



The Road Ahead

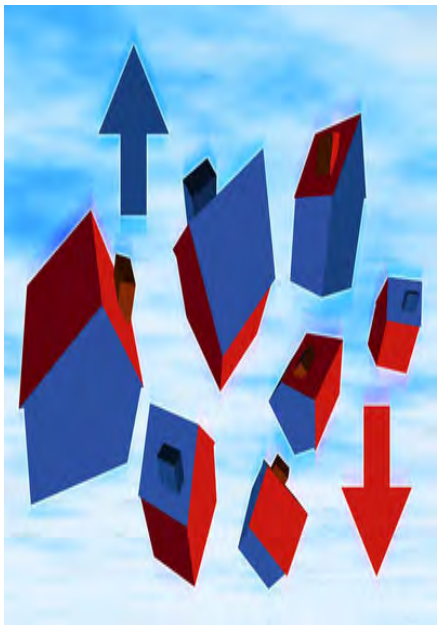
Economic & Real Estate Dynamics in New Jersey

*SOMERVILLE REDEVELOPMENT
FORECAST*

OCTOBER 2025

OTTEAU GROUP, INC.

WWW.OTTEAU.COM



Economic & Housing Forecast



Economics, Tariffs & Interest Rates



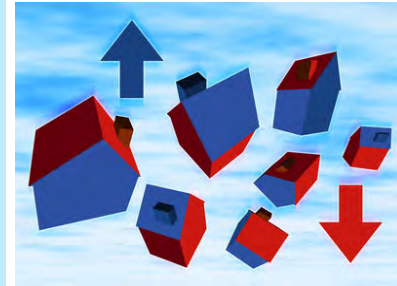
Demography is Destiny



Real Estate Markets



Economic & Real Estate Forecast



Economic Analysis

Cash and cash equivalents	Accounts receivable	Inventory
Prepaid expenses	Property, plant, and equipment	Goodwill
Intangible assets	Other assets	
Accounts payable	Long-term debt	Other liabilities
Deferred tax liabilities	Other liabilities	

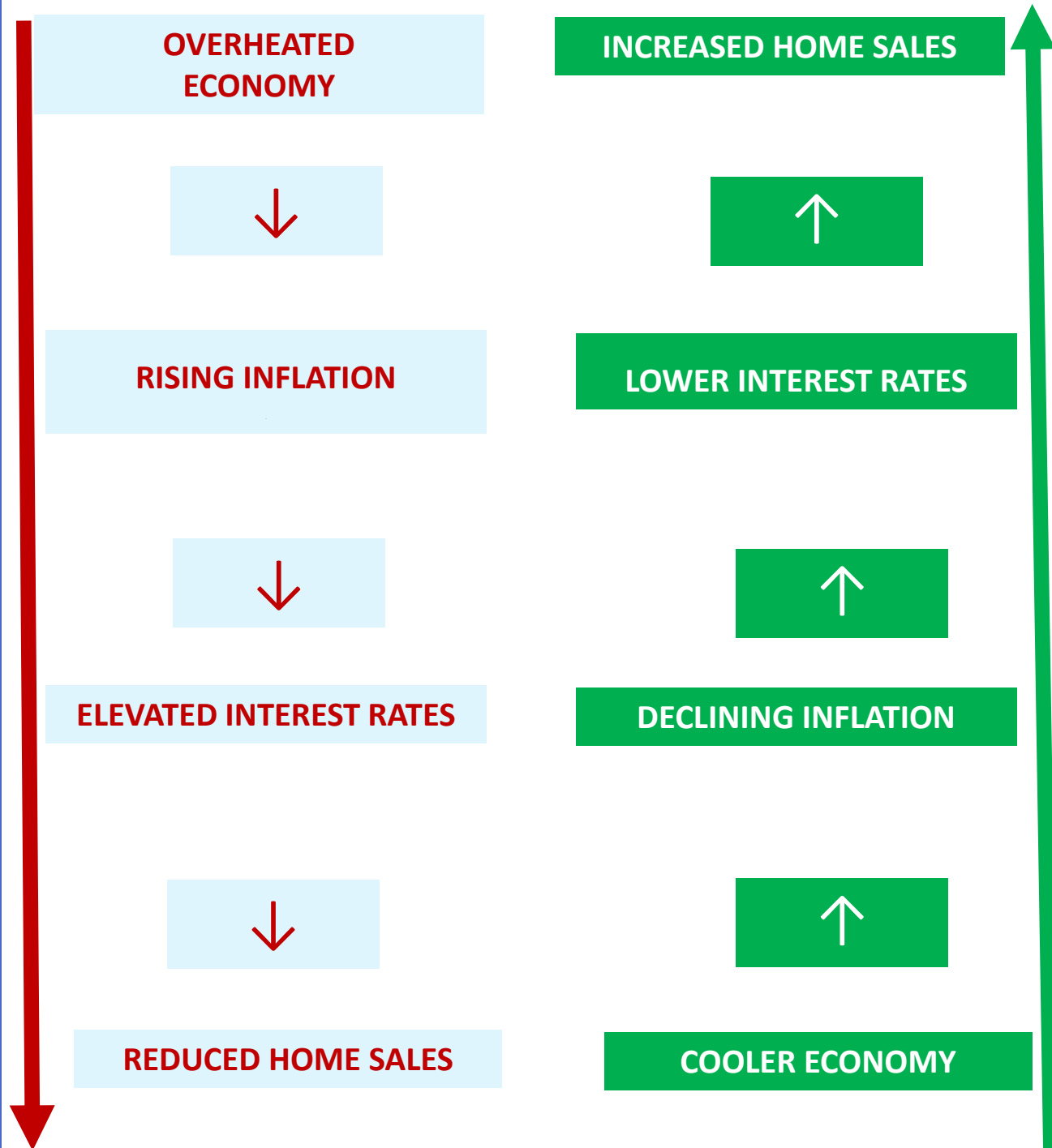


Economics of Interest Rates



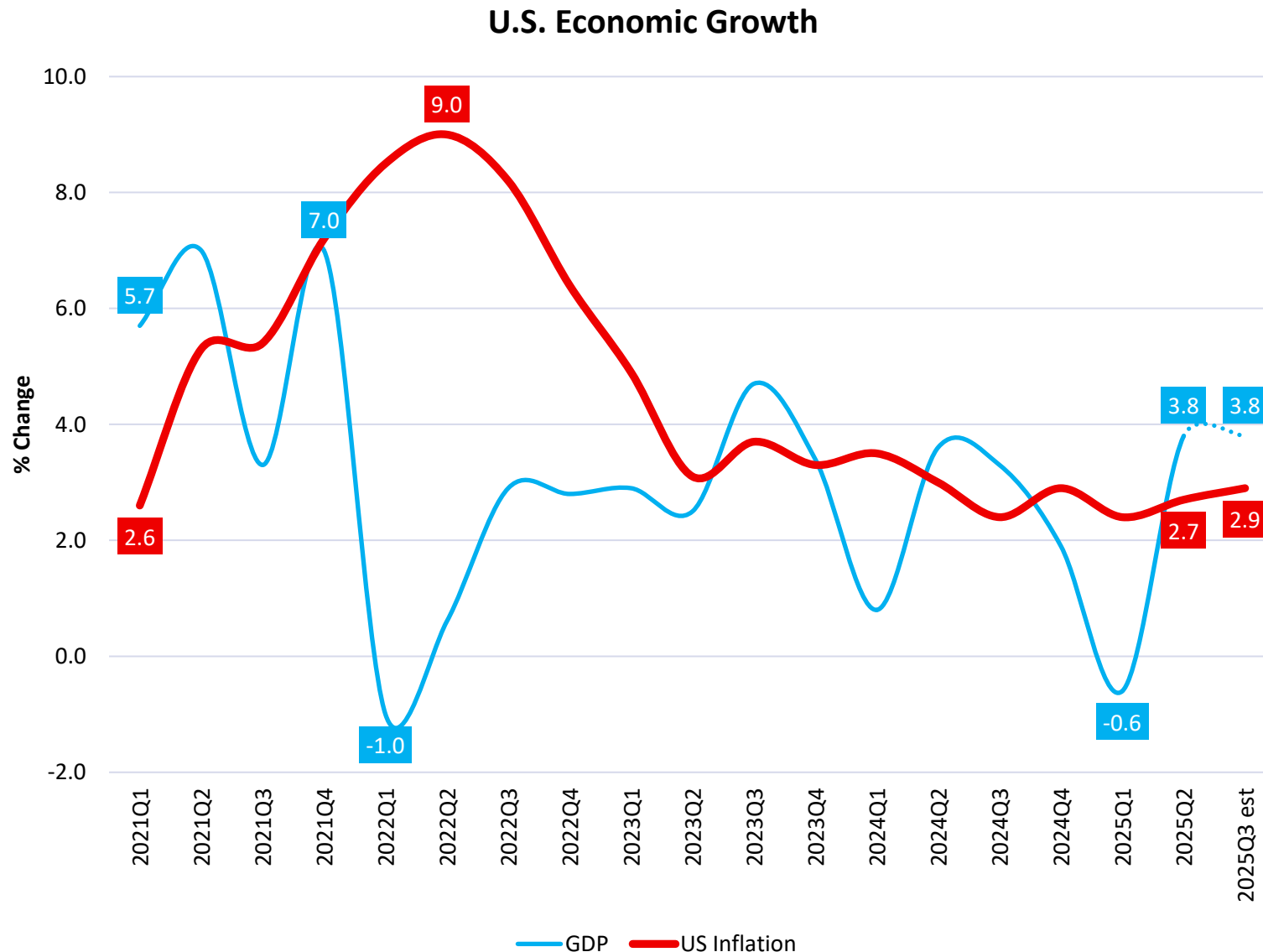
Principal Inflation Causes

- Excessive Pandemic Response
- Long-Term Deficit Spending



Economics, Tariffs & Interest Rates

Inflation & Economic Growth are Closely Linked



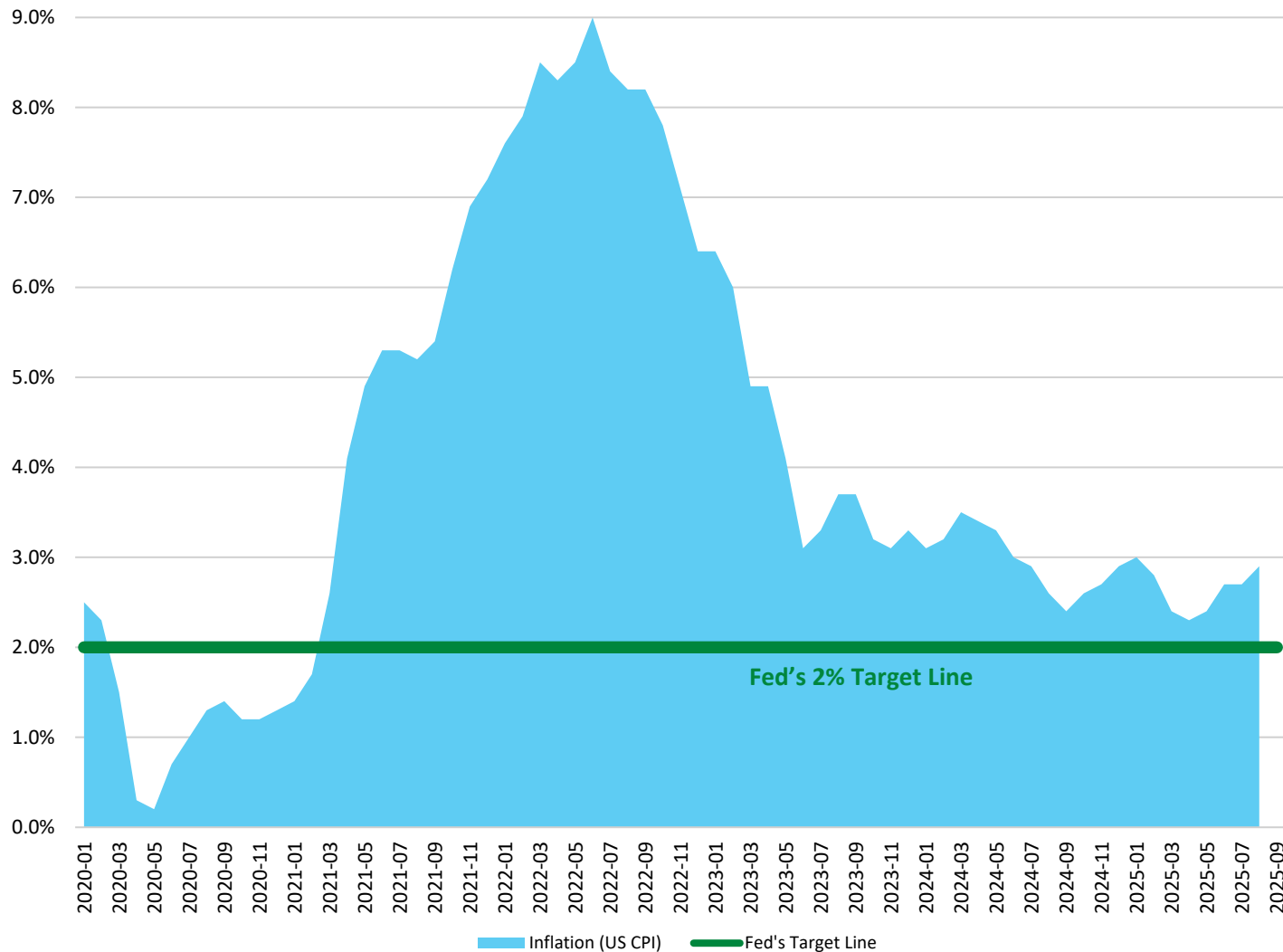
$$\text{GDP} = C + I + G + (\text{Exp.} - \text{Imp.})$$



Economics, Tariffs & Oil Prices

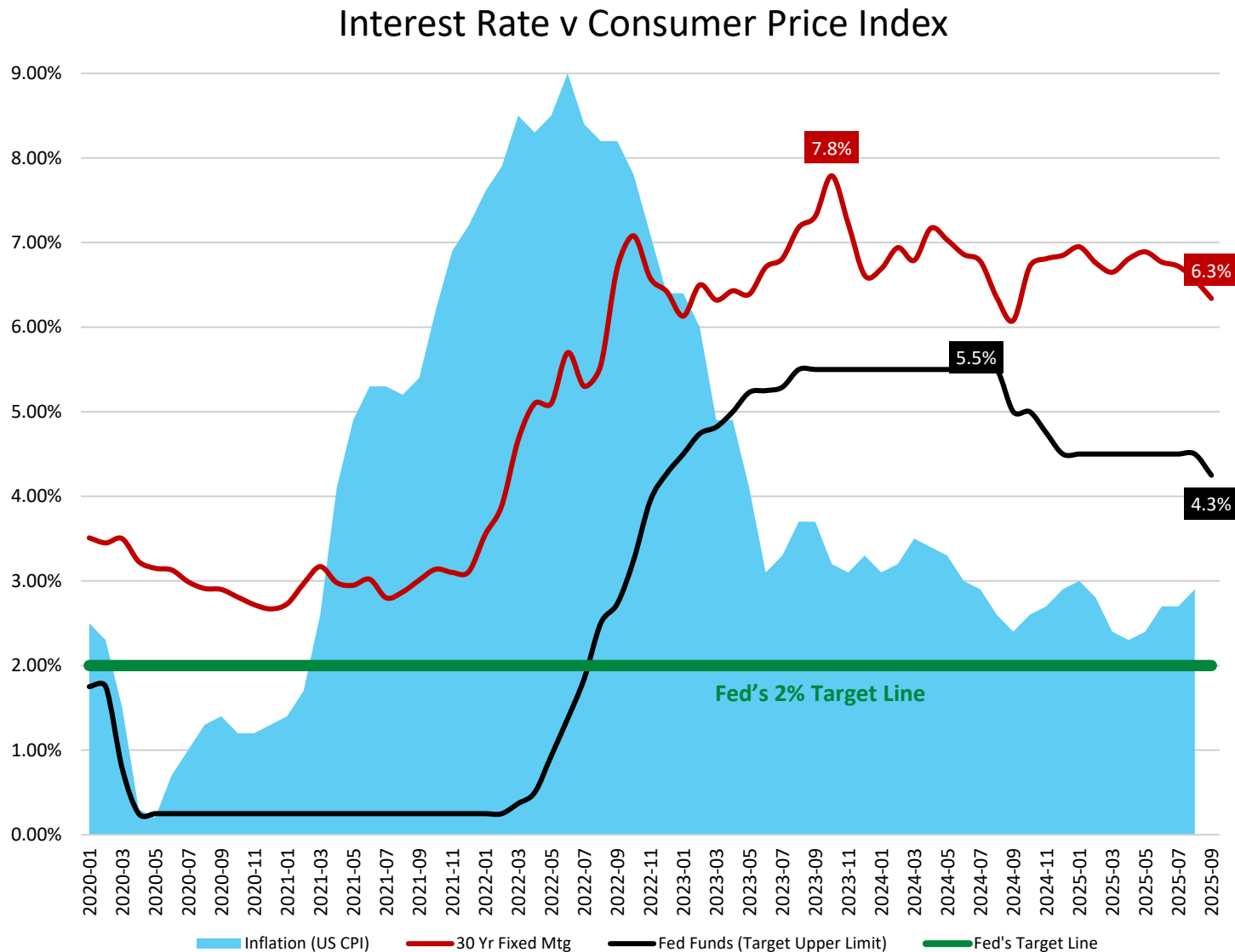
But Interest Rates Remain Elevated

Interest Rate v Consumer Price Index



Economics, Tariffs & Oil Prices

But Interest Rates Remain Elevated

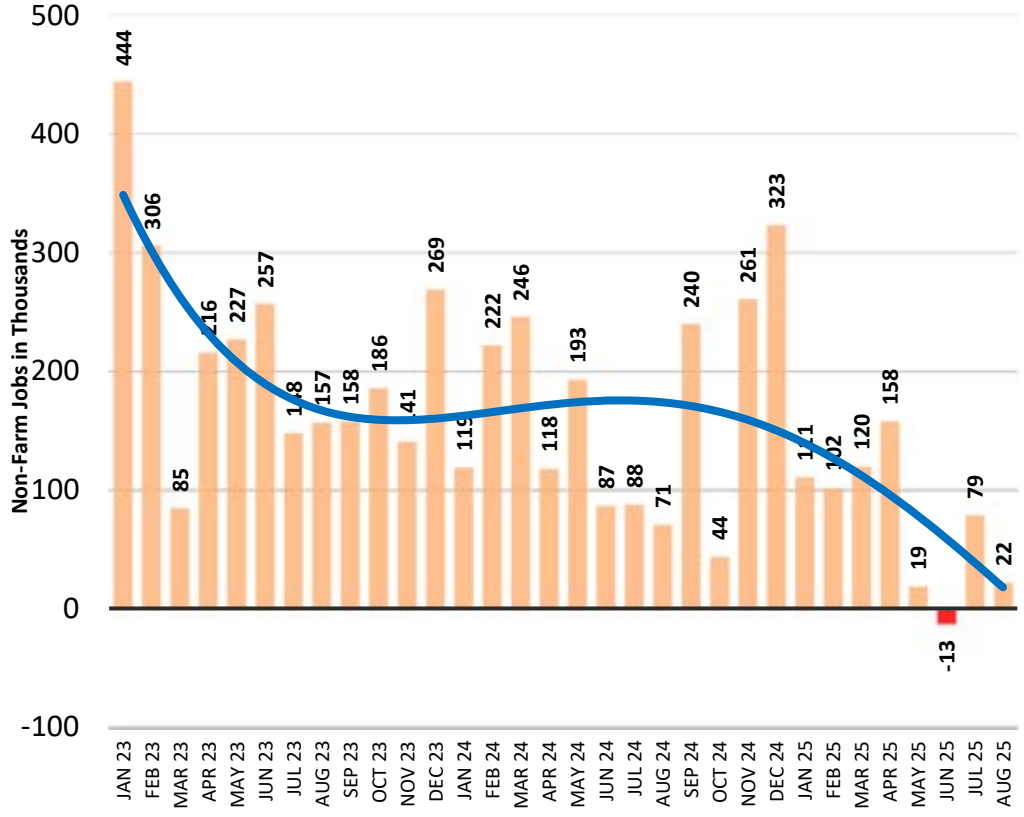


Economics, Tariffs & Interest Rates

Leaning into a Normalized Economy

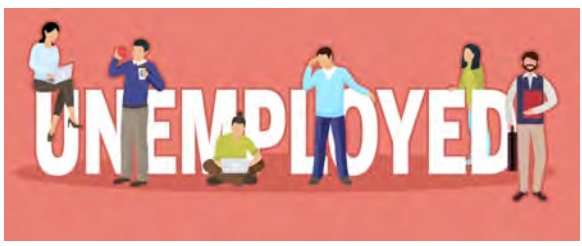
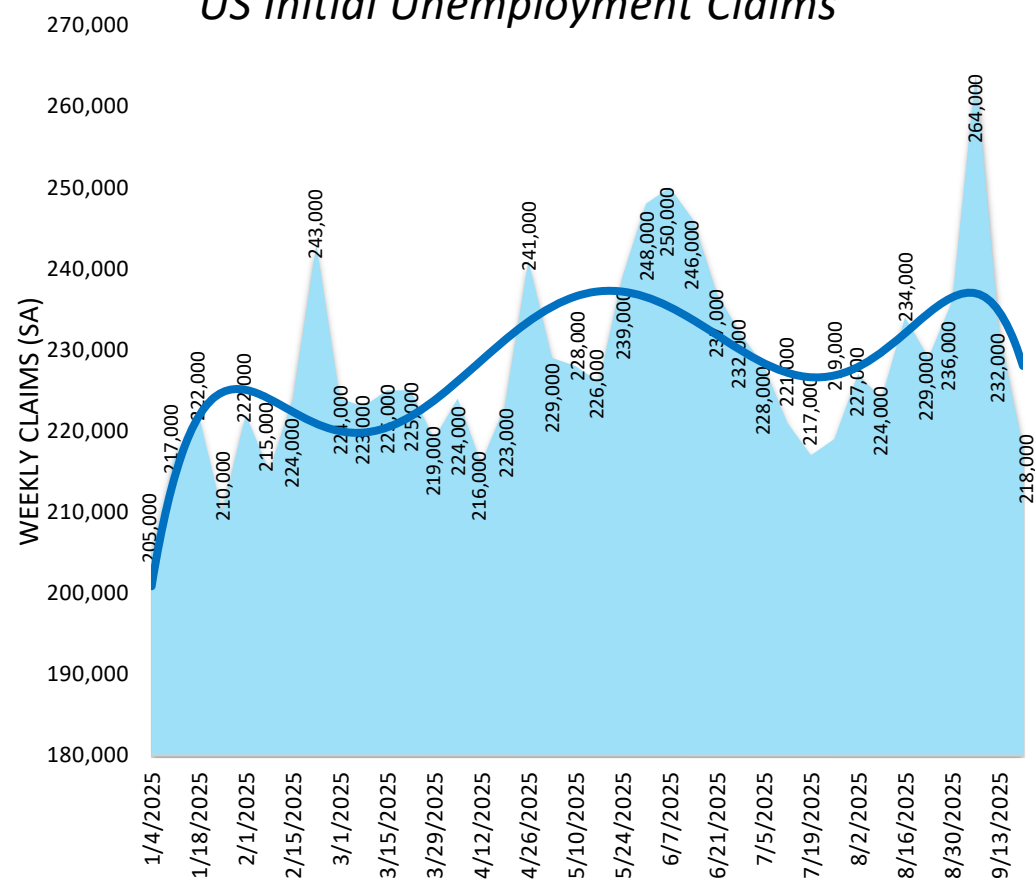


US Monthly Job Creation



Source: US Dept. of Labor, Bureau of Labor Statistics

US Initial Unemployment Claims

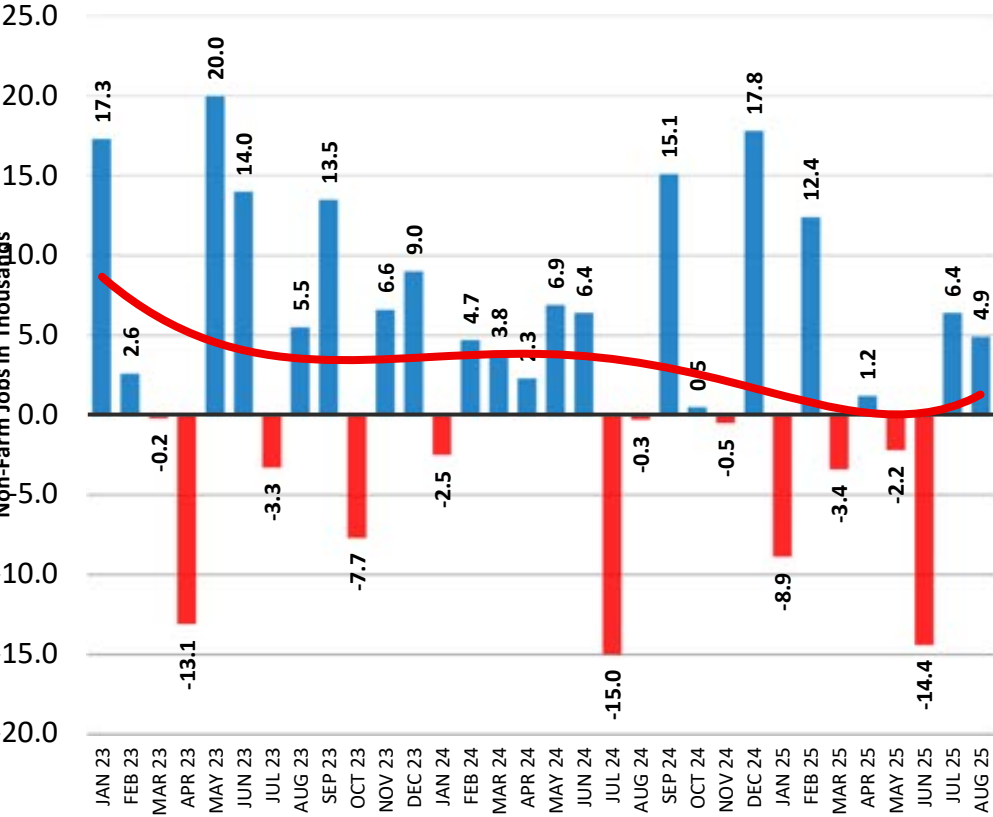


Economics, Tariffs & Interest Rates

Leaning into a Normalized Economy

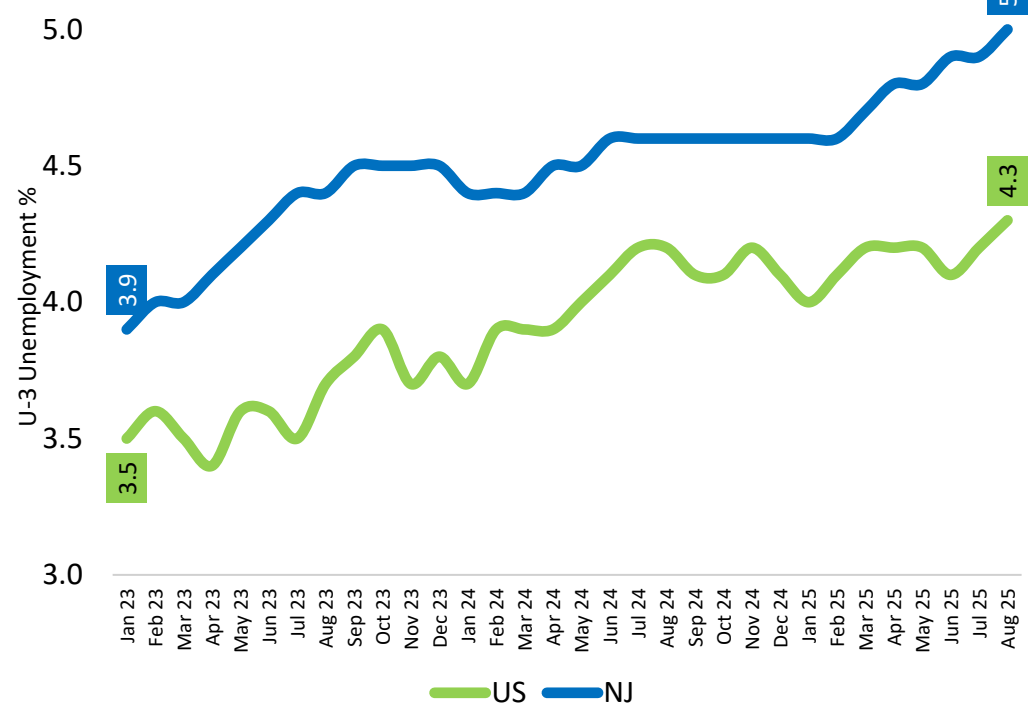


NJ Monthly Job Creation



Source: US Dept. of Labor, Bureau of Labor Statistics

UNEMPLOYMENT - SEASONALLY ADJUSTED



Economics, Tariffs & Interest Rates

Oil Prices Much Lower Since Beginning of Year

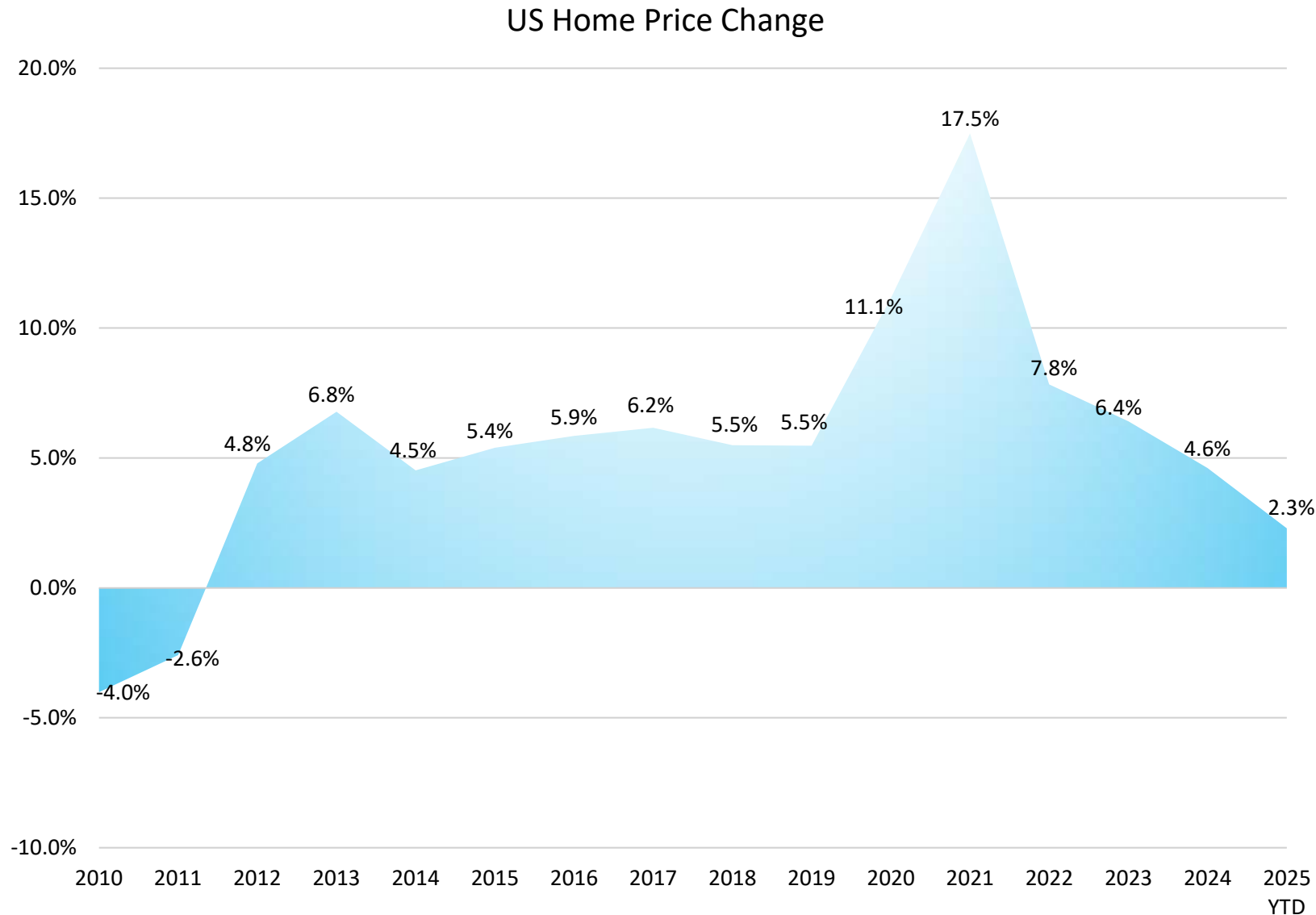
Crude Oil Continuous Contract

\$61.16 ↓ 14.72% -10.56 YTD



Economics, Tariffs & Interest Rates

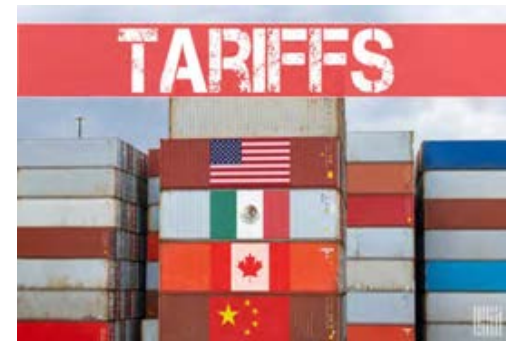
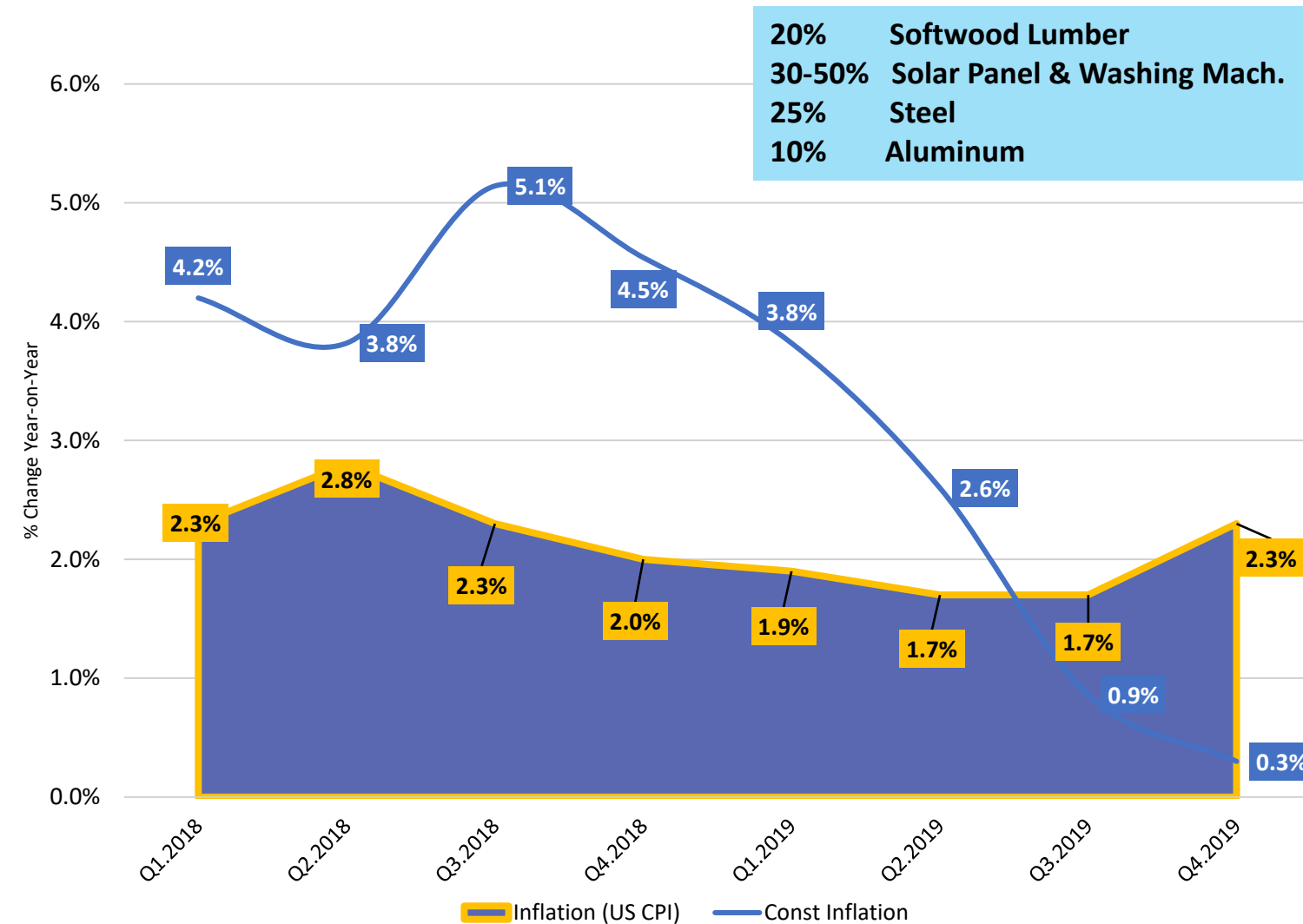
US Home Prices Cooling



Economics, Tariffs & Interest Rates

Looking Back at Tariffs in 2017 & 2018

Tariffs & Construction Cost Inflation



Demography is Destiny

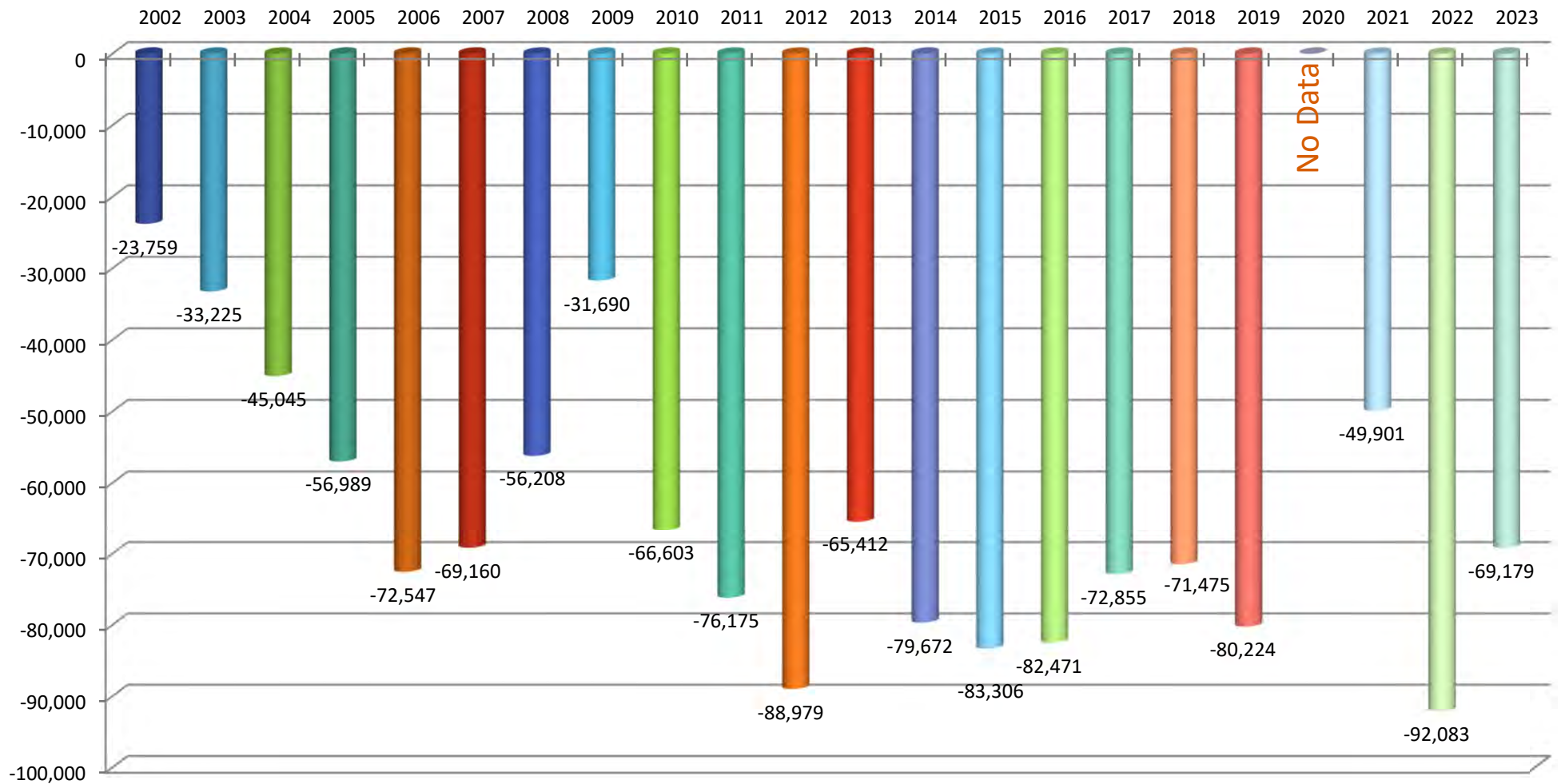


Demographics Threats

Continuing Outmigration

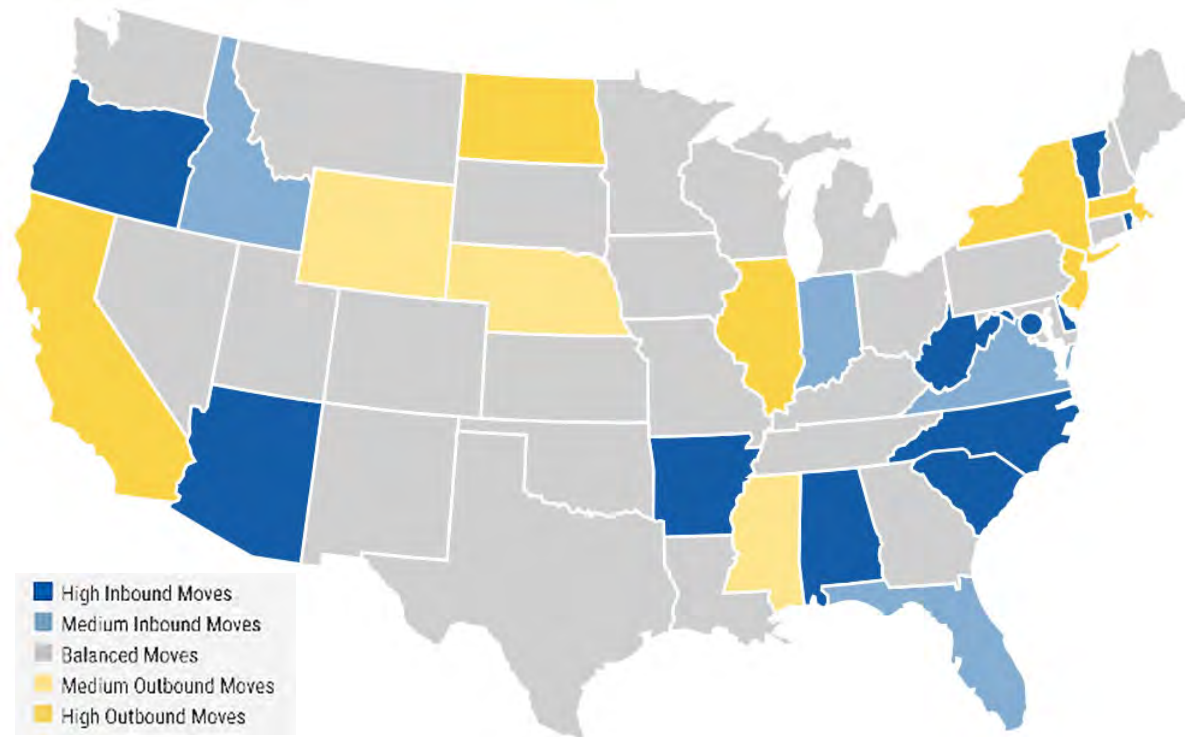


NJ Net Domestic Migration



Demographics Threats

Continuing Outmigration



- High Inbound Moves
- Medium Inbound Moves
- Balanced Moves
- Medium Outbound Moves
- High Outbound Moves



New Jersey Holds #1 Ranking
67% of NJ HH Goods Shipments are Outbound

Primary Reason for Moving

INBOUND

8.10%

2.70%

33.30%

7.20%

27.90%

0.90%

retirement

health

family

lifestyle

job

cost

OUTBOUND

21.70%

4.20%

19.60%

14.50%

16.90%

5.60%

Income

INBOUND

5.10%

8.60%

17.20%

25.90%

43.10%

\$0 to \$49,999

\$50,000 to \$74,999

\$75,000 to \$99,999

\$100,000 to \$149,999

\$150,000 or more

OUTBOUND

4.50%

11.10%

12.10%

17.20%

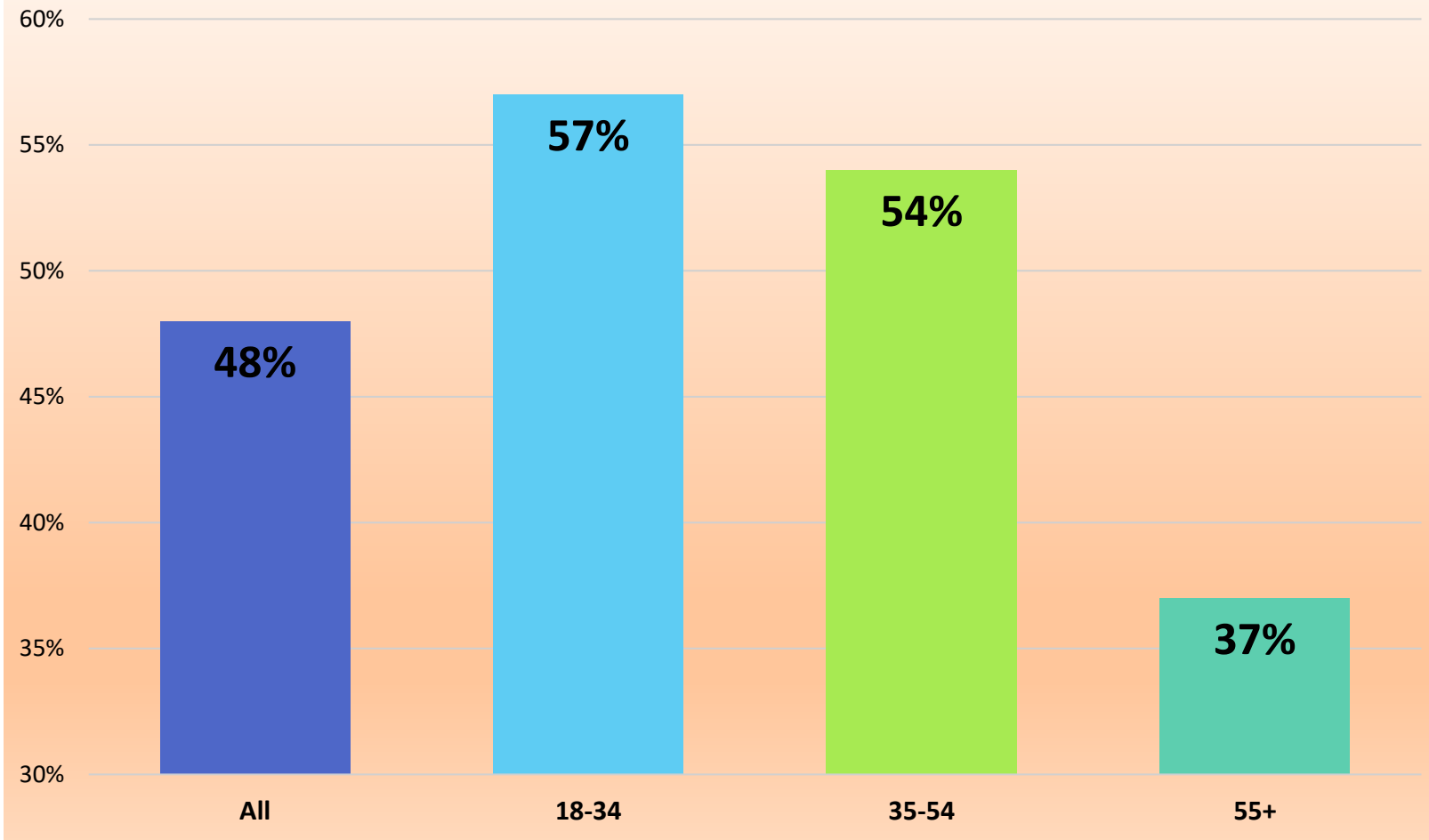
55.10%

Demographics Threats

New Jersey is Losing the Retention Battle



Residents Planning to Leave NJ



Source: 2024 Monmouth University Poll



Demographics Threats

Demographic Cliff Approaching

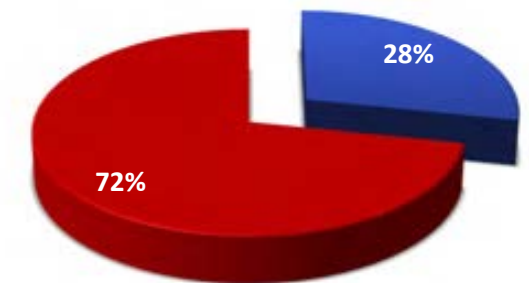


Population By Age Change (2015 v. 2025 Est.)
New Jersey

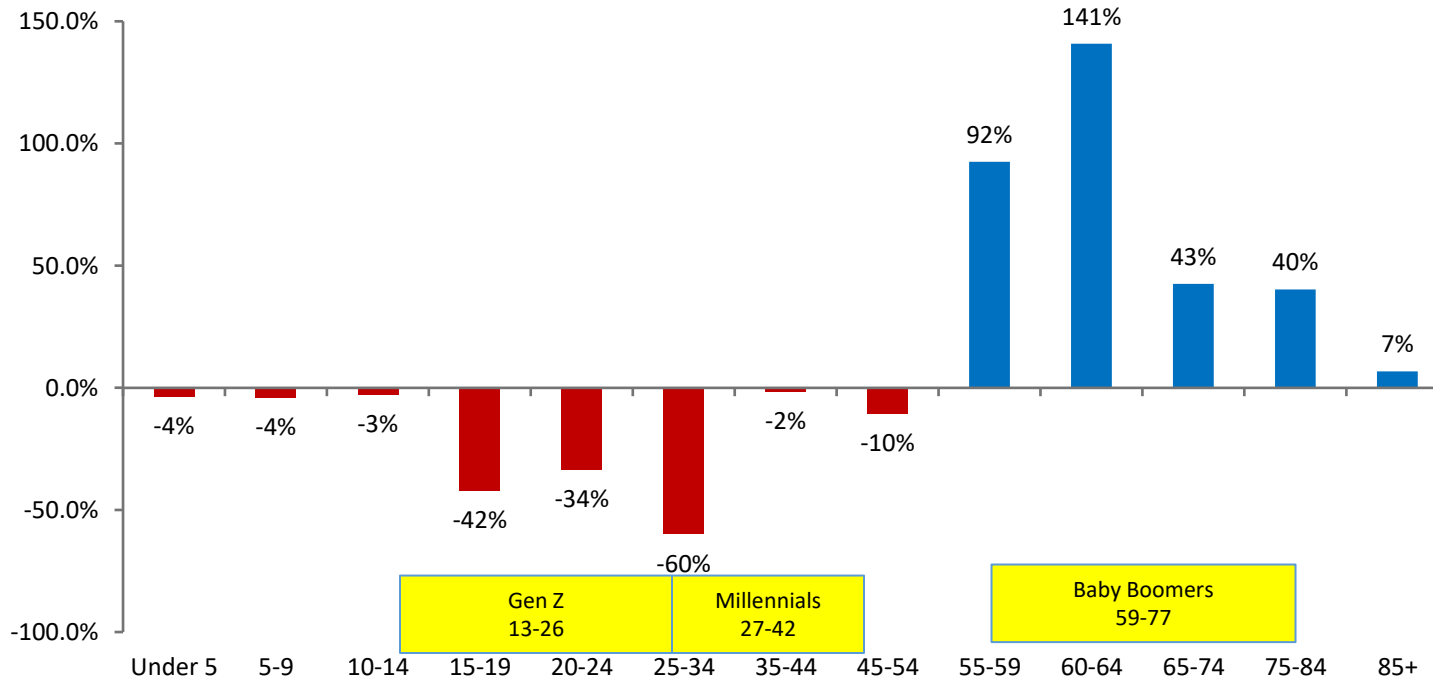
Childless HH @ 65% 2 Years Ago

NJ Households

Presence of Kids 18 Yrs of
Younger



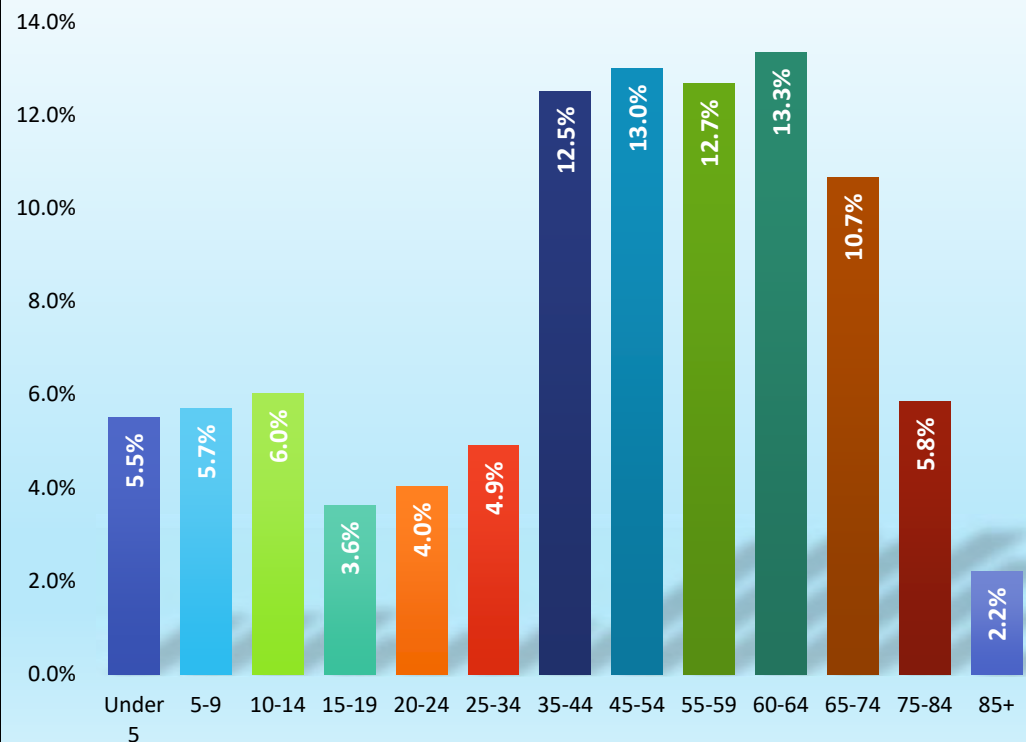
■ With Kids
■ Without Kids



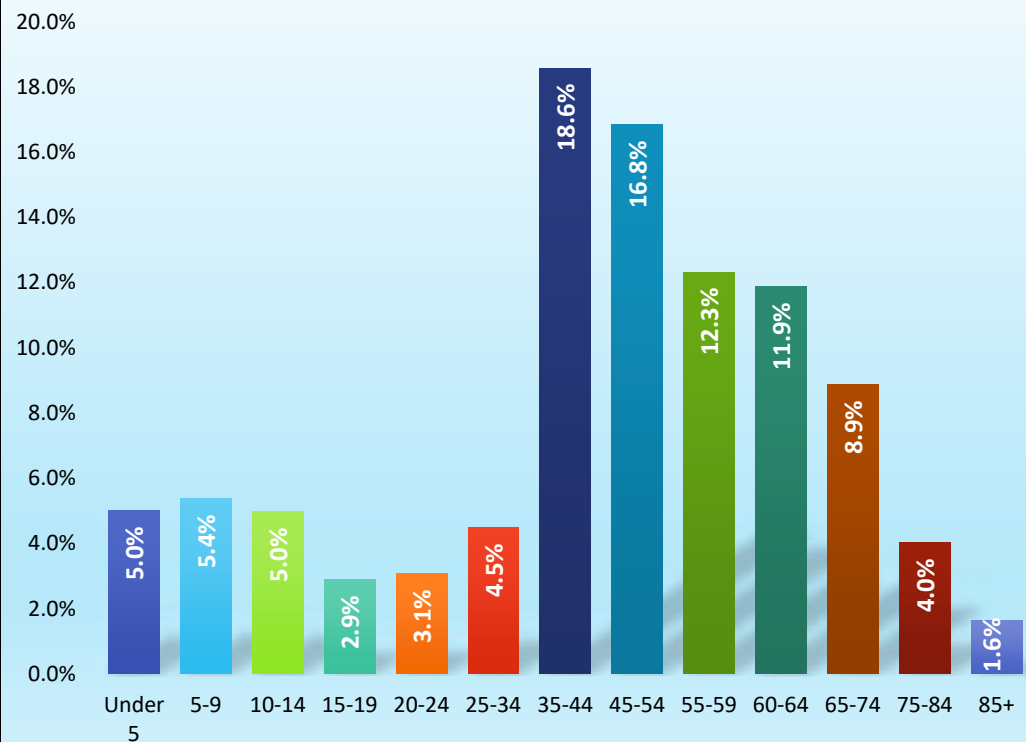
Demographics Threats

New Jersey Losing Traction in Key Cohorts

NJ Population by Age Cohort



Somerville Population by Age Cohort



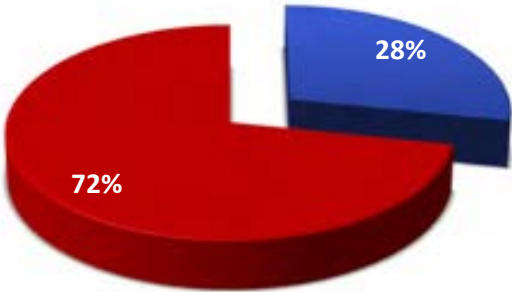
Demographics Threats

Demographic Cliff Approaching



NJ Households

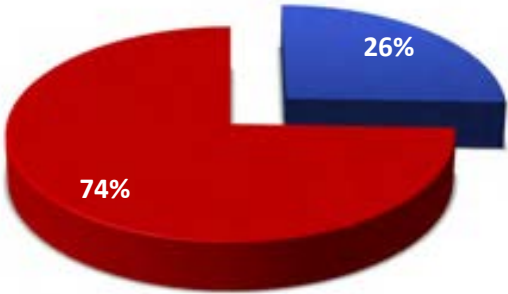
Presence of Kids 18 Yrs of Younger



■ With Kids ■ Without Kids

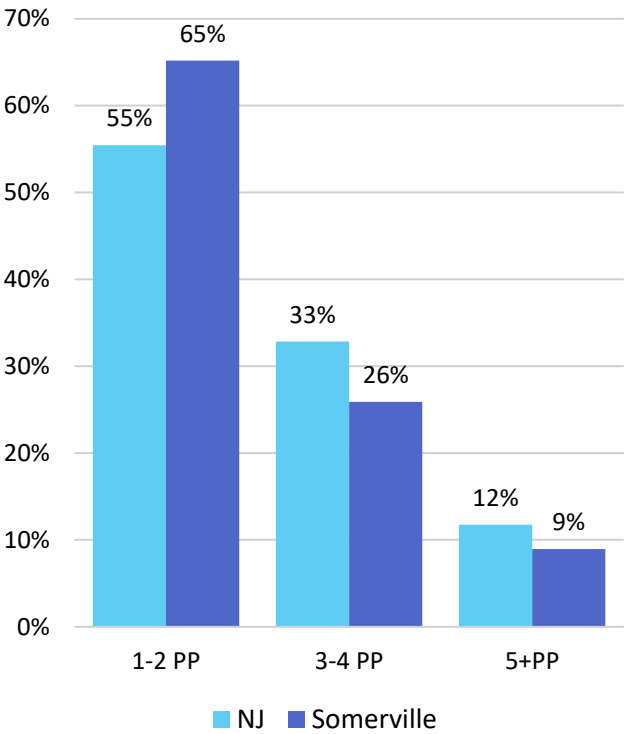
Somerville Households

Presence of Kids 18 Yrs of Younger



■ With Kids ■ Without Kids

Size of Households - 2025

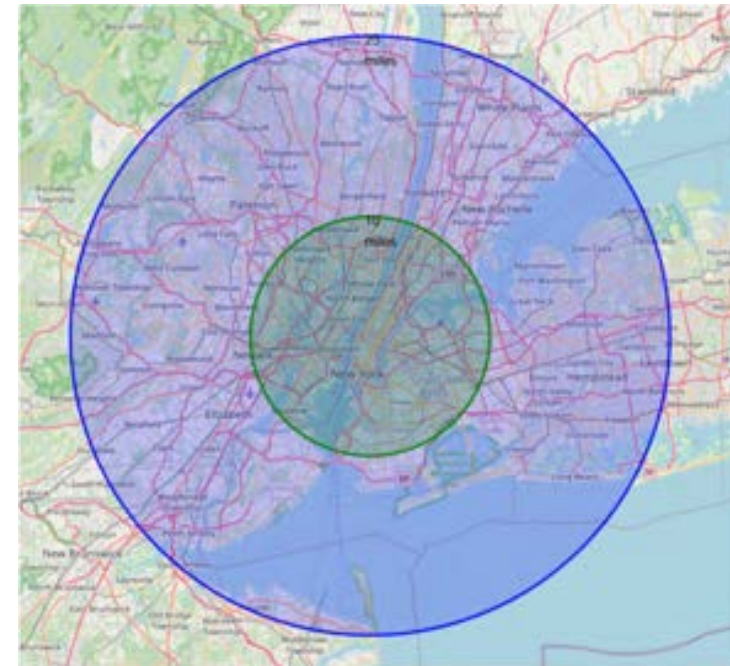
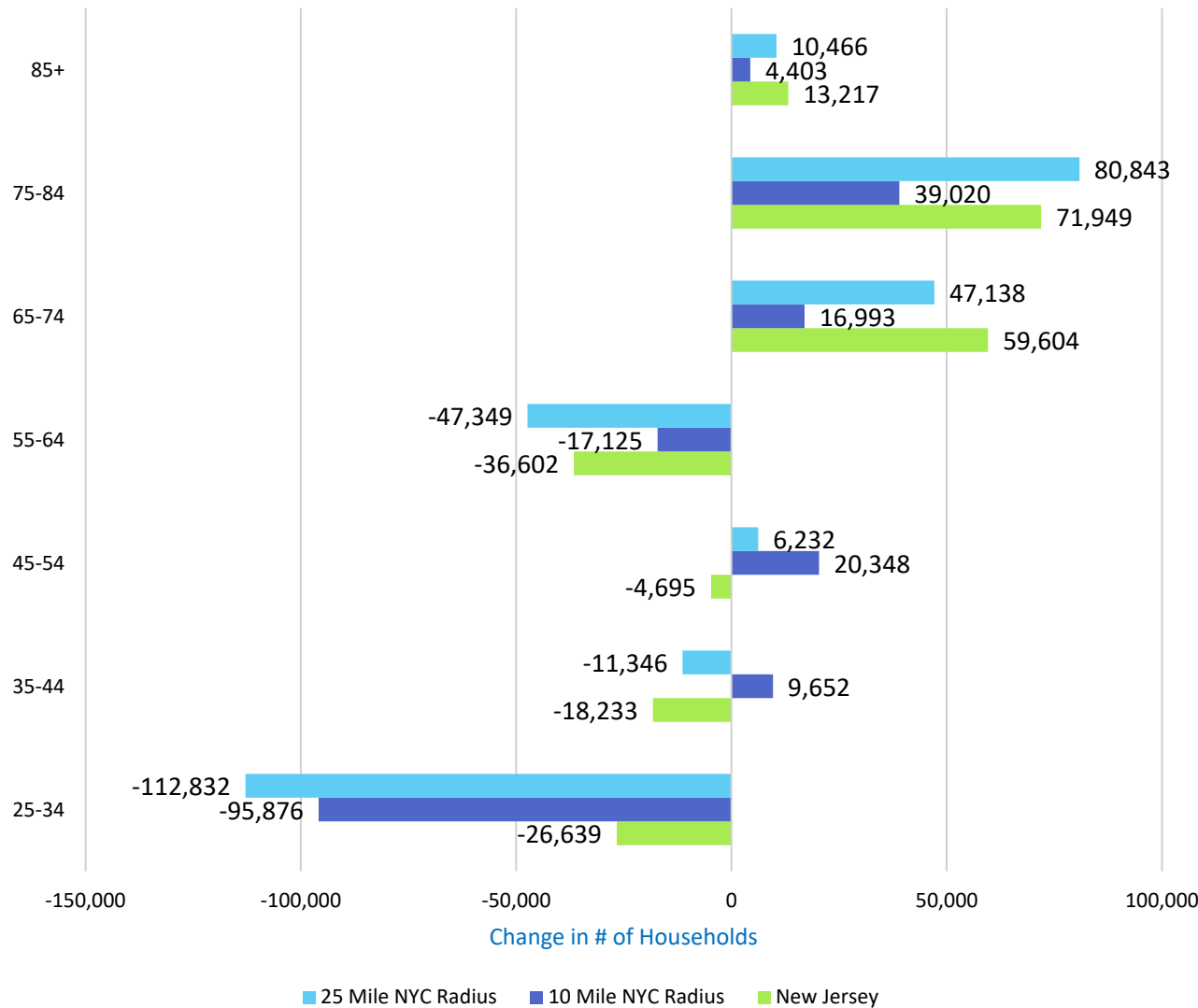


Demographics Threats

Demographic Cliff Approaching

5 Year HH Change: 2025-2030

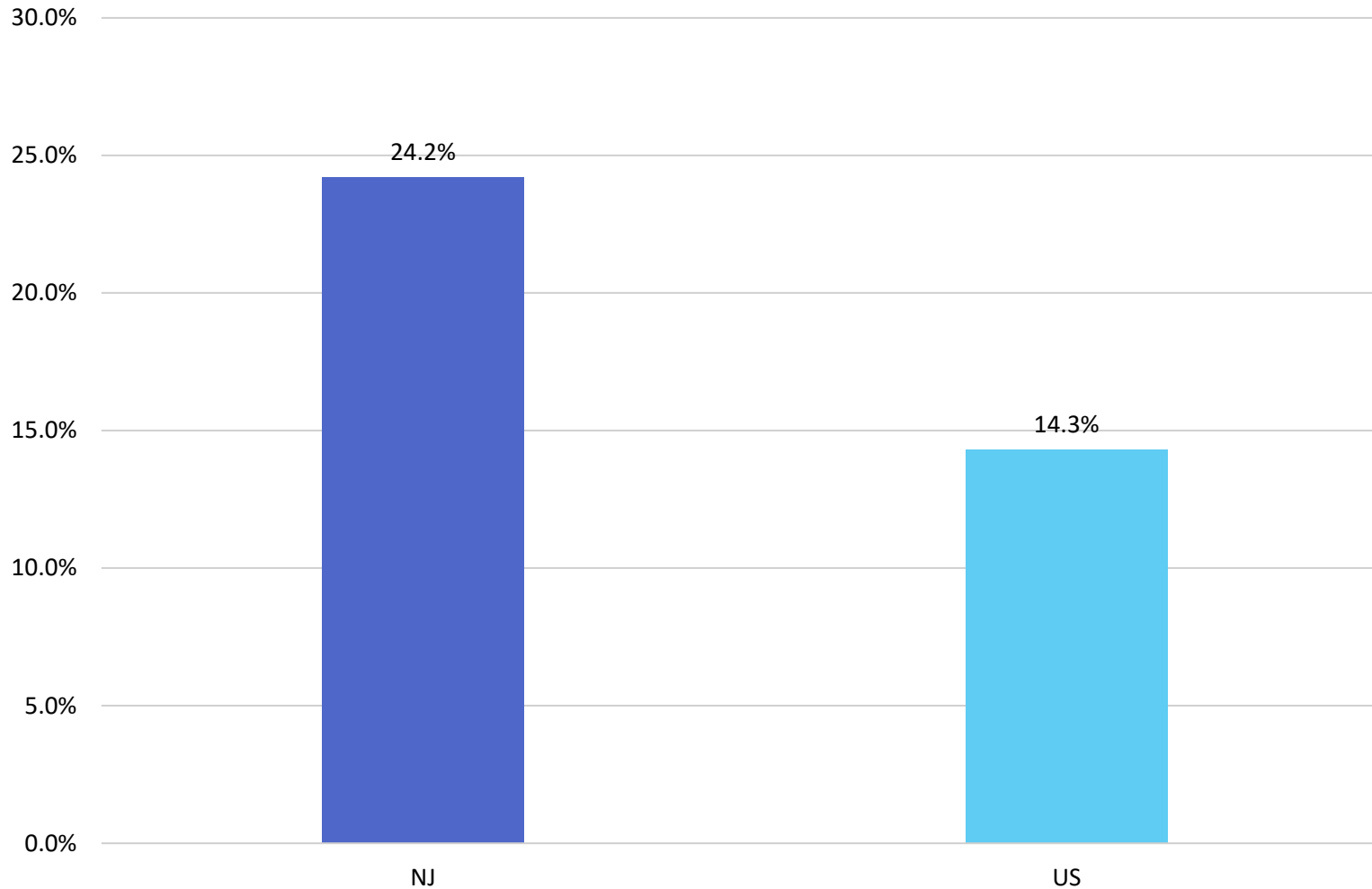
All Incomes



Demographics Threats

Housing Implications of Immigration

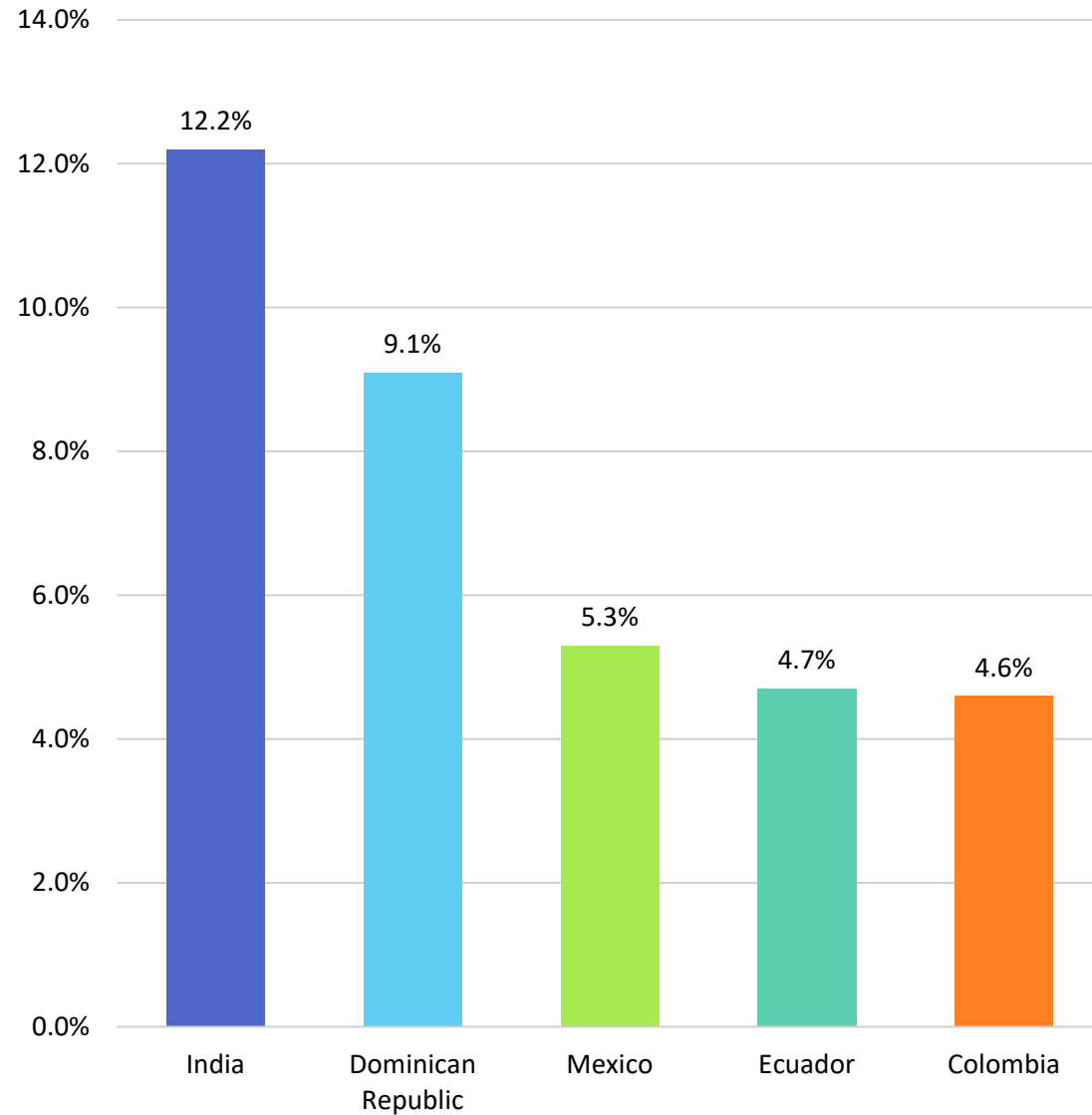
Immigrant Share of Population



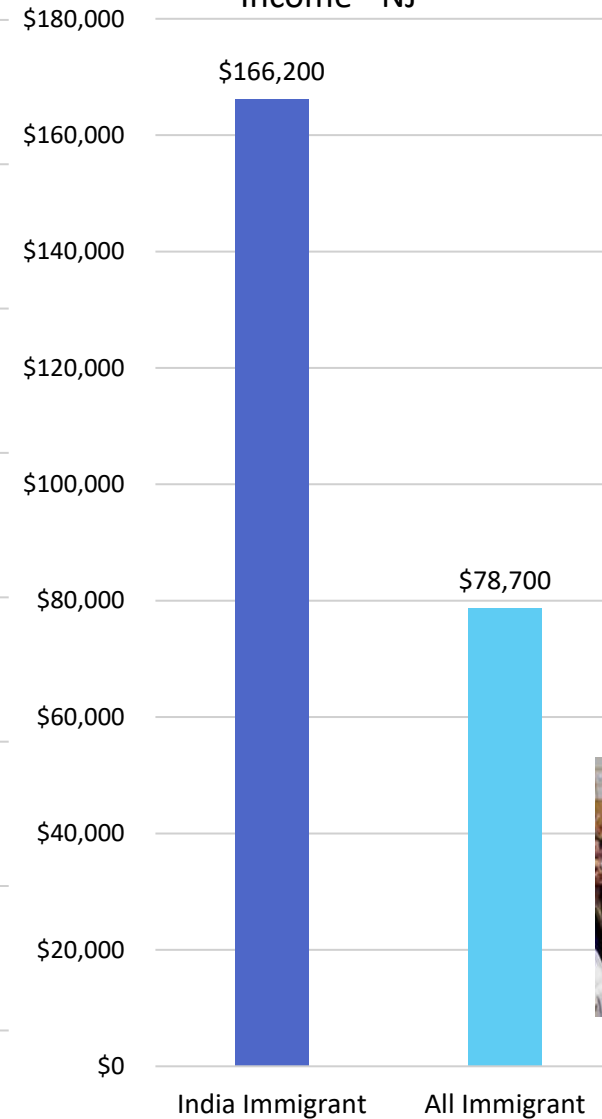
Demographics Threats

Housing Implications of Immigration

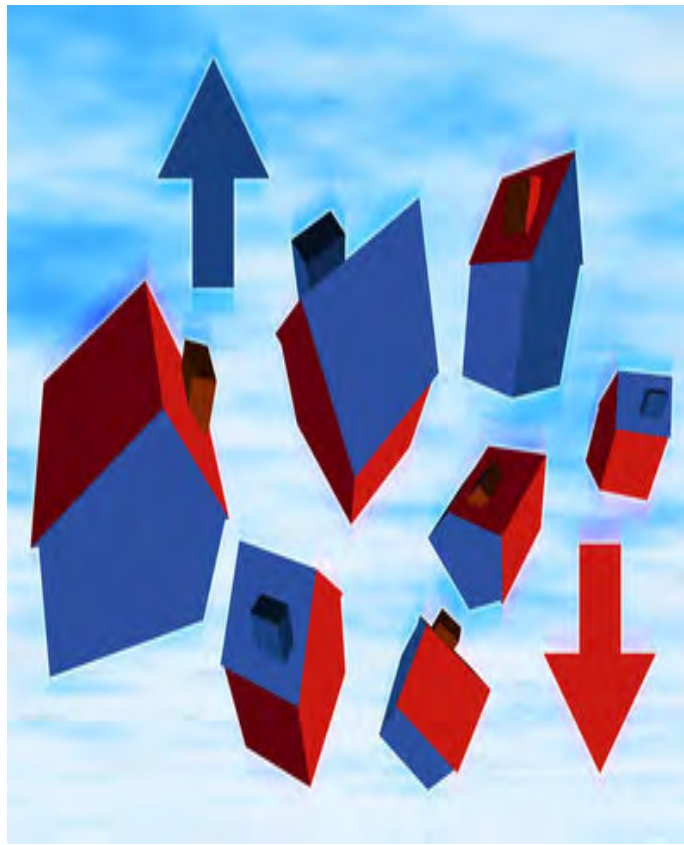
Top Countries of Origin for Immigrants in NJ



Median Annual Household Income - NJ



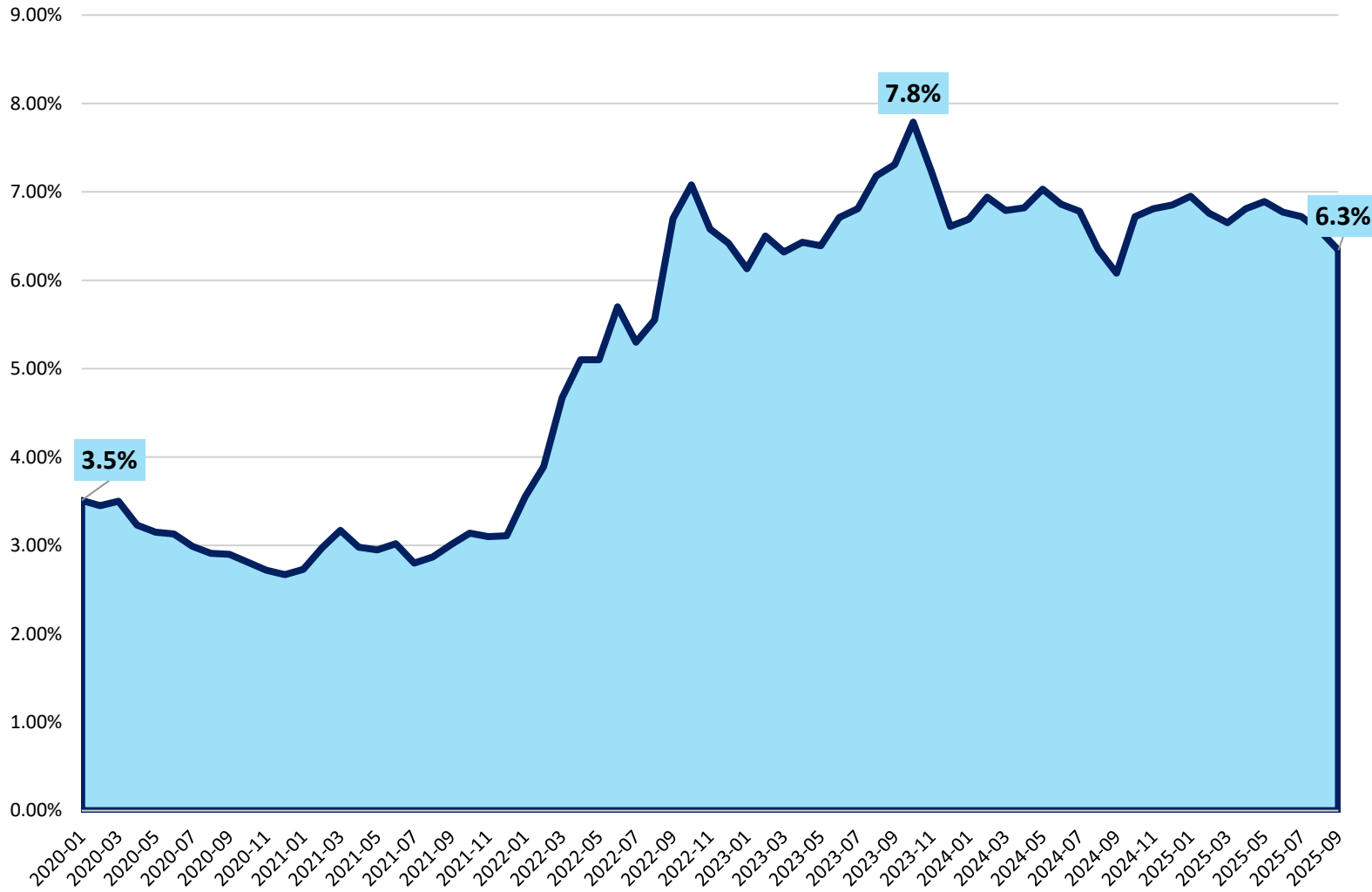
Home Sale Dynamics



Home Sale Dynamics

Interest Rates Finally Moving Lower

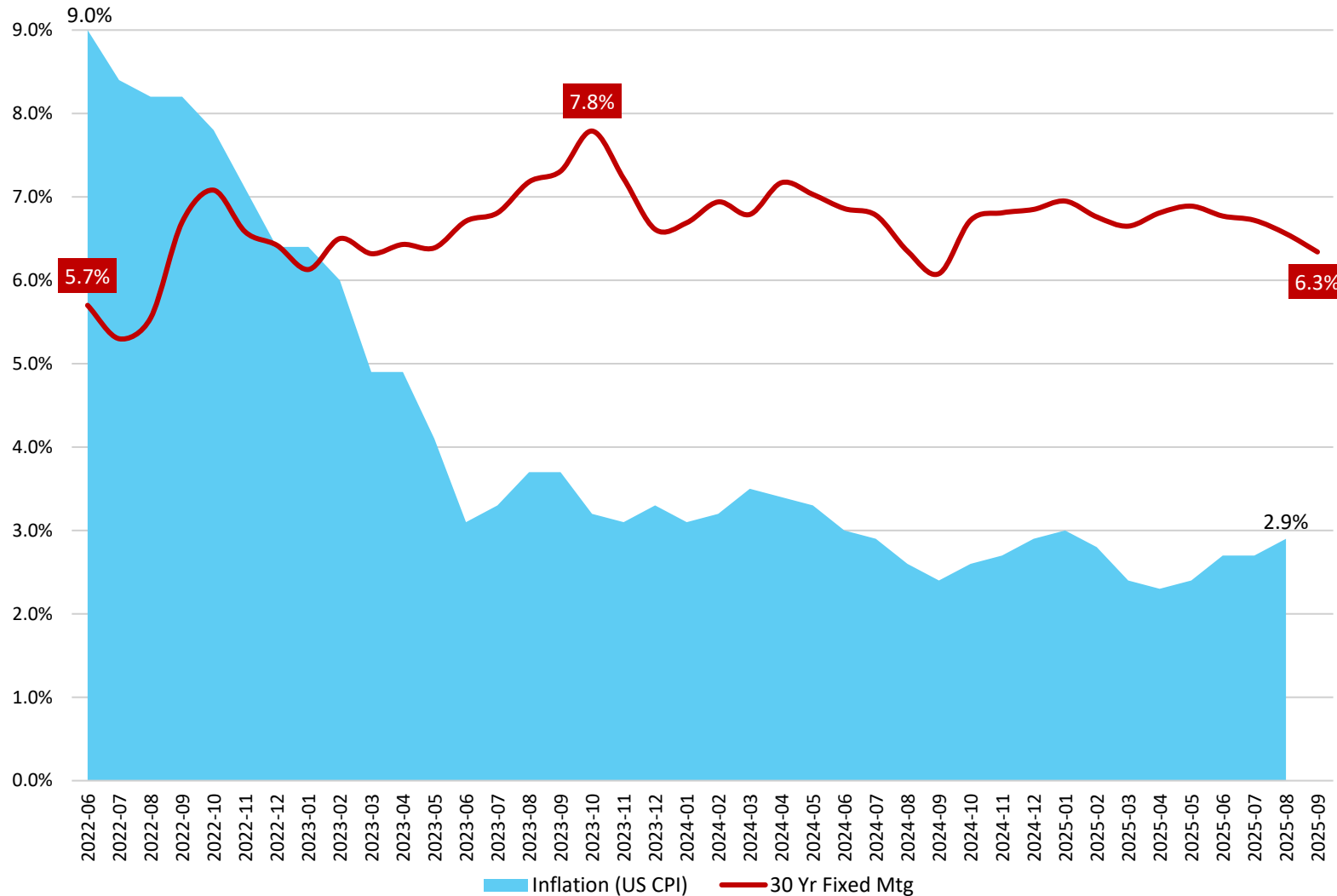
Mortgage Rates - 30 Yr Fixed



Home Sale Dynamics

But Interest Rates Remain Elevated

Interest Rate v Consumer Price Index



Home Sale Dynamics

Lower Interest Rates Boost Purchasing Power



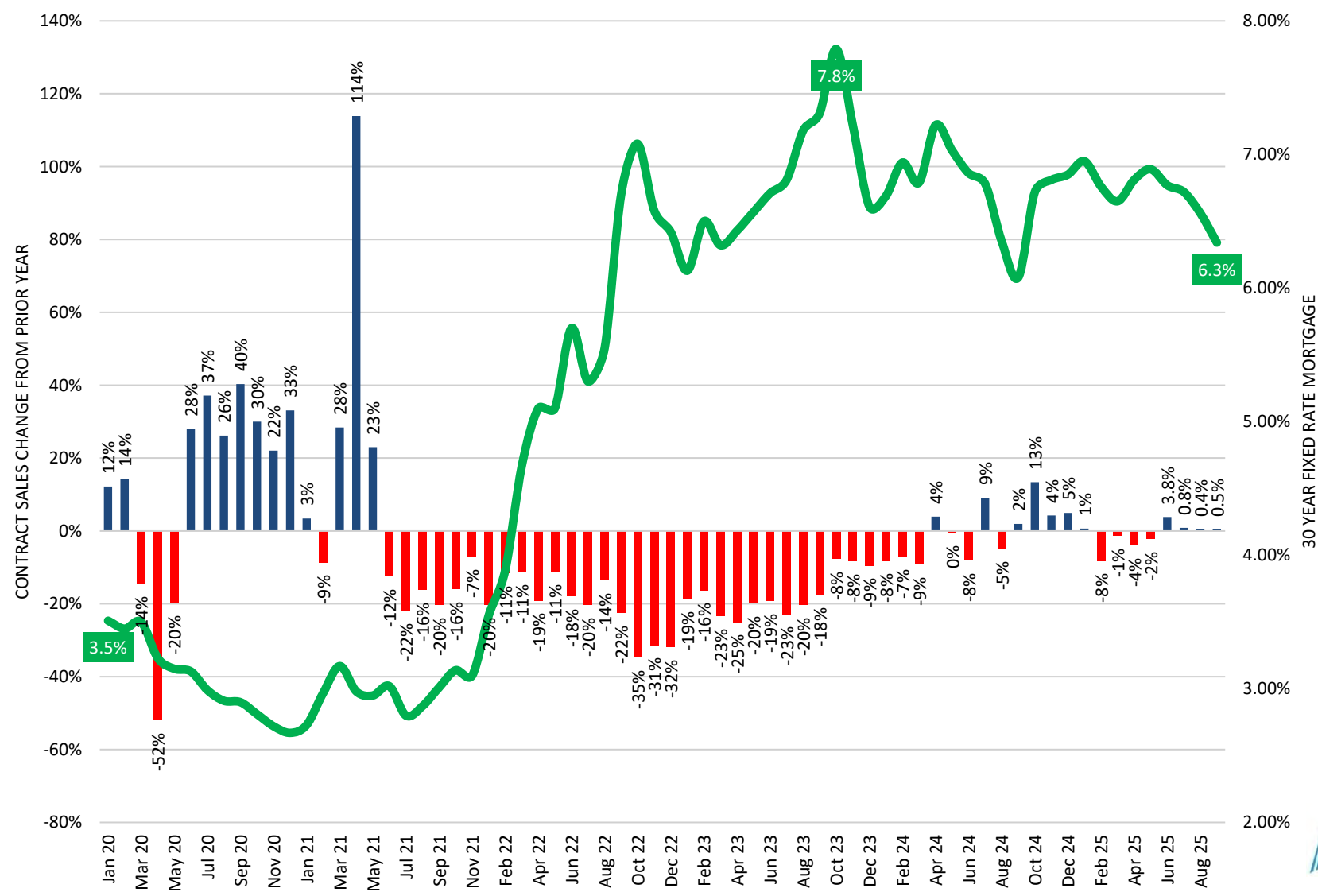
Home Buying Power				
Increasing Home Purchasing Power				
Effects of Mortgage Rates on Mortgage Qualification				
	First-Time Buyer			
	\$150,000 Income; 10% Downpayment			
	Oct - 2023		Today	
Mortgage Interest Rate		7.8%		6.3%
Household Income		\$150,000		\$159,000 6%
Qualifying Mo. Expense	30%	\$3,750		\$3,975
Property Taxes	30%	(\$1,125)		(\$1,193)
Homeowner's Insurance	\$ 1,000	(\$83)		(\$83)
PMI	0.063%	(\$221)		(\$273)
Total Mortgage Payment		\$2,321		\$2,427
Qualifying Mtg Principal			\$322,419	\$392,040
Downpayment	10%		\$35,824	\$35,824
Qualifying Home Price			\$ 358,243	\$ 427,864
Buying Power Increase			19%	\$69,622

Buying Power Increase reflects actual decline in mortgage interest rates & 6% salary increase

Home Sale Dynamics

| 2022↓20% | 2023↓18% | 2024↓0.4% | 2025YTD↓1%

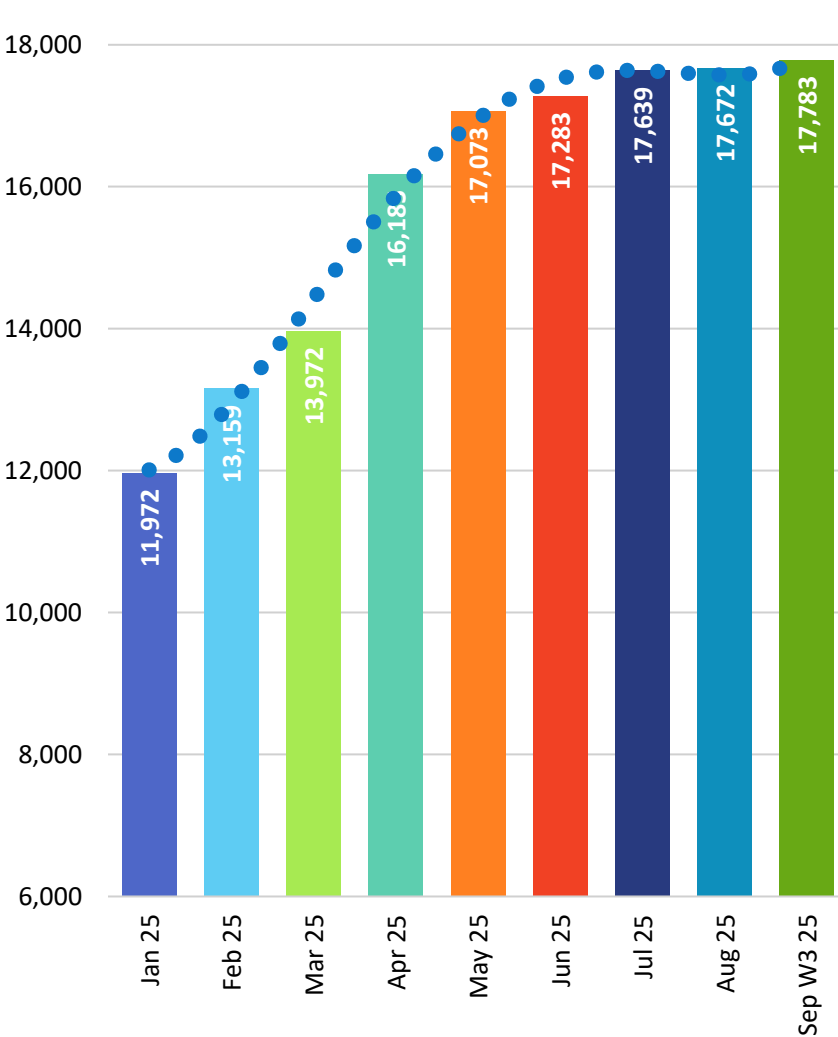
New Jersey Home Purchase Contracts



Home Sale Dynamics

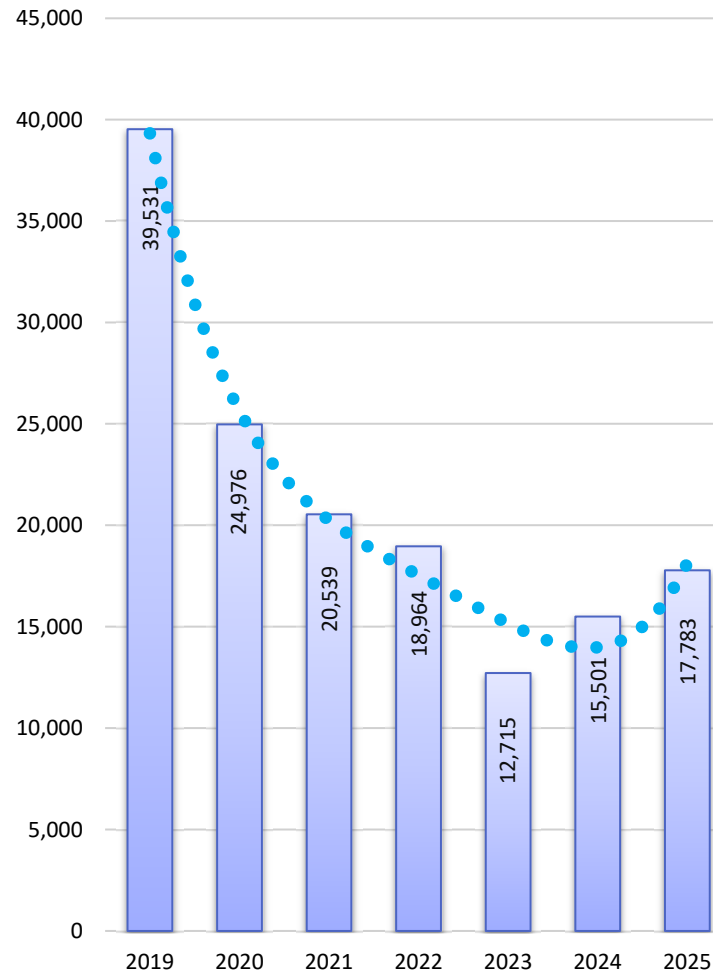
Unsold Inventory Up 15% YOY (+2,300 Listings)

NJ Unsold Inventory



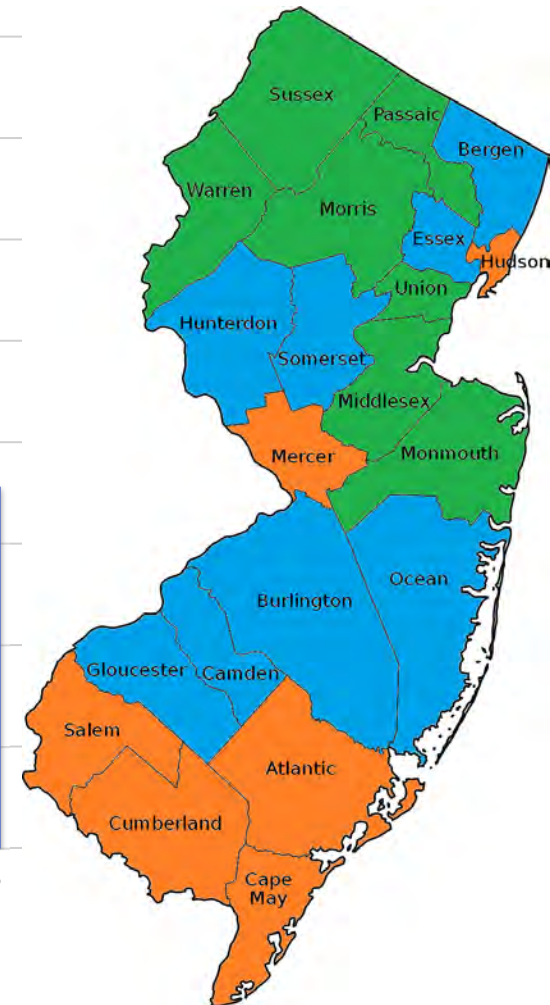
NJ Unsold Inventory

September of Each Year



Months Supply

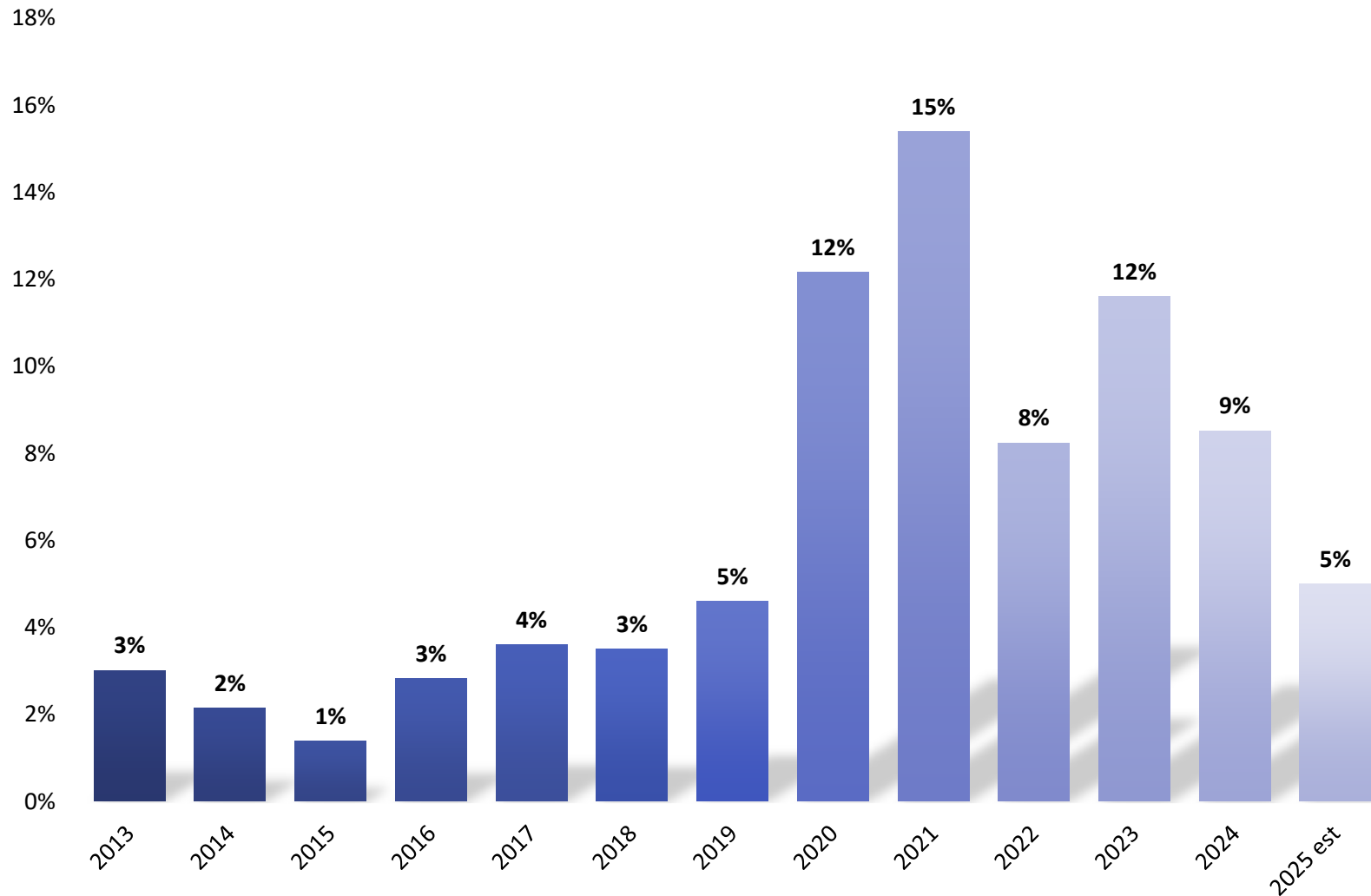
- <2.3-months' supply
- 2.3-3.0 months' supply
- >3.0 months' supply



Home Sale Dynamics

Home Price Beginning to Correct

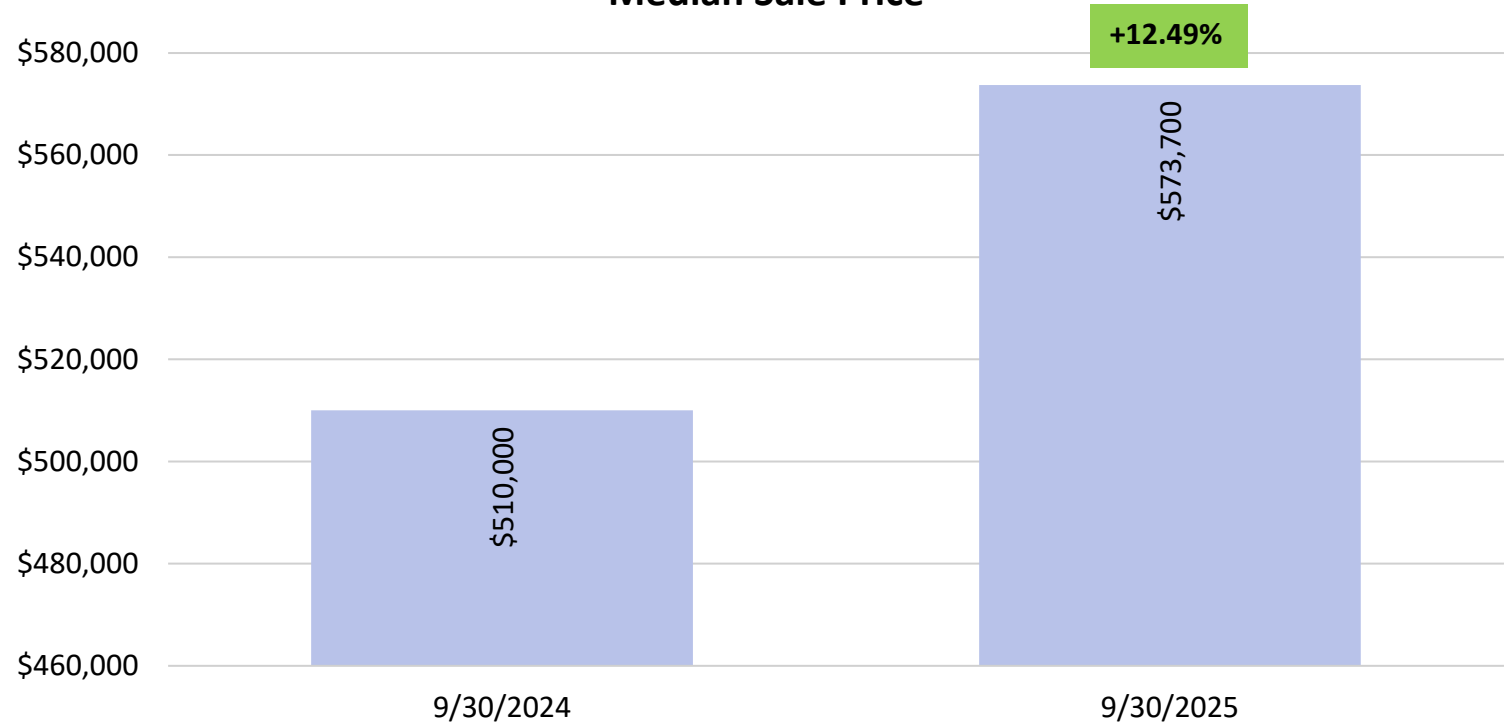
NJ Annual House Price Change



Home Sale Dynamics

Local Price Change Adjustments

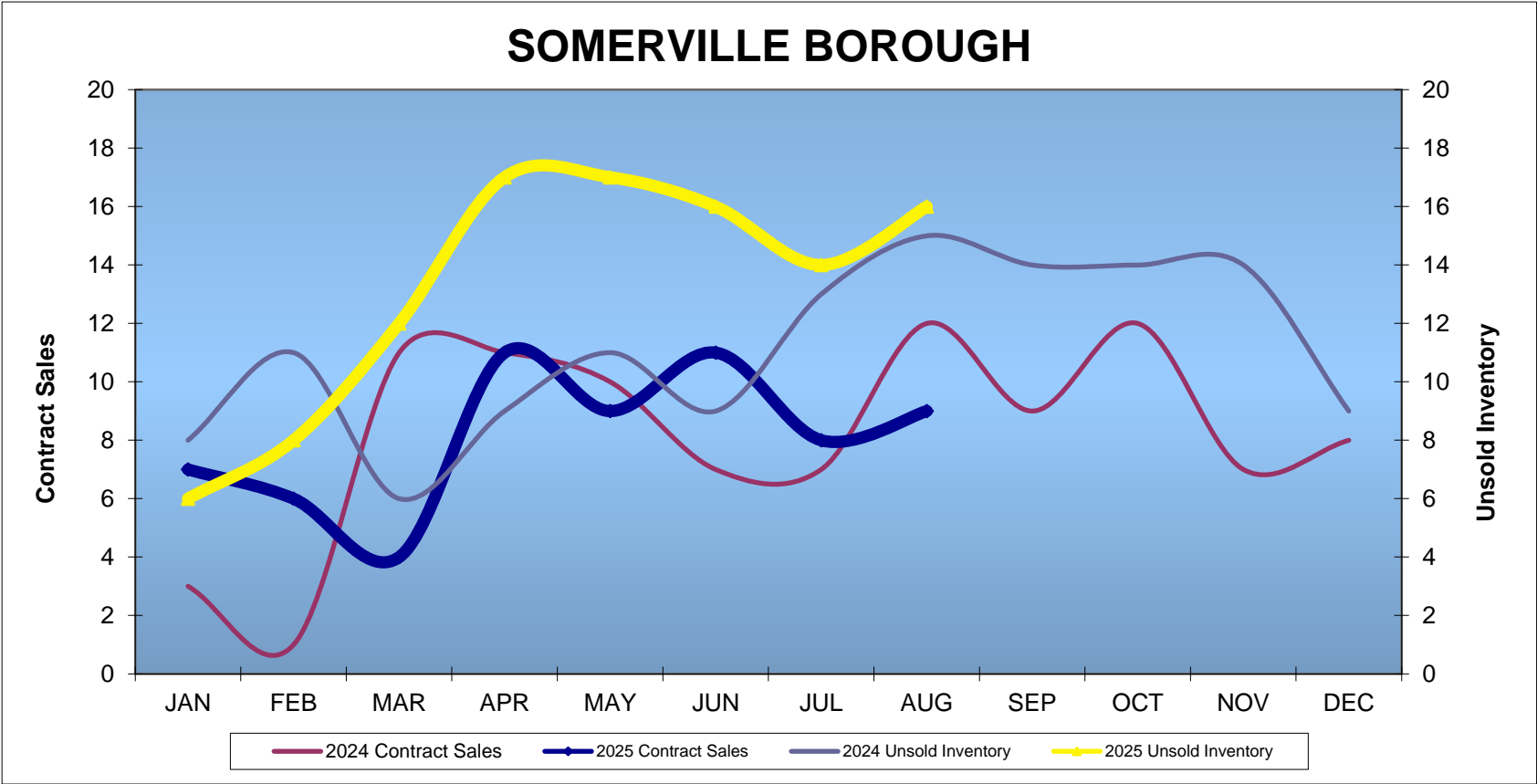
Median Sale Price



Somerville Borough									
1-Yr. Periods Ending	MARKETING				VALUES				
	List Price		Days on Market		Selling Prices				
	Average	Median	Average	Median	Low	Average	Median	High	# Sales
9/30/2024	\$505,170	\$479,000	27	17	\$299,000	\$530,383	\$510,000	\$870,000	83
9/30/2025	\$556,494	\$544,500	37	21	\$350,000	\$570,971	\$573,700	\$820,000	94
Change	\$51,323	\$65,500	9	4	\$51,000	\$40,588	\$63,700	(\$50,000)	11
	10.16%	13.67%				7.65%	12.49%		13.25%
	↑	↑	↑	↑	↑	↑	↑	↓	↑

Home Sale Dynamics

Local Metrics



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
2025	New Offerings	5	6	9	10	16	9	5	15
	Contract Sales	7	6	4	11	9	11	8	9
	Demand Ratio	140%	100%	44%	110%	56%	122%	160%	60%
	Unsold Inventory	6	8	12	17	17	16	14	16
	Buyer: Seller Ratio	1 17/100	75/100	33/100	65/100	53/100	69/100	57/100	56/100
	Seller: Buyer Ratio	1 :1	1 :1	3 :1	2 :1	2 :1	1 :1	2 :1	2 :1
	Mos Supply (Month)	0.9	1.3	3.0	1.5	1.9	1.5	1.8	1.8
	Mos Supply (QTD)	0.9	1.2	2.1	1.5	1.7	1.5	1.8	1.9

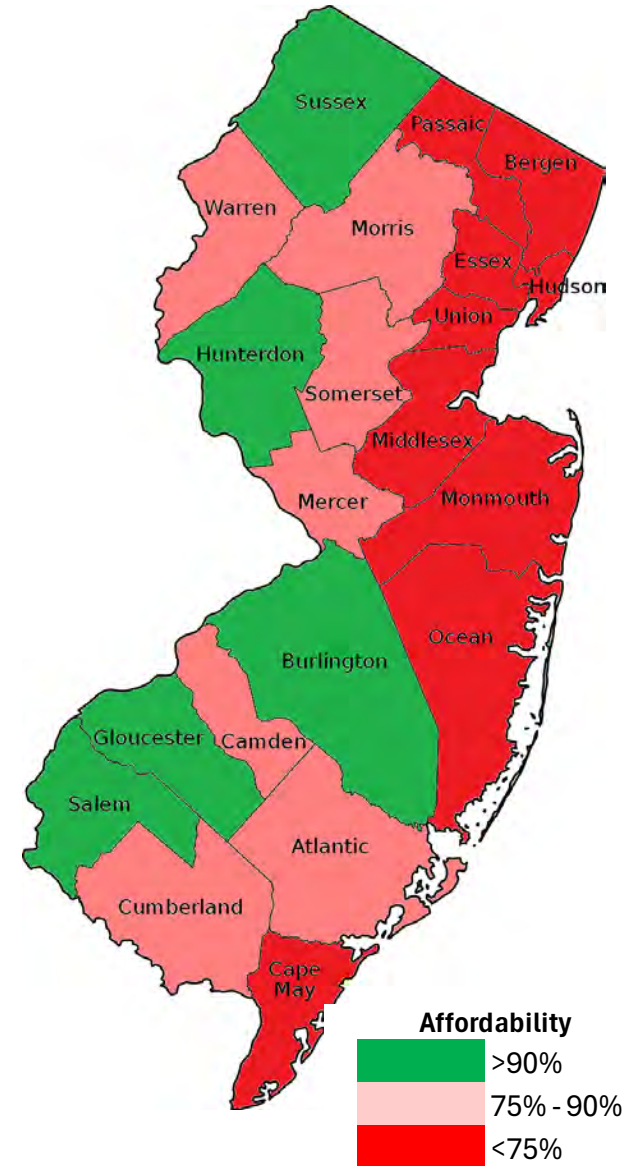
Home Sale Dynamics

Affordability the Biggest Problem Going Forward

2025 NJ HOUSING AFFORDABILITY INDEX

	Median Home Price	Median Income	Home Price Multiplier	Affordability	Homeownership	Rentership
Sussex	\$395,774	\$118,416	3.3	107%	82%	18%
Salem	\$268,673	\$80,080	3.4	107%	70%	30%
Gloucester	\$350,092	\$99,882	3.5	102%	77%	23%
Burlington	\$377,834	\$103,194	3.7	98%	74%	26%
Hunterdon	\$570,350	\$146,560	3.9	92%	82%	18%
Camden	\$329,948	\$83,093	4.0	90%	63%	37%
Somerset	\$571,988	\$137,393	4.2	86%	72%	28%
Atlantic	\$326,313	\$77,942	4.2	85%	65%	35%
Mercer	\$415,018	\$97,917	4.2	84%	59%	41%
Warren	\$429,263	\$100,544	4.3	84%	71%	29%
Cumberland	\$274,190	\$63,208	4.3	82%	63%	37%
Morris	\$637,559	\$136,290	4.7	76%	72%	28%
Middlesex	\$516,011	\$106,134	4.9	74%	61%	39%
Statewide	\$518,423	\$99,312	5.2	69%	63%	37%
Somerville	\$573,700	\$105,263	5.5	66%	41%	59%
Monmouth	\$667,246	\$122,341	5.5	66%	73%	27%
Ocean	\$481,117	\$84,686	5.7	63%	77%	23%
Union	\$601,413	\$100,025	6.0	59%	56%	44%
Bergen	\$711,579	\$117,958	6.0	59%	63%	37%
Passaic	\$538,427	\$79,950	6.7	53%	51%	49%
Hudson	\$608,500	\$88,104	6.9	52%	27%	73%
Cape May	\$646,736	\$89,197	7.3	49%	76%	24%
Essex	\$594,075	\$77,690	7.6	47%	40%	60%

Assumptions: 30 Yr Fixed 80% LTV mtg @ 6.85%; 30% qualifying ratio, 25% allocation for re taxes



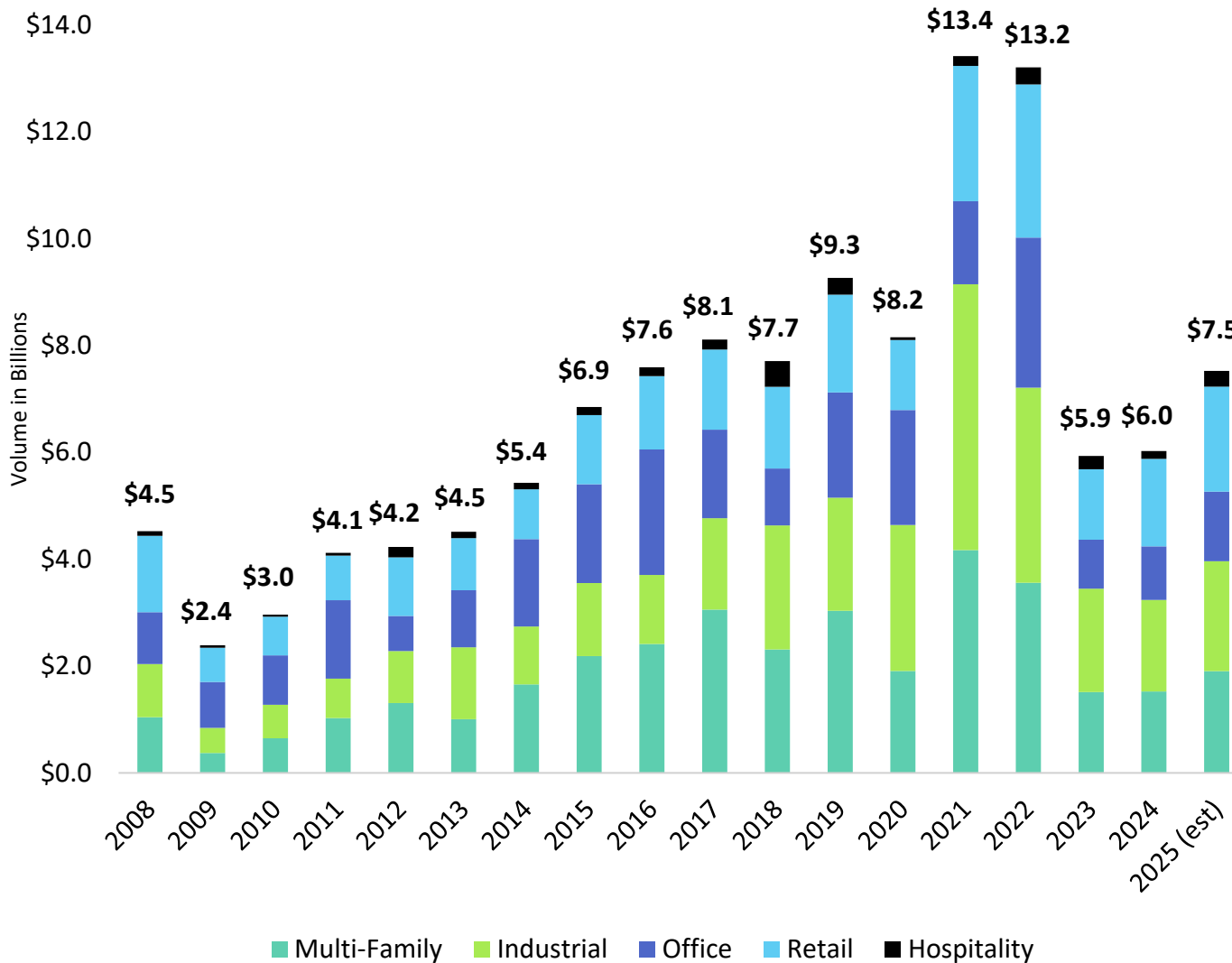
CRE

Commercial Multi-Family



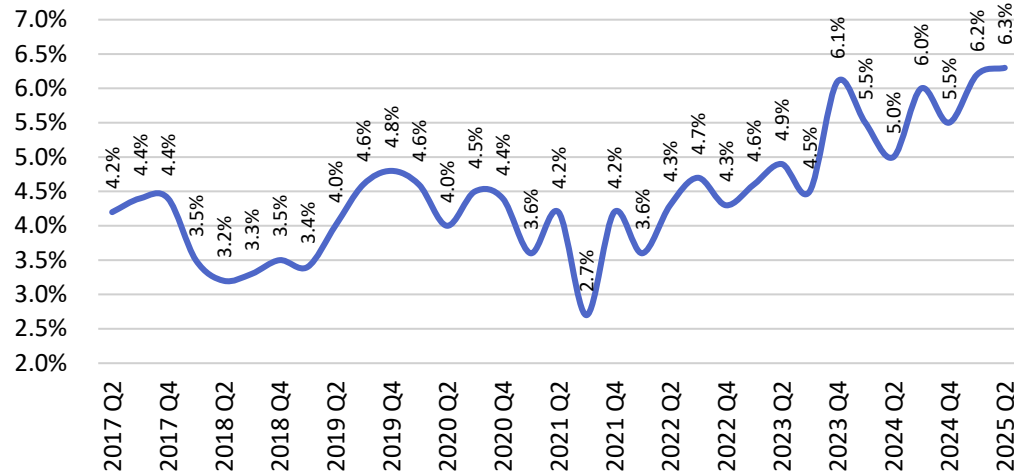
CRE Transactions Volume

NJ CRE Transaction Volume

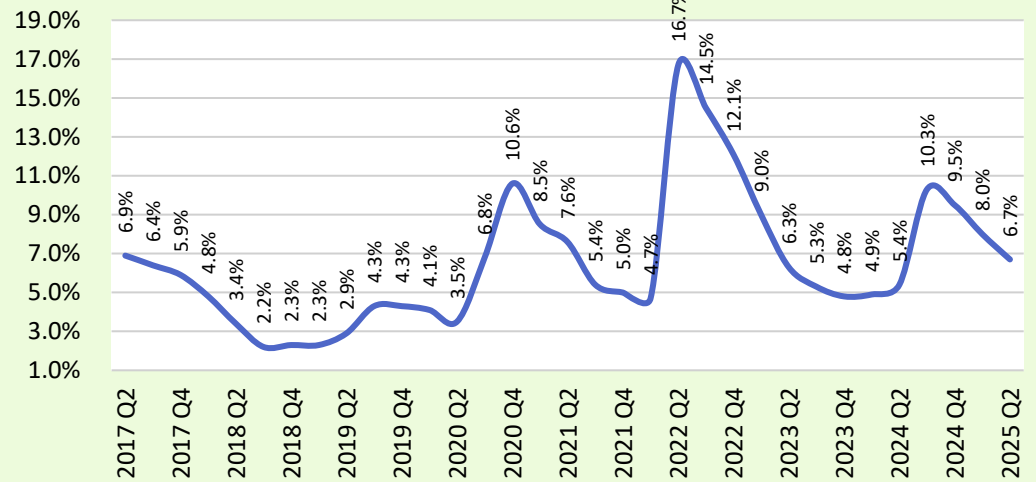


Apartment Metrics

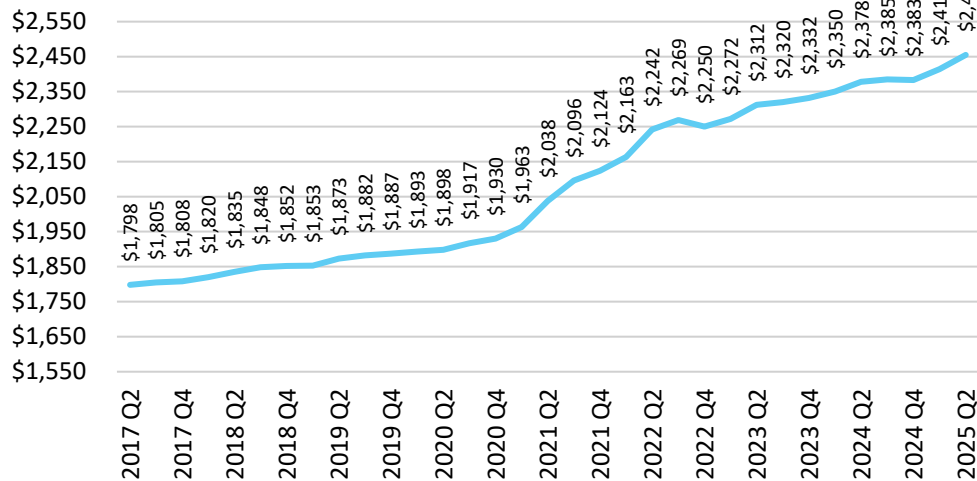
Multi-Family Market - Vacancy %
Somerset County, NJ



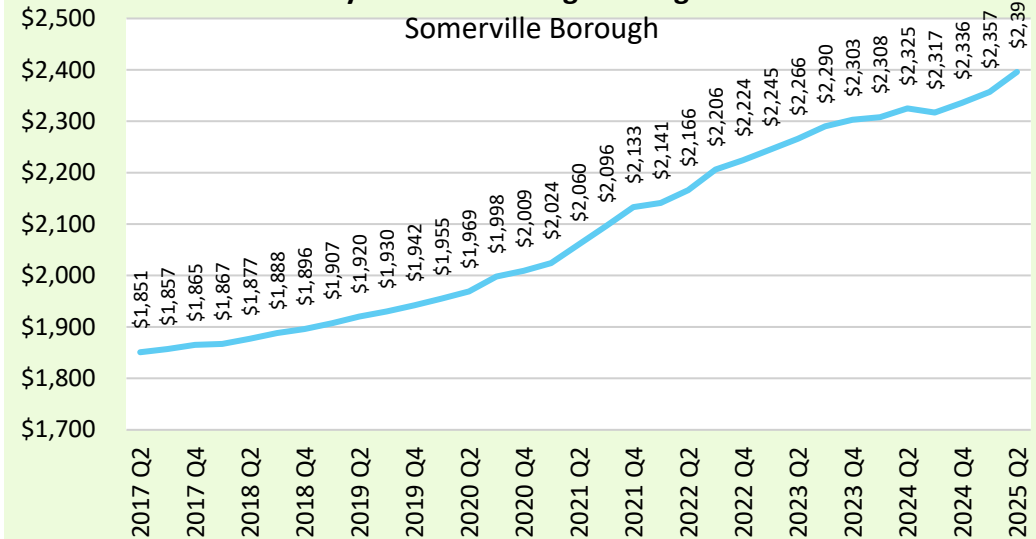
Multi-Family Market - Vacancy %
Somerville Borough



Multi-Family Market - Average Asking Rent Per Unit
Somerset County, NJ

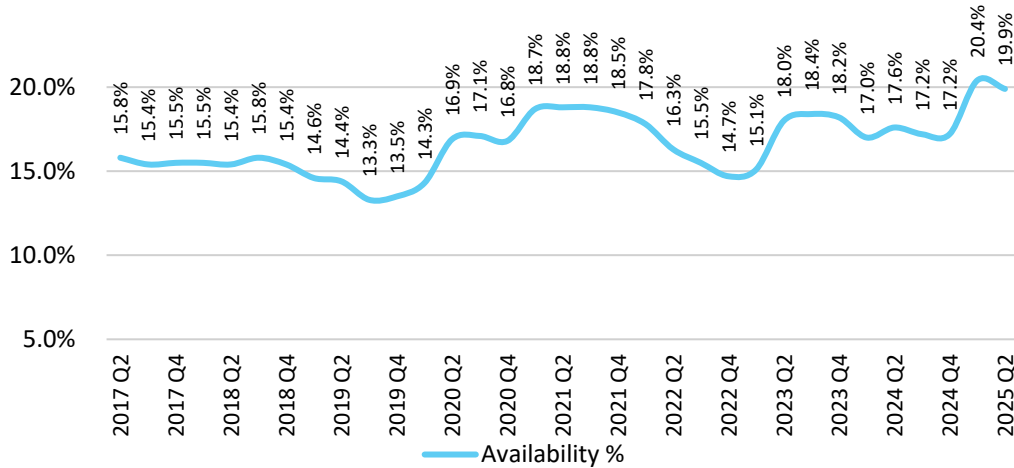


Multi-Family Market - Average Asking Rent Per Unit
Somerville Borough

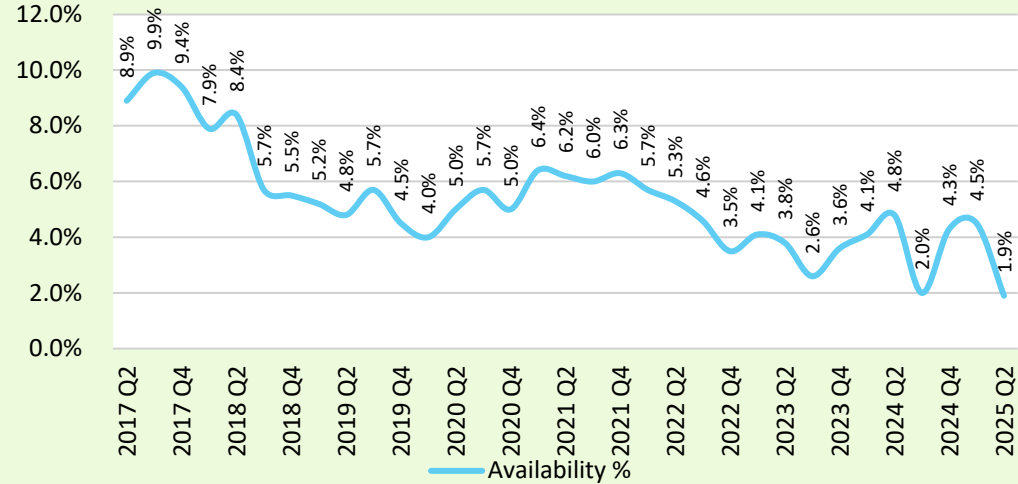


Office Metrics

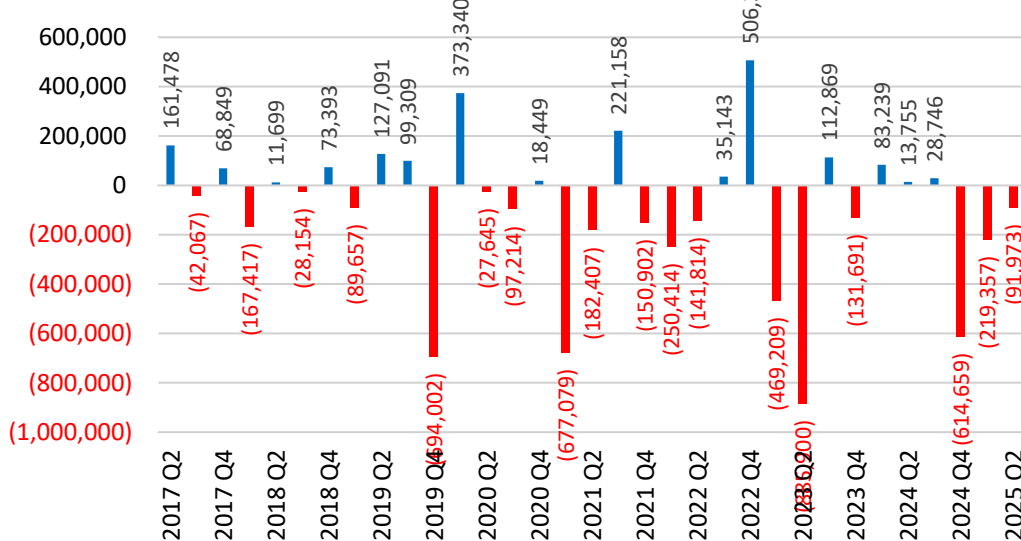
Office Market - Vacancy & Availability
Somerset County



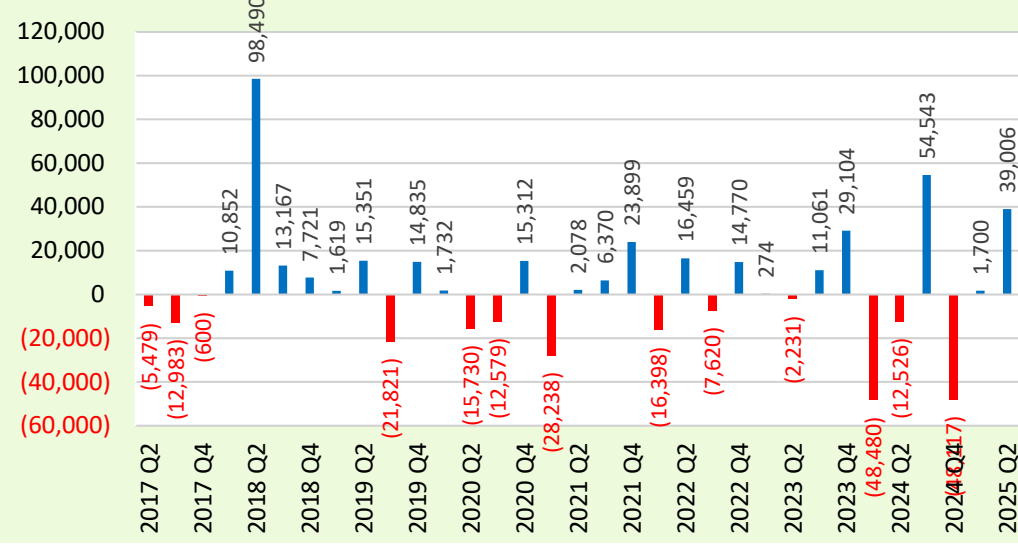
Office Market - Vacancy & Availability
Somerville Borough



Office Market - Total Net Absorption
Somerset County



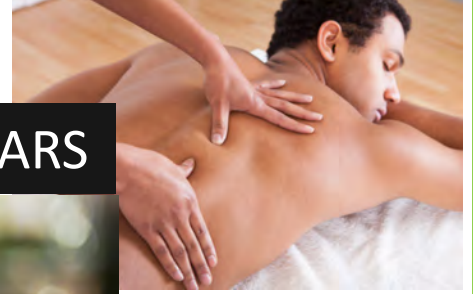
Office Market - Total Net Absorption
Somerville Borough



Retail Metrics

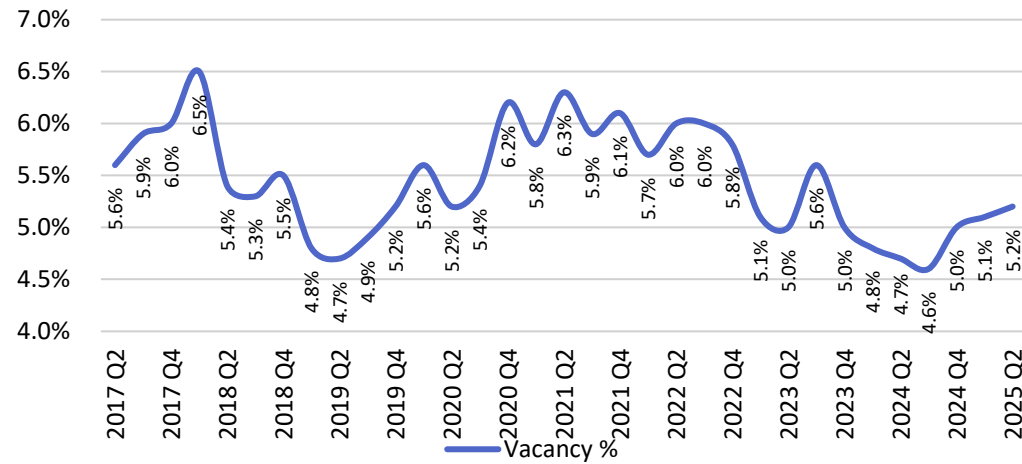
The New Retail – Curated Tenant Mix

U.S. LIQUOR CONSUMPTION LOWEST IN 86 YEARS

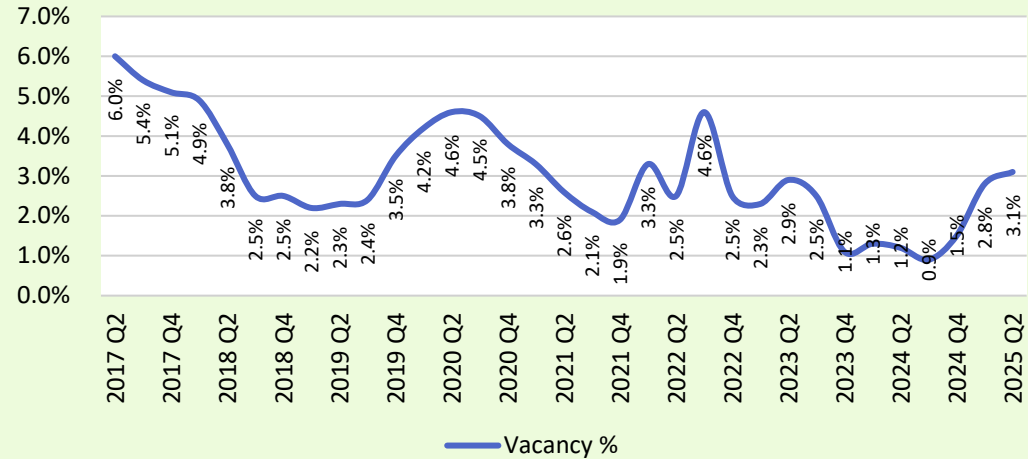


Retail Metrics

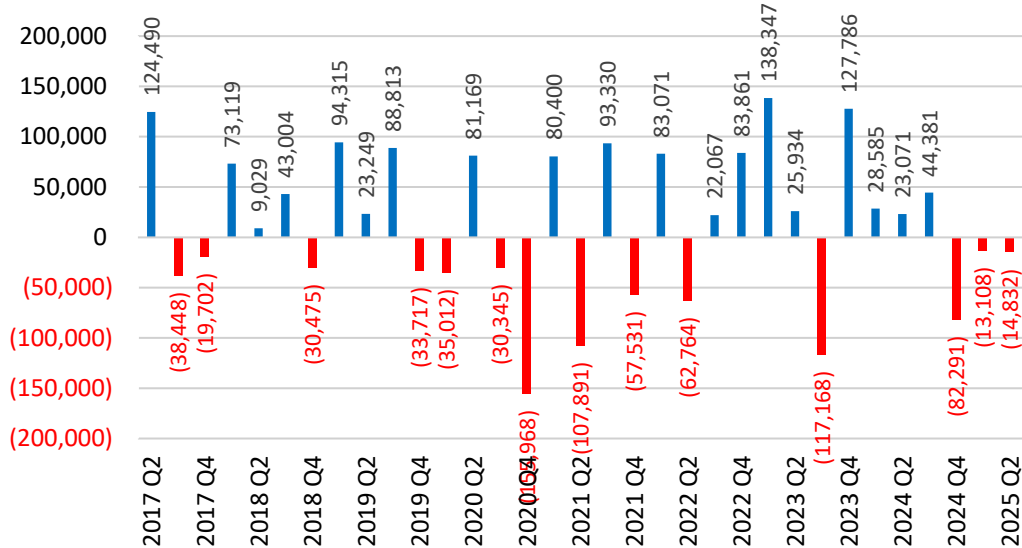
Retail Market - Vacancy & Availability
Somerset County



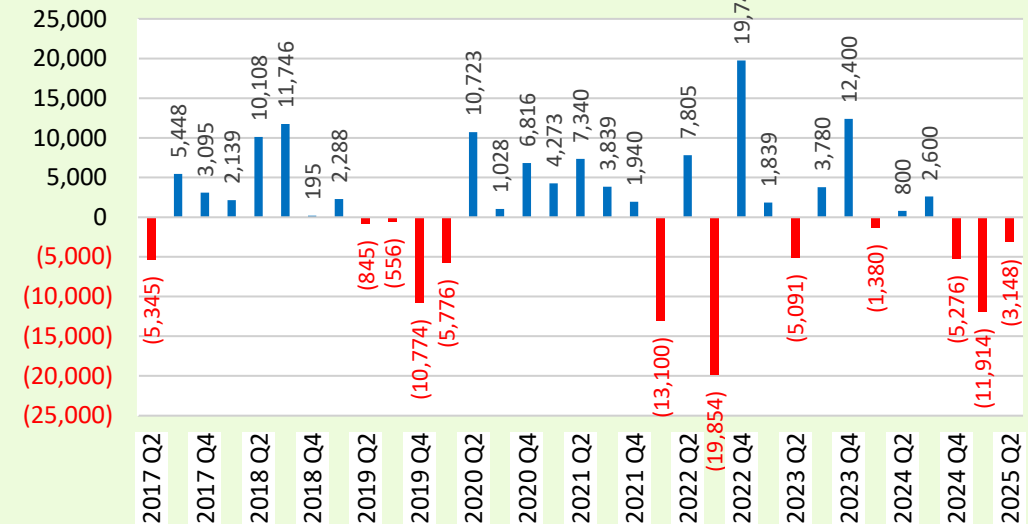
Retail Market - Vacancy & Availability
Somerville Borough



Retail Market - Total Net Absorption
Somerset County



Retail Market - Total Net Absorption
Somerville Borough



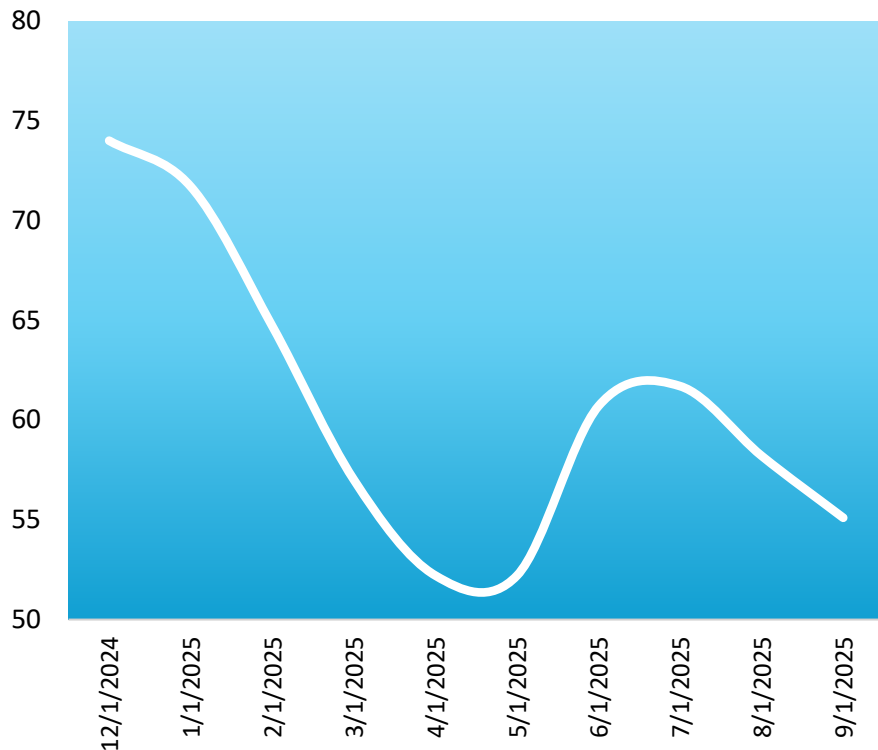
Economic & Real Estate Forecast



Investors are Optimistic – Consumers are Troubled



Consumer Confidence



Source: University of Michigan, & Otteau Group, Inc.

Dow Jones Stock Price Index

46,758.28

+4,366.01 (10.30%) ↑ year to date



1D	5D	1M	6M	YTD	1Y	5Y	Max
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Economic & Real Estate Forecast




A Return to Normal in 2026

The Economy

-  *Inflation Spike or Recession Unlikely*
-  *Steady Declines in Interest Rates*









Housing Markets

-  *Falling Interest Rates Boost Inventory & Sales*
-  *Buying Demand: Millennials, Trade-Ups& Downs, Gen Z*
-  *Rental Demand Sustainable for Now*



Housing Futures

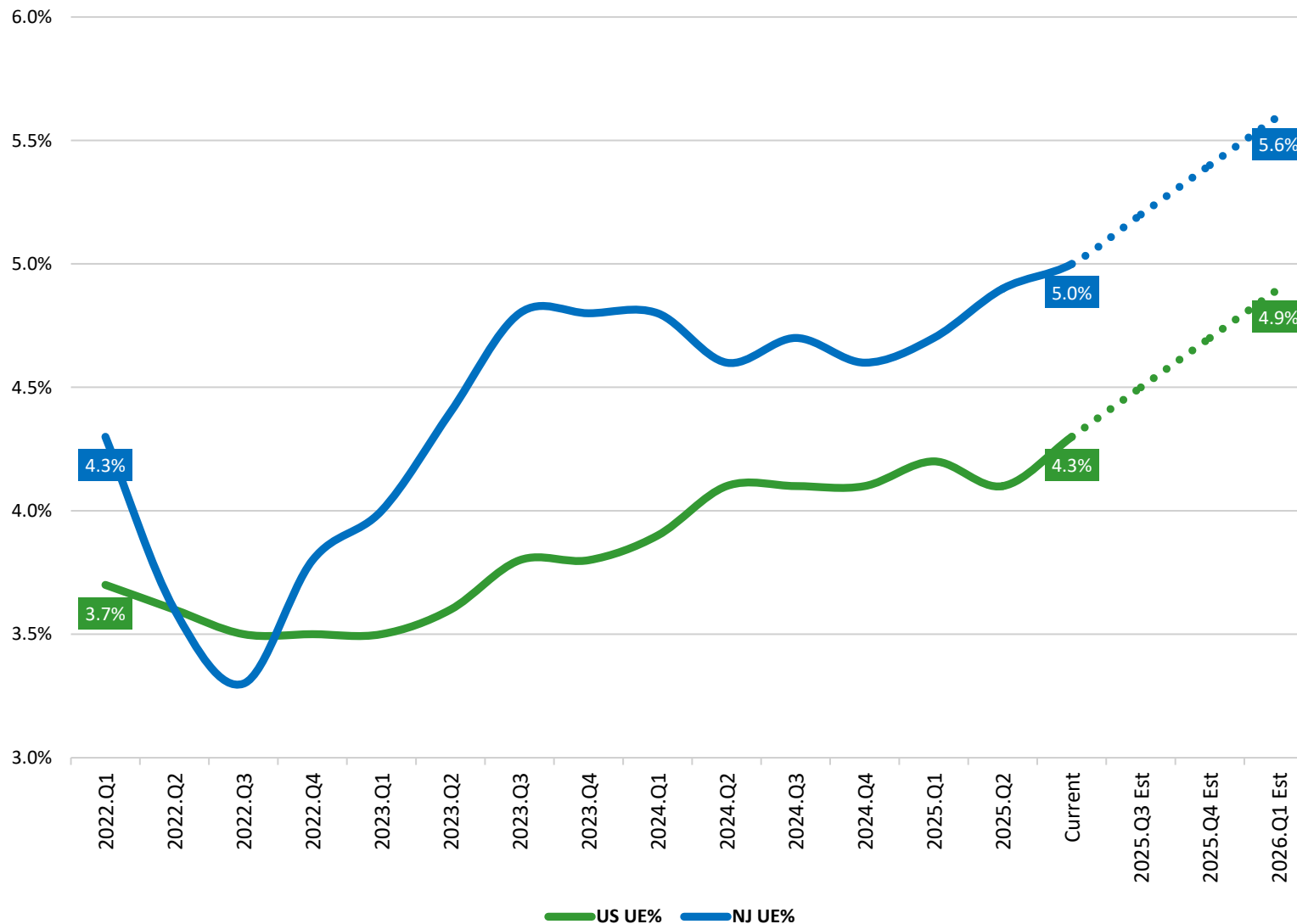
-  *Living Costs, Taxes & Housing Affordability are Corrosive*
-  *Housing Development needs more Diversification*
-  *Demographics Trim Future Housing Demand*
-  *Placemaking Matters*
-  *Home Prices Drift Slightly Higher – Decline likely in few years*
-  *New York City Politics bears Watching*



Economic & Housing Forecast

Unemployment Likely to Go Higher

Unemployment Rate



Economic & Housing Forecast

U.S. 10 Year Treasury

US10Y:Tradeweb

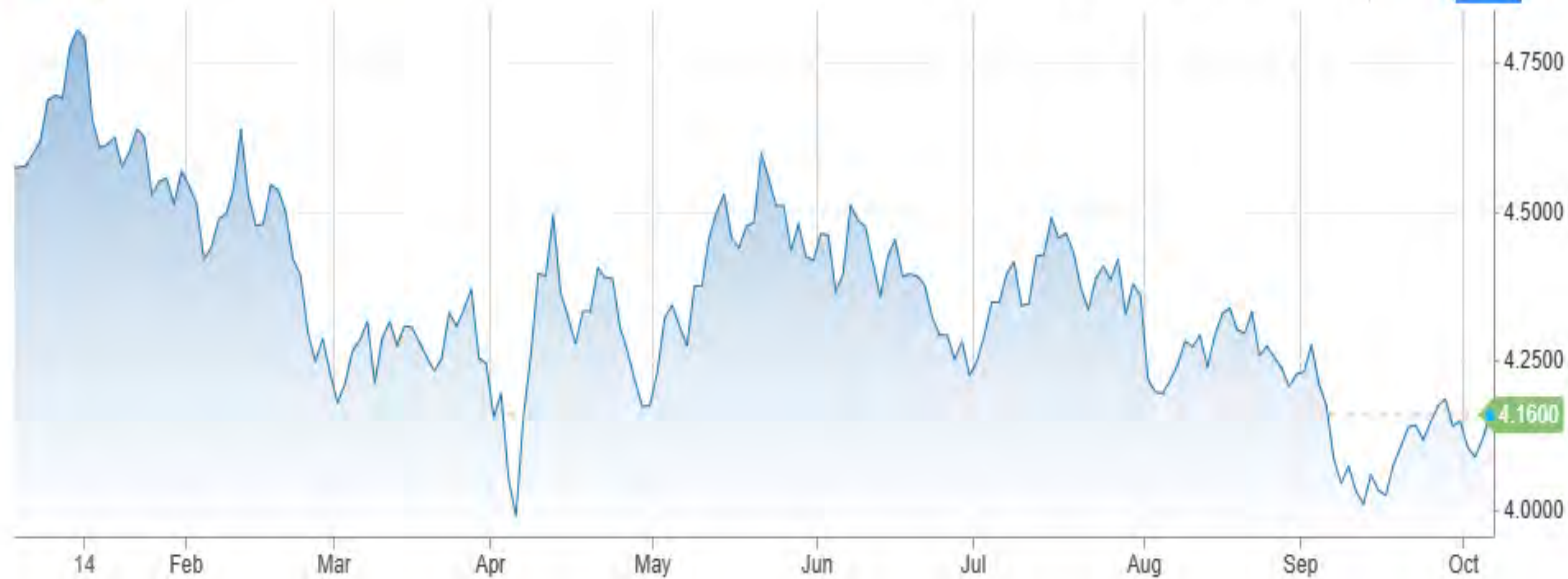
RT Quote | Exchange

4.16% ▲ **+0.041**

1D 5D 1M 3M 6M **YTD** 1Y 5Y ALL

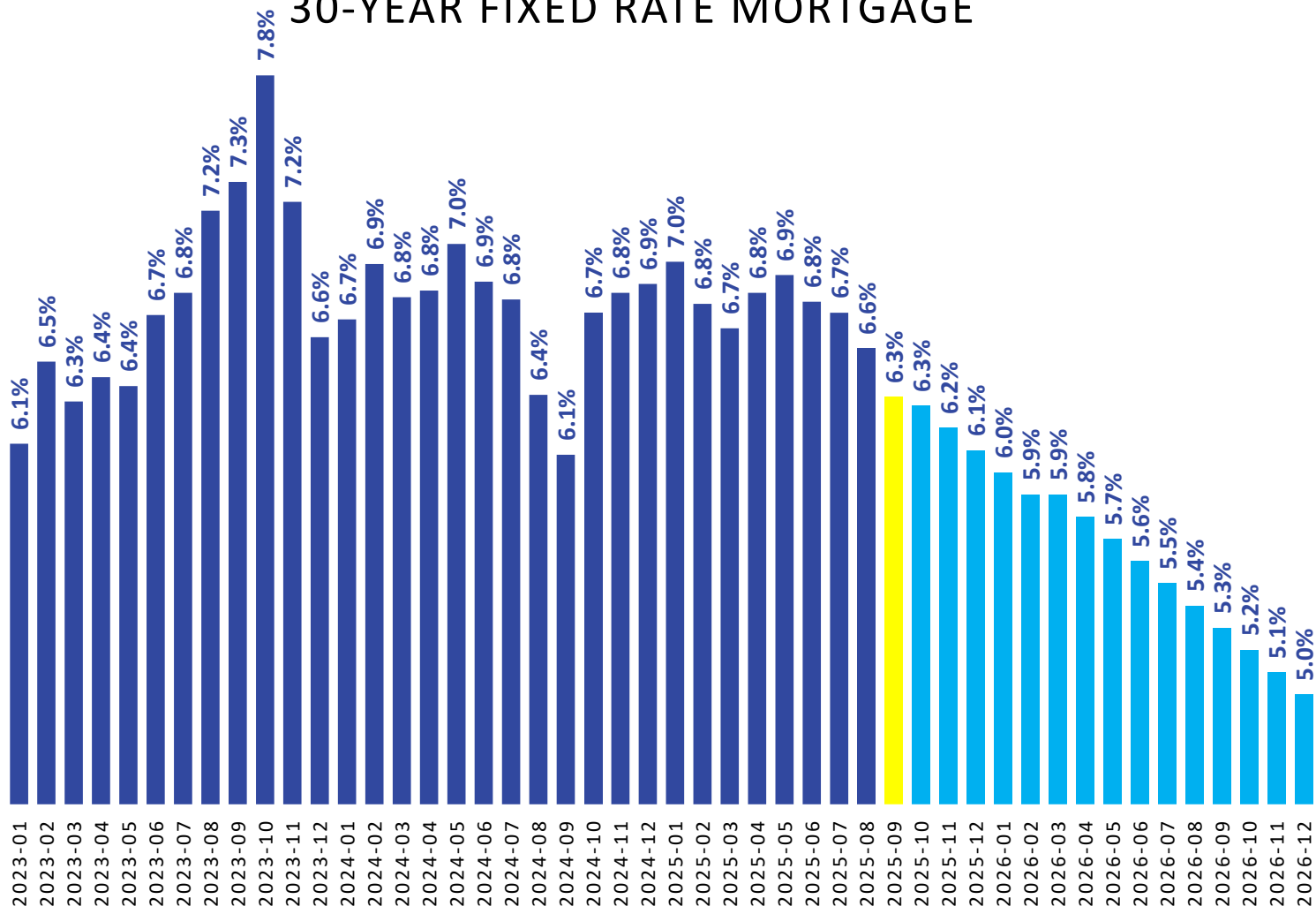
+ Comparison

1D Display Studies Settings Annotations

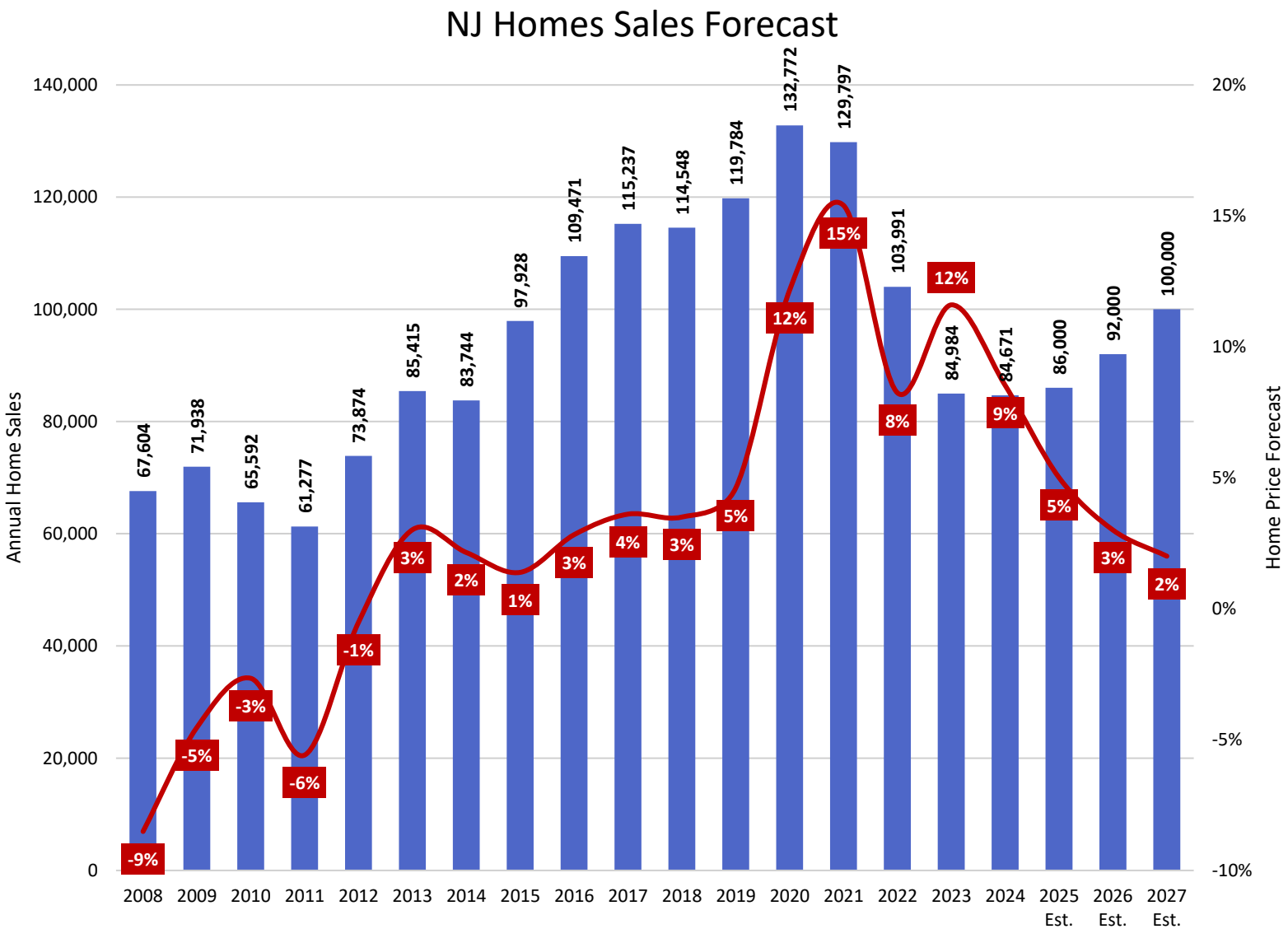


Economic & Housing Forecast

MORTGAGE RATE FORECAST 30-YEAR FIXED RATE MORTGAGE

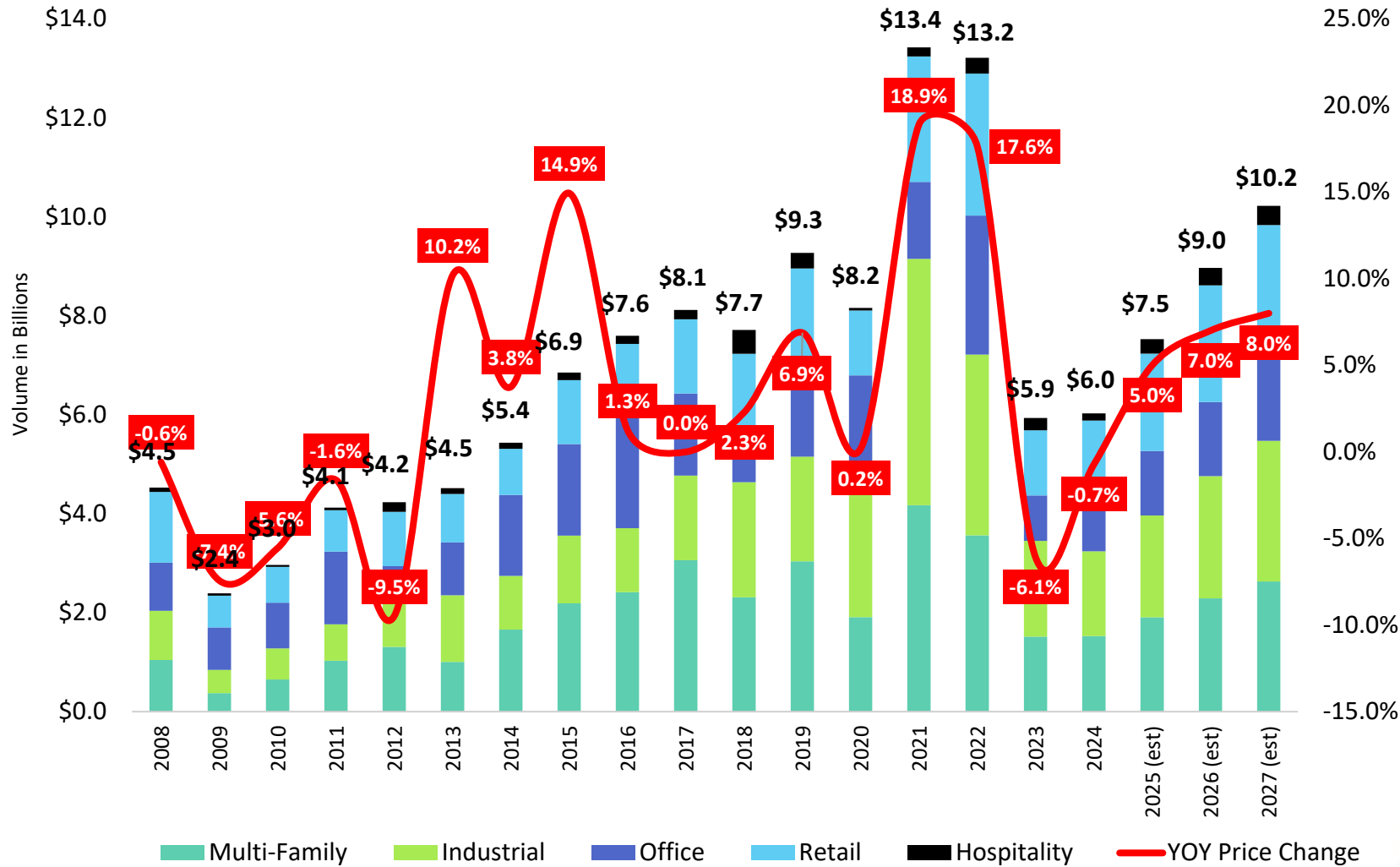


Economic & Housing Forecast



Economic & Real Estate Forecast

NJ CRE Sales & Price Forecast



Economic & Housing Forecast

Questions & Answers



The Otteau Group

Bringing Clarity to Real Estate



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