \$13,000 to \$14,000 in value, with homes closer to rail stations experiencing the most considerable losses, according to the report.

Jeffrey Otteau, president of Otteau Group Inc. in Matawan, says the potential for continued transportation disruption is a big problem.

"The lack of stability in the transit infrastructure has wide-ranging implications for real estate markets here in New Jersey and most obviously in towns which, in the past, had

predictable, reliable direct access into the city," Otteau says. Communities likely to be hardest hit? Those on the Midtown Direct lines that have seen prices "rise faster than anywhere else in New Jersey" in part because of the Manhattan effect of workers having higher incomes.

Signs of trouble may already be showing up in the numbers. From 2017 through the end of April 2019, statewide home sales increased five percent but declined 5.7 percent in transit-oriented towns, according to Otteau Group, which analyzes real estate trends for investors, banks and developers.

"That is a complete reversal from what we had been seeing since the recession, when rail-centric towns were leading the way and seeing the most robust home buying demand," Otteau says. Prices in transit towns during the same period also underperformed, albeit by a small margin, with only a 2.4 percent price increase compared to 3.3 percent statewide. Otteau's figures were based on a subset of transit-oriented towns that thrive on rail access and have a majority of commuters into Manhattan, Hoboken or Jersey City.

Two areas saw jumps in sale prices: home prices in Hoboken went up 7.9 percent and Jersey City saw prices rise by 6.6 percent. Otteau says those increases aren't surprising because both have short runs into Manhattan and offer ferry and Port Authority Trans-Hudson (PATH) service.

Meanwhile, Otteau says data from other communities, including Summit, which saw a 26.3 percent drop in home sales from 2017 to the end of April and Westfield, which had a 6.7 percent drop, may indicate some transit-oriented markets are losing some of their luster.



More on the Gateway Project

With the exception of PATH, all Amtrak and NJ Transit service to NYC travels through the two century-old decaying tunnels damaged by floodwaters from Hurricane Sandy. The status of the project is a big concern.

“If we believe what we’re being told, those tunnels are going to fail and what’s really concerning is there’s no funding in place to build the two new tunnels,” Otteau says. If two new tunnels are built, the existing tunnels would be taken out of service for repairs.

“The infrastructure is decaying and less reliable,” Otteau says, adding delays starting the project and possible failure of one or both of the existing tunnels will threaten home values pyramid in northern New Jersey and have a ripple effect if prices in transit-oriented towns decline. That’s because home prices and apartment and commercial rents are already inflated 25 to 75 percent in places that previously had reliable train service. If the transit system continues to grow less reliable, or if the Gateway project doesn’t get built before one or both existing tunnels fails, those premiums could disappear. Otteau says that would likely cause a domino effect on prices in neighboring markets.

“There would be a global reset in real estate prices throughout New Jersey if in fact these premiums start to tumble,” Otteau says. He adds it would also have implications on ability to sell, ability to finance, mortgage delinquency, foreclosures and implications for municipal tax bases they’re tied to property values.

“This is very threatening,” Otteau says. And if the Gateway project doesn’t move forward, he expects real estate demand will begin to shift to places that don’t rely on the rail tunnels. Beneficiaries might include Westchester County, Western Long Island, and places in New Jersey that have ferry access, including the Bayshore and areas from Port Monmouth down to the Highlands in Monmouth County.

“We expect that there would be a wealth transfer that would occur that would begin to redirect those premiums from train access to ferry access,” Otteau says.

Word on the Street

Several New Jersey Realtors® say they’ve seen an uptick in buyers mentioning transit woes and some even shifting where they’re looking. Access to water transportation via a ferry system and the more reliable PATH train have been draws.

At Avora at Port Imperial, a 184-unit, 11-story Weehawken waterfront condominium across from the Port Imperial Ferry Terminal, buyers typically have come from the immediate vicinity but lately have been relocating from places such as Whitehouse Station, Monmouth Junction, Princeton and Suffern, N.Y.

“The ferry has become the biggest selling point for residential buildings on New Jersey’s Gold Coast,” says Jill Preschel, Vice President of Sales and Marketing for Landsea Homes New York Metro Division. The boat commute from to Midtown Manhattan typically takes about eight minutes. About 65 percent of the units have sold. Current listings range from \$690,000 for a one-bedroom to more than \$3 million for a penthouse.

Marie Bagarozza, a Realtor® with Exit Realty East Coast in Holmdel, says she’s had more buyers express concern about how delays would affect their commute. She sells mainly in Monmouth and Ocean counties, a region served by NJ Transit’s NJ Coast Line. While Bagarozza doesn’t think delays have had a serious impact on sales, she has seen more shoppers shift to Union, Middlesex, Essex, Hudson, and Morris counties, which offer more frequent service. She adds that the biggest concerns come from homebuyers and investors considering properties around transit hubs such as Red Bank and Long Branch.

“Clients have asked me if they or their tenants will have issues commuting,” Bagarozza says. Fortunately, the area has other transportation options, including the Seastreak Ferry





out of Atlantic Highlands, service from Academy Bus out of the PNC Art Center, and more. And in the end, Bagarozza says many clients say the benefits of living at the shore “mostly outweigh the commuter delays.”

Other Views

Peter Engelmann, a Realtor® with Weichert Realtors® in Bernardsville, hasn’t felt much of an effect on sales but admits the issue is a factor in some homebuying decisions there. For more than six months, there has been no weekend service on the NJ Transit’s Gladstone line, although substitute bus service is provided.

“It seems like every time the wind blows, they shut the line down, sometimes for days at a time—we really seem to be a low priority,” Engelmann says. Gladstone commuters have only two direct trains to Manhattan, both weekdays only: a 6:32 a.m. that takes 99 minutes and a 5:18 p.m. return that takes 97 minutes. Additionally, trains are often canceled because of lack of staff. “It’s not the end of the world, we deal with it and plan for it,” Engelmann says.

Maggee Miggins, a broker associate and Realtor® with Keller Williams Realty Premier Properties in Short Hills, says she doesn’t think transit worries have had much of an effect on sales, even from out-of-state buyers, despite national coverage of New Jersey’s transit problem.

“There will always be delays and cancellations in the Tri-State area—that’s just part of commuting, regardless of where you live,” Miggins says. Sure she’d like it fixed, and says she’s glad “politicians are working on it.” If the Gateway project was funded and built and there were four tunnels instead of two under the Hudson, Miggins thinks home values along the Mid Town Direct line could increase by 20 percent. Miggins adds that because her area has highly-rated schools and easy access to Newark International Airport, “NJ Transit is certainly not slowing things down here.”

While there’s no question it’s easier to live in a town where you can walk to the train, Otteau says the convenience of charter and independent bus transportation has been significantly underplayed in recent years. He encourages Realtors® to educate themselves on the proximity and schedules to counter potential buyer’s concerns.

“The bus transportation network here in northern New Jersey is very robust,” Otteau says, adding that, based on upon scheduled travel times, one might argue it takes longer to go by bus. “But the reality is that the trains haven’t been running on time for a very long time,” Otteau says. ■



Left: photo courtesy of GDC; Bottom left: photo courtesy of New World Group; Bottom right: photo courtesy of Darren Phillip Jones

