

A Snapshot of Housing Supply, Affordability, and Land Use in New Jersey

By

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INTRODUCTION

New Jersey—along with many other parts of the country—is experiencing a housing shortage, driving up rents and home prices and prompting many households to leave the state in search of cheaper housing elsewhere. The rising costs of housing in New Jersey are affecting everyone, especially individuals and households at the lower end of the income spectrum.

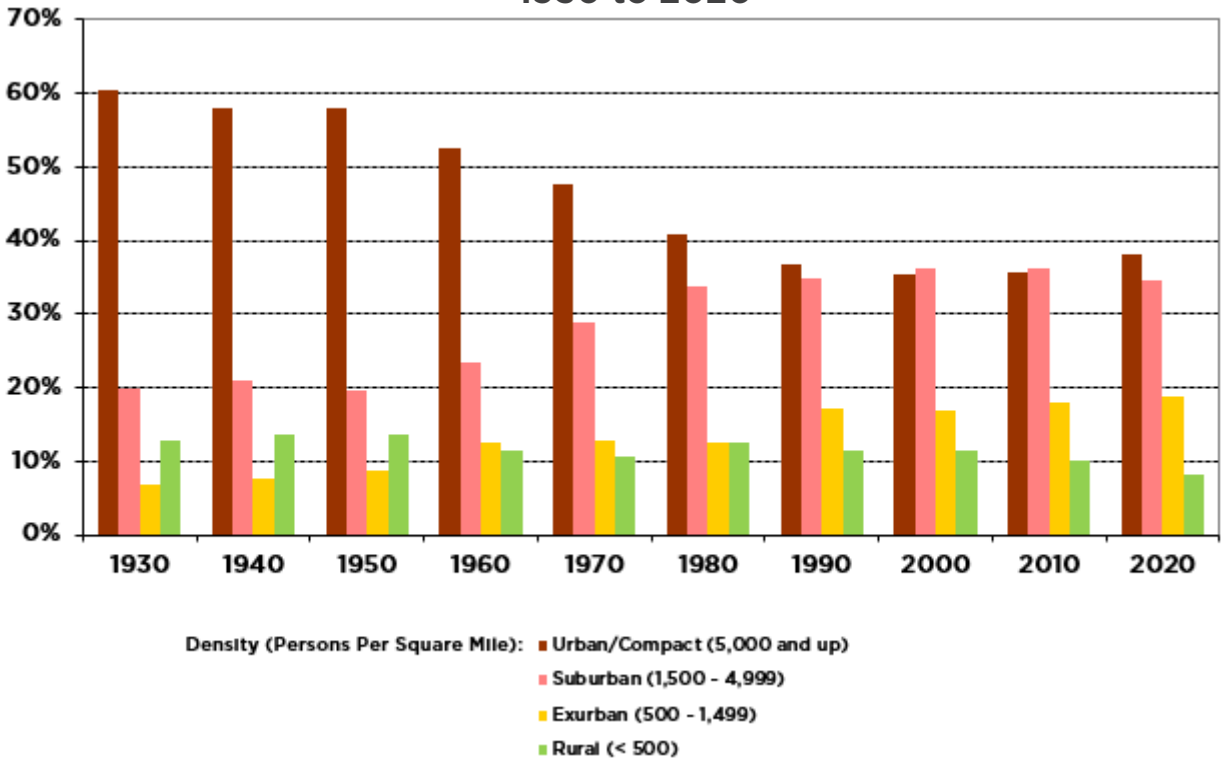
This snapshot report uses data to:

- Illustrate the current state of housing supply and variety in New Jersey, including background as to how we got here.
- Show how lack of housing options affects affordability and contributes to racial and economic segregation.
- Assess the effectiveness of New Jersey’s unique [*Mount Laurel doctrine*](#) in stimulating the production of affordable housing.
- Point to how solutions aimed at increasing the supply and the variety of housing options can be applicable throughout the state.

THE "DE-DENSIFICATION" OF NEW JERSEY

In the decade after World War II, the federal government facilitated the creation of “suburbia” as we now understand it in popular culture, via the GI Bill that provided returning soldiers with cheap home loans and via the construction of the Interstate Highway System, which allowed the new suburban residents to commute at high speed back to their jobs in the city. Eventually, of course, retail and office development would follow their customers and employees out of the cities.

Percentage of NJ's Population Living at Various Densities 1930 to 2020



Source: Decennial Census populations 1930 through 2020

Up to 1950, nearly 60% of the state's population lived in municipalities that can be characterized as "urban" or "compact" (this includes not just the big cities but many smaller towns and "streetcar suburbs" that were built before automobile ownership became widespread), with population densities of at least 5,000 people per square mile.

The percentage of the population living in these walkable, mixed-use "centers" declined steadily from 1950 to about 2000, though, first with the creation of the first wave of suburbia in the 1950s, 60s, and 70s, and then with even more insidious rise of the "exurbs" in the 1980s and 90s, characterized by large single-family homes on large lots, remote from the state's legacy centers and even from suburban shopping and employment nodes and which consumed large swaths of natural lands. The percentage of residents living in municipalities with population densities of between 500 and 1,500 people per square mile spiked after 1980, while the earlier "suburban" densities of 1,500 to 5,000 leveled off around the same time.

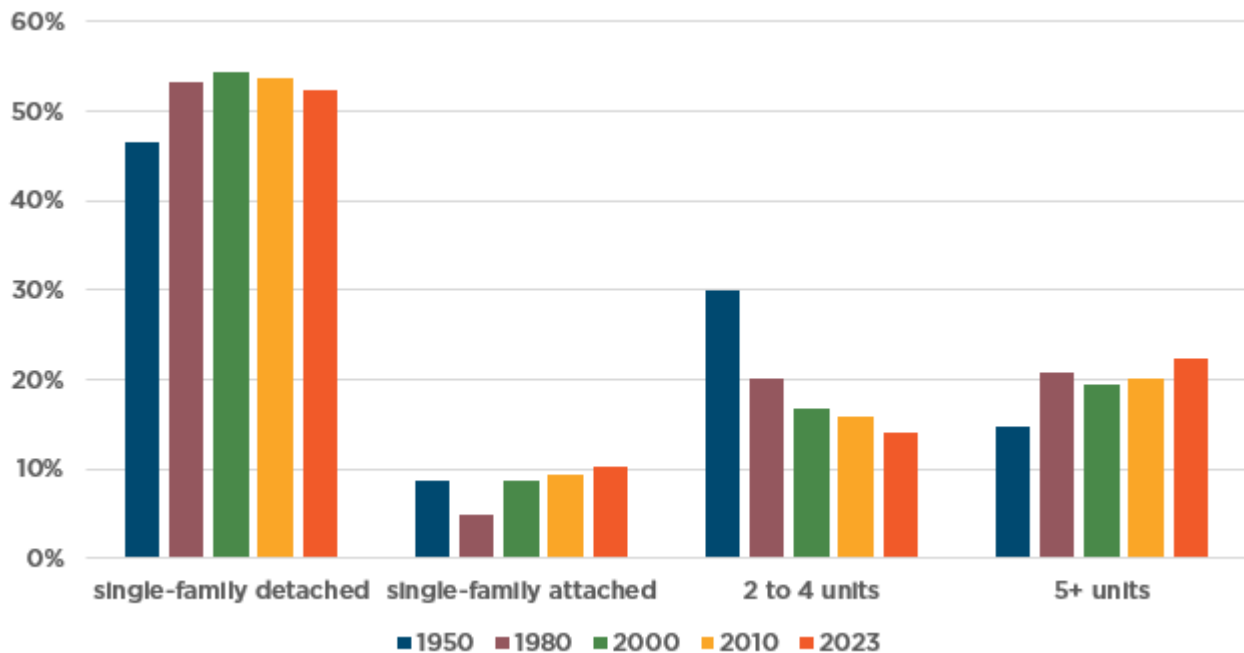
However, the suburbanization of New Jersey was not available to everyone. Federal Housing Administration (FHA) loans were denied to Black families. Many new suburban developments had racial covenants that prohibited homeowners from selling to non-white families when they moved out. The earlier practice of "redlining," wherein the FHA would not insure mortgages for home loans in neighborhoods where the non-white percentage exceeded a certain threshold, helped ensure that Black households, in particular, became increasingly concentrated and isolated in just a handful of older urban centers. This phenomenon of "white flight" to lower-density suburbs, accompanied by intensifying poverty and racial segregation in cities, continued from 1950 up into the 2000s.

In the late 2000s, a reversal of the “de-densification” of New Jersey began to take shape as the Millennial generation aged into financial independence and began forming their own households, expressing a distinct preference for walkable urbanism. Cities, towns, and older suburban downtowns began experiencing their first population growth in decades. The shift was pronounced enough that by 2020, the percentage of the state’s population living at “urban/compact” population densities had moved back ahead of the percentage living at “suburban” densities. This reversal has placed new emphasis on the importance of redevelopment in accommodating growth in places with essentially no undeveloped land remaining.

THE RISE OF THE SINGLE-FAMILY DETACHED HOME AND THE DISAPPEARANCE OF THE “MISSING MIDDLE”

Part of why some suburbs have remained out of reach for some residents comes down to a lack of lower-cost housing options. After seven decades of suburbanization, single-family detached homes dominate the state and in most individual municipalities. Statewide, a little more than half (52.3%) of all housing units are single-family detached, but in fully half (280) of the state’s 564 individual municipalities, single-family detached units make up at least 70% of the housing stock, thanks in many cases to zoning that limits other options.

Housing Units by Units in Structure



Source: Decennial Census, 1950 to 2000; American Community Survey 1-year estimates, 2010 and 2023

“Single-family attached” housing was mostly urban row homes and brownstones in the early 20th century, when it made up 8.7% of the state’s housing stock. Its share declined to only 5% by 1950, but it has made a comeback after 1980, thanks at first to suburban townhouse complexes in car-dependent suburbs where they were separated from other destinations. More recently, townhouses have often appeared in the form of redevelopment projects in older, more walkable cities and towns.

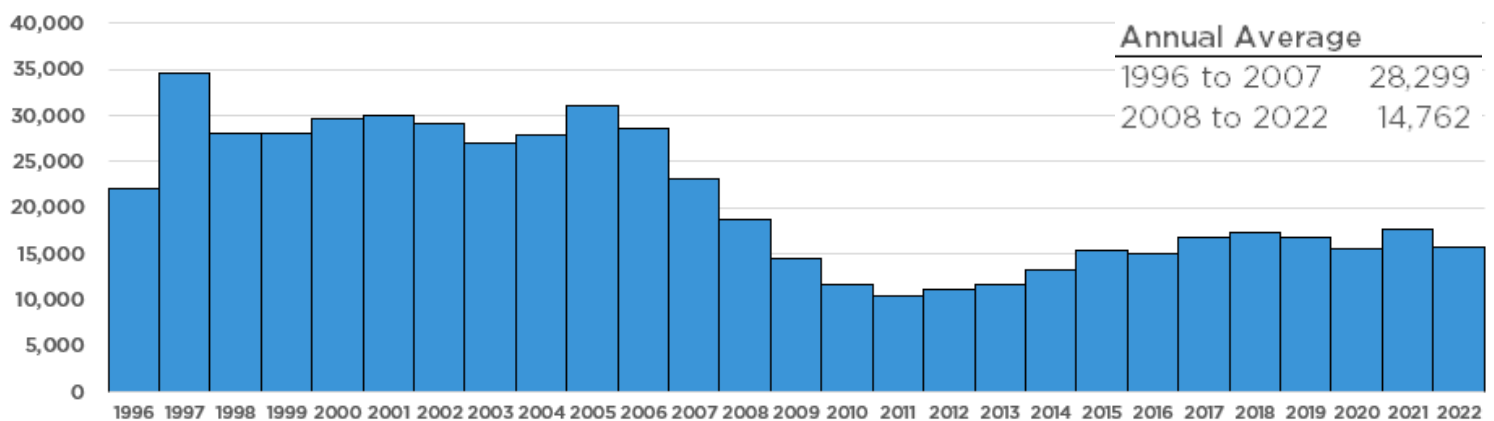
Meanwhile, [“missing middle” housing types](#), in structures with 2 to 4 units that fill the gap between single-family homes and larger apartment buildings, made up 30% of the housing stock in 1950 but dropped to half that (14.2%) by 2023, eliminating important housing

options for middle-income households. The missing middle has gotten more and more “missing” with each passing decade.

UNDER-PRODUCTION OF HOUSING AND THE AFFORDABILITY CRISIS

New Jersey’s present housing affordability crisis stems not only from a shortage of smaller, lower-cost housing options but also from an undersupply of housing in general that started after the housing market crash in the late 2000s, both in New Jersey and nationally. The number of residential certificates of occupancy (COs) issued annually went on a stark downward trajectory after about 2006 and never recovered, settling at a new equilibrium through the 2010s that was only about half the rate in the decade preceding the dropoff. Put simply, part of the reason housing has gotten so expensive in New Jersey is that its municipalities are not producing enough of it.

Residential COs (Certificates of Occupancy) by Year, 1996-2022



Source: New Jersey Department of Community Affairs, “Certificates of Occupancy Yearly Summary Data”

The symptoms of the affordability crisis precipitated by this lack of supply are visible everywhere. While directly quantifying how many additional housing units a state “needs” can be tricky because it is difficult to quantify how much additional population or household growth would theoretically have happened if more housing units had been produced, there are plenty of indicators that indirectly point to the state not supplying enough housing of the types that aspiring households want and can afford. A few examples include:

- **Young adults can’t afford to move out:** New Jersey ranks #1 in the percentage of 18-to-34-year-olds who are still living with their parents – 43% in 2023, vs. a national rate of 32%, according to the 2023 American Community Survey 1-year estimates.
- **Moving to other, cheaper states:** New Jersey has the 4th-largest net domestic outflow of residents from 2020 to 2023 (as measured by the Census Bureau’s [Population Estimates, Population Change, and Components of Change](#)), during which it lost a net of 153,193 residents to other states. The top three net outflows are from California, New York, and Illinois, all also notorious for high housing costs. Where do out-migrating New Jerseyans go? After Florida, which has been a destination for northern retirees for many decades, the states with the next largest net inflows from New Jersey (as measured by the Census Bureau’s 2023 [State-to-State Migration Flows](#)) are Pennsylvania, Georgia, North Carolina, Texas, and South Carolina, all of which have substantially lower median home values than New Jersey.

- **High rents:** New Jersey ranks #7 in median rent – \$1,667 in 2023 (American Community Survey 1-year estimates), compared to a national median of \$1,406. North Jersey in particular was [recently rated as the #1 most difficult region in which to find an apartment](#).

Real Estate

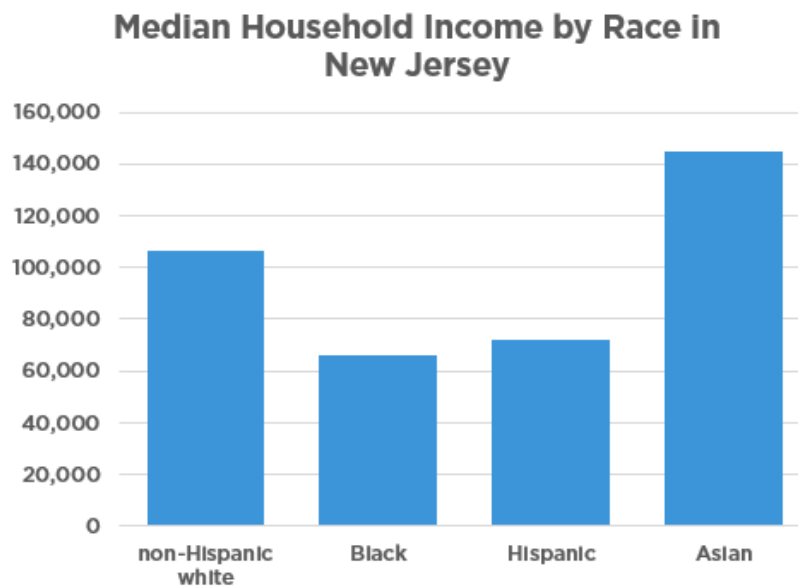
We're No. 1 ... on list of toughest areas to find an apartment

RentCafe rankings place North Jersey market at top of list based on variety of metrics, including renewals and availability

By ROI-NJ Staff (North Jersey) - March 20, 2023

DIVERSITY STATEWIDE, BUT PERSISTENT SEGREGATION LOCALLY

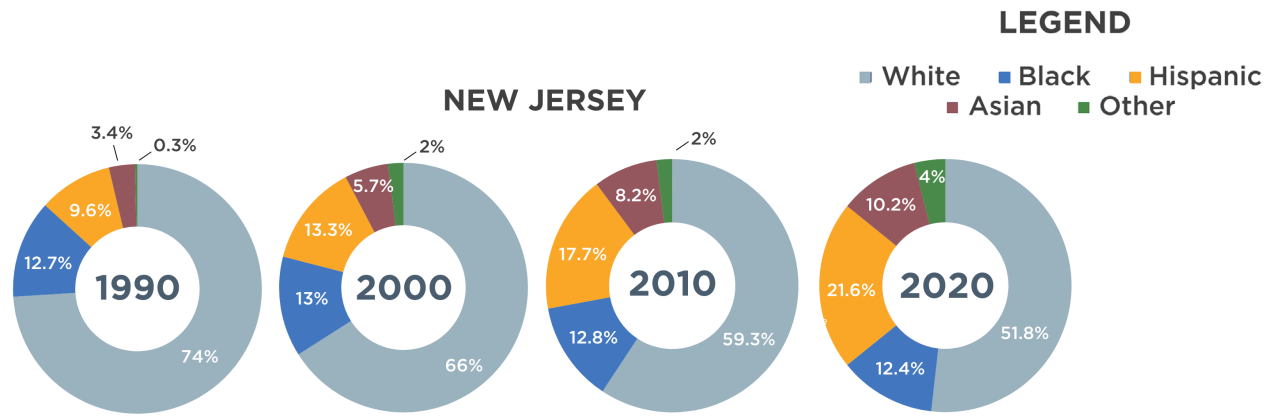
New Jersey’s housing affordability crisis affects some racial groups disproportionately. High home prices are more of a barrier to entry for Black and Hispanic households than for white and Asian households due to disparities in median household incomes among racial groups.



Source: 2022 American Community Survey 1-year estimates

Because of these disparities, the segregation by income that results from the lack of affordable housing options in many municipalities often translates into segregation by race. The resulting irony is that while New Jersey is one of the most diverse states in the nation, it is also among the most segregated.

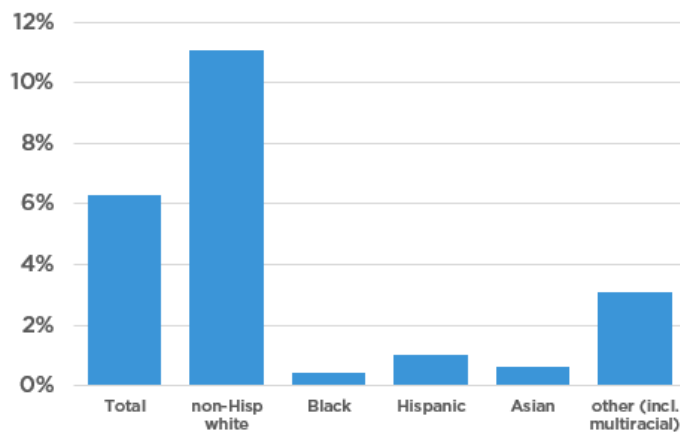
New Jersey is a diverse state, and it is getting more so. It has the 9th-lowest non-Hispanic white percentage among the 50 states as of the 2020 Census, after Hawaii, California, New Mexico, Texas, Nevada, Maryland, Georgia, and Florida. At 51.8% non-Hispanic white, it is just a few years away from majority-minority status.



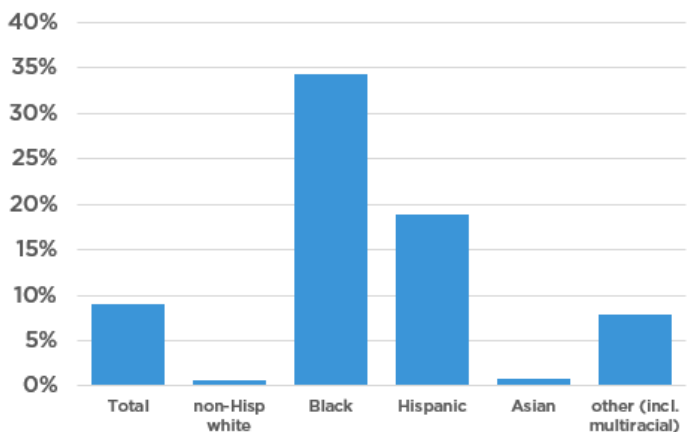
Source: Decennial Census, 1990 to 2020

Despite this diversity at the macro level, many New Jerseyans do not see diversity in their neighborhoods. One out of every nine non-Hispanic white people (11.1%) lives in a census tract in which at least 90% of the residents are also non-Hispanic white – in other words, where they are surrounded by almost nothing but other white people. Meanwhile, almost one out of five Hispanic people (18.9%) and more than one-third of Black people (34.4%) live in a census tract where at least 90% of the population is other Black and Hispanic people (and people in the “other race” category, which includes multiracial people).

Percent Living in Census Tracts that are at Least 90% non Hispanic White



Percent Living in Census Tracts that are at Least 90% Black + Hispanic + Other



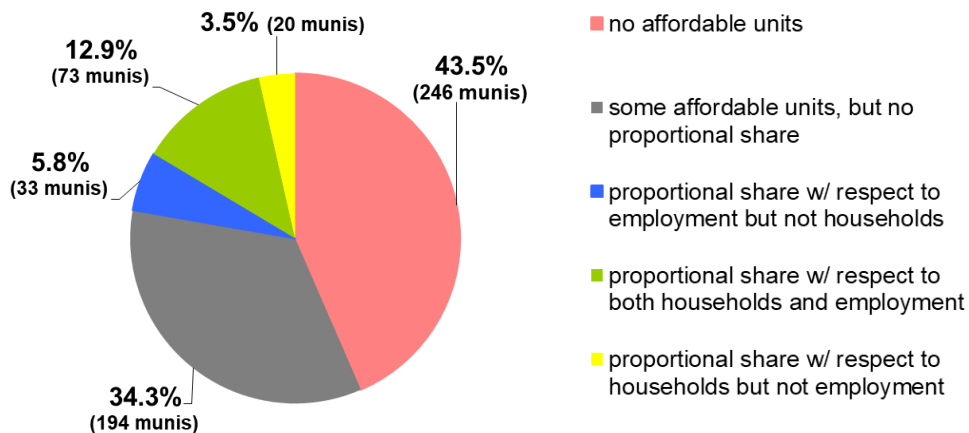
Source: 2022 American Community Survey 5-year estimates

THE MOUNT LAUREL DOCTRINE, THE COUNCIL ON AFFORDABLE HOUSING, AND CONCENTRATED POVERTY

The [Mount Laurel doctrine](#) generally refers to the series of Supreme Court decisions that require each municipality to provide its fair share of the statewide need for housing for low-to moderate-income households. The court decisions and the administrative structure created to enforce them, were meant to address exclusionary zoning (a form of housing discrimination in which municipalities use their zoning codes to inhibit the construction of more affordable housing options) and the racial and economic segregation that resulted. The Council on Affordable Housing (COAH) was created by the Fair Housing Act in 1985 in response to the second *Mount Laurel* lawsuit to oversee the enforcement of court decisions.

In 1999, however, 14 years into the COAH era, the distribution of New Jersey's stock of low- and moderate-income housing remained stubbornly concentrated. At that point, there were still almost 250 municipalities (a little over 43% of all municipalities) that did not have any units at all listed on the Department of Community Affairs [Guide to Affordable Housing](#) and another third of municipalities that had some units but less than a proportionate share based on their share of total housing units. Meanwhile, the remaining 22% of municipalities were providing the bulk of the state's supply of affordable units. In fact, a mere 12 municipalities, mainly older urban centers, together accounted for more than 50 percent of the statewide inventory of affordable housing while comprising only 14 percent of the state's total households.

Distribution of NJ's 566 Municipalities in 1999
By Prevalence of Affordable Housing Relative to Total Households
and Total Employment



Source: ["Realistic Opportunity?" The Distribution of Affordable Housing and Jobs in New Jersey](#), *New Jersey Future*, 2003

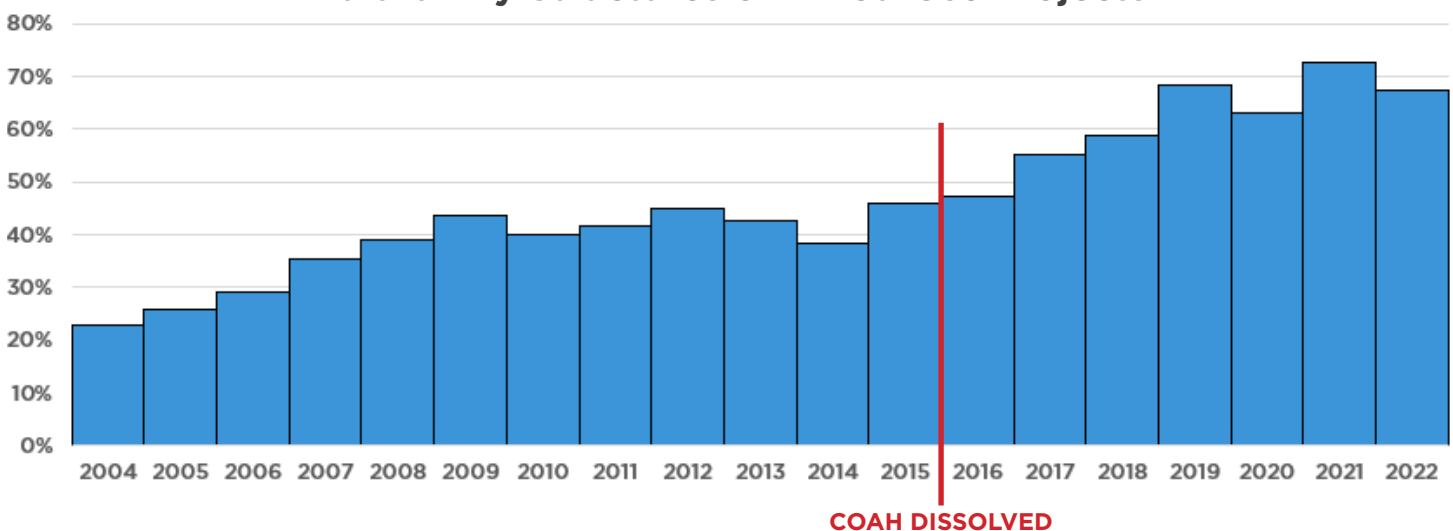
Even though laws that previously institutionalized overt racial discrimination in housing have long since been struck down by courts, many towns continued to successfully use exclusionary zoning to put themselves off-limits to lower-income buyers and renters, who are much more likely to be people of color. COAH, the government agency charged with bringing about a more equitable distribution of affordable housing, had largely failed, thanks to lax enforcement, lowball estimates of the need for lower-income housing in the suburbs, and a process called Regional Contribution Agreements (RCAs), in which one

municipality (usually a wealthier, predominantly white suburban town) could pay another municipality (usually an older urban center that already had an ample supply of affordable housing and a mostly non-white population) to build part of its obligation for it. [RCAs were abolished](#) in 2008.

MULTIFAMILY HOUSING REBOUNDS IN THE POST-COAH ERA

After another decade and a half of negligible progress, COAH was effectively [dissolved in 2015](#) when the Supreme Court deemed it ineffective and handed enforcement authority back to the judicial system. According to the Fair Share Housing Center's 2023 report, [Dismantling Exclusionary Zoning: New Jersey's Blueprint for Overcoming Segregation](#), the annual production of affordable units increased substantially after 2015 under the subsequent more rigorous court oversight. Given that the vast majority of affordable housing is produced in the form of multifamily housing, often in inclusionary developments that consist mainly of market-rate units with a modest percentage of "affordable" units set aside for low- and moderate-income households, the stepped-up production of affordable housing has led to a surge in multifamily housing overall. By the early 2020s, two-thirds of all residential COs were being issued for units in multifamily structures.

Percent of Residential COs Issued for Units in Multifamily Structures or Mixed-Use Projects



Source: New Jersey Department of Community Affairs, "Certificates of Occupancy Yearly Summary Data"

The report further found that multi-family housing produced through the *Mount Laurel* process from 2015 to 2022, whether affordable units or market-rate units in inclusionary developments built to satisfy *Mount Laurel* obligations, accounted for a large majority – 89% – of all multi-family development in participating municipalities over this time period. New Jersey's unique requirements for towns to allow for the production of low- and moderate-income housing are thus indirectly providing much-needed alternatives to the single-family detached home for plenty of households that do not qualify for income-restricted housing.

Municipal *Mount Laurel* requirements were [recently codified](#) in new legislation ([A4/S50](#)), giving municipalities a reason to revisit their regulations and assess the current state of their housing stocks. The new requirements can serve as a prompt for towns

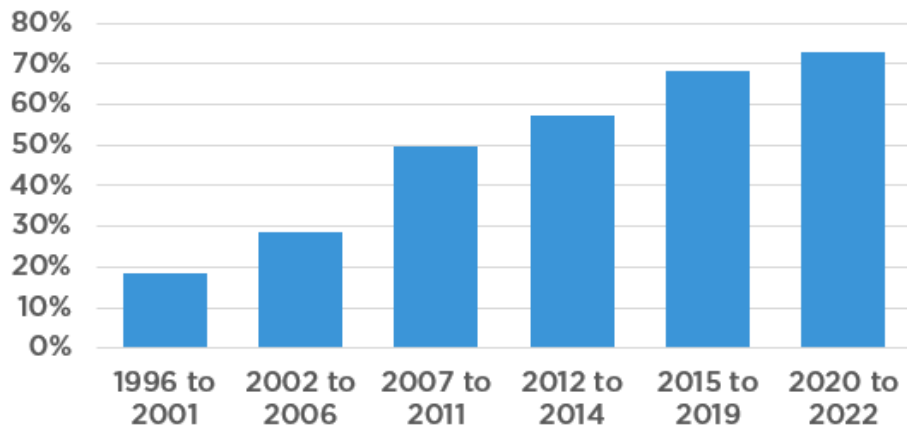
to think holistically about their housing supply more broadly. Municipalities should take the opportunity to consider how much and what types of housing they will need to accommodate the needs of future residents of all ages and incomes.

REDEVELOPMENT IS THE NEW NORMAL

One trend that bodes well for the state’s ability to absorb future population growth is the [rise of redevelopment](#), where new growth happens in places that are mostly built out, having already developed most of their buildable land. The key to redevelopment is reuse—reuse of buildings, reuse of land, reuse of infrastructure—which puts the “re-” in “redevelopment.” Any time new residents or businesses can be absorbed into a place that has already been developed—whether through adaptive changes to existing buildings or the construction of new buildings on land that was previously used for something else—this translates to undeveloped land in some other location that does not need to be urbanized to accommodate these residents and businesses.

The share of residential building activity taking place in built-out places has been growing steadily since the 1990s and now accounts for more than 2/3 of COs statewide.

Percent of Statewide Residential Certificates of Occupancy (COs) Issued in Municipalities That Were at Least 90% Built-Out at the Beginning of the Time Period



Source: New Jersey Department of Community Affairs, "Certificates of Occupancy Yearly Summary Data"

Because of the possibilities of redevelopment, “built-out” does not mean “full.” Policies designed to stimulate the production of a full range of housing options can be applied almost anywhere, irrespective of the amount of undeveloped land remaining.

KEY TAKEAWAYS

As discussions of New Jersey's problem with housing affordability – and of potential solutions – continue, it is important to keep these basic facts in mind:

- New Jersey does not have enough housing variety. Among other things, the “missing middle” is mostly still missing across the state. In many individual towns, alternatives to the single-family detached house are scarce.
- New Jersey has been underproducing housing for a decade and a half, pushing prices up.
- Despite its statewide diversity, New Jersey remains highly segregated by income and race at the local level.
- The *Mount Laurel* process helps increase housing variety and affordability, but it alone is not sufficient to produce the full range of housing options needed by households of all types and incomes that want to call New Jersey home.
- “Built-out” does not necessarily imply “full”: Plenty of growth is still happening in places that nominally have very little “developable” land left. Redevelopment presents opportunities for just about any municipality in the state to accommodate new household growth and to diversify its housing options through the strategic reuse of land and buildings in places that are already developed.

ABOUT TIM EVANS



Tim Evans, Director of Research

Tim is responsible for the original research and data analysis that support New Jersey Future's policy development. He regularly documents his research results in a variety of products, including full-length research reports and the monthly email newsletter. He also ensures that all of New Jersey Future's products and media communications are quantitatively accurate and defensible. Tim frequently provides data and advice to colleague organizations, serving as an informal research consultant to the smart growth community at large. His analysis and commentary have been featured by a wide range of state and national media outlets.

Tim holds a B.S. in mathematics from Ursinus College, an M.S. in statistics from the University of Virginia, and a master's in city and regional planning (M.C.R.P.) from the Bloustein

School of Planning and Public Policy at Rutgers University. Prior to joining New Jersey Future, Tim worked for six years as a mathematical statistician for the Bureau of the Census in Washington, D.C.

ABOUT NEW JERSEY FUTURE



Founded in 1987, New Jersey Future is a nonprofit, nonpartisan organization that promotes sensible and equitable growth, redevelopment, and infrastructure investments to foster healthy, strong, resilient communities; protect natural lands and waterways; increase transportation choices beyond cars; provide access to safe, affordable, and aging-friendly neighborhoods; and fuel a strong economy for everyone. New Jersey Future does this through original research, innovative policy development, coalition-building, advocacy, and hands-on strategic assistance.

Embracing differences and advancing fairness is central to New Jersey Future's mission and operations. New Jersey Future is firmly committed to pursuing greater justice, equity, diversity, and inclusion through its programs, internal operations, and external communications.