Young People are Leaving New Jersey: Exploring Potential Explanatory Variables

By Galen Cadley, Mindy Pang, Ethan Tyler, Anu Vellore, Carson Levit, Kevin Huang, and Malachi Benjamin

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Introduction

For several years, New Jersey has arguably been the most abandoned state by residents in the country, as taxes, property value, lifestyle and many other factors have gradually deteriorated its appeal to young adults. United Van Lines's most recent residential moving service report determines New Jersey as the most "outward" bound state by residents, many being of 55 years or older, thus searching elsewhere for retirement, though still a large portion leaving in their twenties and thirties (National Movers Study 2021). Despite this shift in demand, the state continues to build more multi-family housing and has failed to create any large incentives for the creative class to migrate to its cities. For example, a recent Affordable Housing Act, funding $300 million of affordable New Jersey housing, is hoped to deliver thousands of more housing units to those in need, but if the project primarily focuses on single-family attached homes, this most likely will not supply the abandoning population with appropriate housing, ultimately avoiding the issue at hand. Although this issue is statistically the most problematic for New Jersey, several other states with high metropolitan cities are undergoing (or have undergone) the same issues. Some real estate sources believe the most influential factors are financial, such as tax increases, while others, like New Jersey Future's research director Tim Evans, see underlying lifestyle changes, such as pandemic weights and work-life balance, as the more prominent reasons for these migration trends. Solutions are neither easy to determine nor easily implemented into these struggling regions cost efficiently. However, this research report attempts to analyze total housing supply numbers and types of housing supply along with median home value and median rent prices (four potential explanatory variables) relative to the 25-44 year old target population variance from 2015 to 2019 (dependent variable) to determine the key trends that potentially affect this target demographic population's migration tendencies. For each of these metrics, we will analyze patterns in New Jersey in comparison to other relevant states around the nation as well as to the national level, in addition to examining metropolitan areas in the country, including those in New Jersey and beyond.

We worked closely with New Jersey Future's Tim Evans on this project to help walk us through the research process and collected all of our data from the U.S. Census Bureau site.

Age Distribution

For the data in each of the following graphs, we are looking at different metrics that have been identified to be significant in the flow of younger individuals moving out of New Jersey. Looking at percent change in age in the states and specific regions (metropolitan areas) within states, the factors of Housing Supply, Type of Housing Supply, Median Rent, and Median Home Value will all point to reasons for why young people are leaving New Jersey.

This calculation allows us to compare the percent population change between ages 25-44 of states relative to the National Percent Change from 2015-2019. This metric will help gauge the age demographics in each state and begin to outline the flow of individuals in and out of each state.

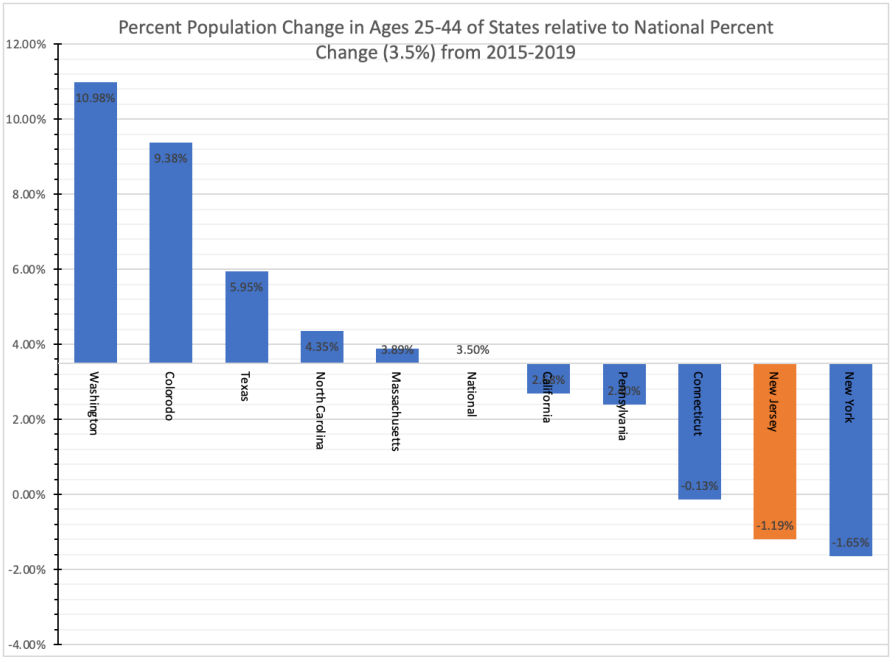

Figure 1. Percent Population Change in Ages 25-44 of States relative to National Percent Change (3.5%) from 2015-2019

Washington, Colorado, Texas, North Carolina, Massachusetts, California, and Pennsylvania all have positive percent changes in their population change. Washington has the highest population percent change at +30.98% for people between the ages of 25-44. New York has the lowest/negative percent population change at -1.65%. New Jersey has a -1.19% population change for the age range of 25-44 means that there is a decrease in the age range population between 2015-2019. The National Percent Change between 2015-2019 was +3.50%. This means across the United States there was a positive change in the age range population within the given years, and that New Jersey is not only negative but also below the national rate.

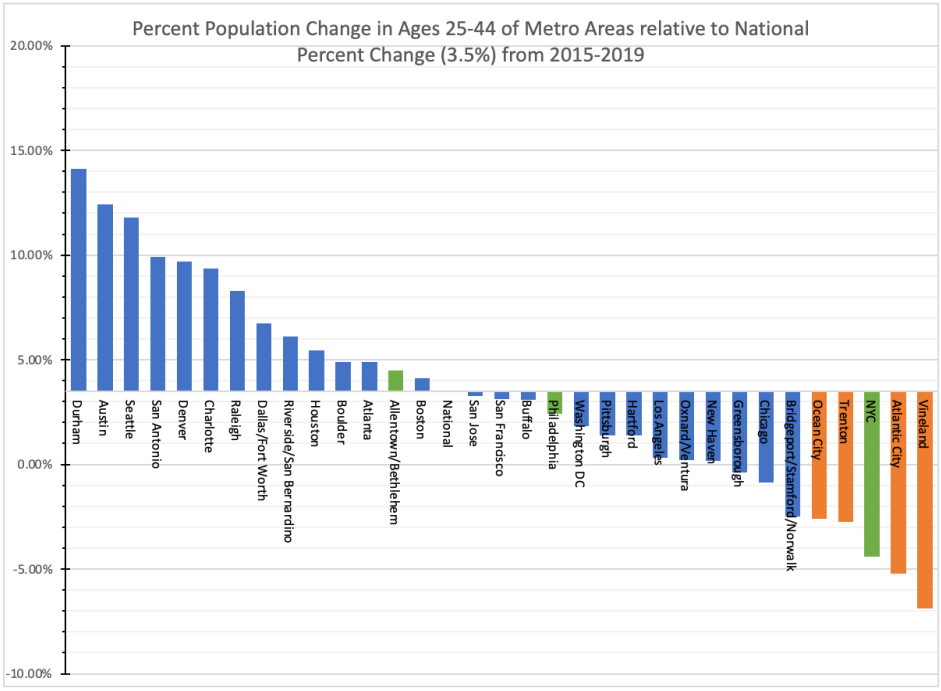

Figure 2. Percent Population Change in Ages 25-44 of Metro Areas relative to National Percent Change (3.5%) from 2015-2019

Vineland, Atlantic City, Trenton, and Ocean City are the 4 New Jersey regions that were highlighted for the population percent change. They all have negative percentages which aligns with the above graph indicating the state percent changes. They are also the lowest regions of the decrease in percent change of the age range population aside from New York City. Durham, NC and Austin, TX are the top two regions for the percent population change in ages 25-44. In figure 2 the top 2 regions are in North Carolina and Texas but in figure 1 those two states are the third and fourth states respectively in percent population change.

Total Housing Supply

Total housing supply is another metric that can provide valuable insight on housing affordability in various states and metropolitan areas, and on why young people might be leaving the state of New Jersey. The subsequent two metrics, median home value and median home rent can be better understood with the context of housing supply in these states. As states or metro areas build more housing, these values can be expected to decrease and vice versa for if the housing supply goes down. Housing supply can be defined as the total number of housing units available in these areas and here we study the percent change in this variable between 2015 and 2019. Like with any market, supply and demand will always be two of the greatest factors that drive prices. If there simply is not enough housing to fit the continuously growing population, you are likely to see housing prices to reflect the limited supply. The percent change in housing supply nationally from 2015 to 2019 was 3.63%, so we would like to explore how New Jersey compares to the rest of the nation with the national value as the baseline.

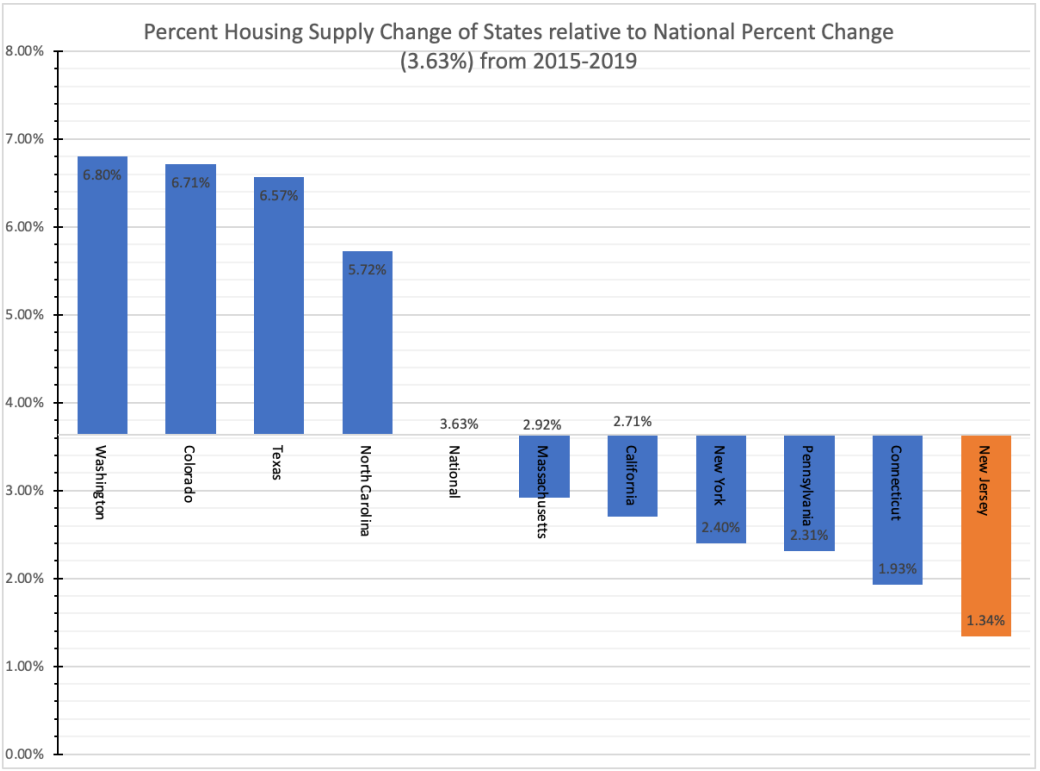

Figure 3. Percent Change in Housing Supply of States relative to National Percent Change (3.63%) from 2015-2019

From the above figure, we see that New Jersey had the least growth in housing supply from 2015 to 2019 out of the selected states we analyzed. Washington, Colorado, Texas, and North Carolina all experienced housing supply growth greater than the national average of 3.63%, and qualitatively these states typically are not known for having extreme housing prices

compared to the rest of the nation. Washington had the largest growth in housing supply change at 6.80%, nearly double the national average. On the other end, New Jersey had the least out of the states analyzed at only 1.34% growth. While New Jersey did experience a small growth in housing supply, its growth rate was more than two times less than the national average. This undoubtedly contributes to increases in housing prices in the state, as housing supply growth is falling behind the rest of the nation.

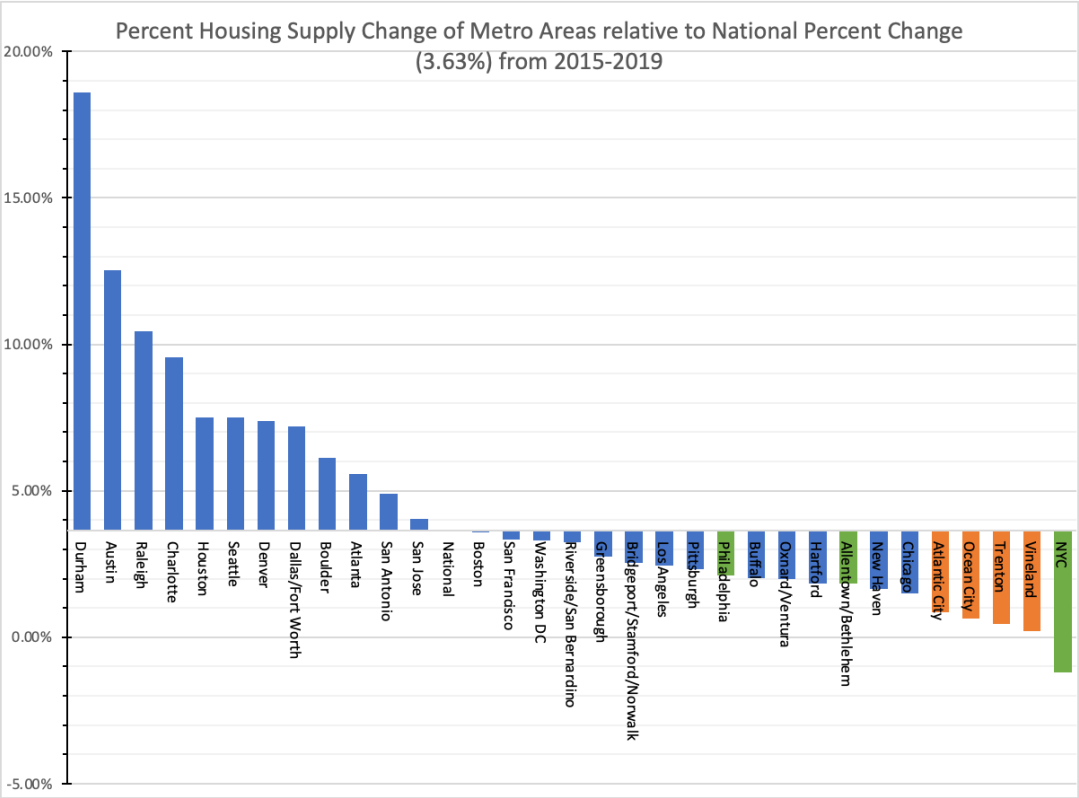

Figure 4. Percent Change in Housing Supply of Metro Areas relative to National Percent Change (3.63%) from 2015-2019

The above figure compares the housing supply growth in some of New Jersey's metro areas to other metro areas across the nation. Once again, we see that the four New Jersey data points (Atlantic City, Ocean City, Trenton, and Vineland) have the lowest housing supply growth out of all the metro areas nationwide that we examined, with the exception of New York City. Furthermore, we see that each of these metro areas had housing supply growth of less than 1%, which is even lower than the New Jersey average. This indicates that the small housing supply growth in New Jersey is being driven by less populated areas in the state. This has implications for the residential choices of young adults, as young adults tend to live in or near metro areas.

Type of Housing Supply

In addition to total housing supply, it is also useful to look into the types of housing supply being built in New Jersey compared to other places around the country as a potential explanatory variable for why New Jersey is not attractive for young people to live. Given that they likely do not yet have the financial stability to purchase single family homes (nor probably have the desire to), young adults are more likely to search for housing *other* than single-family detached (e.g. apartments, townhouses). Hence, analyzing the percent changes of types of housing supply from 2015 to 2019 can help us determine if this might be a potential factor as to why young people are leaving New Jersey. If, for instance, New Jersey does not have much growth in housing supply of non-single family detached units or falls behind in this area compared to other places in the country, this could further contribute to suggesting why young people are leaving, as New Jersey is not offering enough supply of the type of housing they want and are looking for in comparison to other locations. Based on the trends in the figures below, it does indeed appear that this is the case.

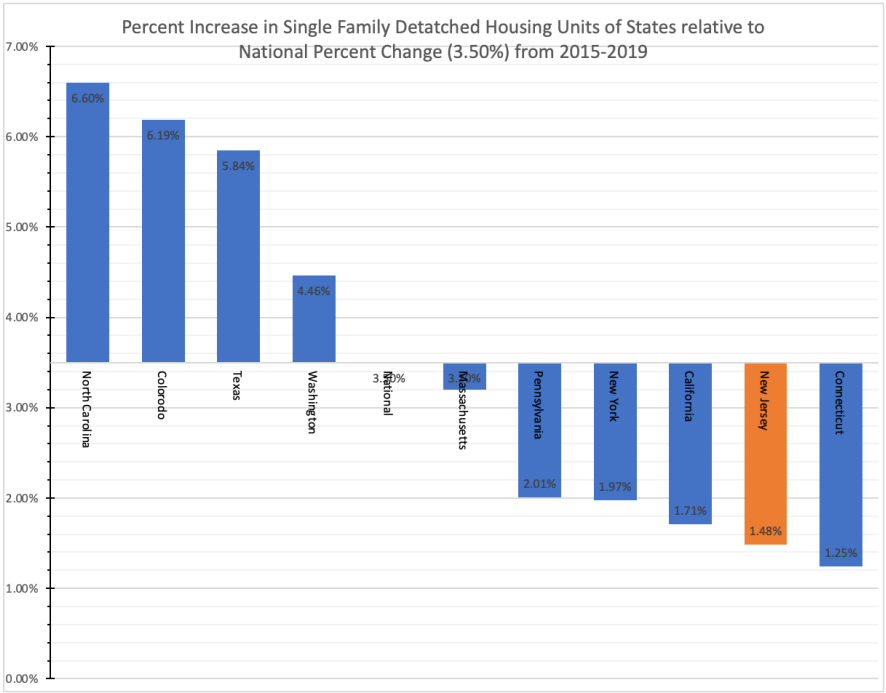

Figure 5. Percent Change in Single Family Detached Housing Unit Supply of States relative to National Percent Change (3.50%) from 2015-2019

Fig 5. Shows the percent increase in single family detached housing units of the states of interest in relation to the national percent change (+3.50%). New Jersey, with a 1.48% increase, is far below the national value, and has the second smallest increase in this metric in comparison to the states of interest. In the context of attracting young people to the state, we could potentially read

this as a positive sign. But, considering New Jersey's housing supply growth of all types units is 1.34%, growth of single family detached homes is outpacing the overall growth of housing units of the state. If we look at Washington and Colorado's growth (considering these states are well above the national average 25-44 year old growth rate), we can see that single family detached units have growth 4.46% and 6.19%, respectively. These states, respectively, saw an overall increase in all types of housing units of 6.80% and 6.71%. Thus, the rate of single family detached unit growth is less than that of the overall growth.

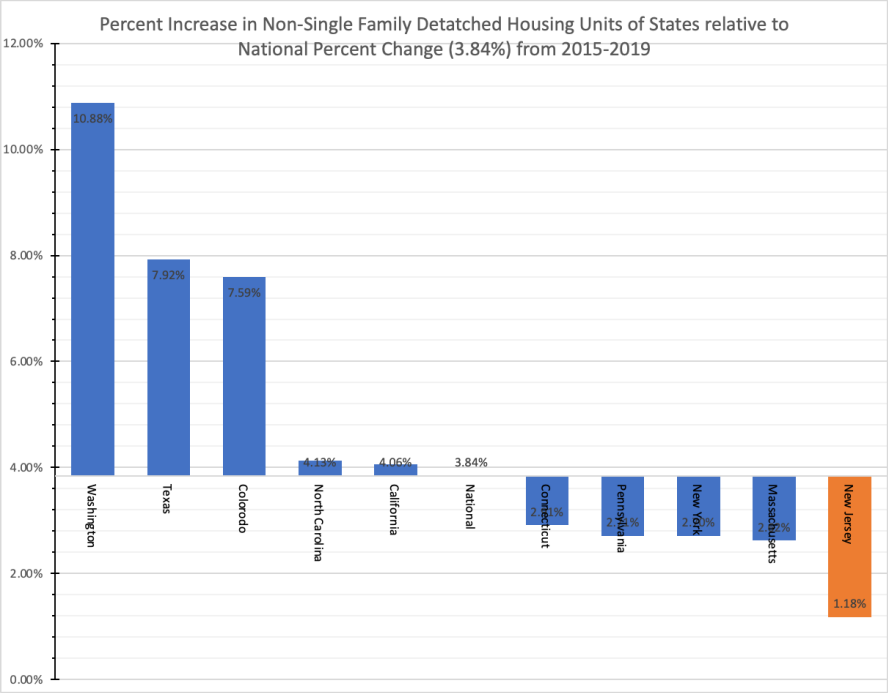

Figure 6. Percent Change in Non- Single Family Detached Housing Unit Supply of States relative to National Percent Change (3.84%) from 2015-2019

Fig 6. Shows the percent change in non-single family detached housing units (e.g. apartments, townhouses) as compared to the national percent change (3.84%). In this case, New Jersey, with a 1.18% increase in these types of units, is underperforming as compared to its overall housing supply growth and to the national change. This indicates that New Jersey is not building enough of the type of housing which would cater to young adults. Again, looking at Washington and Colorado, with growth rates of 10.88% and 7.92%, these states are outperforming both their own overall housing supply growth and the national growth in regard to this metric. They are also outperforming by entire percentage points. Based on this data, housing types other than single family detached housing units might be correlated with attracting young adults to a particular state.

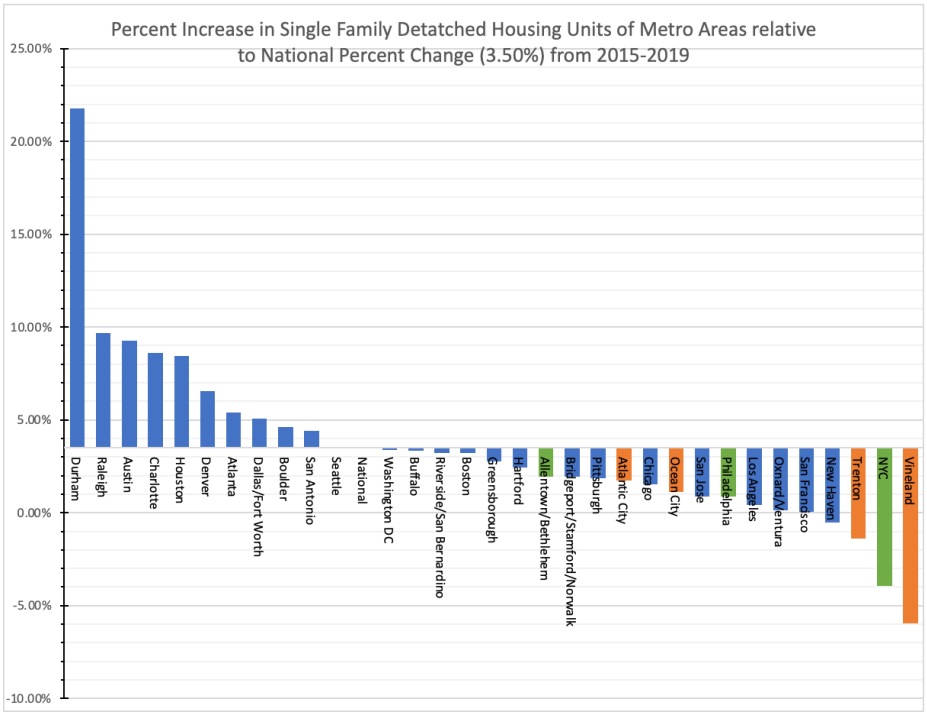

Figure 7. Percent Change in Single Family Detached Housing Unit Supply of Metro Areas relative to National Percent Change (3.50%) from 2015-2019

Fig. 7 shows the percent change in single family detached housing units per metro area relative to the national percent change of 3.5%. All five New Jersey Metro areas increased their single family detached housing units slower than the national average, with Trenton, NYC, and Vineland all seeing supply decline in real terms. This could be seen as a positive sign for attracting the 25-44 age group if these New Jersey Metro areas were focusing less on detached single family housing and more on apartments and townhouses. Fig. 8 is important in seeing the full picture. From it, we can see that NYC, Trenton, and Vineland are all increasing their non single family detached housing units faster than their detached single family housing detached units, which is a positive sign for increasing affordability. However this is not the case for Atlantic City and Ocean City. If New Jersey is to become more affordable for younger people, they are going to need to focus less on increasing the supply of single family detached homes, and more on units that young people can afford like apartments and townhouses.

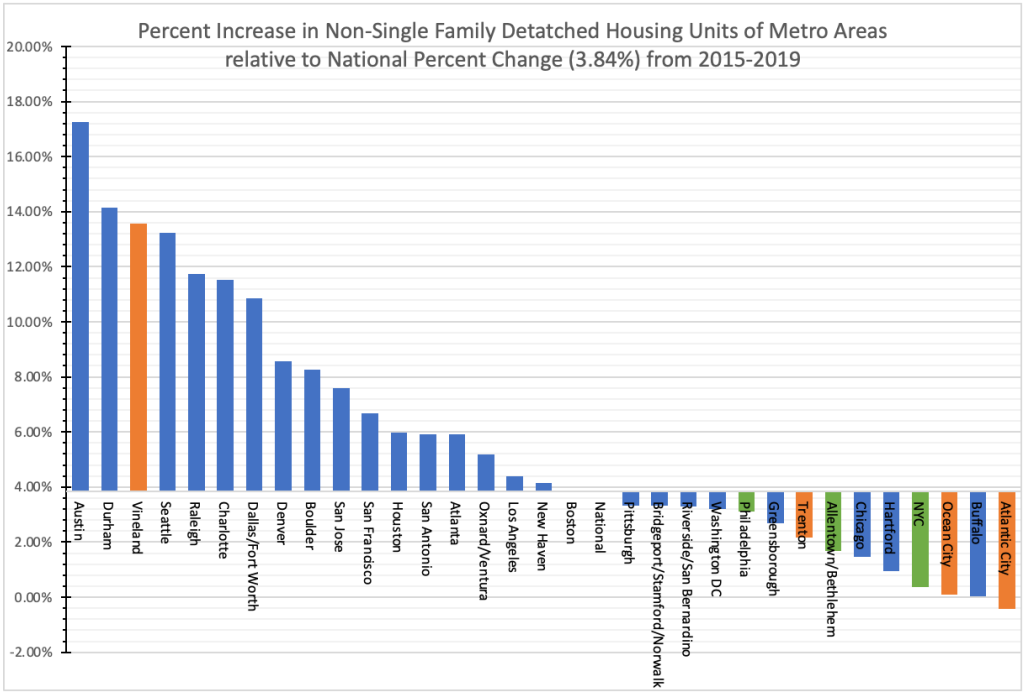

Figure 8. Percent Change in Non- Single Family Detached Housing Unit Supply of Metro Areas relative to National Percent Change (3.84%) from 2015-2019

Fig. 8 shows the percent change in non-single family detached housing units per metro area relative to the national percent change of 3.84%. The graph paints a bleak picture for the future of affordability for the 25-44 age group in all New Jersey Metro areas except Vineland. Trenton, NYC, Ocean City, and Atlantic City are all well below the national average increase in non-single family detached housing units. In stark contrast to these metro areas, Vineland is growing its non-single family detached housing supply about 10% faster than the national average. This will likely alleviate many affordability concerns in Vineland and hopefully urge young people to move there in future years. Many of the other metro areas leading in this growth, like Austin, are extremely successful in attracting young people as the construction of these units provides affordable places to live. If only the rest of New Jersey could follow in Vineland's footsteps, the state would be one step closer to bringing back the 25-44 age group.

Median Home Value

When deciding where to live, median home value is one of the most important metrics as it determines what percentage of a subgroup of the population can live in houses compared to apartments. This is a useful metric as millennials have gotten older and now many want to have kids in a more spacious place than a cramped apartment. For example, a median home value of $400,000 in a certain area might exclude a large subset of the population from even considering moving to that area as they can only spend say $200,000 on a house. Median home values are also a good illustration of the effects of a change in population size, demand, and quantity of housing units. We decided on median home values over average home values as there are some houses that sell for extremely high values that skew the data especially as these ultra-expensive houses are not important for what we are trying to figure out about the market. Using the median has become even more important in today's age where inequality has risen to extreme levels. Relating this to the problem of migration from New Jersey, we saw home values as a potentially enormous problem, especially as Covid has driven up housing prices throughout the nation.

To better understand a state's median home value, we can find the ratio of their median home price over the national median home price and convert that to a percent. To calculate this:

$$(1 - (State\ Median\ Home\ Value\ /\ National\ Median\ Home\ Value)) * - 100\%$$

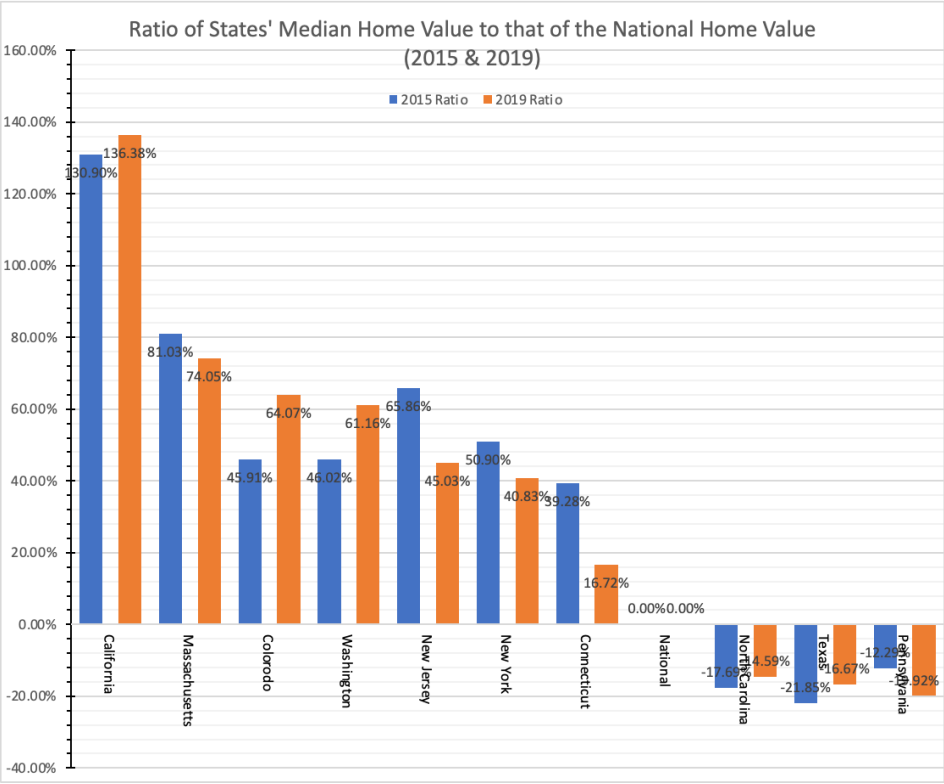

Figure 9. Ratio of Median Home Value Per State Compared to the National Median Home Value Shown as a Percent for 2015 and 2019.

Fig. 9 shows us that California has the highest home values by a wide margin, with the 2019 median home value being 136.38% higher than the national average. However, the next five states behind California are prohibitively expensive for the 25-44 age group, with New Jersey being one of them. New Jersey home values in 2015 were 65.86% above the median home value which is quite a premium for anyone, but is especially difficult for the 25-44 age group. In 2019 New Jersey housing prices dropped tremendously yet still remained much higher than prices nationally, with prices 45.03% above the national median. This was the second largest 2015-2019 drop of all the states we researched, only behind Connecticut. This drop likely reflects a refusal of many to pay high housing prices in New Jersey when they could pay much lower in other parts of the country. This idea is supported by the 1.19% drop in people aged 25-44 between 2015-2019, while the nation grew at 3.5%. Although the drop is considerable, the problem of affordability is still far from solved, as millennials still have to pay a major premium to raise a family in New Jersey.

In Fig. 10 we can see the ratio of median home value per metro area in relation to the national median home value.

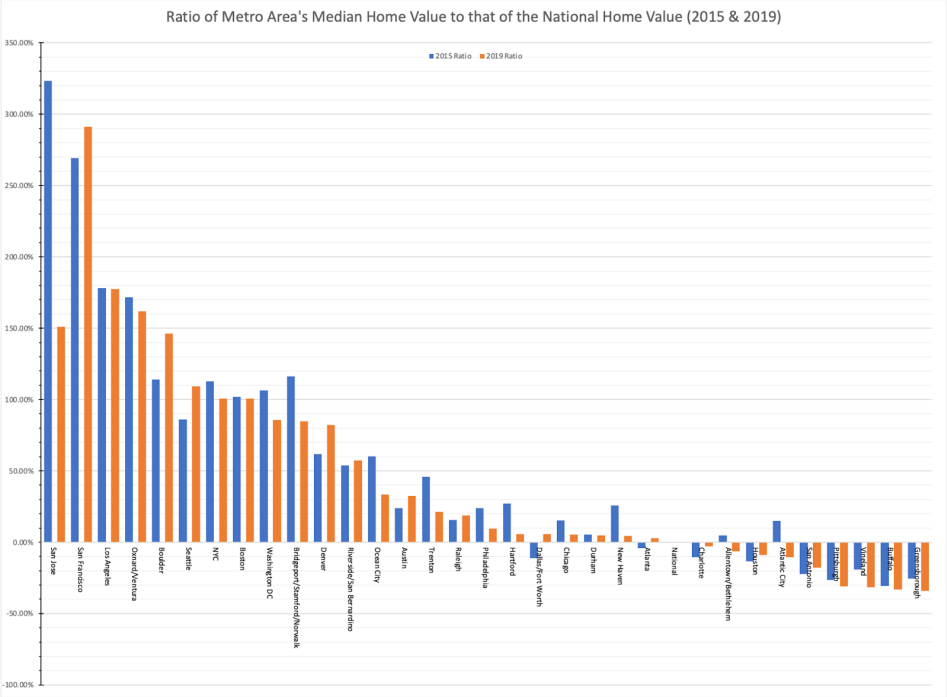

Figure 10. Ratio of Median Home Value Per Metro Area County Compared to the National Median Home Value Shown as a Percent for 2015 and 2019.

From the graph, we see that Trenton, Ocean City, and NYC are all above the national median home value. NYC, which includes much of New Jersey, has some of the highest median home values in the nation. The good news is that all three of these metro areas have become more affordable relative to the national median, with the drop being quite considerable in Trenton and Atlantic City. Atlantic City, while more expensive than the national median in 2015, became less expensive than the national median in 2019. Vineland was actually below the national median in 2015, and decreased more in 2019. This trend is a step in the right direction for New Jersey as there is evidence that it can become more affordable. It is worth considering that these five metro areas declined the most in population of 25-44 year olds of all the counties that we analyzed. This raises the question as to how New Jersey can become more affordable in other ways when the population of these metro areas begins to rise again.

Median Rent

The median rent of a state can tell us what type of price tag to expect of rents in a region. Considering many young people (aged 25-44) do not have the capital to purchase a home, median rent metrics can give us an understanding of the financial decisions young people are considering when moving to a new region. The national median rent in 2015 was $959 and the national median rent in 2019 was $1,097. This is a 14.39% increase in median rent from 2015 to 2019. To better understand the median rent of a region, we can take the ratio of that region's median rent to the national median rent, and convert it to a percentage. The calculation looks like this:

$$(1 - (Regional\ Median\ Rent\ /\ National\ Median\ Rent)) * -100\%$$

This calculation allows us to compare how expensive it is to rent in a particular region compared to the national average. Additionally, by comparing the ratio of median rent in 2015 to the ratio of median rent in 2019, we can understand the rate at which rents are increasing in a region, normalized to the national median rent.

Fig. 11 shows us the ratio of median rent of states in relation to the national median rent.

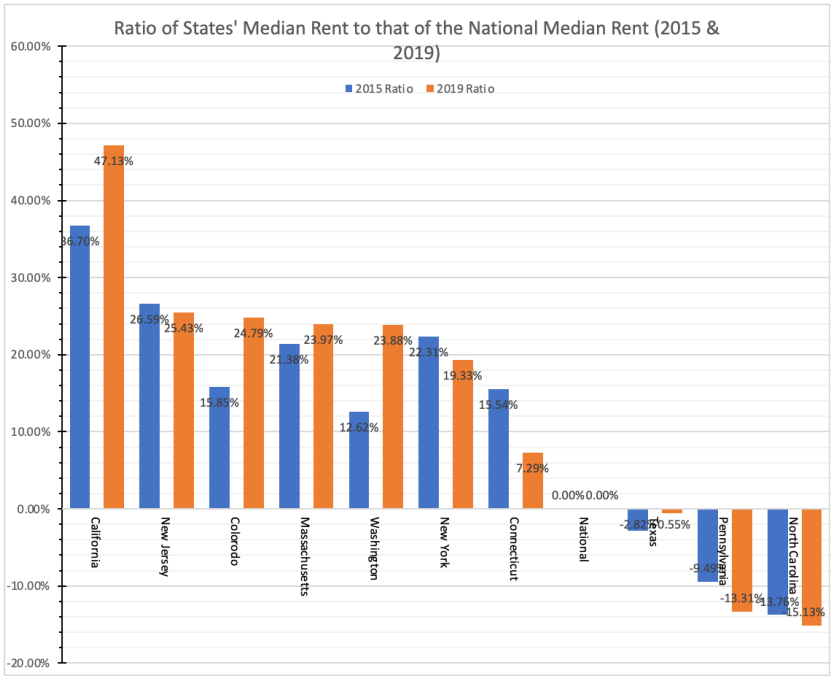

Figure 11. Ratio of Median Rent of each State in relation to the National Median Rent reported as a percent increase/decrease normalized to National Median Rent.

New Jersey displays the second highest median rents in comparison to the national median rent of the selection of states. New Jersey's median rent in 2015 was 25.56% higher than the national

median, and in 2019 was 25.43% higher than the national median. The actual values of New Jersey's median rent in 2015 and 2019 were $1,214 and $1,376, respectively. At the same time, we can see that the rate of rent growth within New Jersey actually decreased between 2015 and 2019 with respect to the national median rent. Between 2015 and 2019, there is a -1.16% decrease in New Jersey's median rent with respect to the national median rent. An interpretation of this result is that because of the steep rent prices, growth in New Jersey's rental market is decreasing. If we compare Fig. 11 to Fig. 3, we can see that housing unit supply is way below the national growth level, and this may also be an explanatory variable for why we see a decrease in New Jersey's median rent with respect to the national median rent.

If we compare New Jersey to states which are seeing a decrease in median rate as compared to the national median, we can see that North Carolina, Pennsylvania and Texas are all decreasing. Relating this back to Fig. 1, North Carolina and Texas both have increases in populations of ages 25-44, whereas North Carolina has a population increase of 2.40%, which is 1.1% less than the national growth rate. Thus, median rent of each state could be an explanatory variable for why young people are decreasing/growing in each state, but is most likely not the totality of the explanation.

In Fig. 12 we can see the ratio of median rent per metro area in relation to the national median rent.

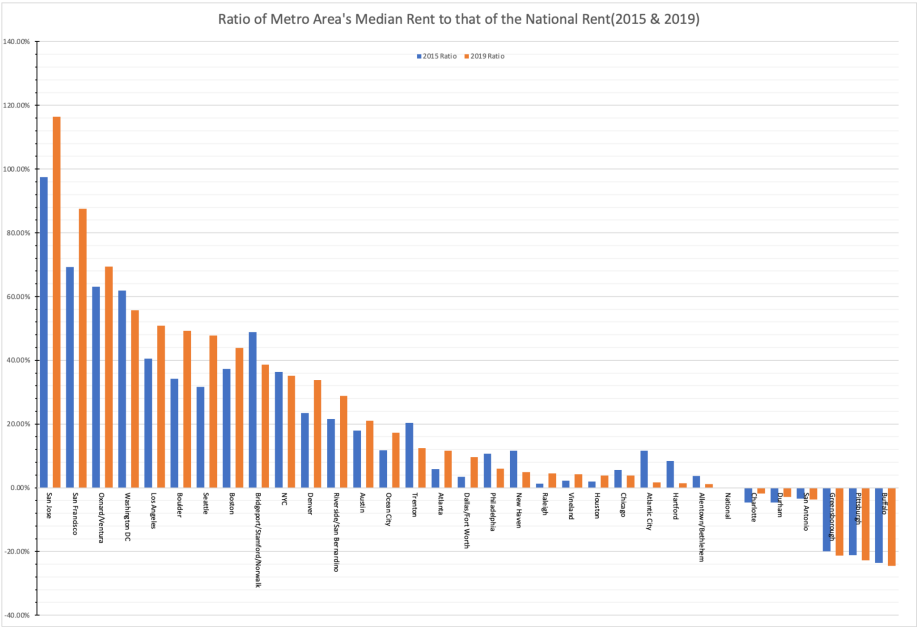

Figure 12. Ratio of Median Rent of each State in relation to the National Median Rent reported as a percent increase/decrease normalized to National Median Rent.

In this scenario, we can see that Trenton, Atlantic City, Ocean City and Vineland are all above the national average of median rent, yet on the lower side of the spectrum which supersedes it. Atlantic City and Trenton both are decreasing in terms of median rent growth, whereas Ocean City and Vineland are increasing. Considering that all four of these cities are within the top five

bottom percent of our metro area selection in terms of the change in 25-44 year old age population change from 2015-2019, we can see that this metric might play a role, but is not the totality of the reason for their decline in young population. The three highest metro areas in terms of median rent are all California areas (San Jose, San Francisco, and Oxnard/Ventura). All three areas are also experiencing increases in median rent in relation to the national median. The three lowest metro areas are Buffalo, Pittsburgh and Greenborough, which are all experiencing decreases in median rent in relation to the national median between 2015 and 2019. These metro areas tended to be middle-low regions of population growth of young people relative to the national average.

In summary, this metric gives us valuable information concerning rent increases, rent in relation to the national median and the rental growth of a city. This metric may play a role in explaining why young people are leaving New Jersey in relation to other selected states and metro regions, and should be considered in future endeavors to encourage young people to come back to New Jersey.

Conclusions

The analysis of these four metrics on a national scale is useful in providing insight into the issue of housing affordability in New Jersey. By studying how New Jersey ranks through the 25-44 age metric, housing supply, median home value and median rent individually, we can draw conclusions on how the factors interact with each other to result in the greater problem: young adults are leaving New Jersey. For example, we noted that New Jersey home values in 2019 were 45.03% above the median home value even after a significant drop from 2015. High housing prices made living in New Jersey unaffordable for many millennials in 2015 and caused demand for housing to dip over the following years. Due to the refusal of many to pay those high prices in New Jersey compared to much more affordable options in other parts of the country, both the housing market and rental market experienced a slow down between 2015 and 2019. That is explained in data such as the -1.16% decrease in New Jersey's median rent compared to the national average. This drop in median rent in New Jersey is paralleled by also having the lowest housing supply growth of the states we studied. With only a 1.34% growth in housing supply, we see that New Jersey's relatively unaffordable housing market is disincentivizing migration to the state, which causes less demand for housing growth compared to other states. New Jersey is not building enough new housing to support an influx of young people, or to significantly reduce home values or rental prices.

Another interesting analysis we performed for all these factors was for four metropolitan areas within New Jersey. There we saw that these metro areas had a supply growth of less than 1% which is even lower than the New Jersey average. Studying the metro areas, specifically, can show how New Jersey cities cannot keep up with the affordability and resources of other states' cities. Ultimately, all these factors result in population changes among the 25-44 age group, of which New Jersey sees a -1.19% population change. Compared to the national percent change of +3.50% between 2015 and 2019, we see that this issue of housing affordability has caused individuals of this age group to leave New Jersey.

While the data we have presented here makes a compelling case for how New Jersey's housing market has led to the flow of young adults out of New Jersey, we have not performed a comprehensive analysis of what other factors young adults are looking for when deciding where to reside. Future work could include more analysis of how the urban and suburban breakdown of a state impacts where young adults choose to live. This could include metrics for quality of life in the form of culture or amusement indices, and employment sectors that are common for a metro area or state. Affordability in housing serves as an important factor for exploring migration patterns and supplementing that with other metrics could extend these conclusions further.