

*A Current Assessment for  
New Jersey Property Taxes in  
the 2020-2022 Real Estate Market*

February 2023

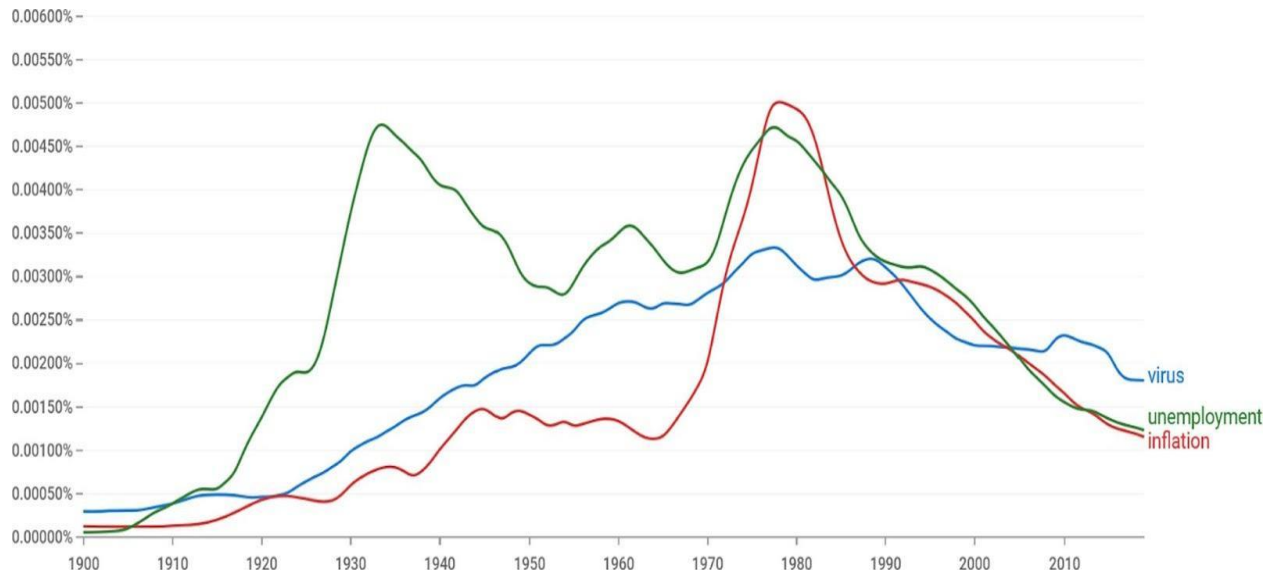
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## Introduction

Following the global pandemic of 2020, the economy entered an unprecedented inflation point that has negatively impacted consumers. This paper will highlight the real estate market in New Jersey by analyzing the prices of residential properties and discussing the revaluation of property taxes under these inflated home values. With mortgage rates looking more familiar and property price reductions becoming slightly more common, it is interesting to find that some areas of New Jersey are still in a seller's market. The purpose of this paper is to articulate the effect of inflation on the New Jersey real estate market while investigating the rise in property taxes following the revaluation that is dependent on an inequitable market analysis. Will raising property taxes on artificial value entice homeowners to sell and move out of state? Do buyers have any opportunities at all? Are mortgage rates deterring people from buying homes?

### **Economic Repercussions of 2020 In One of the Nation's Most Expensive States**

The following analysis assumes the economic impact of the 2020 pandemic is temporary as we continue to create a new normal in our everyday lives and reinvent the concept of a successful economy. Nevertheless, there is an established economic imbalance that is being highlighted through inflation, but for the purpose of our research, we will focus on the current real estate market in New Jersey from 2020 to today. Inflation in New Jersey is affecting each county differently, but a majority are facing raised home values that are going to have a negative effect on their property taxes. In a state that already has “the highest [property taxes] in the nation...with the average bill hitting a record \$9,284 statewide [in 2021]” [Can Your NJ Property Taxes Be Reduced?, Derek Hall](#) it is important to discuss the economic repercussions of the pandemic in New Jersey. The pressing issue is found in the inequitable property values that will soon unfairly affect their property tax bill.



The 2020 Pandemic: Economic repercussions and policy responses

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### **Inventory Crisis in the Housing Market**

The nature of the pandemic caused a wave of unemployment that initiated a new wave of buyers who were looking for a less expensive location, as many unemployed persons moved from cities to suburbs which are known for a less expensive cost of living. With New Jersey being a central location for major cities, the residential housing market in the state was deeply affected. As the rates of migration from cities into New Jersey suburbs rose and manufacturing of new homes halted due to production costs, the supply became unable to keep up with the demand and the inflation rates were elevated. There are clear ways to calculate real estate inventory with the most common being the average “months’ supply” of homes that are listed; the “months’ supply” is defined as the number of residential properties for sale and how many months it would take for them to be successfully sold under the current pace of the market. “In New Jersey, as of August, there is 2.7 months’ supply of inventory statewide, according to New Jersey Realtors” [The NJ Towns Where The Housing Market May Be Cooling The Most, NJ.com](#).

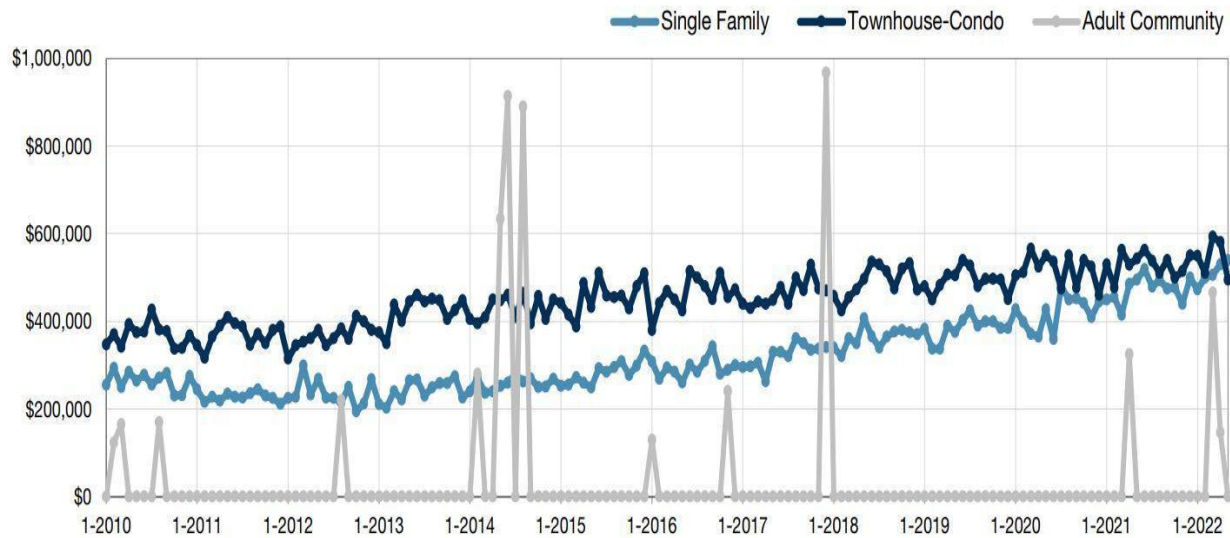
## **Inflation in New Jersey real estate**

The purpose of this section of the paper is to highlight the inflation in New Jersey real estate that is due to a fluctuating economy and a fleeting supply of residential homes that are in high demand. As we come to the end of the pandemic, the Federal Reserve is reintroducing familiar mortgage rates, implementing foreclosures, and ending the COVID Relief for Renters. This leaves many people questioning whether the New Jersey real estate market is still abnormal and if so, what is going to happen to property taxes? With the rise in value, reassessments of real estate are going to potentially increase property taxes and raise the threat of foreclosures for the most vulnerable markets; the property data firm ATOM projected that “Essex, Ocean, Passaic, Sussex, Union, Camden and Gloucester Counties are among the nation's 50 most vulnerable housing markets” [NJ Housing Market, thepatch.com](#). The problem lies in the inability of homeowners to liquidate their equity due to the increase in mortgage rates and the inventory shortage that is inhibiting a majority of people from selling their homes and purchasing a new one with their real estate equity.

## **Your Home’s New ‘Value’**

The increase in value that was found within the inflation allowed many homeowners to take advantage of real estate equity that would have typically taken much longer to accumulate. Unfortunately, this value is intangible unless the home is sold, and another residential property is found in its place, or the mortgage is refinanced. With low inventory and rising interest rates, many owners have decided against selling or refinancing altogether. The typical value of middle priced tier homes in New Jersey as of May 2022 is \$461,990. These prices are high and the characteristics of these property prices are incomparable to pre-pandemic prices. “New Jersey home values have gone up 15.8% over the past year” [New Jersey Housing Market Trends 2022](#). As current listings are averaging only 41 days on the market, Ocean and Monmouth real estate listings are on the market for an average of 7 days. With the significant acceleration in the residential real estate market, some homeowners have cashed out on hundreds of thousands of dollars thanks to the demand of the inventory crisis. For those who were not able to sell and buy, the equitable property value that is unable to be liquidated will raise property taxes without any benefits.

## Historical Median Sales Price by Property Type By Month



### Understanding How Property Taxes are Calculated

The conversation around property taxes in New Jersey is always a volatile one, as the state population continues to express their disdain for the continuously rising taxes. The repercussions of the current economy affect the state's property taxes because of the increase in value that has not yet been reflected in property taxes. The calculation of property taxes in New Jersey are dictated by the value of a home, which is affected by values of home sales in the surrounding areas, to ensure that the population is paying an equivalent share for the location. The value of a home is found in a Comparative Market Analysis, which seems like a fair way for the taxpayers to fund their share. Unfortunately, the current fluctuation in the economy has affected the values of properties that have not been sold and in turn, equity has not been liquidated. This is a major concern for buyers and sellers across the state as "almost three-fourths [of sellers] ... see property taxes as ... a major factor for clients. [54%] say they have had buyers who could afford the mortgage payments on a house they liked, but the property taxes made the monthly payment too high" [New Jersey Realtors Poll](#).

## **Revaluations of Property Taxes**

A revaluation of a real property is the assessment to find the full and fair value that a property would sell for by October 1st of the pre-tax year; this is to occur every five years in New Jersey. “The revaluation firm is required to mail each taxpayer a notice advising (property owners) of the new appraised value prior to the new value being officially listed on a tax list. This usually occurs after November 10 and prior to December 31” [New Jersey Division of Taxation, What is Revaluation?](#) Information that has an influence on a property’s assessment is collected and examined to make the determination of what constitutes a full and fair value. This increase in taxes is governed by the monetary needs of the municipalities for “operations of county and local governments and support of the local school systems” [New Jersey Division of Taxation, What is Revaluation?](#) Unfortunately, the maintenance costs of the municipality tend to increase every year, and a tax rate cannot be struck until the operating costs for schools, county and local government are fixed [New Jersey Division of Taxation, What is Revaluation?](#) Although the assessment comes as no surprise to many, the problem lies in the spike in inequitable property values which are being reflected through property taxes. Inflation in the housing market for the past two years has been negatively affecting many households who are unable to liquidate their equity.

### **Is there anything we can do?**

If a taxpayer is not content with the proposed reassessment of the property, there are a few routes to take to communicate their disagreement with the corresponding municipality. One may participate in a “personal informal hearing to review the proposed assessment” [New Jersey Division of Taxation, What is Revaluation?](#) where they will be required to provide a comparative market analysis that represents the indication of the home's true value. Thereafter, a schedule of appeals will be prepared and presented to the County Board of Taxation and then to the State Tax Court within 45 days of the county judgment. In the unique case of the 2022 real estate Market, the comparative market analysis will project the home to be worth much more than the buyer paid for it due to the inflated sales in their area, which highlights the problematic nature of this current economy. There seems to be no way to develop a true value because the taxpayers are being taxed

on an imaginary value that is arguably impossible to strategically liquidate. Many housing values have increased by 10-15% in the last two years alone.

### **Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)**

In efforts to fight the rising property taxes, Governor Murphy recently implemented the *Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)* program that will help alleviate tax bills for qualified residents who has lived in their primary residence since October 1st, 2019. Included in this are homeowners who have recently moved. They will also be eligible for the tax relief as long as they owned the home in New Jersey on October 1st, 2019. “Payments will be ... sent no later than May 2023 to allow time for application processing and validation. Payments will not be subject to federal or State income tax” [Murphy Administration Encourages ANCHOR Application, NJ.Gov](#). It is hoped that this program will provide long term assistance to homeowners and renters, “[providing] direct relief to over 1 million homeowners and 900,000 renters” [Murphy Administration Encourages ANCHOR Application, NJ.Gov](#).


### **In Conclusion: What Happens When the Market Drops?**

With many homeowners having lived through the housing market crisis of 2008, they have similar expectations for the current housing market. Unfortunately, experts are veering away from this conclusion as they defend the idea that the market may be slowing, but it is not crashing. We are currently seeing a small increase in real estate listings and a minor decrease in showings of these properties, which symbolizes a relative balance in the market but there has not been a decrease in property value. The increased equity in New Jersey real estate is going to affect property taxes once revaluation of property value is assessed; however the increase in equity is not able to be liquidated unless the seller significantly downsizes or moves out of state. The Federal Reserve has increased mortgage rates in efforts to tighten the economy and slow down the inflated currency, which has brought rates to 6-7%, similar to what they were before the pandemic. Unfortunately, the supply and demand crisis is still very much apparent and many homeowners will be affected by the increase in property taxes without being able to utilize their equity. Nevertheless, the

slowdown of the market is good news for everyone as buyers will have more options within the properties that are listed for sale and sellers will still be holding appreciating assets.

## New Jersey real estate trends (May 2022)


### How is the real estate market in New Jersey?


 Average home value: \$471,719

 0.32% home value increase month over month

 Median sale price: \$474,600

 41 days on the market

 Homes on the market: 17,660

 1.3 months of housing inventory

 30-year mortgage rate: 5.44000%

 Average income: 85245

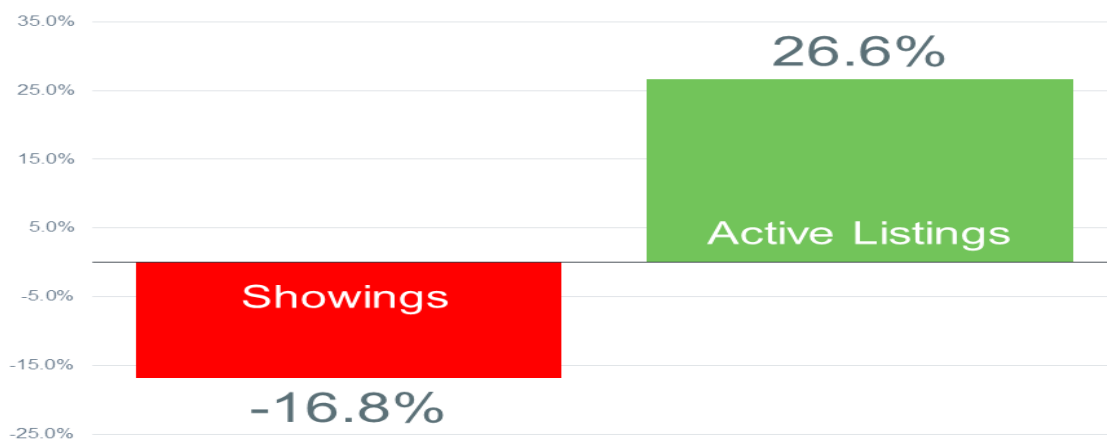
### State of the market: A-

The New Jersey market is hot, and it may continue to heat up even further. The competitive sales prices are a major factor in homes selling quickly — turning over in less than a month of hitting the market — but inventory is starting to increase and values are slowly falling, which may turn the tide.

*\*Data last updated May 2022*

## Supply & Demand Ratio Changing Quickly

Year-Over-Year Comparisons





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